



INVICTUS
Independent Financial Advice

Invictus IFA
Minster Gardens,
Nottingham,
NG16 2AT

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

News in Review

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"Our job is to get inflation down"

At its meeting last week, the Bank of England's Monetary Policy Committee (MPC) narrowly voted to maintain Bank Rate at 5.25%, ending a run of 14 consecutive increases.

Five members voted to keep the rate at 5.25%, while the four dissenting voices all favoured another 0.25% increase to 5.5%. The tight decision mirrored the views of forecasters, who had themselves been divided over whether Bank Rate would increase again.

With the MPC's decision, the rate remained unchanged for the first time since December 2021. Although Bank Rate remains at its highest level for 15 years, the change of tactic will likely bring some relief to homeowners, especially those on tracker, discounted or variable rate mortgages.

The day before the MPC's decision, official figures from the Office for National Statistics (ONS) had revealed that inflation dropped to 6.7% in the year to August, down from 6.8% a month earlier. This was the third successive month in which inflation had fallen, with a slowdown in rising food prices, as well as a drop in air fares and accommodation costs all contributing to the lower rate.

Despite falling last month, UK inflation remains higher than in most other developed countries. Recent data in Germany (6.4%), France (5.7%), Italy (5.5%) and the US (2.5%) have all come in lower.

In response to the UK's September data, Chancellor Jeremy Hunt said, *"Today's news shows the plan to deal with inflation*

is working – plain and simple." Andrew Bailey, Governor of the Bank of England, struck a more cautious tone, however. He commented, *"I can tell you that we have not had any discussion... about reducing rates, because that would be very, very premature. Our job is to get inflation down."*

OECD puts Germany at the bottom

Last week, the Organisation for Economic Co-operation and Development (OECD) released new forecasts that reiterated the expectation of a slowdown in the world economy. The release stated that higher interest rates and weaker global trade were the leading causes, and that Germany is braced to experience the worst effects.

Indeed, along with Argentina, Germany is expected to be the only G20 economy to shrink in 2023. Meanwhile, the UK's predicted growth of 0.3% will be the third weakest in the G20. In 2024, the OECD cut the UK's expected growth rate from 1% to 0.8%, which would make it the G20's second worst performer. On inflation, the UK is predicted to have a higher rate than anywhere else in the G20 except Turkey and Argentina, with an estimated average rate of 7.2% this year.

UK consumer confidence nudges higher

In more positive news, consumer confidence increased in the UK in September, according to the latest iteration of GfK's Consumer Confidence Index, which was released on Friday. With a rise of four points, overall confidence reached -21 in September, the highest level since January 2022. Additionally, all five measures – Personal Financial

Situation (past and future), General Economic Situation (past and future) and Major Purchase Index – had risen compared to the previous month.

Sunak slams brakes on green transition

Last Wednesday, Prime Minister Rishi Sunak confirmed that a ban on new petrol and diesel car sales, originally scheduled to come into effect in 2030, was being pushed back to 2035 as part of a wider rethink about the country's journey towards net zero.

Phasing out petrol and diesel sales by 2023 was part of a plan to accelerate the transition to electric vehicles, a move that experts say will be crucial to achieving net zero emissions by 2050. In response to the announcement, the Society of Motor Manufacturers and Traders (SMMT) raised concerns that the delay could dissuade drivers from switching to electric vehicles.

Among car makers, there was a mixed response. Ford was vocal in its condemnation of the change, while Stellantis, which owns Vauxhall, Peugeot, Citroen and Fiat, confirmed that it is still *'committed to achiev[ing] 100% zero emission new car and van sales in the UK and Europe by 2030.'* In contrast, Jaguar Land Rover praised the government's decision as *'pragmatic'*, commenting that it *'brings the UK in line with other nations, which we welcome.'*

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 (27 September 2023)***