

ECONOMIC PULSE

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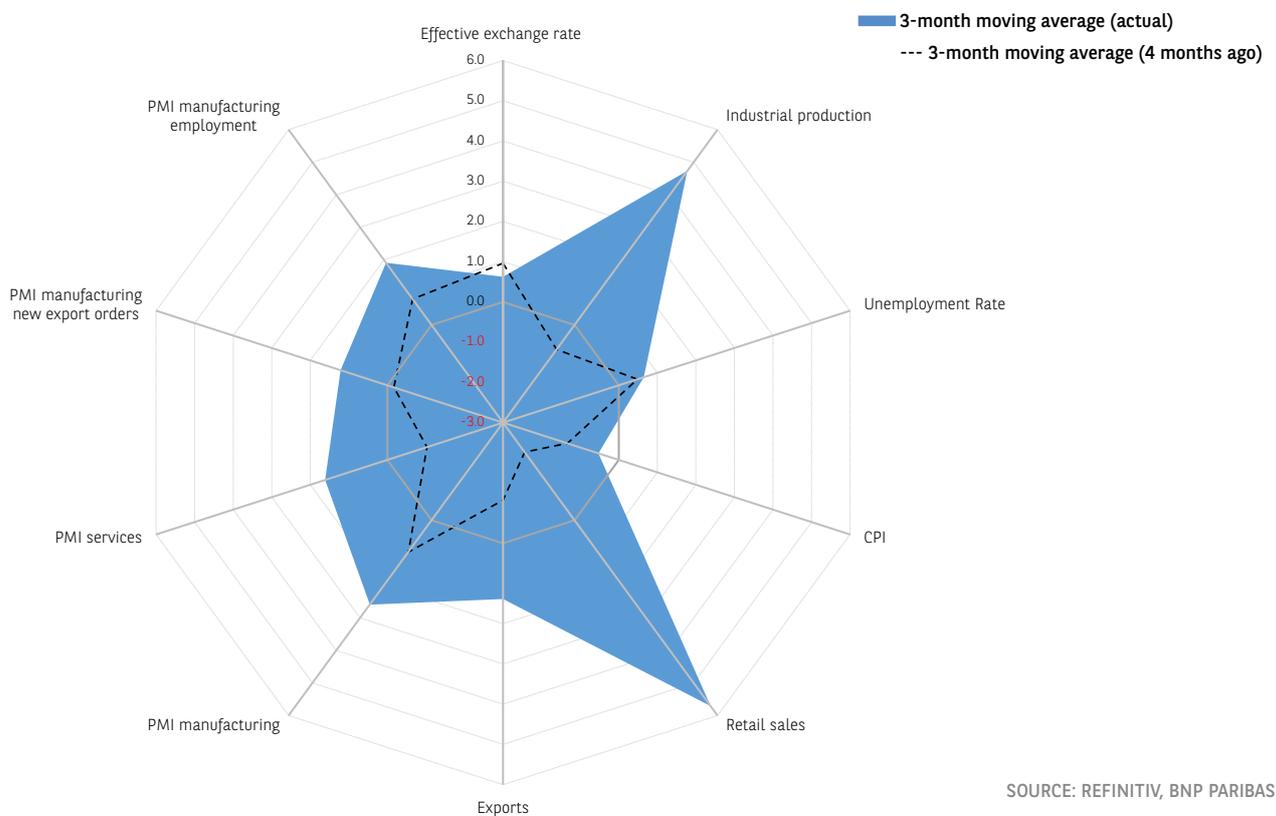
UNITED KINGDOM : THE DELTA VARIANT THREATENS

With nearly 35,000 new daily cases reported last week, the Covid-19 virus is gaining ground again in the UK. The cause is the "Indian" variant (renamed Delta), which is 40-60% more contagious than its predecessor, the "English" variant (renamed Alpha). There is an encouraging sign, however, that proves the effectiveness of the vaccine: the number of severe cases seems to be increasing much less rapidly than during previous waves. According to National Health Service (NHS) statistics, the number of cases resulting in hospitalisations has been reduced by a factor of four at a time when the majority of the population has been vaccinated (51% have received two doses). Caught midway between a new surge in the pandemic and herd immunity, the government finally opted to take a laissez-faire approach. In a somewhat contradictory manner, each individual is "invited" to apply the necessary measures that are no longer legally binding, such as limiting staff size for companies, wearing masks on public transport, and "health passport" requirements. Time will tell whether this works, but Prime Minister Boris Johnson has already admitted that the new policy could trigger a surge in contaminations, with as many as 100,000 new daily cases. Although the number of deaths has been slowing and has levelled off below 130,000 victims, it is bound to rise.

The idea is to release the economy from its shackles just as it is beginning to recover, even if that means contending with the principle of "whatever the cost". All of the UK economic indicators are pointing to a very strong rebound in economic activity in Q2 2021, which should lead to GDP growth of between 4% and 5% relative to the previous quarter, and bring it within 95% of the pre-pandemic level. Our barometer clearly shows the surge in retail sales that accompanied the lifting of health restrictions, which suggests that private consumption figures will be especially high.

Jean-Luc Proutat

UNITED KINGDOM: QUARTERLY CHANGES



The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -3 and +6. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.



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