As the data points to the initial post-Covid economic liftoff continuing, attention has turned squarely to limiting further economic fallout and encouraging the recovery. Last week Chancellor Sunak targeted support at the jobs market. This week European leaders meet to approve a proposed €750bn coronavirus recovery package. Expect plenty more in the coming months as the scale of the recovery challenge becomes ever more apparent.

Rish dishes it out. Despite the vast sums spent to date the hard work on economic fallout from Covid-19 is to come. Business surveys indicate firms envisage cutting labour in coming quarters (with retailers moving ahead already). Faced with that threat Chancellor Sunak announced a £30bn package, worth about 1.5% of GDP, with jobs at the centre. Up top was the Job Protection Bonus, effectively facilitating the transition out of the Job Protection Scheme by providing a £1k bonus to firms that bring back a furloughed employee and keep until January.

Project Groupon. The Chancellor also announced a £2bn scheme to fund a six-month work placement programme for 16-to-24 year olds, and extra funding for apprenticeships. There was a dose of help for the hospitality sector. VAT is to be cut from 20% to 5% until January. And an incentive for us all to ditch the pots & pans and head out (well, on a Monday, Tuesday and Wednesday at least) – restaurant diners are to get 50% off their bill in August, up to £10. The Stamp Duty threshold will rise to £500k (from £125k) until the end of March (Scotland raised its equivalent to £250k from £145k). Considerable support in normal times. But we’re far from that. So expect many more interventions to support the recovery.

Green for go. UK dealerships posted their worst quarter on record with new car sales plunging 70% y/y in Q2 (NI = -78%). Last month saw a pick-up in sales as showrooms reopened but volumes in June were still down 35% y/y. At the halfway mark for 2020, car sales are just over half of 2019 levels. Hopes of a VAT rate cut and ‘Cash for Clunkers’ stimulus from the Chancellor came to nothing. It would appear no new incentives for green vehicles are necessary as hybrids and electric vehicle sales have soared by almost 75% y/y.

Hard yards. UK firms stir sleepily from their enforced hibernation, reporting better trading with most posting higher VAT returns in May vs April. Almost nine in ten firms are now operating (88%, up from a low of eight in ten) with a further 4% of those closed hoping to restart again within a fortnight. Even the entrepreneurial spirit, while down, is far from out. Almost 14,000 new businesses opened in June, three quarters the number begun a year before. But firms face a long battle on two fronts: reduced demand and higher costs. Smartness and support remain key to survival.

One of a kind. June marked the end of the bleakest quarter on record for the Northern Ireland economy. Although the latest PMI survey for June reveals some tentative signs of recovery. Manufacturing output (52.5) and orders (51.0) returned to growth. Unfortunately it was the only sector to stop shrinking. Services is still posting rates of contraction not seen before COVID-19. A reopening of bars & restaurants will provide a significant boost in July. At a regional level, the East and West Midlands were the only two regions to scrape positive growth (both 50.4) while Scotland (37.1) replaced NI (42.6) as the economy posting the steepest contraction.

The times are changing. Covid-19 has prompted a significant change in UK working practises. According to the ONS, almost half (46%) of those employed worked from home in April 2020. The balance between those working more than usual hours vs those working less was almost equal. Remote working showed no differentiation by gender but was least prevalent amongst the youngest cohort (16-24) and the high contact sectors such as leisure, sales and manual jobs. Regionally-speaking, London topped the table for remote working (57.2%), with the West Midlands at the bottom (35.3%). For Northern Ireland the figure was 40.9%.

Wall of worry. COVID-19 has affected some people more than others. A survey by NI's version of ONS – NISRA – has sought to throw some light on how exactly. Over three-quarters of NI citizens during the period 20th April to 31 May were worried about the pandemic's effect on their lives. For 58%, well-being was affected with almost 1 in 5 experiencing an adverse health impact. Physical health is clearly influenced by financial health. On that front, while most people expect their financial position to remain unchanged over the next year, just over one-third expect their household finances to get worse. Perhaps unsurprising given that 90% of people are braced for the economic situation to worsen.

Tick Tock. With everything that happened in the last four months you would be forgiven for forgetting about Brexit. But it is still fast approaching. From the beginning of July the two parties resumed face-to-face talks, which went temporarily online. But this change did not bring with it a breakthrough. Last week’s talks in London finished where they started – in the words of chief EU negotiator Michel Barnier with “significant divergences”. A deal is still possible, but time is running out.

So V. Retail sales in the euro area recovered almost two-thirds of the 21% fall between Feb and April, with Germany leading the pack. The increase in May was led by non-food products and automotive fuel. Pent-up demand seems to be at play. On the supply side, industrial production for the Big 4 showed an impressive recovery, though less spectacular than the gains in spending. Firms’ output in Italy grew an astounding 42% over the month! But again, the easy part of the recovery could be over soon. All eyes on the EU summit to see if the proposed EU Recovery Fund will come to fruition.

Good news? US jobless claims were 1.3 million last week, continuing a 13-week declining streak from the peak of 7 million. Couple this with June payroll growth of almost c. 5 million and you may feel that labour market in US has turned a corner. But the fact remains that jobless claims are still higher than those seen during the peak of the financial crisis. Add to that the flare-up in infections means the recovery from here on could be wobbly. And that’s before we get on to discussing longer-lasting damage to the labour market.

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