

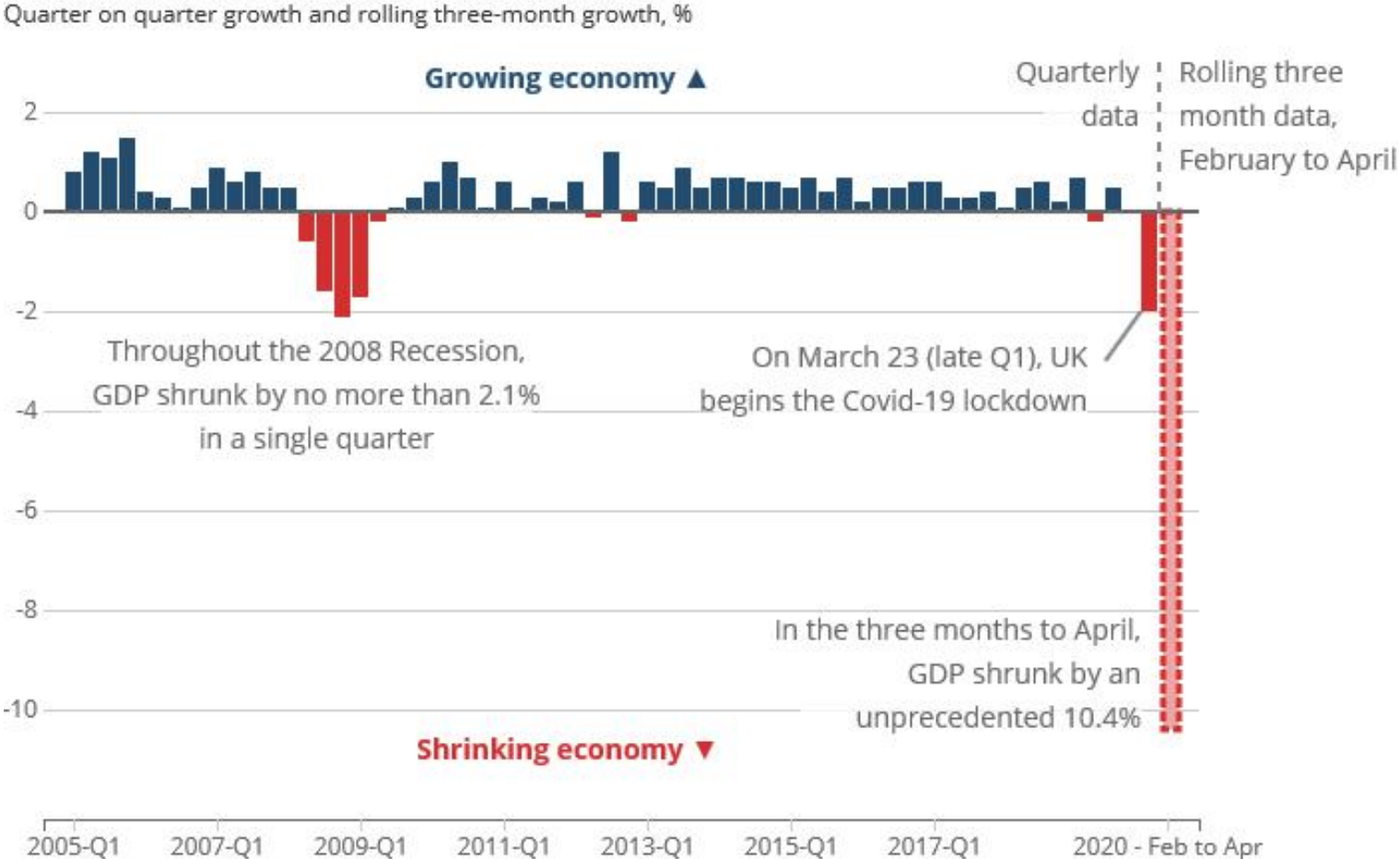
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# UK economic outlook: Where do we go from here?

Calvin Man

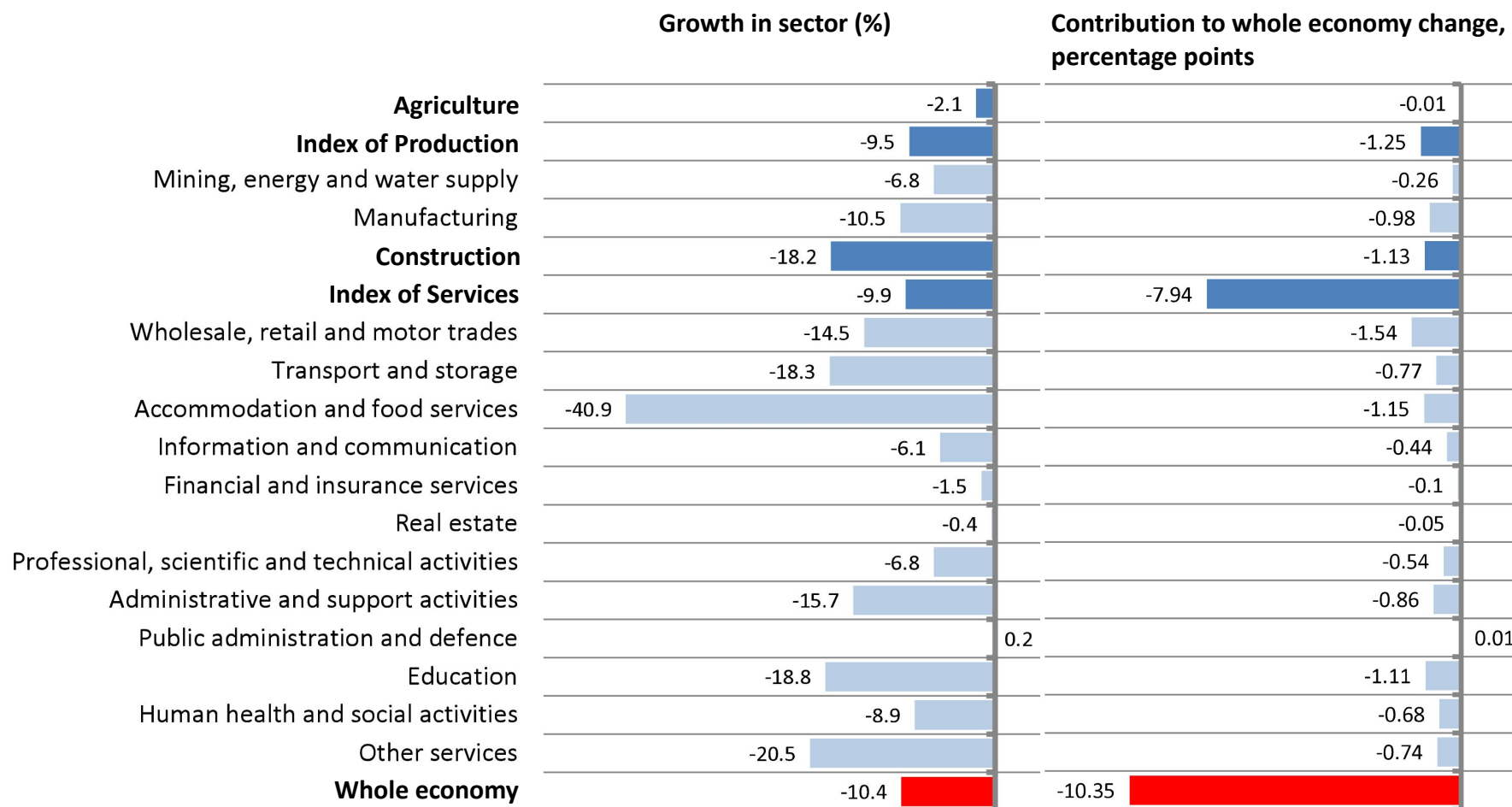


# GDP fell by 20.4% in April 2020, following a fall of 5.8% in March 2020



Source: ONS

## Widespread contractions across the UK economy



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

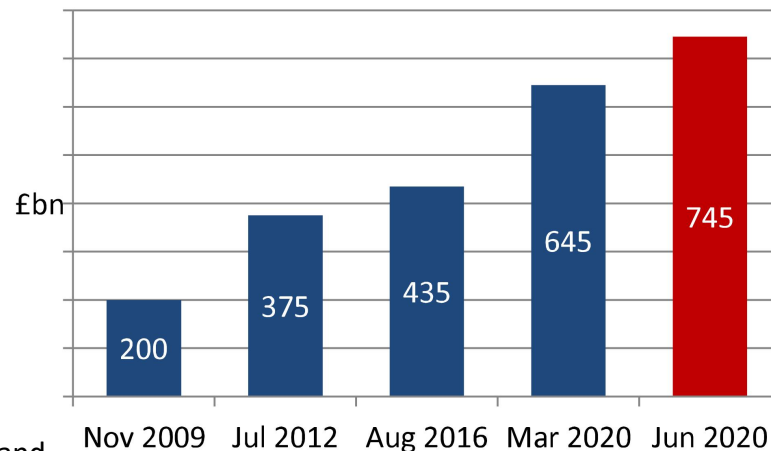
**£123bn** by Q2 2021

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

**£1.95 trillion**

Source: OBR

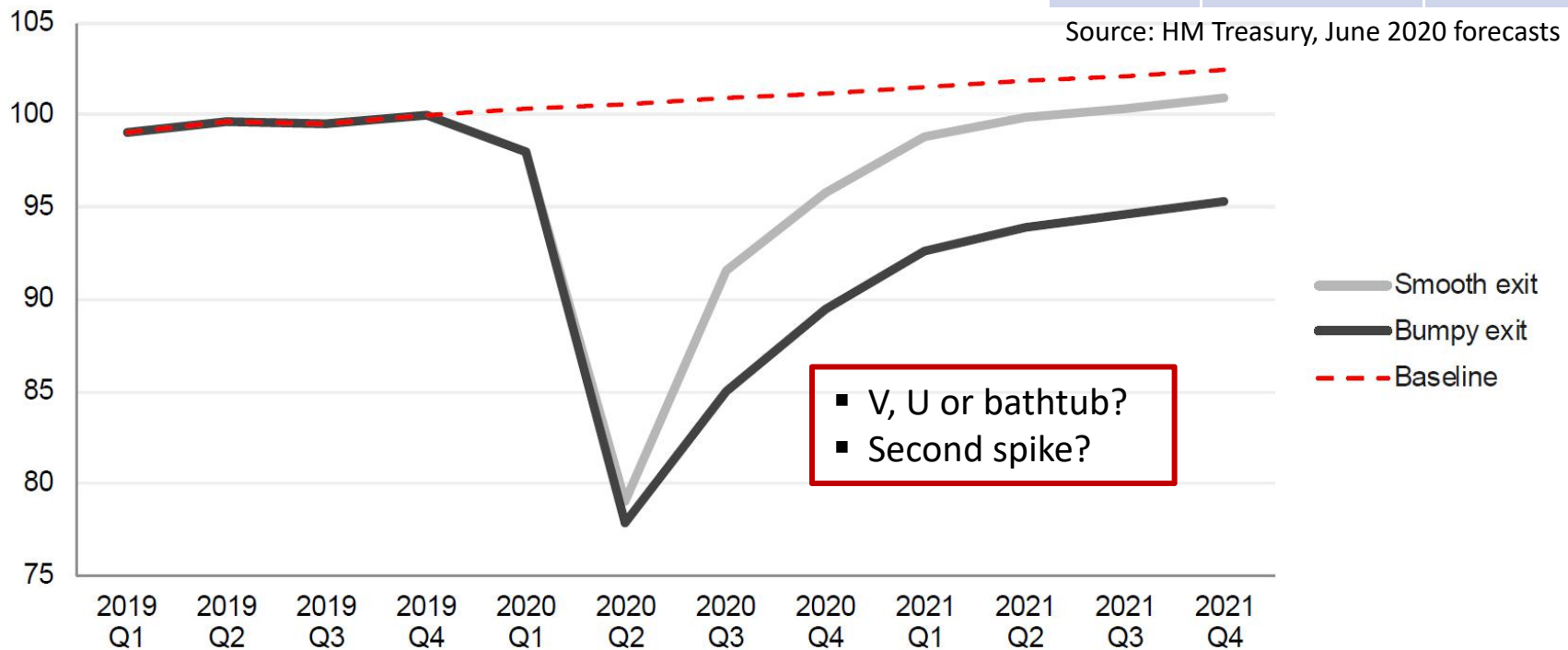
...while Quantitative Easing by the Bank of England reaches £745bn



Source: Bank of England

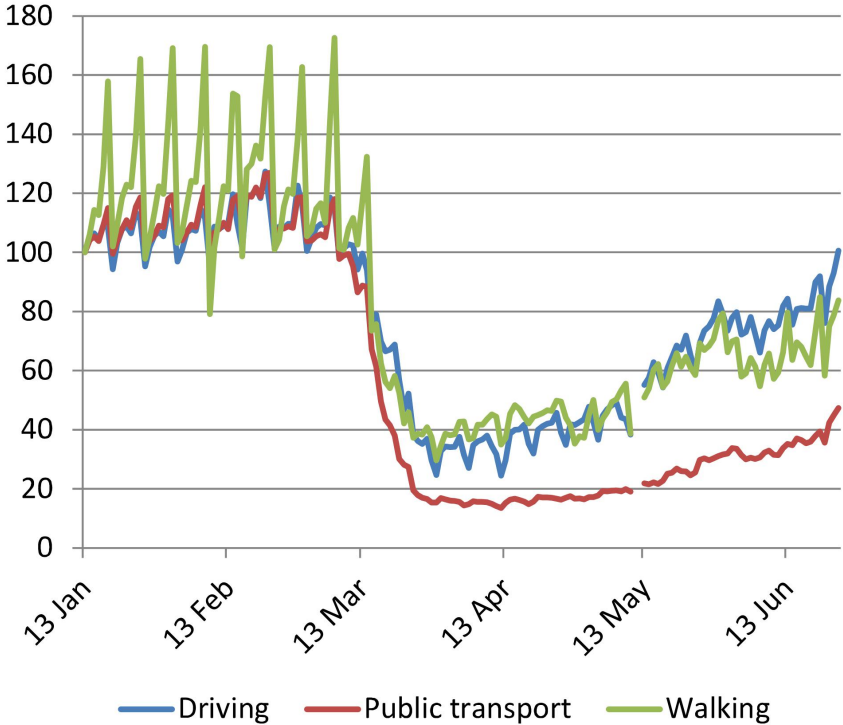
## No consensus yet around the shape of the recovery...

	2020	2021
GDP (avg)	(9.2)%	6.5%
Range	(6.5)%–(12.9)%	6.2%–10.0%
CPI (avg)	0.7%	1.6%



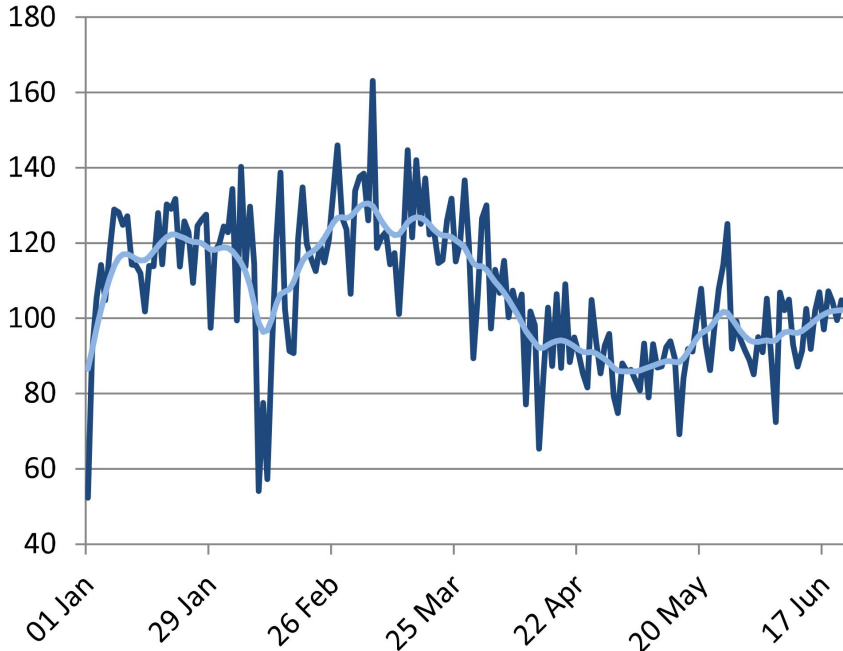
# ...but signs of life. July GDP likely to show lifting off the bottom

UK mobility trends



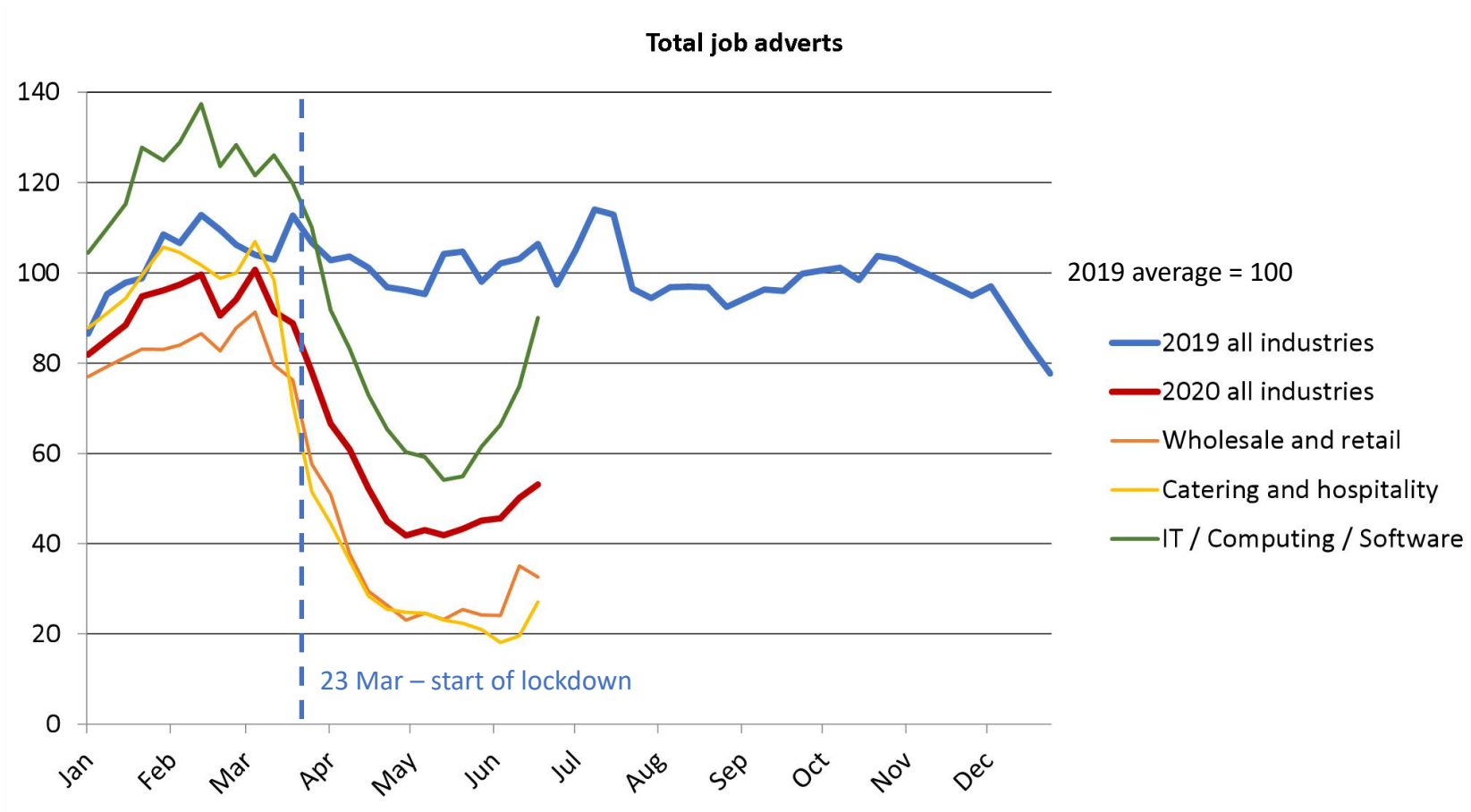
Source: Apple

Daily cargo and tanker visits to UK ports



Source: ONS

# Employers are showing some confidence



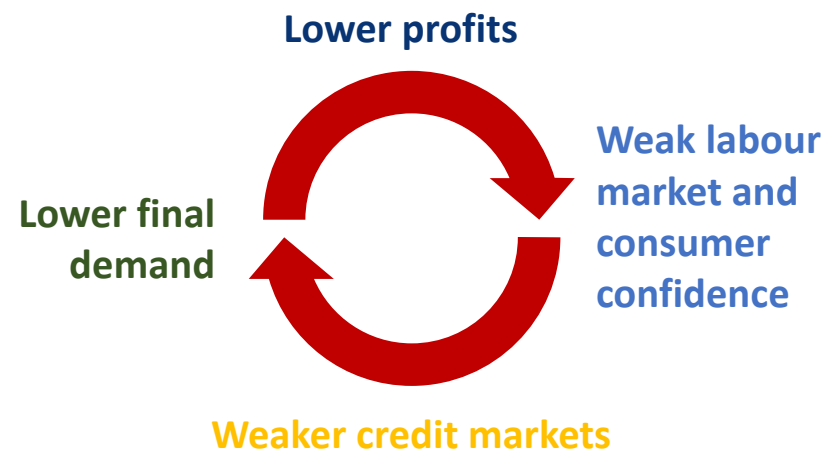
Source: ONS, Adzuna

## What can we expect to see?

**Continuing role for government** – keen to avoid downward spiral

**Low inflation, low interest rates?**

**Debt unwind?**



### **Consumer confidence:**

Support for employment and protection of household income

### **Demand stimulus:**

Investment in infrastructure and regional development

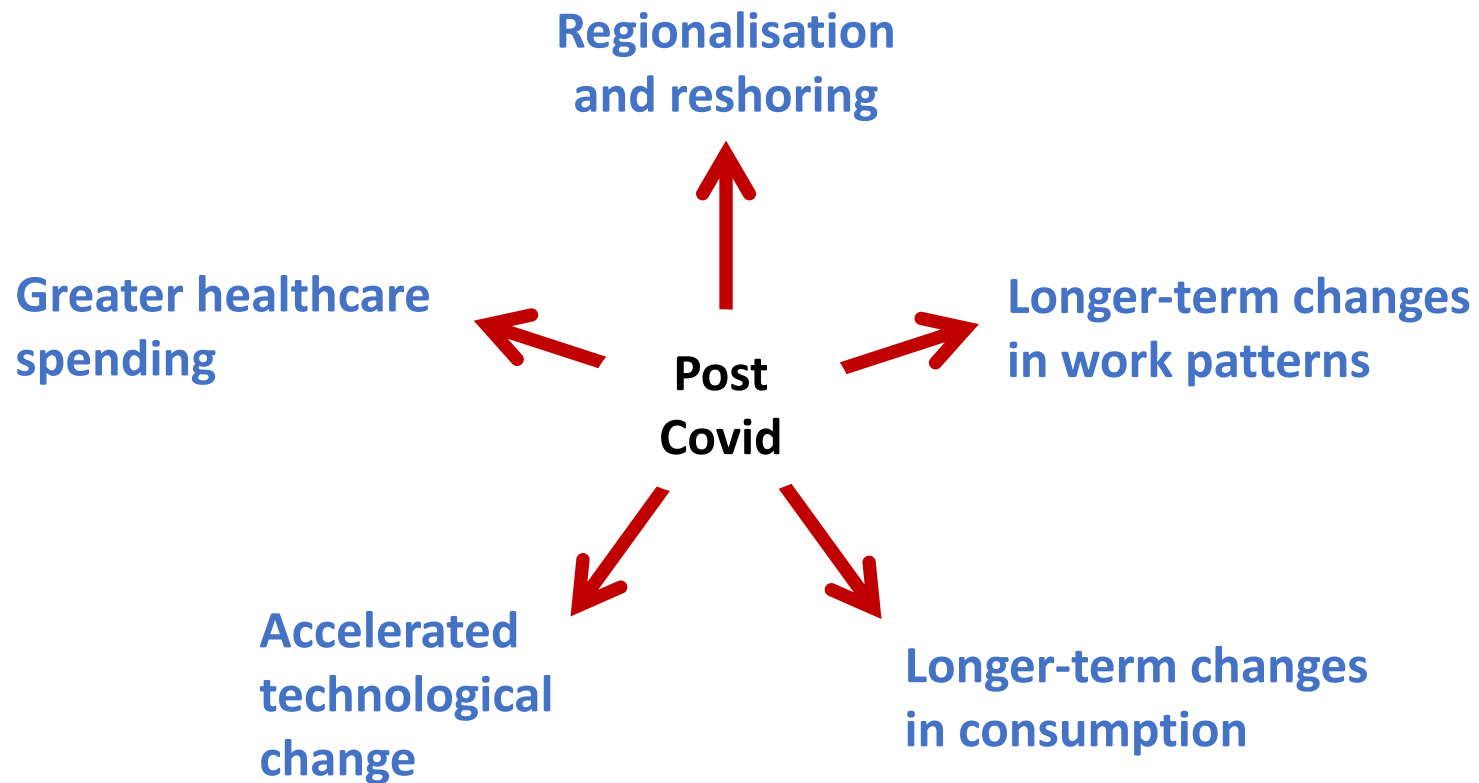
### **Policy / regulation:**

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。