Press Release

London - 09 November, 2018

Ana Boata, Senior European Economist at Euler Hermes, the world's leading trade credit insurer, said:

"The rebound in UK economic growth in Q3 was triggered by a number of temporary factors including contingency planning in light of the uncertainty on the Brexit deal by March 2019.

"We expect GDP growth to fall to 0.2-0.3% in Q4 as tightening financial conditions, weaker consumer confidence and more fragile business profitability take their toll on the UK economy. The drag on growth from the Brexit related uncertainty will remain and will hinder investment opportunities.

"Some UK companies will increasingly look for domestic suppliers in order to protect their margins, notably in those sectors where dependency on imports is high, such as automotive, chemicals, machinery and equipment, retail and agri-food. Some local capacity will be freed-up by an increasing number of EU companies which start to switch from UK to EU suppliers.

"We predict annual GDP growth will decelerate to +1.2% in 2019 (from +1.3% in 2018) compared to +1.7% from the Bank of England and +1.6% by the Office for Budget Responsibility.

"The enduring uncertainty over the UK's future trading relationship with the EU will continue to weigh heavily on corporate investment and the value of sterling, even if the government secures a last-minute agreement with the EU. As a result, we only expect the Bank of England to deliver on +25bp rate increase next year, with Q2 the most likely timeframe."

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