UK ECONOMY : 2013 AND BEYOND

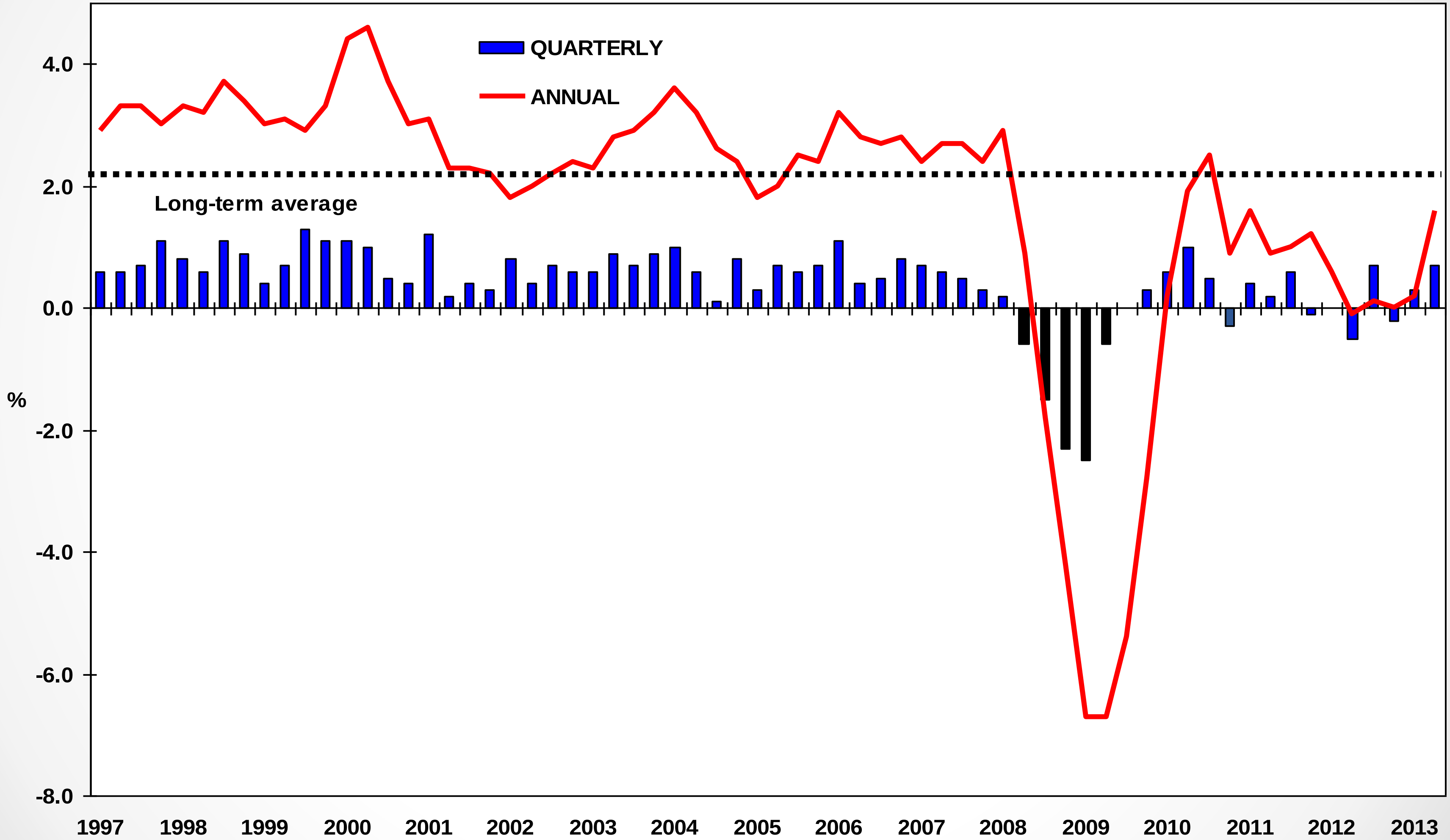
Turning The Corner?

Dennis Turner

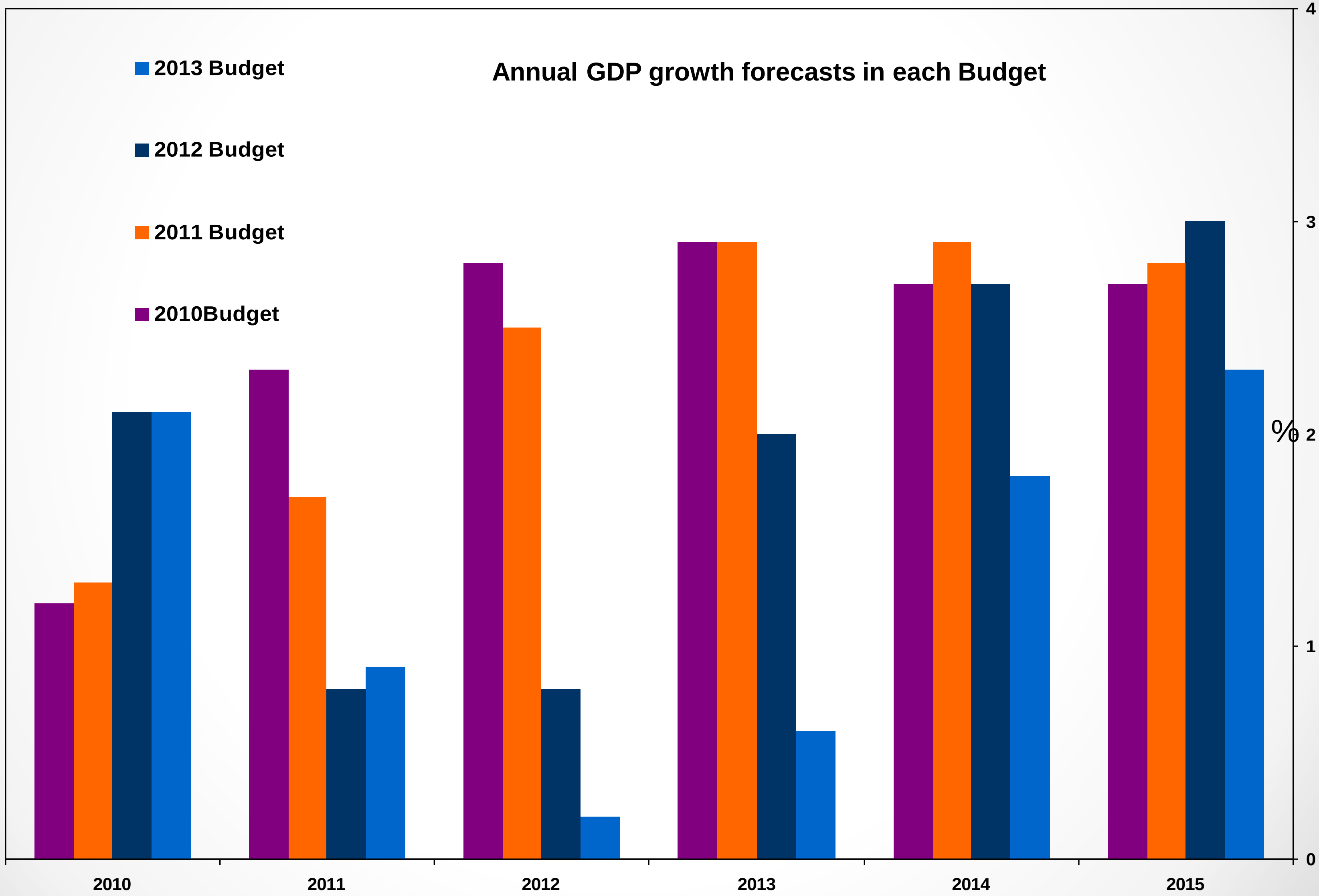
HBAA Annual Forum 2013
Twickenham Rugby Ground
5th September 2013

THE RECESSION IS OVER

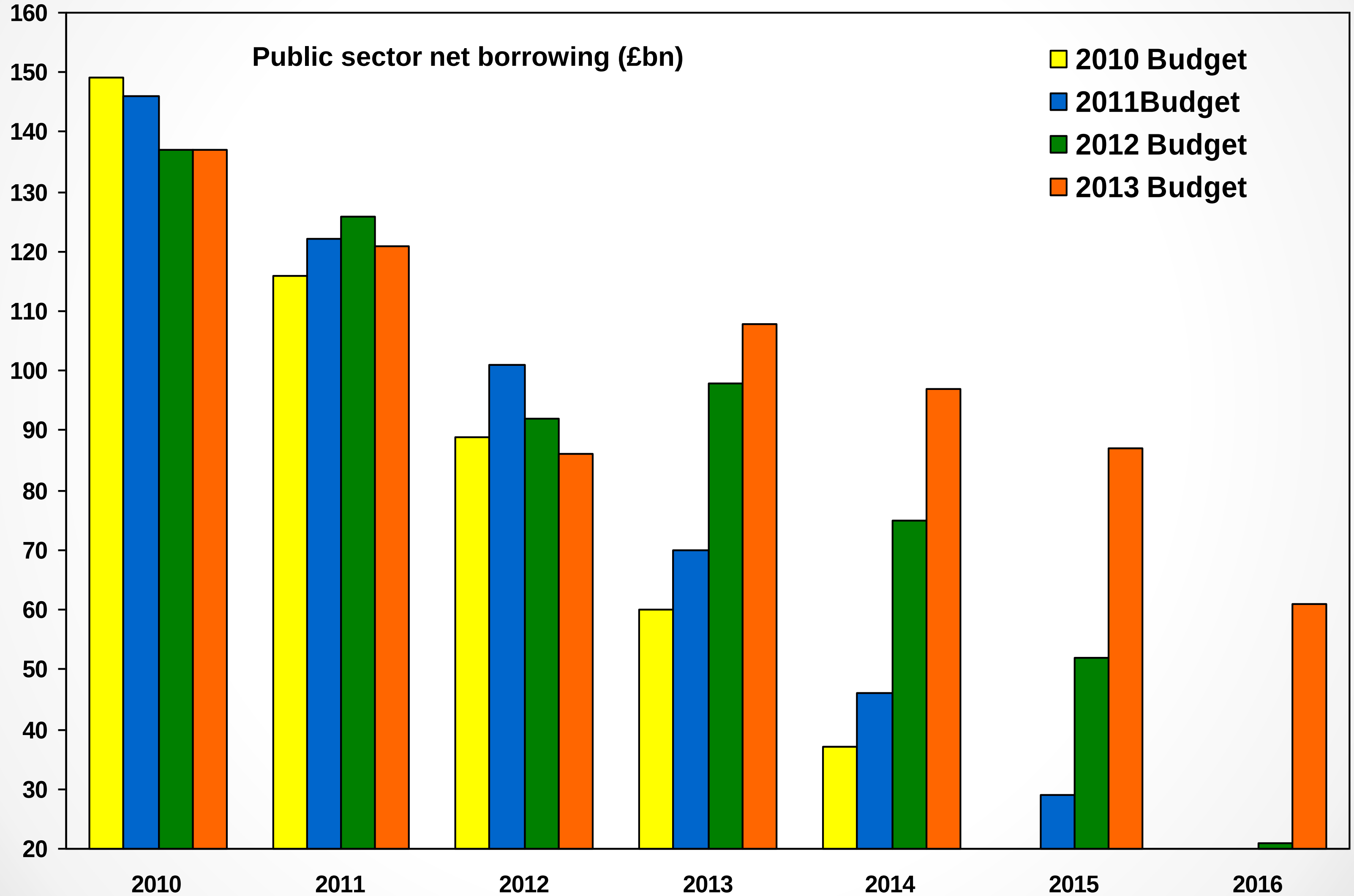
A deep recession



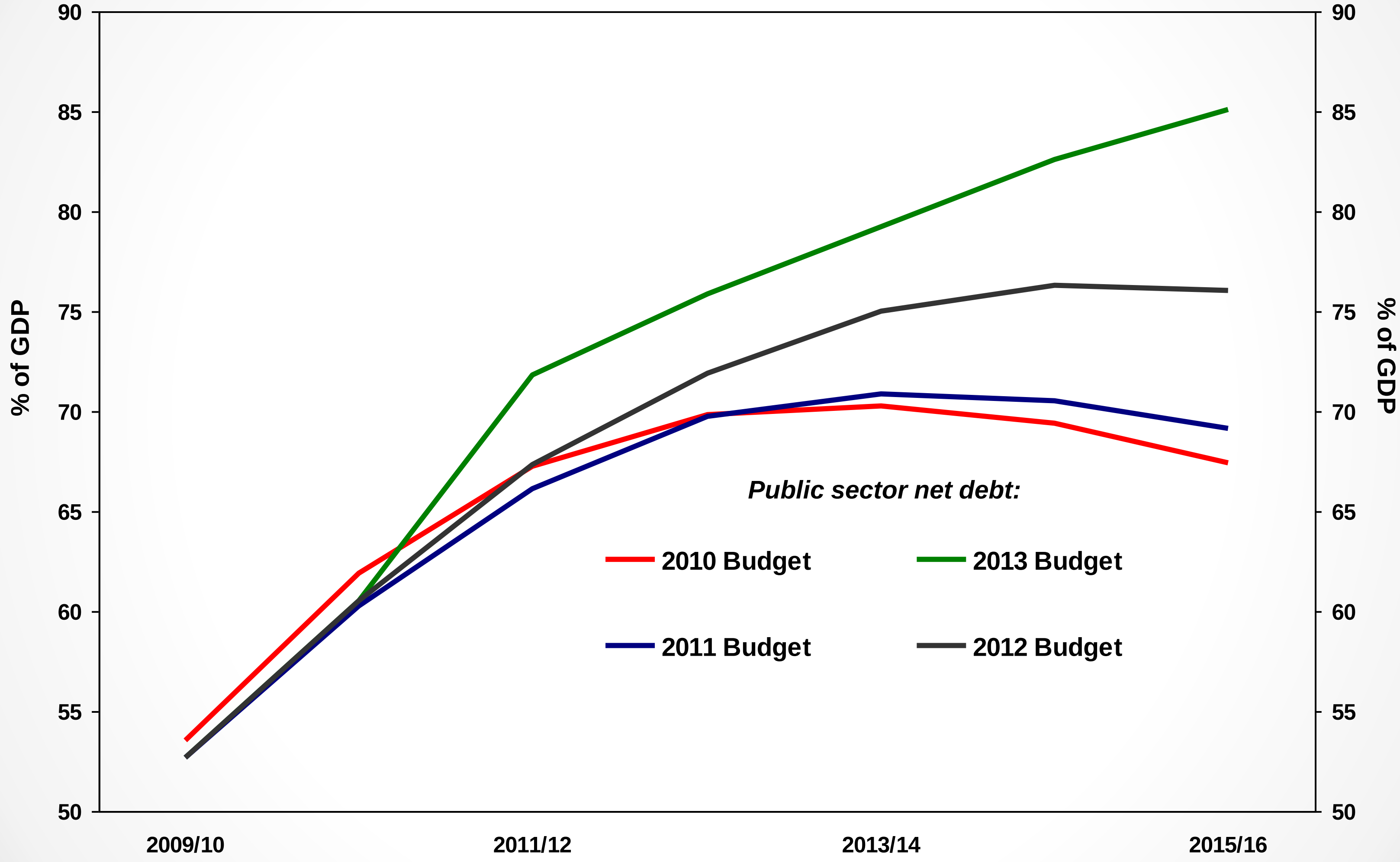
The growth shortfall



...means more borrowing



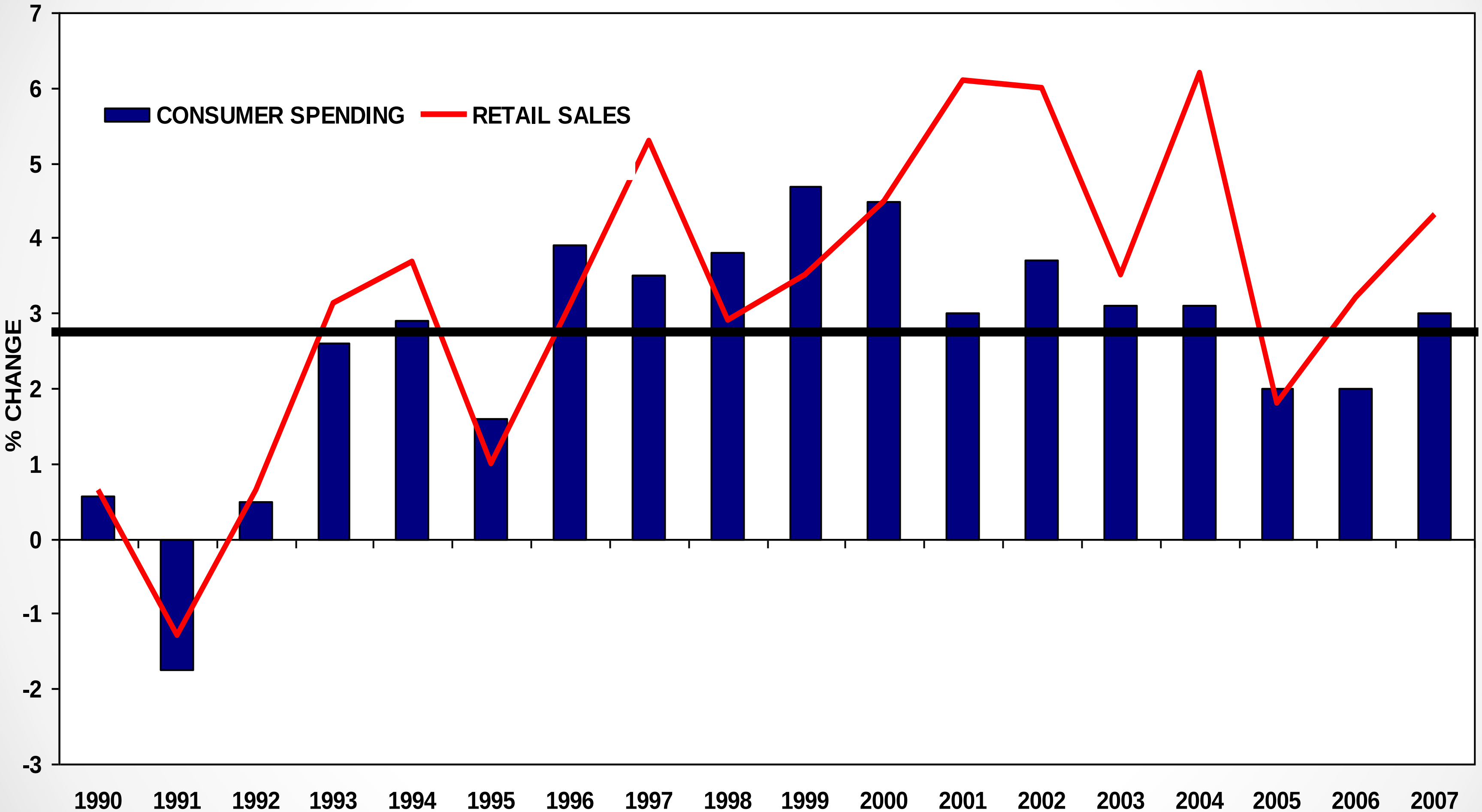
...and higher debt levels



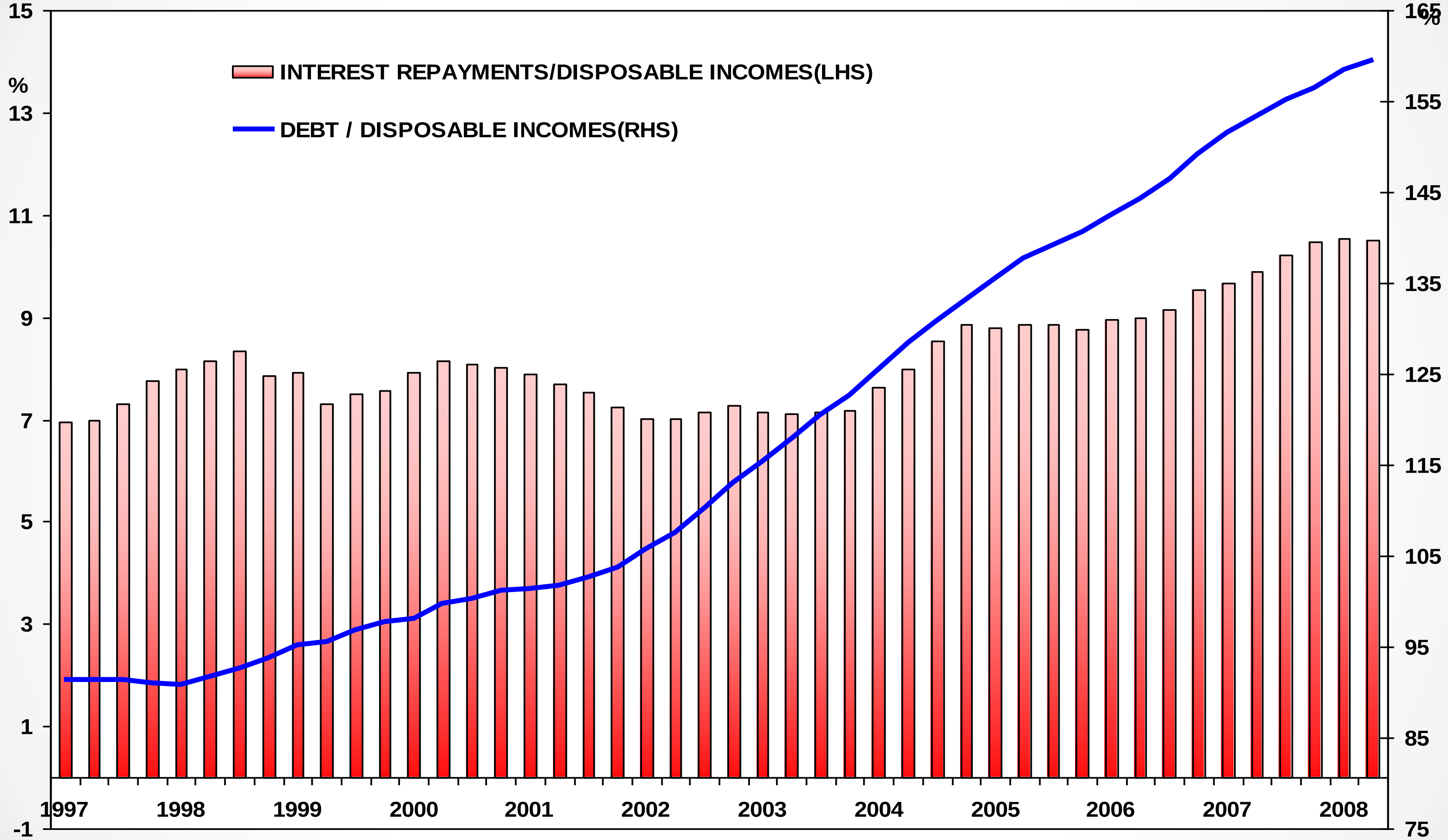
A FRAGILE RECOVERY

Legacy issues

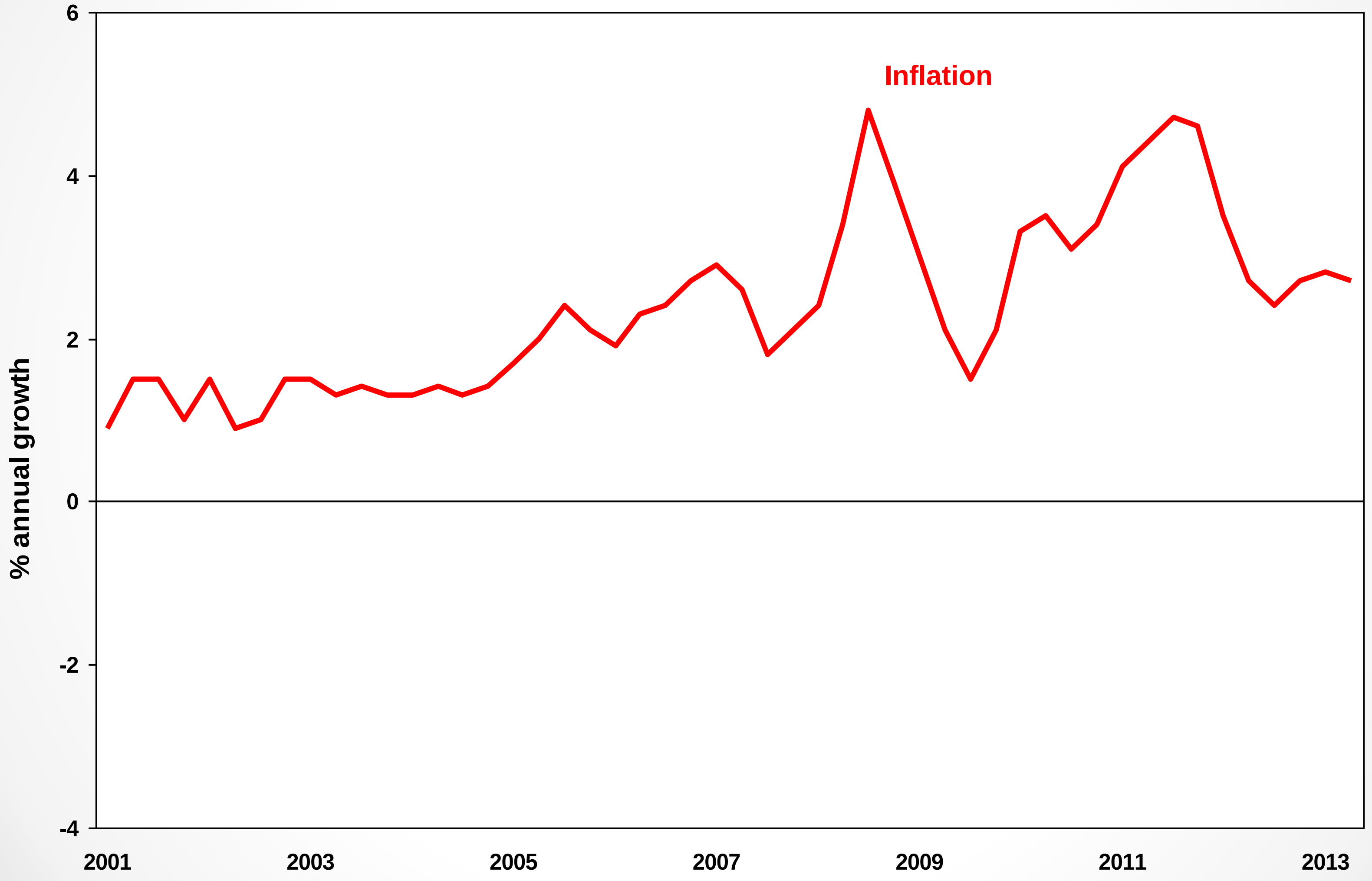
Consumers were the driving force



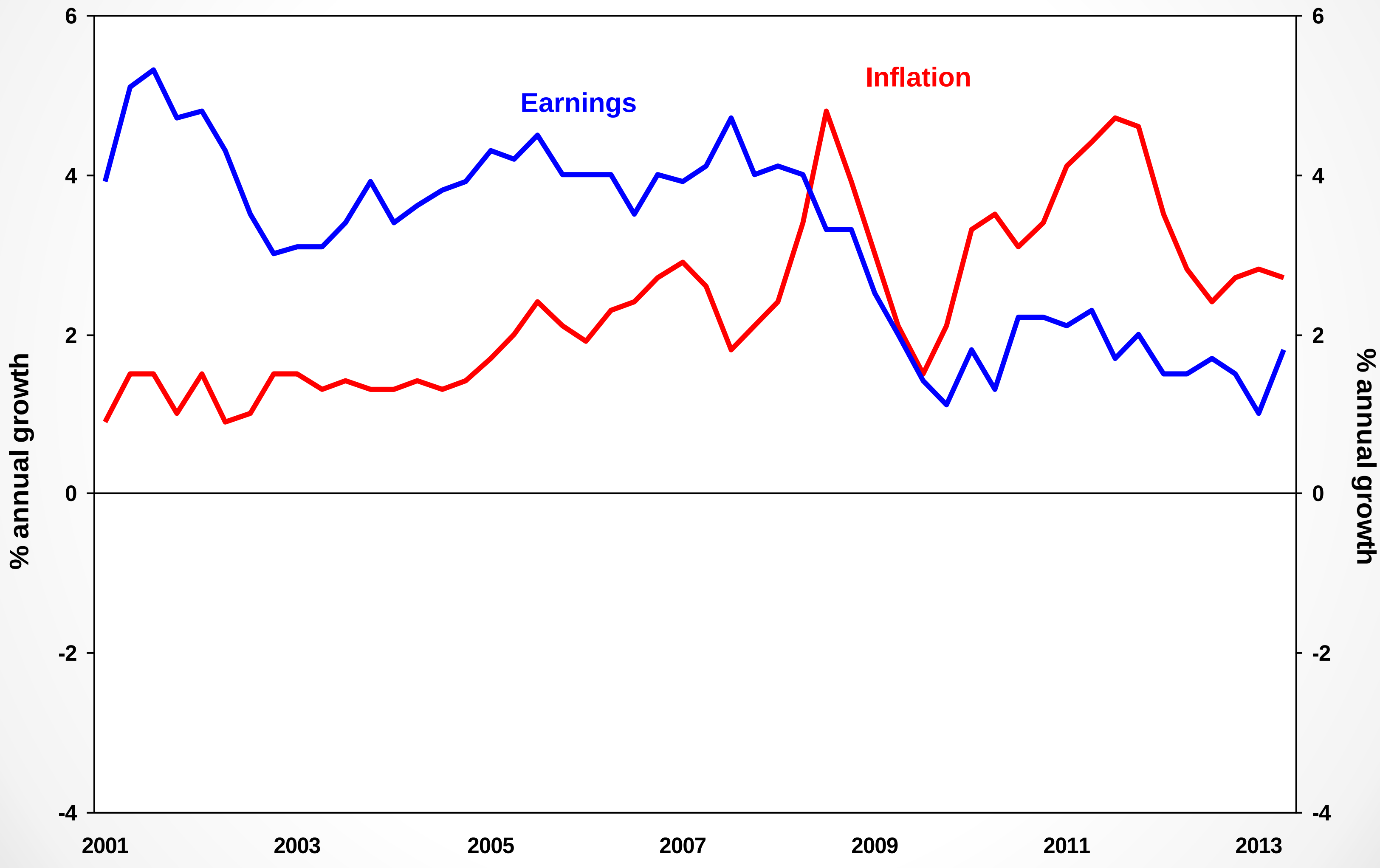
But underpinned by borrowing



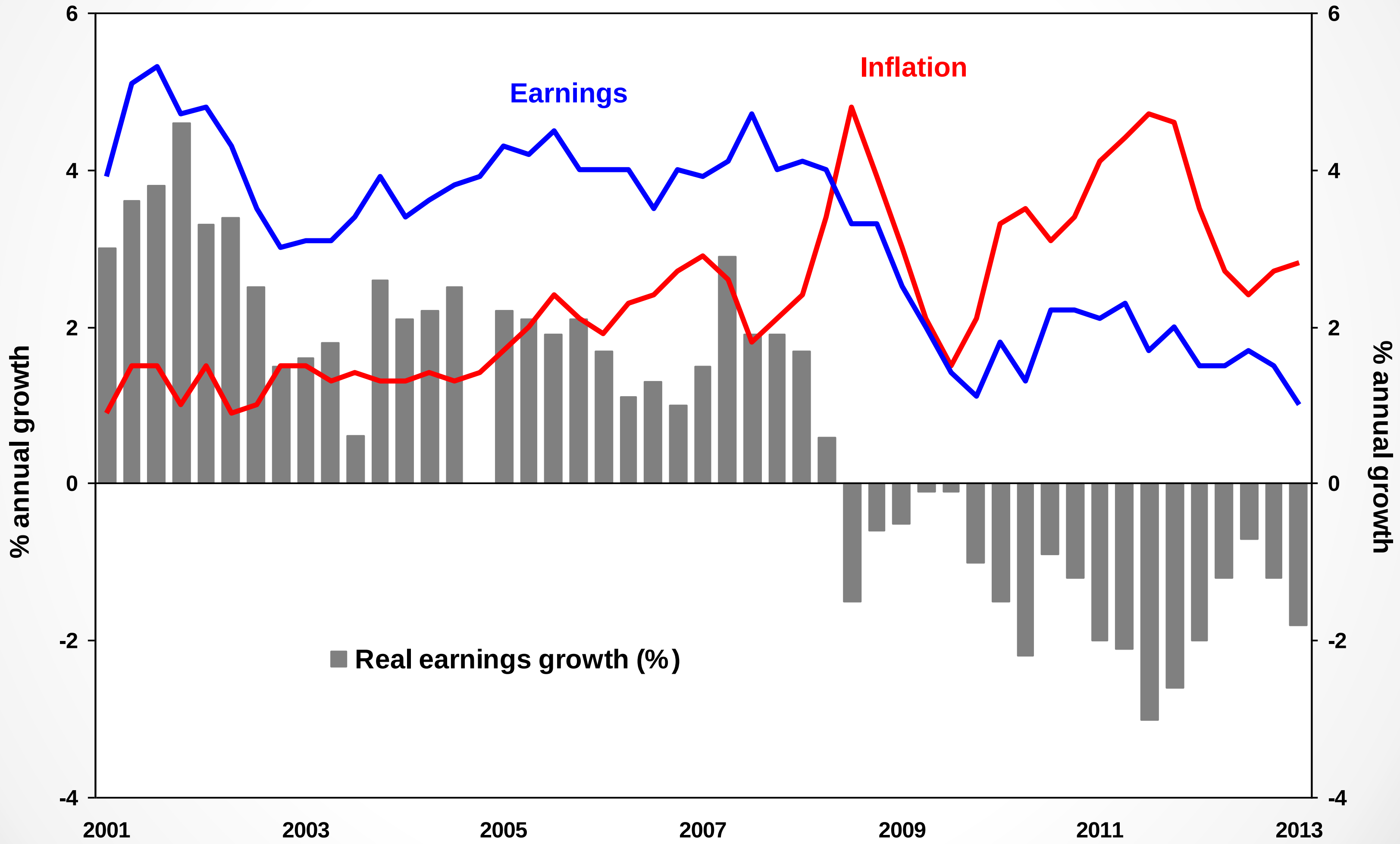
The big household squeeze



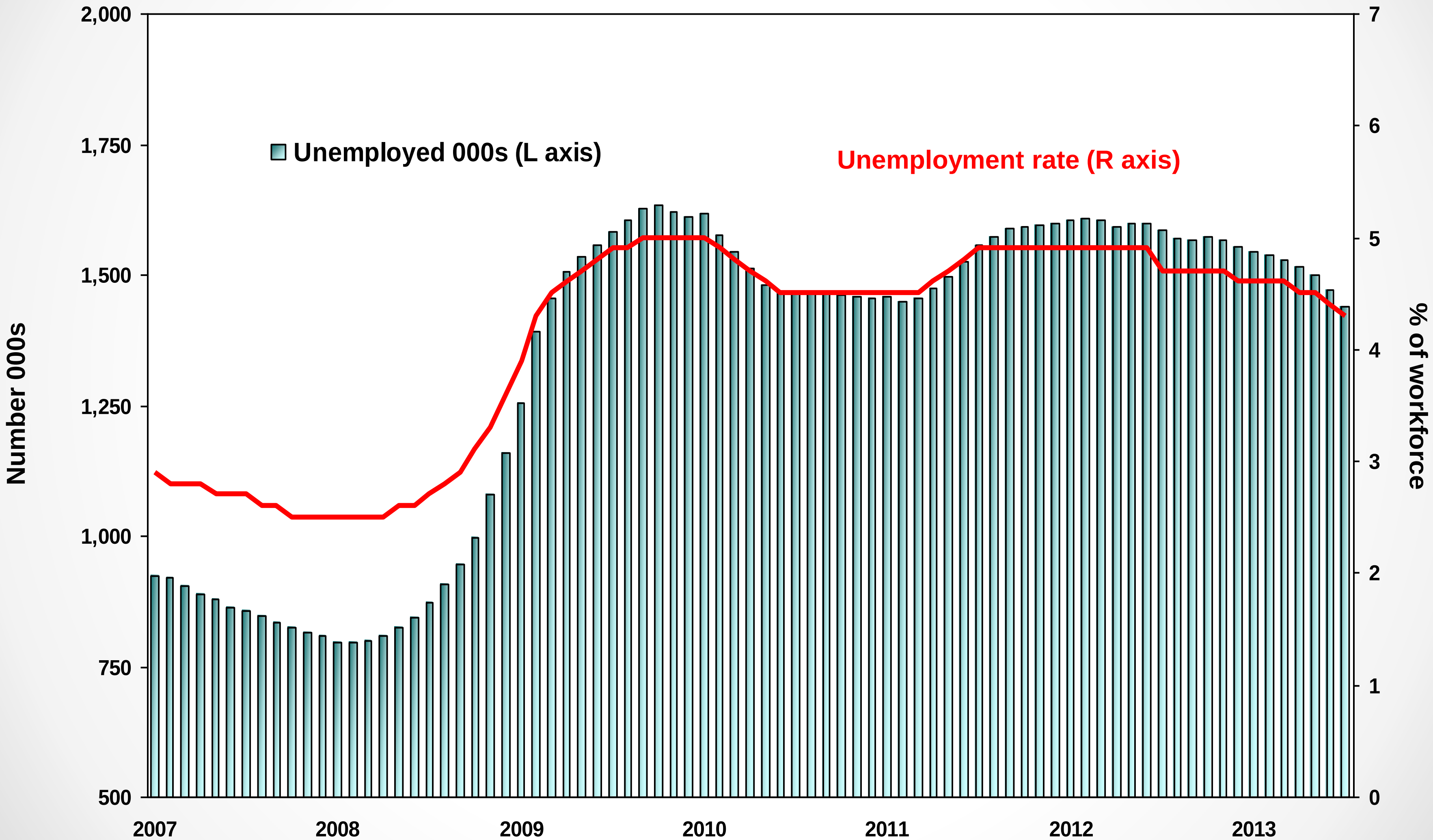
The big household squeeze



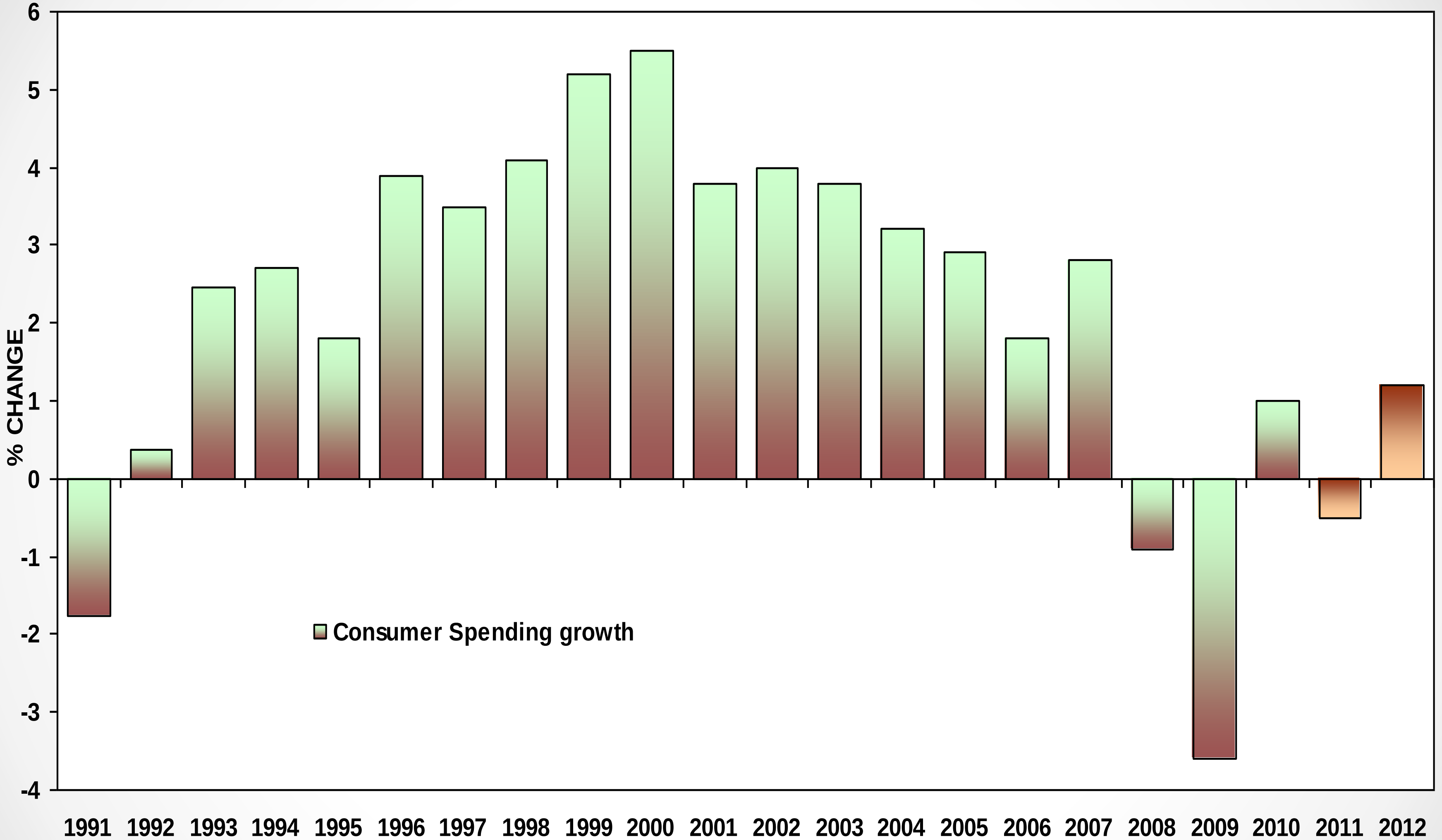
The big household squeeze



Unemployment edging down slowly

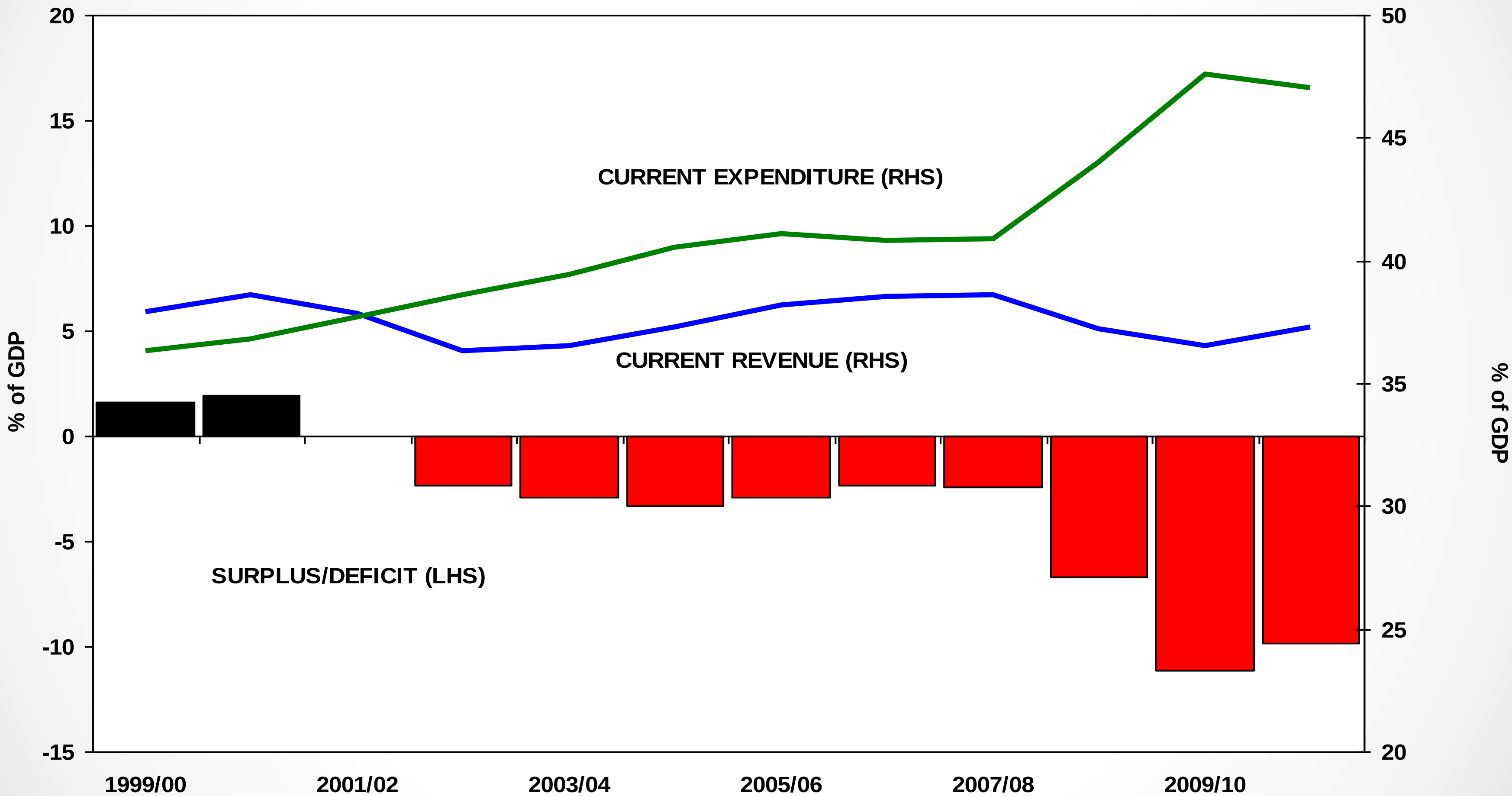


A difficult consumer environment

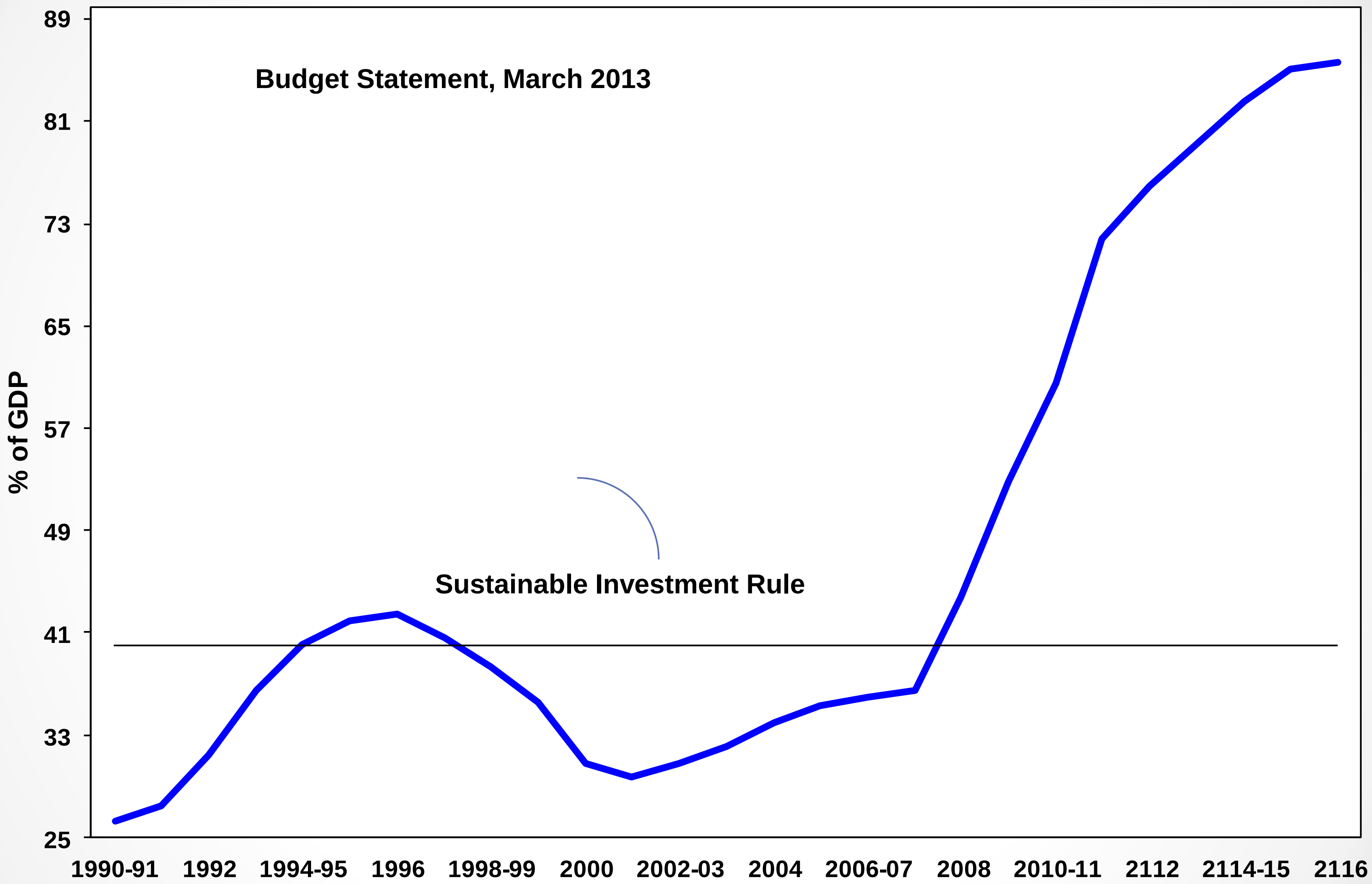


Surge in public sector borrowing

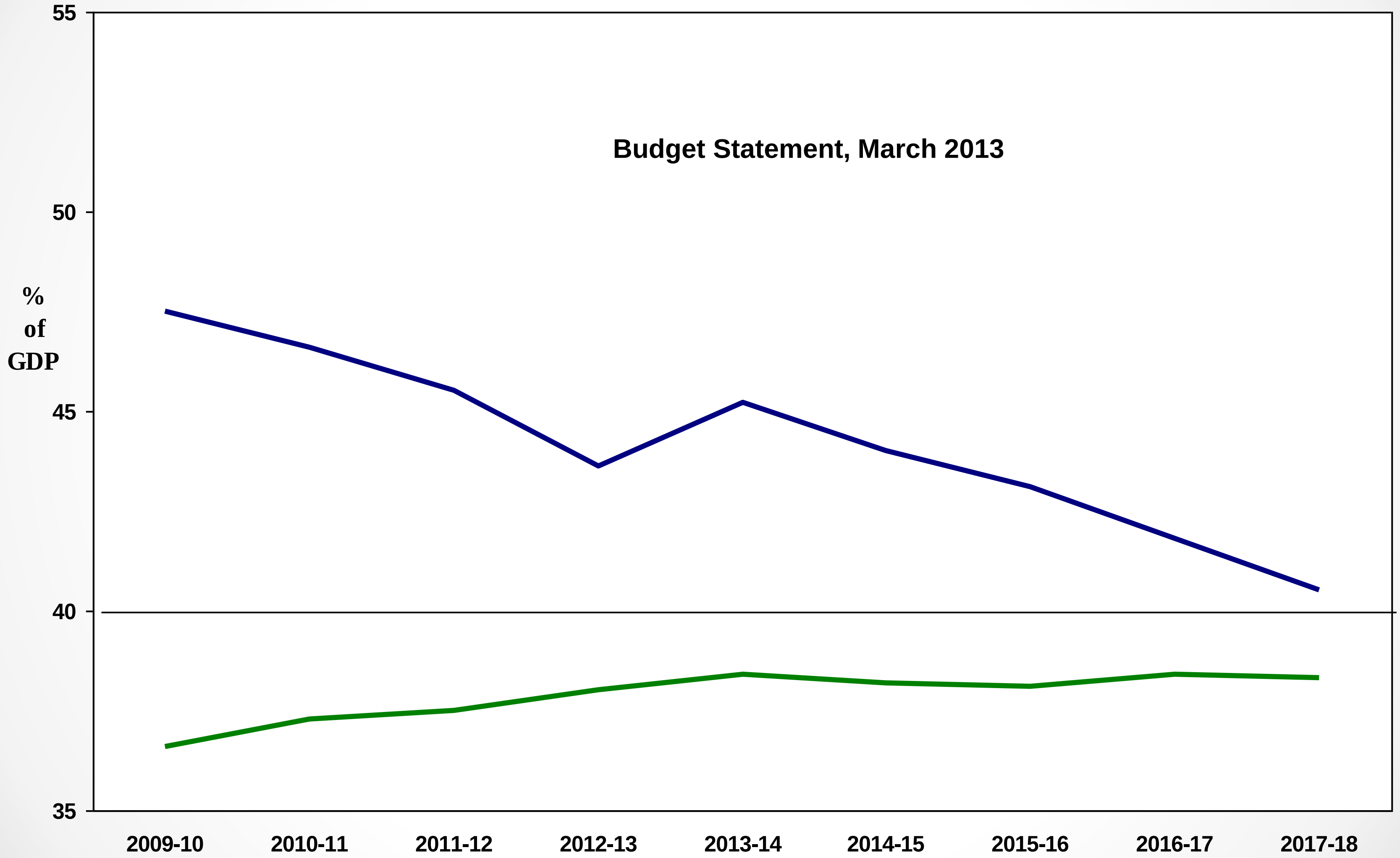
Government finances weakened



So net debt (as a % of GDP) soared



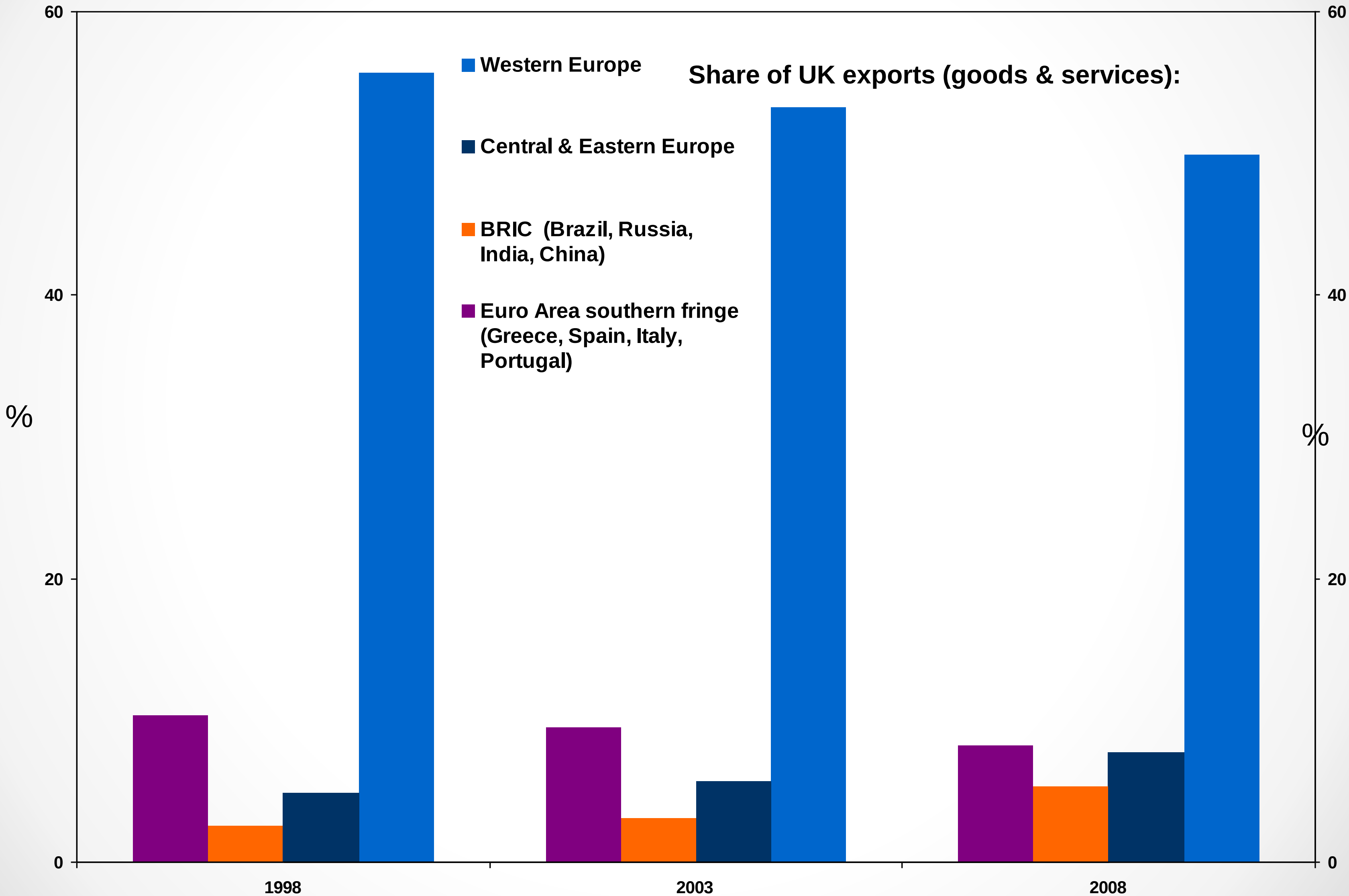
Govt receipts and spending



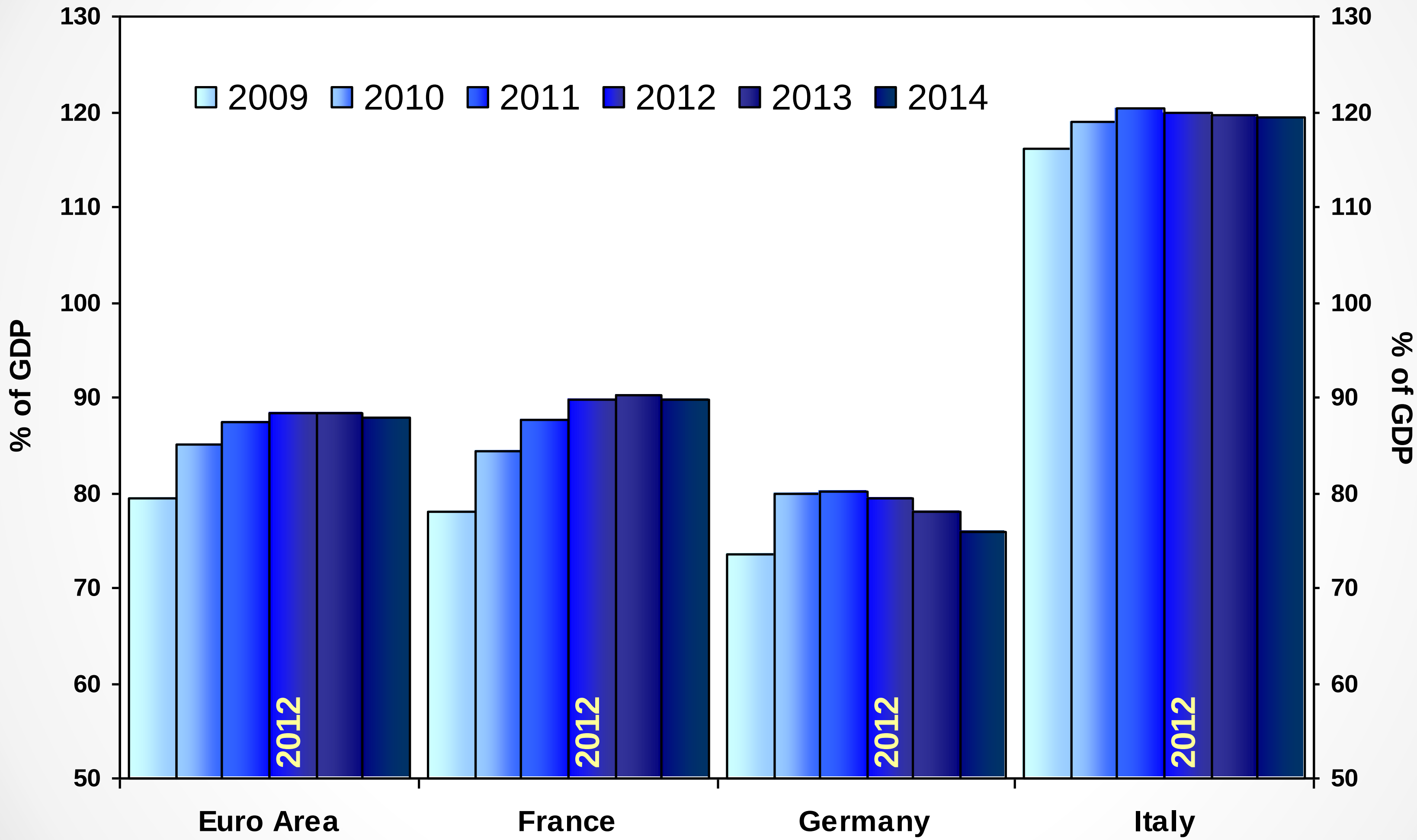
NEW ISSUES

Eurozone fragility

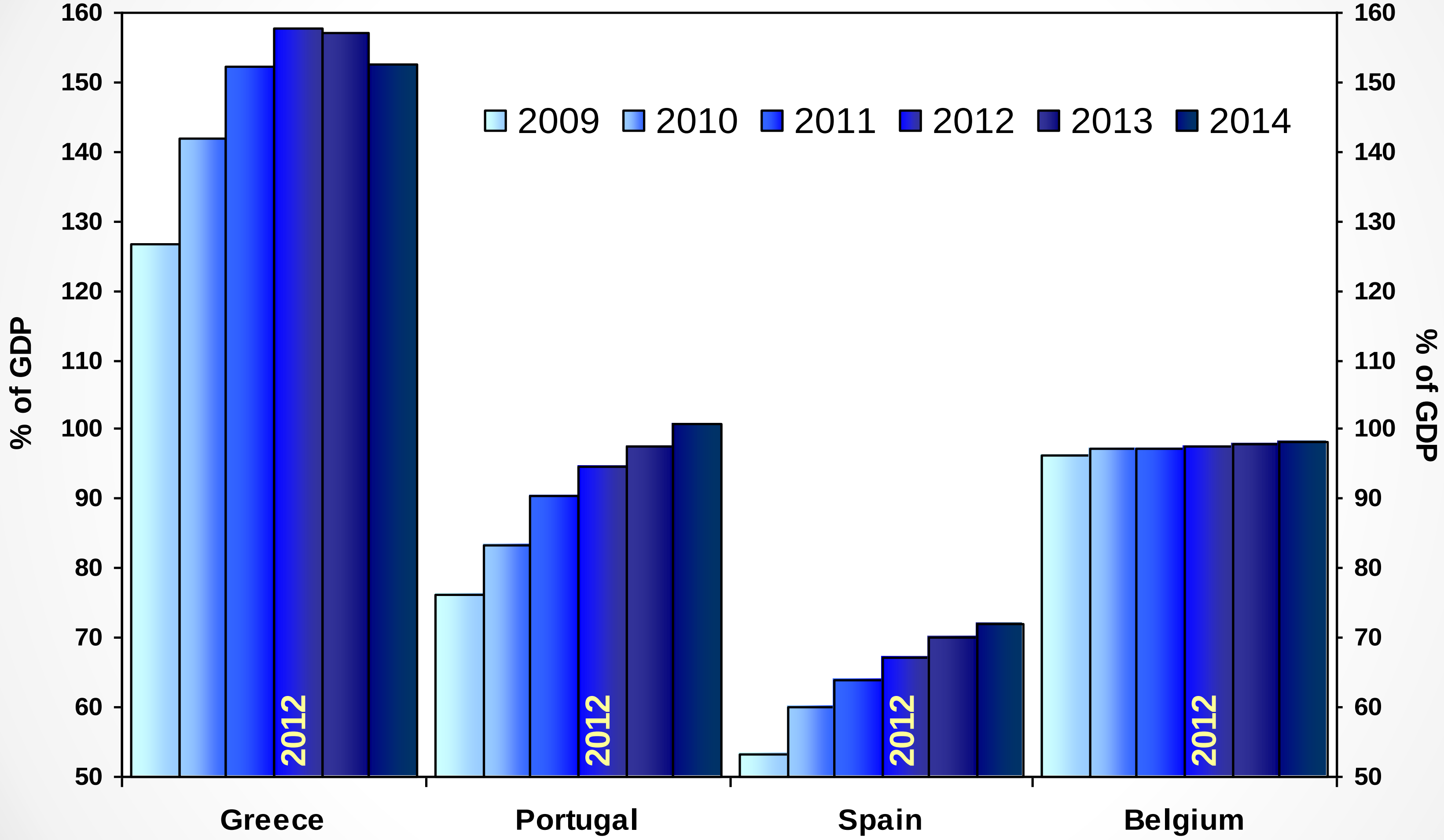
In the wrong places



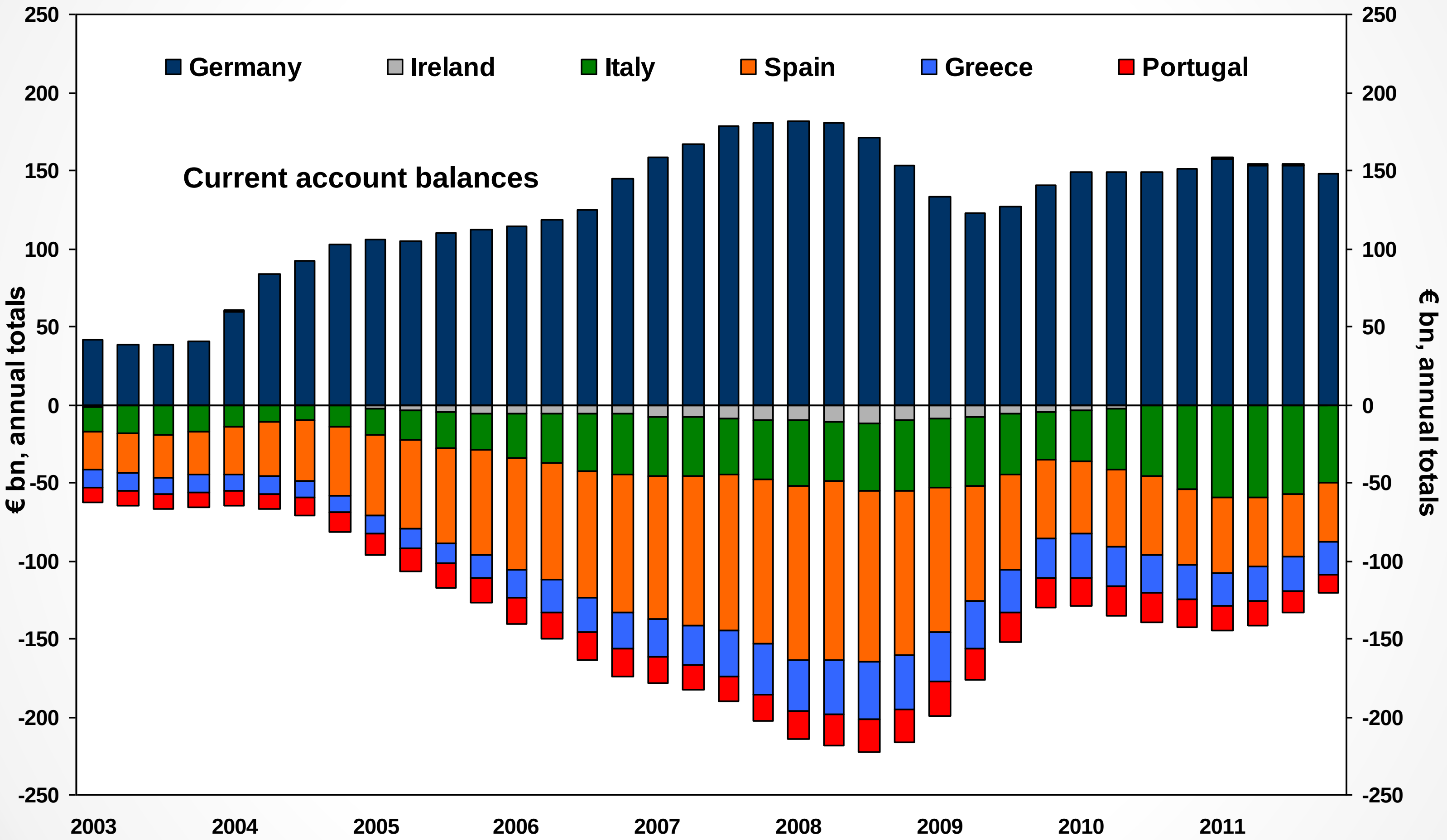
Getting the debt down



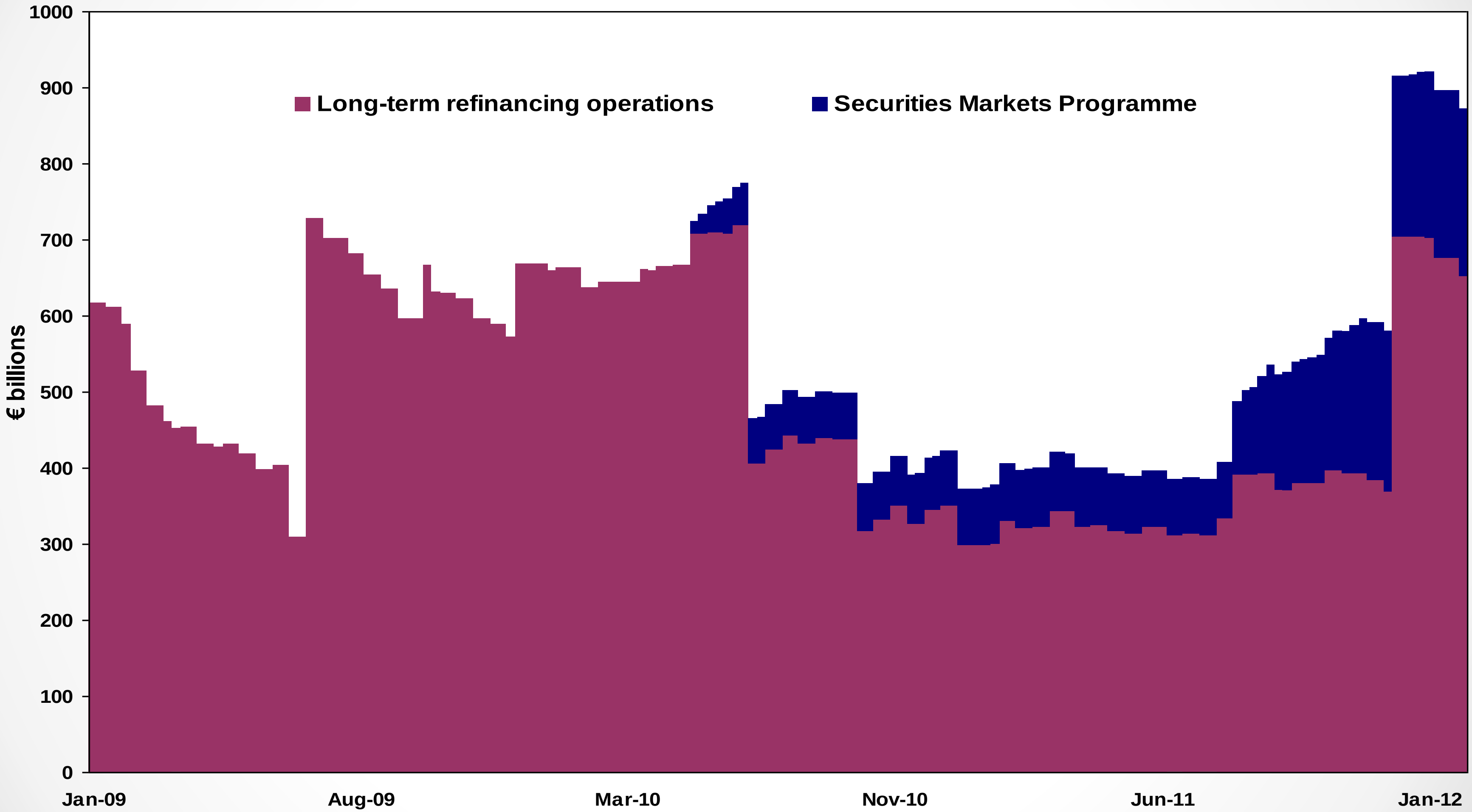
Getting the debt down



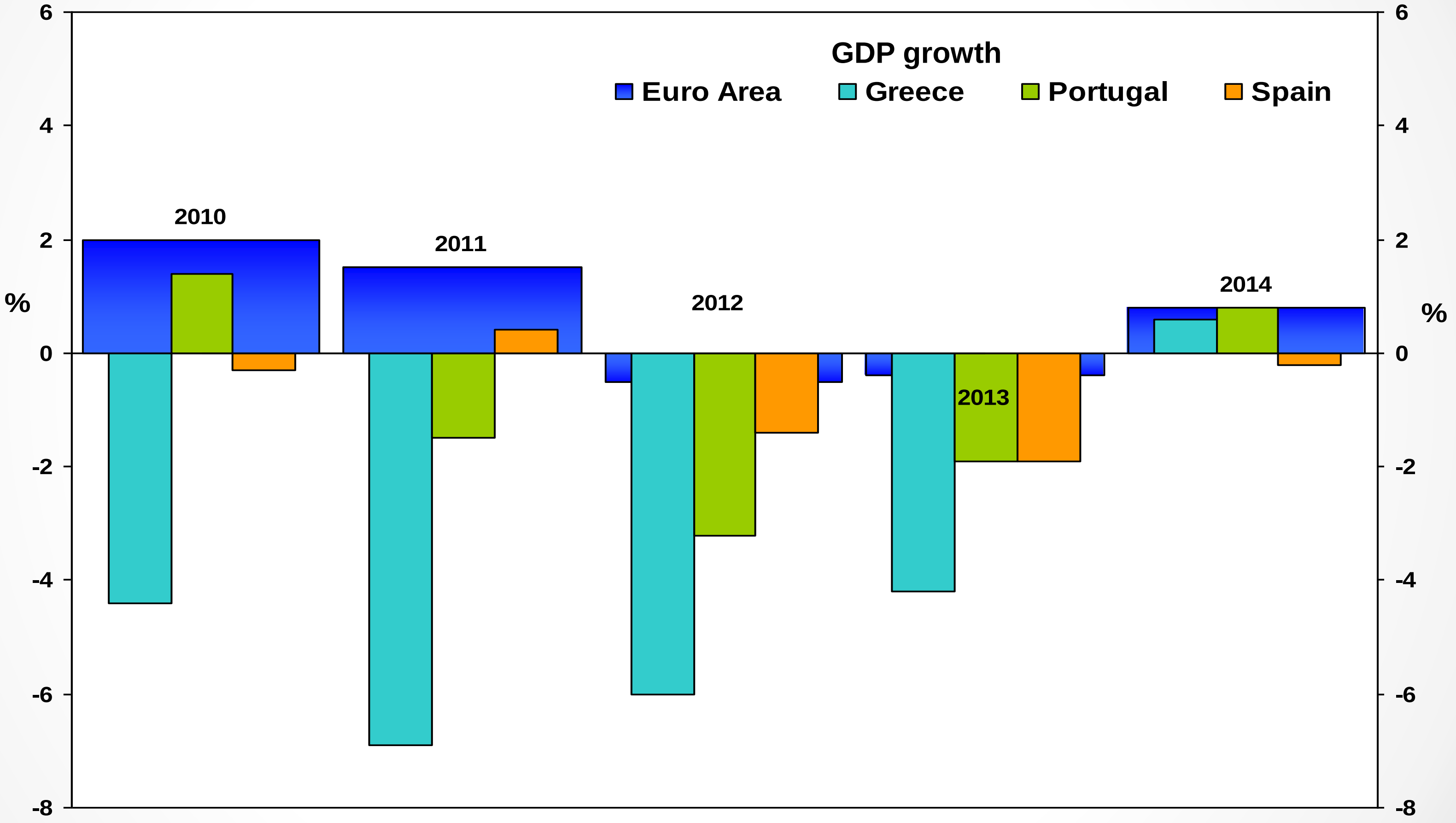
Imbalances: the key to debt



ECB now behaving like a central bank

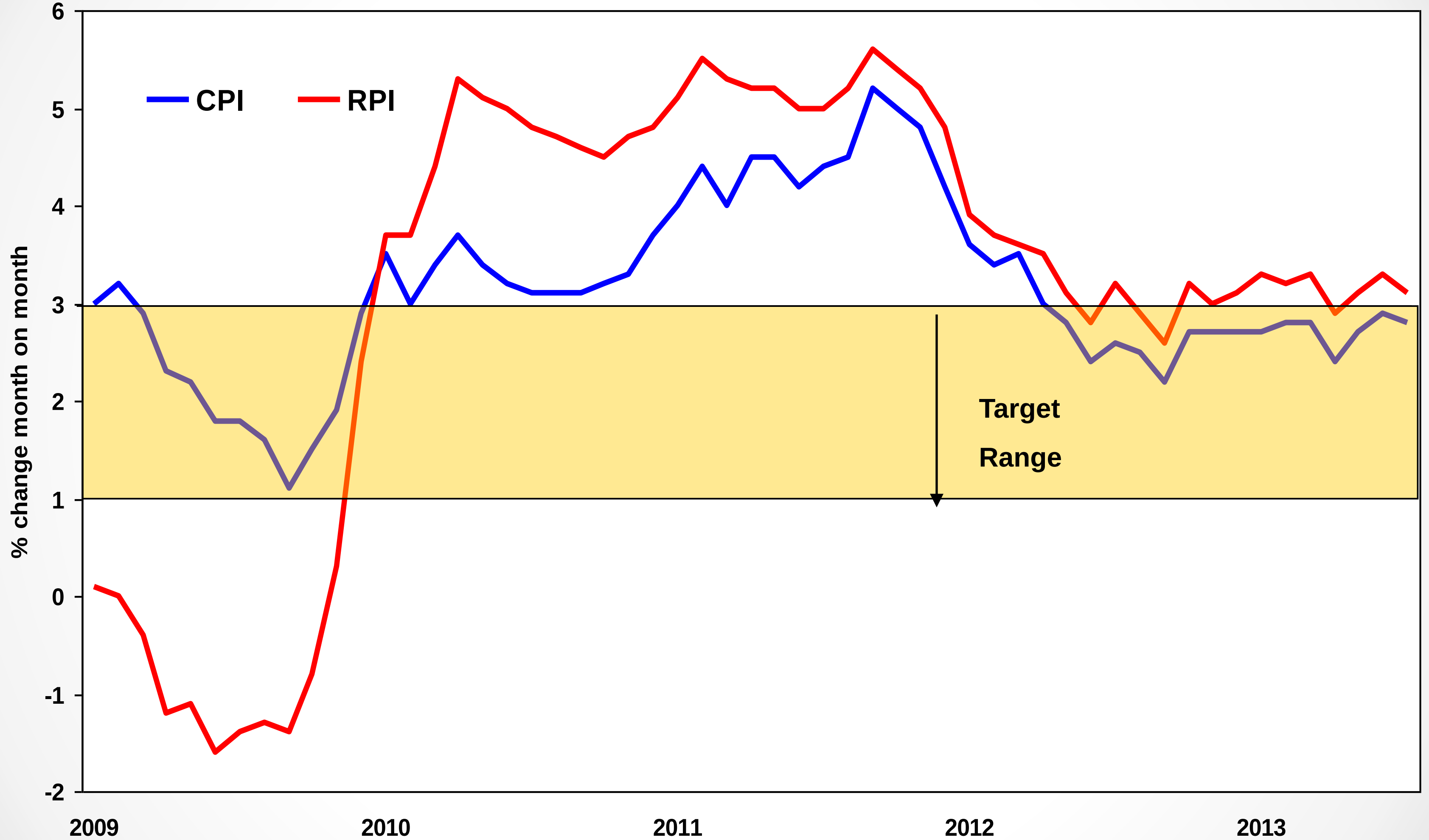


All sticks and no carrots

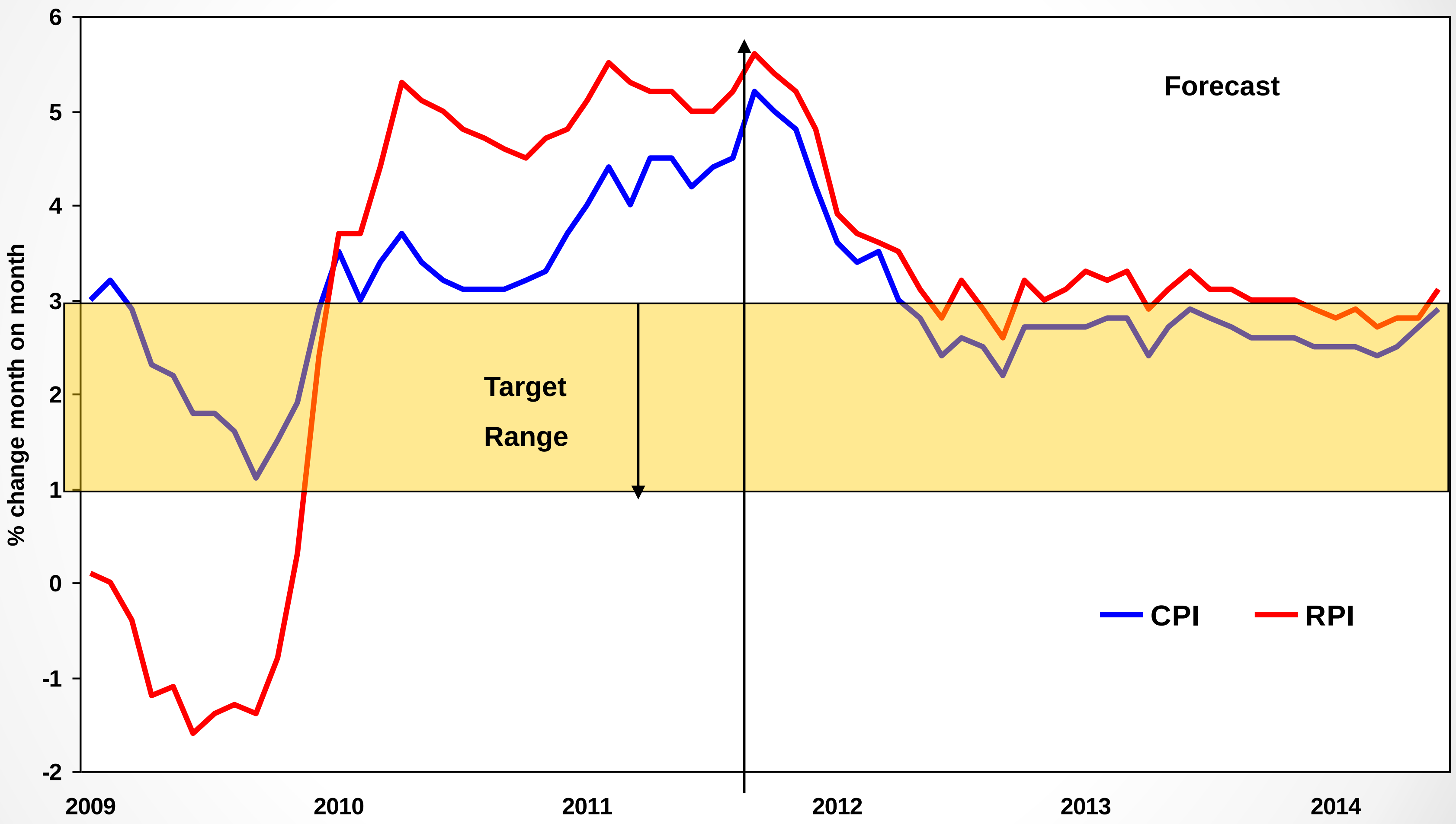


OUTLOOK

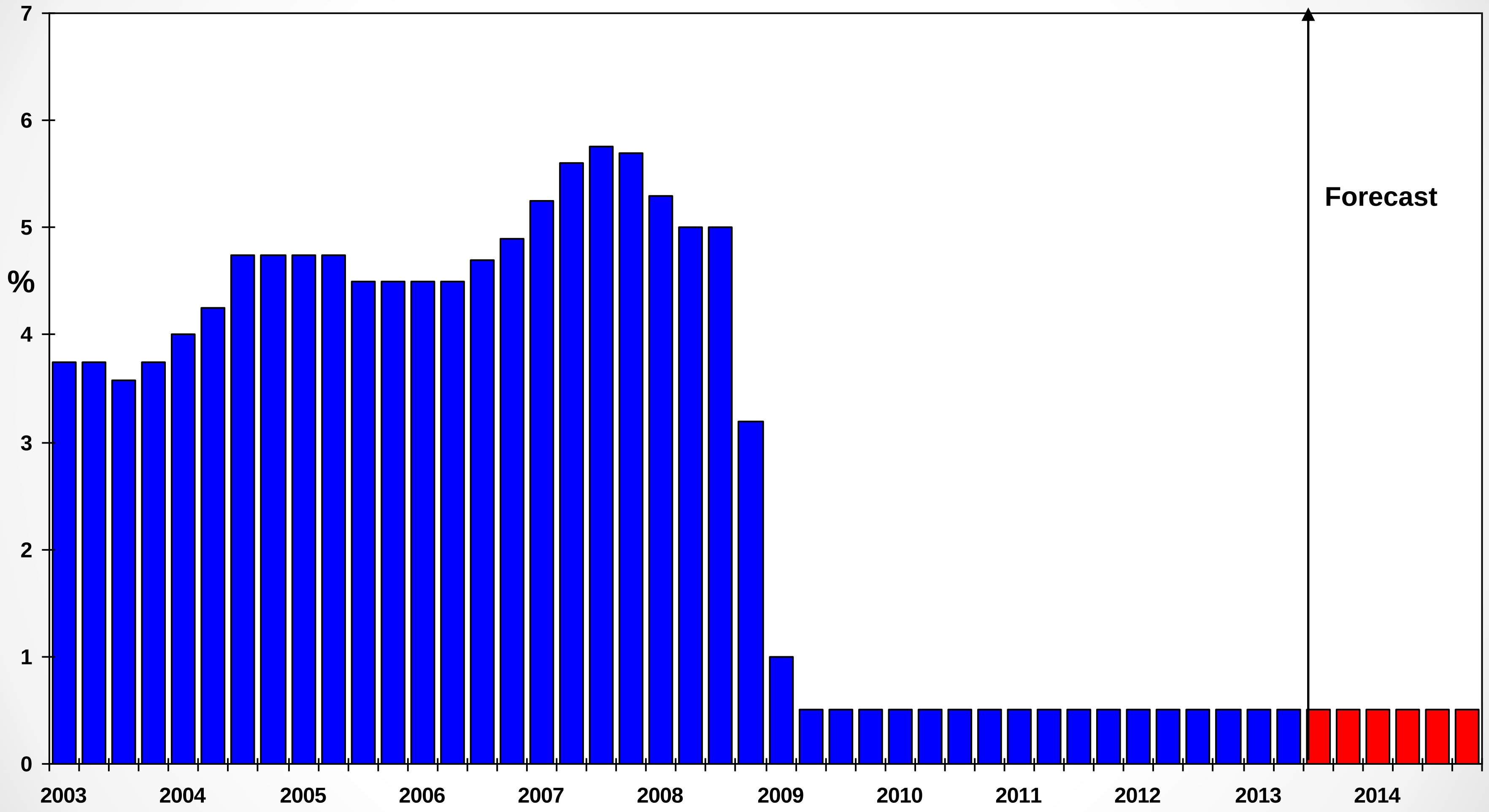
Inflation – above target for two years



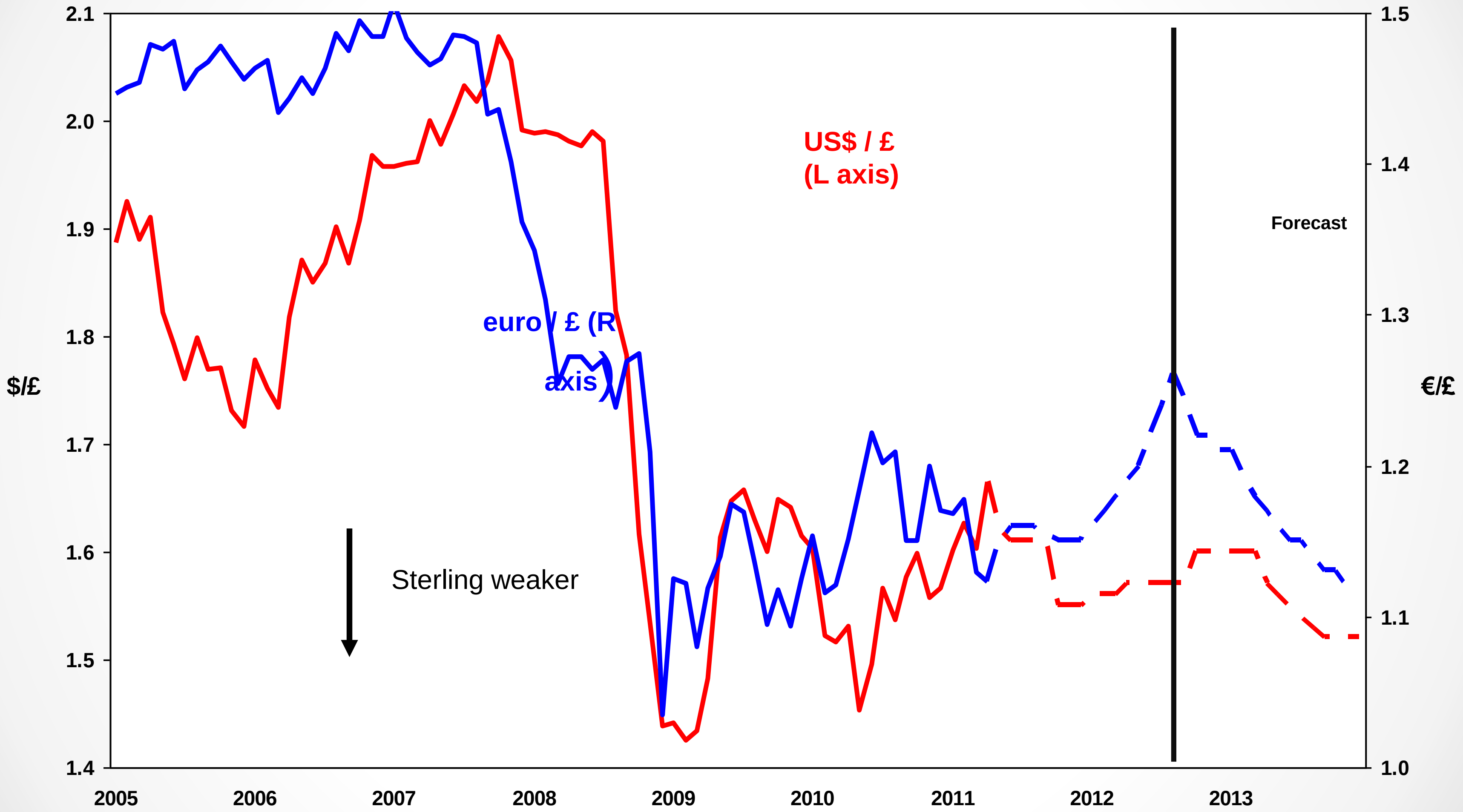
Inflation – now likely to ease



Interest rates to stay low



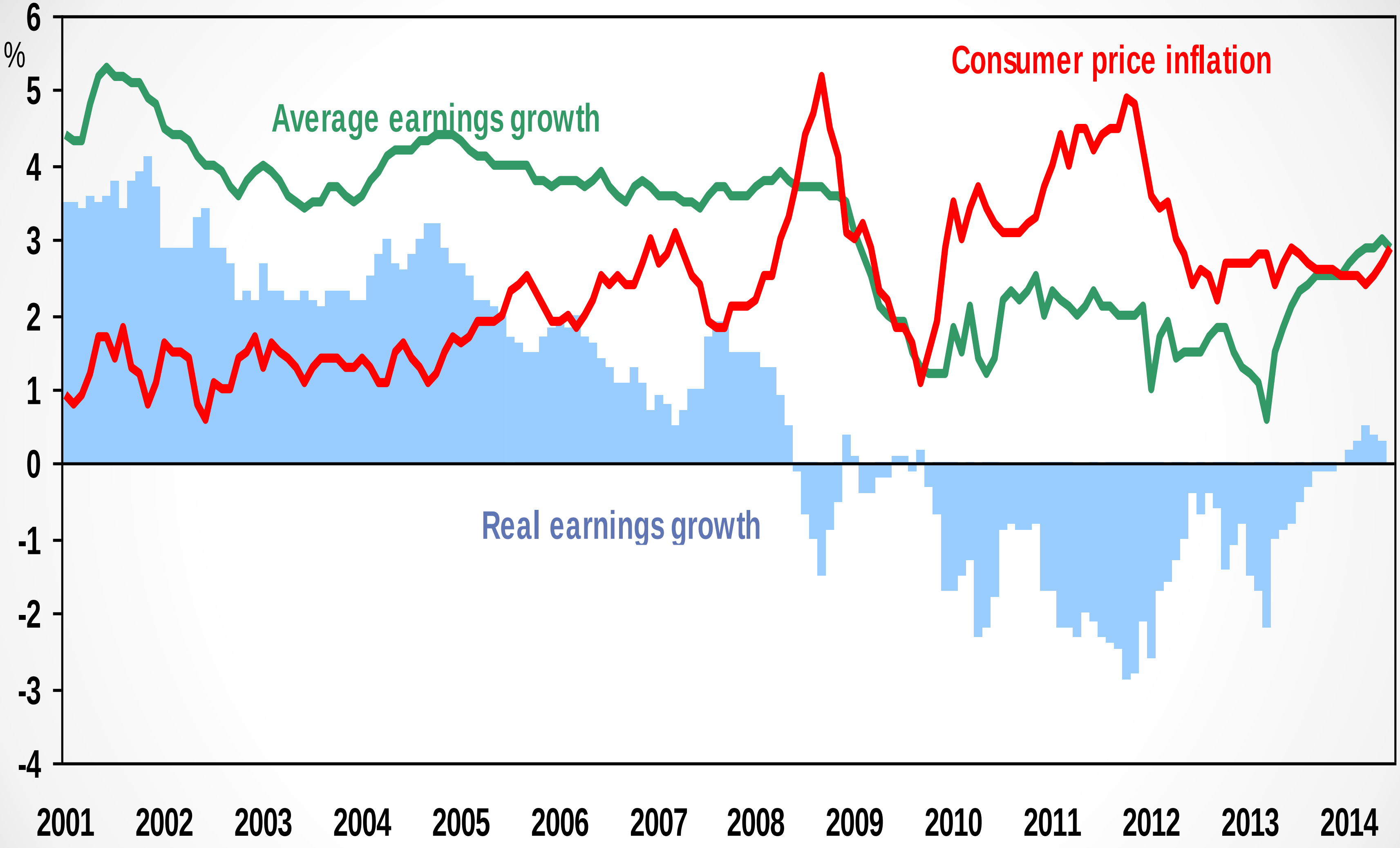
So sterling to remain competitive



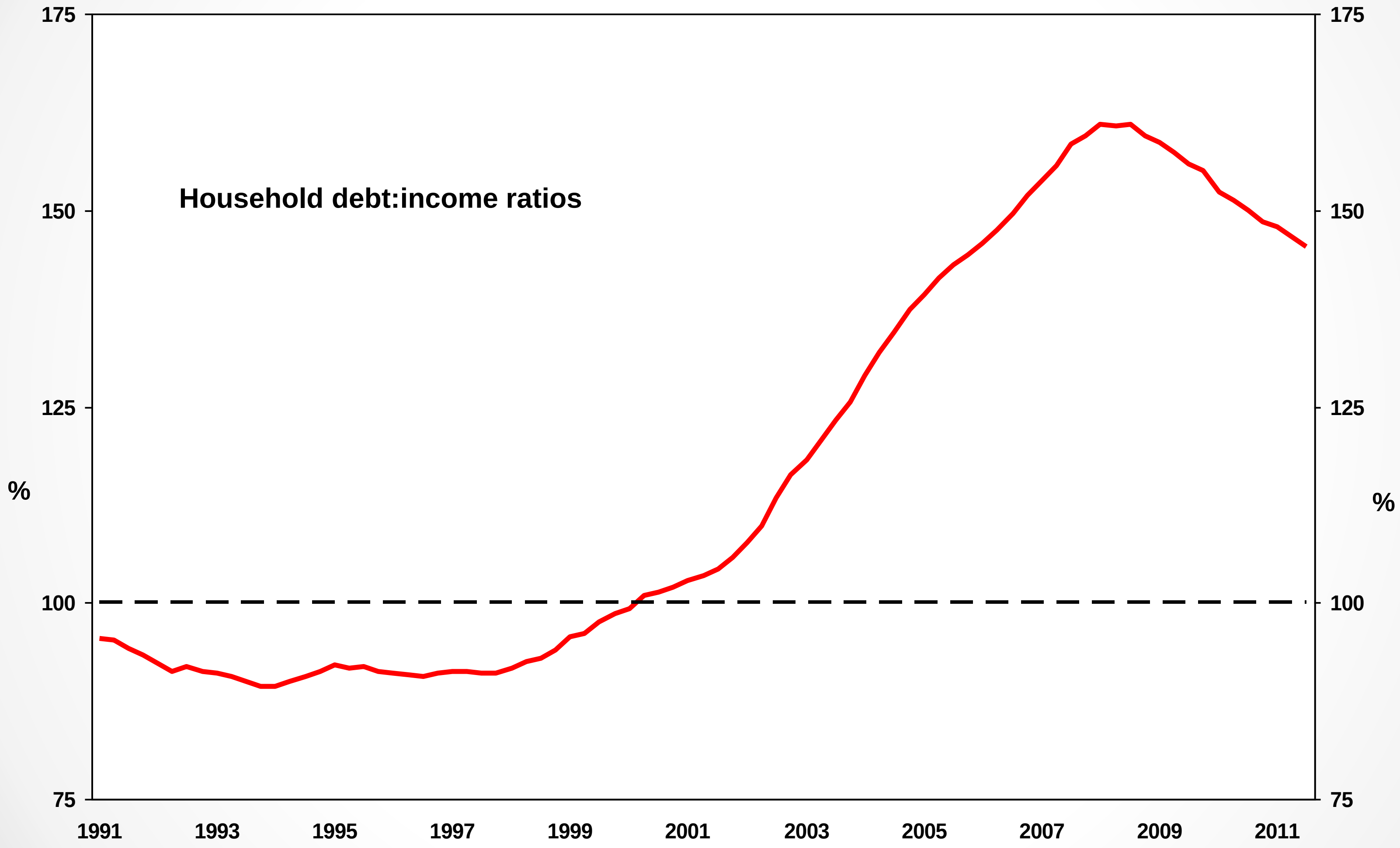
Where is growth coming from?

GDP (100%) = Consumer spending (64%)

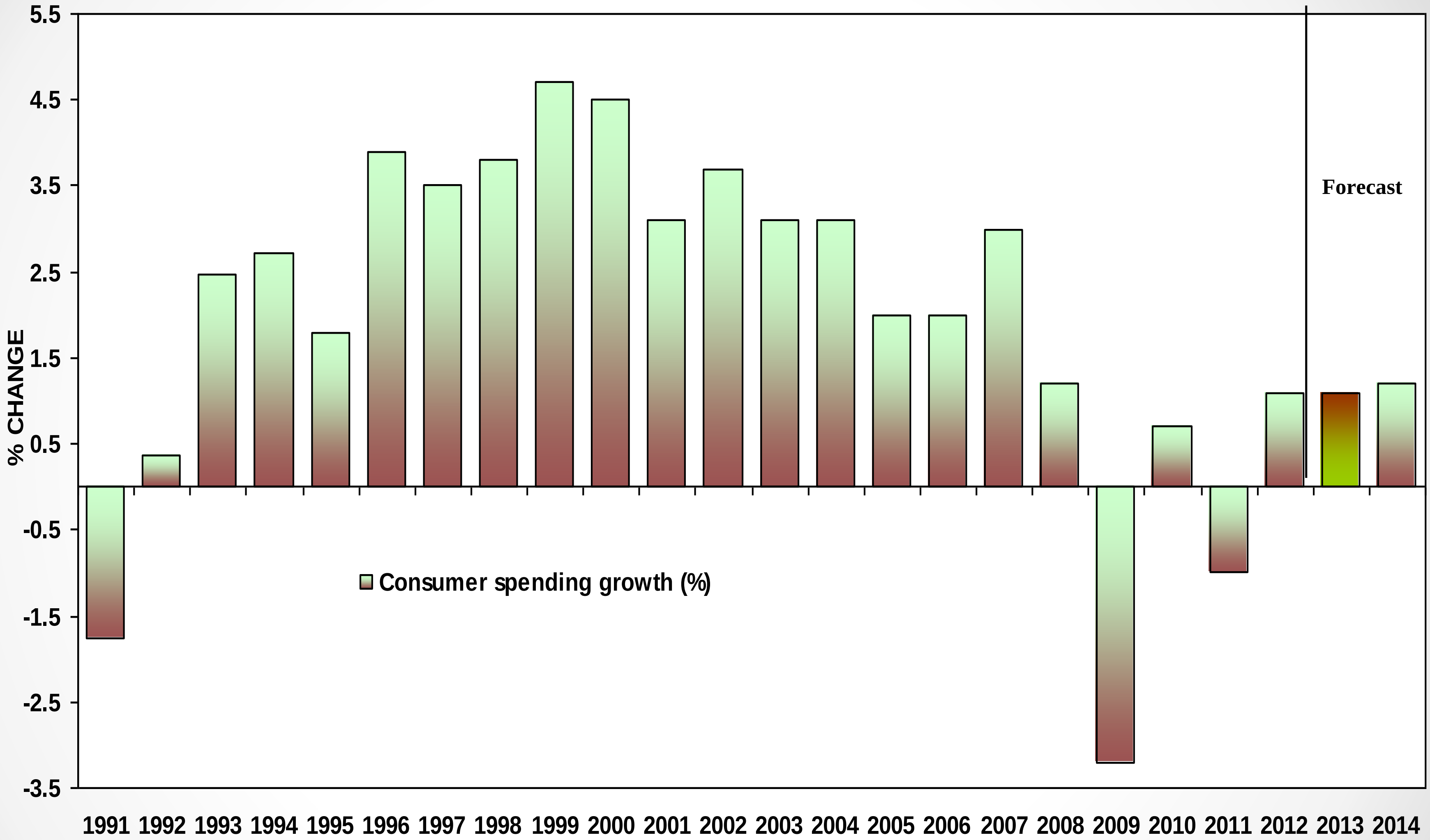
Real earnings growing again



Debt repayment underway



A slow consumer recovery

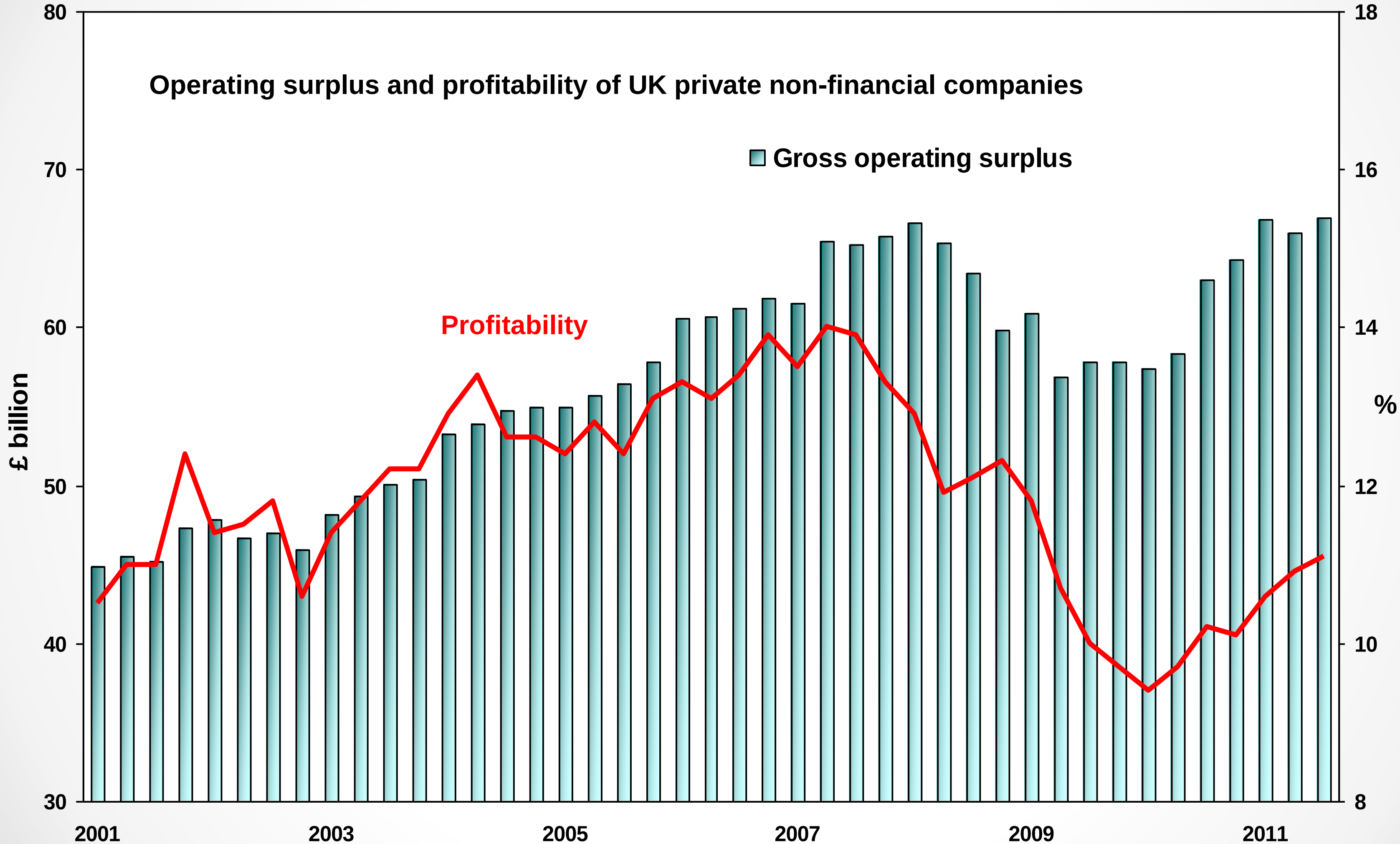


Where is growth coming from?

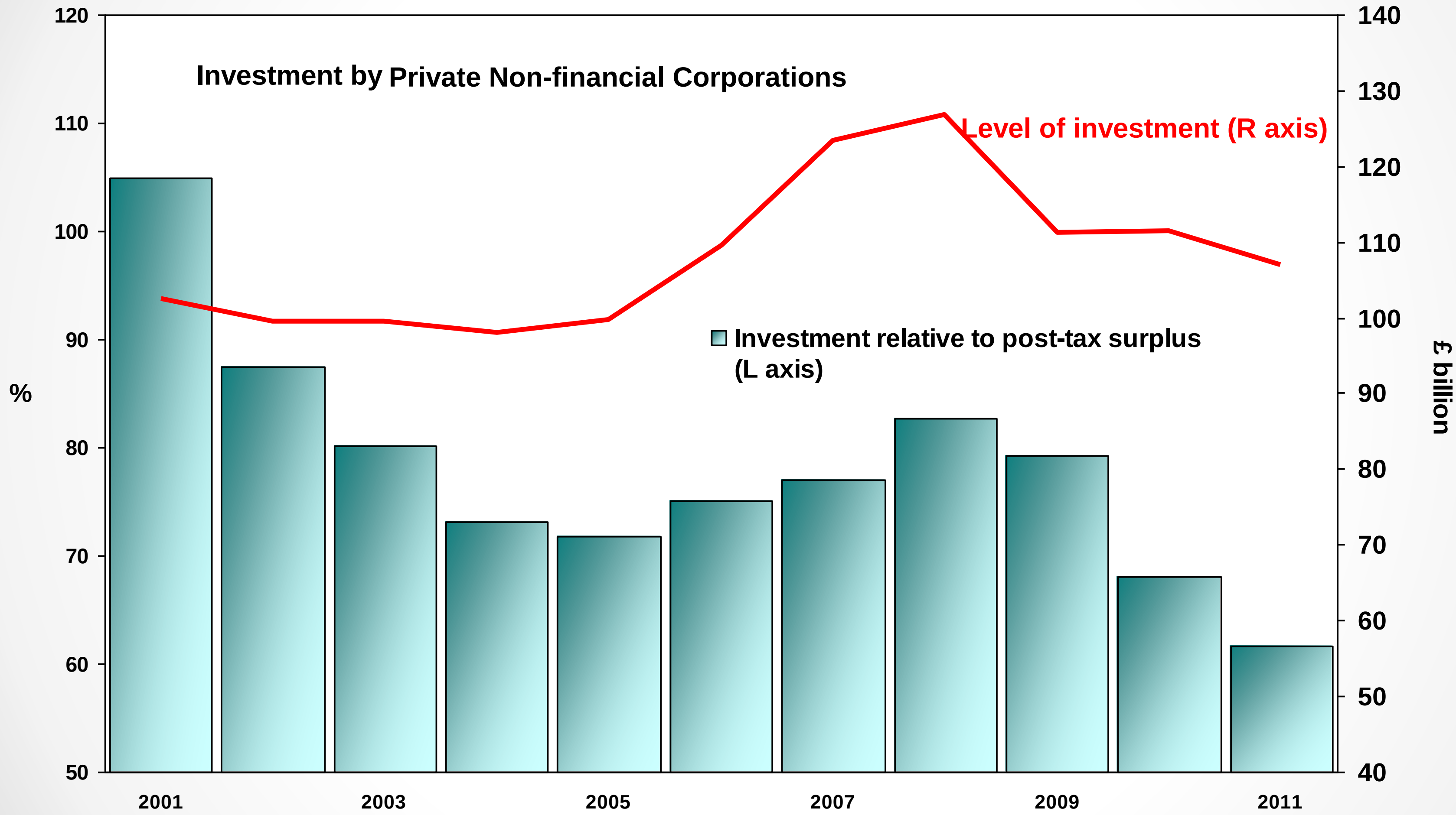
GDP (100%) = Consumer spending (64%) +

Investment (15%)

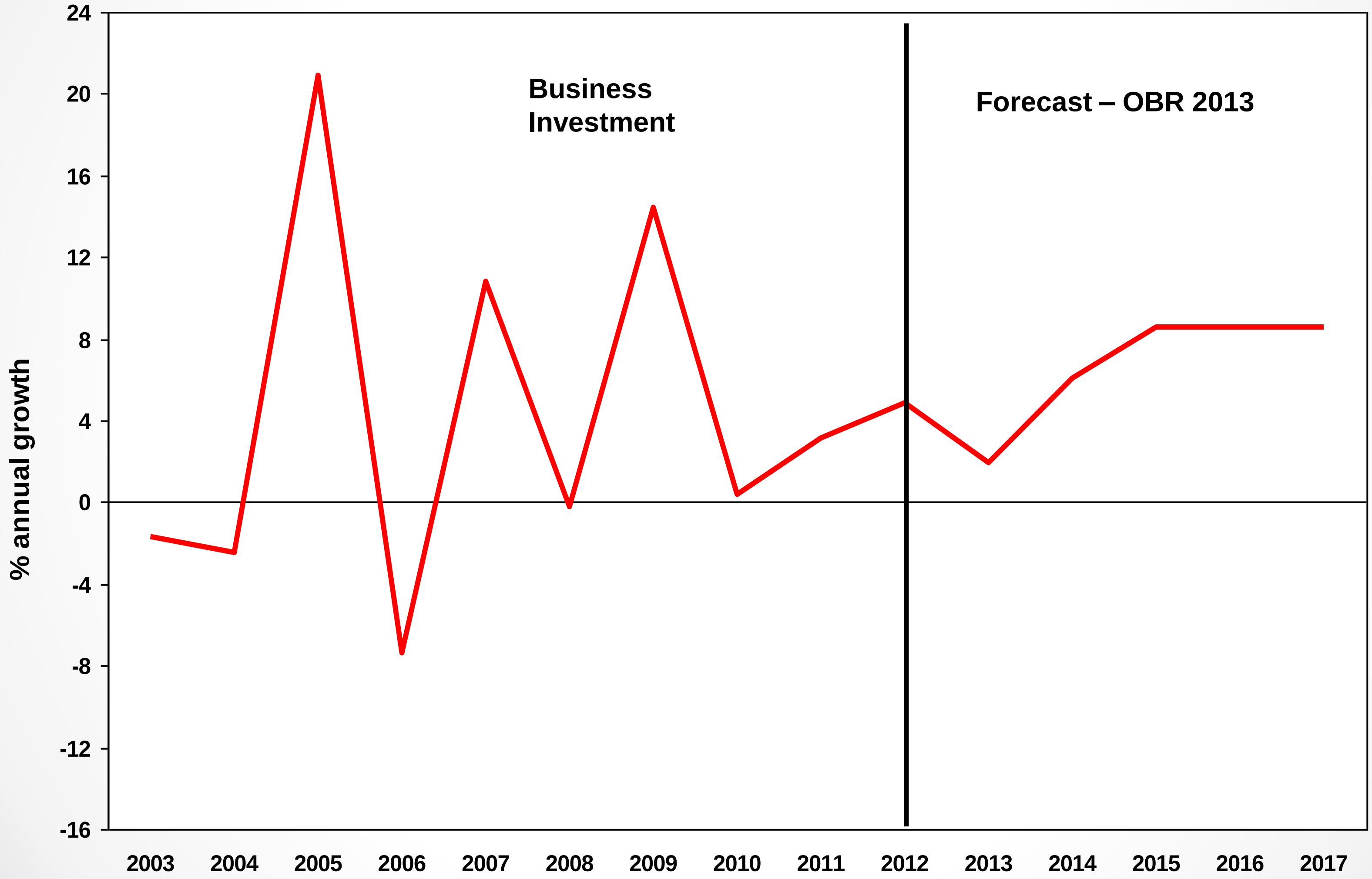
Corporate sector in good shape



...but not spending



Investment to pick up……at last



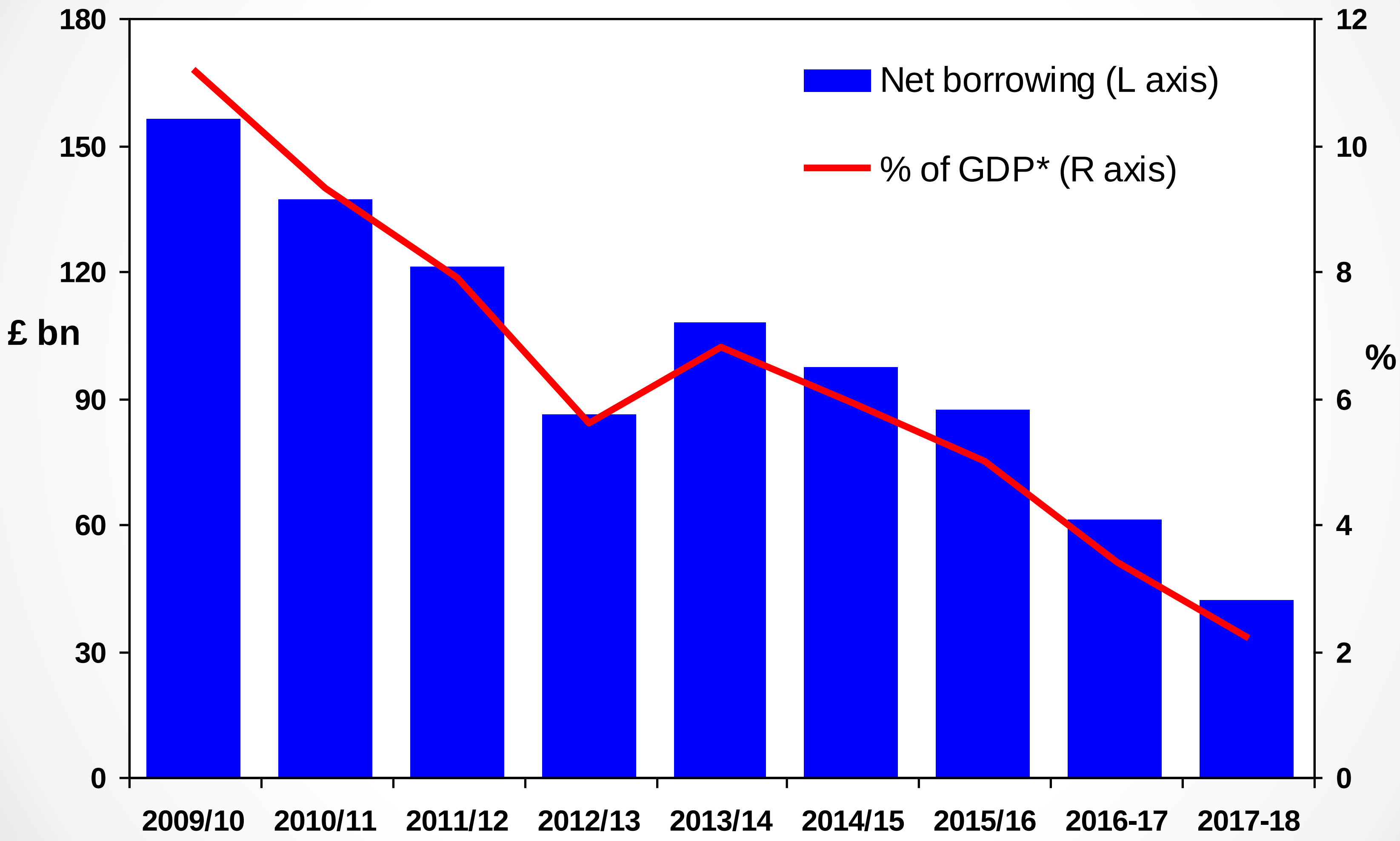
Where is growth coming from?

GDP (100%) = Consumer spending (64%) +

Investment (15%) +

Government spending (23%)

Getting the deficit down



Where is growth coming from?

GDP (100%) = Consumer spending (64%) +

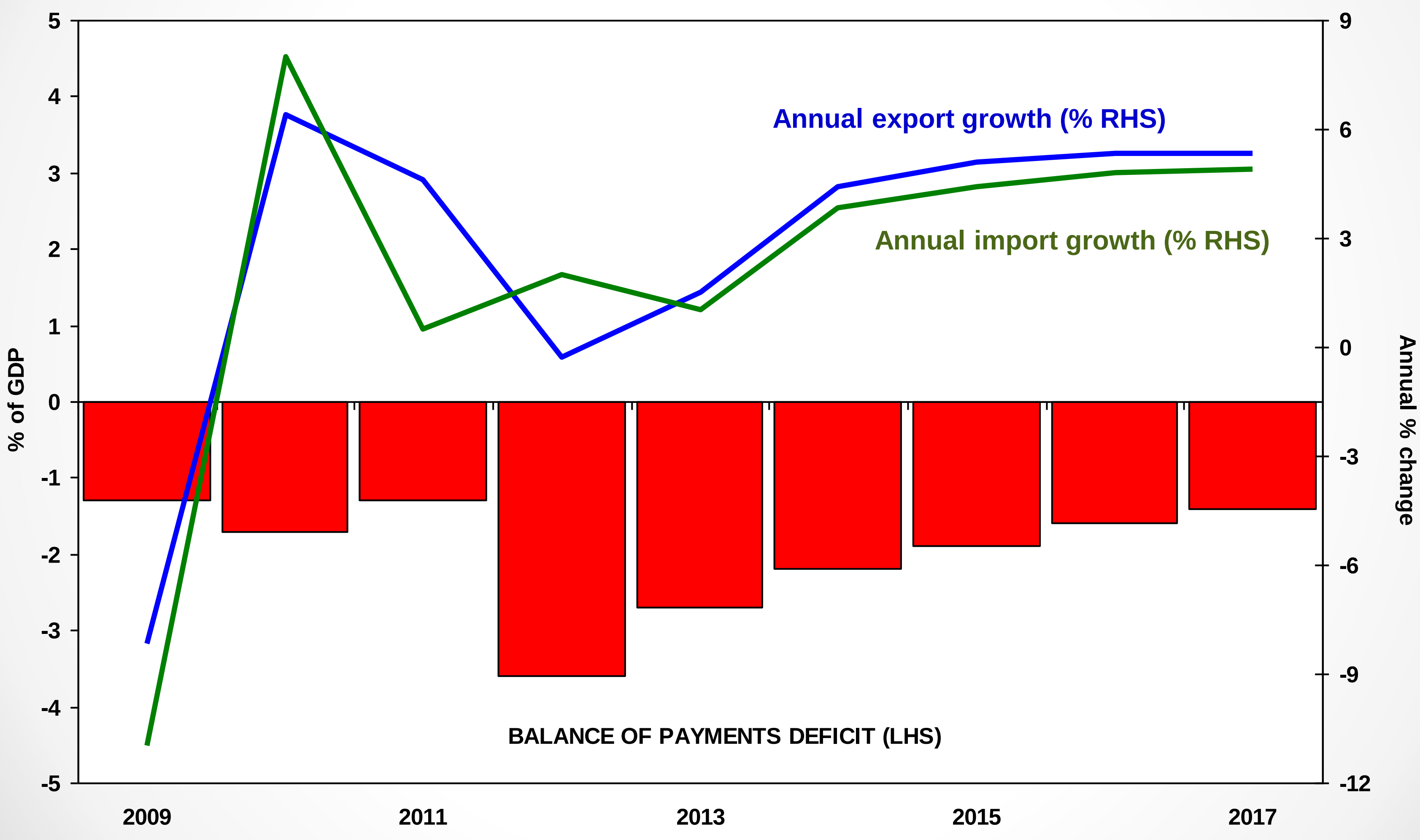
Govt consumption (23%) +

Investment (15%) +

Net trade (–2%)

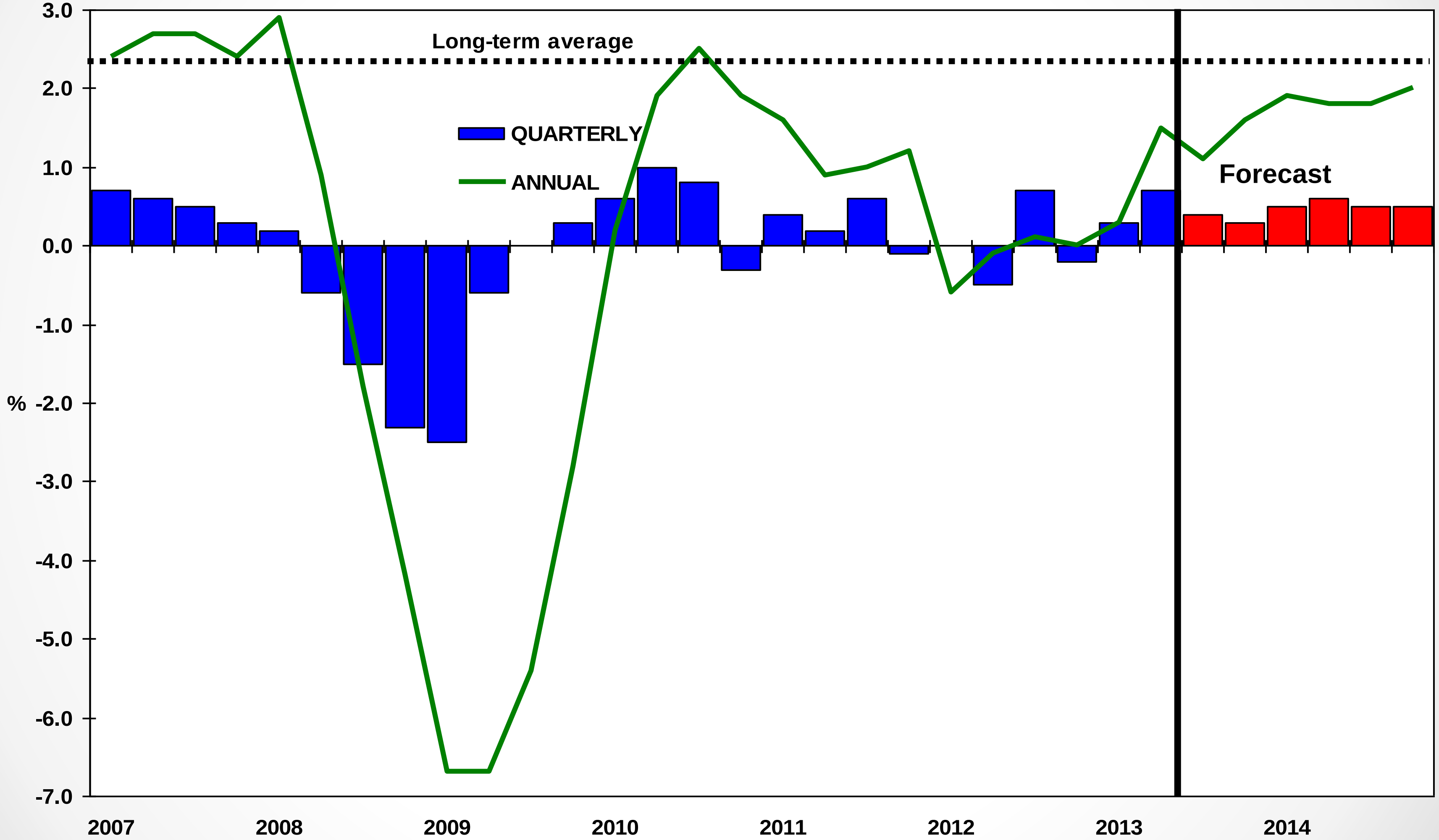
(Exports 30% – Imports 32%)

Trade becomes a plus for growth



Turning the corner

Sluggish growth as good as it gets



THANK YOU