

# Housebuilding within the wider economy

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October 2008

Doug Godden  
Head, Economic & Fiscal Policy  
CBI

# Credit crunch: market conditions

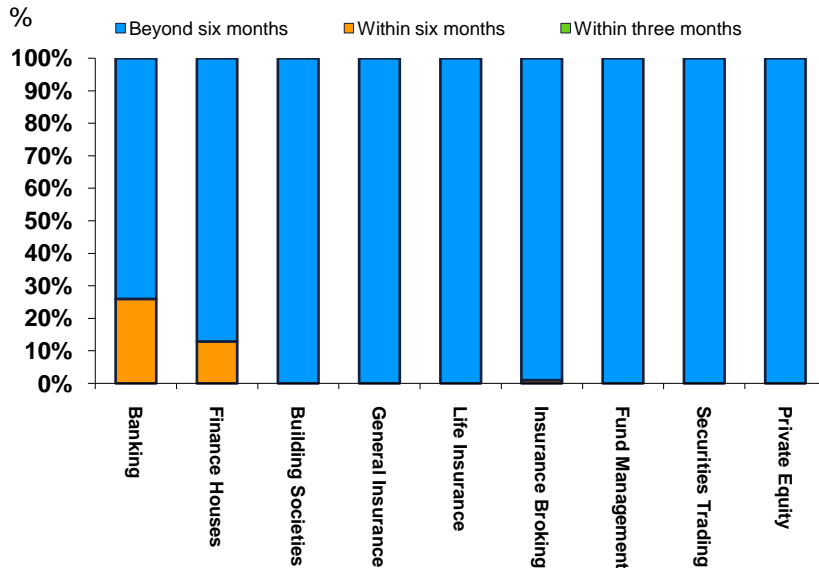
## Credit squeeze

- Interbank lending rates still elevated
- Return to normal money market conditions not expected for some time

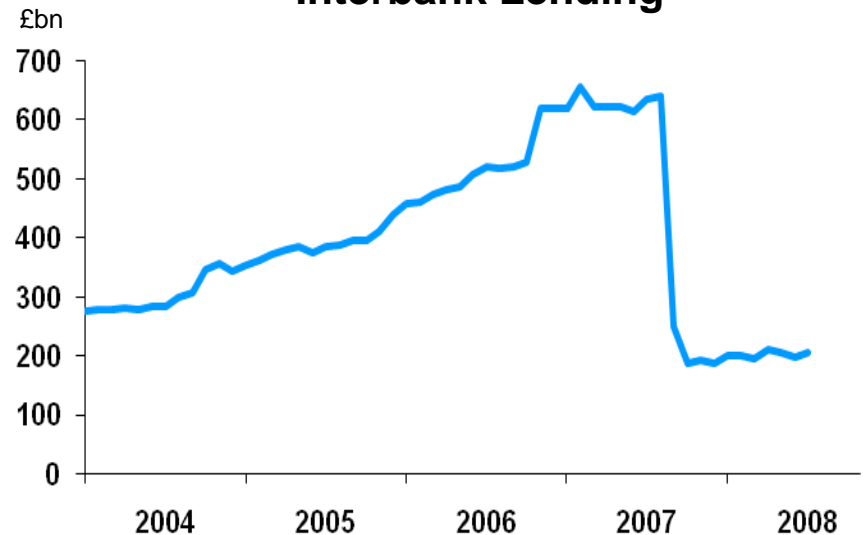
**Market interest rates**



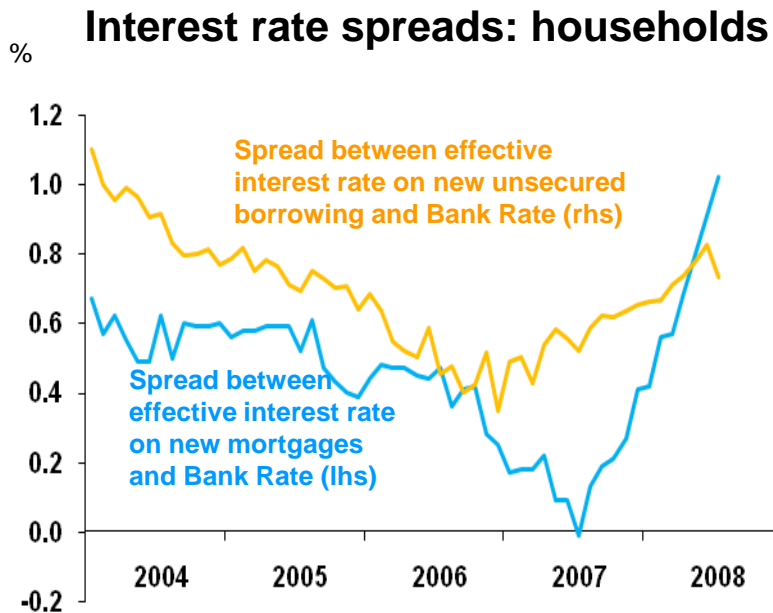
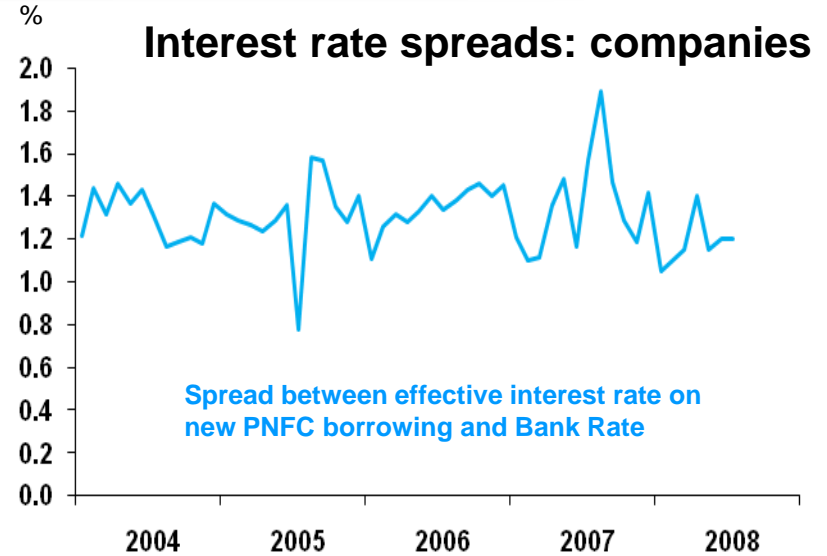
**When will 'normal' conditions resume?**



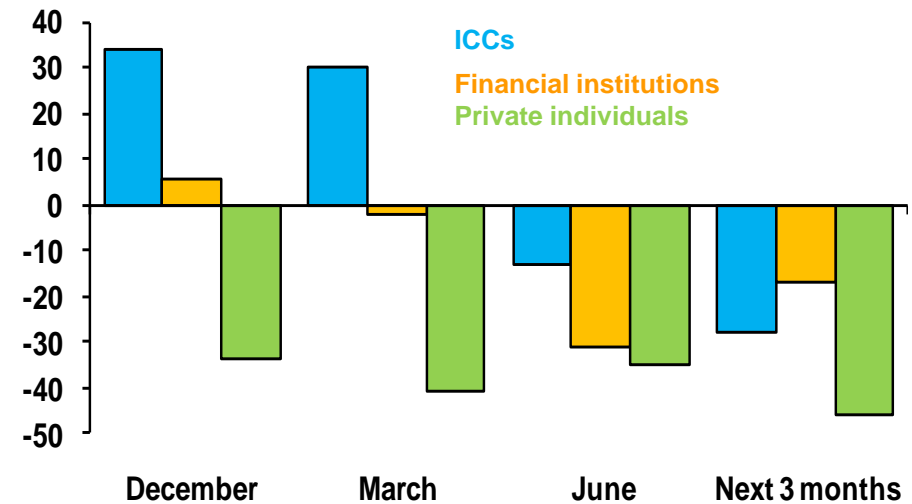
**Interbank Lending**



# Credit crunch: the real economy



## Banking sector – business by category

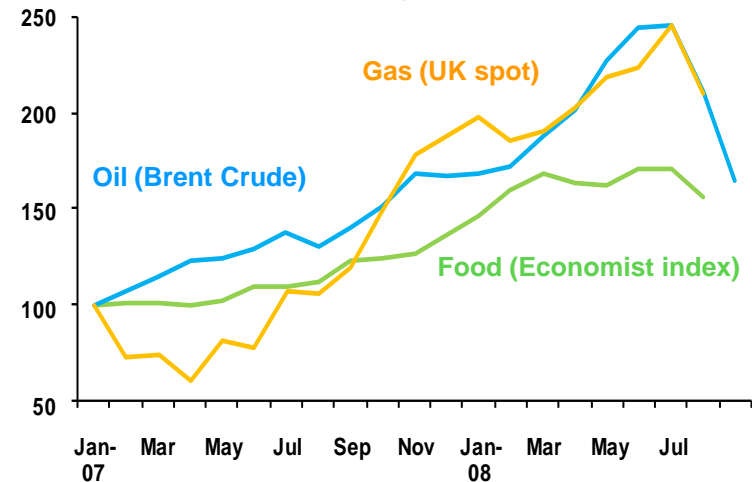


# Commodity prices

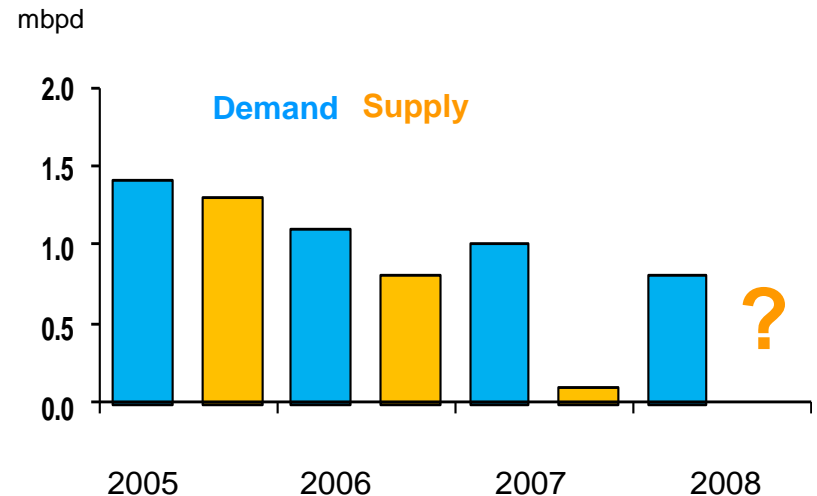
- Significant impact on inflation; squeeze on purchasing power
- Demand strength including from China etc
- Also some supply issues
- But prices peaked in July; down since

Jan 2007=100

## Commodity prices

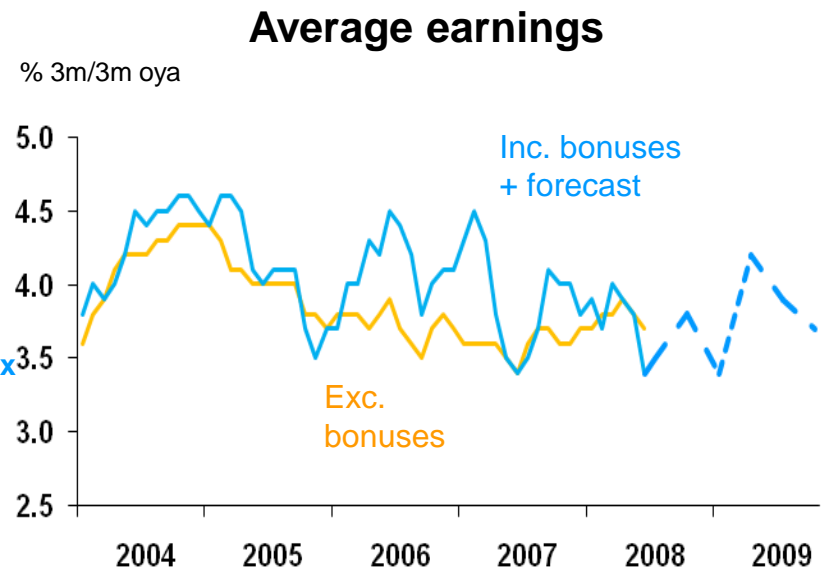
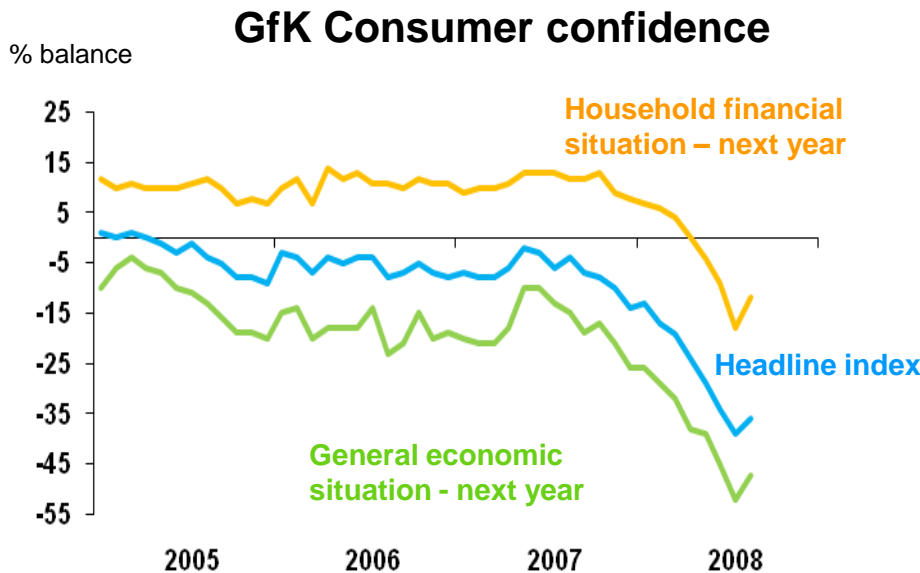
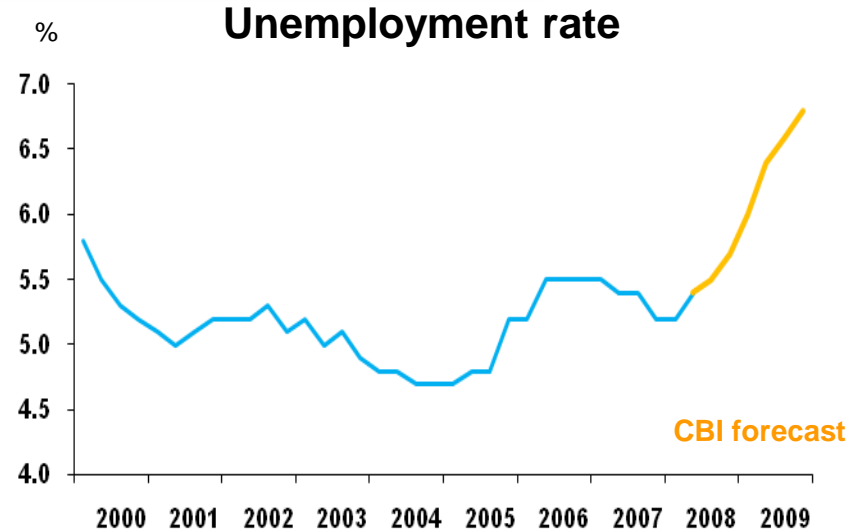
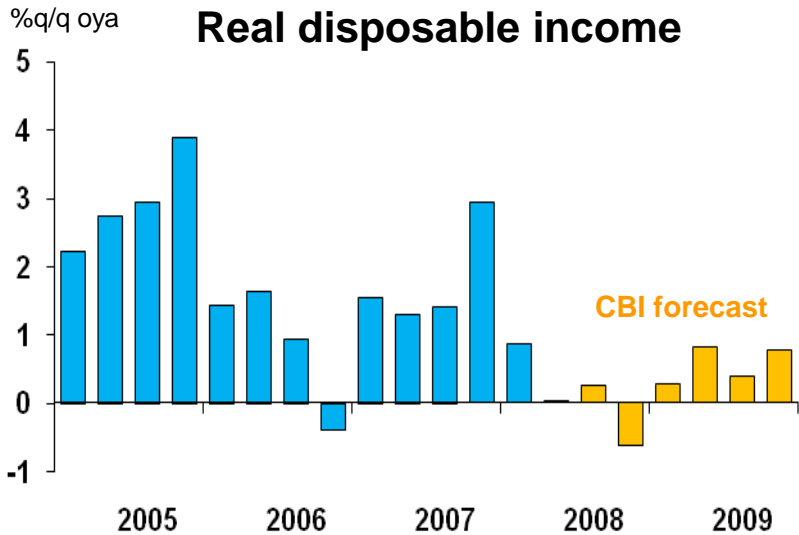


## World oil market - annual changes

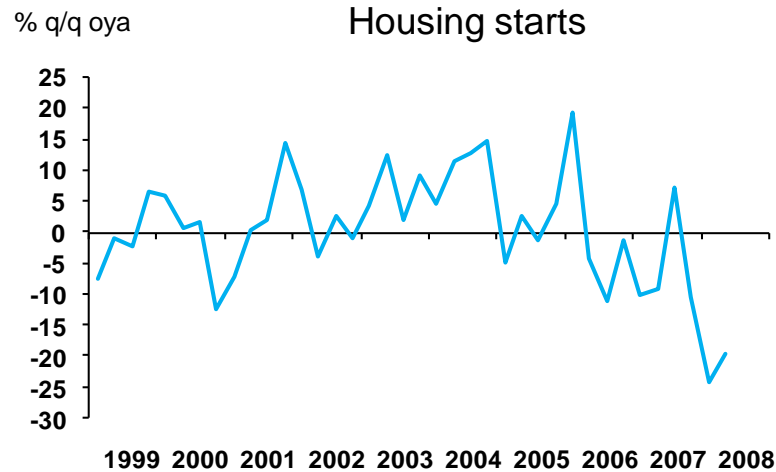
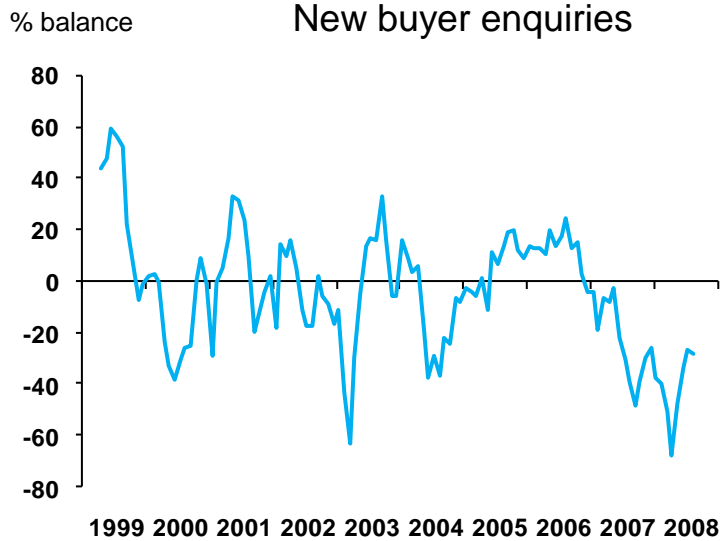




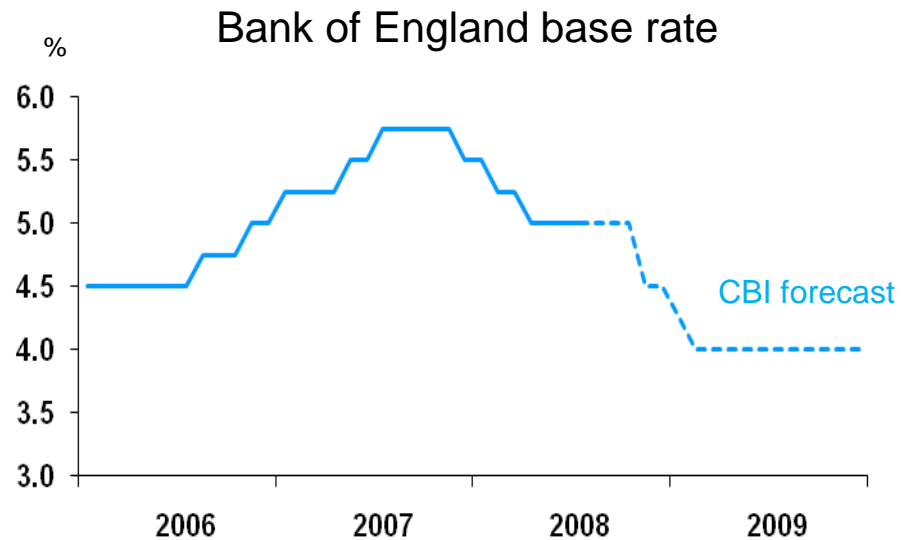
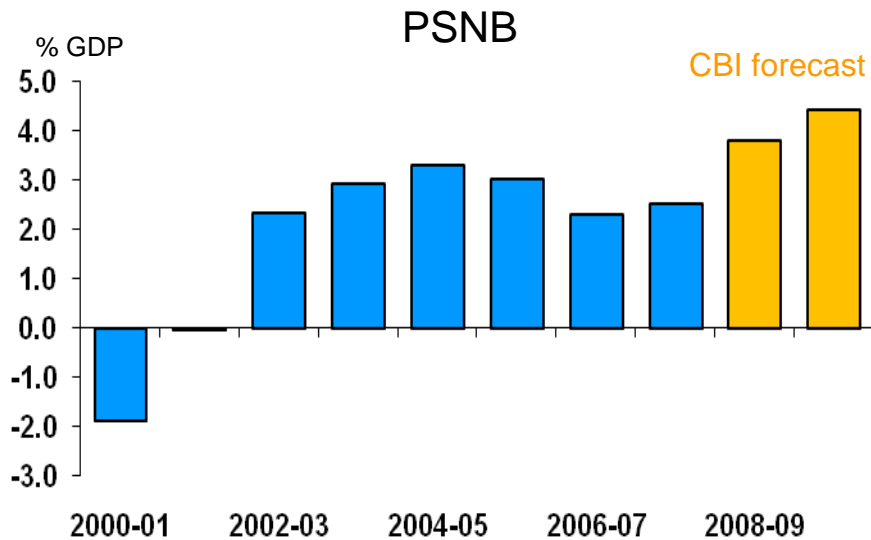
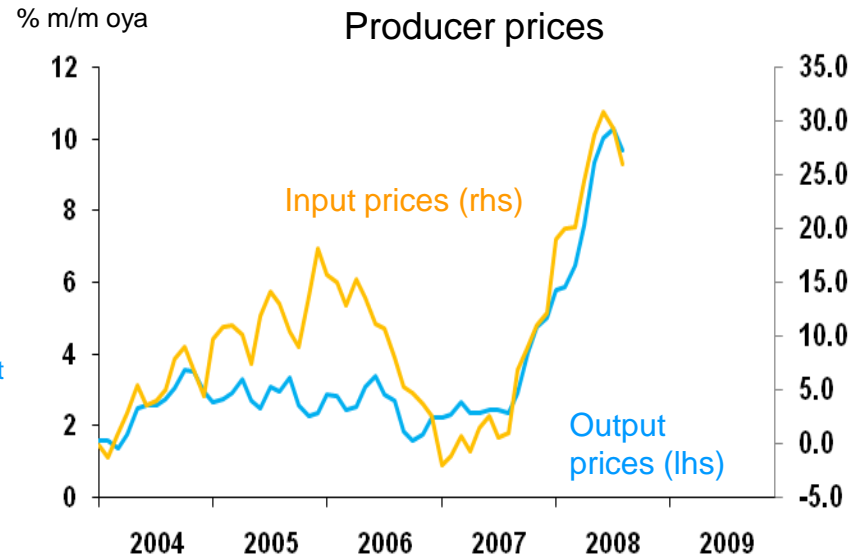
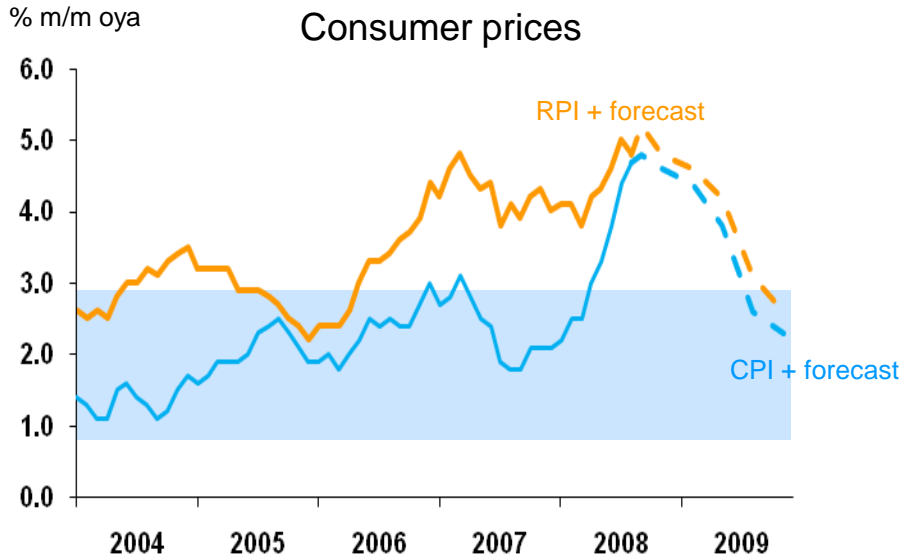
# Consumer squeeze



# Construction: housing



# Policy response limited



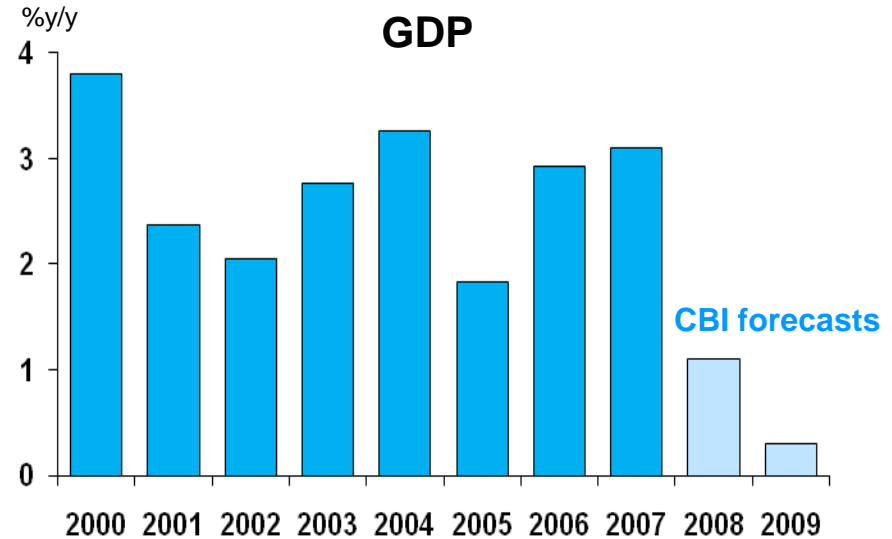


# UK overview

## UK: Economic Forecasts

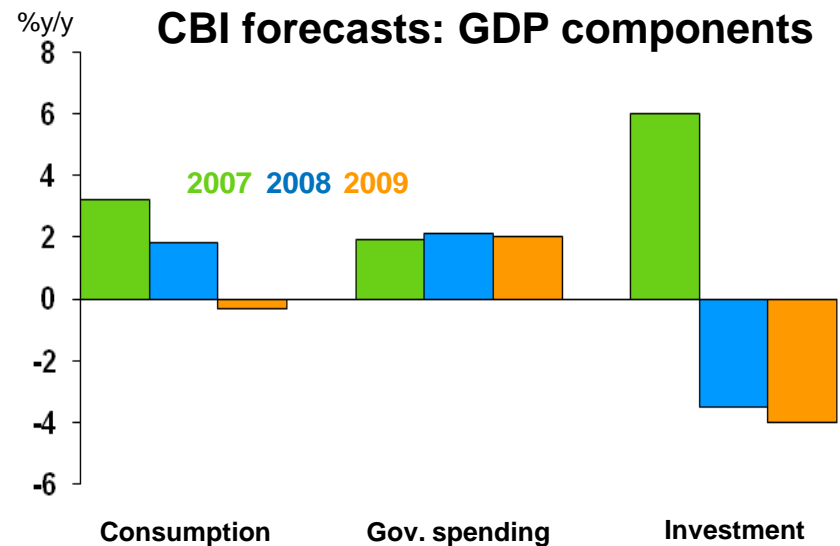
	2007	2008	2009
GDP	3.1	1.1	0.3
Household Consumption	3.2	1.8	-0.3
Manufacturing output	0.6	-0.6	-0.1
Consumer Prices	2.3	3.8	3.3
Unemployment (%)	5.3	5.5	6.5

Source: CBI



*2008/09: shallow recession, modest recovery*

- Slowdown in response to credit crunch and commodity price shock
- Inflation to peak late autumn; interest rate prospects improved
- But near-term recession; below-par growth through 2009



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