

## GIMA Pulse

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

Date of Report: 06/09/2017

### Summary

The £ has performed poorly this month against the dollar, euro and yen as a result of the 11-month low level of growth in the services sector, Britain's most productive and important sector. Experts have described the slump as a 'warning signal' for Britain for the next quarter of the financial year as luxury spending in restaurants, hotels and gym memberships has fallen. This was caused by rising staffing costs, fuel prices and import prices leading to higher domestic prices.

However, business confidence has reached a 3-month high, still lower than the level before the Brexit vote last June, with job creation picking up for the third consecutive month.

Despite **interest rates** remaining close to the BoE target, it is now widely believed that the UK interest rates will not rise until 2019 as the Monetary Policy Committee is unlikely raise rates during Brexit negotiations to maintain a stable economy.

### What's happened since last month?

Index			Period
GDP	DOWN	1.8%	Q4-Q1
£ to Euro	DOWN	2.5%	Aug-Sep
£ to \$	DOWN	1.9%	Aug-Sep
£ to Yen	DOWN	1.9%	Aug-Sep
FTSE 100	UP	0.2%	Aug-Sep
FTSE 250	DOWN	0.4%	Aug-Sep
CPI	NONE	0.0%	Jun-Jul
RPI	UP	0.1%	Jun-Jul
Retail Sales	UP	1.9%	May-Jul
Mortgage Approvals	DOWN	6.2%	Jun-Jul
Unemployment	DOWN	0.1%	Jun-Jul
Energy Prices	DOWN	0.1%	Jun-Jul
Crude Oil Prices	UP	0.1%	Jun-Jul
Petrol Prices	DOWN	0.9%	Jul-Aug
Diesel Prices	DOWN	0.9%	Jul-Aug
Base Rate: 0.25%	NONE	0.0%	Aug-Sep

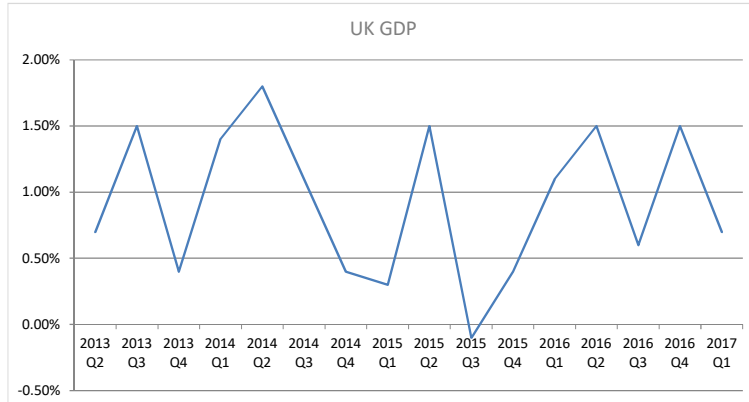
Figures based on most recent month/period available.

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

Index			Period
GDP	DOWN	1.4%	Q1-Q1
£ to Euro	DOWN	8.1%	Sep-Sep
£ to \$	DOWN	2.5%	Sep-Sep
£ to Yen	UP	4.1%	Sep-Sep
FTSE 100	UP	10.3%	Sep-Sep
FTSE 250	UP	10.8%	Sep-Sep
CPI	UP	2.0%	Jul-Jul
RPI	UP	1.7%	Jul-Jul
Retail Sales	UP	4.0%	Jul-Jul
Mortgage Approvals	UP	7.0%	Jun-Jun
Unemployment	DOWN	0.5%	Jul-Jul
Energy Prices	UP	2.6%	Jul-Jul
Crude Oil Prices	UP	6.9%	Jul-Jul
Petrol Prices	UP	3.4%	Aug-Aug
Diesel Prices	UP	3.7%	Aug-Aug
Base Rate: 0.25%	NONE	0.00%	Sep-Sep

Figures based on most recent month/period available

## GDP

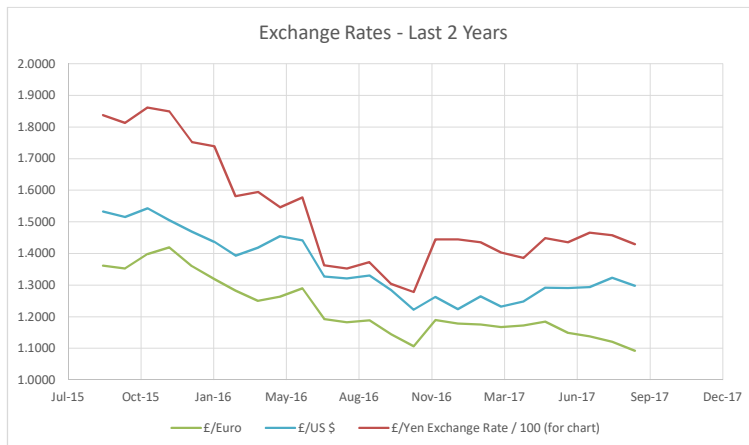


GDP as percentage growth/decline against previous quarter

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	0.70%

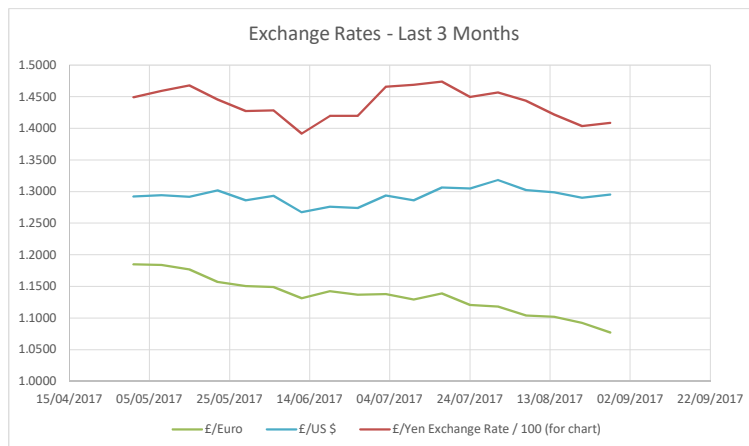
## Exchange Rates



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

Source: Bank Of England

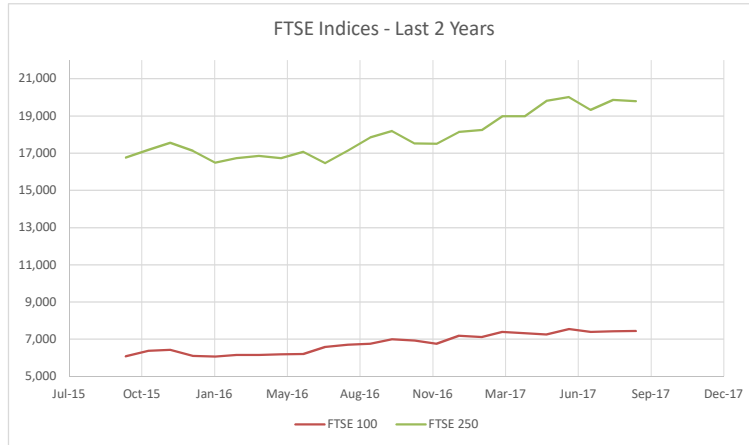
Month	£/Euro	£/US \$	£/Yen
Sep-15	1.3615	1.5325	183.7468
Oct-15	1.3526	1.5155	181.2993
Nov-15	1.3980	1.5428	186.1542
Dec-15	1.4191	1.5054	184.9685
Jan-16	1.3598	1.4689	175.2398
Feb-16	1.3191	1.4366	173.8861
Mar-16	1.2822	1.3925	158.1471
Apr-16	1.2503	1.4185	159.4252
May-16	1.2634	1.4551	154.5316
Jun-16	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
Sep-17	1.0923	1.2973	142.9625
Last Month %	-2.5%	-1.9%	-1.9%



Source: Bank Of England

Date	£/Euro	£/US \$	£/Yen
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
31/07/2017	1.1182	1.3183	145.6853
07/08/2017	1.1040	1.3023	144.3339
14/08/2017	1.1022	1.2987	142.1687
21/08/2017	1.0922	1.2904	140.3568
28/08/2017	1.0771	1.2952	140.8400

## FTSE 100 & FTSE 250

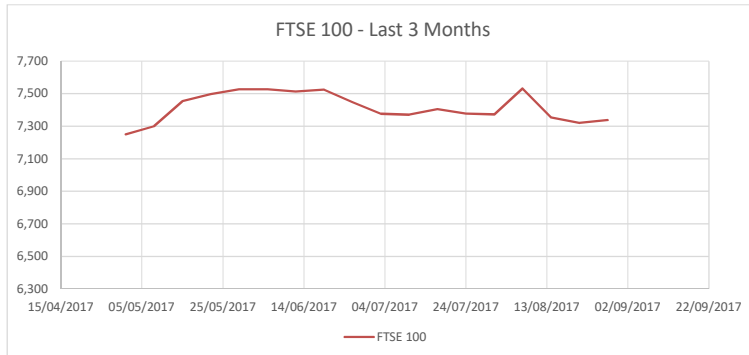


Value at 23 Jun 2016: 6,338 & 17,333

Source: London Stock Exchange

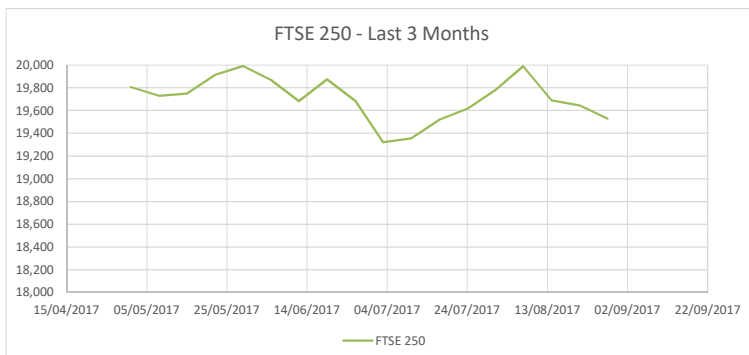
### LAST 2 YEARS

Month	FTSE 100	FTSE 250
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
Sep-17	7,439	19,786
Last Month %	0.2%	-0.4%



### LAST 3 MONTHS

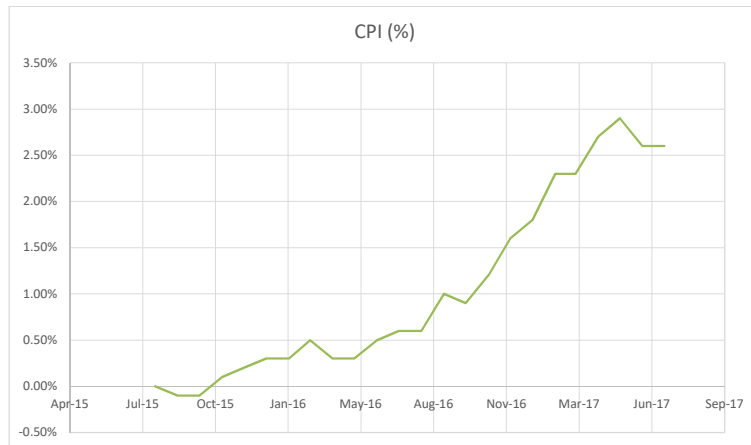
Date	FTSE 100	FTSE 250
01/05/2017	7,250	19,805
08/05/2017	7,301	19,730
15/05/2017	7,454	19,751
22/05/2017	7,496	19,913
29/05/2017	7,526	19,992
05/06/2017	7,526	19,869
12/06/2017	7,512	19,683
19/06/2017	7,524	19,873
26/06/2017	7,447	19,685
03/07/2017	7,377	19,320
10/07/2017	7,370	19,357
17/07/2017	7,404	19,521
24/07/2017	7,378	19,616
31/07/2017	7,372	19,781
07/08/2017	7,532	19,989
14/08/2017	7,354	19,692
21/08/2017	7,319	19,646
28/08/2017	7,337	19,529



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 (%)
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%
Jul-17	2.60%

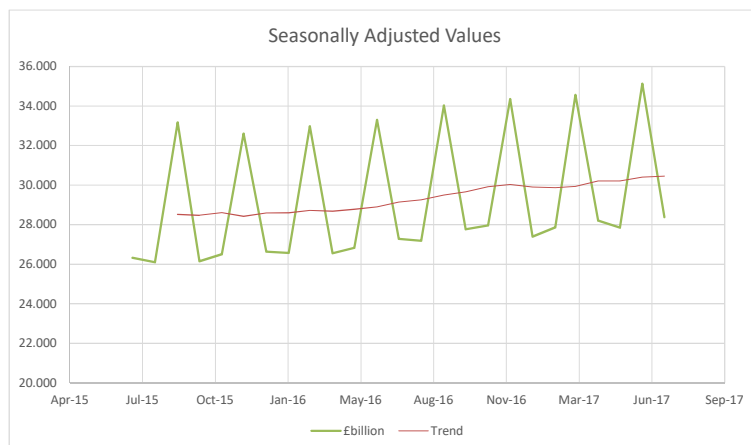
## RPI - Retail Price Index



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
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%
Jul-17	3.60%

## 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
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
Jul-17	28.374

Year-On-Year Change 1.092 billion  
4.00%

### Mortgage Approvals



Total number of mortgage approvals by banks in UK

Source: Bank of England

Month	Approvals
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
Jul-17	68,500
Last Month %	6.2%

### Unemployment



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

Source: Office of National Statistics

Month	Unemployment
Sep-15	5.40%
Oct-15	5.30%
Nov-15	5.20%
Dec-15	5.10%
Jan-16	5.10%
Feb-16	5.10%
Mar-16	5.10%
Apr-16	5.10%
May-16	5.00%
Jun-16	4.90%
Jul-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	4.70%
May-17	4.60%
Jun-17	4.50%
Jul-17	4.40%

## Energy Prices



Based on starting index of 100 in 2010

Source: Office of National Statistics

Month	Price Index
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
Jul-17	115.4
Last Month %	-0.1%

## Crude Oil Prices

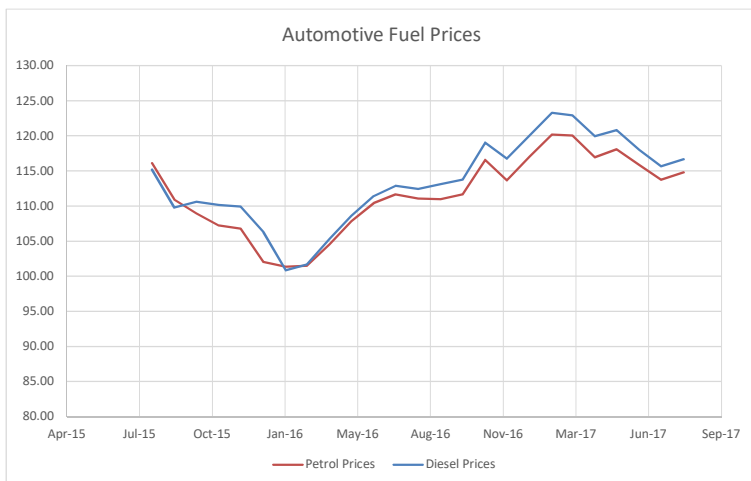


Crude Oil Price Index; 2010=100

Source: Office of National Statistics

Month	Oil Prices
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	71.3
Jul-17	71.4
Last Month %	0.1%

## Automotive Fuel Prices



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

Source: gov.co.uk

Month	Petrol Prices	Diesel Prices
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
Aug-17	114.78	116.64
Last Month %	0.9%	0.9%

## 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 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 August 2017

### Forecast Interest Rates

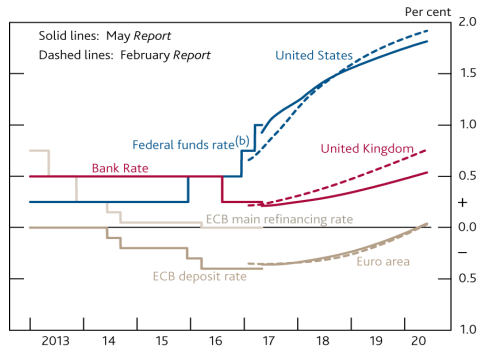
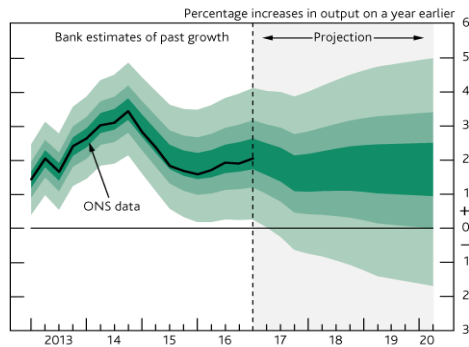


Chart shows latest forecast using solid line.

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)

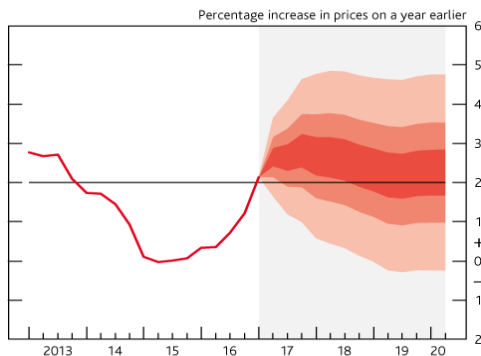
Conditional on the path for Bank Rate based on market yields and an unchanged stock of purchased assets, GDP grows at around 1¼% in the second and third years of the forecast period

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

	Mode	Median	Mean
2017 <sup>(b)</sup>	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.