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## News in Review

18 August 2021



*“Employers are keen to re-build following an incredibly turbulent 18 months for business”*

**With double jabbed people, as well as those aged under 18 in England and Northern Ireland, no longer legally required to self-isolate if they are identified as a close contact of a positive COVID-19 case, many will be breathing a sigh of relief, not least businesses who have struggled with staff shortages. A recent survey of 700 company directors conducted by the Institute of Directors (IoD), revealed that 44% of businesses are currently experiencing staff shortages, a situation which risks undermining the recovery and fuelling inflationary pressures.**

While 21% of directors attribute shortages to employees forced to self-isolate due to COVID contacts, a massive 65% of directors said it's due to the UK's long-term skills gap, with 40% struggling because of a lack of potential workers from the EU.

Senior Policy Advisor at the IoD, Joe Fitzsimons, commented, *“Employers are keen to re-build following an incredibly turbulent 18 months for business... the issue of labour shortages is proving disruptive across a huge range of sectors and at all levels. Ensuring that workers are available with the right skillset to perform effectively is a crucial pre-requisite for recovery.”*

### **UK economic rebound confirmed in Q2**

The easing of restrictions helped to support the UK economy, which grew by 4.8% in Q2, according to data released last week from the Office for National Statistics (ONS). In terms of output, growth was primarily driven by retail trade, food service activities and accommodation. Although slightly

below Bank of England estimates for 5% growth, the main driver of growth was consumer spending, which increased by 7.3% during Q2, ahead of expectations. ONS data highlighted that the level of GDP is currently 4.4% below where it was pre-pandemic Q4 2019.

Head of Economics at the British Chambers of Commerce (BCC), Suren Thiru, reflected on the Q2 data set from the ONS, *“Strong growth in the second quarter may be the high point for the UK economy, with economic activity likely to moderate in the third quarter as staff shortages, supply chain disruption and consumer caution to spend, limits any gains from the lifting of restrictions in July... Against this backdrop, policymakers must guard against complacency over the underlying strength of the recovery. A comprehensive rebuild strategy to turbocharge growth post-COVID is needed, alongside a clear plan for dealing with any future virus response, to give firms the confidence to start firing on all cylinders again.”*

Labour statistics released by ONS on Tuesday confirmed that job vacancies have hit a record high, reaching 953,000 in the three months to July. The unemployment rate fell to 4.7% in the three months to June.

### **Fund inflows bolstered by earnings strength**

It has been reported that in the week to 11 August, global equity funds registered inflows for a third consecutive week, with positive economic data and strong corporate earnings from the US, supporting sentiment. Inflows of \$10.12bn were received into global

equity funds, representing an uplift of 12% on the previous weeks' figures. The majority of the inflows (\$5.6bn) were received into European equity funds, with US counterparts obtaining \$2.7bn. In Q2, it has been reported that almost 70% of global firms have beaten analysts' profit estimates, posting average growth of 143%. Leading the earnings recovery are firms in cyclical sectors such as industrials.

### **China unveils regulatory plan**

Last week, the Chinese government announced a plan outlining tighter economic regulation. New rules are due to be introduced on areas including technology, national security and monopolies. The 10-point plan details the strengthening of laws on science and technological innovation, culture and education. Regulations relating to China's digital economy, including internet finance, artificial intelligence and cloud computing are also due to be evaluated.

### **Oil price bounce back - US urges action**

As countries have gradually reopened, the oil price has rebounded. In July, members of OPEC (Organization of the Petroleum Exporting Countries) and its allies agreed to boost supply to help stabilise the situation, adding 400,000 barrels a day to their output. According to the White House, this is *‘simply not enough,’* urging the world's top oil producers to help quell rising fuel prices to support the global recovery.

### **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***