

Main Economic & Financial Indicators UK

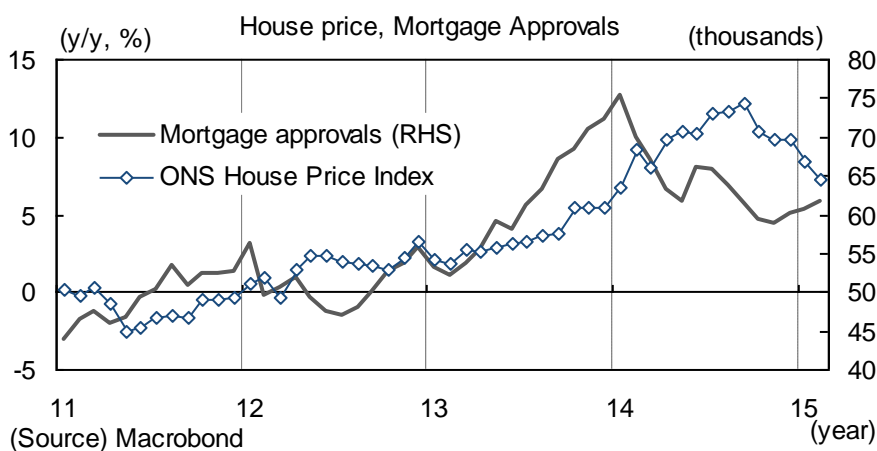
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Overview

The UK economy is continuing to expand. Although retail sales decelerated from the strong growth in the previous quarter, they continued to increase in Q1. Looking ahead, private consumption is likely to remain resilient given the fact that consumer confidence – which softened somewhat in the second half of last year – has been rising on the back of employment growth and an increase in real incomes due to lower inflation. Forward-looking indicators for business activities have been suggesting a relatively positive outlook. The Purchasing Managers' Index (PMI) for the service sector rose to 58.9 in March, a seven-month high, while the PMI for the manufacturing sector remains above the 50 mark which indicates an expansion in the sector, although it is softer than the level seen in the first half of 2014. Meanwhile, there are some signs that the slowdown of the property market is bottoming out. The property market has been cooling down somewhat, partly due to the implementation of tighter regulations on mortgage lending criteria in 2014. The annual growth rate of the Office of National Statistics' house price index slowed from the peak of 12% y/y in September 2014 to 7% y/y in February of this year. However, the number of mortgage approvals has been gradually increasing since December, supported by factors such as low mortgage rates, elevated consumer confidence and the stamp duty reform which was enacted in December. According to the government, 98% of house buyers pay less stamp duty under the new rates.

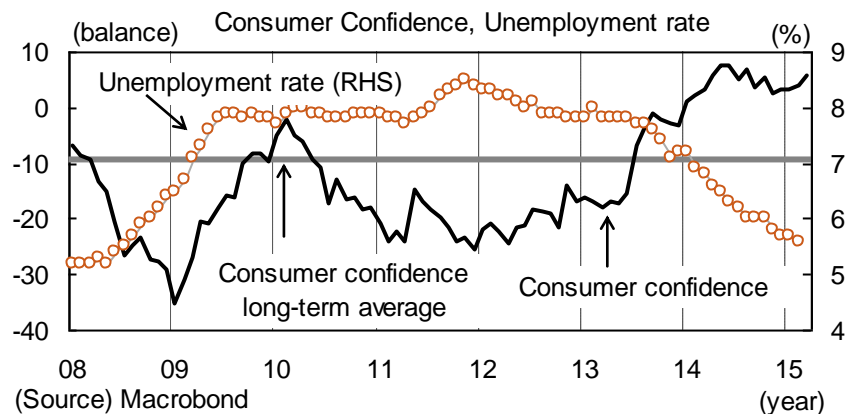


Output

Industrial production grew by 0.1% m/m in February after two consecutive months of month-on-month decline. The PMI for the manufacturing sector rose to 54.4 in March, the highest level since July of last year. Growth in new orders picked up pace due to an increase in export orders (following a dip in the previous month) alongside a continuous increase in domestic orders, suggesting a resilient increase in output in the coming months.

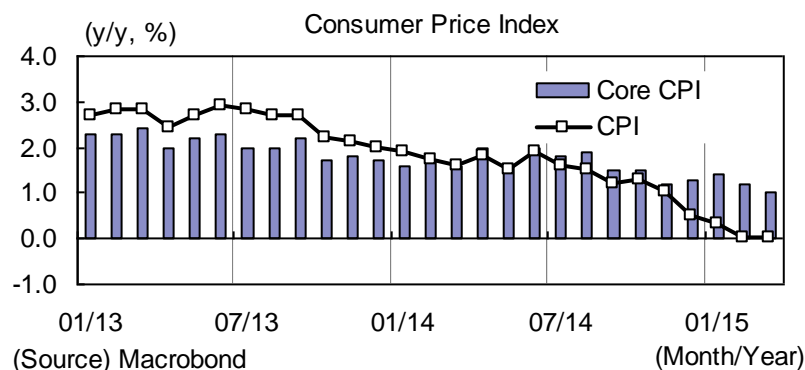
Consumption, Labour Market

Although retail sales decreased by 0.5% m/m in March after five months of consecutive month-on-month increases, the dip in consumer spending may prove to be temporary given that consumer confidence is well above the long-term average of -9.3 (average between 1985 and 2014). Looking at the labour market indicators, the growth pace of the number of people employed accelerated in February. The unemployment rate fell to 5.6%, the lowest level since August 2008. Meanwhile, gross wages growth (3-months moving average, excluding bonuses) picked up pace from 1.6% in January to 1.8% in February.



Prices

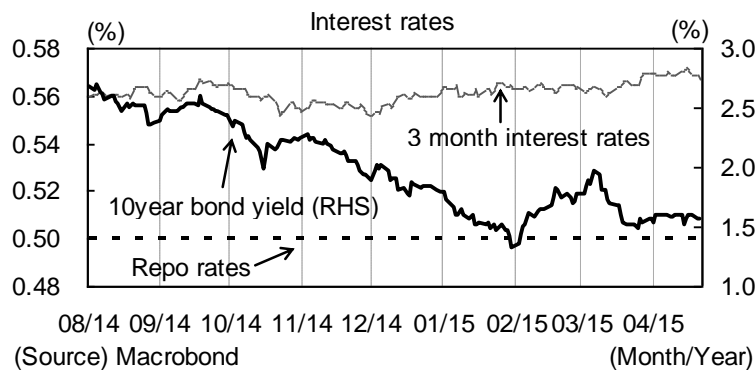
Consumer price inflation was unchanged at 0.0% y/y in March. A breakdown of this figure reveals that cheaper food prices – mainly driven by the supermarket price war – and a fall in oil prices continued to put downward pressure on inflation. The annual core inflation rate also slowed to 1.0% y/y, the lowest level since 2006.



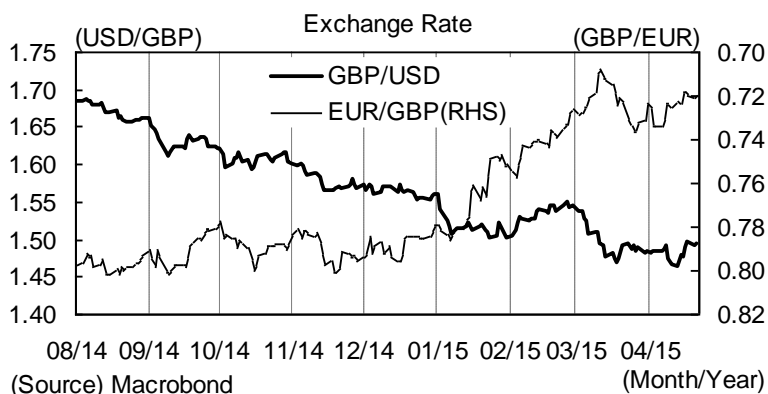
Interest Rates, Foreign Exchange Markets

Policy Rate: At its meeting in April, the Monetary Policy Committee (MPC) of the Bank of England (BoE) decided to keep its policy rate unchanged at 0.50% and the size of its QE programme at £375bn. In the meeting minutes, the bank said that there was still a risk of weak price pressures persisting for longer than would be consistent with bringing inflation back to its target within two years.

Market Rate (March-): Long-term government bond yields rose to a three-month high of 1.9% on March 6th due to heightened expectations of earlier interest rates hikes by the US Fed on the back of favourable economic data in the US, such as a robust increase in US employment. The yields subsequently started to fall, weighed down by a fall in government bond yields in the Eurozone against the backdrop of the European Central Bank's (ECB's) QE programme, falling below 1.5% on March 25th. However, the yields stabilised at around 1.6% due to a rise in expectations of earlier interest rate hikes by the BoE owing to the recent favourable economic data (including the PMI).



Foreign Exchange Market (March-): Sterling's value against the US dollar started around US\$1.56 in March. 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. Although upward pressure on the US dollar eased somewhat as signs emerged of a softening in the US economic data (including output, consumption and the labour market), the pound's advance has been limited by political uncertainty as the general election nears, finishing at around US\$1.49.



1. Annual and quarterly data

	12	13	14	2014/Q1	Q2	Q3	Q4	2015/Q1	
Real GDP Growth *	0.7	1.7	2.8	0.9 2.7	0.8 2.9	0.6 2.8	0.6 3.0	- -	
Real business investment	4.2	5.3	7.5	1.7 7.8	2.7 11.2	0.3 7.4	-0.9 3.7	- -	
Industrial Production *	-2.7	-0.5	1.6	0.5 2.3	0.3 1.9	0.1 1.2	0.2 1.0	- -	
	Manufacturing	-1.3	-2.0	7.1	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	4.9	10.2	7.2	6.2	5.3
	Consumer	-20.1	-10.1	4.4	2.1	6.9	5.0	3.6	4.2
Retail Sales Volume *	0.8	1.4	3.8	0.7 3.5	1.6 4.1	0.4 2.8	2.2 4.9	0.9 5.2	
Claimant Count *	(000s)	1,585.5	1,421.3	1,030.6	1,173.3	1,078.4	975.4	895.3	795.9
	(% change on previous term)	3.3	-10.4	-27.5	-7.6	-8.1	-9.5	-8.2	-11.1
Unemployment rate *	(Claimant count base, %)	4.8	4.2	3.1	3.7	3.2	2.9	2.5	2.5
	(ILO base, %)	8.0	7.6	6.2	6.8	6.3	6.0	5.7	-
Average Earnings *	(YoY, %)	1.4	1.2	1.2	1.9	-0.1	1.0	2.1	-
Producer Prices	Output Prices	2.1	1.3	0.0	0.3 0.6	0.1 0.4	-0.3 -0.3	-0.9 -0.8	-0.6 -1.7
	Input Prices	1.3	2.6	1.5	-1.3 -5.0	-1.5 -4.6	-3.2 -7.5	-3.7 -9.3	-5.9 -13.5
Consumer Price Index	CPI	2.8	3.1	2.4	0.1 1.7	0.7 1.7	0.0 1.5	0.1 0.9	-0.7 0.1
	RPI	3.2	3.0	2.4	0.6 2.6	0.8 2.5	0.4 2.4	0.2 1.9	-0.4 1.0
	RPIX (excluding mortgage interest payments)	3.2	3.1	2.4	0.6 2.7	0.9 2.6	0.4 2.5	0.2 2.0	-0.4 1.0
House Price (HBOS Index)		-0.6	4.6	8.8	2.2 8.5	2.3 9.5	2.7 9.4	0.3 8.4	2.6 7.7
Visible exports	Whole World (GBP mln)	305,142	306,765	292,867	73,804	72,974	71,850	74,239	-
	(YoY, %)	-1.3	0.5	-4.5	-2.7	-8.3	-6.2	-0.7	-
	EU (GBP mln)	153,181	154,579	147,926	37,132	37,709	36,459	36,626	-
	(YoY, %)	-7.3	0.9	-4.3	-3.6	-2.5	-9.5	-1.2	-
Visible imports	Whole World (GBP mln)	414,114	419,364	412,472	102,952	102,791	103,346	103,383	-
	(YoY, %)	2.1	1.3	-1.6	0.1	-2.7	-3.7	-0.2	-
	EU (GBP mln)	209,644	223,712	224,904	56,302	56,068	55,966	56,568	-
	(YoY, %)	1.9	6.7	0.5	3.1	2.0	-1.7	-1.1	-
Visible balance	Whole World (GBP mln)	-108,972	-112,599	-119,605	-29,148	-29,817	-31,496	-29,144	-
	EU (GBP mln)	-56,463	-69,133	-76,978	-19,170	-18,359	-19,507	-19,942	-
Current Account*	(GBP mln)	-61,925	-76,655	-97,920	-20,580	-24,374	-27,664	-25,302	-
Money Supply	M4 : (YoY, %)	-1.0	0.2	-1.1	-0.3	-0.7	-2.5	-1.1	-
Public sector net cash requirement	(GBP mln)	17,677	16,284	21,286	15,963	14,974	17,387	21,286	19,444
Foreign reserves **	(US\$ bln)	88.60	92.40	95.70	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	0.53	0.56	0.56	0.56
10-Y UK government bond yields		1.88	2.36	2.53	2.78	2.70	2.59	2.07	1.63
USD/GBP exchange rate		1.585	1.565	1.648	1.655	1.683	1.670	1.583	1.515
GBP/Euro exchange rate		0.811	0.849	0.806	0.828	0.815	0.794	0.789	0.744
JPY/GBP exchange rates		126.46	152.58	174.33	170.13	171.85	173.54	181.25	180.44
Effective exchange rate ****		83.00	81.43	86.99	85.59	86.93	88.06	87.33	89.41

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

		2014/08	9	10	11	12	2015/01	2	3
Real GDP Growth *		No figures for a monthly basis							
		-0.3	0.6	-0.2	0.1	-0.2	-0.1	0.1	-
Industrial Production		1.5	0.8	1.0	1.3	0.8	1.2	0.1	-
	Manufacturing	0.0	0.6	-0.7	0.8	0.1	-0.6	0.4	-
		3.5	2.6	2.1	3.2	2.6	1.7	1.1	-
Confidence	Manufacturing	9.2	4.9	5.4	6.3	6.8	6.1	8.4	1.3
(%, balance)	Consumer	6.6	3.5	5.2	2.6	3.1	3.0	3.9	5.6
Retail Sales Volume		0.4	-0.4	1.2	1.6	0.0	0.2	0.6	-0.5
		3.7	2.3	4.7	6.5	3.8	5.9	5.4	4.2
Claimant Count *	(000s)	970.5	952.1	927.0	897.4	861.6	822.2	793.1	772.4
	(MoM, %)	-3.3	-1.9	-2.6	-3.2	-4.0	-4.6	-3.5	-2.6
Unemployment rate *	(Claimant count base, %)	2.9	2.8	2.8	2.7	2.6	2.5	2.4	2.3
	(ILO base, %)	6.0	6.0	6.0	5.8	5.7	5.7	5.6	-
Average Earnings *	(YoY, %)	0.9	1.5	2.0	1.9	2.4	1.4	1.3	-
	Headline rate								
	(3 month average)	0.7	1.0	1.5	1.8	2.1	1.9	1.7	-
Producer Prices	Output Prices	-0.1	-0.2	-0.6	-0.1	-0.5	-0.5	0.2	0.2
		-0.3	-0.5	-0.7	-0.6	-1.1	-1.8	-1.7	-1.7
	Input Prices	-1.0	-0.8	-1.2	-0.8	-3.3	-3.6	0.1	0.3
		-7.5	-7.4	-8.1	-8.3	-11.6	-14.1	-13.5	-13.0
Consumer Price Index	CPI	0.4	0.0	0.1	-0.3	0.0	-0.9	0.3	0.2
		1.5	1.2	1.3	1.0	0.5	0.3	0.0	0.0
	RPI	0.4	0.2	0.0	-0.2	0.2	-0.8	0.5	0.2
		2.4	2.3	2.3	2.0	1.6	1.1	1.0	0.9
	RPIX (excluding mortgage interest payments)	0.4	0.2	0.0	-0.2	0.2	-0.9	0.5	0.2
		2.5	2.3	2.4	2.0	1.7	1.2	1.0	0.9
House Price (HBOS Index)	(MoM, %)	0.0	0.4	-0.4	0.5	1.1	1.9	-0.4	0.4
	(3M average YoY, %)	9.7	9.6	8.8	8.1	7.8	8.5	8.3	8.1
Visible exports	Whole World (GBP mln)	23,293	24,401	24,592	24,516	25,131	24,061	23,161	-
	(YoY, %)	-8.5	-3.4	-0.7	-0.5	-0.8	-0.1	-4.1	-
	EU (GBP mln)	12,049	12,169	12,265	12,050	12,311	11,081	11,043	-
	(YoY, %)	-9.8	-5.3	1.6	-0.9	-4.2	-8.6	-9.5	-
Visible imports	Whole World (GBP mln)	33,369	34,735	34,464	33,859	35,060	33,235	33,501	-
	(YoY, %)	-6.2	-2.8	-1.5	-3.0	4.0	-5.0	-1.6	-
	EU (GBP mln)	18,449	18,628	18,715	18,756	19,097	18,287	18,145	-
	(YoY, %)	-1.5	-3.8	-2.5	-2.8	2.1	-3.6	-4.9	-
Visible balance	Whole World (GBP mln)	-10,076	-10,334	-9,872	-9,343	-9,929	-9,174	-10,340	-
	EU (GBP mln)	-6,400	-6,459	-6,450	-6,706	-6,786	-7,206	-7,102	-
Current Account*	(GBP mln)	No figures for a monthly basis							
Money Supply	M4 : (YoY, %)	-1.3	-2.5	-2.6	-2.7	-1.1	-2.2	-3.2	-
Public sector net cash requirement		2,407	17,387	-2,669	7,029	21,286	-19,365	-205	19,444.0
Foreign reserves **		97.93	94.38	95.68	97.90	95.70	98.70	102.93	-
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		2.54	2.49	2.22	2.13	1.87	1.55	1.65	1.68
USD/GBP exchange rate		1.670	1.630	1.607	1.578	1.563	1.516	1.533	1.496
GBP/Euro exchange rate		0.797	0.791	0.789	0.791	0.788	0.767	0.741	0.723
JPY/GBP exchange rates		171.93	174.89	173.59	183.53	186.75	179.37	182.07	180.06
Effective exchange rate ***		87.80	87.54	87.39	87.02	87.54	87.79	90.10	90.41

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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