



## UK Economic Outlook : June 2014



**UK recovery continues to gather pace**

### The UK recovery continues to gather pace. We expect growth of around 3% this year ...

In Europe the challenge of low growth and a risk of deflation contrasts significantly with the outlook for the UK.

In the USA despite the disappointing figures in the first quarter, the outlook for the year remains promising. Tapering will be completed by the Autumn and US rate rises will be back on the agenda in the second quarter of 2015.

Despite the strong performance of the UK economy and the strength of the housing market, the Bank of England is unlikely to raise base rates ahead of the Fed and the ECB ...



**We expect base rates to rise in 2015 Q2 but Autumn 2014 may be the better policy option.**

In this June economics update we forecast growth of 2.9% in 2014 slowing to 2.8% next year. Inflation will remain slightly above target, CPI basis, over the balance of the year. Unemployment will continue to fall, government borrowing will also fall, the service sector will lead the recovery as manufacturing and construction output also rise.

Our forecast is largely unchanged from the March edition. We have increased our forecasts for manufacturing output, modifying slightly the outlook for construction and investment. The trade figures will continue to disappoint. The UK will be unable to grow faster than major trade partners in Europe without a significant deterioration in the trade balance. The challenge to the current account following the collapse in overseas investment income may present a significant problem to the outlook for sterling over the medium term. **Dr John Ashcroft Chief Economist.**

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## Chapter 1 World Economy

- The world economy is expected to grow by 3.3% in 2014 and 3.5% in 2015, following growth of just 2.4% in 2013.
- Recovery in the USA and UK, will be overshadowed by much faster growth in the developing markets of China, India and Indonesia.
- Slower growth is expected in the BRIC markets of Russia and Brazil. Mexico, Indonesia, Nigeria and Turkey feature as the MINT favourites with strong growth anticipated.
- On a regional basis, growth in Sub Saharan Africa and the Asia Pacific region will continue at pace.
- Recovery in North America is expected to accelerate as US growth impacts on Mexico and Canada following the poor Q1 US data.
- South America growth will slow as the slow down leads to growth of just 1.8% in Brazil this year.
- In Eastern Europe despite the slow down in Russia, growth in the Baltic States will remain strong with overall growth of 3.3% expected in the region.
- Growth in Western Europe will improve led by a recovery in Germany. Despite the problems remaining in the Southern States, we expect growth of 1.5% in 2014, a significant improvement on the 0.1% experienced in 2013.
- World trade is expected to grow by 3.9% in 2014 returning to trend rate of growth around 4.5% in 2015 and 5.2% in 2016.
- World prices for energy, particularly oil, primary metals, food and manufactures remain subdued improving the inflationary outlook for some economies and menacing the deflationary impact for others.
- Overall we expect the recovery in the world economy to continue, with some acceleration in price levels through the year.

Chart 1.1 : World GDP growth %

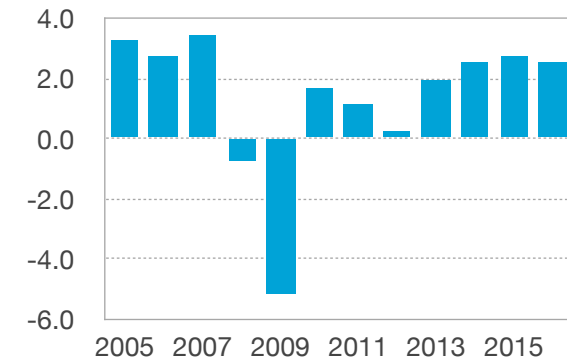
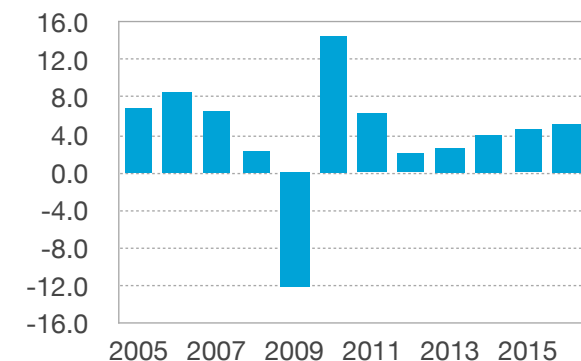


Chart 1.2: World Trade growth %



... the recovery continues.

Table 1 World Economy GDP Growth %

Top Ten Markets	2010	2011	2012	2013	2014	2015	2016
United States	2.5	1.8	2.8	1.9	2.5	3.1	3.0
China	10.4	9.3	7.7	7.7	7.3	7.2	7.2
Japan	4.7	-0.4	1.4	1.7	1.4	1.3	1.5
Germany	4.0	3.3	0.7	0.4	1.8	2.0	2.2
France	1.6	2.0	0.0	0.2	0.8	1.5	2.5
Brazil	7.5	2.7	0.9	2.2	1.8	2.3	3.0
United Kingdom	1.7	1.1	0.2	1.9	2.9	2.8	2.6
Italy	1.7	0.6	-2.6	-1.8	0.6	1.1	1.4
Russia	4.5	4.3	3.4	1.3	1.9	2.4	2.8
India	7.5	7.7	3.8	4.7	5.4	6.0	6.5
World GDP	<b>5.3</b>	<b>3.9</b>	<b>2.6</b>	<b>2.4</b>	<b>3.1</b>	<b>3.3</b>	<b>3.5</b>
World Trade %	<b>14.6</b>	<b>6.2</b>	<b>1.9</b>	<b>2.7</b>	<b>4.1</b>	<b>4.8</b>	<b>5.2</b>

The estimates are produced with heavy reliance on world trade forecasts from the European Union, the IMF, the OECD, the World Bank and the NIESR world model. Additional data is derived from the USA Bureau of Economic Affairs. World trade data is developed from the CPB World Trade Monitor, produced by the CPB Netherlands Bureau for Economic Policy Analysis. We also utilise the Consensus Economics data : Consensus Forecasts, Asia Pacific, Latin America and Eastern Europe. The Top Ten economies in the world account for approximately two thirds of global GDP.

## Chapter 2 World Trade and Oil Prices

- Oil prices Brent Crude basis averaged \$108 per barrel in 2013, compared to \$111 in the prior two years.
- We expect oil prices to remain around \$108 in 2014 and 2015. Despite the acceleration in world growth, developments in the USA, such as gas extraction, are likely to reduce pressure on international demand levels.
- World trade prices fell by 0.9% in 2013 after falls of -1.8% in 2014.
- We expect world trade prices to increase by 2.5% in 2014 rising to 2.7% and 2.9% over the subsequent two years.
- We believe basic metal prices including, copper, zinc, lead, aluminium and iron have reached a basic floor level which will lead to a moderate recovery in price levels over the next few years.
- Precious metals, gold, silver and platinum appear becalmed with gold averaging \$1295 in the second half of 2013 and into 2014.
- World commodity prices, excluding fuel (chart 5) have been extremely volatile increasing by over 25% in 2006 and 2010.
- Despite the fall in prices of almost 5% in 2013, we expect commodity prices to increase by 2.5% in 2014, rising to 5% and 7.5% over the next two years.
- Trends in world trade, world trade prices and commodity prices should assuage fears of deflation in the world economy,

Chart 2.1 : Oil Prices \$ per barrel

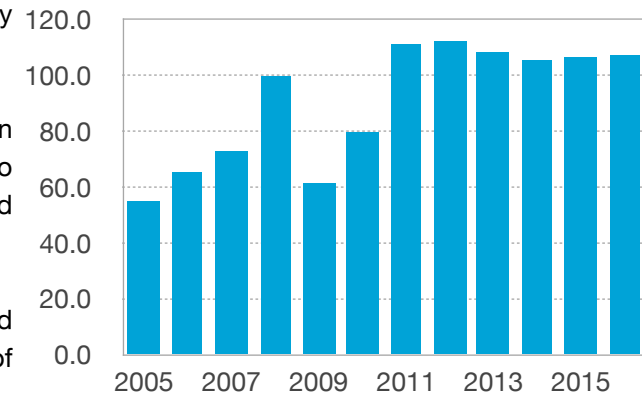


Chart 2.2 : World Trade Prices

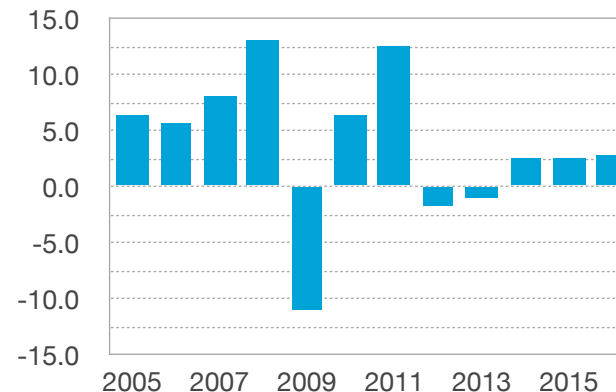
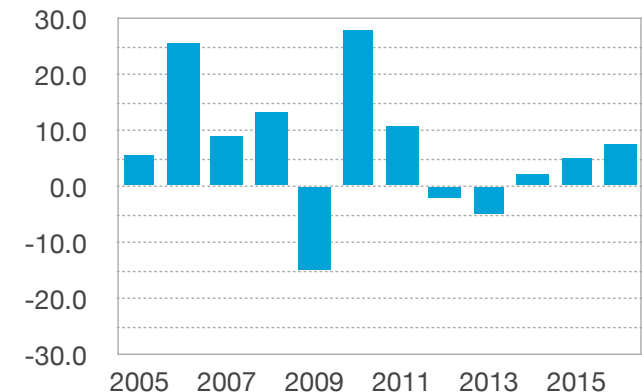


Chart 2.3 :World Commodity Prices



... no worries about deflation.

### Chapter 3 Growth in UK GDP (O) Output

- We model UK GDP growth in the first instance using our pragmatic GDP (O) model. On this basis we employ more conventional business modelling techniques including, ARIMA, exponential smoothing, pattern recognition and econometrics.
- We also utilise the Manchester Index® as part of our “nowcasting” model, producing a short term steer on directions within the UK and Greater Manchester economy.
- Following growth of 1.7% in 2013, we expect UK GDP growth of 2.9% in 2014 falling slightly to 2.8% in 2015 and 2.8% in 2016.
- The service sector will continue to underpin growth in the economy. Following growth of 1.8% in 2013, we expect growth of 3.1% in 2014 and 3.1% in 2015.
- Construction output, driven by developments in housing and infrastructure, is expected to increase just around 4% in the year and 4.0% in 2015.
- Manufacturing output remains almost 10% below the peaks registered in 2008 prior to recession.
- Following a fall in output of -1.7% in 2012 and -0.6% in 2013, we expect a recovery in output this year of 4.0% slowing to 3.9% in 2015.
- Within the service sector, the leisure sector is expected to show strong growth along with a good performance in business services and finance.
- Overall, the UK will experience strong growth in output over the next two years. We place no confidence in the concept of “rebalancing”, involving a manufacturing or “on shoring” revival.
- The service sector will underpin growth in the UK assisted by developments in production and construction, and infrastructure (water & sewage) .

Chart 3.1 : UK GDP growth %

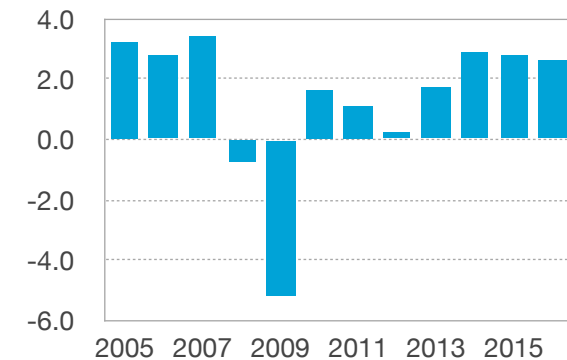
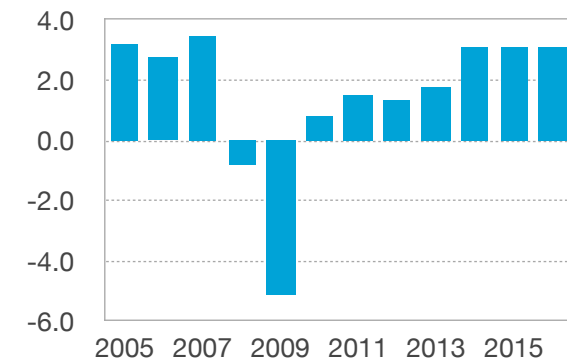


Chart 3.2 : Service Sector %



**... our overall forecast for growth remains unchanged at 2.9%.**

Table 3 UK GDP (O) Growth %

Key Sectors	2010	2011	2012	2013	2014	2015	2016
Agriculture ...	-0.7	10.6	-3.5	-4.1	2.7	5.1	4.5
Extractives	-2.4	-14.8	-8.8	-2.1	-10.7	-17.6	-10.5
Manufacturing	4.2	1.8	-1.7	-0.6	4.0	3.9	3.5
Electricity, Gas	4.0	-5.9	-0.3	-0.3	-3.6	0.9	1.2
Water, Sewage	-1.3	4.1	-0.6	4.8	6.2	1.8	1.5
Total Production	2.9	-1.2	-2.4	-0.3	1.9	0.3	1.0
Construction	8.3	2.3	-8.1	1.1	3.7	4.0	3.5
Service Sector							
Leisure	1.0	0.7	0.9	3.5	4.2	3.6	4.0
Transport	3.0	1.6	0.0	1.3	2.5	2.8	2.5
Business et al	0.4	2.5	2.1	2.2	4.0	4.2	4.0
Education, Hth	0.3	0.5	1.1	0.6	1.5	1.5	1.4
Total Services	0.8	1.5	1.3	1.8	3.1	3.1	3.1
Total GDP (O)	<b>1.6</b>	<b>1.2</b>	<b>0.3</b>	<b>1.7</b>	<b>2.9</b>	<b>2.8</b>	<b>2.8</b>

Full details and charts of the GDP(O) forecasts are available in the appendix data

The forecast is consistent with the Second Estimate of GDP Q1 2014 released by the ONS on the 22nd May 2014.



### Chapter 4 Growth in UK GDP (E) - Expenditure chained.

- We offer modest hope for the rebalancing agenda in our forecasts for growth in expenditure over the next few years.
- Household expenditure is set to increase by 2.4% in 2014 following an increase of 2.2% in 2013. We expect growth of 2.6% in the following year 2015 and 2.5% in 2016.
- Government expenditure increased by 0.7% in 2013. We anticipate further constraints to growth in 2014 and 2015. Government expenditure is expected to increase by 1.3% in 2014 and 1.5% in 2015.
- We now expect investment to increase by 6.8% in 2014 and by 6.9% in 2015. For a more detailed analysis see inset 4.1.
- Domestic expenditure is set to increase by 2.3% in 2014 following an increase of 1.8% in 2013.
- Net trade will continue to have a negative impact on growth with exports increasing at a slightly slower rate than imports.
- We expect exports to increase by 2.4% in 2015 and 2.5% in 2016, as world trade recovers. The impact of UK trade weighting is to reduce the potential rate of growth for UK exporters significantly given the lower rates of growth in Europe.
- Imports are expected to increase by 2.6% in 2014 and 2.7% in 2015. We model imports as a function of domestic demand or TFE, with little price elasticity. Net trade in goods will continue to be a constraint to growth.
- Our overall forecast is unchanged from the March estimates. We have lowered the expectations for investment slightly but still anticipate strong investment growth this year.
- Our GDP Expenditure model is consistent and balanced with the output model. We forecast growth of 2.9% in 2014 slowing moderately to 2.8% in 2015.

Chart 4.1 : Households %

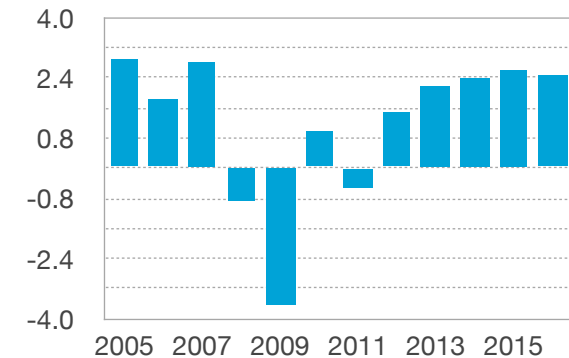
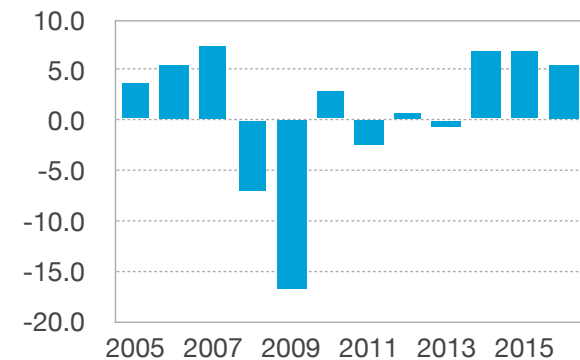


Chart 4.2 : Investment %



... out investment outlook has modified slightly.

## Greater Manchester Chamber of Commerce

Table 4 UK GDP (E) Expenditure Chained Measure %

Expenditure	2010	2011	2012	2013	2014	2015	2016
Households	1.0	-0.5	1.5	2.2	2.4	2.6	2.5
NPIs	2.7	2.0	-0.3	3.2	1.2	1.5	1.5
Government	0.5	0.0	1.6	0.9	1.3	1.5	1.5
Investment	2.8	-2.4	0.8	-0.6	6.8	6.5	6.0
Inventories	-	-	-	-	-	-	-
Domestic Exp	2.4	-0.1	1.2	1.8	2.3	2.8	2.7
Total Exports	6.7	4.5	1.7	1.0	2.4	2.5	2.6
Total Final Exp	3.3	0.9	1.3	1.6	2.3	2.7	2.7
Total Imports	7.9	0.3	3.4	0.4	2.6	2.7	2.8
GDP	1.7	1.1	0.3	1.7	2.9	2.8	2.8

Chart 4.3 : Domestic Demand %

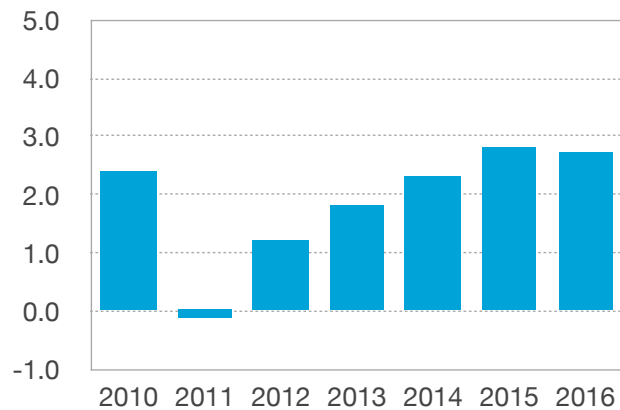


Chart 4.4 : Exports %

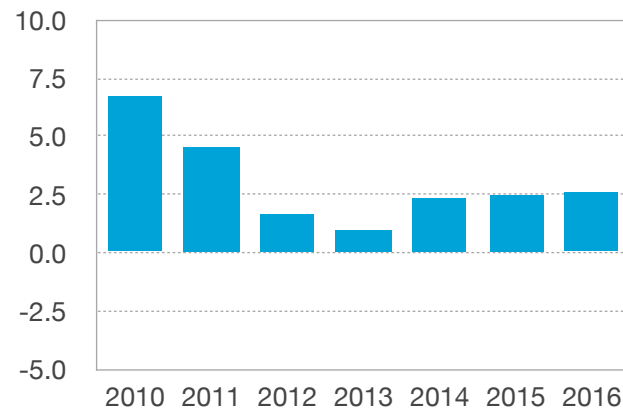
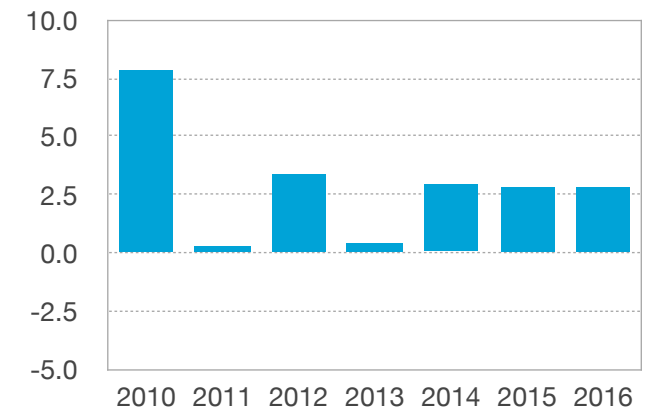


Chart 4.5 : Imports %

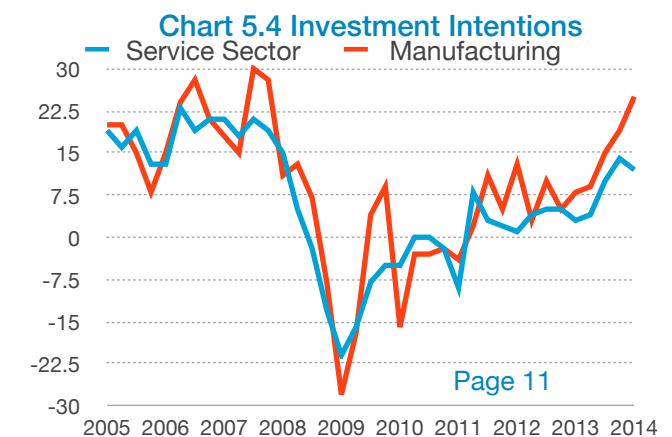
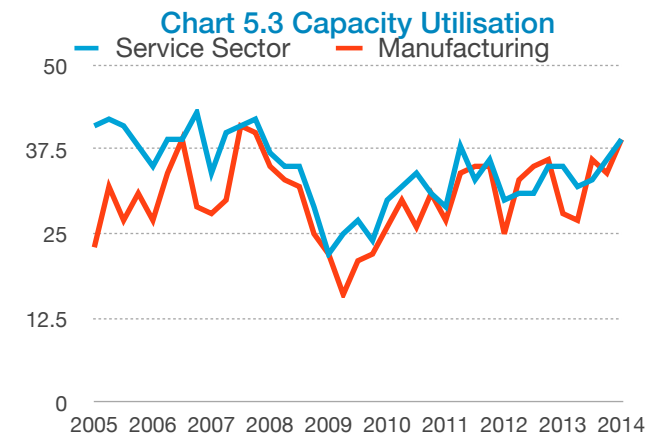
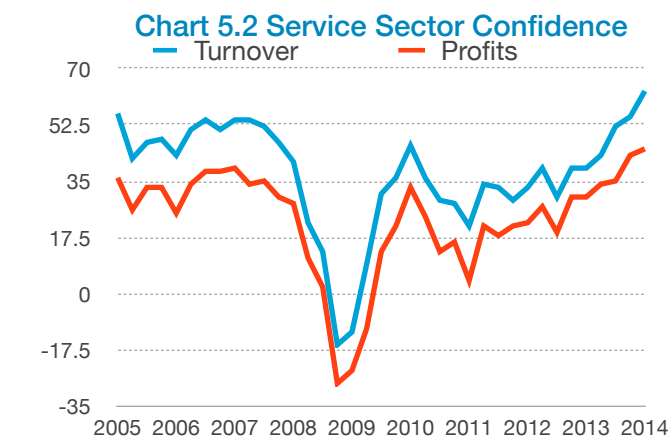
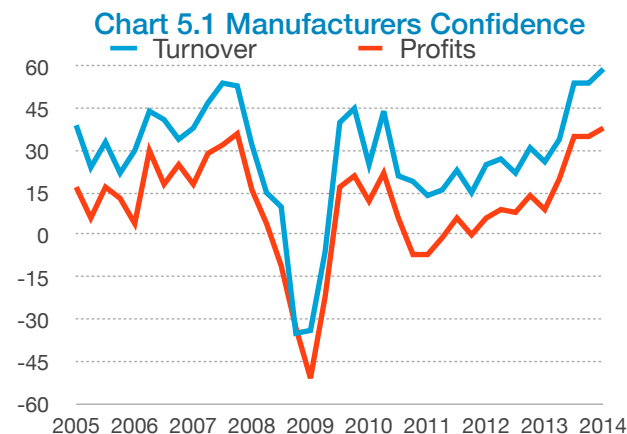


## Chapter 5 UK Economics Growth - Investment - mind the gap!

- After several years of disappointing investment, we believe investment will pick up significantly in 2014 and 2015, increasing by 6.8% in 2014 and 6.5% in respective years.
- Investment as a % of total GDP will increase from a low of 14.1% in 2013 to 15.3% in by 2015.
- We believe there are several factors underpinning this recovery.
- The cost of capital is not the prime factor in a payback calculation. The belief that investment would increase because rates were low, was fundamentally misguided.
- According to our own survey data, firms are more confident about turnover and profits. This provides more confidence about the likely path of demand and ROI over the short term. Charts 5.1 and charts 5.2.
- Investment was always more likely to increase once the payback horizon cleared as the recovery became more manifest.

- Capacity - capacity utilisation levels are returning to the levels last seen prior to the recession in 2008. Charts 5.3.
- Investment intentions have increased significantly in the latest survey data, particularly in the manufacturing sector 5.4.

- Plant & Machinery represents just 20% of total investment. Our models suggest the four year capital stock has fallen to £163 billion down from an average £183 billion in the three years prior to recession. That represents a fall of 12%. Our less aggressive ten year Capital Stock Model suggests the overall level of productive investment has fallen by just 2%. No threat to the output capacity of UK PLC. The shortfall will be addressed by additional investment over the next three years to restore capacity equilibrium.



Chapter 6 - UK trade in goods and services

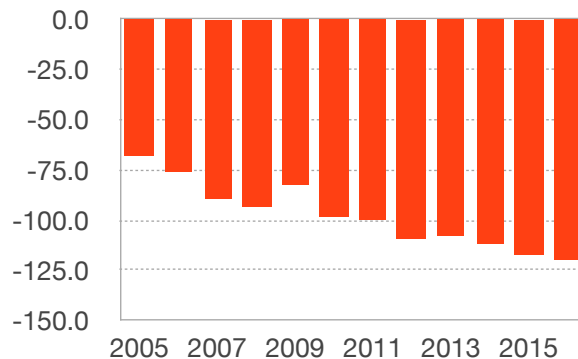


... heading in the wrong direction.

## Chapter 6 UK Trade in goods and services

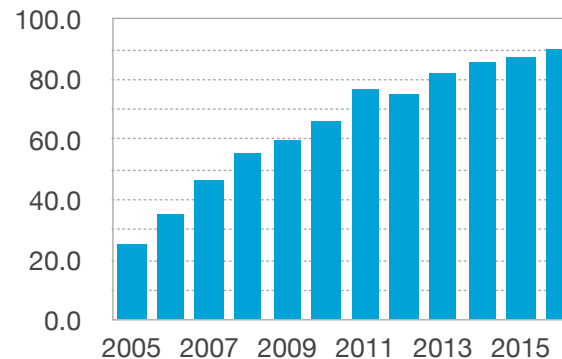
### Balance Trade in Goods and Services £ billion

Chart 6.1 : Trade in Goods



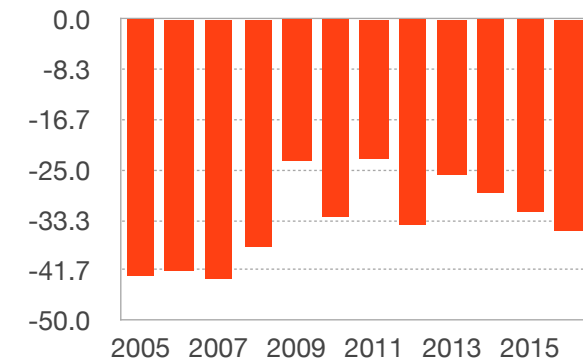
- We model exports as a function of world trade and relative prices. A model in which we find the demand terms dominant.
- We model imports as a function of domestic demand, or total final expenditure and a relative price term. Here the demand term is dominant with relative price inelasticity. There is little or no substitution effect.
- The trade in goods deficit increased to £108 billion in 2013 according to the official data.
- We expect the trade in goods deficit to increase to £112 billion in 2014, rising to £117 billion in 2015 and £120 billion in 2016.

Chart 6.2 : Trade in Services



- The trade in services surplus was £81 billion in 2013, an increase of 8% on the prior year level.
- We expect the trade in services surplus to increase to £83.8 billion in 2014 rising to £85.9 billion in 2015.
- The surplus in services will continue to offset the structural trade deficit in goods.

Chart 6.3 : Trade in Goods & Services

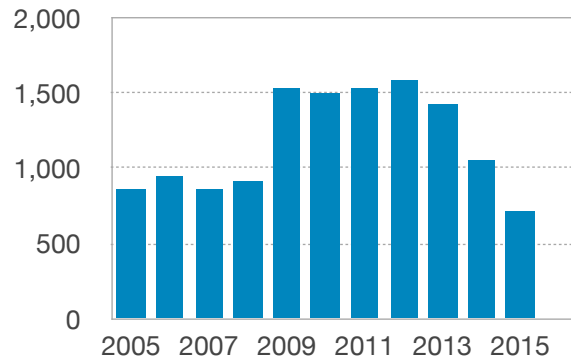


- The trade in goods and services deficit narrowed to £26.6 billion in 2013 from £33.4 billion in the prior year.
- The central forecast is for the overall deficit to increase over the next three years from £28.4 billion in 2014 to £32 billion by 2016.
- The ongoing deficit, measured around 2% of GDP will not of itself, create a problem for sterling.

**... the trade deficit will continue to disappoint.**

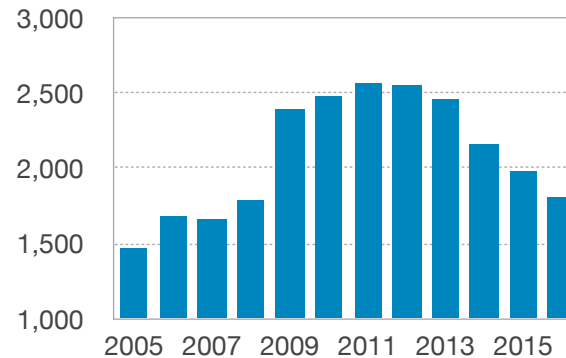
## Chapter 7 Labour Market Trends

Chart 7.1 : Claimant Count 000



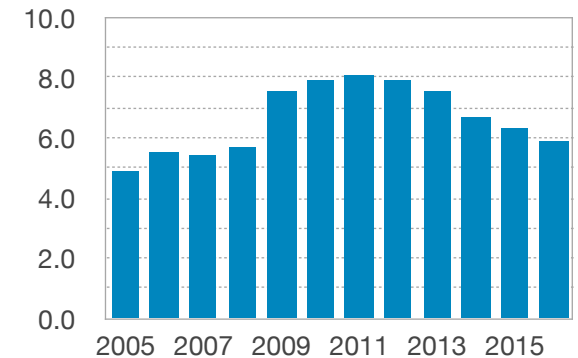
- The claimant count has fallen significantly over the last twelve months as the economy grew by an estimated 1.7% last year.
- The reduction was 360,000 ahead of most estimates and forecasts through the year.
- Over the last three months to April 2014, the claimant count has fallen by 92,000.
- We forecast a further fall in the claimant count rate to average 1.044 million through 2014 and 715,00 in 2015.
- On current trends, the claimant count could fall towards the precession period 1985 - 1987 by the end of the current year.

Chart 7.2 : LFS Count 000



- As expected, the LFS count unemployment in the first quarter of 2014 was 2.2 million.
- This is a reduction of 230,000 compared to the first quarter of 2013.
- We expect levels to fall to 2.09 million by the end of the year and 1.9 million by the end of 2015.
- We expect the fall in unemployment to continue but model at a slightly slower rate.

Chart 7.3 : LFS Rate %

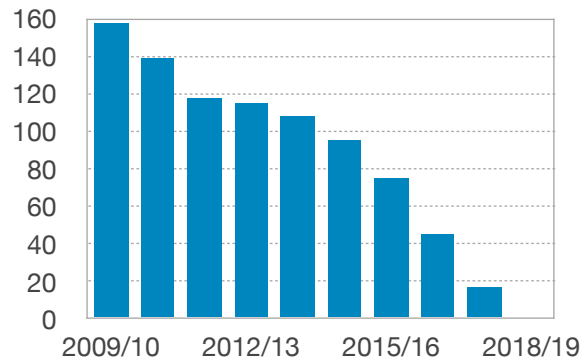


- The unemployment rate is expected to fall further averaging 6.6% in 2014, 6.0% in 2015 and 5.4% in 2016.
- The average rate, in the precession period was just 5.5%.
- On current trends our forecasts suggests "spare capacity" may be exhausted by the first quarter of 2016 (LFS basis).
- The claimant count data however, suggests the average unemployment rate of 3% in the period 2005 - 2008 could be within reach by the final quarter of this year.



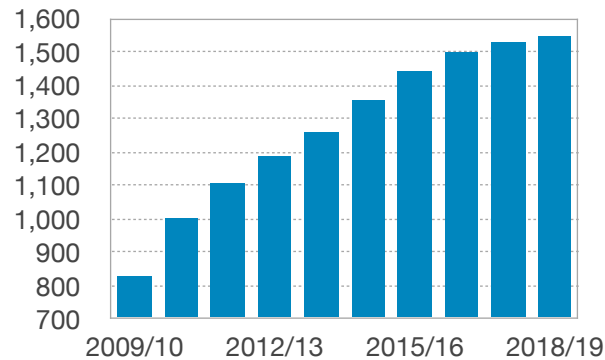
## Chapter 8 Government Borrowing

Chart 8.1 : Borrowing £ billion



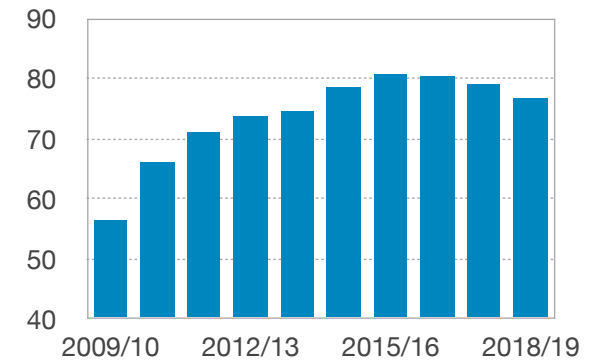
- Government borrowing in the twelve months to March 2014 is estimated to be £108 billion compared to £115 billion in the prior fiscal year.
- Over the next twelve months the deficit is expected to fall to a level of £95 billion in 2014/15 then £75 billion in 2015/16.
- On current trends, deficit will be eliminated by 2018.

Chart 8.2 : Total Debt £ billion



- Total debt, is forecast to be £1.258 trillion at the end of the current financial year.
- Rising to £1.355 trillion at the end of 2014/15...
- ... peaking at £1.548 at the end of the current forecast cycle 2018/19.

Chart 8.3 : Total Debt % GDP

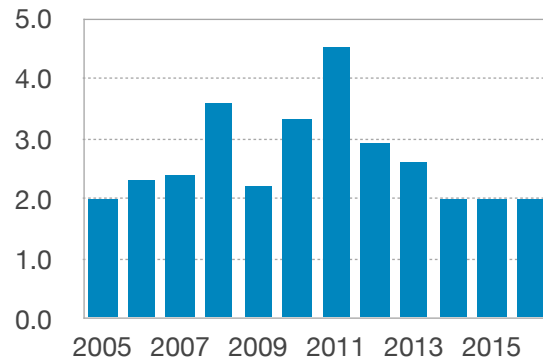


- As a % of GDP debt is forecast to be 74.5% of GDP at the end of the current year.
- Peaking at 80.5% in 2015/16.
- Before falling back slightly to 76.9% at the end of the current forecast cycle.
- r
- Information derived from the OBR release March 2014.

£ Billion	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Borrowing	157.3	139.2	118.1	115.2	107.8	95.5	75.2	44.5	16.5	-4.8
Debt	828.4	1,004.9	1,106.4	1,185.2	1,258.0	1,355.0	1,439.0	1,497.0	1,530.0	1,548

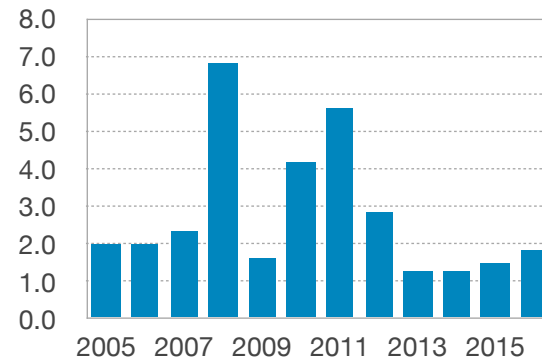
## Chapter 9 Inflation Outlook

Chart 9.1 : CPI Inflation



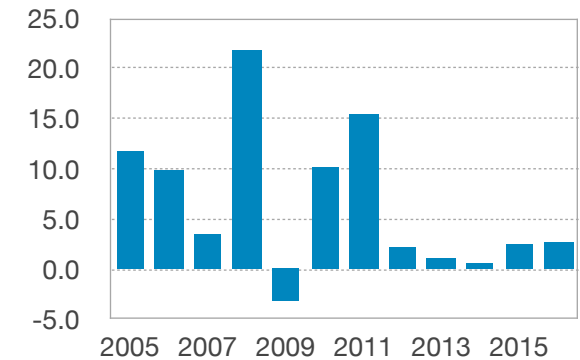
We expect CPI inflation to hover close to target over the next few years ...

Chart 9.2 : Manufacturing Prices (O)



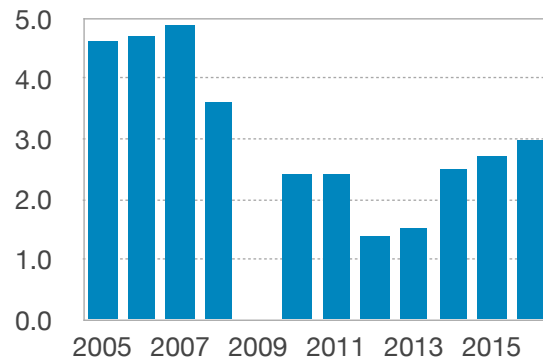
with manufacturing out put prices increasing by 1.3% in 2014 ....

Chart 9.3 : Manufacturing Prices (I)



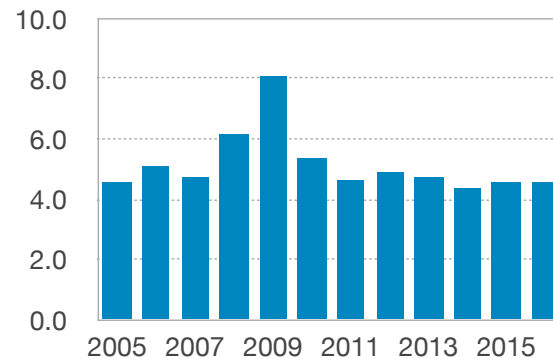
and input prices increasing by 0.5% in 2014 and 2.5% in 2015.

Chart 9.4 : Earnings



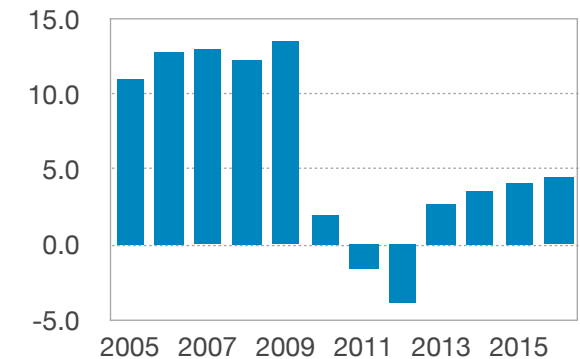
Earnings are expected to rally in 2014 and thereafter as unemployment falls.

Chart 9.5 : Money Supply Narrow



Narrow money growth, notes and coins will increase by 4.4% in 2014 then 4.5%.

Chart 9.6 : Money Supply M4

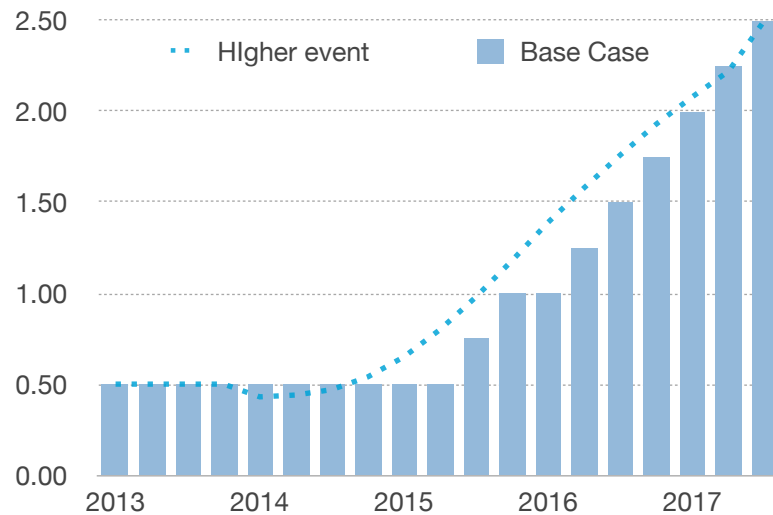


Broad money is expected to increase by 3.5% in 2014, then by 4.0% in 2015.



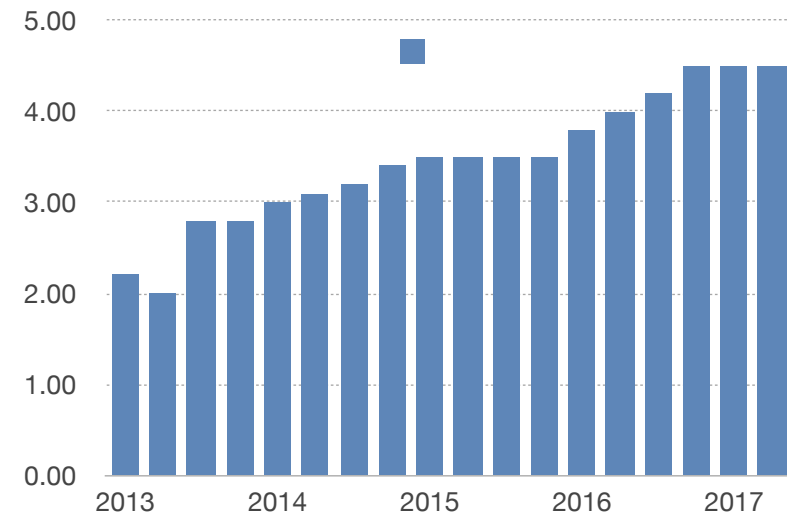
## Chapter 10 Interest rates - base rates and gilt yields

Chart 10.1 UK Base Rates



We expect UK base rates to remain on hold until the first half of 2015 there after rising to 1% by the end of the year and 2% by the end of 2016.

Chart 10.2 10 year Gilt Rates



Gilt yields have rallied from the sub 2% lows in 2013. We expect yields to return to fair value 4.5% within the forecast period by the end of 2017.

Table 10 - Base rates and Gilt Yields

	2013				2014				2015				2016				2017			
Base	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.75	0.75	1.00	1.00	1.25	1.50	1.75	2.00	2.00	2.25	2.50
Gilts	2.2	2.0	2.8	2.8	3.0	3.1	3.2	3.4	3.5	3.5	3.5	3.5	3.8	4.0	4.2	4.5	4.5	4.5	4.5	4.5

Appendix 1 Gross domestic product : expenditure at current market prices : ONS C1

**C1 Gross domestic product : expenditure at current market prices** £ million

Domestic expenditure on goods and services at market prices											
		Households	NPIs	Government Investment		Inventories	Domestic Expenditure	Total Exports	Gross Final Expenditure	Total Imports	GDP Market Prices
		ABJQ	HAYE	NMRP	NPQS	CAEX	YBIL	IKBH	ABMF	IKBI	YBHA
<b>2009</b>		876,553	35,762	328,819	211,198	-11,761	1,440,736	402,171	1,842,907	425,544	1,417,363
<b>2010</b>		921,034	37,562	336,538	221,152	1,927	1,518,463	447,269	1,965,732	480,121	1,485,611
<b>2011</b>		953,882	38,457	337,170	220,722	8,799	1,560,198	492,884	2,053,082	516,144	1,536,938
<b>2012</b>		986,255	38,596	340,644	225,339	4,460	1,597,504	495,284	2,092,788	528,665	1,558,416
<b>2013</b>		1,031,734	39,137	344,102	225,912	7,680	1,650,315	506,470	2,156,785	533,066	1,613,390
<b>2014</b>		1,080,037	39,956	350,265	246,146	3,592	1,722,047	517,510	2,239,557	549,021	1,687,833
<b>2015</b>		1,135,821	40,961	359,074	268,499	1,025	1,807,379	538,405	2,345,784	572,302	1,773,482
<b>Seasonally Adjusted</b>											
<b>2010</b>	<b>Q1</b>	224,849	9,131	84,615	55,530	-62	374,075	106,559	480,634	113,828	366,806
	<b>Q2</b>	229,885	9,445	83,608	53,212	-565	375,775	112,435	488,210	119,098	369,112
	<b>Q3</b>	231,578	9,501	83,720	57,212	1,687	383,661	112,201	495,862	121,484	374,378
	<b>Q4</b>	234,722	9,485	84,595	55,198	867	384,952	116,074	501,026	125,711	375,315
<b>2011</b>	<b>Q1</b>	236,066	9,536	86,598	52,730	-3,298	381,818	123,721	505,539	125,302	380,237
	<b>Q2</b>	237,118	9,647	82,724	55,792	3,681	389,540	120,003	509,543	128,165	381,378
	<b>Q3</b>	238,784	9,624	83,574	56,161	7,858	396,246	122,994	519,240	131,186	388,054
	<b>Q4</b>	241,914	9,650	84,274	56,039	558	392,594	126,166	518,760	131,491	387,269
<b>2012</b>	<b>Q1</b>	243,326	9,453	87,580	58,823	-1,519	398,370	124,000	522,370	132,452	389,137
	<b>Q2</b>	245,250	9,714	83,259	57,222	1,001	397,107	121,340	518,447	131,753	385,466
	<b>Q3</b>	246,493	9,635	84,074	56,336	-6	396,988	124,862	521,850	131,795	388,398
	<b>Q4</b>	251,186	9,794	85,731	52,958	4,984	405,039	125,082	530,121	132,665	395,415
<b>2013</b>	<b>Q1</b>	254,521	9,880	85,516	53,827	2,150	406,411	126,513	532,924	132,047	398,544
	<b>Q2</b>	255,589	9,813	85,211	55,963	-85	406,857	128,381	535,238	133,807	398,899
	<b>Q3</b>	259,255	9,831	86,392	57,558	3,955	417,353	125,514	542,867	135,491	404,688
	<b>Q4</b>	262,369	9,613	86,983	58,564	1,660	419,694	126,062	545,756	131,721	411,259
<b>2014</b>	<b>Q1</b>	264,775	9,864	86,481	59,611	2,823	424,106	124,160	548,266	129,354	416,209
	<b>Q2</b>	266,958	10,109	86,924	60,652	256	425,399	132,906	558,306	139,481	418,825
	<b>Q3</b>	272,114	10,128	88,128	62,350	256	433,476	129,938	563,415	141,932	421,482
	<b>Q4</b>	276,189	9,855	88,731	63,533	256	439,065	130,506	569,571	138,254	431,317
<b>2015</b>	<b>Q1</b>	278,451	10,112	88,656	65,501	256	443,476	129,173	572,649	134,839	437,810
	<b>Q2</b>	280,747	10,364	89,110	66,523	256	447,500	138,273	585,773	145,396	440,377
	<b>Q3</b>	286,169	10,383	90,345	67,964	256	455,616	135,185	590,801	147,951	442,850
	<b>Q4</b>	290,454	10,103	90,963	68,510	256	460,787	135,775	596,561	144,116	452,445

Appendix 2 Gross domestic product : chained volume measure : ONS C2

**C2 Gross domestic product by category of expenditure : chained volume measure**

£ million

Domestic expenditure on goods and services at market prices										
	Households	NPIs	Government	Investment	Inventories	Domestic	Total	Gross Final	Total	GDP
	ABJR	HAYO	NMRY	NPQT	CAFU	Expenditure	Exports	Expenditure	Imports	Market Prices
						YBIM	IKBK	ABMG	IKBL	ABMI
<b>2009</b>	912,222	36,586	334,865	215,142	-16,266	1,482,744	419,289	1,902,033	445,100	1,461,361
<b>2010</b>	921,034	37,562	336,538	221,156	1,926	1,518,467	447,269	1,965,736	480,121	1,485,615
<b>2011</b>	916,395	38,321	336,376	215,918	8,444	1,516,503	467,216	1,983,719	481,503	1,502,216
<b>2012</b>	930,100	38,190	341,702	217,595	4,729	1,534,298	475,323	2,009,621	497,723	1,506,388
<b>2013</b>	950,437	39,421	344,227	216,380	9,252	1,561,280	480,182	2,041,462	500,230	1,531,428
<b>2014</b>	973,245	39,879	348,664	231,007	3,525	1,596,827	491,882	2,088,708	513,275	1,575,899
<b>2015</b>	998,549	40,477	353,894	247,050	1,000	1,640,970	504,179	2,145,149	527,133	1,620,016
<b>Seasonally Adjusted</b>										
<b>2010</b>	<b>Q1</b>	227,628	9,164	83,894	55,422	-20	376,136	107,695	483,831	367,933
	<b>Q2</b>	230,836	9,452	84,301	54,481	-414	378,836	112,026	490,862	371,871
	<b>Q3</b>	230,758	9,512	84,207	56,706	1,768	382,919	112,338	495,257	373,261
	<b>Q4</b>	231,812	9,434	84,136	54,547	592	380,576	115,210	495,786	372,520
<b>2011</b>	<b>Q1</b>	229,088	9,400	84,092	51,926	116	374,816	119,544	494,360	374,264
	<b>Q2</b>	228,719	9,810	84,218	55,278	2,011	380,572	113,287	493,859	374,628
	<b>Q3</b>	228,633	9,553	83,852	54,684	5,851	382,784	114,490	497,274	376,862
	<b>Q4</b>	229,955	9,558	84,214	54,030	466	378,331	119,895	498,226	376,462
<b>2012</b>	<b>Q1</b>	231,305	9,310	86,298	56,502	-2,310	381,783	118,444	500,227	376,437
	<b>Q2</b>	231,915	9,814	84,941	55,632	967	383,862	116,830	500,692	374,983
	<b>Q3</b>	232,723	9,710	85,139	54,108	1,810	383,885	120,710	504,595	377,887
	<b>Q4</b>	234,157	9,356	85,324	51,353	4,262	384,768	119,339	504,107	377,081
<b>2013</b>	<b>Q1</b>	236,229	9,638	84,863	51,790	1,594	384,597	118,194	502,791	378,439
	<b>Q2</b>	236,407	10,106	86,086	53,845	822	387,584	121,113	508,697	381,318
	<b>Q3</b>	238,460	9,913	86,624	54,849	4,955	395,122	118,790	513,912	384,533
	<b>Q4</b>	239,341	9,764	86,654	55,896	1,881	393,977	122,085	516,062	387,138
<b>2014</b>	<b>Q1</b>	241,176	9,549	86,706	56,207	2,775	396,920	120,844	517,764	390,257
	<b>Q2</b>	241,844	10,308	86,947	57,100	250	396,449	124,141	520,590	392,258
	<b>Q3</b>	244,422	10,111	87,490	58,250	250	400,523	121,760	522,283	395,033
	<b>Q4</b>	245,803	9,910	87,521	59,450	250	402,934	125,137	528,071	398,350
<b>2015</b>	<b>Q1</b>	247,447	9,692	88,007	60,550	250	405,945	123,865	529,811	401,464
	<b>Q2</b>	248,132	10,463	88,251	61,400	250	408,496	127,244	535,740	403,944
	<b>Q3</b>	250,776	10,263	88,803	62,250	250	412,342	124,804	537,146	405,380
	<b>Q4</b>	252,194	10,059	88,833	62,850	250	414,187	128,266	542,452	409,228

## Appendix 3 Gross domestic product : chained volume measure : ONS B1

B1 Gross value added at chained volume measures at basic prices, by category of output

2010 = 100															
		Production						Service Industries							
		Agriculture Forestry Fishing	Mining Quarrying Oil Gas	Manufacturing	Electricity Gas Steam Utilities	Water Sewerage	Total	Construction	Distribution Hotels Restaurants	Transport Storage Comms	Business Services Finance	Education, Health Other	Total Services	Gross Value Added	
2009 Weight		7	23	104	13	12	152	63	138	108	307	225	778	1000	2009 Weights
2009		100.7	102.5	96.0	96.2	101.3	97.2	92.3	99.0	97.1	99.6	99.7	99.2	98.4	2009
2010		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	2010
2011		110.6	85.2	101.8	94.1	104.1	98.8	102.3	100.7	101.6	102.5	100.5	101.5	101.2	2011
2012		106.7	77.7	100.1	93.9	103.5	96.5	94.0	101.6	101.6	104.7	101.6	102.8	101.6	2012
2013		102.4	76.1	99.5	93.6	108.5	96.2	95.0	105.2	102.8	106.9	102.2	104.7	103.1	2013
2014		105.1	68.0	103.5	90.2	115.2	98.0	98.5	109.6	105.3	111.2	103.8	107.9	106.1	2014
2015		110.5	56.0	107.5	91.0	117.3	98.3	102.5	113.6	108.3	115.9	105.4	111.3	109.0	2015
2010	Q1	99.8	101.6	97.7	101.0	98.6	98.5	95.5	99.7	99.2	99.5	99.5	99.5	99.1	Q1 2010
	Q2	99.0	102.3	99.7	100.6	100.6	100.2	101.1	100.2	99.3	99.9	100.2	99.9	100.1	Q2
	Q3	100.8	99.8	100.9	96.2	100.4	100.3	102.8	100.5	100.6	100.5	100.3	100.4	100.5	Q3
	Q4	100.4	96.3	101.7	102.3	100.4	101.0	100.6	99.7	100.9	100.2	100.0	100.1	100.3	Q4
2011	Q1	110.8	90.8	101.9	96.5	103.7	99.9	102.2	100.3	100.4	101.0	100.4	100.7	100.7	Q1 2011
	Q2	110.5	84.1	102.2	93.2	104.2	98.8	103.3	100.8	101.2	101.7	100.4	101.1	100.9	Q2
	Q3	110.3	83.1	101.8	95.6	103.1	98.5	102.2	101.1	102.7	103.4	100.5	102.1	101.6	Q3
	Q4	110.6	82.7	101.4	91.3	105.4	98.0	101.6	100.6	102.0	103.9	100.7	102.1	101.5	Q4
2012	Q1	108.7	81.1	101.3	90.8	104.4	97.6	97.2	101.0	102.6	103.9	101.2	102.4	101.5	Q1 2012
	Q2	106.3	78.9	100.0	95.2	102.8	96.6	93.7	100.9	101.3	104.1	101.2	102.3	101.1	Q2
	Q3	106.0	78.9	100.5	93.1	103.2	96.8	91.7	102.7	101.0	105.0	102.5	103.3	101.9	Q3
	Q4	105.8	72.0	98.6	96.3	103.7	94.8	93.4	101.9	101.3	105.6	101.6	103.2	101.7	Q4
2013	Q1	100.7	75.2	98.4	97.5	103.1	95.2	92.2	103.1	102.7	105.6	101.9	103.7	102.1	Q1 2013
	Q2	102.6	76.6	99.1	95.5	106.1	95.9	94.4	104.8	102.8	106.3	101.8	104.2	102.7	Q2
	Q3	103.0	76.9	99.8	89.9	111.4	96.5	96.8	106.1	102.7	107.4	102.2	105.0	103.5	Q3
	Q4	103.2	75.6	100.5	91.5	113.2	97.0	96.6	106.6	103.1	108.4	103.0	105.8	104.2	Q4
2014	Q1	102.5	75.8	101.9	86.9	114.2	97.6	97.2	108.4	104.0	109.4	103.3	106.7	105.2	Q1 2014
	Q2	104.0	72.0	103.0	90.0	115.0	98.3	98.0	109.2	105.1	110.5	103.6	107.5	105.8	Q2
	Q3	106.0	63.0	104.0	92.0	115.5	98.4	99.0	110.0	105.9	112.0	103.8	108.4	106.4	Q3
	Q4	108.0	61.0	105.0	92.0	116.0	97.6	100.0	110.8	106.4	113.0	104.3	109.2	107.1	Q4
2015	Q1	109.0	59.0	106.0	92.0	116.5	97.7	101.0	111.6	107.1	114.0	104.7	109.9	108.0	Q1 2015
	Q2	110.0	57.0	107.0	91.0	117.0	98.1	102.0	112.7	108.0	115.0	105.0	110.6	108.5	Q2
	Q3	111.0	55.0	108.0	91.0	117.5	99.1	103.0	114.9	108.8	116.5	105.6	111.9	109.5	Q3
	Q4	112.0	53.0	109.0	90.0	118.0	98.2	104.0	115.2	109.4	117.9	106.1	112.8	110.2	Q4



Appendix 4 Exchange Rates, Interest Rates, Inflation and Labour Market Data

4.1

Exchange Rates and Interest Rates

	Exchange Rates				Interest Rates %			
	EER	£ Dollar	£ Euro	DollarEuro	Base Rates	3m LIBOR	Mortgages	10 Year Gilts
2010	80.78	1.55	1.17	1.32	0.50	0.69	4.00	3.60
2011	80.62	1.60	1.15	1.39	0.50	0.89	4.10	3.10
2012	84.03	1.59	1.23	1.29	0.50	0.49	4.20	1.80
2013	83.11	1.56	1.18	1.32	0.50	0.49	4.20	2.40
2014	87.98	1.68	1.23	1.37	0.50	0.53	4.40	3.00
2015	88.10	1.65	1.21	1.36	0.75	0.78	4.50	3.25
2016	88.27	1.65	1.21	1.36	1.50	1.55	4.70	3.50

4.2

Inflation and Cost Indicators

%

	CPI	PPOs	PPIs	Earnings	Oil Price \$ Brent Crude	GDP Deflator	Money Supply Mo	M4
2010	4.50	4.2	10.0	2.4	79.9	3.2	5.3	2.0
2011	2.80	5.6	15.4	2.4	111.1	2.3	4.6	-1.5
2012	2.60	2.8	2.2	1.4	111.9	1.7	4.9	-3.8
2013	2.20	1.3	1.2	1.5	108.5	2.1	4.7	2.7
2014	2.00	1.3	0.5	2.5	105.0	2.1	4.4	3.5
2015	2.00	1.5	2.5	2.7	106.0	2.1	4.5	4.0
2016	2.00	1.8	2.6	3.0	107.0	2.1	4.5	4.5

dollars per barrel

4.3

Labour Market

000

	Labour Force	Employees	Employment	ILO Unemp	ILO Rate %	Claimant Count	Claimant Rate %	Self Employed Other
2010	31,494	24,837	29,019	2,476	7.9%	1,497	4.8%	4,182
2011	31,729	24,940	29,166	2,564	8.1%	1,533	4.8%	4,226
2012	32,318	25,069	29,770	2,548	7.9%	1,585	4.9%	4,701
2013	32,532	25,422	30,078	2,460	7.6%	1,424	4.4%	4,656
2014	32,619	25,858	30,455	2,156	6.6%	1,044	3.2%	4,597
2015	32,859	26,095	30,880	1,979	6.0%	0,815	2.5%	4,785
2016	33,099	26,320	31,298	1,801	5.4%	-	-	4,978

## Appendix 5 Economic Forecast Overview

	Outturn 2010	Outturn 2011	Outturn 2012	Outturn 2013	Forecast 2014	Forecast 2015	Forecast 2016
GDP Real Growth %	1.6	1.2	0.3	1.7	2.9	2.8	2.8
GDP Levels (2010 = 100)	100.0	101.2	101.6	103.1	106.6	109.0	112.1
GDP(E) at market prices £Bill	1,485.6	1,536.9	1,558.4	1,613.4	1,687.8	1,773.5	1,863.6
Household Consumption	1.0	-0.5	1.5	2.2	2.4	2.6	2.6
Business Investment	2.8	-2.4	0.8	-0.6	6.8	6.9	6.0
Government Consumption	0.5	0.0	1.6	0.7	1.3	1.5	1.5
Domestic Demand	2.4	-0.1	1.2	1.8	2.3	2.8	2.7
Exports	6.7	4.5	1.7	1.0	2.4	2.6	2.7
Imports	7.9	0.3	3.4	0.5	2.7	2.7	2.8
Net Trade % GDP current	-2.2	-1.5	-2.2	-1.6	-1.9	-1.9	-2.0
Inflation							
CPI	3.3	4.5	2.9	2.6	2.0	2.0	2.0
Labour Market							
Employment Millions	29.0	29.2	29.8	30.0	30.5	30.9	31.3
Average Earnings	2.4	2.4	1.4	1.5	2.5	2.7	3.0
LFS unemployment rate	7.9	8.1	7.9	7.6	6.6	6.0	5.4
Claimant Count Millions	1.50	1.53	1.59	1.42	1.04	0.8	

The forecast is consistent with the Second Estimate of GDP Q1 2014 released by the ONS on the 22nd May 2014.

## Greater Manchester Chamber of Commerce

### Greater Manchester Chamber of Commerce

Greater Manchester Chamber of Commerce is the largest Chamber of Commerce in the United Kingdom, providing business support services to members who collectively employ around one third of Greater Manchester's workforce.

Recognised as a leader in its field, Greater Manchester Chamber's reputation in government circles has grown locally and nationally. Serving the area of greatest economic intensity outside London and the South East, the Chamber is the primary body for business support, policy, representation and networking.

The aim of the Chamber is to support businesses and to help create the best climate for the region to prosper. This is achieved by ensuring that those taking key decisions on key issues such as transport, taxation and business regulation hear the voice of our members.

The representation of our members' views is central to the work of the policy team at the Chamber; these views are gathered in a range of ways including our local councils, policy committee, sector councils, the main Chamber board, focus groups, meetings with politicians, consultations and the Quarterly Economics Survey.

Forming part of the British Chambers of Commerce National Survey, Greater Manchester is the largest contributor to this important business survey. As the principal national business survey and the first to be published in each quarter, the results are closely monitored by HM Treasury and the Bank of England Monetary Committee.

The leading indicators from our survey form The Manchester Index® considered to be a key leading indicator of the UK economy.

### About the Author

John Ashcroft is the Chief Economist for Greater Manchester Chamber of Commerce and author of the weekly Saturday Economist blog. He is Chief Executive of pro.manchester, a director of Marketing Manchester, a member of the AGMA Business Leadership Council, the Council of the GM Chamber of Commerce and a visiting professor at Manchester Metropolitan University.

Educated at the London School of Economics, with a PhD in economics, his specialist subjects include economics, corporate strategy, business modelling and social media. Economics specialisms include the UK balance of payments, international trade, interest rates and exchange rates modelling.

John Ashcroft (PhD) BSc.(Econ) FRSA, CBIM





## UK Economic Outlook : June 2014

