

## News in Review

05 April 2023

*"There's underlying resilience in the UK economy"*



**On Friday, the Office for National Statistics (ONS) revised its Q4 2022 data showing that the UK economy performed better than previously estimated. UK gross domestic product (GDP) is now estimated to have increased by 0.1% in the final quarter, up from the previous estimate of no growth.**

With the revision, it was revealed that telecommunications, construction and manufacturing performed better than initially thought. In output terms, the services sector grew by 0.1% and the construction sector grew by 1.3%.

The new figures confirm that the UK economy avoided falling into recession at the end of 2022. The level of real GDP in Q4 2022 is now 0.6% below where it was before the pandemic, revised upwards from the previous estimate of 0.8% below.

Separately, the Institute of Directors released a survey that showed improved demand, confidence, hiring and investment intentions in March, boosting hopes that the economy may be firmly back on track. Of more than 900 firms surveyed in March, exactly half reported that their order books were healthier than at the end of 2022.

Commenting on the ONS figures, Chancellor Jeremy Hunt said, *"There's underlying resilience in the UK economy ... We will continue to take the difficult decisions necessary to bring down inflation caused by what's happened in Ukraine. That is the way we will get back to healthy growth and relieve the pressure on families."*

### **Mixed bag for manufacturing**

March is the eighth straight month in which UK manufacturing activity has fallen, according to figures released on Monday by the seasonally adjusted S&P Global/CIPS UK Manufacturing Purchasing Managers' Index (PMI). The headline reading fell to 47.9 in March, a fall from February's seven-month high of 49.3 and below forecasts of 49.8.

Despite the negative reading, manufacturers continue to report improving supply conditions. Notably, cost pressures softened, with some lower commodity prices and falling freight rates passed on by suppliers. Delivery times improved too, with reports of shorter delivery times from suppliers at their most widespread since the survey started in 1992.

In response to these positive signs, business expectations rose, as shown by the PMI's gauge of future output reaching its highest level since February 2022. Rob Dobson, director at S&P Global Market Intelligence, commented, *"UK manufacturing production fell back into contraction at the end of the opening quarter, as companies scaled back production in response to subdued market conditions. There was better news on the price and supply fronts during March, however. [...] Supply chains continued to recover from the immense pressure experienced over the past three-and-a-half years, with March seeing average vendor lead times improve to the greatest extent during the 31-year survey history."*

### **House prices down again**

House prices across the UK are continuing to fall, according to the latest House Price Index from Nationwide, with a seventh consecutive monthly drop recorded in March.

On average, prices dropped by 3.1% year-on-year in March, the biggest annual decline since July 2009. All regions experienced a slowing in price growth in Q1, the report stated, while nine out of 13 regions saw annual prices fall. The West Midlands was the strongest performing region, with prices up 1.4% compared with a year ago.

Commenting on the figures, Robert Gardner, Nationwide's Chief Economist, cautioned, *"It will be hard for the market to regain much momentum in the near term since consumer confidence remains weak and household budgets remain under pressure from high inflation."*

### **Price of stamps**

Since Tuesday, all standard Royal Mail stamps now feature King Charles' portrait. A day earlier, the price of first-class stamps rose by 15p to £1.10, while second class stamps rose by 7p to 75p.

### **Oil surges as production held back**

Oil prices surged on Monday after several of the world's largest exporters announced surprise cuts in production. On Sunday, OPEC+ announced plans to lower output targets by a further 1.16 million barrels per day; in response, Brent crude prices rose by more than 6% on Monday.

### **Here to help**

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