

The Saturday Economist

UK Economic Outlook 2017

(January Edition)



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Growth in 2015 was 2.3%. We now expect growth of 2.2% in 2016 slowing to 1.8% in 2017...

In the UK we expect the economy to have grown by 2.2% in 2016 following growth of 2.3% 2015. In the US the recovery continues with growth of 2.2% expected in the year ahead.

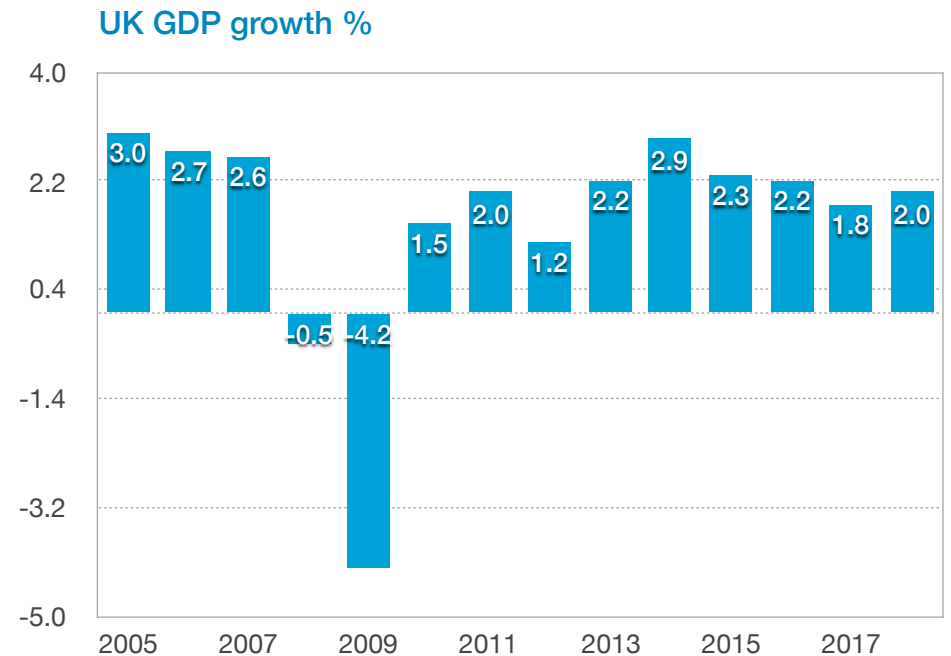
We expect inflation to rise early in 2017 prompted by the rise in oil prices and the depreciation of Sterling.

The UK economy grew by 2.2% in the third quarter. Early data suggests growth continued into the final quarter of the year.

Some slowdown is expected in 2017 as a result of a slowdown in investment and a real household income squeeze.

In this January economics update we forecast **world** growth of 3.2% in 2017 up from 3.1% in 2016. UK Inflation will rise to 3.0% CPI basis, over the year 2016. Unemployment will continue to fall but more slowly this year. Government borrowing will also fall. The service sector, especially the leisure sector, will lead growth. Manufacturing and construction will continue to disappoint.

We are forecasting a modest increase in manufacturing of around 0.1% in 2017 with a 0.3% rise in construction activity. The trade figures will continue to disappoint. We are forecasting a deficit (trade in goods) of £132 billion in 2016, rising to £136 billion in 2017. The challenge to the current account following the drop in overseas investment income continues, presenting a significant problem to the outlook for sterling over the medium term. We expect the current account deficit to average 5% of GDP in 2017, a level incompatible with base rates at 0.25%.



We expect base rates to rise in 2017 Q2 ...

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Chapter 1 World Economy

- The world economy is expected to have grown by 3.1% in 2016. We forecast growth of 3.2% in 2017 and 3.4% in 2018.
- Recovery in the USA and UK, will continue. We expect growth of 1.6% in US in 2016 and 2.2% in 2017.
- Some growth is expected in the oil producing economies of OPEC, Russia and Venezuela. We expect the Rouble economy to shrink by -0.6% in 2016 following a fall of -3.7% in 2015. In 2017, we expect growth of 1.1%.
- On a regional basis, growth in Sub Saharan Africa and the Asia Pacific region will continue at around 4.4%.
- Recovery in North America is expected to accelerate as US growth impacts on Mexico. In Canada, growth will increase to 2.0% in 2017 from just 1.2% in 2016.
- In South America, we expect some recovery in 2017. Negative growth in Brazil (-3.7%) and Venezuela (-10.7%) impacted in 2016.
- In Eastern Europe recovery in Russia and the Ukraine, will support growth prospects in the region. Growth of 1.4% is expected in 2016, rising to 2.3% in 2017.
- Growth in Western Europe will improve led by a recovery in Germany and Spain. We expect growth of 1.7% in 2016 and 1.9% in 2017.
- In the Eurozone, we expect growth of 1.5% in 2016 and 1.7% in 2017.
- World trade is expected to grow by 3.2% in 2016 and 3.5% in 2017.
- World prices for energy, particularly oil, primary metals, food and manufactures will increase through 2017.
- We expect oil prices to rally to \$60 per barrel Brent Crude basis by the final quarter of 2017 compared to an opening price of \$56.
- Overall the recovery in the world economy will continue, with a moderate acceleration in price levels through this year.

Chart 1.1 : World GDP growth %

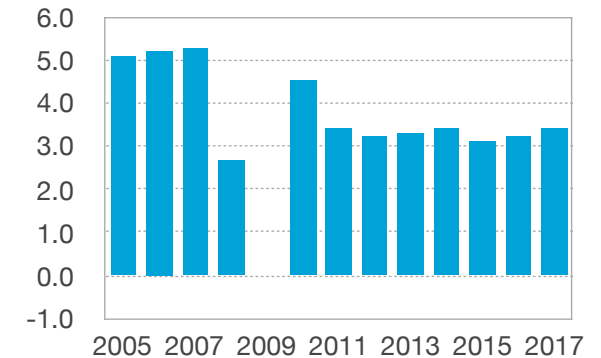
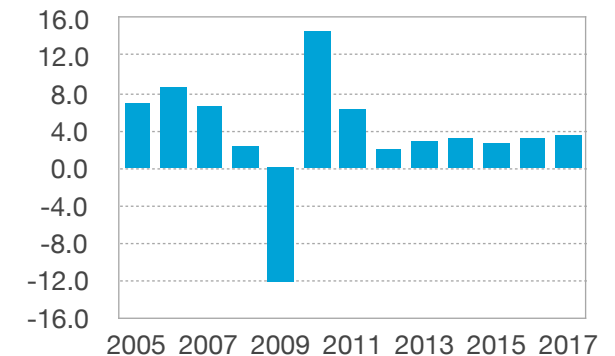


Chart 1.2: World Trade growth %



... the recovery continues.

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Table 1 World Economy GDP Growth %

Top Ten Markets	2010	2011	2012	2013	2014	2015	2016	2017
United States	2.5	1.6	2.2	1.7	2.4	2.6	1.6	2.2
China	10.4	9.4	7.7	7.8	7.3	6.9	6.7	6.4
Japan	4.7	-0.4	1.5	2.0	0.2	1.2	0.7	1.0
Germany	4.0	3.3	0.5	0.5	1.6	1.7	1.6	1.8
France	1.6	2.0	0.2	0.6	0.7	1.2	1.4	1.5
Brazil	7.5	2.7	1.9	3.0	0.1	-3.8	-3.4	1.0
UK	1.5	2.0	1.3	1.9	2.9	2.2	2.1	1.8
Italy	1.7	0.6	-2.4	-1.8	-0.4	0.7	0.8	0.8
Russia	4.5	4.3	3.5	1.3	0.7	-3.7	-0.6	1.2
India	7.5	6.7	4.5	4.7	7.3	7.6	7.5	7.5
World GDP	4.5	3.4	3.2	3.3	3.4	3.1	3.2	3.4
World Trade %	14.6	6.0	2.1	2.8	3.2	2.5	3.0	3.5

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.

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Chapter 2 World Trade and Oil Prices ...

- Oil price Brent Crude basis averaged \$44 per barrel in 2016, down from \$54 prior year. The opening price in 2017 is circa \$55.
- We expect oil prices to average \$55 in the first quarter of 2016 rising to \$60 (Brent Crude basis) by the end of the year 2017.
- World trade prices fell by -1.6% in 2014 and by an estimated -13.4% in 2015.
- We expect world trade prices to have fallen by a further -6% in 2016 recovering to 10% growth in 2017 as a result of the oil price rally and commodity price moves.
- We believe basic metal prices including, copper, zinc, lead, aluminium and iron have reached a basic floor level which will lead to a further recovery in 2017.
- Precious metals, gold, silver and platinum have demonstrated consolidation. Gold averaged \$1218 in the final quarter 2016. We expect gold to hover around \$1,150 in 2017 despite inflation fears.

- World commodity prices, excluding fuel (chart 2.3) have been extremely volatile increasing by over 25% in 2006 and 2010.
- In 2014, commodity prices fell by 9.1% with a further fall of 22.8% 2015. We expect prices to have fallen further in 2016 (-4.5%) with a strong rally in 2017 and in 2018.
- Trends in world trade, world trade prices and commodity prices continue to support a developing world recovery with rising inflation.

Chart 2.1 : Oil Prices \$ per barrel

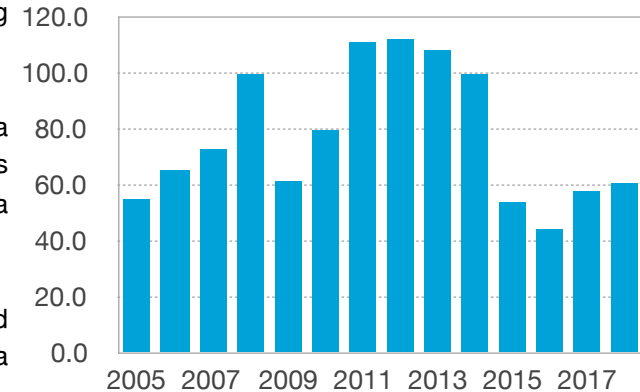


Chart 2.2 : World Trade Prices

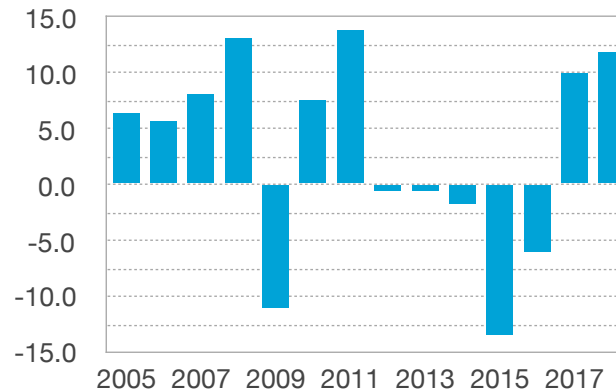
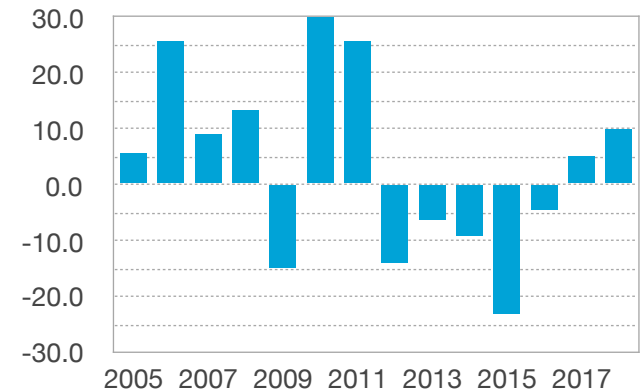


Chart 2.3 :World Commodity Prices



Information derived from CPB World Trade Monitor Series - Latest Data October 2016

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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.
- Following growth of 2.9% in 2014 the economy GDP(O) expanded by 2.3% in 2015 and by 2.1% to 2.2% in 2016.
- The service sector continues to underpin growth in the economy. Following growth of 2.5% in 2015, we expect service sector growth of 2.2% in 2016 and 2.1% in 2017.
- Construction output, driven by developments in housing and infrastructure, increased by 3.4% in 2015. We now expect growth of 0.2% in 2016 and 0.3% in 2017.
- Manufacturing output remains over 7% below the peaks registered in 2008 prior to recession.
- Following an increase in manufacturing output of 2.9% in 2014, output fell by -0.1% in 2015. We expect an increase of 0.3% in 2016 and 0.1% in 2017.
- Within the service sector, the leisure sector is expected to show strong growth along with a strong performance in business services, transport and finance.
- Overall, the UK will experience modest growth in output over the next two years. [We estimate the long term trend rate of growth to be 2.4% following latest data revisions. We do not share concerns about UK productivity.]
- The service sector will continue to underpin growth in the UK assisted by developments in construction and manufacturing to a much lesser extent.
- We expect growth of 2.1% - 2.2% in 2016. Our central forecast is for growth to slow to 1.8% in 2017, within an upside potential of 2.2%.

... inflation developing.

Chart 3.1 : UK GDP growth %

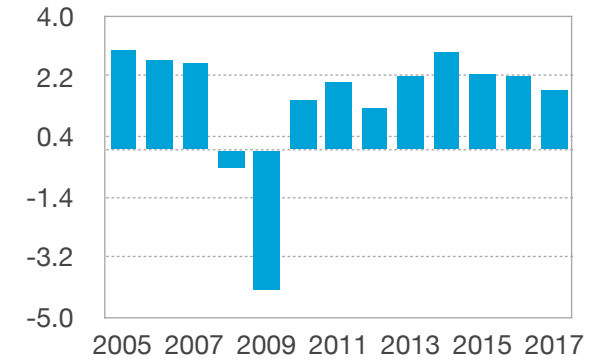
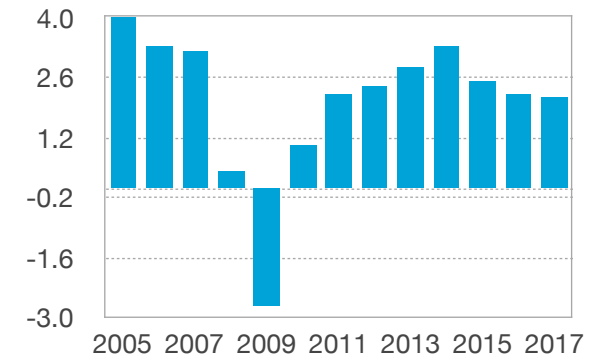


Chart 3.2 : Service Sector %



... our forecast for growth in 2017 is 1.8% with upside 2.2%.

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Table 3 UK GDP (O) Growth %

Key Sectors	2010	2011	2012	2013	2014	2015	2016	2017
Agriculture ...	-0.7	10.9	-7.3	0.7	13.8	1.4	-0.6	-0.6
Extractives	-2.4	-14.2	-10.9	-2.7	0.6	8.4	3.7	5.6
Manufacturing	4.2	2.2	-1.4	-1.1	2.9	-0.1	0.3	0.1
Electricity, Gas	4.0	-6.1	-0.9	0.2	-6.1	0.4	0.1	-1.7
Water, Sewage	-1.3	5.7	-0.1	4.3	0.7	3.4	6.1	4.6
Total Production	2.9	-0.6	-2.7	-0.7	1.5	1.3	1.2	1.1
Construction	8.3	2.2	-6.9	1.4	8.0	4.9	0.2	0.3
Service Sector								
Leisure	1.0	1.9	1.6	3.5	4.8	4.6	4.8	4.2
Transport	3.0	1.8	2.2	1.7	3.0	3.8	3.2	2.7
Business et al	0.4	3.3	3.2	2.1	3.9	2.6	2.3	2.1
Education, Hth	0.3	1.1	1.9	0.3	3.3	-1.0	1.6	0.5
Total Services	1.0	2.2	2.4	1.7	3.3	2.5	2.2	2.1
Total GDP (O)	1.5	2.0	1.3	1.9	3.4	2.4	2.1	1.8

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

The forecast is consistent with Latest Estimate of GDP Q3 2016 released by the ONS on the 23rd December 2016.

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

- We continue to offer little hope for the rebalancing agenda in our forecasts for growth in expenditure.
- Household expenditure increased by 2.5% in 2016. We expect growth of 2.7% in 2016 slowing to 2.6% in 2017.
- Government expenditure increased by 1.3% in 2015. Government expenditure is expected to have increased by 0.9% in 2016 increasing to 1.2% in 2017.
- Investment increased by 3.4% in 2015. We expect growth of 0.7% in 2016 and 1.3% in 2017 following disappointing Q3 returns.
- Domestic expenditure increased by 3.4% in 2014 and by 1.9% in 2015. We expect growth of 1.9% in 2016 rising to 2.1% in 2017.
- 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 2016 and 2.0% in 2017 following growth of 6.1% in 2015.
- Imports increased by 5.5% in 2015. We expect growth of 2.9% in 2016 and 1.5% in the following year.
- Our GDP Expenditure model is consistent and balanced with the ONS data. We forecast GDP(E) growth of 2.2% in 2016 and 1.8% in 2017.
- The trade deficit will continue to have a negative impact on UK GDP but of itself will not be a constraint to growth.
- We continue to caution on the overall current account deficit. We expect a current account deficit equal to 5% of GDP through 2017.
- This compares with an average 5% current account deficit in 2016 and a revised deficit of 4.4% in 2015.

Chart 4.1 : Households %

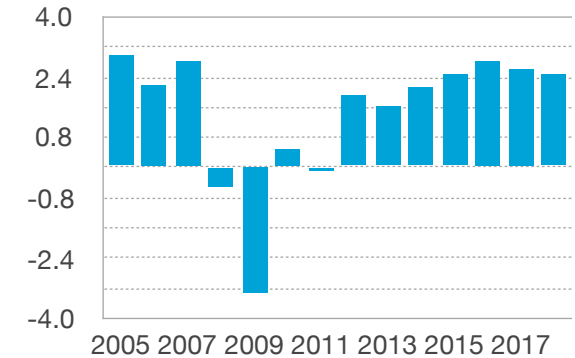
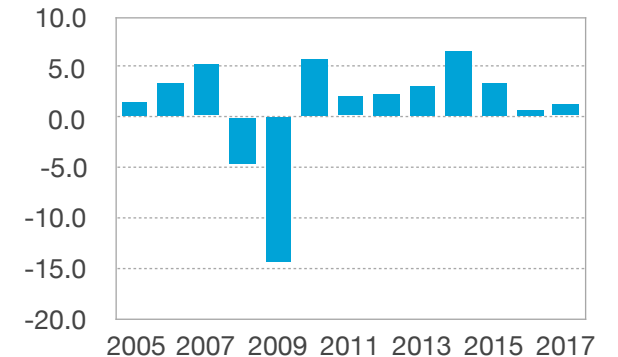


Chart 4.2 : Investment %



... our investment outlook is revised slightly.

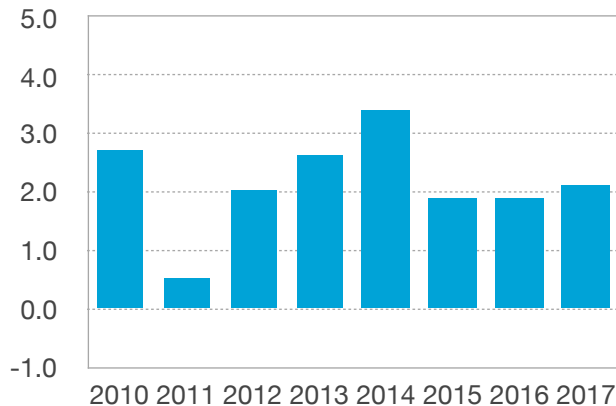
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Table 4 UK GDP (E) Expenditure Chained Measure %

Expenditure	2011	2012	2013	2014	2015	2016	2017
Households	-0.1	1.9	1.6	2.1	2.5	2.8	2.6
NPIs	3.7	-2.0	0.0	2.7	0.8	2.8	2.5
Government	0.1	1.7	0.3	2.3	1.3	0.9	1.2
Investment	2.0	2.3	3.2	6.7	3.4	0.7	1.3
Inventories	-	-	-	-	-	-	-
Domestic Exp	0.5	2.0	2.6	3.4	1.9	1.9	2.1
Total Exports	5.8	0.6	1.1	1.5	6.1	2.4	2.0
Gross Final Exp	1.6	1.7	2.3	2.9	2.9	2.0	2.1
Total Imports	0.6	2.9	3.4	2.5	5.5	2.9	1.5
GDP	2.0	1.3	1.9	3.1	2.2	2.2	1.8

Chapter 5 UK Economics Growth

Chart 4.3 : Domestic Expenditure %



UK Economic Outlook January 2017

Chart 4.4 : Exports %

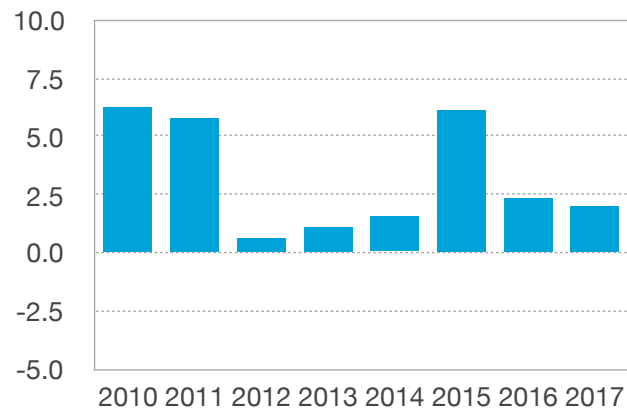
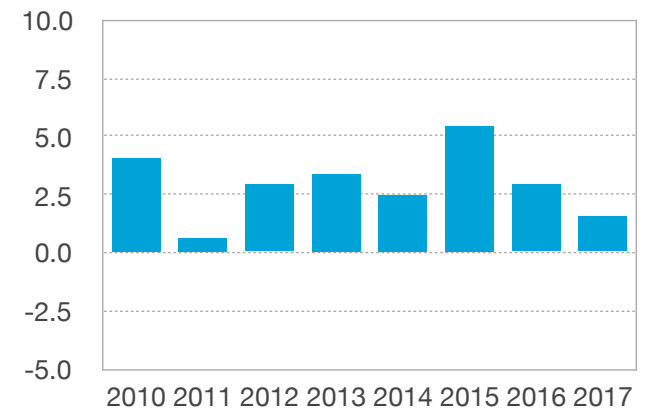


Chart 4.5 : Imports %



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- Investment ...

- Investment grew by 6.7% in 2014 and by 3.4% in 2015. We forecast growth of 0.7% in 2016 recovering to 1.3% in 2017.
- Business Investment increased by 4.7% in 2014 and by 5.2% in 2015. We expect growth of 1.1% in 2016 rising to 1.3% in the following year.
- Investment in plant and machinery increased by 0.8% in 2015. We are forecasting an increase of 0.1% in 2016 and 0.3% in 2016.
- Our four year capital stock model suggests growth of 3.7% in 2014 and 1.7% in 2015. We forecast growth of 2% in 2016 and 3% in 2017.
- By the beginning of 2015, capital stock levels were above the pre recession highs of 2007/8. The Fixed Asset Turnover Ratio will average 6.8 in the current year and 6.8 in 2016 compared to 6.7 in 2010.

Chart 5.1 Total Investment £m

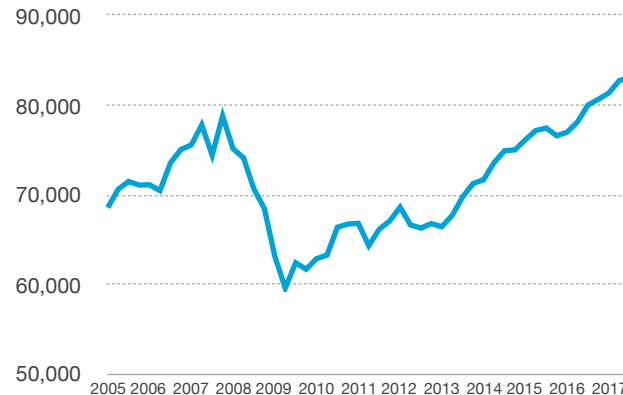


Chart 5.2 Business Investment £m

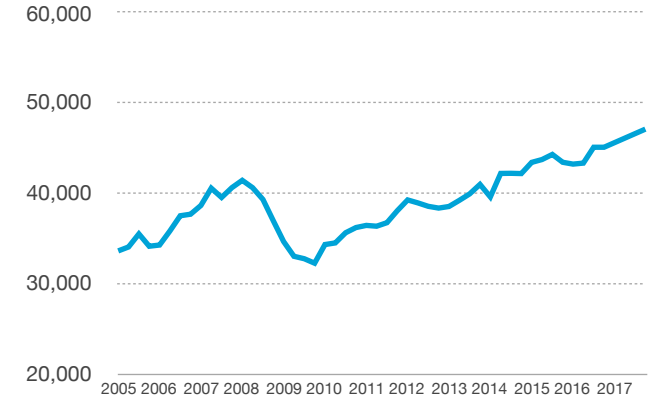


Chart 5.3 Machinery & Equipment £m

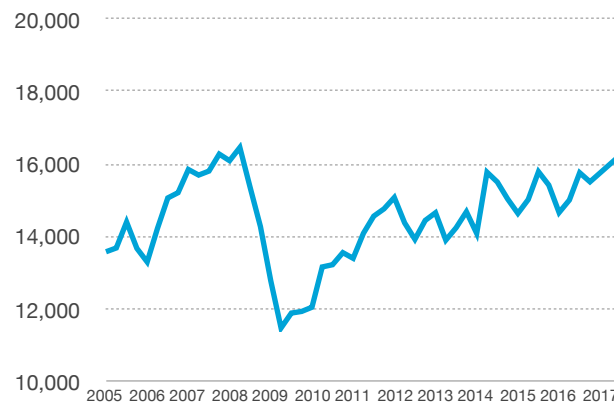
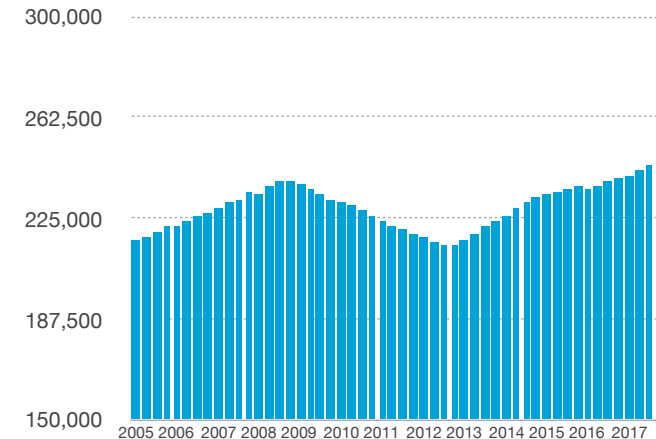


Chart 5.4 Four Year Capital Stock £m



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Chapter 6 - UK trade in goods and services



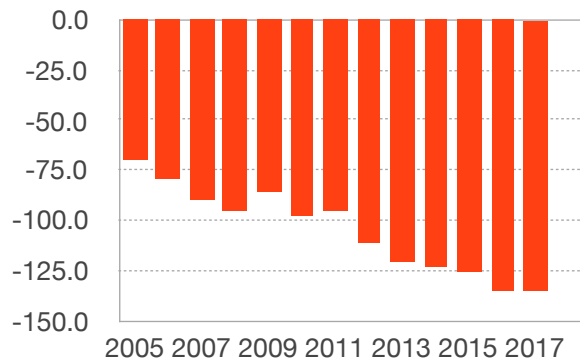
... heading in the wrong direction.

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Chapter 6 UK Trade in goods and services

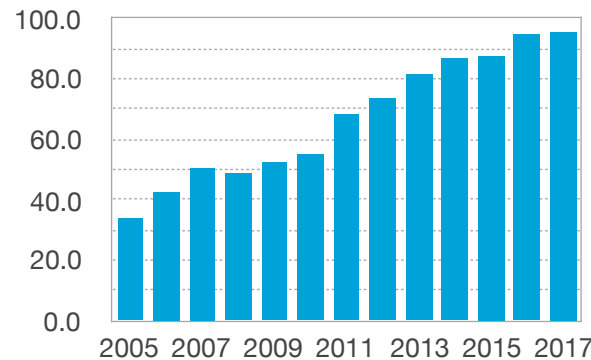
Balance Trade in Goods and Services £ billion

Chart 6.1 : Trade in Goods



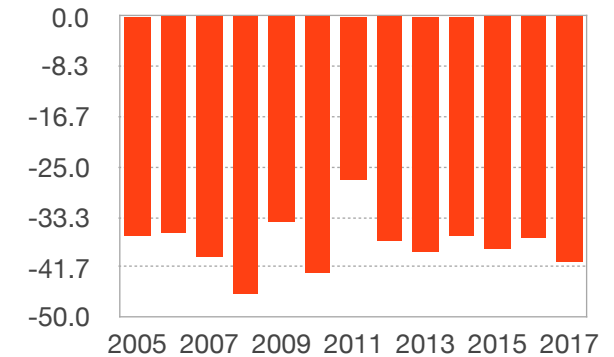
- We model exports as a function of world trade and relative prices. A model in which we find the demand terms dominant.
- We model imports as a function of domestic demand, or total final expenditure and a relative price term. The demand term is dominant with relative price inelasticity. There is little or no substitution effect.
- The trade in goods deficit increased to £122.6 billion in 2014 and £119.7 billion in 2015.
- We expect the deficit to increase to £134.5 billion in 2016 and £135.8 billion in 2017.

Chart 6.2 : Trade in Services



- The trade in services surplus was £86.4 billion in 2014, an increase of 6% on the prior year level.
- The trade in services surplus increased to £89.9 billion in 2015. We forecast a surplus of £95.8 billion in 2016 and £95.0 billion in 2017.
- The surplus in services will continue to offset in part, the structural trade deficit in goods.

Chart 6.3 : Trade in Goods & Services



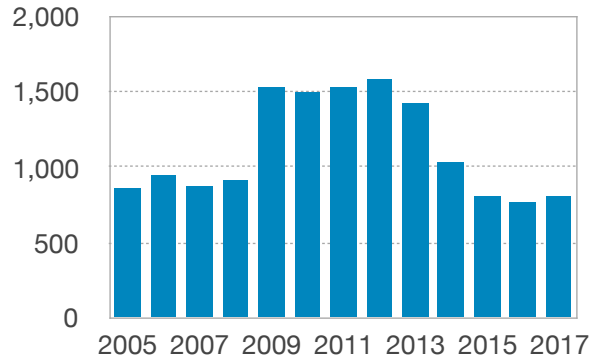
- The trade in goods and services deficit fell to £29.8 billion in 2015 compared to £36.2 billion in the prior year.
- Our central forecast is for the overall deficit to increase to £38.9 billion in 2016 and £40.8 billion in 2017.
- The ongoing deficit, measured at around 2.3% of GDP will not of itself, create a problem for sterling.
- The current account deficit at 5.0% of GDP

... the trade deficit will continue to disappoint.

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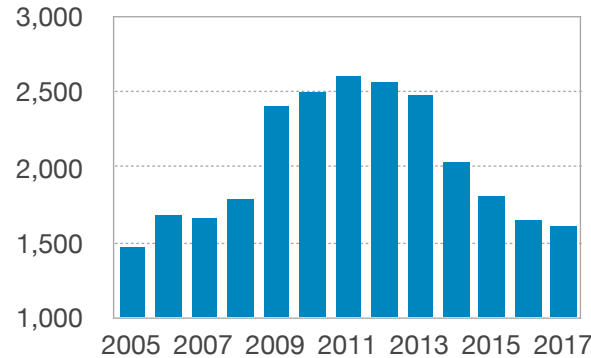
Chapter 7 Labour Market Trends

Chart 7.1 : Claimant Count 000



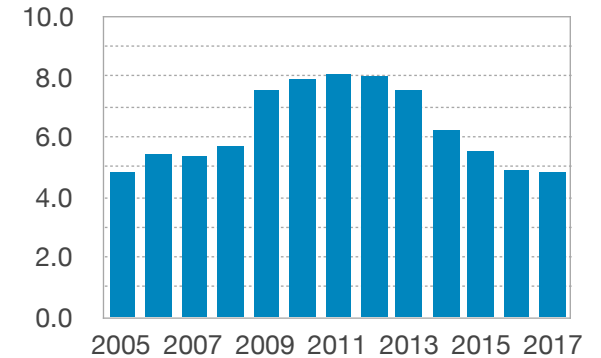
- The claimant count has fallen significantly as the economy continued to grow by over 2% in 2015 and 2016.
- In 2015 the claimant count averaged 796,000 through the year compared to 1,037 prior year.
- By the end of 2016, we expect the claimant count to have risen slightly to average 800,000 in Q4, a rate of 2.2%.
- We expect the claimant count to average 800,000 through 2017 a modest rise on the 2016 average of 768,000.

Chart 7.2 : LFS Count 000



- The LFS count unemployment in the final quarter of 2016 is estimated to be 1.6 million.
- This is a reduction of 90,000 over the previous twelve months.
- We expect levels to average 1.635 million in 2016 falling to 1.602 million in 2017.
- We expect the unemployment rate (LFS basis) to fall from 5.1% at the end of 2015 to 4.9% by the end of 2016 and 4.8% by the end of 2017.

Chart 7.3 : LFS Rate %



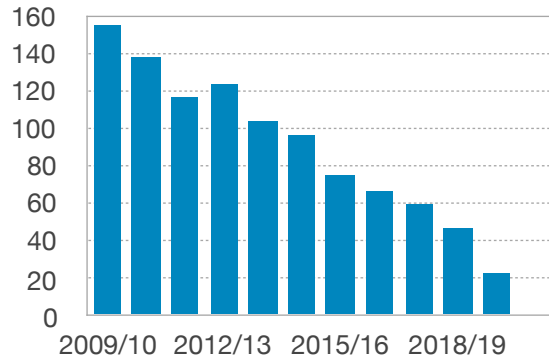
- The unemployment rate averaged 5.4% in 2015. We expect the rate to fall to 4.9% in 2016 and 4.8% in 2017.
- The average rate, in the pre recession period was just 5.5%.
- Our models suggests “spare capacity” may have been exhausted by the first quarter of 2016 (LFS basis).
- The claimant count data however, suggests the average unemployment rate of 5% in the period 2005 - 2008 has already been achieved. This will place additional pressure on the pay round and earnings into 2017.

... job gains slow as U.K. nears full employment.

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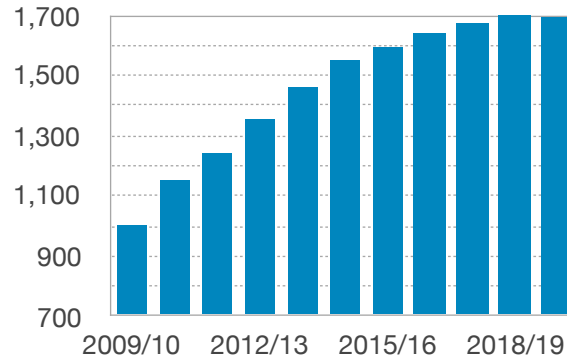
Chapter 8 Government Borrowing

Chart 8.1 : Borrowing £ billion



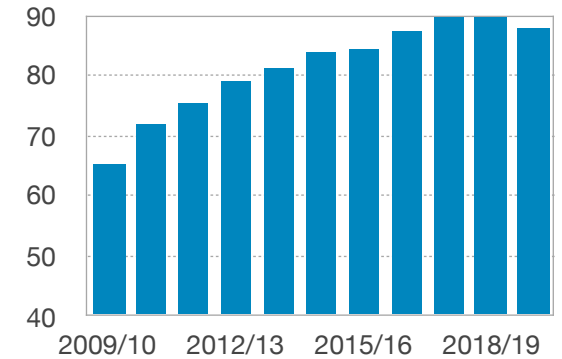
- Government borrowing in the twelve months to March 2016 is estimated to be £75.4 billion compared to £96.3 billion prior year.
- We expect total borrowing in the financial year 2016/17 to be £66.8 billion falling to £59.0 in 2017/18 and 36.5 billion in 2018/19
- This compares with OBR forecasts of £68.2 in 2016/17, £59.0 billion in 2017/18 and £46.5 billion in 2018/19.

Chart 8.2 : Total Debt £ billion



- Total debt, is estimated to be just over £1.600 trillion at the end of financial year 2015/16.
- Rising to £1.7 trillion at the end of 2016/17...
- peaking at over £1.9 trillion at the end of the current forecast cycle 2019/20.
- NB The borrowing figures includes Housing Association Data from 2014 onwards

Chart 8.3 : Total Debt % GDP



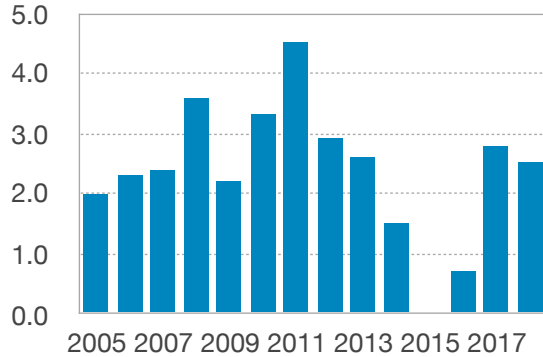
- As a % of GDP debt is estimated to be 84.2% at the end of 2015/16
- Rising to 87.3% in 2016/17, 90.2% in 2017/18 and falling to 89.7% in 2018/19.
- Information derived from OBR Economic and Fiscal Outlook November 2016.
- ONS data : Public Sector Finances October 2016..

£ Billion	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Borrowing	154.9	136.8	115.5	123.4	104.0	96.3	75.4	65.5	59.0	46.5	21.9
Debt	1,006.9	1,151.7	1,246.6	1,357.5	1,460.1	1,548.5	1,602.4	1,725	1,840	1,904	1,945.0

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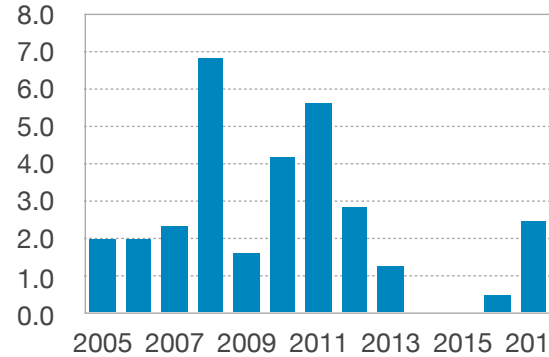
Chapter 9 Inflation Outlook

Chart 9.1 : CPI Inflation



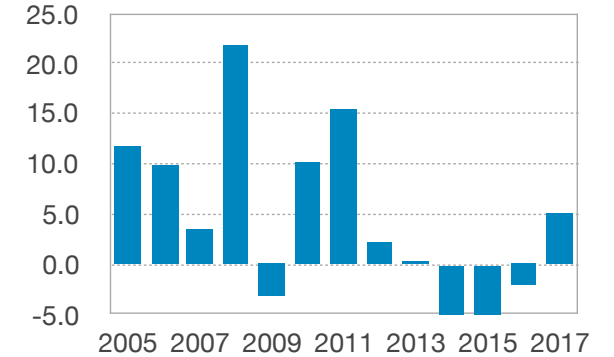
CPI inflation was 0.0% in 2015 rising to 0.7% in 2016 and 2.8% in 2017.

Chart 9.2 : Manufacturing Prices (O)



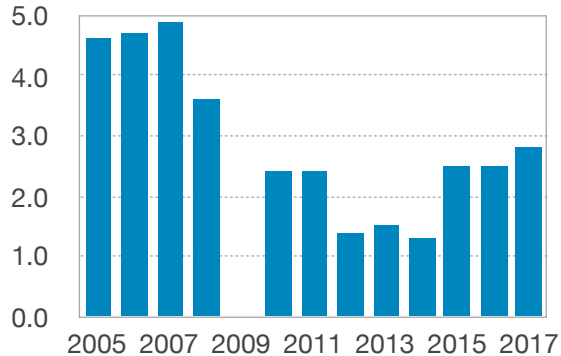
Manufacturing prices 0.0% in 2014, falling by -1.7% in 2015 then up 0.5%.

Chart 9.3 : Manufacturing Prices (I)



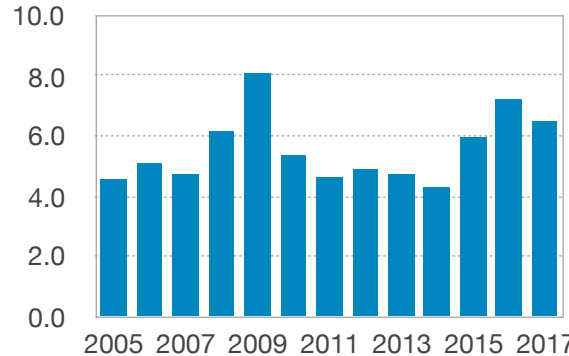
Input prices -6.6% 2014, -12.8% in 2015. We expect 2.1% 2016 then 5.0%

Chart 9.4 : Earnings



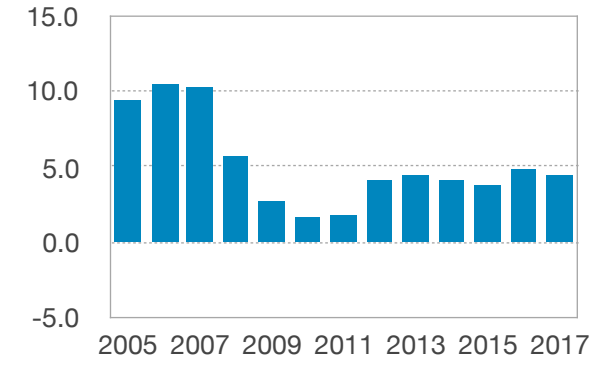
Earnings averaged 1.3% in 2014 rising to 2.5% in 2015. We expect average 2.5% in 2016 rising to 2.8% in 2017.

Chart 9.5 : Money Supply Narrow



Narrow money growth, notes and coins increased by 4.3% in 2014 and 6.0% in 2015. We expect growth of 7.2% in 2016 slowing to 6.5% 2017.

Chart 9.6 : Money Supply M4

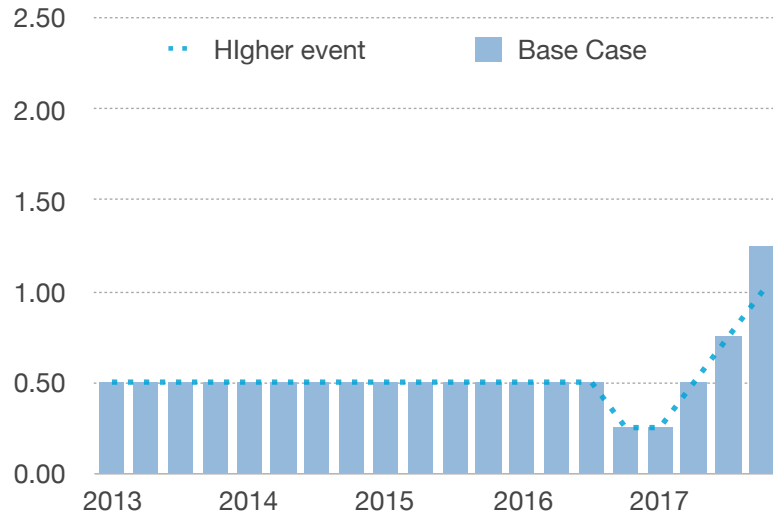


Broad increased by 4.4% in 2014, slowing to a rate of 3.8% in 2015. We expect growth of 4.8% in 2016 slowing to 4.5% in 2017.

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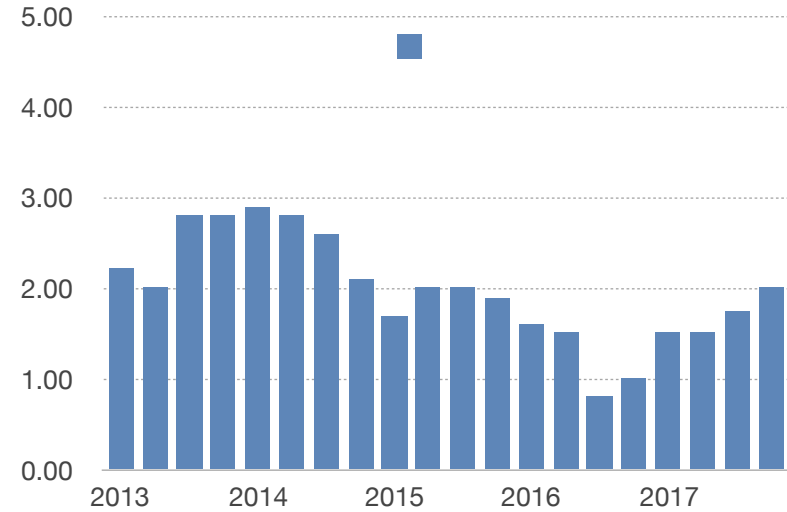
Chapter 10 Interest rates - base rates and gilt yields

Chart 10.1 UK Base Rates



We expect UK base rates to remain on hold in the first quarter of 2017 thereafter rising to 0.75% in the third quarter of 2017 and to 1.25% by the end of 2017.

Chart 10.2 10 year Gilt Rates



Gilt yields have rallied from the sub 2% lows in 2015. We expect yields to return towards fair value 4.5% at some stage. We expect rates to rally to 2.2% 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	0.50	0.50	0.50	0.25	0.25	0.50	1.50	1.75			
Gilts	2.2	2.0	2.8	2.8	2.9	2.8	2.6	2.1	1.7	2.0	2.0	1.9	1.6	1.5	0.8	1.3	1.5	1.5	1.75	2.2

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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	Total	Gross Final	Total	GDP
	ABJQ	HAYE	NMRP	NPQS	CAEX	Expenditure	Exports	Expenditure	Imports	Market Prices
	ABJQ	HAYE	NMRP	NPQS	CAEX	YBIL	IKBH	ABMF	IKBI	YBHA
2011	990,828	53,259	339,923	258,689	2,686	1,645,385	497,079	2,142,464	523,289	1,619,175
2012	1,029,378	53,186	345,950	268,221	1,533	1,698,268	501,734	2,200,002	535,617	1,664,385
2013	1,073,106	54,978	348,044	280,520	7,175	1,763,823	521,039	2,296,443	555,272	1,739,563
2014	1,126,230	56,672	358,529	302,495	13,073	1,858,703	511,654	2,370,357	547,877	1,822,480
2015	1,157,804	58,126	363,014	316,898	5,366	1,908,001	508,767	2,416,768	547,441	1,870,693
2016	1,204,217	59,736	367,820	323,168	13,360	1,970,287	537,490	2,507,777	582,574	1,930,738
2017	1,259,924	62,347	377,577	333,913	5,638	2,039,399	575,651	2,615,050	620,878	1,994,172

Seasonally Adjusted

	ABJQ	HAYE	NMRP	NPQS	CAEX	YBIL	IKBH	ABMF	IKBI	YBHA	
2012	Q1	254,444	13,325	87,456	68,245	-2,742	419,601	127,596	547,197	134,378	412,819
	Q2	255,981	13,264	85,543	66,785	-1,401	421,251	124,400	545,651	133,969	411,682
	Q3	256,942	13,260	86,284	65,772	3,545	426,278	126,378	552,656	133,371	419,285
	Q4	264,707	13,262	87,031	68,128	1,147	434,762	123,870	558,632	133,703	424,929
2013	Q1	267,098	13,396	85,672	67,097	27	435,370	128,506	563,876	134,875	429,001
	Q2	268,910	13,558	88,092	68,842	-652	439,566	132,518	572,084	140,175	431,909
	Q3	272,766	13,716	87,027	71,163	3,823	448,476	130,233	578,709	140,368	438,341
	Q4	275,237	13,865	88,824	73,122	1,876	455,389	126,385	581,774	141,462	440,312
2014	Q1	277,150	14,000	89,016	76,308	2,611	458,400	126,083	584,483	137,826	446,657
	Q2	279,459	14,119	89,072	74,741	4,506	461,485	128,579	590,064	135,215	454,849
	Q3	284,929	14,227	90,924	75,408	2,813	468,855	126,698	595,553	135,875	459,678
	Q4	284,692	14,326	89,517	76,038	3,143	469,963	130,294	600,257	138,961	461,296
2015	Q1	286,108	14,405	89,661	77,926	1,190	472,755	129,522	602,277	139,460	463,135
	Q2	287,931	14,498	90,980	79,890	2,144	476,514	127,690	604,204	135,873	468,712
	Q3	290,404	14,563	91,667	80,066	995	477,918	124,475	602,393	134,451	468,221
	Q4	293,361	14,660	90,706	79,016	1,037	480,814	127,080	607,894	137,657	470,625
2016	Q1	295,783	14,795	91,564	79,028	1,835	484,308	129,698	614,006	139,673	476,231
	Q2	299,417	14,851	91,451	80,871	5,262	494,119	131,751	625,870	144,442	483,172
	Q3	302,613	14,898	92,276	81,625	5,238	494,567	137,317	631,884	146,723	487,054
	Q4	306,404	15,192	92,529	81,644	1,025	497,293	138,724	636,017	151,736	484,281
2017	Q1	309,845	15,392	93,775	81,737	1,025	501,774	138,907	640,680	148,856	491,824
	Q2	313,040	15,496	93,974	83,643	513	506,666	141,105	647,772	153,939	493,833
	Q3	316,382	15,576	94,784	84,090	2,563	513,394	147,067	660,461	156,370	504,091
	Q4	320,657	15,883	95,044	84,443	1,538	517,565	148,573	666,138	161,713	504,425

	Households	NPIs	Government	Investment	Inventories	Domestic	Total	Gross Final	Total	GDP
	ABJQ	HAYE	NMRP	NPQS	CAEX	YBIL	IKBH	ABMF	IKBI	YBHA
2011	3.8%	4.7%	0.5%	3.9%		2.9%	11.9%	4.9%	7.4%	4.1%
2012	3.9%	-0.1%	1.8%	3.7%		3.2%	0.9%	2.7%	2.4%	2.8%
2013	4.2%	3.4%	0.6%	4.6%		3.9%	3.8%	4.4%	3.7%	4.5%
2014	5.0%	3.1%	3.0%	7.8%		5.4%	-1.8%	3.2%	-1.3%	4.8%
2015	2.8%	2.6%	1.3%	4.8%		2.7%	-0.6%	2.0%	-0.1%	2.6%
2016	4.0%	2.8%	1.3%	2.0%		3.3%	5.6%	3.8%	6.4%	3.2%
2017	4.6%	4.4%	2.7%	3.3%		3.5%	7.1%	4.3%	6.6%	3.3%

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

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

Reference year 2013, £ 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
	ABJR	HAYO	NMRY	NPQT	CAFU	YBIM	IKBK	ABMG	IKBL	YBHA
2011	1,046,647	55,642	342,825	265,327	-4,328	1,699,051	509,069	2,208,051	523,536	1,684,515
2012	1,066,530	54,539	348,572	271,534	-361	1,733,256	512,159	2,245,415	538,482	1,706,943
2013	1,084,011	54,535	349,615	280,224	5,074	1,778,801	517,642	2,296,443	556,880	1,739,563
2014	1,107,154	55,982	357,590	298,872	16,630	1,838,789	525,176	2,363,965	570,989	1,792,976
2015	1,134,372	56,417	362,262	309,144	12,371	1,874,538	557,023	2,431,561	602,420	1,832,388
2016	1,165,671	57,843	365,621	311,324	4,500	1,909,539	570,376	2,479,915	619,921	1,872,034
2017	1,195,684	59,289	370,045	315,369	5,500	1,950,287	581,783	2,532,070	629,219	1,905,101

Seasonally Adjusted

	ABJR	HAYO	NMRY	NPQT	CAFU	YBIM	IKBK	ABMG	IKBL	YBHA	
2012	Q1	264,582	13,784	88,113	68,890	-9,518	428,211	129,927	558,138	133,404	424,835
	Q2	265,989	13,817	86,432	67,146	3,234	434,060	125,871	559,931	135,411	424,468
	Q3	266,802	13,763	86,925	66,258	4,767	434,918	129,496	564,414	135,057	429,319
	Q4	269,157	13,175	87,102	69,240	1,156	436,067	126,865	562,932	134,610	428,321
2013	Q1	268,946	13,568	87,400	67,521	-1,891	437,616	126,965	564,581	133,985	430,596
	Q2	269,637	13,636	87,076	68,700	1,690	441,562	133,077	574,639	140,244	434,395
	Q3	271,742	13,713	87,235	71,070	3,381	447,098	129,650	576,748	140,102	436,646
	Q4	273,686	13,618	87,904	72,933	1,894	452,525	127,950	580,475	142,549	437,926
2014	Q1	274,157	13,833	89,221	74,953	1,804	453,566	131,232	584,798	142,373	442,425
	Q2	275,226	14,126	89,395	73,762	3,941	456,233	130,782	587,015	140,496	446,519
	Q3	279,074	14,051	89,598	74,821	4,867	463,201	129,030	592,231	142,090	450,141
	Q4	278,697	13,972	89,376	75,336	6,018	465,789	134,132	599,921	146,030	453,891
2015	Q1	280,745	14,130	89,752	76,447	4,319	468,166	138,399	606,565	152,030	455,034
	Q2	282,061	14,243	90,551	77,394	3,600	467,639	137,418	605,057	148,548	457,233
	Q3	285,218	13,974	91,058	78,003	2,638	470,442	136,575	607,017	149,370	458,475
	Q4	286,348	14,070	90,901	77,300	1,814	468,291	144,631	612,922	152,472	461,646
2016	Q1	288,463	14,328	91,340	76,899	923	472,573	140,663	613,236	152,969	463,273
	Q2	290,494	14,568	91,218	77,718	941	473,764	142,573	616,337	153,527	466,282
	Q3	292,635	14,511	91,253	78,402	1,636	482,072	138,893	620,965	155,616	468,911
	Q4	294,079	14,436	91,810	78,305	1,000	481,130	148,247	629,377	157,809	473,568
2017	Q1	296,252	14,686	92,436	77,976	1,000	483,349	143,476	626,826	155,264	472,562
	Q2	297,756	14,932	92,349	78,806	500	484,344	145,424	629,768	155,830	474,438
	Q3	299,951	14,874	92,348	79,186	2,500	491,859	141,671	633,530	157,950	476,079
	Q4	301,725	14,797	92,912	79,401	1,500	490,735	151,212	641,947	160,176	482,021

	Households	NPIs	Government	Investment	Inventories	Domestic	Total	Gross Final	Total	GDP
	ABJR	HAYO	NMRY	NPQT	CAFU	YBIM	IKBK	ABMG	IKBL	YBHA
2011	-0.1%	3.7%	0.1%	2.0%		0.5%	5.8%	1.6%	0.6%	2.0%
2012	1.9%	-2.0%	1.7%	2.3%		2.0%	0.6%	1.7%	2.9%	1.3%
2013	1.6%	0.0%	0.3%	3.2%		2.6%	1.1%	2.3%	3.4%	1.9%
2014	2.1%	2.7%	2.3%	6.7%		3.4%	1.5%	2.9%	2.5%	3.1%
2015	2.5%	0.8%	1.3%	3.4%		1.9%	6.1%	2.9%	5.5%	2.2%
2016	2.8%	2.5%	0.9%	0.7%		1.9%	2.4%	2.0%	2.9%	2.2%
2017	2.6%	2.5%	1.2%	1.3%		2.1%	2.0%	2.1%	1.5%	1.8%

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

2013 = 100

		Production					Service Industries									
		Agriculture	Mining	Electricity	Water	Construction	Distribution	Transport	Business	Government	Total	Gross	Value			
		Forestry	Quarrying	Gas Steam	Sewerage		Hotels	Storage	Services	and other						
		Fishing	Oil Gas	Manufacturing	Utilities	Total	Restaurants	Comms	Finance	Services		Added				
2013 Weights		7	18	103	15	11	146	59	136	106	317	229	788	1000	2013 Weights	
	2012	99.3	102.8	101.0	100.2	95.9	100.7	98.6	96.6	98.3	97.9	99.7	98.3	98.6	2012	
	2013	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	2013	
	2014	113.9	100.6	102.9	94.0	100.7	101.5	108.0	104.8	103.0	103.9	103.3	103.3	103.4	2014	
	2015	115.5	109.1	102.8	94.4	104.1	102.8	113.3	109.7	106.9	106.6	102.3	105.9	105.9	2015	
	2016	114.7	113.2	103.2	94.5	110.4	104.0	113.6	115.0	110.2	109.1	103.9	108.3	108.2	2016	
	2017	114.0	119.5	103.3	92.9	115.5	105.2	114.0	119.8	113.3	111.4	104.4	110.5	110.2	2017	
2013	Q1	98.2	97.8	99.2	103.7	96.2	99.2	97.0	98.4	100.7	99.2	100.3	99.6	99.1	Q1	2013
	Q2	98.8	99.3	99.9	102.1	98.1	99.9	98.7	99.7	100.0	99.5	99.8	99.7	99.7	Q2	
	Q3	100.8	101.8	100.2	96.3	102.6	100.3	101.5	100.8	99.5	100.3	99.8	100.1	100.2	Q3	
	Q4	102.2	101.1	100.6	97.8	103.1	100.6	102.8	101.1	99.7	101.0	100.1	100.6	100.7	Q4	
2014	Q1	110.6	100.9	102.2	92.5	103.0	101.1	105.1	102.6	100.5	101.9	101.0	101.6	101.8	Q1	2014
	Q2	112.6	101.3	102.8	93.1	99.9	101.4	107.1	104.2	102.3	103.2	101.7	102.8	102.9	Q2	
	Q3	114.8	99.4	103.1	96.1	99.2	101.7	109.8	105.4	103.9	104.5	102.1	103.9	104.0	Q3	
	Q4	117.8	100.8	103.4	94.1	100.5	101.9	110.1	107.0	105.2	106.0	102.1	104.9	104.9	Q4	
2015	Q1	114.4	102.6	103.4	96.0	100.9	102.3	113.0	108.0	105.6	106.0	101.6	105.0	105.1	Q1	2015
	Q2	115.6	110.8	102.9	93.7	104.9	103.1	113.8	109.0	106.3	106.2	102.1	105.7	105.7	Q2	
	Q3	115.7	112.8	102.5	94.9	104.8	103.1	112.9	110.0	107.1	106.7	102.3	106.1	106.1	Q3	
	Q4	116.1	110.2	102.6	92.8	105.6	102.7	113.5	111.6	108.4	107.5	103.1	106.8	106.8	Q4	
2016	Q1	116.0	108.9	102.2	93.5	108.2	102.6	114.4	113.2	108.4	108.2	103.6	107.2	107.2	Q1	2016
	Q2	114.8	111.9	103.9	97.8	110.5	104.7	114.3	114.4	109.0	108.9	103.7	108.0	108.0	Q2	
	Q3	114.1	116.8	103.0	93.6	109.9	104.3	112.6	115.7	111.5	109.2	104.2	108.5	108.5	Q3	
	Q4	114.0	115.0	103.5	93.0	113.0	104.6	113.0	116.5	112.0	110.0	104.1	109.4	109.1	Q4	
2017	Q1	114.0	118.0	103.0	93.2	114.0	104.9	113.5	118.0	112.5	110.5	104.2	109.6	109.4	Q1	2017
	Q2	114.0	119.0	103.0	93.0	115.0	105.0	114.0	119.2	113.0	111.0	104.2	110.3	109.8	Q2	
	Q3	114.0	120.0	103.5	92.8	116.0	105.5	114.3	120.6	113.5	111.5	104.5	110.6	110.4	Q3	
	Q4	114.0	121.0	103.5	92.5	117.0	105.7	114.0	121.4	114.0	112.5	104.8	111.7	111.1	Q4	

		Production					Service Industries									
		Agriculture	Mining	Electricity	Water	Construction	Distribution	Transport	Business	Education,	Total	Gross	Value			
		Forestry	Quarrying	Gas Steam	Sewerage		Hotels	Storage	Services	Health						
		Fishing	Oil Gas	Manufacturing	Utilities	Total	Restaurants	Comms	Finance	Other		Added				
2013 Weights		7	18	103	15	11	146	59	136	106	317	229	788	1000	2013 Weights	
	2012	-7.3%	-10.9%	-1.4%	-0.9%	-0.1%	-2.7%	-6.9%	1.6%	2.1%	3.2%	1.9%	2.4%	1.3%	2012	
	2013	0.7%	-2.7%	-1.0%	-0.2%	4.3%	-0.7%	1.4%	3.5%	1.7%	2.1%	0.3%	1.7%	1.9%	2013	
	2014	13.9%	0.6%	2.9%	-6.1%	0.7%	1.5%	8.0%	4.8%	3.0%	3.9%	3.3%	3.3%	3.4%	2014	
	2015	1.4%	8.4%	-0.1%	0.4%	3.4%	1.3%	4.9%	4.6%	3.8%	2.6%	-1.0%	2.5%	2.4%	2015	
	2016	-0.6%	3.7%	0.3%	0.1%	6.1%	1.2%	0.2%	4.8%	3.2%	2.3%	1.6%	2.2%	2.1%	2016	
	2017	-0.6%	5.6%	0.1%	-1.7%	4.6%	1.1%	0.3%	4.2%	2.7%	2.1%	0.5%	2.1%	1.8%	2017	

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

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	80.42	1.55	1.17	1.32	0.50	0.69	4.00	3.60
2011	79.99	1.60	1.15	1.39	0.50	0.89	4.10	3.10
2012	83.00	1.59	1.23	1.29	0.50	0.49	4.20	1.80
2013	81.46	1.56	1.18	1.32	0.50	0.49	4.20	2.40
2014	86.95	1.65	1.24	1.33	0.50	0.53	4.40	2.60
2015	91.45	1.53	1.38	1.11	0.50	0.53	4.50	2.10
2016	81.86	1.42	1.29	1.10	0.50	0.53	4.50	1.20
2017	80.05	1.25	1.15	1.09	1.50	1.75	4.90	2.90

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	2.1	4.6	-1.5	
2012	2.60	2.8	2.2	1.4	111.9	1.5	4.9	-3.8	
2013	2.20	1.3	1.2	1.5	108.5	1.8	4.7	2.7	
2014	1.50	0.0	-6.6	1.3	99.2	1.7	4.3	3.7	
2015	0.00	-1.7	-12.8	2.5	54.1	0.4	6.0	4.0	
2016	0.70	0.5	2.1	2.5	43.7	1.0	7.2	4.5	
2017	2.80	2.5	5.0	2.8	58.0	1.5	6.5	0.8	

dollars per barrel

4.3 Labour Market

									000
	Labour Force	Employees	Employment	ILO Unemp	ILO Rate %	Claimant Count	Claimant Rate %	Self Employed Other	
2010	31,726	25,017	29,229	2,497	7.9%	1,496	4.9%	4,212	
2011	31,969	25,117	29,376	2,593	8.1%	1,534	5.0%	4,259	
2012	32,269	25,214	29,697	2,572	8.0%	1,586	4.7%	4,483	
2013	32,519	25,516	30,043	2,476	7.6%	1,422	4.2%	4,527	
2014	32,753	25,939	30,726	2,027	6.2%	1,038	3.1%	4,787	
2015	32,970	26,348	31,190	1,780	5.4%	800	2.4%	4,842	
2016	33,267	26,692	31,621	1,646	4.9%	768	2.20	4,929	
2017	33,534	26,911	31,934	1,600	4.8%	800	2.20	5,023	

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Appendix 5 Economic Forecast Overview

	Outturn 2010	Outturn 2011	Outturn 2012	Outturn 2013	Outturn 2014	Outturn 2015	Forecast 2016	Forecast 2017
GDP Real Growth %	1.6	2.0	2.9	2.2	2.9	2.3	2.2	1.8
GDP Levels (2013 = 100)	94.3	95.8	98.6	100.0	102.9	105.2	107.6	109.5
GDP(E) at market prices £b	1,558.4	1,619.2	1,655.2	1,739.6	1,822.5	1,870.7	1,930.7	1,994.2
Household Consumption	0.5	-0.1	1.9	1.6	2.1	2.5	2.8	2.6
Business Investment	5.9	2.0	2.3	3.2	6.7	3.4	0.7	1.3
Government Consumption	0.0	0.1	1.7	0.3	2.3	1.3	0.9	1.2
Domestic Expenditure	2.7	0.5	2.0	2.6	3.4	1.9	1.9	2.1
Exports	6.2	5.8	0.7	1.2	1.2	5.1	2.8	3.2
Imports	8.7	0.6	2.9	3.4	2.5	5.5	2.9	1.5
Net Trade % GDP current	-2.4	-1.6	-2.0	-2.0	-2.0	-2.1	-2.3	-2.3
Inflation								
CPI	3.3	4.5	2.9	2.6	1.5	0.1	0.7	2.8
Labour Market								
Employment Millions	29.0	29.2	29.5	29.9	30.7	31.2	31.5	31.7
Average Earnings	2.4	2.4	1.4	1.5	1.3	2.5	2.5	2.8
LFS unemployment rate	7.9	8.1	7.9	7.6	6.2	5.4	4.9	4.8
Claimant Count Millions	1.50	1.53	1.59	1.42	1.04	0.80	0.74	0.72

The forecast is broadly consistent with the Estimate of GDP Q3 2016 released by the ONS on the 23rd December 2016.

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About the Author

John Ashcroft publishes the Saturday Economist. He is Chief Executive of pro.manchester, a member of the AGMA Business Leadership Council and a visiting professor at Manchester Metropolitan University Business School.

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

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