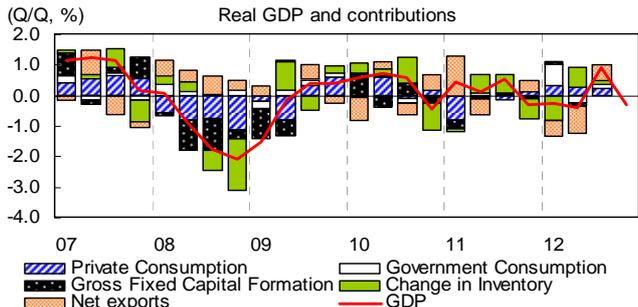
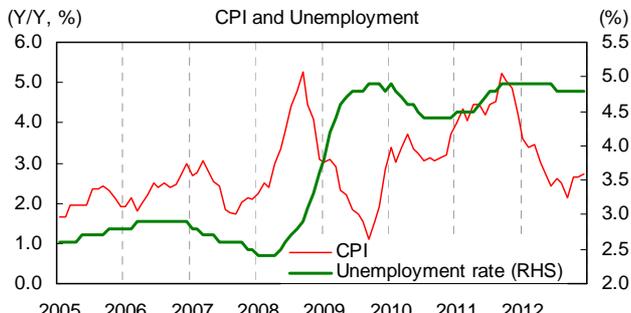
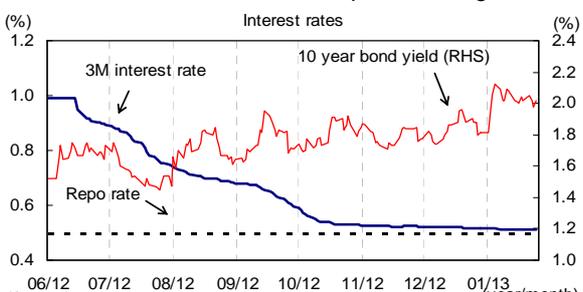


Main Economic & Financial Indicators (UK)

Economic Research Office
(Haruka Mino, haruka.mino@uk.mufg.jp)

| Overview | Consumption |
|---|---|
| <p>The UK economy went into a negative growth again. Real GDP growth in Q4 contracted by 0.3% q/q, down from 0.9% q/q growth in Q3. Aside from significant decline in the mining and quarrying sector owing to maintenance work, this was in large part owing to the unwinding of the boost from the Olympics which served to flatter Q3 growth. Reflecting this, the services sector contributed negatively to the overall growth in Q4 due to its dropping out of the one-off factors, related to the Olympics which benefited, among others, the hotel and restaurant industries. Detailed breakdown of this figure has not yet been released. However, considering the ongoing fiscal austerity measures and the deteriorating employment environment, strong growth in private consumption cannot be expected. However, it should be noted that the PMI for the manufacturing sector in December stood at a 15 month high of 51.4, pointing to a much awaited rebound in the sector.</p> <div style="text-align: center;">  <p>(Q/Q, %) Real GDP and contributions</p> <p> ■ Private Consumption ■ Government Consumption ■ Gross Fixed Capital Formation ■ Change in Inventory ■ Net exports — GDP </p> <p>(Source) BTMU based on data from ONS</p> </div> | <p>Retail sales volumes in December contracted by 0.1% m/m, a slight slowdown from November's flat reading. This was due to a decline in sales of household goods by 3.0% m/m from a growth of 4.0% m/m in November. Looking at consumer sentiment, the reading for December came in at -17.0 from -14.1 in November, suggesting that sustainable growth in private consumption cannot be expected.</p> |
| Labour Market, Prices | |
| <p>Labour markets: The unemployment rate (claimant count) in December remained flat at 4.8% for the sixth consecutive month. Although the number of claimants decreased by approximately 12,100 from November, the number of claimants who are unemployed for more than 24 months increased significantly by 95.9% y/y, suggesting harsh employment conditions.</p> | <p>Prices: The consumer price index in December rose by 2.7% y/y, following a pick-up seen in November. This was due to the price increases for electricity and gas and food products which were affected by the poor harvest.</p> |
| <div style="display: flex; justify-content: space-around;"> <div style="width: 45%;">  <p>(Y/Y, %) CPI and Unemployment</p> <p>— CPI (LHS) — Unemployment rate (RHS)</p> <p>(Source) ONS</p> </div> </div> | |
| Output | |
| <p>The growth rate of industrial production in November increased by 0.3% m/m, up from a decline of 0.9% m/m in October. On the back of this, there was an increase in the mining and quarrying sector by 8.7% m/m, up from a decline of 4.3% m/m in October. In September and October, there was a significant decline in oil and gas extraction due to maintenance work, but November saw a rebound by 11.3% m/m.</p> | |
| Interest Rates, Foreign Exchange Markets | |
| <p>Policy Rate: At its MPC meeting in January 9 ~ 10, the BoE decided to keep the repo rate at 0.50% and to maintain the size of the asset purchase programme at £375bn. The minutes released on 23 January revealed that there was a disagreement among MPC members over the impact of the recovery on inflation. Of note here is the fact that David Miles supported further asset purchases amounting to £25bn, which if realised would take the total asset purchases up to £400bn. He insisted that given the current economic situation and the persistence of an output gap, the higher output growth can be achieved without causing any inflationary pressure.</p> <p>Market rate (December-): Long-term government bond yields started at 1.82%. Reflecting growing political uncertainties in Italy, bond yields shifted down to 1.74%. However, expectations that the 'fiscal cliff' negotiations in the US would go smoothly and the decision by S&P to raise Greece's credit rating sent the bond yields up to 1.96% on December 19. More recently, however, renewed concerns over the delay in the 'fiscal cliff' negotiations sent bond yields down to 1.80%. In January, with growing questions as to whether the BOE would extend the size of its asset purchase programme and lesser worries over the US 'fiscal cliff' and other external matters, this caused a decrease in demand for UK government bonds, sending bond yields up to 2.12%. However, in late January, the downward revision to the world economic outlook by the IMF fuelled concerns over the slowdown in the economy again, causing bond yields to shift down again, finishing at around 2.0%.</p> <p>Foreign Exchange Market (December-): The exchange rate of sterling against the US dollar started at US\$1.60. The US dollar then depreciated, reflecting the announcement by the FRB that it would adopt additional quantitative easing measures in the US and uncertainties over the 'fiscal cliff' negotiations. Then, growing expectation of progress with regards to the US' 'fiscal cliff' caused an appreciation of the US dollar, though this was short-lived, leading to a depreciation of dollar. In January, improving macro data for the US and the fact that the 'fiscal cliff' was avoided at least for now led the dollar to appreciate. Thereafter, however, as Draghi's positive comment that the Eurozone economy would recover gradually caused a sell-off in the dollar, this caused the pound to appreciate. Then, concerns over the UK economy and its relationship with the EU caused a sell-off in the pound, leading the pound to shift downwards to around US\$1.58. Elsewhere, sterling's value against the euro started at £0.811. Downward revision to the Eurozone's economic forecasts at the ECB's December meeting heightened expectations of a rate reduction, causing the euro to depreciate. However, in January, as expectations of an ECB rate reduction abated and there was a marked improvement in sentiment towards countries such as Spain, sterling saw its value against the euro consistently depreciate.</p> | |
| <div style="text-align: center;">  <p>(%) Interest rates</p> <p>— 3M interest rate — Repo rate — 10 year bond yield (RHS)</p> <p>(Source) Macrobond</p> </div> | <div style="text-align: center;">  <p>(\$ per £) Foreign Exchange</p> <p>— GBP/USD — EUR/GBP (RHS)</p> <p>(Source) Bloomberg</p> </div> |

1. Annual and quarterly data

| | | 10 | 11 | 12 | 2011/Q4 | 2012/Q1 | Q2 | Q3 | Q4 |
|------------------------------------|---|---------|----------|----------|--------------|--------------|--------------|--------------|-------------|
| Real GDP Growth * | | 1.8 | 0.9 | - | -0.3 0.9 | -0.2 0.2 | -0.4 -0.3 | 0.9 0.0 | -0.3 0.0 |
| Real business investment | | -0.4 | 3.2 | - | 2.6 7.7 | -2.7 6.9 | 1.4 3.6 | 3.8 5.1 | - - |
| Industrial Production * | | 2.1 | -0.7 | - | -1.3 -2.7 | -0.3 -2.9 | -0.9 -2.7 | 0.7 -1.8 | - - |
| | Manufacturing | 3.8 | 2.0 | - | -1.0 -0.4 | -0.2 -1.3 | -1.0 -2.4 | 0.7 -1.5 | - - |
| Confidence (% , balance) | Manufacturing | -4.5 | -1.8 | -6.7 | -12.3 | -4.5 | -8.6 | -8.1 | -5.5 |
| | Consumer | -11.6 | -21.4 | -20.1 | -24.4 | -21.7 | -22.5 | -18.8 | -17.6 |
| Retail Sales Volume * | | -0.4 | 0.5 | 1.3 | 1.1 1.2 | 0.4 1.4 | -0.2 0.8 | 1.0 2.3 | -0.6 0.6 |
| Claimant Count * | (000s) | 1,496.4 | 1,534.1 | 1,586.7 | 1,595.6 | 1,606.1 | 1,596.1 | 1,576.3 | 1,568.1 |
| | (% change on previous term) | -2.0 | 2.5 | 3.4 | 1.4 | 0.7 | -0.6 | -1.2 | -0.5 |
| Unemployment rate * | (%) | 4.5 | 4.7 | 4.8 | 4.9 | 4.9 | 4.9 | 4.8 | 4.8 |
| Average Earnings * | (YoY, %) | 2.4 | 2.5 | - | 2.1 | 0.6 | 1.8 | 1.9 | - |
| Producer Prices | Output Prices | 4.2 | 5.6 | 2.8 | 0.3 5.4 | 0.9 3.9 | 0.9 2.7 | 0.1 2.2 | 0.4 2.3 |
| | Input Prices | 9.9 | 15.4 | 1.3 | 0.1 12.3 | 2.0 6.6 | -2.0 -0.4 | -0.8 -0.8 | 0.9 0.1 |
| Consumer Price Index | CPI | 3.3 | 4.5 | 2.8 | 1.0 4.6 | 0.3 3.5 | 0.8 2.8 | 0.2 2.4 | 1.2 2.7 |
| | RPI | 4.6 | 5.2 | 3.2 | 1.0 5.1 | 0.4 3.8 | 1.1 3.1 | 0.4 2.9 | 1.2 3.1 |
| | RPIX (excluding mortgage interest payments) | 4.8 | 5.3 | 3.2 | 1.1 5.3 | 0.4 3.8 | 1.1 3.2 | 0.3 2.9 | 1.2 3.0 |
| House Price (HBOS Index) | | 3.0 | -2.6 | -0.5 | -0.6 -1.8 | 0.3 -0.8 | -0.4 -0.4 | -0.5 -1.2 | 0.9 0.3 |
| Visible exports | Whole World (GBP mln) | 265,708 | 299,073 | - | 76,894 | 76,590 | 73,742 | 75,257 | - |
| | (YoY, %) | 16.5 | 12.6 | - | 9.7 | 3.7 | -0.8 | 1.7 | - |
| | Outside the EU (GBP mln) | 140,978 | 157,778 | - | 39,448 | 38558.0 | 36,611 | 36,998 | - |
| | (YoY, %) | 13.7 | 11.9 | - | 5.4 | -0.1 | --9.1 | -6.2 | - |
| Visible imports | Whole World (GBP mln) | 364,217 | 399,301 | - | 101,751 | 102,124 | 101,650 | 100,888 | - |
| | (YoY, %) | 17.1 | 9.6 | - | 5.6 | 5.6 | 2.5 | -0.8 | - |
| | Outside the EU(GBP mln) | 184,593 | 200,772 | - | 50,998 | 51,208 | 50,415 | 50,806 | - |
| | (YoY, %) | 14.1 | 8.8 | - | 5.6 | 4.1 | 2.2 | -0.9 | - |
| Visible balance | Whole World (GBP mln) | -98,509 | -100,228 | - | -24,857 | -25,534 | -27,908 | -25,631 | - |
| | Outside the EU (GBP mln) | -43,615 | -42,994 | - | -11,550 | -12,650 | -13,804 | -13,808 | - |
| Current Account* | (GBP mln) | -37,284 | -20,437 | - | -5,646 | -11,800 | -17,433 | -12,834 | - |
| Money Supply | M4 : (YoY, %) | -1.5 | -2.5 | - | -2.5 | -4.8 | -5.4 | -3.7 | - |
| Public sector net cash requirement | (GBP mln) | 3,807 | -34,646 | -123,835 | -12,288 | -34,824 | -34,854 | -34,542 | -19,615 |
| Foreign reserves ** | (US\$ bln) | 68.34 | 79.27 | - | 79.27 | 82.43 | 84.37 | 87.90 | - |
| Repo rate | (%) | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| 3M interest rates | (%) | 0.70 | 0.88 | 0.83 | 1.02 | 1.07 | 0.99 | 0.73 | 0.53 |
| 10-Y UK government bond yields | | 3.5866 | 3.0325 | 1.8834 | 2.2745 | 2.1611 | 1.8877 | 1.6755 | 1.8105 |
| USD/GBP exchange rate | | 1.5459 | 1.6043 | 1.5853 | 1.5727 | 1.5718 | 1.5829 | 1.5807 | 1.6058 |
| GBP/Euro exchange rate | | 0.86 | 0.87 | 0.81 | 0.86 | 0.83 | 0.81 | 0.79 | 0.81 |
| JPY/GBP exchange rates | | 135.58 | 127.88 | 126.61 | 121.62 | 124.81 | 126.77 | 124.28 | 130.55 |
| Effective exchange rate **** | | 80.38 | 79.93 | 83.06 | 80.30 | 81.23 | 83.21 | 84.12 | 83.68 |

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

| | | 2012/05 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|---|--|--------------------------------|--------|---------|---------|--------|---------|--------|--------|
| Real GDP Growth * | | No figures for a monthly basis | | | | | | | |
| Industrial Production | | 1.1 | -2.4 | 3.0 | -0.5 | -2.1 | -0.9 | 0.3 | - |
| * Manufacturing | | -1.6 | -4.1 | -1.0 | -1.2 | -3.2 | -3.0 | -2.4 | - |
| Confidence | | 1.4 | -3.0 | 3.1 | -1.2 | 0.0 | -1.3 | -0.3 | - |
| (% , balance) | | -1.4 | -4.3 | -1.0 | -1.8 | -1.7 | -2.0 | -2.1 | - |
| Retail Sales Volume | | -13.8 | -10.9 | -3.1 | -13.0 | -8.3 | -2.7 | -9.5 | -4.2 |
| * Manufacturing | | -21.8 | -21.2 | -18.3 | -18.7 | -19.3 | -21.6 | -14.1 | -17.0 |
| Consumer | | 1.4 | 0.4 | 0.2 | -0.1 | 0.5 | -0.9 | 0.0 | -0.1 |
| Claimant Count * | | 1.8 | 2.2 | 2.1 | 2.5 | 2.3 | 0.6 | 0.9 | 0.3 |
| (000s) | | 1,598 | 1,599 | 1,586 | 1,571 | 1,572 | 1,578 | 1,569 | 1,557 |
| (MoM, %) | | 0.4 | 0.1 | -0.9 | -0.9 | 0.1 | 0.4 | -0.6 | -0.8 |
| Unemployment rate * | | 4.9 | 4.9 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 |
| Average Earnings * | | 1.8 | 1.3 | 1.5 | 2.3 | 1.8 | 1.3 | 1.3 | - |
| (YoY, %) | | 1.7 | 1.8 | 1.6 | 1.7 | 1.8 | 1.8 | 1.5 | - |
| Headline rate | | | | | | | | | |
| (3 month average) | | | | | | | | | |
| Producer Prices | | -0.3 | -0.6 | 0.1 | 0.5 | 0.5 | 0.2 | -0.3 | -0.1 |
| Output Prices | | 2.8 | 2.0 | 1.8 | 2.3 | 2.5 | 2.6 | 2.1 | 2.2 |
| Input Prices | | -2.6 | -2.1 | 0.2 | 2.0 | 0.1 | 0.2 | 0.1 | -0.2 |
| | | 0.1 | -2.2 | -2.6 | 1.2 | -0.8 | 0.2 | -0.1 | 0.3 |
| Consumer Price Index | | -0.1 | -0.4 | 0.1 | 0.5 | 0.4 | 0.5 | 0.2 | 0.5 |
| CPI | | 2.8 | 2.4 | 2.6 | 2.5 | 2.2 | 2.7 | 2.7 | 2.7 |
| RPI | | 0.0 | -0.2 | 0.1 | 0.4 | 0.5 | 0.6 | 0.0 | 0.5 |
| RPIX (excluding mortgage interest payments) | | 3.1 | 2.8 | 3.2 | 2.9 | 2.6 | 3.2 | 3.0 | 3.1 |
| | | 0.0 | -0.3 | 0.1 | -0.4 | 0.5 | 0.5 | 0.1 | 0.4 |
| | | 3.1 | 2.8 | 3.2 | 2.9 | 2.6 | 3.1 | 2.9 | 3.0 |
| House Price (HBOS Index) | | 0.4 | 0.8 | -0.7 | -0.5 | -0.4 | -0.1 | 1.6 | 1.3 |
| (MoM, %) | | -0.1 | -0.5 | -0.6 | -0.9 | -1.2 | -1.7 | -1.3 | -0.3 |
| (3M average YoY, %) | | 25,844 | 23,932 | 25,885 | 24,680 | 24,692 | 24,101 | 24,809 | - |
| Whole World (GBP mln) | | 2.3 | -1.9 | 3.0 | 0.8 | 1.2 | -8.2 | -1.7 | - |
| (YoY, %) | | 12,621 | 11,976 | 12,559 | 12,362 | 12,077 | 11,993 | 13,069 | - |
| Outside the EU (GBP mln) | | -9.0 | -9.4 | -6.2 | -4.8 | -7.6 | -10.6 | 0.6 | - |
| (YoY, %) | | 33,848 | 33,716 | 33,008 | 34,749 | 33,131 | 33,588 | 33,973 | - |
| Whole World (GBP mln) | | 0.0 | 0.7 | -3.1 | -5.4 | -4.3 | -2.2 | -1.6 | - |
| (YoY, %) | | 16,862 | 16,576 | 16,845 | 17,407 | 16,554 | 16,950 | 17,695 | - |
| Outside the EU(GBP mln) | | -1.4 | 1.4 | -1.7 | 4.9 | -5.6 | 0.2 | 2.3 | - |
| (YoY, %) | | -8,004 | -9,784 | -7,123 | -10,069 | -8,439 | -9,487 | -9,164 | - |
| Whole World (GBP mln) | | -4,241 | -4,600 | -4,286 | -5,045 | -4,477 | -4,957 | -4,626 | - |
| Outside the EU (GBP mln) | | No figures for a monthly basis | | | | | | | |
| Current Account* (GBP mln) | | -4.3 | -5.4 | -4.8 | -4.2 | -3.7 | -3.1 | -2.8 | - |
| Money Supply M4 : (YoY, %) | | -7,237 | -803 | -24,627 | -9,391 | -524 | -14,407 | -6,507 | 1,299 |
| Public sector net cash requirement | | 84.59 | 84.37 | 85.97 | 86.88 | 87.90 | 89.74 | 89.35 | - |
| Foreign reserves ** | | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Repo rate | | 1.00 | 0.95 | 0.82 | 0.70 | 0.65 | 0.54 | 0.52 | 0.52 |
| 3M interest rates | | 1.8722 | 1.6686 | 1.5482 | 1.7170 | 1.7680 | 1.8022 | 1.7900 | 1.8410 |
| 10-Y UK government bond yields | | 1.5913 | 1.5558 | 1.5605 | 1.5716 | 1.6109 | 1.6074 | 1.5962 | 1.6134 |
| USD/GBP exchange rate | | 0.8042 | 0.8067 | 0.7879 | 0.7889 | 0.7992 | 0.8072 | 0.8039 | 0.8130 |
| GBP/Euro exchange rate | | 126.77 | 123.40 | 123.28 | 123.68 | 125.93 | 126.99 | 129.32 | 135.29 |
| Yen/GBP exchange rate | | 83.83 | 83.15 | 84.04 | 84.06 | 84.27 | 83.68 | 83.73 | 83.62 |
| Effective exchange rate **** | | | | | | | | | |

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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