A shot in the arm

Economic outlook

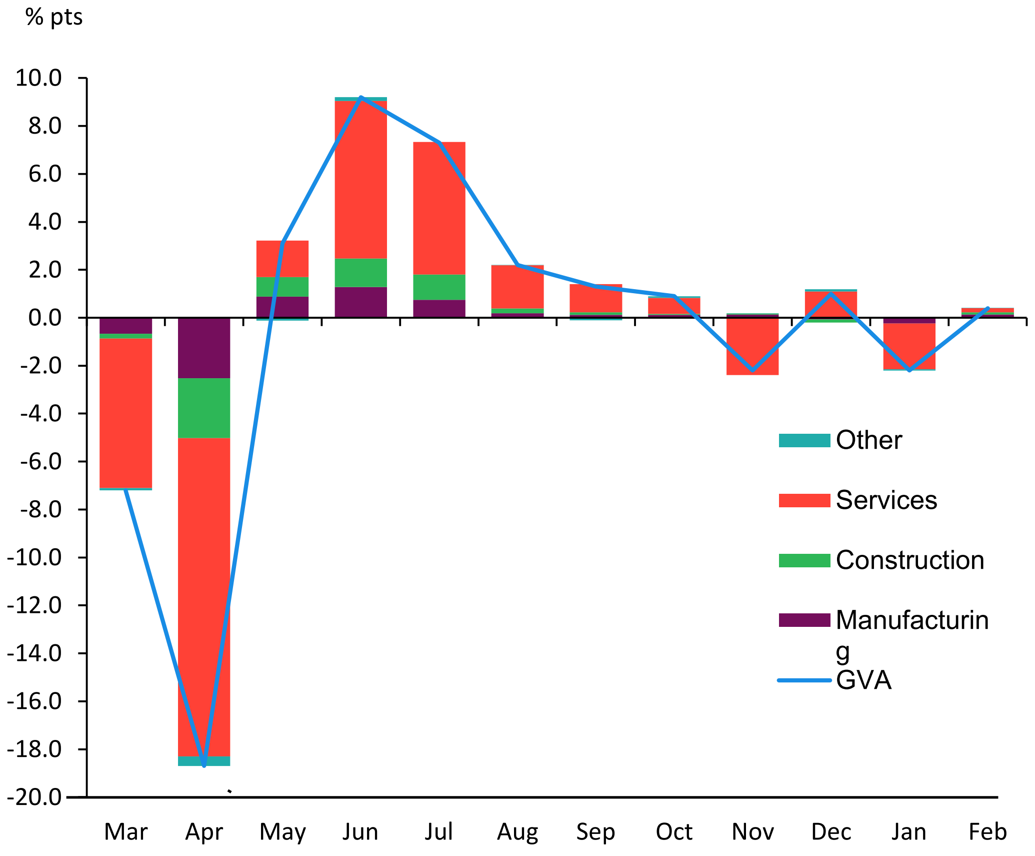
May 2021

Mark Gregory
UK Chief Economist, Ernst & Young LLP (UK)

EY
Building a better working world

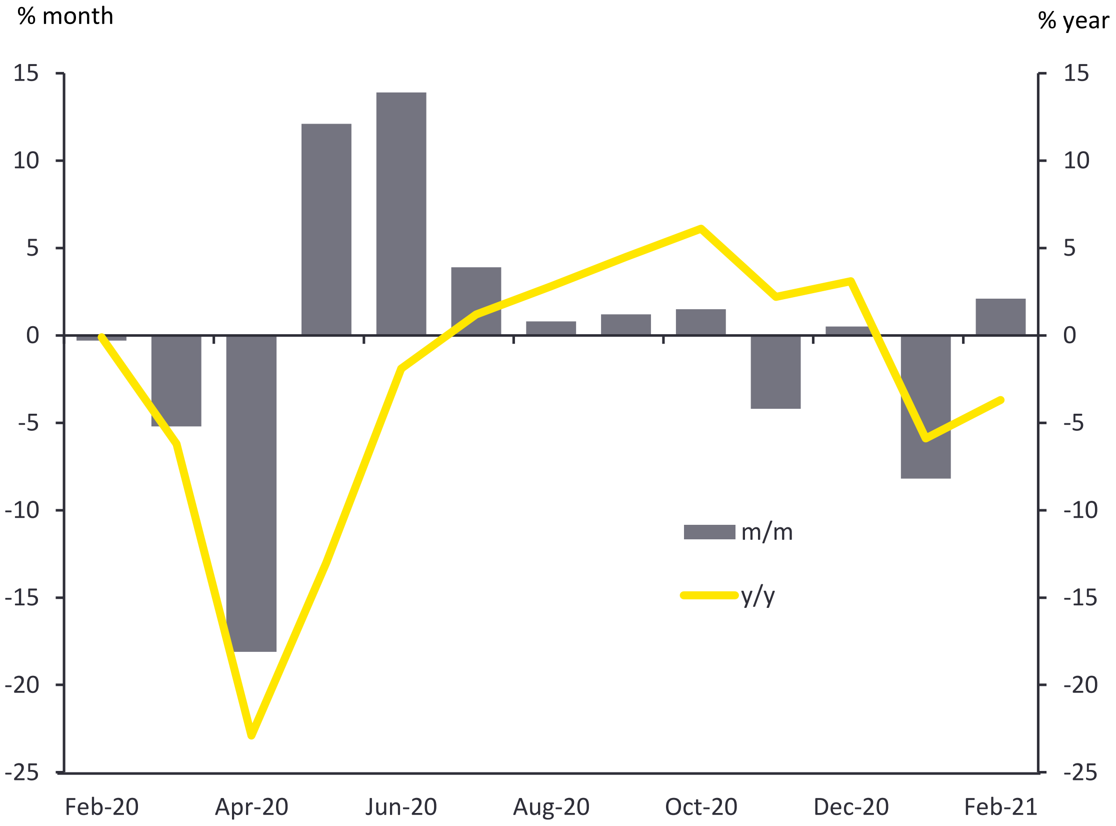
What a year that was!

UK: Contributions to monthly GVA growth



Source: EY ITEM Club calculations using data from Haver Analytics

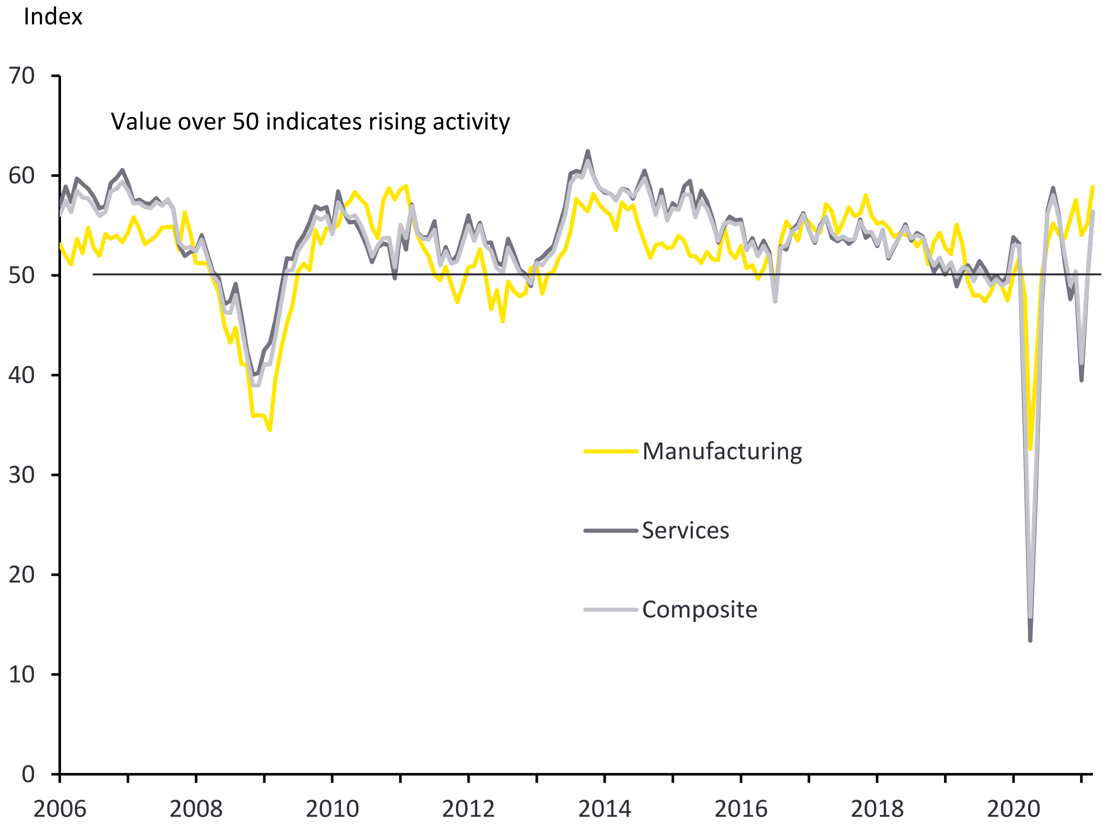
UK: Retail sales volumes (inc fuel)



Source: EY ITEM Club/Haver Analytics

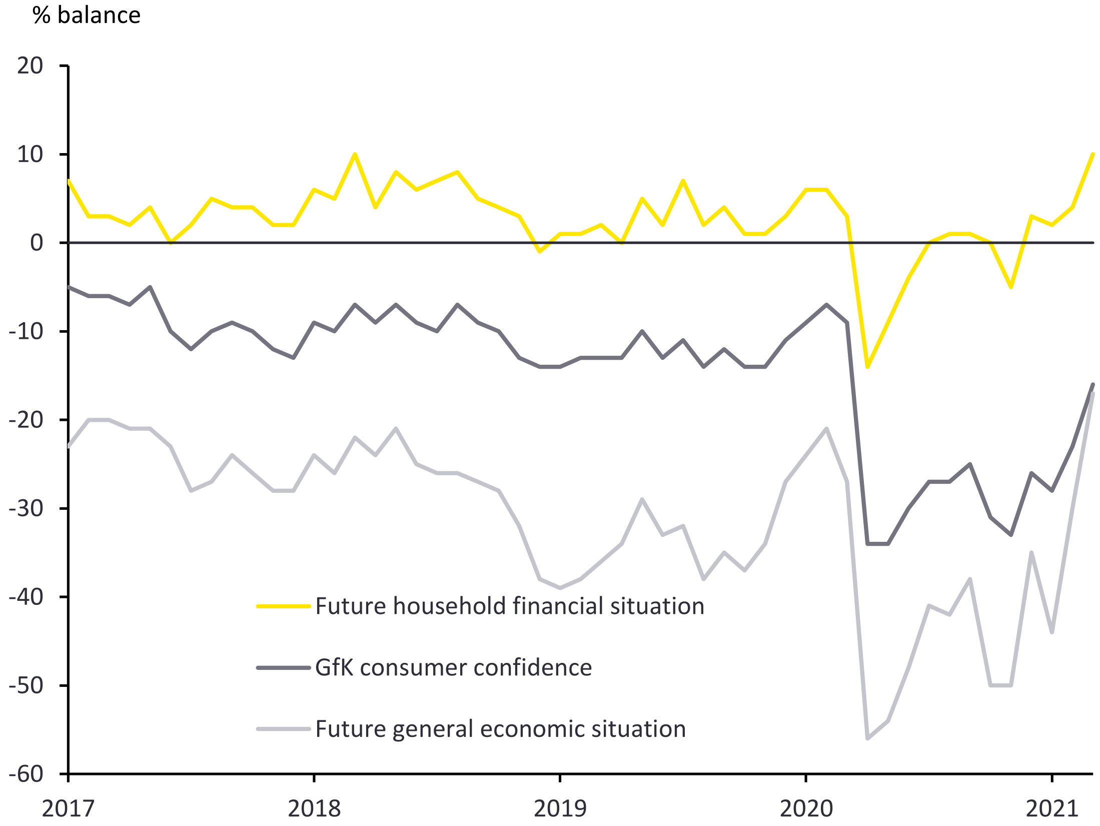
Confidence now improving as vaccination roll-out continues, underwritten by Government support…

UK: IHS Markit/CIPS surveys



Source: Oxford Economics/IHS Markit/CIPS

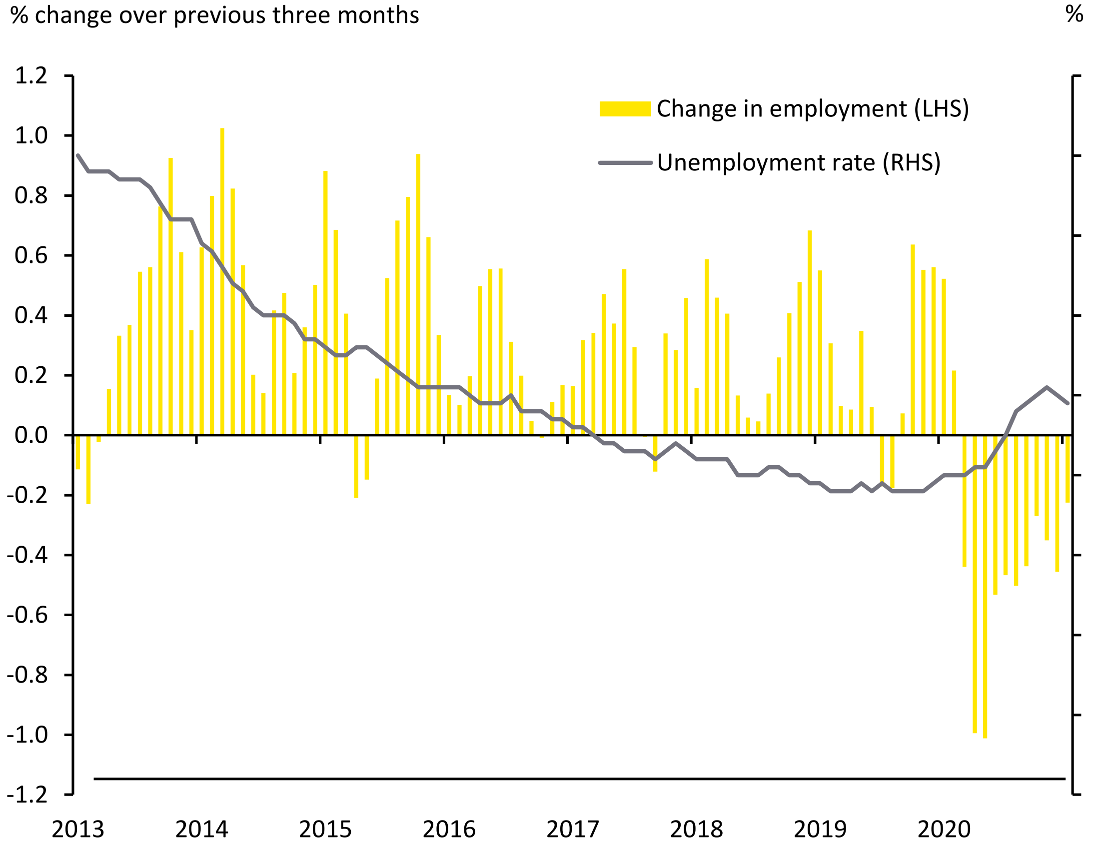
UK: GfK consumer confidence survey



Source: EY ITEM Club/Haver Analytics

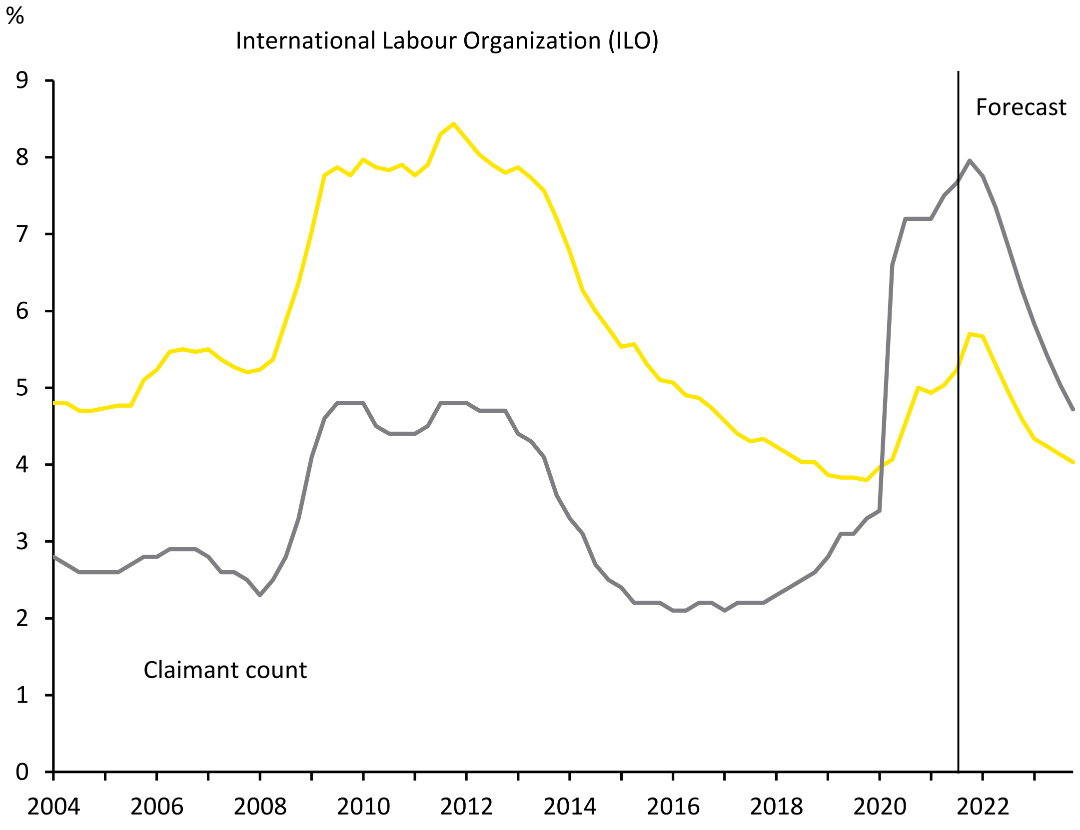
…helped by better than expected labour market performance…

UK: Employment and unemployment



Source: EY ITEM Club/Haver Analytics

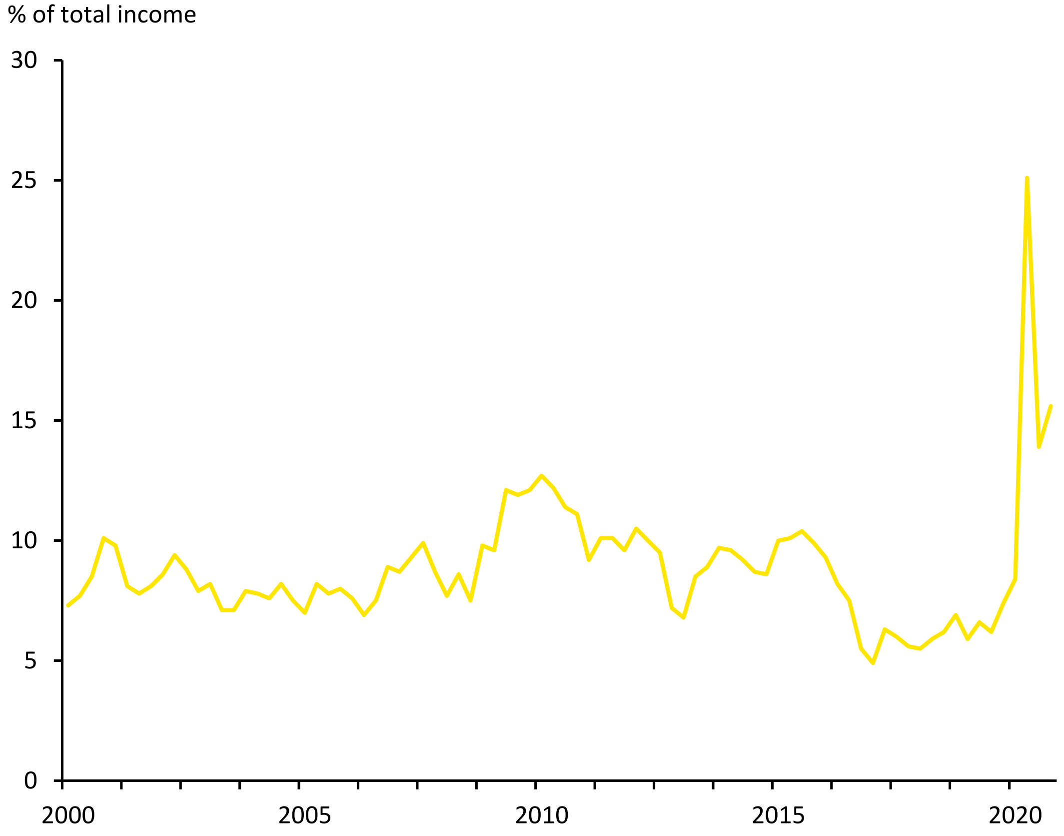
UK: Unemployment rate



Source: EY ITEM Club

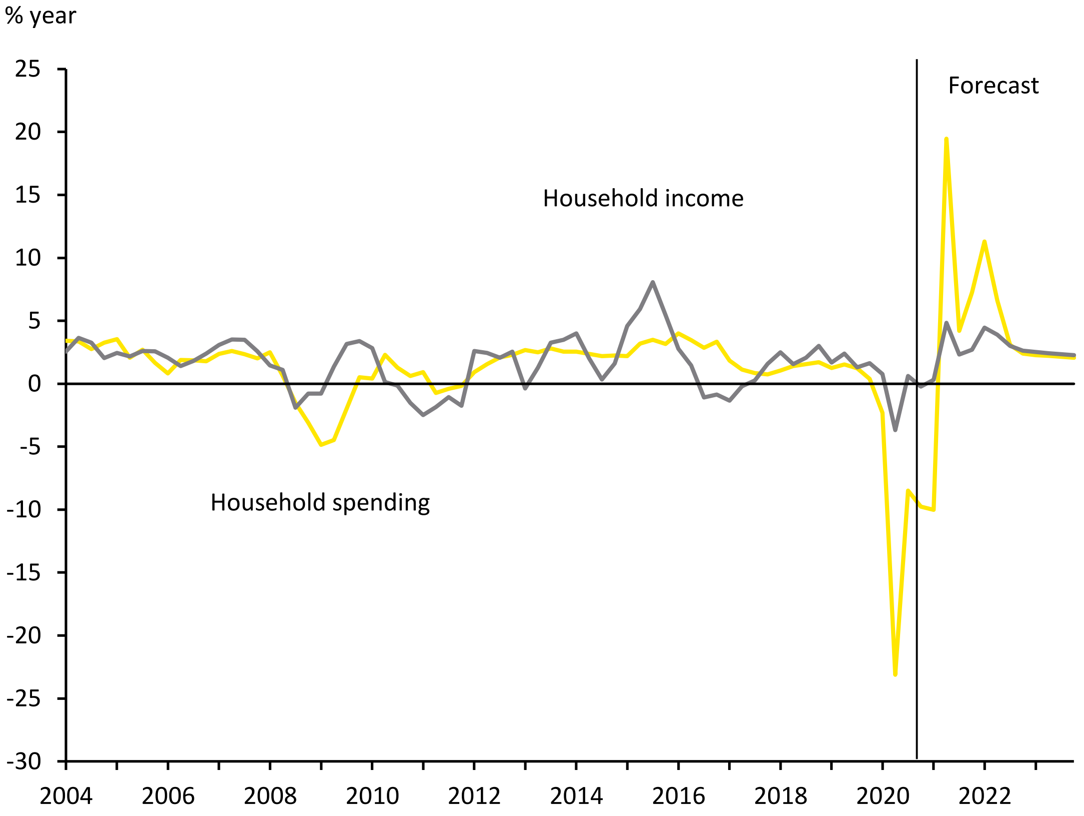
…with pent-up demand, consumers will lead the recovery.

UK: Household saving ratio



Source: EY ITEM Club/Haver Analytics

UK: Real household income and spending

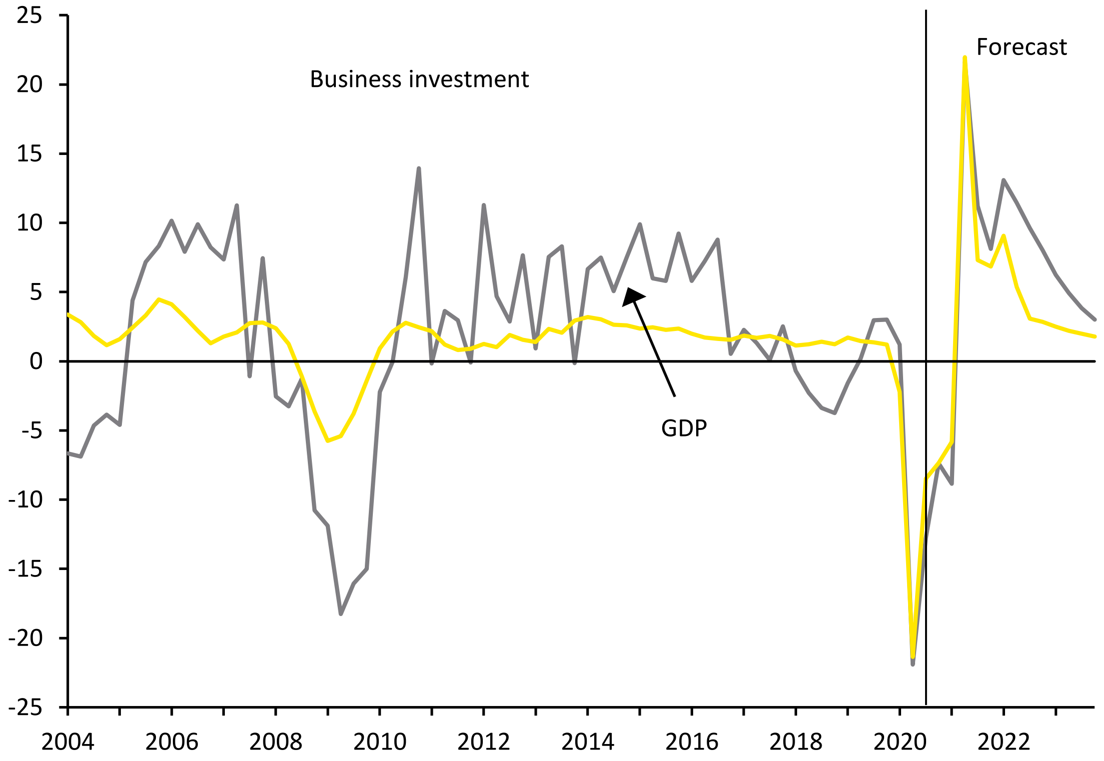


Source: EY ITEM Club

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

UK: Business investment and GDP

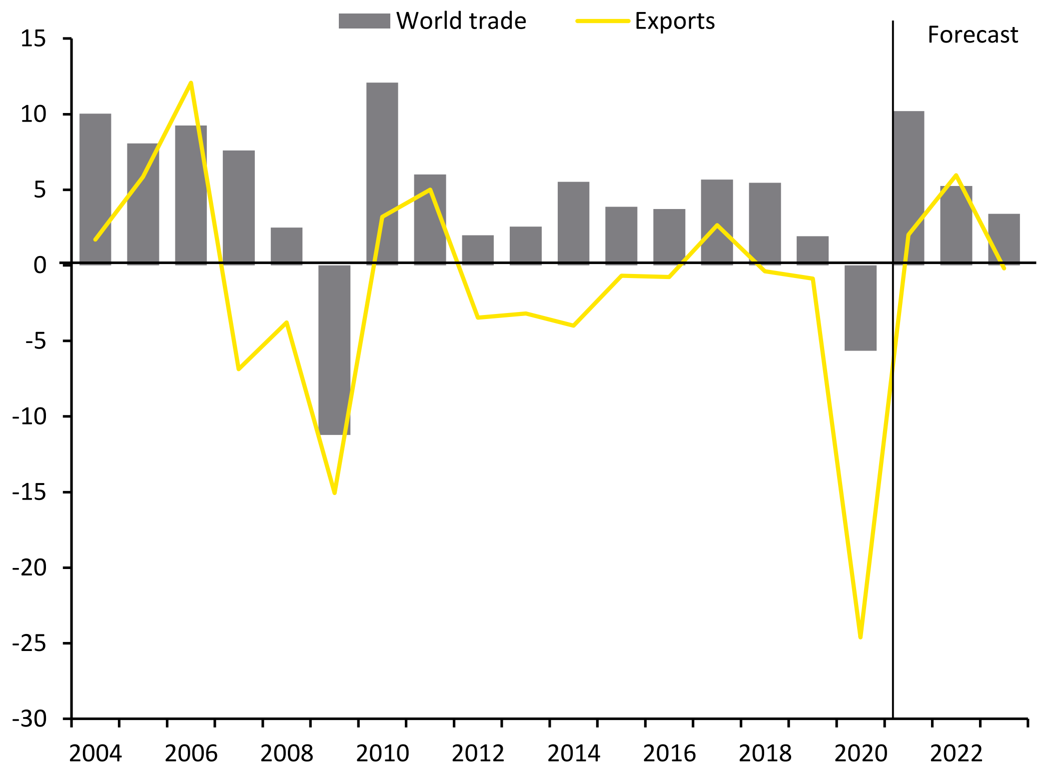
% year



Source: EY ITEM Club

UK: Exports and world trade

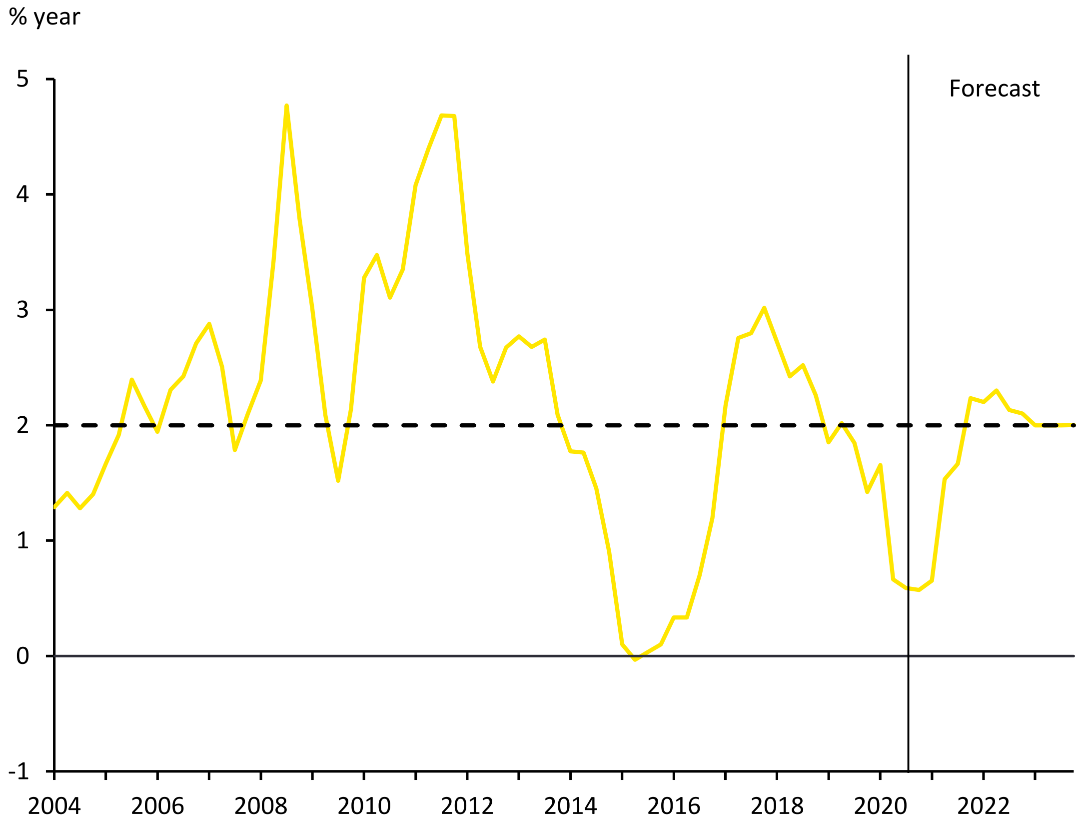
% year



Source: EY ITEM Club

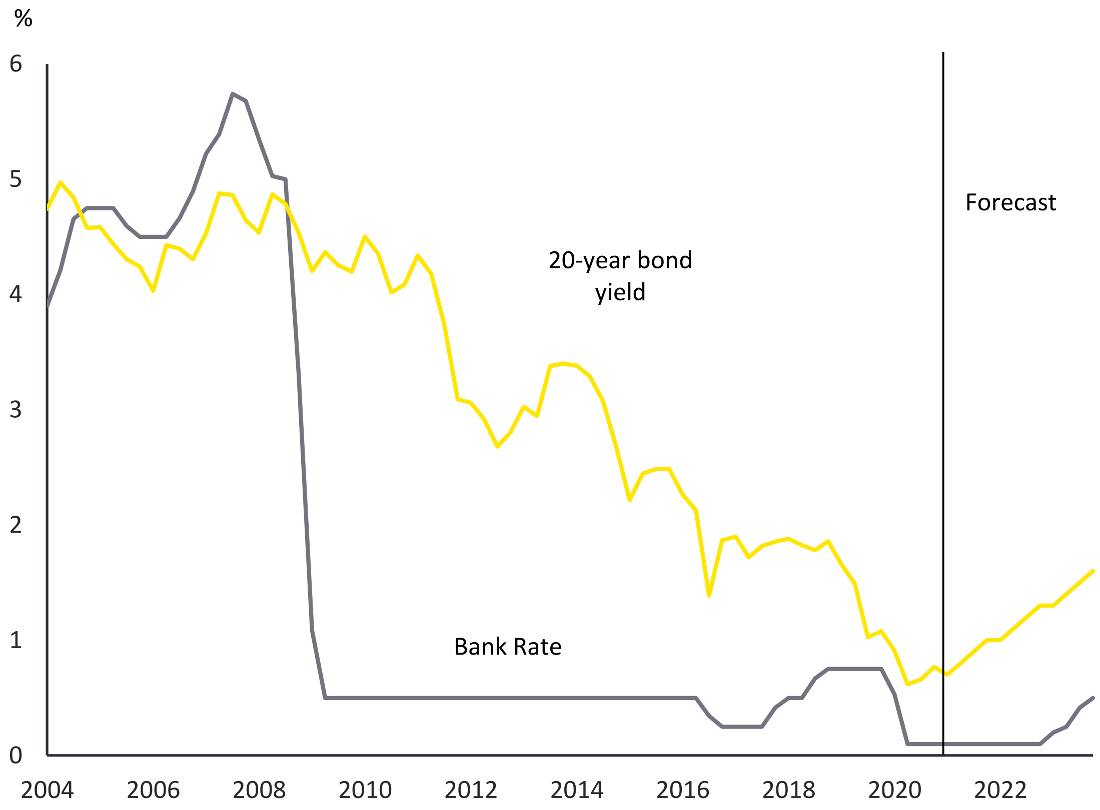
Inflation is expected to edge upwards but not to excessive levels…

UK: CPI inflation



Source: EY ITEM Club

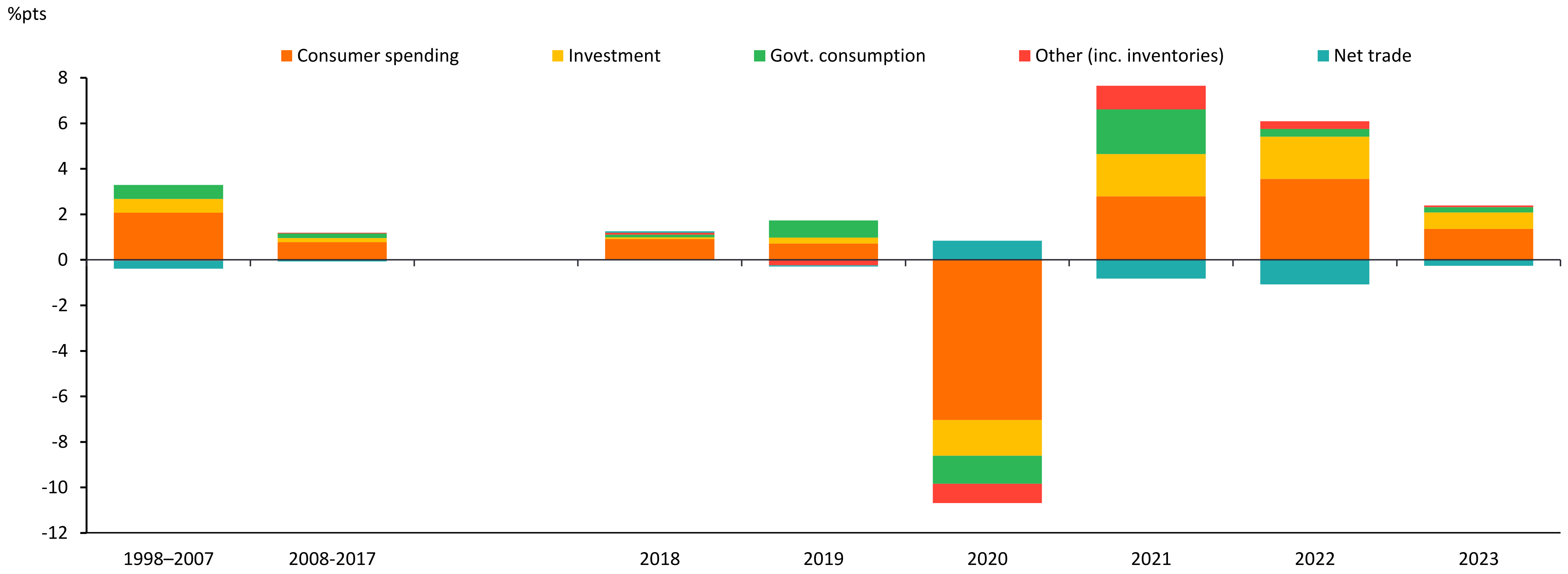
UK: Bank Rate and 20-year bond yield



Source: EY ITEM Club

…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

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

ey.com/uk