

RECESSION ENDS AMID OLYMPIC GAMES BOOST

Sky News

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..The Olympic Games delivered a final medal for Britain today when it was confirmed that strong ticket sales helped the UK exit the longest double-dip recession since the Second World War.

In its first estimate of how the economy performed in the third quarter of 2012, the Office for National Statistics (ONS) confirmed a return to growth of 1% over the three months following a 0.4% contraction in GDP in the previous period.

That was higher than analysts had expected and the strongest quarter of GDP growth for five years meaning the economy has grown 0.3% so far this year but is still 3.1% below its peak in the first quarter of 2008.

In addition to Olympics ticket sales, which contributed 0.2% to the overall performance, there was a rebound from the previous quarter when an extra Bank Holiday to celebrate the Queen's Diamond Jubilee dented economic output.

The Games also helped lift a range of other services including employment agencies, creative arts, office administration, accommodation and food and beverages.

Overall the service sector, which takes in 75% of the UK economy, grew by 1.3% in the period while industrial output grew by 1.1%.

But construction, which accounts for just over 7% of GDP, contracted by 2.5% as low confidence meant new projects remained thin on the ground.

The return to growth is good news for the Government which remains under pressure to do more to stimulate growth amid its austerity drive.

The Treasury released reaction from Chancellor George Osborne via Twitter. He said: "There is still a long way to go but these figures show we're on the right track and are a sign the economy is healing."

"We've cut the deficit by a quarter, over one million jobs have been created in the private sector, inflation is down and the economy is growing.

"Yesterday's weak data from the eurozone were a reminder that we still face many economic challenges at home and abroad.

"By continuing to take tough decisions to deal with debt & equip our economy we are laying the foundations for lasting prosperity."

Shadow Chancellor Ed Balls admitted it was good news that the economy had returned to growth but said it needed an injection of confidence to deliver a sustainable recovery.

He said: "Today's figures show that underlying growth remains weak and that our economy is only just back to the same size as a year ago - twelve months of damaging flatlining which has seen borrowing rise in the first half of this year.

"And with living standards falling, more tax rises on the way, small business lending down and the eurozone still in crisis, it would be very unwise of David Cameron and George Osborne to just sit back, cross their fingers and hope for the best.

"The cautious thing to do is to act now to secure and strengthen growth in our economy."

He concluded: "A one-off boost from the Olympics is welcome. But it is no substitute for a plan to secure and sustain the strong recovery that Britain desperately needs if we are to create jobs, get the deficit down and make people better off."

The better than expected growth now makes it less likely that the Bank of England will look to extend further its policy of Quantitative Easing next month, when most economists had predicted further asset purchases to boost money supply further.

The bank has spent £375bn to date on its asset purchase scheme and its Monetary Policy Committee may decide to adopt a 'wait-and-see' approach at its next meeting.

But Citigroup economist Michael Saunders told Sky News it was clear the UK faced "serious headwinds" ahead and the possibility of a 'triple-dip' recession could not be ruled out because of remaining weaknesses and the threat from the Euro area.

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