ARBUTHNOT BANKING GROUP PLC

PERSPECTIVES

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The slowing global economy: the Central Banks respond

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Introduction

This year has been characterised by the progressive downgrading of growth forecasts by all the major forecasting institutions.[1] Much in line with this development, the IMF reduced its projections further in its July interim forecast, compared with its April, January and last October projections.[2]

The Central Banks are, in various ways, responding to the weaker economic outlook. Over the past week, three major central banks have reported. The ECB opened the door to lower interest rates and more QE in coming months, whilst the Fed reduced the Fed Funds rate by 0.25%. The Bank of England remained fairly dovish, but refrained from any action, focussing on Brexit.

The IMF downgrades global growth again

The IMF explained the background to its downgrade as follows, "…global growth remains subdued. Since the April WEO report, the US further increased tariffs on certain Chinese imports and China retaliated by raising tariffs on a subset of US imports. Additional escalation was averted following the June G20 summit [28-29 June].[3-4] Global technology supply chains were threatened by the prospect of US sanctions, Brexit-related uncertainty continued, and rising geopolitical tensions roiled energy prices."[5]

However, since the release of the IMF's forecast, President Trump has "escalated" the "trade wars" with China after recent Sino-US talks broke down without agreement.[6] The President announced on 1 August fresh tariffs of 10% on another $300bn of Chinese products from 1 September, which effectively means all Chinese imports into the US are now subject to tariffs. Further talks are scheduled for September.

Returning to the IMF's GDP projections, charts 1a and 1b (and annex table 1) show the key data. The IMF forecast that world growth would be just 3.2% in 2019 (3.3% in April), picking up to 3.5 %

in 2020 (3.6% in April). Granted these are not major downgrades, but they are, nevertheless, downgrades and the projections remain vulnerable to further downgrades. The IMF noted "…GDP releases so far this year…point to weaker-than-anticipated global activity. Investment and demand for consumer durables have been subdued across advanced and emerging market economies as firms and households continue to hold back on long-range spending. Accordingly, global trade, which is intensive in machinery and consumer durables, remains sluggish. The projected growth pickup in 2020 is precarious, presuming stabilisation in currently stressed emerging market and developing economies and progress toward resolving trade policy differences."

Turning to specific economies, the IMF's growth forecast for the US was revised up, against trend, to 2.6% for 2019 (2.3% in April), reflecting a stronger-than-expected 2019Q1, slowing to 1.9% in 2020 (unchanged), reflecting the fading effects of President Trump's fiscal boost (tax cuts in 2017).

Growth in the Eurozone was expected to be a disappointing 1.3% in 2019 (unchanged), before picking up to 1.6% in 2020 (1.5% in April). The IMF commented "…the forecast for 2019 is revised down slightly for Germany (due to weaker-than-expected external demand), but it is unchanged for France (where fiscal measures are expected to support growth and the negative effects of street protests are dissipating) and Italy (where the uncertain fiscal outlook is similar to April's, taking a toll on investment and domestic demand). Growth has been revised up for 2019 in Spain. Eurozone growth is expected to pick up over the remainder of this year and into 2020, as external demand is projected to recover and temporary factors (including the dip in German car registrations and French street protests) continue to fade".

The IMF marginally upgraded its forecast for the UK to 1.3% for 2019 (1.2% in April), reflecting a stronger-than-anticipated 2019Q1 boosted by pre-Brexit inventory accumulation, but left 1.4% for 2020. The forecast assumed an orderly Brexit followed by a gradual transition to the new regime.[7-8]

Japan's growth was expected to remain subdued. China's growth was expected to slow to 6.2% in 2019 (6.3% in April) and to 6.0% in 2020 (6.1% in April). The IMF noted that "…the negative effects of escalating tariffs and weakening external demand have added pressure to an economy already in the midst of a structural slowdown and needed regulatory strengthening to rein in high dependence on debt. Policy stimulus [is] expected to support activity in the face of the adverse external shock".

Chart 1a IMF GDP growth forecasts (%), July 2019, selected economies, 2018-2020

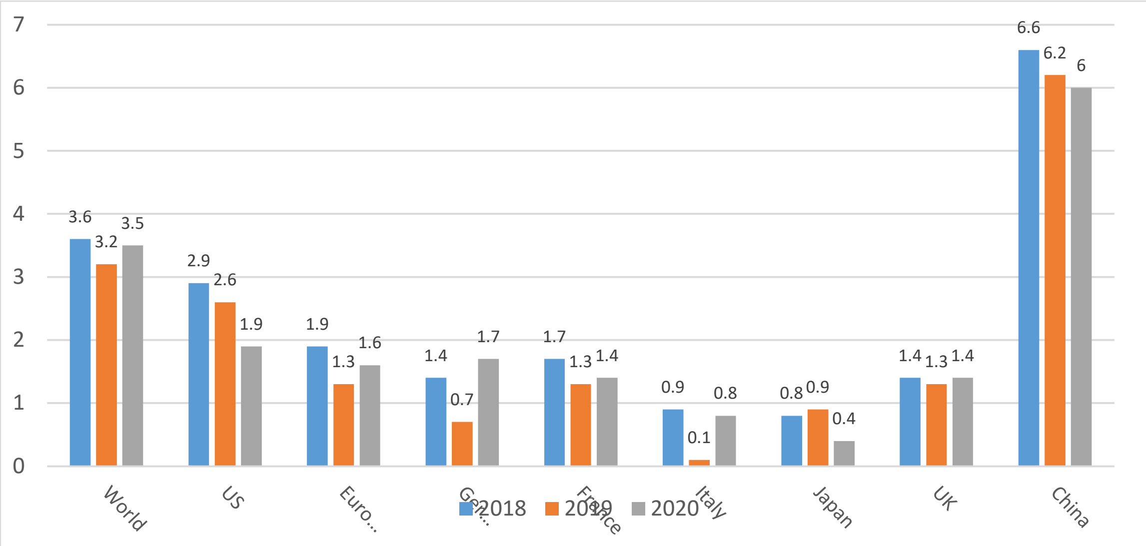
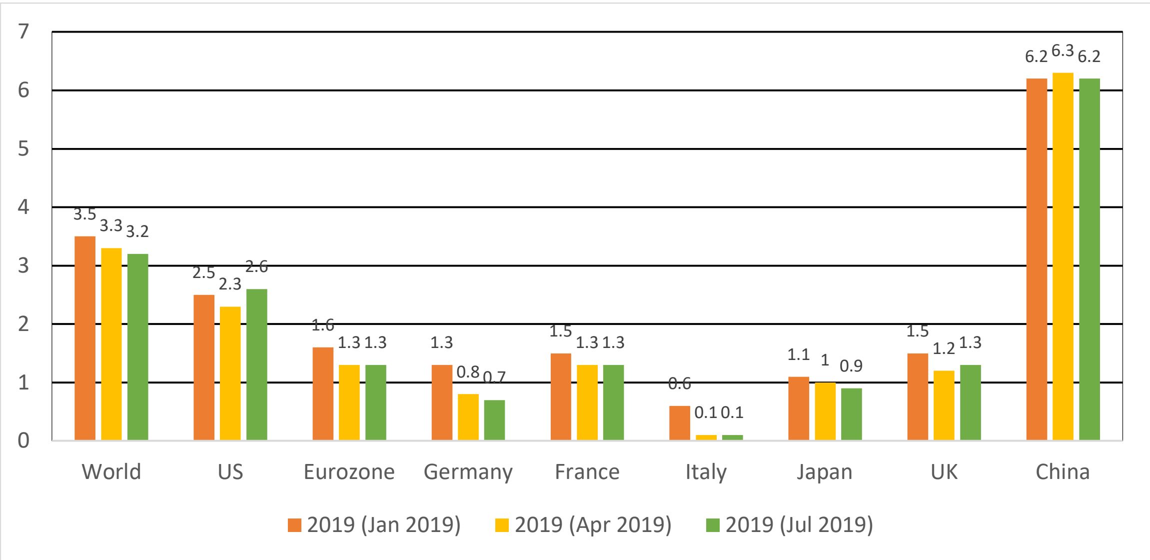


Chart 1b IMF GDP growth forecasts (%), January 2019, April 2019, July 2019 selected economies, year 2019



Sources: (i) *IMF*, "World Economic Outlook (WEO), January 2019 update, "A Weakening Global Expansion"; (ii) *IM*F, World Economic Outlook, April 2019 forecast, "Growth slowdown, precarious recovery"; (iii) *IMF*, World Economic Outlook, July 2019 update, "Still Sluggish Global Growth". See annex table 1.

The ECB retains a dovish tone…

The ECB's Governing Council announced on 25 July that their official interest rates were unchanged, at their current extremely accommodative levels (see annex table 2, Central Bank Watch).[9] Moreover, the tone of the Council's statement was decidedly dovish:

- On their "forward guidance", the ECB said that key interest rates were expected "…to remain at their present levels or lower at least through the first half of 2020, and in any case for as long as necessary to ensure the continued sustained convergence of inflation to its aim over the medium term". The reference to lower rates increased expectations there will be rate cuts at the next meeting (12 September 2019).

- The Governing Council intended to continue reinvesting, in full, the principal payments from maturing securities purchased under the asset purchase programme (APP) for an extended period of time.
- The Governing Council also underlined "…the need for a highly accommodative stance of monetary policy for a prolonged period of time, as inflation rates, both realised and projected, have been persistently below levels that are in line with its aim. Accordingly, if the medium-term inflation outlook continues to fall short of its aim, the Governing Council is determined to act, in line with its commitment to symmetry in the inflation aim. It therefore stands ready to adjust all of its instruments, as appropriate, to ensure that inflation moves towards its aim in a sustained manner".

On the economy, ECB President Mario Draghi said in his press conference that "…incoming economic data and survey information continue to point to somewhat slower growth in the second and third quarters of this year [for the Eurozone]. This mainly reflects the ongoing weakness in international trade in an environment of prolonged global uncertainties, which are particularly affecting the euro area manufacturing sector."[10]

To sum up, therefore, the ECB adopted a very dovish tone in the face of a slowing Eurozone economy and there are now heightened expectations of a rate cut in September (as already indicated), along with more QE in 2019Q4. The sluggishness of the Eurozone economy was confirmed by Eurostat's "flash" estimate for GDP for 2019Q2.[11] The Eurozone grew by just 0.2% (QOQ), after rises of 0.4% in 2019Q1 and 0.2% in 2018Q4, to be just 1.1% higher YOY. Country data are not available for the flash estimate.

…whilst the Fed cuts rates

As expected, the FOMC cut the federal funds target range by 0.25% to 2.0-2.25% at their 30-31 July meeting, it had been increased to 2.25-2.5% on 19 December 2018 (see annex table 2, Central Bank watch).[12] Of the 10-person FOMC, two voted against the cut, whilst eight voted for. The Fed explained that it had taken this decision, "…in light of the implications of global developments for the economic outlook as well as muted inflation pressures. This action supports the Committee's view that sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective are the most likely outcomes, but uncertainties about this outlook remain". The FOMC also announced that it would stop reducing its enormous bond portfolio in August, two months earlier than planned, an expansionary move.

On future policy, the FOMC said "…as the Committee contemplates the future path of the target range for the federal funds rate, it will continue to monitor the implications of incoming information for the economic outlook and will act as appropriate to sustain the expansion", hinting at more cuts to come. At the supporting news conference Fed Chair Jay Powell, however, suggested that the easing would be more cautious than the markets had been expecting.[13]

By international standards, the US economy remains relatively healthy and it is arguable as to whether any monetary easing is appropriate at this point in the cycle. The unemployment rate was just 3.7% in July, unchanged from June, though slightly up in the 3.6% recorded in April and May (which was the lowest since 1969).[14] Granted, GDP growth slowed in 2019Q2 to 2.1% (QOQ, annualised), after 3.1% in 2019Q1, but the Q2 growth was greater-than-expected, boosted by stronger consumer spending and higher government spending.[15]

Moreover, there appears to be a further (modest) fiscal boost in the pipeline. The US Senate approved a two-year federal budget agreement that includes spending increases on 1 August 2019.[16-17] The bill, which has already been passed by the House of Representatives, will also suspend government borrowing limits until 31 July 2021.

No policy change from the Bank…

The Monetary Policy Committee (MPC) voted unanimously, as expected, at its August meeting to maintain the Bank Rate at 0.75%, the stock of sterling non-financial investment-grade corporate bond purchases at £10bn, and the stock of UK government bond purchases at £435bn.[18]

On the economy, the MPC's minutes noted:

- In the UK, "Brexit-related developments, such as stock-building ahead of previous deadlines, are making UK data volatile. After growing by 0.5% in 2019 Q1, GDP is expected to have been flat in Q2, slightly weaker than anticipated in May [0.2% was expected]. Looking through recent volatility, underlying growth appears to have slowed since 2018 to a rate below potential, reflecting both the impact of intensifying Brexit-related uncertainties on business investment and weaker global growth on net trade." After weakish growth in 2019 and 2020, growth was, however, expected to improve in 2021.
- Concerning global activity, "…global activity indicators had continued to be relatively soft. …trade tensions had remained elevated relative to the period prior to the *May Inflation Report*, although they had eased somewhat following the US and China agreeing to re-start trade talks [at the G20 meeting in June 2019]". As noted above, trade tensions were intensified on 1 August.

On interest rate policy, the Minutes said:

- "Assuming a smooth Brexit and some recovery in global growth, a significant margin of excess demand was likely to build in the medium term. Were that to occur, the MPC judged that increases in interest rates, <u>at a gradual pace and to a limited extent</u>, would be appropriate to return inflation sustainably to the 2% target". Assuming, a smooth Brexit, therefore, the outlook remains dovish and modestly tightening.
- In the event of a no-deal Brexit, however, "…the sterling exchange rate would probably fall, CPI inflation rise and GDP growth slow. The MPC's interest rate decision would need to balance the upward pressure on inflation, from the likely fall in sterling and any reduction in supply capacity, with the downward pressure from any reduction in demand." In other words, rates could go either way.

…but weaker GDP growth forecast for 2019 and 2020…

The MPC's updated projections (table 1 below) were set out in the *August Inflation Report*.[19] They continued to assume a "smooth" Brexit. GDP growth forecasts were, however, revised lower to 1.3% for 2019 (1.5% in May) and to 1.3% for 2020 (1.6%) but higher for 2021 to 2.3% (2.1%). The CPI inflation forecast was revised down a tad for 2019Q3, but thereafter higher, reaching 2.4% in 2022Q3, above the 2% CPI inflation target. The unemployment rate was revised tad higher, though dropping to 3.3% in 2022Q3.

Finally, market expectations for the Bank Rate were significantly more dovish than in May (discussed further below). They implied a fall of 0.25% in 2020H1 (to 0.5%) and little firming up to 2022. As the Bank explained, their economic projections were "…affected by an inconsistency between the smooth Brexit conditioning assumption underpinning the forecast and the prevailing market asset prices on which the forecasts are also conditioned. These asset prices reflect market participants' perceptions of the likelihood and consequences of a no-deal Brexit. If, as assumed, Brexit proceeds smoothly to some form of deal, market interest rates would likely rise and the sterling exchange rate would likely appreciate. A more consistent forecast would therefore have somewhat lower paths for GDP growth and CPI inflation". The Bank Rate was last changed in August 2018, when it was increased from 0.5% to 0.75% (see annex table 2, Central Bank watch).

Table 1 Bank of England's economic forecast summary: August 2019 (May 2019 in brackets)

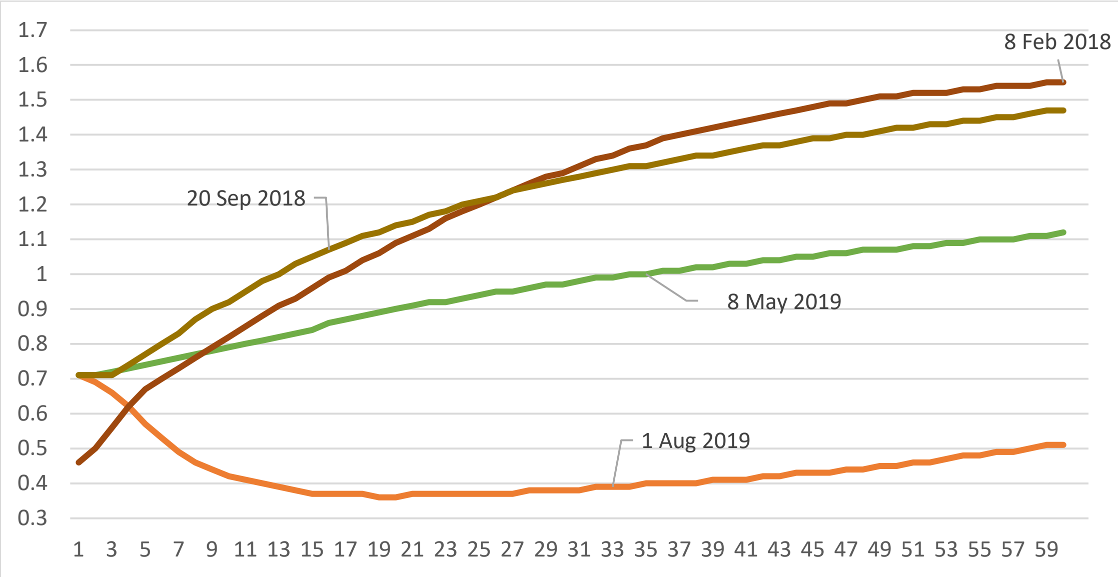
	2019	2020	2021	2022
Table 5C:				
GDP annual growth rate (%)	1.3 (1.5)	1.3 (1.6)	2.3 (2.1)	…
Table 5A:	2019Q3	2020Q3	2021Q3	2022Q3
GDP (YOY, %)	1.0 (1.2)	1.4 (1.7)	2.4 (2.1)	2.5 (na)
CPI inflation rate (YOY, %)	1.7 (1.8)	1.9 (1.7)	2.2 (2.1)	2.4 (na)
Unemployment rate (LFS, %)	3.7 (3.7)	4.0 (3.9)	3.7 (3.6)	3.3 (na)
Bank Rate (market expectations)	0.7 (0.7)	0.5 (0.8)	0.5 (0.9)	0.6 (na)

Source: Bank of England, *Inflation Report*, August 2019, modal projections for GDP, CPI inflation & LFS unemployment.

…and looser financial conditions noted

On financial conditions, the MPC explained that "…market forward pricing for Bank Rate had fallen markedly since the *May Report*. That appeared to have been driven by concerns about global growth risks and a rise in the perceived likelihood of a no-deal Brexit. The UK instantaneous forward OIS curve was now fully pricing in a 25 basis point rate cut during the first half of 2020." Chart 2, which comprises recent yield curve data (1 August 2019) compared with February 2018, September 2018 and May 2019, confirms this expectation. Moreover, rates are expected to remain at around 0.5% over the 5-year horizon of the curve.

Chart 2 UK instantaneous OIS nominal forward curve (%), months out to 60 months (5 years), at selected dates



Source: Bank of England, "latest yield curve data". OIS=overnight index swap rate (latest data, 1/8/19).

On the currency, the MPC commented "…sterling had fallen by 4% between the 15-day averages underpinning the May and August Reports, and by a further 2% thereafter". As with interest rate expectations, "…the most important driver of these falls had been a rise in market participants' perceived likelihood of a no-deal Brexit. The latest betting odds suggested that the perceived probability of a no-deal outcome had risen significantly since May."

Chart 3a shows the monthly averages for the £/$ and the £/€ since January 2015. Concentrating on developments in 2019, sterling picked up in the first quarter of the year ahead of the original Brexit Day (29 March), but has significantly depreciated since then, back to levels seen in 2017, on Brexit uncertainty. Chart 3b shows sterling's daily movements since the beginning of June 2019. Sterling was little changed in June and July ahead of Boris Johnson's becoming PM (24 July, see below). On 24 July the £/$ rate was $1.25 and the £/€ rate was £/€1.12, but by 1 August the rates had fallen to £/$1.215 (down nearly 3%, against a stronger $) and just under £/€1.10 (down nearly 2%), as markets begin to factor in a no deal Brexit. Given the markets' aversion to Brexit-related uncertainties, sterling is expected to remain weak.

Chart 3a £/$, £/€: monthly averages (January 2015-July 2019)

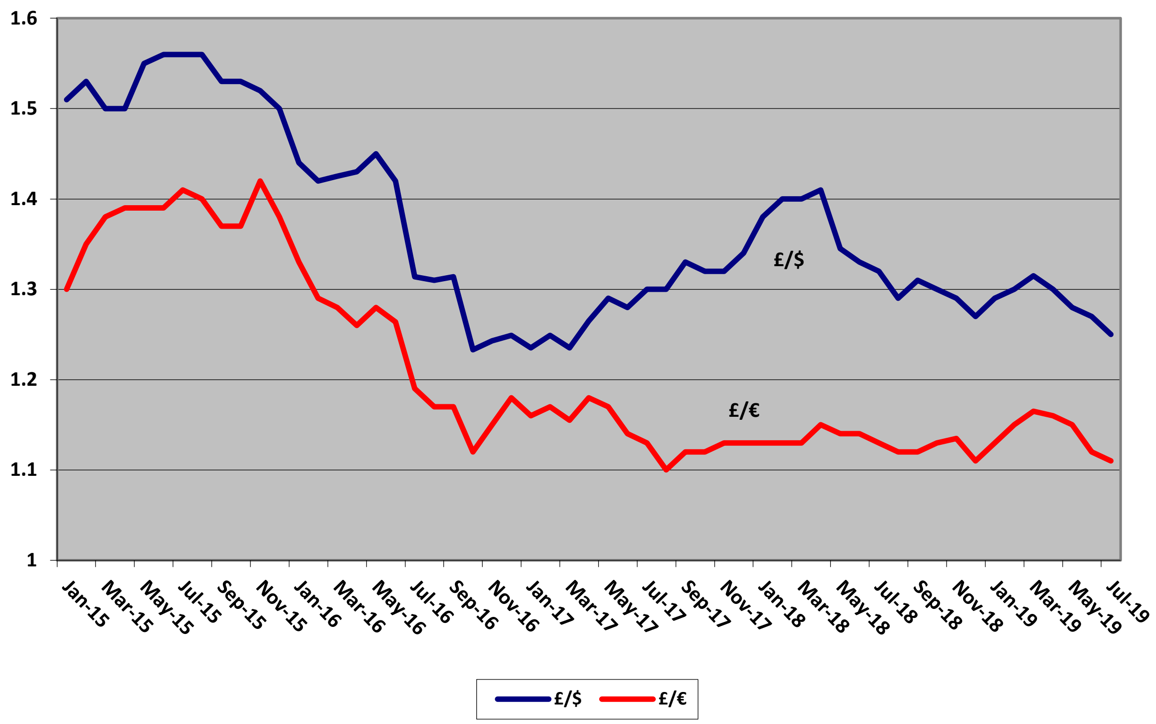
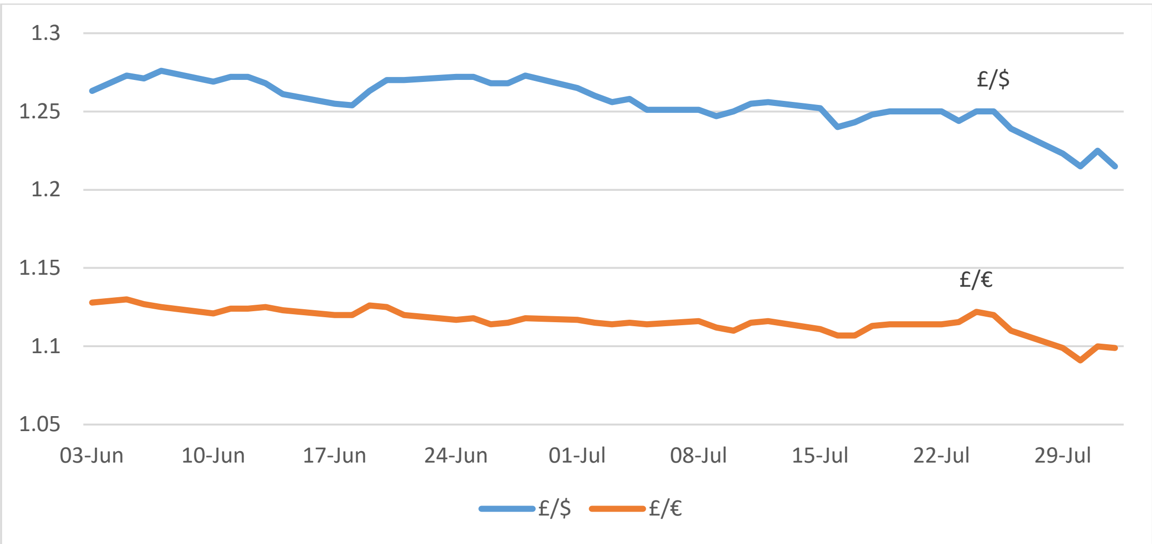


Chart 3b £/$, £/€: daily rates (3 June 2019-1 August 2019)



Source: Bank of England database (spot rates).

Finally, on the Bank of England, the Governor, impressed that the Bank had been working since the referendum to ensure that the financial system was ready for Brexit, "whatever form it takes".[20] Specifically, he said:

- "In order to continue to serve their customers whatever happens, UK banks are now both exceptionally well capitalised and highly liquid.
- Our contingency planning with domestic and EU authorities is mitigating possible risks to disruption of cross-border financial services.
- And, most fundamentally, our institutional framework is robust: the Bank has clear objectives,

operational independence, all the necessary tools and the needed resolve to deliver our monetary and financial stability remits."

UK economic update

There have been few economic data over the past fortnight (see annex table 3 for data tracker).[21]

The one major release related to the Bank's latest money and credit data.[22] These data showed that the annual growth in consumer credit continued to slow in June, to be 5.5%, compared with May's 5.7%. The annual growth has fallen steadily since its peak in late 2016, and particularly over the past year reflecting a fall in the average monthly net flow of consumer credit. However, the growth in net lending for mortgages is fairly steady. The annual growth rate was 3.1% in June, around the level that it has been at since 2016. Moreover, the growth in net bank lending to non-financial businesses (which includes lending to businesses in the public sector) has picked up recently. Growth was 4.4% (YOY) in June, comprising a robust increase of 6.4% (YOY) for large firms, though a still weak 0.8% increase (YOY) for SMEs.

UK political update…

Boris Johnson was announced as the new leader of the Conservative Party on 23 July. He achieved 66.4% of the vote of party members, whilst his opponent, Jeremy Hunt, achieved 33.6%.[23] Theresa May took her last session of PMQs before offering her resignation as PM to the Queen on 24 July. Boris Johnson then travelled to Buckingham Palace to formally become the new PM on 24 July. The Commons rose for the summer recess on 25 July (returns on 3 September). PM Johnson announced his Cabinet on 24 July (see annex table 4).

Sajid Javid replaced Philip Hammond as Chancellor of the Exchequer. He has two especially major policy matters in his in-tray.

Firstly, there is the matter of the planned 2019 Spending Review.[24] The 2015 *Autumn Statement and Spending Review* set out the departmental spending plans for FY2016 to FY2019.[25] These plans, therefore, only run to the end of March 2020. In this March's *Spring Statement*, Chancellor Hammond confirmed that the government would hold a Spending Review, to conclude alongside the 2019 Budget (October/November). This would set departmental budgets, including 3-year budgets for resource spending, if an "EU exit deal was agreed".[26] Suffice to say, such a deal has not been agreed. Given these uncertainties, the 2019 Spending Review may be restricted to just FY2020, rather than run from FY2020-FY2022. Alternatively, it may be deferred until 2020, and replaced by "a much more limited exercise this year to patch up public service budgets for FY2020".[27]

Secondly, he will be tasked with the Autumn Budget, which would normally be expected to be in late October or November, though there has been speculation about an earlier emergency Budget – possibly in the week beginning 7 October.[28] In the case of a "no deal" Brexit, there has been much speculation about a major fiscal boost. But, given the public finances already appear to be weakening and the economy is *de facto* at full employment, the wisdom of this strategy has to be questioned.

The Liberal Democrats gained the previously Conservative-held seat of Brecon and Radnorshire on 1 August 2019.[29] The Government now has an overall majority of one in the Commons (including the DUP's 10 votes). The parliamentary arithmetic is shown in table 2 (which allows for the non-voting Speaker and his three Deputy Speakers, non-attending Sinn Fein (7 MPs)). The Conservative MP for Dover, from whom the whip was re-withdrawn in July 2019, is classified as an independent.

Table 2 House of Commons, parliamentary arithmetic

Government/non-Government	Components	Total number of MPs
Government	310 (Conservatives, excluding Speaker, Deputy Speaker & MP for Dover) + 10 (DUP)	320
"Non-Government"	245 (Labour, excluding two Deputy Speakers) + 35 (SNP) + 21 (Independents, CHUK, including MP for Dover) + 13 (LibDems) + 5 (PC & Green)	319
Government majority		1
Non-voting, non-attending	4 (Speaker & 3 Deputy Speakers) + 7 (Sinn Fein)	11

Main source: "Current State of the Parties", www.parliament.uk.

…and Brexit update

On Brexit, the PM has stated "…we are going to fulfil the repeated promises of parliament to the people and come out of the EU on 31 October, no ifs or buts".[30-31] Michael Gove, the new Chancellor of the Duchy of Lancaster, will oversee "no deal" Brexit preparation across Whitehall. DExEU, which has been in charge of no deal planning, will be stripped of this responsibility to focus on renewed EU negotiations. The "switching" of roles and centralising of no deal planning in the Cabinet Office is intended to send a clear signal to Brussels about the new government's priorities. Previously the Cabinet Office had been in charge of EU negotiations.

Three key committees to "ensure the delivery of Brexit by 31 October" have been announced. They are:

- The Exit Strategy Committee (XS), the "Brexit War Cabinet", chaired by PM Boris Johnson and meeting twice a week. It comprises Johnson, Michael Gove, Sajid Javid, Steve Barclay (Brexit SoS), Dominic Raab (Foreign Secretary) and Geoffrey Cox (Attorney General).
- The Daily Operations Committee (XO), chaired by Michael Gove, meeting every weekday and responsible for overseeing all of the Government's preparations for leaving the EU and a possible no deal exit.
- The Exit, Economy and Trade Committee (ETC), chaired by Boris Johnson and meeting regularly. It has a broad remit, but is particularly focused on Britain's future relationships around the world.

Chancellor Sajid Javid recently announced an extra £2.1bn of funding to prepare for a no-deal Brexit, with the funding allocated to border and customs operations, critical medical supplies and a public information campaign, amongst the preparations.[32]

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Annex

Table 1 IMF GDP forecasts, growth rates (%), last 3 forecasts

	Jul 2019 (changes from Apr, in brackets)			Apr 2019 (changes from Jan, in brackets)			Jan 2019 (changes from Oct, in brackets)		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
World output (GDP)	3.6 (0)	3.2 (-0.1)	3.5 (-0.1)	3.6 (-0.1)	3.3 (-0.2)	3.6 (0)	3.7 (0)	3.5 (-0.2)	3.6
Advanced economies:									
US (G7)	2.9 (0)	2.6 (0.3)	1.9 (0)	2.9 (0)	2.3 (-0.2)	1.9 (0.1)	2.9 (0)	2.5 (0)	1.8
Eurozone, of which:	1.9 (0.1)	1.3 (0)	1.6 (0.1)	1.8 (0)	1.3 (-0.3)	1.5 (-0.2)	1.8 (-0.2)	1.6 (-0.3)	1.7
Germany (G7)	1.4 (-0.1)	0.7 (0.1)	1.7 (0.3)	1.5 (0)	0.8 (-0.5)	1.4 (-0.2)	1.5 (-0.4)	1.3 (-0.6)	1.6
France (G7)	1.7 (0.2)	1.3 (0)	1.4 (0)	1.5 (0)	1.3 (-0.2)	1.4 (-0.2)	1.5 (-0.1)	1.5 (-0.1)	1.6
Italy (G7)	0.9 (0)	0.1 (0)	0.8 (-0.1)	0.9 (-0.1)	0.1 (-0.5)	0.9 (0)	1.0 (-0.2)	0.6 (-0.4)	0.9
Japan (G7)	0.8 (0)	0.9 (-0.1)	0.4 (-0.1)	0.8 (-0.1)	1.0 (-0.1)	0.5 (0)	0.9 (-0.2)	1.1 (0.2)	0.5
UK (G7)	1.4 (0)	1.3 (0.1)	1.4 (0)	1.4 (0)	1.2 (-0.3)	1.4 (-0.2)	1.4 (0)	1.5 (0)	1.6
Canada (G7)	1.9 (0.1)	1.5 (0)	1.9 (0)	1.8 (-0.3)	1.5 (-0.4)	1.9 (0)	2.1 (0)	1.9 (-0.1)	1.9
Emerging									

market & developing economies:									
China	6.6 (0)	6.2 (-0.1)	6.0 (-0.1)	6.6 (0)	6.3 (0.1)	6.1 (-0.1)	6.6 (0)	6.2 (0)	6.2
India	6.8 (-0.3)	7.0 (-0.3)	7.2 (-0.3)	7.1 (-0.2)	7.3 (-0.2)	7.5 (-0.2)	7.3 (0)	7.5 (0.1)	7.7
Brazil	1.1 (0)	0.8 (-0.3)	2.4 (-0.1)	1.1 (-0.2)	2.1 (-0.4)	2.5 (0.3)	1.3 (-0.1)	2.5 (0.1)	2.2
Russia	2.3 (0)	1.2 (-0.4)	1.9 (0.2)	2.3 (0.6)	1.6 (0)	1.7 (0)	1.7 (0)	1.6 (-0.2)	1.7

Sources: (i) *IMF*, "World Economic Outlook, January 2019 update, "A Weakening Global Expansion"; (ii) *IM*F, World Economic Outlook, April 2019 forecast, "Growth slowdown, precarious recovery"; (iii) *IM*F, World Economic Outlook, July 2019 update, "Still Sluggish Global Growth". There are four forecasts a year: Jan update, April forecast, July update, October forecast.

Table 2 Central Bank watch

Central Bank	Monetary policy committee	Monetary policy meetings for 2019	Recent monetary policy history	
Bank of England (BoE).	Monetary Policy Committee (MPC) sets monetary policy, including Bank Rate	Announcements: 7 Feb; 21 March; 2 May; 20 June; 1 Aug; 19 Sep; 7 Nov; 19 Dec.	Bank Rate (base rate): interest rate BoE charges commercial banks for secured overnight lending.	0.5% (5/3/09); 0.25% (4/8/16); 0.5% (2/11/17); 0.75% (2/8/18)
	The *Inflation Report* is released in Feb, May, Aug & Nov.			
European Central Bank (ECB).	Governing Council sets monetary policy, including 3 key interest rates: Main refinancing operations, Deposit facility rate, & Marginal lending facility rate.	Announcements: 24 Jan; 7 March; 10 April; 6 June; 25 July; 12 Sep; 24 Oct; 12 Dec.	Main refinancing operations (MRO) interest rate, which provide the bulk of liquidity to the banking system	0.0% (16/3/16)
	Forecasts: • Mar, Sep (ECB staff. members). • Jun, Dec (Eurozone national		Deposit facility rate, which banks may use to make overnight deposits with Eurosystem [comprises ECB & 19 central banks of	-0.40% (16/3/16)

	central banks & ECB staff members).		Eurozone members]	
			Marginal lending facility rate (MLR), which offers overnight credit to banks from Eurosystem	0.25% (16/3/16)
			Non-standard monetary policy measures**:** net purchases under asset purchase programme (APP). After Dec 2018: no net purchases.	
Federal Reserve System (Federal Reserve, the Fed).	Federal Open Market Committee (FOMC) sets monetary policy, by targeting the federal funds rate.	Meetings: 29-30 Jan; 19-20 March; 30 April-1 May; 18-19 June; 30-31 July; 17-18 Sep; 29-30 Oct; 10-11 Dec.	Federal funds rate: rate banks charge each other for overnight loans of federal funds (reserves held by banks at the Fed), set by the market. Note the discount rate is the rate for "discount window lending" (overnight loans member banks borrow directly from the Fed).	0-0.25% (16/12/08); 0.25-0.50% (17/12/15); 0.50-0.25% (14/12/16); 0.75-1.00% (15/3/17); 1.00-1.25% (14/6/17); 1.25-1.50% (13/12/17); 1.50-1.75% (21/3/18); 1.75-2.00% (13/6/18); 2.00-2.25% (26/9/18); 2.25-2.50% (19/12/18); 2.00-2.25% (31/7/19)
	March, June, Sep, Dec meetings with *Summary of Economic Projections & press conference*		Fed's end-year projections for the federal funds rate (Jun 2019)	2019 (2.4% (2.25%-2.50%)); 2020 (2.1% (2.0%-2.25%)); 2021 (2.4%); Longer-run (2.5%)

Sources: (i) Bank of England website; (ii) ECB website; (iii) Federal Reserve System website

Table 3 UK economic data tracker

Date	Release	Source	Quarter, year	Outcome
28 Jun	Current Account, Balance of Payments (2019Q1):	ONS	2019Q1	Deficit: £30.0bn (5.6% of GDP), £23.7bn (4.4% of GDP, 2018Q4)
28 Jun	Trade (goods & services) balance:	ONS	2019Q1	Deficit: £20.3bn (2019Q1), £9.4bn (2018Q4)
28 Jun	• Visible trade balance	ONS	2019Q1	Deficit: £47.0bn (2019Q1), 36.9bn (2018Q4)
28 Jun	• Services balance	ONS	2019Q1	Surplus: £26.8bn (2019Q1), £27.5bn (2018Q4)
28 Jun	Primary income balance	ONS	2019Q1	Deficit: £3.2bn (2019Q1), £8.4bn (2018Q4)
28 Jun	Secondary income balance	ONS	2019Q1	Deficit: £6.6bn (2019Q1), £5.9bn (2018Q4)
28 Jun	GDP, quarterly (2019Q1)	ONS	2019Q1	GDP (2019Q1): 0.5% (QOQ), 1.8% (YOY)
28 Jun	GDP: industrial breakdown (2019Q1)	ONS	2019Q1	Production: 1.1% (QOQ); Manufacturing output: 1.9% (QOQ); Construction: 1.4% (QOQ); Services: 0.4% (QOQ)
28 Jun	GDP: expenditure breakdown (2019Q1)	ONS	2019Q1	Household consumption: +0.6% (QOQ); GGFC: 0.8% (QOQ); GFCF: 1.2% (QOQ), within which business investment 0.4% (QOQ). Net contribution of net trade (KP): -£14.7bn; exports +1.5%(QOQ), imports +10.8% (QOQ)
1 Jul	Manufacturing PMI (Jun)	Markit-CIPS	2019Q2	Index: 48.0 (Jun), 49.4 (May)
2 Jul	Construction PMI (Jun)	Markit-CIPS	2019Q2	Index: 43.1 (Jun), 48.6 (May)
3 Jul	Services PMI (Jun)	Markit-CIPS	2019Q2	Index: 50.2 (Jun), 51.0 (May)
5 Jul	Productivity (output per hour) (2019Q1)	ONS	2019Q1	-0.6% (QOQ), -0.2% (YOY)
5 Jul	Productivity (output per job) (2019Q1)	ONS	2019Q1	+0.2% (QOQ), +0.8% (YOY)
10 Jul	GDP, monthly (May)	ONS	2019Q2	GDP (May): 0.3% (MOM), 1.5% (YOY)
10 Jul	GDP: industrial breakdown (May)	ONS	2019Q2	Production: 1.4% (MOM); Manufacturing output: 1.4% (MOM); Construction: 0.6% (MOM); Services: flat (MOM)
10 Jul	GDP, monthly (3 months to May)	ONS	2019Q2	GDP (3 months to May): 0.3% (QOQ), 1.7% (YOY)
10 Jul	GDP: industrial breakdown (3 months to May)	ONS	2019Q2	Production: 0.3% (QOQ); Manufacturing output: 0.1% (QOQ); Construction: 0 (QOQ); Services:

				0.3% (QOQ)
10 Jul	UK trade in goods & services (3 months to May)	ONS	2019Q2	Trade deficit: narrowed £4.6bn (QOQ) to £12.6bn.
10 Jul	UK trade in goods (3 months to May)	ONS	2019Q2	Goods deficit: widened £4.6bn (QOQ) to £39.7bn.
10 Jul	UK trade in services (3 months to May)	ONS	2019Q2	Services surplus: little changed at £27.1bn.
10 Jul	NIESR GDP tracker	NIESR	2019Q2	GDP change: -0.1% (QOQ) in 2019Q2, +0.2% (QOQ) in 2019Q3.
16 Jul	Employment (3 months to May)	ONS	2019Q2	+28k (QOQ), +354k (YOY)
16 Jul	Unemployment (3 months to May)	ONS	2019Q2	-51k (QOQ), -116k (YOY)
16 Jul	Unemployment rate (3 months to May)	ONS	2019Q2	3.8%; 4.2% (3 months to May, 2018)
16 Jul	Vacancies (3 months to Jun)	ONS	2019Q2	Total vacancies: 827k, -9k (QOQ), -19k (YOY)
16 Jul	Earnings (3 months to May), nominal	ONS	2019Q2	3.4% (YOY, total pay, including bonuses), 3.6% (YOY, regular pay, excluding bonuses)
16 Jul	Earnings (3 months to May), real	ONS	2019Q2	1.4% (YOY, total pay, including bonuses), 1.7% (YOY, regular pay, excluding bonuses)
17 Jul	CPIH (Jun)	ONS	2019Q2	YOY inflation: 1.9% (Jun), 1.9% (May)
17 Jul	CPI (Jun)	ONS	2019Q2	YOY inflation: 2.0% (Jun), 2.0% (May)
17 Jul	PPI (output) (Jun)	ONS	2019Q2	YOY inflation: 1.6% (Jun), 1.9% (May)
17 Jul	PPI (input) (Jun)	ONS	2019Q2	YOY inflation: -0.3% (Jun), 1.4% (May)
17 Jul	Crude oil prices (Jun)	ONS	2019Q2	YOY inflation (sterling): -10.7 (MOM), -11.6% (YOY)
17 Jul	House prices (May, official)	ONS	2019Q2	YOY growth: 1.2% (May), 1.5% (Apr)
17 Jul	House prices (May, official)	ONS	2019Q2	+0.1% (MOM, non-seasonally adjusted), flat (MOM, seasonally adjusted)
18 Jul	Retail sales (Jun)	ONS	2019Q2	Volume: +1.0% (MOM), 3.8% (YOY)
18 Jul	Retail sales (3 months to Jun)	ONS	2019Q2	Volume: 0.7% (QOQ), 3.7% (YOY)
19 Jul	Public Sector Net Borrowing (PSNB) (Jun)	ONS	2019Q2	£7.2bn deficit (Jun 2019), compared with £3.3bn deficit (Jun 2018).
19 Jul	Public Sector Net Borrowing (PSNB) (FY2019, year-to-date)	ONS	FY2019	£17.9bn deficit (Apr-Jun 2019), compared with £13.5bn deficit (Apr-Jun 2018).
19 Jul	Public sector finances, public sector net debt (PSND) (end-Jun)	ONS	2019Q2	£1,818.1bn (end-Jun 2019, 83.1% of GDP), compared with £1,791.1bn (end-Jun 2018, 84.6% of GDP)
29 Jul	Unsecured credit (Jun)	BoE	2019Q2	Growth rate (YOY): 5.5% (Jun), 5.7% (May)
29 Jul	Secured on dwellings (Jun)	BoE	2019Q2	Growth rate (YOY): 3.1% (Jun), 3.2%

				(May)
29 Jul	Mortgage approvals for house purchase (Jun)	BoE	2019Q2	66,400 (Jun), 65,647 (May), compared with 65,247 (average of previous 6 months)
29 Jul	Net bank lending to non-financial businesses (Jun), of which:	BoE	2019Q2	Growth rate (YOY): 4.4% (Jun), 4.2% (May)
29 Jul	• Large businesses	BoE	2019Q2	Growth rate (YOY): (6.4% Jun), 6.3% (May)
29 Jul	• SMEs	BoE	2019Q2	Growth rate (YOY): 0.8% (Jun), 0.5% (May)

Table 4 May and Johnson Cabinets

	Outgoing May Cabinet	Incoming Johnson Cabinet
Prime Minister	Theresa May	Boris Johnson
Chancellor of Duchy of Lancaster	David Lidington, Minister for the Cabinet Office	Michael Gove, in charge of "no deal" preparations
Chancellor of the Exchequer	Philip Hammond	Sajid Javid
Secretary of State (SoS), Home Office	Sajid Javid	Priti Patel
SoS, Foreign & Commonwealth Affairs	Jeremy Hunt	Dominic Raab, First Secretary of State, de facto Deputy PM
SoS, Exiting the EU (DExEU)	Stephen Barclay	Stephen Barclay, focusing on renewed negotiations with the EU
SoS, Defence	Penny Mordaunt	Ben Wallace
SoS, Justice; Lord High Chancellor	David Gauke	Robert Buckland
SoS, Health & Social Care	Matthew Hancock	Matthew Hancock
SoS, Education	Damian Hinds	Gavin Williamson
SoS, International Trade	Liam Fox	Elizabeth (Liz) Truss
SoS, Business, Energy & Industrial Strategy (BEIS)	Greg Clark	Andrea Leadsom
SoS, Department of Environment, Food & Rural Affairs (DEFRA)	Michael Gove	Theresa Villiers
SoS, Transport	Chris Grayling	Grant Shapps
SoS, Housing, Communities & Local Government (HCLG)	James Brokenshire	Robert Jenrick
SoS, International Development	Rory Stewart	Alok Sharma
SoS, Digital, Culture, Media & Sport	Jeremy Wright	Nicky Morgan
SoS, Work & Pensions	Amber Rudd	Amber Rudd, Minister for Women & Equalities
Leader of House of Lords	Natalie Evans	Natalie Evans
SoS, Scotland	David Mundell	Alister Jack

SoS, Wales	Alun Cairns	Alun Cairns
SoS, Northern Ireland	Karen Bradley	Julian Smith
Minister without Portfolio (Cabinet Office)	Brandon Lewis, Party Chair	James Cleverly, Party Chair
Also attending Cabinet:		
Leader of the Commons	Mel Stride, Lord President of the Council	Jacob Rees-Mogg
Chief Secretary of the Treasury	Elizabeth (Liz) Truss	Rishi Sunak
Chief Whip	Julian Smith	Mark Spencer
Attorney General (E&W), Advocate General (NI)	Geoffrey Cox	Geoffrey Cox
MoS, Home Office	Caroline Nokes	Brandon Lewis
MoS, Business & Energy	Claire Perry [covered by Universities MoS Chris Skidmore]	Kwasi Kwarteng
Minister of State (MoS), Housing & Planning	…	Esther McVey
MoS, Business & Education	…	Jo Johnson
Minister for the Cabinet Office, Paymaster General	…	Oliver Dowden
MoS, Cabinet Office, HCLG	…	Jake Berry