

**Main Economic & Financial Indicators (UK)**

Economic Research Office  
 (Mayko Kurk, [mayko.kurk@uk.mufg.jp](mailto:mayko.kurk@uk.mufg.jp))

**Overview** **Consumption**

The UK economy is steadily recovering. Real GDP growth in Q3 accelerated to 0.8% q/q from 0.7% q/q in Q2. It recorded three consecutive quarters of positive growth and the fastest growth since Q2 in 2010. Private consumption increased by 0.8% q/q from positive growth of 0.3% q/q in Q2. This increase was supported by improvement of employment situations and confidence. Gross fixed capital formation recorded positive growth of 1.4% q/q, accelerating for the second consecutive quarter. Government consumption also made a positive growth of 0.5% q/q. On the other hand, exports decreased by 2.4% q/q against slow growth of the Eurozone economy, resulting in a negative contribution of net exports by 0.9% q/q. Looking ahead, fiscal austerity and slow recovery of the Eurozone economy will continue suppressing the UK economic growth, while private consumption and improvement of the UK housing market are likely to support the UK economic recovery.

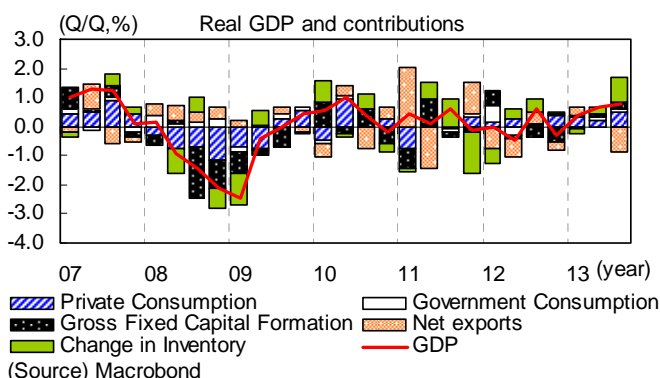
Retails sales in October declined by 0.7% m/m after an increase of 0.6% m/m in September. Clothes and footwear decreased by 2.8% m/m partly because of poor sales of winter clothes due to continuous mild weather. In addition, household goods declined by 1.2% m/m, and food contracted by 0.1% m/m. Consumer confidence in November slightly went down. However, it still remained at a relatively high level.

**Labour Markets, Prices**

The unemployment rate (claimant count) in October stood at 3.9%, recording a decrease for five consecutive months (According to the ILO measure, the figure stood at 7.6%). The number of employees (three-month backward moving average) in September increased by 84,000 m/m. Average earning growth in September increased by 0.9% y/y. The consumer price index in October rose by 2.2% y/y, down from 2.7% y/y in September. This is due to slow down in the appreciation rate of tuition fees because of a rapid increase of university tuition fees last year. Also the appreciation rate of airfares was mild due to a decrease in oil prices. Looking ahead, the depreciation trend of oil prices is projected to continue. However, the economic recovery will lead tight supply and demand balance. Thus, the inflation rate is likely to hover around 2.5% for the time being.

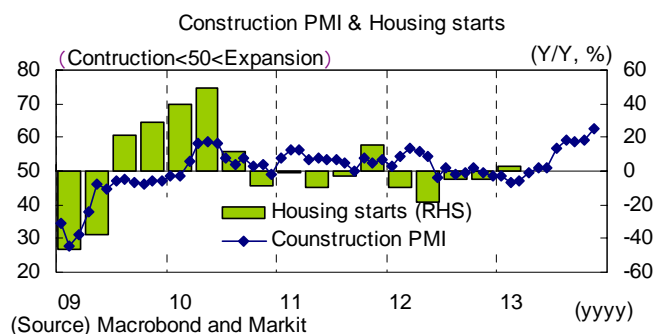
**Housing Market**

The number of mortgages approved in October stood at 67,701, which is nearly 30% increase from October, 2012 and the highest level since February, 2008. New housing starts in Q1 increased by 2.9% y/y after negative growth for four consecutive quarters. The PMI for the construction sector in November stood at 62.6, up from 59.4 in October. It recorded the biggest growth since August, 2007 and remained above the neutral mark of 50 for the seventh consecutive month.



**Output**

Industrial production in October increased by 0.4% m/m, which recorded positive growth for two consecutive months. Output in the manufacturing sector rose by 0.4% m/m. Transport equipment, machinery equipment, rubber, and plastic products & non-metallic mineral products especially rose. Looking ahead, the PMI for the manufacturing sector in November stood at 58.4, slightly up from 59.5 in October. It was the biggest growth since February, 2011 and remained above the neutral mark of 50 for the eighth consecutive month. Mainly, domestic new orders greatly increased. Employment also rose for seven consecutive months. The PMI for the services sector stood at 60, down from 62.5 in October. It is however still at a high level.

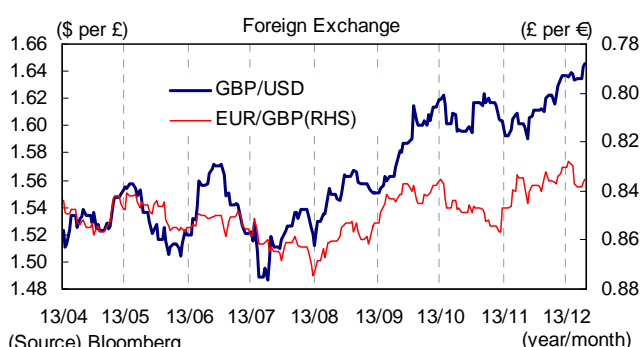
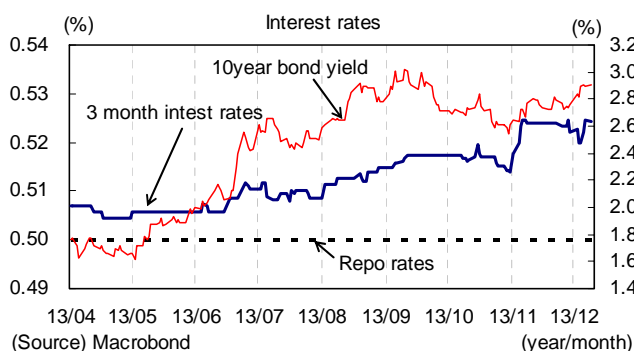


**Interest Rates, Foreign Exchange Markets**

**Policy Rate:** At its meeting in December, 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 market, there is growing expectation that that BOE will increase the rate sooner than the market expected before, due to decreasing unemployment rate.

**Market rate (November-):** Long-term government bond yields started at 2.65% in November. They then rose to 2.80% on the 11<sup>th</sup> following an increase in US bond yields reflecting favourable US employment statistics. However, they declined to 2.72% after the next chair of FRB Janet Yellen indicated long-term continuation of monetary easing. Subsequently, the yields became an upward trend and are hovering around 2.90%, reflecting the smooth recovery of the UK economy and the favourable housing market.

**Foreign Exchange Market (November-):** Sterling's value against the US dollar started at US\$1.59 in November. After the predicted pace of decreasing unemployment rate was revised upward on the BOE's Inflation Report on November 13<sup>th</sup>, the expectation that BOE would raise its policy rate sooner than the market expected before grew. This expectation encouraged Sterling purchase. On December 3<sup>rd</sup> its value reached US\$1.64, which is the highest value in the last two years and three months.



## 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 -1.9	-2.0 -3.4	0.6 -2.3	0.8 -0.5	0.6 -0.1
Manufacturing	4.2	1.8	-1.7	0.5 -1.3	-1.7 -2.6	0.0 -2.5	0.8 -0.4	0.8 -0.1
Confidence (% , balance)	-4.5	-1.8	-6.7	-8.1	-5.6	-8.7	-8.9	1.8
Consumer	-11.6	-21.4	-20.1	-18.8	-17.6	-17.0	-16.7	-3.8
Retail Sales Volume *	-0.5	0.3	1.0	0.7 2.0	-0.5 0.2	0.2 -0.2	1.0 1.4	1.4 2.1
Claimant Count * (000s)	1,496.4	1,534.2	1,585.2	1,574.1	1,564.9	1,536.5	1,495.7	1,391.8
(% 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	7.6
(ILO base, %)	2.4	2.4	1.4	1.8	1.3	0.6	2.2	0.8
Average Earnings * (YoY, %)	2.7	4.7	2.1	0.2 1.6	0.2 1.6	0.6 1.6	0.3 1.3	0.4 1.5
Producer Prices	8.0	14.5	1.3	-1.2 -1.0	1.4 0.0	3.3 1.5	-1.9 1.5	-0.3 2.4
Output Prices	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
Input Prices	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
Consumer Price Index	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
CPI	3.0	-2.6	-0.6	-0.3 -1.2	0.6 -0.3	1.5 1.1	2.1 3.7	1.8 6.2
RPI	265,243	298,421	300,457	73,799	75,699	74,745	78,615	75,507
RPIX (excluding mortgage interest payments)	16.5	12.5	0.7	-0.3	2.4	-2.9	6.5	-0.3
House Price (HBOS Index)	141,844	158,764	151,062	37,012	37,536	37,958	38,719	39,087
Whole World (GBP mln)	13.8	11.9	-4.9	-8.4	-5.5	--5.1	4.6	4.1
(YoY, %)	363,828	398,513	409,157	101,904	101,964	102,872	103,983	104,925
Visible exports	17.1	9.5	2.7	3.4	0.2	1.0	2.0	2.9
Whole World (GBP mln)	185,951	201,988	208,184	51,384	51,895	53,047	53,674	55,486
(YoY, %)	14.4	8.6	3.1	3.6	0.6	3.4	4.5	6.9
EU (GBP mln)	-98,585	-100,092	-108,700	-28,105	-26,265	-28,127	-25,368	-29,418
(YoY, %)	-44,107	-43,224	-57,122	-14,372	-14,359	-15,089	-14,955	-16,399
Visible imports	-40,012	-22,475	-59,842	-15,192	-15,140	-21,765	-12,989	-
Visible balance	-1.6	-2.6	-1.1	-3.8	-1.1	0.2	1.6	2.5
Whole World (GBP mln)	16,193	6,861	16,609	15,154	16,609	22,830	-1,425	-461
(YoY, %)	16,193	6,861	16,609	15,154	16,609	22,830	-1,425	-461
EU (GBP mln)	68.34	79.27	88.60	87.90	88.60	88.37	90.16	93.28
(YoY, %)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Current Account* (GBP mln)	0.70	0.88	0.83	0.73	0.53	0.51	0.51	0.51
Money Supply	3.59	3.03	1.88	1.68	1.81	2.01	1.91	2.72
M4 : (YoY, %)	1.55	1.60	1.59	1.58	1.58	1.55	1.54	1.55
Public sector net cash requirement (GBP mln)	0.86	0.87	0.81	0.81	0.79	0.85	0.85	0.86
Foreign reserves ** (US\$ bln)	135.58	127.88	126.61	126.77	124.28	143.23	151.80	153.39
Repo rate (%)	80.34	79.91	82.94	83.99	83.54	80.39	80.49	81.18
3M interest rates (%)								
10-Y UK government bond yields								
USD/GBP exchange rate								
GBP/Euro exchange rate								
JPY/GBP exchange rates								
Effective exchange rate ****								

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

		2013/04	5	6	7	8	9	10	11
Real GDP Growth *		No figures for a monthly basis							
		-0.1	0.1	1.3	0.1	-1.1	0.9	0.4	-
Industrial Production		-1.2	-2.0	1.7	-1.0	-1.4	2.2	3.2	-
* Manufacturing		-0.2	-0.8	2.0	0.1	-1.2	1.2	0.4	-
		-0.7	-2.7	2.2	-0.5	-0.4	0.7	2.7	-
Confidence		-7.4	-7.8	-11.4	-4.4	0.3	9.6	2.3	11.3
(% , balance)		-17.0	-17.5	-15.5	-6.9	-3.5	-1.0	-2.1	-2.9
Retail Sales Volume		-0.7	1.9	0.2	1.1	-1.0	0.6	-0.7	-
* (000s)		0.8	1.7	1.6	2.6	1.8	2.0	1.8	-
Claimant Count *		1,516.3	1,500.1	1,470.7	1,434.4	1,392.8	1,348.1	1,306.4	-
(MoM, %)		-0.8	-1.1	-2.0	-2.5	-2.9	-3.2	-3.1	-
Unemployment rate *		4.5	4.5	4.4	4.3	4.2	4.0	3.9	-
(Claimant count base, %)		7.8	7.8	7.8	7.7	7.7	7.6	-	-
(ILO base, %)		3.9	1.8	1.0	0.8	0.6	0.9	-	-
Average Earnings *		1.5	1.8	2.2	1.2	0.8	0.7	-	-
(YoY, %)									
Headline rate									
(3 month average)									
Producer Prices		0.0	0.0	0.1	0.3	0.1	0.0	-0.3	-
Output Prices		0.0	1.2	1.7	1.8	1.5	1.2	0.8	-
Input Prices		0.0	-1.3	-0.3	1.4	-1.0	-1.0	-0.6	-
		0.0	1.4	3.0	4.7	1.8	0.9	-0.3	-
Consumer Price Index		0.0	0.2	-0.2	0.0	0.4	0.4	0.1	-
CPI		0.0	2.7	2.9	2.8	2.7	2.7	2.2	-
RPI		0.0	0.2	-0.1	0.0	0.5	0.4	0.0	-
		0.0	3.1	3.3	3.1	3.3	3.2	2.6	-
RPIX (excluding mortgage interest payments)		0.0	0.2	-0.1	0.0	0.5	0.4	0.0	-
		0.0	3.1	3.3	3.2	3.3	3.2	2.7	-
House Price (HBOS Index)		0.0	0.5	0.7	0.9	0.3	0.4	1.3	1.1
(MoM, %)		0.0	2.6	3.7	4.6	5.4	6.2	6.9	7.7
(3M average YoY, %)									
Visible exports		25,748	25,872	26,995	25,266	25,267	24,974	24,660	-
Whole World (GBP mln)		7.3	-0.5	13.4	-3.1	1.8	0.7	0.9	-
(YoY, %)		12,571	13,154	12,994	13,616	12,927	12,544	12,067	-
EU (GBP mln)		3.1	3.0	7.9	6.3	3.6	2.3	-1.7	-
(YoY, %)		34,213	34,659	35,111	34,928	34,924	35,073	34,392	-
Visible imports		-0.4	1.4	5.2	4.4	0.0	4.4	0.3	-
Whole World (GBP mln)		17,548	17,787	18,339	18,476	18,259	18,751	18,545	-
EU (GBP mln)		1.4	2.8	9.3	7.1	3.7	10.0	4.5	-
(YoY, %)		-8,465	-8,787	-8,116	-9,662	-9,657	-10,099	-9,732	-
Visible balance		-4,977	-4,633	-5,345	-4,860	-5,332	-6,207	-6,478	-
EU (GBP mln)									
Current Account* (GBP mln)		No figures for a monthly basis							
Money Supply		-1.6	-2.6	-1.1	-3.8	-1.1	0.2	1.6	2.5
M4 : (YoY, %)		16,193	6,861	16,609	15,154	16,609	22,830	-1,425	-461
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
10-Y UK government bond yields		1.55	1.60	1.59	1.58	1.58	1.55	1.54	1.55
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

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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