

UK in record recession as social catastrophe looms

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The UK is officially in the worst recession on record. Having recorded two consecutive quarters of declining GDP, Britain's economy is the same size as it was in 2003, smaller than the lowest point reached during the 2008-9 financial crisis. The response of the Johnson government and the employers will be a brutal assault on the living standards of the working class.

After a fall of 2.2 percent in the first three months of the year, the UK economy plunged by more than a fifth (20.4 percent) in the next three months to the end of June. This is the biggest quarterly decline since records of similar statistics began to be kept in 1955. It is the worst experienced by any of the G7 nations—roughly double the decline suffered by Germany and the United States.

Britain has been especially hard-hit, in part due to the structure of its economy, heavily weighted towards the services sector, which accounts for 80 percent of output. Largely consumer-facing, this sector has been especially affected by social distancing and lockdown measures, and by the caution shown by the population in response to the COVID-19 virus.

Consumer spending was down 27.7 percent in May and was still 14.5 percent lower than a year earlier in June. Visits to retail destinations were down 39.4 percent last month nationally and down 69 percent in central London, which is more heavily dependent on tourists and office workers.

Services fell 19.9 percent last quarter—accounting for three quarters of the fall in total GDP—and recorded a relatively low uptick of 7.7 percent month-on-month in June. Manufacturing fell by 16.9 percent, followed by an 11 percent climb. Construction collapsed by 35 percent but has since jumped 23.5 percent.

Overall, including growth registered across the economy in May (2.4 percent) and June (8.7 percent) as

public health measures were recklessly lifted, GDP is now 17.2 percent below its February level. The Bank of England (BoE) forecasts an annual fall for 2020 of 9.5 percent, the deepest drop since 1921 in the aftermath of the First World War, amid the collapse of British imperialism's commanding world position.

The BoE predicts the recovery of GDP to slow significantly after the initial rebound, with output only reaching pre-pandemic levels at the end of 2021.

Things could be worse still. In May, the BoE forecast a 14 percent collapse in GDP, the worst recession in 300 years. The improved outlook was prompted by the earlier than expected easing of the lockdown and a more rapid pickup in some areas of consumer spending. However, the BoE is warning of "downside risks," including a resurgence of COVID-19 that is guaranteed by the reckless ending of the lockdown.

The Office for National Statistics (ONS) has highlighted the risks posed by a lasting lag in business investment, down 31.4 percent since the first quarter, as nonessential spending is cut or postponed, especially in consumer-facing industries. Tom Stevenson, investment director at Fidelity International, told the *Guardian*, "No one knows exactly what the recovery from coronavirus will look like—particularly with the potential for a second wave of infections and further local lockdowns—but it is likely that it will be a slow crawl towards pre-COVID levels."

The BoE is also worried about unemployment and the impact of job insecurity on spending. UK payrolls dropped 730,000 jobs between March and July, according to the ONS, and vacancies are 45 percent lower than a year earlier. The number of people claiming out-of-work benefits reached 2.7 million in July, double the level before the pandemic.

This situation will worsen dramatically after the

government furlough scheme is ended in October. Around five million people were still on the scheme in June, according to the ONS. The *Financial Times* quotes Gerwyn Davies of the Chartered Institute of Personnel and Development (CIPD) saying, “A real concern is that this is just the first wave of bad news for the jobs market,” and Capital Economics consultancy’s Ruth Gregory warning, “This is just the lull before the storm.”

Research by the CIPD and recruiter Adecco, reported Monday, found a third of employers intended to make redundancies between July and September. The BBC obtained figures showing the number of firms notifying the government in June of their intention to cut 20 or more jobs was five times higher than in the same month last year.

Brexit and the prospect of higher tariffs in Europe paid by British companies are listed as another risk factor.

Even taken together, these warnings and announcements are only a snapshot of a developing crisis of British capitalism, itself only a specific manifestation of a world breakdown centred on the failure of the capitalist system to deal with the COVID-19 pandemic. The virus is out of control across the Americas and in resurgence across the world. Chancellor Rishi Sunak is reportedly considering delaying his autumn Budget until spring in the case of a new series of local lockdowns and a spike in coronavirus cases.

The content of the government’s economic plans, however, is already clear. Sunak told the BBC after the official figures on the recession were announced: “I’ve said before that hard times were ahead, and today’s figures confirm that hard times are here. Hundreds of thousands of people have already lost their jobs and, sadly, in the coming months many more will. But while there are difficult choices to be made ahead, we will get through this and I can assure people that nobody will be left without hope or opportunity.”

Workers have heard all this before. It will be followed by calls to “tighten belts” and “sacrifice” in the national interest. Mass unemployment, on a scale not seen in decades, will be used to enforce vicious cuts to wages and conditions. As in the crash of 2008-9, government debt will be used to justify the evisceration of essential social services.

The working class must reject all such demands. Only they are called on to make sacrifices. Trillions have already been handed to the super-rich globally, on the pretext of confronting a public health and economic catastrophe of capitalism’s own making after years of worsening social inequality, financial parasitism, and assaults on the social conditions of the working class. Now the pandemic rages on, and a further historic collapse in living standards is in preparation.

The money and assets looted by the super-rich must be reclaimed by the working class, and the corporations taken into public ownership, turned towards socially useful production, and placed under democratic control.

In the Labour Party and the trade unions, workers confront a hostile force that has worked hand-in-glove with the Conservative government throughout the pandemic and will continue to do so as the economic crisis deepens. A fightback against them all demands the formation of rank-and-file committees of workers, and the building of the revolutionary party, the Socialist Equality Party, to lead a struggle for socialism.



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