Market Overview

Update

30 June 2020

- **Currencies**
- **UK GDP figures**
- **Irish Economy**

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Currencies:

GBP remains under pressure with EURGBP finding a footing above 91p. Concerns over the coronavirus spread has further eroded confidence in the pound. The British government on Monday imposed a lockdown on the city of Leicester, which has a much higher COVID-19 infection rate than anywhere else in the country, in its first major attempt to curb an outbreak with local rather than national measures. Health Secretary Matt Hancock said the seven-day infection rate in Leicester was 135 cases per 100,000 people, three times higher than the next highest city, and that Leicester accounted for 10% of all positive cases in the country in the past week.

UK GDP figures:

UK GDP figures this morning showed output having fallen by 2.2% QoQ in Q1. In the scale of the overall fall, this was a relatively modest revision from the drop of 2.0% previously estimated. The fall in output came amidst the largest quarterly nominal fall in UK household spending ever recorded, as outlays were severely restrained by spending at the end of the period as lockdown came into force. However the household saving ratio leapt to 8.6% from Q4's 6.6%, showing the cash buffer households had built up, setting the scene for a recovery in spending in the subsequent period after lockdown, some of which we now appear to be seeing. As we know from the monthly output figures, the backdrop deteriorated further in April with a more than 20% monthly drop in GDP that month, but indicators continue to suggest April marked the low; we await further official monthly GDP data for confirmation of this.

Irish Economy:

Unemployment dropped by 6% this week. Yesterday marked the beginning of Phase 3 in the government's accelerated Roadmap for the Reopening of Society and Business and is the point at which many service sector businesses were able to reopen. As this stage commenced, the Department of Employment Affairs and Social Protection yesterday reported that 439,000 people received the Pandemic Unemployment Payment (PUP) this week, a 26,900/5.8% decrease from the previous week and a 27% reduction from the peak in early May. A further 25,700 have closed their payment claims and will not be included in next week's payment run. Leading the reduction over the past two months has been the Construction sector which has seen the number of PUP claimants fall by 52% to 35,600 since late May when the sector was allowed to resume operations, although the pace of reduction slowed to 2,900 in the past week. At the other end of the spectrum, 110,700 former employees in the Accommodation and Food Service sector remain unemployed, a reduction of just 11% since 26 May.

Following next week's reduction in PUP claimants, the COVID-19-related unemployment rate will fall to c.17% and further reductions can be expected in the coming weeks as more businesses reopen. Notwithstanding this improvement, one-third of the labour force will remain on either the PUP scheme or the Temporary Wage Subsidy Scheme (405,000 at present).

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