



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



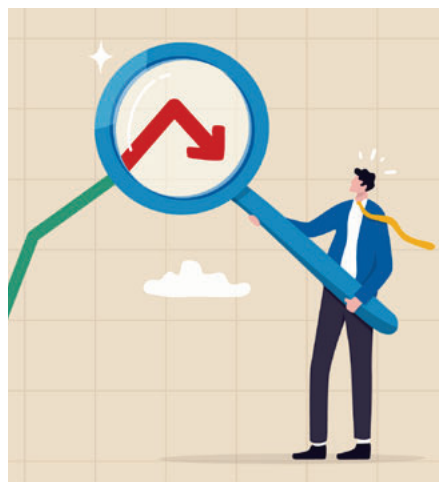
UK inflation rate declines

Data released by the Office for National Statistics (ONS) showed the UK inflation rate fell by more than expected in June, leading analysts to predict that interest rates are now likely to rise less sharply than previously feared.

The latest 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 – stood at 7.9% in June. This was significantly below the previous month's figure of 8.7% and also lower than the 8.2% consensus forecast from a Reuters poll of economists.

Core CPI inflation, which excludes volatile elements such as energy, food, alcohol and tobacco and is used by the Bank of England (BoE) to gauge underlying price pressures, also dropped by more than expected. Economists had predicted the core measure of price growth would remain at May's three-decade high of 7.1%, but instead it dropped to 6.9%.

ONS noted that the largest downward pressure on June's CPI rate came from petrol and diesel prices which declined by 23% compared to year earlier levels. The price of some other goods and services, however, continued to rise sharply with sugar up by 54% and transport insurance costs up by 48%.



Although the CPI inflation rate does now stand at its lowest level in over a year, the figure is still almost four times higher than the BoE's 2% target. Economists therefore continue to expect the Bank to sanction further monetary tightening in the months ahead.

The peak in the current interest rate cycle, though, is now likely to be lower than forecasts had suggested prior to release of June's inflation data. According to a recent Reuters poll, economists now typically expect Bank Rate to reach a high point of 5.75% during the final quarter of this year. 🌱

IMF upgrades economic growth forecast

The International Monetary Fund (IMF) has raised its 2023 global growth forecast, but warned challenges remain and that the balance of risks continue to be 'tilted to the downside'.

In its latest assessment of world economic prospects, the IMF said inflation was coming down and acute stress in the banking sector had receded. The international soothsayer predicts *Continued over* ➔

Markets:

At the end of July, stock indices across Europe finished the day in green following positive inflation readings in the bloc. London stocks ended firmer at close on Monday after news of higher-than-expected mortgage approval rates in the UK.

- The FTSE 100 closed the month on 7,699.41, a gain of 2.23%, while the mid cap FTSE 250 closed up 3.95% on 19,143.76 and the FTSE AIM closed July on 764.72, a monthly gain of 1.49%.

- In the US, earnings remain a key driver of markets. Wall Street's main market gauges ended the day slightly higher to cap off a fifth consecutive month of gains. The Dow Jones Index closed the month up 3.35% on 35,559.53, while the NASDAQ closed the month up 4.05% on 14,346.02.

- On the continent, the Euro Stoxx 50 closed July on 4,471.31, a gain of 1.64%. In Japan, the Nikkei 225 closed the month down 0.05% on 33,172.22.

- On the foreign exchanges, the euro closed the month at €1.16 against sterling. The US dollar closed at \$1.28 against sterling and at \$1.10 against the euro.

- Gold closed the month trading at \$1,970.65 a troy ounce. Brent crude closed the month trading at around \$85, a three-month high and its steepest monthly gain since January 2022, supported by signs of tightening global supply and rising demand through the rest of this year.

	Value (31/07/23)	% Movement (since 30/06/23)
FTSE 100	7,699.41	▲ 2.23%
FTSE 250	19,143.76	▲ 3.95%
FTSE AIM	764.72	▲ 1.49%
Euro Stoxx 50	4,471.31	▲ 1.64%
NASDAQ Composite	14,346.02	▲ 4.05%
Dow Jones	35,559.53	▲ 3.35%
Nikkei 225	33,172.22	▼ 0.05%

(Data compiled by the Outsourced Marketing Department)