

Main Economic & Financial Indicators UK

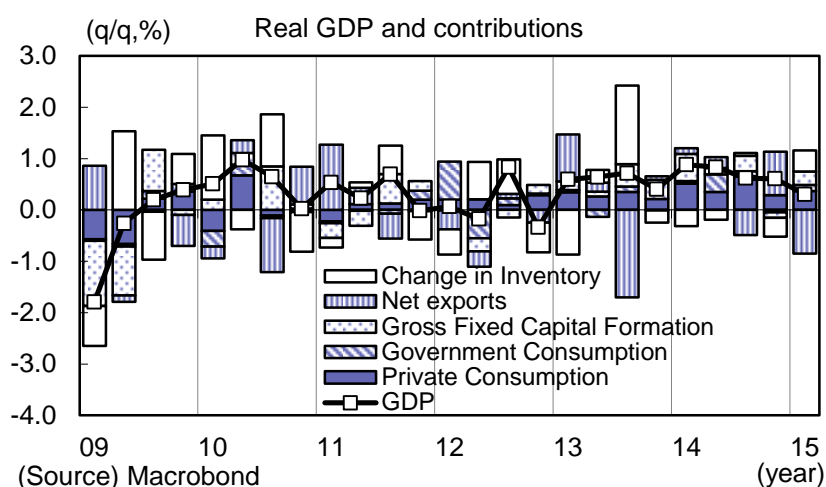
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Overview

The UK economy has remained resilient despite the fact that the pace of expansion has slowed. Real GDP growth in Q1 of 2015 slowed to 0.3% q/q from the 0.6% q/q growth in Q4 of 2014. This is the slowest rate since the country's economic growth entered positive territory in 2012. A look at the details of the GDP figure from the expenditure side reveals that private consumption continued to expand by 0.5% q/q. Growth in gross fixed capital formation turned positive to 1.5% q/q from a contraction of 0.6% q/q in the previous quarter. In particular, business investment jumped by 1.7% q/q, partly owing to the fact that business investment in the oil and gas sector rebounded from a decrease in investment in late 2014 on the back of falling oil prices. Net trade made a negative contribution to overall growth. While growth in imports accelerated to 2.3% q/q on the back of domestic demand increases, exports decreased by 0.3% q/q. Exports were up by 4.6% q/q in the previous quarter. British exports also faced some headwinds due to the recent appreciation of the pound against the euro. Meanwhile, the Conservatives won the general election after securing a 331-seat majority. Pre-election polls had suggested that Labour and the Conservatives were neck and neck. Formation of a single-party government has eliminated political instability for now; however, uncertainties over the planned referendum on EU membership by the end of 2017 will pose a potential downward risk to the economy.



Output

Industrial production grew by 0.5% m/m in March. The PMI for the manufacturing sector edged up to 52.0 in May, remaining above the 50 mark which indicates an expansion in the sector. That being said, the pace of expansion is likely to decelerate as the last two months' PMI readings are lower than the average of 53.6 in Q1 partly due to a decrease in export orders reflecting the pound's appreciation against the euro.

Consumption, Labour Market

Retail sales increased 1.2% m/m in April, rebounding from a decrease of 0.7% m/m in March. They were boosted by an increase in real wages on the back of lower inflation and a moderate acceleration in nominal wage growth. Consumer confidence rose for the third month in a row to 6.9, the highest level since June of last year. Looking at the labour market indicators, the growth pace of the number of people employed has been accelerating since the beginning of this year after a slowdown during the latter half of 2014. The unemployment rate fell to 5.5% in March. Meanwhile, gross wage growth (3-month moving average, excluding bonuses) picked up pace to 2.2% y/y in March. In light of the recent improvements in consumer confidence and labour market conditions, it is likely that consumer spending will remain resilient.



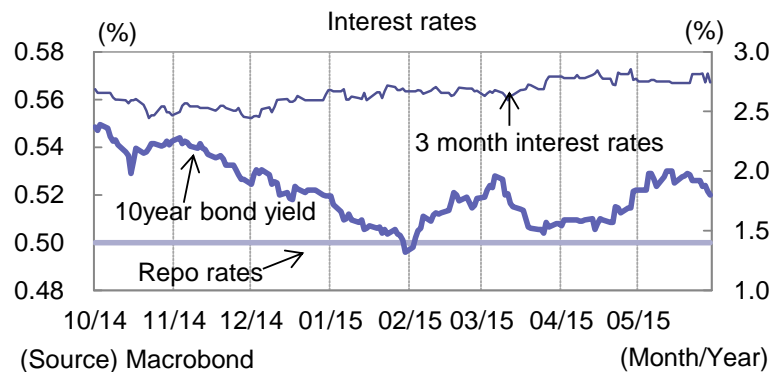
Prices

The Consumer Price Index (CPI) fell by 0.1% y/y in April. It is the first time that the CPI figures have been in negative territory since 1960. A breakdown of this figure reveals that cheaper food prices – mainly driven by the supermarket price war – and a fall in energy and transport prices on the back of lower oil prices have continued to put downward pressure on inflation. That being said, transport prices – air and ferry fares in particular – were also driven lower by the timing of the Easter holidays this year. The Bank of England (BoE) said in its quarterly inflation report published in May that domestic demand has been expanding, supported by rises in real household income on the back of lower inflation. The BoE also noted that there is little sign of deflation becoming persistent as there is little evidence of consumers delaying purchases.

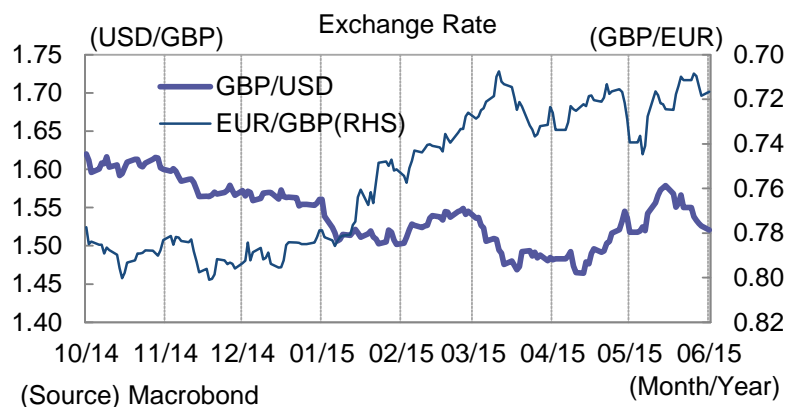
Interest Rates, Foreign Exchange Markets

Policy Rate: At its meeting in May, the Monetary Policy Committee (MPC) of the BoE decided to keep its policy rate unchanged at 0.50% and the size of its QE programme at £375bn. The meeting minutes revealed that there is a range of views over the most likely future path for the bank's monetary policy. This seems to suggest that there are different views amongst its members regarding the outlook for wage growth and the degree of slack in the economy. That being said, the MPC stated that all members agree that it is more likely than not that the bank rate will rise over the three-year forecast period.

Market Rate (April-): Long-term government bond yields started at 1.54% in April and hovered just below 1.6% until mid-April. Subsequently, however, they started to rise on the back of increased political uncertainty ahead of the general election on May 7th (yields reached 1.98% on the eve of the election) as well as due to European bonds rebounding from a historic low, rising above 2.0% for the first time in the last six months. The yields then fell as the second estimate of the Q1 GDP figure on May 28th confirmed a deceleration in the UK's economic growth, finishing at around 1.8%.



Foreign Exchange Market (April-): Sterling's value against the US dollar started around US\$1.48 in April. The pound rose as the meeting minutes of the BoE published on April 20th expressed concerns over rising house prices. Although the pound momentarily fell ahead of the general election on May 7th, it proceeded to rise to a six-month high of \$1.57, boosted by rises in employment and output as well as the Conservative party's majority win in the general election. Subsequently, however, uncertainty over Greece as well as signs of a slowdown in the UK economy pushed the pound downwards, finishing at around US\$1.52.



1. Annual and quarterly data

1. Annual, quarterly

	12	13	14	2014/Q1	Q2	Q3	Q4	2015/Q1	
Real GDP Growth *	0.7	1.7	2.8	0.9 2.7	0.8 2.9	0.6 2.8	0.6 3.0	0.3 2.4	
Real business investment	4.2	5.3	7.5	1.7 7.8	2.7 11.2	0.3 7.4	-0.9 3.7	1.7 3.7	
Industrial Production *	-2.7	-0.5	1.6	0.5 2.3	0.3 1.9	0.1 1.2	0.2 1.0	0.1 0.6	
	Manufacturing	-1.3	-2.0	7.1	1.4 3.0	0.6 3.2	0.4 3.0	0.2 2.6	0.1 1.3
Confidence (%, balance)	Manufacturing	-6.7	-2.0	7.1	4.9	10.2	7.2	6.2	5.3
	Consumer	-20.1	-10.1	4.4	2.1	6.9	5.0	3.6	4.2
Retail Sales Volume *	0.8	1.4	3.8	0.7 3.5	1.5 4.2	0.4 2.8	2.2 4.8	0.9 5.1	
Claimant Count *	(000s)	1,585.5	1,421.3	1,030.6	1,173.3	1,078.4	975.4	895.3	797.2
	(% change on previous term)	3.3	-10.4	-27.5	-7.6	-8.1	-9.5	-8.2	-11.0
Unemployment rate *	(Claimant count base, %)	4.8	4.2	3.1	3.7	3.2	2.9	2.5	2.5
	(ILO base, %)	8.0	7.6	6.2	6.8	6.3	6.0	5.7	5.5
Average Earnings *	(YoY, %)	1.4	1.2	1.2	1.8	-0.1	1.0	2.1	1.9
Producer Prices	Output Prices	2.1	1.3	0.0	0.3 0.6	0.1 0.4	-0.3 -0.3	-0.9 -0.8	-0.7 -1.8
	Input Prices	1.3	2.6	1.5	-1.3 -5.0	-1.5 -4.6	-3.2 -7.5	-3.7 -9.3	-5.8 -13.4
Consumer Price Index	CPI	2.8	3.1	2.4	0.1 1.7	0.7 1.7	0.0 1.5	0.1 0.9	-0.7 0.1
	RPI	3.2	3.0	2.4	0.6 2.6	0.8 2.5	0.4 2.4	0.2 1.9	-0.4 1.0
	RPIX (excluding mortgage interest payments)	3.2	3.1	2.4	0.6 2.7	0.9 2.6	0.4 2.5	0.2 2.0	-0.4 1.0
House Price (HBOS Index)		-0.6	4.6	8.8	2.2 8.5	2.3 9.5	2.7 9.4	0.3 8.4	2.6 7.7
Visible exports	Whole World (GBP mln)	305,142	306,765	292,867	73,804	72,974	71,850	74,239	71,553
	(YoY, %)	-1.3	0.5	-4.5	-2.7	-8.3	-6.2	-0.7	-3.0
	EU (GBP mln)	153,181	154,579	147,926	37,132	37,709	36,459	36,626	33,578
	(YoY, %)	-7.3	0.9	-4.3	-3.6	-2.5	-9.5	-1.2	-9.6
Visible imports	Whole World (GBP mln)	414,114	419,364	412,472	102,952	102,791	103,346	103,383	101,458
	(YoY, %)	2.1	1.3	-1.6	0.1	-2.7	-3.7	-0.2	-1.5
	EU (GBP mln)	209,644	223,712	224,904	56,302	56,068	55,966	56,568	55,082
	(YoY, %)	1.9	6.7	0.5	3.1	2.0	-1.7	-1.1	-2.2
Visible balance	Whole World (GBP mln)	-108,972	-112,599	-119,605	-29,148	-29,817	-31,496	-29,144	-29,905
	EU (GBP mln)	-56,463	-69,133	-76,978	-19,170	-18,359	-19,507	-19,942	-21,504
Current Account*	(GBP mln)	-61,925	-76,655	-97,920	-20,580	-24,374	-27,664	-25,302	-
Money Supply	M4 : (YoY, %)	-1.0	0.2	-1.2	-0.1	-0.5	-2.6	-1.2	-0.6
Public sector net cash requirement	(GBP mln)	17,677	16,284	23,497	15,963	14,974	19,598	23,497	21,595
Foreign reserves **	(US\$ bln)	88.60	92.40	95.70	97.27	99.42	94.38	95.70	106.24
Repo rate	(%)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3M interest rates	(%)	0.83	0.51	0.54	0.52	0.53	0.56	0.56	0.56
10-Y UK government bond yields		1.88	2.36	2.53	2.78	2.70	2.59	2.07	1.63
USD/GBP exchange rate		1.585	1.565	1.648	1.655	1.683	1.670	1.583	1.515
GBP/Euro exchange rate		0.811	0.849	0.806	0.828	0.815	0.794	0.789	0.744
JPY/GBP exchange rates		126.46	152.58	174.33	170.13	171.85	173.54	181.25	180.44
Effective exchange rate ****		83.00	81.43	86.99	85.59	86.93	88.06	87.33	89.41

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

		2014/10	11	12	2015/01	2	3	4	5
Real GDP Growth *		No figures for a monthly basis							
		-0.2	0.1	-0.2	-0.1	0.1	0.5	-	-
Industrial Production *		1.0	1.3	0.8	1.2	0.1	0.7	-	-
	Manufacturing	-0.7	0.8	0.1	-0.7	0.5	0.4	-	-
		2.1	3.2	2.6	1.7	1.2	1.1	-	-
Confidence (% , balance)	Manufacturing	5.4	6.3	6.8	6.1	8.4	1.3	1.4	2.1
	Consumer	5.2	2.6	3.1	3.0	3.9	5.6	6.9	1.1
Retail Sales Volume *		1.2	1.6	0.0	0.2	0.6	-0.7	1.2	-
		4.7	6.5	3.8	5.9	5.4	4.0	4.7	-
Claimant Count *	(000s)	927.0	897.4	861.6	822.2	793.1	776.4	763.8	-
	(MoM, %)	-2.6	-3.2	-4.0	-4.6	-3.5	-2.1	-1.6	-
Unemployment rate *	(Claimant count base, %)	2.8	2.7	2.6	2.5	2.4	2.3	2.3	-
	(ILO base, %)	6.0	5.8	5.7	5.7	5.6	5.5	-	-
Average Earnings *	(YoY, %)	2.0	1.9	2.4	1.4	1.1	3.3	-	-
	Headline rate (3 month average)	1.5	1.8	2.1	1.9	1.7	1.9	-	-
Producer Prices	Output Prices	-0.6	-0.1	-0.5	-0.5	0.2	0.1	0.1	-
		-0.7	-0.6	-1.1	-1.8	-1.7	-1.7	-1.7	-
	Input Prices	-1.2	-0.8	-3.3	-3.6	0.2	0.4	0.4	-
		-8.1	-8.3	-11.6	-14.1	-13.5	-12.8	-11.7	-
Consumer Price Index	CPI	0.1	-0.3	0.0	-0.9	0.3	0.2	0.2	-
		1.3	1.0	0.5	0.3	0.0	0.0	-0.1	-
	RPI	0.0	-0.2	0.2	-0.8	0.5	0.2	0.4	-
		2.3	2.0	1.6	1.1	1.0	0.9	0.9	-
RPIX (excluding mortgage interest payments)		0.0	-0.2	0.2	-0.9	0.5	0.2	0.4	-
		2.4	2.0	1.7	1.2	1.0	0.9	0.9	-
House Price (HBOS Index)	(MoM, %)	-0.4	0.5	1.1	1.9	-0.4	0.6	1.6	-
	(3M average YoY, %)	8.8	8.1	7.8	8.5	8.3	8.1	8.5	-
Visible exports	Whole World (GBP mln)	24,592	24,516	25,131	24,383	23,422	23,748	-	-
	(YoY, %)	-0.7	-0.5	-0.8	1.3	-3.0	-7.2	-	-
	EU (GBP mln)	12,265	12,050	12,311	11,418	11,244	10,916	-	-
		1.6	-0.9	-4.2	-5.8	-7.8	-14.8	-	-
Visible imports	Whole World (GBP mln)	34,464	33,859	35,060	33,367	34,221	33,870	-	-
	(YoY, %)	-1.5	-3.0	4.0	-4.6	0.5	-0.1	-	-
	EU (GBP mln)	18,715	18,756	19,097	18,422	18,785	17,875	-	-
		-2.5	-2.8	2.1	-2.9	-1.5	-2.1	-	-
Visible balance	Whole World (GBP mln)	-9,872	-9,343	-9,929	-8,984	-10,799	-10,122	-	-
	EU (GBP mln)	-6,450	-6,706	-6,786	-7,004	-7,541	-6,959	-	-
Current Account*	(GBP mln)	No figures for a monthly basis							
Money Supply	M4 : (YoY, %)	-2.6	-2.8	-1.2	-2.1	-3.1	-0.6	0.0	-
Public sector net cash requirement		-458	9,226	23,497	-17,330	1,827	21,595	-4,044	-
Foreign reserves **		95.68	97.90	95.70	98.70	102.93	106.24	-	-
Repo rate		0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3M interest rates		0.56	0.56	0.56	0.56	0.56	0.56	0.57	0.57
10-Y UK government bond yields		2.22	2.13	1.87	1.55	1.65	1.68	1.62	1.92
USD/GBP exchange rate		1.607	1.578	1.563	1.516	1.533	1.496	1.495	1.546
GBP/Euro exchange rate		0.789	0.791	0.788	0.767	0.741	0.723	0.723	0.722
JPY/GBP exchange rates		173.59	183.53	186.75	179.37	182.07	180.06	178.81	186.67
Effective exchange rate ****		87.39	87.02	87.54	87.79	90.10	90.41	90.10	91.36

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

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Sources : Office for National Statistics etc

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