



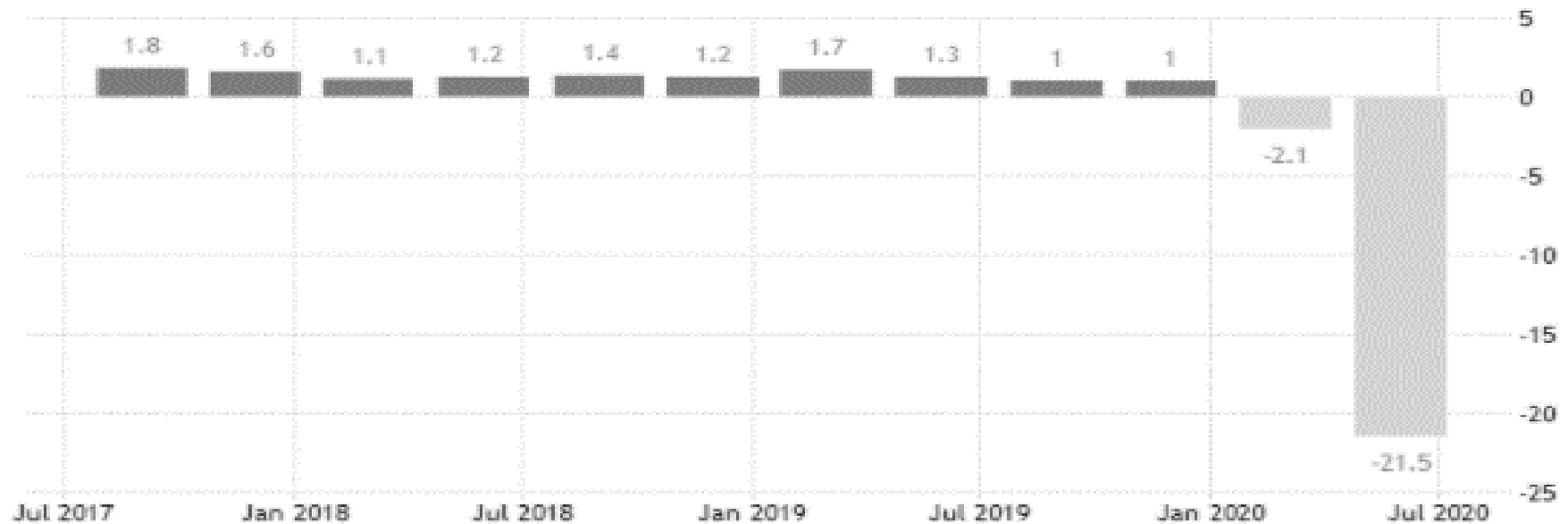
UNITED KINGDOM ECONOMY

03.11.2020

Growth

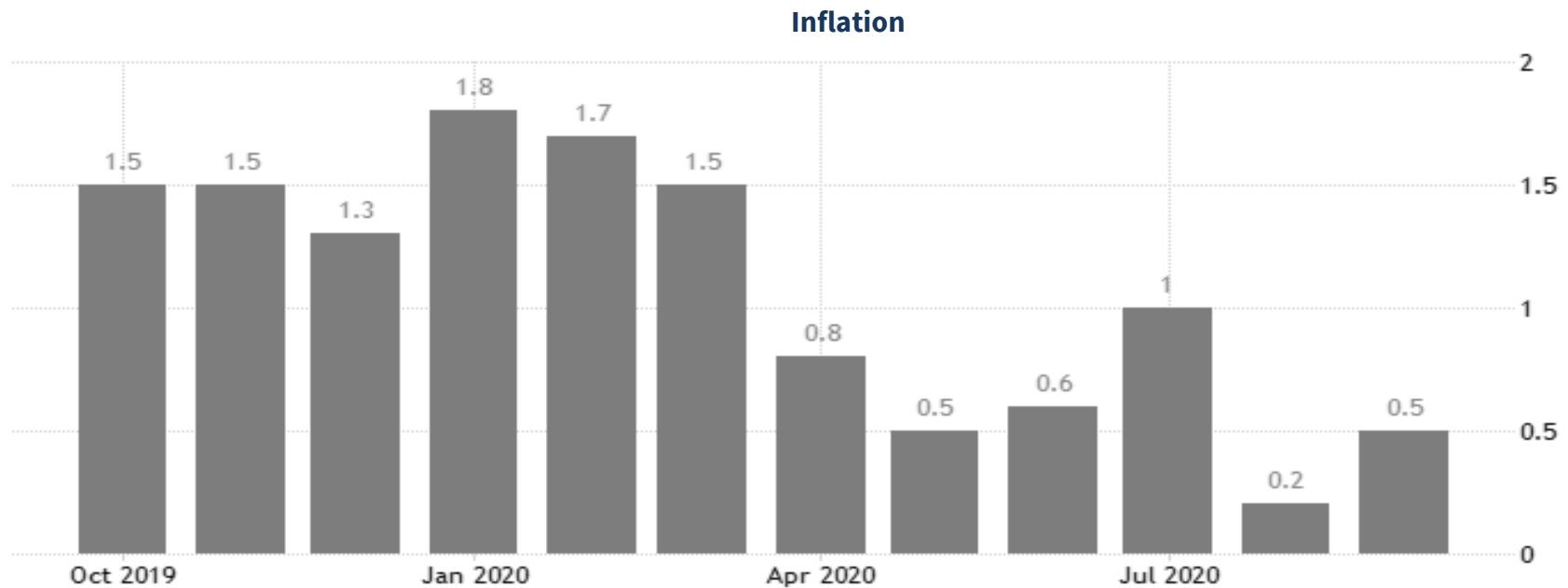
- The annual inflation rate in the United Kingdom increased to 0.5% in September of 2020 from a near 5-year low of 0.2% in August, matching market expectations.
- Still, it is the biggest contraction since comparable records began in 1956 and the second consecutive quarterly decline in GDP, officially entering a recession, amid a widespread disruption to economic activity due to the coronavirus pandemic and the government's efforts to contain it.
- Fixed investment fell 26.1%, below a 27% drop in the preliminary estimates while household spending sank at a faster 26.2% (vs 25.2%).

GDP Annual Growth



Inflation

- The annual inflation rate in the United Kingdom slowed sharply to 0.2% in August of 2020 from 1% in July, compared to forecasts of a flat reading.
- It is the lowest reading since December of 2015, amid a big fall in prices in restaurants and cafes, arising from the Eat Out to Help Out Scheme (-2.8% vs +1.8% in July). Other downward contributions came from lower air fares (-20.6% vs -1.9%) and clothing prices (-1.6% vs a flat reading).
- The largest, partially offsetting, upward contributions came from games, toys and hobbies (3.8% vs 1.6%); accommodation services (-1.8% vs -3.8%); road transport services (9.8% vs 5%) and second-hand cars (5.2% vs 2.5%). On a monthly basis, consumer prices fell 0.4%, the biggest drop since January of 2019.



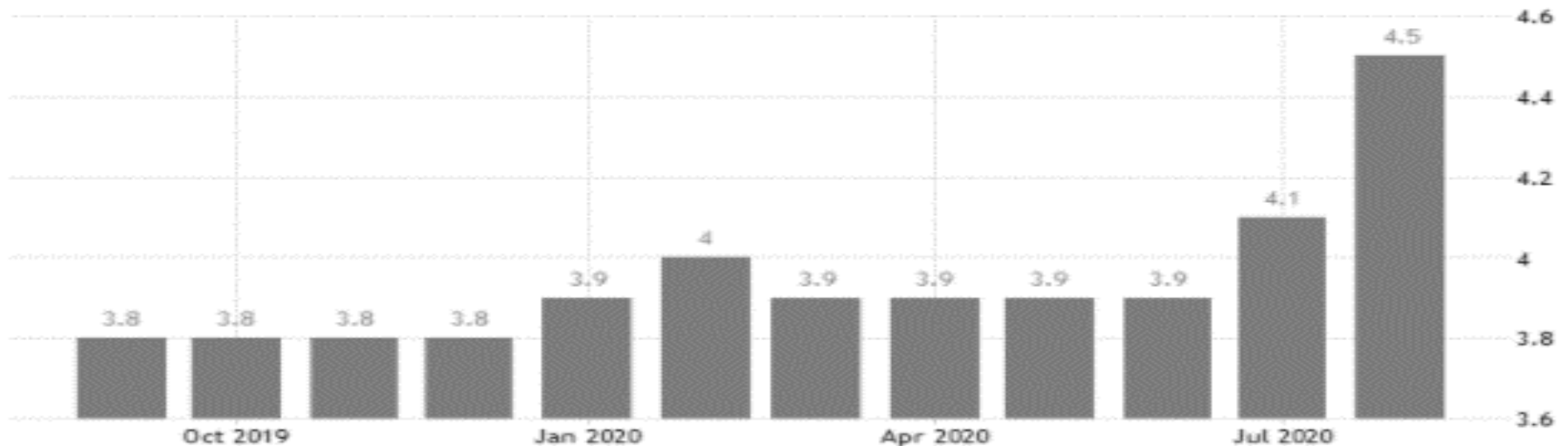
Unemployment Rate

tb The UK unemployment rate increased to 4.5% in the three months to August 2020 from 4.1% in the previous period and above market expectations of 4.3%.

tb It was the highest jobless rate since the three months to May 2017, as the coronavirus pandemic hit the labour market.

tb For June to August 2020, an estimated 1.52 million people were unemployed, up 209,000 on the year and up 138,000 on the quarter. The number of people temporarily away from work rose to almost 7.3 million people in April to June 2020 but has fallen to 6.4 million people in June to August 2020.

Unemployment Rate

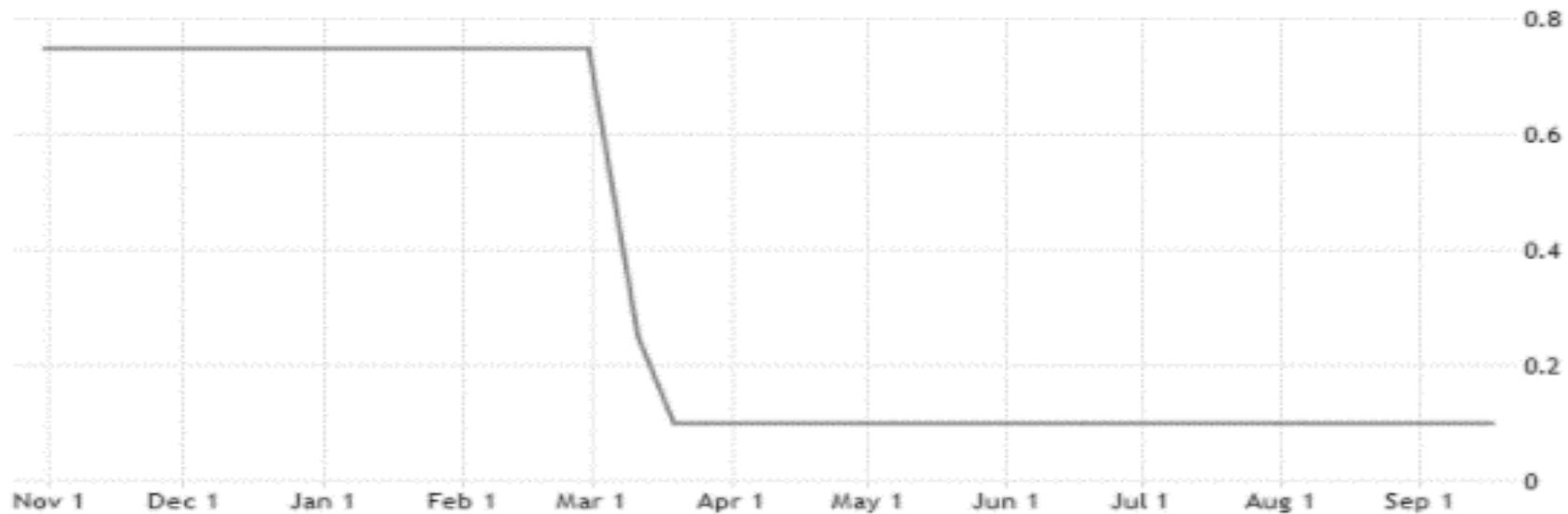


Source : TRADINGECONOMICS.COM

Policy Rate

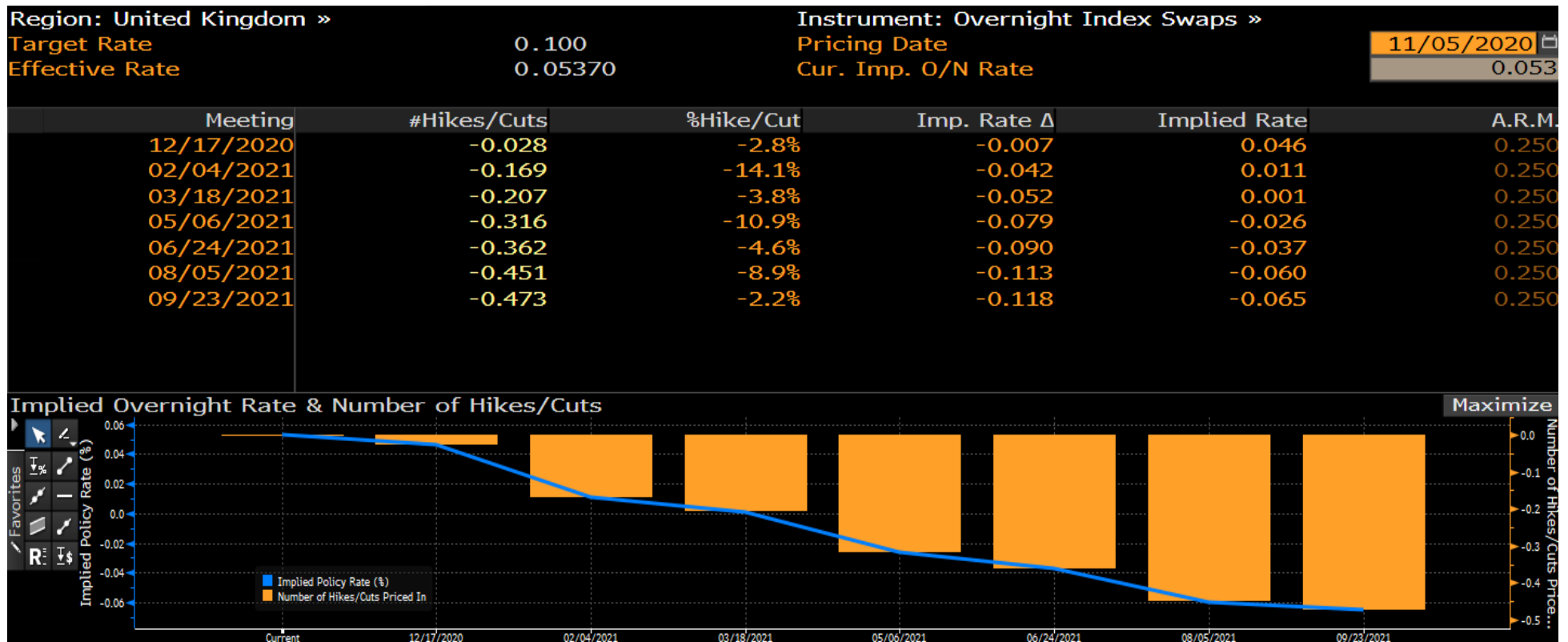
- The Bank of England voted unanimously to maintain the Bank Rate at a record low of 0.1% and the size of its bond-buying program at £745 billion during its September meeting.
- Policymakers noted that domestic economic data have been a little stronger than expected in August, while the outlook for the economy remains unusually uncertain due to the coronavirus pandemic and recent Brexit developments, leaving the door open to negative interest rates and more QE.
- The central bank also noted that it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably.

Policy Rate



BOE Interest Rate Forecasts

- The Interest Rate in the United Kingdom is expected to be 0.10% by the end of this quarter.
- Looking forward, it is estimated that the interest rate in the United Kingdom will stand at 0.10% in 12 months time.
- In the long-term, the United Kingdom Interest Rate is projected to trend around 0.10% in 2021.

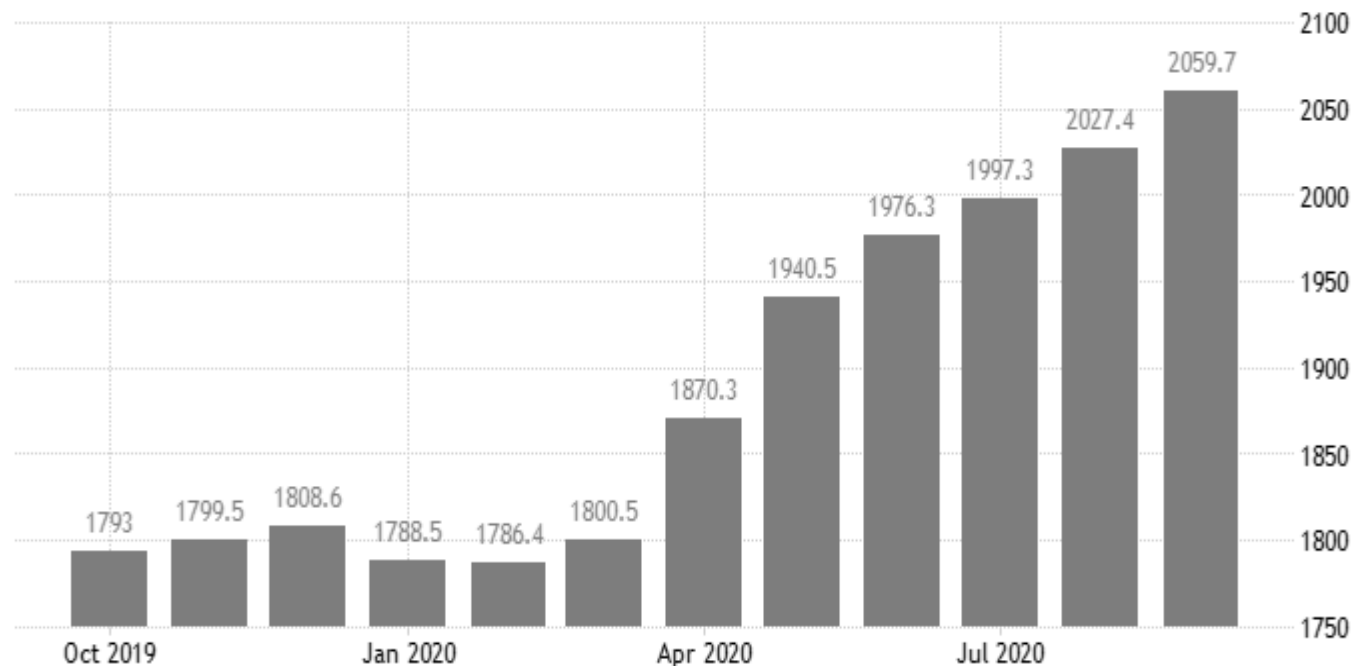


Source : Bloomberg Terminal

Public Sector Debt

- Public sector net debt, excluding public sector banks, hit an all-time high of GBP 2.06 trillion in September 2020.
- That equated to 103.5% of GDP, the highest as a share of the economy since the 1960-61 financial year, as the government stepped up efforts to support the economy hit by the pandemic.
- At the end of September, there was GBP 1.74 trillion of central government gilts in circulation (including those held by the Bank of England (BoE) Asset Purchase Facility Fund).

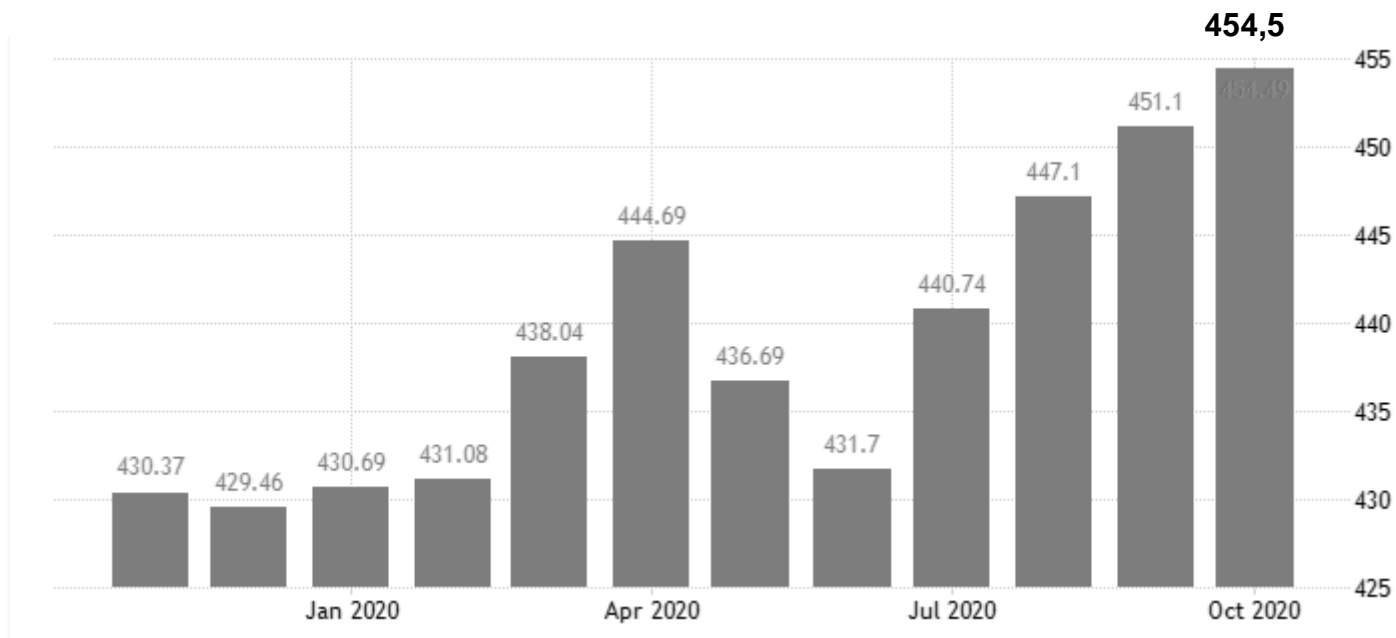
Public Sector Debt



United Kingdom Nationwide Housing Prices

- The Nationwide House Price Index in the UK increased 5.8% year-on-year in October 2020, the most since January 2015 and beating market consensus of a 5.2% rise.
- Data suggests that the economic recovery has lost momentum in recent months with economic growth slowing sharply to 2.1% in August, down from 6.4% in July, despite a strong boost to the hospitality sector from the Eat Out to Help Out scheme, which has since expired.
- Behavioral shifts, as a result of Covid-19, may provide support for the housing market activity, while the stamp duty holiday will continue to provide a near term boost by bringing purchases forward." he added.

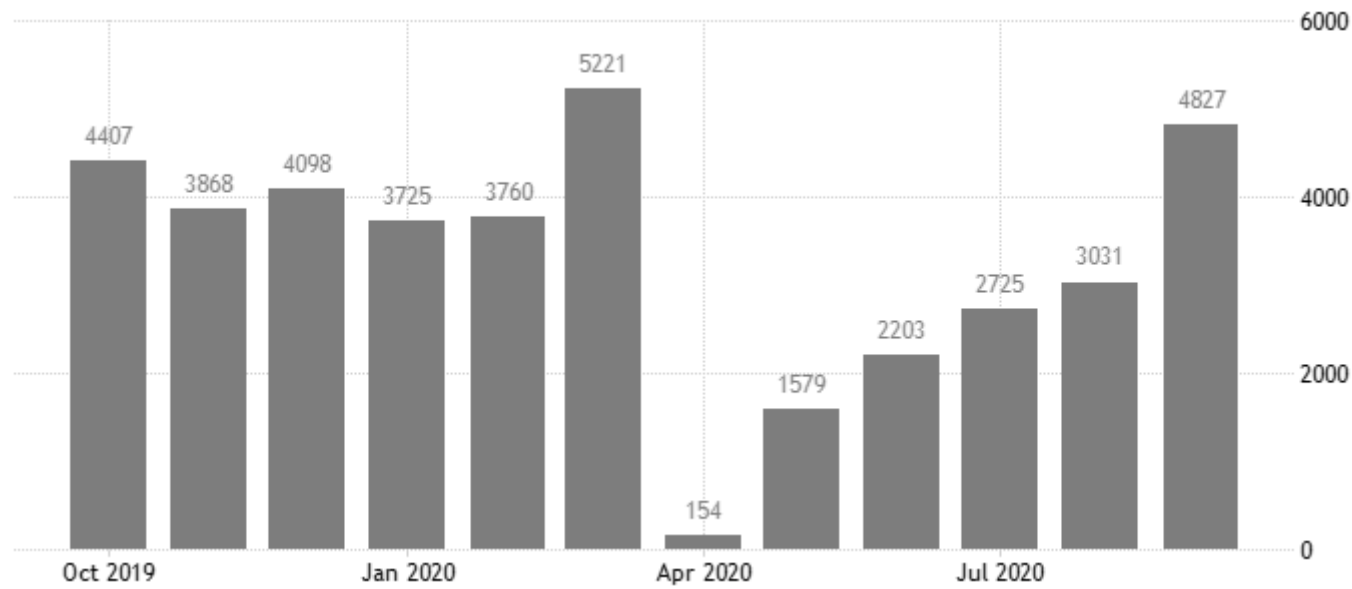
Housing Prices



Mortgage Lending

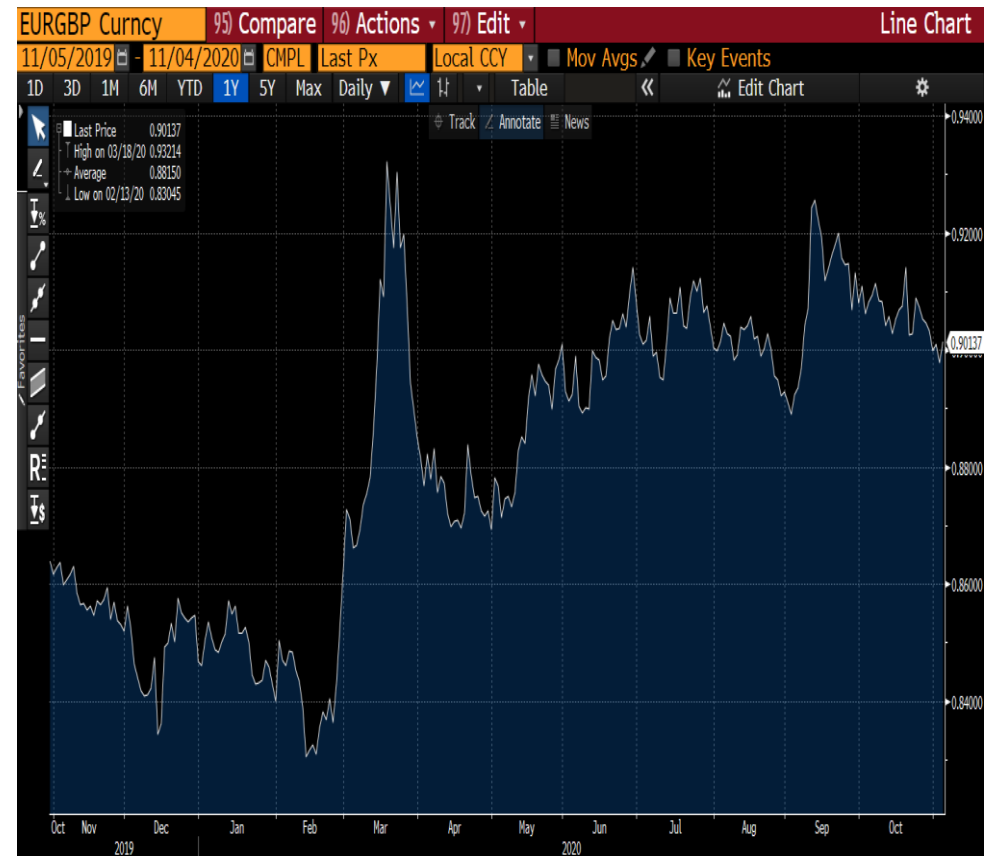
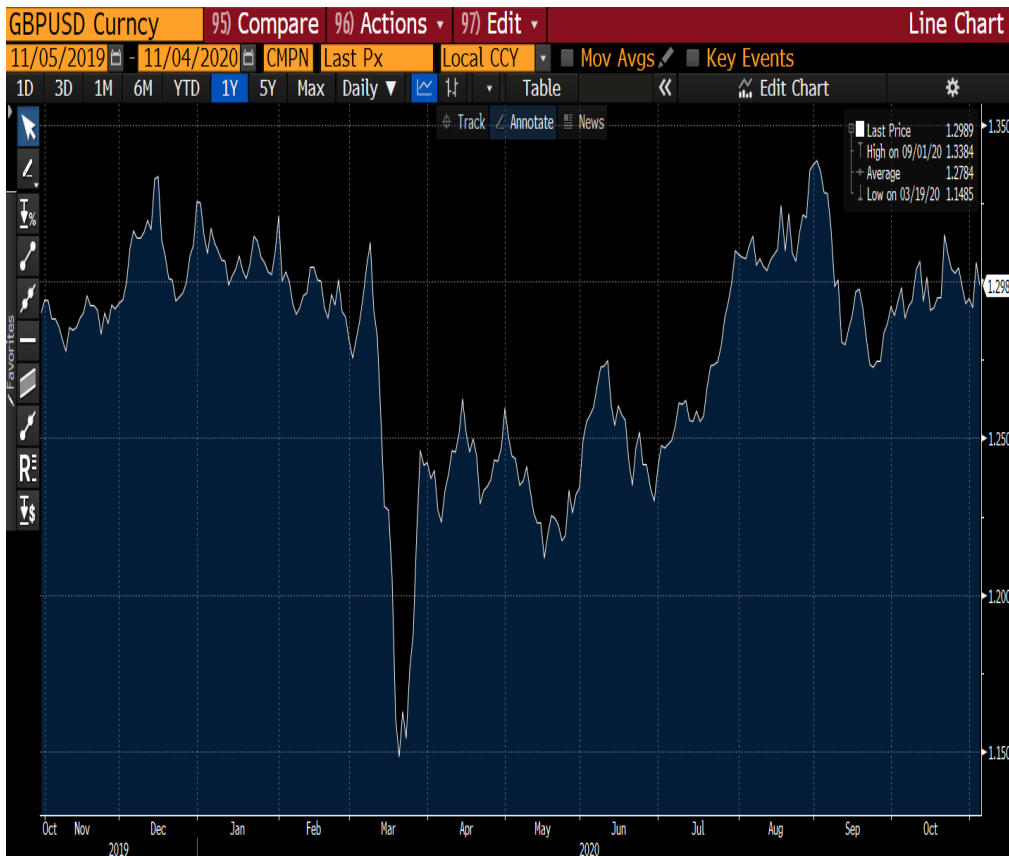
- fb Net mortgage borrowing by UK households was GBP 4.8 billion in September 2020, higher than the revised GBP 3.0 billion in August and above market forecasts of GBP 3.796 billion.
- fb Mortgage borrowing troughed at GBP 0.2 billion in April, but has since recovered reaching levels slightly higher than the average of GBP4.0 billion in the six months to February 2020.
- fb The increase on the month reflected higher gross borrowing of GBP 20.5 billion, although this remains below the February level of GBP 23.4 billion.

United Kingdom Mortgage Lending



GBP/USD & EUR/GBP

- 1b The UK announced a nationwide quarantine to reduce the jump in coronavirus cases. GBP / USD is under pressure as the uncertainties continue on the Brexit negotiations side and the increase in coronavirus cases in the UK has taken tight measures. The pair is trading at the 1.30 level.
- 1b The Pound has remained subdued today following news that the UK would be re-entering lockdown as of from Thursday this week. As a result, Sterling traders are particularly concerned about the possibility that Britain could enter a double-dip recession. The EURGBP is trading near a two-month low at 0.90.



Source : Bloomberg Terminal


GBP/TRY


- GBP / TL rate started the new year at 7.89 levels. Due to the increasing risks of developing countries with the effect of the epidemic, the parity rose to the level of 8.81 in early April. Turkey's risk premium and exchange rates affect the geopolitical risks. GBP/TRY rose to as much as 11 level in October



Source : Bloomberg Terminal

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