

MCD's Hot Topics of the Week

6th November 2022



UK to face economic gale not storm

The Bank of England believes the UK has begun to face its longest recession to date, a comment that followed its decision to raise interest rates by the most in 33 years.

The decision came as the Bank tries to bring down a cost of living crisis, which is rising at the fastest rate in 40 years, going against Chancellor Jeremy Hunt's desires to keep interest rates 'as low as possible.'

As the Bank introduces greater economic constrictions and the UK deals with the fallout of major events such as the Russia-Ukraine war, it is believed that the unemployment rate will rise from 3.5%, its lowest in 50 years, to 6.5% by Q4 of 2025.

It then concluded with a bitter-sweet statement that while this won't be the UK's 'deepest downturn, it will be its longest.'

Investor hopes in China hit hard

Chinese markets are facing yet more volatility after health officials promised to stick to the country's Covid Zero approach, dampening investor optimism that Beijing was working toward easing restrictions.

Assets from equities to oil rallied last week on hopes that China is taking concrete steps toward reopening, triggering The Hang Seng China Enterprises Index's best weekly gain since 2015.

But authorities quickly squashed speculation and reiterated their belief in lockdowns and mass testing, keeping investors on edge and stimulating high market volatility. Investors have been looking for reasons to scoop up Chinese stocks, which are among the worst performers in the world this year as the economy grows near the slowest pace in four decades.

"We expect confusion could go on for a while," said KB Securities strategists.



Protests grow as Ghana president 'fails'

'Akufo-Addo must go, IMF no' has filled the streets of Ghana this week as the government continues talks with the IMF regarding billions of dollars to stabilise the economy.

Last week, the president sought to reassure citizens that financial control would be reinstated after consumer inflation exceeded 37% - a 21-year peak.

When the IMF warned of global economic 'failures' a few weeks ago, Ghana was one of those most at risk as a result of their economic dependency on commodities such as gold, cocoa and oil, which have taken significant demand tumbles as a result of the global economic slowdown. Its currency, Cedi, has plummeted more than 40% this year - making it one of the worst-performing in the region. But citizens are convinced that these commodities comprise 'everything the country needs' and the only thing remaining is better leadership.