

Main Economic & Financial Indicators UK

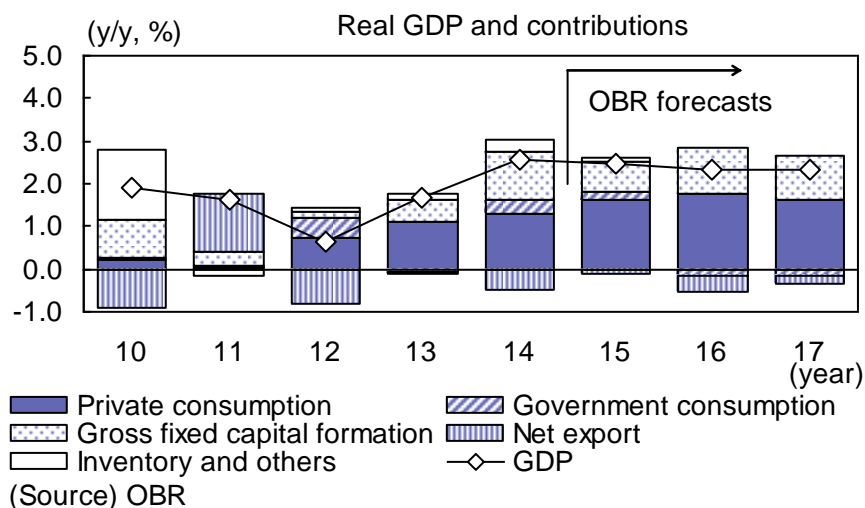
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Overview

Despite the fact that real GDP growth slowed down from 0.7% q/q in Q3 to 0.5% q/q in the final quarter of 2014, the UK economy has continued to expand. Looking ahead, a cool-down in the property market may be a drag on the economy to some degree; however, it is likely that the UK economy will remain resilient, boosted by growth in employment and wages as well as lower inflation. In the latest economic forecasts published by the Office for Budget Responsibility (OBR) on March 18th, the OBR raised its GDP forecasts to 2.5% y/y for 2015 and 2.3% y/y for 2016 (from 2.4% y/y and 2.1% y/y, respectively, in its December forecasts). The OBR expects lower inflation to boost real incomes and consumer spending while growth in domestic demand lifts business investment in the private sector. It also said, however, that the upward revision is tempered by the weaker outlook for the UK's export market growth and the effect of lower oil prices on production and investment in the North Sea.



Output

Industrial production decreased for the second month in a row in January, down by 0.1% m/m. Output in the manufacturing sector contracted by 0.5% y/y, mainly owing to decreases in electronics and machinery. Meanwhile, the Purchasing Managers' Index (PMI) for the

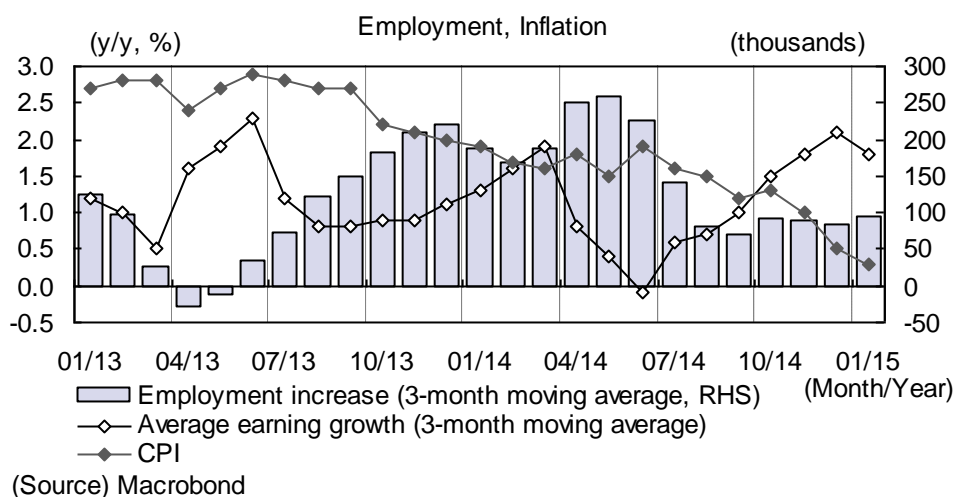
manufacturing sector was up from 53.1 to 54.1 in February. While growth in export orders remained weak, growth in new orders accelerated on the back of strong domestic orders, suggesting a resilient increase in output in the coming months.

Consumption, Labour Market

Although retail sales decreased by 0.3% m/m in December after three consecutive months of solid month-on-month increases, the dip in consumer spending may prove to be temporary. Consumer confidence — which had softened somewhat in the second half of last year — edged up in February, reflecting the recent real income growth as a result of weaker inflation and better economic prospects for consumers. This suggests that consumer spending is likely to continue to increase. Looking at the labour market indicators, the number of people employed has been increasing steadily, albeit at a more moderate pace. The unemployment rate was unchanged at 5.7% in January, the lowest level since 2008. Meanwhile, gross wages (3-months moving average) grew by 1.8% y/y in January. Although the growth pace decelerated from 2.1% in December, it grew faster than inflation for the fourth consecutive month.

Prices

The Consumer Price Index was up by only 0.3% y/y in January, mainly owing to a fall in energy prices. In the latest OBR forecasts, the inflation outlook for 2015 was revised down from 1.1% y/y in its previous forecast (December) to 0.2% y/y. The OBR expects that inflation will only rise slowly due to the effects of sterling's strength on import prices (sterling's effective exchange rate is at the highest level since 2008) and will not reach the Bank of England's (BoE's) inflation target of 2% until 2019.

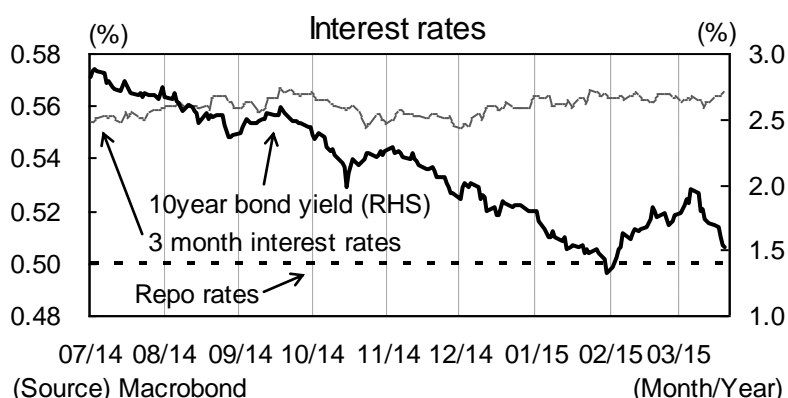


Interest Rates, Foreign Exchange Markets

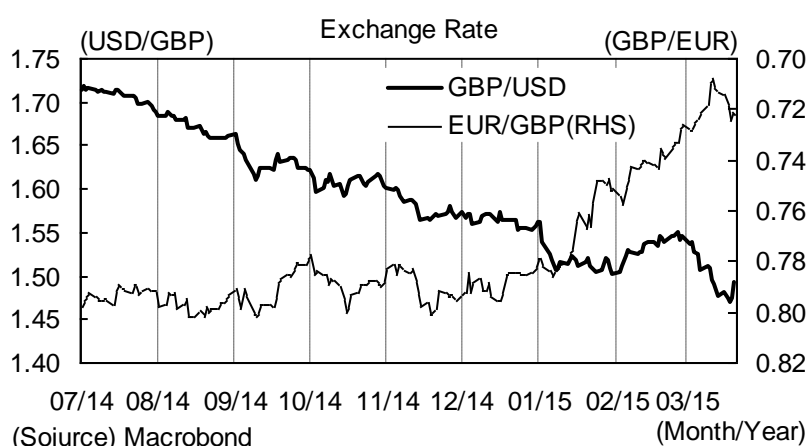
Policy Rate: At its meeting in March, the BoE's Monetary Policy Committee (MPC) decided to keep its policy rate unchanged at 0.50% and the size of its QE programme at £375bn. The MPC's meeting minutes, which were released on March 18, revealed that the committee members have concerns over the risk that divergent monetary policy trends, as well as stronger

prospects for growth in the United Kingdom than in the euro area, might continue to put upward pressure on the sterling exchange rate, and this may prolong the period for which CPI inflation would remain below the target and exacerbate the risk that lower expectations of inflation might become more persistent.

Market Rate (February-): Long-term government bond yields fell to a historic low of 1.32% on February 2nd on the back of a weaker inflation outlook as well as mounting concerns over Greece. Subsequently, they rebounded due to strengthened expectations for earlier hikes in interest rates by the US Fed on the back of favourable economic data in the US such as a robust increase in US employment, and reached a three-month high of 1.9% on March 6th. The yields fell again as the ECB began its bond purchase programme, finishing at around 1.5%.



Foreign Exchange Market (February-): Sterling's value against the US dollar started around US\$1.50 in February. The pound climbed up, reflecting positive UK economic data such as a rise in the UK service sector PMI and an increase in manufacturing output. In March, however, the pound fell as the dollar rallied on positive economic data in the US while the UK had some disappointing results, including a fall in industrial production and a slowdown in wage growth, dropping to \$1.46 on March 18th, the lowest level since 2009.



1. Annual and quarterly data

	12	13	14	2013/Q4	2014/Q1	Q2	Q3	Q4	
Real GDP Growth *	0.7	1.7	2.6	0.4 2.4	0.7 2.5	0.8 2.6	0.7 2.5	0.5 2.7	
Real business investment	4.2	5.3	-	2.7 7.1	1.3 7.4	3.4 11.6	-1.2 6.3	- -	
Industrial Production *	-2.7	-0.5	1.6	0.3 1.9	0.5 2.3	0.3 1.9	0.1 1.2	0.2 1.0	
	Manufacturing	-1.3	-2.0	7.1	0.6 1.3	1.4 3.0	0.6 3.2	0.4 3.0	0.2 2.6
Confidence (% , balance)	Manufacturing	-6.7	-2.0	7.1	7.9	4.9	10.2	7.2	6.2
	Consumer	-20.1	-10.1	4.4	-2.8	2.1	6.9	5.0	3.6
Retail Sales Volume *	0.8	1.4	3.8	0.1 3.0	0.8 3.5	1.5 4.1	0.4 2.8	2.2 4.9	
Claimant Count *	(000s)	1,585.5	1,421.3	1,030.6	1,270.5	1,173.3	1,078.4	975.4	895.3
	(% change on previous term)	3.3	-10.4	-27.5	-8.5	-7.6	-8.1	-9.5	-8.2
Unemployment rate *	(Claimant count base, %)	4.8	4.2	3.1	3.7	3.7	3.2	2.9	2.5
	(ILO base, %)	8.0	7.6	6.2	7.2	6.8	6.3	6.0	5.7
Average Earnings *	(YoY, %)	1.4	1.2	1.2	1.0	1.9	-0.1	1.0	2.1
Producer Prices	Output Prices	2.1	1.3	0.0	-0.4 0.9	0.3 0.6	0.1 0.4	-0.3 -0.3	-0.9 -0.8
	Input Prices	1.3	2.6	1.5	-1.7 -0.6	-1.3 -5.0	-1.5 -4.6	-3.2 -7.5	-3.7 -9.3
Consumer Price Index	CPI	2.8	3.1	2.4	0.6 2.1	0.1 1.7	0.7 1.7	0.0 1.5	0.1 0.9
	RPI	3.2	3.0	2.4	0.6 2.6	0.6 2.6	0.8 2.5	0.4 2.4	0.2 1.9
	RPIX (excluding mortgage interest payments)	3.2	3.1	2.4	0.7 2.7	0.6 2.7	0.9 2.6	0.4 2.5	0.2 2.0
House Price (HBOS Index)		-0.6	4.6	8.8	2.1 5.7	2.2 8.5	2.3 9.5	2.7 9.4	0.3 8.4
Visible exports	Whole World (GBP mln)	305,142	306,765	292,867	74,744	73,804	72,974	71,850	74,239
	(YoY, %)	-1.3	0.5	-4.5	-1.2	-2.7	-8.3	-6.2	-0.7
	EU (GBP mln)	153,181	154,579	147,926	37,085	37,132	37,709	36,459	36,626
	(YoY, %)	-7.3	0.9	-4.3	-2.6	-3.6	--2.5	-9.5	-1.2
Visible imports	Whole World (GBP mln)	414,114	419,364	412,472	103,616	102,952	102,791	103,346	103,383
	(YoY, %)	2.1	1.3	-1.6	0.7	0.1	-2.7	-3.7	-0.2
	EU (GBP mln)	209,644	223,712	224,904	57,199	56,302	56,068	55,966	56,568
	(YoY, %)	1.9	6.7	0.5	8.6	3.1	2.0	-1.7	-1.1
Visible balance	Whole World (GBP mln)	-108,972	-112,599	-119,605	-28,872	-29,148	-29,817	-31,496	-29,144
	EU (GBP mln)	-56,463	-69,133	-76,978	-20,114	-19,170	-18,359	-19,507	-19,942
Current Account*	(GBP mln)	-61,925	-76,655	-	-24,548	-22,499	-24,303	-27,008	-
Money Supply	M4 : (YoY, %)	-1.0	0.2	-1.1	0.2	-0.3	-0.7	-2.5	-1.1
Public sector net cash requirement	(GBP mln)	17,677	16,284	21,445	16,284	15,963	14,980	17,435	21,445
Foreign reserves **	(US\$ bln)	88.60	92.40	95.70	92.40	97.27	99.42	94.38	95.70
Repo rate	(%)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3M interest rates	(%)	0.83	0.51	0.54	0.52	0.52	0.53	0.56	0.56
10-Y UK government bond yields		1.88	2.36	2.53	2.78	2.78	2.70	2.59	2.07
USD/GBP exchange rate		1.585	1.565	1.648	1.619	1.655	1.683	1.670	1.583
GBP/Euro exchange rate		0.811	0.849	0.806	0.841	0.828	0.815	0.794	0.789
JPY/GBP exchange rates		126.46	152.58	174.33	162.62	170.13	171.85	173.54	181.25
Effective exchange rate ****		83.00	81.43	86.99	83.55	85.59	86.93	88.06	87.33

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

	2014/07	8	9	10	11	12	2015/01	2
Real GDP Growth *	No figures for a monthly basis							
	0.2	-0.3	0.6	-0.2	0.1	-0.2	-0.1	-
Industrial Production	1.4	1.5	0.8	1.0	1.3	0.8	1.3	-
* Manufacturing	0.2	0.0	0.6	-0.7	0.8	0.1	-0.5	-
	2.9	3.5	2.6	2.1	3.2	2.6	1.9	-
Confidence (% balance)	7.4	9.2	4.9	5.4	6.3	6.8	6.1	8.4
Manufacturing	4.8	6.6	3.5	5.2	2.6	3.1	3.0	3.9
Consumer								
Retail Sales Volume *	0.1	0.4	-0.4	1.2	1.5	0.2	-0.3	-
	2.5	3.7	2.3	4.7	6.5	4.0	5.4	-
Claimant Count * (000s)	1,003.7	970.5	952.1	927.0	897.4	861.6	822.2	791.2
(MoM, %)	-3.6	-3.3	-1.9	-2.6	-3.2	-4.0	-4.6	-3.8
Unemployment rate * (Claimant count base, %)	3.0	2.9	2.8	2.8	2.7	2.6	2.5	2.4
(ILO base, %)	6.2	6.0	6.0	6.0	5.8	5.7	5.7	-
Average Earnings * (YoY, %)	0.7	0.9	1.5	2.0	1.9	2.4	1.1	-
Headline rate (3 month average)	0.6	0.7	1.0	1.5	1.8	2.1	1.8	-
Producer Prices								
Output Prices	-0.1	-0.1	-0.2	-0.4	-0.3	-0.5	-0.5	-
	-0.1	-0.3	-0.5	-0.6	-0.6	-1.1	-1.8	-
Input Prices	-1.7	-1.0	-0.8	-1.2	-0.8	-3.3	-3.7	-
	-7.5	-7.5	-7.4	-8.1	-8.3	-11.6	-14.2	-
Consumer Price Index								
CPI	-0.3	0.4	0.0	0.1	-0.3	0.0	-0.9	-
	1.6	1.5	1.2	1.3	1.0	0.5	0.3	-
RPI	-0.1	0.4	0.2	0.0	-0.2	0.2	-0.8	-
	2.5	2.4	2.3	2.3	2.0	1.6	1.1	-
RPIX (excluding mortgage interest payments)	-0.1	0.4	0.2	0.0	-0.2	0.2	-0.9	-
	2.6	2.5	2.3	2.4	2.0	1.7	1.2	-
House Price (HBO5 Index)								
(MoM, %)	1.2	0.0	0.4	-0.4	0.5	1.1	1.9	-0.3
(3M average YoY, %)	10.2	9.7	9.6	8.8	8.1	7.8	8.5	8.3
Visible exports								
Whole World (GBP mln)	24,156	23,293	24,401	24,592	24,516	25,131	24,111	-
(YoY, %)	-6.6	-8.5	-3.4	-0.7	-0.5	-0.8	0.1	-
EU (GBP mln)	12,241	12,049	12,169	12,265	12,050	12,311	10,969	-
(YoY, %)	-13.1	-9.8	-5.3	1.6	-0.9	-4.2	-9.5	-
Visible imports								
Whole World (GBP mln)	35,242	33,369	34,735	34,464	33,859	35,060	32,523	-
(YoY, %)	-2.0	-6.2	-2.8	-1.5	-3.0	4.0	-7.1	-
EU (GBP mln)	18,889	18,449	18,628	18,715	18,756	19,097	17,636	-
(YoY, %)	0.2	-1.5	-3.8	-2.5	-2.8	2.1	-7.0	-
Visible balance								
Whole World (GBP mln)	-11,086	-10,076	-10,334	-9,872	-9,343	-9,929	-8,412	-
EU (GBP mln)	-6,648	-6,400	-6,459	-6,450	-6,706	-6,786	-6,667	-
Current Account* (GBP mln)	No figures for a monthly basis							
Money Supply M4 : (YoY, %)	-1.0	-1.3	-2.5	-2.6	-2.7	-1.1	-2.2	-
Public sector net cash requirement	-6,742	2,327	17,435	-2,788	7,067	21,445	-18,921	-
Foreign reserves **	98.78	97.93	94.38	95.68	97.90	95.70	98.70	-
Repo rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3M interest rates	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56
10-Y UK government bond yields	2.75	2.54	2.49	2.22	2.13	1.87	1.55	1.65
USD/GBP exchange rate	1.707	1.670	1.630	1.607	1.578	1.563	1.516	1.533
GBP/Euro exchange rate	0.793	0.797	0.791	0.789	0.791	0.788	0.767	0.741
JPY/GBP exchange rates	173.69	171.93	174.89	173.59	183.53	186.75	179.37	182.07
Effective exchange rate ****	88.78	87.80	87.54	87.39	87.02	87.54	87.79	90.10

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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