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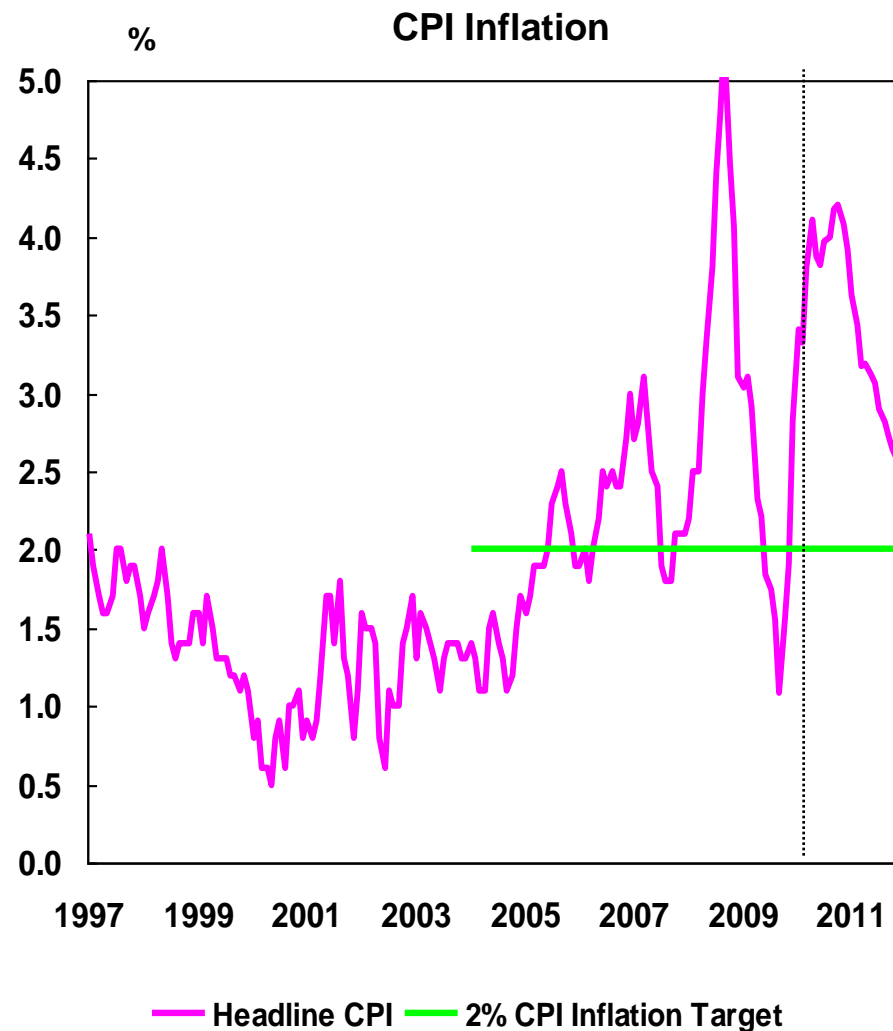
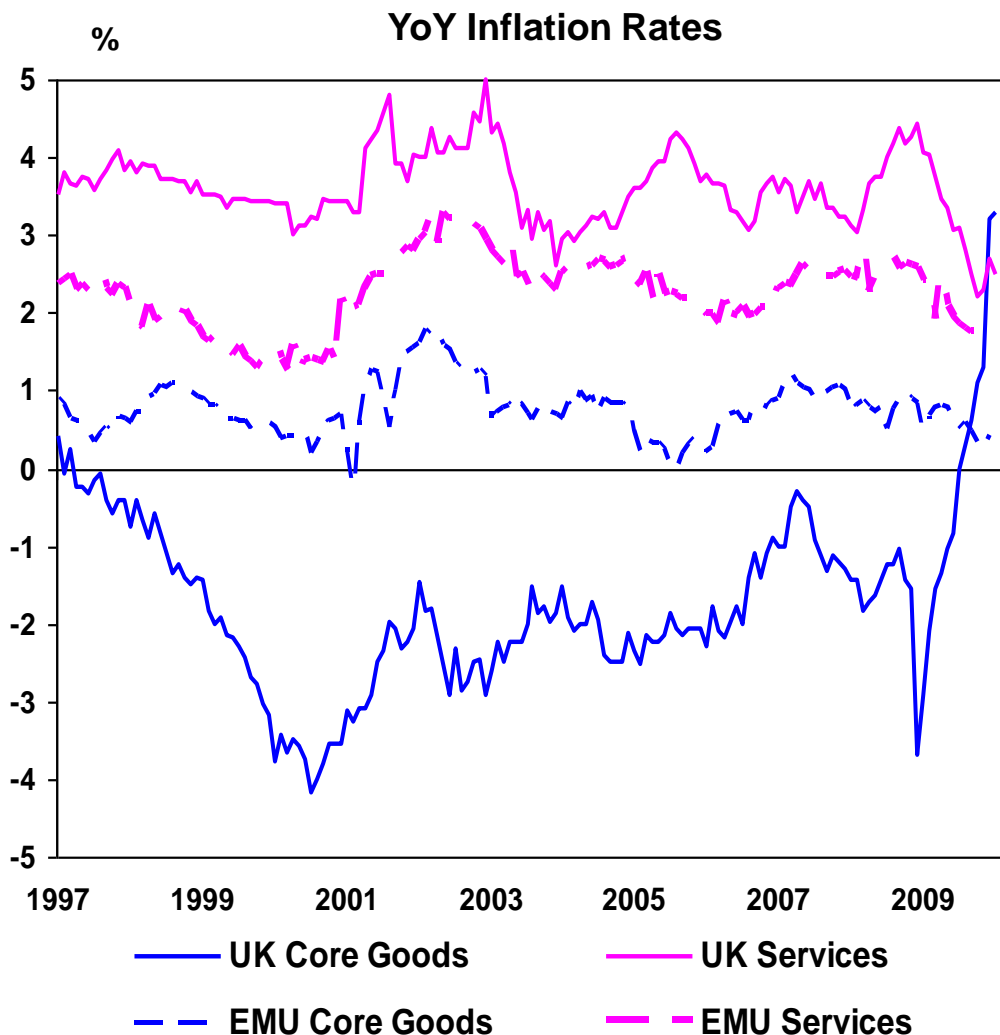
# ***UK Economic and Market Outlook for 2010 and Beyond***

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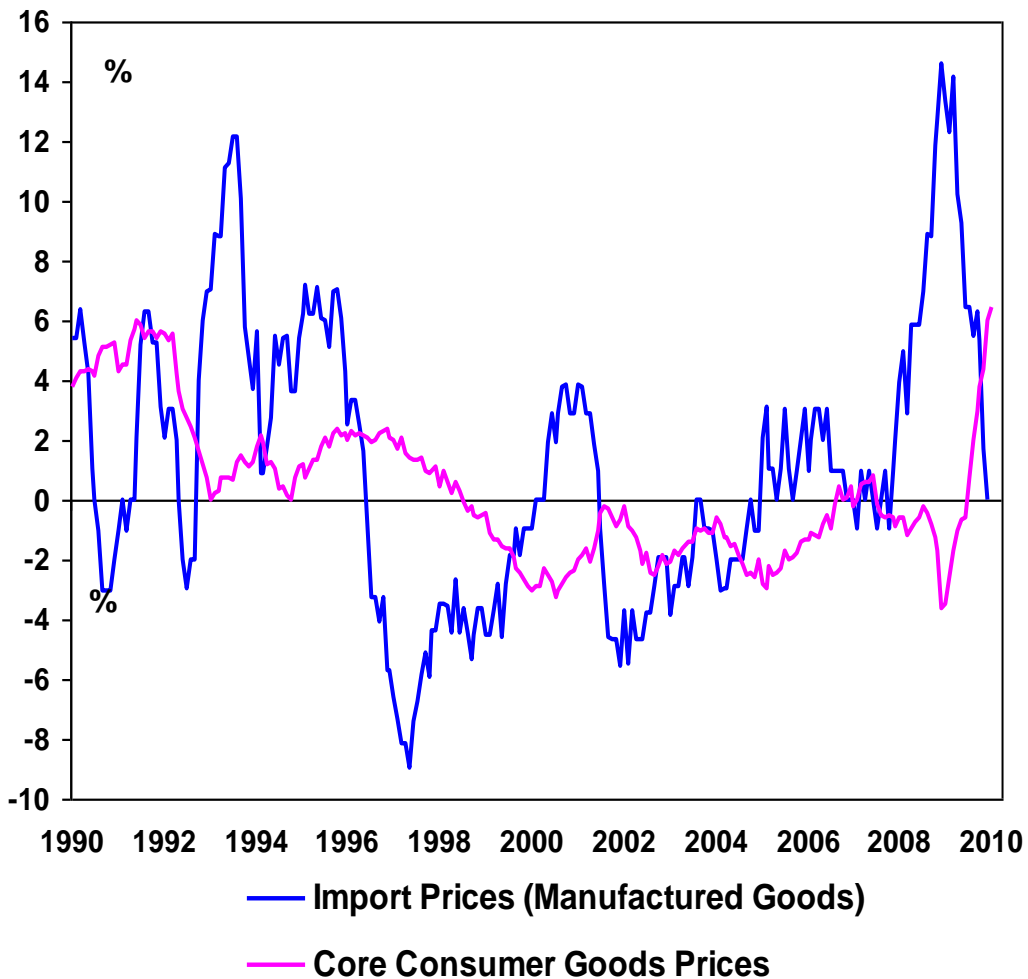
Michael Saunders, Head of European Economics,  
44 20 7986 9297, [michael.saunders@citi.com](mailto:michael.saunders@citi.com)

# Long Period of Falling Consumer Goods Prices Is Over

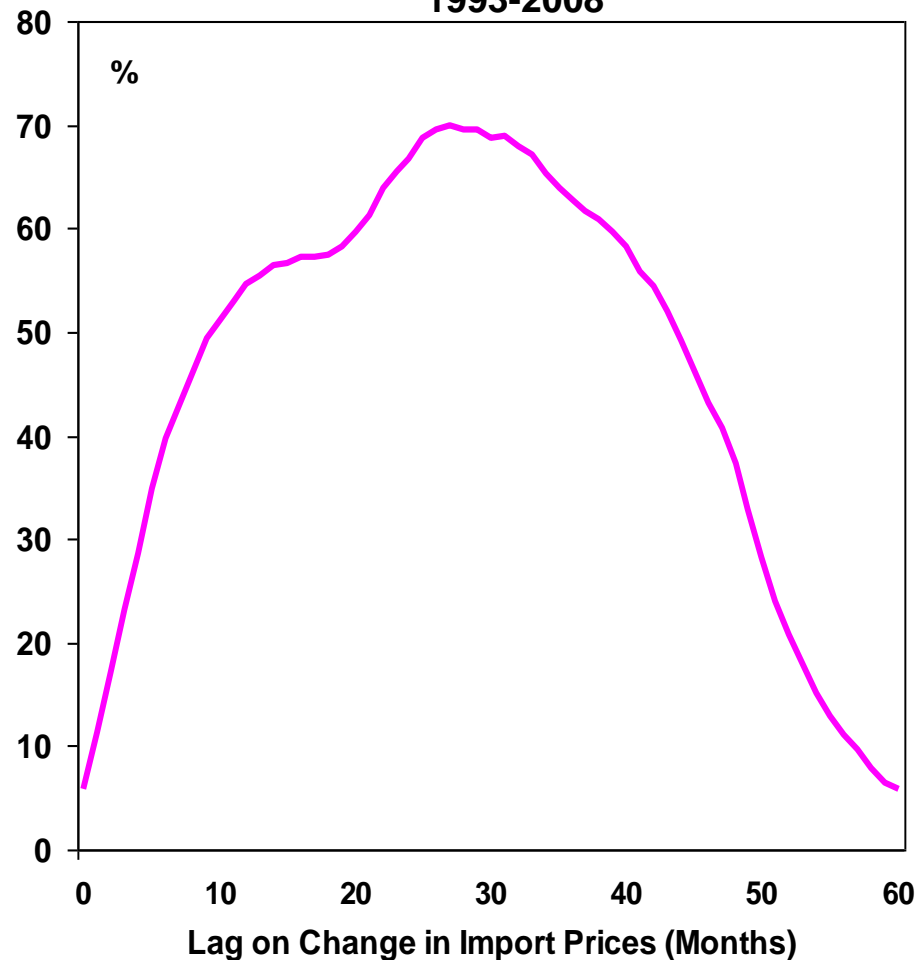


# Import Prices Slowing, But Lagged Boost to CPI Will Continue

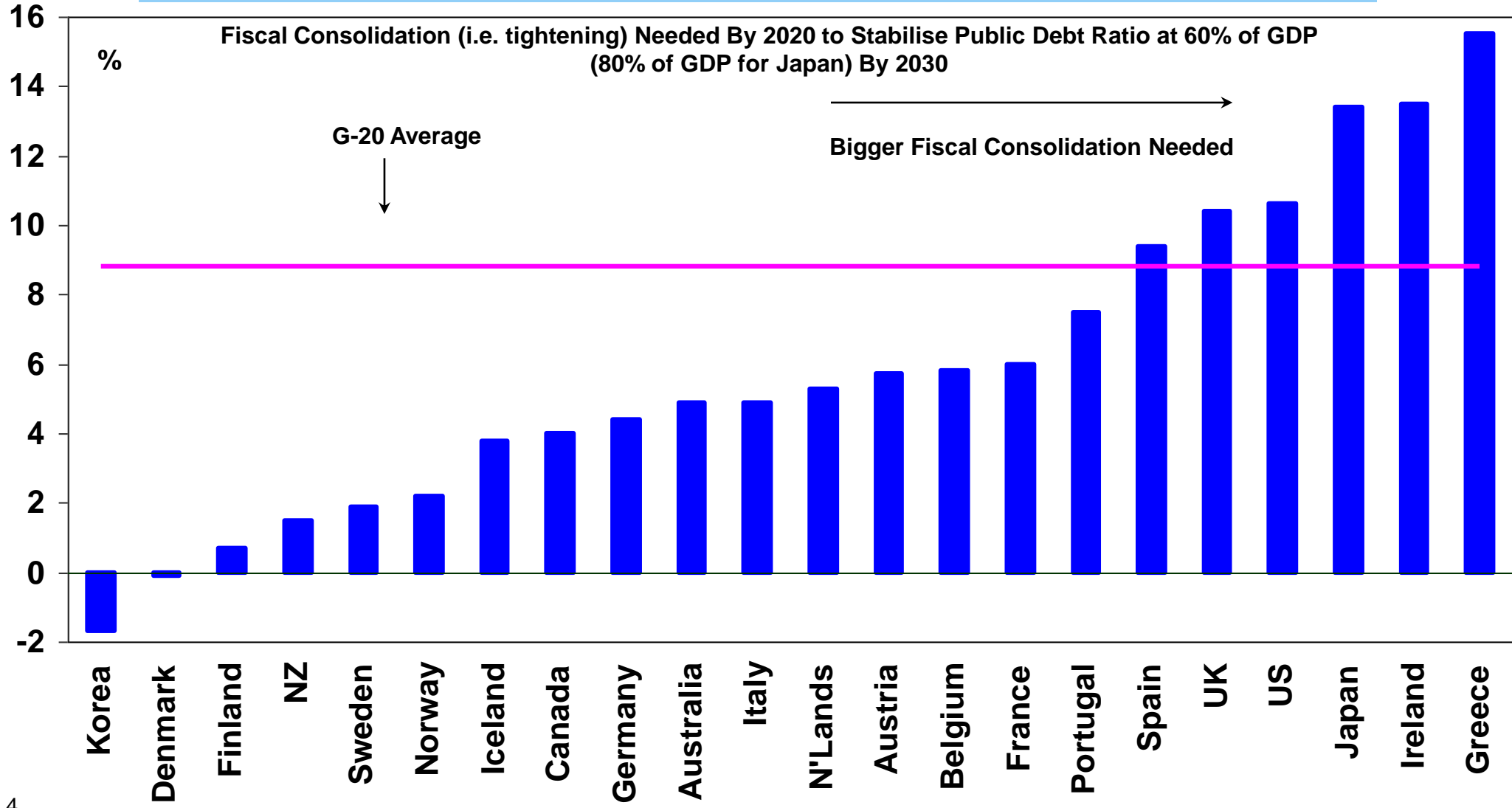
**Import Prices and Consumer Goods Prices YoY**



**Correlation Between Consumer Goods Prices YoY and Lagged Import Prices YoY, 1993-2008**



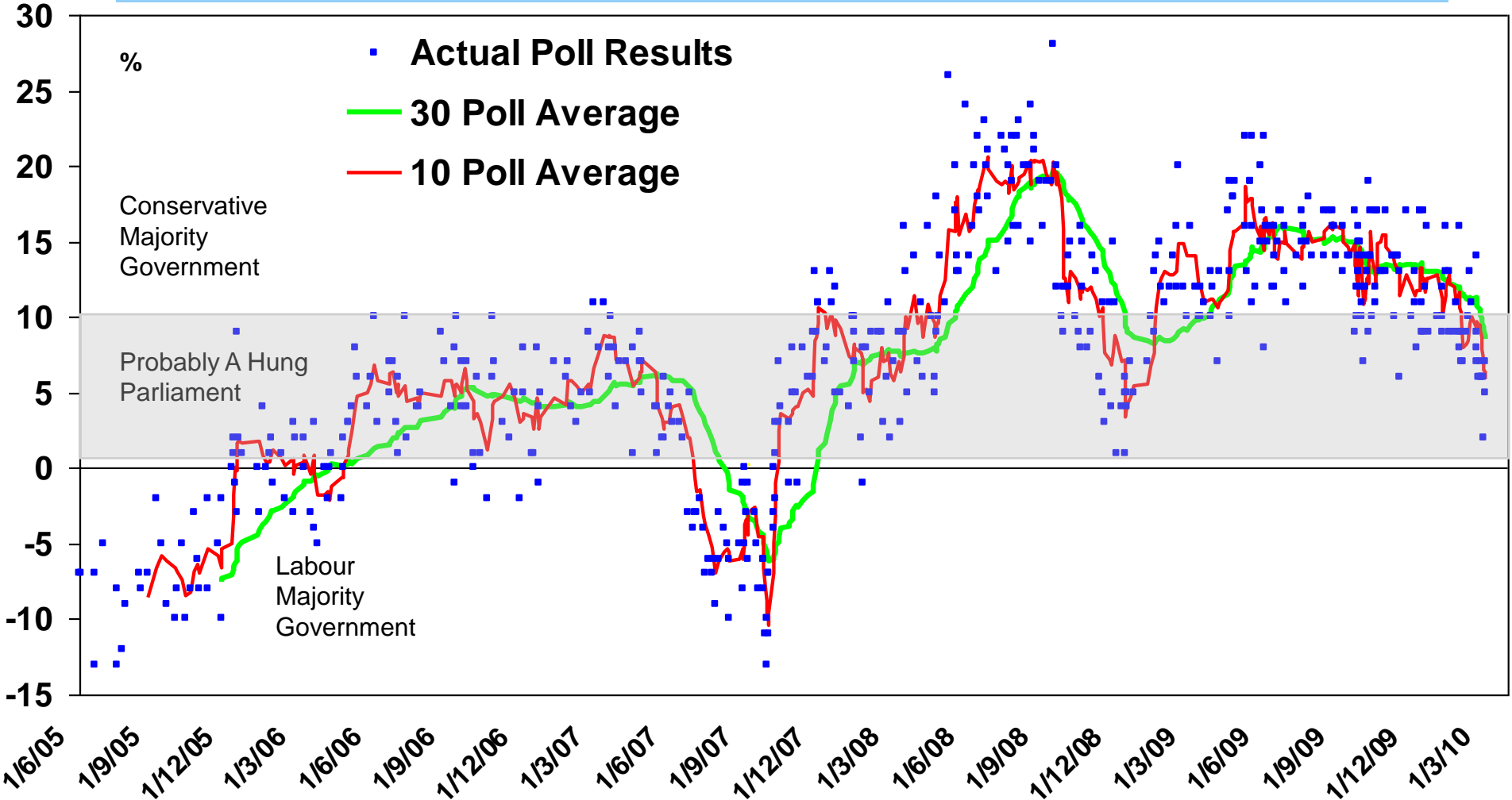
# Massive Challenge to Return to Fiscal Sustainability



## Possible Fiscal Consolidation Plan

		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>With Existing Fiscal Measures</b>								
UK Govt Forecast	Fiscal Deficit/GDP	6.6%	12.6%	12.0%	9.1%	7.2%	5.5%	4.5%
	Structural Current Deficit /GDP	-2.6	-5.5	-5.4	-3.9	-3.0	-2.3	-1.9
	Gen Govt Debt/GDP (Fiscal year)	56	73	82	88	91	92	91
IMF Forecast	Gen Govt Debt/GDP (Cal year)	52	69	82	89	94	97	98
<b>Extra Post-Election Fiscal Package (£15bn = 1% of GDP)</b>								
	Tax Hikes (£bn)	0.0	0.0	7.5	15.0	15.9	16.9	17.9
	Spending Cuts (£bn)	0.0	-8.5	-5.0	-10.0	-20.0	-30.0	-30.0
<b>Effect on Fiscal Outlook Versus Baseline (If GDP Unaffected)</b>								
	Deficit/GDP	0.0%	-0.9%	-0.9%	-1.7%	-2.3%	-2.9%	-2.9%
	Public Debt/GDP	0	-1	-2	-3	-5	-8	-10

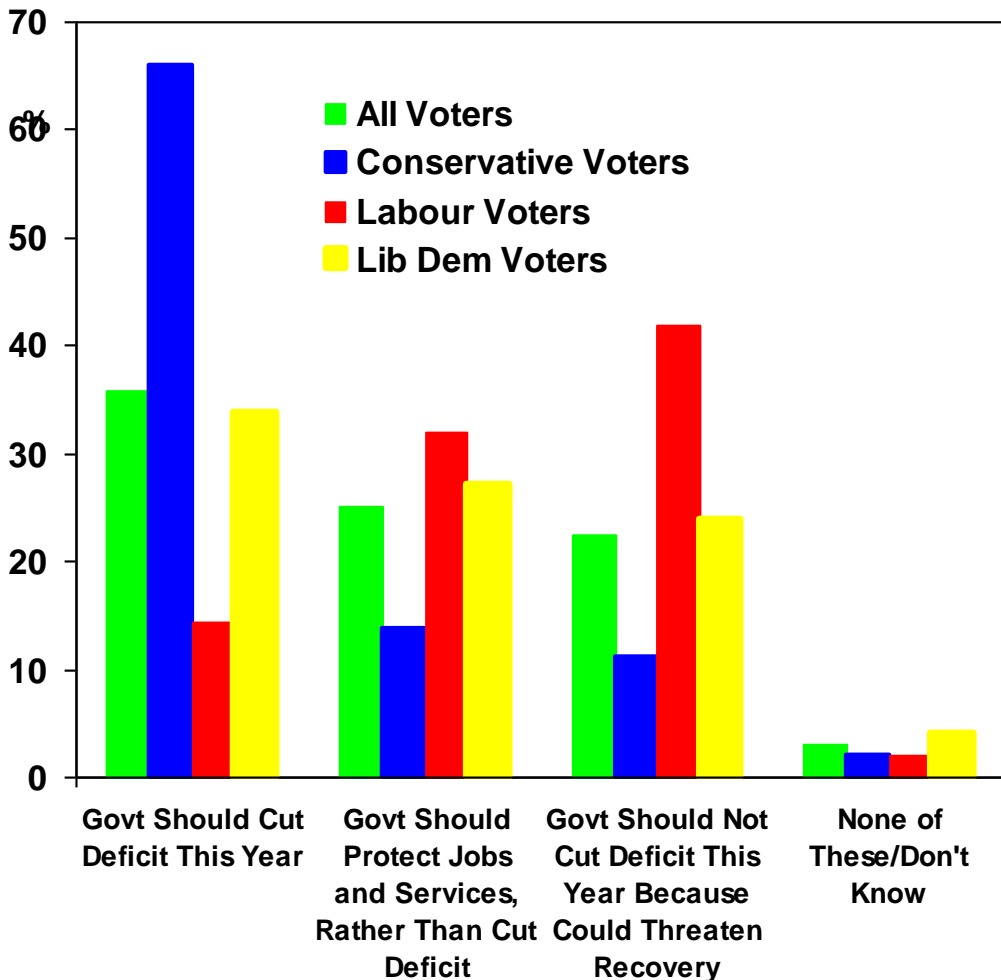
# Conservative Lead Over Labour In Recent Opinion Polls



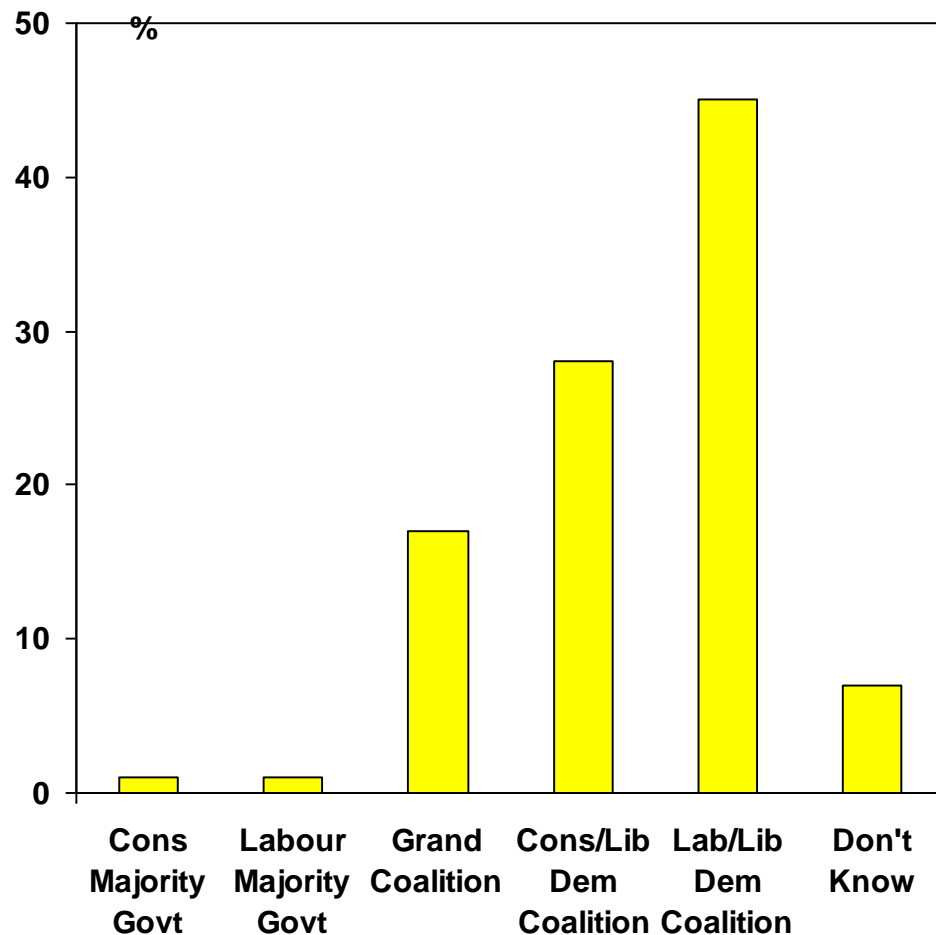
Source: ukpollingreport.co.uk.

# Unlikely to Get A Coalition To Quickly Tackle Fiscal Deficit

## Attitudes to Fiscal Policy

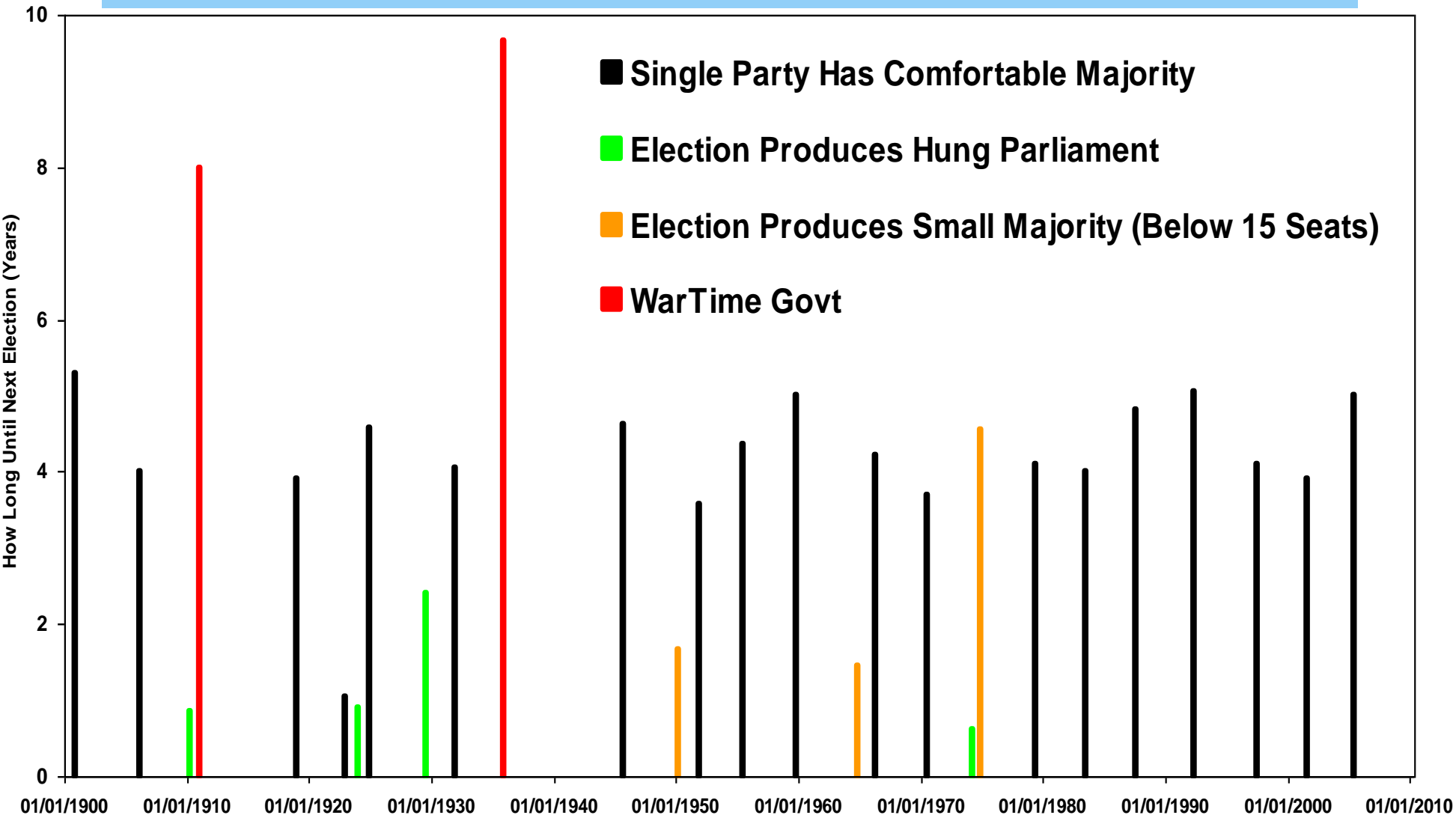


## Preferred Election Outcome Among Lib-Dem Voters



Sources: YouGov March 2010

# Election Outcomes and Number of Years Until Next General Election



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