

News in Review

14 July 2021



"We think now is the right moment to proceed"

In Monday's Downing Street briefing, Prime Minister Boris Johnson confirmed that almost all remaining coronavirus restrictions will lift on Monday 19 July, despite cases and hospital admissions rising, as it was felt that a further delay could risk a bigger surge in the autumn. Although stating "We think now is the right moment to proceed", he added that life will not "revert instantly" to normal, urging that we must proceed "with caution." The government continues to 'expect and recommend' the wearing of face masks in crowded indoor places and guidance will be provided on a gradual return to offices and workplaces.

First Minister Nicola Sturgeon, announced on Tuesday that Scotland will proceed to level 0 of the five-tier system next week, adding, "We are easing restrictions next week, but we are not abandoning them." In Wales, Ministers will announce any changes to restrictions on 14 July. The Northern Ireland Executive has agreed that more restrictions are likely to be lifted on 26 July, subject to ratification by Ministers on 22 July.

Economic growth slows in May

Data released last week by the Office for National Statistics (ONS), shows that the economy grew at a slower pace than anticipated during May, expanding by just 0.8%. Disruptions to car production offset a rebound in the hospitality sector as restrictions eased, allowing restaurants

and pubs to serve indoors. The service sector grew by 0.9% in the month; food service and accommodation activities, including hotels, grew by just over 37%.

Despite being the fourth consecutive month of growth, it was a slowdown from the growth of 2% in April. Some of the sectors particularly weighing on growth include carmakers and construction firms. Shortages of microchips have proved problematic for car production and the manufacture of transport equipment fell by 16.5%. The wet weather in May adversely impacted construction firms, who lost working days. The economy is currently 3.1% below pre-pandemic levels.

Sunak urging younger workers back to the office

Chancellor of the Exchequer Rishi Sunak, spoke last week about the impact of remote working on those in the early stages of their careers, describing it as "not great" because face-to-face interactions for this group are particularly "valuable." As the economy reopens and people are encouraged to return to their offices as restrictions ease, he said it's "really important" especially for younger staff to return. Optimistic about the prospects of recovery over the coming months, the Chancellor said that as restrictions lift, the economy's "engine is roaring" and "moving up a gear."

His valuation came amid various expectations of a summer consumer spending boom. In fact, in the Institute

for Fiscal Studies recent living standards report, the 'astonishing' return of real earnings growth and unemployment to pre-pandemic levels in the wake of major economic disruption, was highlighted. Focusing on UK labour market conditions, the report deduced, 'Overall, given the huge changes to the economy and the labour market in 2020-21, it may be considered remarkable how little change there was in many labour market indicators. While there were large increases in the proportion of people not working, the existence of the furlough scheme means that the proportion of people unemployed or inactive, and therefore completely without a job, has risen only modestly. Of course, this may change in the autumn of 2021, when the furlough scheme comes to an end and when unemployment is expected to rise.'

High street recovery

According to the British Retail Consortium (BRC), high street sales in Q2 were up by 28.4% compared to a year ago and were 10.4% up from 2019. BRC attributed the best three months on record to good weather in June and the Euro 2020 tournament. The report also found that online sales remained much higher than their pre-pandemic levels, suggesting the shift to online is 'here to stay.'

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