

# ECONOMIC PULSE

## UNITED KINGDOM : THE END OF THE BEGINNING?

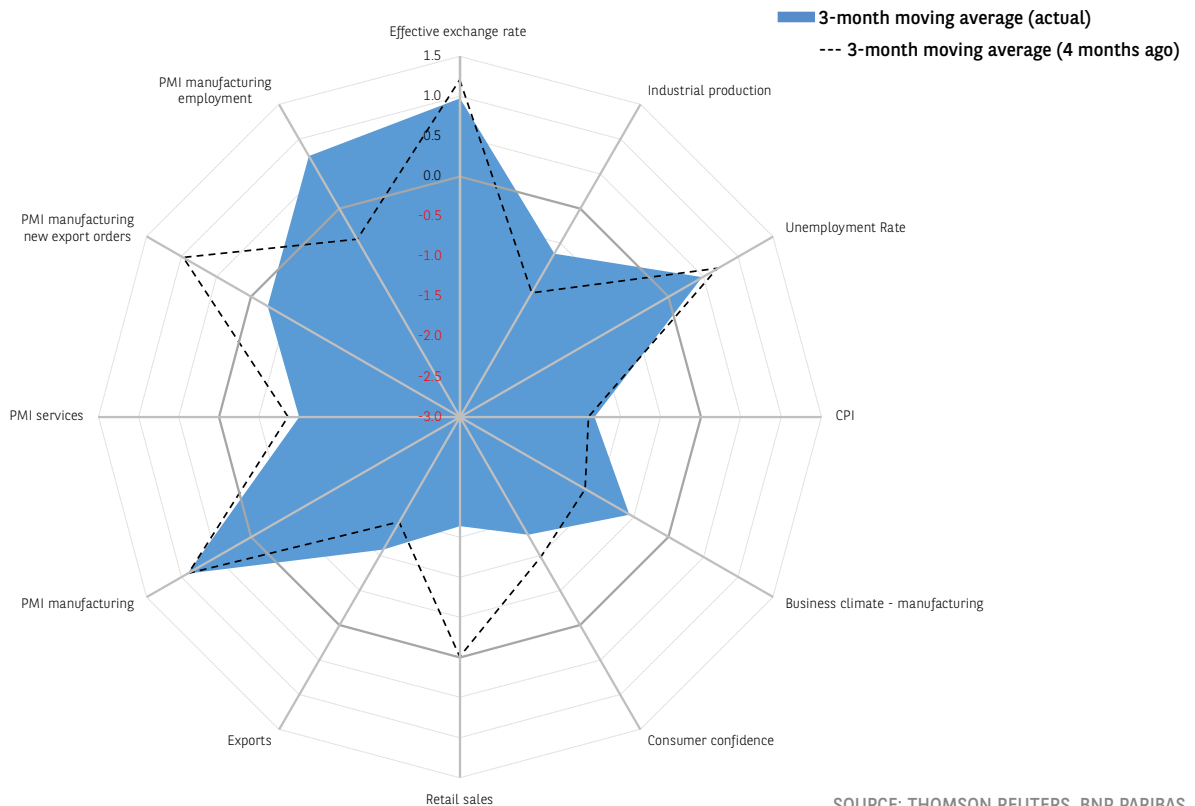
Having been hit particularly hard by Covid-19 (more than 126,000 Britons have died so far), the UK is now one of the countries vaccinating most rapidly. With 31 million doses administered since the beginning of the year, coverage of the population has reached 46%, compared to just 14% in the European Union, where delays to the vaccination programme are piling up, as are frustrations with its British supplier.

The result is that the pandemic is in retreat in the UK. With the death rate now down to 90 per day (from 1,500 at the peak of the epidemic in January) and the daily number of new cases at its lowest since the virus first struck, hope is finally starting to grow. Despite the double whammy of Brexit and the health crisis, even the economy has managed to find some stability. In January, a strict lockdown and an unprecedented collapse of exports to the EU—the result of the reintroduction of non-tariff barriers—caused a further fall in GDP of 3%, coming on top of the drop of nearly 10% in 2020. Since then, however, economic indicators have recovered. This is particularly true of surveys of purchasing

managers, which look more optimistic, and the mobility reports from Google, which are showing some signs of movement. In his budget, presented on 3 March, Chancellor of the Exchequer Rishi Sunak took a resolutely combative approach for the coming fiscal year (April 2021 to April 2022). Having been very busy on the spending front in 2020 (when the government deficit hit 16.9% of GDP), he is planning to contribute an additional GBP60 billion or 3 points of GDP to the economy in order to help it recover from the epidemic. The time for sacrifices (increases in business tax, the freezing of tax allowances and rates...) will come later, in 2023.

Jean-Luc Proutat

### QUARTERLY CHANGES



SOURCE: THOMSON REUTERS, BNP PARIBAS

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 +1.5. 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.

