

# Could a recession be the reset we need?

The UK economy is an uncertain place right now. The economic landscape has suffered through Brexit, the pandemic and a raft of leadership changes. The pound's downward spiral caused business confidence to plummet and now the Bank of England has warned that the UK is facing its longest recession since records began, with the economic downturn expected to extend into 2024 - that's eight consecutive quarters.

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Sunak's commitment to stability provides some relief, but significant economic and fiscal policy changes still lie ahead.

Clearly the global economy needs a correction and that begs the question: could the looming recession actually be our saving grace?

## The economy needs a reboot

Recession is - obviously - bad. Companies are required to be financially prudent, which can in turn lead to fewer jobs and higher unemployment. This is especially painful at a time when prices are increasing at their fastest rate since the 1980s.

For businesses, the past 14 years of ultra-low interest rates and increased money supply through quantitative easing have been a great opportunity for growth.

The pandemic, however, created a shockwave in global markets and supply chains. Inflation spiralled and as a result, interest rates are going back up quickly. The Bank of England has also taken the unprecedented move to start selling its gilts, thereby reducing money supply and leaving no room for complacency in the world of business.

In the short term, these inflation-fighting tactics will limit growth. But looking further ahead, they hold the key to rebooting the economy and levelling the playing field, which benefits both sides. Healthy businesses will be better off and employees will have the security of a stronger, more competitive job market, which will in turn drive wage growth and increase job satisfaction.

## How businesses can prepare to weather the recession using FX markets

Whilst the recession will be devastating for some businesses, there are things leaders can do to navigate this period and even grow.

For example, the pandemic saw agile business models thrive. Research, from McKinsey & Company, showed that companies which re-examined their priorities by focusing on setting objectives and adapting to the industry landscape outperformed others. Applying that to an FX lens, we can adapt our strategy to match the constantly fluctuating markets.

Businesses can use these fluctuations to their advantage, it's key they don't panic at the first sign of turbulence and plan ahead. As an FX Dealer, I've seen how essential this is. We ensure customers have a strong policy in place that sets out the risk that their business can take on in FX markets, and the clear methods to reduce that risk as needed.

Working alongside an FX partner, such as Moneycorp, gives businesses support as well as access to the different strategies and expertise to weather the storm ahead.

If businesses can continue to become more agile in their approach, and surround themselves with support, they'll be able to navigate the peaks and troughs of this turbulent market.

# For individuals the recession will bring hardship

Every touchpoint of our lives has been impacted by the recent turbulence: housing costs, energy, and now food prices. For example, two-year mortgage rates hit a 14-year high in October 2022, as it was announced they'd surged to 6.07% – the highest since 2008. Brits need a dramatic improvement which supports growth in the long term.

To enable sustainable growth, one interesting theory is that the UK Government should focus on well-being statistics rather than GDP as a measure of growth. We've already seen how businesses that invested in wellbeing have grown since the pandemic.

According to this argument, we should be focusing on targets including higher-quality education and healthcare, housing availability and affordability, and reducing the growing income gap between the richest and poorest. It makes sense when we think about how, post-pandemic, eight in ten people in the UK and US completely altered their behaviours and attitudes around everything from work to home, family and finance. It was an unprecedented reset in favour of wellbeing – and it's one that could be repeated in the wake of a recession.

Whilst initially incredibly tough, a recession could allow the fundamentals that are harming the economy to be broken down. A commitment to shift the focus to the wellbeing of the overall population could naturally boost GDP whilst encouraging sustainable growth – making the country a better place to live, for the long term.

## Short-term pain, long-term gain

The UK's economic turbulence has sent shockwaves through the global economy. The fundamental reasons for this turmoil – poor decisions and shock changes in leadership – still exist, creating a rocky path for businesses.

Right now, the UK's businesses and public are suffering with the continued descent into recession. But that means that now more than ever, as we navigate the chaos in front of us, we take this moment to assess the long-term opportunities and what we want for our future.

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