Inflation expectations are key!
UK economy to shrink in H1 2023, but recovery in H2 2023
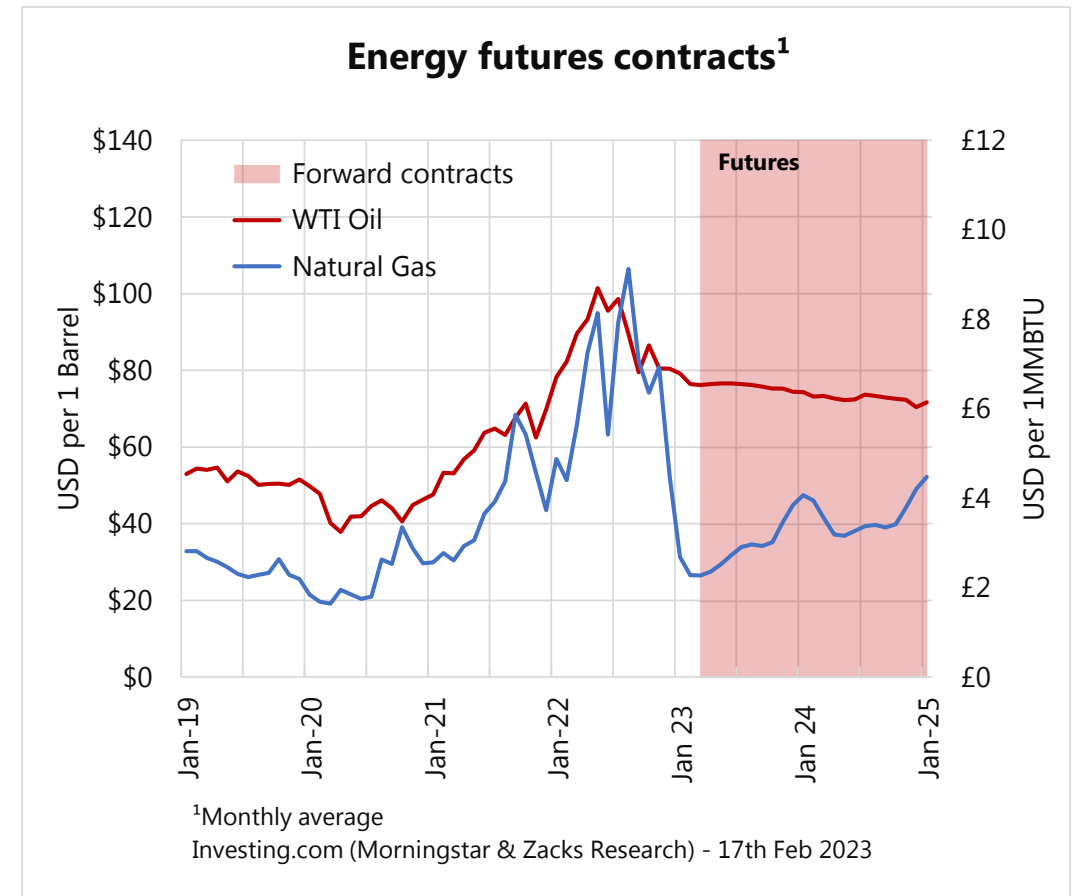
UK annual GDP forecasts

	2023	2024
Capital Economics	-1.3%	0.5%
City forecasts avg	-0.8%	0.8%
Oxford Economics	-0.7%	1.6%
Consensus	-0.7%	0.9%
Barclays Capital	-0.6%	0.3%
Goldman Sachs	-0.6%	1.0%
HSBC	-0.6%	1.5%
Deutsche Bank	-0.5%	0.8%
Bloomberg	-0.4%	0.5%
CBI	-0.4%	1.6%

Source: HM Treasury: Forecasts for the UK Economy, February *2023*
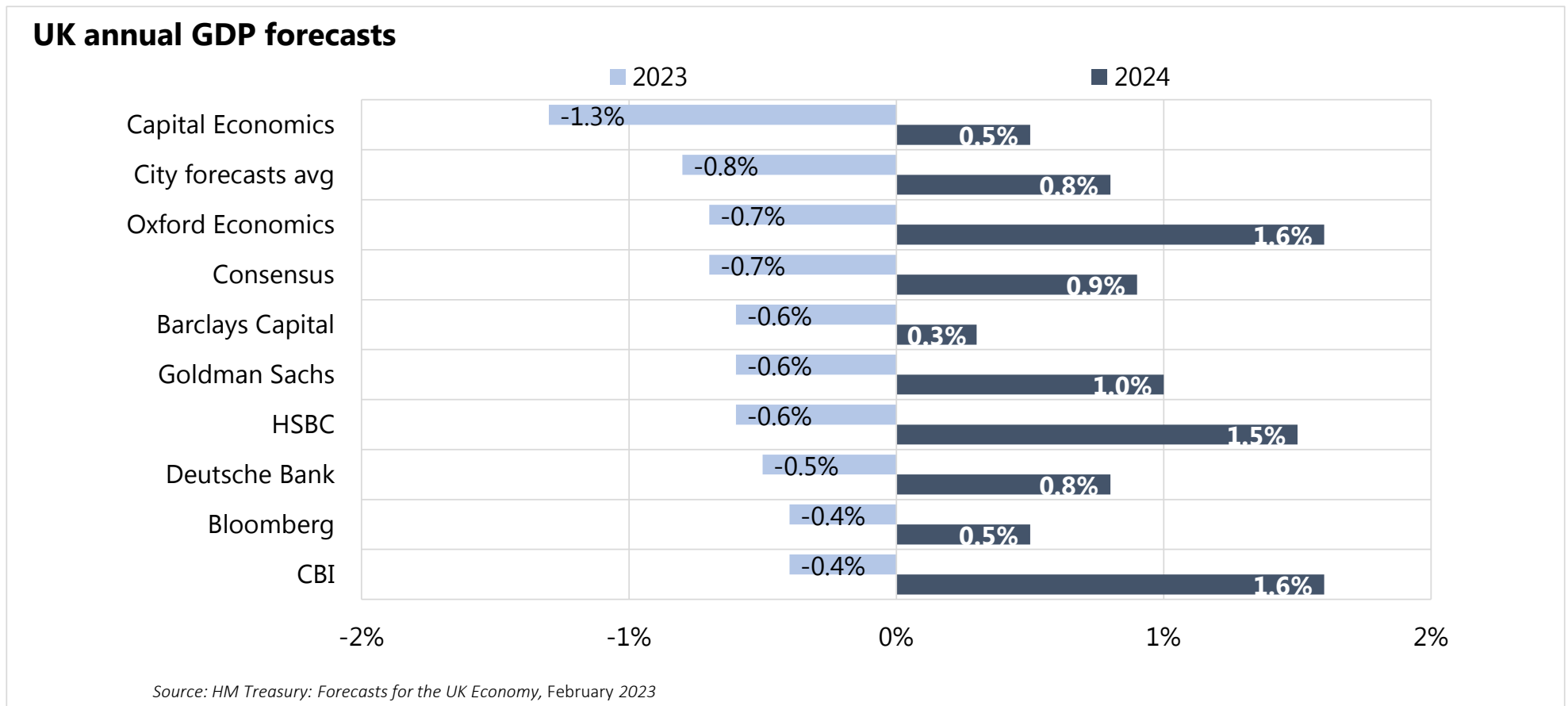
Inflation set to fall rapidly in Q2 2023
Good news!

CPI inflation measures

Inflation turning point

Legend:
- Household Energy % (LHS) ——
- Transport fuels % (LHS) ----
- CPI % (RHS) ——

LHS axis: 100%, 75%, 50%, 25%, 0%, -25%, -50%

RHS axis: 12%, 8%, 4%, 0%, -4%

X-axis: Jan-13, Jan-14, Jan-15, Jan-16, Jan-17, Jan-18, Jan-19, Jan-20, Jan-21, Jan-22, Jan-23

Source: ONS

Business
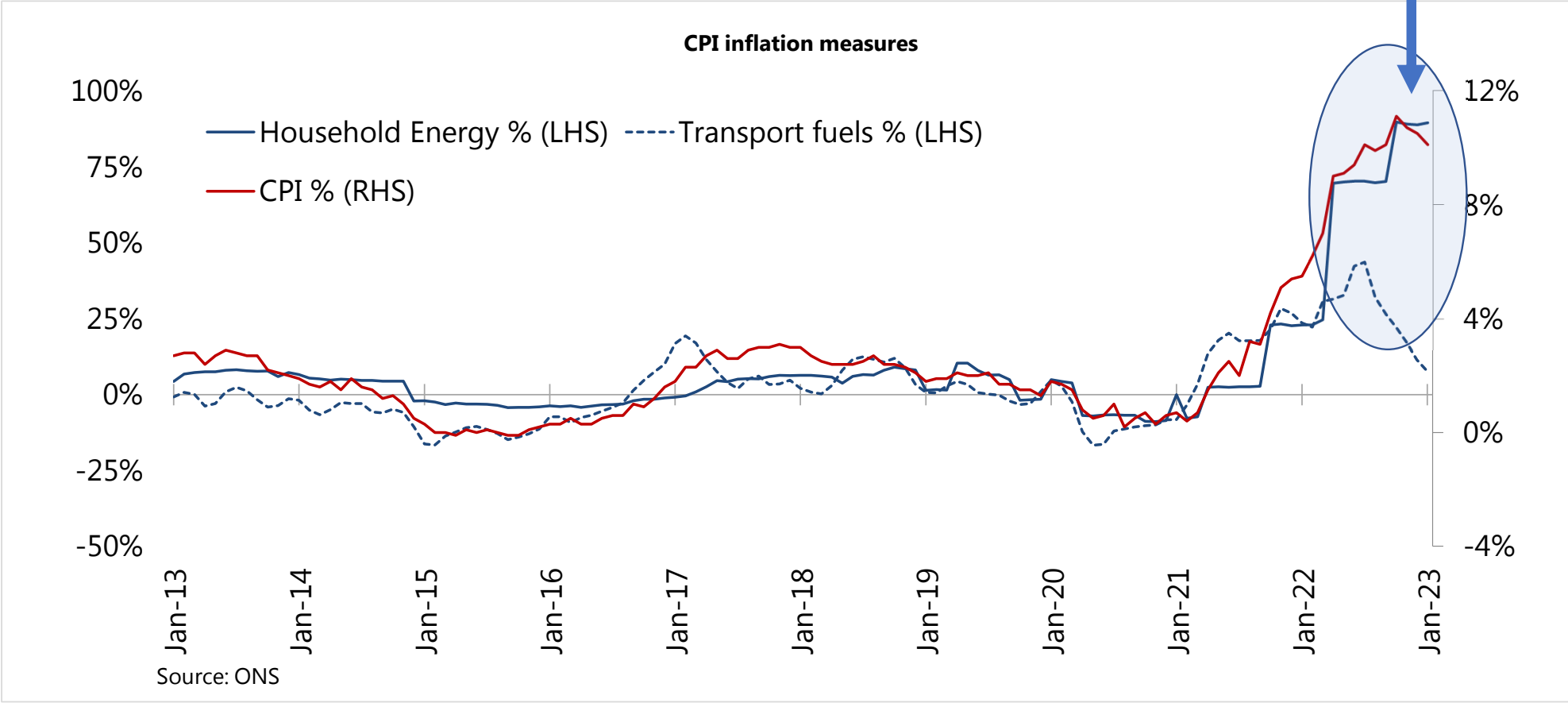
Natural gas prices at 18-month low (pre-Russian aggression)
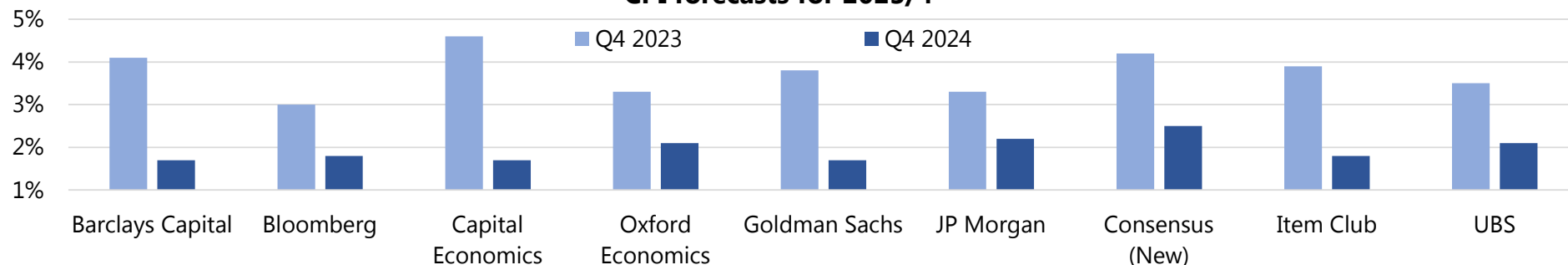## Greater confidence in UK and European energy security

- Natural gas prices in Europe have fallen to an 18-month low:

  - *mild European winter*

  - *20% increase in energy efficiency by energy intensive industries*

  - *phenomenal supply response, especially increase in US supplies of LNG to Europe and UK (see chart*

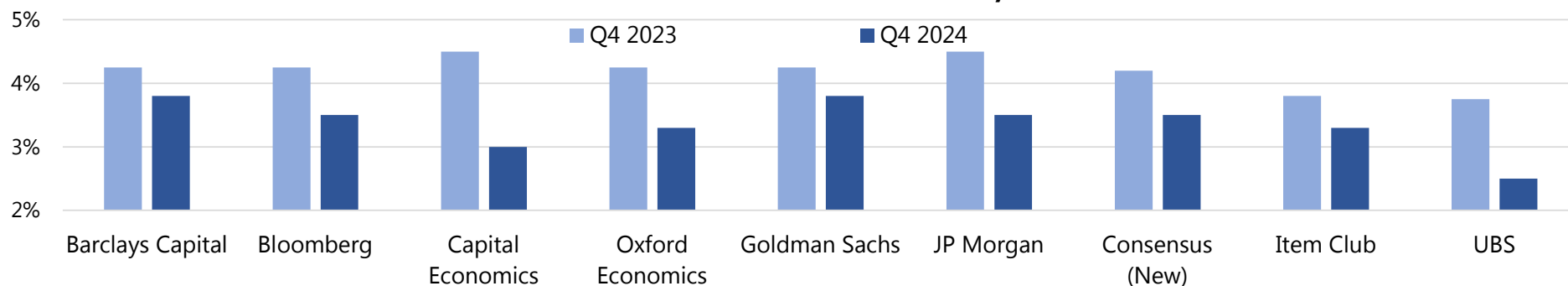- Forward contracts suggest that European supplies are secure at least through winter 2024.

Energy futures contracts[1]

[1]Monthly average
Investing.com (Morningstar & Zacks Research) - 17th Feb 2023

Business

The Bank Rate may have peaked in March?
Inflation - the key policy risk

CPI forecasts for 2023/4[1]

■ Q4 2023   ■ Q4 2024

Barclays Capital · Bloomberg · Capital Economics · Oxford Economics · Goldman Sachs · JP Morgan · Consensus (New) · Item Club · UBS

[1]'New' 1st to 13th Feb 2023 only (EOP)
Source: HMT, Forecasts for the UK Economy (Feb 2023)

Official bank rate forecasts for 2023/4[1]

■ Q4 2023   ■ Q4 2024

Barclays Capital · Bloomberg · Capital Economics · Oxford Economics · Goldman Sachs · JP Morgan · Consensus (New) · Item Club · UBS

[1]'New' 1st to 13th Feb 2023 only (EOP)
Source: HMT, Forecasts for the UK Economy (Feb 2023)

Business

4

Strong correlation between population growth and economic growth
UK Economic Performance

GDP & working aged growth 2022 to 2030

Source: Oxford Economics as modelled by Colliers (Feb 2022)

Local GDP & working aged growth2022 -2030

Source: Oxford Economics as modelled by Colliers (Feb 2022)
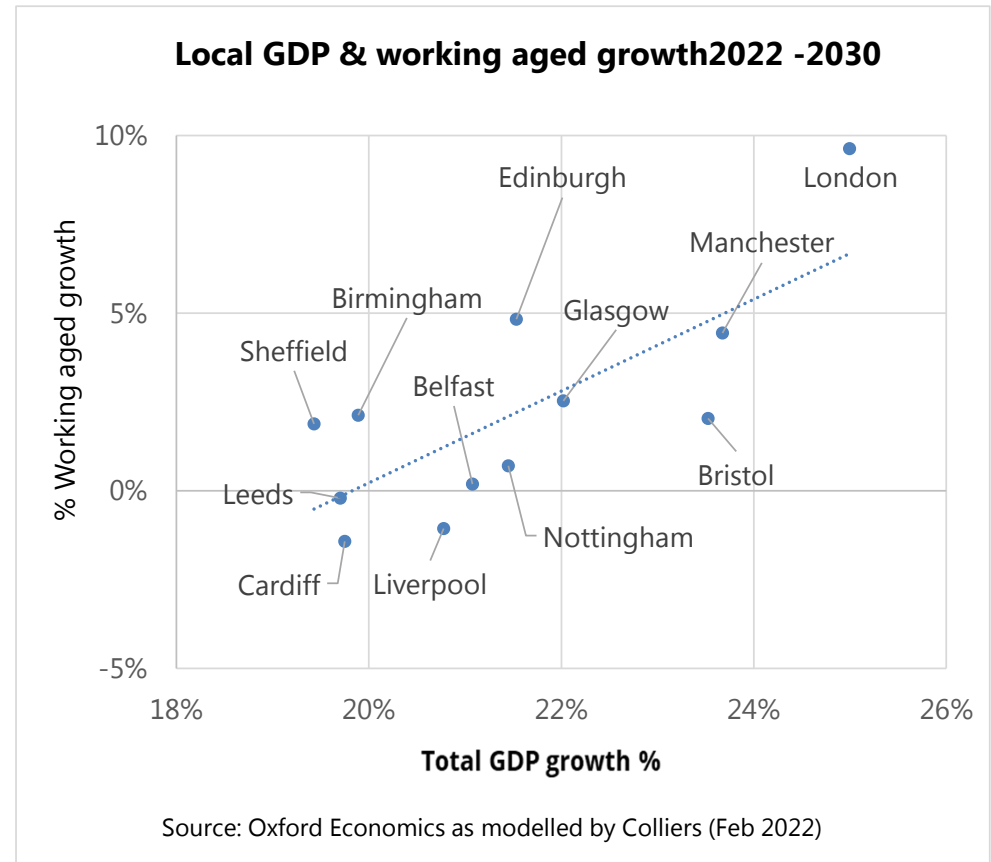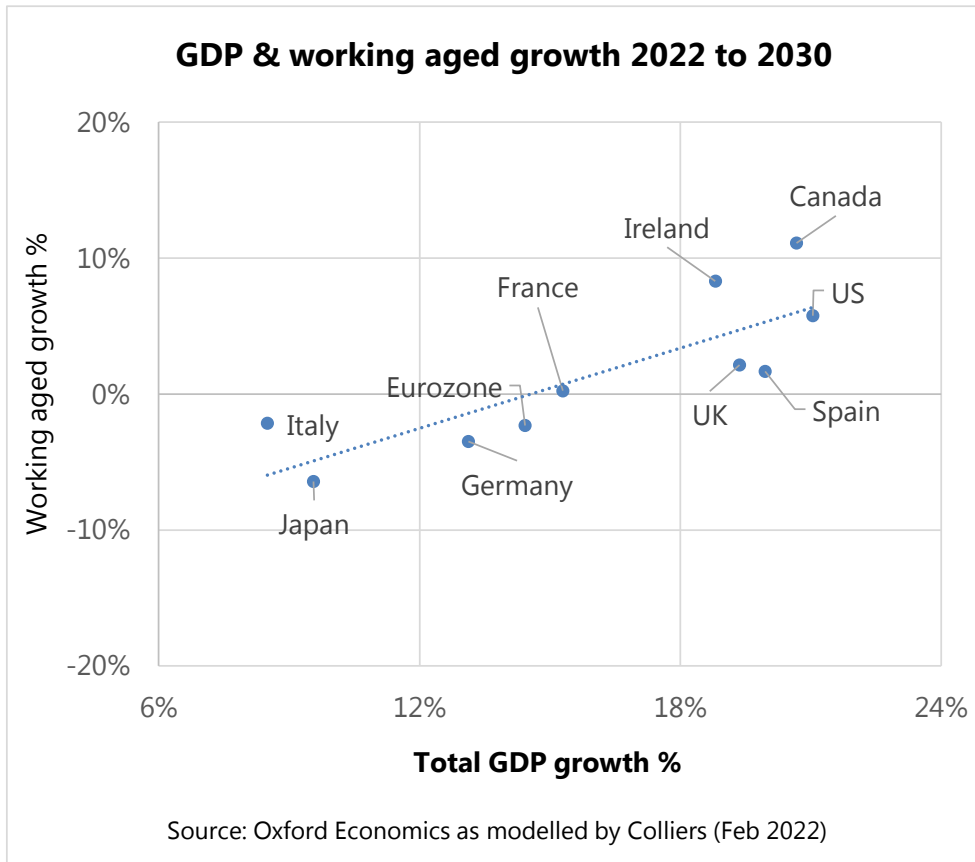
The Theoretical Keys to Regional Development

Devolution
Management

Agglomeration
Scale/Productivity

Comparative Advantage
Value-add

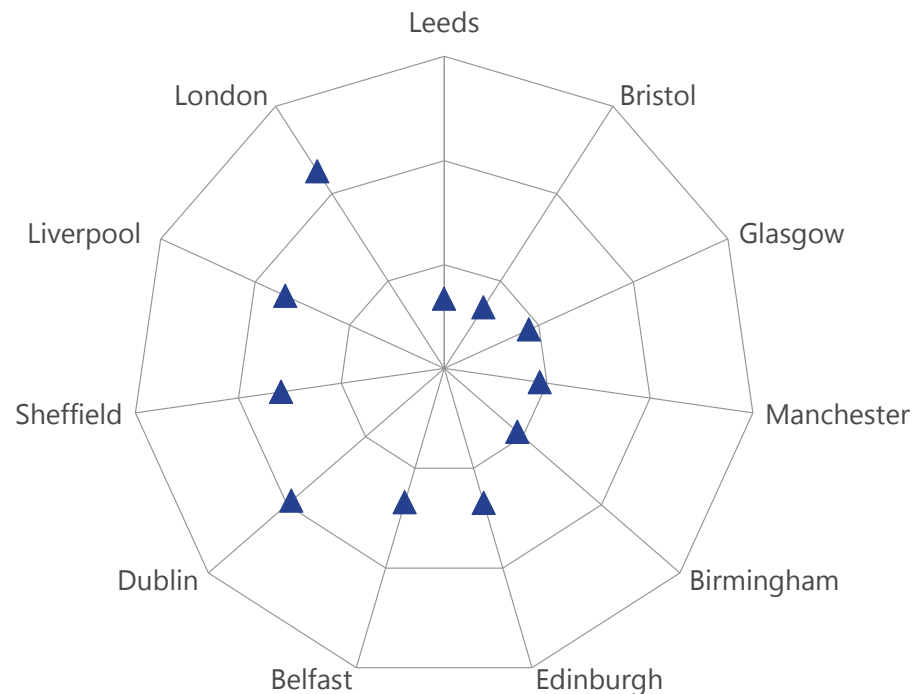**National and International Promotion & Marketing**

Devolution and regional economic development

'Levelling up' is not about emulating the status quo

- Devolution is being pursued to deliver local autonomy to bring local stakeholders together in to define and exploit local comparative advantage.

- Local leaders and stakeholders must formulate projects of scale complementing local agendas to attract private investor interest from within, but also from outside the region.

The Theoretical Keys to Regional Development

Deviation from UK Big Six Average (2030)

Oxford Economics as modelled by Colliers Research

Devolution and regional economic development

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