

# State of Play



**17 June 2021**

Our Investment Specialist, Simon Durling, shares his thoughts in our latest update. As expected, the Prime Minister announced a four week delay to the final lifting of all legal restrictions in England - just in time for the school holidays.

## Final unlocking stage delayed to allow more people to get vaccinated

The decision to lift restrictions was always going to be a balancing act but as expected the Prime Minister announced that the final stage of reopening is to be delayed until 19 July in England, with some exceptions for weddings and funerals but all other restrictions remaining in place as now. Although the Prime Minister made no firm promises about lifting restrictions in four weeks' time he stated that he was confident that further delays would not be required. The decision was driven largely by scientific advice that the Delta variant is more transmissible than previous variants and could lead to a 'significant resurgence' of hospitalisations if the remaining restrictions are eased too soon.

The data shows that the current vaccines are very effective against the Delta variant at preventing illness and hospitalisation, but a single dose provides markedly less protection than being fully vaccinated. The delay provides a window to significantly increase the number of adults who could be fully vaccinated and allowing millions more younger adults to receive their first dose as the UK Government accelerates the vaccine programme to target every adult to receive at least one injection by 19 July. As Patrick Valance, the Government Chief Scientific Adviser explained, the decision is based on a race between the vaccine and the virus.

The announcement was not welcomed in those sectors that either cannot trade or have had their trade restricted by the existing restrictions. This is particularly important for the hospitality sector who are operating at a reduced capacity due to social distancing rules which clearly limits their earning power. These sectors in England have warned of business closures and job losses if support, such as business rates relief, is not extended to match the delay in the final stage of reopening. The hope is that the 19 July will finally see restrictions lifted but as with all phases of this pandemic the future remains uncertain.

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## G7 pledges one billion vaccines

The G7 nations (US, UK, France, Germany, Canada, Italy, Japan along with the European Union (EU)) met in sunny Cornwall for the first time in nearly two years to discuss the most pressing global issues. In a carefully planned event the leaders of the world's richest nations met to talk about the response to the pandemic, making a promise to donate one billion vaccine doses to poorer countries or give them to the World Health Organization (WHO) to distribute through the 'COVAX' scheme designed to share vaccines and help ensure everyone gets the help they need to end the pandemic. Prime Minister Boris Johnson said he hoped the agreement could 'channel all our diplomatic, economic and scientific might to defeating COVID for good'. There was some criticism though that the leaders fell short of what is required, with some campaigners saying 11 billion vaccines need to be donated to truly end this global pandemic.

In contrast to the last G7, where former US President Donald Trump was unwilling to co-operate on several issues including climate change, President Joe Biden was keen to break away from this approach with an agreement made to get rid of coal-fired power stations that don't use carbon capture technology. There was also a promise to help poorer countries cut emissions and a plan to support a 'green revolution'. An agreement to help young girls around the world was also discussed, with leaders agreeing that within the next five years they would help 40 million girls get into education.

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## Record rise in the number of workers on payrolls in May

According to the Office for National Statistics (ONS), May 2021 saw the highest rise in paid employment since records began in 2014 with 197,000 more people on pay rolls when compared to April. As a result, the unemployment rate fell to 4.7% although those under the age of 30 continue to be the worst affected by the pandemic and subsequently affected by job losses. Sam Beckett, ONS Head of Economic Statistics, said: 'The number of employees on payroll grew strongly in May, up by almost 200,000, although it is still over half a million down since the pandemic struck'. The improving picture on jobs is due, in large part, to the furlough scheme which was extended last year and is due to finish at the end of September. The initial predictions expected unemployment to peak well into double figures, but

some believe it already has peaked when it hit 5.1% a couple of months ago. Some are concerned that the labour market is tightening, especially specific skilled jobs where there are acute shortages, pushing up wage demands which in turn is likely to put pressure on prices, driving a possible rise in inflation in the near future. Employers, particularly those in the hospitality sector, are struggling to find workers now that hotels, pubs, and restaurants can serve customers indoors. The ONS said that average weekly pay, excluding bonuses, rose by 5.6% year-on-year in the three months from February to April 2021. This was a bigger rise than predicted, partly driven by weak base comparisons as wages fell after the country first went into lockdown in March last year. The ONS also said there were 758,000 job vacancies in March to May 2021 which is only 27,000 below the level last seen in the period January to March 2020.

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## First post-Brexit trade deal struck between UK and Australia

The first trade deal to be built from scratch since Britain left the EU was agreed between Prime Minister Boris Johnson and Australian Prime Minister Scott Morrison. Ministers said the new agreement meant some British products such as cars and Scotch whisky would be cheaper to sell to Australia. Some UK farmers expressed concern they may be undercut on price and standards. It signals an important step towards the UK joining a wider Asia Pacific free-trade agreement. Prime Minister Boris Johnson said in a statement: 'Our new free trade agreement opens fantastic opportunities for British businesses and consumers, as well as young people wanting the chance to work and live on the other side of the world'.

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## Market update

US stock markets have recovered over the last few weeks to hit new record highs, as investors awaited cues from the Federal Reserve this week about whether a recent jump in inflation would prompt a sooner-than-expected rise in interest rates or tapering in monetary policy. Assurance from the US central bankers that rising prices are transitory have helped ease some concerns over inflation, with all eyes turning to the central bank's statement at the end of its two-day policy meeting on Wednesday. In the UK markets are grinding higher, albeit slowly, and are now at levels close to the record highs from before the pandemic. The delay in lifting all restrictions in England was muted from markets as they recognise that this is temporary and has limited impact on economic activity apart from sectors like hospitality, travel and tourism.

Japanese shares have had a strong 12 months, 31.8% higher than a year ago but some 25% lower than the record high recorded in the asset price bubble in December 1989. Japan has the largest proportion of people over the age of 65 in the world, with 28% of the overall population, when compared to 18% in the UK. This demographic challenge is faced by many developed countries because as we get older our economic activity tends to reduce as we travel less and consume or purchase goods less regularly. Japan has had a mixed

pandemic but is recovering strongly since the vaccine announcements in the first few days of November last year.

Oil prices have posted gains of nearly 90% over the last year as vaccination programmes allowed many western countries to remove their COVID-19 restrictions, resulting in a recovery in the global economy. The International Energy Agency predicted last week that global oil demand will recover to pre-pandemic levels late next year. The price of Brent Crude, at the time of writing, was at just over \$73 (US dollar) per barrel.

**Find out more!**

Click [here](#) to read our latest A Month in the Markets, where our Head of Multi-Asset Solutions Stefano Amato looks at how key themes impacted markets in May.

Note: Data as at 15 June 2021.



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