

# Main Economic & Financial Indicators UK

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## 1. Overview

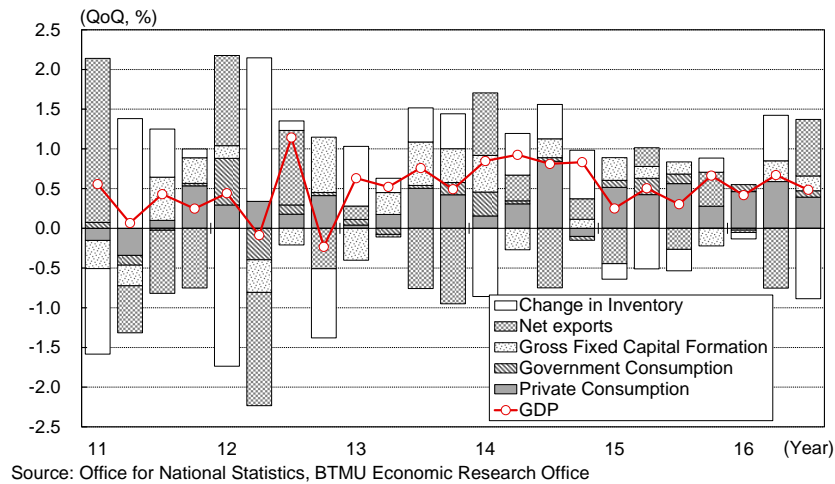
The UK economy has avoided rapid deterioration so far, which was a concern before the EU referendum. In Q3, real GDP growth remained resilient at 0.5% quarter-on-quarter (QoQ), despite decelerating from 0.7% quarter-on-quarter in Q2 (Chart 1).

A breakdown of real GDP in Q3 by expenditure shows growth of private consumption slowed to 0.6% QoQ from 0.9% QoQ in Q2. However, private consumption remained robust and continued to underpin the overall growth of real GDP. Further fall in unemployment as well as wage growth of which pace continued to be faster than consumer price increase have supported consumption. Furthermore, business investment continued to grow, up 0.9% QoQ in Q3 after a growth of 1.0% QoQ in Q2. However, it has not yet fully recovered from a sharp fall in Q4 2015 and Q1 2016 (a decrease of 2.4% QoQ and 1.1% QoQ respectively). In addition, it is highly likely that most of the business investment in Q3 was planned before the referendum in June.

The UK economy is forecast to decelerate further in the coming months. Business investment will be increasingly restrained due to high levels of uncertainty surrounding Brexit. According to the Bank of England's (BoE) Agents' Summary of Business Conditions (carried out from mid-August until mid-October), there were more companies who said they are planning to decrease their business investment in the coming year compared with the previous year than companies who intend to increase their investment. Reasons for the decrease in investment included uncertainty surrounding future trade agreements with the EU after Brexit and concerns over the future of demand.

Growth of consumption is also forecast to slow. Households' real purchasing power is expected to be squeezed as wage growth is restrained amid growing uncertainty over the future of the UK economy as well as increased inflationary pressure on the back of a sharp fall in the pound since the referendum. As a result of reduced business investment and sluggish consumption growth mentioned above, the UK economy is forecast to slow in 2017.

Chart 1: Real GDP Growth



## 2. Output

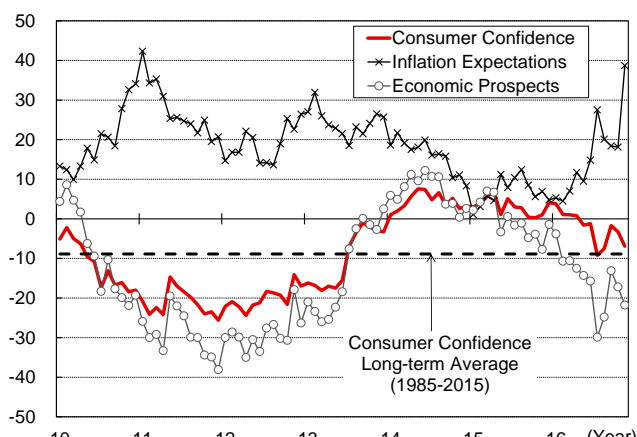
In October, industrial production fell by 1.3% month-on-month (MoM), after decreasing 0.4% MoM in September. According to the breakdown, the largest downward pressure on growth as a whole was from the mining and quarrying sector (-8.6% MoM), particularly the oil and gas mining industry, whose growth fell by 10.8% MoM due to the effect of oil fields closing for maintenance. The manufacturing sector also fell 0.9% MoM in October after an increase of 0.6% MoM in September. Manufacturing PMI remained robust at 53.4 in November, despite falling for the second consecutive month since September, where it was at its highest level in two years. The breakdown of this figure shows the growth of export orders slowed yet remained robust, underpinning new orders as a whole. However, both input costs and output charges increased significantly. In the coming months, it will be necessary to monitor the risk of decrease in demand arising from increased inflationary pressure.

## 3. Consumption, consumer confidence, wages and employment

Retail sales growth slowed considerably from 1.8% MoM in October to 0.2% MoM in November, but still maintained positive growth. However, it is likely that private consumption growth will weaken in the coming months. The consumer confidence index fell for the second consecutive month in November (Chart 2). The breakdown shows that inflation expectations have rapidly increased owing to the effect of further depreciation of the pound since October, and the economic outlook has weakened because of increased uncertainty surrounding Brexit.

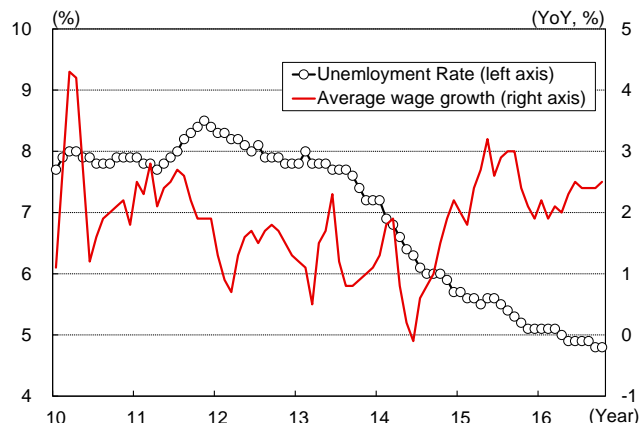
Looking at the labour market, the pace of average wage growth in October (3-month moving average, including bonuses) accelerated to 2.5% year-on-year (YoY) from 2.4% YoY in September (Chart 3). The unemployment rate remained relatively unchanged in October from the previous month at 4.8%. On the other hand, the number of people employed in the period from August to October was 31.76 million, falling slightly for the first time in three-and-a-half years on a QoQ basis from 31.77 million in the period between May and July. Looking forwards, increased uncertainty around Brexit is expected to weigh on the growth of employment and wages.

Chart 2: Consumer Confidence



Source: European Commission, BTMU Economic Research Office

Chart 3: Unemployment, Average Wage Growth



Note: Wage growth is 3-month moving average, including bonuses  
Source: Office for National Statistics, BTMU Economic Research Office

## 4. Prices

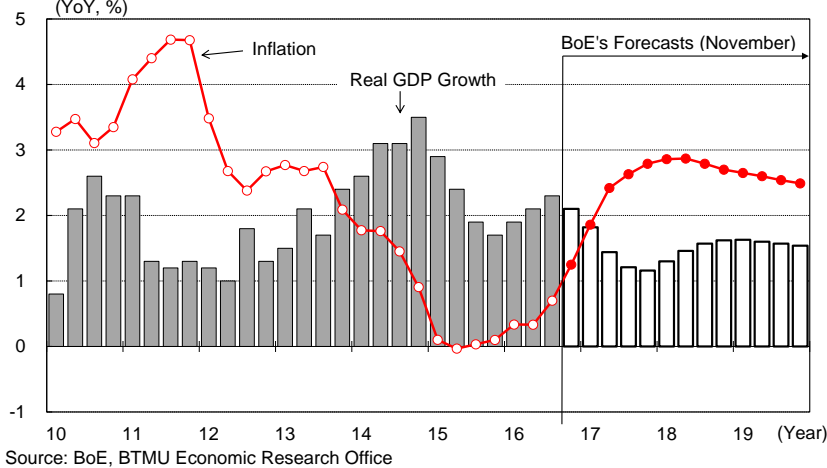
In November, the Consumer Price Index (CPI) rose by 1.2% YoY, the fastest rate in two years. This was partly due to an acceleration of the pace of increase in petrol prices owing to the recovery in oil prices and pound depreciation. A rise in clothes prices also pushed up overall inflation. The pace of decline in food prices decelerated, which was another contributor.

Looking forward, the consumer price inflation rate is forecast to accelerate further as the effect of the weaker pound feeds through and oil prices continue to recover. Looking at producer prices, the impact from the fall in the pound since June has already emerged; the input price index was up 12.9% YoY in November, the fastest increase in growth since June 2011, and the growth of output prices accelerated to 2.3% YoY. This suggests that the effect of the fall in the pound will spread further to consumer prices in the coming months.

## 5. Monetary Policy

At the Bank of England's (BoE) Monetary Policy Committee (MPC) on 15<sup>th</sup> December, the policy rate was held at 0.25%. In its statement, the BoE suggested the economy will slow in 2017 against a backdrop of curtailed business activities and sluggish private consumption due to uncertainty surrounding Brexit. Furthermore, it was revealed that the inflation rate will reach the BoE's target of 2% within the next six months. However, the pound has recovered since the previous MPC on 3<sup>rd</sup> November (the real effective exchange rate rose 6% according to the BoE), and there is a possibility that the inflation rate will be slightly lower than the BoE forecasted in November (Chart 4).

Chart 4: Real GDP and Inflation



## 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	0.5 2.3
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	0.9 -1.6
Industrial Production *		-0.7	1.5	1.2	0.1 1.3	-0.4 0.7	-0.2 0.1	2.1 1.6	-0.4 1.1
Confidence* (%, balance)	Manufacturing	-1.0	2.9	-0.2	-0.4 -0.8	0.1 -0.9	-0.4 -1.2	1.6 0.9	-0.8 0.5
	Consumer	-2.0	7.2	0.0	-1.1	-5.5	-6.0	-2.2	-2.3
Retail Sales Volume *		-10.1	4.4	3.1	2.1	1.8	2.0	-0.7	-6.1
Retail Sales Volume *		1.1	4.0	4.3	0.8 4.7	1.0 3.5	1.4 4.2	1.1 4.4	1.1 4.4
Claimant Count *	(000s)	1,421.8	1,037.1	799.0	792.0	783.3	744.0	772.5	786.4
	(% change on previous term)	-10.3	-27.1	-23.0	-0.8	-1.1	-5.0	3.8	1.8
Unemployment rate *	(Claimant count base, %)	4.2	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	4.8
Average Earnings *		1.2	1.3	2.5	3.0	1.9	2.1	2.5	2.4
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	0.6 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	5.5 6.5
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	0.3 0.9	0.2 1.0	0.0 1.4	0.9 1.4	0.8 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	287,584	70,627	70,921	70,248	75,568	74,466
	(YoY, %)	0.5	-3.4	-1.8	-2.3	-4.2	-2.1	1.7	5.4
Visible exports	EU (GBP mln)	151,256	145,472	133,957	33,423	32,705	33,403	36,291	37,250
	(YoY, %)	0.4	-3.8	-7.9	-6.5	-7.7	-0.3	5.7	11.5
Visible imports	Whole World (GBP mln)	423,811	415,469	407,304	99,435	100,046	102,429	105,774	113,158
	(YoY, %)	2.7	-2.0	-2.0	-3.9	-6.5	-3.5	4.1	13.8
Visible imports	EU (GBP mln)	220,664	224,734	222,912	54,832	55,681	57,284	58,785	60,825
	(YoY, %)	5.6	1.8	-0.8	-2.2	-2.2	1.2	5.4	10.9
Visible balance	Whole World (GBP mln)	-120,664	-122,575	-119,720	-28,808	-29,125	-32,181	-30,206	-38,692
	EU (GBP mln)	-69,408	-79,262	-88,955	-21,409	-22,976	-23,881	-22,494	-23,575
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	21,950	17,284
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	0.25
3M interest rates		(%)	0.51	0.54	0.57	0.58	0.58	0.59	0.43
10-Y UK government bond yields			2.36	2.53	1.83	1.94	1.88	1.54	0.79
USD/GBP exchange rate			1.565	1.648	1.528	1.549	1.517	1.431	1.313
GBP/Euro exchange rate			0.849	0.806	0.726	0.718	0.722	0.771	0.850
JPY/GBP exchange rates			152.58	174.33	184.92	189.18	184.10	164.84	154.77
Effective exchange rate ***			81.44	86.98	91.43	92.87	92.14	86.99	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, \*\*\* 2005 = 100

Sources : Office for National Statistics etc

## 2. Monthly

		04/2016	5	6	7	8	9	10	11
Industrial Production *		2.2	-0.6	0.0	0.2	-0.3	-0.4	-1.3	-
	Manufacturing	2.2	1.3	1.3	2.1	0.8	0.4	-1.1	-
Confidence* (%, balance)	Manufacturing	2.3	-0.6	-0.3	-0.8	0.2	0.6	-0.9	-
	Consumer	1.0	1.1	0.6	0.7	0.6	0.1	-0.4	-
Retail Sales Volume *		1.1	1.1	-0.9	2.0	0.2	0.0	1.8	0.2
		4.1	5.3	3.8	5.9	6.4	4.2	7.2	5.9
Claimant Count *	(000s)	763.0	776.0	778.6	778.1	787.8	793.4	806.7	809.0
	(MoM, %)	1.2	1.7	0.3	-0.1	1.2	0.7	1.7	0.3
Unemployment rate *	(Claimant count base, %)	2.2	2.2	2.2	2.2	2.3	2.3	2.3	2.3
	(ILO base, %)	5.0	4.9	4.9	4.9	4.9	4.8	4.8	-
Average Earnings *	(YoY, %)	2.7	2.3	2.5	2.4	2.2	2.6	2.8	-
	Headline rate								
	(3 month average)	2.0	2.3	2.5	2.4	2.4	2.4	2.5	-
Producer Prices	Output Prices	0.4	0.1	0.3	0.2	0.2	0.3	0.7	0.0
	Input Prices	-0.5	-0.5	-0.2	0.2	0.8	1.2	2.1	2.3
Consumer Price Index		0.8	2.3	1.7	3.2	0.4	0.2	4.5	-1.1
	CPI	-7.1	-4.3	-0.5	4.2	7.9	7.5	12.4	12.9
	RPI	0.1	0.2	0.2	-0.1	0.3	0.2	0.1	0.2
	RPIX (excluding mortgage interest payments)	0.3	0.3	0.5	0.6	0.6	1.0	0.9	1.2
House Price (HBOS Index)	(MoM, %)	0.1	0.3	0.4	0.1	0.4	0.2	0.0	0.3
	(3M average YoY, %)	1.3	1.4	1.6	1.9	1.8	2.0	2.0	2.2
Visible exports	Whole World (GBP mln)	0.1	0.3	0.4	0.1	0.5	0.2	0.0	0.3
	(YoY, %)	1.4	1.5	1.7	1.9	1.9	2.2	2.2	2.5
	EU (GBP mln)	-0.8	0.9	1.2	-1.1	-0.3	0.3	1.5	0.2
	(YoY, %)	9.2	9.2	8.4	8.4	6.9	5.8	5.2	6.0
Visible imports	Whole World (GBP mln)	25,587	25,313	24,668	24,862	24,979	24,625	26,759	-
	(YoY, %)	5.7	0.5	-1.1	7.0	5.4	4.0	16.5	-
	EU (GBP mln)	12,492	11,981	11,818	12,560	12,480	12,210	12,390	-
	(YoY, %)	13.1	2.2	2.3	14.6	9.3	10.5	11.1	-
Visible balance	Whole World (GBP mln)	36,363	33,835	35,576	36,266	38,435	38,457	36,470	-
	(YoY, %)	6.5	0.1	5.7	8.5	15.9	17.1	5.6	-
	EU (GBP mln)	19,585	19,446	19,754	19,771	20,280	20,774	20,503	-
	(YoY, %)	6.0	4.2	5.9	8.8	10.4	13.6	9.3	-
Money Supply	Whole World (GBP mln)	-10,776	-8,522	-10,908	-11,404	-13,456	-13,832	-9,711	-
	EU (GBP mln)	-8,157	-7,885	-7,392	-7,787	-8,219	-7,576	-	-
Public sector net cash requirement	M4 : (YoY, %)	1.0	1.8	3.6	3.9	5.5	6.2	6.6	-
Foreign reserves **		731	8,073	17,284	3,103	6,241	18,929	-3,413	-
Official Bank Rate		129.94	126.58	128.74	132.31	132.10	132.28	131.32	-
3M interest rates		0.50	0.50	0.50	0.50	0.25	0.25	0.25	0.25
10-Y UK government bond yields		0.59	0.59	0.57	0.51	0.41	0.38	0.40	0.40
USD/GBP exchange rate		1.61	1.57	1.31	0.91	0.69	0.77	1.04	1.34
GBP/Euro exchange rate		1.431	1.453	1.421	1.314	1.310	1.314	1.233	1.243
JPY/GBP exchange rates		0.792	0.778	0.791	0.842	0.856	0.853	0.894	0.867
Effective exchange rate ***		156.81	158.26	149.44	136.83	132.58	133.84	128.07	134.96
		84.88	86.64	84.90	79.33	78.28	78.60	74.63	76.64

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, \*\*\* 2005=100

Sources : Office for National Statistics etc

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