

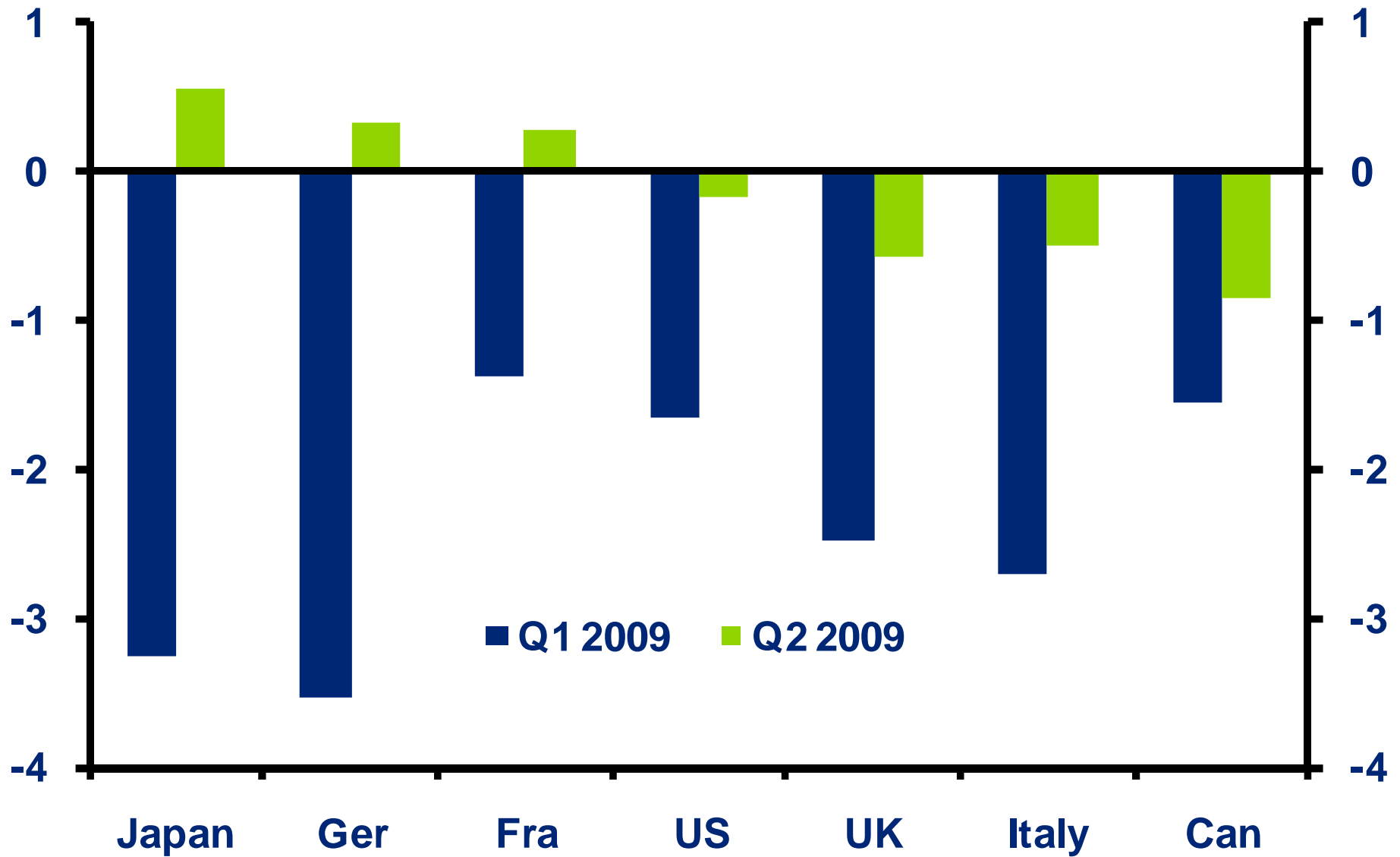
# Macro-economic overview

## Hazard ahead

Roger Bootle,  
Economic Adviser to Deloitte

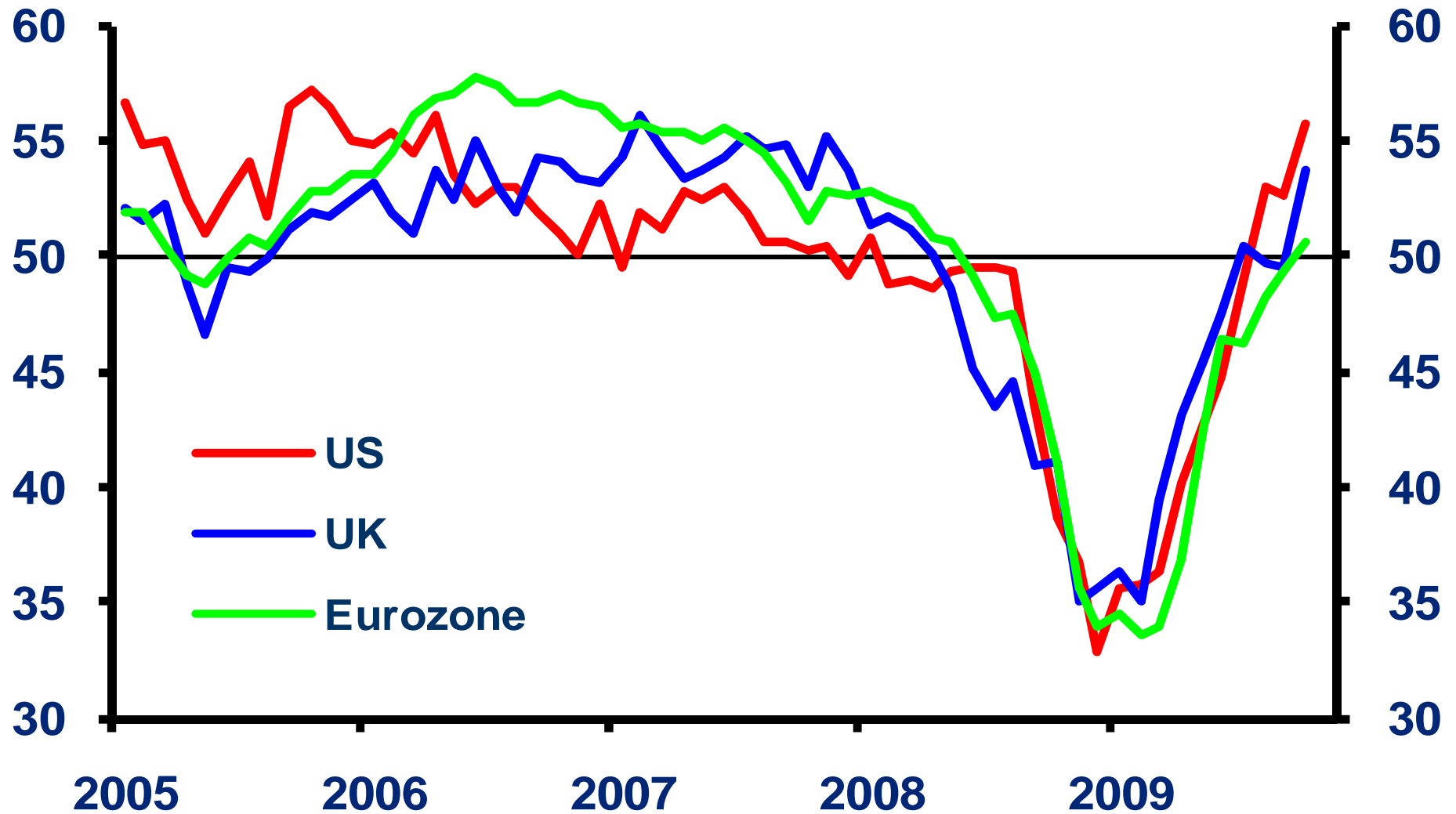


# 1. G7 GDP Growth (q/q, %)



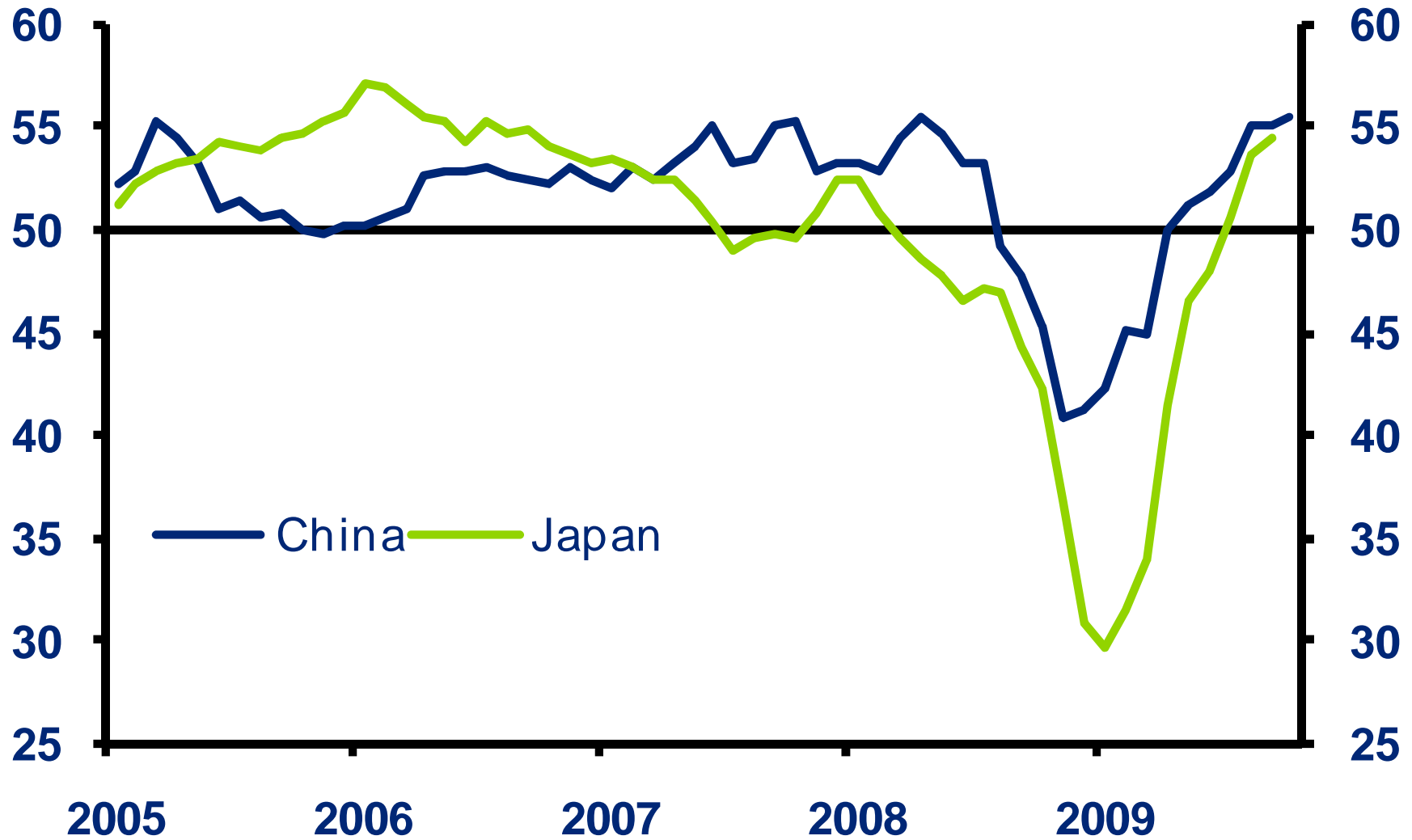
Source: Thomson Datastream

## 2. Manufacturing PMIs (2005 - 2009) (Latest = October)



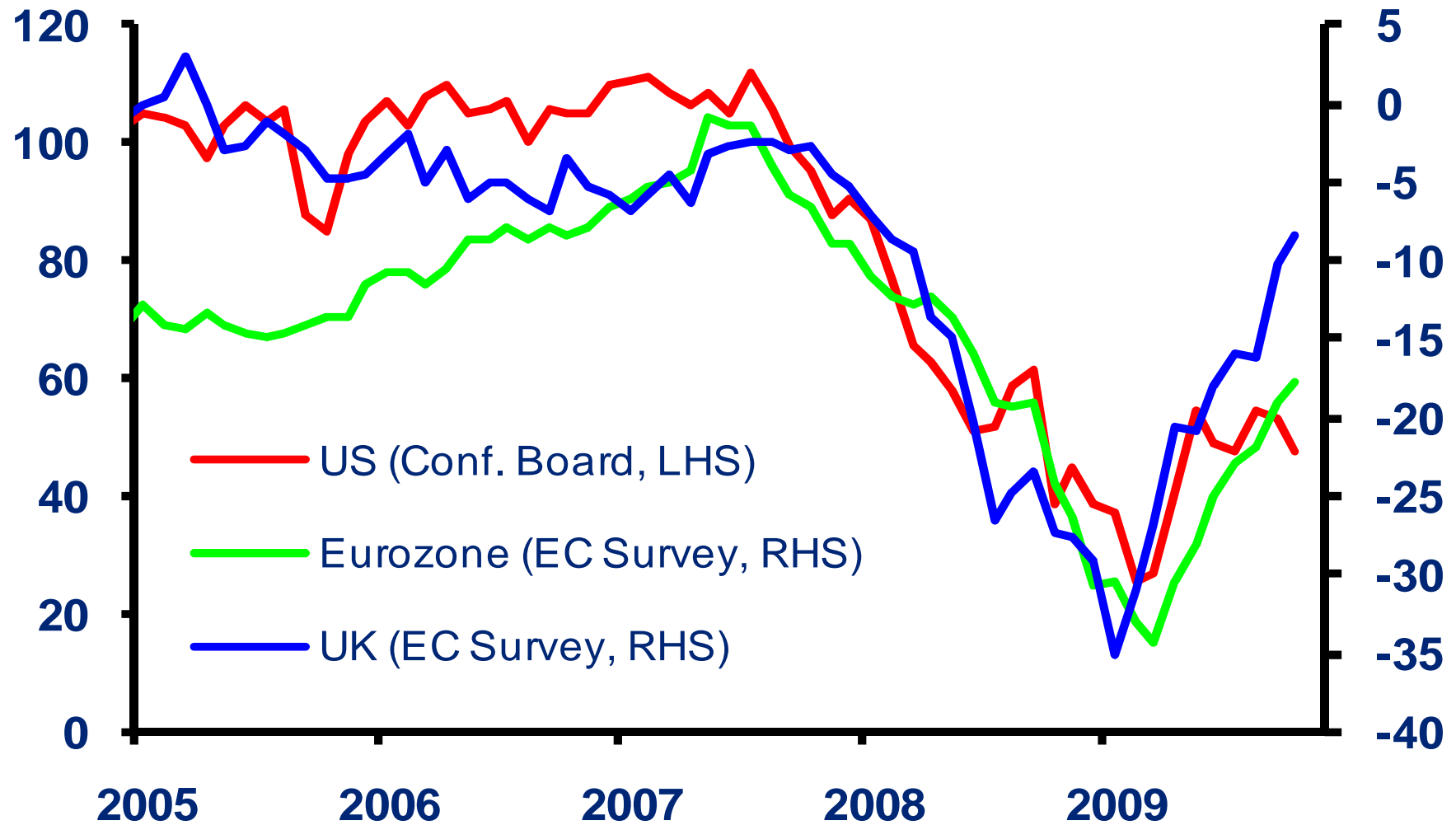
Sources: Thomson Datastream, Markit

### 3. Manufacturing PMIs – Asia (2005 - 2009) (Latest = October)



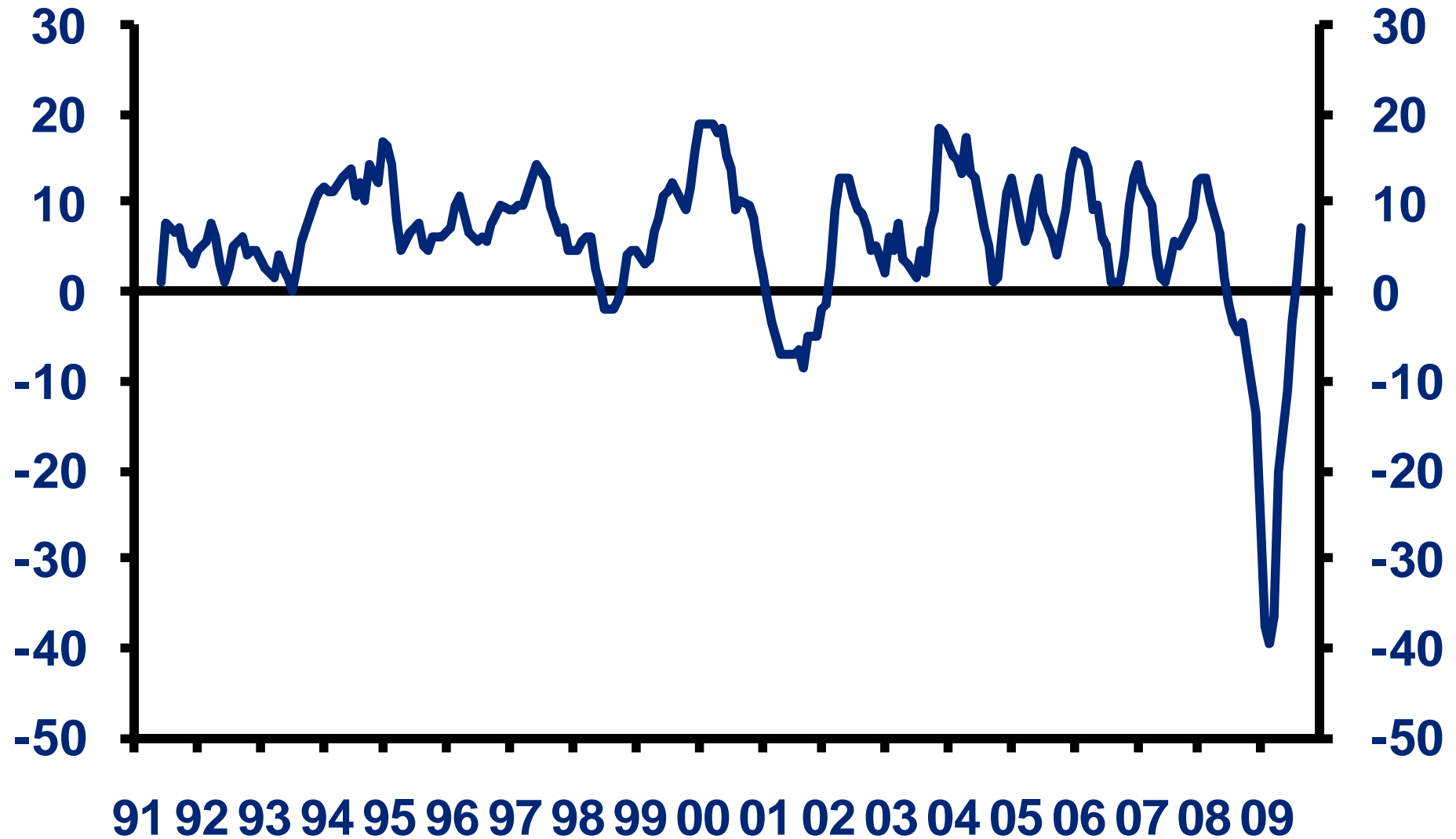
Sources: Thomson Datastream, Markit

## 4. Consumer Confidence (1991 - 2009) (Latest = October)



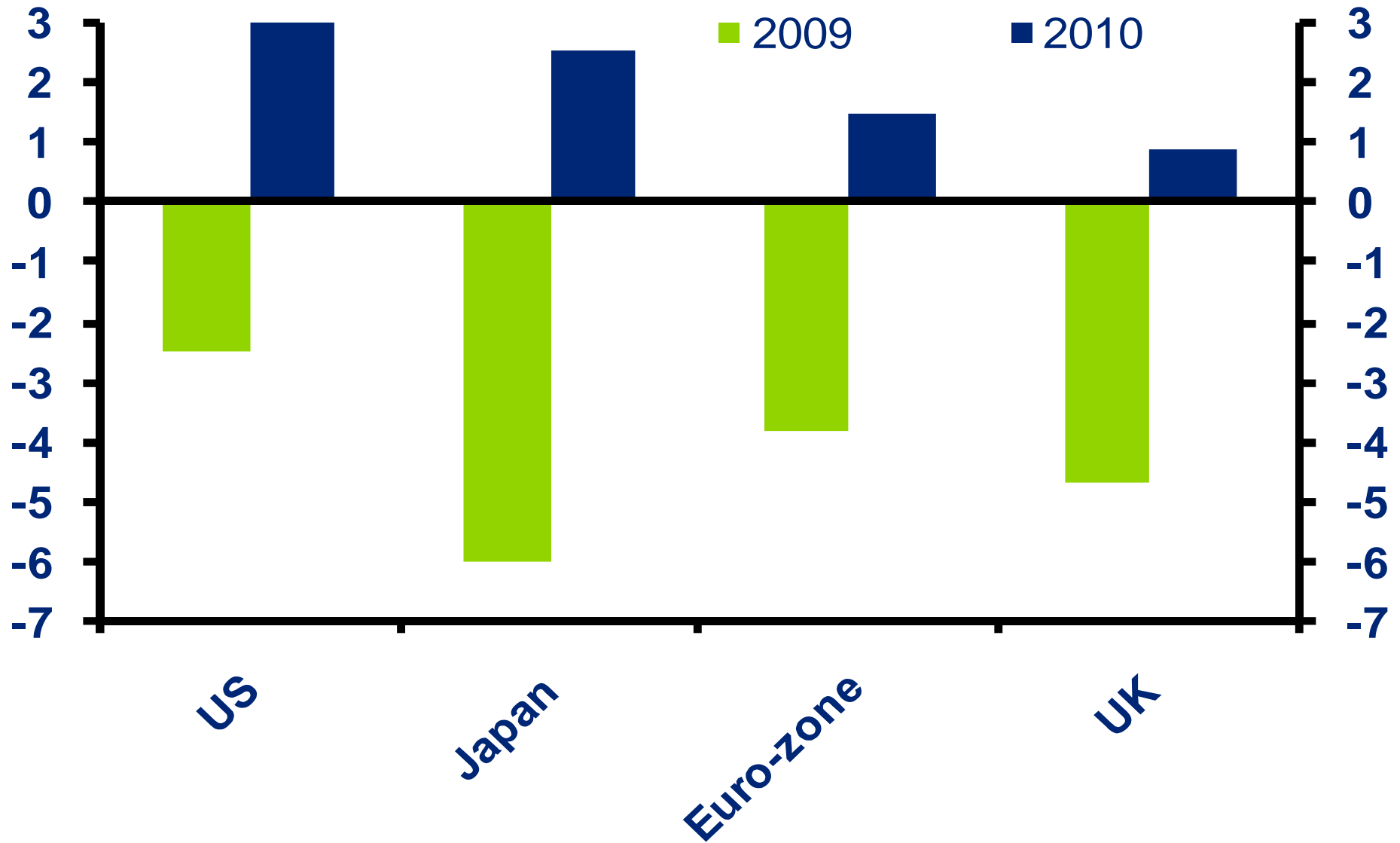
Source: Thomson Datastream

## 5. World Trade Volumes (% 3m/3m ann) (1991 - 2009) (Latest = August)



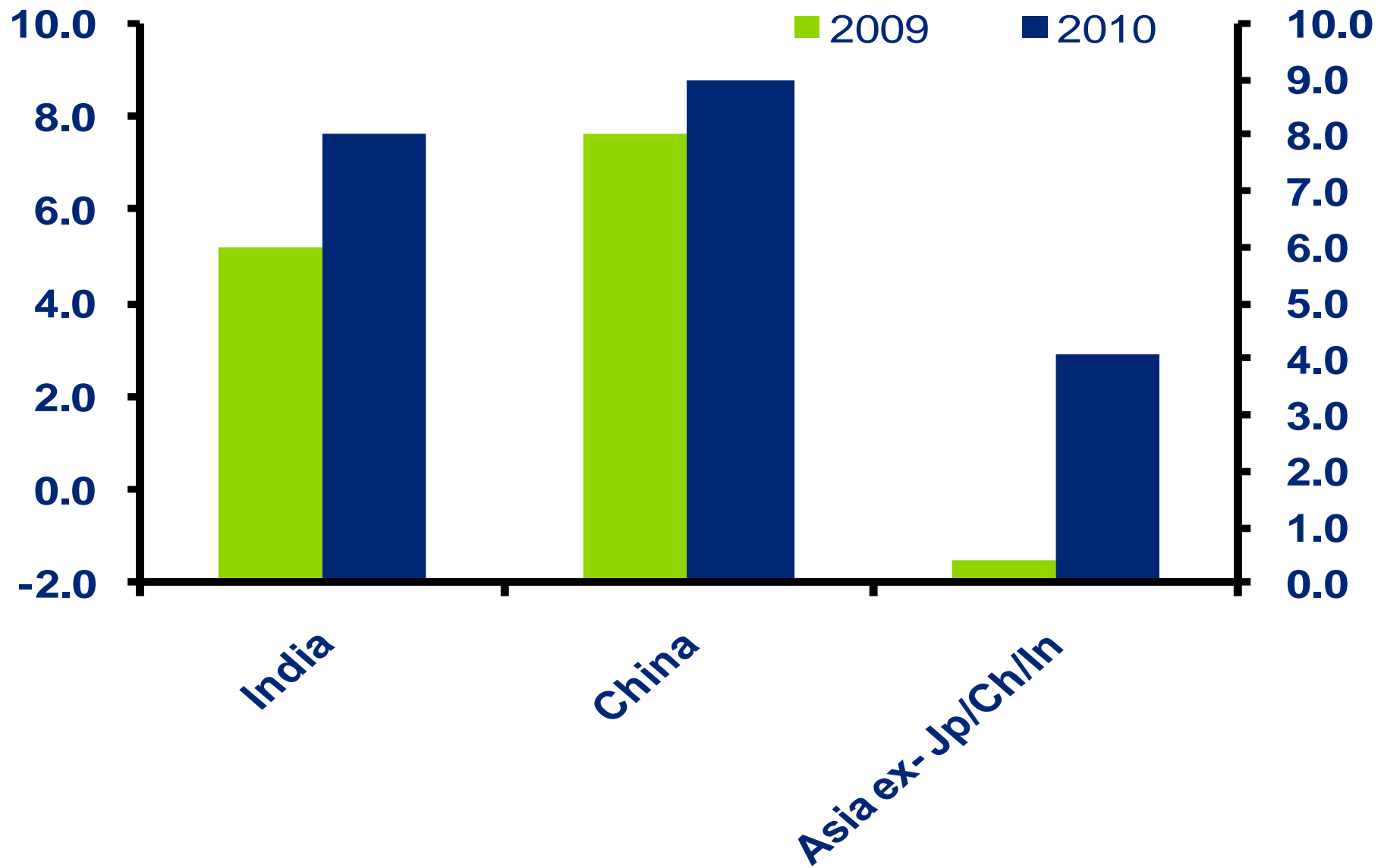
Source: Netherlands Bureau of Economic Policy Analysis

## 6. GDP Growth Forecasts (% y/y)



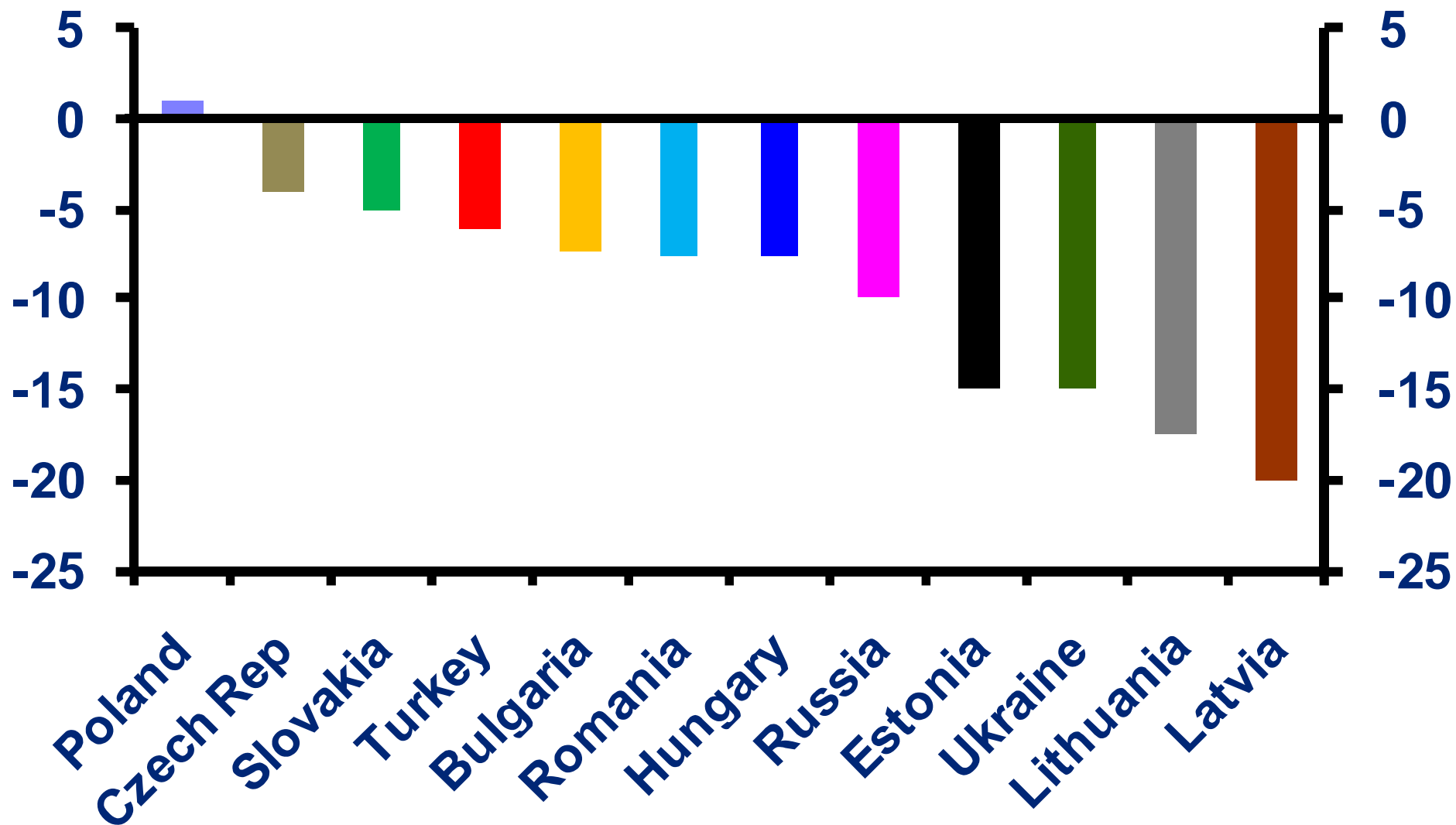
Source: Bootle

## 7. GDP Growth Forecasts (% y/y)



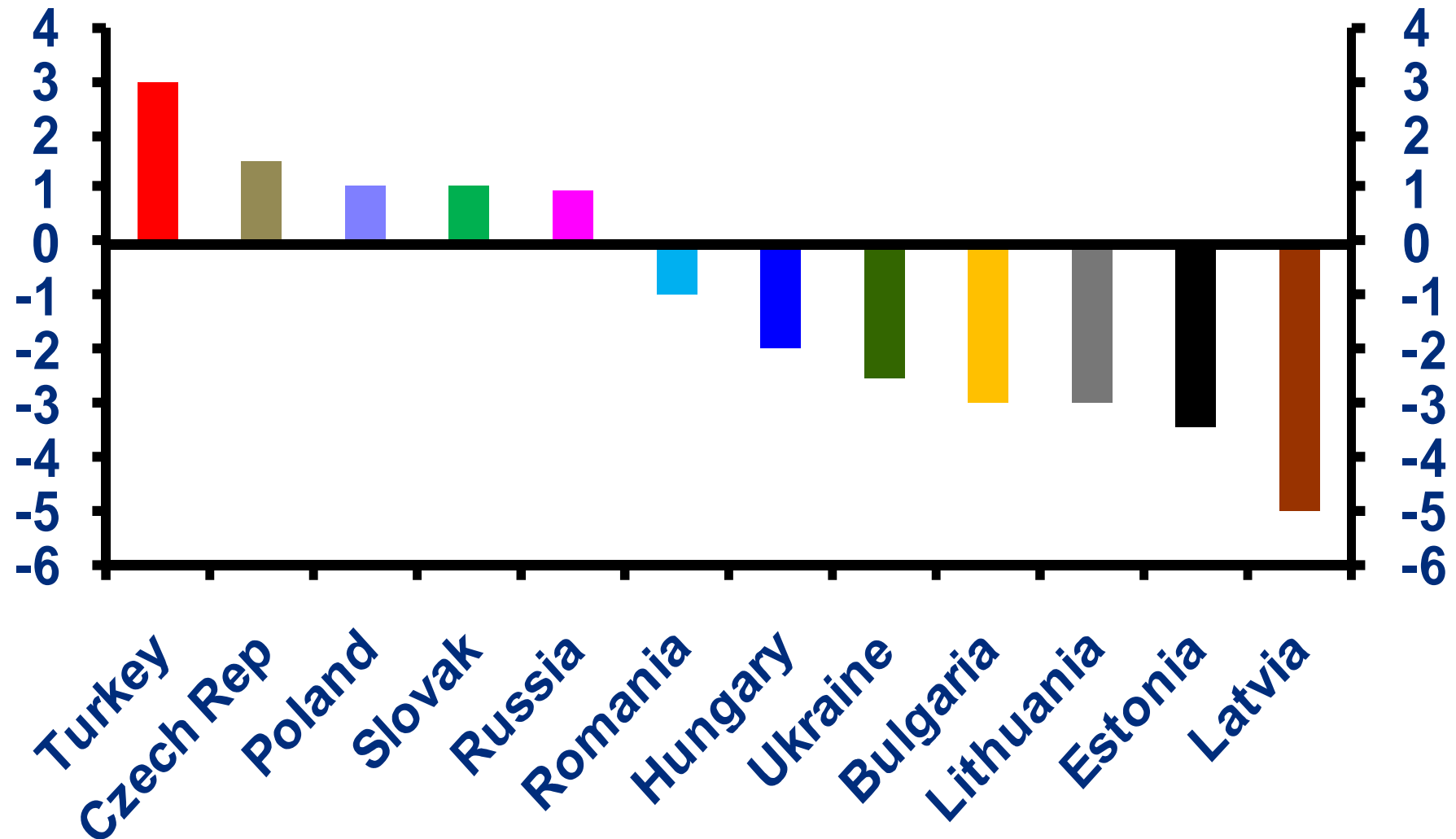
Source: Bootle

## 8. Emerging Europe GDP Growth (% y/y) (2009)



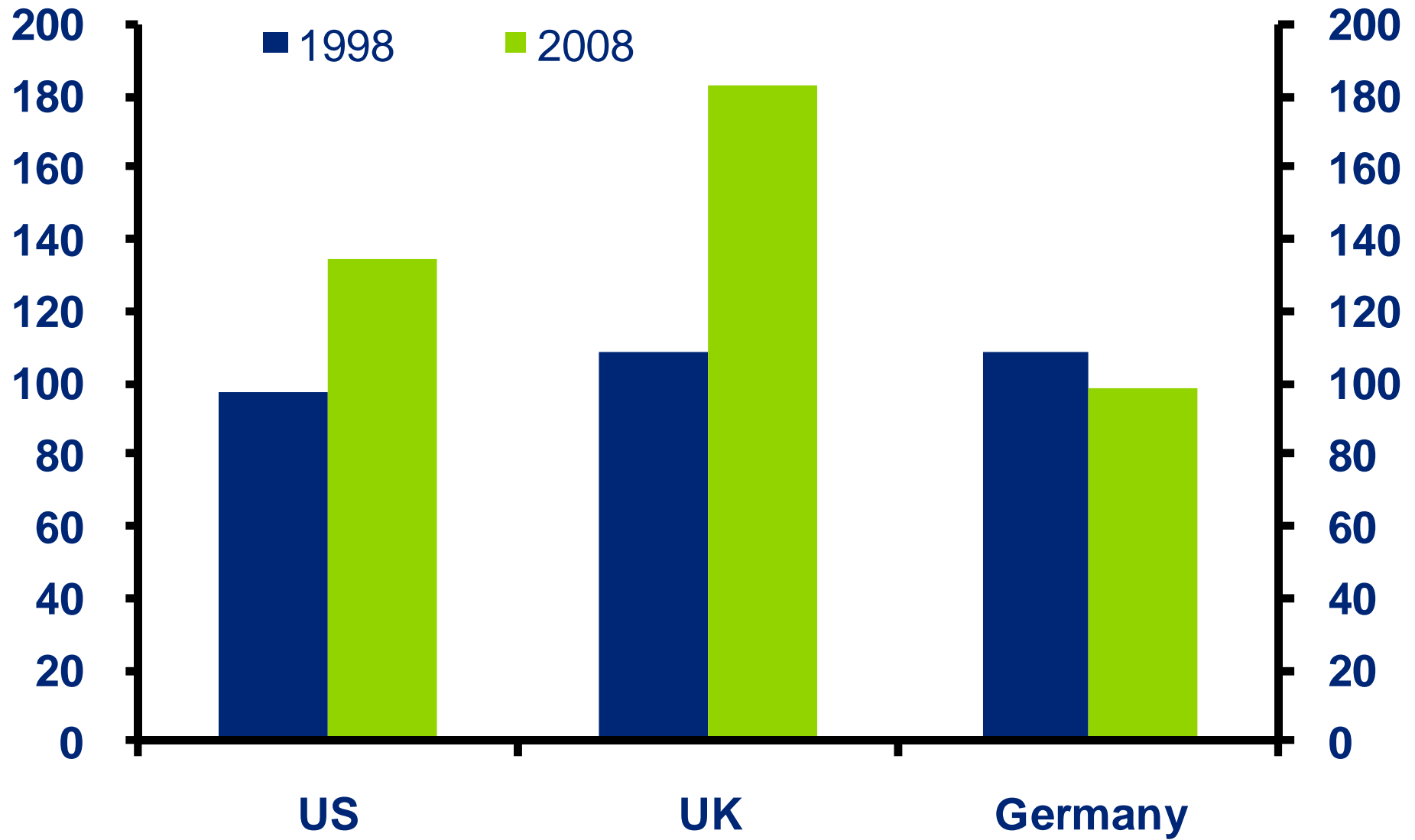
Source: Bootle

## 9. Emerging Europe GDP Growth (% y/y) (2010)



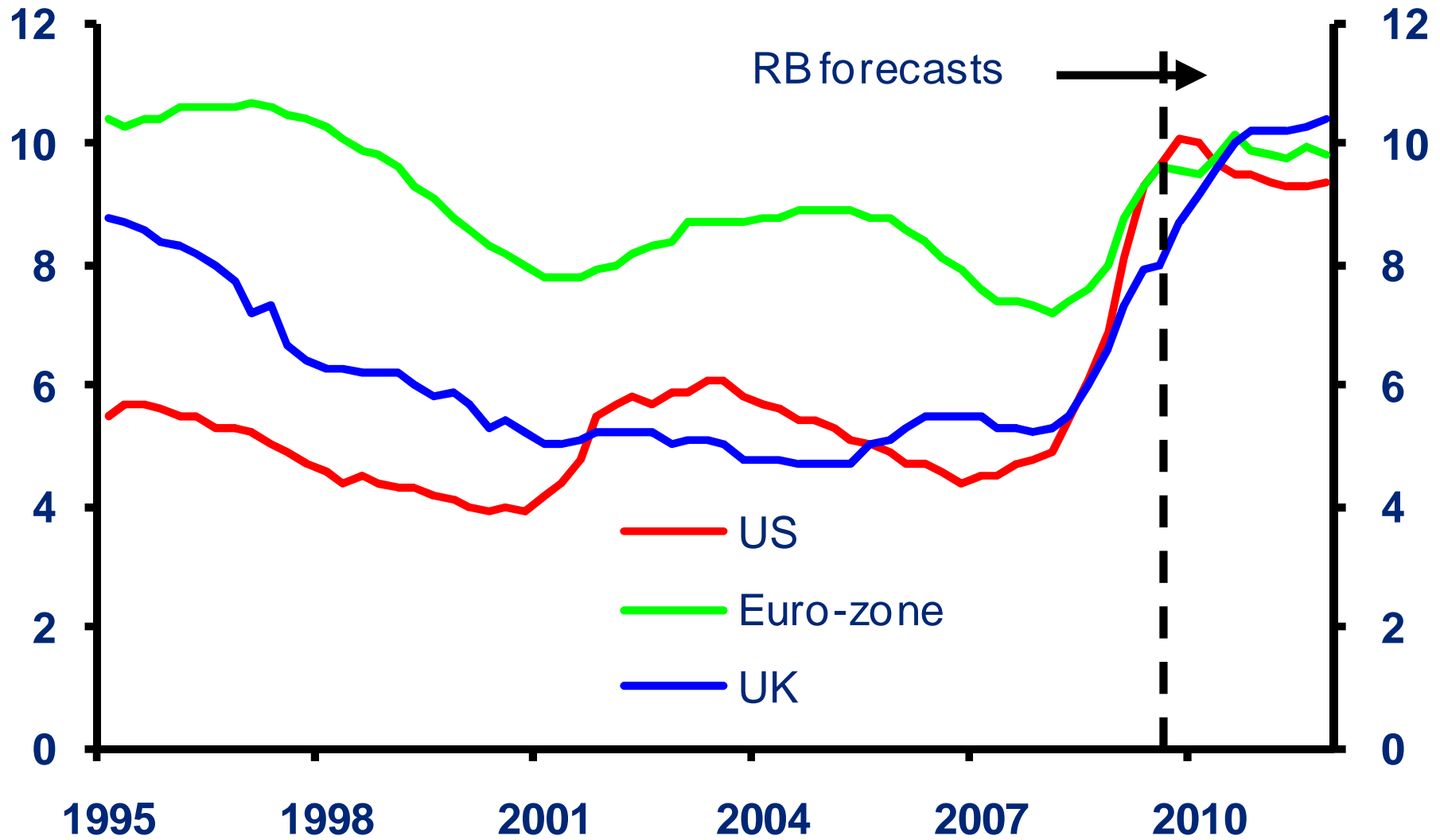
Source: Bootle

# 10. Household Debt (as a % of Disposable Income)



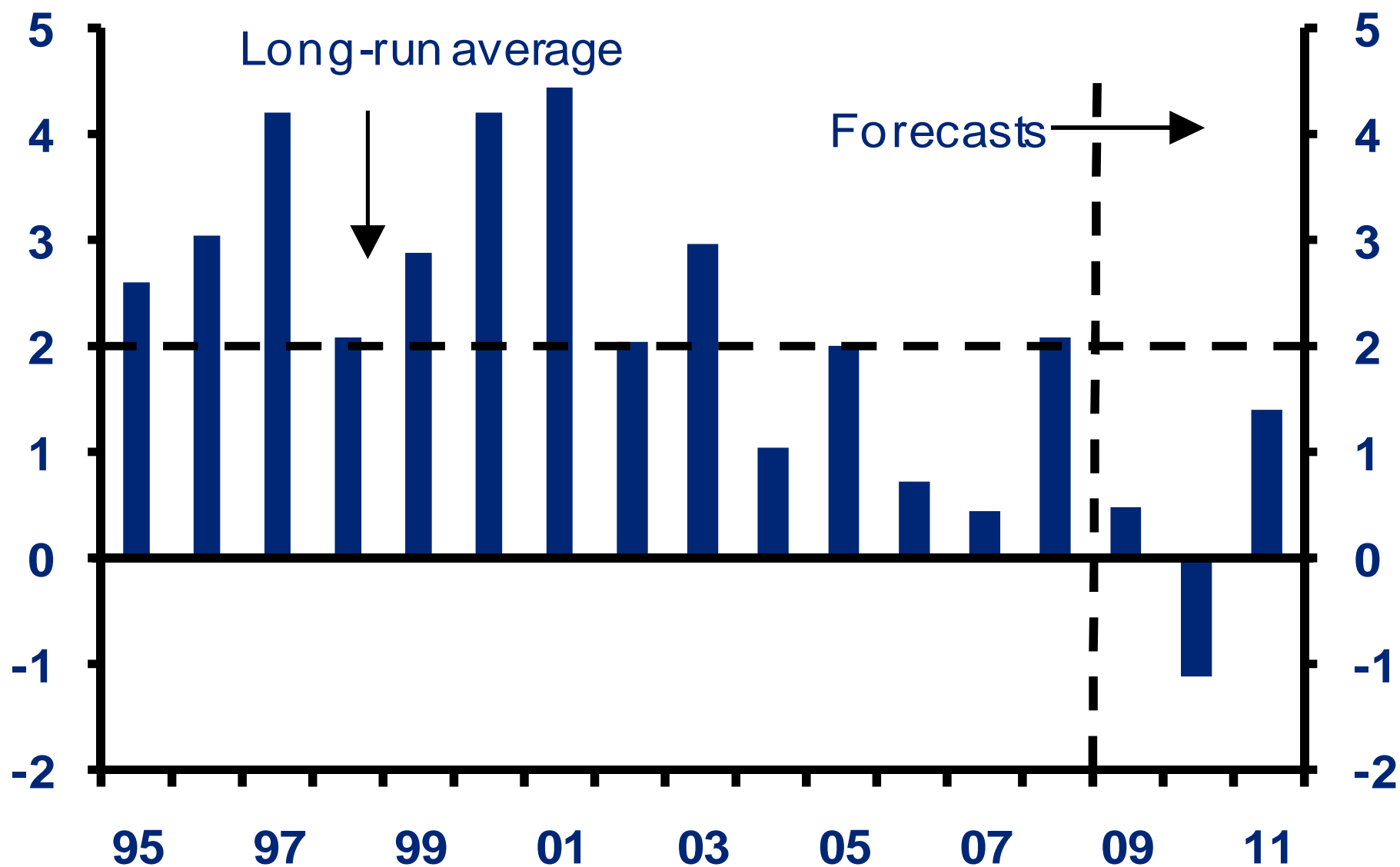
Source: OECD

# 11. Unemployment Rate (%) (1995 – 2011) (Latest = Q3)



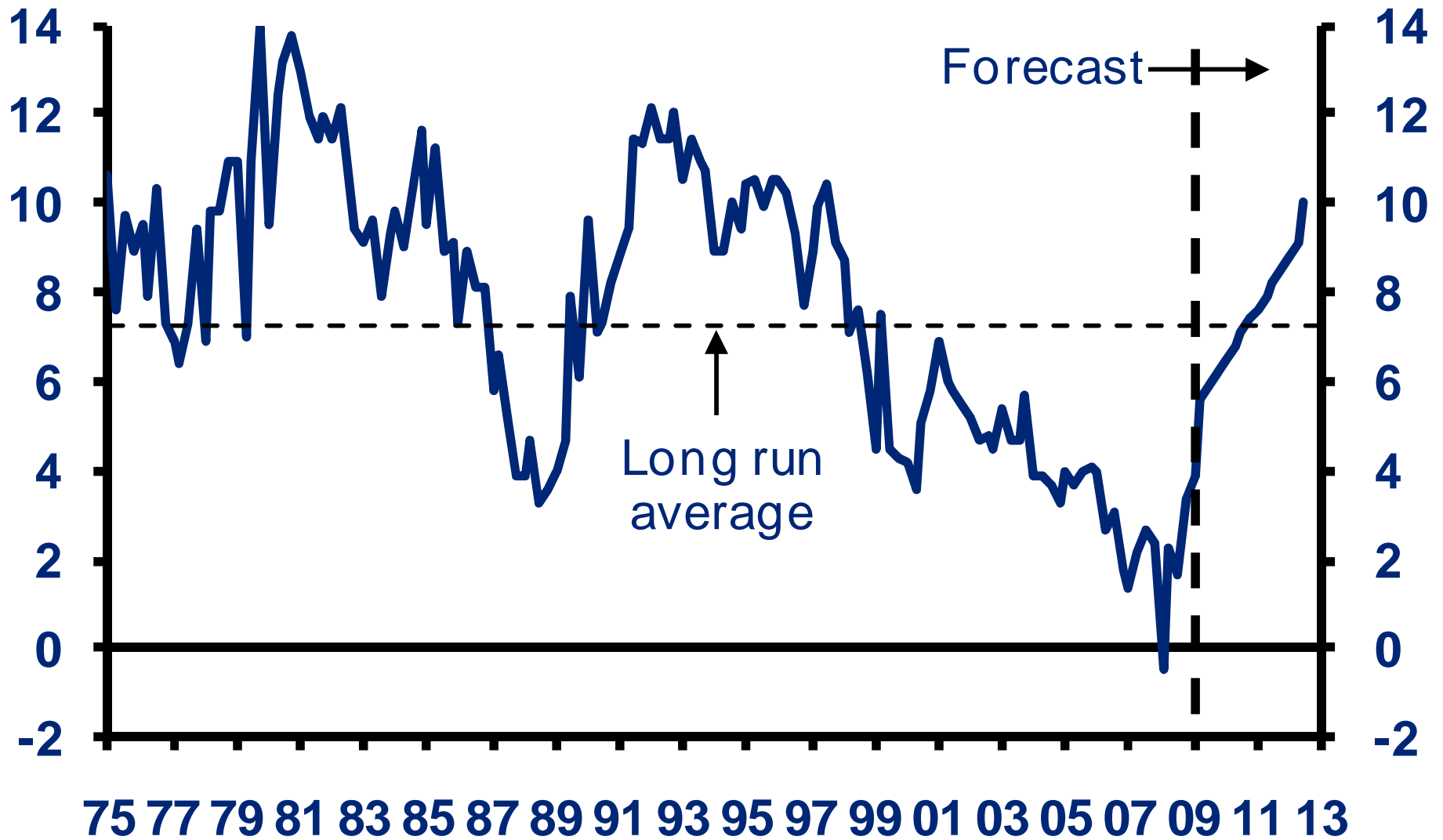
Sources: Thomson Datastream, Bootle

## 12. UK Household Real Disposable Income (% y/y)



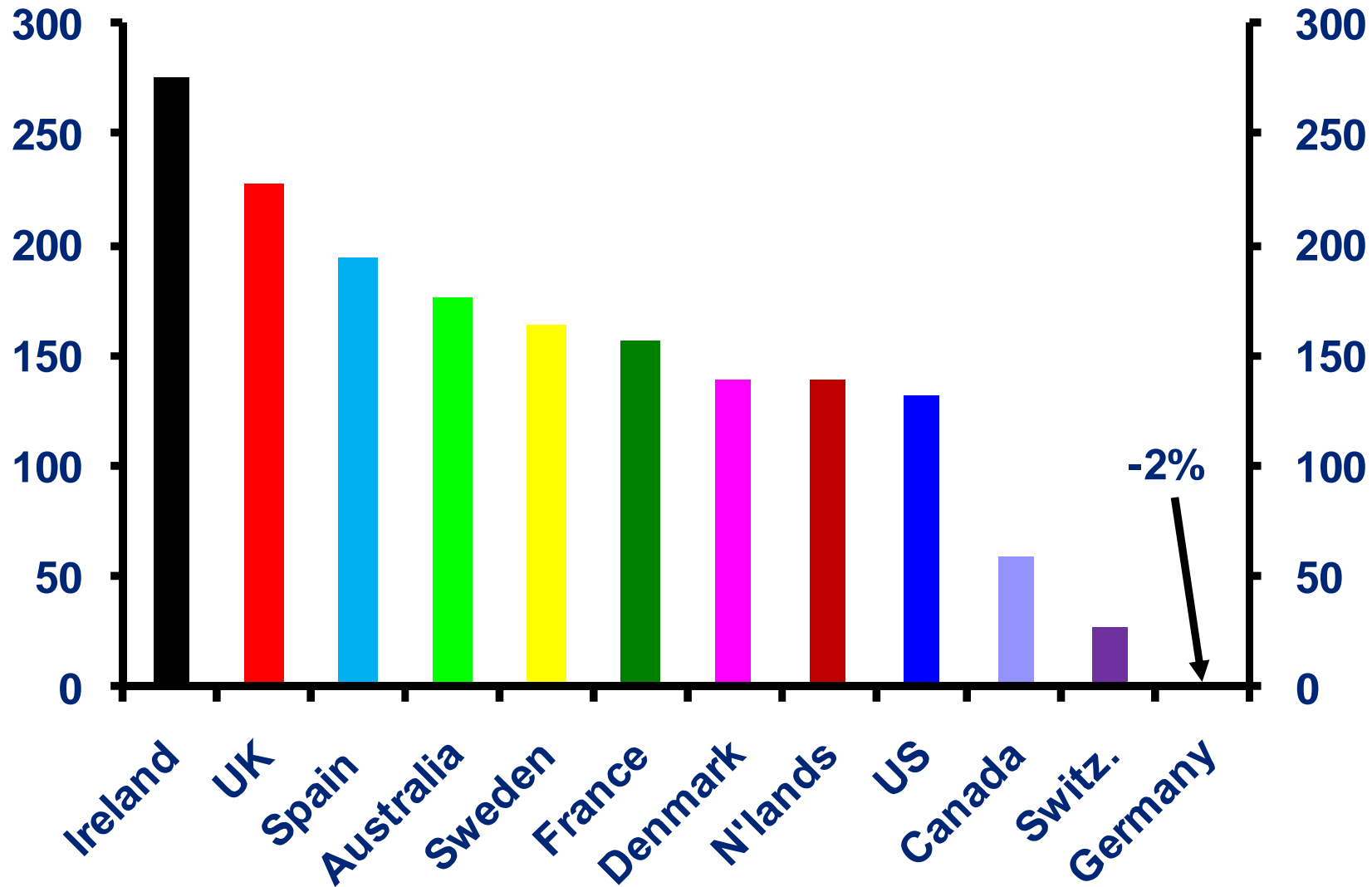
Sources: Thomson Datastream, Bootle

### 13. UK Household Saving Ratio (%)



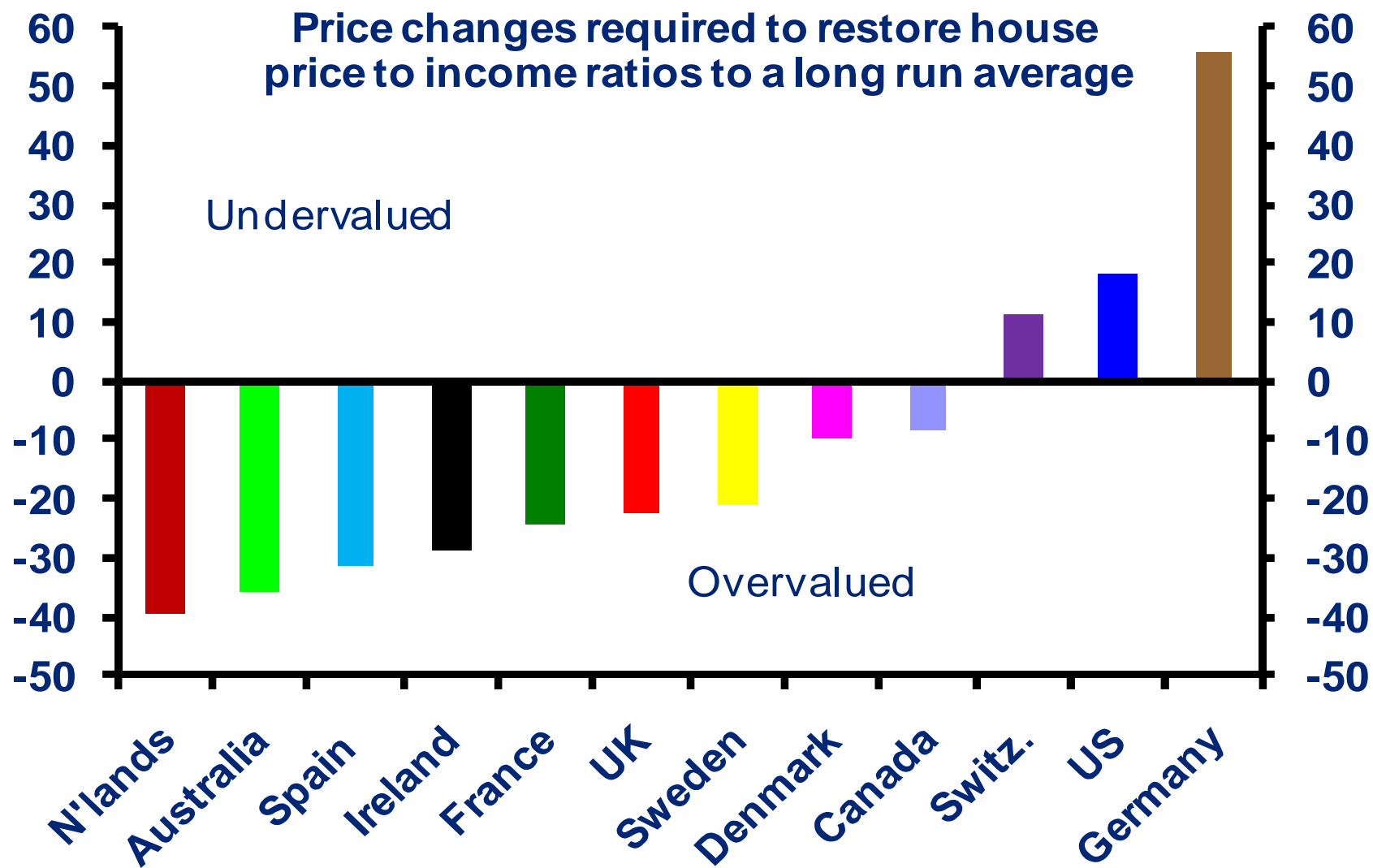
Source: Thomson Datastream, Bootle

## 14. Cumulative Increase in Average House Prices, (1997Q1 to Peak) (%)



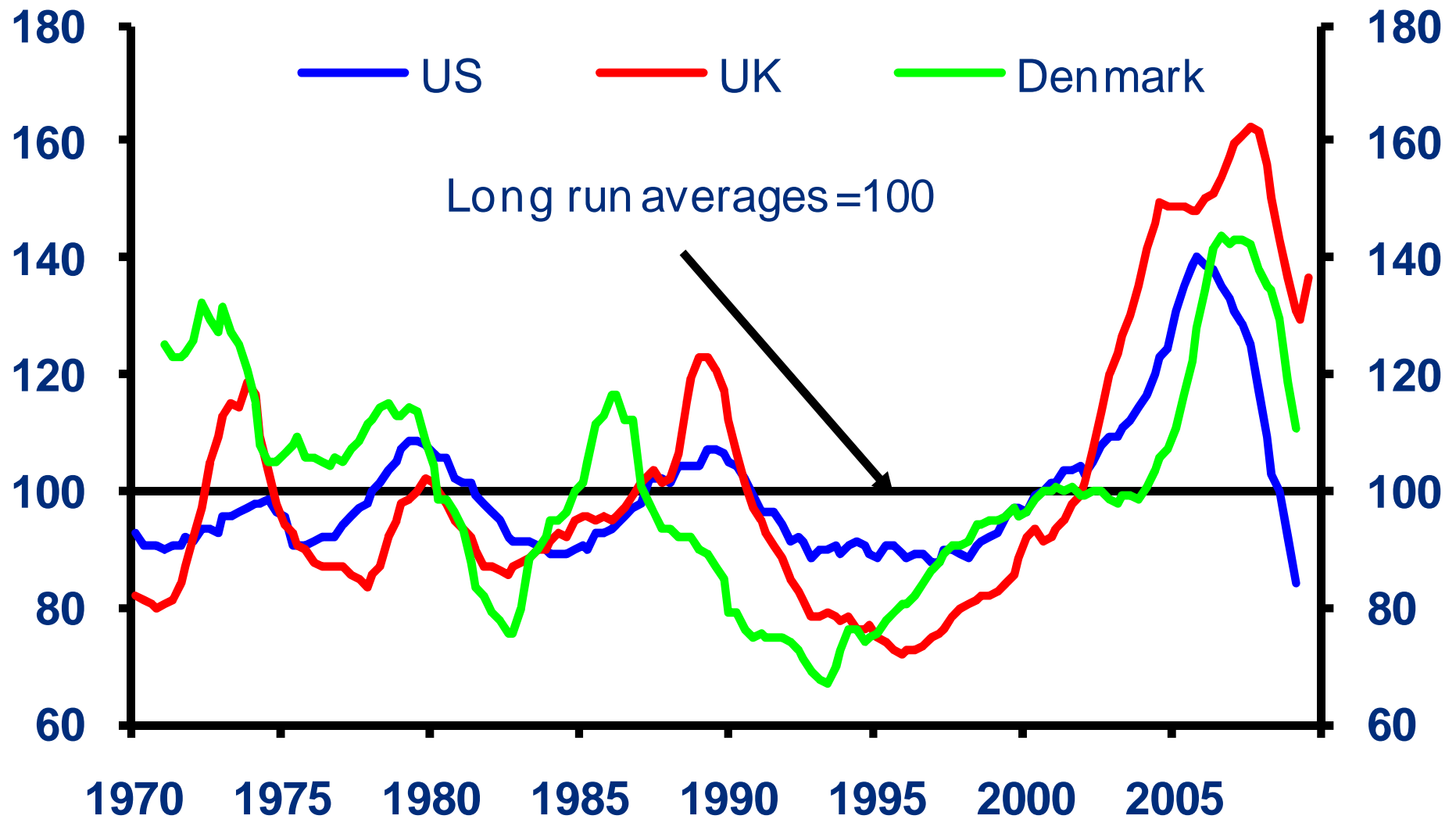
Source: Thomson Datastream

# 15. Current Extent of Housing Market Overvaluation For Each Market (%)



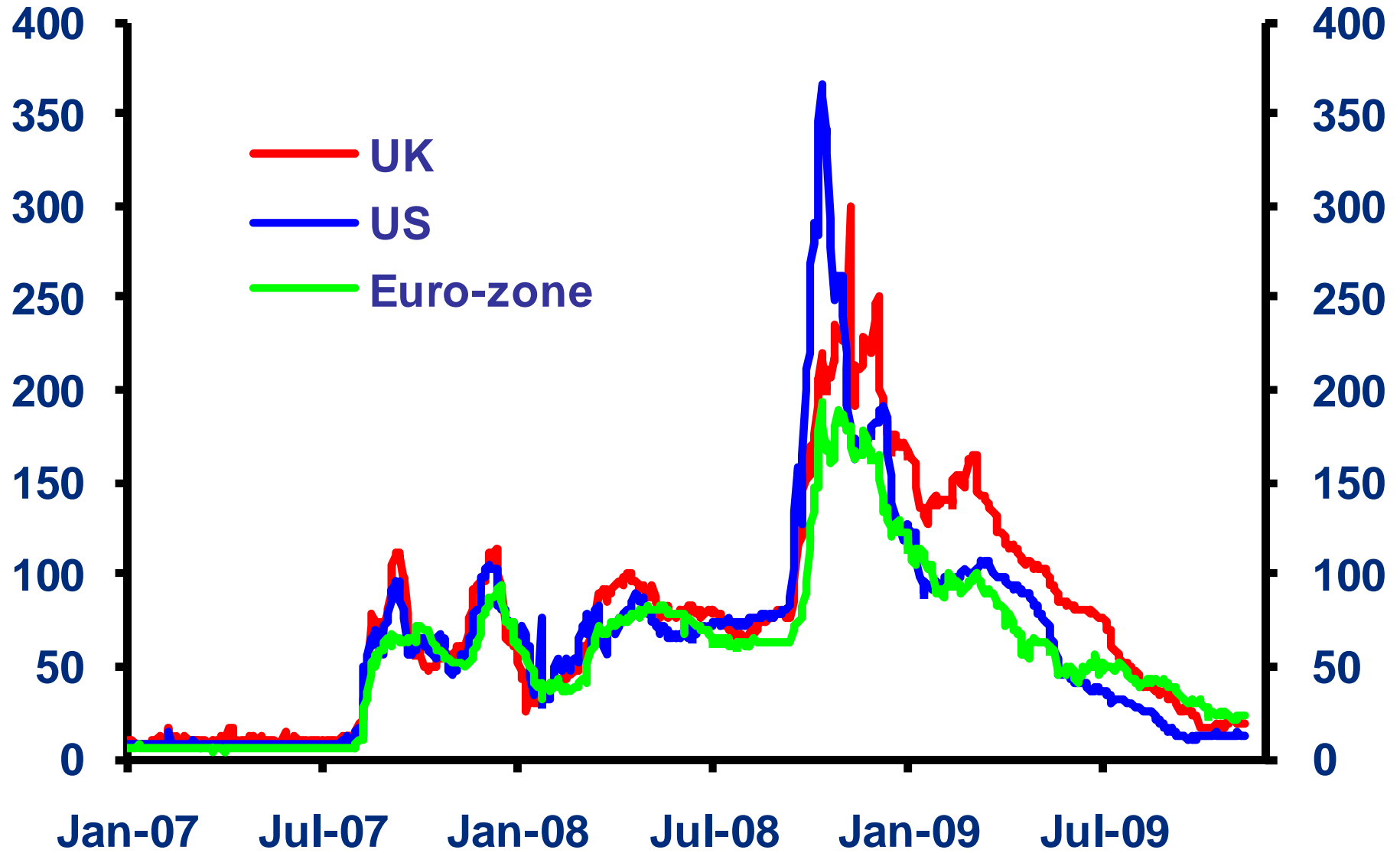
Source: Thomson Datastream

## 16. House Price to Earnings Ratios, UK,US & Denmark (1970 – 2009) (Latest = Q3)



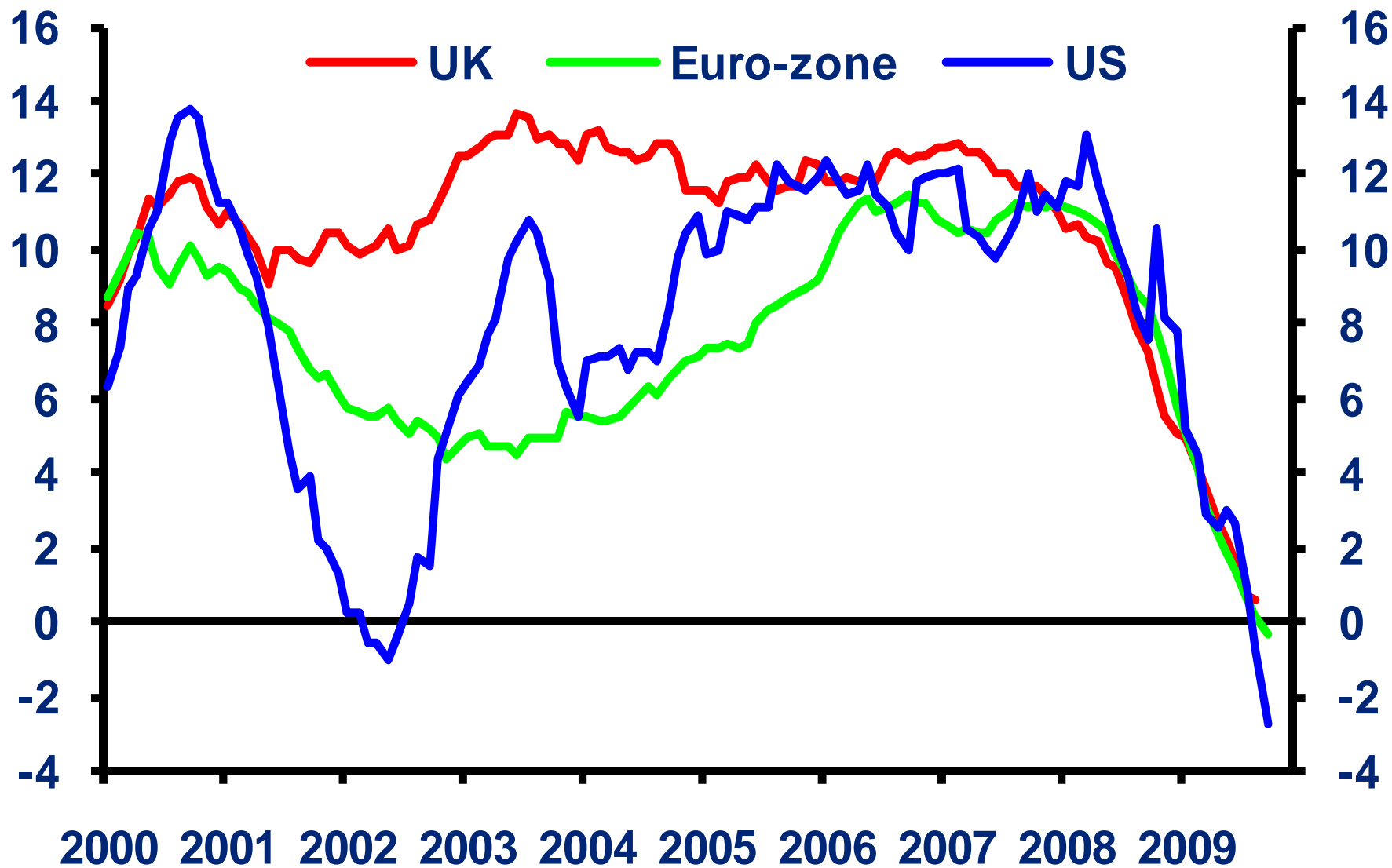
Sources: Thomson Datastream, Bootle

# 17. The Risk Spread that Banks Require to Lend to Each Other (bps) (Jan. 07 to Nov. 09)



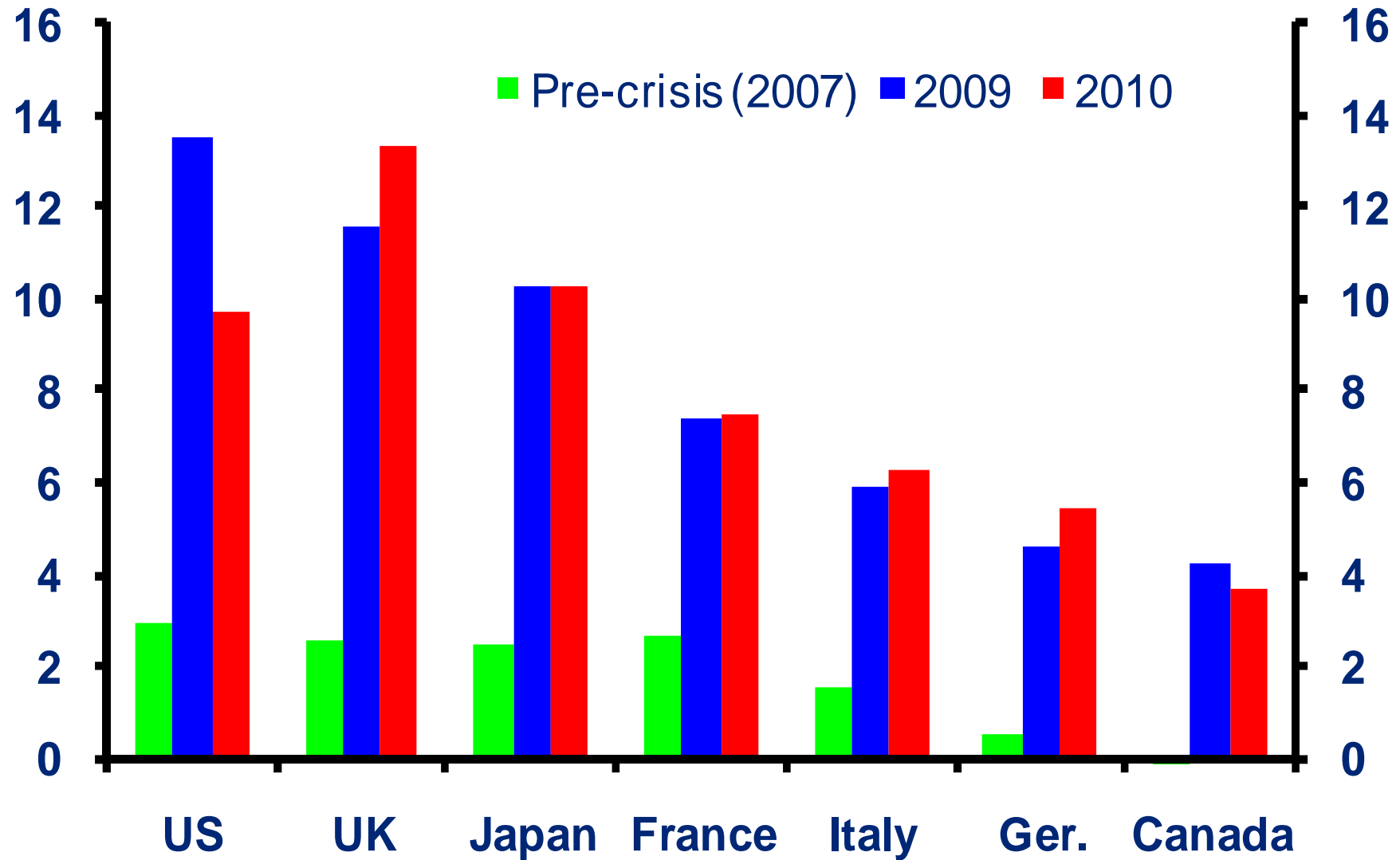
Source: Bloomberg

## 18. Bank Lending (% y/y) (2000 - 2009) (Latest = September)



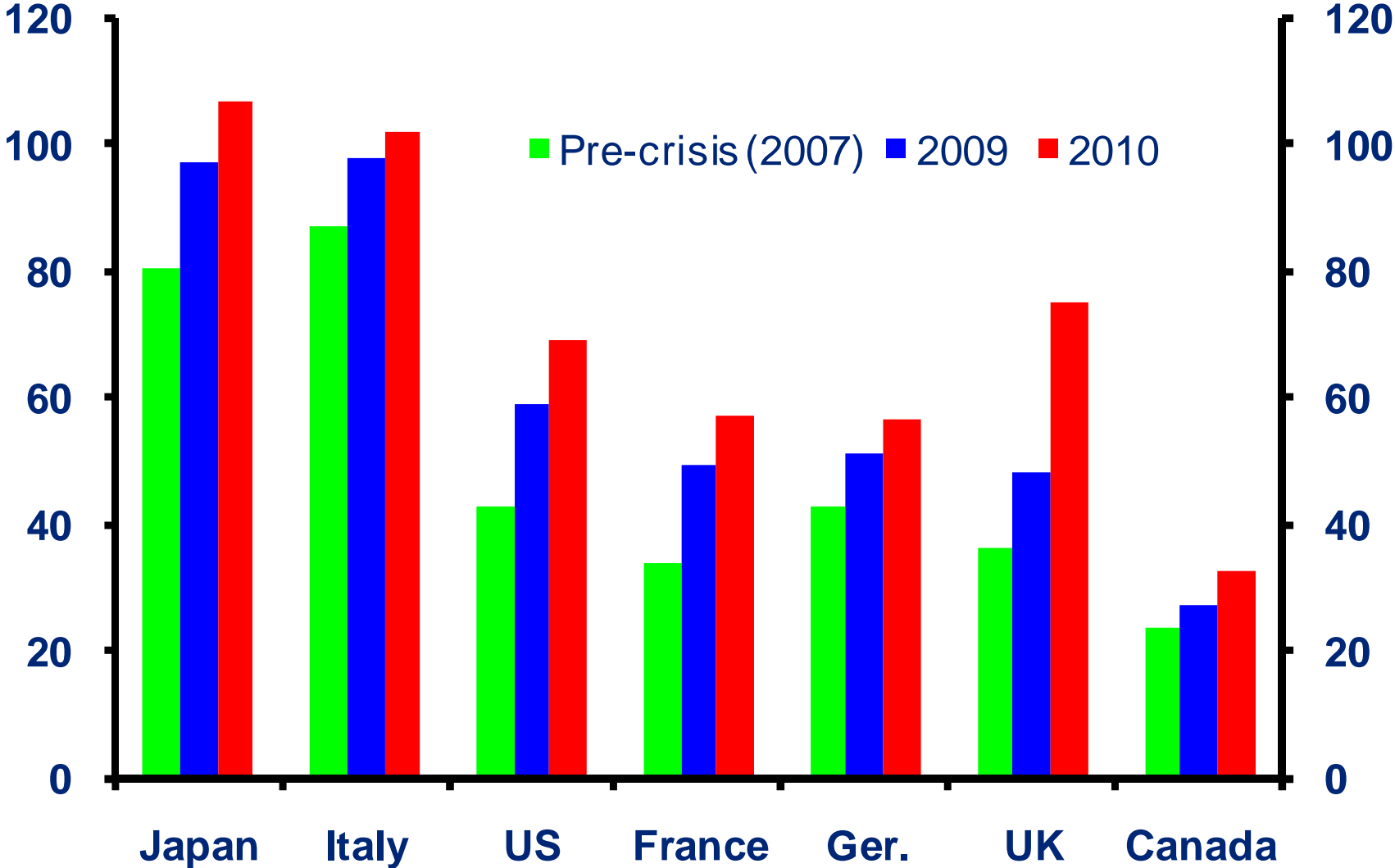
Source: Thomson Datastream

## 19. Public Borrowing (% of GDP) (2007 - 2010)



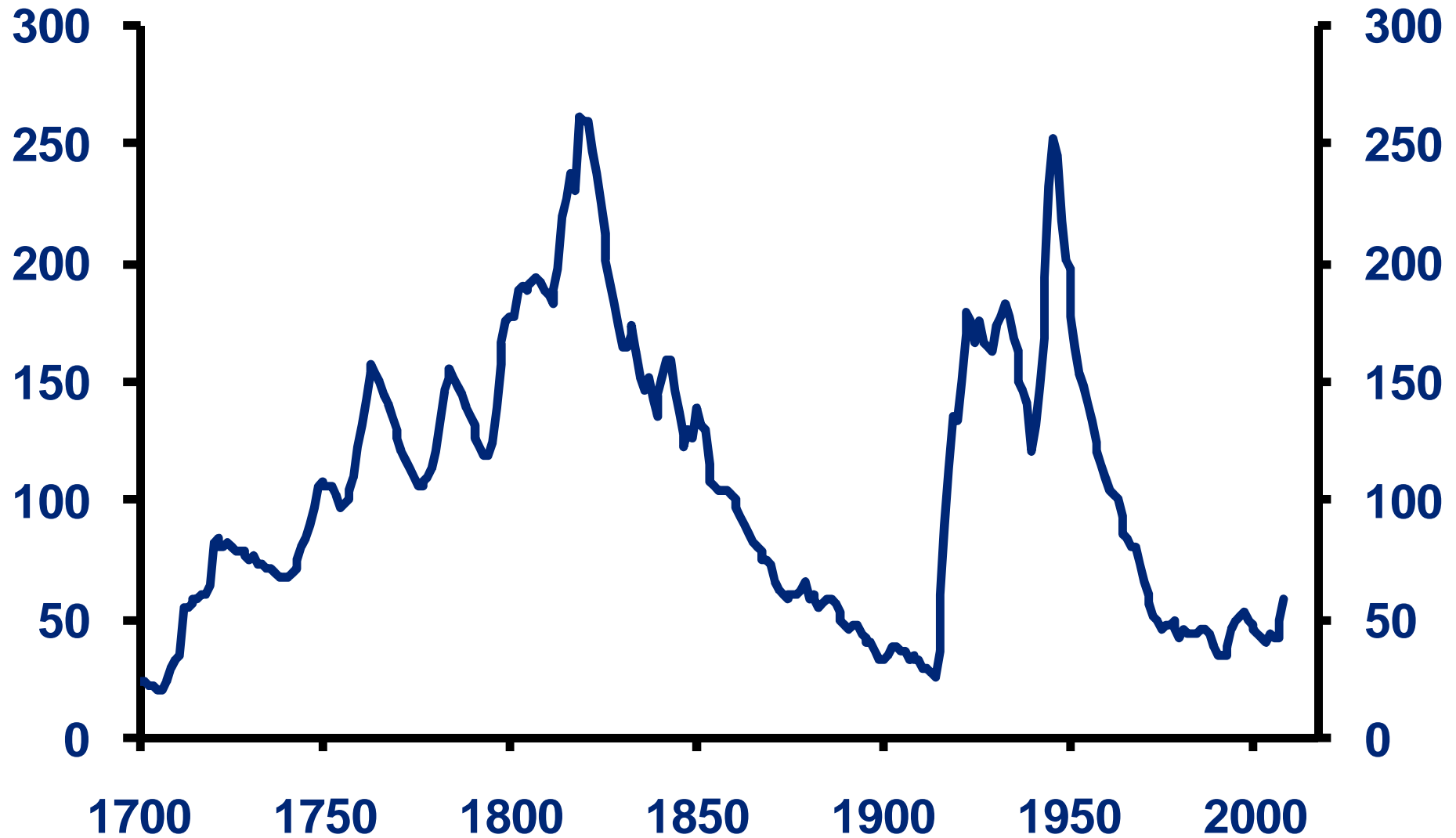
Source: IMF

# 20. Public Sector Net Debt (as % of GDP) (2007 - 2010)



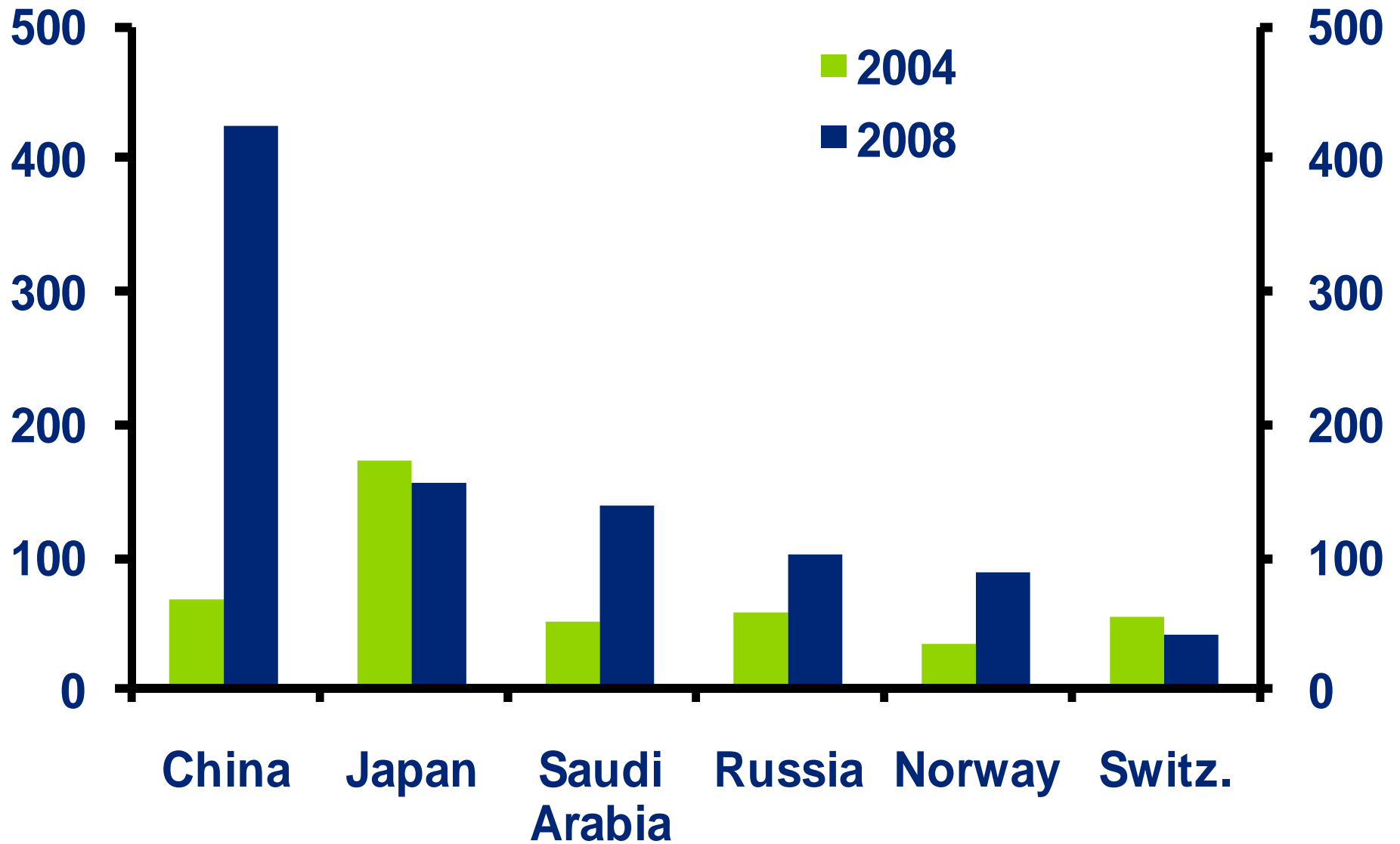
Sources: OECD, HM Treasury, Bootle

## 21. The Long History of UK Gross National Debt (as a % of GDP) (1700 – 2008)



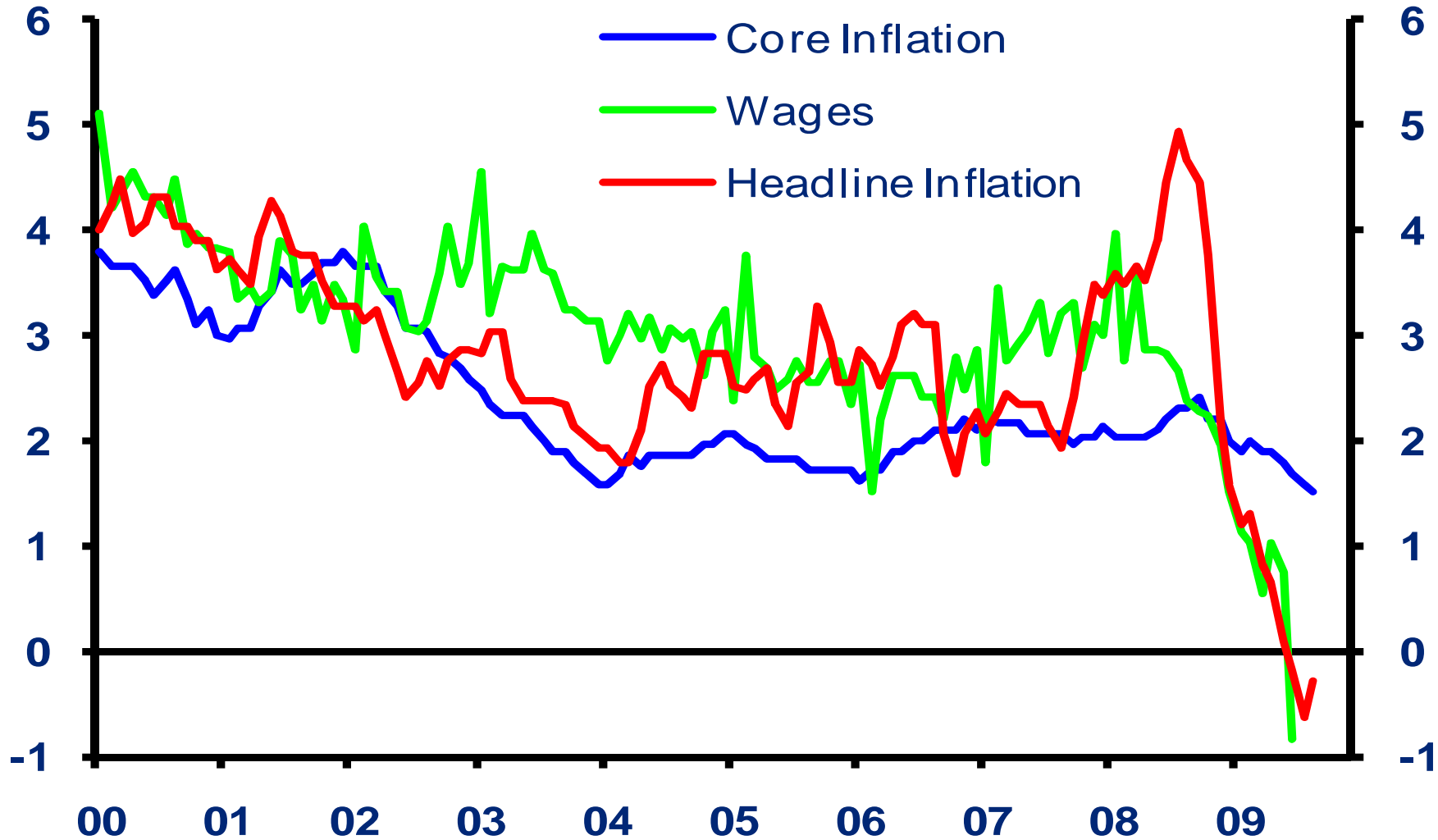
Source: HM Treasury

## 22. Current Account Surpluses (\$bn)



Source: IMF

### 23. OECD – Inflation (%) & Wages (% y/y) (2000 - 2009) (Latest = August)



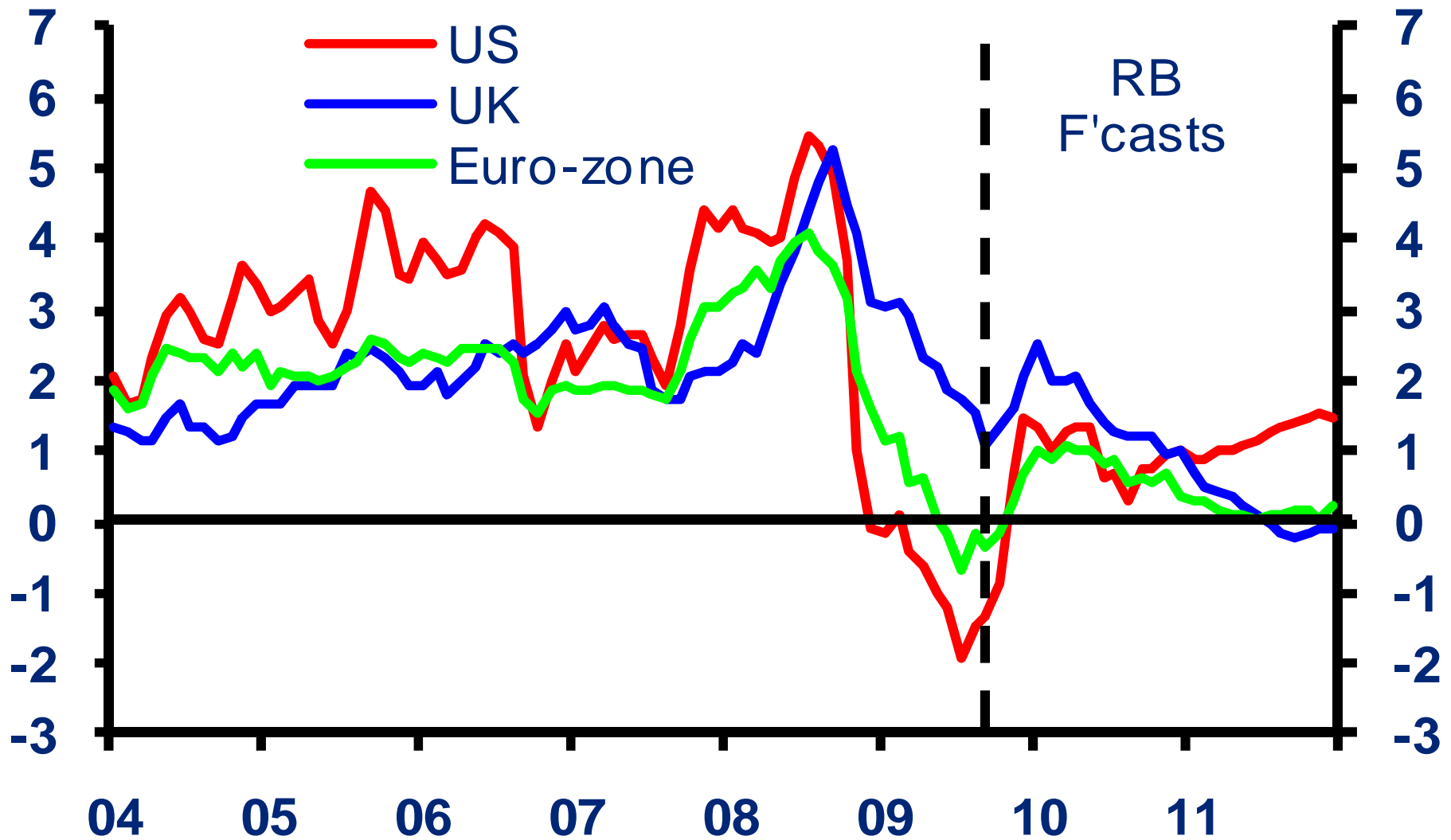
Source: Thomson Datastream

## 24. When Will Spare Capacity be Absorbed?

	Output Gap	Potential Growth	Gap closed by:
US	-6%	2.5%	2015
Euro-zone	-6%	2.3%	2015
UK	-6%	2.3%	2016
Japan	-7%	1.5%	2014
China	-3%	9.0%	2011

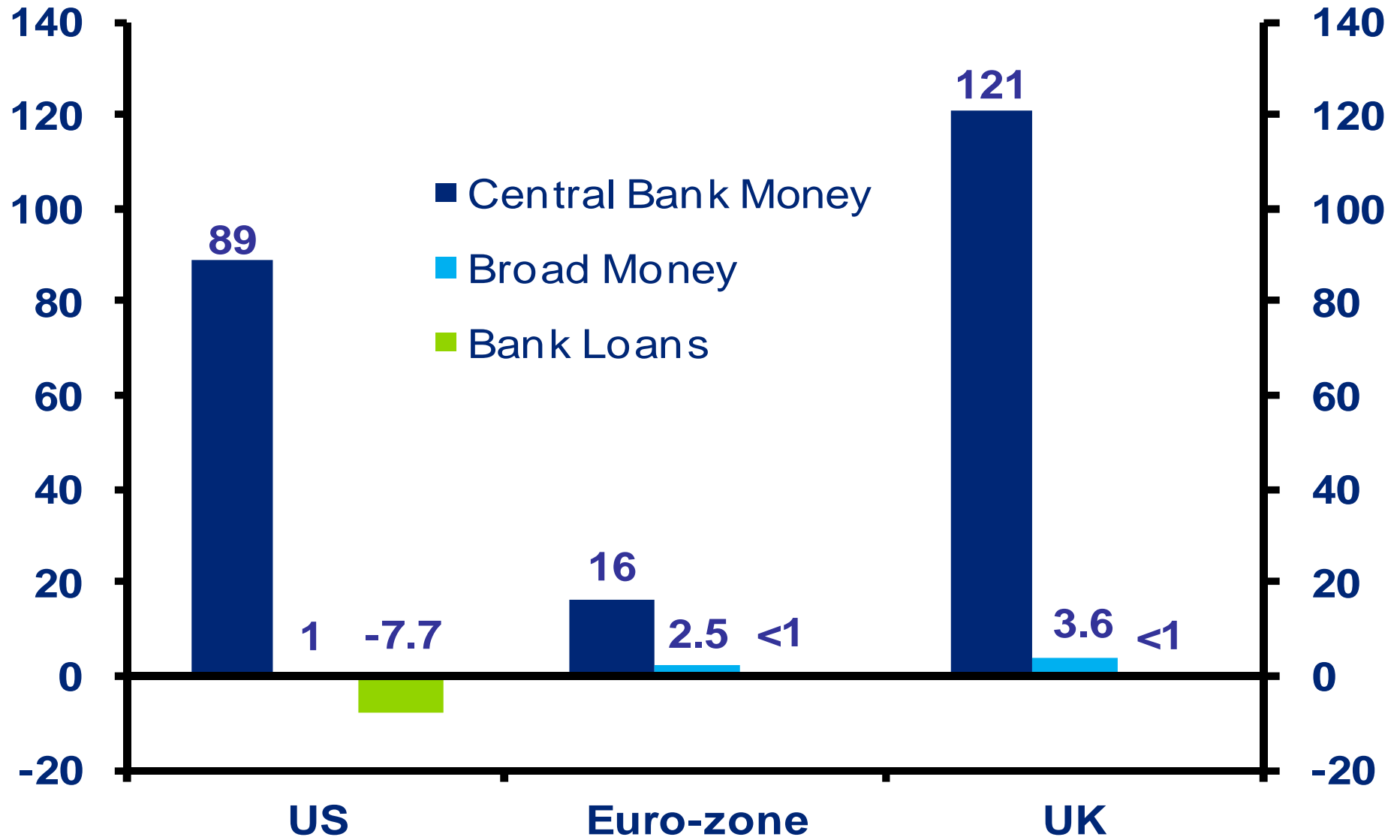
Sources: OECD, Bootle

## 25. Inflation Forecasts (% y/y) (2004 - 2011) (Latest = September)



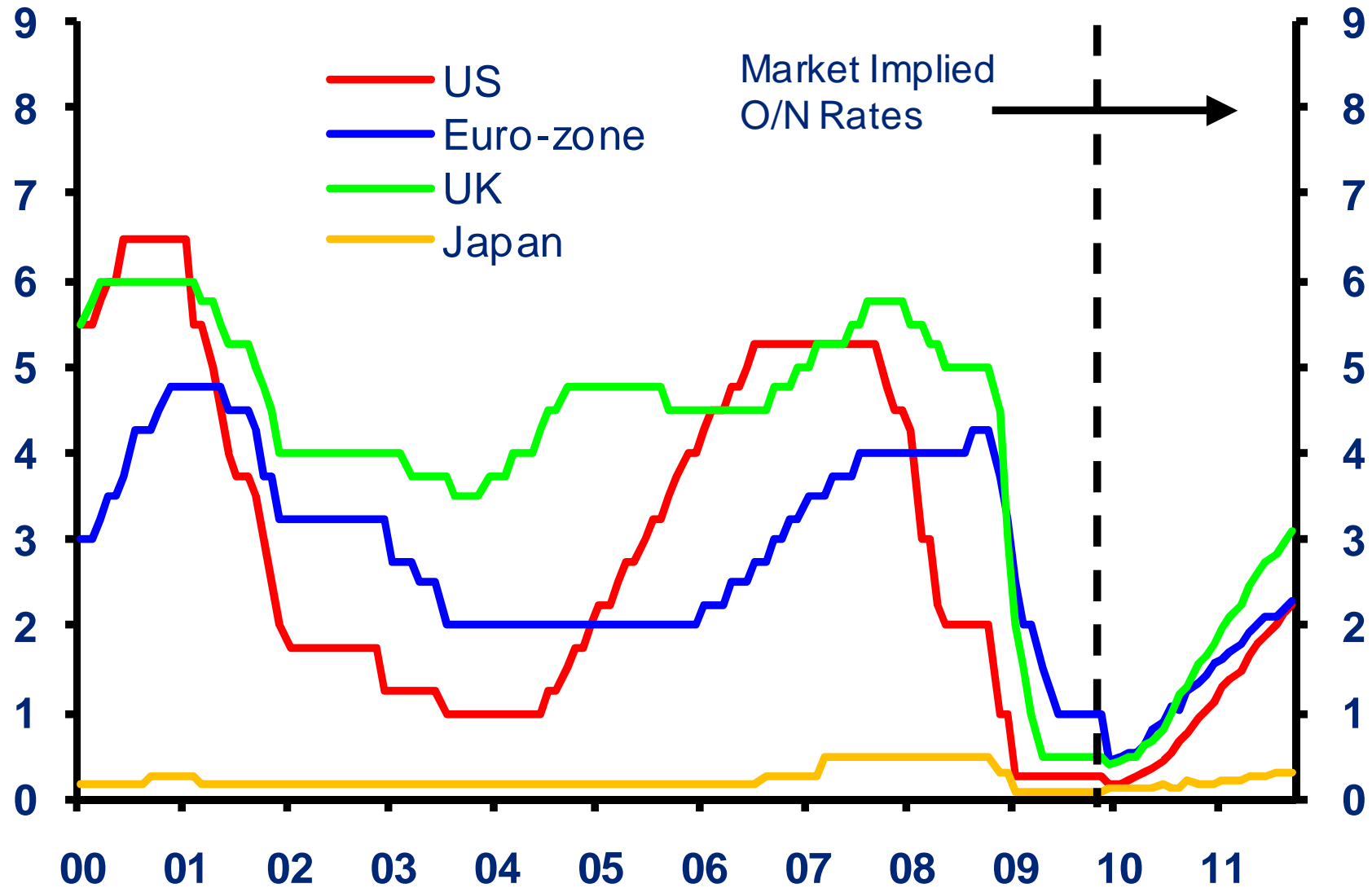
Sources: Thomson Datastream, Bootle

## 26. Money and Credit (% Change, Sep. 2008 to Sep. 2009)



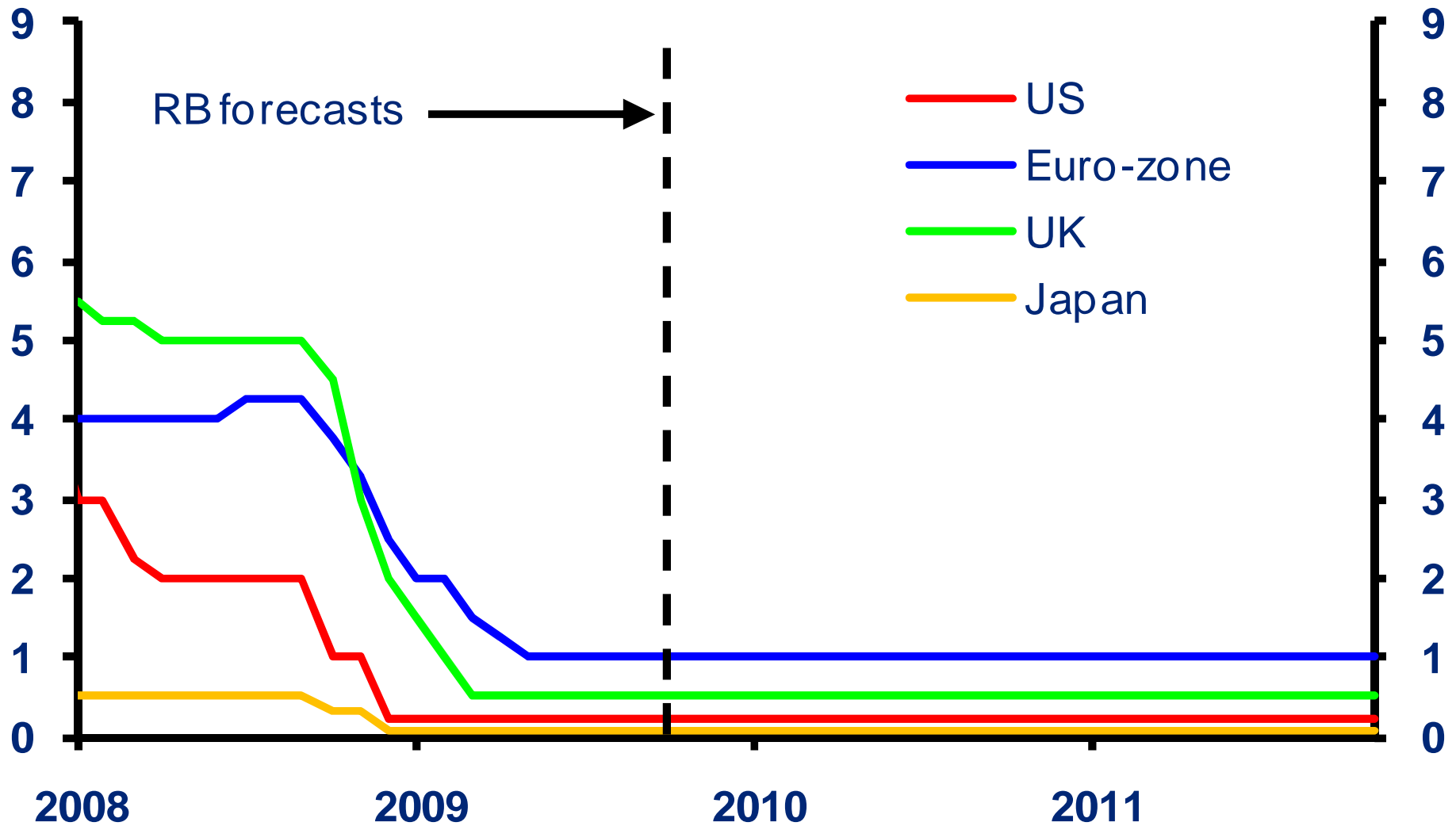
Source: Thomson Datastream

## 27. Market Interest Rate Expectations (%) (2000 – 2011)



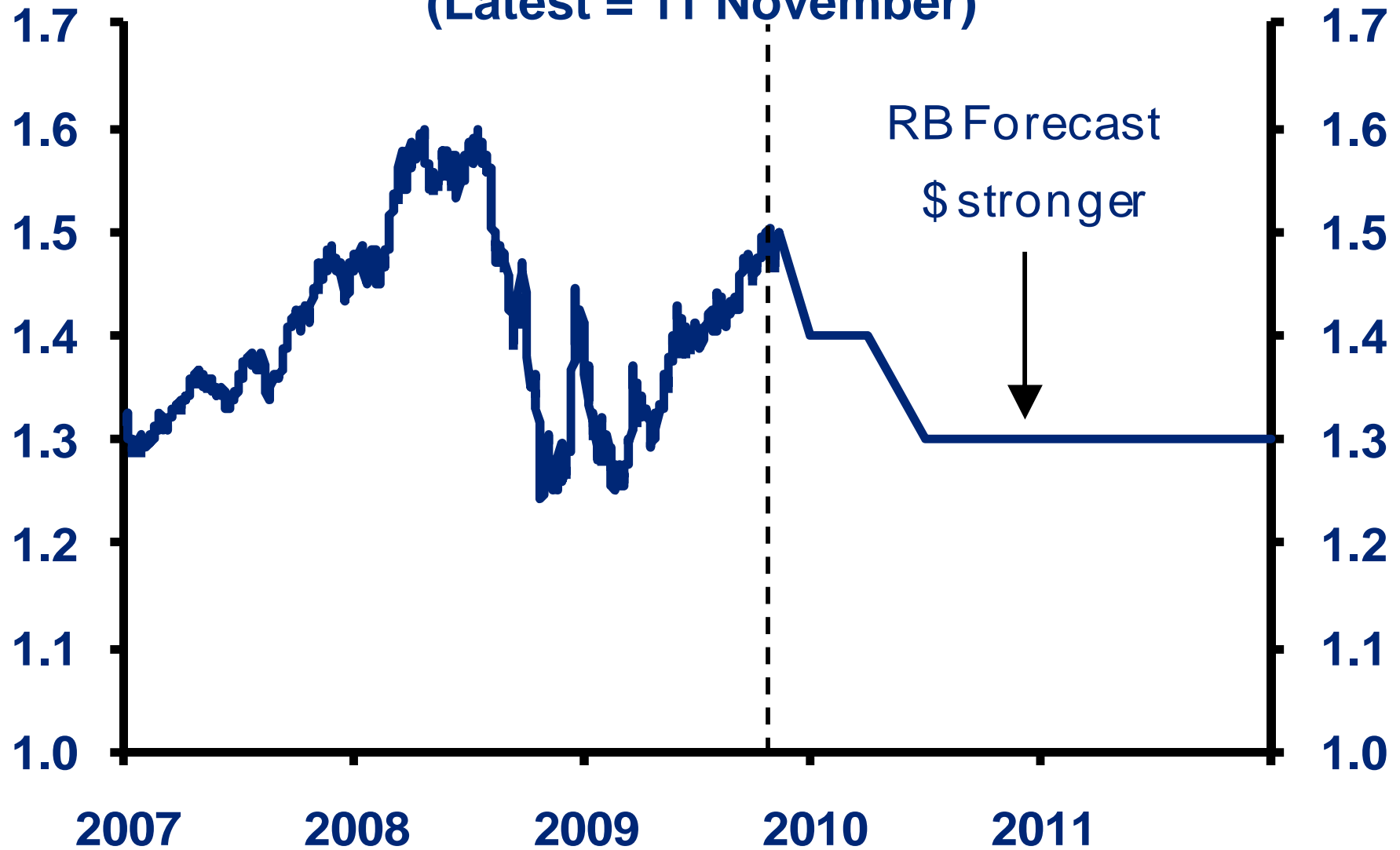
Source: Bloomberg

## 28. RB Interest Rate Expectations(%) (2008 – 2011)



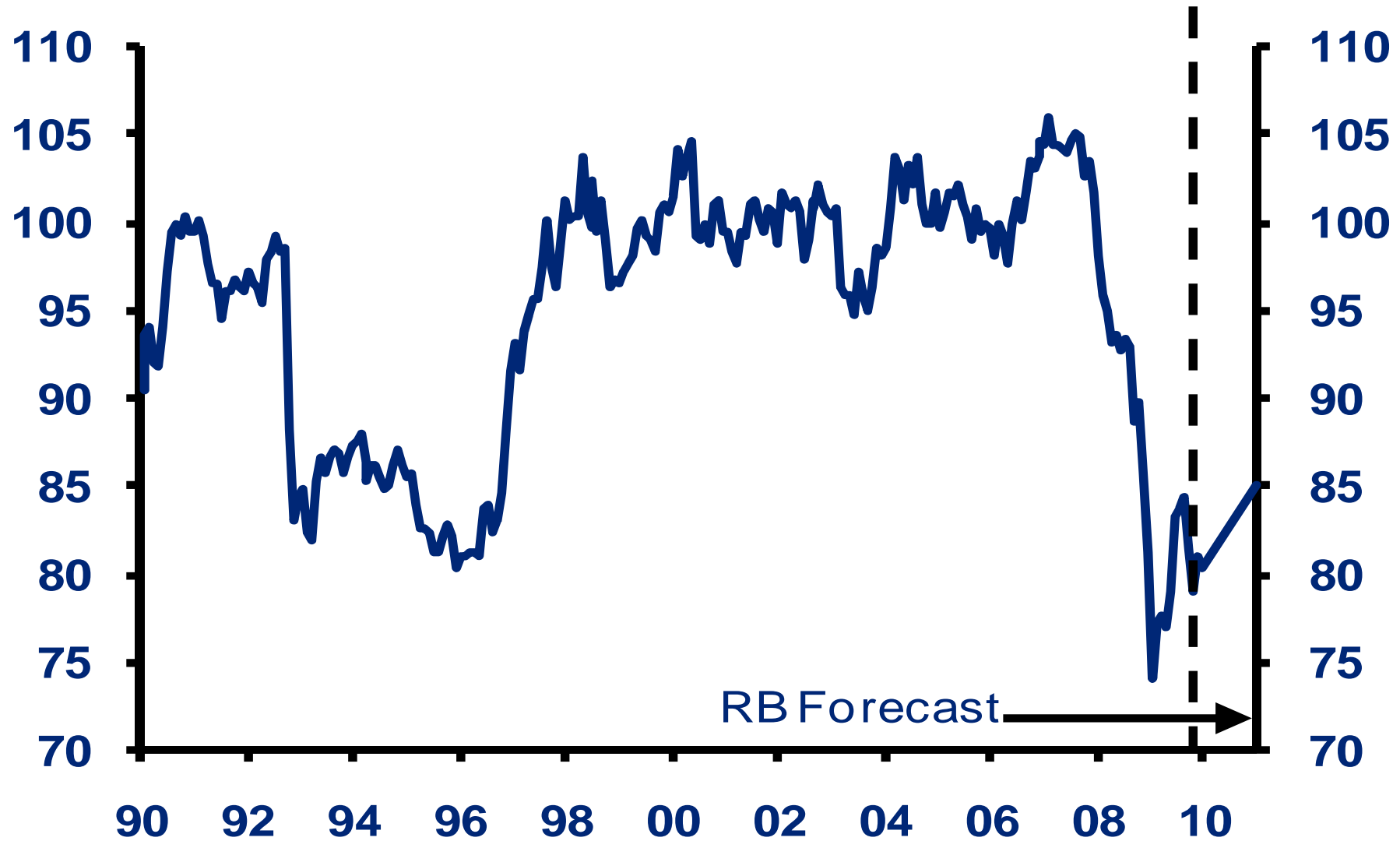
Sources: Bloomberg, Bootle

## 29. US\$ vs. Euro (2007 – 2011) (Latest = 11 November)



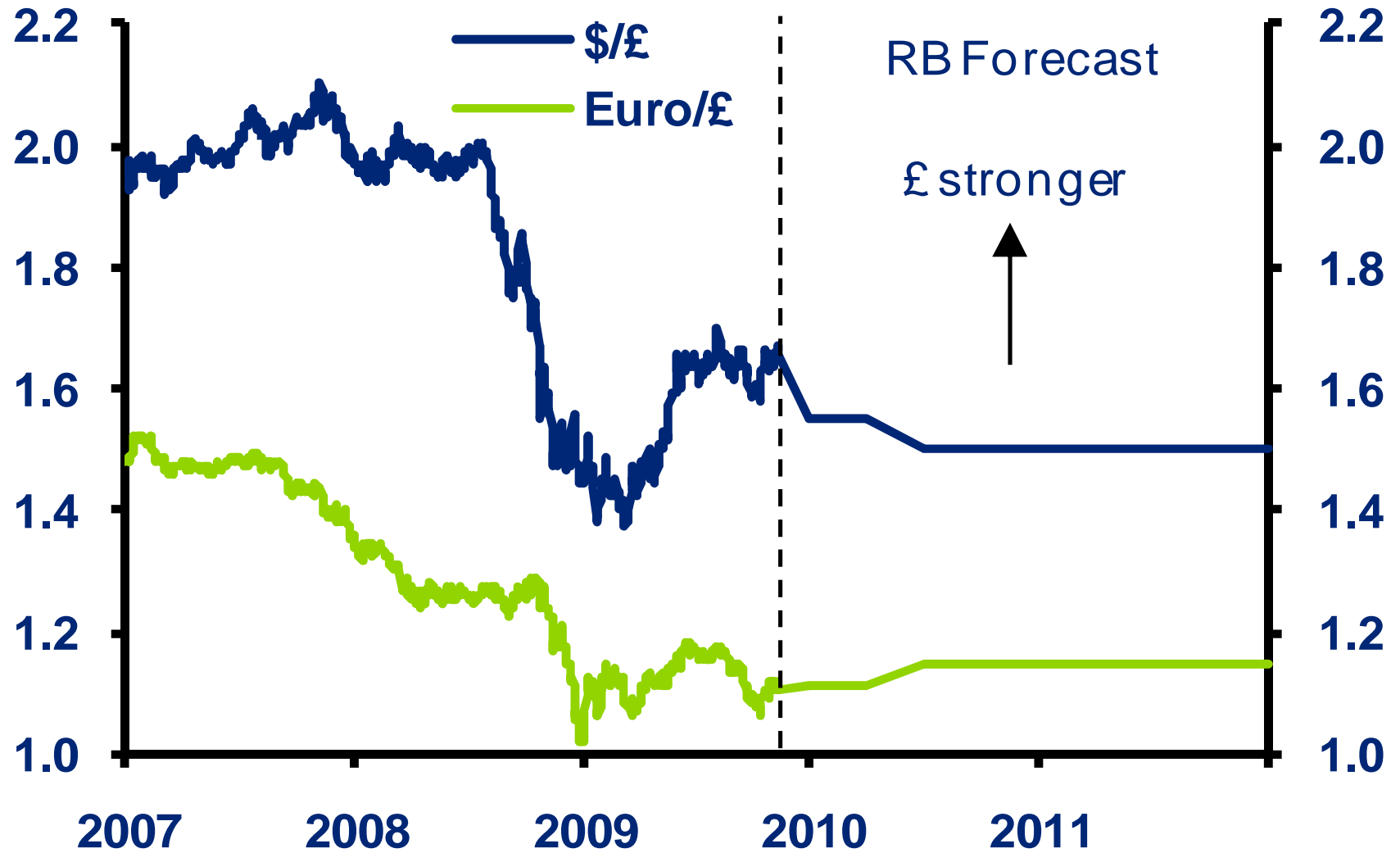
Sources: Thomson Datastream, Bootle

### 30. £ Trade-Weighted Effective Exchange Rate (1990 – 2011) (Latest = 12 November)



Sources: Thomson Datastream, Bootle

### 31. £ vs. US\$ & Euro (2007 – 2011) (Latest = 11 November)



Sources: Thomson Datastream, Bootle

## 32. Conclusions

- A repeat of the Great Depression has *probably* been averted.
- But the world faces a long period of very low growth...
- ...unless China steps up its domestic demand growth.
- Western economies are still fragile.
- Deflation remains a serious threat.
- The UK faces an intense fiscal squeeze.
- Interest rates are set to stay low for an extended period.



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