

Outlook for the global and UK economy

November 2021



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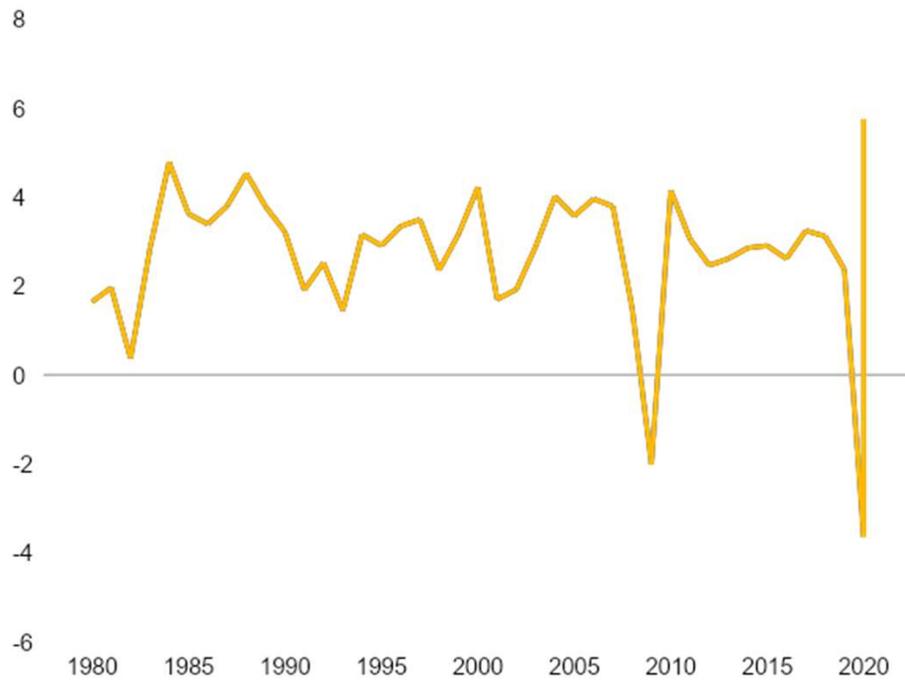


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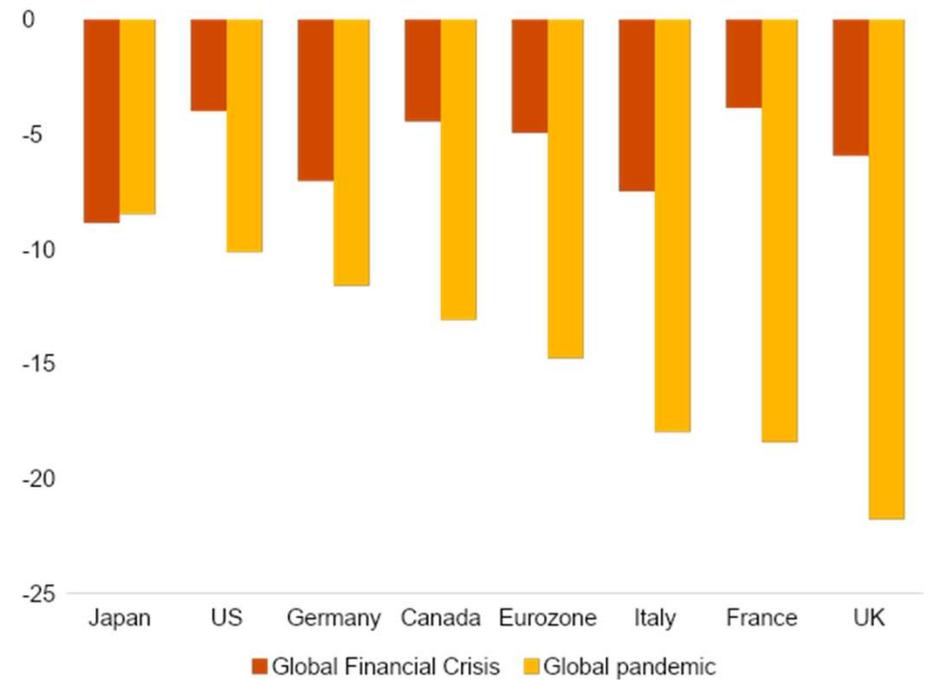
Global economic
trends

The pandemic has caused an unprecedented and widespread shock to economic activity

Global real GDP growth at market exchange rates, %

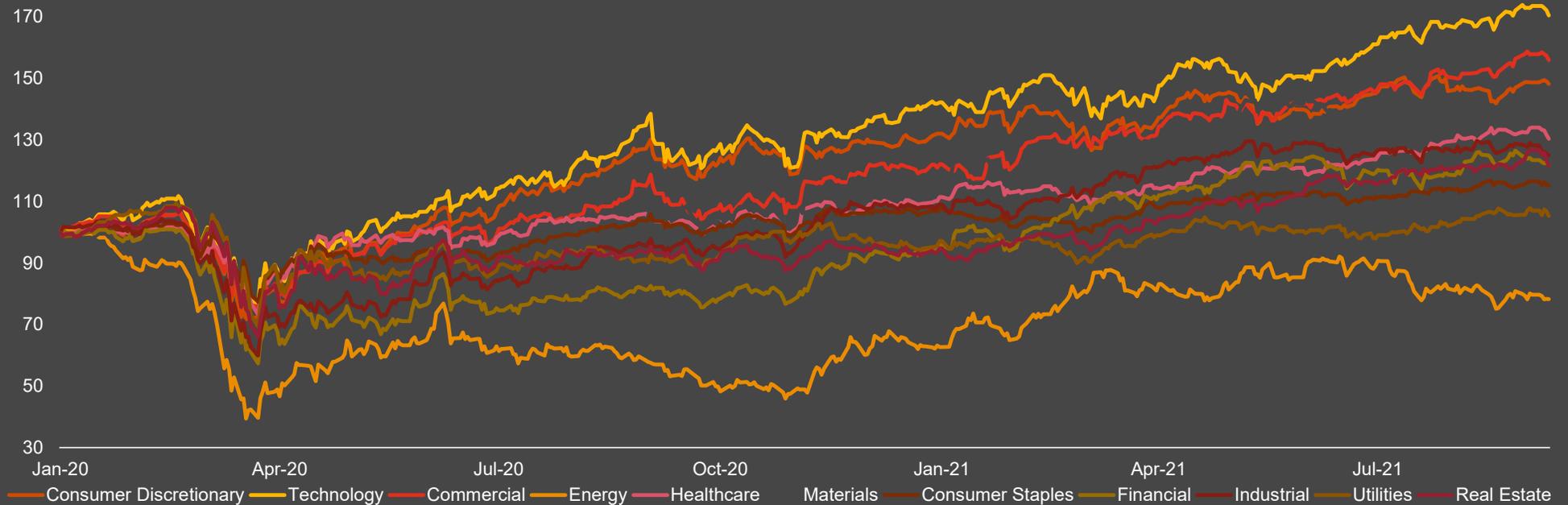


Peak to trough impact on level GDP, %



The recovery has been uneven across sectors, partly reflecting some restrictions on economic activity or changing consumer behaviour.

S&P performance across sectors index (Jan 1, 2020:100)



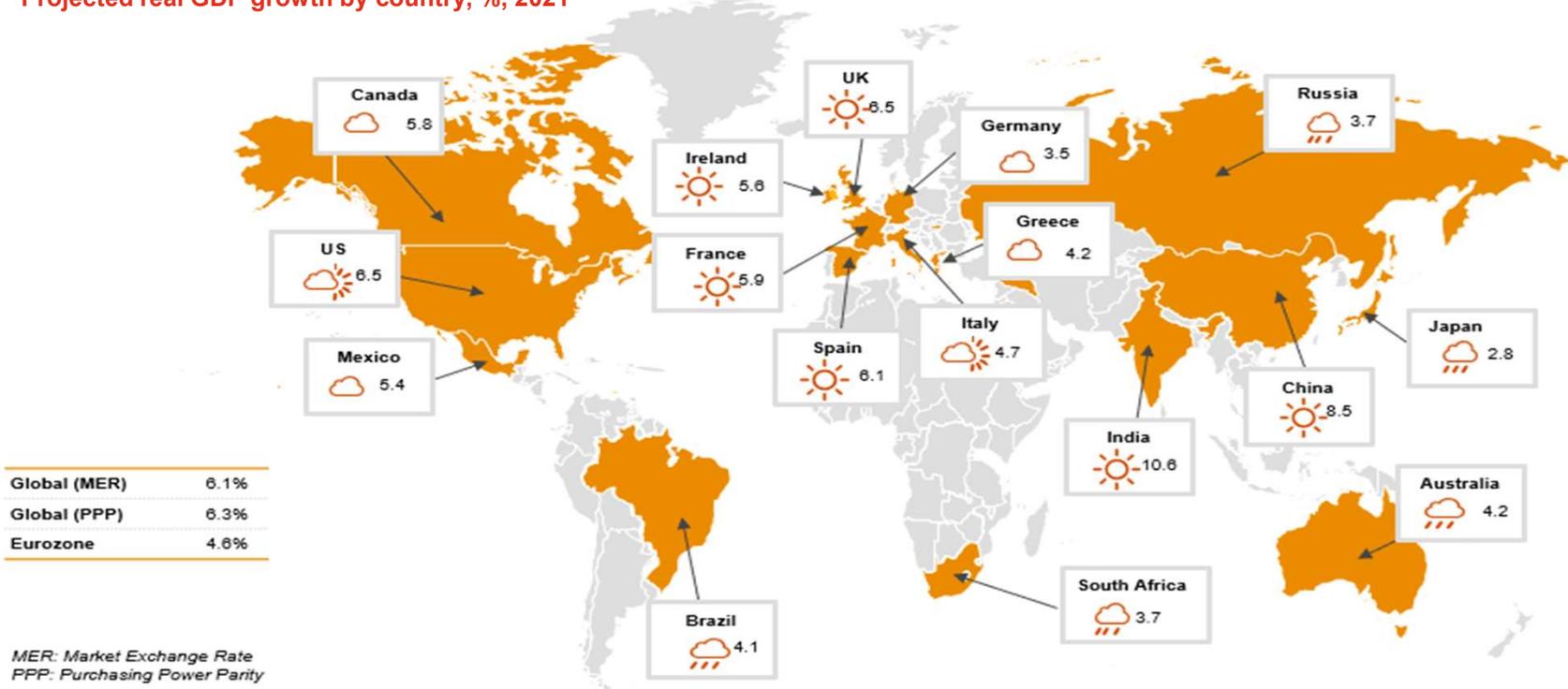
Sources: Refinitiv, PwC analysis

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Going forward, global economy is expected to rebound at an unprecedented rate in 2021 from a low base of the pandemic

Projected real GDP growth by country, %, 2021



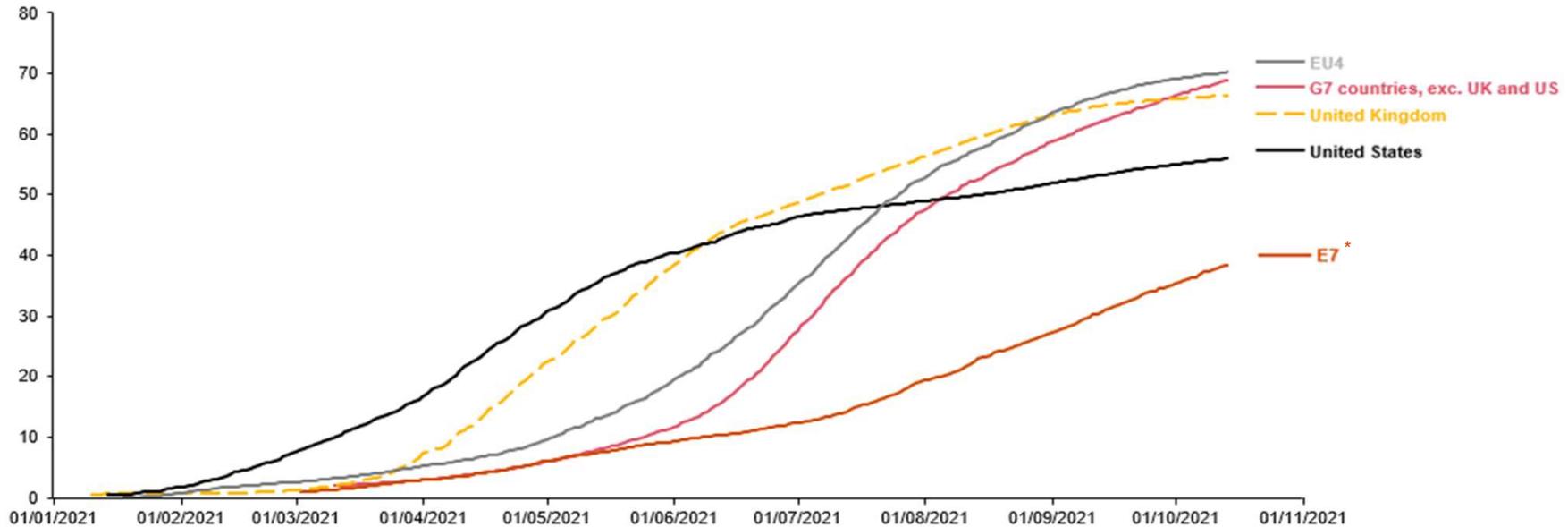
MER: Market Exchange Rate
 PPP: Purchasing Power Parity

Source: [PwC Global Economy Watch](#), September 2021
 Weather icons based on comparisons of projected GDP growth rates with Regional/Global GDP growth rates where applicable

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However, uneven vaccination progress is likely to impact global economic prospects...

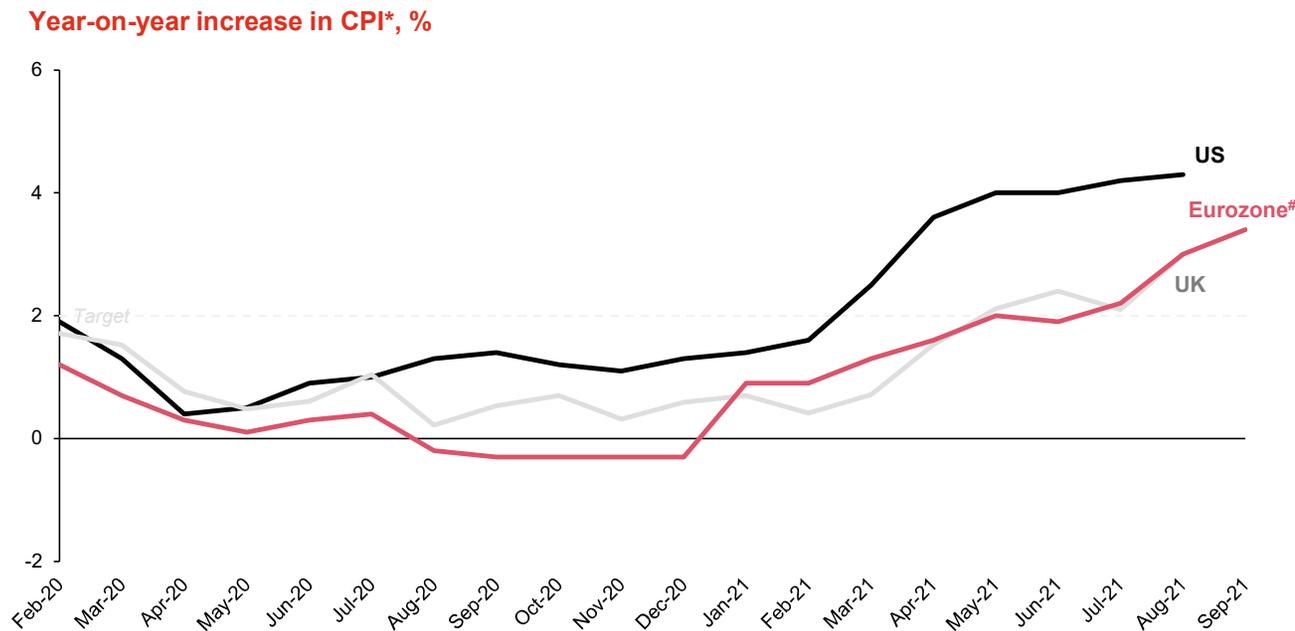
Share of people who are fully vaccinated, % #



Sources: Our World in Data

Note:
(#) Data represent simple averages of share of people who are vaccinated
(* E7 aggregation excludes Indonesia due to missing data
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... combined with increasing inflationary pressures driven by supply chain bottlenecks and surges in commodity prices



US: CPI rose to 4.3% in August 2021, the highest YoY increase since August 2008 and significantly higher than other major economies. While above-target short-run inflation was expected, such large increases have led to fears that inflation will persist over the longer term.

UK: CPI jumped to 3% in August 2021, exceeding the Bank of England's 2% target. This was driven by increases in prices for food, second-hand cars, clothing and footwear, eating and drinking out, and motor fuel.

Eurozone: In August 2021, HICP exceeded the ECB's 2% target for the first time since October 2018, mainly due to an increase in fuel and food prices. Fears of longer term inflation, however, are more subdued given the small size of the European fiscal stimulus relative to the US and UK.

Sources: Bank of England, Eurostat, IMF, Statistics Bureau of Japan, US Bureau of Labor Statistics

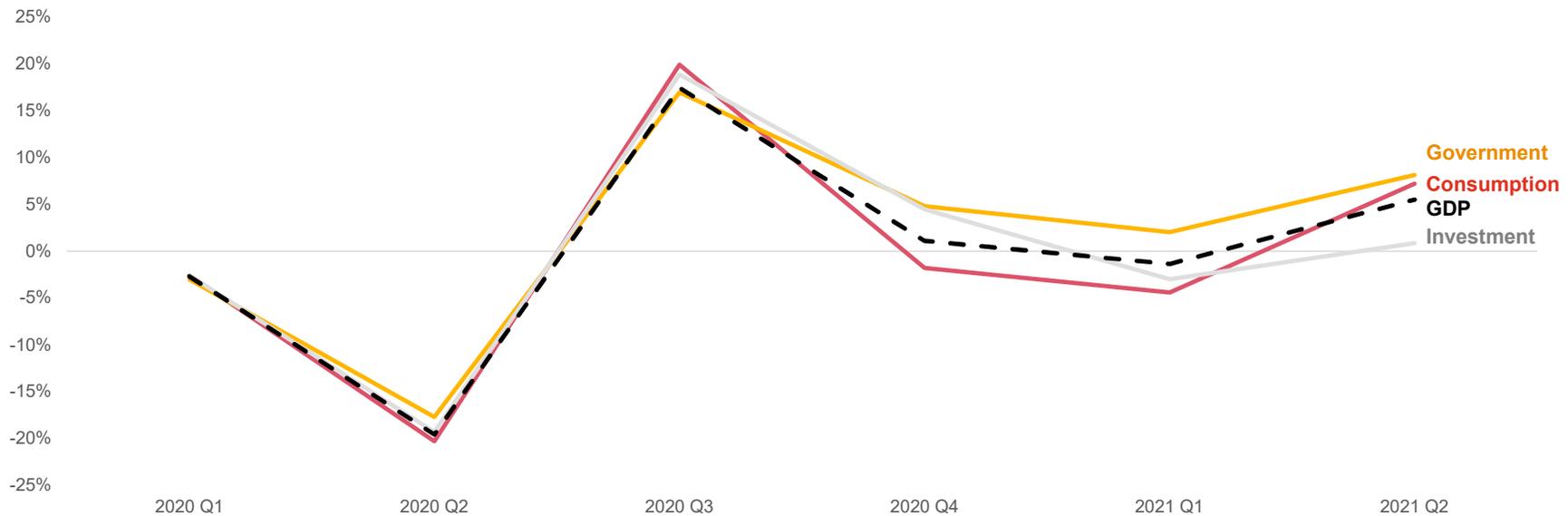
Note:
 (*) Since 1998 a measure of core inflation (CPI excluding food) has remained almost always negative, according to a study by Nishizaki et al
 (#) In the EU, harmonised index of consumer prices (HICP) is used instead of CPI to measure inflation

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UK economic trends
and prospects

UK GDP growth has been mostly supported by government spending, while business investment remains 12.8% below its pre-pandemic levels amidst uncertainty

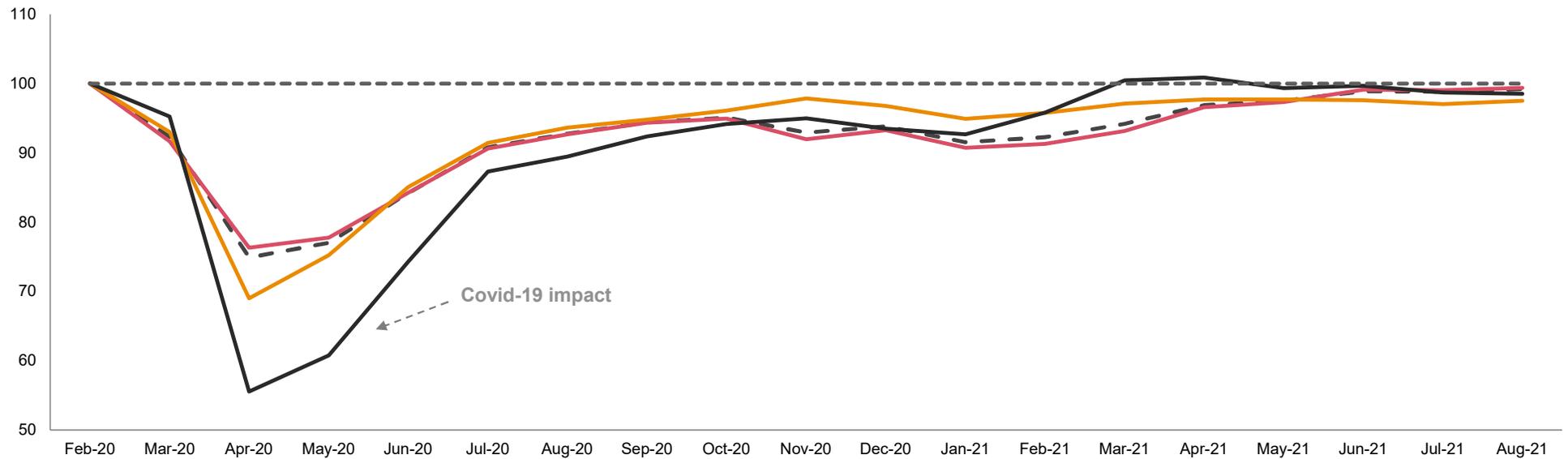
Trends in GDP, consumer spending and business investment growth, % QoQ growth



Source: ONS

While construction and services are close to recovery, manufacturing output is lagging behind and remains at 2.4% below pre-pandemic levels

Sectoral output and GDP trends, Index (Feb 20=100)

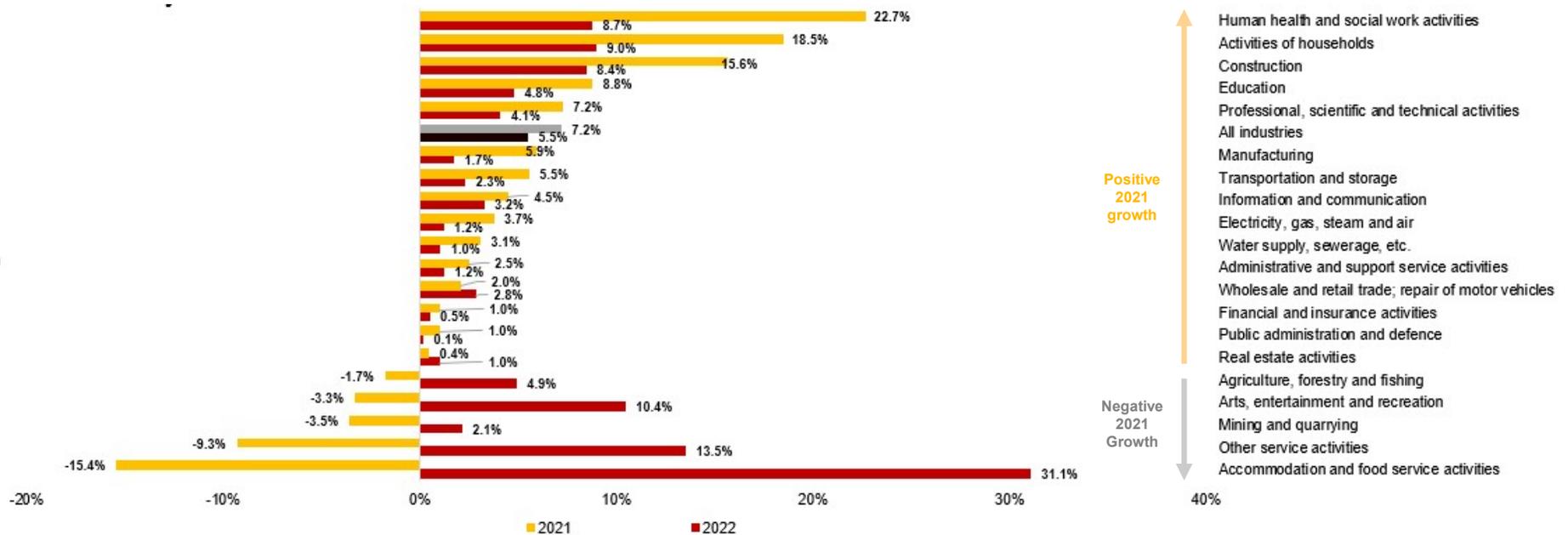


Source: ONS

--- GDP — Services — Manufacturing — Construction --- Pre-pandemic (Feb 2020)

By the end of this year, we expect most sectors to return to growth, but lingering effects of the pandemic are expected among hardest-hit sectors such as hospitality

Projected GVA growth by industry sector under the 'quick recovery' scenario, % annual change, 2021 and 2022

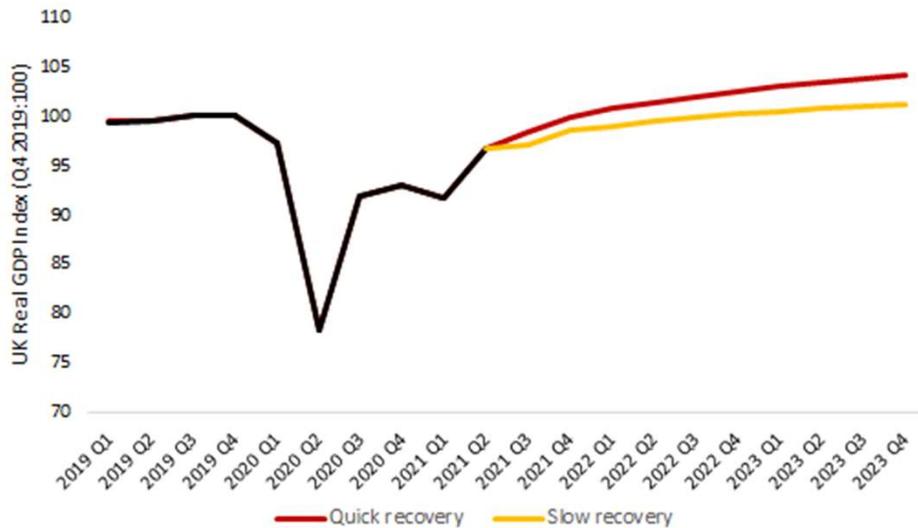


Source: PwC analysis

Note: These reflect our projections in the UK Economic Outlook July 2021, which will be updated in November 2021.

Overall, we expect the UK economy to grow by up to 7.2% this year, returning to pre-pandemic levels

Projected UK GDP growth, % change YoY, Q1 2019 – Q4 2023



Projected UK GDP growth, % change YoY, 2021-2023

Real GDP growth	2021	2022	2023
Quick recovery scenario	7.2%	5.5%	1.9%
Slow recovery scenario	6.5%	4.1%	1.2%

Source: PwC analysis

Note: These reflect latest data and our projections in the UK Economic Outlook July 2021, which will be updated in November 2021

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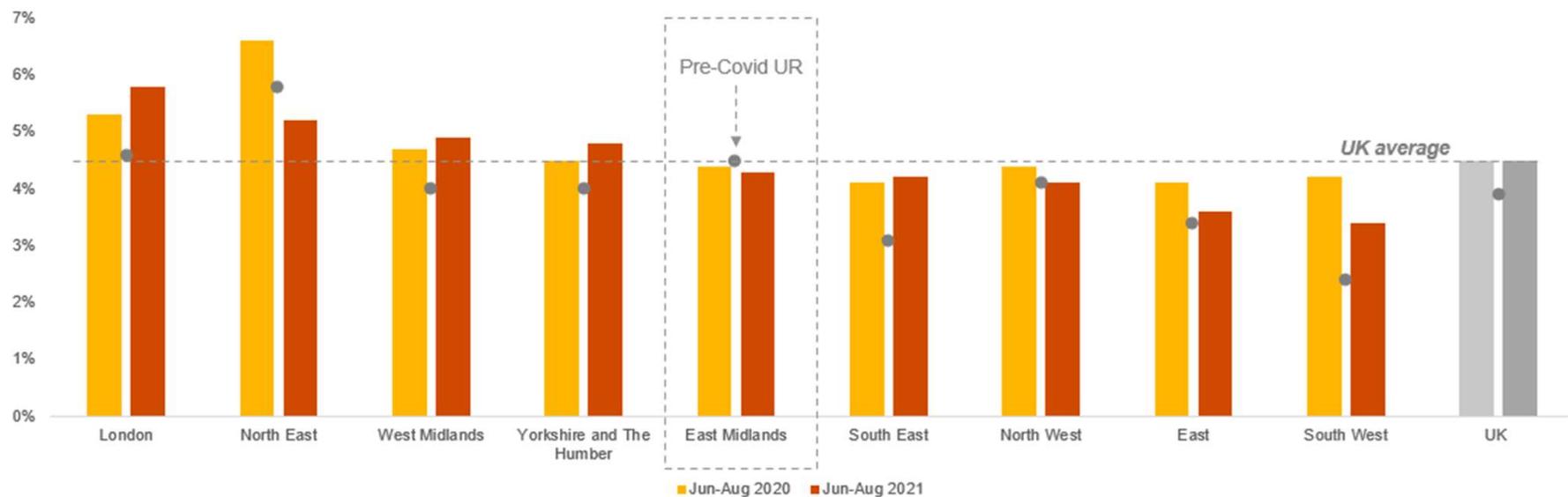
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Relative performance
of the East Midlands

East Midlands unemployment rate has been lower than the UK average for the third consecutive month, falling to 4.3% between June and August this year

16+ unemployment rate, Jun-Aug 2019 (pre-covid), Jun-Aug 2020 (covid), Jun-Aug 2021 (covid recovery)



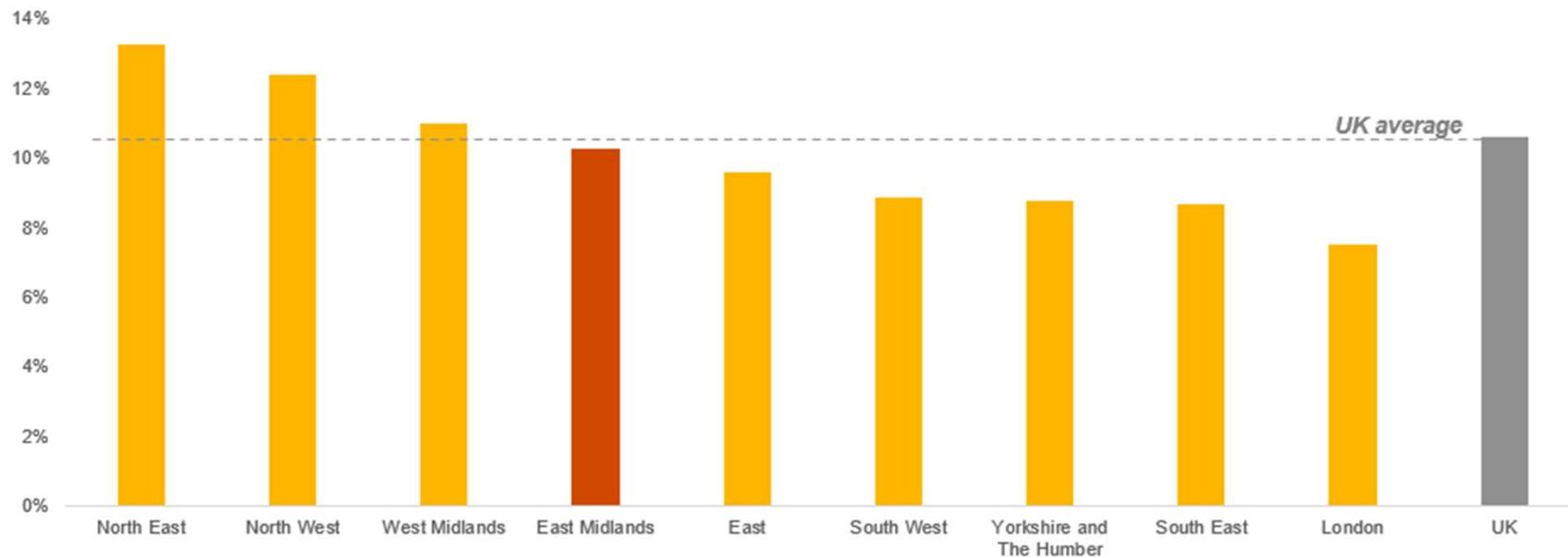
Source: ONS, PwC analysis

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House prices have continued to rise in the East Midlands at a much faster rate than London, albeit from a lower base

Estimated average house price inflation by UK region, year to August 2021, %



Source: PwC analysis using ONS house price data

Supporting economic growth, consumer spending sentiment is expected to return to positive, with the East Midlands being the second most positive regions after London

Consumer sentiment by region



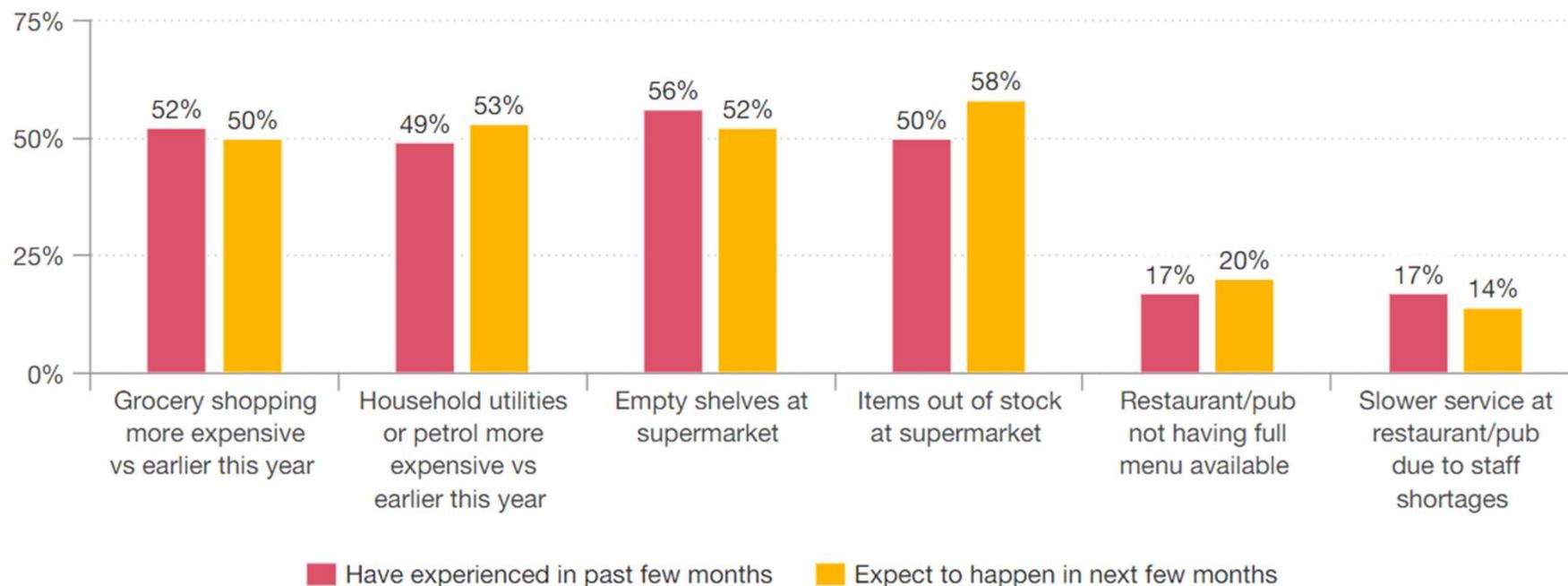
Source: PwC Consumer Sentiment Survey, June 2021

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However, the majority of consumers still experienced price or supply pressures on their day-to-day activities

Percentage of respondents experiencing inflation or out-of-stocks



Source: PwC Consumer Sentiment Survey, September 2021

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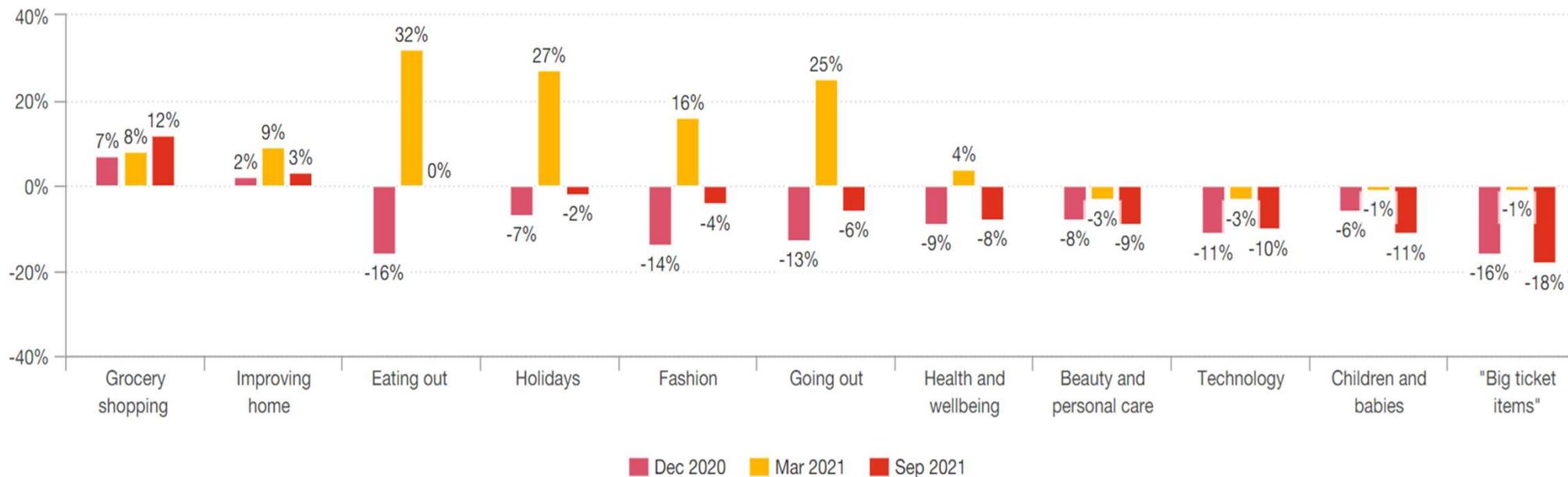
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Therefore, the trend of unleashing savings seen earlier this year has reversed, with consumers prioritising essential spending over eating out, holidays and fashion

Net spending intention in the next 12 months



Source: PwC Consumer Sentiment Survey, September 2021
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Thank you

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