

## News in Review

19 January 2022

*"It's amazing to see the size of the economy back to pre-pandemic levels"*



**A raft of economic news landed in the last week or so, one of the most prominent being the latest UK gross domestic product (GDP) statistics from the Office for National Statistics (ONS), which highlighted that the UK economy surpassed pre-COVID levels for the first time in November – a significant milestone.**

Recording stronger-than-expected growth between October and November, UK GDP expanded by 0.9%, ahead of economists' expectations of 0.4% growth, buoyed by services, production and construction output, which all increased over the month. Rishi Sunak commented on the data, *"It's amazing to see the size of the economy back to pre-pandemic levels in November – a testament to the grit and determination of the British people."* Expectations signal lower subsequent growth following the spread of the Omicron variant and introduction of Plan B measures in England in December. Provided the December estimate does not fall by over 0.2%, and there are no data revisions made, Q4 2021 GDP will either reach or surpass its pre-COVID level.

ONS labour statistics released this week showed that the unemployment rate fell to 4.1% between September and November, close to pre-pandemic levels, while UK job vacancies reached a record high of 1.24 million between October and December. As inflation continues to bite, average pay rises are not keeping pace with the rise in the cost of living, the data reveals.

### **'The global economy is set to decelerate'**

From a global growth perspective, World Bank expectations released last week warn of slowing growth into 2023 as financial support is wound down and pent-up consumer demand disperses. Following anticipated GDP of 4.1% in 2022, the Bank expects it to slow to 3.2% the following year. The outlook highlights that the main threats to growth this year will be virus variants, including Omicron, supply bottlenecks and declining fiscal support. One of the key points emphasises the need for strengthening global cooperation to attain equitable vaccine distribution, address climate change and improve debt sustainability. The report goes on to summarise, *'The outlook is clouded by various downside risks, including new virus variants, unanchored inflation expectations, and financial stress. If some countries eventually require debt restructuring, the recovery will be more difficult to achieve than in the past... Social tensions may heighten as a result of the increase in inequality caused by the pandemic. These challenges underscore the need to foster widespread vaccination, enhance debt sustainability, tackle climate change and inequality, and diversify economic activity.'*

### **UK and India trade talks commence**

Trade talks kicked off last week between India and Britain, with UK Trade Minister Anne-Marie Trevelyan and her Indian counterpart Piyush Goyal meeting in New Delhi. It is intended that a free trade agreement will be signed by the end of the year, but a limited agreement could be finalised in the next few months. With India set to become the third largest global economy by 2050, Trevelyan has

called the prospect of a free trade deal with India *"an opportunity that we must seize to steer our partnership along the track of mutual prosperity for the decades to come."* Although the UK has made a post-Brexit deal with India, a free trade deal could almost double British exports to India and boost total trade between the countries by £28bn per year by 2035, it is estimated.

### **Markets**

The strong November GDP growth supported the FTSE last week, with sterling also climbing on the news. As the week progressed, some indices including those in the US, edged lower following remarks from Federal Reserve officials who signalled expectations that US interest rates could rise around March time, leaving markets considering tighter monetary conditions.

Building on the previous week's gains, the FTSE 100 reached a two-year high on Monday, primarily driven by banking, energy and basic resource stocks. GlaxoSmithKline also led UK stocks higher following the rejection of a third offer for its consumer healthcare division from Unilever.

On Tuesday, oil prices climbed to their highest since 2014 amid supply fears caused by global political tensions involving major producers such as Russia and the United Arab Emirates. Brent Crude closed the day trading at around \$87 a barrel.

### **Here to help**

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