INVICTUS
Independent Financial Advice

Invictus IFA
Minster Gardens,
Nottingham,
NG16 2AT

T: 0115 88 00 244
M: 07793 323027
E: info@invictusifa.co.uk
www.invictusifa.co.uk

News in Review

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"I want to make a simple commitment: this government will always reflect the people's priorities"

Last Wednesday, Prime Minister Rishi Sunak made his first major speech of the year, setting out five key goals on which he insisted voters should hold him to account.

In a wide-ranging set of promises, Mr Sunak committed to halving inflation in 2023 and bringing down NHS waiting lists in the next two years. He also pledged to grow the economy, ensure national debt is falling and pass new laws to stop small boats from crossing the Channel.

A record number of people in England are currently on an NHS waiting list, largely the result of the pandemic-related backlog and staffing shortages. On Monday, talks to avert NHS strikes scheduled for January fell through, leaving industrial action likely to proceed.

In his speech, Mr Sunak said, *"New Year should be a time of optimism and excitement. Yet I know many of you look ahead to 2023 with apprehension…Today, I want to make a simple commitment: this government will always reflect the people's priorities."*

Recession looms for a third of world

A third of the global economy will be in recession this year, the head of the International Monetary Fund (IMF) warned in an interview last week.

Kristalina Georgieva pointed to slowing growth in the US, EU and China as a result of the war in Ukraine, rising prices and higher interest rates. The spread of COVID-19 in China will lead to a *"tough"* couple of months for the country, she said, as well as negatively impacting regional and global growth.

"Even countries that are not in recession, it would feel like recession for hundreds of millions of people" Ms Georgieva added.

On Tuesday, the World Bank cut its 2023 growth forecast from 2.9% to 1.7%, the lowest such figure since 1991, noting that the global economy is *'perilously close to falling into recession'.*

Mixed bag for UK retail

UK shops are facing a challenging six months ahead, according to newly released analysis by the British Retail Consortium (BRC). Customers facing higher prices will buy less, the BRC predicts, resulting in retail sales growing by just 1% to 2.3% in H1 2023. The second half of the year is expected to be more positive, however, with anticipated growth of 3.6% to 4.7%.

Kris Hamer, the BRC's Director of Insight, commented, *"There is cause for optimism in the second half of 2023, when we expect inflation to ease and improving consumer confidence to result in an improvement to sales growth, and corresponding volumes."*

Demand for electric vehicles (EVs) soars

On Thursday, the Society of Motor Manufacturers and Traders (SMMT) released its annual breakdown of UK new car registrations, which revealed a growing demand for EVs.

In a strong year, 267,000 new electric cars were sold, up from 190,700 a year earlier, meaning that EVs now account for 16.6% of all new sales. Conversely, the total number of new cars registered in 2022 (1.61 million) was the lowest such figure since 1992.

New mortgage approvals plummet

In the mortgage market, the latest Bank of England figures showed new approvals at their lowest level since June 2020. Higher borrowing costs caused mortgage approvals to fall to 46,100 in November 2022, down from 57,800 a month earlier. In November, the 'effective' or actual interest rate on newly drawn mortgages increased by 26 basis points, to 3.35%, with analysts warning that further increases should be expected.

Markets

After a strong start to 2023, London and European stocks closed in the red on Tuesday with investors mulling over UK retail Christmas sales and a speech by US Fed Chair Jerome Powell in which he failed to give clues as to the trajectory of monetary policy. The next US CPI rate, giving the December inflation rate, is due to be released on Thursday.

The FTSE 100 ended the session down 0.39% at 7,694.49, and the FTSE 250 closed down 0.45% at 19,390.97.

Here to help

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