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News in Review

21 October 2026

"It's a sign of resilience in the UK economy"



According to the Office for National Statistics (ONS), monthly gross domestic product (GDP) grew by 0.1% in August, following growth of 0.4% in July and June. The marginal expansion exceeded expectations as economists had predicted a 0.1% contraction in a poll by Bloomberg.

Performance was mixed across the sectors; August's growth was driven by a 0.8% expansion in the production sector, led by growth in mining and quarrying (1.4%) and manufacturing (1.2%). Meanwhile, activity in the services sector was flat and construction output fell by 0.2%.

In the three months to August, GDP increased by 0.7%, marking the eighth consecutive three-month on three-month increase. This follows growth of 0.5% in the three months to July and the three months to June. Services output displayed the strongest performance over the three months, with a rise of 0.9%. Production fell by 0.2% and construction output decreased by 1.0%.

Commenting on the news, Chancellor John Healey said, *"It's a sign of resilience in the UK economy that some had not expected."*

Despite the better-than-expected figures, experts have warned that conditions are still challenging in the UK, with many anticipating an increase to Bank Rate in November. Yael Selfin, Chief Economist at KPMG, said, *"The Chancellor may feel inclined to take a cautious approach at the upcoming Budget, keeping net borrowing on a declining path as a share of GDP whilst avoiding major tax rises."*

IMF praises the UK

The International Monetary Fund (IMF) praised the UK's efforts to reduce borrowing at its annual meeting in Thailand last week. In IMF's latest report, it predicted that the UK economy would expand by 1.3% in 2026, an upward revision from the 1% predicted in July. Overall, IMF said the global economy was performing better-than-expected due to investment in artificial intelligence (AI); however, concerns were raised about the number of countries increasing their levels of borrowing. IMF Managing Director, Kristalina Georgieva, said, *"The UK is actually one country where action to reduce debt and deficit has been taken decisively and we see the UK in that sense enjoying a bit of a better growth prospect."* The UK is therefore projected to have the lowest annual borrowing out of the G7 countries by 2031, but IMF figures also show that the UK is raising taxes at the fastest rate out of the G7, with the country's tax burden expected to increase to 41.9% of GDP by the start of the next Parliament, up from 38.2% at the beginning of 2025.

A call for Small Business Rate Relief expansion

The Federation of Small Businesses (FSB) has urged the Chancellor to expand the Small Business Rate Relief (SBRR) at next week's Budget. Businesses currently receive a 100% discount on properties with a rateable value of £12,000. For properties with a rateable value between £12,001 and £15,000, businesses receive tapered relief which gradually goes down from 100% to 0%. This has not changed in nearly 10 years, so FSB has called for the Chancellor to increase the SBRR threshold to £25,000 to 'remove at least

250,000 more small businesses from paying rates, giving them much-needed room to expand and grow.'

More savings and confidence

Over a third (35%) of UK adults were saving more than usual in quarter three, according to research from Kent Reliance. This is up from 28% in quarter two and was driven by millennials, with 61% of this generation saving more than usual between July and September. While it is positive that more people were putting money aside, 34% said that a lack of disposable income was preventing them from saving more. Meanwhile, data from Barclays shows that confidence in household finances reached 67% in September, which is a seven-month high. Consumers' ability to live within their means rose from 71% in August to 73% in September, and confidence in job security was at 45%, having remained in a range between 43%-47% since the start of the year.

Fewer FTB mortgage applications

In quarter three, mortgage applications from first-time buyers (FTBs) decreased by 3.5% when compared with the same period last year. However, the research from Yorkshire Building Society shows that applications from home movers fell at a faster rate, dropping by 10.2% year-on-year in Q3. Remortgage applications increased by 12% as borrowers shopped around for better deals in response to fluctuating interest rates.

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 (21 October 2026)