



# Colliers International is pleased to welcome you to our economic briefing with Roger Bootle

24 September, 2015



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# Mark Charlton

## Head of Research and Forecasting



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# The Economic and Financial Outlook

By Roger Bootle

24 September 2015



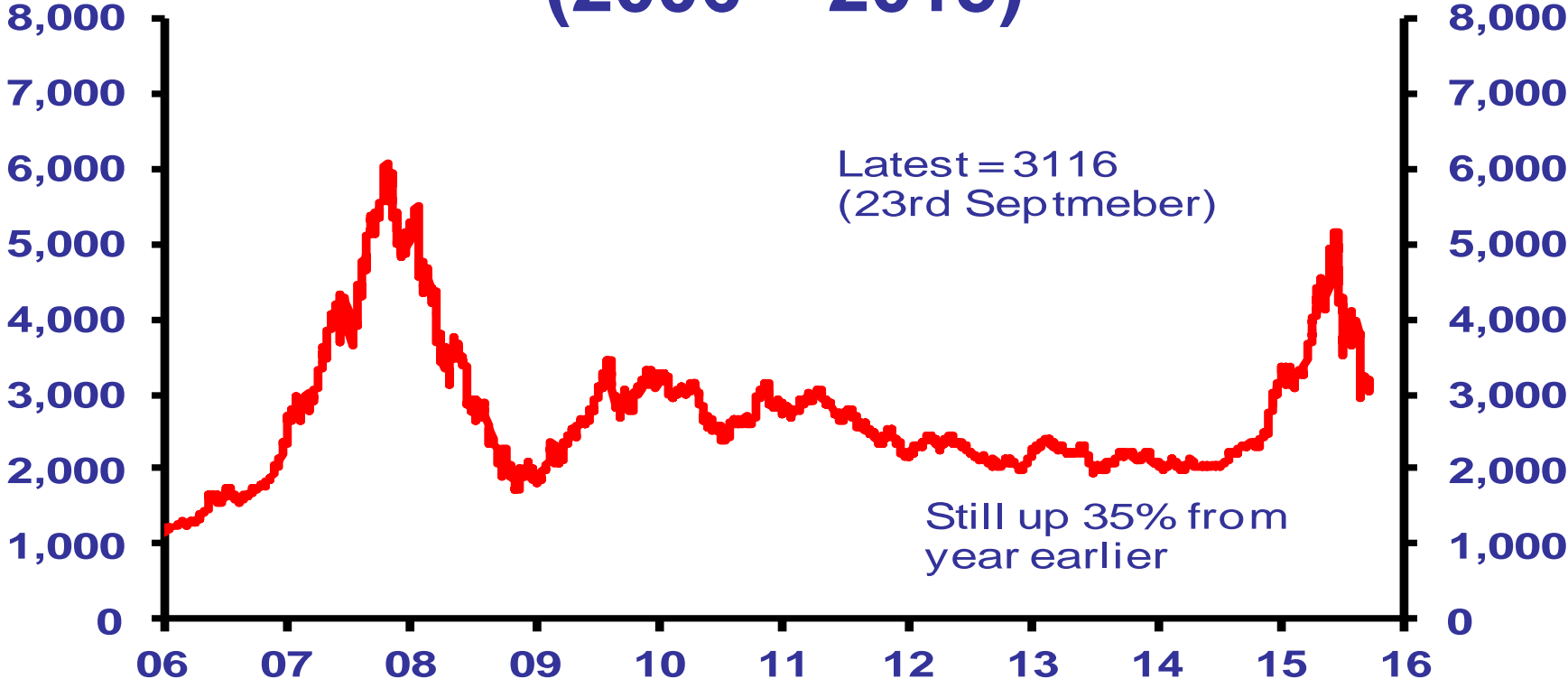
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# 1. Agenda

- **The world economy at risk?**
- **Prospects for the UK economy.**
- **Brexit?**
- **Interest rate prospects.**
- **Property markets.**

# 2. China Equity Prices (Shanghai Composite) (2006 – 2015)



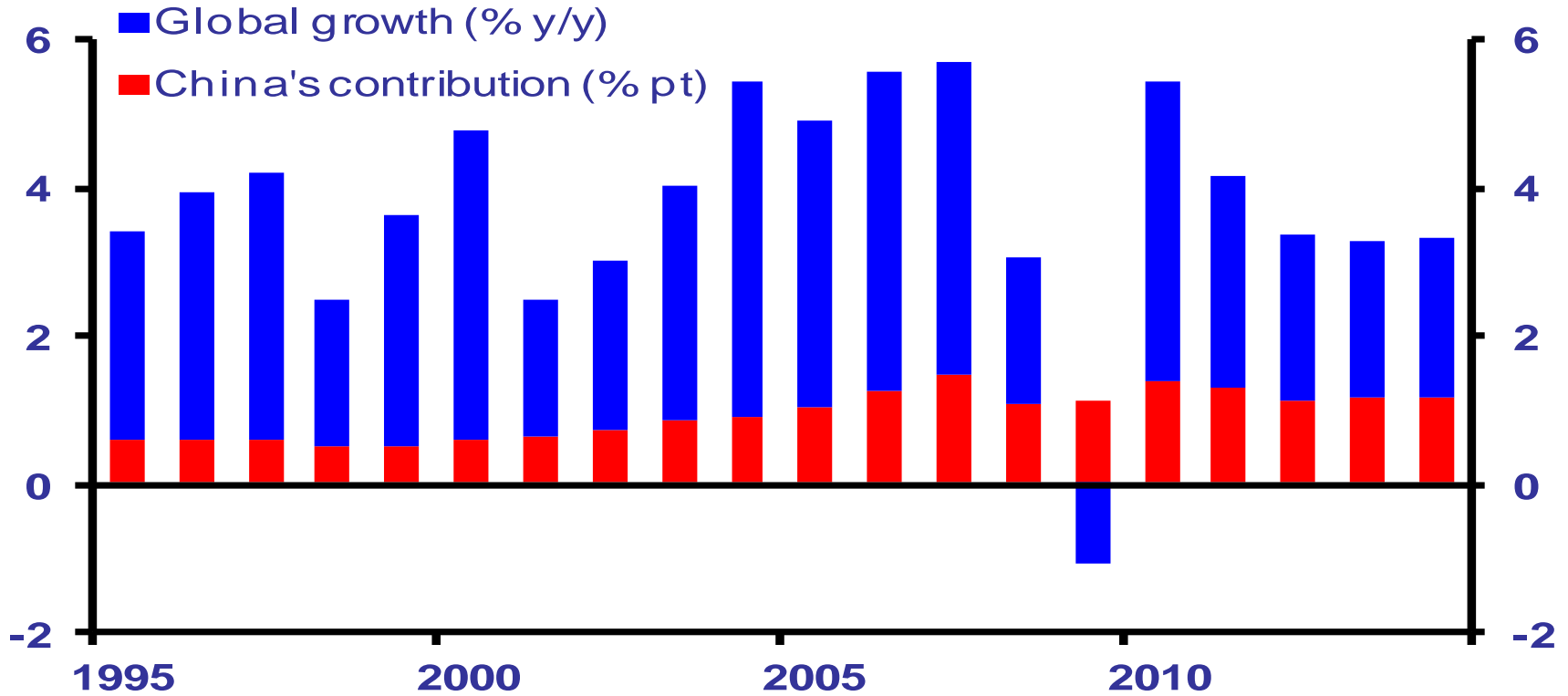
Source: Bloomberg

# 3. China Activity Proxy & Official GDP (%) (Latest = Jul.)



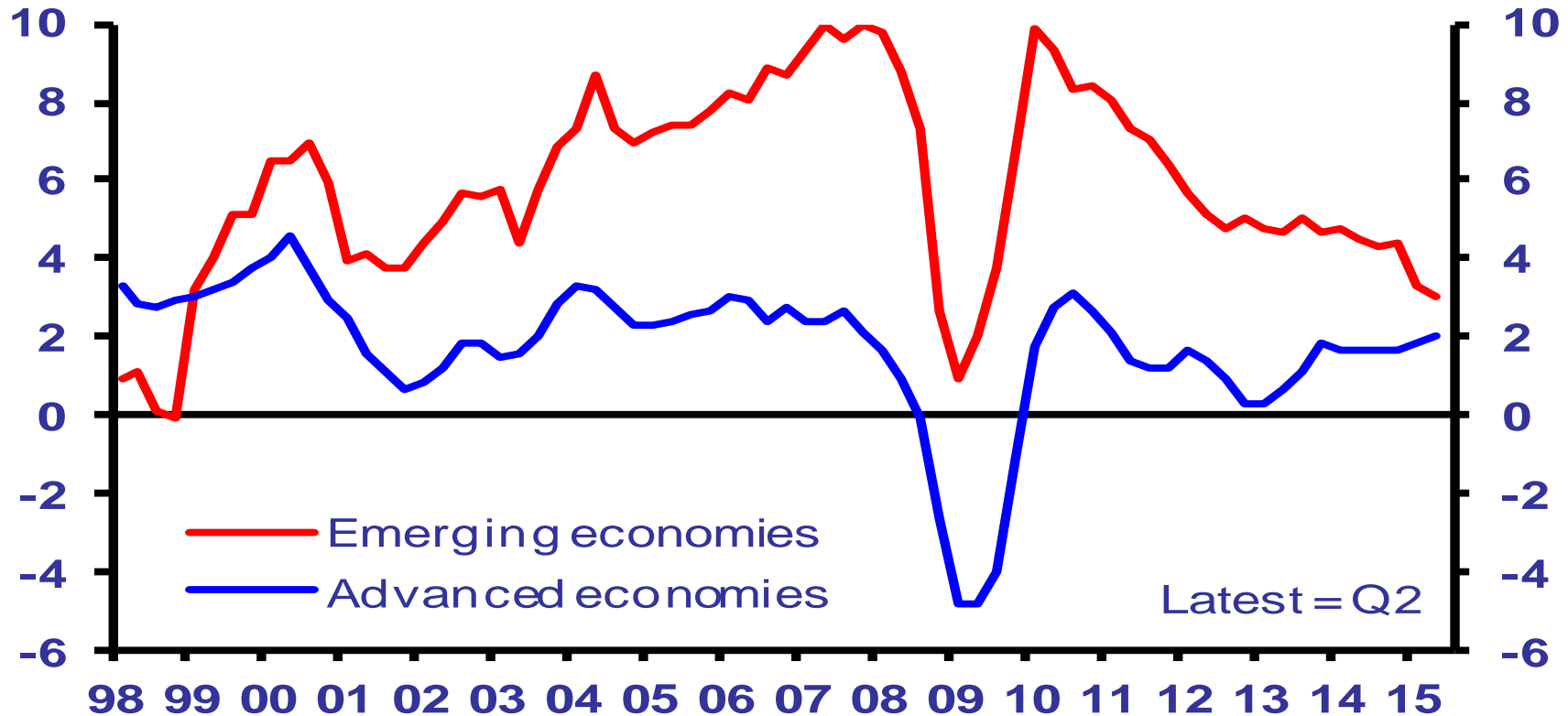
Source: Thomson Datastream, Capital Economics

# 4. China & Global GDP Growth (1995 – 2014)



Source: Thomson Datastream

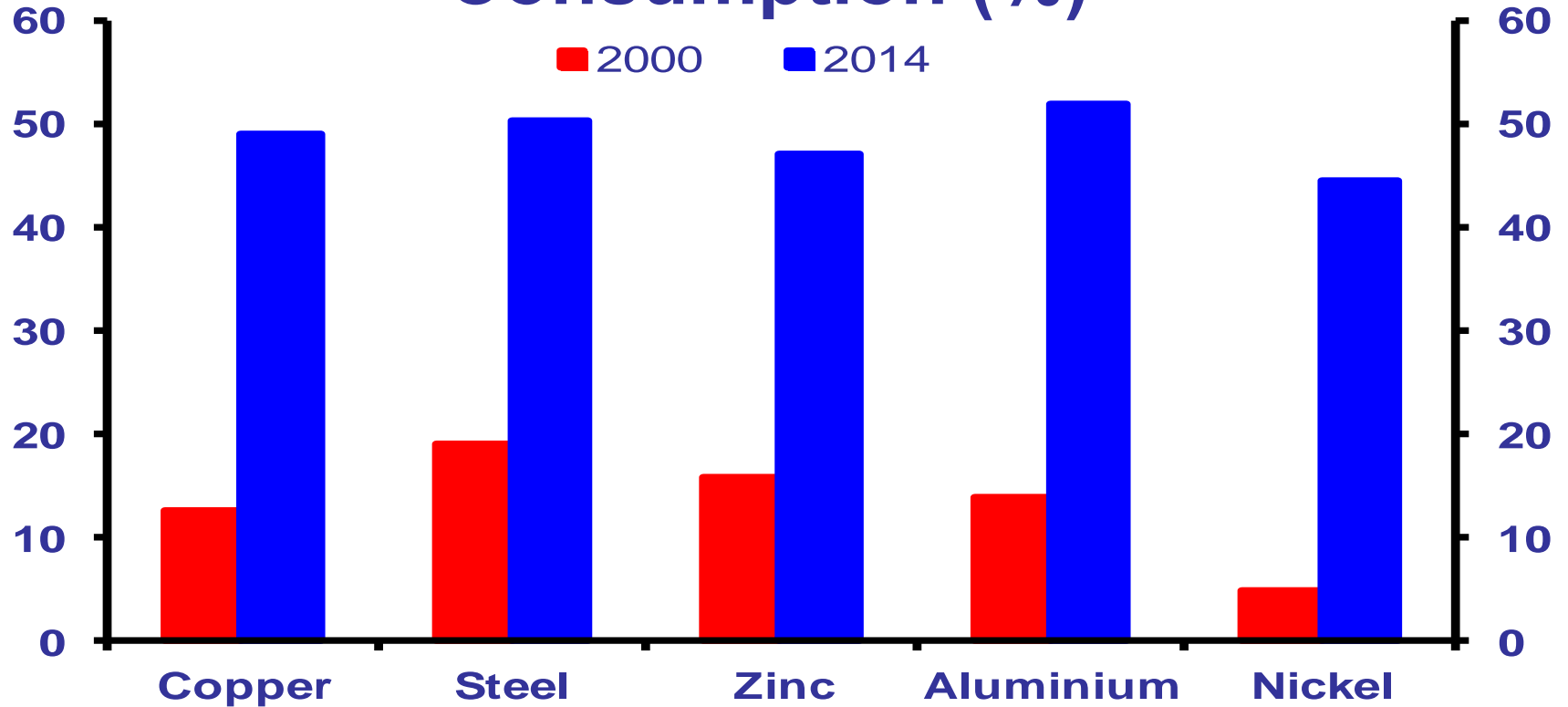
# 5. GDP Growth (% y/y) (Latest = Q2 2015)



Source: Thomson Datastream

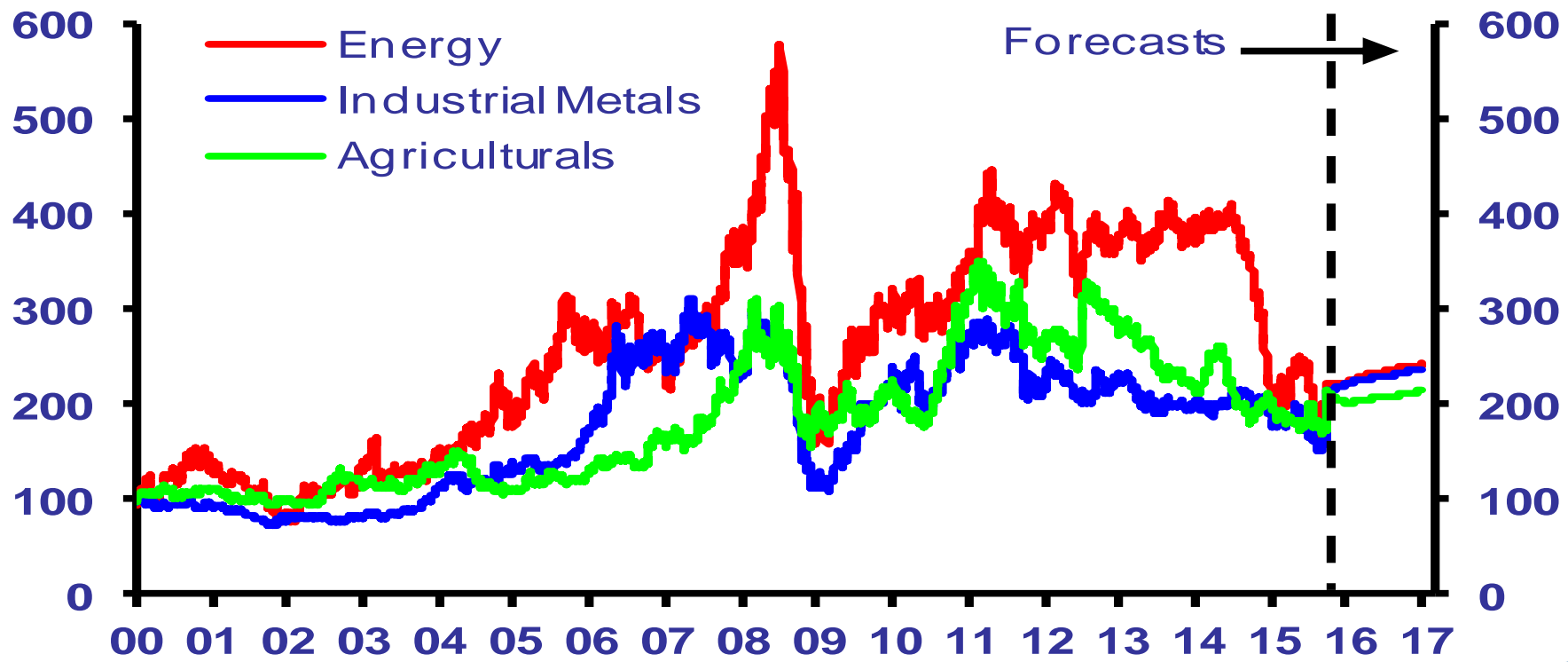


# 6. China's Share of Global Commodity Consumption (%)



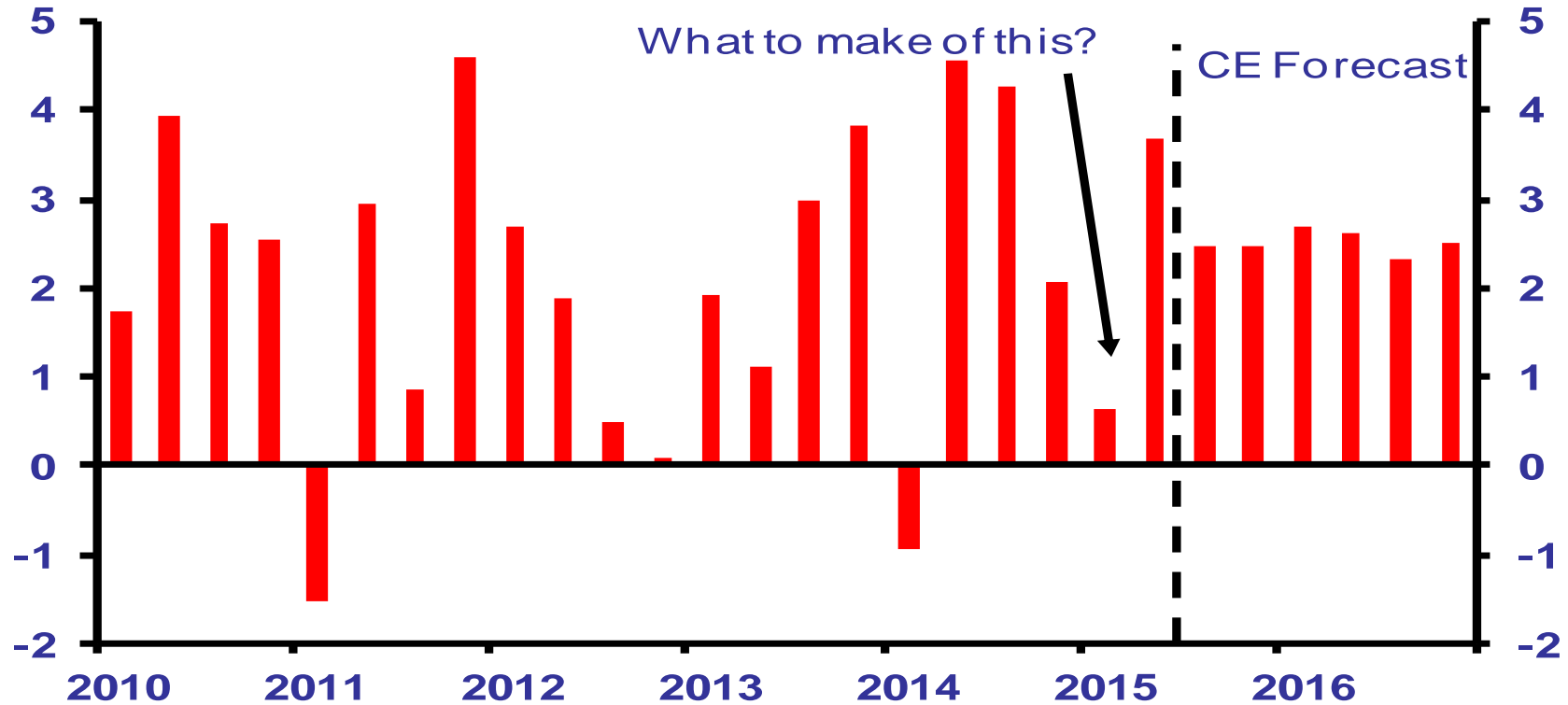
Source: Thomson Datastream

# 7. Bloomberg Commodity Price Indices (US\$) (Jan. 2000 = 100) (2000 – 2015) (Latest = 21<sup>st</sup> Sep)



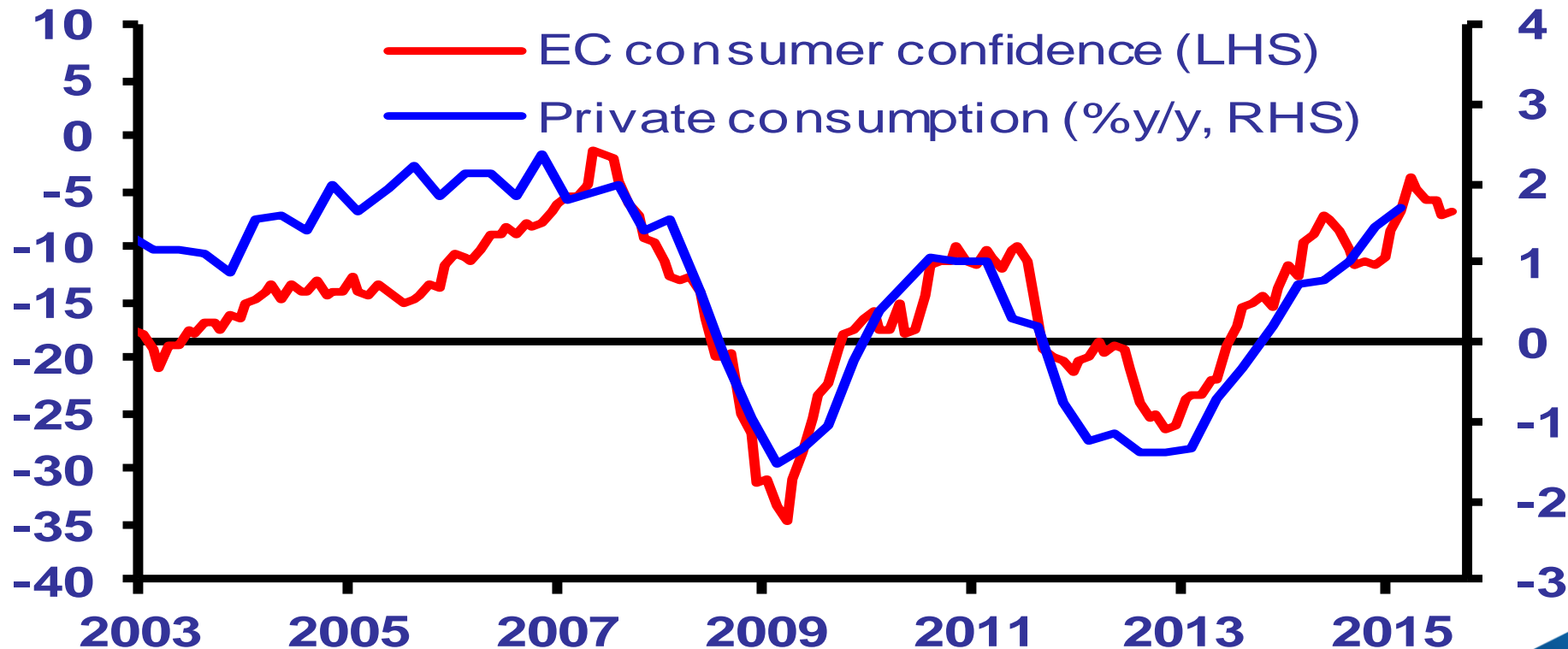
Source: Thomson Datastream, Bloomberg, Capital Economics

# 8. US Real GDP (% q/q Annualised) (2010 – 2014) (Latest = Q2 2015)




Source: Thomson Datastream, Capital Economics

# 9. EC Consumer Confidence and Private Consumption (2007 – 2015) (Latest = Aug./Q2)

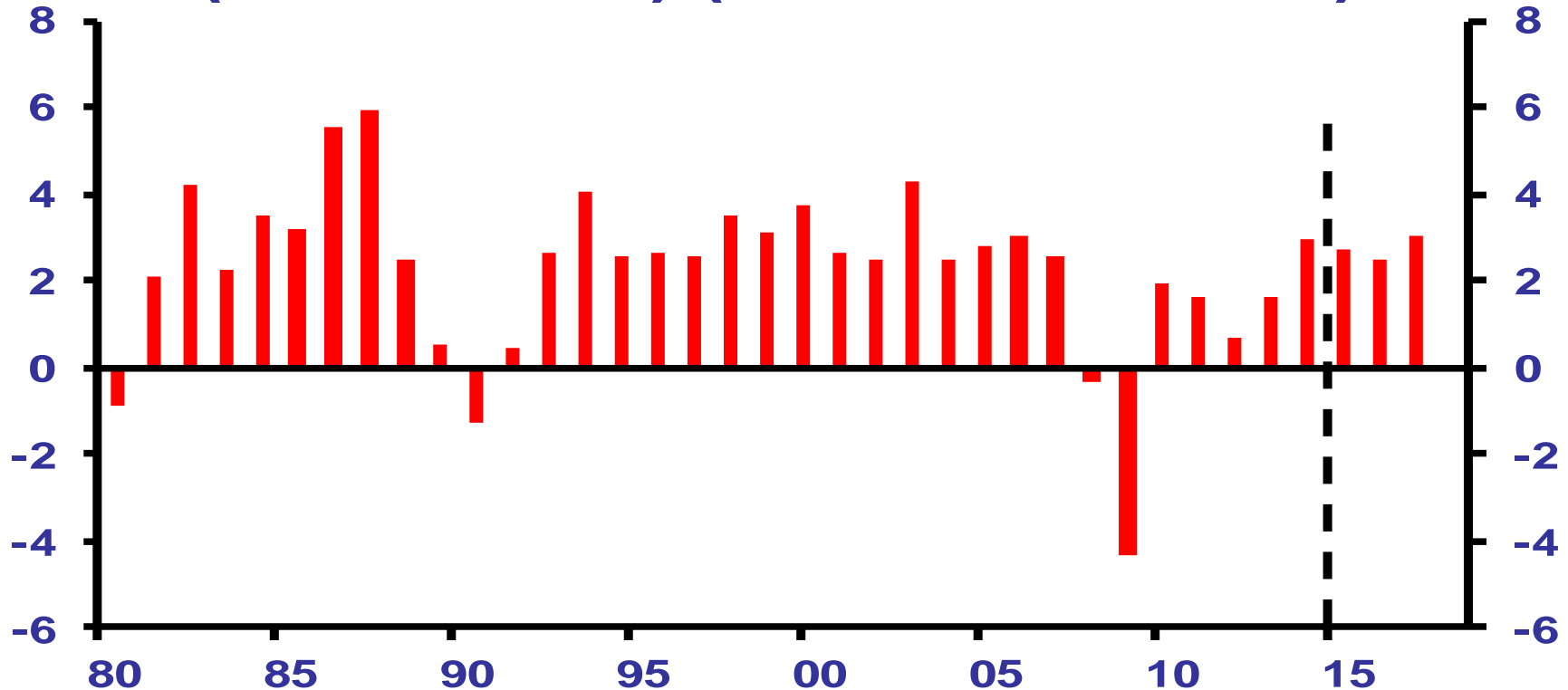


Source: Thomson Datastream

# 10. Greece and the euro

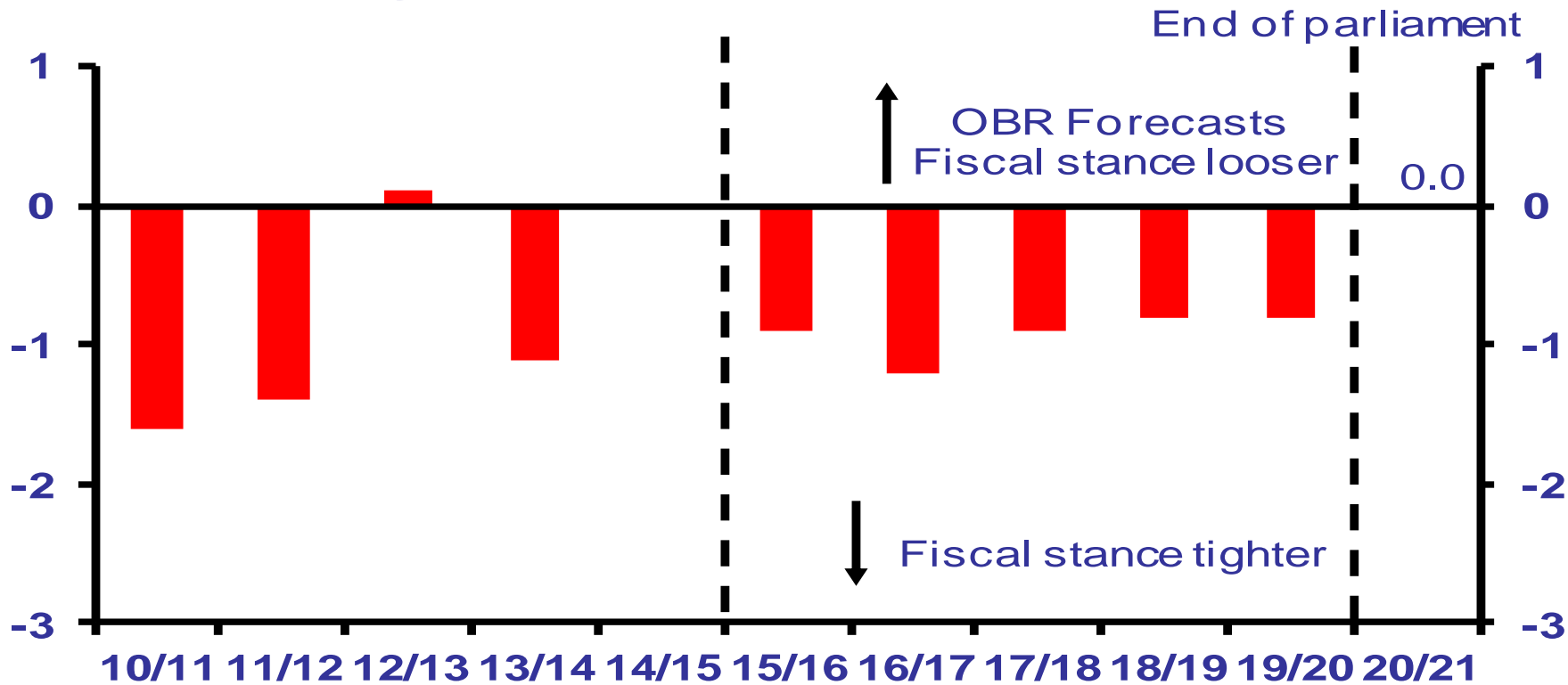
- **The crisis is not over.**
  - **The Greek government and people don't want to leave the euro. In similar circumstances, people never do.**
  - **At 180% of GDP, Greek public debt will not be repaid.**
  - **The Greek economy has lost 25% of its output.**
  - **To tighten the budget is economic madness.**
  - **Greece would be better off outside the euro.**
  - **This may yet happen. But success not guaranteed.**
  - **Grexit should not deal a fatal blow to the world economy.**
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# 11. UK GDP (% Annual) (1980 – 2017) (Latest = Q2 2015)



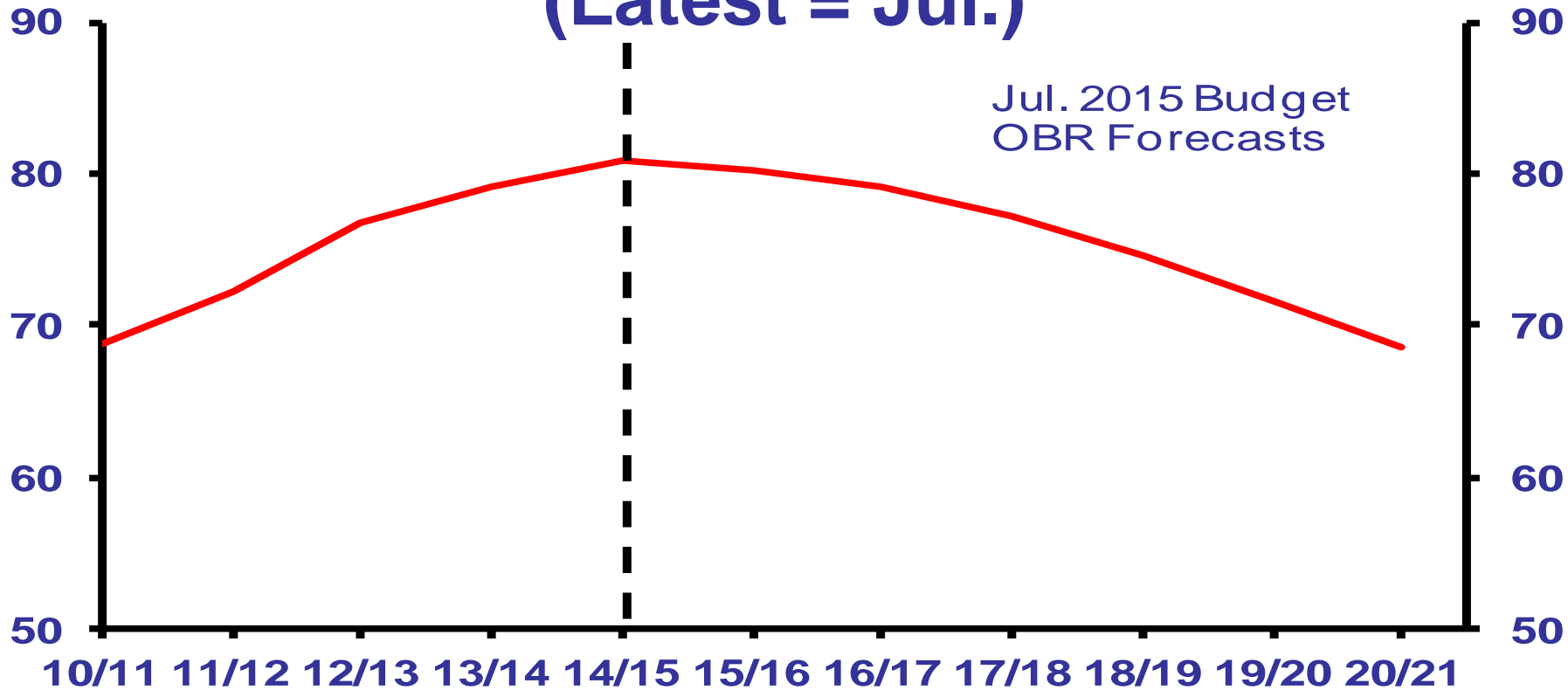
Source: Thomson Datastream

# 12. The change in the cyclically adjusted budget deficit (As a % of GDP)



Source: Thomson Datastream, Capital Economics

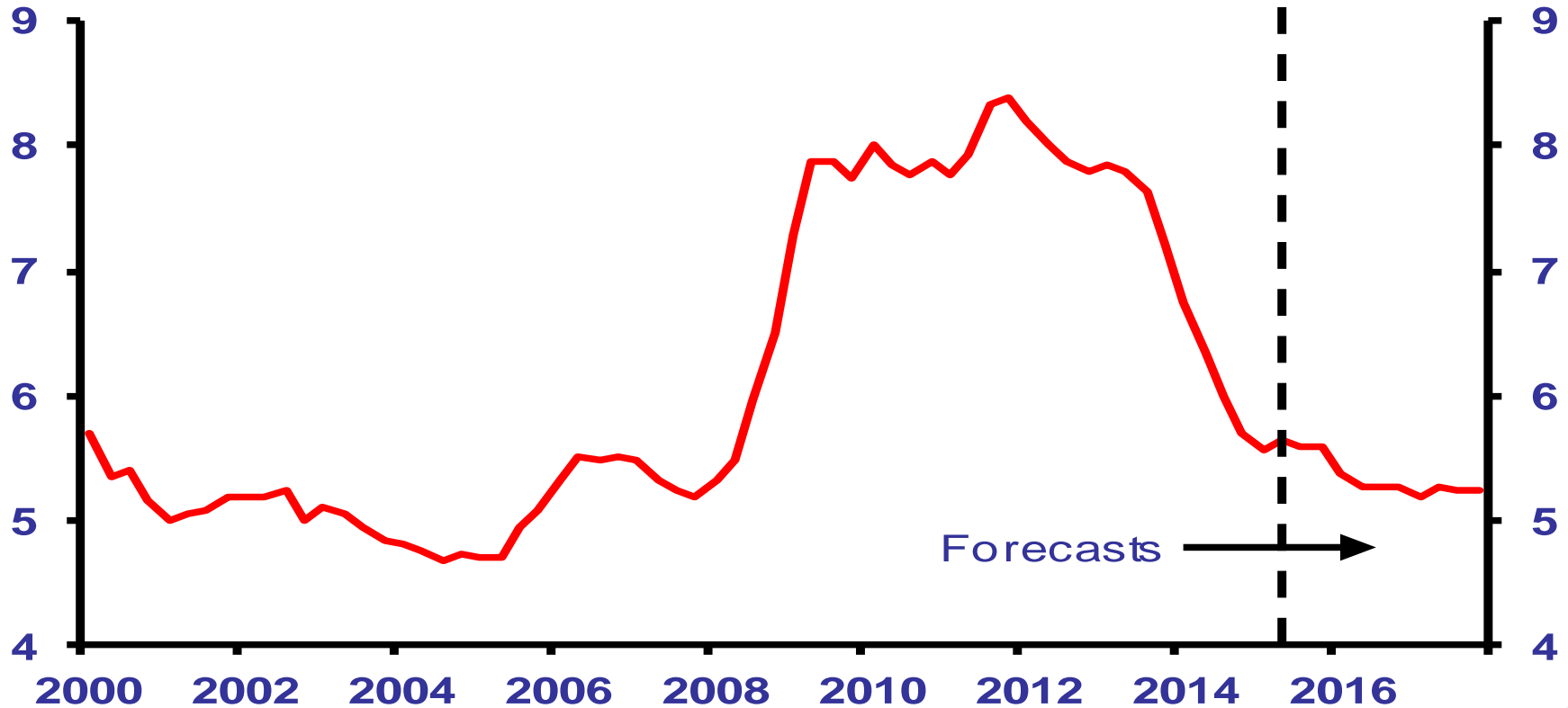
# 13. Government Debt (As a % of GDP) (Latest = Jul.)



Source: Thomson Datastream, Capital Economics

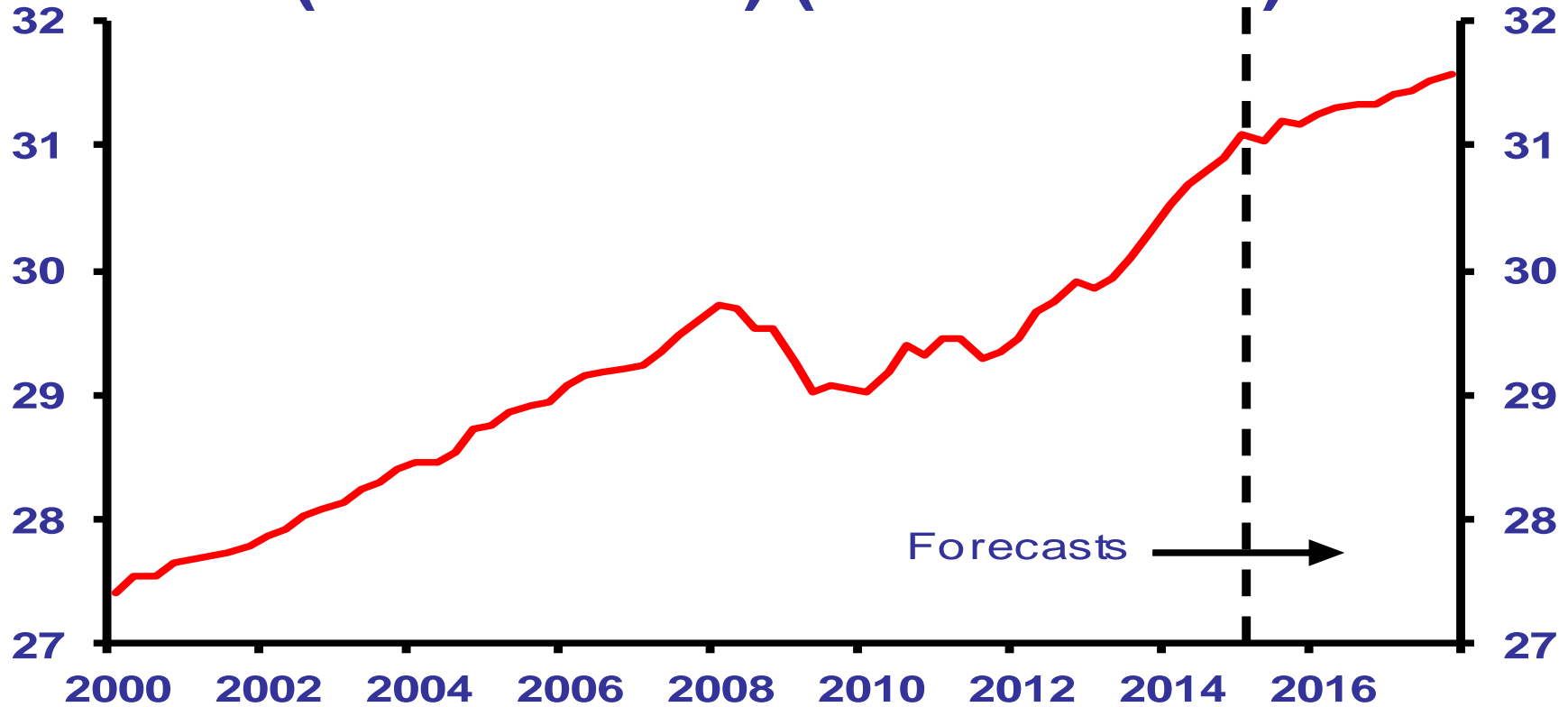


# 14. UK ILO Unemployment Rate (%) (1980 – 2017) (Latest = Jul.)



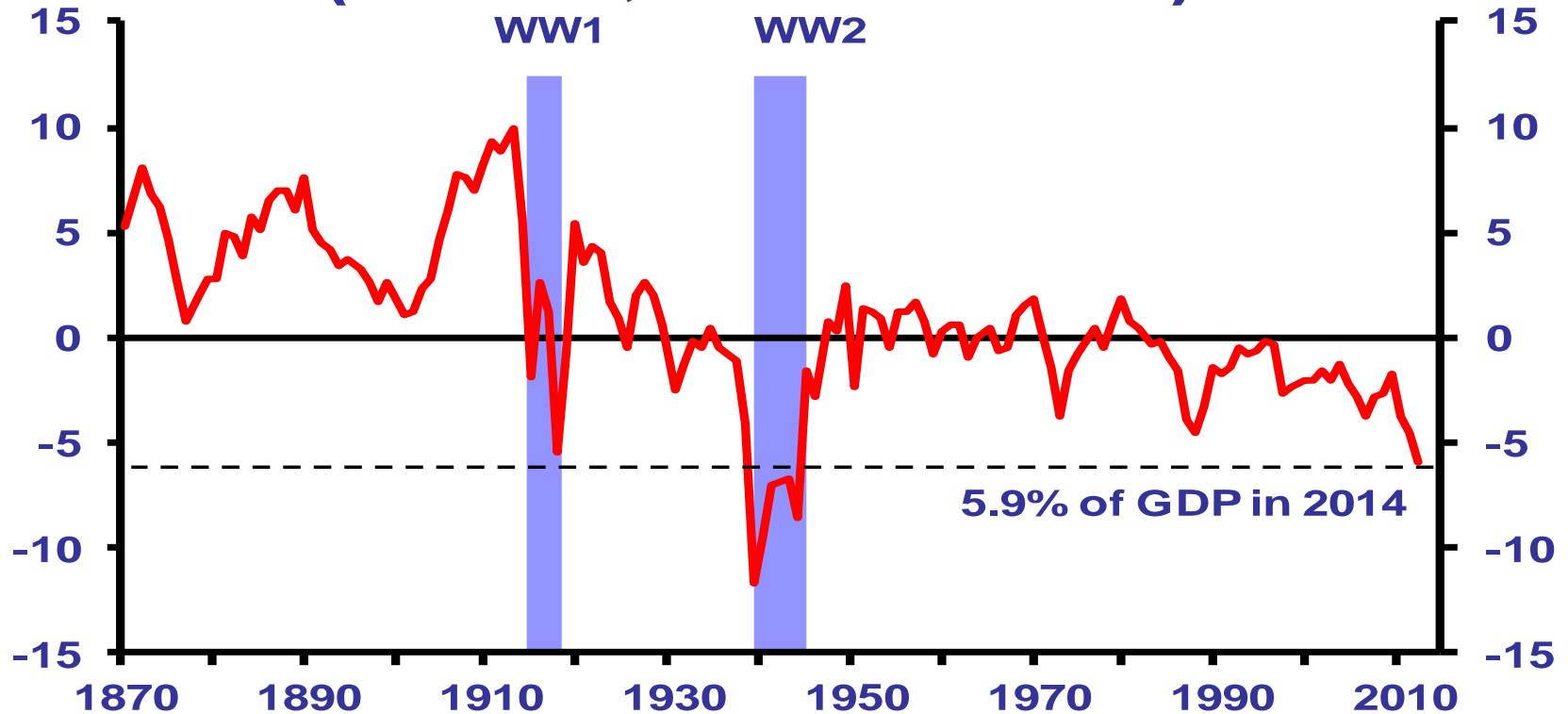
Source: Thomson Datastream

# 15. UK Employment (Millions) (1980 – 2017) (Latest = Jul.)



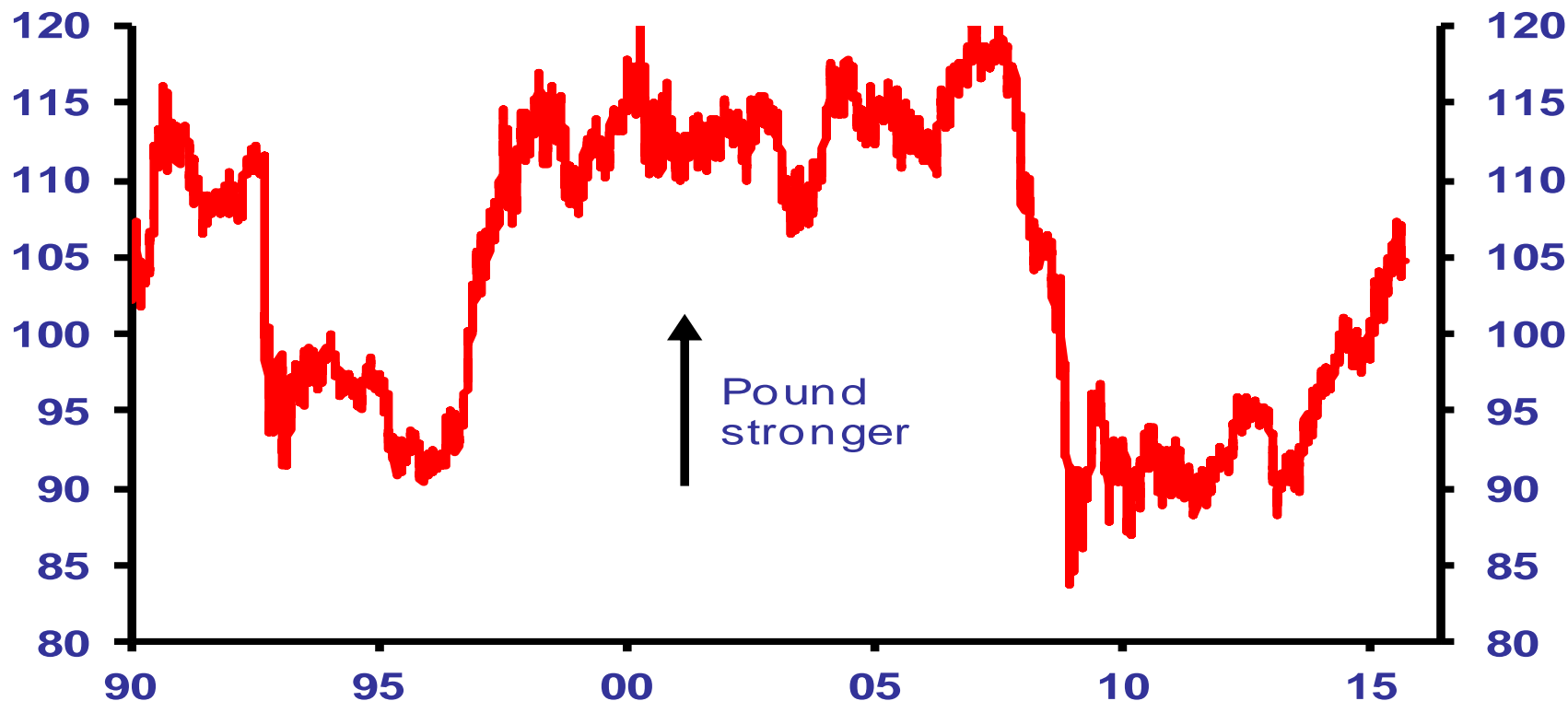
Source: Thomson Datastream

# 16. Current Account (As a % of GDP) (Annual, Latest = 2014)



Source: Thomson Datastream, Capital Economics

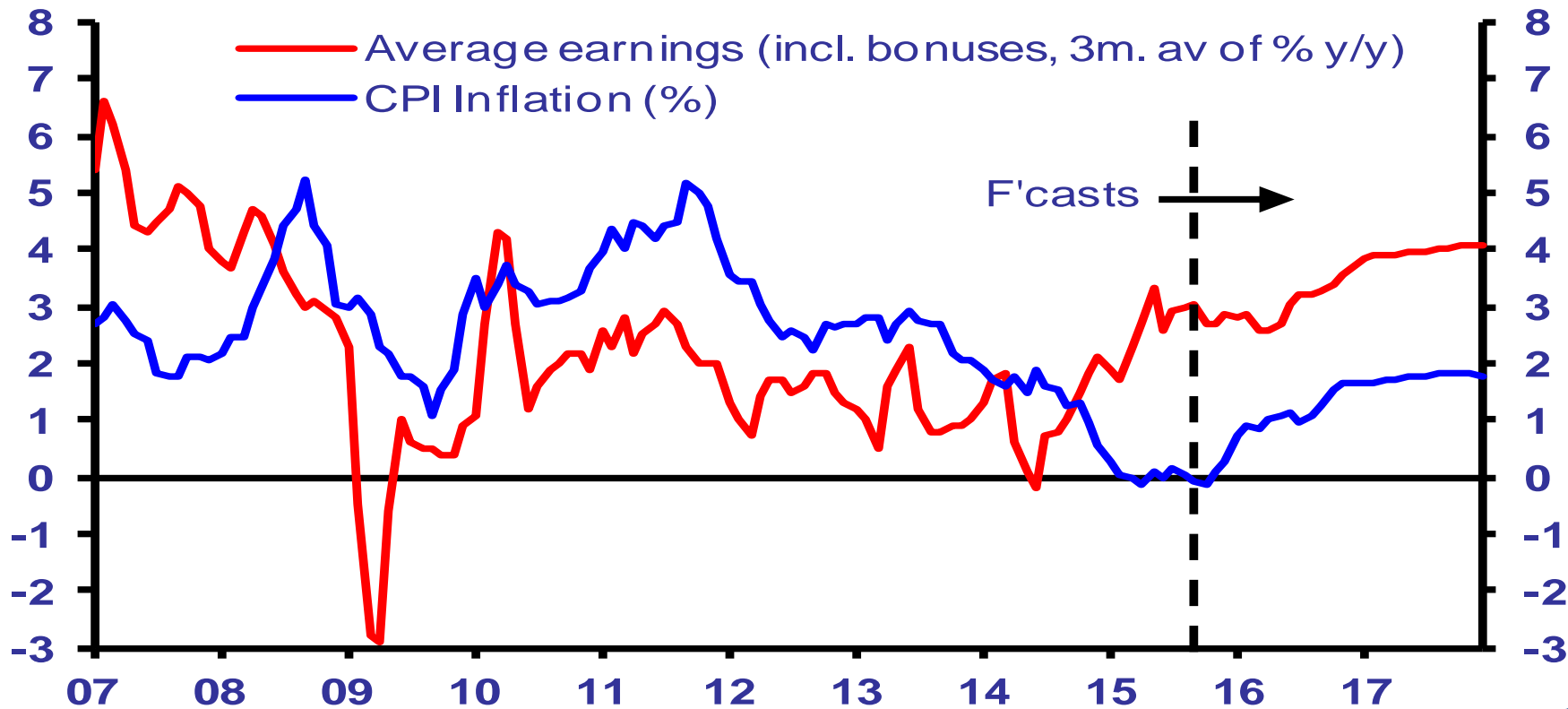
# 17. UK Effective Trade-Weighted Exchange Rate (1980 – 2015) (Latest = 21<sup>st</sup> Sep)



Source: Thomson Datastream

# 18. UK CPI Inflation (2007 – 2017)

## (Latest Actual = Jul./Aug.)




Source: Thomson Datastream, Capital Economics

# 19. Real Earnings (2000 = 100) (2000 – 2017) (Latest = Jul.)




Source: Thomson Datastream, Capital Economics

## **20. The Election and the Budget**

- **The Conservative Government has moved to the centre.**
  - **It will be very difficult for Labour to challenge. It is being driven to the left.**
  - **It is likely that, for good or ill, the UK will have a Conservative Government for 10 – 15 years.**
  - **This means a continued squeeze on the size of the state - and business friendly policies?**
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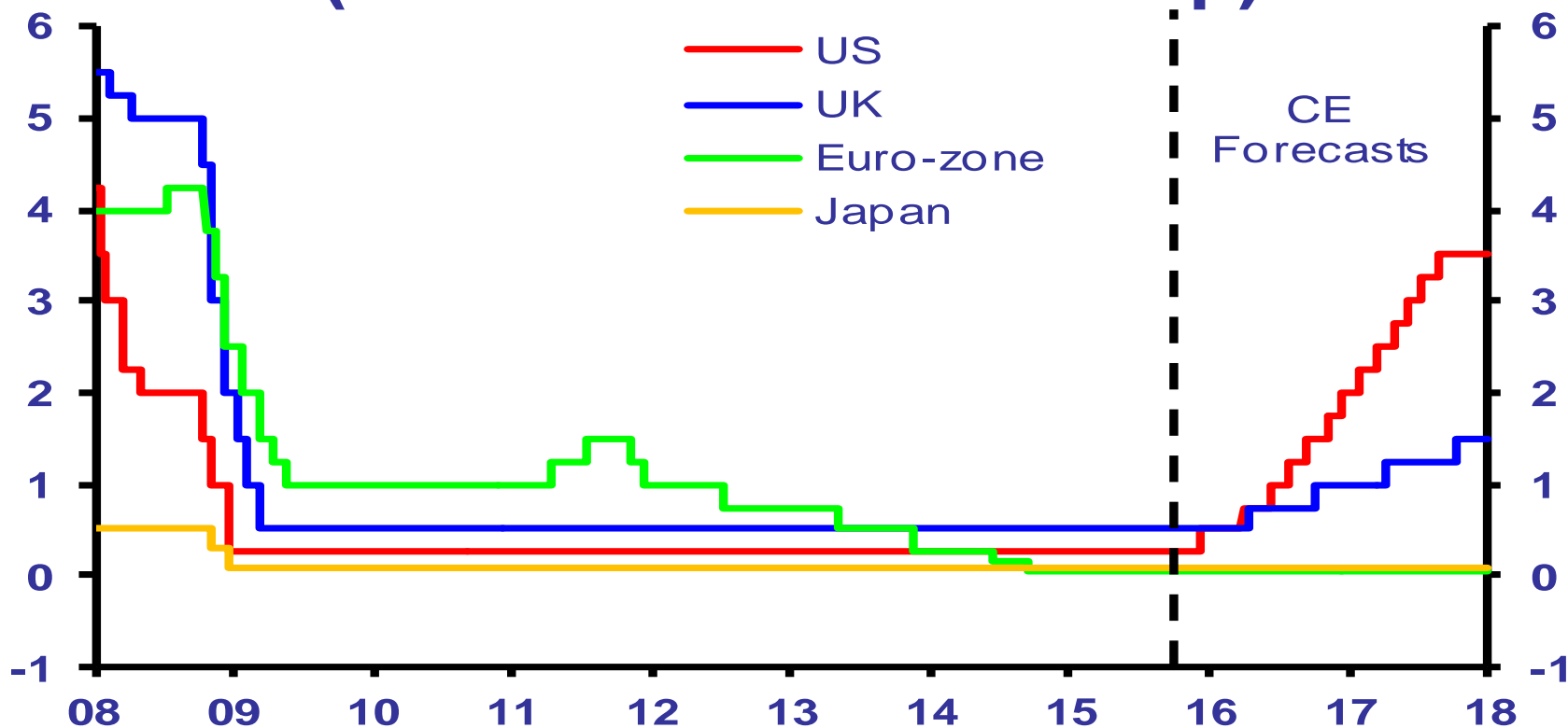
# 21. Brexit

- **Forget the opinion polls!**
  - **Impossible to be sure of the economic impact of Brexit but I suspect the immediate effect is likely to be small either way.**
  - **The issue turns on the political nature of the union and what sort of deal the UK can secure.  
I am not optimistic.**
  - **The possibility of Brexit unlikely to be a major negative for business.**
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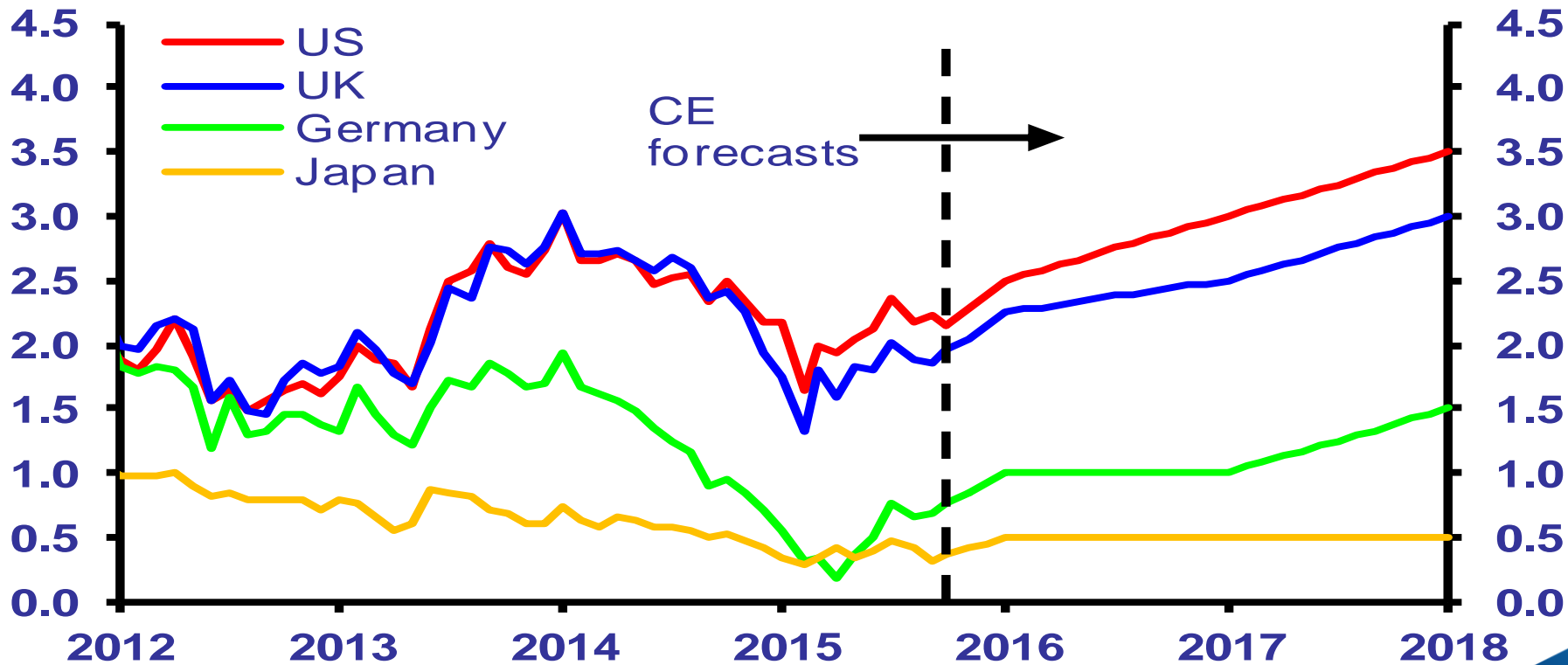
# 22. Official Interest Rates (%) (2008 – 2017)

## (Latest Actual = 21<sup>st</sup> Sep)



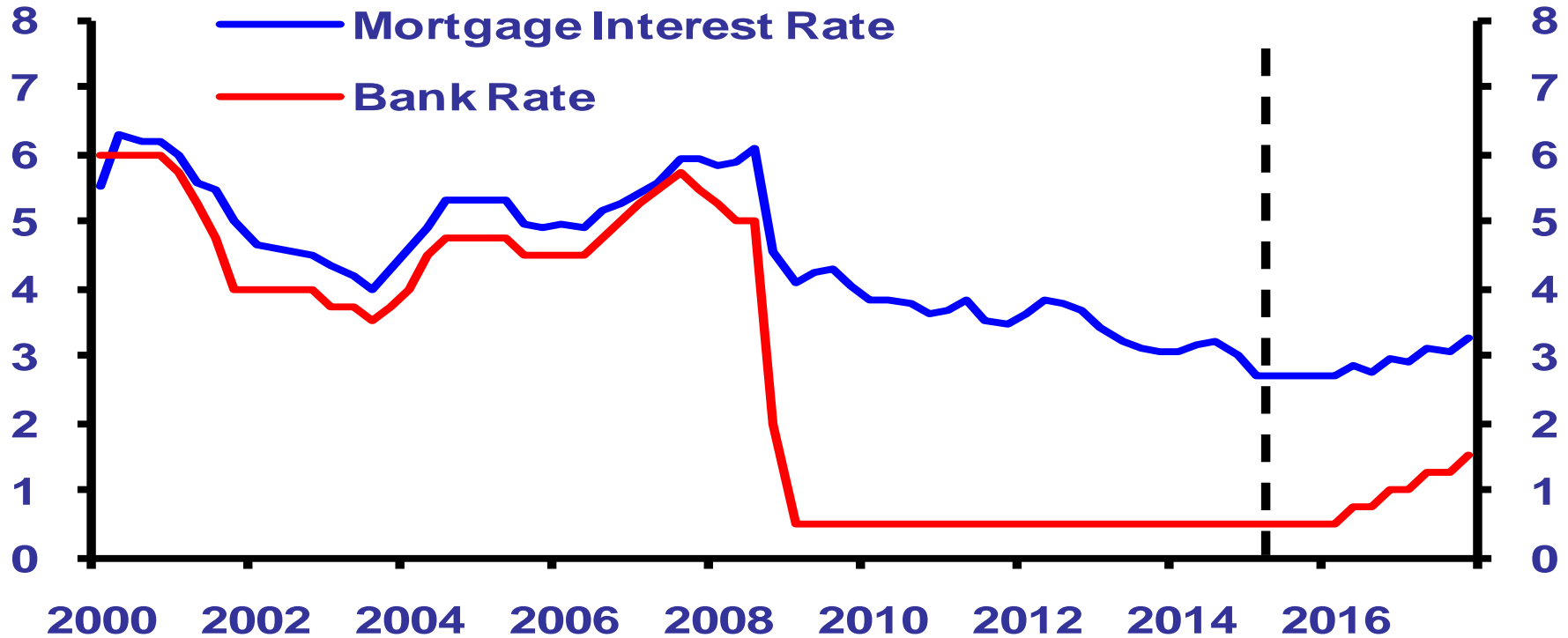
Source: Thomson Datastream, Bloomberg, Capital Economics

# 23. 10-Year Government Bond Yields (%) (2014 – 2017) (Latest Actual = 21<sup>st</sup> Sep)



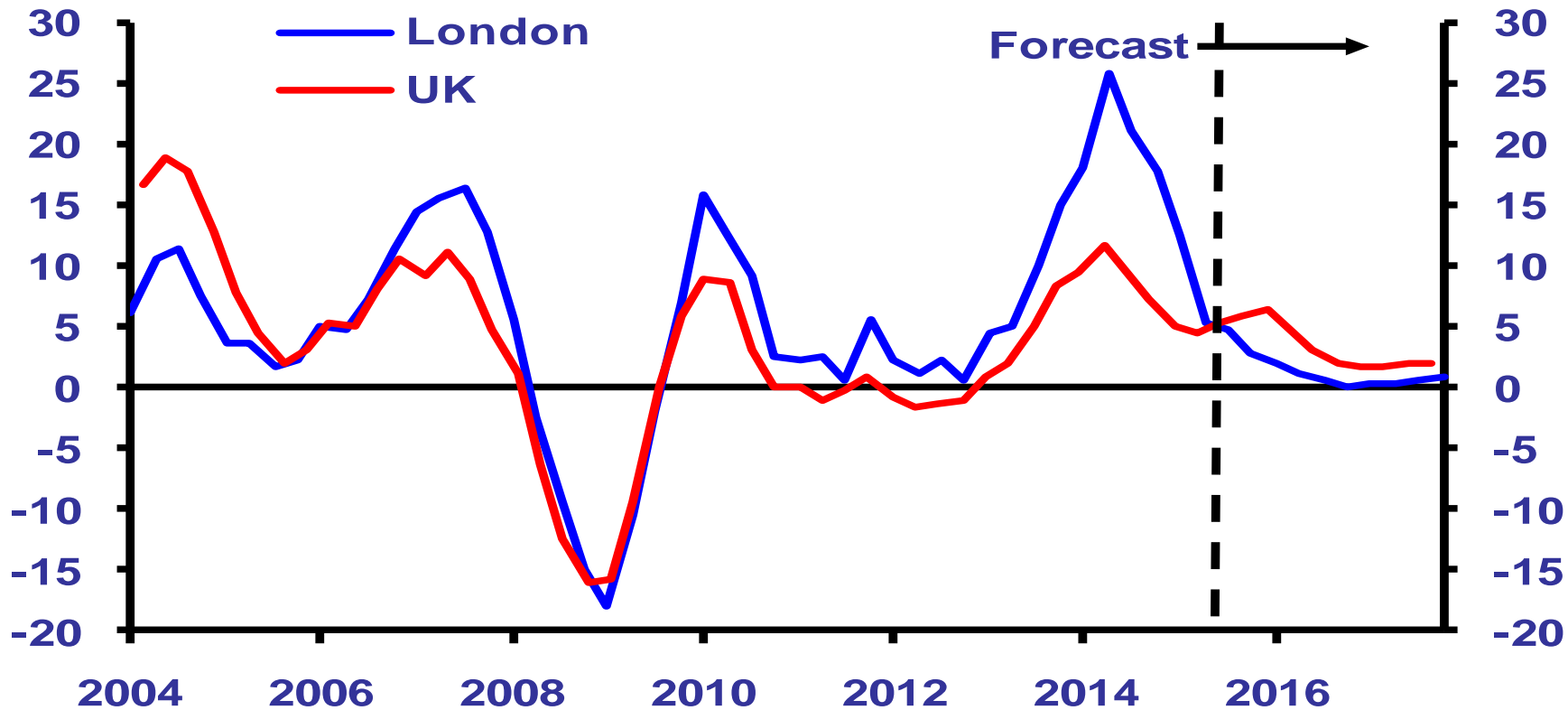
Source: Thomson Datastream, Bloomberg, Capital Economics

## 24. Mortgage Interest Rates and Bank Rate (2000 – 2017) (Latest = 21<sup>st</sup> Sep.)



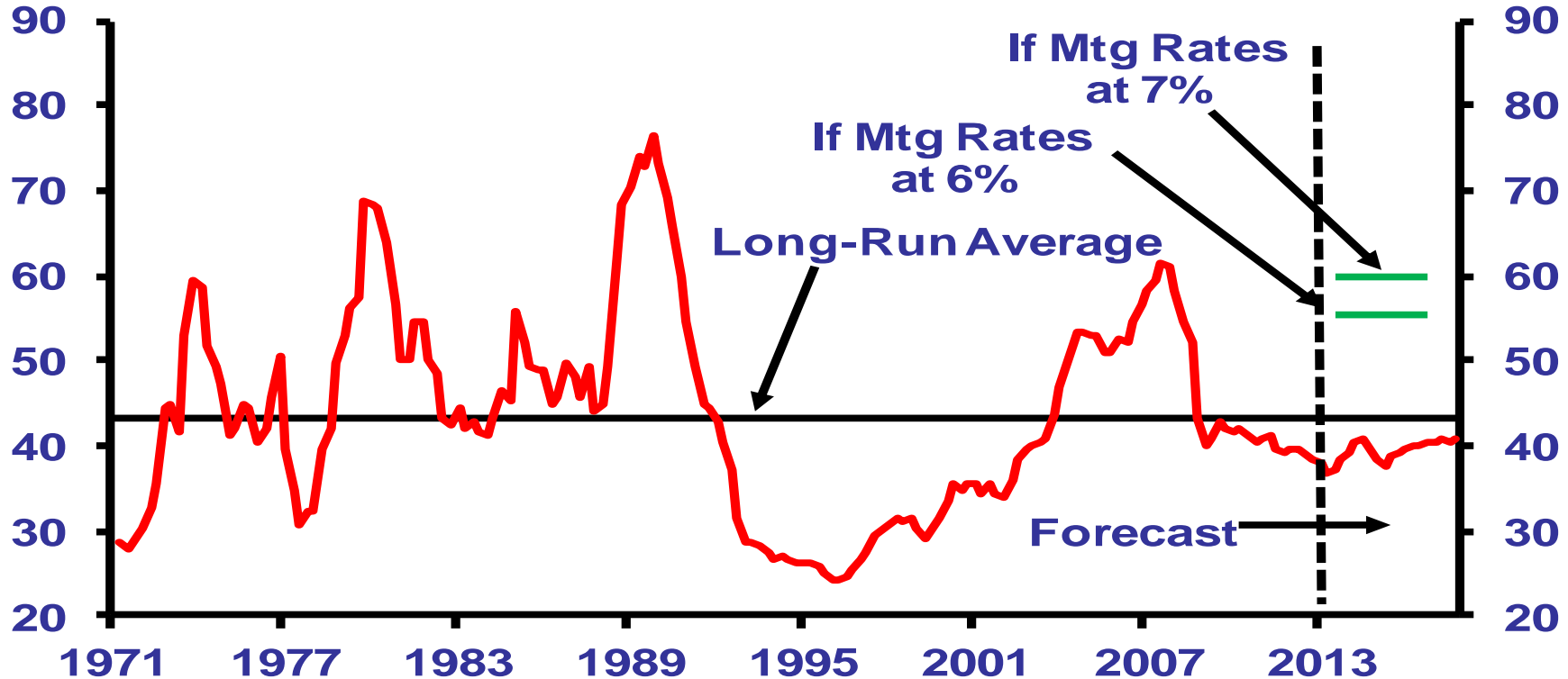
Sources: Thomson Datastream, Capital Economics

# 25. Average House Prices (%y/y) (2004 – 2017) (Latest = Q1 15)



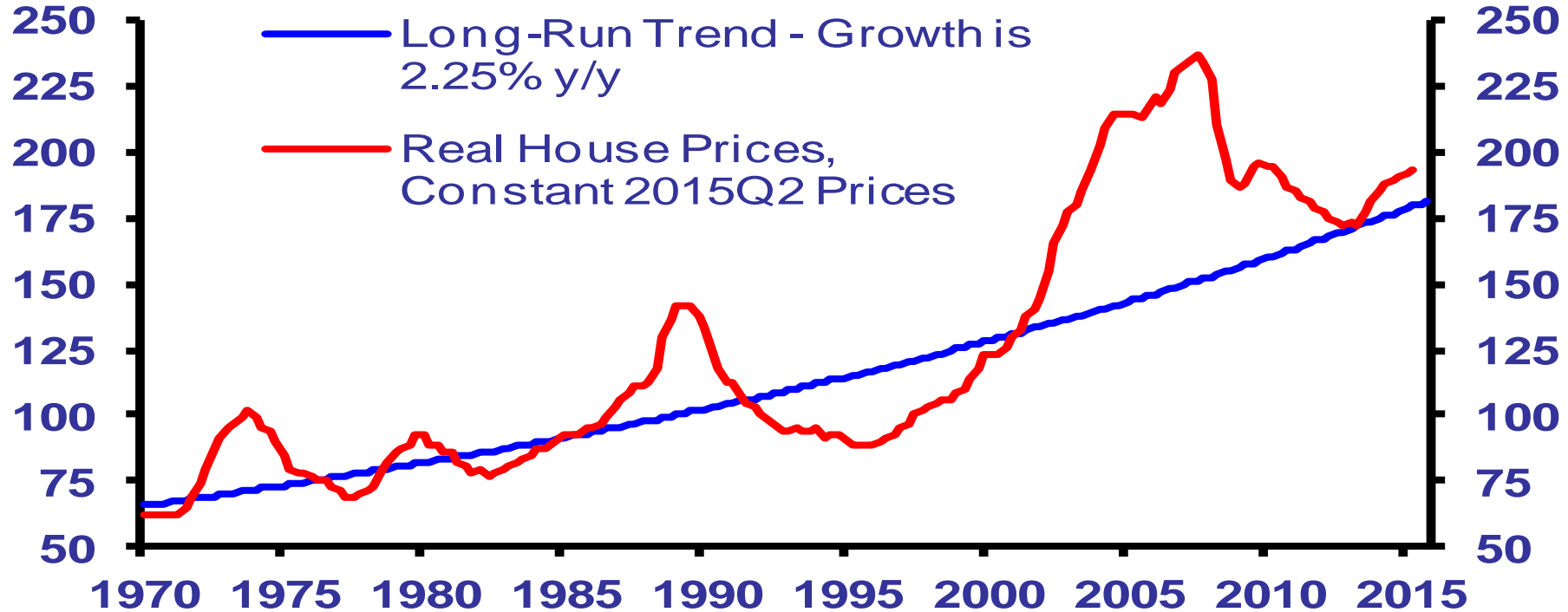
Source: Thomson Datastream

# 26. Share of Take-Home Pay Absorbed By a New Mortgage (%) (1971-2017) (Latest = Q1 15)



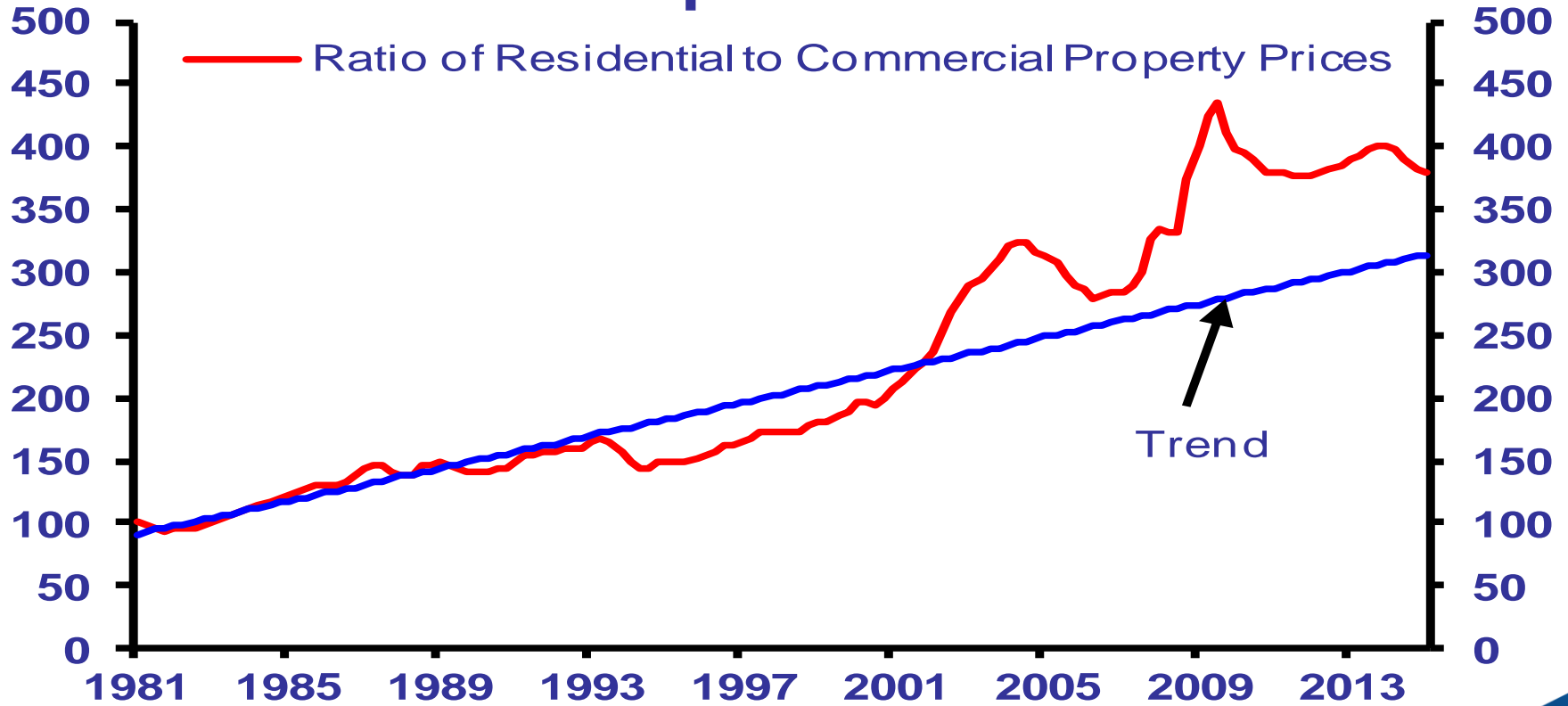
Source: Thomson Datastream, Capital Economics

# 27. UK Real House Prices (Constant Prices, Latest = Q2 2015)



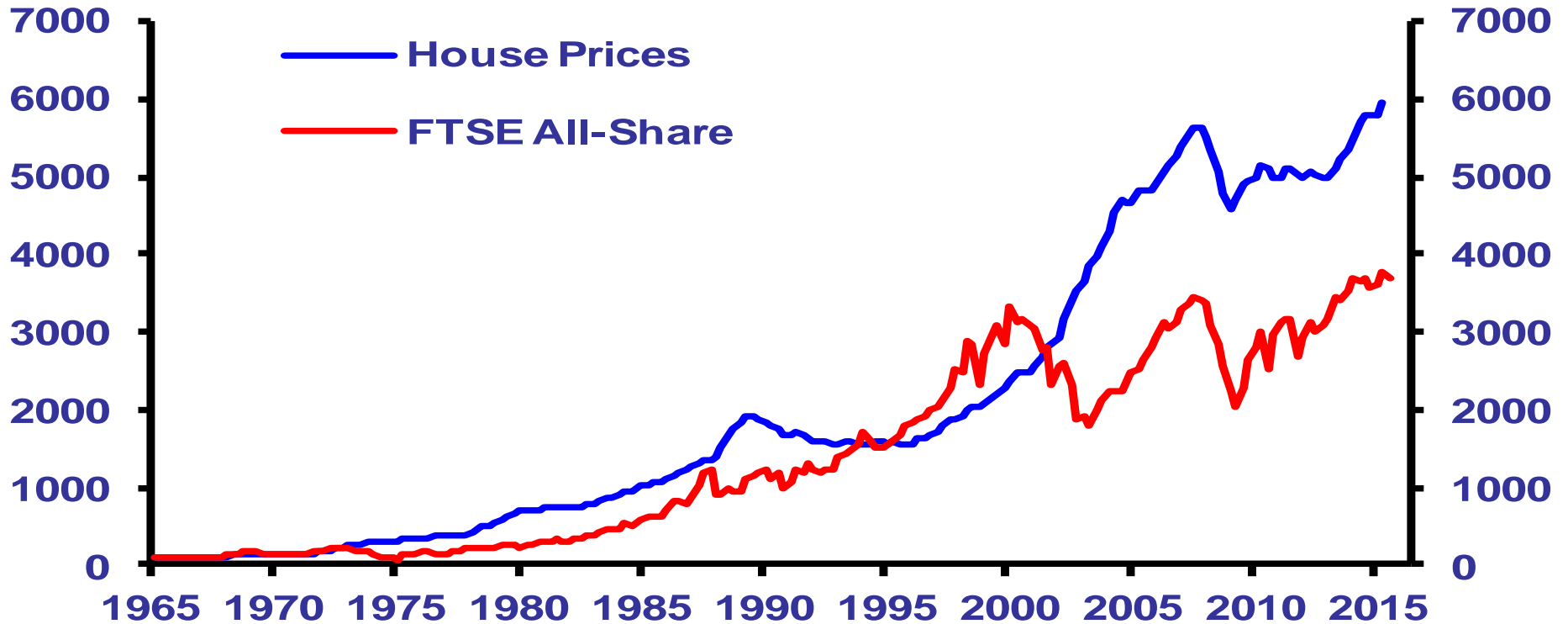
Source: Thomson Datastream

# 28. Ratio of residential to commercial property prices



Sources: Thomson Datastream, Capital Economics

# 29. House Prices and FTSE All Share Equity Prices (Index 1965Q1 =100)

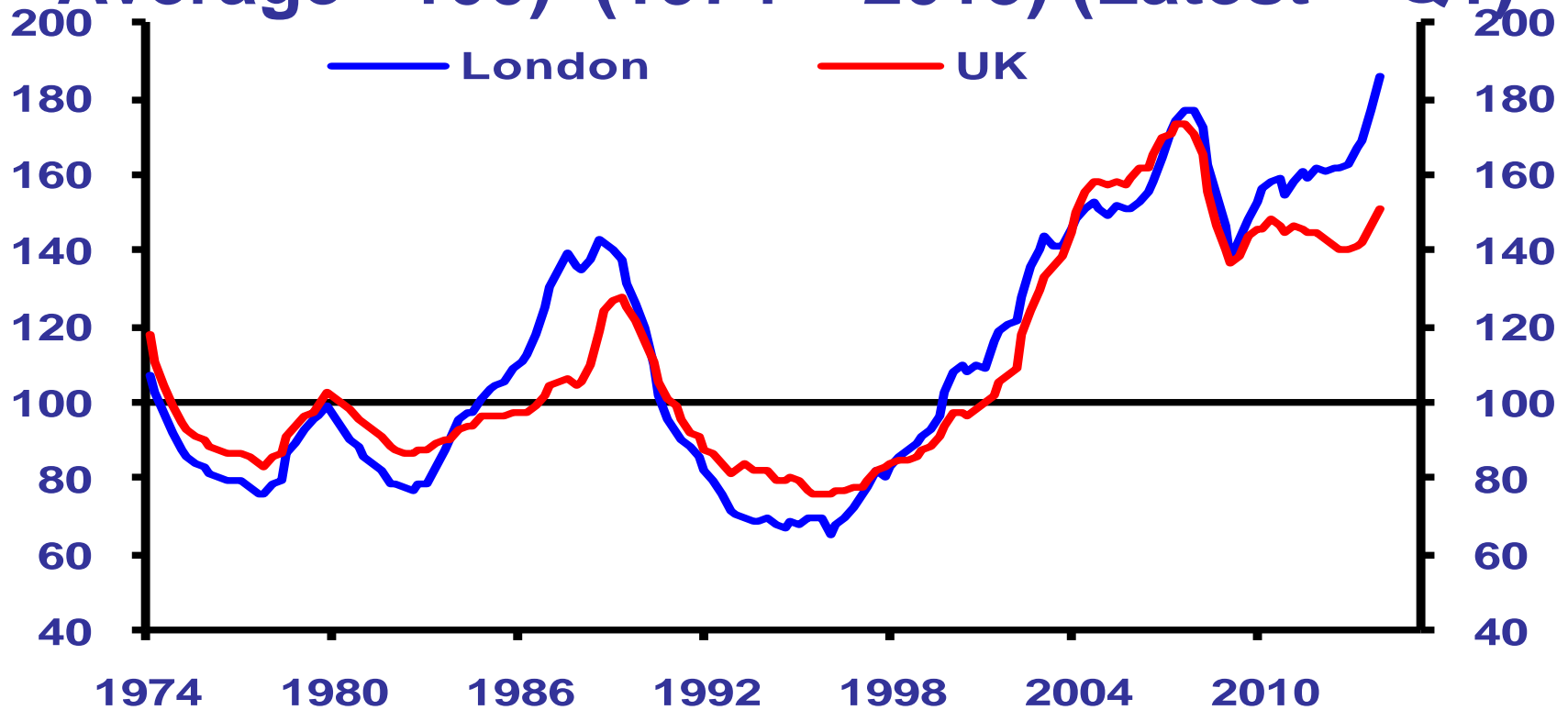


Source: Thomson Datastream



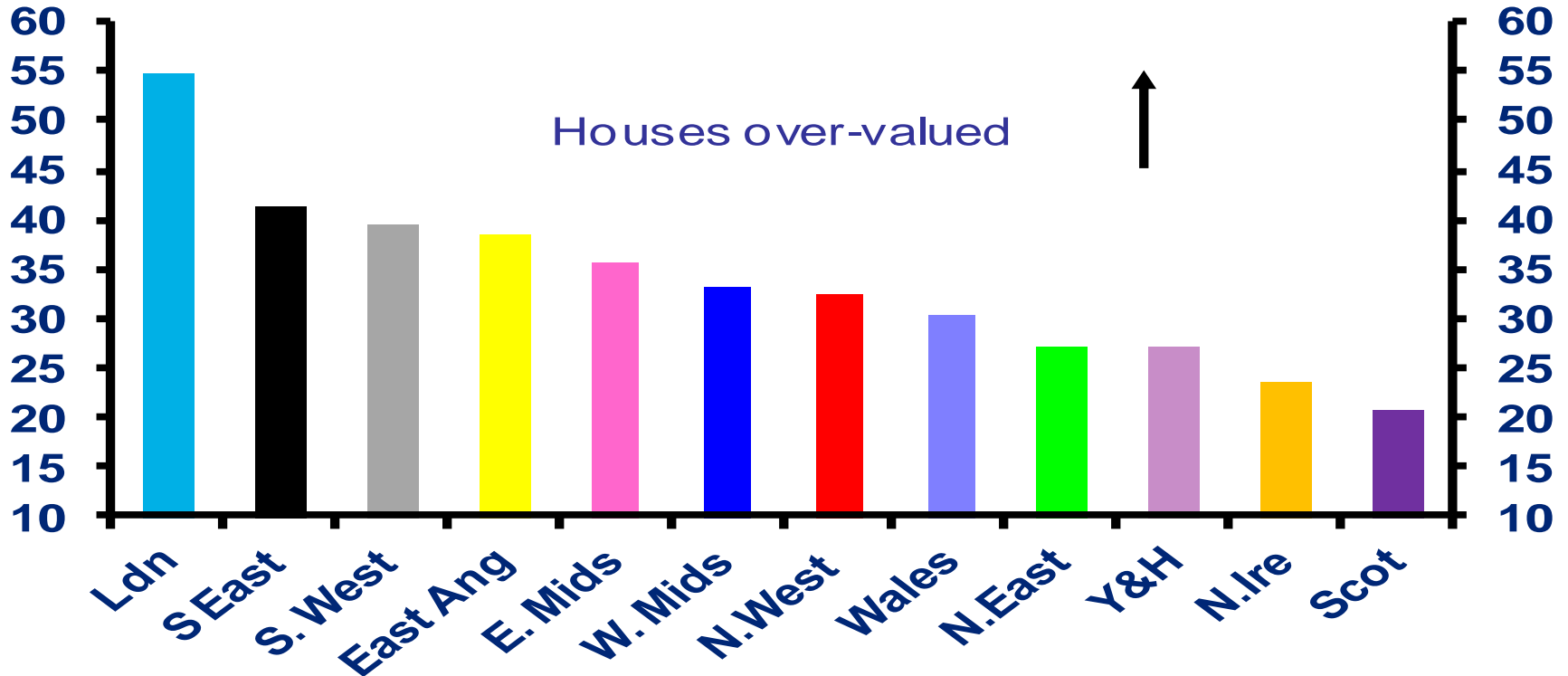
# 30. House Price to Earnings Ratios (1974-2005)

Average = 100) (1974 – 2015) (Latest = Q1)



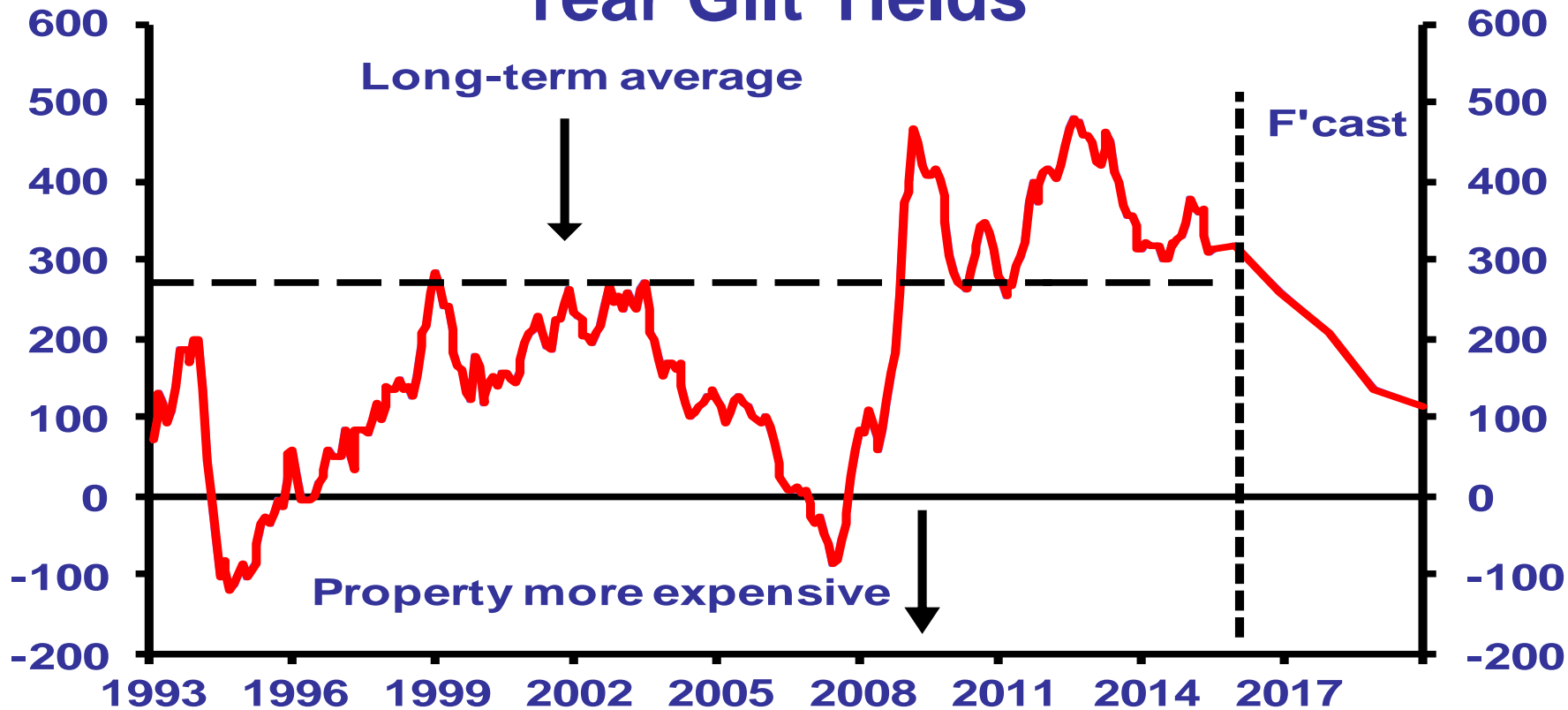
Source: Thomson Datastream

# 32. HPE Ratio by Region (Difference from Long-run Average) (Latest = Q2 2015)



Source: Thomson Datastream

# 36. Commercial Property Initial Yields Less 10-Year Gilt Yields



Sources: Thomson Datastream, Capital Economics

# 37. Commercial Property Initial Yields Less FTSE All-Share Dividend Yields (bps)



Sources: Thomson Datastream, Capital Economics

# 38. Conclusions.

- **The UK outlook fairly benign.**
  - **Overseas risks manageable.**
  - **But the EU is heading for a stronger crisis.**
  - **Higher interest rates to rise soon – but modestly.**
  - **And, probably associated with that, lower house prices.**
  - **Commercial property prospects reasonably good.**
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# Q&A



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