UK economic outlook: Where do we go from here?

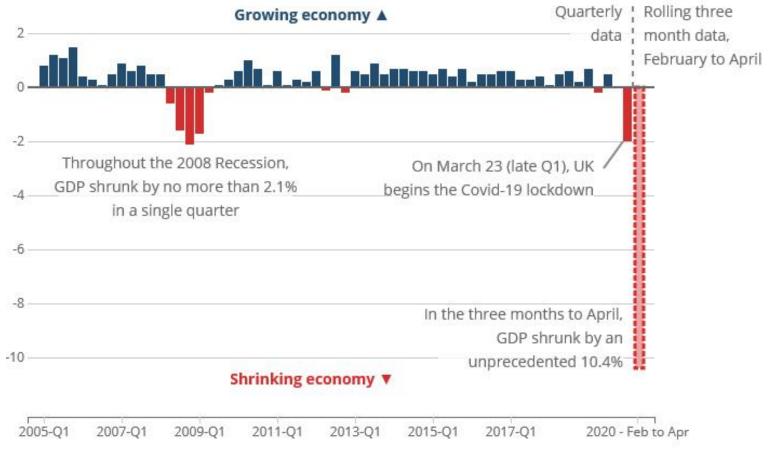
Calvin Man







GDP fell by 20.4% in April 2020, following a fall of 5.8% in March 2020



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Quarter on quarter growth and rolling three-month growth, %



Widespread contractions across the UK economy

	Growth in sector (%)					Contribution to whole economy change, percentage points						
Agriculture	-2.1						-0.01					
Index of Production				-9.5					-1.	25		-
nergy and water supply	-6.8						-0.26					_
Manufacturing	-10.5								-C).98		_
Construction		-18.2	2						-1	.13		_
Index of Services				-9.9			-7.94					_
retail and motor trades		-	14.5						-1.5	4		_
Transport and storage		-18.3	;						-	0.77		_
ation and food services	-40.9								-1	.15		_
on and communication				-6.1						-0.44		_
and insurance services					-1.5					-0.1		_
Real estate					-0.4					-0.05		_
and technical activities				-6.8						-0.54		_
e and support activities		-1	5.7						-(0.86		_
inistration and defence						0.2					0.01	_
Education		-18.8							-1	.11		_
Ith and social activities				-8.9					-	0.68		_
Other services		-20.5							-	0.74		_
Whole economy			-1	10.4			-10.35					_

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Mining, ene Wholesale, re Accommodat Information Financial a Professional, scientific a Administrative Public admin Human healt

Breakdown of GDP and its sub-sectors, rolling three-month growth rates and contributions to growth, February to April 2020 Source: ONS

Unprecedented level of Government involvement in the economy

Cost to date of furlough and self-employed support schemes:

£27.1bn

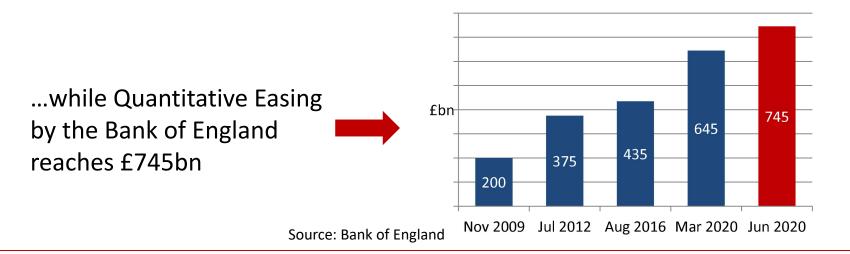
Covid business loans expected to reach

£123bn by Q2 2021

Government borrowed £55bn in May. Government net debt now stands at

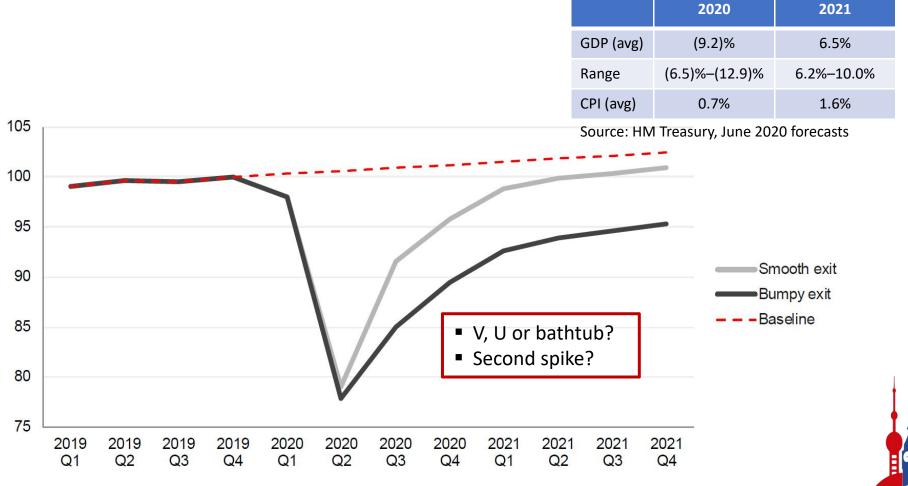
£1.95 trillion

Source: OBR





No concensus yet around the shape of the recovery...



SHANGHAI-LONDON

...but signs of life. July GDP likely to show lifting off the bottom

UK mobility trends 180 160 140 120 100 80 60 40 20 0 13/21 135EB 13 Mar 13 AP1 131/124 13 Jun Public transport -----Walking Driving

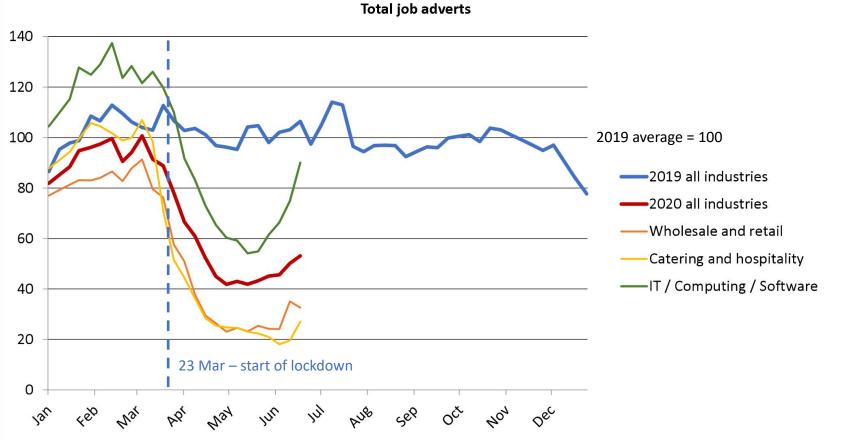
Source: Apple

180 160 140 120 100 80 60 40 26 Feb 27 Jun 01/30 29. Jan 25 Mar 2011/24 22 201 Source: ONS SHANGHAI-LONDON

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Daily cargo and tanker visits to UK ports

Employers are showing some confidence





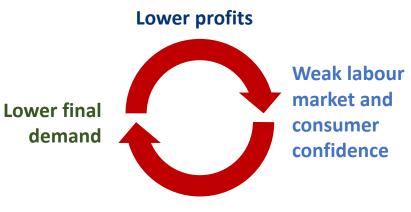
Source: ONS, Adzuna

What can we expect to see?

Continuing role for government – keen to avoid downward spiral

Low inflation, low interest rates?

Debt unwind?



Weaker credit markets

Consumer confidence:	0
Support for	I
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employment and protection of household income

Demand stimulus:

Investment in infrastructure and regional development

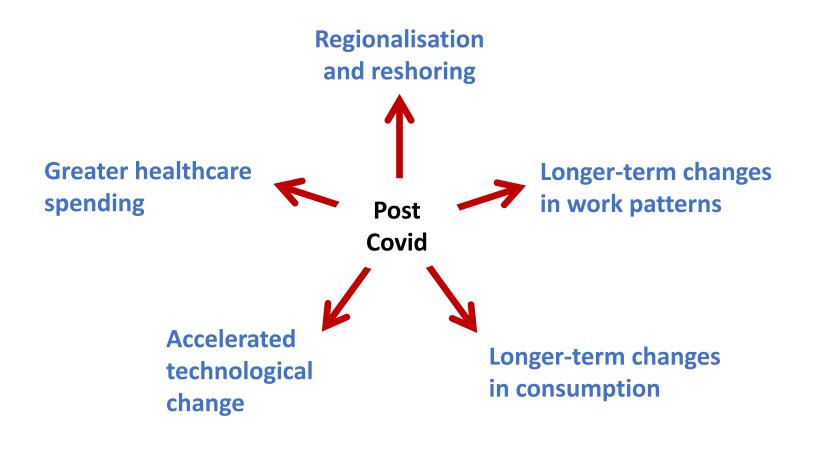
Policy / regulation:

Reduced bank capital requirements?

More QE?



What else can we expect post-Covid-19?





Scope for investment and M&A into the UK

"Global Britain" - China will need to be a part as the UK reaches out globally

Valuations of quality companies are not low but not high by historical levels

- GBP exchange rate remains attractive – but not just for Chinese investors

Who are the winners?

- e-commerce and digital economy
- media/entertainment
- healthcare and pharmaceuticals
- construction and residential real estate
- infrastructure-related

Can not ignore political dimension

Chinese investors should focus on non-sensitive sectors and highlight the transformational nature of their involvement



疫情环境下的英国经济观察

- 此次疫情造成的英国经济衰退较2008年全球金融危机的影响更为 严重很多。2020年4月底经济总量较疫情封锁之前下降25%。
- 英国各行业均呈现负增长。其中,建筑业负增长最为严重;服务 业对整个经济负向变动的影响最大。
- 英国政府出台史无前例的经济干预政策,包括休假和自雇支持计划和商业贷款。2020年5月政府净负债高达1.95万亿英镑。英国中央银行通过创历史新低的仅为0.1%的银行基准利率和购买英国政府债券来增加市场流动性。
- 二季度以后经济复苏前景和走势仍不明确;但从2020年上半年居 民交通、货物运输和就业的数据趋势来看,英国经济有回暖趋势。



• 政府可能出台更多的货币政策和财政政策刺激经济、拉动需求。

- 本次疫情可能对经济生活的各个方面形成改变,包括区域化的趋势、 更多的医疗支出、科技发展的加速、制造业和信息服务业的回流、 以及消费模式和工作模式的长期变化。
- 对英投资和并购情况:
- ▶ 中国将是英国全球化发展中的主要合作伙伴。
- 由于英镑汇率仍维持在低位,较历史数据上来看,英国高价值投资标的公司的估值不在高位,估值较为合理。
- ▶ 电子商务经济、娱乐媒体、医药、房地产建筑、基建领域将具有 投资吸引力。
- ▶ 中国投资者投资时也应注意政治敏感行业的政策风险。

