What should have been a strong year...

**UK: GDP growth**

<table>
<thead>
<tr>
<th>Year</th>
<th>% year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1.9</td>
</tr>
<tr>
<td>2011</td>
<td>1.7</td>
</tr>
<tr>
<td>2012</td>
<td>0.7</td>
</tr>
<tr>
<td>2013</td>
<td>1.7</td>
</tr>
<tr>
<td>2014</td>
<td>2.6</td>
</tr>
<tr>
<td>2015</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Source: Oxford Economics
...turned out to be a disappointment...

**UK: GDP growth**

<table>
<thead>
<tr>
<th>Year</th>
<th>GB15</th>
<th>GB16</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1.9</td>
<td>1.5</td>
</tr>
<tr>
<td>2011</td>
<td>1.7</td>
<td>2.0</td>
</tr>
<tr>
<td>2012</td>
<td>0.7</td>
<td>1.2</td>
</tr>
<tr>
<td>2013</td>
<td>2.2</td>
<td>1.7</td>
</tr>
<tr>
<td>2014</td>
<td>2.9</td>
<td>2.6</td>
</tr>
<tr>
<td>2015</td>
<td>3.0</td>
<td>2.2</td>
</tr>
</tbody>
</table>

Source: Oxford Economics
...largely due to drags from stocks and net trade

UK: Contributions to GDP growth in 2015

| Component            | Percentage
|----------------------|-------------
| Consumer spending    | 1.8         
| Investment           | 0.8         
| Government consumption| 0.3        
| Inventories          | -0.5        
| Net trade            | -0.4        

Source: Oxford Economics
Inflation will gradually pickup…

UK: Contributions to CPI inflation

Source: Oxford Economics
causing the ‘sugar rush’ to fade
Welfare cuts will increasingly weigh on incomes

UK: Consumer spending and income

% year

Real disposable income

Consumer spending

Source: Oxford Economics
Investment outlook remains favourable

**UK: PNFC net rate of return**

- Total
- Manufacturing
- Services

Source: Haver Analytics

**UK: Investment intentions**

- Manufacturing sector
- Service sector

Source: BCC
Will lower asset prices herald a global recession?

**World: Asset prices**
% decline on 6 months earlier

**Source:** Oxford Economics/Haver Analytics  * deflated by US CPI
Key trading partners likely to remain resilient

**World: GDP forecasts**

<table>
<thead>
<tr>
<th>Region</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>2.4</td>
<td>2.4</td>
</tr>
<tr>
<td>Eurozone</td>
<td>1.5</td>
<td>1.8</td>
</tr>
<tr>
<td>Japan</td>
<td>0.7</td>
<td>1.2</td>
</tr>
<tr>
<td>China</td>
<td>6.9</td>
<td>6.3</td>
</tr>
<tr>
<td>World</td>
<td>2.5</td>
<td>2.6</td>
</tr>
</tbody>
</table>

*Source: Oxford Economics*

**UK: Share of UK exports by destination (2014)**

- EU: 44%
- Other Europe: 11%
- US: 17%
- Other Americas: 4%
- China: 4%
- Other Asia: 3%
- Africa: 3%
- Other: 14%

*Source: ONS Pink Book*
Data revisions complicate supply side analysis

UK: OBR's estimates of potential output

Q12007 = 100

Source: Oxford Economics, OBR
Prospects for potential output remain strong

**UK: Migration assumptions**

- ONS 2014-based
- ONS 2012-based
- OE

Source: Oxford Economics/ONS

**UK: Business investment and GDP**

- Business investment
- GDP
- Forecast

Source: Oxford Economics

Oxford Economics
Fiscal tightening will stop output gap closing

UK: OBR estimates of fiscal tightening

% of GDP

-2.0  -1.5  -1.0  -0.5  0.0  0.5  1.0  1.5  2.0  2.5  3.0

00-01  03-04  06-07  09-10  12-13  15-16  18-19

Looser policy
Forecast
Tighter policy

Source: Oxford Economics calculations using OBR forecasts

UK: Output gap

% of potential output

-6  -5  -4  -3  -2  -1  0  1  2  3  4


Oxford Economics
OBR

Source: Oxford Economics, OBR
Growth to slow, but become more balanced

UK: Contributions to GDP growth

%pts

-1.0 -0.5 0.0 0.5 1.0 1.5 2.0 2.5 3.0 3.5 4.0


Source: Oxford Economics
Alternative scenarios for the UK economy

UK GDP forecasts for alternative scenarios

% year


Baseline
Oil prices plunge
Fed tightens

Source: Oxford Economics