

Main Economic & Financial Indicators UK

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Overview

Although the UK economy continues to expand, the growth pace is likely to slow down. There are signs of a slow down in the property market, which has been one of the driving forces of the economy. Moreover, the weak prospects of the Eurozone economy pose a downward risk to the UK economy.

Looking at monthly indicators in Q4, the industrial production index fell month-on-month for two consecutive months in October and November. After falling to its lowest level in 17 months in September, the Purchasing Managers' Index (PMI) for the manufacturing sector recovered somewhat, standing at 53.0 in Q4, almost flat from Q3. That being said, it is markedly weaker than the average of 56.5 recorded in the first half of 2014, suggesting that the pace of output growth is likely to slow. Adding to this, the weak prospects of the Eurozone economy, the UK's main trade partner, pose a downward risk.

Private consumption, which has been leading the UK's economic growth, has remained resilient so far in Q4. Although consumer confidence has peaked out since mid-2014, its level is still higher than the historic average, while the Confederation of British Industry (CBI) survey for the retail sector continued to suggest a bright outlook. Moreover, further decreases in unemployment as well as a moderate pick-up in wage growth on the back of lower inflation (as a result of a fall in oil prices) will likely support private consumption growth.

Meanwhile, there has been more evidence that the property market is slowing down in recent months. The number of transactions and mortgage approvals has been decreasing while the pace of increase in property prices has also been decelerating.

Output

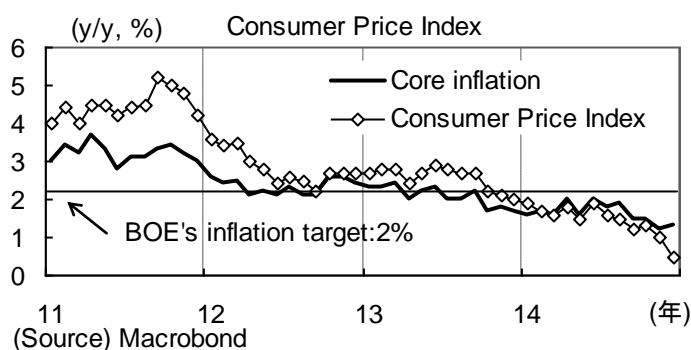
Industrial production decreased by 0.1% m/m in November. This was mainly owing to a 3.7% m/m decrease in the mining sector, partially due to maintenance work at the North Sea oil fields. Meanwhile, the manufacturing sector grew by 0.7% m/m. The PMI for the manufacturing sector fell by 0.8 to 52.5 in December. Although the growth pace in both output and new orders decelerated, new export orders returned to above the 50 mark (which indicates expansion) after dipping below 50 for three consecutive months.

Consumption, Labour Market

Retail sales growth remained strong, up by 1.6% m/m in November after growing by 1.0% y/y in October. Meanwhile, the number of people unemployed stood at 1.94 million in the period between August and October, 280,000 less than at the start of 2014. The unemployment rate (ILO measure) has been flat at 6.0% since August after falling from 7.2% at the start of the year. The Bank of England (BoE) anticipates that the unemployment rate will fall below 5.5% by the end of 2015. The growth rate of gross wages (3-months moving average) picked up from 1.0% y/y in September to 1.4% y/y in October.

Prices

The Consumer Price Index was up by only 0.5% y/y in December. This is partly owing to a fall in petrol prices as the drop in oil prices was passed on to consumers. A fall in food prices also contributed. Meanwhile, the core inflation rate (which excludes food and energy prices) stood at 1.3% y/y.



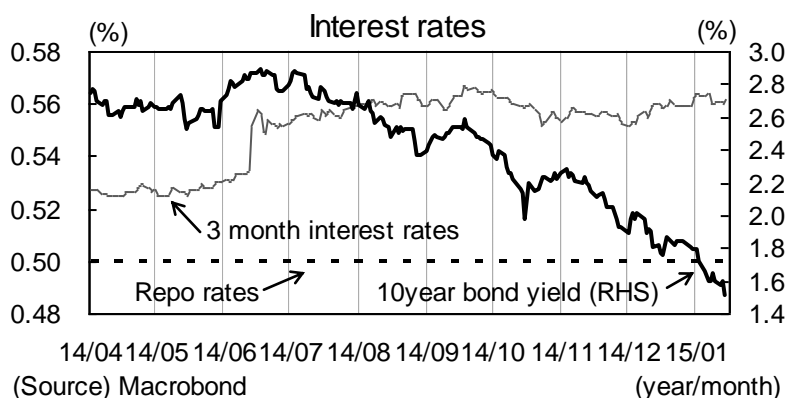
Property Market

After the number of mortgages approved had reached its recent peak of 77,000 in January 2014, it has been decreasing steadily, falling below 60,000 in October. Nationwide and Halifax house price indices recorded more than a 10% y/y increase in mid-2014. Both have been decelerating since, and recorded around 7% y/y growth in December. The property market cool down is more than likely to continue with the PMI for the construction sector having been falling since the second half of 2014, although still standing above the 50 mark.

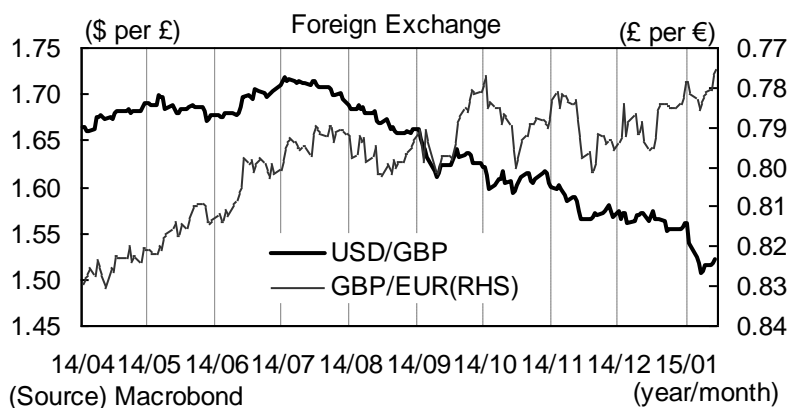
Interest Rates, Foreign Exchange Markets

Policy Rate: At its meeting in January, 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. With the inflation rate falling more than expected in December, the inflation rate in Q4 stood at 0.9% y/y, below the BoE's 1.2% y/y forecast in its November inflation report. Low inflation is likely to continue as downward pressure on energy prices seems to persist, given the further fall in oil prices and the recent announcement by one of the major gas suppliers in the UK of a tariff cut. The BoE expects that the inflation rate will remain below its 2.0% target until 2017.

Market Rate (December-): Long-term government bond yields started around 1.89%. The yields fell on the back of a weaker outlook for the global economy as well as the UK economy in December. They fell sharply at the beginning of January as falling oil prices dampened the inflation outlook, dropping to a historic low of 1.51% on January 14th.



Foreign Exchange Market (December-): Sterling's value against the US dollar started around US\$1.57 in December. The pound fell by 9% between July and mid-November as the US dollar strengthened on the back of signs of a recovery in the US economy. Concerns over downward risks on the UK economy amid the weak prospects of the European economy also pushed the pound down further. Subsequently, the pound stabilised somewhat in December. In January, the pound fell sharply against the US dollar as the dollar rallied on expectations of a US Fed rate rise, falling to US\$1.50 on January 13th, the lowest level since July 2013.



1. Annual and quarterly data

	12	13	14	2013/Q4	2014/Q1	Q2	Q3	Q4	
Real GDP Growth *	0.7	1.7	-	0.4 2.4	0.6 2.4	0.8 2.6	0.7 2.6	-	
Real business investment	4.2	5.3	-	2.7 7.1	0.7 6.8	3.2 10.7	-1.4 5.2	-	
Industrial Production *	-2.7	-0.5	-	0.3 1.9	0.4 2.3	0.2 1.8	0.2 1.2	-	
	Manufacturing	-1.3	-2.0	7.1	0.6 1.3	1.1 2.7	0.5 2.8	0.3 2.5	-
Confidence (% , balance)	Manufacturing	-6.7	-2.0	7.1	7.9	4.9	10.2	7.2	6.2
	Consumer	-20.1	-10.1	4.4	-2.8	2.1	6.9	5.0	3.6
Retail Sales Volume *	0.8	1.4	-	0.1 2.9	0.7 3.5	1.6 4.1	0.3 2.7	-	
Claimant Count *	(000s)	1,585.5	1,421.3	-	1,270.5	1,173.3	1,078.4	975.4	-
	(% change on previous term)	3.3	-10.4	-	-8.5	-7.6	-8.1	-9.5	-
Unemployment rate *	(Claimant count base, %)	4.8	4.2	-	3.7	3.7	3.2	2.9	-
	(ILO base, %)	8.0	7.6	-	7.2	6.8	6.3	6.0	-
Average Earnings *	(YoY, %)	1.4	1.2	-	1.1	1.9	-0.1	1.0	-
Producer Prices	Output Prices	2.1	1.3	-	-0.4 0.9	0.3 0.6	0.1 0.4	-0.3 -0.3	-0.7 -0.6
	Input Prices	1.3	2.6	-	-1.7 -0.6	-1.3 -5.0	-1.5 -4.6	-3.2 -7.5	-3.3 -9.0
Consumer Price Index	CPI	2.8	3.1	-	0.6 2.1	0.1 1.7	0.7 1.7	0.0 1.5	0.1 0.9
	RPI	3.2	3.0	-	0.6 2.6	0.6 2.6	0.8 2.5	0.4 2.4	0.2 1.9
	RPIX (excluding mortgage interest payments)	3.2	3.1	-	0.7 2.7	0.6 2.7	0.9 2.6	0.4 2.5	0.2 2.0
House Price (HBOS Index)		-0.6	4.6	8.8	2.1 5.7	2.3 8.5	2.3 9.5	2.7 9.4	- 8.4
Visible exports	Whole World (GBP mln)	305,142	306,765	-	74,744	73,374	72,574	71,387	-
	(YoY, %)	-1.3	0.5	-	-1.2	-3.3	-8.8	-6.8	-
	EU (GBP mln)	153,181	154,579	-	37,085	36,812	37,570	36,392	-
	(YoY, %)	-7.3	0.9	-	-2.6	-4.5	-2.8	-9.7	-
Visible imports	Whole World (GBP mln)	414,114	419,364	-	103,616	102,683	102,682	103,287	-
	(YoY, %)	2.1	1.3	-	0.7	-0.2	-2.8	-3.7	-
	EU (GBP mln)	209,644	223,712	-	57,199	56,070	55,984	55,895	-
	(YoY, %)	1.9	6.7	-	8.6	2.7	1.9	-1.8	-
Visible balance	Whole World (GBP mln)	-108,972	-112,599	-	-28,872	-29,309	-30,108	-31,900	-
	EU (GBP mln)	-56,463	-69,133	-	-20,114	-19,258	-18,414	-19,503	-
Current Account*	(GBP mln)	-61,925	-76,655	-	-24,548	-22,499	-24,303	-27,008	-
Money Supply	M4 : (YoY, %)	-1.0	0.3	-	0.3	-0.3	-0.6	-2.5	-
Public sector net cash requirement	(GBP mln)	17,677	16,284	-	16,284	15,963	14,962	17,435	-
Foreign reserves **	(US\$ bln)	88.60	92.40	-	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	(%)	0.83	0.51	0.54	0.52	0.52	0.53	0.56	0.56
10-Y UK government bond yields		1.88	2.36	2.53	2.78	2.78	2.70	2.59	2.07
USD/GBP exchange rate		1.585	1.565	1.648	1.619	1.655	1.683	1.670	1.583
GBP/Euro exchange rate		0.811	0.849	0.806	0.841	0.828	0.815	0.794	0.789
JPY/GBP exchange rates		126.46	152.58	174.33	162.62	170.13	171.85	173.54	181.25
Effective exchange rate ****		82.95	81.41	86.99	83.55	85.61	86.92	88.03	87.35

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

		2014/05	6	7	8	9	10	11	12
Real GDP Growth *		No figures for a monthly basis							
Industrial Production		-0.4	0.0	0.2	-0.2	0.7	-0.3	-0.1	-
* Manufacturing		1.8	0.8	1.3	1.4	0.8	1.0	1.1	-
Confidence (% , balance)		-1.4	0.6	0.2	0.1	0.6	-0.7	0.7	-
* Manufacturing		2.4	1.8	2.4	3.0	2.2	1.7	2.7	-
Consumer		9.2	12.3	7.4	9.2	4.9	5.4	6.3	6.8
Retail Sales Volume *		7.6	7.4	4.8	6.6	3.5	5.2	2.6	3.1
* (000s)		0.0	0.2	0.1	0.3	-0.3	1.0	1.6	-
(MoM, %)		3.5	3.3	2.5	3.6	2.3	4.6	6.4	-
Claimant Count *		1,080.6	1,041.1	1,003.7	970.5	952.1	927.0	900.1	-
(MoM, %)		-2.9	-3.7	-3.6	-3.3	-1.9	-2.6	-2.9	-
Unemployment rate * (Claimant count base, %)		3.2	3.1	3.0	2.9	2.8	2.8	2.7	-
(ILO base, %)		6.5	6.3	6.2	6.0	6.0	6.0	-	-
Average Earnings * (YoY, %)		0.4	0.6	0.7	0.9	1.5	1.8	-	-
Headline rate (3 month average)		0.4	-0.1	0.6	0.7	1.0	1.4	-	-
Producer Prices		-0.1	-0.1	-0.1	-0.1	-0.2	-0.4	-0.2	-0.3
Output Prices		0.5	0.3	-0.1	-0.3	-0.5	-0.6	-0.6	-0.8
Input Prices		0.2	-1.0	-1.7	-1.0	-0.8	-1.2	-0.7	-2.4
Consumer Price Index		-3.9	-4.6	-7.5	-7.5	-7.4	-8.1	-8.2	-10.7
CPI		-0.1	0.2	-0.3	0.4	0.0	0.1	-0.3	0.0
RPI		1.5	1.9	1.6	1.5	1.2	1.3	1.0	0.5
RPIX (excluding mortgage interest payments)		0.1	0.2	-0.1	0.4	0.2	0.0	-0.2	0.2
House Price (HBOS Index)		2.5	2.7	2.6	2.5	2.3	2.4	2.0	1.7
(MoM, %)		4.0	-0.4	1.2	0.0	0.4	-0.4	0.5	0.9
(3M average YoY, %)		8.7	8.8	10.2	9.7	9.6	8.8	8.1	7.8
Visible exports		24,448	23,779	24,068	23,194	24,125	24,487	24,384	-
(YoY, %)		-4.8	-16.2	-6.9	-8.9	-4.5	-1.1	-1.1	-
EU (GBP mln)		12,616	12,334	12,263	12,034	12,095	12,326	12,112	-
(YoY, %)		-3.7	-5.6	-13.0	-9.9	-5.9	2.1	-0.4	-
Visible imports		34,608	34,033	35,271	33,385	34,631	34,329	33,232	-
(YoY, %)		-2.1	-4.0	-1.9	-6.2	-3.1	-1.9	-4.8	-
EU (GBP mln)		18,725	18,781	18,868	18,486	18,541	18,663	18,311	-
(YoY, %)		2.7	0.4	0.1	-1.3	-4.2	-2.8	-5.1	-
Visible balance		-10,160	-10,254	-11,203	-10,191	-10,506	-9,842	-8,848	-
EU (GBP mln)		- 6,109	- 6,447	- 6,605	- 6,452	- 6,446	- 6,337	- 6,199	-
Current Account* (GBP mln)		No figures for a monthly basis							
Money Supply M4 : (YoY, %)		-0.9	-0.6	-1.0	-1.4	-2.5	-2.6	-2.8	-
Public sector net cash requirement		11,922	14,962	-6,724	2,327	17,435	-2,775	6,698	-
Foreign reserves **		97.20	99.42	98.78	97.93	94.38	95.68	97.90	-
Repo rate		0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3M interest rates		0.53	0.54	0.56	0.56	0.56	0.56	0.56	0.56
10-Y UK government bond yields		2.63	2.82	2.75	2.54	2.49	2.22	2.13	1.87
USD/GBP exchange rate		1.685	1.691	1.707	1.670	1.630	1.607	1.578	1.563
GBP/Euro exchange rate		0.815	0.804	0.793	0.797	0.791	0.789	0.791	0.788
JPY/GBP exchange rates		171.42	172.53	173.69	171.93	174.89	173.59	183.53	186.75
Effective exchange rate ****		86.88	87.71	88.76	87.77	87.52	87.37	87.04	87.58

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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