

# MONTHLY ECONOMIC INSIGHT

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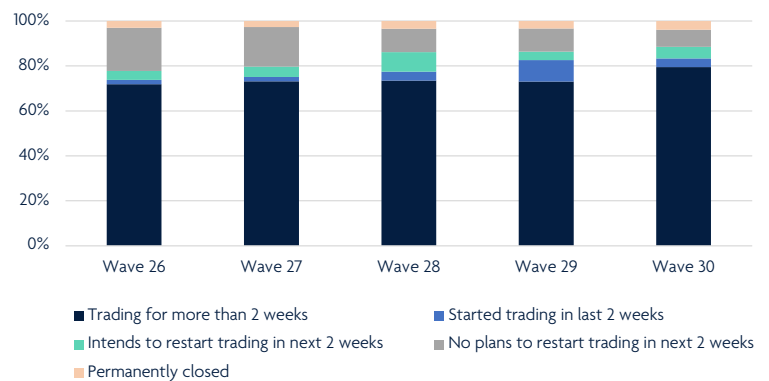
This month's economic bulletin focuses on some of the key consumer and business indicators that can provide an early read out on what has been happening since the UK embarked on the first steps on the government's roadmap to reopen the economy.

## BUSINESSES REOPEN AS RESTRICTIONS LIFTED

With non-essential retail and hospitality given the green light to reopen in April, albeit with continued social distancing considerations, the regular ONS Business Impact of Coronavirus Survey (BICS) confirms a gradual resumption of trading. Chart 1 illustrates the trading status of businesses between 8 March (Wave 26) to 16 May (Wave 30). In mid-May 83 per cent of businesses were trading, with a further five percent planning to restart in the next fortnight, up from 73 per cent at the start of March.

Given the nature of lockdown restrictions there are some sector differences on trading status. Industries such as construction and manufacturing have been largely operational through the last lockdown, and as such the proportion of businesses trading in these sectors has been fairly stable, at over four in five in recent months. Notably, the percentage of accommodation and food service businesses trading has seen a more notable shift – from 40 per cent that were trading in early March to over 60 percent currently operating, with a further quarter planning to restart by the end of May.

Chart 1: Trading status of businesses, percentage of businesses



Source: ONS

**UK PAYMENT  
MARKETS 2021**

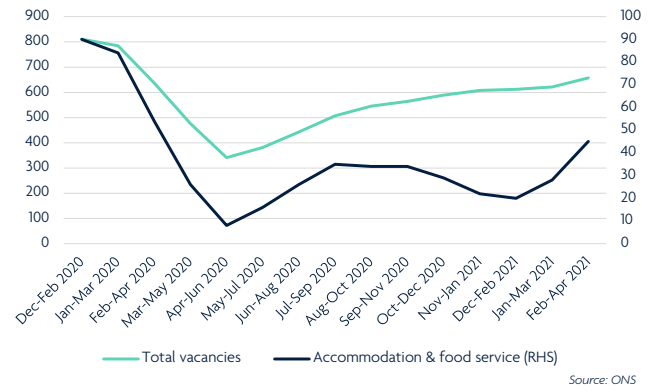
LAUNCHING JUNE 2021

A DETAILED  
ANALYSIS OF  
THE USE OF ALL  
TYPES OF  
PAYMENTS IN  
THE UK DURING  
2020

## JOB VACANCIES ON THE RISE

In line with restart of many businesses, hiring activity has seen a corresponding increase. Total vacancies across the economy have been slowly recovering from the lows reported during the first lockdown in spring 2020. The pace of increase ticked up in the three months to April ahead of restrictions starting to lift and vacancies across the economy stood at the highest level since the first three months of 2020, although vacancy numbers remain below pre-pandemic levels. Official data reflects positive hiring intentions reported in the PMI surveys and the REC/KPMG Report on Jobs. Notable growth in vacancies was also reported in hospitality sectors (Chart 2), consistent with businesses reopening, however the ONS notes that quarterly growth in vacancies was seen in 14 out of the 18 industry sectors reported.

Chart 2: Number of vacancies, thousands

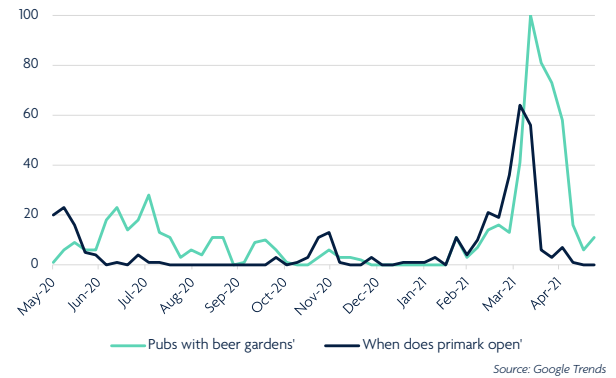


## SHOPPING AND ENTERTAINMENT ON THE AGENDA

In last month's review we noted the gradual improvement in consumer confidence and the latest GfK survey for May indicates a continued increase in sentiment, with consumers buoyed by the lifting of restrictions and more confident about the UK's economic situation in the next 12 months.

Further insights on what is on the minds of consumers can also be found in what they are typing into search engines. Data from Google Trends suggests that individuals were particularly interested in getting back to normal with the reopening of non-essential retail and some entertainment venues. Chart 3 notes a spike in internet searches in April for 'pubs with beer gardens' and the reopening of Primark stores (a retail outlet with a limited online offering). Pub searches in early April were concentrated amongst Google searchers in England, with interest in the other devolved nations peaking later in the month, reflecting the different phasing of unlocking across the UK. component of the index are significantly higher than last April's lows.

Chart 3: Internet searches in the past 12 months



## RETAIL SALES REBOUND

Consumers put these spending intentions into action in April. The IPM daily footfall index, which measures activity on the High Street, rebounded strongly in the week beginning 12 April. In addition, official retail sales data from the ONS (Chart 4) point to a solid rebound in sales volumes, particularly in non-food stores in April. Overall sales volumes rose by over nine per cent on the month and stood nearly 11 per cent higher compared with February 2020, before the first lockdown. Month-on-month growth was particularly robust in clothing stores and other specialist non-food stores, at 69 per cent and 25 per cent, respectively. The ONS has reported huge growth in online retail sales over the past year across all categories of retailers, but this moderated somewhat in April as consumers returned to physical stores. UK Finance's forthcoming Payment Markets report will shed further light on consumer behaviour through the pandemic.

Chart 4: Retail sales volumes, Feb 2020 = 100

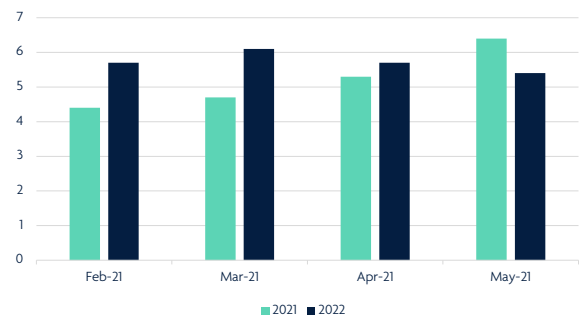


## GROWTH EXPECTATIONS ON THE RISE

With the economy reopening and sentiment improving across businesses and households, forecasters have been revising up expectations for UK growth this year. Chart 5 shows the evolution of GDP projections since the start of the year and the latest average independent forecast came in at 6.4 per cent growth for 2021, up from 4.4 per cent in February. Household spending and continued fiscal support from government should be the main contributors to the positive outlook this year. Corresponding adjustments have also been made to the labour market outlook. While the unemployment rate is expected to rise this year when the furlough support ends, the scale of expected job losses has been downgraded.

Also notable is the downward revisions to growth in 2022. GDP is forecast to expand by 5.4 per cent next, pointing to stronger growth being pulled forward to this year, assuming the remaining restrictions to economic activity are lifted in line with the current roadmap.

Chart 5: GDP forecasts, percentage annual change



Source: ONS

## ROUND UP

Building on last month's briefing, which indicated strengthening sentiment amongst businesses and consumers, we see from the latest data releases that this is translating into tangible signs of improving economic activity as lockdown restrictions have begun to be lifted.

More businesses are trading again, or were intending to restart by the end of May, and consumers do not appear to have lost their spending mojo – taking advantage of the reopening of retail and hospitality (despite the weather) with some gusto over the past month. Some activities are, however, still curtailed and businesses in some sectors, such as arts and recreation, will be awaiting news on the final step of the plan to lift restrictions later this month. As has been the case throughout the pandemic, continued growth in consumer activity will in large part depend on the developments with the Covid-19 virus and any further public health response.

The steady flow of better economic news for the second quarter has led to successive upgrades in the UK's growth outlook for 2021, as a whole. The 6.4 per cent growth currently pencilled in for this year feels significant compared to the sub-two per cent annual increases in GDP experienced in the years before the pandemic, but this is lost ground being recovered rather than the beginning of a boom. Essentially more of this ground is expected to be made up this year rather than being pushed into 2022.

Even with the boost we're likely to see from household spending this year, the remainder of 2021 won't necessarily be plain sailing. Support from the government's furlough scheme is still in play and uncertainty about the employment outlook will resurface as that comes to an end. Similarly, pressure on cashflow will likely increase as businesses reopen and they incur any associated costs of maintaining consumer confidence that venues are 'Covid-secure'. And the shadow of Brexit hangs over some of the statistics, with trade and survey data pointing to challenges to trade with the EU.

Indicator	Period	Value	Change	2021 Forecast*
GDP	Q4 2020	1.3%	↓	5.3%
CPIH inflation	Mar 2021	1.0%	↑	2.1%
Unemployment rate	Feb 2021	4.9%	↓	6.3%
Average earnings	Feb 2021	4.5%	↓	3.8%
Brent crude	Apr 2021	\$64.2	↓	-
\$ Exchange rate	Apr 2021	\$1.38	↓	-
PSNB	Mar 2021	£28 bn	↑	£219.9 bn

Source: ONS, HM Treasury, Bank of England,

