Traffic Light	Indicator	April Data	July / August Data	Notes
	UK GDP Growth	Revised up from 0.2% to 0.3% (Q1)	1.1% Growth (prelim. Q2 Estimate)	UK GDP Growth in Q2 was almost double the rate expected by economists. According to the ONS, the last time the UK had growth of more than 1.1% in any one quarter was 1999. This up-tick was largely fuelled by growth in construction and manufacturing output at 6.6% and 1.6% respectively. The services sector, which account for 75% of UK output, also saw output grow at the fastest rate for 3 years, at 0.9%, with the business and finance sub-sector posting a 1.3% rise over the quarter. It is tempting to see this particular swallow as a herald to summer, but pessimism remains in many quarters, not least Mervyn King, who called for caution this week, raising the spectre of stagflation. Business sentiment continues to be subdued and it is far too early to gauge the full impact of the Government's austerity measures. In contrast, the Government was quick to point to the growth as vindication for spending cuts, and evidence that the private sector would be able to fill the shortfall in demand - contributing all but 0.1% of the growth achieved in Q2.
	US GDP Growth	3.7% (July estimate) ; 2.7% (June estimate) 3.2% (April estimate)	2.4% (Q2)	Despite four quarters of growth, the US recovery has failed to gain momentum, and looked decidedly weak this quarter compared with previous - the latest data release shows growth of 2.4% in the second quarter, lower than the 2.5% predicted by economists polled by Dow Jones. The FTSE 100 closed down 0.5% on the back of the news. The Commerce Department also released revisions to GDP data back to 2007, and while this revealed stronger growth for Q1 2010 than first thought (3.7% versus 2.7%) it also showed that the US economy contracted more severely than was originally thought during the recession. The poor result for Q2 was blamed on a surge in imports (28.8% increase), eclipsing export growth (10.2%), knocking an estimated 2.78% off the growth figure. Housing market woes ($4tn overhang of mortgage debt; house price recovery losing momentum), increased unemployment (10m jobs lost in last three years / 9.5% unemployment) and falling consumer confidence are fuelling fears of a 'double dip' in the US recovery. Consumer spending, traditionally a big driver of the US economy, grew at 1.6 per cent in the second quarter, down from 1.9 per cent in the first quarter. The US Federal Reserve has stated that it will not hesitate to reintroduce further fiscal stimulus, should growth falter.
	Output Sub-Sector Trends for Q1:			OECD
	- Production (overall)	1% Growth (Q1)	1% Growth (Q2)	Overall production maintained positive growth in output into Q2, with strong performance from Manufacturing and Construction offsetting declines in mining & quarrying (0.8% decline) and utilities (1.6% decline).
	- Manufacturing	1.3% Growth (Q1)	1.6% Growth (Q2)	The UK manufacturing industry is chalking up much stronger growth than originally thought, as exporters take advantage of the weak pound. An initial estimate of a 0.3% growth in output in Q1 2010 was subsequently revised up to 1.3%, and Q2 saw this momentum build further, achieving 1.6% growth. This is the fastest growth since late 1999. However, comentators strike a note of caution, pointing to the fact that the sector is benefiting from a turn in the inventory cycle. The temporary positive impact of re-stocking, after warehouses depleted supplies at record levels during the recession, is likely to diminish later in the year and there are general doubts that the sector can maintain current growth rates. Indeed, many Western economies have seen a slight deceleration in manufacturing orders. Growth in the UK's manufacturing sector also slowed slightly during July as exports fell for a third consecutive month. The Markit/Chartered Institute of Purchasing and Supply Purchasing Managers Index, a key economic indicator, showed that the rate of growth in the manufacturing sector fell to 57.3 last month from 57.6, although this was still ahead of expectations, and the confidence rating still remains historically high.
	- Construction	1.6% Decline (Q1)	6.6% Growth (Q2)	The dramatic reversal in output within the construction sector contributed a massive 0.4% to overall UK GDP in Q2 2010. This follows two previous quarters of negative growth, which officially putting the sector into a double dip recession. There is some speculation that the surge is down to 'pump priming' by the exiting Labour Government, rushing to push projects through before the election. The massive cuts in public spending yet to come suggest that the prospects for this industry remain subdued, despite this quarter's positive results.
	- Services Sector (as a whole)	0.3% Growth (Q1)	0.9% Growth (Q2)	The services sector, which contributes 75% of total UK output, gained further momentum in Q2. This was largely on the back of the financial and business services sub-sector, which saw growth of 1.3% in Q2, up from 1% in the previous Quarter. The closely watched services PMI index is tipped to hold steady at 54.8, close to the 54.4 figure from June.
	- Transport & Communication	0.2% Growth (Q1)	0.7% Decline (Q2)	The only sector to record a decline, reflecting the impact of Icelandic ash cloud.
	- Financial & Business Services	0.6% Growth (Q1)	1.3% Growth (Q2)	Financial & Business Services sector grew at three times the pace achieve in the first quarter. What's more, this week Lloyds, Barclays, HSBC and RBS are due to publish their results and are expected to show strong increases in profits; the financial services industry is a key driver of the UK economy.
	- Distribution, Hotels and Restaurants	0.7% Decline (Q1)	0.7% Growth (Q2)	Retail, Hotels and Restaurants contributed the lions share of growth in this sector, moving output back into positive growth territory, from a 0.7% decline last quarter.
	- Government and Other Services	0% Growth (Q1)	0.9% Growth (Q2)	Health was the greatest contributor to the 0.9% growth in Q2.

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Green	Retail Sales Volumes / Consumer Confidence	2.5% Decline	1.7% Growth	Sales volume in the three months April to June increased by 1.7 per cent, compared to the previous three months, according to the latest data by the ONS. Retail sales for Q2 were 1.2 per cent higher than the same period a year ago. This was the largest rise since April 2008 (also 1.7%). Retail sales accounts for around one-third of total consumer spending and 5% of overall GDP. Despite the strong data for Q2, consumer confidence plunged to recession levels in July, according to the GfK/NOP sentiment index, which dropped to -22, the lowest reading since last August.
Amber	CPI Inflation	3.4% in March	3.2% in June	CPI Inflation fell by 0.2% but still remains significantly above the 2% target. It will be increasingly difficult to dismiss continuing high inflation as a 'temporary' blip. There is gathering concern over the possibility that price pressures are becoming entrenched. Mervyn King predicts that CPI inflation will remain high for the rest of 2010, with the changes to VAT likely to be a significant contriburting factor.
Amber	UK Interest Rates	0.50%	0.50%	Last month, Andrew Sentance became the first member of the Monetary Policy Committee to vote for a rate rise in nearly two years, during the June meeting. He voted again for a 0.25% rate rise in July over worries that inflation was too high. However, the MPC once again voted to maintain rates at their current level. Mervyn King in his recent Treasury Committee Opening Statement stated that the focus for the MPC was not on 'applying the breaks' to stimulus, but judging the appropriate degree of stimulus required to keep the econoimc recovery on track. As such, interest rates remain on hold until a clearer picture emerges, in particular the effects of the fiscal tightening on the economy. This is not expected to change in Thursday's meeting (5th Aug).
Amber	UK Interest Rate Forecasts - Reuters Poll of Economists Feb-1(	0.75% December; 1.25% Feb-March 2011	Rise to 1% during Q2 2011	The July reuters poll of economists saw forcasts for an interest rate rise pushed back to Q2 2011, compared to last quarter's forcast of a likely 0.25% rise in December 2010.
Red	UK Net Debt	£890bn	£926.9bn	Compares with £797.5bn a year earlier and expected to reach £1.4tn in five years time.
Red	UK Net Debt as a % GDP	62.1% (March)	63.9% (June)	This compares with 57.3% in June 2009 and represents a high-point for the measure, which was introduced in 1993. The UK is forecast to have the largest deficit in the G7 this year and is borrowing one pound for every four it spends.
Red	UK Net Borrowing	£23.5bn (March)	£14.5bn (June)	Net public sector borrowing in June was worse than expected; analysts had forcast borrowing of £3.1bn for the period. That said, it was £0.2bn lower than in June 2009.
Red	Current Public Sector Budget Deficit	£14.8bn (March)	£12.6bn (June)	The £12.6bn deficit for June 2010 compares to £11.9bn in June '09. The deficit hit 11% of GDP last year, though the UK Government has vowed to bring this down to 10.1% in 2010, and eliminate it within five years.
Green	Tax Receipts (ONS)		4% rise against June 2009.	Cash receipts of value-added tax gaining 19% and corporation tax climbing 11% compared with the same period last year.
Amber	Banking Resillience (Bank of England Stability Report)		Improved	According to the Bank of England Stability Report, capital ratios for UK banks are higher than they've been for a decade, and higher than both France and Germany. What's more, the recent 'stress testing' carried out by the Committee of European Banking Supervisors, in partnership with the European Central Bank, concluded that UK banks were well-placed to handle further periods of economic stress; psychologically important and a boost to UK banking industry. The provisional ruling this week by the Bank for International Settlements (the organisation that sets the rules for banks around the world) on the new Basel III regime on capital, leverage and liquidity was significantly less onerous than originally feared and represented a watering down of the planned regime. Against this increasingly favourable backdrop, Lloyds, Barclays and RBS are also expected to show robust profit growth when they publish their results this week.
Red	Bank Refinancing (Bank of England Stability Report)		Debt Mountain / Withdrawal of Gov Support	Significant challenges remain for the UK banking industry, which still relies heavily on government-supported funding: £165bn of it through the Special Liquidity Scheme, which lets them refinance mortgage securities and other assets at a discount to market rates; and £120bn more raised through bond issues bearing a government guarantee. These two schemes are due to come to an end in 2012, presenting our biggest banks with a refinancing mountain. According to the Bank of England Stability Report, the refinancing burden of UK banks (£750-800m of term loans and other liquid assets to be refinanced or replaced by 2012) equates to over £25 billion each month on average, more than double the average monthly issuance achieved so far this year. UK banks also need to extend the maturity of their wholesale debt, which could be as much as £480bn - BoE suggests that as much as 60% of this falls due within one year.

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	Bank Lending	Decline	Subdued	Bank lending to businesses remains subdued, despite the pledge by RBS and Lloyds to lend £94bn between them to businesses of all sizes in the period to February 2011. The latest statistics on Bank Lending, published by Bank of England in the 'Trends in Lending' report, show that net lending to UK businesses remained negative in May, contracting at a greater rate than in April. The three-month annualised growth rate in lending to businesses contracted by 5.4% in May, compared with 3.6% in April. However, according to lenders surveyed for the latest Bank of England Credit Survey, the overall availability of credit to non financial corporates increased in Q2 2010, though at lower levels than lenders had expected. The availability of credit is expected to increase yet further in the next three months. It seems that access to finance is not the sole factor at work here. According to the BoE's network of Agents, demand for credit in Q2 2010 remained muted, and is expected to continue to be subdued in coming months. This reflects the fact that business confidence over recent months has been stalling and business costs rising. Deloitte's latest CFO Survey shows that optimism amongst UK businesses reached a 12-month low, on the back of market volatility and concerns about fiscal tightening here and abroad. A whopping 38% of CFOs now see a chance of a 'double dip' up from 33% in Q1 this year. Despite these concerns about the broader economic prospects, CFOs were surprisingly bullish about their own businesses. Indeed, CFO's sentiment about credit availability is now at the highest level since the survey started in Q3 2007. Bank borrowing has gained its pre-recession appeal as a source of funding, overtaking bond and equity issuance. So the demand side is potentially turning a corner... Business secretary Vince Cable is determined to solve the supply side of the equation, with his department's recent paper, "Financing a Private-Sector Recovery", published with the Treasury. In it he proposes redesigning or prolonging government schemes to part-guarantee bank loans to businesses; reviving regional stock exchanges; encouranging more business angel support for UK start-ups; and supporting more competition in banking.
	Bond Issuance	Recovered in March	Deterioration in May-June	The uncertainty and volatility in the markets stemming from the Euro-area crisis, led to a deterioration of conditions in UK corporate debt markets during May and early June. Conditions recovered somewhat towards the end of the period but remained slightly worse than those in 2010 Q1. Spreads on UK non-financial investment-grade corporate bonds widened by around 30 basis points over the period. [Source: The Bank of England Asset Purchase Facility Report - Q2 2010). This is backed up by a recent survey of CFOs by Deloitte, which highlighted the falling attractiveness of the corporate bond market as a source of finance.
	Deloitte CFO Survey (Q2 2010) - Financial Prospects	Decline in Optimism	Decline in Optimism	The balance of CFOs declaring 'greater optimism' in relation to the prospects for their companies fell from 40% in Q1 to 23% in Q2. This is the second consecutive quarterly decline, and the lowest 'optimism' level in a year.
	Business Investment (ONS)	4% Decline (Q4 2009)	8% Increase (Q1 2010)	According to the ONS, business investment in Q1 increased by 8%, materially stronger than originally thought, and a vast improvement on the 4% decline in Q4 2009. Business investment in the US also grew strongly in Q2 2010, clocking up a 17% increase, the largest since the first quarter of 2006. This followed a 7.8% increase in pace during Q1 2010.
	UK Trade Position	£3.7bn deficit (Feb)	£3.8bn deficit (May)	Latest data for May, released by the ONS, shows that the UK trade gap widened unexpectedly to levels not seen since July 2008, before the collapse of Lehmans. Growth in exports continues to fail to live up to expectations (hopes?). In May, exports grew by just 0.2%, while imports grew by 2.4%. The Government and Bank of England had hoped that the weak pound would boost British competitivevness and lead to an export surge, offsetting the public spending slashes. The fact that the troubled Eurozone accounts for nearly half of the UK's exports means that an export-driven recovery cannot be counted upon. The acceleration of plans for fiscal consolidation across European governments will further hamper Britain's export market growth prospects. That said, strong output from UK manufacturing and continued recovery of the services sector last quarter could go some way to narrowing the trade gap next quarter.
	Euro-Area Risk	Cautious Optimism	Confidence Returns?	Market volatility continued in Q2, in part reflecting continuing concerns about the ability of some eurozone countries to achieve fiscal consolidation. However, the stress tests carried out on 91 of Europe's banks by the Committee of European Bank Supervisors in partnership with the European Central Bank, went some way towards easing the situation. The tests concluded that seven European banks needed just Euro 3.5bn of new capital. Credit default swap spreads (a proxy for bank borrowing costs) improved slightly across Europe on the back of these results. Global markets also reacted favourably, with London, Paris, Frankfurt, The Nikkei and Hang Seng all closing up. However, these uplifts also coincided with a slew of better-than-expected earnings updates.
	UK - Ease of Doing Business Index, 2010 (World Bank)	Rank: 5 out of 183 Countries	Rank: 5 out of 183 Countries	Moved up by one position to 5th out of 183 countries, from 6th place in 2009. Placed ahead of any other European economy. 1st = Singapore; 2nd = Hong Kong; 3rd = New Zealand; 4th = United States.
	EVCA - Benchmarking European Tax and Legal Environments	Rank: 4 (scoring 6 out of 10)	Rank: 4 (scoring 6 out of 10)	Ranked fourth, behind France, Ireland and Belgium. Results compiled in 2008. (Possibly due an update this year)
	FTSE 100	4.9% Growth Q1	13% Decline in Q2	Despite the overall decline in Q2, reflecting the difficult quarter for Europe, July saw the FTSE 100 index rise 6.9 percent, its best monthly increase for exactly a year, though the release of the weaker than expected US GDP figures released at the end of last week caused the index to close 1% down on the week.

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	Unemployment - % UK (ONS)	8%	7.8% (May)	The number of people unemployed in the UK fell by 34,000 in the three months to May, a decline of 0.2% from the peak of 8%. However, despite this overall fall in UK unemployment, Scotland, Wales and Northern Ireland all saw jobless rates climb. The number of people in work rose by 160,000 over the same period, the biggest rise since August 2006. That said, this increase in employment was due to a record 148,000 rise in the number of part-time workers, while full-time workers increased by just 12,000. A significant 27% of the UK workforce are part-time, the highest proportion since records began in 1992. The UK unemployment rate of 7.8% is lower than the Eurozone (10%) and US (9.5%).
	Job Creation - KPMG / CIPD quarterly Labour Market Outlook	Net decline of 5% in Q1	5% net positive on job creation for Q2	The KPMG/ CIPD quarterly Labour Market Outlook surveyed 800 private sector companies, and found a net positive figure of 5% in the balance of firms expecting to create jobs in Q2; that's up from -5% in the last quarter, and is the first time the index has been in positive territory for two years. However, the survey showed considerable region and sectoral variation, for instance charting a 20% net hiring balance for the South, compared with -25% amd -23% for Scotland and Wales respectively. A pretty bleak public sector hiring balance of -43% has also been offset by much more positive story in the private sector.
	Job Creation - Antal International Survey	59% British firms hiring	60% British firms hiring	The Antal Survey of 9672 companies globally, showed continued employment growth in the UK, with 60% of firms currently hiring at the managerial / professional level. Optimism over likely hiring activity next quarter also gains momentum with 61% expecting to take on more staff, compared with just 52% at the start of the year. What's more, fewer firms are shedding staff - 22% this quarter, compared with 38% in January. Telecoms firms are the most active recruiters currently, with 75% taking on new staff, compared with 71% in January. Financial services firms are also one of the leaders in hiring, with 65% of firms taking on new staff, compared with 50% at the start of the year.
	Dow Jones - UK Venture Capital Investment		Positive Growth	UK companies attract 32% of all European VC investment in Q2 2010. VCs put €338m into 67 UK companies in Q2 2010 – an increase of 70% from the €199m which was put into 59 companies in Q2 2009.
	Unquote Barometer	Subdued	Strong Core of Activity	There are signs of building momentum in European private equtiy, with deal volumes finally breaching the 300 barrier for the first time since Q3 2008. Once again, the UK was the most active market and saw deal volumes increase once again in Q2, to 37 deals completed. Deal values declined slightly to Euro 4.1bn from the Euro 4.8bn closed in Q1, reflecting the fact that mid-market deals accounted for the bulk of the activity in Q2.
	UK M&A (Grant Thornton)	Overall decline in M&A, rebound in Mid-Market	Stable Mid-Market Volumes	In the first half of 2010, the number of mid-market transactions has remained stable while the total value almost doubled year-on-year. Looking at M&A transactions with a value of up to £500 million, this year saw 1040 deals with a total value of £17.8 billion. That is just 31 deals less than in the second half of 2009 and represents a 29% increase in the total value (H2 2009: 1071 deals valued at £13.8 billion). Moreover, the total value of the sub-£500m segment increased by 87% compared to the first half of 2009, when 941 mid-market deals with a total value of £9.5 billion were recorded. The number of deals also increased by 10.5% year-on-year.
	ICAEW UK Business Confidence Monitor	Growing confidence	Continued, but cautious, optimism	Business confidence has plateaued, according to the ICAEW Monitor, with confidence levels falling marginally from those recorded in Q1 2010, bringing to an end the four consecutive rises that began in Q2 2009. The latest results continue to show cautious optimism, with just under six in ten businesses (58%) feeling more confident about the economic prospects facing their organisations over the next 12 months, compared with the last 12 months.
	AIFM	Moving forward	Vote postponed until September.	The European Partliament's Legal Affairs Committee has been postoned until September 2010. The hope within the private equity industry is for more positive progress, following a disappointing result from the last vote - amendments not perceived to have gone far enough. Germany and France are in favour of tougher regulation, in opposition to the UK and US preference for lighter touch.

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