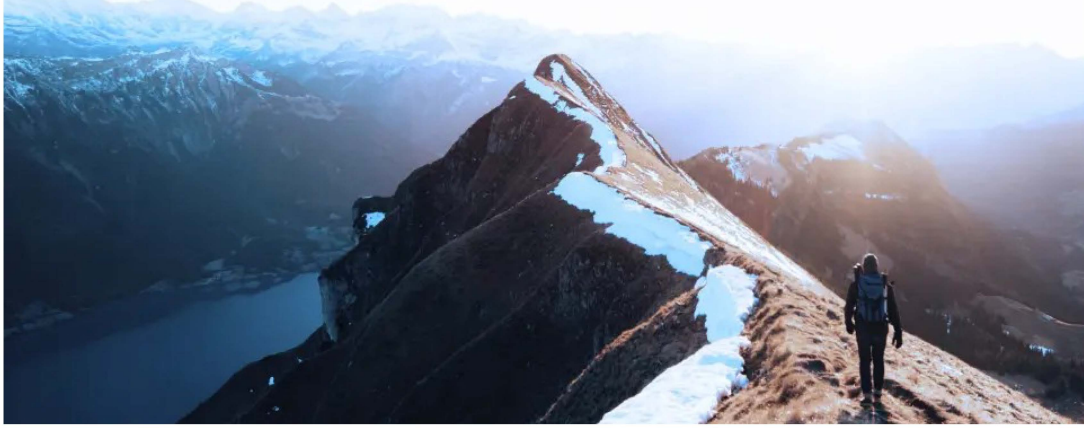




Article MARKET COMMENTARY

Weekly round-up: 18 August – 22 August

Tom Watts recaps the past week's events and looks ahead to the next.

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This week

When it comes to employment, we've all got to earn a crust in one way or another, and so in the big business news this week, it was hardly a surprise to see that Associated British Foods, the owner of Kingsmill, plans to buy Hovis and merge the companies in a move that would create the UK's biggest bread brand.

With changing consumption patterns, sandwiches and toast are increasingly off the menu for some British consumers. Research shows many more are now cutting back on carbohydrates in favour of high-protein diets, with speciality breads such as sourdough and ciabatta also taking a bigger slice of the market.

Much like a bun in a baker's oven, it was inflation that was on the rise in the UK this week, hitting its highest level in 18 months for July. Increasing to 3.8% on an annual basis, slightly higher than the 3.7% expected and up from last month's reading of 3.6%. The figure was driven by transport costs, particularly air fares, a component that the Bank of England often disregards due to its volatility during the summer months. Electricity prices, petrol, soft drinks and hotel rooms, also all helped to push up the annual rate of inflation between June and July.

Far from half-baked however, Thursday showed that British businesses are having their strongest month in a year thanks to a rebound in the dominant services sector. However, the report also showed that the manufacturing sector weakened a little with companies across both sectors shedding jobs, albeit less quickly than in July. Most firms reported higher labour costs after the government raised National Insurance contributions for employers as well as a sharp increase in minimum wage back in April.

The report also showed that the UK economy could be *on a roll*, showing business activity expectations for the year ahead were the highest since October 2024, perhaps leaving the Bank of England in a quandary as it weighs up whether to cut rates again before the end of the year.

Over in the US, and with two central bankers going *against the grain* and dissenting against the Federal Reserve's decision to maintain rates last week, the release of the minutes from their last meeting gave investors some insight into the bank's thinking. It appears the two members may not have been joined by other policymakers in voicing support for lowering rates at that meeting, giving the meeting a more hawkish feel.

The minutes also discussed inflation and "a few" participants emphasised that they expected Trump's tariffs to lead to only a one-time increase in the price level, *kneeding* more data. Various members wanted to ensure that tariff effects did not lead to persistently higher expectations before they made a move, as inflation worries dominated the conversation.

The end of the week ushered in the Jackson Hole Symposium, the *toast* of the town when it comes to all things finance. Attended by central bankers, finance ministers, academics and financial market participants from around the world. The meetings are closed to the press but officials usually talk with reporters throughout the day, with their comments and speeches often carrying significant weight for investor.

Sandwiched between other various central bankers and panel conversations, will be Jay Powell, Chair of the Federal Reserve, speaking late on Friday afternoon, he is expected to reiterate the importance of central bank independence and stress the case for a 0.25% cut in September is far from a done deal, let alone another such move by the end of the year *at yeast...*

Next week

A keen scientist and polymath, coining the terms "Palaeolithic" and "Neolithic" to denote the Old and New Stone Ages, respectively, whilst helping to establish archaeology as a scientific discipline, Sir John Lubbock, 4th Baronet, had achieved a lot, and that was even before he entered politics during the early 1870s.

However, it is not only keen archaeologists that Lubbock's work has had an impact on. This coming bank holiday Monday was created by the Bank Holidays Act of 1871, an act introduced by Lubbock when he was MP for Maidstone. Deserving the appreciation of many domestic economists at the very least, Monday will see UK markets closed and a quiet day all round for investors.

Unfortunately for most, the time off only lasts for one day, as Tuesday sees the British Retail Consortium (BRC) release its Sales Monitor figures. Although the figures lead the government released consumer inflation data by about 10 days, they can be narrower in scope as they only include goods purchased from retailers who belong to the BRC. Nonetheless the figures should give us a decent update as to how the UK high street is performing and what we should expect from both upcoming retail sales and inflation numbers.

The figures should dovetail well with the Confederation of British Industry's Realised Sales figures, also released next week, the results of a survey of about 125 retail and wholesale companies, whose respondents are asked to rate the relative level of current sales volumes. Although our man Lubbock was a prominent supporter of the Royal Statistical Society, with a reading below zero indicating a lower sales volume, it does not require Lubbock's level of numerical expertise to see that we have not seen a positive reading since September 2024.

By the second half of the week, proceedings adopt a distinctly American feel, with the US Bureau of Economic Analysis releasing its Preliminary Gross Domestic Product (GDP) numbers. There are 3 versions of GDP released a month apart, Advance, Preliminary, and Final. The Advance and preliminary releases are the earliest and thus they tend to have the most impact. The figures will act as the broadest measure of economic growth and will gauge US progress on a quarterly basis.

The data is released simultaneously with US Unemployment Claim figures, giving us a more comprehensive view of the labour market, measuring the number of individuals who filed for unemployment insurance for the first time during the past week. The number of unemployed people is an important signal of overall economic health because consumer spending is highly correlated with labour market conditions, with those finding it difficult to regain employment tending to spend less.

Being both a member of the American Philosophical and American Antiquarian Societies, John Lubbock would have also likely been interested in the last piece of economic data released this coming week, Core PCE. Predicted to leave quite the impact on the markets after its release, the data differs from normal inflation readings in that it only measures goods and services targeted towards and consumed by individuals. CPI readings also only cover out-of-pocket expenditures on goods and services purchased. It excludes other expenditures that are not paid for directly, for example, medical care which is usually paid for by insurance in the US. These are, however, included in the PCE reading.

The information in this blog or any response to comments should not be regarded as financial advice. If you are unsure of any of the terminology used, you should seek financial advice. Remember that the value of investments can go down as well as up, and could be worth less than what was paid in. The information is based on our understanding as at 22nd August 2025.

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