

Main Economic & Financial Indicators UK

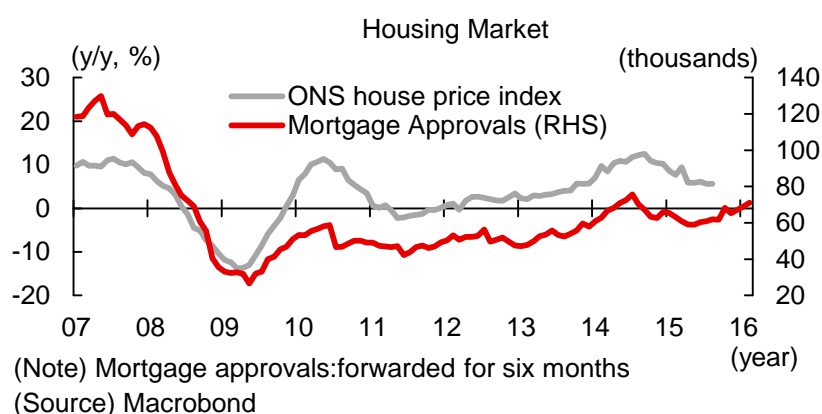
20 OCTOBER 2015

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.
A member of MUFG, a global financial group

Overview

The UK economy continues to grow resiliently. Real GDP growth was 0.7% q/q in Q2, accelerating from 0.4% the previous quarter. Robust growth is forecast to continue, underpinned by household consumption in particular. In addition to the anticipated further improvements of the labour market, households' real purchasing power will receive a positive contribution from the continued low inflation due to depreciated oil prices. Adding to this, against a backdrop of rising inflation expectations and anticipation of rate hike by the Bank of England (BOE), consumer intentions to make major purchases are increasing, thereby boosting consumption. Moreover, there are signs that the housing market is bottoming out. The number of mortgage approvals turned to a rising trend since the start of the year; the number in August surpassed 70,000 for the first time in one and a half years. The trend of house prices tends to follow that of mortgage approvals by around six months. This, along with the fact there has been a substantial increase in the number of RICS new enquiries (another leading indicator of the housing market), indicates it is very likely that the growth in house prices will also start to accelerate towards the end of the year.



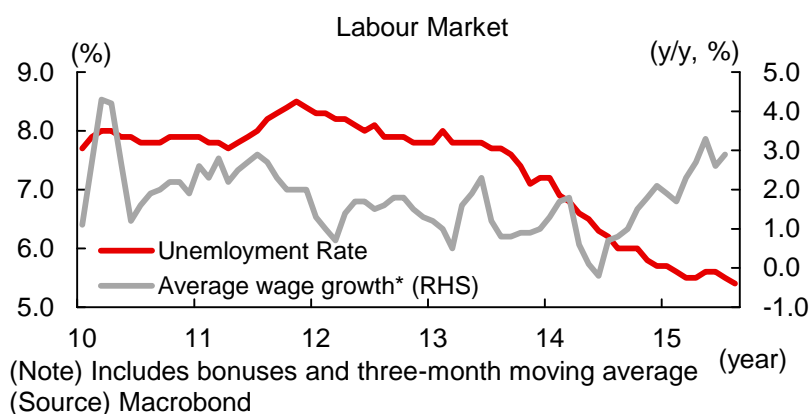
Output

In August, industrial production increased by 1.0% m/m, entering positive territory for the first time in three months. The Purchasing Manager's Index (PMI) for the manufacturing sector was unchanged at 51.5 from the previous month. The breakdown of this figure reveals while that

export orders have increased for the first time in six months, the momentum remains somewhat weak. Adding to this, the growth pace of domestic orders decelerated, slowing down the increase of the total new orders. This indicates a possibility that production will weaken in the future.

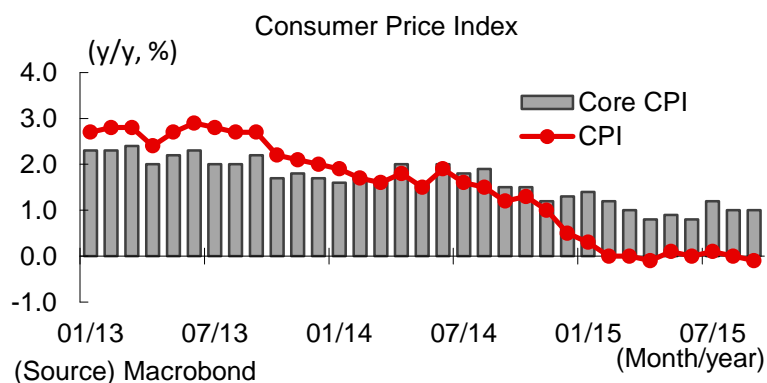
Consumption, Labour Market

Retail sales were up 0.2% in August from the previous month. August's rate of nominal wage increase (3-month moving average, including bonuses) accelerated from 2.9% y/y in July to 3.0% y/y in August. Meanwhile, the total number of employees recorded between June and August increased by 42,000 compared to the period between March and May, and the total now exceeds 31.1 million. Due to this increase, the unemployment rate was 5.4% in August, falling from 5.5% the previous month: now at the same level seen in June 2008.



Prices

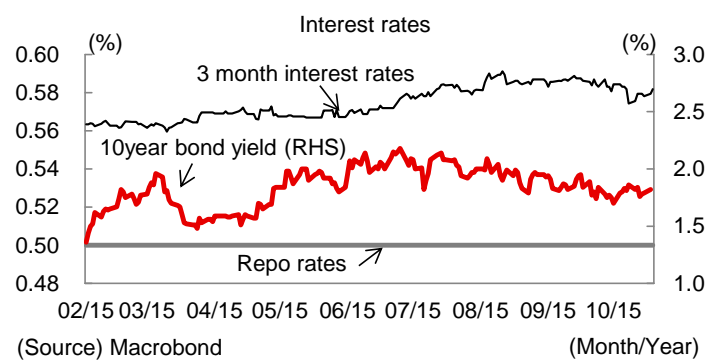
September's consumer price index growth rate was down 0.1% y/y, entering negative territory for the first time in five months. In addition to the continued fall in energy and transport and food prices, the fall in clothes prices also pushed down overall inflation. The core inflation rate remains the same as the previous month at 1.0%.



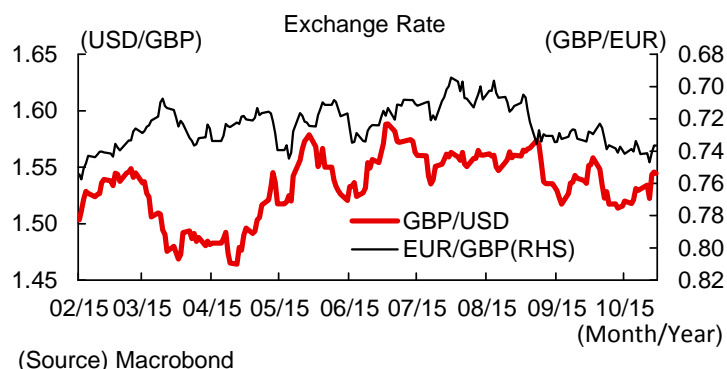
Interest Rates, Foreign Exchange Markets

Policy Rate: At its meeting in October, the Monetary Policy Committee (MPC) of the BOE decided to keep its policy rate unchanged at 0.50% and the size of its QE programme at £375 billion. Continuing from their two previous meetings, one committee member of the nine voted to raise the current interest rate. In the meeting minutes, the bank said that the inflationary pressure is weaker than they anticipated, and the inflation rate will remain below 1% until spring 2016. Additionally, while there remain downward risks from a deceleration in emerging countries, especially China, the BOE expressed its view that the UK economy will remain resilient.

Market Rate (September-): The long-term interest rate (10 year government bond) started at 1.93% in September, but fell to 1.81% on the 7th after Mario Draghi, president of the European Central Bank, suggested an expansion of its quantitative easing programme on the 3rd. Yields returned to 1.95% around mid-September, but dropped to 1.7% on 2nd October – the lowest level since April – due to a rise in concerns over the prospects of the global economy after the US Federal Reserve Bank put off an interest rate hike in its September meeting. Subsequently, yields rose owing to an increase in risk appetite, reflecting the rebound of stock prices. Currently, yields remain in the vicinity of 1.8%.



Foreign Exchange Market (September-): The pound's value against the dollar was US\$ 1.53 at the start of September. It rose to US\$ 1.56 on 18th owing to dollar selling following the Fed deferring their rate hike and the BOE's assessment that the slowdown of the Chinese economy has not yet influenced the UK's economic forecast. From the end of September to the start of October, the MPC of the BOE stated that they are in no rush to implement monetary tightening, leading to the pound slipping to US\$ 1.51. However, it returned to US\$1.54 on 16th due to favourable results of UK labour market indicators.



1. Annual and quarterly data

	12	13	14	2014/Q3	Q4	2015/Q1	Q2	Q3	
Real GDP Growth *	1.2	2.2	2.9	0.6 2.9	0.8 3.0	0.4 2.7	0.7 2.4	- -	
Real business investment	5.1	2.3	4.6	-1.2 4.6	0.3 2.2	2.4 7.0	1.6 3.1	- -	
Industrial Production *	-2.8	-0.8	1.4	0.2 1.1	0.1 1.0	0.3 0.8	0.7 1.2	- -	
	Manufacturing	-1.4	-2.0	7.1	0.4 2.8	0.1 2.7	-0.1 1.1	-0.5 0.0	- -
Confidence (%, balance)	Manufacturing	-6.7	-2.0	7.1	7.2	6.2	5.3	0.9	-1.5
	Consumer	-20.1	-10.1	4.4	5.0	3.6	4.2	4.4	2.1
Retail Sales Volume *	0.8	1.5	4.0	0.5 3.0	2.3 5.3	0.8 5.5	0.7 4.4	- -	
Claimant Count *	(000s)	1,585.6	1,421.9	1,037.6	980.3	908.2	824.3	797.6	792.8
	(% change on previous term)	3.3	-10.3	-27.0	-9.3	-7.4	-9.2	-3.2	-0.6
Unemployment rate *	(Claimant count base, %)	4.7	4.3	3.0	2.8	2.6	2.3	2.3	2.3
	(ILO base, %)	8.0	7.6	6.2	6.0	5.7	5.5	5.6	-
Average Earnings *	(YoY, %)	1.4	1.2	1.3	1.0	2.2	2.3	2.6	-
Producer Prices	Output Prices	2.1	1.3	0.0	-0.3 -0.3	-0.9 -0.8	-0.7 -1.8	0.2 -1.6	-0.5 -1.8
	Input Prices	1.3	2.6	1.5	-3.2 -7.5	-3.7 -9.3	-5.9 -13.5	0.1 -12.2	-4.7 -13.6
Consumer Price Index	CPI	2.8	3.1	2.4	0.0 1.5	0.1 0.9	-0.7 0.1	0.6 0.0	0.1 0.0
	RPI	3.2	3.0	2.4	0.4 2.4	0.2 1.9	-0.4 1.0	0.8 1.0	0.3 0.9
	RPIX (excluding mortgage interest payments)	3.2	3.1	2.4	0.4 2.5	0.2 2.0	-0.4 1.0	0.8 1.0	0.4 1.0
House Price (HBOS Index)		-0.6	4.6	8.8	2.9 9.4	0.3 8.4	2.7 7.7	3.3 9.4	2.0 8.4
Visible exports	Whole World (GBP mln)	304,302	306,226	295,432	72,345	74,866	71,554	76,083	-
	(YoY, %)	-1.3	0.6	-3.5	-6.9	0.9	-2.2	1.4	-
	EU (GBP mln)	152,927	154,135	147,618	36,215	36,482	33,681	34,888	-
	(YoY, %)	-7.4	0.8	-4.2	-9.3	-0.9	-9.2	-7.8	-
Visible imports	Whole World (GBP mln)	410,800	421,457	419,104	104,006	108,609	105,598	102,380	-
	(YoY, %)	2.3	2.6	-0.6	-1.2	2.2	2.2	-0.8	-
	EU (GBP mln)	209,436	221,249	226,480	56,180	58,015	56,794	56,593	-
	(YoY, %)	2.4	5.6	2.4	0.4	3.7	0.9	1.0	-
Visible balance	Whole World (GBP mln)	-106,498	-115,231	-123,672	-31,661	-33,743	-34,044	-26,297	-
	EU (GBP mln)	-56,509	-67,114	-78,862	-19,965	-21,533	-23,113	-21,705	-
Current Account*	(GBP mln)	-54,698	-77,908	-92,889	-24,872	-28,833	-24,009	-16,767	-
Money Supply	M4 : (YoY, %)	-0.9	0.2	-1.1	-2.6	-1.1	-0.7	-0.3	-
Public sector net cash requirement	(GBP mln)	17,754	16,282	22,796	19,143	22,796	19,688	15,593	-
Foreign reserves **	(US\$ bln)	88.60	92.40	95.70	94.38	95.70	105.78	110.67	-
Official Bank 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	0.56	0.56	0.56	0.57	0.58
10-Y UK government bond yields		1.88	2.36	2.53	2.59	2.07	1.63	1.87	1.94
USD/GBP exchange rate		1.585	1.565	1.648	1.670	1.583	1.515	1.532	1.549
GBP/Euro exchange rate		0.811	0.849	0.806	0.794	0.789	0.744	0.722	0.718
JPY/GBP exchange rates		126.46	152.58	174.33	173.54	181.25	180.44	185.95	189.18
Effective exchange rate ****		83.00	81.43	86.99	88.06	87.33	89.41	91.20	92.91

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

	2015/02	3	4	5	6	7	8	9	
Real GDP Growth *	No figures for a monthly basis								
	0.3	0.6	0.1	0.2	-0.2	-0.3	1.0	-	
Industrial Production *	0.3	1.2	0.8	1.4	1.4	0.7	1.9	-	
Manufacturing	0.4	0.5	-0.4	-0.9	0.2	-0.7	0.5	-	
	0.8	1.1	-0.2	0.2	-0.1	-1.2	-0.8	-	
Confidence (% , balance)									
Manufacturing	8.4	1.3	1.4	2.1	-0.8	0.7	-1.1	-4.1	
Consumer	3.9	5.6	6.9	1.1	5.1	3.0	2.8	0.4	
Retail Sales Volume *	0.7	-0.7	0.8	0.3	-0.2	0.0	0.2	-	
	5.7	4.4	4.4	4.7	4.2	4.1	3.7	-	
Claimant Count * (000s)	821.2	806.1	798.3	797.1	797.3	790.5	791.7	796.2	
(M/M, %)	-2.9	-1.8	-1.0	-0.2	0.0	-0.9	0.2	0.6	
Unemployment rate * (Claimant count base, %)	2.4	2.3	2.3	2.3	2.3	2.3	2.3	2.3	
(ILO base, %)	5.6	5.5	5.5	5.6	5.6	5.5	5.4	-	
Average Earnings * (Y/Y, %)	1.1	4.4	2.7	2.8	2.3	3.6	3.1	-	
Headline rate (3 month average)	1.7	2.3	2.7	3.3	2.6	2.9	3.0	-	
Producer Prices									
Output Prices	0.2	0.1	0.1	0.1	-0.1	-0.1	-0.5	-0.1	
	-1.7	-1.7	-1.7	-1.6	-1.6	-1.6	-1.9	-1.8	
Input Prices	0.2	0.1	1.3	-1.2	-1.7	-1.4	-3.0	0.6	
	-13.5	-13.1	-11.1	-12.4	-13.0	-12.8	-14.6	-13.3	
Consumer Price Index									
CPI	0.3	0.2	0.2	0.2	0.0	-0.2	0.2	-0.1	
	0.0	0.0	-0.1	0.1	0.0	0.1	0.0	-0.1	
RPI	0.5	0.2	0.4	0.2	0.2	-0.1	0.5	-0.1	
	1.0	0.9	0.9	1.0	1.0	1.0	1.1	0.8	
RPIX (excluding mortgage interest payments)	0.5	0.2	0.4	0.2	0.2	-0.1	0.5	-0.1	
	1.0	0.9	0.9	1.1	1.1	1.1	1.2	0.9	
House Price (HBOS Index) (M/M, %)	-0.4	0.6	1.6	0.3	1.6	-0.4	2.7	-0.9	
(3M average Y/Y, %)	8.3	8.1	8.5	8.6	9.6	7.8	9.0	8.6	
Visible exports									
Whole World (GBP mln)	23,485	23,892	24,691	25,301	26,091	22,756	23,558	-	
(Y/Y, %)	-2.7	-4.3	0.9	-1.1	4.4	-6.4	2.1	-	
EU (GBP mln)	11,202	11,159	11,147	11,673	12,068	10,928	11,608	-	
(Y/Y, %)	-7.9	-13.2	-12.1	-8.2	-3.0	-11.1	-1.4	-	
Visible imports									
Whole World (GBP mln)	34,753	35,333	34,543	33,663	34,174	34,959	34,707	-	
(Y/Y, %)	1.7	2.5	0.8	-3.1	0.1	-1.0	3.6	-	
EU (GBP mln)	19,276	18,763	18,629	18,711	19,253	18,349	18,992	-	
(Y/Y, %)	0.5	1.9	0.7	-0.2	2.6	-3.0	2.9	-	
Visible balance									
Whole World (GBP mln)	-11,268	-11,441	-9,852	-8,362	-8,083	-12,203	-11,149	-	
EU (GBP mln)	-8,074	-7,604	-7,482	-7,038	-7,185	-7,421	-7,384	-	
Current Account* (GBP mln)	No figures for a monthly basis								
Money Supply M4 : (Y/Y, %)	-3.1	-0.7	0.0	0.6	-0.3	0.6	-0.1	-	
Public sector net cash requirement	892	19,688	-5,609	12,138	15,593	-3,534	-221	-	
Foreign reserves **	102.93	105.78	108.61	110.30	110.67	113.27	-	-	
Official Bank Rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	
3M interest rates	0.56	0.56	0.57	0.57	0.57	0.58	0.59	0.59	
10-Y UK government bond yields	1.65	1.68	1.62	1.92	2.05	2.02	1.95	1.85	
USD/GBP exchange rate	1.533	1.496	1.495	1.546	1.557	1.556	1.557	1.533	
GBP/Euro exchange rate	0.741	0.723	0.723	0.722	0.721	0.707	0.715	0.732	
JPY/GBP exchange rates	182.07	180.06	178.81	186.67	192.68	191.87	191.60	184.14	
Effective exchange rate ****	90.10	90.41	90.10	91.36	92.13	93.33	93.50	91.89	

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

The Bank of Tokyo-Mitsubishi UFJ, Ltd. ("BTMU") is a limited liability stock company incorporated in Japan and registered in the Tokyo Legal Affairs Bureau (company no. 0100-01-008846). BTMU's head office is at 7-1 Marunouchi 2-Chome, Chiyoda-Ku, Tokyo 100-8388, Japan. BTMU's London branch is registered as a UK establishment in the UK register of companies (registered no. BR002013). BTMU is authorised and regulated by the Japanese Financial Services Agency. BTMU's London branch is authorised by the Prudential Regulation Authority (FCA/PRA no. 139189) and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of BTMU London branch's regulation by the Prudential Regulation Authority are available from us on request.

This report shall not be construed as solicitation to take any action such as purchasing/selling/investing in financial market products. In taking any action, each reader is requested to act on the basis of his or her own judgment. This report is based on information believed to be reliable, but we do not guarantee, and do not accept any liability whatsoever for, its accuracy and we accept no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this report. The contents of the report may be revised without advance notice. Also, this report is a literary work protected by copyright. No part of this report may be reproduced in any form without express statement of its source.

The Bank of Tokyo-Mitsubishi UFJ, Ltd. retains copyright to this report and no part of this report may be reproduced or re-distributed without the written permission of The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. expressly prohibits the re-distribution of this report to Retail Customers, via the internet or otherwise and The Bank of Tokyo-Mitsubishi UFJ, Ltd., its subsidiaries or affiliates accept no liability whatsoever to any third parties resulting from such re-distribution.