

GIMA Pulse

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

Date of Report: 05/08/2017

Summary

Crude oil prices continue to fall drastically; some investment banks predict the recent stockpile drops will continue after the summer season ends, as growing US output could reverse the inventory trend later this year.

The Bank of England voted to keep **interest rates** at their record low on Thursday 3rd and cut its forecasts for **growth** and **wages** as it warned that Brexit was weighing on the country and previous speculation was over-estimated. This gloomier outlook has impacted upon the strength of the £, with sterling hitting a nine-month low against the euro shortly after the announcement.

Prices in UK shops fell slightly faster in July than a month before but are likely to pick up again later this year. As a result of the increased cost of imports after Brexit, food prices were pushed up however, contrasting to the deflationary trend of the last 4 years due to the supermarket price war.

What's happened since last month?

Index			Period
GDP	DOWN	1.3%	Q4-Q1
£ to Euro	DOWN	1.6%	Jul-Aug
£ to \$	UP	2.3%	Jul-Aug
£ to Yen	UP	0.6%	Jul-Aug
FTSE 100	UP	0.6%	Jul-Aug
FTSE 250	UP	2.8%	Jul-Aug
CPI	DOWN	0.3%	May-Jun
RPI	DOWN	0.2%	May-Jun
Retail Sales	UP	1.7%	Mar-Jun
Mortgage Approvals	DOWN	0.8%	May-Jun
Unemployment	DOWN	0.1%	May-Jun
Energy Prices	NONE	0.0%	May-Jun
Crude Oil Prices	DOWN	5.0%	May-Jun
Petrol Prices	DOWN	1.8%	Jun-Jul
Diesel Prices	DOWN	2.0%	Jun-Jul
Base Rate: 0.25%	NONE	0.0%	Jul-Aug

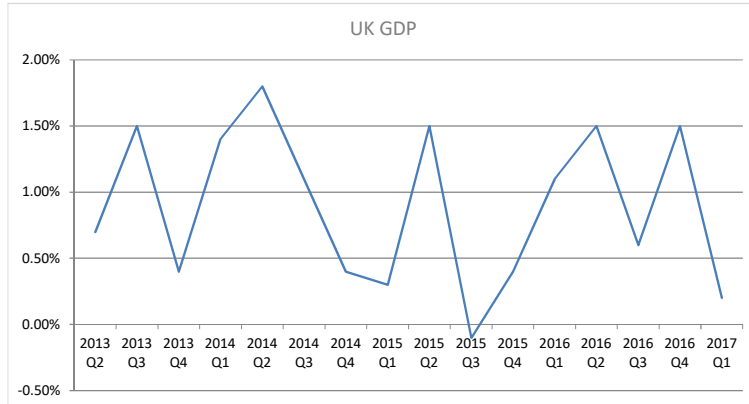
Figures based on most recent month/period available.

What's happened since this time last year?

Index			Period
GDP	DOWN	0.9%	Q1-Q1
£ to Euro	DOWN	5.3%	Aug-Aug
£ to \$	UP	0.2%	Aug-Aug
£ to Yen	UP	7.8%	Aug-Aug
FTSE 100	UP	10.9%	Aug-Aug
FTSE 250	UP	15.9%	Aug-Aug
CPI	UP	2.1%	Jun-Jun
RPI	UP	1.9%	Jun-Jun
Retail Sales	UP	5.5%	Jun-Jun
Mortgage Approvals	DOWN	2.3%	Jun-Jun
Unemployment	DOWN	0.4%	Jun-Jun
Energy Prices	UP	2.7%	Jun-Jun
Crude Oil Prices	UP	8.3%	Jun-Jun
Petrol Prices	UP	1.9%	Jul-Jul
Diesel Prices	UP	2.5%	Jul-Jul
Base Rate: 0.25%	NONE	0.00%	Aug-Aug

Figures based on most recent month/period available

GDP

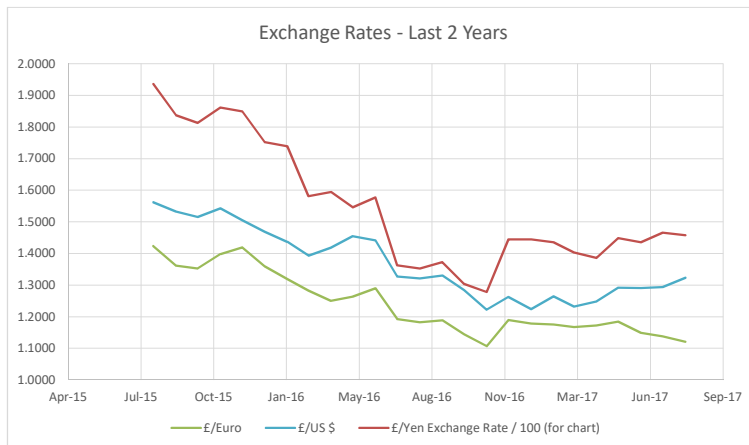


GDP as percentage growth/decline against previous quarter

Source: Office of National Statistics

Quarter	UK GDP
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	1.10%
2016 Q2	1.50%
2016 Q3	0.60%
2016 Q4	1.50%
2017 Q1	0.20%

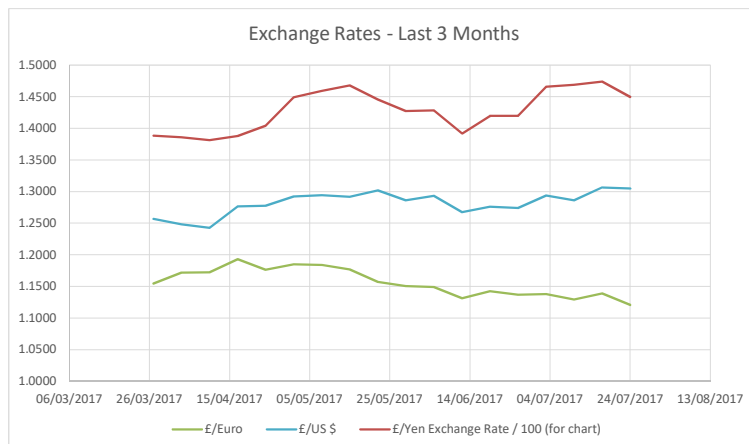
Exchange Rates



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

Source: Bank Of England

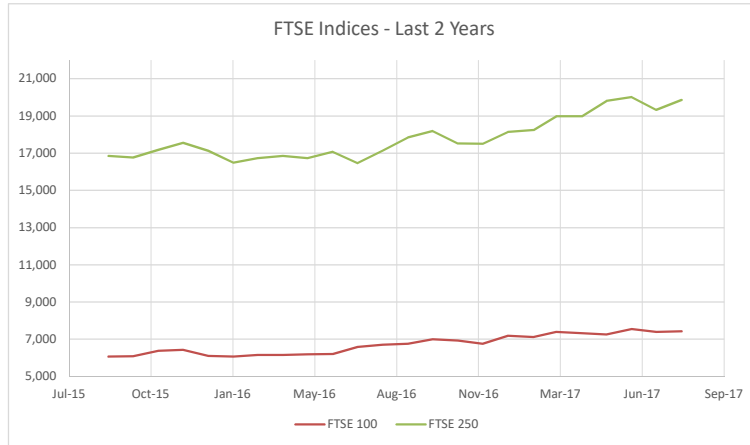
Month	£/Euro	£/US \$	£/Yen
Aug-15	1.4234	1.5619	193.5975
Sep-15	1.3615	1.5325	183.7468
Oct-15	1.3526	1.5155	181.2993
Nov-15	1.3980	1.5428	186.1542
Dec-15	1.4191	1.5054	184.9685
Jan-16	1.3598	1.4689	175.2398
Feb-16	1.3191	1.4366	173.8861
Mar-16	1.2822	1.3925	158.1471
Apr-16	1.2503	1.4185	159.4252
May-16	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
Apr-17	1.1718	1.2483	138.5613
May-17	1.1848	1.2920	144.8849
Jun-17	1.1494	1.2903	143.5330
Jul-17	1.1380	1.2937	146.5762
Aug-17	1.1202	1.3229	145.7174
Last Month %	-1.6%	2.3%	-0.6%



Source: Bank Of England

Date	£/Euro	£/US \$	£/Yen
27/03/2017	1.1548	1.2570	138.8357
03/04/2017	1.1718	1.2483	138.5613
10/04/2017	1.1724	1.2426	138.1150
17/04/2017	1.1931	1.2765	138.7811
24/04/2017	1.1764	1.2777	140.4192
01/05/2017	1.1848	1.2920	144.8849
08/05/2017	1.1839	1.2941	145.9227
15/05/2017	1.1766	1.2918	146.7743
22/05/2017	1.1573	1.3016	144.5557
29/05/2017	1.1507	1.2862	142.7296
05/06/2017	1.1492	1.2930	142.8248
12/06/2017	1.1312	1.2673	139.1749
19/06/2017	1.1425	1.2758	141.9710
26/06/2017	1.1370	1.2738	141.9523
03/07/2017	1.1380	1.2937	146.5762
10/07/2017	1.1293	1.2862	146.8840
17/07/2017	1.1390	1.3066	147.3845
24/07/2017	1.1206	1.3047	144.9522

FTSE 100 & FTSE 250

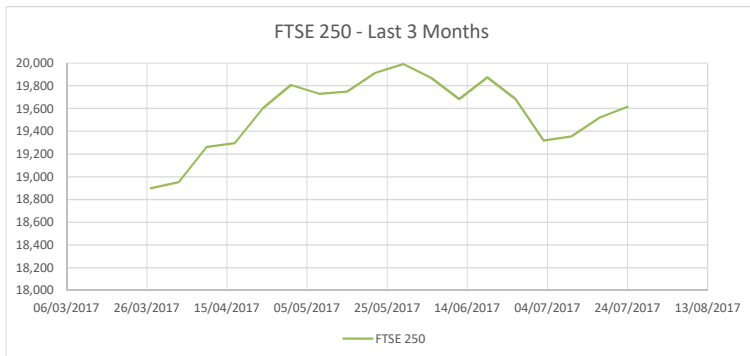
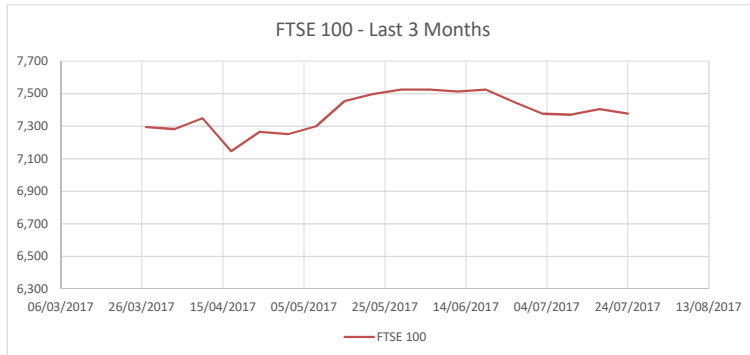


Value at 23 Jun 2016: 6,338 & 17,333

Source: London Stock Exchange

LAST 2 YEARS

Month	FTSE 100	FTSE 250
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
Apr-17	7,323	18,972
May-17	7,250	19,805
Jun-17	7,544	20,011
Jul-17	7,377	19,320
Aug-17	7,424	19,864
Last Month %	0.6%	2.8%



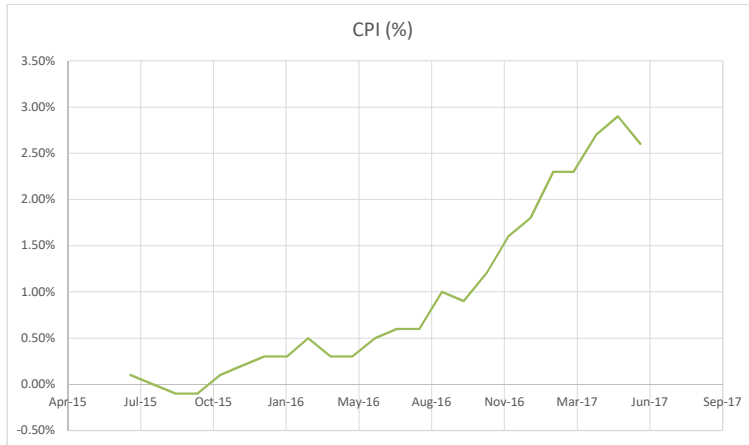
FTSE 100 - an index of the top 100 companies in UK
FTSE 250 - an index of the top 250 companies in UK

Source: London Stock Exchange

LAST 3 MONTHS

Date	FTSE 100	FTSE 250
27/03/2017	7,294	18,900
03/04/2017	7,283	18,954
10/04/2017	7,349	19,265
17/04/2017	7,148	19,298
24/04/2017	7,265	19,603
01/05/2017	7,250	19,805
08/05/2017	7,301	19,730
15/05/2017	7,454	19,751
22/05/2017	7,496	19,913
29/05/2017	7,526	19,992
05/06/2017	7,526	19,869
12/06/2017	7,512	19,683
19/06/2017	7,524	19,873
26/06/2017	7,447	19,685
03/07/2017	7,377	19,320
10/07/2017	7,370	19,357
17/07/2017	7,404	19,521
24/07/2017	7,378	19,616

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 (%)
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%
Feb-17	2.30%
Mar-17	2.30%
Apr-17	2.70%
May-17	2.90%
Jun-17	2.60%

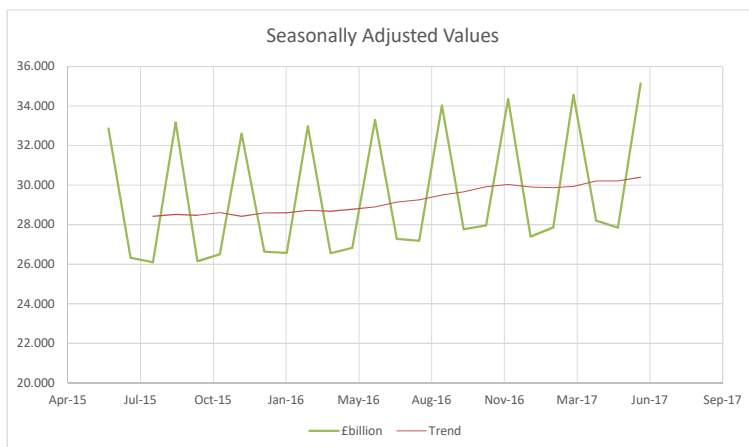
RPI - Retail Price Index



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
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%
Feb-17	3.20%
Mar-17	3.10%
Apr-17	3.50%
May-17	3.70%
Jun-17	3.50%

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
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
Feb-17	27.860
Mar-17	34.552
Apr-17	28.195
May-17	27.847
Jun-17	35.135

Year-On-Year Change 1.836 billion
5.52%

Mortgage Approvals

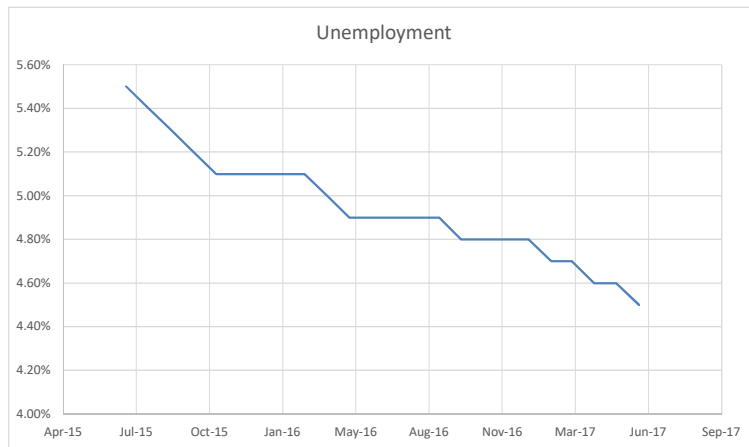


Total number of mortgage approvals by banks in UK

Source: Bank of England

Month	Approvals
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	67,000
Nov-16	67,500
Dec-16	67,500
Jan-17	68,500
Feb-17	67,500
Mar-17	66,000
Apr-17	65,000
May-17	65,000
Jun-17	64,500
Last Month %	-0.8%

Unemployment



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

Source: Office of National Statistics

Month	Unemployment
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%
Feb-17	4.70%
Mar-17	4.70%
Apr-17	4.60%
May-17	4.60%
Jun-17	4.50%

Energy Prices



Based on starting index of 100 in 2010

Source: Office of National Statistics

Month	Price Index
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
Feb-17	114.2
Mar-17	114.7
Apr-17	115.1
May-17	115.5
Jun-17	115.5
Last Month %	0.0%

Crude Oil Prices

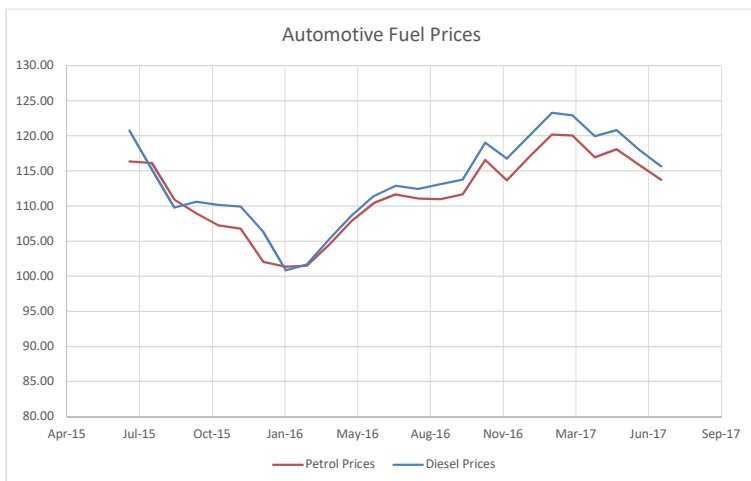


Crude Oil Price Index; 2010=100

Source: Office of National Statistics

Month	Oil Prices
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	85.8
Feb-17	85.2
Mar-17	81.3
Apr-17	81.1
May-17	75.5
Jun-17	71.7
Last Month %	-5.0%

Automotive Fuel Prices



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

Source: gov.co.uk

Month	Petrol Prices	Diesel Prices
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
Mar-17	120.02	122.90
Apr-17	116.93	119.92
May-17	118.08	120.78
Jun-17	115.82	117.95
Jul-17	113.74	115.63
Last Month %	-1.8%	-2.0%

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 3%.

The following charts are re-produced from Bank Of England Inflation Report, May 2017

<http://www.bankofengland.co.uk/publications/Pages/inflationreport/2017/may.aspx>

Next report will be available in late August 2017

Forecast Interest Rates

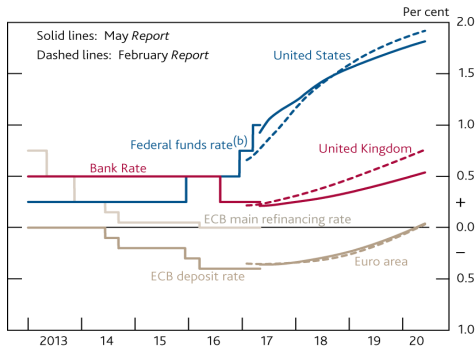
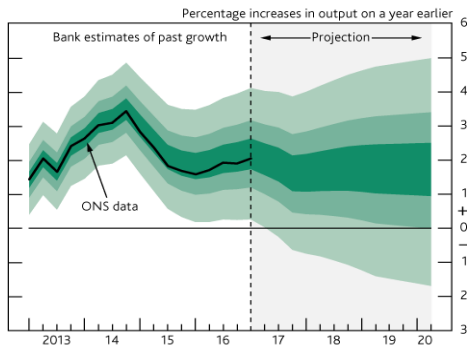


Chart shows latest forecast using solid line.

UK interest rates likely to rise steadily to 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)

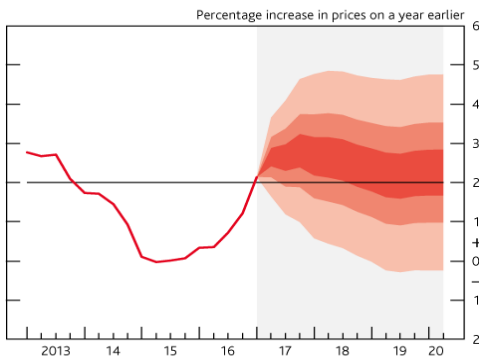
Conditional on the path for Bank Rate based on market yields and an unchanged stock of purchased assets, GDP grows at around 1¼% in the second and third years of the forecast period

Calendar-year GDP growth rates of the modal, median and mean paths

	Mode	Median	Mean
2017 ^(b)	1.9 (2.0)	1.9 (2.0)	1.9 (2.0)
2018	1.7 (1.6)	1.7 (1.6)	1.7 (1.6)
2019	1.8 (1.7)	1.7 (1.6)	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.