

News in Review

Wednesday 28 October 2020

"We must be ready to adapt our financial support as the situation evolves"



Last week, as tighter coronavirus rules came into force for millions of people across the UK, Chancellor Rishi Sunak unveiled significant changes to the government's support package with increased financial assistance for businesses and workers hit by COVID restrictions.

Four weeks after initially announcing his Winter Economy Plan, the Chancellor responded to growing calls to assist businesses in tier two areas that are not forced to close but still face *"profound economic uncertainty."* Speaking in the Commons last Thursday, Mr Sunak said, *"We must be ready to adapt our financial support as the situation evolves, and that is what we are doing. These changes mean that our support will reach many more people and protect many more jobs."*

The revised Job Support Scheme – which replaces furlough in November – will now see employers contribute less while staff can work fewer hours before qualifying for financial help. In addition, the taxpayer subsidy has doubled, with government now funding 62% of employee hours not worked. To mirror these changes, the amount paid under the self-employment scheme has also doubled from 20% to 40% of profits.

Prior to the announcement, the Treasury confirmed it was abandoning its planned long-term Comprehensive Spending Review due to the ongoing uncertainty caused by the pandemic. Instead, the Chancellor will now deliver a one-year Spending Review in late November.

Borrowing exceeds forecasts

Amongst a raft of economic statistics published over the past seven days,

government borrowing figures revealed the havoc the pandemic continues to wreak on public finances. In September, the UK government borrowed £36.1bn, above all forecasts in a Reuters poll of economists, and the third highest monthly figure since records began in 1993. The national debt now equates to 103.5% of the country's total output, the highest level of debt on this measure since 1960.

Retail sales strong

The latest official retail sales statistics did offer a glimmer of light amongst the economic gloom, with total sales volumes up 1.5% between August and September. This was the fifth consecutive monthly rise, leaving sales volumes 5.5% above February's pre-pandemic level. Other data released last week, however, highlighted the pandemic's damaging impact on UK high streets, with a record number of shop closures reported during the first half of 2020.

Inflation increases

Last week also saw the release of the latest inflation data, with the end of *'Eat Out to Help Out'* pushing the Consumer Prices Index up to 0.5% in September, from 0.2% the previous month. Despite this rise, inflation remains at a historically low level, although the Head of Logistics UK warned a no-deal Brexit could push up import costs for some everyday items by almost a third. In a letter to the Sunday Times, David Wells said, *"This will make the household shopping basket much more expensive, particularly in the early part of 2021 when we rely on imports for much of our fresh food."*

Brexit talks resume

Whether an EU trade deal will be struck appears to remain in the balance,

although last week did see the resumption of talks following a week-long standoff. Ahead of the talks, EU Chief Negotiator Michel Barnier said both sides share a *"huge common responsibility"*, while International Trade Secretary Liz Truss suggested *"real progress"* had been made during *"intense negotiations."* Ms Truss was speaking on Friday after signing a trade agreement with Japan at a ceremony in Tokyo, marking the UK's first major post-Brexit deal on trade.

US election countdown

The second US presidential debate also took place last week. It proved to be a much calmer affair than the first, with both men adopting more restrained manners, although it is unlikely to have had much impact on the election result, with polls suggesting most voters had already chosen their preferred candidate. Indeed, with early voting under way across all 50 states, a record number of people had cast their ballots prior to the debate taking place.

Santa is a 'key worker'

In the week that clocks went back, thoughts perhaps inevitably began turning to Christmas. Despite numerous warnings that a *'normal'* Christmas was wishful thinking, a Downing Street spokesman said the Prime Minister's *"ambition"* was still for people to celebrate Christmas with their families. And, reassuringly for Scottish children, First Minister Nicola Sturgeon confirmed that her government has classified Santa as a *'key worker'*.

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.