ARBUTHNOT BANKING GROUP PLC

PERSPECTIVES

By Ruth Lea, Economic Adviser to the Arbuthnot Banking Group

Ruth Lea
Economic Adviser
Arbuthnot Banking Group
ruthlea@arbuthnot.co.uk
07800 608 674

MPC increased Bank Rate to 1.0% in May, whilst downgrading growth and raising inflation forecasts

16th May 2022

Introduction: MPC increased Bank Rate to 1.0%...

At the meeting ending on 4 May 2022, MPC members voted to raise Bank Rate from 0.75% to 1.0%, much as expected, although three members voted for an increase to 1.25%.[1-2] The six members voting to increase the Bank Rate from 0.75% to 1.0% were Andrew Bailey, Ben Broadbent, Jon Cunliffe, Huw Pill, Dave Ramsden and Silvana Tenreyro, whilst the three members who voted for an increase to 1.25% were Jonathan Haskel, Catherine Mann and Michael Saunders. It was the fourth consecutive rise.

On policy the minutes commented that "…based on their updated assessment of the economic outlook, most members of the Committee judge that some degree of further tightening in monetary policy <u>may still be appropriate</u> in the coming months. There are risks on both sides of that judgement and a range of views among these members on the balance of risks. The MPC will continue to review developments in the light of incoming data and their implications for medium-term inflation". The MPC reaffirmed its preference in most circumstances to use Bank Rate as its active policy tool when adjusting the stance of monetary policy but added "…as Bank Rate is now being increased to 1%, and consistent with the MPC's previous guidance, the Committee will consider beginning the process of selling UK government bonds held in the Asset Purchase Facility".

Concerning the economy, the minutes noted that UK GDP had been estimated to have risen by 0.9% in 2022Q1 (though the ONS's first estimate was 0.8%, see below), stronger than expected in the February Monetary Policy Report. The unemployment rate had fallen to 3.8% in the three months to February and was likely to fall slightly further in coming months, consistent with a continuing tightening in the labour market and with a margin of excess demand at present. There had been, however, signs from indicators of retail spending and consumer confidence that the squeeze on real disposable incomes was starting to weigh on the household sector. The MPC expected the level of GDP would be broadly unchanged in 2022Q2. Finally, CPI inflation (YOY) had risen to 7.0% in March, around 1 percentage point higher than expected in the February Report, with the strength of inflation relative to the 2% target mainly reflecting previous large increases in global energy and tradable goods prices.

…as growth is revised down and inflation higher…

A full set of revised forecasts were provided in May's Monetary Policy Report. The forecasts showed a downward revision to growth and a further upward revision to the inflation forecast compared with February, again as expected (table 1). Specifically:

- UK GDP growth was expected to slow sharply over the first half of the forecast period. This predominantly reflected the significant adverse impact of the sharp rises in global energy and tradable goods prices on most UK households' real incomes and many UK companies' profit margins. Even though GDP growth was still expected to be 3¾% in 2022, growth for 2023 had been downgraded to minus ¼% (1¼% in February), in recession territory, and down to ¼% for 2024 (1% in February).
- Although the unemployment rate was likely to fall slightly further in the near term, it was expected to rise to 5½% in three years' time given the sharp slowdown in demand growth. Excess supply builds to 2¼% by the end of the forecast period.
- CPI inflation was expected to rise further over the remainder of the year, to just over 9% in 2022Q2 and averaging slightly over 10% (10¼%) at its peak in 2022Q4 (compared with 5¾% in February). Most of that further increase reflected higher household energy prices following the large rise in the Ofgem price cap in April and projected additional large increase in October. Further out, upward pressure on CPI inflation was expected to dissipate over time. Conditioned on the rising market-implied path for Bank Rate and the MPC's current forecasting convention for future energy prices, CPI inflation was projected to fall to a little above the 2% target in two years' time, largely reflecting the waning influence of external factors, and to 1.3% in three years, well below the target and mainly reflecting weaker domestic pressures. The risks to the inflation projection were judged to be skewed to the upside, given the risks of more persistent strength in nominal wage growth and domestic price setting than assumed.
- Underlying nominal earnings growth had risen by more than projected in the February Report and was expected to strengthen in coming months, given the further tightening of the labour market and some upward pressure from higher price inflation. The projections were higher than in February.
- The economic projections were conditioned on a market-implied path for Bank Rate that rises to around 2½% by mid-2023, before falling to 2% at the end of the forecast period. This path was appreciably higher than in February. Fiscal policy was assumed to evolve in line with announced Government policies. Wholesale energy prices were assumed to follow their respective futures curves for the first six months of the projections and remain constant beyond that, in contrast to futures curves, which were downward sloping over coming years.

Table 1 Bank of England: forecast, YOY (%), unless otherwise indicated

	2021	2022	2023	2024	2025
GDP:					
February	7¼	3¾	1¼	1	…
May	7½	3¾	-¼	¼	…
Unemployment rate (%), Q4:					
February	4	4	4½	5	…
May	4	3½	4¼	5	…
CPI inflation (YOY, %), Q4:					
February	5	5¾	2½	1¾	…
May	5	10¼	3½	1½	…
May forecasts:					
Household consumption	6¼	4¾	1	1	…
Business investment	-1	11	½	-5¼	…
Net contribution of trade (%, GDP)	-1½	-½	-1½	0	…
Household saving ratio (%)	10½	4½	4½	5¾	…
Average weekly earnings (YOY, %), Q4	4½	5¾	4¾	2¾	…

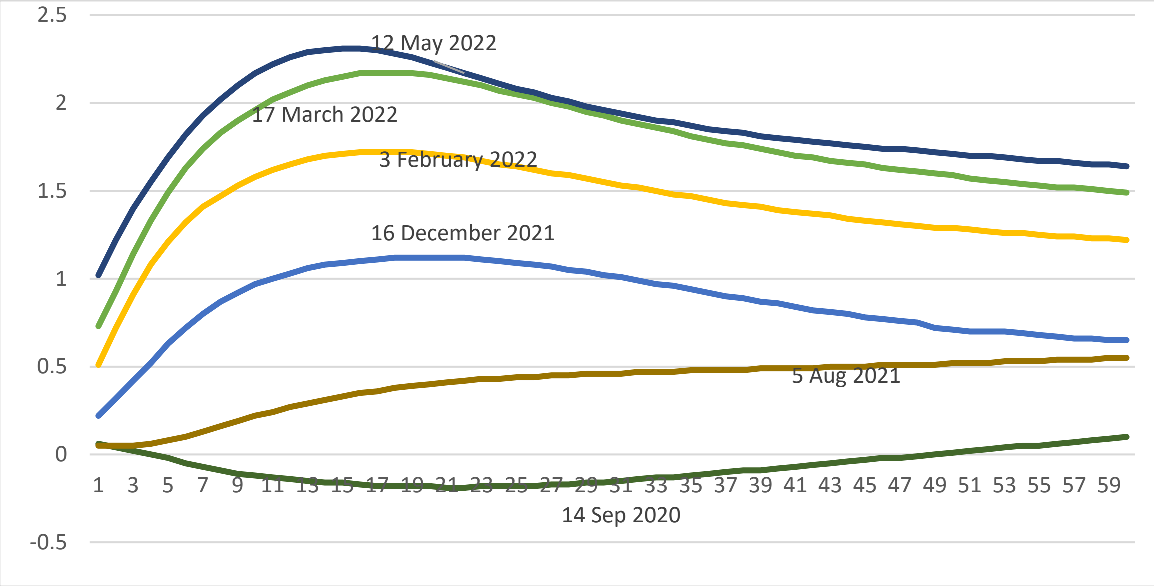
Bank Rate (%), Q2, February in brackets	…	1.0 (0.7)	2.5 (1.4)	2.4 (1.4)	2.0

Source: *Bank of England*, "Monetary Policy Report, May 2022", 5 May 2022, tables 1A and 1C.
The path for Bank Rate implied by forward market interest rates (the curves are based on overnight index swap rates).

…and more rate rises expected

As already indicated the forecasts were based on Bank Rate reaching around 2½% by mid-2023. Market expectations softened on 5 May, but they still suggest significant tightening over the next 12-18 months (chart 1).

Chart 1 UK instantaneous OIS forward curve (%), months out to 60 months (5 years), at selected dates



Source: Bank of England, yield curve data, overnight index swap (OIS) rate. Last data, 12 May 2022.

GDP growth a tad weaker than expected in 2022Q1…

There have been several data releases of interest over the past fortnight. Suffice to say, the GDP data for 2022Q1 and the month of March were probably the most significant, and they indicated a weakening picture.

Firstly, the quarterly data GDP rose by a less-than-expected 0.8% (QOQ) in 2022Q1, following a 1.3% increase in 2021Q4.[4] But it was 0.7% higher than pre-pandemic 2019Q4 and 8.7% higher (YOY).

Concerning the output breakdown there were increases in all three of the major sectors in 2022Q1. Services increased by 0.4% (QOQ), to be 1.4% higher than pre-pandemic 2019Q4. The largest contributions were from information and communication, accommodation and food, and transportation and storage industries, but there was a decline in wholesale and retail. Production output increased by 1.2% (QOQ) but it was still 1.8% below its pre-levels partially because of supply chain challenges. The rise in production output was primarily driven by a rise in manufacturing output, which grew 1.3% (QOQ) despite falls in the manufacture of basic pharmaceutical products and pharmaceutical preparations (following strong growth in 2021Q4) and in the manufacture of transport equipment (reflecting supply chain shortages, which led to temporary closures of factories in January and February 2022). Construction output rose by 3.8% in 2022Q1, to be 1.9% above pre-pandemic 2019Q4.

Concerning the expenditure components in 2022Q1, household consumption and Gross Fixed Capital Formation (GFCF) grew, and inventories increased but Government consumption (GGFC) declined and there was a large adverse movement in international trade. Specifically, household consumption increased by 0.6% (QOQ) in 2022Q1 although it was still 0.5% below pre-pandemic levels. Government consumption (GGFC) fell by 1.7% (QOQ) driven by large falls in health expenditure (this reflected reductions in coronavirus activities, following the introduction of the "Living with COVID-19 programme"). GFCF rose by 5.4% (QOQ) in 2022Q1, to be 3.4% above pre-pandemic levels, reflecting a large rise in government investment, but business investment fell by 0.5% (QOQ), remaining 9.1% below its pre-pandemic levels. Total export volumes fell 4.9% (QOQ), whilst imports rose by 9.3% (partly reflecting volatile movements in non-monetary gold (NMG)). The trade balance, therefore, deteriorated significantly, detracting from GDP growth. However, there are measurement problems. The ONS commented that there was "some additional uncertainty on the EU trade flows because of recent changes in how some of these data are collated". The trade data are further discussed below.

Turning to the monthly data for March, much was made of the "fall" in GDP of 0.1% (MOM), following zero growth in February (revised down).[5] Suffice to say, 0.1% is well within measurement error and the data will almost certainly be revised at some point and, it should be noted, March's GDP was 1.2% above the pre-pandemic February 2020 level. But, having said that, the recent data do suggest a slowdown in activity, reflecting the squeeze on households' incomes.

Concerning the major output components, both the service sector and the production sector fell by 0.2% (MOM) in March.[6-7] The fall in services output reflected a large decrease in the wholesale and retail trade and repair of motor vehicles and motorcycles industry. Within production, manufacturing also declined 0.2% (MOM), as the manufacture of basic pharmaceutical products and pharmaceutical preparations declined. But the manufacture of transport equipment grew by 3.5% following negative growth in both January and February 2022 caused by stock shortages. Finally, construction output increased by 1.7% (MOM) in March and the sector was 3.7% above its pre-coronavirus pandemic level.[8]

…whilst Markit surveys suggest some weakening in April…

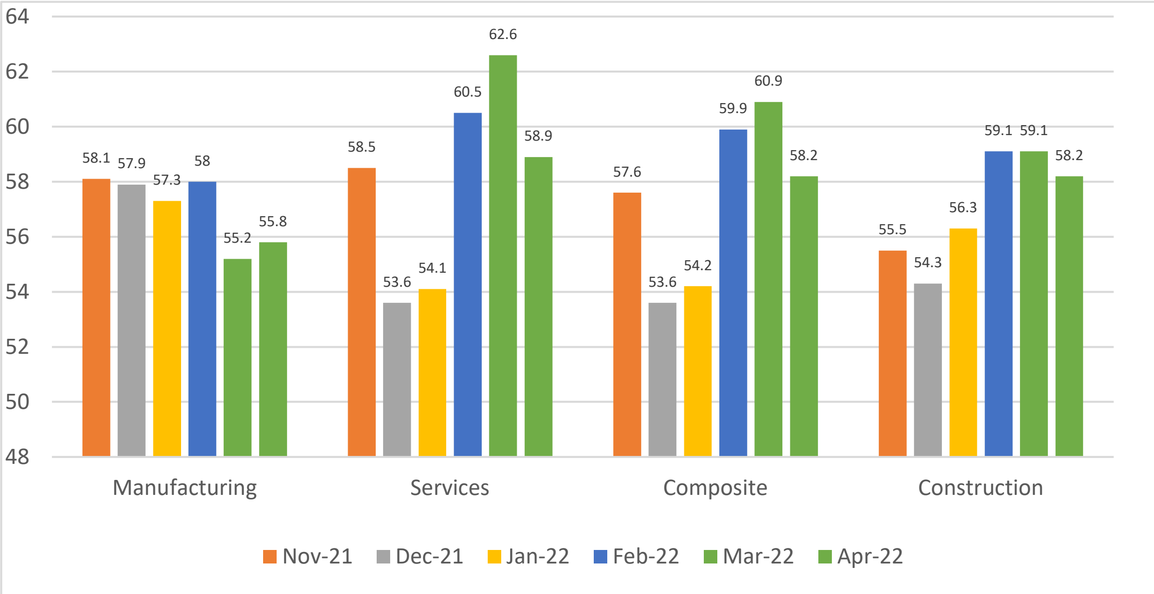
The Markit surveys provide some indication of possible growth trends and the surveys for April were weaker, on the whole, but they still suggested growth (chart 2). Services and construction activity slowed, whilst manufacturing was a tad stronger. Increasing inflationary pressures remained a concern.

The Manufacturing PMI rose to 55.8 in April, after March's 5-month low of 55.2, with production increasing across the consumer, intermediate and investment goods industries.[9] Solid rates of expansion were registered in the latter two categories, while the expansion at consumer goods producers was only marginal. Inflationary pressures continued to build at manufacturers.

The Services PMI Business Activity Index fell to 58.9 in April, after 62.6 in March, but remained firmly inside growth territory.[10] There were signs that sustained increases in the cost of doing business and the war in Ukraine combined to limit the pace of expansion at the start of 2022Q2. The seasonally adjusted UK Composite Output Index dipped to 58.2 in April, after 60.9 in March.[11] Although the rate of expansion in services activity softened at the start of 2022Q2, it remained faster than that seen for manufacturing production. (Note the Composite Output Index is a weighted average of the UK Manufacturing Output Index (not the PMI) and the UK Services Business Activity Index (PMI).)

Finally, the Construction Total Activity Index was weaker at 58.2 April, compared with 59.1 in March, amid weaker new orders.[12] Survey respondents noted that higher costs and worries about the economic outlook had started to act as a brake on demand.

Chart 2 UK Markit/CIPS PMIs, November 2021-April 2022



Sources: (i) Markit releases for manufacturing, services and construction PMIs for April 2022; (ii) previous releases for previous data.

…and the car market remains weak

The latest data from the Society of Motor Manufacturers and Traders (SMMT) confirm that the car market remains an especially weak spot in the economy. They reported that UK car manufacturing declined 32.4% (YOY) in 2022Q1, with almost 100,000 fewer units made than in the same period last year.[13] With production volumes still constrained by the ongoing global shortage of semiconductors and other components, 207,350 new cars were built during 2022Q1, down from 306,560 in pandemic-affected 2021Q1. Output in March fell by more than a third (YOY), resulting in the weakest March since the financial crisis in 2009.

Registrations in April remained weak.[14] UK new car registrations fell by 15.8% (YOY) in April, despite showrooms being open for the entire month, unlike the previous year which saw lockdown restrictions in place until 12 April 2021. Global supply chain shortages, of which semiconductors are the most notable, had continued to constrain the delivery of new vehicles. April's decline was driven primarily by a 33.3% (YOY) decrease in large fleet registrations, with manufacturers continuing to prioritise private consumers given robust demand.

Bank data suggested a fairly buoyant housing market…

The Bank of England March data on lending to individuals/households suggested a fairly buoyant housing market.[15] They reported that individuals had borrowed £7.0bn of mortgage debt (net) in March, after February's £4.6bn, comfortably above the pre-pandemic average of £4.3bn in the 12 months up to February 2020. They also reported that approvals for house purchases, an indicator of future borrowing, were little changed at 70,700 in March, remaining above the 12-month pre-pandemic average up to February 2020 of 66,700.

Concerning other money and credit data, the Bank reported that, overall, individuals borrowed an additional £1.3bn of consumer credit in March, after £1.6bn in February, and this was still higher than the 12-month pre-pandemic average up to February 2020 of £1.0bn. The additional borrowing in March of consumer credit was split between £0.8bn on credit cards, and £0.5bn through other forms of consumer credit (such as car dealership finance and personal loans). The annual growth rate for all consumer credit increased to 5.2% in March from 4.5% in February; the highest rate since February 2020. The annual growth rates of credit card borrowing and other forms of consumer credit were 10.6% and 3.0% respectively.

The Bank also reported that sterling money (known as M4ex, excluding Intermediate Other Financial Corporations (IOFCs)) increased by £22.6bn in March after a £6.1bn increase in February. Households' holdings of money continued rising with net flows of £4.6bn (£4.1bn in February) and Private non-financial companies' (PNFCs') holdings rose by £4.5bn (£3.3bn in February). Non-Intermediate OFCs increased their holdings by £13.4bn (after a £1.3bn fall in February). The M4 growth rate was 5.5% (YOY) in March, up from 5.0% (YOY) in February.

…and house prices were still firm in April

Both the Nationwide and Halifax released fairly firm reports for April's house prices recently.

Firstly, the Nationwide announced that, even though annual price growth showed in April, it remained in double figures.[16] Prices rose by 0.3% (MOM) to be 12.1% higher YOY (14.3% YOY in March). This was the 11th time in the past 12 months that the annual growth rate has been in double digits.

Nationwide commented "…housing market activity has remained solid with mortgage approvals continuing to run above pre-Covid levels. Demand is being supported by robust labour market conditions, where employment growth has remained strong, and the unemployment rate has fallen back to pre-pandemic lows. With the stock of homes on the market still low, this has translated into continued upward pressure on house prices. Nevertheless, it is surprising that conditions have remained so buoyant, given mounting pressure on household budgets which has severely dented consumer confidence. Indeed, consumers' expectations of their own personal finances over the next twelve months has dropped to levels last seen during the depths of the global financial crisis more than a decade ago. Moreover, housing affordability has deteriorated because house price growth has been outstripping income growth by a wide margin over the past two years, while more recently borrowing costs have increased (though they remain low by historic standards)". Unsurprisingly they expect some slowdown in the market, going forward, commenting "…we continue to expect the housing market to slow in the quarters ahead. The squeeze on household incomes is set to intensify with inflation expected to rise further, perhaps reaching double digits in the quarters ahead if global energy prices remain high. Moreover, assuming that labour market conditions remain strong, the Bank of England is likely to raise interest rates further, which will also exert a drag on the market if this feeds through to mortgage rates."

Secondly, the Halifax reported that prices rose by 1.1% (MOM) in April, to be 10.8% higher YOY (11.1% YOY in March).[17] Their general comments echoed those of the Nationwide, saying "…housing transactions and mortgage approvals remain above pre-pandemic levels and the continued growth in new buyer enquiries suggests activity will remain heightened in the short-term. The imbalance between supply and demand persists, with an insufficient number of new properties coming onto the market to meet the needs of prospective buyers and strong competition to secure properties driving up prices". And, on the outlook, "…the headwinds facing the wider economy cannot be ignored. The house price to income ratio is already at its highest ever level, and with interest rates on the rise and inflation further squeezing household budgets, it remains likely that the rate of house price growth will slow by the end of this year."

The trade balance deteriorated in 2022Q1

Reference to the poorer trade data in 2022Q1 has already been made (see GDP above). For the record, the total trade (goods & services, including precious metals) balance deteriorated to show a deficit of £32.5bn in 2022Q1, compared with a deficit of £6.1bn in 2021Q4, a substantial worsening of £26.4bn (table 2).[18] Within the total:

- The visible (goods) deficit widened to £69.6bn (from £38.5bn in 2021Q4), as exports fell by 5.5% whilst imports rose by 20.6% (QOQ). Both the EU balance and the non-EU balance deteriorated between 2021Q4 and 2022Q1. The deficit with the EU widened to £30.6bn (from £15.4bn), whilst the deficit with non-EU countries widened to £38.9bn (from £23.1bn).
- The services surplus improved to £37.0bn (from £32.4bn). Exports fell 0.9%, whilst imports slipped by 11.1% (QOQ).

Concerning trends, the ONS noted that "…the UK leaving the EU and the subsequent transition period, along with the impact of the coronavirus pandemic, global recession and supply chain disruption, have caused higher levels of volatility in trade statistics in the past two years. It continues to be difficult to assess the extent to which trade movements reflect short-term trade disruption or longer-term supply chain adjustments".

The "noise" in the data has also been exacerbated recently by methodological changes. The ONS reported that "…in January 2022, there were changes to the way HMRC collect data for both imports from and exports to the EU; because of these changes caution should be taken when interpreting these latest monthly estimates". They went on to explain:[19]

- As of January 2022, imports from the EU to GB are now being collected using custom declarations (as with UK imports from the rest of the world) rather than captured by the Intrastat survey. As a result, the ONS's EU to GB import statistics from January 2022 are not directly comparable with previous months.
- Concerning exports to the EU, a recent operational change implemented by HMRC has amended the assumed departure period of goods exports from 5 to 15 days. An automated departure will now be triggered if a trader does not submit a departure notification within 15 days (previously five days) of pre-lodging the export with HMRC. There were 10 fewer days of EU exports data (where there is an assumed departure date) recorded in January 2022 because of this change, resulting in a break in the timeseries for UK exports to the EU. Future months will not be affected as the equivalent number of days moving into the month will also be moved out. Of the £3.0bn (20.7%) decrease in exports (excluding precious metals) to EU countries, HMRC analysis estimates that approximately £2bn is attributed to this change. It is not possible to break down affects to country or commodity level data and therefore caution should be taken when interpreting exports to the EU for periods that include January 2022 data.

In addition, the ONS pointed to a major swing in trade in precious metals (including non-monetary gold (NMG)), which exacerbated the deterioration in the goods data in 2022Q1(table 2). Specifically, there was a £7.4bn deficit in 2022Q1, compared with a surplus of £4.1bn in 2021Q3, a worsening of £11.5bn, which explained a good part of the overall worsening of the goods balance. Most of the trade in precious metals related to non-EU countries.

Table 2 Trade (goods and services) in 2022Q1, balances (£bn), exports and imports (% change)

	Quarterly balances (£bn)			Exports and imports (2022Q41 QOQ, %)	
	2021Q4	2022Q1	Change	Exports	Imports
Total balances:					
Goods (total): of which EU/non-EU:	-38.5	-69.6	-31.1	-5.5	+20.6
• EU	-15.4	-30.6	-15.2	…	…
• Non-EU	-23.1	-38.9	-15.8	…	…
Services	32.4	37.0	+4.6	-0.9	-11.1
Goods and services	-6.1	-32.5	-26.4	…	…
Precious metals, of which:	+4.1	-7.4	-11.5	…	…
• EU	0.6	-0.5	-1.1	…	…
• Non-EU	3.5	-6.9	-10.4	…	…
"Underlying" balances:					
Goods (excluding precious metals)	-42.6	-62.2	-19.6	…	…
Goods and services	-10.3	-25.2	-14.9	…	…

Source: *ONS*, "UK trade: March", 12 May 2022. There are rounding errors in the table.

The Queen's Speech

The Queen's Speech, outlining the Government's proposed policies and legislation for the coming parliamentary session, was given on 10 May.[20] The Speech highlighted 38 bills, some of which were carried over from the previous session of Parliament, which ended in April 2022. Prince Charles, giving the Speech on behalf of the Queen, said the government's priority "…is to grow and strengthen the economy and help ease the cost of living for families". Selected Bills are outlined in annex table 1.

The Fed raises Fed Funds to 0.75-1.0%

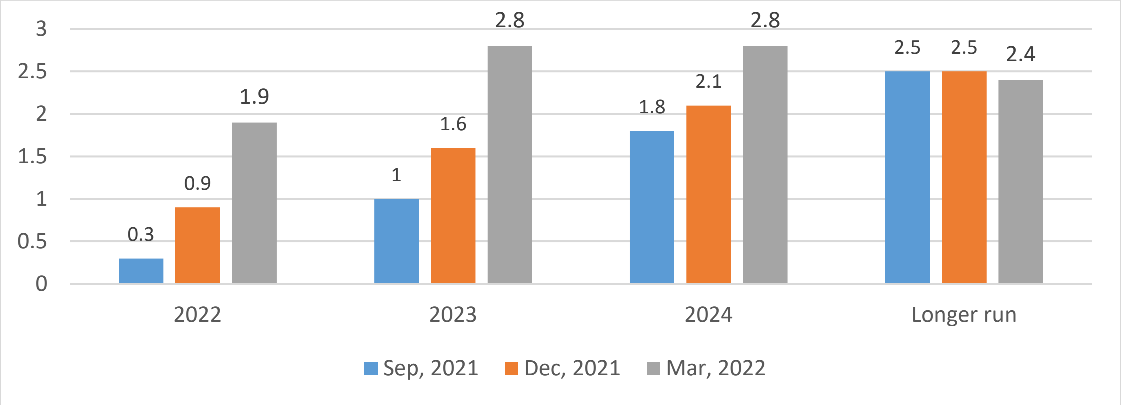
As expected, the Fed tightened monetary policy at its recent May FOMC meeting (announcement 4 May). The FOMC's statement included the following main points:[21]

- The Committee seeks to achieve maximum employment and inflation at the rate of 2% over the longer run. With appropriate firming in the stance of monetary policy, the Committee expected inflation to return to its 2% objective and the labour market to remain strong.
- The Committee decided to raise the target range for the federal funds rate to 0.75%-1.0% and "anticipates that ongoing increases in the target range will be appropriate".
- In addition, the Committee decided to begin reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities on 1 June 2022.

On the economy, the statement noted that "…although overall economic activity edged down in the first quarter, household spending and business fixed investment remained strong. Job gains have been robust in recent months, and the unemployment rate has declined substantially. Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher energy prices, and broader price pressures". GDP fell by 1.4% (QOQ, annualised) in 2022Q1, with the (modest) contraction reflecting a surge in imports combined with falling exports.[22] CPI inflation in the US registered 8.3% (YOY) in April, compared with expectations of 8.1%, albeit lower than March's 8.5%.[23]

Concerning interest rate expectations, the Fed at the March meeting (announcement 16 March 2022) increased the projected appropriate policy path for the federal funds rate substantially.[24] The appropriate rate was assessed to be 1.9% by end-2022 in March (0.9% in December), 2.8% by end-2023 (1.6% in December) and 2.8% by end-2024 (2.1% in December), see chart 3. In March 2021 the appropriate federal funds rate was projected to remain at 0.1% until end-2023.

Chart 3 FOMC: appropriate Federal funds rate (%, end-year), September, December 2021, March 2022



Source: *FOMC*, "FOMC projections materials: the summary of economic projections (SEP)", 16 March 2022, and previous, median estimates. These are the economic projections of Federal Reserve Board members & Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy.

My retirement

Finally, this Perspective will be my last as I shall be retiring as Economic Adviser to the Arbuthnot Banking Group on 25 May 2022, after 15 fascinating and fulfilling years at the bank. My records show that my first Perspective was dated November 2007, when Gordon Brown was Prime Minister. The financial crisis followed, symbolised by the collapse of Lehman Brothers in September 2008, leading to a severe recession, GDP fell by over 4% in 2009, and a significant deterioration in the public finances. The Coalition Government was formed in May 2010 during which Chancellor George Osborne sensibly sought to stabilise the public finances, as the British economy recovered. During this time the Eurozone crisis threatened to undermine the EU's single currency.

Prime Minister David Cameron won an overall majority and established a Conservative Government in May 2015, having already promised a referendum on EU membership. Suffice to say, the British electorate (arguably surprisingly) voted to leave the EU in the referendum of June 2016. Theresa May took over as Prime Minister after the referendum and negotiated a withdrawal agreement which was comprehensively voted down by the House of Commons in 2019. She was replaced by Boris Johnson in July 2019, who called a General Election in December 2019, bolstering his position and delivering Brexit on January 2020.

The first lockdown in response to the coronavirus pandemic was imposed in March 2020 and restrictions of varying degrees of stringency continued until February 2022 (in England). British GDP fell by over 9% in 2020 and the National Audit Office (NAO) estimated that the Government's measures in response to the pandemic summed to £370bn, with major implications for the public finances.[25] As economies globally opened after pandemic-related restrictions, energy prices, in particular, picked up strongly, triggering inflationary concerns. These inflationary concerns were exacerbated by Russia's invasion of Ukraine in February 2022 and the knock-on effects on energy prices. And, as articulated by the MPC, we are now faced with rising inflation, squeezed real incomes and stagnant, if not falling, output. Extraordinary times, indeed.

References

1. *Bank of England*, “Monetary policy summary and minutes of the MPC meeting ending 4 May 2022”, 5 May 2022.
2. Ruth Lea, “MPC expected to increase Bank Rate to 1.0% in May despite recessionary concerns over tighter policy”, *Arbuthnot Banking Group*, 3 May 2022.
3. *Bank of England*, “Monetary Policy Report, May 2022”, 5 May 2022.
4. *ONS*, “GDP first quarterly estimate, UK, 2022Q1”, 12 May 2022.
5. *ONS*, “GDP monthly estimate: March 2022”, 12 May 2022.
6. *ONS*, “Index of Services, UK: March 2022”, 12 May 2022.
7. *ONS*, “Index of Production, UK: March 2022”, 12 May 2022.
8. *ONS*, “Construction output in GB: March 2021”, 12 May 2022.
9. *Markit, UK manufacturing PMI*, “Manufacturing growth picks up despite rising price inflationary pressures”, 3 May 2022.
10. *Markit, UK services PMI*, “New order growth slows amid record cost pressures”, 5 May 2022.
11. *Markit, UK composite PMI*, “New order growth at four-month low amid record cost pressures”, 5 May 2022.
12. *Markit, UK construction PMI*, “Slowest new order growth so far in 2022 as rising costs and economic uncertainty hit demand”, 6 May 2022.
13. *SMMT*, “Global supply challenges wipe 100,000 cars from UK automotive output in first quarter”, 28 April 2022.
14. *SMMT*, “April new car market declines 15.8% as supply constraints see 2022 outlook downgraded”, 5 May 2022.
15. *Bank of England*, “Money and Credit: March 2022”, 4 May 2022.
16. *Nationwide*, “House price growth slows in April but remains in double digits”, 29 April 2022.
17. *Halifax,* “UK house prices increase sharply again – but growth still expected to slow this year”, 6 May 2022.
18. *ONS*, “UK trade: March 2022”, 12 May 2022.
19. Ruth Lea, “CPI inflation hit 7.0% in March - and higher inflation to come, *Arbuthnot Banking Group,* 19 April 2022, explained these changes.
20. *BBC*, “Queen’s Speech 2022: key points at-a-glance”, 10 May 2022.
21. *Federal Reserve*, “Federal Reserve issues FOMC statement”, 4 May 2022.
22. *BBC*, “US economy contracts as Ukraine war hits trade”, 28 April 2022.
23. *CNBC*, “Inflation barrelled ahead at 8.3% in April from a year ago, remaining near 40-year highs”, 11 May 2022.
24. *Federal Reserve*, “Federal Reserve issues FOMC statement”, 16 March 2022.
25. *NAO,* “Covid-19 cost tracker”, last updated 22 September 2021.

Annex

Table 1 Queen's Speech

	Proposed Bills (selected)
Levelling up and infrastructure	A Levelling up and Regeneration Bill will give councils new planning powers, including to force landlords in England to let out empty shops to rejuvenate high streets.
	A new state-run agency to regulate railway services across the UK, Great British Railways, will be established by a Transport Bill.
	Changes to business rates, the property tax paid by companies, will be introduced via a Non-Domestic Rating Bill.
	There will be new legislation to set up the UK Infrastructure Bank, a body designed to increase financing of infrastructure projects
	New powers to build and operate the next stage of the HS2 high-speed rail line are contained in the High Speed Rail (Crewe-Manchester) Bill.
Digital and media	The Electronic Trade Documents Bill will enable greater digitisation of trade-related paperwork.
	The Telecommunications Infrastructure Bill will extend 5G mobile coverage and introduce new safety standards for digital devices.
Security and justice	A Public Order Bill will introduce new police powers over disruptive protests, which were blocked by the House of Lords earlier this year.
Brexit and the constitution	A Brexit Freedoms Bill will give ministers new powers to overhaul EU laws they copied over after the UK left the EU.
Education and schools	A new Schools Bill will give the schools regulator powers to crack down on unregistered schools in England and introduce attendance registers.
	The Higher Education Bill will deliver a pledge to make loans available to students at any stage in their lives.
Climate, Environment and Energy	An Energy Security Bill will contain new powers aimed at boosting renewable energy and promote a market in electric heat pumps.
Finance and regulation	An Economic Crime and Corporate Transparency Bill will beef up the investigatory powers of Companies House and aim to increase corporate transparency.
	The Procurement Bill will replace EU rules on how the government buys services from the private sector.
	The government will aim to increase completion among auditors and improve financial reporting in a draft Audit Reform Bill.
	A Financial Services and Markets Bill will aim to simplify EU rules governing the sector.
Housing	A Social Housing Regulation Bill will increase regulation of the social housing sector and give tenants new rights to information.
What else was in the speech?	A Trade (Australia and New Zealand) Bill will create powers to implement trade deals with those two countries

Source: *BBC*, "Queen's Speech 2022: key points at-a-glance", 10 May 2022.