PMI survey readings for November unsurprisingly indicated a setback in the recovery. The silver lining is that it's a lot less compared to the first lockdown. It's the challenge beyond implied by a stricter tiering system that's the new concern. A difficult winter no doubt. The recovery will only get down to business when a vaccine is rolled out.

Regressing. The economic effects of the second lockdown in the UK battered the PMI print for November. The composite PMI fell to 47.4 vs 52.1 in Oct. At a sector level, services suffered but manufacturing again benefitted from Brexit related stockpiling. And December is unlikely to see a quick rebound as the updated tier system prevents approximately 40% of England's population from going to restaurants, hotels and leisure facilities next month. Saving grace? The scale of damage from the second lockdown appears to be far less compared to Q1 lockdown. Reminder: the composite PMI fell to 13.8 in April!

Shrinking feeling. According to the Office for Budget Responsibility (OBR) the UK economy is set to contract by 11.3% this year. You have to go back to the 'Great Frost' of 1709 when the river Thames froze over to beat that. Growth of 5.5% is expected next year before accelerating to 6.6% in 2022. These may sound impressive but if realised, UK economic output would not return to pre-pandemic levels until the fourth quarter of 2022. This date will be pushed backed further if a trade deal with the EU is not forthcoming. No deal would further reduce output by 2% initially and by 1.5% in five years time.

Fiscal emergency? Recessions normally see deficits rise as tax revenue tanks. This time around the slump in UK tax receipts – £57bn this year – is dwarfed by spending shooting up by £281bn above last year's figure. This is due to the government's wide-ranging measures to cushion the firms and households from the economic shock. As a result, the UK deficit is set to reach £394bn or 19% of GDP for 2020-21, its highest level since the Second World War. Meanwhile the overall stock of debt has hit 105% of GDP and is set to breach £2.8 trillion by 2025/26, an increase of £1 trillion since 2019/20. This contextualises the fiscal challenges that lie ahead.

Show me the vouchers. Stormont is set to receive an additional £920m for public services in 2021/22. £540m of this is linked to pandemic spending and £380m for core departmental spending. Despite these headline gains, total departmental spending will fall marginally year-on-year. This is due to a series of one-off payments boosting Stormont's budget in recent years. Finance Minister Conor Murphy dubbed it a "standstill budget". The announcement came two days after the Northern Ireland Executive launched a £300m package. Alongside more business rates relief, one of the most eye-catching policies is the proposed £95m High Street Voucher Scheme. We await further details with interest.

Patience. Covid infections appear to be levelling off in most areas bar Scotland and the East Midlands. Still, an estimated 0.67m in England had it in late November and at least 7%

have had it in the past, although this ranges from 11% in London to just 3% in the south west (must be something in the cream teas). Probably won't help pre-Christmas trade mind. Furlough has jumped from 9% to 15%, while daily commutes and shop visits have both fallen. Traditionally Advent is a time of quiet preparation for future rejoicing. Seems particularly apt this year.

Surge. The much talked about pent-up demand within Northern Ireland's property market finally became evident in October. According to the HMRC, last month saw transactions increase by 18% y/y to over 3,000. That compared with just over 400 in April and the best October for 14 years. Despite this surge, transactions for the first ten months of the year are down 26% y/y. Recovery within the non-residential market (e.g. commercial) has been less encouraging with the weakest October in five years. With just two months of the year left, the non-residential market has seen sales slump by almost one-third relative to 2019.

Protected for now. Data from the ONS show that for the July-September period the proportions of working and workless households (at 58.9% and 13.3% respectively) have changed little compared to last year (59.6%/ 13.5%). At first glance surprising, considering we are in the middle of the deepest recession in over 300 years. The explanation is in unprecedented state support for employment in the form of the Coronavirus Job Retention Scheme (CJRS). But the OBR expects unemployment to increase steadily and peak at 7.5% (compared with 4.8% now) in Q2 2021. Challenges to come.

Backsliding. Evidence is mounting that the Eurozone, too is heading for a double-dip recession in the fourth quarter, following a 5 point drop in the composite PMI, to 45.1, in November. Lockdowns and similar restrictions on social interactions across the continent have hammered service sector activity (whre the PMI is now just 41.3). The Eurozone economy won't shrink by anywhere near as much as in the springtime though, not least because manufacturing output continues to rise (PMI at 53.6). And with new COVID cases now in retreat across many countries, plans are already being drawn-up to begin gradually relaxing restrictions.

Upbeat. The US composite PMI surprised in November, rising to 57.9 versus 56.3 in October. This was the highest level since March 2015 due largely to reduced political uncertainty following Democrat leader Biden's Presidential election victory and encouraging news on vaccines. Sentiment improved both in the manufacturing and services sectors. However, increased Covid-related restrictions in many US states point to increased downside risks near-term. Still, the US economy appears in better shape compared to its peers.

Tweaks. The Fed's deliberations in November were unsurprisingly dominated by Covid. The committee noted that US GDP and labour markets continue to gain, but still remain well below the pre-Covid levels with the recovery slowing down. And a second wave in the US and Europe isn't helping. A failure amongst policy-maker to provide further fiscal support is also a concern, many households may need to reduce spending once they have exhausted their savings. Policy-wise no major changes are planned at this stage, but some tweaks to the Committee's communication is being considered, with a move in the direction of providing the market with more guidance on the likely future path of the asset-purchase programme.

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