


**SPRING 2011 ECONOMIC OUTLOOK FOR THE UNITED KINGDOM: ANSWERS FROM CBI**
**MAIN FORECAST**

<i>Annual % change</i>	2010	2011
Real GDP growth	1,5	1,8
Consumer price inflation	3,3	3,9
Unemployment rate	7,9	8,4
Employment growth	-1,8	0,2
Government net lending (% of GDP)	-10,2	-8,3
Gross public debt (% of GDP)	NA	NA
Current account balance (% of GDP)	-2,2	-2,3

**Components of aggregate demand - in real terms**

<i>Annual % change</i>		
Private consumption	1,0	0,7
Public consumption	1,2	-0,7
Investment (Gross Fixed Capital Formation)	2,9	4,5
Private non-residential investment	3,0	9,2
Exports	5,3	6,6
Imports	8,0	4,9

**ECONOMIC SENTIMENT**

	<i>Positive</i>	<i>Negative</i>	<i>Unchanged</i>			
<b>Trend in business climate over the next 6 months</b>	Industry		Services			
<b>Trend in profitability over the next 6 months</b>	Industry		Services			
<b>Investment intentions over the next 6 months</b>	<i>Increase (faster pace)</i> Industry Services	<i>Increase (slower pace)</i>	<i>Unchanged</i>	<i>Decrease (slower pace)</i>	<i>Decrease (faster pace)</i>	
<b>Influence on companies' investment decisions</b>	<i>Global demand</i> positive	<i>Domestic demand</i> positive	<i>Cost of finance</i> neutral	<i>Availability of finance</i> negative	<i>Company Profitability</i> positive	<i>Capacity Utilisation</i> positive
<b>Driving force behind investment decisions in the next 6 months</b>	<i>Replacement</i> positive	<i>Extension</i> positive	<i>Rationalisation</i> positive	<i>Innovation</i> na		
<b>Overall trend in employment</b>	<i>Industry: past 6 months</i> Up	<i>Industry: next 6 months</i> Same	<i>Services: past 6 months</i> Down	<i>Services: next 6 months</i> Up		

**ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH**

<i>Compared to 6 months ago, cost/access to finance has been... for SMEs</i>	<b>sharply up / restrained</b>	<b>up / more difficult</b>	<b>same</b> Cost Access	<b>down / easier</b>
<i>for larger companies (&gt;250 employees)</i>			Cost Access	

<i>Over the next 6 months, cost /access to finance will be... for SMEs</i>	<b>sharply up / restrained</b>	<b>up / more difficult</b>	<b>same</b> Cost Access	<b>down / easier</b>
<i>for larger companies (&gt;250 employees)</i>			Cost Access	

	<b>Consolidation of banking sector balance sheets</b>	<b>Access to capital markets</b>	<b>Engcouraging equity financing through tax reforms</b>	<b>Better use of existing EU instruments (including EIB)</b>	<b>Greater potential for Public-Private-Partnerships</b>
<i>Measures to alleviate current financial difficulties for SMEs</i>	Very limited effect	Moukrate effect	Moukrate effect	Very limited effect	Moukrate effect
	<b>Consolidation of banking sector balance sheets</b>	<b>Access to capital markets</b>	<b>Engcouraging equity financing through tax reforms</b>	<b>Better use of existing EU instruments (including EIB)</b>	<b>Greater potential for Public-Private-Partnerships</b>
<i>Measures to alleviate current financial difficulties for midsize and large companies</i>	Very limited effect	Moukrate effect	Moukrate effect	Very limited effect	Moukrate effect



**POLICY MIX**

	<i>Tight, appropriate for the euro area</i>	<i>Tight</i>	<i>Appropriate</i>	<i>Loose</i> yes	<i>Loose, appropriate for the euro area</i>
<i>Monetary policy is...</i>					
	<i>adequate</i>	<i>inadequate</i>			
<i>Consistency between fiscal and monetary policies</i>	yes				
	<i>excellent commitment</i>	<i>satisfactory commitment</i>	<i>neither satisfactory nor unsatisfactory commitment</i>	<i>unsatisfactory commitment</i>	<i>no clear commitment creating an extremely worrying situation</i>
<i>Regarding the sustainability of public finances, government shows ...</i>		yes			
	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor unsufficient focus</i>	<i>unsufficient focus</i>	<i>so far ignored</i>
<i>Exit Strategies</i>					
<i>Tight fiscal rules and more effective institutions</i>			yes		
<i>Greater efficiency of public administrations</i>				yes	
<i>Credible cost-cutting measures</i>			yes		
<i>Increased scope of public-private partnerships</i>			yes		
<i>Reform of pension systems</i>				yes	
<i>Improved efficiency of healthcare sector</i>				yes	
	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor unsufficient focus</i>	<i>unsufficient focus</i>	<i>so far ignored</i>
<i>Entry Strategies</i>					
<i>More and better-targeted education and training</i>			yes		
<i>More and better targeted R&amp;D and innovation efforts</i>			yes		
<i>Prioritisation of infrastructure investments</i>			yes		
<i>Growth enhancing tax reforms</i>					
	<i>respect the 3% limit</i>	<i>be in balance</i>			
<i>In 2015, the government deficit will...</i>	yes	no			