

# Main Economic & Financial Indicators UK

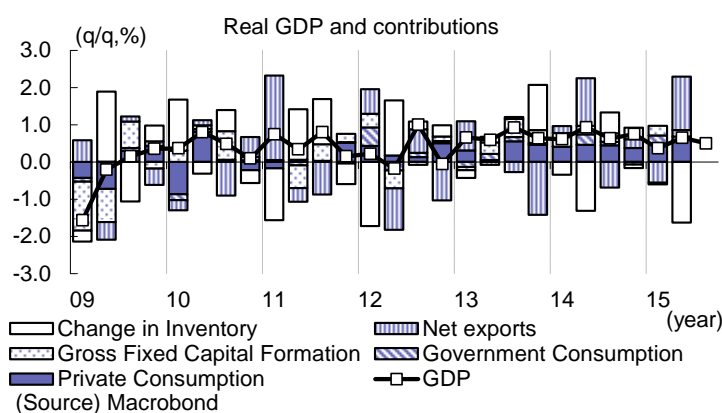
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## Overview

The UK economy continues its resilient growth, despite real GDP growth decelerating from 0.7% q/q in Q2 to 0.5% q/q in Q3. A breakdown by industry reveals that the service sector's growth pace accelerated to 0.7% q/q, driving overall growth. On the other hand, the construction sector became the main cause of downward pressure as it contracted for the first time in approximately two years – decreasing 2.2% q/q. Although a detailed analysis of GDP's expenditure side has not yet been announced, robust retail sales growth (up 0.8% q/q in Q3) indicates private consumption has underpinned the economy. However, exports have decreased as a result of the slowdown of demand in emerging countries and a weak euro against the pound (more than half of UK exports are destined for the Eurozone). As a result, the goods and services trade deficit has more than doubled in Q3, inferring that net exports are the main cause for the downward pressure on GDP growth in Q3. It is likely that foreign demand will continue to remain sluggish in the coming months because of the effect of the strong pound against the euro. However, the UK economy is expected to grow resiliently as a whole due to the virtuous cycle of domestic demand led by the private sector. In the household sector, continued improvements in employment and wages are thought to underpin consumption. In the business sector, investment intentions remain at a comparatively high level, and the steady growth of business investments is expected to continue.

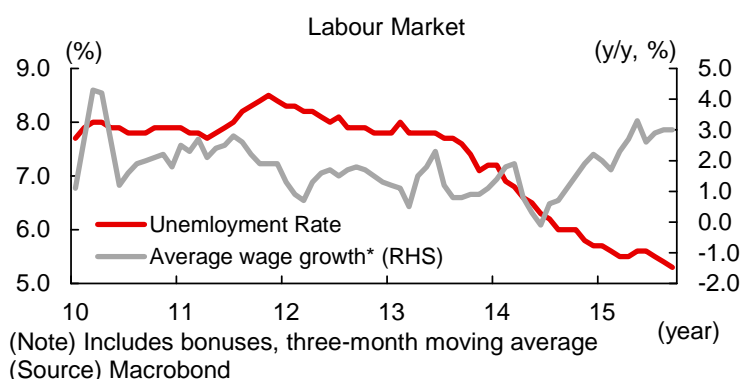


## Output

In September, industrial production fell by 0.2% m/m, after increasing 0.9% m/m in August. Meanwhile, the Purchasing Manager's Index (PMI) for the manufacturing sector was unchanged at 55.5 in October, rising to its highest level since June 2014. The breakdown of this figure reveals that both domestic and export orders have increased, boosting total new orders and indicating a possibility that production will recover.

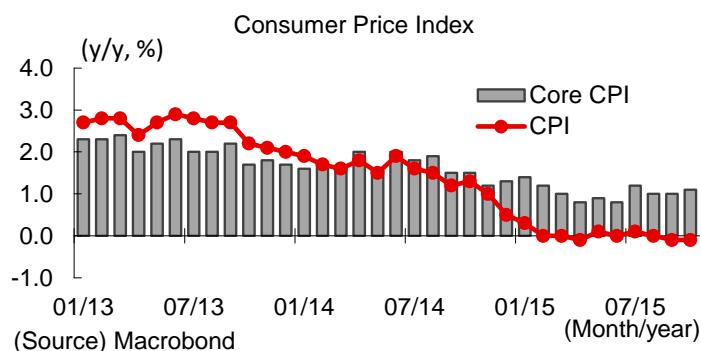
## Consumption, Labour Market

Retail sales decreased 0.6% m/m in October after their significant growth during the previous month (1.7% m/m). Nominal wage (3-month moving average, including bonuses) maintained a strong growth of 3.0% y/y in September. Additionally, the total number of employees in Q3 increased by 177,000 since Q2, reaching 31.21 million. The unemployment rate fell to 5.3% in September.



## Prices

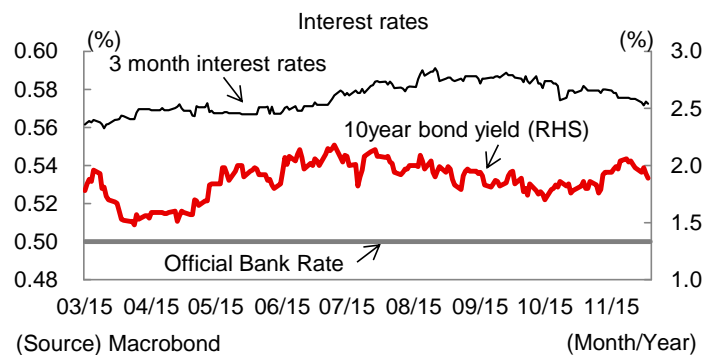
October's consumer price index growth rate was virtually unchanged from the previous month at -0.1% y/y. The main reason for this is the continual decrease in energy, transport and food prices. In the Bank of England (BOE)'s inflation report, published on 5<sup>th</sup> November, the inflation outlook for Q4 2016 was revised downwards from 1.6% y/y in August's outlook to 1.2% y/y. Additionally, while it foresees the inflation rate will reach 2.1% y/y in Q4 2017, slightly above the BOE's inflation target of 2.0% y/y, the economic slowdown overseas indicates that downside risks to inflation remain.



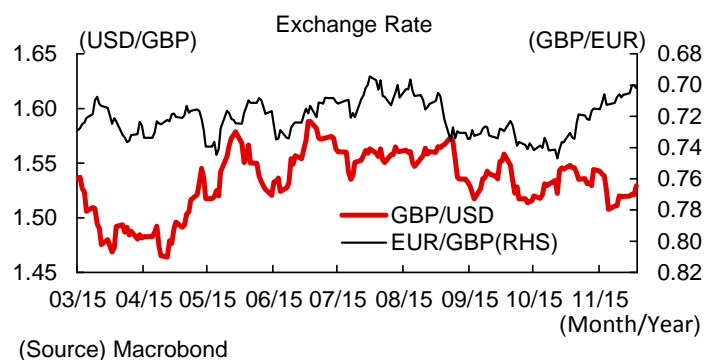
## Interest Rates, Foreign Exchange Markets

**Policy Rate:** At its meeting in November, 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. One committee member of the nine voted to raise the current interest rate. While the inflation report – published alongside the meeting – foresees that the domestic economy maintain resilient growth, the real GDP growth outlook was revised downwards to 2.7% for 2015 and to 2.5% y/y for 2016 (August’s outlook was 2.8% y/y and 2.7% y/y respectively), reflecting the deceleration in emerging economies.

**Market Rate (October-):** The long-term interest rate (10 year government bond) fell to 1.7% on 2<sup>nd</sup> October – the lowest level since April – due to a slide back in expectations of future interest rate rise on the back of the US Federal Reserve Bank shelving their interest rate hike on 18<sup>th</sup> September. However, yields returned to around 1.8% along with a rebound in prices and maintained stability towards the end of October. Yields rose after the US Fed pointed to the possibility of a rate hike in December on 28<sup>th</sup> October, exceeding 2% for the first time in three months on 6<sup>th</sup> November. Yields then dropped somewhat due to the effect of terrorist attacks in Paris on 13<sup>th</sup>. Currently they remain just above 1.9%.



**Foreign Exchange Market (October-):** The pound’s value against the dollar was US\$ 1.52 at the start of October. It followed an upward trend to just above US\$1.54 in mid-October due to the favourable results of the UK labour market indicators. However, the pound slipped to US\$1.507 on 6<sup>th</sup> November, the lowest level since April, owing to the downward revision of both the inflation and the real GDP growth outlook in the BOE’s inflation report published on 5<sup>th</sup> November. Currently, the pound recovered somewhat and remains in the vicinity of US\$1.52.



## 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	0.5 2.3	
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	0.2 1.2	
	Manufacturing	-1.4	-1.1	2.7	0.4 2.8	0.1 2.7	-0.1 1.1	-0.5 0.0	-0.4 -0.9
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 *	0.6	1.4	3.9	0.3 2.8	2.4 5.2	0.7 5.4	0.8 4.3	0.8 4.8	
Claimant Count * (000s)	1,585.6	1,421.9	1,037.6	980.3	908.2	824.3	797.6	791.5	
	(% change on previous term)	3.3	-10.3	-27.0	-9.3	-7.4	-9.2	-3.2	-0.8
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	5.3
Average Earnings * (YoY, %)	1.4	1.2	1.3	1.0	2.2	2.3	2.6	2.9	
Producer Prices	Output Prices	2.1	1.3	0.0	-0.3 -0.3	-0.9 -0.8	-0.7 -1.8	0.3 -1.6	-0.5 -1.8
	Input Prices	1.3	2.6	1.5	-3.2 -7.4	-3.7 -9.4	-5.8 -13.5	0.2 -12.0	-5.0 -13.6
Consumer Price Index	CPI	2.8	3.1	2.4	0.0 1.4	0.1 0.9	-0.7 0.1	0.6 0.0	0.1 0.0
	RPI	3.2	3.0	2.4	256.9 2.4	257.4 1.9	256.4 1.0	258.5 1.0	259.3 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 9.6	0.3 7.8	2.7 8.1	3.3 9.6	2.0 8.6	
Visible exports	Whole World (GBP mln)	304,302	306,226	295,432	72,345	74,866	71,554	76,083	70,087
	(YoY, %)	-1.3	0.6	-3.5	-6.9	0.9	-2.2	1.4	-3.1
	EU (GBP mln)	152,927	154,135	147,618	36,215	36,482	33,681	34,888	33,734
	(YoY, %)	-7.4	0.8	-4.2	-9.3	-0.9	-9.2	-7.8	-6.9
Visible imports	Whole World (GBP mln)	410,800	421,457	419,104	104,006	108,609	105,598	102,380	102,271
	(YoY, %)	2.3	2.6	-0.6	-1.2	2.2	2.2	-0.8	-1.7
	EU (GBP mln)	209,436	221,249	226,480	56,180	58,015	56,794	56,593	55,150
	(YoY, %)	2.4	5.6	2.4	0.4	3.7	0.9	1.0	-1.8
Visible balance	Whole World (GBP mln)	-106,498	-115,231	-123,672	-31,661	-33,743	-34,044	-26,297	-32,184
	EU (GBP mln)	-56,509	-67,114	-78,862	-19,965	-21,533	-23,113	-21,705	-21,416
Current Account* (GBP mln)	-54,698	-77,908	-92,889	-24,872	-28,833	-24,009	-16,767	-	
Money Supply M4 : (YoY, %)	-1.0	0.2	-1.1	-2.6	-1.1	-0.7	-0.2	-0.6	
Public sector net cash requirement (GBP mln)	17,757	16,275	22,814	19,140	22,814	19,648	15,556	17,877	
Foreign reserves ** (US\$ bln)	88.60	92.40	95.70	94.38	95.70	105.78	110.67	118.88	
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

	2015/03	4	5	6	7	8	9	10	
Real GDP Growth *	No figures for a monthly basis								
	0.6	0.1	0.2	-0.2	-0.3	0.9	-0.2	-	
Industrial Production *	1.2	0.8	1.4	1.4	0.7	1.8	1.1	-	
Manufacturing	0.5	-0.4	-0.9	0.2	-0.7	0.4	0.8	-	
	1.1	-0.2	0.2	-0.1	-1.2	-0.9	-0.6	-	
Confidence (% , balance)	1.3	1.4	2.1	-0.8	0.7	-1.1	-4.1	-3.7	
Manufacturing	5.6	6.9	1.1	5.1	3.0	2.8	0.4	0.3	
Consumer									
Retail Sales Volume *	-0.8	0.9	0.2	-0.2	0.6	-0.4	1.7	-0.6	
	4.4	4.3	4.5	4.1	4.7	3.5	6.2	3.8	
Claimant Count * (000s)	806.1	798.3	797.1	797.3	790.5	791.7	792.2	795.5	
(M/M, %)	-1.8	-1.0	-0.2	0.0	-0.9	0.2	0.1	0.4	
Unemployment rate * (Claimant count base, %)	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	
(ILO base, %)	5.5	5.5	5.6	5.6	5.5	5.4	5.3	-	
(Y/Y, %)	4.4	2.7	2.8	2.3	3.6	3.2	2.0	-	
Average Earnings * Headline rate (3 month average)	2.3	2.7	3.3	2.6	2.9	3.0	3.0	-	
Producer Prices									
Output Prices	0.1	0.1	0.1	0.0	-0.2	-0.5	-0.1	0.0	
Input Prices	-1.7	-1.7	-1.6	-1.5	-1.6	-1.9	-1.8	-1.3	
	0.1	1.3	-0.7	-2.2	-1.4	-3.0	0.5	0.2	
	-13.1	-11.1	-11.9	-13.0	-12.8	-14.6	-13.4	-12.1	
Consumer Price Index									
CPI	0.2	0.2	0.2	0.0	-0.2	0.2	-0.1	0.1	
RPI	0.0	-0.1	0.1	0.0	0.1	0.0	-0.1	-0.1	
RPIX (excluding mortgage interest payments)	0.2	0.4	0.2	0.2	-0.1	0.5	-0.1	0.0	
	0.9	0.9	1.0	1.0	1.0	1.1	0.8	0.7	
	0.2	0.4	0.2	0.2	-0.1	0.5	-0.1	0.0	
House Price (HBOS Index)									
(M/M, %)	0.6	1.6	0.3	1.6	-0.4	2.7	-0.9	1.1	
(3M average Y/Y, %)	8.1	8.5	8.6	9.6	7.8	9.0	8.6	9.7	
Visible exports									
Whole World (GBP mln)	23,892	24,691	25,301	26,091	22,693	23,414	23,980	-	
(Y/Y, %)	-4.3	0.9	-1.1	4.4	-6.6	1.5	-4.0	-	
EU (GBP mln)	11,159	11,147	11,673	12,068	10,920	11,528	11,286	-	
(Y/Y, %)	-13.2	-12.1	-8.2	-3.0	-11.2	-2.1	-7.1	-	
Visible imports									
Whole World (GBP mln)	35,333	34,543	33,663	34,174	34,740	34,200	33,331	-	
(Y/Y, %)	2.5	0.8	-3.1	0.1	-1.6	2.1	-5.3	-	
EU (GBP mln)	18,763	18,629	18,711	19,253	18,117	18,472	18,561	-	
(Y/Y, %)	1.9	0.7	-0.2	2.6	-4.2	0.1	-1.3	-	
Visible balance									
Whole World (GBP mln)	-11,441	-9,852	-8,362	-8,083	-12,047	-10,786	-9,351	-	
EU (GBP mln)	-7,604	-7,482	-7,038	-7,185	-7,197	-6,944	-7,275	-	
Current Account* (GBP mln)	No figures for a monthly basis								
Money Supply M4 : (Y/Y, %)	-0.7	0.0	0.6	-0.2	0.7	-0.2	-0.6	-	
Public sector net cash requirement	19,648	-6,133	11,969	15,556	-5,195	717	17,877	-	
Foreign reserves **	105.78	108.61	110.30	110.67	113.27	117.15	118.88	-	
Official Bank Rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	
3M interest rates	0.56	0.57	0.57	0.57	0.58	0.59	0.59	0.58	
10-Y UK government bond yields	1.68	1.62	1.92	2.05	2.02	1.95	1.85	1.81	
USD/GBP exchange rate	1.496	1.495	1.546	1.557	1.556	1.557	1.533	1.534	
GBP/Euro exchange rate	0.723	0.723	0.722	0.721	0.707	0.715	0.732	0.732	
JPY/GBP exchange rates	180.06	178.81	186.67	192.68	191.87	191.60	184.14	184.10	
Effective exchange rate ****	90.41	90.10	91.36	92.13	93.33	93.50	91.89	91.63	

Note : The upper line is the monthly percentage change, the lower line is the annual percentage change unless otherwise indicated

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Sources : Office for National Statistics etc

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