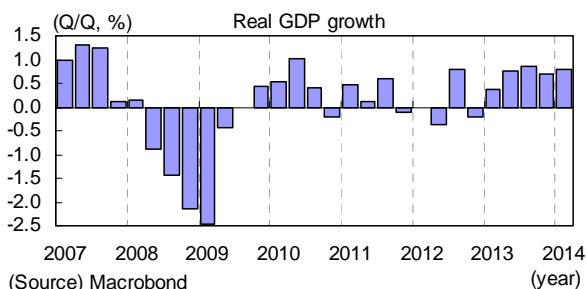


**Main Economic & Financial Indicators (UK)**

Economic Research Office  
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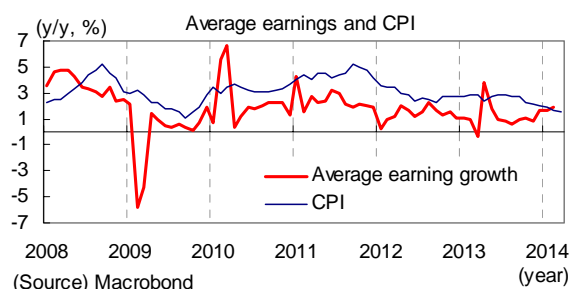
**Overview**

UK economic growth remains strong. Fresh estimates of real GDP growth in Q1 came in at 0.8% q/q, accelerating by 0.1% point from the previous quarter and recording five consecutive quarters of positive growth. The figures of the GDP expenditure components have not been announced yet. However, private consumption is likely to have continued leading this growth. Looking at the contribution of industries, the services sector for financial institutions and companies contributed the most with 0.3% points. Restaurants, cafes and distributors contributed 0.2% points. Looking at the Purchasing Managers' Index (PMI) for April, the composite PMI stood at 59.2, which was far above the average from January to March, 58.2. Thus, the UK economy is likely to continue expanding robustly.



**Labour Markets, Prices**

The unemployment rate (claimant count) stood at 3.4% in March, recording a decrease for eleven consecutive months (according to the ILO measure, the figure stood at 6.9% in January). The number of employees (three-month backward moving average) increased by 239,000 m/m in February. Average earning growth increased by 1.9% y/y in February, up from 1.7% y/y in January. The Consumer Price Index rose by 1.6% y/y in March, down from 1.7% y/y in February. This was led by a deceleration of price rises for clothes & footwear and furniture & household goods, as well as a fall in petrol costs. Conversely, the price appreciation of restaurants & hotels and alcohol & tobacco accelerated. Looking ahead, inflation is likely to hover around 2.0% for the time being, considering the continuing soft tone in oil prices, the recent strength of sterling and the slow appreciation of food prices. In February, average earning growth exceeded inflation for the first time in the last ten months. Improvements in consumer purchasing power are likely to contribute to an expansion of the UK economy.



**Consumption**

Retail sales rose by 0.1% m/m in March, decelerating from 1.3% m/m in February but remaining positive for the second consecutive month. This was mainly led by rises in automotive fuel sales by 4.8% m/m, clothes & footwear by 3.1% m/m and household goods by 0.4% m/m, while a decline in sales was seen in food by 1.4% m/m and non-store retail sales by 2.2% m/m. Meanwhile, the Consumer Confidence Index continued to improve in April and stood at 5.7, an improvement of 2.4 points from March and the highest level in the last sixteen years.

**Housing Market**

Growth of the Halifax House Price Index remained strong in April and stood at 8.5% y/y. However, the pace is slowing down on a m/m basis for the third consecutive month. The number of mortgages approved in March stood at 67,135, decreasing for two consecutive months after recording 76,251 in January. It also recorded the smallest number since September 2013. Meanwhile, the PMI for the residential constructors stood at 63.9 in April, being considerably lower than its peak of 67.3 in January but remaining far above the neutral mark of 50, which indicates strong expansion in the sector. The housing market seems to be calming down slightly, however its growth remains strong as a whole.

**Output**

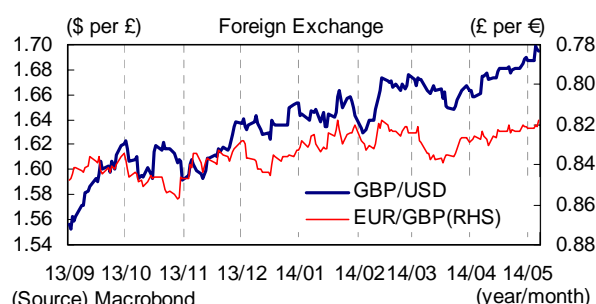
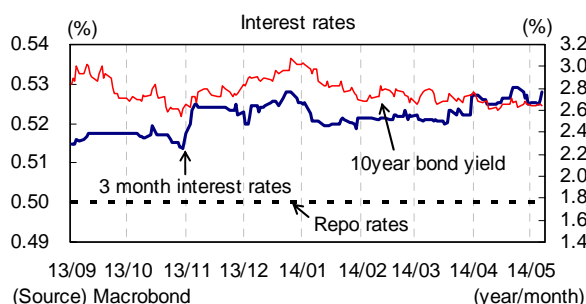
Industrial production shrunk by 0.1% m/m in March, down from a positive figure of 0.8% m/m in February. This was primarily led by a fall in mining & quarrying by 2.8% m/m. Output in the manufacturing sector grew by 0.5% m/m. Output fell in wood & paper products and machineries, while a rise in output was particularly seen in electric devices and petroleum products. Looking ahead, the PMI for the manufacturing sector stood at 57.3 in April, up from 55.8 in March and the highest level in the last five months. The breakdown of this figure reveals that the pace of both output and new orders accelerated. Also, the PMI for the services sector rose to 58.7 in April from 57.6 in March.

**Interest Rates, Foreign Exchange Markets**

**Policy Rate:** At its meeting in May, 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. The latest economic outlook of the MPC will be presented in the Inflation Report, due to be published on the 14<sup>th</sup> of this month.

**Market rate (April-):** Long-term government bond yields started around 2.75% in April. They then fell to 2.60% due to an increase in demand for these relatively safe benchmark government bonds, reflecting the growing tensions in Ukraine. Subsequently, the yields followed the rising trend of German benchmark government bond yields, reflecting the improved Eurozone Consumer Confidence Index in April. Due to this, the yields reached 2.71% at one point. They then followed a falling trend after minutes of the BoE's MPC meeting in April revealed that the BoE assessed the upward pressure on inflation as still mild. The yields are currently hovering around 2.65%.

**Foreign Exchange Market (April-):** Sterling's value against the US dollar started around US\$1.66 in April. It then followed an appreciating trend, reflecting a series of favourable UK economic indicators including industrial production, the unemployment rate and retail sales in March, as well as the PMI for the services sector in April. In the financial market there is a growing expectation that the BoE will raise its interest rate ahead of the US Fed and the ECB. Sterling's value against the US dollar is currently at the highest level since mid-2009. The effective exchange rate is the highest since the end of 2008.



## 1. Annual and quarterly data

		11	12	13	2013/Q1	Q2	Q3	Q4	2014/Q1
Real GDP Growth *		1.1	0.3	1.7	0.4 0.5	0.8 1.7	0.8 1.8	0.7 2.7	0.8 3.1
Real business investment		-1.3	3.9	-1.2	2.8 -6.8	0.9 -3.5	2.4 -1.7	2.4 8.7	- -
Industrial Production *		-1.2	-2.4	-0.3	0.4 -2.4	0.7 -0.7	0.6 -0.4	0.5 2.2	0.7 2.5
	Manufacturing	1.8	-6.7	-2.1	-0.2 -2.8	0.6 -0.9	0.8 -0.6	0.6 1.8	1.4 3.5
Confidence (% , balance)	Manufacturing	-1.8	-6.7	-2.1	-8.7	-8.9	1.8	7.5	4.4
	Consumer	-21.4	-20.1	-10.1	-17.0	-16.7	-3.8	-2.8	2.1
Retail Sales Volume *		0.3	1.0	1.6	0.2 -0.1	0.9 1.3	1.5 2.1	0.6 3.2	0.9 3.8
Claimant Count *	(000s)	1,534.2	1,585.2	1,424.3	1,536.5	1,495.7	1,391.8	1,273.2	1,174.6
	(% change on previous term)	2.5	3.3	-10.2	-1.8	-2.7	-6.9	-8.5	-7.7
Unemployment rate *	(Claimant count base, %)	4.7	4.7	4.3	4.7	4.5	4.1	3.7	3.7
	(ILO base, %)	8.1	7.9	7.6	7.8	7.8	7.6	7.2	-
Average Earnings *	(YoY, %)	2.5	1.4	1.2	0.6	2.2	0.8	1.2	-
Producer Prices	Output Prices	4.7	2.1	1.3	0.0 0.0	0.0 0.0	0.4 1.5	-0.4 0.9	0.3 0.6
	Input Prices	14.5	2.8	2.6	0.0 0.0	0.0 0.0	-0.2 2.5	-1.7 -0.6	-1.4 -5.1
Consumer Price Index	CPI	4.5	3.2	3.1	0.4 0.6	0.7 0.3	0.3 2.7	0.6 2.1	0.1 1.7
	RPI	5.2	3.2	3.0	1.6 3.3	1.3 -1.9	0.5 3.2	0.6 2.6	0.6 2.6
	RPIX (excluding mortgage interest payments)	5.3	3.2	3.1	1.5 0.4	1.5 0.7	0.5 3.2	0.7 2.7	0.6 2.7
House Price (HBOS Index)		-2.6	-0.6	4.7	2.8 0.6	2.7 1.0	1.8 6.2	2.1 7.5	2.4 8.7
Visible exports	Whole World (GBP mln)	298,421	300,457	304,728	76,180	78,442	74,837	72,040	-
	(YoY, %)	12.5	0.7	1.4	-0.4	6.2	0.2	-5.4	-
	EU (GBP mln)	158,764	151,062	153,559	38,642	38,675	37,148	35,803	-
	(YoY, %)	11.9	-4.9	1.7	-0.1	4.3	--2.0	-7.3	-
Visible imports	Whole World (GBP mln)	398,513	409,157	412,525	102,135	103,887	101,558	98,739	-
	(YoY, %)	9.5	2.7	0.8	-0.5	2.0	-1.1	-3.3	-
	EU (GBP mln)	201,988	208,184	218,260	53,860	53,705	55,156	52,519	-
	(YoY, %)	8.6	3.1	4.8	3.6	4.5	4.3	-2.5	-
Visible balance	Whole World (GBP mln)	-100,092	-108,700	-107,797	-25,955	-25,445	-26,721	-26,699	-
	EU (GBP mln)	-43,224	-57,122	-64,701	-15,218	-15,030	-18,008	-16,716	-
Current Account*	(GBP mln)	-22,475	-59,657	-71,078	-16,470	-9,418	-22,830	-22,360	-
Money Supply	M4 : (YoY, %)	-2.6	-1.0	0.2	0.3	1.6	2.5	0.2	-0.3
Public sector net cash requirement	(GBP mln)	6,861	16,609	15,897	22,830	-1,425	6,297	15,897	15,724
Foreign reserves **	(US\$ bln)	79.27	88.60	92.40	88.37	90.16	93.28	92.40	97.27
Repo rate	(%)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3M interest rates	(%)	0.88	0.83	0.51	0.51	0.51	0.51	0.52	0.52
10-Y UK government bond yields		3.03	1.88	2.36	2.01	1.91	2.72	2.78	2.78
USD/GBP exchange rate		1.60	1.59	1.57	1.55	1.54	1.55	1.62	1.66
GBP/Euro exchange rate		0.87	0.81	0.85	0.85	0.85	0.86	0.84	0.83
JPY/GBP exchange rates		127.88	126.61	152.86	143.23	151.80	153.39	162.80	170.13
Effective exchange rate ****		79.93	82.95	81.41	80.40	80.48	81.18	83.55	85.61

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

	2013/09	10	11	12	41640	1900/01	3	4	
Real GDP Growth *	No figures for a monthly basis								
	0.8	0.2	-0.2	0.5	-0.1	0.8	-0.1	-	
Industrial Production	1.9	2.8	2.0	1.9	2.8	2.5	2.3	-	
* Manufacturing	1.2	0.2	-0.2	0.4	0.3	1.0	0.5	-	
	0.1	2.0	2.1	1.4	3.3	3.9	3.3	-	
Confidence	9.6	2.3	11.3	8.8	5.9	6.0	1.3	8.0	
(%, balance)	-1.0	-2.1	-2.9	-3.3	1.0	2.0	3.3	5.7	
Retail Sales Volume	0.9	-0.8	0.2	2.7	-1.7	1.3	0.1	-	
* (000s)	2.2	1.8	1.8	5.4	4.0	3.3	4.2	-	
Claimant Count *	1,348.1	1,305.3	1,271.0	1,243.3	1,209.4	1,172.4	1,142.0	-	
(MoM, %)	-3.2	-3.2	-2.6	-2.2	-2.7	-3.1	-2.6	-	
Unemployment rate *	4.0	3.9	3.8	3.7	3.6	3.5	3.4	-	
(Claimant count base, %)	7.6	7.4	7.1	7.2	7.2	6.9	-	-	
(ILO base, %)	0.9	1.1	0.8	1.7	1.7	1.9	-	-	
Average Earnings *	0.8	0.9	0.9	1.2	1.4	1.7	-	-	
(YoY, %)									
Headline rate									
(3 month average)									
Producer Prices	0.0	-0.3	-0.2	0.0	0.3	0.1	0.2	-	
Output Prices	1.2	0.8	0.8	1.0	0.9	0.6	0.5	-	
Input Prices	-0.9	-0.4	-0.6	0.3	-0.9	-0.5	-0.6	-	
	1.0	0.0	-0.9	-0.9	-2.9	-5.8	-6.5	-	
Consumer Price Index	0.4	0.1	0.1	0.4	-0.6	0.5	0.2	-	
CPI	2.7	2.2	2.1	2.0	1.9	1.7	1.6	-	
RPI	0.4	0.0	0.1	0.5	-0.3	0.6	0.2	-	
	3.2	2.6	2.6	2.7	2.8	2.7	2.5	-	
RPIX (excluding mortgage interest payments)	0.4	0.0	0.1	0.5	-0.4	0.7	0.3	-	
	3.2	2.7	2.7	2.8	2.8	2.7	2.5	-	
House Price (HBOS Index)	0.4	0.9	-0.5	1.2	2.5	-1.2	-1.2	-0.2	
(MoM, %)	6.2	7.7	7.5	7.3	7.9	8.7	8.7	8.5	
(3M average YoY, %)									
Visible exports	24,994	24,884	24,695	25,258	23,936	23,473	24,631	-	
Whole World (GBP mln)	1.3	2.4	-0.7	-1.1	-5.5	-5.6	-5.2	-	
(YoY, %)	12,623	12,268	12,223	12,657	11,987	11,546	12,270	-	
EU (GBP mln)	3.7	0.8	-8.2	1.8	-6.3	-11.1	-4.6	-	
(YoY, %)	35,167	34,360	34,278	32,920	33,408	32,222	33,109	-	
Visible imports	4.8	0.5	0.6	-4.5	1.2	-4.9	-6.1	-	
Whole World (GBP mln)	18,828	18,506	18,652	17,998	17,536	17,425	17,558	-	
EU (GBP mln)	10.6	4.6	3.7	4.5	0.5	-1.7	-6.1	-	
(YoY, %)	-10,173	-9,476	-9,583	-7,662	-9,472	-8,749	-8,478	-	
Visible balance	-6,205	-6,238	-6,429	-5,341	-5,549	-5,879	-5,288	-	
EU (GBP mln)									
Current Account* (GBP mln)	No figures for a monthly basis								
Money Supply	2.5	2.5	2.8	0.2	-0.1	0.9	-0.3	-	
M4 : (YoY, %)	6,297	-10,714	7,369	15,897	-19,397	15	15,724	-	
Public sector net cash requirement	93.28	93.76	93.87	92.40	92.60	93.83	97.27	-	
Foreign reserves **	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	
Repo rate	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.53	
3M interest rates	2.89	2.68	2.74	2.92	2.86	2.74	2.72	2.67	
10-Y UK government bond yields	1.59	1.61	1.61	1.64	1.64	1.66	1.66	1.67	
USD/GBP exchange rate	0.84	0.85	0.84	0.84	0.83	0.82	0.83	0.82	
GBP/Euro exchange rate	157.31	157.35	161.29	169.71	172.25	169.00	170.12	171.60	
Yen/GBP exchange rate	82.74	82.68	83.57	84.44	85.46	85.79	85.59	86.22	
Effective exchange rate ****									

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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