

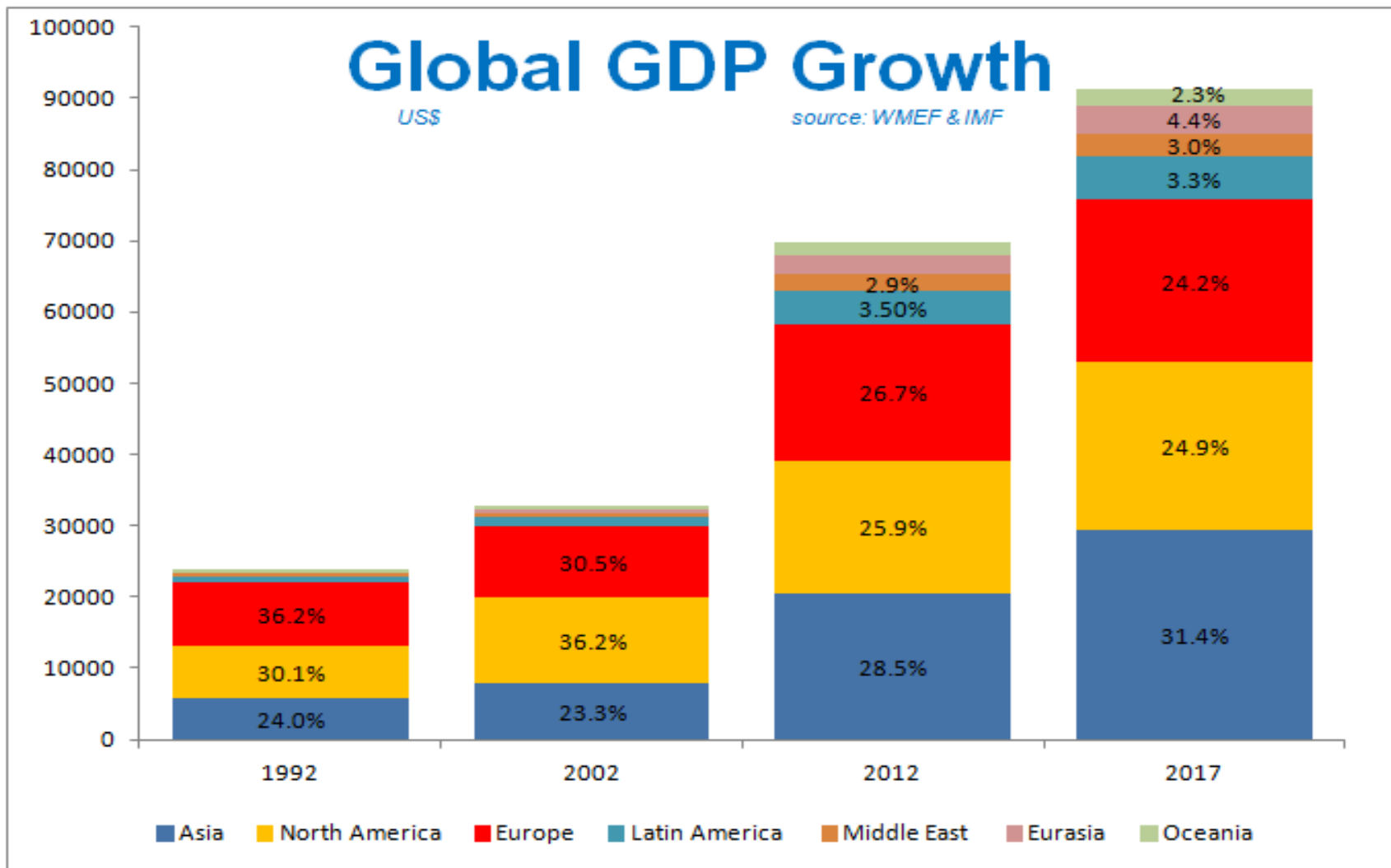
BUSINESS OPPORTUNITIES IN THE EUROPEAN MARKETPLACE

*The Eurozone –
Future Potential & Prospects*

Paul Forrest,
Director,

West Midlands Economic Forum





Despite 2007-08 crisis, Global GDP is expected to reach **US\$94 trn in 2017**
 from US\$72 trn in 2008 & US\$62 trn in 2008

Global Parameters – Output Trends

*Forecasts are reasonably accurate up to 2 years,
and moderately reliable up to 5 years*

Just remember who is paying the piper

Capital-flow Cycle - global imbalance in capital flows at root of current crisis as a result of under- & over-valued exchange rates

Geography – difficult to change and ease of access to markets significant factor

Globalisation- increased local proximity production & manufacturing repatriation

Global Parameters – Business Trends

Business Cycle – does exist

Weaker performance forecast as investment boom

falters—

- China
- Brazil
- Russia
- India
- Nigeria
- Indonesia

Difficult transition from Middle Income to High Income

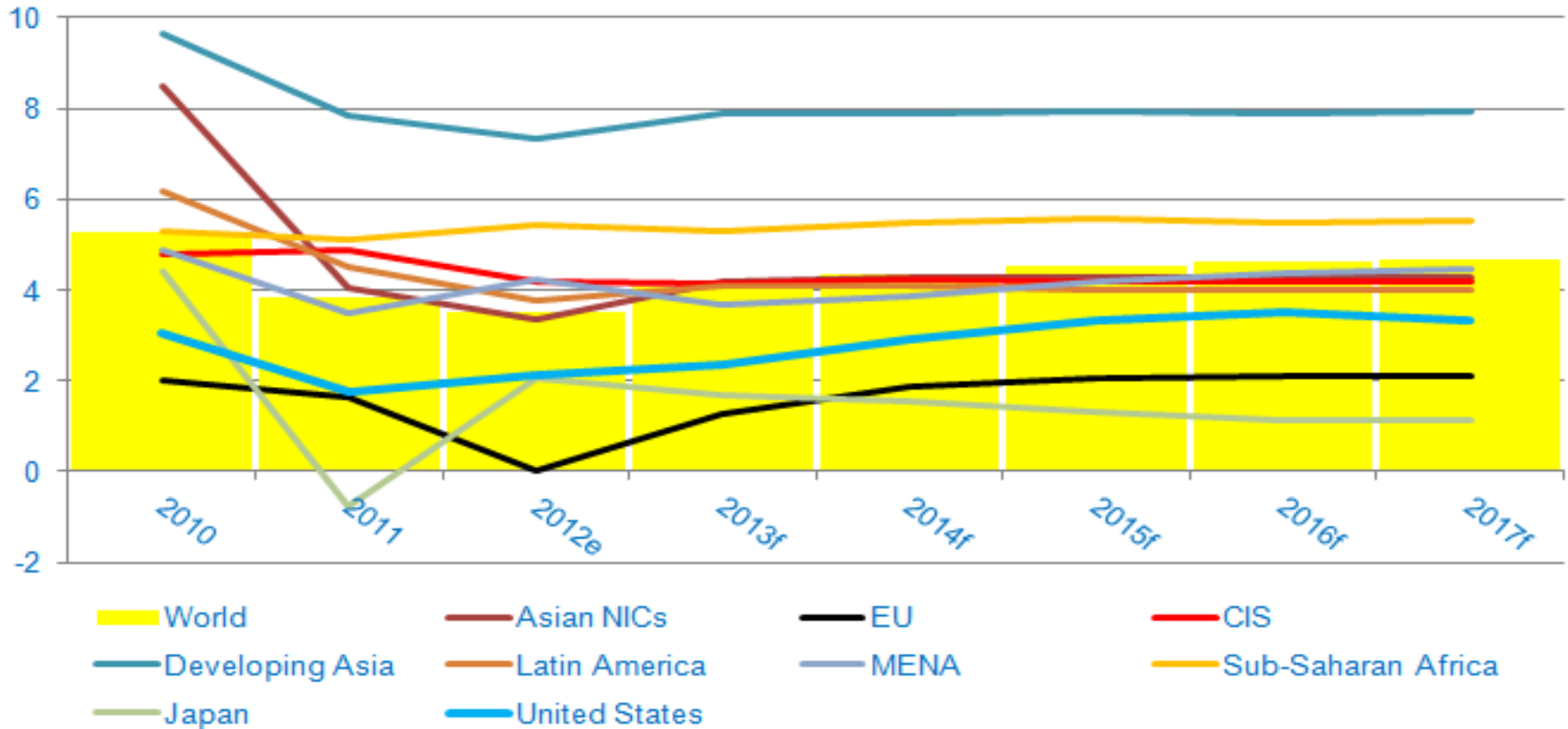
Despite government shift in focus to domestic consumption



Stronger performance in EU?

Global GDP Growth

source: WMEF & IMF



EU to return to pre-crisis growth trajectory

Global Parameters – Political Trends

Political Cycle –

electoral cycle in the US and Europe

generational cycle in China, India & Saudi Arabia,

consolidation post-Arab Spring

withdrawal from Afghanistan

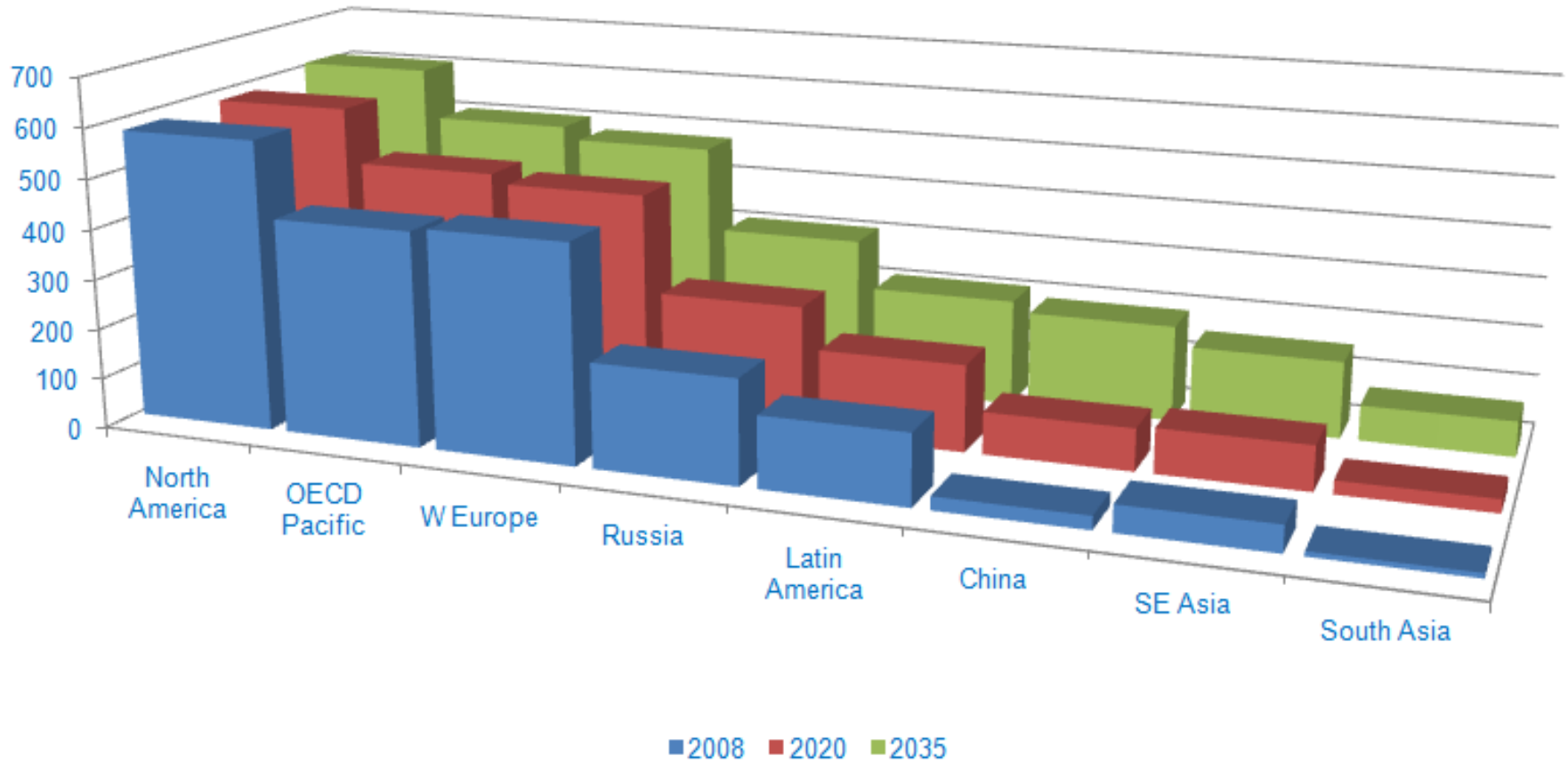
the impact of Shale Gas on US Energy policy & economic prospects for Poland and Ukraine.



Car Ownership Projections

per 1000

source WMEF & OPEC



EU Prospects

European Sovereign Debt crisis

- manageable economically

- problematic politically

- moves to greater integration

Fiscal harmonisation

Streamlining decision-making

Questions over German export structure & benefits of past exchange rate under-valuation

Growth to recover in EU

Emergence of hard Euro

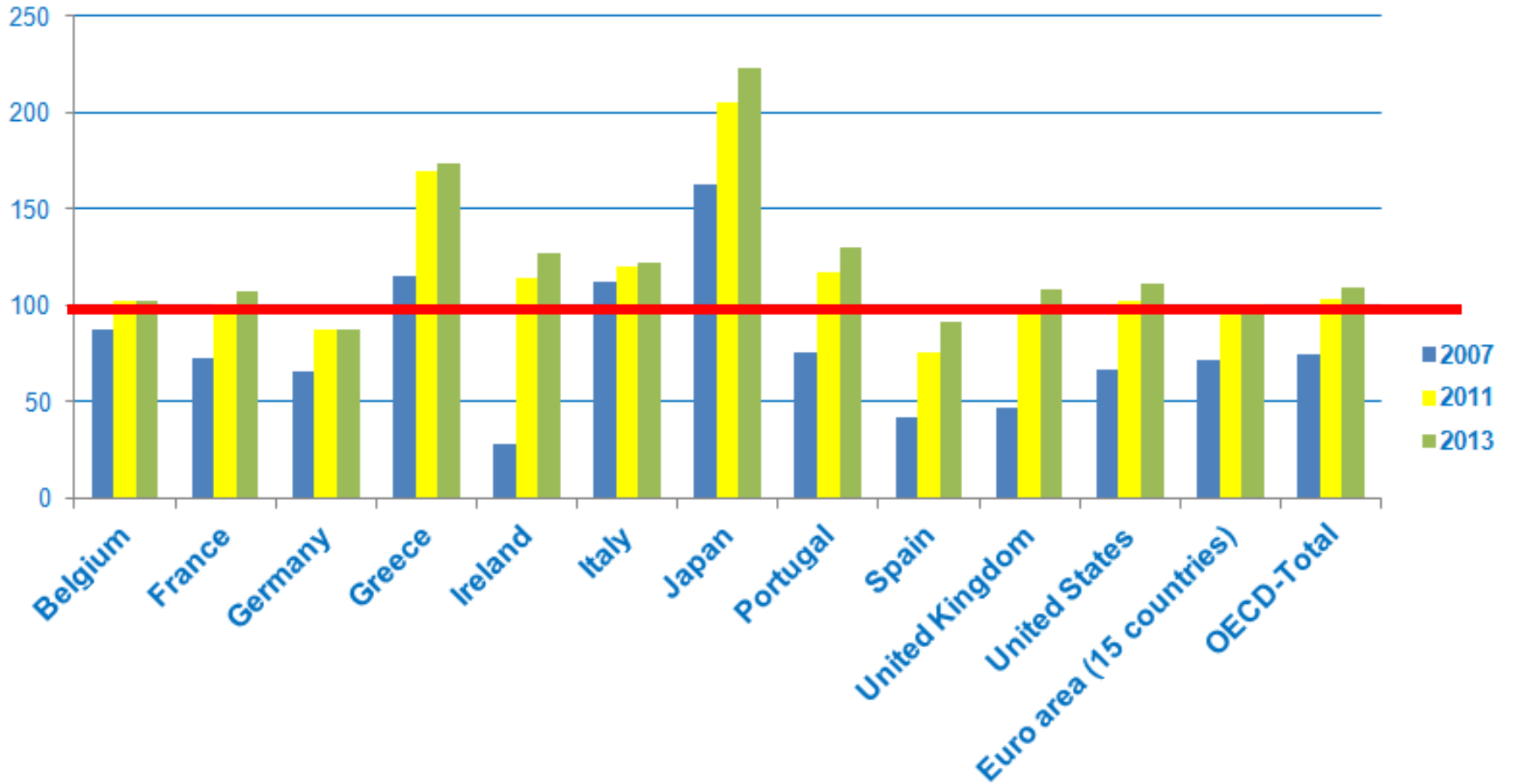


EU supply chain and role of net-exports

Fiscal Debt Stock

% of GDP

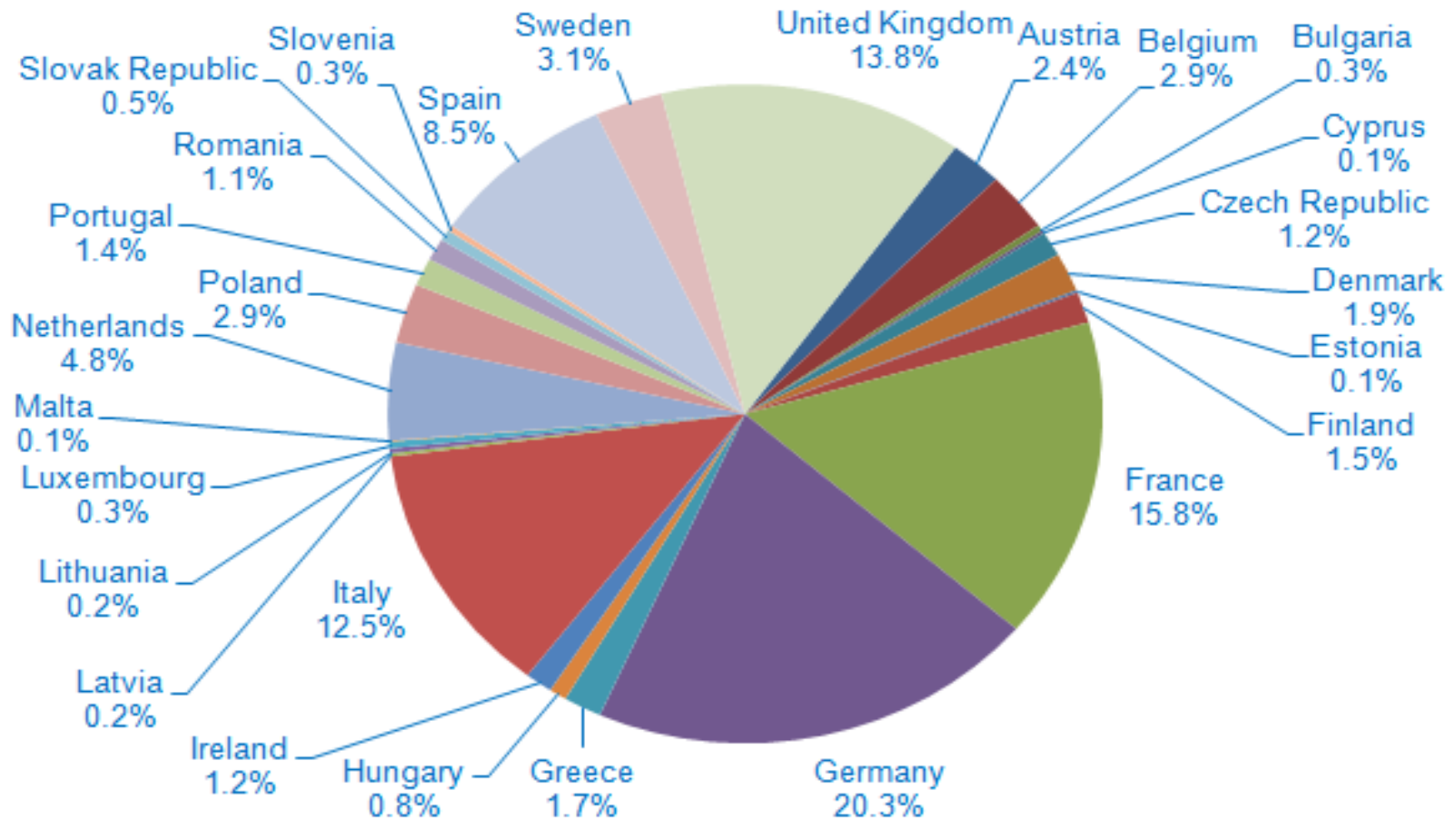
source: OECD



Structure of EU economy

US\$

source:WMEF & IMF



4 economies provide 62.4% of EU GDP

Further 6 provide 24.6% of EU & remaining 17 some 13%

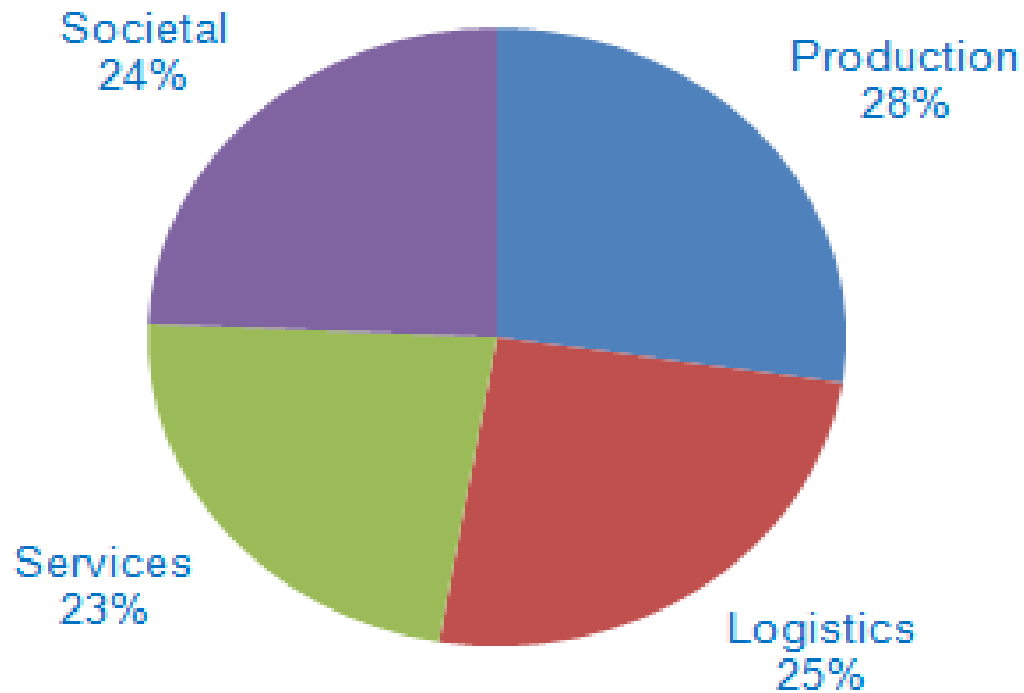
Midlands output is equivalent to 1.9% of EU GDP



Midlands Economic Structure

2009 GVA

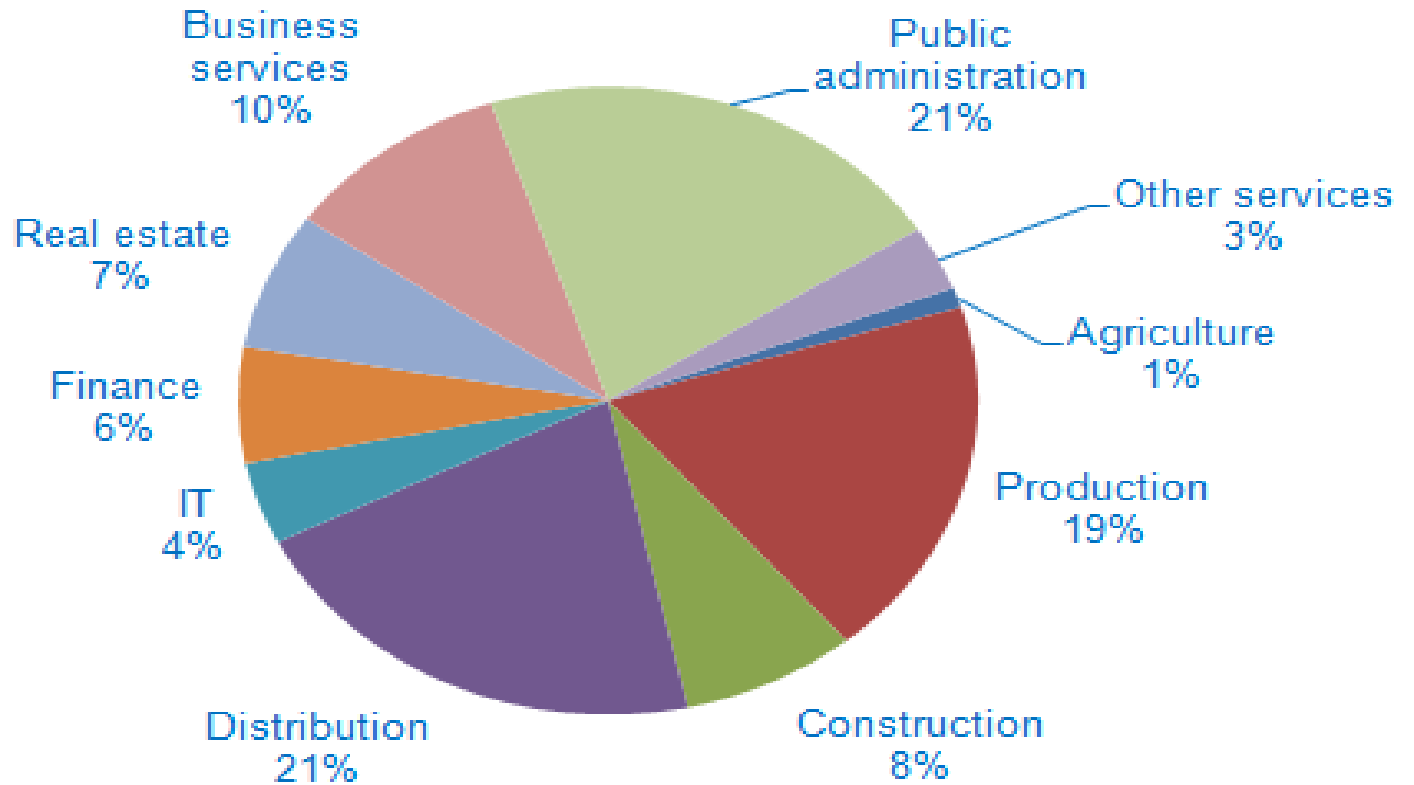
source: WMEF & ONS



Midlands GVA Structure

2009

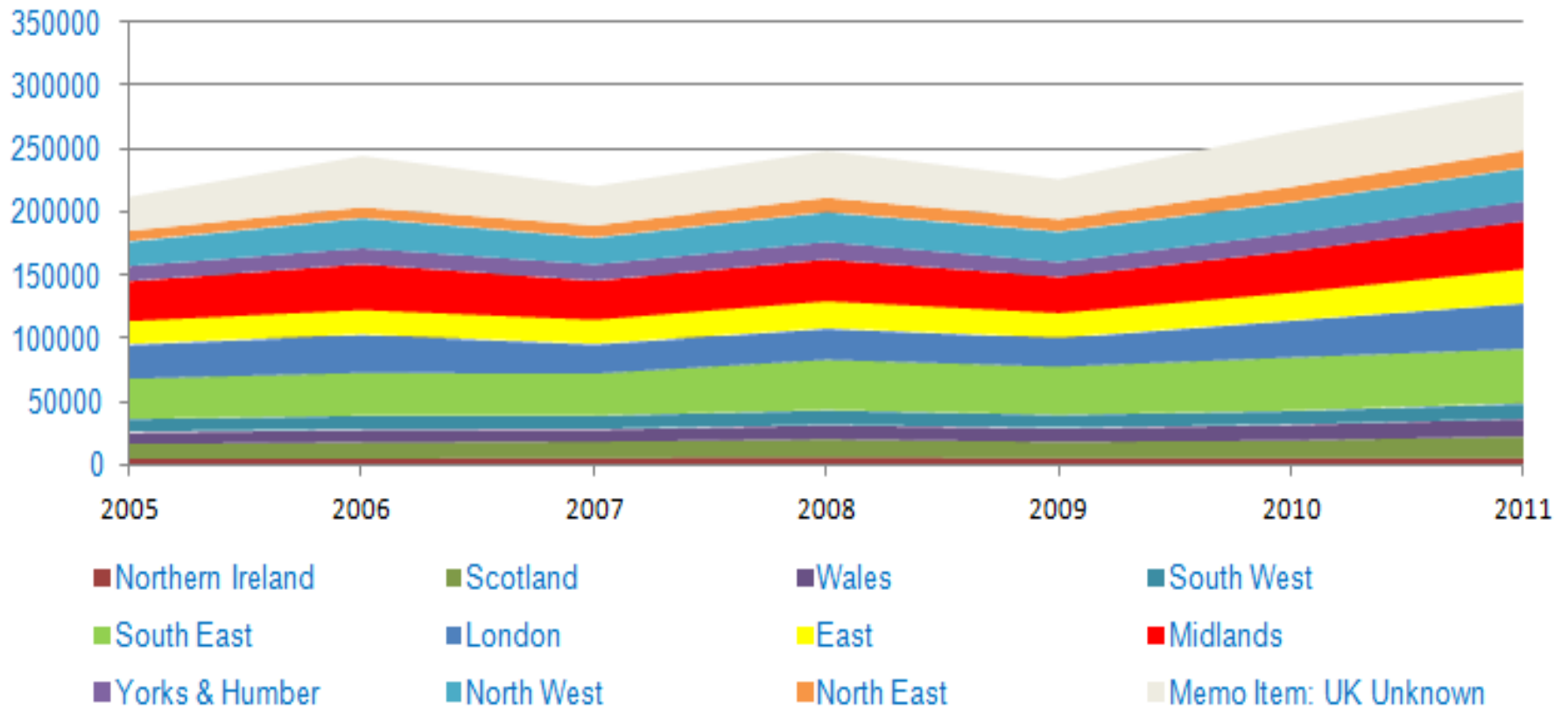
source: WMEF & ONS



UK Export Performance

£ mln

Source: HMRC



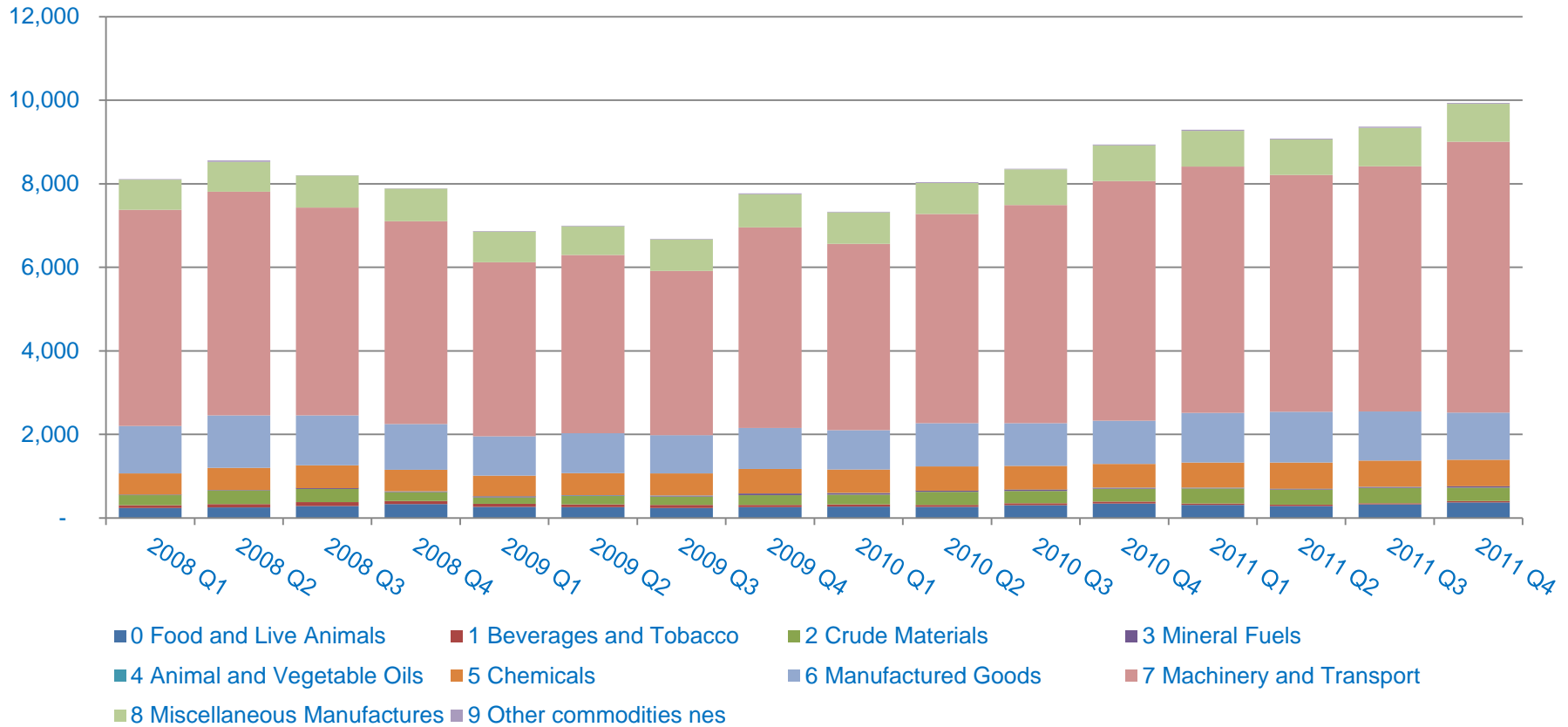
The Midlands export performance continues to improve (£38 bln), ranked second only to the South East (£43 bln) in 2011, and stronger than London (£35 bln)



Catchment Area Exports by SITC type

£ mln

source:HMRC

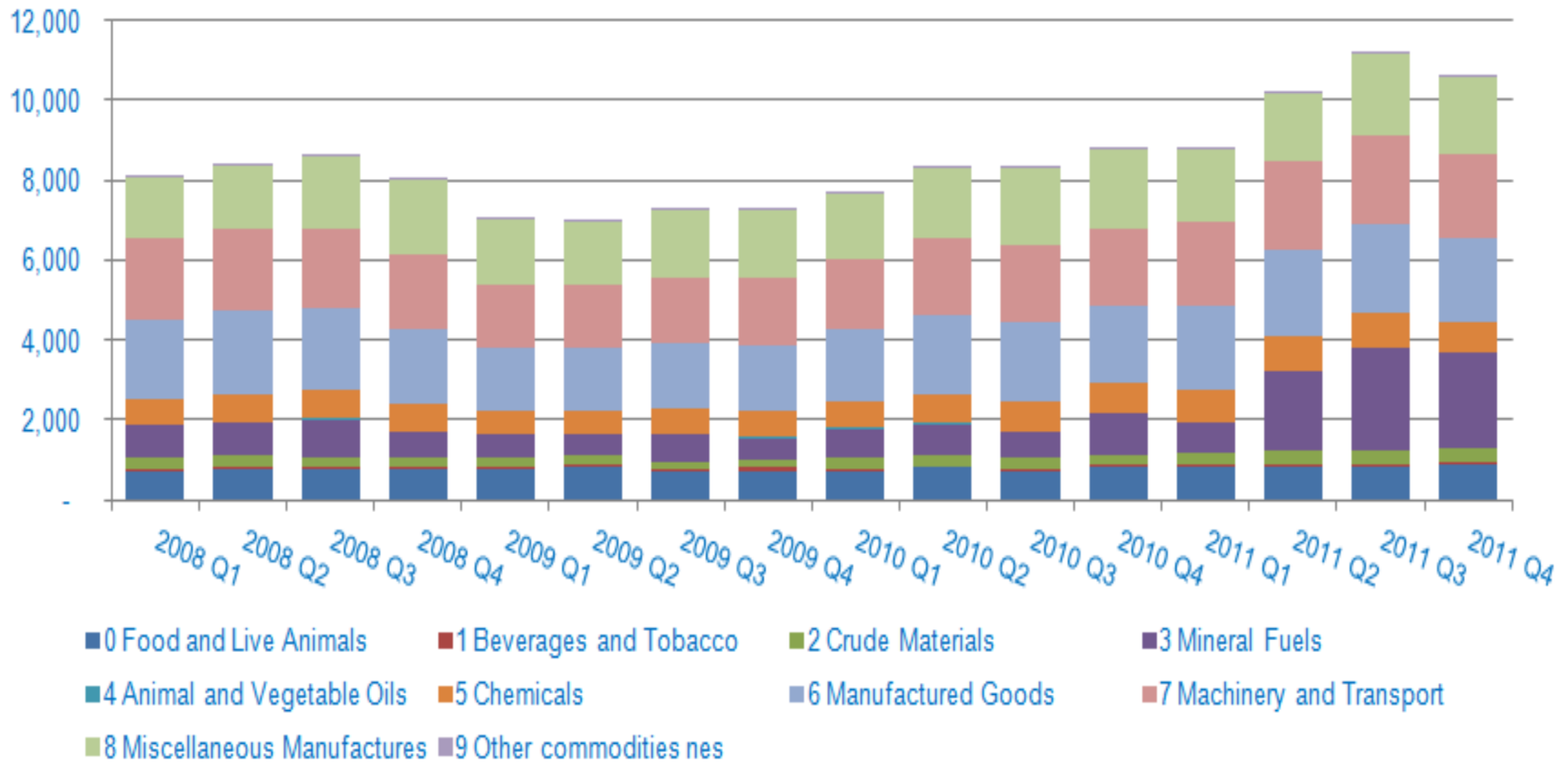


Manufactures continue to be the key driver of exports

Catchment Area Imports by SITC type

£ mln

source: HMRC

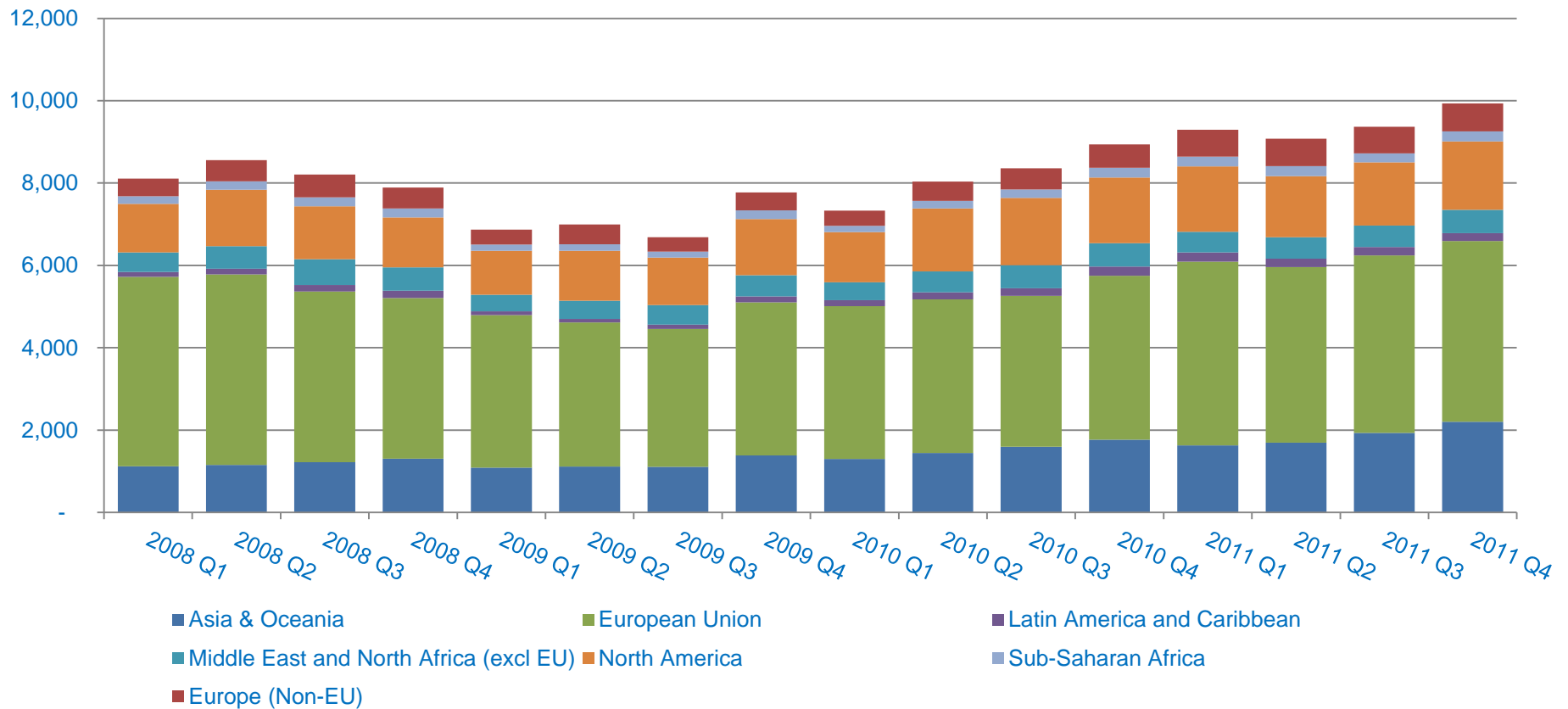


Import structure reflects an economy geared toward adding value

Catchment Area Export Markets

£ mln

source:HMRC

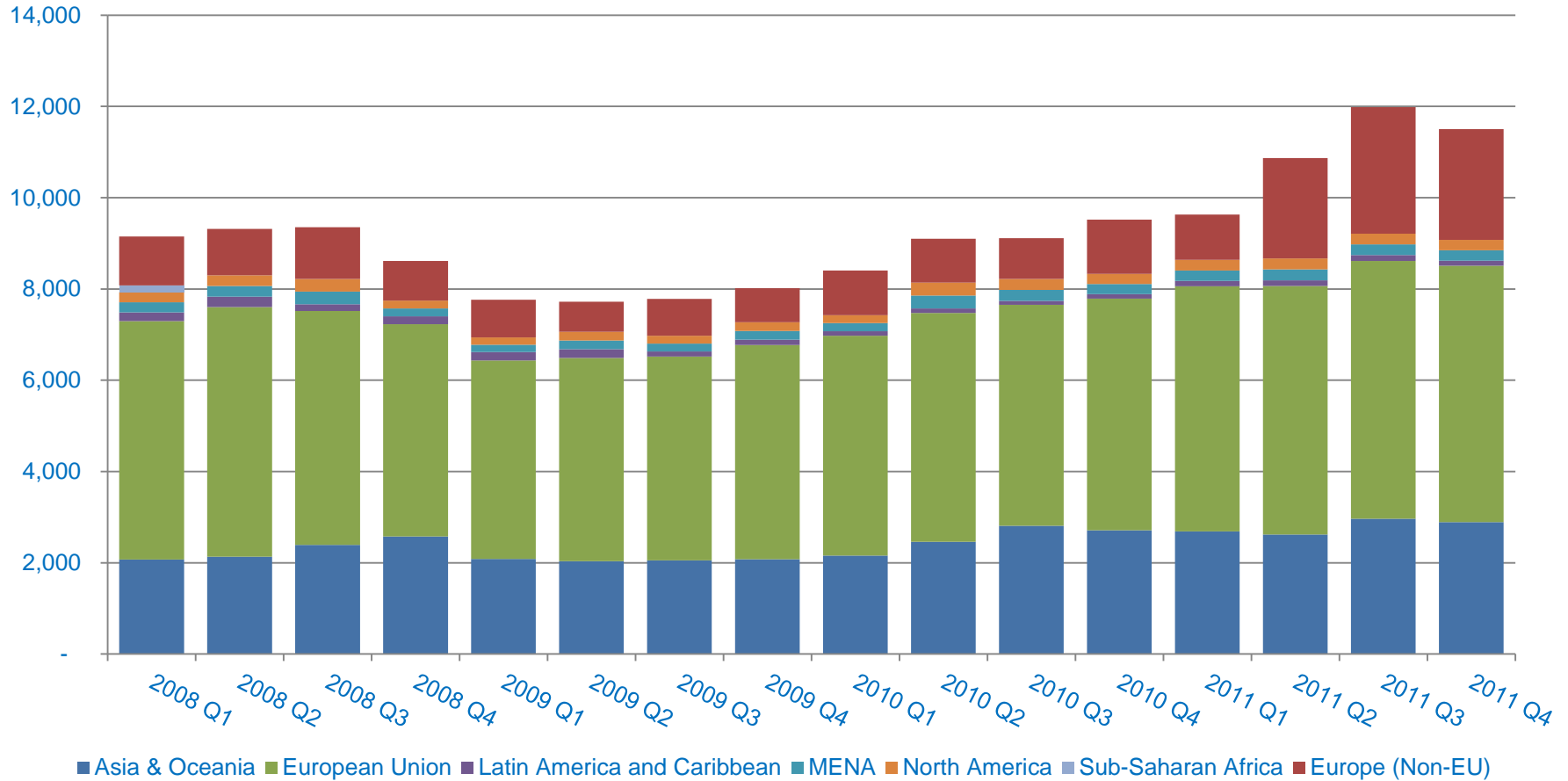


The destination of exports is indicative of the capacity of the local economy to supply high-valued products and brands

Catchment Area Imports by Origin

£ mln

source:HMRC

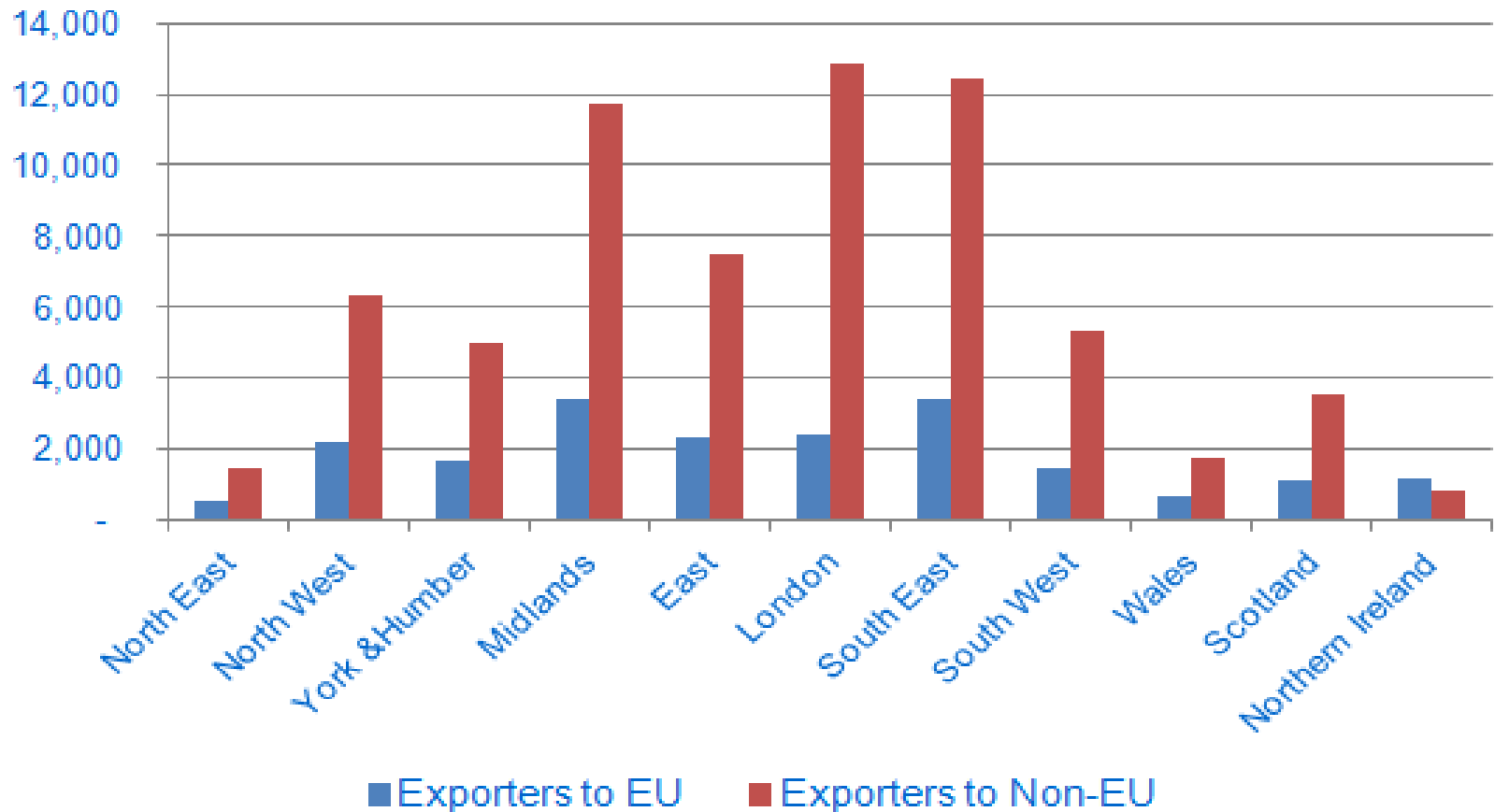


A diversified import structure

Export Performance - 2011 (p)

no of companies

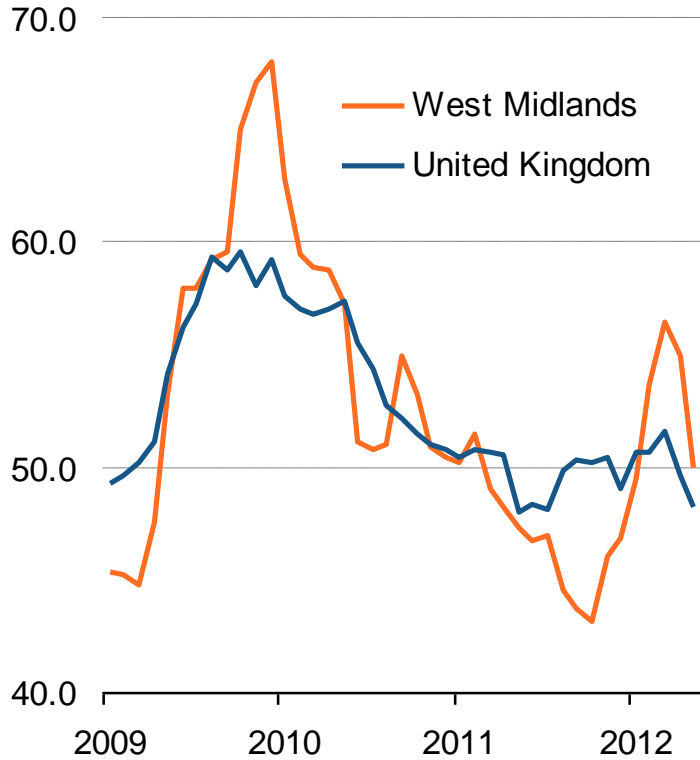
source:HMRC



The number of exporting companies reflects the strength of Innovation in the local economy & its inherent competitiveness

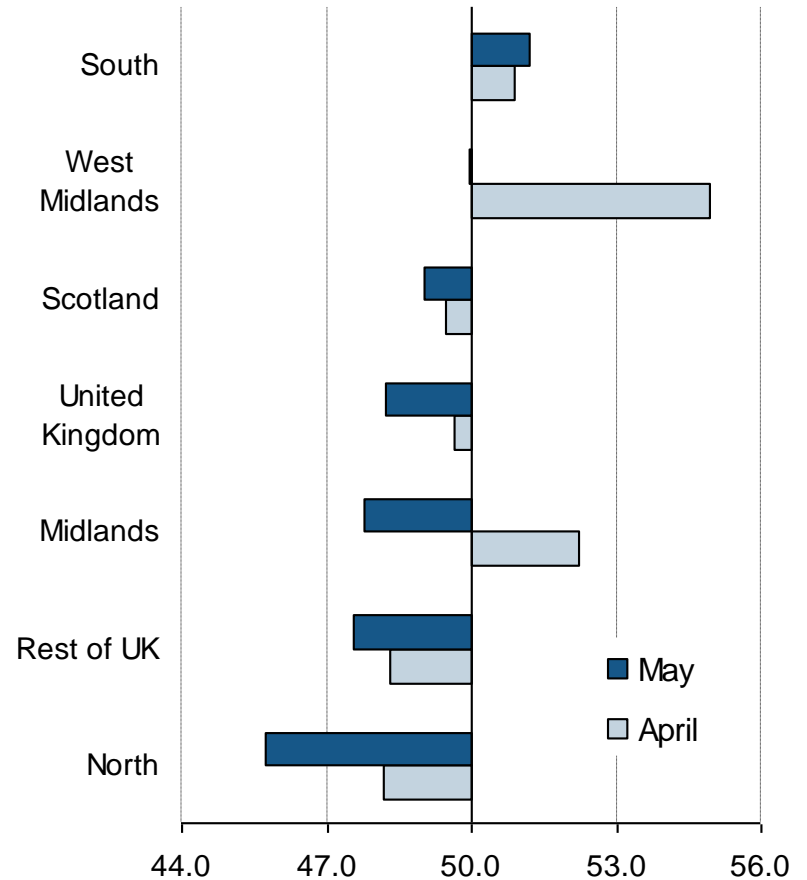
Comparative Industrial Productivity

Productivity PMI



Source: Markit

Productivity PMI, April/May 2012

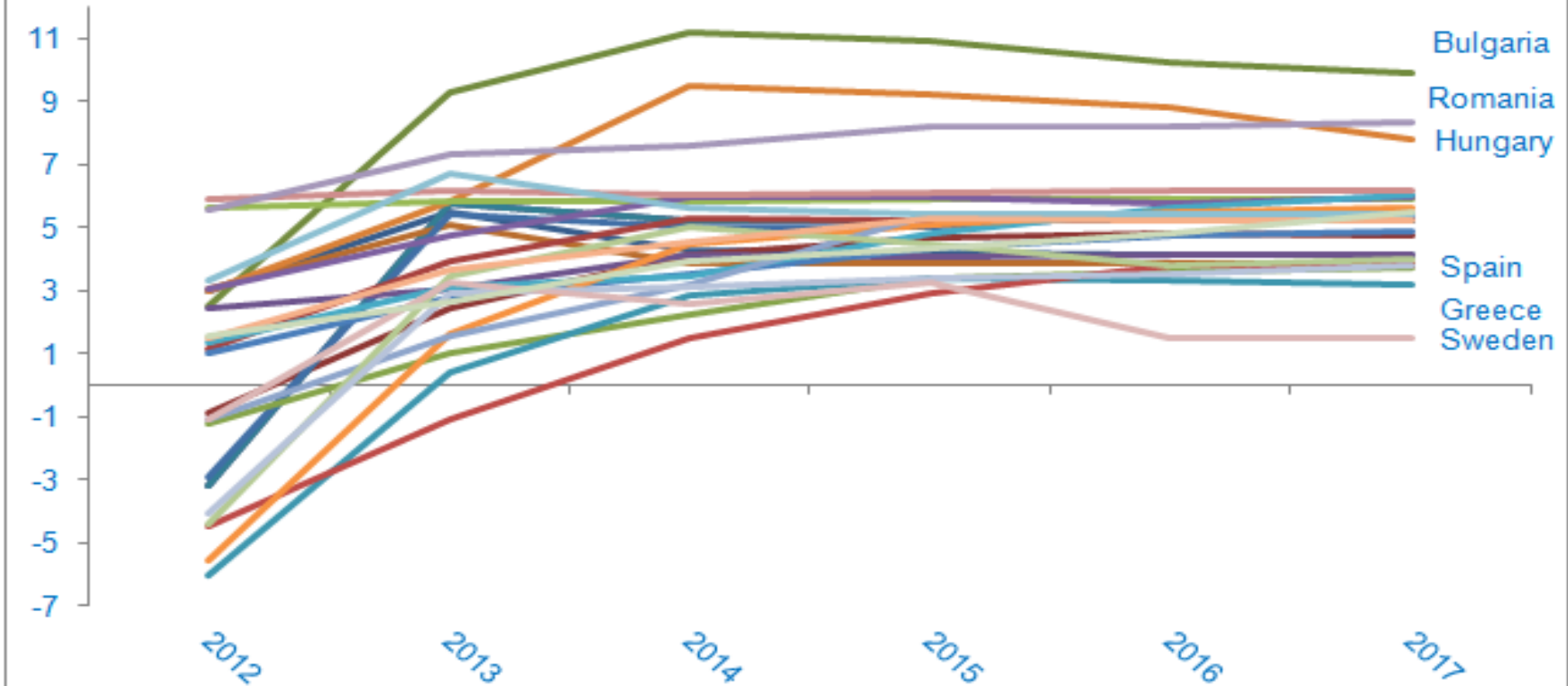


Midlands – dynamic productivity

EU Import Demand Projections

% growth goods & services

source: WMEF & IMF



IMF projects firm growth in
EU imports of goods & services

Concluding comments

The EU is likely to remain the principal export market for the Midlands

EU growth prospects to strengthen in the medium-term

Revaluation of Euro to boost competitiveness of Midlands export – provided Sterling remains competitive

Need to assess the structure of the EU supply chain & access points for net-exports

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