

## SPRING 2008 ECONOMIC OUTLOOK FOR THE UNITED KINGDOM: ANSWERS FROM CBI

### MAIN FORECAST

	2007	2008	2009	
Real GDP growth	3.1	1.8	1.7	
Consumer price inflation	2.3	2.8	2.0	
Unemployment rate	5.4	5.3	5.6	
Employment growth	0.9	0.5	0.1	
<b>Components of aggregate demand</b>				
<i>Annual % change</i>	2007	2008	2009	
Private consumption	3.1	1.6	1.1	
Public consumption	1.9	2.3	2.0	
Investment (Gross fixed capital formation)	5.0	1.4	1.9	
Exports	-5.4*	3.8	5.5	* Statistical treatment of VAT fraud creates distortions in UK forecasts.
Imports	-3.2*	2.2	3.3	

### ECONOMIC SENTIMENT

<b>Trend in business climate over the next 6 months</b>	<b>Positive</b>	<b>Negative</b> Industry Services	<b>Unchanged</b>		
<b>Trend in profitability over the next 6 months</b>	<b>Positive</b>	<b>Negative</b> Industry Services	<b>Unchanged</b>		
<b>Investment intentions over the next 6 months</b>	<b>Increase (faster pace)</b>	<b>Increase (slower pace)</b>	<b>Unchanged</b>	<b>Decrease (slower pace)</b>	<b>Decrease (faster pace)</b> Industry
			Services		
<b>Driving force behind investment decisions in the next 6 months</b>	<b>Replacement</b> Down	<b>Extension</b> Down	<b>Rationalisation</b> Down	<b>Innovation</b> Up	
<b>Trend in consumer confidence over the next 6 months</b>	<b>Positive</b>	<b>Negative</b> yes	<b>Unchanged</b>		
<b>Overall trend in employment</b>	<b>Industry: past 6 months</b> Down	<b>Industry: next 6 months</b> Down	<b>Services: past 6 months</b> Up	<b>Services: next 6 months</b> Same	
<b>Over the next 6 months, cost/access to finance will be...</b>	<b>Higher / more difficult</b> Cost Access	<b>Same</b>	<b>Lower / less difficult</b>		
	<b>to a large extent</b>	<b>to some extent</b>	<b>to a limited extent</b>	<b>not at all</b>	
<b>Financial market turmoil has affected companies' investment decisions negatively ...</b>			yes		

### EXCHANGE RATE DEVELOPMENTS

	Dollar per pound
Where will the GBP/USD stand in October 2008 ?	1.99

### POLICY MIX

	Not necessary, situation is satisfactory	Excellent	Satisfactory	Neither satisfactory nor unsatisfactory	Unsatisfactory	Deteriorating
Progress towards medium-term budgetary objective is...					yes	
Monetary policy is...	<b>Tight</b>	<b>Appropriate</b>	<b>Loose</b>			
		yes				
	<b>Adequate</b>	<b>Inadequate</b>				
Consistency between fiscal and monetary policies	yes					