

Main Economic & Financial Indicators UK

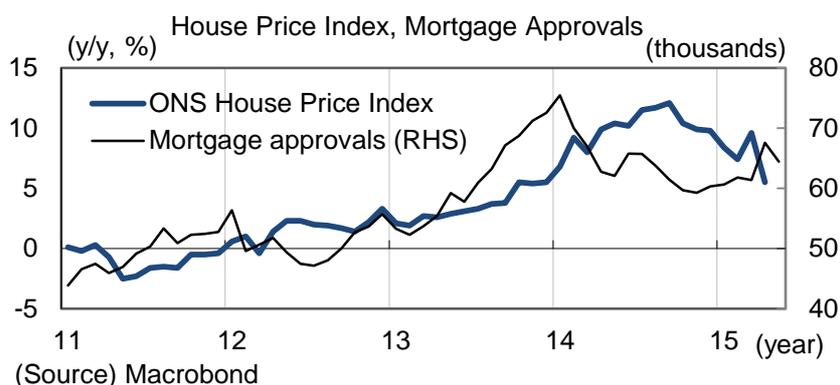
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Overview

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 0.4% q/q from the 0.8% q/q growth in Q4 of 2014. In Q2, private consumption continued to grow which was supported by buoyant consumer confidence. This increase in confidence was brought about by an increase in real income which was boosted by lower inflation as well as acceleration in nominal earning growth. Regarding the property market, although the growth in house price continued to decelerate, the number of mortgage approvals has been increasing, suggesting a brighter prospect for the market. Looking ahead, private consumption is likely to remain resilient as labour market conditions continue to improve. Business investment is also likely to be supported by improved margins due to a fall in commodity price, low interest rates, and strong domestic demand. That being said, investments in oil and gas companies will be dragged down by cheaper oil prices. Although improvements in the Eurozone economy will support UK exports, the appreciation of the pound against the euro may continue to limit export growth. Decreases in new export orders were observed in the Purchasing Managers' Index (PMI) during the manufacturing sector for the last three months up to June.



Output

Industrial production grew by 0.4% m/m in May, growing four consecutive months. Looking ahead, output growth may decelerate in coming months. Although the PMI for the manufacturing sector remained above the 50 mark, indicating an expansion in the sector, it

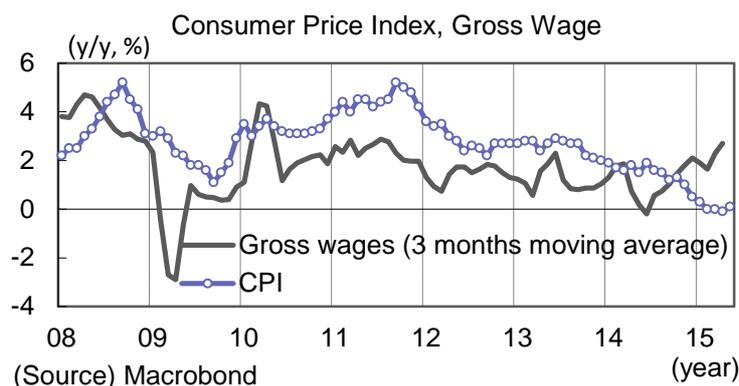
edged down to 51.4 in June, the lowest level since the beginning of the year. The pace of expansion in overall new orders slowed due to a decrease in export orders, thereby reflecting the pound's appreciation against the euro.

Consumption, Labour Market

Retail sales were up by 0.2% m/m in May, increasing for four months in a row but decelerating from the strong growth of 0.9% m/m in April. The number of people in employment between February and April was 31.1 million, an increase of 114,000 compared to between November and January. The unemployment rate was unchanged at 5.5% in February. Gross wage growth (3-month moving average, including bonuses) accelerated from 2.3% y/y to 2.7% y/y in April. Meanwhile, consumer confidence dipped to 1.1 in May due to mounting uncertainties ahead of the May's general election; however, since political uncertainties have been eliminated for now with the formation of a single-party government by the Conservative Party, consumer confidence bounced to 5.1 in June. A look at the breakdown of this figure reveals that while inflation expectation dropped as annual inflation rate fell into negative territory in April, consumers' willingness to make a major purchase rose. This was boosted by lower interest rates and an increase in real income due to lower inflation and an acceleration of gross earnings growth. In light of these circumstances, private consumption is likely to continue to remain resilient.

Prices

The Consumer Price Index (CPI) rose by 0.1% y/y in May after dipping into negative territory in April for the first time since 1960. A breakdown of this figure reveals that cheaper food prices – mainly driven by the supermarket price war – and a fall in energy prices due to lower oil prices have continued to put downward pressure on inflation. That being said, the pace of the fall in price of these items slowed. Core inflation edged up from 0.8% y/y in May to 0.9% y/y, but remained at a low level.

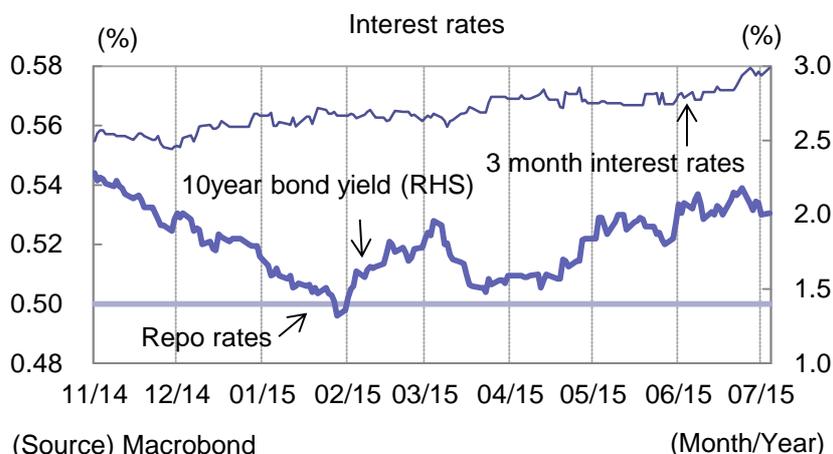


Interest Rates, Foreign Exchange Markets

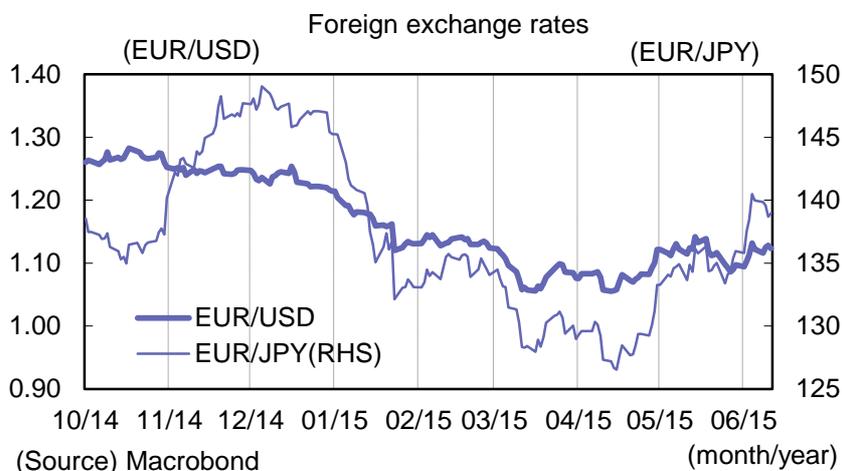
Policy Rate: At its meeting in June, the Monetary Policy Committee (MPC) of the Bank of England (BoE) decided to keep its policy rate unchanged at 0.50% and the size of its QE programme at £375bn. In the meeting minutes published on 17th June, it said that there could be

spillovers as other countries would start to normalise their monetary policies; however, it added that the Committee agreed that the path for UK monetary policy would depend on the prospects for inflation in the UK and would not be determined by the actions of other central banks

Market Rate (June-): Long-term government bond yields started at 1.84% in June. The yields started to rise after Mario Draghi, the governor of the European Central Bank, warned that higher volatility in the bond market is here to stay and reached 2.14% on June 10th, the highest level since November last year. Bond yields fell momentarily due to a fall-back in risk appetite brought about by rising concerns over Greece in mid-June. They then rose back again towards the end of the month as a result of optimism about the Greek deal and reached 2.18% on 26th. Subsequently, however, as the financial assistance programme for Greece expired and the Greek government decided to hold a referendum on the international creditors' austerity proposals, they started to fall again and finished at around 2.0%



Foreign Exchange Market (June-): The pound's value against the US dollar started around US\$1.52 in June. The pound rose to a seven-month high of US\$1.588 on 19th June due to stronger-than-expected results in industrial production and retail sales. Later, uncertainties over Greece pushed the pound downwards, finishing at around US\$1.56.



1. Annual and quarterly data

	12	13	14	2014/Q2	Q3	Q4	2015/Q1	Q2	
Real GDP Growth *	0.7	1.7	3.0	0.9 3.0	0.7 3.0	0.8 3.4	0.4 2.9	- -	
Real business investment	4.2	5.3	8.0	3.6 11.9	-0.2 7.6	0.3 5.1	2.0 5.7	- -	
Industrial Production *	-2.7	-0.5	1.7	0.3 1.9	0.2 1.3	0.4 1.3	0.2 1.0	- -	
	Manufacturing	-1.3	-2.0	7.1	0.5 3.2	0.4 3.1	0.4 2.9	0.1 1.4	- -
Confidence (%, balance)	Manufacturing	-6.7	-2.0	7.1	10.2	7.2	6.2	5.3	0.9
	Consumer	-20.1	-10.1	4.4	6.9	5.0	3.6	4.2	4.4
Retail Sales Volume *	0.8	1.4	3.9	1.6 4.3	0.4 2.9	2.3 5.1	0.9 5.3	- -	
Claimant Count *	(000s)	1,585.6	1,421.9	1,037.6	1,080.6	980.3	908.2	824.3	-
	(% change on previous term)	3.3	-10.3	-27.0	-8.5	-9.3	-7.4	-9.2	-
Unemployment rate *	(Claimant count base, %)	4.7	4.3	3.0	3.0	2.8	2.6	2.3	-
	(ILO base, %)	8.0	7.6	6.2	6.3	6.0	5.7	5.5	-
Average Earnings *	(YoY, %)	1.4	1.2	1.2	-0.2	1.0	2.1	2.3	-
Producer Prices	Output Prices	2.1	1.3	0.0	0.1 0.4	-0.3 -0.3	-0.9 -0.8	-0.7 -1.8	- -
	Input Prices	1.3	2.6	1.5	-1.5 -4.6	-3.2 -7.5	-3.7 -9.3	-5.9 -13.5	- -
Consumer Price Index	CPI	2.8	3.1	2.4	0.7 1.7	0.0 1.5	0.1 0.9	-0.7 0.1	- -
	RPI	3.2	3.0	2.4	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	0.9 2.6	0.4 2.5	0.2 2.0	-0.4 1.0	- -
House Price (HBOS Index)		-0.6	4.6	8.8	2.3 9.5	2.7 9.4	0.3 8.4	2.6 7.7	- -
Visible exports	Whole World (GBP mln)	305,142	306,765	292,204	73,151	71,324	73,733	71,490	-
	(YoY, %)	-1.3	0.5	-4.7	-8.0	-6.9	-1.4	-3.4	-
	EU (GBP mln)	153,181	154,579	147,293	37,878	35,946	36,137	33,563	-
	(YoY, %)	-7.3	0.9	-4.7	-2.0	-10.8	-2.6	-10.1	-
Visible imports	Whole World (GBP mln)	414,114	419,364	413,419	103,274	103,738	103,825	101,909	-
	(YoY, %)	2.1	1.3	-1.4	-2.2	-3.3	0.2	-0.7	-
	EU (GBP mln)	209,644	223,712	225,852	56,530	56,320	56,887	55,346	-
	(YoY, %)	1.9	6.7	1.0	2.9	-1.1	-0.5	-1.4	-
Visible balance	Whole World (GBP mln)	-108,972	-112,599	-121,215	-30,123	-32,414	-30,092	-30,419	-
	EU (GBP mln)	-56,463	-69,133	-78,559	-18,652	-20,374	-20,750	-21,783	-
Current Account*	(GBP mln)	-61,925	-76,655	-105,651	-24,608	-31,806	-28,930	-26,548	-
Money Supply	M4 : (YoY, %)	-0.9	0.2	-1.2	-0.5	-2.6	-1.2	-0.5	-
Public sector net cash requirement	(GBP mln)	17,754	16,284	23,498	14,975	19,628	23,498	21,364	-
Foreign reserves **	(US\$ bln)	88.60	92.40	95.70	99.42	94.38	95.70	105.78	-
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	0.53	0.56	0.56	0.56	0.57
10-Y UK government bond yields		1.88	2.36	2.53	2.70	2.59	2.07	1.63	1.87
USD/GBP exchange rate		1.585	1.565	1.648	1.683	1.670	1.583	1.515	1.532
GBP/Euro exchange rate		0.811	0.849	0.806	0.815	0.794	0.789	0.744	0.722
JPY/GBP exchange rates		126.46	152.58	174.33	171.85	173.54	181.25	180.44	185.95
Effective exchange rate ****		83.00	81.43	86.99	86.93	88.06	87.33	89.41	91.20

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

		2014/11	12	2015/01	2	3	4	5	6
Real GDP Growth *		No figures for a monthly basis							
		0.2	-0.1	-0.1	0.2	0.6	0.3	0.4	-
Industrial Production *		1.6	1.2	1.5	0.4	1.1	1.2	2.1	-
	Manufacturing	0.8	0.2	-0.8	0.4	0.4	-0.4	-0.6	-
		3.4	3.0	1.8	1.2	1.2	0.1	1.0	-
Confidence (% , balance)	Manufacturing	6.3	6.8	6.1	8.4	1.3	1.4	2.1	-0.8
	Consumer	2.6	3.1	3.0	3.9	5.6	6.9	1.1	5.1
Retail Sales Volume *		1.6	-0.1	0.2	0.6	-0.6	0.9	0.2	-
		6.7	4.0	6.1	5.6	4.3	4.6	4.6	-
Claimant Count *	(000s)	908.6	881.3	845.6	821.2	806.1	798.3	791.8	-
	(MoM, %)	-2.8	-3.0	-4.1	-2.9	-1.8	-1.0	-0.8	-
Unemployment rate *	(Claimant count base, %)	2.6	2.6	2.5	2.4	2.3	2.3	2.3	-
	(ILO base, %)	5.8	5.7	5.7	5.6	5.5	5.5	-	-
Average Earnings *	(YoY, %)	1.9	2.4	1.4	1.1	4.4	2.6	-	-
	Headline rate (3 month average)	1.8	2.1	1.9	1.7	2.3	2.7	-	-
Producer Prices	Output Prices	-0.1	-0.5	-0.5	0.2	0.1	0.1	0.1	-
	Input Prices	-0.6	-1.1	-1.8	-1.7	-1.7	-1.7	-1.6	-
		-0.8	-3.3	-3.6	0.2	0.1	1.4	-0.9	-
Consumer Price Index	CPI	-0.3	0.0	-0.9	0.3	0.2	0.2	0.2	-
		1.0	0.5	0.3	0.0	0.0	-0.1	0.1	-
	RPI	-0.2	0.2	-0.8	0.5	0.2	0.4	0.2	-
		2.0	1.6	1.1	1.0	0.9	0.9	1.0	-
		-0.2	0.2	-0.9	0.5	0.2	0.4	0.2	-
		2.0	1.7	1.2	1.0	0.9	0.9	1.1	-
House Price (HBOS Index)	(MoM, %)	0.5	1.1	1.9	-0.4	0.6	1.6	-0.1	-
	(3M average YoY, %)	8.1	7.8	8.5	8.3	8.1	8.5	8.6	-
Visible exports	Whole World (GBP mln)	24,351	24,857	24,313	23,348	23,829	24,488	-	-
	(YoY, %)	-1.2	-1.9	1.2	-3.5	-7.5	-0.7	-	-
	EU (GBP mln)	11,924	11,975	11,399	11,163	11,001	11,056	-	-
	(YoY, %)	-1.9	-6.8	-5.7	-8.6	-15.6	-13.8	-	-
Visible imports	Whole World (GBP mln)	34,011	35,165	33,306	34,069	34,534	33,049	-	-
	(YoY, %)	-2.5	4.3	-4.7	0.6	2.3	-3.7	-	-
	EU (GBP mln)	18,886	19,149	18,366	18,703	18,277	17,523	-	-
	(YoY, %)	-2.1	2.4	-2.7	-1.6	0.2	-6.3	-	-
Visible balance	Whole World (GBP mln)	-9,660	-10,308	-8,993	-10,721	-10,705	-8,561	-	-
	EU (GBP mln)	-6,962	-7,174	-6,967	-7,540	-7,276	-6,467	-	-
Current Account*	(GBP mln)	No figures for a monthly basis							
Money Supply	M4 : (YoY, %)	-2.8	-1.2	-2.0	-3.0	-0.5	0.1	0.7	-
Public sector net cash requirement		9,230	23,498	-17,354	1,803	21,364	-2,731	12,383	-
Foreign reserves **		97.90	95.70	98.70	102.93	105.78	108.61	-	-
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	0.57	0.57	0.57
10-Y UK government bond yields		2.13	1.87	1.55	1.65	1.68	1.62	1.92	2.05
USD/GBP exchange rate		1.578	1.563	1.516	1.533	1.496	1.495	1.546	1.557
GBP/Euro exchange rate		0.791	0.788	0.767	0.741	0.723	0.723	0.722	0.721
JPY/GBP exchange rates		183.53	186.75	179.37	182.07	180.06	178.81	186.67	192.68
Effective exchange rate ****		87.02	87.54	87.79	90.10	90.41	90.10	91.36	92.13

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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