

## The end of lockdown in the UK may be an important guide for other world economies

TAKASUKE TANAKA  
ECONOMIC RESEARCH OFFICE

MUFG Bank, Ltd.  
A member of MUFG, a global financial group

26 AUGUST 2021

(ORIGINAL JAPANESE VERSION RELEASED ON 2 AUGUST 2021)

The UK economy has experienced a large fall in economic activity compared to major Eurozone countries since 2020 with personal consumption of services and export volumes reaching a significant low. The seriousness of the COVID-19 pandemic in the UK led the government to impose tight restrictions which resulted in a relatively large drop in people's mobility and thus the low level of services consumption (Chart 1).

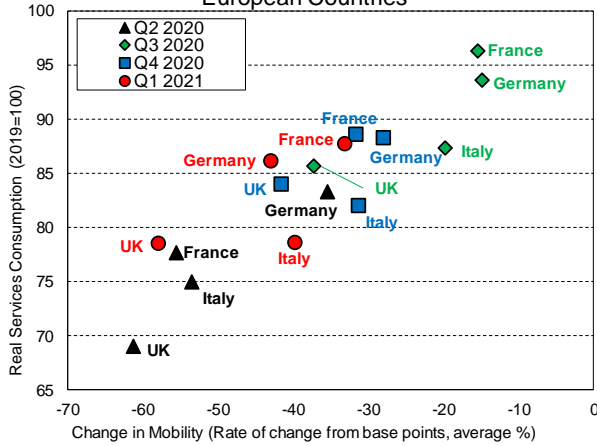
On 19 July, the UK government moved to the fourth and final stage of the lockdown which began in March. While the number of infections in the younger cohort increased from June, the distribution of vaccines has seen the number of hospitalisations of over 65s (who are at a higher risk of becoming severely ill) remain low (Chart 2, upper). Our view is that the UK government's strategy is now to "coexist with coronavirus" while pushing forward with the economic recovery.

Nevertheless, we expect some economic activity to remain at its current subdued levels even with the low number of hospitalisations. For example, in London, while car usage returned to its pre-pandemic levels in April, underground rail (Tube) usage slowed from its initial rebound as infections increased again, remaining at 50% compared to a pre-pandemic baseline (Chart 2, lower). As well as personal caution, there is still a cautious view towards the lifting of restrictions at the local government level. For example, the Mayor of London (opposition, Labour Party) decided to continue pandemic-related restrictions on public transport within the city. Mobility in the UK as a whole is about 70% of normal levels, which is still low when compared to major Eurozone countries (where the figure is now around 90%). The possibility that any return to services consumption and mobility will remain restricted unless the pandemic subsidies cannot be ignored.

Other countries have the same intention to promote vaccination coverage and normalise economic activity which means that many governments will be following the outcome of the UK's approach when looking at the future of their own economic and policy decisions. Therefore, we can say that the success or failure of the UK's decision to lift restrictions while cases remain elevated may be important for the outlook in other countries. It is certainly worth keeping an eye on how British consumers behave now that they have been allowed to make

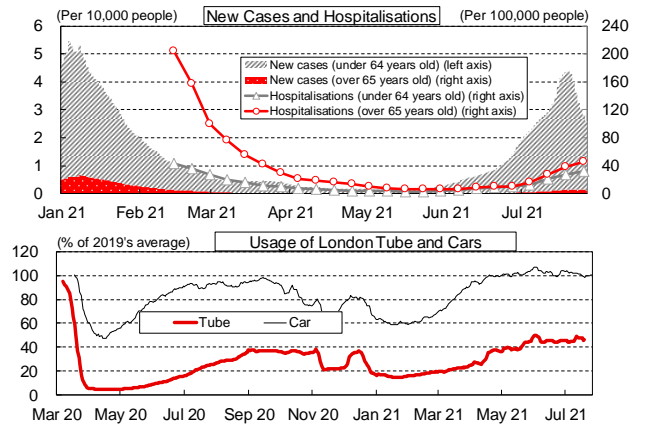
their own informed decisions about how to manage the virus amid continued uncertainty around the evolution of the pandemic.

Chart 1: Mobility and Services Consumption of Major European Countries



Source: National Statistics, Google, MUFG Bank Economic Research Office

Chart 2: UK Infection Rate and Usage of Transportation



Note: The number of new cases and new hospitalisations is based on data for England rather than the UK as a whole.  
Source: ONS, NHS, Department of Transport, MUFG Bank Economic Research Office

Translated by Rebecca Whitter

For further details, please contact the Economic Research Office, MUFG Bank

Managing Director, Rei Tsuruta Tel: +81-(0)3-3240-3204

Written by Takasuke Tanaka <takasuke\_tanaka@mufg.jp>

This report is intended for information purposes only and shall not be construed as solicitation to take any action such as purchasing/selling/investing financial market products. In taking any action, each reader is requested to act on the basis of his or her own judgment. This report is based on information believed to be reliable, but we do not guarantee its accuracy. The contents of the report may be revised without advance notice. Also, this report is a literary work protected by the copyright act. No part of this report may be reproduced in any form without express statement of its source. This report is also available for viewing online.