

## UK: Sharp decline to follow 3Q GDP bounce back

We expect a 6-7% decline in UK GDP through November, rendering the unprecedented bounce-back we saw in the third quarter 'old news'



Source: Shutterstock

### Third quarter GDP already showed signs of strain

It's a bit of a cliché to say that GDP data is 'old news' on arrival, but this has arguably never been more true than in the case of the UK's third-quarter figures, which show a 15.5% quarter-on-quarter recovery over the summer months.

---

*The fact that this figure is bigger than many countries in Europe is, in most part, a simple reflection of the UK's longer-lasting lockdown*

---

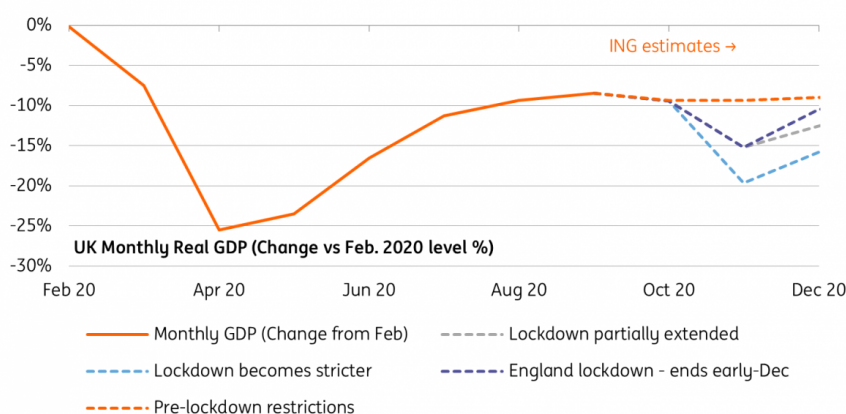
That this figure is bigger than many of those recorded within Europe is, in the most part, a simple reflection of the UK's longer-lasting lockdown that saw the level of GDP stay depressed for longer

during the second quarter.

Having said that, there were already signs of trouble emerging in the monthly data for September, before many of the recent restrictions came into force. The overall growth figure for September (1.1%) was weaker than anticipated, reflecting a lower boost from education than we'd expected (when schools and universities returned properly for the first time since before lockdown).

It also showed a marked decline in output in the hospitality sector, echoing some of the recent Office for National Statistics survey data that indicated an increasing number of hotel/restaurant businesses were experiencing falling revenues towards the end of the third quarter.

## UK GDP projections under different lockdown scenarios



Source: Macrobond, ING

## November GDP plunge unlikely to be as stark as March/April

All of this left the size of the UK economy some 8% below pre-virus levels in September, based on the monthly GDP data. Unsurprisingly, that's probably as good as it is going to get for the time being.

---

*We expect the latest lockdowns to leave the size of the UK economy some 15% below pre-virus levels, as of November*

---

We are likely to see a modest fall in GDP during October, reflecting the introduction of 'tiered restrictions' in England (which will have acted as a further drag on hospitality) and a local lockdown in Wales. However, the decline will be amplified in November, where we estimate we're likely to see a 6-7% slide in monthly GDP on the month-long English lockdown. This will also result in a negative figure for Q4 as a whole.

Importantly this is not quite as stark as was the case back in March/April when the economy slid by 25%. This time, fewer sectors are shut, while arguably businesses are more geared up for this lockdown (takeaway and online/click-and-collect services are more-widespread, for example). With the economy also still well below pre-virus levels, there is also less ground to be lost.

We expect the latest lockdowns to leave the size of the UK economy some 15% below pre-virus levels, as of November.

## Author

### James Smith

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.