

**THE CURRENT STATE OF THE U.K.'S ECONOMY,
AND THE OUTLOOK FOR THE FOUNDRY INDUSTRY.**

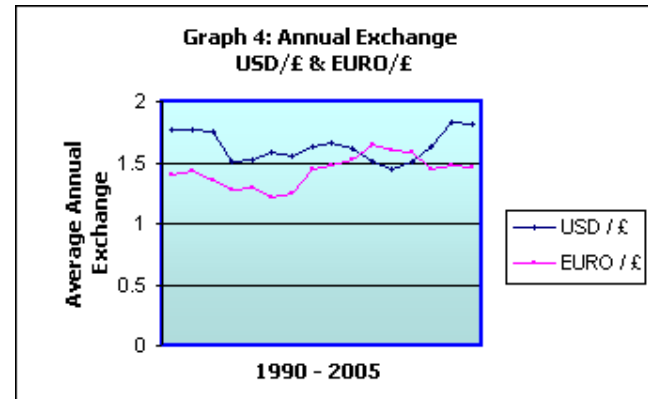
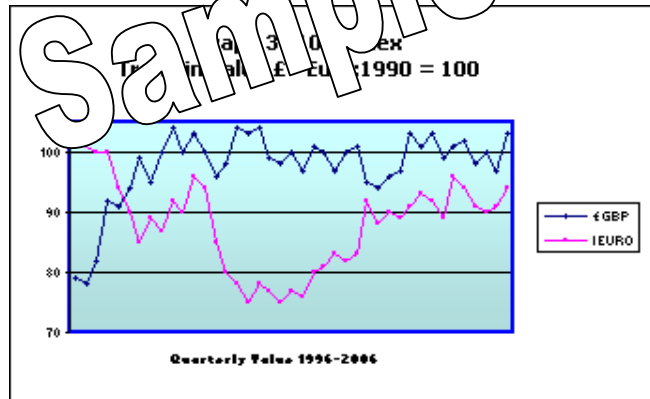
The UK has the 6th largest GDP in the world by purchasing power parity (PPP), and is the 2nd largest economy in Europe (after Germany). In recent years, the UK economy has seen the longest period of sustained economic growth (57 successive quarters) for more than 150 years, and is one of the strongest EU economies in terms of inflation, interest rates and unemployment [6].

Table 4:	The Economy of the United Kingdom
GDP (PPP)	£ 0.98 trillion (6th) (2005)
GDP growth	2.7% (2006) (was 1.8% 2005)
GDP by sector	Agriculture (1%); Industry (26.5%); Services (72.6%)
Inflation (2006)	%=2.30
Unemployment (Aug:2006)	%=5.50
Exports (2006)	£ 241 billion (was £ 160 billion 2005)
Main Partners (2004)	USA (15%); Germany (11.4%); France (9.7%); Ireland (7.4%); Holland (6.3%)
Imports (2006)	£ 309 billion (was £ 185 billion 2005)
Main Partners (2004)	Germany (14.1%); USA (8.7%); France (8%) (7.2%); Belgium (5.5%)
Trade Deficit (2006)	£ 84.3 billion [A1]

The UK Treasury figures indicate a growth rate of 2.6% for 2006, rising to 2.9% next year although many other industry reports (including the Institute of Directors) are not so optimistic (see information below Table 4).

The UK's reliance on Europe for exports is declining, from 55% about 10 years ago, to about 40% of overseas earnings can be attributed to a slowdown in the growth of EU and (e.g. a shift in UK earnings from goods to services and investment).

One of the big challenges with the Euro has of course been the argument for against the Euro. The last "Assessment of Readiness" report was published in June 2003. It is generally accepted that the U.K. has been stronger outside the Euro than within it. Graphs 3 & 4 show how Sterling / Euro values have compared since 1990 and how \$/£ and €/£ exchange rates have fluctuated since 1990 [A2].



[A1][A2] Addenda 1&2: Up-dates on economic data