

MARKET REPORT - June 2020



Cattle Update

- Following an almost remarkably stable first quarter of the year (Q1) when prime cattle had averaged 346-348p/kg at reporting Scottish abattoirs, Q2 has been characterised by considerable volatility. As April began, there was a 1% increase, driven by a surge in O grade prices. However, the market quickly reversed, sliding 4% over the next three weeks, to leave prices, at 336.5p/kg, marginally below their lowest level of 2019.
- After a brief period of stability, the market turned again in the second week of May. Over the next five weeks, strong competition led to a surge in the prime cattle average. It climbed 12% in five weeks, reaching 376.8p/kg in the week ending June 13.
- Having pushed slightly in front of 2019 levels in late March and early April, prime cattle prices quickly fell well behind year earlier levels, reaching a peak decline of -7.3% in the week to May 9th. However, by the end of May, prices had edged above last year's levels, and the lead had extended to 6.7% by the second week of June.
- Although remaining well below their 2013 high, prices closed in on June levels from 2017 and 2018 and pushed 4.5% above their five-year average.
- A 2.1% increase for R4L steers in the second week of June was a fifth at 1.4-3%, taking the price up 11.8% over this period. Over four weeks, prices were up 10.3%; over eight weeks, by 10.9%. While the former was a new record, the latter was only a fraction short of the previous record, set in the eight weeks to early July 2015.
- At Scottish auctions, prices had fallen in the second half of April, having initially shown limited movement after the introduction of containment measures in March. Like deadweight prices, auction values quickly recovered through May and into June, but then decoupled. Indeed, having risen 7.1% over four weeks and reached 211p/kg in the opening week of June, the market was relatively steady for two weeks.
- The average steer carcase price rebounded in May after falling to a four-month low in April, increasing by £15 (1.2%) to £1,337. However, this was a year-on-year fall of £80.80 (5.7%) due to reductions of 4.1% in per kilo price (347.4p/kg) and 1.7% in carcase weight (385kg).
- In England & Wales, prices had trended higher through Q1, narrowing the Scottish premium from 6.2% to 4.2%. However, the April downturn was more significant south of the border and the gap widened again to end the month at 6.3%. An initially sharper E&W recovery saw this narrow back to 5.5% for three weeks, before a faster Scottish upturn resulted in a 7% gap in the second week of June. Throughout 2020, the Scottish premium has exceeded 2019 levels, averaging 1.2 points higher.
- The R4L steer price premium for Scotland over E&W trended lower through Q1, slipping to average 5.4p (1.6%) in March. After rebounding to 11p (3.3%) in April, it firmed to 12.9p (3.8%) in May before climbing to 18.2p (5.1%) in the first half of June.
- At Scottish abattoirs, -U4L steers traded 2.4p cheaper on average than R4L steers between mid-May and mid-June. By contrats, -U4L heifers averaged 2.9p higher.
- The market for cull cows rebalanced more severely due to covid-19 containment measures than the prime beef market, before experiencing a steeper recovery. This

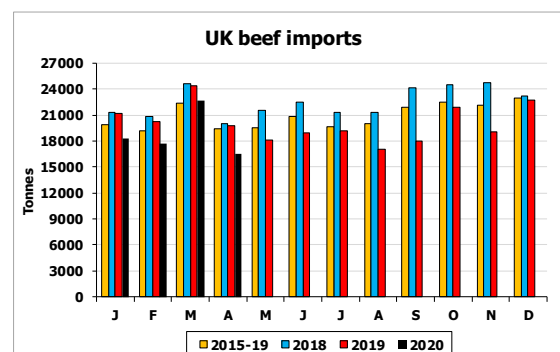
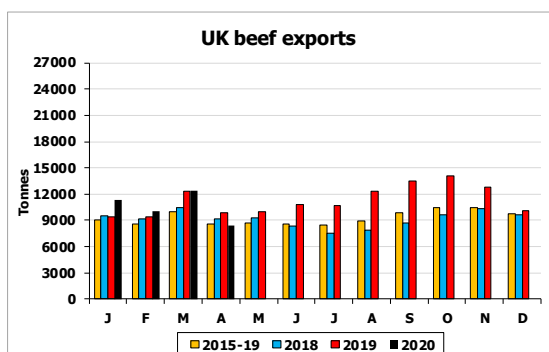
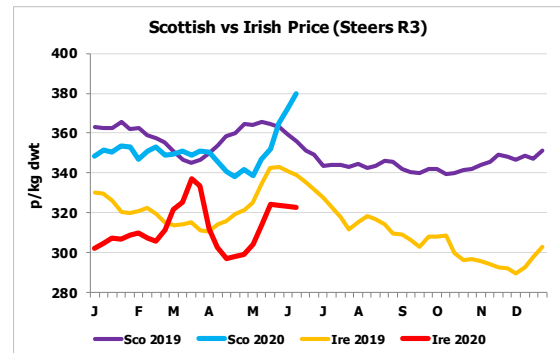
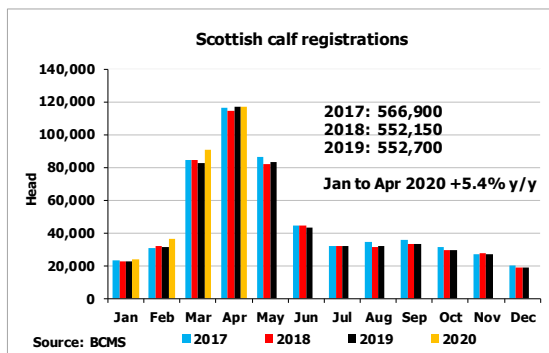
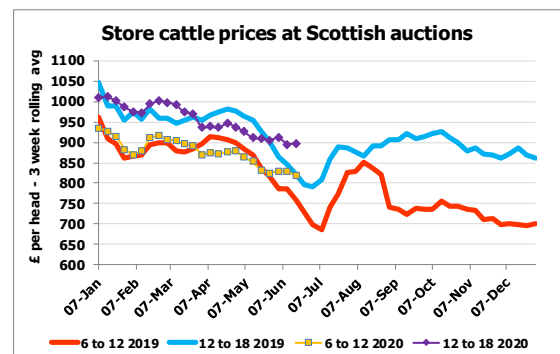
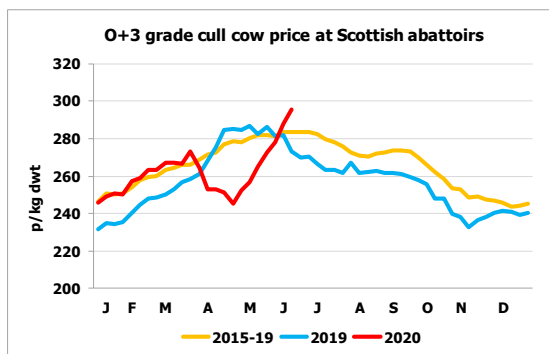
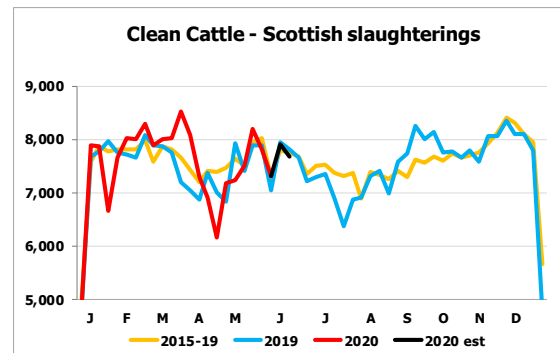
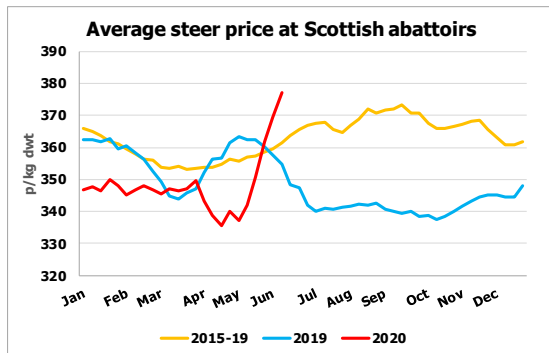
may well reflect greater sensitivity to foodservice markets such as Quick Service Restaurants and catering for large events both in the UK and on the continent. Nevertheless, by June, this market was stronger than in 2019 despite foodservice demand remaining muted, suggesting a strong link to retail demand.

- O+3 grade cow prices had been increasing seasonally until the third week of March, reaching 273.1p/kg, but then plummeted 10% over the next five weeks to a low of 245.5p/kg. Seven weeks later, prices had surged by a fifth to reach 295.4p/kg. At their low, prices had trailed year earlier levels by 14%, but in mid-June were up 8.1% on 2019. In Q1, prices had been running 6% higher than 2019.
- Scottish abattoirs handled 1.1% more prime cattle in the first five months of 2020 than they had in the same period of 2019. There was a 2.6% increase in Q1, with numbers then down 0.9% through April and May (April -3.4%; May +1.9%). Prime beef production was only up marginally in the first five months however, as increased throughput was nearly offset by lighter weights. Slaughter numbers have held up well despite distancing rules in abattoirs and population data signalling tight supply on farm.
- Mature cattle slaughter fell 10.9% from 2019 at Scottish abattoirs in the first five months of 2020, continuing a trend seen in 2018 and 2019.
- In the first five months of 2020, price reporting abattoirs accounted for 90.2% of the prime kill. In the four weeks to mid-June, these plants processed 0.6% more prime cattle than a year earlier. However, the weekly average for the period did drop 0.5% below Q1 levels, having exceeded it by 1.9% in the same period of 2019.
- In E&W, Defra figures indicate a sharp year-on-year reduction in prime slaughter in May of 12.5%, on the back of April's 2.5% fall. Price reporting abattoir data however points to some recovery in the first half of June, with numbers returning back above their year-to-date weekly average and exceeding 2019 by 5.9%.
- UK beef production is estimated to have fallen by 8.2% year-on-year through April and May. Having been running above last year's levels by 3.5% at the end of Q1, this meant that production was down 1.1% in the first five months.
- HMRC trade data shows a continuing decline in UK beef imports relative to year earlier levels in April. Volumes contracted by 16.7% and in the first third of the year, trailed 2019 levels by 12.3% and their five-year average by 7.2%.
- UK exports appear to show more of an impact from Covid-19 containment measures with April deliveries sliding by 15.5% on the year having risen each month in the first quarter. Volumes fell by nearly a third from March, having fallen by 14.4% on average between the two months over the previous five years.
- AHDB's weekly retail beef sales tracker signalled a sharp uplift in GB households' demand for beef in May, with spending exceeding year earlier levels by around 33% and volume by 30% in the four weeks to May 24th. However, spending growth dipped below 20% at the end of May before sliding towards 15% in the second week of June. Spending on burgers is thought to have risen twice as fast.
- Similar to Scotland, prime cattle prices fell significantly in the Irish Republic between mid-March and late April before recovering in May. Indeed, R3 grade steers were nearly 8% below their mid-February to mid-March average by the week ending April 26, selling at €3.40/kg (298p/kg). Four weeks of recovery then saw them regain 6.5%.

However, they have since diverged from Scottish prices, steadying for three weeks at around €3.62/kg (323p/kg).

- During the May recovery, a weakening sterling saw the Scottish premium over Ireland for R3 steers narrow from around 14% to a low of 8.5% in the week ending May 24. A stable currency combined with continuing Scottish recovery and Irish stability have seen this gap more than double to a 2020-to-date high in mid-June. The Scottish premium has averaged around 12.5% in 2020.
- Having fallen 8% behind 2019 levels in late April, Irish prices began to narrow this deficit in May. However, it only fell slowly given that prices had also been on a seasonal upturn in 2019. However, the seasonal peak had been reached in late May in 2019, meaning that stability into June has seen this gap erode further, down to 5.1%.
- Between mid-April and mid-May, weekly prime slaughter at Irish abattoirs had settled at around a quarter below Q1 2020 levels. In 2019, the seasonal decline had been closer to 15%, resulting in year-on-year reductions of 10-15%. However, slaughter began to pick up again in the second half of May before accelerating into June, with a 13% increase in the second week of the month taking it to its highest since the third week of March and nearly a third above mid-April to mid-May levels. Throughput posted a second week of year-on-year growth, accelerating to 5.5%
- EU countries have seen variation in beef market performance since March. For example, in May, beef was an average of 4.3% cheaper than a year earlier, but France and Germany reported slightly below average declines, whereas Czechia, Lithuania, Poland reported falls of 10% and the Netherlands 16%. In the second week of June, the EU average for R3 grade young bulls had risen 2.8% from its early May low but still trailed mid-March levels by 3.4%, and year earlier levels by 5.2%, averaging €3.50/kg (312p/kg). O3 grade cows had recovered by 6.5% from their low but were still 3.8% short of mid-March levels and trailed 2019 by 11.5% at €2.73/kg (244p/kg).
- In the USA, slaughter recovered strongly through May, after significant disruption in April from plant closures due to Covid-19 outbreaks amongst workers. By the second week of June, throughput had returned to within 2% of year earlier levels. However, with a backlog of slaughter-ready cattle on feedlots to work through, and the subsequent increase in carcase weights pushing production volumes back in front of 2019 levels, farmgate prices have fallen sharply again. Wholesale prices have continued to rebalance, dropping another fifth in the second week of June, though they were still up 8-9% on 2019.
- Store cattle marketings continued to fall seasonally at Scottish auctions in May, ending the month at their lowest levels of the year. The first half of June saw numbers edge up but remain at a seasonally low level. Prices have trended slightly lower since the beginning of May, but much less significantly than they had in 2019, turning consistent year-on-year declines of 2-4% at the spring peak into year-on-year increases of 2-3% in some weeks but as high as 10-12% in others. In the second week of June, 6-12-month steers had slipped to £783 while 12-18-month steers cleared at £894, leaving them around 15% and 10% below their respective February peaks.
- At £829 in May the average 6-12-month store steer was 62% of the finished steer carcase price at Scottish abattoirs (£1,337), while 12-18 month steers averaged 67.9% of this, clearing at £908. While the younger group averaged 4.7% cheaper than in April and the older group by 2.3%, store prices exceeded year earlier levels after a two-month hiatus, up 2.3% and 1.3% respectively.

Cattle Charts



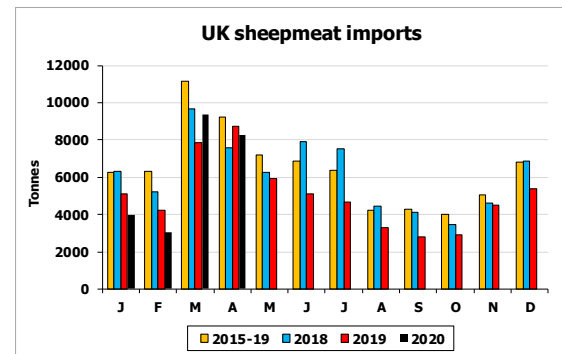
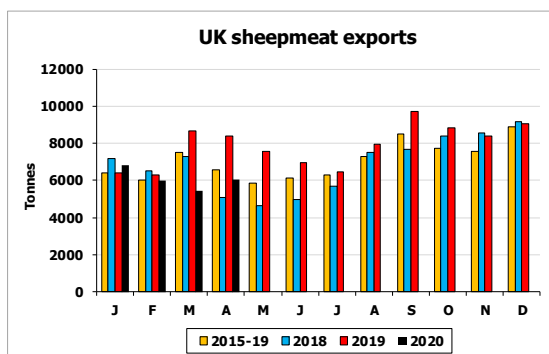
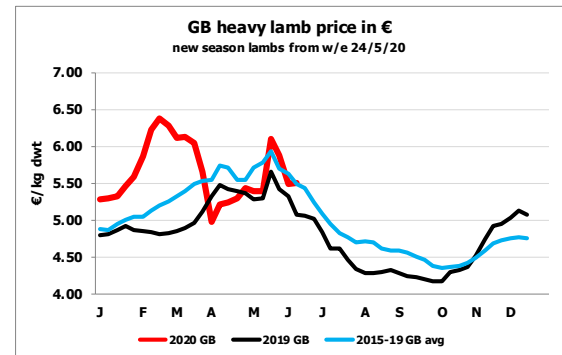
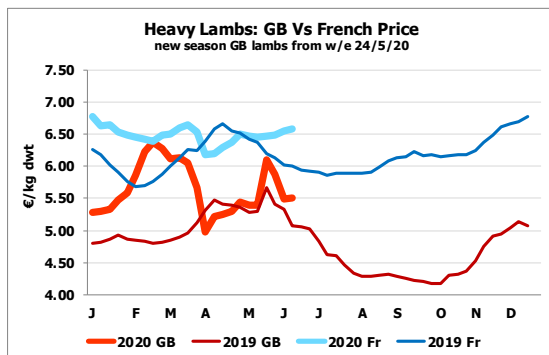
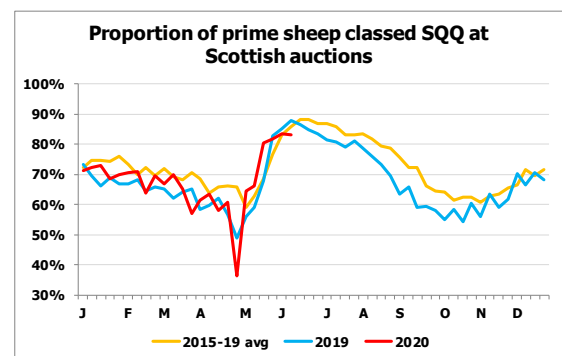
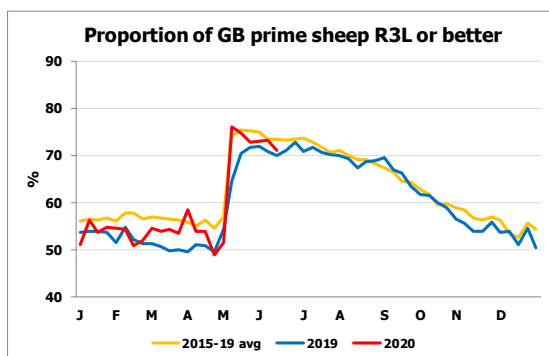
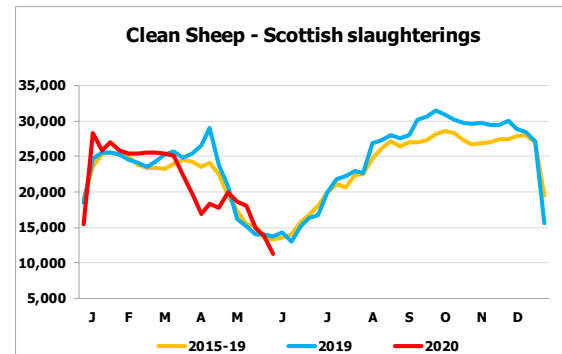
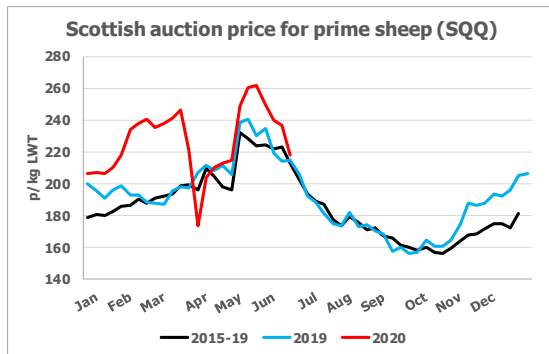
Sheep Update

- After the initial volatility of late March and early April after Covid-19 control measures were implemented across the UK and the EU, the sheep market has been performing well for more than two months. Indeed, prices for old season lambs, new season lambs and cull ewes have spent most of the time between Easter and the third week of June exceeding year earlier levels by roughly 5-10%.
- After Easter, the prime sheep market settled down. At auction sales, Scottish prices rose above those in England & Wales, having fallen more severely in late March and then taken longer to recover, while the farm assured premium eased back, having peaked at 13% - around three times its year-to-date average.
- For old season lambs, auction prices averaged around 215p/kg after Easter, and this continued for much of May, averaging 210-215p/kg until the end of Ramadan on May 23. Between mid-April and mid-May, prices averaged around 3% above 2019 levels.
- In the month since Ramadan ended, old season lamb values have fallen seasonally, dropping by an average of 8% a week to sell at 152p/kg in the week to June 17th; though prices have varied significantly between sales. Compared to 2019, prices have been averaging around 8% higher between mid-May and mid-June.
- Numbers of old season lambs have also reduced seasonally, effectively halving each week at Scottish auctions since the end of Ramadan. Compared to a year earlier, numbers fell by around 12% in the four weeks to June 17th, having been around 30% higher in the two weeks before the end of Ramadan.
- Moving on to new season lambs, the week to June 17th was the first to see a dip in numbers at Scottish auctions, reducing by 2% on the week. Prior to this, weekly increases had been slowing from around two-thirds in mid-May to 30% in early June.
- Having accounted for less than one-sixth of prime sheep marketings in the week before the end of Ramadan, four weeks later, new season lambs made up 86.6% of the Scottish total. Across GB, new season lambs increased their share from 48.4% to 95.1% over the same period.
- New season numbers have continued to exceed year earlier levels by around one-fifth at Scottish and GB auction sales between mid-May and mid-June. In the four weeks to June 17th, Scottish numbers were up 21% and GB marketings by 19.1%.
- Total prime sheep marketings at GB sales exceeded 2019 levels by 16% in the four weeks to June 17th, with hogg sales rising much more slowly (2.4%).
- At Scottish sales, the proportion of lambs weighing within the 25.5-45.5kg SQQ range opened the season exceeding year earlier levels. During the four weeks to May 27, 69.2% were inside this range, compared to 61.7% in the same period of 2019. However, while rising seasonally, this proportion fell back behind 2019 levels in the next three weeks, coming in at 82.7% compared to 85.9% last year.
- Before the end of Ramadan, Scottish auctions saw a wide variation in selling prices for 2020-born lambs, with an overall average of 249p/kg in the first week of May, followed by two weeks above 260p/kg. In 2019, prices had traded at 240-245p/kg in the first half of May before cooling to 230-235p/kg in the second half of the month, meaning year-on-year increases of around 4%, 8% and 14% in the first three weeks of May.

- After Ramadan ended, demand dropped back in late May, lowering prices towards the 240p/kg mark. Between May 26th and June 9th, prices averaged between 236p/kg and 244p/kg at Scottish sales. Despite a slight reduction in marketings across GB, prices softened to find a new balance of around 215-220p/kg between June 10th and 18th.
- In 2019, prices had cooled towards 215p/kg in the first half of June, resulting in a year-on-year increase of around 10% for a fortnight. However, the mid-June dip saw this gap eroded, easing to just 1.3% in the week ending June 17th.
- Last year, seasonality had seen prices soften towards £2/kg at the end of June. In July, weekly falls averaged 7-8p, and the market ended the month at around 175p/kg.
- Having traded at a discount of 1-2% before the end of Ramadan, new season lamb prices averaged around 1-2% higher than those in England & Wales during the four weeks to June 17. By contrast, hogg prices have switched from premium to discount.
- In the week to June 20th, assured lambs sold for a 3.3% higher average price than was paid for non-assured lambs at Scottish sales. Since the beginning of May, the premium has ranged from 2.3% to 6.9%, averaging 4.1%.
- At price reporting GB abattoirs, new season lamb numbers went from just under half of slaughter in mid-May to over 96% in the second week of June. Having averaged 527-546p/kg in the last three weeks of May, prices softened seasonally to an average of 492p/kg in the first half of June. Old season prices dipped from 475p/kg to 448p/kg.
- In the second week of June, R3L grades within the standard 12-16.4kg carcass weight category sold for 489.2p/kg. Meanwhile, for medium carcasses weighing 16.5-21.5kg, R3L grades traded at 491.9p/kg.
- Carcass quality has opened the 2020/21 season higher than last year at GB price reporting abattoirs, with 72.8% of carcasses grading at R3L or better in the six weeks to June 13, up 1.9 percentage points from the same period of 2019. Quality has trended seasonally lower from 76% to 71% over the six week period.
- Scottish Government data shows that prime lamb slaughter rebounded in the final week of April after a seven-week period of year-on-year decline in which throughput had contracted by more than a fifth. During May, numbers exceeded year earlier levels by 1.8%, but weekly slaughter did continue to trend downwards through the month as falling supplies of old season lambs more than offset the arrival of 2020-born lambs.
- Cull ewe values have been relatively stable since falling back after Easter, averaging between £71 and £74 in seven out of eight weeks, but did trade towards the top of this range in mid-June, and ran 6-9% above 2019 levels for most of the period. In the other week – the second week in May – prices had climbed above £80 due to firm demand as the end of Ramadan approached.
- Ewe marketings have been averaging 3,300 per week, with a lift above 4,200 in the week before the end of Ramadan. This is similar to last year.
- AHDB's weekly retail sales tracker has shown a strong period of growth in spending on lamb between mid-May and mid-June after a relatively weak March and April when lamb sales had grown much more slowly than spending on food and drink as a whole. In the five weeks to June 14, the average rate of year-on-year growth was a fifth, compared to a weekly average of 9% in the previous ten weeks and a food and drink average of around 23%.

- According to HMRC, UK sheepmeat imports fell back behind 2019 levels in April after a brief lift in March, part of which reflected diversion of NZ sheepmeat to Europe when Covid-19 caused short-term challenges for market access. In the first four months, volumes fell by 5% on 2019 and by a quarter below the 2015-19 average.
- UK exports posted a third month of year-on-year decline in April, down a provisional 28% on 2019, taking the total decline in the first third to 18.4%. However, April's decline was a deceleration from March's 37.4%. Highlighting the challenging market conditions in the second half of March, between 2015 and 2019, monthly exports had risen by a quarter between February and March but this year they fell 9.5%.
- In France, farmgate prices fell 7% in late March as a result of a short-term collapse in demand when lockdown measures were first introduced. However, the market quickly recovered through April and has been well-balanced since, with prices edging upwards against their seasonal downwards trend since Ramadan drew to a close in late May. Though still 1.1% short of the mid-March peak, prices have continued to extend their lead over 2019 levels, from 4.4% in mid-May to 9.7% in mid-June, averaging €6.58/kg (588p/kg).
- Wholesale lamb prices at the Rungis market in Paris have fallen back in the second and third week's of June after a month of stability. French lamb carcasses are trading at a premium of €1-2/kg over imports.
- In Spain, the lamb market appeared to weaken considerably in the month after Easter with farmgate prices for light and heavy lambs dropping by around 15%. Meanwhile, Spanish companies made use of the EU's Private Storage Aid for sheep carcasses, claiming support payments for 125t of sheepmeat between the 11th and 20th of May. However, by mid-June farmgate prices had recovered by 8-9% and only two small PSA claims were made between May 28 and June 3 (totalling 15t), with none since.
- After averaging around 87.5p for five weeks, the euro rebalanced against sterling in mid-May. It then averaged around 89.5p for four weeks, before closing out the third week of the June at 90.5p. This weakening may have provided a boost to the price competitiveness of UK exports, while measures to re-open the foodservice sector on the continent may have boosted overall market demand.

Sheep Charts



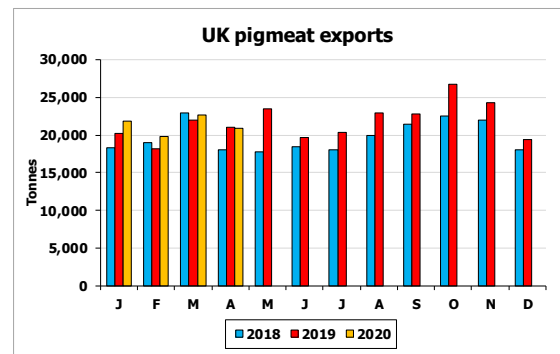
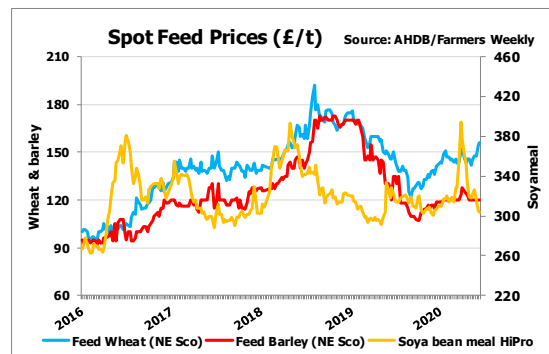
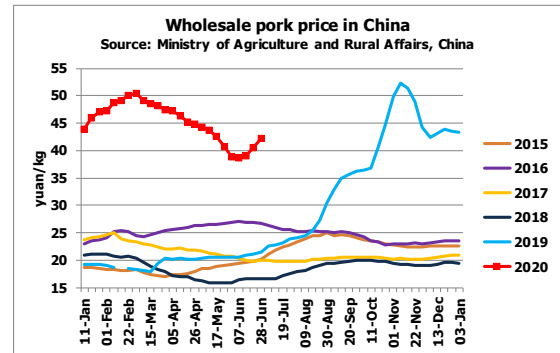
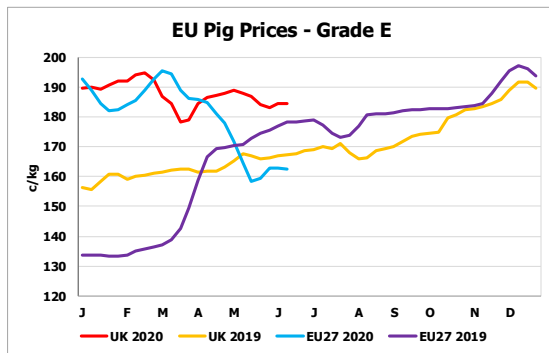
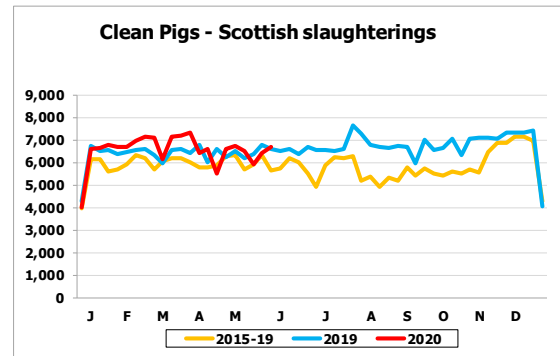
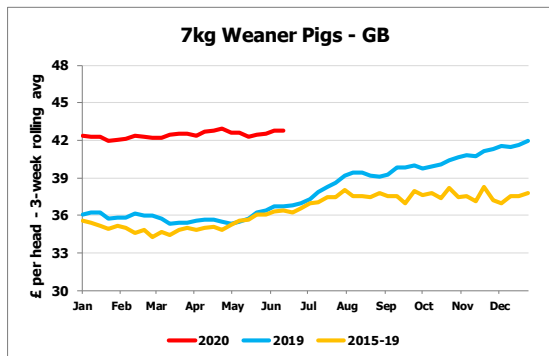
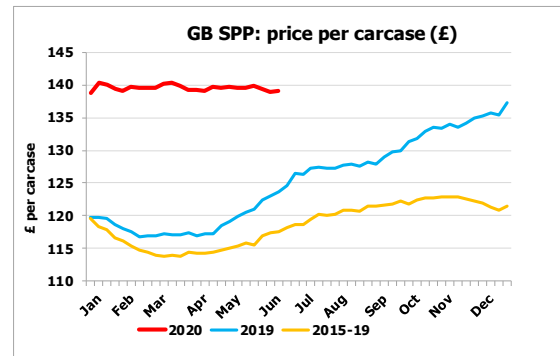
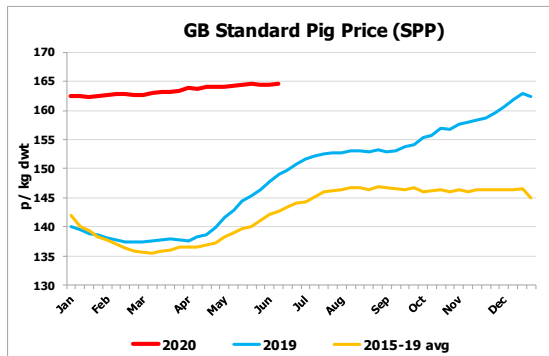
Pigs Update

- In June, producer prices for prime pigs have continued to rise seasonally. However, this year's upturn has been much slower than had been seen in 2019 and the year-on-year increase has eased from a peak of 19% in early April to 10.5% in the second week of June.
- The GB SPP reached 164.64p/kg in the second June, while carcasses in the 70-104.9kg averaged 165.13p/kg. These were increases of only 0.59p/kg since the end of April.
- The average price for all pigs, which will include pigs eligible for premium schemes, slipped back in the second half of May before edging back above late April levels as June began, reaching 167.18p/kg. This followed a period in which it had outpaced the price of a 'standard' pig.
- Average carcass prices at SPP reporting abattoirs have fluctuated within a narrow range between £138.88 and £140.36 so far this year. However, a delayed seasonal slide in carcass weights saw prices trade at the lower end of this range in the first half of June, averaging £138.88 and then £139.05. Heavier weights than last year kept this rate elevated compared to the rise in per kilo prices, working out at 12.4% in the second week of June.
- Carcass weights at reporting abattoirs settled at just under 84.5kg in the first half of June, making them only 1.6% lighter than their weekly average in Q1 2020 compared to a 2.6% seasonal reduction in 2019.
- Slaughter numbers at price reporting abattoirs have recovered from their low point in the first half of May, averaging 7.5% higher in the first half of June. Numbers were 7.4% below their Q1 weekly average, compared to a 6.4% seasonal reduction in 2019. This signals a return to a more normal processing output after a period of disruption.
- Weaner prices have lacked overall direction in 2020, mostly averaging £42-43 per head, making them worth around 30.5% of the SPP carcass price.
- Weekly retail spending figures from Kantar suggest that after a relatively weak lift for pork between mid-March and Easter, sales grew at an annual rate of 30-40% between mid-April and late May before softening to just under a quarter in the first half of June. Sales volumes have been growing around 10 percentage points more slowly as last year's farmgate price rebalancing has been passed through. For most of the period since March, bacon and sausages have out-performed pork.
- Provisional trade data from HMRC suggests that UK pigmeat exports fell behind year earlier levels in April, after increasing through during Q1. This reflected a sharp reduction in sales of bacon & ham, with pork shipments showing continued growth. While growth in pork exports slowed in March and April compared to January and February, monthly volumes did remain higher than in the opening two months.
- China/Hong Kong continued to underpin pork exports, growing by 64% on 2019 in the January to April period, on the back of 43% growth in the same period of 2019. This raised their share of UK exports to 46.8% from 30.6% in 2019 and 22.2% in 2018. In the first third, sales to all other destinations dropped by 17.9%, and had fallen 7.4% in the same period of 2018.

- UK pigmeat imports fell sharply in April, both on the month and year, reflecting reductions in pork as well as bacon & ham. The rate of decline relative to 2019 accelerated further; having opened the year at -9.5% it reached -27.3% in April. Declines may reflect the higher sensitivity of imported pork to foodservice sector demand than home produced pigmeat.
- Chinese wholesale prices have firmed since the turn of the month, with Government reports indicating a renewed tightening in the market since mid-May. Prior to this, there had been three months of downwards pressure from falling consumption, with demand proving sensitive to high prices, plus the release of pork from public stocks. Over a three-month period, pork had become 22% cheaper, but by June 19th, it had risen around 12% from its low, passing the 43 yuan/kg (£4.95/kg) for the first time since May 6th. At this level, pork was almost double its cost in June 2019.
- In contrast to pork, prices for beef, sheepmeat and chicken have proved more stable in 2020. Beef and lamb remain very expensive proteins in China, around 60% dearer than pork, whereas the price of chicken was less than 40% of the cost of pork.
- Following an outbreak of Covid-19 in Beijing, linked to a wholesale food market, Chinese authorities have reportedly introduced enhanced screening measures on food imports. It is also reported that Chinese authorities have suspended imports from a major German pork abattoir where a significant cluster of cases has developed amongst the workforce. A US poultry plant has reportedly faced similar measures.
- Ten consecutive weeks of price declines saw the EU average for grade E pigs decline by 18.9% to €1.58/kg (140p/kg) in the week ending May 17th. Prices recovered some of this ground in the second half of May before steadying at around the €1.63/kg (145p/kg) mark in the first half of June.
- In mid-June, EU prices trailed year earlier levels by around 9%, having been up 40% in mid-March. This year-on-year gap has stabilised since mid-May due to the slight recovery in EU prices. Meanwhile, EU prices have stabilised at around 12% below the UK average having been around 5% above it in March.
- In mid-June a weekly forecast Germany suggested further stability, but the temporary closure of a major abattoir has the potential to destabilise the market. A number of processing plants in the Netherlands temporarily closed in late May but have reportedly resumed operating in June; though capacity may be reduced. Dutch prices were 7.5% higher in mid-June than a month earlier compared to an EU average increase of 2.7%.
- In the US, pig slaughter numbers recovered to exceed 2019 levels slightly in the first half of June. The legacy of a prolonged period of reduced capacity has been for two main factors to pressure farmgate prices. One has been the build up in pigs on farms, and the other has been the consequent lift in carcase weights, pushing production volumes further in front of 2019. After steadying in late May, farmgate prices fell by around a fifth in the first half of June, pushing them 60% below last year.
- After rising through May London wheat futures have steadied at around £162/t with ex-farm prices stabilising at around £155/t in North East Scotland. Meanwhile, barley prices have stabilised at £120/t, widening the discount to wheat. At these levels, wheat has been trading 5-10% dearer than last year but barley similarly lower.

- The previous upwards trend in the wheat market has come to a halt due to more favourable growing conditions in the Black Sea region and the EU, while the US harvest is progressing well. The USDA have upwardly revised their global inventory forecast.
- Soyameal prices have steadied at around the £300/t level in the first half of June, having fallen back in April and May from a currency-induced spike in late March. Prices are down roughly 5% from 2019. The global market for soyabeans remains well supplied but US exports to China have been performing well of late.

Pig Charts



Business Environment

Economic Activity:

While economic activity remains considerably below previous levels, economic indicators have signalled a partial rebound from their low point, reflecting the easing of some containment measures. In some instances, businesses have been legally permitted to return to operation. In other cases, businesses in sectors that have remained open, such as cafés and Quick Service Restaurants, have been progressively reopening with an adjusted business model. Exporting companies have benefited from similar changes in operating conditions overseas. Nevertheless, in mid-June, ONS business survey responses indicated that nearly two-thirds of continuing businesses were still reporting turnover below pre-covid crisis levels.

Purchasing Managers Index (PMI) scores for May showed a significant rebound from April lows, with manufacturing rising from 32.6 to 40.7; services from 13.4 to 29; and construction from 8.2 to 28.9. Nevertheless, all remained well below the 50 score indicating stable activity. Scotland's composite indicator firmed from 10.7 to 21.1, with the gap between it and the UK composite widening from -3.1 to -8.9, reflecting a more cautious approach to reopening.

ONS survey evidence from mid-June pointed to 30% of UK workers still being on furlough but that nearly 5% of the workforce had returned from furlough in the previous fortnight with a further 2% returning to business premises from home-working. Online job adverts, though edging up, were still around half of 2019 levels.

On the pricing front, PMI surveys point to rising input costs for firms due to supply chain challenges, although fuel and energy costs have fallen in line with the oil price. ONS' monthly consumer price inflation report showed a third month of stability in the CPIH index in May, resulting in a slowdown in the year-on-year rise in the cost of living to 0.7%. Clothing & footwear, household goods, and transport costs have fallen relative to 2019, but food prices have risen at an increased rate.

Consumer Confidence

GfK NOP's consumer confidence survey reported that the index for late May was two points lower than in April and early May, at -36, remaining well down on the -9 reported in the first half of March. There was further weakening in sentiment surrounding personal finances and general economic conditiona, but negativity towards major purchases reduced slightly (-41).

Exchange Rates:

	w/e 21/06/20	May 2020			w/e 23/06/19	May 2019		
		Low	High	Avg		Low	High	Avg
€:£	89.8p	87.1p	90.1p	88.7p	89.2p	85.5p	88.7p	87.2p
\$.£	80.0p	79.7p	82.5p	81.3p	79.2p	76.2p	79.4p	77.9p
NZD:£	51.6p	48.4p	50.5p	49.5p	51.8p	50.5p	51.7p	51.1p

Sterling settled around its March-ending level against the euro but did soften in mid-May due to some fear over the potential for an easing of the lockdown to result in a renewed spike in infections. Worries around a lack of progress in UK-EU trade talks also factored. Moving into mid-June and a Bank of England commitment to increase its level of asset purchases saw sterling weaken, with a euro worth over 90p.

While the US dollar has seen some downwards pressure with rising Covid-19 cases in a number of States, the New Zealand dollar has seen a boost due to world-leading infection control.

Iain Macdonald, June 2020