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News in Review

24 November 2021

"If we are serious about going for growth, then 2022 has to be a year of detail and delivery"

During a week which saw the government confirm it was cancelling the Leeds leg of the HS2 high-speed rail line, the Confederation of British Industry (CBI) said more needed to be done to end the North-South divide and ensure economic growth was evenly spread around the UK. Speaking in South Shields during the CBI's annual conference, the business group's Director General Tony Danker said, *"benign neglect"* in parts of the country over decades had led to a *"branch line economy"* and warned that levelling up could not be left to the free market alone.

The Prime Minister also addressed the conference on Monday, speaking about his green industrial revolution. Responding to Mr Johnson's speech the CBI Director General said, *"By making decarbonisation one of our economy's big bets for growth, we can create the high value sectors, firms, skills and investment needed to level up the economy."* Mr Danker added, *"If we are serious about going for growth, then 2022 has to be a year of detail and delivery."*

Input prices hit fresh high

A closely-watched survey released on Tuesday suggests the UK economy continued to grow in November. The preliminary reading of the IHS Markit/CIPS Composite Purchasing Managers' Index (PMI) dipped to 57.7, marginally down from October's final figure of 57.8. With any value over 50 representing expansion, this latest reading does indicate a strong rise in private sector output.

The PMI survey also reported record cost pressures, with input price inflation rising at the fastest rate since the Index began in 1998, fuelled by higher wages and a spike in prices paid for fuel, energy and raw materials. This prompted IHS Markit Chief Business Economist Chris Williamson, to suggest the survey's findings pave the way for a rate hike when the Monetary Policy Committee next convenes in mid-December. Mr Williamson said, *"A combination of sustained buoyant business growth, further job market gains and record inflationary pressures gives a green light for interest rates to rise in December."*

Rate decision *"finely balanced"*

Speaking before release of the PMI data, however, two key Bank of England officials cast doubt on the certainty of a December rate rise. Governor Andrew Bailey told the Sunday Times that risks to the economy remain *"two-sided"* with slowing growth and rising inflation. Two days earlier, at a conference in Bristol, the Bank's Chief Economist Huw Pill had admitted the weight of evidence was shifting towards a rate increase but noted that the decision would be *"finely balanced"*. Mr Pill added, *"I genuinely do not know today how I will vote."*

Retailers enjoy early Christmas cheer

Official data released last Friday showed retail sales grew more strongly than expected in October, following five consecutive months posting no growth at all. In total, sales volumes rose by 0.8%, with the clothing and toy sectors being the key drivers of growth. The latest GfK Consumer Confidence Index, released the same day, also brought welcome cheer to retailers preparing for Christmas, with November's headline figure rising for the first time in four months.

Commenting on the retail sales data, British Retail Consortium Chief Executive Helen Dickinson said, *"Retailers will be relieved by the improvement in sales as they enter the final straight in the run up to Christmas. Retailers are hopeful that demand will continue right through the golden quarter, however, challenges remain, with higher prices looming and many households facing rising energy bills."*

Borrowing down less than expected

Public sector finance statistics for October, also published on Friday, showed borrowing fell by less than analysts had predicted, with rising debt interest payments and the cost of the COVID vaccination programme offsetting higher tax receipts. In total, the government borrowed £18.8bn last month, just £200m below the figure recorded in October 2020 and £5bn more than the consensus forecast in a Reuters poll of economists. Despite the relatively disappointing monthly data, overall borrowing in the current fiscal year to date remains over £100bn lower than last year's comparable figure.

Attempts to lower oil prices

The UK is set to release up to 1.5m barrels of oil from its strategic reserves, joining the US, China, India, Japan and South Korea in an attempt to bring down energy and petrol prices after OPEC+ agreed to only increase production gradually.

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.