

News in Review

16 July 2025

"Our focus remains on maintaining financial stability"



Key findings from the Bank of England's (BoE's) Financial Stability Report, released last week, have shown that the global risk outlook has become increasingly uncertain following recent geopolitical shocks which have resulted in heightened volatility in financial markets.

Since the last report in November, global vulnerabilities have increased, with elevated risks to growth and inflation, and ongoing US trade negotiations and the conflict in the Middle East weighing. Weaker growth prospects and uncertain interest rate paths have added to global sovereign debt pressures. Meanwhile, rising geopolitical tensions have driven a surge in global cyber attacks, which could amplify financial stress, according to the report. The Financial Policy Committee is urging global cooperation to build resilience, share best practices and improve preparedness to combat cybercrime.

The report outlines that despite this challenging environment, UK households and businesses remain broadly resilient; the UK banking system is well-capitalised and robust, enabling it to continue supporting the real economy, even during periods of financial stress.

Speaking at the accompanying press conference, Andrew Bailey, BoE Governor said, *"Risks to the global outlook remain high... household and corporate borrowers remain resilient in aggregate and the UK banking system remains in a strong position to support them."*

He concluded, *"Our focus remains on maintaining financial stability and ensuring the resilience of the financial system in an*

environment with increased geopolitical uncertainty and unpredictability, which underpins sustainable economic growth."

UK GDP unexpectedly contracts in May

According to the Office for National Statistics (ONS), it's estimated that the UK economy contracted 0.1% in May 2025, following a decline of 0.3% in April. The drop was mainly driven by manufacturing output, which decreased by 1.0% over the period. The wholesale and retail trade sector also had a weak performance, accounting for the largest negative contribution at the subsector level.

The fall in economic output has surprised many experts, as gross domestic product (GDP) grew by 0.7% in Q1 of this year, making the UK the fastest-growing country in the G7. However, this is potentially short-lived as growth for Q2 is estimated to be between 0.1% and 0.2%. The disproportionate growth at the start of the year was likely due to manufacturers rushing to beat higher US tariffs, plus the race to complete property purchases before the Stamp Duty reforms.

Housing market enters a more settled phase

The housing market seems to be stabilising after a volatile period, according to the Royal Institution of Chartered Surveyors' (RICS) Residential Market Survey. For the first time this year, the net balance for buyer demand has moved out of negative territory, increasing to +3% in June. Near-term expectations for sales volumes also had an uplift, with a net balance of +6%. However, survey respondents expect sales volumes to remain relatively flat over the coming year, with a net balance of +5%.

The net balance for new instructions has fallen, dropping from +7% in May to +3% in June. This indicates a comparative slowdown in new listings; however supply remains fairly high.

Across the UK, house prices still follow a negative trend, with the net balance staying at -7% in June. This trajectory is expected to continue in the short term, but a quarter (24%) of survey respondents anticipate house price increases over the next 12 months.

Reeves signals stability in Mansion House Speech

On the day the FTSE 100 broke through the 9,000 mark for the very first time, in her Mansion House address, Chancellor Rachel Reeves focused on continuity, avoiding major tax or savings announcements, saying *"I and this government remain committed to our non-negotiable fiscal rules."* The main points from the speech included:

- No immediate changes to Individual Savings Account (ISA) allowances or structure, though she *"will continue to consider further changes to ISAs"*
- No new taxes on the banking sector, maintaining the current bank levy and surcharge
- A reaffirmation of support for the 'Leeds Reforms' – a wide-ranging package simplifying financial regulation, easing ring fencing rules and unlocking higher loan to value mortgages.

Here to help

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