

Main Economic & Financial Indicators UK

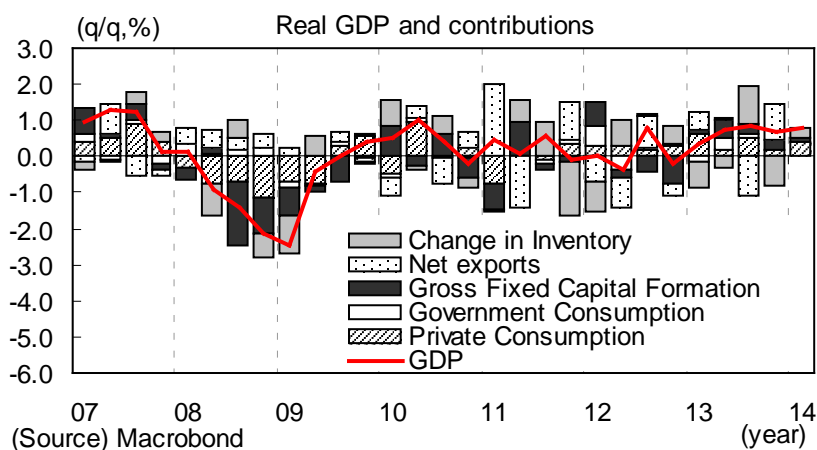
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Overview

The UK economy continued its resilient recovery in Q1. Its real GDP growth accelerated to 0.8% q/q, supported by strong growth in private consumption. In Q2, the UK's economic growth is expected to remain robust. The Purchasing Managers' Index (PMI) for the manufacturing, services and construction sectors have been in the range of 57 to 60, indicating a continued expansion in these sectors. Meanwhile, Mark Carney, the Bank of England (BoE) governor, said on June 12th that the first interest rate increase could happen sooner than the markets currently expect. Prior to his comments, the financial markets expected the first rise before mid-2015. That being said, the BoE governor insisted that the bank will act cautiously and the rate increase will be gradual and limited. Furthermore, in the House of Commons Treasury Select Committee on June 24th, he stressed that there is more spare capacity to be absorbed as growth in wages and productivity have been slower than expected. The financial markets now widely expect the first interest rate increase at the start of 2015.



Output

Industrial production increased by 0.4% m/m in April, recording the third m/m growth in a row. This was led by a resilient increase in the manufacturing sector, up by 0.4% m/m. Growth in transport equipment as well as in rubber and plastic products remained robust, while there are

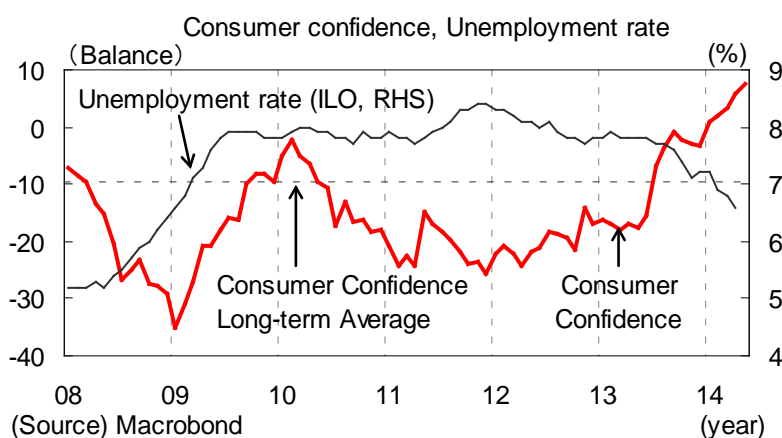
signs of recovery in computer, electronic and optical products. Looking ahead, the PMI for the manufacturing sector stood at 57.0 in May, suggesting that the sector remains expansionary. The breakdown of this figure reveals that new orders stood at 59.4. Export orders stood at 54.7, suggesting that strong growth in new orders is mainly being driven by domestic orders.

Labour Markets, Prices

The unemployment rate (ILO measure) stood at 6.6% in April, the lowest level in the last five years. Comparing February 2014 to April 2014 with November 2013 to January 2014, the number of people in employment increased by 345,000, the largest increase since the records began in 1971. The Consumer Price Index rose by 1.5% y/y in May, which is the lowest inflation since 2009. Although growth in gross wages (3-months moving average) in March stood above inflation for the first time in four years, it grew by only 0.7% y/y in April, falling below inflation again.

Consumption

Retail sales decreased 0.5% m/m in May. This is mainly owing to a reversion from April's strong figure, which was boosted by the Easter Holiday. Meanwhile, the Consumer Confidence Index continued to improve, reflecting the recovery in the UK economy and the decrease in unemployment.



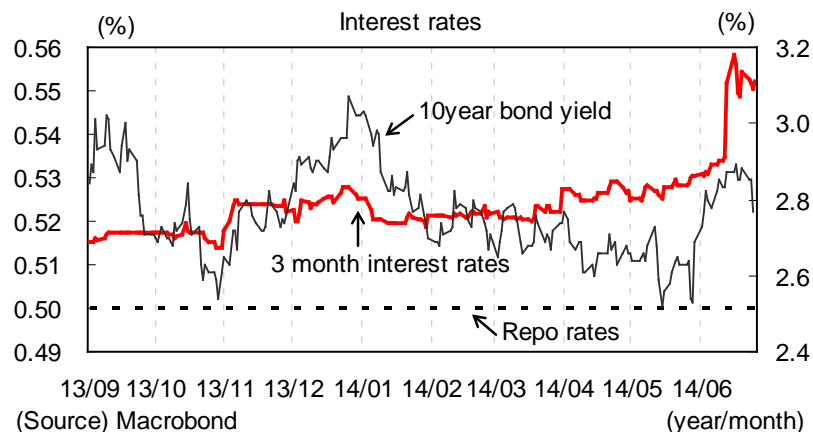
Housing Market

The Halifax House Price Index rose by 10.7% y/y in May, accelerating from 6.8% y/y in April. The number of mortgages approved decreased in April for the third month in a row, reflecting the tighter lending criteria banks enforced ahead of the implementation of new mortgage lending rules at the end of April. Furthermore, the BoE announced a new rule which ensures that mortgage lenders do not extend more than 15% of their total number of new mortgages at loan to income ratios at or greater than 4.5. The new rule is to come into effect in October 2014.

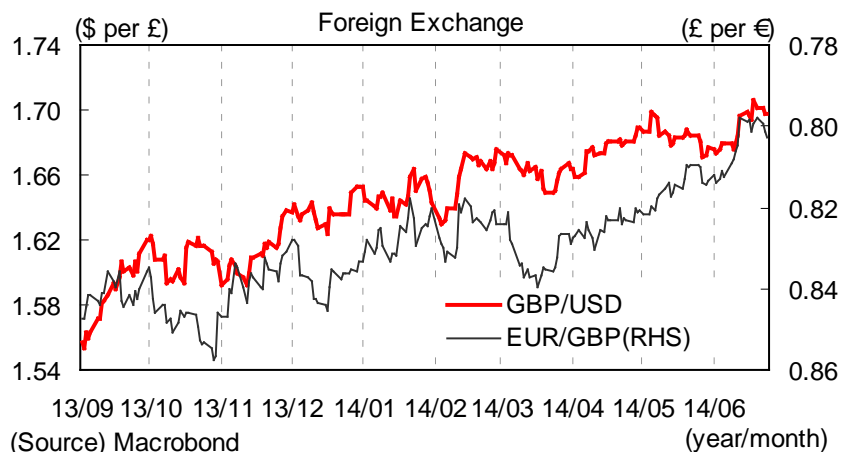
Interest Rates, Foreign Exchange Markets

Policy Rate: At its meeting in May, 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 minutes of the meeting revealed that the MPC expects the UK economy to continue to grow (forecasting the growth in real GDP in Q2 to be between 0.8% to 0.9% q/q), suggesting that the economy has started to return to normal.

Market rate (May-): Long-term government bond yields started around 2.65% in May. The yields then fell, reflecting the BoE's inflation report published in mid-May which suggested that monetary policy will remain expansionary in order to absorb the spare capacity in the economy. Subsequently, they went up on the back of favourable results in consumer confidence surveys and labour market statistics. BoE governor Mark Carney's comments on June 12 that the first interest rate increase could happen sooner than markets expect also pushed the yields upwards, finishing around 2.85%.



Foreign Exchange Market (May-): Sterling's value against the US dollar started around US\$1.69 in May. Although it climbed up momentarily following strong results in the manufacturing and services sectors' PMI, it struggled until the beginning of June as the BoE suggested that it will maintain its monetary easing policy. It was also weighed down by US dollar buying, which picked up on the back of an increase in orders for durable goods in the US. Subsequently, it turned to an appreciating trend, boosted by Mark Carney's comments on the possible timing of the BoE's interest rate increase, finishing around US\$1.70 per GBP, the highest level since 2008.



1. Annual and quarterly data

	11	12	13	2013/Q2	Q3	Q4	2014/Q1	Q2
Real GDP Growth *	1.1	0.3	1.7	0.7 1.8	0.8 1.8	0.7 2.7	0.8 3.0	-
Real business investment	-1.3	3.9	-1.2	0.8 -3.6	3.0 -1.2	1.5 8.3	5.0 10.6	-
Industrial Production *	-1.2	-2.4	-0.4	0.6 -0.9	0.7 -0.4	0.4 2.2	0.7 2.4	-
Manufacturing	1.8	-6.7	-2.1	0.5 -1.1	0.9 -0.7	0.6 1.7	1.5 3.6	-
Confidence (% , balance)	-1.8	-6.7	-2.1	-8.9	1.8	7.5	4.4	9.3
Consumer	-21.4	-20.1	-10.1	-16.7	-3.8	-2.8	2.1	6.9
Retail Sales Volume *	0.3	1.0	1.7	0.8 1.4	1.4 2.0	0.9 3.4	0.7 3.7	-
Claimant Count * (000s)	1,534.4	1,585.5	1,421.3	1,489.0	1,388.2	1,270.5	1,173.3	-
(% change on previous term)	2.5	3.3	-10.4	-3.1	-6.8	-8.5	-7.6	-
Unemployment rate * (Claimant count base, %)	4.7	4.8	4.2	4.5	4.1	3.7	3.7	-
(ILO base, %)	8.1	7.9	7.6	7.8	7.6	7.2	6.8	-
Average Earnings * (YoY, %)	2.5	1.4	1.2	2.3	0.8	1.2	1.9	-
Producer Prices								
Output Prices	4.7	2.1	1.3	0.3 1.3	0.4 1.5	-0.4 0.9	0.3 0.6	-
Input Prices	14.5	2.8	2.6	-1.9 1.5	-0.2 2.5	-1.7 -0.6	-1.3 -5.0	-
Consumer Price Index								
CPI	4.5	3.2	3.1	0.7 2.7	0.3 2.7	0.6 2.1	0.1 1.7	-
RPI	5.2	3.2	3.0	1.0 3.1	0.5 3.2	0.6 2.6	0.6 2.6	-
RPIX (excluding mortgage interest payments)	5.3	3.2	3.1	0.9 3.1	0.5 3.2	0.7 2.7	0.6 2.7	-
House Price (HBOS Index)	-2.5	-0.6	4.6	2.2 3.7	2.0 6.2	2.0 7.5	2.3 8.7	-
Visible exports								
Whole World (GBP mln)	298,421	300,457	304,756	78,632	75,149	74,615	71,790	-
(YoY, %)	12.5	0.7	1.4	6.5	-0.4	-0.1	-6.0	-
EU (GBP mln)	158,764	151,062	153,549	38,817	38,981	36,961	35,670	-
(YoY, %)	11.9	-4.9	1.6	4.7	4.2	-2.5	-8.0	-
Visible imports								
Whole World (GBP mln)	398,513	409,157	412,646	104,066	104,797	101,381	98,273	-
(YoY, %)	9.5	2.7	0.9	2.1	2.8	-1.3	-4.0	-
EU (GBP mln)	201,988	208,184	218,240	53,778	55,422	54,910	51,951	-
(YoY, %)	8.6	3.1	4.8	4.6	6.9	3.8	-4.0	-
Visible balance								
Whole World (GBP mln)	-100,092	-108,700	-107,890	-25,434	-29,648	-26,766	-26,483	-
EU (GBP mln)	-43,224	-57,122	-64,691	-14,961	-16,441	-17,949	-16,281	-
Current Account* (GBP mln)	-22,475	-59,657	-72,761	-7,729	-23,919	-23,519	-18,495	-
Money Supply M4 : (YoY, %)	-2.5	-1.0	0.2	1.5	2.5	0.2	-0.3	-
Public sector net cash requirement (GBP mln)	6,861	16,609	15,897	-1,425	6,297	15,897	15,655	-
Foreign reserves ** (US\$ bln)	79.27	88.60	92.40	90.16	93.28	92.40	97.27	-
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	0.52	0.52	0.53
10-Y UK government bond yields	3.03	1.88	2.36	1.91	2.72	2.78	2.78	2.70
USD/GBP exchange rate	0.62	0.63	0.64	0.65	0.65	0.62	0.60	0.59
GBP/Euro exchange rate	0.87	0.81	0.85	0.85	0.85	0.84	0.83	0.82
JPY/GBP exchange rates	127.75	126.46	152.58	151.60	153.28	162.62	170.13	171.85
Effective exchange rate ****	79.93	82.95	81.41	80.48	81.18	83.55	85.61	86.92

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

	2013/11	12	2014/01	2	3	4	5	6
Real GDP Growth *	No figures for a monthly basis							
Industrial Production *	-0.1	0.3	-0.2	0.9	0.1	0.4	-	-
	2.0	1.7	2.3	2.5	2.5	3.0	-	-
Manufacturing	-0.2	0.5	0.3	1.1	0.5	0.4	-	-
	1.9	1.4	3.2	4.0	3.5	4.4	-	-
Confidence (% , balance)	11.3	8.8	5.9	6.0	1.3	8.0	8.0	11.9
Consumer	-2.9	-3.3	1.0	2.0	3.3	5.7	7.6	7.4
Retail Sales Volume *	0.3	3.0	-2.5	1.5	0.6	1.0	-0.5	-
	1.9	6.0	3.6	3.1	4.6	6.5	3.9	-
Claimant Count * (000s)	1,238.5	1,206.5	1,171.7	1,141.8	1,113.4	1,086.0	-	-
(MoM, %)	-2.3	-2.6	-2.9	-2.6	-2.5	-2.5	-	-
Unemployment rate * (Claimant count base, %)	3.7	3.6	3.5	3.4	3.3	3.2	-	-
(ILO base, %)	7.1	7.2	7.2	6.9	6.8	6.6	-	-
Average Earnings * (YoY, %)	0.8	1.7	1.6	1.8	2.2	-1.7	-	-
Headline rate (3 month average)	0.9	1.2	1.4	1.7	1.9	0.7	-	-
Producer Prices								
Output Prices	-0.2	0.0	0.3	0.1	0.1	0.1	-0.1	-
	0.8	1.0	0.9	0.6	0.4	0.6	0.5	-
Input Prices	-0.6	0.3	-0.9	-0.5	-0.4	-0.9	-0.9	-
	-0.9	-0.9	-2.9	-5.8	-6.3	-5.3	-5.0	-
Consumer Price Index								
CPI	0.1	0.4	-0.6	0.5	0.2	0.4	-0.1	-
	2.1	2.0	1.9	1.7	1.6	1.8	1.5	-
RPI	0.1	0.5	-0.3	0.6	0.2	0.4	0.1	-
	2.6	2.7	2.8	2.7	2.5	2.5	2.4	-
RPIX (excluding mortgage interest payments)	0.1	0.5	-0.4	0.7	0.3	0.4	0.1	-
	2.7	2.8	2.8	2.7	2.5	2.6	2.5	-
House Price (HBOS Index)								
(MoM, %)	0.9	-0.5	1.2	2.5	-1.2	-0.3	3.9	-
(3M average YoY, %)	8.5	5.7	7.8	10.1	8.5	6.8	10.7	-
Visible exports								
Whole World (GBP mln)	24,603	25,181	23,869	23,443	24,478	24,111	-	-
(YoY, %)	-1.1	-1.4	-5.5	-6.6	-5.8	-6.7	-	-
EU (GBP mln)	12,151	12,588	11,940	11,492	12,238	12,402	-	-
(YoY, %)	-8.7	1.3	-6.5	-12.1	-5.4	-2.1	-	-
Visible imports								
Whole World (GBP mln)	34,174	32,925	33,320	32,182	32,771	33,031	-	-
(YoY, %)	0.2	-4.4	0.8	-5.6	-7.1	-3.7	-	-
EU (GBP mln)	18,558	17,905	17,476	17,362	17,113	17,539	-	-
(YoY, %)	3.2	4.0	-0.3	-2.7	-8.7	-0.5	-	-
Visible balance								
Whole World (GBP mln)	-9,571	-7,744	-9,451	-8,739	-8,293	-8,920	-	-
EU (GBP mln)	-6,407	-5,317	-5,536	-5,870	-4,875	-5,137	-	-
Current Account* (GBP mln)	No figures for a monthly basis							
Money Supply M4 : (YoY, %)	2.8	0.2	0.0	1.0	-0.3	-0.6	-0.9	-
Public sector net cash requirement	7,369	15,897	-19,406	-136	15,655	-10,764	8,521	-
Foreign reserves **	93.87	92.40	92.60	93.83	97.27	94.99	97.20	-
Repo rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3M interest rates	0.52	0.52	0.52	0.52	0.52	0.53	0.53	0.54
10-Y UK government bond yields	2.74	2.92	2.86	2.74	2.72	2.67	2.63	2.82
USD/GBP exchange rate	0.62	0.61	0.61	0.60	0.60	0.60	0.59	0.59
GBP/Euro exchange rate	0.84	0.84	0.83	0.83	0.83	0.83	0.82	0.80
Yen/GBP exchange rate	161.28	169.53	171.06	169.09	170.11	171.62	171.42	172.53
Effective exchange rate ****	83.57	84.44	85.46	85.79	85.59	86.22	86.88	87.71

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.

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Sources : Office for National Statistics etc

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