

Daily Dose of Macro & Markets 18th July 2025: “Britain – Is There Any Hope?”

The ‘Daily Dose of Macro & Markets’ is our new publication designed to speak to the key global macro debates that matter for markets (with 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday, Thursday and Friday morning (early London time).

Key Quote:

“It’s time to face the truth: Britain is being destroyed from within
The do-gooders who think of this country as a charity aren’t just making us poorer – they’re also putting us at risk of violent unrest”

Source: Daily Telegraph, 16th July 2025, “It’s time to face the truth”;
<https://www.telegraph.co.uk/news/2025/07/16/britain-is-being-destroyed-from-within/>

Britain – Any Hope?

If you read the papers (e.g. article above), listen to the politicians or scroll through any UK politics focussed social media/TikTok feed, Britain is on the verge of a crisis. The current Labour government is unable to control its own backbenchers, it’s lost control of the government’s finances and the country is about to tip over into a fiscal crisis (not to mention the illegal immigrants on boats, the welfare crisis, the housing crisis and the NHS crisis, amongst many others).

Added to which, the UK macro data reported this week further adds to that sense of ‘**economic foreboding**’. Most of it was worse than expected: The unemployment rate was higher (4.7% vs. consensus of 4.6%), while consumer price inflation was stickier (core inflation of 3.7% Y-o-Y vs. consensus of 3.5%).

Despite all that, though, the UK’s main large cap stock market (the FTSE100) crossed the 9,000 barrier for the first time this week (chart 1). With that, the index is up approx. 10% YTD (12.5% including dividends), while the FTSE 250 (midcaps) index is at its highest since early 2022. Importantly, especially for the more international large cap FTSE100 index, it has achieved that despite a strong currency (i.e. strong GBP in 2025).

So how is that the case? How does the narrative match the stock market performance? How is the circle squared?

It’s squared via the UK’s structural economic set-up, such that it’s poised on the cusp of a private sector credit (and consumer/housing) boom over coming quarters (and years), with the potential for economic growth to surprise meaningfully to the upside.

As we wrote earlier this week:

“A UK credit boom is likely brewing. The pre-conditions are in place: i) Households have the capacity to borrow more; ii) banks want to lend; & iii) policy rates, and therefore loan rates, are set to fall further. The ingredients for a lending boom are, therefore, in place.

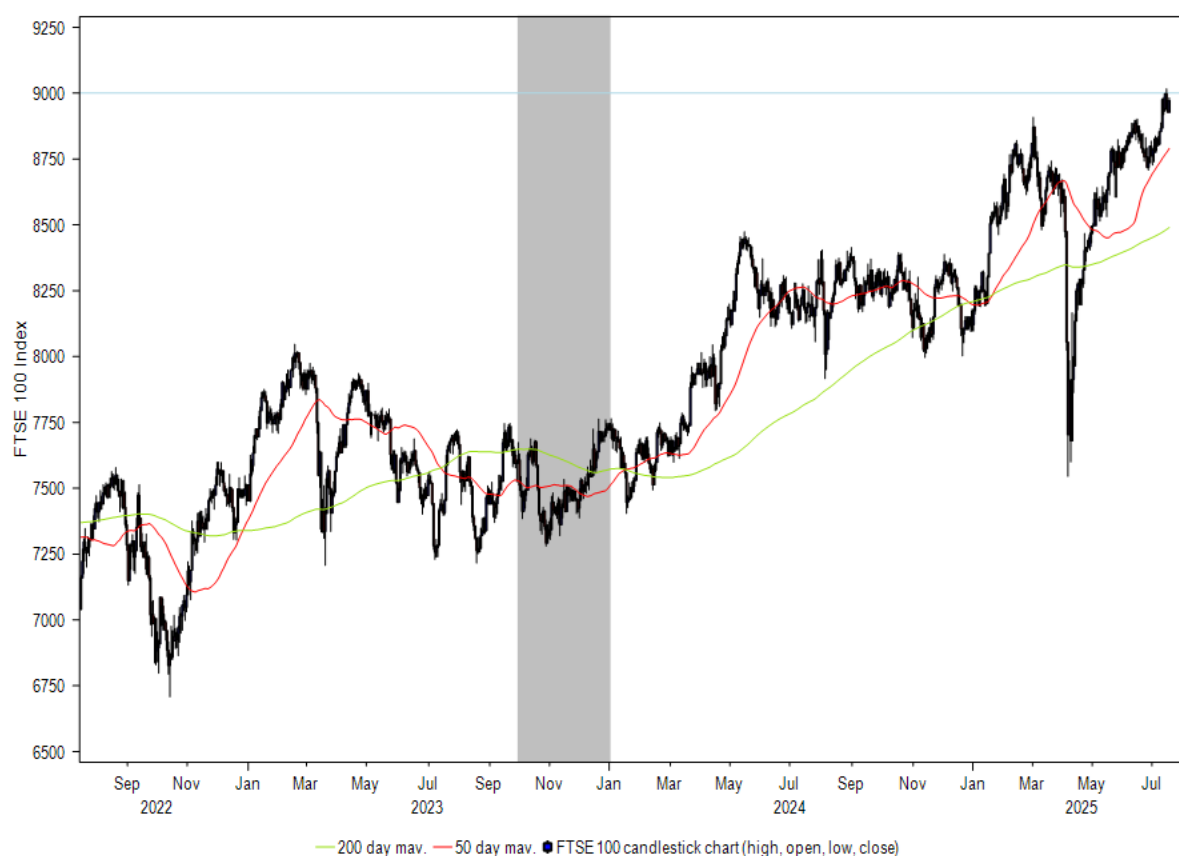
Over the past 18 months, net mortgage lending totals (monthly) have been picking up. In January 2024, net lending was -£0.8bn. By the start of 2025 it was £4.4 billion, while in

March it picked up sharply ahead of the imposition of stamp duty increases in April. For now, the data series is attempting to get back onto its pre-March trend line. Time will tell. However, the structural set up above supports an expectation that it returns to that uptrend. The scene, therefore, looks set for UK household indebtedness to pick up once again and, with that, generate a repeat of the consumer boom which occurred under Brown/Blair in the noughties, and Lawson in the late 1980s.”

So, whilst a UK fiscal crisis is a possibility (and something we’ve discussed in various prior publications), it’s not our central case. The most likely outcome is a growth spurt as the private sector (& housing market) responds to falling interest rates, and engenders a credit and consumption boom.

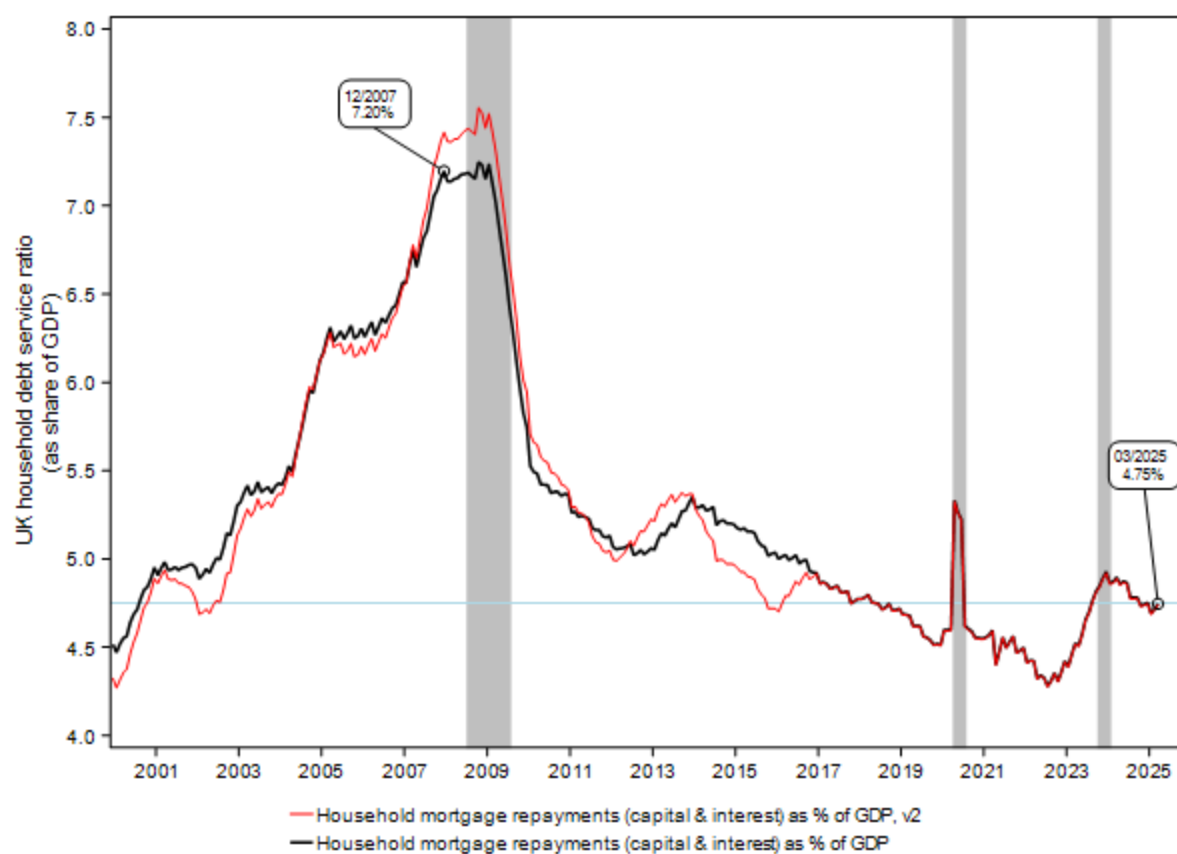
For further analysis of our cyclical UK macro views, see our latest Global Macro Report (published 15th June 2025 “[Britain -> Due a Credit Boom](#)” - available to subscribers). NB chart 2, reproduced below, is one of the key charts in the report, illustrating the structural set-up and showing the current low cost of servicing the UK’s mortgage book.

Chart 1: FTSE100 candlestick chart with key moving averages



Source: Longview Economics, Macrobond

Chart 2: UK household mortgage payments incl. capital & interest (% of GDP)



Source: Longview Economics, Macrobond