

## News in Review

17 February 2021

*"The economy is poised like a coiled spring. As its energies are released, the recovery should be one to remember after a year to forget"*



**As the UK endured icy temperatures last week, the Prime Minister appealed to the two million people from the first four priority groups yet to receive a vaccination, to come forward for their jab.**

The government successfully met its target for vaccinating 15 million of its most vulnerable people, by Monday. The PM described the achievement as a "significant milestone", adding "It has been a truly national, UK-wide effort. We have done it together." The rollout has now been expanded to over-65s and the clinically vulnerable; on Tuesday there was an announcement that an extra 1.7 million vulnerable were to be added to the shielding list. By 16 February, over 15.5 million people had received a first dose.

Hotel doors opened on Monday, for British and Irish citizens arriving in England who are required to quarantine for ten days. In Scotland, quarantine is required when arriving from any country.

Nicola Sturgeon confirmed on Tuesday that there will be a phased return to school in Scotland for younger pupils, starting from next Monday. A roadmap for relaxing lockdown is set to be announced by the Prime Minister on 22 February.

### **UK economy – poised for a rebound?**

Data released last week by the Office for National Statistics (ONS), detailed that the UK economy contracted by 9.9% in 2020, the largest annual fall in UK GDP (gross domestic product) on record. In Q4, GDP is estimated to have grown by 1.0%, following growth of 16.1% in Q3. Increases in output were evident in construction, services and production, during the final quarter of 2020, although the output of

these industries remained below Q4 pre-pandemic levels. Jonathan Athow, Deputy National Statistician at ONS, commented, "An increase in COVID-19 testing and tracing also boosted output. The economy continued to grow in the fourth quarter as a whole, despite the additional [lockdown] restrictions in November." After a monthly contraction of 2.3% in November, the economy grew by 1.2% in December, avoiding what could have been the first double-dip recession since the 1970s.

Meanwhile, Chief Economist at the Bank of England, Andy Haldane has made a prediction that the economy will enjoy a rapid bounce back from the current lockdown, explaining, "The economy is poised like a coiled spring. As its energies are released, the recovery should be one to remember after a year to forget." Mr Haldane expects, that due to the vaccine rollout, health concerns would dissipate, and restrictions reduce, meaning consumer confidence should surge back, leaving the economy firing "on all cylinders" by the springtime. In justifying a rapid bounce back, he added, "Having been bottled in for a year, most people are desperate to get their lives, including their social lives, back. When given the opportunity to do so safely, they will seize it." He also indicated it's likely that many companies who have managed to build up their finances during the pandemic, may be looking to invest as restrictions ease, which would be, "Good news for jobs, helping to recover some of the million lost so far in this crisis. And it would be good news for business investment too, helping companies boost their performance and productivity – and, ultimately, the pay of their workers."

### **'Equivalence' regime for share trading yet to be agreed**

It was reported last week that, during January, as Brexit-related changes to finance rules commenced, London was ousted by Amsterdam as the largest European trading centre. Daily, around €9.2bn of shares were traded on Amsterdam exchanges, versus €8.6bn in London. From last month, EU-based banks purchasing European equities are unable to trade via the capital. Talks are underway to agree an 'equivalence' regime, whereby the UK and Europe would recognise the other's regulations. Last week, a Downing Street spokesperson commented on the issue, "Despite the fact that we've supplied all of the necessary paperwork and are one of the world's most preeminent financial centres, with a strong regulatory system, the EU still haven't granted us full equivalence."

### **US news**

Over the weekend, Donald Trump was formally acquitted of inciting insurrection on 6 January, prior to the Capitol riots. The vote was largely split along party lines; despite seven Republicans joining Democrats and two independents in voting to convict, the final vote fell short of the two-thirds majority needed.

US stocks closed near highs last week as Jerome Powell, Federal Reserve Chairman, confirmed that accommodative monetary policy remains necessary to combat the economic uncertainty caused by the pandemic.

### **Here to help**

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.

***The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.***