



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

22 January 2025

"In a world shaped by policy uncertainty and trade tensions, developing economies will need bold and far-reaching policies"



The global economy is projected to expand by just 2.7% in 2025 and 2026, according to a report released last week by the World Bank, with developing countries set to bear the brunt of geopolitical and economic headwinds. By growing at the same pace as in 2024, the world economy would flatline at its joint weakest rate since 2019.

Developing economies, the World Bank cautioned, are especially vulnerable to slower growth over the next couple of years and possibly longer-term.

Analysts pointed to the risks of fresh US tariffs hitting trade as a key factor holding back growth. Donald Trump, who has threatened a wide set of import tariffs on goods entering the US, was sworn in for a second term as US President on Monday. World leaders from Beijing to Brussels are concerned by the prospect of more expensive trade duties. The prospect of interest rates being held higher for longer and increased policy uncertainty denting business confidence are two more potential risk factors.

M. Ayhan Kose, the World Bank's Deputy Chief Economist, commented on the forecasts, *"In a world shaped by policy uncertainty and trade tensions, developing economies will need bold and far-reaching policies to seize untapped opportunities for cross-border cooperation."*

Trump 2.0 starts with trade tensions but no tariffs (yet)

Donald Trump was inaugurated as the 47th President of the United States on Monday, taking control of the world's

largest economy in a ceremonial transfer of power at the US Capitol Rotunda.

In his inaugural address, President Trump declared himself *"confident and optimistic."* As well as declaring a national emergency at the US-Mexico border, he repeated pledges to *"tariff and tax foreign countries to enrich our citizens."* However, he defied some expectations by not imposing any tariffs on day one; instead, he issued a presidential memorandum calling for a review of unfair trade practices.

Investors breathed a sigh of relief at the tariff respite. Later on Monday though, the newly inaugurated President said he was thinking about imposing tariffs of 25% on Mexico and Canada, adding that this could happen at the start of February. Global financial markets were largely calm in reaction to Trump's return to the White House. US markets were closed for the Martin Luther King holiday.

"The golden age of America begins right now," President Trump declared in his inauguration speech.

Small return to growth for UK economy

The UK economy expanded for the first time in three months, according to figures released last week by the Office for National Statistics (ONS).

Despite the return to growth, the recorded uptick of 0.1% disappointed analysts who had been betting on a larger boost. Strong trade for pubs, restaurants and the construction industry drove the economy into positive territory, though falls in accountancy, business rental and leasing tempered this overall growth.

Interest rate cuts on the cards as inflation falls

Also last week ONS released much anticipated inflation figures, which revealed an unexpected drop in UK price growth in December 2024. Prices rose by 2.5% in the year to December, down from 2.6% the month before.

This first fall in inflation for three months prompted analysts to predict an interest rate cut when the Bank of England (BoE)'s Monetary Policy Committee (MPC) meet again next month.

Falling hotel prices, along with slower increases for tobacco products and restaurants, tempered inflation. In response to the latest figures, UK borrowing costs dropped, having hit their highest level for 16 years days earlier.

Retail sales

Rounding off a bumper week for UK data releases, ONS announced that shop sales in the UK unexpectedly fell in the run up to Christmas.

A *"very poor month"* for food sold in supermarkets, according to ONS Senior Statistician Hannah Finselbach, saw overall sales fall by 0.3% in December to reach their lowest level for more than 10 years. This drop under-performed expectations of a 0.4% rise. One bright spot saw clothing and shoe shop sales climb by 4.4% following falls in the two previous months.

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 (22 January 2025)