UK enters recession after steeper-than-expected fall in GDP

The UK economy has officially entered recession, figures show.

A recession is defined as two consecutive three-month periods where the economy contracts rather than grows.

A major measure of economic growth, gross domestic product (GDP) shrank 0.3% between October and December, the latest Office for National Statistics (ONS) data shows.

It's a steeper-than-expected fall, as economists had forecast a 0.1% contraction.

It followed **0.1% of negative economic growth** in the three months from July to September.

The data, however, is just an estimate and is subject to revision.

Figures are **routinely revised** as more information becomes available.

Money latest: **What unexpectedly large contraction means**

While previous recessions were long lasting – such as during the global financial crash of 2008 and 2009 – this one is likely to be mild and short-lived.

It could also prompt interest rate-setters at the **Bank of England** to bring down **interest rates** sooner, and reduce the cost of borrowing.

But the data will be bad news for Prime Minister Rishi Sunak and the Conservatives, who made growing the economy one of their **five key pledges**.

Consumer spending power has been eroded by the cost of living crisis, with high inflation and expensive energy bills eating into disposable income.

Why is the economy flatlining?


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For some reason no one can quite remember, economists alighted on the notion that when the economy shrinks for two successive quarters, it constitutes a technical recession.

Indeed, while this qualifies to be called the “R word” under that definition, this would be the shallowest recession since 1956 – provided growth returns in the first quarter of this year. And that’s assuming one of these quarterly falls isn’t revised away altogether.

Read Ed’s full analysis here.

Stormy weather also has kept shoppers at home and limited production output.

Rainfall was far above average levels for the final three months of 2023 – with higher wind speeds household spending and government consumption and construction, where output dropped 1.3%.

In the key December shopping month, retail sales **declined to a level** not seen since the middle of the COVID lockdown in

January 2021, the ONS said last month.

The UK economy struggled with productivity, particularly emerging from the pandemic. The number of long-term sick and people neither working nor seeking work hit all-time highs as the virus receded and lockdowns disappeared.

Strikes have also held back productivity as private and public sector workers across industries staged walkouts throughout 2023.

Image:
Pic: Istock

In response to the data, Chancellor Jeremy Hunt said: “High inflation is the single biggest barrier to growth which is why halving it has been our top priority. While interest rates are high – so the Bank of England can bring inflation down – low growth is not a surprise.

“But there are signs the British economy is turning a corner; forecasters agree that growth will strengthen over the next few years, wages are rising faster than prices, mortgage rates are down and unemployment remains low. Although times are still tough for many families, we must stick to the plan – cutting taxes on work and business to build a stronger economy."

On X, Labour leader Sir Keir Starmer wrote: "Rishi Sunak has failed to turn the corner on 14 years of Tory economic decline. Britain is hit by a recession and it's working people who will pay the price. It's time for change. Only Labour will deliver it."