MASHREQ GLOBAL DIGEST UK

June 29 – July 05

This edition of Market Digest highlights key UK macroeconomic indicators, along with recent financial and tech developments, offering valuable insights into current economic trends.

Macroeconomic News

UK Grew by 0.7% in Q1, But Slowdown Expected

Britain's economy grew by 0.7% in the first quarter of 2025—its fastest pace in a year—driven by a rush in home buying ahead of tax breaks and a manufacturing boost before new U.S. tariffs. Household spending also exceeded earlier estimates, rising 0.4%, though consumers dipped into savings to fund expenditures. Despite this early-year momentum, April GDP shrank 0.3%, signaling a potential slowdown, and the Bank of England projects just 0.25% growth in Q2. Confidence among employers is rebounding, supported by expectations of further interest rate cuts, but risks remain due to rising energy prices and a growing current account deficit, which widened to £23.46 billion.

Reference: Reuters

UK Shop Prices Rise by 0.4% in June

UK shop price inflation rose by 0.4% in June — the first annual increase in nearly a year — driven by a sharp jump in food prices, which surged 3.7% year-on-year. Retailers blamed the spike on hot, dry weather reducing harvest yields, particularly for fruits and vegetables, alongside rising labour and tax costs. The British Retail Consortium warned that the effects of climate change and geopolitical tensions are accelerating inflation pressures, with concerns that consumers may cut back on spending later this year.

Reference: The Guardian

BoE's Taylor Sees 5 Rate Cuts in 2025

Bank of England policymaker Alan Taylor signaled a shift toward a more aggressive interest rate easing, now expecting five cuts in 2025 instead of four, as the UK economy faces growing risks from weak demand and trade disruptions. He indicated rates could drop from the current 4.25% to around 2.25% in the second half of 2026 if the downside scenario materializes. Taylor also called for clearer communication from the BoE on its future rate path amid uncertainty. Markets are already pricing in two quarter-point cuts by the end of this year.

Reference: Reuters

UK Services Grow at Fastest Pace in 10 Months

UK services activity grew at its fastest pace in 10 months in June, with the S&P Global Services PMI rising to 52.8 from 50.9 in May, signaling solid expansion driven by stronger business and consumer spending. However, employment in the sector continued to decline for the ninth month, reflecting cost pressures and cautious hiring. New orders rose slightly, but companies noted challenges from weak UK economic conditions, US tariffs, and geopolitical tensions. Easing price pressures and falling employment may open the door for a Bank of England rate cut in August.

Reference: Morningstar

UK Business Confidence Hits Highest Since 2015

UK business confidence rose to a nine-year high in June 2025, with the Lloyds Bank Business Barometer reaching 51%. Hiring intentions improved, as 60% of firms plan to increase staff. Wage growth expectations also rose, with many forecasting pay increases above 3%. Despite this optimism, businesses face challenges from higher employment costs and global uncertainties. Job vacancies showed slight growth, signaling a slow recovery in the labor market.

Reference: Reuters

UK House Prices See Sharpest Drop Since 2022

UK house prices declined 0.8% in June 2025, marking the steepest monthly fall since November 2022, according to Nationwide. The drop came after the expiration of a stamp duty discount, with annual price growth also slowing to 2.1%, down from 3.5% in May. While demand has softened, underlying conditions—such as lower borrowing costs and anticipated rate cuts—could support a rebound in activity later this year. Mortgage approvals have already shown signs of improvement, suggesting potential stability ahead.

Reference: Reuters

UK Approves £24B Investment to Boost Energy Grid and Security

Britain's energy regulator Ofgem has approved a £24 billion investment to upgrade the country's gas and electricity transmission networks, aiming to support the shift to renewable energy. The upgrades, covering 80 projects with £15 billion for gas and £8.9 billion for electricity, could increase household energy bills by about £104 by 2031. However, after savings, the net cost to consumers is expected to be around £24 per year. Some energy firms, like SSE, argue the plan isn't ambitious enough to meet the government's 2030 clean power goals. Ofgem is consulting the public on the plans until August 26.

Reference: Yahoo Finance

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Financial News

London IPOs Sink to Three-Decade Low

London's IPO market has hit a 30-year low, with just five listings raising a total of £160 million in the first half of 2025—raising concerns about the city's fading status as a global financial hub. Tighter financial conditions, global uncertainty, and growing competition from U.S. markets have contributed to the decline, with several firms opting to list abroad. Still, the UK government is pushing to simplify regulations and attract high-growth companies, and renewed interest from firms like Norwegian software giant, Visma, offers a glimmer of hope for recovery. It is worth noting that AstraZeneca, the largest company listed on on London's FTSE 100, is reportedly considering moving its listing to the U.S., which could deliver a significant blow to London's market reputation.

Reference: CNBC, CNBC

BoE: £20B Bond Buying Helped Shareholders, Not Economy

The Bank of England has admitted that its £20bn corporate bond-buying program during the financial crisis—part of its broader £895bn quantitative easing (QE) effort—failed to stimulate the real economy as intended. Instead of using the funds for investment and growth, many companies used the cheap borrowing to buy back shares and boost stock prices, effectively enriching shareholders. While QE helped lower borrowing costs and support inflation and employment, critics argue it worsened inequality and now burdens public finances, with projected net losses from the program potentially reaching £150bn.

Reference: The Telegraph

UK's FCA to Ease Rules on Investment Advice

The UK's Financial Conduct Authority (FCA) plans to ease investment advice rules to close the long-standing "advice gap" that leaves many consumers without affordable financial guidance. A new category called "targeted support" will allow firms to offer tailored suggestions to groups such as those not saving enough for retirement or holding excess cash, without requiring full regulated advice, while maintaining access to comprehensive advice. The move, broadly welcomed by the industry, aims to make financial planning more accessible, with changes expected to take effect in 2026 after consultation.

Reference: Reuters

Tech News

Amazon to Invest £40B in UK

Amazon plans to invest £40 billion ($54 billion) in the UK over the next three years to build four new fulfillment centers, upgrade existing operations, improve transportation infrastructure, and expand its corporate offices. This investment is expected to create thousands of jobs, including 4,000 new positions at sites in Hull and Northampton. Amazon's move follows other tech giants like TikTok, which is also expanding its UK presence, highlighting the country's appeal as a tech investment hub despite concerns over recent tax hikes affecting startups.

Reference: CNBC

Markets

Market Dashboard

- The S&P 500 rose 1.72% for the week, closing at a record high alongside the Nasdaq, which gained 1.62%, while the Dow climbed 2.3%, nearing its own peak. Markets rallied on stronger-than-expected U.S. jobs data, with June payrolls beating forecasts and unemployment falling to 4.1%, easing recession fears even as hopes for a July rate cut diminished. Nvidia neared a $4 trillion valuation, Tripadvisor surged following the announcement that activist investor Starboard Value had acquired a 9% stake in the company, and Datadog jumped after being added to the S&P 500.
- Bitcoin closed the week ending July 4 just below $109,000, building on a strong second quarter with nearly 30% gains. Institutional and corporate demand stayed solid, supported by significant BTC purchases and nearly $770 million flowing into spot ETFs this week. Standard Chartered remains optimistic, forecasting Bitcoin could reach $200,000 by the end of the year. However, traders are watching closely for upcoming U.S. trade decisions and regulatory developments that may introduce short-term volatility.
- Gold gained 1.9% this week, trading near $3,336 per ounce, as a weaker U.S. dollar and rising safe-haven demand supported prices. Investors responded to fiscal uncertainty following the passage of Trump's major tax-cut bill and concerns ahead of the July 9 tariff deadline, boosting gold's appeal despite solid U.S. job data.
- Oil prices ended the week slightly higher, with Brent crude up 0.8% to $68.3 a barrel and WTI rising 1.5% to $66.5, despite a minor drop on Friday due to light trading ahead of the July 4 holiday. Markets are watching closely as OPEC+ is expected to increase output again in August, raising concerns about potential oversupply. Meanwhile, renewed U.S.-Iran nuclear talks and lingering tariff uncertainties added pressure on prices.
- The U.S. dollar has weakened significantly in 2025, experiencing its worst first half of the year since 1973, with an approximate 11% decline against a basket of major currencies. This decline is driven by market concerns over U.S. debt, tariff uncertainties, and unpredictable trade policies, leading investors to question the dollar's strength and stability.

Indicators	27-Jun-25	4-Jul-25	% Change
S&P 500*	6,173.07	6,279.35	1.72%
Bitcoin	107,088.43	108,034.34	0.88%
Gold	3,274.25	3,336.64	1.91%
Crude Oil	67.77	68.29	0.77%
EUR/USD	1.1692	1.1779	0.74%

** as of July 3*

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