

# Kent Economic Board



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**March 2011**



# Some recent headlines

*“...Economic recovery on track at Q3 GDP growth of +0.8%...”*

*Oct 10, Guardian*

*“...Tooth fairy payouts recover...”*

*Nov, FT*

*“...GDP growth shocker, economy contracts 0.5% in weather hit Q4...”*

*Jan 11*

*“...Tesco to sell half price Viagra in response to sagging consumer demand...”*

*Tabloid headline*

*“...GDP revised down to minus 0.6%, recovery under threat...”*

*Feb 11*

*...sperms banks at all time low,*

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*...sperms banks at all time low, Govt rules out public sector bail-*



*Tabloid headline*

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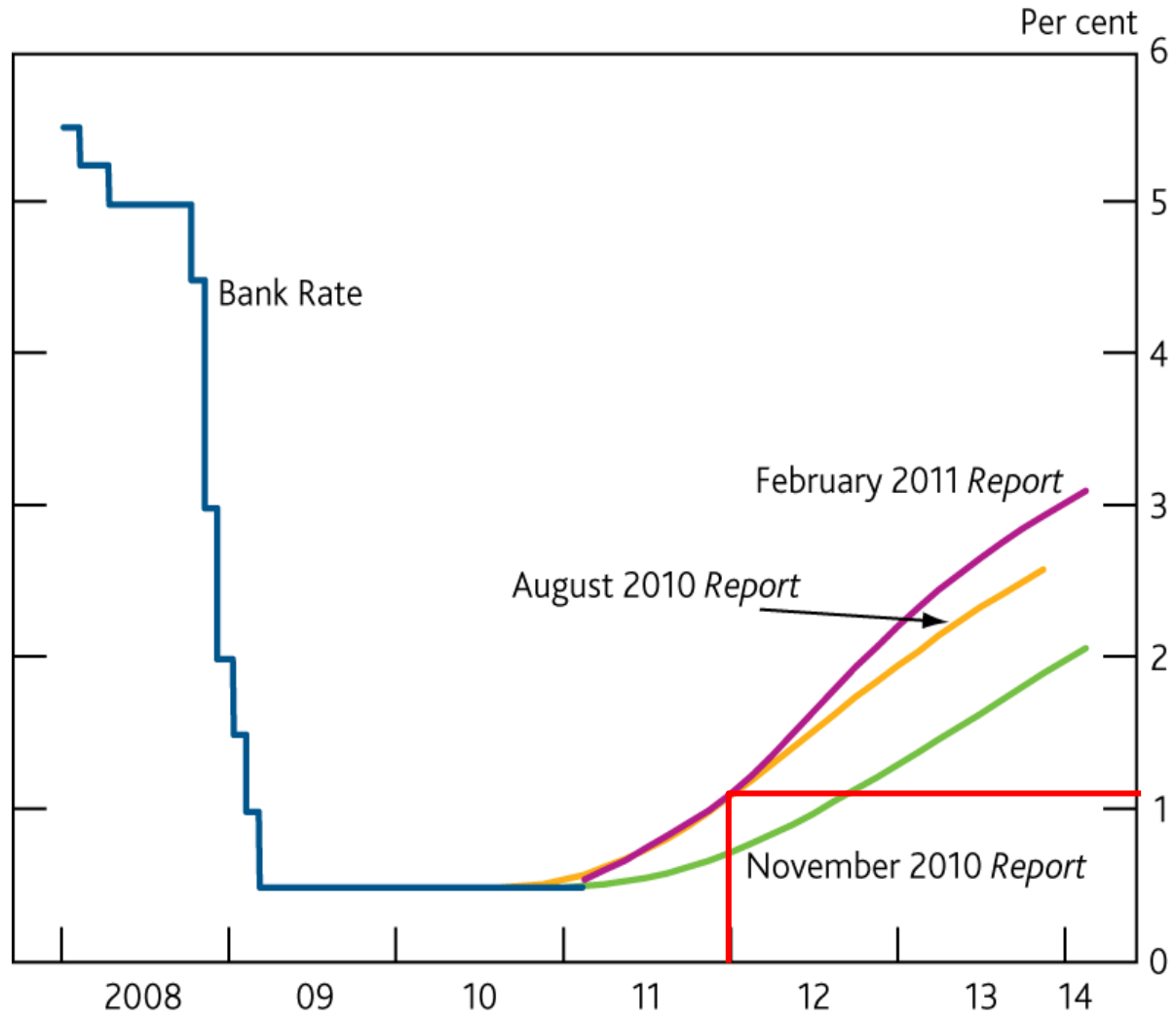
## Section 1: Money and asset prices



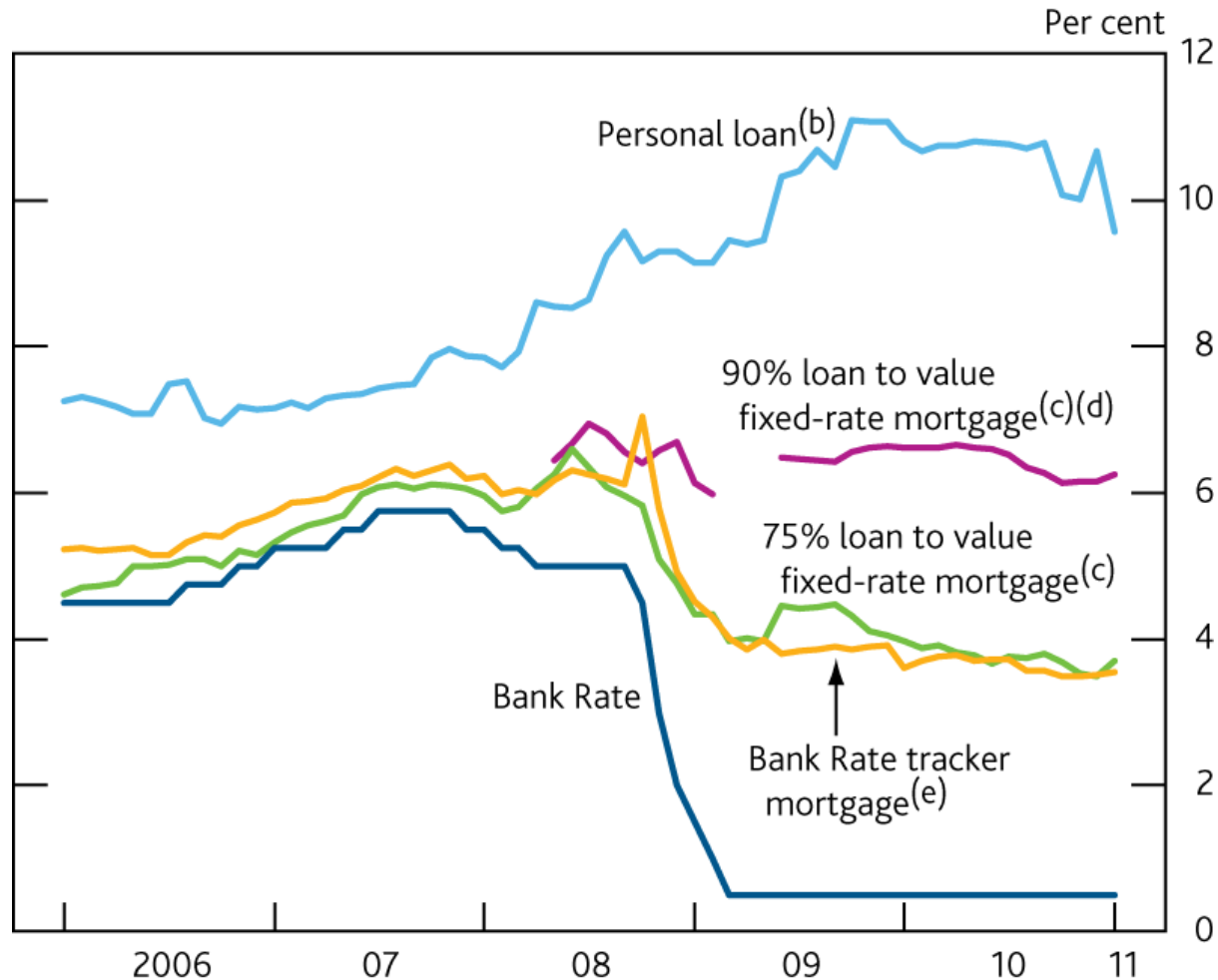
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# Bank Rate and forward market interest rates



# Bank Rate and average quoted interest rates on new household borrowing<sup>(a)</sup>



(a) Sterling-only end-month average quoted rates. The Bank's quoted interest rates series are currently compiled using data from up to 23 UK monetary financial institutions. The data are non seasonally adjusted.

(b) Quoted interest rate on a £10,000 personal loan.

(c) Two-year fixed-rate mortgage.

(d) Series is only available on a consistent basis back to May 2008, and is not published for March-May 2009 as only two or fewer products were offered in that period.

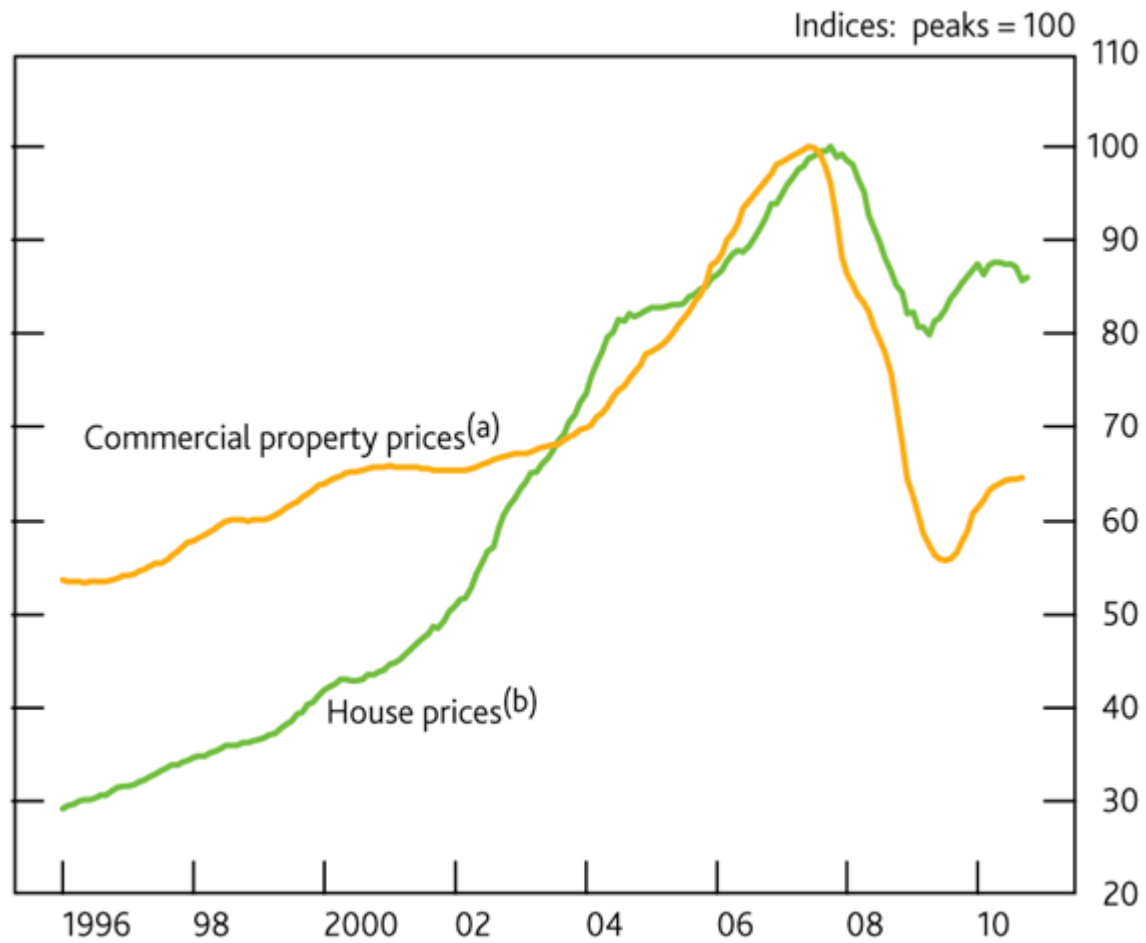
(e) On mortgages with a loan to value ratio of 75%.



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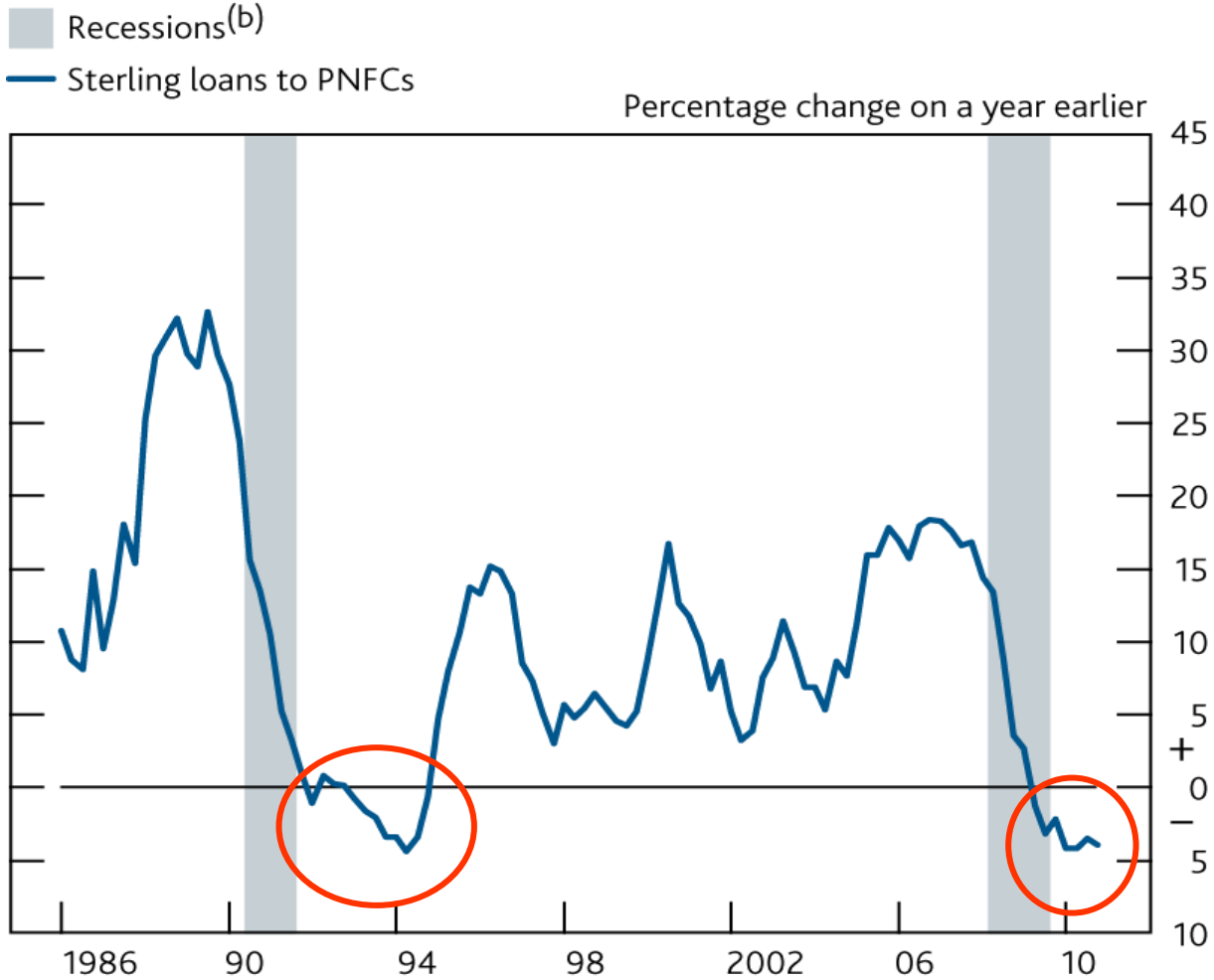
# Property prices<sup>(a)</sup>



Sources: Halifax, Investment Property Databank, Nationwide, Thomson Reuters Datastream and Bank calculations.



# Sterling loans to PNFCs<sup>(a)</sup>



(a) M4 lending excluding the effects of securitisations and loan transfers.

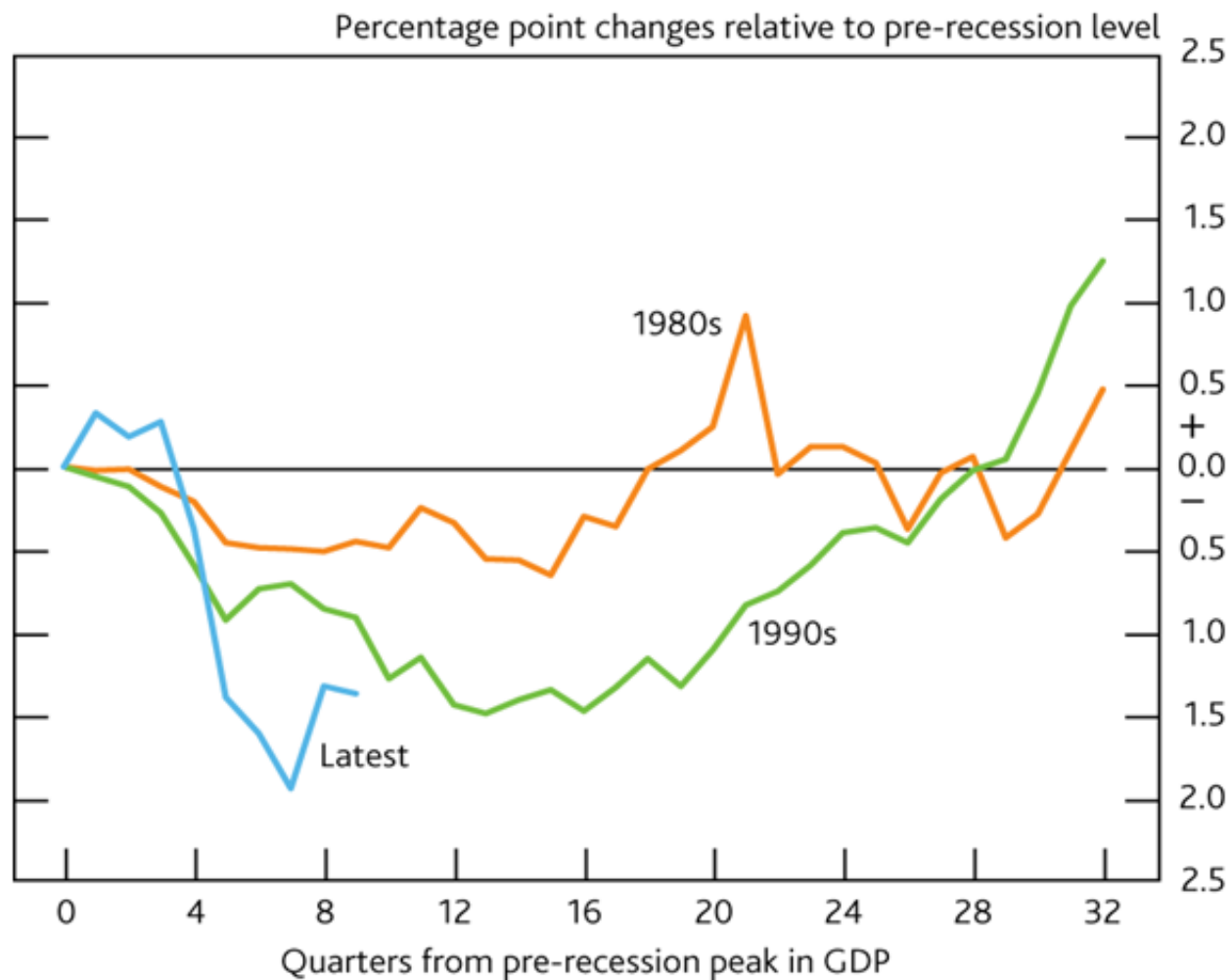
(b) Recessions are defined as at least two consecutive quarters of falling output (at constant market prices). Recessions are assumed to end once output began to rise.



## Section 2: Demand



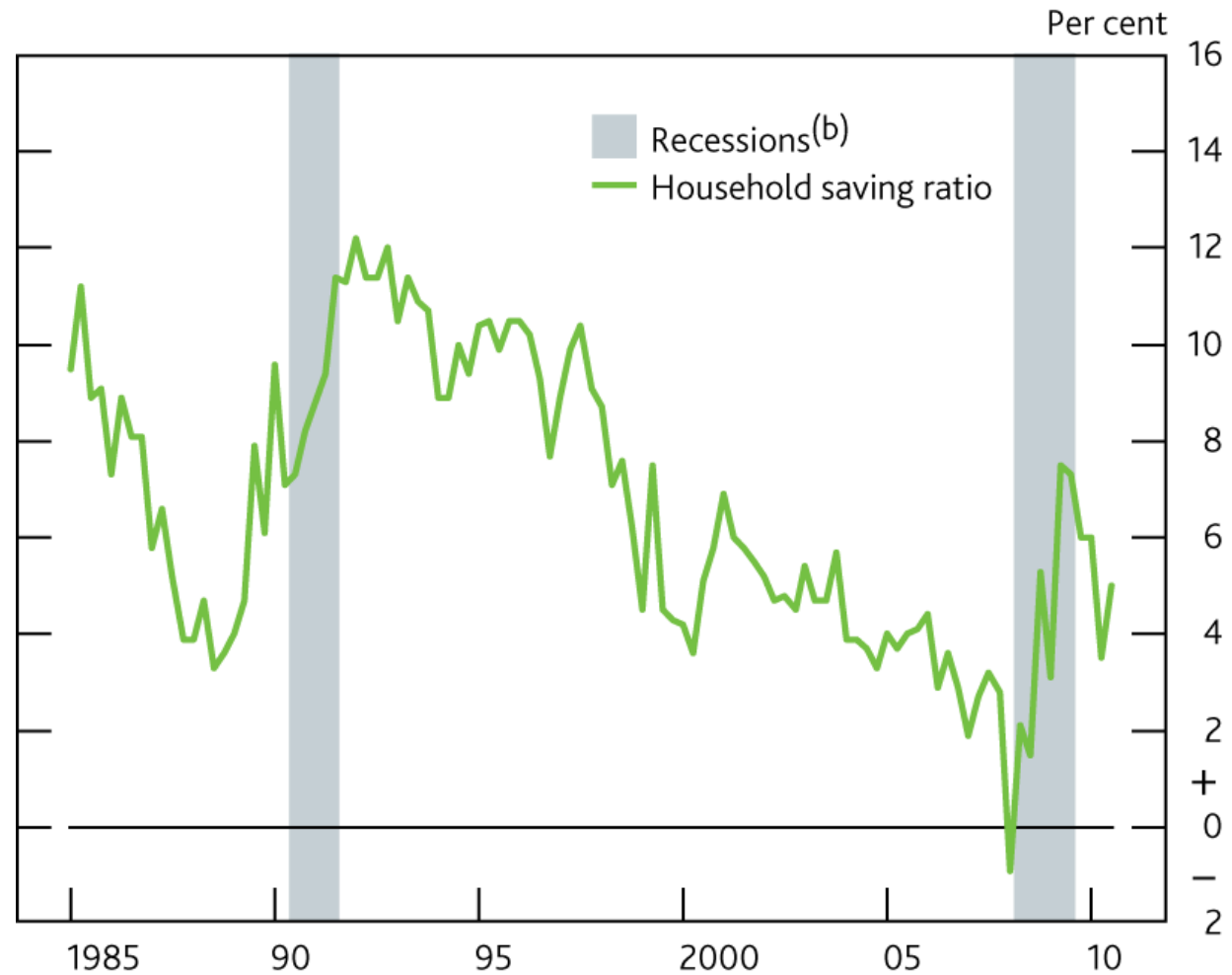
# Business investment to GDP ratio<sup>(a)</sup>



(a) Chained-volume measures. Recessions are defined as in footnote (a) of **Chart 2.3**.



# Household saving ratio<sup>(a)</sup>



(a) Percentage of household post-tax income (not adjusted to account for the impact of FISIM).

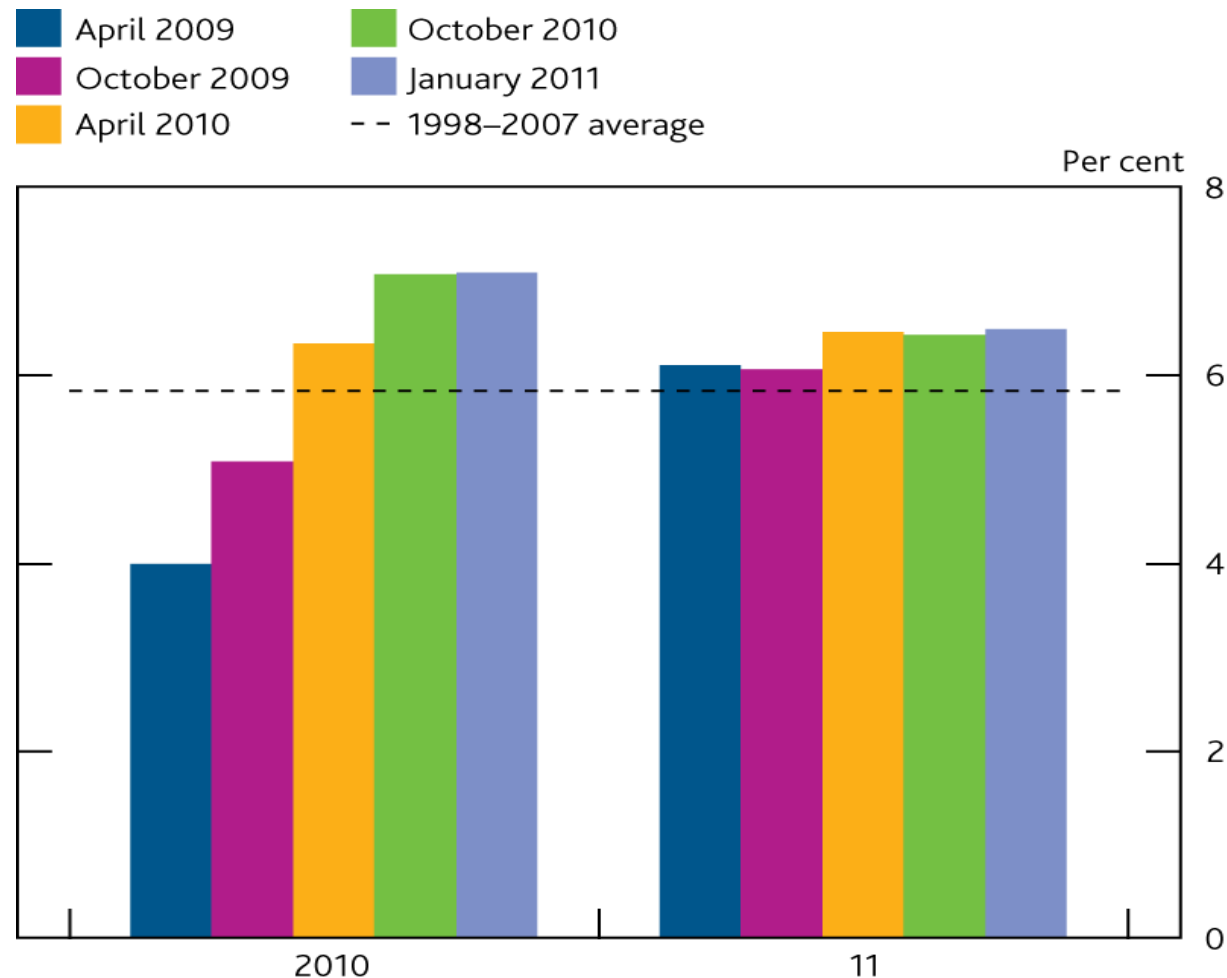


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(b) Recessions are defined as in **Chart 2.5**.

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# IMF projections for calendar-year GDP growth in emerging and developing economies<sup>(a)</sup>



Source: IMF *World Economic Outlooks*.

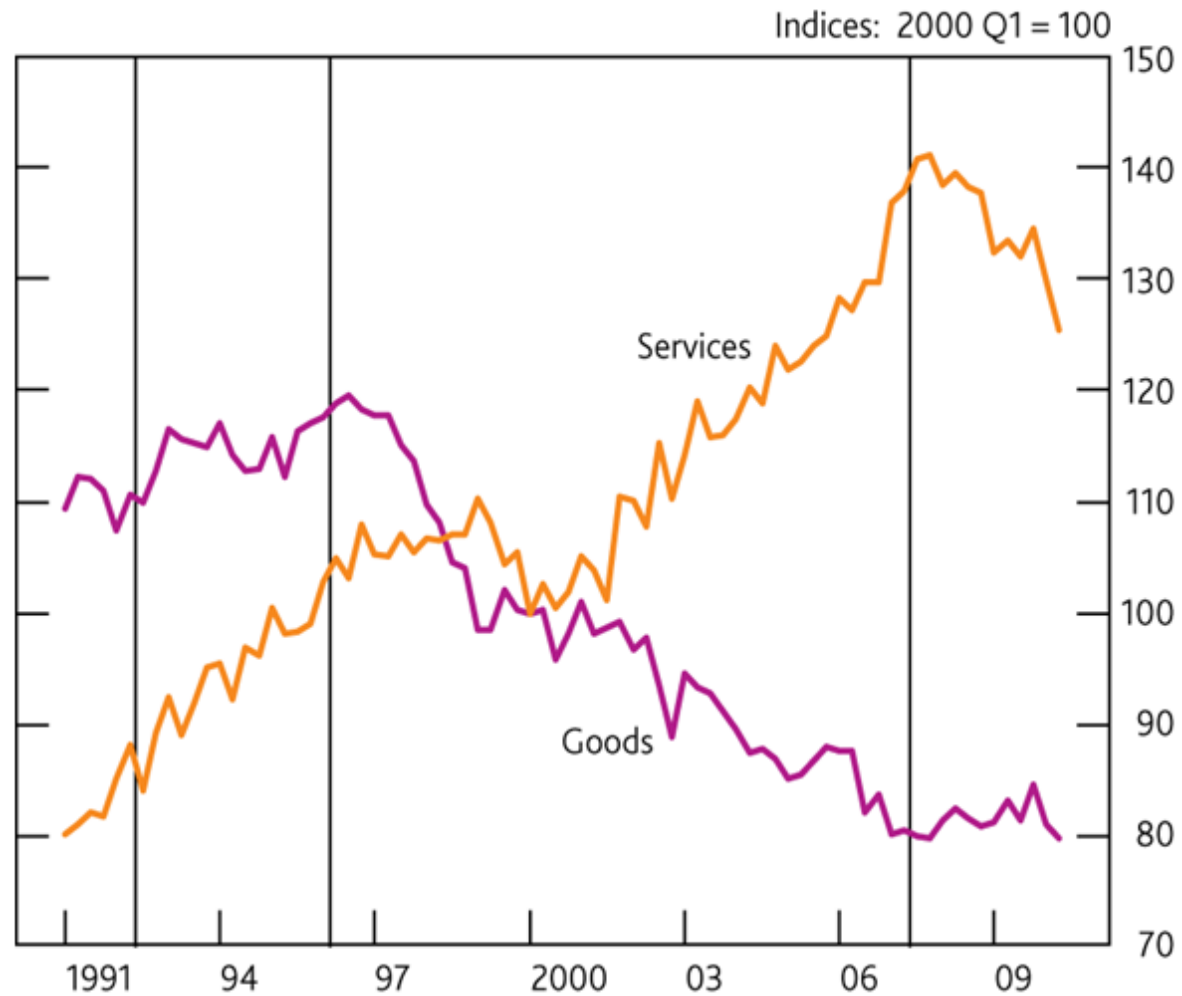


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(a) At constant prices. Composed of between 140 and 150 individual countries.

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## Ratios of UK exports to UK-weighted M6 imports<sup>(a)</sup>



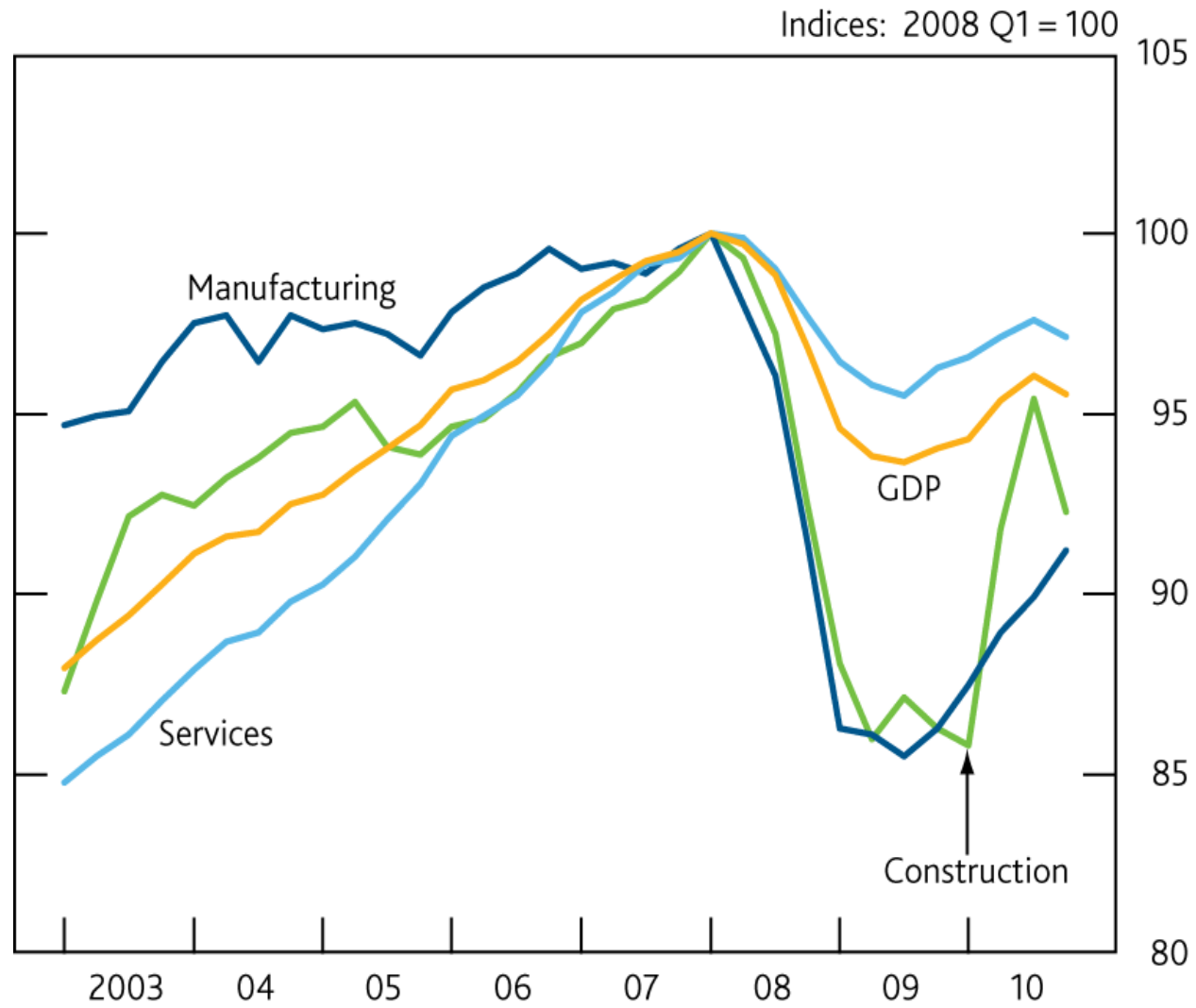
Sources: ONS, Thomson Reuters Datastream and Bank calculations.



## Section 3: Output and supply



# GDP and sectoral output



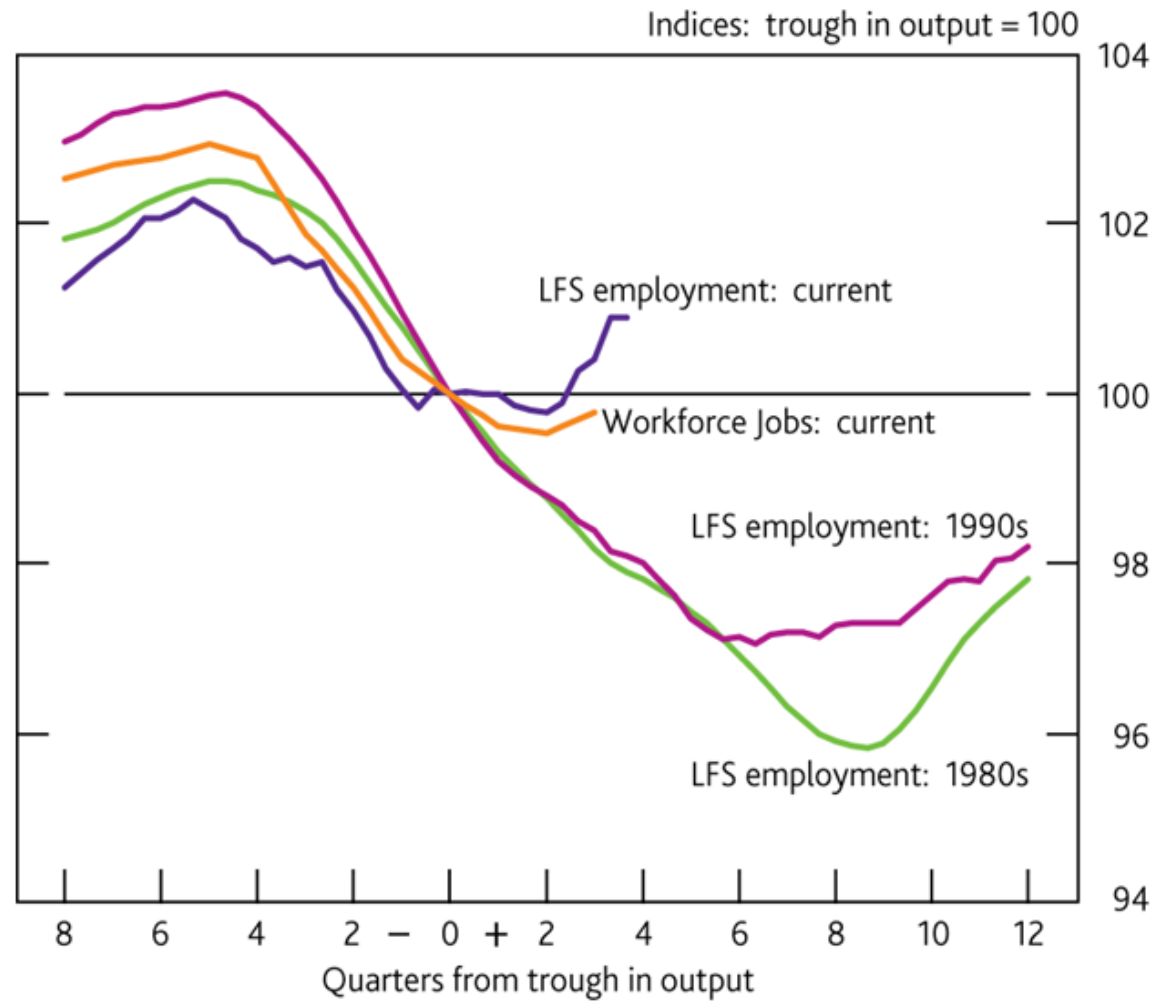
## Section 3: Labour



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# Employment in previous recoveries<sup>(a)</sup>



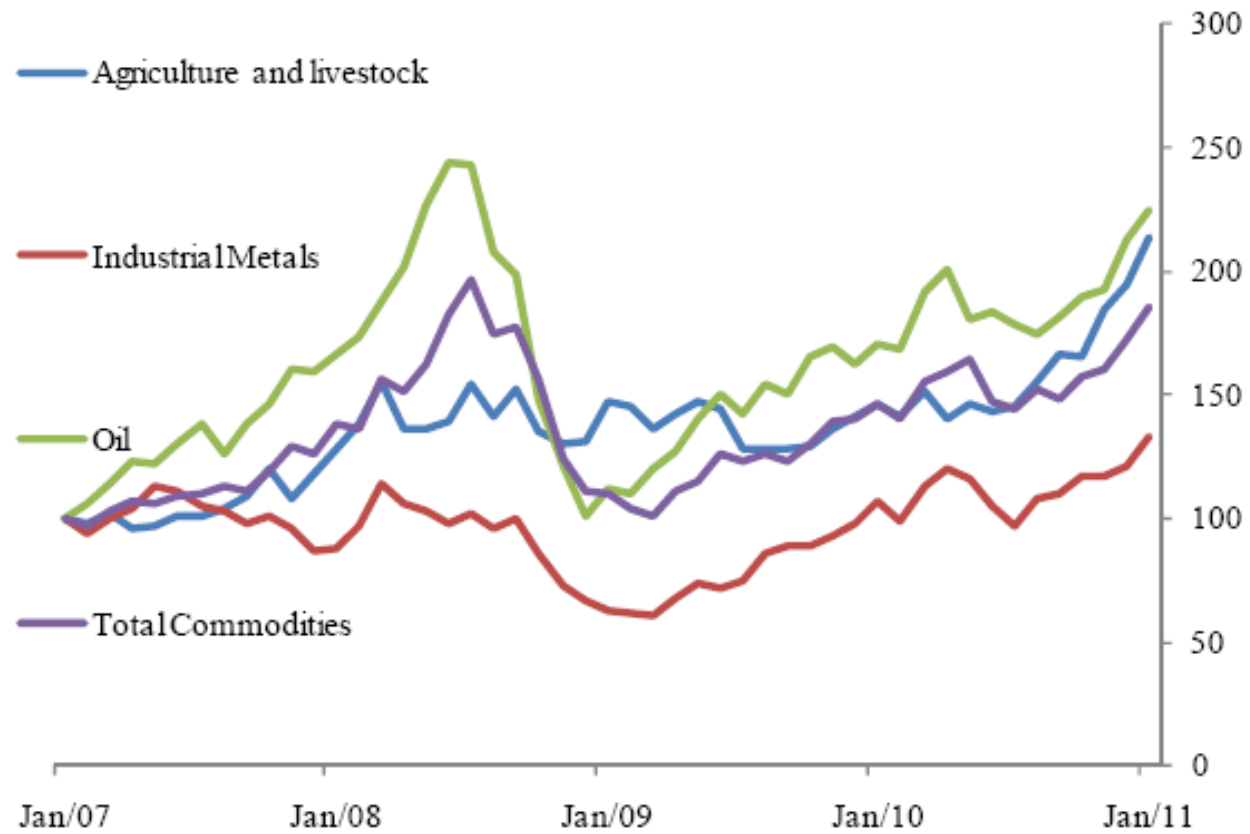
Sources: ONS (including the Labour Force Survey).



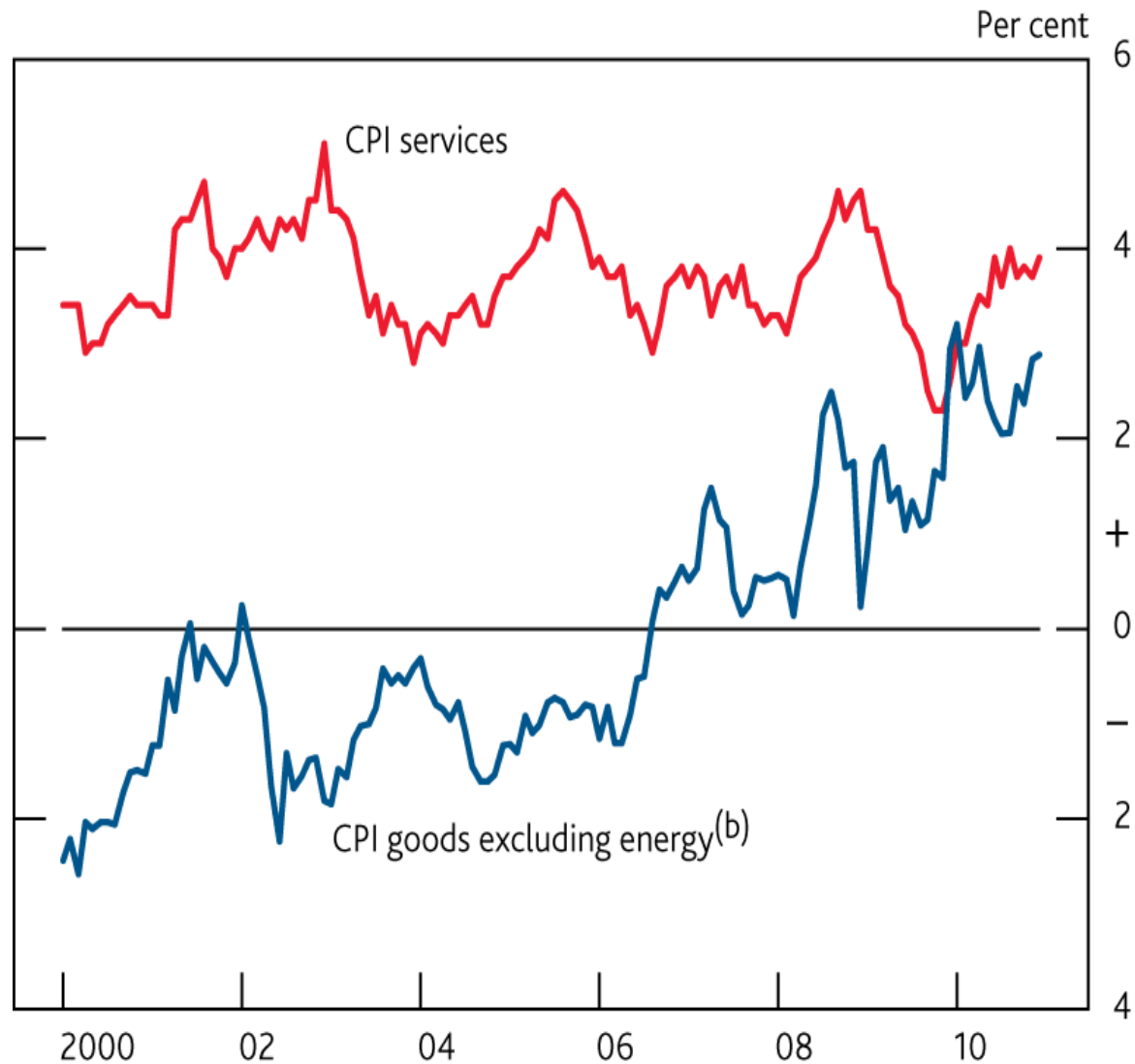
## Section 4: Costs and prices



## Commodity prices (in £, Jan 2007 = 100)



# CPI goods inflation excluding energy and CPI services inflation<sup>(a)</sup>



Sources: ONS and Bank calculations.

(a) Data are non seasonally adjusted.

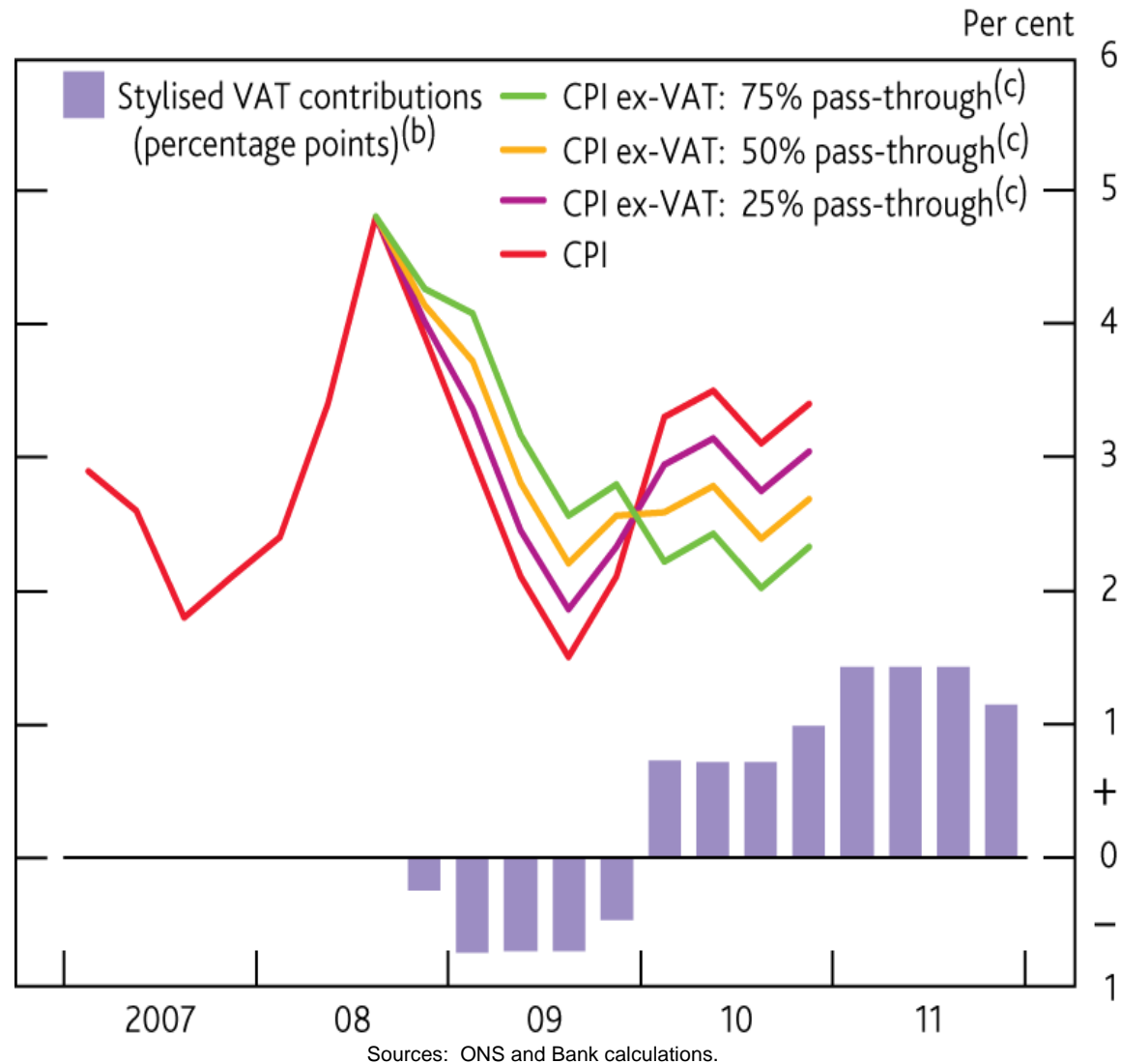
(b) CPI goods excluding electricity, gas and other fuels and fuels and lubricants.



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# Estimated effects of VAT on CPI inflation<sup>(a)</sup>



(a) Data are shown at a quarterly frequency and are non seasonally adjusted.

(b) The prices of 50% of the CPI basket subject to the standard rate of VAT are assumed to vary in response to the December 2008 and January 2010 changes in VAT, rising to 100% for the January 2011 VAT increase. Businesses are assumed to only adjust their prices in the months when VAT changes, except for the January 2011 VAT increase where one third of affected businesses are assumed to raise their prices pre-emptively by the end of 2010.

(c) The prices of 25%, 50% and 75% of the CPI basket subject to the standard rate of VAT are assumed to vary in response to the changes in VAT. The examples make the simplifying assumption that businesses only change their prices in the months when VAT was changed.



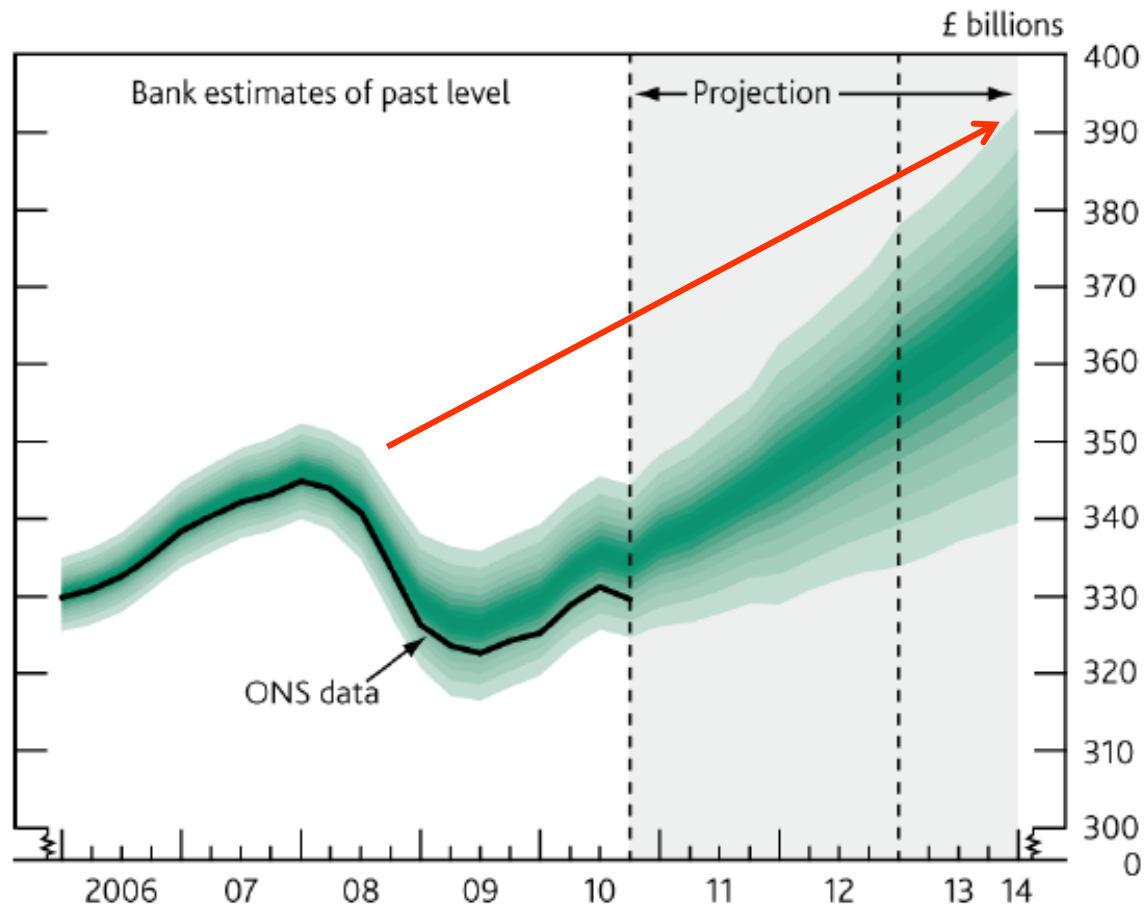
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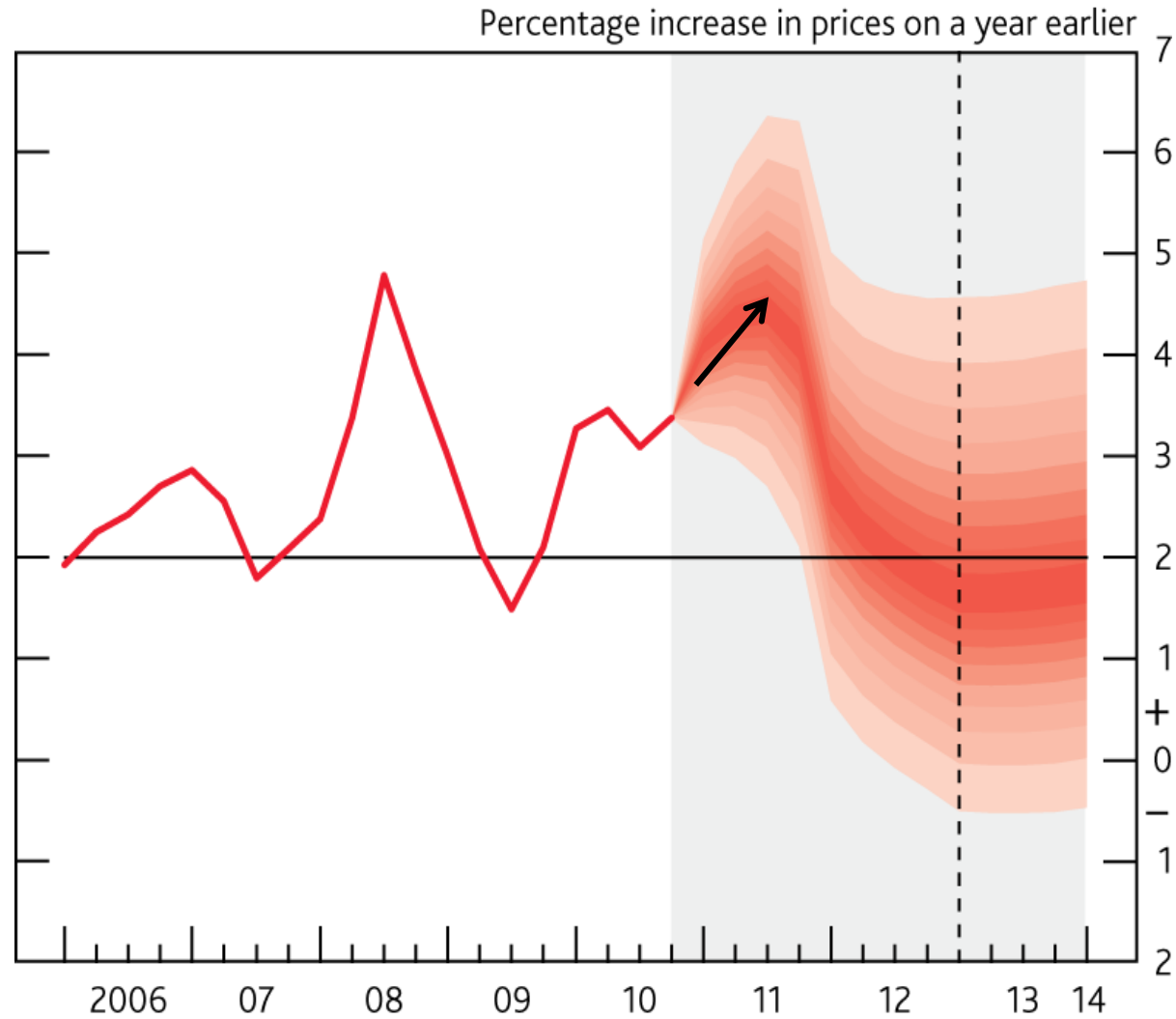
## Section 5: Prospects for growth and inflation



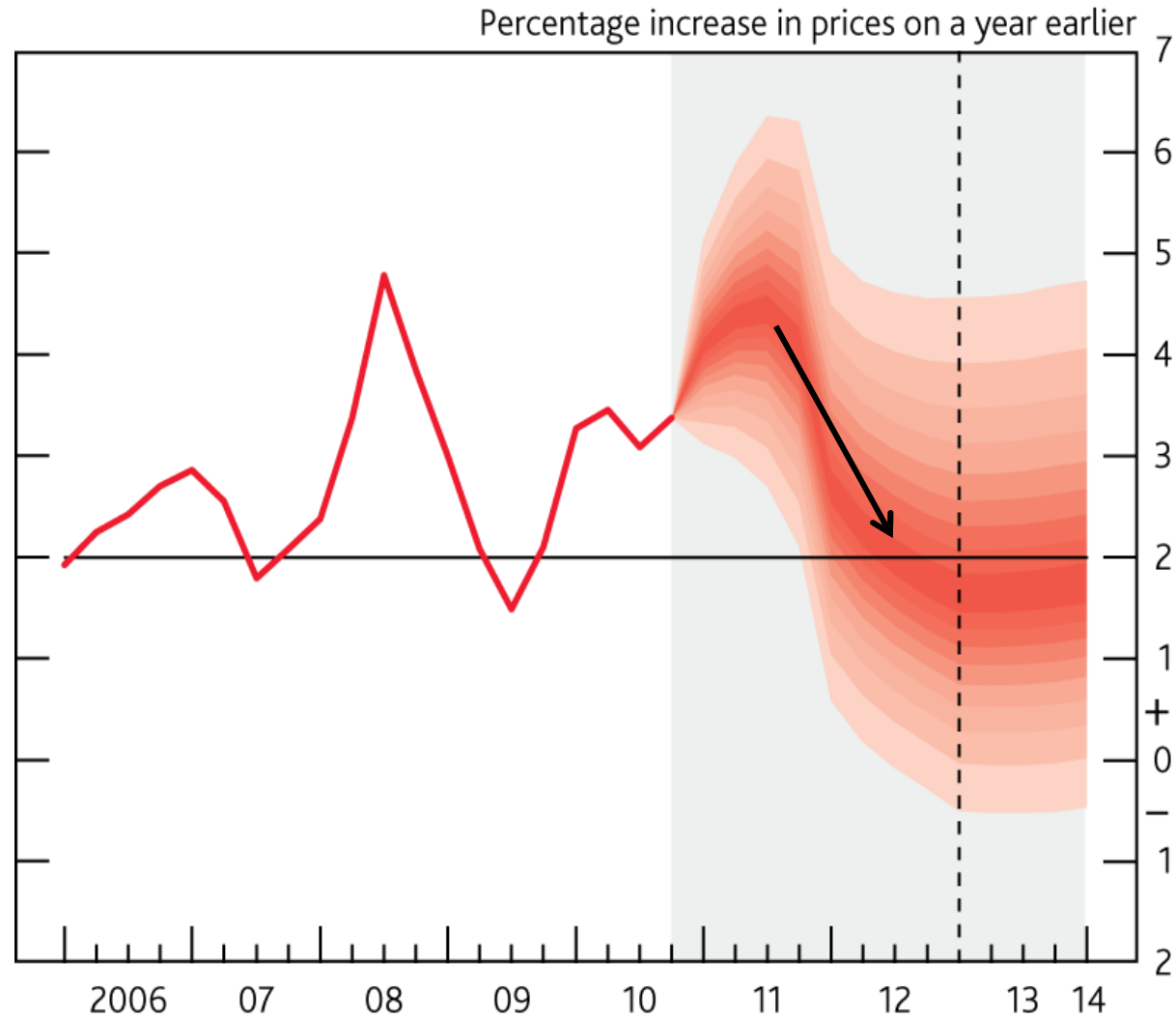
# Projected level of GDP



# CPI inflation projection based on market interest rate expectations and £200 billion asset purchases



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**One final thought...**



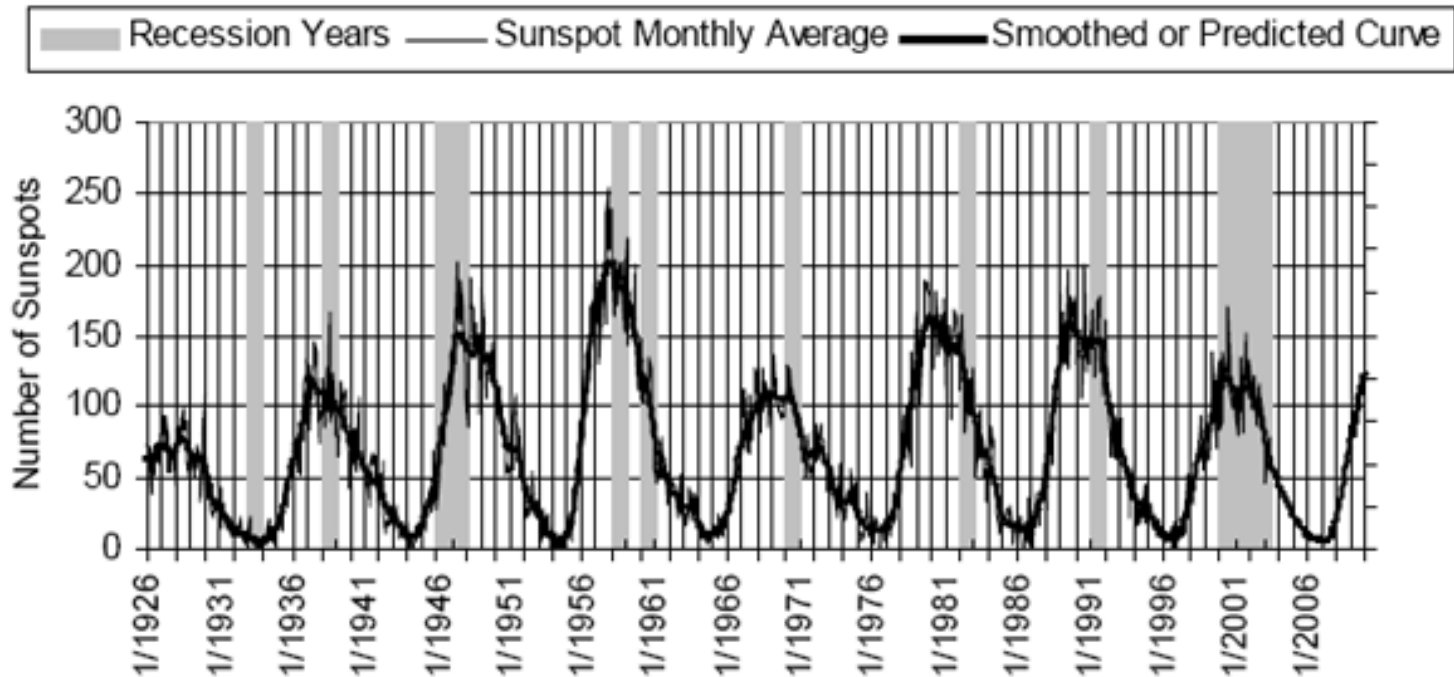
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# Sunspot Cycles 1926 - 2003 & Depression/Recessions

Average Monthly Count

source: International Sunspot Count (Brussels SIDC Index)



Compiled from the International Sunspot Count by MWM, 2003.

Predicted values 2003-2009 are by the IPS Agency of Australia as of July, 2003. MichaelMandeville.com



# Inflation Report – February 2011



[www.bankofengland.co.uk/publications  
/inflationreport/index.htm](http://www.bankofengland.co.uk/publications/inflationreport/index.htm)



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