

News in Review

29 September 2021

'Against a backdrop of robust goods demand and continuing supply constraints, global inflationary pressures have remained strong'



In a unanimous decision, the Bank of England (BoE) Monetary Policy Committee (MPC) voted to maintain Bank Rate at its record low of 0.1% last week. The vote came as the supply chain crisis, largely driven by an ongoing shortage of heavy goods vehicle (HGV) drivers, shows signs of holding back economic recovery.

This certainly seems to be borne out by the MPC's latest forecast, which has revised expectations for Q3 growth down by 1% compared with its August projections. The Monetary Policy Summary of September outlined, *'Since the August MPC meeting, the pace of recovery of global activity has showed signs of slowing. Against a backdrop of robust goods demand and continuing supply constraints, global inflationary pressures have remained strong and there are some signs that cost pressures may prove more persistent.'*

The BoE also projected that inflation would reach above 4% in the final quarter of 2021, twice the target level of 2%, *'owing largely to developments in energy and goods prices.'* Soaring gas prices have so far caused nine suppliers to go bust this year, affecting nearly two million households. However, the MPC maintained its position that many of the factors driving current inflation levels will prove transitory, with inflation falling back to close to the 2% target over the medium term.

Expected to be addressed in the MPC's November report is the end of the furlough scheme on 30 September and

its impact on the labour market and economic recovery.

US economy defies rise in Delta cases

Rising COVID infections across the United States, attributed to the Delta variant of the virus, have not hindered economic recovery, it seems. This is according to the US Federal Reserve, which said the labour market was recovering and high levels of inflation - currently at 5.3% - will prove temporary. It said it may start cutting back on emergency economic support *'soon,'* but did not specify further.

The country has not been unaffected, however; the Federal Open Market Committee, responsible for setting US monetary policy, commented that increased cases were slowing the pace of recovery.

The US Central Bank remains cautious in its approach, stating that monetary policy and the course of the economy still depended largely *'on the course of the virus.'*

London - an investment powerhouse

Five years after the referendum results set the UK on the path to Brexit, the City of London still holds the lion's share of the European investment management market, according to a new report from the Investment Association. Its data reveals that London holds a massive 37% market share - larger than Paris (18%), Frankfurt (10%) and Zurich (8%) combined.

The world's second largest investment centre after the United States, the UK also remains an attractive hub for

overseas investment. The report shows that overseas clients accounted for 44% of total assets under management in the UK, or £4.2trn, as of the end of 2020.

In a year marked by economic turmoil, total funds under management for UK investors nevertheless rose by 11% year-on-year to stand at £1.4trn.

Market update

After a frenetic weekend in the UK, where the spiralling petrol crisis forced the government to suspend competition law to help oil companies work together to deliver fuel to petrol stations, the FTSE 100 held onto gains on Monday, as it benefited from a strong session for major oil stocks. On Tuesday, the FTSE 100 fell back as energy prices continued to soar, with the price of oil reaching a three-year high, stoking concerns that supply chain problems may prompt a slowdown in economic activity.

German election news

Preliminary results show the Social Democratic Party (SPD) claimed a narrow victory in the German election at the weekend. The verdict means that a coalition will need to be formed, with negotiations potentially taking months. With Germany taking over leadership of the G7 in January, the main parties want a new government in place by the end of the year. In the meantime, Angela Merkel will remain Chancellor.

Here to help

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