INDEPENDENT FINANCIAL ADVISERS

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News in Review

16 September 2026

"Britain's economy is demonstrating resilience"

The UK economy unexpectedly grew by 0.4% in the three months to July, according to the latest data from the Office for National Statistics (ONS).

The service sector made the largest contribution to growth in July, with output increasing by 0.6%. Growth was recorded in 11 out of the 14 subsectors, with the strongest contribution coming from information and communication (+2.5%). ONS noted that *'many of the businesses reporting the largest turnover in July 2026 are involved in activities related to artificial intelligence and cloud computing.'*

Meanwhile, the production sector contracted by 0.5% in the three months to July, offset by growth of 0.5% in manufacturing. The construction sector also recorded a fall of 0.5%, following growth of 0.3% in the three months to June.

Chancellor John Healey said, *"Our growth, though still fragile, was the fastest in the G7 in the first half of the year. While the conflict in the Middle East is affecting costs at home, Britain's economy is demonstrating resilience."*

The news comes just before the Monetary Policy Committee's next meeting on Thursday 17 September. In a Reuters poll of 65 economists, all respondents expect Bank Rate to be retained at 3.75% this month, with 57 expecting rates to stay at that level for the rest of the year.

Oil prices rise again

Oil and gas prices surged again last week as conflict intensified in the Middle East. Brent crude and US oil rose above $100, with both benchmarks reaching their highest prices since May.

Early this week, the crude price continued to trade above $100 as Saudi Arabia kept its East-West pipeline closed following drone strikes.

UK and US long-term borrowing costs also hit high levels, with the UK 30-year bond yield reaching its highest rate since 1998. Speaking in Texas last week, President Trump said he does not expect the war in Iran to end before the US mid-term elections in November.

Government announces tourist tax

Mayors and local leaders in England will be given new powers to charge a levy on overnight stays. The 'tourist tax' would be a percentage of the cost of accommodation, rather than a fixed price. UKHospitality expressed concern about the policy, saying it *'will price working families out of a British holiday'*. The trade body estimated it could cost 33,000 jobs and reduce GDP by £2.2bn. Labour mayors in ten city regions have therefore committed to capping the levy at 5% to limit the impact. The fees are expected to be brought in before the end of 2029.

Buyer demand surge in September

According to Rightmove, buyer demand increased by 5% in the first week of September, which is significantly higher than the five-year average of 0.4%. Buyer demand is still lower than last year, but the surge at the start of the month indicates that the gap might be closing.

Buyer demand rose across all British regions, with London and the South West recording the biggest increases of 9% and 8% respectively.

Card spending increases

Card spending increased in August, according to Barclays, as both essential and non-essential spending rose by 2.1% annually, marking a 13-month high. Many hospitality and leisure categories saw an uplift in spending, including entertainment with a boost of 5.9%.

Travel spending also increased by 3.1%, reaching its highest level year-to-date after five consecutive monthly falls.

Jack Meaning, Chief UK Economist at Barclays, commented, *"Consumer spending and confidence remained resilient in August, even as pressures from the Middle East began to filter into prices. This positive news suggests consumers should be able to weather the bout of narrowly focused, temporary inflation we think is coming down the track."*

Savings rate rises

New data from Moneyfacts shows that the UK savings rate has increased by 16 basis points over the past year. Currently at 3.62%, the average new savings rate is about 0.7% above the UK inflation rate. Caitlyn Eastell at Moneyfacts said, *"Savers have been handed another welcome boost this month, with fixed savings rates continuing to climb and competition remaining incredibly strong across the market."*

Here to help

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