



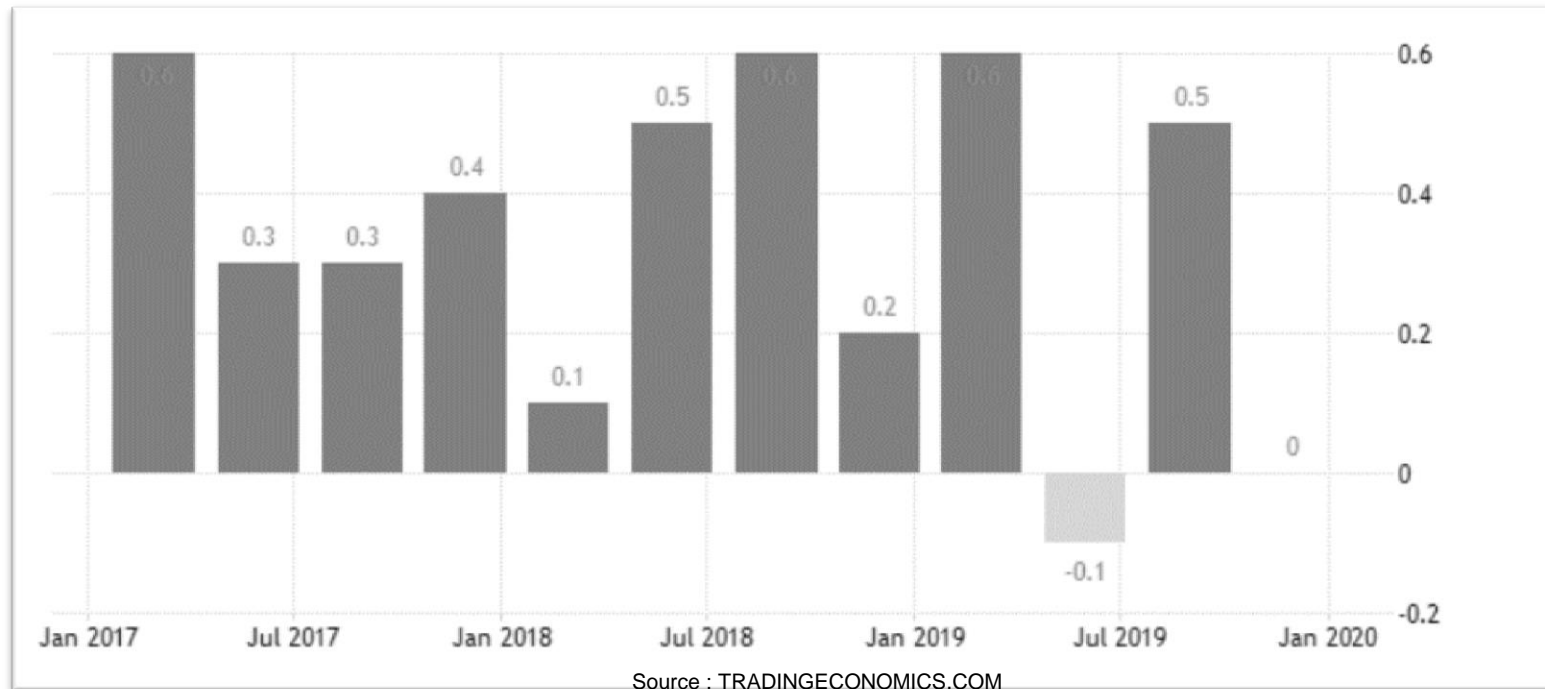
UNITED KINGDOM ECONOMY

09.03.2020

Growth

- Britain's economy saw zero growth in the final quarter of last year as manufacturing shrank heading into the country's general election that unlocked Brexit.
- Household spending rose at the weakest rate in four years, while government spending increased the most since the first quarter of 2012.
- Net trade also contributed positively to growth, while fixed capital formation contracted 1.6 percent driven by declines in investment in information and communication technology (ICT) equipment, dwellings, transport, and intellectual property products.

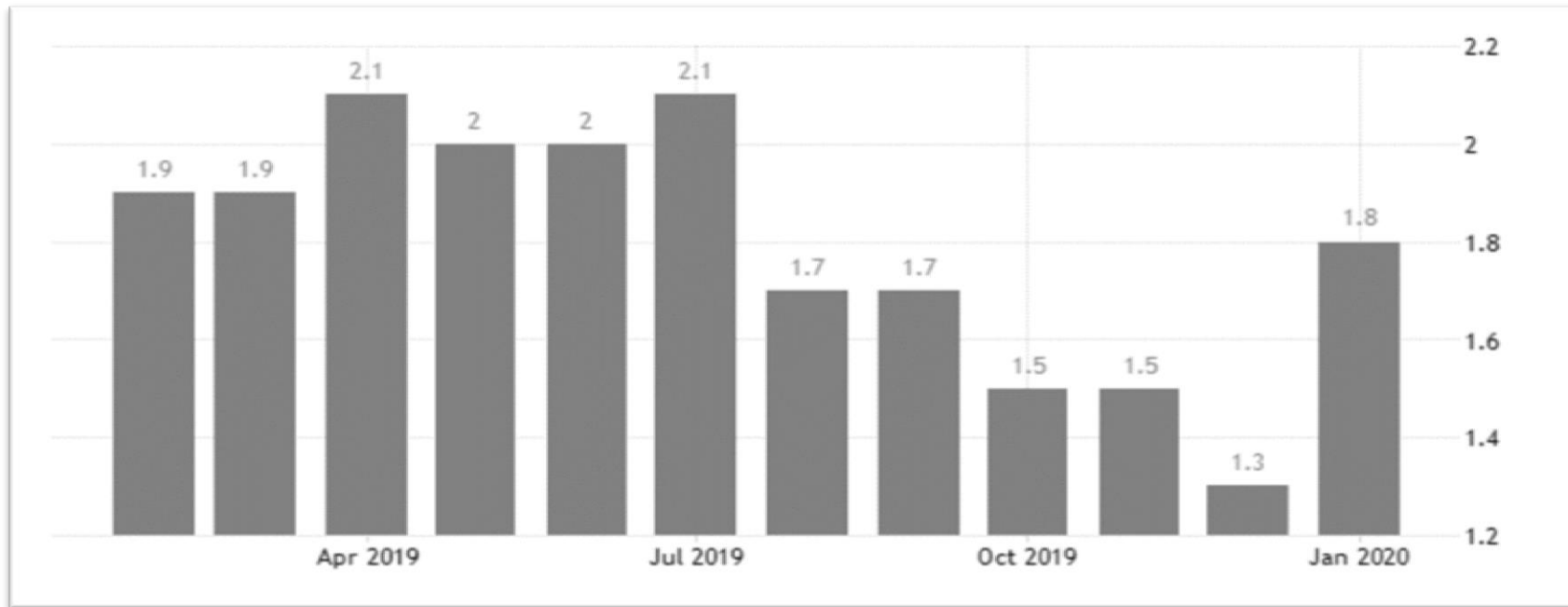
GDP Annual Growth



Inflation

- The annual inflation rate in the United Kingdom jumped to 1.8% in January of 2020 from 1.3% in December and above market expectations of 1.6%.
- It is the highest reading in six months, mainly boosted by prices of transport (1.8% vs 0.7% in December), namely airfares (0.9% vs -8.5%); fuels and lubricants (4.7% vs 1%, the biggest rise since November 2018); housing and utilities (2% vs 0.4%), namely electricity (8.6% vs 3.3%); restaurants and hotels (2.2% vs 1.6%); and miscellaneous goods and services (2.4% vs 2.2%).
- Core inflation which excludes energy, fuel, alcohol and tobacco, rose to 1.6% from 1.4% in December.

Inflation

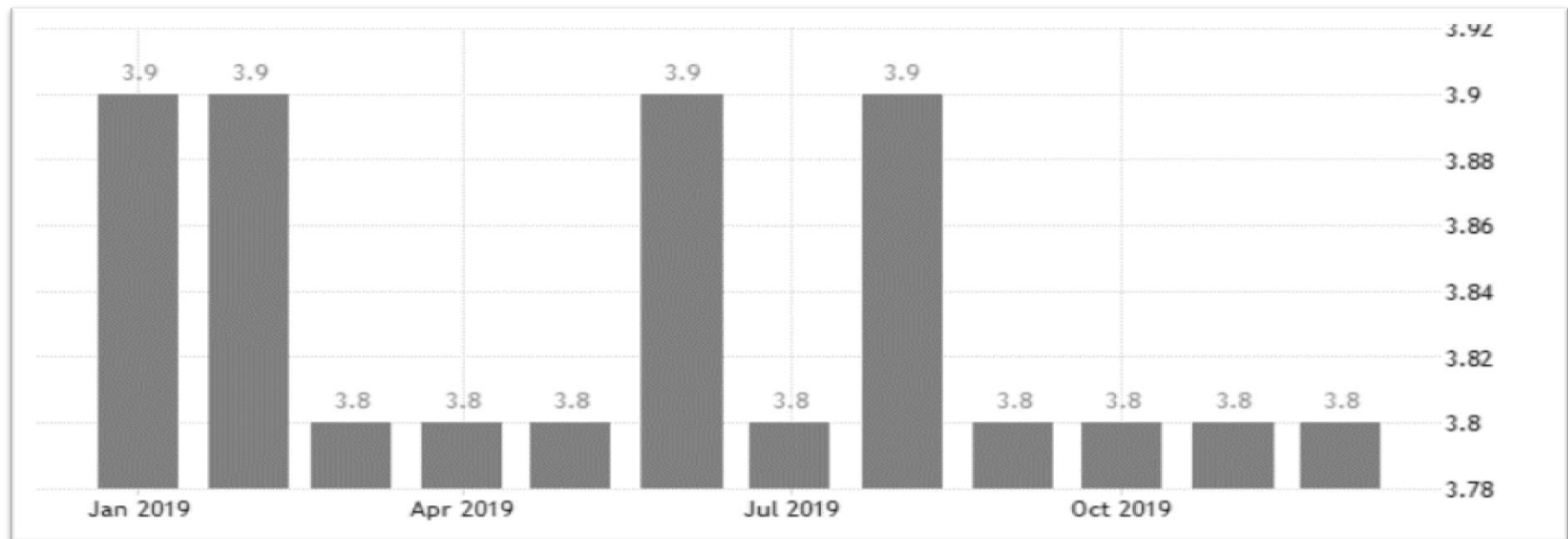


Source : TRADINGECONOMICS.COM

Unemployment Rate

- The UK unemployment rate stood at 3.8% in the three months to December 2019, the lowest level since early 1975 and in line with market expectations.
- The number of people out of work declined by 73,000 to 1.29 million while the number of employed people rose by 336,000 to a record high of 32.93 million.
- Total pay growth slowed to 2.9%, the slowest pace since the three months to August 2018 and below expectations of 3%.

Unemployment Rate

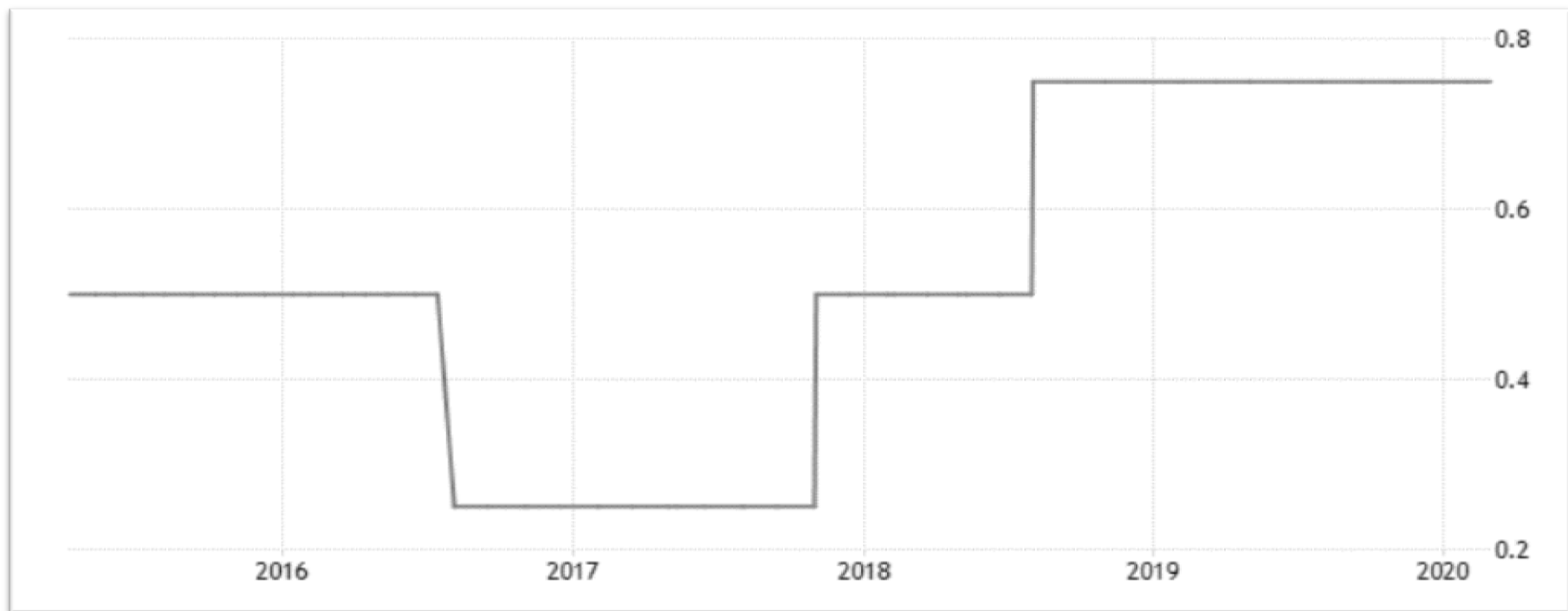


Source : TRADINGECONOMICS.COM

Policy Rate

- The Bank of England will take all necessary steps to support the UK economy as the coronavirus outbreak hurts global growth, Bank of England Governor Mark Carney told Britain's parliament
- The governor also said that policymakers around the world were working together to limit the impact of the rapid spread of the virus on their economies, and that it was reasonable to expect a "powerful and timely" response that reflects a combination of fiscal measures and central bank initiatives.
- Still, Carney noted that the committee will only make a decision at the appropriate time, not before. In January, the Bank of England held the Bank Rate at 0.75% and revised down GDP forecasts for 2020, 2021 and 2022.

Policy Rate



Source : TRADINGECONOMICS.COM

BOE Interest Rate Forecasts

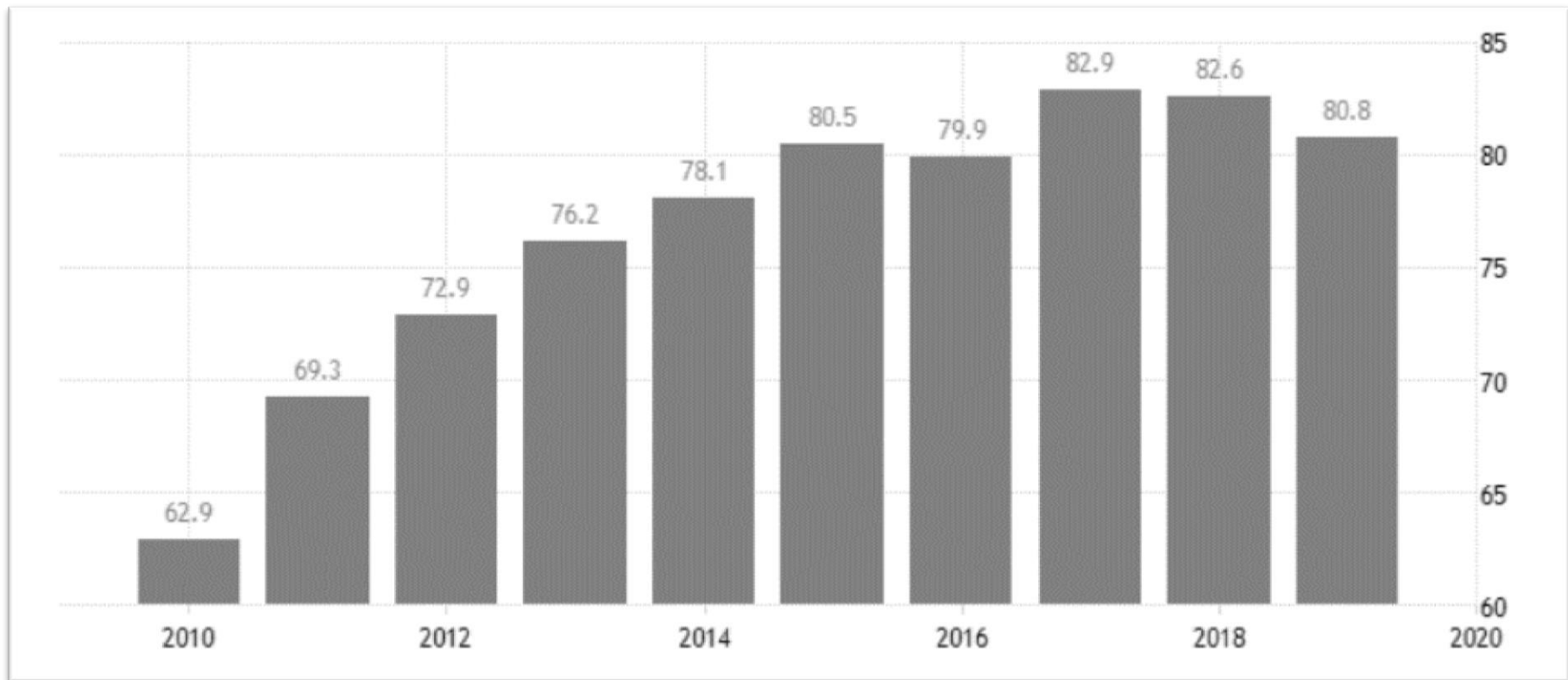
- According to the Bloomberg Terminal, the Bank of England appears to have an interest rate cut of 25 bp on March 26, 2020.
- The huge decline in the growth rate of the UK economy and the deterioration in macroeconomic data compelled the BOE to cut interest rates. The risk appetite that has increased with the corona epidemic in recent months and the deterioration in the markets may be the biggest factor that forces the central bank to cut interest rates.

Show Models >>		Instrument: Overnight Index Swaps >>		Enable Overrides	
Region: United Kingdom >>		Pricing Date		03/04/2020	
Target Rate	0.750	Cur. Imp. O/N Rate		0.539	
Effective Rate	0.70980				
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
03/26/2020	-0.821	-82.1%	-0.205	0.334	0.250
05/07/2020	-1.052	-23.1%	-0.263	0.276	0.250
06/18/2020	-1.048	+0.5%	-0.262	0.277	0.250
08/06/2020	-1.133	-8.5%	-0.283	0.256	0.250
09/17/2020	-1.199	-6.6%	-0.300	0.239	0.250
11/05/2020	-1.125	+7.4%	-0.281	0.258	0.250
12/17/2020	-1.318	-19.3%	-0.330	0.209	0.250
02/04/2021	-1.039	+27.9%	-0.260	0.279	0.250

Source : Bloomberg Terminal

Public Sector Net Debt to GDP

- The UK's public sector net debt was equivalent to 80.8% of the country's GDP in 2018-19 fiscal year.
- Government Debt to GDP in the United Kingdom averaged 44.18% from 1975 until 2019, reaching an all time high of 82.90% in 2017 and a record low of 21.70% in 1991



Source : TRADINGECONOMICS.COM

GBP/USD & EUR/GBP

- The GBPUSD rate started 2020 at 1.32 levels, dropping to 1.27 levels due to the increased risk appetite and the strengthening of the Dollar index as a result of the effect of the corona virus. With the interest rate cut by FED on the 3rd of March, the currency continues to move around 1.31 levels.
- The EURGBP rate started 2020 at 0.8450 levels. With the spread of the corona virus to Europe and the fear that it will affect the macro indicators of the European region, the currency fell to 0.83 levels. The EURGBP exchange rate, which increased again towards the end of February, is trading at 0.8715 levels.



Source : Bloomberg Terminal

GBP/TRY

- ib The GBPTRY rate had started the new year at 7.89 levels. The currency fell to 7.60 levels in the middle of January with the impact of the growth data of the UK economy worse than expected and the deterioration in macro indicators. GBPTRY gained value with an increase in geopolitical risk in Turkey and traded from 8.00 level at 09.03.2020



Source : Bloomberg Terminal

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