

Economic update

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Today's presenter



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Business and Management Faculty

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Business & Management

ON THE ROAD AGAIN WILL THE TRANSPORT SECTOR BOUNCE BACK POST-PANDEMIC? | WORKING OUT: KEEP YOUR BODY AND YOUR BRAIN IN SHAPE WITH THESE TOP TIPS | GETTING OLDER: HOW AN AGEING WORKFORCE CAN BE A BLESSING

IN THIS TOGETHER

Employee-owned businesses and how the model can benefit everyone involved



CORONAVIRUS | MEMBERSHIP | LEARN | CAREERS | ACA STUDENTS | RESOURCES | COMMUNITIES | INSIGHTS | REGULATION

Resources > Business and Management

Business and management

This section brings together the most up-to-date thought leadership, technical resources and professional guidance for ICAEW members in business. It also includes the more specialist information provided by ICAEW's Business and Management Faculty.



Need to know

- Business and Management Faculty**

The faculty provides a mix of technical and soft skill resources to help members meet their CPD requirements and keep abreast of the changing world of business. Resources include our monthly magazines, special reports, quarterly briefings, as well as our popular webinar and events programme.
- Coronavirus (COVID-19) hub**

Coronavirus is not just a world health emergency; it is an economic one too. The economic impacts are plain to see and emergency provisions are being made worldwide in an attempt to support individuals, business and anyone who advises them. ICAEW is monitoring the situation closely and collating resources as conditions unfold.
- Core Accounting and Tax Service (Bloomsbury)**

From May to October 2020 members in business have free trial access to Bloomsbury Professional's comprehensive online library, comprising over 60 titles from leading commercial law, tax and accounting subject matter experts.

ICAEW KNOW-HOW BUSINESS AND MANAGEMENT FACULTY



Commercial insight



EXPANDING THE CFO'S HORIZONS

SPECIAL REPORT
SEPTEMBER 2020

Tourism in the UK - post covid



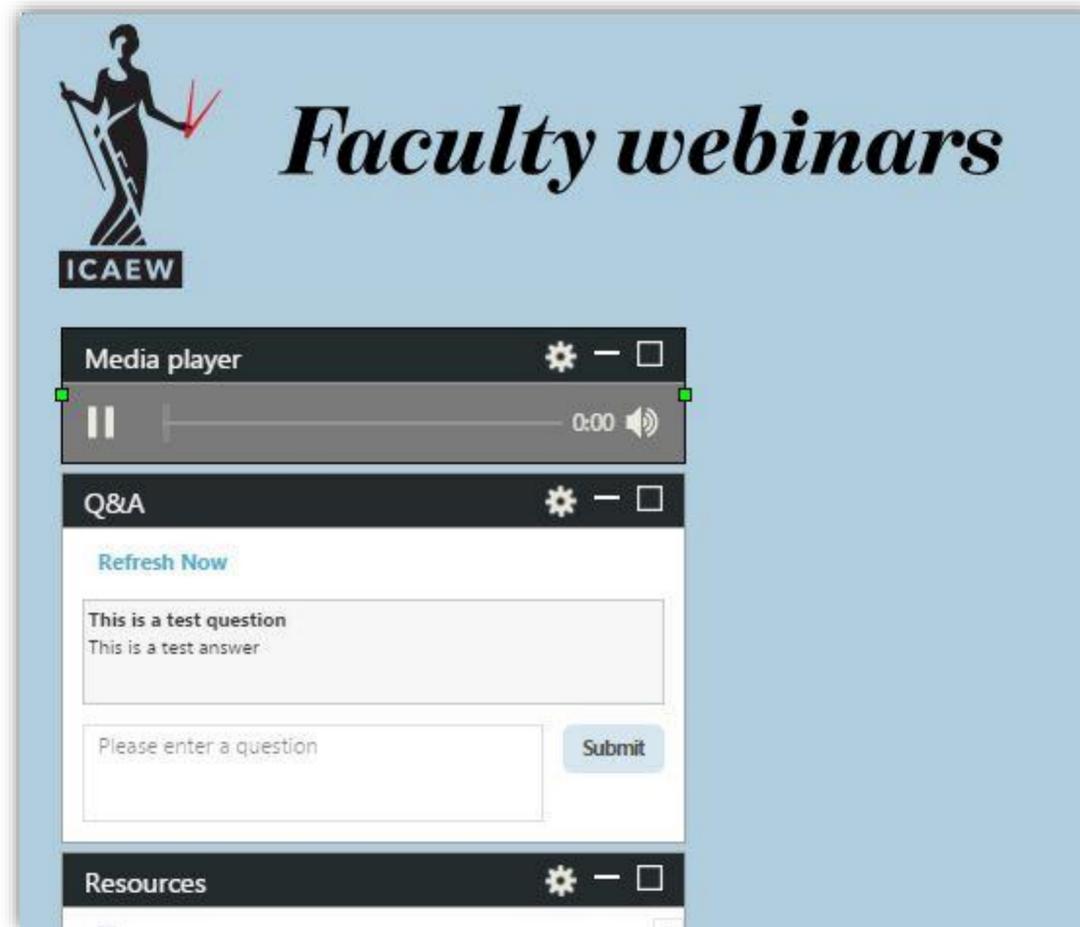
How UK tourism should respond to lockdown lifting.

[Read article](#)

Articles	Resources
<ul style="list-style-type: none">> What is a post furlough world?> The future of agriculture> How to communicate better	<ul style="list-style-type: none">> PDF of July/August magazine> July/August technical update> View our past webinar recordings

[icaew.com/bam](https://www.icaew.com/bam)

Ask a question or download resources



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Type your question into the question box then click submit.

ICAEW 2021

State and Prospects for the UK Economy After the Pandemic.

Dr Steve Davies, 9th June 2021

The Main Points.

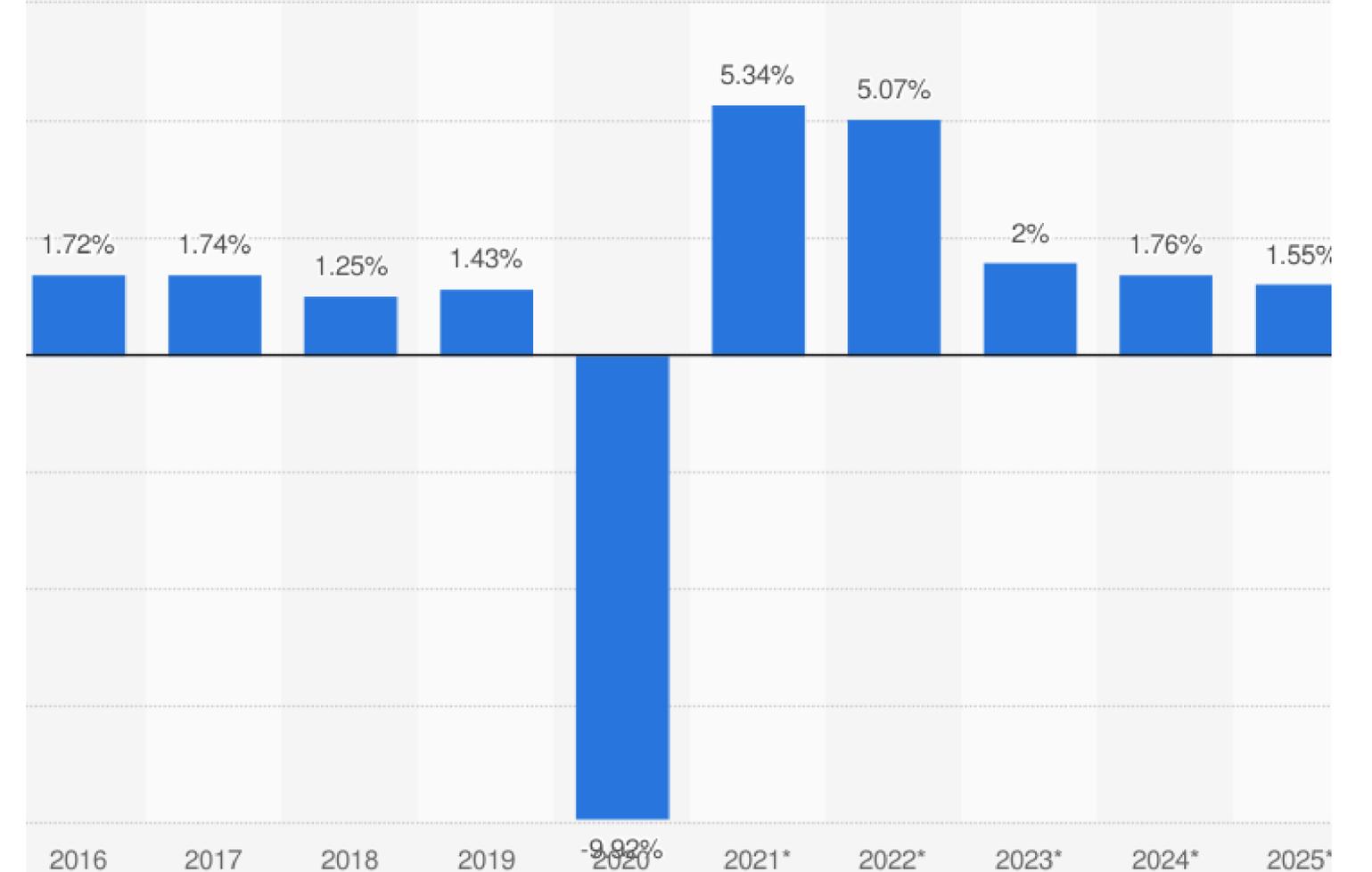
- Covid-19 has had a major impact but it is important to understand the nature of it.
- The Government's response and current policy posture influences the aftermath.
- There will be a very strong bounce back over the next 12 - 18 months.
- This will be accompanied by inflation and significant labour market tightening.
- The big questions are will this persist and what will central banks do?
- Also significant and rapid reconstruction of the labour market and several sectors.
- Problem for CBs is that have to navigate between two serious bads.
- Meanwhile global impacts of C-19 will only become apparent over the next 18 months.

Covid-19

Impact & the nature of That.

- MAJOR hit to GDP in 2020 and Q1 2021.
- BUT
- NOT your typical demand led recession.
- Ultimately supply-side driven (a pre-modern one).
- Means economic activity suppressed.

United Kingdom: Real gross domestic product (GDP) growth rate from 2016 to 2025* (compared to the previous year)



Additional Information:
United Kingdom (Great Britain); IMF



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The Covid Hit - Nature.

Impact of the Government Response.

- Much activity deliberately shut down.
- But incomes protected through furlough. Plus huge M4 expansion.
- Result large scale net saving.
- So pent-up demand.
- Accelerated change and restructuring of the economy.
- This will all burst out once the restraints are lifted.
- A lot of activity; gains and losses; winners and losers.
- A good time to be an investor but also a risky one. Good for accountants!

The Rebounding Economy.

Short-term prospects good.

- BoE predicts rapid and strong recovery this year. (7.25% annual GDP growth)
- KPMG 6.6 % in 2021, 5.4% in 2022.
- NIESR 5.7% in 2021, 4.5% in 2022.
- Statista 4.0% in 2021, 7.3% in 2022.
- Deloitte 6.6% in 2021, 5.4% in 2022.
- So broad agreement.
- Well above long-run trend (as you'd expect).
- Personally I expect something around the BoE figure and slightly less next year in real terms.

It's Back!

The Return of Inflation.

- Huge increase in money supply.
- NOT like previous QE.
- Broad money growth not narrow.
- Has gone to a different recipient set
- So very different Cantillon effects.
- Everyone now expecting an inflation spike.
- Question is - how big? How long?



Another Return.

The revival of labour market power.

- Signs already of significant tightening in the labour market.
- This has several causes. Crucially much of it will be structural.
- So going to be sustained. A major shift. A squeeze on profits?



The Conundrum.

Central Banks Between Scylla and Charybdis.

- When inflation rises what will Central Banks do?
- Initial call will be to sit tight. Expectation is that a spike will be minor and temporary.
- But the bigger it is and the longer it lasts the greater the danger of it accelerating.
- At some point they will raise interest rates. But a problem.
- NOT with government debt - for at least a decade.
- A real problem with private debt. Problem of causing an asset collapse. Makes sense to have a few years of inflation.
- But do you really want that genie out of the bottle?

A New Economy?

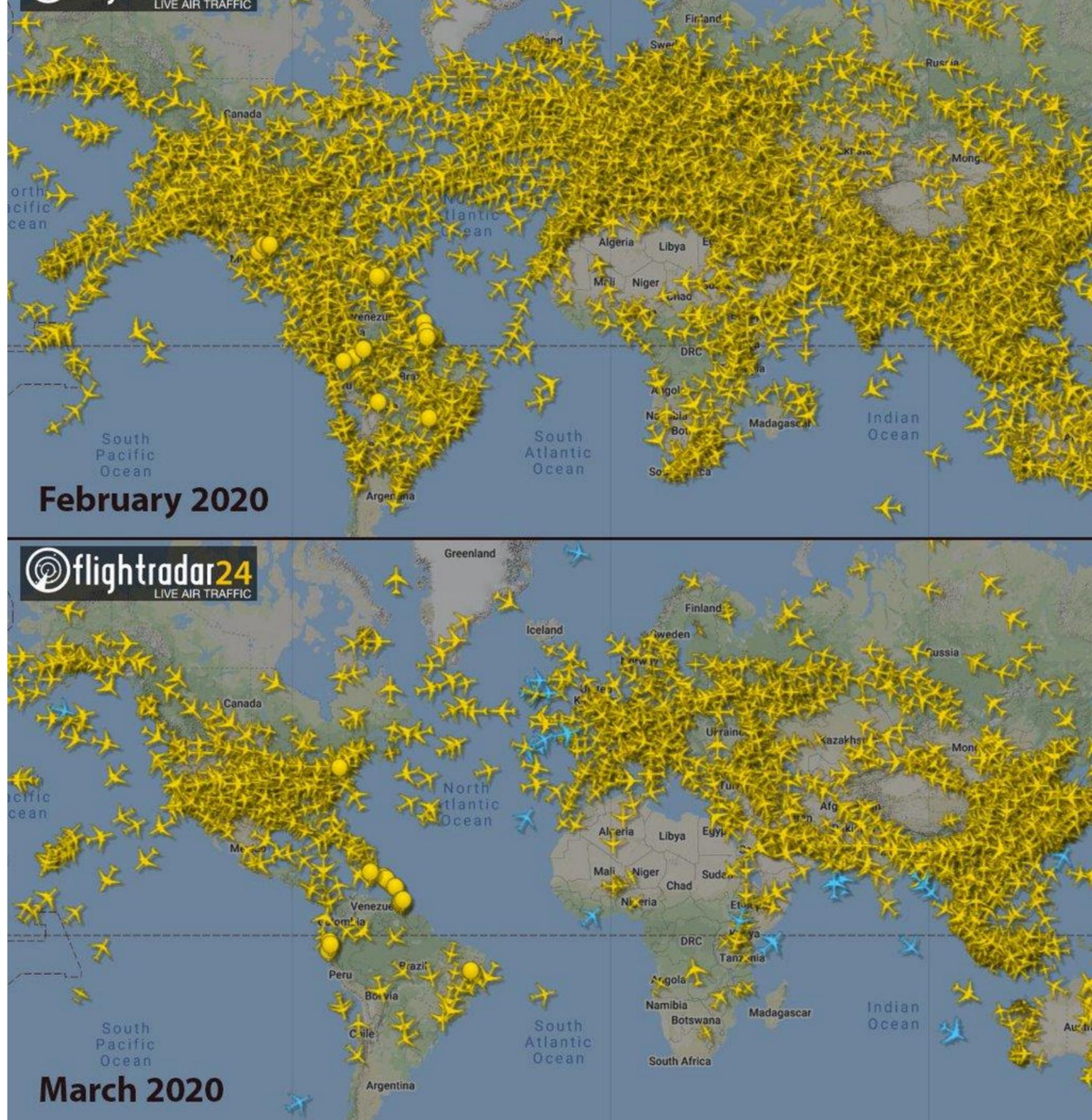
Restructuring & Reorganisation.

- The pandemic has accelerated processes already under way.
- Major shift of work organisation and patterns.
- Big sectoral shifts.
- Winners (e.g. Hello Fresh)
- Losers (e.g. Debenhams)
- Regional effects - Peak London?



Global Factors.

- The impact of the pandemic on the world economy will only become clear 18 months from now.
- China still mostly cut off.
- Impact on long-distance travel still unclear.
- Ditto supply chains.
- As domestically, major winners and losers.



Some Parting Thoughts.

- Expect a General Election no later than Spring 2023. Maybe even Autumn 2022.
- A lot of 1980s headlines revisited. A different outcome?
- A good and risky time to be an investor.
- A good time to be an accountant.

Upcoming Business and Management Faculty webinars

60 minute webinars – 10.00am

Climate change and TCFD – The role of internal audit (11 – 12pm)
23 June

Building an innovative team
7 July

An introduction to machine learning
28 September

Financial modelling scenario planning
14 October

How to increase budgetary impact without spending more money
16 November

Practical Excel tips
7 December

20 minute webinars – 12.30pm

Why You? 101 job interview questions you'll never fear again
21 September

Catching a money launderer
13 October

Online learning – 10am

Get the job you want
14 September

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