



The economic outlook and the risks of a sterling crisis

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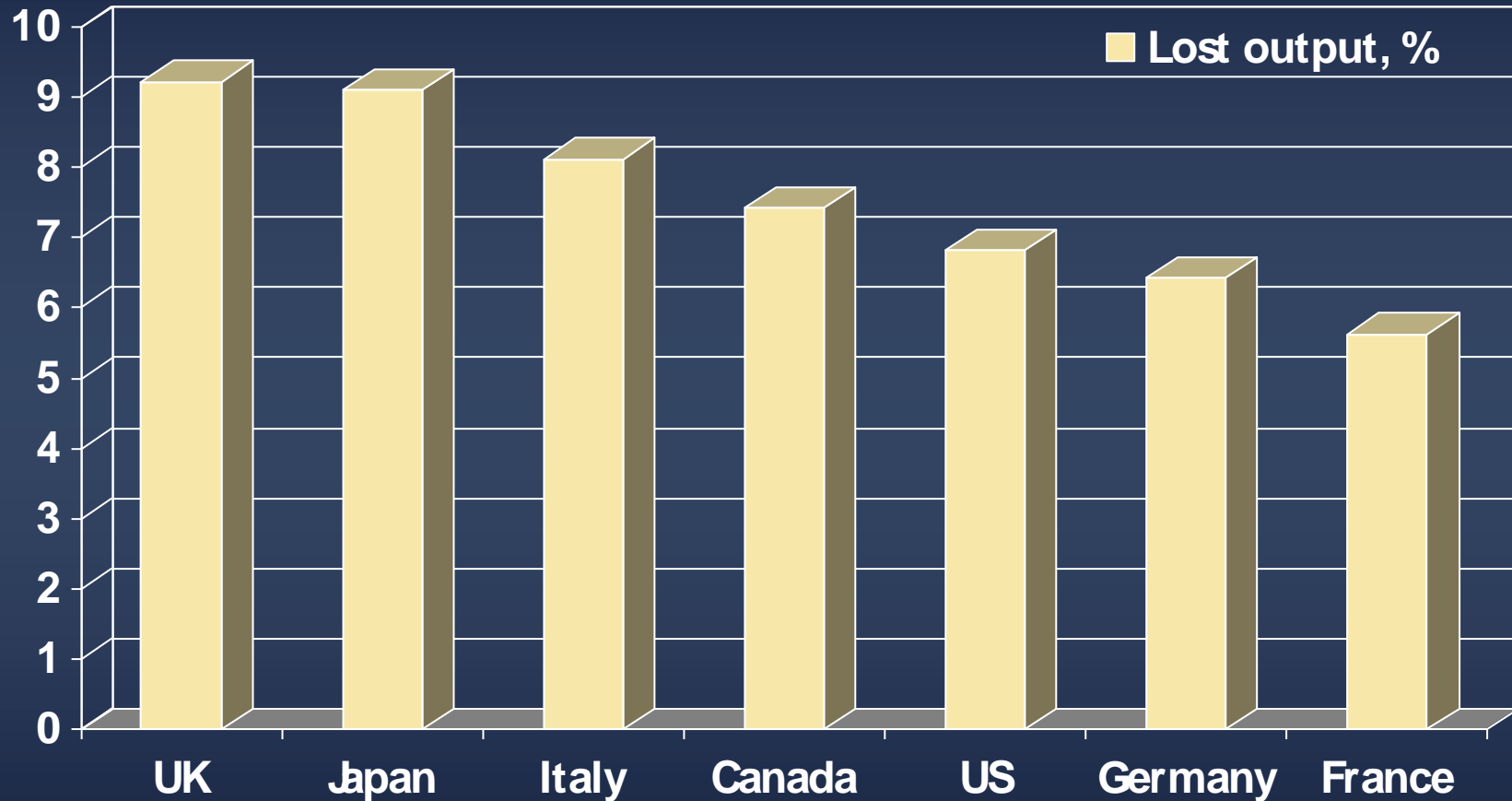
3 February 2010

A Series of Unfortunate Events

“If you are interested in stories with happy endings, you would be better off reading some other book. In this book, not only is there no happy ending, there is no happy beginning and very few happy things happen in the middle.”

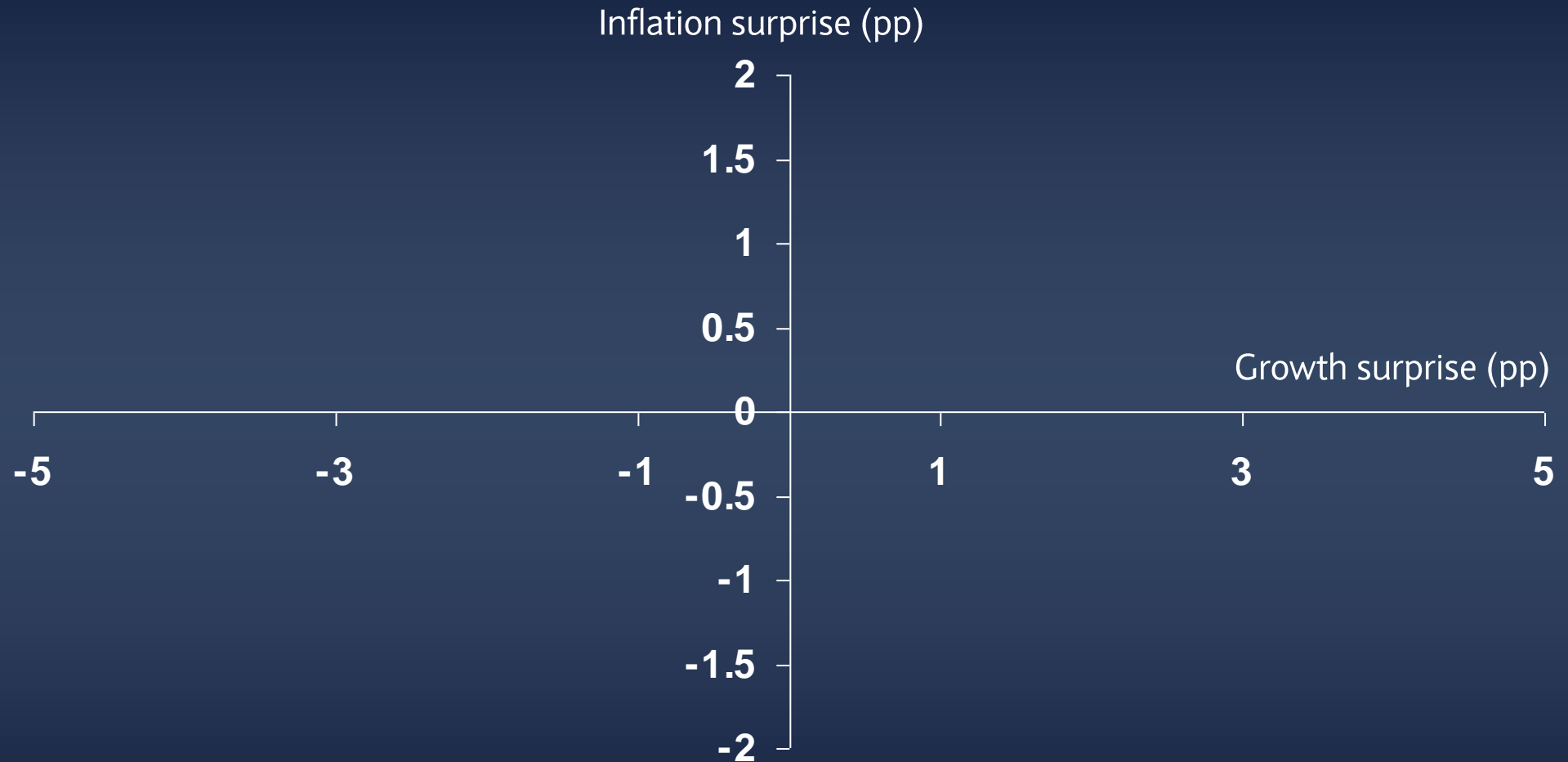
The Bad Beginning, by Lemony Snicket and Brett Helquist

'Lost output' greater in the UK than in other G7 economies



Source: Datastream, Barclays Economics Research

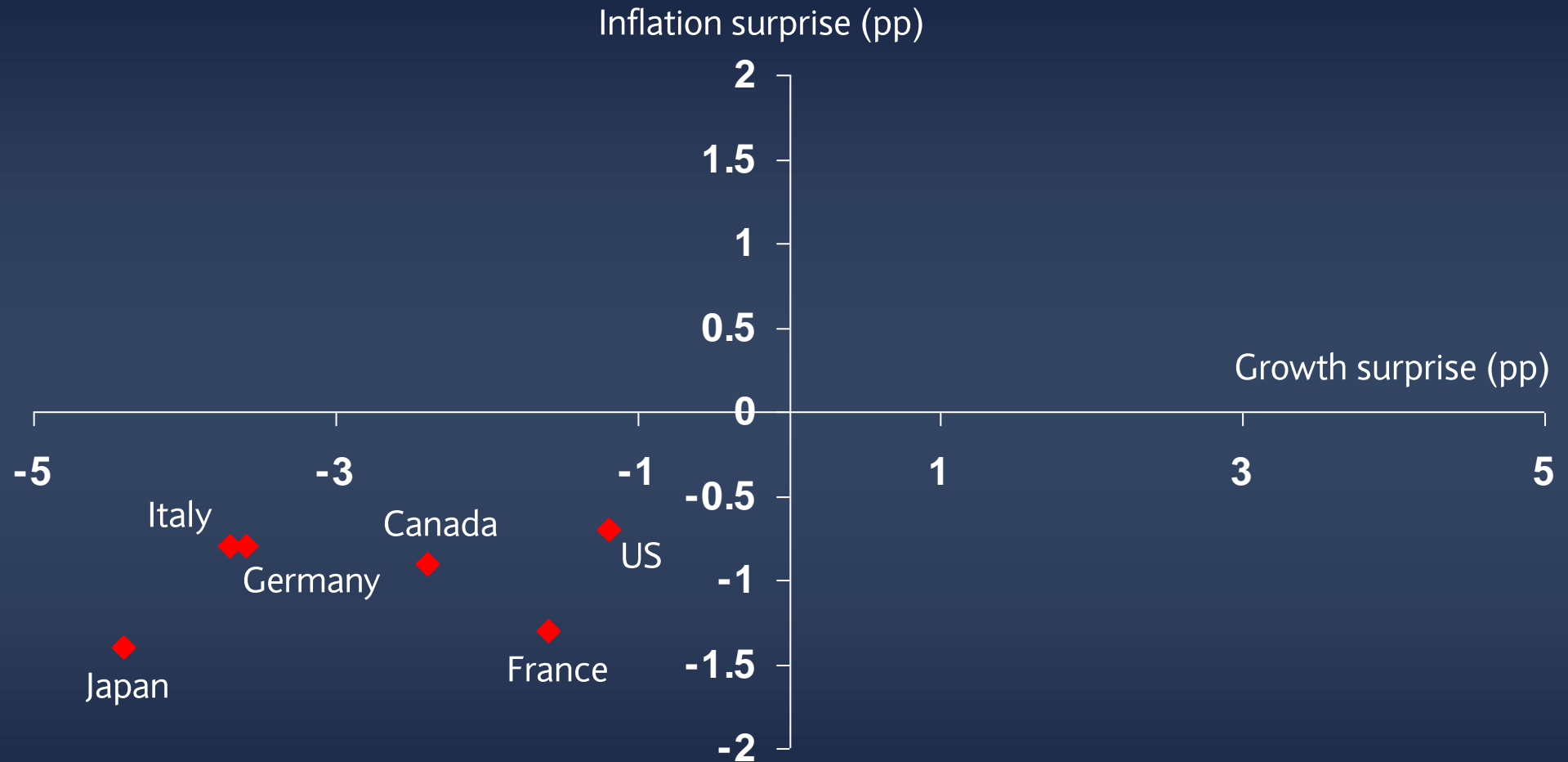
If we look at 2009 growth/inflation outturns relative to consensus forecasts for the G7...



Source: Consensus Economics, Barclays Economics Research

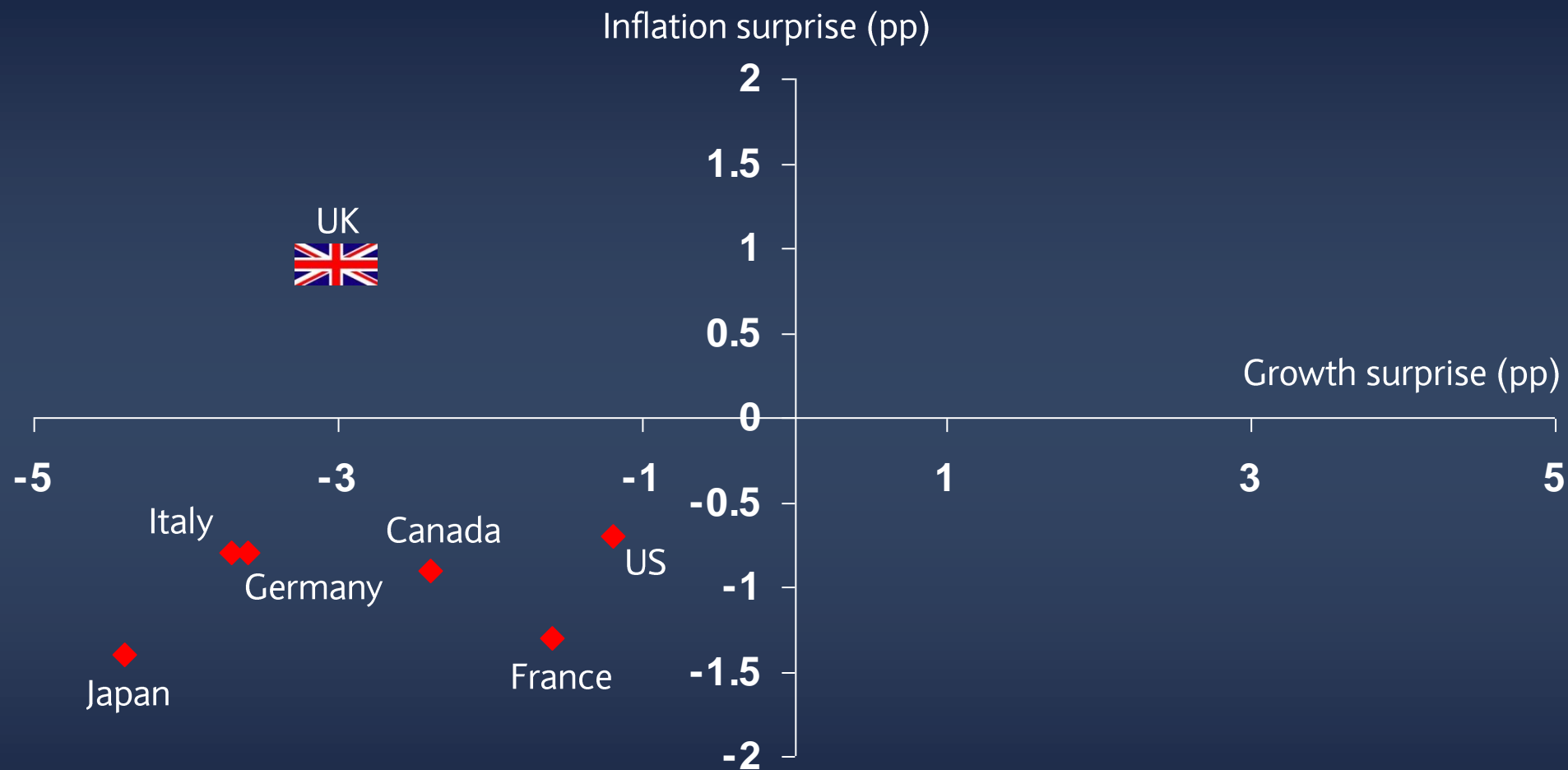
... downside news on growth meant downside news on inflation

...



Source: Consensus Economics, Barclays Economics Research

... except for the UK



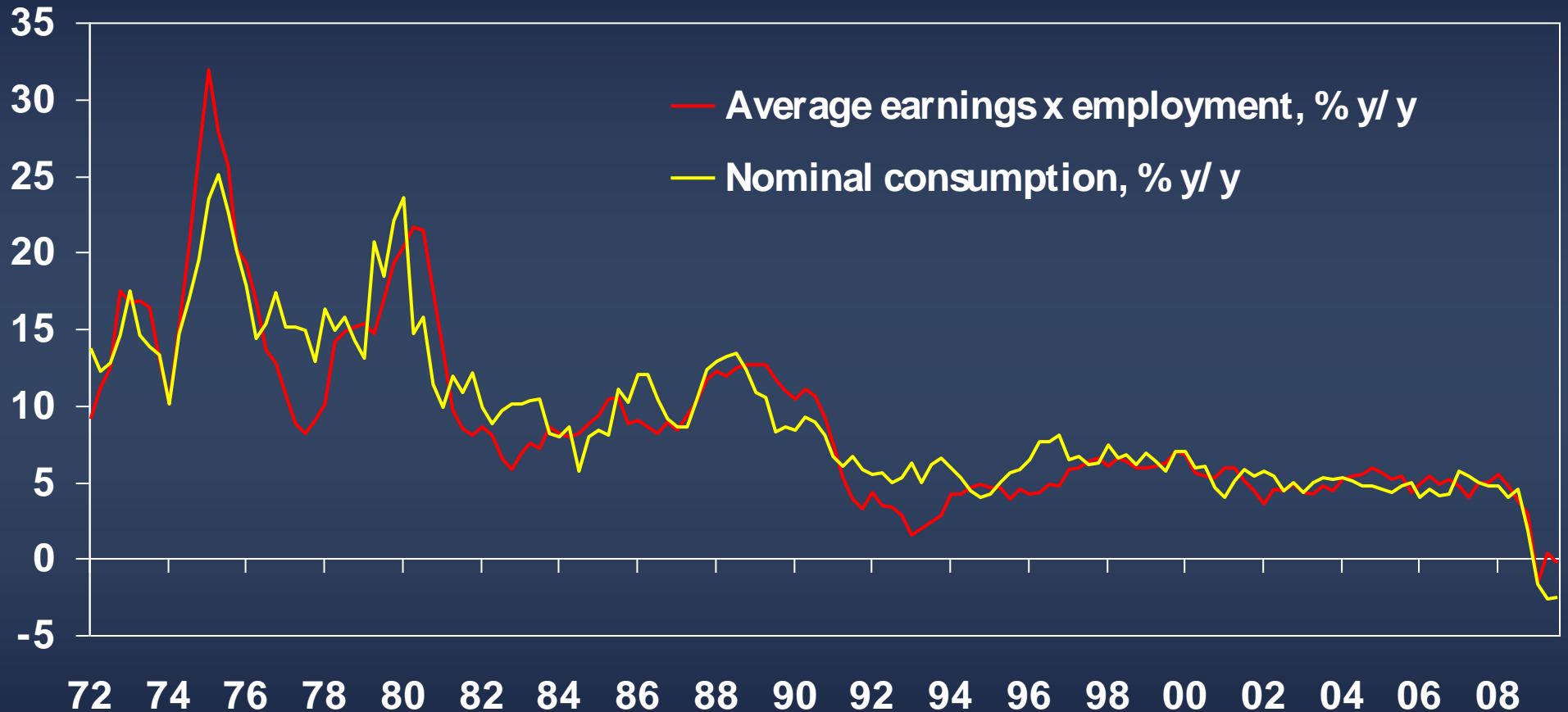
Source: Consensus Economics, Barclays Economics Research

Barclays 'central case' growth scenario, % y/y

	2009	2010	2011	2012	2013	2014	2015
Consumption	-3.2	1.1	2.1	1.3	1.9	1.7	1.8
Investment	-13.2	2.8	5.9	4.1	2.1	2.0	1.7
Government	2.0	0.3	-0.8	-0.3	0.6	0.7	0.8
Exports	-11.0	5.6	5.3	4.7	4.6	4.3	4.2
Imports	-12.5	7.2	4.5	4.2	4.9	3.6	3.4
GDP	-4.9	1.8	2.3	1.4	1.5	1.7	1.8

Source: Barclays Economics Research

Weak pay growth means weak household demand



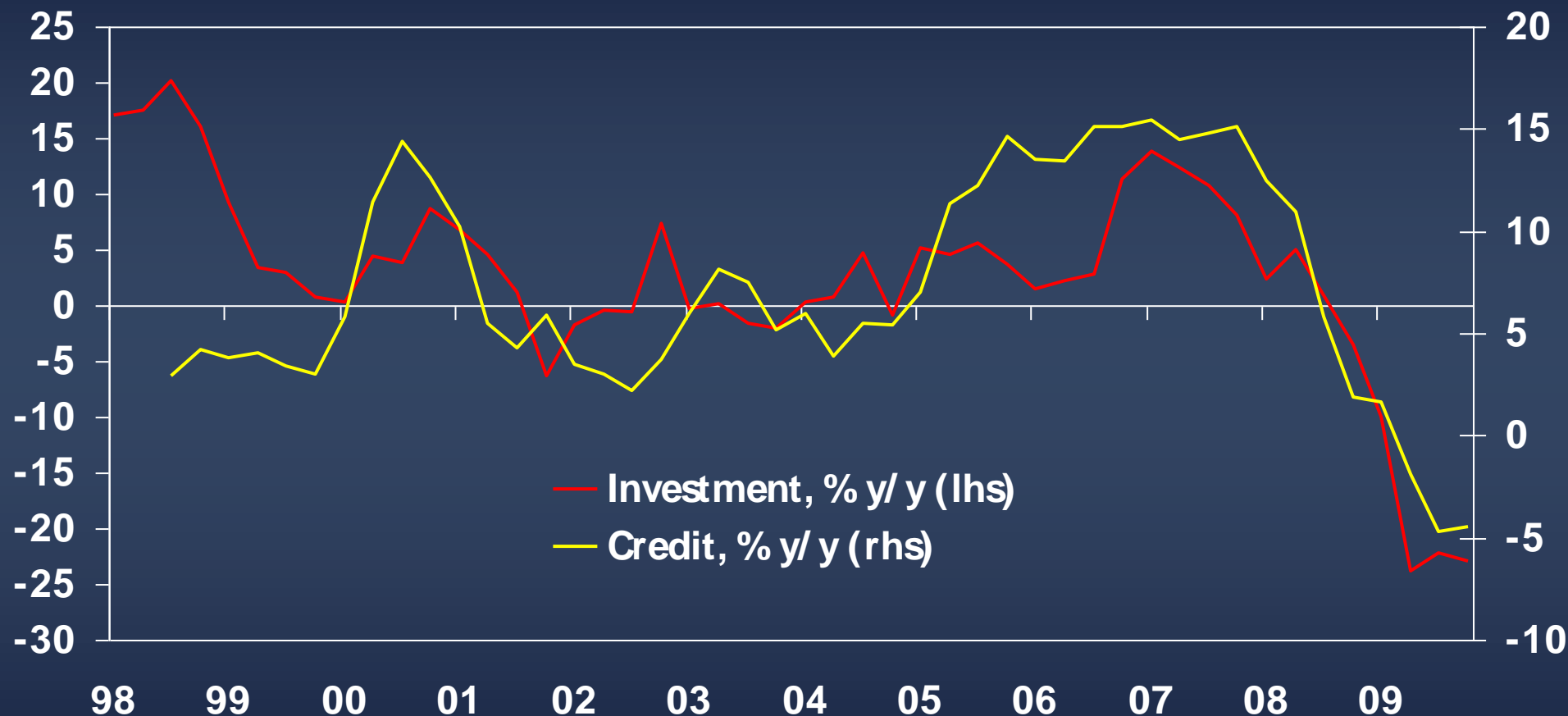
Source: Haver Analytics, Barclays Economics Research

'Mortgageless recovery' unlikely to be sustained



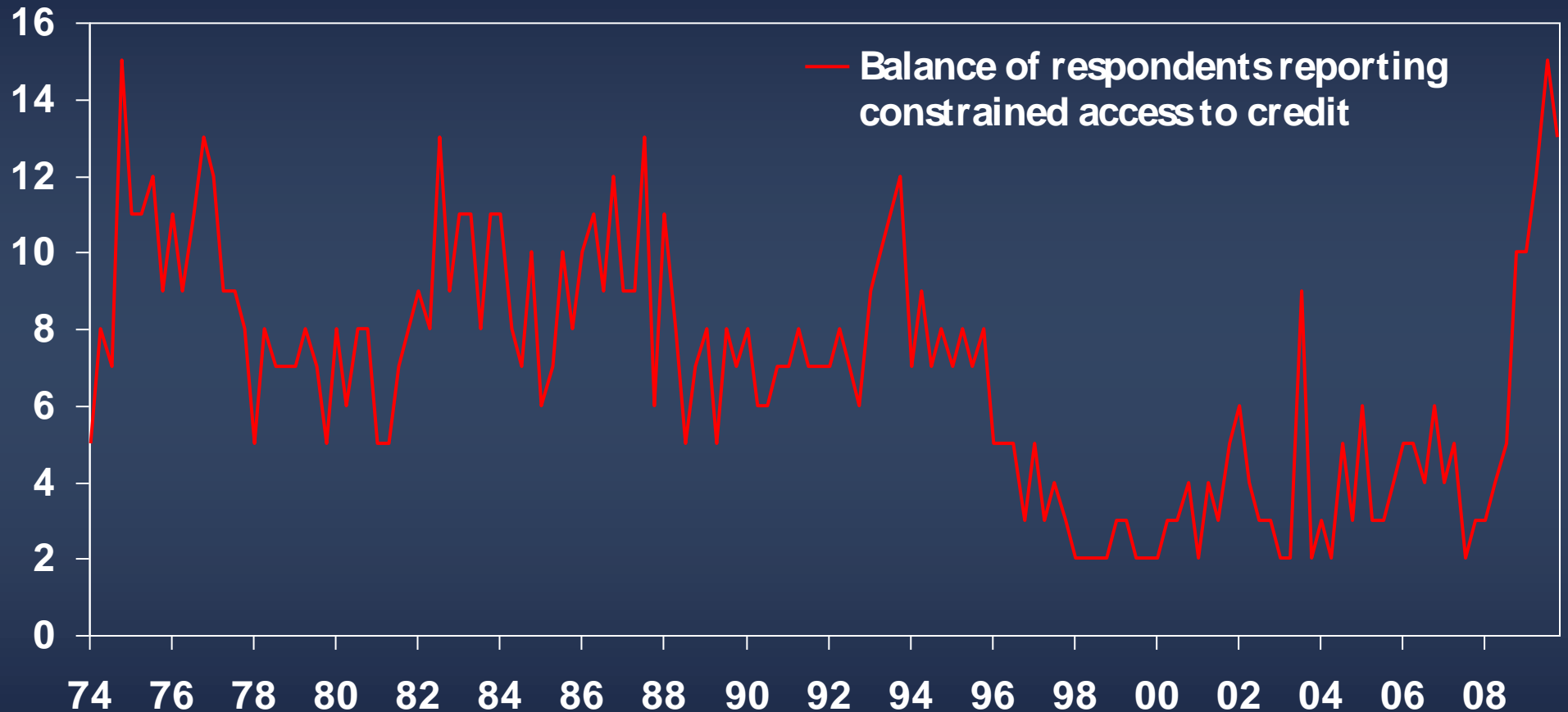
Source: Haver Analytics, Barclays Economics Research

Sharp drop in lending to firms, record fall in investment



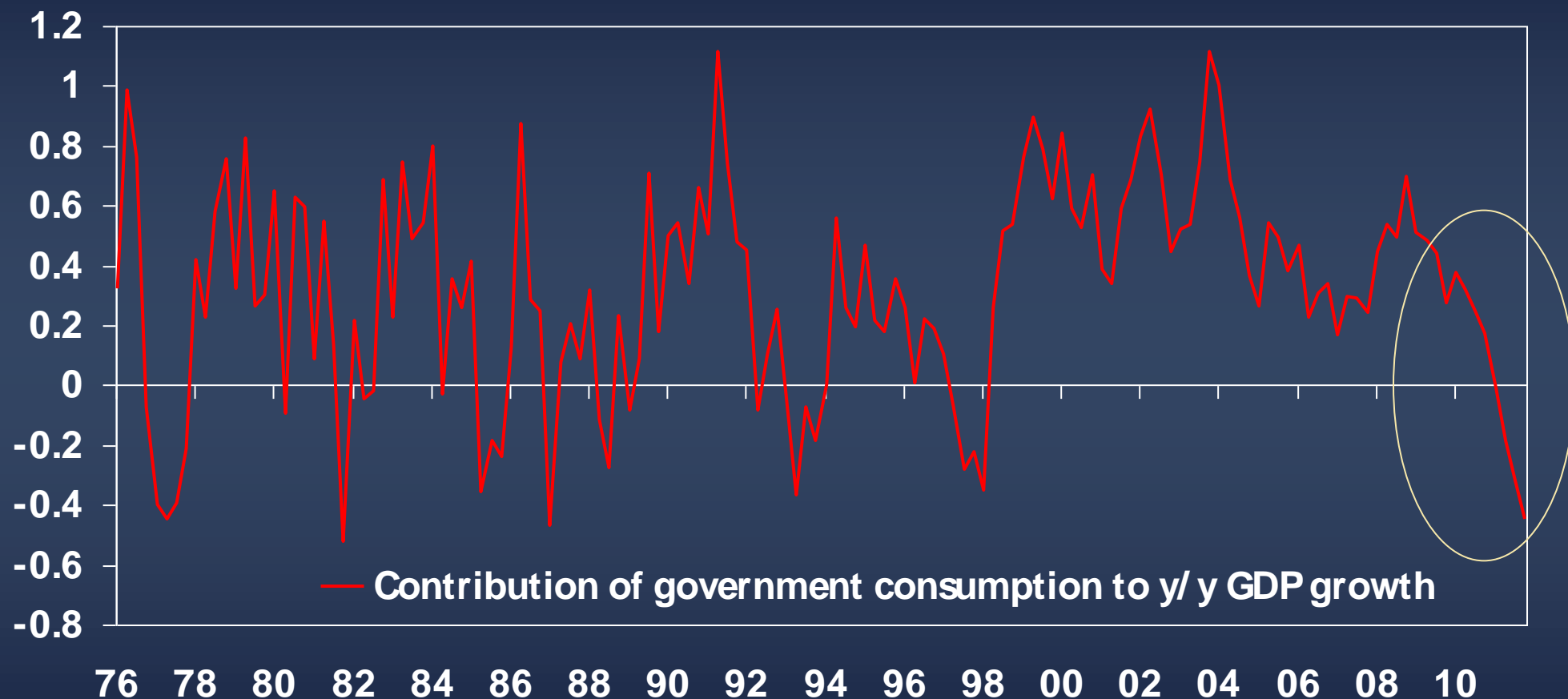
Source: Haver Analytics, Barclays Economics Research

Credit constraints are binding tightly for SMEs



Source: CBI, Barclays Economics Research

Government consumption is set to become a significant drag on demand



Source: Haver Analytics, Barclays Economics Research

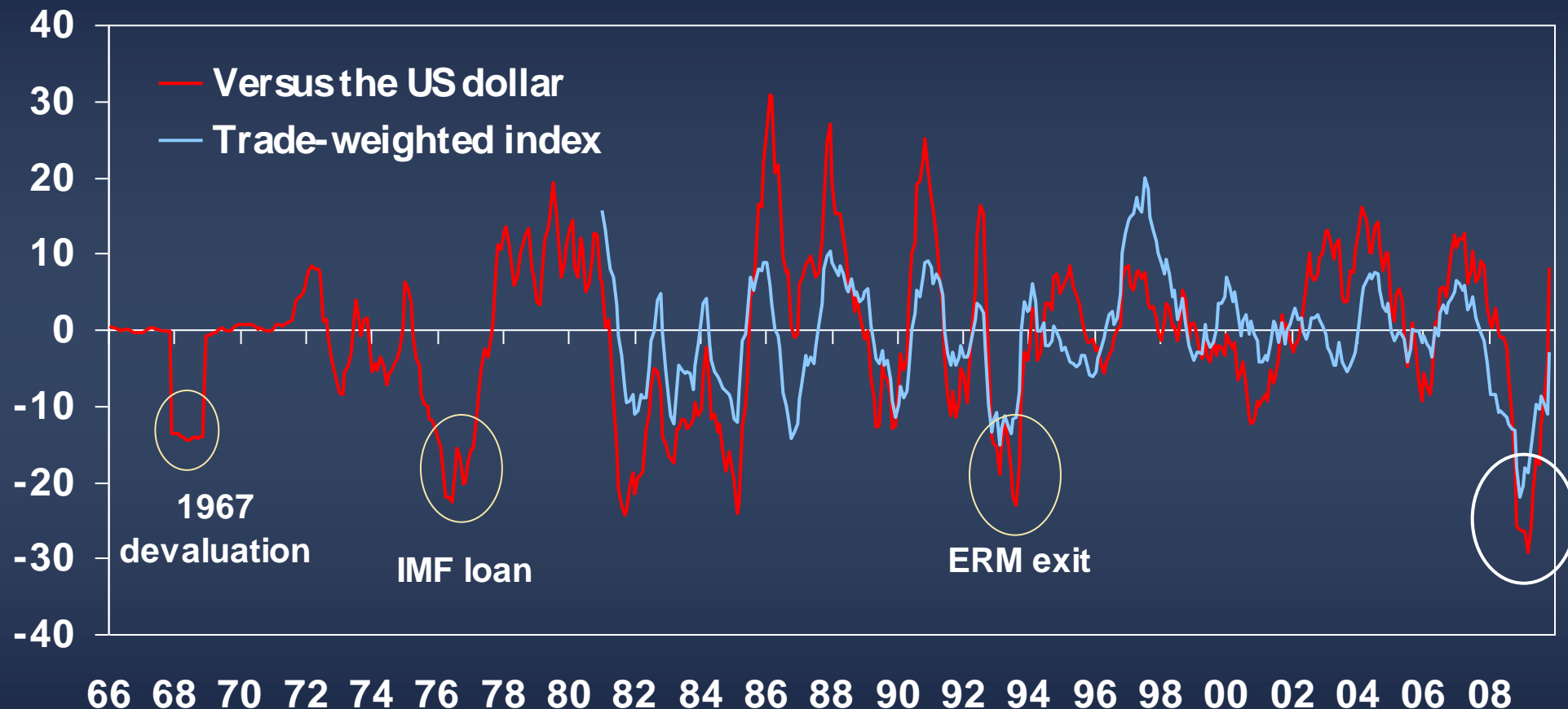
Barclays GDP scenarios, % y/y

	2009	2010	2011	2012	2013	2014	2015
Optimistic case	-4.9	2.2	3.0	2.4	2.2	2.3	2.2
Central case	-4.9	1.8	2.3	1.4	1.5	1.7	1.8
Pessimistic case	-4.9	1.2	1.5	1.0	1.2	1.8	1.7



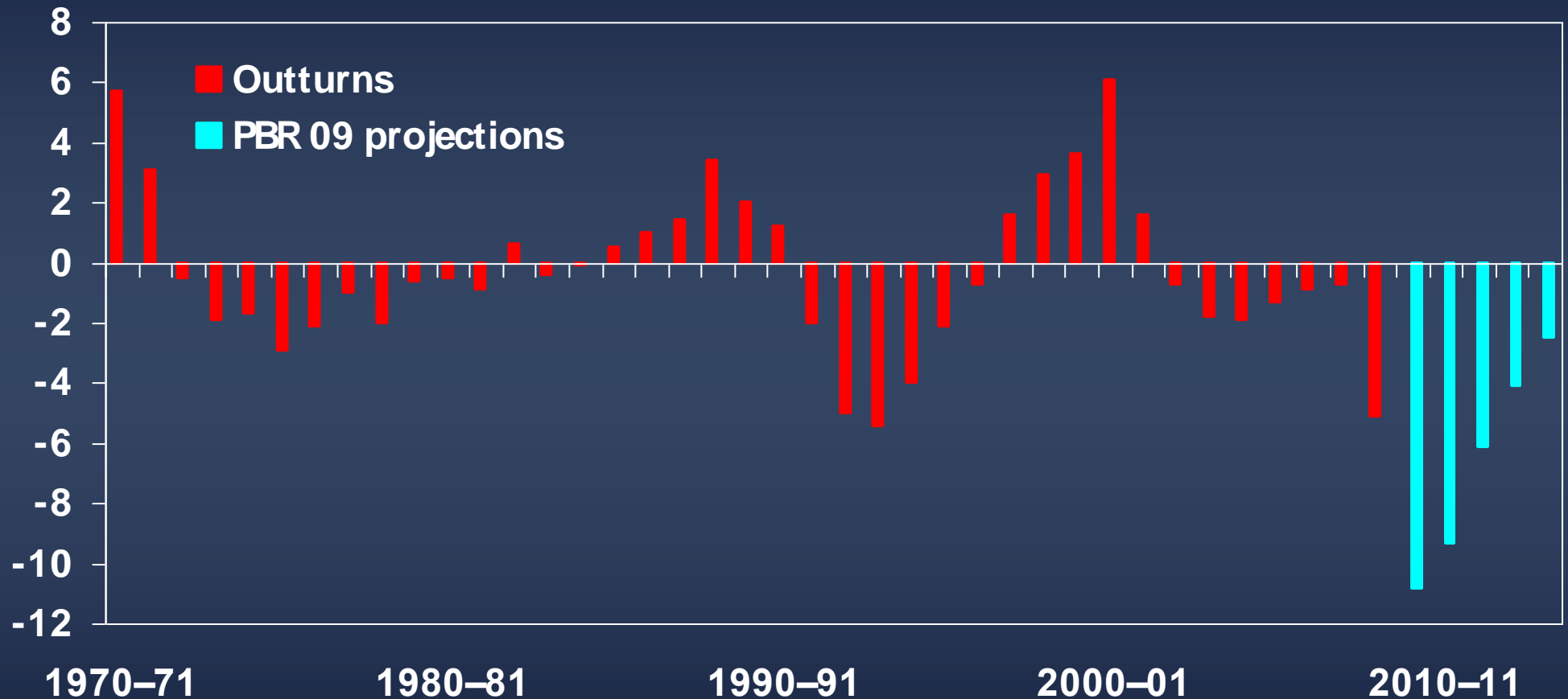
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The sterling crisis 2008-09?



Source: Haver Analytics, Barclays Economics Research

Primary budget balance (% GDP)



Source: Haver Analytics, Barclays Economics Research

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