

## News in Review

14 June 2023

*"The Atlantic Declaration sets a new standard for economic cooperation"*



**Rishi Sunak made his first trip to the White House as Prime Minister last week. His whirlwind two-day visit was meeting-filled, with US President Joe Biden saying that "important and positive discussions" had taken place "to deepen our bilateral economic relationship and expand our cooperation to shape the challenges and future for the remainder of this century."**

On Thursday an 'Atlantic Declaration' was signed, pledging agreements on a series of mini deals covering areas such as data protection, Artificial Intelligence (AI), critical minerals for electric car batteries, clean energy, easing trade barriers and closely aligning defence strategies. The UK government hailed it a 'Declaration for a Twenty-First Century US-UK Economic Partnership,' with the objective to ensure that 'our unique alliance is adapted, reinforced and reimagined for the challenges of this moment.'

The agreement outlines the purposeful and coordinated action to deepen the transatlantic partnership across five pillars:

- Building the clean energy economy of the future
- Partnering on an inclusive and responsible digital transformation
- Advancing cooperation on economic security and technology protection toolkits and supply chains
- Ensuring US-UK leadership in critical and emerging technologies
- Strengthening the alliance across defence, space and health security.

Mr Sunak highlighted that \$17.5bn of new US investment had been committed to the

UK during the trip and commented, "The Atlantic Declaration sets a new standard for economic cooperation, propelling our economies into the future so we can protect our people, create jobs and grow our economies together."

The Prime Minister followed this in his keynote speech opening London Tech Week, stating his goal for the UK "is to retain our position as one of the world's tech capitals... and make this the best country in the world to start, grow, and invest in tech businesses."

### **Eurozone enters recession**

Official data released last week showed that the eurozone slipped into recession early in 2023. In Q1, economic output in the 20-country zone reduced by 0.1%, following a 0.1% contraction in Q4. A technical recession is typically defined as two consecutive quarters of negative economic growth in real GDP. The combination of high inflation, monetary tightening, energy shocks and the war in Ukraine, tipped the eurozone into a shallow recession, according to revised data from the EU's statistics office. The report highlighted mixed country performances across the region, with southern European economies such as Portugal, Italy and Spain registering strong growth rates, while the Netherlands and Germany shrank. France posted mild growth.

The European Central Bank's (ECBs) next monetary policy meeting is due to take place on Thursday 15 June.

### **House prices register first annual fall in 11 years**

According to the Halifax House Price Index of May, although house prices were largely unchanged in the month, the annual

growth rate reduced to -1.0%, marking the first time since 2012 that house prices have fallen year-on-year. According to the Index, the average UK property now costs £286,532, compared to £286,662 in April. From a regional perspective, the figures show that house prices in the south of England remain under the greatest pressure, while Wales is the only region of the UK where house price growth didn't weaken. Annual growth for Northern Ireland was 1.5%, down from 2.7% the previous month and in Scotland, annual growth was 1.3% (down from 2.2% in April). Kim Kinnaird, Director at Halifax Mortgages, commented on the most recent dataset, "As expected the brief upturn we saw in the housing market in the first quarter of this year has faded, with the impact of higher interest rates gradually feeding through to household budgets, and in particular those with fixed rate mortgage deals coming to an end."

Looking ahead, with inflation remaining high, Ms Kinnaird added, "Markets are pricing in several more rate rises that would take Base Rate above 5% for the first time since the start of 2008. Those expectations have led fixed mortgage rates to start rising again across the market. This will inevitably impact confidence in the housing market as both buyers and sellers adjust their expectations, and latest industry figures for both mortgage approvals and completed transactions show demand is cooling. Therefore, further downward pressure on house prices is still expected."

### **Here to help**

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.