



Capital City Media

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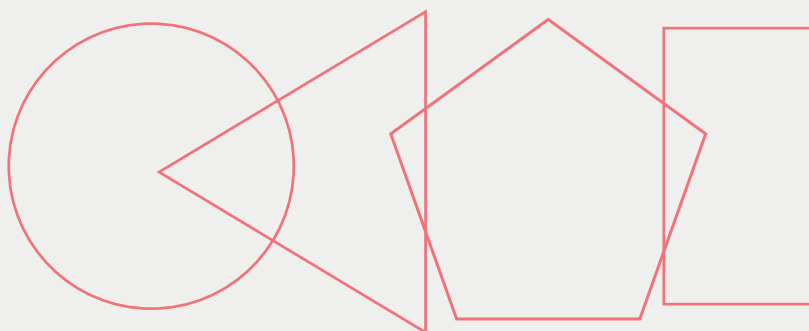
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# Forward Look

September 2021



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# Let's talk about inflation baby



Edmund Greaves, head of editorial, MRM

It's the financial story of the year as far as I'm concerned, so let's talk about it some more for September.

Covid19, meme stocks, the rise of crypto, Buy Now Pay Later, vaccines – just some of the big news 'trends' we've witnessed so far this year in the news. Can you think of any others?

These trends are of course painted with very broad brush strokes and often quite reductive but it is helpful to think in trends sometimes. These are the news stories that don't just happen once but come back to us again and again from new angles.

For me (as a secret macro nerd) the biggest one has been inflation. It's coloured all our discussions from economic reopening to cryptocurrency usefulness and shortages of HGV drivers.

The prevailing narrative, in the UK and US at least, is that inflation is going up. Quickly. September is shaping up to be a veritable season finale for inflation.

At the beginning of the month (1 September) the Bank of England has a new member joining the Monetary Policy Committee. Catherine Mann replaces Gertjan Vlieghe on the MPC. While no guarantee to cause a tectonic shift in policy, a new voice is arriving at an interesting moment.

Rate decisions come in quick succession this month too, with the US Federal Reserve on 22 September quickly followed by the Bank of England on 23 September. It is unlikely they are actually going to

do anything, but the consensus is that if the winds of change are going to blow through the ranks of the rate setters, now is the time when they'll do it. We shall see.

In UK terms there is also an interesting inflection point in economic and political terms to contend with. The furlough scheme which has supported so many jobs since March 2020 is set to close on 30 September. While the employment rebound has been good overall, there is absolutely no precedence for what the withdrawal of government support like this could do.

On the same day (30 September) the government is also ending its temporary 5% VAT regime for travel and hospitality firms. The stamp duty holiday also finishes its wind down with the end of the relief for homes up to £250,000 in value.

September is certainly going to be an interesting month. It hasn't exactly been a quiet summer, and as many return to work from a well-earned break the biggest trends in the news are unlikely to quieten down.

Finally, with my other hat on as co-editor of Mouthy Money, we're launching the Mouthy Money Fintech Roundtable Report in association with MRM in the middle of the month. If you'd like to see a copy of the report please do drop me a line at [edmund.greaves@mouthymoney.co.uk](mailto:edmund.greaves@mouthymoney.co.uk).

All the best from everyone here at Capital City Media, MRM and Mouthy Money, wishing you an engaging start to the Autumn.

# Cuts to government departments loom while cabinet faces crisis after crisis



Paul Montague-Smith, senior counsel - public affairs, MRM

The Government is gearing up for the comprehensive spending review, which could cull 12% of civil service staff, while still facing crises on multiple fronts writes Paul Montague-Smith.

August. The time when ministers try and get a break before Parliament returns briefly in September ahead of the annual party conference season. All of them praying a crisis involving their department won't hit, ruining the precious time with the family that they all too rarely get.

The pressures of being a minister are intense, even in normal times. For many, they have been far more so during the pandemic. Last August it was the A-level results fiasco that hit. This year, all seemed to be going comparatively well. True, Gavin Williamson was in the spotlight again, this time over exam grade inflation, but while Tory backbenchers complained, no parent was going to be unhappy about their kids getting more A\*s. Environment secretary George Eustice may have been more concerned, under fire for signing a death sentence for Geronimo, a bovine TB infected Alpaca.

Now, of course, the tragedy playing out in Afghanistan has exploded. This time foreign secretary Dominic Raab was accused of lying on the beach when he should have been on a plane home and making an important call, rather than delegating it while the situation on the ground rapidly became more harrowing and difficult for the government to manage by the hour.

As of writing the UK has evacuated some 15,000 people, including Afghans who worked with the military and others at risk. Inevitably many will be left behind. Unlike last year's exam fiasco though, public support for the Government is unlikely to be affected by how things play out over the days ahead, however grim for those involved. There appears to be a reluctant acceptance that we are at the mercy of US decision-making in this instance – however bad it may be – and that the circumstances on the ground are nigh on impossible to manage.

The fall-out of these events will dominate Parliament's return

on 6 September, as will pressing domestic issues. Supply chain issues haven't abated and are expected to get worse. Firms are cutting production or product lines in response. The availability and prices of goods, particularly in areas like construction, has become a real issue. As a constraint on recovery and growth, it is something the Government must be concerned about, but they have yet to take the action needed to meet industry group demands.

What will happen with Covid as we head into winter remains highly uncertain. The current weekly death rate is running at around 40,000 per annum – far more than you would see in a bad flu season. A vaccine booster programme needs to be finalised. It looks set to be targeted on the most vulnerable and immunocompromised, but the recent Zoe Covid Study suggesting vaccine effectiveness could go down to 50% after six months is increasing pressure for a comprehensive roll-out. Evidence that fully vaccinated people who catch the Delta variant can be as infectious those who are unvaccinated also undermines the case for the Government's already fragile plans for vaccine passports for nightclubs and large indoor events.

The Government machine is also gearing up for the Comprehensive Spending Review, expected at the end of October, which will determine departmental budgets for the next three years. The Treasury has told departments to identify cuts in day-to-day spending, including through reductions in headcount. Civil service numbers increased significantly to manage Brexit and the pandemic, and the Government is looking to get back towards the same size it was at the end of the coalition government, which would require around a 12% cull.

Meanwhile there has been more disappointing, if not unexpected, news for Labour Leader Sir Keir Starmer. The largest trade union, Unite, elected left-winger Sharon Graham as leader on a 12% turnout, rather than Sir Keir's privately preferred candidate who came last. Unite's retiring General Secretary, Len McCluskey, was a Corbynite left-winger and no fan of Sir Keir either, so no change – which many would say is Labour's enduring problem.



## Dates for your diary...

### KEY

- Economy, Insurance & Investing
- Mortgages & Housing
- Public Policy & Regulation
- Pensions & Benefits
- Other

01/09/2021 CBI Growth Indicator Survey

01/09/2021 Nationwide House Price Index

01/09/2020 Link Group AIM Dividend Monitor published

01/09/2021 FTSE UK Index Series quarterly review confirmed, rebalance changes announced after market close

01/09/2021 OPEC and non-OPEC Ministerial Meeting (virtual)

01/09/2021 Catherine Mann joins the Bank of England Monetary Policy Committee

01/09/2021 New '71' GB licence plate numbers

01/09/2021 ESG Investing Awards open for entries

02/09/2021 Bank of England Decision Maker Panel data

02/09/2021 Household Finance Review

05/09/2021 Tokyo Paralympics closing ceremony

06/09/2021 UK monthly car registrations figures



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### KEY

- Economy, Insurance & Investing
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- Pensions & Benefits
- Other

06/09/2021 Parliament reconvenes as Lords returns to physical sittings

06/09/2021 London Metal Exchange trading ring reopens

07/09/2021 Barclaycard Consumer Spending Data monthly figures

07/09/2021 EU reveals latest growth figures

07/09/2021 Halifax House Price Index

07/09/2021 Bitcoin becomes legal tender in El Salvador

06/09/2021-10/09/2021 National Payroll Week

08/09/2021 Zoopla Rental Market Report

09/09/2021 ECB interest rate announcement

09/09/2021 British Chambers of Commerce Economic Forecast

09/09/2021 ONS Business insights and impact on the UK economy

10/09/2021 NIESR Monthly GDP Tracker

10/09/2021 ONS Monthly GDP estimates



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### KEY

- Economy, Insurance & Investing
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- Other

11/09/2021 St Leger Festival concludes with St Leger Day

12/09/2021 The Resolution Foundation Labour Market Outlook

14/09/2021 Westminster Forum Projects Priorities for green and sustainable finance in the UK conference

14/09/2021 ONS Mortgage Lenders and Administrators Return (MLAR) statistics

14/09/2021 MSCI UK Monthly Property Index

14/09/2021 London Assembly Housing Committee publishes annual 'Affordable Housing Monitor'

14/09/2021 ONS UK monthly unemployment figures

Mid month - Mouthy Money Fintech Roundtable report due

15/09/2021 ONS UK monthly inflation figures

15/09/2021 ONS UK House Price Index

15/09/2021 National Pensions Awareness Day

16/09/2021 UK Finance Card Spending statistics

17/09/2021 Bank of England/Kantar Inflation Attitudes Survey



## Dates for your diary...

### KEY

- Economy, Insurance & Investing
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17/09/2021 Bank of England statistics on UK banks' external claims

17/09/2021 FTSE UK Index quarterly review changes are applied

19/09/2021 International Talk Like a Pirate Day

20/09/2021 Markit UK Household Finance Index

20/09/2021 National Recycle Week starts (concludes 26 September)

21/09/2021 ONS Public sector finances

21/09/2021 OECD Interim Economic Outlook Report

22/09/2021 U.S. interest rate decision

23/09/2021 Bank of England UK interest rate decision

23/09/2021 ECB Economic Bulletin

23/09/2021 UK financial fraud figures published

25/09/2021-29/09/2021 Labour Party annual conference held in Brighton

26/09/2021 CBI Growth Indicator Survey

27/09/2021 Zoopla House Price Index



# Dates for your diary...

## KEY

- Economy, Insurance & Investing
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27/09/2021 Google appeal \$5bn anti-trust fine in European Court

29/09/2021 ONS Money and Credit - Lending to Individuals, Lending to Businesses, Broad Money and Credit

29/09/2021 Bank of England effective interest rates

29/09/2021 BusinessGreen Net Zero Festival

29/09/2021 Nationwide House Price Index

30/09/2021 Office for National Statistics publishes UK quarterly national accounts

30/09/2021 Govt extended furlough scheme ends

30/09/2021 Universal Credit top-up expires, unless extended again

30/09/2021 Stamp Duty Land Tax temporary reduced rate of £250k ends

30/09/2021 Temporary 5% VAT rate for the tourism and hospitality sector ends

Late September Virgin Galactic powered flight of SpaceShipTwo Unity expected late September

N.B all dates correct at the time of compilation



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