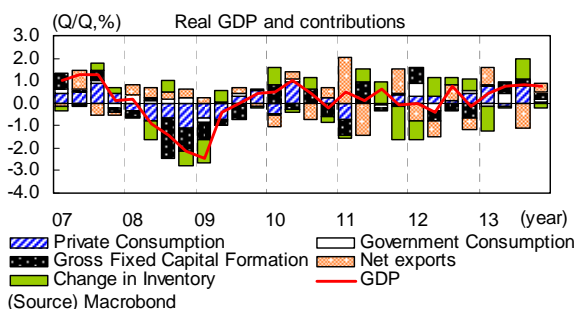


Main Economic & Financial Indicators (UK)

Economic Research Office  
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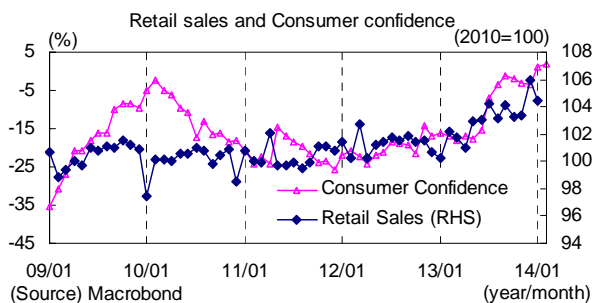
Overview

The UK economy remains on a robust recovery path. The second 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 components of GDP by expenditure, private consumption increased by 0.4% q/q, down from 0.9% q/q in Q3 but growing positively for nine consecutive quarters. Gross fixed capital formation also showed positive growth for four consecutive quarters, reflecting growth in housing and business investment. Also, exports grew positively, while imports decreased. As a result, net export contributed 0.4% points to overall growth. Looking ahead, thanks to elevated consumer confidence supported by improvement in the employment situation and wage growth, the household sector is likely to continue leading the economic recovery. Also, a sign of recovery in business investment has started to become noticeable, which indicates that the recovery is likely to become more broad-based.



Consumption

Retail sales in January fell by 1.5% m/m, down from a positive figure of 2.5% m/m in December and recording the largest decline on a month on month basis since April 2012. This was mainly led by a fall in food sales by 3.4% m/m and clothes & foot wear by 3.5% m/m. Wet weather in January is likely to have put people off shopping, which limited their spending. Meanwhile, the consumer confidence index continued to improve in February and stood at 2.0, an improvement of 1.0 point from January.



Output

Industrial production in January expanded by 0.1% m/m, decelerating from 0.5% m/m in December. Output in the mining & quarrying sector shrunk by 3.4% m/m, while output in other sectors rose including a 0.4% increase in the manufacturing sector. Looking ahead, the PMI for the manufacturing sector in February stood at 56.9, up from 56.6 in January and remaining above the neutral mark of 50 which indicates an expansion of the sector for the eleventh consecutive month. The PMI for the services sector stood at 58.2, remaining almost flat from January's reading of 58.3 and staying above the neutral mark of 50 since January 2013.

Labour Markets, Prices

The unemployment rate (claimant count) in January stood at 3.6%, recording a decrease for eight consecutive months (According to the ILO measure, the figure in November stood at 7.2%). The number of employees (three-month backward moving average) in December increased by 193,000 m/m. Average earning growth in December increased by 1.5% y/y, up from 0.7% y/y in November. The consumer price index in January rose by 1.9% y/y, down from 2.0% y/y in December. This was led by a decline in the rate of price rises for alcoholic beverages & tobacco, household goods, and recreational goods & services. Conversely, the price appreciation of miscellaneous goods & services accelerated. Looking ahead, the appreciation rate of gas and electricity prices is partially offset by a cut in green taxes, likely leading to lower appreciation rate than a year ago. Considering this as well as the recent strength of sterling, the slow appreciation of food prices and soft tone in oil prices, inflation is likely to hover around 2.0% for the time being.

Housing Market

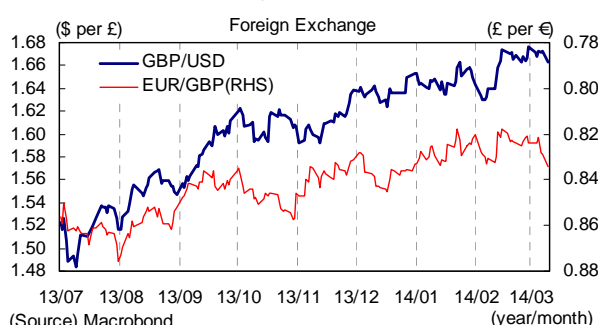
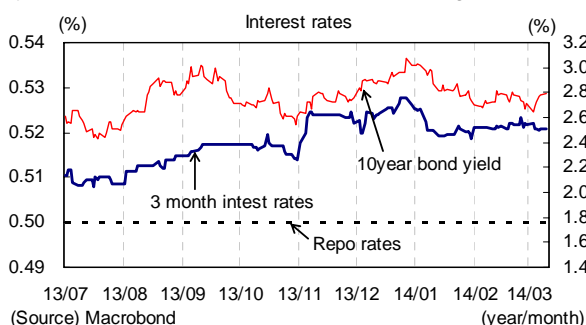
The number of mortgages approved in January stood at 76,947, recording the highest level since December 2007 and an increase of over 40% y/y. The breakdown of the PMI for the construction sector in February reveals that residential construction recorded the lowest level in the last four months, which was likely affected by wet weather. However, this reading remained above 60, which indicates a solid pace of residential construction growth.

Interest Rates, Foreign Exchange Markets

**Policy Rate:** At its meeting in March, 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 line with the monetary policy guidance given in the Inflation Report released on August 2013, it also agreed to reinvest the £8.1 billion proceeds from the redemption of the March 2014 gilt.

**Market rate (February-):** Long-term government bond yields started at 2.69% in February. Following the Inflation Report on the 12<sup>th</sup> expectations grew that the BOE would raise its policy rate as early as the first half of the next year. This resulted in rising yields beyond 2.8%. They then fell to 2.65% at the beginning of March, reflecting growing demand for the relatively safety of bench mark government bonds with concerns rising over the Ukraine crisis. Subsequently, UK government bond rose in line with those of German bunds and closed at around 2.8%.

**Foreign Exchange Market (February-):** Sterling's value against the US dollar started at US\$1.633 in February. It then followed an appreciating trend after the BOE February Inflation Report which mentioned that the UK economic recovery had been gaining momentum. It eventually reached above US\$1.67, reflecting a series of favourable UK economic indicators relating to employment, consumer confidence and mortgage approvals. However, it then gave back some of these gains, after Charles Bean, the BOE's Deputy Governor pointed out that further sterling appreciation could limit the UK economic recovery.



## 1. Annual and quarterly data

		11	12	13	2012/Q4	2013/Q1	Q2	Q3	Q4
Real GDP Growth *		1.1	0.3	1.8	-0.1 0.2	0.4 0.6	0.7 1.8	0.8 1.9	0.7 2.7
Real business investment		-1.3	3.9	-1.2	-7.8 -2.7	3.1 -6.3	0.7 -3.9	2.0 -2.4	2.4 8.5
Industrial Production *		-1.2	-2.4	-0.3	-2.1 -3.2	0.4 -2.4	0.7 -0.7	0.6 -0.4	0.5 2.2
	Manufacturing	1.8	-6.7	-2.1	-1.8 -2.7	-0.2 -2.8	0.6 -0.9	0.8 -0.6	0.6 1.8
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	-0.6 0.1	0.3 -0.2	1.0 1.4	1.5 2.2	0.5 3.3
Claimant Count *	(000s)	1,534.2	1,585.2	1,424.3	1,564.9	1,536.5	1,495.7	1,391.8	1,273.2
	(% change on previous term)	2.5	3.3	-10.2	-0.6	-1.8	-2.7	-6.9	-8.5
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	7.6	7.8	7.8	7.8	7.6	7.2
Average Earnings *	(YoY, %)	2.5	1.4	1.2	1.3	0.6	2.2	0.8	1.1
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	-1.7 -0.7
Consumer Price Index	CPI	4.5	3.2	3.1	1.2 0.2	0.4 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	2.2 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, %)	-2.7	-1.0	0.1	-1.0	0.4	1.6	2.5	0.1
Public sector net cash requirement	(GBP mln)	6,861	16,609	9,064	16,609	22,830	-1,421	-461	9,064
Foreign reserves **	(US\$ bln)	79.27	88.60	92.40	88.60	88.37	90.16	93.28	92.40
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

	2013/07	8	9	10	11	12	2014/01	2	
Real GDP Growth *	No figures for a monthly basis								
	0.1	-1.0	0.8	0.2	-0.2	0.5	0.1	-	
Industrial Production	-1.3	-1.6	1.9	2.8	2.0	1.9	2.9	-	
* Manufacturing	0.1	-1.1	1.2	0.2	-0.2	0.4	0.4	-	
	-1.1	-0.9	0.1	2.0	2.1	1.4	3.3	-	
Confidence	-4.4	0.3	9.6	2.3	11.3	8.8	5.9	6.0	
(%, balance)	-6.9	-3.5	-1.0	-2.1	-2.9	-3.3	1.0	2.0	
Retail Sales Volume	1.1	-1.0	0.9	-0.8	0.1	2.5	-1.5	-	
*	2.5	1.6	2.2	1.9	1.9	5.3	4.3	-	
Claimant Count *	(000s) 1,434.4	1,392.8	1,348.1	1,305.3	1,271.0	1,243.3	1,215.7	-	
	(MoM, %) -2.5	-2.9	-3.2	-3.2	-2.6	-2.2	-2.2	-	
Unemployment rate *	(Claimant count base, %) 4.3	4.2	4.0	3.9	3.8	3.7	3.6	-	
	(ILO base, %) 7.7	7.7	7.6	7.4	7.1	7.2	-	-	
Average Earnings *	(YoY, %) 0.8	0.6	0.9	1.1	0.7	1.5	-	-	
	Headline rate (3 month average) 1.2	0.8	0.8	0.9	0.9	1.1	-	-	
Producer Prices	Output Prices 0.1	0.0	-0.3	-0.2	0.0	0.3	-	-	
	1.5	1.2	0.8	0.8	1.0	0.9	-	-	
	Input Prices -1.0	-0.9	-0.4	-0.6	0.2	-0.9	-	-	
	1.8	1.0	0.0	-0.9	-1.0	-3.1	-	-	
Consumer Price Index	CPI 0.4	0.4	0.1	0.1	0.4	-0.6	-	-	
	2.7	2.7	2.2	2.1	2.0	1.9	-	-	
	RPI 0.5	0.4	0.0	0.1	0.5	-0.3	-	-	
	3.3	3.2	2.6	2.6	2.7	2.8	-	-	
	RPIX (excluding mortgage interest payments) 0.5	0.4	0.0	0.1	0.5	-0.4	-	-	
	3.3	3.2	2.7	2.7	2.8	2.8	-	-	
House Price (HBOS Index)	(MoM, %) 0.4	1.3	0.9	-0.5	1.2	1.2	2.4	-	
	(3M average YoY, %) 6.2	6.9	7.7	7.5	7.3	7.3	7.9	-	
Visible exports	Whole World (GBP mln) 25,107	25,200	25,048	24,919	24,567	25,034	-	-	
	(YoY, %) -3.7	1.5	1.0	2.0	-0.9	-1.9	-	-	
	EU (GBP mln) 13,543	12,931	12,669	12,286	12,069	12,392	-	-	
	(YoY, %) 5.8	3.7	3.4	0.1	-8.6	-0.7	-	-	
Visible imports	Whole World (GBP mln) 34,899	34,914	35,143	34,492	34,350	32,751	-	-	
	(YoY, %) 4.3	0.0	4.6	0.6	0.5	-4.7	-	-	
	EU (GBP mln) 18,489	18,269	18,829	18,683	18,804	17,911	-	-	
	(YoY, %) 7.2	3.7	10.5	5.3	4.1	3.8	-	-	
Visible balance	Whole World (GBP mln) -9,792	-9,714	-10,095	-9,573	-9,783	-7,717	-	-	
	EU (GBP mln) -4,946	-5,338	-6,160	-6,397	-6,735	-5,519	-	-	
Current Account* (GBP mln)	No figures for a monthly basis								
Money Supply	M4 : (YoY, %) 1.8	2.0	2.5	2.4	2.7	0.1	-0.3	-	
Public sector net cash requirement	-21,079	-2,580	-461	-16,843	728	9,064	-25,398	-	
Foreign reserves **	91.73	90.83	93.28	93.76	93.87	92.40	92.60	-	
Repo rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	
3M interest rates	0.51	0.51	0.52	0.52	0.52	0.52	0.52	0.52	
10-Y UK government bond yields	2.53	2.77	2.89	2.68	2.74	2.92	2.86	2.74	
USD/GBP exchange rate	1.52	1.51	1.59	1.61	1.61	1.64	1.64	1.66	
GBP/Euro exchange rate	0.86	0.87	0.84	0.85	0.84	0.84	0.83	0.82	
Yen/GBP exchange rate	151.32	150.52	157.31	157.35	161.29	169.71	172.25	169.00	
Effective exchange rate ****	79.96	80.97	82.72	82.64	83.55	84.39	85.42	85.75	

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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