

Main Economic & Financial Indicators (UK)

Economic Research Office
 (Mayko Kurk, mayko.kurk@uk.mufg.jp)

Overview **Consumption**

The UK economy is regaining dynamism. Real GDP growth in Q2 accelerated to 0.7% q/q from 0.4% q/q in Q1. Also since July, the PMIs for the manufacturing, construction and services sectors have remained well above the neutral mark 50, which indicates economic expansion in the relevant sectors. In particular, the services sector, which accounts for 77.8% of total output, remained beyond 60 for three months in a row. Considering these positive PMIs, real GDP growth in Q3 could possibly accelerate even more than in Q2. Looking at the housing market, the second stage of the government's Help to Buy scheme was introduced in October, 2013, which is likely to advance the economic recovery even further. Meanwhile, improvement in consumer confidence is helping to spur private consumption. However, the disparity between inflation and wage growth is still large, which keeps suppressing household real purchasing power.

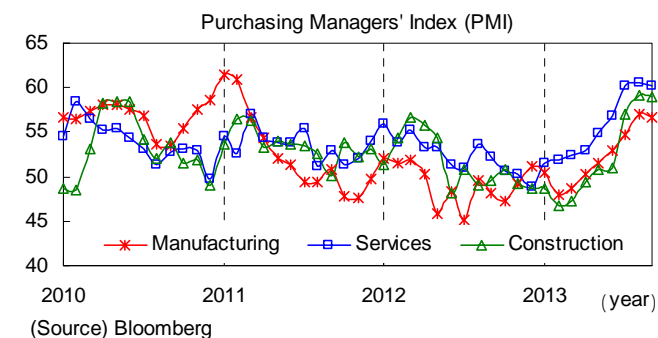
Retail sales in August fell by 0.9% m/m after an increase of 1.1% m/m in July against the backdrop of the fine summer weather. This was the first negative reading in the last four months. A breakdown of this figure reveals that a decrease of 2.7% in sales of food mainly contributed to the overall decline in retail sales. On the other hand, the consumer confidence index in September stood at -1.0, which is as high as the reading in July, 2005. According to this survey, prospects for the overall economy have improved.

Output

Industrial production in August decreased by 1.1% m/m after positive growth for two months. Output in the manufacturing sector declined by 1.2% m/m after an increase of 0.2% m/m in July. In particular, output of pharmaceutical products and electronic & optical products fell. Looking ahead, the PMI for the manufacturing sector in September stood at 56.7. Although it is slightly lower than 57.2 in August, it remained above the neutral mark of 50 for the sixth consecutive month. Considering this, industrial production activity is likely to remain on the recovery path.

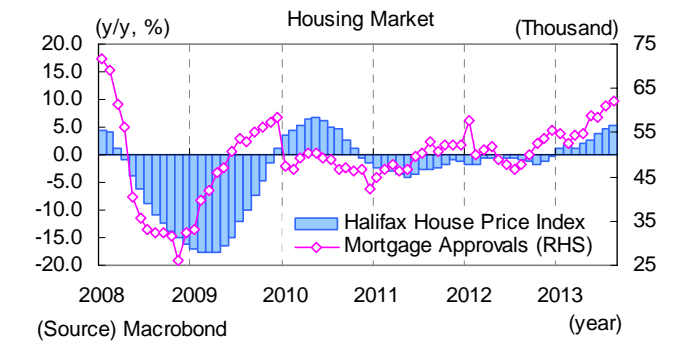
Housing Market

The number of mortgages approved in August, 2013 stood at 62,226, which is more than 30% increase from August, 2012 and the highest level since almost the last five and half years. Looking at house prices, readings for the major house price indices also have been growing on a year-on-year basis since the beginning of 2013. Now that the second stage of the government's Help to Buy scheme has been introduced, house prices are projected to continue rising. Some people are even concerned about recurrence of a housing bubble.



Labour Markets, Prices

The unemployment rate (claimant count) in August stood at 4.2%, which means a decrease for the third consecutive month (According to the ILO measure, the figure stood at 7.7%). Growth in the number of employees (three-month backward moving average) decreased from 63,000 m/m in June to 59,000 m/m in July. Also average earning growth in July remained at a low level, rising by only 0.6% y/y. The consumer price index in August rose by 2.7% y/y, down by 0.1% point from July. Prices of furniture, household equipment and maintenance increased, while those of transport and clothing decreased. Looking ahead, there is a growing concern that geopolitical risks around Middle East and North Africa region could still push up oil prices. Due to these risks, the inflation rate might escalate.

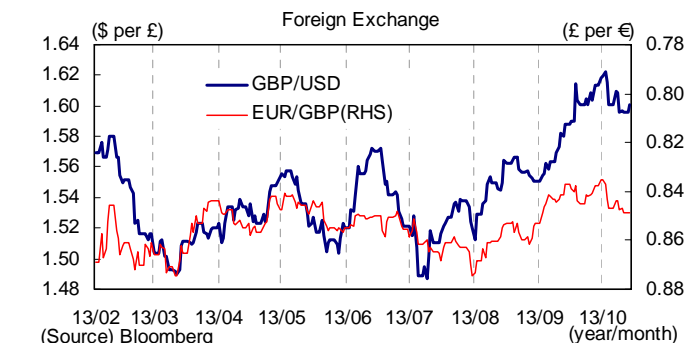
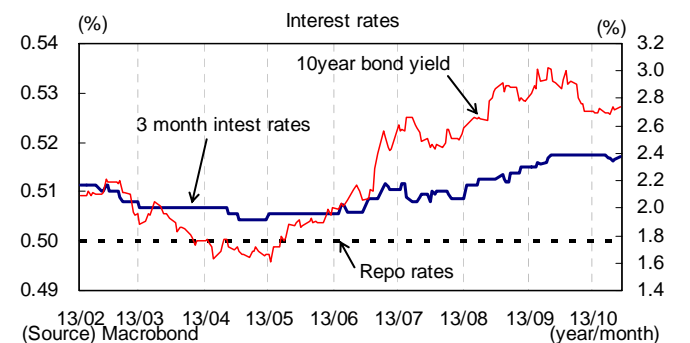


Interest Rates, Foreign Exchange Markets

Policy Rate: At its meeting in October, 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.

Market rate (September-): Long-term government bond yields started at 2.84% in September. Yields then rose and hovered at around 3% on the 10th, reflecting the BOE's decision on September 5th to keep the size of its QE programme unchanged and reflecting the reduced possibility of a US attack against Syria. Subsequently, yields have come down somewhat at around 2.7% reflecting growing expectation that the US Fed would keep the size of its QE programme intact for a while due to the closure of a large part of the US government since October 1st.

Foreign Exchange Market (September-): Sterling's value against the US dollar started at US\$1.55 in September. It then appreciated to US\$1.615 on the 18th after the US Fed delayed tapering its QE programme at its FOMC meeting on September 17th-18th, and after the minutes of the BOE's September meeting revealed that all the members of the MPC had agreed on the un必要性 of further economic stimulus measures. It continued appreciating to US\$1.62 on October 2nd due to advanced dollar-selling reflecting the closure of part of the US government since October 1st. However, it then depreciated, reflecting market expectation that agreement on a rise in the US debt ceiling would be reached, and is hovering at around US\$1.59



1. Annual and quarterly data

	10	11	12	2012/Q2	Q3	2013/Q1	Q2	Q3
Real GDP Growth *	1.7	1.1	0.1	0.6 0.0	-0.3 -0.2	0.4 0.2	0.7 1.3	-
Real business investment	1.7	-1.3	2.6	-1.0 1.8	-6.6 -3.7	1.7 -8.2	-2.7 -8.5	-
Industrial Production *	2.8	-1.2	-2.5	0.1 -2.0	-2.0 -3.4	0.5 -2.5	0.8 -0.7	-
Manufacturing	4.2	1.8	-1.7	0.4 -1.5	-1.6 -2.6	0.0 -2.7	0.9 -0.4	-
Confidence (% , balance)								
Manufacturing	-4.5	-1.8	-6.7	-8.1	-5.5	-9.0	-9.3	1.4
Consumer	-11.6	-21.4	-20.1	-18.8	-17.6	-17.0	-16.7	-3.8
Retail Sales Volume *	-0.5	0.3	1.0	0.8 2.0	-0.6 0.2	0.4 0.1	1.1 1.7	-
Claimant Count * (000s)	1,496.4	1,534.2	1,585.2	1,574.1	1,564.9	1,536.5	1,495.7	-
(% change on previous term)	-2.1	2.5	3.3	-1.2	-0.6	-1.8	-2.7	-
Unemployment rate *								
(Claimant count base, %)	4.6	4.7	4.7	4.7	4.6	4.7	4.5	-
(ILO base, %)	7.8	8.1	7.9	7.8	7.8	7.8	7.8	-
Average Earnings * (YoY, %)	2.4	2.4	1.4	1.9	1.3	0.6	2.2	-
Producer Prices								
Output Prices	4.2	5.6	2.8	0.1 2.2	0.4 2.3	0.7 2.1	0.2 1.4	-
Input Prices	9.9	15.4	1.4	-0.8 -0.8	1.0 0.2	3.5 1.6	-1.8 1.8	-
Consumer Price Index								
CPI	3.3	4.5	2.8	0.3 2.4	1.2 2.7	0.4 2.8	0.7 2.7	-
RPI	4.6	5.2	3.2	0.4 2.9	1.2 3.1	0.6 3.3	1.0 3.1	-
RPIX (excluding mortgage interest payments)	4.8	5.3	3.2	0.3 2.9	1.2 3.0	0.6 3.2	0.9 3.1	-
House Price (HBOS Index)	3.0	-2.6	-0.6	-0.3 -1.2	0.7 -0.3	1.3 1.1	2.1 3.7	1.8 6.2
Visible exports								
Whole World (GBP mln)	265,243	298,421	300,459	73,944	75,769	75,924	78,429	-
(YoY, %)	16.5	12.5	0.7	-0.1	2.5	-0.4	6.1	-
Outside the EU (GBP mln)	140,814	157,486	149,668	36,739	37,271	38,125	38,160	-
(YoY, %)	13.8	11.8	-5.0	-8.4	-5.3	--0.1	3.9	-
Visible imports								
Whole World (GBP mln)	363,828	398,513	409,157	101,846	102,243	102,115	103,714	-
(YoY, %)	17.1	9.5	2.7	3.4	0.5	-0.2	1.8	-
Outside the EU (GBP mln)	184,480	200,415	206,515	50,966	51,593	53,124	53,084	-
(YoY, %)	14.2	8.6	3.0	3.6	0.8	3.4	4.2	-
Visible balance								
Whole World (GBP mln)	-98,585	-100,092	-108,698	-27,902	-26,474	-26,191	-25,285	-
Outside the EU (GBP mln)	-43,666	-42,929	-56,847	-14,227	-14,322	-14,999	-14,924	-
Current Account* (GBP mln)	-40,012	-22,475	-59,842	-15,192	-15,140	-21,765	-12,989	-
Money Supply M4 : (YoY, %)	-1.5	-2.4	-1.0	-3.8	-1.0	0.2	1.5	-
Public sector net cash requirement (GBP mln)	16,193	6,861	16,609	15,154	16,609	22,830	-1,425	-
Foreign reserves ** (US\$ bln)	68.34	79.27	88.60	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	0.73	0.53	0.51	0.51	0.51
10-Y UK government bond yields	3.59	3.03	1.88	1.68	1.81	2.01	1.91	2.72
USD/GBP exchange rate	1.55	1.60	1.59	1.58	1.58	1.55	1.54	1.55
GBP/Euro exchange rate	0.86	0.87	0.81	0.81	0.79	0.85	0.85	0.86
JPY/GBP exchange rates	135.58	127.88	126.61	126.77	124.28	143.23	151.80	153.39
Effective exchange rate ****	80.34	79.91	82.94	83.99	83.54	80.39	80.49	81.18

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

		2013/02	3	4	5	6	7	8	9
Real GDP Growth *		No figures for a monthly basis							
		0.9	0.1	-0.1	0.0	1.4	0.1	-1.1	-
Industrial Production		-2.3	-1.9	-1.4	-2.2	1.6	-1.1	-1.5	-
* Manufacturing		0.4	1.2	-0.2	-0.7	2.0	0.2	-1.2	-
		-2.3	-1.6	-0.8	-2.7	2.4	-0.3	-0.2	-
Confidence		-9.1	-8.0	-8.0	-7.7	-12.3	-5.0	-0.1	9.2
(% , balance)		-16.8	-18.1	-17.0	-17.5	-15.5	-6.9	-3.5	-1.0
Retail Sales Volume		2.2	-0.6	-0.6	1.9	0.2	1.1	-0.9	-
*		2.2	-0.7	1.1	2.0	2.0	3.0	2.1	-
Claimant Count *		(000s) 1,538.0	1,528.1	1,516.3	1,500.1	1,470.7	1,434.4	1,401.8	-
		(MoM, %) -0.3	-0.6	-0.8	-1.1	-2.0	-2.5	-2.3	-
Unemployment rate *		(Claimant count base, %) 4.6	4.6	4.5	4.5	4.4	4.3	4.2	-
		(ILO base, %) 7.9	7.8	7.8	7.8	7.8	7.7	-	-
Average Earnings *		(YoY, %) 0.9	-0.2	3.9	1.8	1.0	0.6	-	-
		Headline rate 1.1	0.6	1.5	1.8	2.2	1.1	-	-
		(3 month average)							
Producer Prices		Output Prices 0.7	0.2	-0.2	-0.1	0.1	0.2	0.1	-
		2.3	1.9	1.0	1.2	2.0	2.1	1.6	-
		Input Prices 2.8	0.1	-2.4	-0.7	0.2	1.2	-0.2	-
		2.2	0.7	-0.2	1.6	4.0	5.1	2.8	-
Consumer Price Index		CPI 0.7	0.3	0.2	0.2	-0.2	0.0	0.4	-
		2.8	2.8	2.4	2.7	2.9	2.8	2.7	-
		RPI 0.7	0.4	0.3	0.2	-0.1	0.0	0.5	-
		3.2	3.3	2.9	3.1	3.3	3.1	3.3	-
		RPIX (excluding mortgage interest payments) 0.7	0.4	0.3	0.2	-0.1	0.0	0.5	-
		3.2	3.2	2.9	3.1	3.3	3.2	3.3	-
House Price (HBOS Index)		(MoM, %) 0.5	0.4	1.1	0.5	0.7	0.9	0.3	0.3
		(3M average YoY, %) 1.9	1.1	2.0	2.6	3.7	4.6	5.4	6.2
Visible exports		Whole World (GBP mln) 24,885	26,026	25,799	25,799	26,831	24,800	25,079	-
		(YoY, %) 1.0	-0.2	7.5	-1.1	12.4	-5.5	1.2	-
		Outside the EU (GBP mln) 12,877	12,744	12,485	12,925	12,750	12,922	-	-
		(YoY, %) 1.7	-1.8	3.6	1.6	6.5	0.8	-	-
Visible imports		Whole World (GBP mln) 33,805	35,264	34,132	34,580	35,002	34,741	34,704	-
		(YoY, %) 0.7	1.0	-0.5	1.3	4.8	3.6	-0.9	-
		Outside the EU(GBP mln) 17,516	18,511	17,377	17,609	18,098	18,230	-	-
		(YoY, %) 3.7	6.0	1.2	2.7	8.7	6.2	-	-
Visible balance		Whole World (GBP mln) -8,920	-9,238	-8,333	-8,781	-8,171	-9,941	-9,625	-
		Outside the EU (GBP mln) -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	-3.8	-1.0	0.2	1.5	-
Public sector net cash requirement		16,193	6,861	16,609	15,154	16,609	22,830	-1,425	-
Foreign reserves **		68.34	79.27	88.60	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	0.73	0.53	0.51	0.51	0.51
10-Y UK government bond yields		3.59	3.03	1.88	1.68	1.81	2.01	1.91	2.72
USD/GBP exchange rate		1.55	1.60	1.59	1.58	1.58	1.55	1.54	1.55
GBP/Euro exchange rate		0.86	0.87	0.81	0.81	0.79	0.85	0.85	0.86
Yen/GBP exchange rate		135.58	127.88	126.61	126.77	124.28	143.23	151.80	153.39
Effective exchange rate ****		80.34	79.91	82.94	83.99	83.54	80.39	80.49	81.18

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

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Sources : Office for National Statistics etc

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