Invictus IFA
Minster Gardens,
Nottingham,
NG16 2AT

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

INVICTUS
Independent Financial Advice

News in Review

21 June 2023

"We have to do everything we can as a government, as a country, to support the Bank of England in their mission to squeeze inflation out of the system"

New gross domestic product (GDP) figures released last week show the UK economy is estimated to have grown by 0.2% in April, following a fall of 0.3% the previous month, according to the Office for National Statistics (ONS). The latest data also revealed that GDP rose by 0.1% in the three months to April.

The service sector was the main contributor to the uptick in growth, expanding 0.3% in the month, with consumer-facing services experiencing an especially large boost, growing 1.0% in April, following a fall of 0.8% in March. Robust trade in bars and pubs helped support growth in the sector. Meanwhile, growth in the construction sector faltered, falling 0.6% in April (following 0.2% growth in March) as rising interest rates and mortgage costs weigh on sentiment. Production output registered a 0.3% fall in growth during the month, following growth of 0.7% the previous month.

According to Chancellor Jeremy Hunt, the overall GDP figures demonstrate an *"underlying resilience"*, although he did caution that inflation remains a *"big issue,"* for the country, before adding, *"We have to do everything we can as a government, as a country, to support the Bank of England in their mission to squeeze inflation out of the system, and that is our primary focus."*

Fed and ECB take their next steps

As widely expected, the Federal Reserve kept US rates unchanged at their meeting last week, the first time since March 2022 that the Fed concluded a meeting without raising rates. However, there are clear signals of potential increases ahead, with the majority of Fed officials anticipating a climb in rates from their current level of 5.00%-5.25%, with expectations of two more hikes by year end. The central bank released a statement following the meeting concluding, *'Holding the target range steady at this meeting allows the Committee to assess additional information and its implications for monetary policy.'*

The news came just after US inflation data showed that the rate fell to 4% over the 12 months to the end of May, down from 4.9% in April. The 11th consecutive month that price increases have eased, price reductions to eggs, petrol and furniture helped cut inflation to less than half of its peak a year ago.

On the continent, the Governing Council decided to raise the three key European Central Bank (ECB) interest rates by 25 basis points on Thursday, in an effort to return inflation to its 2% medium-term target in a *'timely manner.'* Headline inflation is expected to average 5.4% this year, before tempering to 3.0% next year. The move was in-line with expectations. With the main rate now sitting at 3.5%, the ECB has hiked rates at eight consecutive meetings since July last year. The benchmark rate is at its highest in 22 years. Christine Lagarde, ECB President indicated that a further rate hike next month was *"very likely,"* before adding, *"We are not thinking about pausing,"* which aligns with earlier comments saying the central bank still had *"ground to cover"* in its efforts to sufficiently restrict interest rates.

NI deadline extended to 2025

Last week the government announced a further extension for people to fill in gaps in their National Insurance (NI) record, which may increase their State Pension entitlement. Already extended to 31 July 2023, the further extension to 5 April 2025 has been applied to give people more time *'to properly consider whether paying voluntary contributions is right for them and ensures no-one need miss out on the possibility of boosting their State Pension entitlements.'* Financial Secretary to the Treasury, Victoria Atkins, commented on the announcement, *"With the deadline extended, there is no immediate rush for people to complete gaps in their record and they will have more time to spread the cost."*

Homeowners risk raiding savings to cover mortgage costs

The Institute for Fiscal Studies (IFS) released analysis last week that indicates the surge in mortgage costs will result in almost three million homeowners wiping out their savings to meet unexpected expenses of around £2,000. In addition to dipping into savings, the think tank expects people to resort to borrowing on credit cards, taking out personal loans, or asking friends and family to provide financial support.

Here to help

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