Staging a retreat from outsized policy stimulus was never going to be straightforward. Indeed in many countries the trend is in the other direction. The French government has announced a €100bn stimulus plan, while its Spanish and German counterparts look set to extend their furlough schemes. Might the UK recovery need a bit of a helping hand, too in the coming months?

Resumption. UK consumers' appetite for credit – both the secured and unsecured variety – returned in July. After four months of net repayments, July saw an additional £1.2bn of consumer credit borrowed, which is around its pre-COVID level. Mortgage demand surged, too. Approvals jumped from 39.9k in June to 66.3k in July. While this remains 10% below February's pre-pandemic level, it is seven times the record low posted back in May. In the corporate world, firms repaid £3bn of loans in July with net borrowing by SMEs being more than offset by large corporates' net repayments.

Back to the office. The prevalence and durability of working from home is one of the most commonly speculated features of the post-Covid economy. As schools have returned in recent weeks we’ve started to see some increase in the share of people going back to their workplaces. In the last week of August 57% of UK workers travelled to work at some point, whilst 20% worked exclusively from home. September should bring more people back from furlough, too. 10% of the workforce were estimated to be on furlough in mid-August, but firms have to make a greater contribution to staff wages this month, ahead of the scheme ending in October. A lot of routines are being restarted.

Are we there yet? Uncertainty has become a permanent feature of the economic environment. The latest Bank of England Decision Makers Panel Survey shows 70% of UK firms viewed overall economic uncertainty as high or very high in August – an improvement compared to April’s 83%. Businesses expect their sales in Q3 to be 14%, employment 7% and investment 32% lower because of Covid-19. But what is more troubling is that the expected recovery will be slow. By Q2 2021 sales and employment are still expected to be 5% lower than they would have been without Covid-19.

Booming. We may have seen the worst recession on record, but the housing market is dancing to a different tune. UK house prices are at an all-time high remains after registering annual growth of 3.7% in August and have already reversed the loss due to Covid-19.(*Remember for Northern Ireland, prices are still ~37% below 2007 ‘freak peak*’). For the first time in recent history the recovery is not led by Central London as the price of one-bedroom flats tumbled in the region. Shifting priorities are in evidence. Proximity to the office has been downgraded in the house-buying calculus. Buyers increasingly seek a home office, more green space and fresh air.

Dovish. The economy’s rapid rebound from the initial shock of Covid-19 has been driven by one-off factors, giving way to weaker growth and marked increases in unemployment as the furlough scheme winds down. That's the view of Michael Saunders, external member of the BoE's Monetary Policy Committee, who argues that, faced with ongoing uncertainty, cautious businesses and households will hoard cash. The upshot is that further loosening of monetary policy may well be needed to support the recovery and avoid persistently undershooting the 2% inflation target. Negative rates perhaps?

Challenging. The recovery in the US labour market is continuing, but at a more moderate pace.Non-farm payrolls posted a 1.37 million rise in August compared to 1.73 million in July, close to market expectations. Service jobs were the main driver, in particular leisure/hospitality, transport and business. Manufacturing and construction, however, saw a muted rise in hiring. The unemployment rate surprisingly dropped from 10.2% in July to 8.4% – the peak was 14.7% in April. Still, the US economy has regained only 10.6 million of the 22.2 million jobs lost during March and April.

Levelling off. The eurozone's initial V-shaped rebound has lost steam. Retail sales and new car registrations stalled in July and August, indicating that it was pent-up demand that held up the show rather than renewed consumer confidence. Confidence is in for another hit as coronavirus cases surge, especially in Spain, with a new round of restrictions imposed in Madrid. Meanwhile headline eurozone inflation turned negative in August while core inflation dropped to its lowest level on record. This sets the tone for the upcoming ECB meeting. Stay low.

Rebounding. China's recovery is still on track. Both the services and manufacturing PMIs remained comfortably inside expansion territory during August, with the services at 54 and the manufacturing sector at 53.1 (both little changed from July). In its neighbour Japan the story is slightly different – the services PMI is still below 50. A flare-up in infections has weighed on the consumer, particularly accommodation and entertainment. But with GDP having declined by 'only' 8.1% in Q2 (20% in the UK) there's less of a hill to climb compared to many others.

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