

## GIMA Pulse

a monthly snapshot of the UK Economy from [www.barometeroftrade.com](http://www.barometeroftrade.com)

Date of Report: 05/03/2017

### Summary

The main cause for concern currently is the weakness of **sterling**, particularly compared to the dollar. The US dollar is the world's strongest performing currency at the moment, largely due to the US Federal Reserve's announcement that it intends to raise interest rates at least 3 times over 2017. This coupled with the recent PMI **service sector data** (our largest sector) from IHS Markit and the CIPS, which shows a larger slowdown in February than expected, has left the £ weak against all other major currencies. This slowing has come from short term and long term uncertainty - business investment reduced by 1% in Q4 2016.

Another key figure is the 96.6% increase in **crude oil prices** over the last year. Further planned output cuts will mean the price of oil will continue to rise unless we see nations with large oil stocks, like the US, helping maintain low prices.

However the **FTSE 100 & 250** are both up again since last month and up 20% & 13% year-on-year.

### What's happened since last month?

Index			Period
GDP	DOWN	0.4%	Q2-Q3
£ to Euro	DOWN	0.7%	Feb-Mar
£ to \$	DOWN	2.6%	Feb-Mar
£ to Yen	DOWN	2.3%	Feb-Mar
FTSE 100	UP	3.9%	Feb-Mar
FTSE 250	UP	4.1%	Feb-Mar
CPI	UP	0.2%	Dec-Jan
RPI	UP	0.1%	Dec-Jan
Retail Sales	DOWN	2.0%	Nov-Jan
Mortgage Approvals	UP	2.9%	Dec-Jan
Unemployment	NONE	0.0%	Dec-Jan
Energy Prices	DOWN	0.5%	Dec-Jan
Crude Oil Prices	UP	5.6%	Dec-Jan
Petrol Prices	UP	2.7%	Jan-Feb
Diesel Prices	UP	2.7%	Jan-Feb
Base Rate: 0.25%	NONE	0.0%	Feb-Mar

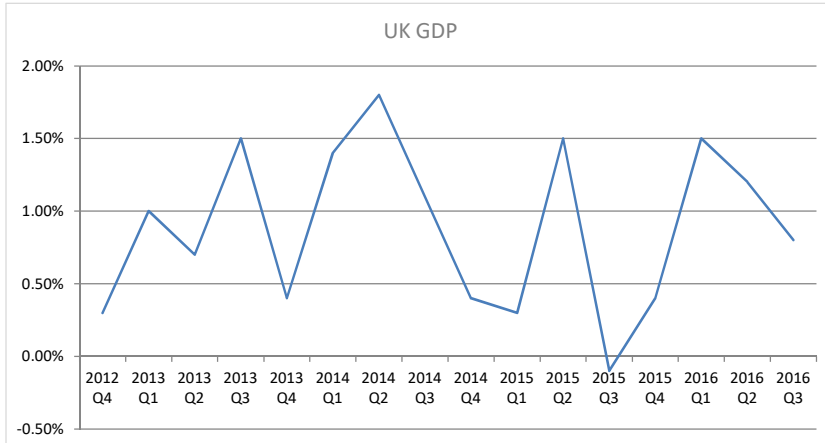
Figures based on most recent month/period available

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

Index			Period
GDP	UP	0.9%	Q3-Q3
£ to Euro	DOWN	9.0%	Mar-Mar
£ to \$	DOWN	11.5%	Mar-Mar
£ to Yen	DOWN	11.3%	Mar-Mar
FTSE 100	UP	20.1%	Mar-Mar
FTSE 250	UP	13.5%	Mar-Mar
CPI	UP	1.5%	Jan-Jan
RPI	UP	1.3%	Jan-Jan
Retail Sales	UP	2.8%	Jan-Jan
Mortgage Approvals	DOWN	1.4%	Jan-Jan
Unemployment	DOWN	0.3%	Jan-Jan
Energy Prices	UP	1.9%	Jan-Jan
Crude Oil Prices	UP	96.6%	Jan-Jan
Petrol Prices	UP	17.8%	Feb-Feb
Diesel Prices	UP	15.9%	Feb-Feb
Base Rate: 0.25%	DOWN	0.25%	Feb-Feb

Figures based on most recent month/period available

## GDP

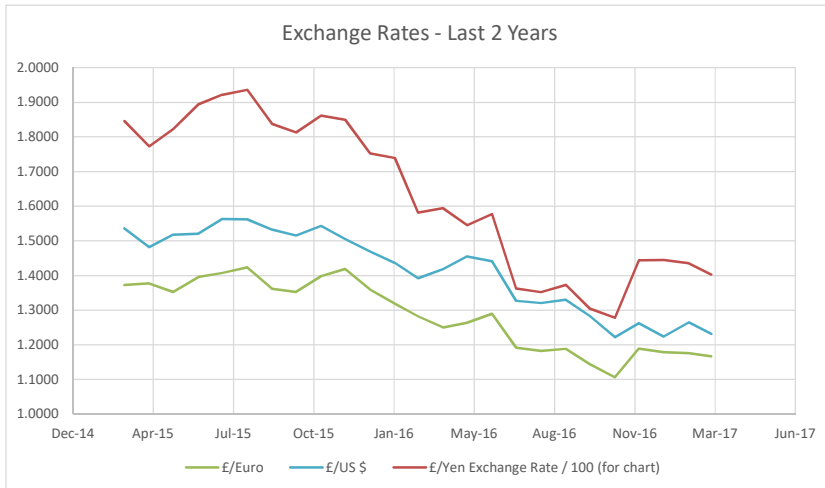


GDP as percentage growth/decline against previous quarter

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%

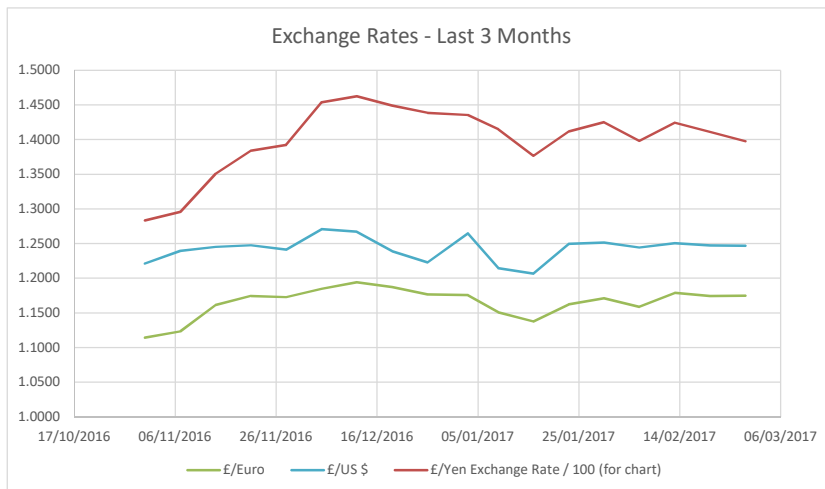
## Exchange Rates



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

Source: Bank Of England

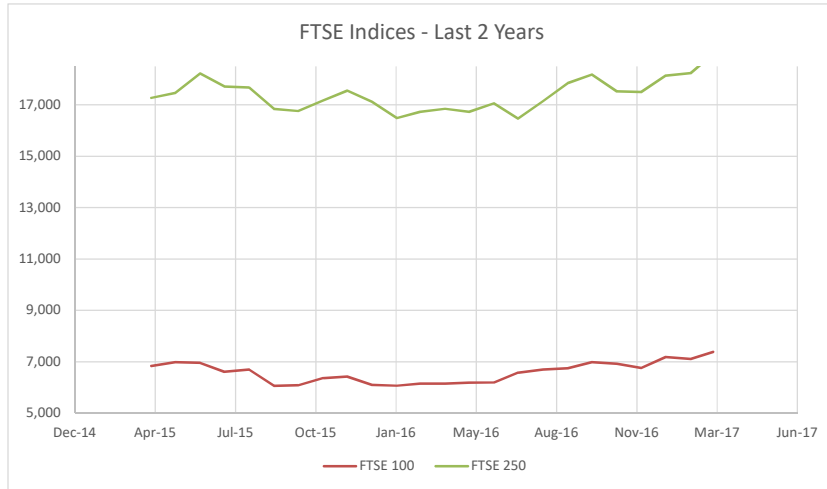
Month	£/Euro	£/US \$	£/Yen
Mar-15	1.3723	1.5362	184.5437
Apr-15	1.3773	1.4816	177.2734
May-15	1.3527	1.5177	182.2909
Jun-15	1.3955	1.5207	189.3728
Jul-15	1.4072	1.5633	192.2077
Aug-15	1.4234	1.5619	193.5975
Sep-15	1.3615	1.5325	183.7468
Oct-15	1.3526	1.5155	181.2993
Nov-15	1.3980	1.5428	186.1542
Dec-15	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
Feb-17	1.1756	1.2647	143.5308
Mar-17	1.1669	1.2317	140.2906
Last Month %	-0.7%	-2.6%	-2.3%



Source: Bank Of England

Date	£/Euro	£/US \$	£/Yen
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
03/01/2017	1.1756	1.2647	143.5308
09/01/2017	1.1508	1.2147	141.5004
16/01/2017	1.1375	1.2065	137.6617
23/01/2017	1.1624	1.2495	141.1560
30/01/2017	1.1709	1.2515	142.4833
06/02/2017	1.1588	1.2444	139.8332
13/02/2017	1.1790	1.2503	142.4342
20/02/2017	1.1744	1.2473	141.0946
27/02/2017	1.1749	1.2470	139.7638

## FTSE 100 & FTSE 250

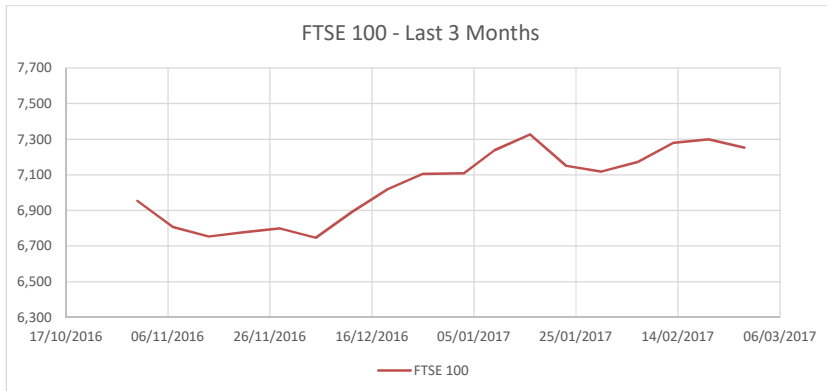


Value at 23 Jun 2016: 6,338 & 17,333

Source: London Stock Exchange

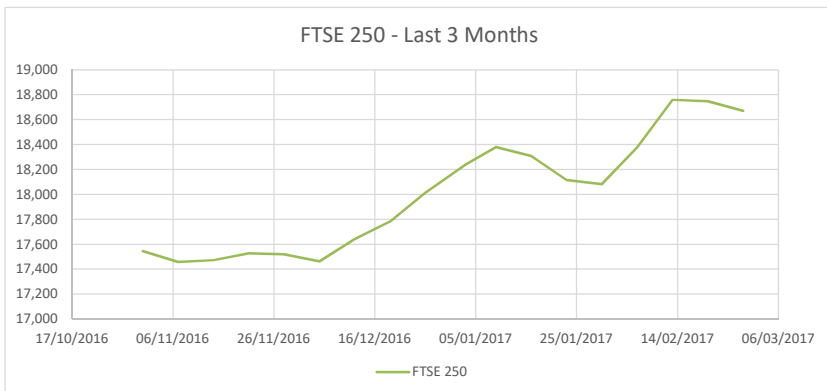
### LAST 2 YEARS

Month	FTSE 100	FTSE 250
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
Feb-17	7,108	18,240
Mar-17	7,383	18,983
Last Month %	3.9%	4.1%



### LAST 3 MONTHS

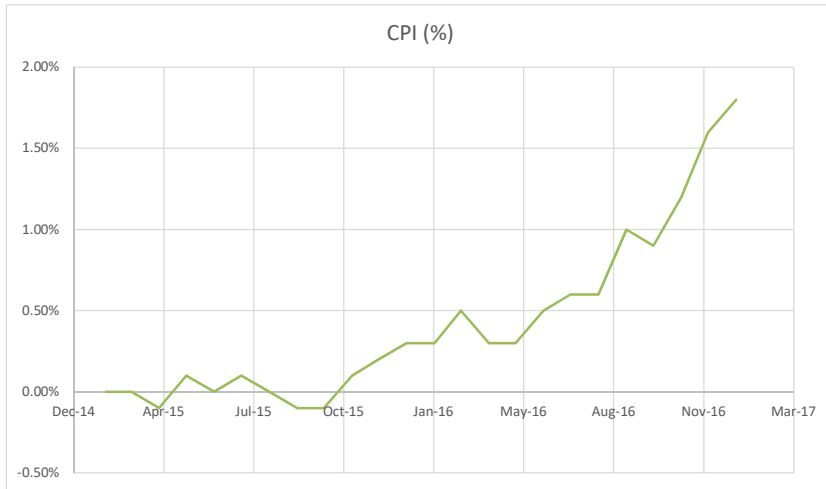
Date	FTSE 100	FTSE 250
31/10/2016	6,954	17,544
07/11/2016	6,807	17,458
14/11/2016	6,753	17,472
21/11/2016	6,778	17,528
28/11/2016	6,799	17,518
05/12/2016	6,747	17,462
12/12/2016	6,890	17,641
19/12/2016	7,017	17,782
26/12/2016	7,106	18,013
03/01/2017	7,108	18,240
09/01/2017	7,238	18,380
16/01/2017	7,327	18,308
23/01/2017	7,151	18,116
30/01/2017	7,118	18,082
06/02/2017	7,172	18,377
13/02/2017	7,279	18,759
20/02/2017	7,300	18,746
27/02/2017	7,253	18,671



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

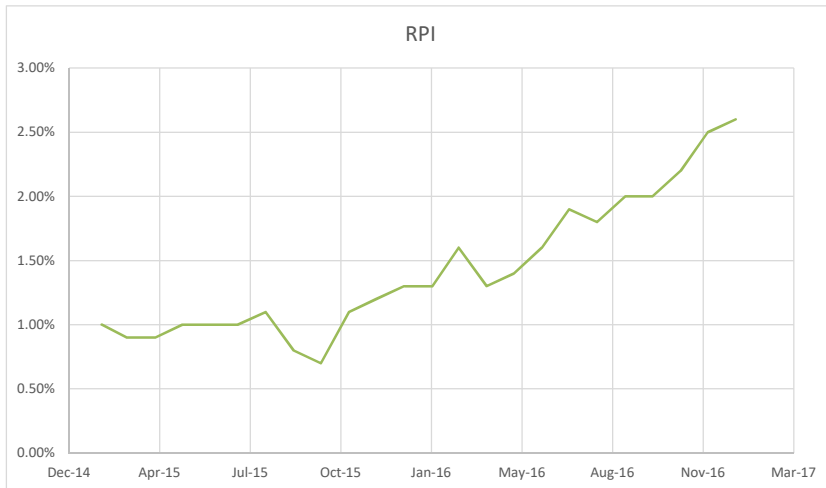
## CPI - Consumer Price Index



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 (%)
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%
Dec-16	1.60%
Jan-17	1.80%

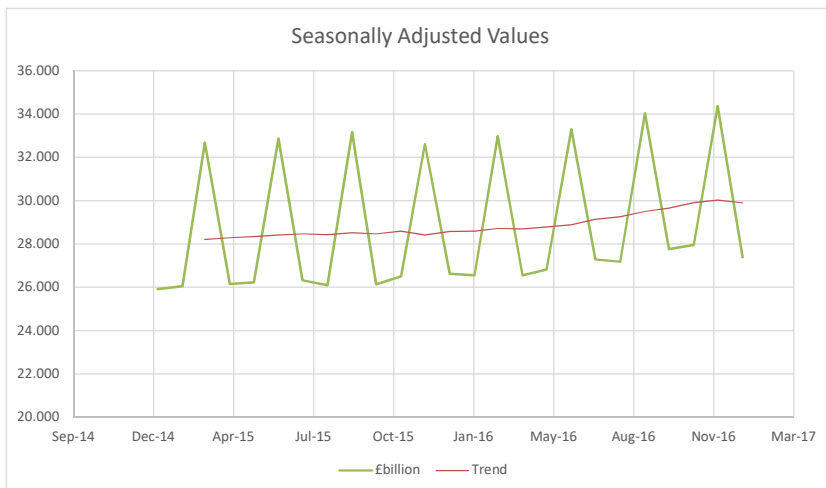
## RPI - Retail Price Index



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
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%
Dec-16	2.50%
Jan-17	2.60%

## Retail Sales

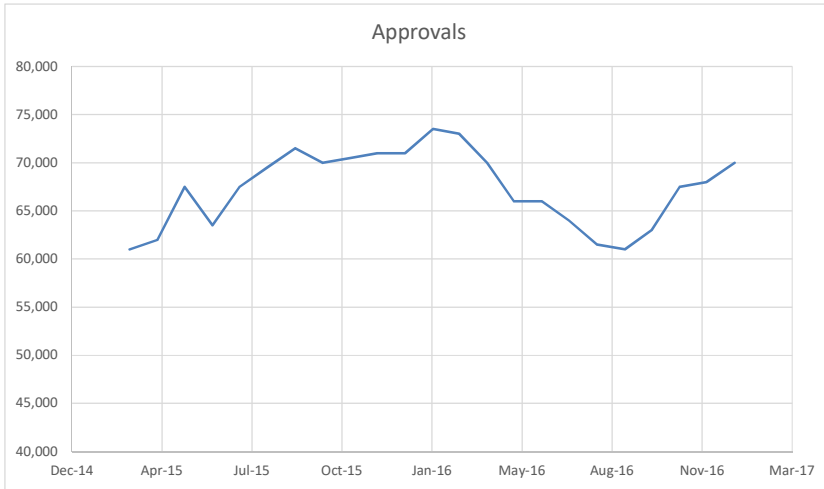


Total Retail Sales Excluding Automotive Fuel  
Figures based on weeks; every 3rd month is a 5-week month  
Source: Office of National Statistics

Month	£billion
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
Dec-16	34,357
Jan-17	27,385

Year-On-Year Change 0.759 billion  
2.85%

## Mortgage Approvals



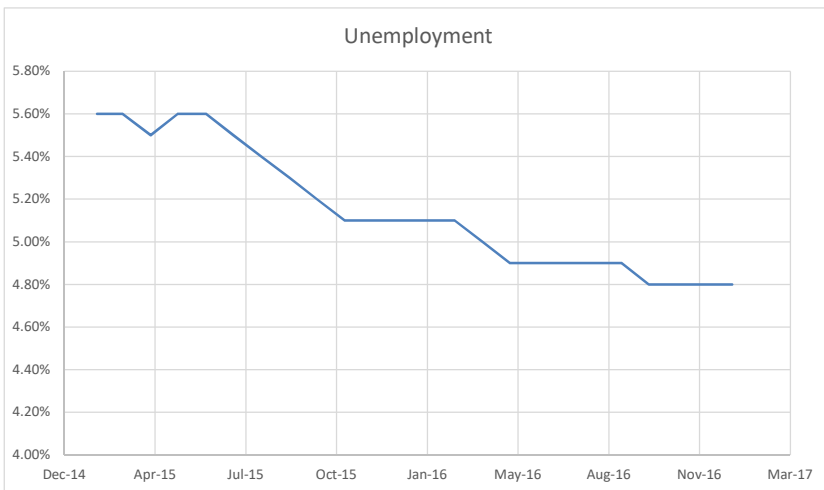
Total number of mortgage approvals by banks in UK

Source: Bank of England

Month	Approvals
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
Dec-16	68,000
Jan-17	70,000

Last Month % 2.9%

## Unemployment



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

Source: Office of National Statistics

Month	Unemployment
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%
Dec-16	4.80%
Jan-17	4.80%

## Energy Prices



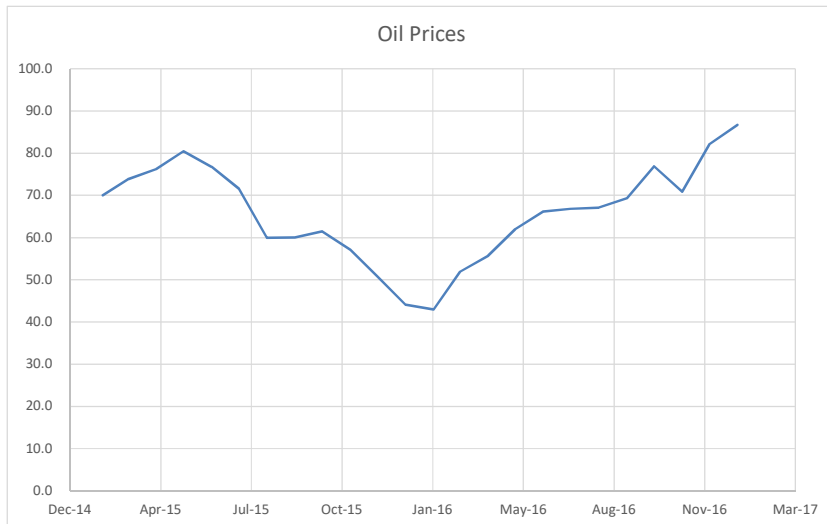
Based on starting index of 100 in 2010

Source: Office of National Statistics

Month	Price Index
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
Dec-16	114.0
Jan-17	113.4

Last Month % -0.5%

## Crude Oil Prices



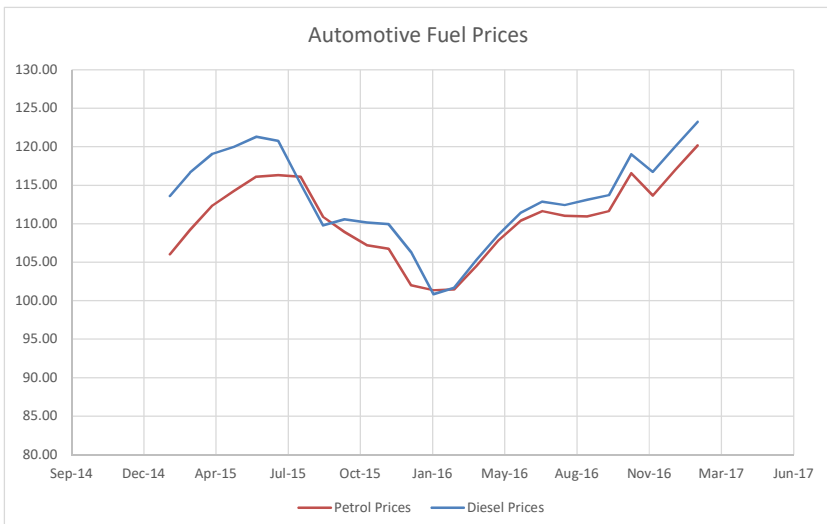
Crude Oil Price Index; 2010=100

Source: Office of National Statistics

Month	Oil Prices
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	70.9
Dec-16	82.1
Jan-17	86.7

Last Month % 5.6%

## Automotive Fuel Prices



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

Source: gov.co.uk

Month	Petrol Prices	Diesel Prices
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
Jan-17	117.00	120.03
Feb-17	120.18	123.25

Last Month % 2.7% 2.7%

## 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 0.75% over the next few years as inflation increases towards 2-3%.

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

<http://www.bankofengland.co.uk/publications/Documents/inflationreport/2017/feb.pdf>

Next report will be available in May 2017

### Forecast Interest Rates

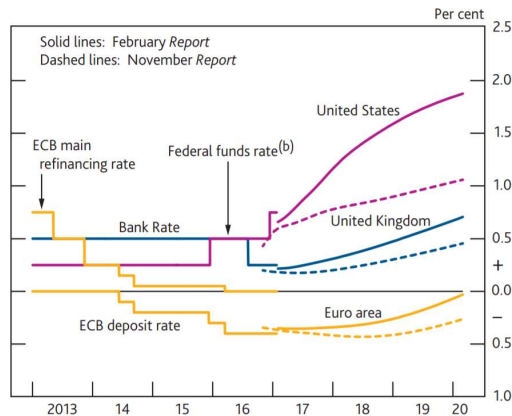
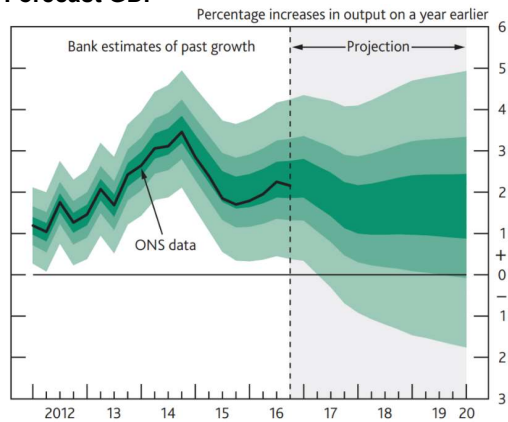


Chart shows latest forecast using solid line.  
UK interest rates likely to decrease slightly in short term  
and then increase towards 0.75% by 2020.

Sources: Bank of England, Bloomberg, European Central Bank (ECB)  
and Federal Reserve (ref 1.3p7)

### Forecast GDP



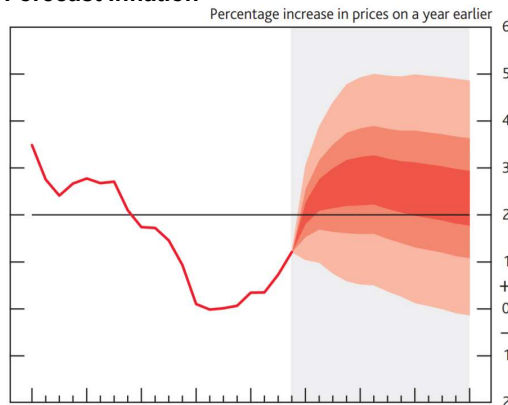
Fan Chart shows highest probability in central darker band.  
GDP likely to show 1-2% growth over next 2-3 years.  
(ref 5.1p37)  
Headline (modal) forecast growth rate: 2% in 2017 (up from 1.4%)

#### Calendar-year GDP growth rates

2017 <sup>(b)</sup>	2.0 (1.4)
2018	1.6 (1.5)
2019	1.7 (1.6)

ref 5.Fp45

### 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.