

# UK and Japan Faces Economic Downturn: Recession Follows Period of Stagnation

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## The United Kingdom

According to data from the Office for National Statistics (ONS), the UK economy entered a technical recession in the second half of 2023. Following a period of weak growth and rising costs, this is a significant setback for the economy. The GDP decreased by 0.3% in the fourth quarter of 2023, following a 0.1% decline in the previous quarter. The two consecutive quarters of economic contraction are typically used to characterize a technical recession. There are multiple reasons behind the current economic downturn. An uncertain economic environment has been brought about by the impacts of COVID-19, the ongoing conflict in Ukraine, and interruptions to the world's supply chains. The UK's exit from the European Union, is still looming large, with regulatory obstacles and ongoing trade conflicts compounding the uncertainties.

While the recession normally increases unemployment, the UK's recession is more of a signal of the pressures that individuals and businesses are facing, as well as an obstacle to the government's promises to stimulate economic recovery. The announcement comes as a setback to Prime Minister Rishi Sunak, who faces a general election later this year and promised to prioritize economic growth to voters. The UK's recession requires a multifaceted approach, including immediate relief through targeted fiscal support and long-term investments in multiple sectors to control inflation and prevent recession. Structural reforms and international cooperation are essential for sustainable recovery.



## Japan

The decrease in domestic consumption has caused Japan's economy to suddenly decline, entering a recession and losing its ranking as the third largest economy in the world to Germany. The Cabinet Office reported that the gross domestic product (GDP) decreased in the last three months of 2023 at an annualized pace of 0.4%, following an annualized 3.3% contraction in the previous quarter of the year. Among the currencies used by the Group of 10 industrialized nations, the yen has performed poorly, falling 6.6% against the US dollar since the beginning of the year. The weakening of the Japanese yen relative to the dollar is being considered as the major cause of Japan's economic downturn. Gita Gopinath, the deputy chief of the IMF, at a press conference in Tokyo in February 2024 also said, "An important reason for Japan potentially slipping in the rankings was the yen falling by about 9% against the US dollar last year." Therefore, if the yen strengthens, the nation might regain its position.