The rolling back of restriction means trips to the pub and holidays are back on the agenda. But things can change, and rather quickly. Localized flare-ups in the US have resulted in reimposition of lockdown measures. Leicester is a story closer home. The long road to recovery will be a very bumpy one.

Build, build, build. So stated UK PM Boris Johnson as he announced various government spending programmes on schools, hospitals and infrastructure. At 0.2% of GDP this is small beer compared to US President Franklin D. Roosevelt’s massive fiscal stimulus during the 1930s Great Depression. But as they say, it’s the intent that matters. This act signals the government commitment to keep the policy taps open for longer. All eyes on Chancellor Rishi Sunak who looks likely to announce further measures this week to shore up the fragile UK economy, possibly including targeted support for vulnerable sectors, a temporary VAT cut and £500 vouchers for all UK adults. The overall focus will be on Jobs, Jobs, Jobs.

Being thrifty. May's lockdown curbed consumer spending, resulting in households' bank savings rising by a record £25.6bn. This 'pent-up demand' should unwind and fuel the recovery. But will spooked consumers save more than normal? Once again households repaid more debt than they took out in May. A £4.6bn net repayment of consumer credit more than offset new mortgage borrowing. Just 9.3k mortgages were approved in May. That's down 86% y/y and a record low. Conversely in the business world, borrowing is all the rage amongst SMEs. Net borrowing surged by a record £18.2bn in May.

High street blues. As various restrictions are being lifted it is tempting to think that life is returning back to normal. On June 15th non-essential shops were allowed to re-open in England and we saw pictures of extraordinary queues outside of high street shops. One could be forgiven for thinking that the high street bounced back unscathed. However, footfall statistics paint a more sobering picture. On June 28th the volume of footfall on the high street was less than 40% of 2019 levels. Shopping centres returned to about half of the 2019 level. The recovery has a ways to go yet.

Inner city blues. What's the difference between Basildon and Edinburgh, apart from a large castle and the mean summer temperature? Well both are bookends of how fast high streets are recovering from COVID-19 in terms of footfall. Basildon scores 61 on a recovery tracker (100 is back to normal) for the penultimate week of June. Edinburgh & Cardiff scored just 14. Belfast (28) made it into the bottom 10 ahead of London, Manchester, Birmingham, Glasgow and Liverpool. The pattern is that cities have been slower to recover than towns, a rare case of towns outperforming their larger, more urbane, siblings. Cities tend to rely more on tourists and commuters, both in short supply. And as Edinburgh also depends on finance, where most are home working, it's really feeling the pinch.

Breaking the wrong records. Last week's GDP release provided an insight into how the very early days of the pandemic impacted the economy. UK GDP in Q1 contracted by 2.2%

from Q4 2019. It was the largest quarterly drop since 1979 and slightly sharper than the 2% first estimated. Government consumption fell by 4.1% (cancellation or postponement of healthcare treatments). Meanwhile, the closure of non-essentials led household spending to contract by 2.9% and an increase in the savings rate to 8.6% (from 6.6%). In the international stakes the UK’s decline was similar to Germany’s, less than half the decline experienced by France and Italy but almost four times the contraction experienced by Japan.

I will survive! *“At first I was afraid, I was petrified”* perhaps sums up sentiment in the latest Northern Ireland Chamber of Commerce & BDO survey. Not surprisingly, Q2 reveals the fastest and deepest collapse on record across most indicators. From a regional perspective, NI and Scotland stood out as the worst performing UK regions. Local manufacturing was the poorest performer across 7 of the 12 key indicators while NI services was ranked bottom in 6 of the 12 measures. COVID-19 has crushed business confidence and *“an already weak cashflow position has been decimated”.* For some, what follows could be brutal. Half of firms expect to reduce staffing levels and investment intentions have crumbled. While 80% of firms don’t expect to “lay down and die” but rather survive, almost 1 in 5 reckon they may go under.

Brexit schmexit. NI’s economic outlook was challenging before the pandemic. Now, according to the NI Chamber survey, 70% of firms expect business prospects to decline. The immediate impact of COVID-19 has been much greater than the aftermath of the 2008/09 financial crash. It remains to be seen what the longer term impact will be. Anticipated changes already being cited by local firms include increased flexible working (62%), investing more in AI (15%) and reducing office space (23%). Then there is the thorny issue of Brexit. For firms battling for survival, finding the bandwidth to plan for Brexit is a luxury they cannot afford. COVID-19 has meant 38% of firms are making fewer preparations than previously. With the transitional period due to end in less than six months, it is worrying, though not surprising, that 1 in 2 businesses aren't preparing for Brexit.

So far, So V. Many economists and all optimists are looking for a V-shaped recovery. The Bank of England's Chief Economist, Andy Haldane, found hints of one on the back of better-than-expected high-frequency data releases. The deepest economic recession of our times is already "ancient history". Does that mean no further stimulus? Andy Haldane voted for no more QE; inflation could rise quickly if demand outstrips supply. However, the remaining seven MPC members voted otherwise. They argued that with 9mn employees furloughed, there is a huge risk of high unemployment, ergo lower spending and economic slowdown. What will happen? Bated breaths for now.

Long road ahead. The June UK Decision Maker Panel survey reiterated the message that came across in the previous rounds – sharp initial hit to sales and investment in Q2, followed by a gradual recovery. There were slight upward revisions in terms of the extent of decline in sales and investment alongside mixed news on the labour market front. The initial hit to employment worsened and CFOs reported a sizeable proportion of their workforce as furloughed (30%). However, the latter is expected to come off sharply by Q4 as the majority moves back to 'working on the premises'. Welcome news indeed.

Bump. US firms continued to add back workers in significant numbers in June. Payrolls rose by 4.8m, ahead of expectations and the largest monthly gain on record. A report worthy of a fist-bump (and a crowing tweet or two!). Still, long way to go. The US is still down 14m jobs on pre-crisis levels. And here's the kicker. That's the picture up to the middle of June. Covid-19 has shown things can change rather quickly. Rising cases in the south and west has translated into a visible economic impact, stalling the jobs recovery in those areas, potentially heralding a wider check on the US recovery.

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