ARBUTHNOT BANKING GROUP PLC

PERSPECTIVES

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Tighter restrictions, more help from the Chancellor and a deteriorating labour market

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Introduction: London and much of southern England under tier 4…

The Prime Minister announced on 19 December that London and much of southern England would be placed in a new tier 4, with restrictions similar to England's second lockdown, as from midnight 20 December. The areas covered included Greater London, much of the East of England and much of the South East of England. As well as the closure of pubs and restaurants except for delivery and takeaway (restrictions required under tier 3), all non-essential retail outlets are required to close, along with hairdressers, indoor gyms and leisure facilities.[1] Suffice to say, the new restrictions will dampen business activity, not least of all in the already struggling hospitality sector. The tier 4 restrictions are planned to last (initially) for two weeks, with the first review due on 30 December. A few days prior to the announcement on 19 December the Government had announced London and much of southern England would be going from tier 2 into tier 3.[2-3]

…and the Chancellor extends the furlough scheme again

The Chancellor announced the following measures on 17 December:[4]

- The Coronavirus Job Retention Scheme (CJRS) will be further extended until the end of April 2021. (It had been extended to end-March 2021, paying 80% of wages, on 5 November 2020.) The government will continue to pay 80% of the salary of employees for hours not worked. Employers will only be required to pay wages, National Insurance Contributions (NICS) and pensions for hours worked; and NICS and pensions for hours not worked.
- Businesses will be given until the end of March 2021 to access the Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme, and the Coronavirus Large Business Interruption Loan Scheme. These had been due to close at the end of January.
- It was confirmed that the Budget will take place on 3 March 2021. It will "deliver the next phase of the plan to tackle the virus and protect jobs".

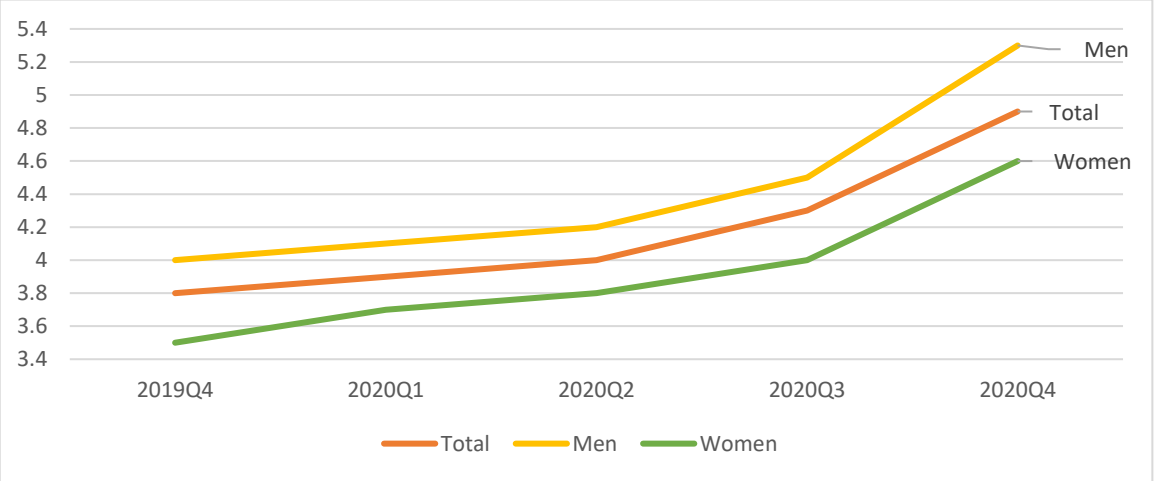
The deteriorating labour market: higher unemployment and record redundancies…

There was the usual mid-month flurry of data last week (see annex table 1 for the data tracker). The most important data related to the labour market, which continues to deteriorate, although perhaps not as quickly as some have anticipated. Unemployment rose for the three months to October and there were record redundancies. However, it can still be argued that the data, weaker though they are, remain deceptively "strong", as the furloughed workers scheme (now extended to end-April 2021, see above) continues to support employment, restraining redundancies and unemployment rises.[5]

The headline unemployment number rose sharply, by 241,000 (QOQ), in the three months to October to 1.69mn, to be 411,000 higher YOY, according to the Labour Market Survey (LFS).[6-7] The unemployment rate (the proportion of the labour force that is unemployed) was 4.9%, 0.7 percentage points higher (QOQ) and 1.2 percentage points up (YOY) (chart 1). Moreover, the ONS's provisional single-month estimates of the unemployment rate show the rate increased throughout the three-month period. The rates were 4.8% (August), 4.9% (September) and 5.2% (October).

Suffice to say, the LFS unemployment data, rising though they are, are still well down on Claimant Count data (DWP), which picked up modestly in November (please note month) after slipping, somewhat surprisingly, in October. The claimant count stood at 2.66mn in November, about 1.4mn (114.8%) higher than in March (1.24mn). However, the ONS noted that enhancements to Universal Credit (UC), as part of the UK government's response to the coronavirus pandemic, meant that an increasing number of people became eligible for unemployment-related benefit support, although still employed. Consequently, the data, from the DWP, include both those working with low income or hours as well as those who are not working.

Chart 1 Unemployment rate (%), 3-month averages, so 2020Q4=3 months to October



Source: *ONS*, "Labour market overview: December", 15 December 2020. These are LFS data.

The number of redundancies increased by a record 217,000 (QOQ) in the three months to October to 370,000 (a record high) and was 251,000 higher YOY (also a record, chart 2a). The ONS noted that, even though redundancies had increased significantly since June 2020, the number eased slightly in the month of October 2020 from September's peak.[8]

Redundancy rates increased for most industries between August-October 2019 and August-October 2020 (chart 2b). The largest rates were seen in "other services" (32.6 per thousand), accommodation and food service activities (27.6 per thousand) and administrative and support services (24.2 per thousand). ("Other

services" include arts, entertainment and recreation, households as employers, and other service activities such as personal service activities and repair of computers, personal, and household goods.) Redundancy rates for financial, insurance and real estate activities (6.2 per thousand), public administration and defence (2.8 per thousand), education (4.3 per thousand), and human health and social work activities (3.4 per thousand) were, however, little changed over the year.

Chart 2a Redundancies (thousands), 3-month averages, so 2020Q4=3 months to October

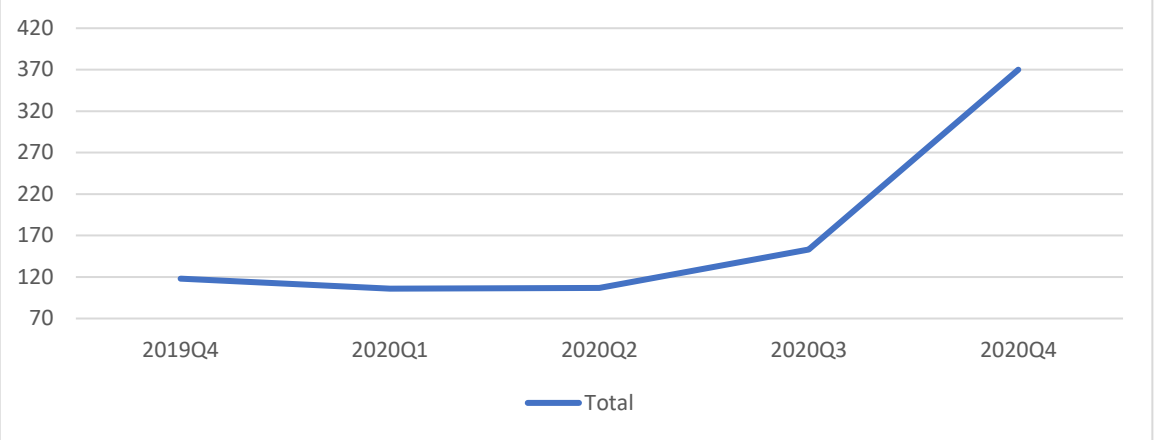
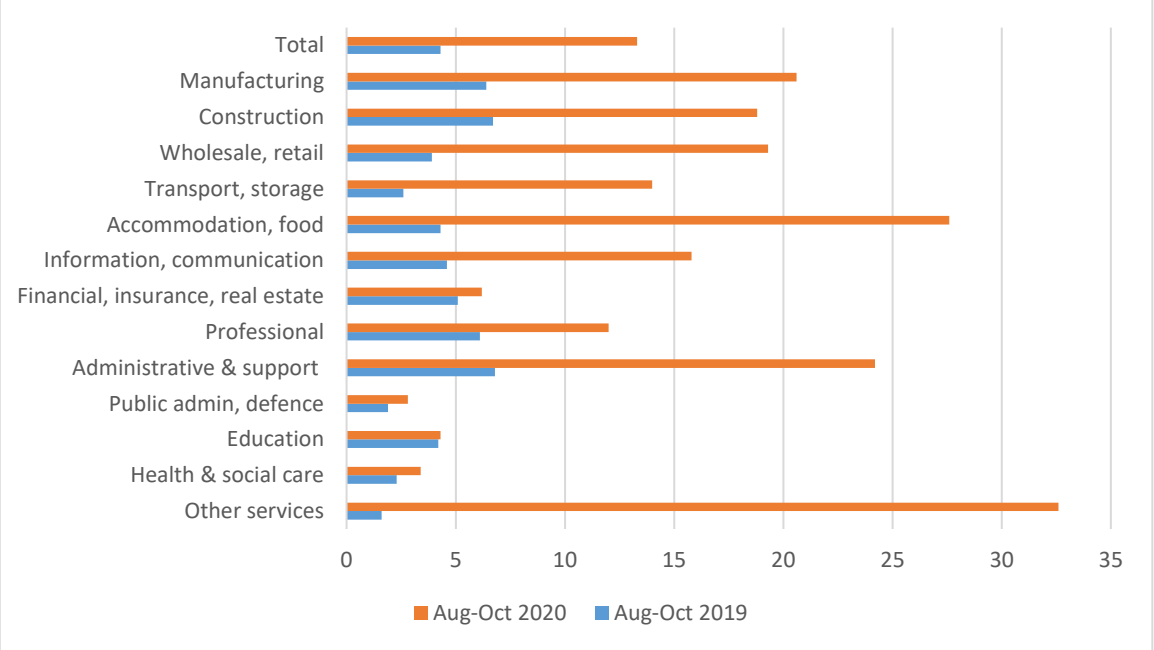


Chart 2b UK redundancy rates (per thousand) by industry, August-October 2019 and August to October 2020.



Sources: (i) *ONS*, "Labour market overview: December", 15 December 2020; (ii) *ONS*, "Employment in the UK: December 2020", 15 December 2020.

Unemployment and redundancies have, therefore, risen quickly. Moreover, rising unemployment and high redundancy rates can be expected in coming months, though the expectations have softened. The OBR, for example, recently amended its unemployment forecasts. In November's *Economic and Fiscal Outlook* the unemployment rate was projected to be 6.8% for 2021, compared with July's projection of 10.1%, with the downgrade largely reflecting the fact that direct government job-support policies would be lasting longer than previously expected.[9]

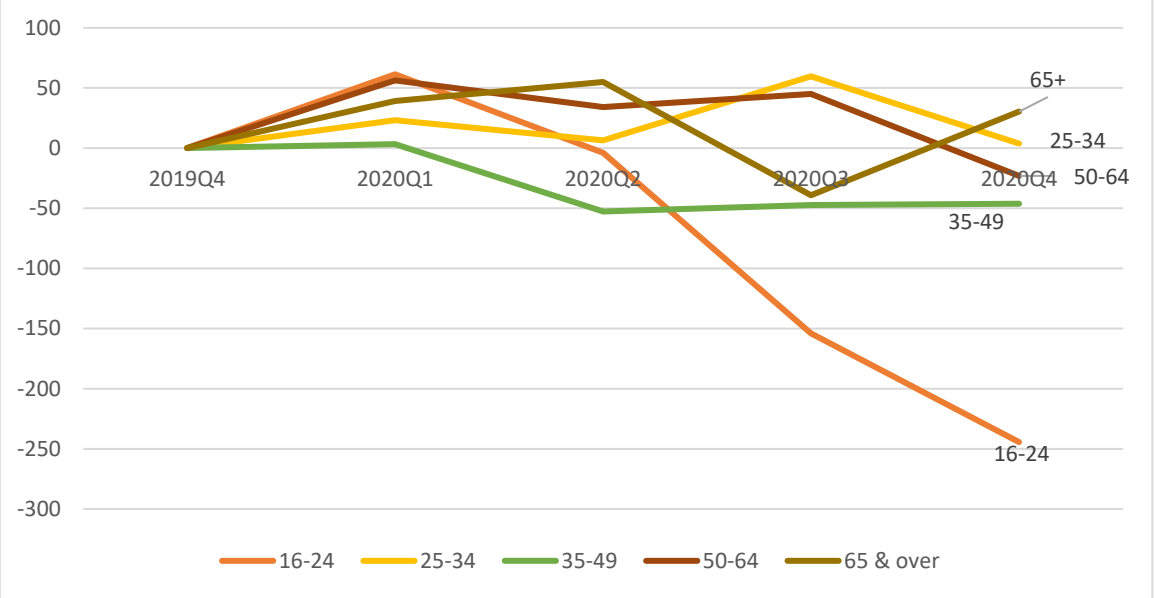
…and employment is falling…

The ONS's headline employment figure, including the number of people temporarily away from work (including furloughed workers), fell by 144,000 (QOQ) to 32.52mn in the three months to October and was 280,000 lower YOY (LFS data). This quarterly decrease was mainly driven by men in employment, the self-employed and part-time workers, but was partly offset by an increase in full-time employees. The ONS also noted that there were still as many as 3.7mn people temporarily away from work in October (though this compared with around 7.9mn people in April 2020). There were also around 211,000 people away from work because of the pandemic and receiving no pay in October 2020, though this has fallen from around 658,000 in April 2020.

The weakening labour market has hit young people especially hard. The number of employed workers aged 16-24 years has fallen by 244k in the three months to October (YOY), though there have also been declines in age groups 35-49 (down 46k, YOY) and even 50-64 (down 23k, YOY). In contrast there were rises in the 25-34 (miniscule) and 65+ (showing a surprising recovery) age groups (chart 3).

The ONS's LFS data are not the only source of information on employment. The HMRC's Pay As You Earn Real Time Information (PAYE RTI) indicated that there were 28.2mn pay-rolled employees in November (note the month), 781,000 (2.7%) down on a year earlier. Moreover, there were 819,000 fewer people in pay-rolled employment than in February 2020.

Chart 3 Employment changes (thousands), compared with 2019Q4, by age group, 3-month averages



Source: *ONS*, "Employment in the UK: December 2020", 15 December 2020, including database. Note 2020Q4=3 months to October 2020.

…but other labour market metrics show some recovery, from weakness

After the collapse of vacancies, hours worked and earnings at the height of first lockdown there have been further signs of improvement.

Firstly, UK vacancies rose by 110k (QOQ) in the three months to November (sic), to 547k, but they were still 251k down YOY. Vacancies are, therefore, still well below the levels seen before the impact of the coronavirus pandemic. The estimated vacancies for the smallest businesses, with one to nine employees, are closest to vacancy levels of a year ago at 5.9% lower, compared with 39.4% lower for larger businesses

with 2,500 or more employees.

Secondly, hours worked in the three months to October also showed some recovery. Average actual weekly hours were 29.5 hours, 3.3 hours higher (QOQ, a record), but still 2.7 hours down (YOY). Interestingly, the OBR pointed out that the labour market had adjusted to a collapse in economic output in 2020 differently from past recessions, mainly with a reduction in average hours worked, instead of a more equal split between fall in employment and average hours worked.

Thirdly, annual growth in employee pay continued to strengthen in the three months to October, as more employees returned to work from furlough.[10] Importantly, the increase in average pay growth also reflected compositional effects, with higher average pay reflecting a fall in the number and proportion of lower-paid employee jobs, whilst other factors such as a fall in employees entering the labour market had also "inflated" average pay growth. For the record, average total pay (including bonuses) growth picked up to 2.7% (YOY) in nominal terms, whilst regular pay (excluding bonuses) was 2.8% higher YOY.

Inflationary pressures remain well contained…

The Consumer Prices Index (CPI) YOY rate fell to 0.3% in November, compared with October's 0.7%, whilst the CPIH inflation rate fell to 0.6% (YOY) in November, compared with October's 0.9% (YOY).[11] Falling prices for clothing, and food and non-alcoholic beverages resulted in the largest downward contributions to the change in the CPIH 12-month inflation rate between October and November 2020. These were partially offset by upward contributions from games, toys and hobbies, and accommodation services.

Producer prices inflation is also well contained.[12] The inflation rate for the output PPI (goods leaving the factory gate) was -0.8% (YOY) in November, up from -1.4% (YOY) in October, with petroleum products providing the largest downward contribution to the annual rate of output inflation. The inflation rate for the input PPI (materials and fuels used in the manufacturing process) was -0.5% (YOY) in November, up from -1.2% (YOY) in October, with the largest downward contribution to the annual rate of input inflation coming from crude oil. Even though crude oil prices rose by 1.2% (MOM) in November, they were 34.0% lower YOY. Note that the sterling effective exchange rate index (ERI) appreciated 1.9% (MOM) in November but was still 1.6% lower YOY.

…and house prices at record high in October (ONS)

In the last Perspective we discussed the bounce in house prices as reported by the Halifax and Nationwide.[13] The ONS's data lag the Halifax and the Nationwide, but their latest release confirmed prices were continuing to pick up.[14]

According to official data, UK average house prices in October rose 5.4% (YOY), the highest annual growth rate since October 2016, compared with 4.3% in September. Prices rose by 0.7% (MOM) on a non-seasonally adjusted basis in October and by 0.9% (MOM) on a seasonally adjusted basis. And UK average house prices stood at a record high of £245,000 in October. The ONS commented "…recent price increases may reflect a range of factors including pent-up demand, some possible changes in housing preferences since the pandemic and a response to the changes made to property transaction taxes across the nations".

The ONS noted that changes to Stamp Duty Land Tax (SDLT), Land Transaction Tax and Land and Buildings Transaction Tax were made in July 2020. The UK House Price Index (HPI) is based on completed housing transactions and, typically, a house purchase can take six to eight weeks to reach completion. Therefore, the price data feeding into the October 2020 UK HPI would reflect those agreements that occurred after the tax changes took place.

The annual inflation rates for the UK's four countries in October were, as usual, variable: England (5.4%), Wales (5.8%), Scotland (6.0%) and Northern Ireland (2.4% (2020Q3)). In England, there was, as always, a significant range across the nine regions. The complete list of annual price changes was: North West (6.6%), Yorkshire & Humberside (6.6%), East Midlands (6.6%), South West (6.1%), North East (5.4%), West Midlands (5.3%), South East (4.7%), London (3.9%), and East (3.4%).

Retail sales slip in November…

Retail sales volumes slipped by 3.8% (MOM) in November 2020, as many stores ceased trading following the imposition of tougher restrictions.[15] Despite the monthly fall, overall sales remained above their pre-pandemic levels (2.6% higher). Food stores and household goods stores were the only sectors to show growth in monthly (MOM) volume of sales in November, whilst clothing store sales saw a sharp fall in sale volumes, as did fuel sales. The YOY growth rate in the volume of retail sales was 2.4% in November, with feedback from businesses suggesting that consumers had brought forward Christmas spending.

Online retailing accounted for 31.4% of total retailing compared with 28.6% in October 2020, with an overall growth of 74.7% in the value of sales when compared with November 2019.

…but Markit survey suggests activity pick-up in December in the UK…

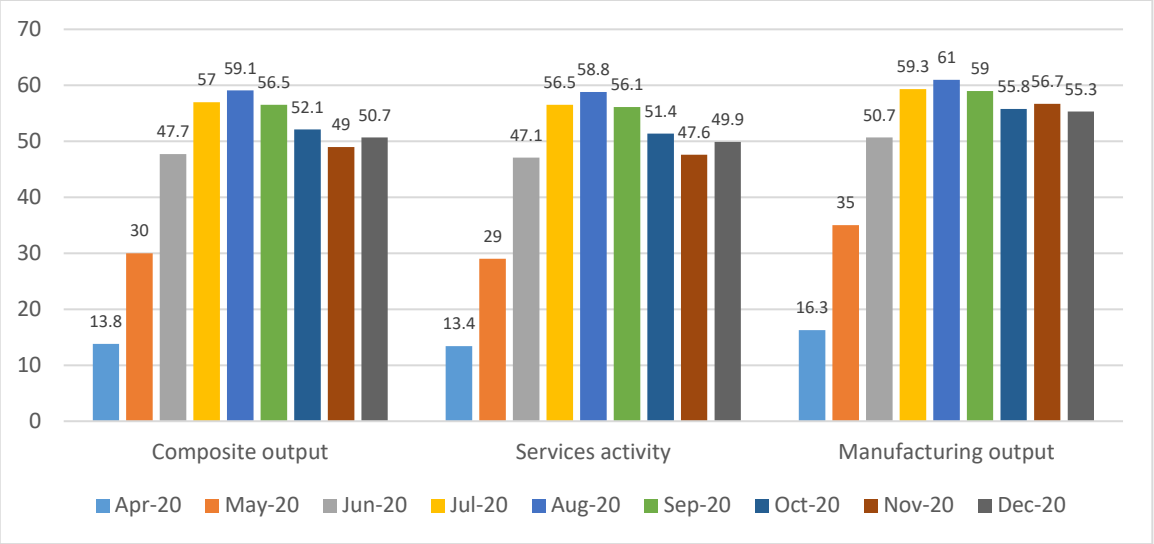
The Markit/CIPS flash UK Composite Output Index edged up to 50.7 in December, compared with November's 49.0 (final), signalling a very modest expansion (chart 4).[16] The service economy continued to underperform the manufacturing sector, holding back overall private sector growth.

Taking the two components of the index:

- The Markit/CIPS flash UK Services Business Activity Index picked up to 49.9 in December, compared with November's 47.6, just below the neutral 50.0 mark. While some service providers noted a rise in activity following an easing of lockdown measures, there were still widespread reports that COVID-19 restrictions had either reduced customer demand or even led to ongoing business closures.
- The Manufacturing Output Index was 55.3 in December, down on November's 56.7, but still comfortably above the 50.0 mark. But the wider manufacturing PMI picked up to 57.3 compared with November's 55.6. (The manufacturing PMI is a weighted average of new orders, output, employment, suppliers' delivery times, and stocks of purchases.) New orders expanded at the fastest pace since August, supported by a temporary boost to purchasing ahead of the Brexit deadline, while stocks of purchases were accumulated to the greatest extent since April 2019. In some cases, manufacturers noted that supply chain difficulties had restricted their production volumes in December.

Markit noted "…the UK economy returned to growth in December after the lockdown-driven downturn seen in November, adding to signs that the hit to the economy from the second wave of virus infections has so far been far less harsh than the first wave in the spring. The recovery lacked vigour, however, as the service sector remained under particular strain, contracting marginally again as ongoing social distancing measures due to tiered lockdowns continued to hit many parts of the economy. Consumer-facing services, notably hotels, restaurants and tourism, reported further marked declines in output, largely offsetting renewed growth in business services, transportation and manufacturing."

Chart 4 UK Markit/CIPS indices, April-December 2020



Sources: (i) *Markit/CIPS flash UK composite PMI*, "UK private sector output edges up in December. Rush to beat Brexit deadline boosts manufacturing orders, but port delays hit supply chains", 16 December 2020; (ii) previous releases to November. The Composite Output Index is a weighted average of the Manufacturing Output Index and the UK Services Business Activity Index, which are comparable indices.

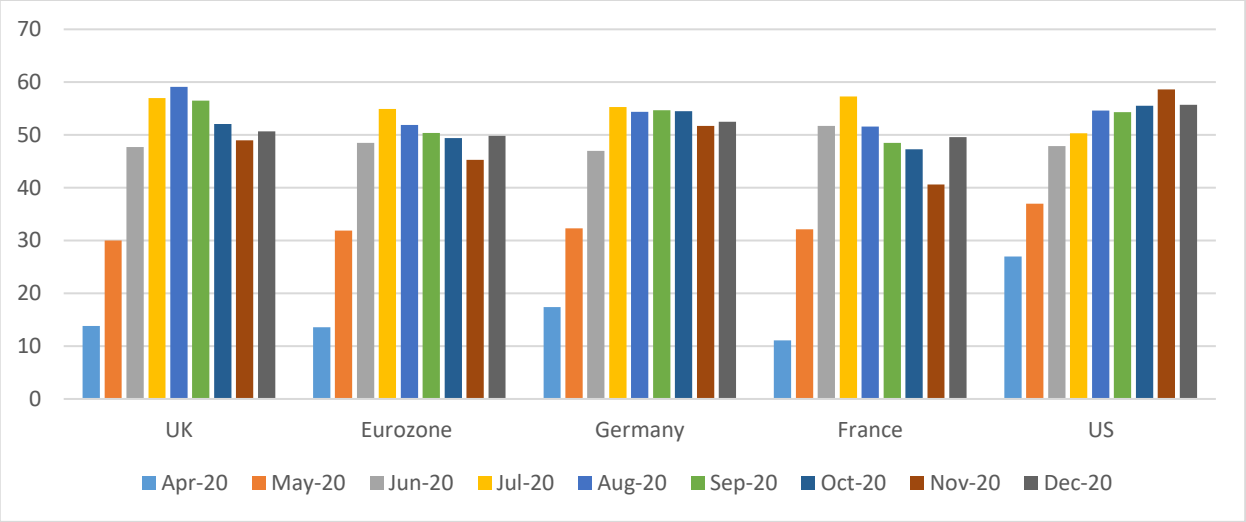
…and a mixed picture elsewhere

Concerning other major economies, the latest (December) flash Composite Output Indices also suggested some pick-up in momentum in the Eurozone. Indeed, Eurozone business activity came close to stabilising in December (49.8 compared with 45.3 in November) as stronger manufacturing output growth helped to counter a further fall in service sector activity.[17]

Within the Eurozone, Germany reported an expansion of output for the sixth successive month, its flash composite PMI rising from 51.7 to 52.5. Even though manufacturing output growth cooled, it remained among the highest seen in the survey's history, and there was a moderation in the service sector's downturn. However, output continued to fall in France, though the flash composite PMI jumped from 40.6 to 49.6 to indicate a sharp easing in the rate of contraction. A more substantial contraction of business activity was reported in the rest of the eurozone, though even here the rate of decline eased. Markit commented "…the eurozone economy is faring better than expected in December…the data hint at the economy close to stabilising after having plunged back into a severe decline in November amid renewed COVID19 lockdown measures."

The picture in the US was reasonably positive but suggested some weakening in December compared with November.[18] The flash composite output index eased to 55.7 in December from 58.6 in November, reflecting rising virus case numbers and re-imposed restrictions in many states, as the "post-election uptick and vaccine confidence waned". Manufacturers and service providers alike registered slower increases in business activity in the final month of 2020. Markit concluded that "…business reported that the US economy lost growth momentum in December, though encouragingly continued to expand at a solid pace. The survey data add to the likelihood of the economy continuing to expand in 2020Q4, building on the recovery seen in 2020Q3."

Chart 5 Markit PMI Composite Output Index, selected countries, for April-December 2020



Sources include: (i) *Markit/CIPS flash Eurozone PMI, "*Eurozone economy close to stabilising as Flash PMI rises to 49.8", 16 December 2020; (ii) *Markit flash US composite PMI, "*Recovery momentum wanes amid rising virus cases and supply delays", 16 December 2020.

No monetary policy change from the Bank…

At the meeting ending on 16 December 2020, MPC members voted to leave monetary policy unchanged, unanimously voting for:[19]

- Maintaining the Bank Rate at 0.1%.
- Maintaining the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £20bn.
- Continuing with the existing programme of £100bn of UK government bond purchases, financed by the issuance of central bank reserves. The Bank of England should also commence the previously announced programme of £150bn of UK government bond purchases, financed by the issuance of central bank reserves, maintaining the target for the total stock of these purchases at £875bn.

In addition, the MPC agreed:

- To reinvest £7.0bn of cash flows associated with the redemptions of the January 2021 gilt held by the Asset Purchase Facility (APF).
- To a six-month extension to the Term Funding Scheme with additional incentives for SMEs (TFSME). The drawdown period for the loans will be extended from 30 April 2021 and now run until 31 October 2021. The Bank initially announced the TFSME on 11 March 2020, when it said "…in order to…maximise the effectiveness of monetary policy, the TFSME will, over the next 12 months, offer four-year funding of at least 10% of participants' stock of real economy lending at interest rates at, or very close to, Bank Rate. Additional funding will be available for banks that increase lending, especially to small and medium-sized enterprises (SMEs)".[20]

On the economy, the Bank noted "…GDP growth in December was now expected to be weaker than at the time of the November Report. The forecast had been conditioned on an assumption that…the average level of restrictions prevailing in mid-October would take effect for the remainder of 2020 Q4". However, "…the government had announced a higher average level of restrictions in England, as well as stricter restrictions on hospitality within each tier, in response to rising virus cases." This statement was made, of course, prior to the extra restrictions announced on 19 December. Concerning the launch of the vaccine campaign, the Bank said "…the main news since the November Report has been the successful trialling of some Covid vaccines and initial plans to roll them out widely over the first half of next year. This is likely to reduce the

downside risks to the economic outlook from Covid. Nevertheless, recent global activity has been affected by the increase in Covid cases and associated reimposition of restrictions".

Crucially, they also noted "…the outlook for the economy remains unusually uncertain. It depends on the evolution of the pandemic and measures taken to protect public health, as well as the nature of, and transition to, the new trading arrangements between the EU and the UK. The MPC will continue to monitor the situation closely. If the outlook for inflation weakens, the MPC stands ready to take whatever additional action is necessary to achieve its remit. The MPC does not intend to tighten monetary policy at least until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably".

…and no change from the Fed

The Fed pledged to continue its accommodative support for the US economy at its December meeting (15-16 December) and, perhaps disappointing to some, there were no significant policy changes. Specifically, they said:[21]

- "The Committee (the Federal Open Market Committee (FOMC)) seeks to achieve maximum employment and inflation at the rate of 2% over the longer run. With inflation running persistently below this longer-run goal, the Committee will aim to achieve inflation moderately above 2% for some time so that inflation averages 2% over time and longer-term inflation expectations remain well anchored at 2%.
- The Committee expects to maintain an accommodative stance of monetary policy until these outcomes are achieved. The Committee decided to keep the target range for the federal funds rate at 0-1/4% percent and expects it will be appropriate to maintain this target range until labour market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2% and is on track to moderately exceed 2% for some time. In addition, the Federal Reserve will continue to increase its holdings of Treasury securities by at least $80bn per month and of agency mortgage-backed securities by at least $40bn per month until substantial further progress has been made toward the Committee's maximum employment and price stability goals."

The economic forecasts were, on the whole, improved.[22-23] The fall in GDP is now expected to be just 2.4% in 2020Q4 YOY (from 3.7% in September and 6.7% in June), whilst growth is projected to be 4.2% in 2021Q4, followed by 3.2% in 2022Q4 and 2.5% in 2023Q4 (chart 6a). Similarly, projections for the unemployment rate have been revised down (chart 6b). The projections for CPI inflation have been little revised, with the target 2.0% inflation attained in 2023Q4 (see annex table 2). The Fed Funds were unchanged from September and June, with no changes in the rate over the forecast period (chart 6c).

As background to the forecast Fed Chair Jay Powell commented "…we have emphasized throughout the pandemic, the outlook for the economy is extraordinarily uncertain and will depend in large part on the course of the virus. Recent news on vaccines has been very positive. However, significant challenges and uncertainties remain with regard to the timing, production, and distribution of vaccines, as well as their efficacy across different groups. It remains difficult to assess the timing and scope of the economic implications of these developments. The ongoing surge in new COVID-19 cases, both here in the United States and abroad, is particularly concerning, and the next few months are likely to be very challenging."[24]

Chart 6a FOMC: US GDP growth (%), Q4 (median estimates), June, September, December 2020

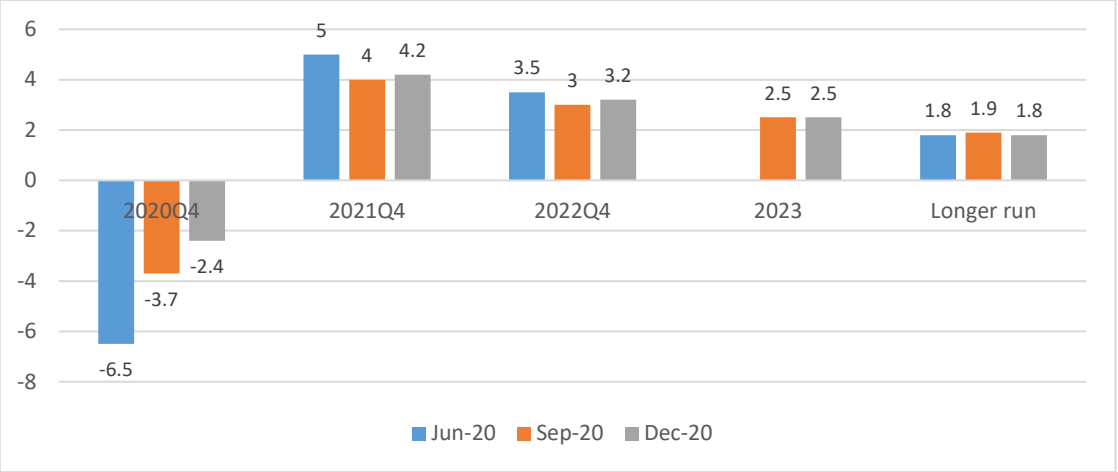


Chart 6b FOMC: US unemployment rate (%), Q4 (median estimates), June, September, December 2020

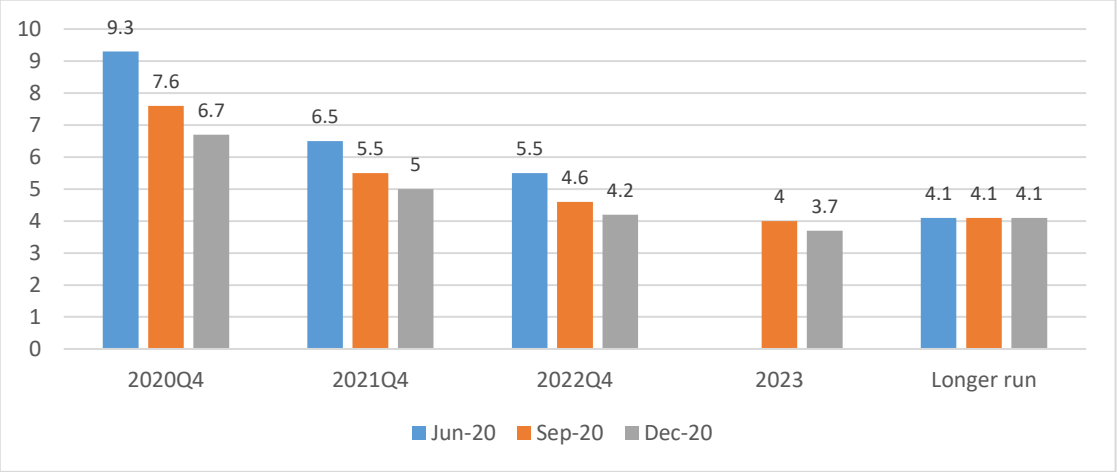
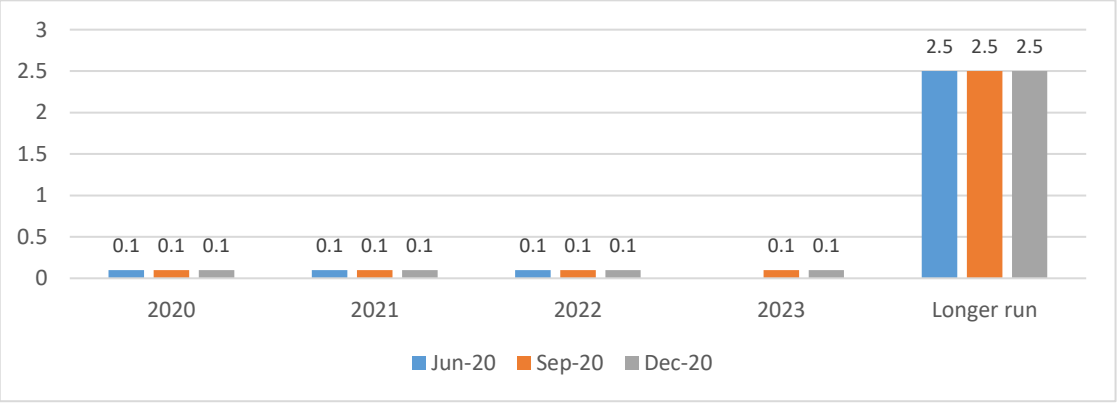


Chart 6c FOMC: appropriate Federal funds rate (median estimates), end-year, June, September, December 2020



Source: *FOMC*, "FOMC projections materials", 16 December 2020, and previous. See annex table 2. These are the economic projections of Federal Reserve Board members & Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy.

Brexit update

The UK-EU negotiations on the future UK-EU relationship continued last week. But the outstanding differences, especially on fisheries and the "level playing field", have yet to be resolved.[25] It has been

reported that the talks will continue on Monday, 21 December. It has also been reported that trade talks could continue right up to the legal deadline of 31 December, the last day of the transition period.[26] Suffice to say, if an agreement is not forthcoming by the two parties, the UK will be trading under WTO terms with the EU from 1 January 2021.

Finally, as a footnote, the Internal Market Bill received the Royal Ascent on 17 December 2020.[27]

References

1. *BBC*, "Covid-19: Christmas rules tightened for England, Scotland and Wales", 19 December 2020.
2. *BBC*, "Covid: Hancock announces tier 3 for Greater London and borders", 14 December 2020.
3. *BBC*, Covid: Hancock puts more areas of England in tier 3 measures", 17 December 2020. Bedfordshire, Berkshire, Buckinghamshire, Peterborough, Hertfordshire, Hastings, Portsmouth, most of Surrey and parts of Essex were to be moved from tier 2 to tier 3. Bristol & North Somerset were being moved from tier 3 to tier 2, whilst Herefordshire was being moved from year 2 to tier 1.
4. *HM Government*, "Chancellor extends furlough and loan scheme", 17 December 2020.
5. Furlough scheme (CJRS) extended a month (to 2 December) on 31 October and extended to end-March 2021 on 5 November.
6. *ONS*, "Labour market overview: December", 15 December 2020.
7. *ONS*, "Employment in the UK: December 2020", 15 December 2020. Unemployment measures people without a job who have been actively seeking work within the last four weeks and are available to start work within the next two weeks. The unemployment rate can also be defined as the proportion of the economically active population (those in work plus those seeking and available to work) who are unemployed.
8. Note that the redundancies estimates measure the number of people who were actually made redundant or who took voluntary redundancy in the three months before the Labour Force Survey (LFS) interviews; they do not take into consideration planned redundancies.
9. *OBR*, "Economic and fiscal outlook", CP318, November 2020.
10. *ONS*, "Average weekly earnings in GB: December", 15 December 2020.
11. *ONS*, "Consumer price inflation, UK: November 2020", 16 December 2020. CPIH is the Consumer Prices Index including owner-occupiers' housing costs and is the ONS's preferred measure of consumer prices inflation.
12. *ONS*, "Producer price inflation, UK: November 2020", 16 December 2020.
13. Ruth Lea, "Launch of mass vaccination programme welcome: but Government expected to remain cautious in lifting restrictions", *Arbuthnot Banking Group*, 14 December 2020.
14. *ONS*, "UK house prices index: October 2020", 15 December 2020.
15. *ONS*, "Retail sales, GB, November 2020", 18 December 2020.
16. *Markit/CIPS flash UK composite PMI*, "UK private sector output edges up in December. Rush to beat Brexit deadline boosts manufacturing orders, but port delays hit supply chains", 16 December 2020. The Composite Output Index is a weighted average of the UK Manufacturing Output Index and the UK Services Business Activity Index, which are comparable indices.
17. *Markit/CIPS flash Eurozone PMI, "*Eurozone economy close to stabilising as Flash PMI rises to 49.8", 16 December 2020.
18. *Markit flash US composite PMI, "*Recovery momentum wanes amid rising virus cases and supply delays", 16 December 2020.
19. *Bank of England*, "Monetary policy summary and minutes of the MPC meeting ending 16 December 2020", 17 December 2020.
20. *Bank of England, "*Term Funding Scheme with additional incentives for SMEs (TFSME), market notice", 11 March 2020.
21. Federal Reserve issues FOMC statement, 16 December 2020.
22. Federal Reserve, "Accessible materials", 16 December 2020.
23. *BBC*, "Fed: Brighter forecast but challenging months ahead", 16 December 2020.
24. *Federal Reserve*, "Transcript of Chair Powell's Press Conference, 5 November 2020.
25. *BBC*, "Brexit: No trade deal unless 'substantial shift' from EU, UK says", 20 December 2020.
26. *Daily Telegraph*, "Brexit talks could go on until December 31", 19 December 2020, reported that EU member states were prepared to ignore an ultimatum from MEPs, which the European Parliament says is necessary to have time to scrutinise the agreement before a vote on 28 December. The trade talks could continue right up to the legal deadline on 31 December.
27. UK Parliament website, for the Internal Market Bill.

Annex

Table 1 UK economic data tracker

Date	Release	Source	Quarter, year	Outcome
30 Sep	Current Account, Balance of Payments (2020Q2):	ONS	2020Q2	Balance: -£2.8bn (0.6% of GDP), -£20.8bn (3.7% of GDP, 2020Q1)
30 Sep	Trade (goods & services) balance:	ONS	2020Q2	Balance: +£16.9bn (2020Q2), +£0.5bn (2020Q1).
30 Sep	• Visible trade balance	ONS	2020Q2	Balance: -£13.2bn (2020Q2), -£29.1bn (2020Q1).
30 Sep	• Services balance	ONS	2020Q2	Balance: +£30.1bn (2020Q2), +£29.6bn (2020Q1)
30 Sep	• Primary income balance	ONS	2020Q2	Balance: -£10.5bn (2020Q2), -£14.9bn (2020Q1)
30 Sep	• Secondary income balance	ONS	2020Q2	Balance: -£9.1bn (2020Q2), -£6.4bn (2020Q1)
20 Nov	Public Sector Net Borrowing (PSNB) (Oct)	ONS	2020Q4	£22.3bn (Oct 2020), compared with £11.5bn (Oct 2019)
20 Nov	Public Sector Net Borrowing (PSNB) (7 months to Oct)	ONS	2020Q4	£214.9bn (7 months to Oct 2020), compared with £45.8bn (7 months to Oct 2019)
20 Nov	Public sector finances, public sector net debt (PSND) (end-Oct)	ONS	2020Q4	£2,076.8bn (end-Oct 2020, 100.8% of GDP), compared with £1,793.0bn (end-Oct 2019, 81.8% of GDP)
20 Nov	Public sector debt interest/revenue ratio (DIR), 12-months to Oct	ONS	2020Q4	3.1% (12-months to Sep 2020)
30 Nov	Unsecured credit (Oct)	BoE	2020Q4	Growth rate (YOY): -5.6% (Oct), -4.6% (Sep)
30 Nov	Net mortgage borrowing (Oct)	BoE	2020Q4	Growth rate (YOY): 2.7% (Oct), 2.8% (Sep)
30 Nov	Mortgage approvals for house purchase (Oct)	BoE	2020Q4	97,500 (Oct), 92,100 (Sep), 85,500 (Aug)
30 Nov	Net bank lending to non-financial businesses, inc. public sector (Oct):	BoE	2020Q4	
30 Nov	SMEs	BoE	2020Q4	Growth rate (YOY): 23.9% (Oct), 22.8% (Sep)
30 Nov	Large businesses	BoE	2020Q4	Growth rate (YOY): -2.1% (Oct), +0.6% (Sep)
30 Nov	Broad money (M4ex, excluding IOFCs)) (Oct)	BoE	2020Q4	Growth rate (YOY): 13.1% (Oct), 11.6% (Sep)
1 Dec	Manufacturing PMI (Nov)	Markit-CIPS	2020Q4	Index: 55.6 (Nov), 53.7 (Oct)
3 Dec	Services PMI (Nov)	Markit-CIPS	2020Q4	Index: 47.6 (Nov), 51.4 (Oct)
3 Dec	Composite PMI (Nov), weighted average of services PMI & manufacturing output index	Markit-CIPS	2020Q4	Index: 49.0 (Nov), 52.1 (Oct)
4 Dec	Construction PMI (Nov)	Markit-	2020Q4	Index: 54.7 (Nov), 53.1 (Oct)

		CIPS		
10 Dec	GDP, monthly (Oct)	ONS	2020Q4	GDP: +0.4% (MOM), -8.2% (YOY). 7.9% down on Feb 2020 level.
10 Dec	GDP, industrial breakdown (Oct):			
10 Dec	• Services	ONS	2020Q4	+0.2% (MOM)
10 Dec	• Production	ONS	2020Q4	+1.3% (MOM). Manufacturing: +1.7% (MOM)
10 Dec	• Construction	ONS	2020Q4	+1.0% (MOM)
10 Dec	GDP (3 months to Oct)	ONS	2020Q4	GDP: +10.2% (QOQ).
10 Dec	GDP, industrial breakdown (3 months to Oct):			
10 Dec	• Services	ONS	2020Q4	+9.7% (QOQ)
10 Dec	• Production	ONS	2020Q4	+7.6% (QOQ). Manufacturing: +10.0% (QOQ)
10 Dec	• Construction	ONS	2020Q4	+24.9% (QOQ)
10 Dec	Total trade in goods & services (3 months to Oct):			
10 Dec	• Goods & services	ONS	2020Q4	Surplus: £1.7bn (3 months to Oct), £12.9bn (3 months to Jul)
10 Dec	• Goods	ONS	2020Q4	Deficit: £28.2bn (3 months to Oct), £17.0bn (3 months to Jul)
10 Dec	• Services	ONS	2020Q4	Surplus: £29.9bn (3 months to Oct), £29.9bn (3 months to Jul)
10 Dec	Trade excluding precious metals (3 months to Oct):			
10 Dec	• Underlying trade in goods & services	ONS	2020Q4	Surplus: £0.8bn (3 months to Oct), £7.3bn (3 months to Jul)
10 Dec	• Underlying trade in goods	ONS	2020Q4	Deficit: £29.1bn (3 months to Oct), £22.6bn (3 months to Jul)
10 Dec	Memo item: trade in precious metals (3 months to Oct)	ONS	2020Q4	Surplus £1.0bn (3 months to Oct), £5.5bn (3 months to Jul)
15 Dec	Unemployment (3 months to Oct)	ONS	2020Q3	+241k (QOQ), +411k (YOY)
15 Dec	Unemployment rate (3 months to Oct)	ONS	2020Q3	4.9%, +0.7pp (QOQ), 1.2pp (YOY)
15 Dec	Redundancies (3 months to Oct)	ONS	2020Q3	370k, +217k (QOQ), +251k (YOY)
15 Dec	Employment (3 months to Oct)	ONS	2020Q3	-144k (QOQ), -280k (YOY)
15 Dec	Total weekly hours worked (3 months to Oct)	ONS	2020Q3	960.0mn, +104.9mn (QOQ), -95.7mn (YOY)
15 Dec	Average weekly hours worked (3 months to Oct)	ONS	2020Q3	29.5 hours, +3.3 hours (QOQ), -2.7 hours (YOY)
15 Dec	Total pay (including bonuses) (3 months to Oct)	ONS	2020Q3	Nominal: 2.7% (YOY); real: 1.9% (YOY)
15 Dec	Regular pay (excluding bonuses) (3 months to Oct)	ONS	2020Q3	Nominal: 2.8% (YOY); real: 2.1% (YOY)

15 Dec	Employment, PAYE RTI, HMRC (Nov)	ONS	2020Q4	Total: 28.2mn (Nov), -28k (MOM). -781k (compared with March)
15 Dec	Claimant count (Nov)	ONS	2020Q4	Total: 2.66mn (Nov), +65k (MOM). March total 1.24mn.
15 Dec	Vacancies (3 months to Nov)	ONS	2020Q4	Total vacancies: 547k, +110k (QOQ), -251k (YOY)
16 Dec	CPI (Nov)	ONS	2020Q4	YOY inflation: 0.3% (Nov), 0.7% (Oct)
16 Dec	CPIH (Nov)	ONS	2020Q4	YOY inflation: 0.6% (Nov), 0.9% (Oct)
16 Dec	PPI (output) (Nov)	ONS	2020Q4	YOY inflation: -0.8% (Nov), -1.4% (Oct)
16 Dec	PPI (input) (Nov)	ONS	2020Q4	YOY inflation: -0.5% (Nov), -1.3% (Oct)
16 Dec	Sterling effective exchange rate index (EERI) (Nov)	ONS	2020Q4	+1.0% (MOM), -1.6% (YOY)
16 Dec	Crude oil prices (Nov)	ONS	2020Q4	+1.2% (MOM), -34.0% (YOY)
16 Dec	House prices (Oct, official)	ONS	2020Q3	YOY growth: 5.4% (Oct), 4.3% (Sep)
16 Dec	House prices (Oct, official)	ONS	2020Q3	+0.7% (MOM, non-seasonally adjusted), +0.9% (MOM, seasonally adjusted)
16 Dec	Flash composite output index (Dec)	Markit-CIPS	2020Q4	Index: 50.7 (Dec), 49.0 (Nov). COI covers services business activity index & manufacturing output index
18 Dec	Retail sales (Nov)	ONS	2020Q4	Volume: -3.8% (MOM), +2.4% (YOY)
18 Dec	Retail sales (3 months to Nov)	ONS	2020Q4	Volume: 3.0% (QOQ), 4.3% (YOY)
18 Dec	Retail sales, online sales proportion (Nov)	ONS	2020Q4	Online sales/total: 31.4% (Oct), 28.6% (Sep)

Table 2 Federal Reserve: economic projections September, December 2020, median estimates

	2020	2021	2022	2023	Longer-run
GDP % change, Q4 (YOY):					
Sep 2020	-3.7	4.0	3.0	2.5	1.9
Dec 2020	-2.4	4.2	3.2	2.4	1.8
Unemployment rate, Q4 (%):					
Sep 2020	7.6	5.5	4.6	4.0	4.1
Dec 2020	6.7	5.0	4.2	3.7	4.1
PCE inflation (%), Q4 (YOY):					
Sep 2020	1.2	1.7	1.8	2.0	2.0
Dec 2020	1.2	1.8	1.9	2.0	2.0
Core PCE inflation (%), Q4 (YOY):					
Sep 2020	1.5	1.7	1.8	2.0	Na
Dec 2020	1.4	1.8	1.9	2.0	Na
Projected appropriate policy path, Federal funds rate (%), end-year:					
Sep 2020	0.1% (0-	0.1% (0-	0.1% (0-	0.1% (0-	2.5%

	0.25%)	0.25%)	0.25%)	0.25%)	
Dec 2020	0.1% (0-0.25%)	0.1% (0-0.25%)	0.1% (0-0.25%)	0.1% (0-0.25%)	2.5%

Source: *FOMC*, "FOMC projections materials", 16 December 2020. PCE = personal consumption expenditures, core excludes food & energy. The Federal funds rate is the midpoint of the targeted range. These are the economic projections of Federal Reserve Board members & Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy.