

News in Review

17 August 2022

"These are challenging times"



In a week where droughts were officially declared across England, the Office for National Statistics' (ONS) latest assessment of the UK economy revealed tough economic conditions. In the second quarter, the UK's gross domestic product (GDP) fell by 0.1%, largely the result of a 0.6% monthly dip in June. According to ONS, June's poor reading was partly attributable to falling retail sales and the Queen's Platinum Jubilee Bank Holiday, which resulted in two fewer working days.

Despite the headline negativity, however, there were positive contributions from consumer-facing services, including tourism and the arts. Responding to the data, Chancellor Nadhim Zahawi ventured that *"the contraction is partly because of some of the COVID activities reducing but also real resilience in the private sector which actually in many ways bodes well."* "Nevertheless", he admitted, *"these are challenging times."*

Employment resilience

On Tuesday, the release of ONS employment data indicated a small quarterly drop in the Q2 employment rate, the first time this figure has fallen since 2020. Correspondingly, there was a small increase in unemployment, with the official rate now estimated at 3.8%.

Despite the quarterly rise, unemployment remains below pre-pandemic levels. Moreover, the number of payrolled employees increased across all regions, with the largest rises seen in London and Northern Ireland. Separately, a productivity flash estimate from ONS showed output

per hour worked remained unchanged in the second quarter.

Meanwhile, the Recruitment & Employment Confederation (REC)'s latest Labour Market Tracker revealed that the number of active job adverts across the UK hit a new high for 2022 in the final week of July. New postings have been steady throughout the past two months and reached a record 1.85 million in the week of 25-31 July. Kate Shoemith, the Confederation's Deputy CEO, commented, *"This new data shows the continued strength of the jobs market, despite any wider economic uncertainty."*

Fall in real pay

While average pay rose by 4.7% between April and June, according to ONS data released on Tuesday, the cost of living is outpacing wage growth, meaning that the real value of pay fell by 3%. Private sector wages grew by 5.9% while those working in the public sector saw pay growth of 1.8% which according to Darren Morgan, Director of Economic Statistics at the ONS is the *"largest difference we have seen for 20 years."*

Positive US news

Positive news came from the US last Wednesday, with the announcement that the annual inflation rate had eased to 8.5% in July. Although still high, the rate is comfortably below the 9.1% recorded a month earlier. The easing was largely the result of falling petrol prices, which recorded a monthly drop of 7.7%.

Manufacturing output in the US rebounded by 0.7% last month after declining by 0.4% in June, the Federal

Reserve said on Tuesday. A Reuters poll of economists had forecast factory production would rise by 0.2%.

Drought announced

The Environment Agency last week declared drought conditions in eight regions across the south and east of England, with experts now warning the drought could carry on into next year. The Environment Agency confirmed that Yorkshire was added to the drought list. Last month, England experienced its driest July since 1935, causing worries for the natural environment and farming. Indeed, a survey released this week by the National Farmers' Union found that dry weather, as well as worker shortages, has already resulted in £22m of fruit and vegetables going to waste in 2022.

Markets

London's FTSE 100 hit its highest level in more than two months on Tuesday, with a good performance in the mining sector and a mixed response to UK employment data. The top share index ended the session up 0.36% at 7,536.06.

Brent crude oil prices remained under pressure following Monday's weak economic numbers from China, which is one of the biggest buyers of natural resources. The price dropped to around \$92 a barrel on Tuesday.

Here to help

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