# ECONOMIC PULSE

UNITED KINGDOM: COMING IN TO LAND

Although there was no lack of effort from the British government in dealing with the coronavirus pandemic (20 points of GDP was directly transferred to the economy to tackle the health crisis, twice the European average), it was also one of the first to have decreed the end of "whatever it takes". In October, the main employment support measures – the Coronavirus Job Retention Scheme and the Self-Employed Income Support Scheme – came to an end. Some 1.5 million Britons who had been on 'furlough' within companies thus returned to the labour market, which could push up the unemployment rate (which fell to 4.3% in August). Alongside the employment measures the GBP20 weekly uplift in Universal credit, reduced VAT rates in hotels and restaurants and the stamp duty holiday on real estate transactions also came to an end.

Unsurprisingly, the number of house sales tumbled in October, whilst in general terms, economic indicators now look less euphoric. Household confidence and consumption, which had been the main engine of economic recovery, are now marking time. The quarter-on-quarter change in retail sales shows a clear negative trend in purchases of goods, particularly cars. Driven by the increase in regulated energy costs, inflation is accelerating, which could eat into purchasing power, especially at the lower end of the income scale. At 4.2% in the year to October, inflation is moving ever further away from the Bank of England's 2% target, so the Bank may be forced to act. Market expectations suggest that its main policy rate, currently set at 0.10%, will be increased by 15 basis points at the next meeting of the Monetary Policy Committee, due on 16 December.

Jean-Luc Proutat

UK: QUARTERLY CHANGES

■ 3-month moving average (actual)
--- 3-month moving average (4 months ago)
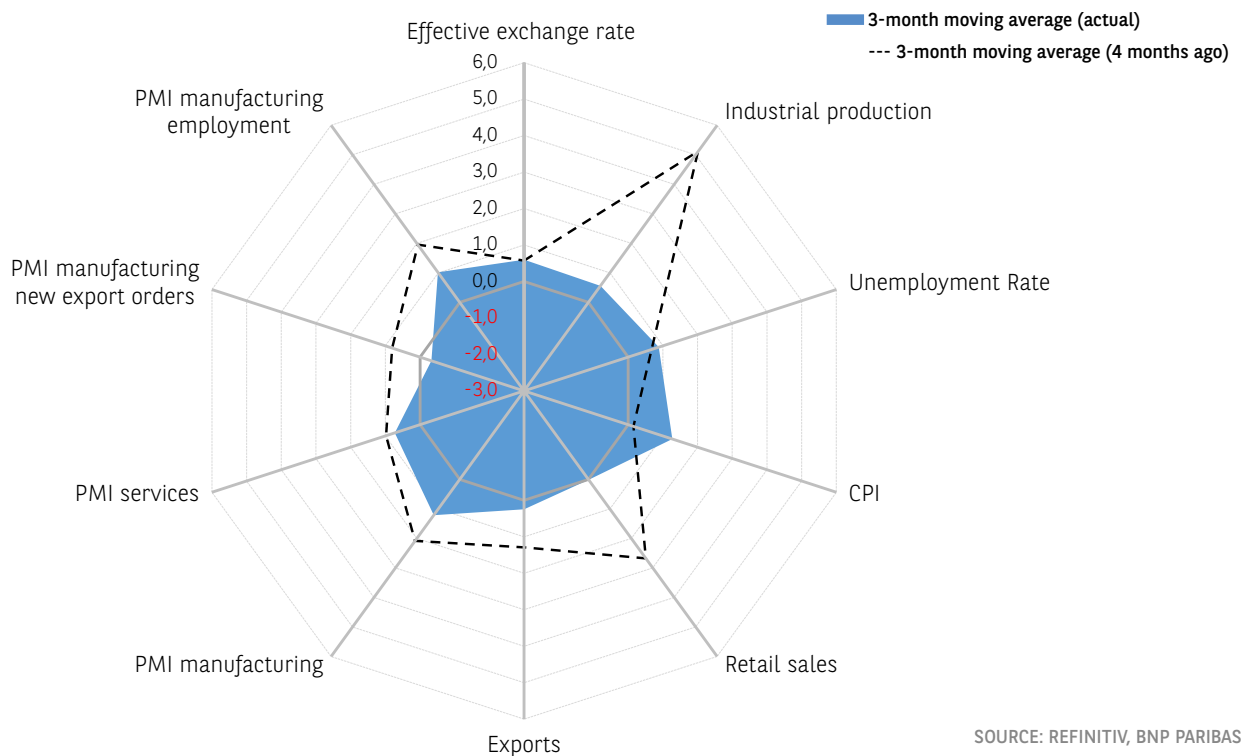
SOURCE: REFINITIV, BNP PARIBAS

The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -3 and +6. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

BNP PARIBAS

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