

News in Review

23 February 2022

"Falling COVID cases and the slow return to offices offer further hope for town and city centres"



Storms Dudley, Eunice and Franklin swept the country over the last week or so, causing major disruption. With trains and flights cancelled, schools and venues closed, people were urged to avoid travel and to stay at home. The economic impact will no doubt be felt as people hunkered down to stay safe.

Some positive UK retail data released on Friday from the Office for National Statistics (ONS) detailed a sales rebound of 1.9% in January as shoppers returned to the High Street following the disruption caused by Omicron the previous month, when retail sales volumes fell by 4.0%. This increase was the largest monthly rise since shops reopened last spring.

Looking at the data, ONS Director of Economic Statistics Darren Morgan commented from a sector perspective, *"It was a good month for garden centres, department and household goods stores, with particularly strong trading for furniture and lighting. Food sales fell below their pre-pandemic level for the first time, though, as more people returned to eating out and there was also anecdotal evidence suggesting higher demand for takeaways and meal-subscription kits."*

The rise in High Street footfall meant that the proportion of online sales (25.3%) dropped to its lowest level since March 2020 (22.7%). Although a continuation of a downward trend, the percentage of retail sales made online was still higher than prior to the pandemic (19.8% in February 2020).

Chief Executive of the British Retail Consortium, Helen Dickinson, commented on the recent dataset, *"Despite falling consumer confidence, retail sales held up well in January as retailers went to great lengths to keep up the Christmas momentum... Falling COVID cases and the slow return to offices offer further hope for town and city centres that were hardest hit by the pandemic. Yet, rising inflation means households may be preparing for future falls in disposable income, including from April's National Insurance and energy price cap rises. Retailers face similar challenges, with increases in transport and energy costs, global commodity prices and domestic wages. While retailers are going to great lengths to mitigate or absorb these cost increases, it is inevitable that prices will rise further in the future."*

Over three quarters feeling the pinch

As cost of living issues intensify, new rapid response survey data on economic activity and social change from ONS showed that in the ten-day period to 13 February, 76% of adults reported their cost of living had increased over the last month, up from 69% in the previous period (19 to 30 January 2022). The most frequently reported reasons continued to be rising food prices (90%), rising energy bills (77%) and increases to the price of fuel (69%). In addition, rent rises are adding to the burden for millions; average rental costs for UK tenants increased by 2% last year, the largest annual increase since 2017. The East Midlands saw the biggest increase in average rental prices, with

tenants paying 3.6% more than a year earlier, while London had the smallest increase, at 0.1%.

Markets

The markets were as changeable as the weather last week, European stock markets closed in the red on Friday as storm Eunice battered parts of the UK and Europe, driving down power prices and lifting wind turbine output to some of the highest levels ever seen. As tensions mounted over the worsening situation in Ukraine and the threat of military action by Russia, gold prices jumped to an eight-month high and oil prices climbed on fears that the crisis will disrupt global supplies. Brent crude oil reached a seven-year high of \$99.38 a barrel on Tuesday, before moderating to end the day at just under \$97 a barrel.

All change

On Monday night at a Downing Street briefing, Boris Johnson announced his 'Living with COVID-19' plan, which stated that all legal restrictions would end later this week and free testing for the general public will stop from 1 April. In Scotland, Nicola Sturgeon announced on Tuesday that the COVID passport scheme will end on 28 February, with the legal requirement to wear face masks being lifted on 21 March.

Here to help

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