

Main Economic & Financial Indicators UK

10 DECEMBER 2014

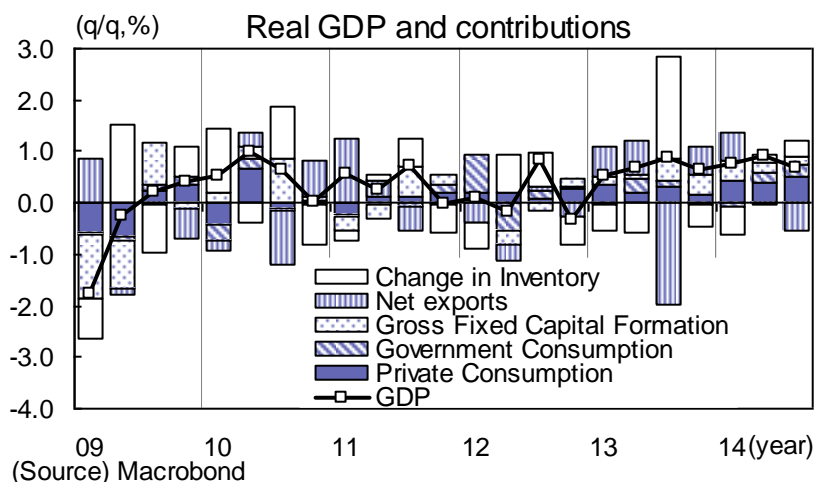
AKIKO DARVELL
ASSOCIATE ECONOMIST
ECONOMIC RESEARCH OFFICE (LONDON)
T +44-(0)20-7577-1591
E akiko.darvell@uk.mufg.jp

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
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Overview

Although the UK's economic momentum has somewhat softened, the economy has remained robust. Real GDP growth in Q3 slowed to 0.7% q/q from 0.9% q/q in the previous quarter. A breakdown of this figure reveals that private consumption led overall growth. While imports grew, supported by growth in private consumption, exports have decreased, reflecting the deceleration in Europe. As a result, net exports made a negative contribution to overall growth. Business investment decreased by 0.7% q/q after increasing for the last four quarters on the back of better economic and financing conditions. That being said, business investment growth in the previous quarter was particularly high at 3.3% q/q.

Looking ahead, output is likely to remain robust. The Purchasing Managers' Index (PMI) for the manufacturing sector has been rising for two months in a row, supported by the increase in domestic demand. That being said, export orders have been shrinking for three months in a row, reflecting the deceleration in the European economy, which suggests that it will be a drag on output growth. Consumer confidence has been declining due to uncertainties over the prospects of households' financial situations as expectations rise that the Bank of England (BoE) is set to raise its interest rate. That being said, consumer confidence is still higher than the historic average, while a recent survey suggested that the retail sector's business confidence remains at a relatively healthy level. Adding to this, earnings growth has been picking up, albeit still at a moderate pace, alongside the improvement in unemployment. In light of these circumstances, it is likely that consumer spending will remain resilient.



Output

Industrial production rose by 0.6% m/m in September. Meanwhile, the PMI for the manufacturing sector edged up to 53.5 in November. New orders rose as domestic orders increased. Employment also increased. That being said, downward risks remain as import orders continued to decrease, reflecting the weak European economy.

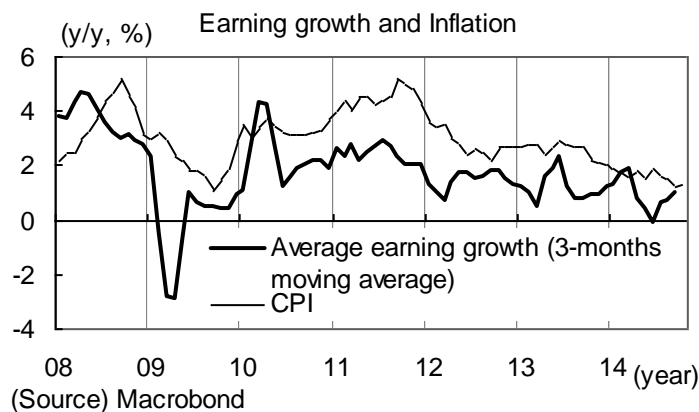
Consumption

Retail sales rose by 0.8% m/m in October. As consumer confidence is still above the historic average and the CBI's retail sector business confidence survey remained relatively optimistic, private consumption is likely to be resilient.

Meanwhile, the unemployment rate (ILO measure) remained at 6.0% while the growth rate of gross wage (3-months moving average) picked up slightly, from 0.7% y/y in August to 1.0% in October.

Prices

The Consumer Price Index was up by 1.3% y/y in October from 1.2% y/y in September. The core inflation rate, which excludes energy and food prices, was unchanged at 1.5% y/y. The BoE stated in its latest inflation report published in November that the inflation rate could drop below 1% at some point over the next six months, reflecting the impact of lower food, energy and import prices.

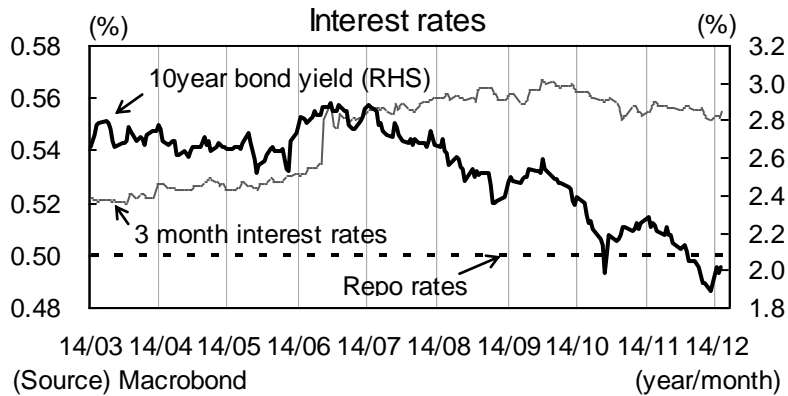


Interest Rates, Foreign Exchange Markets

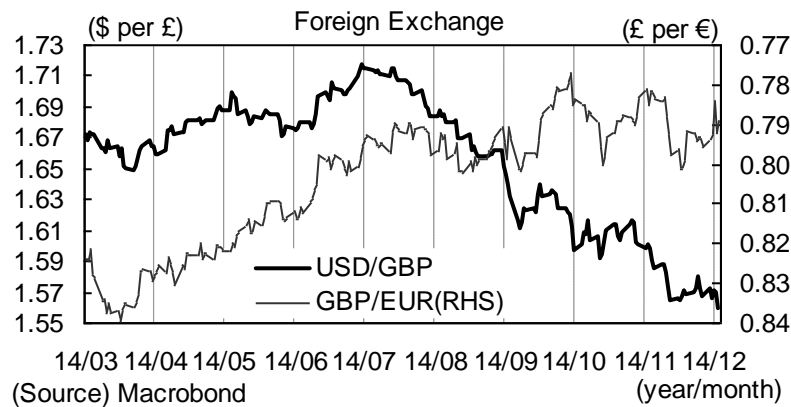
Policy Rate: At its meeting in December, the BoE's Monetary Policy Committee decided to keep its policy rate unchanged at 0.50% and the size of its QE programme at £375bn. In its November inflation report, the BoE revised its inflation forecasts. It foresees that inflation will rise by 1.2% y/y in 2014 and by 1.4% y/y in 2015 (1.9% y/y and 1.7% y/y respectively in its August forecasts). The bank also downgraded its GDP growth forecast for 2015 from 3.1% y/y in its August forecasts to 2.9% y/y, and from 2.8% y/y to 2.6% y/y for 2016.

Market Rate (November-): Long-term government bond yields started around 2.28% in November. The yields fell on the back of a weaker outlook over the medium-term for the global

economy as well as the UK economy. They fell below 2.0% on November 26th for the first time since June of last year. Subsequently, they edged up slightly, finishing at around 2.0%.



Foreign Exchange Market (November-): Sterling’s value against the US dollar started around US\$1.60 in November. The pound has been falling since July as the US dollar strengthened on the back of signs of a recovery in the US economy, and reached US\$1.565 on November 18th. Subsequently, the pound fell again, reflecting the further appreciation of the US dollar due to a positive result in the US labour market statistics released on December 5th, falling to US\$1.55, the lowest level in the last 15 months.



1. Annual and quarterly data

	11	12	13	2013/Q3	Q4	2014/Q1	Q2	Q3
Real GDP Growth *	1.6	0.7	1.7	0.9 1.7	0.6 2.7	0.7 2.9	0.9 3.2	0.7 3.0
Real business investment	6.0	4.2	-1.2	3.7 4.7	2.7 6.5	0.9 6.7	3.3 11.0	-0.7 6.3
Industrial Production *	-0.8	-2.7	-0.1	0.7 -0.1	0.6 2.5	0.9 3.0	0.2 2.4	0.2 1.9
Manufacturing	1.8	-6.7	-2.0	0.6 -0.1	1.0 2.3	1.5 4.0	0.5 3.6	0.4 3.4
Confidence (% , balance)								
Manufacturing	-1.8	-6.7	-2.0	1.8	7.9	4.9	10.2	7.2
Consumer	-21.4	-20.1	-10.1	-3.8	-2.8	2.1	6.9	5.0
Retail Sales Volume *	0.2	0.8	1.4	1.6 2.0	0.3 3.0	0.6 3.4	1.6 4.1	0.2 2.7
Claimant Count * (000s)	1,534.4	1,585.5	1,421.3	1,388.2	1,270.5	1,173.3	1,078.4	975.4
(% change on previous term)	2.5	3.3	-10.4	-6.8	-8.5	-7.6	-8.1	-9.5
Unemployment rate * (Claimant count base, %)	4.7	4.8	4.2	4.1	3.7	3.7	3.2	2.9
(ILO base, %)	8.1	8.0	7.6	7.6	7.2	6.8	6.3	6.0
Average Earnings * (YoY, %)	2.4	1.4	1.2	0.7	1.2	1.9	-0.1	1.0
Producer Prices								
Output Prices	4.7	2.1	1.3	0.4 1.5	-0.4 0.9	0.3 0.6	0.1 0.4	-0.3 -0.3
Input Prices	14.5	2.8	2.6	-0.2 2.5	-1.7 -0.6	-1.3 -5.0	-1.5 -4.6	-3.3 -7.5
Consumer Price Index								
CPI	4.5	3.2	3.1	0.3 2.7	0.6 2.1	0.1 1.7	0.7 1.7	0.0 1.5
RPI	5.2	3.2	3.0	0.5 3.2	0.6 2.6	0.6 2.6	0.8 2.5	0.4 2.4
RPIX (excluding mortgage interest payments)	5.3	3.2	3.1	0.5 3.2	0.7 2.7	0.6 2.7	0.9 2.6	0.4 2.5
House Price (HBOS Index)	-2.5	-0.6	4.6	1.9 6.2	2.1 7.5	2.3 8.7	2.3 8.8	2.7 9.6
Visible exports								
Whole World (GBP mln)	309,184	305,142	306,810	76,195	74,884	72,172	71,088	70,740
(YoY, %)	14.2	-1.3	0.5	-0.4	-1.0	-4.9	-10.9	-7.2
EU (GBP mln)	165,220	153,181	154,914	40,147	37,319	35,481	36,088	35,648
(YoY, %)	13.9	-7.3	1.1	5.1	-2.0	-8.2	-7.0	-11.2
Visible imports								
Whole World (GBP mln)	405,699	414,114	417,006	106,052	102,658	99,309	99,195	99,789
(YoY, %)	10.2	2.1	0.7	2.6	-0.3	-3.3	-6.1	-5.9
EU (GBP mln)	205,641	209,644	221,354	56,006	56,240	52,527	52,364	52,345
(YoY, %)	9.1	1.9	5.6	6.8	6.8	-3.3	-4.4	-6.5
Visible balance								
Whole World (GBP mln)	-96,515	-108,972	-110,196	-29,857	-27,774	-27,137	-28,107	-29,049
EU (GBP mln)	-40,421	-56,463	-66,440	-15,859	-18,921	-17,046	-16,276	-16,697
Current Account* (GBP mln)	-27,033	-61,925	-72,395	-24,262	-22,873	-20,515	-23,096	-
Money Supply M4 : (YoY, %)	-2.5	-1.0	0.3	2.5	0.3	-0.2	-0.6	-2.5
Public sector net cash requirement (GBP mln)	6,975	17,677	16,284	6,704	16,284	15,963	14,638	18,187
Foreign reserves ** (US\$ bln)	79.27	88.60	92.40	93.28	92.40	97.27	99.42	94.38
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	0.52	0.52	0.53	0.56
10-Y UK government bond yields	3.03	1.88	2.36	2.72	2.78	2.78	2.70	2.59
USD/GBP exchange rate	1.604	1.585	1.565	1.551	1.619	1.655	1.683	1.670
GBP/Euro exchange rate	0.868	0.811	0.849	0.854	0.841	0.828	0.815	0.794
JPY/GBP exchange rates	127.75	126.46	152.58	153.28	162.62	170.13	171.85	173.54
Effective exchange rate ****	79.93	82.95	81.41	81.18	83.55	85.61	86.92	88.03

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

		2014/04	5	6	7	8	9	10	11
Real GDP Growth *		No figures for a monthly basis							
		0.2	-0.6	0.1	0.3	-0.1	0.6	-	-
Industrial Production		3.4	2.3	1.4	2.0	2.2	1.5	-	-
	Manufacturing	0.6	-1.5	0.6	0.3	0.2	0.4	-	-
Confidence (%, balance)	Manufacturing	5.2	3.2	2.5	3.4	4.0	2.9	-	-
	Consumer	9.0	9.2	12.3	7.4	9.2	4.9	5.4	6.3
Retail Sales Volume		5.7	7.6	7.4	4.8	6.6	3.5	5.2	2.6
		0.8	0.0	0.2	0.1	0.2	-0.4	0.8	-
Claimant Count *	(000s)	5.9	3.4	3.3	2.5	3.6	2.3	4.3	-
	(MoM, %)	1,113.4	1,080.6	1,041.1	1,003.7	970.5	952.1	931.7	-
Unemployment rate *	(Claimant count base, %)	-2.5	-2.9	-3.7	-3.6	-3.3	-1.9	-2.1	-
	(ILO base, %)	3.3	3.2	3.1	3.0	2.9	2.8	2.8	-
Average Earnings *	(YoY, %)	6.6	6.5	6.3	6.2	6.0	6.0	-	-
	Headline rate (3 month average)	-1.4	0.4	0.6	0.7	0.9	1.4	-	-
Producer Prices	Output Prices	0.8	0.4	-0.1	0.6	0.7	1.0	-	-
	Input Prices	0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.3	-
Consumer Price Index	CPI	0.6	0.5	0.3	-0.1	-0.3	-0.5	-0.5	-
	RPI	-0.9	0.2	-1.0	-1.7	-1.2	-0.6	-1.5	-
House Price (HBOS Index)	(MoM, %)	-5.3	-3.9	-4.6	-7.5	-7.7	-7.4	-8.4	-
	(3M average YoY, %)	0.4	-0.1	0.2	-0.3	0.4	0.0	0.1	-
Visible exports	Whole World (GBP mln)	1.8	1.5	1.9	1.6	1.5	1.2	1.3	-
	(YoY, %)	0.4	0.1	0.2	-0.1	0.4	0.2	0.0	-
Visible imports	EU (GBP mln)	2.5	2.4	2.6	2.5	2.4	2.3	2.3	-
	(YoY, %)	0.4	0.1	0.2	-0.1	0.4	0.2	0.0	-
Visible balance	Whole World (GBP mln)	2.6	2.5	2.7	2.6	2.5	2.3	2.4	-
	EU (GBP mln)	-0.3	4.0	-0.4	1.2	0.0	0.4	-0.4	0.4
Current Account*	(GBP mln)	6.8	10.7	9.5	10.3	9.3	9.4	7.5	7.4
		23,897	23,794	23,397	23,797	22,985	23,958	-	-
Money Supply	M4 : (YoY, %)	-6.4	-7.8	-17.9	-7.3	-9.5	-4.7	-	-
		12,191	11,966	11,931	11,963	11,791	11,894	-	-
Public sector net cash requirement	(YoY, %)	-2.7	-9.4	-8.8	-14.9	-11.5	-6.8	-	-
		32,956	33,175	33,064	34,075	31,935	33,779	-	-
Foreign reserves **	(YoY, %)	-5.2	-6.4	-6.5	-4.8	-8.8	-4.2	-	-
		17,326	17,263	17,775	17,637	17,041	17,667	-	-
Repo rate	(YoY, %)	-3.6	-5.3	-4.4	-5.5	-7.2	-6.8	-	-
		-9,059	-9,381	-9,667	-10,278	-8,950	-9,821	-	-
3M interest rates		-5,135	-5,297	-5,844	-5,674	-5,250	-5,773	-	-
		0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
10-Y UK government bond yields		0.53	0.53	0.54	0.56	0.56	0.56	0.56	0.56
USD/GBP exchange rate		2.67	2.63	2.82	2.75	2.54	2.49	2.22	2.13
GBP/Euro exchange rate		1.675	1.685	1.691	1.707	1.670	1.630	1.607	1.578
JPY/GBP exchange rates		0.825	0.815	0.804	0.793	0.797	0.791	0.789	0.791
Effective exchange rate ****		171.62	171.42	172.53	173.69	171.93	174.89	173.59	183.53
		86.22	86.88	87.71	88.76	87.77	87.52	87.37	87.04

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Unemployment rate = unemployed total / total labour force

Money supply, foreign reserves : End-period figures

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Sources : Office for National Statistics etc

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