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## News in Review

24 May 2023

*"The sky's the limit for British and Japanese businesses and entrepreneurs"*



**Rishi Sunak attended the G7 Summit in Hiroshima on Thursday, stopping off in Tokyo to agree new defence and economic deals; a UK business summit for Japanese corporations in the capital has resulted in a reported £18bn investment in UK property, windfarms and other projects.**

Over half the investment is earmarked for green hydrogen and offshore wind projects in Wales and Scotland, with £4bn for offshore wind projects off the Suffolk and Norfolk coastlines. According to Mr Sunak, the investment is a "massive vote of confidence in the UK's dynamic economy... The sky's the limit for British and Japanese businesses and entrepreneurs." UK-Japan partnerships were also announced between semiconductor companies, armed forces and cyber-agencies.

At the summit, attention turned to relationships with China, with a communiqué stating that the G7 wanted 'constructive and stable relations' with Beijing. The G7 nations also reaffirmed their commitment to countering Russia's aggression, with a visit from Ukraine's President Zelensky stealing many of the headlines.

### **Adjusting Bank Rate "as necessary"**

Speaking at the British Chambers of Commerce (BCC) Global Annual Conference last week, Andrew Bailey, Governor of the Bank of England (BoE), addressed the current state of the UK economy.

He spoke about the Bank's commitment to return inflation to its 2% target, reassuring the audience that the Monetary Policy Committee (MPC) will take strides to adjust

Bank Rate "as necessary". He reiterated that further monetary policy tightening would be required "if there were to be evidence of more persistent pressures."

Referring to the recent Monetary Policy Report (MPR) released in mid-May, which signalled a u-turn in UK growth expectations this year, Mr Bailey noted that the forecast is for modest growth. Commenting that the improved outlook is reflective of the reduction in wholesale gas prices, he elaborated, "There has also been greater resilience in the economy than we had expected. We can see that in the employment and unemployment numbers that have been stronger than expected. Fiscal policy has also given a boost to the economy and global growth has been holding up better than we thought particularly in the euro area and China."

Referring to high food prices and their continuing impact on inflation in the UK, Mr Bailey said that expectations are for inflation to fall "sharply" as the year progresses. Data released by research firm Kantar confirmed that the rate at which food prices is rising fell for a second consecutive month in May. However, the data also revealed that there is a long way to go; prices were up by 17.2% from a year ago in the four weeks to the middle of May, only marginally below 17.3% recorded last month.

### **Boost to consumer confidence**

Meanwhile, UK consumer confidence improved in May, according to GfK's latest index. This is a fourth consecutive monthly rise, a climb of three points to -27, the highest since February 2022.

Commenting on the data, Joe Staton of GfK, said, "The cost-of-living crisis has been part of our daily financial reality for a long time, with double-digit inflation and record-high food prices. But despite those pressures, May sees an encouraging three-point uptick in consumer confidence. The headline score of -27 means we're still deep in negative territory and a long way from any 'sunny uplands'. However, the overall trajectory this year is positive and might reflect a stronger underlying financial picture across the UK than many would think."

### **Borrowing at near-record highs**

The UK government borrowed £25.6bn in April, a year-on-year rise of £11.9bn, according to data released by the Office for National Statistics (ONS). Although analysts were factoring in that inflation would push up interest payments on debt, the figure still beat expectations for the month. The costs of energy support schemes and increases in benefits also played a role in pushing borrowing to its second-highest April total since records began in 1993.

Reflecting on the figures, Chancellor Jeremy Hunt said, "Debt and borrowing remain too high now - which is why it's one of our priorities to get debt falling. We've taken difficult but necessary decisions to balance the nation's books, and if we stick to our plan and get our economy growing, then debt is set to fall."

### **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.  
All details are correct at time of writing (24 May 2023)***