

COMMERCIAL BANKING

ECONOMIC OUTLOOK

Brexit and beyond

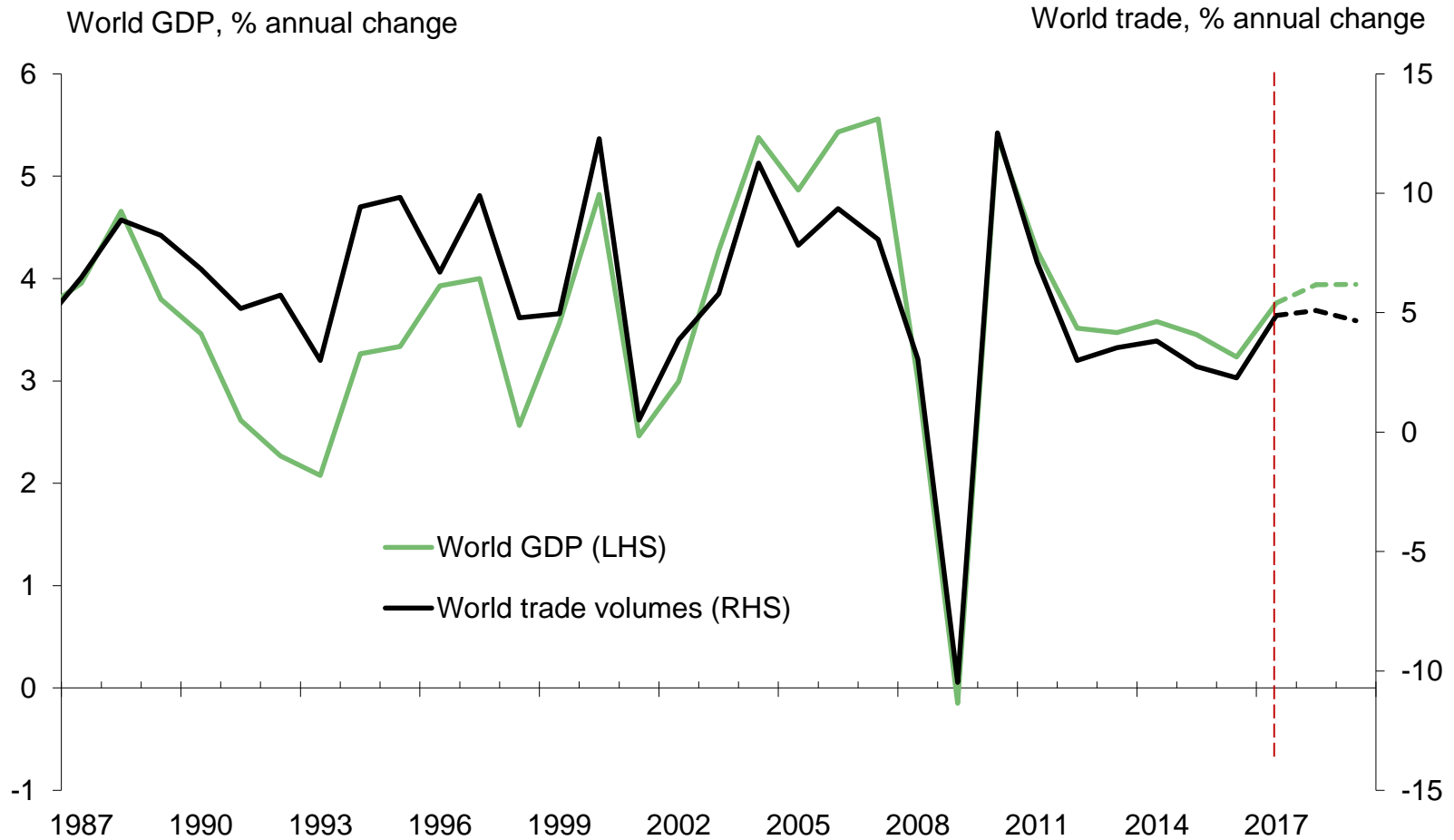
July 2018

Nikesh Sawjani
UK Economist

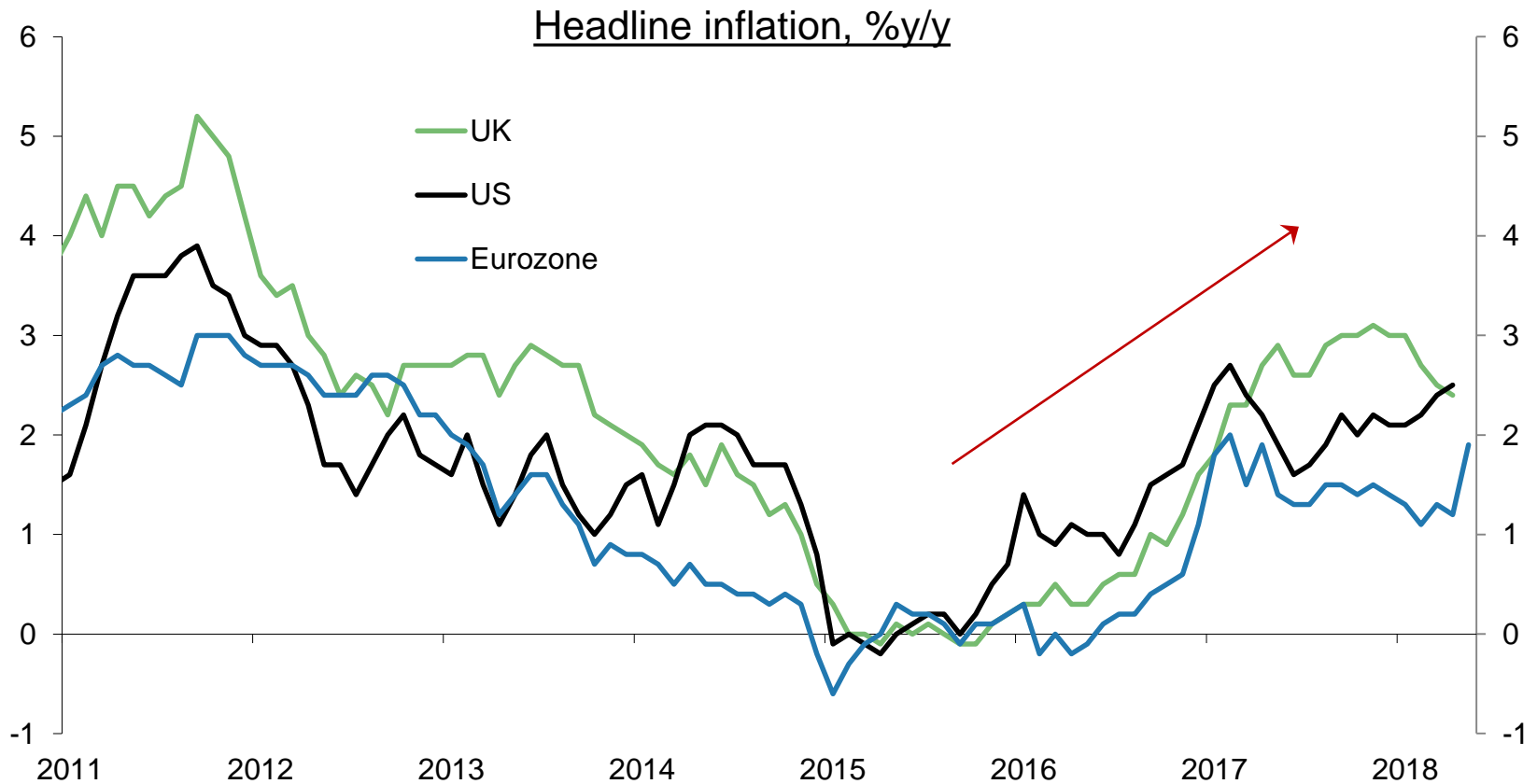


LLOYDS BANK

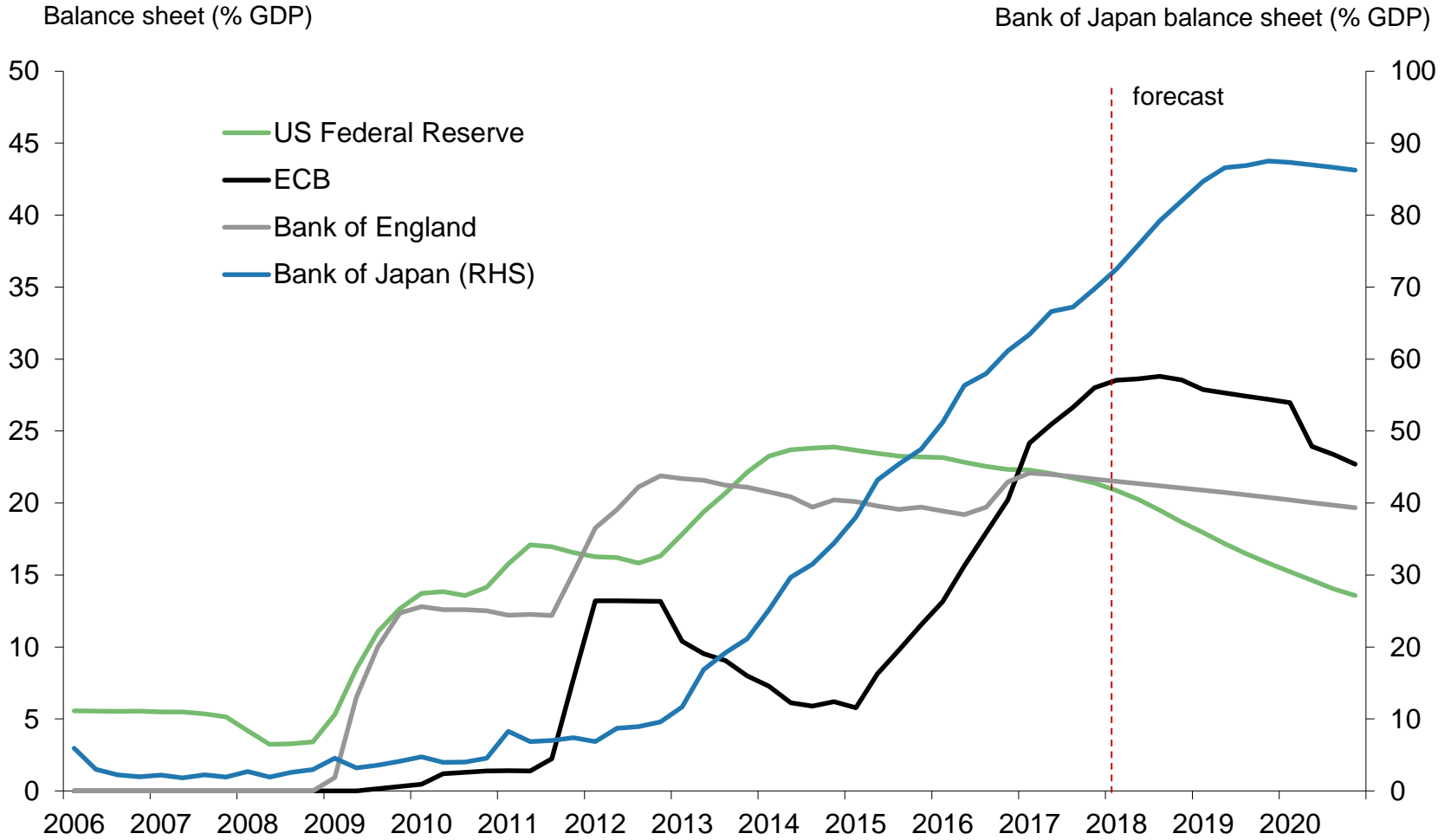
SYNCHRONICITY: GLOBAL TRADE AND ECONOMIC GROWTH



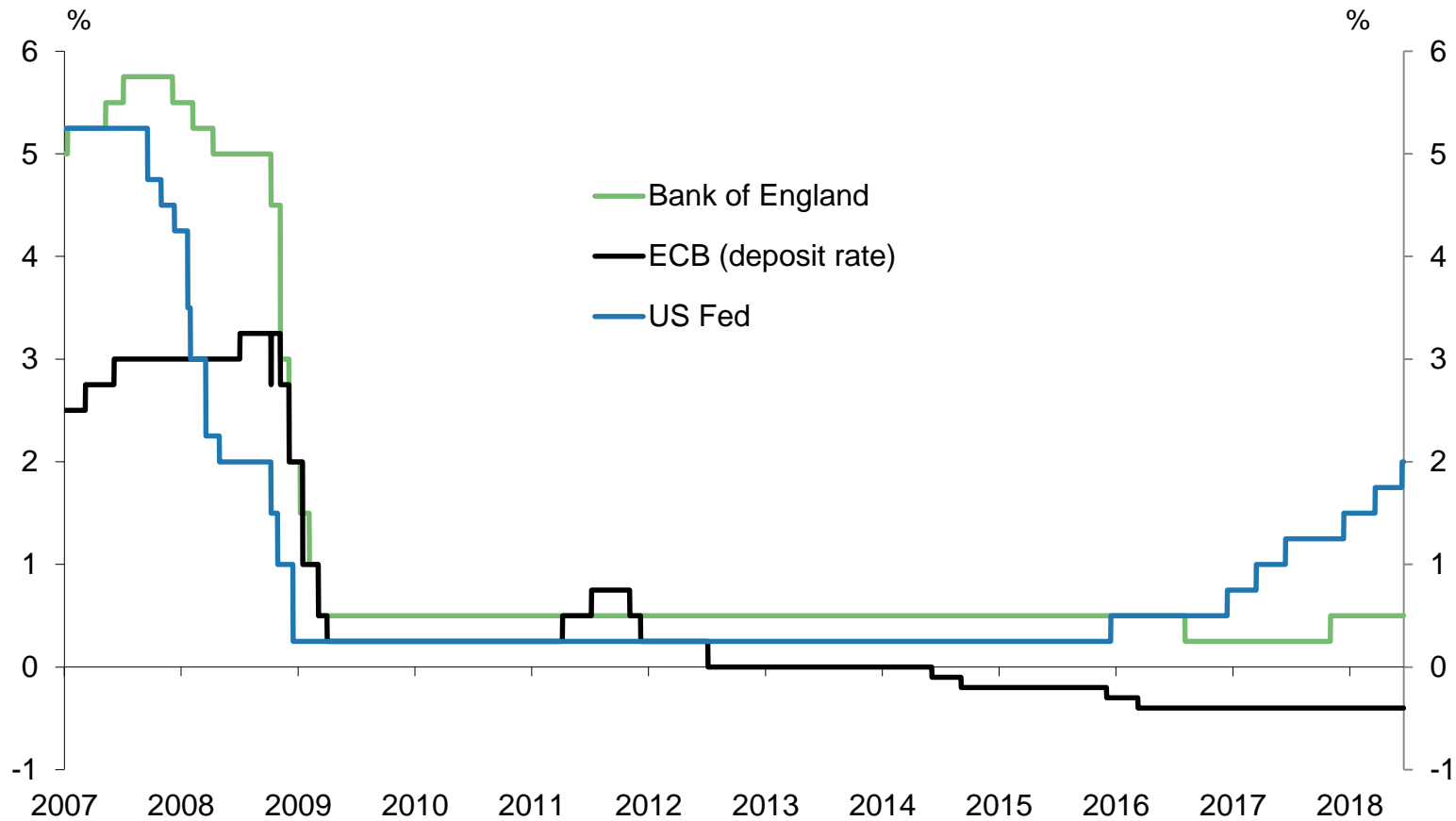
TALK OF INFLATION REPLACES DEFLATION



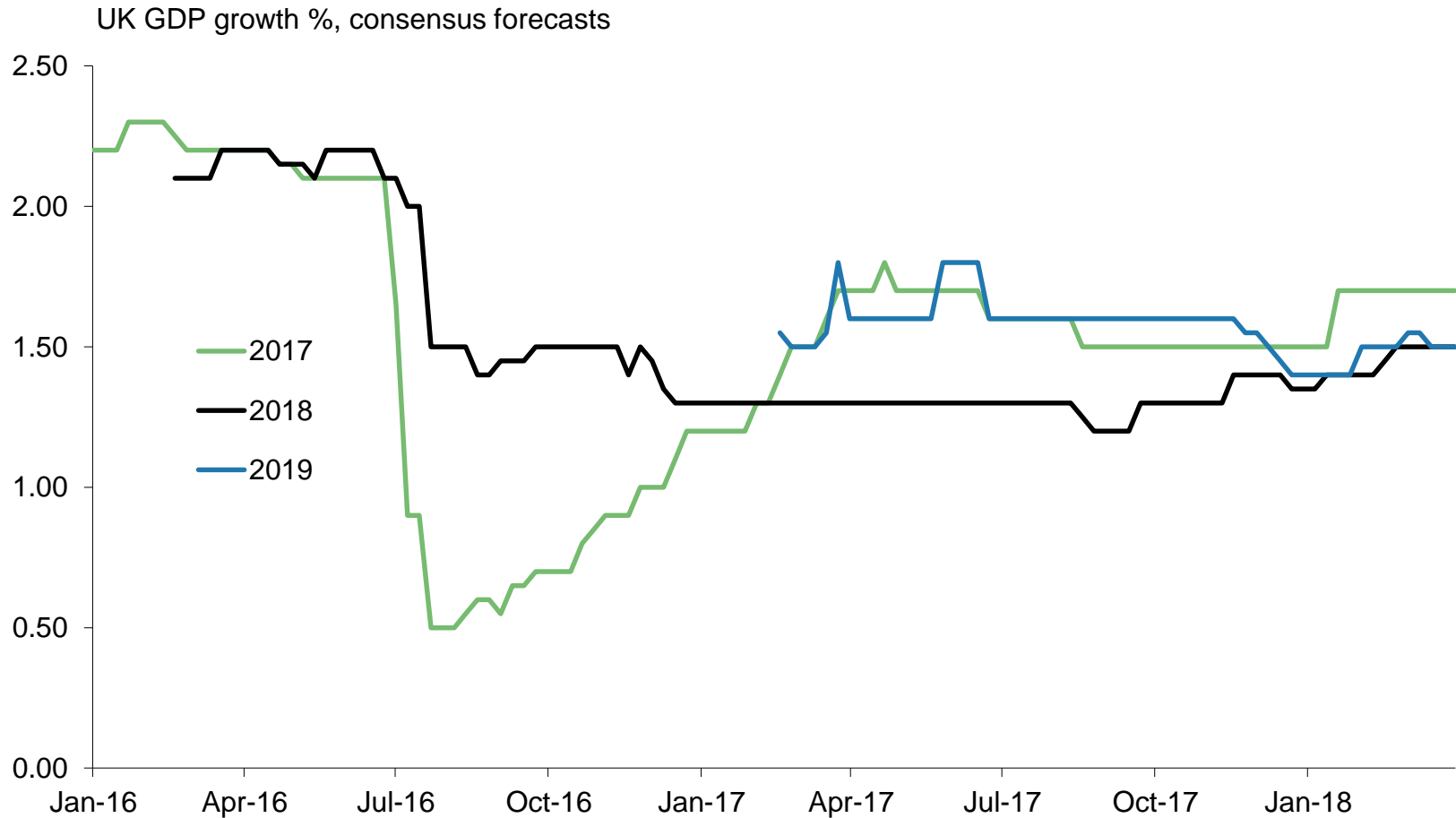
FINISHING LINE FOR CENTRAL BANK MONEY PRINTING



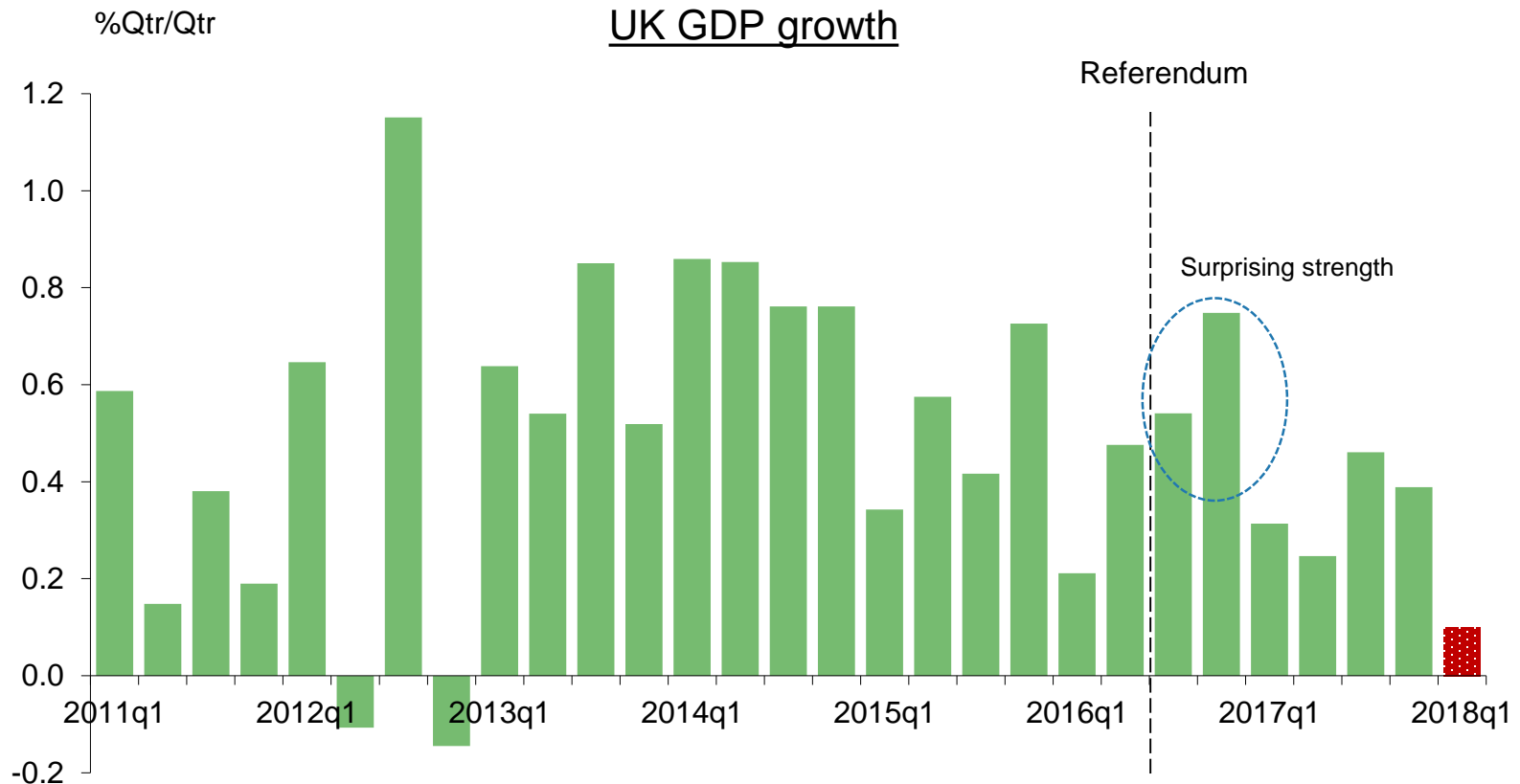
GLOBAL INTEREST RATES: THE ONLY WAY IS UP



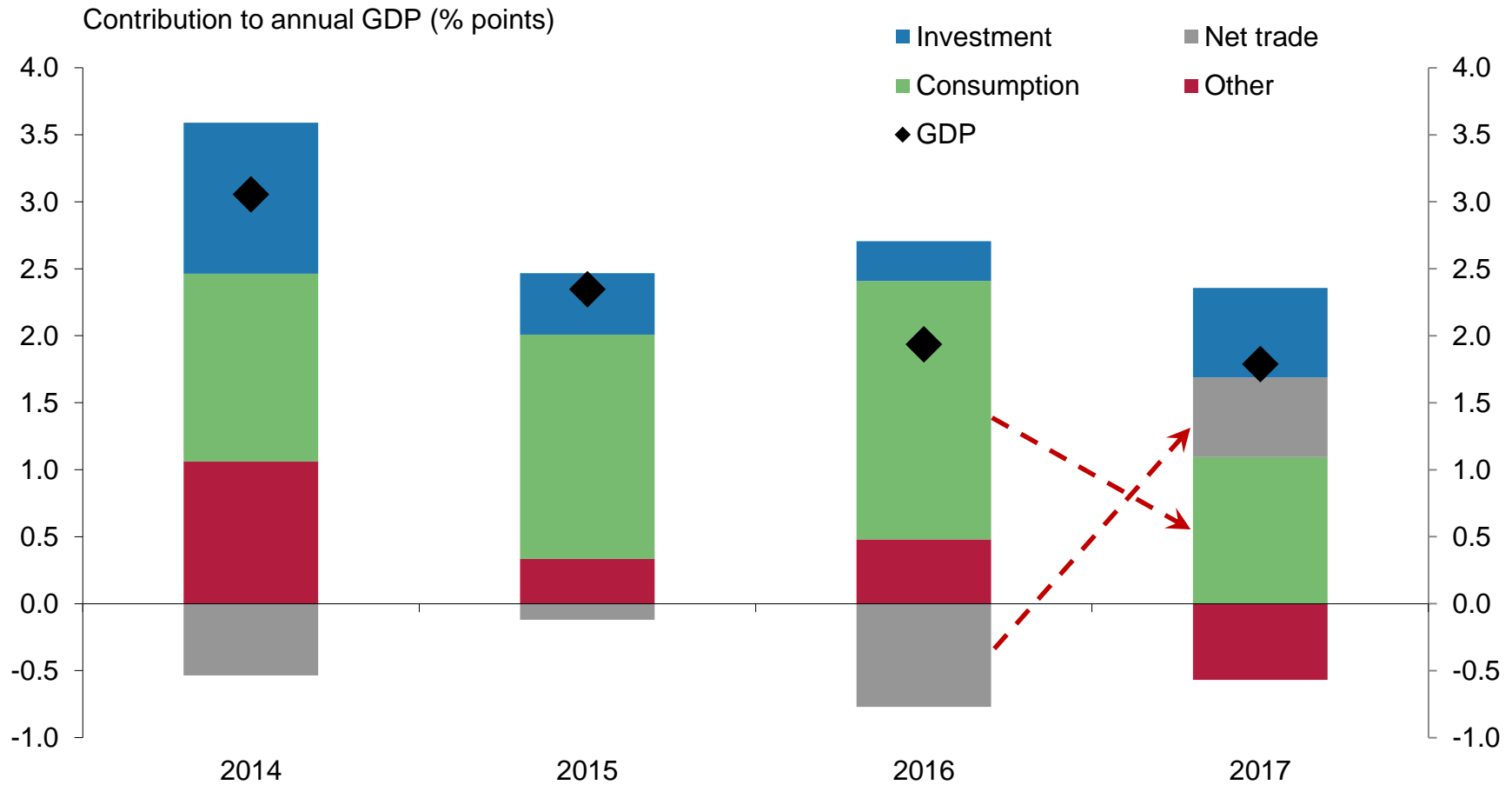
UK ECONOMY SLOWED BY LESS THAN EXPECTED IN 2017 BUT EXPECTATIONS HAVE DETERIORATED



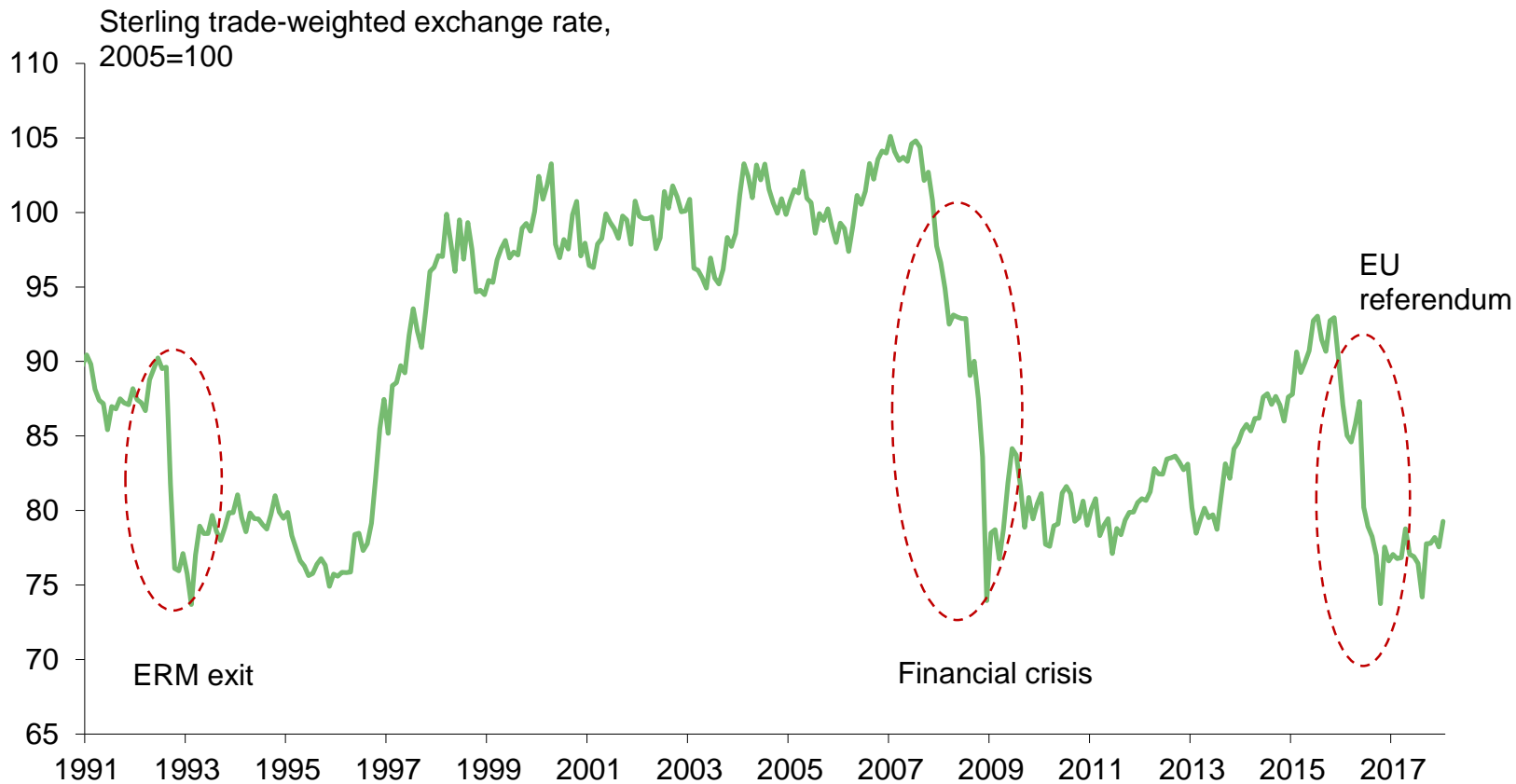
UK GROWTH IN Q1 – ‘BEAST FROM THE EAST’ OR SOMETHING MORE SINISTER?



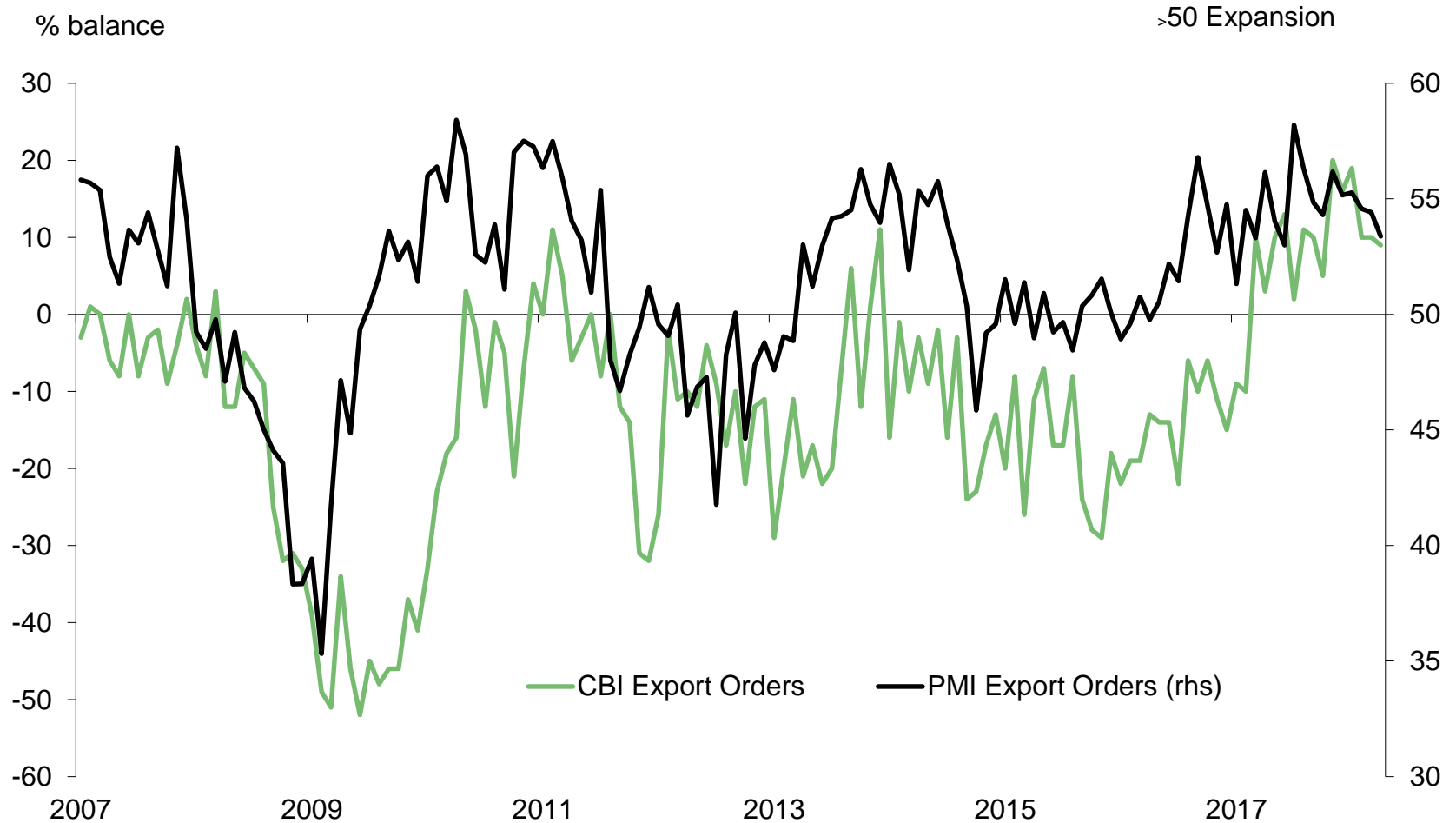
UK GROWTH: ROTATING AWAY FROM THE CONSUMER TOWARDS NET TRADE



KEY STERLING DEPRECIATION EPISODES



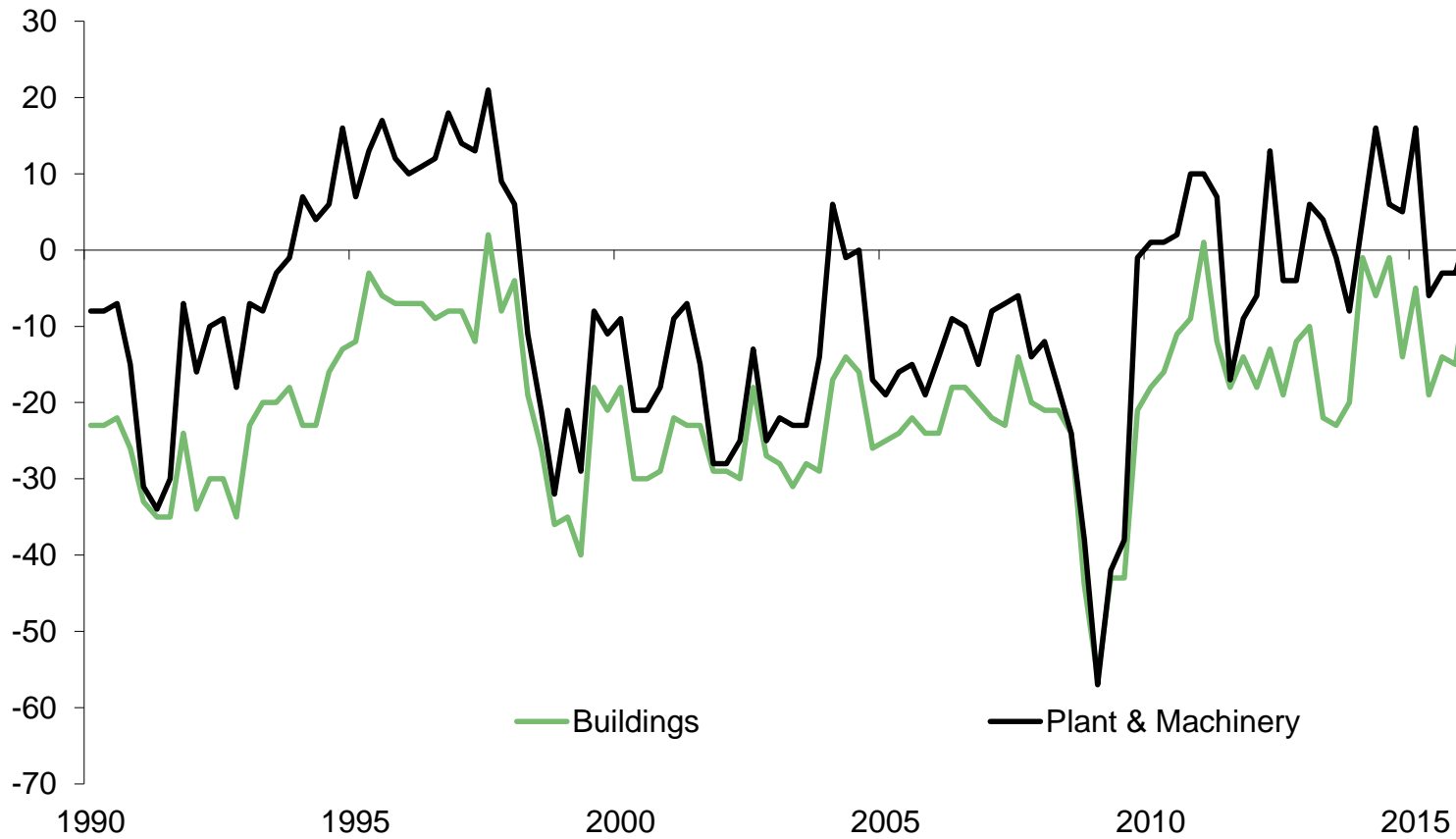
INTERNATIONAL TRADE LIKELY TO BE A SUPPORT TO THE ECONOMY IN THE NEAR TERM



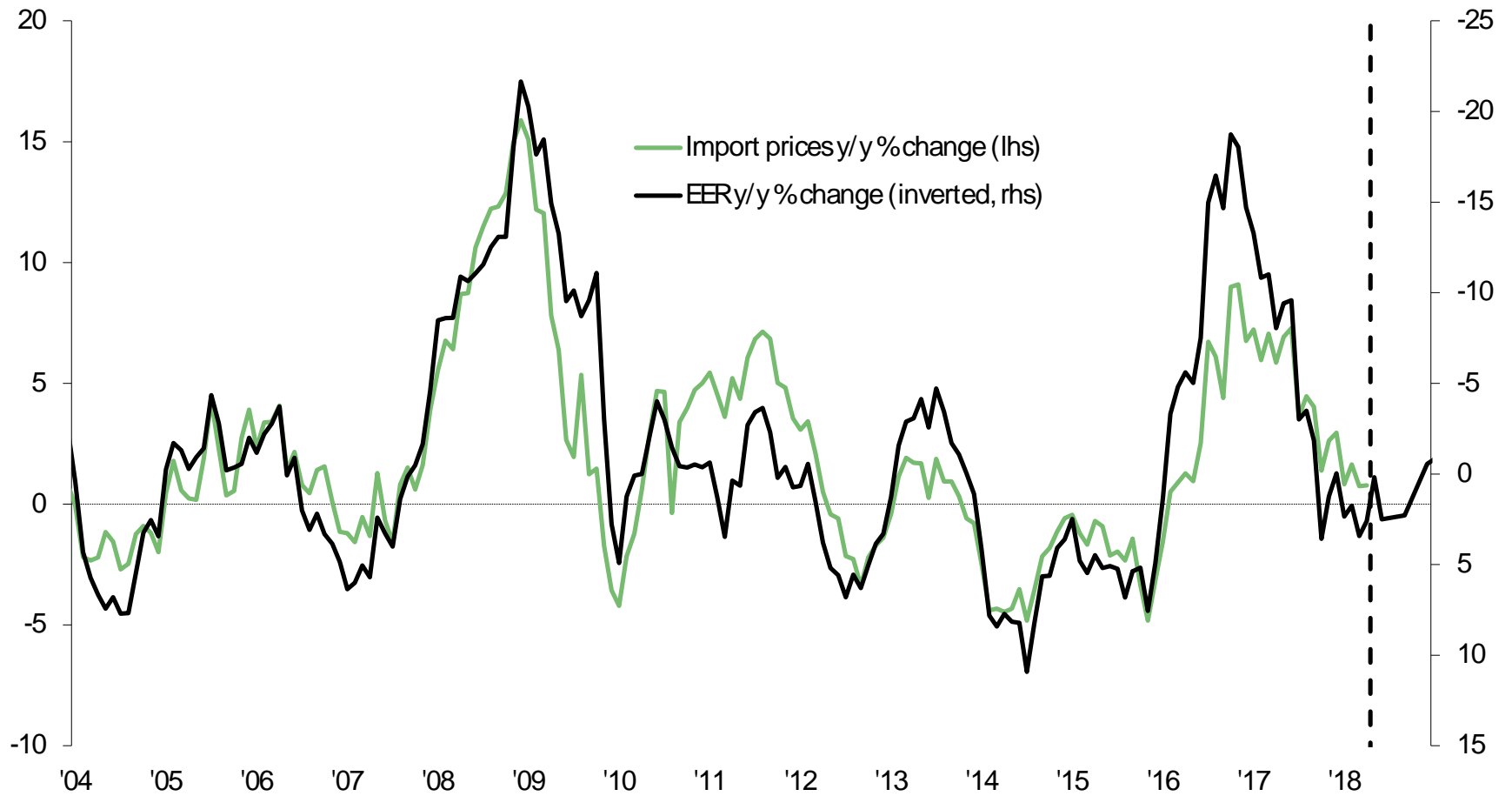
COMPANIES STILL RELUCTANT TO INVEST



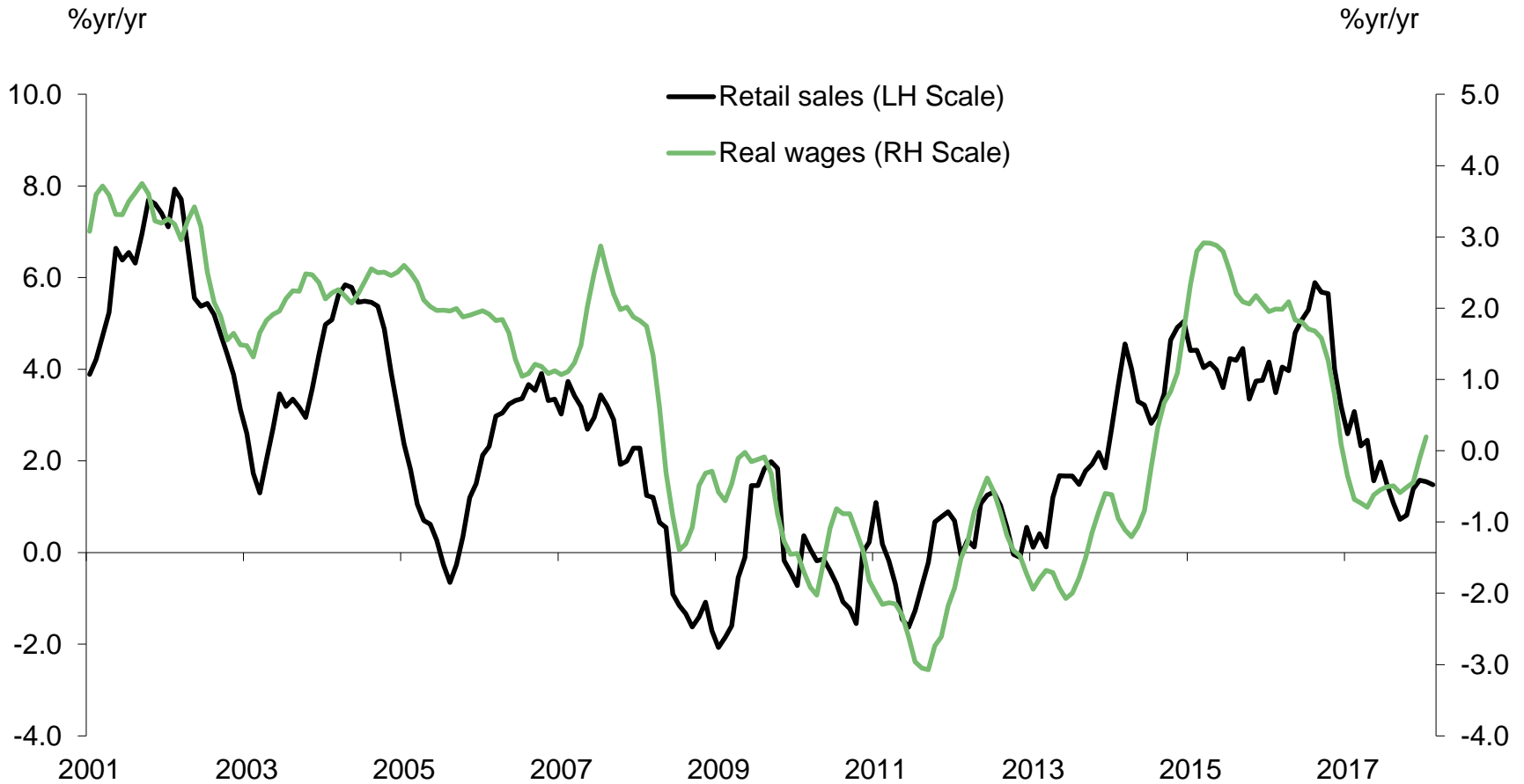
Investment Intentions (Bal)



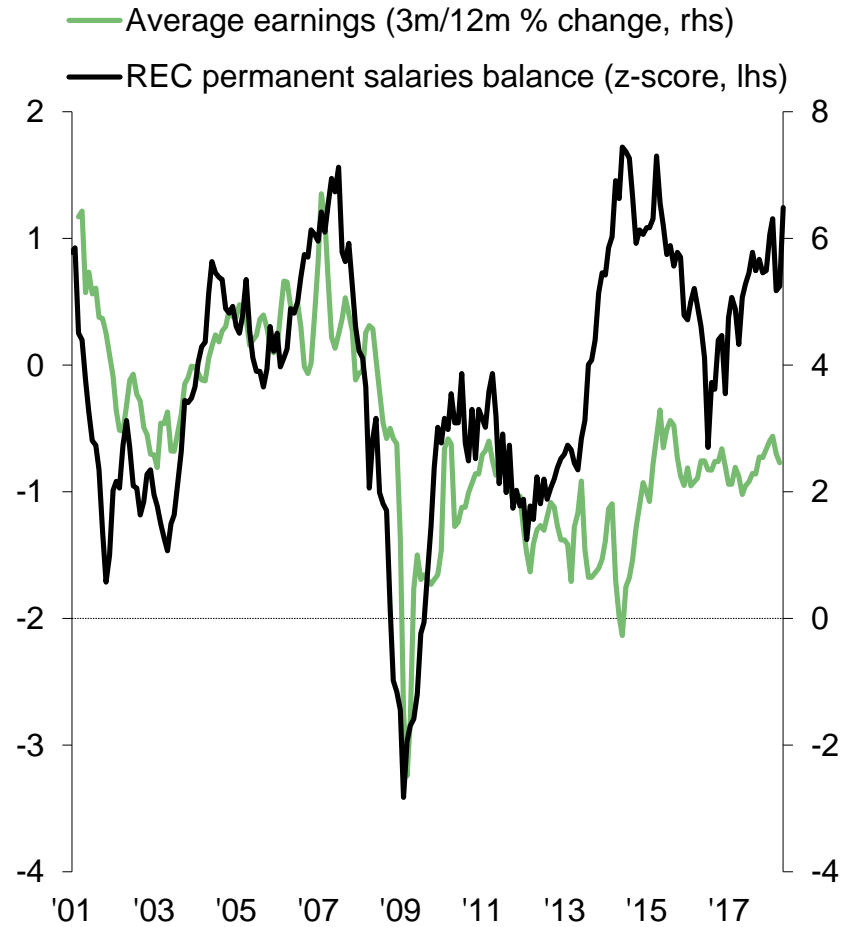
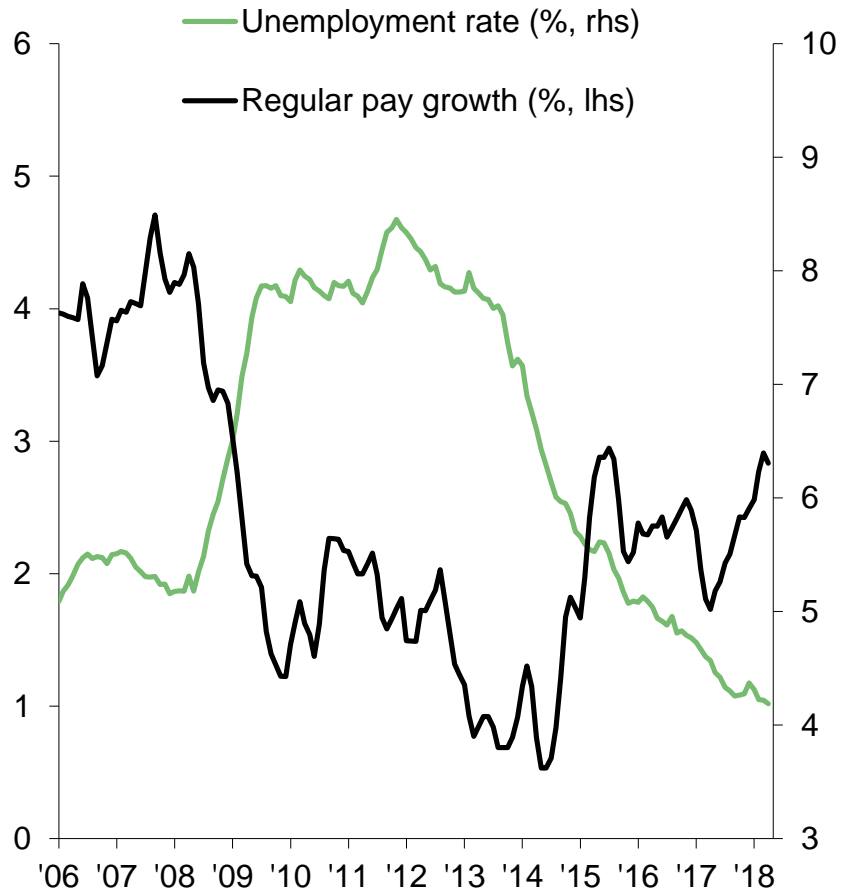
WEAKER STERLING PUSHED UP IMPORT COSTS



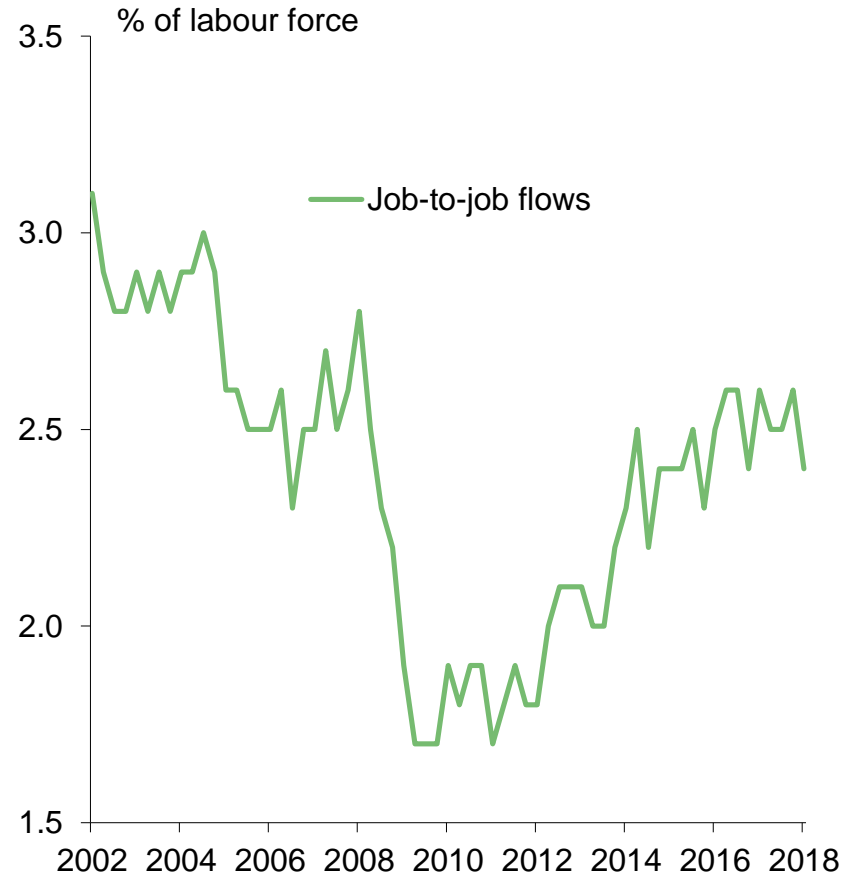
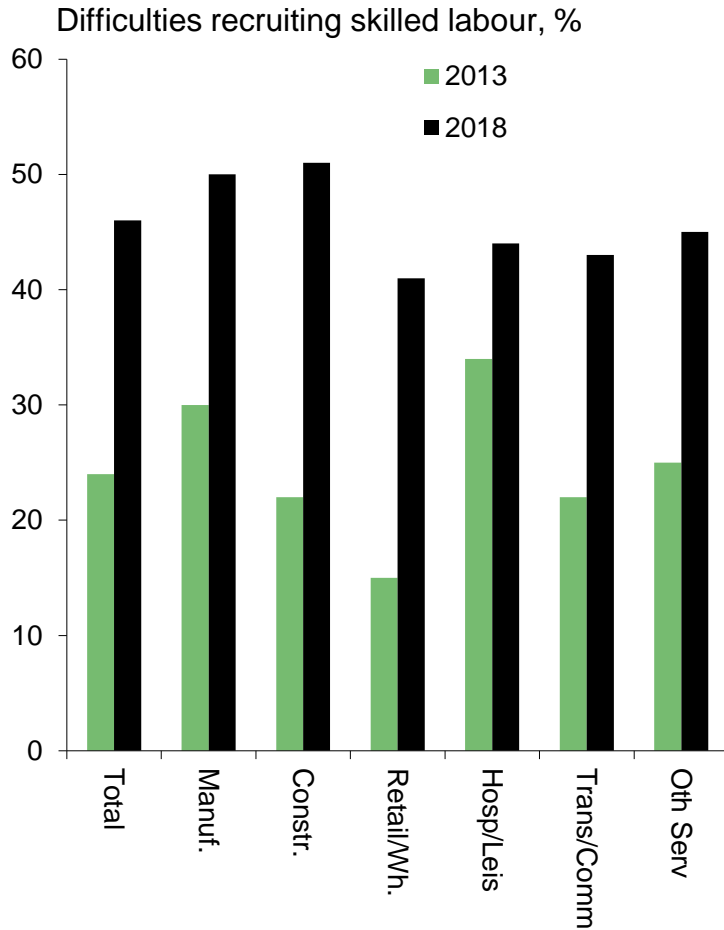
HOUSEHOLDS HAVE BEEN SQUEEZED



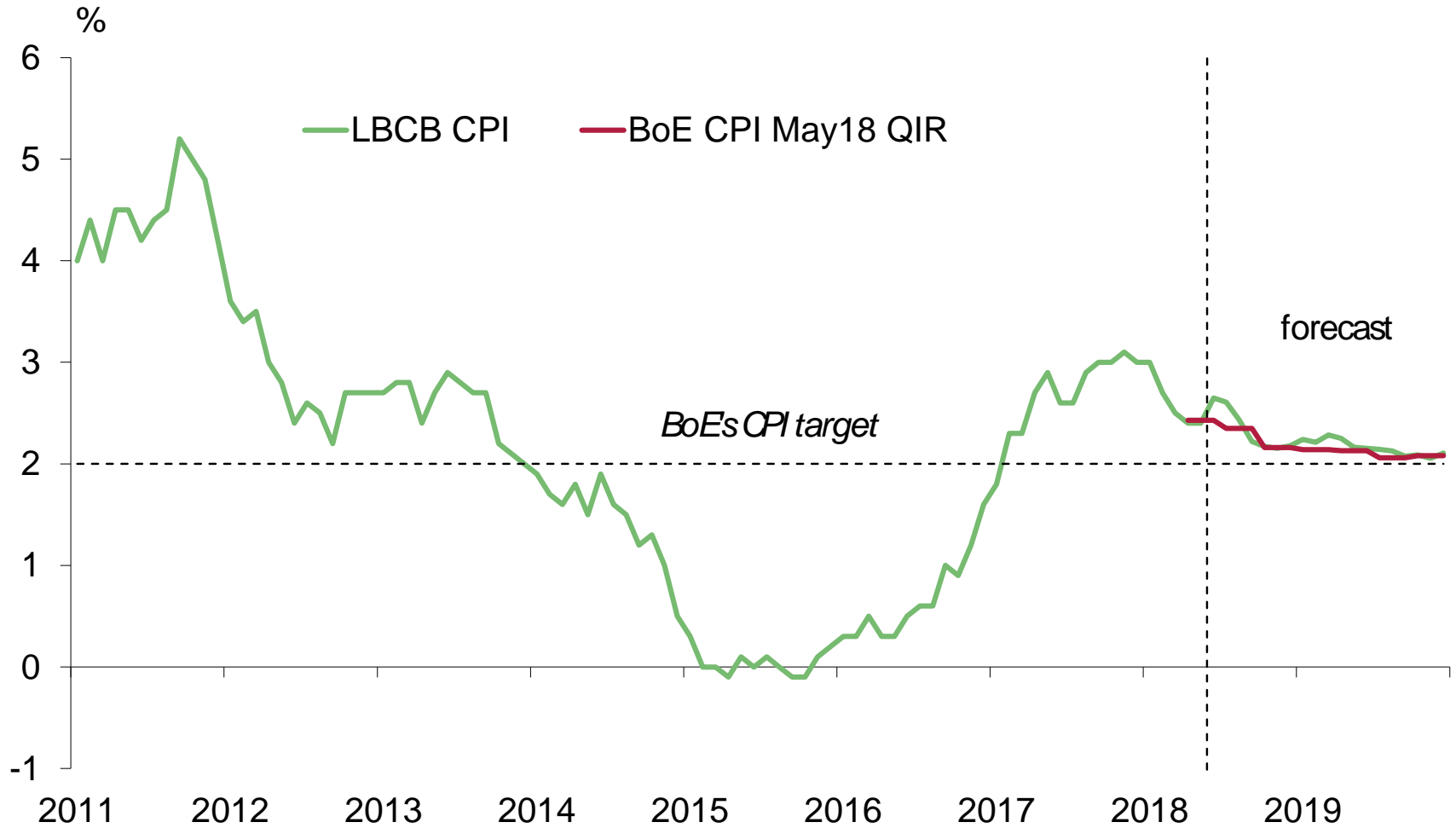
TENTATIVE SIGNS OF RISING PAY GROWTH?



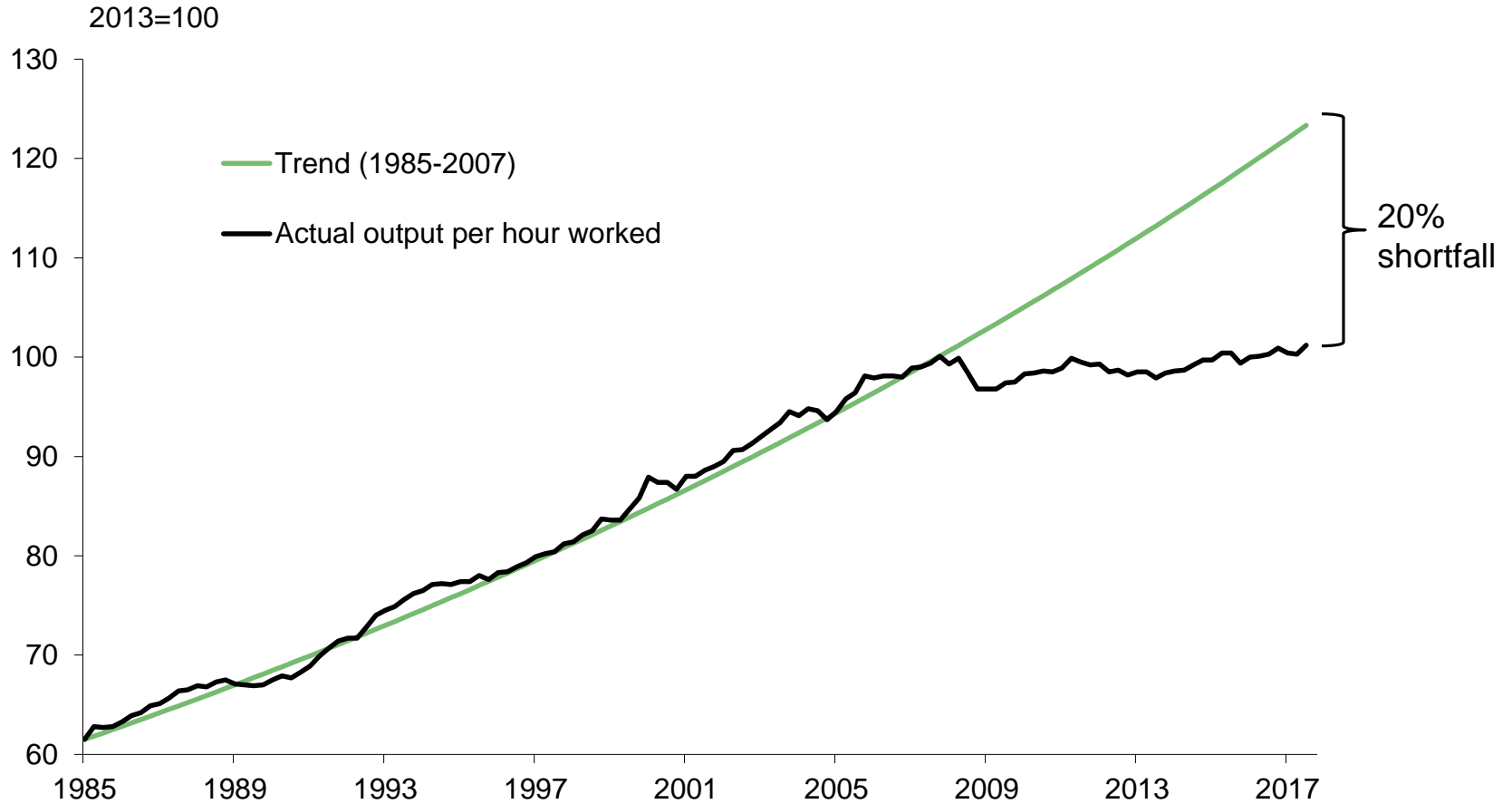
RECRUITMENT DIFFICULTIES HAVE RISEN



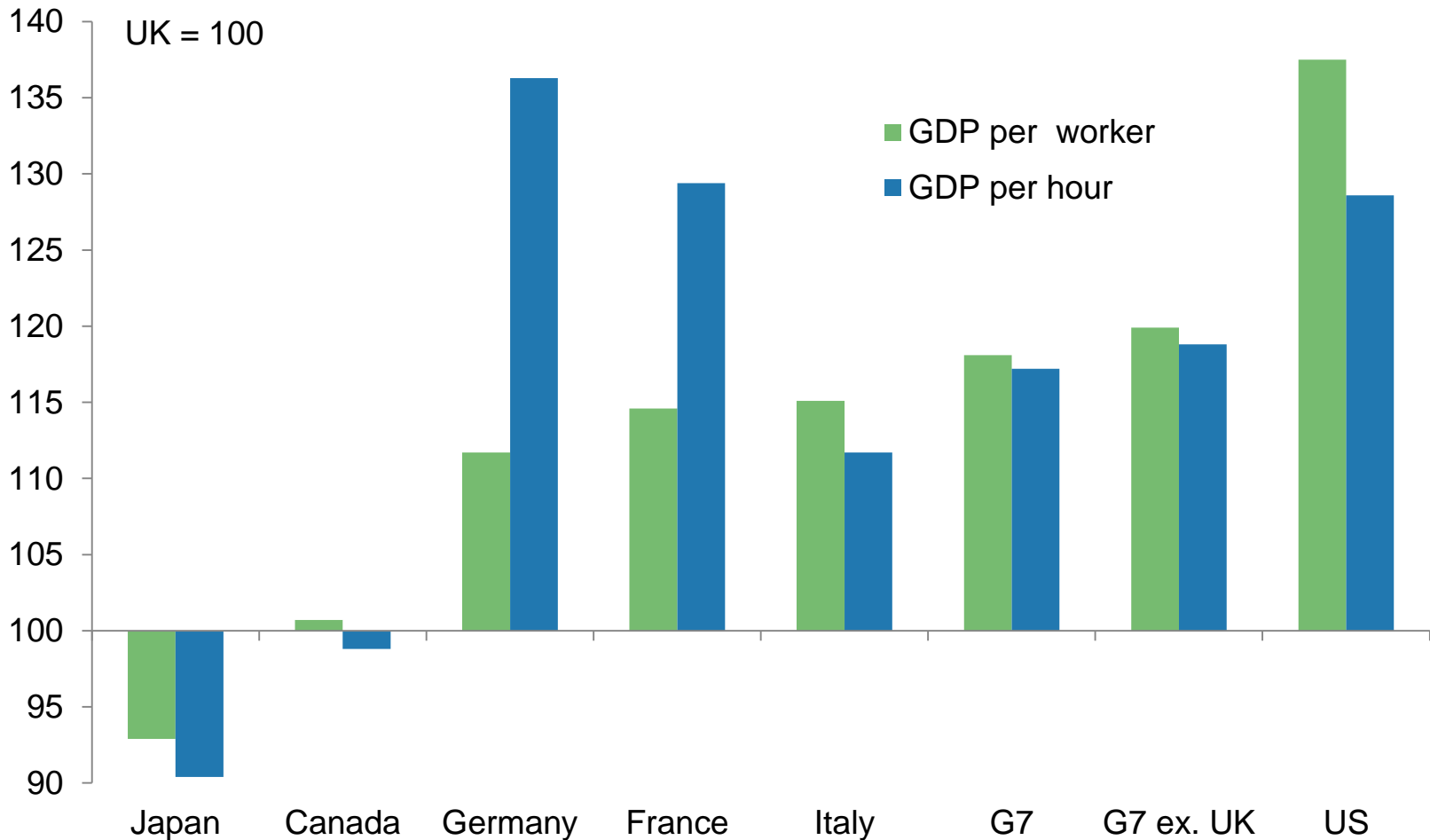
UK INFLATION PAST ITS PEAK



PRODUCTIVITY HAS BARELY RISEN IN THE PAST DECADE



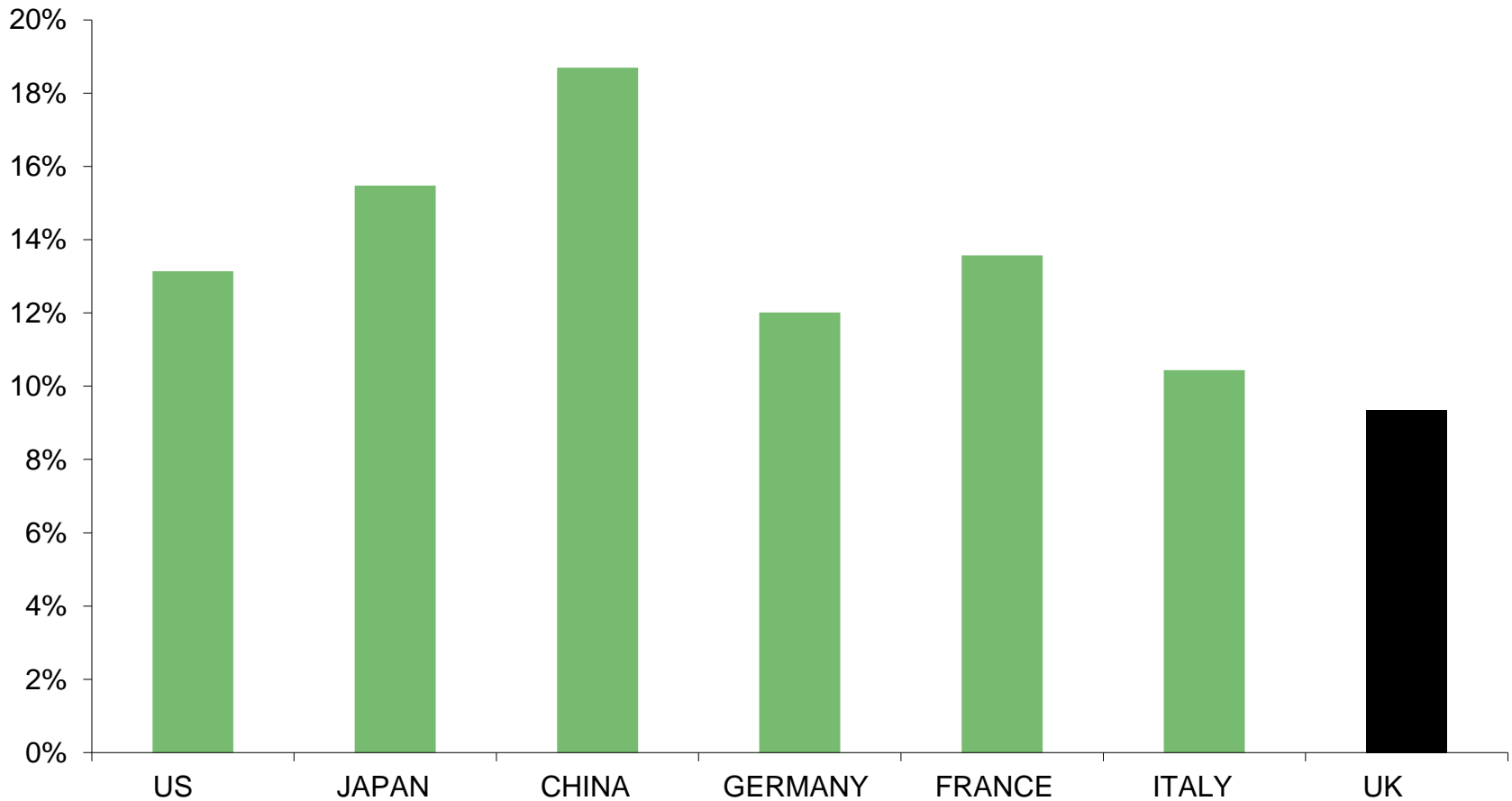
UK PRODUCTIVITY REMAINS FAR LOWER THAN OUR PEERS



UK UNDERINVESTS COMPARED TO OTHER ECONOMIES



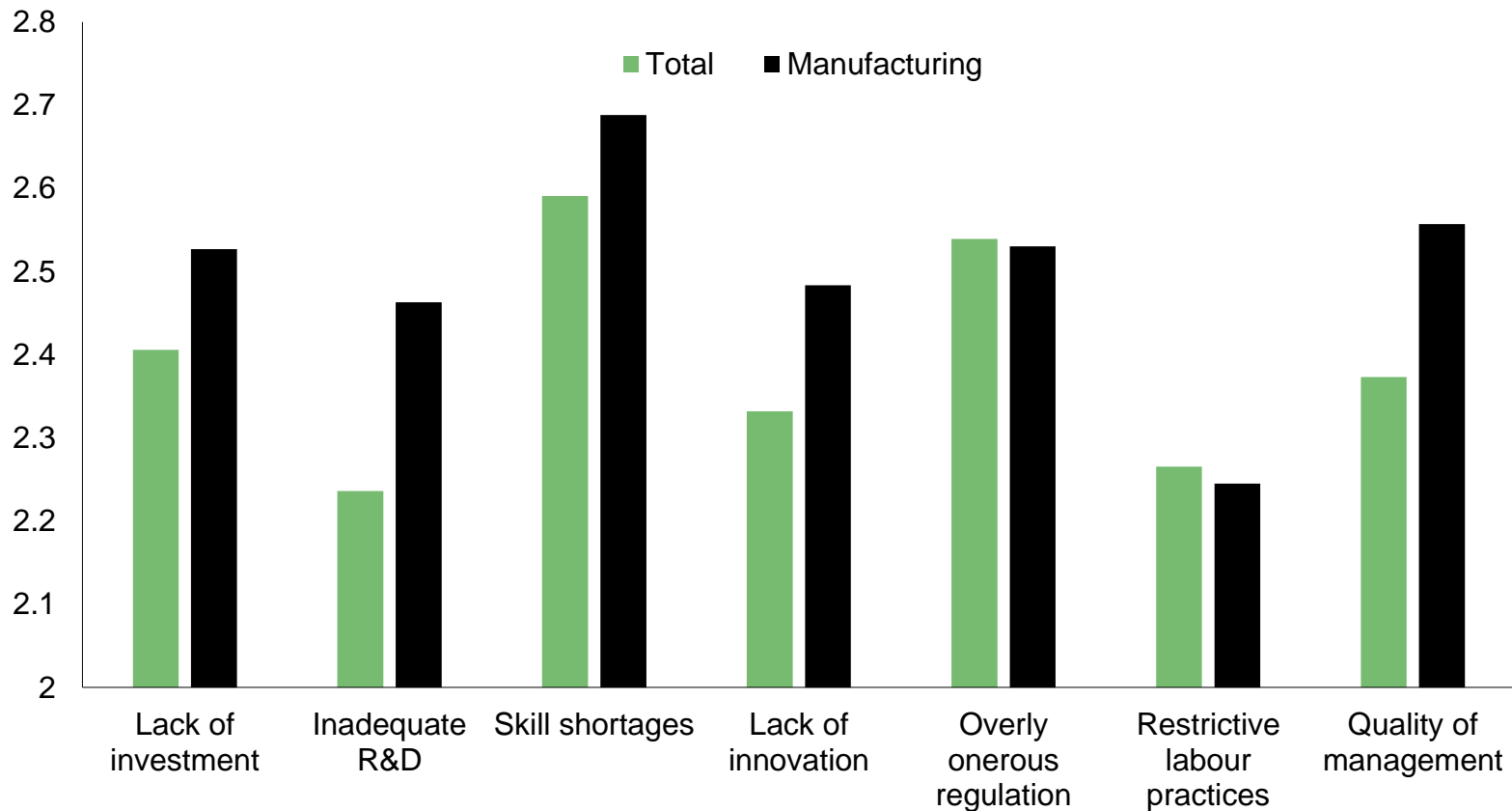
Business Investment % GDP 2016



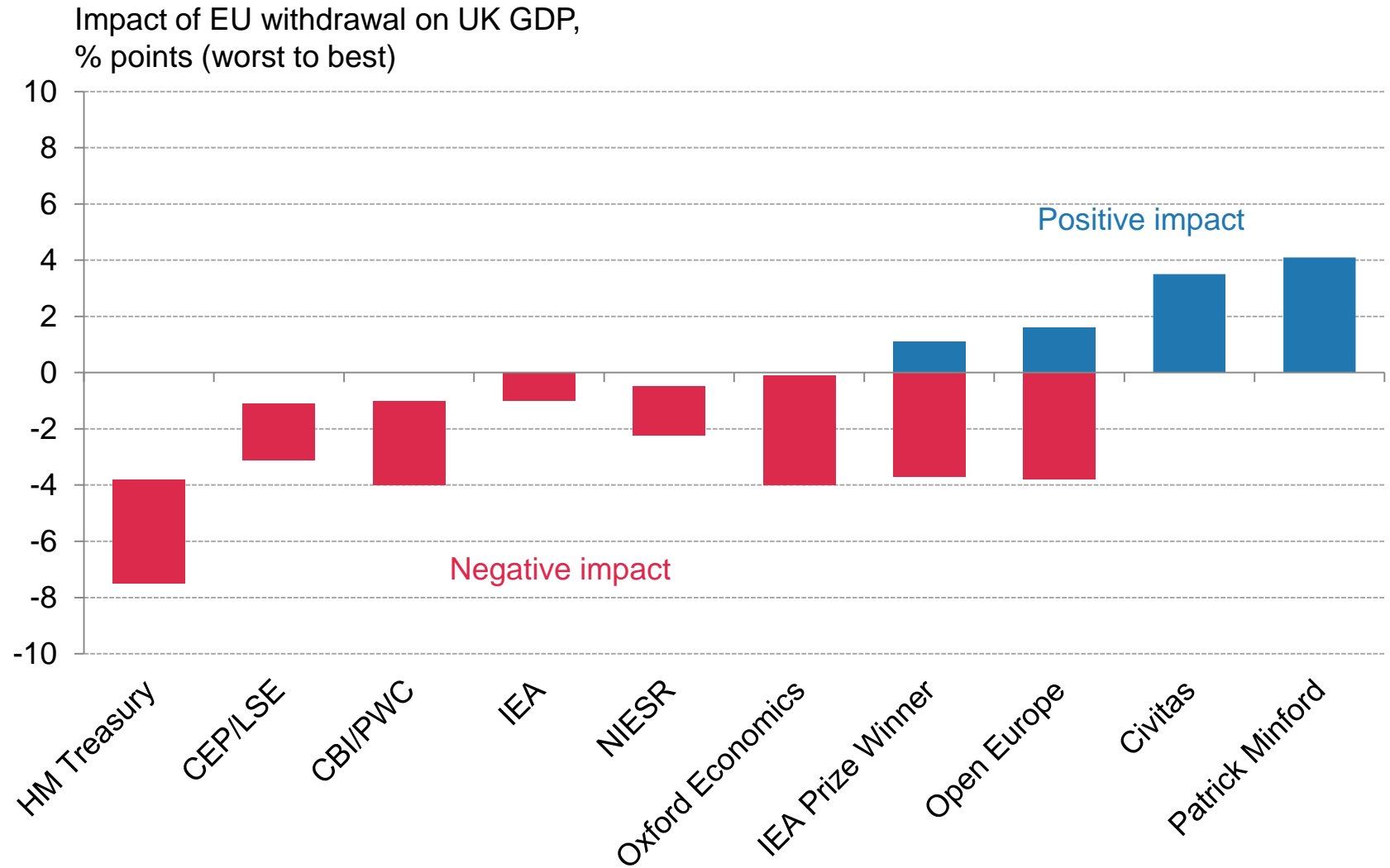
COMPANIES IDENTIFY SKILL SHORTAGES AS A KEY ISSUE



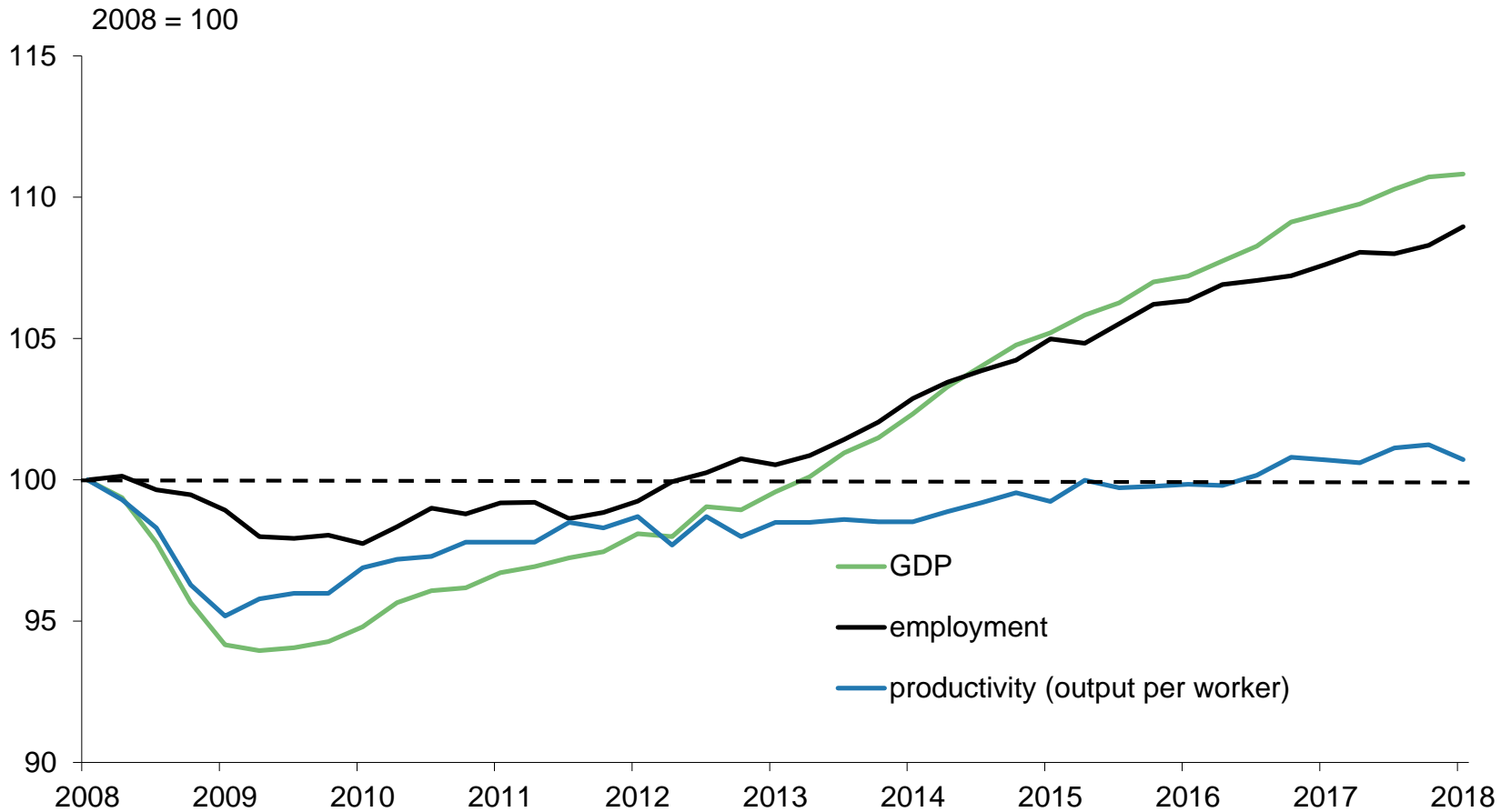
How significant are the following as obstacles to productivity growth in your business?



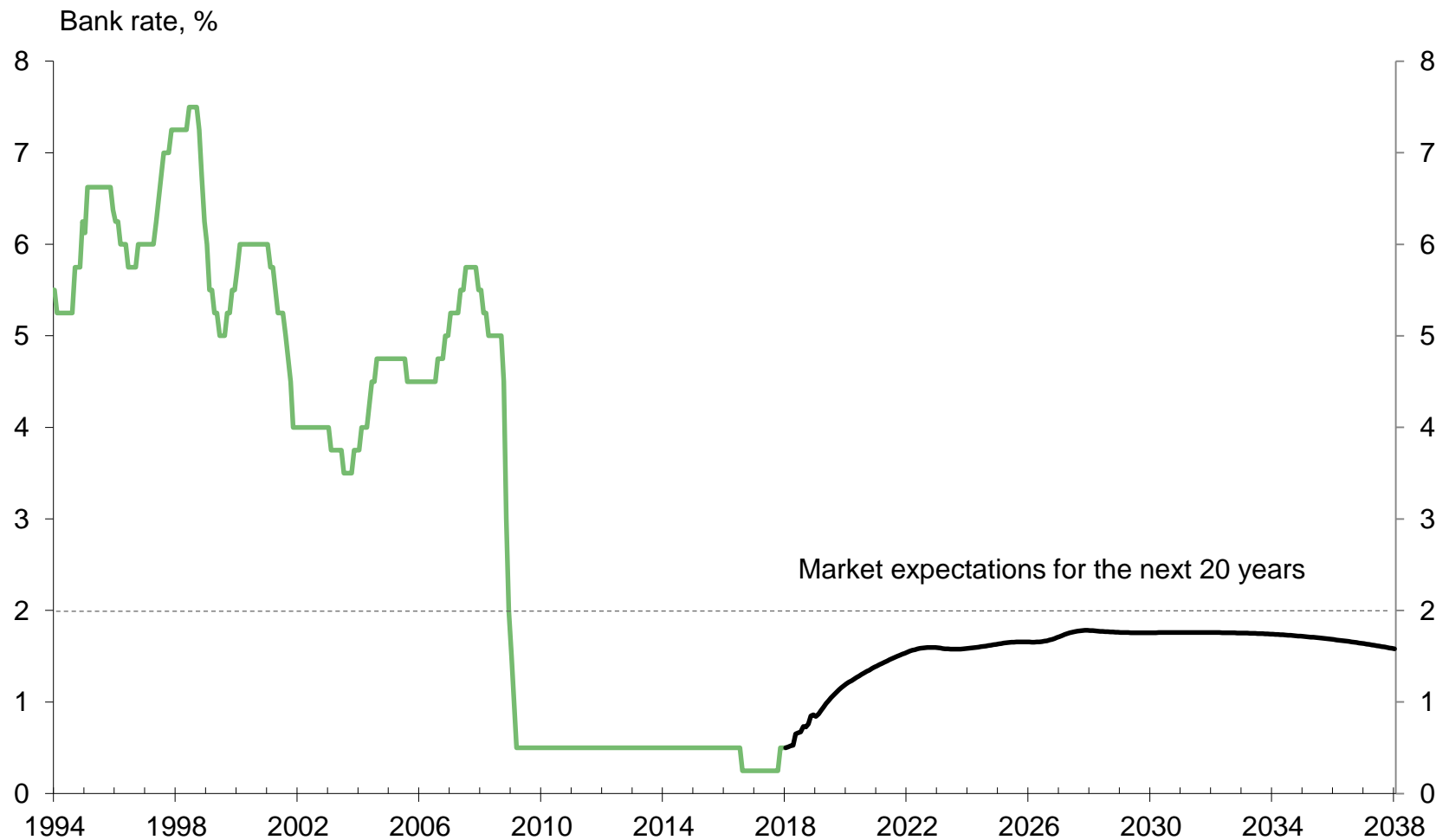
LONG-TERM ECONOMIC IMPACT OF BREXIT – POSITIVE OR NEGATIVE?



PRODUCTIVITY KEY TO THE OUTLOOK



MARKETS STILL ANTICIPATING LOW ONLY MODEST RATE RISES



SUMMARY



- Global economic growth remains firm although there are still risks
- Means that global interest rates are on the way up
- Sterling's depreciation is having a marked impact on both economic growth and inflation
- Short term downside risks to UK economic growth from the referendum vote did not materialise, but growth slowed last year and this year
- Meanwhile inflation picked up markedly – it is past its peak but likely to still be above target in 2019
- Bank of England's raised interest rates in November for the first time in more than a decade. Further rises will follow.
- But rates still expected to be very low by historic standards

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