

Main Economic & Financial Indicators (UK)

Economic Research Office  
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Overview Consumption

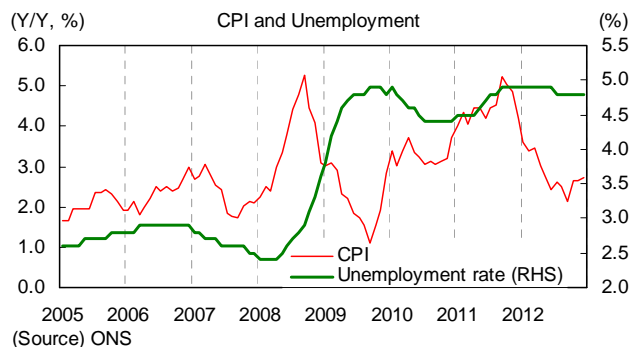
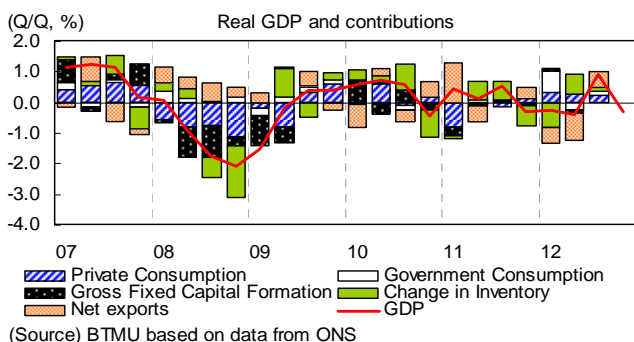
The UK economy went into a negative growth again. Real GDP growth in Q4 contracted by 0.3% q/q, down from 0.9% q/q growth in Q3. Aside from significant decline in the mining and quarrying sector owing to maintenance work, this was in large part owing to the unwinding of the boost from the Olympics which served to flatter Q3 growth. Reflecting this, the services sector contributed negatively to the overall growth in Q4 due to its dropping out of the one-off factors, related to the Olympics which benefited, among others, the hotel and restaurant industries. Detailed breakdown of this figure has not yet been released. However, considering the ongoing fiscal austerity measures and the deteriorating employment environment, strong growth in private consumption cannot be expected. However, it should be noted that the PMI for the manufacturing sector in December stood at a 15 month high of 51.4, pointing to a much awaited rebound in the sector.

Retail sales volumes in December contracted by 0.1% m/m, a slight slowdown from November's flat reading. This was due to a decline in sales of household goods by 3.0% m/m from a growth of 4.0% m/m in November. Looking at consumer sentiment, the reading for December came in at -17.0 from -14.1 in November, suggesting that sustainable growth in private consumption cannot be expected.

Labour Market, Prices

**Labour markets:** The unemployment rate (claimant count) in December remained flat at 4.8% for the sixth consecutive month. Although the number of claimants decreased by approximately 12,100 from November, the number of claimants who are unemployed for more than 24 months increased significantly by 95.9% y/y, suggesting harsh employment conditions.

**Prices:** The consumer price index in December rose by 2.7% y/y, following a pick-up seen in November. This was due to the price increases for electricity and gas and food products which were affected by the poor harvest.



Output

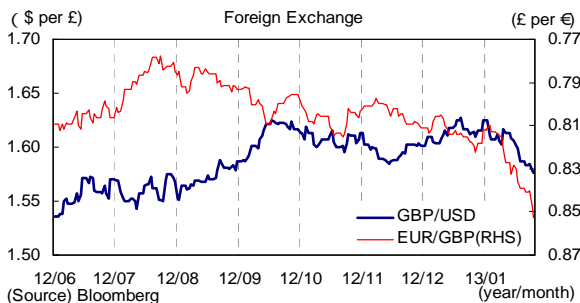
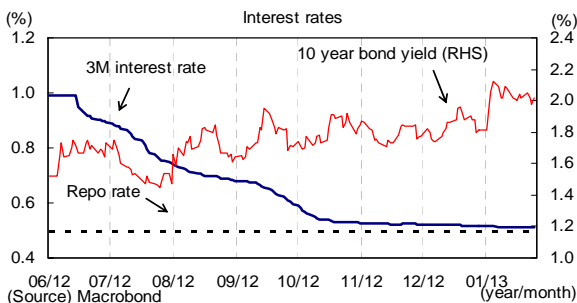
The growth rate of industrial production in November increased by 0.3% m/m, up from a decline of 0.9% m/m in October. On the back of this, there was an increase in the mining and quarrying sector by 8.7% m/m, up from a decline of 4.3% m/m in October. In September and October, there was a significant decline in oil and gas extraction due to maintenance work, but November saw a rebound by 11.3% m/m.

Interest Rates, Foreign Exchange Markets

**Policy Rate:** At its MPC meeting in January 9 ~ 10, the BoE decided to keep the repo rate at 0.50% and to maintain the size of the asset purchase programme at £375bn. The minutes released on 23 January revealed that there was a disagreement among MPC members over the impact of the recovery on inflation. Of note here is the fact that David Miles supported further asset purchases amounting to £25bn, which if realised would take the total asset purchases up to £400bn. He insisted that given the current economic situation and the persistence of an output gap, the higher output growth can be achieved without causing any inflationary pressure.

**Market rate (December-):** Long-term government bond yields started at 1.82%. Reflecting growing political uncertainties in Italy, bond yields shifted down to 1.74%. However, expectations that the 'fiscal cliff' negotiations in the US would go smoothly and the decision by S&P to raise Greece's credit rating sent the bond yields up to 1.96% on December 19. More recently, however, renewed concerns over the delay in the 'fiscal cliff' negotiations sent bond yields down to 1.80%. In January, with growing questions as to whether the BOE would extend the size of its asset purchase programme and lesser worries over the US 'fiscal cliff' and other external matters, this caused a decrease in demand for UK government bonds, sending bond yields up to 2.12%. However, in late January, the downward revision to the world economic outlook by the IMF fuelled concerns over the slowdown in the economy again, causing bond yields to shift down again, finishing at around 2.0%.

**Foreign Exchange Market (December-):** The exchange rate of sterling against the US dollar started at US\$1.60. The US dollar then depreciated, reflecting the announcement by the FRB that it would adopt additional quantitative easing measures in the US and uncertainties over the 'fiscal cliff' negotiations. Then, growing expectation of progress with regards to the US' 'fiscal cliff' caused an appreciation of the US dollar, though this was short-lived, leading to a depreciation of dollar. In January, improving macro data for the US and the fact that the 'fiscal cliff' was avoided at least for now led the dollar to appreciate. Thereafter, however, as Draghi's positive comment that the Eurozone economy would recover gradually caused a sell-off in the dollar, this caused the pound to appreciate. Then, concerns over the UK economy and its relationship with the EU caused a sell-off in the pound, leading the pound to shift downwards to around US\$1.58. Elsewhere, sterling's value against the euro started at £0.811. Downward revision to the Eurozone's economic forecasts at the ECB's December meeting heightened expectations of a rate reduction, causing the euro to depreciate. However, in January, as expectations of an ECB rate reduction abated and there was a marked improvement in sentiment towards countries such as Spain, sterling saw its value against the euro consistently depreciate.



## 1. Annual and quarterly data

		10	11	12	2011/Q4	2012/Q1	Q2	Q3	Q4
Real GDP Growth *		1.8	0.9	-	-0.3 0.9	-0.2 0.2	-0.4 -0.3	0.9 0.0	-0.3 0.0
Real business investment		-0.4	3.2	-	2.6 7.7	-2.7 6.9	1.4 3.6	3.8 5.1	- -
Industrial Production *		2.1	-0.7	-	-1.3 -2.7	-0.3 -2.9	-0.9 -2.7	0.7 -1.8	- -
	Manufacturing	3.8	2.0	-	-1.0 -0.4	-0.2 -1.3	-1.0 -2.4	0.7 -1.5	- -
Confidence (% , balance)	Manufacturing	-4.5	-1.8	-6.7	-12.3	-4.5	-8.6	-8.1	-5.5
	Consumer	-11.6	-21.4	-20.1	-24.4	-21.7	-22.5	-18.8	-17.6
Retail Sales Volume *		-0.4	0.5	1.3	1.1 1.2	0.4 1.4	-0.2 0.8	1.0 2.3	-0.6 0.6
Claimant Count *	(000s)	1,496.4	1,534.1	1,586.7	1,595.6	1,606.1	1,596.1	1,576.3	1,568.1
	(% change on previous term)	-2.0	2.5	3.4	1.4	0.7	-0.6	-1.2	-0.5
Unemployment rate *	(%)	4.5	4.7	4.8	4.9	4.9	4.9	4.8	4.8
Average Earnings *	(YoY, %)	2.4	2.5	-	2.1	0.6	1.8	1.9	-
Producer Prices	Output Prices	4.2	5.6	2.8	0.3 5.4	0.9 3.9	0.9 2.7	0.1 2.2	0.4 2.3
	Input Prices	9.9	15.4	1.3	0.1 12.3	2.0 6.6	-2.0 -0.4	-0.8 -0.8	0.9 0.1
Consumer Price Index	CPI	3.3	4.5	2.8	1.0 4.6	0.3 3.5	0.8 2.8	0.2 2.4	1.2 2.7
	RPI	4.6	5.2	3.2	1.0 5.1	0.4 3.8	1.1 3.1	0.4 2.9	1.2 3.1
	RPIX (excluding mortgage interest payments)	4.8	5.3	3.2	1.1 5.3	0.4 3.8	1.1 3.2	0.3 2.9	1.2 3.0
House Price (HBOS Index)		3.0	-2.6	-0.5	-0.6 -1.8	0.3 -0.8	-0.4 -0.4	-0.5 -1.2	0.9 0.3
Visible exports	Whole World (GBP mln)	265,708	299,073	-	76,894	76,590	73,742	75,257	-
	(YoY, %)	16.5	12.6	-	9.7	3.7	-0.8	1.7	-
	Outside the EU ( GBP mln )	140,978	157,778	-	39,448	38558.0	36,611	36,998	-
	(YoY, %)	13.7	11.9	-	5.4	-0.1	-9.1	-6.2	-
Visible imports	Whole World (GBP mln)	364,217	399,301	-	101,751	102,124	101,650	100,888	-
	(YoY, %)	17.1	9.6	-	5.6	5.6	2.5	-0.8	-
	Outside the EU(GBP mln)	184,593	200,772	-	50,998	51,208	50,415	50,806	-
	(YoY, %)	14.1	8.8	-	5.6	4.1	2.2	-0.9	-
Visible balance	Whole World (GBP mln)	-98,509	-100,228	-	-24,857	-25,534	-27,908	-25,631	-
	Outside the EU (GBP mln)	-43,615	-42,994	-	-11,550	-12,650	-13,804	-13,808	-
Current Account*	(GBP mln)	-37,284	-20,437	-	-5,646	-11,800	-17,433	-12,834	-
Money Supply	M4 : (YoY, %)	-1.5	-2.5	-	-2.5	-4.8	-5.4	-3.7	-
Public sector net cash requirement	(GBP mln)	3,807	-34,646	-123,835	-12,288	-34,824	-34,854	-34,542	-19,615
Foreign reserves **	(US\$ bln)	68.34	79.27	-	79.27	82.43	84.37	87.90	-
Repo rate	(%)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3M interest rates	(%)	0.70	0.88	0.83	1.02	1.07	0.99	0.73	0.53
10-Y UK government bond yields		3.5866	3.0325	1.8834	2.2745	2.1611	1.8877	1.6755	1.8105
USD/GBP exchange rate		1.5459	1.6043	1.5853	1.5727	1.5718	1.5829	1.5807	1.6058
GBP/Euro exchange rate		0.86	0.87	0.81	0.86	0.83	0.81	0.79	0.81
JPY/GBP exchange rates		135.58	127.88	126.61	121.62	124.81	126.77	124.28	130.55
Effective exchange rate ****		80.38	79.93	83.06	80.30	81.23	83.21	84.12	83.68

Note : The upper line is the quarterly percentage change, the lower line is the annual percentage change unless otherwise indicated

Unemployment rate =unemployed total / total labour force

Money supply, foreign reserves : End-period figures

Repo rates are end-period figures, other interest rates and exchange rates are period averages.

\* seasonally adjusted, \*\* excluding Gold, \*\*\*\* 1990 = 100

Sources : Office for National Statistics etc

## 2. Monthly data

		2012/05	6	7	8	9	10	11	12	
Real GDP Growth *		No figures for a monthly basis								
		1.1	-2.4	3.0	-0.5	-2.1	-0.9	0.3	-	
Industrial Production		-1.6	-4.1	-1.0	-1.2	-3.2	-3.0	-2.4	-	
* Manufacturing		1.4	-3.0	3.1	-1.2	0.0	-1.3	-0.3	-	
		-1.4	-4.3	-1.0	-1.8	-1.7	-2.0	-2.1	-	
Confidence		-13.8	-10.9	-3.1	-13.0	-8.3	-2.7	-9.5	-4.2	
(% , balance)		-21.8	-21.2	-18.3	-18.7	-19.3	-21.6	-14.1	-17.0	
Retail Sales Volume		1.4	0.4	0.2	-0.1	0.5	-0.9	0.0	-0.1	
*		1.8	2.2	2.1	2.5	2.3	0.6	0.9	0.3	
Claimant Count *		(000s)	1,598	1,599	1,586	1,571	1,572	1,578	1,569	1,557
		(MoM, %)	0.4	0.1	-0.9	-0.9	0.1	0.4	-0.6	-0.8
Unemployment rate *			4.9	4.9	4.8	4.8	4.8	4.8	4.8	4.8
Average Earnings *		(YoY, %)	1.8	1.3	1.5	2.3	1.8	1.3	1.3	-
		Headline rate								
		(3 month average)	1.7	1.8	1.6	1.7	1.8	1.8	1.5	-
Producer Prices		Output Prices	-0.3	-0.6	0.1	0.5	0.5	0.2	-0.3	-0.1
			2.8	2.0	1.8	2.3	2.5	2.6	2.1	2.2
		Input Prices	-2.6	-2.1	0.2	2.0	0.1	0.2	0.1	-0.2
			0.1	-2.2	-2.6	1.2	-0.8	0.2	-0.1	0.3
Consumer Price Index		CPI	-0.1	-0.4	0.1	0.5	0.4	0.5	0.2	0.5
			2.8	2.4	2.6	2.5	2.2	2.7	2.7	2.7
		RPI	0.0	-0.2	0.1	0.4	0.5	0.6	0.0	0.5
			3.1	2.8	3.2	2.9	2.6	3.2	3.0	3.1
		RPIX (excluding mortgage interest payments)	0.0	-0.3	0.1	-0.4	0.5	0.5	0.1	0.4
			3.1	2.8	3.2	2.9	2.6	3.1	2.9	3.0
House Price (HBOS Index)		(MoM, %)	0.4	0.8	-0.7	-0.5	-0.4	-0.1	1.6	1.3
		(3M average YoY, %)	-0.1	-0.5	-0.6	-0.9	-1.2	-1.7	-1.3	-0.3
Visible exports		Whole World (GBP mln)	25,844	23,932	25,885	24,680	24,692	24,101	24,809	-
		(YoY, %)	2.3	-1.9	3.0	0.8	1.2	-8.2	-1.7	-
		Outside the EU ( GBP mln )	12,621	11,976	12,559	12,362	12,077	11,993	13,069	-
		(YoY, %)	-9.0	-9.4	-6.2	-4.8	-7.6	-10.6	0.6	-
Visible imports		Whole World (GBP mln)	33,848	33,716	33,008	34,749	33,131	33,588	33,973	-
		(YoY, %)	0.0	0.7	-3.1	-5.4	-4.3	-2.2	-1.6	-
		Outside the EU(GBP mln)	16,862	16,576	16,845	17,407	16,554	16,950	17,695	-
		(YoY, %)	-1.4	1.4	-1.7	4.9	-5.6	0.2	2.3	-
Visible balance		Whole World (GBP mln)	-8,004	-9,784	-7,123	-10,069	-8,439	-9,487	-9,164	-
		Outside the EU (GBP mln)	-4,241	-4,600	-4,286	-5,045	-4,477	-4,957	-4,626	-
Current Account*		(GBP mln)	No figures for a monthly basis							
Money Supply		M4 : (YoY, %)	-4.3	-5.4	-4.8	-4.2	-3.7	-3.1	-2.8	-
Public sector net cash requirement			-7,237	-803	-24,627	-9,391	-524	-14,407	-6,507	1,299
Foreign reserves **			84.59	84.37	85.97	86.88	87.90	89.74	89.35	-
Repo rate			0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3M interest rates			1.00	0.95	0.82	0.70	0.65	0.54	0.52	0.52
10-Y UK government bond yields			1.8722	1.6686	1.5482	1.7170	1.7680	1.8022	1.7900	1.8410
USD/GBP exchange rate			1.5913	1.5558	1.5605	1.5716	1.6109	1.6074	1.5962	1.6134
GBP/Euro exchange rate			0.8042	0.8067	0.7879	0.7889	0.7992	0.8072	0.8039	0.8130
Yen/GBP exchange rate			126.77	123.40	123.28	123.68	125.93	126.99	129.32	135.29
Effective exchange rate ****			83.83	83.15	84.04	84.06	84.27	83.68	83.73	83.62

Note : The upper line is the monthly percentage change, the lower line is the annual percentage change unless otherwise indicated

Unemployment rate =unemployed total / total labour force

Money supply, foreign reserves : End-period figures

Repo rates are end-period figures, other interest rates and exchange rates are period averages.

\* seasonally adjusted, \*\* excluding Gold, \*\*\* 1990=100

Sources : Office for National Statistics etc

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