

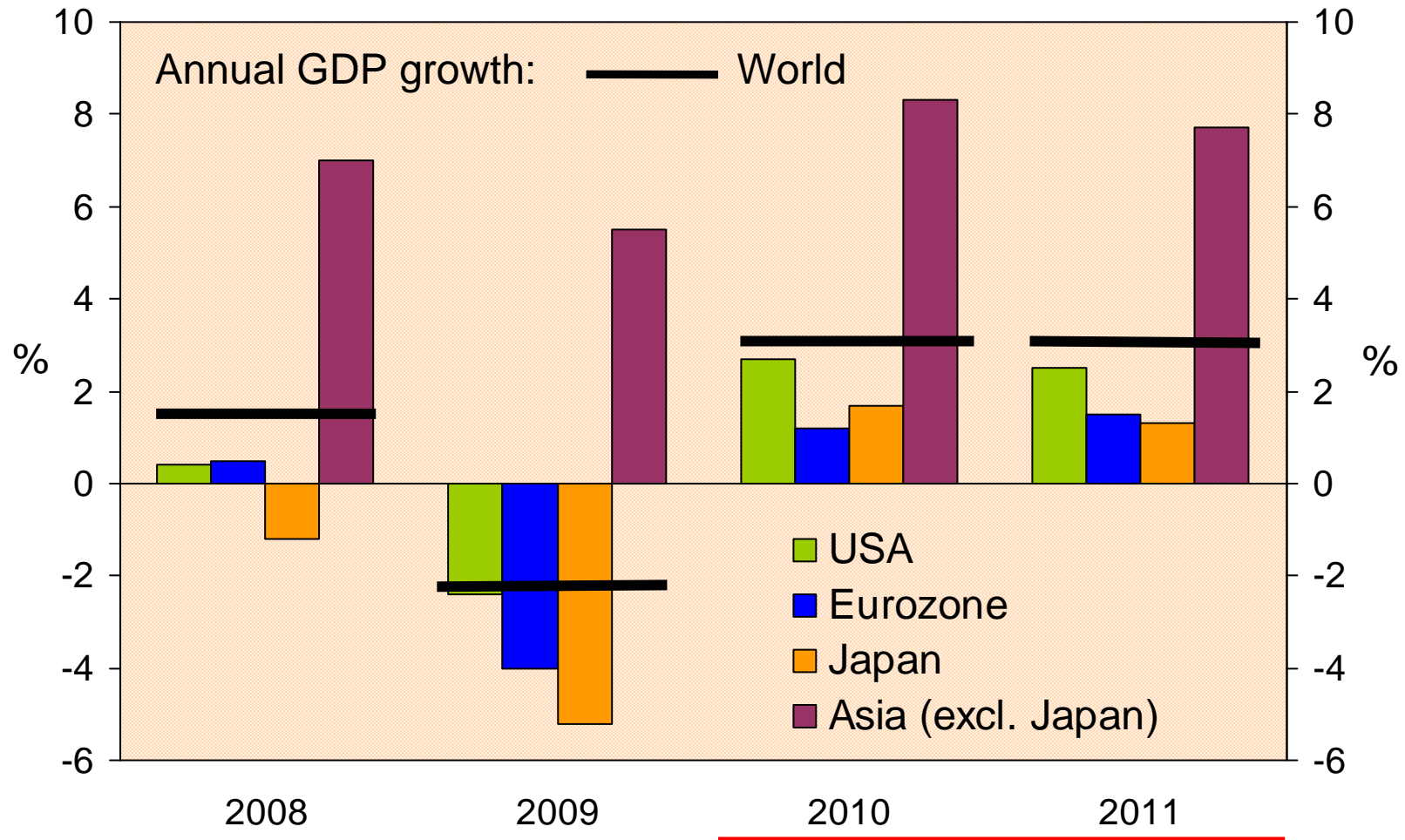
Eastern promise, western malaise

Outlook for the global and
UK economies

June 2010

Mark Berrisford-Smith
HSBC Bank plc

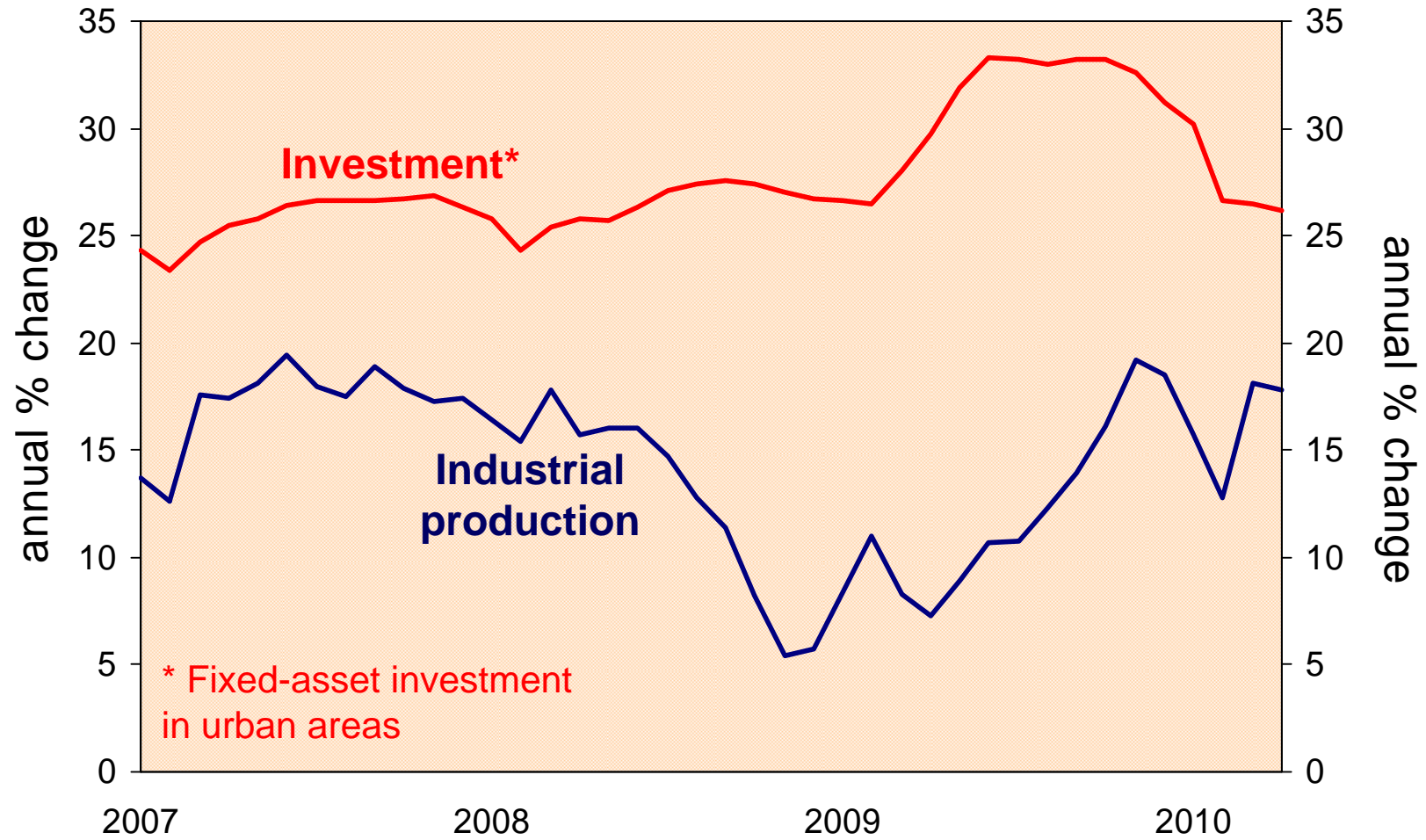
Back to normal?



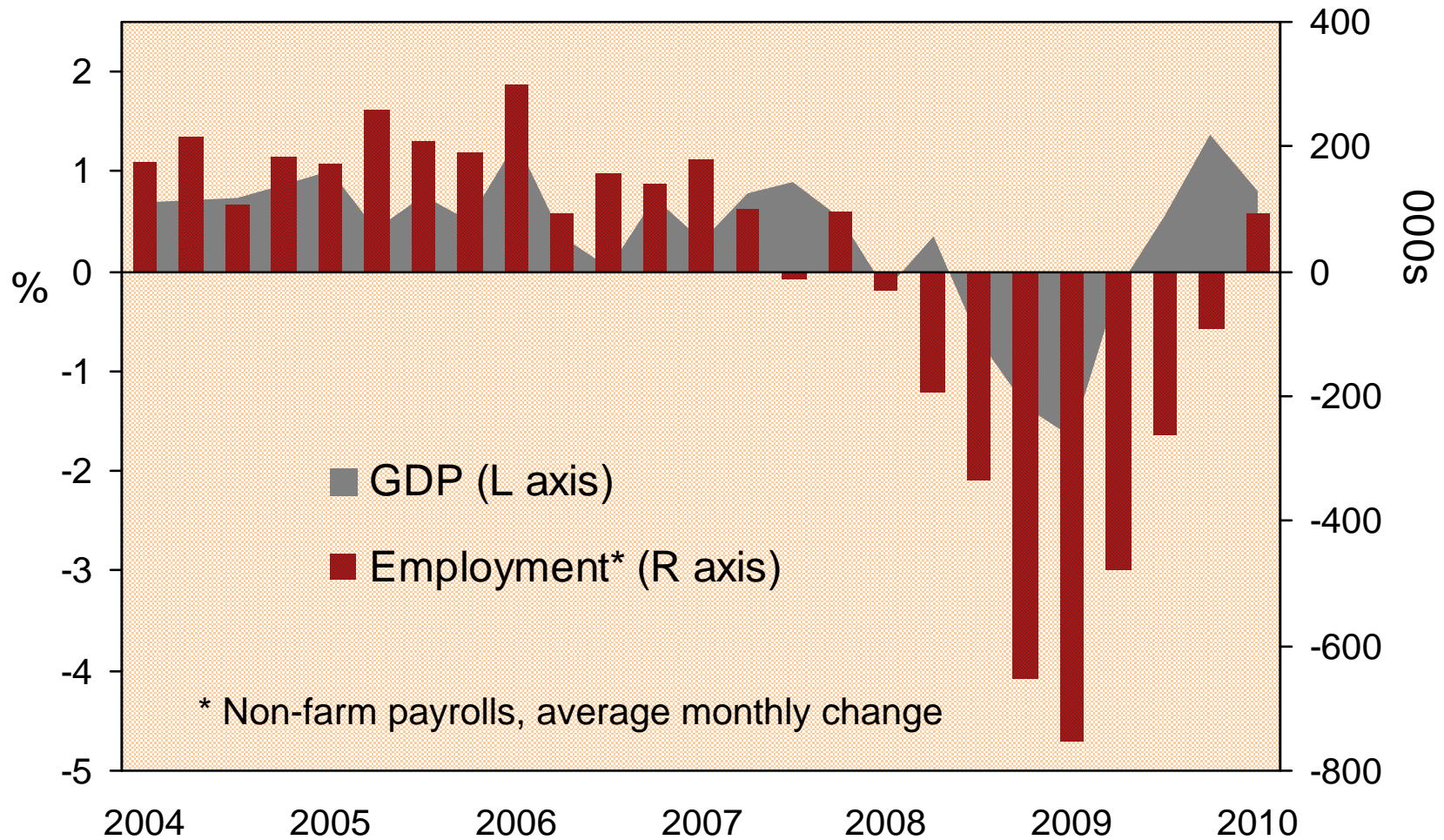
Source: IMF, HSBC

HSBC forecast

Another industrial surge

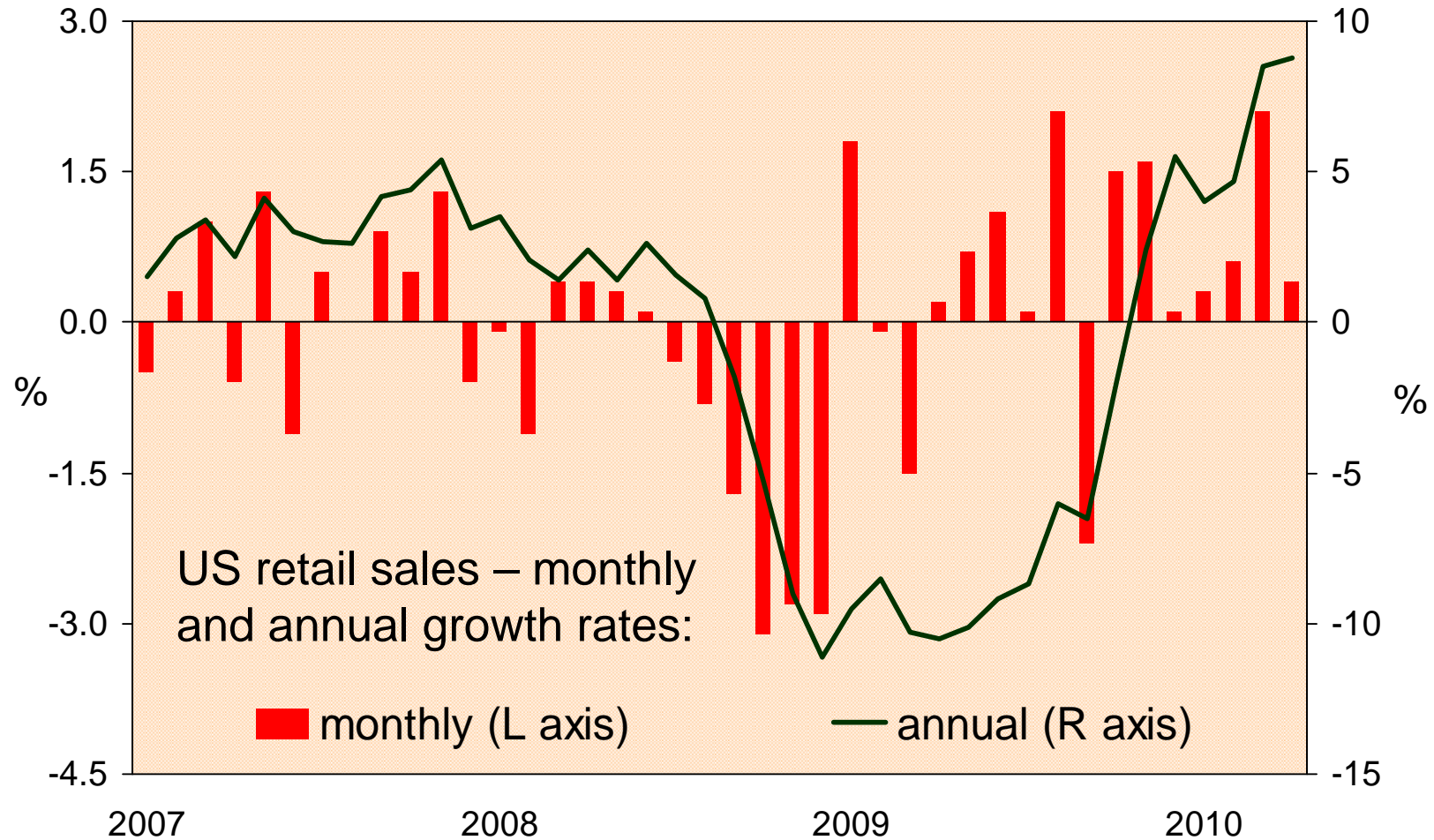


Creating jobs again



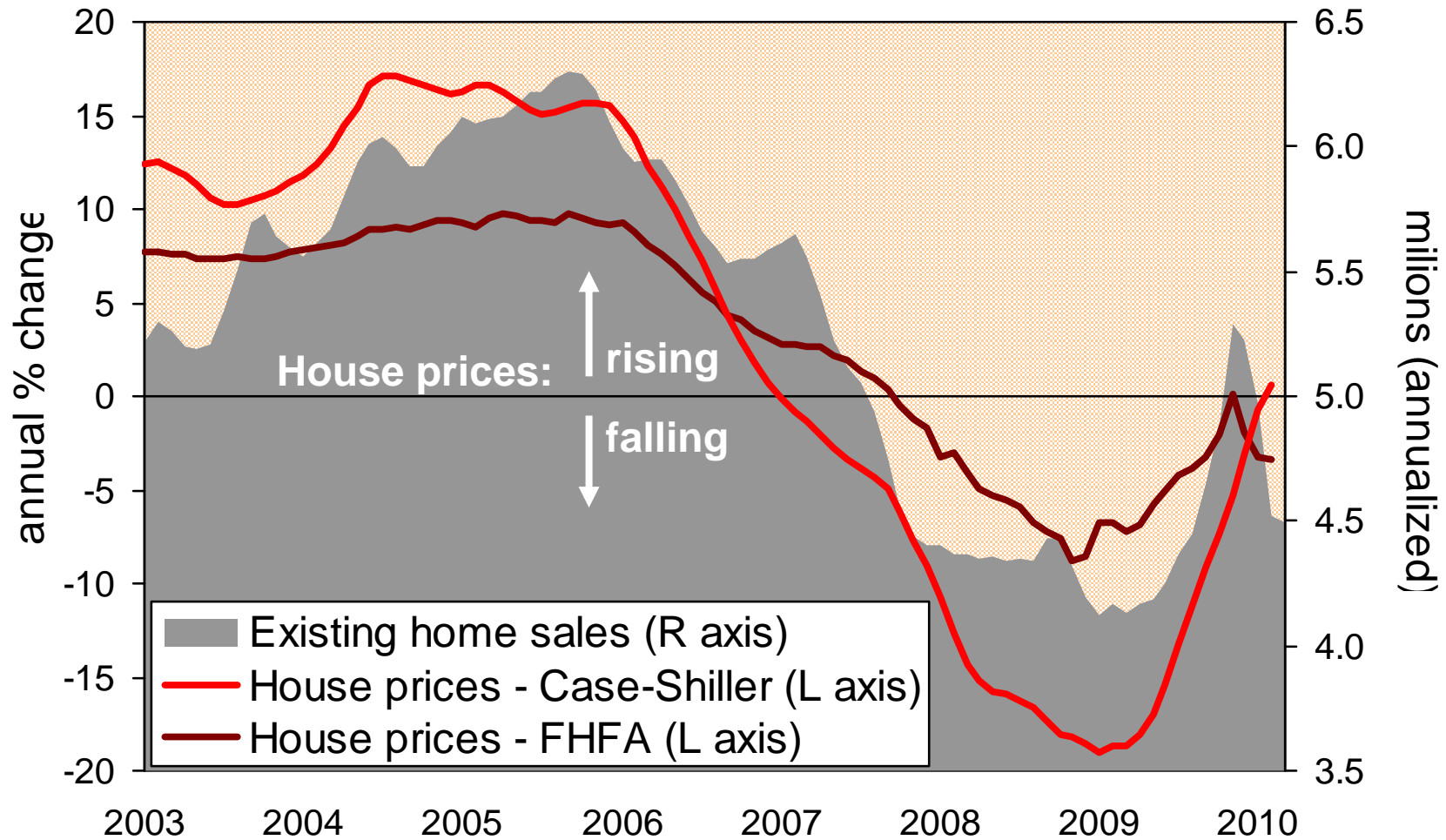
Source: BLS, BEA

Americans return to the shopping malls



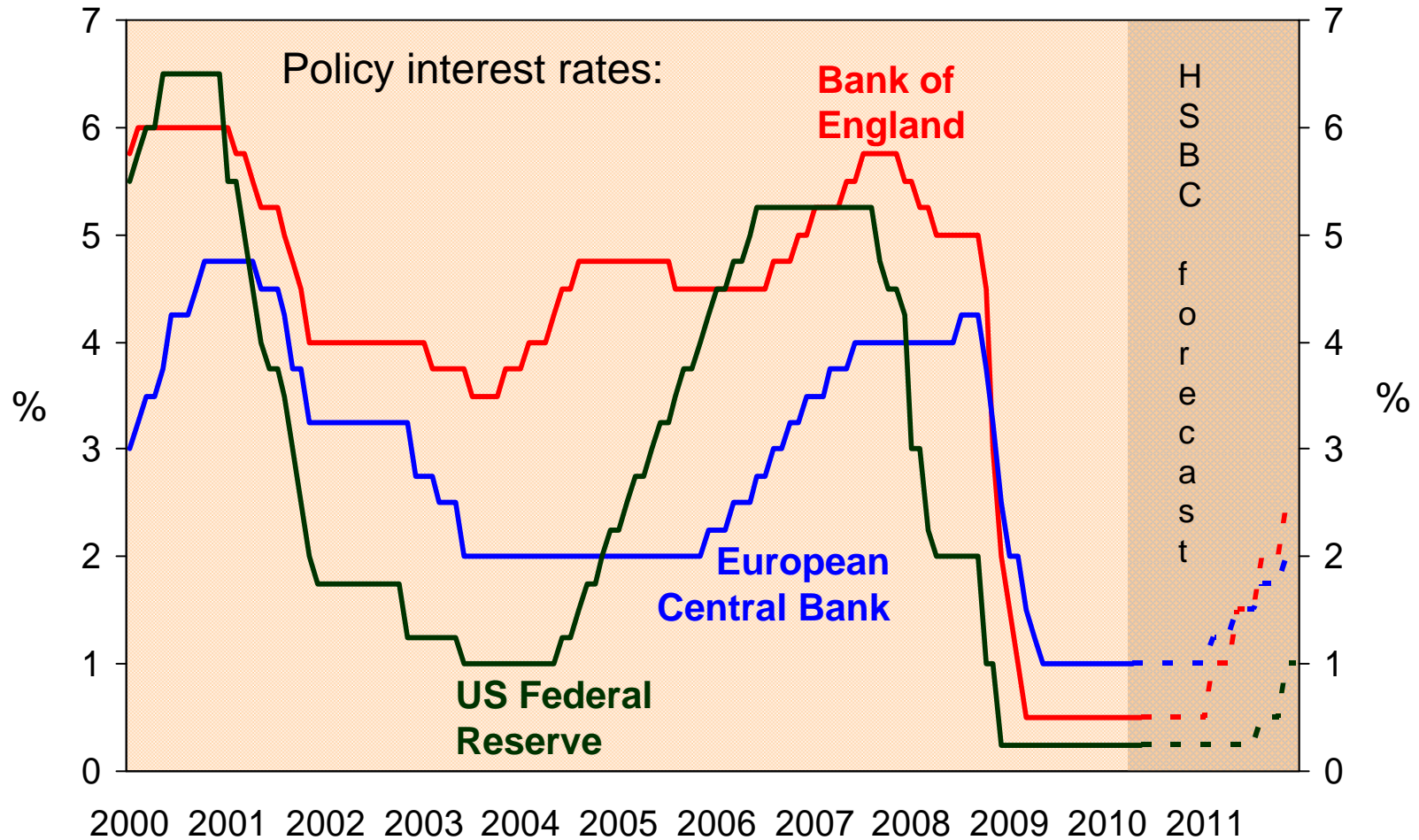
Source: Thomson Datastream

A shaky housing market recovery



Source: Thomson Datastream

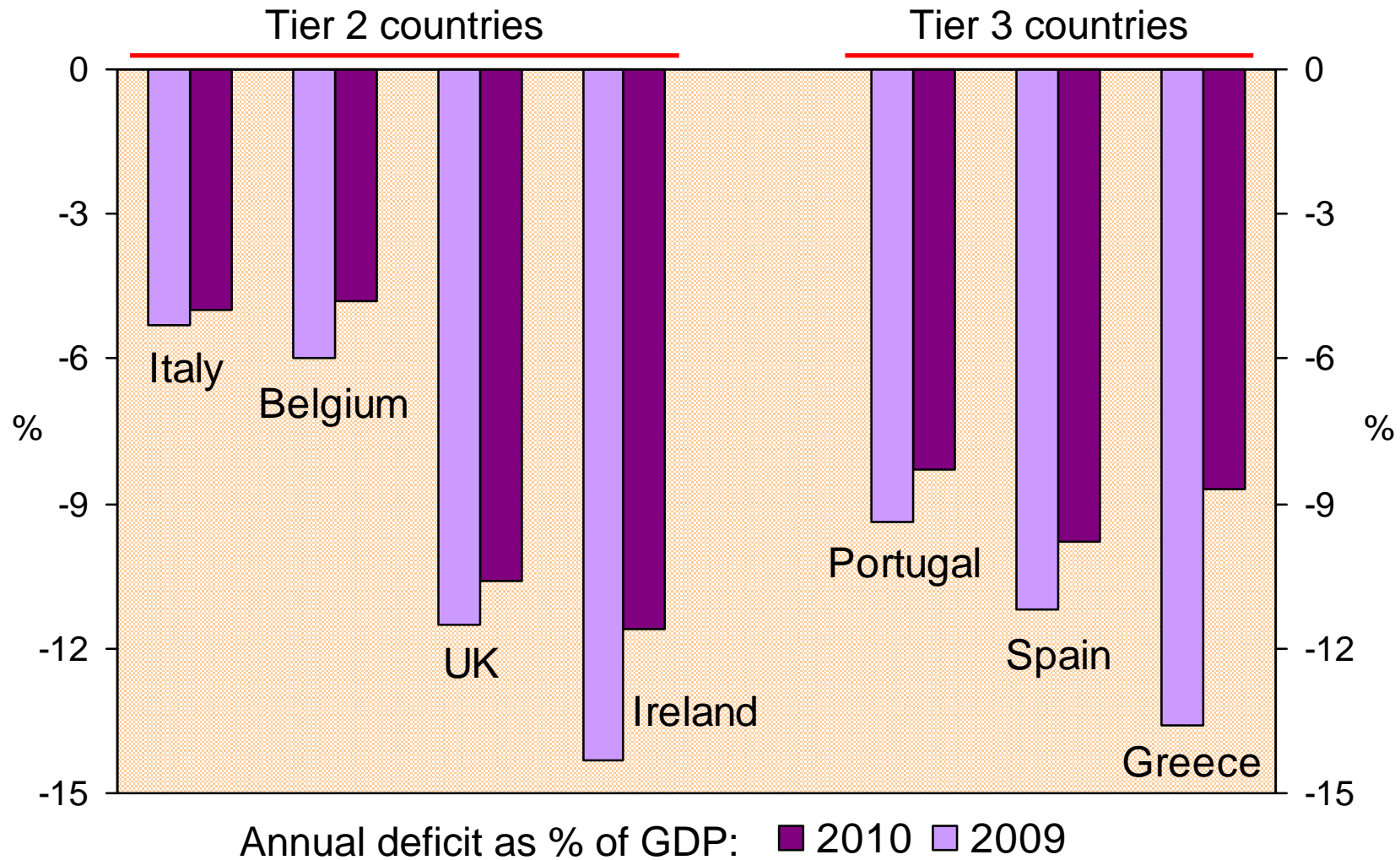
Weaning the patient off the drugs



Source: Bank of England, US Federal Reserve, ECB, HSBC

- Greece's budget deficit is not much higher than that of some other countries.
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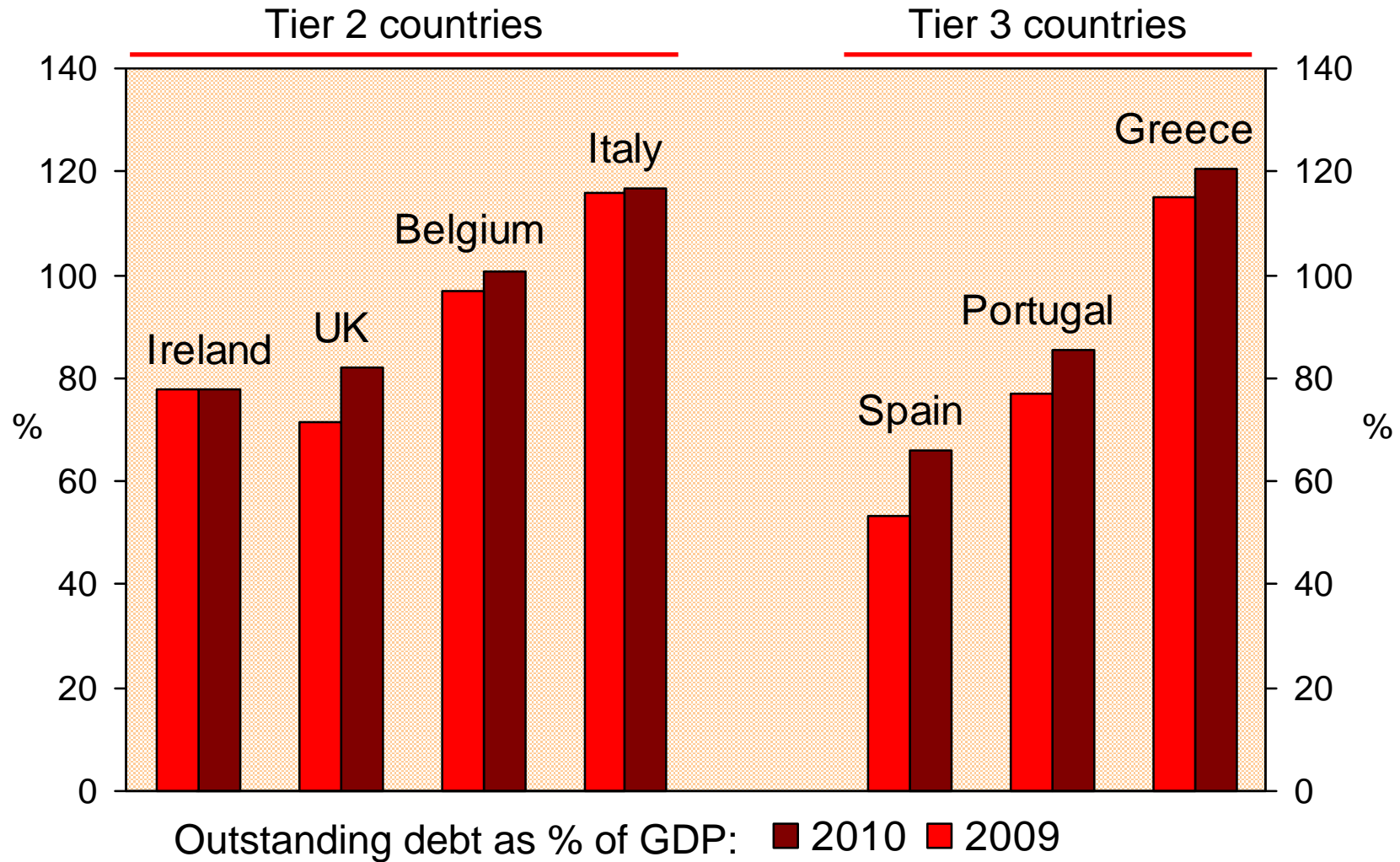
Sorting the wheat from the chaff – deficits



Sources: EU Commission, national statistical agencies, HSBC

- Greece's budget deficit is not much higher than some other countries.
 - But Greece's burden of outstanding debt is also very large, as it is for Italy and Belgium.
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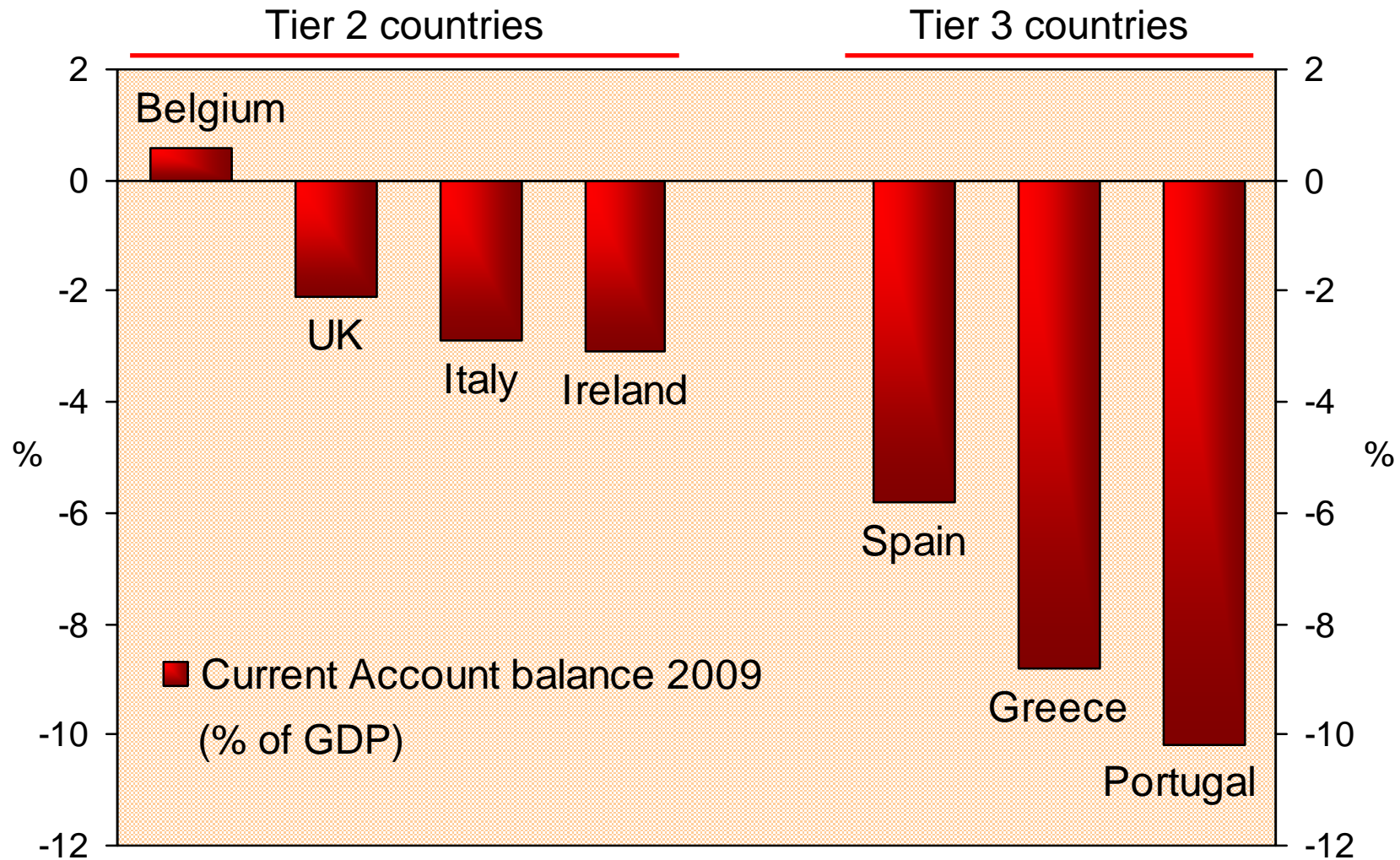
Sorting the wheat from the chaff – debt



Source: EU Commission, national statistical agencies, HSBC

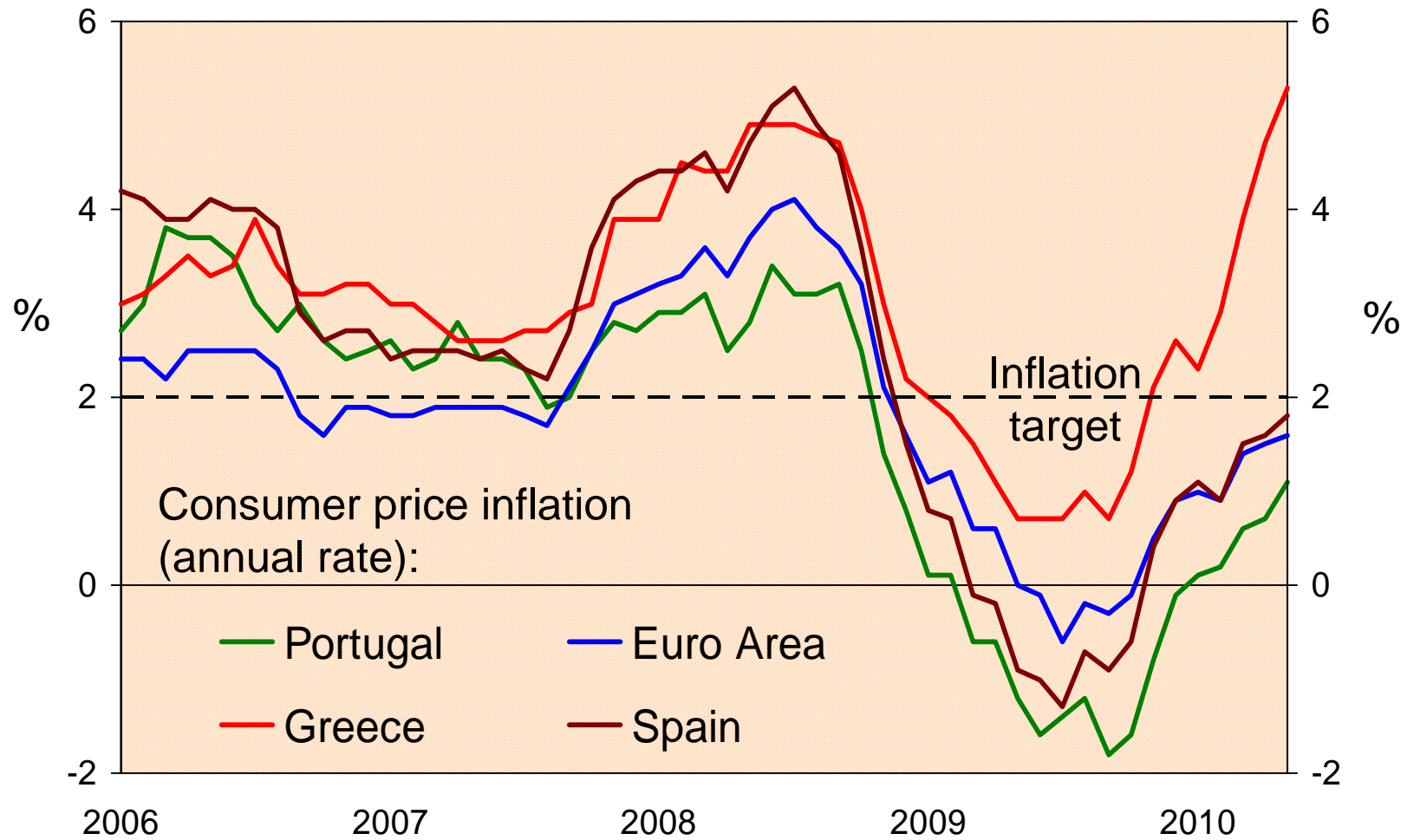
- Greece's budget deficit is not much larger than some other countries.
 - But it's burden of outstanding debt is also very large, as it is in Italy and Belgium.
 - **The Eurozone's southern members all have major structural issues to address.**
-

Sorting the wheat from the chaff – C/A

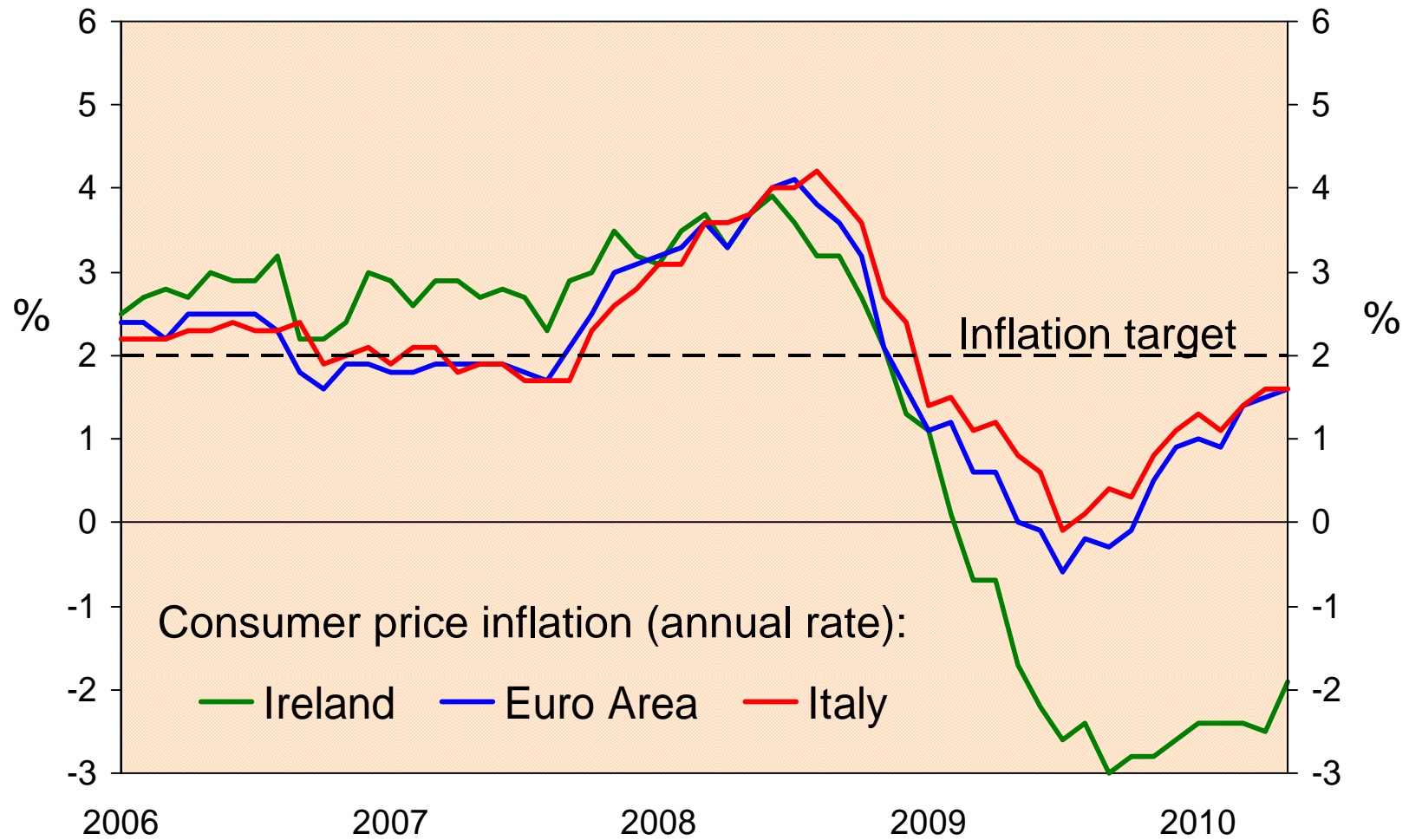


Sources: EU Commission, national statistical agencies, HSBC

The hard road to internal devaluation (1)

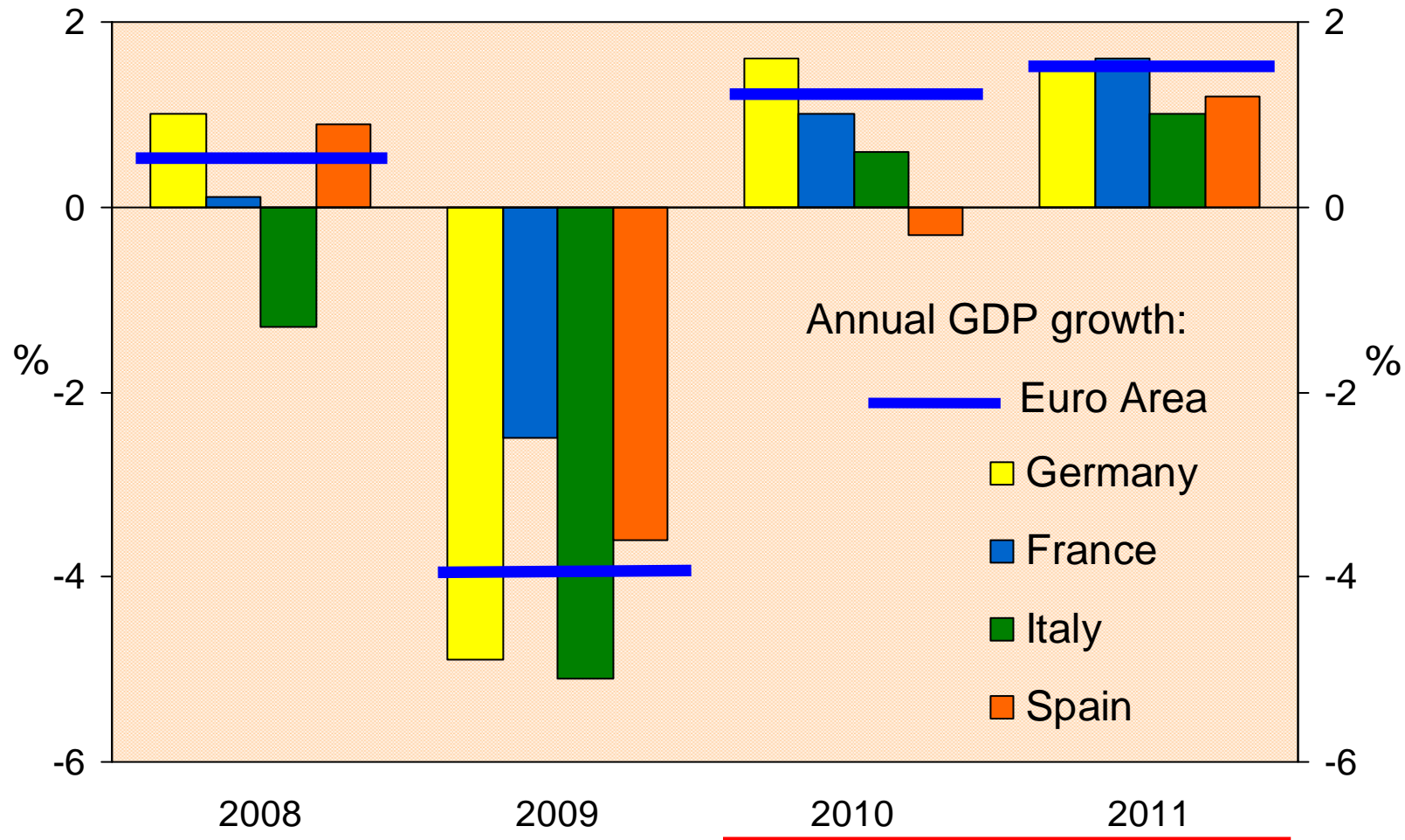


The hard road to internal devaluation (2)



Thomson Eurostat

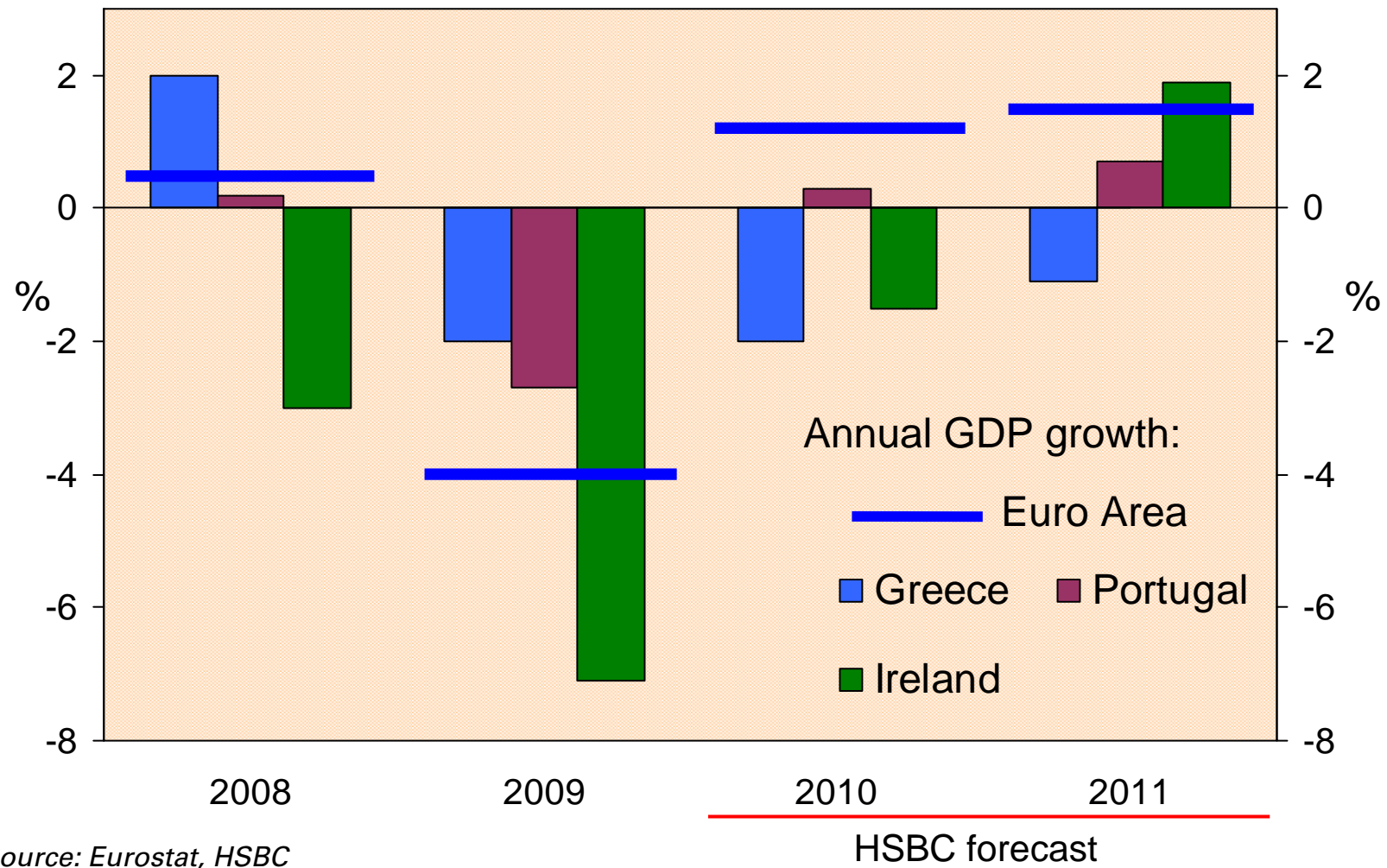
It will be tough for the big guys



Source: Eurostat, HSBC

HSBC forecast

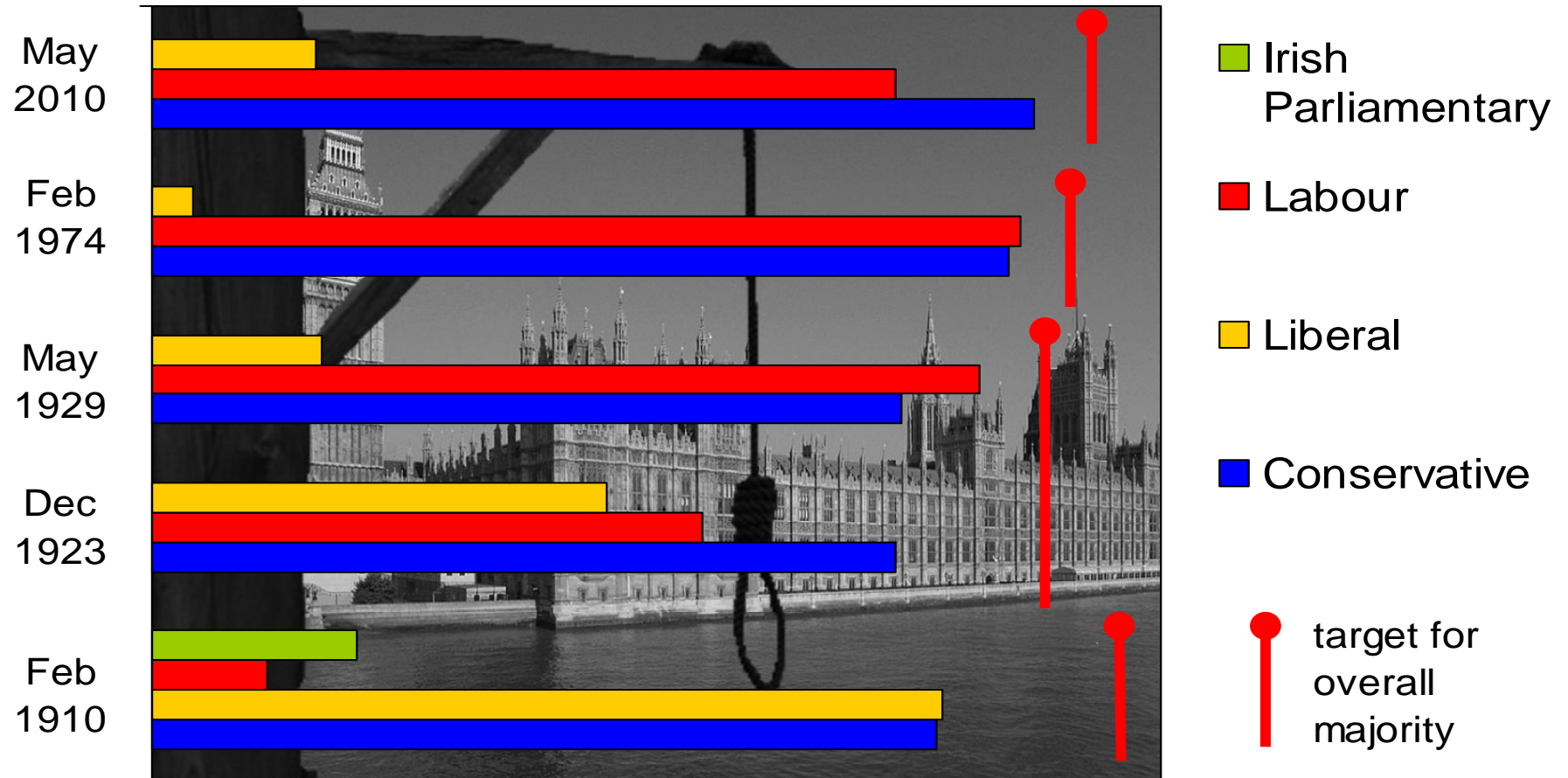
It will be much tougher for the periphery



Britain: new politics, same economy

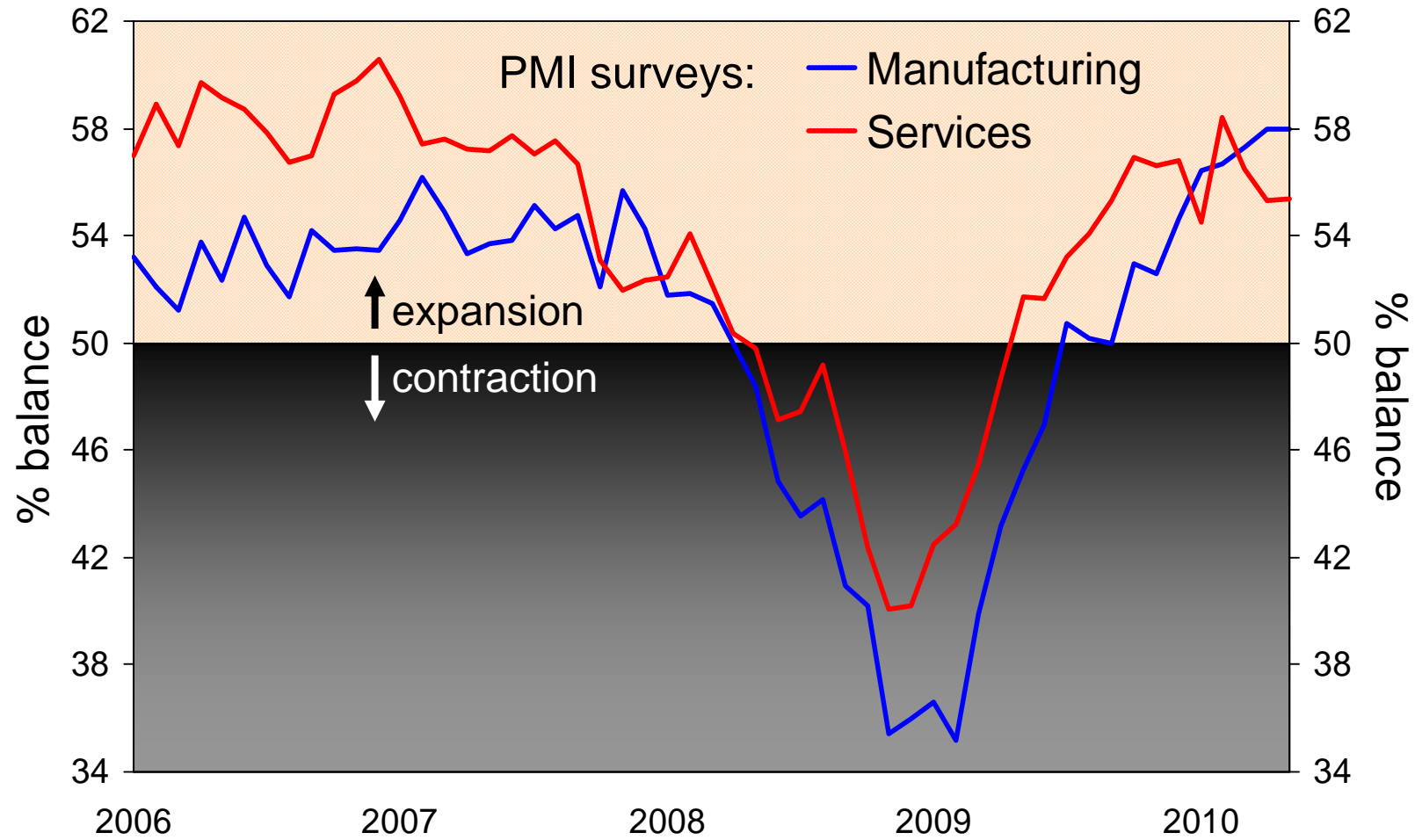
A well-hung Parliament

Seats won: 50 100 150 200 250 300 350



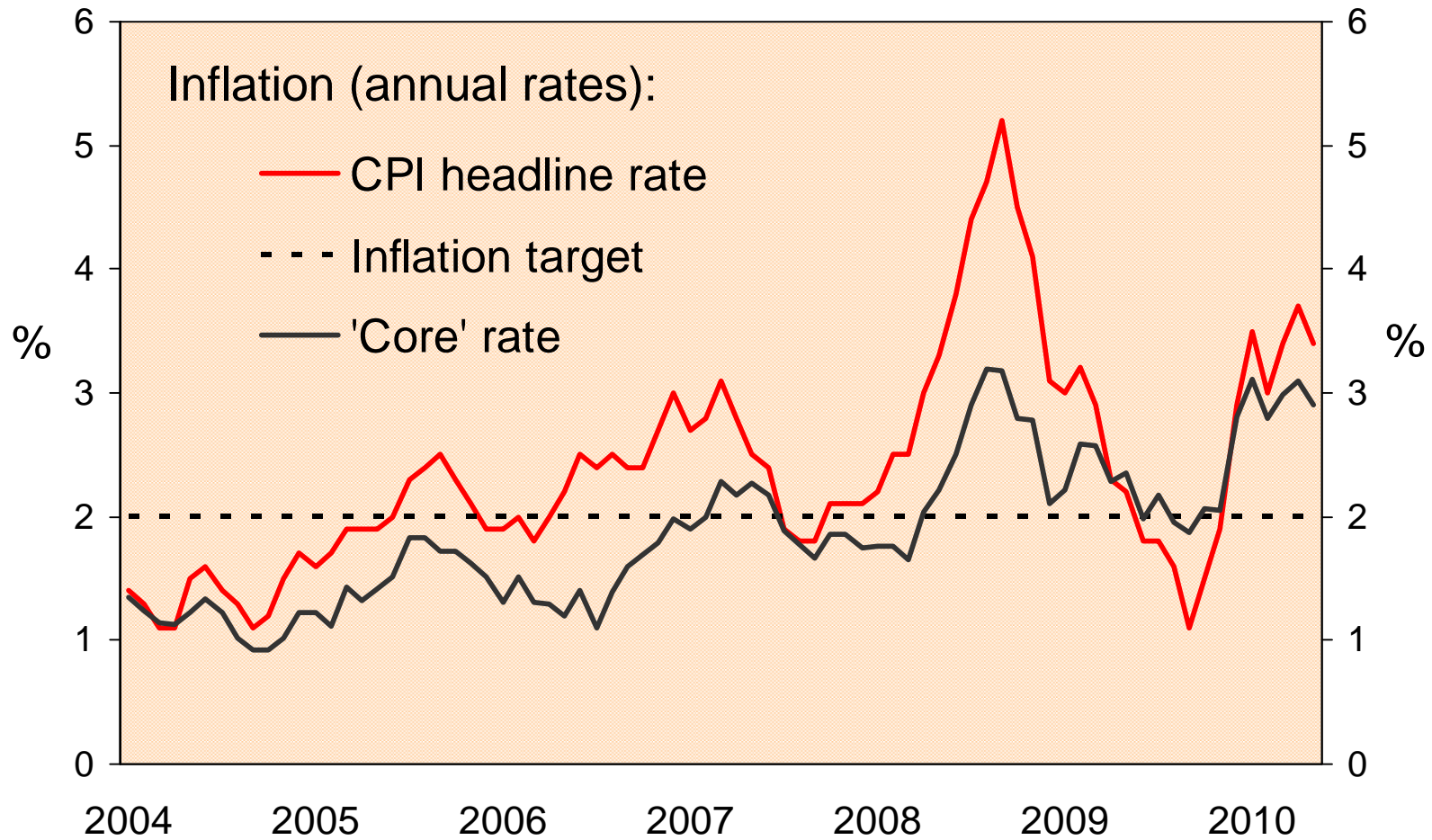
Source: House of Commons research

Business surveys still point to robust recovery



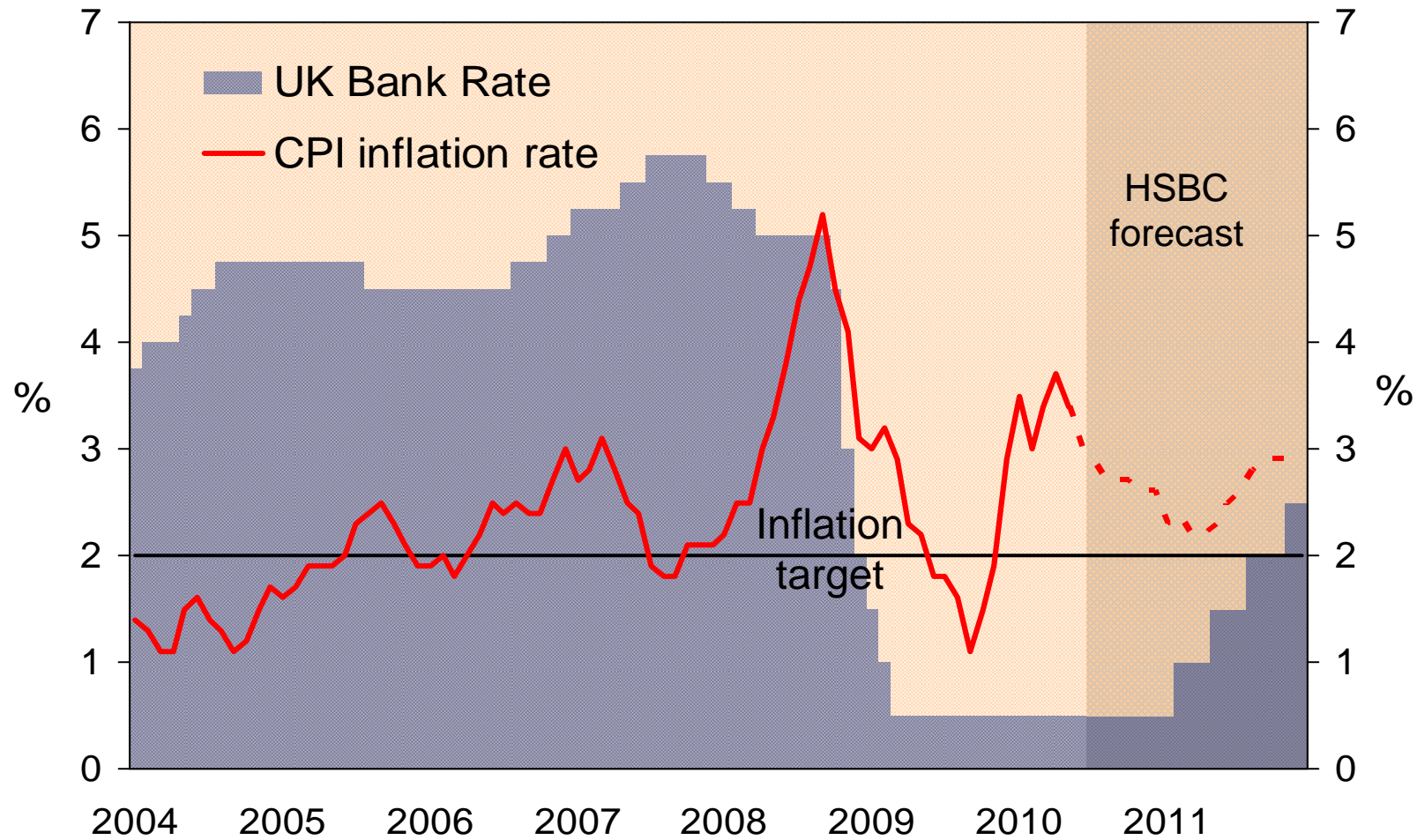
Source: Markit

- Bank Rate will be increased only gradually, despite the spike in inflation.
-



Source: ONS

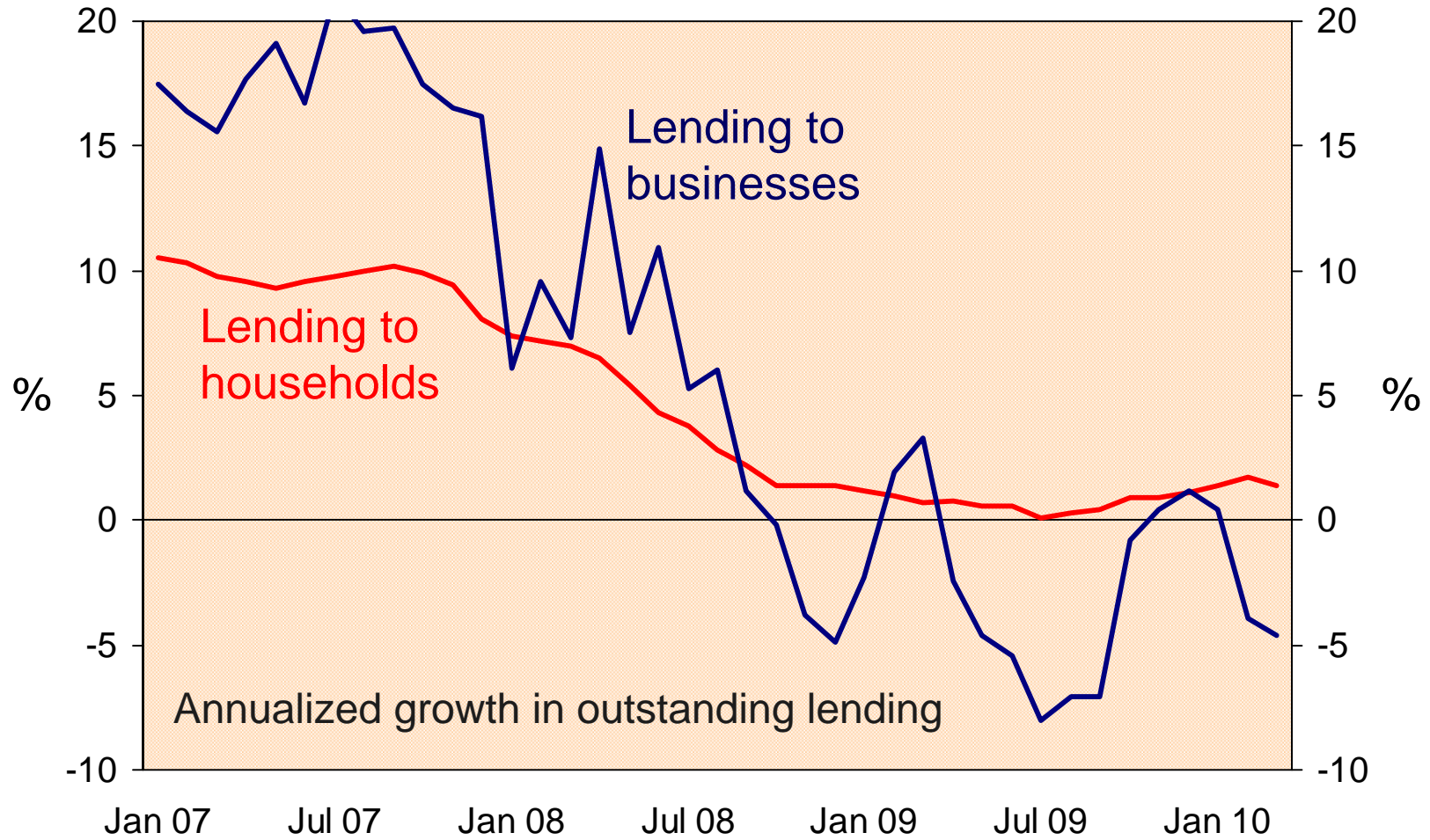
Nudging, not hiking



Source: Bank of England, ONS

- Bank Rate will be increased only gradually, despite the spike in inflation.
 - The experiment in ‘magic’ money is over for now; but nobody can be sure how much good it has done.
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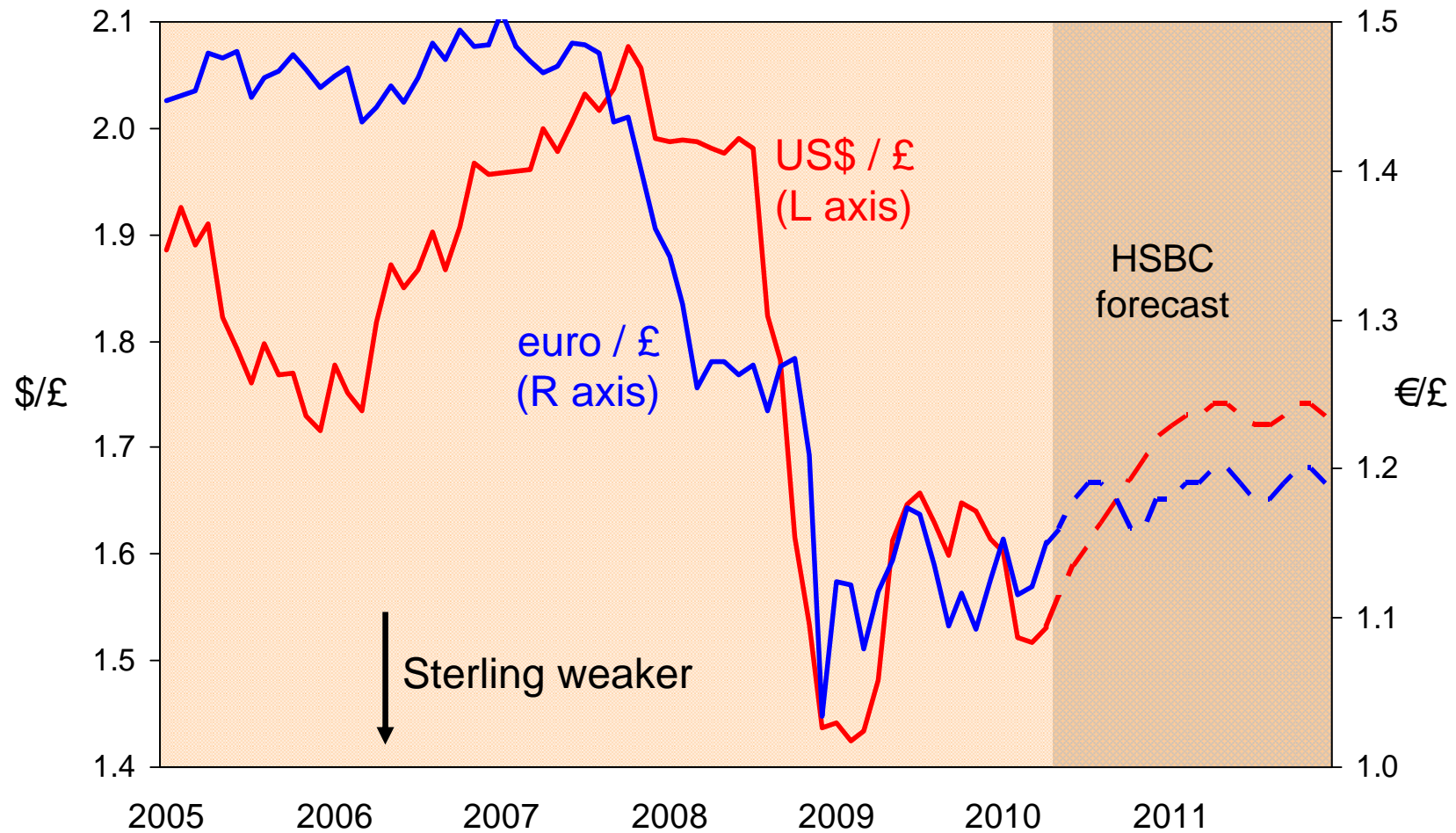
Credit growth remains very subdued



Source: Bank of England

- Bank Rate will be increased only gradually, despite the spike in inflation.
 - The experiment in ‘magic’ money is over for now; but nobody can be sure how much good it has done.
 - Sterling has fallen by around a sixth since the autumn of 2008.
-

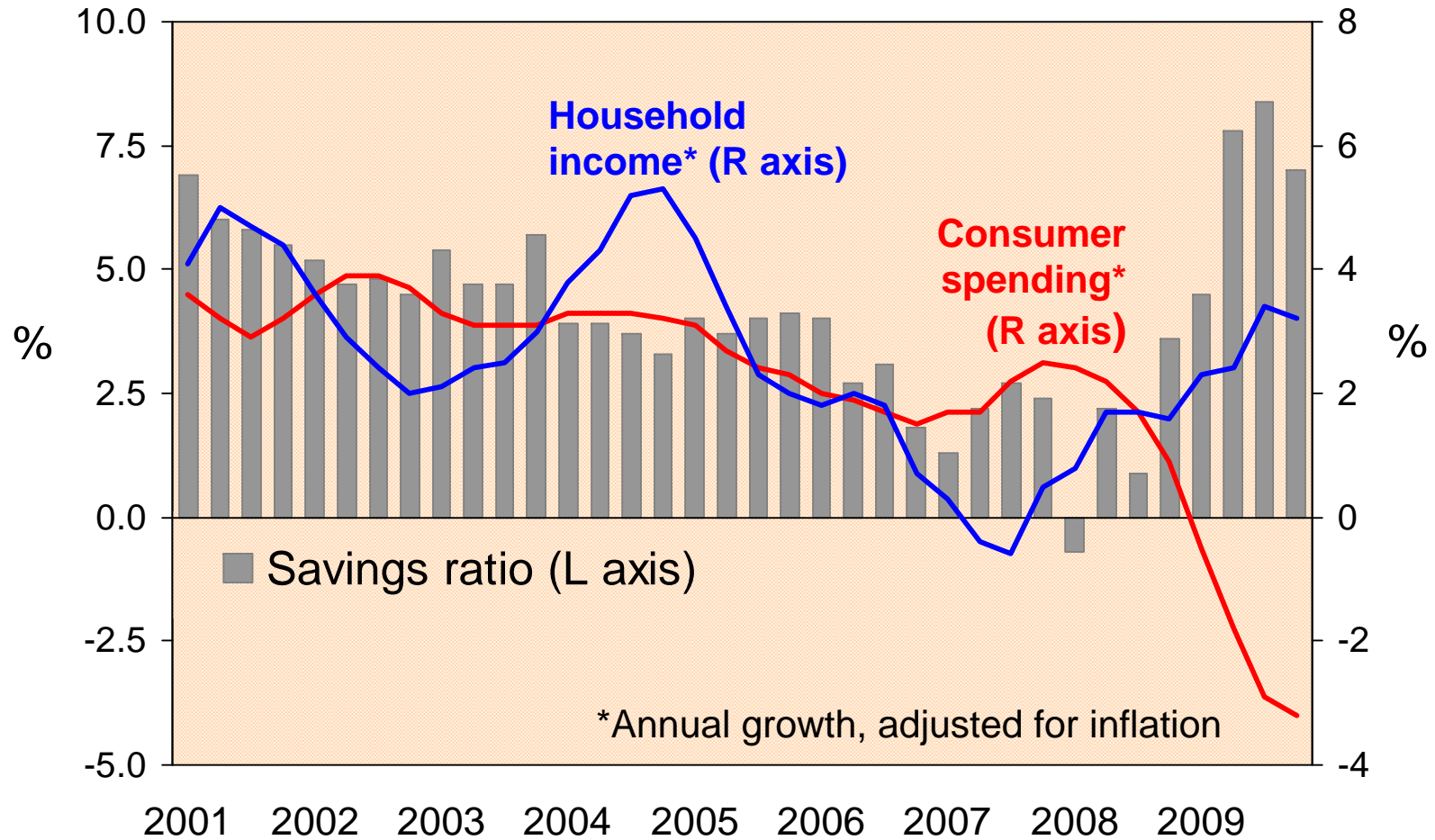
Little sign of any export-led growth



Source: Thomson Datastream; HSBC

- Households will save more, and will be wary about taking on new borrowings.
-

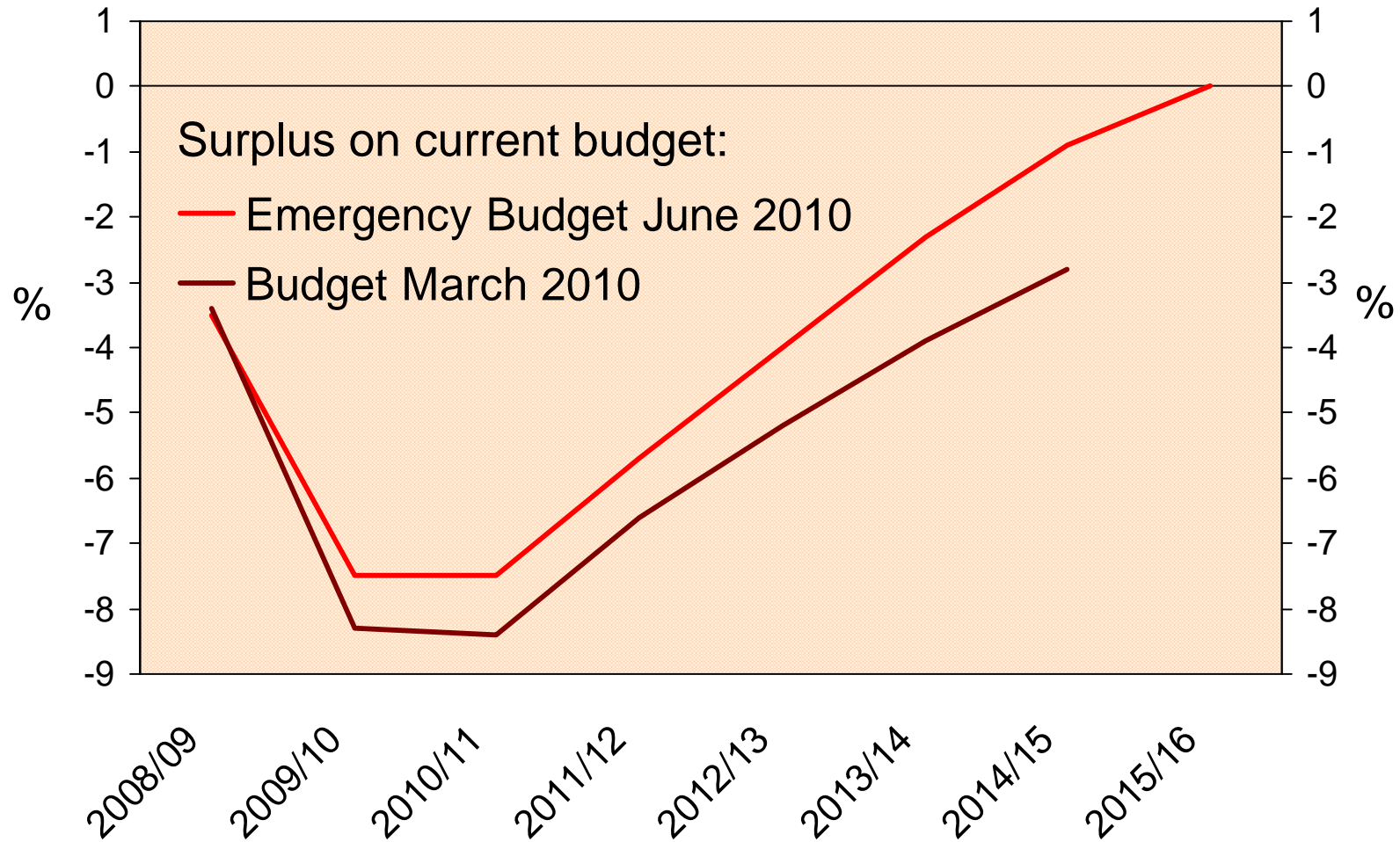
Consumers are saving more and spending less



Source: ONS

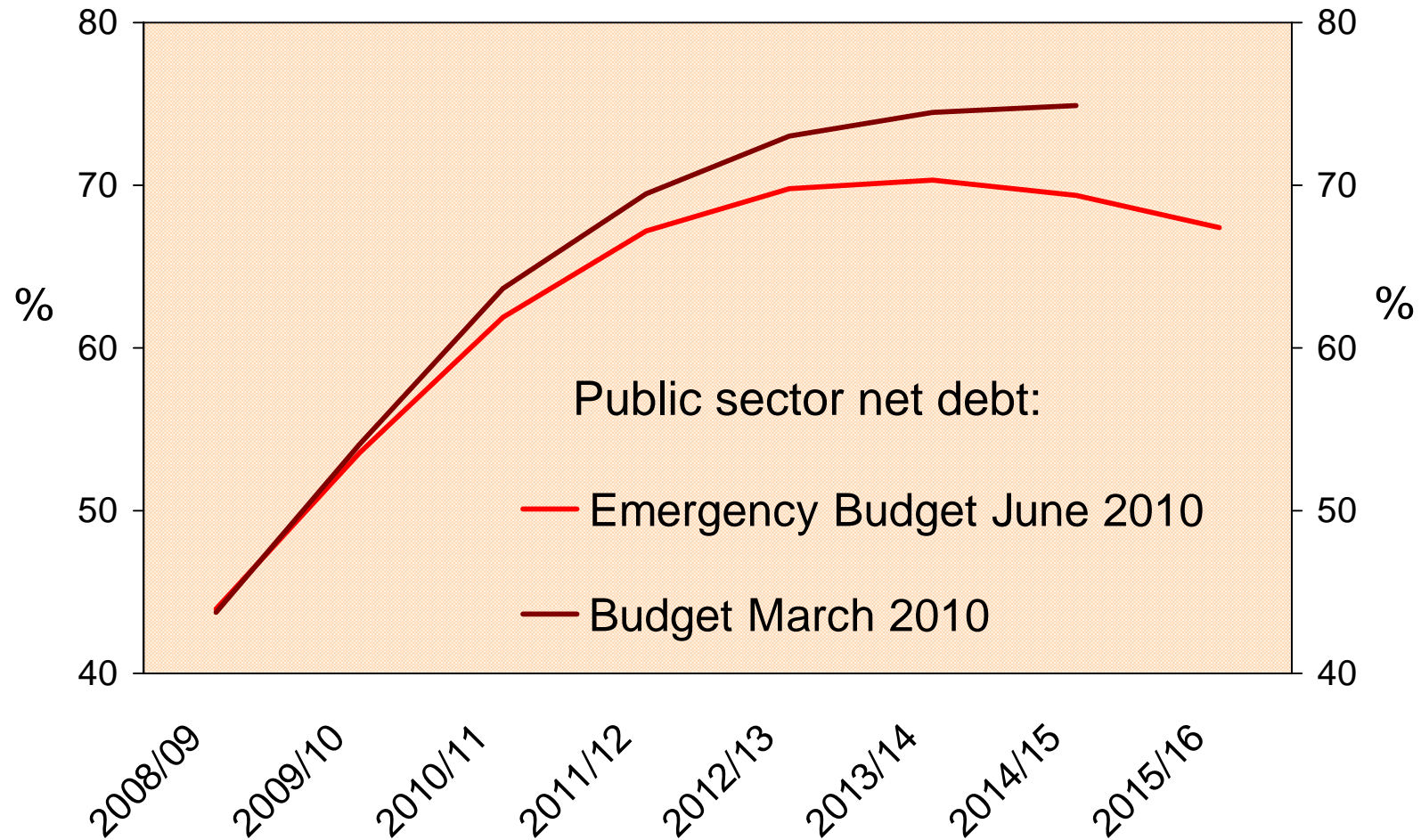
- Households will save more, and will be wary about taking on new borrowings.
 - It could take the best part of a decade to get the public finances back onto a sound footing.
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The current budget is balanced in four years



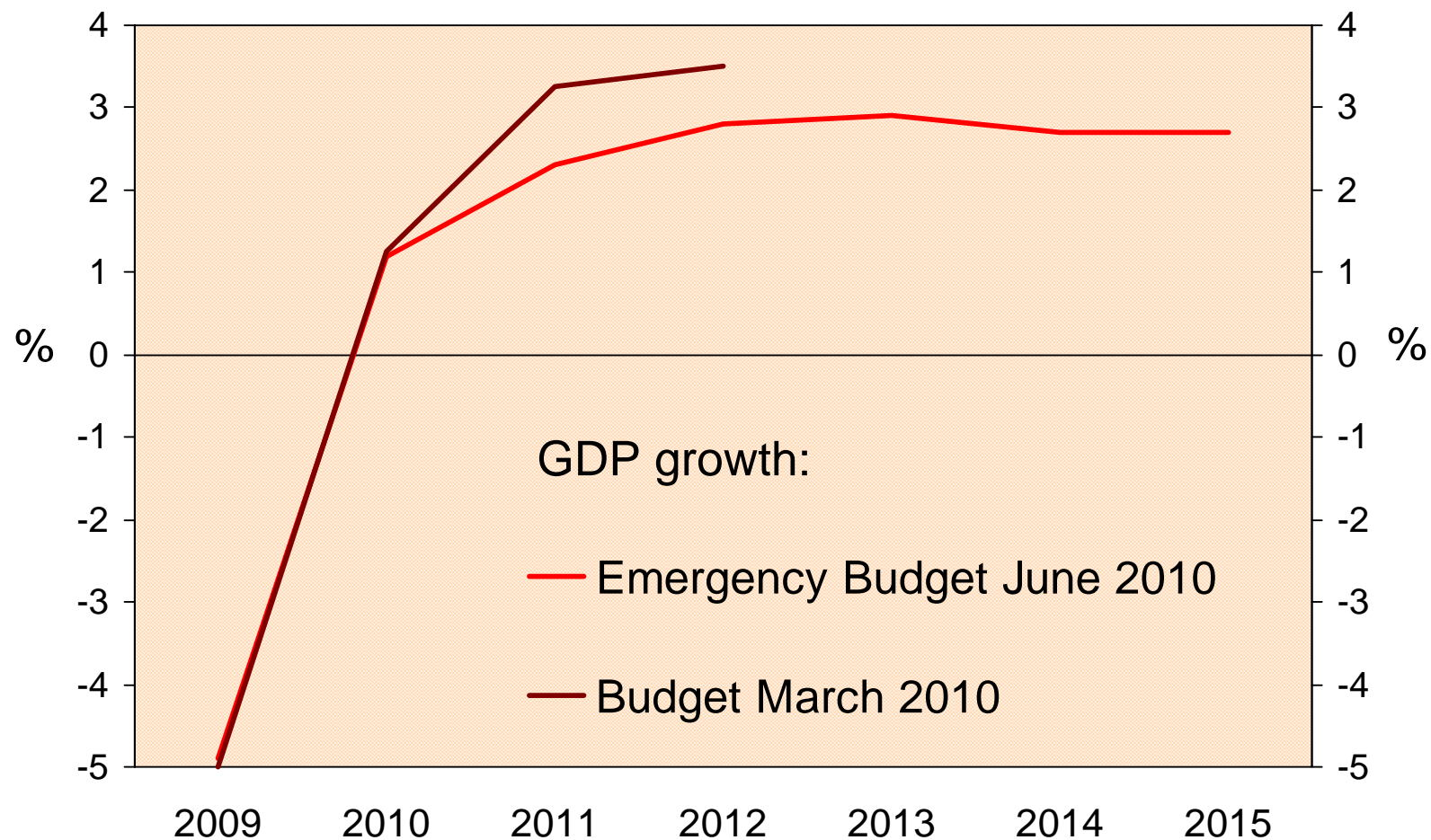
Source: HM Treasury

The debt burden now peaks in three years time



Source: HM Treasury

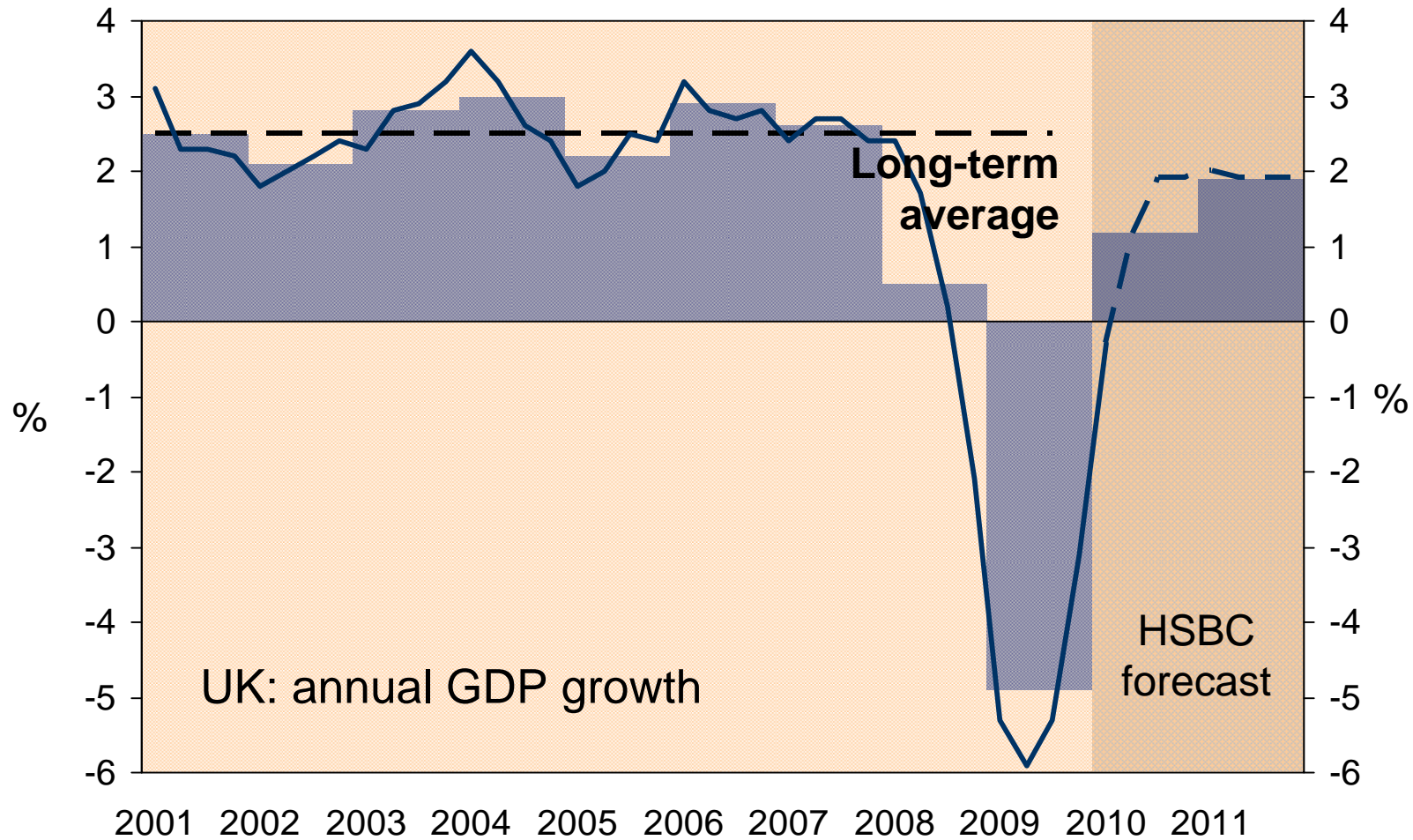
The growth forecast may still be too optimistic



Source: HM Treasury

- Households will save more, and will be wary about taking on new borrowings.
 - It could take the best part of a decade to get the public finances back onto a sound footing.
 - **Credit may remain somewhat restricted into the medium term.**
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A long convalescence



Source: ONS

HSBC 