

UK economy bounces back close to pre-pandemic levels but recovery slows

THE [UK economy](#) is on the verge of recovering all of its losses from the [Covid-19](#) crisis, in what City experts hail as an extraordinary bounce-back.

Official figures today showed the economy grew at 1.3% between July and September. That was lower than expected and far behind the 5.5% spurt enjoyed in the second quarter as the nation came out of lockdown.

But the 0.6% growth in September was better than forecast, offering hope that October and November will also be strong. That puts the UK on track for GDP to be back to where it was prior to the pandemic by December.

The UK lost an estimated £365 billion in GDP from Covid.

Simon French, chief economist at Panmure Gordon, said: "It's quite an achievement really. The Chancellor intervened to prop up the UK economy on an unprecedented scale – spending in excess of £400 billion. The result has been a very fast economic recovery. Whilst the Bank must remain vigilant on inflation – set to rise to around 5% – it is also giving the recovery in both output and jobs every chance. For many Britons that is a rather better policy mix than we saw after the Global Financial Crisis."

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City economists note that it took the UK economy five years to recover from the financial crash of 2008, during which time the government pushed austerity as a way out of trouble.

Some say the economy could already be back to where it was pre-pandemic.

James Sproule of Handelsbanken said: "From a monthly GDP perspective, this means that the UK GDP is now only 0.2% below its pre-pandemic level, with our estimate that it would reach that level in December looking set to be bettered."

The slower pace of recovery over the summer was put down to supply chain issues that have hurt retailers and other businesses including car makers.

Chancellor of the Exchequer, [Rishi Sunak](#) said:

"The economy continues to recover from Covid and thanks to schemes like furlough, the unemployment rate has fallen for eight months in a row and we're forecast to have the fastest growth in the G7 this year."

Alpesh Paleja, CBI lead economist, said:

"It's encouraging that the economy maintained some momentum in September. But there's no denying that this rounded off a tough quarter for businesses, with supply constraints biting hard. A combination of rising COVID cases and shortages of raw materials, components and labour came together to present

significant headwinds to growth.”

Last week the Bank of England surprised many in the City by holding interest rates at record lows of 0.1%. Today’s lower GDP growth may show why the Bank was reluctant to put rates up.

Shane O’Neill at Validus Risk Management, said today’s figures “will give the Bank of England cause for concern and partly justify their decision to not hike rates earlier this month.”