

Main Economic & Financial Indicators UK

23 SEPTEMBER 2014

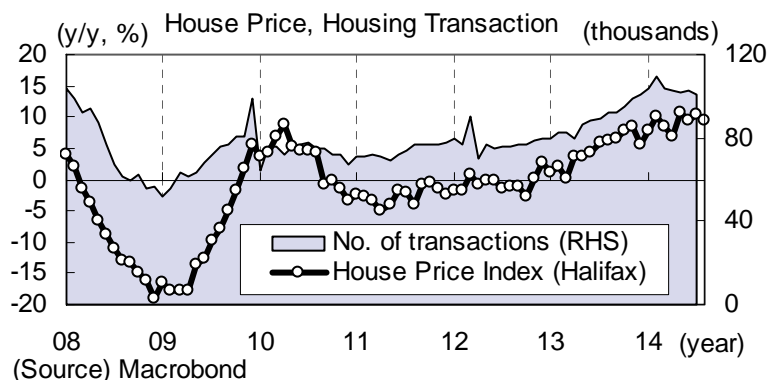
AKIKO DARVELL
ASSOCIATE ECONOMIST
ECONOMIC RESEARCH OFFICE (LONDON)
T +44-(0)20-7577-1591
E akiko.darvell@uk.mufg.jp

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
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Overview

The UK economy continued its strong recovery in Q2. Real GDP was up by 0.8% q/q, recording six consecutive quarterly growths. Looking at the economic indicators in Q3, the UK economy seems to have been maintaining its resilience so far as output and retail sales continue to grow. That being said, some forward-looking indicators are showing signs of a slowdown in activities. In August, the Purchasing Managers' Index (PMI) for the manufacturing sector fell to the lowest level in the last fourteen months, although it remained above the 50 mark which indicates an expansion in the sector. Growth in new orders slowed on the back of concerns over geopolitical risks arising from the Ukraine crisis as well as the stagnant Eurozone economy, indicating a possible slowdown in output in the coming months. On the other hand, retail sales have continued their resilient growth while consumer confidence remains at a high level. Although weak earnings growth remains, households' purchasing power has been boosted somewhat by increases in employment and working hours, which has further supported private consumption growth.

Meanwhile, the booming property market is starting to show signs of calming down. Increases in the number of transactions have halted on the back of the introduction of tougher rules on mortgage lending while the number of new buyer enquiries, a forward-looking indicator, has decreased. Some of the house price indices are also showing signs of a slowdown in house price.

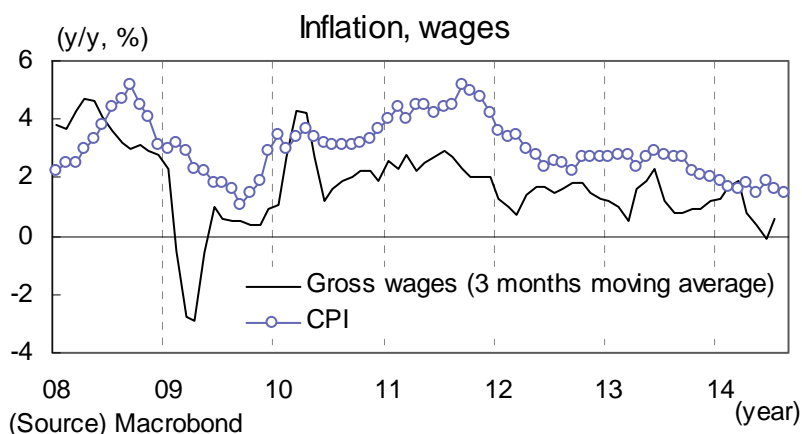


Output

Industrial production increased by 0.5% m/m in July, supported by a large increase in energy (+3.6% m/m). Meanwhile, although the PMI for the manufacturing sector remained above the 50 mark in August, it stood at 52.5, a 14-month low.

Consumption

Retail sales increased 0.4% m/m in August. A breakdown of this figure shows that clothing sales continued to increase while rises in electric appliances, furniture and DIY goods sales also contributed to overall growth on the back of the booming property market. Sales of electric appliances were also boosted ahead of the introduction of the new EU rules on vacuum cleaners (banning sales of products more than 1600 watts) at the end of August. Meanwhile, the unemployment rate (ILO measure) stood at 6.2% in July. Gross wages (3-months moving average) rose by 0.6% y/y in July after falling by 0.1% y/y in June, but remained below inflation.



Prices

The Consumer Price Index decelerated to 1.5% y/y in August from July's 1.6% y/y, remaining below the Bank of England's (BoE's) inflation target of 2.0%. This was partly owing to a fall in food prices on the back of a supermarket price war as well as the lower prices on imported goods reflecting the pound appreciation.

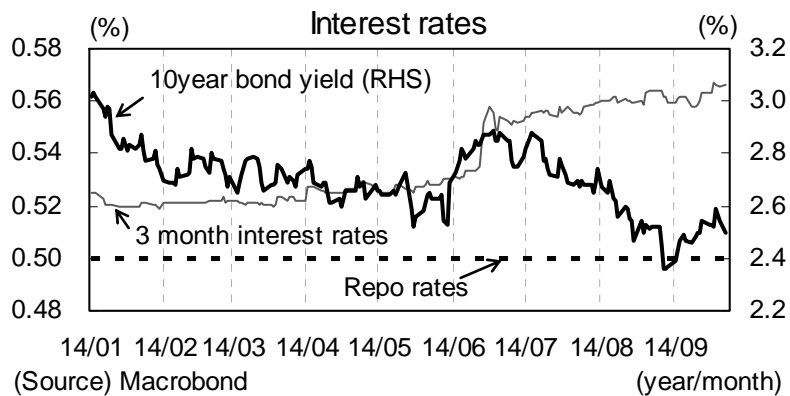
Foreign Trade

The trade deficit widened to GBP10.2bn in July. Exports decreased by 4.2% y/y on the back of pound appreciation as well as weak demand from Europe, mainly affected by the stagnant Eurozone economy, while the pace of decrease in imports decelerated to 1.9% y/y.

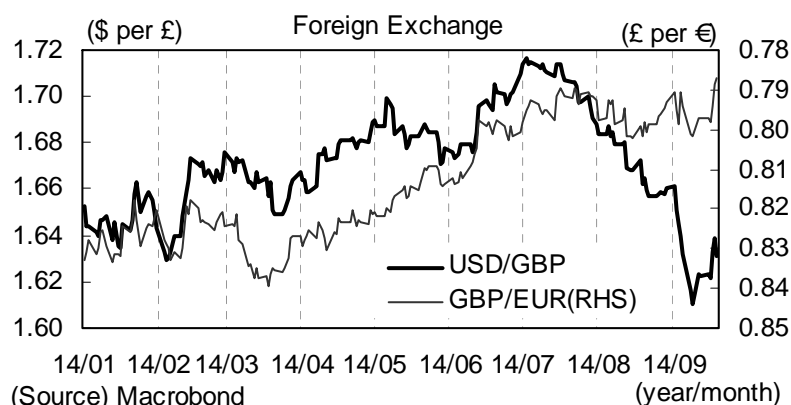
Interest Rates, Foreign Exchange Markets

Policy Rate: At its meeting in July, the BoE's Monetary Policy Committee 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 while two members again voted to increase interest rates, the remaining seven members voted to keep the rates unchanged, insisting that there remained insufficient evidence of prospective inflationary pressures to justify an immediate increase in the bank rate.

Market Rate (August-): Long-term government bond yields started around 2.67% in July. The yields fell as the market expectations for the timing of the BoE's rate increase were pushed back, reflecting the BoE's downgrade of its wage growth forecasts. Rising expectations for the European Central Bank (ECB) to introduce additional monetary easing measures as the Eurozone's inflation continued to fall also pushed the yields down, reaching 2.36% on August 27th a 15-month low. Subsequently, the yields climbed up sharply, reflecting rising uncertainties over the Scottish Independence Referendum as the "yes" vote narrowed the gap with the "no" vote in opinion polls ahead of the referendum. However, the yields fell after the Scottish voters rejected independence on September 18th, finishing at around 2.50%.



Foreign Exchange Market (August-): Sterling's value against the US dollar started around US\$1.68 in August. The pound fell on the back of a deceleration in the inflation rate in the UK while the dollar made gains, reflecting the Federal Open Market Committee's (FOMC's) meeting minutes which revealed that they discussed whether to increase the interest rates earlier than previously planned. At the beginning of September, the pound fell sharply ahead of the Scottish Referendum, reaching a 10-month low of US\$1.61 on September 9th. Subsequently, however, it bounced back after Scotland voted no to independence, finishing at around US\$1.63



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	0.8 3.2	
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	0.3 2.1	
	Manufacturing	1.8	-6.7	-2.1	0.5 -1.1	0.9 -0.7	0.6 1.7	1.5 3.6	0.2 3.3
Confidence (% , balance)	Manufacturing	-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 *	0.4	1.0	1.6	0.9 1.3	1.5 2.0	0.6 3.2	0.7 3.6	1.5 4.3	
Claimant Count *	(000s)	1,534.4	1,585.5	1,421.3	1,489.0	1,388.2	1,270.5	1,173.3	1,078.4
	(% change on previous term)	2.5	3.3	-10.4	-3.1	-6.8	-8.5	-7.6	-8.1
Unemployment rate *	(Claimant count base, %)	4.7	4.8	4.2	4.5	4.1	3.7	3.7	3.2
	(ILO base, %)	8.1	7.9	7.6	7.8	7.6	7.2	6.8	6.4
Average Earnings *	(YoY, %)	2.4	1.4	1.2	2.3	0.8	1.2	1.9	-0.1
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	0.1 0.4
	Input Prices	14.5	2.8	2.6	-1.9 1.5	-0.2 2.5	-1.7 -0.6	-1.3 -5.0	-1.5 -4.6
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	0.7 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	0.8 2.5
	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	0.9 2.6
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	2.3 8.8	
Visible exports	Whole World (GBP mln)	298,421	300,457	304,756	78,632	75,149	74,615	71,790	71,308
	(YoY, %)	12.5	0.7	1.4	6.5	-0.4	-0.1	-6.0	-9.3
	EU (GBP mln)	158,764	151,062	153,549	38,817	38,981	36,961	35,670	36,221
	(YoY, %)	11.9	-4.9	1.6	4.7	4.2	-2.5	-8.0	-6.7
Visible imports	Whole World (GBP mln)	398,513	409,157	412,646	104,066	104,797	101,381	98,273	98,697
	(YoY, %)	9.5	2.7	0.9	2.1	2.8	-1.3	-4.0	-5.2
	EU (GBP mln)	201,988	208,184	218,240	53,778	55,422	54,910	51,951	51,816
	(YoY, %)	8.6	3.1	4.8	4.6	6.9	3.8	-4.0	-3.6
Visible balance	Whole World (GBP mln)	-100,092	-108,700	-107,890	-25,434	-29,648	-26,766	-26,483	-27,389
	EU (GBP mln)	-43,224	-57,122	-64,691	-14,961	-16,441	-17,949	-16,281	-15,595
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	0.3	1.6	2.6	0.3	-0.2	-0.7
Public sector net cash requirement	(GBP mln)	6,861	16,609	15,920	-1,425	6,201	15,920	15,752	11,927
Foreign reserves **	(US\$ bln)	79.27	88.60	92.40	90.16	93.28	92.40	97.27	99.42
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		1.60	1.58	1.56	1.54	1.55	1.62	1.66	1.68
GBP/Euro exchange rate		0.87	0.81	0.85	0.85	0.85	0.84	0.83	0.81
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

	2014/01	2	3	4	5	6	7	8
Real GDP Growth *	No figures for a monthly basis							
Industrial Production *	-0.2	0.9	0.1	0.3	-0.6	0.3	0.5	-
	2.3	2.5	2.5	2.9	2.3	1.2	1.7	-
Manufacturing	0.3	1.1	0.5	0.3	-1.3	0.3	0.3	-
	3.2	4.0	3.5	4.3	3.7	1.9	2.2	-
Confidence (% , balance)	5.9	6.0	1.3	8.0	8.0	11.9	7.4	8.4
Manufacturing	1.0	2.0	3.3	5.7	7.6	7.4	4.8	6.6
Consumer								
Retail Sales Volume *	-1.9	1.4	0.3	0.8	-0.1	0.1	0.0	0.4
	3.5	3.0	4.5	6.2	3.6	3.2	2.5	3.9
Claimant Count * (000s)	1,171.7	1,141.8	1,113.4	1,080.6	1,041.1	1,003.7	966.5	-
(MoM, %)	-2.9	-2.6	-2.5	-2.9	-3.7	-3.6	-3.7	-
Unemployment rate * (Claimant count base, %)	3.5	3.4	3.3	3.2	3.1	3.0	2.9	-
(ILO base, %)	7.2	6.9	6.8	6.6	6.5	6.4	6.2	-
Average Earnings * (YoY, %)	1.6	1.9	2.1	-1.4	0.4	0.6	0.7	-
Headline rate (3 month average)	1.3	1.7	1.9	0.8	0.4	-0.1	0.6	-
Producer Prices								
Output Prices	0.3	0.1	0.1	0.1	-0.1	-0.1	-0.1	-0.1
	0.9	0.6	0.4	0.6	0.5	0.3	-0.1	-0.3
Input Prices	-0.9	-0.5	-0.4	-0.9	0.2	-1.0	-1.7	-0.6
	-2.9	-5.8	-6.3	-5.3	-3.9	-4.6	-7.5	-7.2
Consumer Price Index								
CPI	-0.6	0.5	0.2	0.4	-0.1	0.2	-0.3	0.4
	1.9	1.7	1.6	1.8	1.5	1.9	1.6	1.5
RPI	-0.3	0.6	0.2	0.4	0.1	0.2	-0.1	0.4
	2.8	2.7	2.5	2.5	2.4	2.6	2.5	2.4
RPIX (excluding mortgage interest payments)	-0.4	0.7	0.3	0.4	0.1	0.2	-0.1	0.4
	2.8	2.7	2.5	2.6	2.5	2.7	2.6	2.5
House Price (HBOS Index)								
(MoM, %)	1.2	2.5	-1.2	-0.3	4.0	-0.4	1.2	0.1
(3M average YoY, %)	7.8	10.1	8.5	6.8	10.7	9.5	10.3	9.3
Visible exports								
Whole World (GBP mln)	23,869	23,443	24,478	23,921	23,887	23,500	23,999	-
(YoY, %)	-5.5	-6.6	-5.8	-7.4	-7.7	-12.7	-4.2	-
EU (GBP mln)	11,940	11,492	12,238	12,200	12,013	12,008	12,030	-
(YoY, %)	-6.5	-12.1	-5.4	-3.7	-8.8	-7.5	-10.7	-
Visible imports								
Whole World (GBP mln)	33,320	32,182	32,771	32,747	33,037	32,913	34,185	-
(YoY, %)	0.8	-5.6	-7.1	-4.6	-4.6	-6.3	-1.9	-
EU (GBP mln)	17,476	17,362	17,113	17,152	17,084	17,580	17,871	-
(YoY, %)	-0.3	-2.7	-8.7	-2.7	-3.9	-4.4	-3.1	-
Visible balance								
Whole World (GBP mln)	-9,451	-8,739	-8,293	-8,826	-9,150	-9,413	-10,186	-
EU (GBP mln)	-5,536	-5,870	-4,875	-4,952	-5,071	-5,572	-5,841	-
Current Account* (GBP mln)	No figures for a monthly basis							
Money Supply M4 : (YoY, %)	0.0	1.1	-0.2	-0.6	-0.9	-0.7	-1.0	-
Public sector net cash requirement	-19,397	-134	15,752	-10,842	8,448	11,927	-9,706	-
Foreign reserves **	92.60	93.83	97.27	94.99	97.20	99.42	98.78	-
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	0.53	0.53	0.54	0.56	0.56
10-Y UK government bond yields	2.86	2.74	2.72	2.67	2.63	2.82	2.75	2.54
USD/GBP exchange rate	1.65	1.66	1.66	1.67	1.68	1.69	1.71	1.67
GBP/Euro exchange rate	0.83	0.82	0.83	0.82	0.82	0.80	0.79	0.80
JPY/GBP exchange rates	171.06	169.09	170.11	171.62	171.42	172.53	173.69	171.93
Effective exchange rate ****	85.46	85.79	85.59	86.22	86.88	87.71	88.76	87.77

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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