

News in Review

Wednesday 18 November 2020

"It's encouraging for individuals, it's encouraging for businesses, and it's encouraging for the economy"



Another grim milestone was reached last week, as the UK became the first European country to exceed 50,000 COVID deaths. The UK is now the fifth country in the world to record this toll, after the US, Brazil, India and Mexico.

Following a choppy week at Number 10, amidst the departure of two key advisers, Boris Johnson is currently self-isolating after meeting MP Lee Anderson, who later tested positive for the virus. The Prime Minister has a busy week of remote meetings, including with the Chancellor on the upcoming Spending Review and receiving updates from the UK's chief Brexit negotiator, Lord David Frost, who is currently attending meetings in Brussels. As part of its 'reset' statement, Downing Street said the talks this week would be 'crucial.' Fishing rights, competition rules and state aid for businesses are key sticking points. On Tuesday, sterling rallied on news that the UK and EU could strike a deal as early as next week.

Vaccine development news

Vaccine hopes continue to buoy markets. Hot on the heels of Pfizer's announcement last week, a third vaccine trial has launched in the UK and early data from a new vaccine developed by US company Moderna, shows 94.5% effectivity, adding to the growing confidence that the end of the pandemic is in sight. Matt Hancock announced that the UK has, "secured an initial agreement for 5 million doses of the Moderna vaccine." He also revealed the opening of two new mega labs early in the new year, increasing daily testing capacity by 600,000.

Last week, Bank of England Governor Andrew Bailey said that news of a possible effective vaccine was encouraging and would help lift the uncertainty currently weighing on the economy, "It's obviously encouraging... it's encouraging for individuals, it's encouraging for businesses and it's encouraging for the economy."

In a recent panel discussion, President of the European Central Bank, Christine Lagarde and Federal Reserve Chairman Jerome Powell spoke about the global economic outlook in the context of the vaccine news. Lagarde commented, "From a huge river of uncertainty, we see the other side now. But I don't want to be exuberant about this vaccination because there is still uncertainty" about the production and distribution of the vaccine. Powell mirrored her sentiment, saying that although the vaccine results were "good and welcome news" it was "too soon to assess with any confidence the implications... for the near term."

UK out of recession but growth slows

Last week, data from the Office for National Statistics (ONS) showed the UK economy rebounded from recession, with record growth of 15.5% in the three months to September, but with growth slowing toward the end of the period. The economy is still 8.2% smaller than its pre-pandemic size. The economy contracted by a record 19.8% in Q2.

Capital Gains Tax review

Capital Gains Tax (CGT) came under the spotlight last week, as the Office of Tax Simplification (OTS) published its

first of two reform reports on the tax, which is calling for CGT to be set at the same rate as Income Tax. This could raise a substantial amount of tax for the Exchequer. A lowering of the annual exemption has also been recommended. The OTS estimate that the number of CGT taxpayers would double if the allowance was reduced to £5,000.

US election latest

Rebuffing President Trump's voter fraud claims, US federal election officials have said the recent 2020 White House vote was the 'most secure in American history' adding 'there is no evidence that any voting system deleted or lost votes, changed votes, or was in any way compromised.' Donald Trump has yet to concede to president-elect Joe Biden, who has increased his lead over the incumbent.

Around the UK

A partial reopening of some sectors in Northern Ireland has been delayed until Friday 20 November after a compromise was reached by the executive. On Tuesday, Nicola Sturgeon announced 11 council areas across western and central Scotland will be placed under level four restrictions from Friday, until 11 December. Schools will remain open, non-essential shops, restaurants, pubs and gyms will close.

Here to help

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