

A fleet of new trains

Economic Week in Review

Issue 239 | 27 July 2020

### UK news

- **Retail sales** rose 14% in June as more stores were allowed to open. An increase of 8% had been expected. The ONS commented that overall sales are now almost back to pre-pandemic levels but some have warned that this may be due to consumers reallocating funds which are usually reserved for other services, which are unavailable at the moment.
- **Recovery expectations** | A Deloitte survey of British businesses showed that nearly half of respondents expect a return to pre-pandemic levels in Q2 2021. 10% considered the recovery to have already happened.
- **PMI** | Readings for July show a “marked improvement” in business conditions, according to IHS Markit/CIPS as much of the UK returned to work and businesses reopened. However, manufacturing firms reported that output is slow to return and operating costs are increasing due to safety measures.
- **2024 recovery** | The EY Item Club has forecast that the UK economy may not recover until late in 2024, in part due to the size of the GDP contraction.
- **Hotel industry** | UK lobby group UK Hospitality has warned that 20% of jobs at large chains are at risk.

### Global news

- **Eurozone recovery** | PMI growth from 48.1 in June to 54.8 in July helped strengthen the euro against the dollar (a 22-month high) and the pound.
- **US concerns** | Stalling stimulus talks and a rise in the number of jobless claims have caused many to believe that US recovery may be faltering.
- **US/China relationship** | The relationship between the US and China appears to be worsening over the pandemic, increasing concerns that the trade war could intensify again. At a White House briefing, President Trump said that the trade accord reached in January “means much less [to me] now than when [he] made it”, causing China’s CSI300 to fall to its lowest in three weeks.
- **Second wave** | Global health officials are concerned about a second wave of Covid-19 as new outbreaks in China, Australia, and Spain serve as reminders for how difficult it is to control the virus. The new outbreak in Spain has led to a new quarantine period on visitors returning to the UK.

### Materials, commodities and currencies

- **UK manufacturing** | Make UK, an organisation representing the UK’s manufacturers has called on government to extend the furlough scheme by six months for strategic sectors, warning that nearly a third of companies plan on making 11-25% of staff redundant.
- **Oil** | Barclays has warned that if the recovery in fuel demand stalls, oil prices could see a correction. WTI and Brent oil are near four-month highs, helped by a weak dollar, but the International Energy Agency has warned that 2020 may be seen as one of the worst years in history for the global oil market.
- **US Dollar** | The US dollar has been losing strength recently with some analysts anticipating a summer of weakness due to worsening international relations, concerns that the US is struggling to contain the virus, and the upcoming presidential election.

### Construction and property news

- **Crossrail delays** | The project’s board announced that Crossrail will be delayed beyond next summer due to the coronavirus pause, combined with “existing pressure”.
- **Westfield plans** | Plans to convert two thirds of 104,000 sqft of space in Westfield used by House of Fraser into co-working space have been approved by the local council. No immediate timescale has been announced. Another one of the centre’s anchors, Debenhams, announced it has no plans to reopen post-lockdown as it could not achieve another round of rent reductions.
- **Land values** | Residential land values in London’s most expensive areas are falling as developers are more cautious about starting new projects. According to Knight Frank, the average price of land for development in central London fell by 6% in Q2.

### Friday to Friday

	Price / index	Week % change	Annual % change
FTSE 100	6,123.82	-2.65	-18.88
FTSE 250	17,264.84	-0.33	-13.06
Nikkei	22,751.61	0.24	5.05
CSI 300	4,505.59	-0.86	16.77
S&P 500	3,215.63	-0.28	6.27
Nasdaq	10,363.18	-1.33	24.40
CAC 40	4,956.43	-2.23	-11.65
Dax	12,838.06	-0.63	3.37
\$ per £	1.2788	1.91	3.25
€ per £	1.0990	0.17	-1.31
Gold £/oz	1,486.38	3.17	29.75
Brent Oil \$/barrel	43.34	0.46	-31.71

### Weekly Summary

Market confidence weakened as Covid-19 cases increased in areas where the virus was considered to be controlled.

PMI surveys around the world were much more positive, breaking through the crucial 50.0 marker, however, this week will bring updates on the severity of GDP lost in Q2 which are expected to be double-digit losses across the Eurozone. Analysts are concerned that deeper losses will create economic ‘scars’ which will take some time to recover from.

### To look out for

Unemployment figures will be closely watched as from next week, employers will need to contribute to the wage cost of furloughed employees. The change could hurt small businesses - Begbies Traynor reported that the number of small businesses in financial distress has risen by 3%, threatening 1.7 million jobs.

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