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News in Review

26 July 2023

"Inflation is falling and stands at its lowest level since last March"



Last week, official data released by the Office for National Statistics (ONS) revealed that inflation in the UK fell further than expected in June to settle at 7.9%, down from 8.7% a month earlier and its lowest point since March 2022.

The ONS acknowledged lower petrol prices were a key reason for the inflation slowdown, which fell more sharply than the 8.2% forecast by City analysts. Despite the positive news, UK inflation remains the highest in the G7 – and a long way above the Bank of England's (BoE) 2% target.

In response, financial markets shifted their expectations on the extent of the BoE's upcoming rate rises, predicting that Bank Rate will no longer soar above 6% early next year, as had been previously forecasted. After the announcement, shares on the London stock market staged a rally and the pound fell by more than a cent against the dollar.

One group that might have breathed a small sigh of relief is mortgage holders. Following the announcement of the better-than-expected inflation figures, mortgage rates fell for the first time in two months. The average two-year fixed rate mortgage eased to 6.79% last Thursday, according to Moneyfacts, while the average five-year deal slipped to 6.31%.

Commenting on the inflation figures, Chancellor Jeremy Hunt said, *"Inflation is falling and stands at its lowest level since last March; but we aren't complacent*

and know that high prices are still a huge worry for families and businesses. The best and only way we can ease this pressure and get our economy growing again is by sticking to the plan to halve inflation this year."

Savers missing out on better rates

With interest rates having spiralled to their highest levels since 2008, many savers are seeing higher returns on their balances. However, this isn't the case for everyone: a third of savings held in easy-access accounts are still earning 1% or less, according to figures compiled by CACI.

The squandered interest payments are substantial, the researchers claim, with an estimated £205bn currently held among the 34 leading providers studied. The average easy-access rate now pays 2.61%, according to Moneyfacts, while the best deal on the market currently pays 4.51%.

House price growth slows

Annual house price growth slowed for a fifth consecutive month in May, according to ONS data released last week. House prices edged up by 1.9% annually in May 2023 to reach an average of £285,861, a smaller rise than the 3.2% recorded in the 12 months to April 2023.

Regionally, annual house price inflation was highest in the North East where prices increased by 4.0% in the 12 months to May 2023. In contrast, prices barely changed in the East of England, the region with the lowest annual growth.

In the rental market, surging figures continued unabated, with ONS data showing that private rental payments paid by tenants rose by 5.1% in the year to June. This represented the largest annual percentage change since the data series began in January 2016.

Consumer confidence moderates

Rising borrowing costs and high prices caused UK consumer confidence to fall in July, according to data released by research group GfK on Friday.

The Consumer Confidence Index fell six points to minus 30 compared with the previous month, the largest drop in sentiment since April 2022. Until this month, confidence had managed to stay resilient throughout 2023 despite double-digit inflation and rising mortgage and rent costs.

Client Strategy Director at GfK, Joe Staton commented on the findings, *"For the first six months of 2023, UK consumer confidence improved despite the headwinds of the cost-of-living crisis, with double-digit inflation outpacing income growth and rising interest rates impacting both homeowners and renters alike. Suddenly, this resilience has collapsed, resulting in a six-point fall this month in the headline score. There are clear concerns for the coming year for our personal finances and for the wider UK economy."*

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 (26 July 2023)***