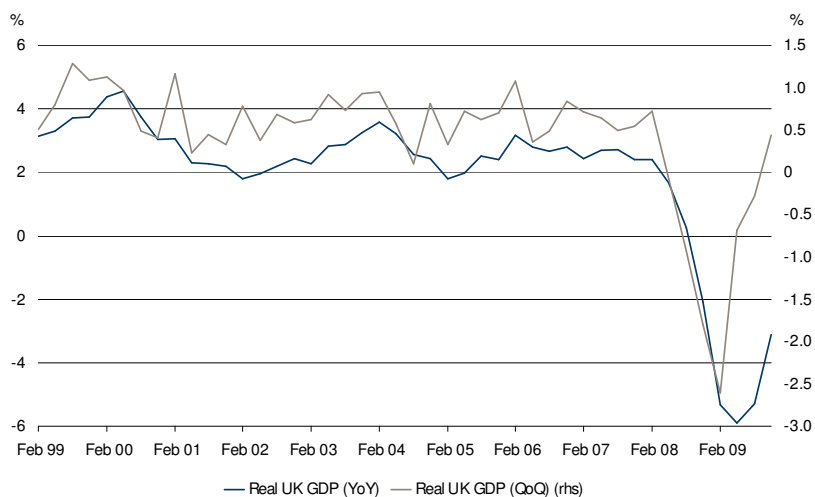


The Political & Business Environment

BSA – Manchester, 5th May 2010
Bob Parker, Senior Advisor, Credit Suisse



UK real GDP growth



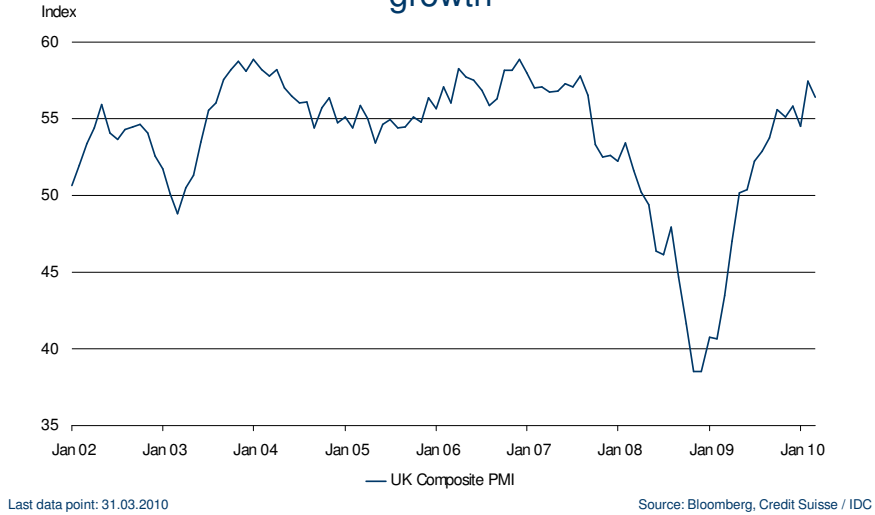
Last data point: 15.11.2009

Source: Datastream, Credit Suisse / IDC



Slide 2

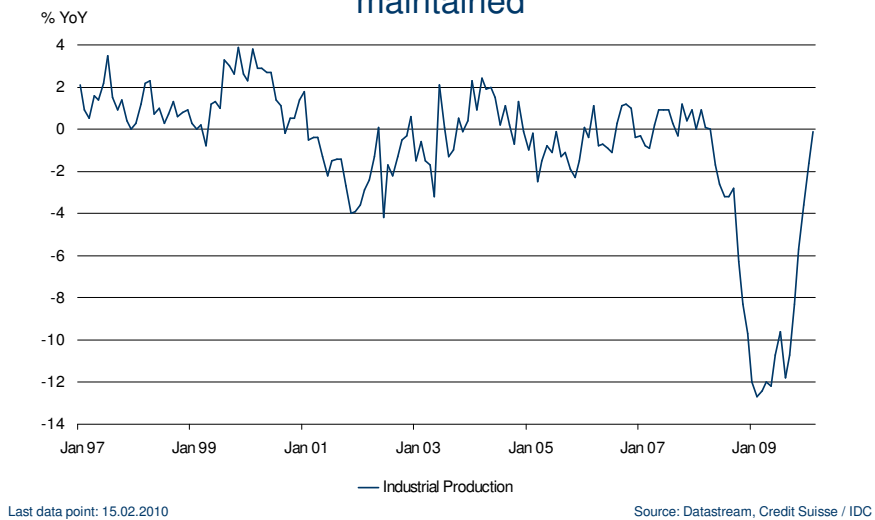
UK composite PMI – consistent with further moderate growth



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Slide 3

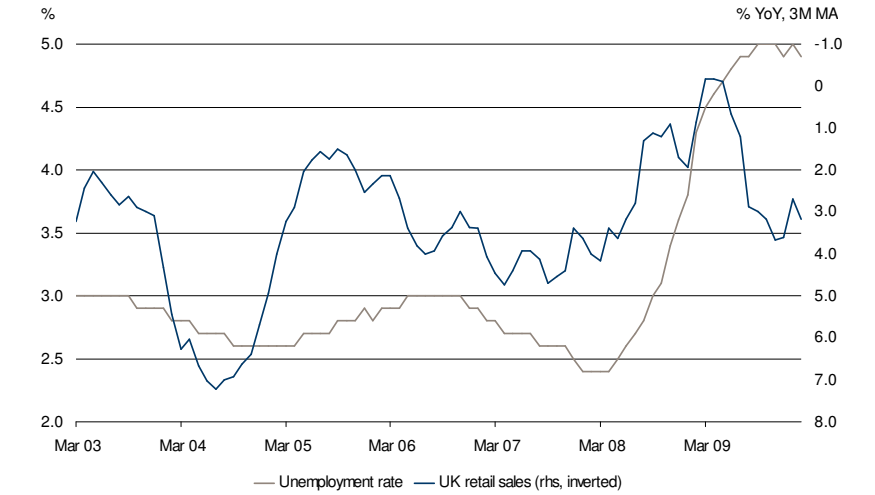
UK industrial production – the upturn should be maintained



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Slide 4

UK unemployment rate vs. retail sales – a drag on growth



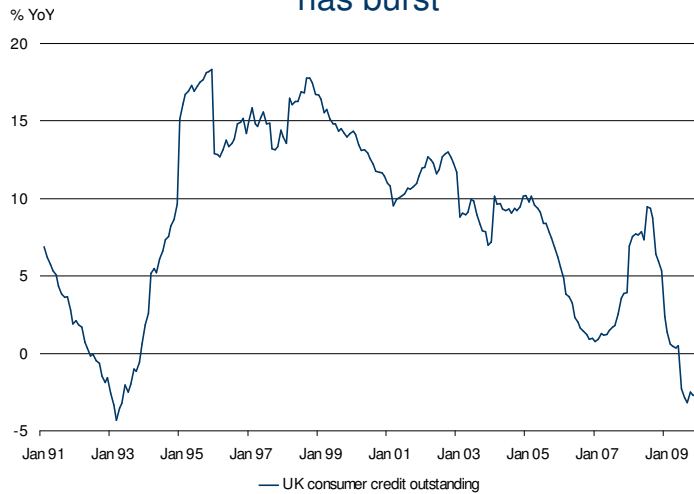
Last data point: 15.03.2010

Source: Bloomberg, Datastream, Credit Suisse / IDC

CREDIT SUISSE

Slide 5

UK consumer credit outstanding – the long-term bubble has burst



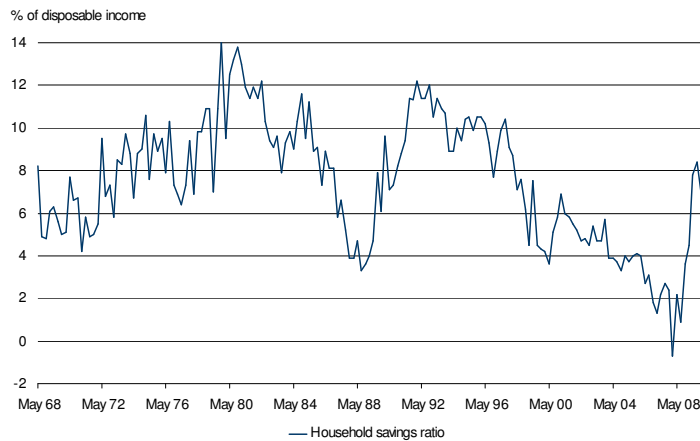
Last data point: 26.02.2010

Source: Bloomberg, Credit Suisse / IDC

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Slide 6

UK household savings ratio – savings are being rebuilt



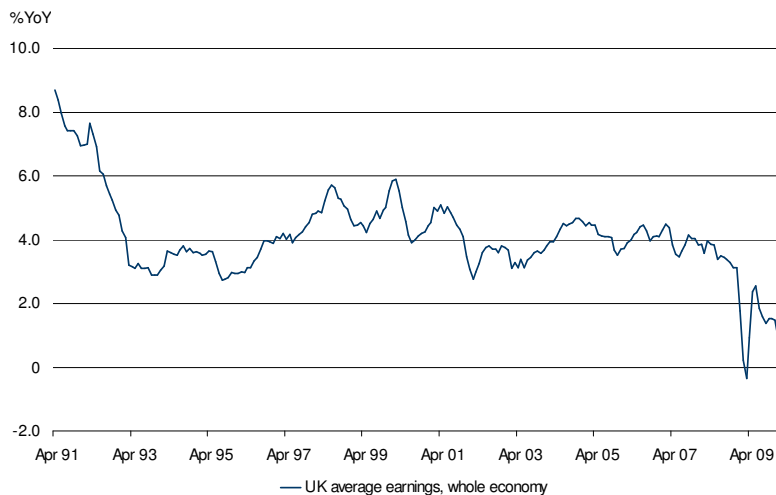
Last data point: 15.11.2009

Source: Datastream, Credit Suisse / IDC

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Slide 7

UK average earnings – sluggish growth



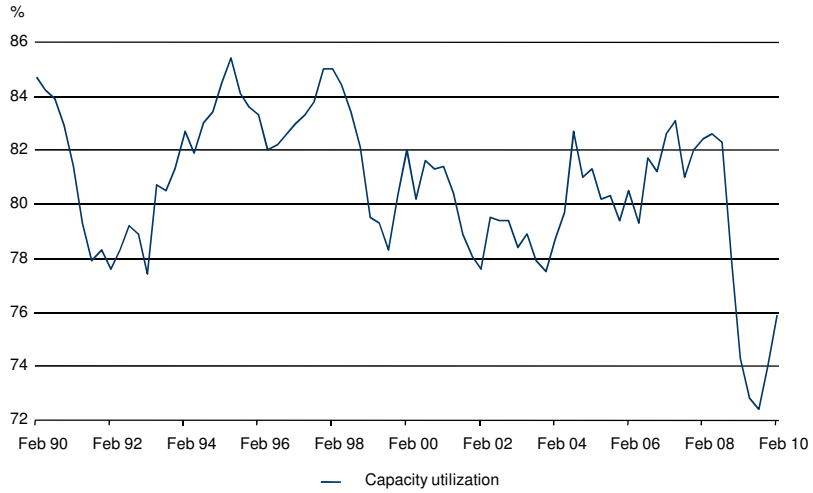
Last data point: 28.02.2010

Source: Bloomberg, Credit Suisse / IDC

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Slide 8

UK capacity utilisation – inflation is not a problem



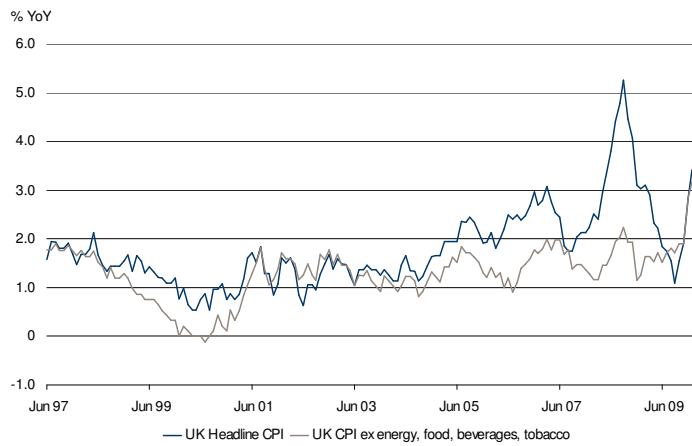
Last data point: 15.02.2010

Source: Datastream, Credit Suisse / IDC

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Slide 9

UK CPI headline & core



Last data point: 15.03.2010

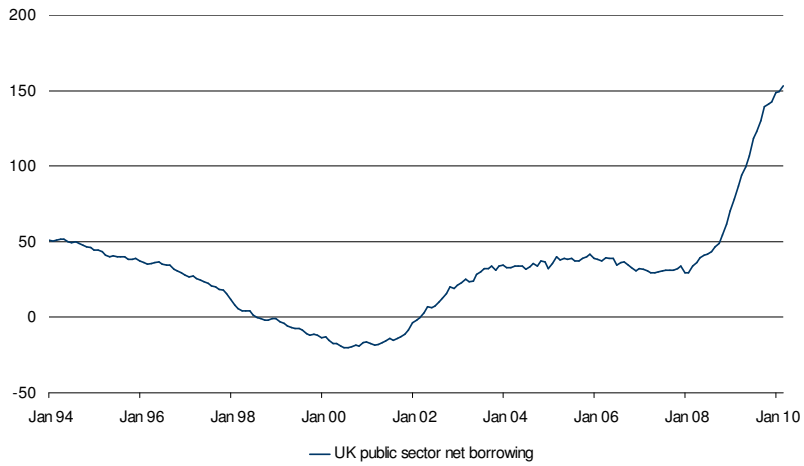
Source: Datastream, Credit Suisse / IDC

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Slide 10

UK public sector net borrowing

GBP bn, 12M sum



Last data point: 15.03.2010

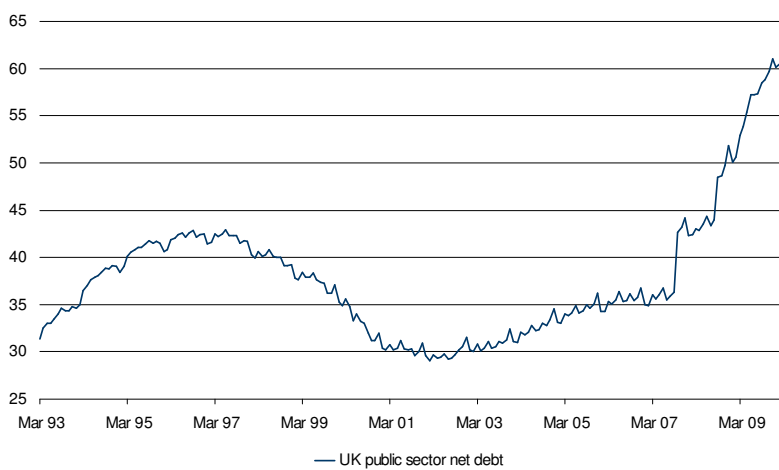
Source: Bloomberg, Datastream, Credit Suisse / IDC

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Slide 11

UK public sector net debt

% of GDP



Last data point: 31.03.2010

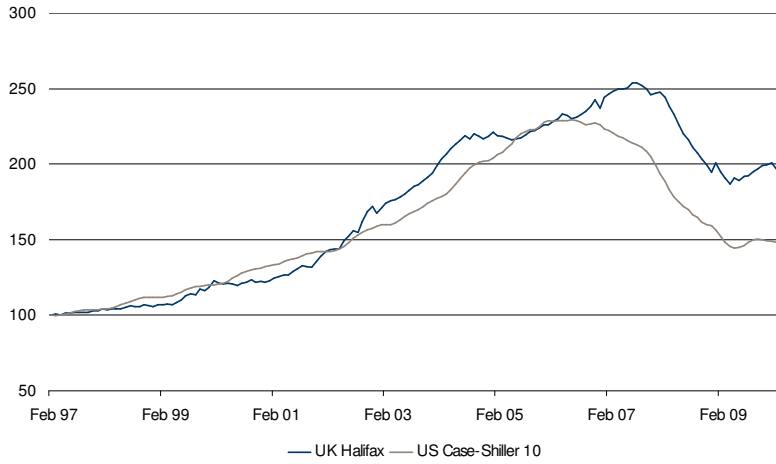
Source: Datastream, Credit Suisse / IDC

CREDIT SUISSE

Slide 12

Global - housing market - UK vs. US real house prices

indexed, 1997=100



Last data point: 31.03.2010

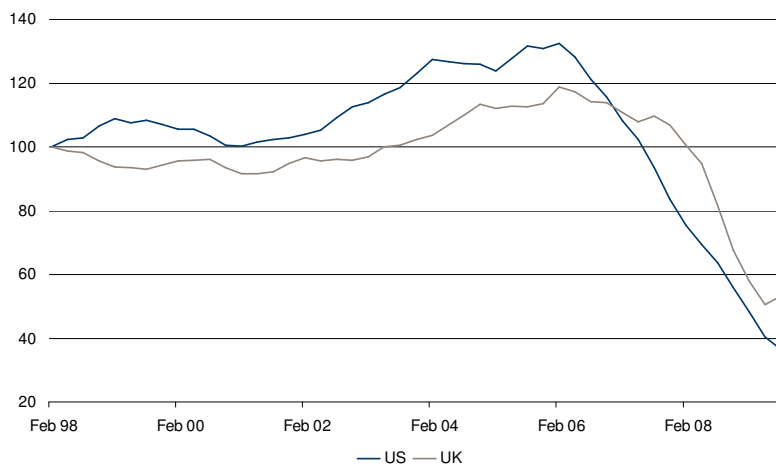
Source: Bloomberg, Datastream, Credit Suisse / IDC

CREDIT SUISSE

Slide 13

Global - housing market - UK vs. US housing starts

indexed, 1997=100



Last data point: 31.03.2010

Source: Bloomberg, Datastream, Credit Suisse / IDC

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Slide 14

UK real effective exchange rate – Sterling is now undervalued



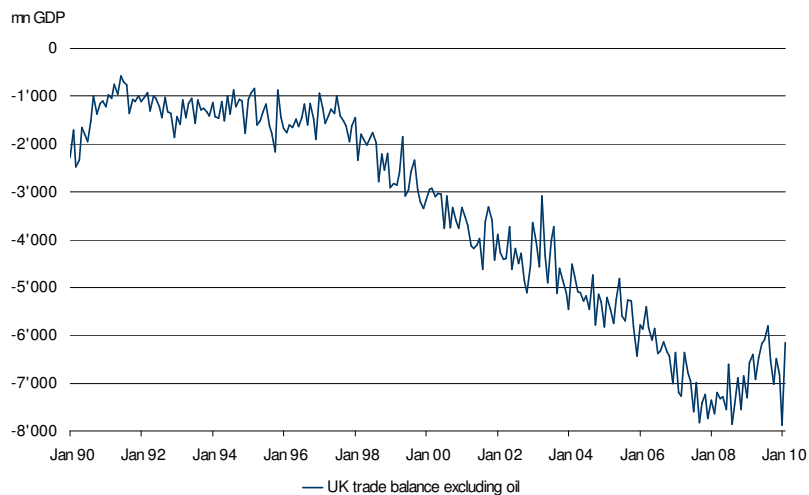
Last data point: 31.03.2010

Source: Bloomberg, Credit Suisse / IDC

CREDIT SUISSE

Slide 15

UK trade balance excluding oil – now stabilising



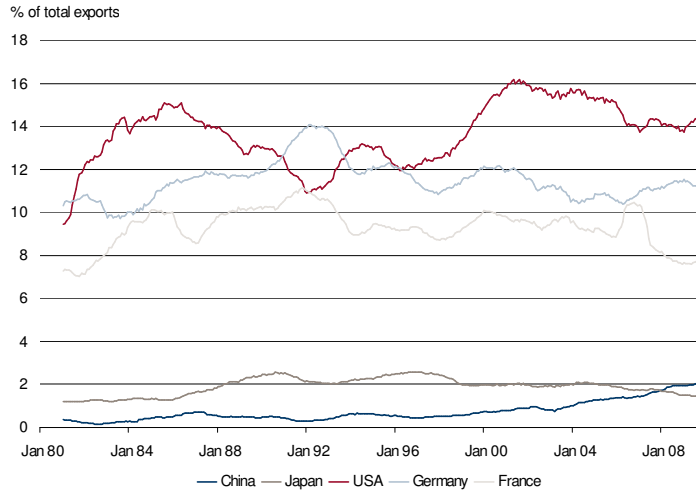
Last data point: 28.02.2010

Source: Bloomberg, Credit Suisse / IDC

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Slide 16

UK export share – need to build market share in fast growing economies



Last data point: 15.11.2009

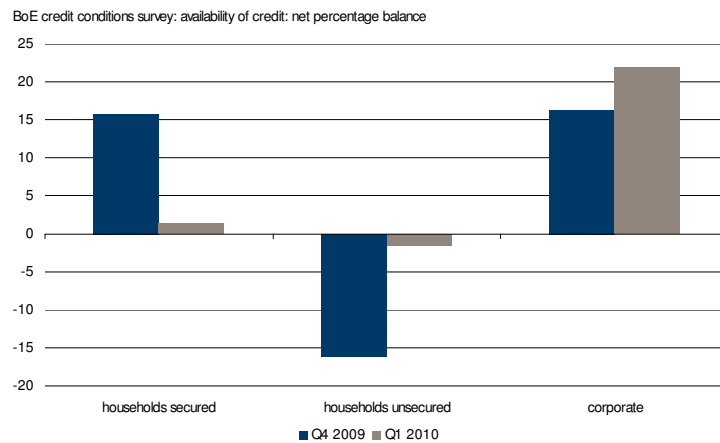
Source: Bloomberg, Datastream, Credit Suisse / IDC

CREDIT SUISSE

Slide 17

BoE credit conditions survey

The availability of corporate credit seems to have improved markedly in recent quarters.



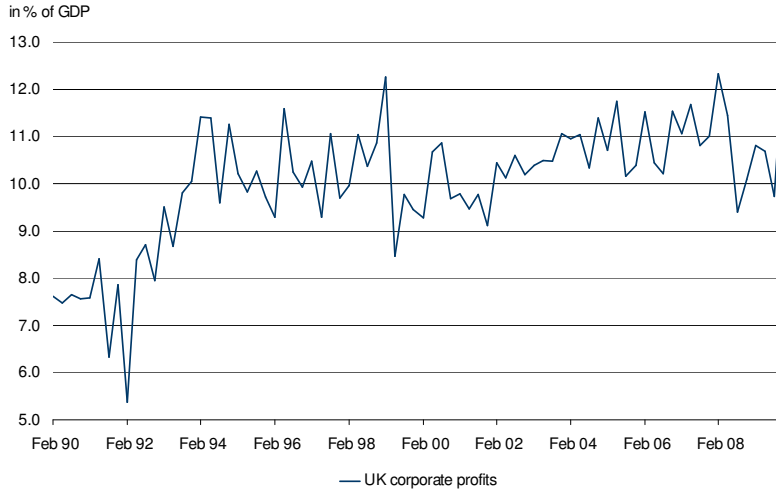
Last data point: 31.03.2010

Source: Datastream, Credit Suisse / IDC

CREDIT SUISSE

Slide 18

UK corporate profits – a robust picture



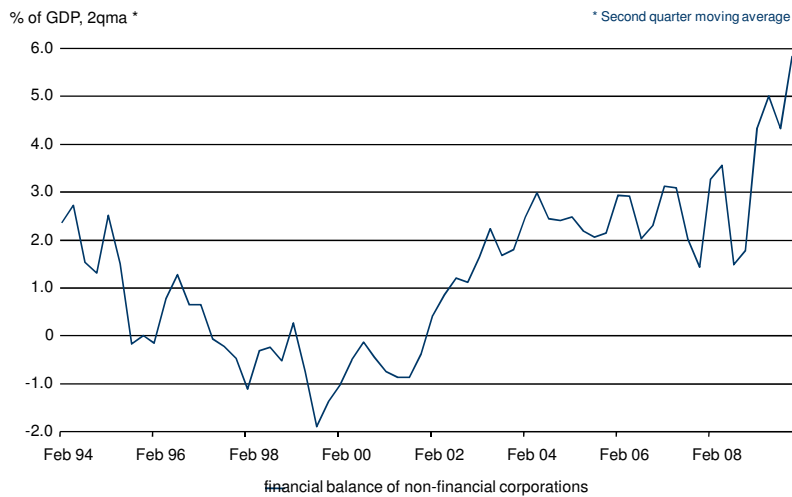
Last data point: 15.11.2009

Source: Datastream, Credit Suisse / IDC

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Slide 19

UK financial balance of non-financial corporations



Last data point: 15.11.2009

Source: Datastream, Credit Suisse / IDC

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Slide 20

Conclusions

- The UK economy is recovering and we expect growth will reach 2.5% in 2011
- Inflation should subside given spare capacity in the economy
- However, retail spending will be sluggish as unemployment stays relatively high and as savings are rebuilt
- Markets will tolerate a 4-year plan to reduce the fiscal deficit, but there has to be credibility on the implementation of the plan
- The export sector is supported by the undervaluation of Sterling and corporate profitability driven by overseas earnings is strong
- Overall, the economy is rebalancing away from a consumer credit, housing and public expenditure driven model

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