Economic Review/ January 2026

MONTHLY BULLETIN ON FINANCIAL MARKET DEVELOPMENTS

Our **economic review** is intended to provide background to recent developments in investment markets as well as to give an indication of how some key issues could impact in the future.

It is not intended that individual investment decisions should be taken based on this information; we are always ready to discuss your individual requirements. We hope you will find this review to be of interest.

Provided by

SHELDON FLANDERS Financial Services

UK growth rate stronger than expected

Official figures released last month by the Office for National Statistics (ONS) showed the UK economy bounced back strongly in November, while survey data points to a further rise in economic momentum at the start of this year.



According to the latest monthly gross domestic product (GDP) statistics, UK output rose by 0.3% in November, following a decline of 0.1% in October. This rebound, which beat economists' expectations of a 0.1% rise, was driven by an increase in industrial output following Jaguar Land Rover's return to full production after its cyberattack and stronger than anticipated growth from the services sector.

As monthly figures can be volatile, ONS prefers to focus on growth across a three-month rolling period and, on this measure, the latest GDP data showed the economy grew by 0.1% in the three months to November. This performance was significantly better than the 0.2% contraction economists had forecast in a Reuters poll, reflecting not only November's upside surprise but also an upward revision to September's growth rate.

The latest evidence from a closely-watched economic survey also provides signs of growing economic momentum, with the preliminary headline growth indicator from S&P Global's UK Purchasing Managers' Index (PMI) jumping from 51.4 in December to 53.9 in January. This represents the fastest overall rate of private sector expansion for just under two years.

Commenting on the survey's findings, S&P Global Market Intelligence's Chief Business Economist Chris Williamson said the data suggests UK businesses *"kicked up a gear"* in January, with firms demonstrating *"encouraging resilience in the face of recent geopolitical tensions."* Mr Williamson also noted that January's flash PMI data was indicative of "robust quarterly GDP growth approaching 0.4%" and that the survey puts optimism about the business outlook at its highest level since before the 2024 Autumn Budget.

Inflation rise likely to be temporary

Although recently published ONS data did show that the headline inflation rate rose for the first time in five months, economists do still typically expect price growth to slow sharply across the next few months.

The latest official inflation statistics revealed that the Consumer Prices Index (CPI) 12-month rate – which compares prices in the current month with the same period a year earlier –

Continued over

Markets:

Global indices closed the month in positive territory, despite some volatility at month end.

- **On 30 January, President Trump nominated former Federal Governor Kevin Warsh** to succeed Jerome Powell as Chairman. The news prompted the price of metals to trade sharply lower as investors repriced their outlook for monetary policy. US equities, which reached highs earlier in the week, also pulled back on the news.
- **The Federal Reserve voted to retain rates in the last week of the month.** Expectations are for further cuts as the year progresses. The Dow Jones closed up around 1.73% on 48,892.47. The NASDAQ registered a modest monthly gain of 0.95% to close on 23,461.82.
- **In the UK during January, the FTSE 100 passed the 10,000 mark for the first time** and closed the month almost 3% up – on 10,223.54. Meanwhile, the FTSE 250 ended January 3.48% higher on 23,253.36 and the FTSE AIM registered over 6.6% to close the month on 817.53.
- **Data published at month end showed economic growth at the end of 2025** in the eurozone had surpassed expectations and unemployment fell. The Euro Stoxx 50 closed January 2.7% higher on 5,947.81. In Japan, the Nikkei 225 ended January on 53,322.85, gaining over 5.9% in the month.
- **On the foreign exchanges, the euro closed the month at €1.15 against sterling.** The US dollar closed at $1.37 against sterling and at $1.18 against the euro.
- **Brent Crude closed January at around $65 a barrel,** recording a monthly gain of over 7%. Concerns around heightened geopolitical tensions have provided support, although the price retreated at month end. Gold closed the month trading around $4,936 a troy ounce, a gain of over 13% in January. The price slid at month end as the news of Warsh's nomination weighed on the precious metal and the stronger dollar impacted.

	Value (30/01/26)	% Movement (since 31/12/25)
FTSE 100	10,223.54	▲ 2.94%
FTSE 250	23,253.36	▲ 3.48%
FTSE AIM	817.53	▲ 6.67%
Euro Stoxx 50	5,947.81	▲ 2.70%
NASDAQ Composite	23,461.82	▲ 0.95%
Dow Jones	48,892.47	▲ 1.73%
Nikkei 225	53,322.85	▲ 5.93%

(Data compiled by the Outsourced Marketing Department)