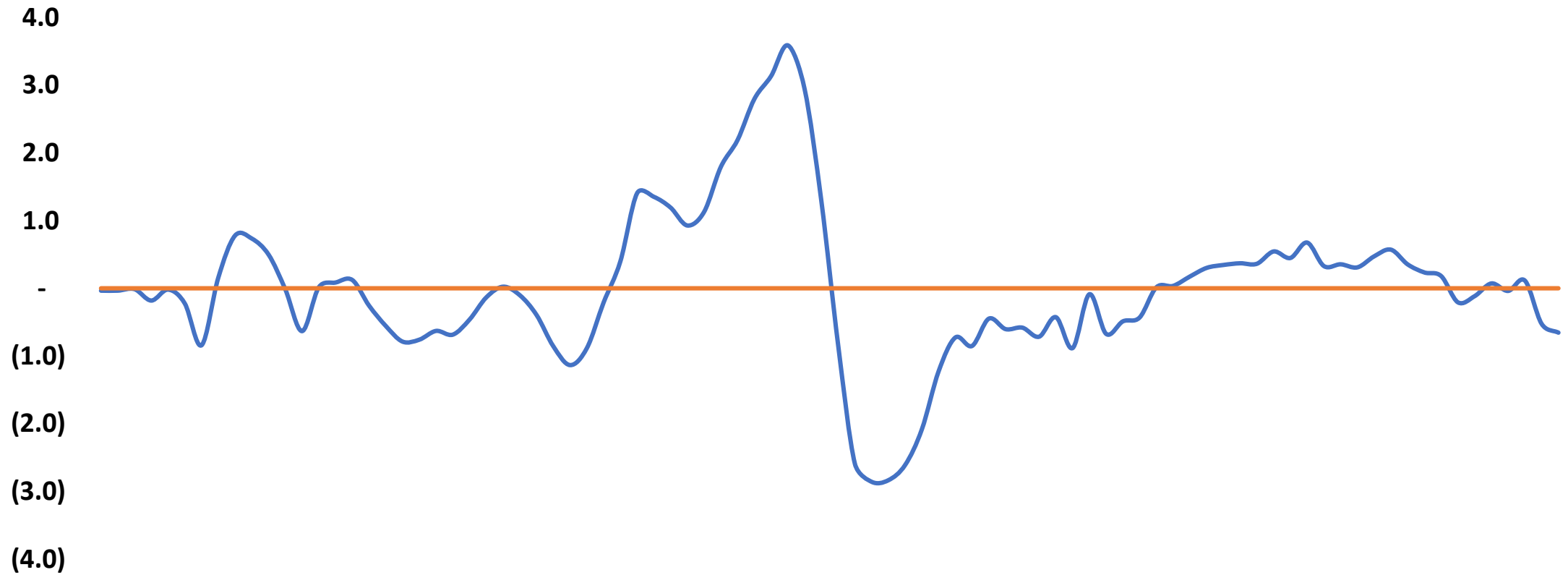


United Kingdom Economic and financial situation in 2019:Q4

Gayan, Mahesh, Prasad

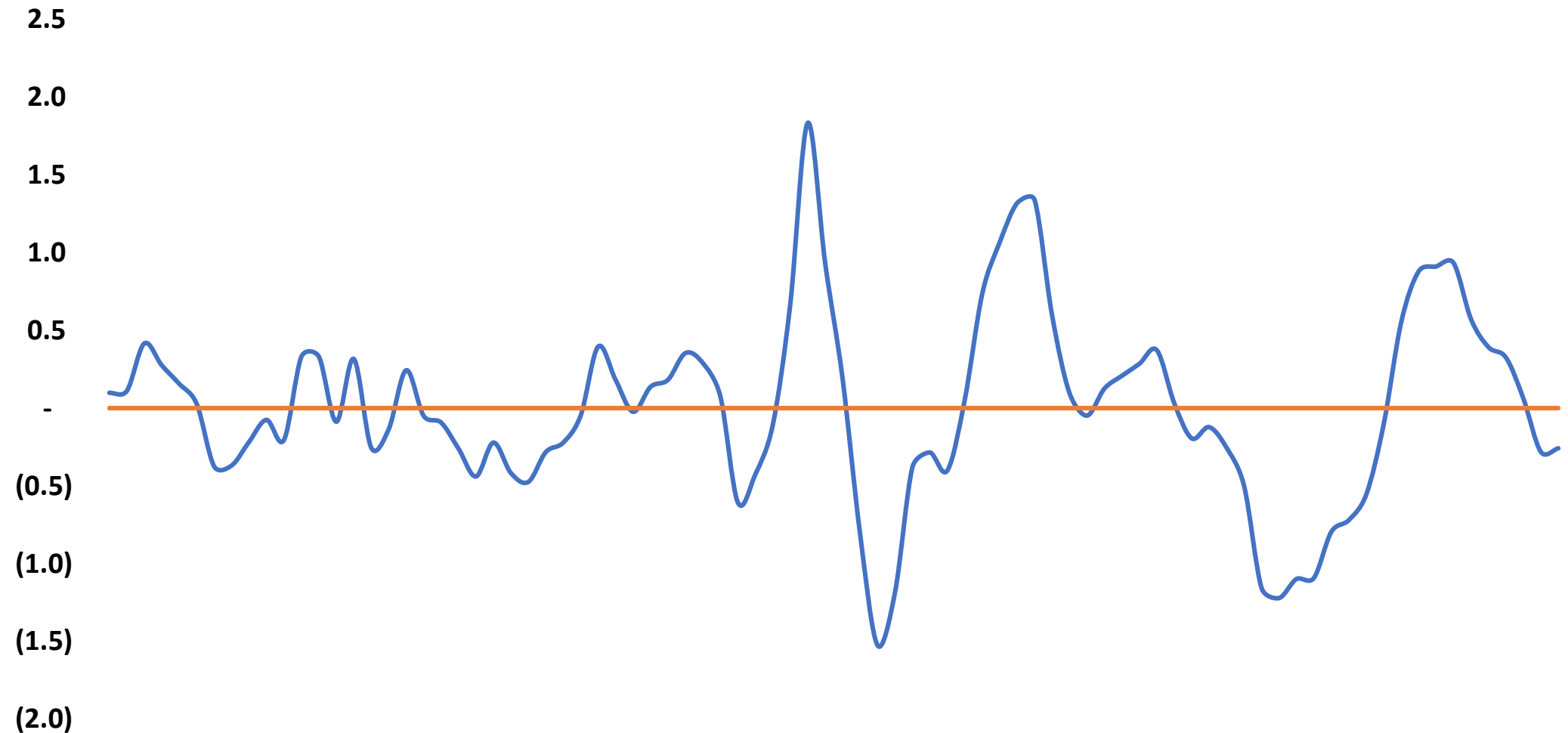
16 January 2020

Output Gap Negative – Easing Expected

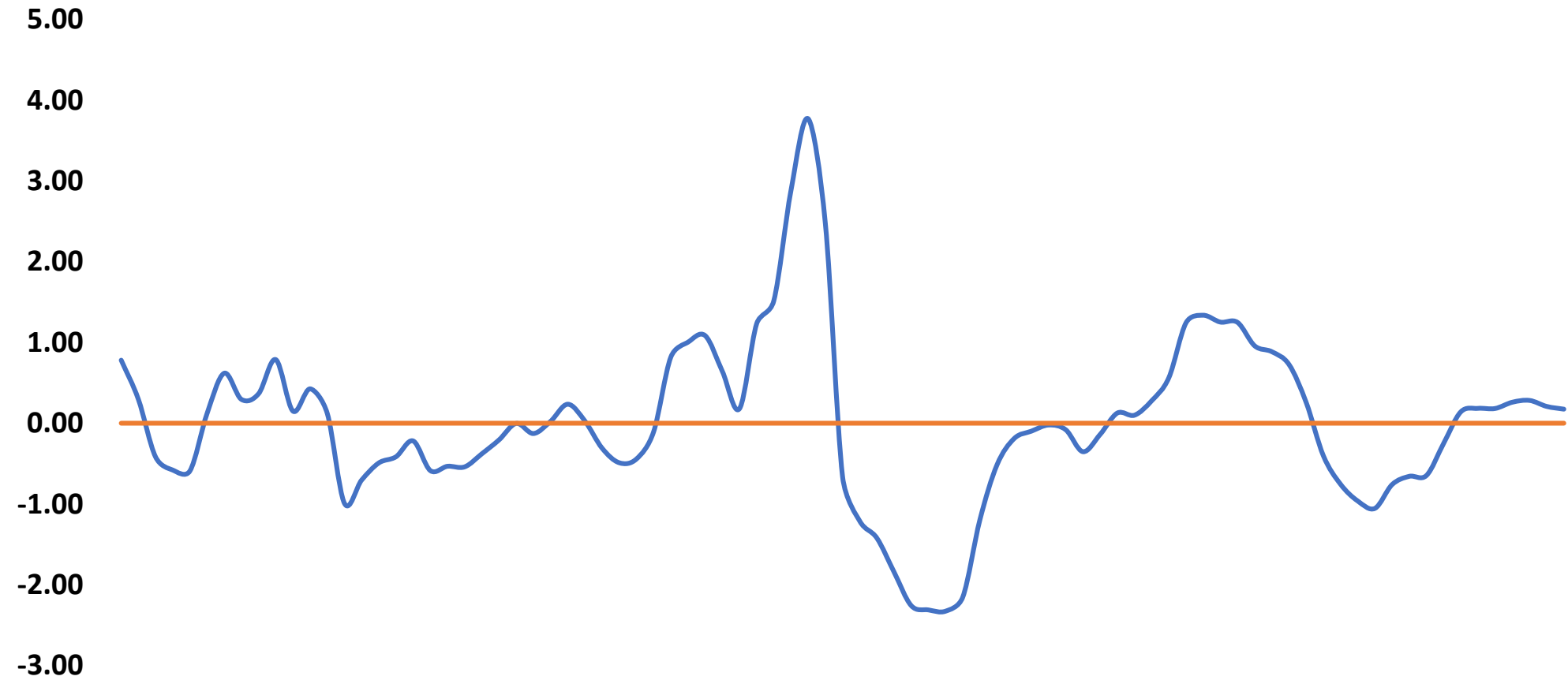


Uk has been underperforming in the last 2 quarters.

Inflation Gap Negative - Easing Expected



RI Gap - Easening Expected



Summary

UK	Current Gap	Impact on UK MPR
Output gap	(0.7)	Ease
Inflation gap	(0.3)	Ease
Real interest rate gap	0.2	Ease

SL	Remark	Impact on SL Inflation	Impact on SL MPR
Economic Activity	Growth in Demand / Consumption in UK will lead to Higher exports in SL (C+G+I+X-M)	Decline	Stable/Reduce
CCPI Inflation	Since the appreciate of the LKR , import prices will reduce and thereby inflation will go down	Decline	Stable/Reduce
Exchange rate	More USD in the economy	Decline	Stable/Reduce