

Main Economic & Financial Indicators (UK)

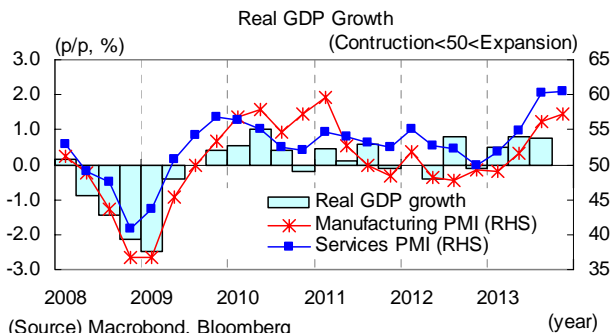
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Overview

The UK economy is steadily recovering. Real GDP growth in Q3 stood at 0.8% q/q, which was as high as the growth in Q2 and represents three consecutive quarters of positive growth. Looking ahead, the Purchasing Managers' Index (PMI) for each segment of the economy remains at a high level. Thus, Q4 growth is projected to be solid as well. That said, while the outlook for the household sector is challenging with inflation remaining above earnings growth, the disparity between the two became smaller. Also the unemployment rate has started to decrease. Thus, purchasing power is likely to recover mildly.

Output

Industrial production in November was unchanged from October. Output in the manufacturing sector also remained flat. Rubber, plastic products and non-metallic mineral products rose, while machinery equipment and pharmaceutical products declined. Looking ahead, the PMI for the manufacturing sector in December stood at 57.3, slightly down from 58.1 in November. This reading, however, remains above the neutral mark of 50 for the ninth consecutive month. The breakdown of the figure reveals that production and new orders expanded at the fastest pace since the survey started twenty years ago. The PMI for the services sector stood at 58.8, down from 60 in November. It is however still at a high level and remained above the neutral mark of 50 for twelve consecutive months.



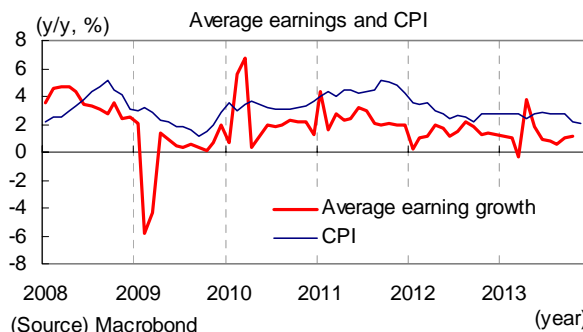
Labour Markets, Prices

The unemployment rate (claimant count) in November stood at 3.8%, recording a decrease for six consecutive months (According to the ILO measure, the figure in October stood at 7.4%). The number of employees (three-month backward moving average) in October increased by 133,000 m/m. Average earning growth in October increased by 1.1% y/y, up from 1.0% y/y in September.

The consumer price index in November rose by 2.1% y/y, down from 2.2% y/y in October. Prices for recreation and culture accelerated, while transport prices remained modest, and the rising rate of food and utility costs dropped. Looking ahead, with the recent increases in prices for gas and electricity this might push up the inflation rate. Meanwhile, oil prices are projected to remain soft. Thus, the inflation rate is likely to hover around 2.0% for the time being.

Consumption

Retails sales in November rose by 0.3% m/m, up from a decrease of 0.9% m/m in October. Clothes and footwear increased by 3.8% m/m partly because of good sales of winter clothes thanks to cold weather. Also, sales of household goods rose by 0.9% m/m, and food expanded by 0.2% m/m. On the other hand, consumer confidence in December went down slightly, recording three consecutive months of deterioration.



Housing Market

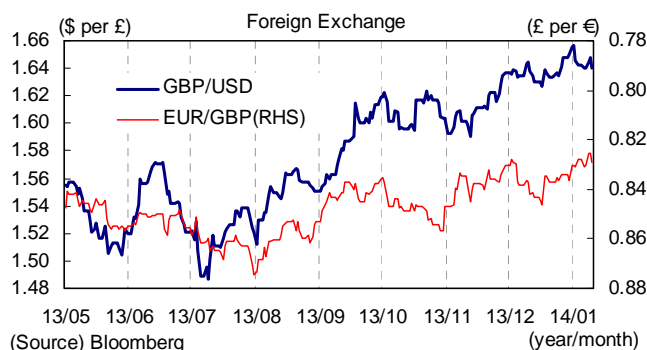
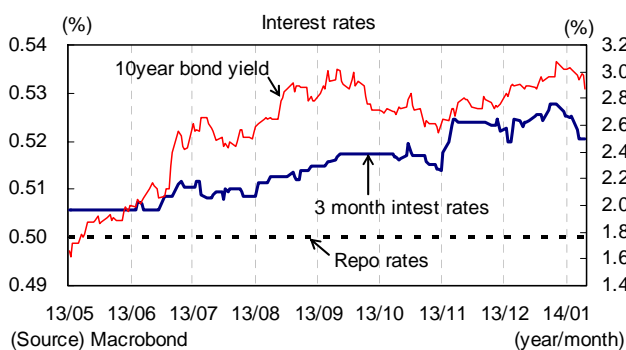
The number of mortgages approved in November stood at 70,758, recording the fifth consecutive month of increases of about 30% on a m/m basis. The PMI for the construction sector in December stood at 62.1, slightly down from 62.6 in November. However, it still remained at a high level and well above the neutral mark of 50 for eight consecutive months. While fears of a housing bubble remains a concern, the recent decision to end the scale of the Funding for Lending Scheme (FLS) to promote mortgage availability was seen as a positive step.

Interest Rates, Foreign Exchange Markets

Policy Rate: At its meeting in January, 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. BOE announced its Forward Guidance to keep the monetary easing policy as long as the unemployment rate remains above 7%. However, the declining pace at which the rate is falling accelerated. It could drop to below 7% within the first half of this year. In order to avoid this prospect from fuelling expectations of an early tightening of monetary policy, the BOE would need to adjust its Forward Guidance in this respect. The BOE might announce change of its policy at the forthcoming MPC or Inflation Report in February.

Market rate (December-): Long-term government bond yields started at 2.84% in December. They then rose to 2.96% on the 19th reflecting steady recovery of the UK economy and the FED's start of tapering its QE programme. Subsequently, investors started shifting their funds from government bonds to equities due to the improving prospect of the UK economy, resulting in 3.07% yields on the 27th. Bonds then started to gain favour because investors felt that the bonds were undervalued. They are hovering at around 2.9%.

Foreign Exchange Market (December-): Sterling's value against the US dollar started at US\$1.637 in December. It then appreciated to US\$1.645 on the 10th after Mark Carney, the Governor of the BOE talked about the robust recovery of the UK economy in New York on the 9th. Subsequently, it appreciated to US\$1.656 on the 31st after the strong housing market data was released. However, later dollar-buying advanced, reflecting the fact that the US trade deficit shrunk more than market expectations. Since entering January, sterling has been hovering at above US\$1.64.



1. Annual and quarterly data

	11	12	13	2012/Q4	2013/Q1	Q2	Q3	Q4
Real GDP Growth *	1.1	0.3	-	-0.1 0.2	0.5 0.7	0.8 2.0	0.8 1.9	-
Real business investment	-1.3	3.9	-	-7.8 -2.7	3.1 -6.3	-2.3 -6.9	2.0 -5.3	-
Industrial Production *	-1.2	-2.5	-	-2.0 -3.4	0.6 -2.3	0.8 -0.5	0.6 -0.1	-
Manufacturing	1.8	-1.7	-	-1.7 -2.6	0.0 -2.5	0.8 -0.4	0.8 -0.1	-
Confidence (% balance)	-1.8	-6.7	-2.1	-5.6	-8.7	-8.9	1.8	7.5
Consumer	-21.4	-20.1	-10.1	-17.6	-17.0	-16.7	-3.8	-2.8
Retail Sales Volume *	0.3	1.0	-	-0.4 0.2	0.2 -0.2	1.0 1.4	1.4 2.2	-
Claimant Count * (000s)	1,534.2	1,585.2	-	1,564.9	1,536.5	1,495.7	1,391.8	-
(% change on previous term)	2.5	3.3	-	-0.6	-1.8	-2.7	-6.9	-
Unemployment rate * (Claimant count base, %)	4.7	4.7	-	4.6	4.7	4.5	4.1	-
(ILO base, %)	8.1	7.9	-	7.8	7.8	7.8	7.6	-
Average Earnings * (YoY, %)	2.5	1.4	-	1.3	0.6	2.2	0.8	-
Producer Prices								
Output Prices	4.7	2.1	-	0.0 0.0	0.0 0.0	0.3 1.3	0.4 1.5	-
Input Prices	14.5	1.3	-	0.0 0.0	0.0 0.0	-1.9 1.5	-0.2 2.5	-
Consumer Price Index								
CPI	4.5	2.8	-	41,274.0 0.2	41,364.0 0.6	0.7 2.7	0.3 2.7	-
RPI	5.2	3.2	-	1.6 1.4	1.6 3.3	1.0 3.1	0.5 3.2	-
RPIX (excluding mortgage interest payments)	5.3	3.2	-	0.0 1.2	1.5 0.4	0.9 3.1	0.5 3.2	-
House Price (HBOS Index)	-2.6	-0.6	4.7	2.7 1.2	2.8 0.6	2.1 3.7	1.8 6.2	2.1 7.5
Visible exports								
Whole World (GBP mln)	298,421	300,457	-	75,699	74,745	78,615	75,507	-
(YoY, %)	12.5	0.7	-	2.4	-2.9	6.5	-0.3	-
EU (GBP mln)	158,764	151,062	-	37,536	37,958	38,719	39,087	-
(YoY, %)	11.9	-4.9	-	-5.5	-5.1	-4.6	4.1	-
Visible imports								
Whole World (GBP mln)	398,513	409,157	-	101,964	102,872	103,983	104,925	-
(YoY, %)	9.5	2.7	-	0.2	1.0	2.0	2.9	-
EU (GBP mln)	201,988	208,184	-	51,895	53,047	53,674	55,486	-
(YoY, %)	8.6	3.1	-	0.6	3.4	4.5	6.9	-
Visible balance								
Whole World (GBP mln)	-100,092	-108,700	-	-26,265	-28,127	-25,368	-29,418	-
EU (GBP mln)	-43,224	-57,122	-	-14,359	-15,089	-14,955	-16,399	-
Current Account* (GBP mln)	-22,475	-58,466	-	-14,998	-18,805	-6,156	-20,721	-
Money Supply								
M4 : (YoY, %)	-2.6	-1.1	-	-1.1	0.2	1.6	2.5	-
Public sector net cash requirement (GBP mln)	6,861	16,609	-	16,609	22,830	-1,421	-461	-
Foreign reserves ** (US\$ bln)	79.27	88.60	-	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 (%)	0.88	0.83	0.51	0.53	0.51	0.51	0.51	0.52
10-Y UK government bond yields	3.03	1.88	2.36	1.81	2.01	1.91	2.72	2.78
USD/GBP exchange rate	1.60	1.59	1.57	1.58	1.55	1.54	1.55	1.62
GBP/Euro exchange rate	0.87	0.81	0.85	0.79	0.85	0.85	0.86	0.84
JPY/GBP exchange rates	127.88	126.61	152.86	124.28	143.23	151.80	153.39	162.80
Effective exchange rate ****	79.91	82.94	81.40	83.54	80.39	80.49	81.18	83.51

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

		2013/05	6	7	8	9	10	11	12
Real GDP Growth *		No figures for a monthly basis							
		0.1	1.3	0.1	-1.1	0.9	0.3	0.0	-
Industrial Production		-2.0	1.7	-1.0	-1.4	2.2	3.2	2.5	-
* Manufacturing		-0.8	2.0	0.1	-1.2	1.2	0.2	0.0	-
		-2.7	2.2	-0.5	-0.4	0.7	2.6	2.8	-
Confidence		-7.8	-11.4	-4.4	0.3	9.6	2.3	11.3	8.8
(% , balance)		-17.5	-15.5	-6.9	-3.5	-1.0	-2.1	-2.9	-3.3
Retail Sales Volume		1.9	0.1	1.1	-1.0	0.7	-0.9	0.3	-
* (000s)		1.7	1.6	2.6	1.7	2.1	1.8	2.0	-
Claimant Count *		1,500.1	1,470.7	1,434.4	1,392.8	1,348.1	1,305.3	1,268.6	-
(MoM, %)		-1.1	-2.0	-2.5	-2.9	-3.2	-3.2	-2.8	-
Unemployment rate * (Claimant count base, %)		4.5	4.4	4.3	4.2	4.0	3.9	3.8	-
(ILO base, %)		7.8	7.8	7.7	7.7	7.6	7.4	-	-
(YoY, %)		1.8	0.9	0.8	0.6	1.0	1.1	-	-
Average Earnings *									
Headline rate		1.8	2.2	1.2	0.8	0.8	0.9	-	-
(3 month average)									
Producer Prices									
Output Prices		0.0	0.1	0.3	0.1	0.0	-0.3	-0.2	-
		1.2	1.7	1.8	1.5	1.2	0.8	0.8	-
Input Prices		-1.3	-0.3	1.4	-1.0	-0.9	-0.4	-0.7	-
		1.4	3.0	4.7	1.8	1.0	0.0	-1.0	-
Consumer Price Index									
CPI		0.2	-0.2	0.0	0.4	0.4	0.1	0.1	-
		2.7	2.9	2.8	2.7	2.7	2.2	2.1	-
RPI		0.2	-0.1	0.0	0.5	0.4	0.0	0.1	-
		3.1	3.3	3.1	3.3	3.2	2.6	2.6	-
RPIX (excluding mortgage interest payments)		0.2	-0.1	0.0	0.5	0.4	0.0	0.1	-
		3.1	3.3	3.2	3.3	3.2	2.7	2.7	-
House Price (HBOS Index)									
(MoM, %)		0.5	0.7	0.9	0.3	0.4	1.3	0.9	-0.6
(3M average YoY, %)		2.6	3.7	4.6	5.4	6.2	6.9	7.7	7.5
Visible exports									
Whole World (GBP mln)		25,872	26,995	25,266	25,267	24,974	24,854	25,344	-
(YoY, %)		-0.5	13.4	-3.1	1.8	0.7	1.7	2.2	-
EU (GBP mln)		13,154	12,994	13,616	12,927	12,544	12,171	12,750	-
(YoY, %)		3.0	7.9	6.3	3.6	2.3	-0.8	-3.5	-
Visible imports									
Whole World (GBP mln)		34,659	35,111	34,928	34,924	35,073	34,505	34,783	-
(YoY, %)		1.4	5.2	4.4	0.0	4.4	0.6	1.7	-
EU (GBP mln)		17,787	18,339	18,476	18,259	18,751	18,708	19,166	-
(YoY, %)		2.8	9.3	7.1	3.7	10.0	5.5	6.2	-
Visible balance									
Whole World (GBP mln)		-8,787	-8,116	-9,662	-9,657	-10,099	-9,651	-9,439	-
EU (GBP mln)		-4,633	-5,345	-4,860	-5,332	-6,207	-6,537	-6,416	-
Current Account* (GBP mln)		No figures for a monthly basis							
Money Supply									
M4 : (YoY, %)		-2.6	-1.1	-	-1.1	0.2	1.6	2.5	-
Public sector net cash requirement		6,861	16,609	-	16,609	22,830	-1,421	-461	-
Foreign reserves **		79.27	88.60	-	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		0.88	0.83	0.51	0.53	0.51	0.51	0.51	0.52
10-Y UK government bond yields		3.03	1.88	2.36	1.81	2.01	1.91	2.72	2.78
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