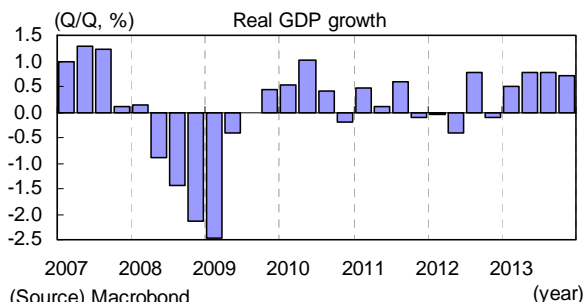


Main Economic & Financial Indicators (UK)

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Overview

The UK economy remains on a robust recovery path. Fresh estimates of real GDP growth in Q4 came in at 0.7% q/q, slightly down from 0.8% q/q growth in Q3 but representing four consecutive quarters of positive growth. Looking at the breakdown of this figure by industry, the services sector, which accounts for over 75% of total output, increased by 0.8% q/q. Within the sector, business services and finance grew especially strongly by 1.2%, which led the growth of the whole services sector. Also, growth of manufacturing stood at 0.7% q/q, while the agricultural sector expanded by 0.5% q/q. On the other hand, construction fell by 0.3% q/q, recording the first negative growth in the last three quarters. However, the Purchasing Managers' Index (PMI) for the construction sector remained at a high level. Thus, the sector is likely to grow steadily in the future.



Consumption

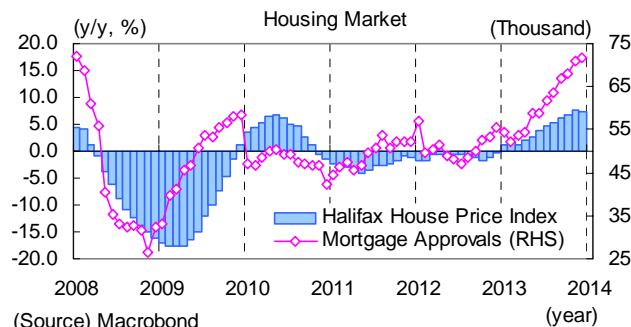
Retail sales in December rose by 2.6% m/m, accelerating from 0.1% m/m in November. All store types recorded a rise in sales. In particular, department store sales increased sharply by 8.7% m/m. Also, consumer confidence in January rose to the highest level since March, 2005. Elsewhere, lending to consumers is on an increasing trend. Improvements in both confidence and credit availability are pushing up private consumption although income growth is still sluggish.

Output

Industrial production in December expanded by 0.4% m/m, up from a negative figure of 0.1% m/m in November. Output in the manufacturing sector grew by 0.3% m/m. In particular, this was led by pharmaceutical, coke & refined petroleum, and food, beverage & tobacco products. Looking ahead, the PMI for the manufacturing sector in January stood at 56.7, slightly down from 57.3 in December. This reading, however, remains above the neutral mark of 50 for the tenth consecutive month. The breakdown of the figure reveals that production and new orders increased. The PMI for the services sector stood at 58.3, down for the third consecutive month. It is however still at a high level and remained above the neutral mark of 50 for thirteen months in a row.

Housing Market

The number of mortgages approved in December stood at 71,638, recording the sixth consecutive month of increases of about 30% on a m/m basis. The breakdown of the PMI for the construction sector in January reveals that residential construction increased at the fastest pace since November 2013, which also indicates steady growth of the sector.



Labour Markets, Prices

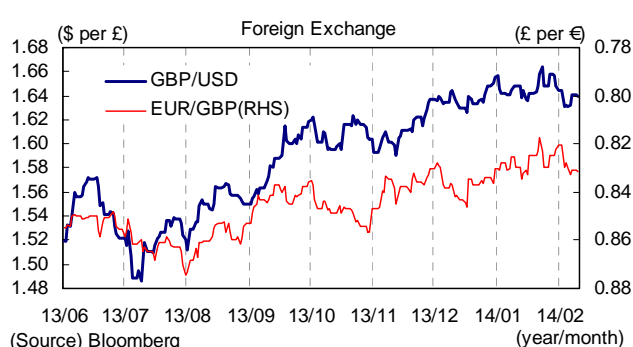
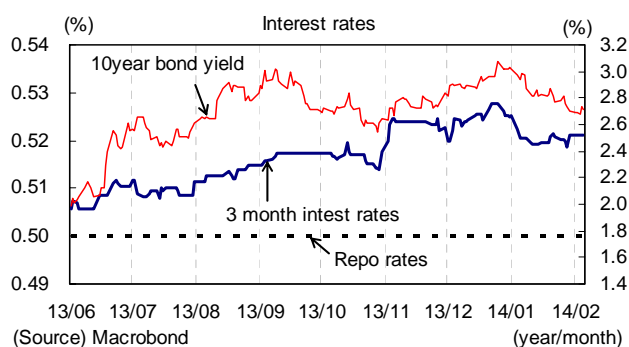
The unemployment rate (claimant count) in December stood at 3.7%, recording a decrease for seven consecutive months (According to the ILO measure, the figure in November stood at 7.1%). The number of employees (three-month backward moving average) in November increased by 64,000 m/m. Average earning growth in November increased by 0.7% y/y, down from 1.1% y/y in October. The consumer price index in December rose by 2.0% y/y, down from 2.1% y/y in November. This was led by a decline in the rate of price rises for food, and recreation & culture goods, while the rate of motor fuel costs also moderated. Energy companies raised gas and electricity prices by 4-10% late last year. Afterwards, however, due to a cut in green taxes, the rate of price rises rates was reduced by 30-40%. Considering this as well as recent soft tone in oil prices, inflation is likely to hover around 2.0% for the time being.

Interest Rates, Foreign Exchange Markets

Policy Rate: At its meeting in February, 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. The Inflation Report released on February 12th states that BOE will not start monetary tightening as long as there is a certain level of slack in economy even after 7% unemployment rate is reached, a target which was embraced by the BOE governor, Mark Carney as a threshold to consider future interest rate rises. It also indicates that when the time to raise the policy rate comes, the pace of such rises should be mild, and the policy rate should stay much lower than the average rate in the pre-financial crisis period. This indication was given with the aim of reducing the uncertainty over expectation of an early policy rate rise.

Market rate (January-): Long-term government bond yields started at 3.03% in January. With concerns rising over the prospects of emerging markets. This resulted in growing demand for the relatively safety of bench mark government bonds. Consequently, yields fell almost constantly throughout January and reached just above 2.6% at the beginning of February. Then, they started rising after the BOE abandoned its policy of "Forward Guidance". They are hovering at above 2.7% presently.

Foreign Exchange Market (January-): Sterling's value against the US dollar started at US\$1.645 in January. It then followed an appreciating trend after market expectations of an early rise in interest rates started to mount. On the 23rd it reached US\$ 1.664. Since entering February, however, sterling has been hovering at around US\$1.64, reflecting a drop in the PMIs for the manufacturing and services sectors.



1. Annual and quarterly data

		11	12	13	2012/Q4	2013/Q1	Q2	Q3	Q4
Real GDP Growth *		1.1	0.3	1.9	-0.1 0.2	0.5 0.7	0.8 2.0	0.8 1.9	0.7 2.8
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	-0.3	-2.0 -3.4	0.5 -2.4	0.7 -0.7	0.5 -0.3	0.5 2.3
	Manufacturing	1.8	-6.7	-2.1	-1.7 -2.6	-0.2 -2.7	0.6 -0.9	0.8 -0.5	0.7 1.9
Confidence (% , balance)	Manufacturing	-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	1.6	-0.5 0.2	0.2 -0.1	1.0 1.4	1.5 2.2	0.5 3.2
Claimant Count *	(000s)	1,534.2	1,585.2	1,424.6	1,564.9	1,536.5	1,495.7	1,391.8	1,274.4
	(% change on previous term)	2.5	3.3	-10.1	-0.6	-1.8	-2.7	-6.9	-8.4
Unemployment rate *	(Claimant count base, %)	4.7	4.7	4.3	4.6	4.7	4.5	4.1	3.7
	(ILO base, %)	8.1	7.9	-	7.8	7.8	7.8	7.6	-
Average Earnings *	(YoY, %)	2.5	1.4	-	1.4	0.6	2.2	0.8	-
Producer Prices	Output Prices	4.7	2.1	1.3	0.0 0.0	0.0 0.0	0.3 1.3	0.4 1.5	-0.4 0.9
	Input Prices	14.5	2.8	2.6	0.0 0.0	0.0 0.0	-1.9 1.5	-0.2 2.5	-1.8 -0.7
Consumer Price Index	CPI	4.5	3.2	3.1	41,274.0 0.2	41,364.0 0.6	0.7 2.7	0.3 2.7	0.6 2.1
	RPI	5.2	3.2	3.0	1.6 1.4	1.6 3.3	1.0 3.1	0.5 3.2	0.6 2.6
	RPIX (excluding mortgage interest payments)	5.3	3.2	3.1	0.0 1.2	1.5 0.4	0.9 3.1	0.5 3.2	0.7 2.7
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	304,278	75,699	74,745	75,903	75,355	74,520
	(YoY, %)	12.5	0.7	1.3	2.4	-2.9	-0.4	-0.5	-0.3
	EU (GBP mln)	158,764	151,062	153,153	37,536	37,958	38,534	39,143	36,747
	(YoY, %)	11.9	-4.9	1.4	-5.5	-5.1	--0.1	4.3	-3.2
Visible imports	Whole World (GBP mln)	398,513	409,157	412,608	101,964	102,872	102,099	104,956	101,593
	(YoY, %)	9.5	2.7	0.8	0.2	1.0	-0.3	2.9	-1.2
	EU (GBP mln)	201,988	208,184	218,485	51,895	53,047	53,734	55,587	55,398
	(YoY, %)	8.6	3.1	4.9	0.6	3.4	3.6	7.1	4.4
Visible balance	Whole World (GBP mln)	-100,092	-108,700	-108,330	-26,265	-28,127	-26,196	-29,601	-27,073
	EU (GBP mln)	-43,224	-57,122	-65,332	-14,359	-15,089	-15,200	-16,444	-18,651
Current Account*	(GBP mln)	-22,475	-58,466	-	-14,998	-18,805	-6,156	-20,721	-
Money Supply	M4 : (YoY, %)	-2.6	-1.0	0.2	-1.0	0.4	1.6	2.5	0.2
Public sector net cash requirement	(GBP mln)	6,861	16,609	9,037	16,609	22,830	-1,421	-461	9,037
Foreign reserves **	(US\$ bln)	79.27	88.60	91.22	88.60	88.37	90.16	93.28	91.22
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

		2013/06	7	8	9	10	11	12	2014/01
Real GDP Growth *		No figures for a monthly basis							
		1.3	0.1	-1.0	0.8	0.2	-0.1	0.4	-
Industrial Production		1.5	-1.3	-1.6	2.0	2.9	2.1	1.8	-
* Manufacturing		2.0	0.2	-1.1	1.2	0.2	-0.1	0.3	-
		1.7	-1.0	-0.8	0.3	2.1	2.2	1.5	-
Confidence		-11.4	-4.4	0.3	9.6	2.3	11.3	8.8	5.9
(% , balance)		-15.5	-6.9	-3.5	-1.0	-2.1	-2.9	-3.3	1.0
Retail Sales Volume		0.1	1.2	-1.0	0.9	-0.9	0.1	2.6	-
* (000s)		1.6	2.5	1.7	2.3	1.9	1.8	5.3	-
Claimant Count *		1,470.7	1,434.4	1,392.8	1,348.1	1,305.3	1,271.0	1,247.0	-
(MoM, %)		-2.0	-2.5	-2.9	-3.2	-3.2	-2.6	-1.9	-
Unemployment rate * (Claimant count base, %)		4.4	4.3	4.2	4.0	3.9	3.8	3.7	-
(ILO base, %)		7.8	7.7	7.7	7.6	7.4	7.1	-	-
Average Earnings *		0.9	0.8	0.6	0.9	1.1	0.7	-	-
(YoY, %)		2.2	1.2	0.8	0.8	0.9	0.9	-	-
Headline rate (3 month average)									
Producer Prices		0.1	0.3	0.1	0.0	-0.3	-0.2	0.0	-
Output Prices		1.7	1.8	1.5	1.2	0.8	0.8	1.0	-
Input Prices		-0.3	1.4	-1.0	-0.9	-0.4	-0.7	0.1	-
		3.0	4.7	1.8	1.0	0.0	-1.0	-1.2	-
Consumer Price Index		-0.2	0.0	0.4	0.4	0.1	0.1	0.4	-
CPI		2.9	2.8	2.7	2.7	2.2	2.1	2.0	-
RPI		-0.1	0.0	0.5	0.4	0.0	0.1	0.5	-
		3.3	3.1	3.3	3.2	2.6	2.6	2.7	-
RPIX (excluding mortgage interest payments)		-0.1	0.0	0.5	0.4	0.0	0.1	0.5	-
		3.3	3.2	3.3	3.2	2.7	2.7	2.8	-
House Price (HBOS Index)		0.9	0.3	0.4	1.3	0.9	-0.5	1.1	-
(MoM, %)		4.6	5.4	6.2	6.9	7.7	7.5	7.3	-
(3M average YoY, %)									
Visible exports		26,983	25,107	25,200	25,048	24,919	24,567	25,034	-
Whole World (GBP mln)		13.3	-3.7	1.5	1.0	2.0	-0.9	-1.9	-
(YoY, %)		13,030	13,543	12,931	12,669	12,286	12,069	12,392	-
EU (GBP mln)		8.2	5.8	3.7	3.4	0.1	-8.6	-0.7	-
(YoY, %)		35,136	34,899	34,914	35,143	34,492	34,350	32,751	-
Visible imports		5.2	4.3	0.0	4.6	0.6	0.5	-4.7	-
Whole World (GBP mln)		18,387	18,489	18,269	18,829	18,683	18,804	17,911	-
EU (GBP mln)		9.6	7.2	3.7	10.5	5.3	4.1	3.8	-
(YoY, %)		-8,153	-9,792	-9,714	-10,095	-9,573	-9,783	-7,717	-
Visible balance		-5,357	-4,946	-5,338	-6,160	-6,397	-6,735	-5,519	-
EU (GBP mln)									
Current Account* (GBP mln)		No figures for a monthly basis							
Money Supply		1.6	1.8	2.0	2.5	2.4	2.7	0.2	-
M4 : (YoY, %)		-1,421	-21,079	-2,565	-461	-16,883	685	9,037	-
Public sector net cash requirement		90.16	91.73	90.83	93.28	93.76	93.87	91.22	-
Foreign reserves **		0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Repo rate		0.51	0.51	0.51	0.52	0.52	0.52	0.52	0.52
3M interest rates		2.21	2.53	2.77	2.89	2.68	2.74	2.92	2.86
10-Y UK government bond yields		1.55	1.52	1.51	1.59	1.61	1.61	1.64	1.64
USD/GBP exchange rate		0.85	0.86	0.87	0.84	0.85	0.84	0.84	0.83
GBP/Euro exchange rate		150.76	151.32	150.52	157.31	157.35	161.29	169.71	172.25
Yen/GBP exchange rate		80.98	79.96	80.97	82.72	82.64	83.55	84.39	85.42
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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