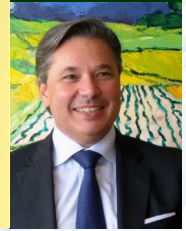


WEEKLY ANALYSIS

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DID THE UK SEE THE WORST OF IT IN JANUARY?

UK GDP contracted by -2.9% in January. Exports to the EU plunged by -40.7%. Economic recovery postponed to Q2. Rising long-term interest rates and the prospect of an end to the lockdown support the pound.

Key points

- UK GDP shrinks by -2.9% in January
- Historic fall in British exports
- Border controls and breach of protocol
- Consumption will soon benefit from the end of the lockdown
- Trend reversal in interest rate markets
- BOE likely to maintain a stable monetary policy
- Sterling reacts to the end of the lockdown
- UK equities benefit from a 20% risk premium

UK GDP shrinks by -2.9% in January

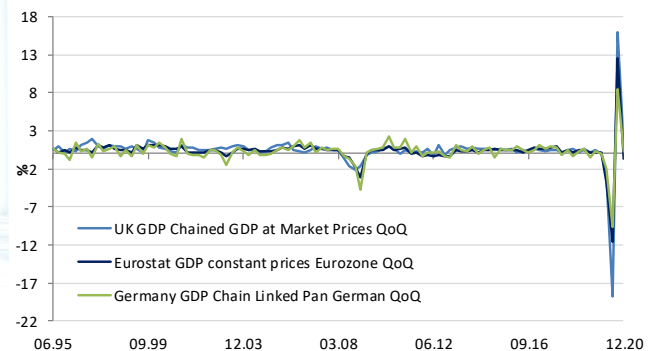
The UK's first post-Brexit GDP figures in January 2021 showed a contraction of -2.9% and a three-month decline of -1.7%. Compared to December's economic performance (+1.2%), the UK economy has kicked off the post-Brexit era with clearly negative though not unexpected results.

The UK's economy stumbled in January as a result of the introduction of health measures, which had a negative impact on the consumption of goods and services, and of the sharp drop in activity in the manufacturing sector (-2.3%) and the collapse of exports.

The UK ended 2020 with the worst economic performance of any European country or G7 member and started the year with a worryingly negative performance. However, the outlook for the year as a whole remains rather positive at the start of 2021. Although GDP will probably fall by -3.5% in Q1, growth estimates for the full year are of +4.7% on average.

The economy is thus expected to start recovering already in Q2, which could potentially see an upturn of +4.8%. In January, the construction sector recovered somewhat (+0.9%) after a decline in December, due in particular to a +3.1% increase in infrastructure spending.

Quarterly GDP growth - UK



Sources: BBGI Group SA

Historic fall in British exports

UK exports to the euro area fell by -40.7% in January 2021 over one month and by more than -60% for food exports, and for fish in particular (-83%). Total exports plunged by -19.3% overall, costing UK exporters over €6 billion in value. The expected shock resulting from leaving the EU has not been long in coming, as Brexit is already affecting Britain's foreign trade significantly, even in times of lockdown and economic contraction. The UK's GDP contracted by -2.9% in January after rising by +1.2% in December 2020. This historic fall in exports was accompanied by a notable -21.6% fall in imports, linked unsurprisingly to the health situation prevailing in the country in January.

This collapse is also historical and probably induced by the complexity of the administrative rules to be followed as well as by added costs and taxes weighing on trade.