

## **Cautious Optimism remains the watchword**

**Earlier this year, I spoke about 'cautious optimism' when looking ahead into 2009. In recent weeks much of the economic data for the UK has shown a more optimistic trend, but we all realise that with unemployment still continuing to rise, we have a long way to go on the path to a full economic recovery, 2 years after the collapse of Northern Rock bank in August 2007.**

**Recent data has indicated grounds for better days ahead. A series of monthly house price data has given clear signs of stabilisation, and the latest Halifax index forecast for 2009 has jumped from an annual fall of 15% to just 7%, quite a significant movement.**

**The position at present is that the lack of supply is preventing prices from falling further, however the threat of unemployment is likely to slow any general rise in prices and there is every possibility that we will not see a sustained upward movement in house prices just yet.**

**This was the background when the decision was made last week, by the Bank of England, that interest rates should remain at 0.5% but that the amount of Qualitative Easing (QE) pumped into the economy would increase by a further £50bn, to £175bn in total. QE is intended to boost the volume of cash in the economy to stimulate spending and to encourage the banks to lend and therefore assist the UK economy to grow out of recession.**

**Economists are now asking whether the decision to extend QE is good news or not. Recent banking sector results have been encouraging and activity is rising, for instance car sales, and the stock market index is slowly improving. Customer confidence, retail sales and manufacturing output data have also been more positive indicating a short term improvement and that the economy is now slowly starting to emerge from the worst recession we have experienced in 50 years.**

**However, the opposite view is that the Bank of England have had to increase the amount of QE as the economy is in a worse state than was expected and remains fragile. Also the clearing banks have so far not carried out the amount of lending, to businesses and individuals, that was required and therefore additional QE has been required.**

**We have no track record in this matter and only time will tell whether the strategy being adopted will lead us all to more positive times ahead.**

**Finally, this is my last column for the Loughborough Echo as our new Chief Executive, Gary Brebner is now in post and will be taking over this column. I have welcomed the opportunity this year to comment on the difficult economic environment that many business and consumers are facing.**