

# ECONOMIC PULSE

## UNITED KINGDOM: FOURTH WAVE

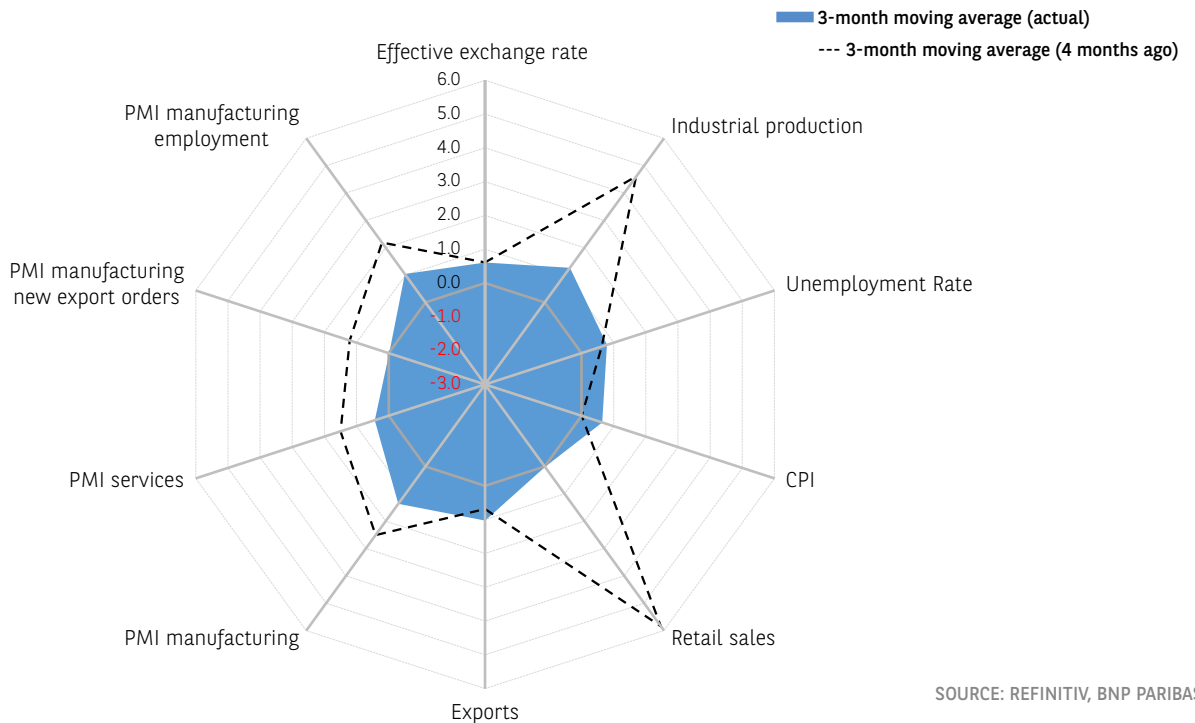
Did the UK government lower its guard too quickly? Since early July, it has lifted nearly all of the sanitary barriers to counter the Covid-19 pandemic. London no longer requires masks to be worn in public spaces, even indoors, nor the presentation of a “health pass”. These measures are left to the discretion of each individual. As a result, the “freest country in Europe”, according to UK minister David Frost, is also the one that reported the highest number of new cases in fall 2021: nearly 45,000 new cases a day. This is ten times more than in France, while the two countries have comparable populations and vaccination rates (67% altogether). Fortunately, the death toll is much lower than during previous waves, but the comparison is not favourable either: the UK has reported an additional 10,400 Covid-related deaths since July, compared to 6,400 in France.

The gradual easing of health restrictions in phases enabled the economy to rebound strongly in Q2 2021 and to approach pre-pandemic levels (there is still a shortfall of just over 3 points of GDP). Since then, however, the recovery has become entangled in supply-side constraints, foremost of which driven by a components shortage and higher energy prices. Granted, these are global problems, but in the UK, they are compounded by Brexit, the negative effects of which have become palpable. Raising new barriers to immigration from the European Union (visa, work permits, etc.) has created obstacles to hiring – and thus recovery – that are not just cyclical. According to the Confederation of British Industry, hiring problems could last another two years.

The Bank of England has just revised downwards its Q3 growth estimates (from 2% to about 1%). It also said it is closely monitoring the impact of halting the main furlough schemes on the labour market. These measures to preserve employment concern 1.5 million individuals and could result in an upturn in unemployment.

Jean-Luc Proutat

### UK: 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.

