



## Corporate Conference Call

6 April 2010

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### Plan

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- The past month
- US and the UK
  - ▶ Similar economies facing similar issues
  - ▶ Or a dynamic growing economy versus a declining force
    - If so, which is which?



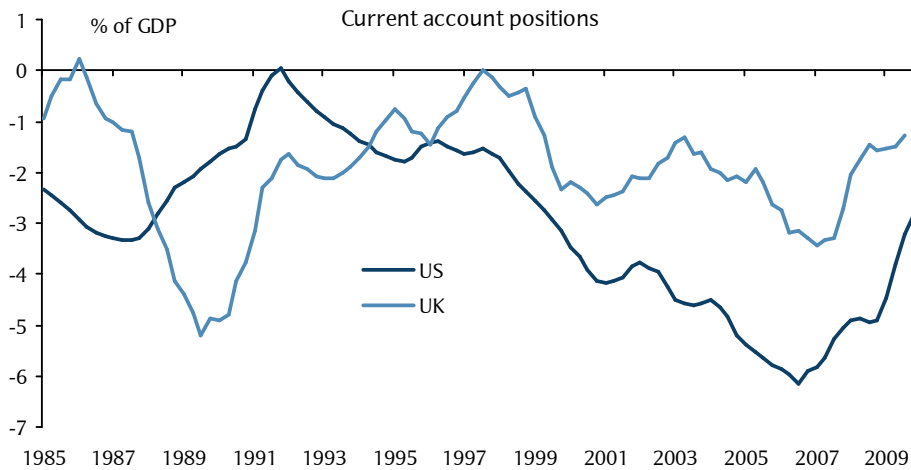
## The past month

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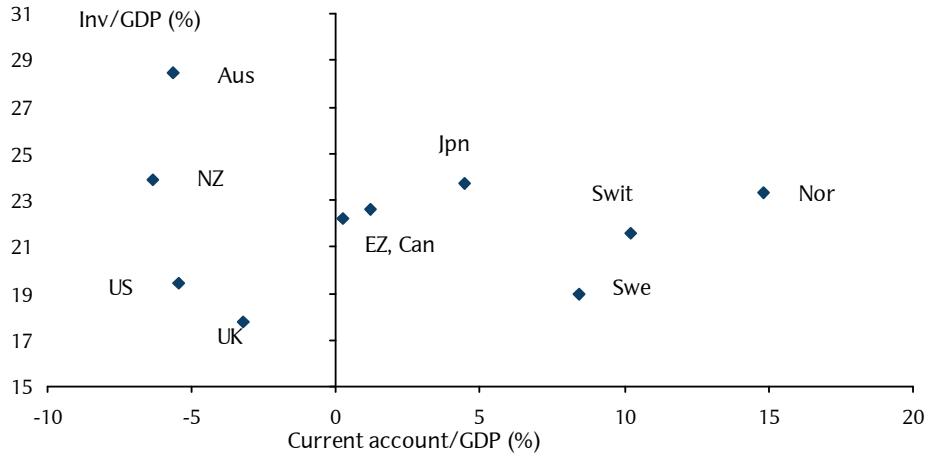
- Good for risk
  - ▶ FTSE100 up by 4%
- Some strong numbers
  - ▶ GDP revised up
  - ▶ Survey numbers continue to suggest a fairly robust recovery
  - ▶ Global growth continues
- And long-term yields fell on the month
  - ▶ UK government 10-year bond yield fell to 3.92% from 4.02%
- GBP appreciated:
  - ▶ 7.3% against the JPY
  - ▶ 2.1% against the EUR
  - ▶ 1.7% against the USD

## The US and UK have both run current account deficits for a generation

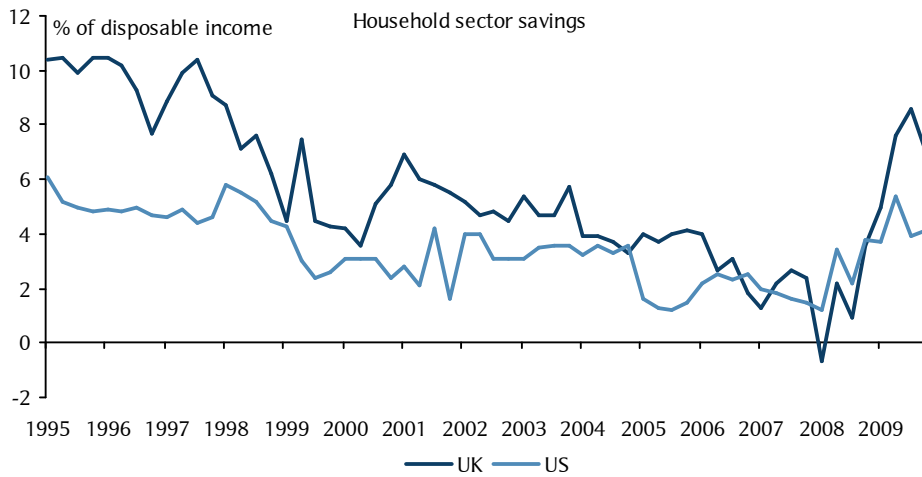
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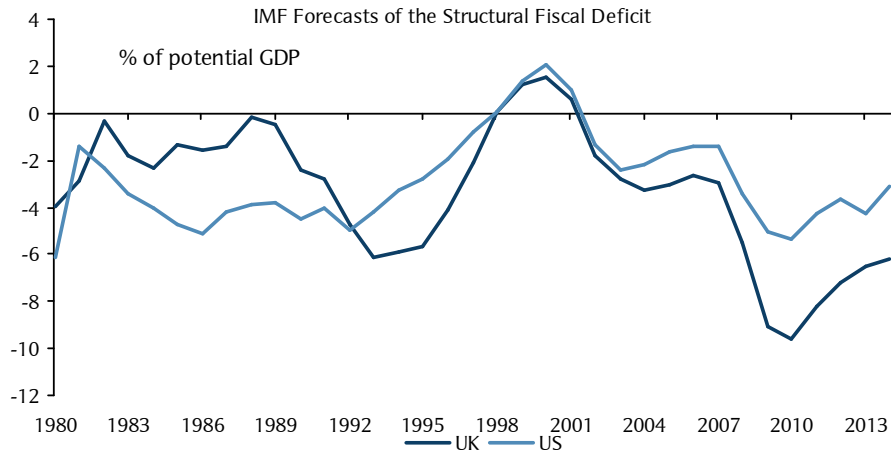
**But the inflow of capital has not been invested in fixed assets**



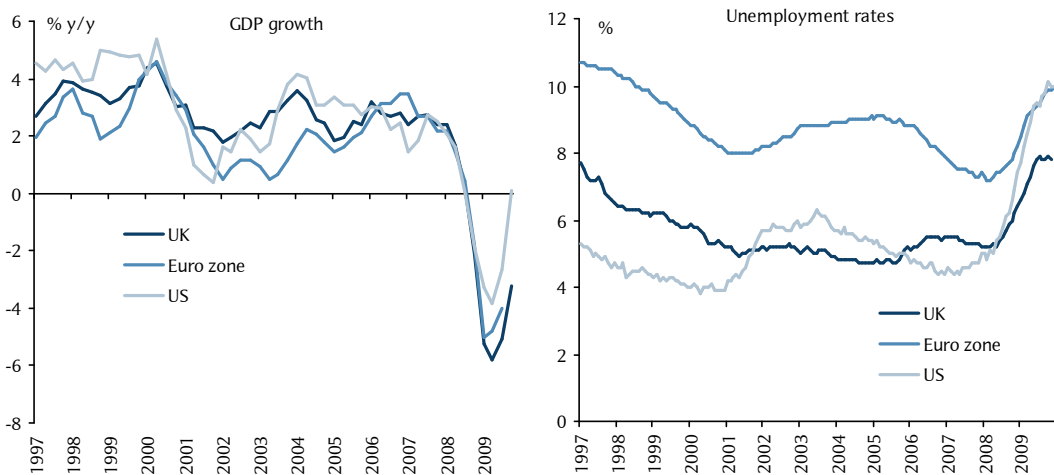
**Instead there was a long consumption boom – which had to end at some point**



### And it was not just the household sector which borrowed

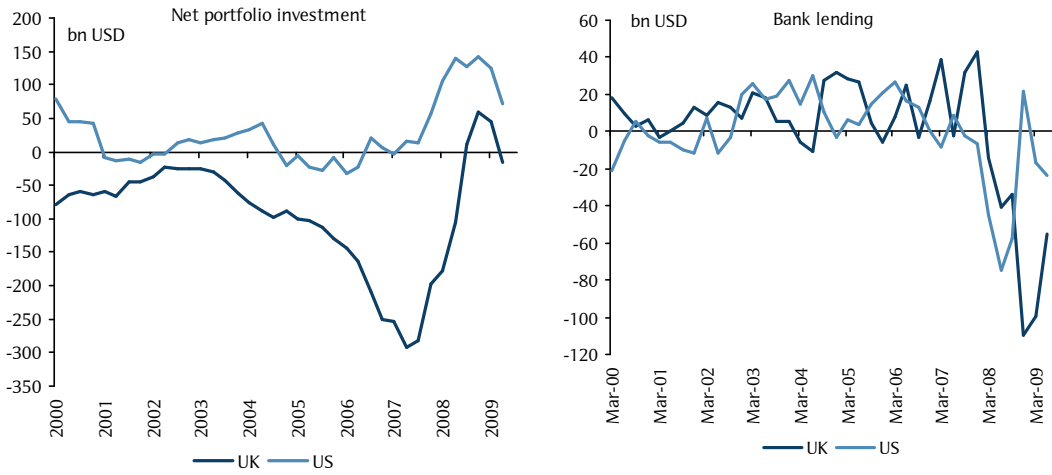


### The US recovery started earlier, but the rise in unemployment was much more aggressive there



Source: ONS, Bloomberg, Reuters EcoWin

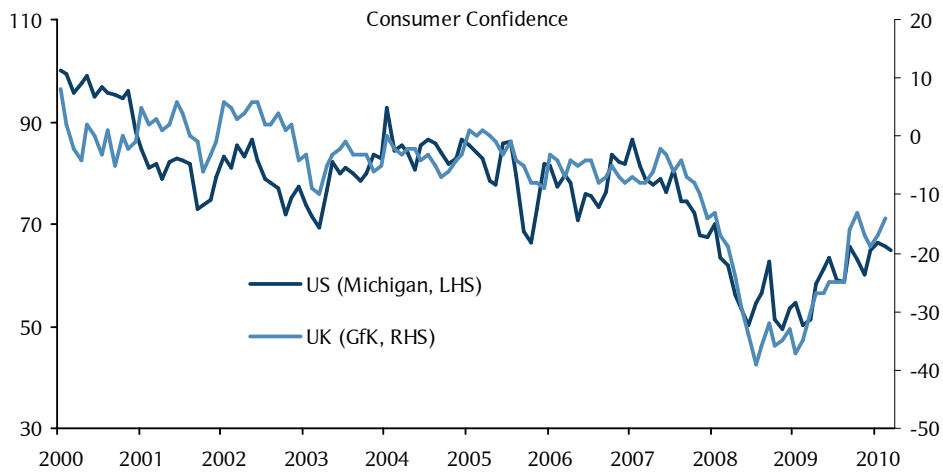
### Despite the UK suffering more from international confidence during the crisis



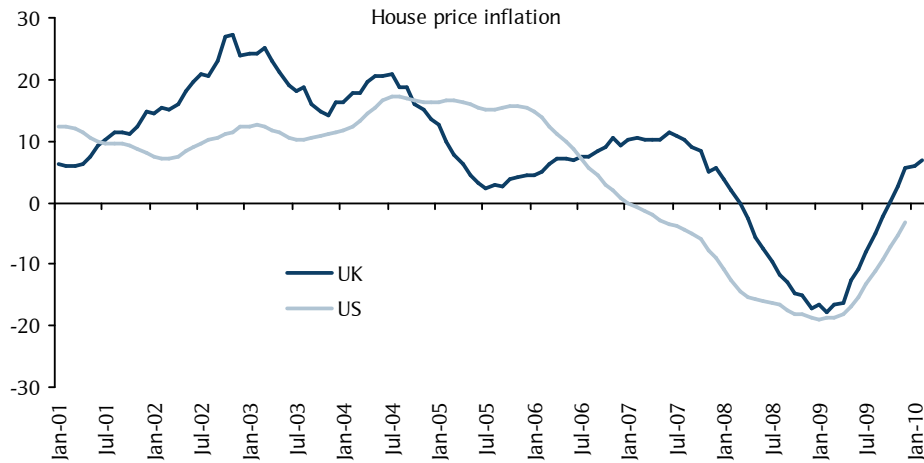
Source: Reuters EcoWin, IMF. Note, in both charts the series are four quarter moving averages



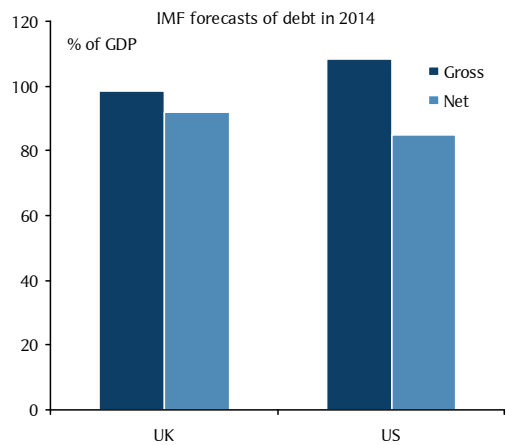
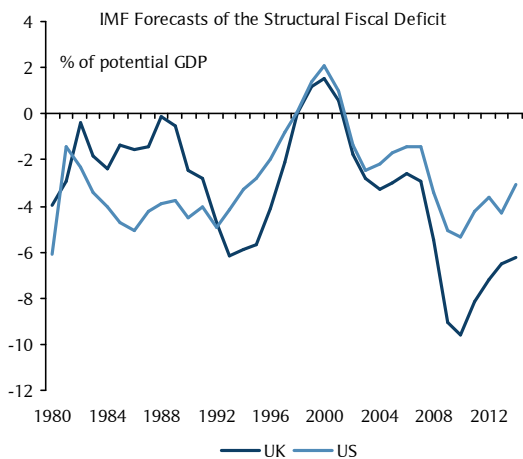
### The recovery in the two economies looks similar in some ways



And has been even faster in the UK than the US in some parts of the economy



Prospects for fiscal policy are crucial



Source: Reuters EcoWin, IMF.

## US/UK comparison

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- The economies do face similar issues
  - ▶ Most importantly, both had previously been saving too little
  - ▶ But not investing either
- The UK suffered a lot more during the crisis
  - ▶ Partly because the problems appeared more serious
  - ▶ But partly because the US is the largest economy and has the deepest financial markets in the world
- Both economies are recovering, but the US recovery started earlier
- Thus far (and it is still early in the recovery) the UK appears to have made more of an adjustment
  - ▶ But is that going to prove temporary?
- The dissimilarities may have been over-emphasised by the market
- Medium-term this is positive for GBP

## Forecasts

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	Spot	Forecasts			
		1 Month	3 Month	6 Month	1 Year
GBP/USD	1.52	1.50	1.48	1.59	1.61
GBP/EUR	1.13	1.11	1.14	1.18	1.19
EUR/GBP	0.89	0.90	0.88	0.85	0.84
EUR/USD	1.35	1.35	1.30	1.35	1.35
USD/JPY	95	91	93	96	100
USD/CHF	1.06	1.07	1.13	1.11	1.15
USD/CAD	1.01	1.03	1.05	1.02	0.98
AUD/USD	0.92	0.88	0.86	0.84	0.82
NZD/USD	0.71	0.70	0.70	0.69	0.67
EUR/JPY	127	123	121	130	135
EUR/CHF	1.43	1.45	1.47	1.50	1.55
EUR/SEK	9.71	9.75	9.60	9.50	9.40
EUR/NOK	8.02	8.10	8.05	7.90	7.85

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