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## News in Review

07 June 2023

*"America can breathe a sigh of relief"*



**Last Thursday, the US Congress approved a deal to lift the country's borrowing limit, thereby averting a crisis mere days before the country was due to default on \$31.4tn of debt.**

The bipartisan deal passed through the Senate by 63-36, after navigating the Republican-controlled House of Representatives by 314-117 a day earlier. The deal gained support from both sides, though some hardliners tried to vote it down in the hope of forcing deeper spending cuts and more stringent reforms. President Joe Biden signed the deal into law on Saturday.

The deal allows the Federal government to borrow money until after the next presidential election in November 2024. This money is needed for paying for Federal employees, the military, Social Security and Medicare, as well as interest on the national debt and tax refunds.

The final agreement also includes deals on defence, COVID funds and taxes, some of which proved more controversial. Non-defence spending will flatline next year, with a 1% rise in 2025; unspent COVID funds will be returned to the Federal government and an \$80bn budget has been agreed for the next decade to help the Internal Revenue Service (IRS) enforce last year's Inflation Reduction Act.

If the deal had fallen through, the government's inability to borrow more money would have had a severe

effect on the US economy, with far-reaching ramifications for the global economy. Senate Majority Leader Chuck Schumer said, *"America can breathe a sigh of relief. For all the ups and downs and twists and turns it took to get here, it is so good for this country that both parties have come together at last to avoid default."*

### **UK retail spending**

Retail sales in the UK rose 3.7% on a like-for-like basis in May 2023 from a year ago, according to data released by the British Retail Consortium (BRC) on Tuesday. This is slower than the 5.2% growth recorded in April despite three public holidays. Analysts suggest soaring food prices prompted shoppers to rein in spending on non-essential items.

BRC Chief Executive Helen Dickinson said, *"With consumer confidence still recovering from record depths, and continued tightening of household incomes, we are unlikely to see substantial sales growth in the coming months."*

### **Strong car sales**

New car registrations rose by 16.7% year-on-year to reach 145,204 in May 2023, according to the Society of Motor Manufacturers and Traders (SMMT). This was the tenth successive month of growth, though sales remain 21% below pre-pandemic levels.

The figures are evidence of easing supply chain issues, according to Mike Hawes, Chief Executive of the

SMMT. He commented, *"After the difficult, COVID-constrained supply issues of the last few years, it's good to see the new car market maintain its upward trend."*

### **Transactions take a tumble**

The UK is experiencing a marked fall in housing transactions, figures released last week by HM Revenue & Customs seem to suggest. The provisional non-seasonally adjusted estimate of the number of UK residential transactions in April 2023 was 67,220, 32% below the total recorded a year earlier and 29% lower than in March 2023.

Amid this slowdown and fears of a further Bank Rate rise in June, hundreds more mortgage deals have been withdrawn by lenders. Compared to 5,385 residential mortgage deals available on 22 May (two days before the inflation data was released), there were 4,686 available on Monday.

Also on Monday, the average rate on a new two-year fixed mortgage was 5.72%, according to Moneyfacts, half a percentage point higher than at the start of May. In response to rising rates, record numbers of mortgage applicants are now opting for loans of over 30 years in an attempt to make their monthly payments more affordable.

### **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 (7 June May 2023)***