

# MASHREQ GLOBAL DIGEST UK

September 14 – September 20



This edition of Market Digest highlights UK’s macro trends, financial updates, and key deals, providing a snapshot of the country’s economic momentum.

## Macroeconomic News

### UK Growth Stalls in July Amid Manufacturing Slump

The UK economy stalled in July, posting zero monthly growth as manufacturing output fell 1.3%, its sharpest drop in a year. The much larger services sector edged up 0.1%, not enough to outweigh the decline. On a rolling basis, the economy grew just 0.2% in the three months to July, down from 0.3% in the previous quarter. Still, GDP in July was 1.4% higher than a year earlier. Economists warn momentum is fading as inflation, U.S. tariffs, and tax uncertainty weigh on activity. Ahead of the November 26 Budget, Chancellor Rachel Reeves has pledged pro-growth measures, but businesses remain cautious, delaying hiring and investment until there is more clarity.



Reference: [Reuters](#)

### Sticky Inflation Weighs on UK Sentiment

UK inflation remained unchanged at 3.8% in August, nearly double the BoE’s 2% target, as rising fuel costs offset cheaper airfares. Food inflation rose to 5.1%, with sharp increases in chocolate, beef, butter, and coffee, squeezing household budgets. This has fed directly into sentiment: the BRC-Opinium survey shows more pessimism about the economy and personal finances, with saving intentions weakening further in September. Economists warn that “sticky” inflation could delay a Bank of England rate cut in November, even as global pressures and looming tax decisions weigh on the outlook.

Reference: [The Guardian](#), [Yahoo Finance](#)

### UK Borrowing Surge Deepens Reeves’ Budget Challenge

Britain’s public sector borrowing hit £83.8bn (\$113.39bn) between April and August, overshooting official forecasts by £11.4bn and marking the highest five-month total since the pandemic. In August alone, borrowing reached nearly £18bn, far above expectations. The shortfall piles pressure on Chancellor Rachel Reeves ahead of the November 26 Budget, where further tax rises are now seen as almost inevitable to meet her fiscal rules. Economists warn higher taxes could slow growth, while markets reacted with a weaker pound and higher borrowing costs. Reeves faces what analysts call “tough choices” to keep both voters and markets onside.



Reference: [Reuters](#)

### UK House Prices Up £8k, Rents Climb 5.7%

The Office for National Statistics (ONS) figures show UK house prices rose by £8,000 in the 12 months to July, bringing the average to £270,000. Growth was strongest in the North East at 7.9%, while London saw the weakest rise at just 0.7%. Alongside this, average private rents climbed 5.7% in August to £1,348 per month, with costs stretching from £745 in the North East to £2,253 in London. Analysts warn that stubbornly high mortgage rates and inflation are weighing on demand, even as property values edge higher.

Reference: [Yahoo Finance](#)

### UK Jobs Market Cools, Offering BoE Relief

The UK labor market continued to cool in August, with payrolls falling by 8,000 for the seventh month in a row and wage growth easing to 4.7%. While vacancies rose slightly to 728,000, hinting at stabilization, businesses remain cautious due to recent tax hikes and uncertainty ahead of the November budget. Softer pay growth could ease pressure on the Bank of England, though inflation risks keep rate cuts on hold for now.

Reference: [Reuters](#)



### UK Privatization Has Cost Public £200B, Report Finds

British households have paid almost £200bn to shareholders of privatized water, energy, rail, bus and mail services since the 1990s, according to thinktank Common Wealth. The study says this “privatization premium” has cost about £250 per household each year since 2010, while families face rising bills, sewage spills, and unreliable transport. Water companies alone paid £88bn in dividends while taking on £73bn in debt, and energy networks posted profit margins of 55% between 2020–24. Critics argue the sell-offs have created “rip-off Britain,” with underinvestment and high costs, while supporters say private capital is essential for infrastructure upgrades.

Reference: [The Guardian](#)

### UK Retail Sales Jump 0.5% in August

UK retail sales rose 0.5% in August, beating forecasts of 0.3% as sunny weather boosted spending in clothing, department stores, and food shops. Sales were 0.7% higher than a year ago, though slipped 0.1% over the three months to August. A stronger August offers some relief for retailers, but the trend still signals a fragile recovery.

Reference: [Reuters](#)

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Financial News

Brokerages See No More BoE Cuts in 2025

Top banks including Goldman Sachs, Morgan Stanley, J.P. Morgan and BofA now expect the Bank of England to keep rates unchanged for the rest of 2025, after holding steady this week following August's quarter-point cut. Most forecast the next easing cycle to start in February 2026, with gradual reductions thereafter. Markets are pricing only a 28% chance of another cut this year, while Barclays still sees room for a November move and BNP Paribas points to December. The BoE expects inflation to peak at 4% this month before slowly easing toward its 2% target by mid-2027.

Reference: [Reuters](#)

Bank of England's Quantitative Tightening Fuels Fiscal Crisis Fears

The Bank of England's quantitative tightening (QT) is under fire as bond sales have already cost £45bn, with overall losses projected to hit £134bn by the end of this Parliament. Unlike the Fed or ECB, which hold bonds to maturity, the Bank is actively selling gilts, driving yields higher and adding billions to government borrowing costs. While officials argue QT is necessary to restore balance after years of stimulus, critics say it has become a dangerous experiment that could undermine market stability and squeeze public finances further.

Reference: [Telegraph](#)

Deals

US Firms Pledge £150B for UK Under Tech Deal

The UK has secured £150bn in US investment, expected to create 7,600 jobs, as President Donald Trump and Prime Minister Keir Starmer signed the "Tech Prosperity Deal." Major commitments include £90bn from Blackstone, £22bn from Microsoft, and £5bn from Google, focused on AI, quantum computing, and nuclear power. Other pledges include £3.9bn from Prologis in life sciences, £1.5bn from Palantir in defence, and over 3,000 jobs from Amentum. While the deal was hailed as proof of Britain's economic strength, critics warned the benefits may be overstated, noting pharma giants like AstraZeneca and Merck have cut UK plans.

Reference: [BBC](#)

Markets

Market Dashboard

- This week, the spotlight was on the Federal Reserve, which delivered its first rate cut since December, lowering the benchmark by 25 basis points to a range of 4.00%–4.25% in an 11–1 vote. Policymakers signaled two more reductions are likely before year-end, with projections pointing to moves at the October and December meetings. Chair Jerome Powell framed the decision as "risk management," balancing slowing job growth with still-elevated inflation. The move was widely anticipated by markets, yet long-term Treasury yields climbed higher, with the 10-year holding near multi-month highs. This divergence between short-term policy cuts and persistent long-term rates has left investors navigating a complex backdrop where mortgage costs, bond valuations, and equity sentiment are moving in different directions.
- For the week, Wall Street posted strong gains with the S&P 500 up 1.2%, the Nasdaq climbing 2.2%, and the Dow advancing 1.05%, supported by the Fed's first rate cut of 2025 and expectations of further monetary easing. Tech shares drove momentum, with Apple up 3.2% after a J.P. Morgan upgrade, and FedEx gaining 2.3% on cost-cutting–driven earnings. Analysts noted that the Fed's openness to relaxing its inflation target is fueling a "run hot" scenario that markets see as bullish for equities, helping explain the record-breaking streak despite September's traditionally weak track record for stocks.
- For the week, crypto markets ended flat after sharp Friday declines erased earlier gains. Bitcoin briefly neared \$118,000 following the Fed's rate cut but pulled back to around \$115,600, leaving it almost unchanged on the week, though still forming a bullish pattern of higher lows that suggests potential for a breakout above resistance. Despite the pullback, analysts point to strong technical support and institutional momentum as signals that crypto remains biased toward the upside, with traders eyeing the key \$118,000 level for bitcoin as the next hurdle.
- For the week, gold rose to \$3,684.98 an ounce, marking its fifth straight weekly gain and briefly hitting a record high of \$3,707.40 after the Fed's first rate cut of 2025. The rally was supported by lower interest rates, which reduce the opportunity cost of holding gold, and by safe-haven demand amid lingering economic uncertainty. Analysts see the bullish trend intact, with some forecasting gold could reach \$4,000 by year-end. Overall, gold has gained nearly 40% year-to-date, underscoring its role as both an inflation hedge and a defensive asset.
- Oil prices slipped on Friday, with Brent closing at \$66.68 and WTI at \$62.68, as concerns over robust supplies, easing OPEC cuts, steady Russian exports, and weakening demand outweighed the boost from the Fed's rate cut. Seasonal refinery maintenance and a surprise 4 million-barrel build in U.S. distillate stocks added further pressure. Analysts warned that slowing demand and soft U.S. economic data, including labor market weakness and a housing slump, limit near-term upside for crude.
- For the week, the U.S. dollar held steady against the euro, with the dollar's post-Fed rebound offsetting its earlier drop. After briefly weakening midweek, the greenback recovered as the Fed signaled gradual easing rather than an aggressive rate-cut cycle, leaving the euro little changed overall.

Indicators	12-Sep-25	19-Sep-25	% Change
S&P 500	6,584.29	6,664.36	1.22%
Bitcoin	116,101.58	115,688.86	-0.36%
Gold	3,643.13	3,684.98	1.15%
Crude Oil	66.99	66.68	-0.46%
EUR/USD	1.1735	1.1745	0.09%