

Main Economic & Financial Indicators (UK)

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Overview **Consumption**

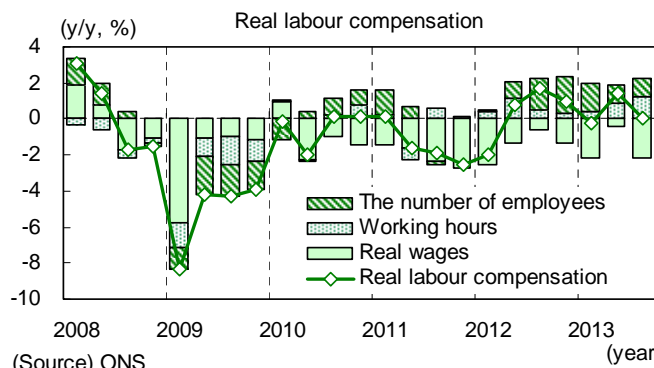
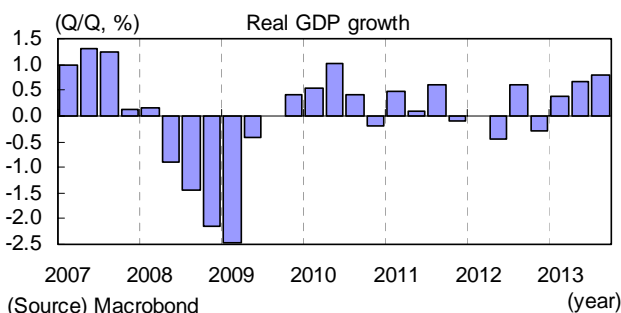
Economic recovery in the UK is gaining momentum. Real GDP growth in Q3 accelerated to 0.8% q/q from 0.7% q/q in Q2, recording three consecutive quarters of positive growth. All the four main sectors of the economy expanded on a q/q basis: agriculture (+1.4%), manufacturing (+0.5%), construction (+2.5%) and services (+0.7%). In particular, the output level in the services sector, which accounts for 77.8% of total output, was higher than the pre-Lehman Shock level. Also the PMI for the services sector stood at 62.5 in October, up from 60.3 in September. It remained above the neutral mark 50, which indicates economic expansion in the sector, for the tenth consecutive month. Looking at the housing market, the number of mortgages approved in September stood at 66,735, increased by 33.8% y/y. Readings for the major house price indices also grew on a y/y basis for nine months in a row, being supported by the second stage of the government's Help to Buy scheme which was introduced in October, 2013. Consumer spending remained strong with improvements in consumer confidence and expansion in consumer credit.

Retails sales in September rose by 0.6% m/m after a decrease of 0.8% m/m in August. Sales of food decreased by 0.2% m/m, while clothes and footwear increased by 1.2% m/m. Household goods also rose by 3.0% m/m, being supported by recovery of the housing market. Consumer confidence in October slightly went down after its continuous improvements since the beginning of the second half of the year. That said it remained at a relatively high level. The amounts of outstanding consumer credit in September grew sharply by 11.9% y/y.

Labour Markets, Prices

The unemployment rate (claimant count) in September stood at 4.0%, recording a decrease for the fourth consecutive month (According to the ILO measure, the figure stood at 7.7%). The number of employees (three-month backward moving average) in August increased by 33,000 m/m, slowing down from an increase of 59,000 m/m in July. Average earning growth in August remained at a low level, rising by only 0.4% y/y, decelerating from an increase of 0.8% y/y in July.

The consumer price index in September rose by 2.7% y/y, remaining flat from August. A decrease in oil prices suppressed an increase in airfare. Looking ahead, however, oil prices could still push up by geopolitical risks around Syria and Libya. Also prices of gas and electricity increased in November, 2013, which would push up the inflation rate. A close look at household income reveals that an increase in the number of employees and in working hours have been underpinning the income, while real wage growth has been negative.



Output

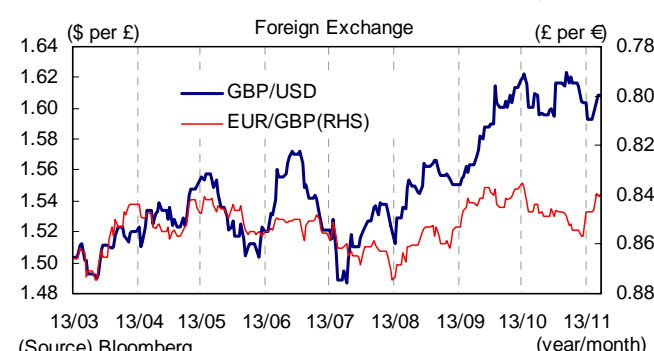
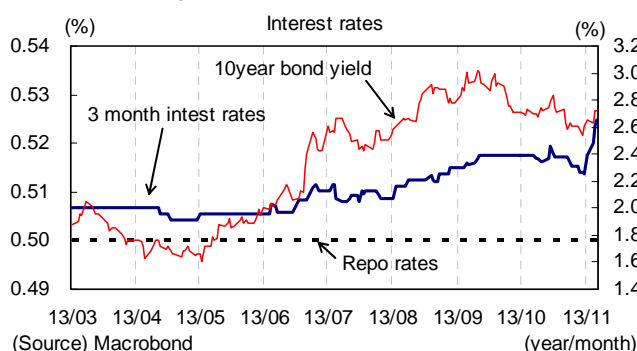
Industrial production in September increased by 0.9% m/m after a decrease of 1.1% m/m in August. Output in the manufacturing sector rose by 1.2% m/m. Looking ahead, the PMI for the manufacturing sector in October stood at 56.0, slightly down from 56.3 in September. However, it remained above the neutral mark of 50 for the seventh consecutive month. Due to an increase in production, the number of employees went up for six months in a row. Considering these factors, the manufacturing sector is likely to develop steadily.

Interest Rates, Foreign Exchange Markets

Policy Rate: At its meeting in November, the Bank of England (BOE)'s Monetary Policy Committee (MPC) decided to keep its policy rate unchanged at 0.50% and the size of its QE programme at £375bn. In the financial markets attention is being paid to outlook for the unemployment rate which will be included in the BOE's Inflation Report due to be published on November 13th.

Market rate (October-): Long-term government bond yields started at 2.71% in October. They then hovered around 2.7% reflecting rising expectation that the US Fed would keep the size of its QE programme intact for a while due to partial closure of the US government started on October 1st. However, yields rose to 2.84% on the 16th when the US congressional leadership agreed to end the partial closure and to raise the debt ceiling. Subsequently, they fell to 2.54% on the 24th when Mark Carney, the BOE's governor expressed a cautious view on monetary easing. However, they rose back and hover at around 2.72%, reflecting favourable indicators related to the UK manufacturing sector. Also, since entering November, three month interest rates have been elevated, reflecting an expectation of an early raise in interest rates due to a continuous decrease in the UK unemployment rate.

Foreign Exchange Market (October-): Sterling's value against the US dollar started at US\$1.620 in October. It then appreciated to US\$1.622 on the 2nd, reflecting partial closure of the US government. After the US congressional leadership reached an agreement on the 16th, it depreciated to US\$1.595. It then appreciated to US\$1.624 on the 22nd, reflecting the favourable September retail sales in the UK and the lower-than-expected growth of the US employment. It is hovering around at US\$1.608 due to dollar-selling after the US Fed statement published on the 30th indicated some improvement in the US economy.



1. Annual and quarterly data

	10	11	12	2012/Q2	Q3	2013/Q1	Q2	Q3
Real GDP Growth *	1.7	1.1	0.1	0.6 0.0	-0.3 -0.2	0.4 0.2	0.7 1.3	0.8 1.5
Real business investment	1.7	-1.3	2.6	-1.0 1.8	-6.6 -3.7	1.7 -8.2	-2.7 -8.5	-
Industrial Production *	2.8	-1.2	-2.5	0.1 -2.0	-2.0 -3.4	0.5 -2.5	0.8 -0.7	0.6 -0.2
Manufacturing	4.2	1.8	-1.7	0.4 -1.5	-1.6 -2.6	0.0 -2.7	0.9 -0.4	0.9 0.1
Confidence (% balance)	-4.5	-1.8	-6.7	-8.1	-5.5	-9.0	-9.3	1.4
Manufacturing	-11.6	-21.4	-20.1	-18.8	-17.6	-17.0	-16.7	-3.8
Consumer								
Retail Sales Volume *	-0.5	0.3	1.0	0.8 2.0	-0.7 0.2	0.4 0.0	1.1 1.6	1.6 2.4
Claimant Count * (000s)	1,496.4	1,534.2	1,585.2	1,574.1	1,564.9	1,536.5	1,495.7	1,392.8
(% change on previous term)	-2.1	2.5	3.3	-1.2	-0.6	-1.8	-2.7	-6.9
Unemployment rate *	4.6	4.7	4.7	4.7	4.6	4.7	4.5	4.1
(Claimant count base, %)	7.8	8.1	7.9	7.8	7.8	7.8	7.8	-
(ILO base, %)								
Average Earnings * (YoY, %)	2.4	2.4	1.4	1.8	1.3	0.6	2.2	-
Producer Prices	4.2	5.6	2.8	0.1 2.2	0.4 2.3	0.7 2.1	0.2 1.4	0.3 1.7
Output Prices								
Input Prices	9.9	15.4	1.4	-0.8 -0.8	1.0 0.2	3.5 1.6	-1.8 1.8	0.2 2.8
Consumer Price Index	3.3	4.5	2.8	0.3 2.4	1.2 2.7	0.4 2.8	0.7 2.7	0.3 2.7
CPI								
RPI	4.6	5.2	3.2	0.4 2.9	1.2 3.1	0.6 3.3	1.0 3.1	0.5 3.2
RPIX (excluding mortgage interest payments)	4.8	5.3	3.2	0.3 2.9	1.2 3.0	0.6 3.2	0.9 3.1	0.5 3.2
House Price (HBOS Index)	3.0	-2.6	-0.6	-0.3 -1.2	0.7 -0.3	1.4 1.1	2.1 3.7	1.8 6.2
Visible exports	265,243 (YoY, %)	298,421 12.5	300,459 0.7	73,944 -0.1	75,769 2.5	75,924 -0.4	78,429 6.1	-
Whole World (GBP mln)								
Outside the EU (GBP mln)	140,814 (YoY, %)	157,486 11.8	149,668 -5.0	36,739 -8.4	37,271 -5.3	38,125 -0.1	38,160 3.9	-
Visible imports	363,828 (YoY, %)	398,513 9.5	409,157 2.7	101,846 3.4	102,243 0.5	102,115 -0.2	103,714 1.8	-
Whole World (GBP mln)								
Outside the EU (GBP mln)	184,480 (YoY, %)	200,415 8.6	206,515 3.0	50,966 3.6	51,593 0.8	53,124 3.4	53,084 4.2	-
Visible balance	-98,585 (GBP mln)	-100,092	-108,698	-27,902	-26,474	-26,191	-25,285	-
Whole World (GBP mln)								
Outside the EU (GBP mln)	-43,666	-42,929	-56,847	-14,227	-14,322	-14,999	-14,924	-
Current Account* (GBP mln)	-40,012	-22,475	-59,842	-15,192	-15,140	-21,765	-12,989	-
Money Supply M4 : (YoY, %)	-1.5	-2.4	-1.0	-3.8	-1.0	0.2	1.5	2.6
Public sector net cash requirement (GBP mln)	16,193	6,861	16,609	15,154	16,609	22,830	-1,425	-562
Foreign reserves ** (US\$ bln)	68.34	79.27	88.60	87.90	88.60	88.37	90.16	93.28
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	0.73	0.53	0.51	0.51	0.51
10-Y UK government bond yields	3.59	3.03	1.88	1.68	1.81	2.01	1.91	2.72
USD/GBP exchange rate	1.55	1.60	1.59	1.58	1.58	1.55	1.54	1.55
GBP/Euro exchange rate	0.86	0.87	0.81	0.81	0.79	0.85	0.85	0.86
JPY/GBP exchange rates	135.58	127.88	126.61	126.77	124.28	143.23	151.80	153.39
Effective exchange rate ****	80.34	79.91	82.94	83.99	83.54	80.39	80.49	81.18

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

		2013/03	4	5	6	7	8	9	10
Real GDP Growth *		No figures for a monthly basis							
		0.1	-0.1	0.0	1.4	0.1	-1.1	0.9	-
Industrial Production		-1.9	-1.4	-2.2	1.6	-1.1	-1.5	2.2	-
* Manufacturing		1.2	-0.2	-0.7	2.0	0.2	-1.2	1.2	-
		-1.6	-0.8	-2.7	2.4	-0.4	-0.2	0.8	-
Confidence		-8.0	-8.0	-7.7	-12.3	-5.0	-0.1	9.2	2.3
(% , balance)		-18.1	-17.0	-17.5	-15.5	-6.9	-3.5	-1.0	-2.1
Retail Sales Volume		-0.6	-0.6	1.9	0.2	1.1	-0.8	0.6	-
* (000s)		-0.8	1.0	1.9	1.9	2.8	2.1	2.2	-
Claimant Count *		1,528.1	1,516.3	1,500.1	1,470.7	1,434.4	1,392.8	1,351.1	-
(MoM, %)		-0.6	-0.8	-1.1	-2.0	-2.5	-2.9	-3.0	-
Unemployment rate * (Claimant count base, %)		4.6	4.5	4.5	4.4	4.3	4.2	4.0	-
(ILO base, %)		7.8	7.8	7.8	7.8	7.7	7.7	-	-
Average Earnings *		-0.2	3.9	1.8	1.0	0.8	0.4	-	-
(YoY, %)		0.6	1.5	1.8	2.2	1.2	0.7	-	-
Headline rate (3 month average)									
Producer Prices		0.2	-0.2	-0.1	0.1	0.2	0.2	-0.1	-
Output Prices		1.9	1.0	1.2	2.0	2.1	1.7	1.2	-
Input Prices		0.1	-2.4	-0.7	0.2	1.2	-0.7	-1.2	-
		0.7	-0.2	1.6	4.0	5.1	2.4	1.1	-
Consumer Price Index		0.3	0.2	0.2	-0.2	0.0	0.4	0.4	-
CPI		2.8	2.4	2.7	2.9	2.8	2.7	2.7	-
RPI		0.4	0.3	0.2	-0.1	0.0	0.5	0.4	-
		3.3	2.9	3.1	3.3	3.1	3.3	3.2	-
RPIX (excluding mortgage interest payments)		0.4	0.3	0.2	-0.1	0.0	0.5	0.4	-
		3.2	2.9	3.1	3.3	3.2	3.3	3.2	-
House Price (HBOS Index)		0.4	1.1	0.5	0.7	0.9	0.3	0.4	0.7
(MoM, %)		1.1	2.0	2.6	3.7	4.6	5.4	6.2	6.9
(3M average YoY, %)									
Visible exports		26,026	25,799	25,799	26,831	24,800	25,079	-	-
Whole World (GBP mln)		-0.2	7.5	-1.1	12.4	-5.5	1.2	-	-
(YoY, %)		12,744	12,485	12,925	12,750	12,922	-	-	-
Outside the EU (GBP mln)		-1.8	3.6	1.6	6.5	0.8	-	-	-
(YoY, %)		35,264	34,132	34,580	35,002	34,741	34,704	-	-
Visible imports		1.0	-0.5	1.3	4.8	3.6	-0.9	-	-
Whole World (GBP mln)		18,511	17,377	17,609	18,098	18,230	-	-	-
(YoY, %)		6.0	1.2	2.7	8.7	6.2	-	-	-
Outside the EU (GBP mln)		-9,238	-8,333	-8,781	-8,171	-9,941	-9,625	-	-
Visible balance		-5,767	-4,892	-4,684	-5,348	-5,308	-	-	-
Outside the EU (GBP mln)		No figures for a monthly basis							
Current Account* (GBP mln)									
Money Supply		-1.5	-2.4	-1.0	-3.8	-1.0	0.2	1.5	2.6
M4 : (YoY, %)		16,193	6,861	16,609	15,154	16,609	22,830	-1,425	-562
Public sector net cash requirement		68.34	79.27	88.60	87.90	88.60	88.37	90.16	93.28
Foreign reserves **		0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Repo rate		0.70	0.88	0.83	0.73	0.53	0.51	0.51	0.51
3M interest rates		3.59	3.03	1.88	1.68	1.81	2.01	1.91	2.72
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USD/GBP exchange rate		0.86	0.87	0.81	0.81	0.79	0.85	0.85	0.86
GBP/Euro exchange rate		135.58	127.88	126.61	126.77	124.28	143.23	151.80	153.39
Yen/GBP exchange rate		80.34	79.91	82.94	83.99	83.54	80.39	80.49	81.18
Effective exchange rate ****									

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

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