

# Picking up the pieces

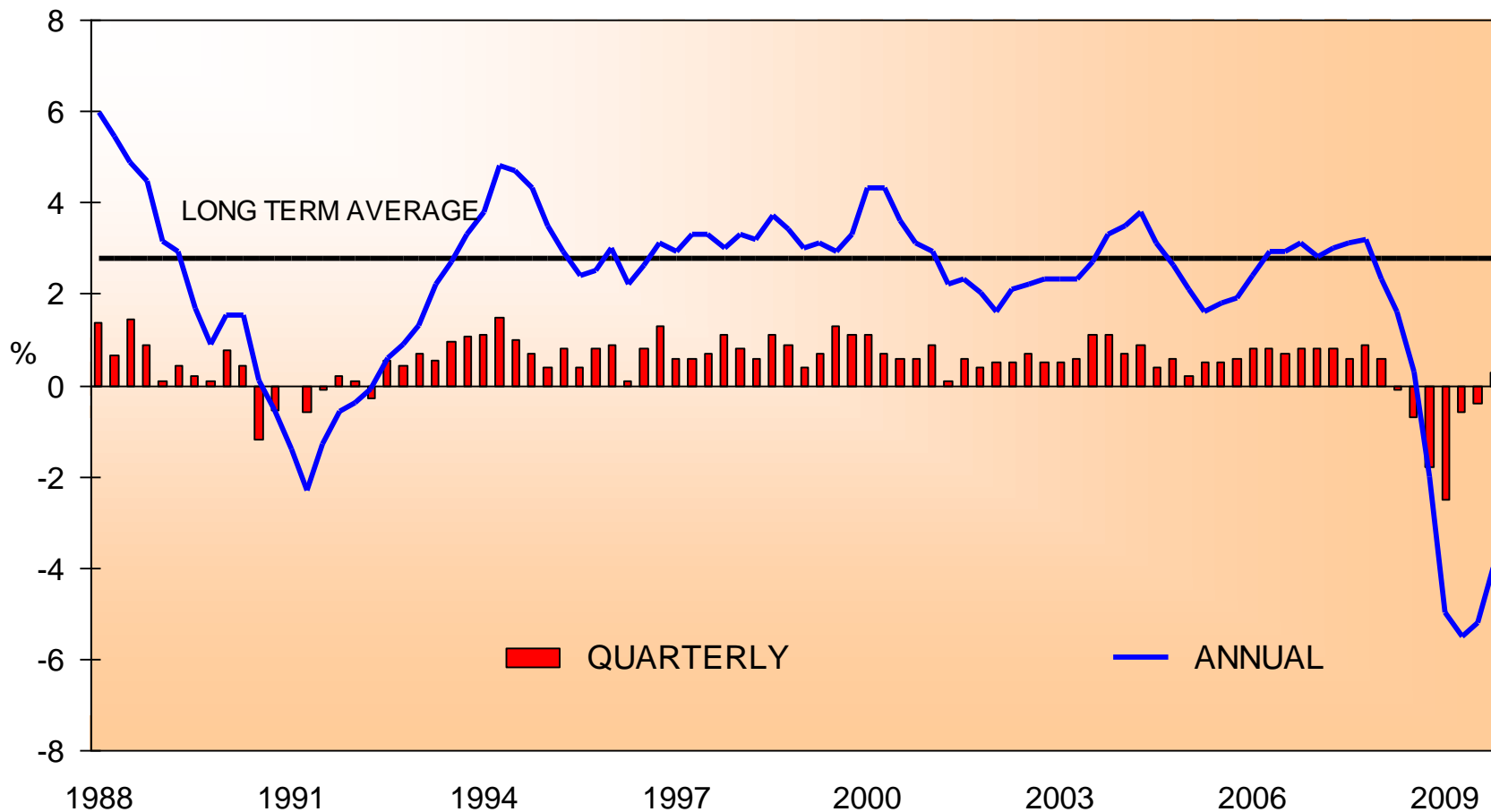
## Outlook for the global and UK economies

February 2010

*Alun Powell*

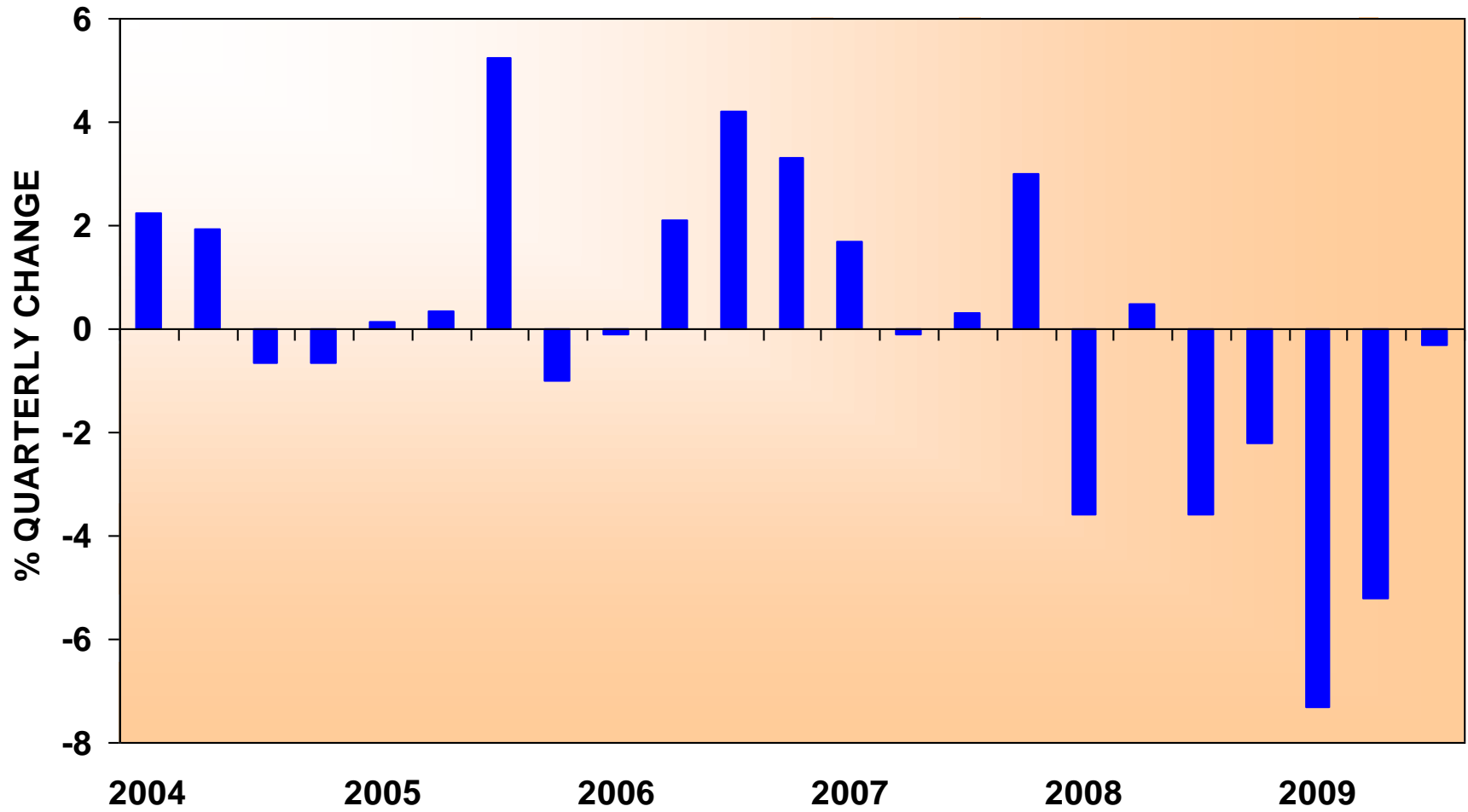
HSBC Bank plc

# The recession is over



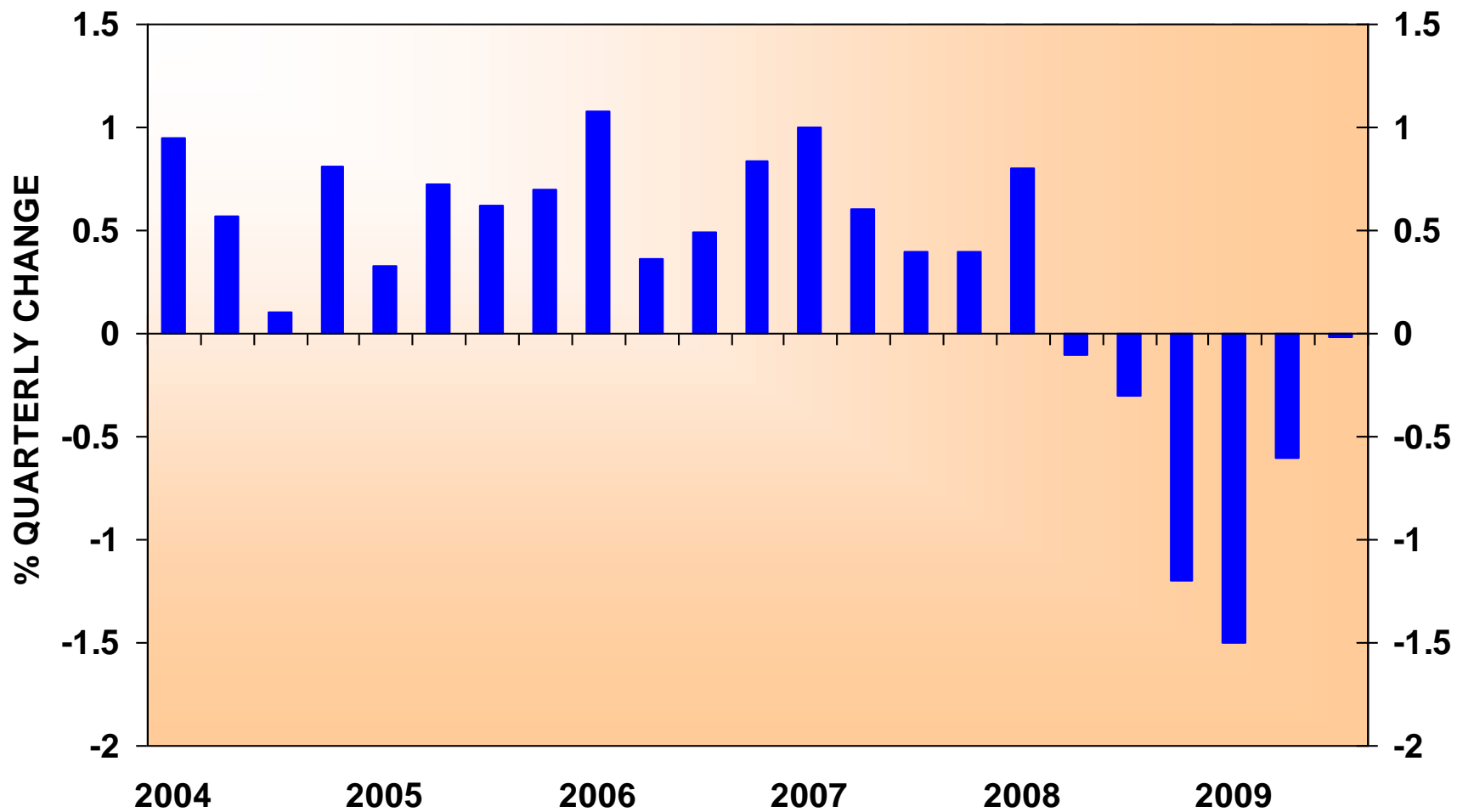
- Collapsing investment spending has been the largest contributor to falling output.
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# Investment shrinks

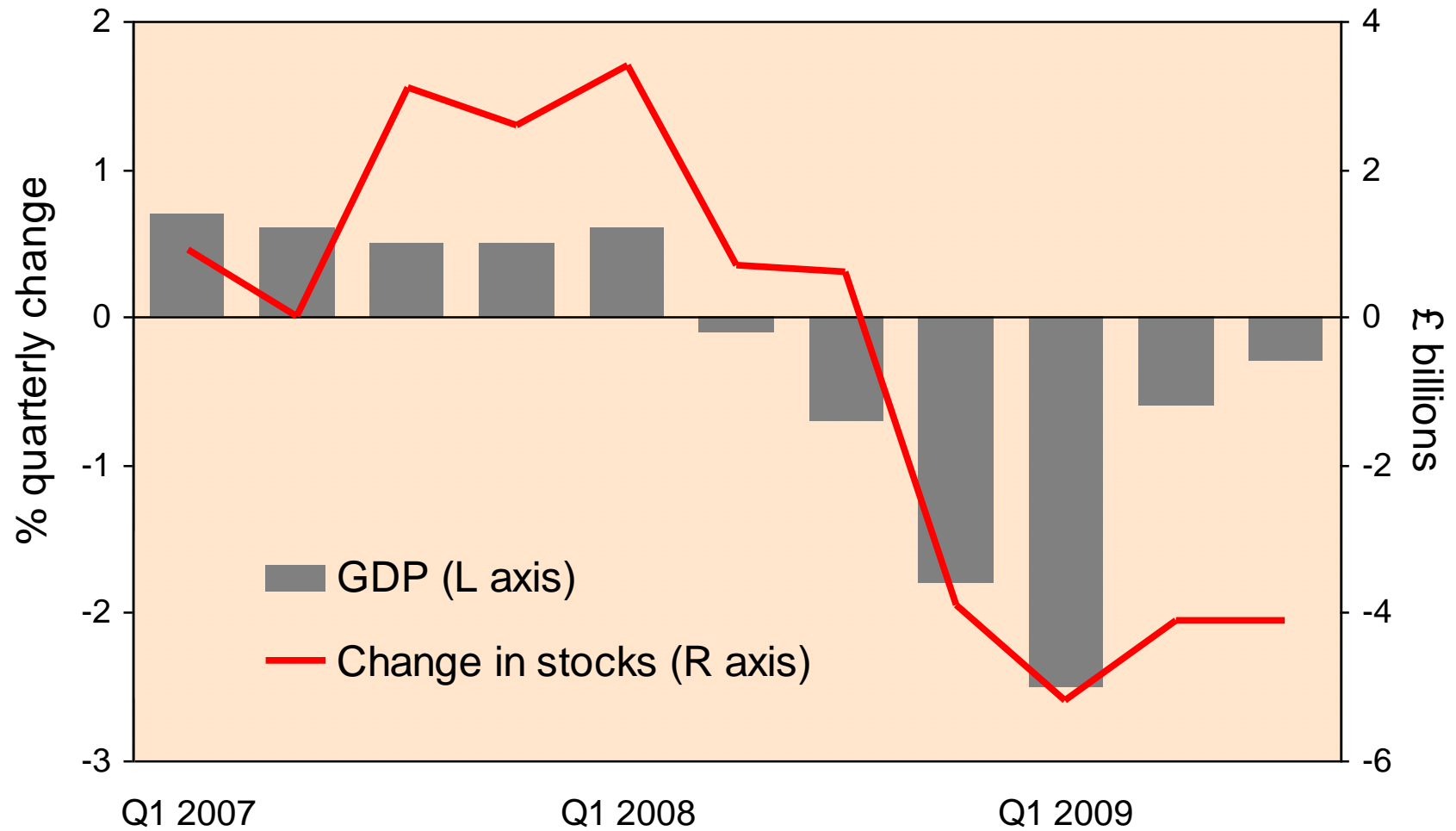


- Collapsing investment spending has been the biggest contributor to falling output.
  - **Consumers keep their hands in their pockets**
-

# Consumers tighten belts

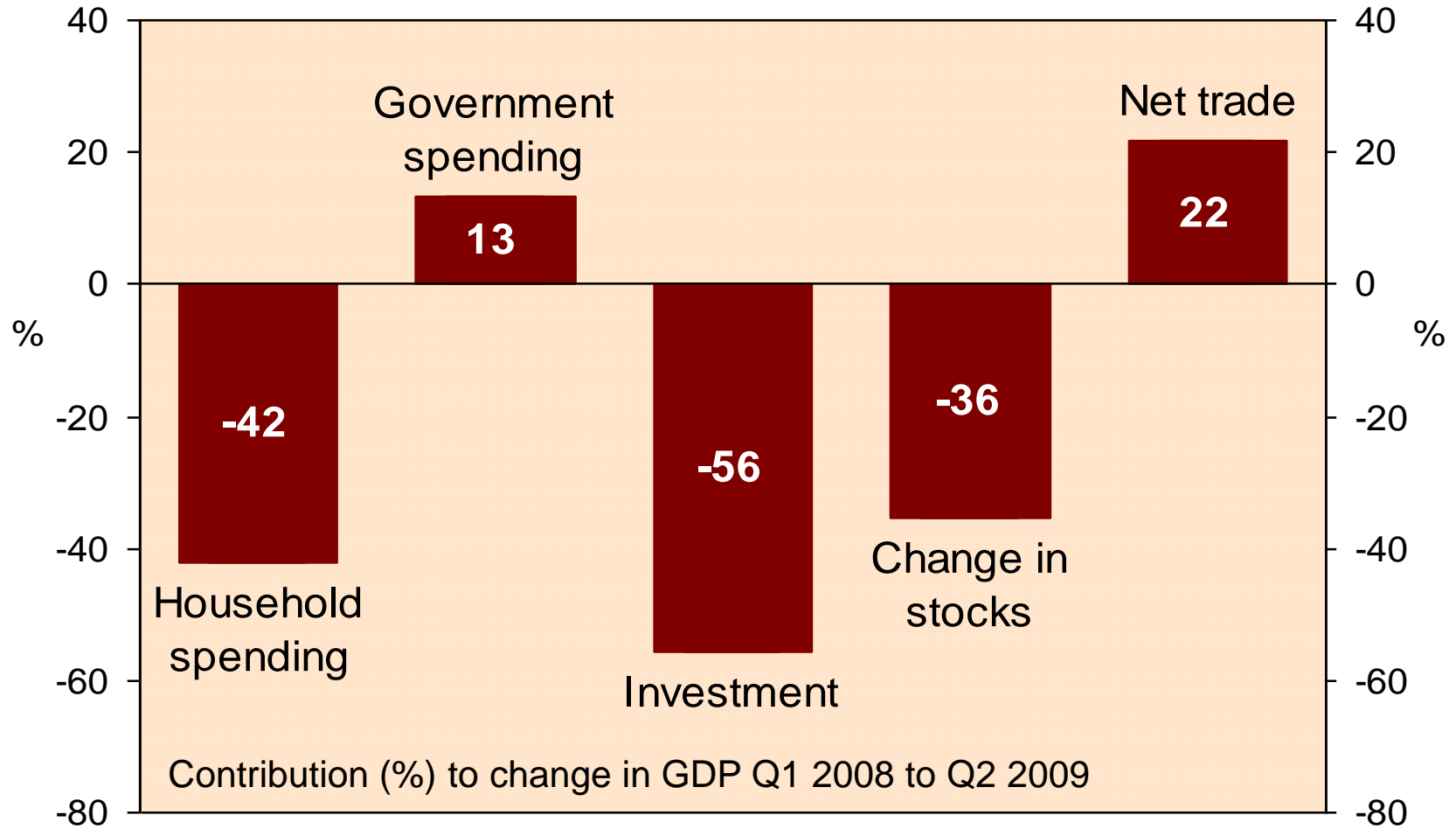


- Collapsing investment spending has been the biggest contributor to falling output.
  - Consumers keep their hands in their pockets
  - Leading to a massive run-down of stocks.
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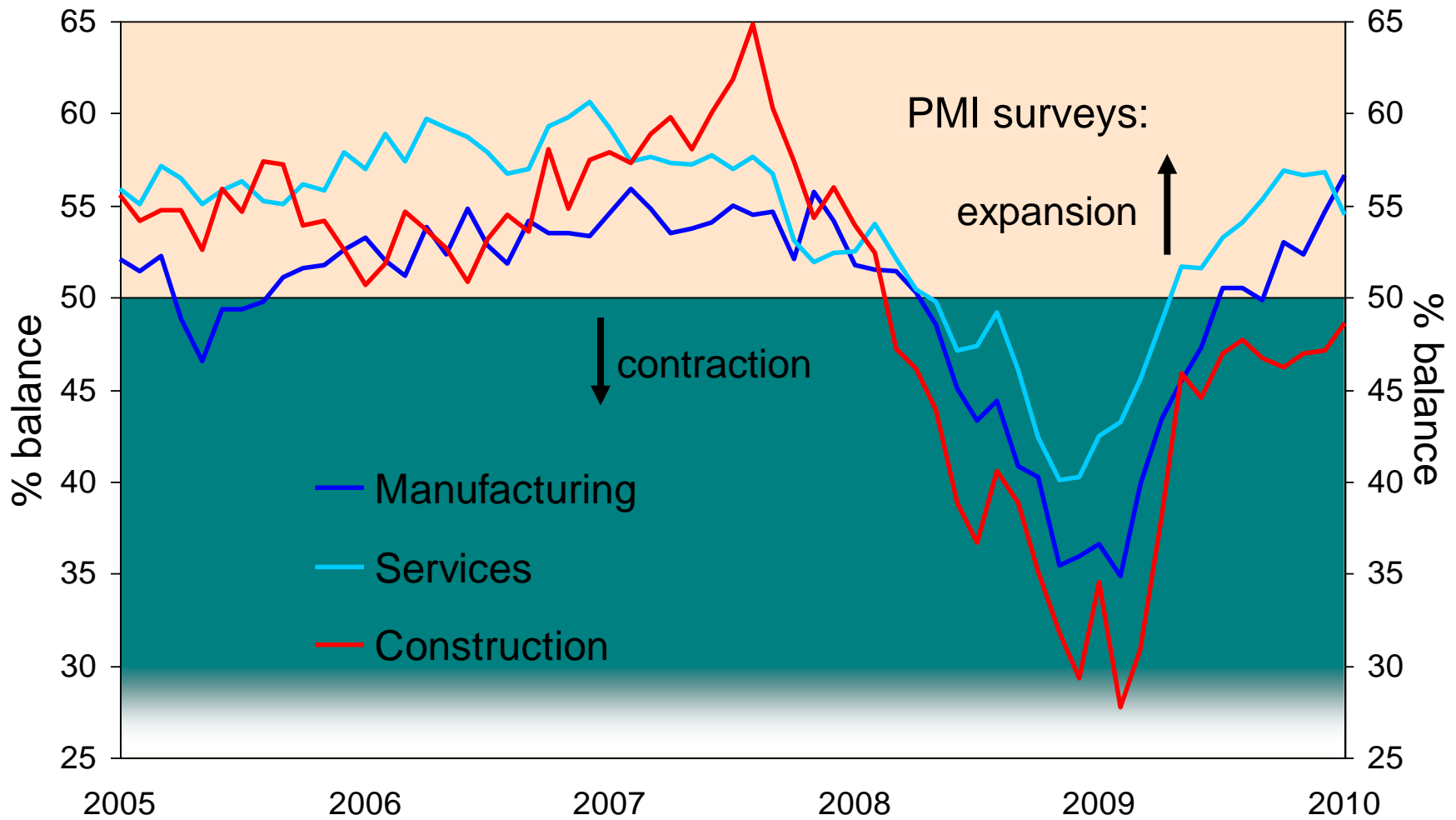
Source: ONS

# Contributions to recession

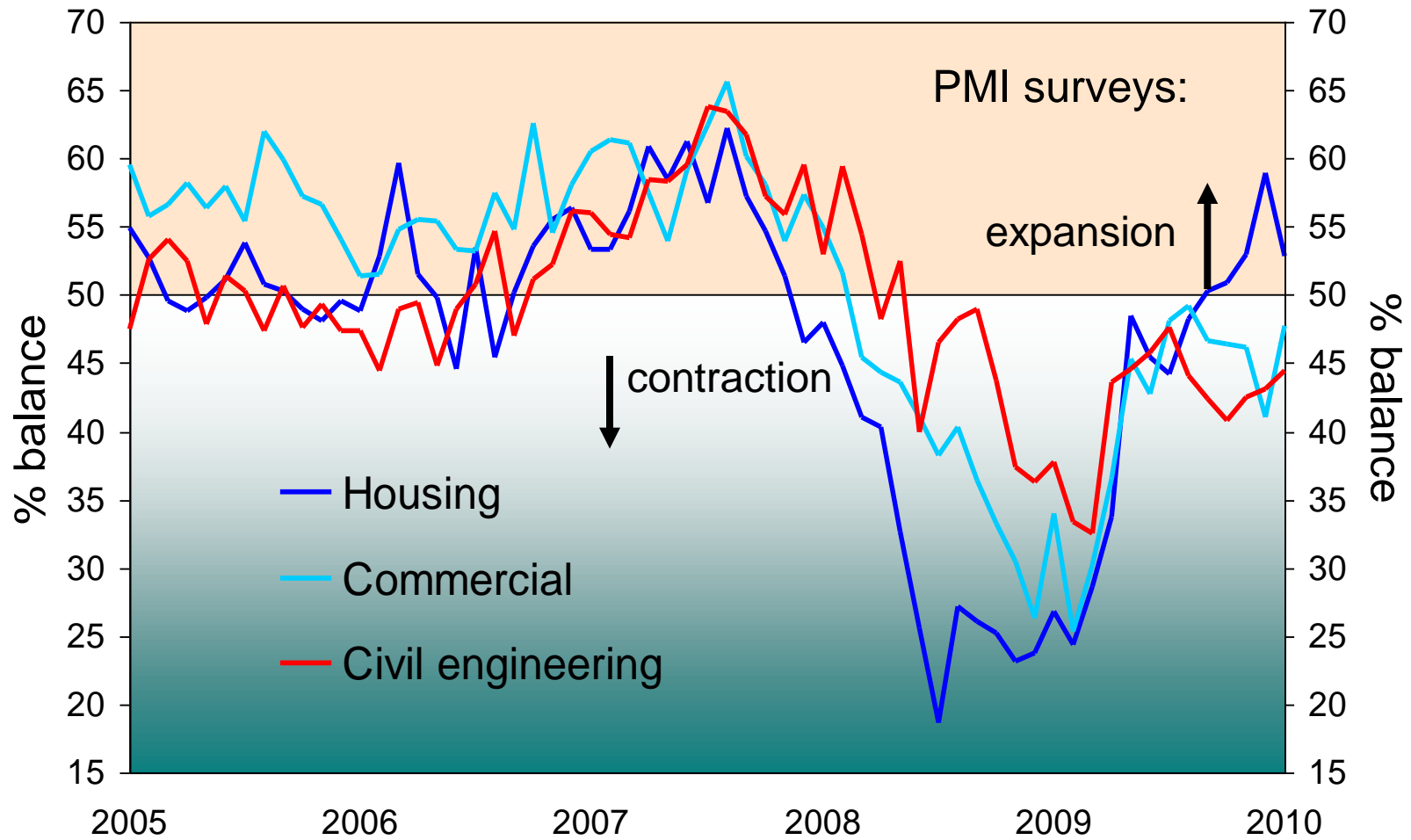


Source: ONS

- Business surveys suggest that activity is expanding again.
-

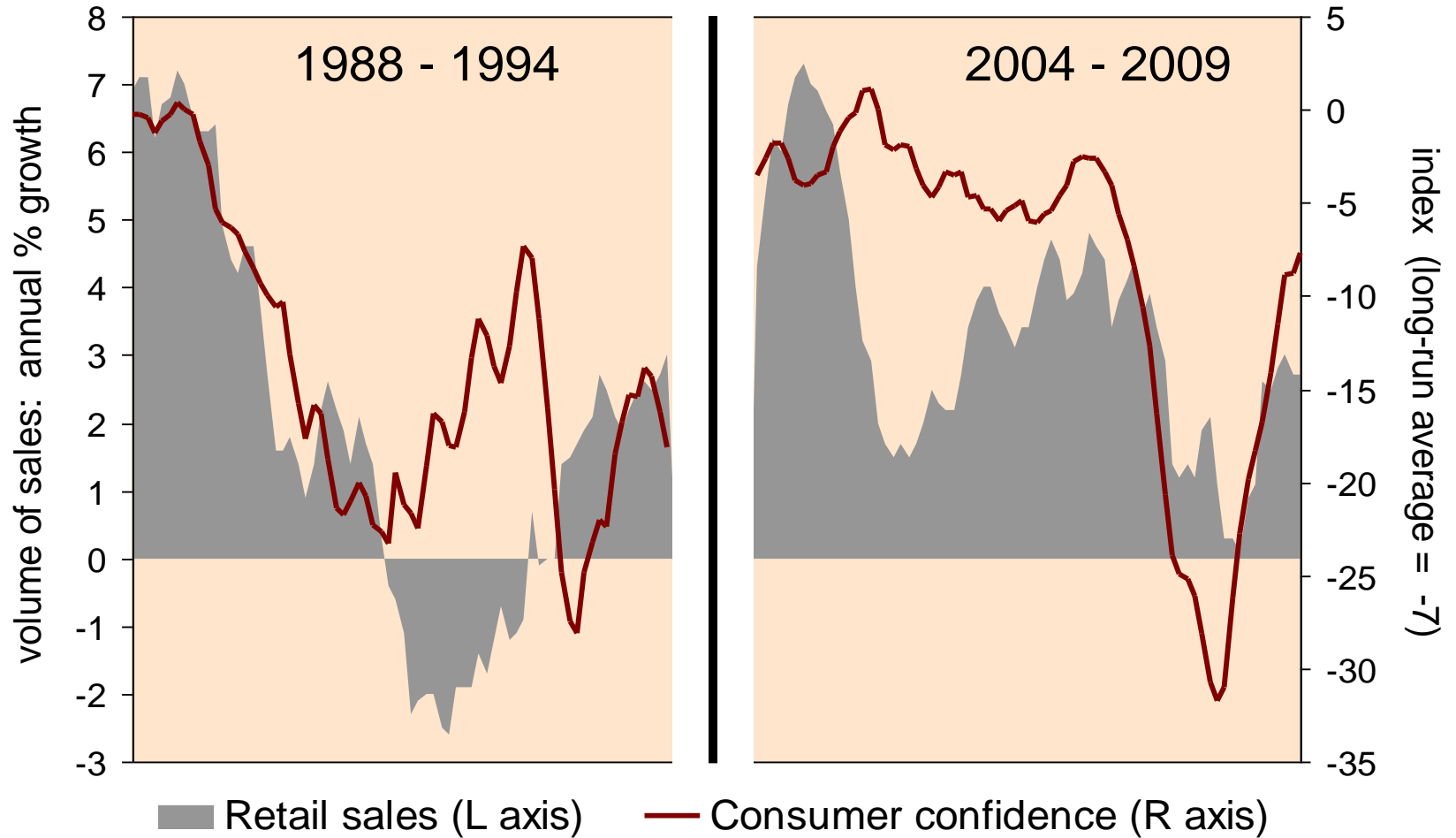


Source: Markit



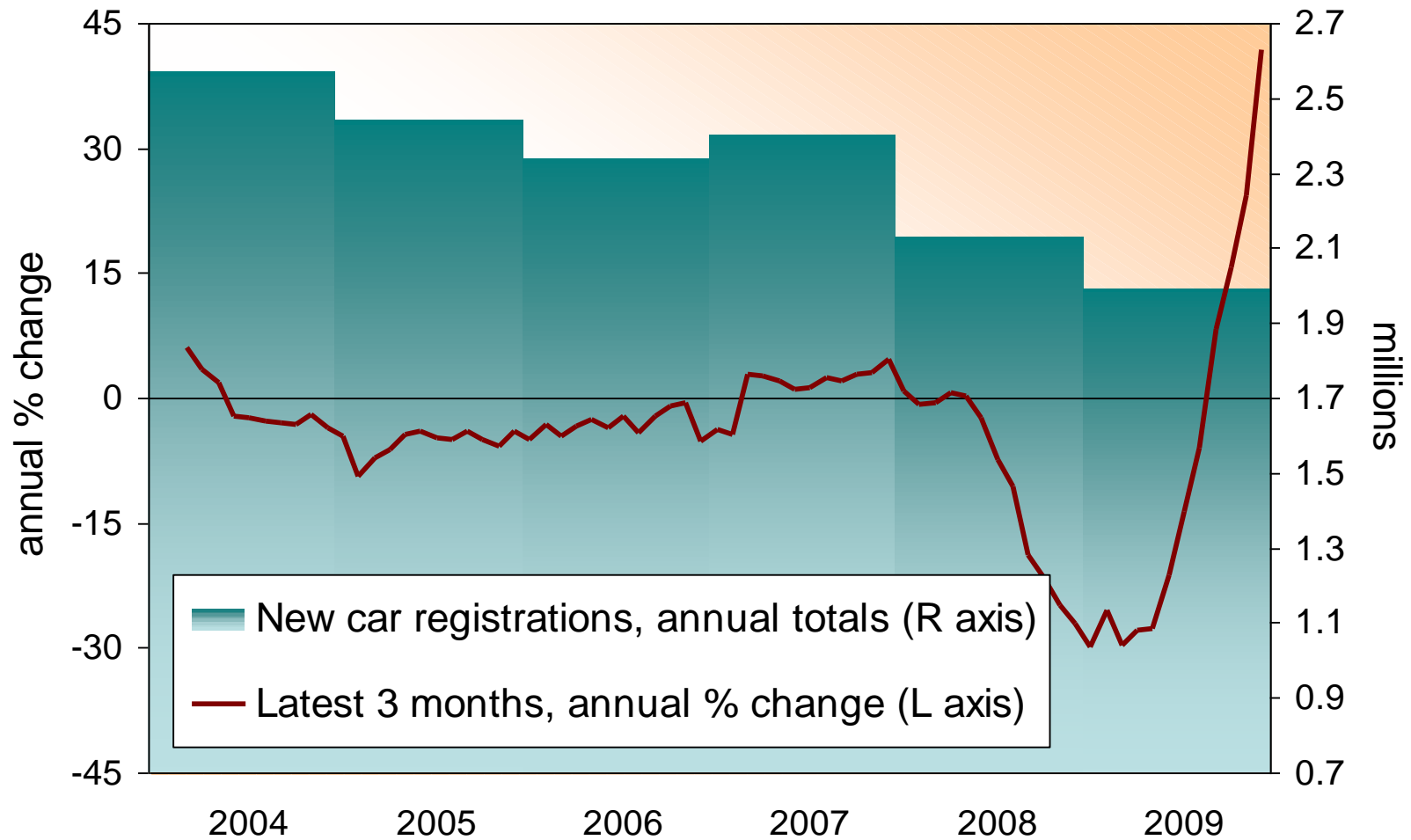
- Business surveys suggest that activity is expanding again.
  - And the consumer landscape hasn't been the complete disaster that many had feared.
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# Retail spending has stayed positive...



Source: ONS, Thomson Datastream

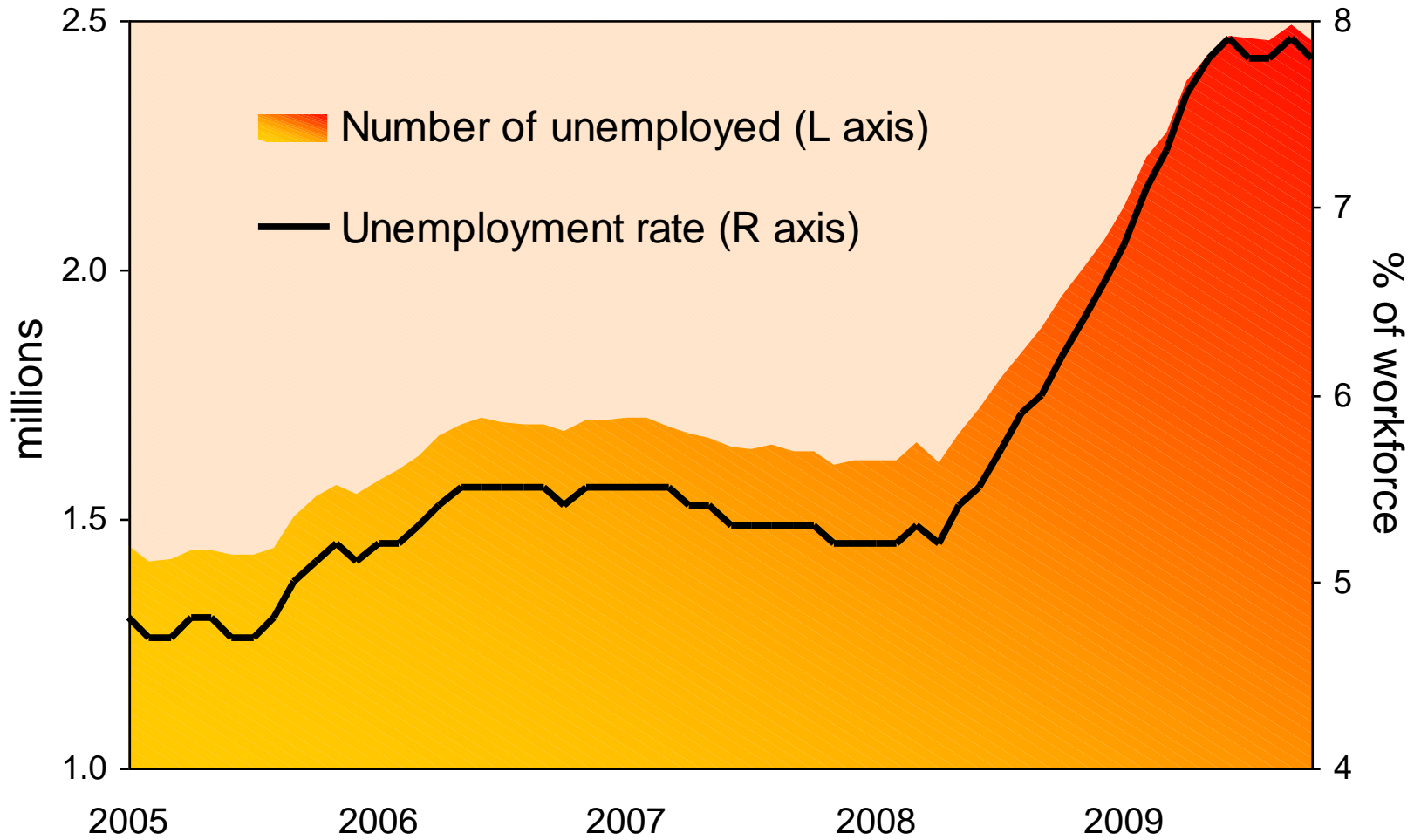
...and car sales are improving



Source: ONS

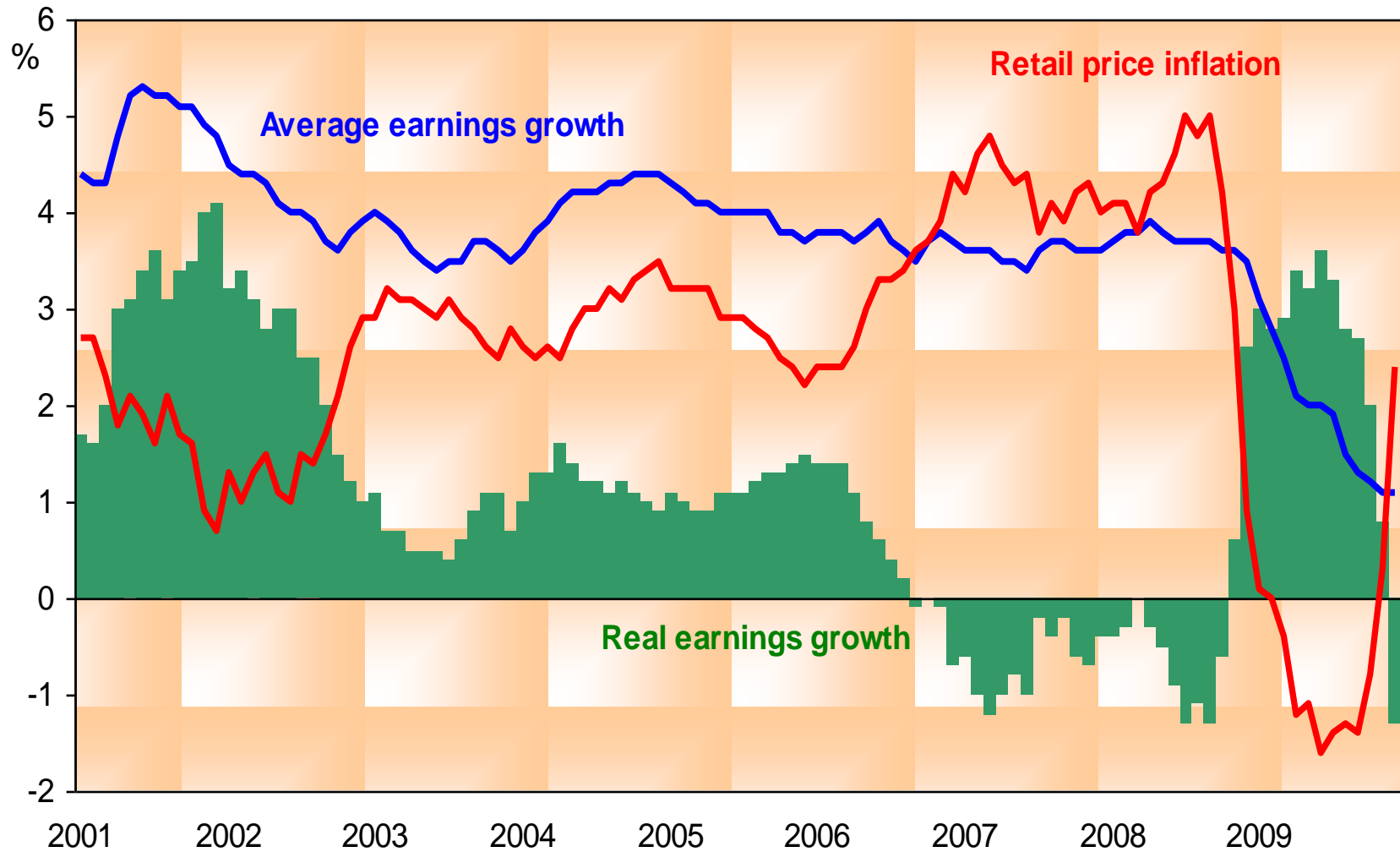
- Business surveys suggest that activity is expanding again.
  - The consumer landscape hasn't been the disaster that many had feared.
  - Unemployment has further to rise, but may not reach three million.
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# Topping out at under three million

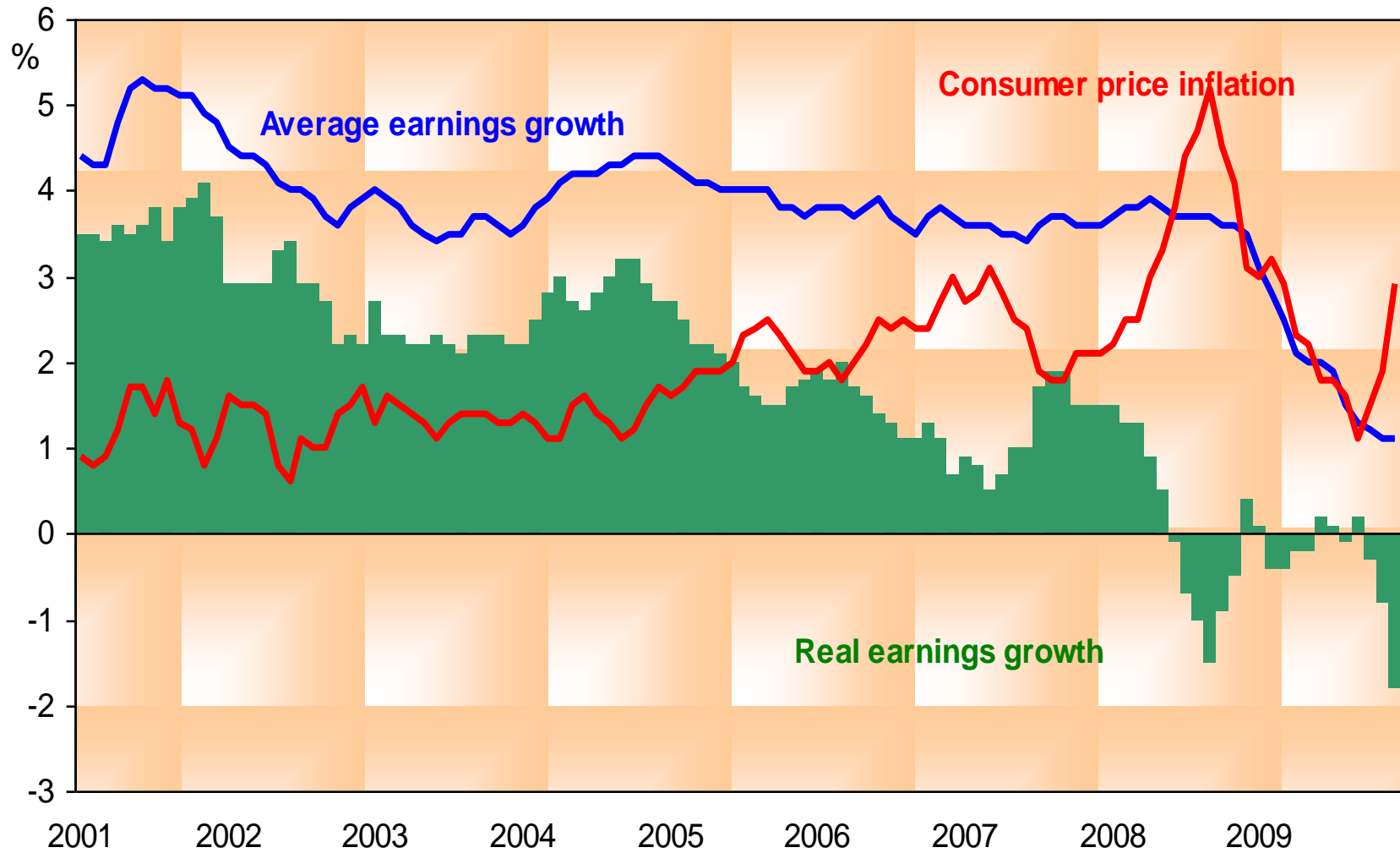


Source: ONS

For some, real income growth was healthy for a while..

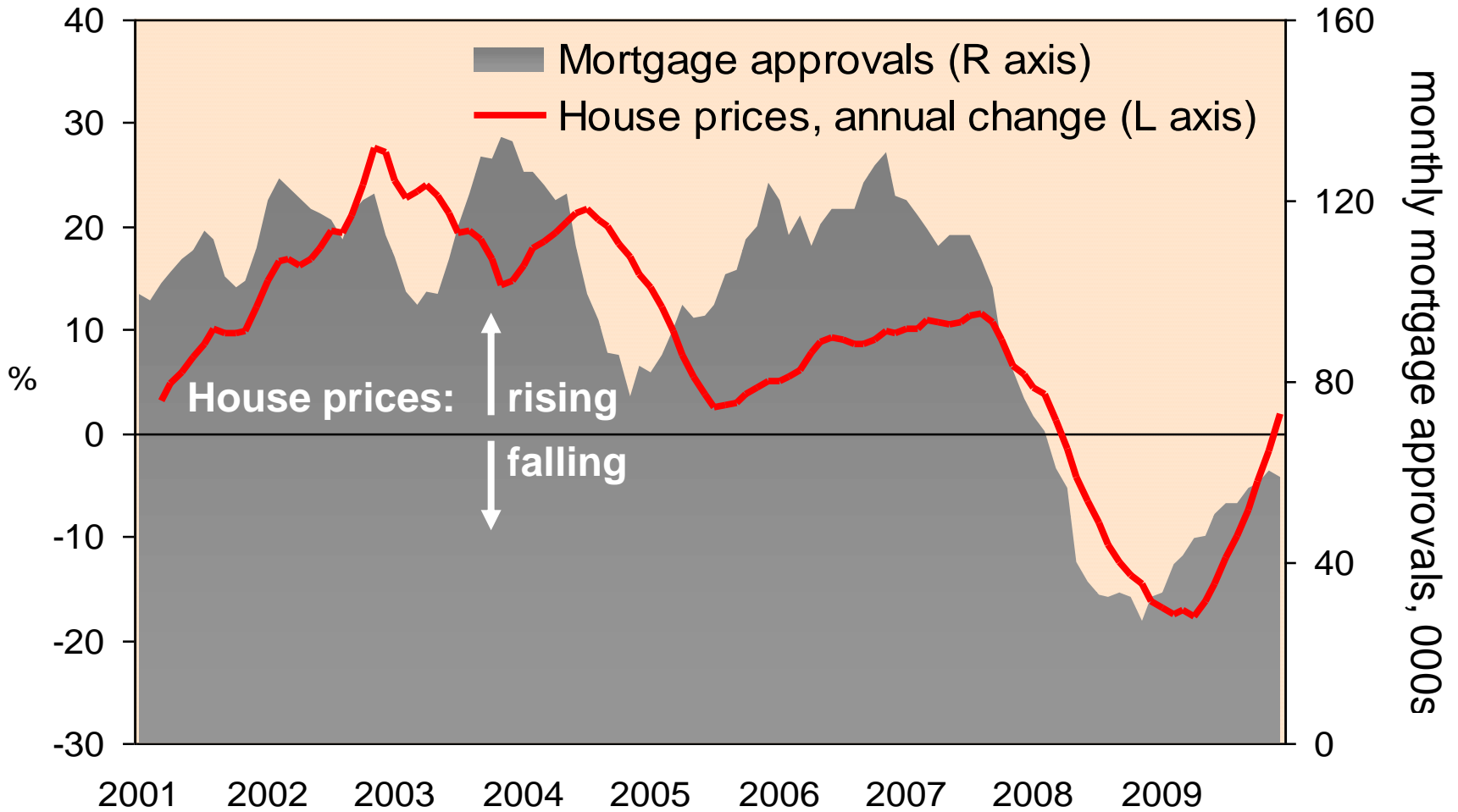


..but for savers not at all



- Business surveys suggest that activity is expanding again.
  - The consumer landscape hasn't been the disaster that many had feared.
  - Unemployment has further to rise, but is unlikely to reach three million.
  - House prices have stabilised, but that's largely down to a lack of supply.
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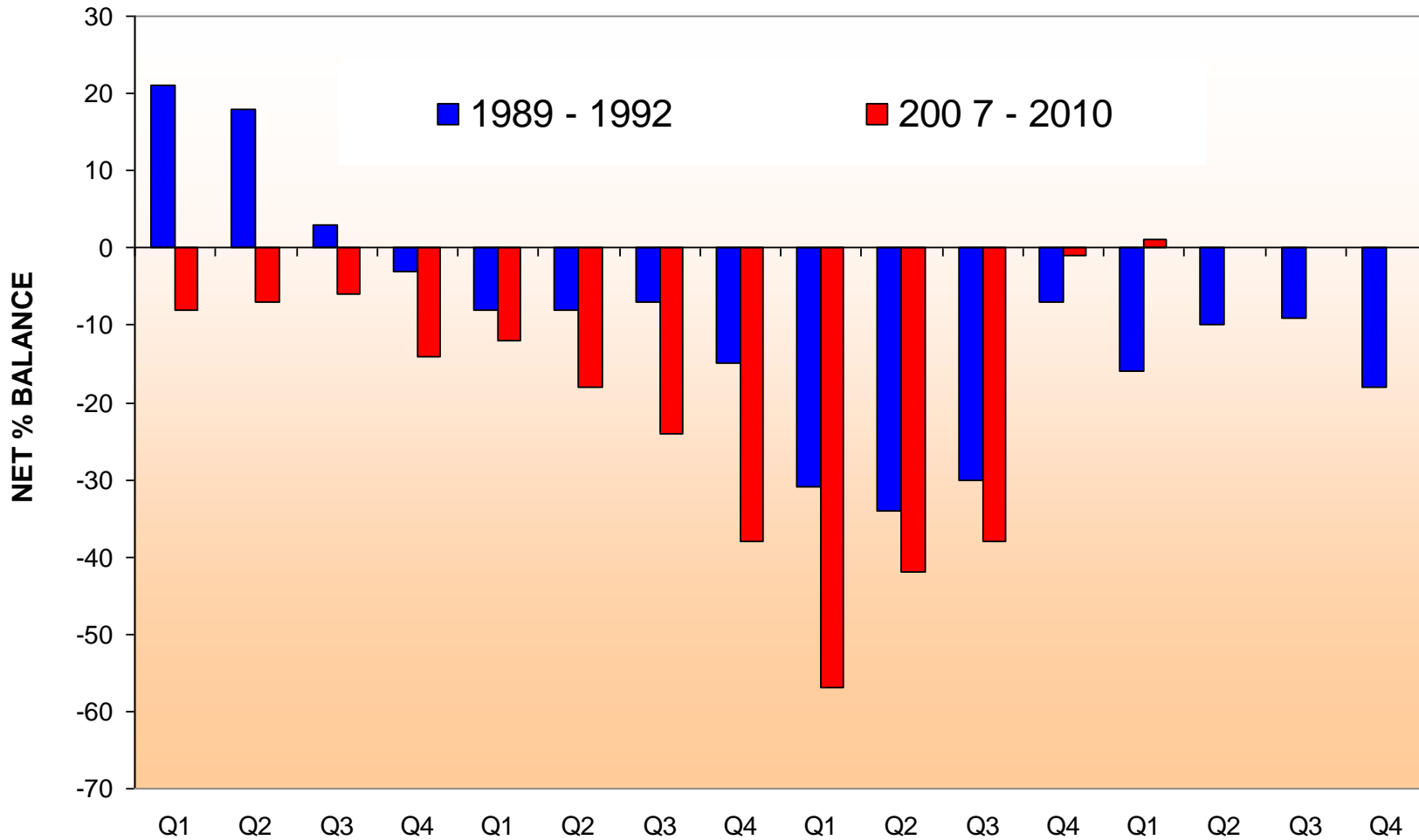
# House prices – beware of false dawns



Source: Bank of England, Halifax

- Business surveys suggest that activity is expanding again.
  - The consumer landscape hasn't been the disaster that many had feared.
  - Unemployment has further to rise, but is unlikely to reach three million.
  - House prices have stabilised, but that's largely down to a lack of supply.
  - **Even investment may be close to turning.**
-

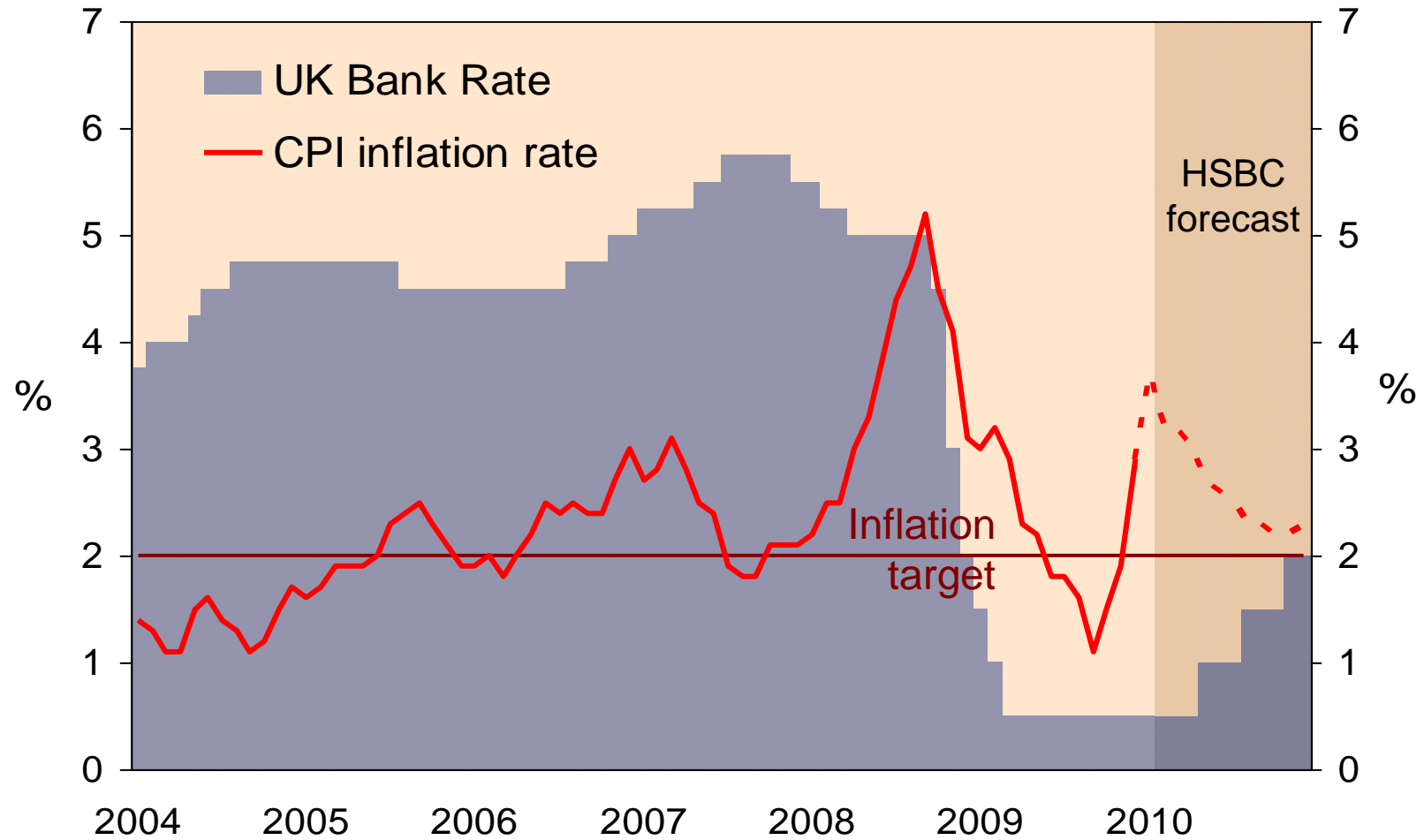
# Investment still off the agenda



Source: CBI

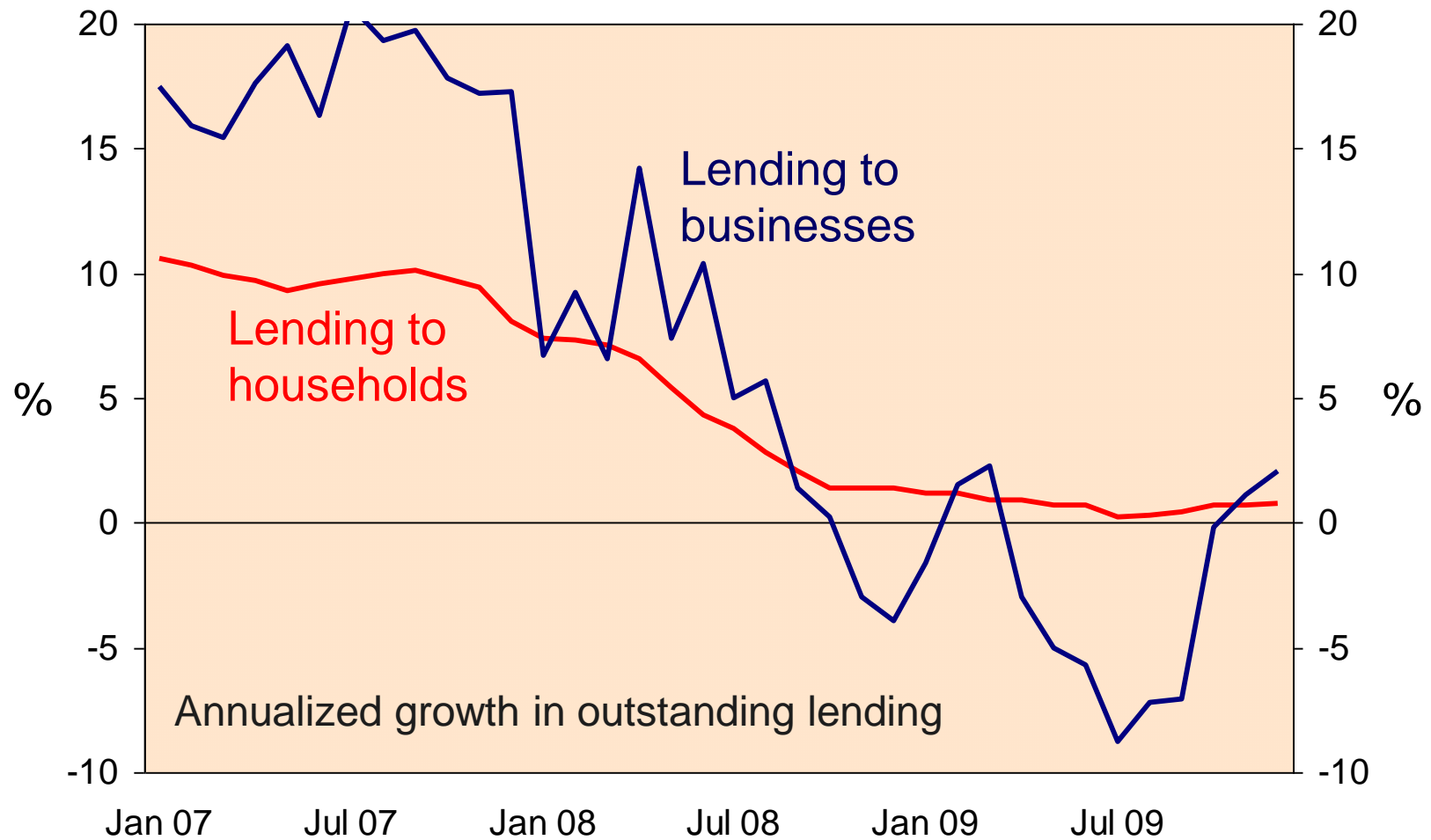
- Bank Rate will be kept close to zero until well into next year.
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# Near-zero interest rates for an extended period



Source: Bank of England, ONS

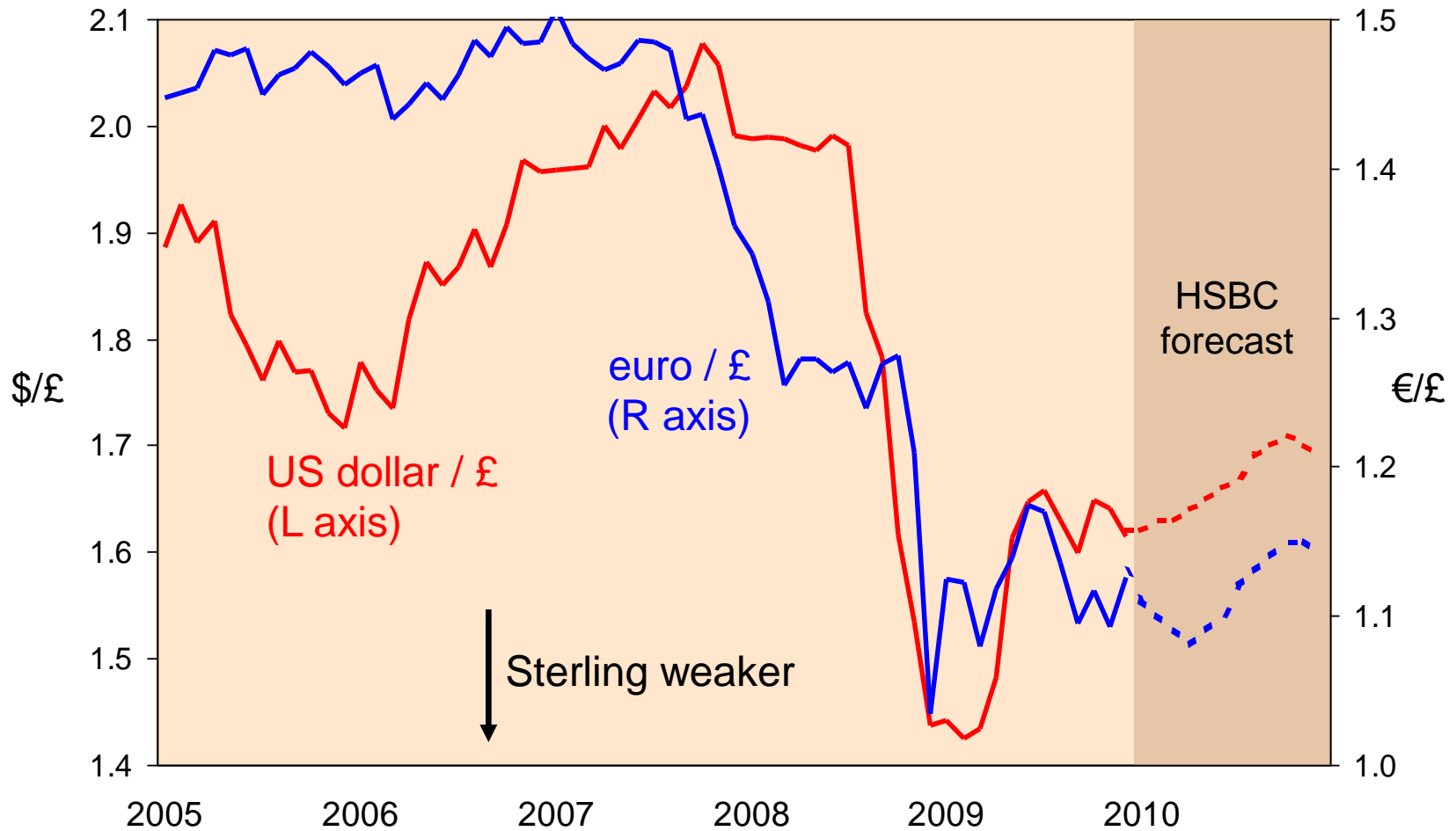
- Bank Rate will be kept close to zero until well into next year.
  - The Bank of England has pursued aggressive QE.
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Source: Bank of England

- Bank Rate will be kept close to zero until well into next year.
  - The Bank of England has pursued aggressive QE; but it will probably call a halt in November.
  - Sterling has weakened, which should boost the UK's competitiveness.
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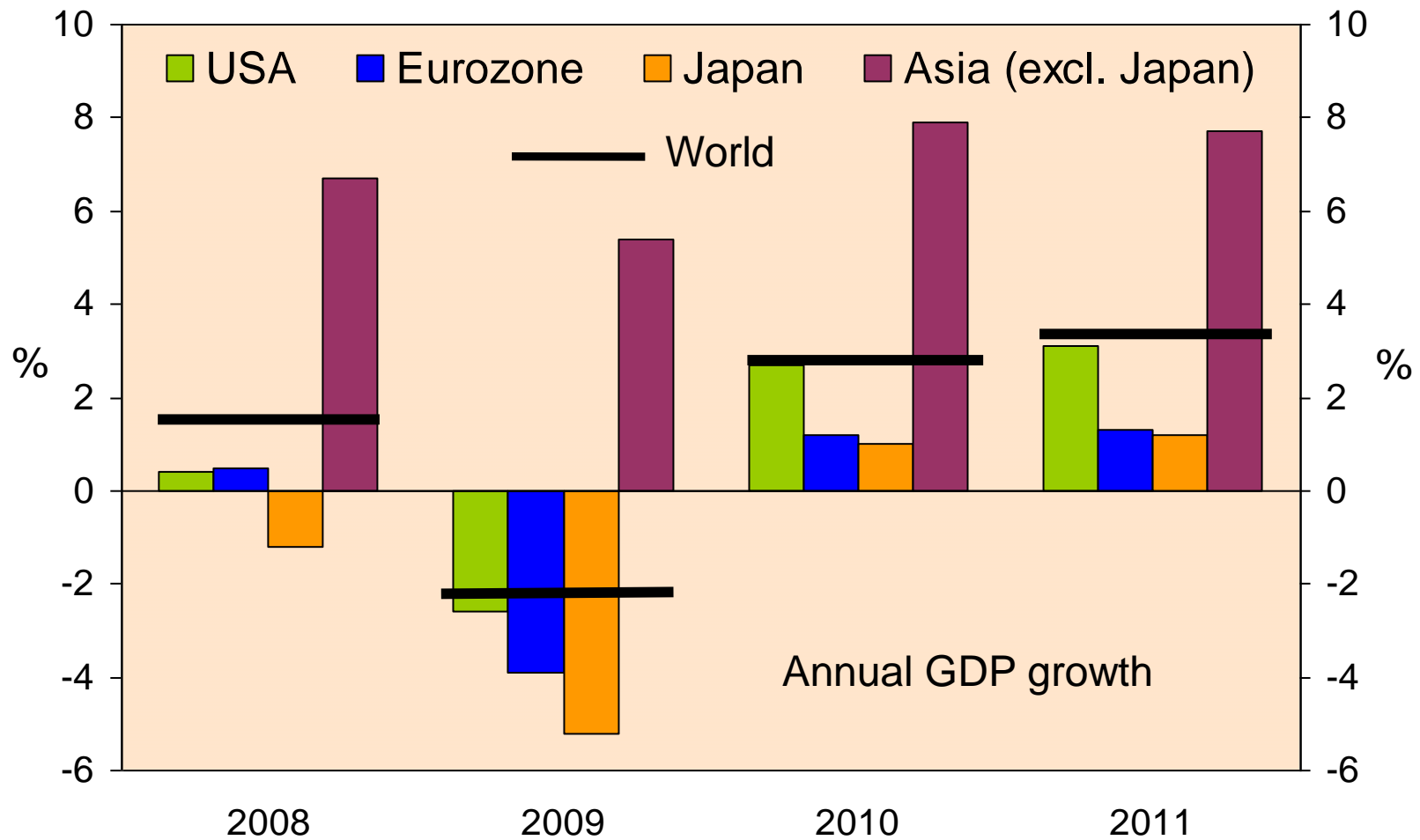
# Sterling – an opportunity for exporters



Source: Thomson Datastream; HSBC

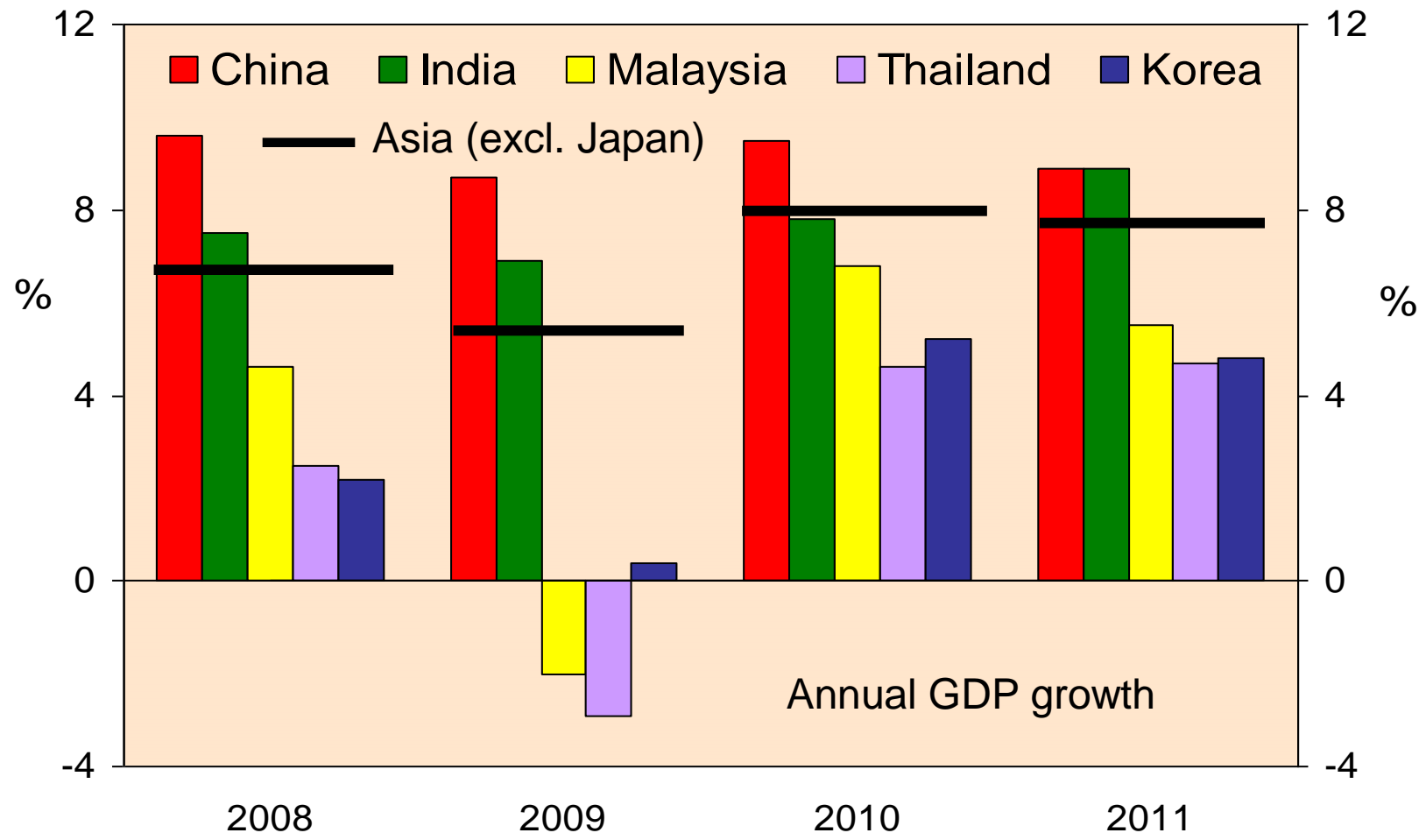
- The global economy is growing again, with Asia leading the way.
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# The biggest downturn since 1945



Source: IMF, HSBC

HSBC forecast

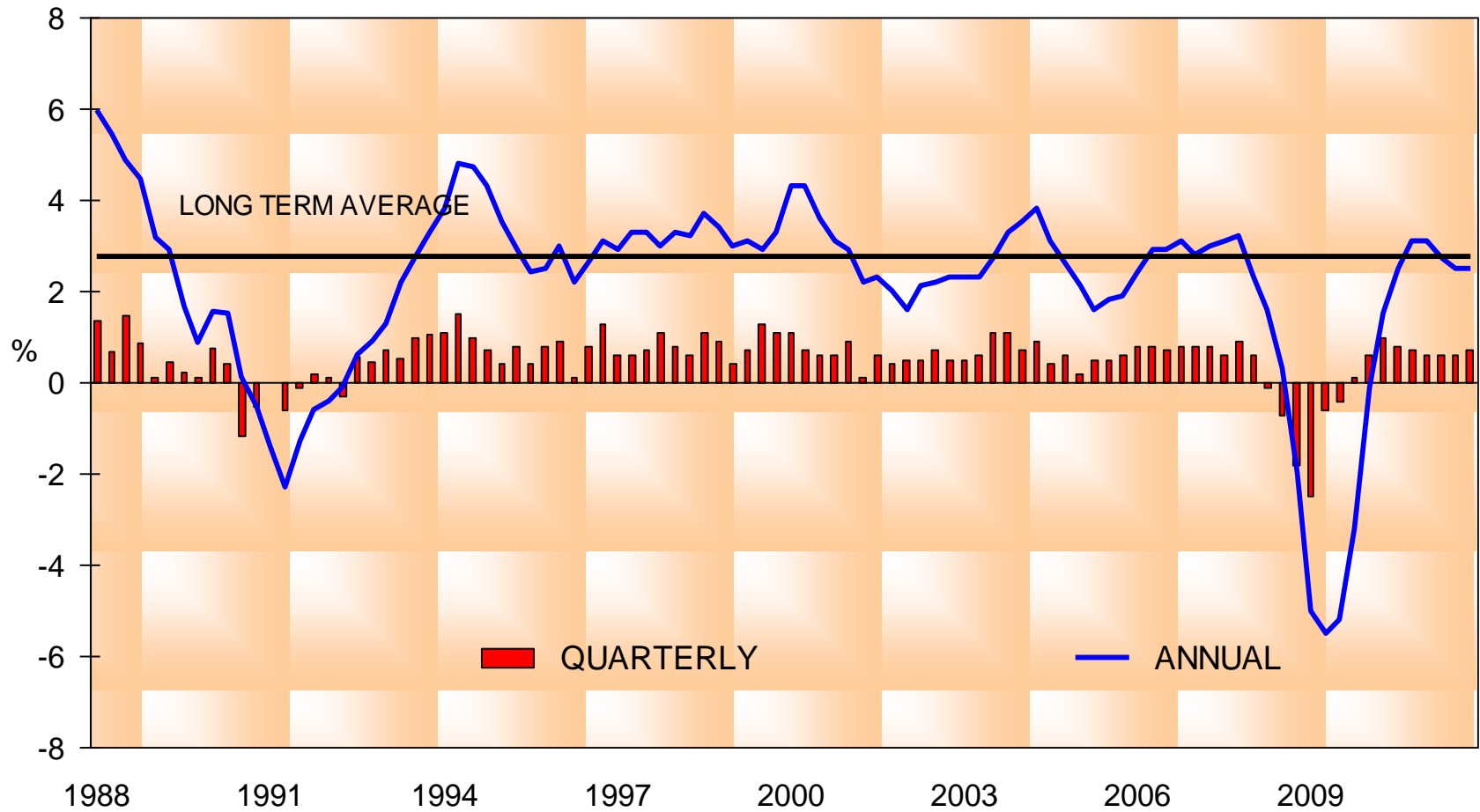


Source: IMF, HSBC

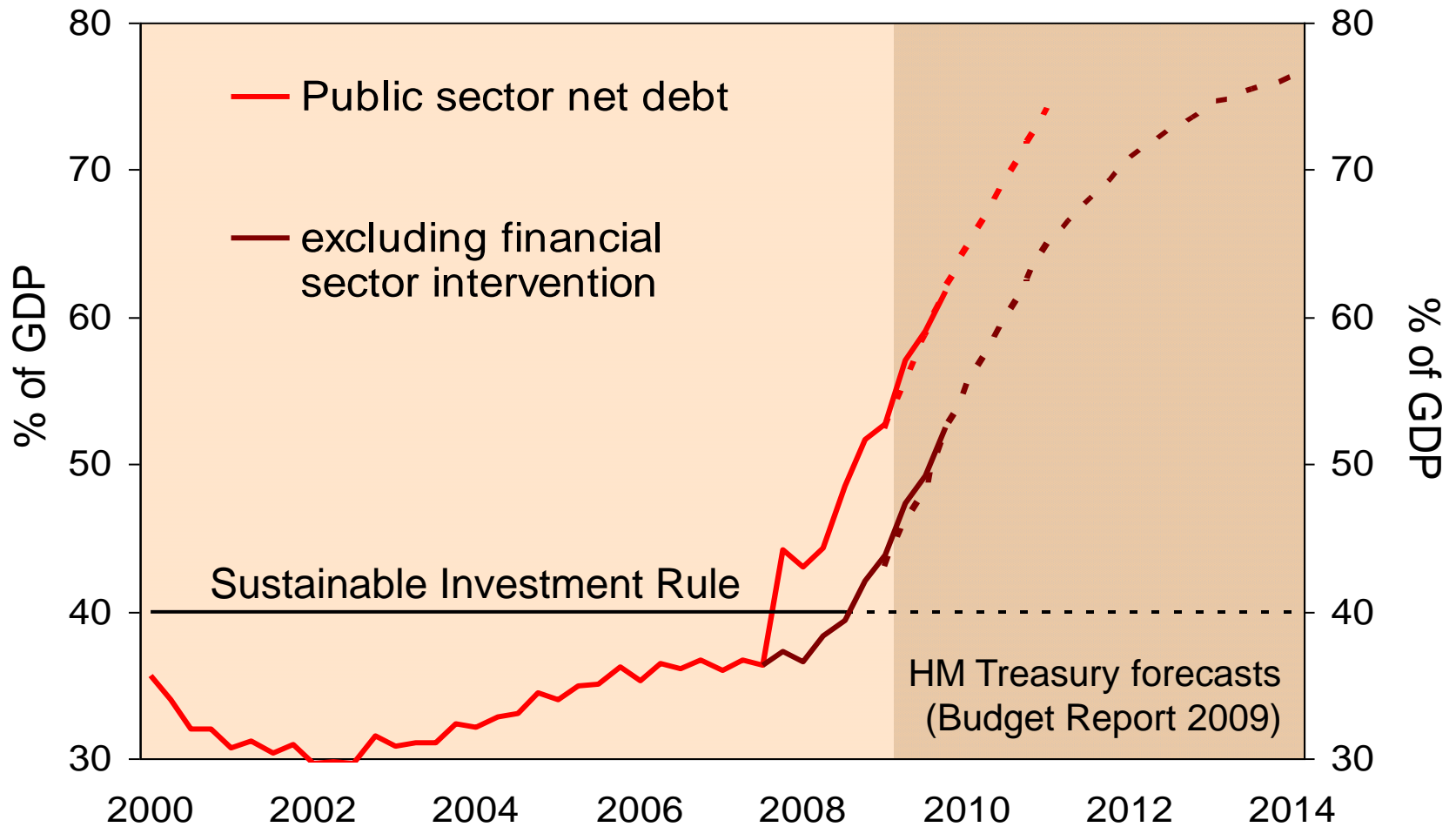
HSBC forecast

- The recession has probably ended, but the recovery will be long and fragile.
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# A slow recovery?

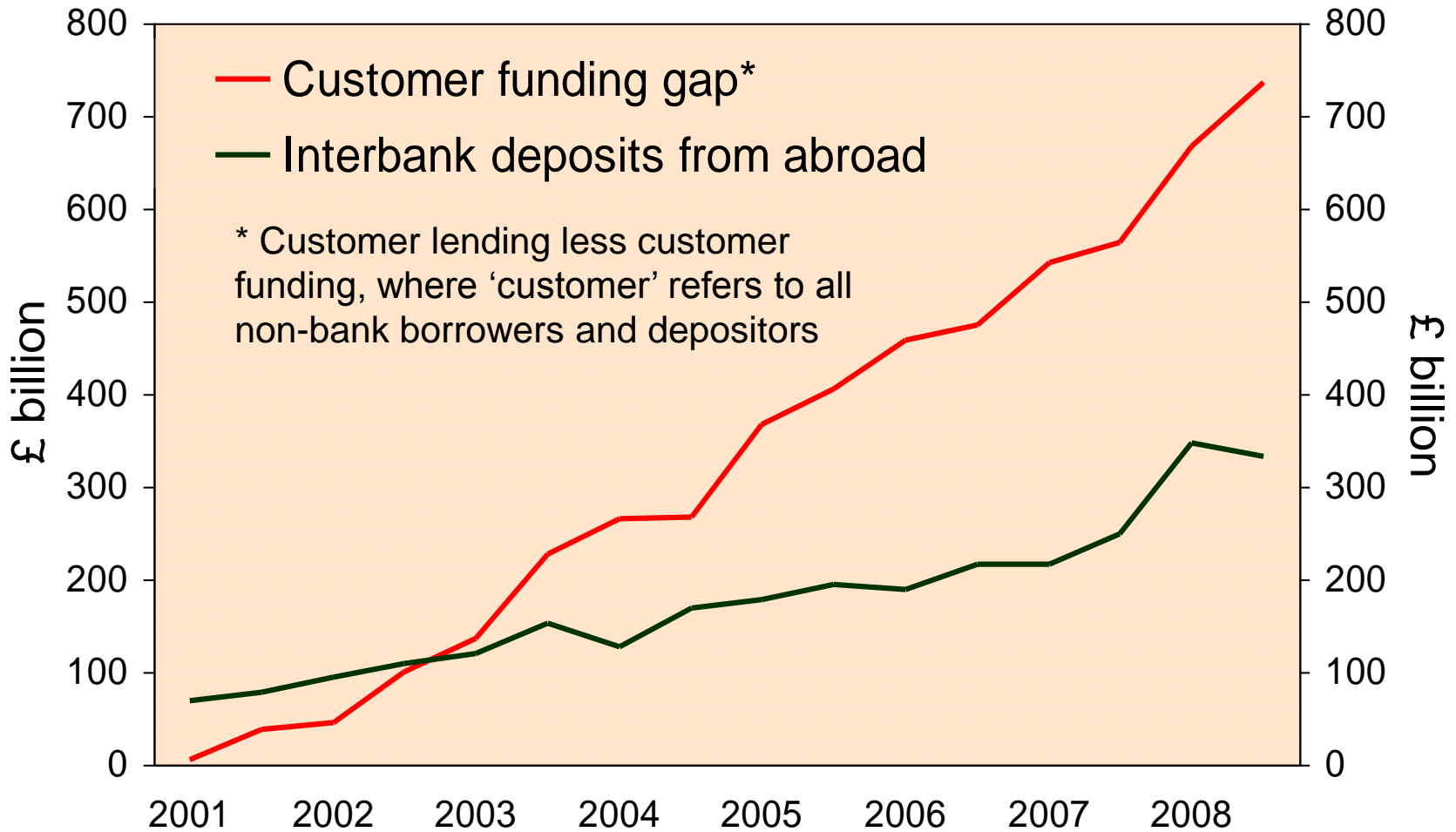


- The recession has probably ended, but the recovery will be long and fragile.
  - Without radical action it could take the best part of 20 years before the public finances are back to 'normal'.
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Source: ONS, HM Treasury

- The recession has probably ended, but the recovery will be long and fragile.
  - Without radical action, it could take the best part of 20 years to return the public finances to 'normal'.
  - **Credit could remain somewhat restricted into the medium term.**
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Source: Bank of England Financial Stability Report October 2008

THANK YOU

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