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# Introduction

## David A. Smith

As the world enters the 2010s (twenty tens), the Penfolds Vintage Years Report takes a look back at the last fifty years in business and the economy, and identifies years that can be viewed as ‘vintage’. Indeed, whilst ‘vintage’ is an epithet usually reserved for wine, several years over the course of recent UK history stand out from the others from an economic viewpoint. In this sense a vintage wine does not differ from a Vintage Year, both have sound fundamentals ensuring success and the very best have a certain something extra. The report will set out to determine the Vintage Years of the last 50 years and when the next one may occur.

“The Penfolds Vintage Years report sets out to celebrate the Vintage Years in business as well as drawing parallels with some of the stellar vintages from our portfolio.”

Peter Gago

## Peter Gago

Penfolds has been producing a diverse array of Australian wines since 1844. With over 165 years of history, the heritage and the scope and depth of its wine offer sets it apart from other New World producers. The Penfolds Winemaking and Viticultural Team is constantly exploring new methods to optimise each vintage and naturally closely monitors all the varied factors that contribute to a vintage’s success. Like the economic ‘Vintage Years’ identified in the Penfolds Vintage Years Report, some vintages really stand out, and it’s important to look specifically at the different contributing factors for this.

The Penfolds Vintage Years Report sets out to celebrate the Vintage Years in business and draw parallels with some of the noteworthy vintages from our Penfolds portfolio. It can also be said that each of us as individuals may experience a Vintage Year of our own, when seemingly all the ingredients for success align. These years become ‘vintage’ in our lives. The Penfolds Vintage Years Report also lays the foundation for a series of speaker events where personalities from the world of business, culture and the arts will reveal their vintage year and its formative ingredients.

# Methodology

What is a ‘Vintage Year’? Economically speaking there is a plethora of criteria to choose from. A full selection of the criteria that were considered can be found in Appendix One. All of the criteria chosen are quantitative, and became our primary drivers, such as ‘economic growth year-on-year’. Those that are qualitative and provide more of a rounded view of the year from the public’s viewpoint, such as historically newsworthy events, are referred to as secondary factors.

One important screening for the criteria was that there is an unbroken and long history of information available to support it – for this reason alone home ownership was ruled out as being a potential indicator despite its usefulness in assessing socio-economic change. Second, in order to avoid bias, we examined criteria through their relative year-on-year change, rather than the absolute figure to better understand

the standing of the year relative to those around it. The raw data used can be found in Appendix Five. To then form the model, it was necessary to adjust the data to some sort of nominative value as is described for the criteria in Figure One below. Without this latter step it would have proven impossible to assess for example, the relative importance of say a 5% unemployment rate against a 3.8% growth in GDP.

The Penfolds Vintage Year score was then determined by using the following Penfolds Vintage Year (PVY) Indicator – all the metrics being added together, with the exception of the unemployment metric, which was subtracted from the total, to give an overall PVY score.

Criteria to identify vintage years of Penfolds wine include the recognition of a particularly stellar vintage of wine via critical acclaim, innovation, longevity and ability to cellar, as well as new practices implemented in the Penfolds winemaking history. Parallels also reference the influence that key figureheads have had over the heritage of the brand and impact on the evolution of Penfolds winemaking.

Figure One – PVY Indicator: Components

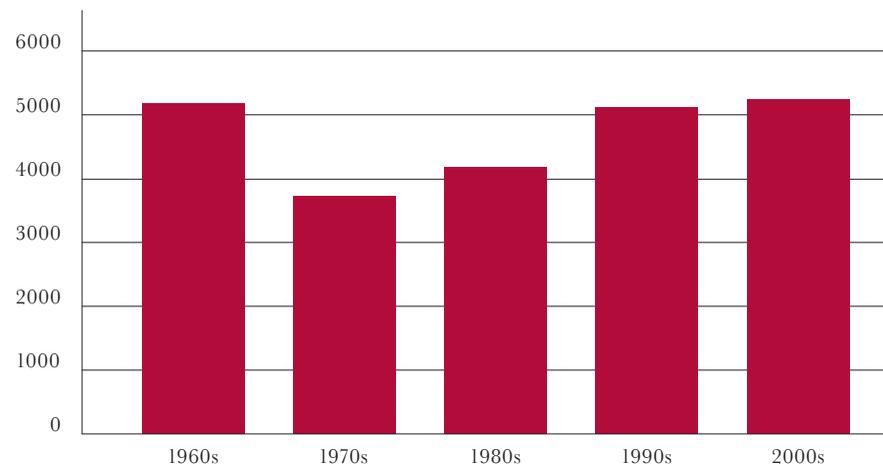
Primary Criteria	Description	Modified for Model
Economic Growth	Percentage growth Year-on-Year	Economic Growth figure multiplied by 30
Employment/ Unemployment	Unemployment percentage at end of calendar year	Unemployment Rate multiplied by 10
Gross National Disposable Income Index	Seasonally adjusted Constant 2003 prices 2003 = 100	Index of Year minus previous Year multiplied by 25
Number of Companies & Market Capitalisation	Market Capitalisation (London Stock Exchange, £m)	Adjusted for inflation the calculated year on year change (as a percentage)
RPI (all prices)	Retail Price Index covering	= 100-(RPI for given year *10) all prices
Tax Take	Central Government: Compulsory social contributions receivable: £m	Once adjusted for inflation and given in 2008 GBP, per centage increases on prior year yielded metric
Corporation Tax Rate (%)	Main rate of Corporation Tax	
Profitability of UK Companies (gross rate of return %)	Annual Rates of return of Private Non-Financial Corporations	Multiplied by 21
Total Output for Industries	Aggregate Output Index from all Industries	Not modified as Index uses 100 as standard

# Executive Summary

*Next year will be better:* while this year has been bad, the next decade will, using the best data we have, score higher on the Penfolds Vintage Year (PVY) Indicator. Predictions of low economic growth for the next decade and the effects of fiscal tightening will pull down the index, but non-financial measures boost it. If we do well at the World Cup and stage the Olympics successfully, this may also boost the indicator, and revive our spirits.

*It doesn't seem like it now, but the noughties were the best decade since the war.* Without the financial crisis it would have been comfortably the best. Even including the effect of the last two years, this decade outscores the 1960s (the second highest-scoring decade on the PVY Indicator), and comfortably beats the 90s, 80s and 70s.

Figure Two – Total Penfolds Vintage Year (PVY)



*Our best estimate for the next PVY will be 2015.* While we are not predicting a return to the boom of 2003 and 2004, the best predictions indicate that the worst effects of the fiscal tightening will be behind us in 2015, and growth will have resumed. But, as we have learned, it is impossible to be certain.

*2004 was a great time to be alive in the UK:* so it's not a surprise that the two highest-scoring Penfolds Vintage Years were in the middle of the noughties boom, and that 2004 was the best year ever. We had stable economic growth of 3%, unemployment of 4.8% and record business profitability. We didn't have a lot of sun, crime was high, and the aftermath of the Iraq invasion were the downsides, but overall 2004 scored highest on the PVY Indicator.

*2004 was better than 2003, but only just:* 2003 was sunny for the economy and sunny outdoors. Home ownership was at its highest level ever (70.9%). We won the Rugby World Cup. The “dodgy dossier” and the preparations for the war in Iraq dominated bad news – but at the beginning of 2003 we didn't know that, and in terms of the PVY Indicator, we'd never had it so good: this is the only time we had two PVYs in succession.

*Every decade has at least one PVY.* In 1997 the stock market was booming (LSE market cap was up 21%), inflation was at 3.1%, the economy expanded by 3.3% and crime figures were low. It also saw the birth of New Labour and Harry Potter.

In the 80s, 1988 stands out as even better than most years in the noughties boom. Unemployment fell by 2%, the economy grew by 5%, and the rise in disposable income was the third-best in our survey. We may have thought the 1970s was our least-vintage decade – it scores lowest overall in the PVY Indicator – but it contained 1972 and 1973, the fifth and sixth most PVYs in our survey. And finally 1964 is the last of the “great” vintages with 5.5% economic growth, low unemployment and Beatlemania.

*According to the PVY Indicator, the 60s really did swing.* It didn't have a recession, it had long periods of economic growth, had social change and the recovery from the austerity of the 1950s. For the PVY Indicator, the 1960s were an unbroken succession of strong years.

*We know some of what makes a Penfolds Vintage Year:* you take economic growth above 2.8%, add low unemployment, a rise in gross national disposable income of 1.7 points or more, RPI inflation below 5%, a widening tax base and profitable companies. There are exceptions and surprises, but the main ingredients of a PVY are consistent.

*If you remember 1974, 1980 and 1981, you are probably trying to forget them.* They are the three worst-scoring years on the PVY Indicator before 2009. 1974 had a recession, the three day week, runaway inflation, the oil crisis and two elections – which made it even worse than 1980 or 1981. In those years we had another recession, high unemployment and less money in our pockets – but at least England's cricketers won the Ashes in 1981.

# A Brief History

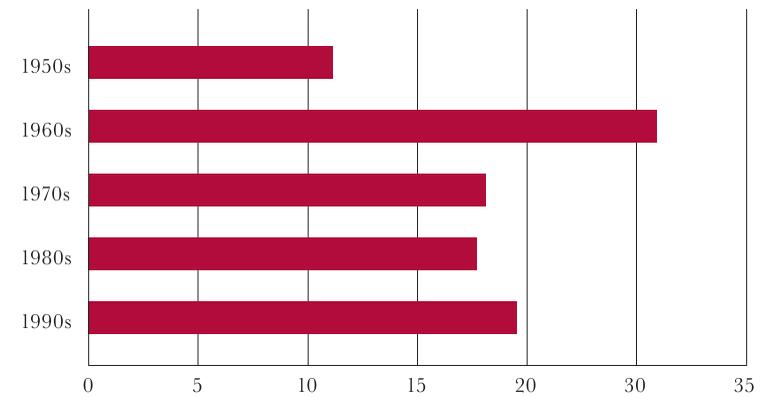
Fifty years ago, in 1959, the first Mini went on sale in the UK, only five years after food rationing ended. Another invention of 1959, the microchip, was crammed with enough electronic circuitry to replace tens or even hundreds of thousands of transistors, the state of the art technology at the time. In the subsequent fifty years, old orthodoxies have been disrupted and been replaced by an increasingly fluid progression of time – technology, globalisation and the spread of capitalism have not only figuratively shrunk the world but also combined to increase the pace of life.

These fifty years have produced a loss of Empire, four recessions in the UK economy, thirteen general elections, and a radically re-oriented service economy whilst external events such as the collapse of European communism and the spread of the internet, have radically altered the playing field for all participant nations of the global economy. More recently, the rise of the BRIC economies (Brazil, Russia, India and China) and hints of long-term relative decline in western economies and institutions together suggest the 21st Century could be the Asian Century, shifting focus away from the Anglo economies.

## The Vintage Decade

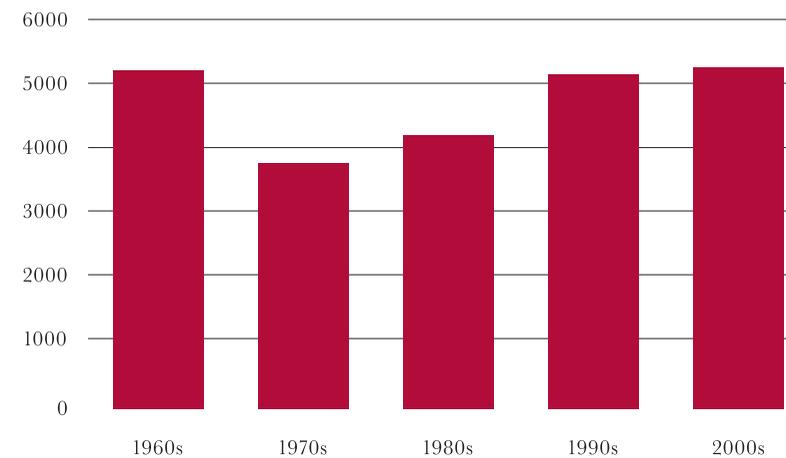
As is suggested in Figure Three opposite, the 1960s and presumably the social movement that swept through the decade are the most admired.

Figure Three – BBC vote: Your History in the UK  
Which decade would you most like to live in?



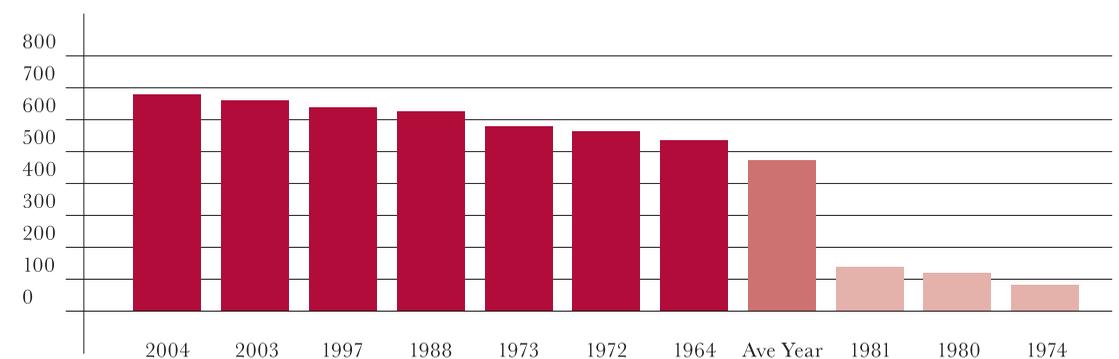
Amongst the last decades of the 20th Century, the evidence does suggest that the 1960s were on average the most successful years, partially due to the absence of recession. Figure Four below marks the most vintage decades as decided by the Penfolds Vintage Years (PVY) index.

Figure Four – Total Penfolds Vintage Years (PVY) Score



However, the 2000–2010 decade appears to be the best of all decades covered, despite incomplete data for 2009, the financial crisis and severe recession. Indeed, were it not for the recession, the PVY score would probably be in excess of 6000. Interestingly though, the rise between the 1960s and 2000s is just 71 PVY points.

Figure Five – PVY Scores for both top and bottom Years





# 2004

Despite the overall performance of the 1960s, 2004 is the most successful vintage year with a combined Penfolds Vintage Year (PVY) score of 682.

This performance was predicated on stable economic growth of 3%, low unemployment at 4.8%, a solid rise in the gross disposable income index over the previous year and low inflation at 3%. The increase in output growth was led by the service sector notes from the Office for National Statistics (ONS), whilst economic growth continued to be primarily driven by government expenditure and household consumer spending.<sup>I</sup> Low corporation tax at 30% and a near record profitability of companies also enhanced the year's showing.

However, secondary factors suggest the year was far from perfect from a socio-economic perspective. Many, for example, may forget the solid macro-economic performance but remember other factors, such as the year receiving a below average amount of sunlight (78 hours less than average). Several studies suggest that increased outdoor activity, itself heavily influenced by the amount of sunlight, improves mood and mental wellbeing.<sup>II</sup> Conversely, a cloudy rainy year, and its potential to dissuade many from venturing outdoors for recreation, has the potential to increase depression and other maladies.

Furthermore, since records began in 1971, 2004 stands as the third most crime ridden year after 2002 and 2003. Further evidence of social stress is represented in the Gini co-efficient, which measures the difference in income equality across a country. Indeed, nearly every modern social and health problem – obesity, lack of community life, violence, drugs, mental illness and big prison populations – are more likely to occur in a less equal society say analysts and academics.<sup>III</sup>

The 2004 Gini co-efficient score of 0.34 represents the lowest figure in the 1997–2008 period, although it is roughly a third higher than in the 1960s. Meanwhile the aftermath of the invasion of Iraq led to the loss of trust in the political system because of the failure to find weapons of mass destruction, according to the Archbishop of Canterbury at least.<sup>IV</sup> This is not to suggest that that these secondary factors override the vintage economic situation, but to acknowledge that quite often, economic issues (unless severe) fail to define a year in the public's mind. Niall Ferguson, professor of history at Harvard University, for example, says the Blair years ‘... will be determined more by his foreign policy, and particularly Iraq, than anything else’.<sup>V</sup>

## Combined PVY score

# 682

## Economic Growth

# 3.0%

## Unemployment

# 4.8%

## Gross National Disposable Income

# 103.4

## Penfolds Year 2004

In the same way that 2004 has been identified as the most successful Vintage Year in economic terms, it is also one of the most successful years to date in Penfolds' calendar of achievements, due to ideal vintage conditions yielding a parcel of superb wines and several coveted wine awards.

Peter Gago, Penfolds Chief Winemaker, commented, “*The 2004 vintage is one of the finest ever for Penfolds, producing some terrific wines that offer a choice between immediate enjoyment and also years of cellaring potential. As these wines were blessed by an ideal growing season, they showcase flavour intensity, depth of character and impressive structure, demonstrating how 2004 really was a ‘vintage’ year.*”

The 2004 vintage of Penfolds Grange, an Australian wine flagship, has been heralded as the finest vintage released since the highly acclaimed vintages of the 1990s. Grange has a justifiable reputation amongst fine wine connoisseurs as one of a small collection of the world's finest wines due to its classically defined structure and proven longevity. The US wine magazine, Wine Spectator, recently awarded the 2004 Grange Shiraz 98 points out of a possible 100. Excellent cellaring and investment returns are also associated with Grange, and the 2004 vintage can expect to drink and optimally evolve until 2050.

2004 also proved a Vintage Year for another wine from the Penfolds portfolio, Penfolds Yattarna Chardonnay. The 2004 vintage won the trophy for the Best Australian Chardonnay and Best Australian White Wine at the International Wine Challenge in 2007, and went on to take Gold at the Decanter World Wine Awards. Penfolds Yattarna is one of the most talked about white wines in Australia's winemaking history and is now considered to be one of the finest Australian Chardonnays. Yattarna derives from an indigenous word meaning ‘little by little, gradually’ and sums up the winemaking philosophy behind the label in creating a style that shows restraint and finesse at release, but continues to develop richness and complexity as it ages in the bottle.

A third wine that went on to win critical acclaim is the 2004 vintage of Penfolds Bin 707 Cabernet Sauvignon, which won the George Mackey Trophy for the Best Australian Red Wine Export in 2007. It was recently awarded 95 points out of 100 by the influential American wine critic, Robert Parker, and is widely recognised as a benchmark for Australian Cabernet Sauvignon. Penfolds does not release Bin 707 in difficult years when the wine doesn't reach a stringent quality level, indicative of the winemakers' commitment to produce an impeccably structured wine full of intense flavours. 2004 was certainly a year that had all the right ingredients for a Vintage Year – with above average rainfall and mild weather conditions in Spring, followed by hot weather into April all contributing to a Vintage Year and producing wines replete with poise and intensity.

# 2003

2003 ranked as the second most successful Vintage Year with a PVY score of 668. Reasons for this almost mirror those evident in 2004, although secondary factors differ somewhat. 2003 was the third sunniest year on record and also the year in which home ownership peaked at 70.9%, suggesting both at the macro and micro level this year can be considered a great success. Set against this, it is the most crime-ridden year on record (2009 figures are not yet published).

Revisionist history may yet relegate these years, perhaps due to the economic policies that drove wealth creation being cast as structurally dangerous and accentuating the recession of 2008/09, or else a prolonged slump in house prices altering long-term notions about asset classes and pricing. However, for now the economic factors suggest that 2003, as with 2004, should be considered a Vintage Year.

Despite a strong economic showing, many negative secondary drivers are also apparent. Despite a two million strong protest in London, the UK committed to a year of fruitless WMD hunting in Iraq with the Americans, from which the suicide of David Kelly and allegations of a ‘dodgy dossier,’ damaged both the ruling Labour government and the BBC, which was heavily criticised in the aftermath. The year also saw the end of an icon, as Concorde was retired from service after a final Heathrow–Bristol flight.

Again these events do not detract from the year’s designation as vintage, but are instead intended to help paint a more complete picture of the year. Perhaps more in tune with the notion of 2003 being a good year to live was the Rugby World Cup victory for England over Australia, which propelled Jonny Wilkinson to the BBC Sports Personality of the Year award.

## Combined PVY score

# 668

## Economic Growth

# 2.8%

## Unemployment

# 5.0%

## Gross National Disposable Income

# 100

## Penfolds Year 1998

Another successful year in Penfolds’ history was 1998, a vintage responsible for the creation of an exceptional vintage of Penfolds Grange, where a mild, early growing season was followed by hot, dry weather. The fruit quality of the 1998 vintage was outstanding, with a soaring intensity of flavours alongside alluring aromatics. Many collectors include this wine in their choice of their most preferred and finest Grange vintages.

1998 also proved a successful year for a number of Penfolds’ other wines, aided by the ideal growing conditions that characterised that year’s vintage. Of particular note was Penfolds St Henri, a Shiraz wine released in the early 1950s to parallel the style of its Shiraz sibling, Grange. Although made in a very different way to Grange, St Henri has also established itself as an Australian classic, delivering an elegant, perfumed style based on fruit definition and maturation in old oak. The 1998 vintage perfectly encapsulates St Henri’s signature style as both generous in flavour and velvety in texture.

Another wine to excel in 1998 was Penfolds Bin 389 Cabernet Shiraz. Considered one of the best value/quality wines in the Penfolds portfolio, Bin 389 has a reputation for over-delivery. It is affectionately known as ‘Baby Grange’ due to its maturation in the same one year old oak barrels that held the previous vintage of Grange, and the similarities in its cellaring potential. The 1998 vintage was certainly standout, delivering trademark concentrated and rich flavours, and although it is drinking well now, the best is definitely yet to come.

# 1997

1997 stands as the third most Vintage Year with a PVY score of 656. A 21% increase in London Stock Exchange (LSE) listed companies' market capitalisation, high company profitability, increased tax take of some 6% over the previous year and relatively low inflation of 3.1% were important reasons for this. Furthermore, the year ranks second out of all years when year-on-year improvement in disposable income is considered, whilst the economy expanded by 3.3%. Indeed were it not for an unemployment figure of 7.2%, 1997 may have ranked as the highest overall, and if the unemployment figure had matched that of either 2003 or 2004 this would have been the case. Secondary factors include a crime rate that ranks as the second lowest for all years between 1990 and 2008.

The year also marked the end of 18 years of Conservative government with a Labour landslide victory and 418 seats. This does not have any implicit impact on the year's status as vintage, rather it merely denotes an important moment in recent British history. Shortly thereafter, the year also witnessed Scottish and Welsh voters backing respective plans for a National Parliament and National Assembly. Harry Potter also debuted with the launch of the first JK Rowling novel, although little hint was apparent of the success the series would become. Upon its UK launch, Bloomsbury published *Philosopher's Stone* with an initial print-run of 500 copies in hardback, 300 of which were distributed to libraries.<sup>VI</sup>

Culturally however, the year seemed dominated by the death of Diana, Princess of Wales, which led to heavy media and national outpouring. Her funeral attracted a British television audience of 32.78 million and an international audience of an estimated 2.5 billion people.<sup>VII</sup>

## Combined PVY score

# 656

## Economic Growth

# 3.3%

## Unemployment

# 7.2%

## Gross National Disposable Income

# 82

## Penfolds Year 1990

1990 was a notable vintage year not only for Penfolds, but Australian winemaking in general, as it was abetted by a perfect warm, dry growing and harvest period which produced some exceptional wines. This vintage enabled the creation of the first vintage of Penfolds Bin 407, a multi-district blend created in response to the increasing availability of high quality Cabernet Sauvignon fruit, and the demand for a versatile wine that could be enjoyed for immediate drinking or develop well in the cellar. Bin 407 is recognised for being an affordable, versatile and varietally expressive wine, and is regarded by wine experts across the globe as a style that punches well above its weight and price.

1990 was also the year that two of Penfolds' most famous 'Special Bin' wines were produced – Bin 90A Coonawara Cabernet Sauvignon Barossa Valley Shiraz and Bin 920 Coonawara Cabernet Sauvignon Shiraz. These wines explore the landscape canvas of South Australian vineyards to pay homage to the famous Bin 60A label that had been released almost three decades earlier. Bin 90A and Bin 920 are both magnificent wines with the generosity of a great Australian vintage. They capture the essence of Penfolds' winemaking philosophy and style and offer something new and interesting for avid wine collectors. Both are also strikingly composed, with decades of cellaring potential. Although now at 20 years of age, the 1990 vintages can be expected to continue to deliver for decades.

# 1988

The mid to late nineties and 2003/2004 aside, 1988 stands out as a good year. Indeed with a PVY score of 631, 1988 ranks as a better year than more recent years such as 2005 or 2006 despite productivity and output gains in the interim.

Although unemployment was still high at 8.9% it had fallen 2% on the previous year and the 5% economic growth of 1988 ranks as the highest between 1973 and the present day. That this economic gain resulted in a then historic rise in gross national disposable income is also an important factor; the 3.5 (indexed point) gain over the previous year is third only to 1997 and 1998 amongst all years analysed. RPI inflation, although high by present standards at 4.9%, had not yet reached the high 9.5% set two years later in 1990. Both the profitability of companies and stock market capitalisation were solid if not spectacular. The latter at 6% was the lowest recorded in the 1980s although the profitability of companies at 11.7% set a then record, and remains 12th highest over the 1959–2008 period.

Secondary factors, those representing the UK in non-economic ways, for 1988 are, as for most years, mixed. The year of the tragic Lockerbie bombing also saw Comic Relief in Eddie ‘The Eagle’ Edwards, who achieved infamy for what the BBC described as “*his brave but laughable attempts at ski-jumping.*”<sup>viii</sup> Indeed in a list of the most memorable sporting gaffes compiled by PruHealth,<sup>ix</sup> Eddie the Eagle’s polled first, with the report stating, “... *the worse he got, the more the public loved him.*”

1988 also witnessed the genesis of a now all too common nuisance, and in some cases security risk. On November 2nd, the first Internet Worm was released which within hours had made most VAX and Sun-3 computers connected to the internet inactive for anything but its own self-replication. This was the first successful internet attack, resulting in between \$100,000 and \$10,000,000 losses due to lost access to the internet at infected hosts<sup>x</sup> (according to the United States General Accounting Office).

## Combined PVY score

# 631

## Economic Growth

# 5.0%

## Unemployment

# 8.9%

## Gross National Disposable Income

# 68.1

## Penfolds Year 1986

Another classic year for Penfolds was 1986, right across the portfolio and especially for Grange, and it was characterised by a mild and relatively dry growing and harvest season. The 1986 vintage is regarded by many on the secondary wine market as one of the most successful Grange vintages of all time, with prices fetching as much as £3450 per case according to the Liv-ex Fine Wine Index.

It was also Chief Winemaker, Don Ditter’s last Grange vintage, before passing the baton to his successor, John Duval.

Whilst Robert Parker awarded the 1986 Grange 99 points, with the comment “*This is a Grange to kill for*”, other Penfolds reds also overtly stand out in this vintage, most notably Bin 707, St Henri and Bin 389. 1986 was without doubt the finest Penfolds vintage of the 1980s.

# 1972/73

Although slightly behind both 1999/2000 as well as 2005/2006, 1972 and 1973 deserves mention as the highest scoring years in the 1959–1987 period, despite the 70s being the overall weakest decade in terms of PVY scores.

In January of 1972 alone, a seven week miners’ strike started, Bloody Sunday unfolded in Northern Ireland and unemployment exceeded one million for the first time since the 1930s (the unemployment rate was 4.5%). Add to that the Cod Wars with Iceland, a declaration of a state of emergency following striking dockers and government introduced price and pay freezes to counter inflation, and you have a situation faintly reminiscent of communist era Poland, and not it would seem a Vintage Year. The Cod Wars, a dispute barring UK fishing vessels from within 20 miles of the Icelandic coast severely affected the economies of northern fishing ports in the UK, such as Hull and Grimsby, compounding already declining catches and leading to regional economic misfortune.

Even the model suggests that very little about 1972 was groundbreaking; rather the lack of anything disastrous (in so far as economic indicators) seems to be its main strength. With 3.7% economic growth, a reasonable 1.7 point rise in gross national disposable income, relatively high, but not distressingly so, inflation of 7.9%, an expanded tax base, company profits in double digits (10.2%) and a 60% increase in the market capitalisation of LSE companies, the year seemed to perform relatively well all round.

The point, however, that the signs of socio-economic stress were brewing can hardly be ignored, even if it took until 1974 (by far the worst year on record as shown by a points total of 86) for them to manifest themselves in systemic crisis.

1973 stands in a similar vein, albeit with a higher PVY score (582 in 1973 to 571 in 1972). The year saw the opening of the Open University, the introduction of VAT and Corporation Tax as well as vestiges from the previous year; on May 1st 1.6 million workers went on strike over government pay restraints. Indeed as a result of industrial action, the last day of the year saw the introduction of the Three Day Working Week. Despite this, the year’s high economic growth of 7.2% (although mired by a 9.2% RPI inflation), low unemployment of 3.8%, 2.5 point gain in gross national disposable income, enlarged tax base and gains in industrial output all ensured a strong metric performance. Whilst 1973 may ultimately be remembered for industrial action and the start of a recessionary period, the year itself appeared to escape the brunt of the resultant economic maladies that hit 1974.

## Penfolds Year 1976

1976 will go down in Penfolds’ history as one of its most successful and stand-out years. Not only did it mark an important milestone in Grange’s history, its 25th anniversary vintage, it was also the year that welcomed the creation of the first vintage of Penfolds Koonunga Hill.

Poignantly, the anniversary year for Grange proved to be an exceptional one, with the 1976 vintage experiencing an ideal warm and dry growing season to produce an intensely powerful yet deliciously well-balanced wine. Robert Parker, the highly influential American wine critic – also known as the ‘Emperor of Wine’ – awarded the 1976 Grange a maximum 100 points in his wine quality rating scale, advocating the extraordinary character of the vintage.

Another success story is Penfolds Koonunga Hill. Since the first vintage in 1976, the label has gained a reputation for value, consistency and over-delivering on quality. Named after the famous Penfolds Barossa Valley vineyard, Koonunga Hill Shiraz Cabernet has become one of Penfolds’ premium red wines, and has gone on to be voted Great Value Red Wine of the Year and listed as one of the Top 50 New World Wines by *Decanter* magazine. The original 1976 Koonunga Hill Shiraz Cabernet is now regarded as a classic Penfolds vintage, and although increasingly rare, good bottles are still fresh and drink admirably – a true collector’s item.

1972	1973
Combined PVY score	Combined PVY score
571	582
Economic Growth	Economic Growth
3.7%	7.2%
Unemployment	Unemployment
4.5%	3.8%
Gross National Disposable Income	Gross National Disposable Income
47.9	50.4

# 1964

With a PVY score of 562, 1964 stands out as the Vintage Year of the 1960s. Economic growth was a robust 5.5% despite power disputes rumbling on throughout the year, yielding the largest year-on-year gain in gross national disposable income in the decade. The sense of economic progress is reflected in some of the newsworthy items of that year, for example the British and French governments agreed a deal for the construction of the Channel Tunnel and the first Habitat store opened in London. Retail Price Inflation stood at a relatively low 3.3% and although exact unemployment figures are unavailable for the year, in 1971 it stood at only 4%, indicating a probable low incidence for 1964 given the lack of economic upheaval in the decade. It is quite possible, however, that the primary drivers and the vintage year they created are of less cultural significance than other items from that year. First and foremost is the first Beatles film, *A Hard Day's Night*, which contributed to the Beatlemania phenomenon sweeping the country.

Combined PVY score

# 562

Economic Growth

# 5.5%

Unemployment\*

# 7.0%

Gross National  
Disposable Income

# 38.8

\* Based on the average from 1971 – 2008

## Penfolds Year 1962

1962 was considered a vintage year for Penfolds because of the ideal vintage conditions of a warm and fairly dry growing season followed by a calm, dry harvest period which produced a number of legendary wines. It was also the year that Penfolds became a publicly listed company.

The first wine to emerge and gain notoriety from 1962 was Penfolds Grange, winning over 50 gold medals in its show career, and still recognised as one of the Grange 'A-Team'. This 1962 vintage is still in its prime and well-cellared bottles can be enjoyed for at least another decade or so.

1962 was also the first, and only one of two years to date, that Penfolds Bin 60A has been released. Recognised as one of the greatest Australian wines ever made, 1962 Bin 60A Coonawarra Cabernet Sauvignon Kalimna Shiraz is one of Penfolds' most famous 'Special Bin' vintages, a cross-regional blend of warmer-climate Kalimna Shiraz complementing cooler-climate Coonawarra Cabernet Sauvignon. Known as a modern classic of profound and enduring academic importance, Penfolds Bin 60A has enjoyed an exceptional wine show career and was named in Decanter magazine's Top 100 Greatest Wines of all Time, and is the only Australian wine to be included in the Top 10 'Wines to Try Before you Die'. James Halliday also recently described it as the greatest Australian wine of the Twentieth Century. Penfolds decided to release its second iteration in 2004 using an *en primeur* offer, whereupon customers were offered the opportunity to invest in the wine before any retail release.

As a marked difference to Bin 60A, 1962 saw the first vintage of Penfolds Bin 128 Shiraz. With fruit entirely sourced from the vineyards of Coonawarra, it is one of an increasing collection of Penfolds reds that isn't multi-regionally or multi-varietally blended. Bin 128 has come to be known for its consistency and reliability as both a current-drinking and cellaring-type red, making it a popular choice by many. A French-oak matured and cooler-climate sourced Shiraz, it is a wonderful counterpoint to its partner, the Kalimna Bin 28 Shiraz.

# The Future

## The Next Vintage Year: 2015

Trying to pick a Vintage Year from the coming 2010s is fraught with uncertainty. This is because ‘... *the return to growth is likely to be a slow and gradual one*,’ says Richard Lambert, CBI Director-General.<sup>XI</sup> Furthermore, the National Institute for Economic and Social Research has noted Britain faces a structural budget deficit of 6% of annual output once the economy revives. Closing this gap to 2% by 2015 would require three of the following options:<sup>XII</sup>

- Raising the main rate of income tax by seven pence in the pound
- Raising the retirement age for men and women to 70 by 2015
- Raising value-added tax on all lower-rated goods apart from food and children’s clothes to 17.5%
- Reducing government consumption by 10%, shedding 600,000 jobs by 2015
- Freezing public-sector pay for five years, reducing real wages by 10%

Given therefore the very real need for ‘unpalatable fiscal tightening,’ there is a real possibility that the economy, and thus many of the related criteria in the model, will not repeat the level of growth witnessed through the late 1990s and early years of the new millennium any time soon. Indeed, even if the future years were to have the two aforementioned excluded metrics included with maximum given rates of 100 each, they would emerge at roughly the same level as the year 1964. Thus the definition of vintage going forward may not carry quite the same weight as it does in the analysis of past years.

All twenty ten years rank between PVY scores of 325 and 343, indicating that once the economy recovers, there will be a stabilisation of sorts. 2015 stands as the highest scoring year, ostensibly due to the date being used by several as a mark of true recovery with growth along the lines witnessed in recent years. There are considerable risks to this happening however, as the CBI has warned that Britain needs to balance its public finances by the 2015/16 tax year to avoid undermining investor confidence.<sup>XIII</sup>

Given the lack of differentiation for the 2010s, secondary factors may well decide the most vintage year to come. Success at the 2010 World Cup or hosting a successful 2012 Olympics may prove pivotal, especially in the case of the latter where a successful socio-economic legacy was a key part of the bid process.

## Future

Since 2002, Peter Gago has taken on the appointment of Penfolds Chief Winemaker, and is only the fourth person in Penfolds’ history to be bestowed the title. Peter has already taken the brand forward into every major wine market of the world. Under his lead, Penfolds has released new wines including the 2004 Block 42 Kalimna Cabernet, 2004 Bin 60A, Bin 311 Chardonnay, and the rare and quirky Cellar Reserve wines. With 20 years under his belt at Penfolds, Peter Gago and his winemaking team continue to explore new winemaking techniques and practices, varietals and vineyards, in order to push the boundaries of innovation and excellence.

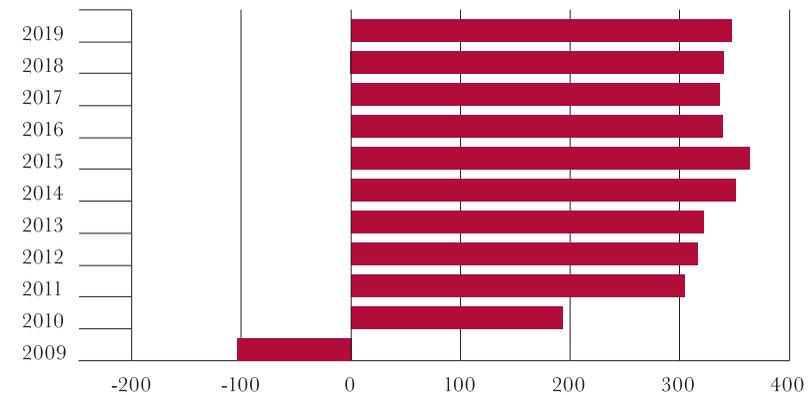
Peter predicts that Penfolds 2008 reds could well rival the vinous spoils of 1962, 1976, 1986, 1990, 1998 and 2004. In 2010, the release of the 2008 Koonunga Hill Seventy Six Shiraz Cabernet and 2008 Bin 138 Barossa Valley Shiraz Grenache Mourvedre will be the first cabs off the rank – indicators of the wine quality of the Penfolds elder statesmen red wines to follow. Oh, and did he mention the 2008 Bin 620 Coonawarra Cabernet Shiraz ‘Special Bin’? At Penfolds, all await the next 165 years.

A direct comparison with the past lacks practicality, as some of the criteria used for the past do not have future oriented forecasts. For this reason the scores compiled for future years should not be directly compared to those of the past. The metrics included in the analysis of past years but missing from the future section include:

- Profitability of companies and market capitalisation of LSE
- Tax Take

These two criteria aside, the metrics used for the analysis of the future are the same as those used for the past.

Figure Six – PVY scores for years 2009–2019



# What of 2010?

Financially and economically, 2010 is set to be far from a Vintage Year. With the IMF predicting only 0.9% GDP growth and the lag in jobs leading to a possible unemployment rate of 9.3%, there seems to be little prospect for cheer on the economic front. Given the uncertainty surrounding the muted economic recovery in Britain, several commentators are preparing for a worse year than outlined above.

*‘The UK economy is probably now growing again but a relapse in activity is a real danger,’* British Chambers of Commerce chief economist David Kern says, *‘Preventing a double-dip recession must be the main priority.’*<sup>XIV</sup>

Given the government’s fiscal position and that the Bank of England has already used extensive stimulus in the form of quantitative easing, there are very few tools left for policy makers to combat a recession. For this reason, were there to be another recession in 2010, the effects could well be worse than those already felt in 2009.

The trigger, or else contributing factors could include extreme currency pressure, downgrading of government debt or the threatened exodus over 50p tax rate coming to fruition. If one or a combination of these occur, 2010 may well equal or surpass the depths of 2009, but if at the end of the year none of these have occurred, 2010 may well be seen as the start of the recovery.

Socio-economic factors may also cloud the viewing of 2010 for many in Britain. The World Cup in South Africa, and specifically the performance of the English football team, will have an impact, as will the general election, which the polls suggest, may usher in the first Conservative government of the 21st Century.

## Penfolds Year 2010

As Penfolds enters a new decade, exciting new releases are to be introduced into the UK, such as the revival of one of Penfolds’ most notable wines under the Koonunga Hill label, the 2008 Koonunga Hill Seventy Six Shiraz Cabernet. The specially blended Seventy Six is a completely different blend to the ‘regular’ Koonunga Hill Shiraz Cabernet, and the retro 2008 vintage has been created as a tribute to the original and iconic 1976 Koonunga Hill. This illustrates that taking a step backwards and looking towards the past can often signify a move forwards – with the potential to create a Vintage Year.

Watch out for (tiny) parcels of rare and truly handmade wines from the Penfolds Cellar Reserve range – the 2008 Cellar Reserve McLaren Vale Tempranillo, 2007 Cellar Reserve Adelaide Hills Pinot Noir, 2007 Barossa Valley Sangiovese and 2009 Penfolds Cellar Reserve Eden Valley Viognier. Blink and they will be gone.

# Conclusion

All past Vintage Years have certain characteristics that define them, with the highlighted years all possessing the following (unless noted):

- Economic growth above 2.8%
- Unemployment below 9% (indeed with the exception of 1997 and 1998, below 5%)
- A year-on-year rise of 1.7 points or above in gross national disposable income
- An RPI inflation of below 5% (although 1972 and 1973 are higher)
- A widening tax base and thus take, of at least 6% year-on-year growth
- Are more probable with low corporation tax rates
- The profitability of companies (gross rate of return %) is at least 10%
- Increases upwards of 5% in the market capitalisation of LSE listed companies year on year (with the exception of 1973)

Specific years may well be remembered by the public for non-economic reasons, unless the situation is extreme. This may especially be the case with regard to macro-economic indicators. However, as the basis for daily societal organisation and the very real impact they have on all aspects of society, however directly or indirectly, these economic indicators are important. Indeed, a year cannot be considered vintage unless it satisfies at least six of the above eight criteria; and in the case of 2004, the most successful year on record thus far, all eight criteria. Despite the economic crisis, Vintage Years will continue to occur in the future, even if history suggests that from recession to vintage takes a minimum of seven years.

# Appendices

## Purpose and Methodology

This paper seeks to provide a measurable guide to what may be considered a ‘Vintage’ year for the UK. Admittedly, amongst the hundreds of possible variables for assessing this, many are highly subjective, and owing to this have not be considered as ‘primary’ drivers. From an assembled list of over 40 possible criteria (Appendix One), nine primary drivers were chosen to form part of a model in an attempt to analyse which years have more successful characteristics than others. Given the need for quantifiable statistics, many of the figures are economic, financial or derived thereof. A full description of each primary driver chosen for this study can be found in Appendix Two.

Secondary factors ie those that cannot be quantified, were then layered on the years determined to be the most and least representative of ‘Vintage’.

## Appendix One

The following is a list of criteria considered (primary and secondary drivers) to assess the Penfolds Vintage Years (PVY) score to determine vintage years in our history and future. Red text indicates an indicator included in the scoring method (primary).

#	Primary & Secondary Drivers
1	Economic Growth
2	Employment/Unemployment
3	Output per worker
4	Claimant Count %
5	Current Account as % of GDP
6	Size of National Debt (as % of Total GDP)
7	Gross National Disposable Income Index
8	Households Gross Disposable Income per head
9	Home Ownership %
10	Property Price Increases/Falls average House Prices: £
11	Value of New Orders: New Housing: Total: £m
12	Stock Exchange Turnover: Total Value £m
13	Number of Companies & Market Capitalisation (London Stock Exchange, £m)
14	Market Value of International Companies listed on The London Stock Exchange (£m)
15	Company Insolvencies: Total
16	No. of Self Employed
17	Net Equity Of Households In Life Assurance & Pension Funds
18	RPI (All Prices)
19	M&A Activity
20	Tax Take
21	Net Taxes & Social Security Contributions % GDP
22	Corporation Tax Rate (%)
23	Weather (Good Summer or Wet & Grey)
24	Fertility Rate
25	Average Rates against Sterling
26	Gini Coefficient
27	Profitability of UK Companies (Gross Rate of Return %)
28	Marriage Rates
29	Divorce Rates
30	Alcohol Consumption
31	Political Situation
32	Crime – Homicide Rate
33	Crime Rate Overall
34	Life Expectancy (at Birth)
35	Output Index: Agriculture, Forestry & Fishing
36	Output Index: Construction
37	Output Index: Distribution, Hotels & Catering
38	Output Index: Transport Storage & Communication
39	Output Index: Business Services & Finance
40	Output Index: Business Services & Finance
41	Output Index: Government & Other Services
42	Total Output for Industries
43	Sporting Success
44	Major Business Events

Other criteria considered but for which a complete data set was unavailable, included; Government popularity

## Appendix Two

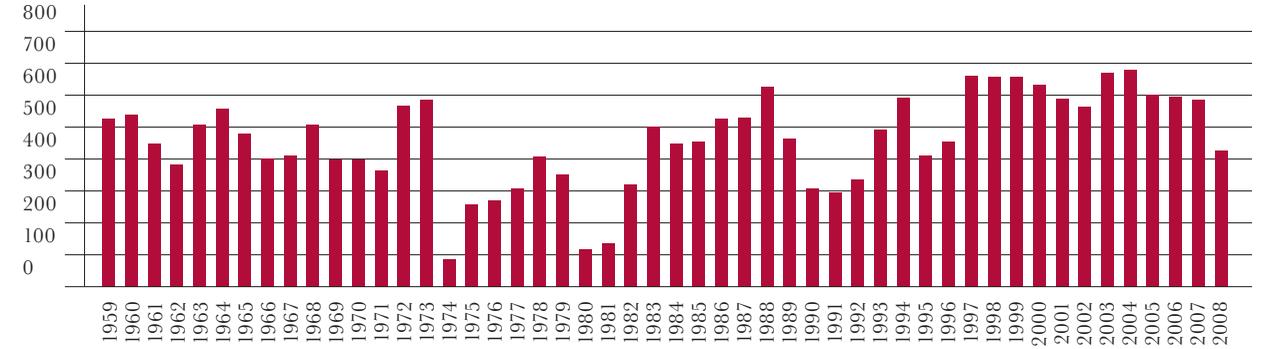
Figure One: PVY Indicator – components

Primary Criteria	Description	Modified for Model
Economic Growth	Percentage Growth Year-on-Year	Economic Growth Figure multiplied by 30
Employment/ Unemployment	Unemployment Percentage at End of Calendar Year	Unemployment Rate multiplied by 10
Gross National Disposable Income Index	Seasonally adjusted Constant 2003 prices 2003 = 100	Index of Year minus Previous Year multiplied by 25
Number of Companies & Market Capitalisation	Market Capitalisation (London Stock Exchange, £m)	Adjusted for Inflation the Calculated Year-on-Year Change (as a percentage)
RPI (All Prices)	Retail Price Index Covering	= 100 (RPI for given year *10) all prices
Tax Take	Central Government: Compulsory Social Contributions Receivable: £m	Once adjusted for Inflation and given in 2008 GBP, Percentage Increases on Prior Year Yielded Metric
Corporation Tax Rate (%)	Main rate of Corporation Tax	
Profitability of UK Companies (Gross Rate of Return %)	Annual Rates of Return of Private Non-Financial Corporations	Multiplied by 21
Total Output for Industries	Aggregate Output Index from all Industries	Not Modified as Index uses 100 as standard

The model used to determine the PVY index was as follows: All metrics added together with exception of the unemployment metric, which was subtracted from the total.

## Appendix Three

The graph below shows points accumulation by year



### Appendix Four: The bottom three years (Past)

1974, it seems, was far from a vintage year. Its PVY score of 86 is comprised of economic recession (-1.3%), the biggest year-on-year drop in Gross National Disposable Income, an RPI at 16% as well as the biggest drop and lowest absolute number in profitability of companies (7.3% gross) and the biggest drop in market capitalisation of LSE listed companies (-59% year-on-year when adjusted to 2005 prices). 1974 was also the year of the three day work week, the oil crisis, multiple IRA bombings and two general elections narrowly won by Harold Wilson.

1980 and 1981 are the other standout years, with PVY scores of 121 and 149 respectively. Respective contractions in GDP of -2.1% and -1.3% lay the foundation for the low score. Both years also witnessed a regression in gross national disposable income and high inflation (18% and 11.9%). It could be argued however, that 1981 also represented the start of a renewal of sorts, as the Thatcher government began its programme of privatisation of state-run industries, and the English cricket team won the Ashes. Indeed, the trough-to-peak in scores by decade is greatest in the 80s at some 510 points, whereas 1980 stands at 121 points, the score in 1988 stands at 631.

### The Worst Year (Future)

Perhaps the most favorable aspect of the worst year, 2009, is that it is nearly over. However the effects of recession will not end with it ‘... for the foreseeable future (probably until the end of 2011), output will grow more slowly than potential output, and unemployment will continue to increase,’ notes Professor Buiter of LSE and writing for the FT.<sup>xv</sup> High unemployment almost certainly rules out the possibility of 2010 and 2011 being regarded as good, let alone Vintage Years. That said, 2009 appears to be unique in the scale of its awfulness. The reasons for this are plain a predicted total economic contraction of -4.4%, rapidly strengthening unemployment at 7.9% and declining output across most industrial sectors.

## Appendix Five

Year	GDP% Growth	Unemployment Rate	Gross Nat. Disposable Income Index	RPI	Tax Take Compulsory (GDP £m)*	Corp. Tax	Profitability of co's	No. of co's & market capitalisation (London S.E., £m)
1959	4.3	Ave. Used	32.4	0.6	897	As 52%	Ave. Used	Ave. Used
1960	5.3	Ave. Used	34	1	913	As 52%	Ave. Used	Ave. Used
1961	2.3	Ave. Used	34.9	3.4	1072	As 52%	Ave. Used	Ave. Used
1962	1.1	Ave. Used	35.4	4.3	1197	As 52%	Ave. Used	Ave. Used
1963	4.3	Ave. Used	36.8	2	1303	As 52%	Ave. Used	32204
1964	5.5	Ave. Used	38.8	3.3	1444	As 52%	Ave. Used	Ave. Used
1965	2.2	Ave. Used	39.7	4.8	1685	As 52%	11.4	Ave. Used
1966	1.9	Ave. Used	40.5	3.9	1804	As 52%	10.3	27147.9
1967	2.5	Ave. Used	41.6	2.5	1924	As 52%	10.4	25055.3
1968	4.2	Ave. Used	43	4.7	2161	As 52%	10.5	35643.2
1969	2.1	Ave. Used	44	5.4	2242	As 52%	10.5	43266.3
1970	2.2	Ave. Used	45.2	6.4	2655	As 52%	9.6	37793.3
1971	2.1	4	46.2	9.4	2826	As 52%	9.9	36936.2
1972	3.7	4.5	47.9	7.1	3337	As 52%	10.2	60074.4
1973	7.2	3.8	50.4	9.2	3937	52%	10	40841.2
1974	-1.3	3.6	48.3	16	5000	52%	7.3	17465.7
1975	-0.6	4.2	48.4	24.2	6848	52%	6.5	42874.9
1976	2.6	5.4	49.7	16.5	8423	52%	6.9	41326.4
1977	2.4	5.5	50.5	15.8	9503	52%	8.7	60795.5
1978	3.2	5.6	52.8	8.3	10101	52%	9.2	64202.6
1979	2.7	5.3	54.5	13.4	11526	52%	8.9	67715.6
1980	-2.1	6.1	53.8	18	13939	52%	8.5	86720.2
1981	-1.3	9.4	53.3	11.9	15916	52%	8.3	100151.9
1982	2.1	10.5	54.4	8.6	18095	52%	9.4	122278.6
1983	3.6	11.3	56.7	4.6	20780	50%	10.6	156800.4
1984	2.7	11.9	58.1	5	22322	45%	11.3	205605.1
1985	3.6	11.4	59.8	6.1	24210	40%	11.6	246505.9
1986	4	11.3	62	3.4	26165	35%	10.7	324060.1
1987	4.6	10.9	64.6	4.2	27663	35%	11.1	366437.3
1988	5	8.9	68.1	4.9	30682	35%	11.7	398487.9
1989	2.3	7.3	69.6	7.8	33333	35%	11.3	514854
1990	0.8	6.9	70	9.5	34457	34%	10.4	450544.4
1991	-1.4	8.5	69.8	5.9	36193	33%	9.8	536301.5
1992	0.1	9.8	70.2	3.7	37006	33%	9.7	624393.3
1993	2.2	10.5	71.8	1.6	39258	33%	10.5	810102.7
1994	4.3	9.8	74.9	2.4	42066	33%	11.4	774556.5
1995	3.1	8.8	76.1	3.5	44397	33%	11.5	900329.6
1996	2.9	8.3	78.4	2.4	46499	33%	12.1	1011678.4
1997	3.3	7.2	82	3.1	50606	31%	12.3	1251424.9
1998	3.6	6.3	85.9	3.4	52988	31%	12.3	1422480
1999	3.5	6.1	87.7	1.5	56742	30%	12	1820076.9
2000	3.9	5.6	90.8	3	60252	30%	11.9	1796810.7
2001	2.5	4.9	93.8	1.8	63125	30%	11.5	1523523.5
2002	2.1	5.2	97.2	1.7	63410	30%	11.7	1147827.3
2003	2.8	5	100	2.9	71540	30%	12.1	1355833.3
2004	3	4.8	103.4	3	79224	30%	12.5	1460705.2
2005	2.2	4.7	104.7	2.8	84459	30%	12.6	
2006	2.9	5.6	105	3.2	89479	30%	13.3	
2007	2.6	5.5	106	4.3	92806	30%	13.2	
2008	0.6	5.2	103	4	98848	28%	13.1	
2009	-4.4	7.9	102	1.8		28%	11.6	
2010	0.9	9.3	101	1.4		28%		
2011	2.4	8.9	102.53	1.3		28%		
2012	2.8	7.9	104.06	1.8		28%		
2013	2.8	7.2	105.59	2		28%		
2014	2.8	6.1	107.12	2		28%		
2015	2.5	5.5	108.65	2.5		28%		
2016	2.5	5.5	110.18	2.8		28%		
2017	2.5	5.5	111.71	3		28%		
2018	2.5	5.5	113.24	2.8		28%		
2019	2.5	5.5	114.77	2.5		28%		

Ave. Used = Average used

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David is the chief executive of Global Futures and Foresight (GFF). In his 30 year business career he has held senior management positions in both large and small organisations and has gained real insight over that time on how visions of the future, if properly engaged, can help organisations achieve significant growth and change. He has been involved in public sector, commercial and financial markets and has held sales, marketing and general management positions in companies such as the UK based DRG group and Unisys corporation, the global US IT services business. Whilst at Unisys he held the position of Strategic Marketing Director for their \$2bn global financial services business.

Since co-founding The Global Future Forum in 2000, the Unisys global think-tank and now Global Futures and Foresight, a futures research business helping business better prepare for the future, he has worked with many leading organisations around the world including; Henley Business School, Chartered Institutes for IT(BCS), Marketing (CiM), Purchasing (CiPS) and Directors (IoD), Microsoft, NATO, Intel, Siemens, Cisco, CSC, Royal Mail, HSBC, LloydsTSB, Reed Exhibitions, Lloyd's, RSA, More Than, DHL, Acord, Mace and many other household names across a diverse set of industries.

As a regular international conference speaker and writer he has become recognised as one of the most influential future thinkers in our nation. He is a passionate believer that we are not victims of what the future might hold if we prepare ourselves in advance.

He has spoken on UK BBC, Middle East TV, German and South African radio and appeared on the UK ITN News channel discussing topical futures issues. His experience has shown him the powerful impact that glimpses of the future afford business and government alike as they seek to achieve their strategic goals.