

GIMA Pulse

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

Date of Report: 05/03/2018

Summary

During February the **FTSE 100** suffered a fall of nearly 10% within a few days, hitting a low last seen in December 2016, before recovering to finish the month 4.3% down on the January close. However analysts are seeing this activity as "market correction" rather than a portent of further falls.

Mortgage approvals bounced back from their 4-year low last month, which possibly reflected the knee-jerk response from buyers to the Bank of England's first interest rate rise in a decade.

CPI and RPI remain high at 3% and 4% and there is pressure on the Bank of England to further increase **interest rates** to bring inflation back down to target levels.

UK **GDP** remains steady at 0.7% which contrasts interestingly with the recently released figures from NIESR of *global* GDP growth of approximately 3.7% in 2017. US Q4 GDP is expected to be around 2.6% and China is anticipating 6.8% growth which is still strong despite their corporate debt concerns.

What's happened since last month?

Index			Period
GDP	NONE	0.0%	Q2-Q3
£ to Euro	DOWN	1.3%	Feb-Mar
£ to \$	DOWN	3.6%	Feb-Mar
£ to Yen	DOWN	5.6%	Feb-Mar
FTSE 100	DOWN	4.3%	Feb-Mar
FTSE 250	DOWN	3.2%	Feb-Mar
CPI	NONE	0.0%	Dec-Jan
RPI	DOWN	0.1%	Dec-Jan
Retail Sales	DOWN	1.6%	Nov-Jan
Mortgage Approvals	UP	9.8%	Dec-Jan
Unemployment	UP	0.1%	Nov-Dec
Energy Prices	DOWN	0.4%	Dec-Jan
Crude Oil Prices	UP	5.1%	Dec-Jan
Petrol Prices	UP	1.3%	Jan-Feb
Diesel Prices	UP	1.5%	Jan-Feb
Base Rate: 0.5%	NONE	0.0%	Feb-Mar

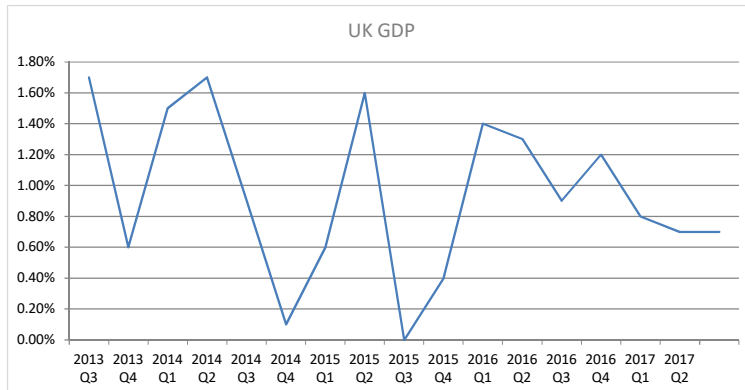
Figures based on most recent month/period available.

What's happened since this time last year?

Index			Period
GDP	DOWN	0.2%	Q3-Q3
£ to Euro	DOWN	3.4%	Mar-Mar
£ to \$	UP	11.4%	Mar-Mar
£ to Yen	UP	4.8%	Mar-Mar
FTSE 100	DOWN	2.9%	Mar-Mar
FTSE 250	UP	2.9%	Mar-Mar
CPI	UP	1.2%	Jan-Jan
RPI	UP	1.4%	Jan-Jan
Retail Sales	UP	4.1%	Jan-Jan
Mortgage Approvals	DOWN	1.5%	Jan-Jan
Unemployment	DOWN	0.4%	Dec-Dec
Energy Prices	UP	3.0%	Jan-Jan
Crude Oil Prices	UP	13.8%	Jan-Jan
Petrol Prices	UP	1.3%	Feb-Feb
Diesel Prices	UP	1.7%	Feb-Feb
Base Rate	UP	0.25%	Mar-Mar

Figures based on most recent month/period available

GDP

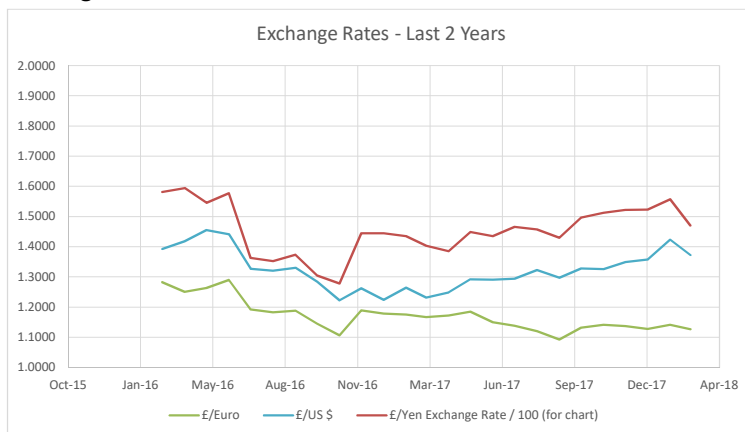


GDP as percentage growth/decline against previous quarter
CP SA version ie Current Prices Seasonally Adusted

Source: Office of National Statistics

Quarter	UK GDP
2013 Q3	1.70%
2013 Q4	0.60%
2014 Q1	1.50%
2014 Q2	1.70%
2014 Q3	0.90%
2014 Q4	0.10%
2015 Q1	0.60%
2015 Q2	1.60%
2015 Q3	0.00%
2015 Q4	0.40%
2016 Q1	1.40%
2016 Q2	1.30%
2016 Q3	0.90%
2016 Q4	1.20%
2017 Q1	0.80%
2017 Q2	0.70%

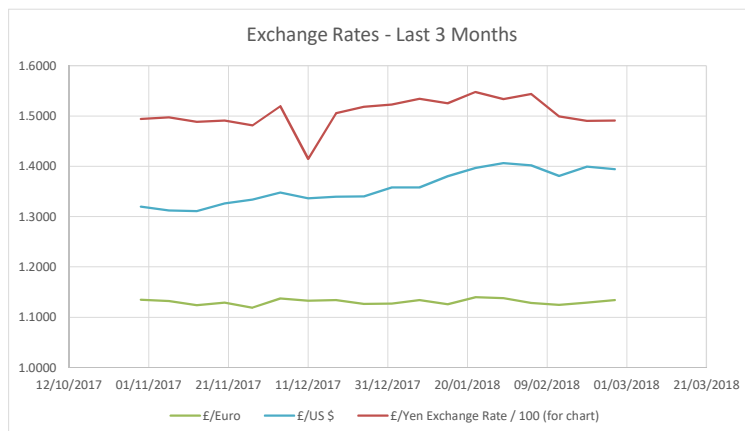
Exchange Rates



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

Source: Bank Of England

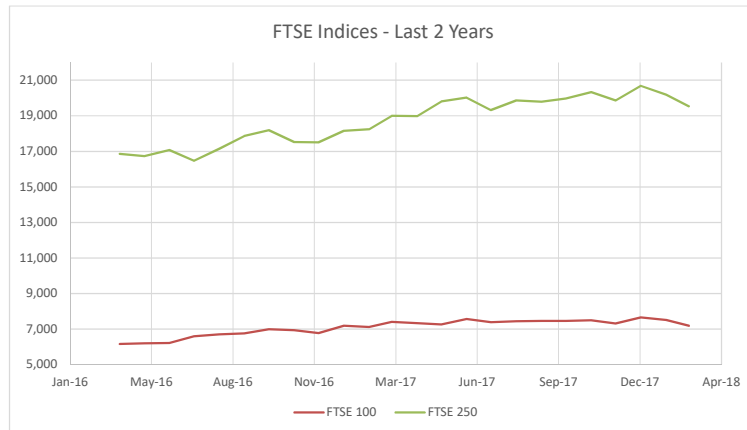
Month	£/Euro	£/US \$	£/Yen
Mar-16	1.2822	1.3925	158.1471
Apr-16	1.2503	1.4185	159.4252
May-16	1.2634	1.4551	154.5316
Jun-16	1.2898	1.4414	157.7324
Jul-16	1.1920	1.3270	136.2431
Aug-16	1.1823	1.3206	135.1898
Sep-16	1.1883	1.3299	137.3122
Oct-16	1.1442	1.2834	130.4191
Nov-16	1.1066	1.2220	127.7968
Dec-16	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
Oct-17	1.1313	1.3276	149.6471
Nov-17	1.1412	1.3257	151.1961
Dec-17	1.1370	1.3490	152.1672
Jan-18	1.1274	1.3579	152.2885
Feb-18	1.1417	1.4237	155.7243
Mar-18	1.1269	1.3725	146.9467
Last Month %	-1.3%	-3.6%	-5.6%



Source: Bank Of England

Date	£/Euro	£/US \$	£/Yen
30/10/2017	1.1349	1.3195	149.4334
06/11/2017	1.1325	1.3121	149.7500
13/11/2017	1.1240	1.3112	148.8343
20/11/2017	1.1289	1.3262	149.0781
27/11/2017	1.1192	1.3340	148.1274
04/12/2017	1.1375	1.3479	151.9488
11/12/2017	1.1328	1.3362	141.4850
18/12/2017	1.1343	1.3398	150.5533
25/12/2017	1.1265	1.3399	151.8107
01/01/2018	1.1274	1.3579	152.2885
08/01/2018	1.1339	1.3581	153.4381
15/01/2018	1.1258	1.3802	152.5259
22/01/2018	1.1400	1.3969	154.7625
29/01/2018	1.1381	1.4063	153.3148
05/02/2018	1.1285	1.4016	154.3302
12/02/2018	1.1246	1.3809	149.8967
19/02/2018	1.1288	1.3994	149.0501
26/02/2018	1.1344	1.3941	149.0851

FTSE 100 & FTSE 250

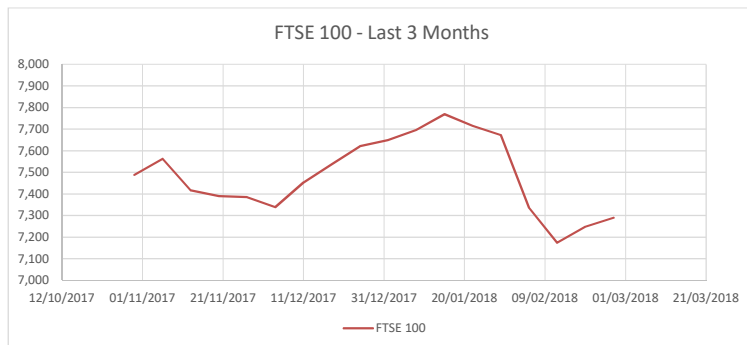


Value at 23 Jun 2016: 6,338 & 17,333

Source: London Stock Exchange

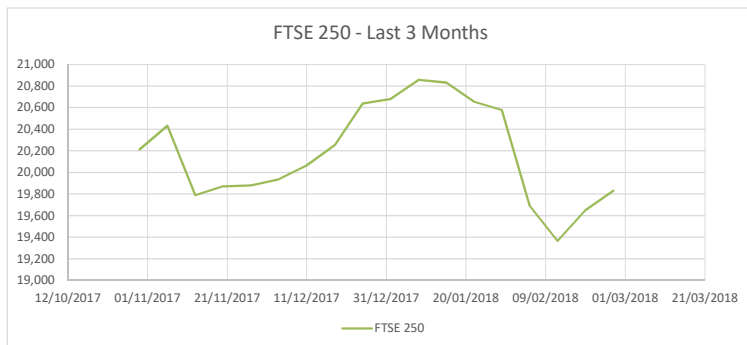
LAST 2 YEARS

Month	FTSE 100	FTSE 250
Apr-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
Oct-17	7,438	19,957
Nov-17	7,488	20,328
Dec-17	7,300	19,854
Jan-18	7,648	20,681
Feb-18	7,490	20,186
Mar-18	7,168	19,539
Last Month %	-4.3%	-3.2%



LAST 3 MONTHS

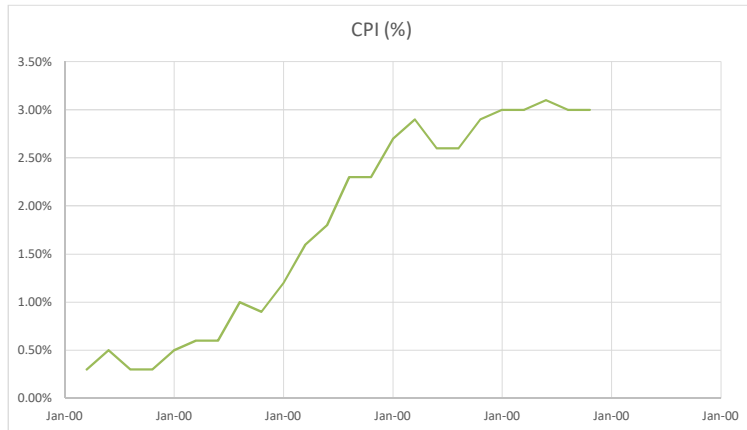
Date	FTSE 100	FTSE 250
30/10/2017	7,488	20,213
06/11/2017	7,562	20,433
13/11/2017	7,415	19,788
20/11/2017	7,389	19,871
27/11/2017	7,384	19,881
04/12/2017	7,339	19,936
11/12/2017	7,453	20,065
18/12/2017	7,537	20,255
25/12/2017	7,621	20,640
01/01/2018	7,648	20,681
08/01/2018	7,697	20,857
15/01/2018	7,769	20,833
22/01/2018	7,715	20,655
29/01/2018	7,672	20,578
05/02/2018	7,335	19,690
12/02/2018	7,174	19,365
19/02/2018	7,248	19,654
26/02/2018	7,290	19,829



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

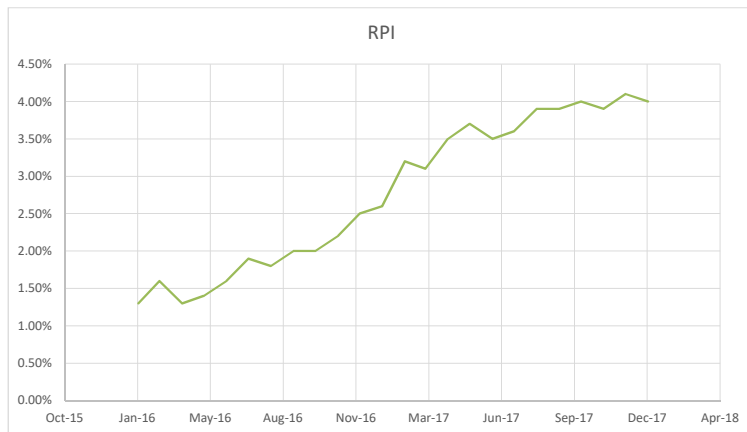
CPI - Consumer Price Index



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-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%
Aug-17	2.90%
Sep-17	3.00%
Oct-17	3.00%
Nov-17	3.10%
Dec-17	3.00%
Jan-18	3.00%

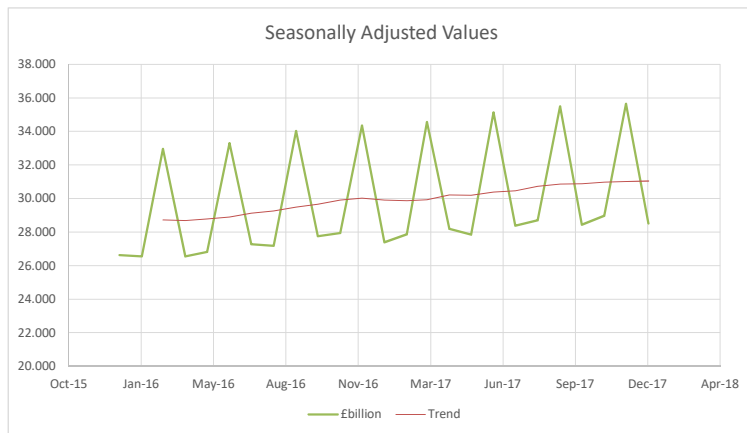
RPI - Retail Price Index



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-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%
Aug-17	3.90%
Sep-17	3.90%
Oct-17	4.00%
Nov-17	3.90%
Dec-17	4.10%
Jan-18	4.00%

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-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
Aug-17	28.697
Sep-17	35.502
Oct-17	28.444
Nov-17	28.971
Dec-17	35.649
Jan-18	28.515

Year-On-Year Change 1.130 billion
4.13%

Mortgage Approvals



Month	Approvals
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	69,500
Aug-17	67,000
Sep-17	66,000
Oct-17	65,000
Nov-17	65,000
Dec-17	61,500
Jan-18	67,500

Last Month % *9.8%*

Unemployment



Month	Unemployment
Feb-16	5.10%
Mar-16	5.10%
Apr-16	5.00%
May-16	4.90%
Jun-16	4.90%
Jul-16	4.90%
Aug-16	4.90%
Sep-16	4.80%
Oct-16	4.80%
Nov-16	4.80%
Dec-16	4.80%
Jan-17	4.70%
Feb-17	4.70%
Mar-17	4.70%
Apr-17	4.60%
May-17	4.50%
Jun-17	4.40%
Jul-17	4.30%
Aug-17	4.30%
Sep-17	4.30%
Oct-17	4.30%
Nov-17	4.30%
Dec-17	4.40%

Energy Prices

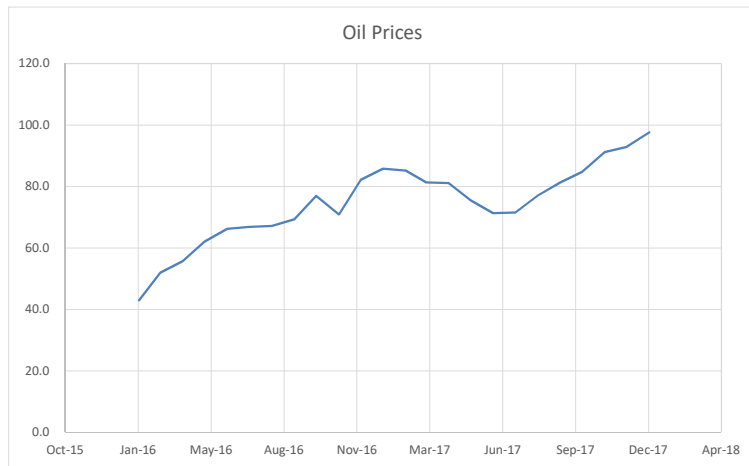


Based on starting index of 100 in 2010

Source: Office of National Statistics

Month	Price Index
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
Aug-17	116.1
Sep-17	116.4
Oct-17	116.6
Nov-17	117.0
Dec-17	117.3
Jan-18	116.8
Last Month %	-0.4%

Crude Oil Prices

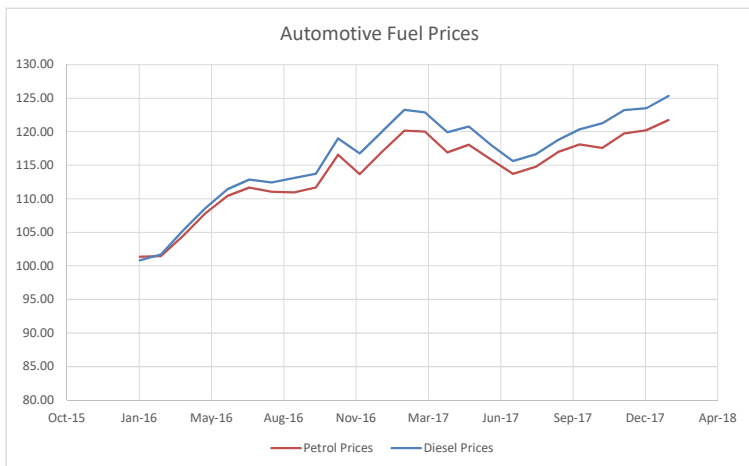


Crude Oil Price Index; 2010=100

Source: Office of National Statistics

Month	Oil Prices
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	71.5
Aug-17	77.0
Sep-17	81.3
Oct-17	84.7
Nov-17	91.2
Dec-17	92.9
Jan-18	97.6
Last Month %	5.1%

Automotive Fuel Prices



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

Source: gov.co.uk

Month	Petrol Prices	Diesel Prices
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
Sep-17	116.95	118.77
Oct-17	118.13	120.37
Nov-17	117.57	121.27
Dec-17	119.75	123.21
Jan-18	120.19	123.51
Feb-18	121.73	125.36
Last Month %	1.3%	1.5%

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.

The following charts are re-produced from Bank Of England Inflation Report, Feb 2018

<https://www.bankofengland.co.uk/inflation-report/2018/february-2018>

Forecast Interest Rates

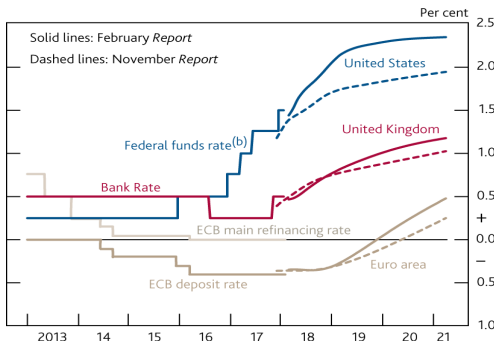
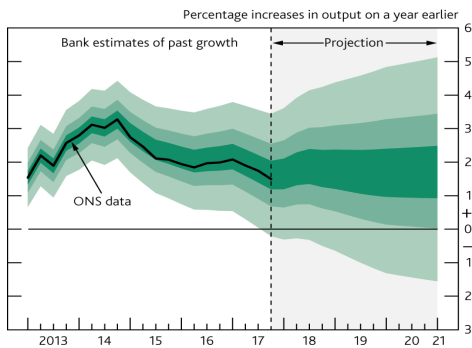


Chart shows latest forecast using solid line.

UK interest rates are likely to rise more rapidly than previously thought to 1.25% by 2021 which is slightly higher than the previous forecast (dashed line) with the Bank of England expected to continue raising rates to combat high inflation.

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

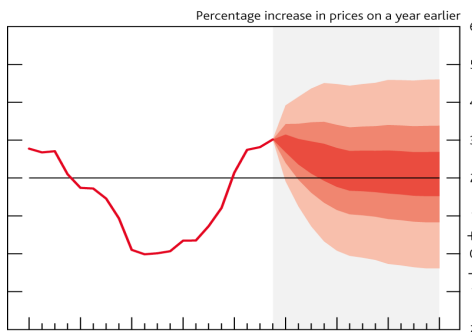
Forecast GDP



The fan chart shows highest probability in the central, darkest band.

Despite an initial downward turn, GDP is likely to show 1 to 2.5% growth over next 2-3 years, which is the same as the prediction from last quarter's report.

Forecast Inflation (CPI)



The fan chart shows highest probability in the central, darkest band.

Government's 2% target is shown as horizontal line.

Despite an initial spike at the beginning on 2018, inflation expected to then slow towards the end of the year before easing off to 2% by the end of 2020, which is the target to provide the greatest stability for an economy.