Changes in our behaviour amidst a second wave are becoming ever more apparent. While renewed restrictions are weighing on economic activity in much of Europe – including Northern Ireland. Over in the US, the fear is policy paralysis will undermine the recovery. Buckle up for a bumpy Autumn.

The return. COVID's wider impacts re-emerged last week. While UK business indicators remained unchanged, there's a sense of soft, semi-psychological, lockdown occurring. More of us are COVID-worried (three quarters versus two-thirds in August). Half of us report diminished wellbeing. Fewer travelled to work (59% vs. 64% the previous week) and we're socialising less (just 20% visited friends/family down from 30%). Self-isolation has risen from 4% to 9%. The cause is the rising infection rate, estimated to be 1:500 of us, like in mid-May. Now, the rate is slowing, so best cross everything.

Proceed with caution. August is traditionally a quiet month, but pent-up demand coupled with a temporary stamp duty holiday saw UK mortgage approvals jump to a 13-year high, 84,700 in August, up from 66,300 in July. Outside of housing, the UK consumer is keeping a tight rein on credit. Net consumer credit eased from £1.1bn in July to just £0.3bn in August. Borrowing on credit cards (-10.4% y/y) and other loans remains very subdued. A 'V-shaped' recovery is evident within the mortgage market but it is absent for other forms of consumer borrowing. Caution remains the watchword.

Rock bottom. The latest estimate of UK GDP in Q2 shaved a few tenths of a percent off the contraction but confirmed that the UK experienced the largest fall in the G7 with output 21.8% below Q4 2019. The 26% fall in private consumption did the most damage whilst investment wasn't far behind at 25%. The only source of encouragement in this array of negative numbers is the international trade figures. The UK has run trade deficits with the world for decades, but Q2 actually saw imports hit harder than exports, returning a trade surplus of 1.6% of GDP. Holding onto that through the recovery would be a neat trick.

Upbeat. Judging from his latest comments, BoE Chief economist Andrew Haldane has become a cheerleader for the struggling UK economy. Emphasising the UK's faster than expected recovery, the BoE now expects GDP to be around 3-4% below its pre-covid level by the end of Q3 2020, having risen around 1.5% per week since May. The main driver has been resilient UK households. Consumer spending is up around 2% per week since May, close to pre-covid levels. That said, Mr Haldane acknowledged the usual suspects as downside risks to growth and warned about accentuating the negatives.

So-so. In the Euro Area, the unemployment rate climbed for a fifth successive month, reaching a two-year high of 8.1% in August. There are some encouraging signs though, with fewer people newly unemployed than in previous months. The economic sentiment indicator rose too, from 87.5 to 91.1 in September, indicating that all large Eurozone economies continue to recover. But expectations for the months ahead remain weak. Tough trading conditions meant inflation fell deeper into negative territory, -0.3% in September, with core goods and services price rises both slowing further. That increases the likelihood that the ECB will dispense further monetary stimulus in coming months.

Struggling. Non-farm payrolls posted a rise of 661K in September, below the consensus (859K) and well below the previous two months average of 1.6M. The growth was mainly in, but not limited to, the services sector with notable gains in manufacturing (66K) and construction (26K) as well. The economy has regained only 11.4M of 22.2M jobs lost due to Covid-19. A long way to go with momentum having clearly waned. And the path ahead doesn't look promising with fading hopes of immediate fiscal stimulus, political uncertainty and lingering Covid-19 risks.

Neutral territory. Having already announced five years ago to halt the rise of its carbon emissions by 2030 (a target that looks quite achievable), China went a big step further last month, announcing it would aim for "carbon neutrality' by 2060. Important news for a world pursuing the Paris climate goals – China accounts for around one quarter of global CO2 emissions. The task is a daunting one. The timescales from peak to neutrality are compressed. While China remains a big builder of coal-fired power plants, having installed an estimated 60% of the world's increased capacity in the first six months of this year.

Climbing. Back to the present and China's PMIs continue to point to the country being on the recovery track. Indeed, the services and construction PMI strengthened to its highest level in seven years. The manufacturing sector PMI also rose, with indications of stronger domestic and overseas demand coming through. Conditions have improved for five straight months. With even hints that it's translating into firmer demand for labour, a component which had been a notable laggard amidst the recovery.

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