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News in Review

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'The situation remains highly fluid and adds to an already uncertain global economic environment'

Last week, the International Monetary Fund (IMF) released a statement about the Middle East conflict, which began on 28 February after US-Israeli air strikes on Iran.

At the start of the year, the IMF had forecast strong global GDP growth of 3.3% in 2026, but the outlook is now more uncertain. The IMF commented on the recent escalation in the Middle East, saying, '*So far, we have observed disruptions to trade and economic activity, surges in energy prices, and volatility in financial markets. The situation remains highly fluid and adds to an already uncertain global economic environment. It is too early to assess the economic impact on the region and the global economy. That impact will depend on the extent and duration of the conflict.*'

Potential impact of the conflict

The war in the Middle East is a fast-developing situation. In addition to the devastating human toll of the conflict and obvious concerns of those in the region, we have seen an immediate impact on international travel and a surge in oil prices. Tanker traffic through the Strait of Hormuz, which carries a fifth of oil consumed globally and large quantities of gas, has largely ceased amid Iranian attacks on tankers.

Implications for the UK economy are emerging. The inflationary outlook is less certain as cost pressures look set to intensify. On Tuesday, the Office for Budget Responsibility (OBR) said that pressure on energy prices could push inflation close to 3% by end of the year. Markets had been expecting to see a cut to Bank Rate on 19 March, with traders previously saying there was an 86% chance of a reduction by 0.25 percentage points, due to promising inflation data and rising unemployment. However, markets have now reduced the probability of a cut this month to less than 5%. Last week, natural gas prices increased by about 45% in the UK due to fears surrounding Middle Eastern energy supplies. As a result, two-year gilt yields have risen to their highest levels since December. If higher energy prices persist, inflation could be driven up, in turn affecting the likelihood of further Bank Rate cuts.

Many UK energy suppliers have taken their fixed-rate deals off the market over the last week because suppliers can no longer offer a set price for longer than a year. The number of available fixed-rate deals has more than halved. Meanwhile, the remaining fixed-rate deals have risen in price.

China lowers target for economic growth

Last week, China lowered its economic growth target to a range of 4.5%-5%, the lowest level since 1991. In 2025, China reached its overall target of 5% expansion; however, in Q4 growth slowed to 4.5%. As the world's second-largest economy, this is a significant indicator of challenges faced both by China and other nations - the country is grappling with issues such as weak domestic consumption, a property crisis, a shrinking population, global trade tensions and energy concerns due to the Middle East conflict.

House price update

The latest data from Halifax shows that house prices rose monthly by 0.3% in February, down slightly from a rise of 0.8% in January. Meanwhile, prices increased by 1.3% year-on-year - the strongest annual growth rate in four months. The average house price now stands at £301,151.

There is still a significant regional difference in house price growth. Northern Ireland continues to record the strongest UK performance, with a 6.3% annual rise in the 12 months to February. In England, the North East saw the strongest growth in February, with an annual rise of 3.5%. Meanwhile, southern regions are still experiencing declines in house prices. The South East recorded an annual fall of 2.2%.

Amanda Bryden, Head of Mortgages at Halifax, commented, *"These latest figures suggest the market has regained some momentum after a softer end to 2025. While industry data for January show a slight easing in new mortgage approvals, overall activity has continued to prove resilient."*

Higher US tariffs likely

According to the US government, a higher global tariff of 15% is likely to be implemented soon. President Trump had previously said the 15% global rate would be introduced in February, but this was blocked by the Supreme Court, so a 10% rate was issued instead. The White House used an untested trade authority to bring in the 10% rate - under this law, Trump can temporarily introduce a tariff of up to 15% without approval from Congress.

Here to help

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