# NOVEMBER 2023
# MARKET COMMENTARY

Our latest market commentary covers the latest UK inflation data, China's economy, and the autumn statement released on November 22nd.

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## November Economic Background

- UK inflation falls to 4.6% in October
- Bank of England maintains rates at 5.25% for the second consecutive time
- China slips into deflation
- The Chancellor gives his autumn statement

### EQUITIES & BOND PERFORMANCE

As of 30/11/2023, in GBP terms

GLOBAL EQUITY MARKET (%)

| SEPTEMBER | OCTOBER | NOVEMBER |
|---|---|---|
| -0.55 | -2.76 | 4.71 |

GLOBAL BOND MARKET (%)

| SEPTEMBER | OCTOBER | NOVEMBER |
|---|---|---|
| 0.79 | -0.62 | 0.69 |

Source: Morningstar (MSCI ACWI IMI; Bloomberg Global Agg)

## Market Review

**UK economy**: On November 15th, it was announced that UK inflation fell in October by the largest single month decline since 1992 (down to 4.6% from 6.7% in September). The fall was larger than expected, in part due to the cut in the energy price cap for consumers coupled with the Bank of England holding rates at 5.25%. The Prime Minister Rishi Sunak praised 'hard decisions and fiscal discipline' for the fall, but UK inflation remains higher than that of the U.S, France and Germany, and is still more than double the central bank's target of 2%. U.S inflation fell to 3.2%, down from 3.7% in September, meanwhile China experienced mild deflation of –0.2%, maintaining its downward trend over the last year attributable to weak domestic demand.

**China Outlook**: Elsewhere, President Xi Jinping of China visited President Biden in the U.S in an effort to normalise diplomatic relations after months of barbed words regarding China's expansionary monetary policy, conflict in the South China Sea, the spy-balloon incident in January, and the trade war that has existed between the two nations since early 2018. Economically, China has flourished over recent decades, with GDP growth averaging almost 10% per annum (p.a), but it slipped into deflation as anxieties continue to swirl amongst investors fueled by the aforementioned geopolitical risks. Nonetheless, China remains an economic powerhouse, with the International Monetary Fund (IMF) still expecting their economy to post growth of 4.6% in 2024, one of the highest expected rates in the world.

**Autumn statement**: On November 22nd, the Chancellor of the Exchequer (Jeremy Hunt) gave his Autumn Statement to parliament which included a larger than expected cut to national insurance tax (worth £450 to the average employee), an 8.5% increase to the state pension from April, and a 6.7% rise to universal credit, among others. These announcements gave rise to speculation regarding a potential snap general election in the first quarter of 2024, but despite Hunt's upbeat perspective on 'turning the corner' following decreased levels of inflation, the economic outlook for the UK is still not favourable, with the Office for Budget Responsibility (OBR) announcing that inflation is set to last longer than initially anticipated. Despite that, the OBR emphasized that the UK economy has rebounded more extensively from the pandemic and demonstrated greater resilience to the energy price shock than originally foreseen.

## Key announcements (Autumn Statement 2023):

| State Pension | Benefits | National Living Wage | National Insurance |
|---|---|---|---|
| +8.5% | +6.7% | £11.44 | +£450 |
| Government commits to triple lock with £900-a-year boost | Universal Credit will rise with inflation - worth an average of £470 next year | Hourly pay to rise by 9.8pc, worth up to £1,800 a year for a full-time worker | Annual saving for person earning £35k a year with NI rate cut from 12% to 10% |

Source: bbc.co.uk

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