

UNITED KINGDOM

The economy is set for recovery, supported by improving financial conditions, an expansionary monetary policy and stronger international growth. However, the pick-up will be slow with GDP projected to grow by slightly more than 1% in 2010 reflecting strong headwinds from balance sheet adjustments, a still weakening labour market and fiscal tightening. In 2011 the recovery will gain momentum, but resource utilisation will remain low and the unemployment rate is projected to reach 9.5%. Inflation is likely to remain below the 2% target for an extended period.

Financial sector support, monetary easing and fiscal stimulus have cushioned the downturn. While monetary policy should remain expansionary over the projection period, normalisation of interest rates will probably need to start in 2011. The weak fiscal position makes further consolidation necessary; an announcement of concrete and comprehensive consolidation plans upfront would enhance macroeconomic stability. Strengthening financial regulation and supervision would also support stability and hinder a build-up of new imbalances at historically low interest rates.

United Kingdom: Demand and output

	2008	2009	2010	2011	Fourth quarter		
					2009	2010	2011
	Current prices £ billion	Percentage changes from previous year, volume (2005 prices)					
Private consumption	928.4	-3.0	-0.2	2.0	-2.1	0.6	2.3
Government consumption	313.3	2.8	3.3	0.6	3.7	1.6	0.4
Gross fixed investment	243.1	-16.1	-5.2	2.6	-17.1	-0.5	4.2
Public ¹	35.6	19.3	3.7	0.1	13.9	1.8	-0.8
Residential	60.2	-27.8	-9.8	1.5	-21.8	-3.6	3.5
Non-residential	147.3	-19.5	-6.6	3.8	-23.1	-0.3	6.3
Final domestic demand	1 484.8	-4.0	-0.2	1.8	-3.4	0.6	2.2
Stockbuilding ²	0.5	-1.5	0.5	0.0			
Total domestic demand	1 485.3	-5.5	0.3	1.8	-3.7	1.1	2.2
Exports of goods and services	422.2	-10.6	4.4	6.9	-6.8	6.1	7.1
Imports of goods and services	459.5	-13.3	0.9	5.0	-9.1	2.8	5.8
Net exports ²	- 37.2	1.1	0.9	0.4			
GDP at market prices	1 448.1	-4.7	1.2	2.2	-2.9	1.9	2.5

Note: Detailed quarterly projections are reported for the major seven countries, the euro area and the total OECD in the Statistical Annex.

1. Including nationalised industries and public corporations.

2. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

Source: OECD Economic Outlook 86 database.

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