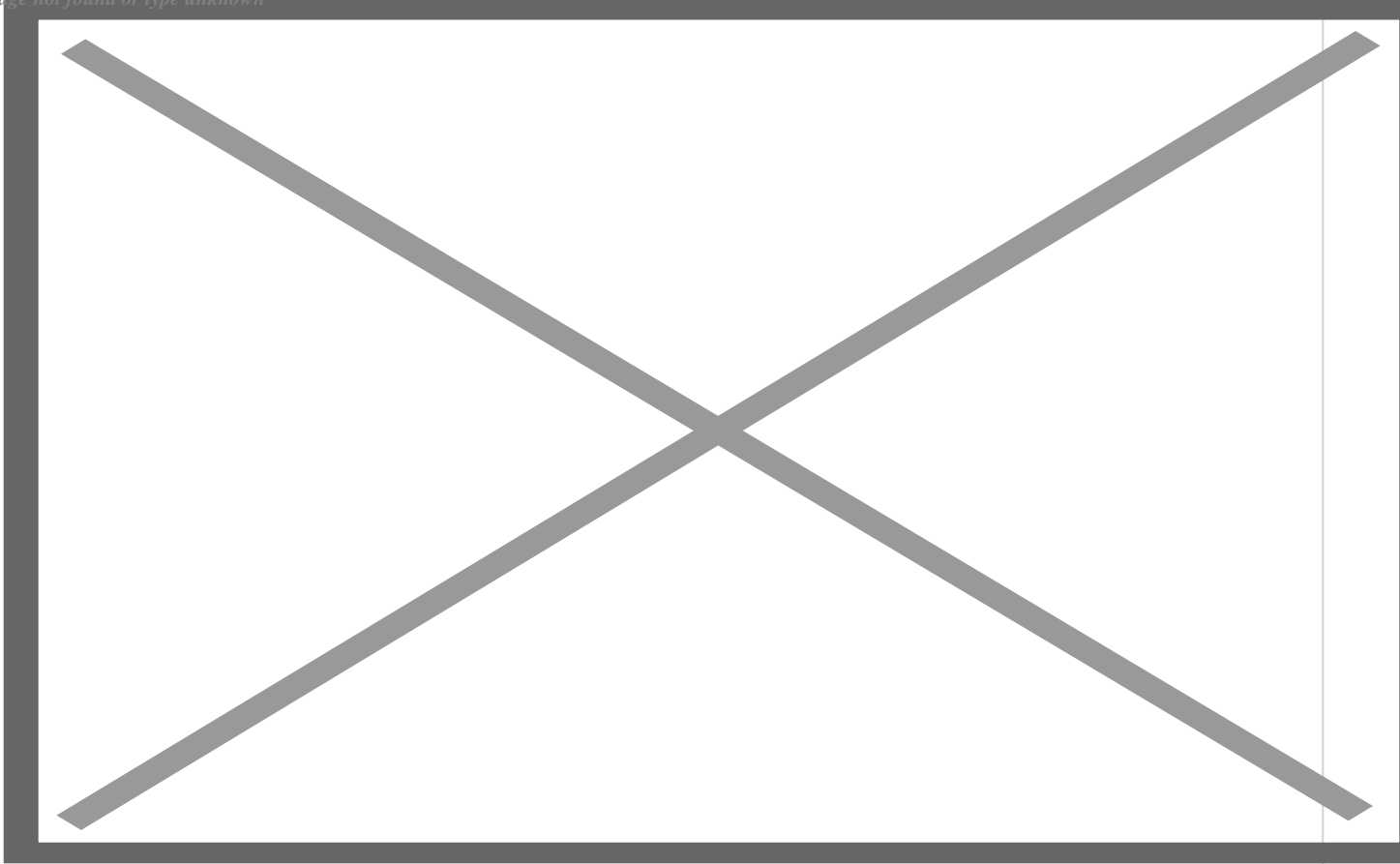


UK may fall back into recession as new lockdowns tighten

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London, January 18 (RHC)-- The British economy looks set to fall back into recession after official figures showed that it shrank by 2.6 percent month on month in November, when much of the country was in a second coronavirus lockdown.

The Office for National Statistics (ONS) said that as a result of the fall, the economy is 8.5 percent smaller than its pre-pandemic peak. When the pandemic struck last spring, the economy contracted by up to a fifth over the first half of the year, before a summer easing of restrictions saw it recover a chunk of those losses.

With most of the United Kingdom in an even tighter lockdown at the start of 2021 following a spike in new cases that has been blamed on a new variant of the virus in London and southeast England, it looks inevitable that the economy will shrink further in the first quarter of the year. That means it will have contracted for two consecutive quarters, the technical definition of a recession.

“It’s clear things will get harder before they get better and today’s figures highlight the scale of the challenge we face,” said UK Treasury chief Rishi Sunak. The November decline was not as bad as some economists feared, an indication that firms have managed to work out ways of selling their goods even when their doors are closed through online services.

The services sector was hit hard in November, shrinking by 3.4 percent as rafts of hospitality and leisure firms were forced to shut. The sector is now 9.9 percent smaller than it was in February 2020, before the impact of the pandemic was first fully felt.

“The economy took a hit from restrictions put in place to contain the pandemic during November, with pubs and hairdressers seeing the biggest impact,” said Darren Morgan, director for economic statistics at the ONS. “However, many businesses adjusted to the new working conditions during the pandemic.”

The hope is that the roll-out of coronavirus vaccines — the UK is ahead of many other countries — will see a pick-up in activity later this year. “While the economic story today is of only the second-ever double-dip recession on record, the story of the year will be a vaccine-driven bounce-back in economic activity for sectors like hospitality and leisure,” said James Smith, research director of the Resolution Foundation.

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