

UK GDP up 15.5%

The third quarter figures for UK growth were a record – up 15.5%. So far so good.

That was not nearly enough. It was the direct result of the large collapse the previous quarter under lockdown, and the efforts of the Treasury to get the housing market moving with a Stamp Duty cut and the restaurant trade working with generous special incentives.

If we look at the IMF forecasts for 2020 growth around the world we see a much better outlook for the USA, at minus 3.5% for the whole year, compared to the main European countries clustered either side of 10% down for the year. Their forecasts are not going to be that wide of the mark, looking at the latest third quarter figures. They see Spain down 12.8%, Italy 10.6%, France and the UK both down 9.8% and Germany down 6%. All but Germany have been very badly damaged by the virus and by the economic measures taken to counter it.

So why has the USA done so much better? After all its own virus death rate is similar to the UK's and considerably higher than Germany's. Large parts of the USA escaped full lock down, which helped. More importantly the Fed put in a much bigger boost than the Bank of England or the ECB which helped a lot. The US has many more of the large and successful tech corporations which boomed on the back of us all moving to an on line world for so many things. Old shops in Europe closed temporarily or permanently whilst people went shopping with Amazon.

The UK government needs to learn from the US experience. President Trump's tax cuts helped. The deregulations helped. The technology clusters helped. Above all a very responsive Central Bank that promised to do whatever it needed to save the US economy and the world turned things round from their decisive interventions at the end of March.