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News in Review

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"The global recovery continues, but momentum has weakened"

In its latest assessment of world economic prospects published on Tuesday, the International Monetary Fund (IMF) lowered its 2021 global growth forecast slightly to 5.9%. The international soothsayer also stated that risks to economic prospects have increased, while policy trade-offs have become more complex in the ongoing pandemic. IMF Chief Economist Gita Gopinath said, *"The global recovery continues, but momentum has weakened, hobbled by the pandemic."*

Supply chain adviser appointed

In the UK, during a week which saw continuing supply chain disruption and concerns over rising energy costs feature prominently across the news headlines, the Prime Minister appointed ex-Tesco boss, Sir David Lewis, as Chair of the newly created Supply Chain Advisory Group. The move was welcomed by business leaders, with CBI Director General Tony Danker describing it as *"a positive development which shows the government is willing to listen to and work in partnership with business to tackle current challenges."*

Job market recovery continues

Office for National Statistics (ONS) data released on Tuesday reported good news on the jobs front. The latest figures showed the number of payroll employees rose to a record level, while vacancies hit another all-time high and unemployment continued to fall. ONS Director of Economic Statistics Darren Morgan said, *"The jobs market has continued to recover with the number of employees on payroll in September now well exceeding pre-pandemic levels. Vacancies also reached a new one-month record in September, with our latest estimates suggesting that all industries have at least as many jobs on offer now as before the onset of COVID-19."*

Other data released last week also suggests the end of the furlough scheme on 30 September is unlikely to have triggered a fresh wave of redundancies. Although around a million workers were still believed to be on furlough when the scheme wound down, data from the Insolvency Service shows the number of redundancies proposed by employers in September was close to record low levels, with just 13,836 jobs reportedly at risk.

Starter salaries increasing

A survey released last week by the Recruitment and Employment Confederation highlighted the impact the current robust demand for workers is having on wages. The survey of 400 recruitment firms found the number of candidates available for jobs stands at a near-record low, with starting salaries for both permanent and temporary staff now rising at the fastest rate in the survey's 24-year history.

Separate data from ONS showed that average weekly earnings (excluding bonuses) in the three months to August were 6.0% higher than in the comparable period last year, down from last month's figure of 6.8%. ONS, however, again pointed out that the figures are being inflated by temporary factors and said their estimate of the current underlying pace of wage growth is between 4.1% and 5.6%. This compares with growth of around 3% just before the pandemic hit.

Rate rise speculation

The increase in employment and higher starter salaries has further raised the possibility that the Bank of England (BoE) may sanction an interest rate hike sooner than previously expected. The recent tone of the Monetary Policy Committee (MPC) has become more hawkish and last weekend one of its members, Michael Saunders, told households to get ready for *"significantly earlier"* interest rate rises as inflationary pressures mount.

While the case for a first post-pandemic rise has certainly strengthened, the BoE's new Chief Economist and MPC member, Huw Pill, said he still expects rates to remain at relatively low levels. In comments published last Thursday, Mr Pill admitted the *"magnitude and duration of the transient inflation spike is proving greater than expected"* but said he expects rates *"to remain at relatively low levels for the coming years."*

US Senate averts debt crisis

In the US last week, the Senate voted to temporarily raise the nation's debt limit by $480bn, thereby averting a historic default which analysts said would have devastated the economy. The breakthrough came after weeks of partisan fighting and less than a fortnight before the US would have been unable to borrow money or pay off loans for the first time in its history. The bill was approved by 50 votes to 48 following Republican Senate leader Mitch McConnell's decision to offer his support to the short-term extension.

Here to help

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