

News in Review

9 July 2025

"The world ahead is more uncertain"



Investors turned their attention to Sintra, Portugal last week, for the European Central Bank's (ECB) Annual Forum. Key monetary policymakers from around the globe, including Federal Reserve Chair Jerome Powell, ECB President Christine Lagarde, Bank of England (BoE) Governor Andrew Bailey and Bank of Japan Governor Kazuo Ueda, gathered together to exchange insights and strategies to navigate the "uncertain" world ahead.

Markets were closely watching for any signals about future interest rate moves or shifts in economic outlook. In a panel of central bankers, Jerome Powell stated that the US is "100%" on its inflation and jobs target, as well as reiterating that the Fed plans to "wait and learn more" about the impact of Donald Trump's tariffs on inflation before lowering interest rates. "We're taking time, for as long as the US economy is solid, the prudent thing is to wait," he said.

BoE Governor Andrew Bailey had a similar message of patience when he stressed that interest rates are likely to fall gradually in the UK. "We do see signs of softening," Bailey said, in the economy and labour market, before adding that the "direction of rates continues to be downwards."

Last Monday, the ECB unveiled an updated strategy reaffirming its commitment to the longstanding target of 2%. Inflation for the Eurozone hit 2% in June, according to a new flash estimate, a small rise from 1.9% in May, which has been the first time inflation had fallen below the ECB's 2% target for seven months. Leading the rises, services

inflation bumped up to 3.3%, the figures reveal, ahead of food, alcohol and tobacco prices, which all also rose to 3.1%. In contrast, energy prices recorded a 2.7% fall from the year before.

Summarising the mood of the conference, repeated reference was made throughout the event to uncertainty, complexity and global challenges. "The world ahead is more uncertain," Christine Lagarde told the Forum, "and that uncertainty is likely to make inflation more volatile."

Small stabilisation in UK manufacturing – as services soar

UK manufacturing recorded more positive data in June, according to the latest S&P Global/CIPS manufacturing Purchasing Managers' Index published last week, as the sector's downturn eased to its least negative reading in five months.

Businesses pushed up their prices in June to offset higher labour costs, pushing manufacturing's score on the index upwards for the third consecutive month, figures show. Positively, business optimism improved to a four-month high, signalling that further upward momentum could lie ahead. Despite this, at 47.7, the index remained below the 50.0 growth threshold for a ninth month in a row.

"Any hoped for stabilisation remains fragile and subject to potential headwinds that could severely impact demand, supply chain reliability and future growth prospects," commented Rob Dobson, Director at S&P Global Market Intelligence.

Meanwhile, the services sector recorded its fastest pace of growth since August 2024, according to a corresponding

release for that sector. In reaching 52.8, the index climbed up from 50.9 a month earlier, sparking positive reaction from industry insiders. The Purchasing Managers' Index rose for services in part as a result of input cost inflation easing for a second month running, the release revealed, as well as from improved order books.

Bank of England to redesign banknotes

In other news, the Bank of England (BoE) announced last week that its banknotes will get their first major redesign in more than 50 years, with the BoE asking the public to help determine the new designs.

Whereas current banknotes are adorned with the faces of notable historical figures, from Sir Winston Churchill on the five-pound note to Jane Austen on the £10, suggested new themes include nature, architecture, food and technology.

A newly launched public consultation will bring together the nation's views, as well as giving them the chance to propose their own ideas, according to the BoE. "Banknotes are more than just an important means of payment," said Victoria Cleland, the Bank's Chief Cashier, "they serve as a symbolic representation of our collective national identity and an opportunity to celebrate the UK."

Some 4.7 billion BoE notes remain in circulation, with a total value of around £86bn, though cash use has fallen to 12% of transactions in recent years.

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