



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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"The UK economy has stagnated again in recent months"



Last Friday, UK growth figures from the Office for National Statistics (ONS) showed that the economy is estimated to have shown no growth in the third quarter of the year, following an increase of 0.2% in Q2. UK gross domestic product (GDP) is estimated to have increased by 0.6% in Q3 2023 compared with the same quarter last year.

Although the economy registered no growth in the July to September period, it does compare favourably with expectations of a 0.1% fall as predicted by a Reuters poll of economists. Hopes are that, although slight, this quarterly growth will aid the UK economy from slipping into recession this year, defined as two consecutive quarters of contraction.

From a month-on-month perspective, ONS data also released on Friday, shows GDP is estimated to have grown by 0.2% in September, following a gain of 0.1% in August. Services output was the main positive contributor in September, rising by 0.2% in the month, 'driven by growth in professional, scientific and technical activities, and human health and social work activities,' according to ONS. The construction sector also registered growth (0.4% in September) to provide support.

Addressing the flat growth in Q3, Research Director at the Resolution Foundation James Smith, commented, *"The UK economy has stagnated again in recent months, driven in part by the rapid rise in interest rates since late 2021... Britain is a stagnation nation that has struggled to secure sustained economic growth since the financial crisis. Addressing this is the central*

task we face as a country and must be at the heart of the Chancellor's Autumn Statement in 10 days' time."

Meanwhile, Jeremy Hunt responded to the data, *"Naturally interest rates do have an impact and the judgement of the Treasury is that the main reason growth has slowed is because of that."*

Powell "not confident" inflation reducing action enough

Speaking at an International Monetary (IMF) event in Washington last week, Federal Reserve Chairman Jerome Powell said that although he and his colleagues were encouraged by the slowing rate of inflation, further action may be necessary in order to maintain momentum. Addressing the commitment to bring inflation down to 2% he signalled, *"we are not confident that we have achieved such a stance,"* but added, *"we will keep at this until we succeed."*

Surprise cabinet reshuffle

Former Prime Minister David Cameron replaced James Cleverly as Foreign Secretary in a surprise cabinet reshuffle sparked by Suella Braverman's sacking on Monday. Cleverly becomes Braverman's replacement at the Home Office. Steve Barclay has replaced Therese Coffey as Environment Secretary, with Treasury Minister Victoria Atkins promoted to replace him as Health Secretary. Meanwhile, former Transport Minister Richard Holden has been appointed Tory party Chairman, and Pensions Minister Laura Trott has been promoted to Chief Secretary to the Treasury, replacing John Glen. Jo Churchill MP has been appointed as

Minister of State in the Department for Work and Pensions.

Other senior cabinet members remained in post, including Chancellor Jeremy Hunt, Defence Secretary Grant Shapps and Education Secretary Gillian Keegan.

Pay growth overtakes inflation

Regular pay (excluding bonuses) rose at an annual rate of 7.7% between July and September, latest official ONS figures show. This indicates a rise of 1% after taking inflation into account and represents the largest increase for two years. Other ONS figures show that the number of job vacancies continues to fall – between August and October, the estimated number of vacancies in the UK fell by 58,000 to 957,000. However, vacancies remain well above pre-pandemic levels.

Darren Morgan, ONS Director of Economic Statistics, said that the figures *"show a largely unchanged picture, with the proportions of people who are employed, unemployed or who are neither working nor looking for a job all little changed on the previous quarter."*

Responding to the latest labour market figures, Chancellor Jeremy Hunt said, *"It's heartening to see inflation falling and real wages growing, keeping more money in people's pockets. Building on the labour market reforms in spring, the Autumn Statement will set out my plans to get people back into work and deliver growth for the UK."*

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 (15 November 2023)