



HOW TO BE A BETTER PUBLIC SPEAKER

OUR NEW LIFE COACH P26

YAHOO SEES UPTURN
FOURTH QUARTER RESULTS HERALD END OF SLUMP P5

Issue 1,060 Wednesday 27 January 2010

www.cityam.com

FREE

SIGNS OF LIFE

Britain is finally out of recession – but our condition remains critical despite massive stimulus policies

► **UK ECONOMY**
By JESSICA MEAD

BRITAIN has emerged blinking from its deepest post-War recession but there seemed little reason to be cheerful yesterday as paltry growth of just 0.1 per cent in the last quarter of 2009 hammered home the fragility of the recovery and the very real risk of a relapse in 2010.

Policymakers had optimistically forecast a V-shaped recovery, but yesterday's dismal data makes a U or W-shape far more likely as prospects for the UK economy remain clouded.

Bill Gross, co-founder of investment fund Pimco and one of America's most influential investors, added to the gloom yesterday when he slammed Britain. He warned: "The UK is a must to avoid. Its gilts are resting on a bed of nitroglycerine."

Economists had based their forecasts on surveys, which pointed towards a speedier recovery. But some are now warning that the figure could well be revised downwards at a later stage to show continued contraction in the last quarter of 2009.

Andrew Lilico, chief economist of Policy Exchange, said: "This is just the preliminary estimate, and the chances of it being revised down by 0.1 per cent or more are about even, so we may well still be in recession."

He added: "It now seems certain

that there will be a double dip back into recession next year, and that may come as soon as the first quarter."

"The level of GDP may not recover to pre-recession levels until the second quarter of 2012. We are not out of the woods yet by any means," said John Hawksworth, head of macroeconomics at PricewaterhouseCoopers.

This slip back into recession could come as early as April and at the height of the general election campaign. This could dash Labour hopes that a strong return to growth in the first half of 2010 will boost their re-election chances.

The weak data will also trouble the Bank of England, which had forecast growth of 0.3-0.4 per cent in the final three months of 2009. The Monetary Policy Committee had been widely expected to at least pause its quantitative easing policy at its February meeting, but analysts said the GDP data had made the outcome much harder to predict.

Jamie Dannhauser at Lombard Street Research, who thinks yesterday's data underestimates the strength of the recovery, said: "The balance of evidence does not yet warrant a further expansion of the asset purchase facility – a conclusion we ultimately expect the MPC to reach."

ALLISTER HEATH: P2
MORE: P2, 3, 12, 13



Cartoon drawn for City A.M. by Charlie Anson. For more see: www.charliescartoons.com

FTSE 100 ▲5,276.85 +16.54

DOW ▼10,194.29 -2.57

NASDAQ ▼2,203.73 -7.07

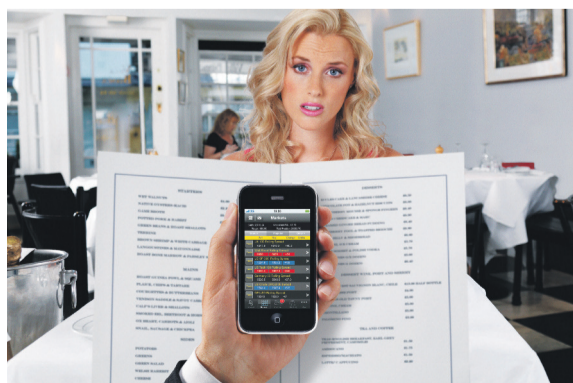
£/\$ ▼1.61 -0.01

£/€ 1.15 unc

€/£ ▼1.41 -0.01



Certified Distribution
30/11/09 – 03/01/10 is 88,164



TRADE Whatever, Wherever, Whenever

City Trading™ the 1st Spread Betting and CFD Trading App for the iPhone™ from City Index

7.00pm Lost Interest

Available on the
App Store

0845 077 1178

www.cityindex.co.uk/iphoneapp

Spread betting & CFD trading can result in losses that exceed your initial deposit

CITYINDEX

Apple, the Apple logo, iPod, iPod touch, and iTunes are trademarks of Apple Inc., registered in the U.S. and other countries. iPhone is a trademark of Apple Inc. App Store is a service mark of Apple Inc.