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News in Review

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"Conditions facing manufacturers have taken a turn for the better"

Sentiment in the manufacturing sector took a positive upturn in April, with output expectations hitting a six-month high, according to the latest Industrial Trends Survey, released by the Confederation of British Industry (CBI) last week.

As demand uncertainty recedes and financing concerns reduce, investment intentions for the year ahead have improved. Manufacturers anticipate stable investment in buildings, plant and machinery, a marked shift from the January outlook when investment intentions plummeted to a three-year low. The survey also highlights expectations that spending on product and process innovation will rise during the year.

Another key observation from the survey of 257 manufacturing firms was the uptick in business sentiment in the quarter to April, registering a balance of +9% from -3% at the start of the year. Meanwhile, export optimism for the remainder of the year saw a moderate increase, +6% versus -20% previously recorded. Previously these sentiment indicators had recorded declining optimism in every quarter but one during 2022 and 2023.

Deputy Chief Economist at the CBI, Anna Leach, commented, *"Conditions facing manufacturers have taken a turn for the better, with sentiment improving and expectations for future output growth their strongest in six months. A softer labour market has eased concerns that skills and labour could constrain output and orders. Concerns about access to materials and components are also at their lowest since January 2020. These brighter conditions are supporting a more stable picture for investment over the year ahead."*

Focusing on future prospects and requirements for the industry, Ms Leach continued, *"With the recovery still to fully pick up steam, we need to see everyone laser focused on delivering the big reforms that will help manufacturers grow and invest. Full capital expensing, with the potential to extend this to leased and rented assets, can be a game changer that unlocks the incredible power of our manufacturing sector and drives economic growth."*

UK borrowing higher than expected

Public finance data from the Office for National Statistics (ONS) showed government borrowing reached £120.7bn in the financial year ending in March. Although £7.6bn lower than the equivalent period last year, it was still £6.6bn more than the Office for Budget Responsibility (OBR) had predicted. These initial estimates may get revised in the coming months. During March, borrowing – the difference between public sector spending and income – totalled £11.9bn, £4.7bn lower than in March last year.

A spokesperson from the Treasury commented on the data, *"Debt increased in recent years because we rightly protected millions of jobs during COVID and paid half of people's energy bills after Putin's invasion of Ukraine sent bills skyrocketing."* Adding that the government *"must stick to the plan to get debt falling."*

IHT receipts keep rising

Inheritance Tax (IHT) receipts for the period April 2023 to March 2024 have been recorded as £7.5bn, according to the latest HMRC tax receipts data. At £0.4bn higher than the same period last year, the freezing of the IHT allowances and escalation in average UK house prices make this increase in total receipts unsurprising.

Consumer confidence

On Friday, the latest data from GfK showed that overall consumer confidence increased to -19 in April, from -21 the previous month. Despite the overall confidence score being a negative reading, all five underlying measures, including personal finance and general economic views, are much improved compared to April 2023 readings.

Client Strategy Director at GfK, Joe Staton, commented on the recent data set, *"These improvements reflect the impact on household budgets of lower inflation and the anticipation of further tax cuts... Spring has arrived and maybe consumer confidence is, at last, slowly becoming brighter and heading in the right direction."*

However, he did caution that although improvement is evident, *"There is a lot of ground to make up, and caution is needed in the face of continuing economic and fiscal challenges, and revised views on when the Bank of England might cut borrowing costs."*

FTSE 100 positive

London's equity markets have been performing positively with the FTSE 100 racing ahead of the 8,100 level, supported by gains in the banking and mining sectors.

Here to help

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