Last week's hugely encouraging news on the vaccine, as well as a slowing of new cases in Western Europe, was tempered by mounting growth concerns. Before the sunlit uplands of a vaccine-inspired rebound, a very challenging winter awaits us. In many parts, the coming months will see the recovery go into reverse.

Rebound, but. After a fifth of economic output was wiped out in Q2 came the rebound in Q3, with the UK economy expanding nearly 16%. But that masks weakening momentum over the quarter, with GDP rising just 1.1% in September. The education (return to schools) and transport & storage (some returned to their place of work) sectors made big contributions. But the accommodation & food sector declined over 8% on the month as Eat Out to Help Out came to an end. That sector was still 22% below peak and is set to get a lot worse amid a second lockdown. Overall, output is still nearly 9% below its pre-Covid level. It will take a substantial loosening of restrictions before losses can be clawed back.

All about the money? Jesse J told us to “forget about the price tag”. Last week Diane D, aka Economy Minister Diane Dodds, warned us about the economic and financial price tag on the NI circuit breaker. Department for the Economy economists produced a detailed 29-page paper estimating the cost of the Executive’s restrictions at £400m for the four weeks of reduced economic activity. That’s on top of the projected £4-5bn hit from COVID to the local economy in 2020. The latest one-week extension adds the thick end of another £100m to the tab. That makes half a billion in five weeks! It’s not all about the money, money, money, but jobs, livelihoods, mental health and so much more. However, the financial cost is racking up.

Fallout. The furlough scheme has been extended to March but that didn’t stop UK unemployment from taking a sizeable step up in last week’s data. 300k people were made redundant in Q3, roughly the same number as the worst point during the financial crisis, pushing the unemployment rate up to 4.8% (NI = 3.6%). That’s still a relatively low figure compared with recent history, but the Bank of England expects it to keep climbing, to roughly 7% in future months. Even at this early stage one regional trend is clear: one quarter of the fall in employment so far has occurred in London. But the labour market fallout is far from over.

Surplus to requirements. Record redundancies hit the UK & NI labour market headlines last week. Despite a broad-based deterioration in labour market conditions, few of the headlines, bar redundancies, are screaming recession. Over the year to 31st October 2020, 9,600 redundancies were proposed by local employers, marking the highest annual total on record. Some 820 redundancies were proposed in October alone with a further 710 proposed during the first week of November. That data excludes the shock announcement that Caterpillar is shedding 700 jobs. It also excludes all redundancy notices affecting fewer than 20 jobs. Not all proposed redundancies will come to fruition. Nevertheless, confirmed redundancies are trending higher too. Some 1,240 jobs were lost in October and represented the highest figure this year. That’s not surprising as it coincides with when the furlough scheme was due to expire.

Exodus. Unprecedented job support measures have undoubtedly played a part in the relative resilience of the UK labour market. But that isn’t the only factor at play. An exodus in foreign-born workers, triggered by the pandemic, has acted as a safety valve for ‘domestic’ unemployment. The number of foreign-born workers in the UK has fallen by almost 600,000 over the year to Q3 2020 with just 1 in 6 of these moving onto the unemployment register. Close to two-thirds of the decline in foreign-born workers were from the EU, with most of these originating from EU8 countries. Seasonal or contract workers may not have been entitled to furlough and have instead left the UK altogether.

Dreary. Still feeling chirpy? Best stop reading now. Things turn gloomy from here. England’s Lockdown 2.0 coincided with retail footfall falling to just 1/3rd the level enjoyed on the same day in 2019. It had been 91% day before. Shows what a tough call lockdown is. Sure, the recovery had slowed, and yet in September a slight majority of trading firms still reported increased revenues. That’s unlikely to be true today. Online job adverts fell in early November to ~2/3rds the number posted last year, while traffic decreased 24ppts below that seen in February. November’s a maudlin month.

Waning. The latest monthly British Retail Consortium (BRC) survey adds weight to the view that the UK retail sector has lost momentum recently. Witness a softening in retail sales to 4.9% y/y in October, from 5.6% y/y in September. Still, households continue to rotate away from buying consumer services to household goods. The slowdown was driven by the adverse impact of the second wave of Covid-19 and the “circuit breaker” in Wales on retail footfall. Now the second lockdown in England looks set to pressure the high street ahead of the crucial Christmas trading period.

Backburner. UK productivity rebounded from Q2’s slump following the reopening of the economy. But some measures have improved more than others. Output per hour worked rose 5.2% q/q and 3% y/y in the third quarter. Meanwhile output per worker saw a 16.2% quarterly rise following the 21.1% plunge in Q2. The return of some furloughed workers (employed but not producing) was at play. But with thousands remaining on the Job Retention Scheme, output per worker remains almost 9% below Q3 2019 levels. Addressing the productivity challenge may be on the backburner as protecting jobs and incomes is a priority. But when the crisis passes the focus on productivity will return.

Mean reversion. The first wave of lockdowns seriously depressed global trade. Here in the UK, imports dropped by nearly one-third in the second quarter of 2020. Now the effects are unwinding. The value of imports jumped by £17bn in Q3 as household spending rebounded, driving greater demand for goods produced abroad. Key to this was a recovery in car and clothing imports. British exports rose too, but not by the same margin. All this means the UK trade surplus – that rarest of things – narrowed to £4.2bn (excl. precious metals) in Q3 as a whole and disappeared entirely in September.

Another emergency. Covid-19 is winning all our attention this year. But despite this, we should not forget about another emergency, which is unfolding – climate change. Andrew Bailey, the Governor of the Bank of England, said “… our experience with Covid has powerfully demonstrated our ability to adapt which should give us all comfort that the task we face should be achievable.” Next year the BoE will run a climate stress test on financial companies. But climate is a global risk and we cannot insulate ourselves through domestic action alone – raising the importance of international initiatives and collaboration.

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