9 reasons to be cheerful: Team GB (the UK economy) to win European gold at end 2012 and in 2013?

Despite the gloom surrounding December’s Autumn Statement there are a number of reasons to be cheerful and optimistic as 2012 draws to a close and 2013 approaches.

1. The mood of the consumer is improving – November’s GfK consumer confidence measure surged 8 points to -22, its best score since May 2011 and the biggest November gain in the survey’s 30-year history. The job outlook in the survey is the strongest since pre-credit crunch days of early 2007 pointing to improving household earnings.

2. The UK economy is performing far better than many commentators are suggesting. While the 1% rise in Q3 GDP may not be repeated in Q4, a rise upwards of 0.2% is likely. The reason for this optimism is the strength of the UK Economic Sentiment Index (ESI) measured by the European Commission on a monthly basis and covering industry, services, consumer, retail trade and construction industry confidence. In the past 2 months the UK ESI has jumped from 91.9 to 100.2 (see Chart 1) to its highest level since May 2011. Relative to our European competitors the UK ESI is in the silver medal position in November, behind Latvia, and with the gold medal position in sight in December / early 2013.

3. Business confidence in the ICAEW / Grant Thornton UK Business Confidence Monitor rose for the second successive quarter in Q4 2012. Although not a significant pick-up compared to 2010 (see Chart 2), a notable improvement in consumer confidence over the next 3 months (not the case in 2010) may well help to boost investment intentions – further helped in December’s Autumn statement

4. Retail sales growth continues. The CBI quarterly Distributive Trades Survey for November shows retailers reporting improved year on year sales for the third successive month. More jobs are expected to be created with retailers positive about the business situation to the greatest extent in 2 years. Motor traders reported their strongest sales volumes since December 2009, with a balance of +50% greatly outstripping expectations (-19%).

5. The jobs outlook continues to improve. 29.6 million people are in employment, up 513,000 in the past year (based on latest ONS data to end September). The total number of hours worked per week rose to 945.3 million, up 23.8 million on the past year. The November Reed Job Index reports the highest number of jobs advertised since the survey started at the end of 2009.

6. Housing market activity is strengthening. In October the RICS Housing Market Survey showed buyer demand hit a 3-year high. The Bank of England reported mortgage approvals at the highest level since January in October. In the key London market the Council of Mortgage Lenders reported first time buyer activity was at its strongest in 3 years.

7. Both the FTSE 100 and FTSE 250 have made gains during 2012. The former is up around 5% while the latter is up 20%
8. We have the Olympics and Paralympics to use as a source of inspiration and national belonging that the Diamond Jubilee also helped to cement

9. And finally a Royal birth to look forward to celebrating in 2013, a further boost to the legacy of Brand Britannia and Team GB that has made 2012 such a memorable year

**Chart 1**: UK Economic Sentiment Indicator, UK, January 2007 – November 2012

Source: European Commission / JGFR

**Chart 2**: Business and Consumer Confidence, Q1 2004 – Q4 2012

Source: ICAEW / Grant Thornton / GfK NOP / European Commission / JGFR