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News in Review

22 September 2021

"This is fundamentally a growth market, and we see it continuing to be that way"

The travel industry has featured prominently in the news over the past seven days, with an easing of travel restrictions announced on both sides of the Atlantic. Last Friday, simplification of the traffic light system and testing requirements in England, was greeted positively by business groups, with the British Chambers of Commerce describing the move as '*very welcome news for businesses in the travel sector and beyond.*' And on Monday, the US announced a relaxation of its COVID travel restrictions, with fully vaccinated UK and EU citizens allowed to fly to the country from November. Boris Johnson is currently visiting President Biden at the White House to discuss various issues including trade, climate change, Northern Ireland and Afghanistan.

Meanwhile, Boeing published its annual 20-year jet market forecast last week, predicting a full air travel recovery by 2024, followed by a resumption of long-term demand growth. In a press briefing, the company's Vice President of Commercial Marketing, Darren Hulst said, *"This is fundamentally a growth market, and we see it continuing to be that way."* In a bullish assessment, Mr Hulst also noted that *"the global economy is trending back to where it would have been had the virus not actually happened."*

Inflation rises sharply

Amongst a raft of economic data released by the Office for National Statistics (ONS) during the last seven days, the latest inflation figures revealed a record monthly jump in the rate of price rises. The Consumer Prices Index (CPI) measure of annual inflation hit 3.2% in August; this was up from 2.0% the previous month and 0.3% higher than City economists' consensus forecast. However, ONS pointed out that the impact of last year's Eat Out to Help Out Scheme on the cost of restaurant meals, was a key contributor to the sharp increase and suggested that '*much*' of the rise was '*likely to be temporary*.'

Economists do though expect the CPI rate to continue rising over the next few months, partly due to a sharp hike in household energy bills. Indeed, the soaring cost of wholesale gas and electricity was a recurring theme last week, as prices surged after a key electricity interconnector in Kent was taken offline following a fire. The surge in wholesale prices has not only fuelled concerns about rising inflation, but also sparked fears that a growing number of smaller energy firms could go out of business.

Retail sales fall again

ONS data released last Friday also showed that retail sales unexpectedly fell in August, with volumes down 0.9% compared to July. Although sales remain well above pre-pandemic levels, downward revisions to previous months' data now shows a steady decline since April's lockdown easing peak, with August marking a record fourth consecutive monthly decline.

According to ONS, the further easing of hospitality restrictions impacted the latest data, with spending switched away from supermarkets in favour of restaurants and bars. Shops also reported supply chain issues, with separate ONS data showing 6.5% of all retail businesses unable to get the stocks and other goods and services they needed in August, with department stores and clothes shops particularly badly affected by this disruption.

Borrowing higher than expected

On Tuesday, public sector finance statistics showed that government borrowing remains on a downward trajectory, although the latest decline was lower than analysts had expected. In August, the government borrowed £20.5bn; this was £5.5bn below the comparable month last year but a similar amount above the average forecast in a Reuters poll of economists. Higher interest payments on inflation-linked bonds saw the cost of servicing the government's debt rise to £6.3bn last month, almost twice the level recorded a year earlier.

Labour shortages remain a concern

A Confederation of British Industry (CBI) and Pertemps Network survey released on Monday, has again highlighted ongoing business concerns over the impact of labour shortages. The survey found that just over three quarters of all businesses reported access to labour as a threat to the UK's labour market competitiveness; the highest proportion since this question was first asked in 2016. Firms have been struggling to recruit staff following the pandemic and Brexit, and the CBI said that supporting firms to plug the shortages gap in the immediate term is vital.

Here to help

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