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News in Review

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"Pubs and bars... did well as people went out to watch World Cup games"

Good news came on Friday, when the latest data release from the Office for National Statistics (ONS) showed that UK monthly real gross domestic product (GDP) was estimated to have increased by 0.1% in November. Beating expectations of around 0.2% economic contraction, this small figure follows robust monthly growth of 0.5% in October, bolstered by a rebound from business closures due to Queen Elizabeth II's funeral in September.

The unexpected uptick in growth in November was attributed to *"increases in telecommunications and computer programming,"* according to ONS Director of Economic Statistics Darren Morgan. Bolstered by services activity, with the largest growth contributor deriving from food and beverage activities, Mr Morgan continued, *"Pubs and bars also did well as people went out to watch World Cup games. This was partially offset by further falls in some manufacturing industries, including the often-erratic pharmaceutical industry, as well as falls in transport and postal, partially due to the impact of strikes."*

The new data has thrown into question the likelihood of whether the UK economy entered a recession at the tail end of 2022. Defined as two consecutive quarters of shrinking economic output, a technical recession may yet be avoided. Output fell during the third quarter of 2022; December data is awaited to round off Q4 growth estimates.

UK trade deficit narrows

Other ONS data released last week highlighted a welcome subsidence in fuel prices, linked also to a decrease in goods imports from non-EU countries, which contributed to the narrowing of the trade in goods and services deficit by £6.5bn to £20.2bn in the three months to November, when compared to the previous three-month period. It is hoped that the decline in fuel prices will ease pressure on household finances. Chancellor Jeremy Hunt commented, *"The most important help we can give is to stick to the plan to halve inflation this year, so we get the economy growing again."*

Bank of England (BoE) finalises bond sale

Following instability in the UK gilt market after the mini-Budget last Autumn, the BoE embarked on *'temporary and targeted purchases of index-linked and long-dated conventional UK government bonds,'* to instil financial stability and contain the danger of credit conditions spreading to UK households and businesses. Last week the government confirmed that the £19.3bn portfolio of bonds purchased between 28 September and 14 October, has been sold. In a news release last week, the Bank outlined and justified the unwinding process which commenced on 29 November, *'The gilts in this portfolio were made available to interested buyers via reverse enquiry windows. This approach helped ensure that the unwind was responsive to market demand and did not trigger renewed dysfunction. The Financial Policy Committee has welcomed the Bank's timely but orderly unwind of this portfolio.'*

BoE Governor, Andrew Bailey told MPs on the Treasury Select Committee that international investors are still wary about lending money to the UK government, saying *"It's going to take some time to convince everybody that we're back to where we were before. Not because I doubt the current government, I am not trying in any sense to be negative. Obviously, there is something of a hangover effect."*

Travel bookings are up, up and away

Dubbed 'Sunshine Saturday,' the first Saturday of the year saw an influx of travel bookings, with one of the UK's largest agents, Hays Travel seeing a fivefold increase on 7 January compared to 'Sunshine Saturday' in 2022. Owner Dame Irene Hays said, *"Despite the cost-of-living challenges, the last thing people seem to want to give up is their annual holiday. We have seen an extremely busy start to the peak booking season."* Other agents also saw an uptick in bookings; Skyscanner reported a 30% increase in the first week of the year compared to the corresponding week in January 2019, and Virgin Atlantic said bookings were 70% higher during the weekend, year-on-year. The most popular destinations include Turkey, Greece, Spain and the US.

UK wages jump

Official ONS figures show that average pay including and excluding bonuses, rose by 6.4% between September and November compared with the same period in 2021, but when adjusted for inflation, wages fell in real terms by 2.6%.

Here to help

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