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News in Review

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"I'm afraid we do have to raise Bank Rates... This is a lot of pressure on households"



Financial announcements came thick and fast last week, impacting household budgets and living standards for millions across the UK. As anticipated by many economic commentators, on Thursday the Monetary Policy Committee voted to increase Bank Rate from 0.25% to 0.5%, in an effort to dampen the pace of price rises over the longer term. Despite this move, the Bank of England (BoE) still expects inflation could reach 7.25% in April when energy bills are set to rise. This would be the fastest price growth since 1991 and is well above the Bank's 2% target.

Earlier on Thursday, British energy regulators raised the energy price cap in England, Wales and Scotland by just under £700 from April. The same day, Rishi Sunak outlined plans to ease cost of living pressures, saying, *"Right now, I know the number one issue on people's minds is the rising cost of living. That's why the government is stepping in with direct support that will help around 28 million households with their rising energy costs over the next year."*

The measures include:

- All domestic electricity customers will receive an upfront discount worth £200 off their energy bills from October, the discount will then be automatically recovered from people's bills in equal £40 instalments over the next five years
- Households in England in Council Tax bands A-D will receive a £150 rebate,

made directly by local authorities from April - this will not need to be repaid

- Discretionary funding of £144m will be provided to support vulnerable people and individuals on low incomes who do not pay Council Tax, or who pay Council Tax for properties in Bands E-H
- Devolved governments in Scotland, Wales and Northern Ireland are expected to receive £565m of funding as a result of the Council Tax Energy Rebate in England.

In an eventful day for the UK, Governor of the Bank of England Andrew Bailey commented on the MPC decision, *"Unfortunately, we've got a squeeze from energy prices, and you see the Ofgem announcement this morning, and in order to counter the threat, and the risk that we see of further pressure coming from the labour market, I'm afraid we do have to raise Bank Rates. This is a lot of pressure on households, and we have to be very clear, a lot of pressure on those households who are less able to afford it."*

Markets react

Rising interest rates and inflation warnings across Europe weighed on global markets at the tail end of last week. European Central Bank President Christine Lagarde refused to rule out raising interest rates this year after its policymakers expressed *'unanimous concern'* about soaring prices. Later, strong US labour data buoyed investors, who were energised by the higher-than-expected jump in jobs – a sign that the world's biggest economy is

recovering faster than hoped. On Tuesday the FTSE 100 briefly hit a new two-year high before slipping back as a fall in oil prices impacted the energy sector.

Levelling up strategy

On 2 February, the Levelling Up Secretary Michael Gove unveiled plans to transform the UK. Central to the plans announced are 12 national missions including local public transport systems becoming much closer to London standards, improving access to 5G broadband and the elimination of illiteracy and innumeracy in primary school leavers – all to be achieved by 2030. Michael Gove commented, *"Our 12 new national levelling up missions will drive real change in towns and cities across the UK, so that where you live will no longer determine how far you can go."*

"UK manufacturing made a solid start to 2022"

January's IHS Markit/CIPS Purchasing Managers' Index fell slightly from December (57.9 to 57.3) reflecting a small slowdown in the growth of new orders. Although input cost and output inflation are easing, supply chain constraint continues to prove challenging, but is regarded *'passed its peak.'* Director at IHS Markit Rob Dobson commented on the recent data set, *"UK manufacturing made a solid start to 2022, with growth of output accelerating as companies reported fewer supply delays."*

Here to help

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

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.