

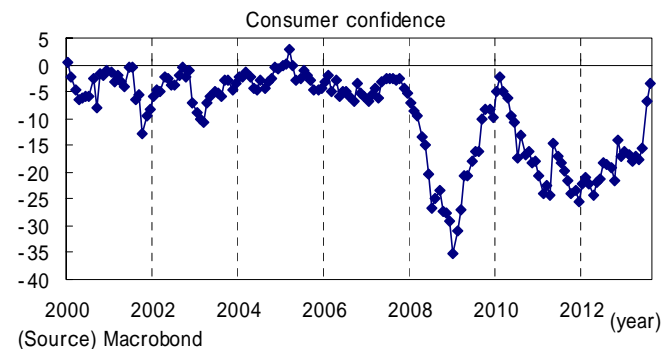
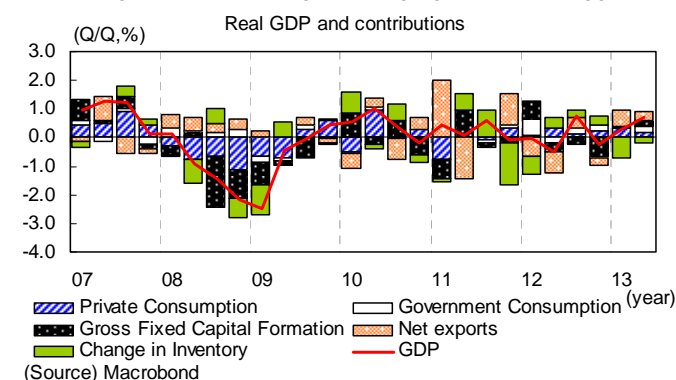
Main Economic & Financial Indicators (UK)

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Overview **Consumption**

The UK economy is on a recovery path. Real GDP growth in Q2 accelerated to 0.7% q/q. Looking at the components of GDP by expenditure, private consumption increased by 0.4% q/q, growing positively for the seventh consecutive quarter. Gross fixed capital formation also showed positive growth for the second consecutive quarter, reflecting the growth in housing investment. Also exports increased for the first time in three quarters. Net export contributed 0.3% points to overall growth. Improvement in both household and business confidence and recovery in housing market have been a key driving force. Growth in housing prices is accelerating, especially thanks to the Bank of England's Funding for Lending Scheme (FLS) and the first stage of the government's Help to Buy scheme which started in April 2013. On the other hand, incoming data relating to the labour market has been somewhat more mixed. The unemployment rate has been decreasing, while new hiring and wage growth are sluggish.

Retails sales in July increased by 1.1% m/m, which means positive growth for the third consecutive month. A breakdown of this figure reveals that there was an increase of 2.5% in sales at supermarkets which ran a wide range of successful campaigns to take advantage of the good summer weather. This increase pushed up the overall retail sales. Consumer confidence index in August stood at -3.5, which was in line with the average figure during the pre-Lehman Shock period. Also buyers' motive for purchasing high-price goods such as home electric appliances and furniture increased.



Output **Labour Markets, Prices**

Industrial production in July remained flat from June, partly reflecting a normalisation after recording a significant increase of 1.3% m/m in June. Output in the manufacturing sector increased by 0.2% m/m in June and 0.2% m/m in July. The PMI for the sector in August stood at 57.2, which was as high as the level recording 2.5 years ago, and also indicated further expansion in the output. Not only did domestic new orders significantly increase, but orders from overseas rose. Looking at the PMIs for other sectors, the service sector stood at 60.5, the highest level since December 2006. The construction sector at 59.1, the highest level since September 2007.

Labour Markets, Prices

The unemployment rate (claimant count) in July stood at 4.3%, which is a further decrease from the previous month and was the lowest level since February 2009 (According to the ILO measure, the figure stood at 7.8%). On the other hand, growth in the number of employees (three-month backward moving average) has been somewhat disappointing, decreasing by 42,000 m/m in May and increasing by 63,000 m/m in June. Also average earning growth remained at a low level, rising by only 0.6%.

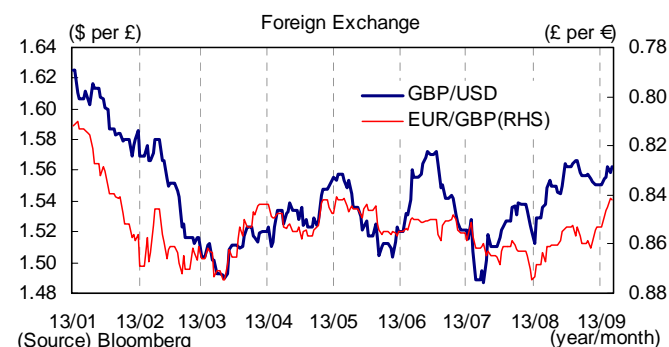
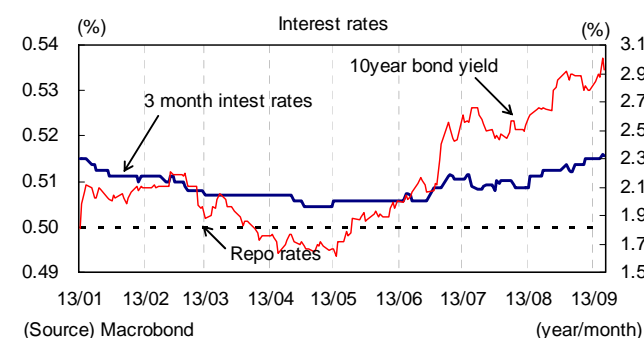
The consumer price index in July increased by 2.8% y/y, down by 0.1% point from June. While the rate of increase in air fares, entertainment and culture, clothes and footwear shrank, an increase in petrol cost accelerated. Looking ahead, a high inflation rate is more likely to continue because of a rise in import prices owing to weak sterling, an increase in university fees (due in October, 2013) as well as higher oil prices caused by tensions in Syria.

Interest Rates, Foreign Exchange Markets

Policy Rate: On September 4th-5th, the Bank of England (BOE)'s Monetary Policy Committee (MPC) decided to keep its policy rate unchanged at 0.50% and the size of its QE programme at £375bn. It also agreed to reinvest the £1.9bn of cash flows associated with the redemption of the September 2013 gilt held in the Asset Purchase Facility.

Market rate (August-): Long-term government bond yields started at 2.59% in August. Yields then rose to 2.92% on the 19th, reflecting an improvement in the UK's economic performance. Then, they declined towards the end of August due to risk aversion reflecting the situation in Syria. However, they subsequently rose beyond 3% for the first time in about two years, reflecting increased expectation that the BOE would have to raise its policy rate sooner than was being assumed under its forward guidance policy.

Foreign Exchange Market (August-): Sterling's value against the US dollar started at US\$1.512 in August. It then appreciated to US\$1.56 on the 20th, reflecting the improvement in the UK's economic performance. It has been hovering at around that level since, despite the upward pressure on the US dollar owing to growing expectation that the US Fed would soon start reducing the size of its QE programme. The Euro's value against Sterling remained at just over £0.84 at the beginning of September, which was similar to level of May.



1. Annual and quarterly data

	10	11	12	2012/Q2	Q3	Q4	2013/Q1	Q2
Real GDP Growth *	1.7	1.1	0.2	-0.5 0.0	0.7 0.1	-0.2 0.0	0.3 0.3	0.7 1.5
Real business investment	-0.7	-1.3	1.8	-4.8 -0.7	-0.4 0.1	-10.3 -8.8	-1.9 -16.5	-
Industrial Production *	2.8	-1.2	-2.4	-1.1 -2.4	0.4 -1.7	-2.2 -3.3	0.3 -2.6	0.7 -0.8
Manufacturing	4.2	1.8	-1.7	-1.3 -2.2	0.6 -1.3	-1.7 -2.5	-0.2 -2.6	0.7 -0.6
Confidence (% , balance)	-4.5	-1.8	-6.7	-8.6	-8.1	-5.5	-9.0	-9.3
Consumer	-11.6	-21.4	-20.1	-22.5	-18.8	-17.6	-17.0	-16.7
Retail Sales Volume *	-0.5	0.3	1.0	-0.5 0.5	0.7 1.9	-0.5 0.2	0.4 0.1	1.1 1.7
Claimant Count * (000s)	1,496.4	1,534.2	1,585.2	1,593.5	1,574.1	1,564.9	1,536.5	1,495.7
(% change on previous term)	-2.1	2.5	3.3	-0.9	-1.2	-0.6	-1.8	-2.7
Unemployment rate *	4.6	4.7	4.7	4.7	4.7	4.6	4.7	4.5
(Claimant count base, %)	7.8	8.1	7.9	8.0	7.8	7.8	7.8	7.8
(ILO base, %)	2.4	2.4	1.4	1.5	1.9	1.3	0.6	2.1
Average Earnings * (YoY, %)	4.2	5.6	2.8	0.9 2.7	0.1 2.2	0.4 2.3	0.7 2.1	0.2 1.4
Producer Prices	9.9	15.4	1.4	-2.0 -0.3	-0.8 -0.8	1.0 0.2	3.5 1.6	-1.8 1.8
Output Prices	3.3	4.5	2.8	0.8 2.8	0.3 2.4	1.2 2.7	0.4 2.8	0.7 2.7
Input Prices	4.6	5.2	3.2	1.1 3.1	0.4 2.9	1.2 3.1	0.6 3.3	1.0 3.1
Consumer Price Index	4.8	5.3	3.2	1.1 3.1	0.3 2.9	1.2 3.0	0.6 3.2	0.9 3.1
RPIX (excluding mortgage interest payments)	3.0	-2.6	-0.6	-0.5 -0.5	-0.5 -1.2	0.9 -0.3	1.3 1.1	2.1 3.7
House Price (HBOS Index)	265,243	298,421	300,459	73,944	75,769	74,534	75,924	78,429
Visible exports	16.5	12.5	0.7	-0.1	2.5	-3.2	-0.4	6.1
Whole World (GBP mln)	140,814	157,486	149,668	36,739	37,271	37,490	38,125	38,160
Outside the EU (GBP mln)	13.8	11.8	-5.0	-8.4	-5.3	--5.5	-0.1	3.9
(YoY, %)	363,828	398,513	409,157	101,846	102,243	102,733	102,115	103,714
Visible imports	17.1	9.5	2.7	3.4	0.5	0.9	-0.2	1.8
Whole World (GBP mln)	184,480	200,415	206,515	50,966	51,593	52,568	53,124	53,084
Outside the EU (GBP mln)	14.2	8.6	3.0	3.6	0.8	3.2	3.4	4.2
(YoY, %)	-98,585	-100,092	-108,698	-27,902	-26,474	-28,199	-26,191	-25,285
Visible balance	-43,666	-42,929	-56,847	-14,227	-14,322	-15,078	-14,999	-14,924
Whole World (GBP mln)	-40,012	-22,475	-59,210	-17,819	-15,252	-13,617	-14,512	-
Outside the EU (GBP mln)	-1.5	-2.4	-1.0	-5.5	-3.8	-1.0	0.2	1.5
Current Account* (GBP mln)	16,649	8,006	16,879	-332	15,457	16,879	23,218	-988
Money Supply M4 : (YoY, %)	68.34	79.27	88.60	84.37	87.90	88.60	88.37	90.16
Public sector net cash requirement (GBP mln)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Foreign reserves ** (US\$ bln)	0.70	0.88	0.83	0.99	0.73	0.53	0.51	0.51
Repo rate (%)	3.59	3.03	1.88	1.89	1.68	1.81	2.01	1.91
3M interest rates (%)	1.55	1.60	1.59	1.58	1.58	1.61	1.55	1.53
10-Y UK government bond yields	0.86	0.87	0.81	0.81	0.79	0.81	0.85	0.85
USD/GBP exchange rate	135.58	127.88	126.61	126.77	124.28	130.55	143.23	152.29
GBP/Euro exchange rate	80.34	79.91	82.94	83.09	83.99	83.54	80.39	80.49
JPY/GBP exchange rates								
Effective exchange rate ****								

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

		2013/01	2	3	4	5	6	7	8
Real GDP Growth *		No figures for a monthly basis							
		-1.0	0.9	0.0	-0.1	0.0	1.3	0.0	-
Industrial Production		-3.3	-2.4	-2.0	-1.4	-2.3	1.4	-1.6	-
* Manufacturing		-1.4	0.4	0.9	-0.3	-0.7	2.0	0.2	-
		-3.9	-2.1	-1.7	-1.0	-2.9	2.1	-0.7	-
Confidence		-9.9	-9.1	-8.0	-8.0	-7.7	-12.3	-5.0	-0.1
(% , balance)		-16.2	-16.8	-18.1	-17.0	-17.5	-15.5	-6.9	-3.5
Retail Sales Volume		-0.8	2.1	-0.6	-0.6	1.9	0.2	1.1	-
* (000s)		-1.0	2.2	-0.7	1.1	1.9	1.9	3.0	-
Claimant Count *		1,543.3	1,538.0	1,528.1	1,516.3	1,500.1	1,470.7	1,441.5	-
(MoM, %)		-0.7	-0.3	-0.6	-0.8	-1.1	-2.0	-2.0	-
Unemployment rate * (Claimant count base, %)		4.6	4.6	4.6	4.5	4.5	4.4	4.3	-
(ILO base, %)		7.8	7.9	7.8	7.8	7.8	7.8	-	-
Average Earnings * (YoY, %)		1.0	0.9	-0.2	3.9	1.8	0.6	-	-
Headline rate (3 month average)		1.2	1.1	0.6	1.5	1.8	2.1	-	-
Producer Prices									
Output Prices		0.4	0.7	0.2	-0.2	-0.1	0.1	0.2	-
		2.1	2.3	1.9	1.0	1.2	2.0	2.1	-
Input Prices		1.4	2.8	0.1	-2.4	-0.7	0.2	1.1	-
		1.9	2.2	0.7	-0.2	1.6	4.0	5.0	-
Consumer Price Index									
CPI		-0.5	0.7	0.3	0.2	0.2	-0.2	0.0	-
		2.7	2.8	2.8	2.4	2.7	2.9	2.8	-
RPI		-0.4	0.7	0.4	0.3	0.2	-0.1	0.0	-
		3.3	3.2	3.3	2.9	3.1	3.3	3.1	-
RPIX (excluding mortgage interest payments)		-0.4	0.7	0.4	0.3	0.2	-0.1	0.0	-
		3.3	3.2	3.2	2.9	3.1	3.3	3.2	-
House Price (HBOS Index)									
(MoM, %)		-0.3	0.5	0.4	1.1	0.5	0.7	0.9	0.4
(3M average YoY, %)		1.3	1.9	1.1	2.0	2.6	3.7	4.6	5.4
Visible exports									
Whole World (GBP mln)		25,013	24,885	26,026	25,799	25,799	26,831	24,800	-
(YoY, %)		-1.8	1.0	-0.2	7.5	-1.1	12.4	-5.5	-
Outside the EU (GBP mln)		12,504	12,877	12,744	12,485	12,925	12,750	12,922	-
(YoY, %)		-0.1	1.7	-1.8	3.6	1.6	6.5	0.8	-
Visible imports									
Whole World (GBP mln)		33,046	33,805	35,264	34,132	34,580	35,002	34,653	-
(YoY, %)		-2.4	0.7	1.0	-0.5	1.3	4.8	3.3	-
Outside the EU (GBP mln)		17,097	17,516	18,511	17,377	17,609	18,098	18,230	-
(YoY, %)		0.3	3.7	6.0	1.2	2.7	8.7	6.2	-
Visible balance									
Whole World (GBP mln)		-8,033	-8,920	-9,238	-8,333	-8,781	-8,171	-9,853	-
Outside the EU (GBP mln)		-4,593	-4,639	-5,767	-4,892	-4,684	-5,348	-5,308	-
Current Account* (GBP mln)		No figures for a monthly basis							
Money Supply M4 : (YoY, %)		-1.5	-2.4	-1.0	-5.5	-3.8	-1.0	0.2	1.5
Public sector net cash requirement		16,649	8,006	16,879	-332	15,457	16,879	23,218	-988
Foreign reserves **		68.34	79.27	88.60	84.37	87.90	88.60	88.37	90.16
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	0.99	0.73	0.53	0.51	0.51
10-Y UK government bond yields		3.59	3.03	1.88	1.89	1.68	1.81	2.01	1.91
USD/GBP exchange rate		1.55	1.60	1.59	1.58	1.58	1.61	1.55	1.53
GBP/Euro exchange rate		0.86	0.87	0.81	0.81	0.79	0.81	0.85	0.85
Yen/GBP exchange rate		135.58	127.88	126.61	126.77	124.28	130.55	143.23	152.29
Effective exchange rate ****		80.34	79.91	82.94	83.09	83.99	83.54	80.39	80.49

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

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