

## GIMA Pulse

a monthly snapshot of the UK Economy from www.barometeroftrade.com

Date of Report: 04/01/2017

### Summary

Exchange rates are relatively stable in recent months but down around 15% over the last year due to Brexit referendum result on 23rd June.

The FTSE indices have increased over the last month, with the FTSE100 at an all-time high, and both indices are also significantly higher since the start of 2016 (by 17.8% and 6.0%).

The two inflation measures have been increasing steadily in recent months. In the last month available CPI is up 0.3% to 1.2% and RPI up 0.2% to 2.2%. See new Forecast section on last page for the Bank Of England's thoughts on how this will change in 2017.

Other interesting highlights over the last twelve months are a 22.9% increase in crude oil prices as a result of the OPEC agreement a few months ago and year-on-year retail sales up 5.5% in November - hopefully an early indication of good Christmas sales on the high street.

### What's happened since last month?

Index			Period
GDP	DOWN	0.4%	Q2-Q3
£ to Euro	DOWN	0.9%	Dec-Jan
£ to \$	DOWN	3.0%	Dec-Jan
£ to Yen	NONE	0.0%	Dec-Jan
FTSE 100	UP	6.3%	Dec-Jan
FTSE 250	UP	3.7%	Dec-Jan
CPI	UP	0.3%	Oct-Nov
RPI	UP	0.2%	Oct-Nov
Retail Sales	UP	0.7%	Oct-Nov
Mortgage Approvals	UP	7.1%	Oct-Nov
Unemployment	NONE	0.0%	Oct-Nov
Energy Prices	UP	0.2%	Oct-Nov
Crude Oil Prices	DOWN	8.7%	Oct-Nov
Petrol Prices	DOWN	2.5%	Nov-Dec
Diesel Prices	DOWN	1.9%	Nov-Dec
Base Rate: 0.25%	NONE	0.0%	Dec-Jan

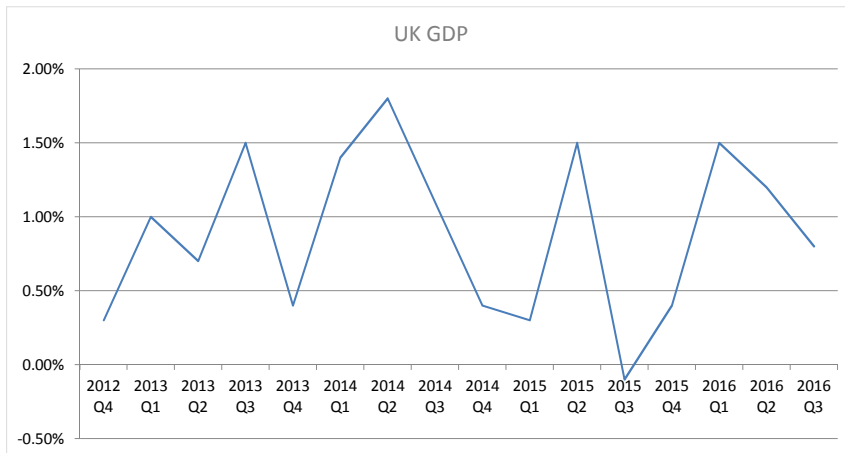
Figures based on most recent month/period available

### What's happened since this time last year?

Index			Period
GDP	UP	0.9%	Q3-Q3
£ to Euro	DOWN	13.3%	Jan-Jan
£ to \$	DOWN	16.7%	Jan-Jan
£ to Yen	DOWN	17.6%	Jan-Jan
FTSE 100	UP	17.8%	Jan-Jan
FTSE 250	UP	6.0%	Jan-Jan
CPI	UP	1.1%	Nov-Nov
RPI	UP	1.1%	Nov-Nov
Retail Sales	UP	5.5%	Nov-Nov
Mortgage Approvals	DOWN	4.3%	Nov-Nov
Unemployment	DOWN	0.3%	Nov-Nov
Energy Prices	UP	1.0%	Nov-Nov
Crude Oil Prices	UP	22.9%	Nov-Nov
Petrol Prices	UP	6.5%	Dec-Dec
Diesel Prices	UP	6.2%	Dec-Dec
Base Rate: 0.25%	DOWN	0.25%	Jan-Jan

Figures based on most recent month/period available

## GDP

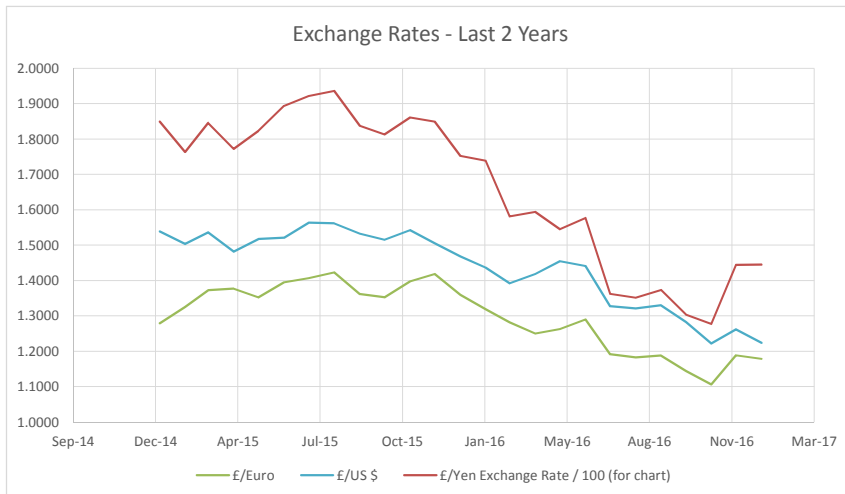


GDP as percentage growth/decline against previous quarter

Source: Office of National Statistics

Quarter	UK GDP
2012 Q4	0.30%
2013 Q1	1.00%
2013 Q2	0.70%
2013 Q3	1.50%
2013 Q4	0.40%
2014 Q1	1.40%
2014 Q2	1.80%
2014 Q3	1.10%
2014 Q4	0.40%
2015 Q1	0.30%
2015 Q2	1.50%
2015 Q3	-0.10%
2015 Q4	0.40%
2016 Q1	1.50%
2016 Q2	1.20%
2016 Q3	0.80%

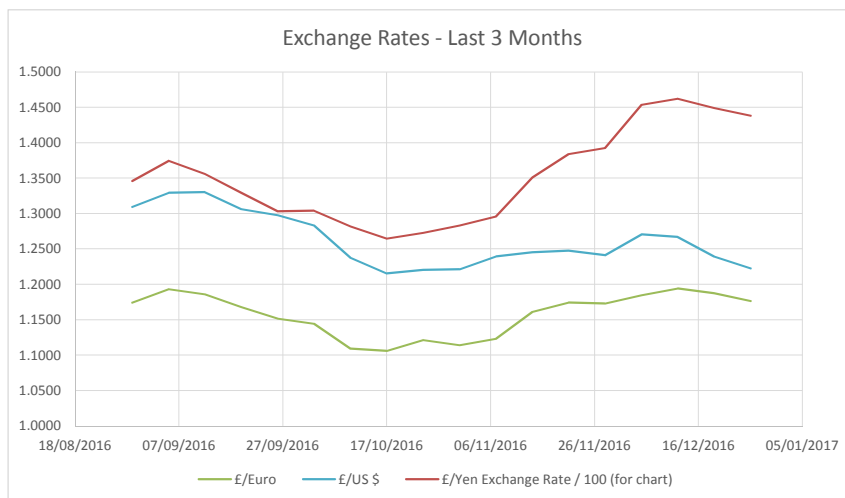
## Exchange Rates



What £1 buys in Euros / \$ / Yen  
Figures from 1st of each month

Source: Bank Of England

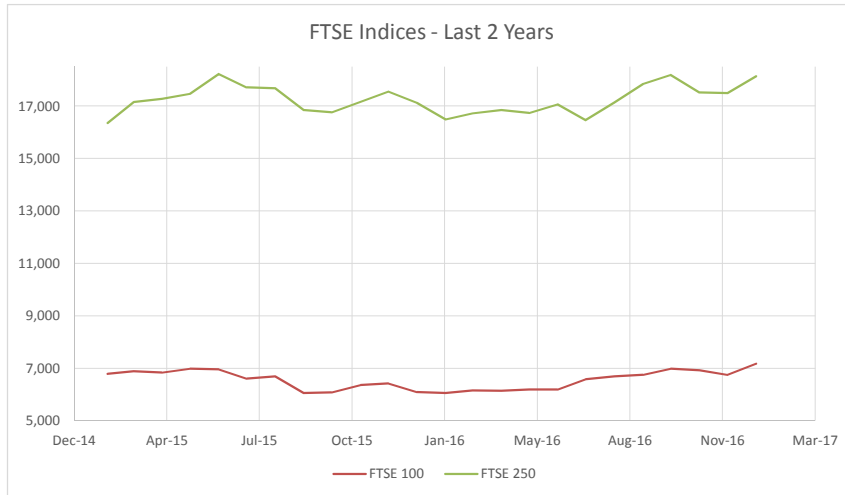
Month	£/Euro	£/US \$	£/Yen
Jan-15	1.2790	1.5388	184.9638
Feb-15	1.3256	1.5035	176.3004
Mar-15	1.3723	1.5362	184.5437
Apr-15	1.3773	1.4816	177.2734
May-15	1.3527	1.5177	182.2909
Jun-15	1.3955	1.5207	189.3728
Jul-15	1.4072	1.5633	192.2077
Aug-15	1.4234	1.5619	193.5975
Sep-15	1.3615	1.5325	183.7468
Oct-15	1.3526	1.5155	181.2993
Nov-15	1.3980	1.5428	186.1542
Dec-15	1.4191	1.5054	184.9685
Jan-16	1.3598	1.4689	175.2398
Feb-16	1.3191	1.4366	173.8861
Mar-16	1.2822	1.3925	158.1471
Apr-16	1.2503	1.4185	159.4252
May-16	1.2634	1.4551	154.5316
Jun-16	1.2898	1.4414	157.7324
Jul-16	1.1920	1.3270	136.2431
Aug-16	1.1823	1.3206	135.1898
Sep-16	1.1883	1.3299	137.3122
Oct-16	1.1442	1.2834	130.4191
Nov-16	1.1066	1.2220	127.7968
Dec-16	1.1893	1.2622	144.4083
Jan-17	1.1786	1.2240	144.4565
Last Month %	-0.9%	-3.0%	0.0%



Source: Bank Of England

Date	£/Euro	£/US \$	£/Yen
29/08/2016	1.1744	1.3096	134.6138
05/09/2016	1.1931	1.3293	137.4629
12/09/2016	1.1861	1.3303	135.6108
19/09/2016	1.1680	1.3061	132.9349
26/09/2016	1.1515	1.2976	130.2920
03/10/2016	1.1442	1.2834	130.4191
10/10/2016	1.1093	1.2377	128.2010
17/10/2016	1.1060	1.2155	126.4485
24/10/2016	1.1215	1.2205	127.2615
31/10/2016	1.1142	1.2214	128.3325
07/11/2016	1.1232	1.2393	129.5812
14/11/2016	1.1613	1.2453	135.0901
21/11/2016	1.1744	1.2474	138.3866
28/11/2016	1.1728	1.2412	139.2495
05/12/2016	1.1848	1.2707	145.3681
12/12/2016	1.1942	1.2669	146.2383
19/12/2016	1.1874	1.2392	144.8997
26/12/2016	1.1764	1.2227	143.8507

## FTSE 100 & FTSE 250

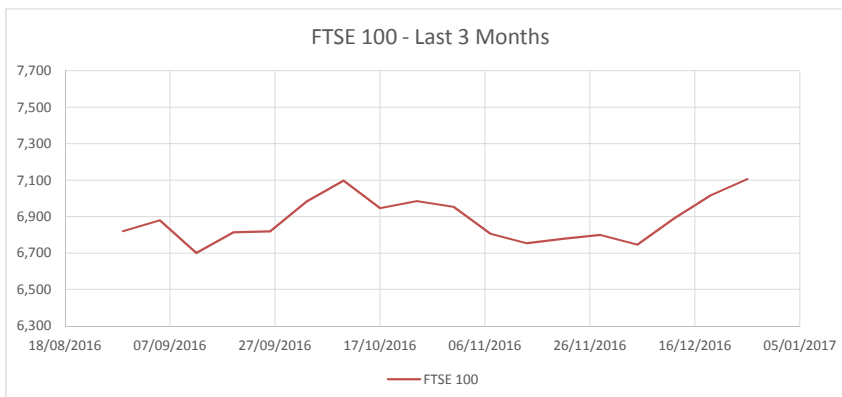


Value at 23 Jun 2016: 6,338 & 17,333

Source: London Stock Exchange

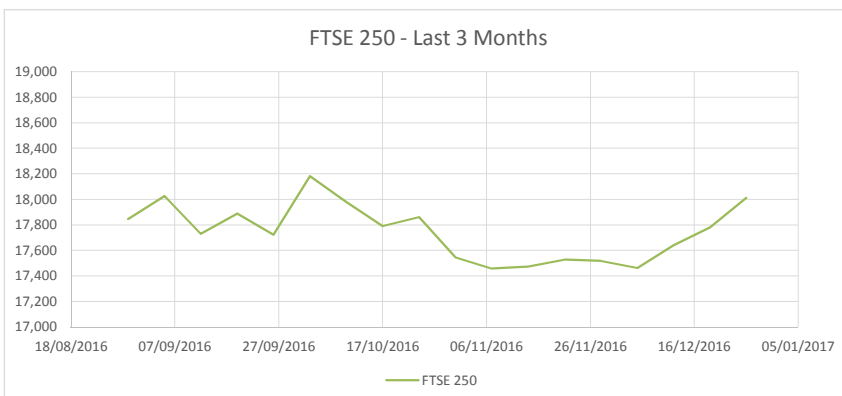
### LAST 2 YEARS

Month	FTSE 100	FTSE 250
Feb-15	6,783	16,356
Mar-15	6,889	17,146
Apr-15	6,833	17,269
May-15	6,986	17,468
Jun-15	6,954	18,220
Jul-15	6,609	17,717
Aug-15	6,689	17,670
Sep-15	6,059	16,840
Oct-15	6,076	16,764
Nov-15	6,362	17,167
Dec-15	6,421	17,554
Jan-16	6,093	17,122
Feb-16	6,060	16,489
Mar-16	6,147	16,729
Apr-16	6,146	16,844
May-16	6,186	16,730
Jun-16	6,192	17,061
Jul-16	6,578	16,465
Aug-16	6,694	17,139
Sep-16	6,746	17,850
Oct-16	6,984	18,184
Nov-16	6,917	17,523
Dec-16	6,753	17,497
Jan-17	7,178	18,141
Last Month %	6.3%	3.7%



### LAST 3 MONTHS

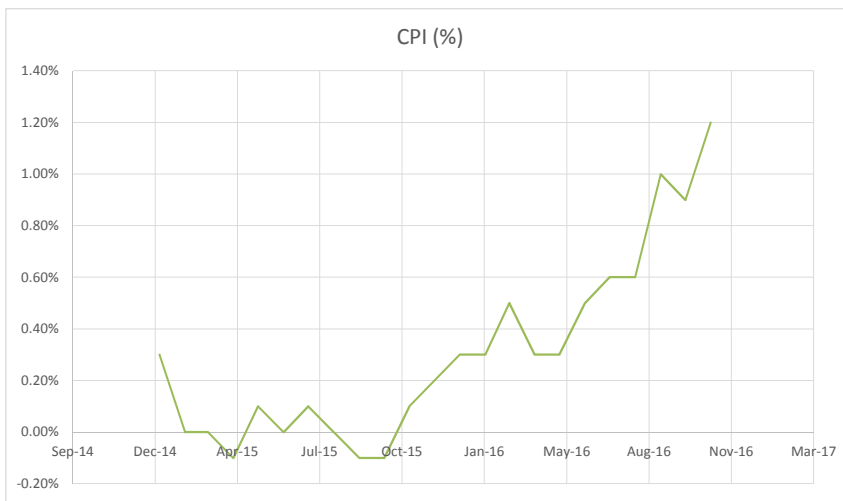
Date	FTSE 100	FTSE 250
29/08/2016	6,821	17,847
05/09/2016	6,879	18,026
12/09/2016	6,701	17,730
19/09/2016	6,814	17,890
26/09/2016	6,818	17,723
03/10/2016	6,984	18,184
10/10/2016	7,098	17,979
17/10/2016	6,948	17,793
24/10/2016	6,986	17,861
31/10/2016	6,954	17,544
07/11/2016	6,807	17,458
14/11/2016	6,753	17,472
21/11/2016	6,778	17,528
28/11/2016	6,799	17,518
05/12/2016	6,747	17,462
12/12/2016	6,890	17,641
19/12/2016	7,017	17,782
26/12/2016	7,106	18,013



FTSE 100 - an index of the top 100 companies in UK  
FTSE 250 - an index of the top 250 companies in UK

Source: London Stock Exchange

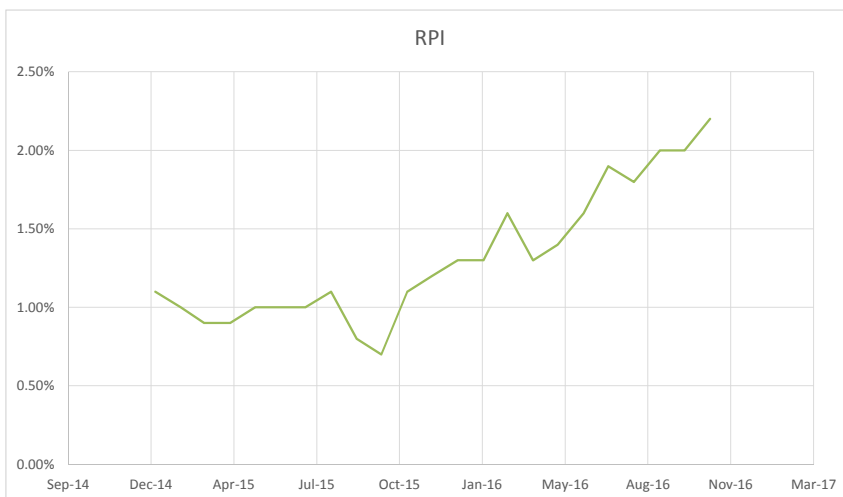
## CPI - Consumer Price Index



CPI - inflation measure which examines weighted average of prices of a basket of consumer goods & services, such as transportation, food & medical care  
Source: Office of National Statistics

Month	CPI (%)
Jan-15	0.30%
Feb-15	0.00%
Mar-15	0.00%
Apr-15	-0.10%
May-15	0.10%
Jun-15	0.00%
Jul-15	0.10%
Aug-15	0.00%
Sep-15	-0.10%
Oct-15	-0.10%
Nov-15	0.10%
Dec-15	0.20%
Jan-16	0.30%
Feb-16	0.30%
Mar-16	0.50%
Apr-16	0.30%
May-16	0.30%
Jun-16	0.50%
Jul-16	0.60%
Aug-16	0.60%
Sep-16	1.00%
Oct-16	0.90%
Nov-16	1.20%

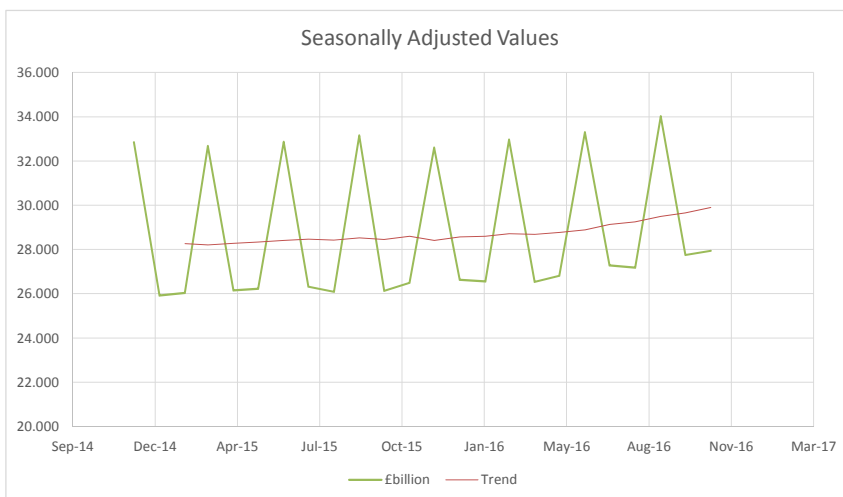
## RPI - Retail Price Index



RPI - inflation measure which is broadly the same as CPI but also includes home costs e.g. mortgage repayments/rent/council tax  
Source: Office of National Statistics

Month	RPI
Jan-15	1.10%
Feb-15	1.00%
Mar-15	0.90%
Apr-15	0.90%
May-15	1.00%
Jun-15	1.00%
Jul-15	1.00%
Aug-15	1.10%
Sep-15	0.80%
Oct-15	0.70%
Nov-15	1.10%
Dec-15	1.20%
Jan-16	1.30%
Feb-16	1.30%
Mar-16	1.60%
Apr-16	1.30%
May-16	1.40%
Jun-16	1.60%
Jul-16	1.90%
Aug-16	1.80%
Sep-16	2.00%
Oct-16	2.00%
Nov-16	2.20%

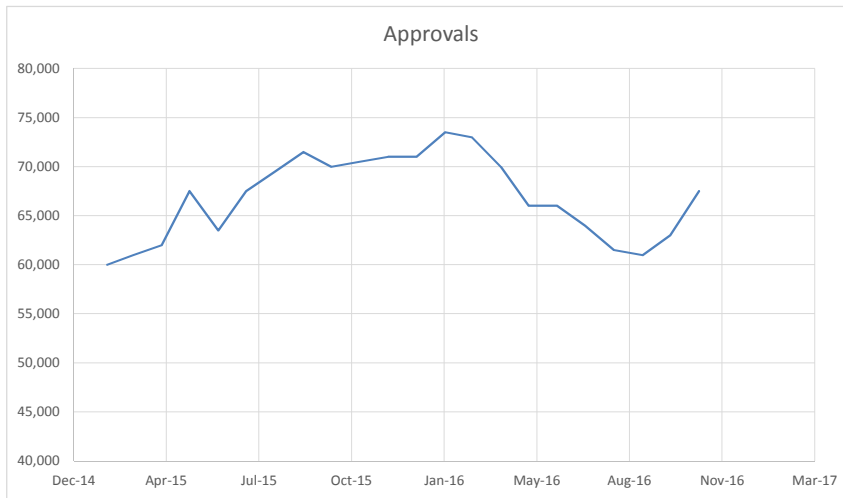
## Retail Sales



Total Retail Sales Excluding Automotive Fuel  
Figures based on weeks; every 3rd month is a 5-week month  
Source: Office of National Statistics

Month	£billion
Dec-14	32.854
Jan-15	25.918
Feb-15	26.042
Mar-15	32.672
Apr-15	26.156
May-15	26.218
Jun-15	32.862
Jul-15	26.323
Aug-15	26.093
Sep-15	33.160
Oct-15	26.142
Nov-15	26.499
Dec-15	32.607
Jan-16	26.627
Feb-16	26.558
Mar-16	32.967
Apr-16	26.546
May-16	26.821
Jun-16	33.299
Jul-16	27.282
Aug-16	27.179
Sep-16	34.027
Oct-16	27.757
Nov-16	27.950

## Mortgage Approvals

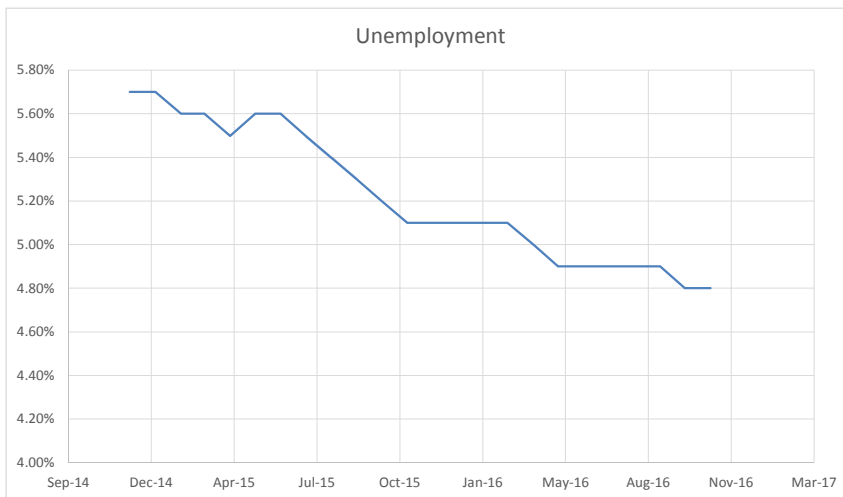


Total number of mortgage approvals by banks in UK

Source: Bank of England

Month	Approvals
Feb-15	60,000
Mar-15	61,000
Apr-15	62,000
May-15	67,500
Jun-15	63,500
Jul-15	67,500
Aug-15	69,500
Sep-15	71,500
Oct-15	70,000
Nov-15	70,500
Dec-15	71,000
Jan-16	71,000
Feb-16	73,500
Mar-16	73,000
Apr-16	70,000
May-16	66,000
Jun-16	66,000
Jul-16	64,000
Aug-16	61,500
Sep-16	61,000
Oct-16	63,000
Nov-16	67,500
Last Month %	7.1%

## Unemployment

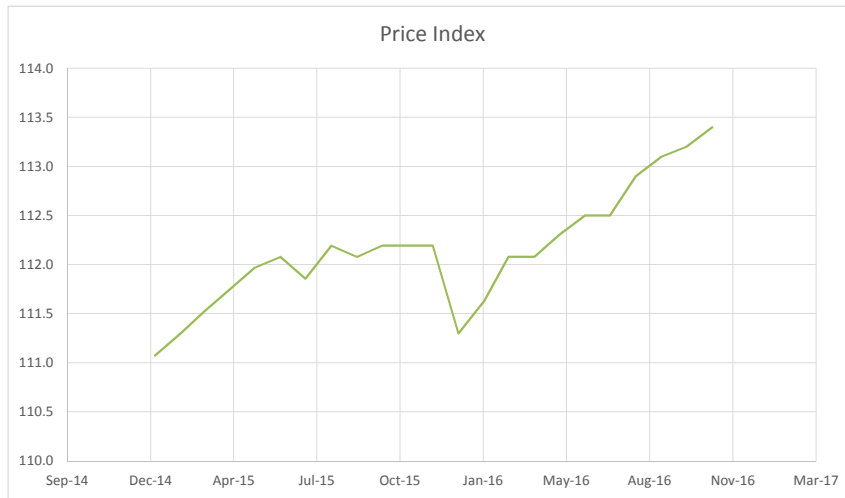


Unemployment as percentage of available workforce; figures relating to quarter ending in month shown

Source: Office of National Statistics

Month	Unemployment
Dec-14	5.70%
Jan-15	5.70%
Feb-15	5.60%
Mar-15	5.60%
Apr-15	5.50%
May-15	5.60%
Jun-15	5.60%
Jul-15	5.50%
Aug-15	5.40%
Sep-15	5.30%
Oct-15	5.20%
Nov-15	5.10%
Dec-15	5.10%
Jan-16	5.10%
Feb-16	5.10%
Mar-16	5.10%
Apr-16	5.00%
May-16	4.90%
Jun-16	4.90%
Aug-16	4.90%
Sep-16	4.90%
Oct-16	4.80%
Nov-16	4.80%

## Energy Prices

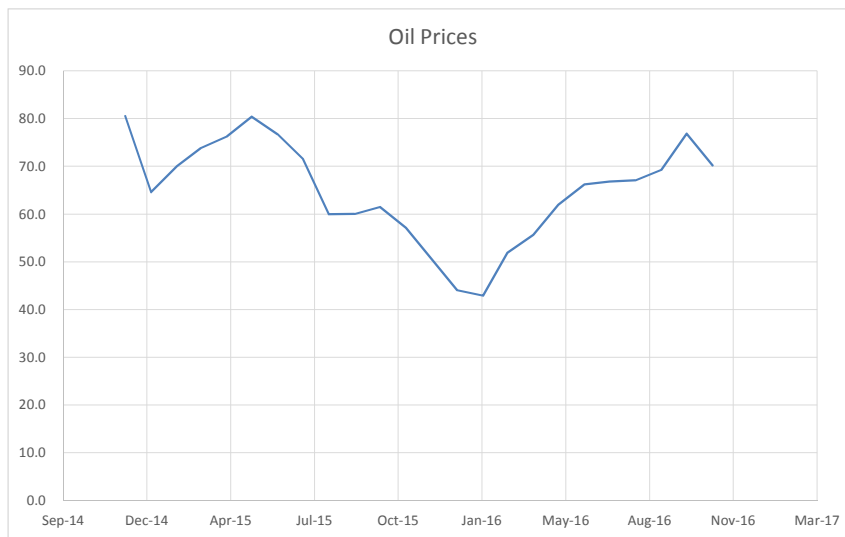


Based on starting index of 100 in 2010

Source: Office of National Statistics

Month	Price Index
Jan-15	111.1
Feb-15	111.3
Mar-15	111.5
Apr-15	111.7
May-15	112.0
Jun-15	112.1
Jul-15	111.9
Aug-15	112.2
Sep-15	112.1
Oct-15	112.2
Nov-15	112.2
Dec-15	112.2
Jan-16	111.3
Feb-16	111.6
Mar-16	112.1
Apr-16	112.1
May-16	112.3
Jun-16	112.5
Jul-16	112.5
Aug-16	112.9
Sep-16	113.1
Oct-16	113.2
Nov-16	113.4
Last Month %	0.2%

## Crude Oil Prices

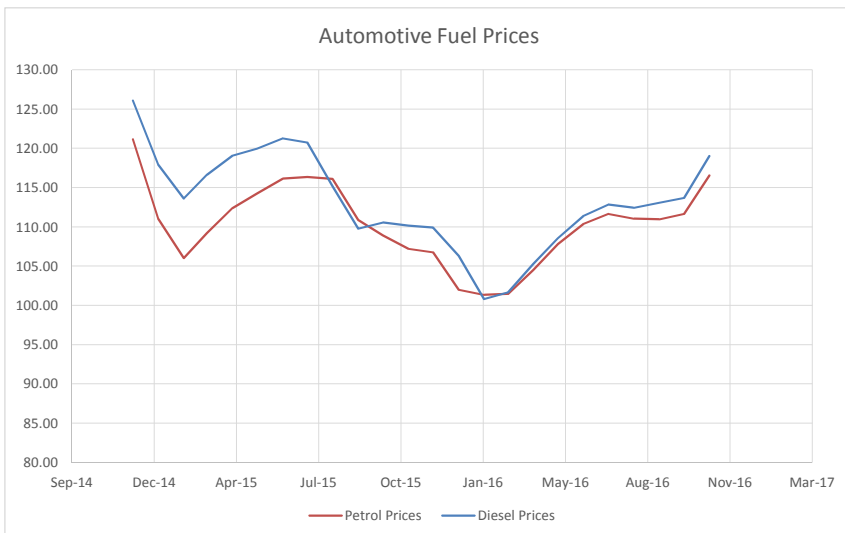


Crude Oil Price Index; 2010=100

Source: Office of National Statistics

Month	Oil Prices
Dec-14	80.5
Jan-15	64.6
Feb-15	70.0
Mar-15	73.8
Apr-15	76.2
May-15	80.4
Jun-15	76.8
Jul-15	71.6
Aug-15	59.9
Sep-15	60.0
Oct-15	61.5
Nov-15	57.1
Dec-15	50.8
Jan-16	44.1
Feb-16	43.0
Mar-16	51.9
Apr-16	55.7
May-16	62.0
Jun-16	66.2
Jul-16	66.8
Aug-16	67.1
Sep-16	69.3
Oct-16	76.9
Nov-16	70.2
Last Month %	-8.7%

## Automotive Fuel Prices



Road fuel prices; pump price pence/litre  
First week of each month

Source: gov.co.uk

Month	Petrol Prices	Diesel Prices
Dec-14	121.18	126.11
Jan-15	111.06	117.93
Feb-15	106.04	113.61
Mar-15	109.20	116.64
Apr-15	112.37	119.09
May-15	114.27	120.00
Jun-15	116.13	121.30
Jul-15	116.34	120.76
Aug-15	116.12	115.17
Sep-15	110.90	109.78
Oct-15	108.94	110.57
Nov-15	107.21	110.14
Dec-15	106.75	109.92
Jan-16	102.00	106.32
Feb-16	101.36	100.84
Mar-16	101.46	101.67
Apr-16	104.51	105.32
May-16	107.82	108.58
Jun-16	110.40	111.43
Jul-16	111.65	112.86
Aug-16	111.05	112.43
Sep-16	110.97	113.10
Oct-16	111.65	113.71
Nov-16	116.56	119.03
Dec-16	113.66	116.75
Last Month %	-2.5%	-1.9%

## Forecasts

### Summary

Economic forecasting is notoriously difficult and often depends on the mindset of the forecaster. However we have included some highlights below from the most recent quarterly Bank of England Inflation Report which provides a comprehensive analysis from many sources including their own.

As shown in the charts below, it is expected that interest rates will edge slightly higher towards 0.5% over the next few years as inflation increases towards 2-3%.

The following charts are re-produced from Bank Of England Inflation Report, November 2016

<http://www.bankofengland.co.uk/publications/Documents/inflationreport/2016/nov.pdf>

### Forecast Interest Rates

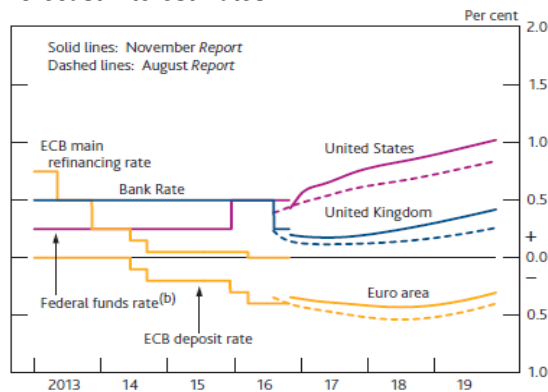
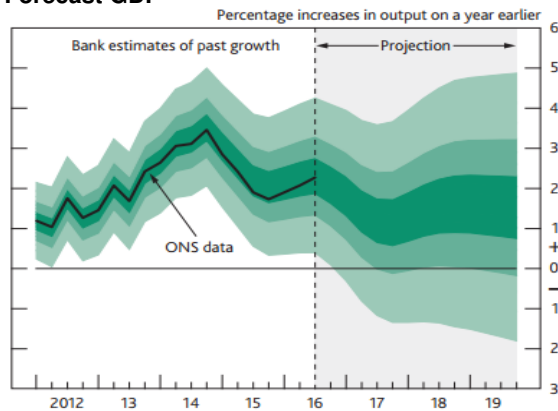


Chart shows latest forecast using solid line.  
UK interest rates likely to decrease slightly in short term and then increase towards 0.5% in longer term.

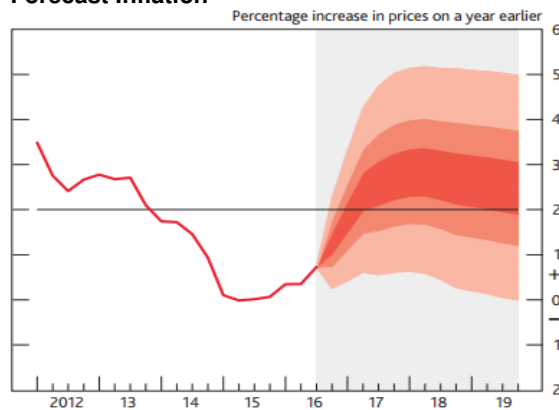
Sources: Bank of England, Bloomberg, European Central Bank (ECB) and Federal Reserve

### Forecast GDP



Fan Chart shows highest probability in central darker band.  
GDP likely to show 1-2% growth over next 2-3 years.

### Forecast Inflation



Fan Chart shows highest probability in central darker band.  
Government's 2% target is shown as horizontal line.  
Inflation likely to rise to 2-3% during 2017.