While it's lockdowns and growth downgrades on this side of the World, things are different over in China. Its impressive recovery rolls on, with the export sector playing a handy supporting role.

Lockdown realities. The Bank of England fired a new round of stimulus last week, expanding the quantitative easing programme by £150bn. It also downgraded its forecast, factoring in the announcement of a second lockdown. It's now pencilling in a decline of 11% this year (including a second-lockdown inspired decline in GDP during Q4), worse than the previous -9.5% (Psst! NI is expected to shrink by ~15%). It's also less optimistic about the rebound in 2021, assuming growth of a little over 7% (previously 9%). But it also cautioned that risks are tilted to the downside. Have we seen the last of monetary stimulus? Don't count on it.

Burn after reading. Even before England resumed a national lockdown, the slow tightening of the short-lived, salt-splashed, summer freedoms were darkening the landscape. Footfall in early lockdown Wales fell by 29 percentage points to 26%, an ominous warning to retailers in England. And in a week where many-a high street name announced job losses, evidence mounted that the gradual rise in online job adverts has stalled. So it’s no wonder Covid-induced anxiety is rising. Over half of us (53%) acknowledge our wellbeing is suffering and nearly 4 in 10 are highly anxious. And did I mention winter’s coming?

Get Wheel Soon. The UK car industry performed slightly better than September but still new car registrations dropped by 1.6% last month, making it the weakest October since 2011. Northern Ireland showrooms fared better with a 5.6% y/y rise but sales are down almost one-third year-to-date. That equates to almost 1,500 fewer sales per month. The outlook remains challenging and the Society of Motor Manufacturers &Traders further downgraded its forecast by 100,000 after the announcement of a second lockdown. Brexit is another looming threat over the industry as car prices are expected to increase in 2021 unless a tariff-free deal is agreed with the EU.

Restricted. Last month seven of England’s eight regions posted a rise in business activity, but at notably slower rates. The South West was the only English region to fall below the 50.0 PMI threshold denoting contraction. Tougher rules in Scotland, renewed restrictions in Northern Ireland and a “firebreak” in Wales all took their toll on private sector activity. While NI’s private sector activity stagnated (49.9), Scotland (43.2) and Wales (44.1) reported significant declines in output in October. All 12 regions continued to reduce their staffing levels in October. With restrictions being eased in the devolved regions and ‘lockdown 2’ introduced across England, November is expected to see more regions succumb to falling output.

Stagnant. The reintroduction of lockdown restrictions in Northern Ireland throttled what little momentum there was from the third quarter. New orders fell in October for the third month running. That was enough to bring business activity – according to the NI PMI – to a grinding halt in October. Construction was the only sector to post a rise in both output and new orders, with the latter increasing at its fastest pace in 56 months. 'U-turns' are all the rage these days and NI's services sector performed one. Following robust growth in September, services spun a 'one-eighty' with activity falling in October. All four sectors reduced employment levels in October. Even with the furlough period extended to the end of March 2021, Caterpillar has highlighted that pressures on competitiveness mean chunky job losses are inevitable.

Earnings season. Corporates like Marks & Spencer have been publishing their Q3 results in recent weeks. Meanwhile NISRA has published its Annual Survey of Hours & Earnings. What we see is that in the year to the end of April, annual earnings of full-time employees working in NI's private sector finally exceeded their previous peak in 2008. However, the weekly earnings data shows the extent to which COVID-19 began to impact on people's pay packets at the end of the reporting year. The survey revealed the largest annual decrease in weekly earnings of full-time employees on record. Adjusting for inflation this represented a decline of 2% and takes weekly earnings back to around 2010 levels. Not surprisingly the private sector, which accounted for the vast majority of furloughed employment, posted a steeper decline (3.2% y/y) than the public sector (-0.9% y/y).

Sustained. While a reintroduction of lockdown restrictions across Europe has seen their recoveries falter, China has managed a sustained recovery for six successive months. Both the services and manufacturing PMIs improved in October. Services activity quickened from 54.8 in September to 56.8 last month. That's the second highest reading over the last decade. Business confidence has risen significantly too and is approaching an eight-and-a-half year high. Meanwhile the composite PMI matched June's decade high of 55.7. With exports rising by 11.4% y/y last month – the fastest pace in 19 months – China is the recovery pacesetter for the rest of the world to follow.

Biden his time If you stayed-up on Tuesday to wait for the US presidential election results, you would have had to endure until Saturday evening. But finally, after 4 nerve-racking days Joe Biden was announced President-elect. It looks like we are going to be treated to several recounts and protracted legal battles. It also looks likely that Republicans kept control of the Senate, although two runoffs in Georgia could change the picture. A divided Congress may will tie the hands of the newly elected President, making the passage of another rescue package for the Covid-hit economy potentially tortuous. But markets reacted positively, counting on more stable policy-making, on both the economic and foreign fronts.

Sideshow. The Federal Reserve’s latest monthly policy meeting played second fiddle to the US elections. Fed Chair Jay Powell was downbeat about the US economy. He warned about the adverse impact of sharply rising covid-19 cases on US activity and expressed concern about possible retrenchment by US consumers. Mr Powell stressed that further fiscal stimulus was “absolutely essential”. But with or without it, the Fed is set to remain very supportive in its stance.

Not out of the woods. US payrolls employment increased by 638,000 in October, comfortably beating consensus estimates. Indeed, the private sector added an impressive 900,000 jobs in the month, easily offsetting a 268,000 reduction in government employment. But the big picture is anything but rosy. Total employment is still 10 million below its pre-COVID peak. This was the smallest jobs gain since the recovery began. Oh, and half a million of these new jobs were hospitality, retail and temporary help roles. With America’s COVID caseload rocketing, the near-term outlook is increasingly bleak. Time for the President-elect to get to work.

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