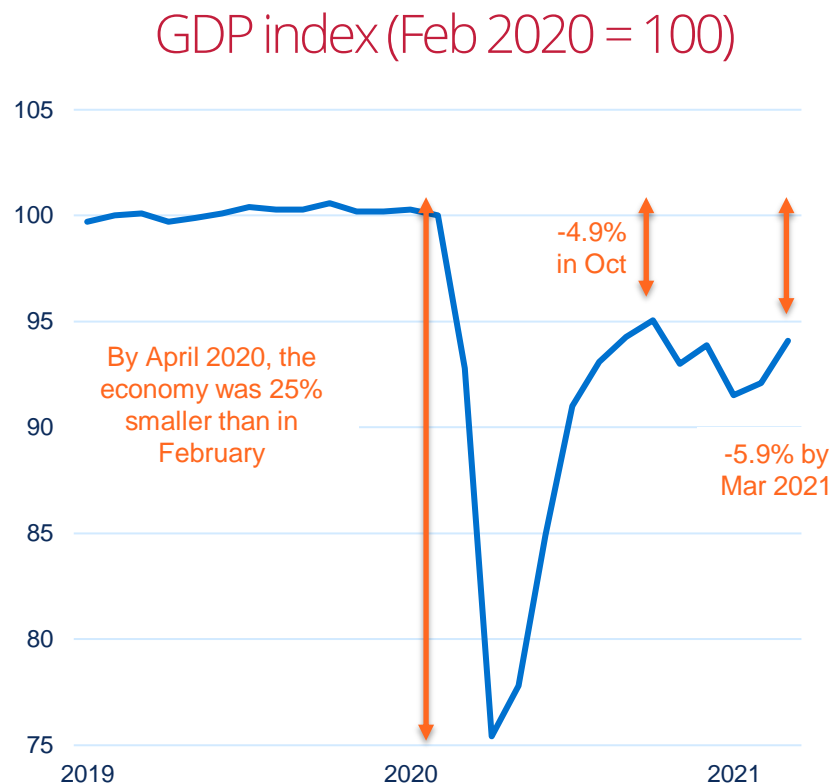




Sustainable recovery or a 12 month bounce back?

Julie-Ann Haines
Chief Executive Officer
Principality Building Society

UK economy seeing stronger growth forecast in 2021/2022.



Source: ONS.

- Impact on GDP?
 - Impact of lockdown in 2021 has been less severe than in 2020
 - Consumption sectors are re-bounding as restrictions ease
 - Better-than-expected data has pushed up the latest consensus forecast for UK GDP growth in 2021 to 5.2% (vs -9.8% in 2020).
- Temporary increase in capital allowances announced in the March Budget, some incentives for businesses to bring forward investments.
- Activity is not expected to re-gain its pre-Covid level until 2022.

Evidence that investment is returning as employers start to rehire

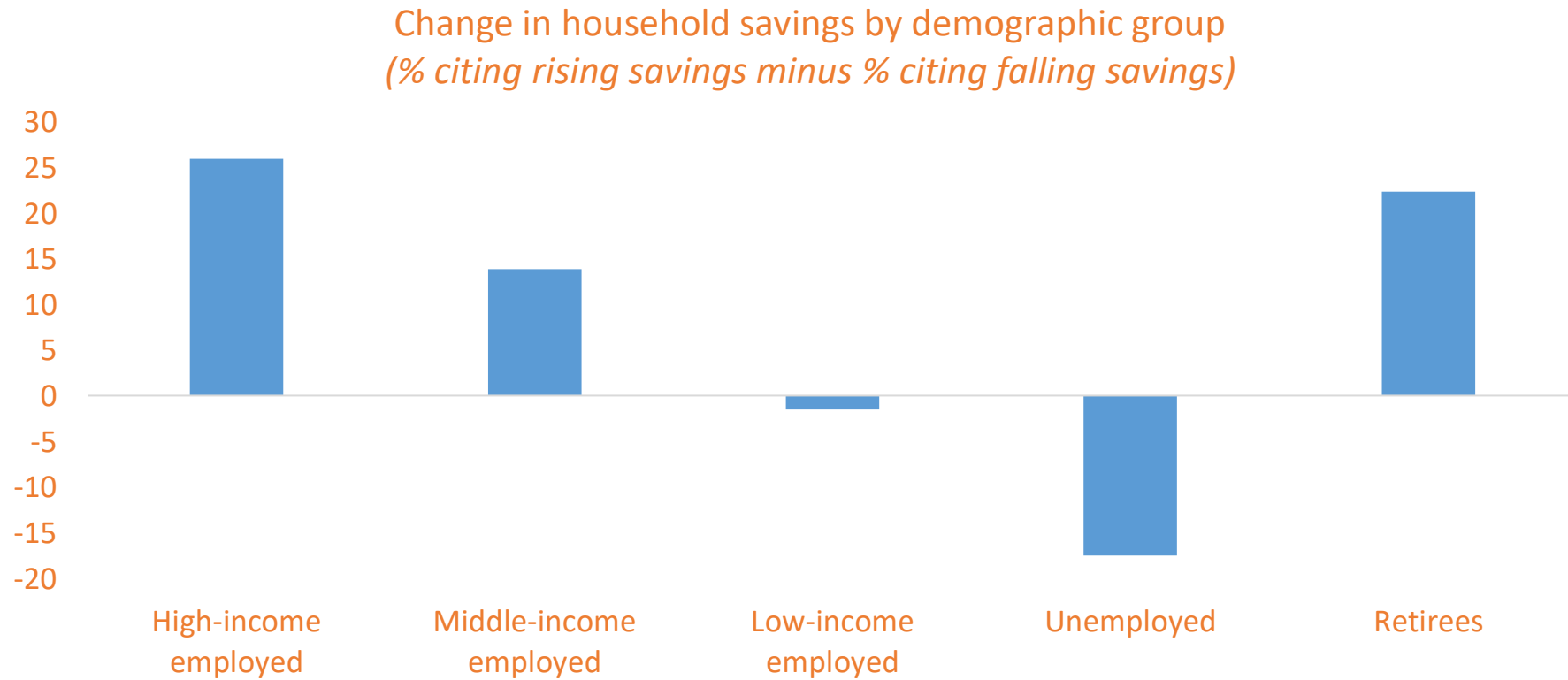
Total job adverts by Adzuna (Feb 2020 = 100)



Sources: ONS; Adzuna.

- Impact on employment?
 - Impact on unemployment been much less severe than expected due to Job Retention Scheme
 - As at mid April, 12.6% of jobs remained furloughed according to the ONS
 - As economy reopens one would expect many of these to get back into employment as offices start to return post end the Summer.
- However, the unemployment rate is expected to tick-up closer to 5.4% later this year.
- This was lower than the February forecast which was expected to see unemployment peak at 7.8%
- Also talk of job shortages in certain sectors

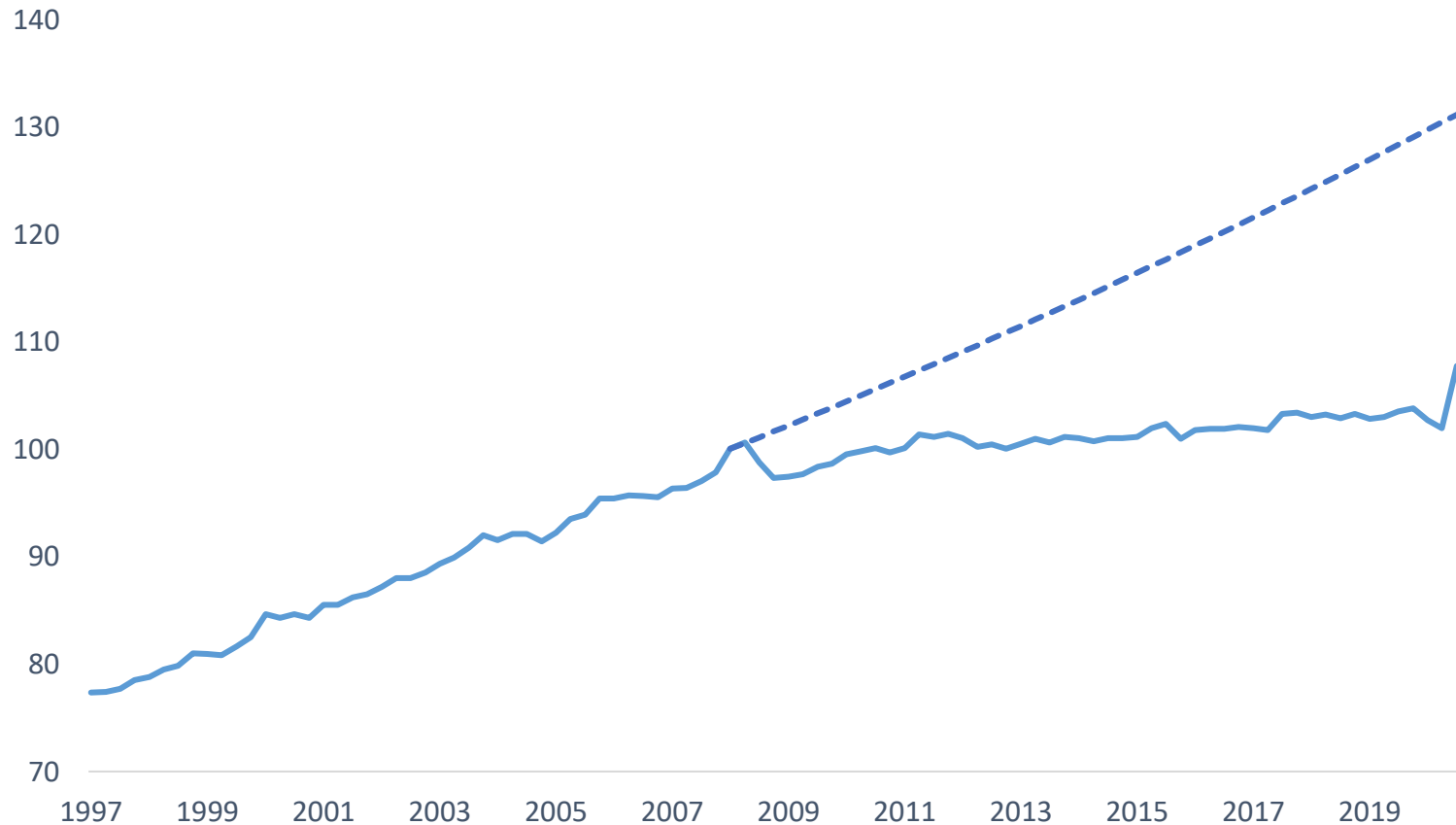
The pandemic has exacerbated the divide between the 'haves' and the 'have nots'



Source: NMG consulting and Bank of England

But the productivity gap remains stubbornly consistent

UK productivity - output per hour (2008 Q1=100)



- Work/life balance
- Diversity & inclusion
- Net zero
- Reskilling
- Innovation
- Business/employee relations

So what's been happening to housing prices in Wales on Principality House Price Index?



Source: Accadata.

- Impact on house prices?
 - Seeing average house in Wales now worth £212k increased from £153k ten years ago
 - Regional differences very apparent
 - Race for Space
 - Post Land Transaction Tax we expect to see continuation of increases due to shortage of houses for sale.
 - Housing tenure trends remain stubbornly consistent
- Check out our interactive HPI map for more regional data on www.principality.co.uk/mortgages/house-price-index

Sustainable recovery or 12 month bounceback?

- Wish I had a crystal ball.....
 - Many of us feared the worst 12 months ago....
 - Continued support from Government is required to smooth out the next six months
 - So my view would be a continued strong outlook for rest of 2021 and into first half of 2022 but may seem slow down later in 2022.
-
- Brexit impact is in the background
 - Scottish Independence
 - Build back better and levelling up agenda needs to see government(s) and investment into a sustainable/net zero economy