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News in Review

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'2022 will be defined as the year of the squeeze'



As wages stagnate, and energy bills and taxes rise, the latest quarterly Labour Market Outlook released by the Resolution Foundation has warned that millions of families face a 'year of the squeeze' in 2022, potentially leaving the average household £1,200 worse off. The expected rise in the energy price cap and National Insurance contributions in April are key contributors, culminating in what the report calls an overnight 'cost of living catastrophe.'

With inflation predicted to peak at 6% in the spring, its highest level since 1992, the Foundation warned that real wage growth, which was flat in October, *'almost certainly started falling last month and is unlikely to start growing again until the final quarter of 2022.'*

With the coming months set to be challenging for household finances, Chief Executive of the Resolution Foundation, Torsten Bell, commented on the findings, *"2022 will begin with Omicron at the forefront of everyone's minds. But while the economic impact of this new wave is uncertain, it should at least be short-lived. Instead, 2022 will be defined as the 'year of the squeeze'... Top of the government's New Year resolutions should be addressing April's energy bills hike, particularly for the poorest households who will be hardest hit by rising gas and electricity bills."*

One year on...

A year has passed since the UK-EU Trade and Cooperation Agreement (TCA) was signed, and the British Chambers of Commerce (BCC) survey on the impact of Brexit's first year has revealed some interesting findings. Providing an insight

into the experiences of businesses and how they are dealing with the changes to the UK-EU trading relationship, unsurprisingly the proportion of firms reporting difficulties following the trading changes has increased since January last year. Key findings show that 45% of firms reported difficulties adapting to the rule changes for buying or selling goods bought about by the TCA, whilst 15% found it easy. Almost a quarter (23%) of firms encountered difficulties buying or selling services, whereas 14% found it easy.

Although reasonable worst-case scenarios were avoided, there was a significant material hit to trade, particularly in the first two months of 2021. UK exports later recovered, but not fully – some sectors such as clothing and food are still experiencing difficulties. Total UK-EU trade missed out on a global rebound in trade in 2021 and remained at the very low levels seen in 2020.

Director General of the BCC, Shevaun Haviland, commented on the findings, *"While the data does suggest, one year into the implementation of the deal, that trade is becoming more difficult rather than smoother, we do believe there are solutions which can improve conditions for our import and export businesses. These data certainly do illustrate that the issues with the TCA are not 'teething problems' but more structural defects that, whilst fixable, if not attended to will lead to long term damage to our import and export sectors."*

She continued, *"We hope that these figures, along with our report detailing the experiences of businesses and*

suggesting ways forward, will provide an opportunity for an honest dialogue about how we can improve our trading relationship with the EU."

Decline in UK air travel

A new report from aviation analytics firm Cirium has provided insight to the devastating impact of the pandemic on international travel, showing a 71% decline in international flights in and out of the UK in 2021 and a decline of almost 60% in UK domestic flights. Although the US only reopened its borders to UK travellers in early November, the busiest international route was between Heathrow and New York's JFK Airport.

Markets

In the last trading week of the year, despite escalating virus cases, stocks were supported by hopes that the Omicron variant is milder, potentially limiting the economic impact. The FTSE 100 recovered to pre-pandemic levels and ended the year up 14.3%, registering its best annual gain for five years. In the US, the Dow Jones closed the year up 18%. Brent crude closed the year trading at around \$78 a barrel, an annual gain of over 51%. The price was lifted by higher demand and cautious production increases by OPEC+.

Plan B to continue

In a Downing Street briefing on Tuesday, Boris Johnson said he hopes England can "ride out" the Omicron wave without further restrictions and announced plans for critical workers to take daily virus tests.

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.