

## GIMA Pulse

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

Date of Report: 05/10/2018

### Summary

The £ is steady following a poor start to the new month that saw it underperform against major rivals on a tide of negative Brexit headlines and a below-expectation manufacturing data release.

The construction sector slipped back into a slower growth phase in August, with this summer's catchup effect starting to unwind after projects were delayed by adverse weather at the start of 2018.

Foreign demand decreased for the first time since April 2016, despite the continued relative weakness of the sterling exchange rate. Some firms linked lower inflows of new work from abroad to the recent weaker pace of expansion of the world economy.

However UK **GDP** is up 0.3% for the recently released Q2 2018 figures - and the final page shows the latest forecast charts from the Bank Of England which indicate an expected increase in **GDP** over the next 2-3 years.

### What's happened since last month?

Index			Period
GDP	UP	0.3%	Q1-Q2
£ to Euro	UP	1.6%	Sep-Oct
£ to \$	UP	1.2%	Sep-Oct
£ to Yen	UP	3.9%	Sep-Oct
FTSE 100	DOWN	0.1%	Sep-Oct
FTSE 250	DOWN	1.4%	Sep-Oct
CPI	UP	0.2%	Jul-Aug
RPI	UP	0.3%	Jul-Aug
Retail Sales	UP	0.7%	Jul-Aug
Mortgage Approvals	UP	2.3%	Jul-Aug
Unemployment	NONE	0.0%	Jun-Jul
Energy Prices	UP	0.7%	Jul-Aug
Crude Oil Prices	NONE	0.0%	Jul-Aug
Petrol Prices	UP	1.5%	Aug-Sep
Diesel Prices	UP	1.9%	Aug-Sep
Base Rate: 0.75%	NONE	0.00%	Sep-Oct

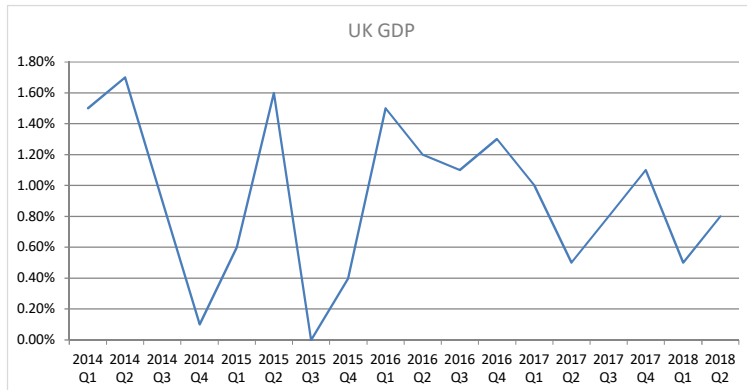
Figures based on most recent month/period available.

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

Index			Period
GDP	UP	0.3%	Q2-Q2
£ to Euro	DOWN	0.5%	Oct-Oct
£ to \$	DOWN	1.8%	Oct-Oct
£ to Yen	DOWN	0.7%	Oct-Oct
FTSE 100	UP	0.8%	Oct-Oct
FTSE 250	UP	2.2%	Oct-Oct
CPI	DOWN	0.2%	Aug-Aug
RPI	DOWN	0.4%	Aug-Aug
Retail Sales	UP	4.2%	Aug-Aug
Mortgage Approvals	DOWN	0.7%	Aug-Aug
Unemployment	DOWN	0.3%	Jul-Jul
Energy Prices	UP	2.6%	Aug-Aug
Crude Oil Prices	UP	41.8%	Aug-Aug
Petrol Prices	UP	11.1%	Aug-Aug
Diesel Prices	UP	13.5%	Aug-Aug
Base Rate	UP	0.50%	Oct-Oct

Figures based on most recent month/period available

## GDP

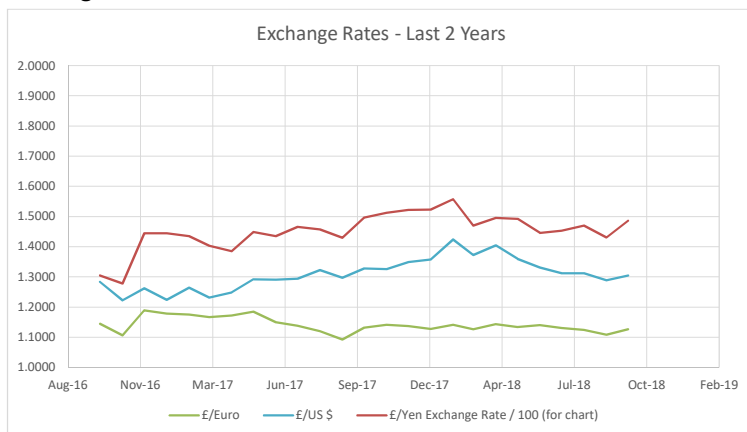


GDP as percentage growth/decline against previous quarter  
CP SA version ie Current Prices Seasonally Adusted

Source: Office of National Statistics

Quarter	UK GDP
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	1.50%
2016 Q2	1.20%
2016 Q3	1.10%
2016 Q4	1.30%
2017 Q1	1.00%
2017 Q2	0.50%
2017 Q3	0.80%
2017 Q4	1.10%
2018 Q1	0.50%
2018 Q2	0.80%

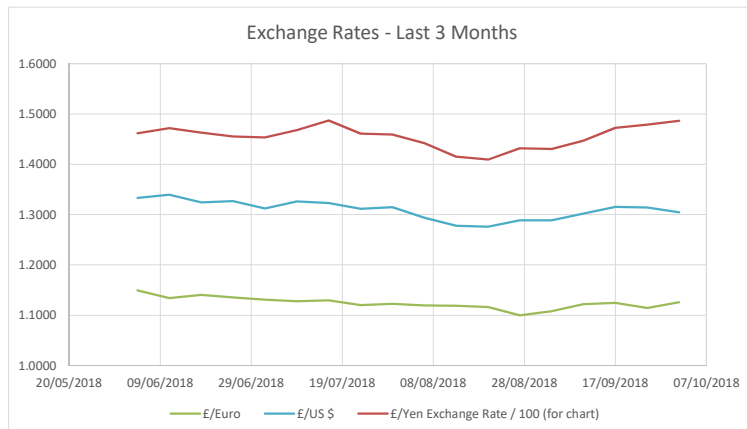
## Exchange Rates



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

Source: Bank Of England

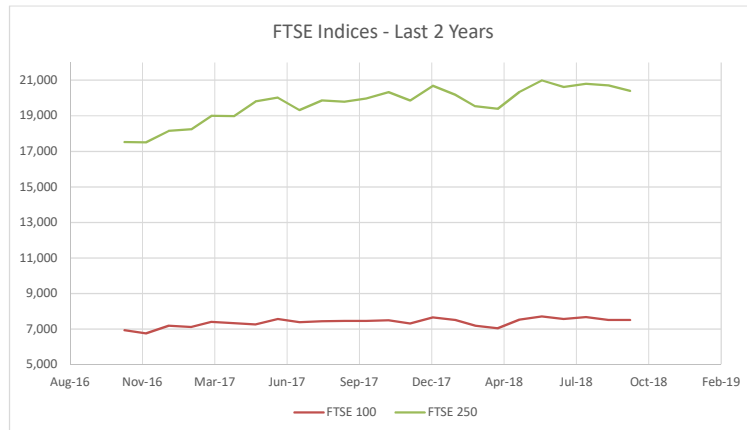
Month	£/Euro	£/US \$	£/Yen
Oct-16	1.1442	1.2834	130.4191
Nov-16	1.1066	1.2220	127.7968
Dec-16	1.1893	1.2622	144.4083
Jan-17	1.1786	1.2240	144.4565
Feb-17	1.1756	1.2647	143.5308
Mar-17	1.1669	1.2317	140.2906
Apr-17	1.1718	1.2483	138.5613
May-17	1.1848	1.2920	144.8849
Jun-17	1.1494	1.2903	143.5330
Jul-17	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
Apr-18	1.1437	1.4038	149.5749
May-18	1.1337	1.3596	149.2161
Jun-18	1.1400	1.3308	144.5914
Jul-18	1.1308	1.3124	145.3483
Aug-18	1.1241	1.3122	146.9533
Sep-18	1.1081	1.2885	143.0493
Oct-18	1.1260	1.3043	148.6250
Last Month %	1.6%	1.2%	3.9%



Source: Bank Of England

Date	£/Euro	£/US \$	£/Yen
04/06/2018	1.1497	1.3332	146.1854
11/06/2018	1.1344	1.3394	147.2001
18/06/2018	1.1403	1.3241	146.2601
25/06/2018	1.1353	1.3269	145.5477
02/07/2018	1.1308	1.3124	145.3483
09/07/2018	1.1276	1.3260	146.8147
16/07/2018	1.1300	1.3231	148.7032
23/07/2018	1.1203	1.3113	146.0788
30/07/2018	1.1224	1.3145	145.8832
06/08/2018	1.1194	1.2940	144.2163
13/08/2018	1.1189	1.2777	141.5308
20/08/2018	1.1161	1.2759	140.9232
27/08/2018	1.1000	1.2884	143.1928
03/09/2018	1.1081	1.2885	143.0493
10/09/2018	1.1219	1.3019	144.6671
17/09/2018	1.1249	1.3151	147.2254
24/09/2018	1.1145	1.3139	147.8663
01/10/2018	1.1260	1.3043	148.6250

## FTSE 100 & FTSE 250

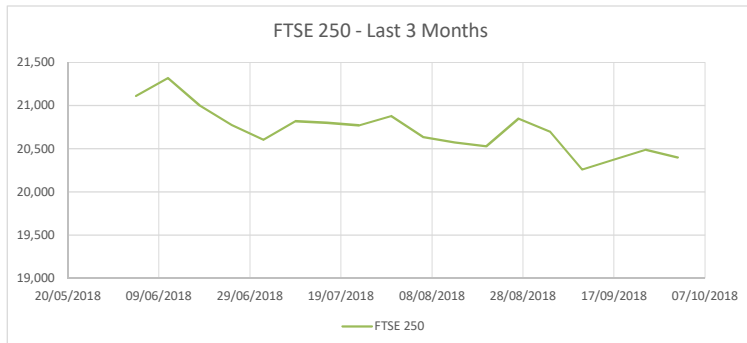
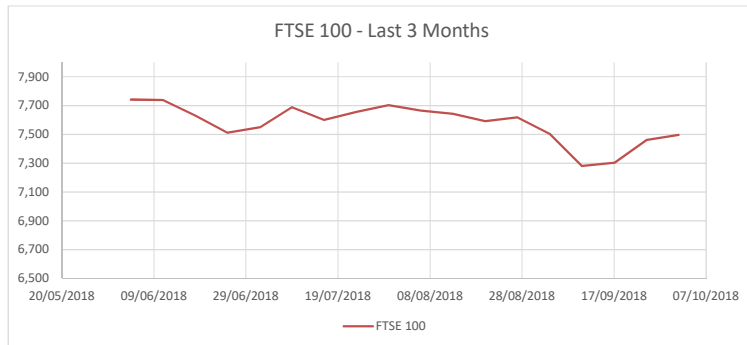


Value at 23 Jun 2016: 6,338 & 17,333

Source: London Stock Exchange

### LAST 2 YEARS

Month	FTSE 100	FTSE 250
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
Apr-18	7,026	19,389
May-18	7,520	20,348
Jun-18	7,702	20,985
Jul-18	7,548	20,606
Aug-18	7,653	20,801
Sep-18	7,505	20,696
Oct-18	7,496	20,401
Last Month %	-0.1%	-1.4%



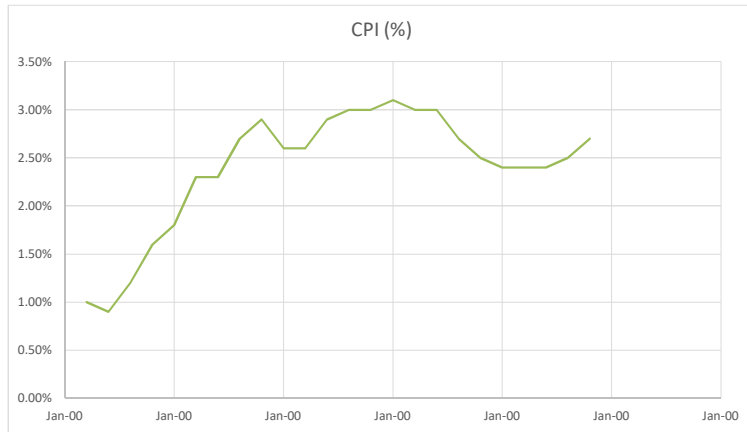
FTSE 100 - an index of the top 100 companies in UK  
FTSE 250 - an index of the top 250 companies in UK

Source: London Stock Exchange

### LAST 3 MONTHS

Date	FTSE 100	FTSE 250
04/06/2018	7,741	21,111
11/06/2018	7,737	21,319
18/06/2018	7,631	21,000
25/06/2018	7,510	20,775
02/07/2018	7,548	20,606
09/07/2018	7,688	20,821
16/07/2018	7,600	20,801
23/07/2018	7,656	20,770
30/07/2018	7,701	20,878
06/08/2018	7,664	20,639
13/08/2018	7,643	20,575
20/08/2018	7,591	20,531
27/08/2018	7,617	20,849
03/09/2018	7,505	20,696
10/09/2018	7,279	20,260
17/09/2018	7,302	20,374
24/09/2018	7,458	20,488
01/10/2018	7,496	20,401

## 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 (%)
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%
Feb-18	2.70%
Mar-18	2.50%
Apr-18	2.40%
May-18	2.40%
Jun-18	2.40%
Jul-18	2.50%
Aug-18	2.70%

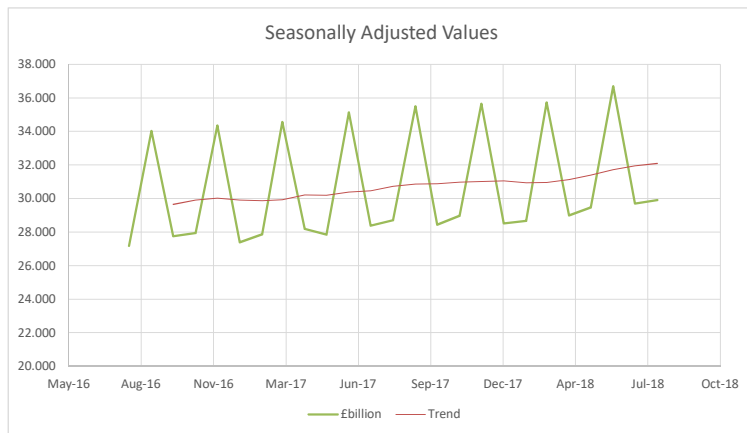
## RPI - Retail Price Index



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
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%
Feb-18	3.60%
Mar-18	3.30%
Apr-18	3.40%
May-18	3.30%
Jun-18	3.40%
Jul-18	3.20%
Aug-18	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
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
Feb-18	28.657
Mar-18	35.719
Apr-18	28.998
May-18	29.466
Jun-18	36.689
Jul-18	29.697
Aug-18	29.897

Year-On-Year Change 1.200 billion  
4.18%

## Mortgage Approvals



Total number of mortgage approvals by banks in UK

Source: Bank of England

Month	Approvals
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	61,000
Jan-18	67,000
Feb-18	64,000
Mar-18	63,000
Apr-18	63,000
May-18	64,500
Jun-18	65,500
Jul-18	65,000
Aug-18	66,500

Last Month % 2.3%

## Unemployment



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

Source: Office of National Statistics

Month	Unemployment
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%
Jan-18	4.30%
Feb-18	4.20%
Mar-18	4.20%
Apr-18	4.20%
May-18	4.20%
Jun-18	4.00%
Jul-18	4.00%

## Energy Prices



Based on starting index of 100 in 2010

Source: Office of National Statistics

Month	Price Index
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
Feb-18	117.3
Mar-18	117.4
Apr-18	117.9
May-18	118.3
Jun-18	118.3
Jul-18	118.3
Aug-18	119.1
Last Month %	0.7%

## Crude Oil Prices

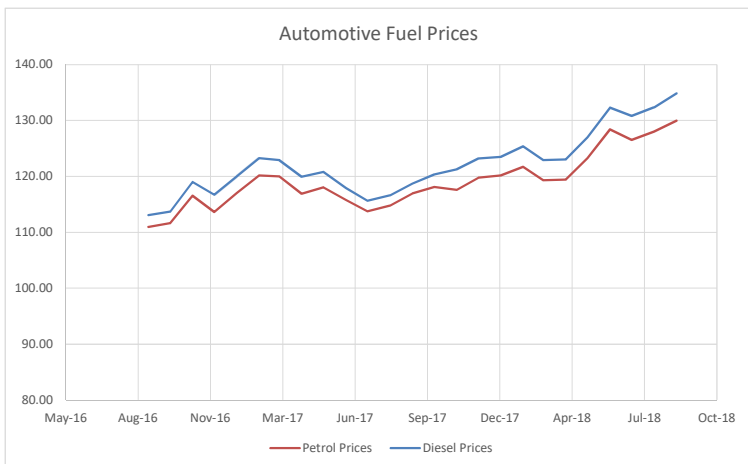


Crude Oil Price Index; 2010=100

Source: Office of National Statistics

Month	Oil Prices
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	96.9
Feb-18	92.7
Mar-18	92.1
Apr-18	97.0
May-18	110.2
Jun-18	109.6
Jul-18	109.2
Aug-18	109.2
Last Month %	0.0%

## Automotive Fuel Prices



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

Source: gov.co.uk

Month	Petrol Prices	Diesel Prices
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
Mar-18	119.29	122.92
Apr-18	119.43	123.05
May-18	123.27	126.99
Jun-18	128.43	132.34
Jul-18	126.54	130.83
Aug-18	128.02	132.39
Sep-18	129.98	134.86
Last Month %	1.5%	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.

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

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

**Forecast Interest Rates**

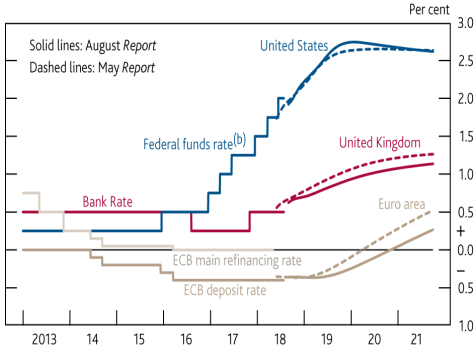
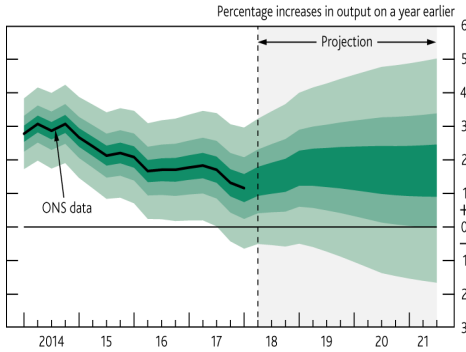


Chart shows latest forecast using solid line. UK interest rates are expected to rise more steadily than previously thought in May to 1.125% by 2021 which is just shy of the previous forecast (dashed line) with the Bank of England raising rates slowly with the next hike expected in Summer 2019.

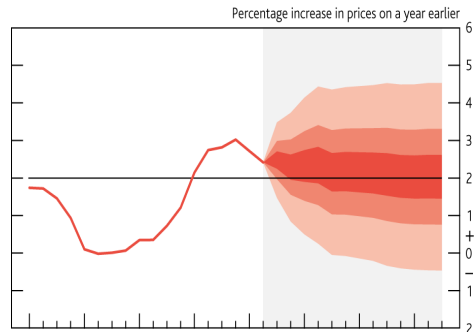
Sources: Bank of England, Bloomberg, European Central Bank (ECB) and Federal Reserve (ref 1.3p7)

**Forecast GDP**



The fan chart shows highest probability in the central, darkest band. Despite an volatile yet rapid growth projection for 2018, GDP is expected to stabilise to 1 - 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. The Government's 2% target is shown as horizontal line. Despite a fall towards the national target of inflation in the 1st quarter of 2018, inflation is expected to prove volatile and possibly rise for next 12 months. Gradually easing to 2% midway through 2019, which is the target to provide the greatest stability for an