



Inspiring business

Operational Leaders in Legal

Mar 2017

James Sproule, Chief Economist

Institute of Directors

James.sproule@iod.com

@jamesrsproule

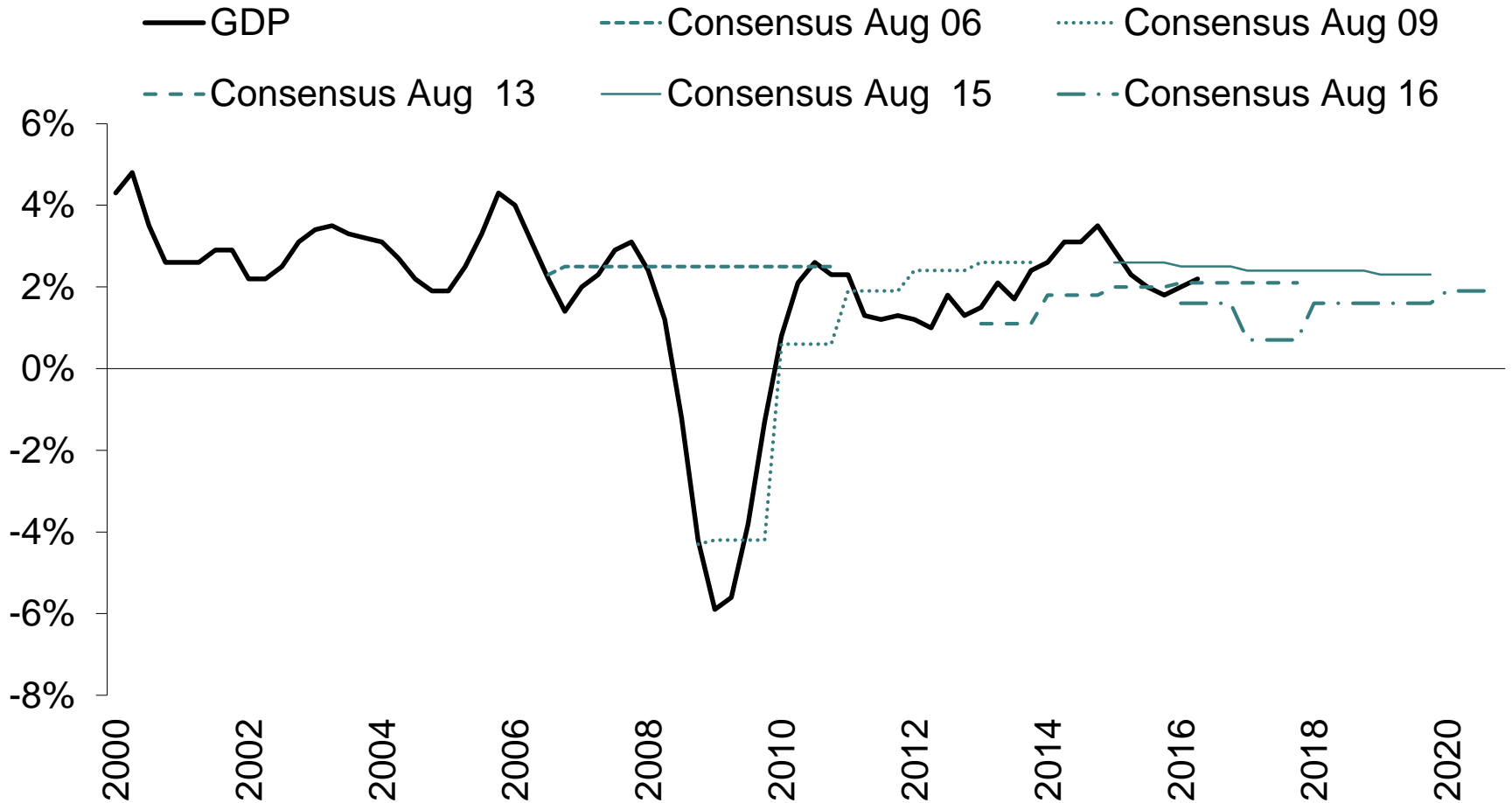


Inspiring business

UK economic forecasts remain too tranquil

UK GDP

(HM Treasury consensus survey forecast)



Source: ONS, HM Treasury Consensus

Macro Economic Outlook

Strategic issues

Brexit uncertainty

- Hugely complex and likely to remain key policy focus
- Final shape of “comprehensive trade agreement” is far from assured

Fiscal limits reached

- 7% ~ 25% ~ 50% (13% ~ 50% ~ 90%)
- Tax revenues flat for decades
- Consumer demands are ever more complex

Entrepreneurial opportunity

- Fourth industrial revolution
- UK is amongst the best in EU, but lagging the world

Monetary policy uncertainty

- Extra-ordinary Monetary Policy is leading to:
 - Capital misallocation
 - Emasculated monetary policy
 - Need for rapid corrections

Debt & banking precarious

- Govt debt levels need low rates to be sustainable
- Debt financed consumer spending is unsustainable
- Banking RoE adjusting downwards

Demographic decline

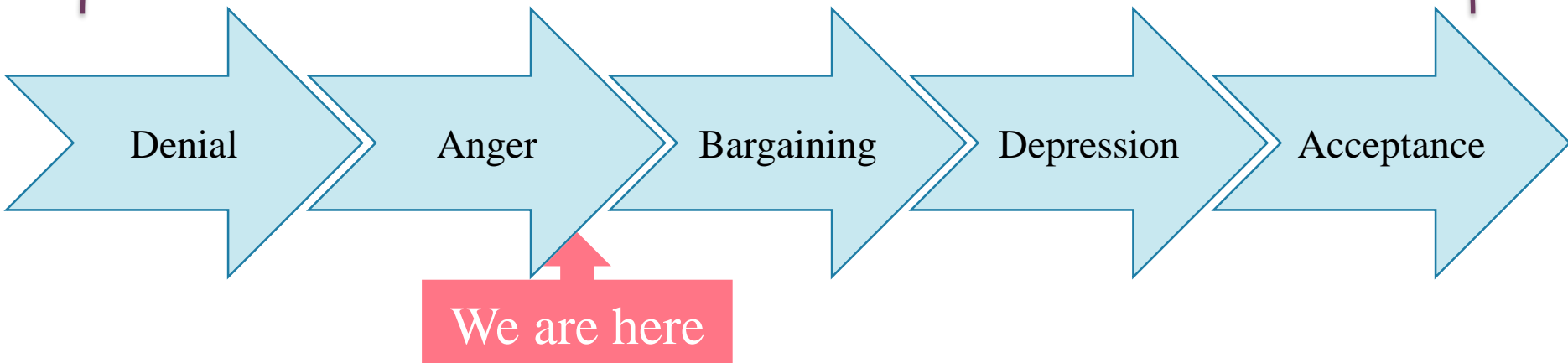
- UK working age populace falling by -0.4%
- Much of the developed and developing world are in a similar position

Brexit: when next?

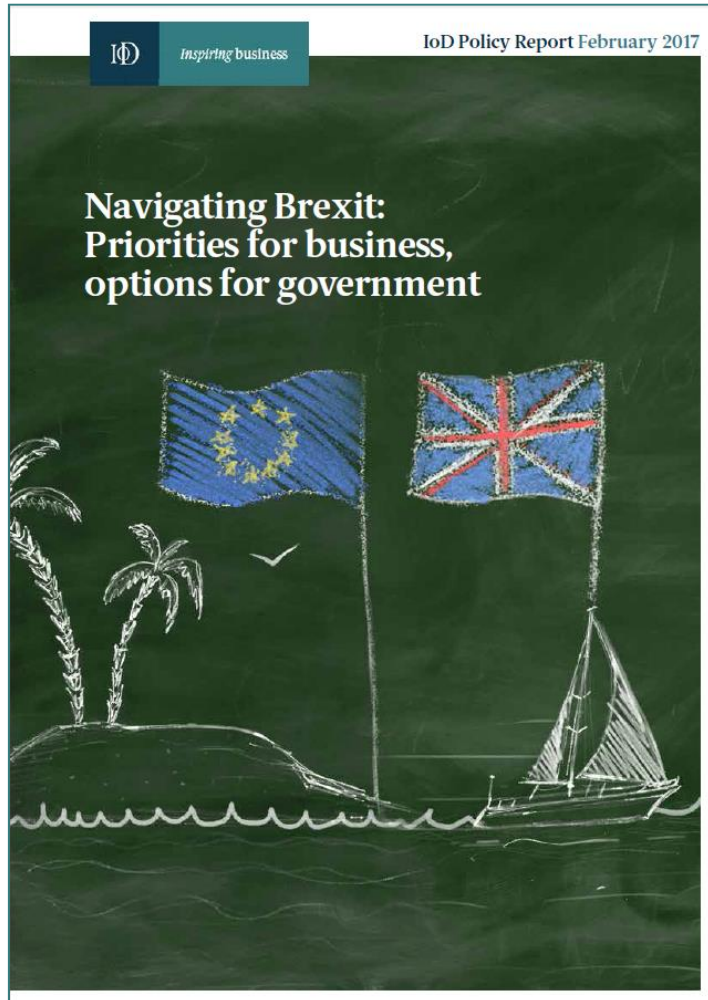
How quickly the UK should move forward is a key question. Two key considerations:

- What else might happen? What reactions are other member states, their electorates and the EU institutions going to take?
- How are people, leaders and broader populaces likely to react psychologically? Swiss psychiatrist Elizabeth Kübler-Ross developed a model explaining stages of grief

How long? Weeks? Months? Years?



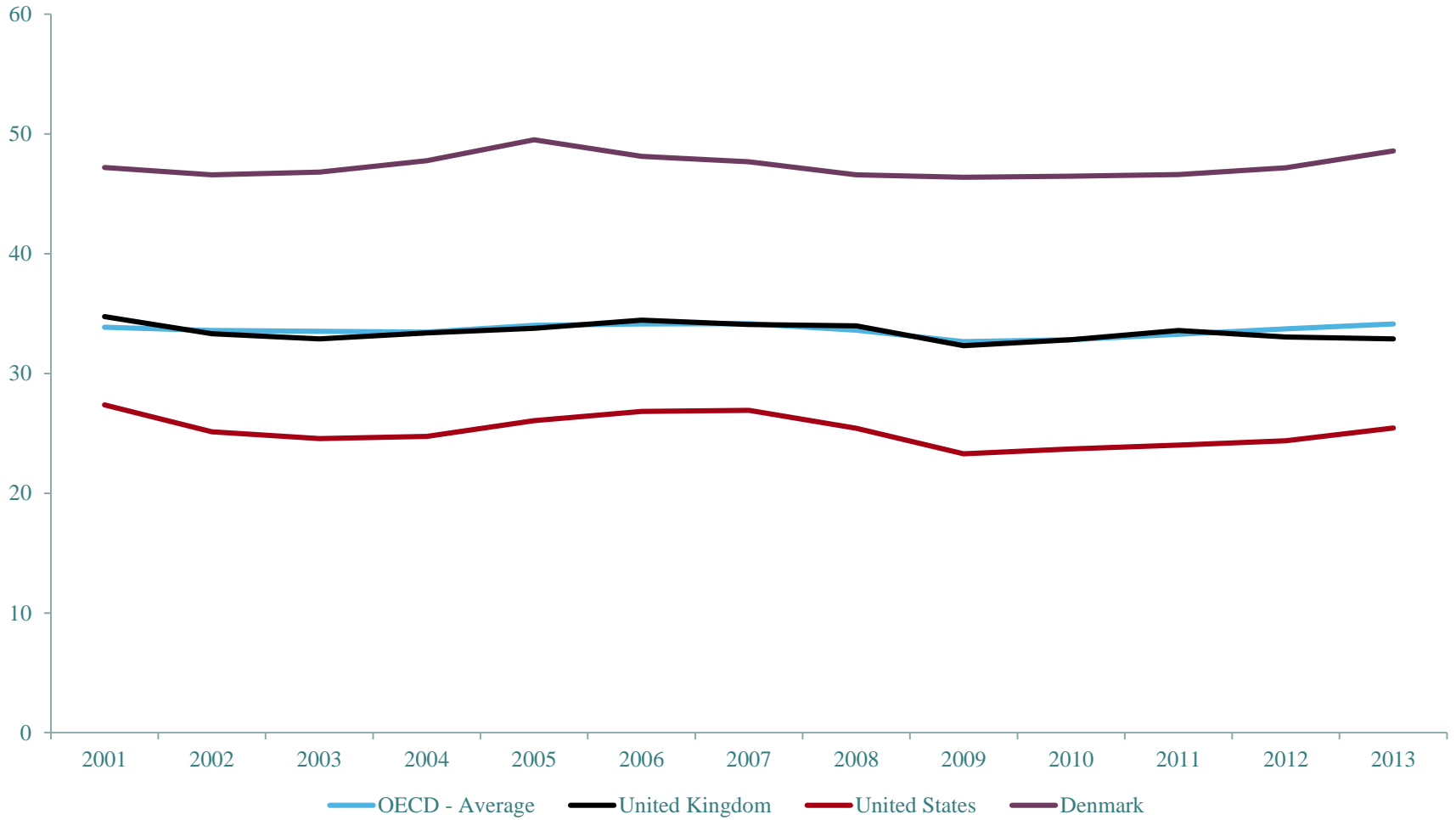
IoD Brexit priorities



- **Make Brexit work**, avoid any ‘cliff-edge’
- **Build consensus** through quick agreement on areas such as research programmes and granting EU citizens indefinite right to remain in the UK
- **Build confidence**: maintain communication with business
- **There is no alternative**: cross-party commitment not to undertake a second referendum
- **We are all in this**: seek a deal with the EU that applies to all sectors



Tax as a percent of GDP

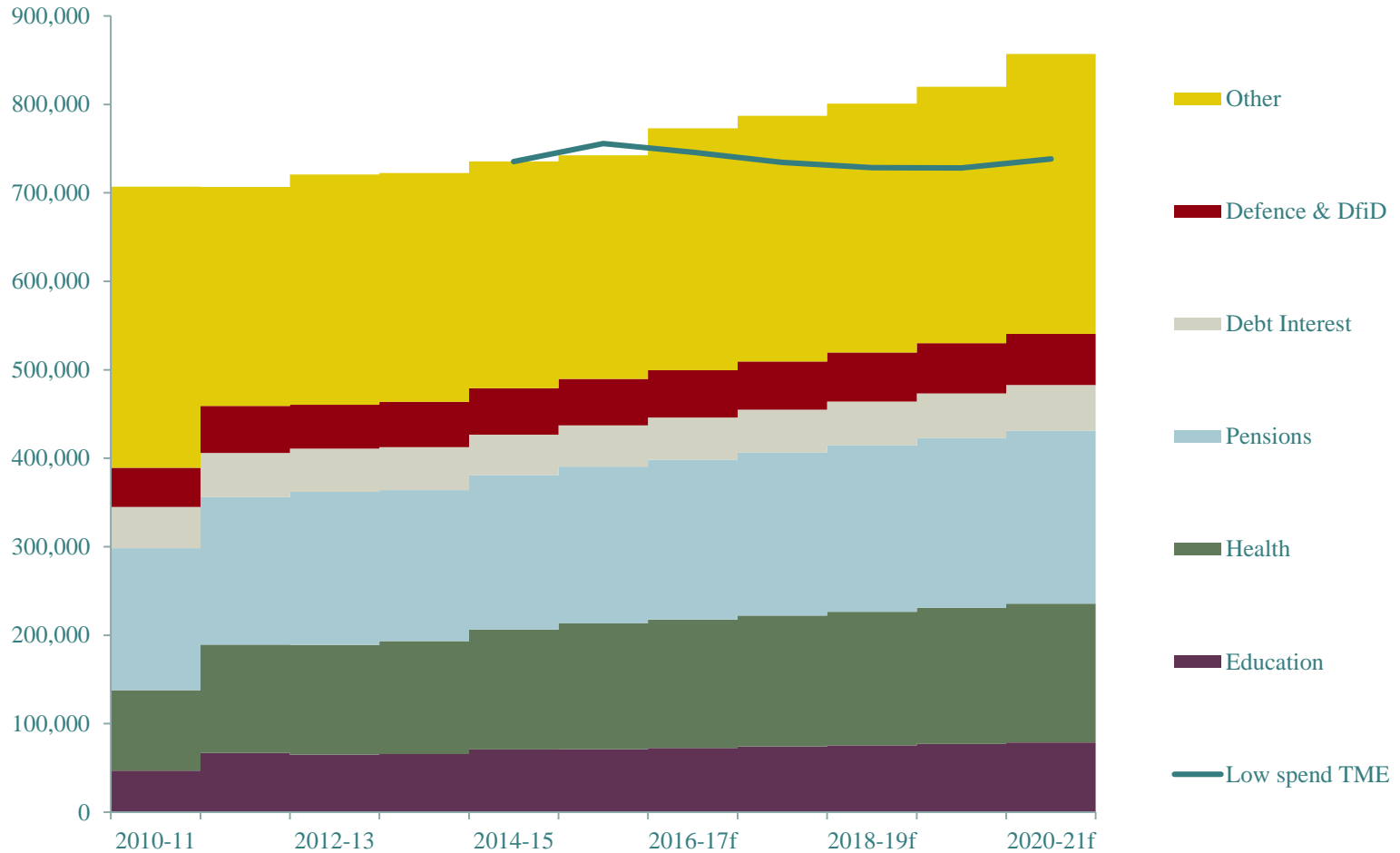


Source: OECD



Inspiring business

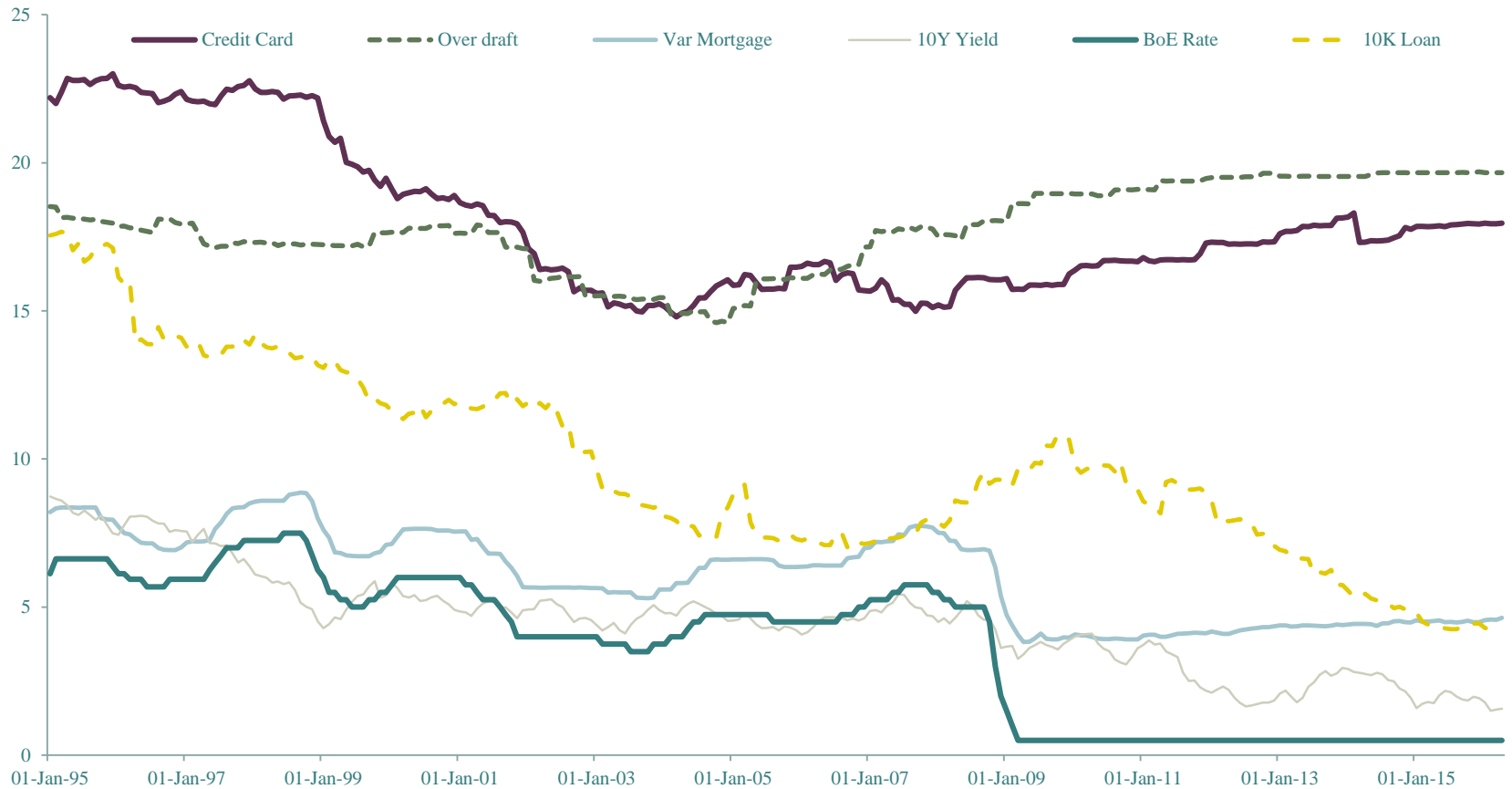
UK Fiscal consolidation will raise questions over spending priorities





UK interest rate spreads

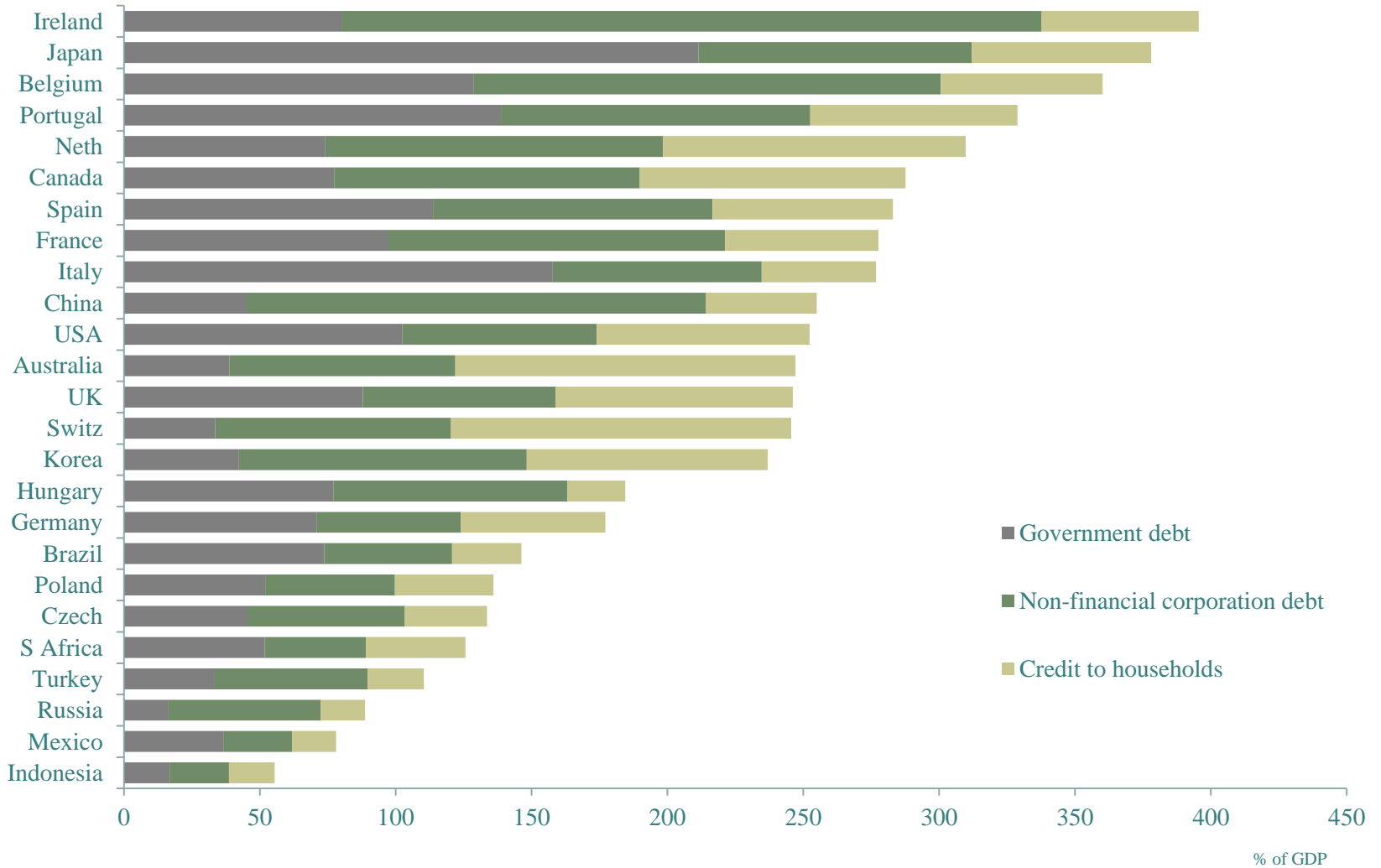
Various UK Interest Rates





Inspiring business

Total debt

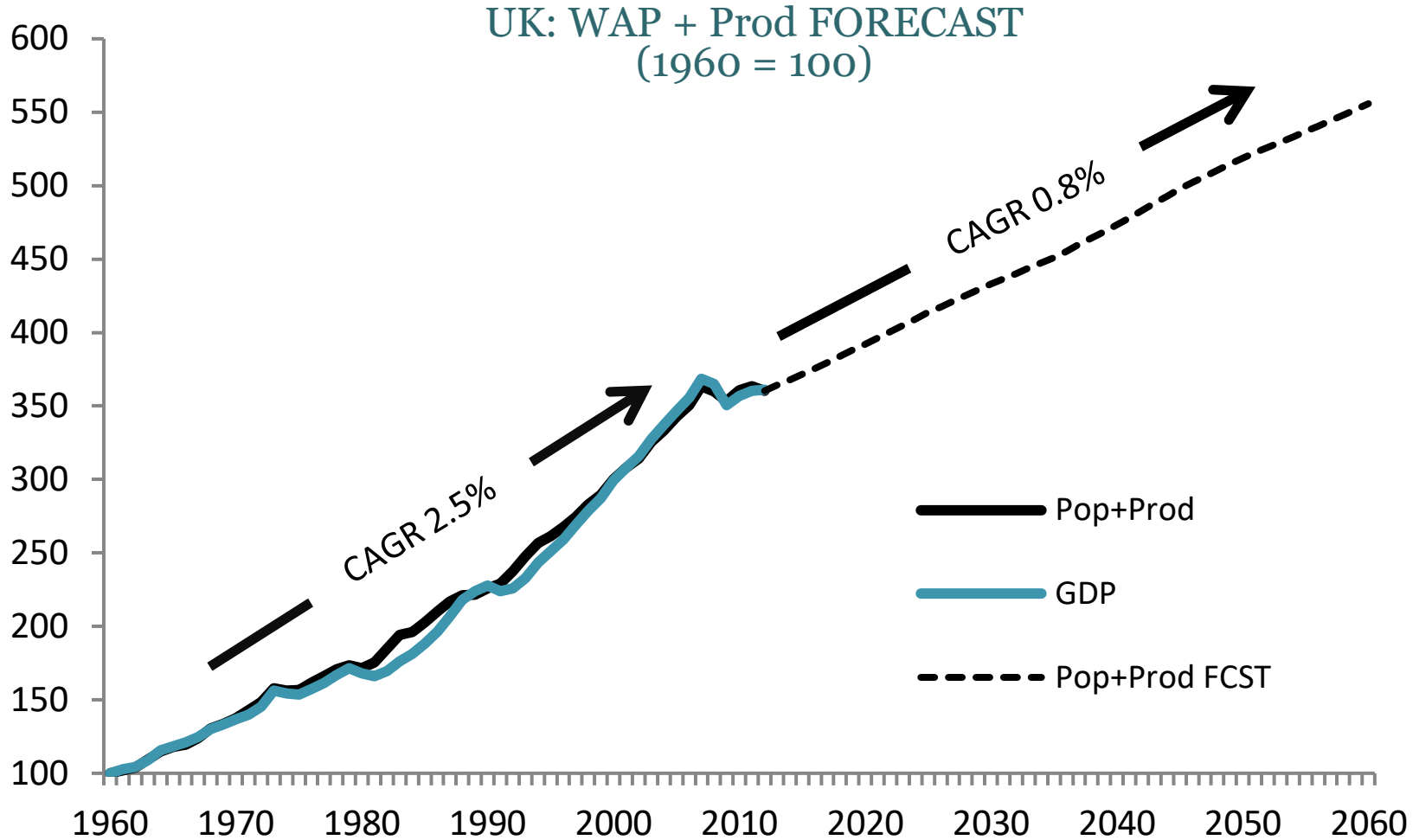


■ Government debt
■ Non-financial corporation debt
■ Credit to households



Inspiring business

UK – Working Age Population + Productivity FORECAST

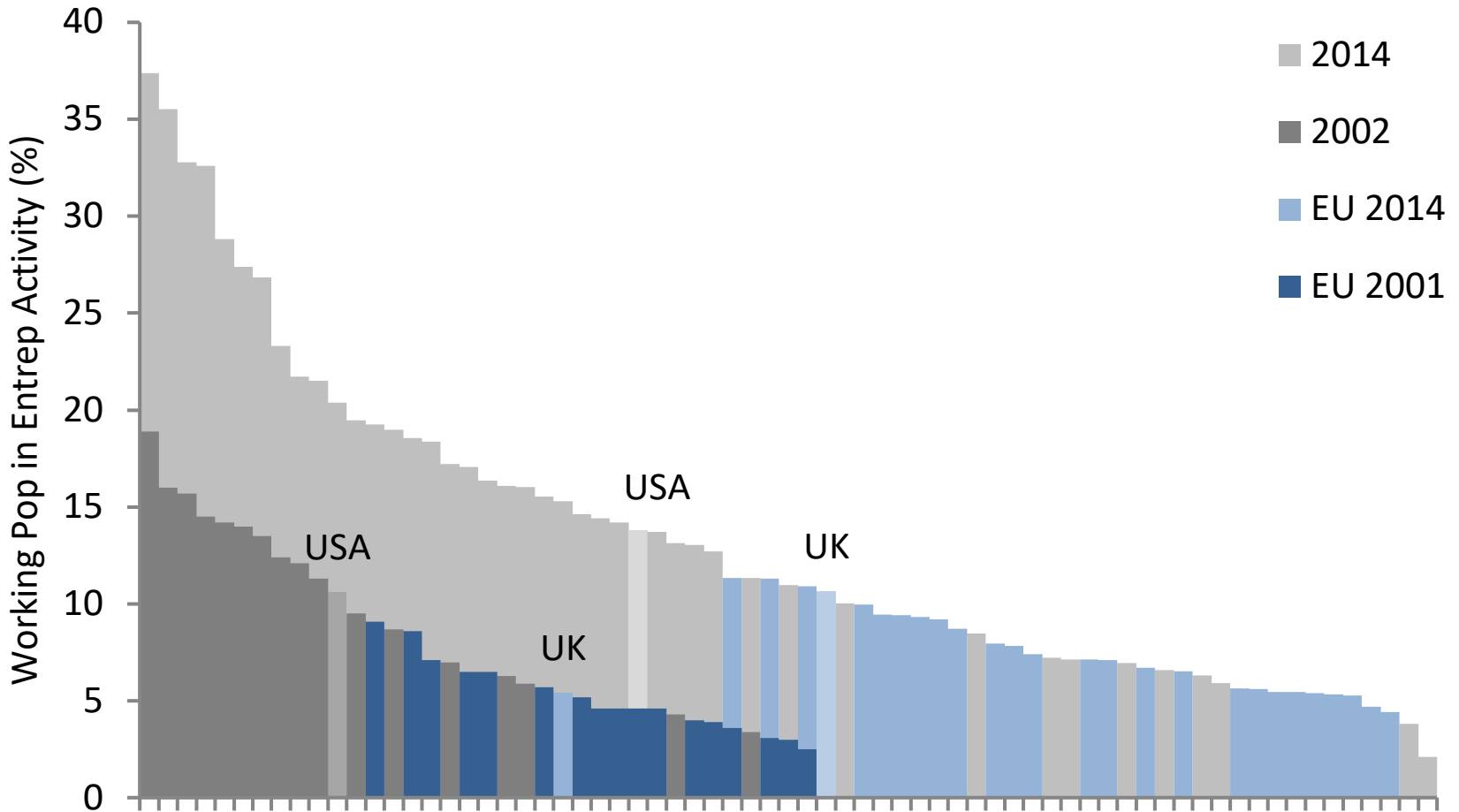


Source: ONS, UN Population Database

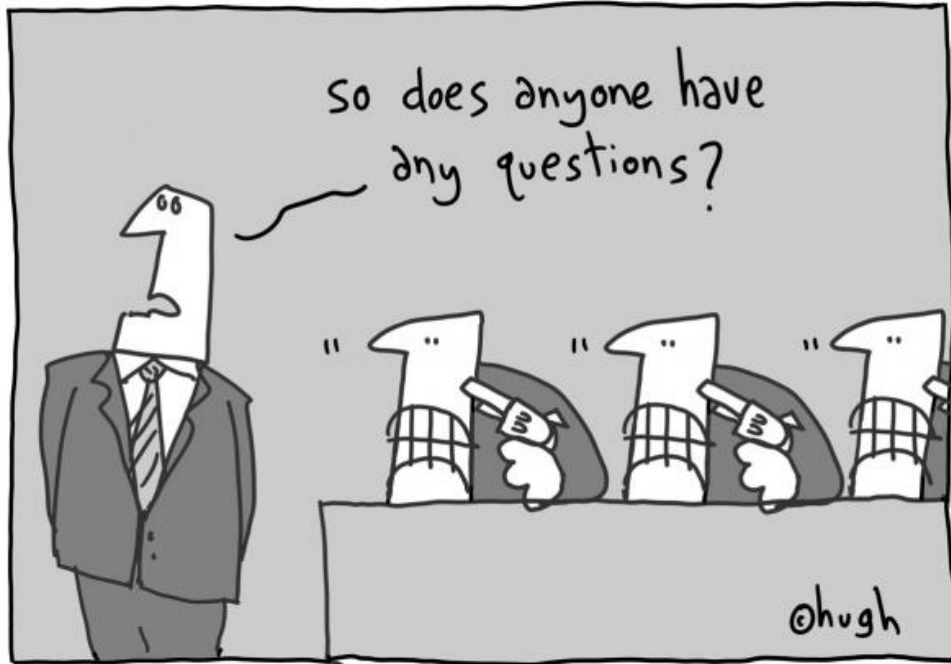
Macro Economic Outlook



Total Early Stage Entrepreneurship



Questions



MARK ANDERSON

WWW.ANDERSTOONS.COM



"I don't have any answers. I'm a non-prophet."