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News in Review

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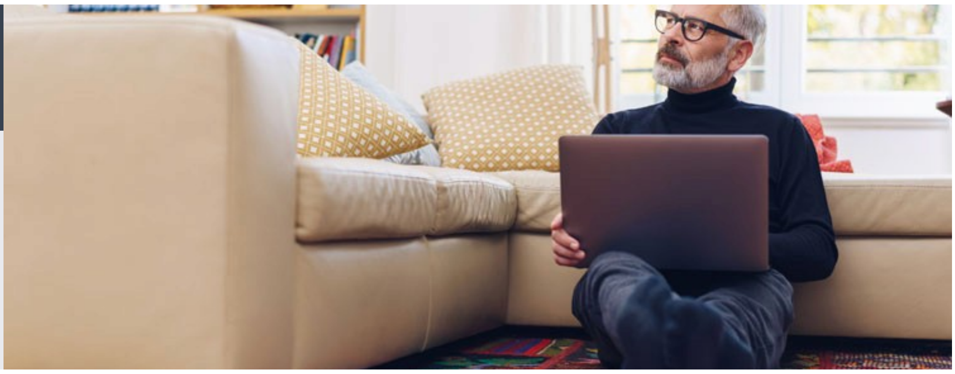
"A brutal inflation surge looms"



The latest figures from the Office for National Statistics (ONS) show the annual rate of inflation remained at 3% in the 12 months to February - based on data collected before the Middle East conflict.

Interestingly, motor fuels made the largest downward contribution to inflation, with prices falling by 4.6% annually in the 12 months to February. Fuel prices have obviously surged in recent weeks, due to the conflict.

Suren Thiru, Chief Economist at ICAEW, commented on the UK inflationary outlook, *"While inflation should fall next month as the cut to green levies temporarily lowers energy bills, a brutal inflation surge looms with skyrocketing oil and gas costs likely to lift the headline rate above 4% by the summer."*

Executives from the energy, shipping and banking sectors were called to Downing Street on Monday. Business leaders were urged to help manage the economic fallout from the conflict, with Keir Starmer acknowledging the government cannot carry the burden alone. Addressing the group, the Prime Minister said responding to the impact of the conflict would require a *"joint effort."*

Competing forces shape the outlook

The recently released global economic overview from the Organisation for Economic Co-operation and Development (OECD), highlights the uncertainty of the conflict on growth and how two competing forces are shaping the outlook. On one side, stronger investment in technology, lower-than-expected tariffs and momentum carried over from a robust 2025 are helping to support growth.

Meanwhile, disruption to shipments through the Strait of Hormuz, alongside damage to energy infrastructure, has pushed up energy prices and interrupted the supply of key commodities, adding to inflationary pressures.

Global growth of 2.9% is predicted for this year, ticking up to 3% next year. These projections assume the energy disruption is temporary and eases from the middle of the year. The forecasts highlight that the UK could be among the hardest hit in the G7. The UK is now expected to see growth of just 0.7% in 2026, downgraded from the previous estimate of 1.2%. Meanwhile, OECD estimates UK inflation will reach 4% this year, revised up from the previous forecast of 2.5%. Inflation is projected to ease to 2.6% in 2027, but this assumes that energy prices will start to fall from mid-2026.

Consumer confidence

Consumer confidence weakened in March, with GfK's index falling by two points to -21. Attitudes about the general economic situation over the last 12 months rose monthly by one point to -43. However, expectations for the year ahead dropped by six points to -37. The Major Purchase Index, which measures views on making big purchases, fell by four points to -18.

Neil Bellamy at GfK commented, *"People simply do not feel the economy is robust enough to ride out the knock-on effects from the Middle East conflict. Moreover, the decline in purchasing intentions, coupled with a six-point rise in the Savings Index, indicates people are holding on to their money and avoiding making major purchases while they wait to see what the medium-term impact of the conflict will be."*

Car production falls

Figures from the Society of Motor Manufacturers and Traders (SMMT) shows that UK vehicle production decreased annually by 17.2% in February, with 68,061 units produced. Vehicle exports were down 14.6%. This decline is largely due to weaker demand for cars from the US (-34.3%) and China (-66.4%).

Mike Hawes, SMMT Chief Executive said, *"Another decline for UK vehicle production and exports is extremely worrying, given these figures pre-date the crisis in the Middle East. While the sector has made efforts to build resilience into its logistics and supply chains post Covid, the conflict adds further strain."*

Higher tax receipts for HMRC

HMRC's tax revenue has increased, largely due to frozen thresholds. Between April 2025 and February 2026, gross tax and National Insurance Contributions (NICs) receipts hit £860.7bn, up £72.6bn on the same period last year. This was driven by a rise in Income Tax, Capital Gains Tax and NICs. Inheritance Tax receipts also contributed, with £7.7bn already collected over the 10-month period.

Here to help

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