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News in Review

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"Britain's economy is resilient"

The annual UK inflation rate reached 2.9% in July, up from a 15-month low of 2.6% in June. According to the Office for National Statistics (ONS), the increase can be largely attributed to Ofgem's raised price cap, which has driven up the average annual gas and electricity bill by £221. This marks the largest increase in gas prices since October 2022, when the war in Ukraine sparked the energy crisis.

As a result, housing and household services made the largest upward contribution to inflation, with the 12-month rate rising from 2.7% in June to 4.1% in July. The largest downward contributor was transport, with annual inflation slowing from 5.7% in June to 3.6% in July.

The overall 2.9% rise in inflation is in line with economists' expectations, according to a poll by Reuters. The Bank of England (BoE) had predicted a slightly smaller increase of 2.8% and expects inflation to peak at 3.2% later in 2026. Despite this, another Reuters poll anticipates that Bank Rate will remain at 3.75% for the rest of the year because there are currently no clear signs of second-round inflation effects.

Chancellor John Healey said, *"Iran war inflation continues to impact prices here at home, but Britain's economy is resilient."* Prime Minister Andy Burnham acknowledged that *"times are really hard"* but *"people can be sure that what I can do to help people, I will do."*

Consumer confidence improves

According to the British Retail Consortium (BRC), consumer sentiment generally improved in August.

Expectations for the state of the economy over the next three months have risen from -36 in July to -28 in August, although remaining in negative territory.

Similarly, expectations for personal finances have gone up from -12 to -9. Expectations for retail spending over the next three months have also increased from +1 to +8, which is promising for the economy. However, expectations for personal savings decreased slightly from -4 in July to -5 in August.

Helen Dickinson at BRC commented, *"Consumer sentiment continued to rise with confidence in the economy hitting its highest level since the historical lows reached at the start of the Iran conflict."* She added, *"The Burnham administration is enjoying a honeymoon boost driven by less pessimism about the outlook but maintaining that momentum will depend on whether the Government can ease the pressure on household budgets."*

A boost in business activity

According to NatWest's Growth Tracker, business activity increased across most of the UK at the start of Q3. Ten out of 12 regions recorded a rise in activity in July, up from three in June. This was mainly due to cost pressures easing and a general improvement in business confidence.

Any reading above 50.0 indicates growth, and London came top of the rankings for the third month in a row with 55.3, followed by the South East (53.2) and Northern Ireland (51.4).

The only regions to see a decrease in new business were Scotland (47.3) and Yorkshire and the Humber (49.1).

Sebastian Burnside, NatWest Chief Economist, commented, *"Rates of increase in business costs fell sharply across the board, which reduces the upside risks to headline inflation and thereby the chances of an increase in interest rates in the coming months."*

Financial anxiety rises

Research suggests that financial anxiety is rising across the UK. According to the survey, one in five adults do not have a financial safety net, so are potentially vulnerable to life's unexpected shocks. Meanwhile, 37% have an emergency fund but 11% of this group said it would only last them a month. Also, a third (33%) of adults are apprehensive about making investment decisions on their own.

Mortgage and pension anxiety has also risen to 21% and 26% respectively. Survey responses show that financial pressures remain high, with 72% worried about the impact of the cost-of-living crisis and 71% concerned about energy prices. Average financial assets have fallen by £13,000 to £183,781 - this includes cash savings, investments and pensions.

Here to help

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