

Main Economic & Financial Indicators UK

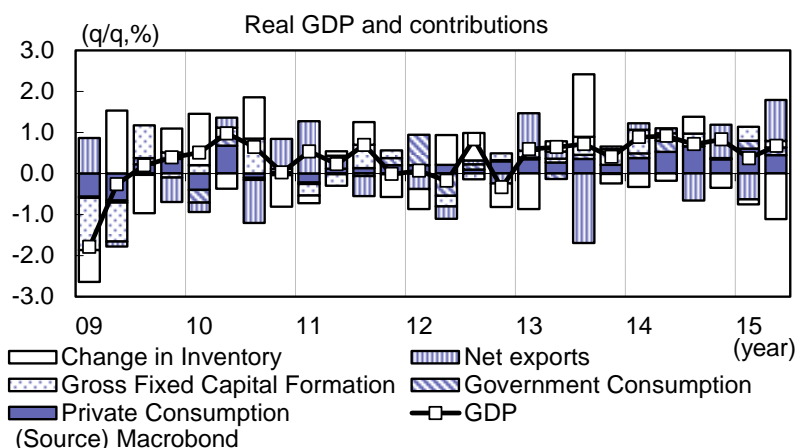
11 SEPTEMBER 2015

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 remains resilient with real GDP growth accelerating 0.7% q/q in Q2 2015 from 0.4% q/q the previous quarter. The breakdown by expenditure reveals that robust private consumption – supported by weak oil prices, improved customer confidence and a favourable labour market – continued to boost overall growth. The growth pace of imports slowed from the high level of 2.3% q/q last quarter to 0.6% q/q. Although the recovery pace of the European economy, the UK's main export destination, remained gradual, it contributed to a strong growth in UK exports; up by 3.9% q/q compared to 0.4% q/q last quarter. As a result, net exports boosted overall growth. Gross fixed capital formation increased as a whole by 0.9% owing to a continued increase of business investment (up by 2.9% q/q). Looking ahead, it is expected that growth of nominal wages will pick up pace reflecting a tightening of labour supply demand balance. Moreover, the housing market, which has cooled since the latter half of last year, shows signs of bottoming out. As such, it is thought that the household sector will continue to be a leading force in the UK economy's resilient growth.



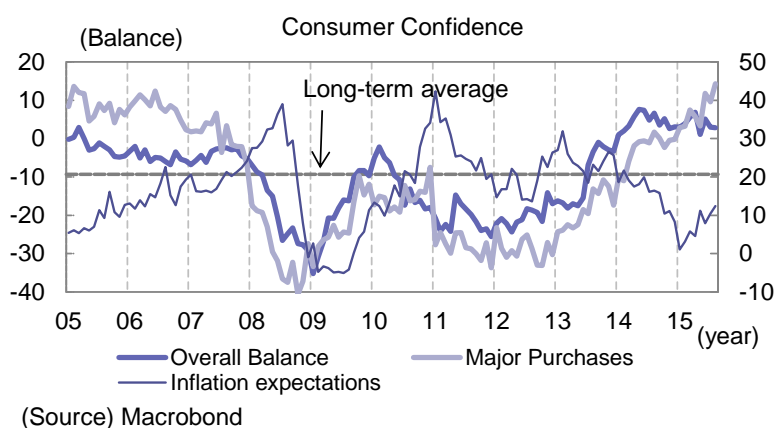
Output

In July, industrial production decreased by 0.4% m/m, continuing a negative growth trend. It is likely that production will continue to be dampened by weak foreign demand, despite being supported by domestic demand. The Purchasing Manager's Index (PMI) for the manufacturing sector edged down to 51.5 in August. The breakdown of this figure reveals that new orders

have increased after two months of decline owing to an increase in domestic demand. However, export orders continued to contract.

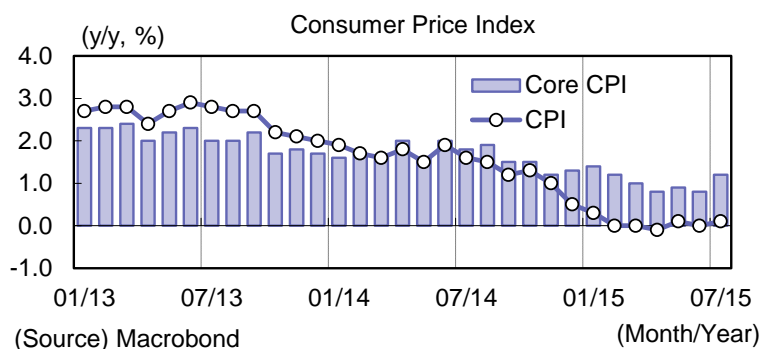
Consumption, Labour Market

Retail sales were up 0.1% in July from the previous month after declining by 0.1% m/m in June. While consumer confidence fell slightly from the previous month, it maintained its high level, well above the long-term average. Consumers' intentions to make major purchases (items including furniture and electrical appliances) over the next 12 months has improved recently in response to increased expectations of both a rate hike by the Bank of England (BOE) and a rise of inflation. It is probable that this increase of purchases together with the improvement of employment and wages is likely to support consumption.



Prices

July's inflation rate was 0.1% y/y, a small increase from 0.0% y/y in June. Food, energy and transport prices continue to push down prices; however, an increase in clothing prices caused a push upwards. Due to this increase, the core inflation rate has accelerated from 0.8% y/y the previous month to 1.2% y/y.

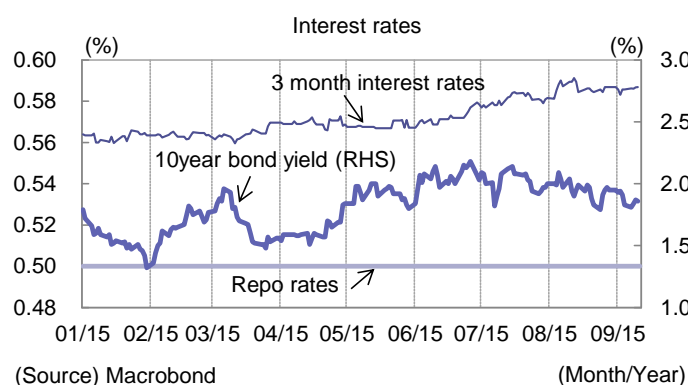


Interest Rates, Foreign Exchange Markets

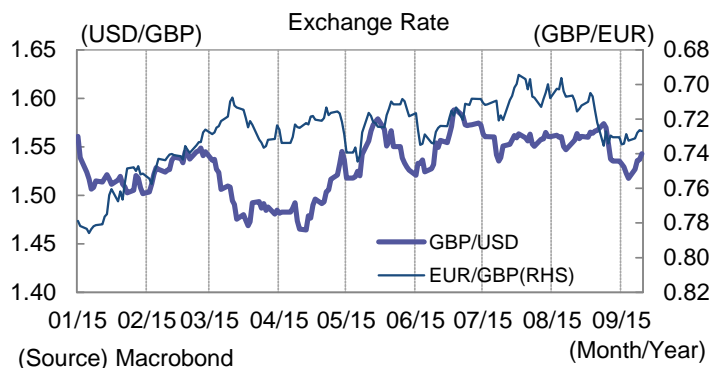
Policy Rate: At its meeting in September, the Monetary Policy Committee (MPC) of the BOE decided to keep its policy rate unchanged at 0.50% and the size of its QE programme at £375 billion. Continuing from their previous meeting, one committee member of the nine voted to raise

the current interest rate. In the meeting minutes, the bank envisaged that the forecast will remain unchanged despite increased downward risks to the UK economy from the economic slowdown in emerging countries, particularly China.

Market Rate (August-): The long-term interest rate (10 year government yield) started at 2.0% in August. It rose to 2.09% on the 5th, ahead of the BOE’s decision regarding its policy rate on the 6th. Renminbi devaluation brought about a drop in global stock prices and led to a fall back in expectations of the US rate hike which, along with the downward revision of the BOE’s inflation forecast, caused a fall in yields to 1.79% on 24th, the lowest point in four months. By the start of September, yields returned to just above 1.9% as a result of the upward revision of US GDP statistics, but after Mario Draghi, the president of the European Central Bank, suggested the expansion of QE measures on 3rd, yields were pushed down to the vicinity of 1.8%, close to their level at the start of the month.



Foreign Exchange Market (August-): The pound’s value against the dollar was US\$1.56 at the start of August. It slipped down to US\$ 1.54 on 6th due to the downward revision of the BOE’s inflation forecast, but it rose back to US\$ 1.57 on 24th because of downward pressure on the dollar. This downward pressure reflected a fall back in expectations of a rate hike in the US following growing concerns over the Chinese economy. Subsequently, the upward revision of US GDP statistics on 27th led to dollar buying, pushing the pound down to US\$ 1.51 until the start of September. However, the pound returned to US\$ 1.54 on 10th after the BOE’s assessment which concluded that the slowdown of the Chinese economy has not yet influenced the UK’s economic forecast.



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	0.7 2.6	
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	2.9 5.0	
Industrial Production *	-2.7	-0.5	1.7	0.3 1.9	0.2 1.3	0.4 1.3	0.2 1.0	0.7 1.5	
Manufacturing	-1.3	-2.0	7.1	0.5 3.2	0.4 3.1	0.4 2.9	0.1 1.4	-0.3 0.6	
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	1.5	4.0	1.7 4.3	0.4 3.0	2.4 5.3	0.8 5.5	0.7 4.4	
Claimant Count *	(000s)	1,585.6	1,421.9	1,037.6	1,080.6	980.3	908.2	824.3	797.6
(% change on previous term)		3.3	-10.3	-27.0	-8.5	-9.3	-7.4	-9.2	-3.2
Unemployment rate *	(Claimant count base, %)	4.7	4.3	3.0	3.0	2.8	2.6	2.3	2.3
(ILO base, %)		8.0	7.6	6.2	6.3	6.0	5.7	5.5	5.6
Average Earnings *	(YoY, %)	1.4	1.2	1.2	-0.2	1.0	2.1	2.3	2.4
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	0.2 -1.6
Input Prices		1.3	2.6	1.5	-1.5 -4.6	-3.2 -7.5	-3.7 -9.3	-5.9 -13.5	0.0 -12.2
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	0.6 0.0
RPI		3.2	3.0	2.4	0.8 2.5	0.4 2.4	0.2 1.9	-0.4 1.0	0.8 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	0.8 1.0
House Price (HBOS Index)		-0.6	4.6	8.8	2.1 9.5	2.9 9.4	0.3 8.4	2.7 7.7	3.3 9.4
Visible exports	Whole World (GBP mln)	305,142	306,765	292,204	73,151	71,324	73,733	71,557	75,073
(YoY, %)		-1.3	0.5	-4.7	-8.0	-6.9	-1.4	-3.3	2.6
EU (GBP mln)		153,181	154,579	147,293	37,878	35,946	36,137	33,510	34,343
(YoY, %)		-7.3	0.9	-4.7	-2.0	-10.8	-2.6	-10.2	-9.3
Visible imports	Whole World (GBP mln)	414,114	419,364	413,419	103,274	103,738	103,825	102,936	101,330
(YoY, %)		2.1	1.3	-1.4	-2.2	-3.3	0.2	0.3	-1.9
EU (GBP mln)		209,644	223,712	225,852	56,530	56,320	56,887	56,162	55,536
(YoY, %)		1.9	6.7	1.0	2.9	-1.1	-0.5	0.1	-1.8
Visible balance	Whole World (GBP mln)	-108,972	-112,599	-121,215	-30,123	-32,414	-30,092	-31,379	-26,257
EU (GBP mln)		-56,463	-69,133	-78,559	-18,652	-20,374	-20,750	-22,652	-21,193
Current Account*	(GBP mln)	-61,925	-76,655	-105,651	-24,608	-31,806	-28,930	-26,548	-
Money Supply	M4 : (YoY, %)	-1.0	0.2	-1.1	-0.5	-2.6	-1.1	-0.7	-0.3
Public sector net cash requirement	(GBP mln)	17,754	16,282	22,795	14,490	19,142	22,795	19,745	15,381
Foreign reserves **	(US\$ bln)	88.60	92.40	95.70	99.42	94.38	95.70	105.78	110.67
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

		2015/01	2	3	4	5	6	7	8
Real GDP Growth *		No figures for a monthly basis							
		-0.1	0.2	0.6	0.2	0.3	-0.4	-0.4	-
Industrial Production *		1.5	0.4	1.1	1.0	1.9	1.5	0.8	-
	Manufacturing	-0.8	0.4	0.4	-0.4	-0.6	0.2	-0.8	-
		1.8	1.2	1.2	0.2	1.0	0.5	-0.5	-
Confidence (% , balance)	Manufacturing	6.1	8.4	1.3	1.4	2.1	-0.8	0.7	-1.1
	Consumer	3.0	3.9	5.6	6.9	1.1	5.1	3.0	2.8
Retail Sales Volume *		0.1	0.7	-0.7	0.7	0.3	-0.1	0.1	-
		6.2	5.7	4.4	4.3	4.7	4.2	4.2	-
Claimant Count *	(000s)	845.6	821.2	806.1	798.3	797.1	797.3	792.4	-
	(M/M, %)	-4.1	-2.9	-1.8	-1.0	-0.2	0.0	-0.6	-
Unemployment rate *	(Claimant count base, %)	2.5	2.4	2.3	2.3	2.3	2.3	2.3	-
	(ILO base, %)	5.7	5.6	5.5	5.5	5.6	5.6	-	-
Average Earnings *	(Y/Y, %)	1.4	1.1	4.4	2.6	2.7	1.9	-	-
	Headline rate (3 month average)	1.9	1.7	2.3	2.7	3.2	2.4	-	-
Producer Prices	Output Prices	-0.5	0.2	0.1	0.1	0.1	-0.1	-0.1	-
	Input Prices	-1.8	-1.7	-1.7	-1.7	-1.6	-1.6	-1.6	-
		-14.1	-13.5	-13.1	-11.1	-12.4	-13.1	-12.4	-
Consumer Price Index	CPI	-0.9	0.3	0.2	0.2	0.2	0.0	-0.2	-
		0.3	0.0	0.0	-0.1	0.1	0.0	0.1	-
	RPI	-0.8	0.5	0.2	0.4	0.2	0.2	-0.1	-
		1.1	1.0	0.9	0.9	1.0	1.0	1.0	-
RPIX (excluding mortgage interest payments)		-0.9	0.5	0.2	0.4	0.2	0.2	-0.1	-
		1.2	1.0	0.9	0.9	1.1	1.1	1.1	-
House Price (HBOS Index)	(M/M, %)	1.9	-0.4	0.6	1.6	0.3	1.6	-0.4	2.7
	(3M average Y/Y, %)	8.5	8.3	8.1	8.5	8.6	9.6	7.8	9.0
Visible exports	Whole World (GBP mln)	24,284	23,371	23,902	24,680	25,309	25,084	22,785	-
	(Y/Y, %)	1.1	-3.4	-7.2	0.0	2.9	5.0	-5.4	-
	EU (GBP mln)	11,300	11,139	11,071	11,143	11,540	11,660	11,049	-
	(Y/Y, %)	-6.5	-8.8	-15.0	-13.1	-8.9	-5.8	-9.3	-
Visible imports	Whole World (GBP mln)	33,617	34,423	34,896	34,245	33,494	33,591	33,867	-
	(Y/Y, %)	-3.8	1.6	3.3	-0.2	-3.9	-1.5	-4.2	-
	EU (GBP mln)	18,633	18,986	18,543	18,399	18,478	18,659	18,670	-
	(Y/Y, %)	-1.3	-0.1	1.6	-1.6	-2.4	-1.3	-1.7	-
Visible balance	Whole World (GBP mln)	-9,333	-11,052	-10,994	-9,565	-8,185	-8,507	-11,082	-
	EU (GBP mln)	-7,333	-7,847	-7,472	-7,256	-6,938	-6,999	-7,621	-
Current Account*	(GBP mln)	No figures for a monthly basis							
Money Supply	M4 : (Y/Y, %)	-2.0	-3.1	-0.7	0.0	0.6	-0.3	0.6	-
Public sector net cash requirement		-17,065	942	19,745	-5,686	11,936	15,381	-3,029	-
Foreign reserves **		98.70	102.93	105.78	108.61	110.30	110.67	-	-
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	0.57	0.57	0.57	0.58	0.59
10-Y UK government bond yields		1.55	1.65	1.68	1.62	1.92	2.05	2.02	1.95
USD/GBP exchange rate		1.516	1.533	1.496	1.495	1.546	1.557	1.556	1.557
GBP/Euro exchange rate		0.767	0.741	0.723	0.723	0.722	0.721	0.707	0.715
JPY/GBP exchange rates		179.37	182.07	180.06	178.81	186.67	192.68	191.87	191.60
Effective exchange rate ****		87.79	90.10	90.41	90.10	91.36	92.13	93.33	93.50

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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* seasonally adjusted, ** excluding Gold, *** 1990=100

Sources : Office for National Statistics etc

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