

A new age of 'history and hope'

With Donald Trump's presidency now history, we're hoping to see 5% growth in the US this year as vaccines combined with stimulus and spending should propel the American economy. The Wall Street Journal quotes directly from our podcast on oil; listen to it below. The ECB didn't rock the boat this week, and what's now driving the global auto sector?

In this bundle

United States | Video

Knightley: 5% growth in the States 'easily achievable'

We're increasingly confident that growth in the US could top 5 percent this year which is some much needed good news for the rest of the world

By James Knightley



ECB: Holistically determined

After an exciting start to the new year with more lockdowns, US senate elections and a presidential inauguration, the ECB just offered a welcome portion...

By Carsten Brzeski



FX

EUR and ECB: Not rocking the boat

The ECB did not surprise today but the glimmers of positive news on the economic outlook were a marginal EUR positive. While the language on FX was...



Transport & Logistics

Automotive sector outlook: Recovering after traumatic 2020

Global car sales should increase by around 7 to 9% this year, as the economy rebounds and electrification steps up a gear. But the pace of recovery will...

By Oleksiy Soroka, CFA and Rico Luman



Commodities, Food & Agri

Listen: '21 is going to be a good year (for commodities)

Oil prices have been on a tear in recent months amid hopes that the Covid vaccine will increase demand for fuel while supply remains constrained by OPEC+....

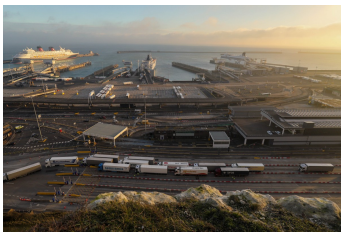
By Warren Patterson and Rebecca Byrne



China

China: GDP rebounds solidly but risks remain

The Chinese economy avoided recession in 2020 and continued to grow strongly in 4Q20. This upbeat growth trend should continue in 2021. Control of...



United Kingdom

Brexit and the impact of new trade ties on the UK outlook

Trade disruption will deliver a sizable hit to UK manufacturing output this quarter, while lingering uncertainty and potential instability surrounding the...

By James Smith



United Kingdom

UK retailers may not fully benefit from post-Covid consumer boom

It's now conventional wisdom that there is going to be a post-Covid boost to household spending. But how big will it be, and how much will it...

By James Smith

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5% growth in the States is 'easily achievable'

A new year, a new president, 17 executive orders from Biden, but the big question is how to deliver jobs and growth to a country still in the midst of the Covid pandemic? ING's James Knightley in New York is looking for a consumer boom this year. And that's on top of the \$3-trillion plus 'build back better' infrastructure programme Biden's trying to roll out. It's why we think a growth rate of 5%-plus is easily achievable this year in the States.

[Watch video](#)

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Snap | 21 January 2021

ECB: Holistically determined

After an exciting start to the new year with more lockdowns, US senate elections and a presidential inauguration, the ECB just offered a welcome portion of stability: an unexciting meeting. Favourable financing conditions are the new needle in the compass



Source: Shutterstock

As expected, the European Central Bank, left all policy instruments unchanged and its official communication was almost a verbatim copy of the December communication. The assessment of the economic and inflation outlooks was also broadly unchanged from the December meeting.

Even if in our view the extensions of lockdowns as well as the trade deal with the UK and political developments in the US could have argued for more accentuated extremes of the outlook: a more subdued outlook in the short run but a somewhat more optimistic outlooks in the longer run.

ECB president Christine Lagarde touched upon the mixed positive and negative developments but concluded that there were no reasons to change the broader assessment from the December projections. As a reminder, back in December the ECB staff projections expected GDP growth of 0.6% quarter-on-quarter in the first quarter, but given recent developments, we think this is a tad optimistic.

To paraphrase, it seems as if the ECB is holistically determined to

use a multifaceted approach to do whatever it wants to do...

For the real aficionados, the ECB added a new paragraph to its monetary policy decisions (the ones released at 1.45am CET).

This paragraph stresses the flexibility of the pandemic emergency purchase programme (PEPP) by stating that not the entire amount of the programme has to be used but at the same time if need be the amount could be increased. However, this paragraph is not really new. It appeared exactly in its current form in the introductory statement of the December meeting.

Putting it into the policy decision gives it somewhat more importance. Key in this decision are what the ECB calls “preserving favourable financing conditions”. What these favourable financing conditions are? According to Lagarde, the assessment of financing conditions was not driven by a single indicator, but by a holistic approach, including bank lending, credit conditions, sovereign and corporate yields. Are you any smarter? We're not..

Or maybe financing conditions have become the new needle in the ECB's compass? Well, to paraphrase, it seems as if the ECB is holistically determined to use a multifaceted approach to do whatever it wants to do...

What to make from today's ECB meeting?

Not much. The ECB remains happy at the sidelines and has kept all options open. As boring as this might sound, it probably was the best thing to do.

In the absence of any severe economic accident, the ECB is likely to stick to this line at least until late summer. Not really exciting for ECB watchers, but as long as everyone is stuck in a lockdown, there are worse things to do than watching an ECB press conference.

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EUR and ECB: Not rocking the boat

The ECB did not surprise today but the glimmers of positive news on the economic outlook were a marginal EUR positive. While the language on FX was somewhat stronger than in Dec (ECB is “very attentive”), the reduced downside risk to the economy and EUR being below its 6-month average doesn't suggest imminent action. We expect more EUR/USD gains this year



Modestly more hawkish vs expectations

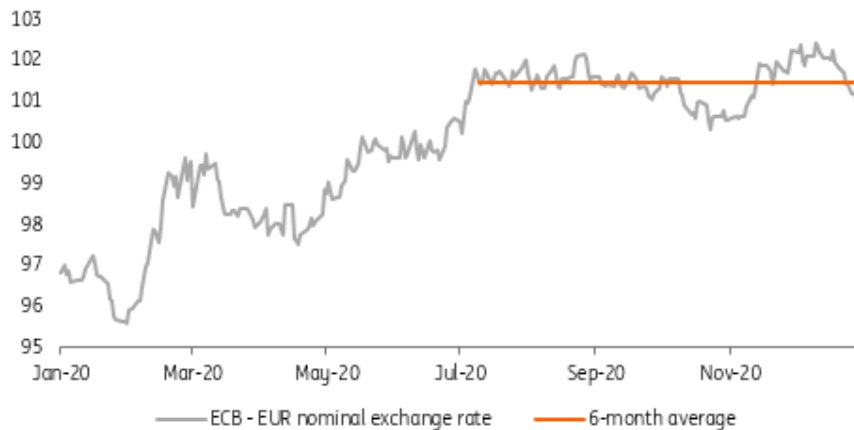
As expected, the ECB did not deliver a meaningful surprise today (see [ECB Review](#)). One can argue that the bias of the statement and of the press conference was towards a hawkish side (vs expectations) as (a) the ECB judged that the downside risks to the economic outlook are less pronounced; and (b) the ECB acknowledged it may not have to spend the entire Pandemic Emergency Purchase Programme (which it topped up by EUR 500bn last month).

Attentive to the exchange rate...

The main focus was on the comments on the currency. President Lagarde reiterated the previous sentence that the central bank monitors the exchange rate “very carefully.” However, she also added that the central bank is “very attentive” to FX developments. The language with respect to FX is thus somewhat stronger than the last time, but given the ECB's assessment of the economic outlook (“downside risks less pronounced”), President Lagarde's focus on positives during the press

conference (Brexit deal, vaccination,...) as well as the fact that the trade weighted euro is below its 6-month average, all suggests that the FX market should take the exchange rate comments with a pinch of the salt and the impact on the euro should be very muted. We thus see the overall muted, yet modestly positive reaction of the EUR/USD to the press conference as fully justified.

The trade weighted euro does not show signs of excessive strength



Source: ING, Refinitiv

... but no imminent ECB action is likely or justified

While we don't rule out further verbal interventions or even a policy reaction in response to currency strength, for this to happen the euro would have to strengthen sharply and meaningfully first. At this point, this is not the case, with the trade weighted euro being currently at the level where it was when the ECB official embarked on the verbal intervention last summer. Hence, there is no imminent need for the ECB to react at this point.

More upside to the euro ahead

Looking ahead, we expect further gains in EUR/USD and target 1.30 by the year-end. While the idiosyncratic euro story remains unexciting (the eurozone will not outperform the US economy this year and any ECB policy normalisation is a very distant story), we expect the bearish dollar dynamics to dominate as the USD will suffer from the mix of negative rates, a non-reacting Fed to rising inflation and the global economic recovery. Under these conditions, the dollar should remain on a broad-based decline, and in turn push EUR/USD higher.

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Automotive sector outlook: Recovering after traumatic 2020

Global car sales should increase by around 7 to 9% this year, as the economy rebounds and electrification steps up a gear. But the pace of recovery will vary by region and some downside risks still remain



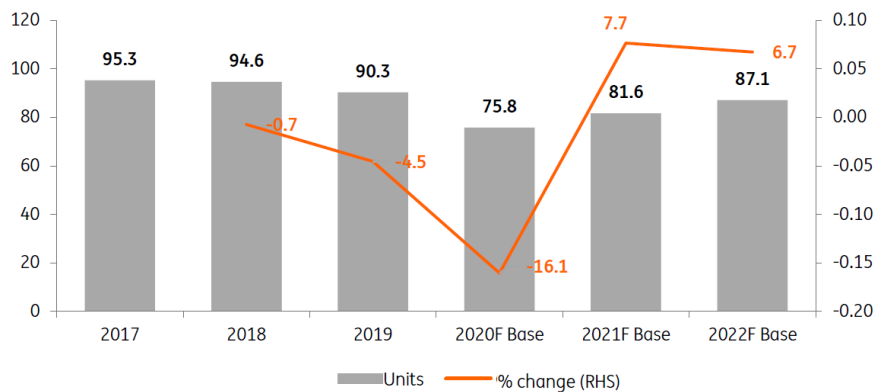
Demand for Passenger Cars Plunged in 2020 but is set to rebound this year

Passenger car sales fell dramatically in 2020, as the Covid-19 pandemic engulfed the world. Moody's forecasts that global light vehicle sales plunged by 16% or approximately 14.5mn units in FY 2020. While the decline ended up being less pronounced than was feared after an even sharper first half drop of approximately 27%, the full-year fall was much sharper than the 9% decline seen in 2008, in the wake of the Global Financial Crisis. After such a dramatic reduction in sales volumes last year, based on our base case global economic recovery scenario across key regions, we believe that global light vehicle demand will rebound in 2021, potentially by 7% to 9%, depending on various industry forecasts. Specifically,

- Moody's expects that under its base case economic scenario (G-20 GDP growth of 4.9%), global light vehicle unit sales will grow by 7.7% year-on-year in 2021 to 81.6mn
- IHS Markit forecasts a 9% YoY gain in global auto sales in 2021 and
- S&P projects 7-9% growth in global light vehicle sales this year (in its September 2020 note).

While sales are expected to rebound from the lows in 2021 and continue to grow in 2022, Moody's doesn't expect sales to return to the pre-crisis peak of approximately 95mn units seen in 2017-2018 until much later, potentially around 2025. Also, we caution that while the prospect of mass vaccination gives hope and underpins our and market expectations, the spike in the pandemic at the start of the year in a number important geographies, most notably in Europe, could also create some downside to the aforementioned forecasts.

Global light vehicle unit sales expected to show recovery in 2021 (in m units)



Source: Moody's, ING

Pace and trajectory of recovery are expected to differ across key regions

We note that the rate of the Covid-19 impact on auto sales has been uneven across regions and this should be the case for the anticipated rate of recovery. Western Europe and North America suffered more in 2020, with declines forecast by Moody's at 25.2% YoY and 15.2% YoY, respectively, while China's auto sales have held up better, with a decline of 1.9% YoY last year, according to the preliminary data provided by the China Association of Automobile Manufacturers.

To put Western European numbers in perspective, preliminary data released by the local industry bodies and authorities indicates that new car registrations declined by approximately 32% in Spain, 29% in the United Kingdom, 28% in Italy, 24% in France and 20% in Germany. Conversely, the rate of recovery in 2021 should be more pronounced in Europe and North America (+12.2% for Western Europe and +5.8% for the US) relative to +4.0% for China, according to Moody's base case forecast. Among other major international car markets, India is estimated to have experienced the sharpest drop of approximately 30% in 2020 but should rebound strongly by 20% in 2021, respectively, according to the rating agency's forecast.

Auto parts sales growth to exceed the recovery in auto sales

Auto parts manufacturers are affected by the same dynamics as global and regional auto sales and have felt the impact from the Covid-19-related drop in production and demand. Moody's predicts a 16-17% drop in aggregate organic revenues of European auto parts suppliers last year, followed by a rebound of 11-12% and 9-10% in 2021 and 2022, respectively. The rating agency expects that organic revenue growth of European auto parts suppliers will exceed global auto unit sales growth by some 200 to 300 basis points.

Electrification to be an important industry driver in 2021 and beyond

The pandemic appeared to accelerate the proliferation of new electric cars (EVs), rather than slow it down. Several European countries have adopted targets for a 100% EV-share in new sales for 2025, 2030 or 2035. Norway leads the pack in Europe with a share of 54% in new registrations last year followed by the Netherlands with 20.5% and Germany, France and the UK (all three slightly above 6.5%). China also has its own ambitious goals and targets 25% of new sales in 2025 compared with some 5% last year. Three important drivers pushing electric cars forward include, subsidies/tax exemptions, the decreasing total cost of ownership with the introduction of new cheaper models with attractive ranges, and regulations forcing manufacturers to reduce (average) emissions of new cars. Manufacturers have been shifting their innovation budgets accordingly in an attempt to keep pace with the introduction of a whole new range of vehicles in the years to come. BNEF predicts global EV sales numbers will surge 50% in 2021 from a total share of around 3% in 2020.

Big Tech moving further into auto space

One other interesting theme which we are seeing is a move of Big Tech and other technology companies into the traditional automotive space. In our view, this move is driven by the more stringent emissions requirements, which require new technological solutions for auto manufacturing, the quest for self-driving vehicles, new mobility patterns (such as outsourced or shared mobility, albeit dampened to an extent by the ongoing pandemic) and more generally, new technological challenges and demands for car manufacturers. The incredible rise in the valuation of Tesla during 2020 is testament to the market's faith in such sector trends. Recent press reports that Apple aims to launch electric car production for the mass market by 2024 is another manifestation of the same theme. Similarly, Google has been developing self-driving cars for over a decade now. Other technology-driven companies and start-ups also populate the space, vying to capture an early mover or unique technology advantage. We believe that the effect of this move on the traditional car manufacturers and their supply chains will continue to be felt over the coming years, potentially leading to an ever increasing fusion between the two industries.

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Listen: '21 is going to be a good year (for commodities)

Oil prices have been on a tear in recent months amid hopes that the Covid vaccine will increase demand for fuel while supply remains constrained by OPEC+. In this podcast, ING's Warren Patterson discusses whether the rally in oil, and other commodities, will continue in 2021



Optimism surrounding the vaccine rollout and a recent production cut by Saudi Arabia have lifted the price of Brent about 7% since the start of the year, adding to a 25% surge in the last three months of 2020. But with many economies still in full lockdown, demand for oil is expected to be weak over the next few months while higher prices could encourage some producers to pump more than agreed. [In this podcast](#), ING's Senior Editor Rebecca Byrne asks Head of Commodities Strategy Warren Patterson whether the gains have been justified or if the rally gone too far.

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China: GDP rebounds solidly but risks remain

The Chinese economy avoided recession in 2020 and continued to grow strongly in 4Q20. This upbeat growth trend should continue in 2021. Control of people-flows has started, so the risk of a widespread outbreak of Covid should be small. But the risk of a technology war between China and some economies remains if the US does not remove some measures



China grew solidly

China's economy grew 2.3% in 2020, and 6.5%YoY in 4Q20. Fixed asset investment increased 2.9%, industrial production grew 2.8% but retail sales shrank 3.9% in 2020. The contraction in retail sales occurred mostly in 1H20, recovering quickly in 2H20 as consumers started cross-province travels from May. We believe that the economic recovery will continue for China.

When China can achieve a complete recovery is still an open question, even though GDP growth was positive for the year. Some GDP growth came from fiscal and monetary stimulus and without those stimuli, the economy would not have recovered at such a pace since external demand has been very weak.

Not a full recovery yet even with big growth numbers in 1Q21

It is too early to conclude that this is a full recovery. External demand has not yet fully recovered. This is a big hurdle for a full recovery of China's industrial production, especially for smaller manufacturers. The pandemic has resulted in a pause in international travel. And with rapid increases in Covid cases in the US and Europe, industries related to exports will continue to be in a difficult situation.

Due to the negative base effects in 1Q20, we expect GDP growth to reach 12.0%YoY for 1Q21. Covid cases have returned (around 100 cases for Mainland China per day). But so far, domestic travel across only a few cities has been reduced. There is no full-scale lockdown in most locations in the country.

Even if people do not go back to their home towns during the Chinese New Year, the impact on consumption should be relatively small. In fact, people staying at their work locations will continue to consume during the Chinese New Year.

Active fiscal stimulus but not monetary policy

We expect that fiscal stimulus will continue to help companies experiencing difficulties until steady external demand returns, which in turn will help avoid increases in unemployment.

Some of the fiscal stimuli will be allocated to strategic sectors, for example, technology R&D to fulfill self-sufficiency targets and green energy for achieving environmental sustainability targets.

Given this growth picture, we expect monetary policy will stay put, i.e. no change in 7D reverse repo, 1Y medium lending facility rate, 1Y and 5Y loan prime rate, and reserve requirement ratio.

Political risks to continue in 2021

We expect the newly elected US government will continue most of the current policies on China, at least for the first quarter. That means tariffs and technology measures on China will still be in place.

The most positive development we can envisage is that tariffs could be reduced gradually over 2021 with no additional pressure on the technology side. It is difficult to conceive of a dramatic improvement in the US attitude towards China's technological advancement as that would require a change in the belief of the US general public that China uses US technology for China's own military, even if that may not actually be the case.

Forecasts

From the above projection, we expect China's GDP will grow by 7% in 2021 given the low base in 1H20, and the expectation that vaccines could slow down the spread of Covid and therefore provide some chance of faster recovery in external demand, helping manufacturing and exports.

Exchange rate liberalisation will continue to be the main theme for USDCNY's movements. We expect USDCNY to reach 6.20 by the end of 2021.

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Brexit and the impact of new trade ties on the UK outlook

Trade disruption will deliver a sizable hit to UK manufacturing output this quarter, while lingering uncertainty and potential instability surrounding the UK-EU trade deal will keep a lid on investment. We expect consumers to lead a sharp GDP rebound this year, but higher costs and disruption will likely prevent a full recovery before late-2022



Source: Shutterstock

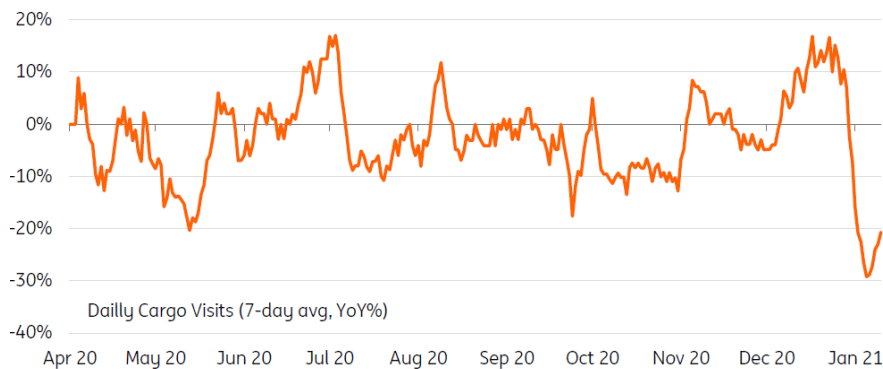
Freight lorries line up to enter the Port of Dover, UK

Despite the deal, there's been plenty of disruption

The dust has begun to settle on the new UK-EU trade deal, where initial pre-Christmas relief has quickly given way to widespread reports of disruption. The deal achieved tariff-free trade, but the UK's exit from the single market and customs union has heralded large - and abrupt - changes to the way the UK trades with Europe.

So what's been happening? Well firstly, it's pretty clear that trade between the EU and UK has slowed noticeably since the start of the year. New [ONS data](#) shows fewer visits by ships to UK ports, while there have also been [fewer lorries](#) crossing the Channel.

Visits by cargo ships to the UK are lower than usual



Source: ONS

Measured as total visits to port across UK

Rules of origin and VAT changes are creating a headache

Partly this is because firms stockpiled during 2020, opting to 'wait-and-see' what happens in the first few weeks of January (and therefore traffic will inevitably build again over coming days). But increasingly it is also because many firms are struggling to adapt to the new trade barriers, which are many and varied, but 'rules of origin' is arguably one of the biggest. These barriers dictate whether a good qualifies for tariff-free entry and can be a bit of a minefield, particularly for those businesses who've only ever traded with the EU.

Generally speaking, a good needs to have had significant work done to it in either the UK or EU to move across the border free of tariffs. That means that, for businesses that use the UK essentially as a distribution hub for servicing other parts of Europe, a tariff may still be payable. And even where a good does meet origin requirements, anecdotally firms say it is often costly and complicated to document.

That's just one example - VAT is another commonly cited headache, and there will be many more.

Fewer transport options have amplified the hit from new customs processes

But the situation has been amplified by transport issues - and the lack of lorry queues shouldn't be mistaken for a lack of disruption.

Some hauliers have been reluctant to carry multiple firms' loads together in one shipment - particularly for food - given the added challenges it poses for collating paperwork and clearing customs. A handful of major logistics firms have also paused deliveries to/from the UK given a high number of consignments reportedly not meeting new requirements.

The Covid-19 disruption in December, when France closed the sea border with the UK when the new Covid-19 strain emerged, also hasn't helped. [Roughly 85% of lorries](#) on the Dover-Calais crossing are EU based, and there is perhaps some reluctance to take UK-bound jobs given concerns about getting stranded again.

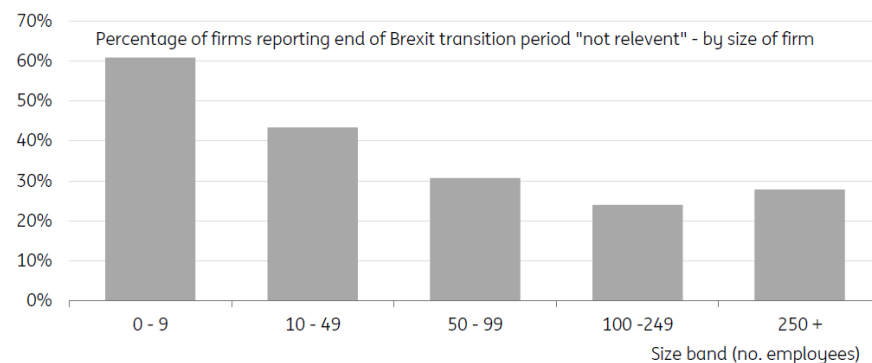
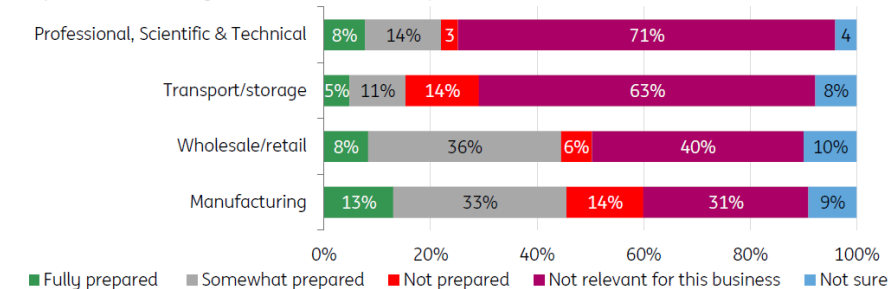
The pandemic has also limited the ability of firms - particularly small-medium enterprises to prepare. While it's true the outlines of the trade deal have been known for months, in many cases

staff involved in the preparations will have been furloughed. Smaller businesses also often won't have had access to legal and consultancy resources to help them work through the consequences for their business.

How prepared were firms for these new changes?

Overall, how prepared is your business for the end of the EU transition period?

(Proportion of firms, weighted - 14-23 December responses)



Source: ONS Business Impact of Coronavirus survey

Data taken from survey wave 20

Manufacturing production has likely fallen

The ONS Business Impact survey from mid-December indicated that half of manufacturers were only somewhat prepared, or not at all. And across the economy, a high proportion of firms reported the changes weren't relevant to their business - which in some cases may have been because they weren't fully aware of the forthcoming changes. The chart above showed this tended to be more common among smaller businesses.

One thing that looks inevitable is a fall in manufacturing production in January - perhaps in the region of 3-4%, and things may become worse in the short-term

That said, it's a mistake to assume this is only hitting smaller firms. While in general larger firms are likely to have been better prepared, many rely on SMEs as part of their supply chain. That was demonstrated in December when some of the major carmakers had to pause production amid a lack of supplies coming across the Channel.

In short, the situation is fairly bleak, but working out the magnitude of the impact on the wider

economy is less straight forward.

One thing that looks inevitable is a fall in manufacturing production in January - perhaps in the region of 3-4%. That's partly because the situation is unlikely to resolve itself quickly - and in fact may become worse in the short-term as border traffic builds up once again. Net trade is also likely to weigh on GDP through this year, assuming imports recover as lockdowns are unwound but exports take much longer to recover.

Of course it goes without saying that the Covid-19 crisis will dominate the GDP figures for the next few months. But assuming the economy starts to get back on its feet through the middle of 2021, the more interesting question is how Brexit will affect the recovery - and here are three factors to bear in mind.

1 New frictions likely to add further pressure to unemployment

Firstly, the new costs of customs declarations and transportation are here to stay - and this, combined with the higher administrative burden for European buyers, will inevitably reduce the competitiveness of UK exports. Unsurprisingly that's also likely to mean some British, Europe-facing firms will ultimately no longer be profitable, and some will be forced to move more parts of their operation overseas.

While impossible to quantify, this will put additional pressure on unemployment - which is likely to rise close to 7% through 2020 assuming wage subsidies are gradually removed.

2 The impact on services is arguably more complicated than goods

Secondly, given Covid-19 travel curbs, the impact on services is only likely to become fully visible after the pandemic.

This is where the UK's competitive advantage lies, and it is also where arguably life outside the single market is more complex. For goods trade, shipments need to meet a series of hurdles to cross the border, but after that they are more-or-less free to be sold anywhere in the EU. For services, the barriers generally take the form of regulation, and this can vary significantly between member states.

Qualifications are not automatically recognised under the trade deal - and this is unlikely to change soon. Some member states also go further with nationality/residency rules for certain professions - for example accounting/legal. Once people start to travel again, visa rules will also add extra complication. While the demand for business travel may fall post-pandemic, some services can only be supplied in-person (think engineering, for example).

The coming months will also reveal whether the UK secures a data adequacy agreement to keep information flowing, as well as on financial services equivalence.

3

Long-term relationship will be mired by uncertainty and possible instability

Finally, the big question is what happens to the UK-EU relationship in the long term.

Will the UK seek closer economic ties with time - for instance, rejoining a customs union? For now this is difficult to see. The deal includes a review clause in 2024, and that almost certainly means the issue of EU trade will play a role in the election that year.

Perhaps the real question we should be asking is whether the UK-EU deal will stand the test of time

Instead, perhaps the real question we should be asking is whether the UK-EU deal will stand the test of time. In part, this depends on how the UK decides to shape policy surrounding 'level playing field', the issue that monopolised much of the negotiating time last year. Under the terms of the deal, the UK has committed not to lower worker or environment standards, and accepted state aid controls.

But with time that could change, and divergence could see market access partially rescinded, for example via tariffs. The deal also sets the scene for ongoing negotiations in various areas, which with time could throw up challenges that again ultimately may end in tit-for-tat retaliation (fishing is the obvious example once annual negotiations begin after an initial transition).

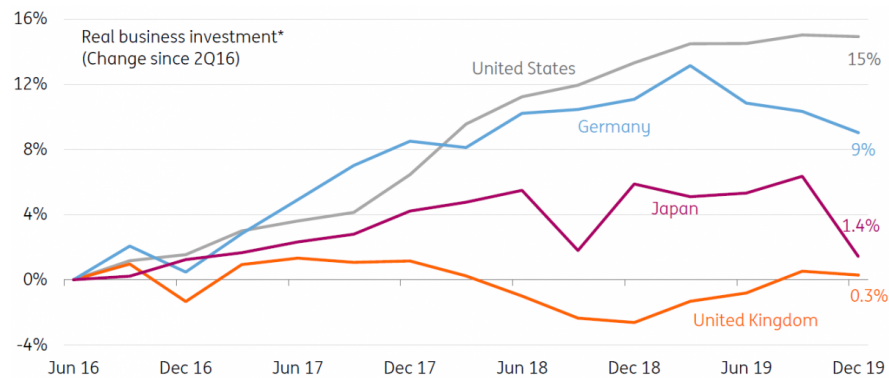
Trade disruption will be a drag on the recovery process

For the economy, this means a degree of uncertainty and potential instability will be a feature of the UK's European trading relationship.

Even before Covid-19 struck, investment had underperformed G7 peers, and this is likely to continue in the post-Covid-19 recovery phase. Businesses will be wary about possible future changes to the relationship that may require further tweaks to their operating model.

While we expect consumers to lead a rebound in GDP through the remainder of 2021 (assuming the vaccine programme goes as hoped), investment is likely to lag behind - and correspondingly drag on hiring. This will likely prevent the UK economy returning to its pre-virus size until late 2022 at the earliest.

UK investment underperformed peers after referendum and before Covid-19



Source: Macrobond

Definitions vary: Business investment for UK, private non-residential investment for US/Japan, private investment in machinery and equipment for Germany

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UK retailers may not fully benefit from post-Covid consumer boom

It's now conventional wisdom that there is going to be a post-Covid boost to household spending. But how big will it be, and how much will it benefit retailers? The answers are mixed



Source: Shutterstock

Oxford Street, on the post Christmas Bank Holiday and in tier 4, London, UK

December retail sales disappointed

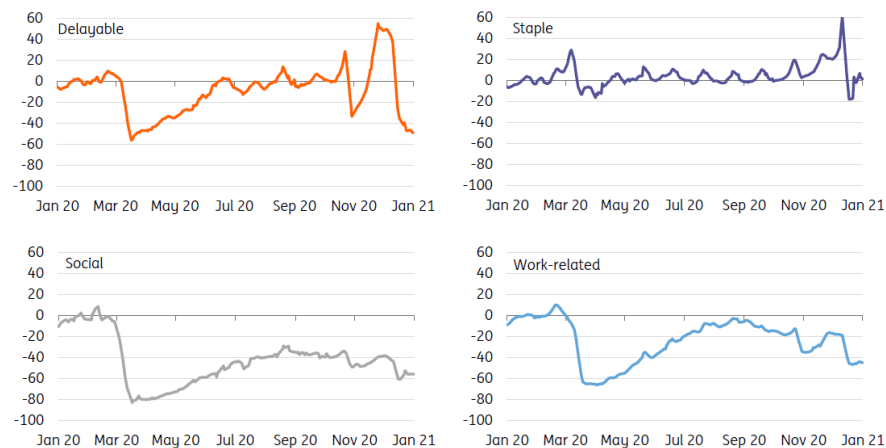
It wasn't quite the Christmas retailers were hoping for.

UK retail sales rebounded by a mere 0.4% in December after November's lockdown, although it's worth remembering shops were closed again in much of England before the new year. In level-terms, sales were back to where they were over the summer - which perhaps isn't so bad considering the level of new restrictions.

The jury's out on whether things are now significantly worse in the midst of a new strict lockdown.

Newly available payments data indicate that spending is lower than it was during the November restrictions, though the figures are volatile and not adjusted for the big seasonal swings in sales. Either way, the situation is almost certainly less acute than last spring, mainly because the big switch away from the high street to online never really reversed, but also because retailers are better geared up for click-and-collect services.

New CHAPS payments data show spending has fallen



Source: ONS

February 2020 = 100, percentage change on a backward-looking seven-day rolling average

History suggests retailers should expect a quick rebound in the spring

However, in spring, the figures should certainly look better. The current pace of infections and vaccinations suggests in-person shopping could resume at some point in mid/late March. And experience from the first lockdown showed that it won't take long for sales to regain lost ground.

From there, assuming no further surprises to the virus it looks likely that consumer spending will benefit from some pent-up demand. The savings ratio has fallen since the peak of the crisis, but at 16% (as of 3Q), this is considerably above pre-crisis levels. That, combined with the positive accounting effect of reopening businesses on GDP, should lead to a decent rebound in activity later in the year.

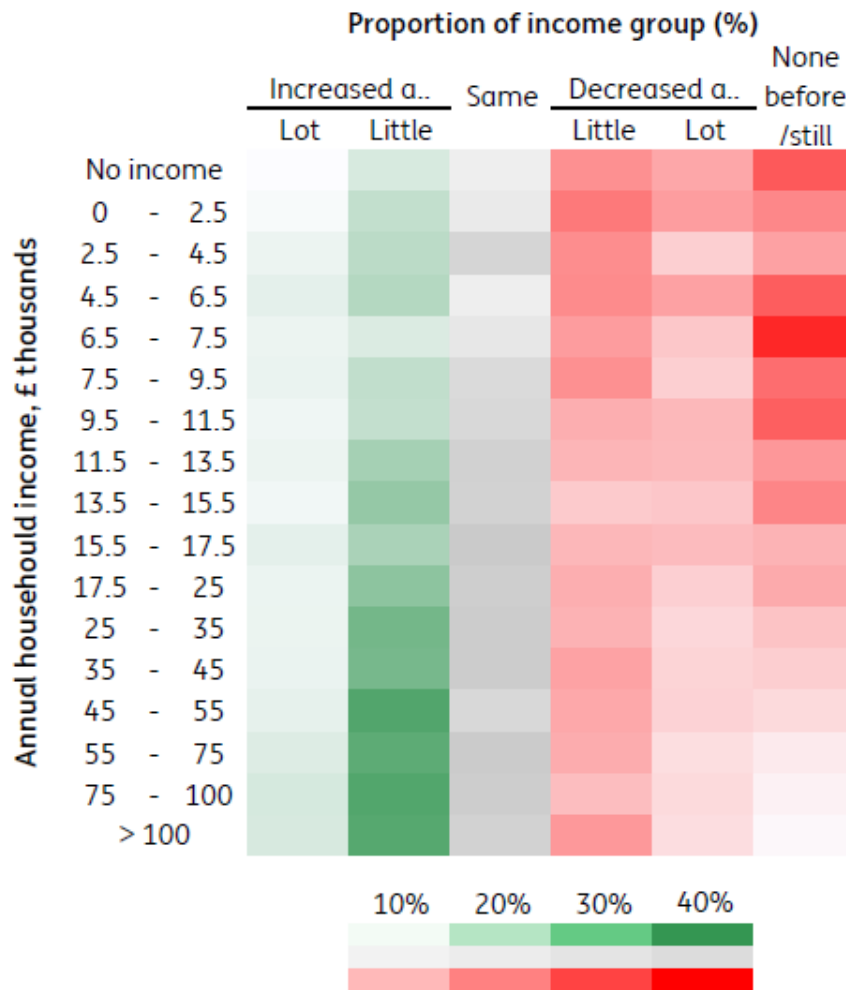
That said, it is going to take much longer for the economy to return to its pre-virus size, and we see five factors likely to cap the pace of the recovery in consumer spending.

Firstly, the crisis has had a very unequal impact across income groups. Furlough rates are much higher among low-income workers, and they've been disproportionately affected by the rise in redundancies (and will likely to continue to be so if job losses mount when the scheme is unwound this year).

Unsurprisingly, that's meant households in the lowest wage brackets are more likely to have seen savings fall during 2020, according to Bank of England survey data. Those in higher income groups, who have been less affected, tend to have a lower marginal propensity to spend.

BoE survey from 2020 shows low earners more likely to have seen savings fall

"How have your savings changed during the pandemic?"



Source: ING analysis of Bank of England NMG survey

Full question: "As a result of any changes in income or spending due to the coronavirus pandemic, would you say that your household's total savings have increased, decreased, or stayed the same?" Data is from the Bank of England/NMG survey, taken from 25 August-15 September 2020

Secondly, even where savings have built, there are tentative signs in the Bank's credit data that consumers have used the money to reduce debt levels. While not a negative story, it signals these consumers aren't planning to spend all of their newly acquired savings.

Thirdly, there's uncertainty. The underlying assumption at the moment is that uncertainty will fade during the recovery, but that may not be completely the case.

The [UK's Chief Medical Officer recently said](#) future restrictions, say next winter, can't be totally ruled out, depending on how the virus mutates. Depending on how that risk is perceived this summer, that could temper the recovery in spending if consumers are wary about a return to lockdowns and what that implies for incomes etc.

The general rise in unemployment that's likely on Brexit disruption and the removal of the furlough scheme will also dampen confidence.

Fourthly, and thinking about retailers specifically, the pent-up demand will inevitably be larger for services than goods - the latter having been much easier to consume during 2020. There are some exceptions - clothing really struggled last year, and that will likely get a boost as events and gatherings return.

Finally, high street spending is unlikely to recover its crisis losses. The sharp shift to online has only accelerated a trend that was already happening. That's a challenge for those businesses heavily reliant on physical retail space, particularly when the current moratorium on rental payments eventually ends.

Unfortunately it is likely that this part of the sector will see further job losses ahead.

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