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News in Review

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"A global trade war would create renewed inflation, increasing pressure on British families"



Official data from the Office for National Statistics (ONS) last week showed UK inflation eased in March. The Consumer Prices Index (CPI) rose by 2.6% in the year to March, down from a 2.8% rise in the 12 months to February.

The fall back in inflation can be attributed to a reduction in fuel prices and games, toys and hobbies – in particular computer games. Food inflation also eased from 3.3% to 3% in the month. Services inflation, a key measure of underlying price pressures for rate-setters, slowed more than expected to 4.7% in March from 5% the previous month.

The lowest reading since December and a steeper drop than expected, economists in a Reuters poll had predicted a CPI reading of 2.7% in March. The slight tempering in CPI provided a boost for Chancellor Rachel Reeves, who said that two months of falling inflation, along with growth in real wages and GDP, were *"encouraging signs."*

Looking ahead, Research Director at the Resolution Foundation, James Smith said the reduction in CPI *"comes among overwhelming uncertainty as to where inflation goes from here."* Expecting a sharp rise in inflation in April, due with the Ofgem price cap increasing, Smith added, *"the truth is that the outlook for UK inflation hinges on President Trump's tariff policies. Global trade uncertainty could drive down our prices, with oil already down more than 10% since the start of April... a global trade war would create renewed inflation, increasing pressure on British families already struggling with the cost of living."*

With the next Monetary Policy Committee (MPC) meeting concluding on 8 May, the Committee have previously signalled their intention to adhere to a *"careful and gradual"* approach to cutting borrowing costs. The impact of a global trade war will dominate the central bank's strategy going forward.

UK trade talks

During their first call since 'Liberation Day' tariff announcements, last week Donald Trump and Keir Starmer conducted *"ongoing and productive discussions between the UK and US on trade,"* according to a Downing Street spokesperson. The Prime Minister has reiterated his commitment to securing *"free and open trade"* in order to protect the national interest, following the imposition of 10% tariffs on UK goods and 25% on car, steel and aluminium imports. In addition, the White House confirmed the leaders spoke about security in the Middle East and resolving the Ukraine conflict.

Shrinking global trade and growth expectations

Last week the World Trade Organization (WTO) revised its outlook, forecasting a 0.2% decline in global goods trade in 2025. The downturn is largely attributed to US tariffs, with North America expected to see the steepest fall. WTO Director General Ngozi Okonjo-Iweala expressed concern over the growing *"decoupling"* between the US and China, saying the *"phenomenon"* is *"really worrying."* The WTO warned of *'severe downside risks,'* including political instability and reciprocal tariffs, which could result in an even steeper reduction in global trade.

On the same day, the UN trade body UNCTAD predicted global economic growth would slow to 2.3% this year, falling below the 2.5% level *'widely viewed as signalling a global recession,'* according to the organisation.

Meanwhile, the International Monetary Fund (IMF) Managing Director Kristalina Georgieva, in her keynote speech at the organisation's spring meeting in Washington, said there will be *"notable"* markdowns to growth forecasts, in the face of trade policy uncertainty, which she referred to as *"literally off the charts."*

ECB reduces key interest rate

The European Central Bank (ECB) cut interest rates for the seventh time since last June, lowering the deposit rate by 0.25% to 2.25%, in line with analyst expectations. The ECB also dropped the term *'restrictive'* in terms of monetary policy stance from its statement, signalling a shift as trade tensions continue to weigh on Europe's economy. ECB President Christine Lagarde warned that *"downside risks to economic growth have increased,"* with the impact of US tariffs still unfolding. She added that escalating global trade tensions are likely to dampen exports and weaken investment and consumption. Lagarde also cautioned that deteriorating market sentiment could tighten financial conditions further.

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 (23 April 2025)