

## News in Review

6 August 2025

*"The world economy is still hurting"*



**The International Monetary Fund (IMF) has predicted global economic growth of 3% in 2025 and 3.1% in 2026. This is an upward revision from the IMF's forecast in April, partly due to recent front-loading in anticipation of higher tariffs. Easier financial conditions and fiscal expansion in some major jurisdictions also contributed to the improved outlook.**

Despite the revision, forecasts are lower than the 3.3% rate predicted in January for both 2025 and 2026, indicating that trade tensions have impacted the economy. Higher tariffs continue to pose a risk to the global economy, along with geopolitical tensions and increased uncertainty. IMF Chief Economist, Pierre-Olivier Gourinchas, commented, *"The world economy is still hurting and it's going to continue hurting with tariffs at that level, even though it's not as bad as it could have been."*

Meanwhile, global inflation is expected to decline to 4.2% in 2025 and 3.6% in 2026 but will likely remain above target in the US. For the UK, predicted growth remains unchanged from May – 1.2% in 2025 and 1.4% in 2026. This keeps the UK on track to be the third fastest growing economy in the G7 (the world's advanced economies).

### Latest US tariffs

President Donald Trump has announced new tariff rates on imports from dozens of countries. The higher rates come into effect on 7 August, except for Canada's 35% tariff which was effective from 1 August.

However, 90% of Canadian goods are exempt due to the US-Mexico-Canada free trade agreement. Canada's Prime Minister, Mark Carney, said he was *"disappointed"* by the decision.

Some of the highest tariffs are applied to Brazil, which now faces rates of 50% on most goods. Trump has put a 90-day pause on increasing tax for Mexico, so tariffs there remain at 25%. Negotiations are still underway with China, who face a separate deadline of 12 August.

### Supreme Court ruling on car finance

Millions of motorists are not entitled to claim compensation from car finance companies, according to last week's Supreme Court ruling. The Court of Appeal had previously found it to be unlawful for car dealers to receive hidden commission from lenders. This would have made millions of consumers eligible for compensation, depending on the details of their car loan. However, the Supreme Court reversed this decision, siding with car finance firms in two out of the three test cases. But in the case of Marcus Johnson, the Court ruled against the lender because the size of the commission (55%) was a *'powerful indication'* that the relationship between customer and lender was unfair.

The Financial Conduct Authority (FCA) has confirmed that it will consult on a redress scheme for motor-finance customers, taking into account the Supreme Court ruling to help determine what is unfair.

### House price growth picks up in July

The latest figures from Nationwide show that annual house price growth increased by 2.4% in July, up slightly from 2.1% in June. Prices went up monthly by 0.6% bringing the average house cost to £272,664. The house price to earnings ratio is now about 5.75, the lowest level in over a decade. It is also a significant improvement on the all-time high of 6.9 seen in 2022.

Nationwide's Chief Economist, Robert Gardner, commented, *"Providing the broader economic recovery is maintained, housing market activity is likely to continue to strengthen gradually in the quarters ahead."*

### Latest IHT figures

According to HMRC, the number of estates paying Inheritance Tax (IHT) went up by 13% in the space of a year. In 2021/22, it is estimated that 27,800 estates were subjected to IHT, but this rose to 31,500 in 2022/23. In this time, IHT receipts also rose by 12% to £6.7bn. HMRC attributed the uptick to *'a combination of higher volumes of wealth transfers following recent IHT-liable deaths, recent rises in asset values, and the Government's decision to maintain the IHT tax free thresholds at their 2020 to 2021 levels up to and including 2029 to 2030.'*

### Here to help

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