European markets upbeat as UK economy grows

T
here were glimmers of hope on Friday as official figures showed that the UK economy grew in the latest quarter, contrary to previous forecasts that it had shrunk.

Gross domestic product (GDP) grew by 0.2% over the three months to June, meaning the UK might not be in a recession.

The good news had a positive impact for investors in European markets and its top indices had all made gains by the end of the week.

The FTSE 100 had edged up by 12.22 points, or 0.18%, to 6,893.81.

The pound also saw a rebound on Friday, managing to creep back up to the levels seen before the Chancellor unveiled his mini-budget last Friday and sterling tanked against the dollar.

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Fortunately, the surprise 0.2% GDP reading for the second quarter helped alleviate fears that the UK was in recession as claimed by the Bank of England, but pressures are sure to ramp up as we move towards a difficult second half of the year

Sterling briefly rallied above 1.12 against the US dollar and was only marginally down by 0.06% to 1.112 when European markets closed.

Joshua Mahony, senior market analyst at online trading platform IG, said: “The FTSE 100 is lagging on a day that has once again shone the limelight on the UK a week on from the Chancellor’s highly contentious mini-budget.

“Soaring mortgage offers have grabbed the headlines, with lenders reacting to recent market turmoil by hiking their borrowing rates in anticipation of greater instability and a reactive Bank of England.

“Nonetheless, we have seen homebuilders enjoy a relatively upbeat session, with the Office for Budget Responsibility now expected to provide its initial budget forecasts on October 7.

“From a market perspective, the pound has managed to recoup the entirety of the budget sell-off against the euro and dollar, but the gilt markets tell us another story.

“Fortunately, the surprise 0.2% GDP reading for the second quarter helped alleviate fears that the UK was in recession as claimed by the Bank of England, but pressures are sure to ramp up as we move towards a difficult second half of the year.”

The week ended with gains elsewhere across Europe and the German Dax had risen by 1.16%, while the French Cac was 1.51% higher.

In the US, its top indices had begun to fall by the time European markets closed. The S&P 500 was 0.06% lower and Dow Jones had dropped 0.4% in early trading.

The pound was up against the euro, lifting 0.4% to 1.1365.

In company news, struggling cinema chain Cineworld warned investors audiences could remain below pre-Covid levels for at least the next two years as more films are released on streaming platforms.

The debt-laden company said its cash reserves shrank by almost two-thirds over the first half of this year.

Shares in Cineworld were down by more than 5% on Friday.

Sports nutrition firm Science In Sport saw its share plunge by nearly a third after telling investors it is considering a possible sale of the business.

The protein and energy gel retailer said bosses believe the market cap “fundamentally undervalues” the group, despite reporting a pre-tax earnings loss of £2.3 million for the first half of the year.

Meanwhile, retail giant Currys said it is giving its staff another pay rise to help them cope with the cost-of-living crisis. The move will benefit around 10,000 hourly paid employees.

Currys’ share price was up by nearly 2% when markets closed.

The biggest risers on the FTSE 100 were Barratt Developments, up 18.8p to 342.2p, Unite Group, up 44p to 858.5p, Persimmon, up 62.5p to 1,237.5p, Segro, up 36p to 753p, and Burberry Group, up 74p to 1,808p.

The biggest fallers on the FTSE 100 were BAE Systems, down 35.2p to 789.8p, Unilever, down 111.5p to 3,969p, Reckitt Benckiser Group, down 148p to 5,976p, Centrica, down 1.38p to 70.84p, and Glencore, down 8.6p to 478.15p.