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PRESS RELEASE

***THE CARDIF PINNACLE\* ECONOMIC NEWSLETTER – AN AUTHORITATIVE ECONOMIC PERSPECTIVE***

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The latest edition of Cardif Pinnacle's quarterly Economic Newsletter can now be accessed in the Publications section of [www.cardifpinnacle.com](http://www.cardifpinnacle.com). The newsletter has once again been compiled by the National Institute of Economic and Social Research and it provides a comprehensive macro-economic perspective of the UK economy, important for any commercial organisation considering future strategy, or analysing current/past performance.

**The Executive Summary written by the National Institute of Economic and Social Research is as follows:**

- \* The UK economy recorded growth of 1.8 per cent in 2005.
- \* We expect economic growth to accelerate to 2.25 per cent and 2.75 per cent per annum in 2006 and 2007, supported by stronger investment growth and export demand.
- \* The Government Actuary's Department has revised up their projections for growth in the population of working age in the near term, mainly due to revised assumptions for net immigration.
- \* Strong population growth is helping to dampen inflationary pressure.
- \* The inflationary impact of the oil-price shock around the world is proving more muted than monetary policymakers had feared.
- \* We expect UK inflation to remain very close to the Bank of England's target of 2 per cent over the next two years.
- \* UK productivity is weak at the moment, although we do not think this is due to labour hoarding.
- \* Given recent developments in the housing market, we have marginally revised up our projections for house price inflation in the near term, although it remains our view that house prices are above sustainable levels.
- \* Long-term interest rates are at present unusually low. If bond prices are supported by a 'bubble', then so to, in all probability are house prices.
- \* We have expanded the Newsletter to discuss our forecast of the world economy.
- \* The economic outlook for the United States has deteriorated.

- \* The era of Japanese deflation is ending as the economy continues to recover.
- \* The Euro Area economy is showing some signs of strength, but we expect this upturn will be only moderate in nature.

**The forecast was completed on 21 January 2006.**

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\* Cardif Pinnacle is a trading style of Pinnacle Insurance plc

*About Cardif Pinnacle ([www.cardifpinnacle.com](http://www.cardifpinnacle.com)). Formed in 1971 as Pinnacle Insurance plc, Cardif Pinnacle, as it is now known, forms part of global banking group, BNP Paribas. The trading style, Cardif Pinnacle, incorporates the name of Pinnacle's longstanding parent company, Cardif SA. Cardif Pinnacle continues to be one of the UK's leading providers of creditor, warranty and special risks insurance which has in more recent years diversified into a range of other protection-based products including Medical Cash Plans, Sports Injury, Pet Healthcare, Accidental Death, Personal Accident, and Income Replacement cover. The Cardif Pinnacle Group has also established itself as a broad based supplier of financial services and investment products. It provides competitive, tax efficient, investment products both through Independent Financial Advisors (IFAs) and direct to the public. Sister company, Financial Telemarketing Services Ltd, provides telemarketing and outsourcing to leading Banks, Building Societies and Finance Houses. Parental links with BNP Paribas have helped Cardif Pinnacle to develop business outside the UK in Ireland, Sweden, and the Republic of South Africa.*

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