



Monthly Economy Update

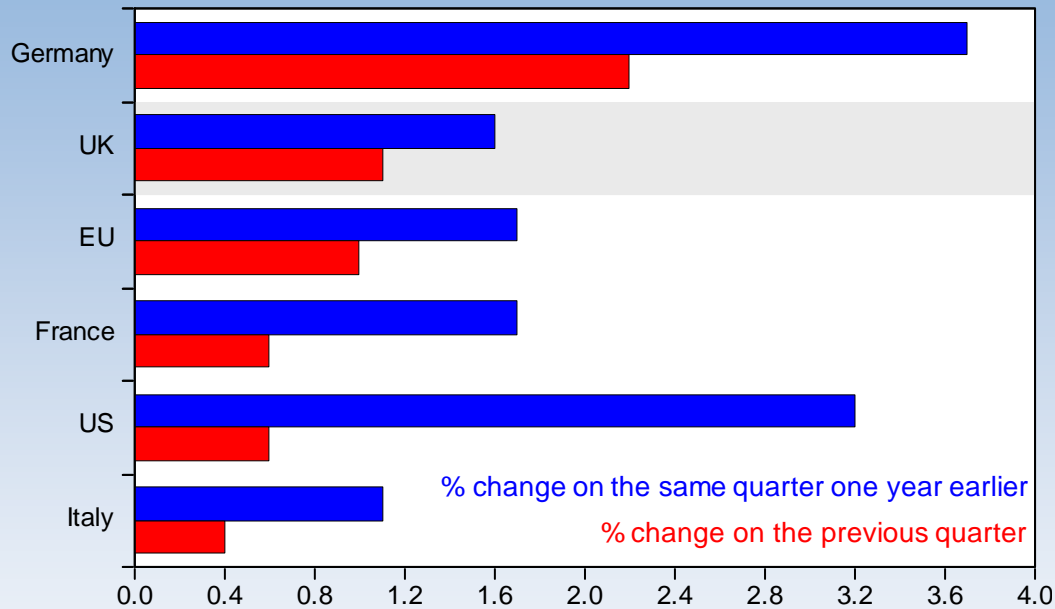
September 2010

SEEDA Research & Economics

Economy Update

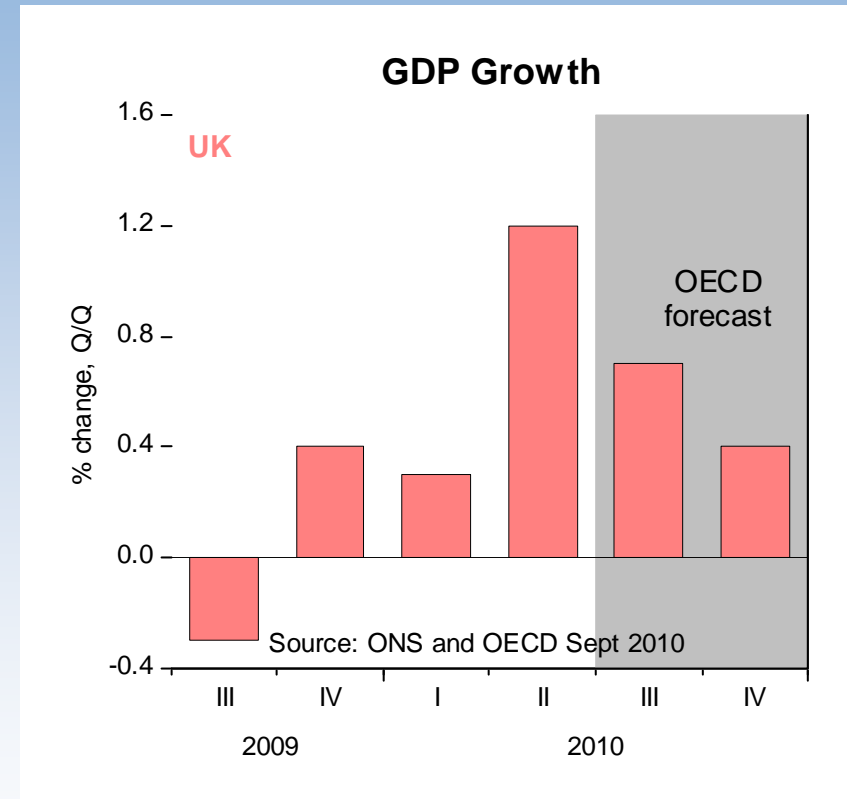
Economic Recovery and Uncertain Future

GDP growth in advanced economies (Q2 2010)



Source: Eurostat

GDP growth in the UK (estimates & forecasts 2009-2010)

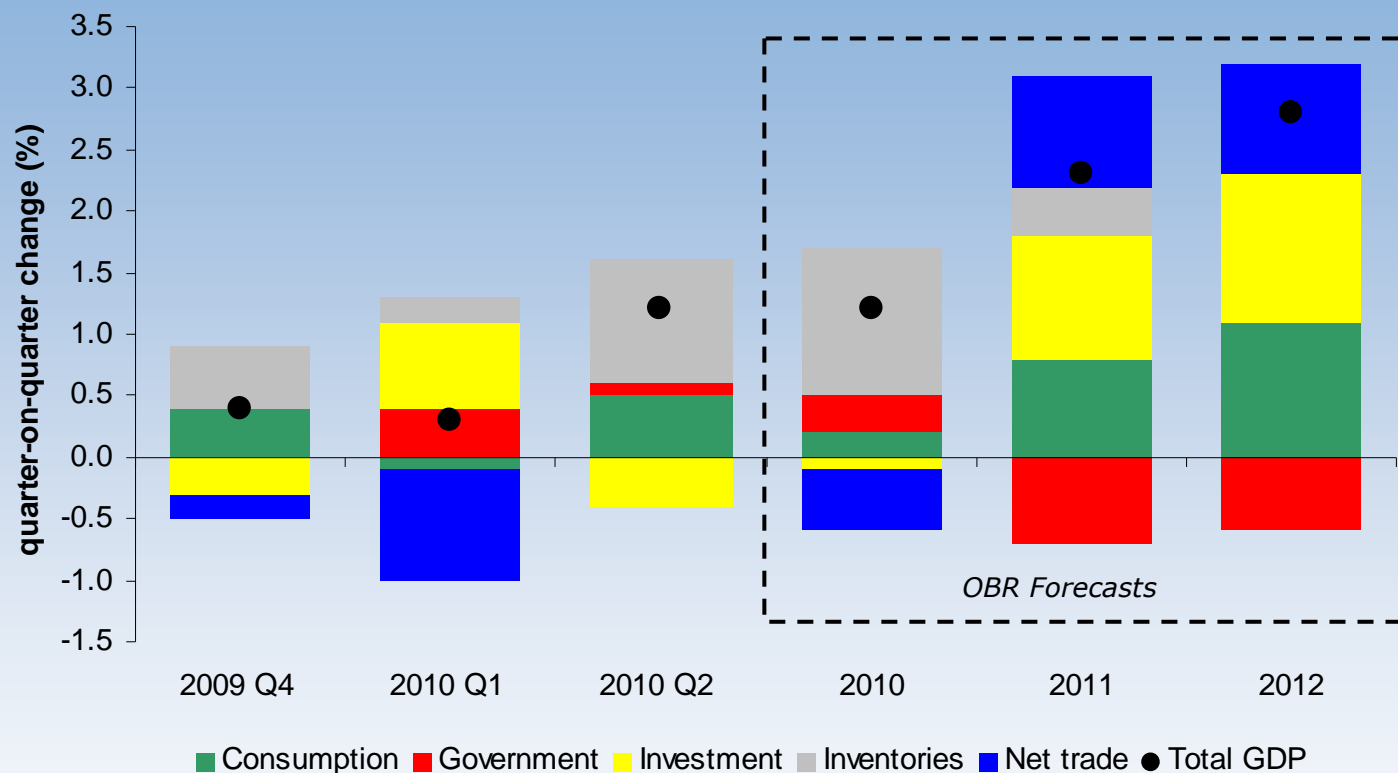


Source: ONS and OECD Sept 2010

- Strong output growth in Q2 2010
- Sustainable recovery or one-off episode?

Main drivers of UK economic growth

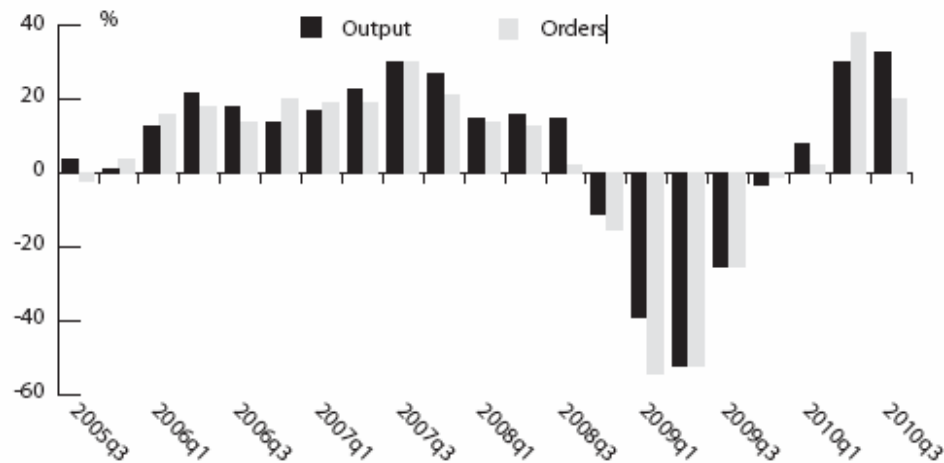
Contribution to GDP Growth (by expenditure component)



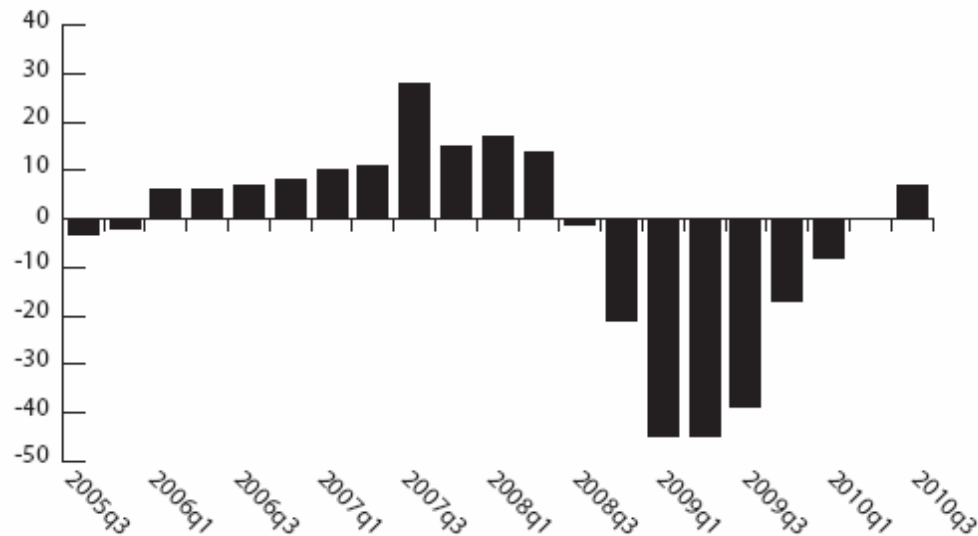
- Inventories (firms rebuilding stock) and consumption drove growth in Q2
- Fall in capital investment and no contribution to growth from net trade in Q2
- Recovery in business investment and net trade is needed in 2011 and beyond

UK Sectoral Performance: Manufacturing

% balance of change in past three months



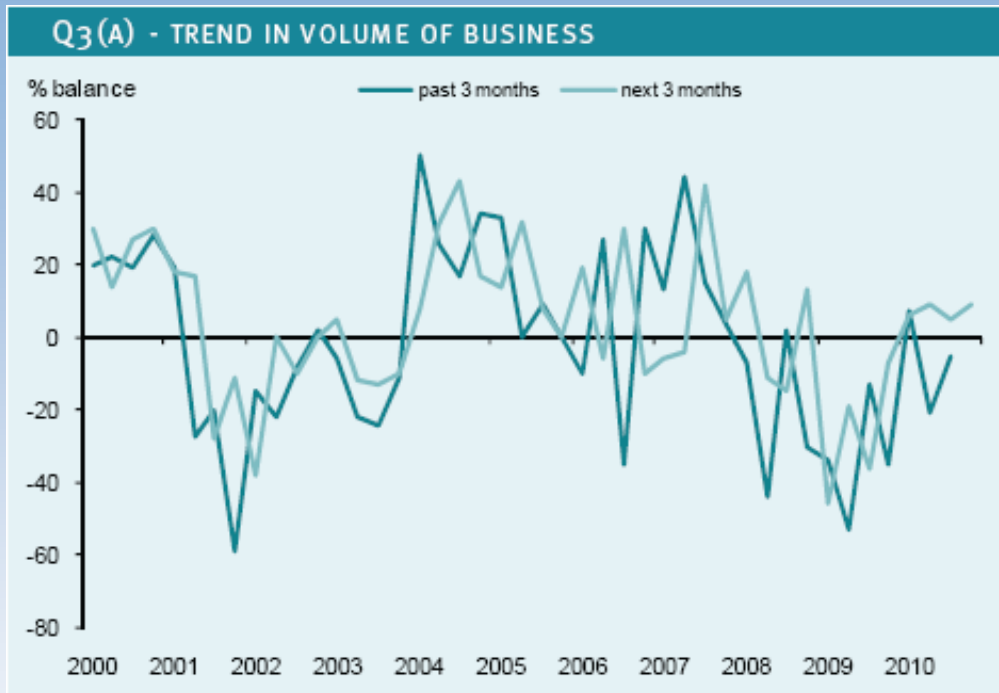
% balance of change in investment plans



- Third consecutive quarter of positive output & new orders in manufacturing
- Investment balance turned positive in Q3 2010 for the first time since Q2 2008.

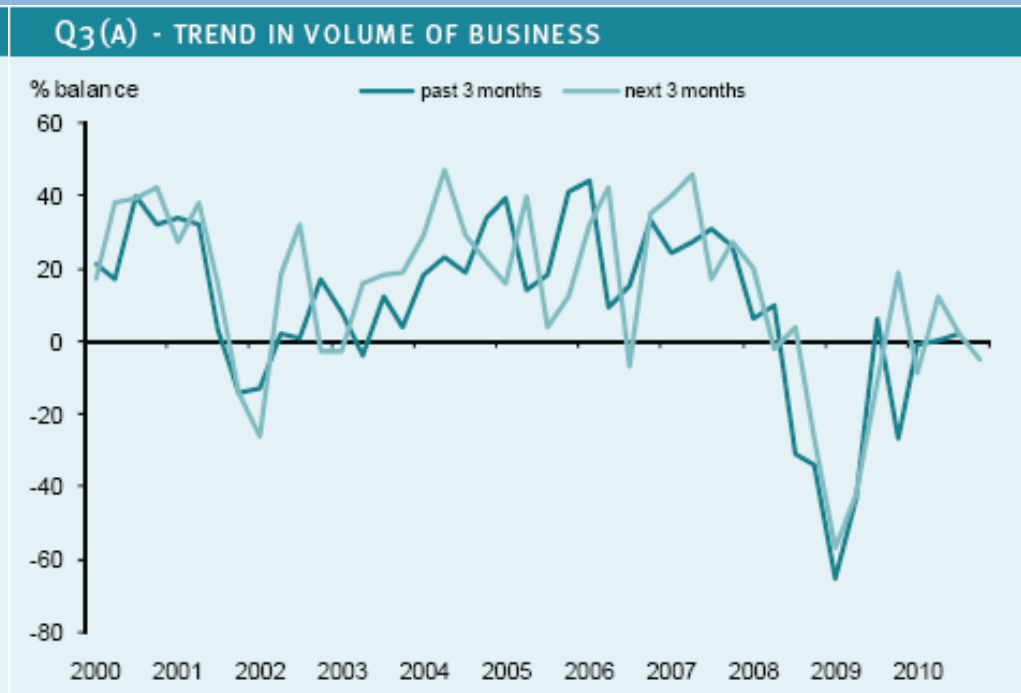
UK Sectoral Performance: Services

Consumer Services (August 2010)



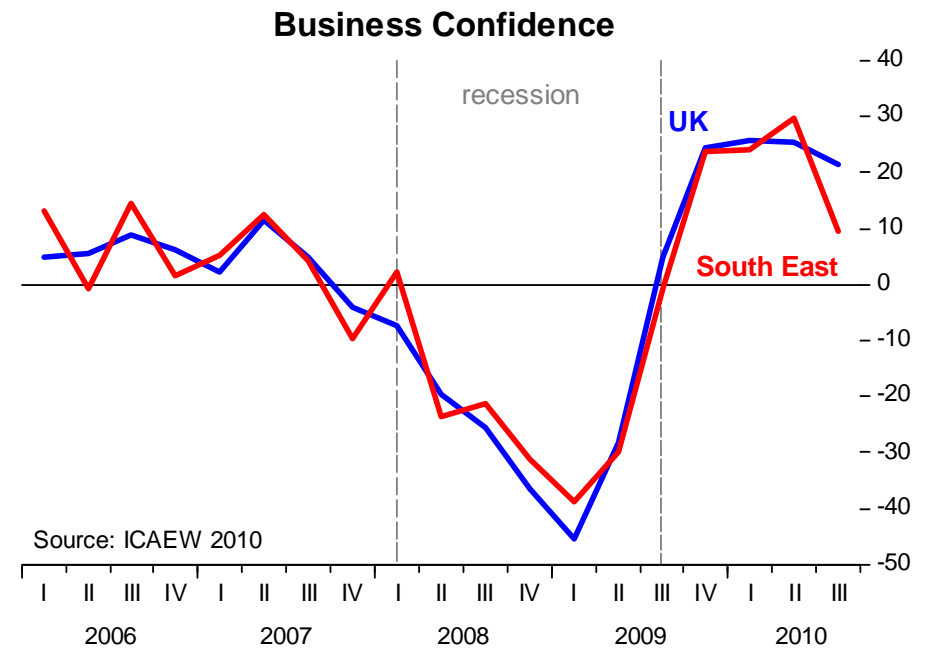
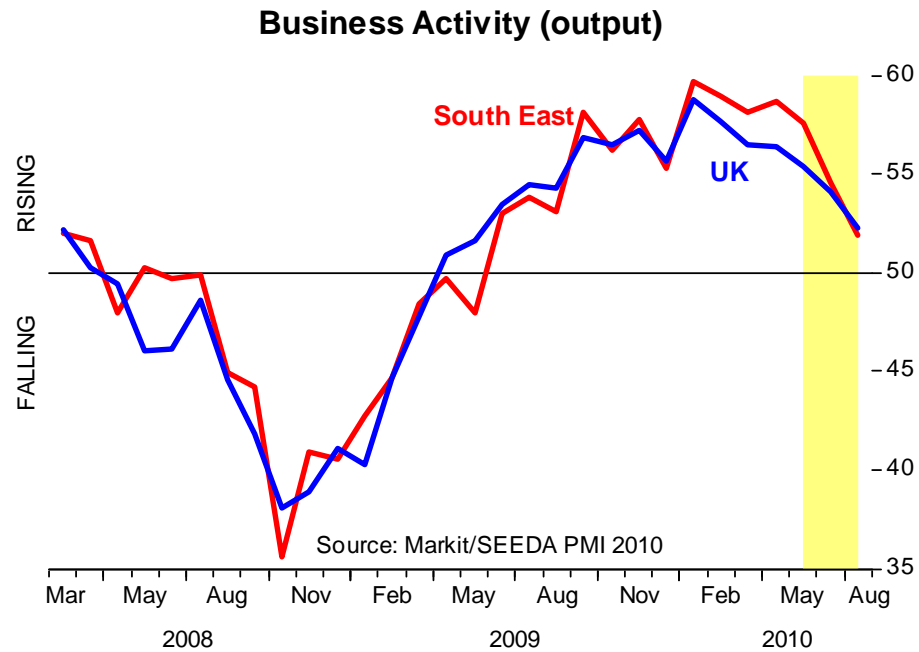
- Unexpected declines in the value and profitability of consumer services businesses in August

Business & Professional Services (August)



- Business volumes were stable but values edged lower as a result of greater deflation.

Business Performance in the South East

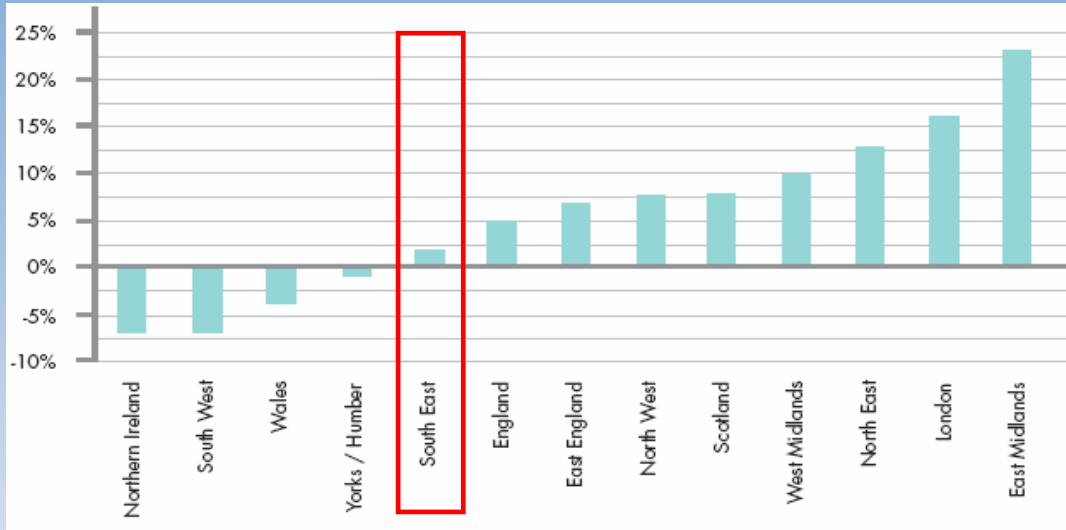


- Business activity in the South East grew at muted pace in August 2010

- Business confidence weakens substantially in Q3, 20 points down from Q2 2010

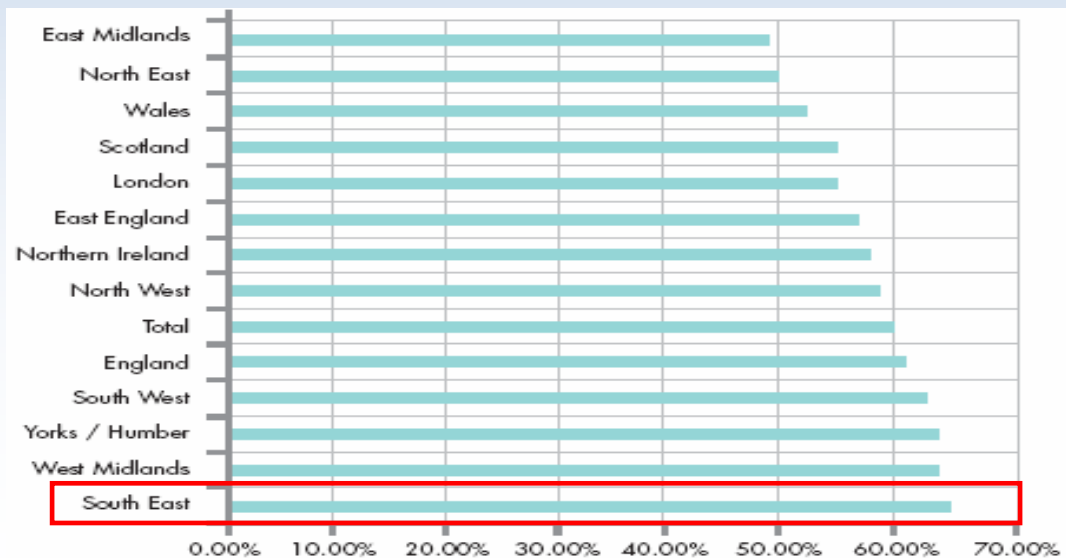
Small Business Performance in the SE

Net Improvement in small business prospects (July-Sept)



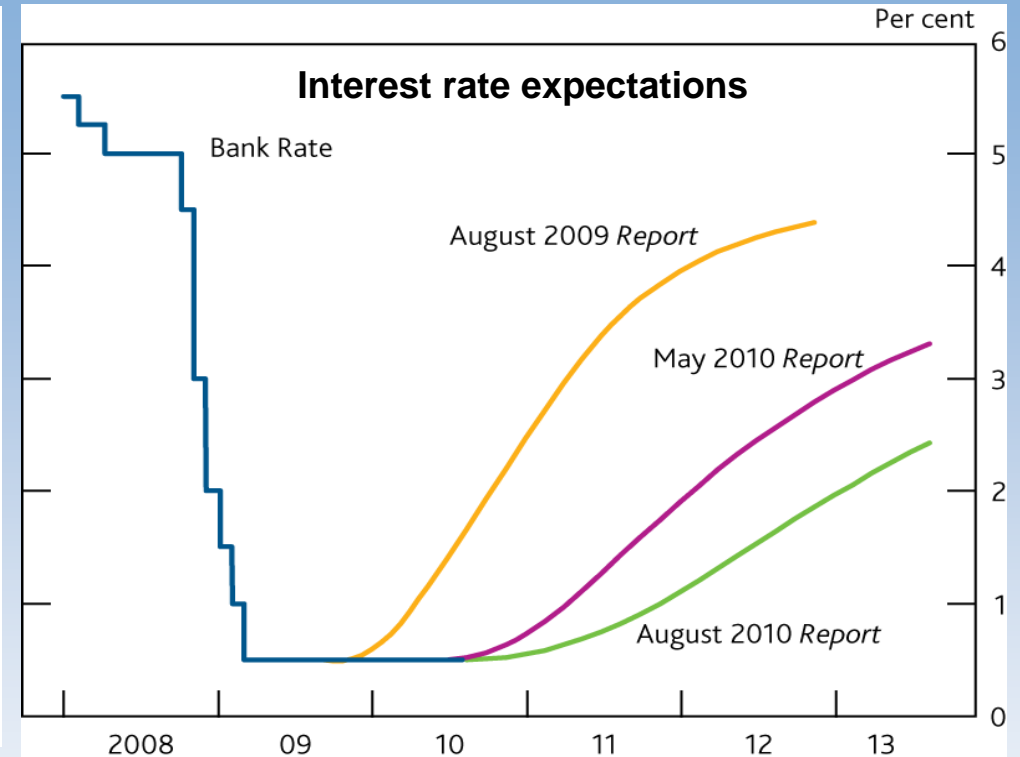
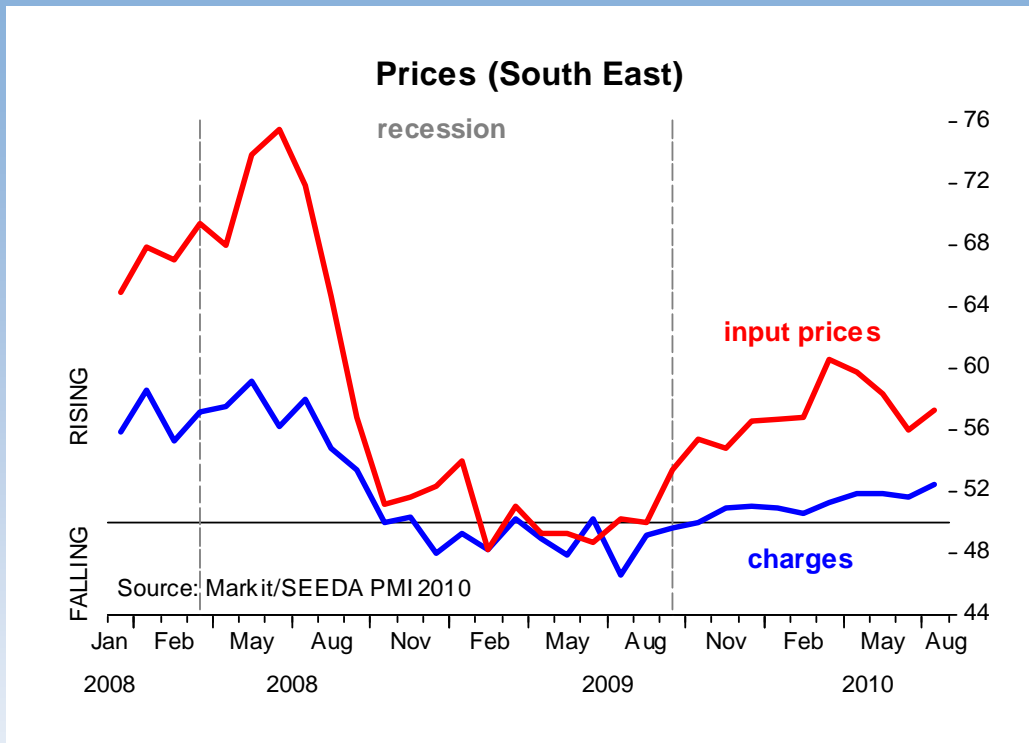
- Business sentiments over the next 3 months have faltered to a minimum in Q2, compared to other UK regions.

Expected Spare Capacity (July-Sept)



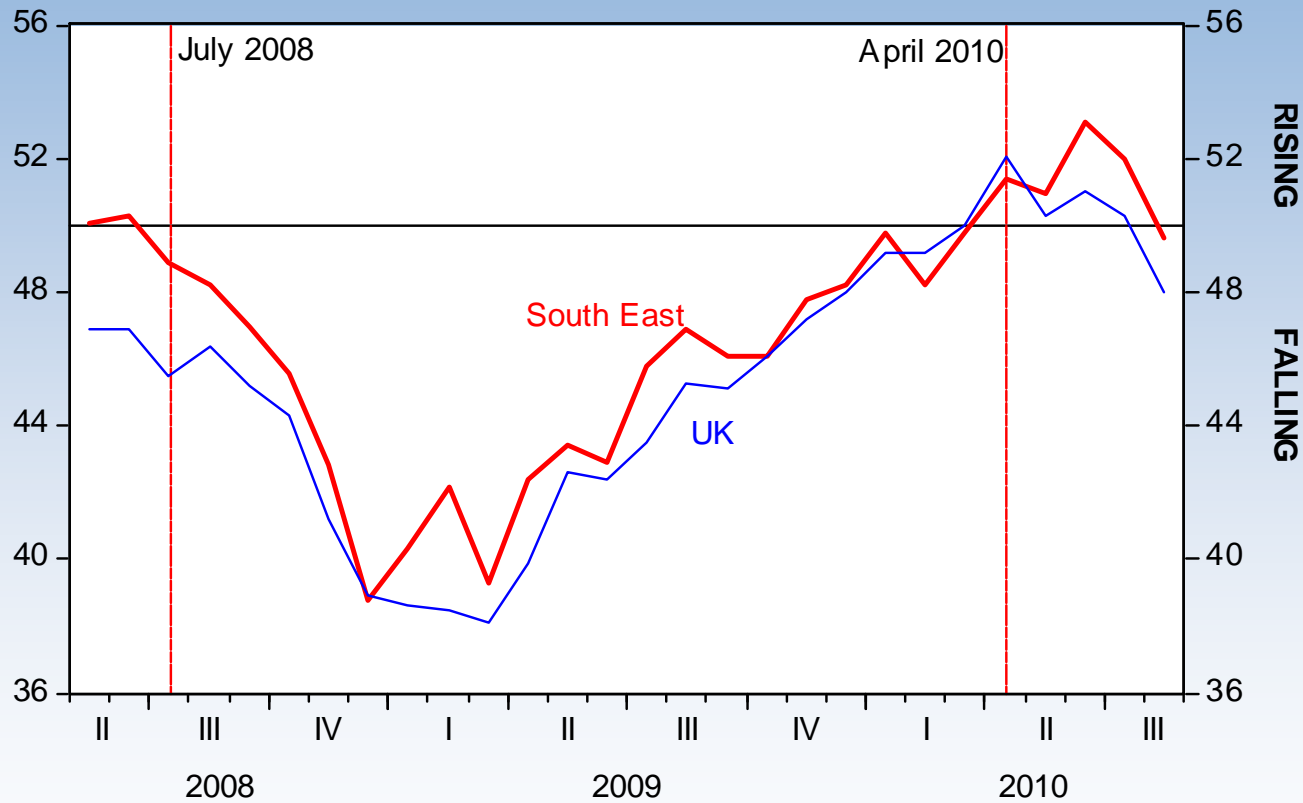
- Manufacturing under-capacity is greatest in the SE, partially due to the strong presence of services

Inflation and interest rate expectations



- UK inflation well above the target
- Rising input prices with slow return of pricing power
- Inflation to remain above target throughout 2011
- Interest rates are likely to remain low for the foreseeable future.

PMI employment index falling for the first time since April



Source: Markit RDA PMI 2010

Thank you

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