


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

<i>Annual % change</i>	2011	2012
Real GDP growth	0,9	1,2
Consumer price inflation	4,5	2,9
Unemployment rate	8,0	8,5
Employment growth	0,0	0,4
government net lending (% of GDP)	-8,5	-6,9
gross public debt (% of GDP)	88,5	93,3
current account balance (% of GDP)	-0,7	-0,6

Components of aggregate demand - in real terms

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

ECONOMIC SENTIMENT

	<i>Positive</i>	<i>Negative</i>	<i>Unchanged</i>
Trend in business climate over the next 6 months		Industry	
		Services	

	<i>Positive</i>	<i>Negative</i>	<i>Unchanged</i>
Trend in profitability over the next 6 months		Industry	
		Services	

	<i>Increase (faster pace)</i>	<i>Increase (slower pace)</i>	<i>Unchanged</i>	<i>Decrease (slower pace)</i>	<i>Decrease (faster pace)</i>
Investment intentions over the next 6 months			Services		Industry

	<i>Global demand</i>	<i>Domestic demand</i>	<i>Cost of finance</i>	<i>Availability of finance</i>	<i>Company Profitability</i>	<i>Capacity Utilisation</i>
Influence on companies' investment decisions	neutral	neutral	negative	negative	negative	positive

	<i>Replacement</i>	<i>Extension</i>	<i>Rationalisation</i>	<i>Innovation</i>
Driving force behind investment decisions in the next 6 months	neutral	neutral	na	na

	<i>Industry: past 6 months</i>	<i>Industry: next 6 months</i>	<i>Services: past 6 months</i>	<i>Services: next 6 months</i>
Overall trend in employment	Up	Down	Down	Down

ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH

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

	Consolidation of banking sector balance sheets	Access to capital markets	Encouraging equity financing through tax reforms	Better use of existing EU instruments (including EIB)	Greater potential for Public-Private-Partnerships
Measures to alleviate current financial difficulties for SMEs	Very limited effect	Moderate effect	Moderate effect	Very limited effect	Very limited effect
Measures to alleviate current financial difficulties for midsize and large companies	Very limited effect	Moderate effect	Moderate effect	Very limited effect	Very limited 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>Consistency between fiscal and monetary policies</i>	<i>adequate</i>	<i>inadequate</i> yes			
<i>Regarding the sustainability of public</i>	excellent commitment yes	satisfactory commitment	neither satisfactory nor unsatisfactory	unsatisfactory commitment	no clear commitment creating an extremely
<i>Exit Strategies</i>	excessive focus	sufficient focus	satisfactory nor unsufficie	unsufficient focus	so far ignored
<i>Tight fiscal rules and more effective institutions</i>			yes		
<i>Greater efficiency of public</i>				yes	
<i>Credible cost-cutting measures</i>				yes	
<i>Increased scope of public-private</i>			yes		
<i>Reform of pension systems</i>			yes		
<i>Improved efficiency of healthcare sector</i>		yes			
<i>Entry Strategies</i>	excessive focus	sufficient focus	satisfactory nor unsufficie	unsufficient focus	so far ignored
<i>More and better-targeted education and training</i>				yes	
<i>More and better targeted R&D and</i>				yes	
<i>Prioritisation of infrastructure investments</i>				yes	
<i>Growth enhancing tax reforms</i>				yes	
<i>In 2015, the government deficit will...</i>	respect the 3% limit yes	be in balance no			