

News in Review

31 August 2022

"With the right support in place and with regulator, government, industry and consumers working together, we can find a way through this"



Last Friday, Ofgem, the government regulator for the electricity and downstream natural gas markets in Great Britain, confirmed the energy price cap will increase from £1,971 to £3,549 a year from 1 October.

An Ofgem press release justified the highly anticipated move stating, *'The increase reflects the continued rise in global wholesale gas prices, which began to surge as the world unlocked from the COVID pandemic and have been driven still higher to record levels by Russia slowly switching off gas supplies to Europe.'*

The rise in the cap of just over 80% will come into effect for around 24 million households in England, Scotland and Wales on default energy tariffs and will remain in place until 31 December this year. The price cap for Q1 2023 is due to be announced in November 2022.

Warning of the potential hardship that energy prices will inflict this winter and beyond, the energy regulator's Chief Executive Jonathan Brearley expressed, *"We know the massive impact this price cap increase will have on households across Britain and the difficult decisions consumers will now have to make."* He continued, *"It's clear the new Prime Minister will need to act further to tackle the impact of the price rises that are coming in October and next year. We are working with ministers, consumer groups and industry on a set of options for the incoming Prime Minister that will require urgent action. The response will need to match the scale of the crisis we have before us. With the right support in place and*

with regulator, government, industry and consumers working together, we can find a way through this."

The hike in energy bills will clearly be an area of priority for the next Prime Minister, who is due to be announced on Monday 5 September.

Positive news for global dividends

During the second quarter of the year, new data shows that global dividends reached a record high, surpassing pre-pandemic levels. The latest Janus Henderson Global Dividend Index highlights Q2 dividends reached \$544.8bn, an increase of 11.3% from the previous quarter. Underlying growth was stronger (19.1%) once US dollar strength and other factors are accounted for. Despite pandemic-inflicted upheaval, dividend recovery has strengthened and now resides just 2.3% below the long-term trend level, bolstered by a profitable 2021.

A prime headline statistic reveals that an impressive 94% of companies in the Index increased dividends or chose to hold them steady in Q2. Both the UK and Europe were noted as key regional drivers of dividend growth over the period, with dividends increasing by 29.3% and 28.7% respectively on an underlying basis, particularly supported by the financial sector and German car makers. Notably, oils and financials were primary drivers in Q2 global dividend growth, supported by consumer discretionary sectors. Although US dividend growth lagged the wider world at 8.3%, the increase still led to a new US dividend record.

The report anticipates that total dividend payouts this year will reach \$1.56trn. Looking ahead to next year, slower dividend growth is expected, with the report deducing, *'As we move into 2023, there will be no more impetus from post-COVID-19 catch-up payments. Moreover, slower global economic growth and the likelihood that mining dividends are now close to peaking will add a further headwind, though exchange rates are unlikely to act as a significant drag on headline growth given the currency impact witnessed in recent months. Overall, dividend growth is likely to be slower next year given the current economic outlook.'*

Markets

Following Federal Reserve Chairman Jerome Powell's speech at the Jackson Hole Economic Symposium on Friday, where he cautioned that the US Fed would act *"forcefully"* to control inflation though it would result in *"some pain to households and businesses,"* markets moved into the red. Despite the release of better-than-expected US economic data, stocks remained down early in the week. London stocks also underperformed as traders in London were forced to catch-up with selling on global markets over the bank holiday. At close on Tuesday, the FTSE 100 was down 0.88% at 7,361.63 and the FTSE 250 closed down 0.10% at 19,149.65.

Here to help

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