

News in Review

13 April 2022

"This will reduce our dependence on power sources exposed to volatile international prices we cannot control"



During a week when the news agenda was again dominated by harrowing scenes from Ukraine, the government unveiled its long-awaited Energy Security Strategy. The new plan places renewed emphasis on nuclear power along with an increase in wind, hydrogen and solar production, and aims to boost UK energy independence and tackle rising prices. The Prime Minister said the "bold plans" would "scale up and accelerate affordable, clean and secure energy made in Britain, for Britain" adding it "will reduce our dependence on power sources exposed to volatile international prices we cannot control, so we can enjoy greater energy self-sufficiency with cheaper bills."

The announcement, however, was greeted with disbelief by environmentalists and many energy experts due to the absence of new policies relating to energy efficiency. While welcoming some elements of the strategy, business groups also highlighted this omission along with a lack of support for firms currently struggling with soaring energy costs.

British Chambers of Commerce Director of Policy and Public Affairs, Alex Veitch said, "The first step in any energy security strategy must be to reduce demand, yet this plan fails to bring forward support for energy efficiency measures. The transition to the cheaper, cleaner energy sources of tomorrow is vital, however prices are soaring today, and businesses need support now."

UK growth slows sharply

According to the latest gross domestic product statistics published on Monday, the UK economy grew by 0.1% in February. This was significantly lower than January's 0.8% figure and below market expectations in a Reuters poll

of economists which predicted 0.3% growth. The Office for National Statistics (ONS) said the slowdown primarily reflected a decline in manufacturing, with car production falling sharply due to component shortages.

State pensions rise takes effect

Monday also saw implementation of the annual state pensions uplift. Due to suspension of the triple lock, this year's rise was determined by the prevailing rate of inflation last September, which was 3.1%. As a result, the full, new flat-rate State Pension has risen by £5.55 a week to £185.15, while the full, old basic State Pension has increased by £4.25 a week to £141.85. Charities, however, have warned that the increase fails to tackle current cost-of-living pressures, with official data showing prices now rising at over twice last September's inflation figure.

Consumer confidence shaken

Survey data released during the past week also highlights the strain that the cost-of-living crisis is placing on household finances. The YouGov/Cebr consumer confidence index, for example, showed British households' confidence in their finances at its lowest level since January 2021, while a Scottish Widows survey found households' financial situation is the most precarious since the depths of the pandemic in the second quarter of 2020. The British Retail Consortium also said pressure on people's finances has 'shaken consumer confidence' after publishing data showing sales growth in March rose by the smallest amount this year.

Wage growth lagging inflation

On Tuesday, ONS released the latest labour market statistics which showed workers' pay failing to keep up with

the spiralling cost of living. Between December and February, real regular pay fell by 1% from year earlier levels, leading ONS spokesperson Darren Morgan to conclude that, "Basic pay is now falling noticeably in real terms." The data also revealed a further drop in the unemployment rate, while the number of job vacancies hit another new high. There were, however, early signs of a potential softening in labour demand, with the increase in vacancies the slowest for almost a year and employment growth coming in significantly below market expectations.

Macron or Le Pen for French presidency

Last weekend, Emmanuel Macron won a convincing first-round victory in the French presidential election. Macron secured 27.84% of the vote, with far-right rival Marine Le Pen second on 23.15%, just ahead of far-left candidate Jean-Luc Mélenchon who received 21.95% of votes. The run-off between the two leading candidates is due to be held on 24 April and will be a replay of the 2017 election, which Macron won by a decisive margin. Opinion polls, however, suggest the second round vote this time around will be a much closer affair.

Markets

London stocks closed in negative territory on Tuesday following news of a fresh 40-year high inflation in the US, with prices increasing by 8.5% over the year to the end of March as the Ukraine crisis drove up gas prices.

Here to help

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