

News in Review

13 July 2022



"Getting the economy growing again has got to be the number one focus for all politicians"

Political news came thick and fast over the last week or so. Following Boris Johnson's resignation last Thursday, a timetable for succession has now been announced by the 1922 Committee of backbench MPs, with potential contenders already jockeying for position as the race to replace the PM begins. The economy and the cost-of-living crisis are set to take centre stage in the leadership contest.

The field will have been narrowed down to two leadership contenders before MPs break up for the summer recess on 21 July and the final result of the ballot of Conservative members will be announced on 5 September. Mr Johnson will remain as Prime Minister in a caretaker capacity until the new leader is elected. In a meeting with his latest cabinet members last Thursday, Johnson said *"major fiscal decisions"* would be left for the next Prime Minister and the government *"would not seek to implement new policies."* An economic speech scheduled to be delivered this week involving Mr Johnson and his Chancellor, at which they were due to set out their approach to rising living costs, has been shelved.

Director General of the Confederation of British Industry (CBI) Tony Danker commented on Boris Johnson's departure, *"We now need the political vacuum to be filled at speed to protect people's living standards, through action on business confidence, investment and growth."* He continued, *"Getting the economy growing again has got to be the number one focus for all politicians, and I look forward to working with the government on a plan for a better,*

brighter economic future for people right across the United Kingdom."

Next leader faces fiscal challenges

Last week the Office for Budget Responsibility (OBR) cautioned challengers for the role of PM that they will find it challenging to cut taxes. The fiscal watchdog deduces that funding tax cuts through borrowing will pile pressure on public finances and risk fuelling inflation as Britain faces an unsustainable national debt burden unless future governments raise taxes to face increased costs. Keeping debt at pre-pandemic levels of around 75% of gross domestic product (GDP) would require finding an extra £37bn every decade for the next 50 years, raised either through tax increases or spending cuts. OBR says UK debt could hit 320% of GDP by the 2070s.

UK economic activity

Latest economic activity data from the Office for National Statistics (ONS) for the week to 1 July shows:

- London saw the highest increase in online job adverts, an increase of 13% on the month
- The number of online job adverts nationally rose by 5%, reaching 128% of February 2020's total
- Credit and debit card purchases rose by two percentage points, reaching 102% of the February 2020 average, three percentage points lower than in May 2022, but six higher than June 2021
- 50% of trading businesses surveyed reported an increase in the prices of goods or services bought in June 2022, when compared with May

- Seated diners in the UK rose by 12 percentage points, reaching 123% of the level seen in the equivalent week of 2019.

Markets

A combination of the introduction of some COVID restrictions in China and rising natural gas prices, weighed on markets at the start of this week, ahead of the release of a highly anticipated US consumer price index inflation report midweek. London stocks managed a positive finish on Tuesday, reversing earlier losses even as worries about a global slowdown continued to weigh on investors' minds. The FTSE 100 ended the session up 0.18% at 7,209.86.

Former Japanese Prime Minister assassinated

World renowned for his hawkish foreign policy and a signature economic strategy that popularly came to be known as Abenomics, former Japanese Prime Minister Shinzo Abe was tragically gunned down last week whilst giving a speech in southern Japan. In office from 2006 to 2007 and from 2012 to 2020, Abe remains the country's longest serving Prime Minister. Despite stepping down in 2020 due to ill health, he has remained one of the most influential political figures in contemporary Japan. The country spent the weekend in mourning.

Here to help

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