

## News in Review

6 October 2021

*“Household saving fell particularly strongly in the latest quarter from the record highs seen during the pandemic”*



**The easing of COVID restrictions has resulted in an economic rebound that has exceeded initial estimates, according to data from the Office for National Statistics (ONS). During Q2, the economy grew by 5.5%, up from the 4.8% forecast earlier this year. This is a result of higher spending since April, when the first lockdown easing permitted outdoor dining, in addition to a significant drop in saving as the economy reopened.**

Deputy National Statistician at the ONS, Jonathan Athow, commented, *“Household saving fell particularly strongly in the latest quarter from the record highs seen during the pandemic, as many people were again able to spend on shopping, eating out and driving their cars.”*

However, the latest data suggests that growth is beginning to slow, with the July ‘pingdemic’ and current supply chain issues putting the brakes on recovery. The monthly growth figure in July was just 0.1%, a sharp drop from 1.4% in June. This was reflected in the Bank of England’s latest GDP forecast, which revised its predictions for Q3 growth down to 2.1% from a previous forecast of 2.9%.

### **Furlough ends**

On 30 September, the Coronavirus Job Retention Scheme, or furlough scheme, which has helped to pay the wages of 11.6 million workers over the course of the pandemic, finally came to a close. For the estimated one million workers

still being supported by the scheme in September, the future is uncertain. Forecasts from the National Institute of Economic and Social Research (NIESR) and Dutch financial services firm, ING, in August, suggested that the unemployment rate will rise following the scheme’s end, with NIESR predicting that it will rise to 5.4% and ING predicting an increase to 5.5%. This is in contrast to the Bank of England’s own predictions, with the central bank stating it believed that unemployment has now peaked and will continue to fall in spite of furlough’s end.

### **Renewal of other job support schemes**

Rishi Sunak used his Conservative Party conference speech on Monday to commit £500m to renew other job support programmes set up during the pandemic. Specifically, the Kickstart Scheme, which subsidises eligible jobs for young people aged 16 to 24 on Universal Credit, will be extended to March 2022 and the Job Entry Targeted Support (JETS) scheme, which helps long-term unemployed people on Universal Credit, will be extended until next September. Further details will be confirmed at the Spending Review on 27 October, when it is presented alongside the Budget. The Chancellor spoke about how the government’s recovery approach focuses on *“good work, better skills and higher wages.”*

### **Market news**

Some global indices recovered losses on Tuesday, after several large technology firms lost ground on Monday, as concerns

intensified over increasing raw material prices adding to inflationary pressures. Markets received a boost as oil prices headed to multi-year highs, following the Organization of the Petroleum Exporting Countries, Russia and their allies’ (OPEC+) decision to continue gradually increasing output.

### **Rapid house price growth continues in September**

The Stamp Duty holiday ‘taper’ threshold ended on Thursday in England and Northern Ireland, with the nil-rate threshold of £125,000 reinstated for the first time since July 2020. Predictions of a house price slump have not been realised so far, despite the maximum tax savings falling from £15,000 to £2,500 from 30 June. Double-digit house price growth continued into September, with Nationwide house price data calculating that prices had increased by 10% year-on-year.

Those trying to get onto the property ladder continue to face the difficulty of raising enough money for a deposit, with a 20% deposit on the average first-time buyer home now standing at a record 113% of gross income. For those who have raised the funds, there is a silver lining – mortgage rates are currently at record lows, with some lenders introducing mortgage deals under 1%.

### **Here to help**

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

***The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.***