

The UK Economy at a Glance				
% change in each variable each year unless stated				
	2009	2010	2011	Comment
Consumer spending	-3.3	1.3	-0.5	Set to fall in 2011 due to a steep fall in real incomes, higher taxes and weakening confidence. A double-dip in housing will hit personal wealth
Government consumption	1.0	1.2	-1.0	Squeeze on real Govt spending starts in 2011 and intensifies in 2012 when spending is set to fall by 2%. Big fiscal austerity is now in place
Investment	-15.4	3.5	5.5	Deep cut in capital spending during the recession year of 2009 but two better years in 2010 and 2011 – helped by lower interest rates
Stock-building (% GDP)	-1.2	0.1	0.5	Many firms cut back on stocks/ production in 2009, some signs of a recovery in inventories in 2011 as some businesses anticipate an upturn
Domestic demand	-5.5	2.7	0.8	Growth in C+I+G was strongly negative in 2009 (a largely home-made recession) A rebound in 2010 but weaker demand in 2011 (falling G)
Exports	-10.1	5.3	6.5	Exports hit by sharp fall in global output/trade in 2009. More positive in 2010 and again in 2011 with weaker sterling and global rebound helping
Imports	-11.9	8.0	3.5	Imports slumped as UK went into downturn (UK has high income elasticity of demand for imports) but surged in 2010.
GDP	-4.9	1.7	1.5	Deep recession (-6.2% over course of recession) - weak growth in 2010 and 2011 – not enough to stop unemployment from rising still further
Manufacturing output	-10.7	3.8	4.0	Collapse in industrial output in 2009 but more positive signs as industry benefits from weak pound and strong external demand for UK products
Company profits	-7.5	1.0	3.0	Profits took a pounding in the recession – recovering slowly and more for businesses that have cut overheads and maintained sales
Unemployment LFS measure (%)	7.6	7.9	8.6	Unemployment to stay lower than in last recession but likely to get close to 10% out of work (mass unemployment) by the start of 2012
Unemployment CC measure (%)	4.9	4.8	5.3	Claimant count also to peak below 2 million - but long term unemployment is a worry – now more than one third of the total
Average earnings (inc. Bonuses)	-0.1	2.2	1.0	For millions of workers several years of real pay cuts or actual wage freezes and wage cuts are a reality – an externality of the financial crisis
RPI Inflation	-0.5	4.5	3.2	After temporary deflation in 2009, RPI spiked much higher in 2010 as food prices and VAT hike took effect. Inflation set to fall during 2011.
CPI Inflation	2.1	3.3	3.2	CPI has remained above target during the recession – divisions within the MPC on when to raise rates – is the target a fiction?
Productivity (output per worker)	-3.5	1.5	1.7	Drop in productivity in 2009 explained by weak output and long term factors limiting efficiency such as skills gaps and weak capital investment
BoP Current Account Balance (% GDP)	-1.7	-2.3	-2.0	Current account deficits are not a major policy issue at the moment, they can easily be financed by attracting capital inflows into the economy
Government Budget (Fiscal) Balance (% GDP)	-11.8	-10.1	-7.7	The big macro policy issue - how much borrowing can be sustained? When to squeeze policy? Well the squeeze has started – will it work?
Gross government debt (% of GDP)	71.3	77.9	82.6	Sharp rise in government debt (although lower than many EU countries) and much debt is long-dated – little chance of a credit rating downgrade
US Dollar /£ exchange rate (annual average)	\$1.62	\$1.55	\$1.40	Depreciation of sterling likely to continue – a boost to aggregate demand and an important but insufficient policy to rebalance the economy
Sterling / Euro exchange rate (annual average)	Euro 1.13	Euro 1.19	Euro 1.22	Sterling set to appreciate against the Euro in 2011 – partly because BoE is likely to move first in raising interest rates + ongoing sovereign debt crisis for countries in the Euro Area such as Ireland, Portugal and Greece/
Monetary policy: Base (policy) interest rate (%)	0.5	0.5	0.50	Policy interest rates set to remain below 1% for at least the rest of the year - MPC may start moving rates from may onwards but seems to be in no hurry to make any sizeable adjustment.
10-year UK government bond yield (%)	4.1	3.7	2.75	Where next for bond yields? Will higher inflation persist or will inflation fall away quickly if there is a double dip in the economy. Much uncertainty at the moment.
World economic growth	-0.8	4.5	3.5	World economy has returned to something like trend growth but much of it is skewed towards emerging countries. Can the UK exploit this?