# MASHREQ GLOBAL DIGEST
# UK
## August 2 – August 8

This edition of the Market Digest highlights UK's latest macroeconomic and financial developments, alongside recent deals and key trends influencing the country's economic outlook.

## Macroeconomic News

### UK Economy to Grow by 0.9% in 2026


According to EY's latest UK Economic Outlook, the UK economy is expected to grow by 0.9% in 2026 and 1.2% in 2027, slightly better than previously forecast. However, if disruption in the Strait of Hormuz continues into 2027, growth could slow to just 0.5% this year and the economy could contract by 0.2% next year, while inflation could climb as high as 6.4%. This shows how quickly an energy shock originating in the Middle East can reshape the outlook for a major economy.

Reference: Ernst & Young


### UK Interest Rates Stay at 3.75% as Inflation Risks Rise

The Bank of England kept interest rates unchanged at 3.75%, voting 6–3 to hold as the Iran war and higher energy prices increase inflation risks. UK inflation fell to 2.6% in June, but the Bank warned it could reach 4.5% by mid-2027 in a prolonged-war scenario with oil above $100. Despite the risks, Governor Andrew Bailey stressed the Bank is not currently moving toward a rate hike.

Reference: The Guardian

### UK Manufacturing Growth Hits Nearly Two-Year High

UK manufacturing activity strengthened in July, with production rising for the fourth consecutive month and at its fastest pace in almost two years, supported by stronger domestic and export orders. The manufacturing PMI remained in expansion territory at 51.9, marking nine consecutive months of growth, although it eased from 52.5 in June. Despite the improvement, manufacturers remain cautious as uncertainty surrounding the Middle East conflict and higher energy costs could weigh on business conditions.

Reference: The Guardian

### UK Services Bounce Back After June Contraction

According to S&P Global's UK Services PMI, activity in the UK's crucial services sector rebounded in July, with the index rising to 52.1 from 48.8 in June, its highest level since April. A reading above 50 signals expansion, with the improvement driven by stronger consumer demand and easing price pressures. This is an encouraging sign for the UK economy, especially since services account for the majority of economic activity.

Reference: Yahoo Finance

### UK Housing Market Loses Momentum in July

According to Lloyds, UK house prices were flat in July, slowing from a 0.2% monthly increase in June, while annual price growth dropped to just 0.1%—the weakest since November 2023. Higher borrowing costs and uncertainty linked to the Iran war have pushed mortgage rates higher, hurting affordability and cooling housing demand after a strong start to 2026. It's another example of how geopolitical tensions can quickly spill over into interest rates and everyday household decisions.

Reference: Reuters

### UK Hiring Falls as AI Demand Hits Record High

UK job postings fell 11% between the start of 2026 and mid-July and remain 32% below pre-pandemic levels, according to Indeed. Graduate vacancies are at their weakest for this time of year since 2020, while AI-related skills appeared in a record 9.4% of UK job postings. The labor market is weakening overall, but demand is clearly shifting toward AI-related skills.

Reference: Reuters

### UK Opens Doors to More Global Scientists

The UK is expanding its Global Talent visa to more than 100 research-intensive companies, making it easier to recruit international scientists and engineers. The move aims to strengthen sectors such as AI, clean energy and life sciences and boost UK competitiveness. It highlights the growing global competition for skilled talent.

Reference: Reuters

## Financial/Corporate News

### UK Could Unlock £9B a Year in Extra Investment

The UK government is considering borrowing more money to increase investment in infrastructure, housing and businesses, using flexibility available under fiscal rules that were changed in 2024. One estimate suggests the National Wealth Fund could invest an extra £9 billion a year by 2031. While this could support economic growth, higher borrowing could also increase pressure on UK government bond yields.

Reference: Reuters

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## UK Eases IPO Rules to Revive London Market

The UK's financial regulator is simplifying IPO rules to encourage more companies to list in London, including removing a 7-day waiting period and reducing compliance costs. The move comes after a decade of shrinking UK listings, as companies increasingly choose markets such as the US for higher valuations and deeper pools of capital. The reforms are an attempt to restore London's competitiveness as a global financial center.

Reference: Reuters

## UK Big Four Banks' Profits Jump 16%

UK's four traditional big banks — NatWest, Lloyds, Barclays' UK arm and HSBC's UK arm — generated a combined £13 billion in pre-tax profit in H1 2026, up 16% year-on-year. However, strong headline results mask pressure from intense competition for deposits and mortgages, which is squeezing margins on new business. Profits remain strong, but competition could make that growth harder to sustain.

Reference: Financial Times

## UK Leaves Door Open to Higher Bank Taxes

The UK government has declined to rule out higher taxes on banks in its upcoming budget, amid strong profits across the banking sector. The Treasury said any tax decisions will be announced by the Chancellor at fiscal events, fueling speculation that banks could face additional levies. Strong bank earnings may make the sector an attractive source of additional government revenue.

Reference: Bloomberg

## UK Backs Paramount's $110B Warner Bros. Deal

The UK's competition regulator cleared Paramount Skydance's $110 billion takeover of Warner Bros. Discovery, ruling that it does not raise competition concerns in Britain. Paramount made legally binding commitments to protect editorial independence, including keeping Channel 5 News separate from CBS News and CNN International. However, the takeover remains delayed until 2027 as it continues to face an antitrust lawsuit in the United States.

Reference: Forbes

# Deals

## UK–UAE Economic Partnership Deepens

The UK and UAE are looking to deepen their economic partnership, with bilateral trade and investment now worth more than $30 billion annually. The two countries see further opportunities across sectors including AI, financial services, advanced manufacturing, clean energy and logistics, while the recently concluded UK–GCC Free Trade Agreement negotiations are expected to reduce trade barriers and unlock additional investment and commercial opportunities between the UK, UAE and wider Gulf region.

Reference: Zawya

# Markets

## Market Dashboard

- U.S. stocks recorded their strongest weekly gains since April, with the S&P 500 rising 3.58% and closing at a record 7,757.64, while the Nasdaq surged 5.19% and the Dow gained 2.96%. Sentiment was supported by a strong earnings season, with 85% of S&P 500 companies that had reported beating expectations. At the same time, a surprisingly weak July jobs report — with payrolls falling by 23,000 versus an expected 80,000 increase — reduced expectations for a Federal Reserve rate hike in September. Signs of progress toward a potential Iran peace deal also helped cool oil prices and ease inflation concerns, providing further support to equities.
- Cryptocurrencies moved higher over the week, with Bitcoin posting a weekly gain and trading around $65,000 by Friday. Crypto received additional support following the weaker-than-expected U.S. July jobs report. The softer labor data reduced expectations for further Federal Reserve tightening, supporting demand for risk assets including cryptocurrencies.
- Gold had a very strong week, gaining more than 7%, its biggest weekly rise since January and reaching a seven-week high. Spot gold jumped on Friday to around $4,344/oz, after rising more than 3% earlier in the session. The rally was driven mainly by the surprisingly weak U.S. jobs report, sharply reducing expectations of a Fed rate hike in September. Lower rate expectations and a softer dollar supported gold, while UBS also raised its outlook, forecasting gold could reach $5,000/oz in the first half of 2027.
- Oil had a volatile but sharply negative week, with Brent crude falling more than 7%. Prices initially declined as hopes increased for a possible agreement that could help end the Iran conflict and reopen the Strait of Hormuz. However, oil rebounded toward the end of the week as uncertainty over the negotiations persisted. On Friday, Brent rose 1.3% to $83.55/barrel, while WTI gained 1.15% to $78.18, as markets remained concerned about the terms and timing of a full reopening of the Strait of Hormuz.
- The U.S. dollar fell 0.31% over the week, marking its second consecutive weekly decline. On Friday, the dollar index dropped 0.44% to 99.50 after a surprisingly weak U.S. payrolls report. The weak labor data reduced expectations for a September Fed rate hike, pushing Treasury yields lower and supporting currencies such as the euro and yen.

| Indicators | 31-Jul-26 | 7-Aug-26 | % Change |
|---|---|---|---|
| S&P 500 | 7,489.72 | 7,757.64 | 3.58% |
| Bitcoin | 62,813.75 | 64,880.19 | 3.29% |
| Gold | 4,042.67 | 4,343.74 | 7.45% |
| Crude Oil | 90.12 | 83.55 | -7.29% |
| EUR/USD | 1.1524 | 1.1562 | 0.33% |

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