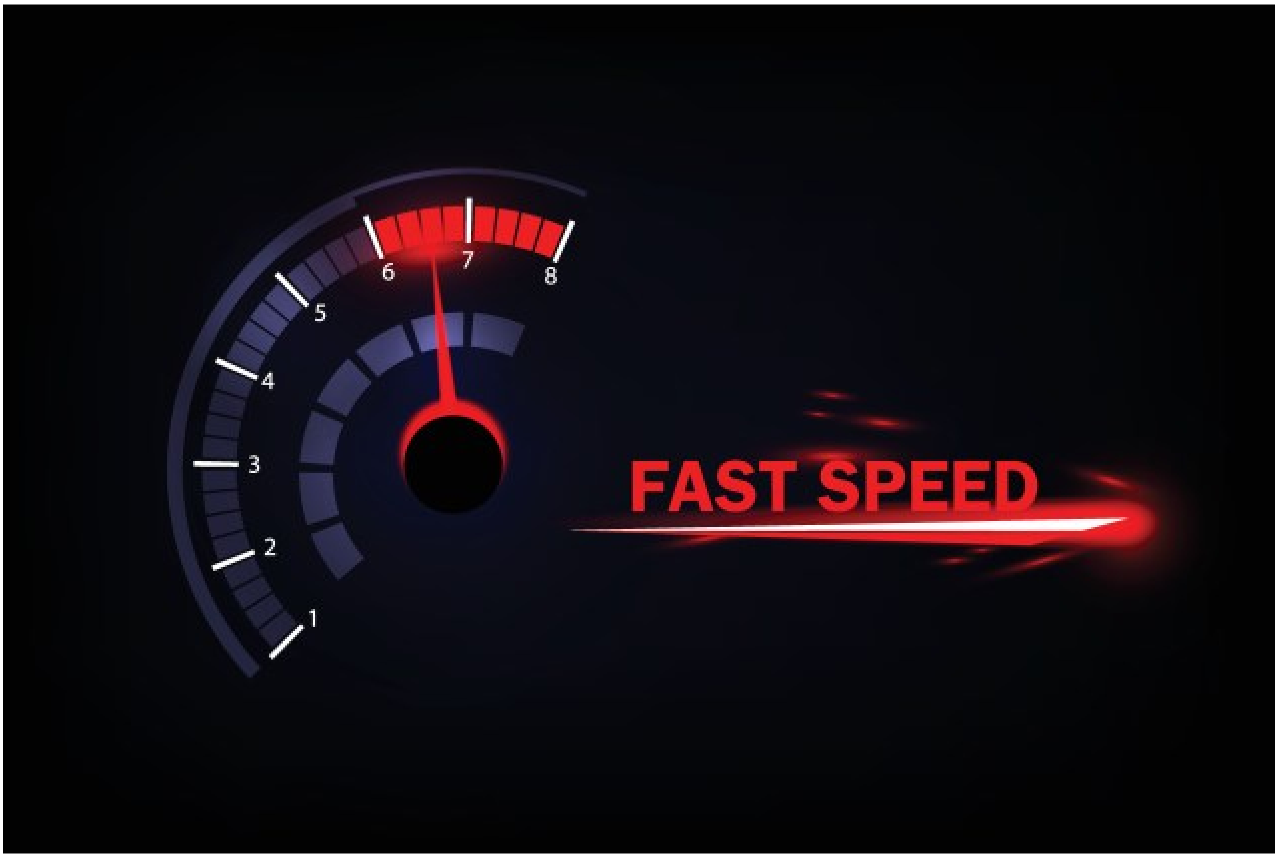
Acknowledging the damage inflicted by the crisis, and the lessons of recent years, central bankers are fine-tuning their tools, downgrading inflation worries and putting more weight on boosting employment. Easy monetary policy is here to stay.



Easy does it. No one expects central banks to tighten monetary policy in the near future, but if recent speeches delivered at the annual central banking conference in Jackson Hole are anything to go by, it will be even longer before rates are rising. US Federal Reserve Chairman Jerome Powell announced changes to its monetary policy framework that meant rates will stay lower for longer. The twists were an emphasis that it would seek to make up for a period of inflation undershooting its target by then overshooting. Plus a rephrasing of its jobs-related target to stress that it was only concerned about employment being too low, not to high. The Bank of England Governor Andrew Bailey struck a similar note when he reflected that his institution could have acted faster and more boldly in the past.

Getting there. The level of activity keeps increasing across the UK. This is evident in the recent statistics on customer activity. Overall footfall in the third week of August was around 70% of the level seen last year. At the beginning of April, it dropped to around 20%. Retail parks already reached the 90% level, while high street (60%) and shopping centres (70%) are still behind. We are moving around more as well. All motor vehicle traffic was just 6 percentage points lower than traffic seen in the first week of February. We are getting closer to business as usual.

Retrenchment. The CBI’s latest monthly Distributive Trades Survey dampened recent optimism on the UK high street, which has been fuelled by the reopening of the retail sector. The CBI’s sales balance dipped to -6 in August, after improving markedly to 4 in July (the highest level since April 2019), from the low of -37 in June. This is despite anecdotal evidence of the success of the “eat to help out” scheme” for restaurants. The latest CBI survey showed retailers shedding labour at their fastest pace in August since summer 2009. With the furlough scheme ending in October, further job cuts are likely in coming months.

La cuenta por favor. As the Eat Out to Help Out Scheme draws to a close it’s clear that it has helped galvanise the recovery in hospitality. Last week restaurant bookings were double their level of the previous year. The question is whether the experience has given patrons confidence to readopt their old eating out habits. Time will tell. Buoyed by the tangible improvements, many restaurants are sticking with the offering through September. And perhaps there has been another benefit. Seaside towns and smaller cities appear to have benefitted more significantly. A fillip for urban regeneration?

Out of Office. The high street has been hit hard by COVID-19 but some towns and cities have recovered better than others. Staycations have boosted Blackpool and Bournemouth which top the Centre for Cities’ high street recovery tracker. In mid-August, footfall in these two towns were 30% and 28% above their pre-lockdown levels. While seaside towns are booming, those reliant on office workers are suffering. London footfall is just 28% of February's levels with the workers' index plumbing 13%. Belfast's footfall is 69% of its February level but this conceals a dearth of office worker footfall. An outbreak of working from home has meant less than one-fifth of Belfast's office worker headcount in mid-February had returned by mid-August. Eat Out to Help Out may have provided a sugar rush for some hospitality outlets but others desperately need folk to return to the office.

Ain't flowing. Both labour markets and oceans are driven by powerful flows; how could our careers progress without mobility? So interrupting flows cause damage. The share of transfers this year has been broadly the same as it was in 2019 (6.1% vs 5.7%). So maybe the job retention scheme has not significantly changed the flow of workers. Yet given the enormous upheaval in jobs, flows should be higher, suggesting the job schemes has reduced labour mobility. Also important is that moves are more prevalent among the higher skilled. Another example of the uneven effects of Covid.

Here today, gone tomorrow? Net migration hit the highest level seen since early 2016, driven by rising numbers of non-EU nationals coming to study in the UK. In the year to March, 313,000 more people moved to Blighty than left. Increasingly, new arrivals hail from China and India rather than EU countries. Don't expect high levels of net migration to be sustained through 2020 though; virus-related restrictions on international travel have severely disrupted people flows. Since the pandemic struck, the number of passenger arrivals has slumped by 97% and visitor visas are down 99%. Will students return?

Incoming. Making Northern Ireland an attractive place to live, work and visit sums up the gist of our economic strategy. NISRA's latest mid-year population estimates note continued improvement on part of this. Population inflows outnumbered outflows by 4,827 over the year to June 2019, that marked an annual rise of 17% and an 11-year high. While three-quarters of net migration is international, the most marked change was in the domestic migratory trends. Net migration from the rest of the UK exceeded 1,100 for the first time since 2008. Armagh City, Banbridge and Craigavon (ABC) remain the most cosmopolitan of our local government district areas by quite a margin. Half of all net international migration coming to NI over the last decade has been housed in the ABC council area (think of our food processors).

Living with COVID. Some 56% of Northern Ireland citizens think it will be over 10 months before their lives return to normal. That’s according to NISRA’s latest opinion survey which covers the three months to late July. Not surprisingly, optimists on the economic front are in short supply but almost 10% of people still expect the economic situation to get better over the next 12 months. Unfortunately for every optimist there are almost nine pessimists. This outlook could put a squeeze on household finances with close to one-third expecting their financial position to deteriorate over the next year. For many working from home is the new normal but close to one-fifth of NI’s workers are finding it difficult.

Sobering. UK car production data provides a useful handle on two things. First, the health of the manufacturing sector and second, the strength of external demand as the vast majority (c.84%) of the output is destined for foreign markets. July data painted a mixed picture. While monthly production increased at a healthy clip, the year to date change remained 40% below. But foreign demand held up relatively well. The tricky part here, in the event of a no deal Brexit, is that majority were destined for the EU (55%).

Picking-up. After **the** record slump in April, Euro area’s economic sentiment index has been on the rise for four months in-a-row. While August’s reading of 87.7 was still 15% below February’s pre-lockdown level of 103.4, 60% of the cumulative fall in confidence in March and April has been recouped so far. The pick-up in confidence was most marked amongst retailers & services firms. Country-wise France, the Netherlands and Germany posted the biggest gains in sentiment with confidence also improving in Italy. But a resurgence of COVID-19 cases in Spain saw confidence dip.

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