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UK CHART PACK: RAPID REBOUND, THEN BACK TO THE “OLD NORMAL”

Berenberg Macro View

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Overview - Chance for a UK revival

- The economic wheel of fortune seems to be turning back in the UK's favour. A successful vaccine rollout, aggressive policy support and a solid global backdrop set the stage for at least two years of rapid economic rebound from the massive pandemic shock of 2020.
- UK real GDP collapsed by a historic 9.9% in 2020 as harsh restrictions to curb the spread of Sars-CoV-2 simultaneously crippled demand and supply.
- After a soft start to 2021 under the weight of continued restrictions and Brexit-related disruptions, we expect a strong consumer-led recovery from spring onwards as savings normalise, face-to-face services re-open and manufacturers step up production to meet rising demand.
- We project real GDP gains of 6.2% in 2021 and 5.7% in 2022, with output reaching its pre-pandemic level by Q2-2022. Thereafter, a strong global tailwind can help to offset the Brexit damage for a while and keep real GDP growth close to or even slightly above the post-Lehman average of 1.8%.
- With faster gains in productivity and modestly higher inflation, the economic backdrop will resemble the ‘old normal’ of the late 1990s more than the sluggish post-Lehman ‘new normal’.



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