

News in Review

30 October 2024

'We observe good prospects of a soft landing of the global economy'



The International Monetary Fund's (IMF's) new World Economic Outlook entitled 'Policy Pivot, Rising Threats,' outlines global growth expectations of 3.2% in both 2024 and 2025. The international soothsayer predicts that rate cuts are 'poised' to continue, inflationary pressures will ease, growth will be modest, while geopolitical risks 'remain threats to global stability and growth.'

At the IMF and World Bank annual meetings in Washington, IMF Director Kristalina Georgieva cautioned that a potential high debt, low growth route for the global economy will leave governments with diminished resources to improve opportunities and address challenges like climate change, adding, "These are anxious times with these problems in mind."

The IMF projects UK growth to reach 1.1% this year and 1.5% in 2025 as 'falling inflation and interest rates stimulate domestic demand.'

Finance leaders and central bank governors from developed and emerging economies who had gathered at the event jointly issued a statement expressing optimism, 'We observe good prospects of a soft landing of the global economy, although multiple challenges remain.'

Praising 'well-calibrated monetary policies' that have helped to control inflation, the finance professionals spoke about a joint commitment to resist protectionism to support fair and open global trade.

Rachel Reeves' maiden Budget

Speculation over the Labour government's Budget has been rife for weeks. As news flow intensifies, likely targets for tinkering include pensions, Inheritance Tax (IHT) and Capital Gains Tax (CGT), areas which have received the most attention in the lead up to the Budget. Property could also be in the Chancellor's sights, with possible changes to Council Tax bands, Stamp Duty and CGT. Businesses are concerned over possible National Insurance increases for employers.

On Monday, the Prime Minister said the Budget will embrace the "harsh light of fiscal reality" but "better days are ahead." Preparing the country for tax rises, Keir Starmer said he would "run towards" challenges and would not "continue the pretence that you can always have lower taxes and that your public services will run properly."

Rachel Reeves will present the latest economic forecast from the independent Office for Budget Responsibility (OBR) alongside her inaugural Budget on Wednesday.

Consumers "holding their breath"

Released last Friday, GfK's consumer confidence survey edged down from -20 in September to -21 in October, in line with the median forecast in a Reuters poll of economists. The lowest reading since March, British consumer confidence is being impacted by concerns about possible tax hikes in the Budget. Neil Bellamy, Consumer Insights Director, NIQ GfK, commented on the new data set, "As the Budget statement looms, consumers

are in a despondent mood despite a fall in the headline rate of inflation... This month's Consumer Confidence Barometer paints a picture of people holding their breath to see what's in store for them on October 30."

Manufacturing sentiment weakens

The latest Confederation of British Industry (CBI) quarterly Industrial Trends survey has shown manufacturing sector sentiment fell during October at the fastest pace in two years. Over the quarter to October, output volumes fell, as did total new orders. Looking ahead, a decline in new orders is predicted, with over two thirds of survey respondents expecting order book strength is a key factor limiting output over the next quarter. Price and cost pressures have receded from July. According to CBI Lead Economist Ben Jones, "The recent downturn is expected to bottom out in the coming quarter, which is encouraging... amid a more uncertain outlook manufacturers have scaled back their plans to invest in buildings, capital equipment, innovation and training."

Commenting on the upcoming Budget, Mr Jones said, "While possible tax rises remain a concern, firms believe that clarity over future tax plans, measures to enhance productivity, and the country's net zero trajectory can all help cement the path to long-term growth... Manufacturers will be looking to the Chancellor to deliver a confidence-boosting Budget that supports business and greases the wheels of investment."

Here to help

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