



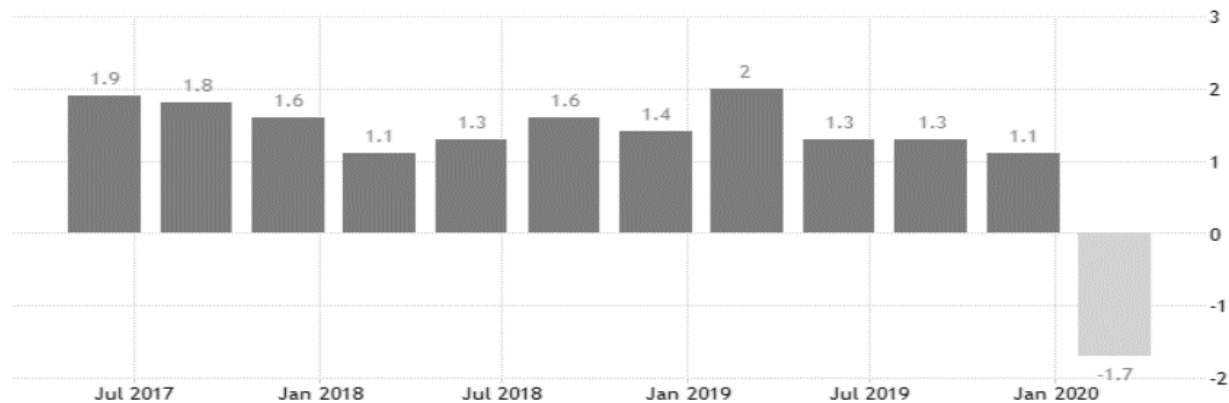
UNITED KINGDOM ECONOMY

05.08.2020

Growth

- When compared with the same quarter a year ago, UK GDP decreased by 1.7% in Quarter 1 2020; the biggest fall since Quarter 4 2009, when it also fell by 1.7%.
- This release captures the first direct effects of the coronavirus (COVID-19) pandemic, and the government measures taken to reduce transmission of the virus.
- There has been widespread disruption to economic activity, as services output fell by a record 1.9% in Quarter 1. There were also significant contractions in production and construction. Household consumption fell by 1.7% in Quarter 1 2020, the largest contraction since Quarter 4 2008, alongside declines in gross fixed capital formation, government consumption and trade volumes.
- The Bank of England projects the worst UK economic slump since 1706. The Bank said it expects UK gross domestic product to fall by 14% over 2020 as a whole, driven by a 25% decline in the second quarter.

GDP Annual Growth

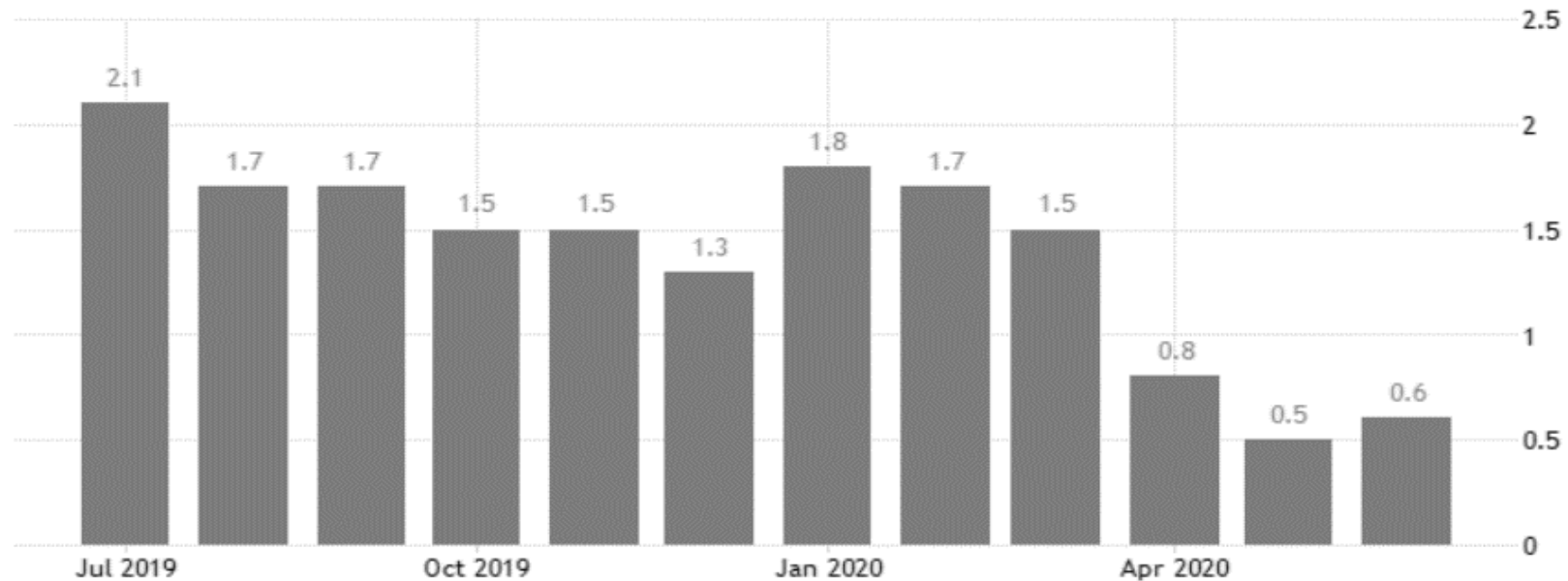


Source : TRADINGECONOMICS.COM

Inflation

- tb UK inflation increased for the first time this year in June as non-essential shops reopened from coronavirus lockdown, official figures have shown, although it was still well below the Bank of England's target. UK inflation as measured by the consumer price index came in at 0.6% in June.
- tb Also In June, the UK government allowed non-essential retailers to reopen after months of coronavirus lockdown. Restaurants, pubs, cafes and hotels remained closed, however.
- tb Food and alcohol prices fell, but prices for clothing and games rose. Analysts had expected it to drop to 0.4% but rising computer game prices helped push it higher.

Inflation

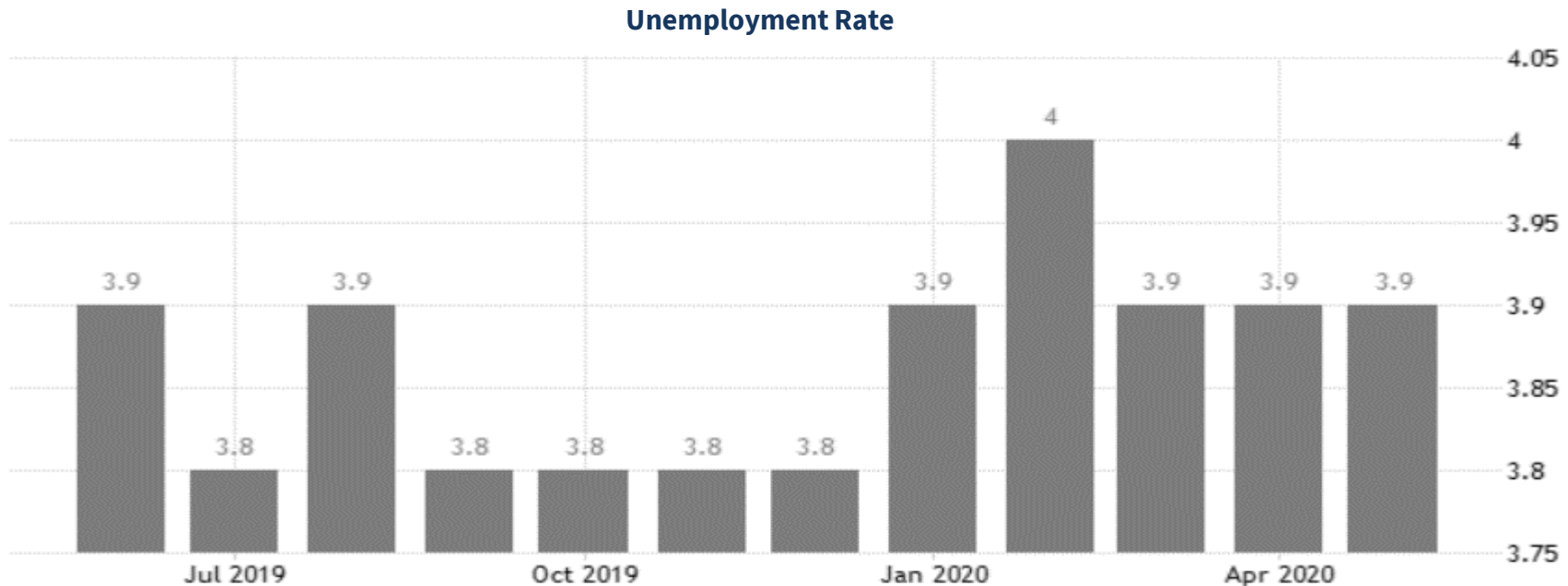


Source : TRADINGECONOMICS.COM

Unemployment Rate

UK unemployment rate was unchanged at 3.9% in the three months to May, much better than expectation of a surge to 4.7%. There were signs of the weakness in the labour market: employment decreased by 126,000, the most since July to September 2011; job vacancies were at 333,000, the lowest level since the Survey began in 2001

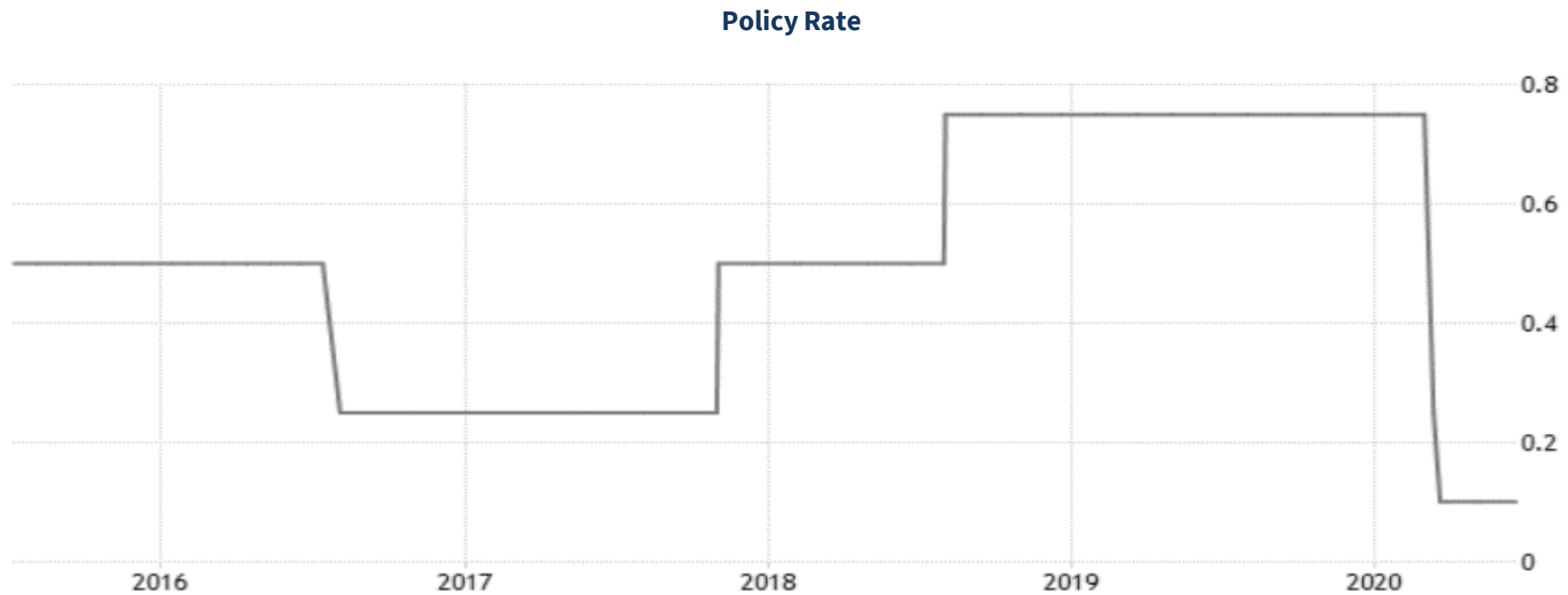
Nearly one in seven people in the UK might be unemployed by the end of this year if a second wave of the pandemic washes over the country, according to new estimates. OECD said the UK's unemployment rate could reach 14.8% as its experts warned that global job losses could take unemployment rates to levels more comparable to the 1930s than 2008.



Source : TRADINGECONOMICS.COM

Policy Rate

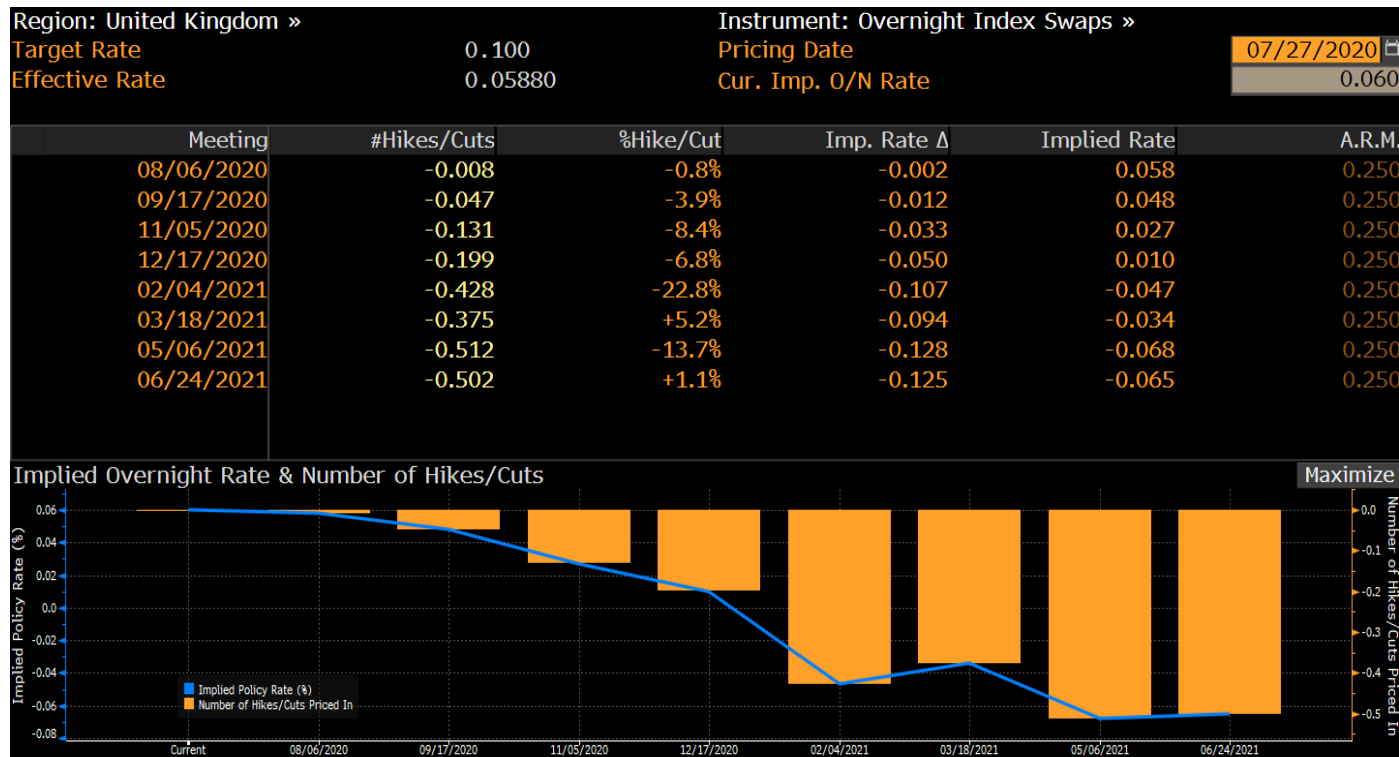
- The Bank of England has kept interest rates at 0.1% and pumped an extra £100bn into the economy in a bid to help the UK out of what is expected to be one of its deepest ever recessions.
- It takes the bank's total quantitative easing programme – effectively printing new money to buy government debt – to £745bn.
- In order to prevent the loss of the financial sector, the ECB decided to continue purchasing assets and the BOE also decided to increase monetary support by keeping the interest rate constant.



Source : TRADINGECONOMICS.COM

BOE Interest Rate Forecasts

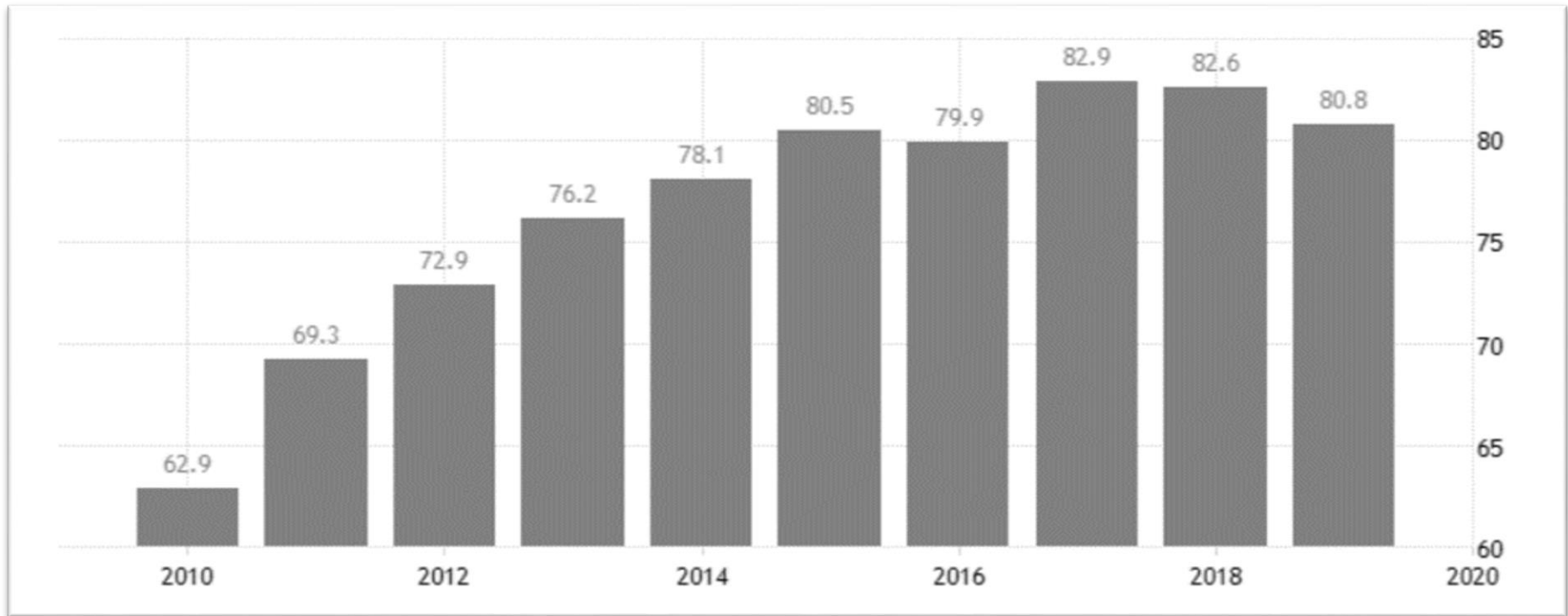
- Investors are pricing in the possibility that the Bank of England will follow other central banks in cutting interest rates to below zero for the first time.
- The BOE kept interest rates stable at the last meeting but markets will be watching for the bank's statement on negative interest rates in the coming months.



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.
- It is estimated that direct spending measures to deal with COVID-19, alongside the hit to growth, will push borrowing above 7% of GDP, taking debt-to-GDP north of 87%.



Source : TRADINGECONOMICS.COM

GBP/USD & EUR/GBP

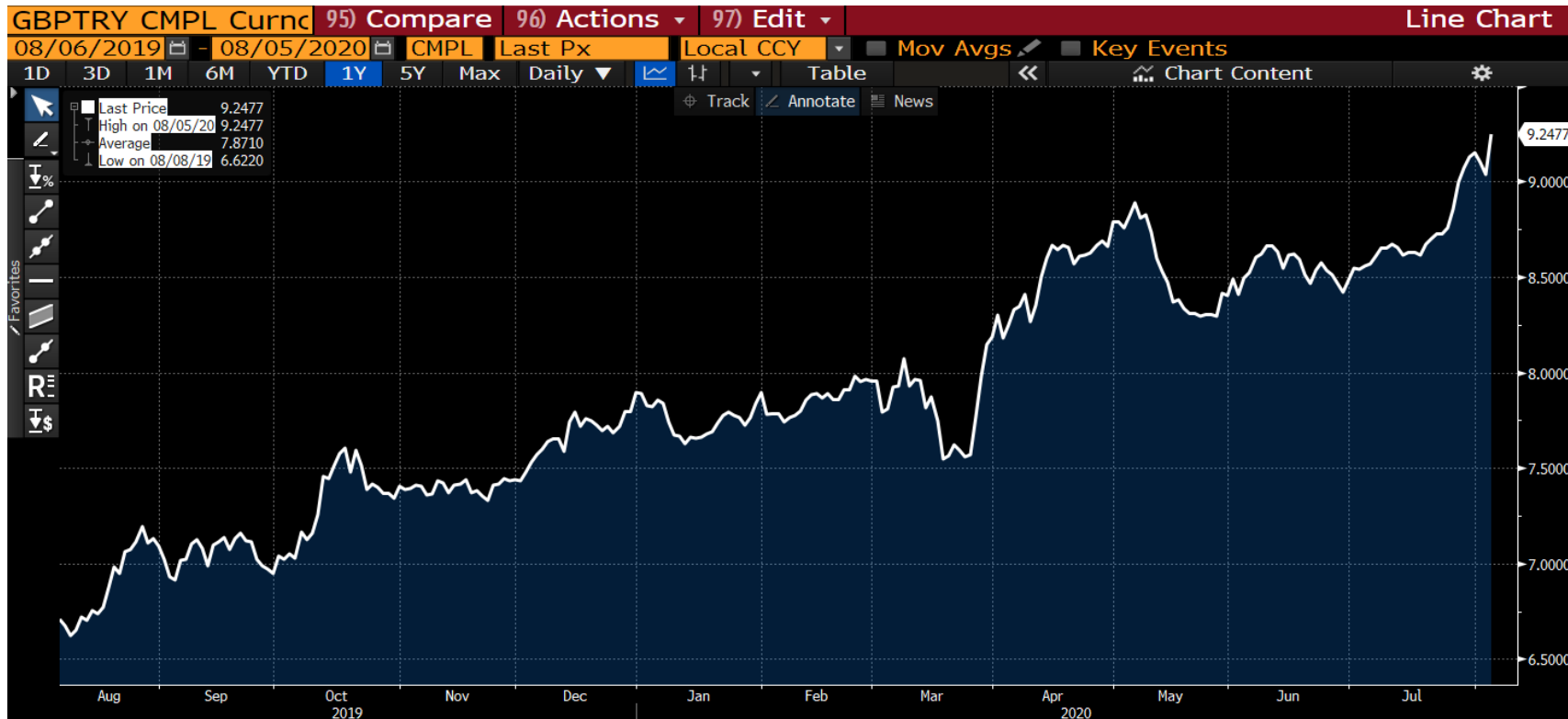
- ib In the GBP/USD parity, the Brexit process and trade wars have increased volatility in recent years. GBP/USD started 2020 at 1.32 levels, but due to the coronavirus, regressed sharply after the demand for the safe port dollar. The GBP/USD declined below the 1.15 level as the BOE cut interest rates and the epidemic started isolation practices in the British economy. Macroeconomic data which are worse than expectations for the US economy and increased tension in the USA between china, weakened the dollar index and the currency increased to 1.31.
- ib The EUR/GBP rate started 2020 at 0.8450 levels. With the spread of the coronavirus in Europe and the fear that it will affect the macro indicators of the European region, the parity fell to 0.83 levels. After the Currency moved upwards with the opening of economies, it rose to 0.93 levels with the EU support package last week.



Source : Bloomberg Terminal

GBP/TRY

- The GBP/TRY 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 being worse than expected and the deterioration in macro indicators.
- Due to the increase in the risks of developing countries with the effect of the epidemic, the parity increased to 8.81 levels at the beginning of April. With Turkey's external financing, positive news flow and the decrease in Turkey's risk premium, the GBP/TRY fell to 8.45 levels. However, positive signals about the Eurozone and British economies helped the pound appreciate and rise to 9.24.



Source : Bloomberg Terminal

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