

Consumers and the Economic Outlook - UK - February 2021

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This report looks at the following areas:

The Brexit trade deal agreed in the final weeks of December ensures free trade in most markets will continue between the UK and the EU, providing relief for businesses and consumers alike. However, the transition to the new trading regime has not been entirely straightforward, exacerbated by COVID-19, and will lead to increased costs and friction across multiple sectors of the economy.

Despite lockdowns and Brexit disruption, consumers' financial wellbeing hit an index high in January 2021 and financial confidence stabilised at an impressively high level. Such positive sentiment is largely a reflection of the continued impact of government measures such as the furlough scheme, but is also at least in part a reflection of the start of the vaccine rollout in the UK, giving consumers hope that the end of the pandemic and the related restrictions may be coming into view.

The concern is, though, that any loosening of restrictions will be accompanied by a reduction in the government support that has played a major role in stabilising both business and consumer confidence. In many ways, the greatest threat to household finances will come when COVID-19's threat to health and wellbeing has been brought under control.



"GDP grew by 1.0% in the final quarter of 2020 as the economy bounced back more strongly than in expected in December. The third national lockdown in January is likely to mean a further fall, but the slight rise in Q4 2020 has at least removed the prospect of a technical recession in the first quarter of 2021."

– Rich Shepherd, Associate Director – Financial Services

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