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UK heading for a technical recession

Economics

By Chris Salih and Joanne Ellul

The National Institute of Economic and Social Research has warned that the UK economy is set to enter recession in the first half of this year.

The thinktank says it ex-

pects the economy to shrink by 0.1 per cent this year and has called on the Government to temporarily ease spending cuts to promote growth.

A recession is traditionally defined by an economy recording two consecutive quarters of economic contraction.

Official figures in January showed the UK economy shrank by 0.2 per cent in the final quarter of 2011.

NIESR says: "We forecast a return to technical recession in the first half of this year, as households continue to retrench, credit conditions

remain tight and businesses are reluctant to invest, given uncertainty about both domestic and foreign demand."

It expects the UK economy to grow by 2.3 per cent in 2013.

Jonathan Davis Wealth Management managing director Jonathan Davis says: "As

far as I am concerned, we are in recession now. We will have not much more than 1 per cent annual growth at best over the next 20 years. We remain in a long-term bear market for property and we continue to be in a long-term bull market for bonds."