Major Indicators		
	Q2 2016	**Q3 2016**
UK GDP growth	**0.7% growth**	**0.5% growth**
This preliminary estimate for GDP is significant because it is the first release of GDP figures that covers a full quarter since Britain's vote to leave the European Union. It shows that UK GDP continues to grow, with Services experiencing its strongest quarter of growth, up 0.8% on Q2 2016, since Q4 2015 (0.9%). However, Agriculture (-0.7%), Production (-0.4%) and Construction (-1.4%) all experienced decreases in output from Q2 2016 to Q3 2016. The release notes that GDP for Q3 2016 was 2.3% higher when compared with Q3 2015.		
Economic Growth Forecasts for 2016	**2.2% growth (March 2015 forecast)**	**2.0% growth (March 2016 forecast)**
In its March 2016 Economic and Fiscal outlook, the Office for Budget Responsibility forecast UK growth at 2.0% in 2016; this represents a 0.4% reduction versus the November forecast. However, the IMF, which published its World Economic Outlook after the Brexit vote, stated that from a 'macroeconomic perspective...[Brexit] implies a substantial increase in economic, political, and institutional uncertainty, which is projected to have negative macroeconomic consequences, especially in advanced European economies'. The IMF has reduced its economic forecast for the UK by 0.2% for 2016 to 1.7%, and by 0.9% for 2017 to 1.3%.		
US GDP Growth	**1.4% growth (Annualised rate)**	**2.9% growth (Annualised rate)**
The 'advance' estimate released by the Bureau of Economic Analysis shows that US GDP increased at an annual rate of 2.9% in Q3 2016; this represents a quarter-on-quarter increase of 0.7%. This reflects an increase in consumer spending on Services, including Housing, Utilities and Healthcare. There was also an increase in spending on Durable Goods, in particular on Motor Vehicles and Parts. Increases in Private Inventory Investment, Federal Government Spending and Business Investment were also noted. There were declines in spending by State and Local governments, Residential Housing Investment and Consumer Spending on Non-durable Goods.		
Euro Area	**EA19 0.3% growth EU28 0.4% growth**	**EA19 0.3% growth EU28 0.4% growth**
According to the preliminary flash estimate released by Eurostat, seasonally adjusted GDP rose by 0.3% in the Euro Area and by 0.4% in the EU28 in Q3 2016. The EA19 and EU28 GDP grew at the same rate in Q2 2016. When compared with Q3 2015, GDP rose by 1.6% in the EA19 and 1.8% in the EU28. However, it should be noted that growth was slightly stronger in Q4 2015 and Q1 2016. The EA19 and the EU28 grew by 0.5% in Q4 2015 and 0.5% in Q1 2016.		

<table>
<tr><th colspan="3">UK Output - Sub-sector Trends</th></tr>
<tr><th></th><th>Q2 2016</th><th>Q3 2016</th></tr>
<tr><td>Overall Production</td><td>2.1% growth</td><td>0.4% decline</td></tr>
<tr><td colspan="3">The UK's Index of Production decreased by 0.4% in Q3 2016. Manufacturing was the largest contributor to this decrease, falling by 1.0%. However, it should be noted that between Q3 2015 and Q3 2016 Production output increased by 1.2%.</td></tr>
<tr><td>Manufacturing</td><td>1.6% growth</td><td>1.0% decline</td></tr>
<tr><td colspan="3">The Gross Domestic Product preliminary estimate highlights 'the impact of recent currency fluctuations on the volume of manufacturing output' in recent data. The Gross Domestic Product Preliminary Estimate states that 'the price of exported manufactured goods on a sterling basis rose...by 10.2% in the year to September 2016'.</td></tr>
<tr><td>Construction</td><td>0.1% decline</td><td>1.4% decline</td></tr>
<tr><td colspan="3">The analysis by the ONS in the Gross Domestic Product Preliminary Estimate suggests that construction has started to act as a 'drag on headline economic growth'. The decline of 1.4% in Q3 2016 subtracted 0.1% from GDP growth. However, while recent performance may be relatively poor, the construction industry has grown strongly in recent years. According to the GDP preliminary estimate, between Q1 2013 and Q1 2016 'the construction industries grew at a rate of 1.4% per quarter', which is significantly higher than overall GDP covering the same period.</td></tr>
<tr><td>Services Overall</td><td>0.6% growth</td><td>0.8% growth</td></tr>
<tr><td colspan="3">The four main areas that contribute to Services Overall grew in Q3 2016. This includes Distribution, Hotels and Restaurants; Transport, Storage and Communication; Business Services and Finance; and Government and Other Services. The growth seen in Q3 2016 contributed 0.6% to quarterly GDP growth. Based on the current 2013-based weights, Services accounts for 78.8% of GDP. The GDP preliminary estimate notes that, since Q1 2013, the service industries have grown by 9.7% and as a result the preliminary estimate states that 'the service industries have driven GDP growth'.</td></tr>
</table>

UK Output - Sub-sector Trends		
	Q2 2016	**Q3 2016**
Transport, Storage & Communication	**0.6% increase**	**2.2% increase**
The largest positive contributor to the quarterly increase in Transport, Storage & Communication in Q3 2016 was Motion Picture, Video and TV Programme Productions, Sound Recording and Music Publishing Activities. The preliminary update notes that between Q3 2015 and Q3 2016, Transport, Storage & Communication output increased by 4%.		
Business Services & Finance	**0.6% increase**	**0.5% increase**
The largest positive contributor to the 0.5% quarterly increase in Business Services & Finance was Activities of Head Office, Management Consultancy Activities. The preliminary update notes that between Q3 2015 and Q3 2016, Business Services & Finance output increased by 2.6%		
Distribution, Hotels and Restaurants (Catering)	**1.1% increase**	**1.1% increase**
The largest positive contribution to the quarterly increase in Distribution, Hotels and Restaurants (Catering) came from Retail Trade (exempt of motor vehicles and motorcycles). The GDP preliminary update notes that between Q3 2015 and Q3 2016, Distribution, Hotels and Restaurants output increased by 5.1%.		
Government and Other Services	**0.1% increase**	**0.3% increase**
According to the preliminary GDP estimate, the index for Government and Other Services received its largest positive contribution from Human Health Activities. The publication also notes that between Q3 2015 and Q3 2016, Government and Other Services output increased by 1.7%.		

Macro Indicators		
	Q2 2016	**Q3 2016**
UK Retail Sales		**3 months on previous 3 months: Value 2.0%, Volume 1.8%**
Overall, UK Retail Sales continue to grow. However, there were decreases in the volume (-5.4%) and value (-5%) of sales in Textiles, Clothing and Footwear Stores over the last 12 months. Additionally, there was also a decrease in the amount spent (value) in Household Goods Stores by 1.6% over 12 months. These decreases were offset by increases in the volume (7.4%) and the value (6.0%) of sales in Non-Specialised Stores and the volume (18.5%) and the value (17%) of sales in Non-Store Retailing. It is also worth noting that the amount of online sales increased by 22% when compared with September 2015.		
UK Consumer Confidence		**-1 (September 2016) -3 (October 2016)**
The overall GfK UK Consumer Confidence Index score decreased by two points in October 2016. Three measures declined, including the general economic outlook, while two measures saw increases, including personal financial situation. It should be noted that there has been an increase in consumer confidence recorded since the Brexit vote. In July and August 2016, the index stood at -12 and -7 respectively.		
UK CPI Inflation	**Year to August 2016: 0.6% rise**	**Year to September 2016: 1.0% rise**
According to the UK Consumer Price Inflation Statistical Bulletin, the rate of inflation in September 2016 was at its highest level since November 2014, when it was also 1.0%. The report suggests that the main contributory factors to the upward change in the rate were 'rising prices for clothes, overnight hotel stays, motor fuels and the prices for gas'. According to the ONS, there is no explicit evidence that the lower value of the pound was the reason behind rising prices. However, it also notes that these upward pressures were partially offset by a fall in air fares and food prices. As we go to press the latest CPI inflation figures for the year to October show a rise of 0.9%.		
UK Interest Rates	**0.25% (September 15th)**	**0.25% (November 3rd)**
The Bank of England's Monetary Policy Committee voted unanimously to maintain interest rates at 0.25%. This follows the decision in August to cut interest rates from 0.5% to a new record low of 0.25% in the wake of the Brexit vote. At that time the Bank of England also introduced a package of measures 'designed to provide additional monetary stimulus'. It was the first time in seven years that there had been a cut in interest rates.		

Macro Indicators		
	Q2 2016	**Q3 2016**
UK Net Debt	**August 2016 £1,621.5bn**	**September 2016 £1,638.5bn**
In the financial year to date, UK Public Sector Net Debt (excluding public sector banks) has increased by £50.8bn compared with September 2015. UK Public Sector Net Debt represents the amount of money the public sector owes to UK private sector organisations and overseas institutions. The increase included £73.8bn of public sector net borrowing, 'plus £6.3bn in timing differences between cash flows for gilt interest payments and the accrued gilt interest flows' but was reduced by £29.9bn in 'net cash transactions related to acquisitions or disposal of financial assets of equivalent value and timing of recording'. This means that UK net debt now stands at 83.9% of GDP, representing a decrease of 1.0% when compared with September 2015.		
UK Net Borrowing		**£45.5bn (April to September 2016)**
According to the most recent Public Sector Finances publication, Public Sector Net Borrowing (excluding public sector banks) decreased by £2.3bn in the current financial year to date when compared with the same period in 2015. However, for the month of September 2016 public sector net borrowing excluding public sector banks stood at £10.6bn, which is an increase of £1.4bn when compared with September 2015.		
UK Current Public Sector Budget Deficit		**£31.9bn (April to September 2016)**
There has been a 2.7% decrease in the UK public sector budget deficit when comparing April to September 2015 (£34.7bn) and April to September 2016 (£31.9bn). As previously stated, the UK government borrowed £10.6bn in September 2016, which contributed £7.4bn to the current UK public sector budget deficit.		
Central Government Current Receipts (ONS)		**Apr-Sep 2016 £334.9bn**
Central Government Current Receipts in September 2016 totalled £49.0bn, an increase of £1.2bn when compared with September 2015. In September 2016 this included an increase of 8.0% in National Insurance contributions and an increase of 1.2% in income tax-related payments. However, there was an 8.7% reduction in corporation tax received by the government.		

UK Banking Environment

	Q3 2016
UK Banking Resilience	**The Brexit referendum suggests there will be a period of uncertainty and adjustment. UK financial system resilience is grounded on substantial capital, liquidity buffers and the UK regulatory framework**

The most recent Financial Stability Report published in July 2016 states that the outlook for UK financial stability is challenging. In March, the Brexit referendum was identified as 'the most significant near-term domestic risk to financial stability'. The degree of the uncertainty and nature of the adjustment has been reflected in the movements in financial market prices following the referendum result. However, repeated stress tests suggest that the substantial capital and liquidity buffers held by the banks enable them to 'absorb extremely severe economic and market shocks without amplifying those shocks'.

UK Gross bank lending	**After deteriorating in the wake of the referendum result, bank funding conditions have improved substantially throughout Q3 2016**

According to the latest Credit Conditions Review, although availability was unchanged, secured credit demand for house purchases fell significantly in the three months to mid-September. However, demand for consumer credit continued to grow, with lenders reporting an increase for 'non-credit card unsecured lending' in Q3, with a further increase anticipated in Q4. The availability of credit to businesses has changed little, although demand for credit from businesses weakened across all business sizes in Q3.

UK Loan pricing	**'UK lenders have announced reductions in secured and unsecured lending rates for both new and existing loans to households'**

The Credit Conditions Review suggests bank funding costs were reduced 'by falls in swap rates across all maturities'. Over the last three months, measures of banks' long-term wholesale funding spreads have declined and are now close to the lowest levels recorded in 2016. For most businesses, the cost of credit has fallen alongside decreases in reference rates. Lenders who responded to the review reported that there has been no change in spreads over reference rates for small and large businesses and a significant fall for medium-sized private non-financial corporations.

UK Bond issuance	

'During Q3 2016, nominal gilt yields fell across the curve by an average of around 20 basis points. A significant amount of the gilts purchased via the Facility continue to be made available for on-lending to the market through the gilt lending arrangement with the DMO. The average daily aggregate value of gilts lent by the APF to the DMO during the three months to 30th September 2016 was £0.5bn.'

<table>
<tr><th colspan="3">Corporate Level: Investment, Trade and Employment</th></tr>
<tr><th></th><th>Q2 2016</th><th>Q3 2016</th></tr>
<tr><td>Deloitte UK CFO Survey (Q3 2016)</td><td>CFO perceptions of uncertainty are back to levels seen during the Euro crisis of 2012</td><td>Brexit concerns weigh on corporate risk appetite</td></tr>
<tr><td colspan="3">Although CFO confidence remains at its lowest level since Q2 2012, business optimism has improved in the third quarter of 2016 following the sharp decline after the Brexit referendum. The 'effects of Brexit' and 'weak demand in the UK' are seen by CFOs as the greatest risks facing their businesses over the next 12 months. Only 18% of CFOs think that now is a good time to be taking greater risk onto their balance sheets compared with 47% in Q3 2015. This sentiment is also reflected in attitudes towards the financial prospects of CFOs' companies, with 42% feeling 'somewhat less optimistic' compared to the 27% who felt the same way in Q3 2015.</td></tr>
<tr><td>UK Business Investment (ONS)</td><td>£43.4bn (Q1 2016)</td><td>£43.8bn (Q2 2016)</td></tr>
<tr><td colspan="3">Between Q1 and Q2 2016, the volume of Business Investment is estimated to have increased by 1% from £43.4bn in Q1 2016 to £43.8bn in Q2 2016. This has been revised upwards by 0.5% from the previously estimated figure. However, Business Investment is estimated to have decreased by 0.8% between Q2 2015, when business investment by volume stood at £44.2bn, and Q2 2016.</td></tr>
<tr><td>UK Trade Position</td><td>£2.2bn Deficit (July 2016)</td><td>£4.7bn Deficit (August 2016)</td></tr>
<tr><td colspan="3">According to the UK Trade Report, the widening of the deficit on trade in goods and services reflects an increase in imports between July and August 2016. During this same period, exports rose by 0.1% to £45.1bn. However, total imports increased by 5.5% to £49.8bn, with notable increases in imports of Electrical Machinery and Aircraft. However, following the EU referendum result, the value of sterling dropped sharply against a number of currencies with the consensus among economic commentators that this depreciation should boost export and manufacturing competitiveness.</td></tr>
<tr><td>FTSE 100</td><td>6,899.33 September 30th (closed)</td><td>6,845.42 November 2nd (Closed)</td></tr>
<tr><td colspan="3">In the immediate aftermath of the Brexit vote on June 24th, £120bn was wiped from the value of FTSE 100 companies, with banks and house builders particularly negatively impacted. However, the FTSE recovered all its loses within days. In the period since the vote, there has been market volatility, including a three day period in September which saw £50bn wiped from the FTSE.</td></tr>
</table>

Corporate Level: Investment, Trade and Employment		
	Q2 2016	**Q3 2016**
UK Unemployment - % (ONS)	**(April - June 2016) 4.9%**	**(July - September 2016) 4.8%**
According to the UK Labour Market Statistical Bulletin published in November 2016 the UK employment rate (the proportion of people aged between 16 and 64 who are in work) was 74.5%; this equals the highest figure recorded since comparable records began in 1971. Overall, there were 31.80m people in work. This figure is 461,000 more than a year earlier. 1.60 million people are classed as unemployed ('people not in work but seeking and available to work') which is a reduction of 37,000 compared to April to June 2016. The current uneployment rate is at its lowest level since July to September 2005.		
UK Job Creation - CIPD quarterly Labour Market Outlook	**Net Employment Balance: +28 Spring 2016**	**Net Employment Balance: +27 Summer 2016**
The LMO shows that 70% of employers were intending to recruit during Q3 2016, down slightly from 72% in Q2 2016. This slight decline reflects weaker intentions from public sector employers, with 75% intending to recruit compared to 82% in Spring 2016. There has also been an overall decrease in the number of organisations that are planning redundancies, with increases between Spring and Summer 2016 in Manufacturing (+7%), Healthcare (+5%) and Education (+3%) counteracted by a decrease in redundancy expectations in Public Administration and Defence of 18%.		
ICAEW Business Confidence Monitor (BCM)	**+0.8 Q2 2016**	**-10.2 Q3 2016**
The ICAEW Business Confidence Monitor for Q3 2016 shows that, for the first time since Q1 2012, confidence has turned negative. The ICAEW does note that confidence has been declining since Q3 2015 as a symptom of a slowing economy, but the vote to leave the EU produced an 'immediate loss of optimism', with the BCM index falling to -38 the week after the referendum. However, since then confidence has increased as a result of the expectation that the weaker pound will help exporters and suggestions from the Government and the Bank of England that they are prepared to 'loosen fiscal and monetary policy to support the economy'.		

<table>
<tr><th colspan="3">Private Equity Data</th></tr>
<tr><th></th><th>Q2 2016</th><th>Q3 2016</th></tr>
<tr><td>Standard Life and Unquote Barometer European PE Buyout Figures</td><td>133 buyouts worth €15.20bn (Q1 2016)</td><td>148 buyouts worth €27.31bn (Q2 2016)</td></tr>
<tr><td colspan="3">Prior to Q2 2016, buyouts had experienced three consecutive quarters of decline by both volume and value. However, Q2 2016 represented a positive change with an increase in both the volume (+11%) and value (+80%) of buyouts recorded. In Q2 2016 the UK recorded the largest number of buyouts by volume (39), with France the only region to experience a decline by volume between Q1 2016 (39) and Q2 2016 (26). The largest private equity backed buyout in Q2 2016 was Foncia Groupe, for which Partners Group provided the equity.</td></tr>
<tr><td>CMBOR - European Buyout Figures</td><td>972 buyouts worth €92.9 billion (Full year 2015)</td><td>467 buyouts worth €31.0 billion (H1 2016)</td></tr>
<tr><td colspan="3">According to CMBOR, the first half of 2016 has seen a notable decline in the value of buyouts (€31.0 billion) and exits (€48.6 billion) when compared with the same period in 2015, which saw 329 buyouts worth €37.3bn and exits with a total value of €81bn.</td></tr>
<tr><td>CMBOR - UK Buyout Figures</td><td>424 buyouts worth £21.1 billion (Whole year 2015)</td><td>308 buyouts - £10 billion (up to end of Sept 2016)</td></tr>
<tr><td colspan="3">In its UK Buyout Report, CMBOR suggests that in Q3 2016 there has been a negative impact on the UK buyout market as a result of the EU referendum, with total deal value in Q3 falling to its lowest level since Q2 2013. In particular, there is evidence to suggest that the 'larger deal sector' has been negatively impacted, as year to date there has been only six buyouts over £250 million, compared to 22 for the whole year in 2015. CMBOR data also suggests that following on from record exit figures in 2015 (£48.4bn), activity in 2016 has been more 'subdued' - for the first nine months of 2016 exit value stands at only £17.8bn.</td></tr>
<tr><td>Dow Jones - European Venture Capital Investment</td><td>478 deals raised €3.07bn</td><td>464 deals raised €2.10bn</td></tr>
<tr><td colspan="3">According to the Dow Jones Venture Capital Report, there were notable decreases when comparing Q2 2016 and Q3 2016 in both the amount raised by European companies from deals and the number of deals completed. Specifically, in Q3 2016 there was a 32% decrease in the amount raised and a 3% decline in the number of deals when compared with Q2 2016. European venture capital fundraising also experienced declines when comparing Q2 and Q3 2016. In Q2 2016, 24 funds raised a total of €2.71bn, while in Q3 20 funds raised a total of €1.23bn.</td></tr>
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Private Equity Data		
	Q2 2016	**Q3 2016**
MergerMarket Monthly M&A Insider	**13,263 deals worth US$1.8tn (Q1-Q3 2015)**	**12,286 deals worth US$2.2tn (Q1-Q3 2016)**
According to the October issue of Monthly M&A Insider, September recorded the highest total deal value of the year so far at US$351.9bn. This represents a 42.8% increase on September 2015. However, this high figure is not reflected in deal volumes, with September recording the lowest number of deals of any month this year at 1,217; this is 221 fewer than in August 2016. Industrials & Chemicals has been the most active sector in the year to date, with 2,313 deals worth US$416.8bn. By value, this is an increase of 41.1% when compared with YTD 2015. In the same period, private equity buyout activity has declined; in Q1-Q3 2016, there was a total of 1,996 PE deals worth US$264.1bn, representing a fall in value of 7.7% when compared with Q1-Q3 2015.		
Preqin - Global Private Equity Fundraising	**217 Funds closed $111bn aggregate capital raised**	**170 Funds closed $62bn aggregate capital raised**
While fundraising slowed in Q3 2016, Preqin's analysis suggests this is typical of the fundraising cycle of recent years, with Q2 and Q4 accounting for the highest quarterly fundraising totals in four of the last five years. In Q3 2016, fundraising totals were down for North America, Europe and Asia when compared with Q2 2016.		

If you would like to discuss any of this information in more detail please contact Arbor Square on (0)20 7096 5017.