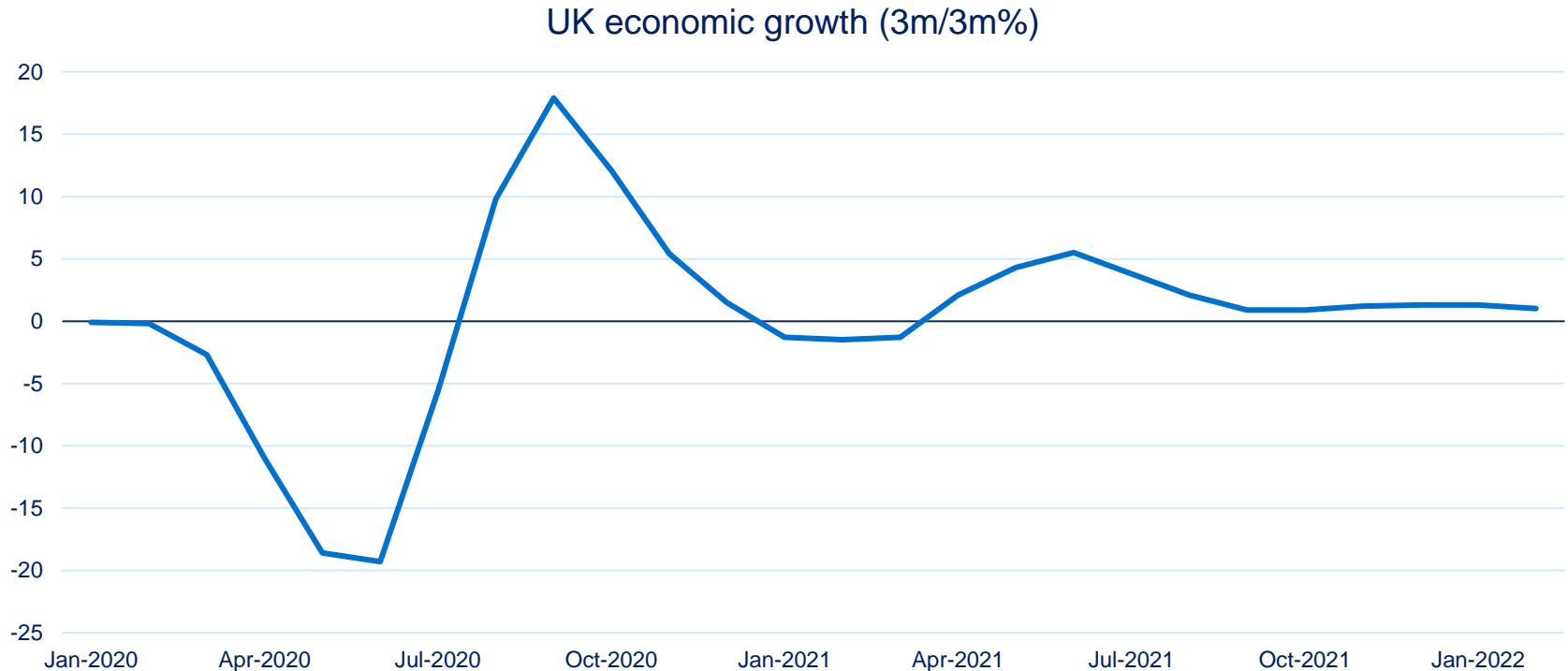


ECONOMIC OUTLOOK FOR THE UK MANUFACTURING SECTOR

12 MAY 2022



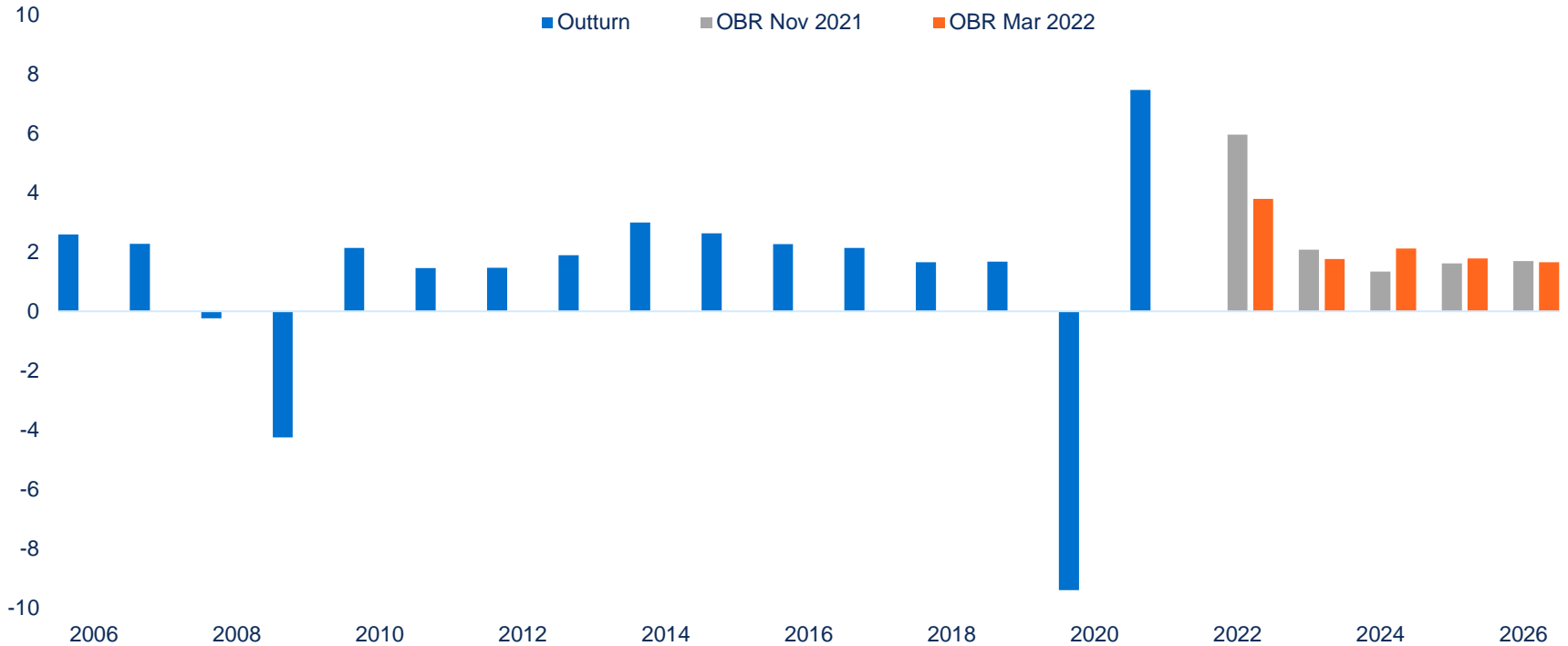
HEADWINDS ARE BEGINNING TO MOUNT...



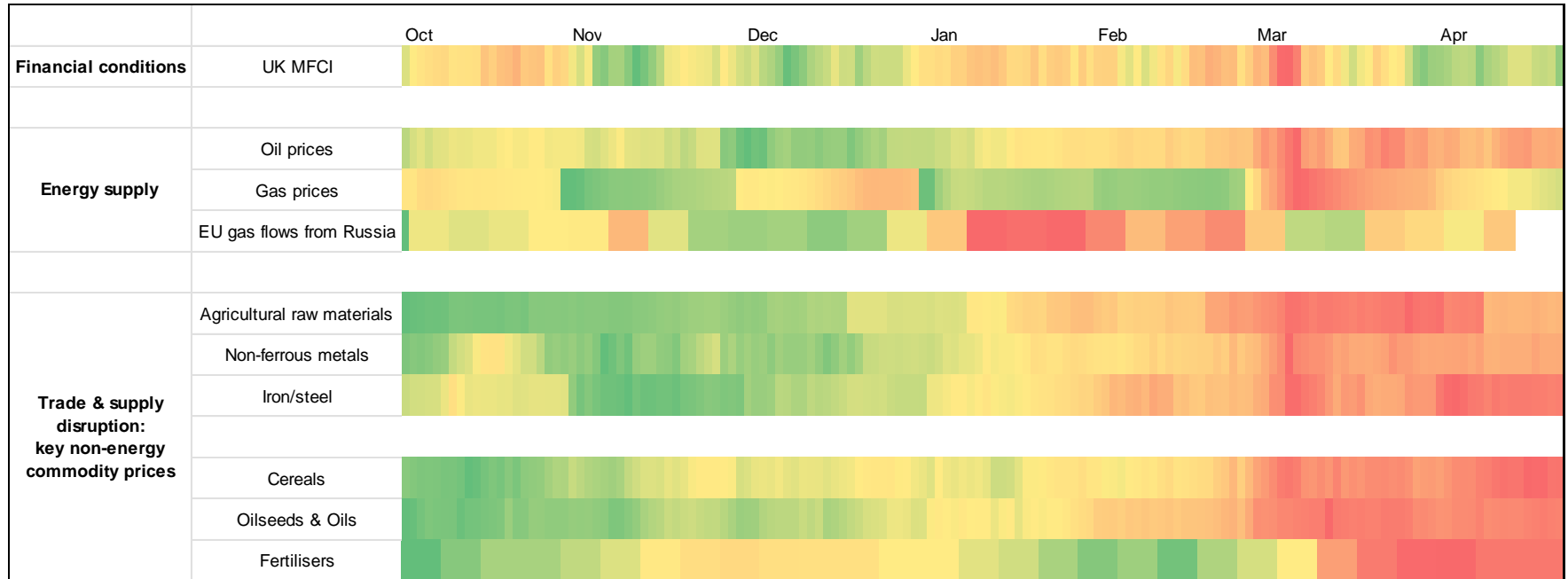
Source: ONS

...MAKING IT A TOUGH YEAR FOR GROWTH

UK GDP growth (y/y%)

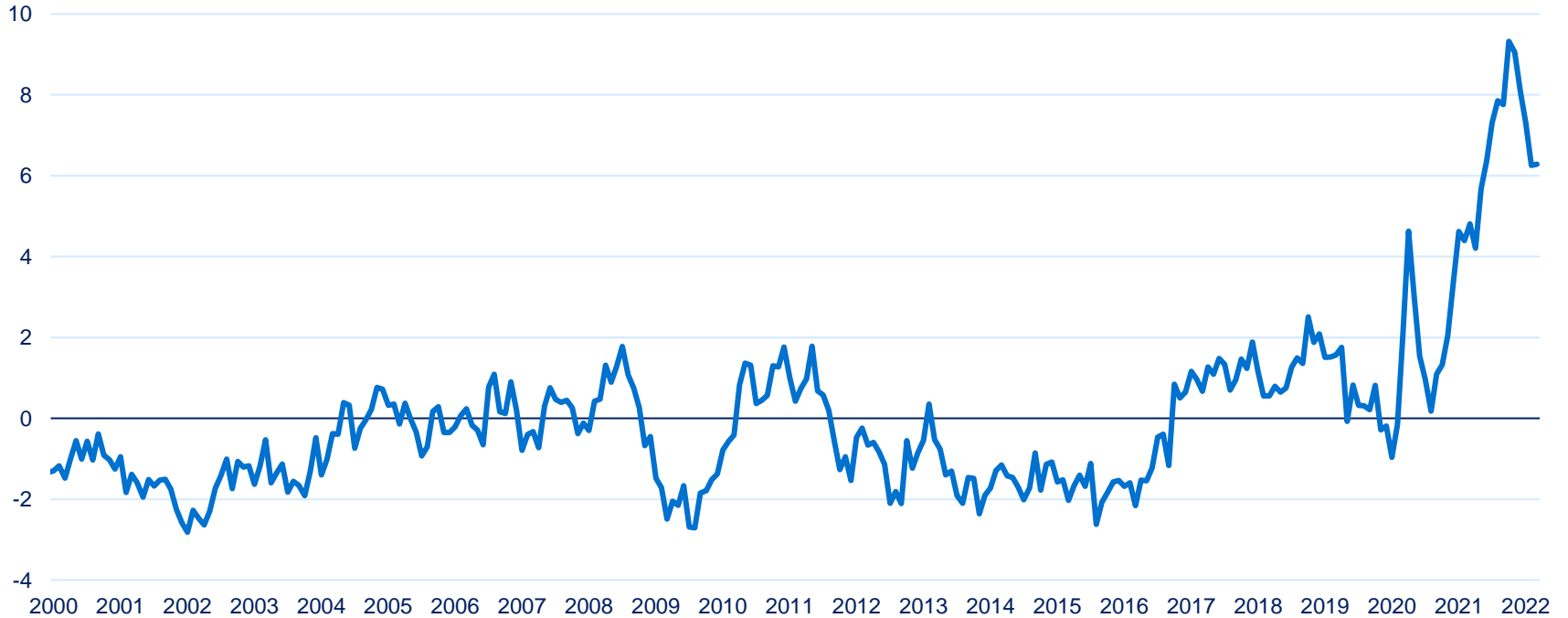


UKRAINE SPILLOVERS: ENERGY PRICES OFF THEIR PEAKS, BUT FOOD PRICES REMAIN ELEVATED

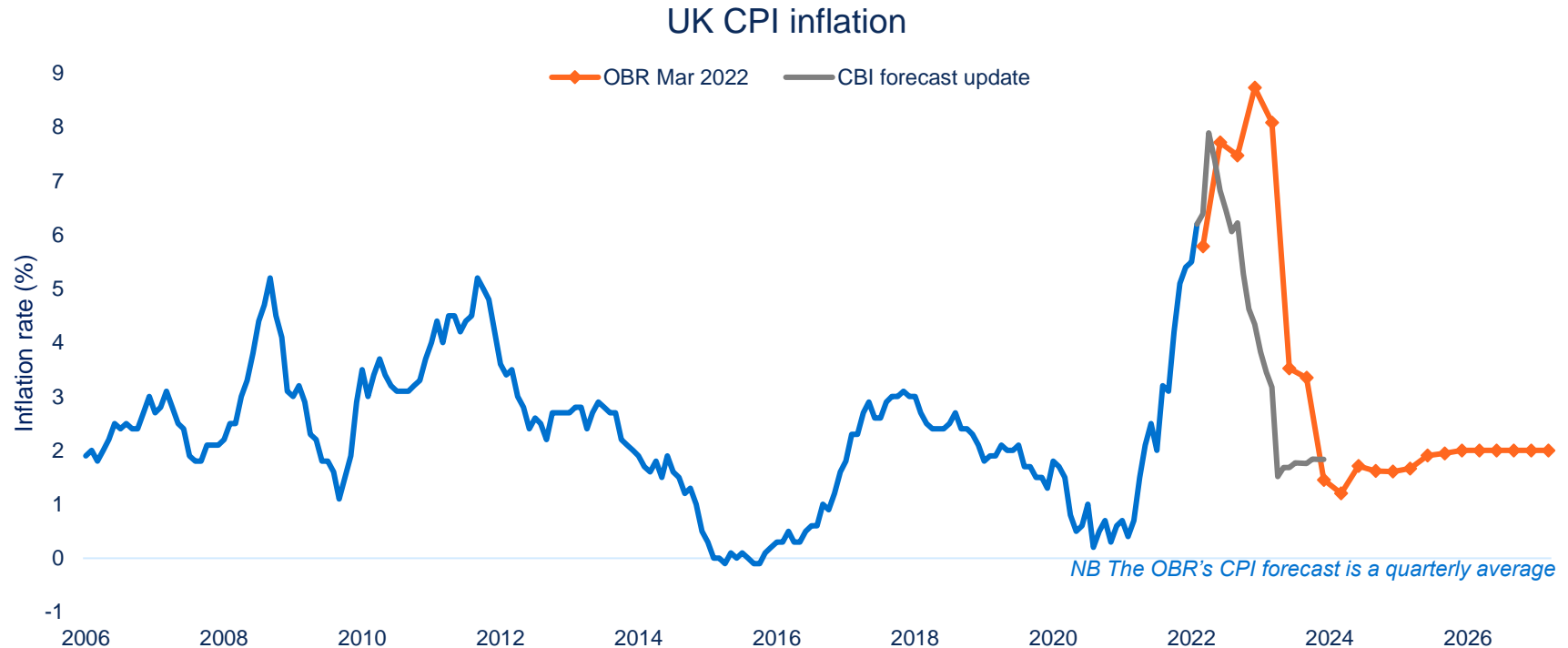


SUPPLY CHAIN DISRUPTIONS CONTINUE TO BITE...

Supply chain disruption indicator (a)



... MEANING A BIG CHANGE IN THE INFLATION OUTLOOK

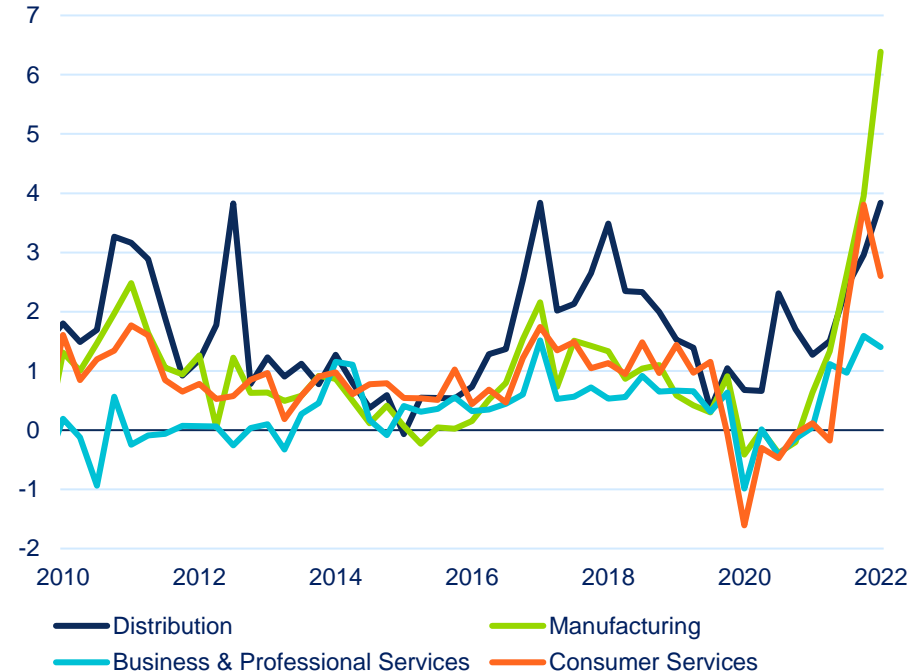


INFLATION IS LIKELY TO REMAIN HIGH WELL INTO 2023

CPI inflation + range of external forecasts
(y/y%)



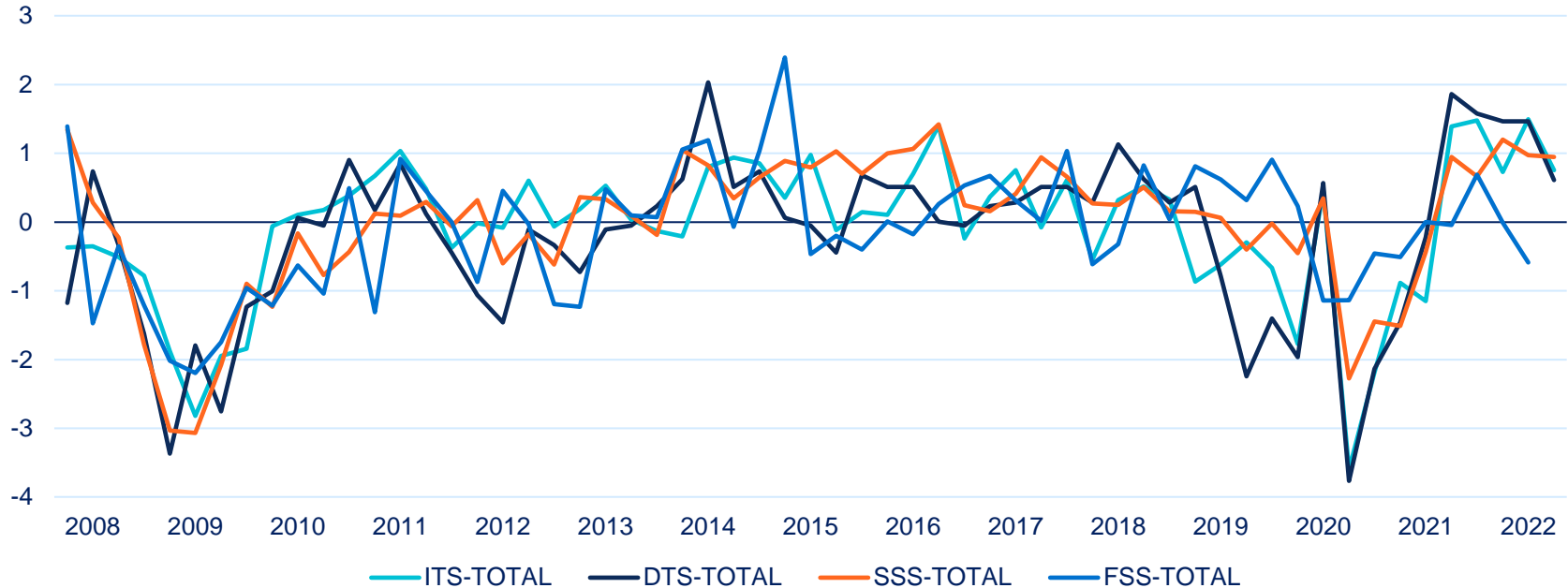
Expected price growth over the next 12 months
(mean, %)



INVESTMENT INTENTIONS SEEM TO BE COOLING

CBI investment intentions*

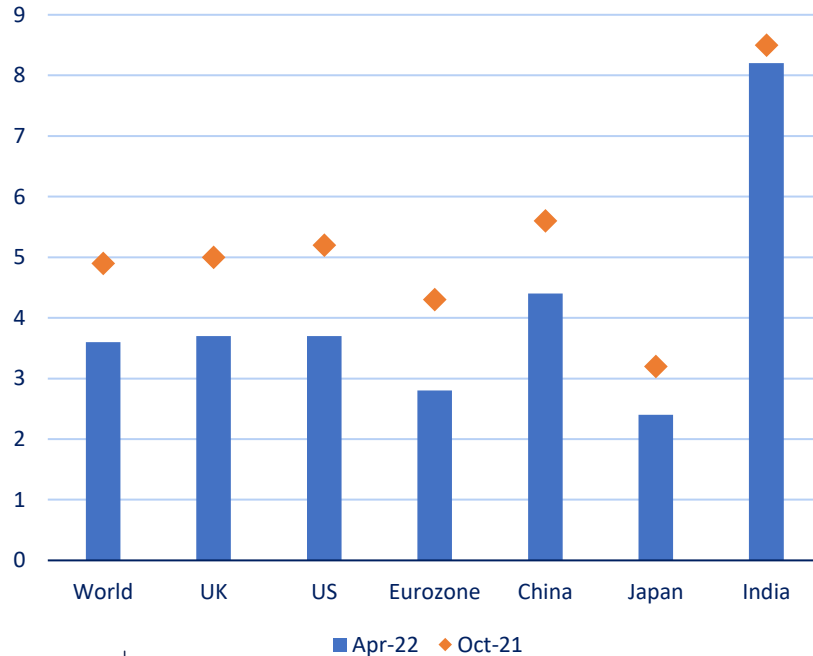
(growth in next twelve months compared to past twelve months, standardised balances)



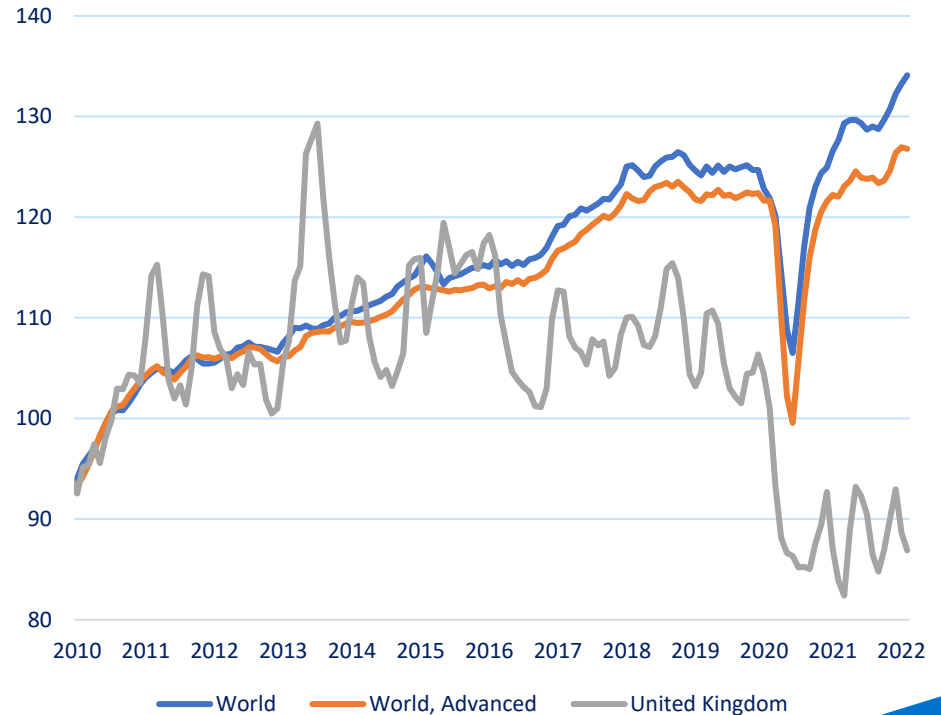
* Latest SSS and DTS data points collected one month earlier than usual (i.e in April survey when Q2 data usually collected in May survey).

NET TRADE UNLIKELY TO SUPPORT GROWTH

IMF World Economic Outlook GDP growth forecasts (%)



Goods exports (3mma, 2010=100)



17 MONTHS SINCE LEAVING THE EU AND DISRUPTION CONTINUES TO PERSIST

Business challenges since the TCA

- Supply chains
- Customs administration
- Higher costs
- Rules of Origin
- Regulatory frameworks
- Mobility and short term business travel

Opportunities in future cooperation

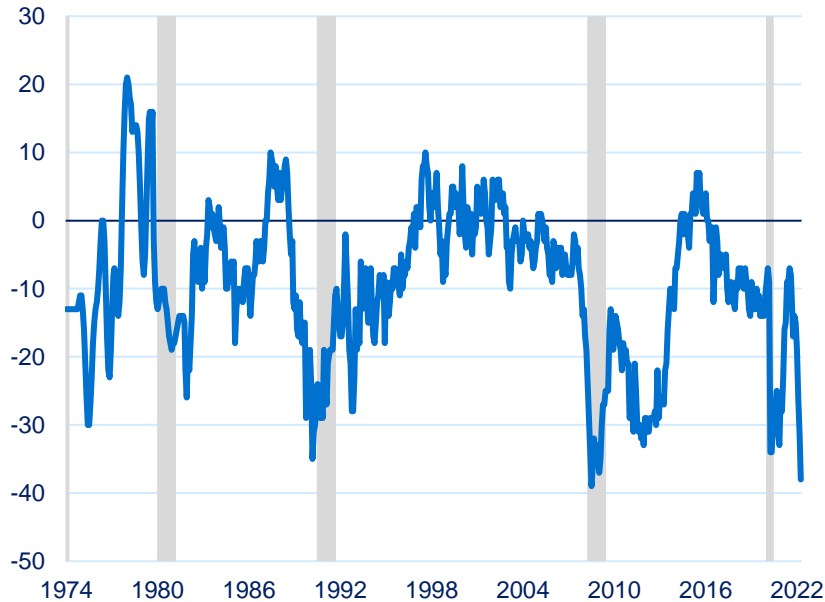
- RPQs
- Business travel and visa processes
- Innovation

But politics remain preventing progress

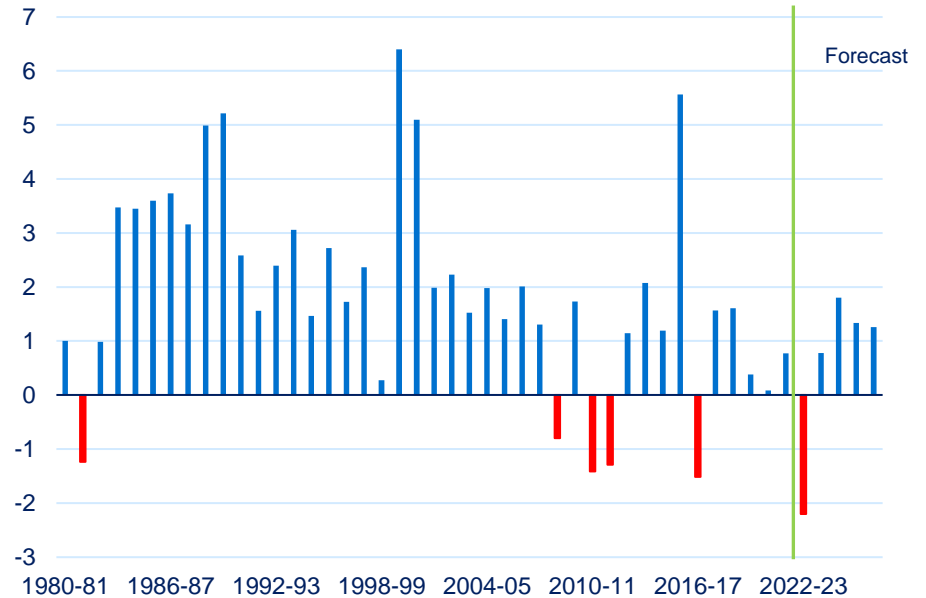
- Negotiations on the Northern Ireland Protocol remain inconclusive

COST OF LIVING SQUEEZE WILL DAMPEN CONSUMER SPENDING

GfK consumer confidence index
(shaded areas mark periods of recession in the UK)

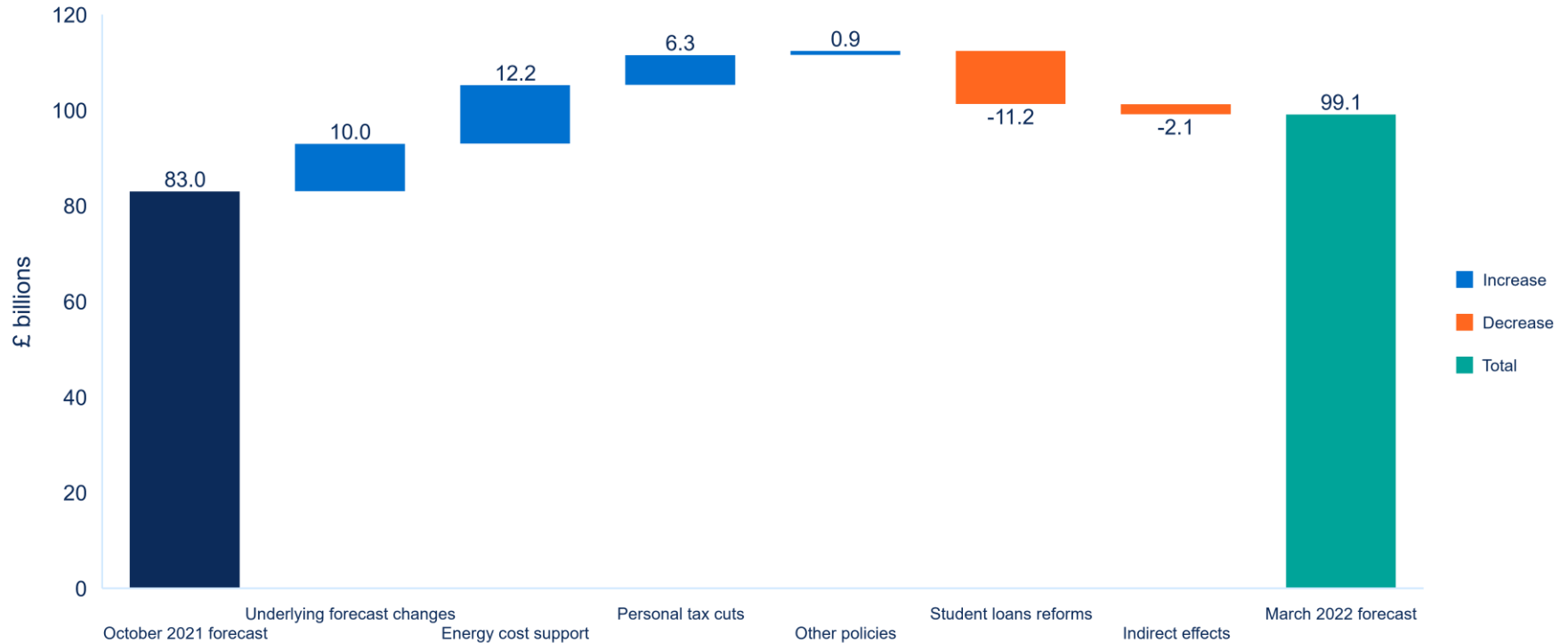


Growth in disposable income per fiscal year + OBR forecast (y/y%)



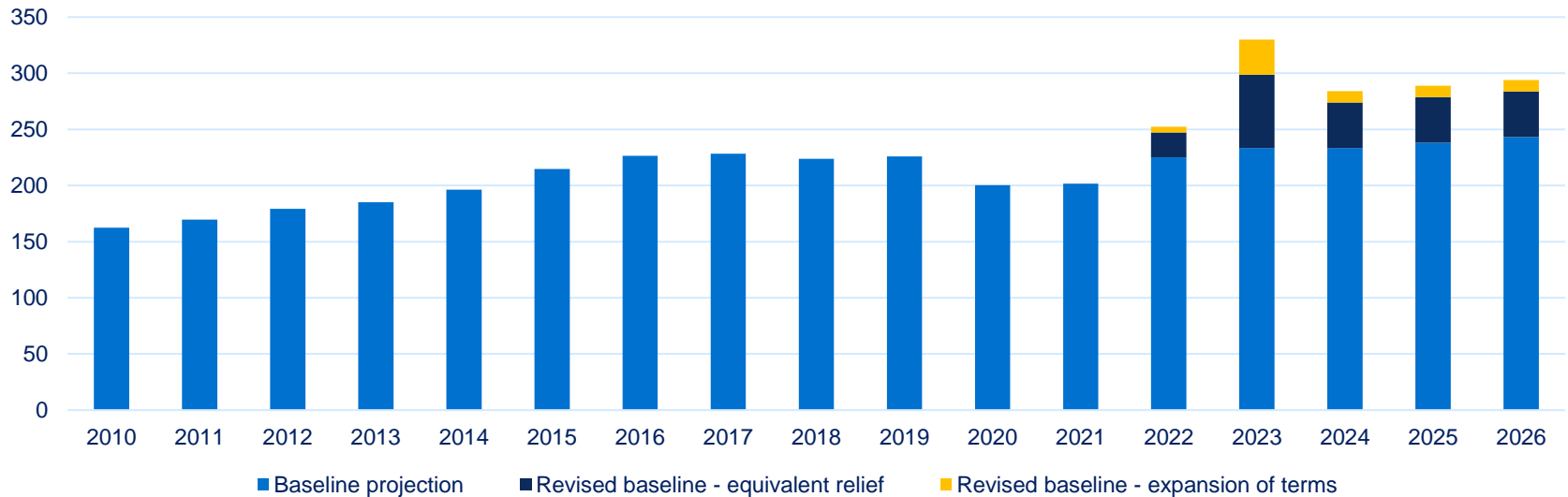
BORROWING SET TO BE HIGHER THIS YEAR...

Changes in public sector net borrowing since the October forecast 2022-23



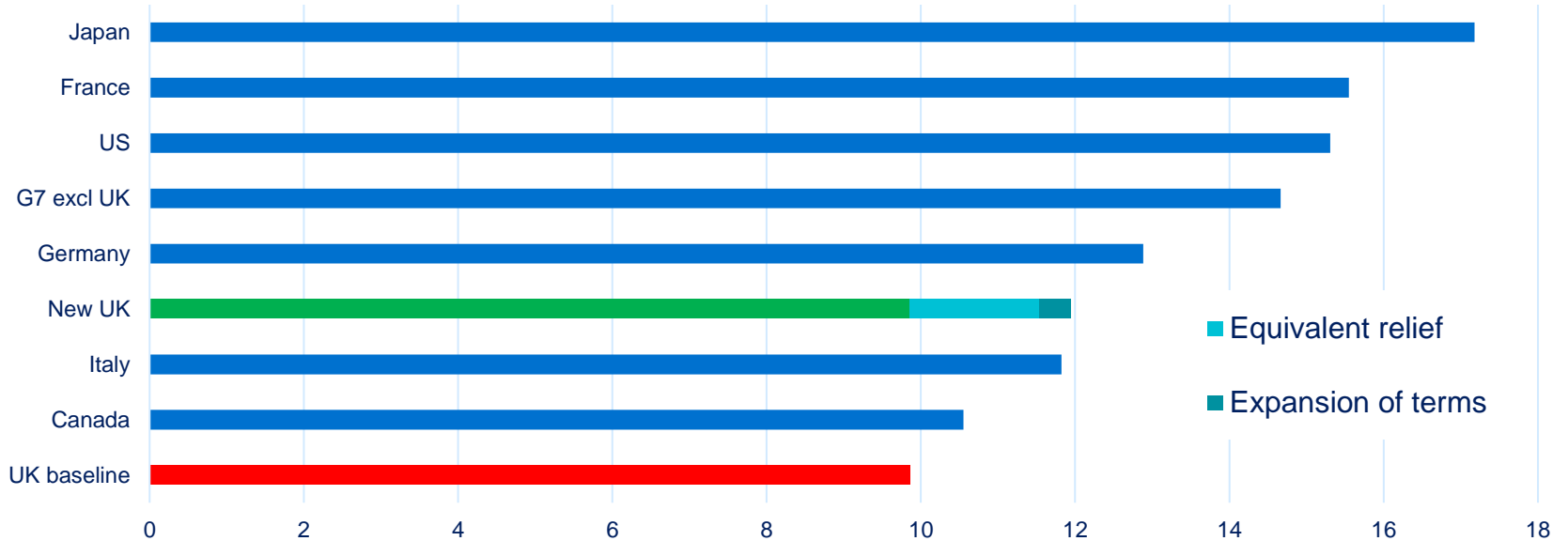
BUT THERE IS SIGNIFICANT POTENTIAL TO BOOST CAPITAL INVESTMENT IN THE UK...

CBI super-deduction survey: Indicative estimates of business investment under two reform scenarios (£ bn)



... LIFTING THE UK UP THE G7 LEAGUE TABLE

Business investment by 2026
(% of GDP)



Sources: CBI; Oxford Economics.

THE ANTIDOTE TO WEAK GROWTH IS TO UNLOCK BUSINESS INVESTMENT

Large headwinds to growth

- Wind down of pandemic support
- Inflation set to peak in Q4

Uncertain outlook

- War in Ukraine could continue to disrupt supply changes and increase commodity prices

Fiscal policy can unlock investment

- Chancellor has headroom for further support
- Super deduction can unlock investment

QUESTIONS?

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