

THE UK ECONOMY IN 2010-11

Bumping along....

Dennis Turner

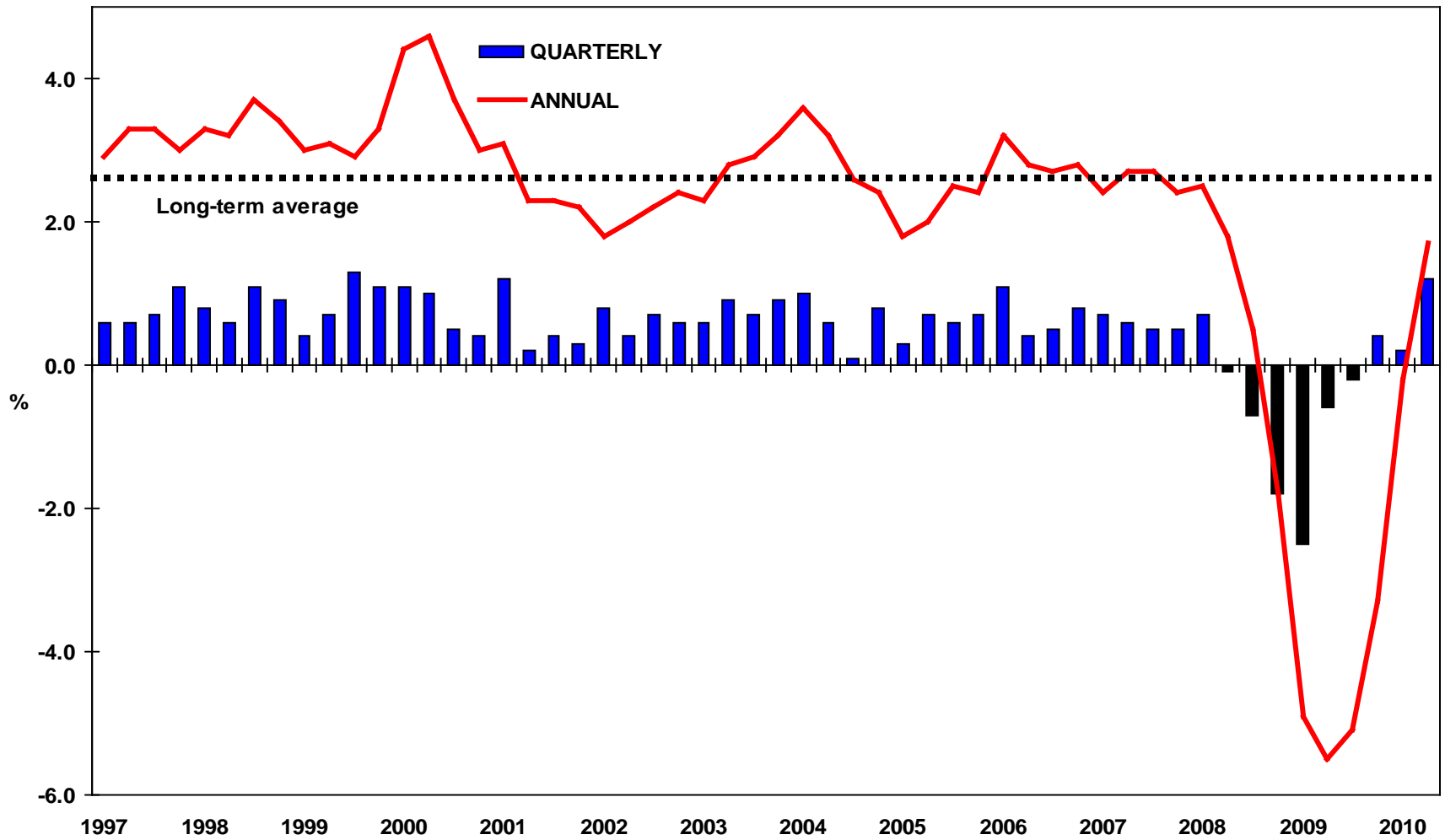
HSBC Bank plc

October 2010

HSBC 
The world's local bank

THE RECESSION IS OVER

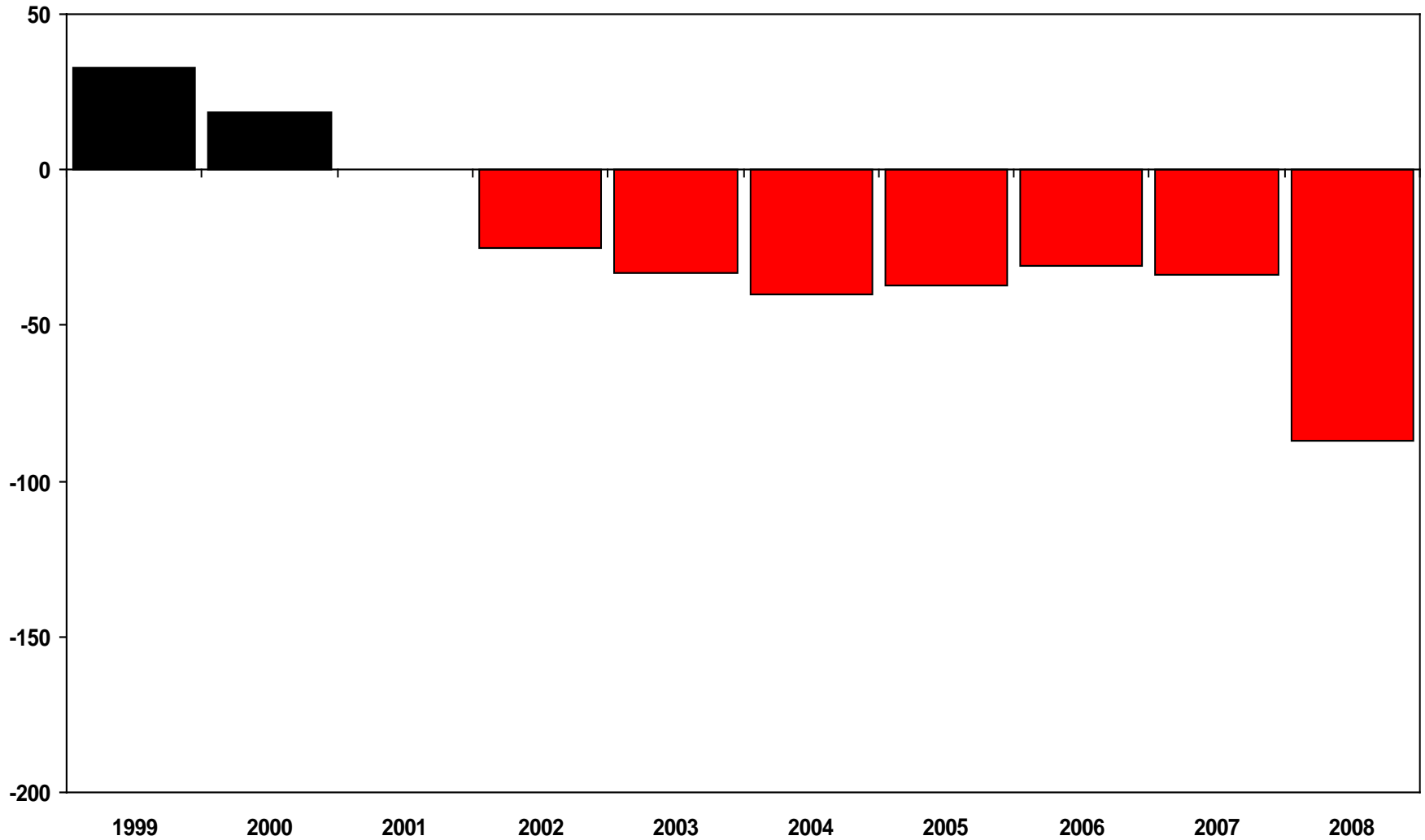
A deep recession



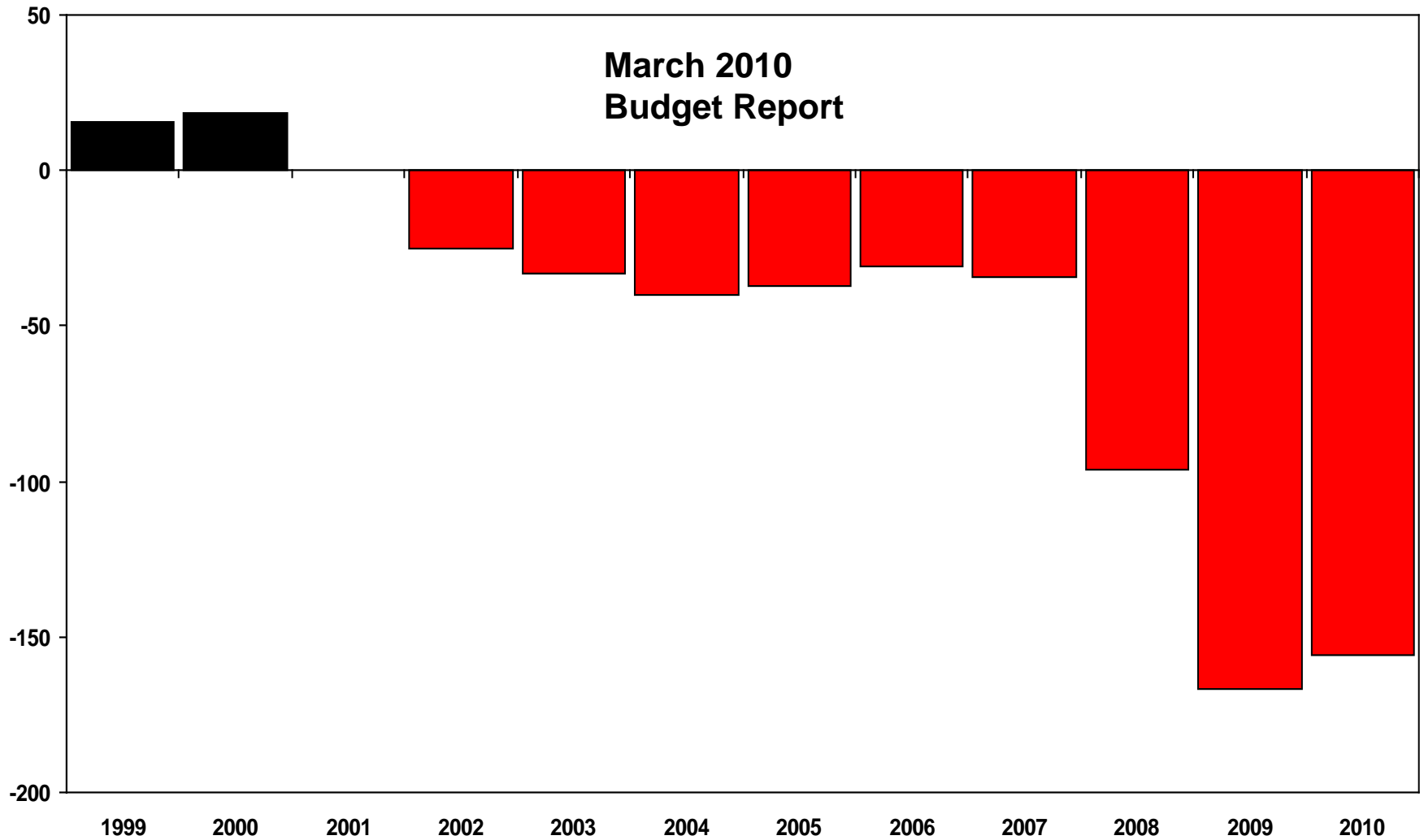
ALL THE LEVERS PULLED

Fiscal policy loosened

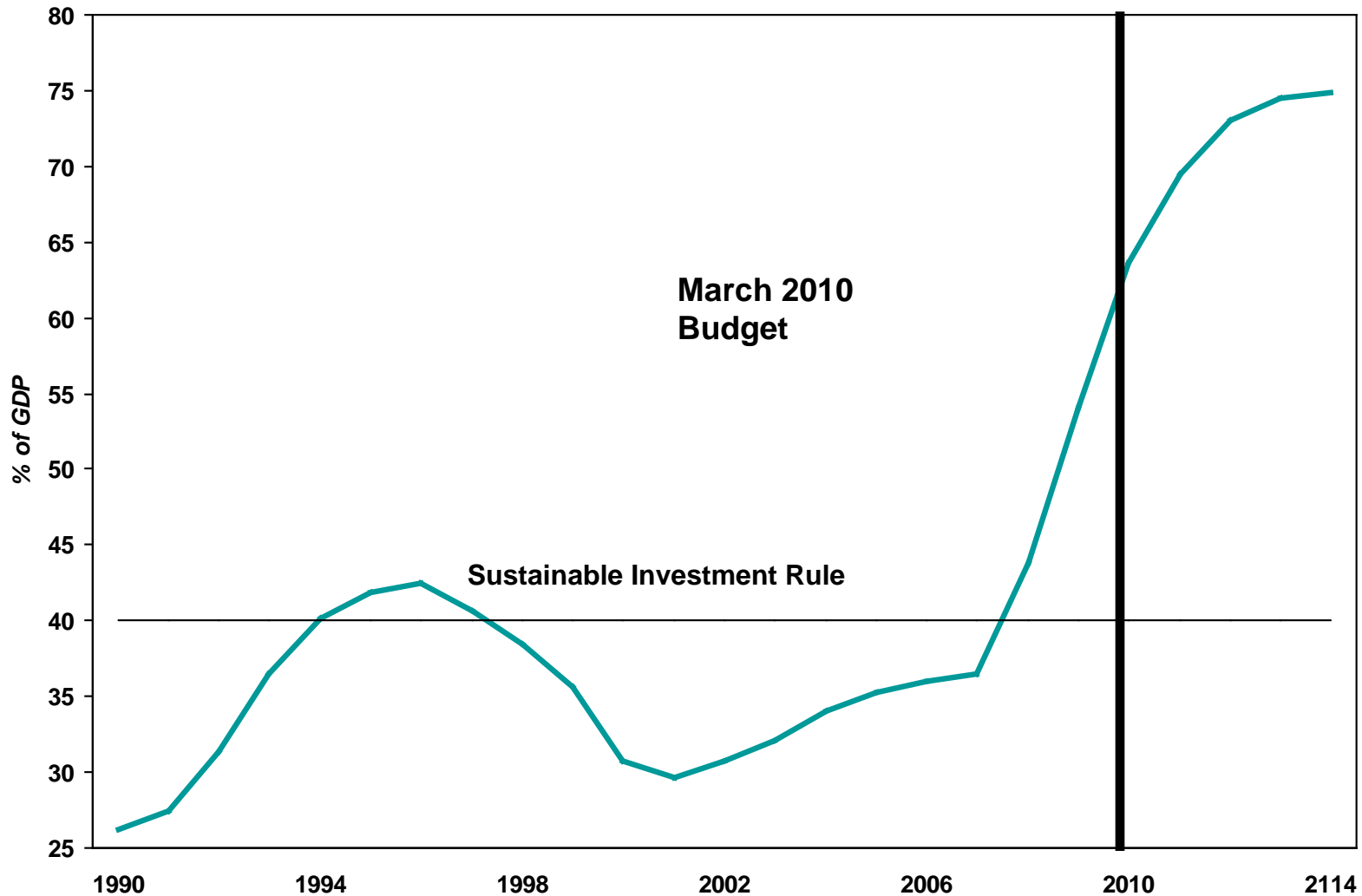
Government finances already in deficit



...and then deteriorated rapidly

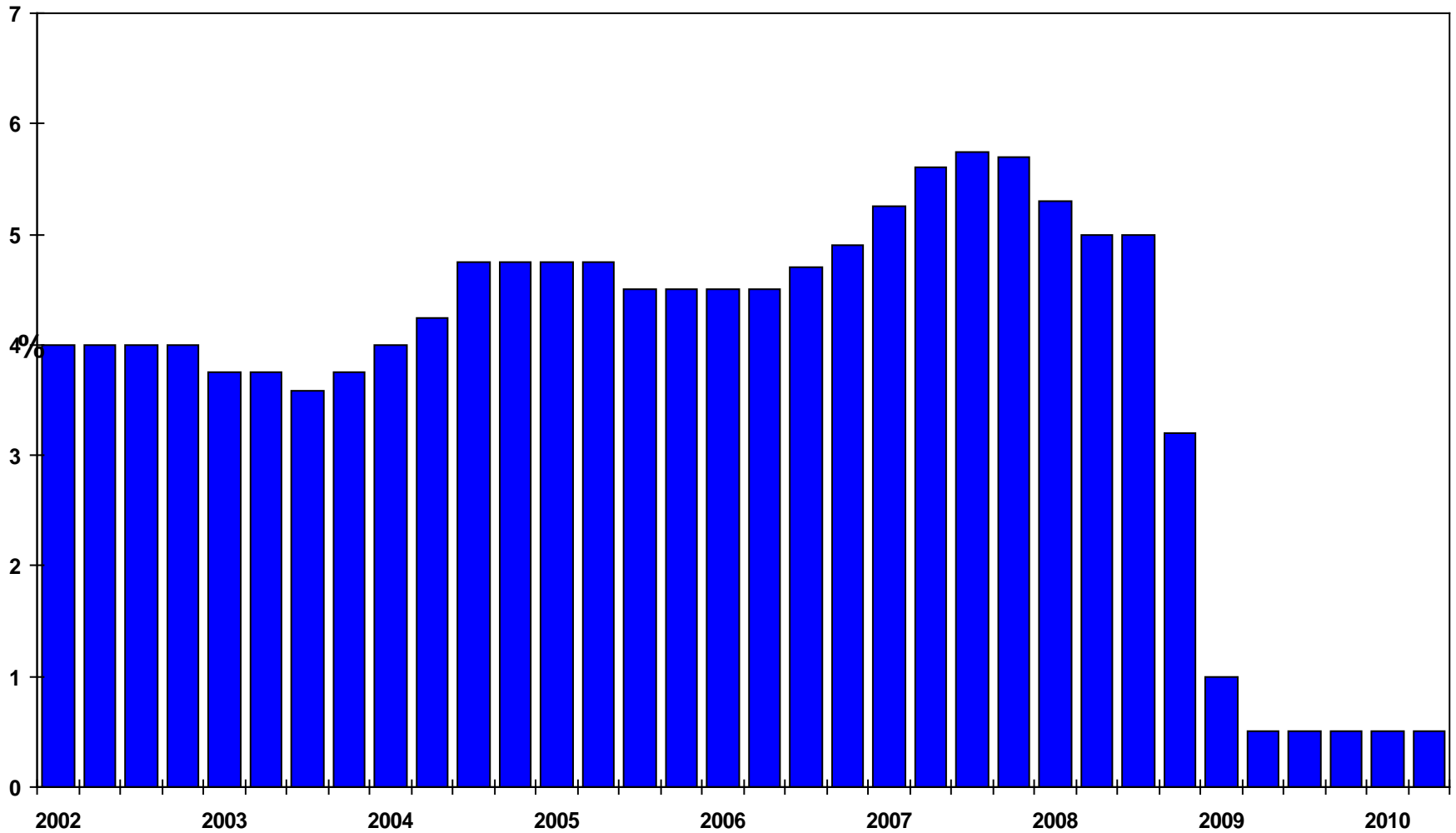


So net debt (as a % of GDP) soared



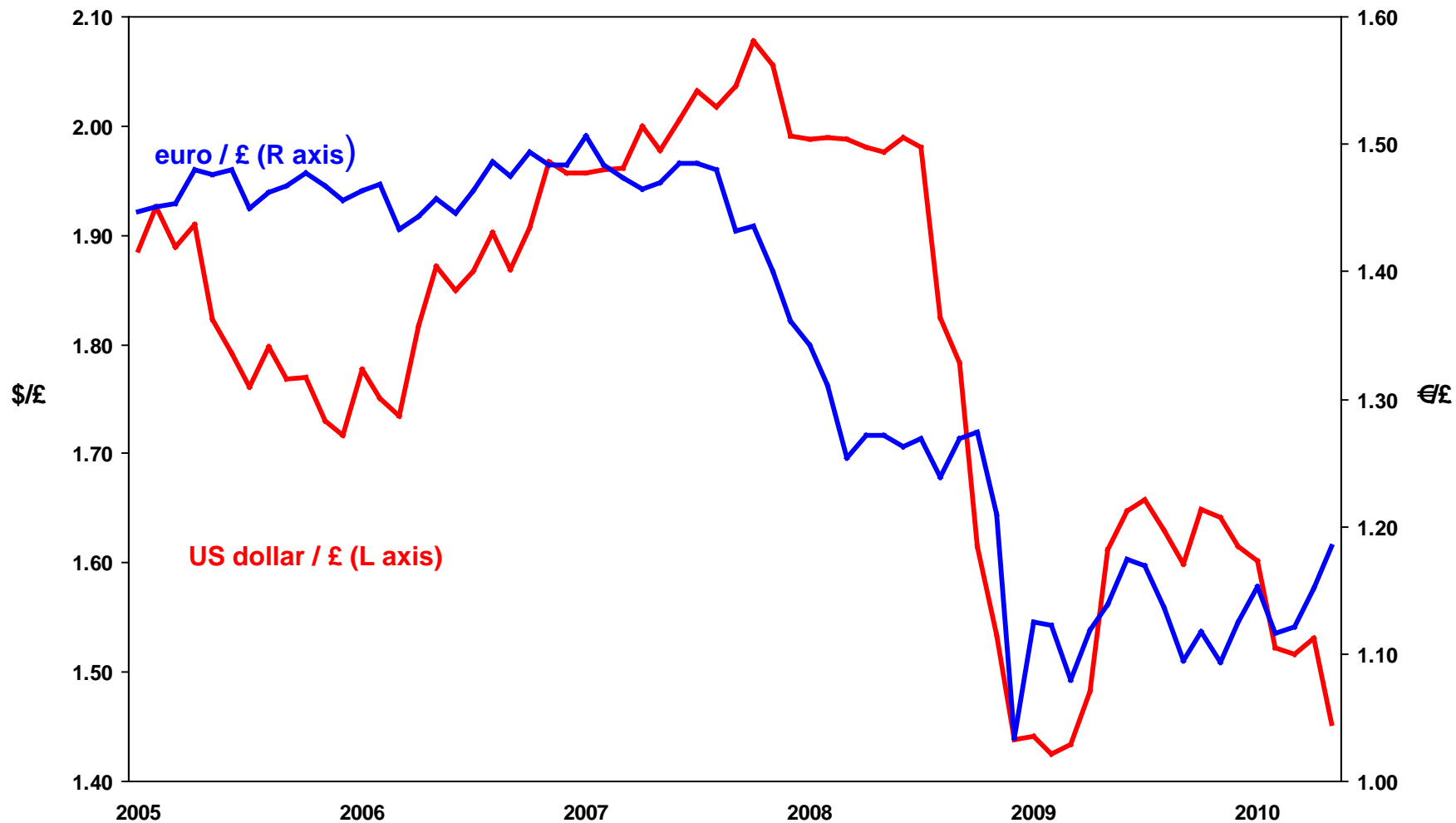
Interest rates fall to historic lows

Lowest interest rates for over 300 years



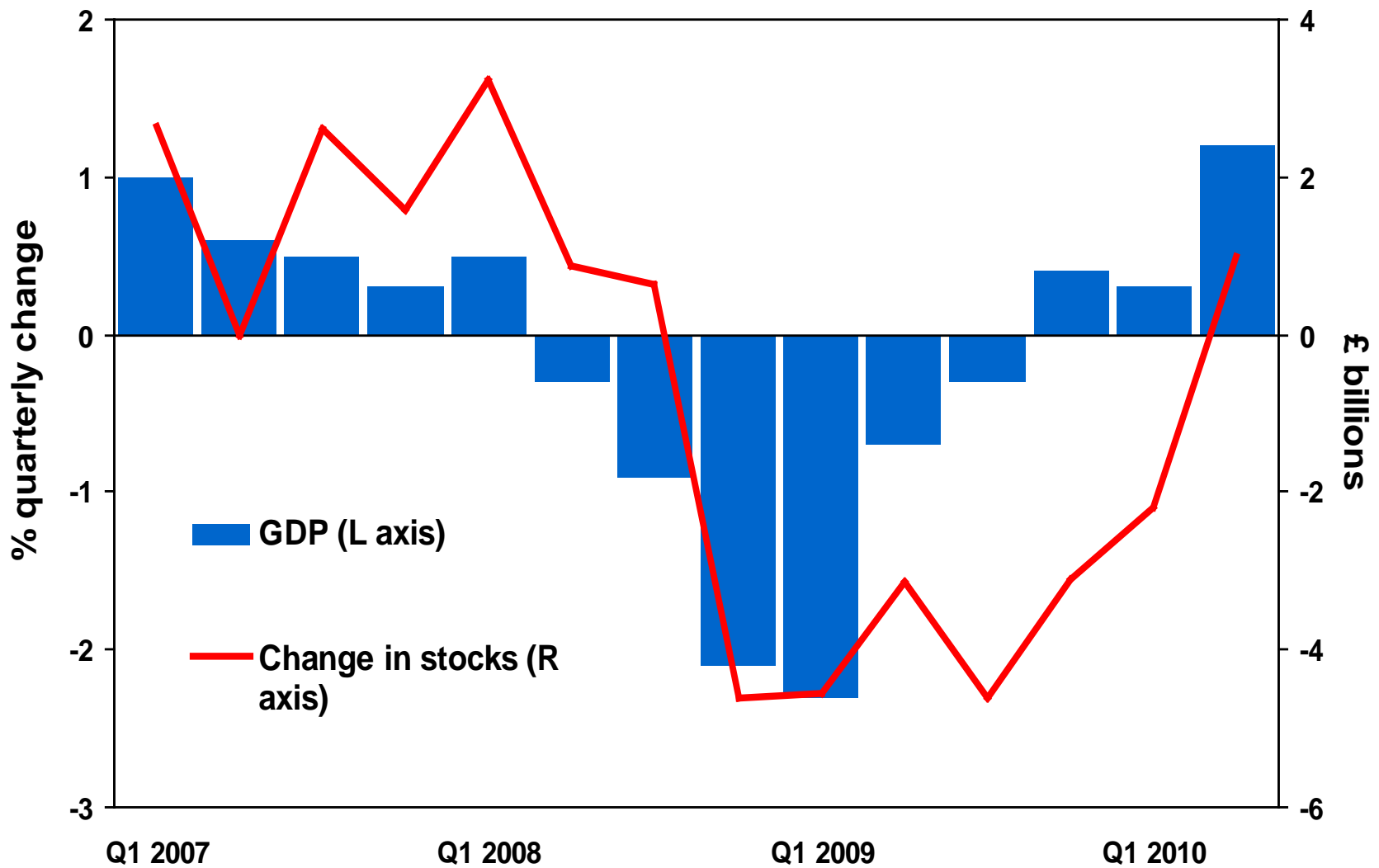
And sterling plummeted

Sterling takes a pounding

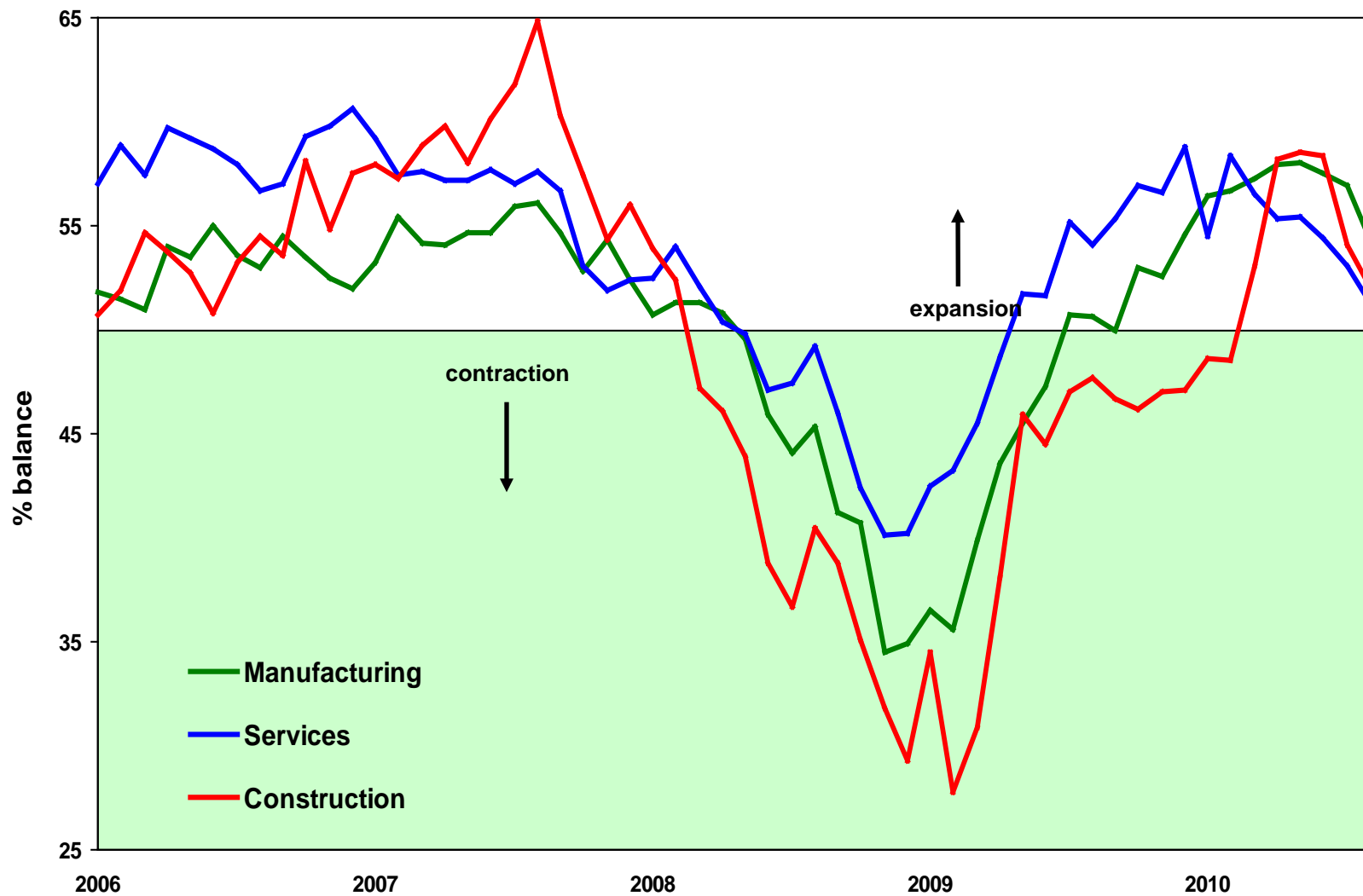


STRAWS IN THE WIND

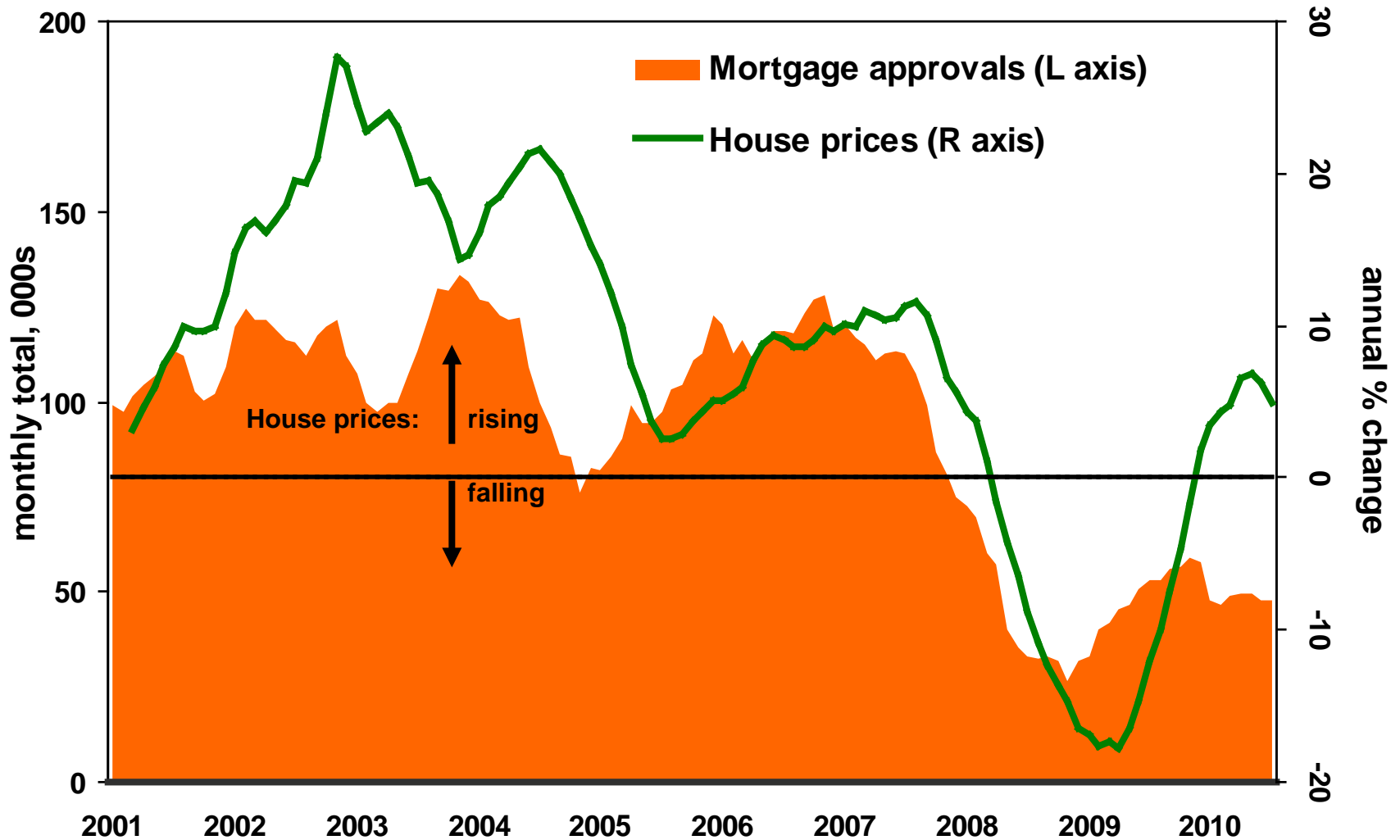
An boost from end to destocking



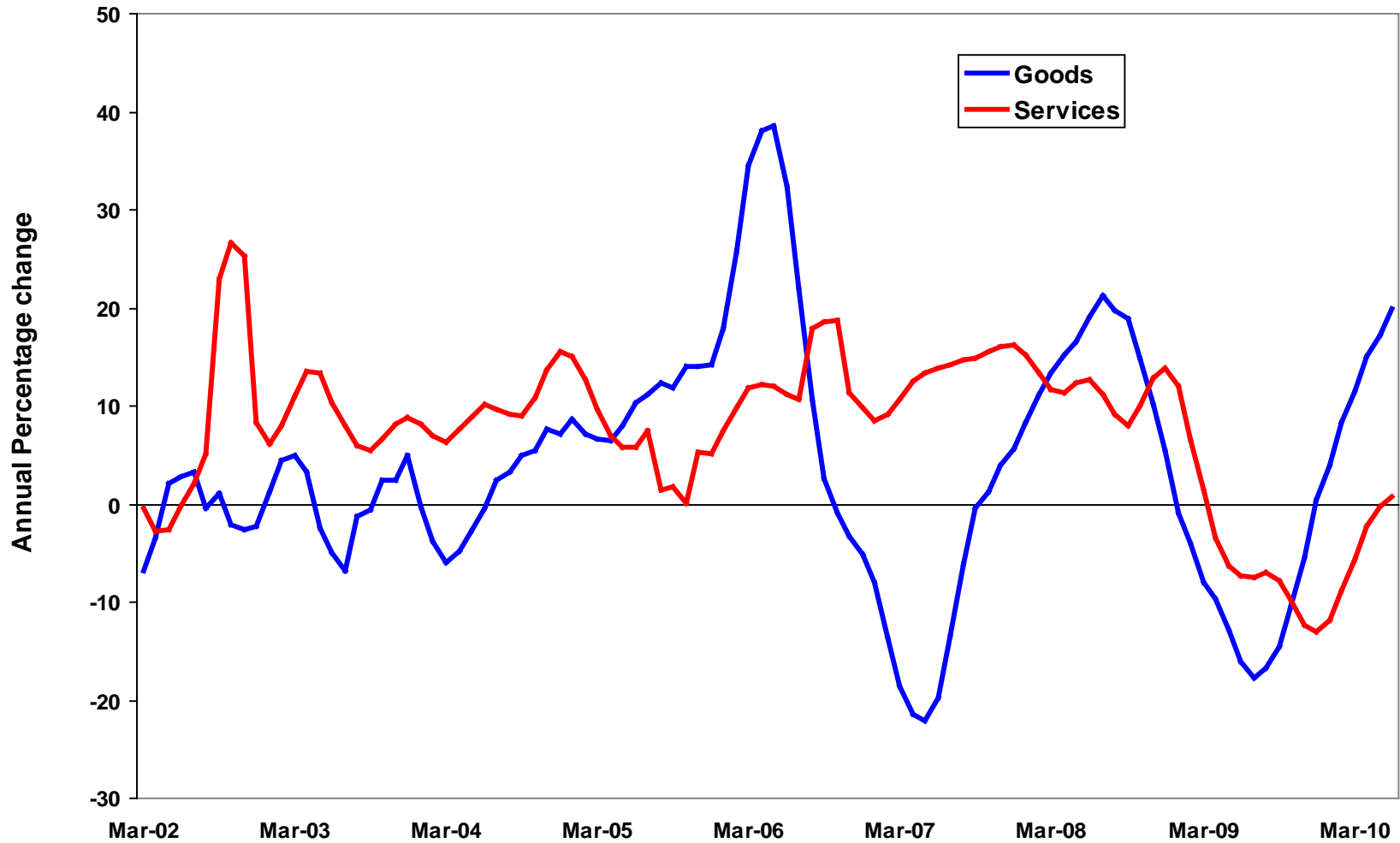
Key PMI surveys in positive territory



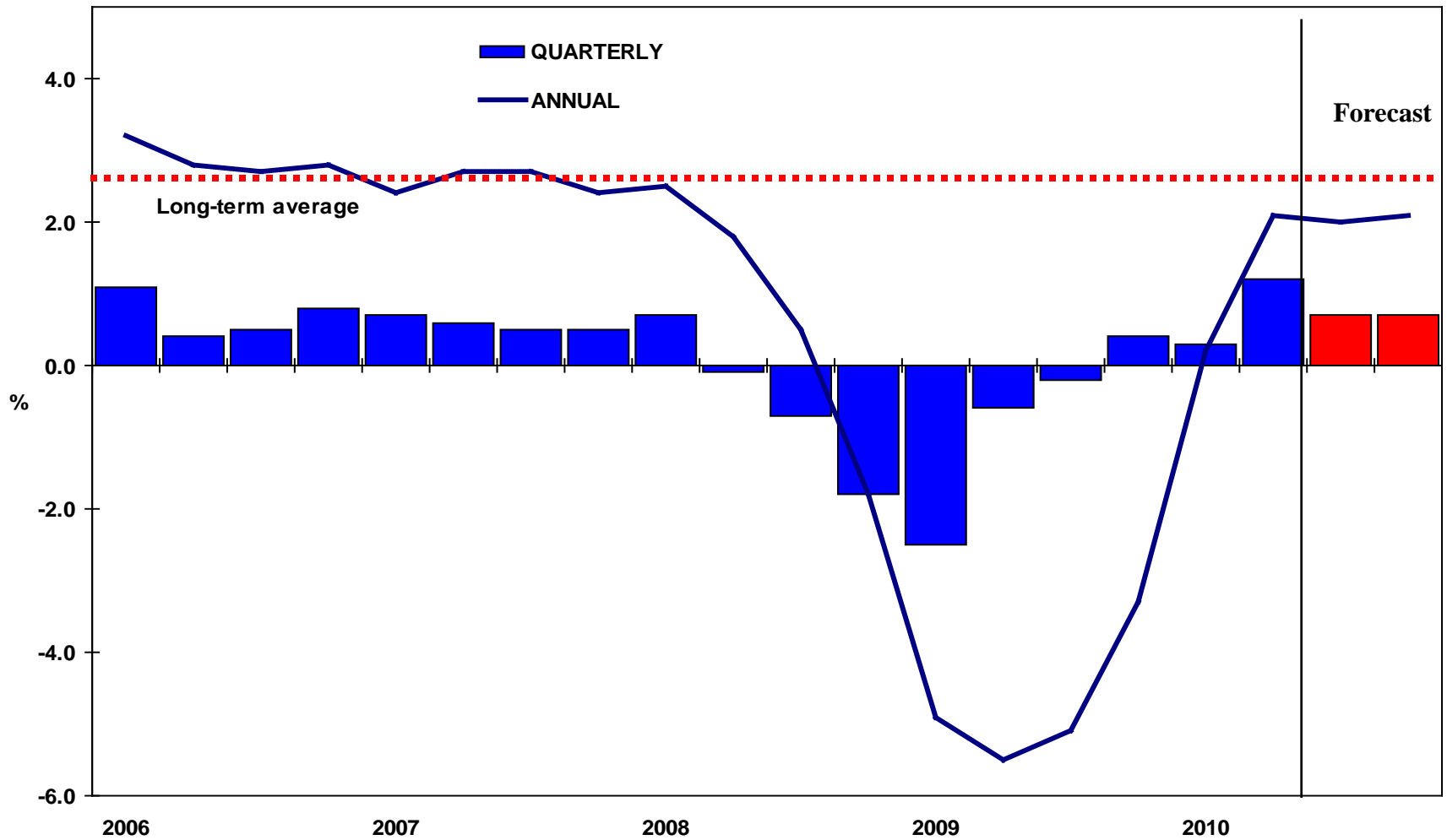
Housing market fragile but improving



Exports starting to respond



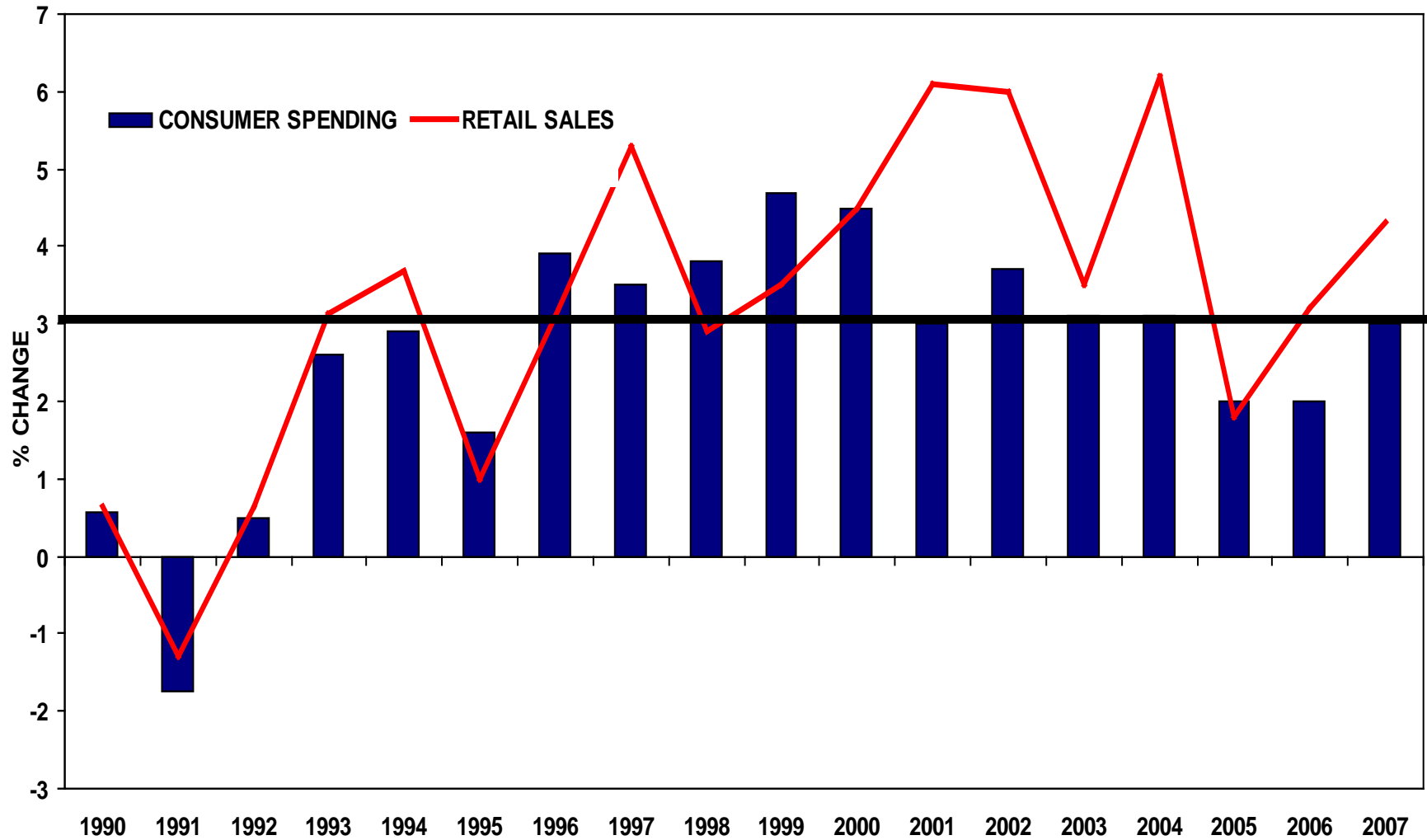
A slow recovery is underway



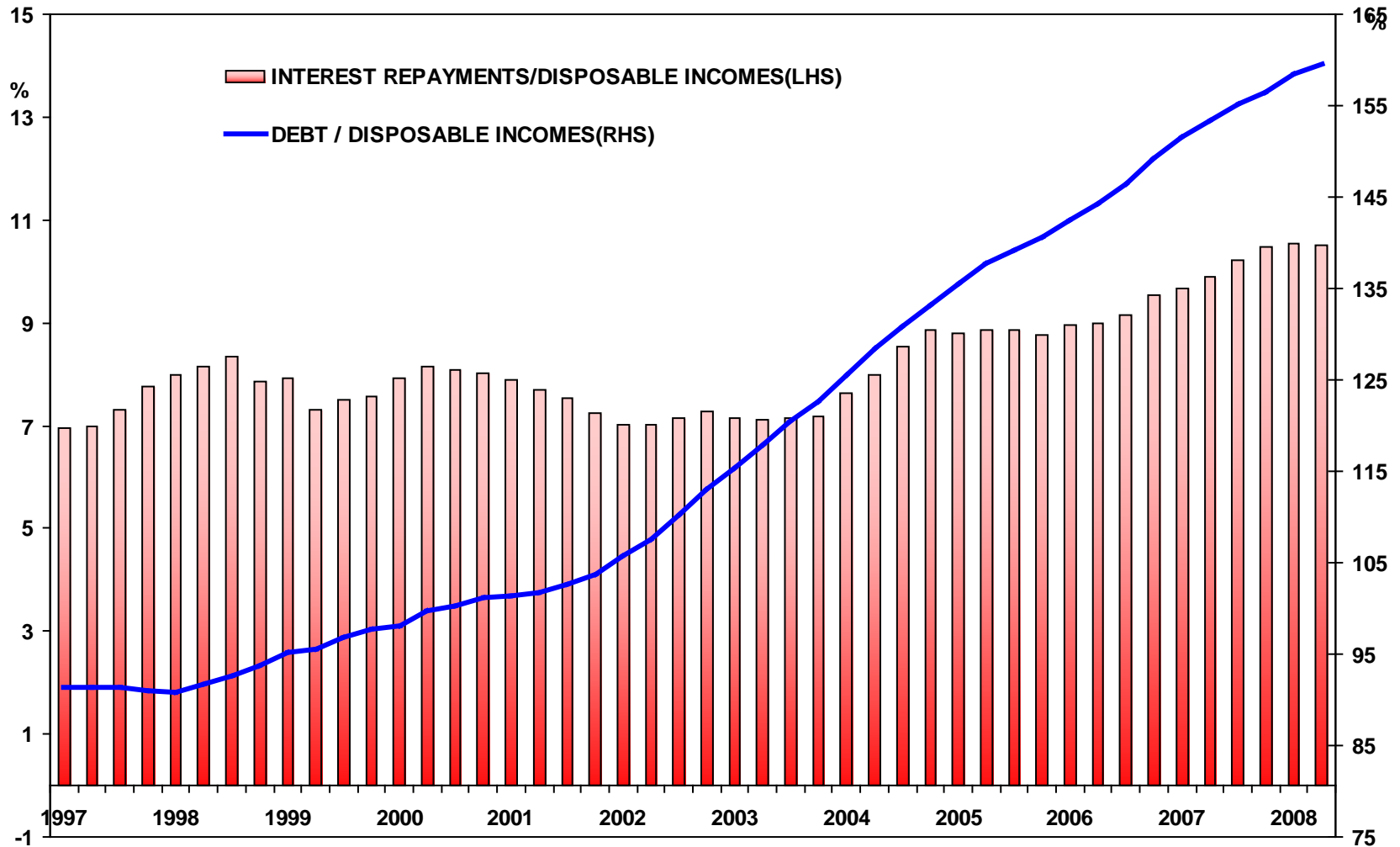
RISKS

a) Debt overhang

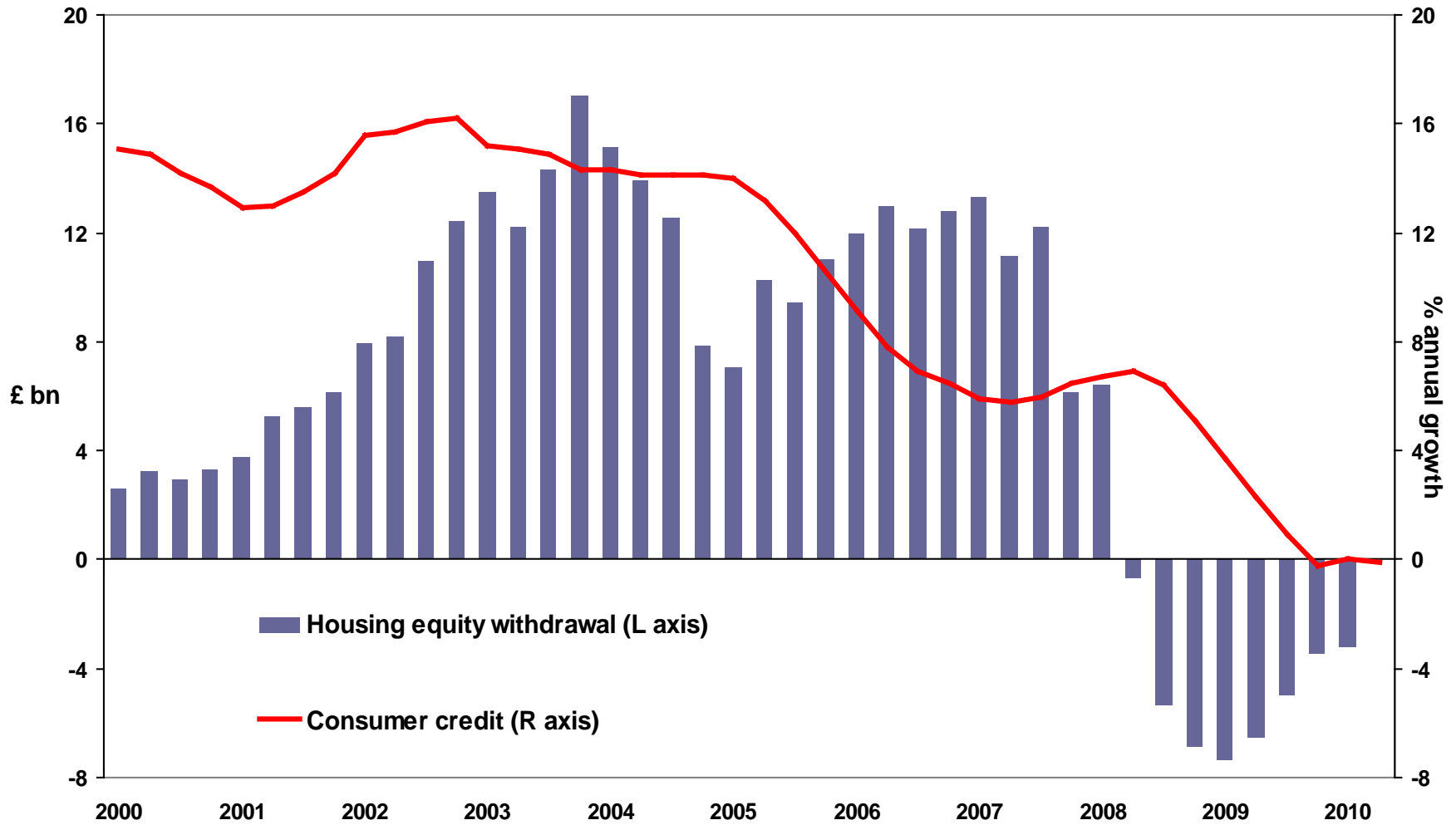
Consumers were the driving force



But underpinned by borrowing

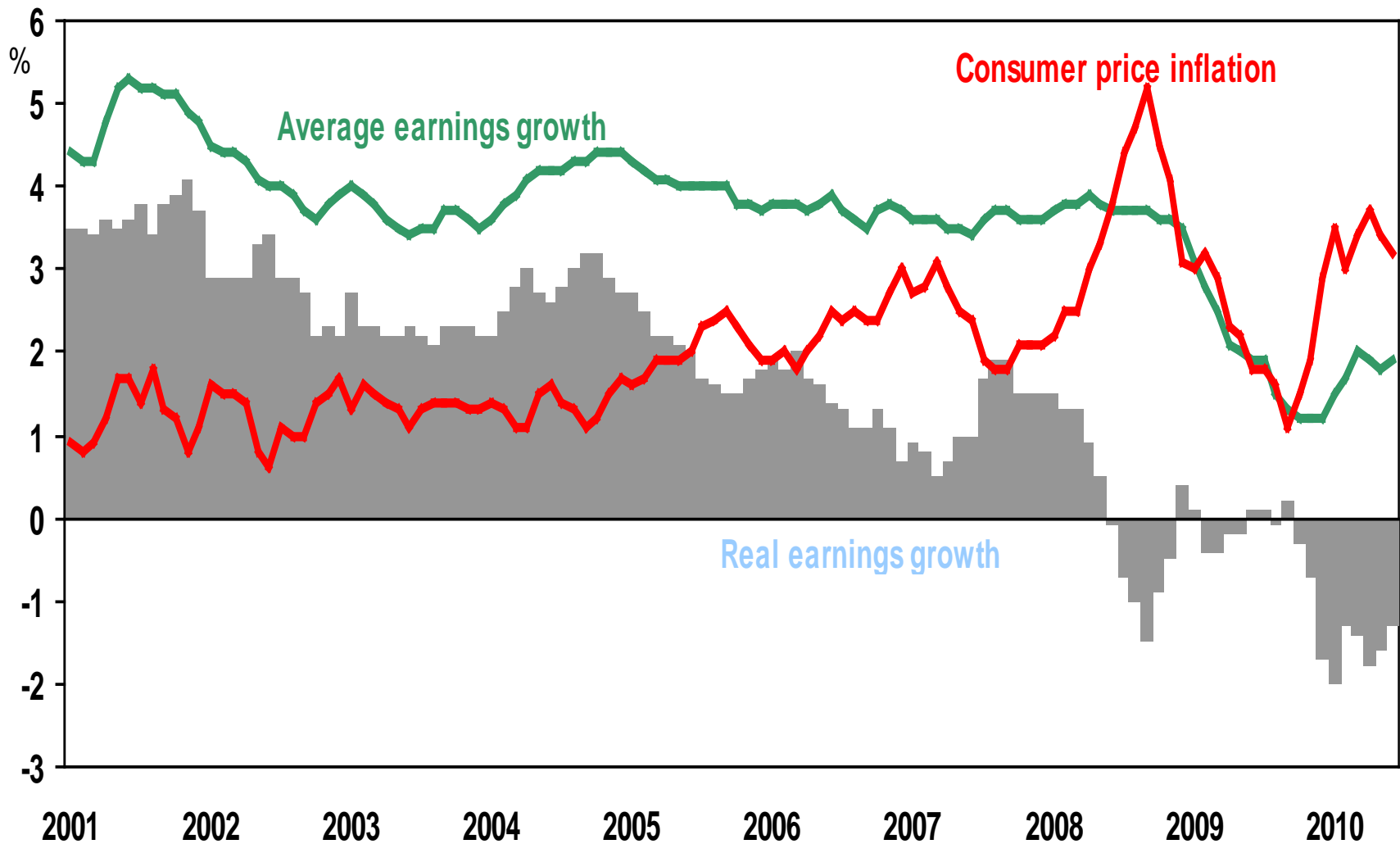


Consumers are not borrowing

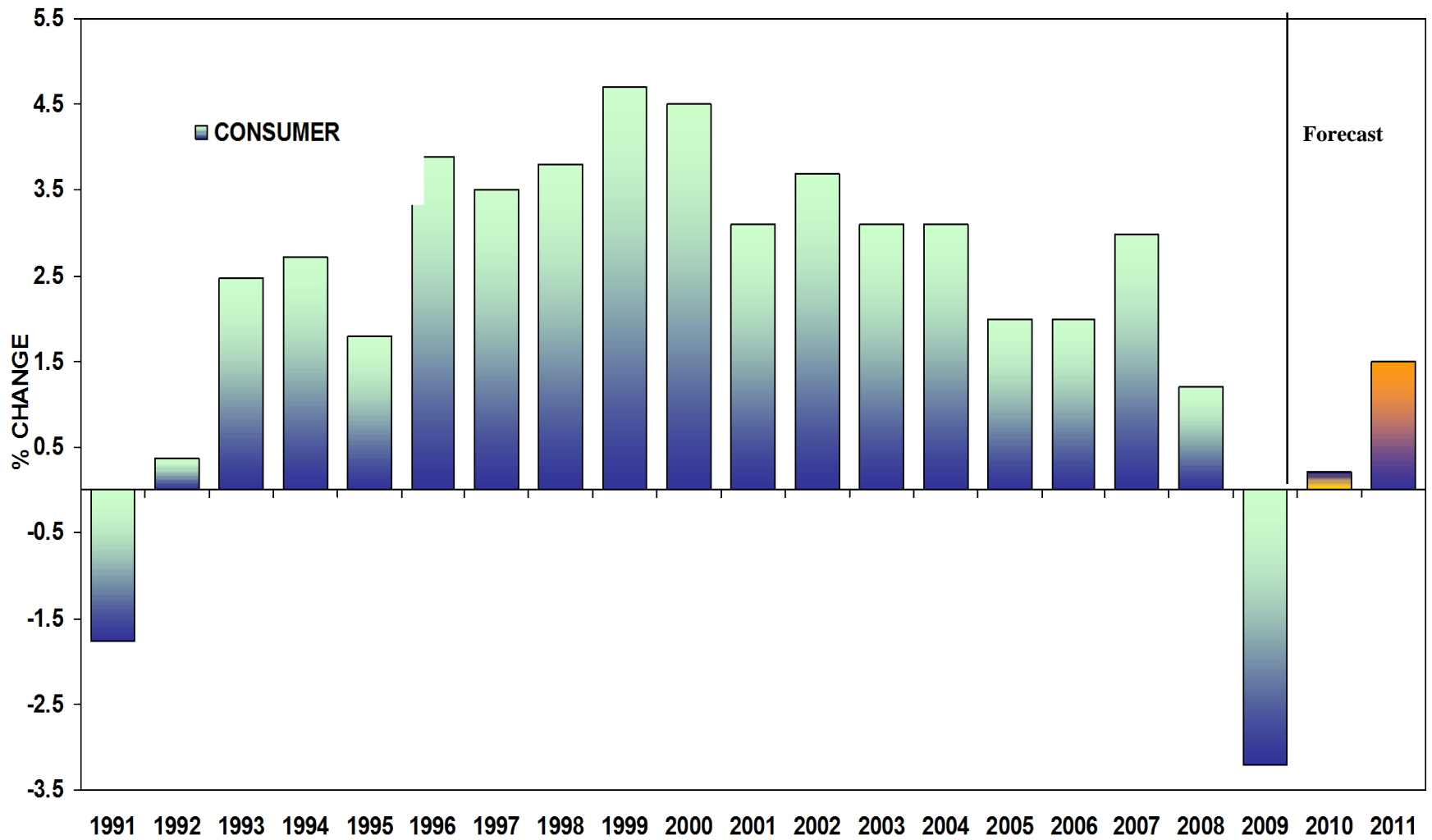


b) Fragile consumer sector

But real earnings squeezed

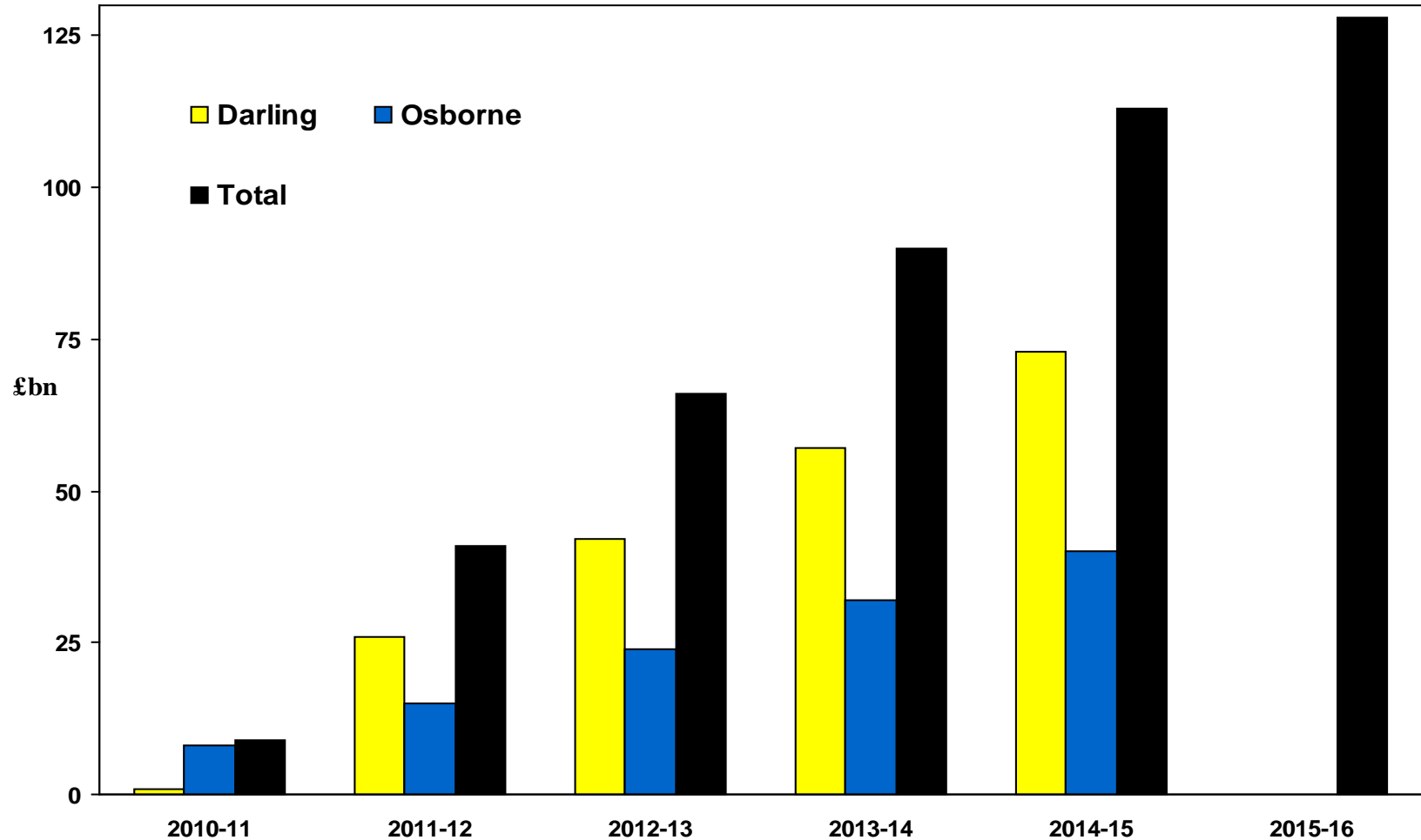


A slower recovery than the last recession

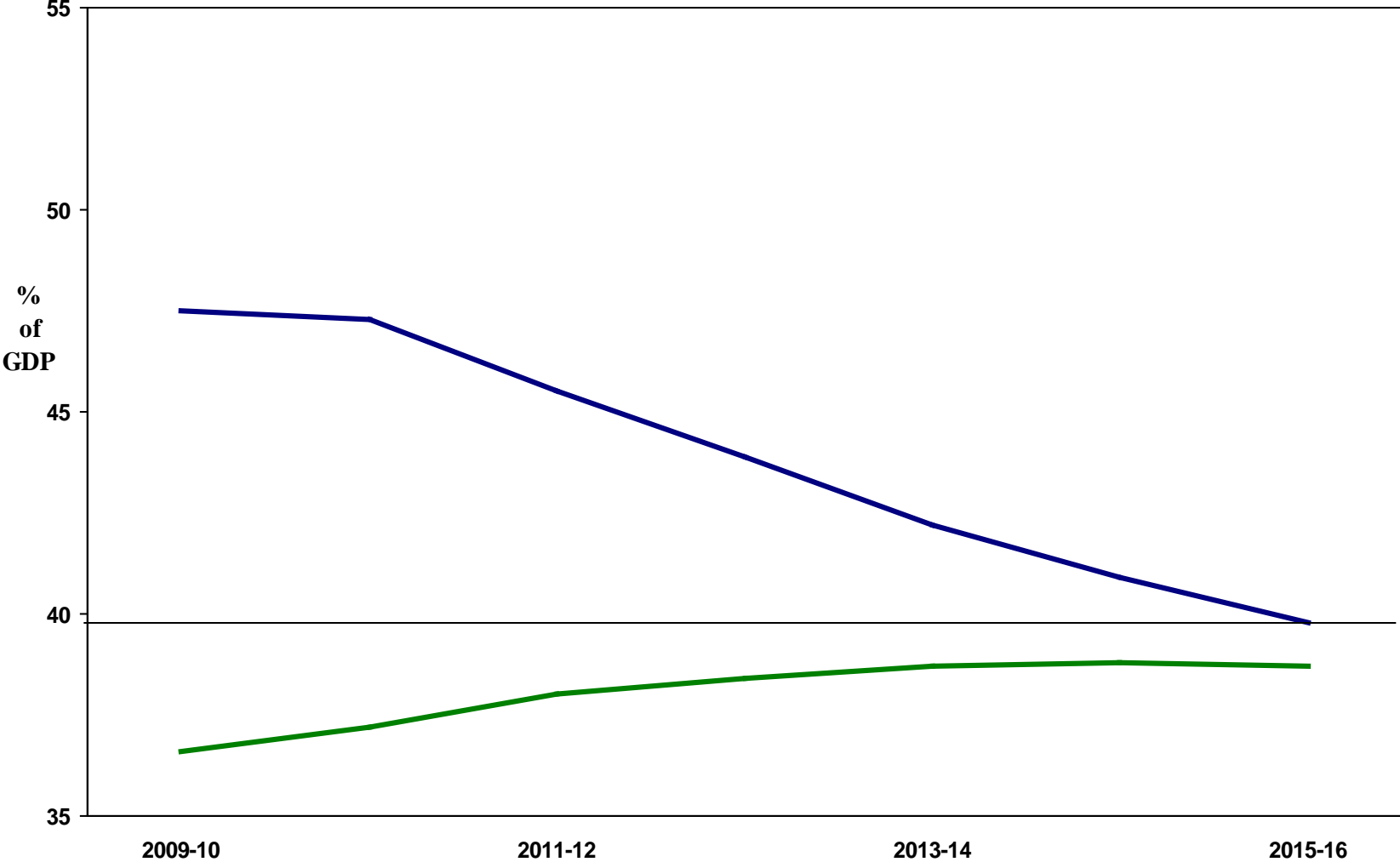


c) Public sector spending cuts

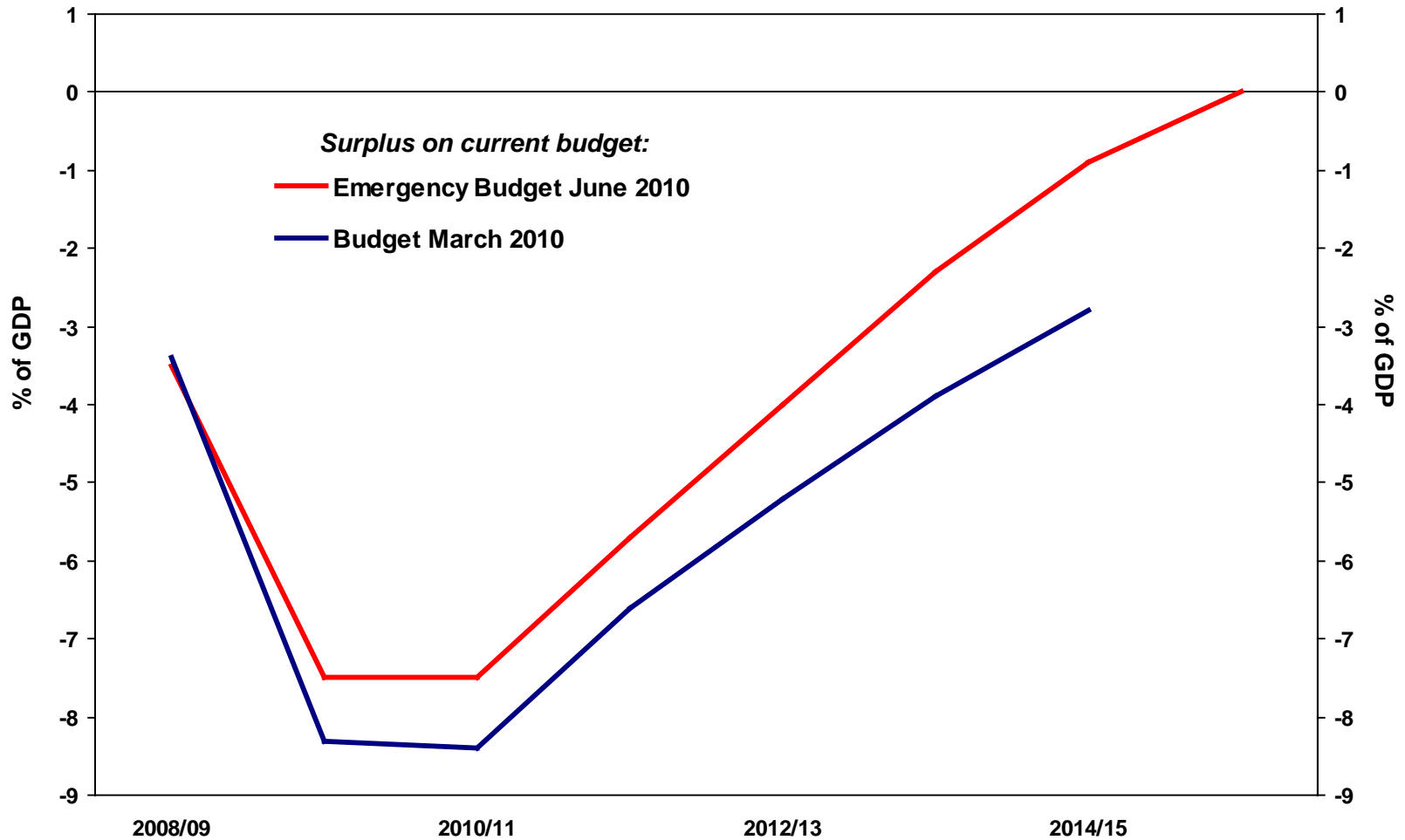
Planned government spending cuts (£bn)



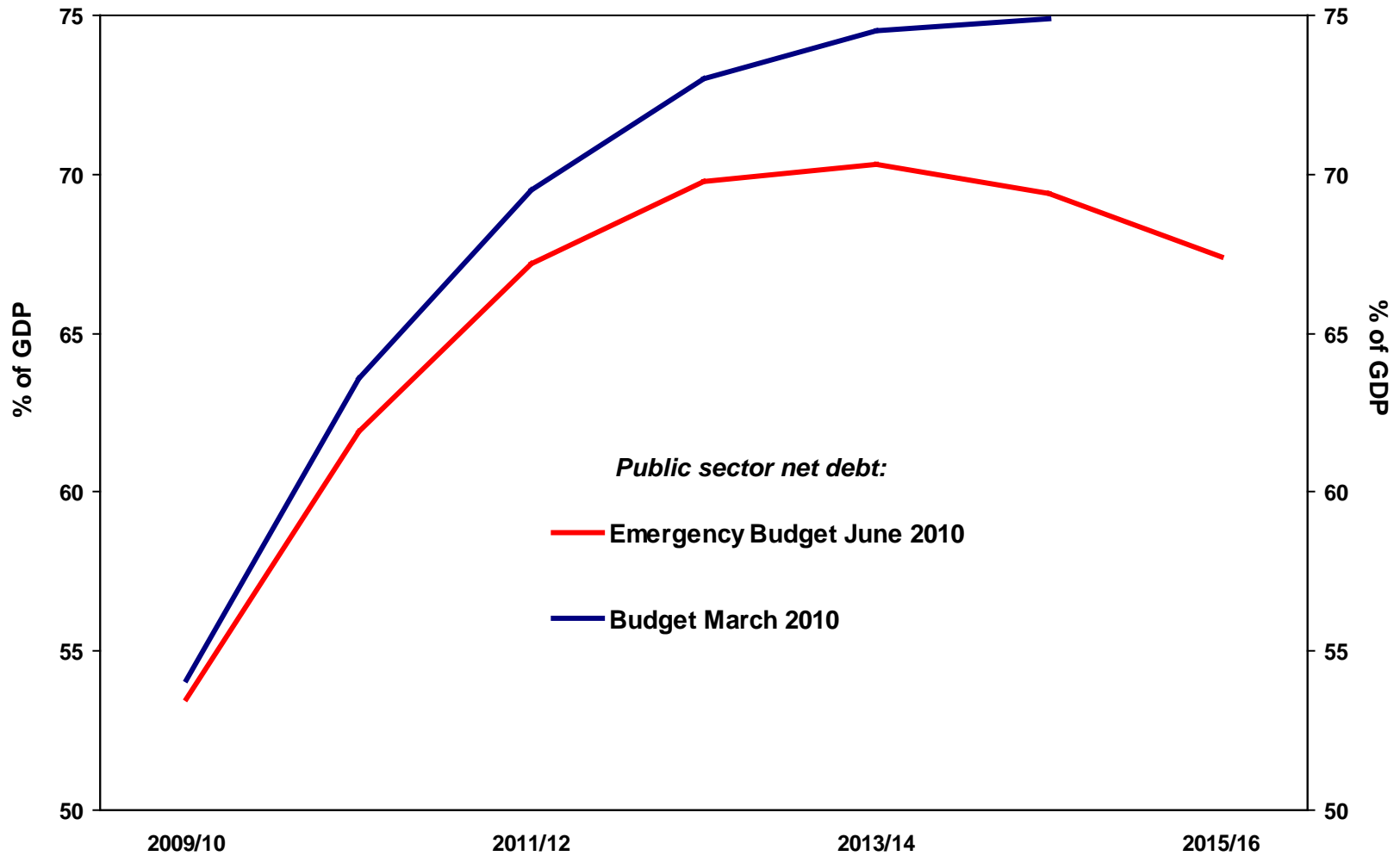
Govt receipts and spending (% of GDP)



Budget to be balanced in four years

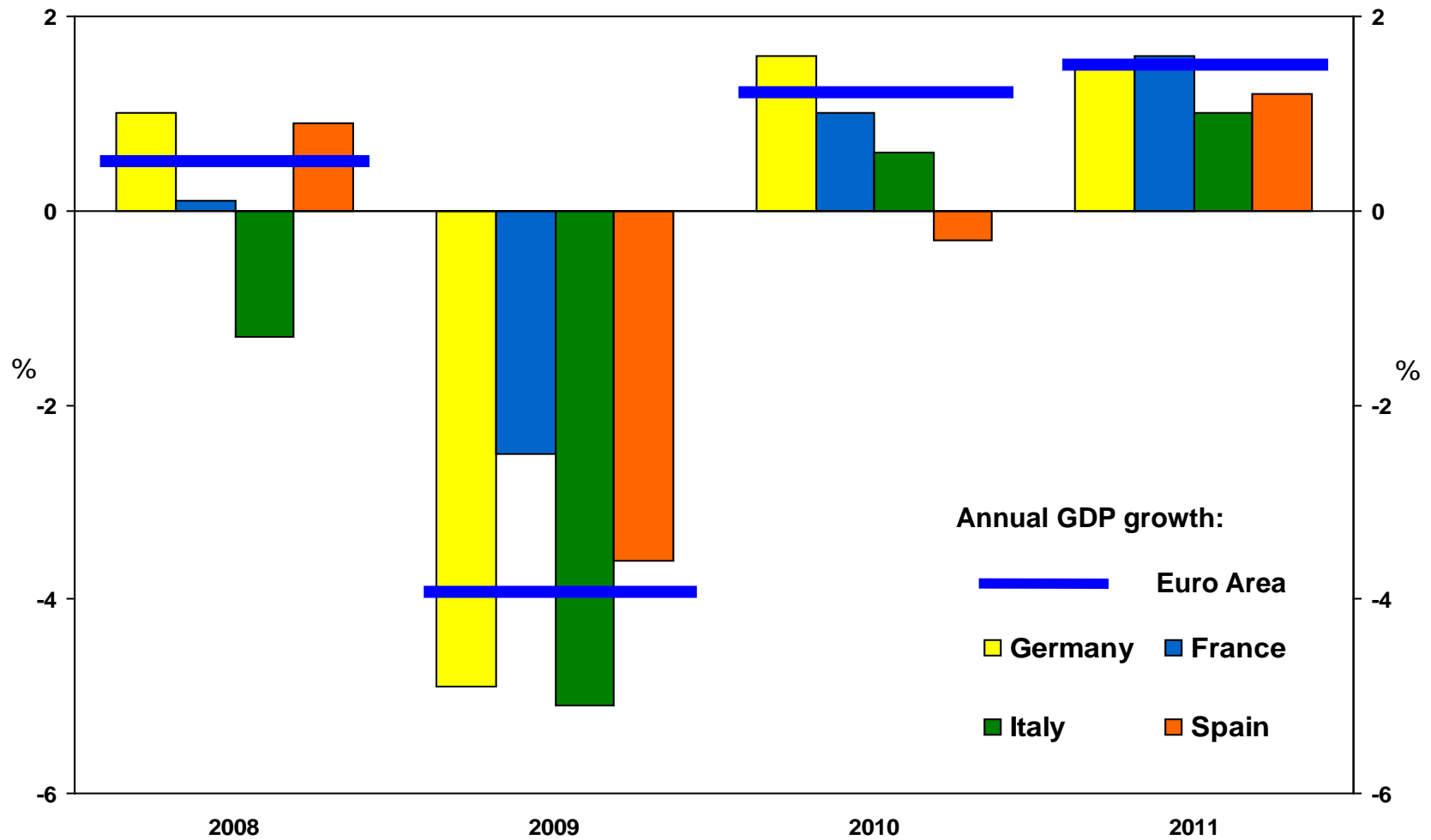


Debt burden to peak in three years time

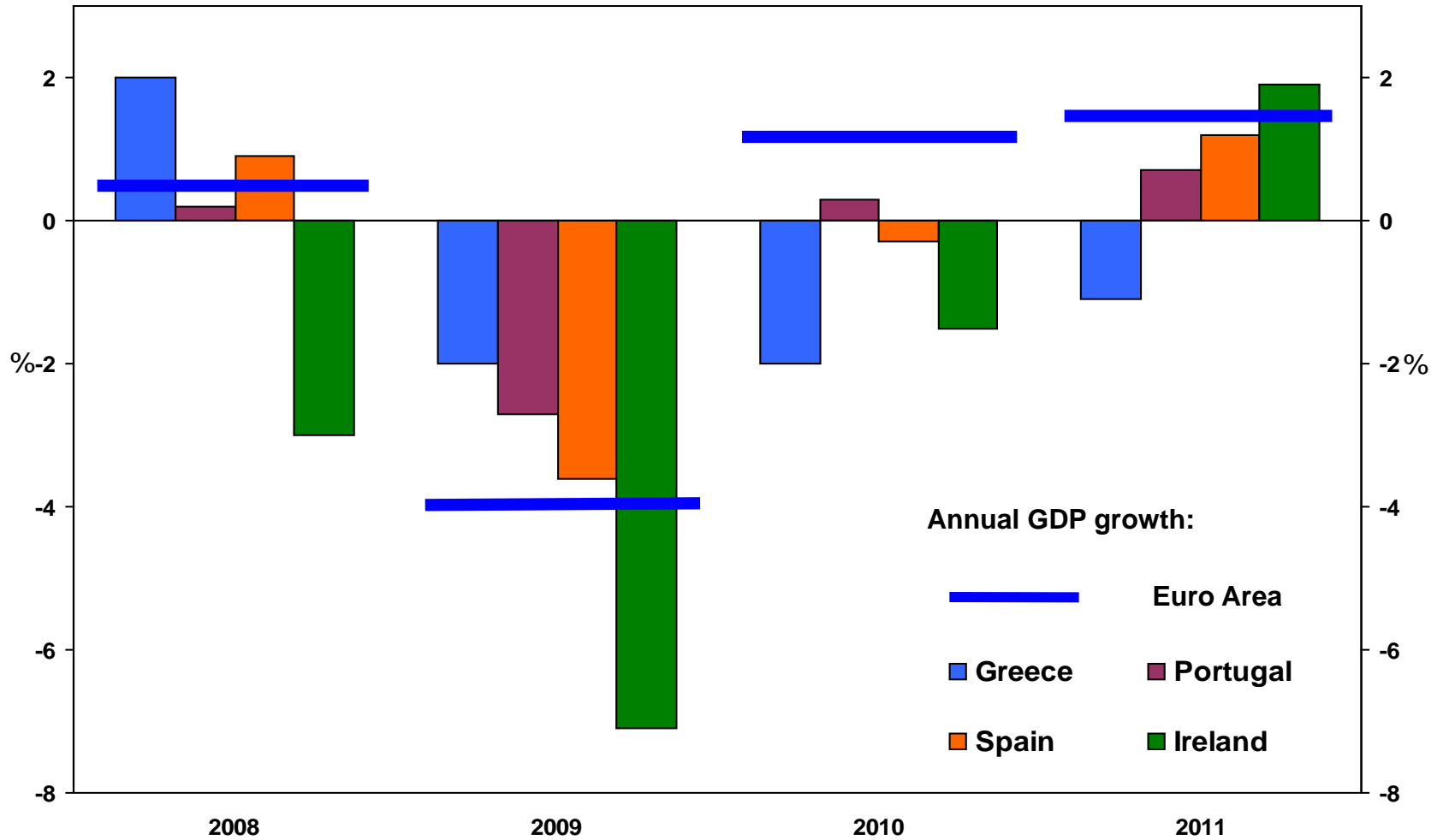


d) Slow growth in key export markets

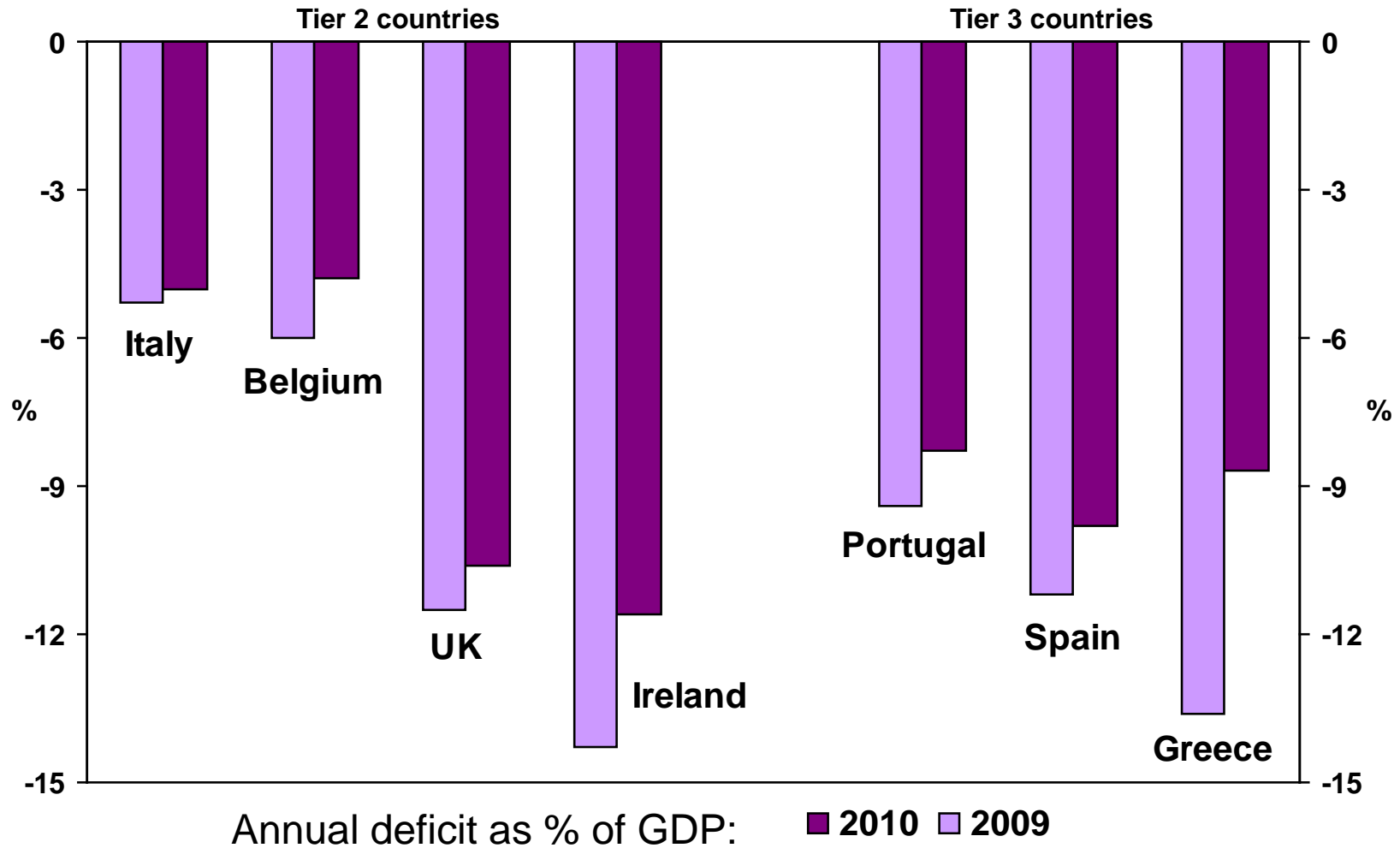
Euro Area growth forecast



Euro Area growth forecast 2

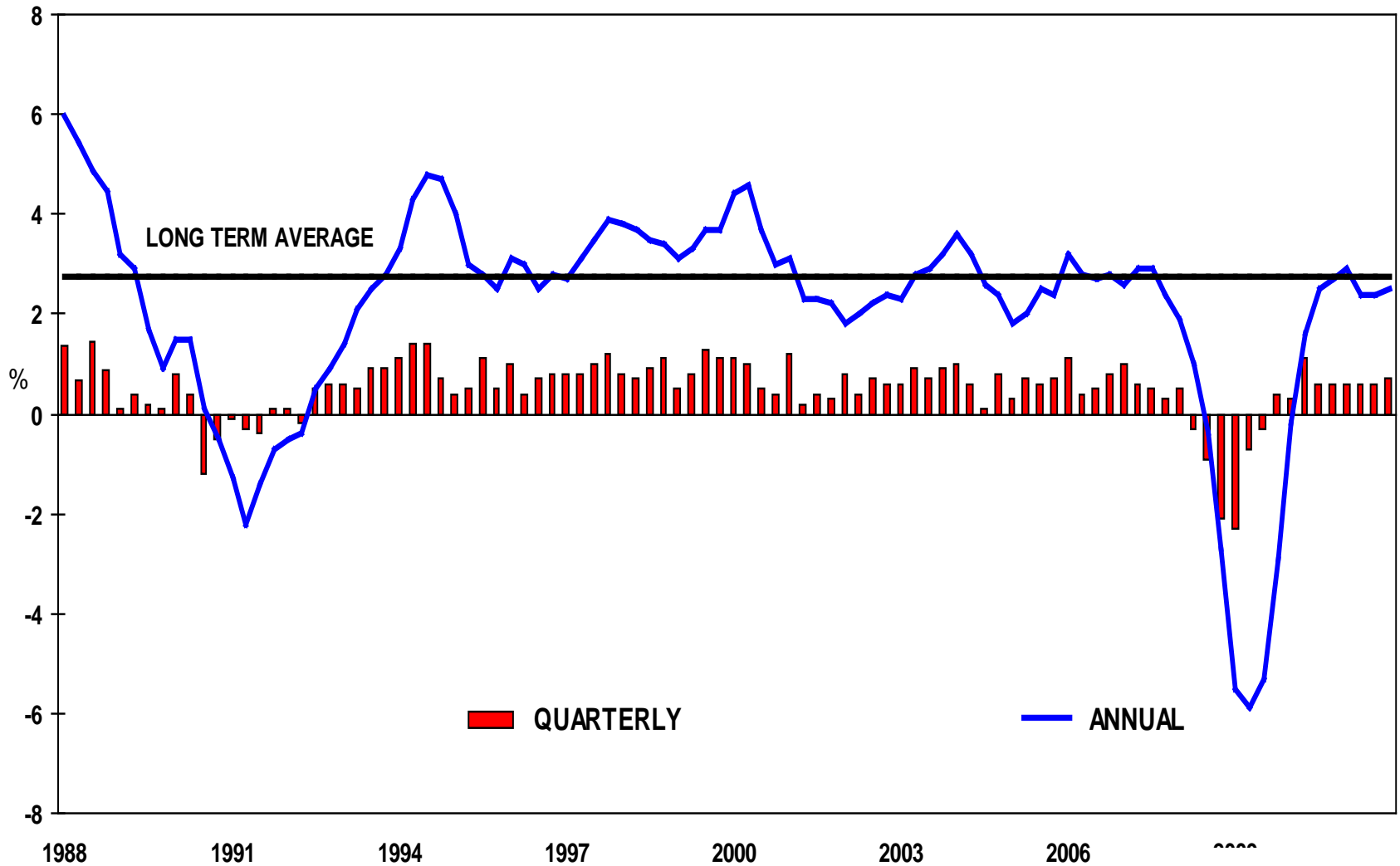


Euro deficits add to the uncertainty

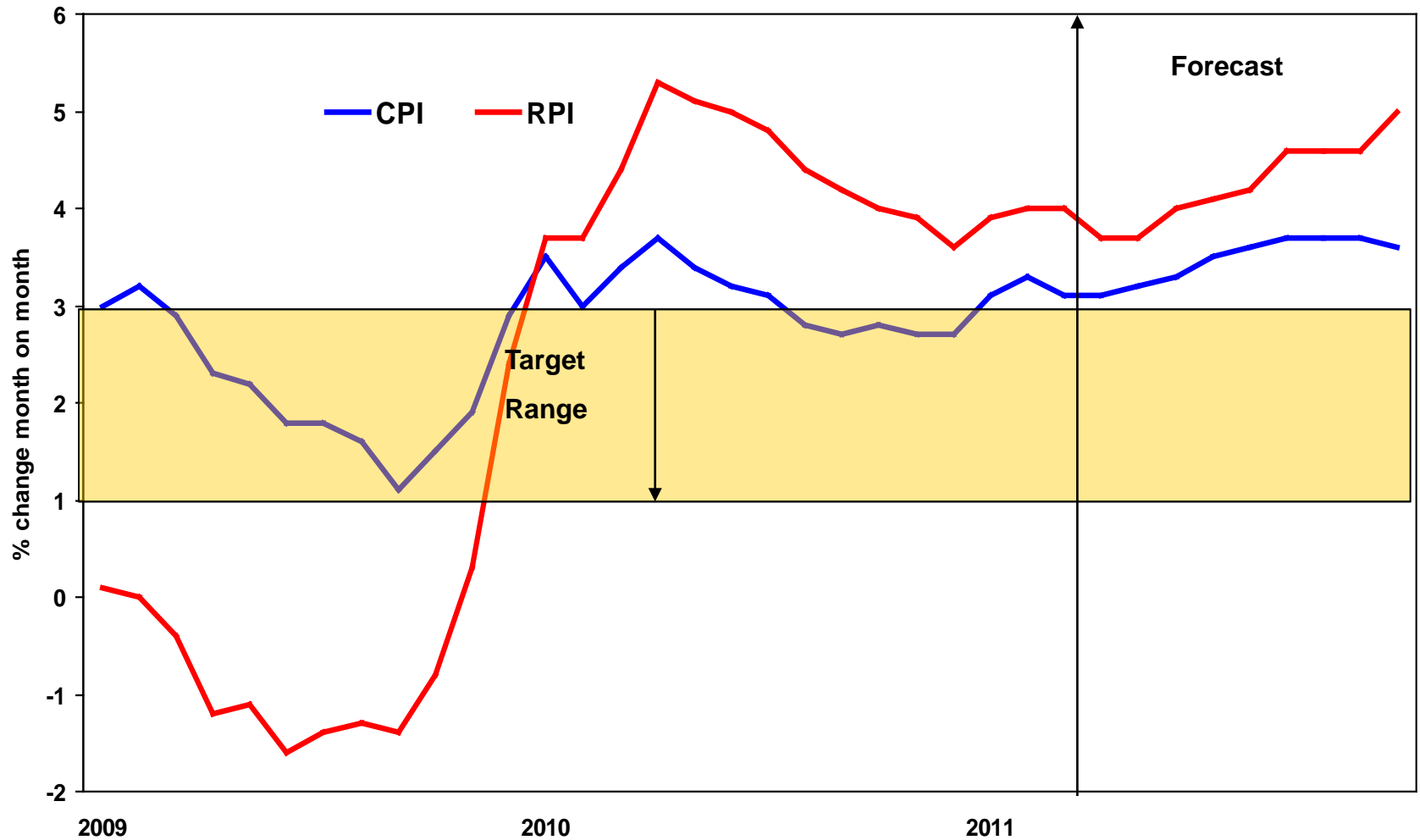


SHORT-TERM OUTLOOK

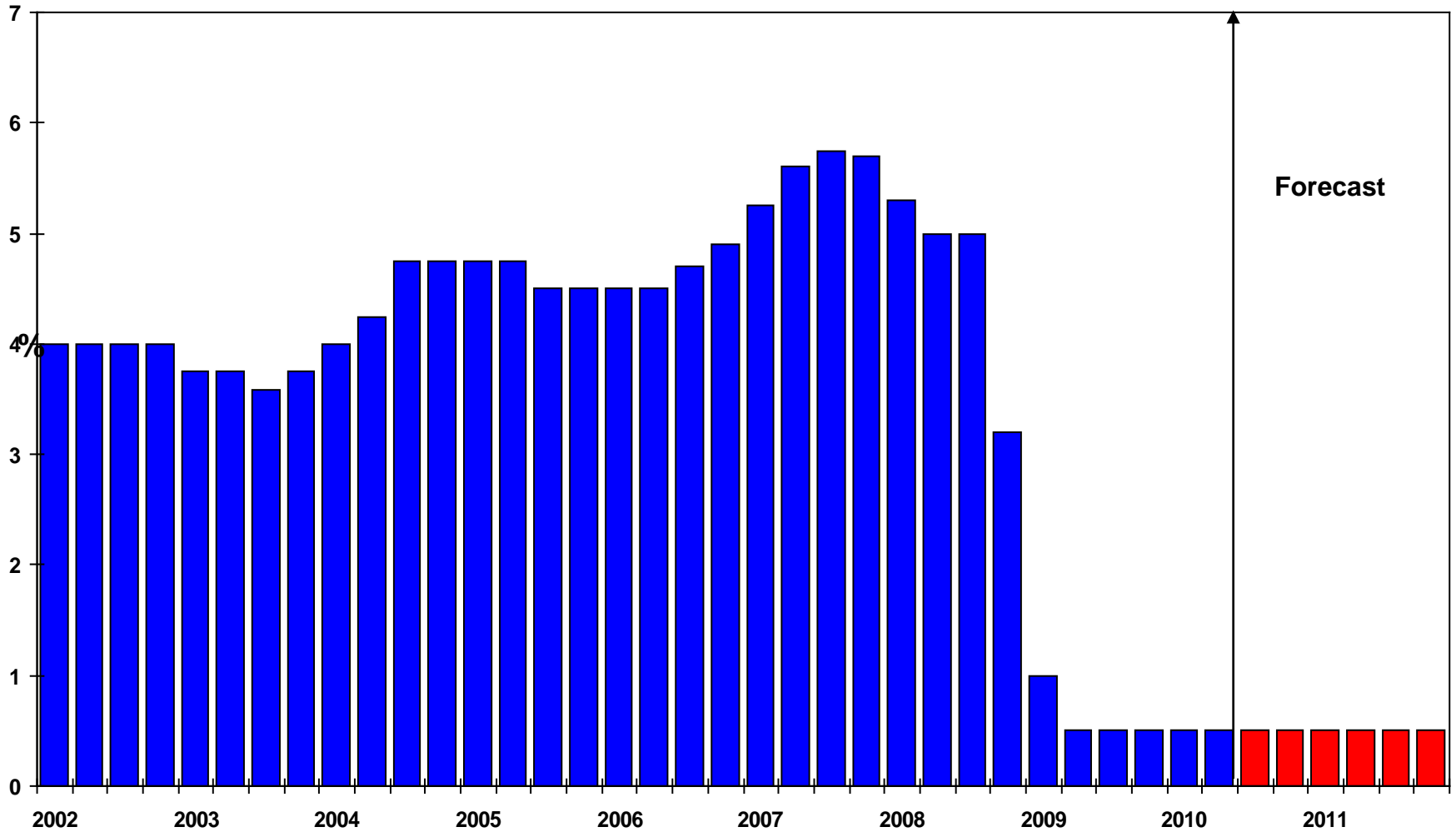
Slow fragile growth



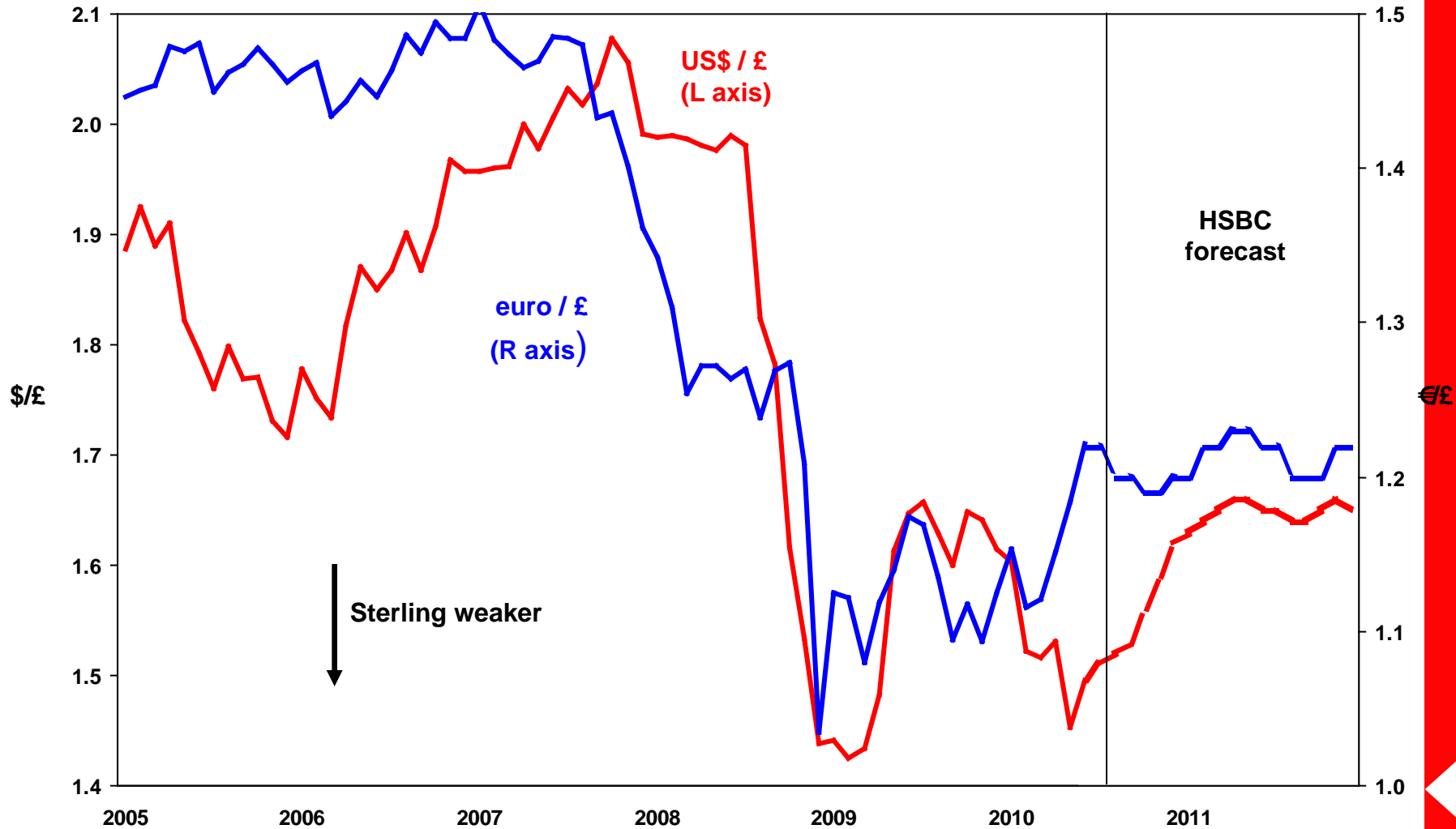
Inflation – higher for longer



And interest rates start to turn

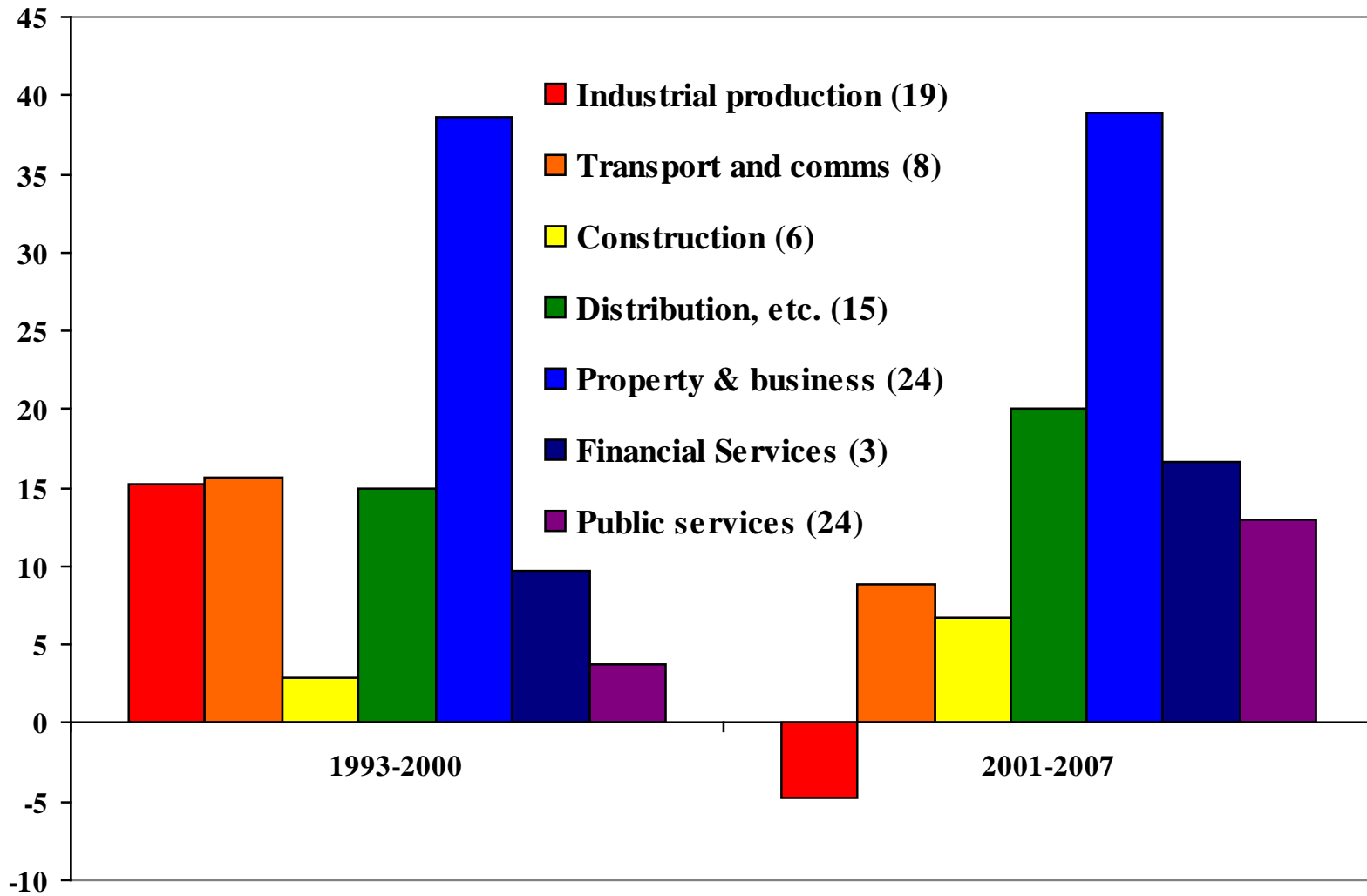


The exchange rate is favourable

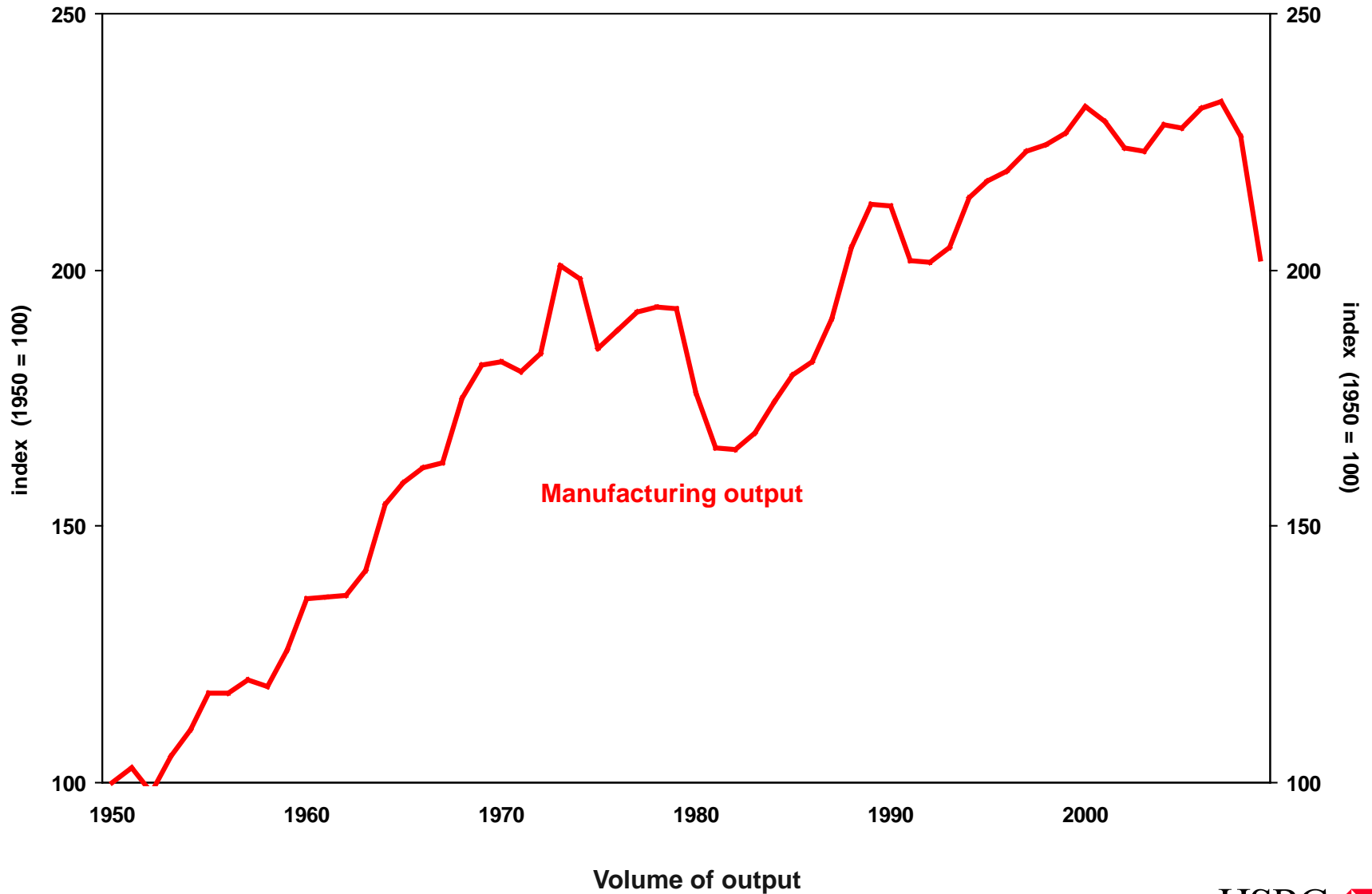


THE NEW AGENDA

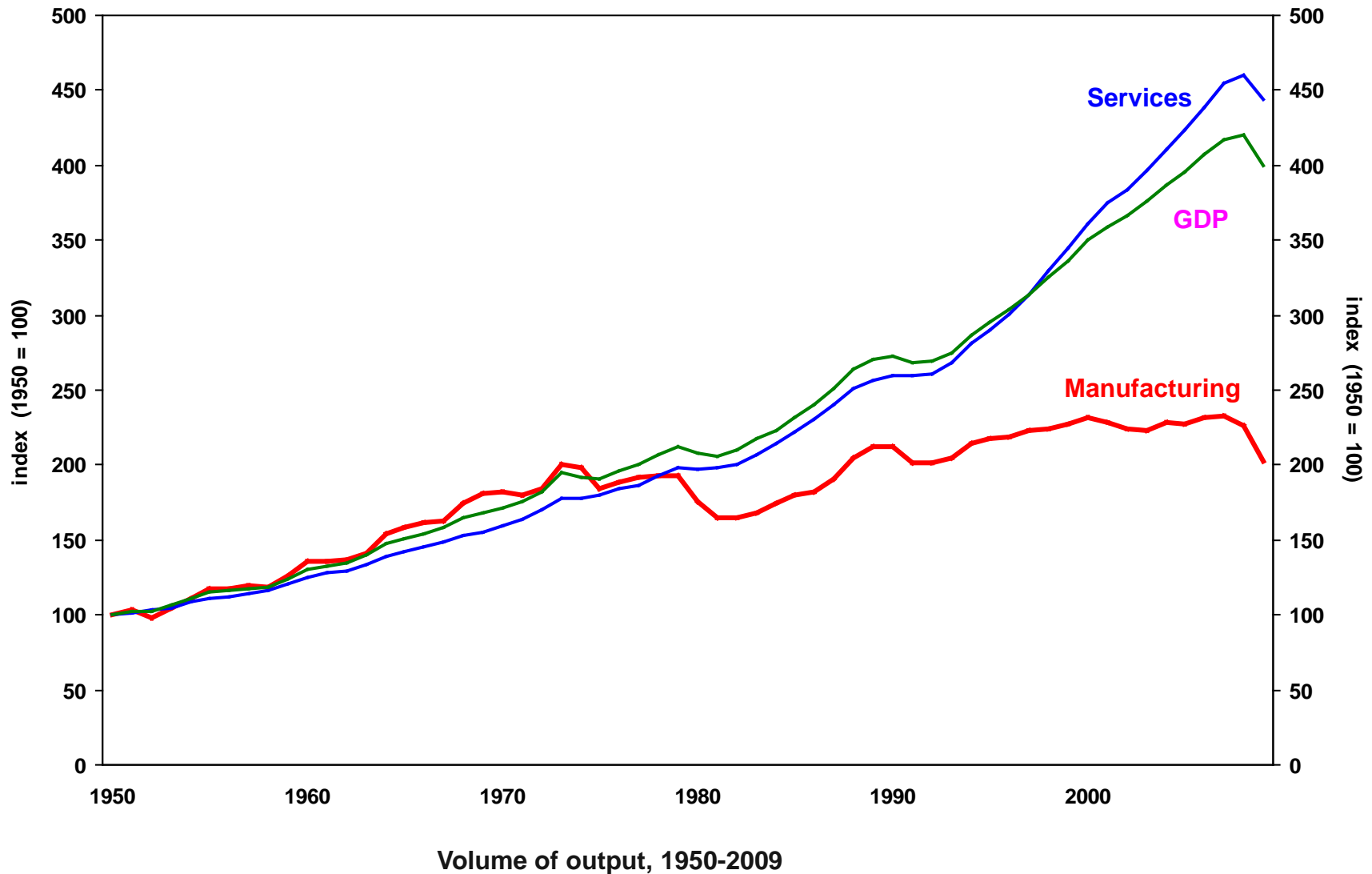
Where will growth come from?



Manufacturing output



Manufacturing vs services



THANK YOU