

## UK: Sluggish October GDP gives a taste of what's to come

October's GDP figures may be 'old news', but the sharp fall in hospitality sector output gives a flavour of what is likely to be happening now. Ongoing tight 'tiered' restrictions mean the economy is unlikely to regain all of November's lost output through December, and GDP is likely to end the year some 9-10% below pre-virus levels



Woman passes parked buses near Oxford Street in London

Source: Shutterstock

### Consumer-facing services were feeling the pinch even before lockdown

After the events that have unfolded since October's 0.4% growth in UK GDP, it seems to feel like it reflects a distant past.

Unsurprisingly, October GDP marks the post-April peak in output before GDP falls back in when we get the November figures, reflecting the month-long lockdown across England. We're expecting something in the region of a 7% fall in GDP on the month.

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But while October's figures may be out of date, they also contain hints of what may be to come. Admittedly the overall October figures were a little better than expected - we'd expected a fall of similar magnitude. This was partly down to an increase in health and education output, the latter of which reflects a further return to in-person teaching.

However, what stands out is the 14% fall in accommodation/food services output, reflecting an incremental tightening of restrictions on the sector as the 'tiered' system came into force. A ban on indoor mixing with other households in large parts of England triggered a noticeable increase in the number of hospitality businesses reporting falling revenues (according to the ONS business survey).

For the same reason, this implies that we're unlikely to see all of November's lost output recovered through December. Pubs and restaurants remain closed in large parts of the country.

## UK economy heading for a challenging start to 2021

We expect the economy to end the year some 9-10% below pre-virus levels, and anticipate 4Q GDP in the region of -2%.

Unfortunately the prospects for the first quarter also look fairly bleak. While a positive GDP figure remains the most likely outcome, the rising risk of another form of lockdown in the new year, combined with the initial disruption as UK-EU trade terms change (even with a deal), suggest the UK economy is far from out of the woods just yet - even as vaccine optimism raises hopes for a better performance through the latter parts of 2021.

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