



# Global & UK Macroeconomic Outlook

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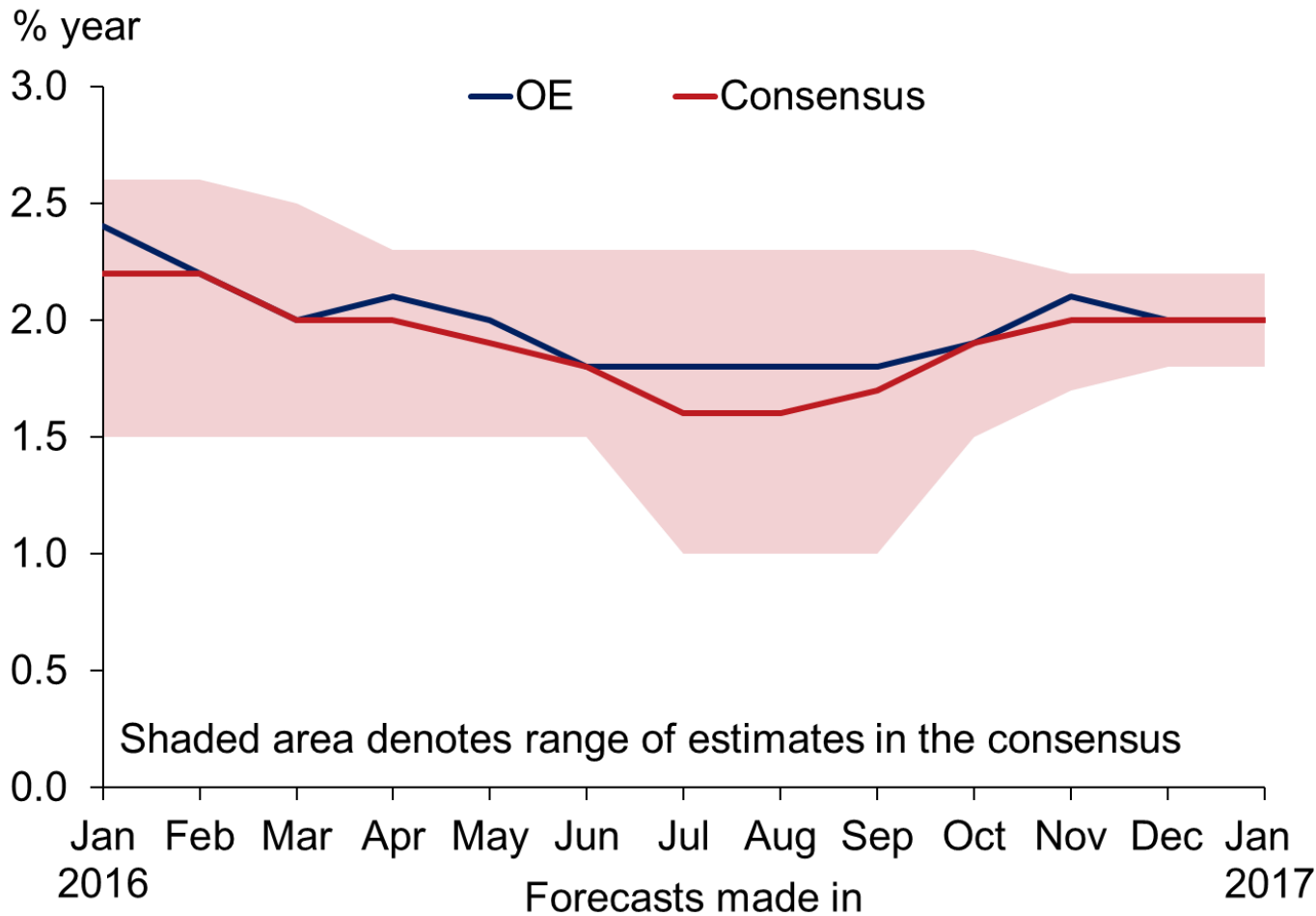
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7<sup>th</sup> February 2017

# 2016: solid year with Brexit having little impact...

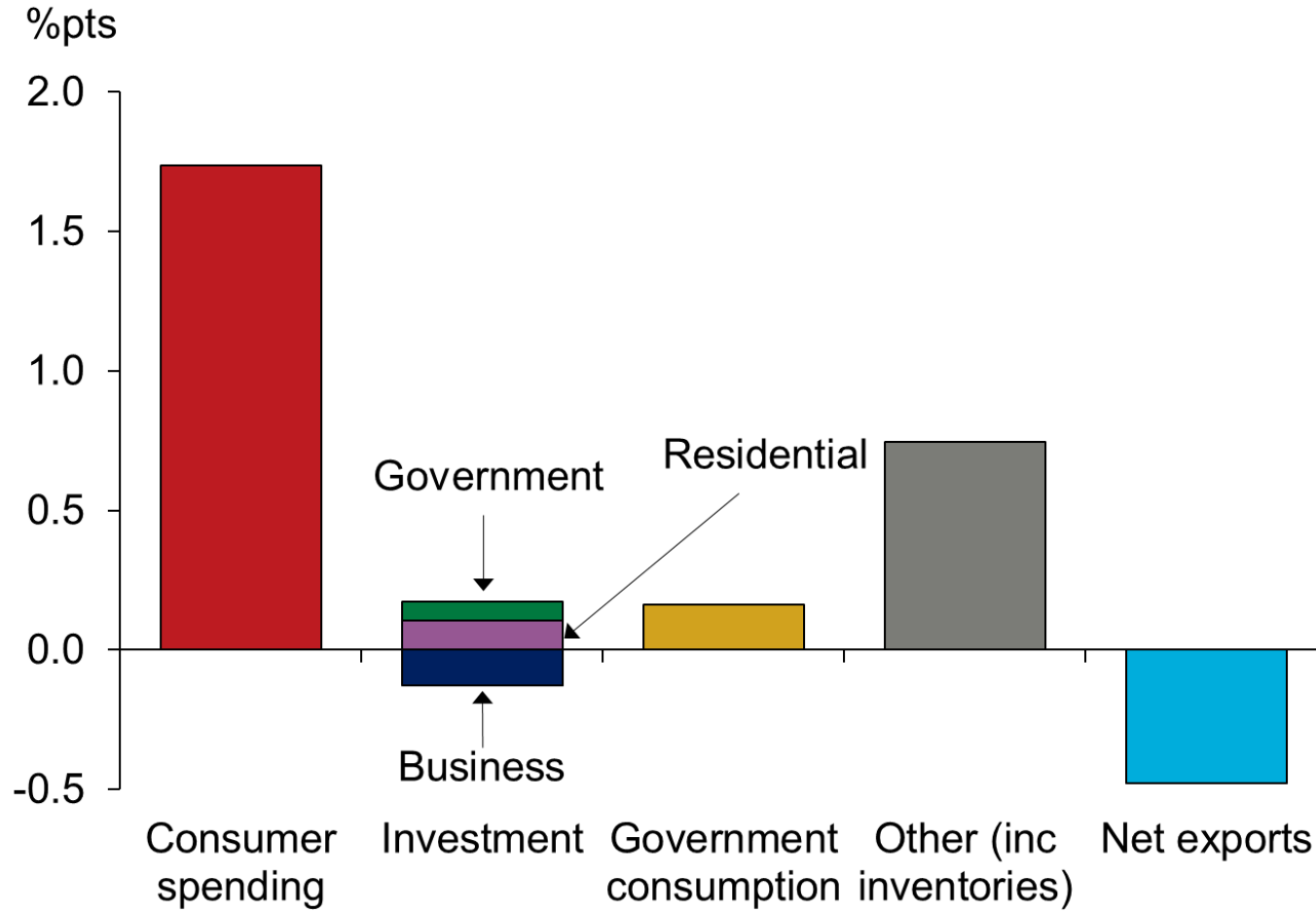
## UK: Forecasts for 2016 GDP growth



Source : Oxford Economics, HMT survey of independent forecasts

# ...but growth almost entirely reliant on consumers

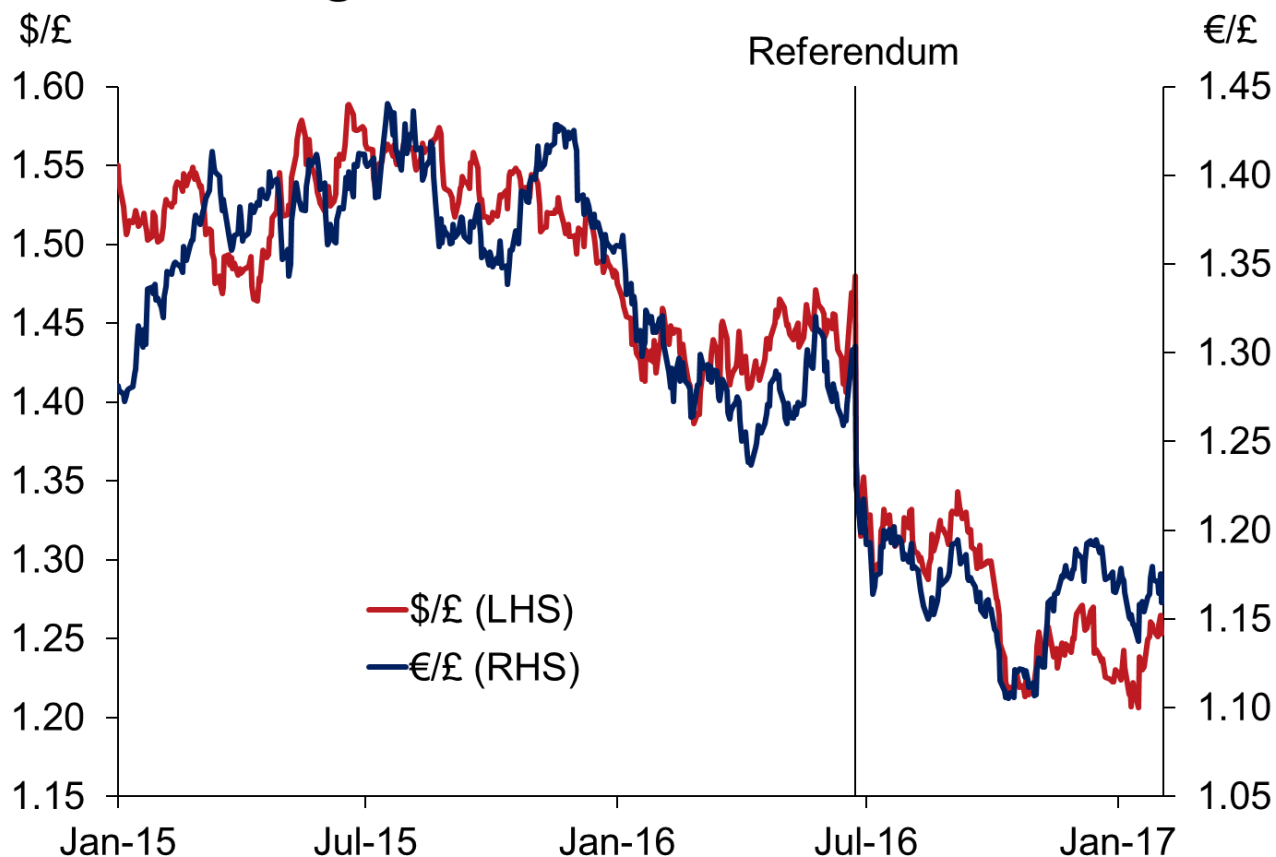
## UK: Contributions to GDP growth in 2016



Source : Oxford Economics

# The impact of a weaker £ will be a key issue

## UK: Exchange rates

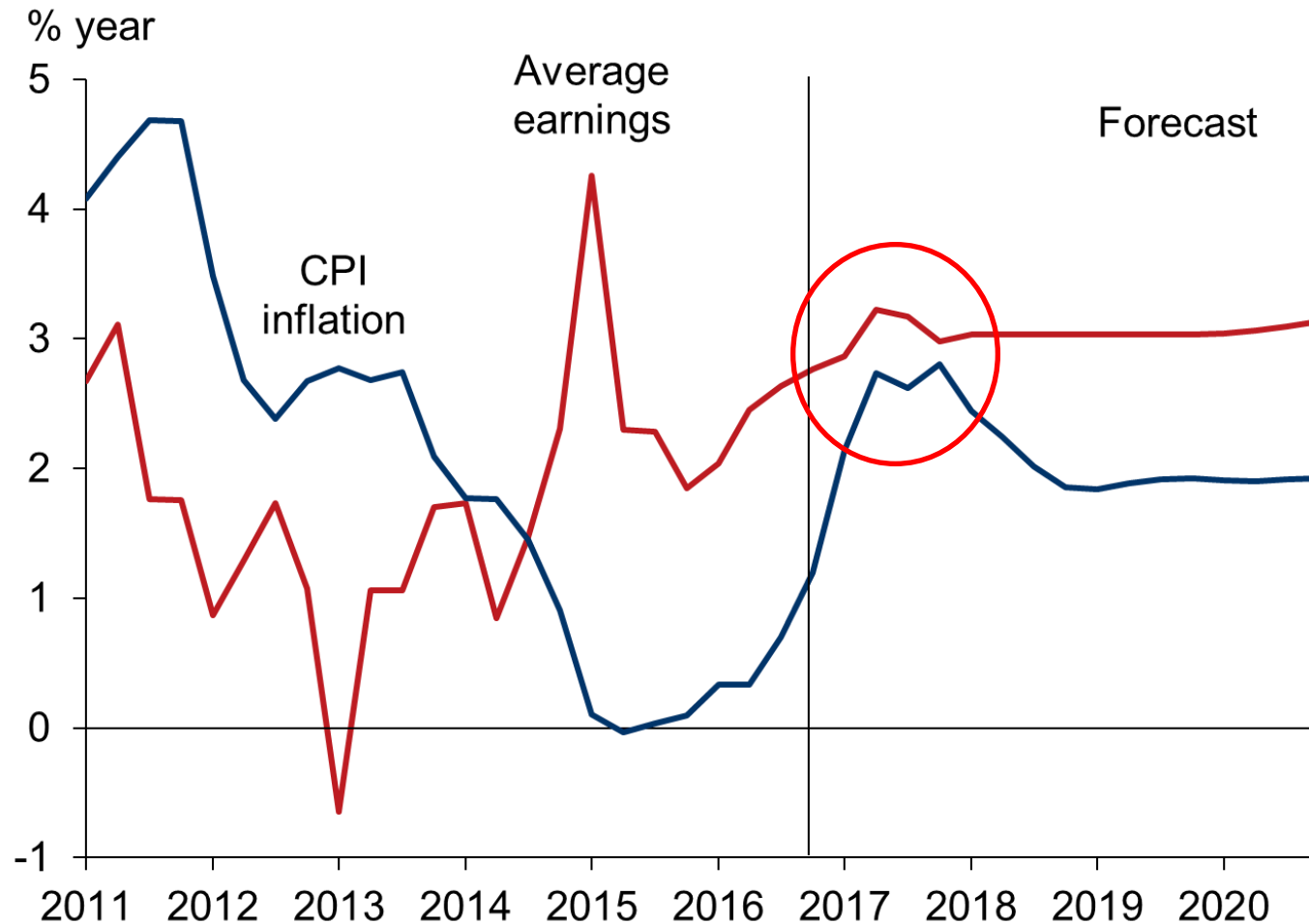


Source : Haver Analytics

Sterling changes:	Since 1 <sup>st</sup> July 2015	Since EU referendum
\$/£	-20%	-15%
€/£	-18%	-11%
£EER	-17%	-12%

# Household spending power will be squeezed...

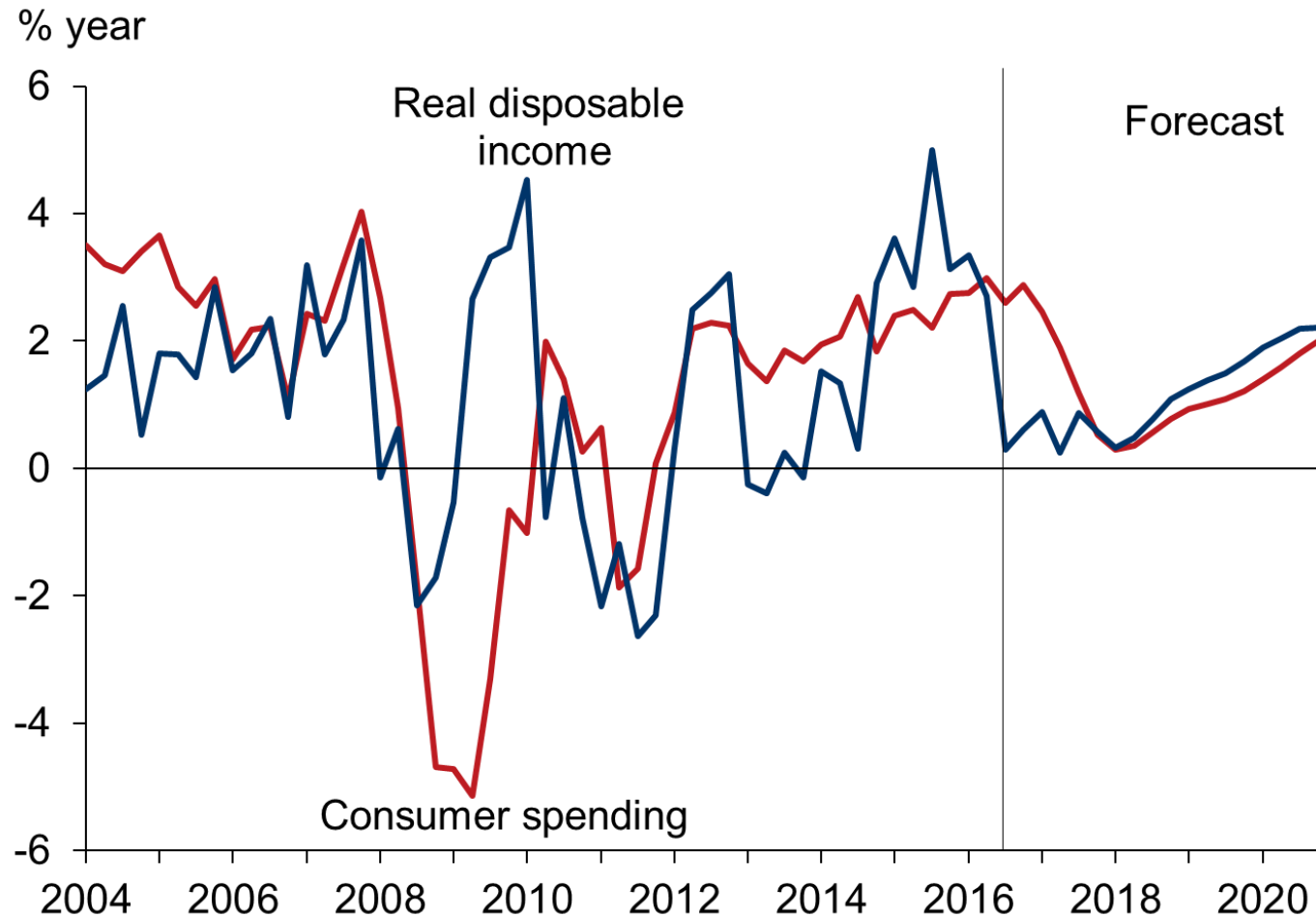
## UK: Earnings & inflation



Source: Oxford Economics

# ...slowing spending growth through 2017-18

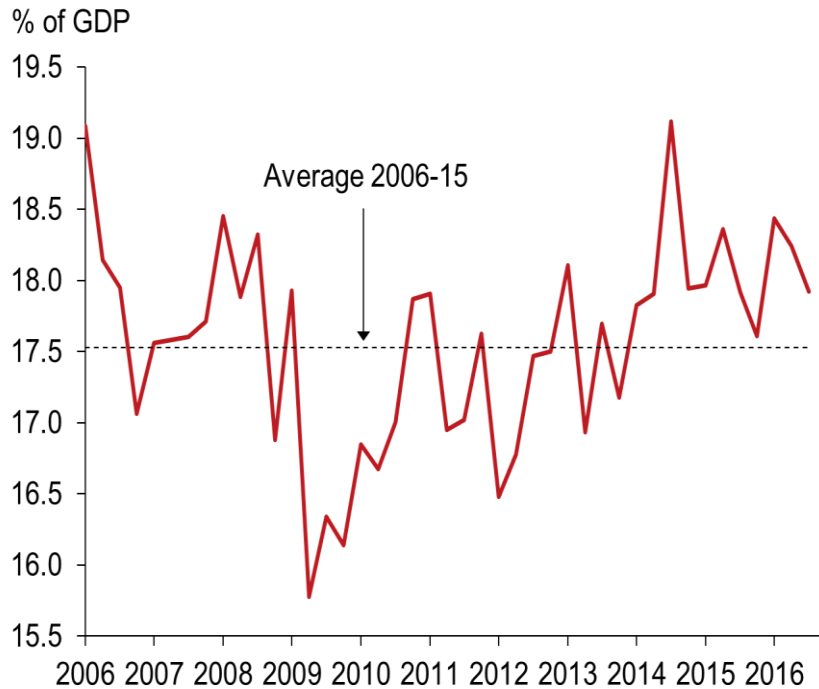
## UK: Consumer spending and income



Source: Oxford Economics

# Corporate sector is in good financial shape...

## UK: PNFC profits to GDP ratio



Source : Haver Analytics

## UK: PNFC deposits to GDP ratio



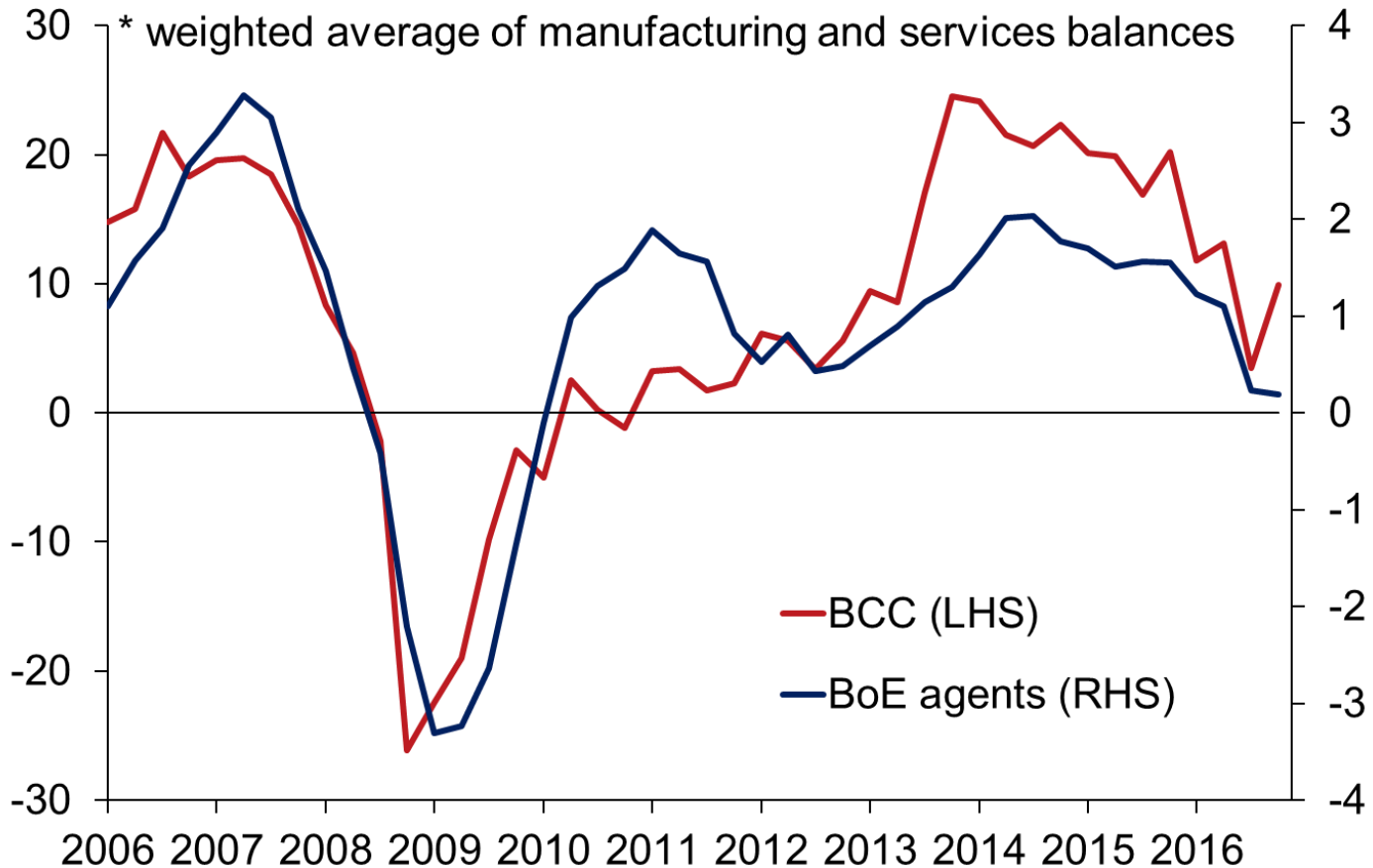
Source : Haver Analytics

# ...but investment intentions remain soft

## UK: Investment intentions\*

BCC, % balance

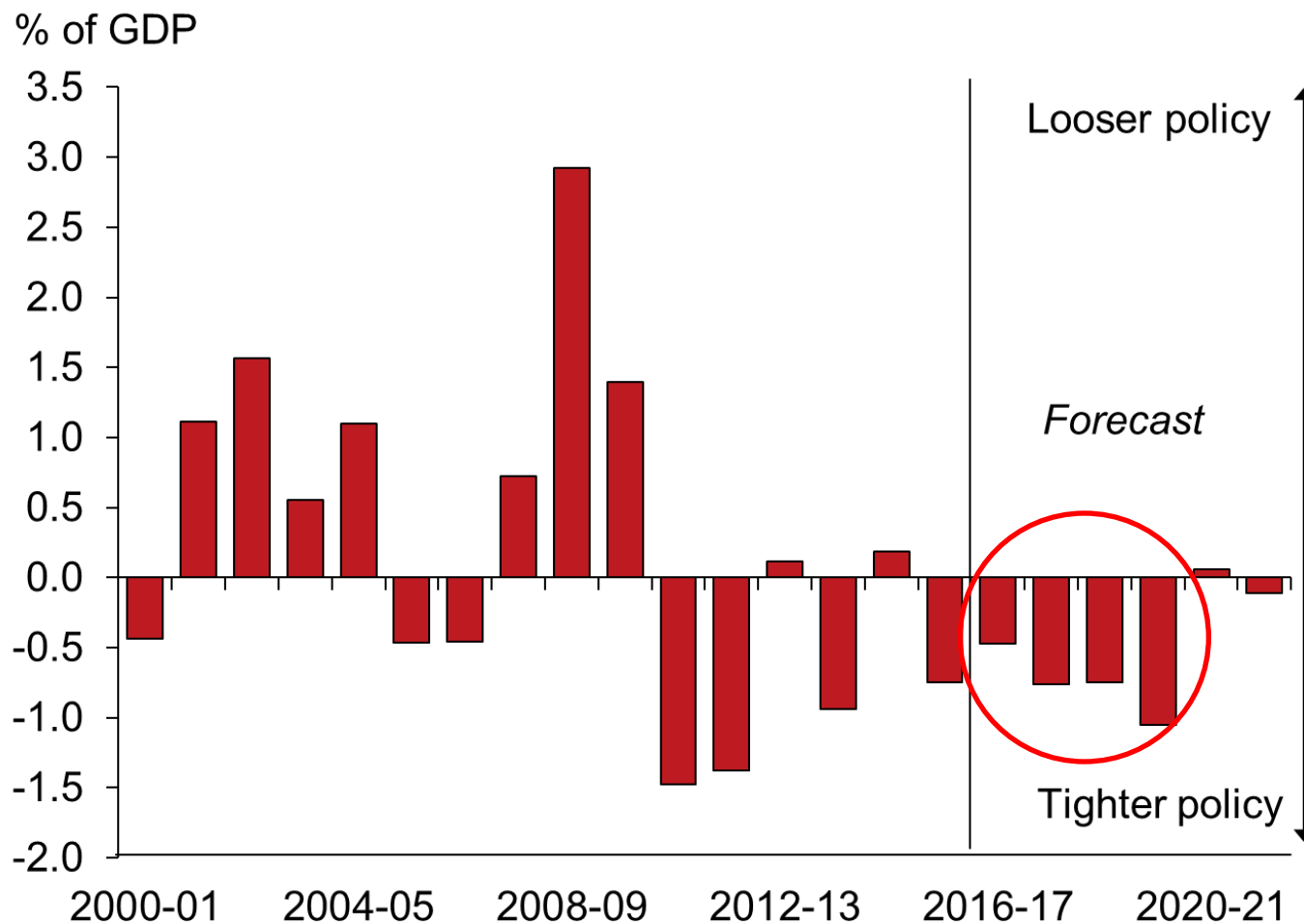
BoE agents, % balance



Source : Haver Analytics

# Austerity will remain a major drag

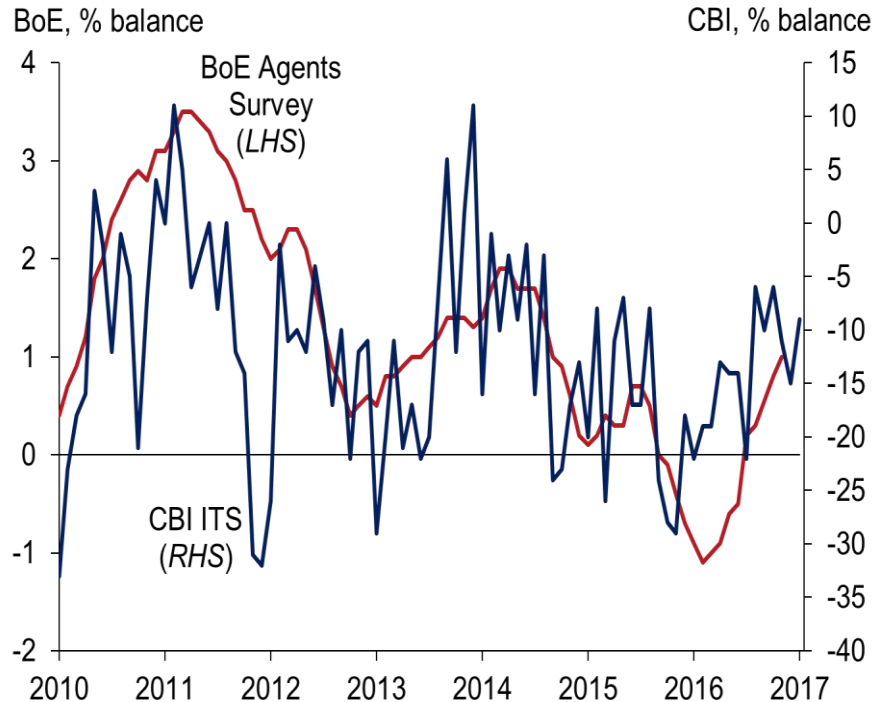
## UK: OBR estimates of fiscal tightening



Source : Oxford Economics calculations using OBR forecasts

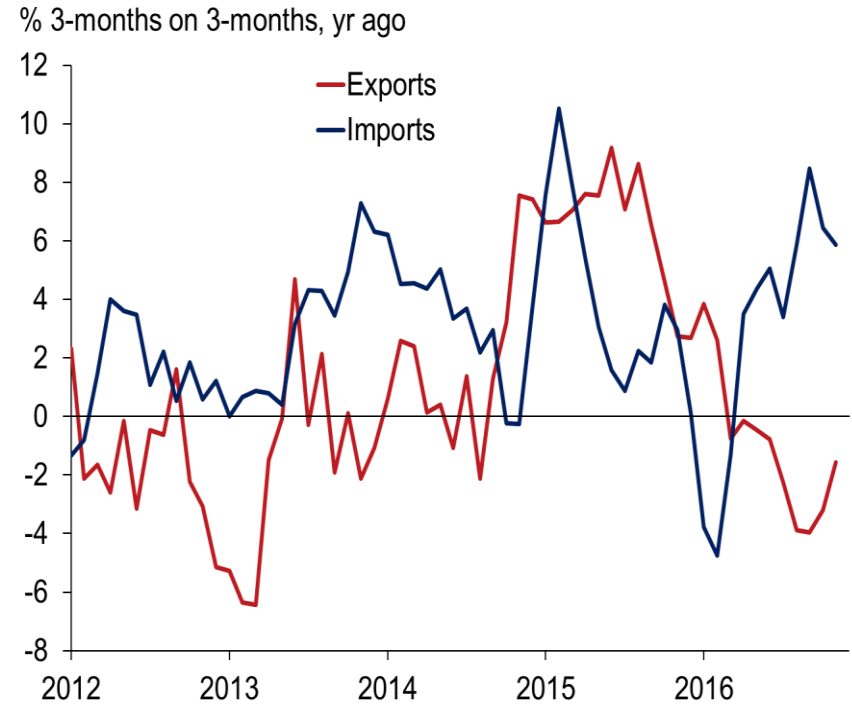
# Could exports could fill the void?

## UK: Manufacturing export orders



Source : Haver Analytics

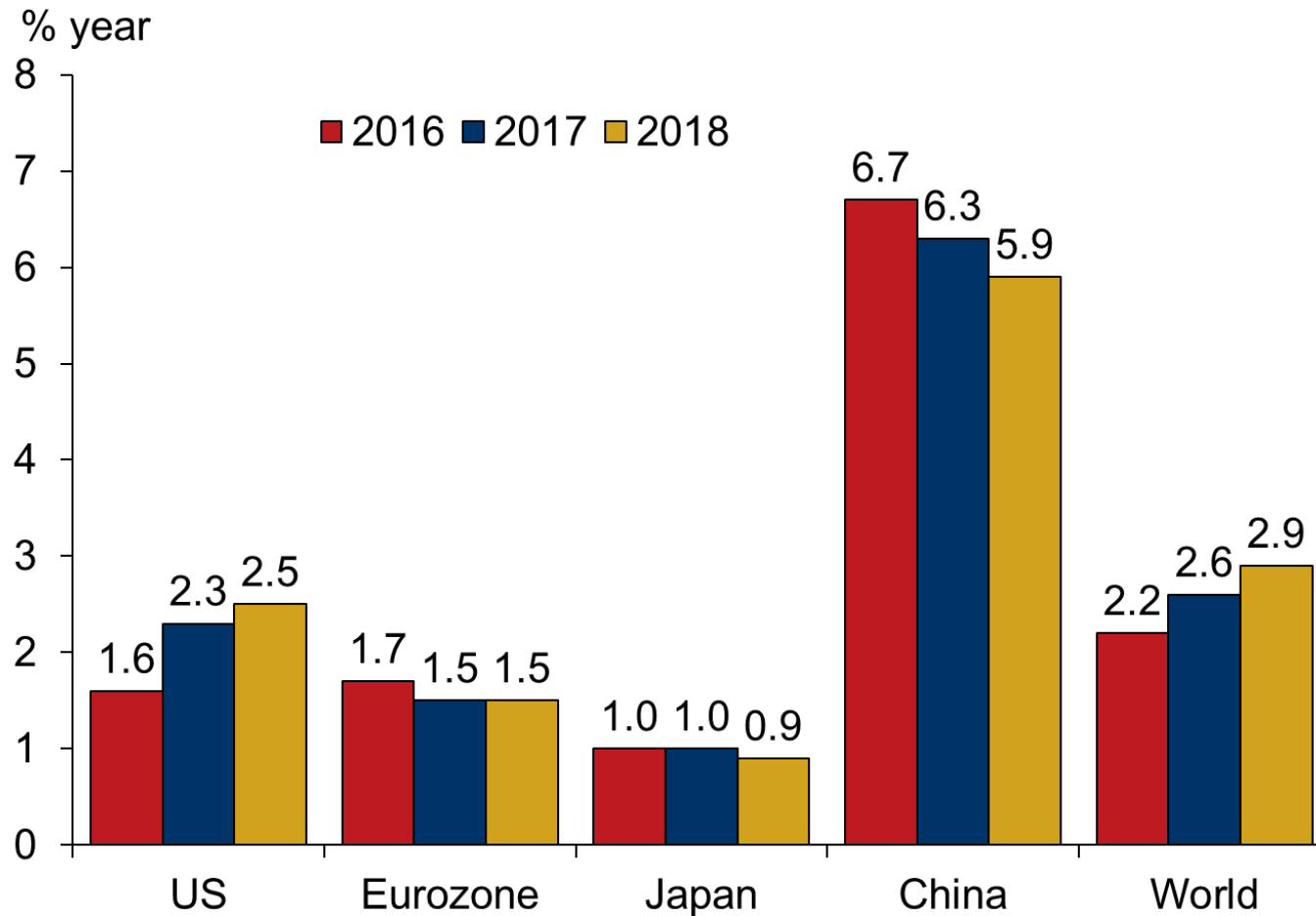
## UK: Non-oil goods export & import volumes



Source : Haver Analytics

# Global economy should be more supportive

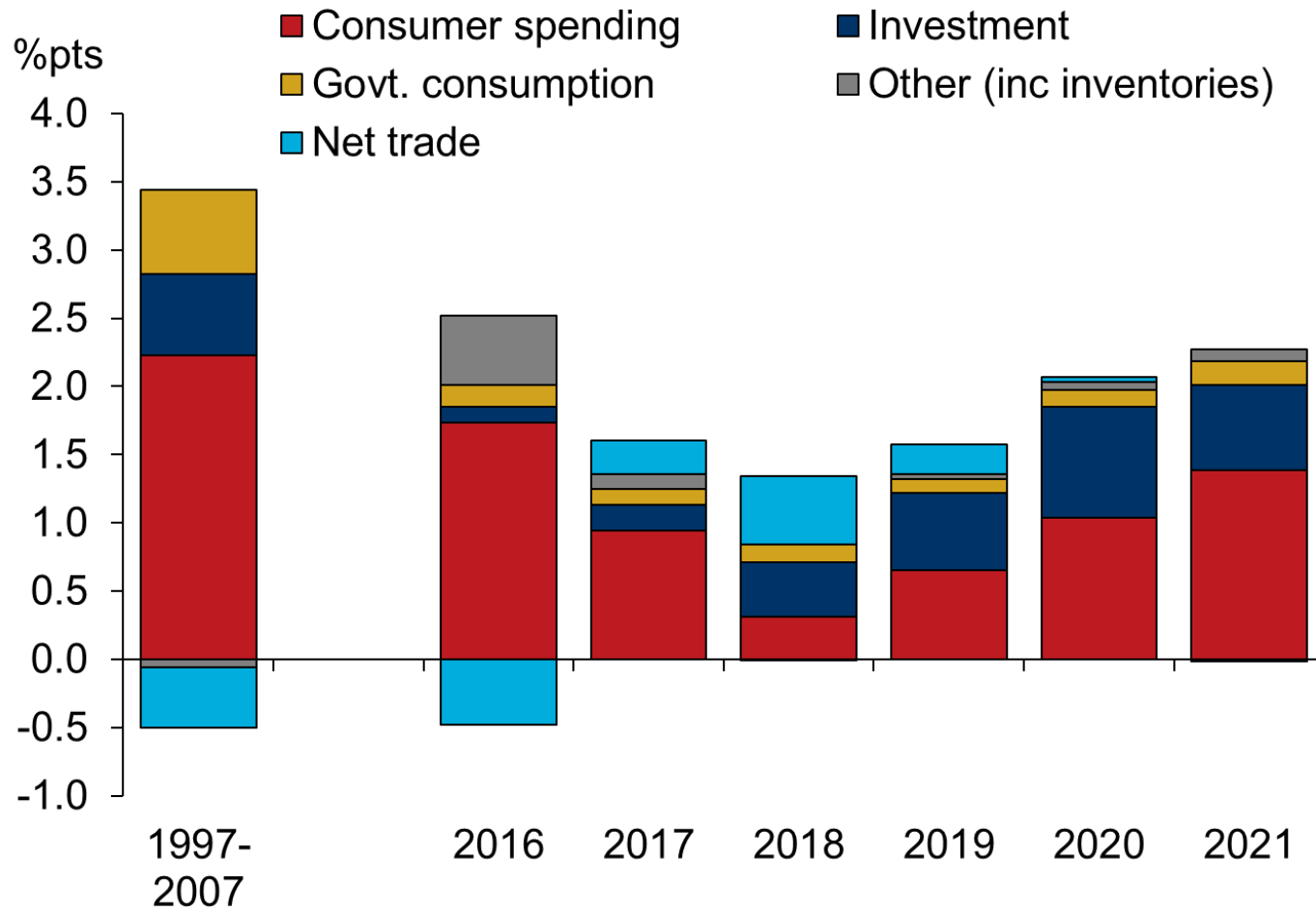
## World: GDP forecasts



Source : Oxford Economics

# Growth to become slower, but more balanced

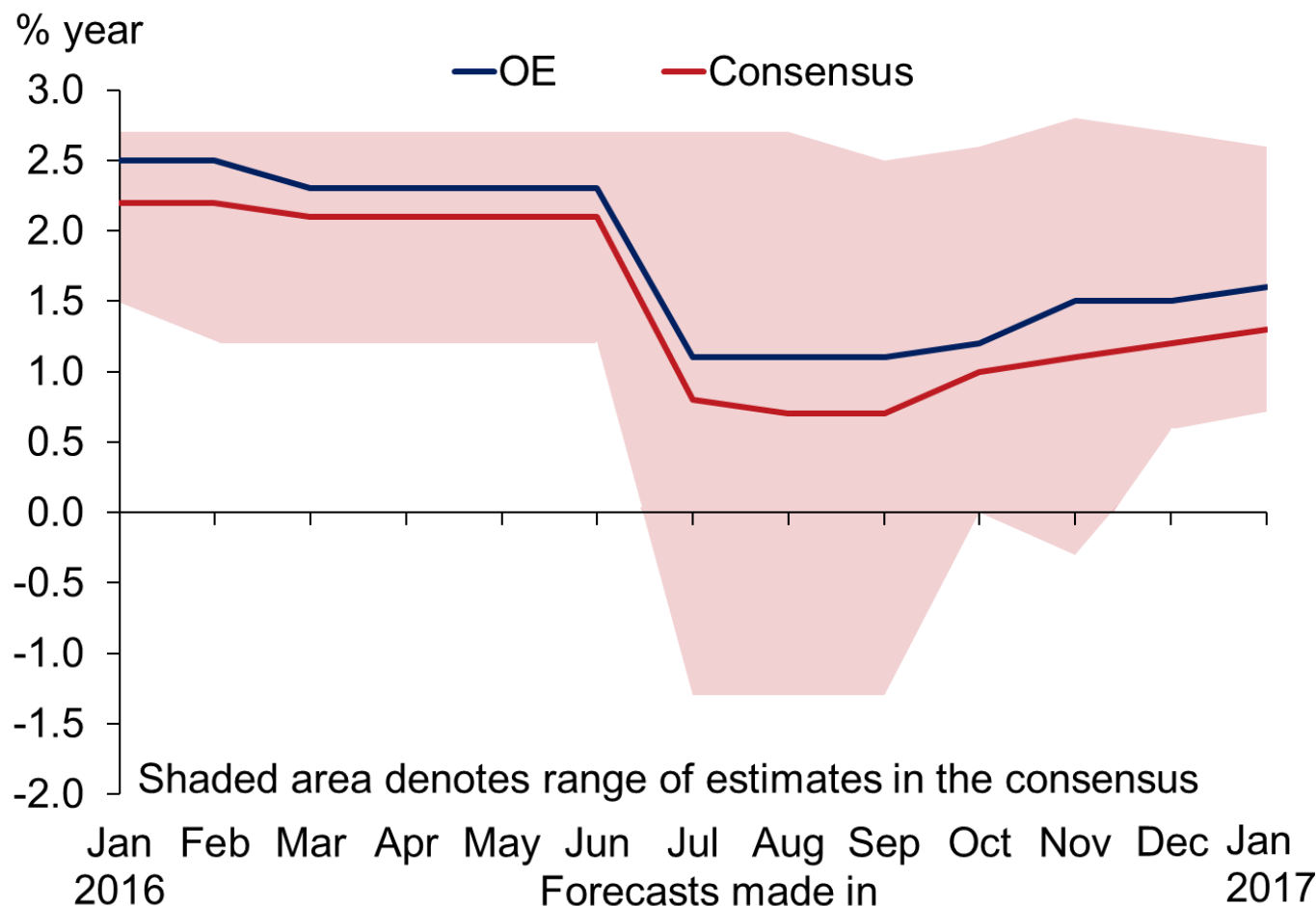
## UK: Contributions to GDP growth



Source : Oxford Economics

# We remain more optimistic than the consensus

## UK: Forecasts for 2017 GDP growth

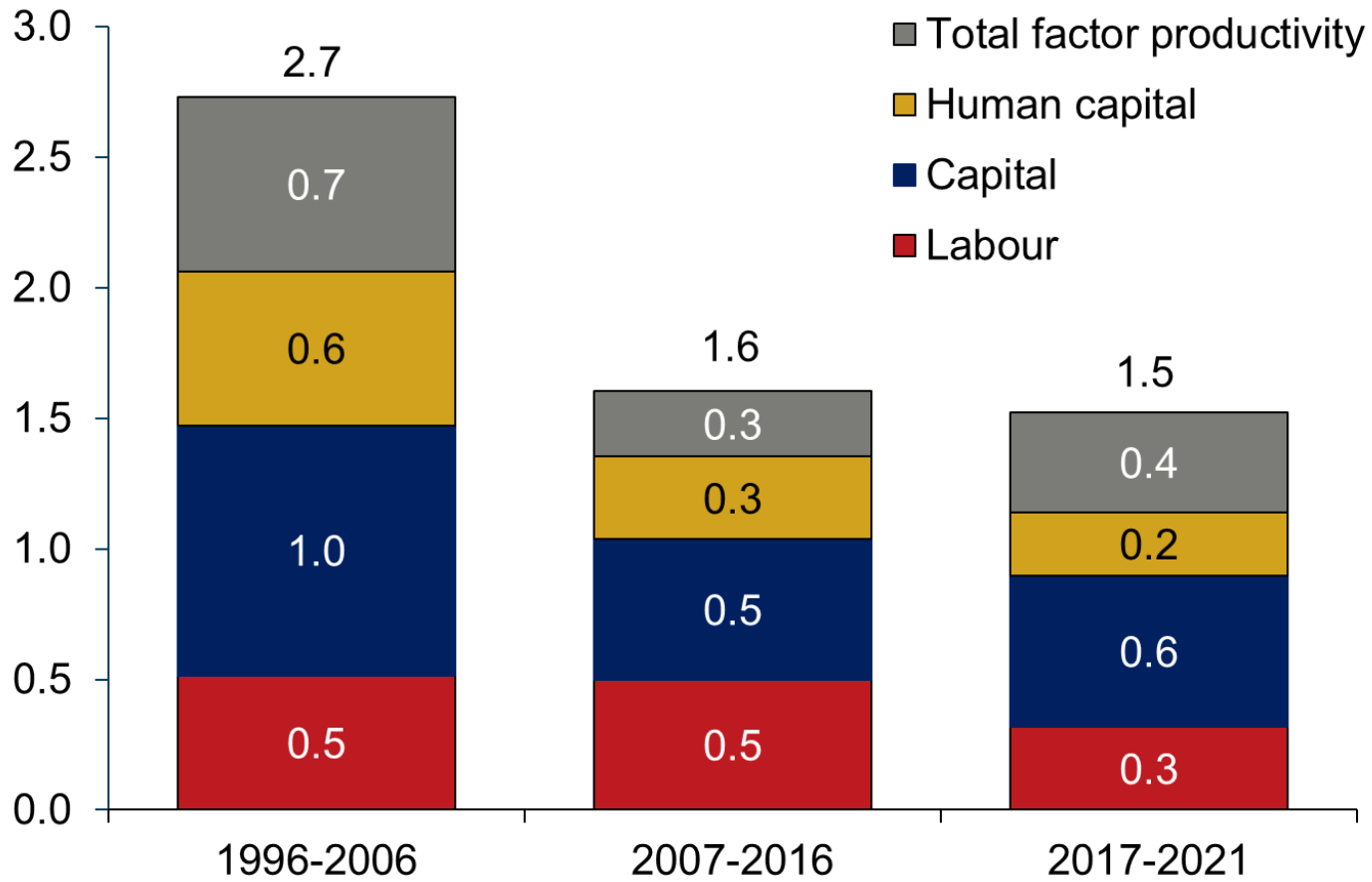


Source : Oxford Economics, HMT survey of independent forecasts

# Growth to remain subdued over medium-term

## UK: Contributions to potential output growth

% per year

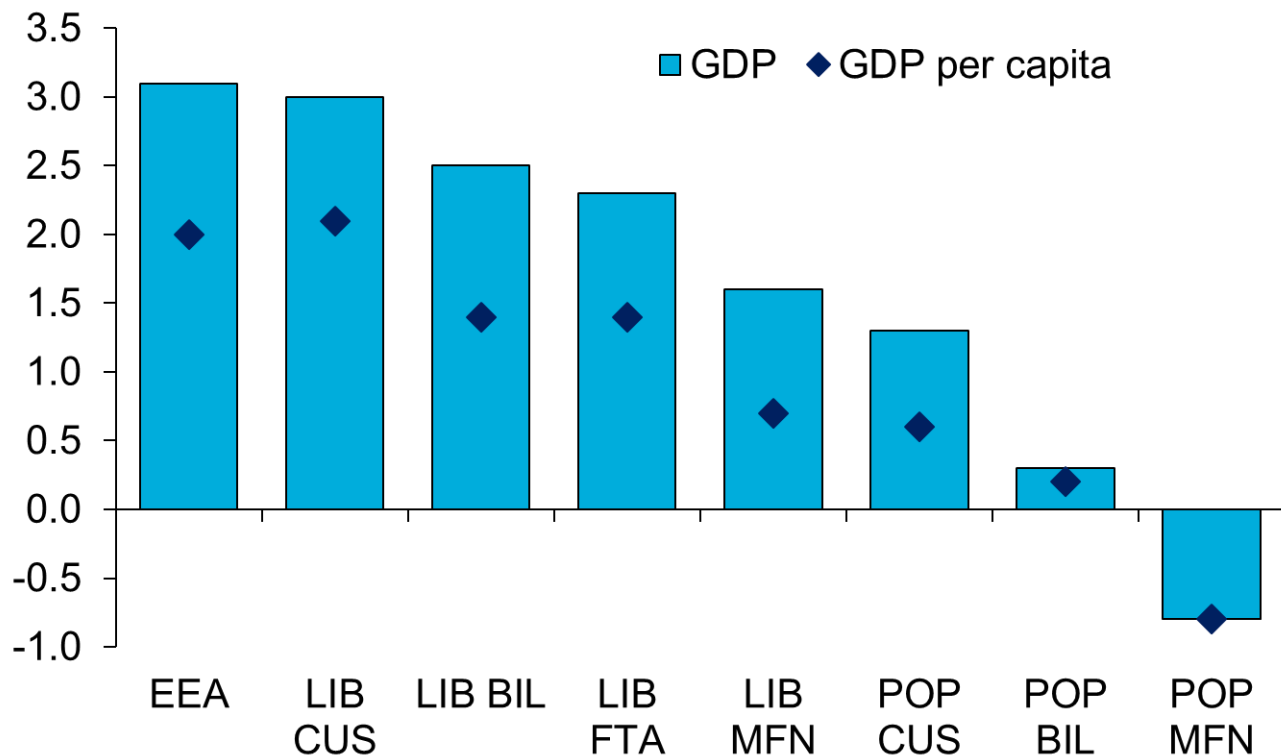


Source : Oxford Economics

# Brexit impact to be felt over longer-term

## UK: Impact of Brexit on levels of real GDP and GDP per capita in 2030

% difference from baseline



### Key

#### Policy direction:

LIB – liberal;  
POP – populist.

#### Trade agreement:

EEA – membership of European Economic Area;  
CUS – part of EU customs union;  
FTA – UK–EU free trade agreement;  
MFN – trade with EU according to WTO Most Favoured Nation rules;  
BIL – bilateral accords

Source : Oxford Economics

**Baseline assumption:** Article 50 triggered in March. UK leaves EU in early-2019. 3-year transitional arrangement similar to status quo leading ultimately to a free-trade agreement