

## UK GROWTH

Christopher Peel - Chief Investment Officer

### Bull Points:

Global output and trade volumes are increasing &  
New global trade agreements

### Bear Points:

Brexit talks are slow & Conservative Party in  
turmoil

The long-term growth prospects for the UK economy remain positive and the uncertainties surrounding the Brexit negotiations will fade with the passage of time. In less than one year, Britain has fallen from the top to the bottom of the G7 growth table and last month Moody's downgraded the country's credit rating by one notch to Aa2. These are clearly negative developments in the short-term.



However, it's important to remember that these are backward looking indicators and there are several reasons to be optimistic for the future.

Most importantly, the world economy has recovered from the deep recession that began in 2008 and is growing in synchronisation. The IMF expects global output will expand by 3.5% in 2017 and 3.6% in 2018. It also predicts global trade volumes will increase by 3.8% this year and 3.9% next year. These forecasts are positive for the UK given its current and expected pattern of foreign trade throughout the world.



The Brexit divorce proceedings in Brussels have been frustratingly slow. The EU has adopted a hardline approach to prioritising a financial settlement before addressing any other issues. In reality, the differences between the sides are probably very small. From the UK's perspective, it has a strong hand to play given that it has a large trade deficit with Europe. The business community on the continent has a vested interest in maintaining close ties to the UK and will have an important say in the complex discussions. An exit plan needs to be agreed well before the end of the two-year period stipulated under Article 50. As a result, the speed of the talks is likely to increase in the very near future.

Democracy has spoken and the newly elected minority UK government has a mandate to pursue a path of sovereignty outside of the EU. The transition process may be painful at times, but the long-term goal is to rebalance the economy so that it is able to prosper from global trade, and be less reliant on the rules and regulations imposed by the unelected officials in Brussels.

**Investor patience will be vital in the coming months.**

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1 Bracknell Beeches Old Bracknell Lane Bracknell RG12 7BW United Kingdom [www.tavistockwealth.com](http://www.tavistockwealth.com) call : + 44 (0)1753 867000

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