

First quarter GDP for the UK will be revised upwards as falling unemployment figures did not suggest a return to recession, says Ian Kernohan, economist at Royal London Asset Management.

Kernohan said that the latest small downward revision to Q1 GDP left more questions than answers.

He said: "I would still bet on these numbers being revised up at some stage in the future although significant revisions sometimes take a few years to materialise.

"In contrast to GDP estimates, labour market data are not subject to such large revisions and the latest figures present a picture of falling unemployment and rising employment. Granted much of the rise is in part-time employment but even allowing for this the figures do not suggest a return to recession."

Kernohan added that looking ahead, the recent decline in headline inflation had been quite sharp and further falls should lift some pressure from household finances with interest rates set to remain at rock bottom for years rather than months.