

Main Economic & Financial Indicators UK

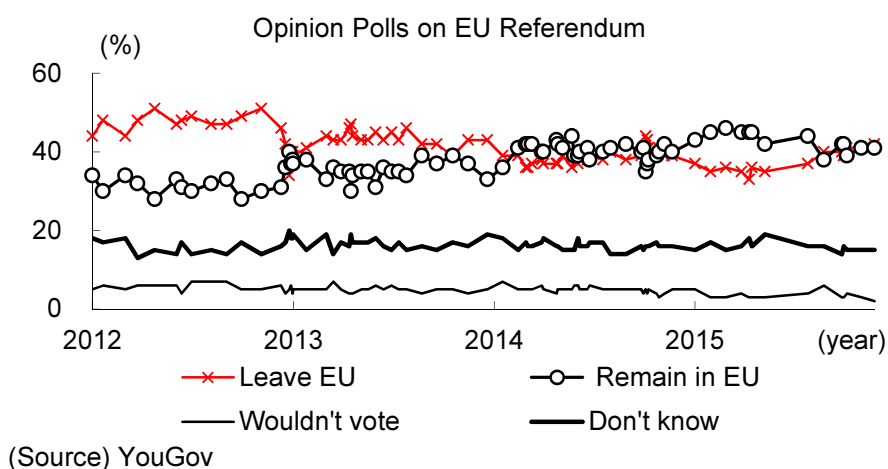
25 JANUARY 2016

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Overview

The growth of the UK economy remains resilient, despite showing signs of slowing down. Looking forwards, this resilient growth is forecast to continue due to the positive growth cycle of domestic demand, led by the private sector. As the effect of the fall in oil prices throughout the beginning of 2015 on the inflation rate is fading, downward pressure on inflation is expected to ease in 2016. However, in light of the recent further fall in oil prices, it is highly likely that an increase of the inflation rate would remain at a gradual pace. Wages growth slowed in recent months; however, the unemployment rate has fallen to 2006 levels owing to robust growth in the number of employees, signalling a possibility that wage growth will accelerate again due to the tightening of labour supply and demand. Additionally, sluggish growth of inflation rates means real wages are forecast to continue their robust growth, which is expected to underpin household consumption. On the other hand, it is important to note concerns of a British withdrawal from the EU as a cause of downside risks. Support for the “leave the EU” and “remain in the EU” campaigns are neck-and-neck in recent opinion polls. The deadline for the referendum is the end of 2017, but it is expected to take place in mid-2016 at the earliest. In the case that a UK exit from the EU becomes more likely, downward pressure – such as curbed business investment and foreign direct investment – on the economy will increase.

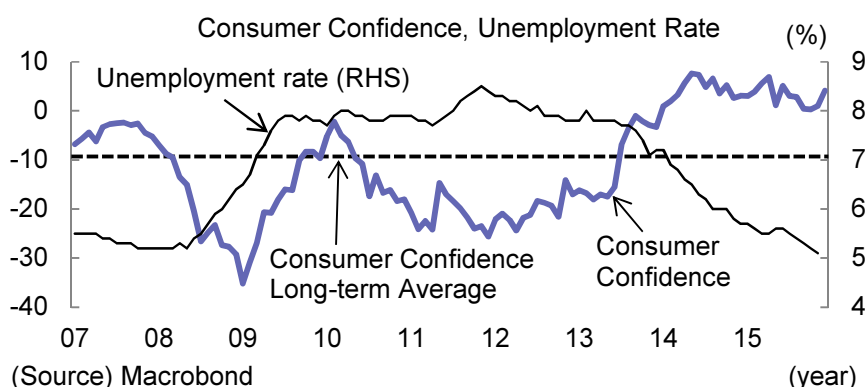


Output

In November, industrial production fell by 0.7% m/m, turning into negative territory for the first time in four months. In December, the Purchasing Manager's Index (PMI) for the manufacturing sector fell to 51.9. The growth pace of new orders slowed due to a deceleration in the increase of export orders.

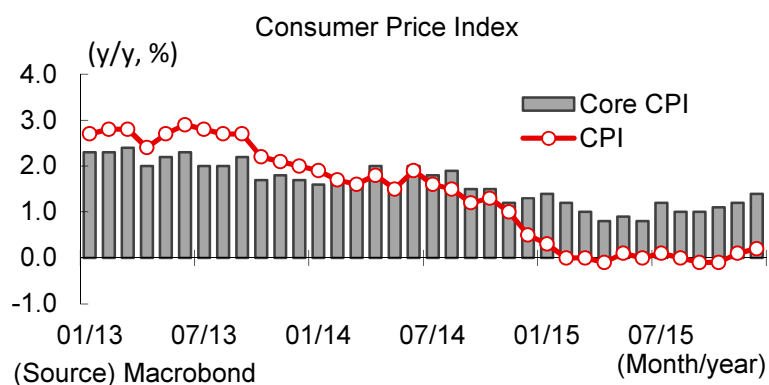
Consumption, Labour Market

Retail sales decreased 1.0% m/m in December, reflecting an adjustment from the previous month's strong growth of 1.3% m/m. Regarding employment and wage conditions, the pace of nominal wage growth (3-month moving average, including bonuses) slowed for a second month, decelerating to 2.0% y/y in November. On the other hand, the total number of employees increased by 267,000 from the June-August period to the September-November period, reaching 31.39 million. The unemployment rate fell to 5.1%, the same level recorded in 2006. While consumer confidence has maintained a level far exceeding the long-term average, it has softened due to expectations of a rate hike by the Bank of England (BoE) since mid-2015. However, it returned to an upward trend by the end of 2015 on the back of a further fall in the unemployment rate and oil prices, signalling that private consumption will maintain its resilience in the coming months.



Prices

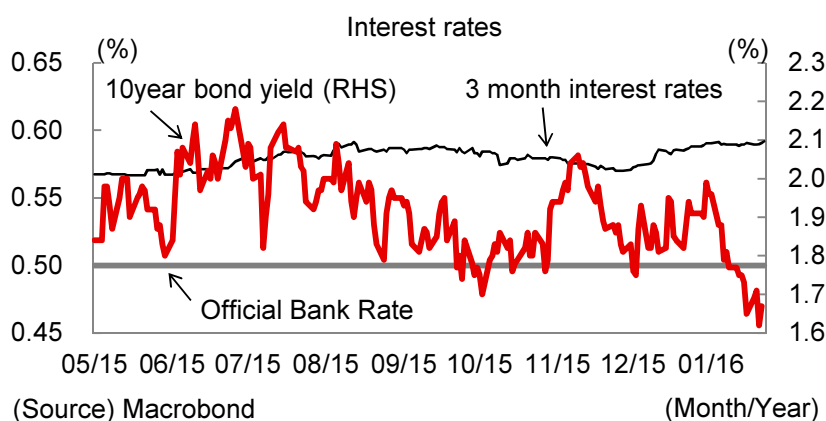
December's consumer price index growth rate was 0.2% y/y, accelerating from November's 0.1% y/y. The reason for this was deceleration in the fall of transport prices. The core inflation rate rose by 1.4% y/y.



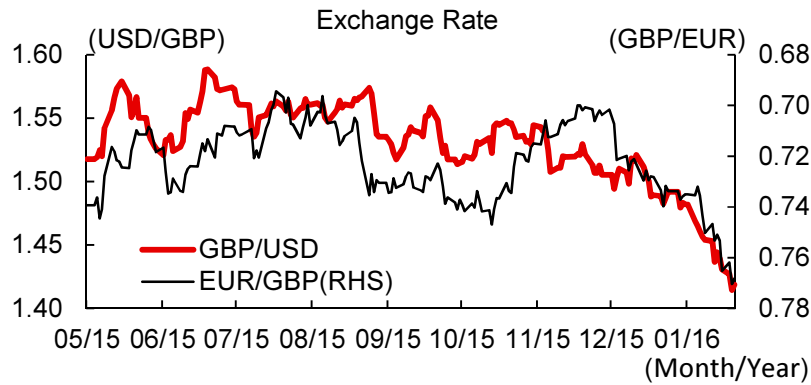
Interest Rates, Foreign Exchange Markets

Policy Rate: 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 at its meeting in January. One committee member of the nine continued to vote to raise the current interest rate. In his speech on 19th January, the governor of the BoE, Mark Carney, said “now is not yet the time to raise interest rates”, considering the pressure on inflation from the renewed collapse of oil prices, the “volatility” in emerging countries (mainly China) and the slow pace of the domestic wage increase. Additionally, he expressed again that only if there is momentum in economic growth, stabilisation in upward cost pressures and a reasonable expectation that total CPI inflation will return to the target of 2%, would the process of rate increases start, but the pace would only be gradual.

Market Rate (December-): The long-term interest rate (10 year government bond) started December at 1.76%. Until mid-December, as market volatility was heightened ahead of the US Fed’s policy meeting on 16th and by the announcement of additional monetary easing by the European Central Bank, it zigzagged within the range of 1.7% and just below 2.0%. Subsequently, yields increased to 1.99% at the end of the month, due to the UK’s favourable retail sales in November. However, from the start of 2016, yields fell due to a sharp fall in global stock markets and oil prices, as well as a deceleration of UK wage growth and a fall-back in market expectation of a rate hike after Mark Carney’s speech on 19th December. Yields currently stand at approximately 1.6%.



Foreign Exchange Market (December-): The pound's value against the dollar was US\$1.51 at the start of December, but from mid-December, the pound fell consistently as the dollar strengthened owing to the US Fed's rate hike and downward pressure on the pound was heightened due to the sluggish pace of UK wage growth. The pound continued to fall from the start of 2016, and following Mark Carney's statement on 19th December that "now is not yet the time to raise interest rates", it fell to US\$1.41 on 21st, the lowest level since 2009.



(Source) Macrobond

1. Annual and quarterly data

	13	14	15	2014/Q4	2015/Q1	Q2	Q3	Q4	
Real GDP Growth *	2.2	2.9	-	0.7 2.8	0.4 2.5	0.5 2.3	0.4 2.1	- -	
Real business investment	2.3	4.7	-	-0.1 2.9	2.6 9.3	0.9 3.6	2.2 5.8	- -	
Industrial Production *	-0.8	1.3	-	0.0 0.9	0.4 1.0	0.7 1.4	0.2 1.4	- -	
	Manufacturing	-1.1	2.7	-	0.1 2.7	0.0 1.2	-0.6 0.1	-0.4 -0.9	- -
Confidence (%, balance)	Manufacturing	-2.0	7.2	0.0	6.7	5.5	1.3	-1.1	-5.5
	Consumer	-10.1	4.4	3.1	3.6	4.2	4.4	2.1	1.8
Retail Sales Volume *	1.4	3.8	4.6	2.3 5.2	0.7 5.3	0.8 4.2	1.0 4.9	1.1 3.7	
Claimant Count *	(000s)	1,421.9	1,037.6	800.7	908.2	824.3	797.6	791.5	789.5
	(% change on previous term)	-10.3	-27.0	-22.8	-7.4	-9.2	-3.2	-0.8	-0.2
Unemployment rate *	(Claimant count base, %)	4.3	3.0	2.3	2.6	2.3	2.3	2.3	2.3
	(ILO base, %)	7.6	6.2	-	5.7	5.5	5.6	5.3	-
Average Earnings *	(YoY, %)	1.2	1.3	-	2.2	2.3	2.6	3.0	-
Producer Prices	Output Prices	1.3	0.0	-1.6	-0.9 -0.8	-0.7 -1.8	0.3 -1.6	-0.5 -1.8	-0.5 -1.4
	Input Prices	1.2	1.5	0.0	-3.7 -9.4	-5.8 -13.5	0.2 -12.0	-5.0 -13.6	-1.9 -12.1
Consumer Price Index	CPI	2.6	2.4	1.0	0.1 0.9	-0.7 0.1	0.6 0.0	0.1 0.0	0.2 0.1
	RPI	3.0	2.4	1.0	257.4 1.9	256.4 1.0	258.5 1.0	259.3 0.9	260.0 1.0
	RPIX (excluding mortgage interest payments)	3.1	2.4	1.0	0.2 2.0	-0.4 1.0	0.8 1.0	0.4 1.0	0.2 1.1
House Price (HBOS Index)		4.6	8.8	8.9	0.5 7.8	2.5 8.1	3.3 9.6	1.8 8.6	1.6 9.5
Visible exports	Whole World (GBP mln)	306,226	293,739	-	74,390	71,286	74,601	70,358	-
	(YoY, %)	0.6	-4.1	-	0.3	-2.6	1.1	-2.8	-
	EU (GBP mln)	154,135	146,018	-	35,625	33,391	34,095	33,677	-
	(YoY, %)	0.8	-5.3	-	-3.2	-9.9	-8.9	-6.2	-
Visible imports	Whole World (GBP mln)	421,457	416,882	-	107,407	104,743	101,202	102,334	-
	(YoY, %)	2.6	-1.1	-	1.1	2.4	-1.7	-1.8	-
	EU (GBP mln)	221,249	225,645	-	57,125	56,069	55,499	55,206	-
	(YoY, %)	5.6	2.0	-	2.2	0.0	-1.0	-2.2	-
Visible balance	Whole World (GBP mln)	-115,231	-123,143	-	-33,017	-33,457	-26,601	-31,976	-
	EU (GBP mln)	-67,114	-79,627	-	-21,500	-22,678	-21,404	-21,529	-
Current Account*	(GBP mln)	-77,908	-92,469	-	-28,474	-23,259	-17,488	-17,457	-
Money Supply	M4 : (YoY, %)	0.2	-1.1	-	-1.1	-0.7	-0.2	-0.5	-
Public sector net cash requirement	(GBP mln)	16,275	22,788	8,131	22,788	17,031	12,777	15,423	8,131
Foreign reserves **	(US\$ bln)	92.40	95.70	-	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	(%)	0.51	0.54	0.57	0.56	0.56	0.57	0.58	0.58
10-Y UK government bond yields		2.36	2.53	1.83	2.07	1.63	1.87	1.94	1.88
USD/GBP exchange rate		1.565	1.648	1.528	1.583	1.515	1.532	1.549	1.517
GBP/Euro exchange rate		0.849	0.806	0.726	0.789	0.744	0.722	0.718	0.722
JPY/GBP exchange rates		152.58	174.33	184.92	181.25	180.44	185.95	189.18	184.10
Effective exchange rate ****		81.43	86.99	91.44	87.33	89.41	91.20	92.91	92.18

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

		2015/05	6	7	8	9	10	11	12
Real GDP Growth *		No figures for a monthly basis							
		0.2	-0.1	-0.4	0.9	0.0	0.0	-0.7	-
Industrial Production *		1.6	1.7	0.8	1.9	1.5	1.7	0.9	-
	Manufacturing	-0.8	0.1	-0.7	0.3	0.9	-0.4	-0.4	-
		0.4	0.0	-1.2	-1.0	-0.4	-0.2	-1.2	-
Confidence (% , balance)	Manufacturing	2.9	-0.4	1.7	-1.3	-3.7	-2.7	-6.3	-7.4
	Consumer	1.1	5.1	3.0	2.8	0.4	0.3	1.0	4.1
Retail Sales Volume *		0.3	0.0	0.4	-0.3	1.7	-0.3	1.3	-1.0
		4.4	4.1	4.5	3.4	6.3	4.3	4.5	2.6
Claimant Count *	(000s)	797.1	797.3	790.5	791.7	792.2	792.4	790.2	785.9
	(M/M, %)	-0.2	0.0	-0.9	0.2	0.1	0.0	-0.3	-0.5
Unemployment rate *	(Claimant count base, %)	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
	(ILO base, %)	5.6	5.6	5.5	5.4	5.3	5.2	5.1	-
Average Earnings *	(Y/Y, %)	2.8	2.3	3.6	3.2	2.1	1.9	2.0	-
	Headline rate (3 month average)	3.3	2.6	2.9	3.0	3.0	2.4	2.0	-
Producer Prices	Output Prices	0.1	0.0	-0.2	-0.5	-0.1	-0.1	-0.2	-0.2
		-1.6	-1.5	-1.6	-1.9	-1.8	-1.4	-1.5	-1.2
	Input Prices	-0.7	-2.2	-1.4	-3.0	0.5	0.0	-1.6	-0.8
		-11.9	-13.0	-12.8	-14.6	-13.4	-12.3	-13.1	-10.8
Consumer Price Index	CPI	0.2	0.0	-0.2	0.2	-0.1	0.1	0.0	0.1
		0.1	0.0	0.1	0.0	-0.1	-0.1	0.1	0.2
	RPI	0.2	0.2	-0.1	0.5	-0.1	0.0	0.1	0.3
		1.0	1.0	1.0	1.1	0.8	0.7	1.1	1.2
	RPIX (excluding mortgage interest payments)	0.2	0.2	-0.1	0.5	-0.1	0.0	0.1	0.3
		1.1	1.1	1.1	1.2	0.9	0.8	1.1	1.3
House Price (HBOS Index)	(M/M, %)	0.3	1.6	-0.4	2.7	-0.9	1.0	0.0	1.7
	(3M average Y/Y, %)	8.6	9.6	7.8	9.0	8.6	9.7	9.0	9.5
Visible exports	Whole World (GBP mln)	24,855	25,242	22,723	23,394	24,241	23,544	23,238	-
	(Y/Y, %)	-1.4	4.3	-7.3	1.5	-2.4	-8.2	-4.4	-
	EU (GBP mln)	11,411	11,647	10,955	11,473	11,249	11,250	11,084	-
	(Y/Y, %)	-9.7	-4.6	-10.2	-1.7	-6.5	-6.9	-5.3	-
Visible imports	Whole World (GBP mln)	33,382	33,547	34,940	34,351	33,043	34,747	33,880	-
	(Y/Y, %)	-3.3	-1.6	-1.6	2.6	-6.2	0.2	-2.7	-
	EU (GBP mln)	18,438	18,659	18,291	18,581	18,334	18,902	19,276	-
	(Y/Y, %)	-1.6	-0.2	-4.3	0.6	-2.8	0.0	1.7	-
Visible balance	Whole World (GBP mln)	-8,527	-8,305	-12,217	-10,957	-8,802	-11,203	-10,642	-
	EU (GBP mln)	-7,027	-7,012	-7,336	-7,108	-7,085	-7,652	-8,192	-
Current Account*	(GBP mln)	No figures for a monthly basis							
Money Supply	M4 : (Y/Y, %)	0.6	-0.2	0.7	-0.2	-0.5	0.2	0.5	-
Public sector net cash requirement		9,149	12,777	-7,952	-2,315	15,423	-3,630	7,107	8,131
Foreign reserves **		110.30	110.67	113.27	117.15	118.88	120.46	117.39	-
Official Bank Rate		0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3M interest rates		0.57	0.57	0.58	0.59	0.59	0.58	0.57	0.58
10-Y UK government bond yields		1.92	2.05	2.02	1.95	1.85	1.81	1.94	1.87
USD/GBP exchange rate		1.546	1.557	1.556	1.557	1.533	1.534	1.519	1.498
GBP/Euro exchange rate		0.722	0.721	0.707	0.715	0.732	0.732	0.706	0.727
JPY/GBP exchange rates		186.67	192.68	191.87	191.60	184.14	184.10	186.31	182.09
Effective exchange rate ****		91.36	92.13	93.33	93.50	91.89	91.63	93.41	91.58

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

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Money supply, foreign reserves : End-period figures

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Sources : Office for National Statistics etc

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