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## News in Review

17 April 2024

*"The economy is turning a corner"*



**Last week, positive news came in the form of the latest UK gross domestic product (GDP) data from the Office for National Statistics (ONS) which showed the economy grew by 0.1% in February. This extends the economic recovery after growth in January was revised up to 0.3% from 0.2%.**

Economic growth in February was led by an uptick in the UK's production industry, which rose by 1.1% in the month, compared to a fall of 0.3% in January. Growth in the service sector, including hospitality and leisure activities, was also evident, alongside public transport and haulage, which also registered growth in the month. It's likely growth would also have been supported by reductions in National Insurance, providing households with increased confidence in their spending and finances.

Despite a challenging month for retail and construction, impacted by the fourth wettest February on record, ONS Director of Economics Statistics, Liz McKeown said the latest data showed, *"widespread growth across manufacturing, particularly in the car sector,"* while *"services also grew a little, with public transport and haulage and telecommunications having strong months."*

When asked about the economic data, Jeremy Hunt said the new figures were a *"welcome sign that the economy is turning a corner... we can build on this progress if we stick to our plan."*

### **A spring in the step of the property market**

The latest residential housing survey from

the Royal Institute of Chartered Surveyors (RICS) shows buyer demand continued to rise in March with a net balance of +8% of respondents experiencing an increase in new buyer enquiries during the month. This is the most positive result on this indicator since February 2022. Respondents noted an uptick in new listings, increasing for the fourth consecutive month (+13%), while +13% predict increased sales volumes during the next three months, up from +6% in February. On the back of improved market conditions, the survey indicates sentiment is gradually improving. Respondents note a stabilisation in house prices, following falls last year.

Senior Economist at RICS, Tarrant Parsons, commented, *"Near-term sales expectations point to an improving outlook, albeit the scope for an acceleration in activity will still be relatively limited given mortgage rates are set to remain much higher than in 2020/21."*

### **US inflation creeps higher**

Rising costs of housing, clothing, fuel and dining out pushed the US rate of inflation higher in February, according to the latest data from the Labor Department. US consumer prices accelerated faster-than-expected in March, as the challenge to reduce inflation continues. Over the 12 months to March, prices rose 3.5%, up from 3.2% in February. This backward step is likely to impact the central bank's next interest rate decision. If inflation remains higher than the Federal Reserve is comfortable with, a rate cut could be less likely.

### **Small business expectations**

A recent small business survey of UK firms has highlighted an optimistic mood amongst business owners and freelancers this year, with 66% reporting that they expect to do better this year than last, whilst 32% plan to start a new business. The findings from Atom Content Marketing, reveals a significant number of owners expect their business to outperform the economy in 2024, with growth a key ambition for UK SMEs. Key concerns for the year ahead include funding, cashflow, political change and work-life balance.

### **Cash is King**

Last week, Bank of England (BoE) Governor, Andrew Bailey, presented King Charles III with new banknotes featuring his image. The presentation at Buckingham Palace follows the tradition of the monarch receiving the first issues of new banknotes, issued with the serial number 00001.

The new banknotes will be issued on 5 June 2024 by the BoE. The portrait of the King will appear on existing designs of all four banknotes (£5, £10, £20 and £50). People will still be able to use all polymer banknotes featuring the portrait of Her late Majesty, Queen Elizabeth II as they will remain legal tender, co-circulating alongside King Charles III notes.

### **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 (17 April 2024)***