

A shot in the arm

Economic outlook

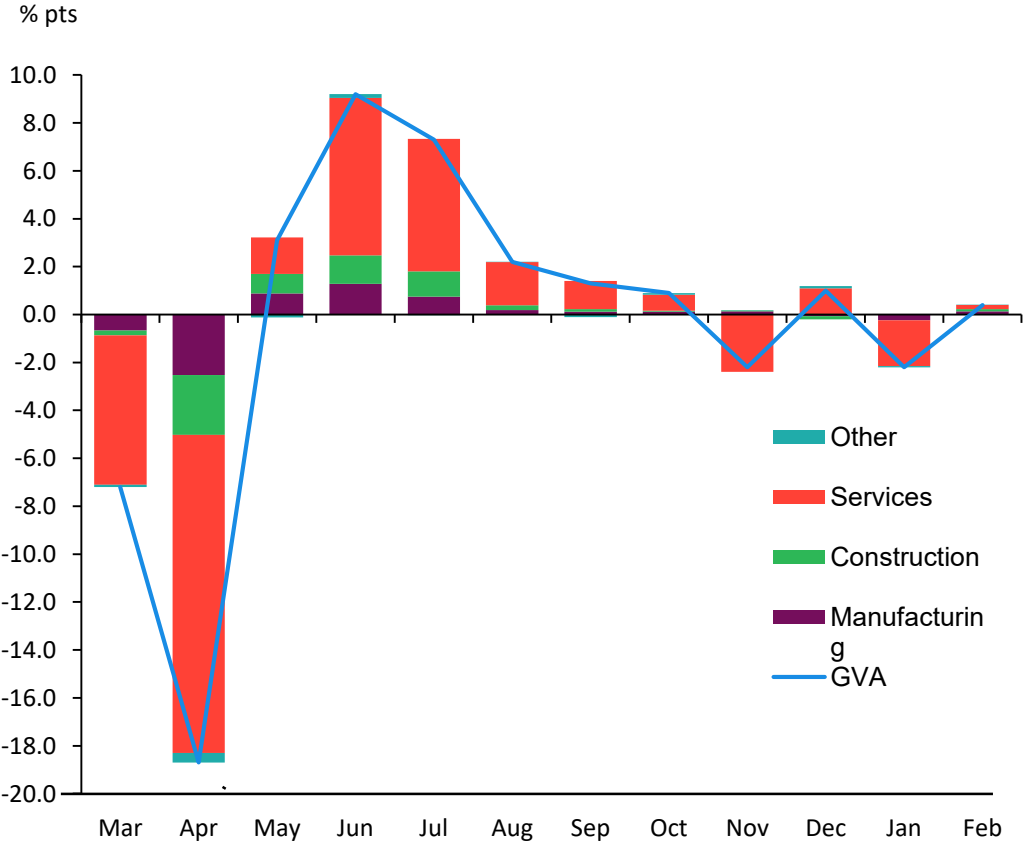
May 2021



Mark Gregory
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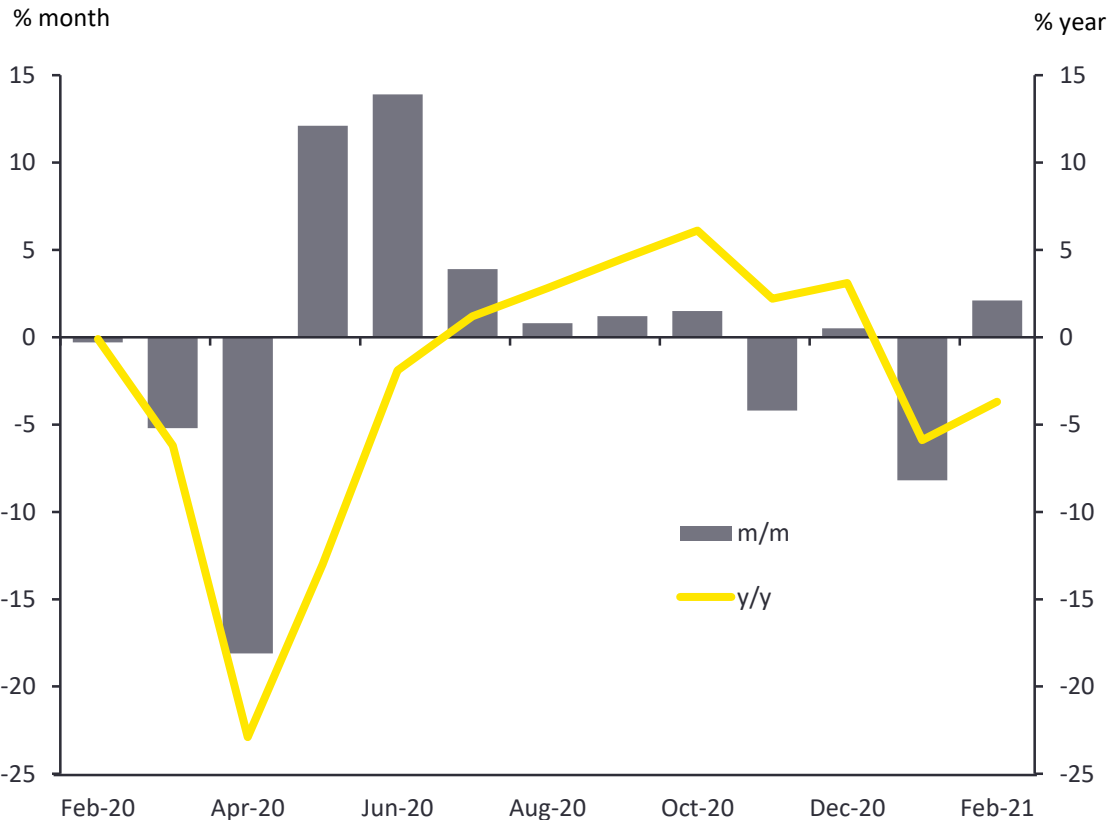
What a year that was!

UK: Contributions to monthly GVA growth



Source: EY ITEM Club calculations using data from Haver Analytics

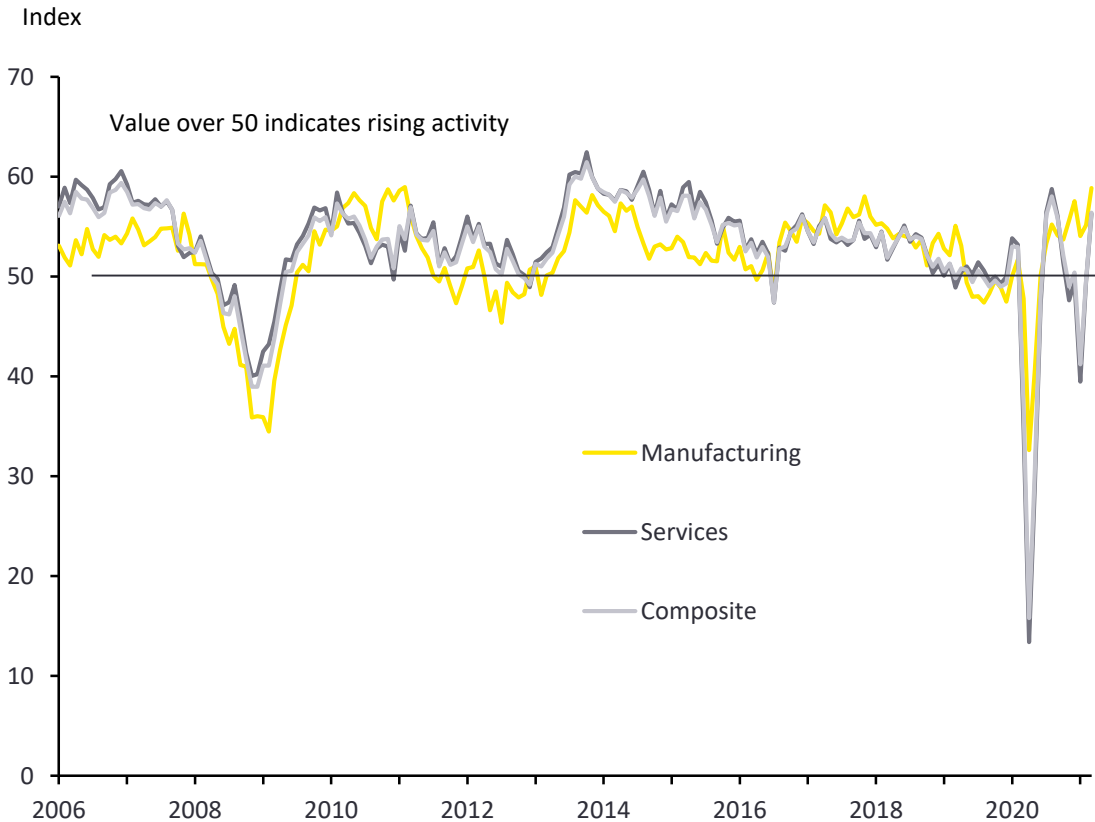
UK: Retail sales volumes (inc fuel)



Source: EY ITEM Club/Haver Analytics

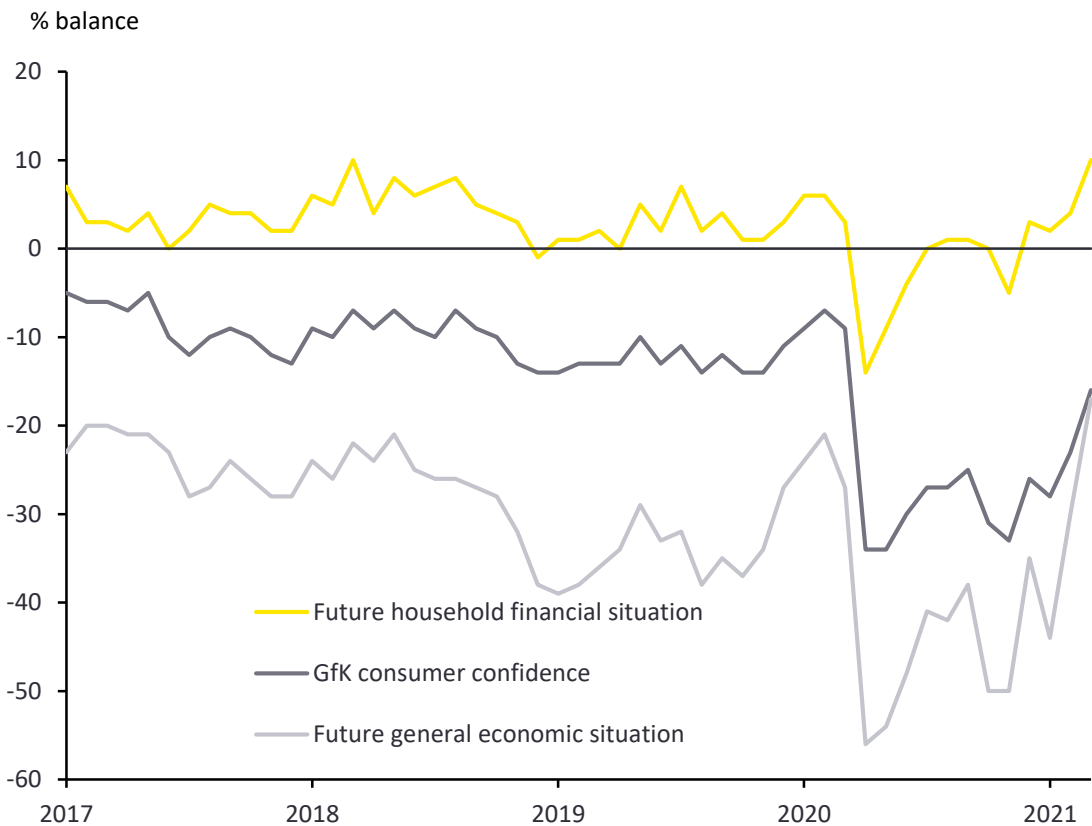
Confidence now improving as vaccination roll-out continues, underwritten by Government support...

UK: IHS Markit/CIPS surveys



Source: Oxford Economics/IHS Markit/CIPS

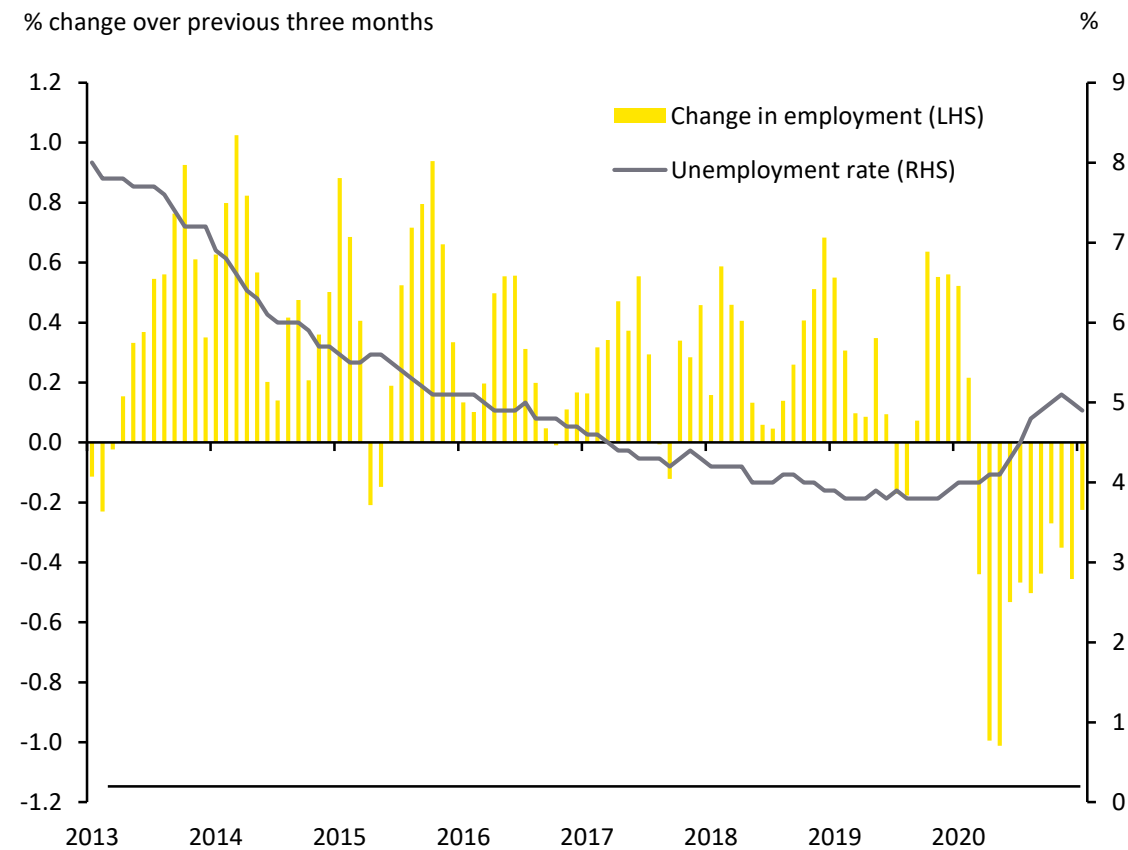
UK: GfK consumer confidence survey



Source: EY ITEM Club/Haver Analytics

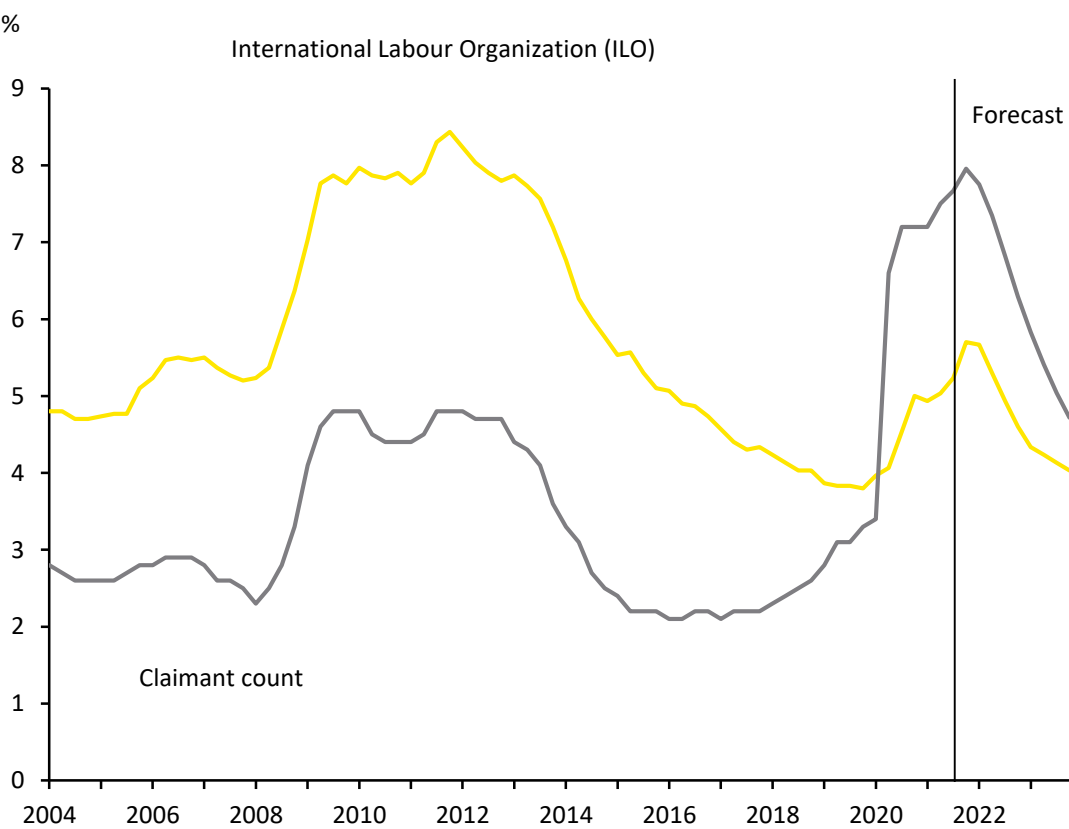
...helped by better than expected labour market performance...

UK: Employment and unemployment



Source: EY ITEM Club/Haver Analytics

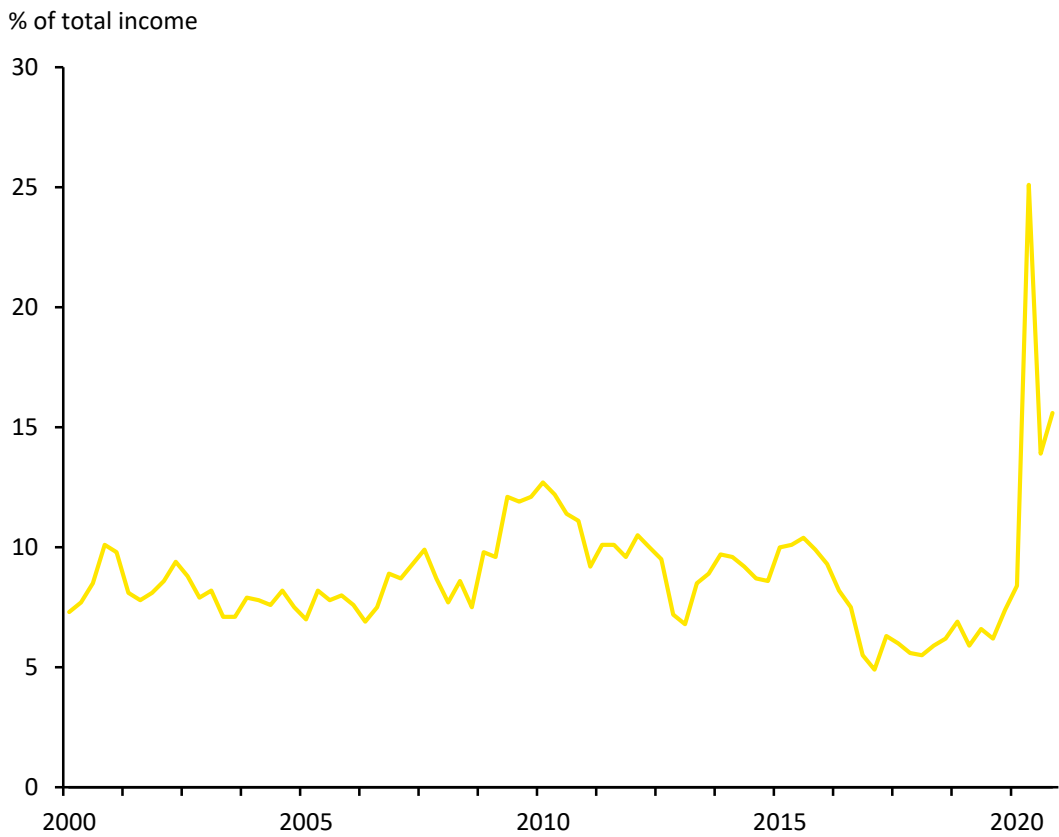
UK: Unemployment rate



Source: EY ITEM Club

...with pent-up demand, consumers will lead the recovery.

UK: Household saving ratio



Source: EY ITEM Club/Haver Analytics

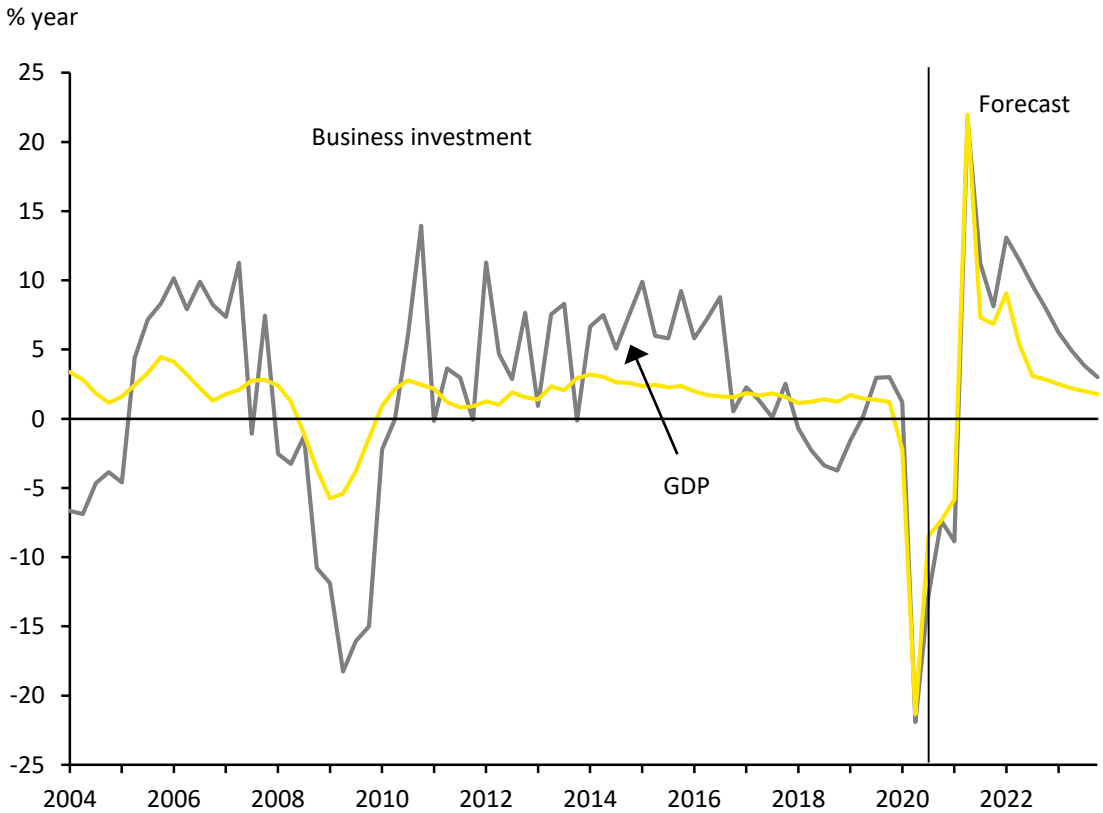
UK: Real household income and spending



Source: EY ITEM Club

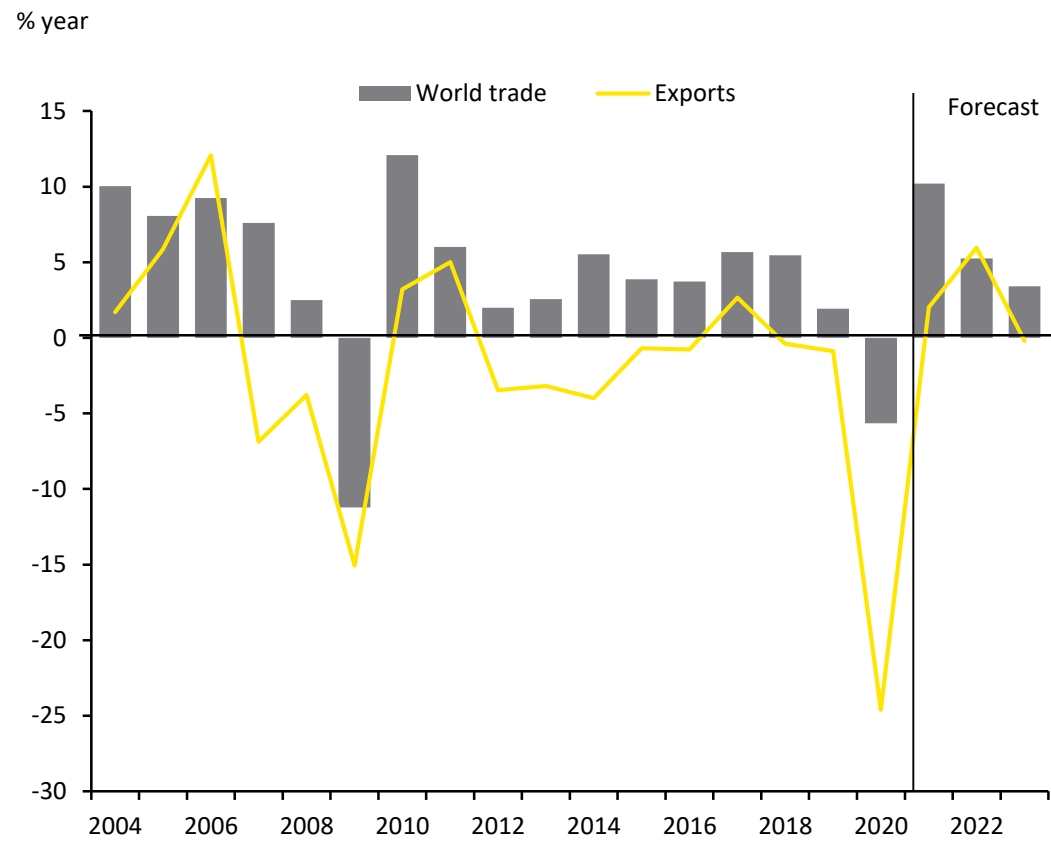
Business investment will benefit from the Budget measures and a recovering developed world will boost exports...

UK: Business investment and GDP



Source: EY ITEM Club

UK: Exports and world trade

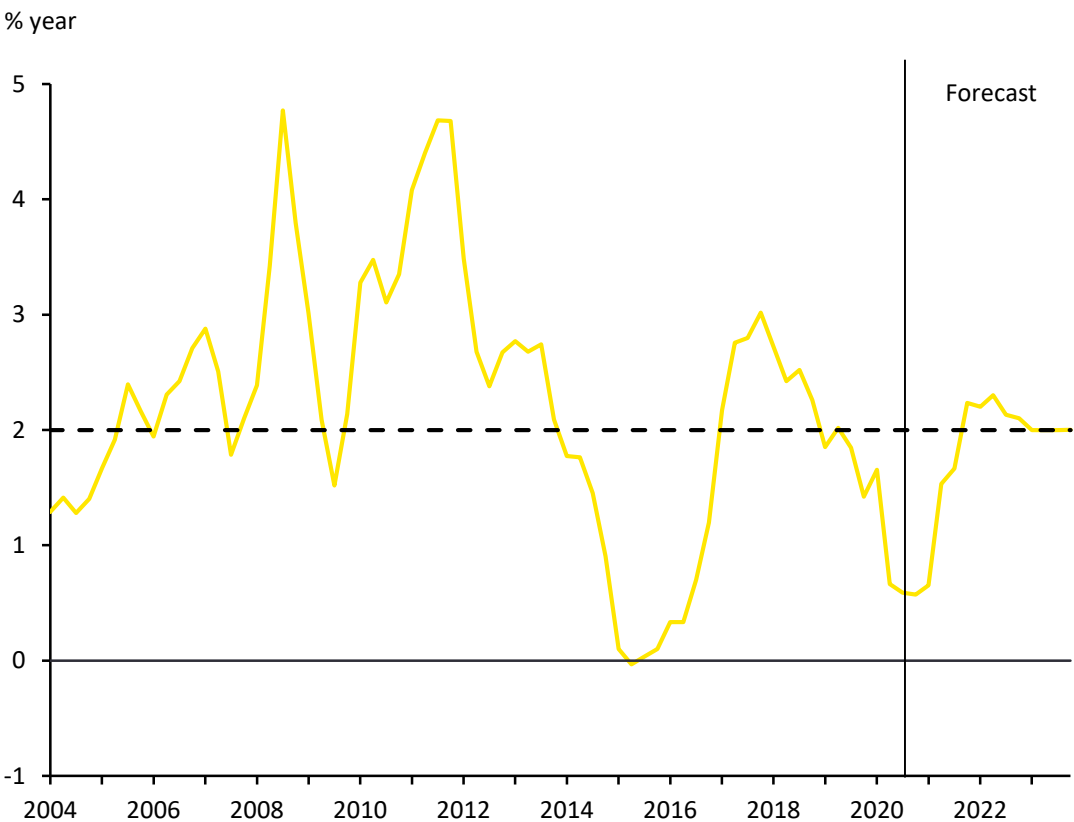


Source: EY ITEM Club

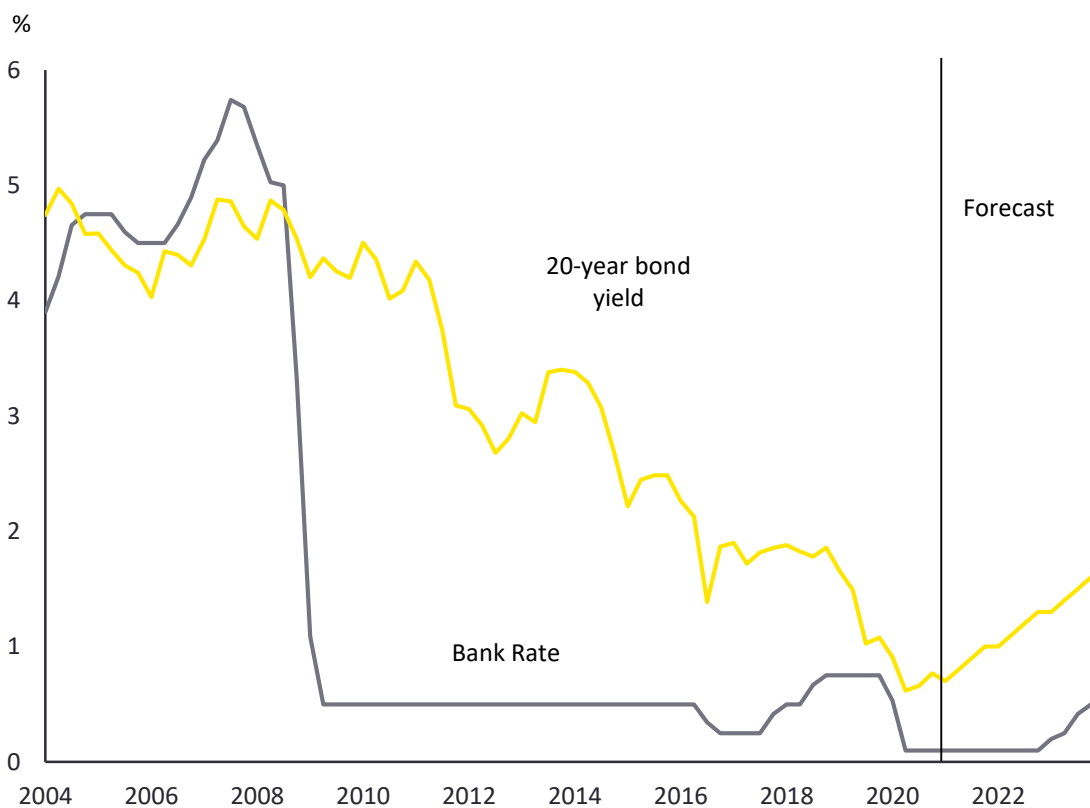


Inflation is expected to edge upwards but not to excessive levels...

UK: CPI inflation



UK: Bank Rate and 20-year bond yield

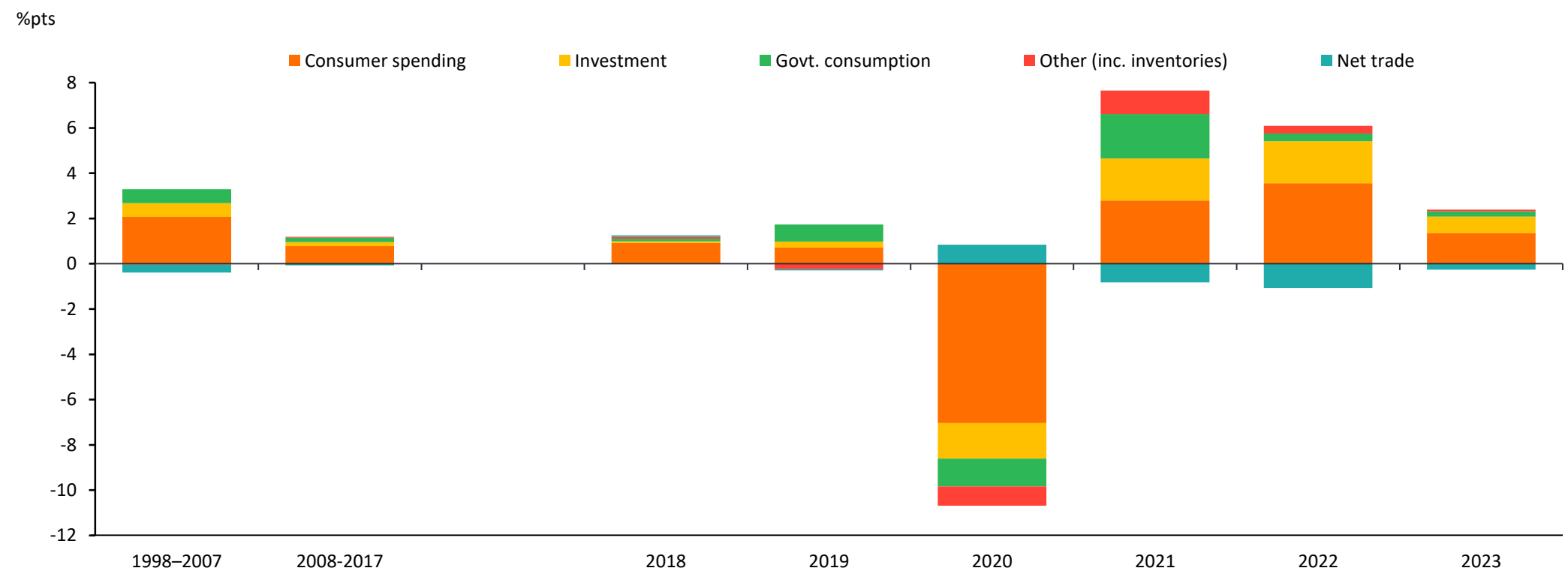


Source: EY ITEM Club

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...as a result, UK GDP forecast to grow at 6.8% in 2021 and 5.0% in 2022 after contraction of 9.8% in 2020

UK: Contributions to GDP growth



Source: EY ITEM Club



This will be a policy-driven economy for some time

- ▶ Gradual withdrawal of support
- ▶ Fiscal policy – tax and spend/consolidate
- ▶ Levelling up
- ▶ Green recovery
- ▶ Industrial strategy/competition policy
- ▶ Trade policy
- ▶ Skills

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