Rathbones
Look forward

Review of the week

19 April 2021

Fun, in a coat

The air is cold but the company is warm. England wraps up for the reopening of pubs and restaurants.

English shops, pubs and restaurants reopened for the first week of revelry in the spring we all hope will follow the pandemic night.

It was cold out there, but there were few free tables to be had, making for a strong boost to businesses that have been on life support for months. There's a lot of money to be spent out there, with UK households amassing about 10% more savings last year than they did before the pandemic. That's the second-highest proportion of any major nation (the US being the highest). As long as the vaccine rollout continues and variants don't get too nasty, we should be in for a rejuvenating summer, for businesses and for our wellbeing.

Investors seem to think so. Stock markets moved yet higher last week, underpinned by good economic data. In the UK, economic growth returned - albeit modestly - in February. The 0.4% monthly increase leaves GDP 7.8% below its pre-pandemic level, but it's a start. Driven by construction and manufacturing, it should soon be bolstered by the reopening of the hospitality sector. Take a glance across the Atlantic for an example of what we can hope for. Economists have pushed up their expectations for US economic growth in 2021 to in excess of 7%. Some have gone as high as 9%. Despite the upward march of GDP and inflation forecasts, government bond yields fell back last week. This helped buoy 'growth' equities, which have had a tough few months in the face of higher bond yields.

It's hard for such commercial and social turmoil to unwind smoothly, however. UK hospitality businesses are worried they won't be able to find enough skilled staff to make the most of the avalanche of gaiety they've been holding out for. Many European workers decamped to the Continent during the lockdown and are now unable to return because of the worsening situation there and travel restrictions. This could cause wage pressure and a hit to profitability. Although, there are plenty of people looking for jobs, so a great retraining may be in order.

Smart metreage

As the world emerges from the shadow of COVID-19, many advanced nations are focused on using the opportunity to overhaul global energy production.

The stimulus on offer to get the world's economy humming again is huge. By pumping that cash into renewable power generation and cleaner infrastructure, the plan is to build back better. US climate change envoy John Kerry travelled to China to get promises from his opposite number that the world's largest exporter will reduce its reliance on coal and other dirty fuels. The bilateral agreement to reduce emissions is only helpful if it's adhered to though. And it is bereft of measurable goals or specific reductions.

If global warming and its significant effects on weather, sea levels and land fertility are going to be mitigated, it needs substantial changes in behaviour by everyone. It is a huge global undertaking, but we should take heart in the adaptiveness of people. The pandemic and our flexibility in battling it, in living with it, was just another lesson in that truth. If you need another: of all new power generation built in 2020, 80% was renewable, according to the International Renewable Energy Agency. That's 50% more than in 2019 and that's before any investment influx slated by governments in post-pandemic stimulus. The total renewable share of power production remains below 40%, but if current trends continue green energy should proliferate rapidly.

Increasing the share of renewable energy cannot be the only solution, however. We must cut our total energy consumption as well. That's why we believe smarter urban planning for towns and cities could be part of the solution. By encouraging more walking, cycling and better public transport, we could massively reduce energy usage and rejuvenate our centres into the bargain. It could make us healthier and happier too. Watch the drivers going by: you don't tend to see many smiles behind the wheel of a car ...

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