



Market Data Insights

This Month in Brief

Latest figures indicate that more than 64 million discounted meals were claimed in the first 3 weeks of the 'Eat Out to Help Out' scheme. This came into force in August 2020, and meant people could get 50% (up to a maximum of £1 each) on food and non-alcoholic drinks.

This together with other measures taken by the government's response to the coronavirus pandemic has led to the UK national debt exceeding £2 trillion. The national debt is now larger than the UK economy for the first time since the 1960s.

As restrictions were gradually relaxed nationwide, driving on Britain's roads has exceeded levels seen pre-lockdown. This was coupled with continued strong retail performance as retail sales jumped above pre-pandemic levels. There was a 4.3% increase in the total value of sales in July and this was followed by a further 0.7% increase in August.

However, there are concerns that boosts are temporary as the 'Eat Out to Help Out' scheme has ended. There is also the possibility that increased social interactions could help spread the virus leading to further restrictions. Over recent weeks as cases have risen across the country, an increasing number of regions of the UK have found themselves under tighter restrictions.

Credit Spreads

AAA	AA	A	BBB
37.0	66.0	115.0	194.0
▼ 7.5% MoM	▼ 8.3% MoM	▼ 8.0% MoM	▼ 5.8% MoM

An asset's 'credit spread' is the difference between its yield and that of a government issued bond of similar maturity. It is an indicator of the perceived riskiness of the asset - how much investors want to be rewarded for investing in it instead of a lower risk government bond.

Over September, the credit spreads for investment grade credit have all fallen reflecting the recovery of markets observed.

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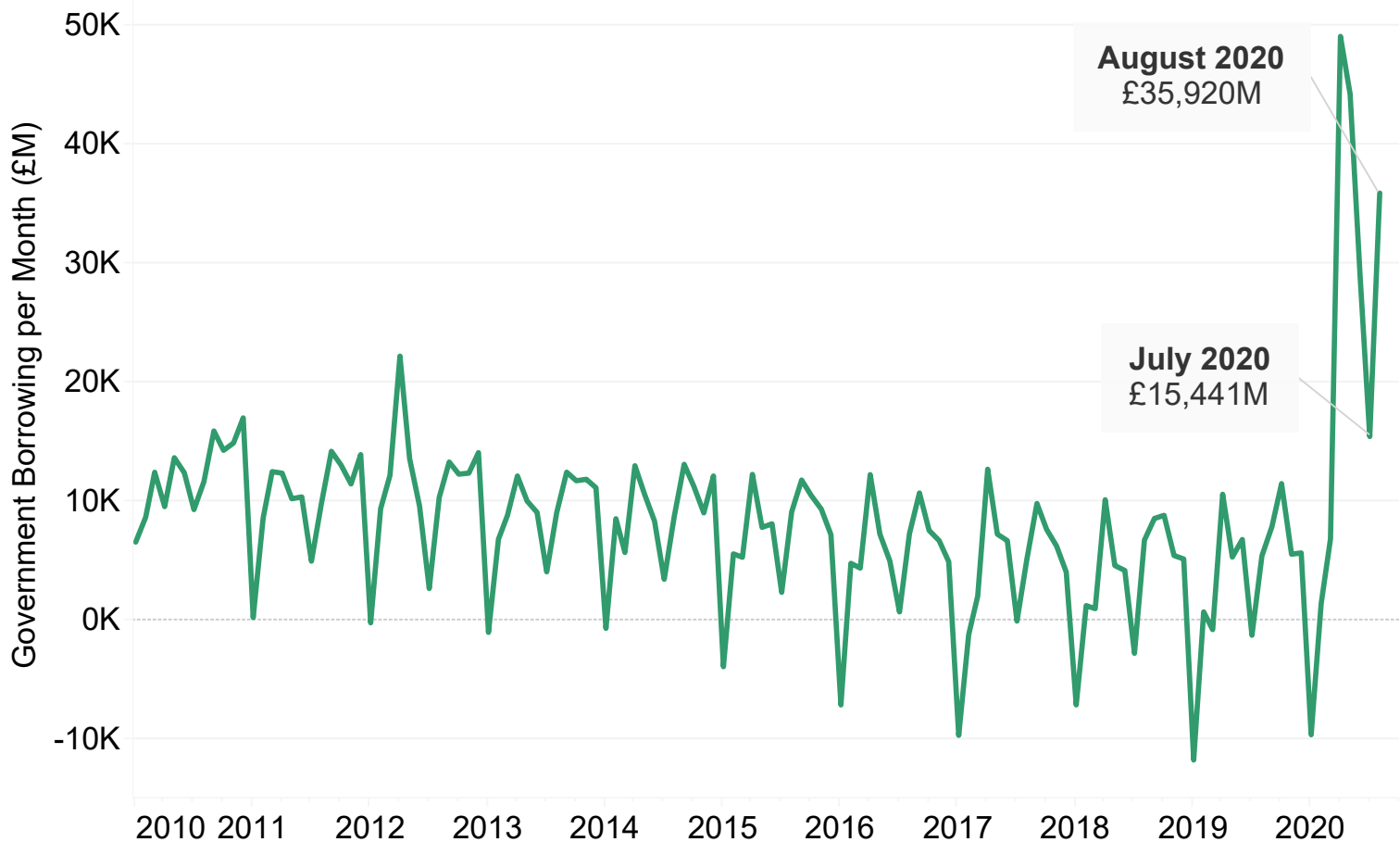
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Public Sector Borrowing

After falls in Public Sector borrowing in June and July, there was a marked increase in the level of borrowing in August 2020 as the government borrowed a further £35 billion. This was largely driven by the government's coronavirus response. The UK government also announced further funding of £1.3 billion to help rebuild the economy in a more environmentally friendly manner.

The UK government has now borrowed a total of £182 billion over the past 6 months (February to July 2020). This is broadly equivalent to the £196 billion borrowed between January 2016 and January 2020.

The chart below shows monthly government borrowing between 2010 and 2020 typically varying between -£10 billion to £15 billion, followed by a significant increase since April 2020 with amounts exceeding £15 billion.



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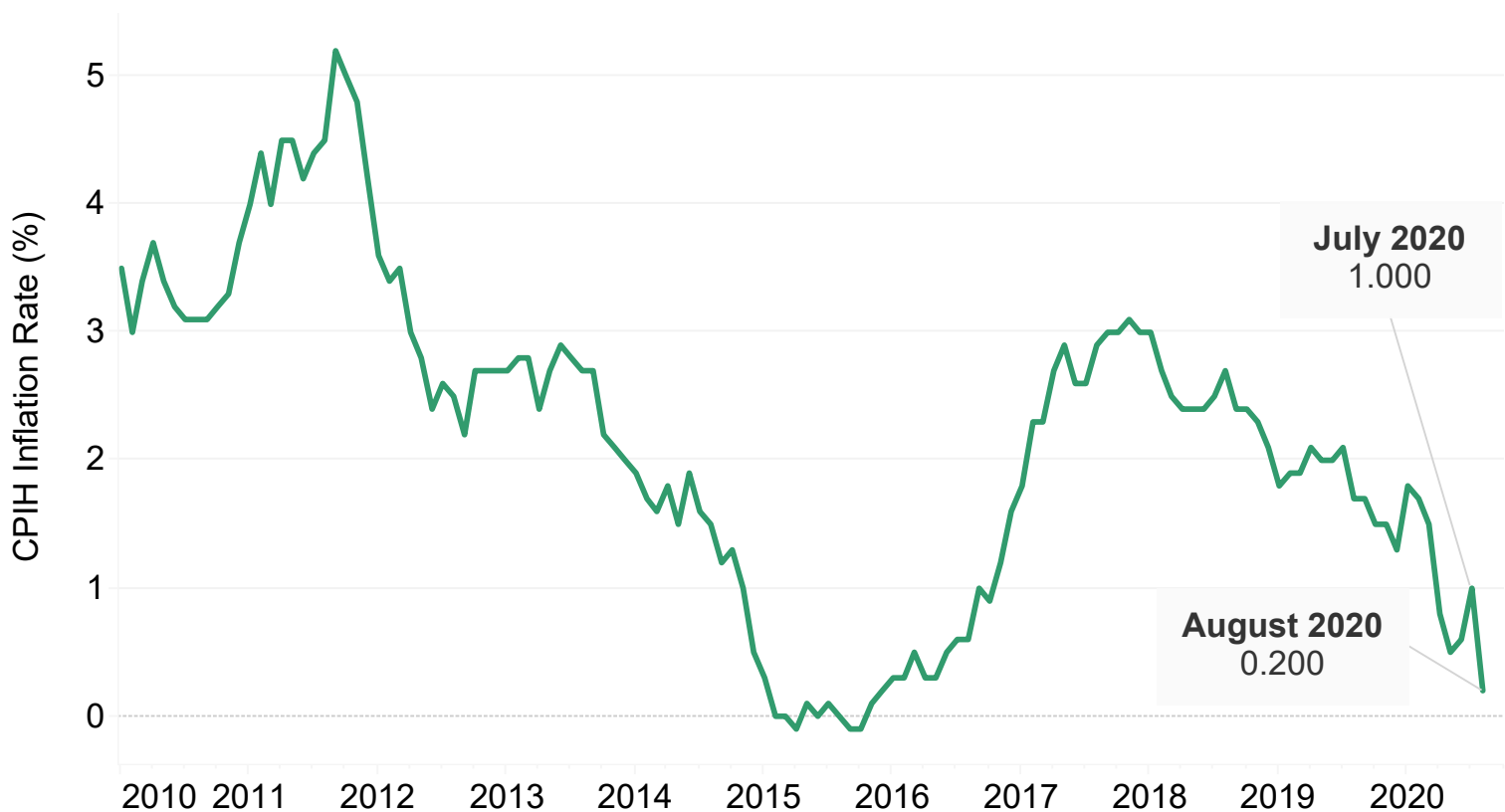


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Inflation

The Consumer Price Index (CPI) measures the average change in prices over time that consumers pay for a basket of goods and services. CPIH is similar to CPI, in that it also measures inflation but it also includes a measure of owner occupiers' housing costs.

The chart below shows CPIH inflation between 2010 and 2020, falling from around 5% in 2011/12 to around 0% in 2015 before rising to 3% in 2018. Since 2018 it has steadily fallen to 0.2% in August 2020.



Despite increases in UK inflation over June and July 2020, there was a stark fall in the UK inflation to 0.2% in August 2020 reaching their lowest levels since December 2015.

The main contribution for the fall in Inflation stems from hugely reduced prices in cafes and restaurants as a result of the 'Eat Out to Help Out' scheme. Reduced prices for airfares and motor fuels, as well as clothing and footwear and a range of miscellaneous accessories also contributed.

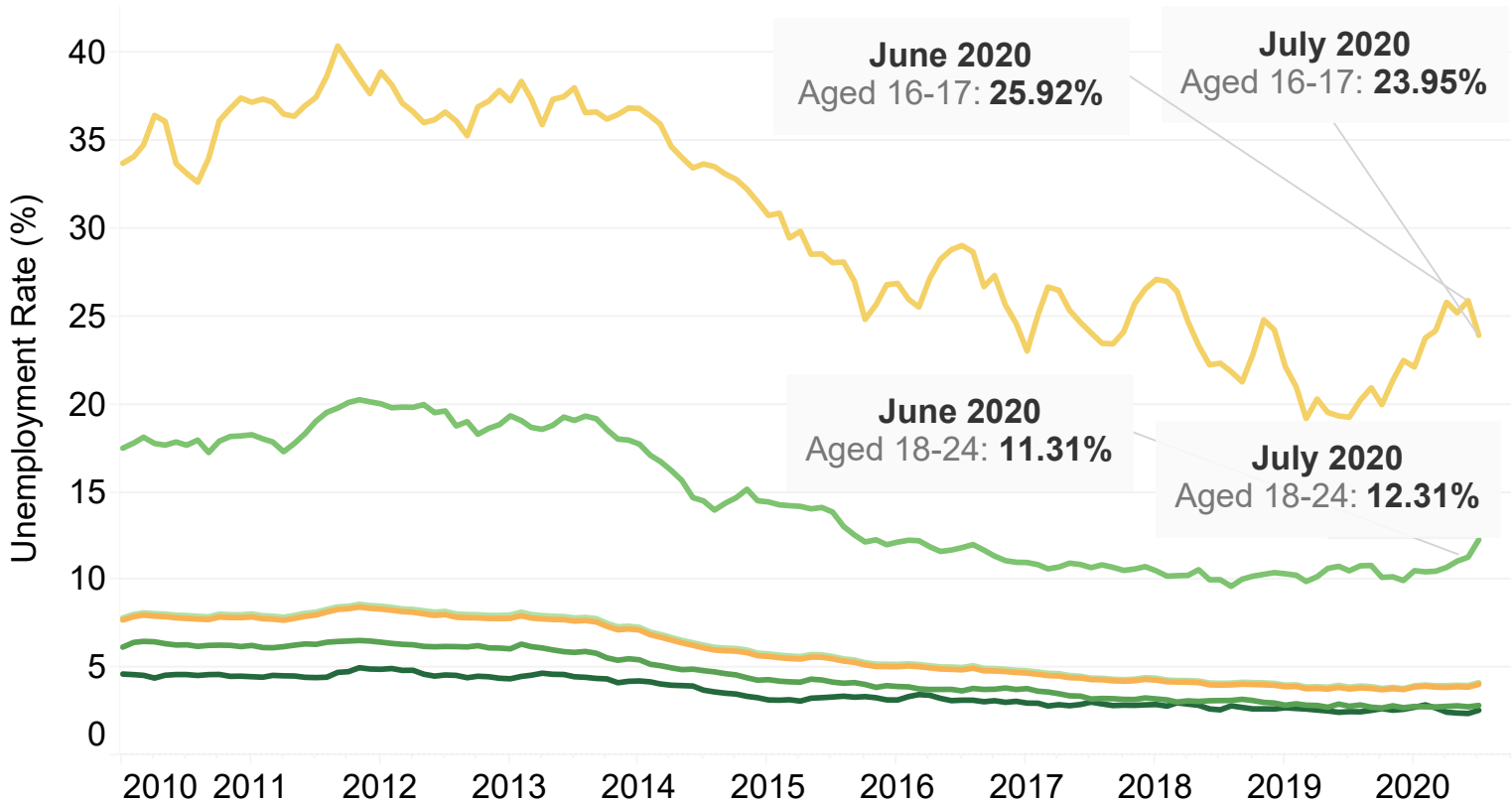
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Unemployment

- Unemployment rate (%) Aged 16 & over
- Unemployment rate (%) Aged 16-17
- Unemployment rate (%) Aged 16-64
- Unemployment rate (%) Aged 18-24
- Unemployment rate (%) Aged 25-49
- Unemployment rate (%) Aged 50 & over



The chart above shows unemployment rates between 2010 and 2020 for different age groups of the UK population. It shows rates generally reducing up to early 2020 across all age groups, with noticeable increases in the unemployment rate for those aged below 25 since March 2020.

Unemployment levels for 16-17 year olds fell to 23.95% in July 2020, a fall by almost 2% from 25.92% in June 2020, reversing some of the increases earlier in the year. This was in contrast to the increase in unemployment levels for 18-24 year olds by 1% to 12.31% in July 2020.

Overall unemployment levels (ages 16 & over) have also risen over the month to above 4% (to 4.1%) for the first time in almost 2 years. Overall, unemployment levels have been largely stable over the last few years. However many commentators expect unemployment to rise in the near future as support under the job retention scheme is reduced.

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