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

17 December 2025

*"We are determined to defy forecasts on growth"*

**The latest figures from the Office for National Statistics (ONS) show that the UK economy shrank in October, contrary to expectations. Economists had anticipated that UK GDP would grow by 0.1% in the three months to October, but the data shows it contracted by 0.1%.**

The slowdown in GDP growth was partly driven by a 0.5% decline in the production sector. This was due to a 17.7% decrease in car output following the cyber-attack at Jaguar Land Rover in late August. The disruption had a knock-on effect across the manufacturing supply chain and the retail trade in motor vehicles. Construction output also decreased by 0.3% in the three months to October, while the services sector did not show any growth. ONS partly attributed this weakened performance to uncertainty surrounding the Budget – it noted that *'businesses across the production, construction and services sectors reported that they, or their customers, were waiting for the outcome'* of the Chancellor's announcement.

Commenting on the figures, a spokesperson for the Treasury said, *"We are determined to defy the forecasts on growth and create good jobs, so everyone is better off, while also helping us invest in better public services."*

## Budget measures could slow inflation

A Deputy Governor at the Bank of England (BoE) has suggested that the measures announced in the Budget could help to slow inflation in 2026. Clare Lombardelli told the Commons' Treasury Committee last week that lower energy bills, fuel duty caps and the freeze on rail fares could slow the rate of price increases. The Office for Budget Responsibility (OBR) has forecast that the Chancellor's Budget could reduce inflation by 0.4%, with Lombardelli advising that any shift will be seen from April 2026.

## Final MPC meeting of the year

The Monetary Policy Committee's (MPC's) final meeting of 2025 takes place this Thursday 18 December. At its last meeting in November, the MPC voted to maintain Bank Rate at 4% for the second time in a row. At the time, Governor Andrew Bailey commented that the Committee was proceeding with caution due to elevated inflation. Since then, new ONS data showed that inflation fell slightly in October, marking the first decline since May. Considering this, most economists expect that the MPC will vote to cut Bank Rate this week from 4% to 3.75%. Also, committee members may be encouraged to make a cut to support economic growth, following the unexpected news that the UK economy shrank in October.

## Fed cuts rates despite uncertainty

Across the pond, interest rate cuts are also in the news. The US Federal Reserve reduced its key overnight borrowing rate by 0.25% last week, putting it in a range between 3.5%-3.75%. This is the lowest level in three years, but not all policymakers were in support of the decision. The central bank is under pressure to balance a slowing job market with rising inflation, which reached 3% in September, for the first time since January. However, boosting the labour market seemed to take priority in the latest vote, as the nation continues to feel the effects of the longest-ever government shutdown, which ended in November.

## Spike in mortgage lending in Q3

In promising news for the property market, quarter three of this year recorded the sharpest quarterly jump in mortgage lending in five years. According to new BoE data, the value of gross mortgage advances rose by 36.9% to £80.4bn, marking the largest quarterly increase since Q3 2020. Meanwhile, the outstanding value of all residential mortgages increased by 0.9% when compared with Q2, reaching £1,733.7bn. The data showed that more buyers are continuing to take out mortgages with higher loan-to-value (LTV) ratios – the share of mortgage advances with LTVs exceeding 90% rose quarterly by 0.3 percentage points to 7.4%. This is the highest share since Q2 2008 and 0.8 percentage points higher than last year.

## Here to help

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