



Climate, Recovery & Renewal Economic Outlook

ADEPT Autumn Conference

November 2021



Building a better
working world

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Contact



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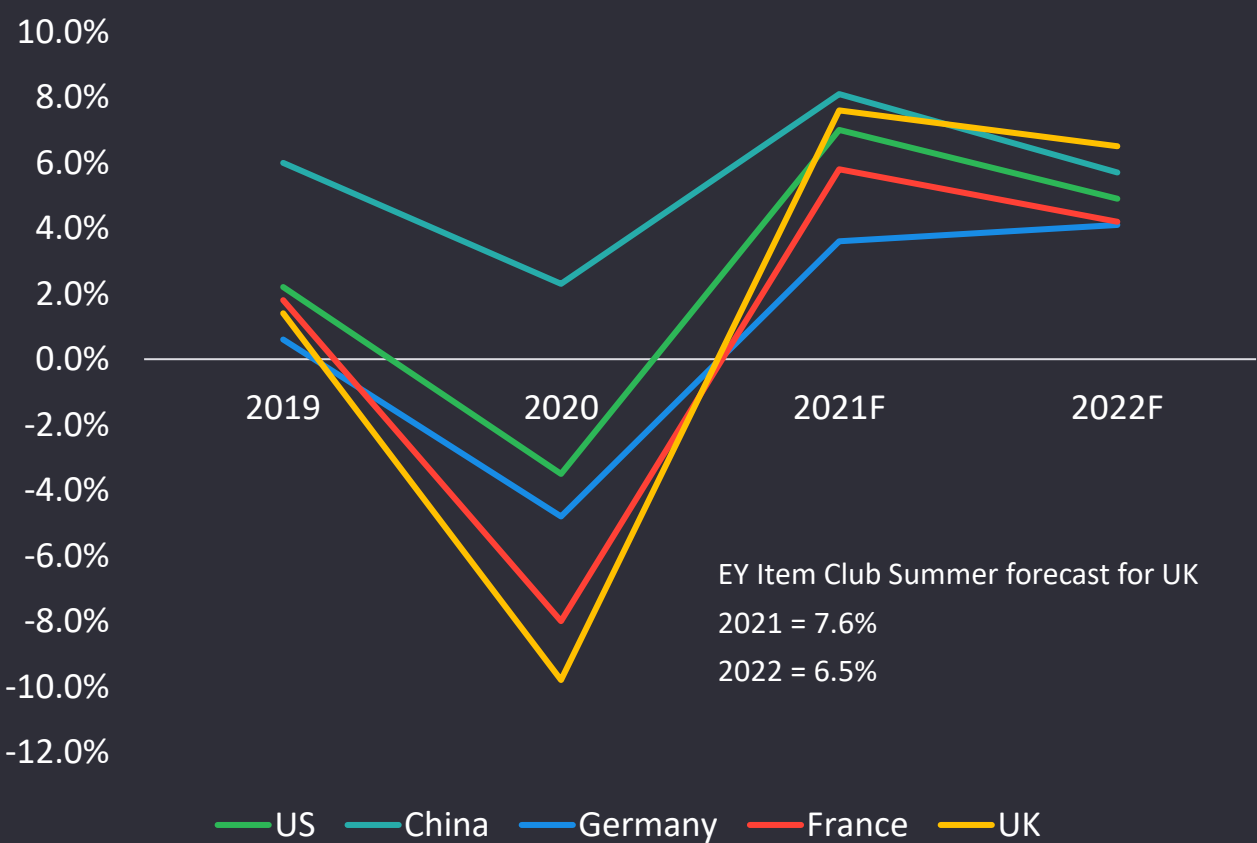
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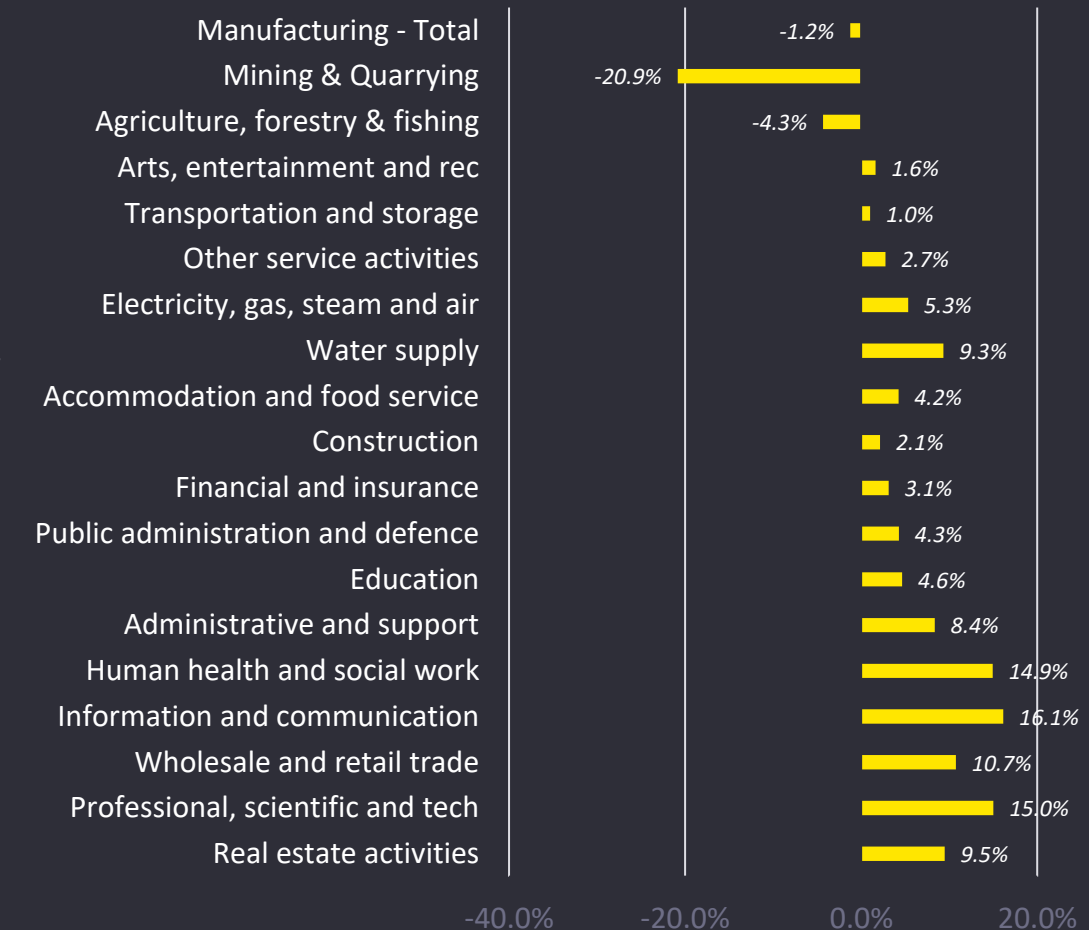
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Global economies have bounced back from Covid . . .

GDP growth, 2019-2022



Sector Forecast Growth 2019 - 2025



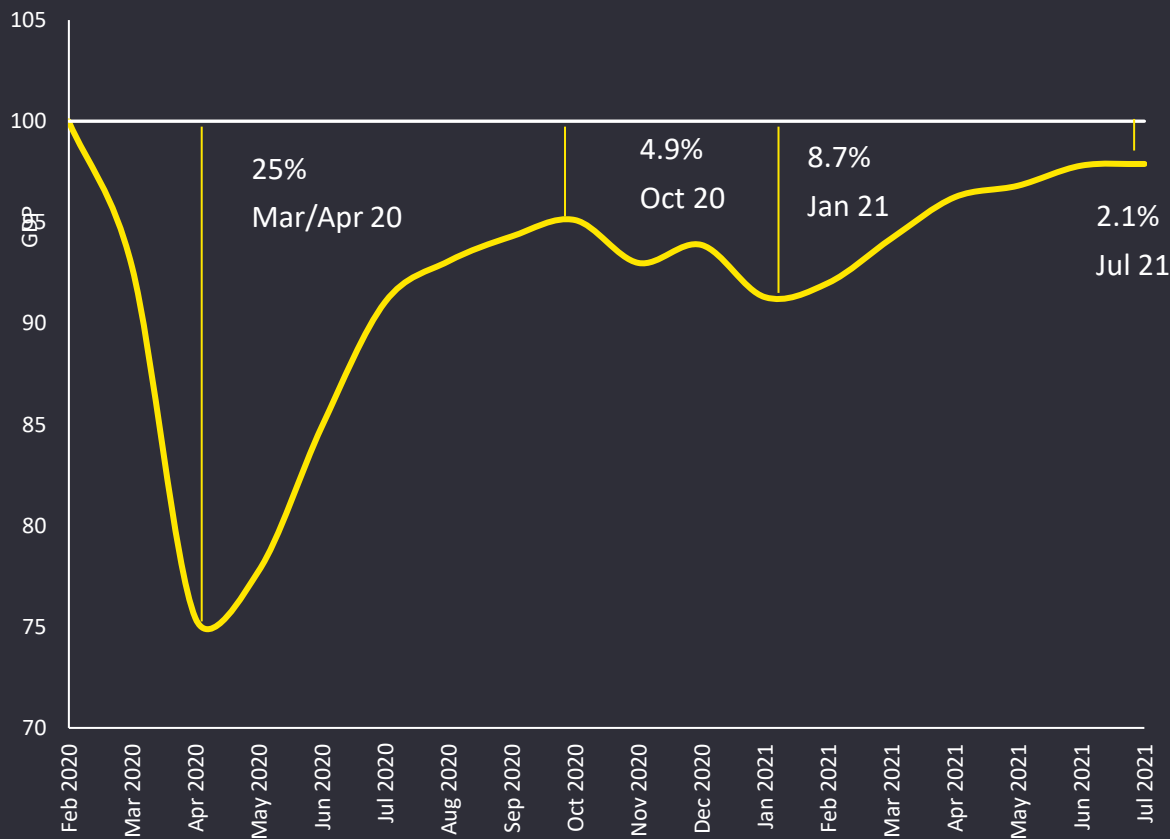
Source: IMF July 21, EY Item Club for UK

Source: Oxford Economics (May Forecast)

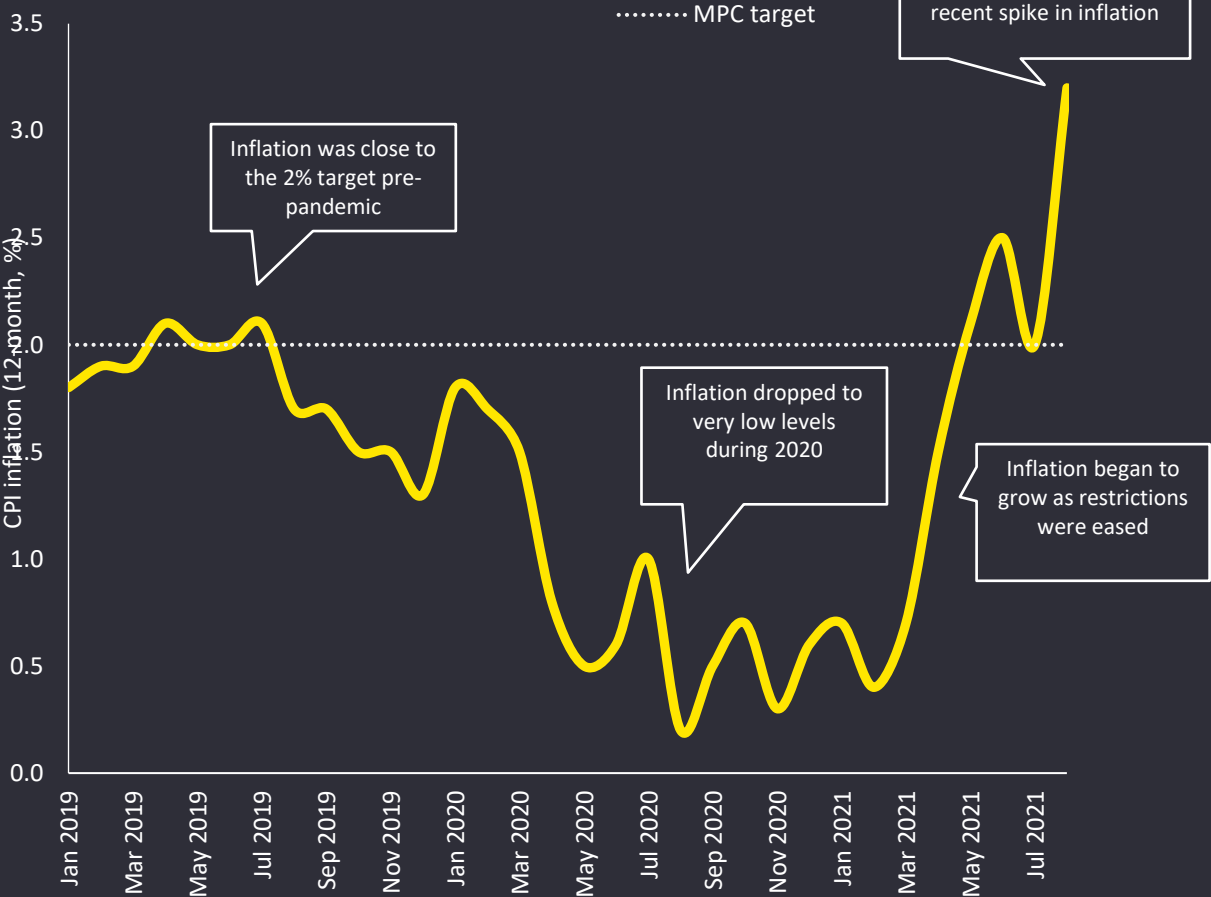


Although the recovery is now running into supply constraints

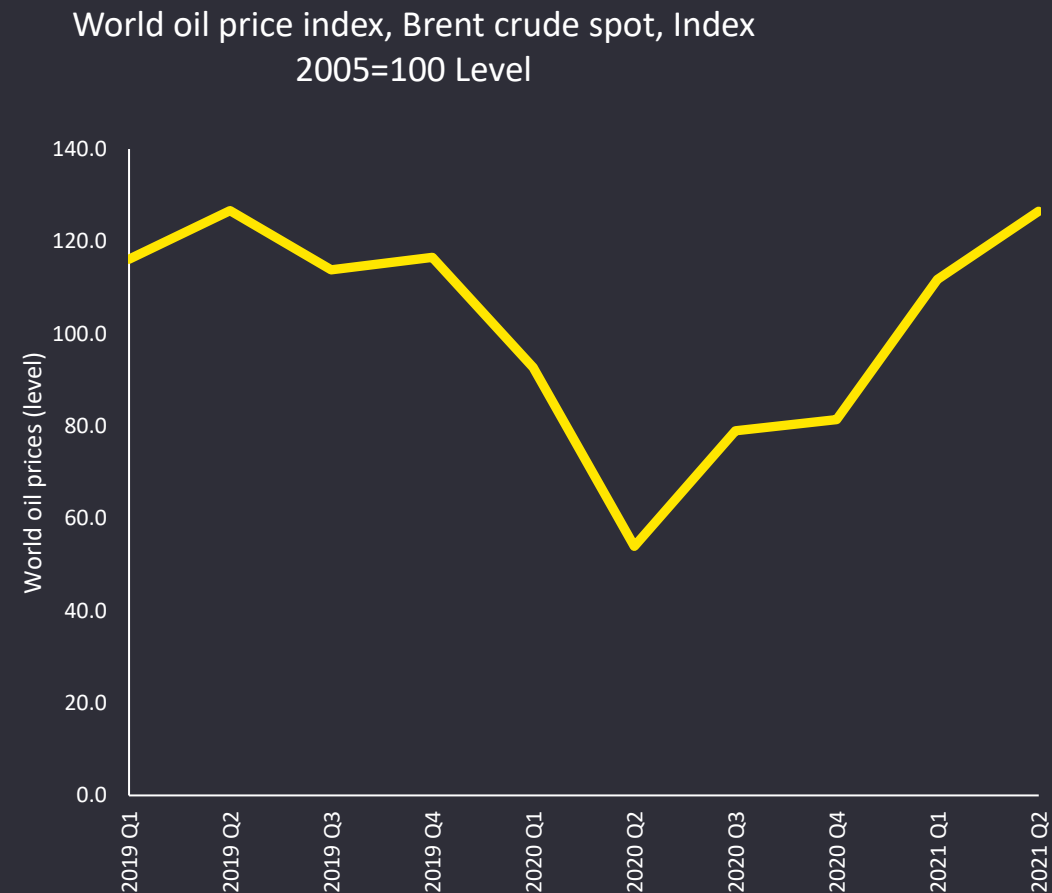
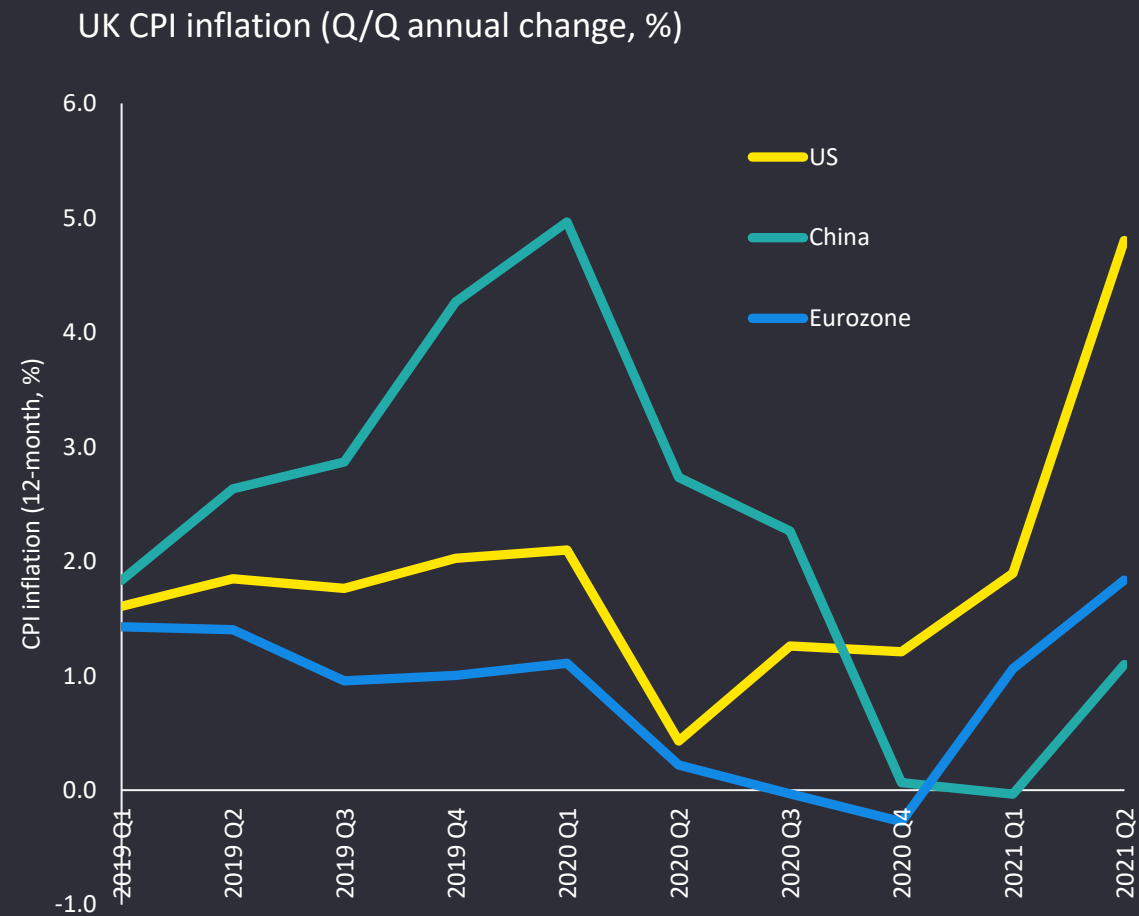
UK GDP MoM



UK CPI inflation (Q/Q annual change, %)

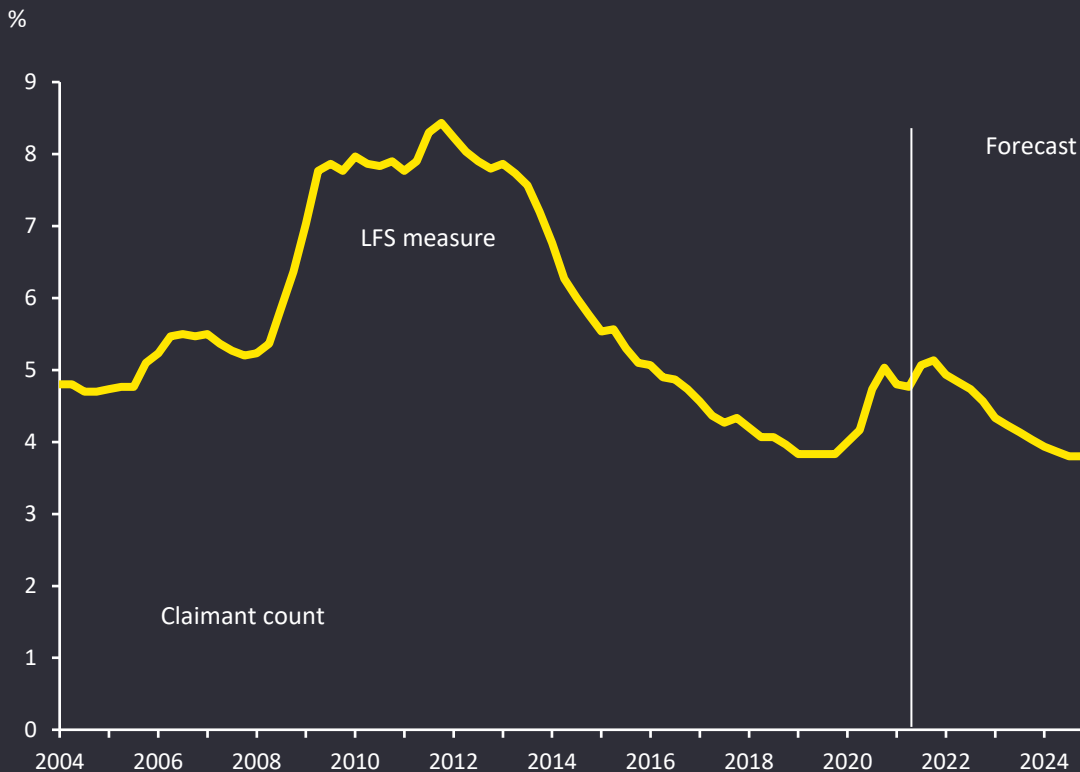


Part of a global phenomenon . . that could see higher interest rates

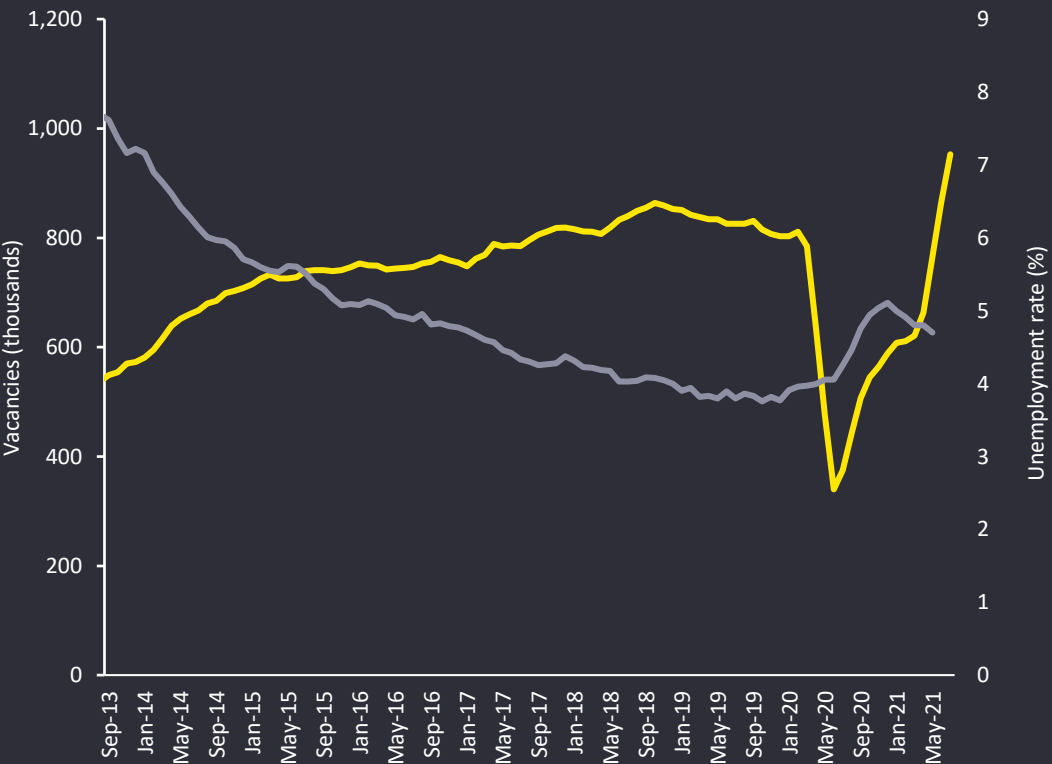


The labour market remains buoyant, even with the tapering of furlough ...

Unemployment - UK



Job vacancies - UK



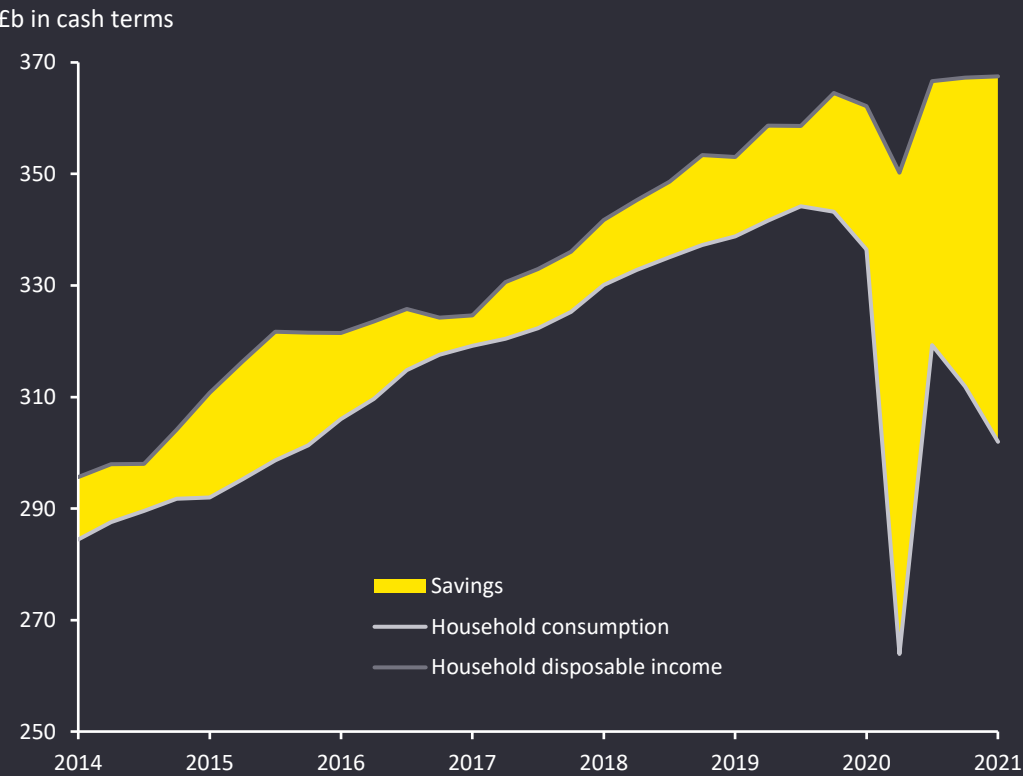
Source: OBR, EY ITEM Club

Source: ONS, Adzuna

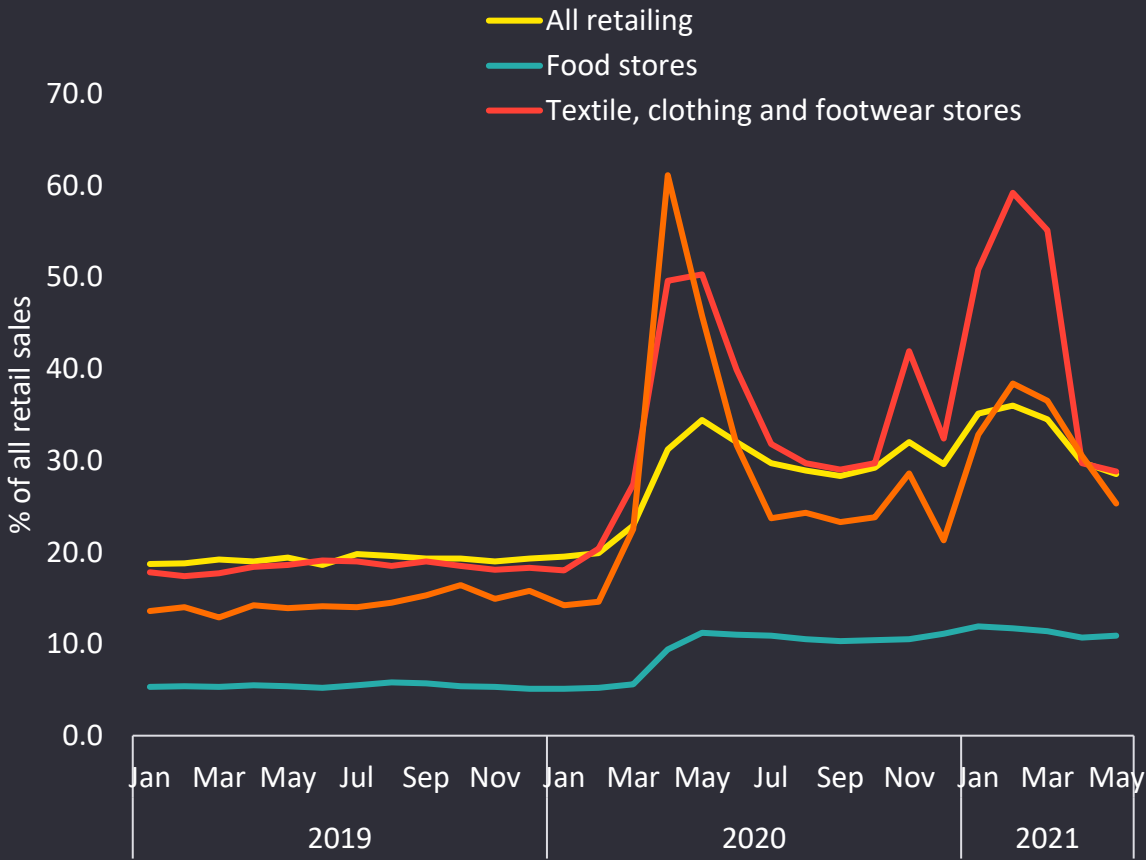
Vacancies Unemployment rate

While household finances are in good shape (for most) lockdown spending patterns could be sticky

Household savings

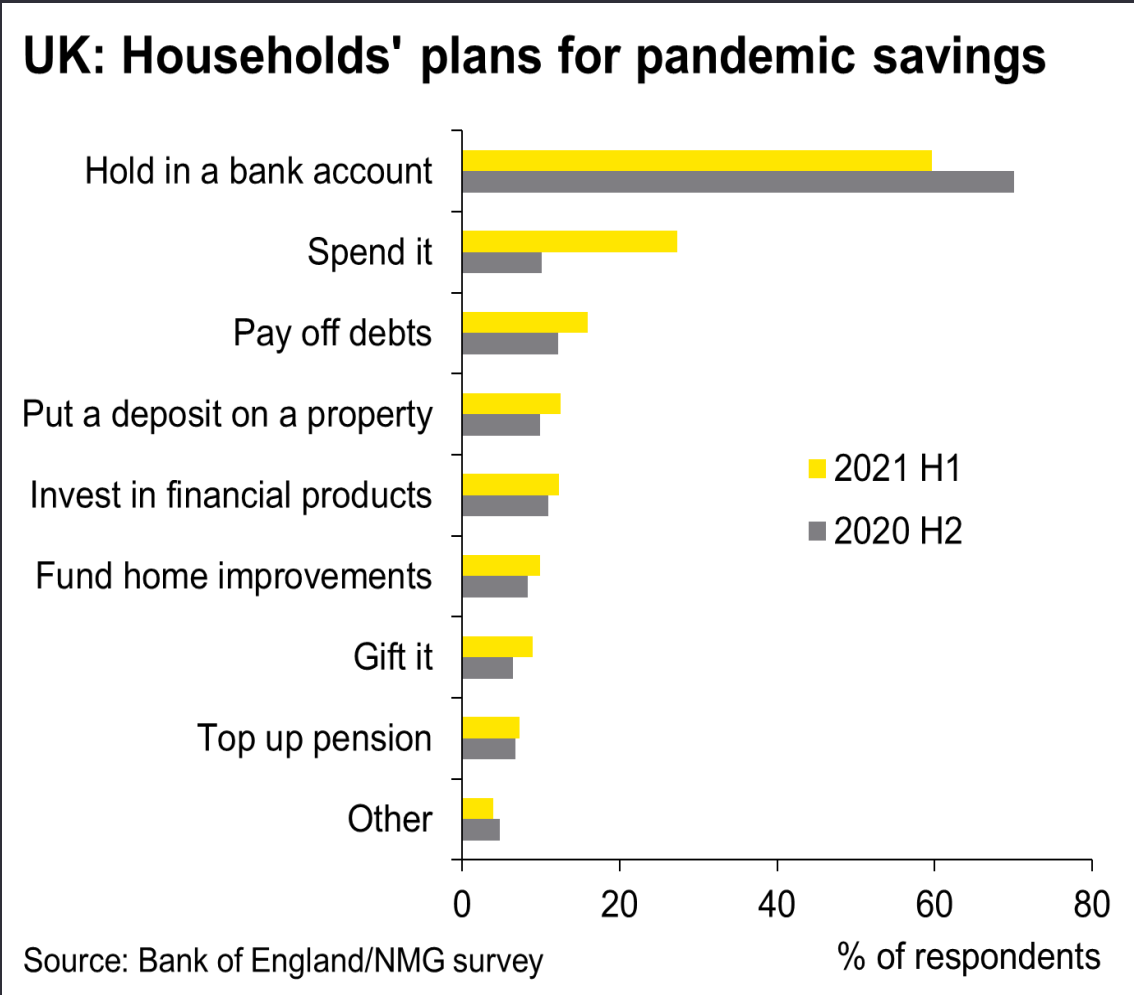
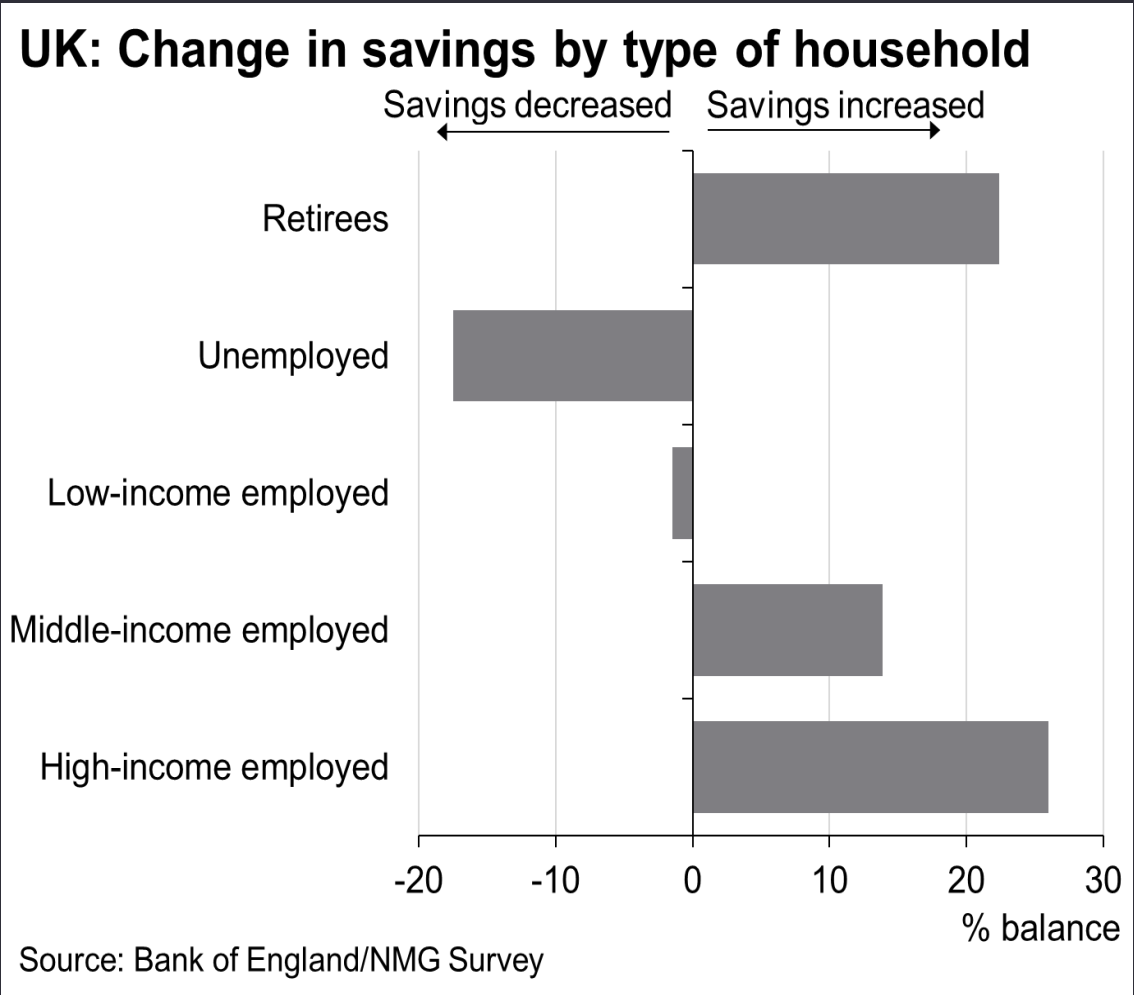


% online retail sales



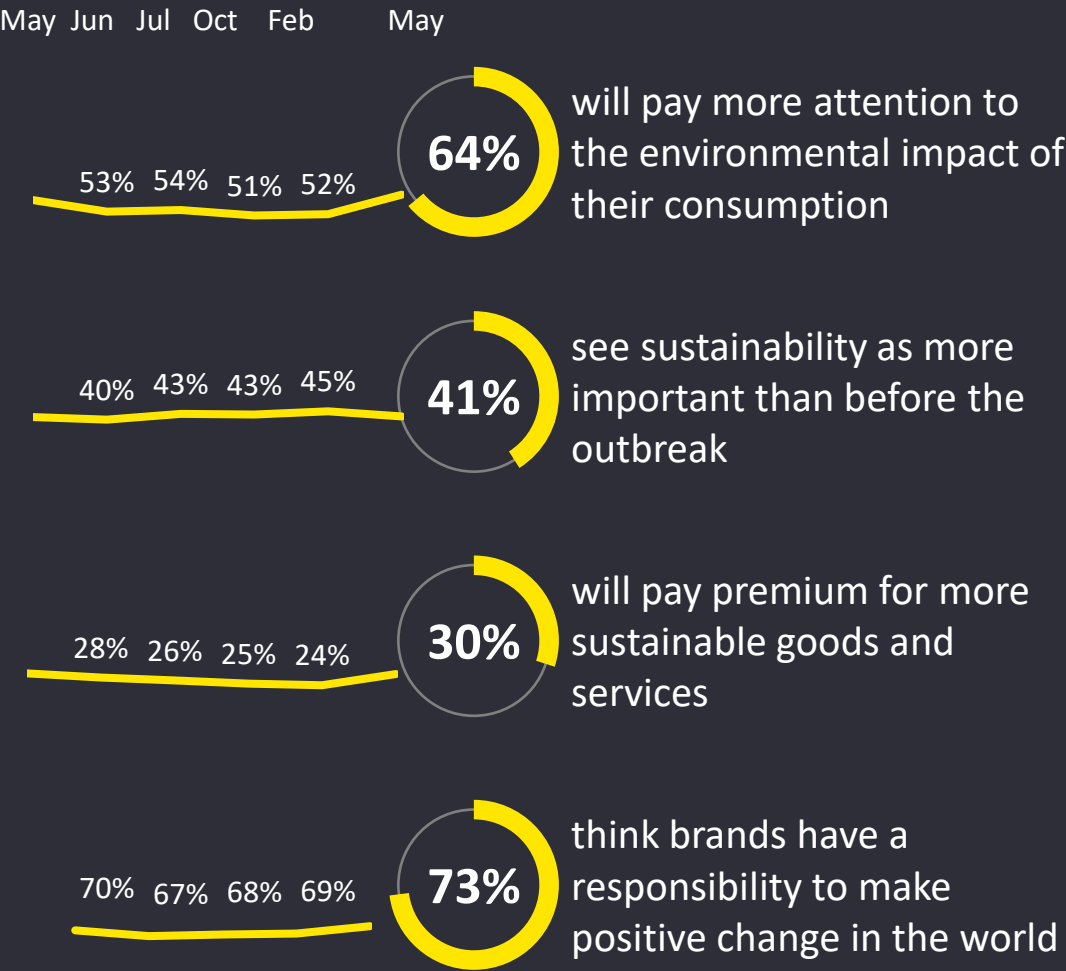
Source : EY ITEM Club/Haver Analytics/ Eurostat

Although savings are largely held by the better-off which may reduce “bang-for-the-buck” ...

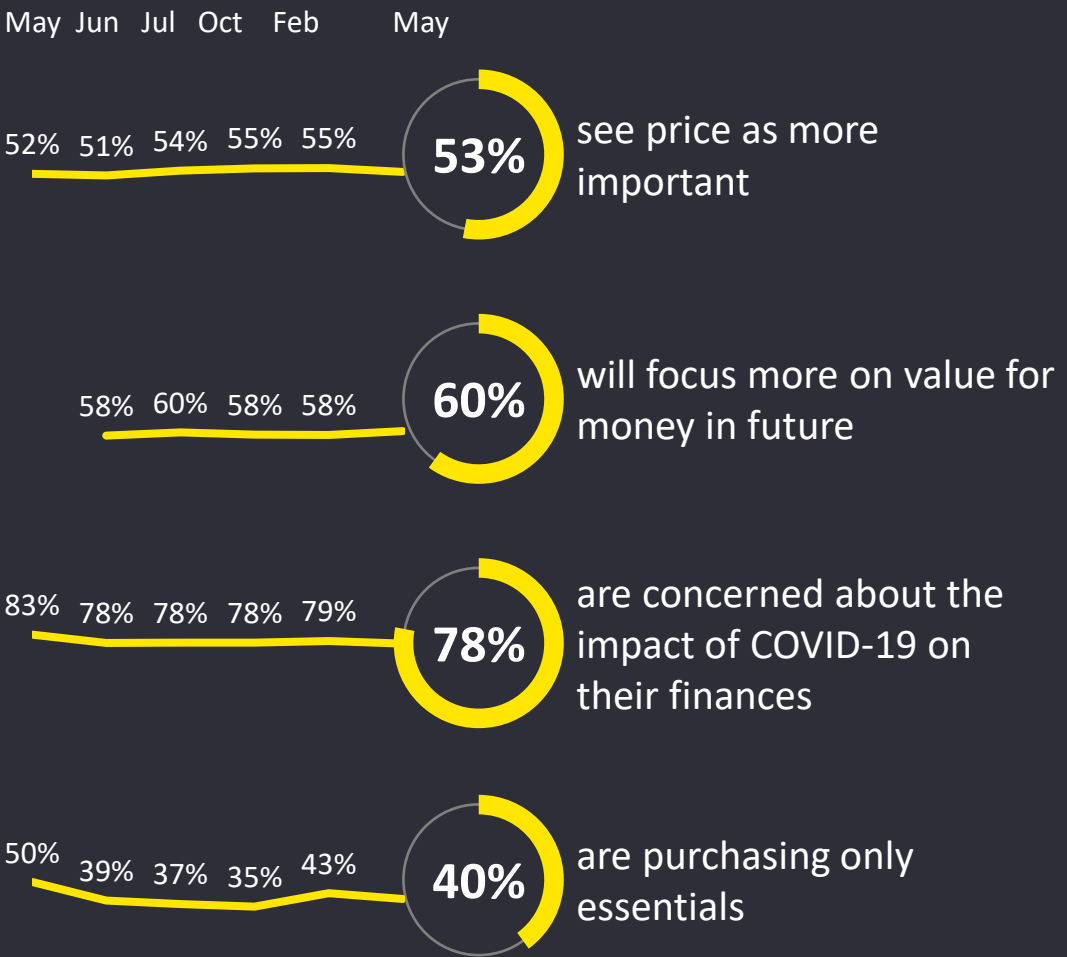


And longer term aspirations on sustainability may need to be tempered by the reality of pricing

Sustainability

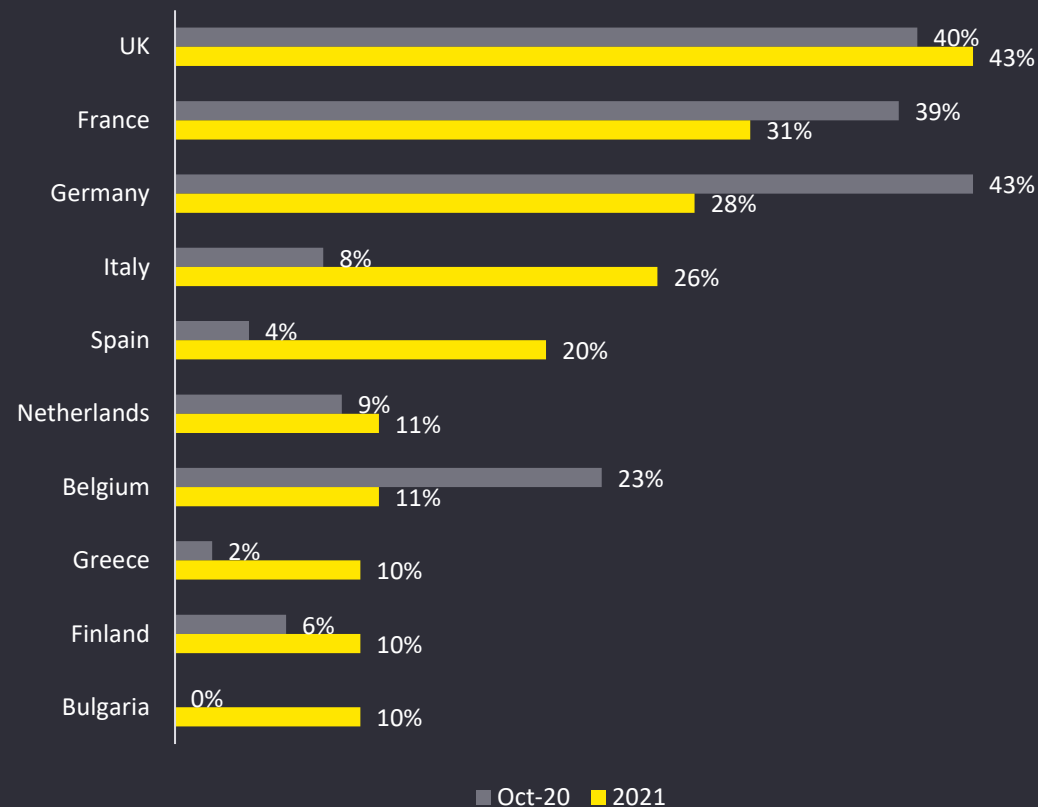


Affordability



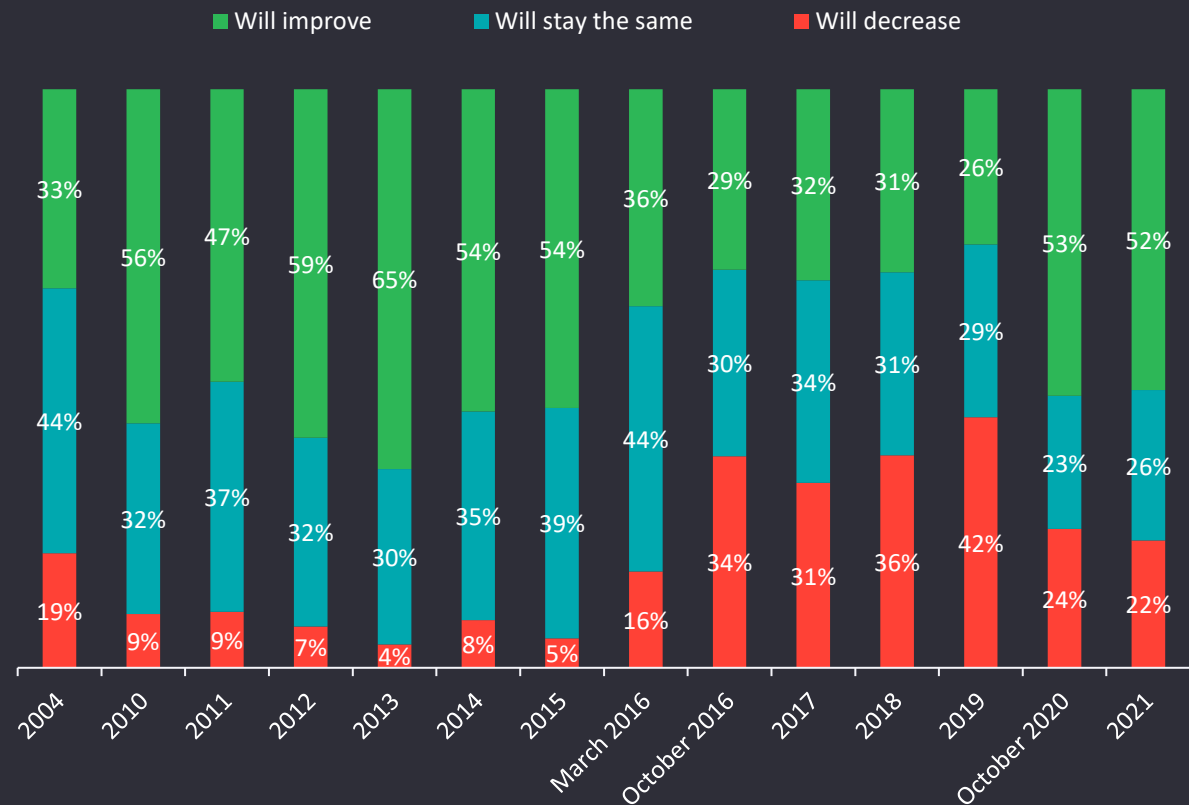
UK attractiveness looks set to improve

Which European countries do you believe will be the most attractive for foreign investment in 2021?



Source: EY’s European Attractiveness Survey 2021 (550 C-suite interviews)

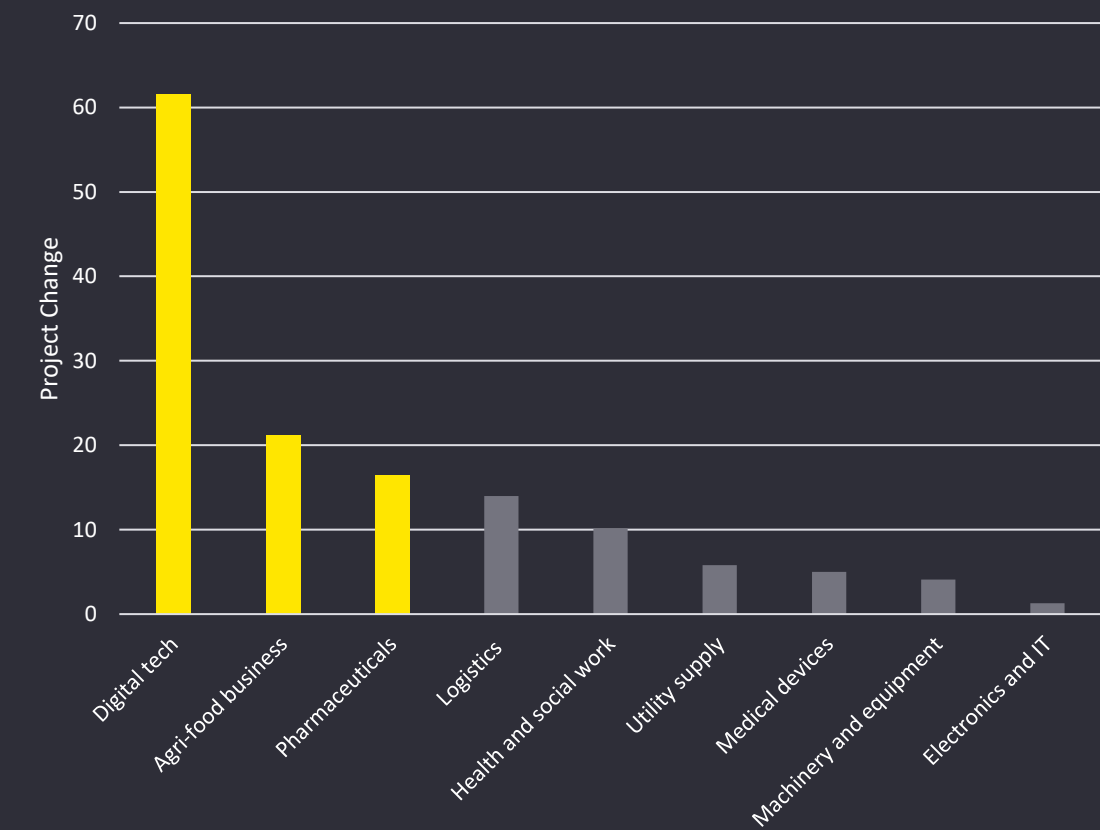
To what degree do you think the UK’s attractiveness will evolve over the next three years?



Source: EY’s UK Attractiveness Survey 2021 (570 C-suite interviews)

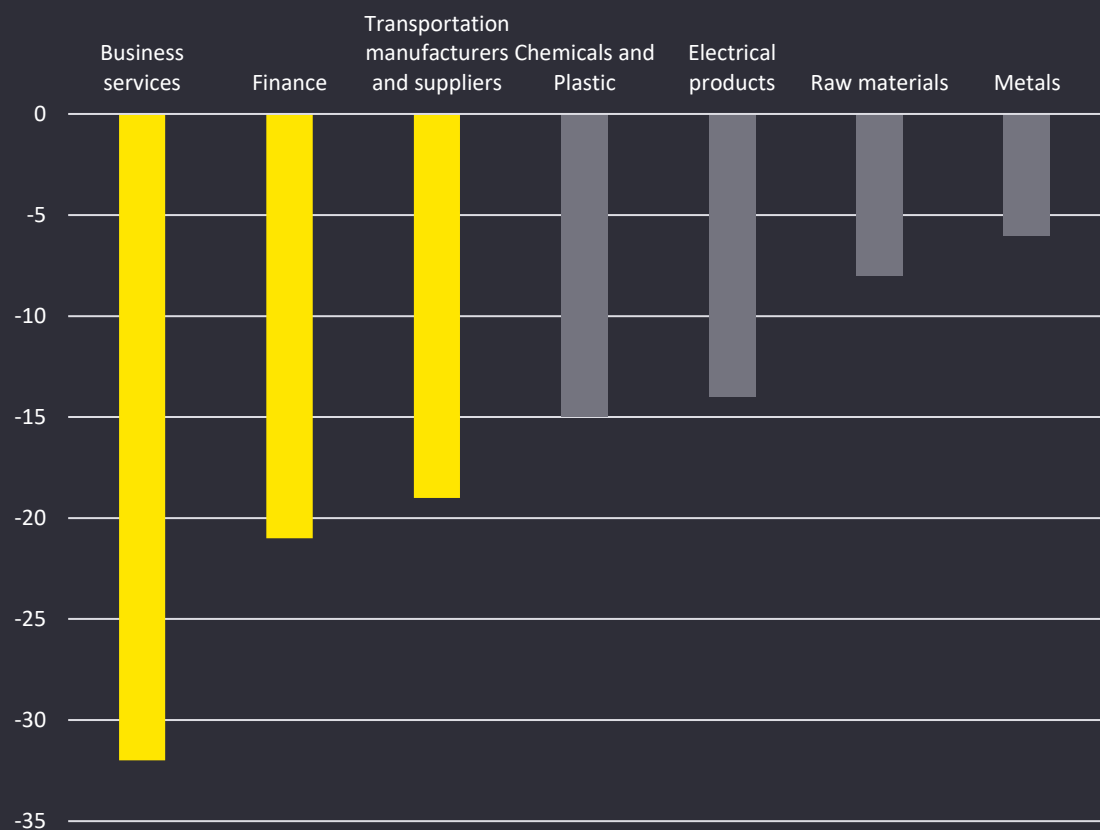
EU Exit (and Covid) will impact the shape of the economy

UK FDI sectors seeing the strongest growth in projects in 2020 compared to their 10-year average



Source: EY European Investment Monitor (EIM), 2011-20

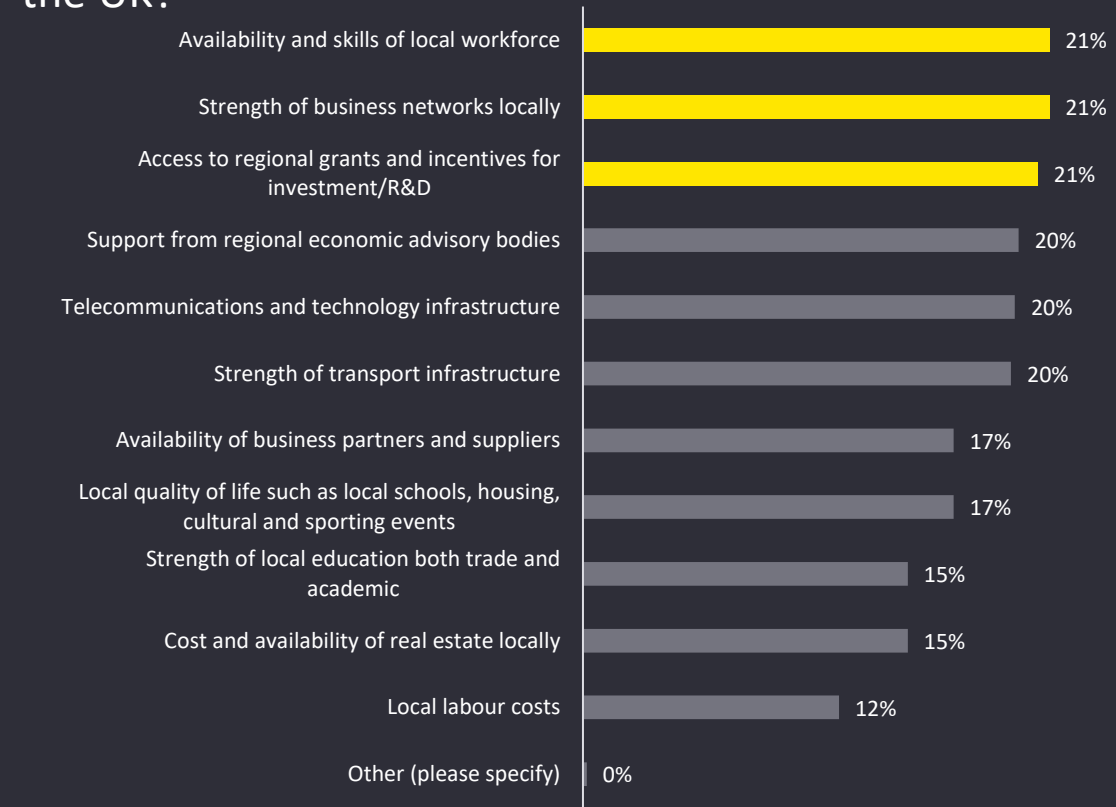
UK FDI sectors seeing the biggest declines in projects in 2020 compared to their 10-year average



Source: EY European Investment Monitor (EIM), 2011-20

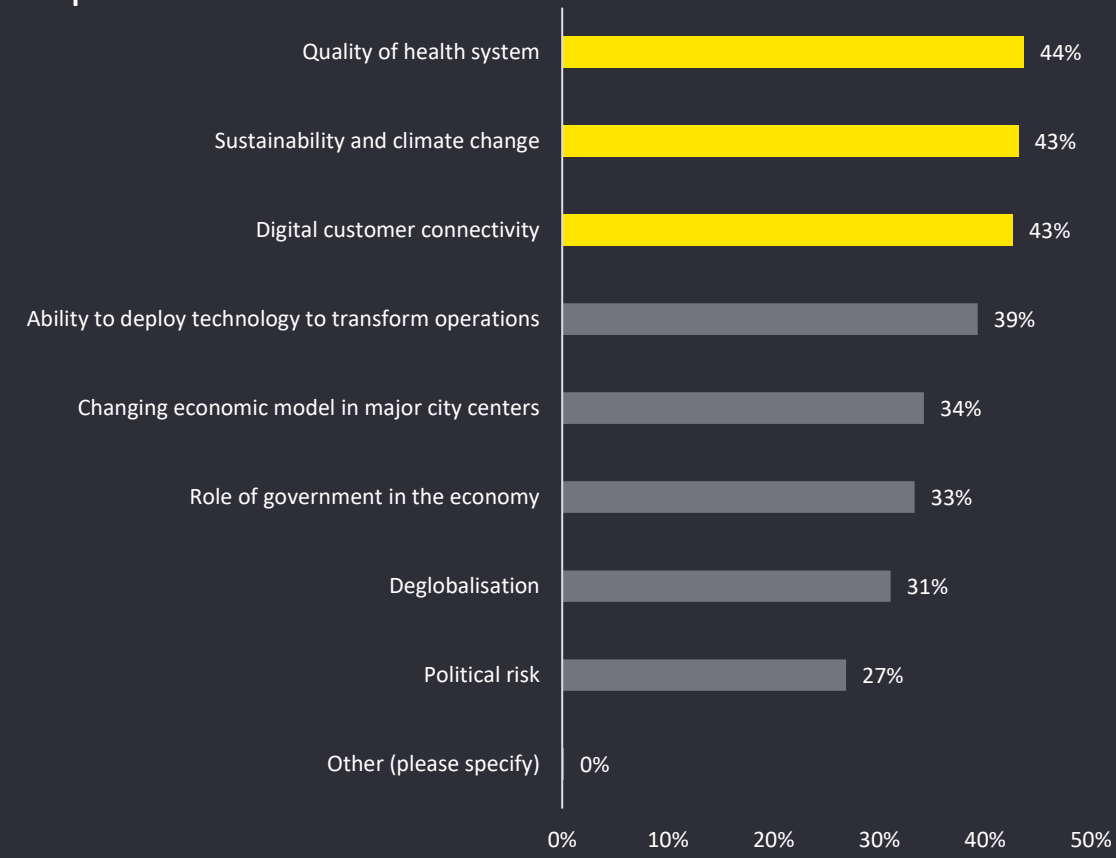
The Private Sector has identified key investment expectations . . .

What are your investment criteria when considering investing in the regional locations outside of London in the UK?



Source: EY’s UK Attractiveness Survey 2021 (570 C-suite interviews)

Which of the following themes will be more important to your investment strategy as a result of the COVID–19 pandemic?

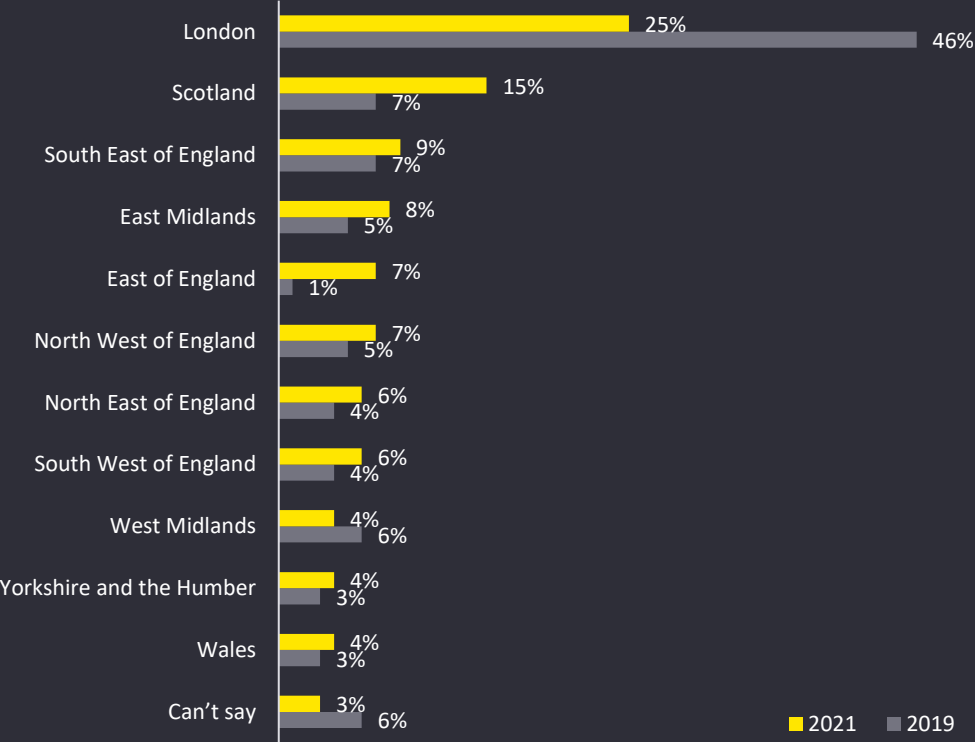


Source: EY’s European Attractiveness Survey 2021 (550 C-suite interviews)



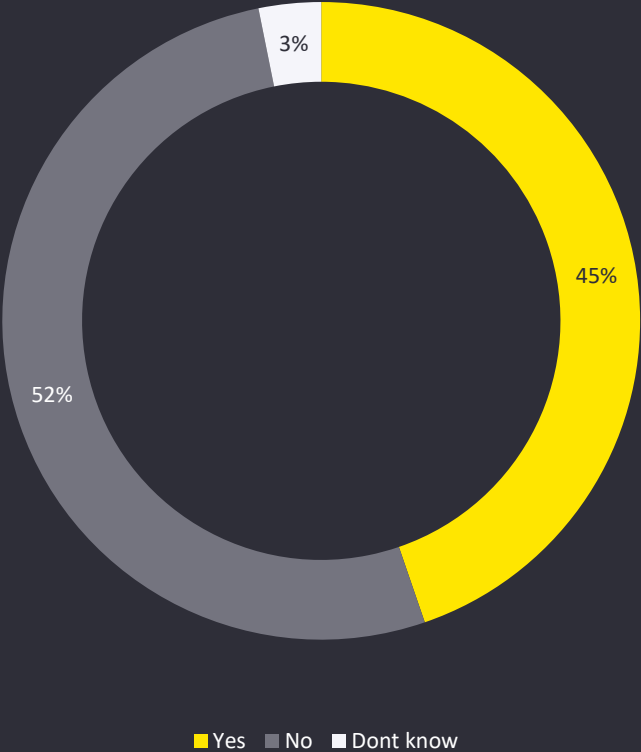
“Levelling up” is cutting through, and there is an opportunity to deliver ...

Which region in the UK do you see as the most attractive to establish operations?



Source: EY’s UK Attractiveness Survey 2021 (570 C-suite interviews)

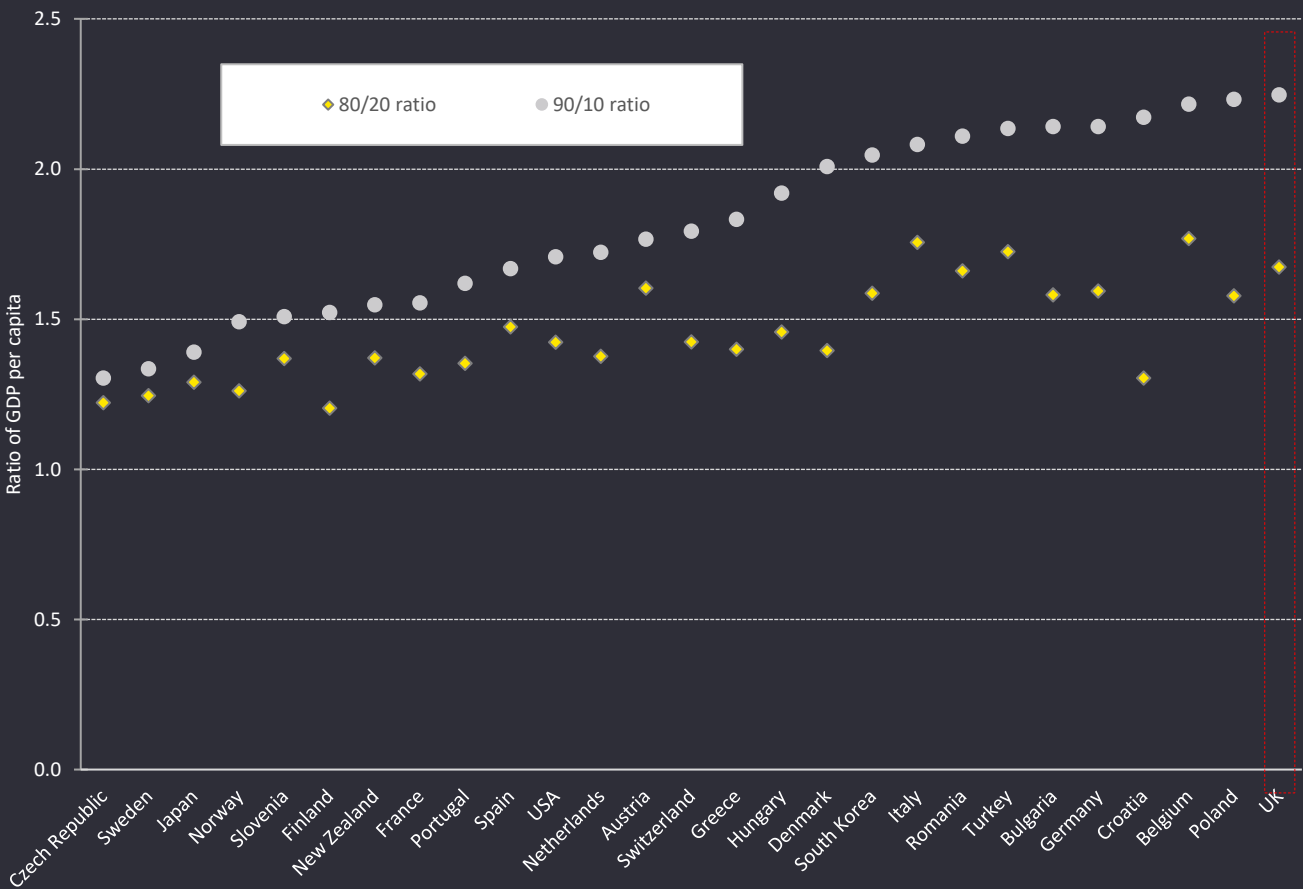
Do you plan to change your supply chain model in future?



Source: EY’s UK Attractiveness Survey 2021 (570 C-suite interviews)

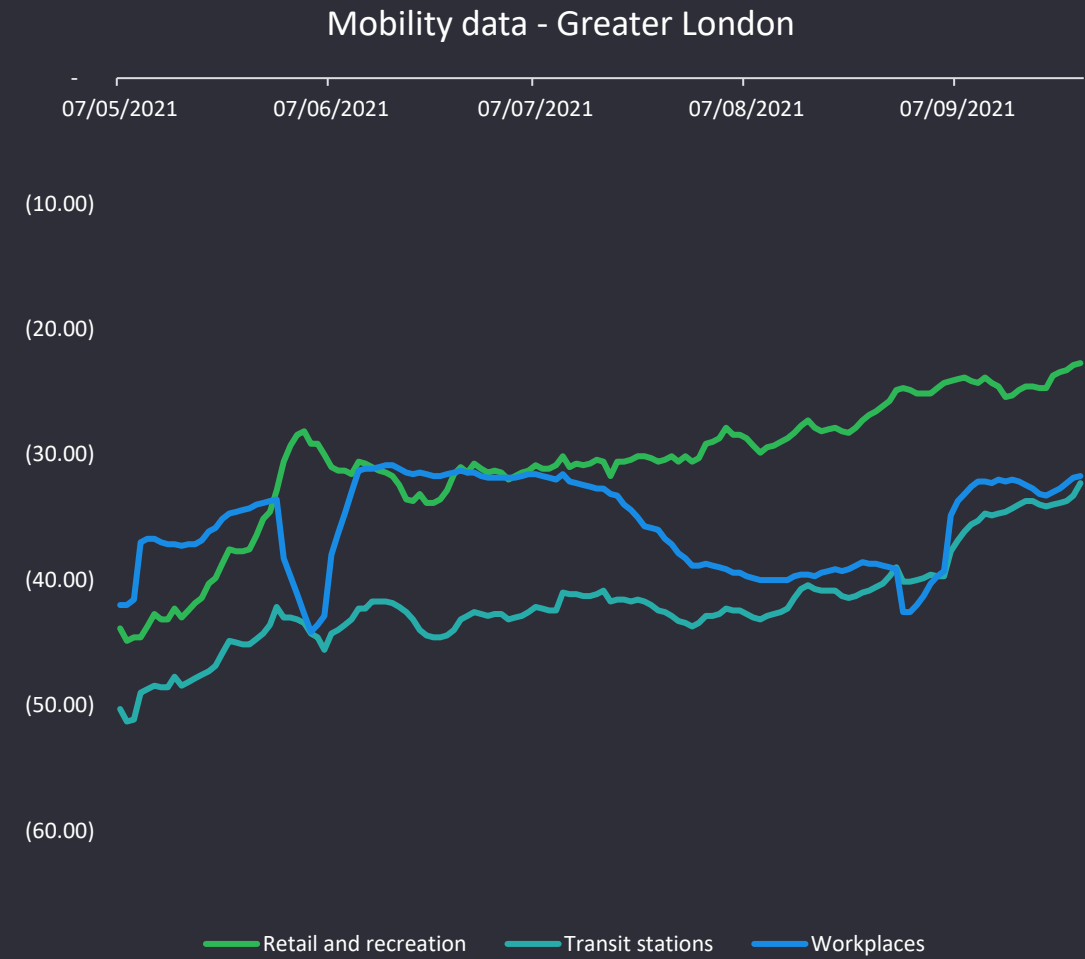
But structural compositions of localities are well entrenched...

Measures of inequality in regional GDP per capita, by country

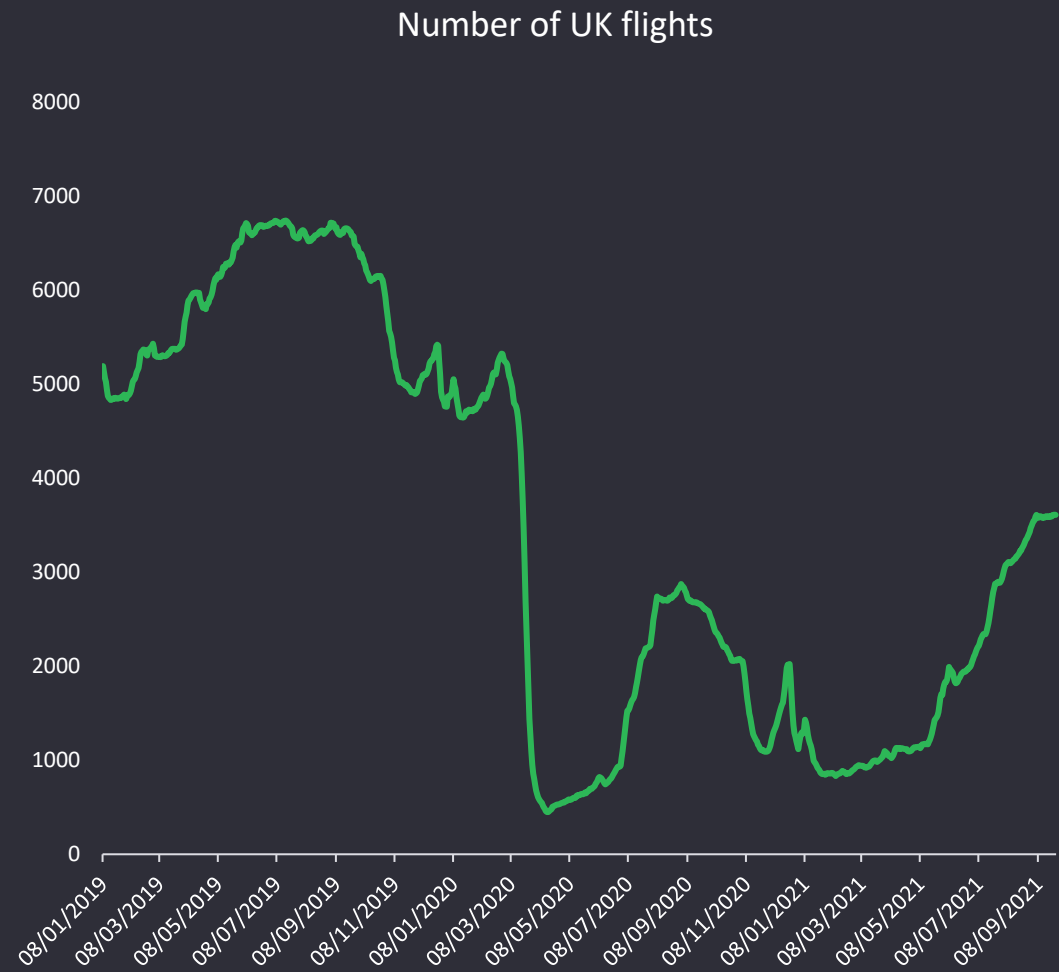


Source: IFS; 19/08/20

How long (if ever) will it take to return to normal?



Source: Google mobility data



Source: ONS

Implications for Local Leaders

- **Recovery;** Economic recovery has been strong to date, but has clearly slowed. This slowdown was driven by Covid impacts on supply of labour and goods, which is also fuelling inflation, but disruption should fade over time
- **Investment Outlook;** Fiscal and Monetary policy likely to remain supportive – although UK may be more hawkish than others
- **Shift to Policy Focus;** Attention will now start to turn to medium term economic and policy issues – Global Britain, Levelling up, future consumer, future of work, net zero etc
- **Megatrends Facing First Challenges;** Sustainability and net zero agendas will face resistance from cost-conscious voters
- Comprehensive understanding of local economic, labour and capital structures vital in setting economic policy.