

UK on course for recession after economy shrinks in September

The UK may have entered what experts say could be the longest recession in a century as official statisticians said the economy shrank by 0.2% between July and September.

The Office for National Statistics (ONS) said gross domestic product (GDP) fell by 0.6% in September, in part due to the Queen's funeral.

It added to a 0.2% drop for the full quarter – lower than had been expected as the ONS revised its estimates for July and August.

They are the biggest quarterly and monthly falls since early 2021 when the UK went back into lockdown to combat the Covid-19 virus, the ONS said.

If the economy also shrinks in the final three months of this year – as experts predict – it would push the economy into a recession that could last for two years.

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It would also be the first time since 1975 that the UK has gone from one recession to another so quickly, economists at the Resolution Foundation said.

Research director James Smith said: "Falling consumer spending has caused the economy to shrink in the third quarter of 2022.

"This has set Britain on course for the quickest return to recession in nearly half a century."

The ONS said that around half of that drop for September was due to the bank holiday on the day of the Queen's funeral.

Unlike most other bank holidays, there was no boost on that day for restaurants, pubs and tourist attractions as most businesses were closed, or reduced their opening hours.

ONS director of economic statistics Darren Morgan said: "With September showing a notable fall partly due to the effects of the additional bank holiday for the Queen's funeral, overall the economy shrank slightly in the third quarter.

"The quarterly fall was driven by manufacturing, which saw widespread declines across most industries.

"Services were flat overall, but consumer-facing industries fared badly, with a notable fall in retail."

The reading comes just a week after the Bank of England published a caveated forecast that the UK might be headed for an eight-quarter recession – the longest consecutive recession since reliable records began in the 1920s.

However, the Bank warned that this would only happen if it raises interest rates to around 5.2% – which the market was expecting at the time.

It said it does not expect rates to reach such a high level, which would imply that the recession could be less drawn out.

The September figure was worse than expected – analysts had forecast a 0.5% drop during the month, according to Pantheon Macroeconomics.

However, the ONS changed its readings for August and July, helping for the quarter as a whole. The economy was previously thought to have shrunk by 0.3% in August but that was revised to 0.1%.

In July the economy had previously thought to have risen by 0.1% but the ONS changed that to 0.3%.

Chancellor [Jeremy Hunt](#) said: “We are not immune from the global challenge of high inflation and slow growth largely driven by (Vladimir) Putin’s illegal war in [Ukraine](#) and his weaponisation of gas supplies.

“I am under no illusion that there is a tough road ahead – one which will require extremely difficult decisions to restore confidence and economic stability.

“But to achieve long-term sustainable growth, we need to grip inflation, balance the books and get debt falling. There is no other way.”

Shadow chancellor [Rachel Reeves](#) said the latest [GDP](#) figures are “extremely worrying”.

The [Labour](#) MP said: “Today’s numbers are another page of failure in the Tories’ record on growth, and the reality of this failure is family finances crunched, British businesses left behind, and more anxiety for the future.

“We’re already set to be near the bottom of global league tables on growth, but all the Tories offer yet again is austerity.

“Britain has so much potential to grow. We have the talent. We have the capacity.”

The Federation of Small Businesses said its members are particularly vulnerable to downturns in the economy.

National chairman Martin McTague said: "The fall in GDP is one headline figure made up of countless bits of disappointing news for small businesses across the country – a new venue or premises they couldn't open, a contract which ended unexpectedly, a staff member they had to let go."