

Main Economic & Financial Indicators UK

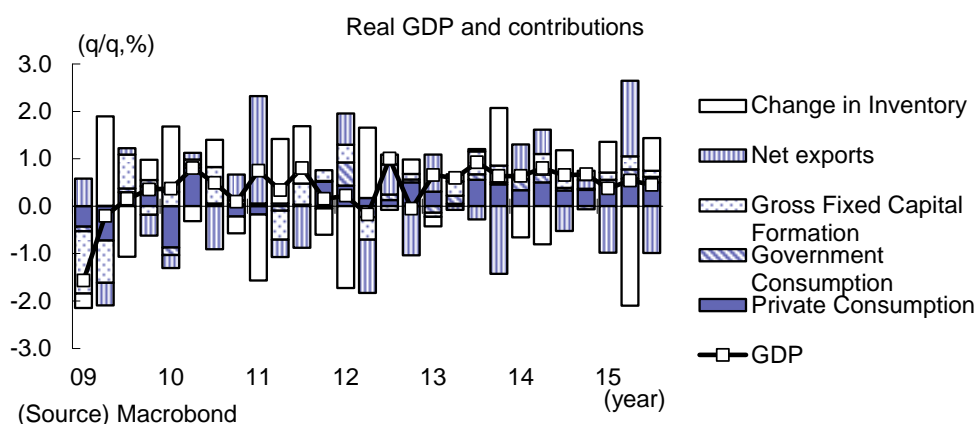
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AKIKO DARVELL
ASSOCIATE ECONOMIST
ECONOMIC RESEARCH OFFICE (LONDON)
T +44-(0)20-7577-1591
E akiko.darvell@uk.mufg.jp

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

Overview

The UK economy continues its resilient growth, despite real GDP growth decelerating to 0.4% q/q in Q3. The breakdown by expenditure reveals that despite slowing from the strong growth of 0.9% q/q in Q2 to 0.7% q/q, robust private consumption continued to boost overall growth. On the other hand, net exports made a negative contribution to overall growth as exports decreased as a result of the slowdown of demand in emerging countries and a weak euro against the pound (more than half of UK exports are destined for the Eurozone). It is likely that foreign demand will continue to remain sluggish in the coming months because of the aforementioned effect of the strong pound against the euro. However, the UK economy is expected to grow resiliently as a whole due to the virtuous cycle of domestic demand led by the private sector. Inflation is likely to remain in positive territory in 2016 as the effect of the sharp fall in oil prices around the turn of 2015 starts to fall out of annual calculations. That being said, inflation will only increase slowly as oil prices are forecast to remain at low levels. Meanwhile, the unemployment rate reached its lowest level since 2008 thanks to a robust increase in employment. Tightening of the labour market means that the pick-up in wage growth is likely to resume, despite recent signs it is levelling off. In light of these circumstances, it seems that real household income will grow resiliently in the coming months and will underpin household consumption.

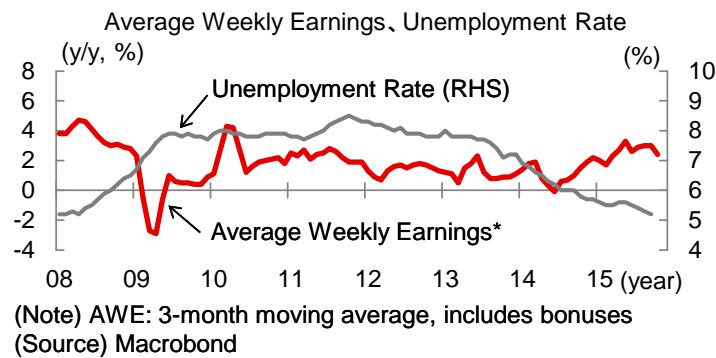


Output

In October, industrial production rose by 0.1% m/m. Meanwhile, the Purchasing Manager's Index (PMI) for the manufacturing sector stood at 52.7 in November, down from 55.2 in October, the highest level since June 2014. That being said, this is slightly above the average of 52.3 which was calculated between January and September, indicating a robust expansion of the sector.

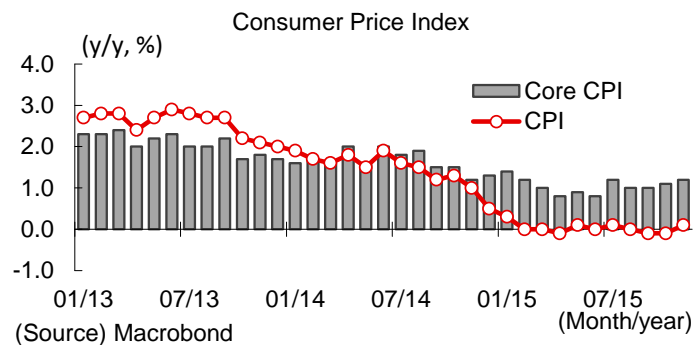
Consumption, Labour Market

Retail sales jumped 1.7% m/m in November, reflecting strong sales around Black Friday and in the run-up to the Christmas, particularly in online sales. Meanwhile, nominal wage growth (3-month moving average, including bonuses) decelerated from 3.0% y/y in September to 2.4% y/y in October. Additionally, the total number of employees increased 207,000 from the May-July period to the August-October period, reaching 31.30 million. The unemployment rate fell to 5.2%, the lowest level in the last seven and half years.



Prices

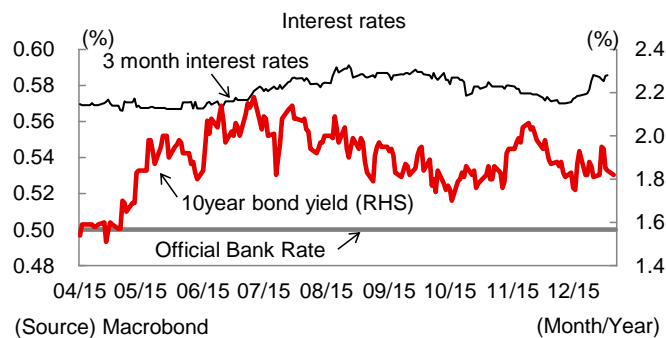
November's consumer price index growth rate turned into positive territory, up by 0.1% y/y after falling by 0.1% y/y in October. This is mainly due to a deceleration in the pace of falling transport and food prices as well as an increase in alcohol and tobacco prices. The Bank of England (BOE) predicts that inflation will start to pick up from the beginning of 2016. However, the recent further fall in oil prices – reaching close to a post financial crisis low- means that inflation may rise slower than expected.



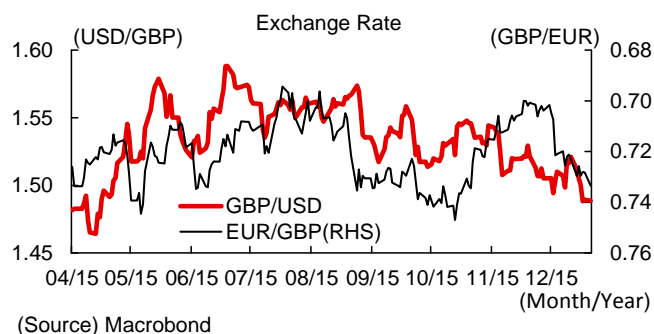
Interest Rates, Foreign Exchange Markets

Policy Rate: At its meeting in December, 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. One committee member of the nine voted to raise the current interest rate. Minouche Shafik, BOE's deputy governor, said in her speech on 14th December that the BOE needs to see whether a recent pause in wage growth proves temporary. She added that she will "refrain from voting for an increase in bank rate until I am convinced that wage growth will be sustained at a level consistent with inflation returning to target". She also indicated that the bank may increase its interest rate more quickly than the current market expectations once wage growth recovers.

Market Rate (November-): The long-term interest rate (10 year government bond) rose after the US Fed pointed to the possibility of a rate hike in its December meeting, reaching a 3-month high of 2.06% on 9th November. Yields then fell somewhat due to the effect of terrorist attacks in Paris on 13th as well as softening in the sentiment of UK manufacturers, down to 1.75% on 2nd December. Yields momentarily recovered to 1.9% ahead of the US Fed meeting on 16th, but then fell to 1.8% due to a deceleration in the UK's wage growth in October.



Foreign Exchange Market (November-): The pound's value against the dollar was US\$ 1.54 at the start of November. It slipped to US\$1.507 on 6th November, the lowest level since April, owing to the downward revision of both the inflation and the real GDP growth outlook in the BOE's inflation report published on 5th November. After it recovered to US\$1.52 in mid-November, it started to fall again due to a dollar-buying, reflecting rising expectations of a rate hike in the US. The pound also came under downward pressure due to signs of softening in economic indicators, falling to US\$1.49 on 2nd December. It was nudged down further and remains in the vicinity of US\$1.48, reflecting the Fed's first rate hike in nine years as well as a deceleration in the UK's wage growth in October.



1. Annual and quarterly data

	12	13	14	2014/Q3	Q4	2015/Q1	Q2	Q3	
Real GDP Growth *	1.2	2.2	2.9	0.7 2.8	0.7 2.8	0.4 2.5	0.5 2.3	0.4 2.1	
Real business investment	5.1	2.3	4.7	0.0 5.7	-0.1 2.9	2.6 9.3	0.9 3.6	2.2 5.8	
Industrial Production *	-2.8	-0.8	1.3	0.2 1.1	0.0 0.9	0.4 1.0	0.7 1.4	0.2 1.4	
	Manufacturing	-1.4	-1.1	2.7	0.5 2.8	0.1 2.7	0.0 1.2	-0.6 0.1	-0.4 -0.9
Confidence (% , balance)	Manufacturing	-6.7	-2.0	7.2	7.2	6.7	5.5	1.3	-1.1
	Consumer	-20.1	-10.1	4.4	5.0	3.6	4.2	4.4	2.1
Retail Sales Volume *	0.7	1.4	3.9	0.4 2.9	2.2 5.2	0.8 5.4	0.8 4.3	1.1 5.0	
Claimant Count * (000s)	1,585.6	1,421.9	1,037.6	980.3	908.2	824.3	797.6	791.5	
	(% change on previous term)	3.3	-10.3	-27.0	-9.3	-7.4	-9.2	-3.2	-0.8
Unemployment rate *	(Claimant count base, %)	4.7	4.3	3.0	2.8	2.6	2.3	2.3	2.3
	(ILO base, %)	8.0	7.6	6.2	6.0	5.7	5.5	5.6	5.3
Average Earnings * (YoY, %)	1.4	1.2	1.3	1.0	2.2	2.3	2.6	3.0	
Producer Prices	Output Prices	2.1	1.3	0.0	-0.3 -0.3	-0.9 -0.8	-0.7 -1.8	0.3 -1.6	-0.5 -1.8
	Input Prices	1.3	2.6	1.5	-3.2 -7.4	-3.7 -9.4	-5.8 -13.5	0.2 -12.0	-5.0 -13.6
Consumer Price Index	CPI	2.8	3.1	2.4	0.0 1.4	0.1 0.9	-0.7 0.1	0.6 0.0	0.1 0.0
	RPI	3.2	3.0	2.4	256.9 2.4	257.4 1.9	256.4 1.0	258.5 1.0	259.3 0.9
	RPIX (excluding mortgage interest payments)	3.2	3.1	2.4	0.4 2.5	0.2 2.0	-0.4 1.0	0.8 1.0	0.4 1.0
House Price (HBOS Index)	-0.6	4.6	8.8	2.9 9.6	0.3 7.8	2.7 8.1	3.3 9.6	2.0 8.6	
Visible exports	Whole World (GBP mln)	304,302	306,226	293,739	72,402	74,390	71,286	74,601	70,358
	(YoY, %)	-1.3	0.6	-4.1	-6.8	0.3	-2.6	1.1	-2.8
	EU (GBP mln)	152,927	154,135	146,018	35,904	35,625	33,391	34,095	33,677
	(YoY, %)	-7.4	0.8	-5.3	-10.0	-3.2	-9.9	-8.9	-6.2
Visible imports	Whole World (GBP mln)	410,800	421,457	416,882	104,209	107,407	104,743	101,202	102,334
	(YoY, %)	2.3	2.6	-1.1	-1.0	1.1	2.4	-1.7	-1.8
	EU (GBP mln)	209,436	221,249	225,645	56,438	57,125	56,069	55,499	55,206
	(YoY, %)	2.4	5.6	2.0	0.9	2.2	0.0	-1.0	-2.2
Visible balance	Whole World (GBP mln)	-106,498	-115,231	-123,143	-31,807	-33,017	-33,457	-26,601	-31,976
	EU (GBP mln)	-56,509	-67,114	-79,627	-20,534	-21,500	-22,678	-21,404	-21,529
Current Account* (GBP mln)	-54,698	-77,908	-92,469	-25,337	-28,474	-23,259	-17,488	-	
Money Supply M4 : (YoY, %)	-1.0	0.2	-1.1	-2.6	-1.1	-0.7	-0.2	-0.5	
Public sector net cash requirement (GBP mln)	17,757	16,275	22,788	19,107	22,788	17,031	12,794	15,417	
Foreign reserves ** (US\$ bln)	88.60	92.40	95.70	94.38	95.70	105.78	110.67	118.88	
Official Bank 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	0.56	0.56	0.56	0.57	0.58	
10-Y UK government bond yields	1.88	2.36	2.53	2.59	2.07	1.63	1.87	1.94	
USD/GBP exchange rate	1.585	1.565	1.648	1.670	1.583	1.515	1.532	1.549	
GBP/Euro exchange rate	0.811	0.849	0.806	0.794	0.789	0.744	0.722	0.718	
JPY/GBP exchange rates	126.46	152.58	174.33	173.54	181.25	180.44	185.95	189.18	
Effective exchange rate ****	83.00	81.43	86.99	88.06	87.33	89.41	91.20	92.91	

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

		2015/04	5	6	7	8	9	10	11
Real GDP Growth *		No figures for a monthly basis							
		0.1	0.2	-0.1	-0.4	0.9	0.0	0.1	-
Industrial Production *		1.1	1.6	1.7	0.8	1.9	1.5	1.7	-
	Manufacturing	-0.5	-0.8	0.1	-0.7	0.3	0.9	-0.4	-
		-0.2	0.4	0.0	-1.2	-1.0	-0.4	-0.1	-
Confidence (%, balance)	Manufacturing	1.3	2.9	-0.4	1.7	-1.3	-3.7	-2.7	-6.3
	Consumer	6.9	1.1	5.1	3.0	2.8	0.4	0.3	1.0
Retail Sales Volume *		0.9	0.3	-0.1	0.5	-0.3	1.8	-0.5	1.7
		4.2	4.6	4.2	4.6	3.6	6.4	4.2	5.0
Claimant Count *	(000s)	798.3	797.1	797.3	790.5	791.7	792.2	792.4	796.2
	(M/M, %)	-1.0	-0.2	0.0	-0.9	0.2	0.1	0.0	0.5
Unemployment rate *	(Claimant count base, %)	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
	(ILO base, %)	5.5	5.6	5.6	5.5	5.4	5.3	5.2	-
Average Earnings *	(Y/Y, %)	2.7	2.8	2.3	3.6	3.2	2.1	1.9	-
	Headline rate (3 month average)	2.7	3.3	2.6	2.9	3.0	3.0	2.4	-
Producer Prices	Output Prices	0.1	0.1	0.0	-0.2	-0.5	-0.1	-0.1	-0.2
		-1.7	-1.6	-1.5	-1.6	-1.9	-1.8	-1.4	-1.5
	Input Prices	1.3	-0.7	-2.2	-1.4	-3.0	0.5	0.0	-1.6
		-11.1	-11.9	-13.0	-12.8	-14.6	-13.4	-12.3	-13.1
Consumer Price Index	CPI	0.2	0.2	0.0	-0.2	0.2	-0.1	0.1	0.0
		-0.1	0.1	0.0	0.1	0.0	-0.1	-0.1	0.1
	RPI	0.4	0.2	0.2	-0.1	0.5	-0.1	0.0	0.1
		0.9	1.0	1.0	1.0	1.1	0.8	0.7	1.1
	RPIX (excluding mortgage interest payments)	0.4	0.2	0.2	-0.1	0.5	-0.1	0.0	0.1
		0.9	1.1	1.1	1.1	1.2	0.9	0.8	1.1
House Price (HBOS Index)	(M/M, %)	1.6	0.3	1.6	-0.4	2.7	-0.9	1.0	-0.2
	(3M average Y/Y, %)	8.5	8.6	9.6	7.8	9.0	8.6	9.7	9.0
Visible exports	Whole World (GBP mln)	24,504	24,855	25,242	22,723	23,394	24,241	23,538	-
	(Y/Y, %)	0.7	-1.4	4.3	-7.3	1.5	-2.4	-8.2	-
	EU (GBP mln)	11,037	11,411	11,647	10,955	11,473	11,249	11,406	-
	(Y/Y, %)	-12.3	-9.7	-4.6	-10.2	-1.7	-6.5	-5.6	-
Visible imports	Whole World (GBP mln)	34,273	33,382	33,547	34,940	34,351	33,043	35,365	-
	(Y/Y, %)	-0.1	-3.3	-1.6	-1.6	2.6	-6.2	2.0	-
	EU (GBP mln)	18,402	18,438	18,659	18,291	18,581	18,334	19,504	-
	(Y/Y, %)	-1.1	-1.6	-0.2	-4.3	0.6	-2.8	3.2	-
Visible balance	Whole World (GBP mln)	-9,769	-8,527	-8,305	-12,217	-10,957	-8,802	-11,827	-
	EU (GBP mln)	-7,365	-7,027	-7,012	-7,336	-7,108	-7,085	-8,098	-
Current Account*	(GBP mln)	No figures for a monthly basis							
Money Supply	M4 : (Y/Y, %)	0.0	0.6	-0.2	0.7	-0.2	-0.5	0.2	-
Public sector net cash requirement		-8,993	9,164	12,794	-7,926	-2,289	15,417	-3,840	5,381.0
Foreign reserves **		108.61	110.30	110.67	113.27	117.15	118.88	120.46	117.39
Official Bank Rate		0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3M interest rates		0.57	0.57	0.57	0.58	0.59	0.59	0.58	0.57
10-Y UK government bond yields		1.62	1.92	2.05	2.02	1.95	1.85	1.81	1.94
USD/GBP exchange rate		1.495	1.546	1.557	1.556	1.557	1.533	1.534	1.519
GBP/Euro exchange rate		0.723	0.722	0.721	0.707	0.715	0.732	0.732	0.706
JPY/GBP exchange rates		178.81	186.67	192.68	191.87	191.60	184.14	184.10	186.31
Effective exchange rate ****		90.10	91.36	92.13	93.33	93.50	91.89	91.63	93.41

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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