

UK Economic Overview

CONSUMERS AND THE MACRO ECONOMY

September 2024



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Summary

Highlights – Current Economic Trends



The UK economy is beginning to show some positive economic signs, principally driven by the Bank of England beginning to reduce its base rate. Yet, a primarily cautious economic environment persists as pessimistic consumer sentiment continues to be driven by economic uncertainty and high interest rates

Consumer Confidence



Consumer Confidence ↓ -20 (-19)
Consumer Credit Growth ↓ 7.8% (8.1%)
Retail Sales (Volume) ↑ 98.2 (96.1)

Pages 7-14

Inflation and GDP



Inflation (CPI) ↓ 2.2% (2.3%)
Quarterly GDP Growth ↓ 0.6% (0.7%)
BoE Base Rate ↓ 5.0% (5.25%)

Pages 15-21

Employment



Unemployment Rate ↓ 4.1% (4.3%)
Job Vacancies ↓ 857k (916k)
Wage Growth ↓ 5.1% (6.0%)

Pages 22-26

Supply Chain



Freight Rates ↓ \$4,168 (\$5,937)
Supply Chain Pressure Index ↓ (0.20) (-0.96)
Manufacturing Growth ↑ 11.0% (-7.0%)

Pages 27-42

Housing



2-year Variable Rate ↓ 5.56% (5.71%)
Residential Loan Volumes ↓ 0.3% (7.5%)
Property Transactions ↑ 13.0% (-9.0%)

Pages 38-43

Key
 ↑ Latest Reported Data
 (Data per previous Report in May 2024)



Consumers & Macro Economy Executive Summary



Positive Trends

- The Bank of England reduced its key base rate by 25bps to 5.0% in August, marking its first rate decrease since March 2020
- A decrease of 0.25% in base rates has resulted in decreases in mortgage rates and improvements in personal finance expectations over the month of August
- UK GDP sustained its second consecutive quarter of growth over Q2 2024, albeit modestly lower than Q1 at 0.6%. This is its first consecutive period of growth since early 2023
- UK unemployment rate fell in May and June to 4.1% following four previous monthly increases to Apr 2024
- Deep sea freight rates continue to fall following their record high in July and freight volumes also sharply declined but still remain higher than pre-pandemic levels
- Positive sales volume growth recorded across several retail sectors in July



Key Headwinds

- Consumer confidence fell sharply in September, with a decline across all measurement categories, driven by consumer concerns regarding the upcoming Budget from the UK Government
- Despite falling since our last report in April, the Consumer Price Index increased in July for the first time since May 2023 rising to 2.2% and remained flat into August, driven by services inflation
- Most sectors recorded declining jobs growth between May and July 2024
- Recent contraction in output from production and flatlined growth in construction



Concerns

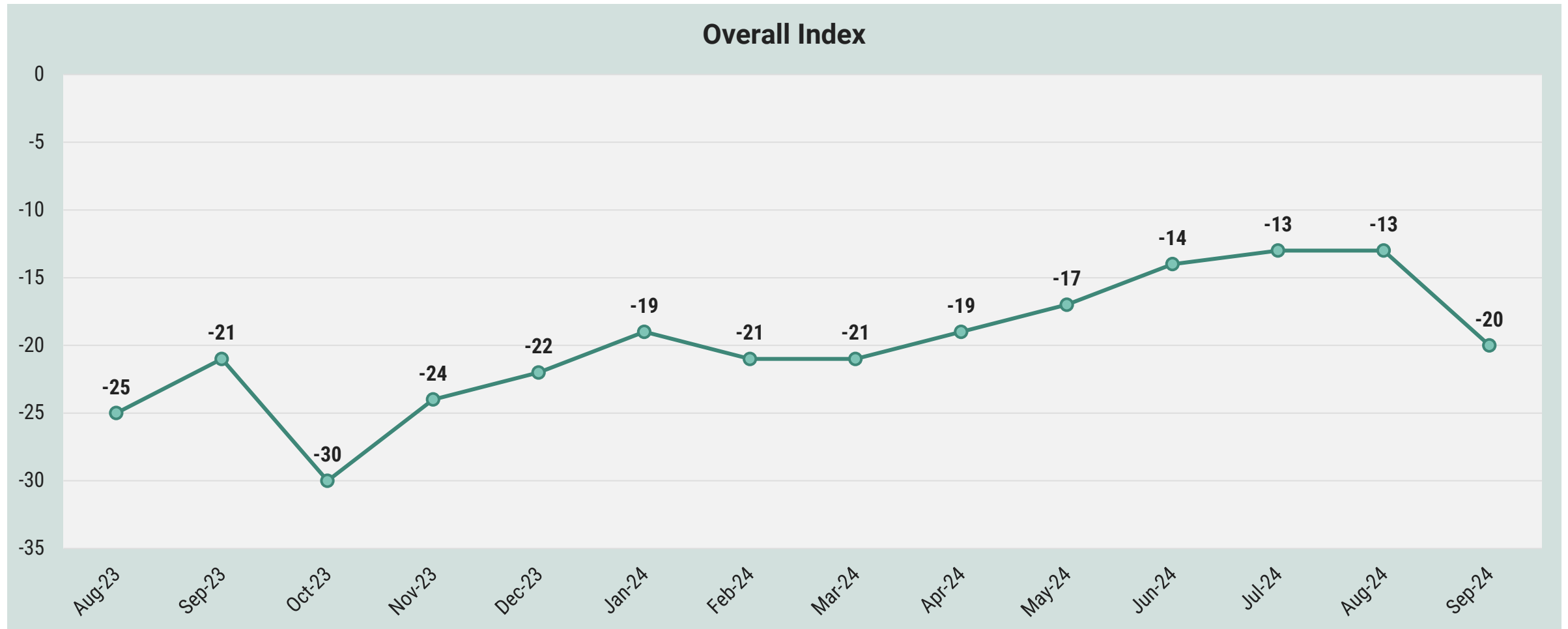
- Overall consumer sentiment remains constrained by uncertainty in the economy
- GDP growth has flatlined over July despite growth earlier this year with growth in services offset by decreases in production and construction output
- Consumer credit growth is slowing reflecting persistent consumer caution
- Despite recent increases in retail sales, this has not been shared across all sectors. Furthermore, recorded growth in certain sectors (e.g. department stores and sporting) may not be sustained due to reliance on discounting and seasonal events
- July rise in the CPI the first increase this year, with index stable into August
- Despite falling freight rates, the Supply Chain Pressure Index turned positive in August indicating rising pressure on supply chains

Consumers



UK Consumer Confidence

There was a sharp decline in the GfK Consumer Confidence Index in September, falling to -20, driven by concerns relating to the forthcoming UK Government's Budget



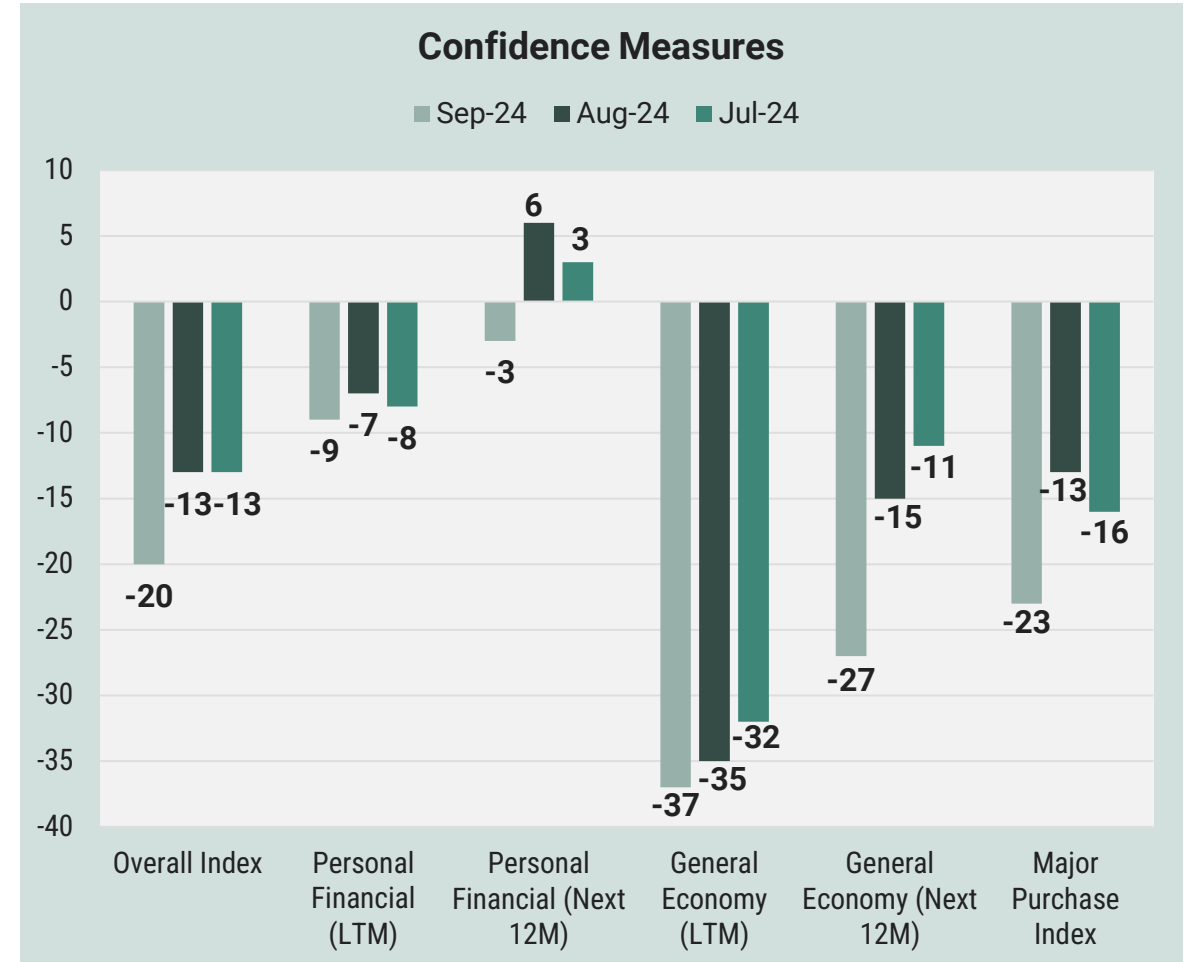
Source: GfK Consumer Confidence Barometer

UK Consumer Confidence



All measures of consumer confidence declined in September on the back of improvements in the previous month

Measure	Trend	Sep-24	Aug-24	Jul-24	Jun-24
Overall Index	0	-20	-13	-13	-14
Personal Financial Situation (LTM)	1	-9	-7	-8	-10
Personal Financial Situation (Next 12 Months)	3	-3	6	3	4
General Economy (LTM)	-3	-37	-35	-32	-32
General Economy (Next 12M)	-5	-27	-16	-11	-11
Major Purchase Index	3	-23	-13	-16	-23

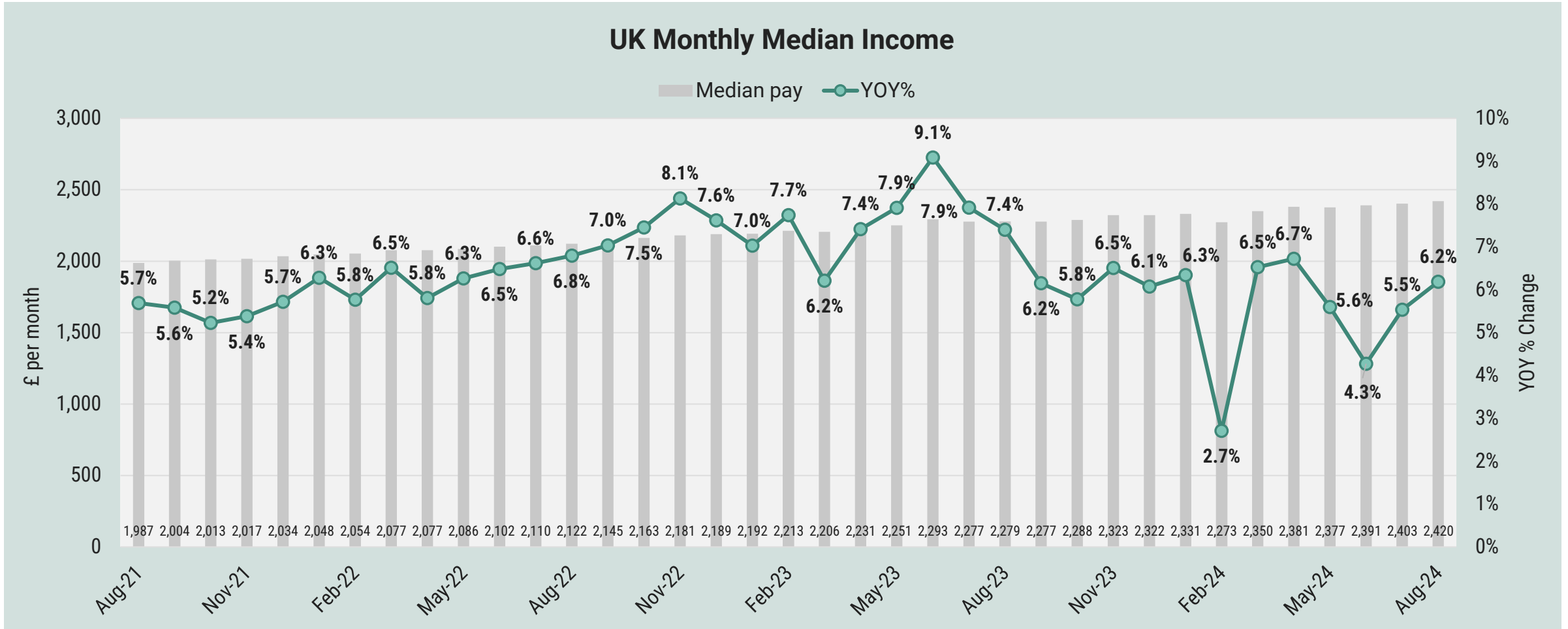


Source: GfK Consumer Confidence Barometer

Income



UK Median Income continues to rise, increasing by 6.2% in the year to August 2024

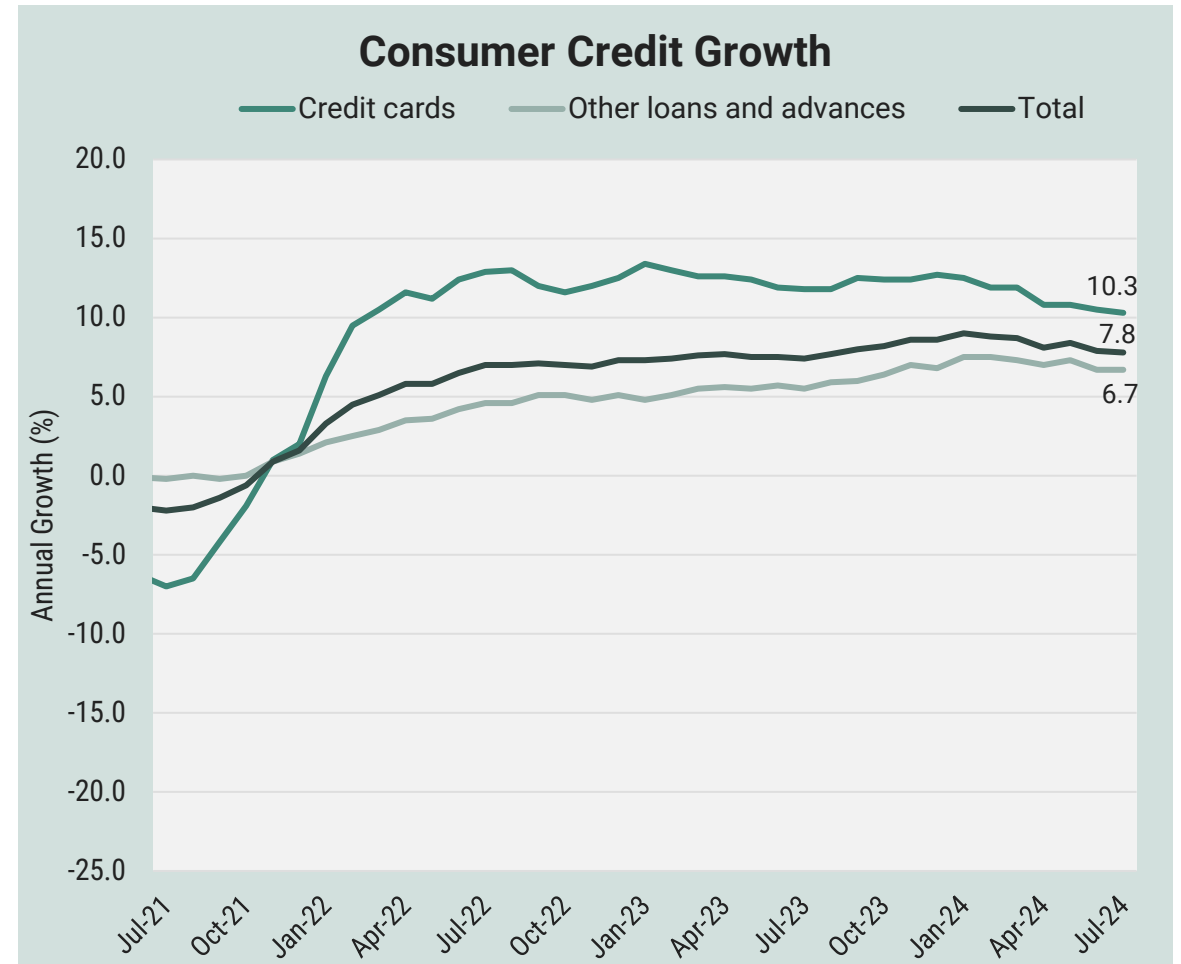
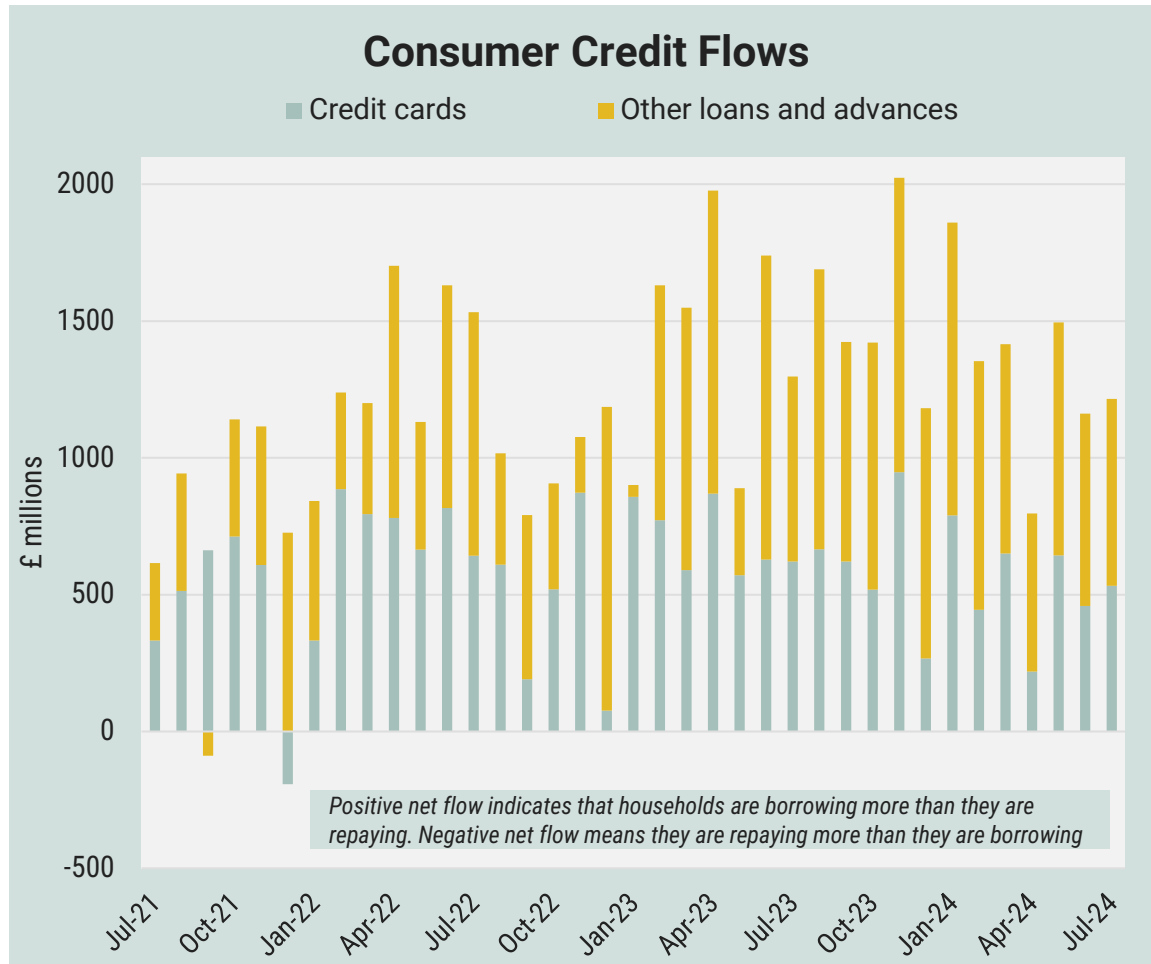


Source: Office for National Statistics



Consumer Credit

Net consumer credit flows remained positive into July, albeit at a slower rate than previous months. Total credit growth declined slightly to 7.8% in July, driven by falling credit card borrowing



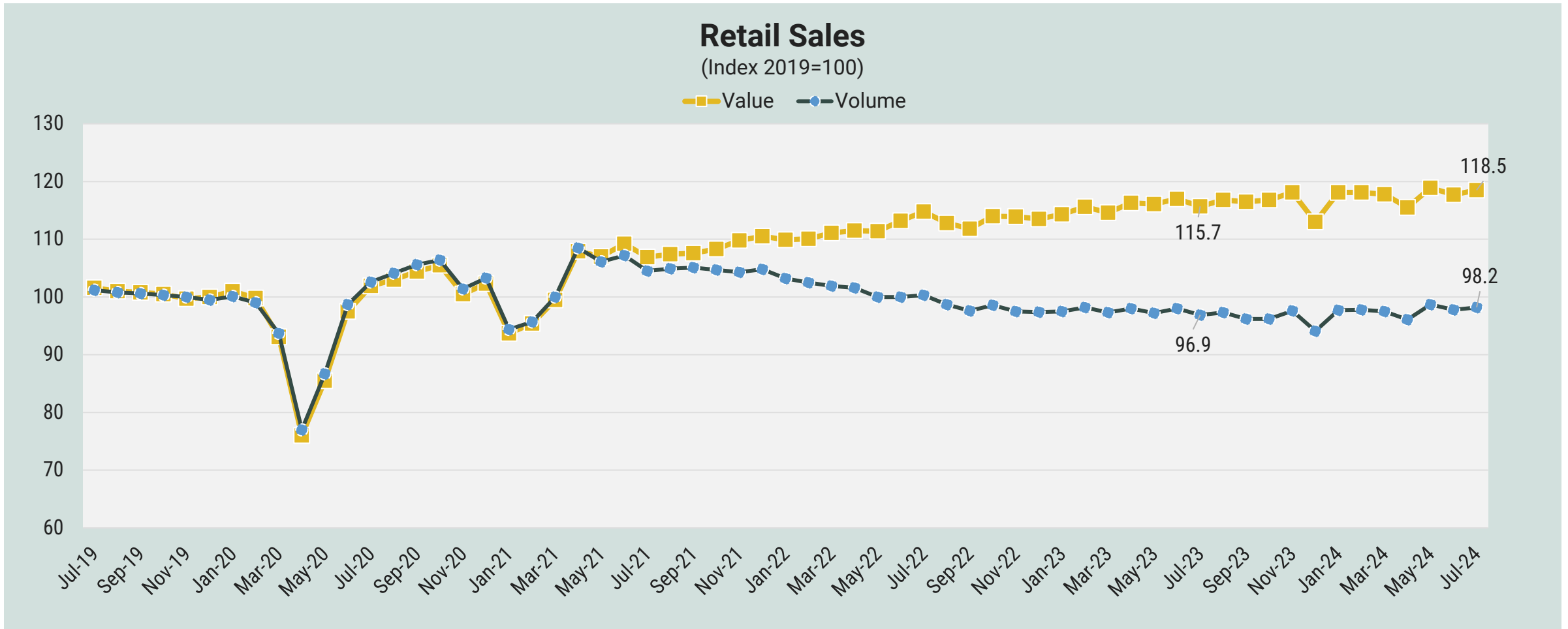
Source: Bank of England

Retail

Retail Sales



Retail sales volumes increased by 0.4% in July 2024, following a fall of 0.9% in June 2024. Similarly, retail values increased 0.8% following a prior month decline of 1.2%. Retail volumes and values are up 4.1% and 5.5% YTD, respectfully

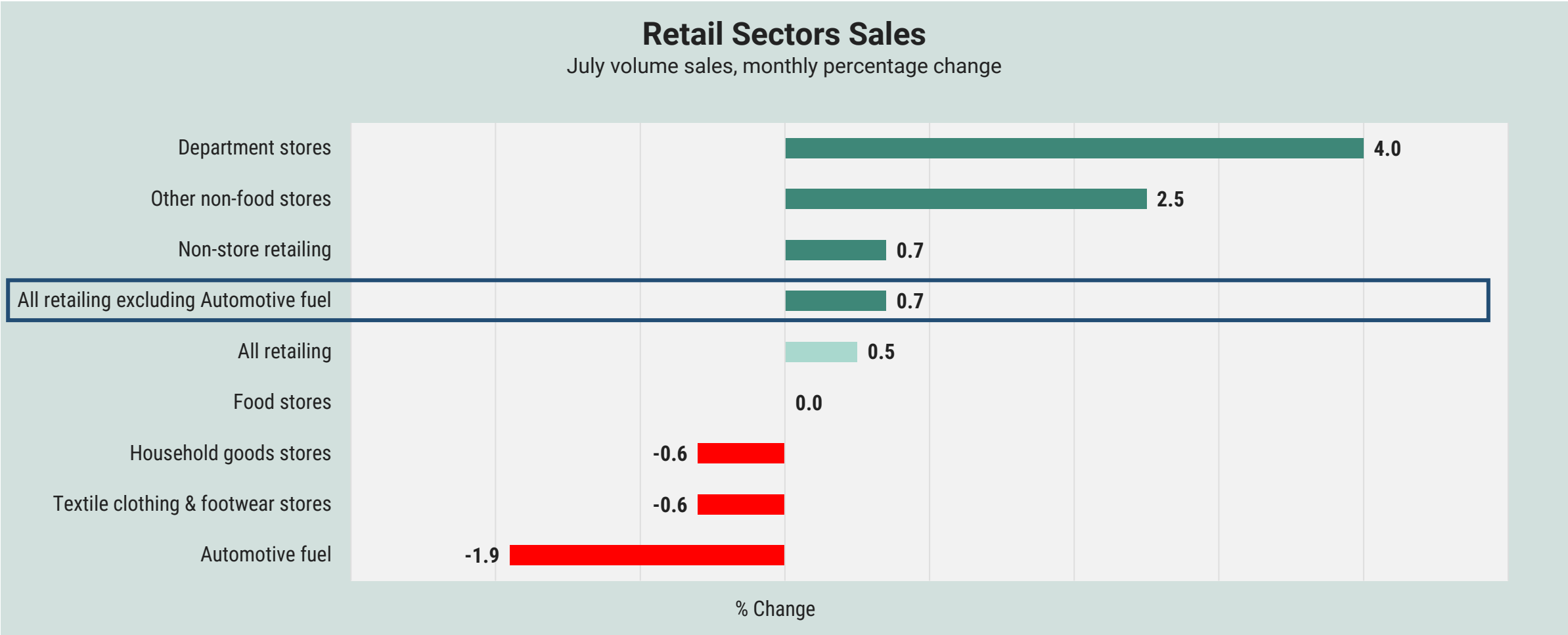


Source: Office for National Statistics

Category Sales



Department stores and sports equipment stores (Other non-food stores) reported a boost following summer discounts and sporting events; household goods and apparel declined in July vs. previous month



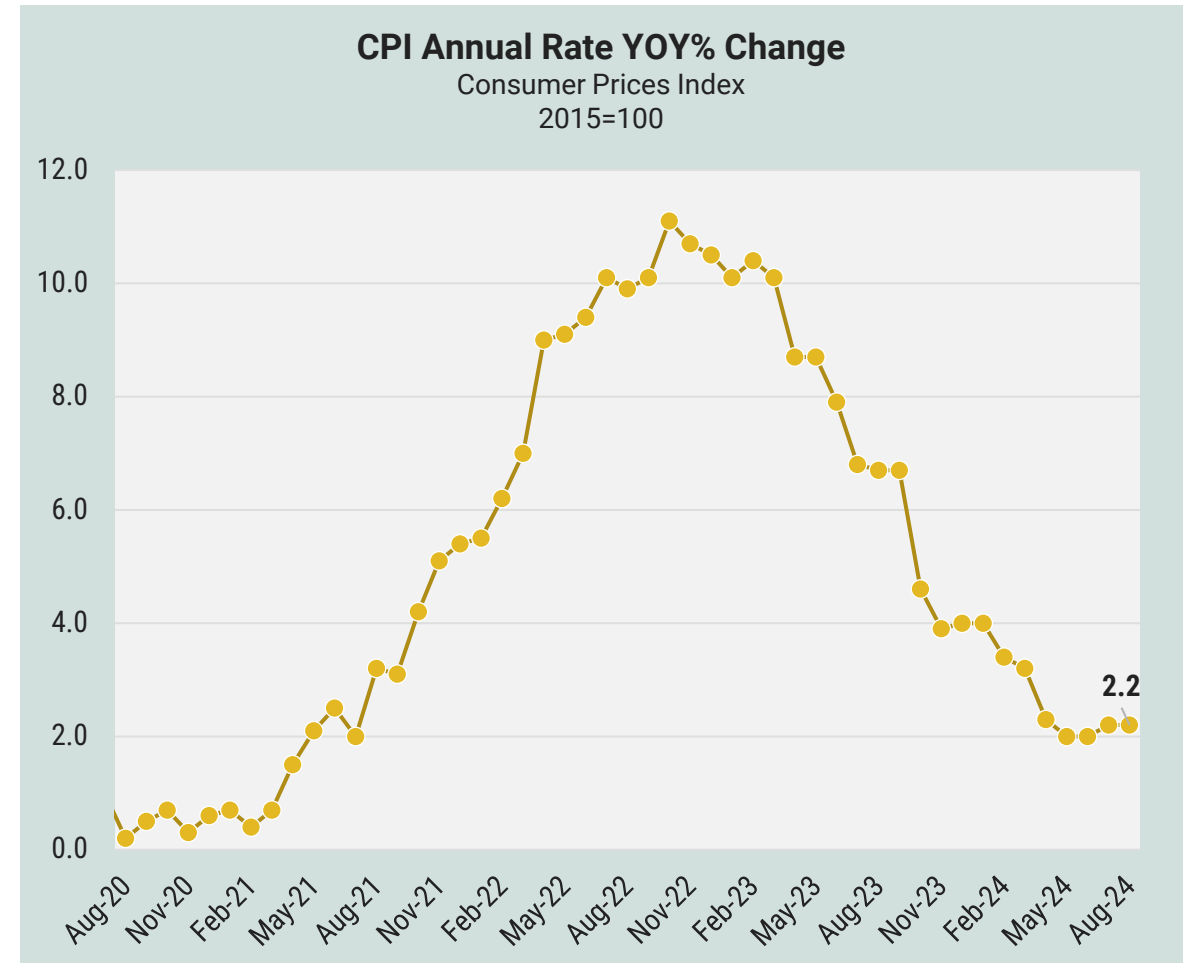
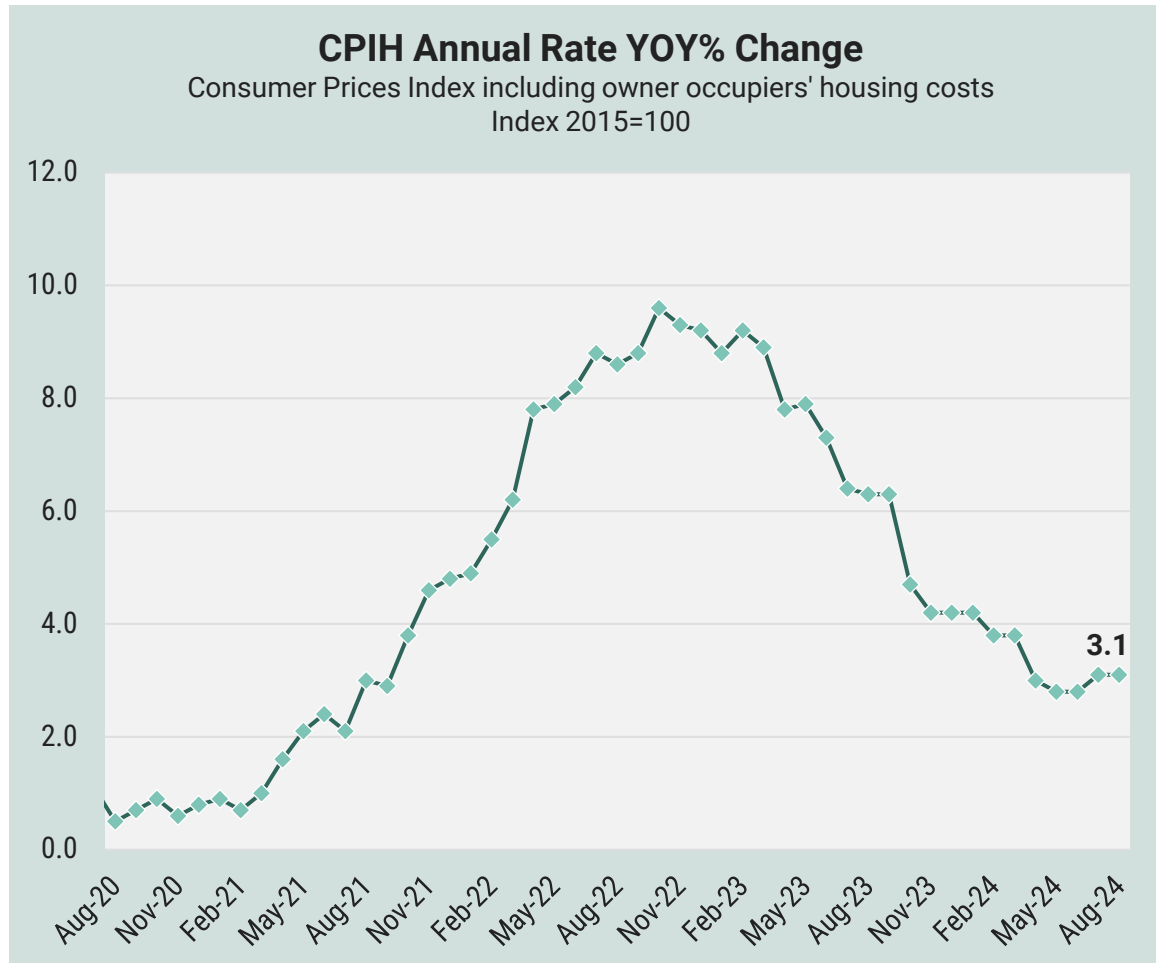
Source: Office for National Statistics

Inflation and GDP



Consumer Price Index

Consumer price index (CPIH, incl. housing) increased for the first time since May 2023 to 3.1% in July and remained flat into August. Excluding housing costs, CPI increased to 2.2% in July and remained flat into August

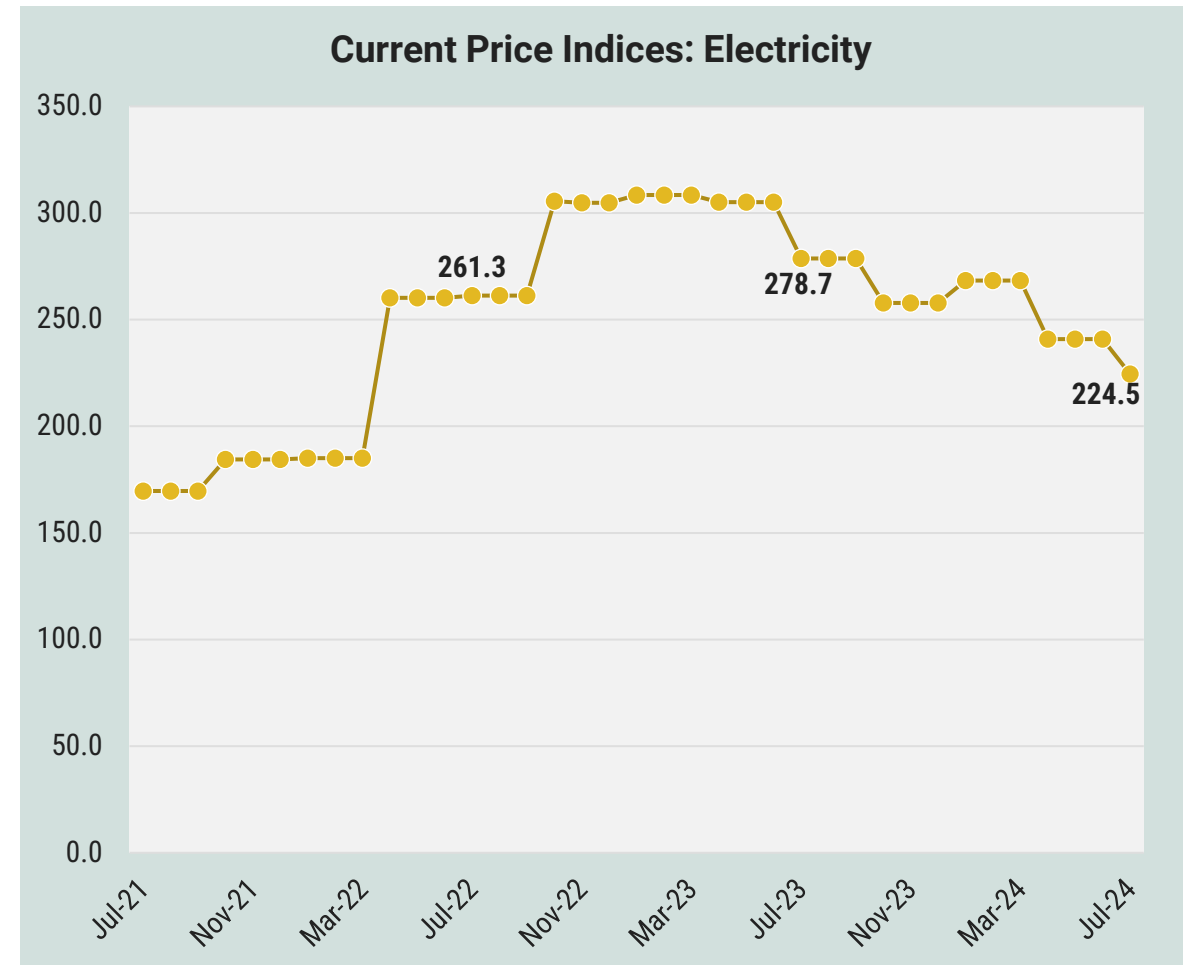
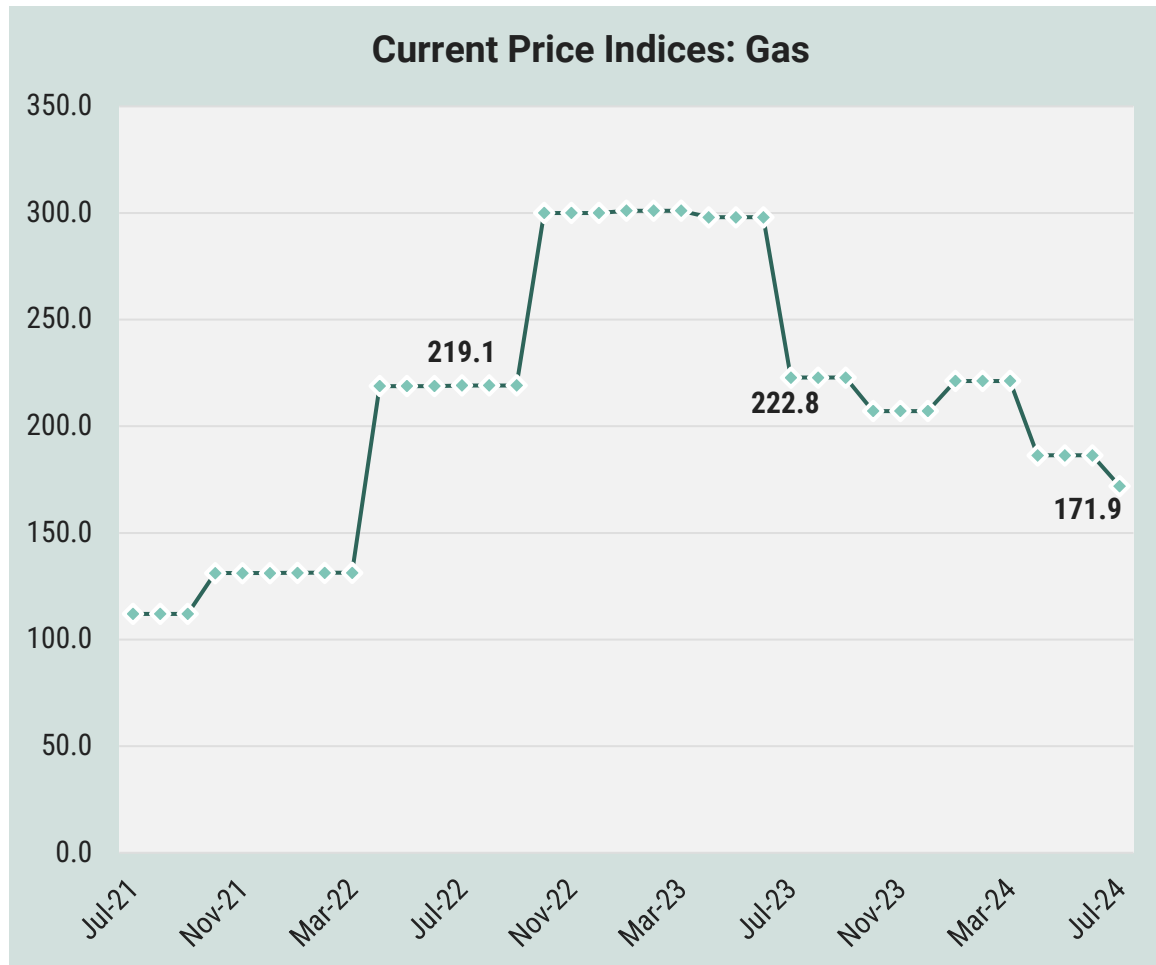


Source: Office for National Statistics



Gas & Electricity

Gas & electricity indices decreased month-on-month following recent flatlining

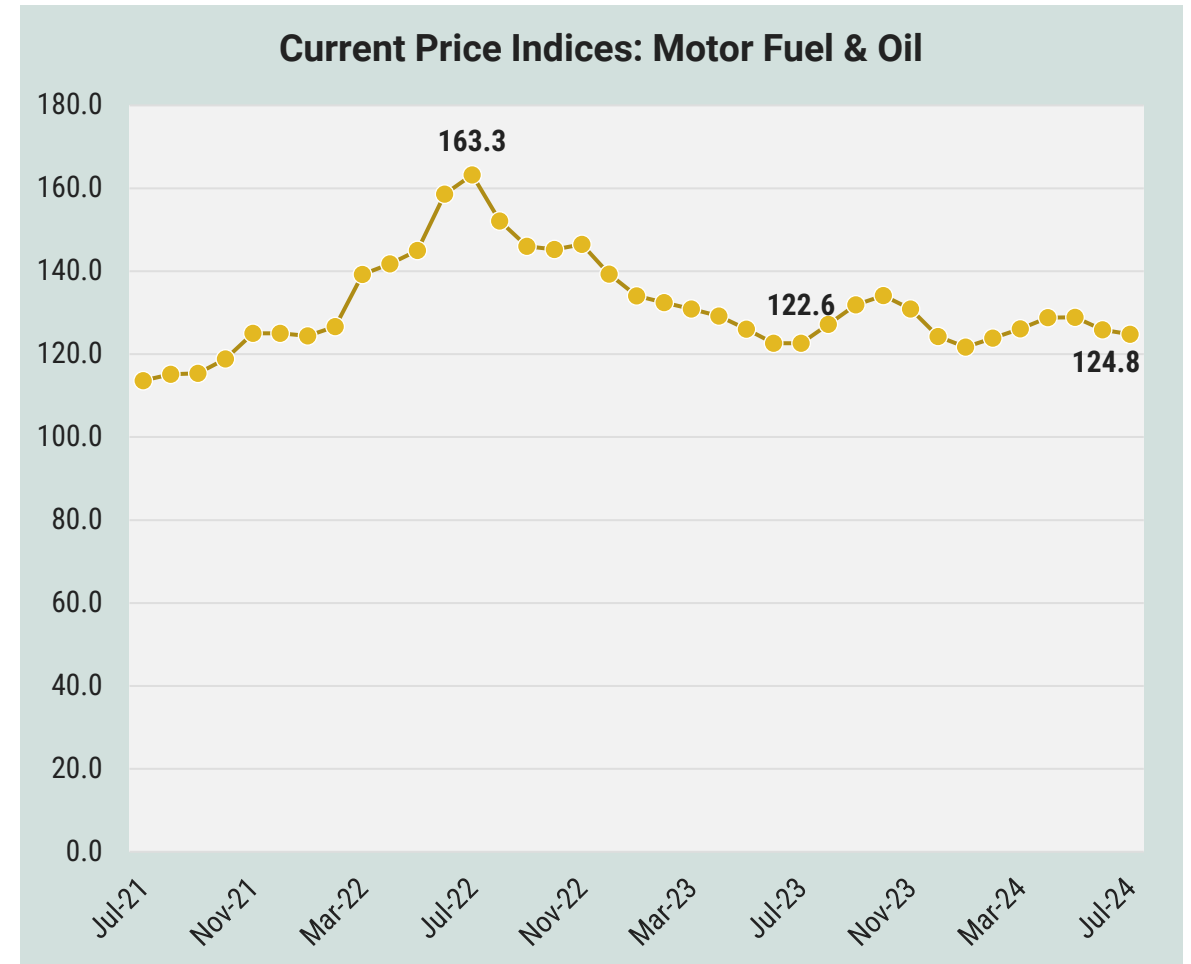
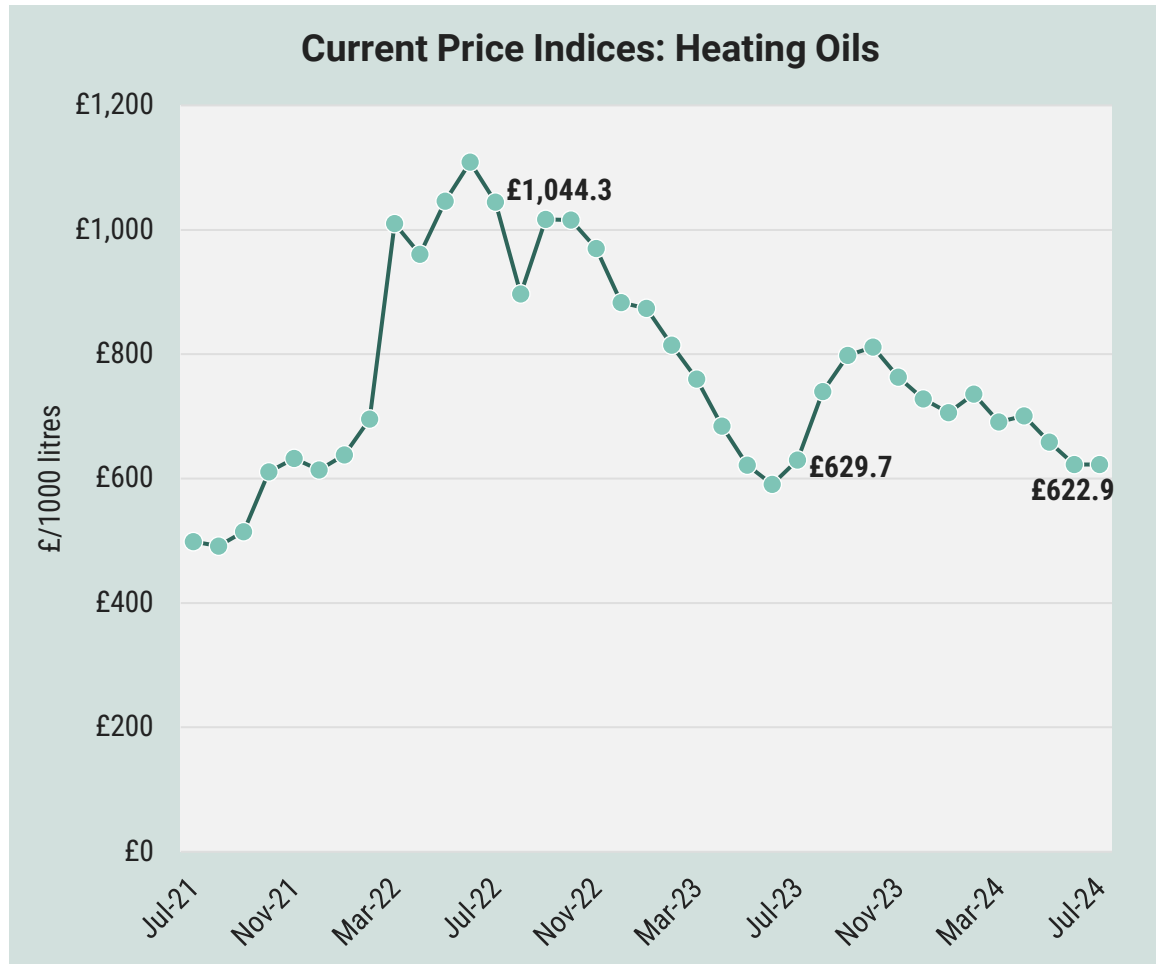


Source: Gov.uk, energyprices.stats@energysecurity.gov.uk



Heating Oils & Motor Fuel

July heating oils index was flat month-on-month; motor fuel declined slightly in July

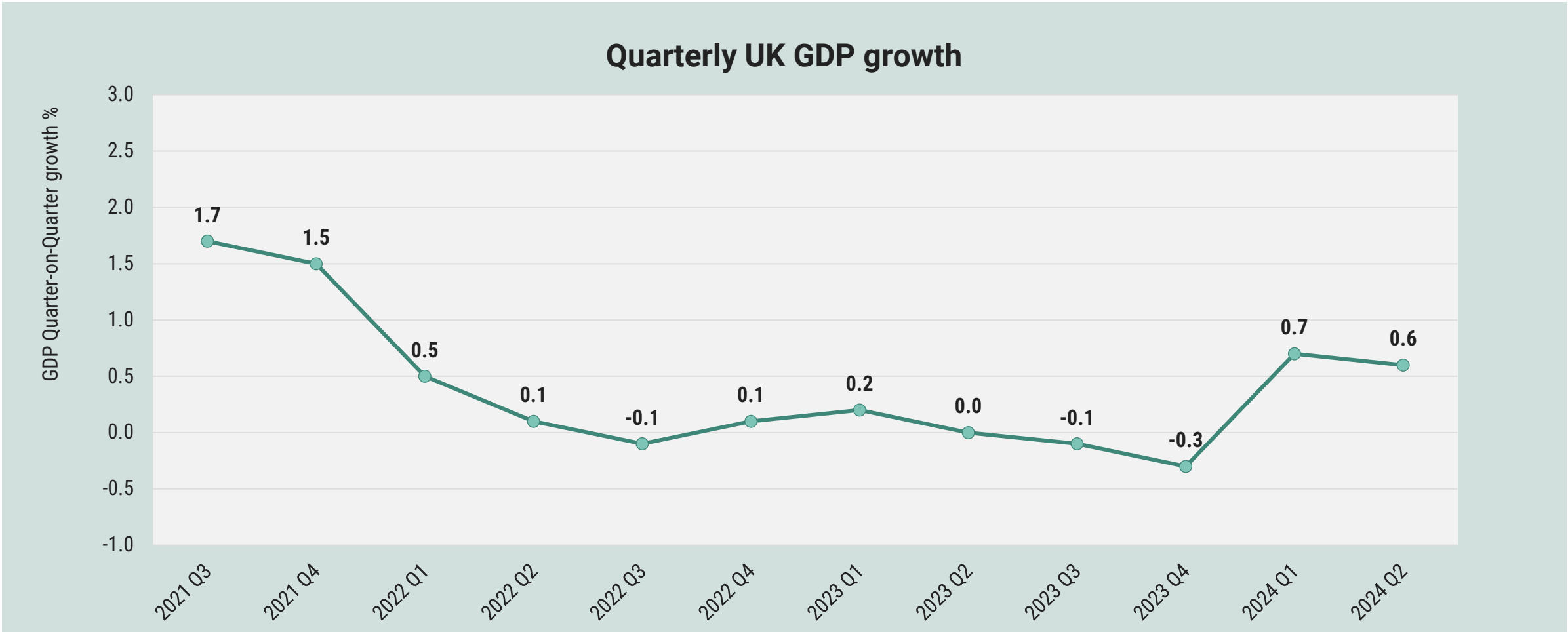


Source: Gov.uk, energyprices.stats@energysecurity.gov.uk

GDP



UK gross domestic product (GDP) grew by 0.6% over Q2 2024, recording consecutive quarters of growth for the first time since Q1 2023

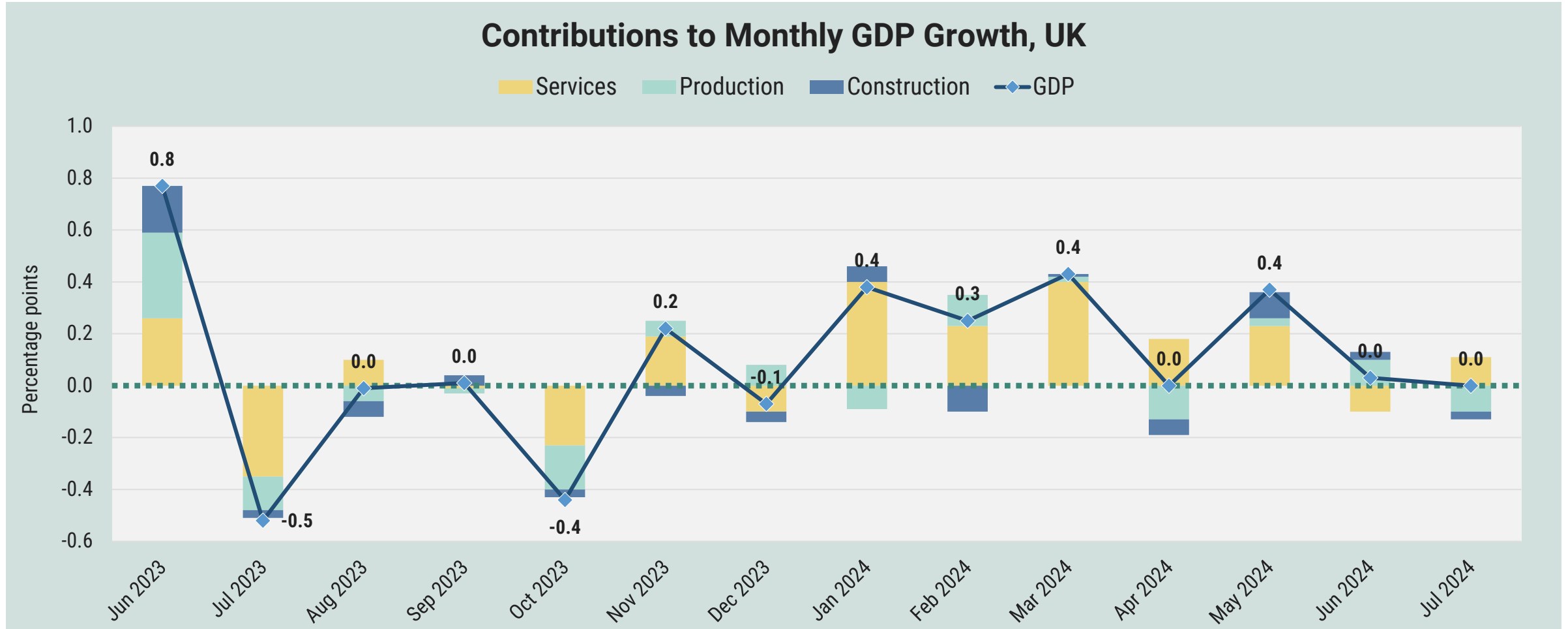


Source: Office for National Statistics, Gross Domestic Product: Quarter on Quarter growth: CVM SA %

GDP



Flat monthly growth in GDP for July, with growth in services offset by decline in production. Construction growth was flat month-on-month

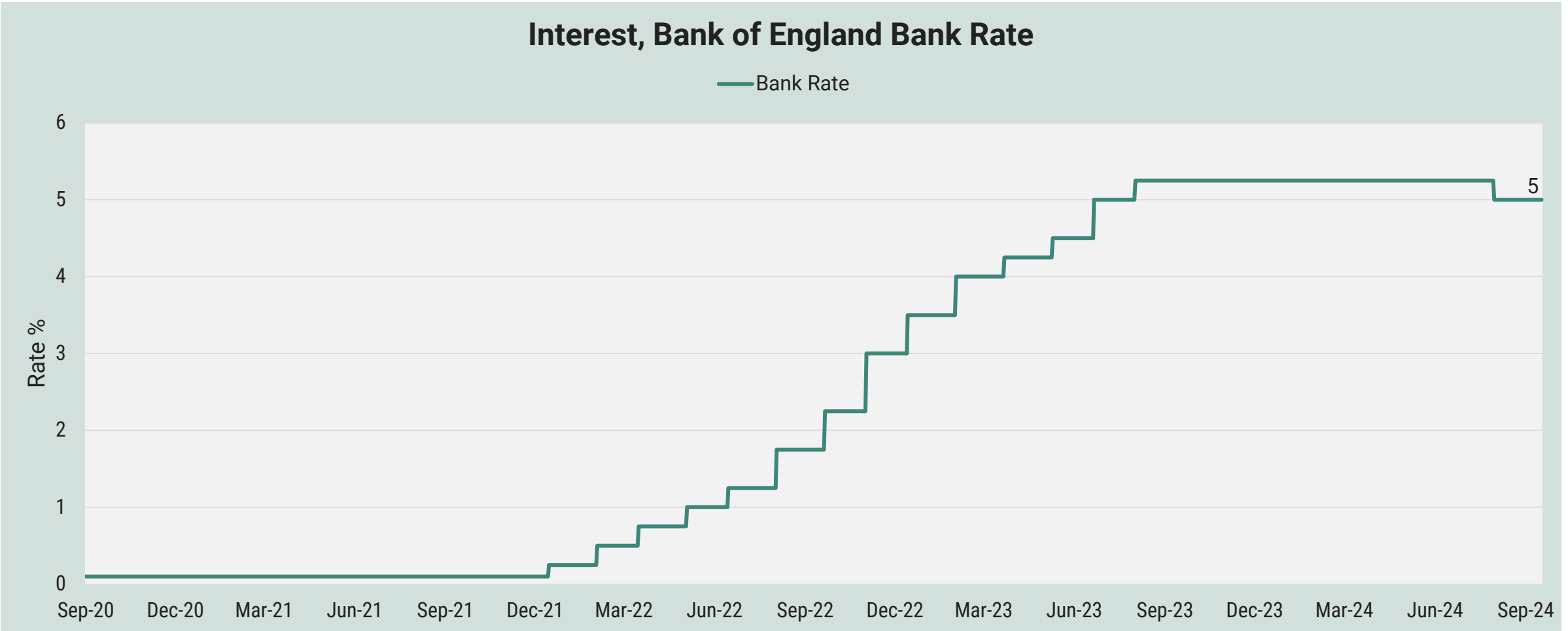


Source: GDP monthly estimate from the Office for National Statistics, Sum of component contributions may not sum to total services growth because of rounding

Interest Rates



Bank of England decreased its official rate for the first time since March 2020 to 5% in August. This is the first of a series of anticipated rate decreases. The Bank maintained this rate at 5% in September



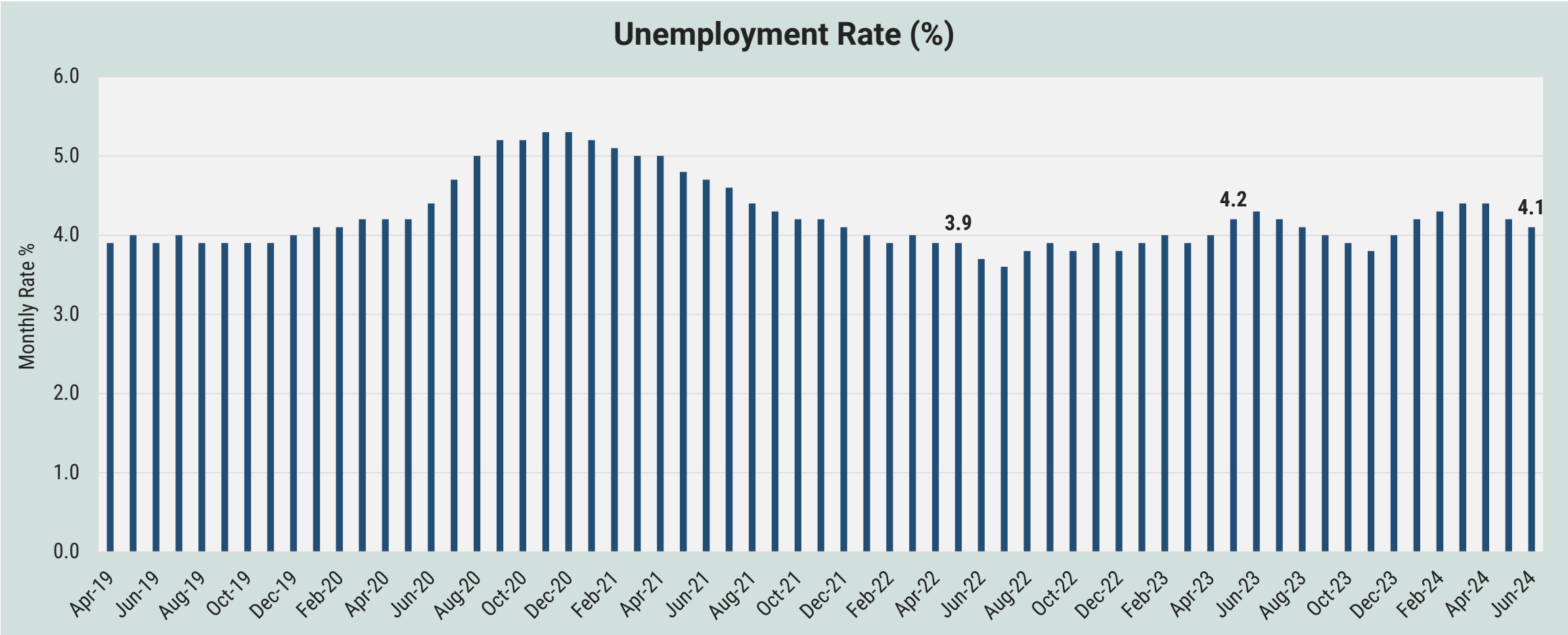
Source: Bank of England

Employment

Unemployment



UK unemployment rate declined modestly to 4.1% in June, the first decrease since November 2023

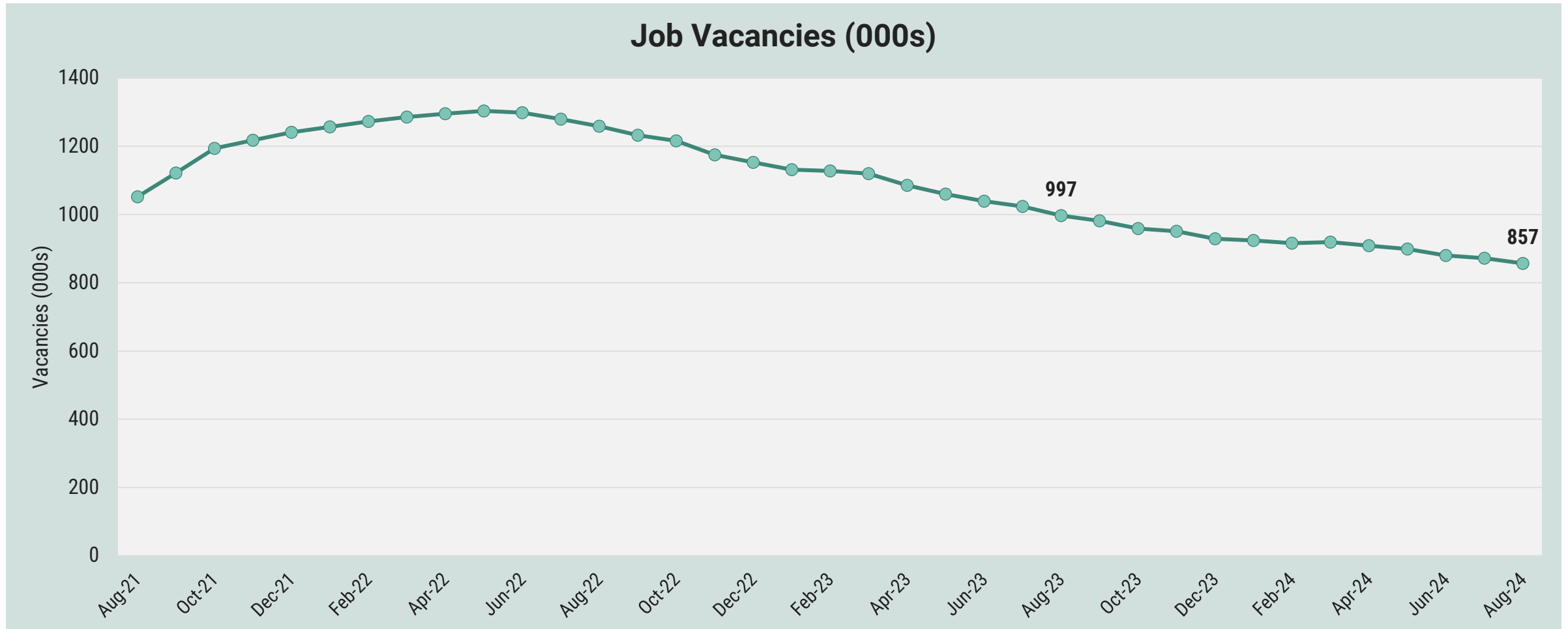


Source: Office for National Statistics



Job Vacancies

UK job vacancies continued to fall into August to 884,000, down from 997,000 at the same point last year

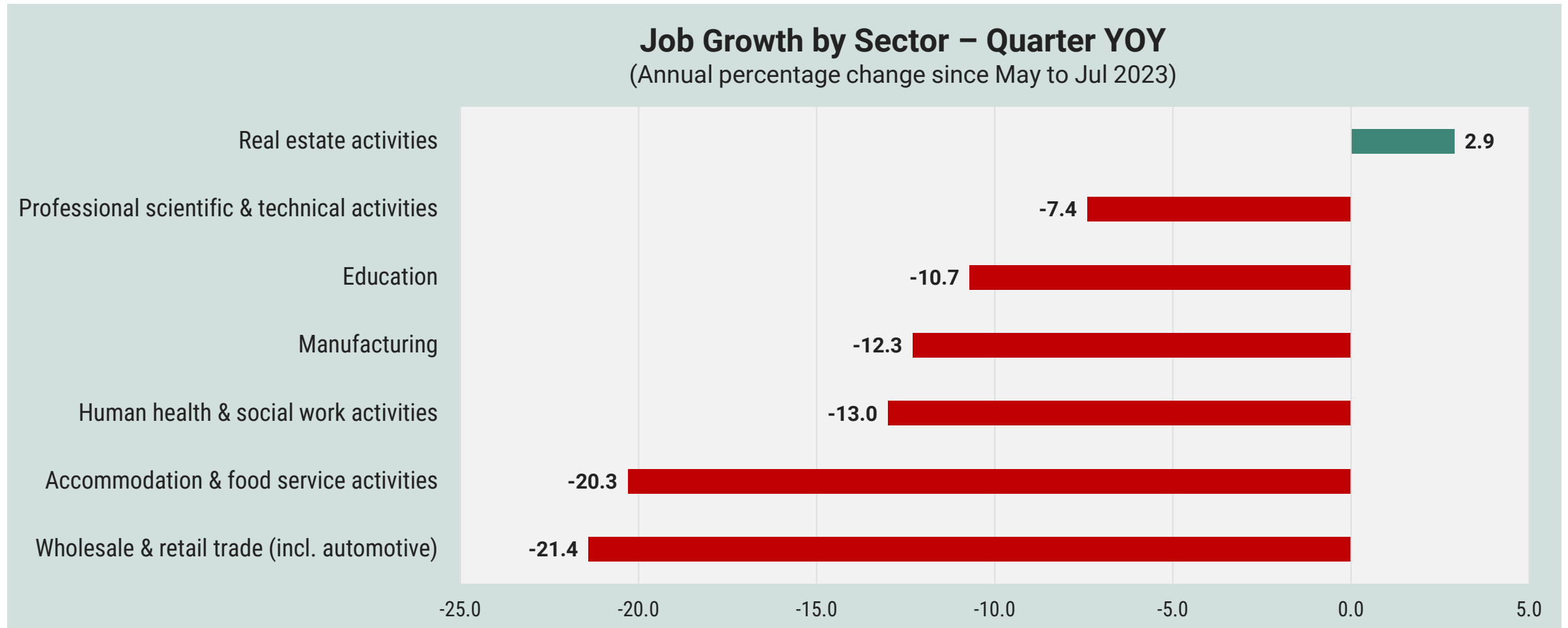


Source: Office for National Statistics



Quarterly Growth Across Industry Sectors

Job growth showed significant declines across most major sectors

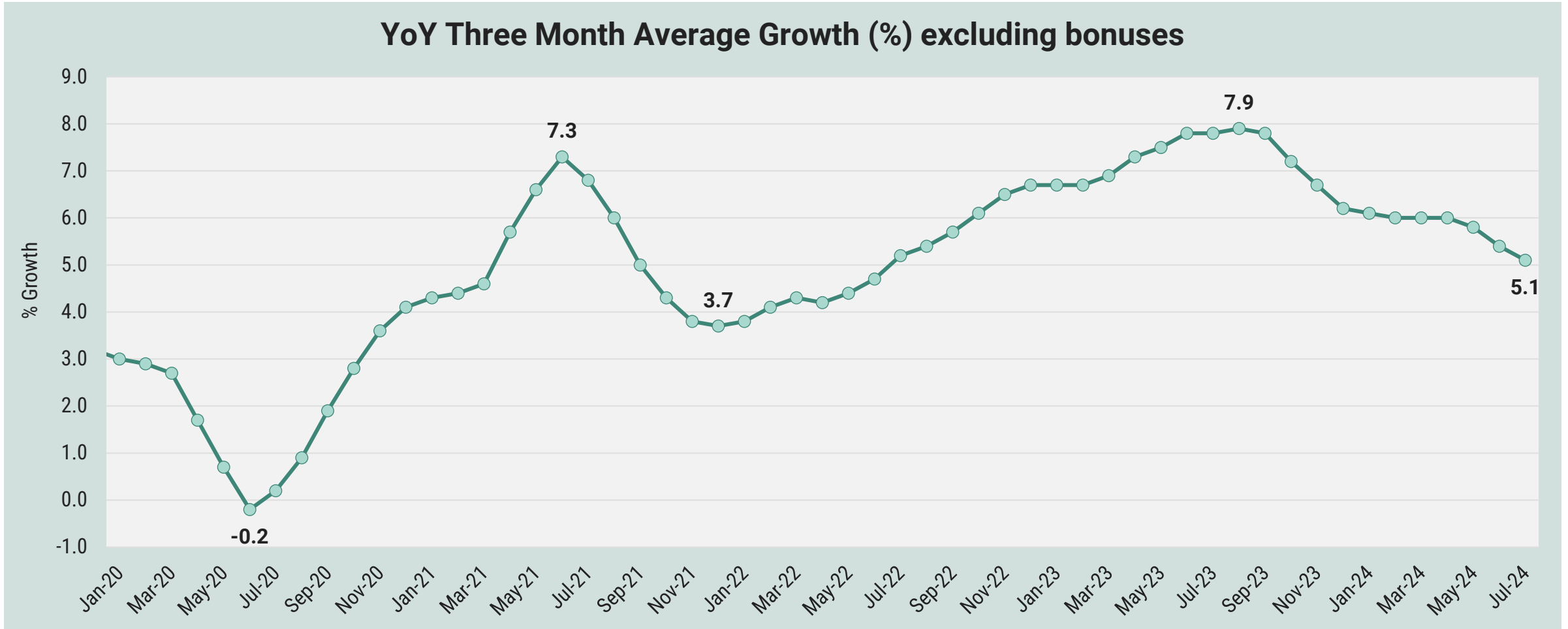


Source: Office for National Statistics

Wage Growth



Annual growth in employees' earnings (excl. bonuses) was 5.1% in May to July 2024, down from 5.4% in the three months to May



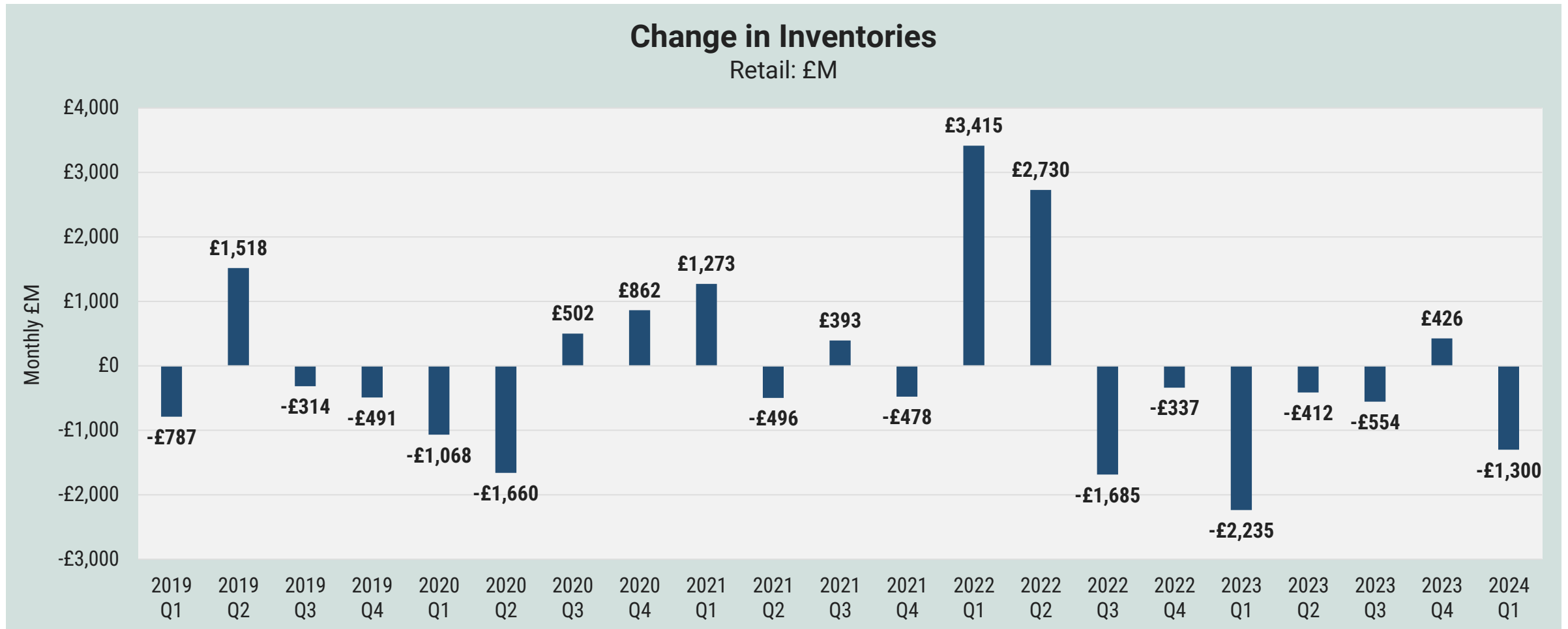
Source: Office for National Statistics

Supply Chain



Inventories: Retail

Retail inventories returned to a downward trend in Q1 2024, following an increase in Q4 2023



Source: Office for National Statistics, Change in Inventories: Retail

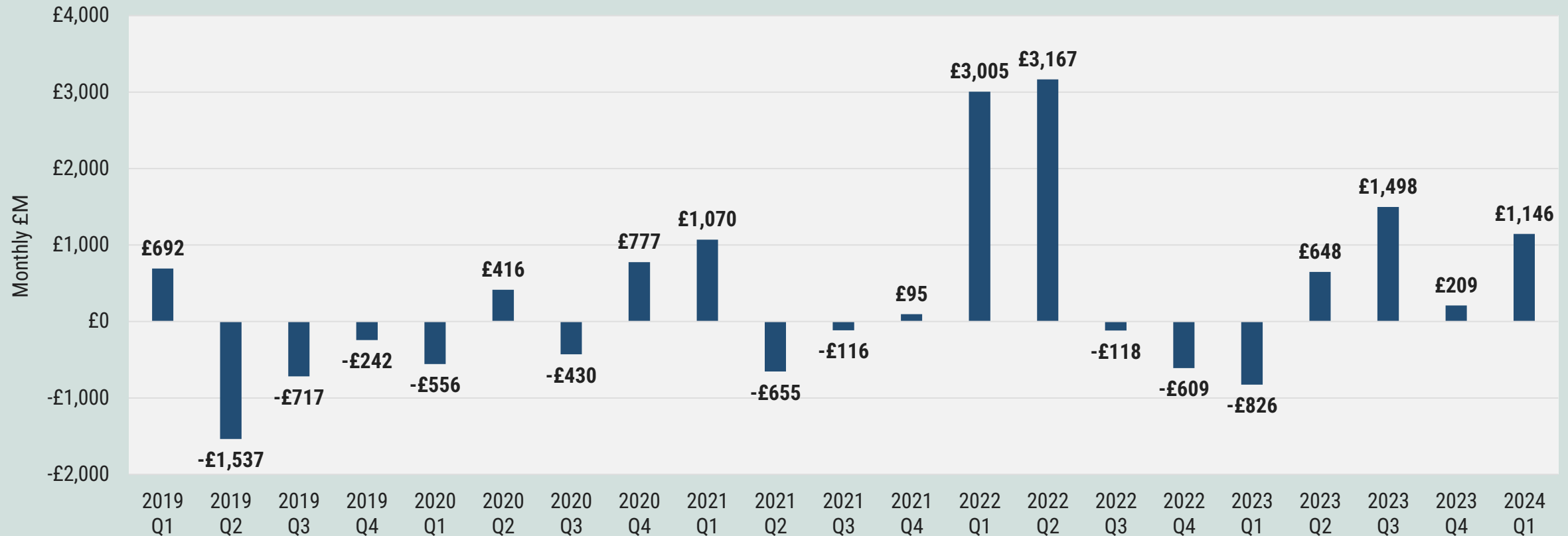


Change in Inventories: Manufacturing: Finished Goods

Inventories of finished goods increased in Q1 2024 for the fourth consecutive quarter

Change in Inventories: Manufacturing

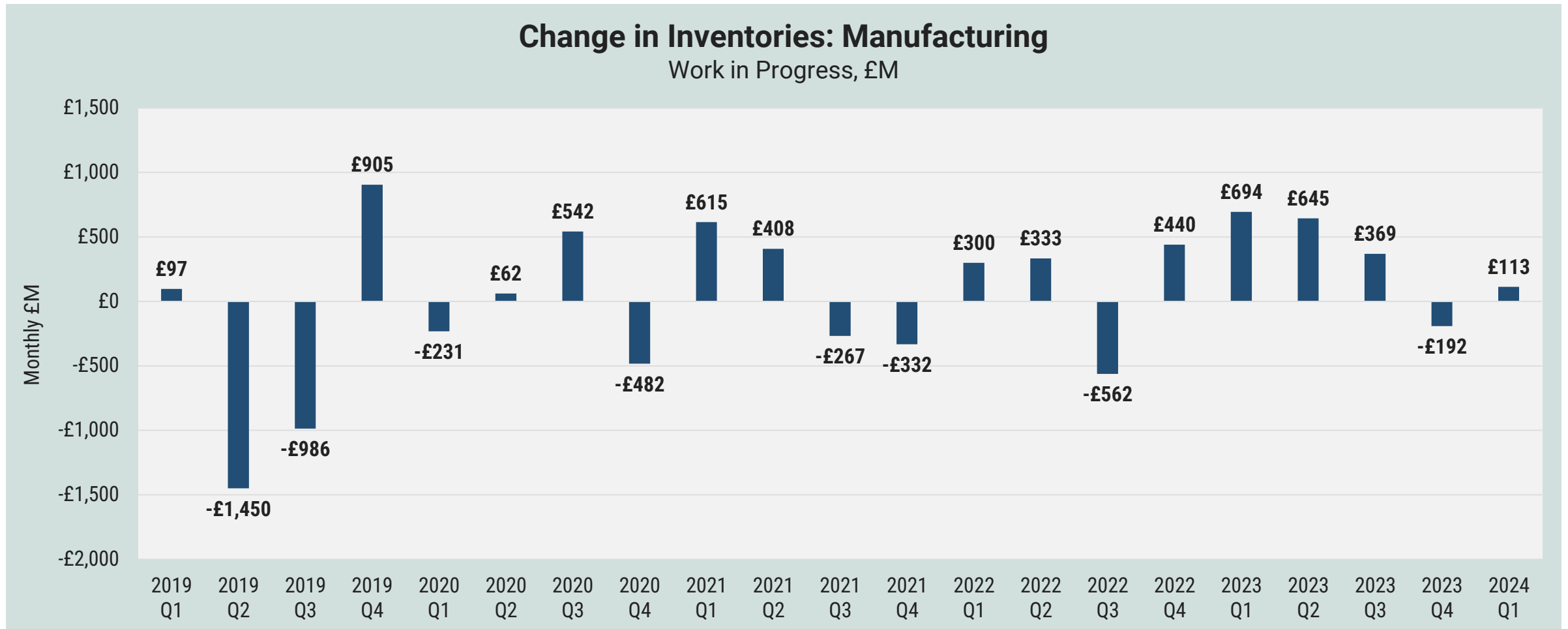
Finished Goods, £M





Change in Inventories: Manufacturing - Work in Progress

WIP inventories increased over Q1 2024, following a previous decline in Q4 2023



Source: Office for National Statistics



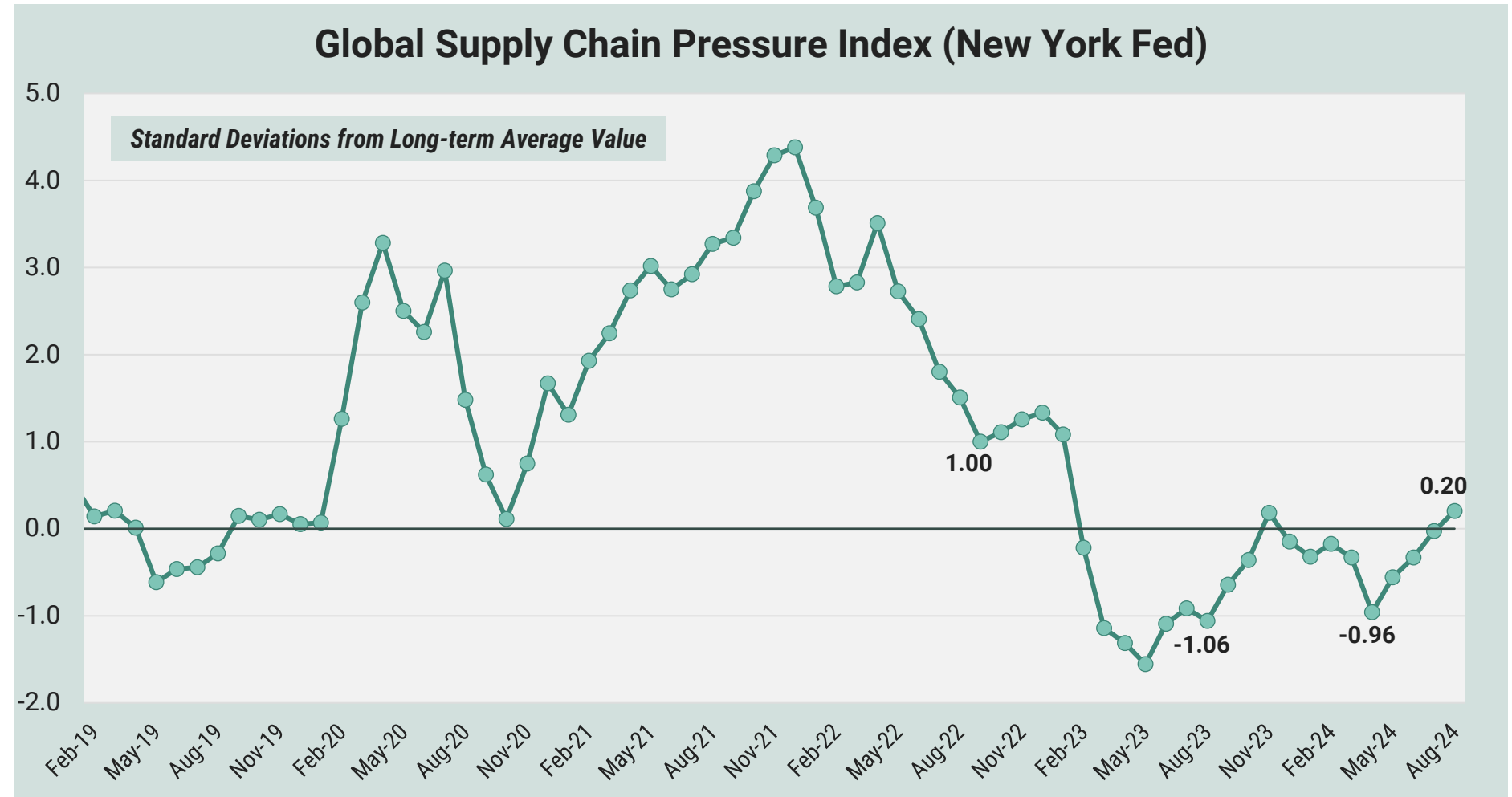
Global Supply Chain Index

The GSCPI tracks the state of global supply chains using data from the transportation and manufacturing sectors.

The Index comprises several data points, including PMIs for 7 global economies (incl. UK and US), as well as shipping and airfreight indices.

The Index is normalised around its long-term average value.

The GSCPI rose for the fourth consecutive month to 0.20 in August, indicating continued rising supply chain pressures. This is the first time the index has been positive since November 2023

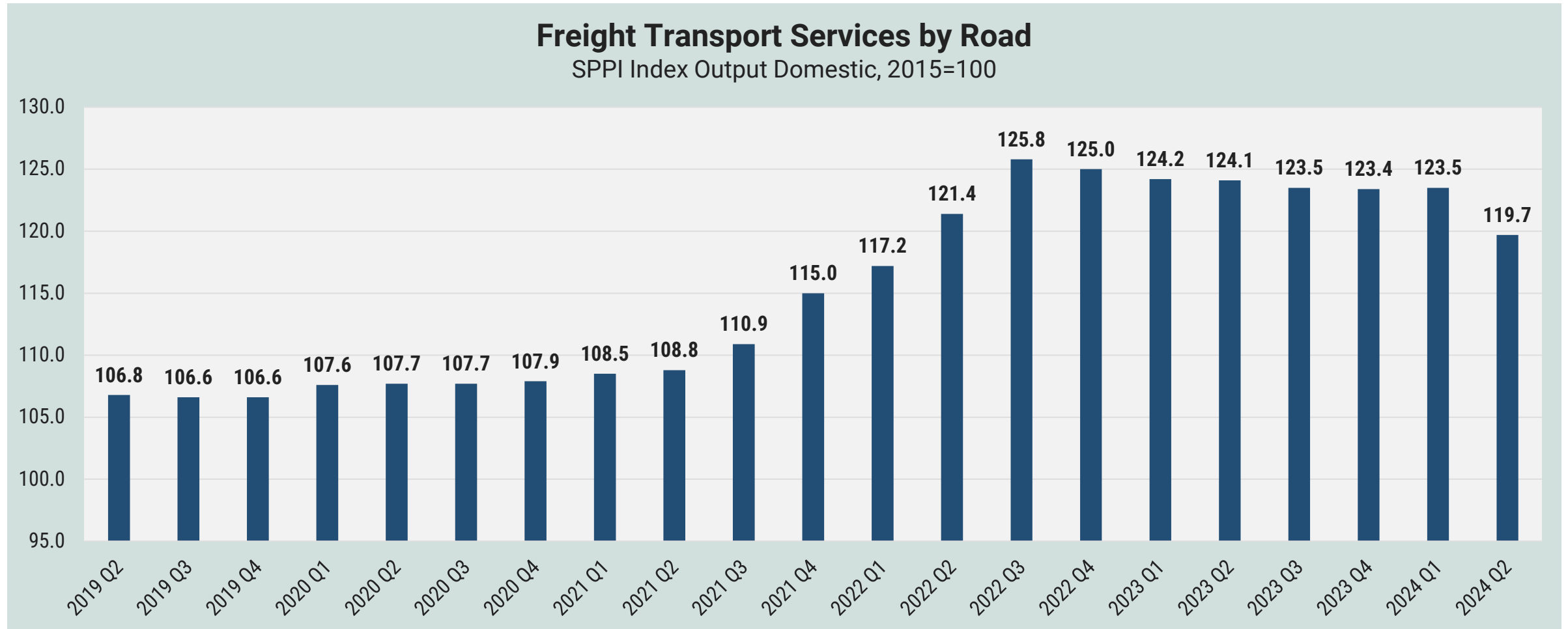


Source: Federal Reserve Bank of New York, Global Supply Chain Pressure Index

Freight Transport Volume



Freight transport services index declined by 3.8 to 119.7 over Q2 2024, its largest decrease in over 10 years

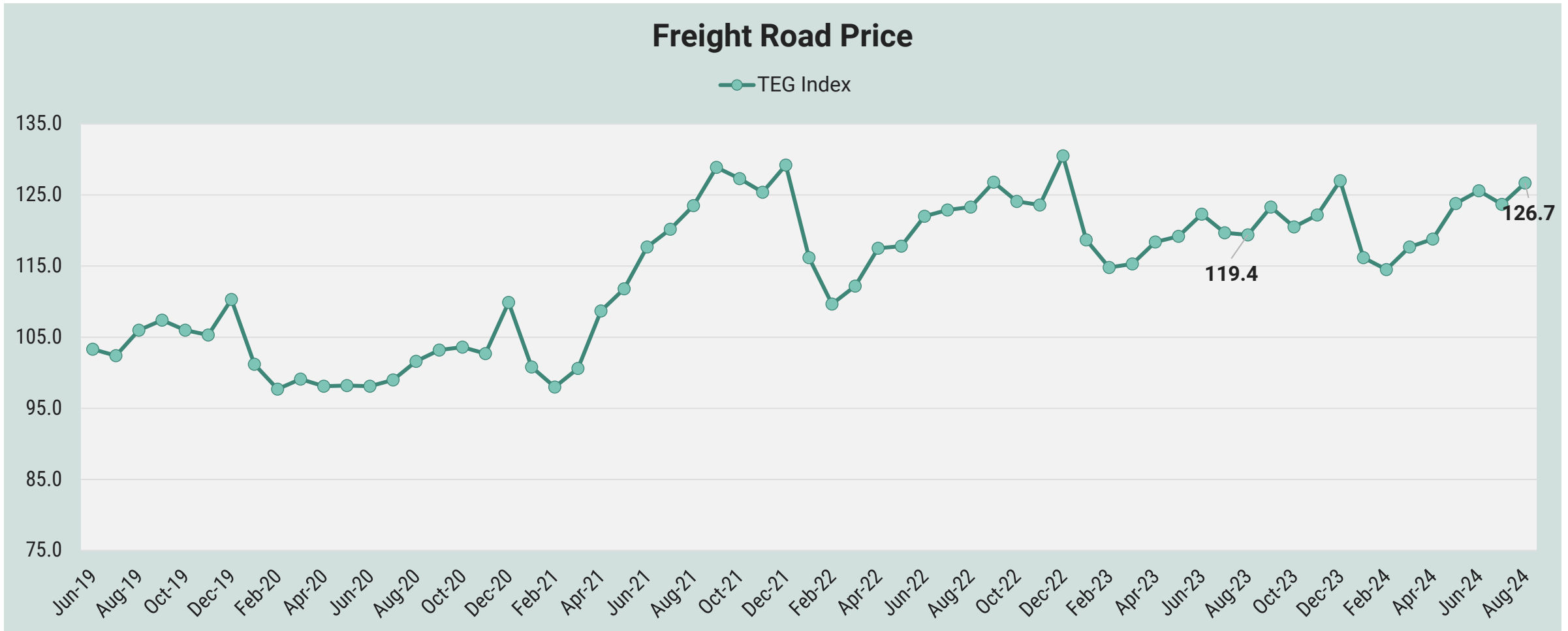


Source: Office for National Statistics, SPPI Index Output Domestic

Freight Road Price



The TEG Road Transport Index rose over August 2024, eroding decreases over the previous month

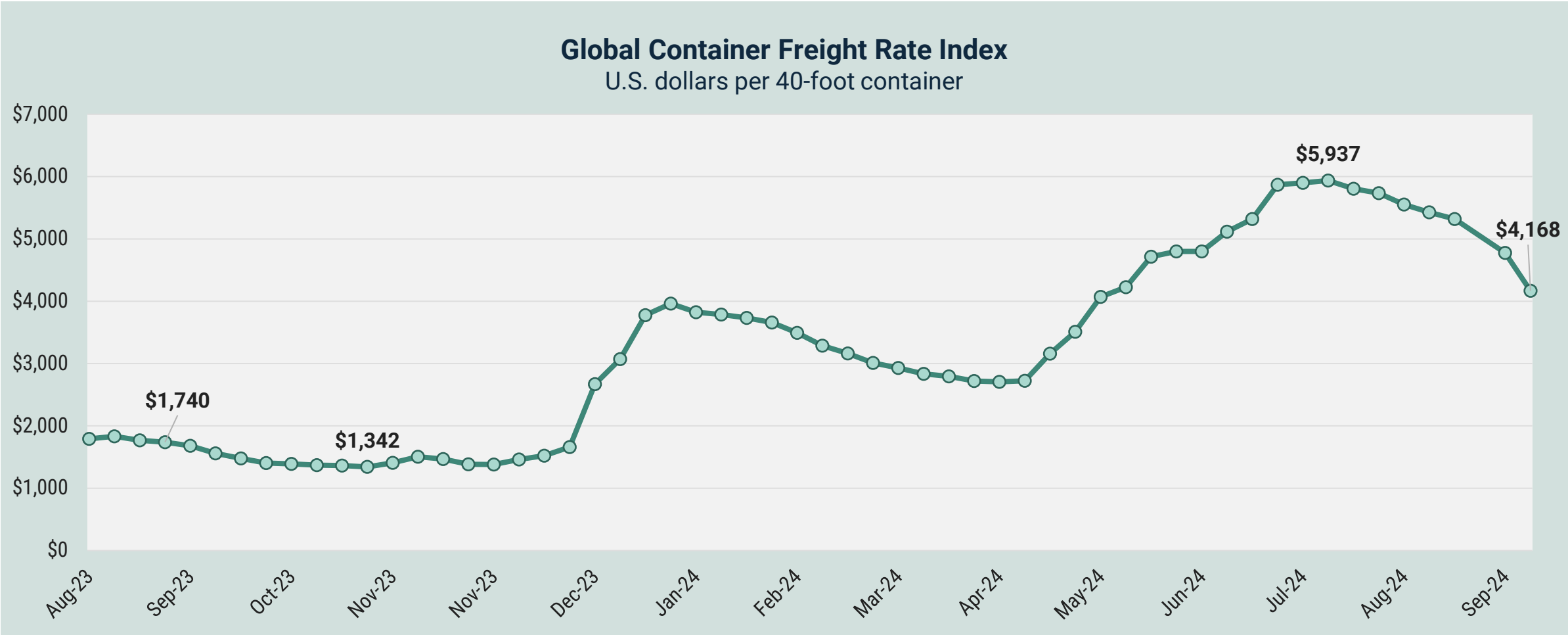


Source: Transport Exchange Group

Deep Sea Freight



Global freight rates continue to decline through September following their rise to record highs above \$5,900 in July 2024

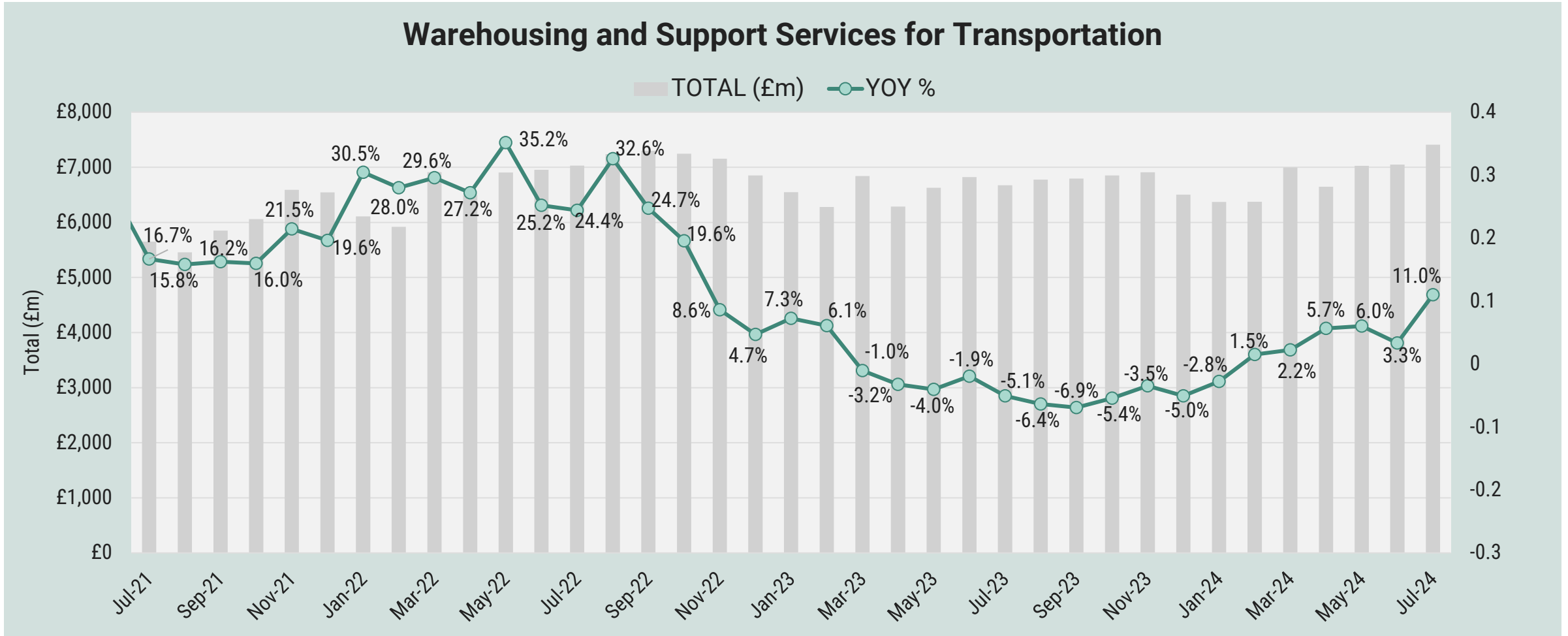


Source: Statista

Warehouse Services



Warehousing and support services spending increased sharply in July, rising 11% YoY

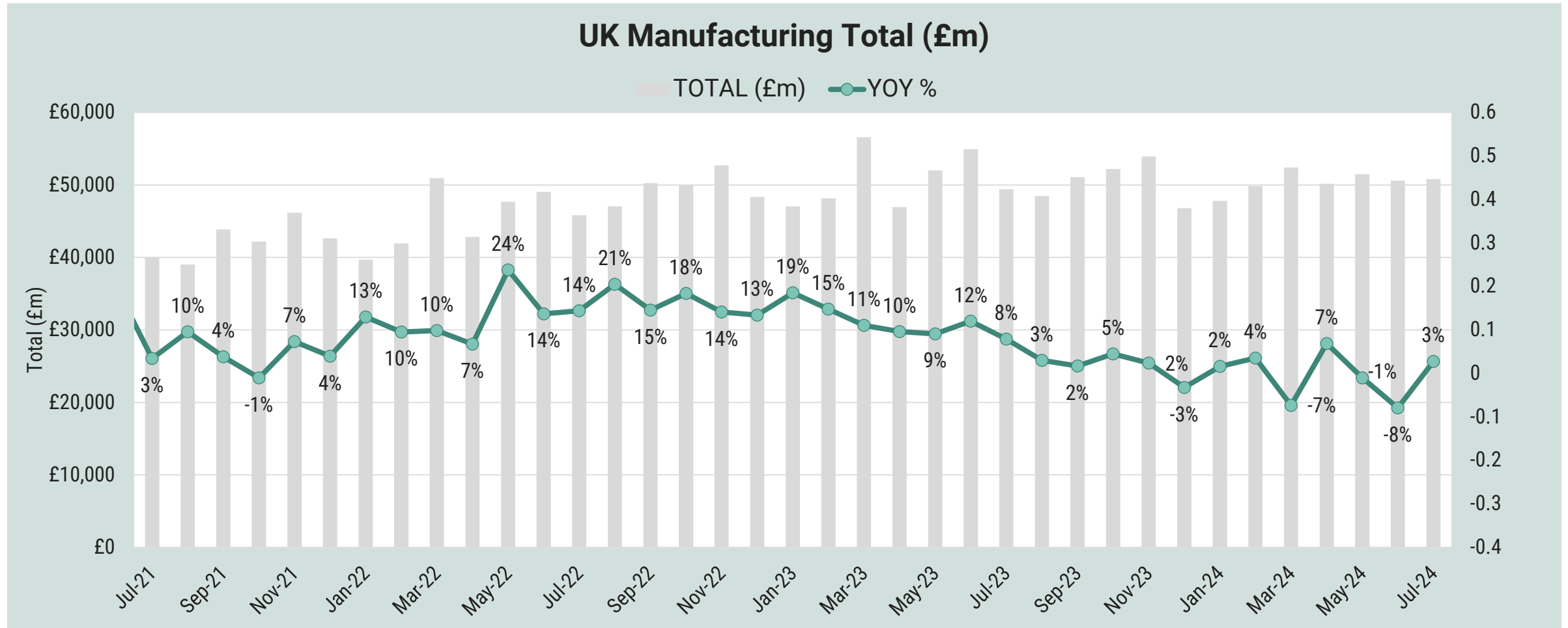


Source: Office for National Statistics, Warehousing and support services for transportation TOTAL (£m)

Manufacturing



UK Manufacturing output increased 3% YoY in July to £50.8 billion

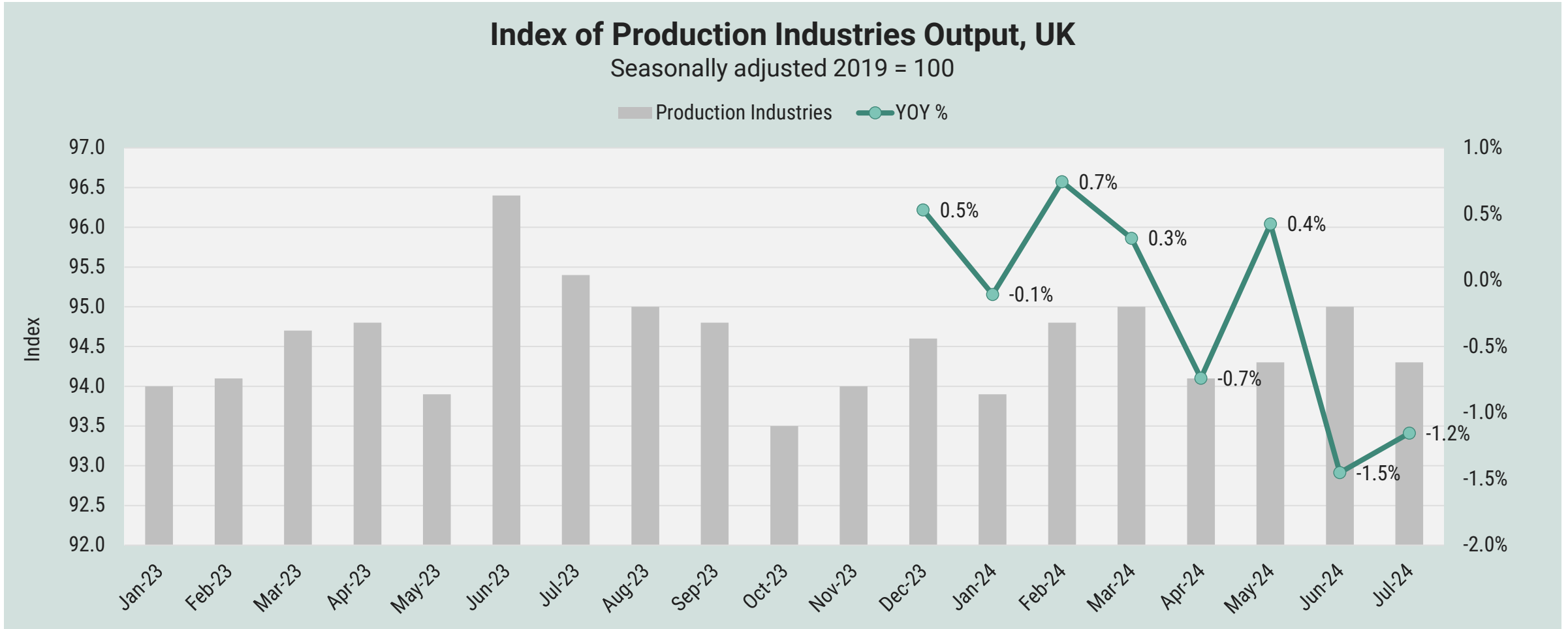


Source: Office for National Statistics, UK Manufacturing

Production



Industrial production index fell from 95.0 to 94.3 in July, falling 1.2% YoY



Source: Office for National Statistics, Output of the Production Industries

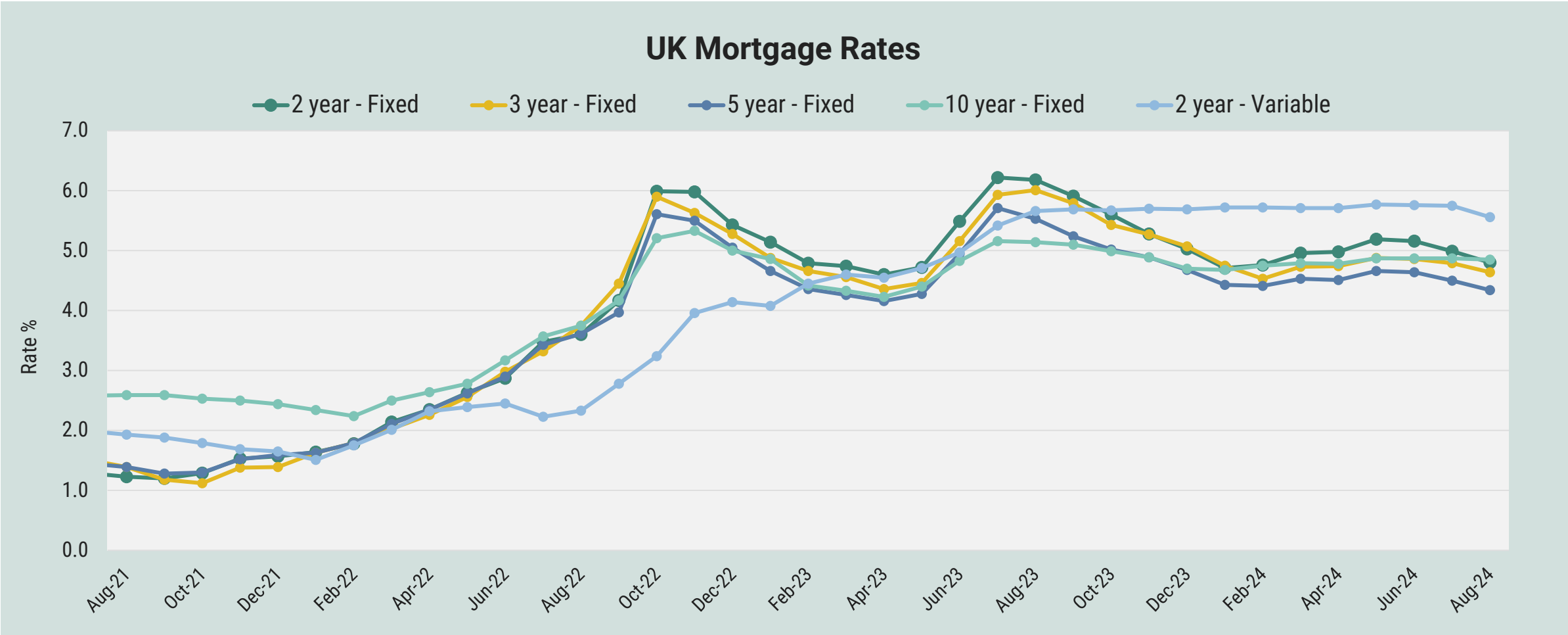
Note: Movements in the volume of production for the UK production industries: manufacturing, mining and quarrying, energy supply, and water and waste management. Figures are seasonally adjusted.

Housing

Mortgage Rates



Mortgage rates have fallen in line with expectations following a 0.25% reduction in the Bank of England base rate



Source: Bank of England (rates assume 75% LTV)

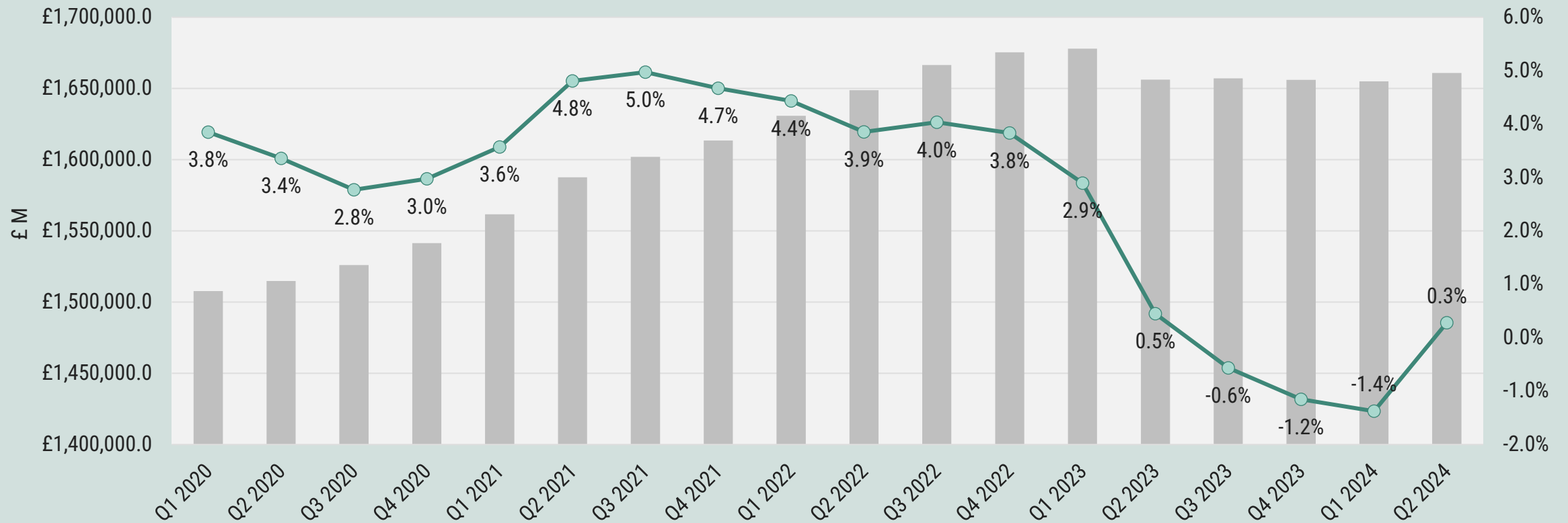
Residential Loans Volume



Residential loan volumes increased modestly YoY during Q2 2024

Overall Residential Loans to Individuals

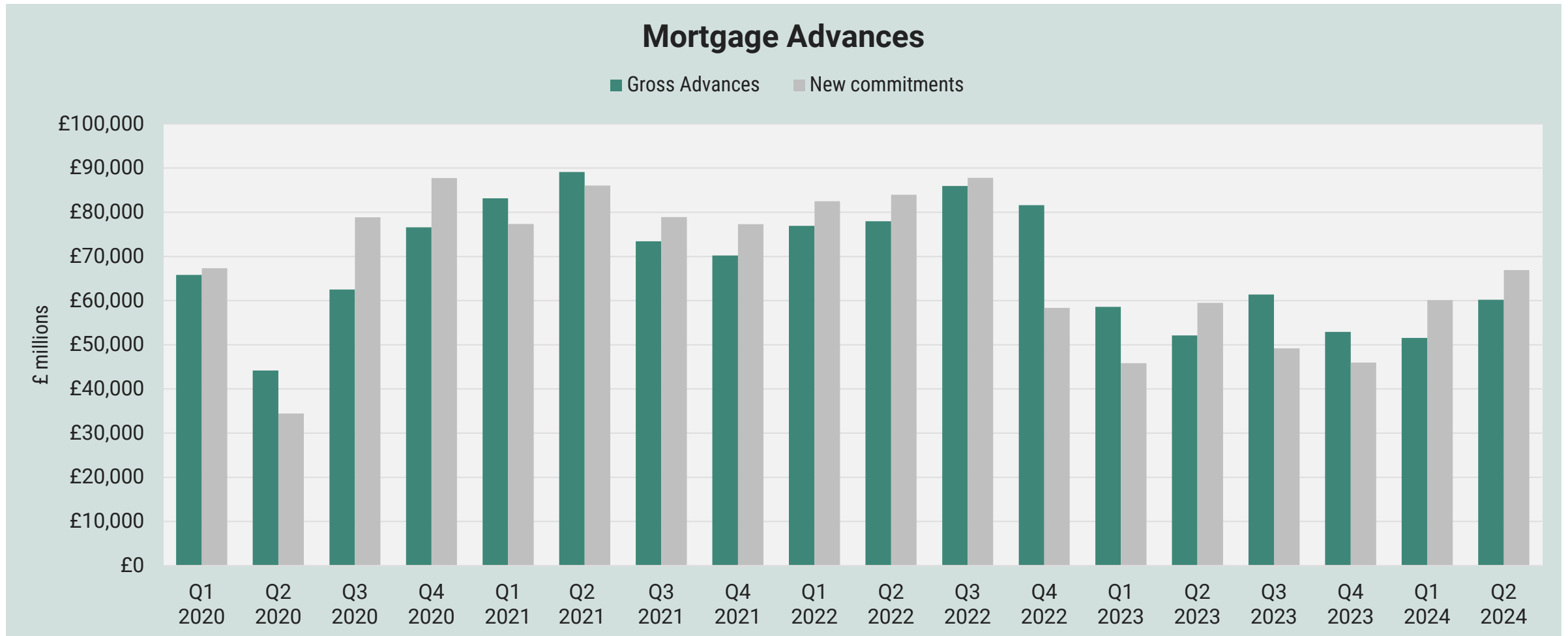
£ millions YOY %





Mortgage Advances

New commitments and gross advances rose over Q2 2024 to their highest level since Q2 2023

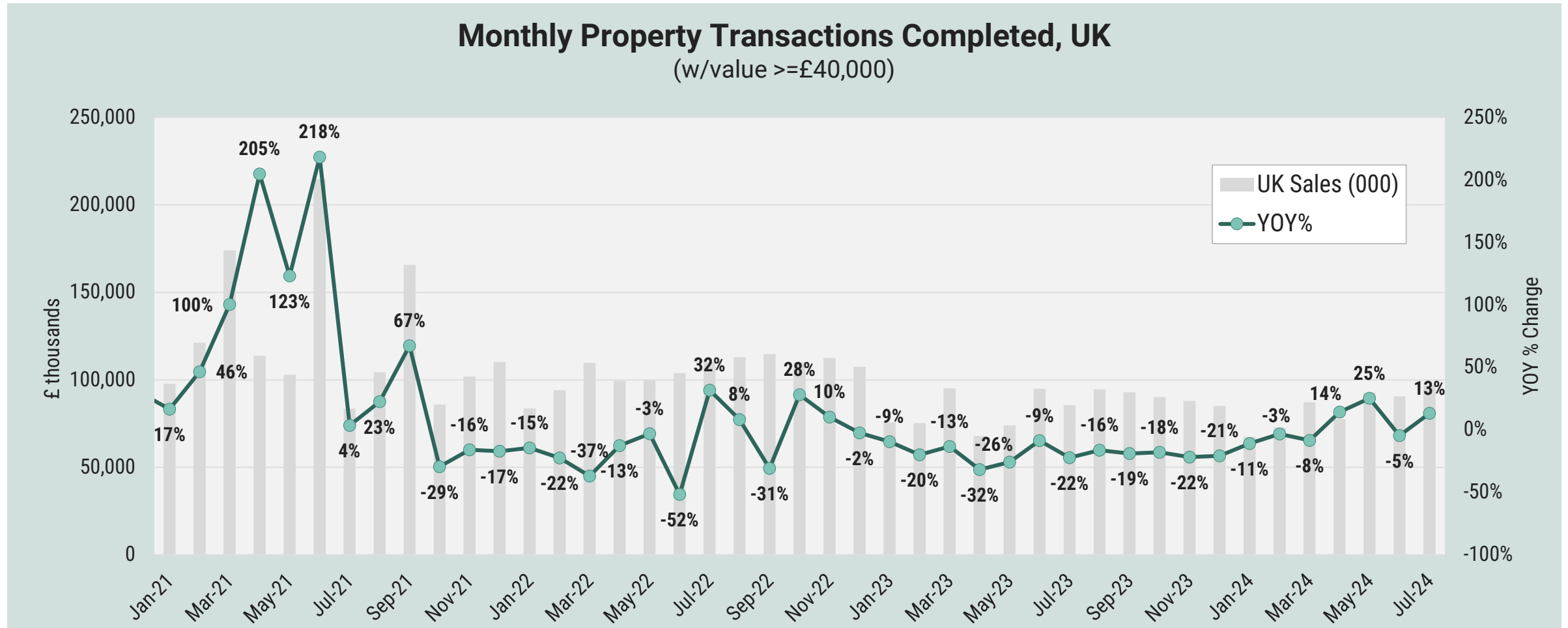


Source: Bank of England

Property Transactions



Monthly property transactions increased in July 2024 and were 13% higher than the same period last year

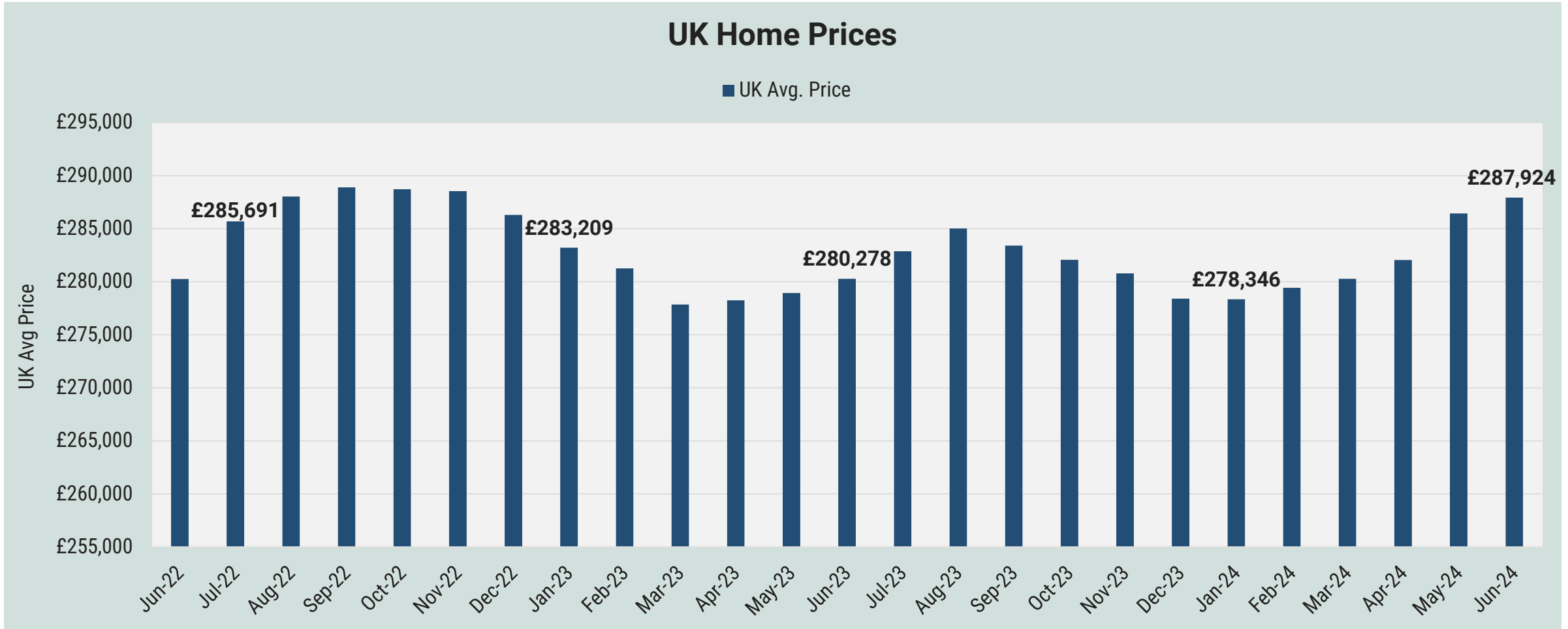


Source: Bank of England

House Sales Price



Average UK home price rose to £287,924 in June 2024. Prices have increased 3.4% YTD



Source: UK Government, UK House Price Index

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