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LONDON: Britain's Chancellor of the Exchequer Rishi Sunak gestures as he takes a pancake from a stall at the London Wonderground comedy and music festival venue in London. —AFP

UK economy rebounds in second quarter

Britain's largest business lobby group warns of a bumpy road ahead

LONDON: Britain's economy rebounded 4.8 percent in the second quarter as the government began relaxing lockdown restrictions, official data showed yesterday. The strong growth recovery was fuelled by consumer spending, while the government continued to provide massive financial support by for example paying the bulk of private sector wages. But the rebound faces challenges as a jobs protection program is set to end in September and global supply chain bottlenecks persist.

Gross domestic product had fallen 1.6 percent in the first three months of the year, the Office for National Statistics (ONS) added in a statement. "Today's figures show that our economy is on the mend showing strong signs of recovery," finance

minister Rishi Sunak said in a separate statement.

Total UK output however remains 4.4 percent lower compared with before the coronavirus pandemic, or final quarter of 2019. The ONS, providing also its latest monthly data, said the UK economy grew 1.0 percent in June, before England lifted nearly all lockdown restrictions from July.

Markets are looking closely at both growth and inflation data as nations emerge from lockdowns following vaccine rollouts. Analysts warn that strong price rises could force central banks to hike interest rates sooner than expected, hindering the recovery.

'Challenges emerging'

Pressure eased Wednesday however after official

data showed US inflation had cooled slightly.

The outlook could be bumpy, analysts warn, as the government next month ends its furlough scheme that has kept millions of Britons in work during the pandemic. And while the Bank of England last week maintained its forecast for the UK economy to rebound 7.5 percent this year, returning to its pre-pandemic level, it had forecast a 5.0-percent rebound in the second quarter. Britain's largest business lobby group, the CBI, warned of a bumpy road ahead following yesterday positive data. "Growth bounced back over the second quarter as restrictions on activity were gradually lifted, underscoring that tackling the pandemic goes hand-in-hand with supporting economic growth," noted CBI economist Alpesh Paleja. "Yet

challenges to the recovery are emerging. Several supply bottlenecks have likely taken the edge off growth over the summer: a shortage of raw materials and semiconductors, continuing global supply chain disruption and staffing shortages." Britain's recovery comes amid its fast-paced vaccination program that has seen nearly 89 percent of adults given at least one dose, while close to two-thirds are now fully jabbed.

The UK government on Wednesday said it will offer coronavirus vaccinations to all 16 and 17 year olds, but not to younger healthy teenagers as in many other Western countries.

It comes amid worries about the fast-spreading Delta variant of the coronavirus that has forced some nations to reimpose lockdowns. —AFP