

Main Economic & Financial Indicators UK

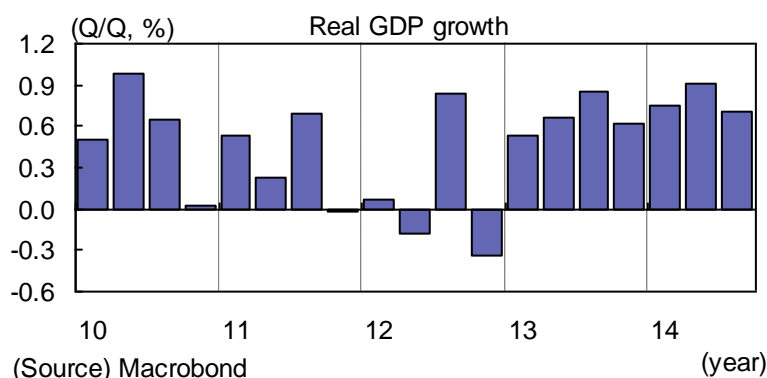
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AKIKO DARVELL
ASSOCIATE ECONOMIST
ECONOMIC RESEARCH OFFICE (LONDON)
T +44-(0)20-7577-1591
E akiko.darvell@uk.mufg.jp

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
A member of MUFG, a global financial group

Overview

Although the UK economy has continued to expand, it is showing signs of slowing down. Real GDP growth in Q3 slowed to 0.7% q/q from 0.9% q/q in the previous quarter. A breakdown of this figure has not yet been released, but other economic indicators suggest a slowdown in output and consumption. Looking ahead, it is likely that the UK economy will remain resilient but grow at slower pace. Although the Purchasing Managers' Index (PMI) remains above the 50 mark which indicates an expansion in the sector, it has been slipping down on the back of a slowdown in growth of new orders. Consumer confidence has also been declining due to continued weak earnings growth as well as rising expectations that the Bank of England (BoE) is set to raise its interest rate. That being said, consumer confidence is still higher than the historic average, while a recent survey suggested that the retail sector's business confidence remains at a relatively healthy level. Adding to this, expectations of a first interest rate increase by the BoE have been pushed back due to the recent fall in inflation, which suggests that consumer spending is likely to remain resilient.



Output

Industrial production in August remained flat compared to the prior month. Meanwhile, the PMI for the manufacturing sector stood at a three-month high of 53.2 in October. That being said, the rate of expansion remained below the average of the first half of the year, which was at 56.4. While domestic demand has remained resilient, export orders have fallen for two months in a row, raising concerns that output may decrease in the coming months.

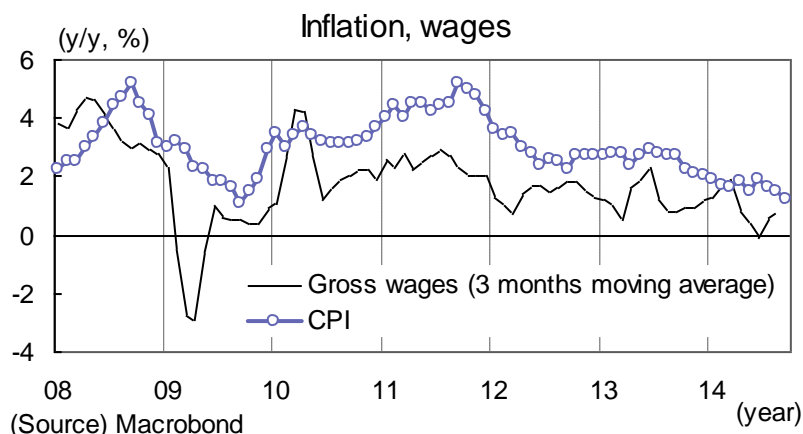
Consumption

Retail sales decreased 0.3% m/m in September. A breakdown of this figure reveals that clothing sales decreased as mild weather held back autumn and winter clothing sales. Consumer confidence has been on a declining trend as consumers' outlook for the UK economy and their financial situation sagged. That being said, consumer confidence is still above the historic average, while the CBI's retail sector business confidence survey painted a brighter picture in October. As expectations of a first interest rate rise by the BoE have also been pushed back due to the recent fall in inflation, consumer spending is likely to remain resilient.

Meanwhile, the unemployment rate (ILO measure) fell to 6.0% while the growth rate of gross wage (3-months moving average) was up slightly to 0.7% y/y in August.

Prices

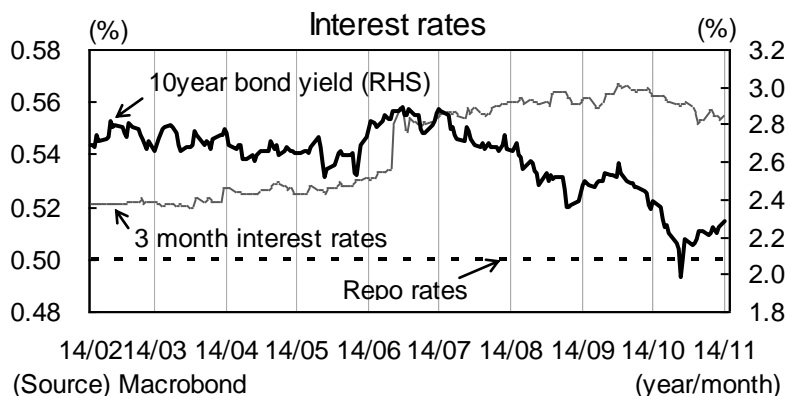
The Consumer Price Index decelerated to 1.2% y/y in September from 1.5% y/y in August, the lowest level since September 2009. This was partly owing to a fall in food prices due to a supermarket price war as well as lower petrol prices. The core inflation rate, which excludes energy and food prices, also fell from 1.9% in August to 1.5%. There is a risk that the inflation rate may fall further in the short-term due to fluctuations in global oil prices.



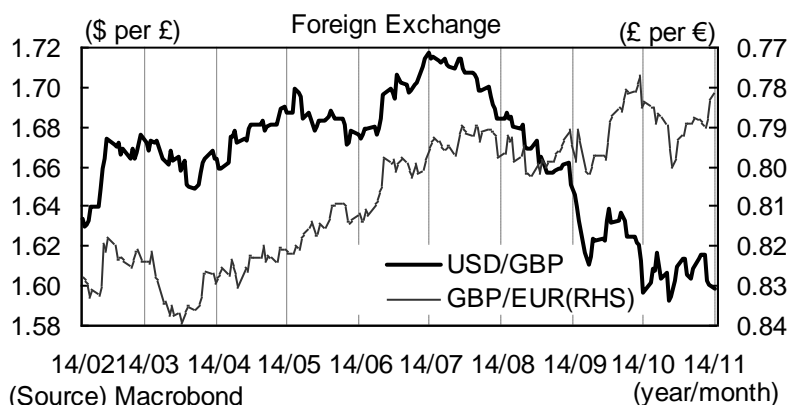
Interest Rates, Foreign Exchange Markets

Policy Rate: At its meeting in October, 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 although inflationary pressure in the UK was being obscured to some extent by the effect of low import price inflation, driven by falling commodity prices and the effects of the appreciation of sterling, there was also little sign of domestically generated inflationary pressure.

Market Rate (September-): Long-term government bond yields started around 2.39% in September. The yields climbed up sharply, reflecting rising uncertainties over the Scottish Independence Referendum. However, the yields fell after the Scottish voters rejected independence on September 18th. The yields fell further on the back of signs of a slowdown in the global economy as well as rising concerns over the Ebola outbreak, falling below 2.0% by mid-October. Subsequently, they rose again as a result of market expectations that the major central banks will maintain their accommodative monetary policies for the time being, finishing at around 2.2%.



Foreign Exchange Market (September-): Sterling's value against the US dollar started around US\$1.66 in September. After falling sharply to a 10-month low of US\$1.61 on September 9th ahead of the Scottish Referendum, the pound bounced back to around US\$1.63 after Scotland voted no to independence. Subsequently, however, it fell to US\$1.60 by mid-October, the lowest level since September of last year, reflecting the appreciation of the US dollar on the back of favourable results from the labour market indicator as well as the subsiding of market expectations regarding the timing of the BoE's first interest rate rise. Although the pound bounced back momentarily, reflecting the fact that the UK's Q3 GDP growth met market expectations, it fell again as the Bank of Japan's announcement of additional monetary easing pushed the dollar up, finishing at around US\$1.60.



1. Annual and quarterly data

	11	12	13	2013/Q3	Q4	2014/Q1	Q2	Q3	
Real GDP Growth *	1.6	0.7	1.7	0.9 1.7	0.6 2.7	0.7 2.9	0.9 3.2	0.7 3.0	
Real business investment	6.0	4.2	-1.2	3.7 4.7	2.7 6.5	0.9 6.7	3.3 11.0	- -	
Industrial Production *	-0.8	-2.7	-0.1	0.7 -0.1	0.6 2.5	0.9 3.0	0.2 2.4	- -	
	Manufacturing	1.8	-6.7	-2.1	0.6 -0.1	1.0 2.3	1.5 4.0	0.5 3.6	- -
Confidence (% , balance)	Manufacturing	-1.8	-6.7	-2.1	1.8	7.5	4.4	9.3	6.6
	Consumer	-21.4	-20.1	-10.1	-3.8	-2.8	2.1	6.9	5.0
Retail Sales Volume *	0.2	0.8	1.4	1.5 1.9	0.4 3.0	0.7 3.5	1.5 4.1	0.3 2.9	
Claimant Count *	(000s)	1,534.4	1,585.5	1,421.3	1,388.2	1,270.5	1,173.3	1,078.4	975.4
	(% change on previous term)	2.5	3.3	-10.4	-6.8	-8.5	-7.6	-8.1	-9.6
Unemployment rate *	(Claimant count base, %)	4.7	4.8	4.2	4.1	3.7	3.7	3.2	2.9
	(ILO base, %)	8.1	8.0	7.6	7.6	7.2	6.8	6.3	-
Average Earnings *	(YoY, %)	2.4	1.4	1.2	0.8	1.2	1.9	-0.1	-
Producer Prices	Output Prices	4.7	2.1	1.3	0.4 1.5	-0.4 0.9	0.3 0.6	0.1 0.4	-0.3 -0.2
	Input Prices	14.5	2.8	2.6	-0.2 2.5	-1.7 -0.6	-1.3 -5.0	-1.5 -4.6	-3.3 -7.5
Consumer Price Index	CPI	4.5	3.2	3.1	0.3 2.7	0.6 2.1	0.1 1.7	0.7 1.7	0.0 1.5
	RPI	5.2	3.2	3.0	0.5 3.2	0.6 2.6	0.6 2.6	0.8 2.5	0.4 2.4
	RPIX (excluding mortgage interest payments)	5.3	3.2	3.1	0.5 3.2	0.7 2.7	0.6 2.7	0.9 2.6	0.4 2.5
House Price (HBOS Index)		-2.5	-0.6	4.6	1.9 6.2	2.1 7.5	2.3 8.7	2.3 8.8	2.7 9.6
Visible exports	Whole World (GBP mln)	309,184	305,142	306,810	76,195	74,884	72,172	71,088	-
	(YoY, %)	14.2	-1.3	0.5	-0.4	-1.0	-4.9	-10.9	-
	EU (GBP mln)	165,220	153,181	154,914	40,147	37,319	35,481	36,088	-
	(YoY, %)	13.9	-7.3	1.1	5.1	-2.0	-8.2	-7.0	-
Visible imports	Whole World (GBP mln)	405,699	414,114	417,006	106,052	102,658	99,309	99,195	-
	(YoY, %)	10.2	2.1	0.7	2.6	-0.3	-3.3	-6.1	-
	EU (GBP mln)	205,641	209,644	221,354	56,006	56,240	52,527	52,364	-
	(YoY, %)	9.1	1.9	5.6	6.8	6.8	-3.3	-4.4	-
Visible balance	Whole World (GBP mln)	-96,515	-108,972	-110,196	-29,857	-27,774	-27,137	-28,107	-
	EU (GBP mln)	-40,421	-56,463	-66,440	-15,859	-18,921	-17,046	-16,276	-
Current Account*	(GBP mln)	-27,033	-61,925	-72,395	-24,262	-22,873	-20,515	-23,096	-
Money Supply	M4 : (YoY, %)	-2.5	-1.0	0.3	2.5	0.3	-0.2	-0.6	-2.5
Public sector net cash requirement	(GBP mln)	6,975	17,677	16,284	6,704	16,284	15,239	14,146	17,700
Foreign reserves **	(US\$ bln)	79.27	88.60	92.40	93.28	92.40	97.27	99.42	94.38
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	0.52	0.52	0.53	0.56
10-Y UK government bond yields		3.03	1.88	2.36	2.72	2.78	2.78	2.70	2.59
USD/GBP exchange rate		1.604	1.585	1.565	1.551	1.619	1.655	1.683	1.670
GBP/Euro exchange rate		0.868	0.811	0.849	0.854	0.841	0.828	0.815	0.794
JPY/GBP exchange rates		127.75	126.46	152.58	153.28	162.62	170.13	171.85	173.54
Effective exchange rate ****		79.93	82.95	81.41	81.18	83.55	85.61	86.92	88.03

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

	2014/03	4	5	6	7	8	9	10	
Real GDP Growth *	No figures for a monthly basis								
Industrial Production *	-0.2	0.2	-0.6	0.1	0.4	0.0	-	-	
Manufacturing	3.1	3.4	2.3	1.4	2.2	2.5	-	-	
Confidence (% balance)	3.8	5.2	3.2	2.5	3.5	3.9	-	-	
Retail Sales Volume *	0.4	0.7	-0.1	0.3	0.0	0.4	-0.3	-	
Claimant Count * (000s)	4.3	6.0	3.4	3.2	2.4	3.7	2.7	-	
Unemployment rate * (Claimant count base, %)	1,141.8	1,113.4	1,080.6	1,041.1	1,003.7	970.5	951.9	-	
Average Earnings * (YoY, %)	-2.6	-2.5	-2.9	-3.7	-3.6	-3.3	-1.9	-	
Headline rate (3 month average)	3.4	3.3	3.2	3.1	3.0	2.9	2.8	-	
ILO base, %)	6.8	6.6	6.5	6.3	6.2	6.0	-	-	
YoY, %)	2.1	-1.4	0.4	0.6	0.7	0.8	-	-	
Output Prices	1.9	0.8	0.4	-0.1	0.6	0.7	-	-	
Input Prices	0.1	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-	
CPI	0.4	0.6	0.5	0.3	-0.1	-0.3	-0.4	-	
RPI	-0.4	-0.9	0.2	-1.0	-1.7	-1.2	-0.6	-	
RPIX (excluding mortgage interest payments)	-6.3	-5.3	-3.9	-4.6	-7.5	-7.7	-7.4	-	
House Price (HBOS Index)	0.2	0.4	-0.1	0.2	-0.3	0.4	0.0	-	
CPI	1.6	1.8	1.5	1.9	1.6	1.5	1.2	-	
RPI	0.2	0.4	0.1	0.2	-0.1	0.4	0.2	-	
RPIX (excluding mortgage interest payments)	2.5	2.5	2.4	2.6	2.5	2.4	2.3	-	
House Price (HBOS Index)	0.3	0.4	0.1	0.2	-0.1	0.4	0.2	-	
House Price (HBOS Index)	2.5	2.6	2.5	2.7	2.6	2.5	2.3	-	
House Price (HBOS Index)	-1.2	-0.3	4.0	-0.4	1.2	0.1	0.6	-	
House Price (HBOS Index)	8.5	6.8	10.7	9.5	10.3	9.3	9.4	-	
Whole World (GBP mln)	24,956	23,897	23,794	23,397	23,846	23,168	-	-	
YoY, %)	-3.6	-6.4	-7.8	-17.9	-7.1	-8.8	-	-	
EU (GBP mln)	12,179	12,191	11,966	11,931	11,988	11,917	-	-	
YoY, %)	-5.8	-2.7	-9.4	-8.8	-14.8	-10.6	-	-	
Whole World (GBP mln)	33,001	32,956	33,175	33,064	34,260	32,267	-	-	
YoY, %)	-6.7	-5.2	-6.4	-6.5	-4.3	-7.8	-	-	
EU (GBP mln)	17,305	17,326	17,263	17,775	17,647	17,429	-	-	
YoY, %)	-8.3	-3.6	-5.3	-4.4	-5.5	-5.1	-	-	
Whole World (GBP mln)	-8,045	-9,059	-9,381	-9,667	-10,414	-9,099	-	-	
EU (GBP mln)	-5,126	-5,135	-5,297	-5,844	-5,659	-5,512	-	-	
Current Account* (GBP mln)	No figures for a monthly basis								
Money Supply M4 : (YoY, %)	-0.2	-0.6	-0.9	-0.6	-1.0	-1.4	-2.5	-	
Public sector net cash requirement	15,239	-5,979	11,340	14,146	-7,328	1,939	17,700	-	
Foreign reserves **	97.27	94.99	97.20	99.42	98.78	97.93	94.38	-	
Repo rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	
3M interest rates	0.52	0.53	0.53	0.54	0.56	0.56	0.56	0.56	
10-Y UK government bond yields	2.72	2.67	2.63	2.82	2.75	2.54	2.49	2.22	
USD/GBP exchange rate	1.662	1.675	1.685	1.691	1.707	1.670	1.630	1.607	
GBP/Euro exchange rate	0.832	0.825	0.815	0.804	0.793	0.797	0.791	0.789	
JPY/GBP exchange rates	170.11	171.62	171.42	172.53	173.69	171.93	174.89	173.59	
Effective exchange rate ****	85.59	86.22	86.88	87.71	88.76	87.77	87.52	87.37	

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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