

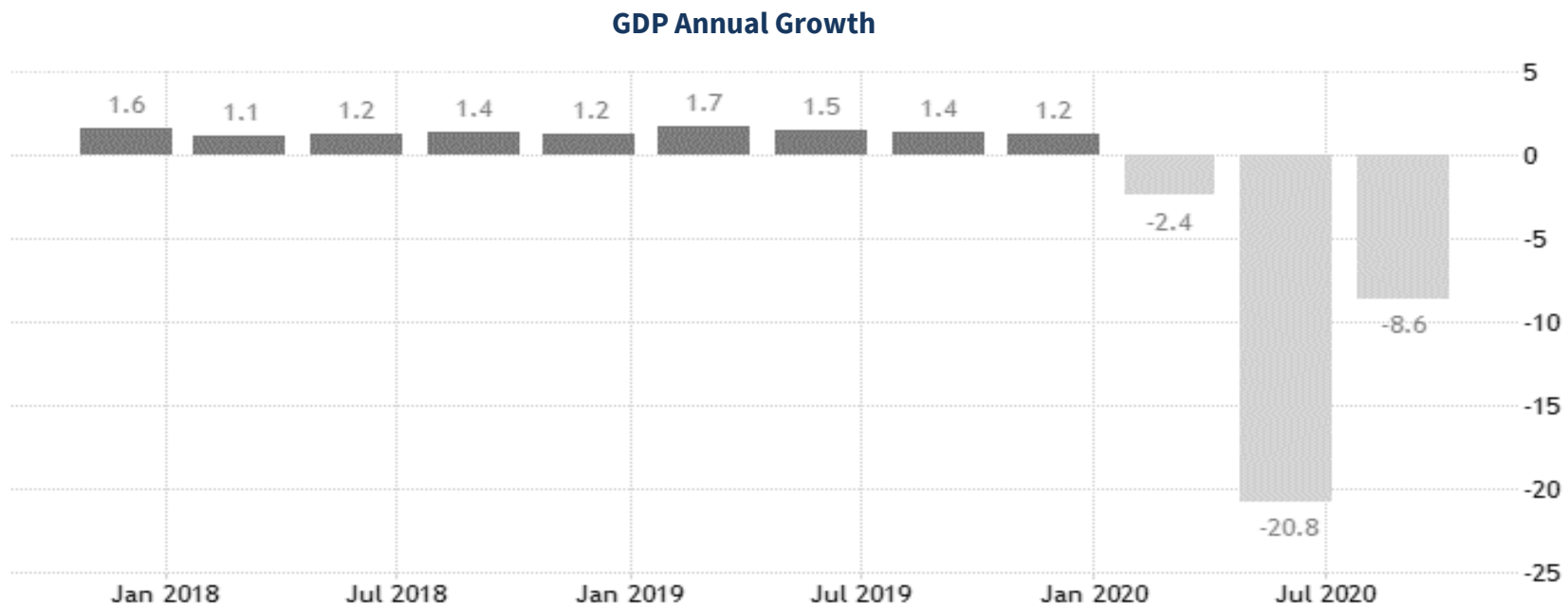


# UNITED KINGDOM ECONOMY

08.01.2020

# Growth

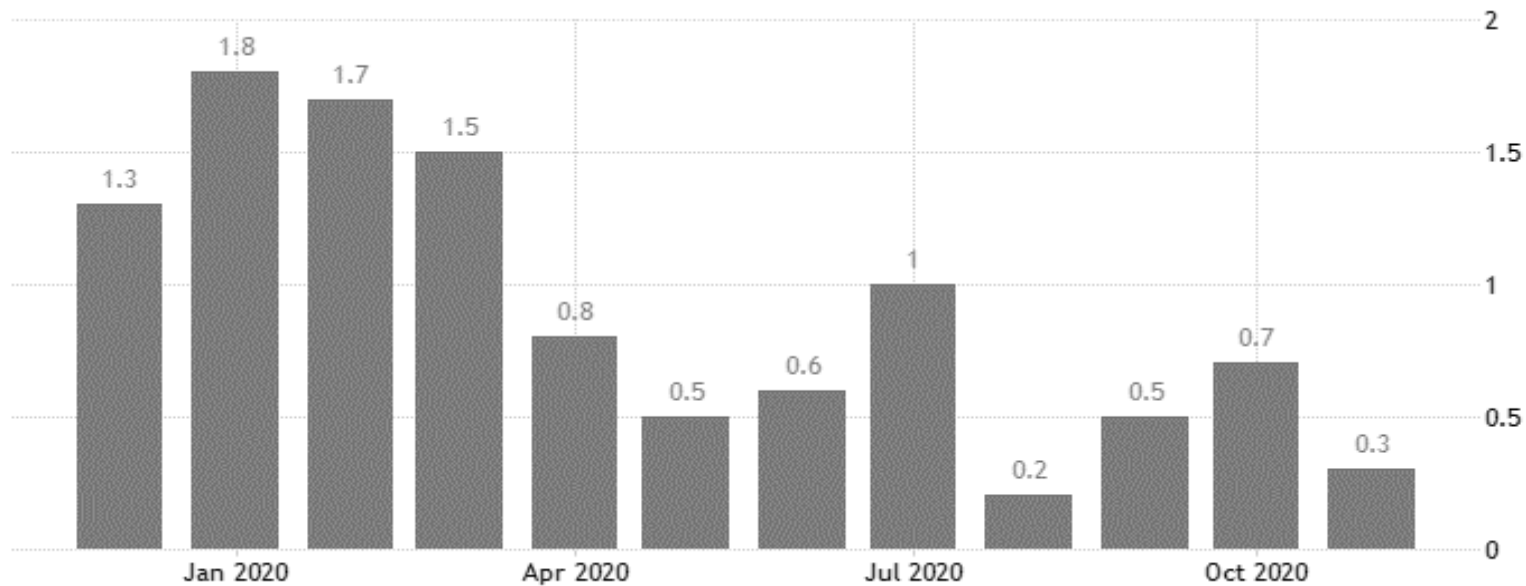
- Britain's gross domestic product shrank by 8.6% year-on-year in the third quarter of 2020, less than the 9.6% contraction previously estimated and following a record contraction of 20.8% in the previous three-month period.
- The economy started to recover as restrictions on movement eased across June, July, August and September.
- Household consumption dropped 10.1% (vs -24.7% in Q2) and fixed investment fell by 11.3% (vs -23.8% in Q2). At the same time, public investment declined by 8.8% (vs -18.1% in Q2), while net external demand contributed positively to the GDP as exports decreased less than imports.



# Inflation

- Consumer prices in the UK edged up 0.3% year-on-year in November of 2020, below 0.7% in October and market forecasts of 0.6%.
- The largest downward contribution came from the cost of food and non-alcoholic beverages (-0.6%) and clothing and footwear (-3.6%, the biggest drop since January of 2010 on increased discounting for Black Friday) and housing and utilities (-1.4%).
- Such decreases were partially offset by upward contributions from games, toys and hobbies (5.4%), and accommodation services (1.1%). On a monthly basis, consumer prices were down 0.1%, compared to market expectations of a 0.1% rise.

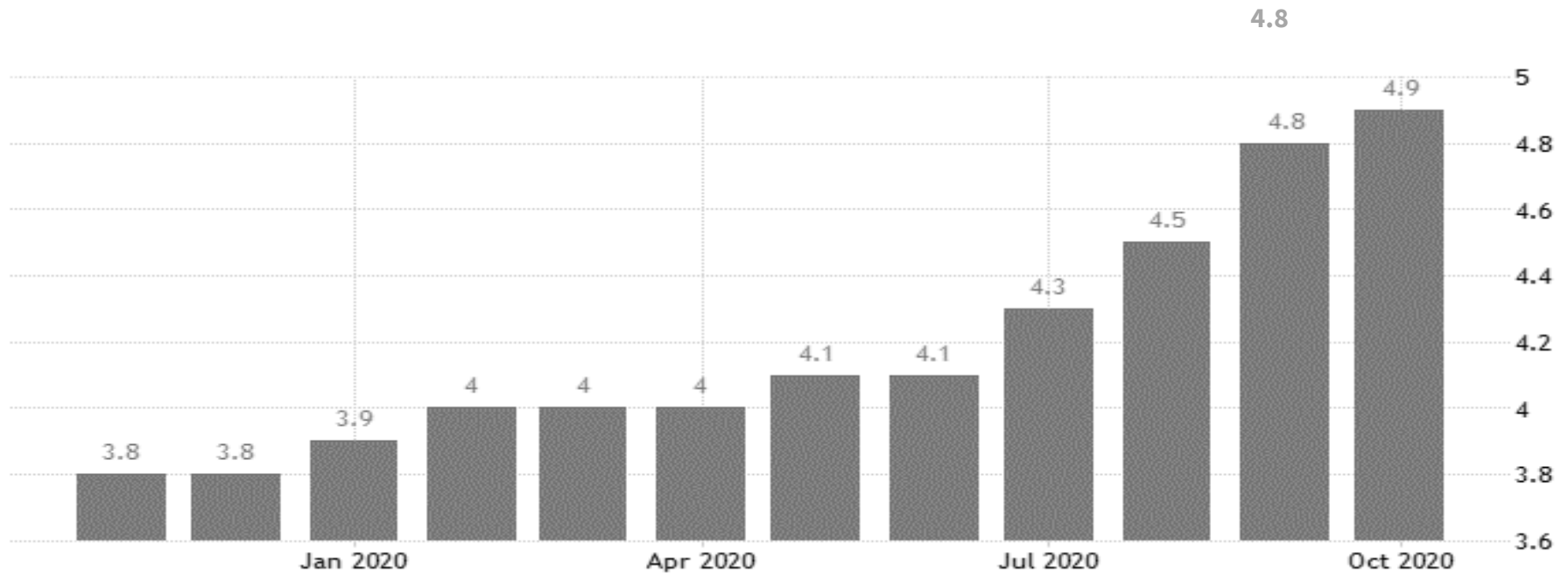
Inflation



# Unemployment Rate

- ib The unemployment rate in the UK increased to 4.9% in the three months to October of 2020, compared to 4.8% in the previous period and below forecasts of 5.1%.
- ib It is the highest jobless rate since the three months to August 2016, as the coronavirus continued to hit the labour market. Redundancies reached a record high of 370,000, and the employment rate continued to fall to 75.2%.
- ib At the same time, total hours worked had a record increase from the low levels in the previous quarter as the number of coronavirus lockdown measures were eased early in August and September.

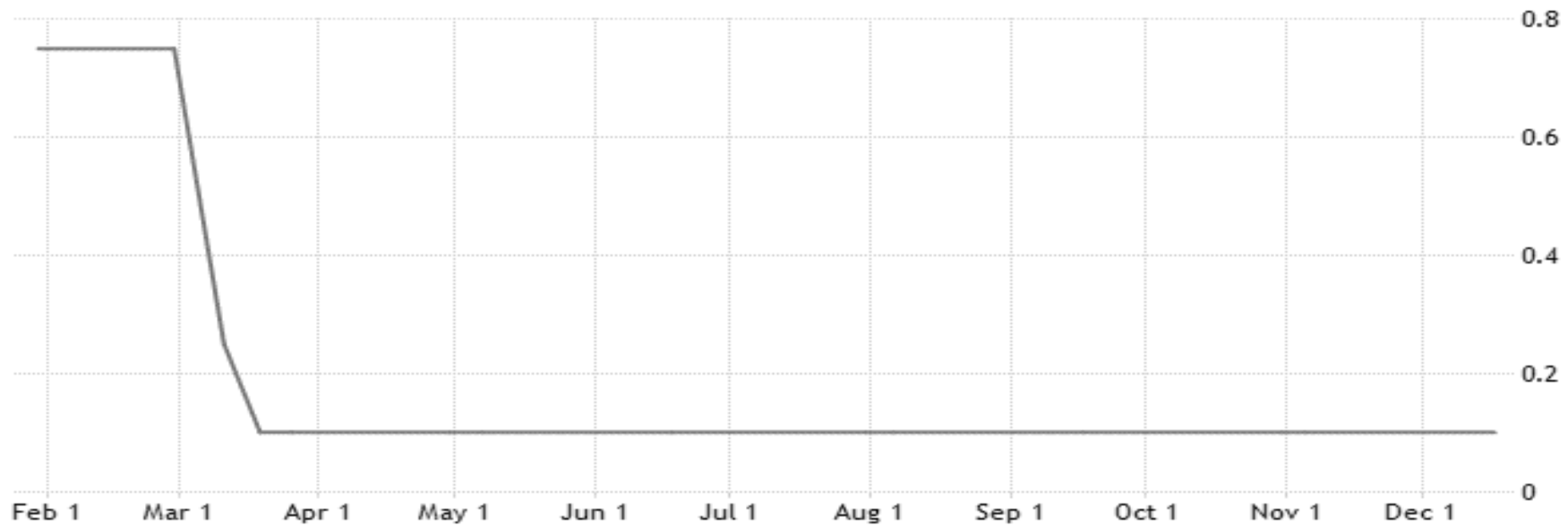
Unemployment Rate



# Policy Rate

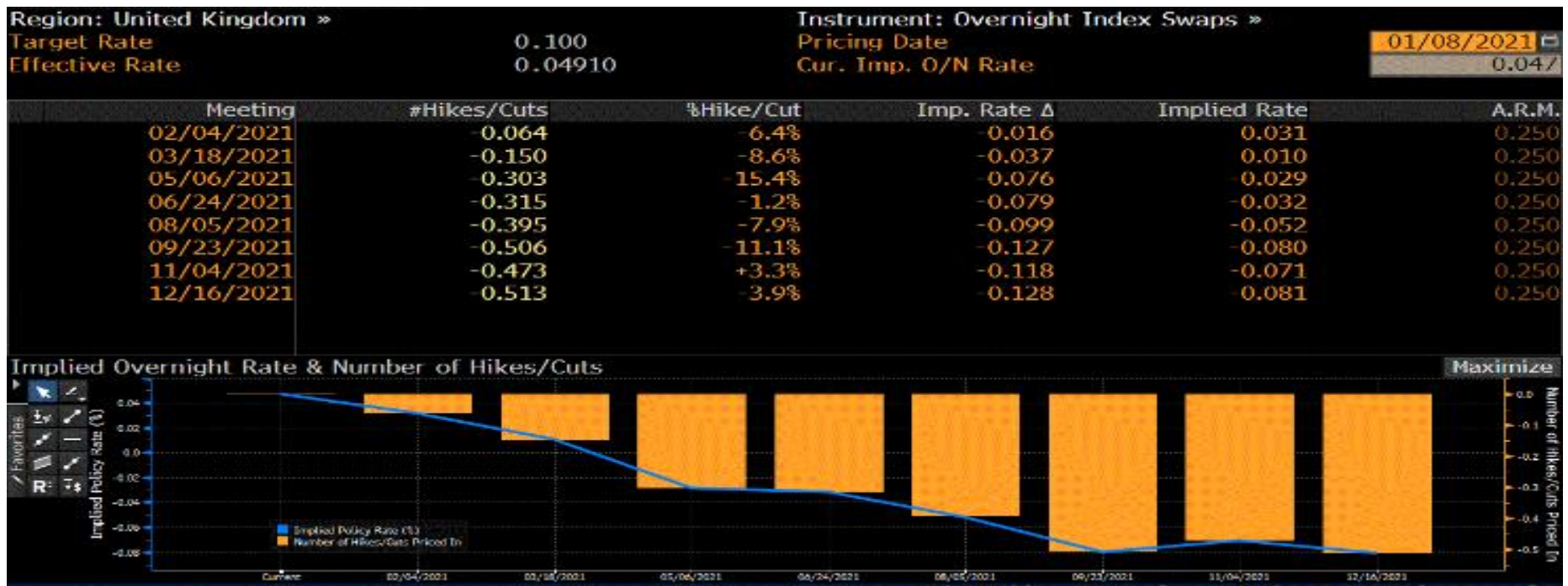
- The Bank of England voted unanimously to maintain the Bank Rate at a record low of 0.1% and the size of its bond-buying program at £875 billion during its December meeting, as policymakers took a wait-and-see approach amid uncertainty surrounding a post-Brexit trade deal and concerns over the coronavirus situation.
- Still, the central bank noted that the successful trialing of some Covid vaccines and initial plans to roll them out widely over the first half of next year will likely reduce the downside risks to the economic outlook.
- In the statement made by the central bank, it stated that it will take any additional measures necessary to achieve the 2% inflation target, which will help sustain growth and employment.

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, we estimate the interest rate in the United Kingdom to stand at -0.10% in 12 months time.
- In the long-term, the United Kingdom interest rate is projected to trend at around -0.10% in 2022



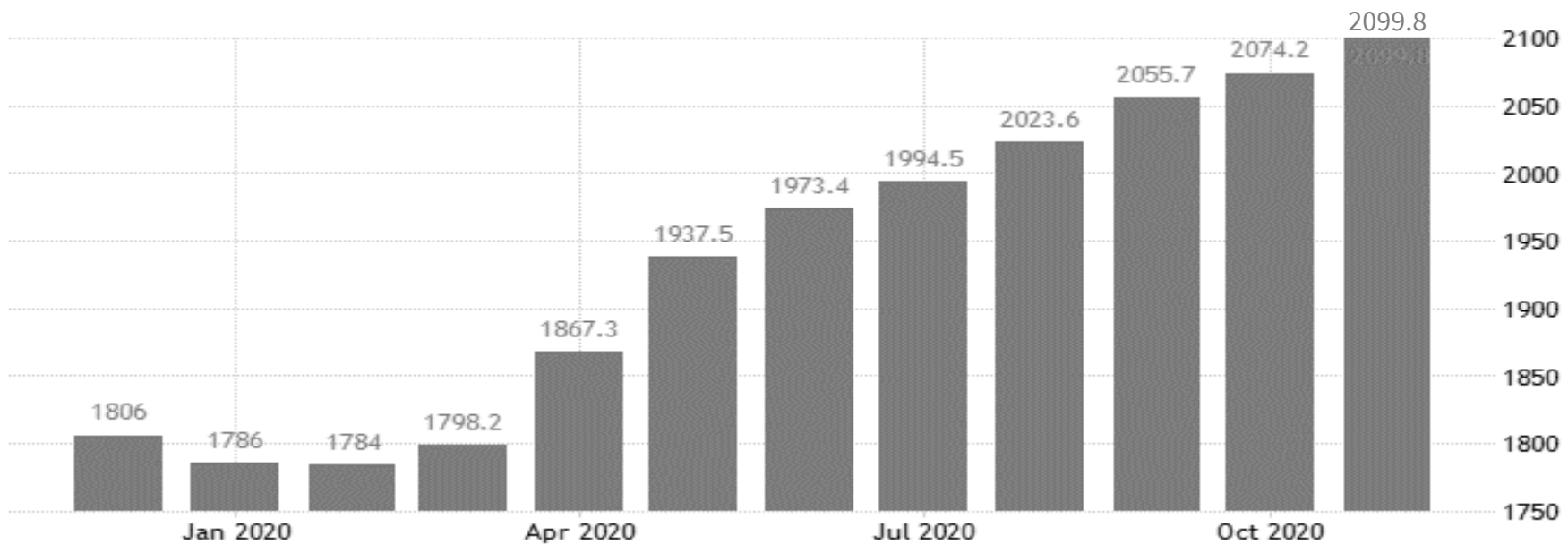
Source : Bloomberg Terminal



# Public Sector Debt

- UK public sector borrowing rose to a record high in the first eight months of the financial year as the pandemic continued to blight the government's finances, resulting in falling revenue and soaring spending.
- The government borrowed £284.7bn to cover the gap between its spending and revenue from April to November, according to the Office for National Statistics, three times the previous highest figure since comparable records began in 1984.
- As a result, public sector net debt at the end of November reached £2,099.8bn, similar to the size of the economy and the highest level since 1962.

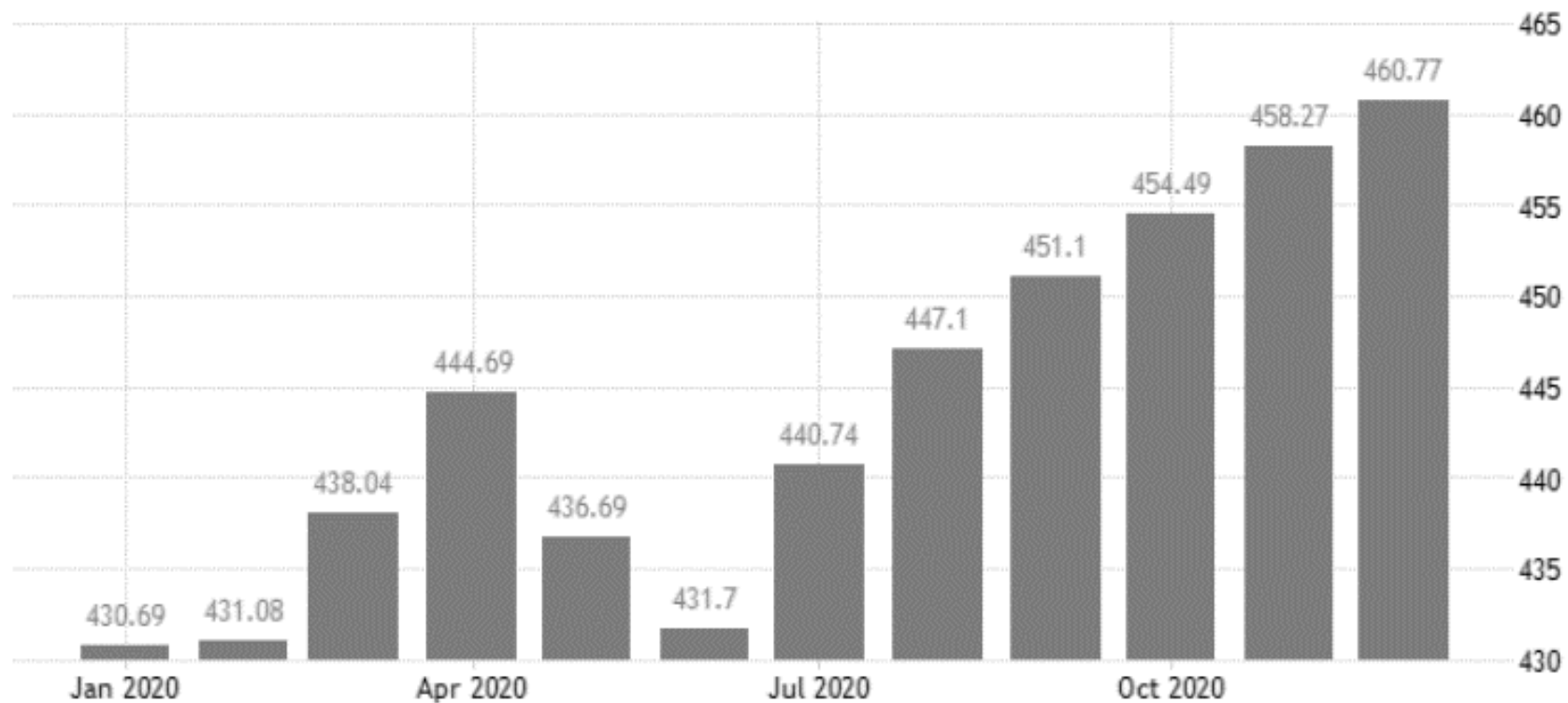
Public Sector Debt



# United Kingdom Nationwide Housing Prices

- The Nationwide House Price Index in the UK increased 7.3% year-on-year in December 2020, the most in six years, and beating market forecasts of a 6.7% rise, as tax incentives continued to boost demand.
- Compared to the previous month, house prices increased 0.8%, after a 0.9% gain in November.
- Nationwide Housing Prices in the United Kingdom is expected to be 461.00 points by the end of this quarter.

Housing Prices

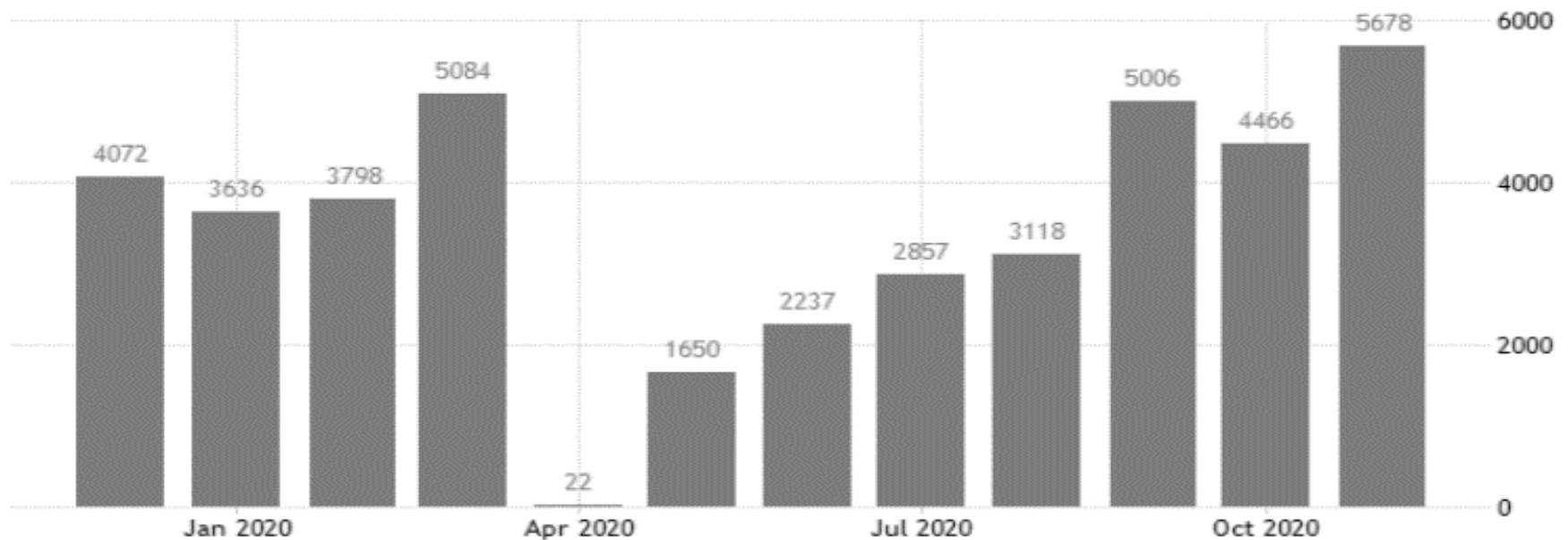




# Mortgage Lending

- Net mortgage borrowing by UK households was GBP 5.7 billion in November 2020, higher than the revised GBP 4.5 billion in October and above market forecasts of GBP 4.35 billion.
- November borrowing was the highest since March 2016, and significantly higher than the average of GBP 3.9 billion seen in the six months to February 2020.
- Recent strength in net mortgage borrowing has, however, only partially offset the weakness earlier in the year: total borrowing in the year to November (GBP 37.6 billion) was below the equivalent in 2019 (GBP 44.0 billion).

United Kingdom Mortgage Lending



# GBP/USD & EUR/GBP

- 1b With Biden becoming president in the last month of 2020, the dollar index reached its lowest level in the last three years. As a result, it rose as high as 1.37 in GBP, its highest level since 2018. In the first week of the last New year, with the news of the extension of restrictions in the UK, GBP/USD retreated to the level of 1.352, losing 0.68%.
- 1b As a result of the increase in the number of coronavirus cases in the UK, the measures continue to be processed at 0.88-0.90 levels, with the measures prolonged until the end of January.



Source : Bloomberg Terminal

# GBP/TRY



- 1b The parity was trading at 10.52 levels, with the measures being extended until the end of January as a result of the increase in the epidemic in the UK.
- 1b On the other hand, with the CBRT's interest rate hike and normalization steps, in the first week of the year, GBP / TL declined by 3% to 9.99.



Source : Bloomberg Terminal

# Disclaimer:

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