

## News in Review

5 February 2025

*“Low growth is not our destiny... but growth will not come without a fight”*



**Chancellor Rachel Reeves made a series of major announcements in a highly anticipated speech last Wednesday at Siemens Healthineers in Oxfordshire. Setting out more plans to boost growth, Ms Reeves unveiled fresh promises for infrastructure and redevelopment projects. “We can do so much better,” Ms Reeves remarked. “Low growth is not our destiny... but growth will not come without a fight.”**

Leading up to the speech, headlines were dominated by whether the government would back plans to build a third runway at Heathrow Airport. Ms Reeves duly confirmed her support, arguing that the development could create 100,000 jobs. The long-touted expansion at Heathrow received parliamentary approval in June 2018; now, with Ms Reeves’ go-ahead, the airport will submit expansion plans by the end of the summer.

**Other significant announcements include:**

- An upcoming decision on whether Luton Airport can be expanded and whether an emergency runway at Gatwick Airport can be built. *“There are two live decisions on Luton and Gatwick which will be made by the Transport Secretary shortly”* Ms Reeves said
- A commitment to build *“Europe’s Silicon Valley”* between Oxford and Cambridge. Ms Reeves laid out some policies aimed at boosting the region’s growth, including improved transport links and better water infrastructure. *“We are going further and faster to unlock the potential of the Oxford-Cambridge Growth Corridor,”* she said, adding that doing so could add £78bn to the UK economy in the next 10 years
- Approval for £7.9bn in investment for water companies to build nine new reservoirs

- Support for Andy Burnham, Mayor of Greater Manchester, in the redevelopment of Old Trafford football stadium, with the promise of creating new housing and commercial development
- Upcoming trade trips hosted by various ministers, including Business Secretary Jonathan Reynolds travelling to India next month
- Plans to invest in two green energy projects through the National Wealth Fund, with £65m pledged to electric vehicle charging company Connected Kerb and £28m to be invested in Cornish Metals, which provides the raw material for solar panels, wind turbines and electric vehicles.

**ECB cuts rates again**

The European Central Bank (ECB) cut its key interest rate to 2.75% last Thursday, as uncertainty continues to weigh on the continent’s economic outlook. The quarter-point percentage drop to 2.75% was in line with analysts’ expectations and follows a series of rate cuts in 2024. With inflation near 2% and growth still weak, the decision was unanimous.

**Stability in the UK mortgage market**

Mortgage borrowing in the UK increased in the latest Money and Credit Report from the Bank of England (BoE) released last week. In December 2024, net debt rose to £3.6bn, up £1bn from the previous month, with the annual growth rate rising to 1.5%. Gross lending reached £21.3bn, up from £20.8bn in November.

Meanwhile, net mortgage approvals for house purchases also edged higher to reach 66,500 in December. On the flip side, remortgage approvals fell for a second consecutive month to 30,500.

**House price growth softens in January**

Annual house price growth slowed to 4.1% in January, according to Nationwide’s latest House Price Index. On a monthly basis, this represented a change of 0.1%, following a sizeable 0.7% boost in December.

The release also showed that the overall rate of home ownership in recent years has remained mostly unchanged, despite increasingly acute affordability pressures. *“The price of a typical UK home rose by 4.1% year on year in January, a modest slowing in the annual pace of growth compared with December,”* said Robert Gardner, Nationwide’s Chief Economist, adding that *“the housing market continues to show resilience despite ongoing affordability pressures.”*

**Trump trade wars intensify**

In a busy week for international trade relations, US President Donald Trump suspended the hefty tariffs on Mexico and Canada that he threatened after last-minute negotiations with the two US neighbours. China has announced retaliatory tariffs on some American goods, as US tariffs on all Chinese goods came into force on Tuesday.

Overnight on Sunday, Mr. Trump then gave his clearest indication yet that the EU could be his next target for tariffs. *“I wouldn’t say there’s a timeline, but it’s going to be pretty soon,”* he warned. The UK, on the other hand, seems to have evaded tariffs for now, *“The UK is out of line,”* the President said, *“but I’m sure that one, I think that one, can be worked out.”*

**Here to help**

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

***The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.***

***All details are correct at time of writing (5 February 2025)***