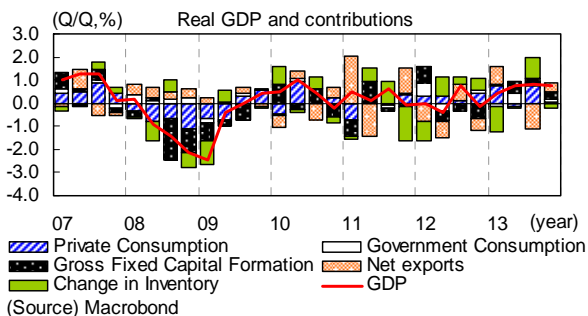


Main Economic & Financial Indicators (UK)

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Overview

The UK economy remains on a robust recovery path. Real GDP growth in Q4 came in at 0.7% q/q, unrevised from the second estimate of GDP growth. Looking at the components of GDP by expenditure, all of the main components, except changes in inventories, contributed positively to GDP, particularly net exports which contributed 1.0% point. Looking ahead, the PMI readings have slowly been lowering. However, the level has remained far above the neutral mark of 50, which indicates a solid expansion of the economy. Thanks to elevated consumer confidence, supported by improvements in the employment situation and wage growth, the household sector is likely to continue leading the economic recovery. The Office for Budgetary Responsibility (OBR), which publishes an official economic and fiscal forecast, revised the UK real GDP forecast for 2014 up to 2.7% y/y in March from its December forecast of 2.4% y/y.

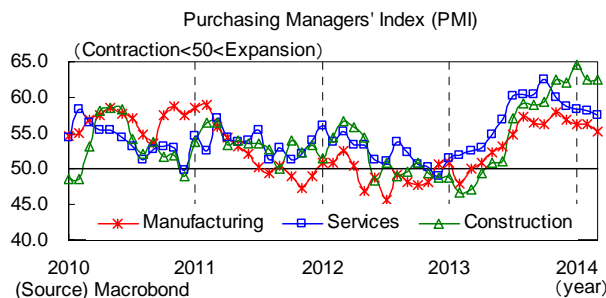


Labour Markets, Prices

The unemployment rate (claimant count) in February stood at 3.5%, recording a decrease for ten consecutive months (according to the ILO measure, the figure in January stood at 7.2%). The number of employees (three-month backward moving average) in January increased by 105,000 m/m. Average earning growth in January increased by 1.7% y/y, remaining flat from December. The consumer price index in February rose by 1.7% y/y, down from 1.9% y/y in January. This was led by a deceleration of price rises for clothes & footwear, housing services and gas & electricity, as well as a fall in transport costs. Conversely, the price appreciation of furniture & household goods and recreation & culture accelerated. Looking ahead, the appreciation rate of gas & electricity prices will be partially offset by a cut in green taxes. 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. If real wage growth accelerates, backed by improvements in the employment situation, this would support a sustained recovery in consumer spending.

Output

Industrial production in February expanded by 0.9% m/m, accelerating from 0.0% m/m in January. Output primarily rose in pharmaceutical products, transport equipment and food products & tobacco. Looking ahead, the PMI for manufacturers in March stood at 55.3, down from 56.2 in February. The PMI for the services sector also lowered to 57.6 from 58.2 in February. Similarly, the PMI for constructors seems to have passed its peak. However, the levels of these readings still remain high. Business activities in the UK showed a rapid pace of recovery last year, although the pace is projected to slow down slightly.



Consumption

Retail sales in February rose by 1.7% m/m, up from a negative figure of 2.0% m/m in January. This was mainly led by rises in food sales by 2.1% m/m, non-store retail sales by 7.9% m/m and automotive fuel by 0.9% m/m, while a decline in sales was seen in household goods by 1.1% m/m and clothes & footwear by 0.1% m/m. Meanwhile, the consumer confidence index continued to improve in March and stood at 3.3, an improvement of 1.3 point from February and the highest level since June 1998.

Housing Market

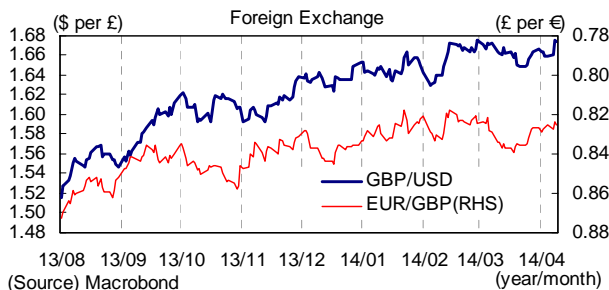
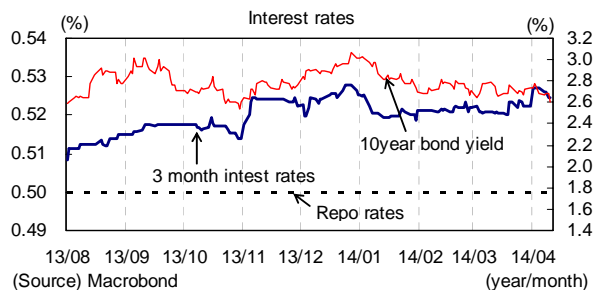
The number of mortgages approved in February stood at 70,309, recording increases of more than 30% on a m/m basis since last summer. The PMI for residential constructors in February stood at 62.1, recording the lowest level in the last four months, which was likely affected by the wet weather. However, the reading had recovered to 64.4 in March. It has remained above 60 for five consecutive months, 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. Mark Carney, the BoE Governor, said on April 3rd ahead of the MPC that more of the slack in the labour market needs to be used up before the rates are raised. Also, he did not rule out the possibility of a rate rise before the next election in May 2015.

Market rate (March-): Long-term government bond yields started at 2.65% in March. Following this, the yields of this relatively safe benchmark government bond shifted each time the situation in Crimea changed. Subsequently, the yields rose when worldwide bond prices dropped after Janet Yellen, the US Fed chair, indicated on the 20th the possibility of the Fed starting its rate hike by mid-2015. After entering April, the UK bonds followed the rising trend of other European bonds, reflecting a statement given by Mario Draghi, the ECB president, that governing council members had discussed methods to reduce market interest rates, including a QE programme. The yields are currently hovering above 2.6%.

Foreign Exchange Market (March-): Sterling's value against the US dollar started at US\$1.672 in March. It then followed a depreciating trend after Charlie Bean, the BoE Deputy Governor, pointed out that further sterling appreciation could limit the UK's economic recovery. Subsequently, it depreciated further to below US\$1.65 after Janet Yellen, the US Fed chair, indicated the possibility of the Fed starting its rate hike by mid-2015. However, it then appreciated, reflecting a good rise in UK retail sales and industrial production in February. It is currently hovering above US\$1.67.



1. Annual and quarterly data

		11	12	13	2013/Q1	Q2	Q3	Q4	2014/Q1
Real GDP Growth *		1.1	0.3	1.7	0.4 0.5	0.8 1.7	0.8 1.8	0.7 2.7	- -
Real business investment		-1.3	3.9	-1.2	2.8 -6.8	0.9 -3.5	2.4 -1.7	2.4 8.7	- -
Industrial Production *		-1.2	-2.4	-0.3	0.4 -2.4	0.7 -0.7	0.6 -0.4	0.5 2.2	- -
	Manufacturing	1.8	-6.7	-2.1	-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	-8.7	-8.9	1.8	7.5	4.4
	Consumer	-21.4	-20.1	-10.1	-17.0	-16.7	-3.8	-2.8	2.1
Retail Sales Volume *		0.3	1.0	1.6	0.2 -0.2	1.0 1.4	1.5 2.2	0.5 3.2	- -
Claimant Count *	(000s)	1,534.2	1,585.2	1,424.3	1,536.5	1,495.7	1,391.8	1,273.2	-
	(% change on previous term)	2.5	3.3	-10.2	-1.8	-2.7	-6.9	-8.5	-
Unemployment rate *	(Claimant count base, %)	4.7	4.7	4.3	4.7	4.5	4.1	3.7	-
	(ILO base, %)	8.1	7.9	7.6	7.8	7.8	7.6	7.2	-
Average Earnings *	(YoY, %)	2.5	1.4	1.2	0.6	2.2	0.8	1.2	-
Producer Prices	Output Prices	4.7	2.1	1.3	0.0 0.0	0.0 0.0	0.4 1.5	-0.4 0.9	- -
	Input Prices	14.5	2.8	2.6	0.0 0.0	0.0 0.0	-0.2 2.5	-1.7 -0.6	- -
Consumer Price Index	CPI	4.5	3.2	3.1	0.4 0.6	0.7 0.3	0.3 2.7	0.6 2.1	- -
	RPI	5.2	3.2	3.0	1.6 3.3	1.3 -1.9	0.5 3.2	0.6 2.6	- -
	RPIX (excluding mortgage interest payments)	5.3	3.2	3.1	1.5 0.4	1.5 0.7	0.5 3.2	0.7 2.7	- -
House Price (HBOS Index)		-2.6	-0.6	4.7	2.8 0.6	2.7 1.0	1.8 6.2	2.1 7.5	2.5 8.7
Visible exports	Whole World (GBP mln)	298,421	300,457	304,728	74,714	76,180	75,269	74,837	-
	(YoY, %)	12.5	0.7	1.4	-3.0	-0.4	-0.2	0.2	-
Visible imports	EU (GBP mln)	158,764	151,062	153,559	37,912	38,642	39,094	37,148	-
	(YoY, %)	11.9	-4.9	1.7	-5.2	-0.1	-4.5	-2.0	-
Visible balance	Whole World (GBP mln)	-100,092	-108,700	-107,797	-28,016	-25,955	-29,676	-26,721	-
	EU (GBP mln)	-43,224	-57,122	-64,701	-14,984	-15,218	-16,445	-18,008	-
Current Account*	(GBP mln)	-22,475	-59,657	-71,078	-16,470	-9,418	-22,830	-22,360	-
Money Supply	M4 : (YoY, %)	-2.7	-1.0	0.1	0.4	1.6	2.5	0.1	-
Public sector net cash requirement	(GBP mln)	6,861	16,609	15,925	22,830	-1,421	6,286	15,925	-
Foreign reserves **	(US\$ bln)	79.27	88.60	92.40	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	0.51	0.51	0.51	0.52	0.52
10-Y UK government bond yields		3.03	1.88	2.36	2.01	1.91	2.72	2.78	2.78
USD/GBP exchange rate		1.60	1.59	1.57	1.55	1.54	1.55	1.62	1.66
GBP/Euro exchange rate		0.87	0.81	0.85	0.85	0.85	0.86	0.84	0.83
JPY/GBP exchange rates		127.88	126.61	152.86	143.23	151.80	153.39	162.80	170.13
Effective exchange rate ****		79.93	82.95	81.41	80.40	80.48	81.18	83.55	85.61

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

		2013/08	9	10	11	12	2014/01	2	3
Real GDP Growth *		No figures for a monthly basis							
		-1.0	0.8	0.2	-0.2	0.5	0.0	0.9	-
Industrial Production		-1.6	1.9	2.8	2.0	1.9	2.8	2.7	-
	Manufacturing	-1.1	1.2	0.2	-0.2	0.4	0.3	1.0	-
		-0.9	0.1	2.0	2.1	1.4	3.2	3.8	-
Confidence	Manufacturing	0.3	9.6	2.3	11.3	8.8	5.9	6.0	1.3
(%, balance)	Consumer	-3.5	-1.0	-2.1	-2.9	-3.3	1.0	2.0	3.3
Retail Sales Volume		-1.0	0.9	-0.9	0.2	2.6	-2.0	1.7	-
		1.6	2.2	1.9	1.9	5.4	3.9	3.7	-
Claimant Count *	(000s)	1,392.8	1,348.1	1,305.3	1,271.0	1,243.3	1,209.4	1,174.8	-
	(MoM, %)	-2.9	-3.2	-3.2	-2.6	-2.2	-2.7	-2.9	-
Unemployment rate *	(Claimant count base, %)	4.2	4.0	3.9	3.8	3.7	3.6	3.5	-
	(ILO base, %)	7.7	7.6	7.4	7.1	7.2	7.2	-	-
	(YoY, %)	0.6	0.9	1.1	0.8	1.7	1.7	-	-
Average Earnings *	Headline rate	0.8	0.8	0.9	0.9	1.2	1.4	-	-
	(3 month average)								
Producer Prices	Output Prices	0.1	0.0	-0.3	-0.2	0.0	0.3	0.0	-
		1.5	1.2	0.8	0.8	1.0	0.9	0.5	-
	Input Prices	-1.0	-0.9	-0.4	-0.6	0.3	-0.9	-0.4	-
		1.8	1.0	0.0	-0.9	-0.9	-2.9	-5.7	-
Consumer Price Index	CPI	0.4	0.4	0.1	0.1	0.4	-0.6	0.5	-
		2.7	2.7	2.2	2.1	2.0	1.9	1.7	-
	RPI	0.5	0.4	0.0	0.1	0.5	-0.3	0.6	-
		3.3	3.2	2.6	2.6	2.7	2.8	2.7	-
	RPIX (excluding mortgage interest payments)	0.5	0.4	0.0	0.1	0.5	-0.4	0.7	-
		3.3	3.2	2.7	2.7	2.8	2.8	2.7	-
House Price (HBOS Index)	(MoM, %)	0.4	1.3	0.9	-0.5	1.2	2.5	2.5	-1.1
	(3M average YoY, %)	6.2	6.9	7.7	7.5	7.3	7.9	7.9	8.7
Visible exports	Whole World (GBP mln)	25,172	24,994	24,884	24,695	25,258	23,927	23,547	-
	(YoY, %)	1.4	1.3	2.4	-0.7	-1.1	-5.6	-5.3	-
	EU (GBP mln)	12,916	12,623	12,268	12,223	12,657	12,009	11,673	-
	(YoY, %)	3.4	3.7	0.8	-8.2	1.8	-6.1	-10.1	-
Visible imports	Whole World (GBP mln)	34,886	35,167	34,360	34,278	32,920	33,390	32,641	-
	(YoY, %)	0.0	4.8	0.5	0.6	-4.5	1.1	-3.6	-
	EU (GBP mln)	18,235	18,828	18,506	18,652	17,998	17,562	17,848	-
	(YoY, %)	3.6	10.6	4.6	3.7	4.5	0.6	0.7	-
Visible balance	Whole World (GBP mln)	-9,714	-10,173	-9,476	-9,583	-7,662	-9,463	-9,094	-
	EU (GBP mln)	-5,319	-6,205	-6,238	-6,429	-5,341	-5,553	-6,175	-
Current Account*	(GBP mln)	No figures for a monthly basis							
Money Supply	M4 : (YoY, %)	2.0	2.5	2.4	2.7	0.1	-0.2	0.7	-
Public sector net cash requirement		4,167	6,286	-10,713	7,369	15,925	-19,346	-204	-
Foreign reserves **		90.83	93.28	93.76	93.87	92.40	92.60	93.83	-
Repo rate		0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3M interest rates		0.51	0.52	0.52	0.52	0.52	0.52	0.52	0.52
10-Y UK government bond yields		2.77	2.89	2.68	2.74	2.92	2.86	2.74	2.72
USD/GBP exchange rate		1.51	1.59	1.61	1.61	1.64	1.64	1.66	1.66
GBP/Euro exchange rate		0.87	0.84	0.85	0.84	0.84	0.83	0.82	0.83
Yen/GBP exchange rate		150.52	157.31	157.35	161.29	169.71	172.25	169.00	170.12
Effective exchange rate ****		80.98	82.74	82.68	83.57	84.44	85.46	85.79	85.59

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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