Invictus IFA
Minster Gardens,
Nottingham,
NG16 2AT

T: 0115 88 00 244
M: 07793 323027
E: info@invictusifa.co.uk
www.invictusifa.co.uk

INVICTUS
Independent Financial Advice

News in Review

28 July 2021

"The current approach to self-isolation is closing down the economy"

During a week which saw the delayed Tokyo Olympics finally get underway, the news agenda on these shores was largely dominated by the so-called 'pingdemic'. After it was revealed that almost 620,000 alerts were sent to Test and Trace app users in England and Wales during the second week of July, the Confederation of British Industry (CBI) warned that the sharp rise in self-isolations was threatening the economy. CBI Director-General Tony Danker said, *"The current approach to self-isolation is closing down the economy rather than opening it up. Businesses have exhausted their contingency plans and are at risk of grinding to a halt in the next few weeks."*

On Thursday evening, the government responded by announcing plans to roll out daily contact testing for supermarket depots and food manufacturers, to prevent up to 10,000 workers having to isolate when 'pinged'. More critical workers, including police, firefighters and workers in some other industries, have subsequently been added to the daily testing programme. However, on Sunday, CBI Director of Policy John Foster said the exemption list *"won't get us where we need to be"* and added, *"If we want the economy to stay open, we need a confident but balanced plan. We should bring forward the date from 16 August when those who have been double-jabbed no longer need to self-isolate if they test negative once contacted."*

UK growth slows down

A closely watched economic survey released on Friday suggests that the 'pingdemic' has already begun to impact on business activity levels. The IHS Markit/CIPS flash composite Purchasing Managers' Index (PMI) fell to 57.7 in July from 62.2 in June, the lowest reading since March and significantly below market expectations. Commenting on the survey's findings, IHS Markit Chief Business Economist Chris Williamson said, *"July saw the UK economy's recent growth spurt stifled by the rising wave of virus infections, which subdued customer demand, disrupted supply chains and caused widespread staff shortages, and also cast a darkening shadow over the outlook."*

Policymakers feel inflation tide will ebb

July's PMI data also highlighted intensifying inflationary pressures, with input costs hitting an all-time high and output charges rising at a near-record rate. However, despite the continuing surge in inflation, during the past seven days, two Bank of England policymakers have reaffirmed their view that the current spike in prices is unlikely to persist, and that the central bank should not rush to remove stimulus for the economy.

Last Thursday, Deputy Governor Ben Broadbent said, *"While we know it's going to go further over the next few months, I'm not convinced that the current inflation in retail goods prices should in and of itself mean higher inflation 18 to 24 months ahead."* On Monday, Gertjan Vlieghe, one of four external members of the Bank's interest rate setting Monetary Policy Committee, said he felt the recent rise in inflation is likely to prove temporary, adding *"I think it will remain appropriate to keep the current monetary stimulus in place for several quarters at least, and probably longer."*

Retail sales growth in June

Last Friday saw publication of the latest official retail sales statistics, which were boosted by strong demand for food and drink as fans watched Euro 2020. According to Office for National Statistics (ONS) data, total sales volumes rose by 0.5% between May and June, with food sales the main driving force behind the growth. ONS said, *'Feedback from some retailers suggested that sales were positively boosted in June by the start of the Euro 2020 football championship.'* In contrast, overall sales at non-food shops declined, largely due to weak demand for furniture and clothing.

Government debt costs rise

Public sector finance statistics were also published last week and showed that borrowing continues to ease from the mammoth levels witnessed last year. In June, the government borrowed £22.8bn; although this was a fifth lower than the equivalent month's figure in 2020, it still represents the second-highest June number ever recorded. The data also revealed upward pressure on debt costs, as rising inflation increased the value of index-linked government bonds. As a result, a record £8.7bn was spent on interest payments last month, more than three times the amount paid in June 2020.

Here to help

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