

Main Economic & Financial Indicators (UK)

Economic Research Office
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Overview Consumption

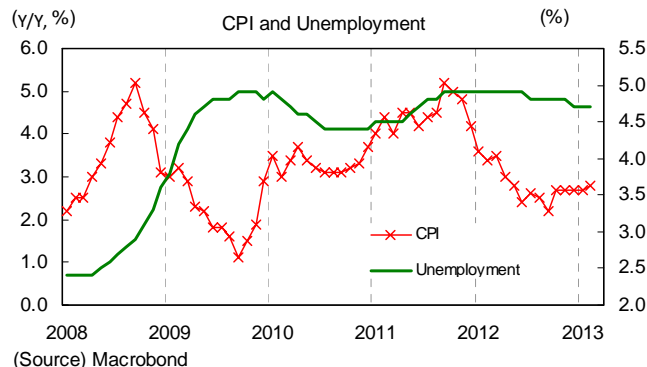
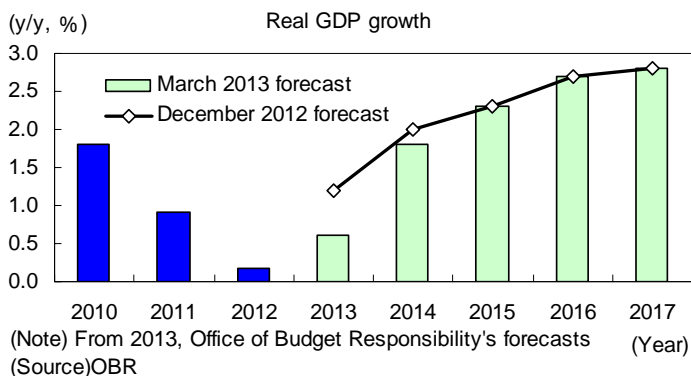
Prospects for the UK economy remain weak. Industrial production in January shrank on month-on-month basis while the February's PMI reading for the manufacturing sector fell below the 50 mark which indicates contraction in the sector. In the budget announced on March 20, the UK's economic growth forecast for 2013 was revised downwards to 0.6% y/y from the 1.2% y/y growth that was forecasted last December. The growth forecast for 2014 was also revised from the previous 2.0% y/y to 1.8% y/y. The delay in the economic recovery indicates that government debt will peak a year later than planned. In the budget, the government proposed plans to boost the economy including by implementing corporate tax cuts and taking steps to boost mortgage availability. However, as stringent spending cuts in the public sector (excluding few ring-fenced sectors such as health and education) will continue, the UK's economic growth is likely to remain subdued for a while.

Retail sales in February rose by 2.1% m/m, the first monthly growth seen in the last three months. However, consumer confidence in February stood at -16.8, down from -16.2 in January. Given that the government's austerity measures, rising inflation and weak earning growth will continue to dampen consumer confidence, private consumption is unlikely to see a real recovery for the moment. Meanwhile, HBOS house price index rose by 1.9% y/y, recording three consecutive months of y/y growth in a row.

Labour Market, Prices

Labour markets: The unemployment rate in February was unchanged at 4.7%. The number of people in employment increased 131,000 in the November-January period. However, the pace of increase in employment slowed, raising fears that the recent strength in the labour market is waning.

Prices: February's CPI rose by 2.8% y/y, picking up pace from 2.7% y/y seen in January. Increases in gas and electricity bills and petrol prices were one of the main factors pushing up overall inflation. The Bank of England predicts that inflation is likely to go up further in the near term mainly driven by the recent depreciation of sterling and a hike in utility bills.



Output

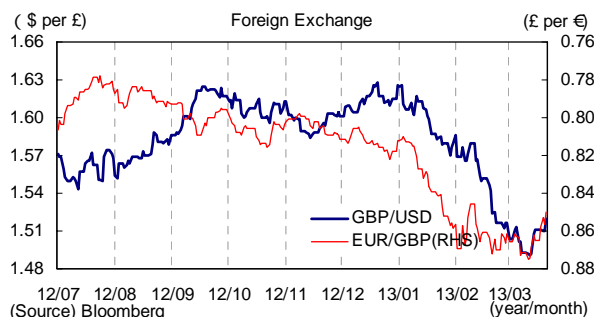
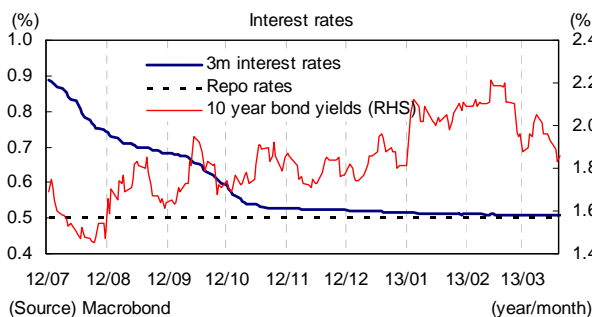
Industrial production in January decreased 1.2% compared to December. Output in the mining sector decreased 2.4% m/m due to the closure of a North Sea oil platform. The manufacturing sector also shrank by 1.5% m/m. The PMI for the manufacturing sector plunged in February from 50.5 to 47.9, indicating a contraction in the sector.

Interest Rates, Foreign Exchange Markets

Policy Rate: On March 7th, The Bank of England's Monetary Policy Committee decided to keep its policy rate unchanged at 0.50% and the size of its QE programme at £375bn. The minutes of this meeting revealed that, as with the previous MPC meeting in February, three members including the Governor Mervyn King voted for an expansion of the QE programme by £25bn to £400bn. The other six members who voted against the expansion warned that additional easing could lead to a depreciation of sterling if it were misinterpreted as a lack of commitment to maintaining low inflation in the medium term.

Market rate (February-): Long-term government bond yields started at 2.09%. Yields remained at a relatively elevated level around 2.2% reflecting the successful government bond auctions in Italy and Spain and the fact that expectations of a further expansion of the Bank of England's QE programme waned after Mark Carney, the next BOE governor, suggested that the current BOE's policy stance could prove sufficient. However, as investors' risk appetite receded reflecting the reigniting fears over the euro debt crisis following the Italian election, yields lowered to 1.88% on March 1. Later, yields were up again above 2.0% following Mario Draghi, the ECB president, comments that the eurozone economy will see gradual recovery in 2013. However yields then fell and finished around 1.86% as Cyprus's debt woes triggered investor risk aversion.

Foreign Exchange Market (February-): Sterling value against the US dollar started at US\$1.569 in February. It depreciated further reflecting rising expectations for further expansion of the BOE's QE programme amid fears over the UK economy falling into a triple dip recession. However, sterling strengthened after Sir Mervyn King, the BOE governor, indicated that the pound is properly valued and the BOE is not seeking for it to fall further. It advanced further after George Osborne, the chancellor, announced a remit change for the BOE to take more flexible and aggressive monetary policy to boost economic growth while maintaining the inflation target at 2%, finishing at around US\$1.51. Elsewhere, sterling's value against the euro started at £0.869 in February. Euro depreciated on concerns over Cyprus rescue plan, finishing around £0.85.



1. Annual and quarterly data

		10	11	12	2011/Q4	2012/Q1	Q2	Q3	Q4
Real GDP Growth *		1.8	0.9	0.2	-0.3 0.9	-0.1 0.3	-0.4 -0.2	1.0 0.2	-0.3 0.3
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	-0.6	-2.4	-1.2 -2.5	-0.2 -2.7	-0.9 -2.4	0.5 -1.7	-2.1 -2.6
	Manufacturing	3.8	2.2	-1.5	-0.9 -0.2	0.0 -1.1	-1.0 -2.1	0.6 -1.2	-1.4 -1.8
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	1.2	1.1 1.2	0.4 1.4	-0.2 0.8	0.8 2.1	-0.5 0.5
Claimant Count * (000s)		1,496.4	1,534.1	1,586.4	1,595.6	1,606.1	1,596.1	1,576.3	1,566.9
(% change on previous term)		-2.0	2.5	3.4	1.4	0.7	-0.6	-1.2	-0.6
Unemployment rate * (%)		4.6	4.7	4.9	4.8	5.1	4.9	4.8	4.7
Average Earnings * (YoY, %)		2.4	2.5	1.4	2.1	0.7	1.8	1.9	1.3
Producer Prices									
	Output Prices	4.2	5.6	2.8	0.3 5.3	0.9 3.9	0.9 2.7	0.1 2.2	0.4 2.3
	Input Prices	9.9	15.4	1.4	0.0 12.3	2.0 6.5	-2.0 -0.3	-0.8 -0.8	1.0 0.2
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 3.1	0.3 2.9	1.2 3.0
House Price (HBOS Index)		3.0	-2.6	-0.5	-0.6 -0.2	0.4 -0.1	-0.5 -0.4	-0.5 -0.4	0.8 0.6
Visible exports									
	Whole World (GBP mln)	265,708	299,073	300,456	77,056	76,691	73,872	75,611	74,282
	(YoY, %)	16.5	12.6	0.5	9.9	3.9	-0.5	2.2	-3.6
	Outside the EU (GBP mln)	140,978	157,778	149,889	39,655	38,587	36,631	37,292	37,379
	(YoY, %)	13.7	11.9	-5.0	6.0	0.1	-8.8	-5.4	-5.7
Visible imports									
	Whole World (GBP mln)	364,217	399,303	406,799	101,887	102,358	101,410	101,619	101,412
	(YoY, %)	17.1	9.6	1.9	5.7	5.7	2.7	-0.2	-0.5
	Outside the EU(GBP mln)	184,593	200,773	204,257	50,926	51,522	50,440	51,027	51,268
	(YoY, %)	14.1	8.8	1.7	5.4	4.4	2.4	-0.4	0.7
Visible balance									
	Whole World (GBP mln)	-98,509	-100,230	-106,343	-24,831	-25,667	-27,538	-26,008	-27,130
	Outside the EU (GBP mln)	-43,615	-42,995	-54,368	-11,271	-12,935	-13,809	-13,735	-13,889
Current Account* (GBP mln)		-37,284	-20,437	-	-5,646	-11,800	-17,433	-12,834	-
Money Supply M4 : (YoY, %)		-1.5	-2.4	-1.0	-2.4	-2.4	-4.7	-5.5	-3.7
Public sector net cash requirement (GBP mln)		2,263	-21,359	-25,889	-10,838	-33,436	-33,382	13,607	27,322
Foreign reserves ** (US\$ bln)		68.34	79.27	88.60	79.27	82.43	84.37	87.90	88.60
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		3.59	3.03	1.88	2.27	2.16	1.89	1.68	1.81
USD/GBP exchange rate		1.5459	1.6043	1.5853	1.5727	1.5718	1.5829	1.5807	1.6058
GBP/Euro exchange rate		0.8584	0.8679	0.8113	0.8572	0.8344	0.8110	0.7919	0.8080
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

		2012/07	8	9	10	11	12	2013/01	2		
Real GDP Growth *		No figures for a monthly basis									
		2.9	-0.5	-2.3	-0.8	0.1	1.1	-1.2	-		
Industrial Production		-0.8	-1.0	-3.2	-3.1	-2.8	-2.1	-2.9	-		
* Manufacturing		3.0	-1.2	0.1	-1.2	-0.4	1.5	-1.5	-		
		-0.8	-1.5	-1.5	-1.7	-2.1	-1.6	-3.0	-		
Confidence		-3.1	-13.0	-8.3	-2.7	-9.5	-4.2	-9.9	-9.1		
(% , balance)		-18.3	-18.7	-19.3	-21.6	-14.1	-17.0	-16.2	-16.8		
Retail Sales Volume		0.1	-0.1	0.5	-0.8	0.1	-0.1	-0.7	2.1		
* (000s)		2.0	2.3	2.2	0.6	0.7	0.3	-0.5	2.6		
Claimant Count *		1,585.5	1,571.3	1,572.1	1,578.1	1,569.2	1,553.4	1,543.4	1,542		
(MoM, %)		-0.9	-0.9	0.1	0.4	-0.6	-1.0	-0.6	-0.1		
Unemployment rate *		4.8	4.8	4.8	4.8	4.8	4.7	4.7	4.7		
(YoY, %)		1.5	2.3	1.8	1.3	1.4	1.3	1.0	-		
Average Earnings *		Headline rate									
(3 month average)		1.6	1.7	1.8	1.8	1.5	1.3	1.2	-		
Producer Prices		Output Prices		0.1	0.5	0.5	0.2	-0.3	-0.1	0.2	0.8
		Input Prices		1.8	2.3	2.5	2.6	2.1	2.2	2.1	2.3
				0.2	2.0	0.1	0.2	0.1	0.1	1.3	3.2
				-2.6	1.2	-0.8	0.2	-0.1	0.6	1.9	2.5
Consumer Price Index		CPI		0.1	0.5	0.4	0.5	0.2	0.5	-0.5	0.7
				2.6	2.5	2.2	2.7	2.7	2.7	2.7	2.8
		RPI		0.1	0.4	0.5	0.6	0.0	0.5	-0.4	0.7
				3.2	2.9	2.6	3.2	3.0	3.1	3.3	3.2
		RPIX (excluding mortgage interest payments)		0.1	0.4	0.5	-0.5	0.1	0.4	-0.4	0.7
				3.2	2.9	2.6	3.1	2.9	3.0	3.3	3.2
House Price (HBOS Index)		(MoM, %)		-0.7	-0.5	-0.4	-0.1	1.6	0.9	-0.3	0.5
		(3M average YoY, %)		-0.1	-0.3	-0.4	-1.0	-0.5	0.6	1.9	1.9
Visible exports		Whole World (GBP mln)		25,928	24,664	25,019	24,380	24,578	25,324	24,433	-
		(YoY, %)		3.5	0.9	2.1	-7.0	-3.2	-0.6	-5.0	-
		Outside the EU (GBP mln)		12,654	12,324	12,314	12,232	12,871	12,276	11,880	-
		(YoY, %)		-5.2	-5.0	-5.9	-9.2	-1.7	-6.2	-6.7	-
Visible imports		Whole World (GBP mln)		33,083	35,071	33,465	33,685	33,665	34,062	32,628	-
		(YoY, %)		-3.1	6.0	-3.3	--1.6	-2.6	2.8	-3.6	-
		Outside the EU (GBP mln)		16,804	17,472	16,751	17,061	17,380	16,827	16,751	-
		(YoY, %)		-2.0	5.2	-4.1	1.2	0.8	0.0	-1.8	-
Visible balance		Whole World (GBP mln)		-7,155	-10,407	-8,446	-9,305	-9,087	-8,738	-8,195	-
		Outside the EU (GBP mln)		-4,150	-5,148	-4,437	-4,829	-4,509	-4,551	-4,871	-
Current Account*		(GBP mln)		No figures for a monthly basis							
Money Supply		M4 : (YoY, %)		-4.9	-4.2	-3.7	-3.2	-2.9	-1.0	-0.8	-
Public sector net cash requirement		6,665	15,519	1,202	9,162	16,958	-20,703	-1,542	-		
Foreign reserves **		85.97	86.88	87.90	89.74	89.35	88.60	90.14	-		
Repo rate		0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50		
3M interest rates		0.82	0.70	0.65	0.54	0.52	0.52	0.51	0.51		
10-Y UK government bond yields		1.55	1.72	1.77	1.80	1.79	1.84	2.04	2.11		
USD/GBP exchange rate		1.5605	1.5716	1.6109	1.6074	1.5962	1.6134	1.5973	1.5488		
GBP/Euro exchange rate		0.7879	0.7889	0.7992	0.8072	0.8039	0.8130	0.8328	0.8622		
Yen/GBP exchange rate		123.28	123.68	125.93	126.99	129.32	135.29	142.49	144.24		
Effective exchange rate ****		84.04	84.06	84.27	83.68	83.73	83.62	82.30	79.78		

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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