

News in Review

3 August 2022

"The world's three largest economies are stalling, with important consequences for the global outlook."



Last week saw the International Monetary Fund (IMF) release its latest economic assessment and forecast for the global economy. Following the effects of the pandemic and Russia's invasion of Ukraine, the IMF now expects growth to slow to 3.2% in 2022, a downgrade of 0.4 percentage points from its previous publication in April.

The uncertainty is expected to continue into 2023, with next year's forecast also downgraded to 2.9% (from 3.6% in April). According to the IMF, *'this reflects stalling growth in the world's three largest economies – the United States, China and the euro area.'*

Amidst the uncertain global outlook, the IMF is predicting that the UK will have the slowest growth of the G7 economies in 2023, at 0.5%, significantly below April's figure of 1.2%.

Primary among the faltering economies is the US, which entered a technical recession on Friday after shrinking for a second consecutive quarter.

As for China, the IMF revised its growth forecast down to 3.3% in 2022, the slowest rate in more than four decades, excluding the pandemic. On Tuesday, it was reported that party leaders in China were re-framing this year's growth target of around 5.5% as guidance rather than a hard target.

Eurozone forecast

The outlook for the eurozone was also downgraded, with growth now forecast at 2.6% this year and 1.2% next year. The day after the Women's Euro Championships Football Final, the release of Germany's monthly retail sales statistics will have done little to lift the nation; in June,

German retail sales volumes fell by 8.8%, the largest annual drop since records began. Official figures released on Friday had already revealed stagnant growth between the first and second quarters in the eurozone's biggest economy.

Inflation data released on Friday revealed a eurozone-wide 8.9% spike in July, the highest rate since the creation of the euro in 1999. Globally too, the IMF revised its inflation estimates upwards, forecasting 6.6% in advanced economies (up 0.9%) and 9.5% in emerging economies (up 0.8%) this year.

'Inflation at current levels represents a clear risk for current and future macroeconomic stability' according to Pierre-Olivier Gourinchas of the IMF, who stated that *'bringing it back to central bank targets should be the top priority for policymakers.'*

UK's electric vehicle plans

UK car production figures released last week, however, provided a much-needed bright spot, increasing by 5.6% year-on-year in June. Optimism in the industry was further bolstered by news that Britishvolt will receive government funding to build a *'gigafactory'* in Cambourne, near Blyth, which will allow for the mass production of electric car batteries and create 3,000 jobs.

Announcing the development, Business Secretary Kwasi Kwarteng said, *"The Blyth gigafactory will turbocharge our plans to embed a globally competitive electric vehicle supply chain in the UK and it is fantastic to see how the project is progressing."*

Energy help

Last Friday welcome news came for many as the government announced

that households in England, Scotland and Wales will receive £400 fuel bill support payments in six monthly instalments starting in October. Households will see a discount of £66 applied to their energy bills in October and November, and £67 a month from December to March 2023.

Apple and Amazon sales up

Better than expected sales have been posted by both Apple and Amazon, reassuring investors that the tech giants will be able to weather slowdowns in global economies. The quarterly updates from Apple and Amazon are closely watched as indicators of how customers are reacting to the economic climate. The updates sent the companies' shares soaring.

House prices still climbing

According to Nationwide, house prices climbed 11% in the last 12 months, although the rise over the last month was just 0.1%. *"The housing market has retained a surprising degree of momentum"* said Robert Gardner, Nationwide's Chief Economist, adding that there were *"tentative signs of a slowdown in activity"*.

The July figure was marginally ahead of June's annual rise of 10.7% and left the average house price at £271,209. The Bank of England is expected to increase interest rates on Thursday.

Here to help

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