

News in Review

19 May 2021

"I do not believe on present evidence that we need to delay our roadmap"



Despite concerns growing over the spread of the Indian variant, as clusters of the B.1.617.2 continue to be discovered across the UK, at a Downing Street briefing last Friday, Boris Johnson confirmed the planned phase three easements would proceed on 17 May, "I do not believe on present evidence that we need to delay our roadmap, but I have to level with you that this could be a serious disruption to our progress and could make it more difficult to move to step four in June."

In areas where the variant is spreading, eligible people are being urged to get vaccinated and the army have been deployed to implement mass and surge testing. In Scotland on Friday, First Minister Nicola Sturgeon announced that Glasgow and Moray will remain under level three restrictions for at least another week, after initial research suggested an outbreak in the south side of Glasgow was being driven by the Indian variant.

As lockdown rules ease in England, Wales and most of Scotland, people are now able to hug loved ones, socialise indoors in limited numbers, and visit pubs and restaurants inside, amongst other activities. The ban on foreign travel has been lifted and replaced with the traffic light system, although people in Wales have been asked to only travel for essential purposes from 17 May. In Scotland, Nicola Sturgeon has urged people to "err on the side of caution and to staycation this summer." In Northern

Ireland, lockdown rules are scheduled to be reviewed later this week.

UK economy gathers momentum

Data released shows the UK economy contracted by 1.5% in Q1 2021, following growth of 1.3% in Q4 2020. As lockdown restrictions began to ease, robust retail spending boosted economic activity in March, with the economy estimated to have grown by 2.1%, the fastest monthly growth since August 2020. There are various expectations that the economy is set to strongly rebound this year. Chief Economist at the Institute of Directors, Tej Parikh, predicted the UK economy was now on course for a bumper bounce-back this year, "The first quarter should mark the low point for the economy in 2021. The lockdown and added costs of navigating new trading terms with the EU, limited many businesses' trading activities at the start of the year."

However, there are concerns about the long-term damage caused by the pandemic. Head of Economics at the British Chambers of Commerce, Suren Thiru commented, "The first quarter decline should be followed by a robust rebound in the second quarter, as the effects of the release of pent-up demand, as restrictions ease and the strong vaccine rollout, are fully felt. However, with the longer-term economic damage caused by coronavirus likely to increasingly weigh on activity as government support winds down, the recovery may be slower than many, including the Bank of England, currently predict."

Last week, Bank of England Economist Andy Haldane said the UK economy is set to grow at its fastest pace since the Second World War, overtaking the US, he summarised, "A year from now, it is realistic to expect UK growth to be in double-digits, activity to be comfortably above pre-COVID levels and unemployment to be falling. Such a tennis ball bounce in the UK economy would put it at the top of the G7 growth league table."

In other economic news, the latest employment data released this week from the Office for National Statistics (ONS), shows that the unemployment rate in the UK reduced to 4.8% in the three months to March, down from 4.9% in February.

US inflation surges - markets react

Last week, the US Labor Department released a report outlining a surge in inflation in April, as the economic recovery picked up. Consumer prices increased by 4.2% in the 12 months through to April, up from 2.6% in March, marking the biggest increase since September 2008. Stock markets reacted negatively as concerns intensified that higher inflation could lead the US central bank to raise interest rates more quickly than expected. Markets have since rebounded as these concerns subside, and investors focus on the reopening of economies following restrictions.

Here to help

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