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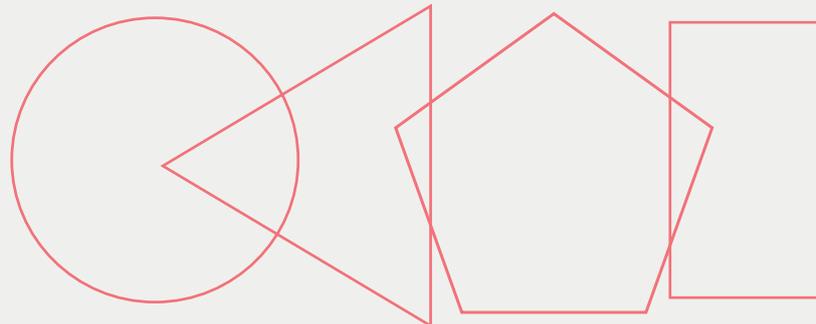
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Forward Look

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'Tis the season for fresh turmoil



Edmund Greaves, head of editorial, MRM

Omicron has arrived to (potentially) spoil our Christmas dinners, but we'll try to keep it together for friends, family, and a sense of normality after nearly two extraordinary years.

When coronavirus first arrived on our shores in February 2020, I can remember distinctly how fast things moved. We went from happily visiting my partner's elderly grandparents without a second thought one weekend to full throttle lockdown in less than 14 days.

So, who knows what could happen with Omicron. So far, my trip to see family in Cape Town has been unceremoniously kiboshed, but that is about it. I look forward to writing a blog on how I got my money back from the airline. But other than that, things remain 'normal'.

The next few days will tell us a lot more, so for now let's plan for more normal with a look at what is coming up in December.

On 1 December we have a fresh meeting of OPEC+ countries to discuss oil production. This is certain to be an interesting one for market watchers as prices have spiked – but Omicron could ruin their sums if they open the taps up now.

The Universal Credit taper rate reduction also takes place on 1 December, while it's also the second anniversary of Ursula Von Der Leyen taking over as European Commission President.

On 2 December is a particular favourite event of mine – the Foot in Mouth award is announced for the most 'baffling' quote of the year by a public figure.

Another really important day for topical reasons is Fuel Poverty Awareness Day on 3 December. This year many households will struggle to keep the heating on thanks to bust energy firms and soaring wholesale prices.

On 8 December Google publishes its annual list of top-trending search terms for 2021. I imagine 'vaccine', 'delta' and 'meme stocks' might get a look in this time round.

Time Person of the Year is announced on 9 December, while 14 December is Christmas Jumper Day (my personal favourite day of the year for lots of Zoom meetings).

Mid-month we have the latest US interest rate decision, on 15 December. Depending on where Omicron is by that stage we could see a chilling of the language from the Fed on rate hikes and tapering. This is followed by both the ECB and Bank of England rate decisions on 16 December.

17 December is an interesting one for markets – so called Quadruple Witching Day, when stock index futures, stock index options, stock options, and single stock futures expire simultaneously. This day comes four times a year and tends to cause heavier-than-usual trading volumes as investors move to adjust their positions.

El Gordo – the largest lottery draw in the world – takes place on 22 December in Spain. The rules are somewhat complex for it but in 2019 there was over EUR2 billion worth of prizes available.

Finally on 31 December the LIBOR rate, which caused so much controversy after the Great Financial Crisis (GFC) comes to an end, to be replaced by SONIA and SOFR.

Here's to hoping all these dates stay as they are. All the best and wishing you all a happy, healthy, and prosperous Christmas and new year from all of us here at MRM, CCM and Mouthy Money.

Is the Treasury 'taking back control?'



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

Boris Johnson has had a torrid few weeks. From a position of political unassailability, recent events have exposed his weaknesses, left him vulnerable and demonstrated that the Treasury is now taking back control.

The Prime Minister has never had a loyal following amongst MPs that he can rely on through thick and thin, as did Margaret Thatcher or Tony Blair for most of their time in office. The relationship has been more transactional rather than ideological or emotional. The party turned to him because he was a unique political brand that could cut through with the public and because he was a proven election winner.

The new MPs in the 2019 intake, particularly those in red wall constituencies, clearly owe their seats to him. But Johnson's own loyalty to the now former MP Owen Paterson has created a fault line between the Government and the old guard and the 'red wallers'.

Having been marched up the hill to defend someone who, to most people, appeared to have broken the rules around MPs lobbying for outside interests, a rapid U-turn left them exposed, exasperated and angry.

That anger has quickly been compounded by the backtracking on HS2, Northern Powerhouse rail and social care reform, all of which have been a gift to Labour as a 'betrayal of the North' and have undermined the Prime Minister's central narrative around levelling up the country.

For Tory MPs they signal a worrying lack of internal challenge, planning and expectation management within the heart of government. They also show the resurgence of Treasury dominance over spending decisions. Johnson's shambolic speech at the CBI's annual conference demonstrated another weakness – his tendency to be unprepared and to 'wing it'.

Trust in the Prime Minister's judgement, particularly amongst the 2019 intake, has been damaged. With the pandemic apparently receding (at least before the emergence of the Omicron variant) and immigration clearly not yet under control, the public's view of the Government's performance seems to be shifting and becoming less forgiving.

Johnson has admitted to his MPs that he's driven the metaphorical car into a ditch, but has promised to get it out and put things right. He will need to prove to his MPs

that he has a grip and is driving with seriousness and care. Otherwise his party might start to think about exercising its reputation for getting rid of leaders who are thought to have become a liability.

Away from the cut and thrust of Westminster politics, the Treasury has published its second stage consultation on the future regulatory framework for financial services. It confirms the Government intends to introduce new, statutory secondary objectives for the Prudential Regulation Authority and the Financial Conduct Authority to support competitiveness and growth. It also proposes to amend the existing regulatory principles to ensure that growth is consistent with the Government's commitment to achieve net zero by 2050.

HM Treasury will be able to require regulators to review their rules where the Government thinks it is in the public interest. Regulators' approaches to cost benefit analyses of their proposed rules and of their post-implementation reviews will be strengthened. Whether they will be formally required to consult with Treasury on proposed rule changes before they are public is still to be decided, but parliamentary committees will need to be proactively alerted to published consultations and regulators will have to formally respond to any submissions they make.

The consultation confirms that the Government plans to have the ability to set specific 'have regards' requirements for particular areas of the market, which regulators will need to consider when making rules in specific areas. That offers individual sectors the opportunity to shape the regulatory framework for their area through engagement with government and Parliament.

However, it has also accepted representations that government and Parliament should be able to require regulators to make rules covering certain matters to ensure important wider public policy concerns are addressed. It therefore proposes to take a power to place obligations on the regulators to make rules in relation to specific areas.

The consultation runs until 9 February. As this and the legislation that will follow will probably lay the regulatory foundations for the next few decades, individual firms and sectors within the financial services industry should keep a close eye on developments and have a voice in the process.

Brits are back in savings mode after a spendthrift summer



After a collective loosening of the purse strings this summer households are concentrated on saving once again, writes Tom Briffitt, senior consultant at MRM.

'Spring forward, fall back' is a handy phrase for remembering what happens when the clocks change. But as we move on from British Summer Time and look ahead to the winter, it's also a rather apt description of 2021.

Spring coincided with the reopening of retail and hospitality venues as the economy sprung back into action. The easing of Covid-19 related restrictions and the government's roadmap out of lockdown gave us all hope for the months ahead.

By the time summer came around households were enjoying a mild spending frenzy. Data from Barclaycard revealed that year-on-year card payments were up 10.4% and 14.5% respectively in July and August.

The success of the vaccination program and the Three Lions at Euro 2020 also contributed to growing consumer confidence.

As people enjoyed the opportunity to spend more of their hard-earned cash, the amount of money Brits' chose to save fell away.

The proportion of their income that households saved peaked at an all-time high of 23.4% in the early stages of the pandemic in Q2 2020 and spiked again in the early months of 2021 during lockdown. But as the economy roared back into life and household spending increased, the UK's saving ratio fell sharply to 11.7% in the three months to June.

But with the end of British Summer Time and the cost of living on the rise, there are signs that consumers are falling back into a more cautious mindset.

The most recent figures from the Office for National Statistics reveal prices rose by an average of 3.1% over the past 12 months and inflation is expected to surpass 4% by December.

The last time that happened was in October 2008, so for a lot of younger families in particular, it will present a new challenge when it comes to managing their money.

In fact, the results of the latest Money Matters Index (MMI) from Mouthy Money reveal three in four (75%) Brits are concerned about rising inflation.

In a nutshell, rising costs mean that people can buy a little bit less with every pound they spend. Now that might not be a major problem for higher earners with more disposable income, but for those on lower incomes or without savings to fall back on it can be a real cause for concern.

Of the readers surveyed by Mouth Money, just over a third (36%) said the rising cost of living will mean they won't have enough to pay for essentials, like food, clothing and utilities.

With fuel prices at a record high, energy costs going up and mortgage rates on the rise, many Brits are facing a challenging winter financially.

These factors also help to explain why saving is once again front of mind for many people. Nearly half (45%) of MMI respondents said that building up a savings buffer is their number one financial priority at the moment.

Unfortunately, rising inflation is also bad for savers as effectively it means the value of the money they deposit in cash reduces over time. One solution is for people to start investing or investing more of their savings, as the stock markets offers greater growth potential.

As the nights draw in, it will be interesting to see if the UK savings' ratio begins to bounce back once more and whether rising inflation sparks a fresh retail investor boom this winter.



Dates for your diary...

KEY

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

01/12/2021	Worldwide Cost of Living Index
01/12/2021	Forbes 30 Under 30 announced
01/12/2021	OPEC countries meet to discuss oil production
01/12/2021	2nd anniversary of Ursula von der Leyen taking over as EU chief
01/12/2021	OECD Economic Outlook
01/12/2021	FTSE UK Index Series quarterly review confirmed rebalance changes announced after market close
01/12/2021	Universal Credit taper rate reduced from 63% to 55% by today
01/12/2021	20th anniversary of the Financial Services Compensation Scheme
01/12/2021	FinTech Connect Conference and Trade Show
02/12/2021	Foot in Mouth award announced for most baffling quote of the year by a public figure
03/12/2021	Fuel Poverty Awareness Day
03/12/2021	U.S. Employment Report



Dates for your diary...

03/12/2021	Forbes Highest-Paid YouTube Stars list published
03/12/2021	SME National Business Awards ceremony
03/12/2021	Annual Climate Risk & Regulation Summit
06/12/2021	Household Finance Review
06/12/2021	Gender pay gap, UK: 2021 revised statistics
06/12/2021	World Economic Forum's Global Competitiveness Report
06/12/2021	UK Finance Household Finance Review
07/12/2021	FTSE4Good Index Semi-Annual Review
07/12/2021	Forbes' most powerful women in the world list
07/12/2021	Halifax House Price Index
07/12/2021	BRC-KPMG Retail Sales Monitor
07/12/2021	EU reveals latest growth figures

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07/12/2021	FTSE4Good Index Semi-Annual Review
07/12/2021	NatWest everywoman Awards
07/12/2021	Incisive Media's Net Zero Culture Summit
08/12/2021	Google list of top-trending search terms of the year released
08/12/2021	TheCityUK launches its latest 'Key facts about the UK as an international financial centre' report
09/12/2021	TIME Person of the Year revealed
09/12/2021	KPMG and REC UK Report on Jobs
09/12/2021	UK Finance's Business Finance Review
10/12/2021	NASDAQ 100 Index annual re-ranking
10/12/2021	Forbes Tiktok Highest Earning Influencers list
10/12/2021	NIESR Monthly GDP Tracker
10/12/2021	ONS Monthly GDP estimates



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10/12/2021	Bank of England/Kantar Inflation Attitudes Survey
13/12/2021	Green Monday
13/12/2021	Rightmove Monthly House Price Index
14/12/2021	Christmas Jumper Day
14/12/2021	ONS UK monthly unemployment figures
15/12/2021	U.S. interest rate decision
15/12/2021	UK monthly inflation figures
15/12/2021	ONS UK House Price Index
16/12/2021	ECB interest rate announcement
16/12/2021	Bank of England UK interest rate decision
17/12/2021	Quadruple Witching Day
17/12/2021	FTSE UK Index quarterly review changes are applied



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17/12/2021	FTSE4Good Index Semi-Annual Review changes applied
19/12/2021	The Sunday Times Business Person of the Year
20/12/2021	NASDAQ 100 Index annual re-ranking changes become effective prior to markets opening
20/12/2021	Zoopla House Price Index
22/12/2021	World's biggest lottery drawn in Spain
22/12/2021	GDP Monthly Estimate, Scotland
23/12/2021	GfK's UK Consumer Confidence Survey
26/12/2021	CEBR's World Economic League Table
29/12/2021	Nationwide House Price Index
31/12/2021	LIBOR ends
31/12/2021	Deadline for FTSE 100 company boards to have at least one director from an ethnic minority

N.B all dates correct at the time of compilation



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