July’s GDP figure signalled a sustained expansion for the UK economy. And high-frequency indicators show this is likely to have continued through August. However, that was the easier leg of the recovery journey. And the labour market, in particular, is delicately placed.

Hard yards. The UK’s economic recovery looked robust through the summer. GDP expanded by 6.6% during July, following a 8.7% rise in June. We’ve climbed back about half way of the Covid-19 induced economic hole. But the sectoral disparities remain pronounced. Finance & Insurance were off a mere 1.4%, while hotels and restaurants were still down 60%. The good news is recent data shows the recovery continued through August. And school returns will give a decent lift from the Education sector. The bad news is much of the low-hanging fruit has been plucked. It gets harder from here.

Sixty something. Hopes of a 'V-shaped' recovery remain intact for some UK regions according to the latest PMIs. The North East (66.0), South East (64.9) and Yorkshire & Humber (64.6) all notched up record increases in business activity in August. The West Midlands (61.9) also exceeded '60' last month. These sixty something readings are certainly 'V-shaped' recovery material. But can these rapid growth rates be maintained? At the other end of the regional growth (business activity) table are NI (51.7) & Wales (51.5). The output recovery may be ongoing but the jobs recovery hasn't even started. All UK regions reduced their headcount last month with five regions posting scores in the '30s'. Even the most optimistic aren't betting on a 'V-shaped' jobs recovery.

Downshift. Northern Ireland's private sector posted its second successive month of output growth. The only snag was the pace of expansion slowed from an encouraging 54.5 in July to 51.7 for August. That broadly mirrors the deceleration witnessed with the Eurozone's composite PMI. Local services firms finally moved above the 50.0 expansion / contraction threshold for the first time since the pandemic. But at 51.2 the rebound was rather underwhelming. NI's service sector recovery is lagging well behind that of the UK (58.8). Instead it is more on a par with the Republic of Ireland's (52.4) lacklustre performance. With local firms posting a significant fall in new orders in August it doesn't look like NI's recovery will be moving up a gear anytime soon.

On the rise. During the seven days to the 11th September, there were 19K new Covid-19 cases were recorded in the UK – an increase of 80% over the previous seven days. To limit the future increase in the spread of the virus, new restrictions on gatherings were introduced, with additional local restrictions to boot. In Scotland, a new contact tracing app was launched last week. England and Wales will follow suit by the end of September. It is a similar story for NI, with new cases on the rise and new localised restrictions being unveiled. Let's hope that this will be enough to stop the second wave and a general lockdown.

In the fast lane. Excluding those permanently closed, 99% of the UK's businesses have reopened. Road traffic and shipping volume is close to pre-lockdown levels. For the third month running, more companies showed revenue increasing than decreasing. Fast indicators tracked by ONS reiterate that the rebound from the lockdown abyss has been strong. But this was the easy part. 11% of the workers are still furloughed. Online job adverts declined in early September and footfall in high-streets and shopping centres remain 25% below pre-lockdown levels. In addition to the epidemiology, labour market dynamics and consumer behaviour will determine the pace and extent of the recovery.

Inflated opinion. Annual rates of UK CPI inflation has been below 2% for the last 12 months. However, the public still believes prices are running well above that figure. The Bank of England's latest quarterly survey of public attitudes to inflation was undertaken between 11 -16 August. One-in-four people thought that consumer prices had risen by over 4% y/y with the median for all respondents 2.6% y/y. The latter is more than two-and-a-half times the latest figure for July. Looking ahead, the expectation is for prices to rise by a perky 2.8% over the next 12 months and at that pace for the next five years.

Rapid reversal. The pandemic has turned many parts of life on its head. One of those is our trading relationship with the rest of the world. The UK has run a trade deficit for decades, meaning that we've imported more goods & services from other countries than we've sold to them. That's been true every year since 1998. But Covid caused the mother of all shocks to global supply chains, hugely disrupting trade. Now things are flowing again but imports are more depressed than exports, leading to a surplus of £1.2bn in July. As attention turns to the EU-UK trade negotiations, there could yet be some more swings in this story.

Actually not. So, it's April, the plane-free skies are blindingly blue, and the streets so empty a dear runs down the Morningside road, a well-to-do Edinburgh suburb. Would UK-based investors think this an apt time to increase their acquisition of foreign companies?

Yes they would. The acquisition value of foreign firms by UK ones increased in Q2 to £4.3bn, from £4.1bn in Q1. But statistics fail here. Because the number of transactions fell from 88 to just 20, while the value of acquisitions of UK based firms dropped by 58%. So unsurprisingly, lockdown didn’t raise investors’ animal spirits.

On hold. The European Central Bank (ECB) left policy on hold at its September Council meeting, as expected. The ECB maintained purchases under the pandemic emergency purchase programme (PEPP) with a total envelope of €1,350 billion. The ECB staff nudged higher its medium-term inflation projections from June, despite a disappointing inflation print in August. ECB president Lagarde acknowledged the euro’s recent rise but signalled no early policy response, providing the green light for further potential gains. Ongoing disinflation pressures and increased signs from latest monthly business surveys that the Euro area recovery is stalling point to scope for further ECB action in coming months.

Standstill: US economy has already recovered 48% of the jobs lost due to Covid-19 and the unemployment rate dropped to 8.4% in August. However, the recovery is losing its pace as initial jobless claims remained unchanged last week at 884k with Pandemic unemployment assistance (PUA) increasing by 91K. The fourth straight increase in PUA could be due to further job losses triggered by the end of the payroll protection program and the end of the enhanced employment benefits. The new fiscal stimulus which still hangs in the congress, could make or break the path of further recovery.