

News in Review

26 October 2022

"We now need stability and unity"



In another whirlwind week in UK politics, Liz Truss resigned last Thursday, the shortest serving Prime Minister in British history. Speaking outside Downing Street she said she could not deliver the mandate on which she was elected. Her resignation after just 44 days kickstarted a contest to find the next Conservative leader and PM.

A fast-tracked leadership contest saw the benchmark set high, with hopefuls needing to receive the backing of 100 MPs by 2pm on Monday. Sir Graham Brady, 1922 Committee Chair commented on the urgent need for stability, *"We're deeply conscious of the imperative of the national interest of resolving this clearly and quickly."*

Boris Johnson, Penny Mordaunt and Rishi Sunak threw their hats in the ring. Johnson pulled out of the race on Sunday, and with Mordaunt seemingly unable to get the backing of 100 MPs, Mr Sunak was named the next Prime Minister, the UK's first British Asian PM and the youngest leader in over two centuries.

In a brief address on Monday afternoon, Mr Sunak warned the country faced *"profound economic challenges"* adding, *"We now need stability and unity, and will make it my utmost priority to bring our party and our country together because that is the only way we will overcome the challenges we face and build a better more prosperous future...I pledge that I will serve you with integrity*

and humility and I will work day in day out to deliver for the British people."

After meeting King Charles, Mr Sunak gave a speech outside Number 10, saying that he would restore trust, rebuild confidence and lead the UK through *"a profound economic crisis"* before he set to work on appointing his cabinet.

Dominic Raab has been confirmed as Deputy PM, Grant Shapps was appointed business secretary and Jeremy Hunt remains as Chancellor.

Inflation continues its ascent

According to the most recent data from the Office for National Statistics (ONS), food and non-alcoholic beverage prices in the UK are increasing at their fastest pace in over forty years, since April 1980. In the 12 months to September, food costs leapt by 14.6%, up from 13.1% in the 12 months to August. Key drivers to the rise were price increases in meat, cereal, bread and dairy products.

As food price rises continue their ascent and people struggle with the cost of key household staples, Karen Betts, Chief Executive of the Food and Drink Federation commented on the rise, *"Food and drink manufacturers continue to do everything they can to keep product prices down, but huge rises in ingredient, raw material, energy and other costs mean they have no choice but to pass some price rises on."*

She continued, *"Recent economic turbulence in the UK has made a difficult operating environment for businesses in*

our sector worse. Companies urgently need a stable economic outlook and a coherent policy framework to enable them to make investment and other critical decisions that are central to their businesses and to the prosperity of their local communities."

IHT receipts

The latest Inheritance Tax (IHT) figures released last week have intensified the debate over government intentions. Total HM Revenue and Customs (HMRC) receipts for April 2022 to September 2022 were £3.5bn, which is £0.4bn higher than in the same period last year. Government IHT receipts were bolstered by £557m taken during September, and high receipts in June were attributed to a *'small number of higher-value payments than usual.'*

Markets

The markets reacted positively to the departure of Liz Truss, with European stocks closing higher on Thursday. On the same day, in the UK, the FTSE 100 closed up 0.3% and sterling rose 0.7% to reach \$1.13 against the dollar. On Tuesday, following Mr Sunak's first speech, the pound hit its highest level against the dollar since 15 September at \$1.14. The FTSE 100 ended the session down 0.07% to close on 7,013.48 and the FTSE 250 was up 2.85% to close on 17,831.63.

Here to help

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