THE INFLUENCE OF MODERN CRISES ON THE UK ECONOMY

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This article examines the impact of the current crisis in the UK economy. During the analysis, 3 main problems were identified: Brexit, the pandemic and the military operation in Ukraine. These factors had a negative impact on the main macroeconomic indicators. The UK's GDP declined, and the economy is recovering slowly. The UK's trade turnover is declining, and there is a significant outflow of foreign direct investment in the country and this is not all the consequences of the crisis. Economic recession is very impressive and the situation needs to be urgently corrected.

Key words: economic crisis, Brexit, COVID-19, GDP, recession, currency exchange, pandemic.

After years of political debates following the Brexit vote in June 2016, the UK officially left the EU on January 31, 2020. Recently Prime Minister Boris Johnson has described the £660 billion deal as his Christmas gift to the country, which will allow the UK to regain control of its own laws while avoiding trade tariffs or quotas. However, economists agreed long ago that Britain's exit from the world's largest trading bloc will have a negative impact on the economy, but how much worse is the country's situation two years after the exit and a year after the conclusion of a trade deal?

It all started by the 2016 Referendum, when the British voted to leave the EU. The economic consequences of the Brexit vote first manifested themselves in financial markets: on the night of the referendum, the pound experienced the largest one-day drop against any of the four major world currencies since floating exchange rates were introduced in the early 1970s. And this decline turned out to be keeping.

The problems associated with Brexit, namely the loss of access to the internal European market and the lack of compensation, caused a significant decrease in the total volume of trade between the UK and the EU. Brexit barriers to trade have cost the UK almost 13 billion pounds, or about 16% of its previous trade turnover, the CER Research Institute found. In order to diversify its business partners, the UK has signed 29 trade deals, in place of the 40 deals in which it automatically used to participated as an EU member state. Compared to pre-pandemic levels, the total value of UK exports decreased by 0.7% from 27.2 billion pounds in February 2020 to 27 billion pounds in

November 2021. Bilateral trade between the UK and the EU decreased by 3.5% [1].

This decline in the months following the signing of the EU-UK free trade agreement indicates that it will be difficult for the UK economy to recover as quickly as other advanced economies, especially given that the EU remains its largest trading partner. After the publication of the free trade agreement between the EU and the UK in December 2020, exports and imports to the EU decreased by 45.5% and 32.5%, respectively, in January 2021. And the country has a structural trade deficit, despite the fact that it has an impressive surplus in the services sector. According to WTO data, in 2019, the United Kingdom imported goods worth 695.8 million US dollars and exported 469.6 million US dollars; in the same year, exports of services amounted to 411.8 billion US dollars against 279.1 billion US dollars of imports. World Bank data show that the overall trade deficit in 2019 amounted to 1.1% of GDP. The ONS reports evidence that, for example, a shortage of carrier drivers is holding back the development of industries from pharmaceuticals to electric lighting [1].

The fall in GDP is another significant indication of the impact of Brexit. In 2020, the UK's GDP shrank by 9.7%, which is one of the sharpest declines in GDP among industrialized countries [2].

Research shows that the UK economy at the end of 2019 was about two to three percent smaller than it would have been if the UK had voted to remain in the EU. But Brexit is not the only problem. The second event that has greatly affected the British economy is CVOVID-19. During the first quarantine in April 2020, UK GDP was 25% lower than two months earlier, in February [2]. Economic activity increased in the spring and summer of 2020 due to the openness of the economy. This was followed by an increase in the number of COVID-19 cases and further quarantines during the autumn and winter, which led to another drop in GDP. However, the decline was noticeably less severe than during the first quarantine, as consumers and businesses adapted to the new conditions in the previous year. A strong recovery in the spring of 2021 led to significant GDP growth, which, however, slowed down in the summer and autumn. As of October 2021, GDP was still 0.5% lower than before the pandemic [2].

It is worth noting that according to the British Office for Budget Responsibility (OBR), the long-term consequences of Brexit will be worse for the UK economy than the consequences of COVID-19. The OBR estimates that Brexit will reduce the potential GDP of the UK by 4%, while the pandemic will lead to a fall of 2%. GDP and COVID-19 came in the UK almost simultaneously. Given how closely the UK's exit from the EU was followed by the beginning of the Covid-19 pandemic, it is difficult to accurately determine the direct impact of each event on the economy, but together they impressively hit all indicators.

According to the ONS, the UK consumer price index rose by 4.8% in the 12 months to December 2021, compared with 4.6% in the 12 months to November. This is the highest 12-month inflation rate since September 2008, which was caused by an increase in housing and transport costs [3].

In 2020-21, the number of projects involving FDI decreased by 17% compared to the previous year [3]. The UK's investment attractiveness has suffered from the effects of COVID-19 and the uncertainty surrounding Brexit ahead of the signing of the EU-UK free trade agreement at the end of 2020.

Brexit and COVID-19 led the UK economy to a plunge, and with the onset of the fuel crisis, the situation became even worse. In the between Russia-Ukraine crisis, the UK stands on the side of Ukraine, imposing sanctions against the "enemy", which entails retaliatory strikes. It is worth noting that tensions between Russia and Ukraine are keeping gas prices at a high level, and households in the UK are suffering from a cost-of-living crisis. The sharp rise prompted the country's energy regulator to raise the upper limit on energy prices by 54% from April 2021, as supply-side problems continue to put upward pressure on costs. After the financial crisis, Brexit and Covid, as well as the consequences of the conflict in Ukraine, dealt a serious blow to the UK economy and plunged many households into crisis. Meanwhile, the Bank of England has practically signed its own impotence.

"I'm just worried about poverty, hardship, suffering and misunderstanding that a significant part of our population simply will not be able to afford to turn on the heating, pay the weekly food bill," worries former Prime Minister Gordon Brown.

At the moment, the UK economy is at the stage of overcoming the worst recession since 1709. Forecasts about what awaits the UK in the future are diverse and contradictory. Only time will tell which of them was closer to the truth.

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