

## **What Prophecies Will Come True in 2016?**

Colin Rodrigues, Corporate Partner at Hawkins Hatton considers the economic challenges facing the UK in the Year ahead.

As it is the start of a New Year, lots of people will be giving their predictions as to events far and wide in the year ahead but from a corporate lawyers perspective I am more concerned about where the UK economy will be in 2016 and how this will affect my business clients.

There are so many questions that need to be answered. Will the UK remain the bright light on the global stage of economies? Will the UK have growth at 2.6% again in 2016? Will UK growth be driven by household spending or business investment or both?

All these questions will never truly be answered until we reach the end of 2016, but what I can say from speaking to my clients is that their employees are starting to feel more confident as pay growth has picked up and there is low inflation. However the real question for me is will growth in the UK slow down as a result of adverse changes in other global economies. You also have to bear in mind that the UK is still subject to deflationary pressures. These factors could still lead to growth slowing to maybe 1.6% with unemployment picking up, even though there is low inflation.

That said, my view is 2016 will be very similar to 2015 in growth terms from speaking to my clients, clearly there will be a risk of a small rise in inflation notwithstanding there has been a fall in oil price. The reason why I think growth will be similar to last year is that the European economy will start to pick up albeit the global economy is still weak as a result of the faltering economies from the larger emerging markets.

I think like most people that the Bank of England will raise interest rates however, this rise will be slower than anticipated.

However, what is more difficult to predict is what the approach of the Chancellor will be if he has to tear up his existing fiscal policy in the event of declining growth in the UK. You will see from the turmoil we had at the start of the year when the Chinese stock market effectively had to close early as a result of major falls, this ripple effect in the global pond was felt from New York to London to Frankfurt to name but a few.

In 2015 China reported its slowest growth in 2 years, the impact of which will be felt globally.

That is why, in my view, predictions aside, remaining focused on your business is some of the best advice I can give my clients, given that predictions do not always come true.

For further advice on any issues raised by this article please contact Colin Rodrigues, Hawkins Hatton Corporate Lawyers on [crodrigues@hawkinshatton.co.uk](mailto:crodrigues@hawkinshatton.co.uk) or 01384 216840.