ARBUTHNOT BANKING GROUP PLC

PERSPECTIVES

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GDP growth for 2021Q2 was revised up, but Bank Governor warns of a weakening recovery

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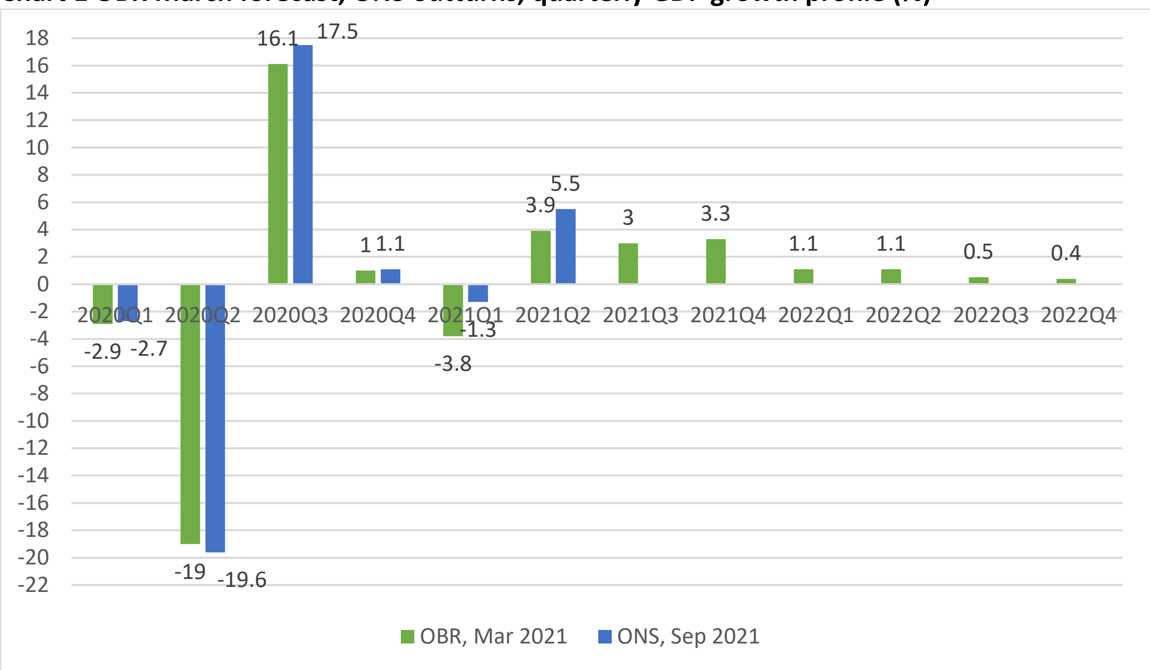
Introduction: GDP growth for 2021Q2 revised up…

GDP rose 5.5% (QOQ, revised from 4.8%) in 2021Q2, as lockdown measures were eased, though it was still 3.3% down (revised from 4.4%) below pre-pandemic 2019Q4.[1] Not only has GDP been revised up, it also has outstripped the OBR's March 2021 Budget forecast materially. The recent GDP quarterly path is shown in chart 1 compared with the OBR's forecast. Note the 1.3% fall in 2021Q1 was significantly lower than the OBR's forecast of 3.8%, whilst the 5.5% rise in 2021Q2 was somewhat better than the OBR's forecast increase of 3.8%.

There are, however, increasing concerns that growth in 2021Q3 will disappoint. GDP growth in July was a weak 0.1% (MOM)[2] and the Bank Governor has recently warned that the recovery is weakening (see the next section). It will be interesting to see how the OBR revises its forecasts for the upcoming Budget (27 October).

Chart 1 OBR March forecast, ONS outturns, quarterly GDP growth profile (%)



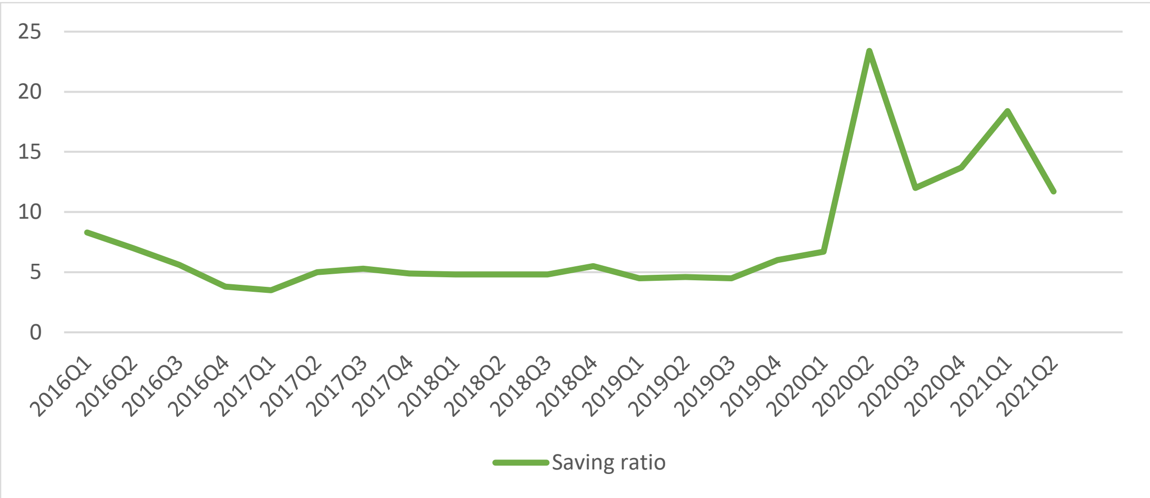
Sources: (i) *OBR*, "Economic and fiscal outlook", CP387, March 2021, table 2.3; (ii) *ONS*, "GDP quarterly national accounts, UK: 2021Q2", 30 September 2021.

On the expenditure measure there were increases in all the main components, with the largest contribution from household consumption. Household consumption increased 7.2% (QOQ), reflecting the easing of COVID-19 restrictions, following a fall of 4.4% in 2021Q1. Within household consumption the largest contributions were from spending on restaurants and hotels and transport, which all performed strongly with the reopening of the economy. This was partly offset by a fall in food and drink consumption expenditure, which may reflect the strong rise in spending on restaurants and hotels. It is noticeable that retails sales have been relatively weak in recent months.[3]

Of the other components, government consumption increased by a buoyant 8.1% (QOQ)in 2021Q2, with the rise driven by increases in health and education. The consumption of education services increased by 32.2% (following a 18.3% fall in 2021Q1) reflecting an increase in school attendance as schools reopened. And the consumption of health services increased by 11.4%, reflecting strong growth in non-COVID-19 health activity, with general practice appointments showing strong growth in June 2021. There was a very modest increase (0.8%) in gross fixed capital formation (GFCF), driven by a 4.5% increase in business investment, whilst the trade balance improved as exports rose by 6.2% (QOQ, volumes), whilst imports increased by just 2.4%.

One of the more interesting features of the latest set of UK national accounts related to the households' saving ratio (the percentage of disposable income that is saved) for 2021Q2. The ratio fell to 11.7% in 2021Q2, compared with 18.4% in 2021Q1 (which was the second highest on record). This was driven by a divergence between household's gross disposable income, which was unchanged (QOQ), and household's final consumption expenditure, which rose by 7.9% (QOQ, in nominal terms, it rose 7.2% in volume terms, as reported above). Chart 2 shows the quarterly data since 2016Q1. The ratio more than tripled between 2020Q1 (6.7%) and 2020Q2 (23.4%) but fell back in 2020Q3 to 12.0% as households resumed spending following an easing in lockdown restrictions. The ratio then increased in 2020Q4 to 13.7%, as lockdown restrictions were reimposed, and to 18.4% in 2021Q1 with the third lockdown.

Chart 2 Households' saving ratio (%)



Source: *ONS*, "Quarterly sector accounts, UK, 2021Q2", 30 September 2021.

Turning to the industry breakdown, all the broad industry groups grew in 2021Q2, with the dominant services sector outstripping the others. Services output rose by a buoyant 6.5% (QOQ), with wholesale and retail trade, accommodation and food service activities, education, and heath providing the largest quarterly contributions to services output growth. Overall, consumer-facing services (retail trade, food and beverage serving activities, travel and transport, and entertainment and recreation) increased by very buoyant 17.6% (QOQ) as restrictions were eased.

Production output rose by 1.0%, within which manufacturing grew by 1.8% (QOQ), driven by food products, beverages and tobacco, and machinery and equipment. There was a fall in the output of the manufacture of transport equipment, which was particularly impacted by microchips shortages (and see the SMMT data for August below). Mining and quarrying contracted by 15.9%, reflecting temporary maintenance closures of oil fields. Finally, construction output increased by 3.8%, though the ONS noted that there had been weaker output across the latter two months of the quarter as some businesses had reported limited availability of certain construction products, most notably timber, steel, cement and tiles.

…but the Bank Governor warns the recovery is weakening…

Bank Governor Andrew Bailey recently gave a rather downbeat assessment of the UK economy, picking up on themes discussed at the September MPC meeting.[4-5] In a speech to the Society of Professional Economists, he warned that the recovery "…has slowed and the economy has been buffeted by additional shocks. The switch of demand from goods to services…has not taken place to date on the scale expected. Meanwhile, supply bottlenecks and labour shortages have weighed on output, and are continuing. Indeed, the number of high-profile supply bottlenecks appears to be increasing."

He continued to maintain that higher price pressures were transient. He explained that inflation "…has risen to 3.2% in August. Much of the latest rise reflects base effects from last year, but we have also seen unusually strong rises in some items. Our forecast in August had inflation rising to 4% by the end of this year, and developments since then mean that inflation is likely to rise to slightly above 4%. The major contributors to the further increase are not base effects but rather the strength we are now seeing in goods and energy prices. Our view is that the price pressures will be transient. …but the pressures are very much still with us, and there is still, we believe, pass-through to retail prices to come, and manufacturers' output prices are still rising rapidly. Added to that is the uncertainty around how the labour market puzzle resolves itself, and how that will affect employment and earnings. Meanwhile, just to remind, the recovery is weakening. A lot therefore turns on how effectively supply capacity is rebuilt and over what time, and how the labour market evolves. These are truly hard yards."

He commented that the Bank would continue to watch for signs of more persistent wage growth, and associated risks of embedded inflation, but remained non-committal about higher interest rates. He said "…in considering how to use monetary policy, it is also important to understand the nature of the shocks that are causing higher inflation. The shocks that we are seeing are restricting supply in the economy relative to the recovery of demand. This is important because monetary policy will not increase the supply of semi-conductor chips, it will not increase the amount of wind and nor will it produce more HGV drivers. Moreover, tightening monetary policy could make things worse in this situation by putting more downward pressure on a weakening recovery of the economy."

Speaking at the ECB's forum on central banking on 29 September, the Bank Governor commented that supply chain problems would delay the UK's recovery until 2022.[6-7] More specifically, he warned that GDP would not now recover to pre-pandemic levels until early in 2022, up to two months later than anticipated in August, adding that the Bank would keep "close watch" on inflation expectations and the labour market for signs that "temporary" price pressures were becoming more persistent. The Bank Governor was speaking alongside ECB President (Christine Lagarde), Fed Chair (Jerome Powell) and the Bank of Japan's Governor (Haruhiko Kuroda).

…as support schemes are withdrawn

Two major support schemes were wound down on 30 September. Firstly, the Coronavirus Job Retention Scheme (CJRS), the furlough scheme, ended. The latest official data, from the HMRC, relate to the end of July and so can be regarded as very dated but, for the record, HMRC recorded the number of employments (sic) at 1.56mn on 31 July 2021.[8] It can be assumed that the number on furlough continued to fall quite significantly in August and September and the ONS has estimated that nearly one million people could still have been in the scheme at the end-September.[9] The scheme second related to the stamp duty holiday. The nil rate threshold of £250,000 for Stamp Duty Land Tax (SDLT), introduced on 1 July 2021, reverted to the standard £125,000 on 1 October 2021 (for England and Northern Ireland). The tax holiday had ended on 31 March 2021 in Scotland and on 30 June 2021 in Wales.

In addition, other policy changes to note include:

- Applications for the fifth grant of Self-Employed Income Support Scheme (SEISS) closed on 30

September 2021.
- The temporary reduced VAT rate of 5% to "certain supplies" in the tourism and hospitality sectors also ended on 30 September.[10] Supplies of food and non-alcoholic beverages for consumption on the business's premises (including restaurants, cafés and pubs) had needed only to be charged at the reduced 5% VAT rate until that date. It was replaced by a new reduced rate of 12.5% which will end on 31 March 2022, when it will revert to the standard rate of 20%.
- The £20 a week uplift for Universal Credit is due to end on 6 October 2021.
- The 100% business rates relief for retail, hospitality and leisure properties ended at end-June 2021. It was replaced by 66% business rates relief which is operational from 1 July 2021 to end-March 2022.
- The VAT payments deferral scheme ended at end-June 2021.
- Whilst not a direct Governmental policy change, note that the energy price cap was increased on 1 October, with about 15 million households facing a 12% rise in household energy bills.[11-12]

The current account changed little in 2021Q1…

The current account of the balance of payments (including precious metals) deficit narrowed very modestly to £8.6bn in 2021Q2, compared with £8.9bn in 2021Q1, an improvement of £0.3bn.[13] The components changed as follows (see table 1, below):

- The goods (including precious metals) deficit narrowed to £32.6bn (£38.8bn in 2021Q1), as exports increased more than imports. There was a favourable movement on precious metals, see below.
- The services surplus slipped a tad to £33.3bn (£34.6bn in 2021Q1).
- Taking goods and services together, there was a total trade surplus of £0.7bn in 2021Q2 (a deficit of £4.1bn in 2021Q1). The ONS noted that "…import and export flows continue to fluctuate as global economies adapt to the coronavirus pandemic and following the UK leaving the EU".
- The primary income (mainly investment income) deficit widened to £5.5bn in 2021Q2 (£1.1bn in 2021Q1). The ONS commented that "…the primary income deficit widened in 2021Q2 as UK earnings on direct investment abroad decreased, returning to normal levels after a strong 2021Q1, while foreign earnings on UK assets increased slightly".
- The secondary account (current transfers) deficit widened to £3.8bn (£3.6bn in 2021Q1). Payments to the EU resumed under the Withdrawal Agreement with effect from 2021Q2.

The current account deficit with the EU widened to £14.6bn (£11.6bn in 2021Q1), whilst the surplus with non-EU countries widened to £6.0bn (£2.7bn in 2021Q1), see charts 3a and 3b. These charts show that whilst the UK runs a persistent current account deficit with the EU, the non-EU tends to be in surplus.

Chart 3a Goods balance: EU, non-EU, total, £bn

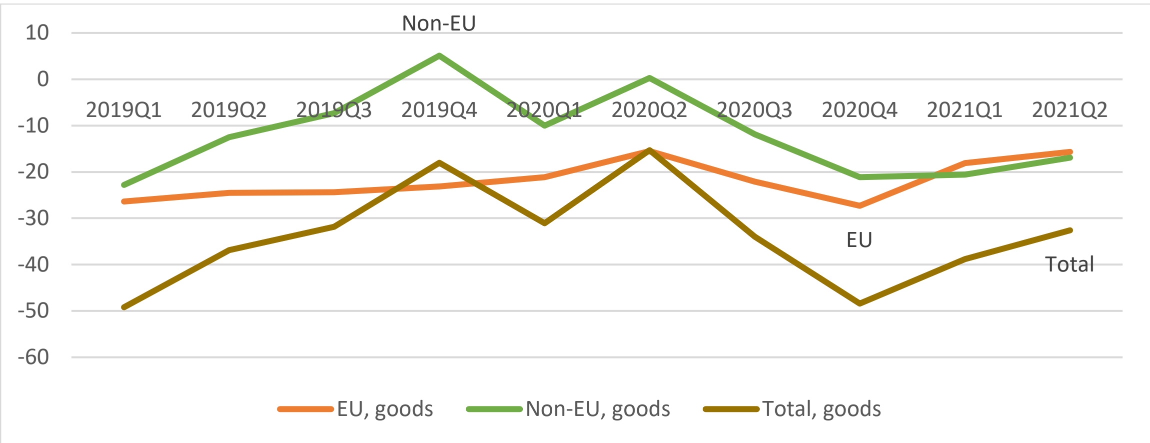
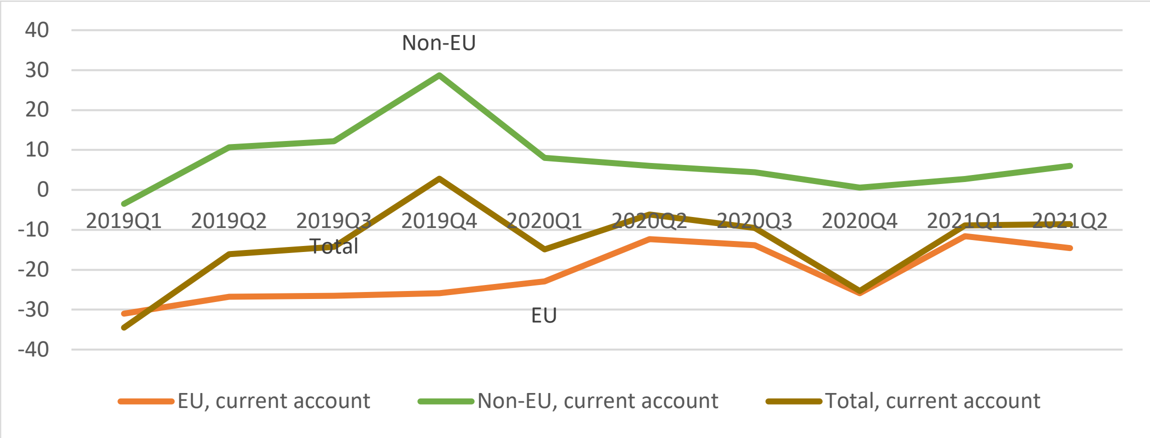


Chart 3b Current account balance: EU, non-EU, total, £bn



Source: *ONS*, "Balance of payments: 2021Q2", 30 September 2021, data revisions from 2019Q2.

The ONS pointed out that the trade (goods) flows were distorted by large movements in precious metals (including non-monetary gold (NMG)). Specifically, there was a sizeable improvement in the balance on precious metals in 2021Q2. Making allowance for this movement:

- The underlying goods deficit widened to £34.2bn in 2021Q2 (£31.0bn in 2021Q1), showing a deterioration of £3.2bn, instead of an improvement of £6.2bn for total trade. The difference reflected a £9.4bn (calculated by the author) improvement in trade in precious metals.
- The underlying current account deficit widened to £10.2bn (1.8% of GDP) in 2021Q2, compared with £1.2bn in 2021Q1, showing a deterioration of £9.0bn, instead of an improvement of £0.3bn (rounding) for the total current account.

Table 1 Current account of the balance of payments, balances (£bn), 2021Q1 and 2021Q2

	2021Q1	2021Q2	Change
Total balances:			
Goods (total, including precious metals)	-38.8	-32.6	+6.2
Services	34.6	33.3	-1.3
Goods & services	-4.1	0.7	+4.8
Primary income	-1.1	-5.5	-4.4
Secondary income	-3.6	-3.8	-0.2
Current account (CA)	-8.9	-8.6	+0.3
Of which:			
CA balance with the EU	-11.6	-14.6	-3.0
CA balance with non-EU	2.7	6.0	+3.3
Addendum on underlying balances, excluding precious metals:			
Goods	-31.0	-34.2	-3.2
[Precious metals]	[31.0-38.8=-7.8]	[34.2-32.6=+1.6]	[+9.4]
Current account	-1.2	-10.2	-9.0

Source: *ONS*, "Balance of payments: 2021Q2", 30 September 2021. Some non-addition due to rounding errors.

…whilst households remain financially cautious…

The Bank of England's latest *Money and Credit* data confirmed that households remained financially cautious in August. Consumer credit net borrowing was modest in August, whilst households saved another £9.1bn.[14]

Specifically, the Bank's data showed that, overall, households borrowed just £0.4bn of (net) consumer credit in August, after being flat in July. Within this, they borrowed an additional £0.2bn of "other" forms of consumer credit (such as car dealership finance and personal loans) and £0.2bn in net credit card borrowing. In comparison, £1.2bn of consumer credit was borrowed on average, per month, in the 2 years to February 2020. The annual growth rate for all consumer credit remains extraordinarily weak, though it picked up a little in August. It was -2.4% in August, compared with -2.6% in July. The annual growth rates of credit cards and other forms of consumer credit also remained weak at -7.9% and -0.1% respectively in July.

The Bank's data showed that individuals resumed mortgages borrowing in August, borrowing £5.3bn, following a (rare) repayment (of £1.8bn) in July. The net borrowing in August was, however, £1.4bn below the 12-month average to June 2021, when the full stamp duty holiday was in effect (see above for the changes to Stamp Duty Land Tax (SDLT)). The Bank's other data relating to the housing market was also probably influenced by the change to the stamp duty regime. Approvals for house purchases ticked down further to 74,500 in August, compared with July's 75,00. August's figure was the lowest since July 2020, though it remained above pre-February 2020 levels. Approvals for re-mortgage (which only capture re-mortgaging with a different lender) rose to 39,700 in August.

Sterling money (known as M4ex, excluding Intermediate Other Financial Corporations (IOFCs)) increased by £10.3bn in August, after July's relatively weak £7.0bn. Households' holdings of money continued rising with net flows of £9.1bn, whilst private non-financial corporations' (PNFCs') holdings increased by £2.1bn in August. But non-Intermediate OFCs decreased their holdings by £1.0bn. The M4 growth rate was 8.2% (YOY) in August, up on July's 7.9% (YOY), though money supply has slowed significantly in recent months, after the extremely rapid growth in 2020.

As can be seen in table 2 (below), the stock of M4ex increased by over £400bn between February 2020 and August 2021, of which the household sector and PNFCs have contributed the lion's share. The household sector's money holdings increased by nearly £240bn, whilst PNFCs increased their money holdings by over £130bn, reflecting the effects of QE as well as the large increase in bank lending. The net contribution of NIOFCs has been modest by comparison.

Table 2 M4ex and money holdings by sectors, amounts outstanding (£bn), seasonally adjusted

	Feb 2020	July 2021	August 2021	Change	
				Aug 2021-Feb 2020 (sic)	August-July 2021 (MOM)
M4ex, of which:	2,256.9	2,650.9	2,660.3	403.4	10.3
• Household sector	1,488.1	1,718.6	1,727.7	239.6	9.1
• PNFCs	431.7	560.4	562.5	130.8	2.1
• NIOFCs	337.1	371.2	370.1	33.0	-1.0

Sources: (i) *Bank of England*, "Money and Credit: August 2021", 29 September 2021; (ii) Bank of England website. Data revisions from May 2021. There are rounding errors.

…and other UK indicators

Two other indicators released last week were rather downbeat. Firstly, the SMMT reported that car production fell 27.0% (YOY) in August, the second consecutive month of decline.[15] Output was affected by "the continuing global shortage of semiconductors leading to production stoppages, as well as the timing and length of some manufacturers' summer factory shutdowns". The year-to-August total was, however, 13.8% (YOY) higher, but much of the industry was closed in 2020 during the first lockdown. Taking a longer-term perspective, the year-to-August total in 2021 was 32.0% lower than the comparable period in 2019.

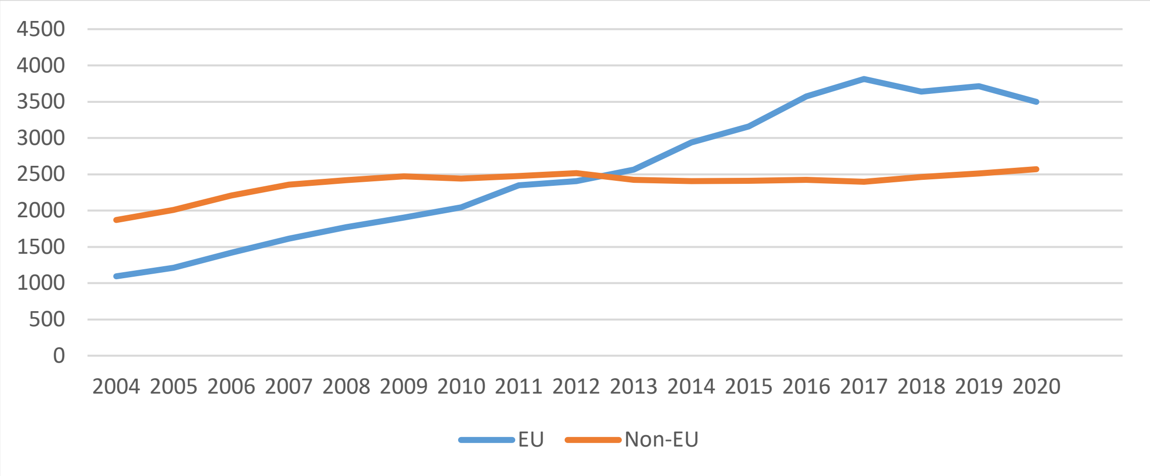
Secondly, the Nationwide reported that house prices rose by just 0.1% (MOM, seasonally adjusted) in September to be 10.0% higher YOY, after August's annual growth of 11.0%.[16] (They noted that prices were around 13% higher than when the pandemic began.) The Nationwide commented "…the outlook remains uncertain. Activity is likely to soften for a period after the stamp duty holiday expires at the end of

September, given the incentive for people to bring forward their purchases to avoid the additional tax. Moreover, underlying demand is likely to soften around the turn of the year if unemployment rises as government support winds down, as seems likely. But this is far from assured. The labour market has remained remarkably resilient to date and, even if it does weaken, there is scope for shifts in housing preferences, as a result of the pandemic, to continue to support activity for some time yet." See above for the changes to Stamp Duty Land Tax (SDLT).

The number of EU nationals in the UK fell in 2020

The latest ONS population data confirmed that the number of EU nationals in the UK has fallen recently (chart 4).[17-19] The number peaked in 2017 at 3.8mn, slipping in 2018 to 3.6mn, before partly recovering to 3.7mn in 2019. It was estimated to have declined to 3.5mn in 2020 (end-year data), probably in response to the pandemic as well as Brexit. By comparison, the number of non-EU nationals has been increasing fairly steadily, though very modestly, since 2017 and was nearly 2.6mn in 2020.

Chart 4 EU and non-EU nationals, resident in the UK (thousands)



Source: *ONS*, "Population of the UK by country of birth and nationality: 2020", 17 September 2021. End-year data.

There are two other broad observations that can be made in respect of the ONS's population data. The first is that the ONS makes a distinction between nationality and non-UK born (in particular, a good proportion of non-EU-born people adopt UK nationality). The non-UK born population was 9.5mn in 2020, of which 3.5mn (rounding) were born in the EU and 6.0mn were born in non-EU countries (table 3a). But the number of non-British nationals was significantly lower at 6.1mn, of which 3.5mn (rounding) were EU nationals and 2.6mn were non-EU nationals. India has continued to be the most common non-UK country of birth (880,000), followed by Poland (691,000). Polish remains the most common non-British nationality (738,000); Romanian is the next most common at 384,000 (table 3b).

Table 3a Estimates of UK resident population by country of birth and nationality (thousands, %), 2020

Country of birth		Nationality	
All residents	66,282 (100%)	All residents	66,282 (100%)
UK born	56,710 (86%)	UK nationals	60,180 (91%)
Non-UK born, of which:	9,539 (14%)	Non-UK nationals, of which:	6,068 (9%)
• EU	3,537 (5%)	• EU	3,498 (5%)
• Non-EU	6,002 (9%)	• Non-EU	2,570 (4%)

Table 3b Population of the UK for the 5 most common non-UK countries of birth & nationalities, 2020

	Country of birth (estimate, thousands)	Nationality (estimate, thousands)

1	India (880)	Poland (738)
2	Poland (691)	Romania (384)
3	Pakistan (479)	Republic of Ireland (368)
4	Republic of Ireland (415)	India (359)
5	Romania (345)	Italy (317)

Source: *ONS*, "Population of the UK by country of birth and nationality: 2020", 17 September 2021. End-year data. There are very substantial rounding errors. Note that some UK-born people have adopted EU nationality.

The second observation relates to the Home Office's EU Settlement Scheme.[20] The ONS warned that their population estimates by country of birth and nationality cannot be directly compared with the figures from the EU Settlement Scheme because of differences in what the statistics measured and how they were compiled.

London as an international financial centre remains second only to New York

The *Global Financial Centres Index (GFCI)*,compiled by Financial Centre Futures (FCF), has been running since March 2007. It provides evaluations of competitiveness and rankings for key financial centres. There were 116 financial centres in the main index in the September 2021 report (GFCI30), whilst 126 centres in all were researched.[21] Two sets of data are used in compiling the GFCI:

- 146 instrumental factors, which are objective, quantitative measures provided by third parties including the World Bank, the Economist Intelligence Unit, the OECD and the UN. The factors used in the GFCI model are then grouped into five broad "areas of competitiveness" for analysing the financial centres: business environment, human capital, infrastructure, financial sector development, and reputation.
- Financial centre assessments provided by respondents to the GFCI online questionnaire. GFCI30 used 77,391 assessments from 12,862 respondents. The GFCI does not include the financial centre assessments of the respondent's own centre. A London-based respondent's assessment of London, for example, would be excluded.

The main finding was that New York retained its first place in the index (chart 5a) and London retained its second place. The relatively strong performance of New York and London suggests that the financial services sectors in these cities have managed to sustain their performance despite radical changes in working practices, and other disruptions, during the last 18 months. Specifically, New York was top-ranked in all five of the GCFI's identified "areas of competitiveness" (business environment, human capital, infrastructure, financial sector development and reputation), whilst London was ranked second in business environment, infrastructure, financial sector development and reputation and third in human capital. These results suggest that Brexit (and more specifically the end of the transition period) does not seem to have materially damaged London's position.[22] Indeed, it has been reported that UK financial service exports to the EU even rose in 2021Q1, despite the end of the transition period.[23] Chart 5b shows that London is consistently "Europe's top financial centre" – and by a considerable margin.

Hong Kong and Singapore were in the third and fourth positions, leap-frogging Shanghai, which dropped to sixth position. The North American centres generally performed well in the September survey, probably reflecting renewed optimism about the US and Canadian economies as they move forward from the pandemic, whilst Chinese centres tended to be regarded less favourably than previously. The FCF noted that the average rating of centres in the index dropped by 12.9 points (2.05%) in September. Whilst this was a small change, it was the third consecutive fall in the average rating. The GFCI commented that "…these factors suggest that there remains some lack of confidence in the world economy. The fact that overall ratings continue to fall against the levels that we saw in 2019 reflects the continuing uncertainty around international trade, the impact of the covid-19 pandemic, and geopolitical and local unrest".

Chart 5a Global Financial Centres Index, top 10 centres (Sep 2021 ranking), Mar 2020, Sep 2020, Mar 2021, Sep 2021

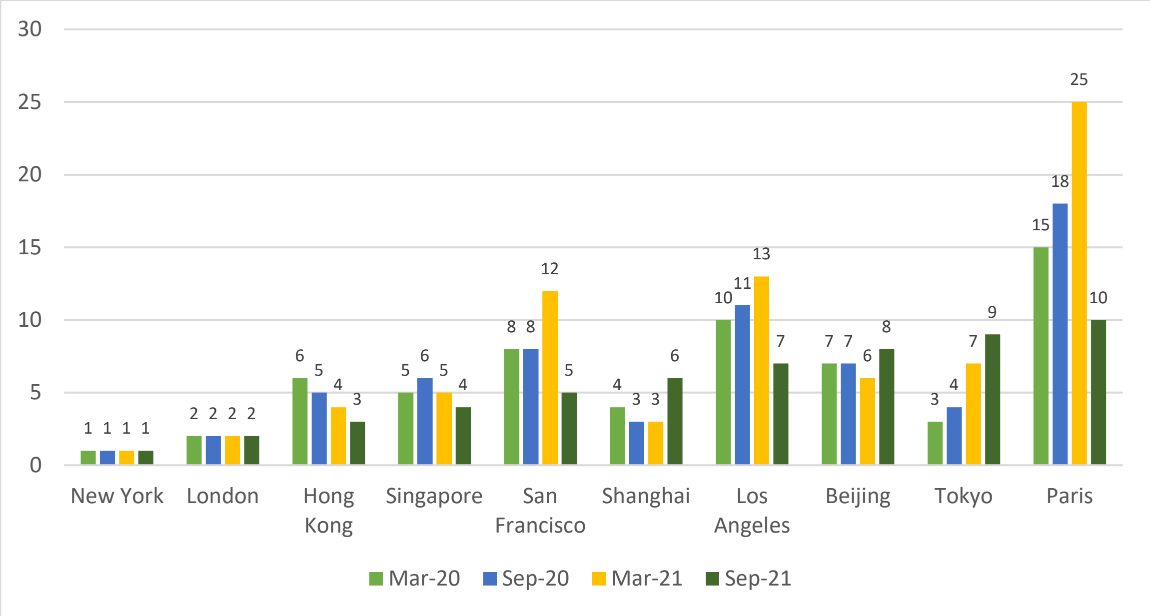
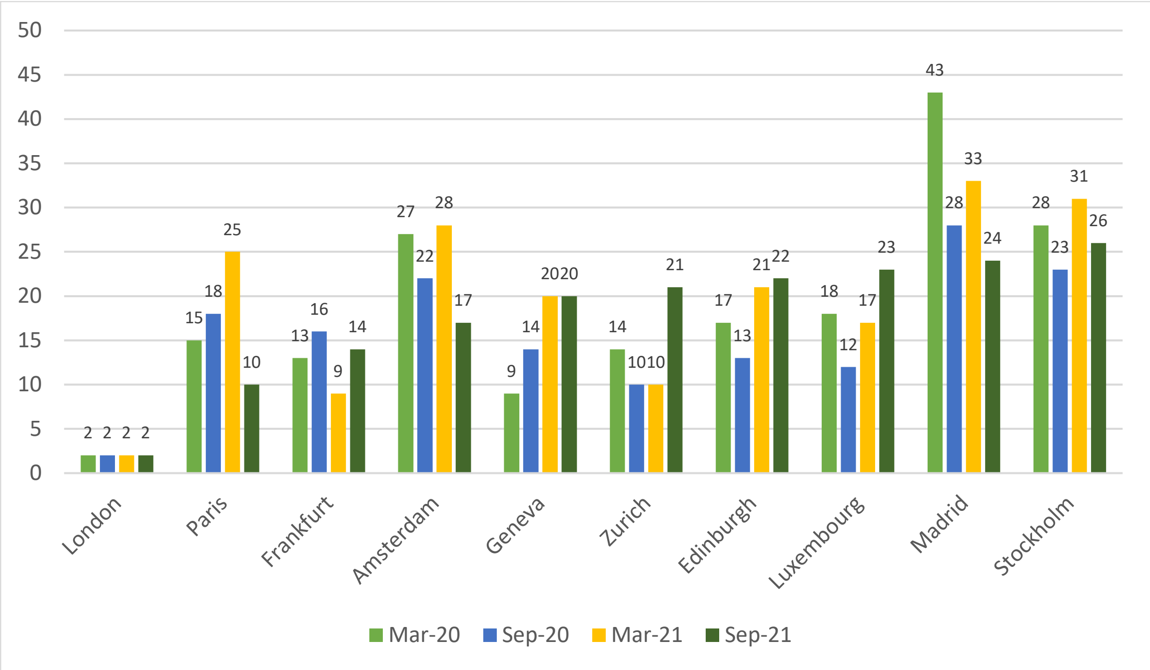


Chart 5b Global Financial Centres Index, top 10 European centres, with their global rankings



Sources: *Financial Centre Futures*, "The Global Financial Centres Index (GFCI)", 27 (Mar 2020), 28 (Sep 2020), 29 (Mar 2021), 30 (Sep 2021). See also annex table 1.

The report also compiled sub-indices for industry sectors by using only the responses provided by people working in those industries (table 4). New York remained in the leading position in this analysis, coming first in all areas except insurance (where it was fourth). London retained second place to New York in investment management, professional services, government/regulatory matters and trading. Elsewhere, London was fifth in banking and third in fintech. Outside New York and London, Hong Kong, Singapore and Shanghai are amongst the leaders.

Table 4 Industry sub-indices – top 5 financial centres

Rank	Banking	Investment management	Insurance	Professional services	Government & regulatory	Finance	FinTech	Trading
1	New	New York	Singapor	New York	New York	New	New York	New

	York		e			York		York
2	Hong Kong	London	Hong Kong	London	London	Shanghai	Singapore	London
3	Singapore	Singapore	Shanghai	Singapore	Singapore	Beijing	London	Hong Kong
4	Shanghai	Beijing	New York	Hong Kong	Zurich	Tokyo	Shanghai	Shanghai
5	London	Shanghai	Beijing	Shanghai	Hong Kong	Hong Kong	Wellington	Singapore

Source: *Financial Centre Futures*, "The Global Financial Centres Index (GFCI)", number 30, September 2021.

References

1. *ONS*, "GDP quarterly national accounts, UK: 2021Q2", 30 September 2021.
2. *ONS*, "GDP monthly estimate: July 2021", 10 September 2021.
3. *ONS*, "Retail sales, GB: August 2021", 17 September 2021.

4. *Bank of England*, “The hard yards, speech by Andrew Bailey”, to the Society of Professional Economists, 27 September 2021
5. Ruth Lea, “The MPC in September: growth seen weaker and inflation higher than in August”, *Arbuthnot Banking Group*, 27 September 2021, discussed the MPC meeting.
6. *ECB*, “ECB forum on central banking 2021. Beyond the pandemic: the future of monetary policy”, 28-29 September 2021.
7. Two references: *Daily Telegraph*, “Recovery will be delayed until 2022, Bailey warns”, 30 September 2021; *Reuters*, “BoE’s Bailey sees UK economy taking longer to regain pre-pandemic size”, 29 September 2021.
8. *HM Government*, “Coronavirus Job Retention Scheme (CJRS) statistics”, 9 September 2021.
9. *BBC,* “Furlough scheme ends with almost 1 million left in limbo”, 30 September 2021.
10. *HM Government*, “VAT: reduced rate for hospitality, holiday accommodation and attractions”, updated 3 March 2021.
11. The energy price cap, set by industry regulator Ofgem, helps to control the cost of gas and electricity in the UK. The cap limits the unit rate and standing charge that suppliers can bill for their default tariffs. It is reviewed twice a year.
12. *BBC*, “Energy price cap: why are fuel bills rising?”, 1 October 2021, reported that those on standard tariffs, with typical household levels of energy use, could see an increase of £139 - from £1,138 to £1,277 a year. Households on fixed tariffs will be unaffected, but those coming to the end of a contract will automatically be moved to a default tariff set at the new level. It is likely the energy cap will rise again in April, as energy firms are paying high prices for gas.
13. *ONS*, “Balance of payments: 2021Q2”, 30 September 2021.
14. *Bank of England*, “Money and Credit: August 2021”, 29 September 2021.
15. *Nationwide*, “Annual house price growth slows in September, but remains in double digits”, 30 September 2021.
16. *SMMT*, “August car production falls as global chip shortage continues to bite”, 30 September 2021.
17. *ONS*, “Population of the UK by country of birth and nationality: 2020”, 17 September 2021.
18. *ONS*, “Early indicators of UK population size and age structure: 2020”, 16 April 2021, analysed population data up to June 2020.
19. Ruth Lea, “GDP rose 0.4% in February and UK-EU goods trade part-recovered”, *Arbuthnot Banking Group*, 19 April 2021, discussed the data released on 16 April 2021.
20. *Home Office*, “EU Settlement Scheme statistics”, 16 September 2021. This reported that the total number of applications for the EU Settlement Scheme was 6,159,800 on 31 August 2021, of which 108,490 were received after the 30 June 2021 deadline. The total number of concluded applications was 5,709,200 on 31 August. Of these settled (2,974,100 (52%)), pre-settled (2,411,100 (42%)), refused (145,200 (3%)), withdrawn or void (94,300 (2%)), invalid (84,300 (1%)). The number given settled and pre-settled status totalled 5,385,200. The number concluded after 30 June 2021 was 264,650.
21. *Financial Centre Futures*, “The Global Financial Centres Index (GFCI)”, number 30, September 2021.
22. *Daily Telegraph*, “City keeps title as Europe’s top financial hub after Brexit”, 24 September 2021.
23. *Daily Telegraph*, “Financial services exports to Europe rise despite Brexit”, 2 September 2021.

Annex

Table 1 Global Financial Centres Index, ratings of financial centres (Mar 2020-Sep 2021), rankings in brackets for top 30 (as of Sep 2021)

	Mar 2020, GFCI27	Sep 2020, GFCI28	Mar 2021, GFCI29	Sep 2021, GCFI30	Sep 2021, Europe

Top 30					
New York	769 (1)	770 (1)	764 (1)	762 (1)	
London	742 (2)	766 (2)	743 (2)	740 (2)	1
Hong Kong	737 (6)	743 (5)	741 (4)	716 (3)	
Singapore	738 (5)	742 (6)	740 (5)	715 (4)	
San Francisco	732 (8)	738 (8)	718 (12)	714 (5)	
Shanghai	740 (4)	748 (3)	742 (3)	713 (6)	
Los Angeles	723 (10)	720 (11)	716 (13)	712 (7)	
Beijing	734 (7)	741 (7)	737 (6)	711 (8)	
Tokyo	741 (3)	747 (4)	736 (7)	706 (9)	
Paris	718 (15)	713 (18)	699 (25)	705 (10)	2
Chicago	717 (16)	711 (20)	714 (15)	704 (11)	
Boston	708 (25)	716 (15)	703 (24)	703 (12)	
Seoul	694 (33)	695 (25)	713 (16)	702 (13)	
Frankfurt	720 (13)	715 (16)	727 (9)	710 (14)	3
Washington DC	709 (24)	712 (19)	715 (14)	700 (15)	
Shenzhen	722 (11)	732 (9)	731 (8)	699 (16)	
Amsterdam	703 (27)	701 (22)	695 (28)	698 (17)	4
Dubai	721 (12)	714 (17)	710 (19)	694 (18)	
Toronto	710 (23)	684 (31)	694 (29)	693 (19)	
Geneva	729 (9)	717 (14)	709 (20)	692 (20)	5
Zurich	719 (14)	724 (10)	720 (10)	690 (21)	6
Edinburgh	716 (17)	718 (13)	708 (21)	689 (22)	7
Luxembourg	715 (18)	719 (12)	712 (17)	688 (23)	8
Madrid	678 (43)	692 (28)	683 (33)	687 (24)	9
Sydney	713 (20)	682 (32)	711 (18)	686 (25)	
Stockholm	702 (28)	700 (23)	683 (31)	685 (26)	10
Montreal	704 (26)	694 (26)	696 (27)	682 (27)	
Vancouver	711 (22)	698 (24)	719 (11)	681 (28)	
Melbourne	712 (21)	693 (27)	705 (23)	680 (29)	
Hamburg	699 (29)	690 (29)	664 (43)	679 (30)	11

Sources: *Financial Centre Futures*, “Global Financial Centres Index reports”, numbers 27-30.