

# Main Economic & Financial Indicators UK

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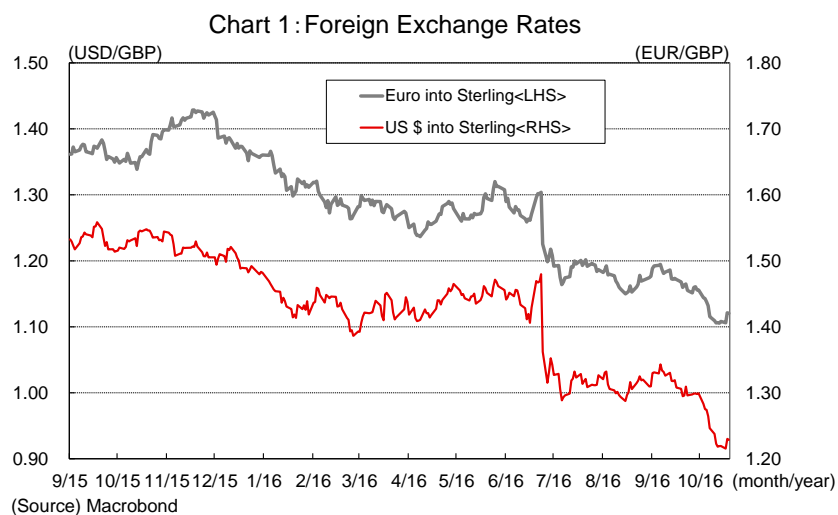
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## 1. Overview

The UK economy has avoided a slowdown so far, but a rise in concerns that the UK is headed for a “hard Brexit”, in which the UK economy is expected to take a significant hit, prompted a sharp fall in the pound and increased uncertainty surrounding the future of the UK economy.

Recent economic indicators show that consumer and business confidence has recovered since its significant post-EU referendum downturn. The Purchasing Managers’ Index (PMI) for the manufacturing and service sectors show a continued increase in business activities in August and September, and the PMI of the construction sector has exceeded 50 – the boundary which marks contraction and expansion of activity– for the first time in four months. However, there is an increasing cautious approach to business investment owing to the uncertain path the UK is taking in leaving the EU. According to the Quarterly Economic Survey by the British Chambers of Commerce (carried out between 22<sup>nd</sup> August and 12<sup>th</sup> September), the business investment intention has decreased considerably, suggesting the possibility of a slowdown in business investment in the future.

The inflation rate in September increased to just above 1% for the first time in nearly two years. Inflationary pressure is likely to increase in the coming months as the effect of rising import prices due to depreciation of the pound is expected to feed through to prices. At the Conservative Party Conference in October, the Prime Minister, Theresa May, announced that she would start the process to leave the EU no later than March 2017. She revealed that while maximum effort would be made to continue free trade with the EU, and made clear that she would not allow the free movement of people. Consequently, there was a sharp drop in the pound as the view that the UK is leaning towards a “hard Brexit” strengthened (Chart 1). Since the referendum in June, the pound has now fallen by approximately 18% against the dollar. Private consumption has been supported by low inflation and a recovery in the labour market; however, it is likely that headwinds will strengthen as inflation rises due to depreciation of the pound. Consumption will also be weighed down as businesses are predicted to take an increasingly cautious approach in hiring workers owing to future uncertainty surrounding Brexit.



## 2. Output

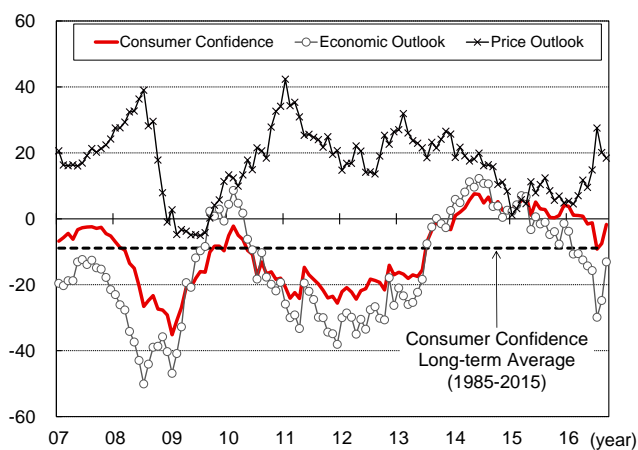
In August, industrial production decreased by 0.4% m/m. A breakdown of this figure reveals that manufacturing output was up 0.2% m/m, after a dip in July (-0.9% m/m). Mining output fell by 4.4% m/m: an adjustment from a strong growth in production the previous month (8.3% m/m). Meanwhile, manufacturing PMI increased to 55.4 in September, the highest level in 2 years. The breakdown shows that overall new orders were pushed up by an increase in export orders, suggesting the possibility that production will remain resilient in the coming months.

## 3. Employment, consumption and consumer confidence

Growth in retail sales was 1.8% in Q3, accelerating from 1.1% in Q2. However, this was mainly due to the strong growth of sales in July (2.0% m/m), and flat growth in August and September. The consumer confidence index recovered to -1.7 in September from -9.2 in July after the EU referendum (Chart 2). A breakdown of the figure shows inflation expectations fell slightly from a sharp increase in July due to the sudden drop in the pound following the referendum. However, in light of the pound's further depreciation since October, it is likely that inflation expectations will rise again in the future and, together with increased uncertainty surrounding Brexit, this will weigh on consumer confidence.

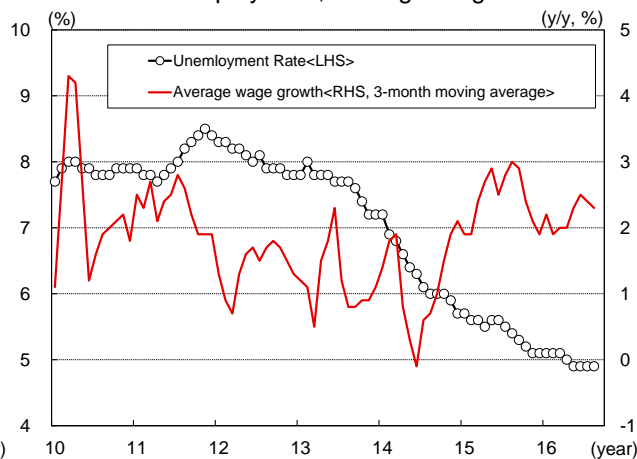
Looking at the labour market, the number of people employed in the period between June and August increased by 106,000 from the previous period, March to May. Compared with the previous period, the pace of increase slowed, as the period of March to May experienced a growth of 173,000 employees. Meanwhile, the unemployment rate has remained unchanged since the middle of the year: 4.9% (Chart 3). The pace of nominal wage growth (3-month moving average, including bonuses) decelerated to 2.3% y/y in August from 2.4% y/y the previous month.

Chart 2: Consumer Confidence



(Source) European Commission

Chart 3: Unemployment, Average Wage Growth

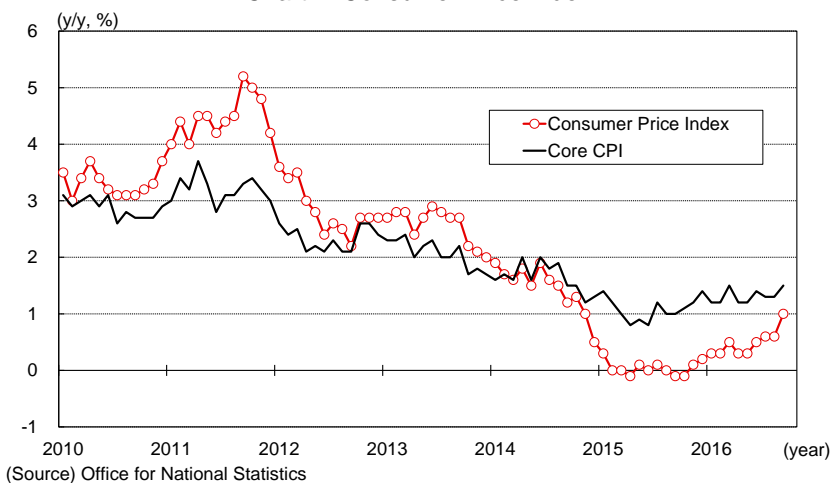


(Source) Office for National Statistics

## 4. Prices

In September, the Consumer Price Index (CPI) was up by 1.0% y/y, accelerating from 1.6% y/y in August (Chart 4). The breakdown of the figure shows that food and non-alcoholic beverage prices decreased by 2.2% y/y and continued to push down prices. On the other hand, a factor that pushed up prices was clothes (1.1% y/y), especially women's clothes, which were affected by a larger increase after summer sales compared with the previous year. Furthermore, hotel and accommodation and petrol prices also pushed up overall prices. Core CPI, which excludes food and energy prices, accelerated from 1.3% y/y in August to 1.5% y/y.

Chart 4: Consumer Price Index



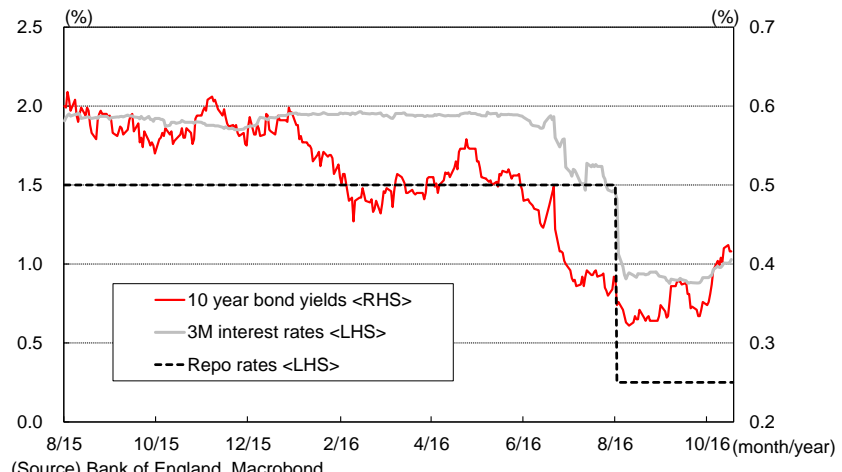
(Source) Office for National Statistics

## 5. Monetary Policy

At the Bank of England's (BoE) Monetary Policy Committee (MPC) in September, it was suggested that while the UK economy is more resilient than expected, this has not altered their view that the economy will slow down considerably going forward and an additional rate cut is possible before the end of the year. There are high expectations the inflation rate will overshoot the BoE's target of 2% early next year due to the sharp depreciation of the pound, but the BoE Governor, Mark Carney, said that such an overshoot would be tolerated in order to support growth and employment. That being said, some think that additional monetary

easing will not be decided at the next MPC on 3<sup>rd</sup> November. This is because details of the government's public spending will be announced in the Autumn Statement on 23<sup>rd</sup> November. There is a possibility that the MPC will make a decision regarding additional monetary easing based on the Autumn Statement and the most recent economic data at the next MPC meeting on 15<sup>th</sup> December, or at the first MPC meeting in 2017 on 2<sup>nd</sup> February.

Chart 5: Interest Rates



## Main Economic Indicators (UK)

### 1. Annual, quarterly

		2013	2014	2015	2015/Q3	Q4	2016/Q1	Q2	Q3
Real GDP Growth *		1.9	3.1	2.2	0.3 1.9	0.7 1.7	0.4 1.9	0.7 2.1	-
Real business investment		2.6	3.9	5.1	1.7 6.2	-2.4 1.8	-1.1 -1.9	1.0 -0.8	-
Industrial Production *		-0.7	1.5	1.3	0.1 1.4	-0.4 0.8	-0.1 0.2	2.1 1.6	-
	Manufacturing	-1.0	2.9	-0.1	-0.4 -0.6	0.1 -0.8	-0.3 -1.1	1.6 1.0	-
Confidence (%, balance)	Manufacturing	-2.0	7.2	0.0	-1.1	-5.5	-6.0	-2.2	-2.3
	Consumer	-10.1	4.4	3.1	2.1	1.8	2.0	-0.7	-6.1
Retail Sales Volume *		1.3	3.9	4.3	0.8 4.7	1.0 3.5	1.4 4.2	1.1 4.4	1.8 5.4
Claimant Count *	(000s)	1,421.8	1,037.1	798.7	791.6	782.6	742.3	767.7	773.6
	(% change on previous term)	-10.3	-27.1	-23.0	-0.9	-1.1	-5.1	3.4	0.8
Unemployment rate *	(Claimant count base, %)	4.3	3.0	2.3	2.3	2.2	2.2	2.2	2.3
	(ILO base, %)	7.6	6.2	5.4	5.3	5.1	5.1	4.9	-
Average Earnings *	(YoY, %)	1.2	1.2	2.4	2.9	1.9	2.0	2.5	-
Producer Prices	Output Prices	1.3	0.0	-1.7	-0.5 -1.8	-0.6 -1.5	-0.1 -1.0	0.9 -0.4	0.7 0.8
	Input Prices	1.2	-6.6	-12.8	-5.0 -13.6	-1.8 -12.0	-1.2 -7.6	4.1 -4.1	5.4 6.4
Consumer Price Index	CPI	2.6	1.5	0.0	0.1 0.0	0.1 0.1	-0.5 0.4	0.6 0.4	0.5 0.7
	RPI	3.0	2.4	1.0	259.3 0.9	260.0 1.0	260.0 1.4	262.2 1.4	264.2 1.9
	RPIX (excluding mortgage interest payments)	3.1	2.4	1.0	0.4 1.0	0.2 1.1	0.0 1.4	0.9 1.6	0.9 2.0
House Price (HBOS Index)		4.7	8.8	8.9	2.5 8.7	1.8 9.5	2.8 10.0	1.1 8.4	-0.1 5.8
Visible exports	Whole World (GBP mln)	303,147	292,894	283,282	69,462	68,681	71,135	73,713	-
	(YoY, %)	0.5	-3.4	-3.3	-4.0	-7.2	-0.4	-0.1	-
	EU (GBP mln)	151,256	145,472	133,957	33,413	32,765	33,343	35,318	-
	(YoY, %)	0.4	-3.8	-7.9	-6.5	-7.5	-0.5	3.0	-
Visible imports	Whole World (GBP mln)	423,811	415,469	409,719	100,176	102,035	103,987	108,371	-
	(YoY, %)	2.7	-2.0	-1.4	-3.2	-4.7	-1.4	6.2	-
	EU (GBP mln)	220,664	224,734	222,912	54,720	55,782	57,271	58,716	-
	(YoY, %)	5.6	1.8	-0.8	-2.4	-2.0	1.1	5.3	-
Visible balance	Whole World (GBP mln)	-120,664	-122,575	-126,437	-30,714	-33,354	-32,852	-34,658	-
	EU (GBP mln)	-69,408	-79,262	-88,955	-21,307	-23,017	-23,928	-23,398	-
Current Account*	(GBP mln)	-76,442	-84,998	-100,167	-20,490	-32,741	-26,999	-28,684	-
Money Supply	M4 : (YoY, %)	0.2	-1.1	0.3	-0.6	0.3	1.5	3.6	-
Public sector net cash requirement	(GBP mln)	16,938	23,231	8,632	15,401	8,632	16,463	11,823	-
Foreign reserves **	(US\$ bln)	92.40	95.70	119.03	118.88	119.03	125.19	128.74	-
Official Bank Rate	(%)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.25
3M interest rates	(%)	0.51	0.54	0.57	0.58	0.58	0.59	0.58	0.43
10-Y UK government bond yields		2.36	2.53	1.83	1.94	1.88	1.54	1.50	0.79
USD/GBP exchange rate		1.565	1.648	1.528	1.549	1.517	1.431	1.435	1.313
GBP/Euro exchange rate		0.849	0.806	0.726	0.718	0.722	0.771	0.787	0.850
JPY/GBP exchange rates		152.58	174.33	184.92	189.18	184.10	164.84	154.77	134.35
Effective exchange rate ****		81.44	86.98	91.43	92.87	92.14	86.99	85.48	78.72

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

## Main Economic Indicators (UK)

### 2. Monthly

		02/2016	3	4	5	6	7	8	9
Industrial Production *		-0.1	0.5	2.3	-0.7	0.0	0.1	-0.4	-
		0.1	0.1	2.2	1.2	1.4	2.1	0.7	-
	Manufacturing	-0.8	0.1	2.3	-0.7	-0.2	-0.9	0.2	-
Confidence (%, balance)	Manufacturing	-8.8	-4.4	-6.4	-1.4	1.3	-2.6	-1.8	-2.4
	Consumer	1.1	1.0	0.8	-1.6	-1.2	-9.2	-7.5	-1.7
Retail Sales Volume *		-0.5	-0.3	1.1	1.1	-0.8	2.0	0.0	0.0
		4.3	3.6	4.1	5.3	3.9	6.0	6.6	4.1
Claimant Count *	(000s)	734.6	751.2	759.6	771.3	772.2	768.6	775.7	776.4
	(M/M, %)	-0.9	2.3	1.1	1.5	0.1	-0.5	0.9	0.1
Unemployment rate *	(Claimant count base, %)	2.1	2.2	2.2	2.2	2.2	2.2	2.3	2.3
	(ILO base, %)	5.1	5.1	5.0	4.9	4.9	4.9	4.9	-
Average Earnings *	(Y/Y, %)	1.3	2.0	2.6	2.3	2.5	2.4	2.0	-
	Headline rate (3 month average)	1.9	2.0	2.0	2.3	2.5	2.4	2.3	-
Producer Prices	Output Prices	0.1	0.5	0.4	0.1	0.3	0.4	0.1	0.2
		-1.1	-0.7	-0.5	-0.5	-0.2	0.4	0.9	1.2
	Input Prices	0.4	1.7	0.8	2.3	1.7	3.3	0.2	0.0
Consumer Price Index		-8.0	-6.6	-7.1	-4.3	-0.5	4.3	7.8	7.2
	CPI	0.2	0.4	0.1	0.2	0.2	-0.1	0.3	0.2
		0.3	0.5	0.3	0.3	0.5	0.6	0.6	1.0
	RPI	0.5	0.4	0.1	0.3	0.4	0.1	0.4	0.2
		1.3	1.6	1.3	1.4	1.6	1.9	1.8	2.0
House Price (HBOS Index)	(M/M, %)	-1.5	2.2	-0.8	0.9	1.2	-1.1	-0.3	0.1
	(3M average Y/Y, %)	9.7	10.0	9.2	9.2	8.4	8.4	6.9	5.8
Visible exports	Whole World (GBP mln)	23,344	24,906	25,954	23,762	23,997	25,732	25,783	-
	(Y/Y, %)	0.3	3.9	7.4	-5.3	-2.0	14.5	10.6	-
	EU (GBP mln)	11,259	11,191	12,182	11,639	11,497	12,492	12,417	-
	(Y/Y, %)	0.4	0.9	10.4	-0.6	-0.3	14.8	8.1	-
Visible imports	Whole World (GBP mln)	34,576	34,377	36,333	35,121	36,917	35,238	37,895	-
	(Y/Y, %)	-1.1	-1.6	6.4	3.7	8.5	4.2	13.0	-
	EU (GBP mln)	19,416	19,076	19,574	19,426	19,716	19,774	20,773	-
	(Y/Y, %)	1.3	1.1	5.9	4.2	5.9	9.8	12.6	-
Visible balance	Whole World (GBP mln)	-11,232	-9,471	-10,379	-11,359	-12,920	-9,506	-12,112	-
	EU (GBP mln)	-8,157	-7,885	-7,392	-7,787	-8,219	-7,576	-	-
Money Supply	M4 : (Y/Y, %)	2.1	1.5	1.0	1.8	3.6	3.9	5.4	-
Public sector net cash requirement		263	16,463	-4,935	2,607	11,823	-2,437	727	-
Foreign reserves **		120.66	125.19	129.94	126.58	128.74	132.31	132.10	-
Official Bank Rate		0.50	0.50	0.50	0.50	0.50	0.50	0.25	0.25
3M interest rates		0.59	0.59	0.59	0.59	0.57	0.51	0.41	0.38
10-Y UK government bond yields		1.43	1.47	1.61	1.57	1.31	0.91	0.69	0.77
USD/GBP exchange rate		1.430	1.424	1.431	1.453	1.421	1.314	1.310	1.314
GBP/Euro exchange rate		0.776	0.782	0.792	0.778	0.791	0.842	0.856	0.853
JPY/GBP exchange rates		163.84	160.82	156.81	158.26	149.44	136.83	132.58	133.84
Effective exchange rate ****		86.72	85.72	84.88	86.64	84.90	79.33	78.28	78.60

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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