

News in Review

Wednesday 2 December 2020

"Our economic emergency has only just begun"

On 25 November, Chancellor Rishi Sunak stood before the House of Commons to outline the Spending Review for the year ahead. Opening his speech, he delivered a stark warning about the difficulties that lie ahead, stating, "Our health emergency is not yet over. And our economic emergency has only just begun."

His attention then turned to the ongoing coronavirus crisis, detailing the funding the government will be allocating in its continued fight against the disease in 2021, on top of the £280bn already provided this year. This will include:

- £18bn to fund testing, PPE and vaccine programmes
- £3bn to support NHS recovery, allowing up to a million additional checks, scans and operations
- £2bn to support rail networks
- £3bn to local councils
- £2.6bn to the devolved governments in Scotland, Wales and Northern Ireland.

Next, the Chancellor addressed the grim prospect of the country's economic outlook. The pandemic has caused the UK economy to contract by 11.3% in 2021 – the largest fall in output in 300 years. In tandem, government financial support measures have led to an unprecedented rise in government borrowing, with £394bn borrowed this year alone. He concluded, *"We have a responsibility, once the economy recovers, to return to a sustainable fiscal position."*

Despite this, Mr Sunak announced a further £3bn for a new, three-year Restart Programme, targeted at assisting those who have been unemployed for over a year. However, he also drew attention to a growing disparity between private

and public sector wages as a result of the crisis, with private sector wages falling 1% in the six months to September, compared with a 4% rise in public sector wages. As a result, he announced that pay would rise for frontline NHS staff, but that other sectors' pay would be frozen.

Furthermore, to protect the lowest paid in society, the Chancellor announced a 2.2% increase to the National Living Wage, bringing it to £8.91 per hour, and extended it to those aged 23 and over. He also announced an increase to the National Minimum Wage.

Elsewhere, Mr Sunak announced an additional £6.6bn for the nation's core health budget in 2021 a £2.2bn increase in schools' funding, and an increase in investment for social care. In addition, he revealed the introduction of a new £7.1bn National Home Building Fund to further the country's ambitious infrastructure plans.

Brexit – "last leg of negotiations"

With the deadline fast approaching, the Foreign Secretary, Dominic Raab has indicated that the UK is in the *"last leg of negotiations"* with the EU over a post-Brexit trade deal. Negotiations reconvened in London last weekend, with a narrow set of issues still left to iron out. The Foreign Secretary said, *"I do think this is a very significant week, the last real major week, subject to any further postponement of the goalposts in terms of the timing."* According to the EU's Chief Negotiator Michel Barnier, the *"same significant divergences persist."* These recurrent issues include negotiations over how much access European fishing boats should have to British waters, and how much they would be allowed to catch, plus how closely the UK needs to align with the EU's social, labour, and environmental standards.

Vaccine developments supported markets in November

Global markets ended November in positive territory (month-on-month), largely buoyed by vaccine developments which have provided hope of an economic recovery. In November, the FTSE 100 index recorded its best monthly performance since 1989 and in the US, the Dow Jones posted its best month since 1987. Expectations of continuing fiscal and monetary support came from the US Federal Reserve Chair Jerome Powell this week - he commented that the *"US economy remains in a damaged and uncertain state,"* but recent news on vaccine development *"is very positive for the medium term."*

Good news came on Wednesday; the UK is the first country to approve the Pfizer vaccine for widespread use, with immunisations set to be rolled out as early as next week.

UK restrictions

With Lockdown 2.0 ending in England on 2 December, a new three-tiered structure applies, with the majority of the country placed in the most restrictive tiers. The measures were approved by MPs late on Tuesday. These are due to be reassessed on 16 December. A two-week circuit breaker has commenced in Northern Ireland, and Scotland has implemented a five-tier system. In Wales, lockdown restrictions were eased on 9 November, but from Friday, some new restrictions will be introduced.

Here to help

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