



# UK Economic Outlook

Kitty Ussher  
Chief Economist  
IoD Guernsey 28th January 2021



Three light blue circles are arranged horizontally in the lower half of the slide. Each circle contains a text label in a dark blue, serif font. The circles are of equal size and are separated by small gaps.

Economy

Business

Key questions

Three circles are arranged horizontally. The first circle on the left is a dark teal color and contains the word 'Economy'. The second and third circles are a light teal color and contain the words 'Business' and 'Key questions' respectively. All circles have a thin white outline.

Economy

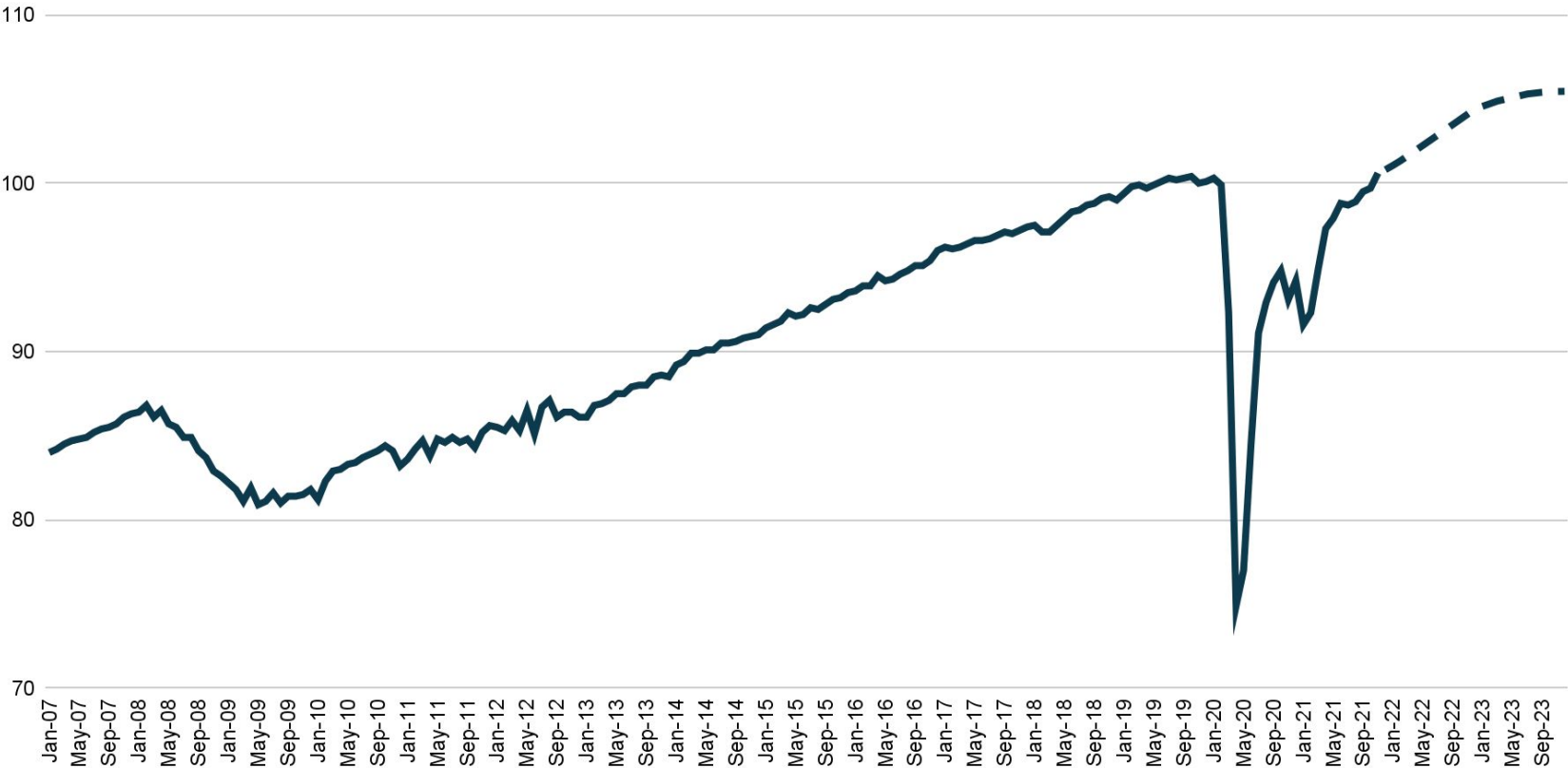
Business

Key questions



# GDP: Are we back to where we started?

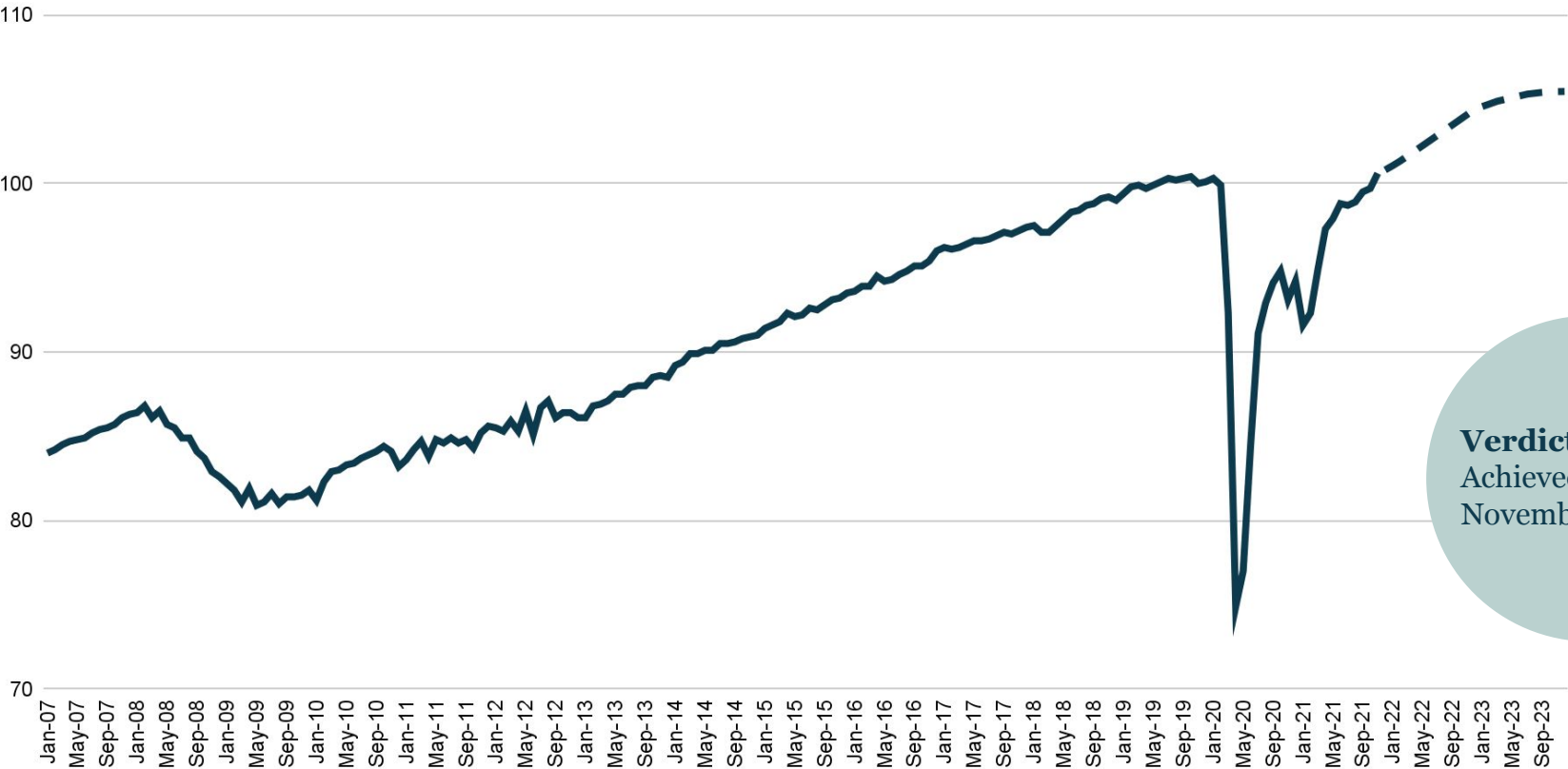
Graph shows the index of real GDP from January 2007 to November 2021  
(2019=100; Source: ONS; Latest data monthly data was released on 14 January relating to Nov 2021; IoD forecast)





# GDP: Are we back to where we started?

Graph shows the index of real GDP from January 2007 to November 2021  
(2019=100; Source: ONS; Latest data monthly data was released on 14 January relating to Nov 2021; IoD forecast)

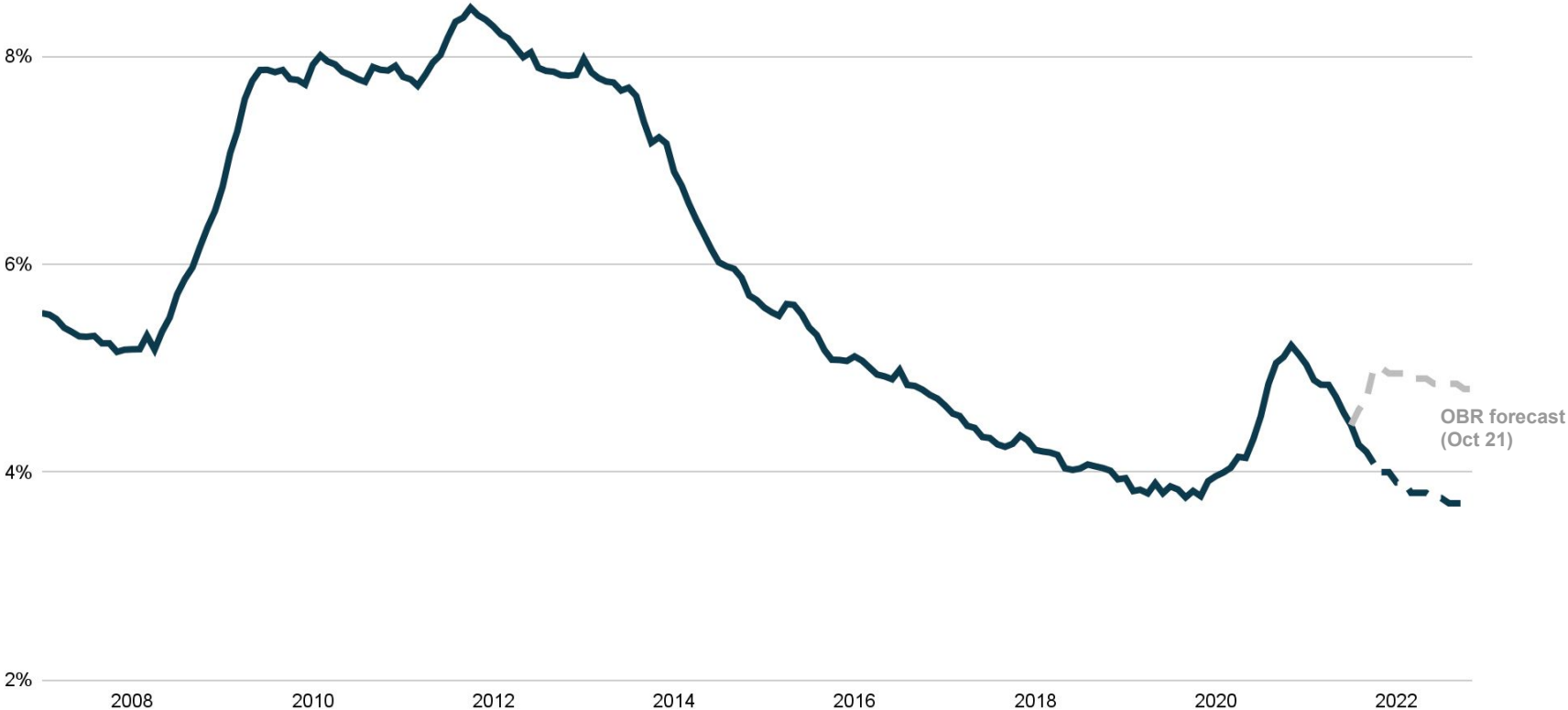


**Verdict:**  
Achieved in  
November 2021

[illegible]

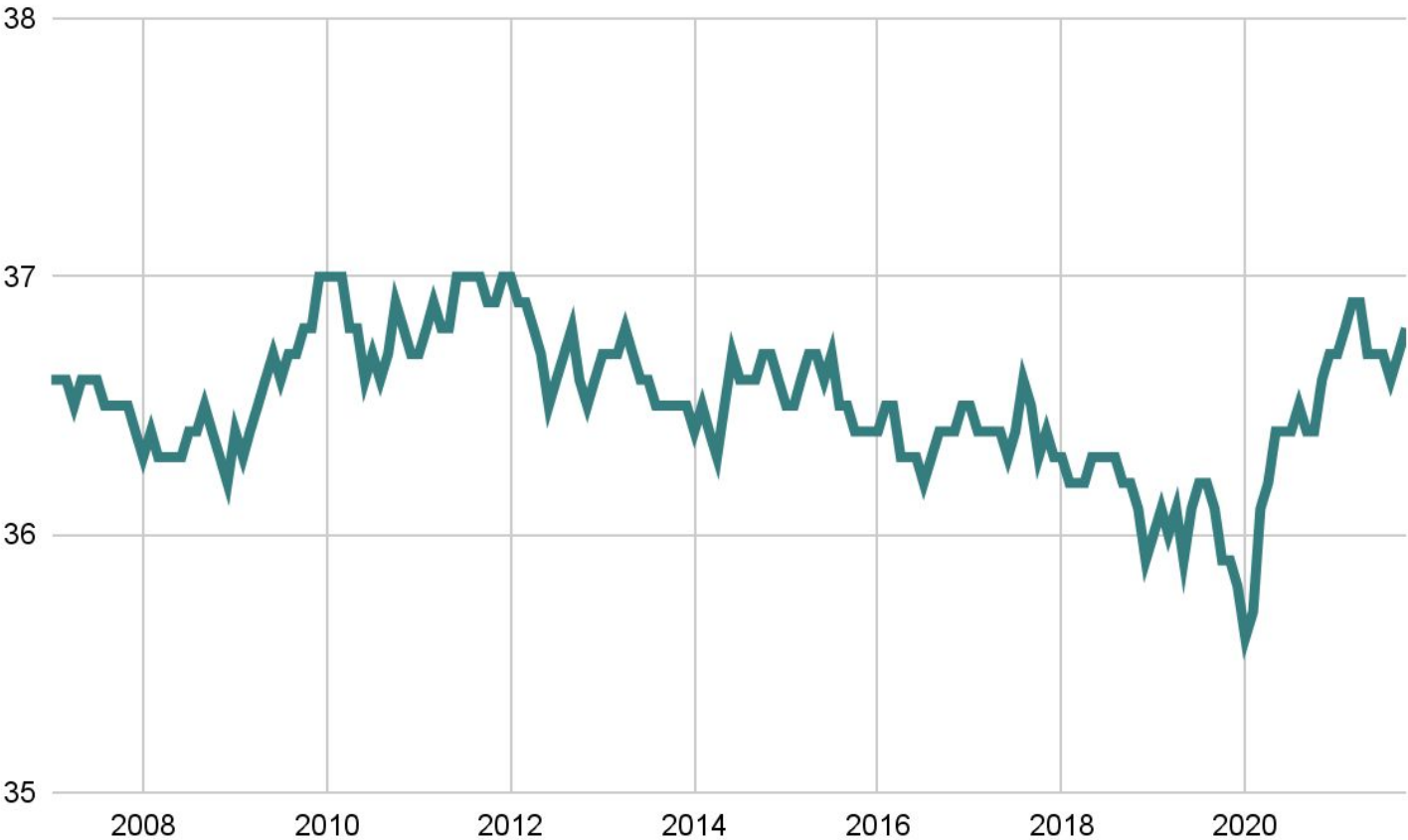
# Unemployment marches downwards

Graph shows the unemployment rate (%) from Jan 2007 to November 2021 plus IoD forecast  
 This is the number of unemployed people aged 16+ divided by the economically active population aged 16+. (Source: ONS 18 Jan 2021)



# Economic inactivity rising again

Graph shows the % of the population aged 16+ who are economically inactive from Jan 2007 to October 2021  
(Source: ONS Labour Force Survey)

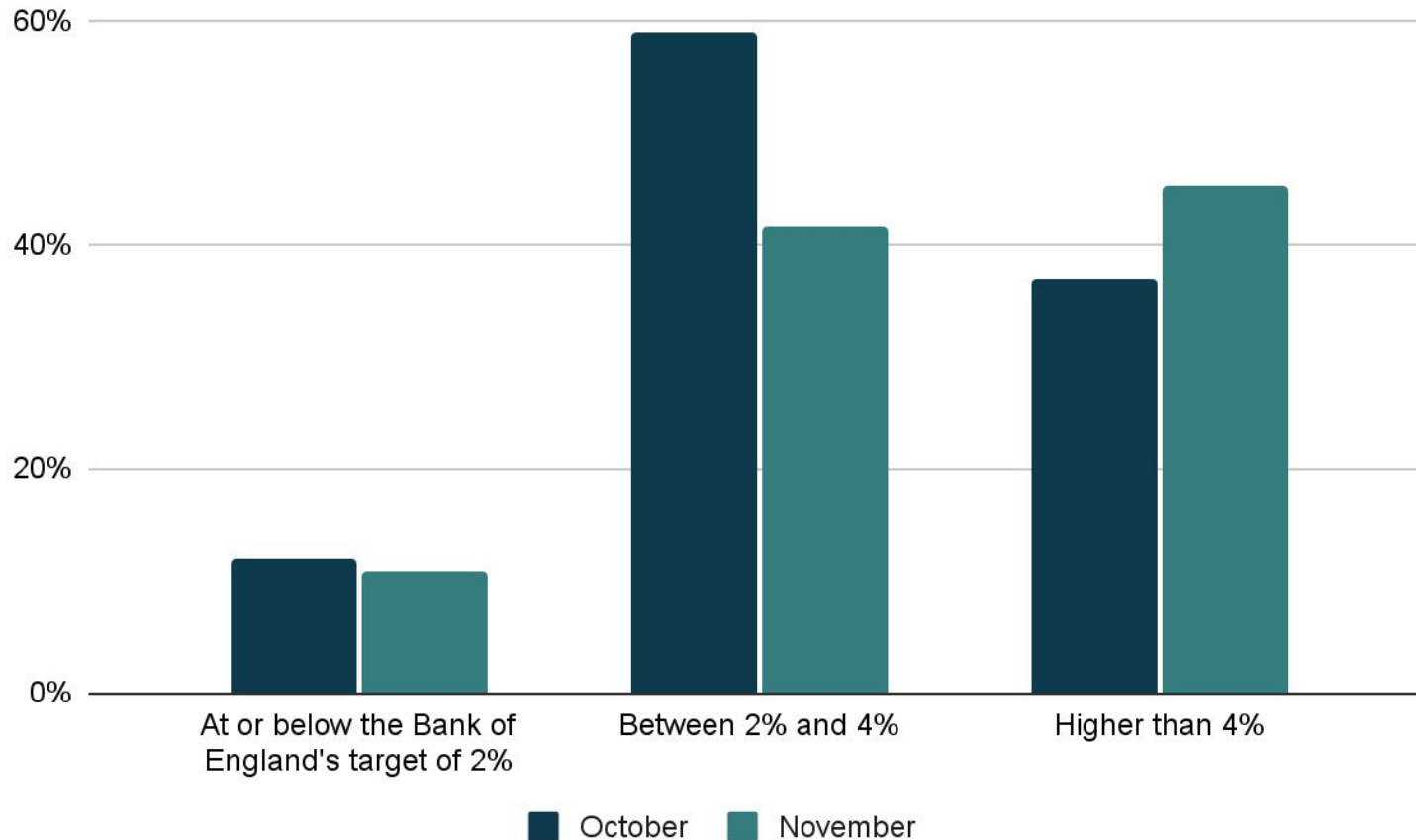


Risen in  
pandemic



# What do you think the annual rate of inflation will be by the end of 2022?

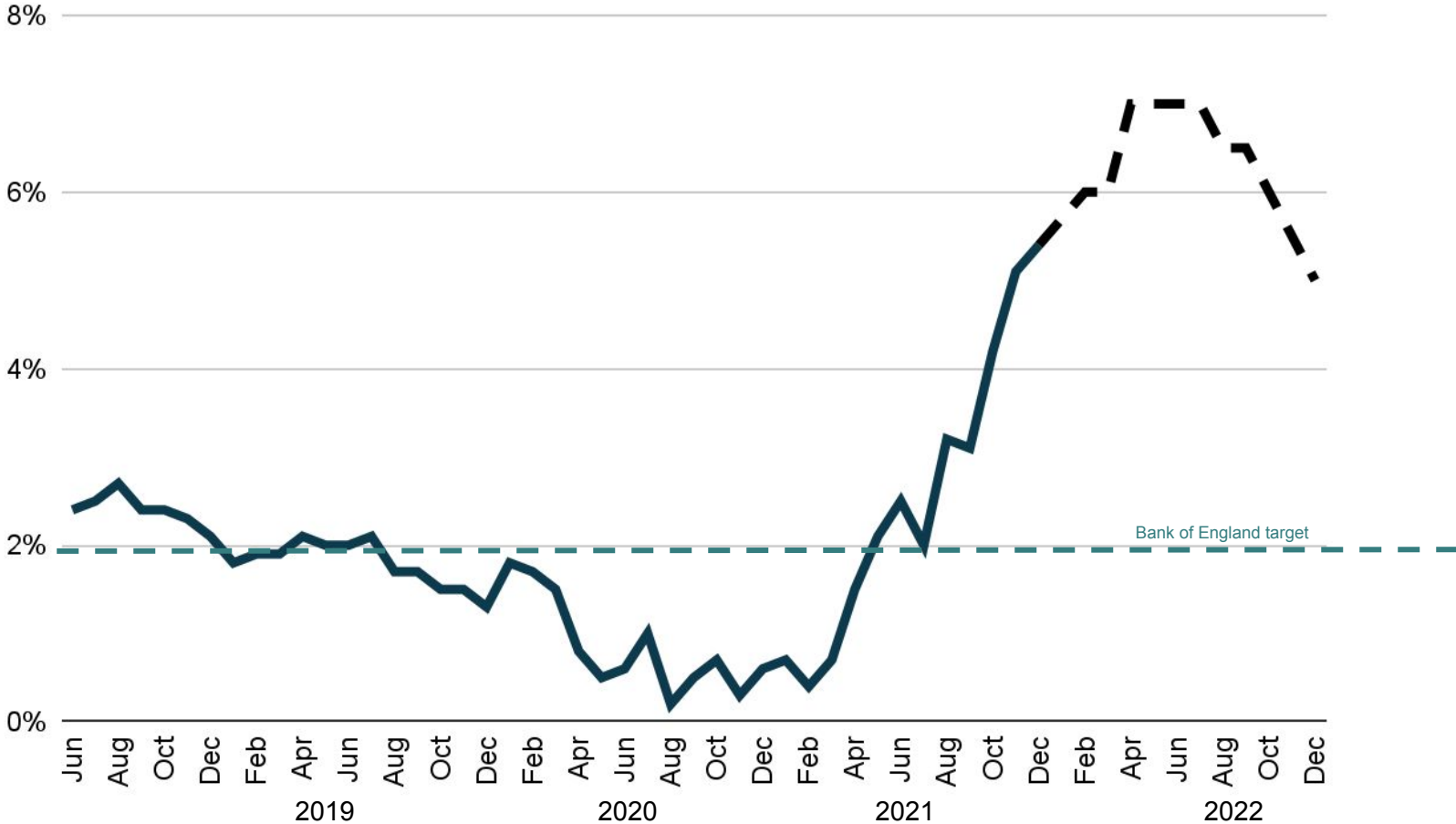
IoD Policy Voice survey, October-November 2021





# Inflation: Endemic and widespread, not ‘transitory’

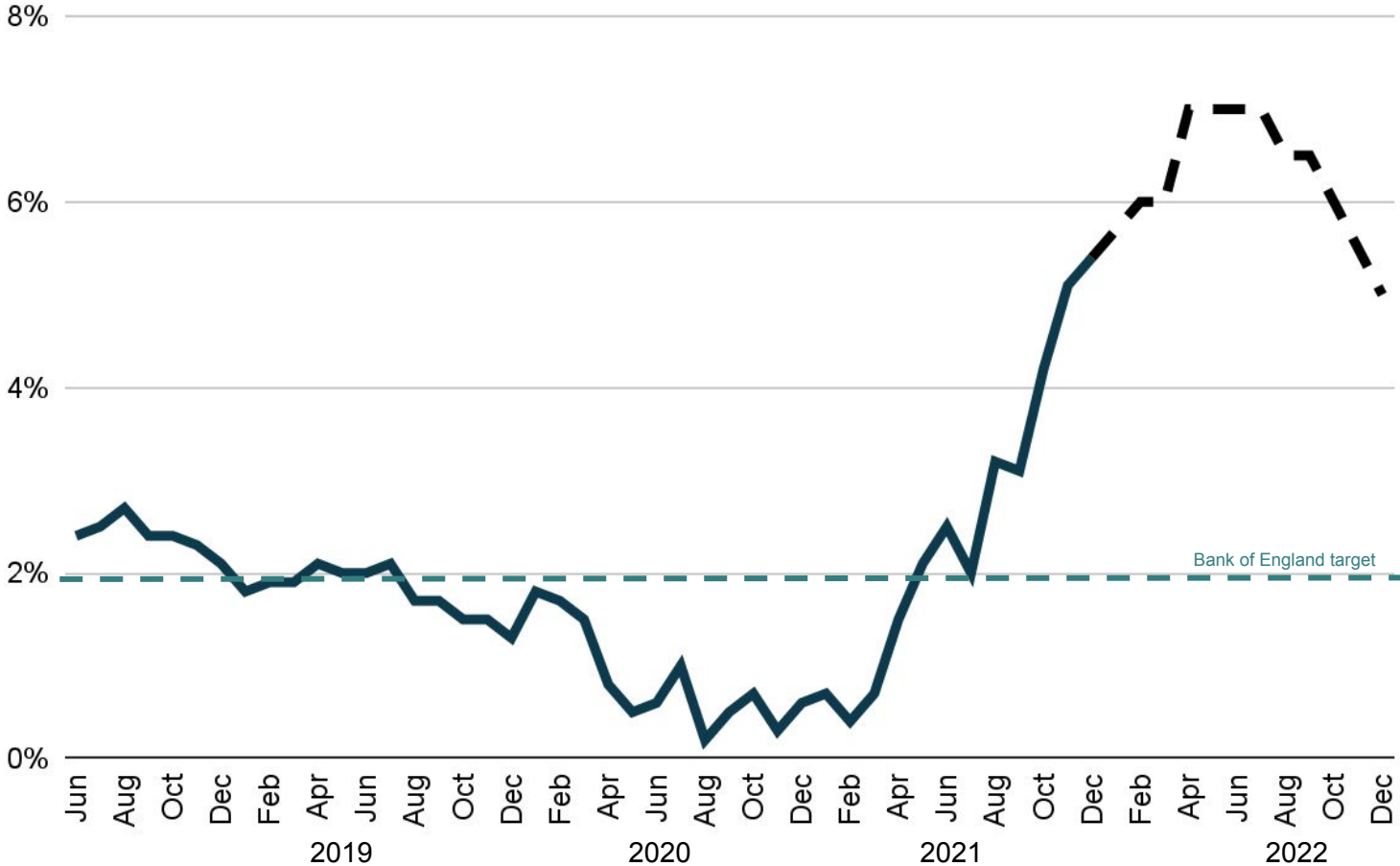
Graph shows the UK CPI rate (annual %) from June 2018 until December 2021 plus IoD forecast (Jan 2022)  
(Source: ONS. Last datapoint released on 19 January 2022)





# Inflation: Endemic and widespread, not ‘transitory’

Graph shows the UK CPI rate (annual %) from June 2018 until December 2021 plus IoD forecast (Jan 2022)  
(Source: ONS. Last datapoint released on 19 January 2022)

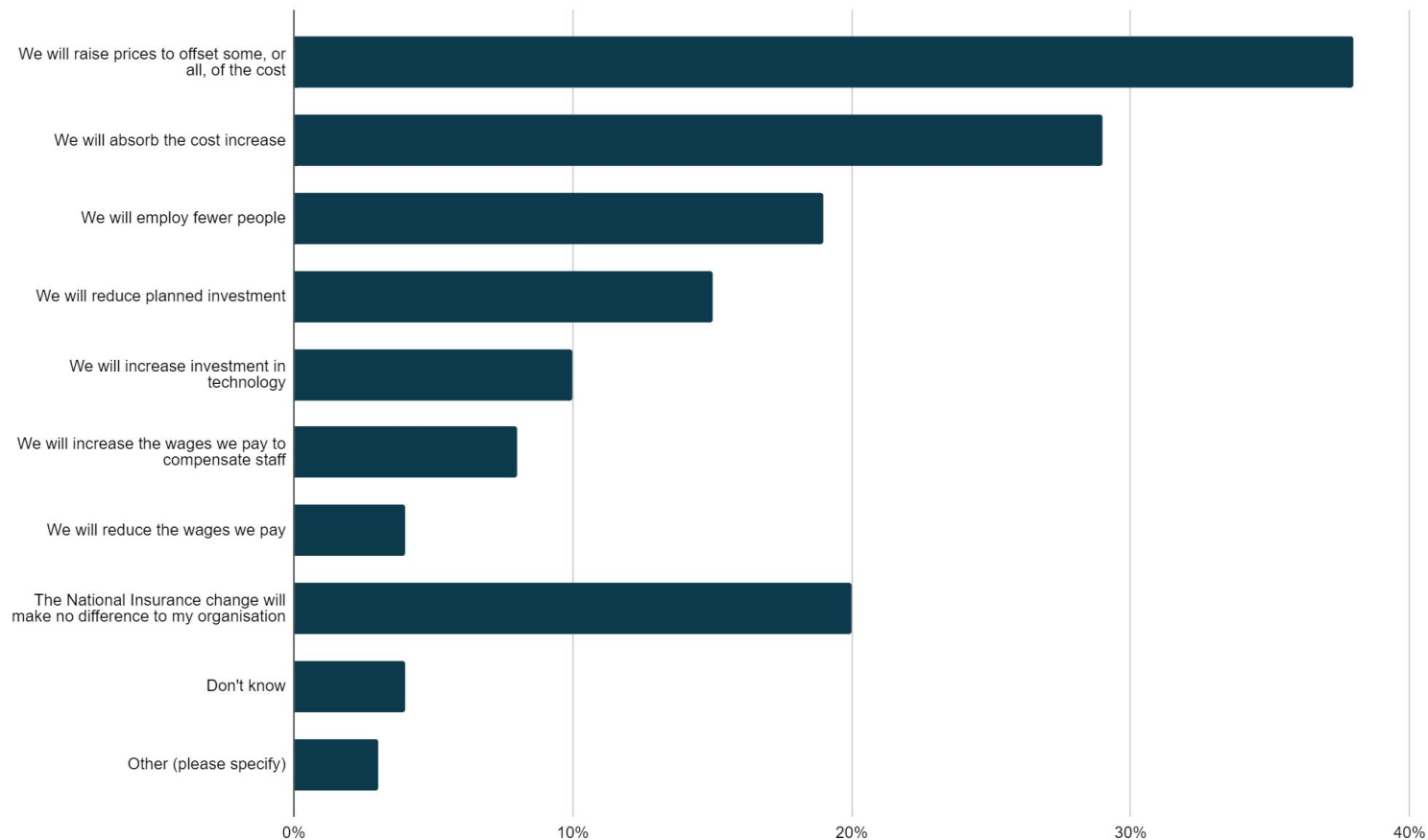


**Verdict:**  
More  
interest rate  
raises coming



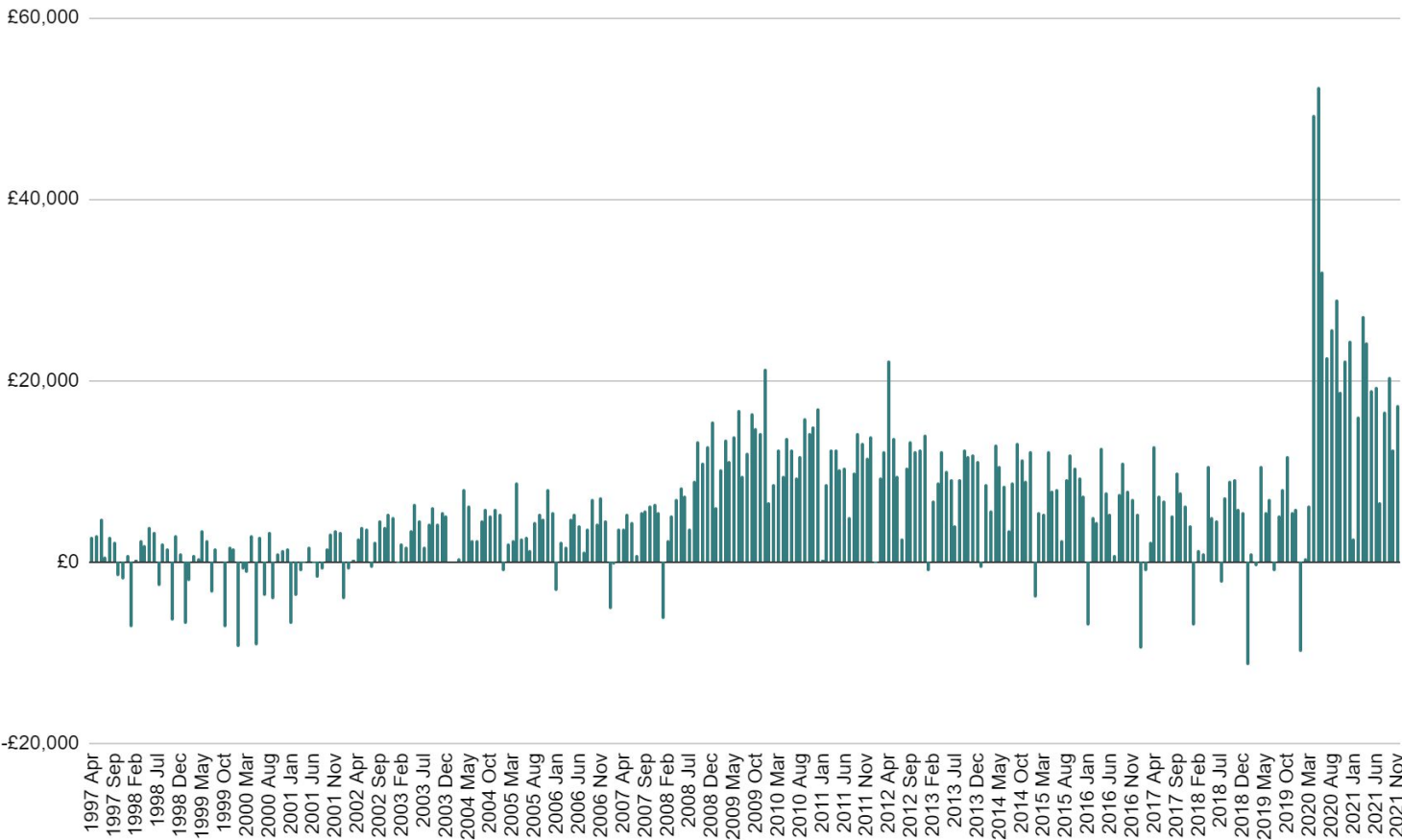
The government plans to increase employer national insurance contributions from 13.8% to 15.05%. Which, if any, of the following statements reflects how your organisation might respond to this change if at all? Please select all that apply.

(IoD Policy Voice survey, 12th-29th November 2021)



# Public sector net borrowing (monthly) 1997-2021

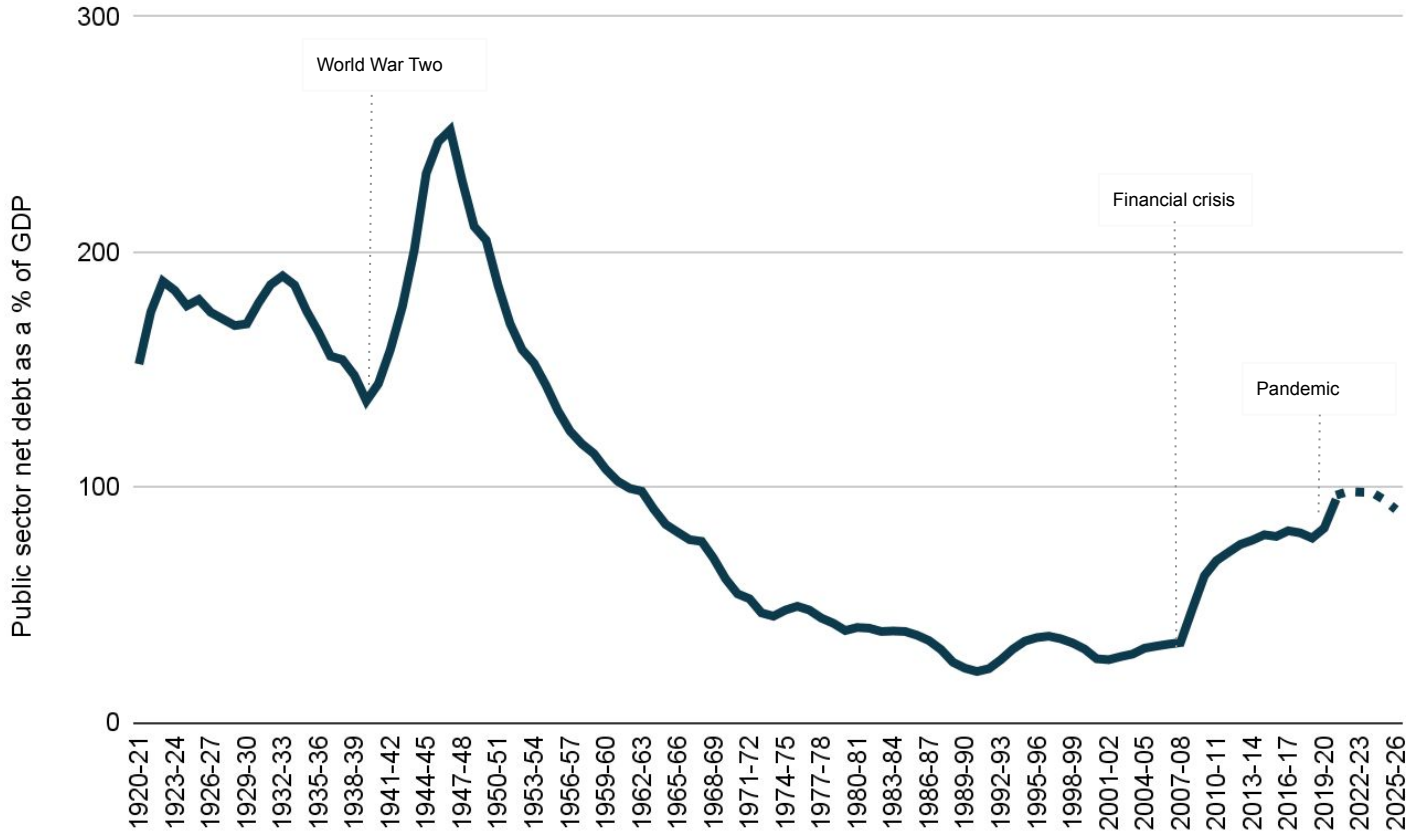
(Source: ONS. Excludes public sector banks; £m; Note due to self assessment deadline January is often in surplus.)



# Government debt: How do we pay for the pandemic?

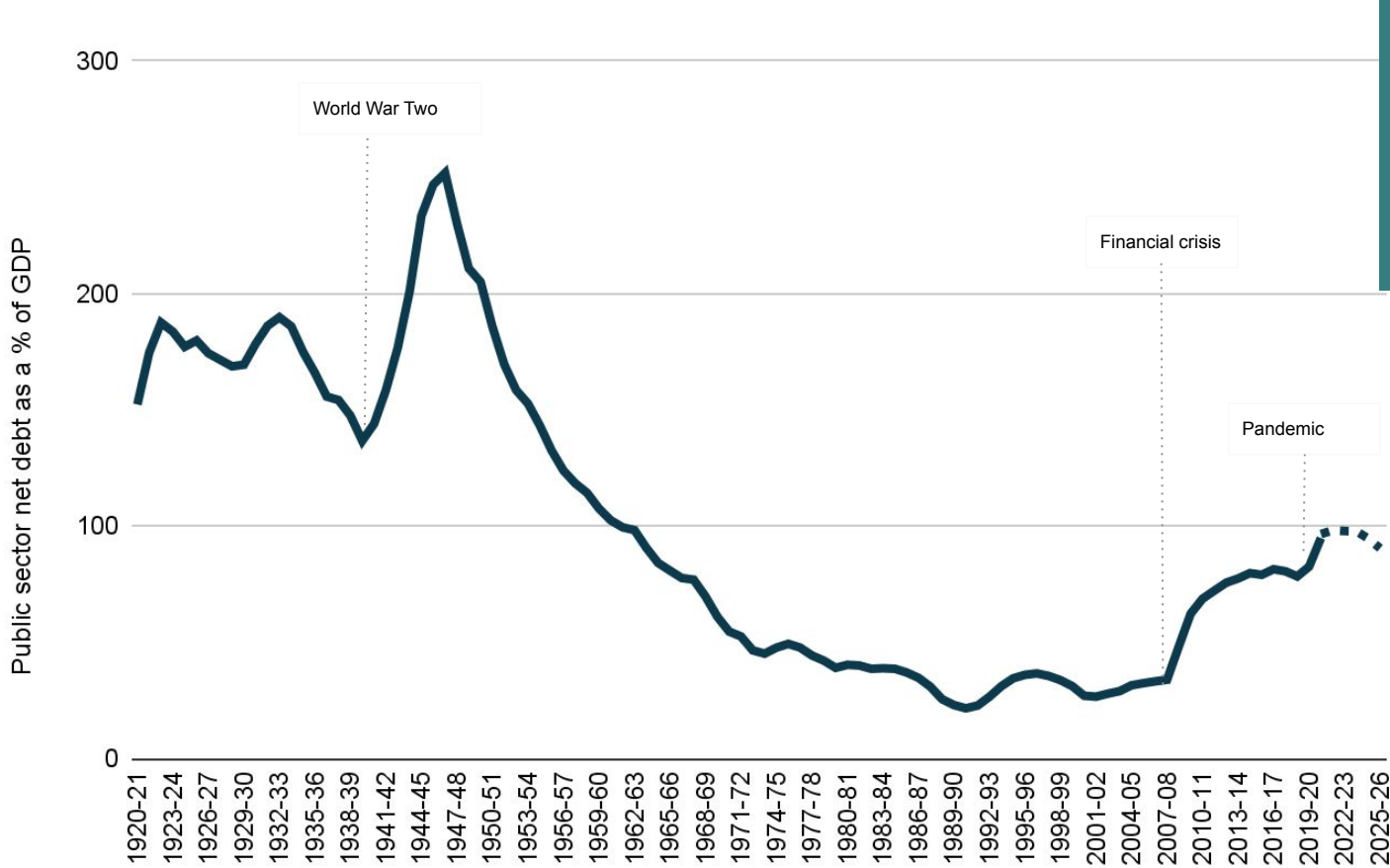
Graph shows 100 years of government debt as a percentage of GDP

(Source: ONS; OBR Economic and Fiscal Outlook October 2021)



# Government debt: How do we pay for the pandemic?

Graph shows 100 years of government debt as a percentage of GDP  
(Source: ONS; OBR Economic and Fiscal Outlook October 2021)

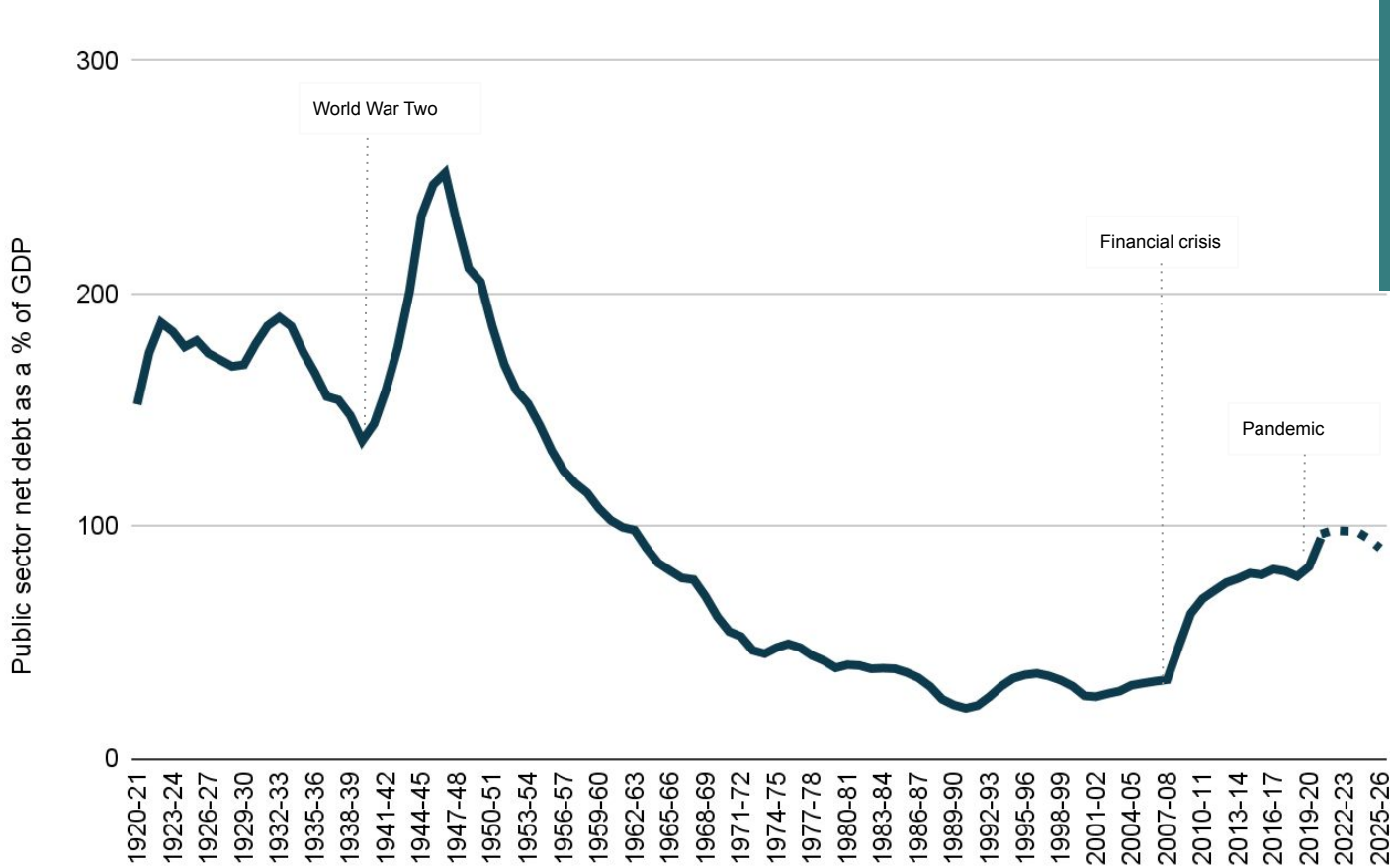


£315bn of extra pandemic spending:

- £142bn public services
- £102bn households
- £71bn business

# Government debt: How do we pay for the pandemic?

Graph shows 100 years of government debt as a percentage of GDP  
(Source: ONS; OBR Economic and Fiscal Outlook October 2021)



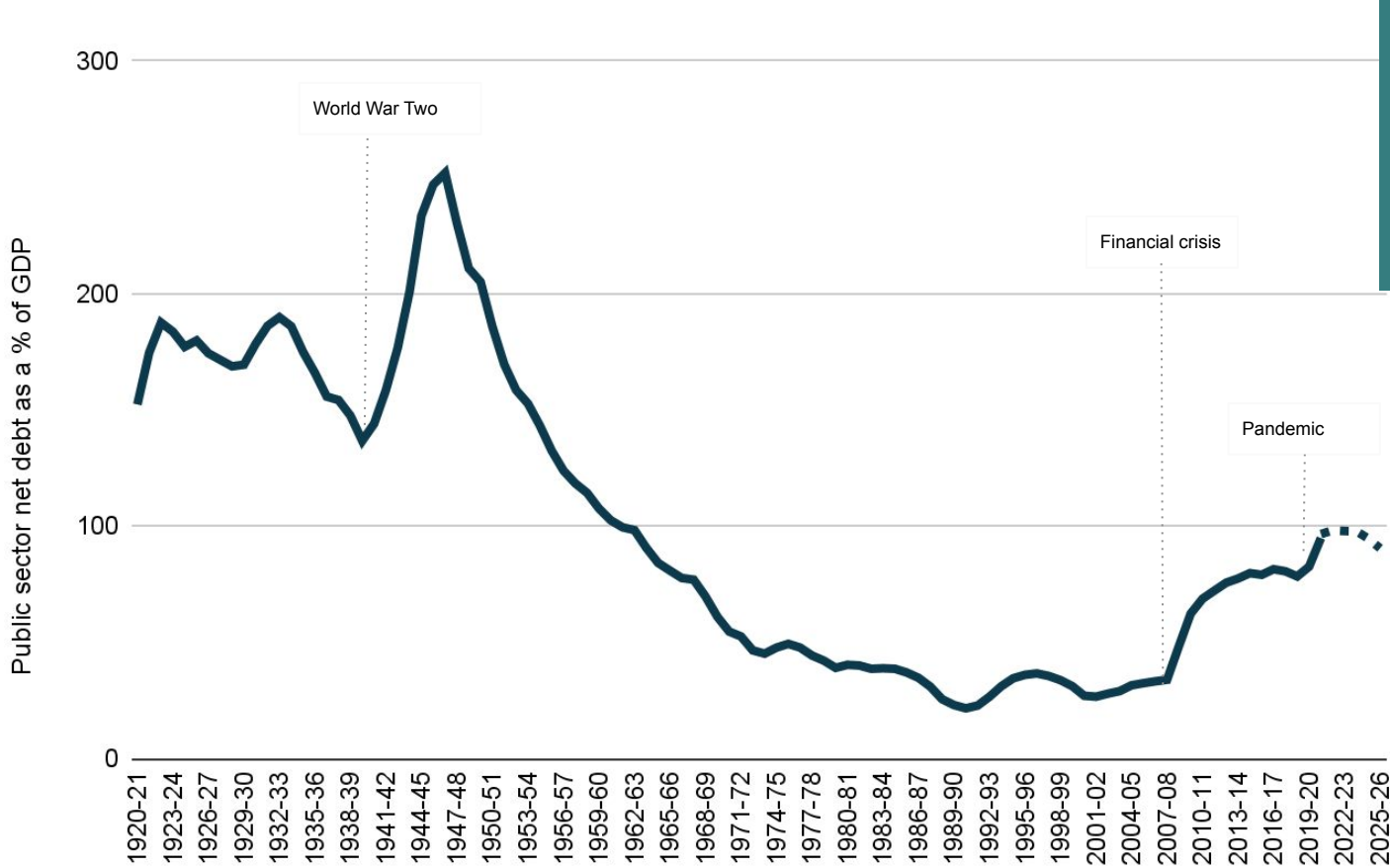
£315bn of extra pandemic spending:

- £142bn public services
- £102bn households
- £71bn business



# Government debt: How do we pay for the pandemic?

Graph shows 100 years of government debt as a percentage of GDP  
(Source: ONS; OBR Economic and Fiscal Outlook October 2021)



£315bn of extra pandemic spending:

- £142bn public services
- £102bn households
- £71bn business

**Verdict:**  
Mainly through corporation tax rises.

Economy

Business

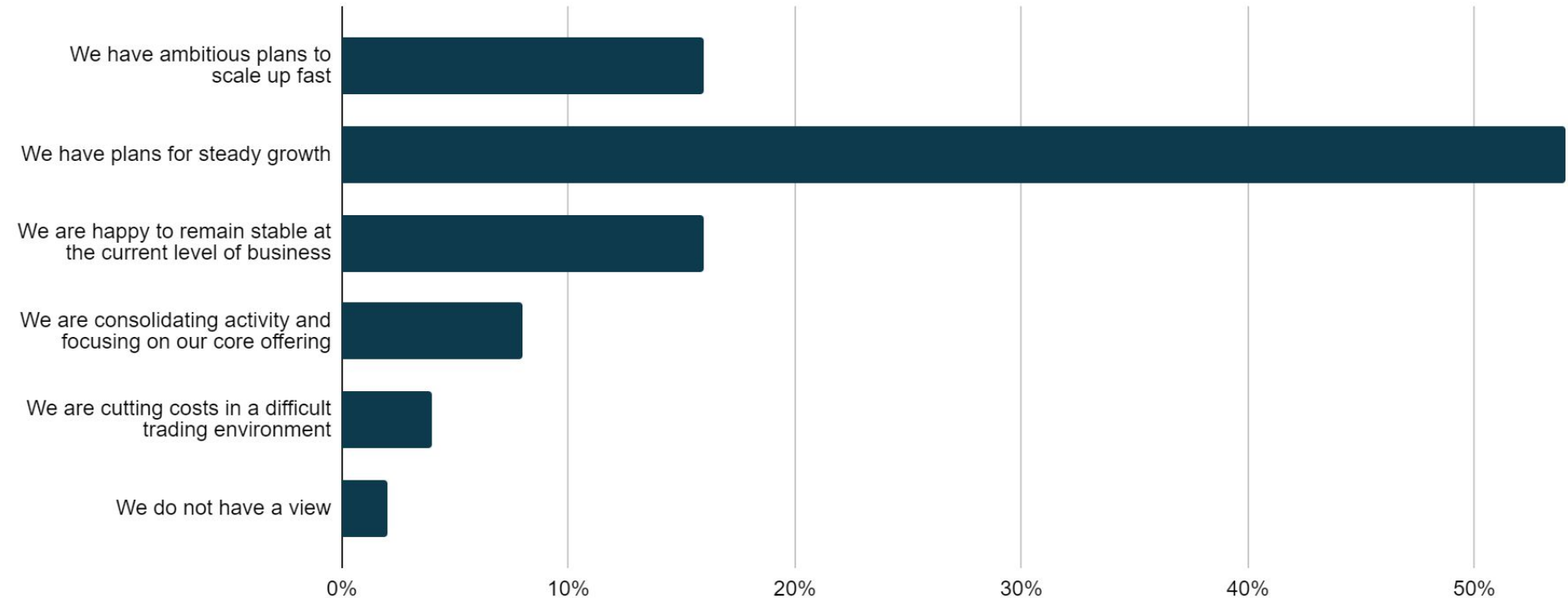
Key questions



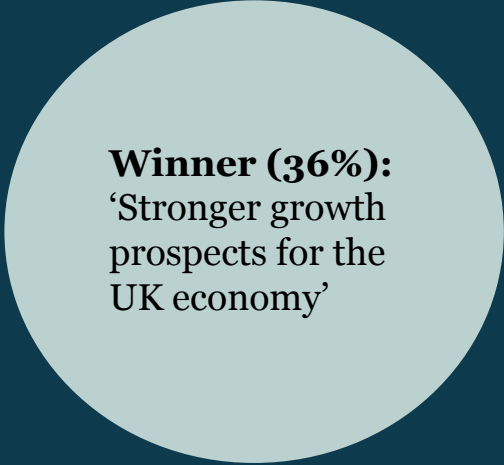
# How ambitious for growth would you say your organisation is at the moment?

Choose the option that best represents your views.

(IoD Policy Voice. 608 respondents. Data collected 13-29 October 2021.)



You said that you planned to keep the level of investment the same, or reduce it, in the next 12 months. Would any of the following cause you to decide to increase investment instead.....?



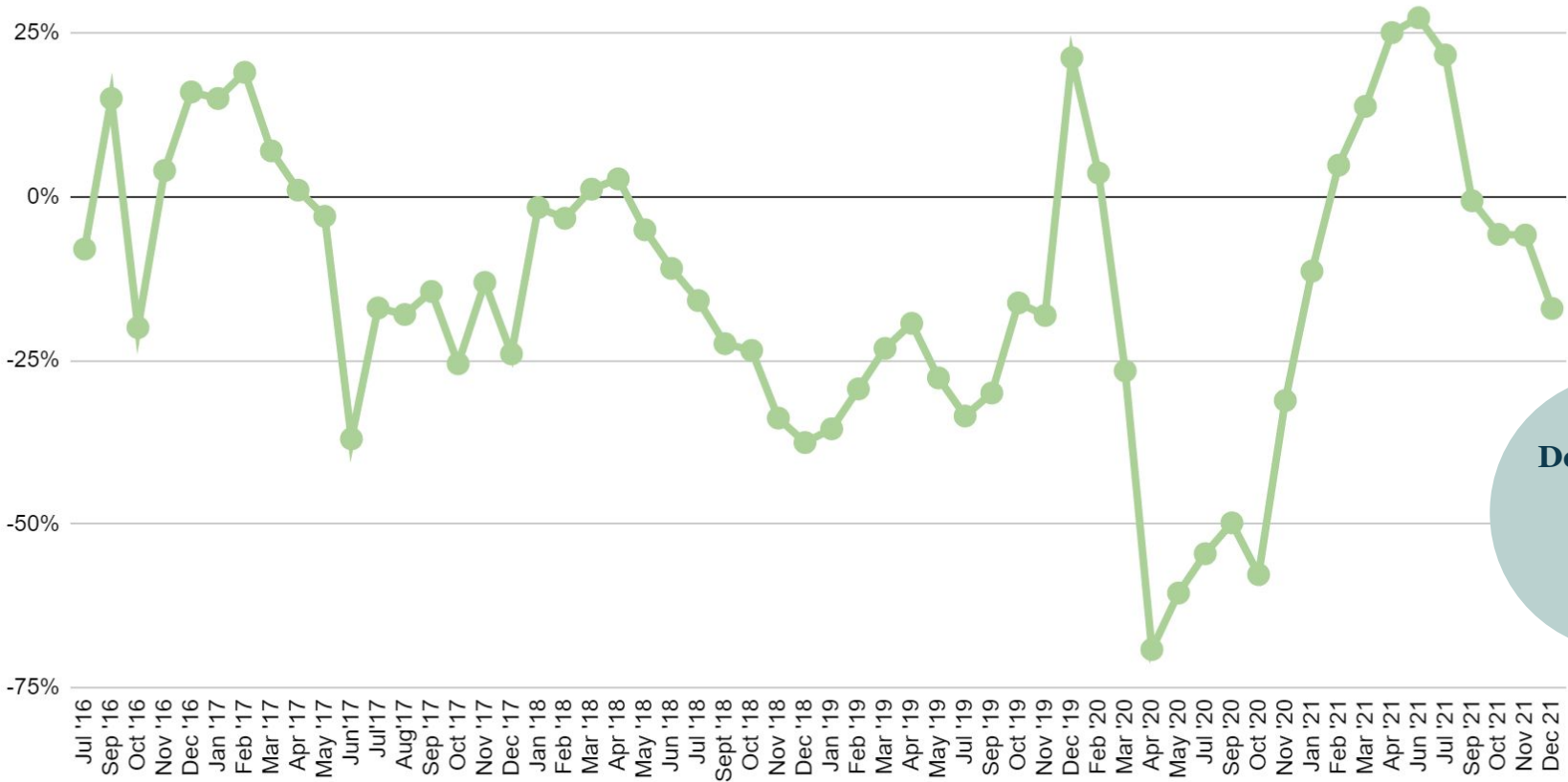
**Winner (36%):**  
'Stronger growth prospects for the UK economy'

Data collected 13-30 December 2021. Question was asked to those firms who said they planned to keep the level of investment the same or reduce it over the next 12 months (413 respondents). Other options presented were tax superdeduction for investment in staff training and reskilling (11%), reform of business rates to incentivise investment in buildings to reduce carbon footprint (10%), allowing investment in accredited external training to be set against tax (9%), expanding the scope of the R&D tax credit system to give greater weight to digital innovation (9%), widening uses to which apprenticeship training levy could be put (3%), reform of business rates system to reward investment in less affluent areas (3%). 18% said 'other'.



# IoD Directors' Economic Confidence Index

How optimistic are you about the wider UK economy over the next 12 months?  
(5 point scale from very optimistic to very pessimistic, net positive %. Latest datapoint: 13-30 December 2021)



**December's  
verdict:  
taken a  
tumble**

# Which of the following factors, if any, are having a negative impact on your organisation (ordered by priority)?

**1. Coronavirus, UK economic conditions, skills shortages**

2. Trade issues (EU and global)

3. Tax and regulation (employment tax rising)

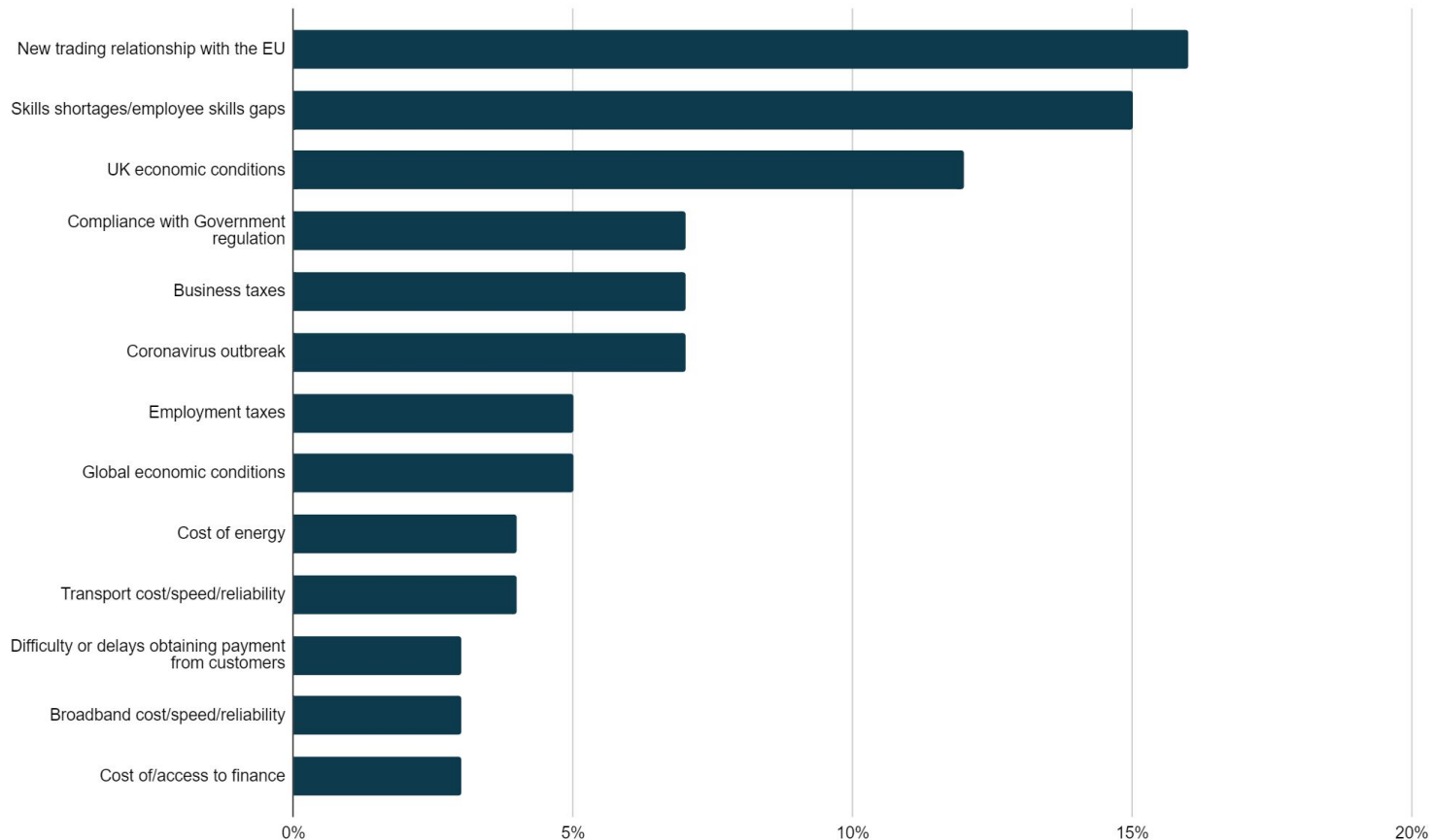
4. Infrastructure (energy cost rising)

5. Cashflow (pandemic support schemes still helping)



# If you had to choose just one thing to improve about your business operating environment, what would it be?

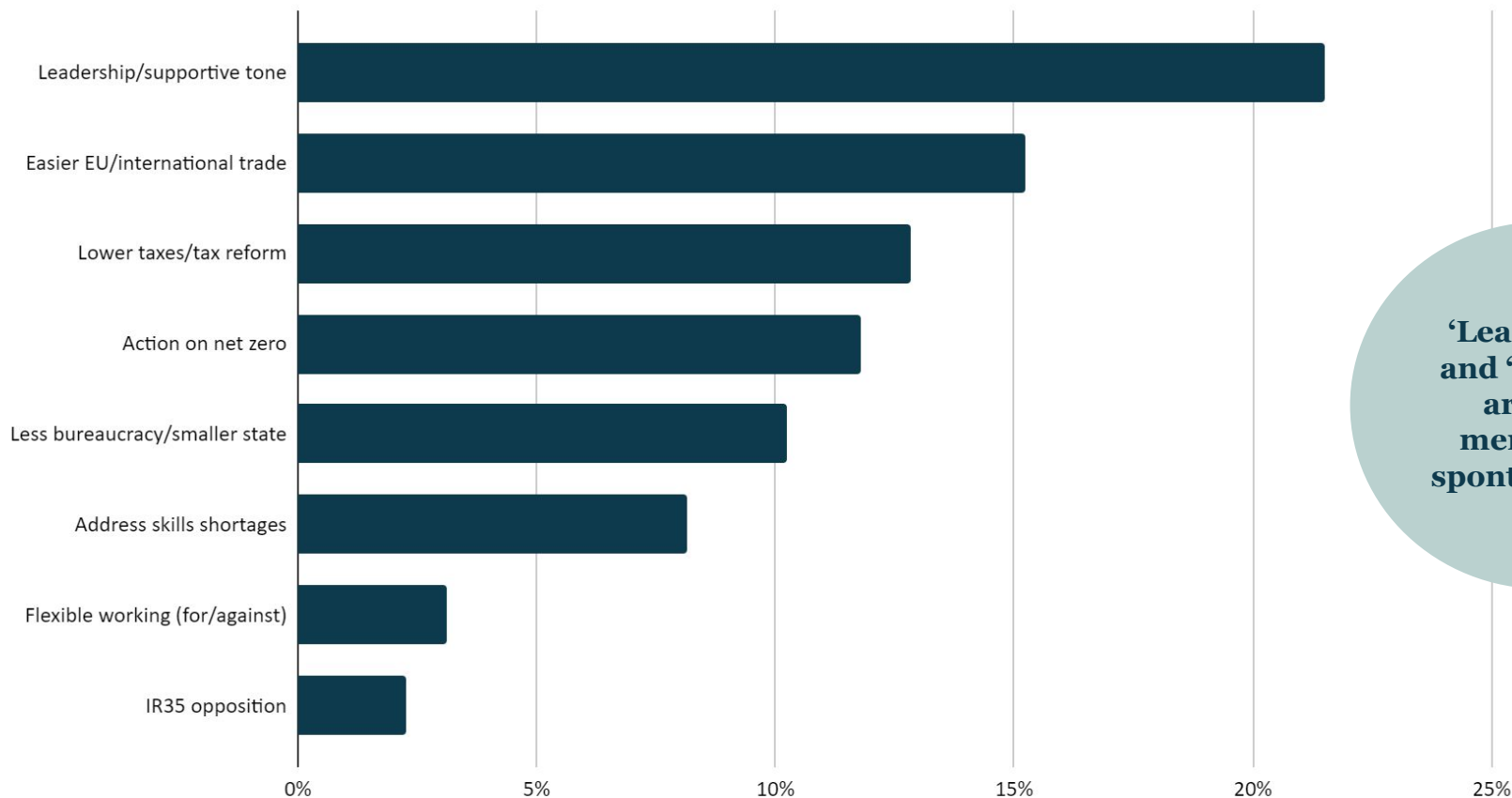
Survey of IoD members conducted between 12-29 November 2021





In your own words, please tell us what your organisation wants to see, if anything, from the UK government. Examples might be a particular policy change, a general approach towards business, or there may be no changes you want to see. Please answer from the perspective of your organisation not you personally. You can write as much or as little as you want.

Participants were invited to give freeform answers, which were then categorised by theme. Survey of IoD members conducted between 13-29 October 2021



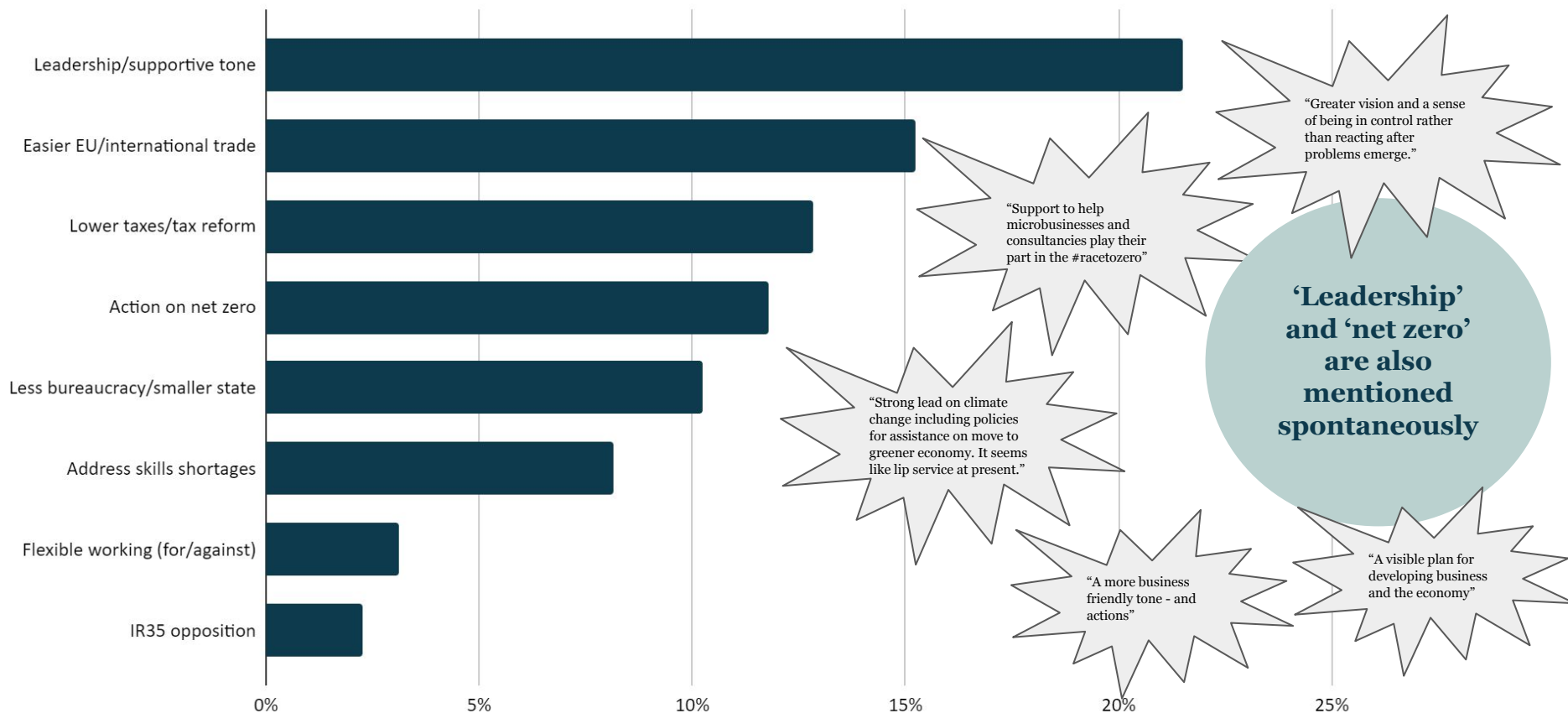
**‘Leadership’  
and ‘net zero’  
are also  
mentioned  
spontaneously**





In your own words, please tell us what your organisation wants to see, if anything, from the UK government. Examples might be a particular policy change, a general approach towards business, or there may be no changes you want to see. Please answer from the perspective of your organisation not you personally. You can write as much or as little as you want.

Participants were invited to give freeform answers, which were then categorised by theme. Survey of IoD members conducted between 13-29 October 2021



Economy

Business

Key questions

# KEY QUESTIONS

Does this fit  
with your own  
experience?

Are higher costs  
being passed  
through or  
absorbed?

What are your  
plans and  
assumptions  
for 2022?



# Thank you

Kitty Ussher  
Chief Economist  
28th January 2021

kitty.ussher@iod.com  
@kittyuss her



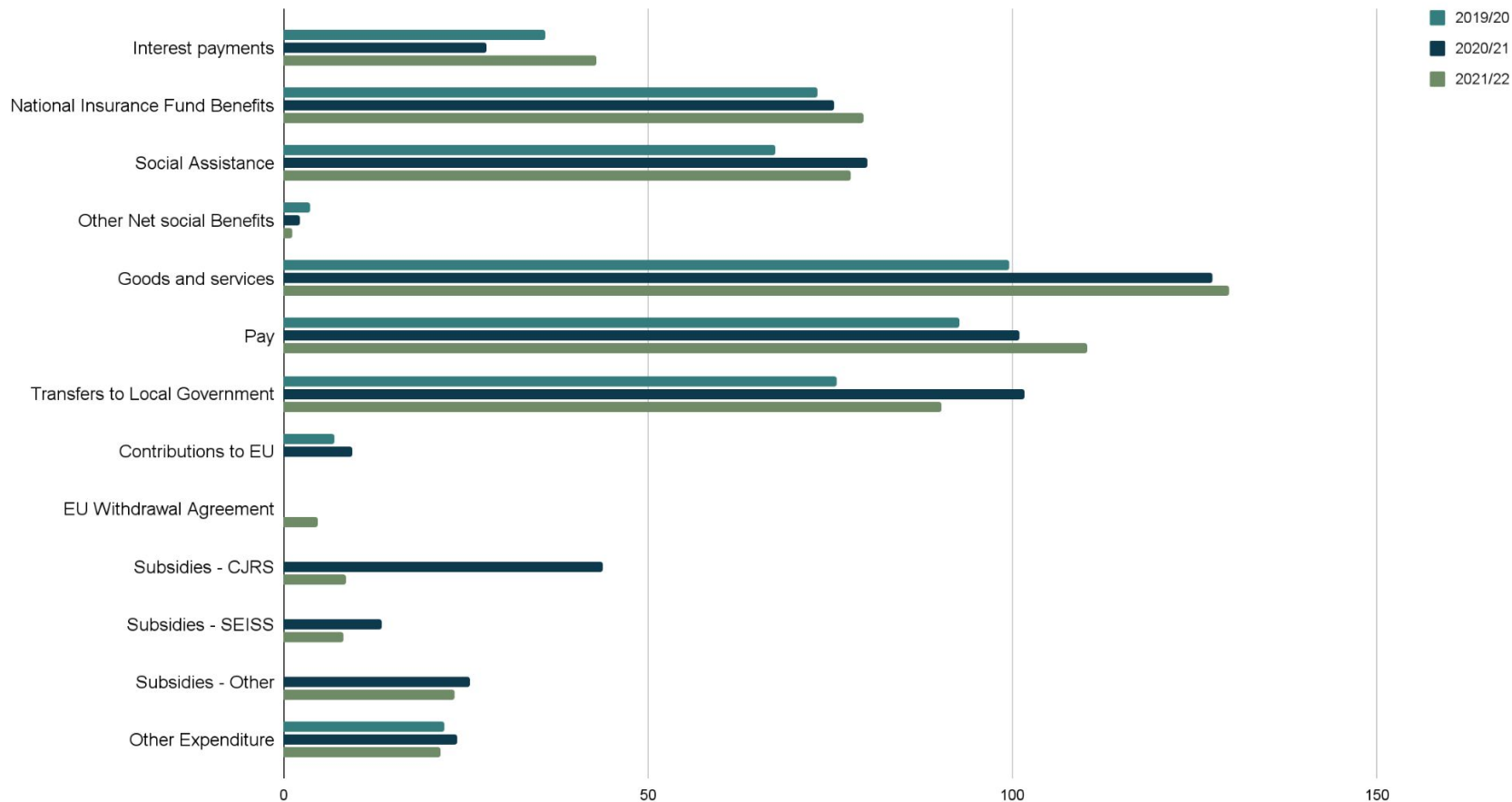


# Title here in this font

More information here in this font. Survey of IoD members conducted between 13-29 October 2021

# Central government expenditure: interest & pay up, subsidy down

Source: Office for National Statistics - Public sector finances. Data relates to January-November for each year. £bn





# Title here in this font

Comparing the next 12 months with the last 12 months, what do you think the outlook will be in terms of ...**business investment**?  
(Latest datapoint: 13-29 October 2021. Net % higher)