

# Taking the temperature of the UK economy

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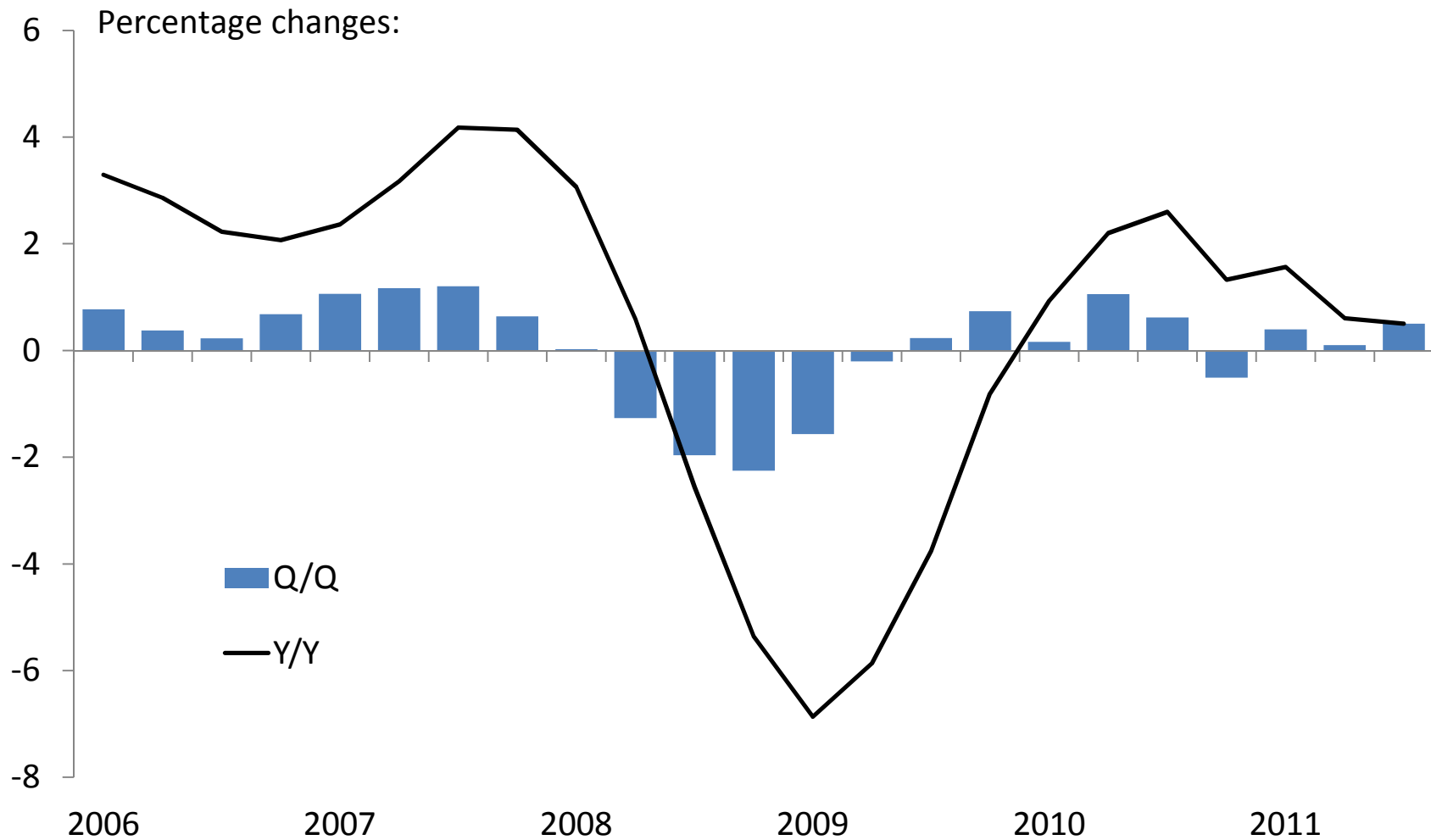
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November 2011

# Summary from November 2010

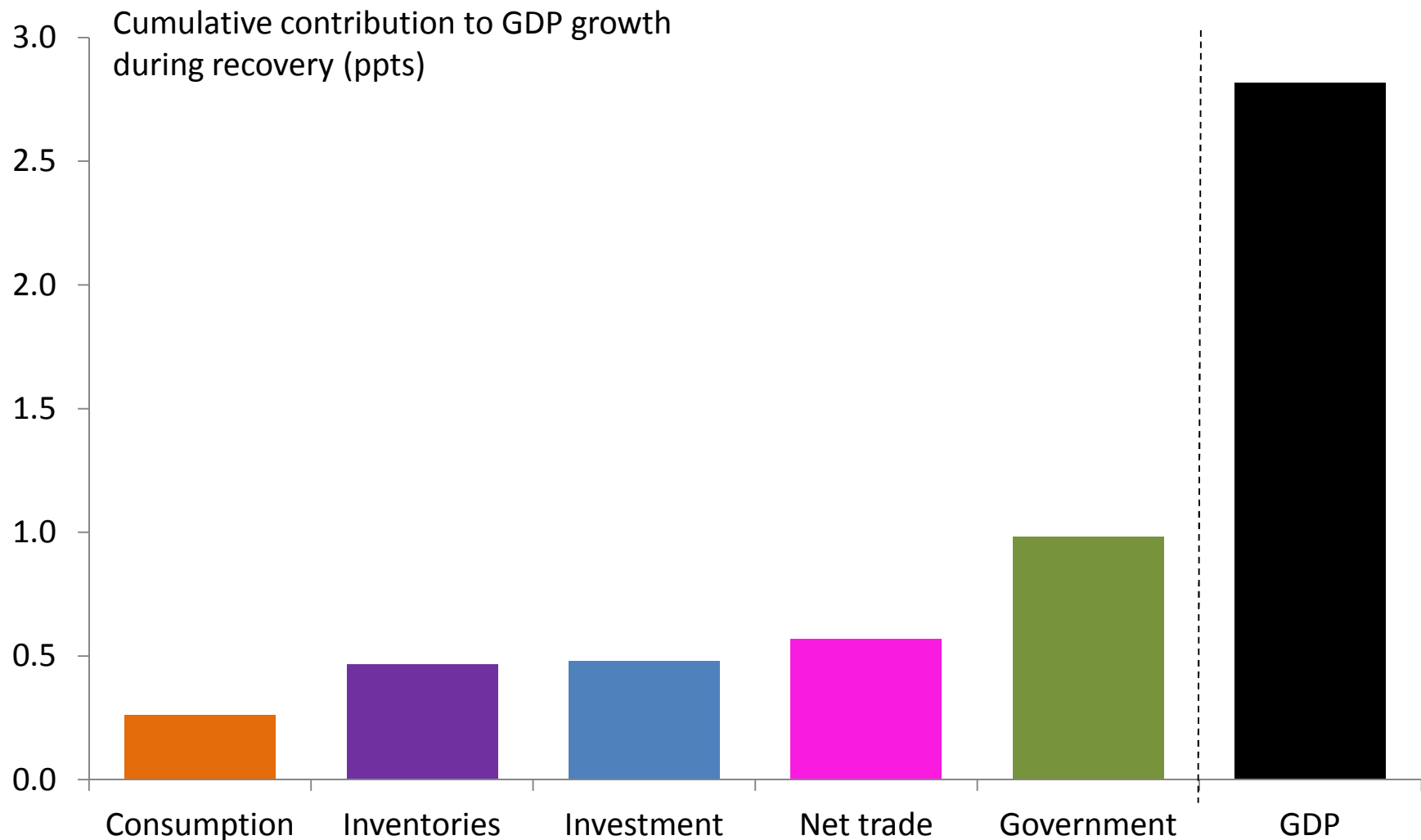
- The UK economy is recovering, and a double-dip looks unlikely
- But significant challenges remain:
  - Rebalancing not yet underway
  - Will private sector job creation pick up the slack?
  - How effective is QE anyway?
- Growth will be average, not spectacular – and probably bumpy

# Growth has stuttered this year



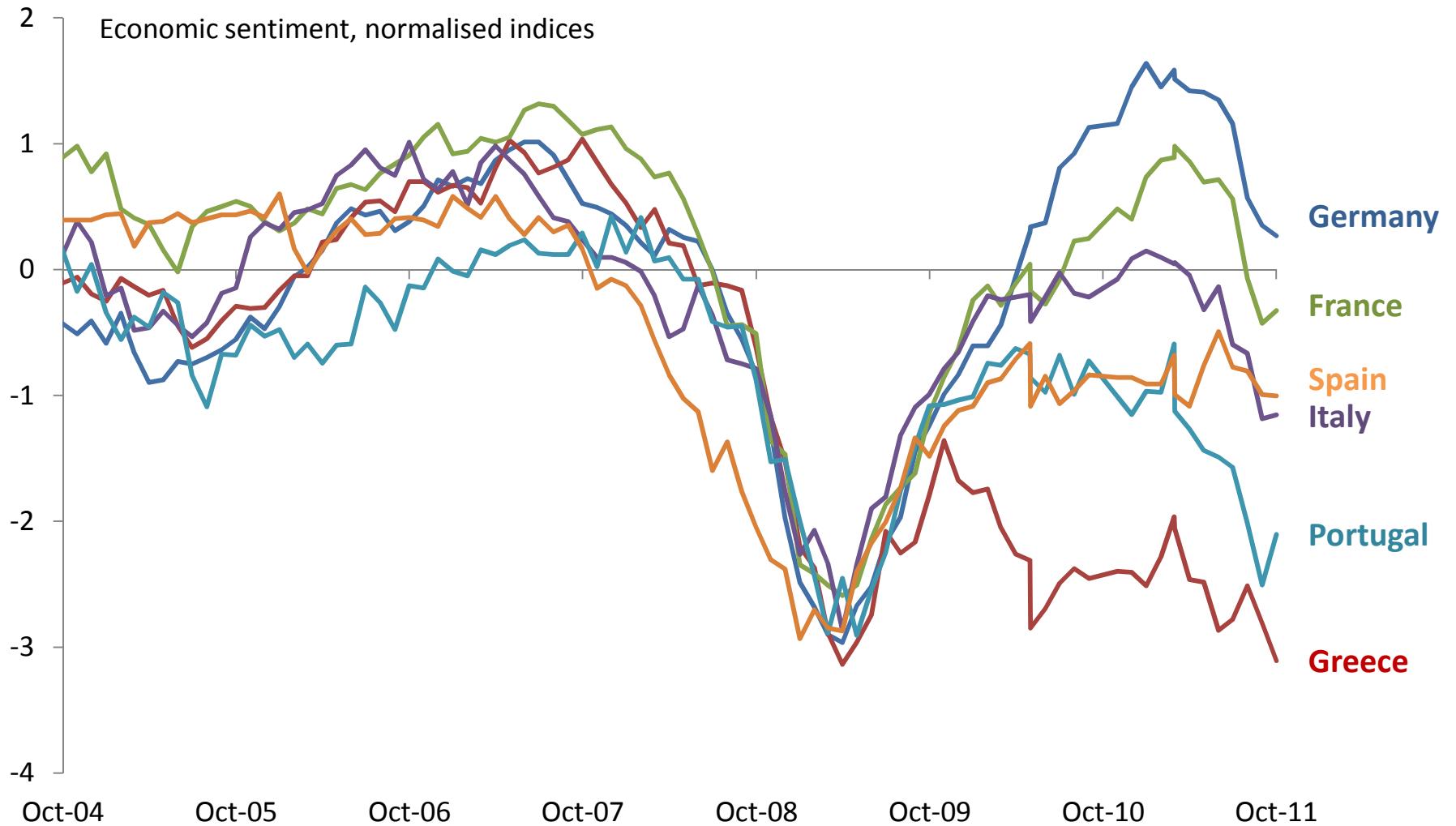
Source: ONS and BVCA

# More rebalancing required



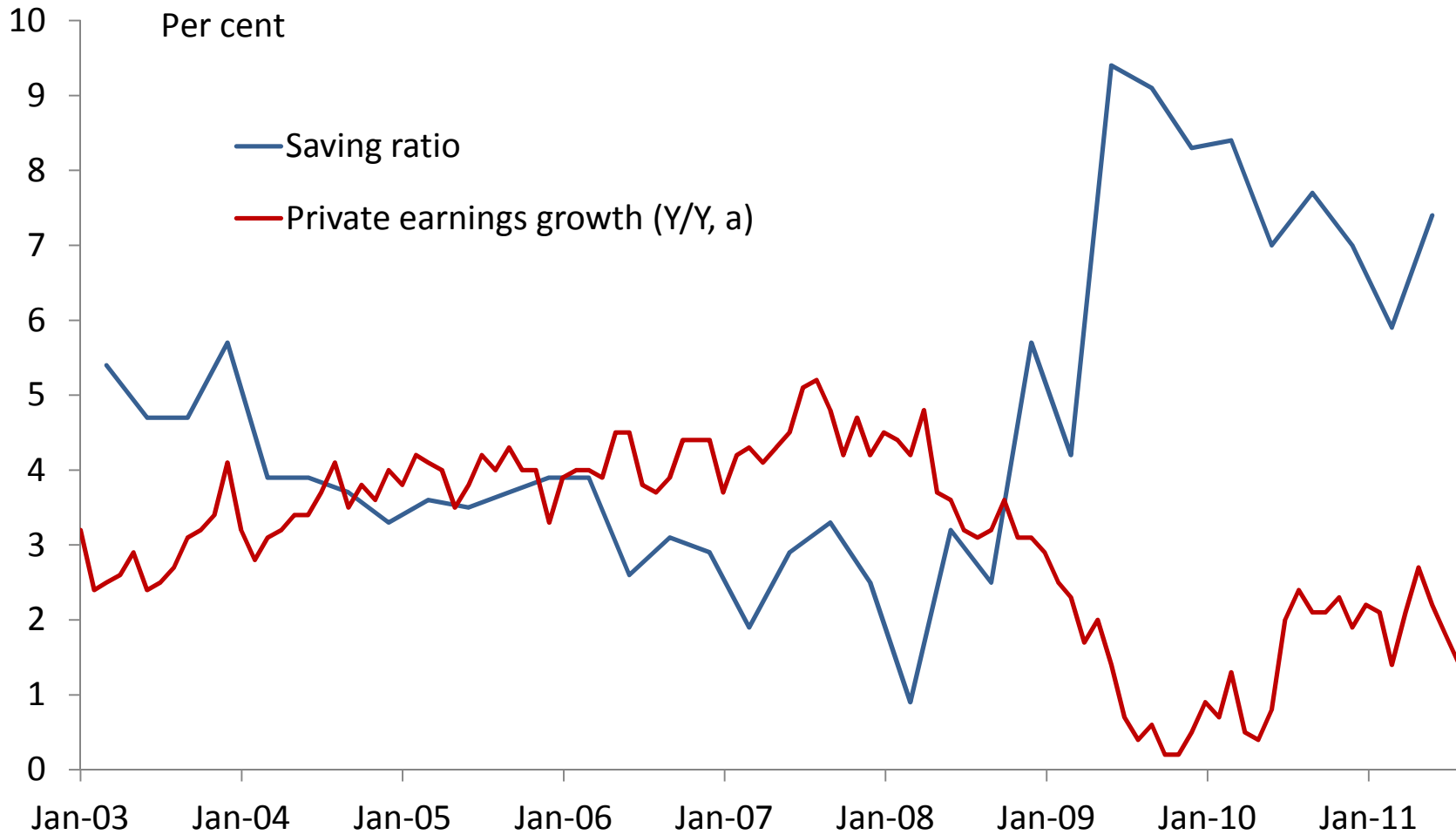
Source: ONS and BVCA

# Is Europe back in recession?



Source: EC and BVCA

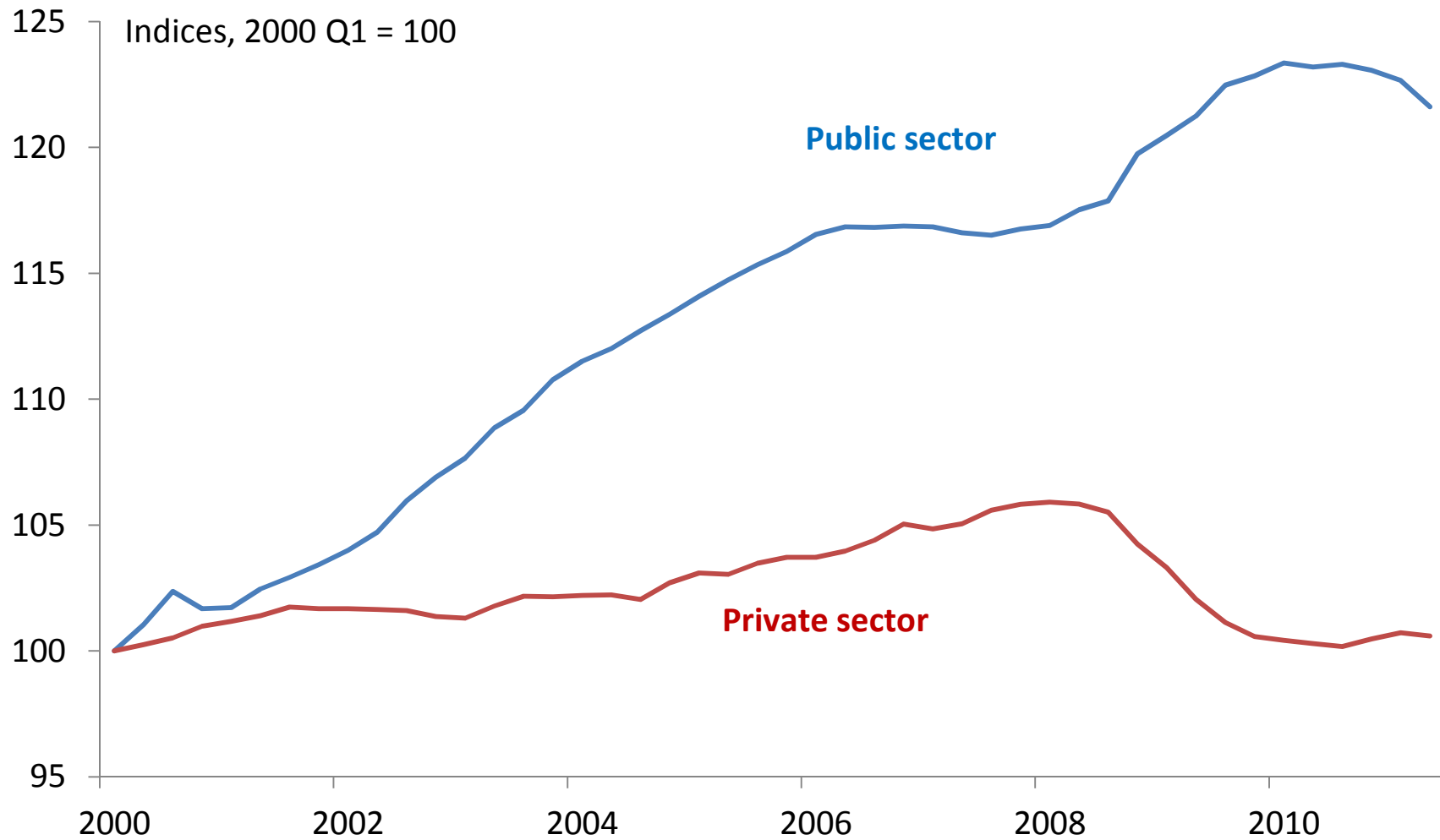
# UK households still under pressure



(a) Excluding bonuses and arrears.

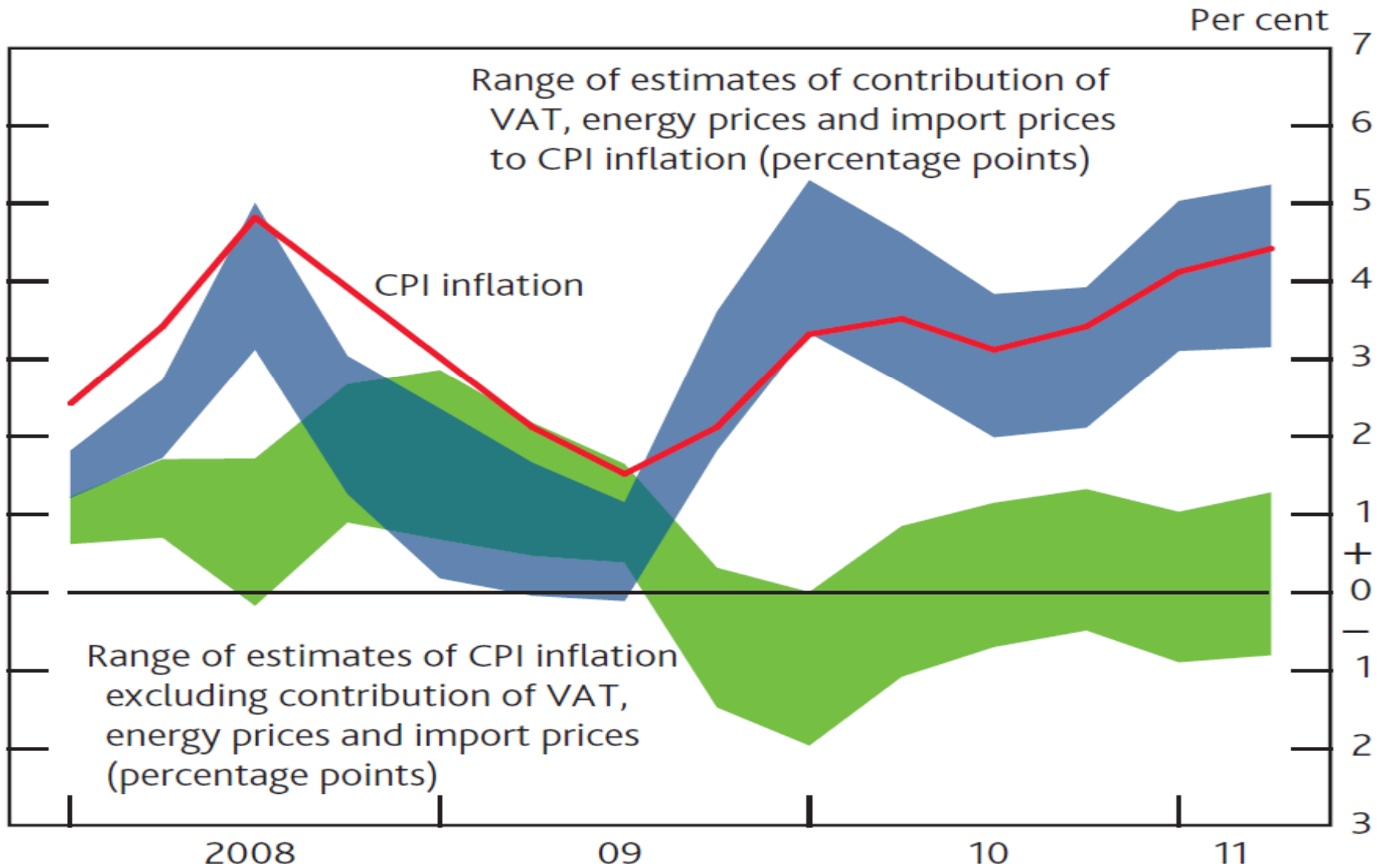
Source: ONS and BVCA

# Private job creation is still weak

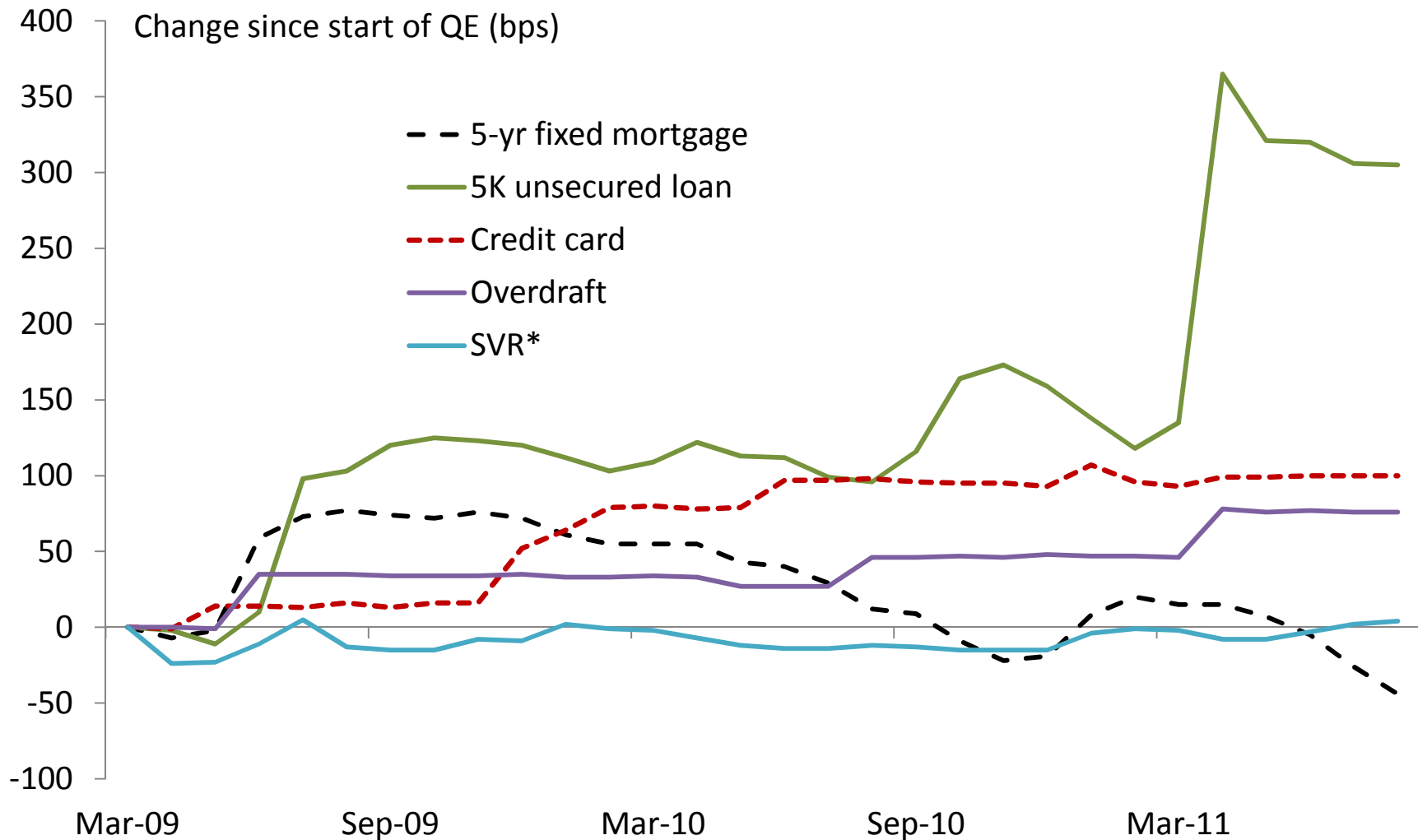


Source: ONS and BVCA

# Inflation will fall back in 2012



# Will QE2 have more impact?



\* Standard variable rate.  
Source: BoE and BVCA

# Summary

- The UK recovery is stalling – there is a chance of recession in the next year
- Key risks are all to the downside:
  - Will the European debt resolution be orderly?
  - Can HMT support credit easing given the BoE is unwilling to do so?
  - Will the labour market weaken even further?
- 2012 looks bumpy; but lower inflation should help