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News in Review

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"GDP grew robustly across the fourth quarter as a whole"



With the dust settling on the recent rise in Bank Rate and an increase in springtime inflation expectations, some positive news was released at the tail end of last week in the form of Q4 GDP data. The official statistics from the Office for National Statistics (ONS) show that GDP increased by an estimated 7.5% in 2021, following a 9.4% fall in 2020. Despite a fall back in December due to Omicron related restrictions, this was the fastest pace of growth in over 80 years.

The estimate exceeded analysts' expectations which averaged 7.3% for Q4. However, ONS was keen to emphasise that owing to the challenges faced making estimates in the current conditions, their GDP estimate for Q4 is subject to more uncertainty than usual. Director of Economic Statistics at ONS Darren Morgan commented on the dataset, *"GDP fell back slightly in December as the Omicron wave hit, with retail and hospitality seeing the biggest impacts. However, these were partially offset by increases in the Test and Trace service and vaccination programmes. Despite December's setback, GDP grew robustly across the fourth quarter as a whole, with the NHS, couriers and employment agencies all helping to support the economy."*

The data meant the UK posted the fastest growth in the G7, beating growth in the US, which came in at 5.7%, France and Germany at 7% and 2.7% respectively, and Italy at 6.5%.

BCC plea for support

The results of a business survey recently

conducted by the British Chambers of Commerce (BCC) make compelling reading, with UK firms expressing concerns over an array of cost pressures - just as households are feeling the squeeze, so too are businesses.

The key headline stats from the survey identify that almost three quarters (73%) of firms are increasing prices in response to rising costs and 62% pinpoint higher energy bills as a primary factor (rising to 75% for manufacturers). Meanwhile, almost two thirds (63%) cite increased wage bills as a key factor driving their prices higher.

The BCC is calling on the Chancellor to ease the mounting pressure on businesses by implementing a series of measures. Suggested measures include a temporary energy price cap for small businesses, a one-year delay to the planned National Insurance hike in April, a halt to any potential business taxes or cost increases, and extra financial support through the expansion of the energy bills rebate scheme for households to also include small firms and energy intensive businesses.

Director General of the BCC Shevaun Haviland commented, *"Without help from the Treasury to weather this storm many businesses, especially smaller ones, will be faced with a nearly impossible situation that will leave them with little choice but to raise prices... Unabated, the surging cost pressures produced by the cost-of-doing-business crisis will continue to lead to increased prices and fuel the cost-of-living crisis currently being faced by people across the country."*

Gradual rate increase favoured

Speaking last week, Huw Pill, Chief Economist at the Bank of England (BoE) expressed his belief that policymakers should gradually increase interest rates as opposed to adopting an aggressive approach. When talking about the expected income squeeze in the coming months, he confirmed his support for the hard-hitting message conveyed by BoE Governor Andrew Bailey last week, when he cautioned that wages would need to fall in real terms this year to control inflation.

Job vacancies at record high

Job vacancies in the last quarter hit another record of almost 1.3 million, according to latest data from ONS. Wages rose by 3.7% during this period but, when taking inflation into account, fell by 0.8% in real terms from a year earlier.

Markets update

After the US and UK advised citizens to leave Ukraine amid fears of a Russian invasion, uncertainty weighed on markets. Global stocks bounced back on Tuesday as concerns eased following Russian claims that 100,000 troops were returning to bases following training exercises.

The global benchmark for oil, Brent Crude, traded above \$96 a barrel on Monday, its highest in seven years, before dropping back on Tuesday to around \$93 a barrel. Fuel prices continue to soar at the pumps, with the AA reporting a record high of 148p a litre on Sunday.

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.