



Article MARKET COMMENTARY

Weekly round-up: 10th October – 17th October

Darren Ripton recaps the past week's events and looks ahead to the next.

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The week that was!

IMF outlook is cautiously optimistic

The IMF released its World Economic Outlook this week, offering

a balanced view of the global economy. Growth is now projected at 3.2% for 2025, and 3.1% for 2026. This is slightly lower than previous forecasts but better than feared given recent trade disruptions.

The IMF noted that the US import tariffs introduced in April, which many feared would severely damage global trade, had generated a milder impact than expected so far. This was due to exemptions, limited retaliation, and quick adjustments by businesses. However, they did warn that the global economy remains fragile, with inflation proving more persistent and growth prospects still vulnerable.

Key risks highlighted include:

A potential market correction if the current boom in AI investments doesn't deliver expected returns.

China's property sector and debt levels, which could destabilise its economy.

Limited fiscal space in many countries, making it harder to respond to future shocks.

Political pressure on central banks, which could undermine their independence and credibility.

The IMF urged governments to focus on clear trade policies, fiscal discipline, and investment in productivity-enhancing technologies, like AI.

The US Government enters its 3rd week of shutdown

This US Government shutdown began on the 1st October 2025, and as we enter the 17th day it now ranks as the 3rd longest shut down on record. The core issue is a dispute over health insurance subsidies under the Affordable Care Act (ACA). Democrats are demanding a permanent extension of tax breaks

that help 24 million Americans afford health coverage. These subsidies are set to expire at the end of the year. Republicans, who control both chambers of Congress, want to pass a "clean" funding bill without addressing the ACA subsidies. They argue that healthcare should be debated separately. Democrats have refused to support any funding bill that doesn't include these subsidies.

Since the 1st October over 750,000 federal workers have been furloughed, although essential personnel such as military, law enforcement, border patrol, and air traffic controllers, are still working, but many without pay. President Trump signed an executive order on 15th October to ensure active-duty military personnel continue receiving pay, but this does not apply to civilian defence employees.

A new French Prime Minister

France has been engulfed in a deep political crisis, with major implications for its economy and European influence.

Prime Minister Sébastien Lecornu was reappointed by President Emmanuel Macron on 10th October, after his previous government collapsed over failed budget negotiations. Lecornu's new cabinet, announced on 12th October, is composed largely of technical ministers, reflecting Macron's strategy to form a government less dependent on party politics.

France's public debt has ballooned to 113.9% of GDP, and its deficit nearly doubled the EU's 3% limit in 2024. The previous Prime Minister, François Bayrou, attempted to pass a budget that would require €44 billion in savings, including cuts to public spending and the elimination of two public holidays. This sparked outrage and led to a vote of confidence, which Bayrou lost.

Lecornu has since suspended controversial pension reforms, a move seen as an attempt to calm tensions and avoid further instability.

A mixed picture in the UK

The monthly GDP estimate for August 2025 showed an increase of 0.1% vs. a contraction of 0.1% July. The 3 month average rose by 0.3%, indicating a modest recovery trend. The Service sector continued to be the main driver, with growth in consumer facing industries such as retail and hospitality being notable contributors. The production sector rebounded a little, following previous declines, although this area still looks weak on a year-on-year basis. There was a notable slowdown in construction, with private housing being particularly weak, while infrastructure projects continued to provide some support. The conclusion seems to be that the UK economy is expanding slowly, but any progress should be considered very fragile.

Unemployment continued to rise in the 3 months to August with the unemployment rate ticking up to 4.8%, higher than the 4.7% expected. This reflects caution by businesses, with weaker hiring being a consequence of this.

So what is on the slate in terms of data releases next week?

UK Consumer Price Inflation

The Consumer Price Index (CPI) measures how much prices for everyday goods and services are rising. It's the UK's main gauge of inflation and a key factor in interest rate decisions by the Bank of England.

What's Expected?

Headline CPI is forecast to increase to 4.0% in September, up from 3.8% in August.

Core CPI (which excludes food and energy) may edge slightly higher to 3.7%.

Services inflation, a key concern, is expected to stay elevated at 4.8%.

Inflation is still well above the Bank of England's 2% target, and services inflation driven by wages and hospitality costs is proving sticky. If inflation remains high, the Bank may delay further interest rate cuts, which impacts borrowing costs and investment returns.

UK Consumer Confidence

This index measures how optimistic or pessimistic UK consumers feel about their personal finances and the broader economy. It's a leading indicator of consumer spending, which drives much of the UK's economic activity. September's reading was -19 down from -17 in August, with all five confidence measures falling. Key concerns that weighed on sentiment included increases in tax and worries about higher inflation. Analysts are expecting a slight weakening in the October index reading to -20, with rising unemployment and concerns focused on the upcoming Autumn budget weighing on consumers.

US Consumer Price Index

The Consumer Price Index (CPI) is the most widely used measure of inflation in the United States. It tracks the average change in prices paid by consumers for a basket of goods and services: everything from groceries and rent to medical care and transport.

There are two key versions:

Headline CPI: Includes all items, including food and energy.

Core CPI: Excludes food and energy, which are more volatile, to give a clearer picture of underlying inflation trends.

Headline CPI is forecast to increase 0.4% month-on-month, which would represent a 3.1% year-on-year increase, while core CPI is expected to increase 0.3% month-on-month, which would represent a 3.1% year-on-year increase.

The September CPI report, originally scheduled for 15th October, was delayed to 24th October due to the ongoing US government shutdown. Most federal data releases have been suspended, but the Bureau of Labor Statistics (BLS) is calling back staff to ensure this report is published.

This CPI release is especially important because it will help determine the Social Security cost-of-living adjustment for 2026 and will also be a key influence on the interest rate decision at the Federal Reserve's policy meeting on the 28th to the 29th October.

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