

UK Economic Overview

CONSUMERS AND THE MACRO ECONOMY

January 2025



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Summary

Highlights – Current Economic Trends



The UK economy experienced subdued growth over Q4 2024, with GDP growth slowing and inflation increasing. There were positive developments with declining interest rates and supply chain pressures continuing to ease. However, the outlook for 2025 remains cautious, driven by weak consumer sentiment and declining jobs growth.

Inflation and GDP	Consumer Confidence and Retail	Employment	Supply Chain	Housing
<div></div> <div><div>Inflation (CPI)</div><div>↑ 2.5% (2.2%)</div></div> <div><div>Quarterly GDP Growth</div><div>↓ 0.1% (0.6%)</div></div> <div><div>BoE Base Rate</div><div>↓ 4.50 (5.0%)</div></div>	<div></div> <div><div>Consumer Confidence</div><div>↓ -22 (-20)</div></div> <div><div>Consumer Credit Growth</div><div>↓ 6.6% (7.8%)</div></div> <div><div>Retail Sales (Volume)</div><div>↓ 97.5 (98.6)</div></div>	<div></div> <div><div>Unemployment Rate</div><div>↑ 4.4% (4.1%)</div></div> <div><div>Job Vacancies</div><div>↓ 812k (850k)</div></div> <div><div>Wage Growth</div><div>↑ 5.6% (5.1%)</div></div>	<div></div> <div><div>Freight Rates</div><div>↓ \$3,445 (\$4,168)</div></div> <div><div>Supply Chain Pressure Index</div><div>↓ -0.21 (0.20)</div></div> <div><div>Manufacturing Growth</div><div>↓ -3.6% (3.0%)</div></div>	<div></div> <div><div>2-year Variable Rate</div><div>↓ 5.12% (5.56%)</div></div> <div><div>Residential Loan Volumes</div><div>↑ 0.8% (0.3%)</div></div> <div><div>Property Transactions</div><div>↑ 13.0% (7.0%)</div></div>
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Key

↑

Latest Reported Data
(Data per previous Report in September 2024¹)

¹ Note data adjusted from previous report where revised data provided, or relevant indexes rebalanced.



Consumers & Macro Economy Executive Summary



Positive Trends

- The Bank of England policy rate has fallen by 50bps since our last update following cuts in November and February
- This decrease in base rate has continued to feed through to mortgage rates with 2-year variable rates continuing to fall over Q4
- Supply chain pressures have stabilised with the Supply Chain Pressure Index remaining negative over the final quarter of 2024
- Deep sea freight rates finished the year well below their record high in July (\$5,937) at \$3,445 in December



Key Headwinds

- Despite modest improvement over the start of Q4, consumer confidence fell sharply in December, with a decline across all measurement categories, particularly the outlook for the economy over the next twelve months
- Quarterly GDP growth was weak over the third quarter of 2024 at 0.1%. This was driven by growth in services, offsetting negative growth in production
- Jobs growth continued to trend downwards over Q4, with year-end vacancies down 13% on the same period the previous year
- UK production output continued its downward trend, with November being its fourteenth consecutive month of negative YoY growth



Concerns

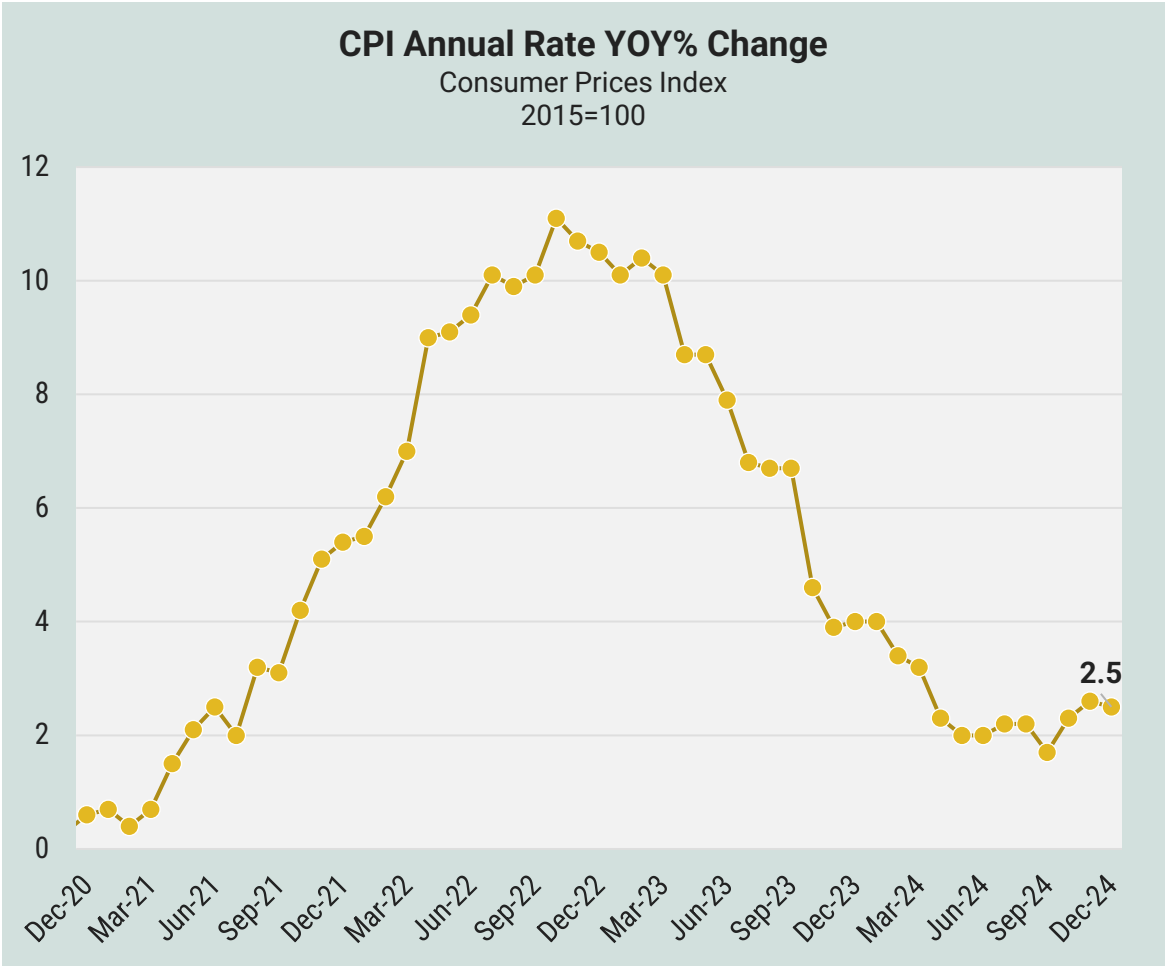
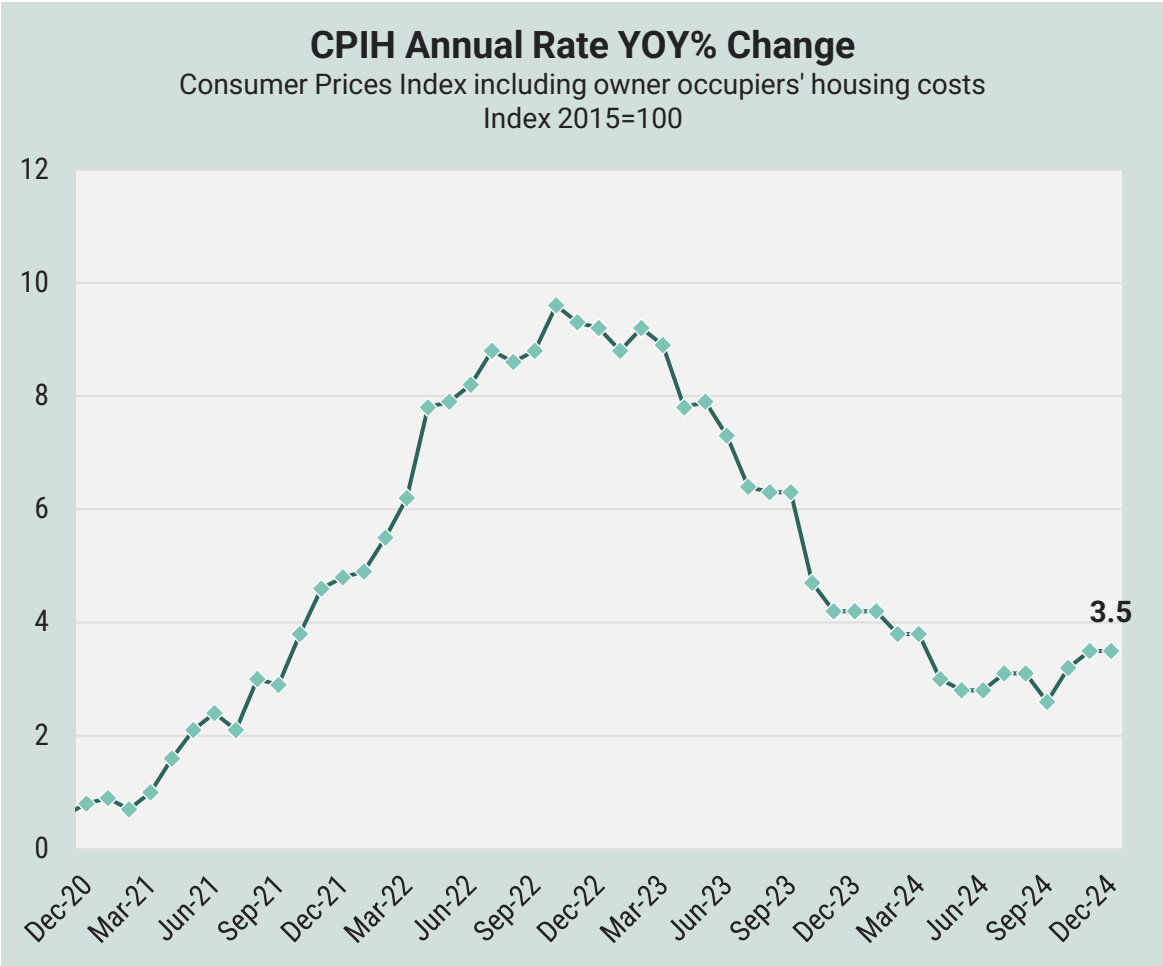
- Despite recording a third consecutive quarter of growth over Q3-24, GDP growth remains weak and is trailing downwards
- Inflation crept back up in October, with the CPI increasing for the first month since October 2022 and remained above target rates over the final two months of the year at 2.5%. The Bank of England expects inflation to peak at 3.7% in Q3-25
- The pace of further reductions in the Bank of England's policy rate is unclear given persistent local and global economic uncertainty, as well as slowing disinflation
- UK unemployment started to increase over the final three months, eroding recent declines and rising back to the same level at the start of the year
- Announcements by the new US administration regarding its intention to implement trade tariffs have created greater economic uncertainty and volatility in financial markets

Inflation and GDP



Consumer Price Index

Consumer price index (CPIH, incl. housing) increased over Q3 to 3.5% in December up from 2.6% at the end of Q3. Excluding housing costs, CPI increased by 2.5% YoY in December, up from 1.7% at the end of Q3

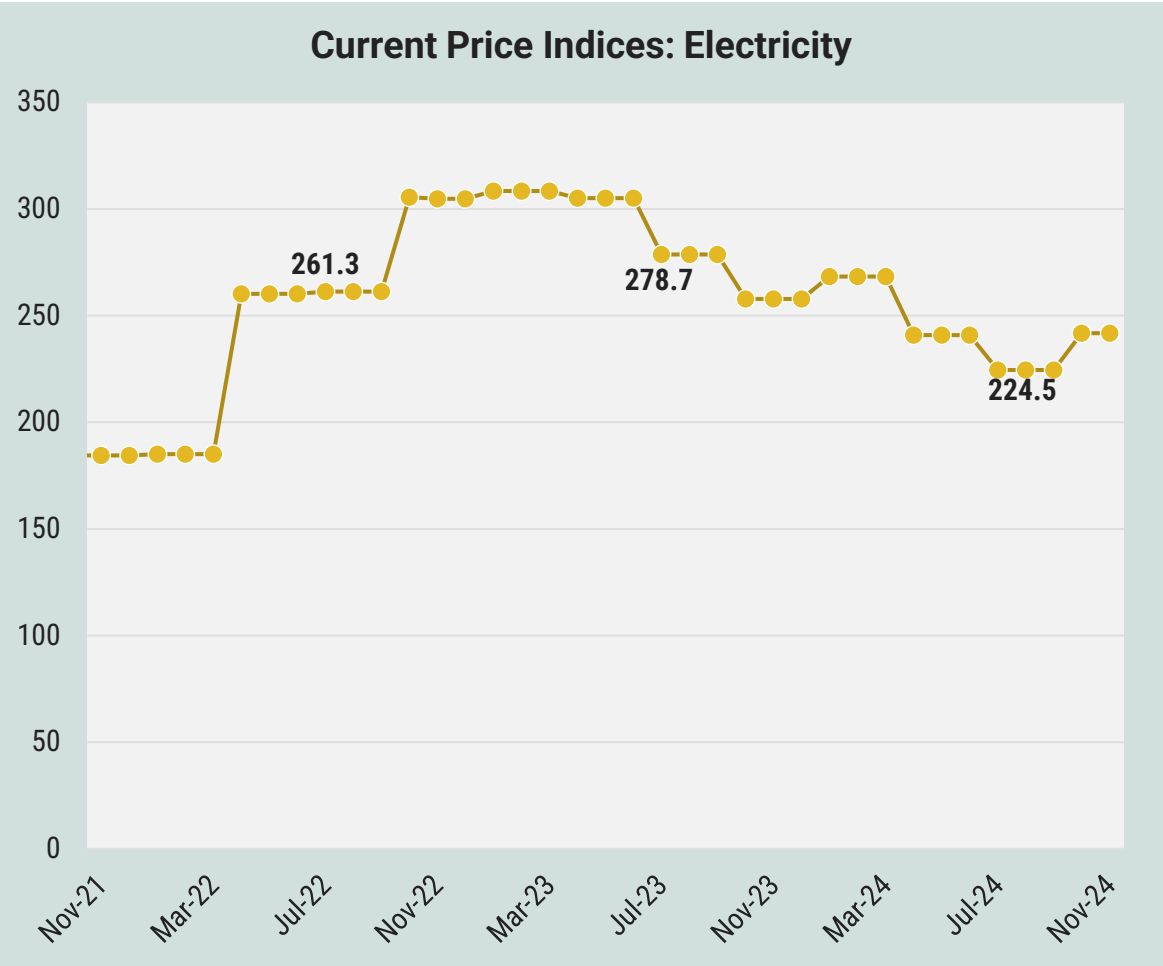
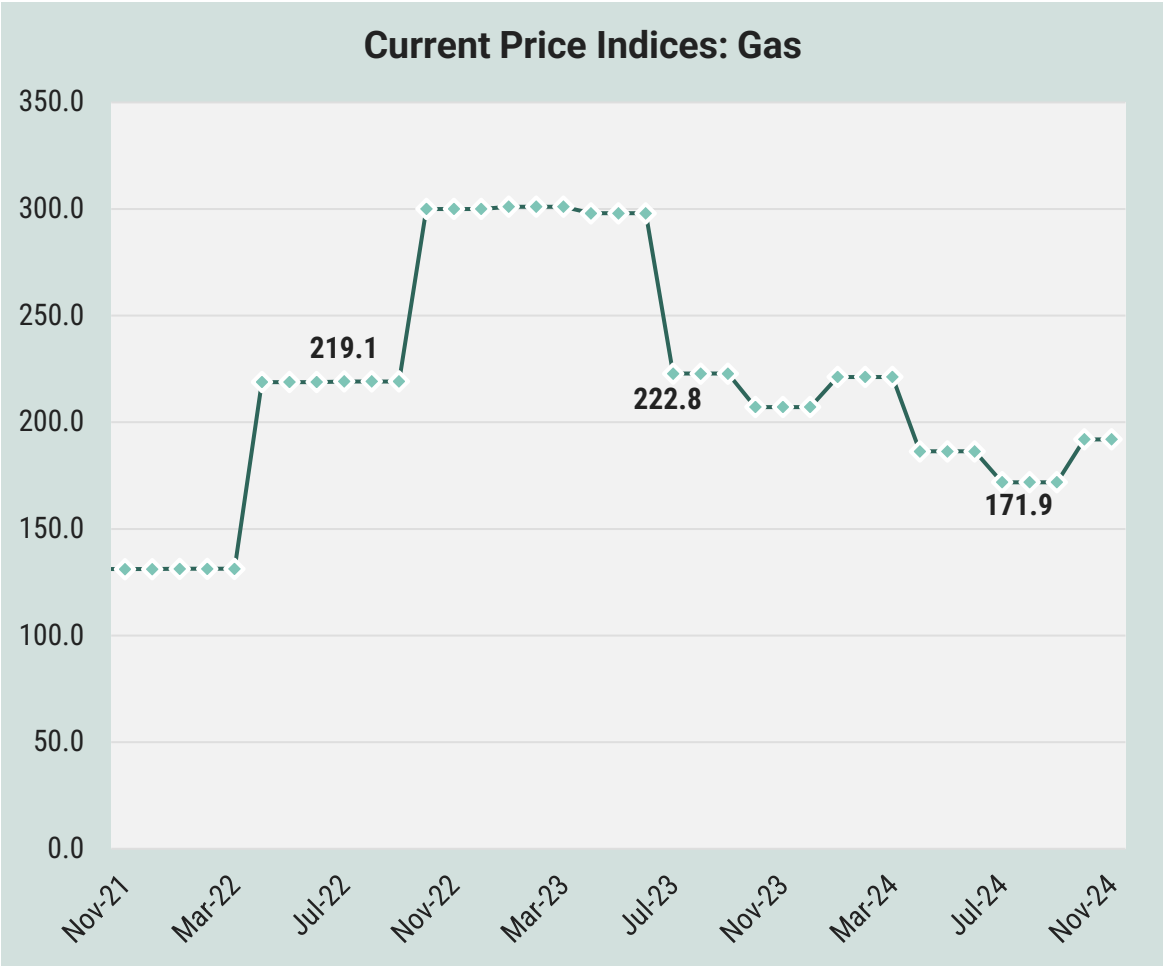


Source: Office for National Statistics

Gas & Electricity



Gas & electricity indices increased towards the end of 2024 and remains well below 2022 and 2023 peaks

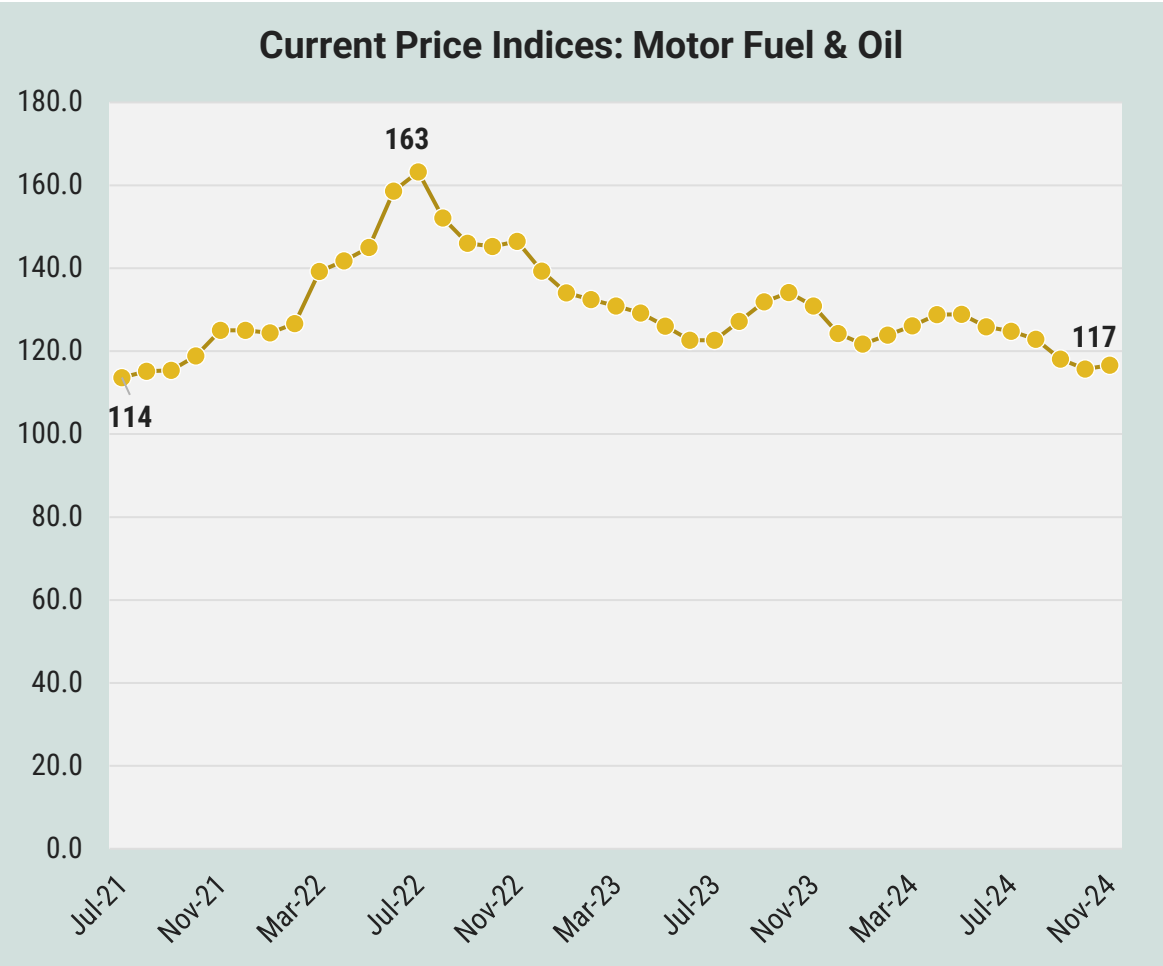
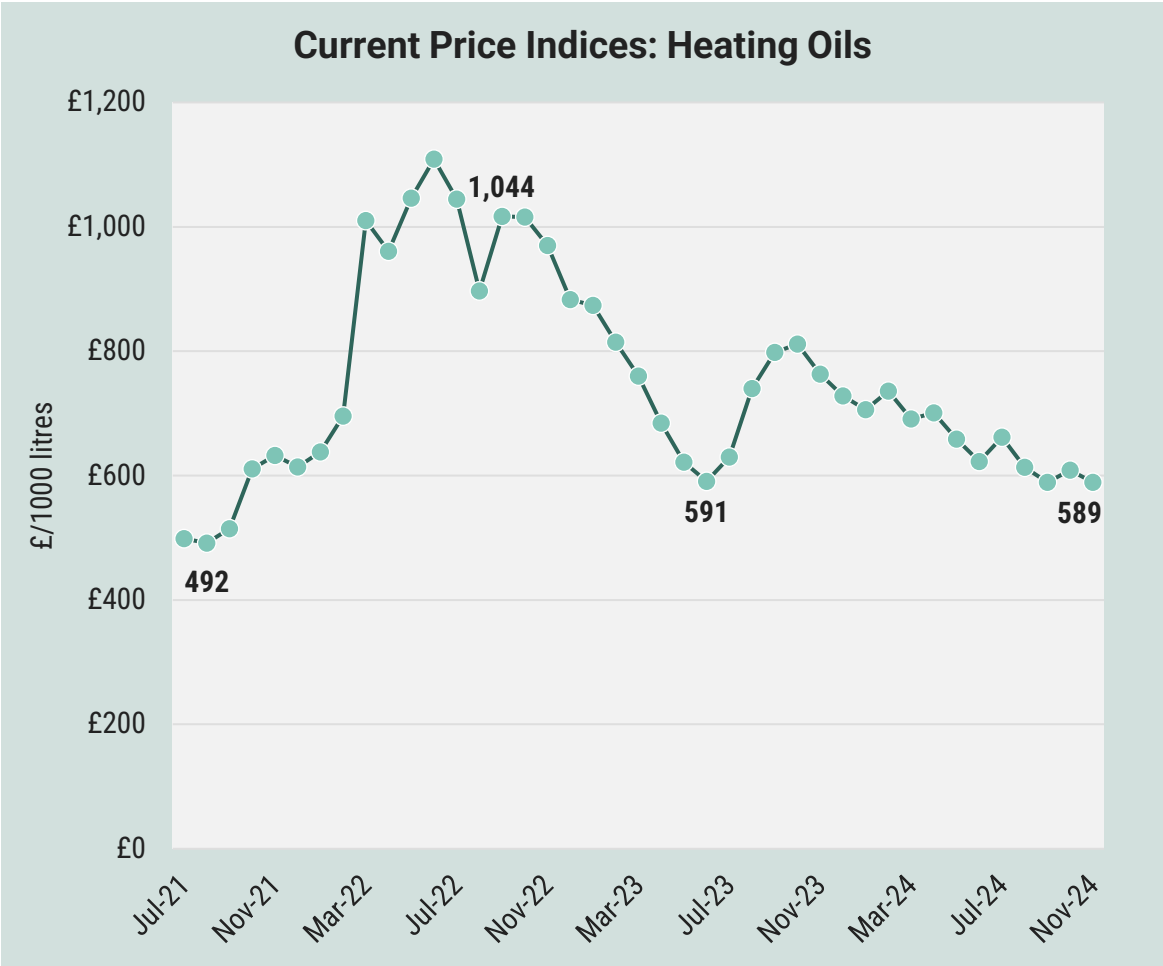


Source: Gov.uk, energyprices.stats@energysecurity.gov.uk

Heating Oils & Motor Fuel



Heating oils have continued to fall gradually over the final quarter of 2024 while motor fuels remained relatively flat over the period

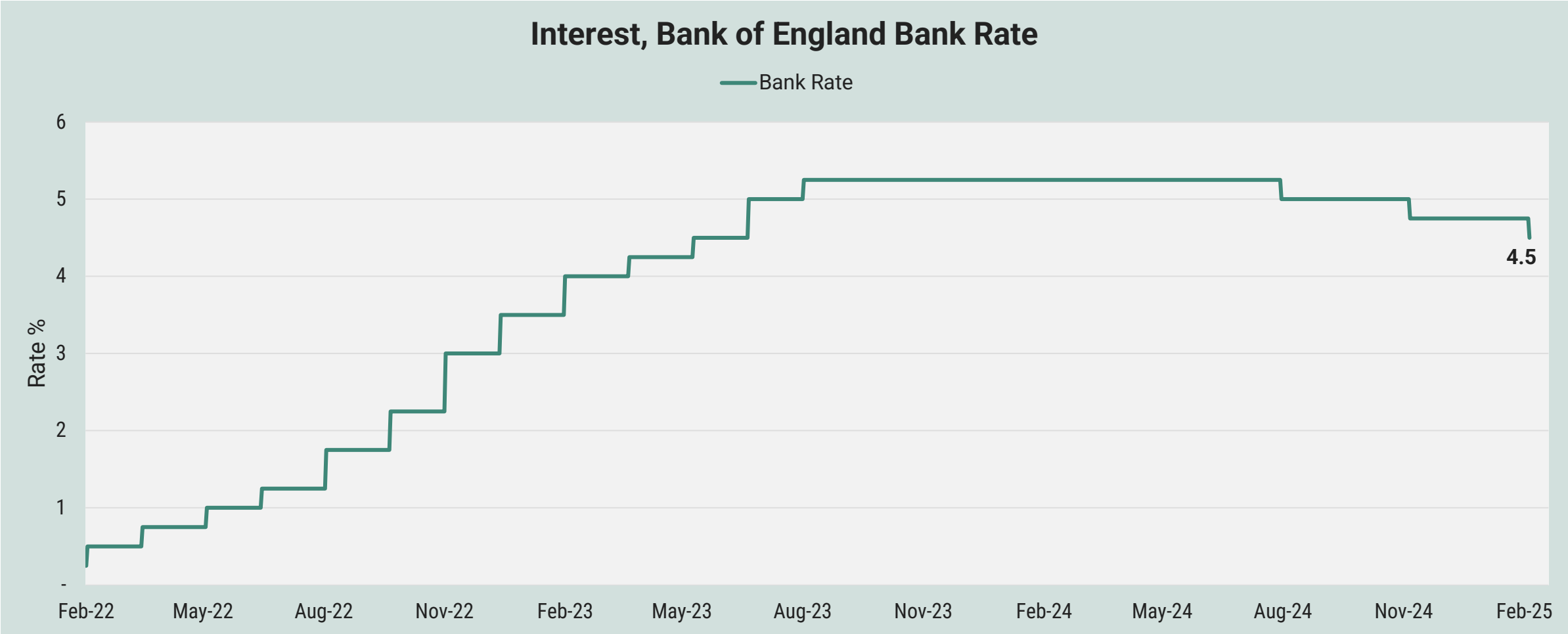


Source: Gov.uk, Domestic Energy Price Indices

Interest Rates



The Bank of England policy rate has fallen by 50bps since our last update to 4.5%. This has been driven by weak growth and declining consumer sentiment

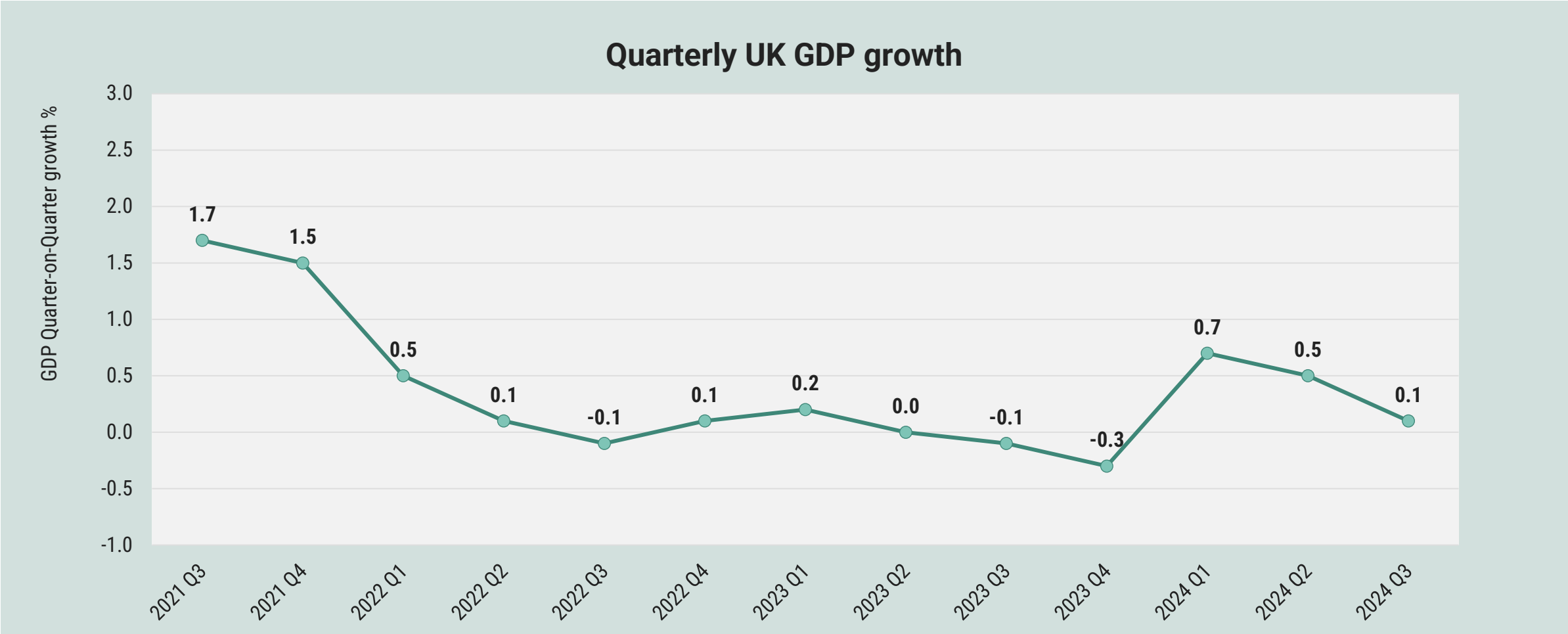


Source: Bank of England



GDP (Quarter-on-Quarter Growth)

UK gross domestic product (GDP) growth weakened to 0.1% YoY over Q3 2024, following growth of 0.5% in the previous quarter

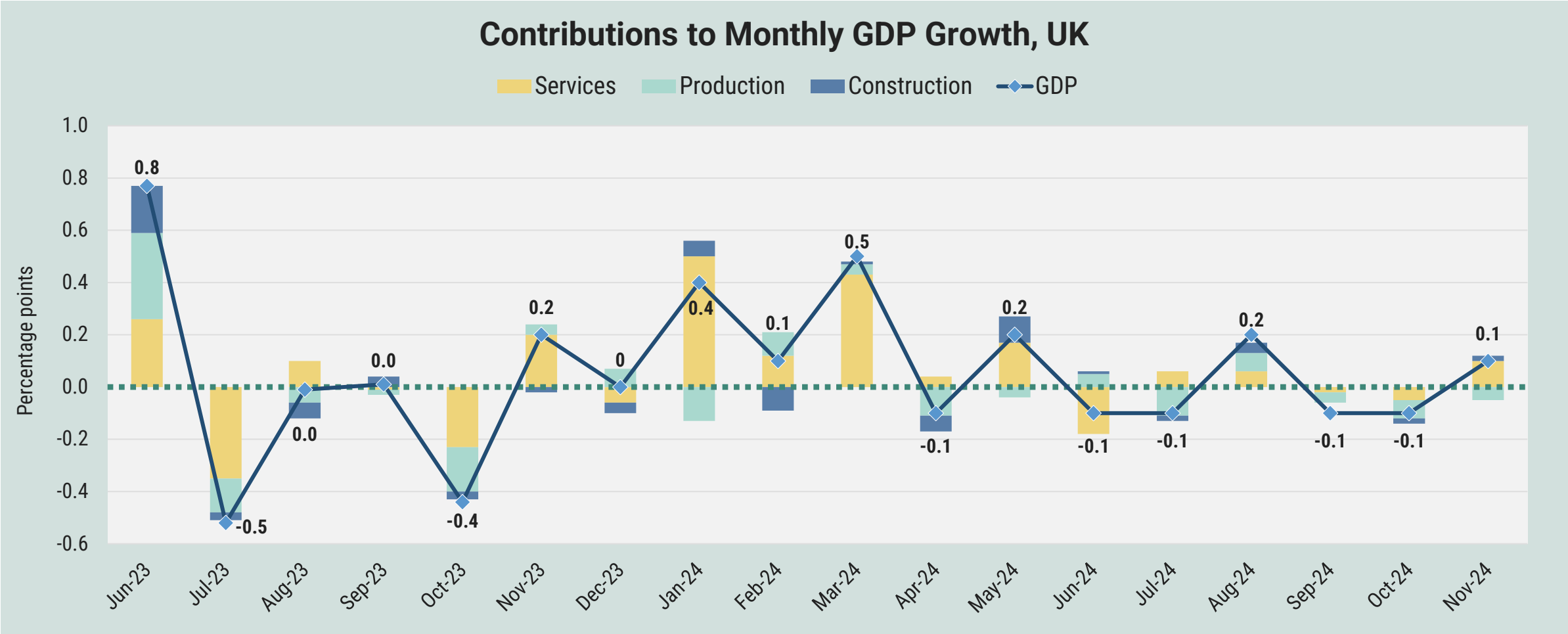


Source: Office for National Statistics, Gross Domestic Product: Quarter on Quarter growth: CVM SA %

GDP (Monthly Growth)



Positive monthly GDP growth of 0.1% for November was driven by the services sector. Production continued to contribute negatively to monthly GDP growth



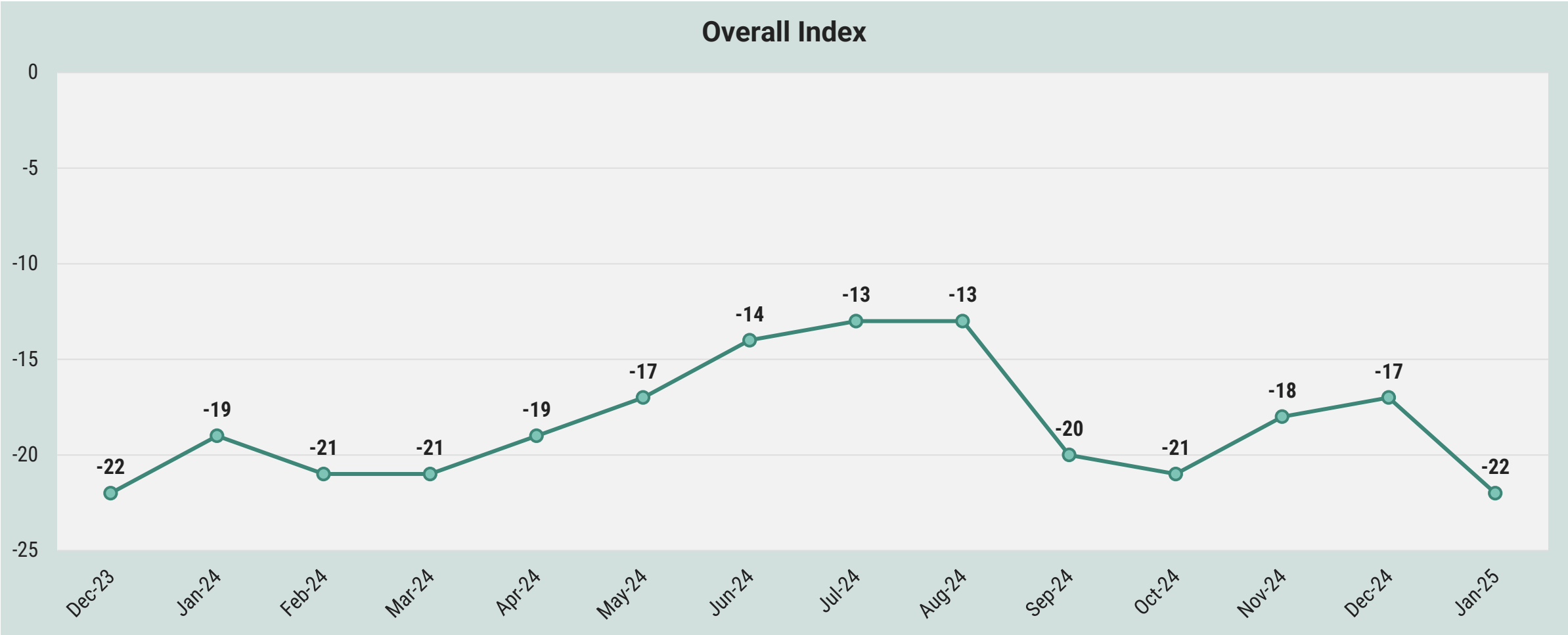
Source: GDP monthly estimate from the Office for National Statistics, Sum of component contributions may not sum to total services growth because of rounding

Consumers

UK Consumer Confidence



The GfK Consumer Confidence Index decreased by five points to -22 in January, its lowest point since December 2023



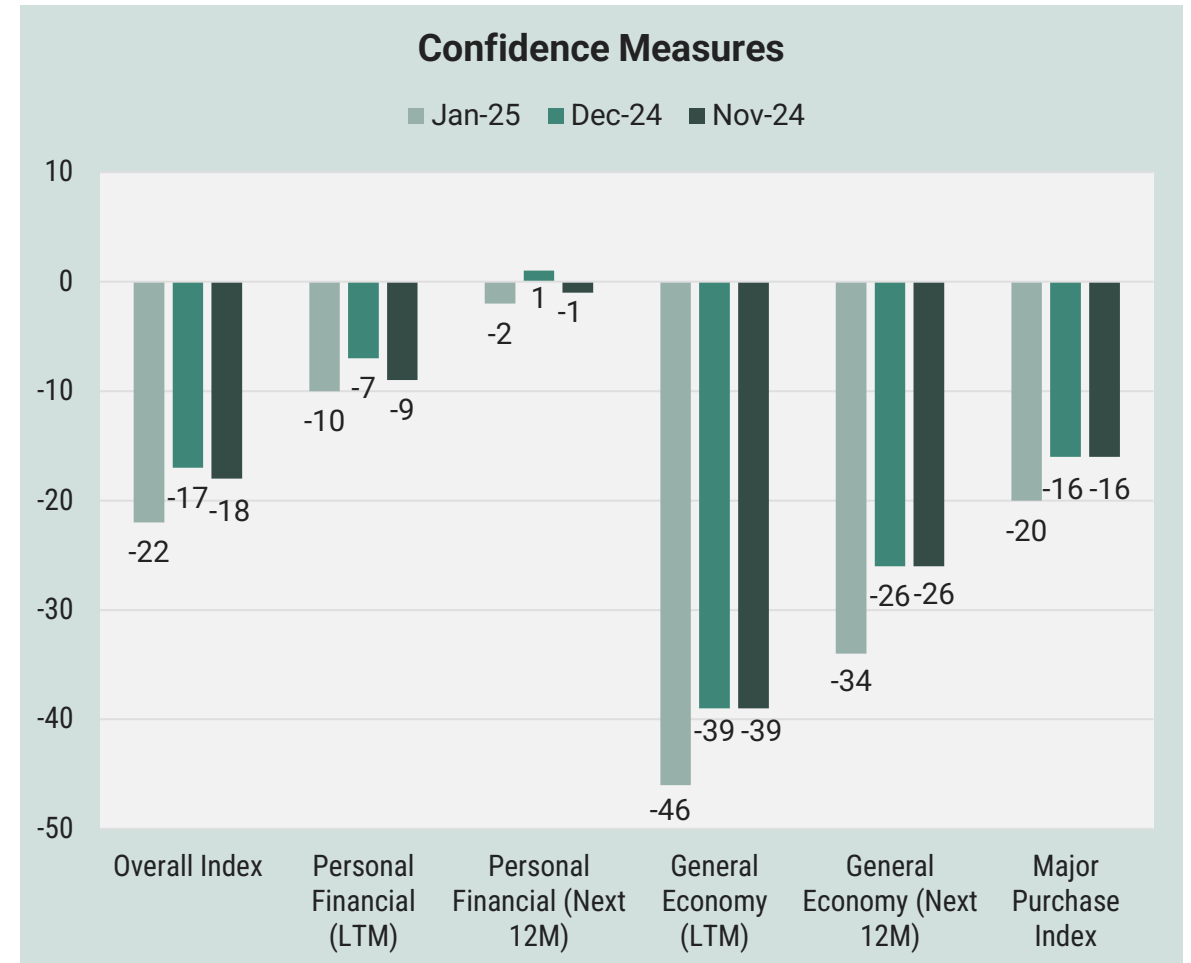
Source: GfK Consumer Confidence Barometer



UK Consumer Confidence

All measures of consumer confidence declined in January, with particularly steep declines in confidence about the wider UK economy

Measure	Trend	Jan-25	Dec-24	Nov-24
Overall Index	-5	-22	-17	-18
Personal Financial Situation (LTM)	-3	-10	-7	-9
Personal Financial Situation (Next 12 Months)	-3	-2	1	-1
General Economy (LTM)	-7	-46	-39	-39
General Economy (Next 12M)	-8	-34	-26	-26
Major Purchase Index	-4	-20	-16	-16

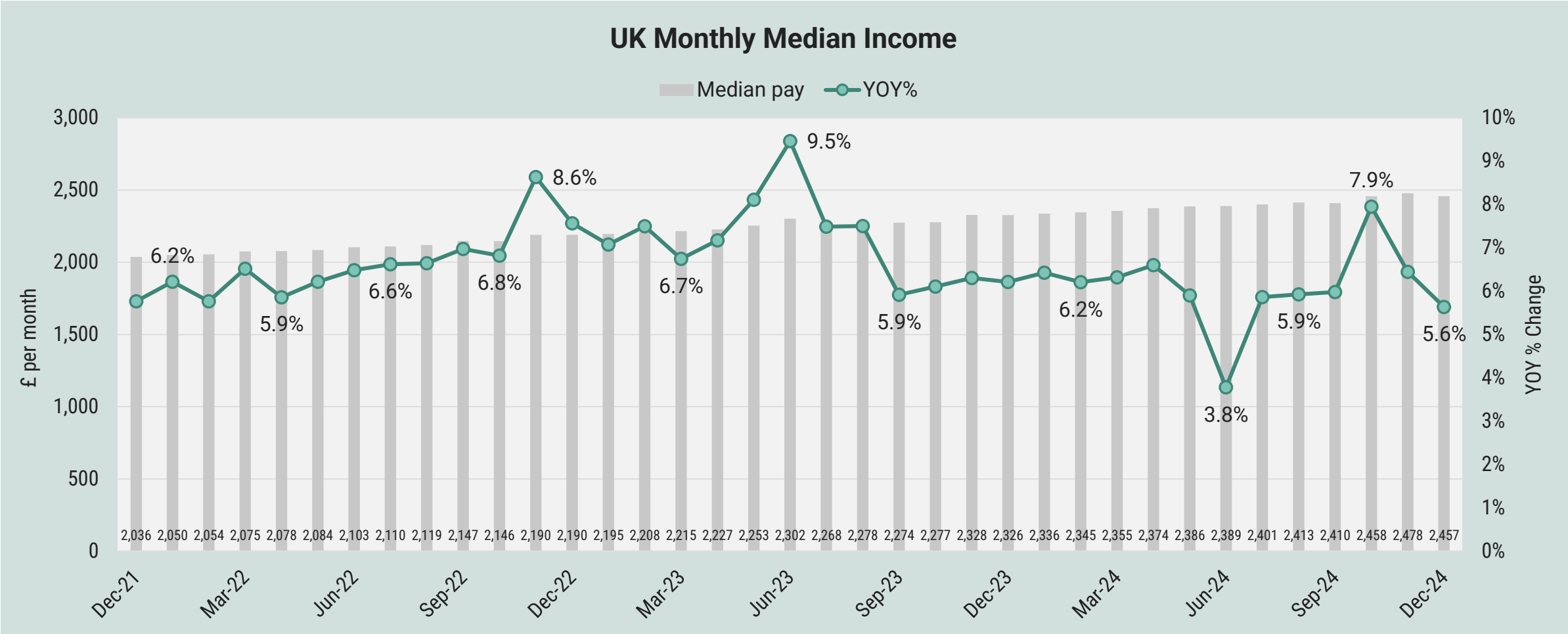


Source: GfK Consumer Confidence Barometer

Income



UK Median Income growth slowed sharply towards the end of 2024, with YoY growth falling from 7.9% in October to 5.6% in December

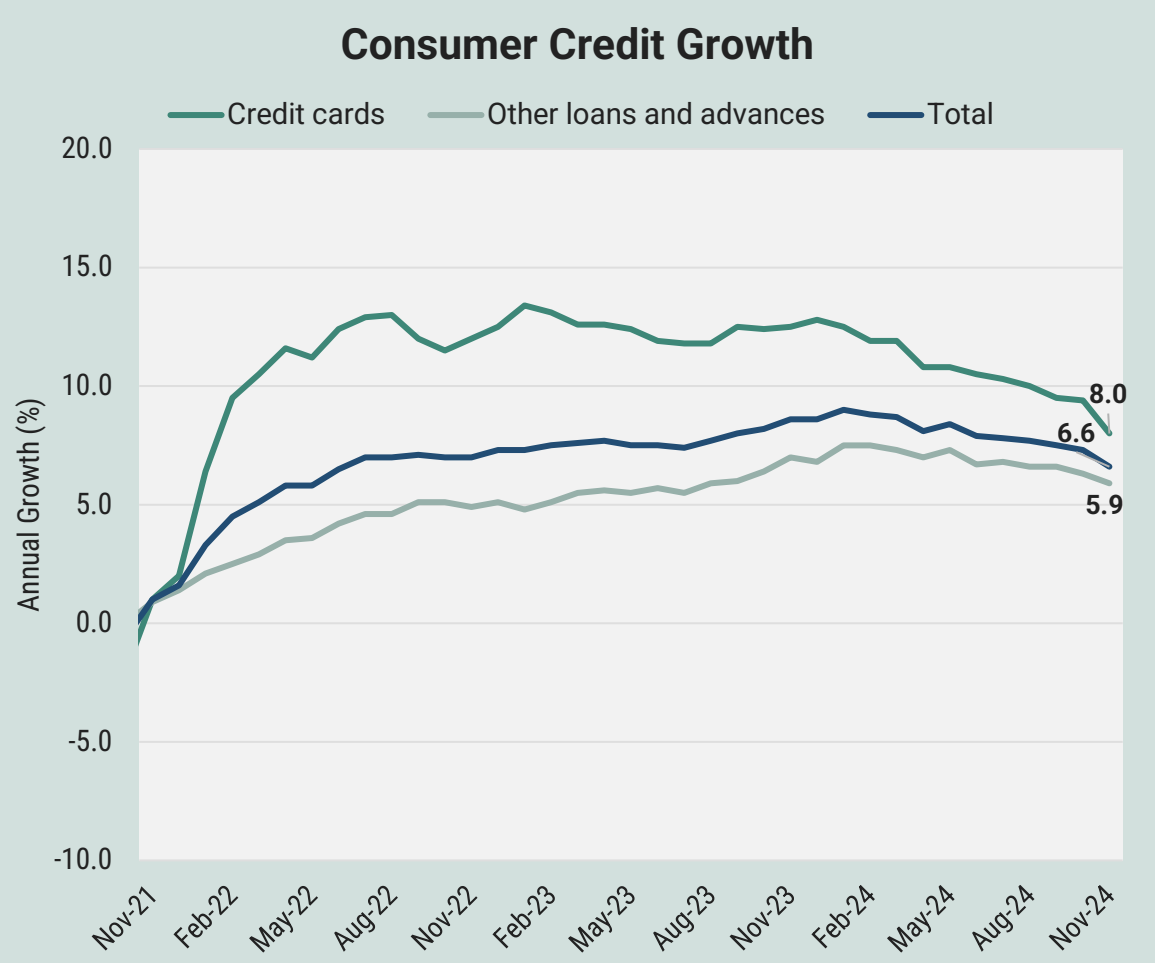
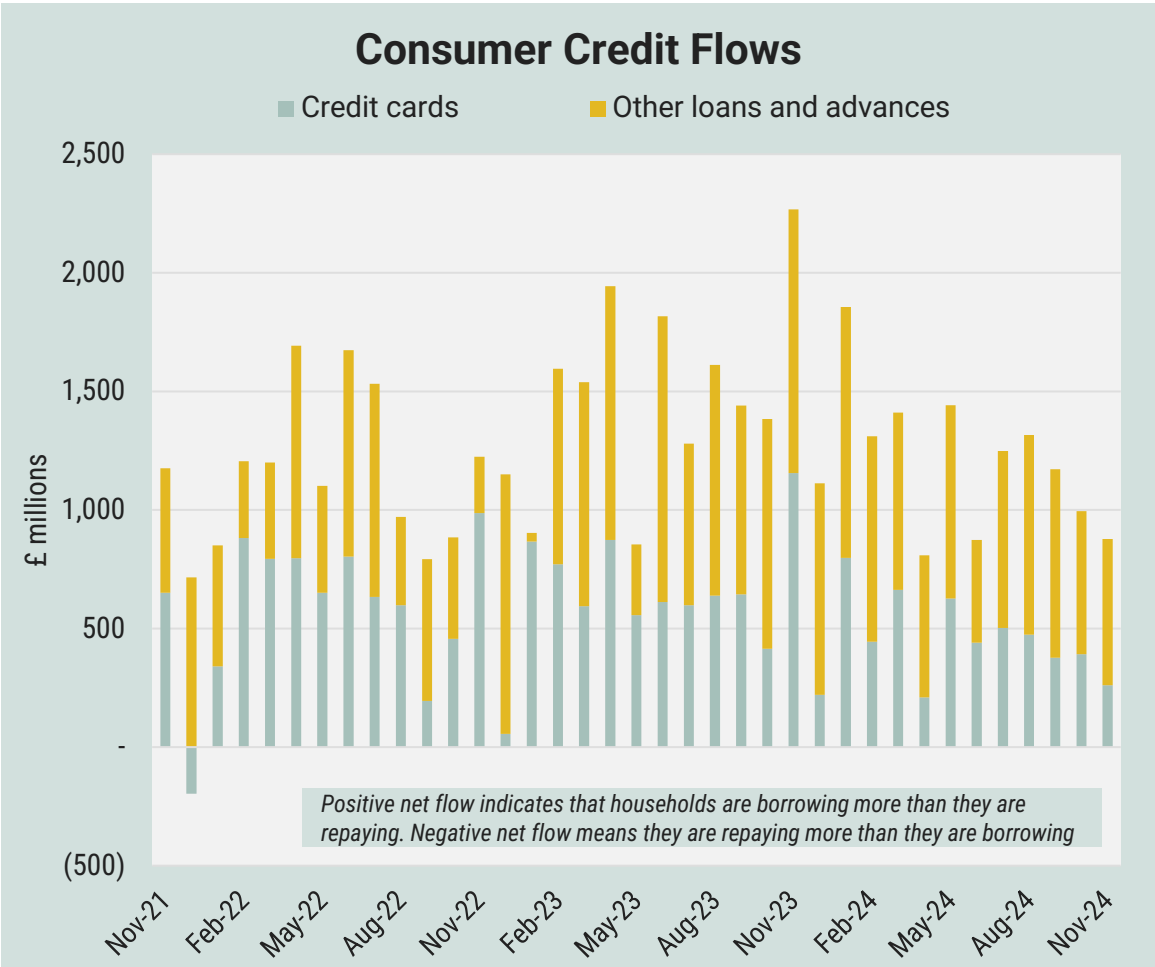


Source: Office for National Statistics, Earnings and employment from Pay As You Earn Real Time Information

Consumer Credit



Net consumer credit flows remained positive towards the end of 2024, albeit at a declining rate. Total credit growth declined to 5.9% in December, falling across all categories



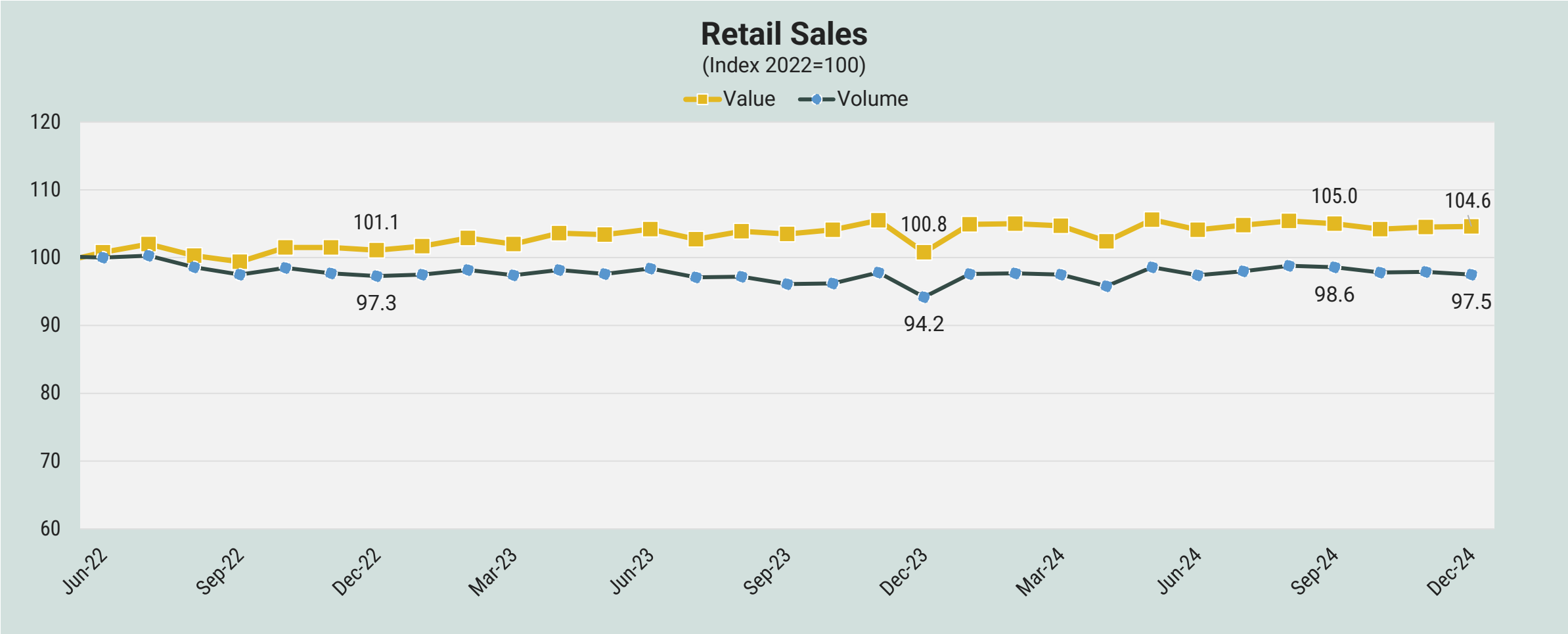
Source: Bank of England, Household credit

Retail

Retail Sales



Both retail values and volumes had an overall downward trend over the final quarter of 2024, falling 0.4% and 1.1%, respectively. However, both metrics were up YoY at 3.8% and 3.3%, respectively



Source: Office for National Statistics, Retail Sales

Category Sales



December volume declines were driven by lower reported sales for food stores and non-store retailers (online retails, stalls, markets). These effects were partially offset by stronger volumes within department and clothing stores



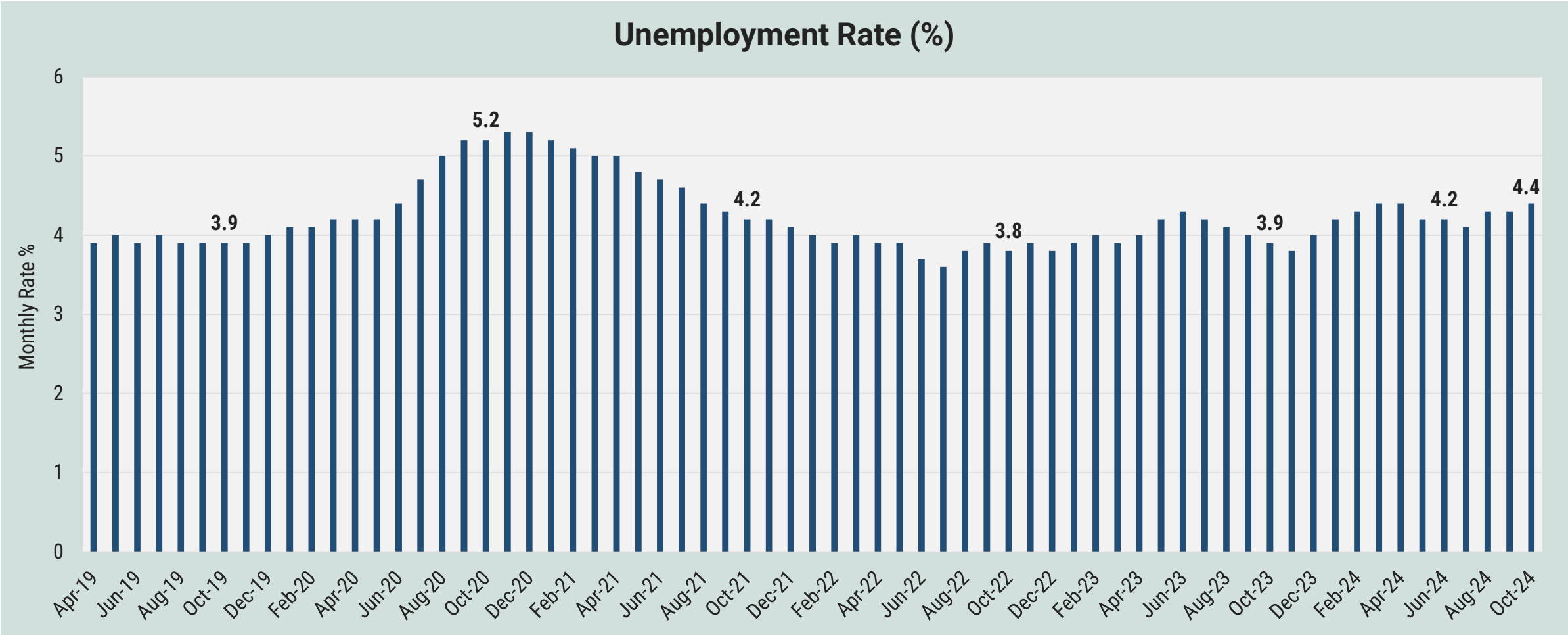
Source: Office for National Statistics, Retail Sales

Employment

Unemployment



UK unemployment rate increased modestly to 4.4% in October. This compares to a rate of 3.9% in October 2023

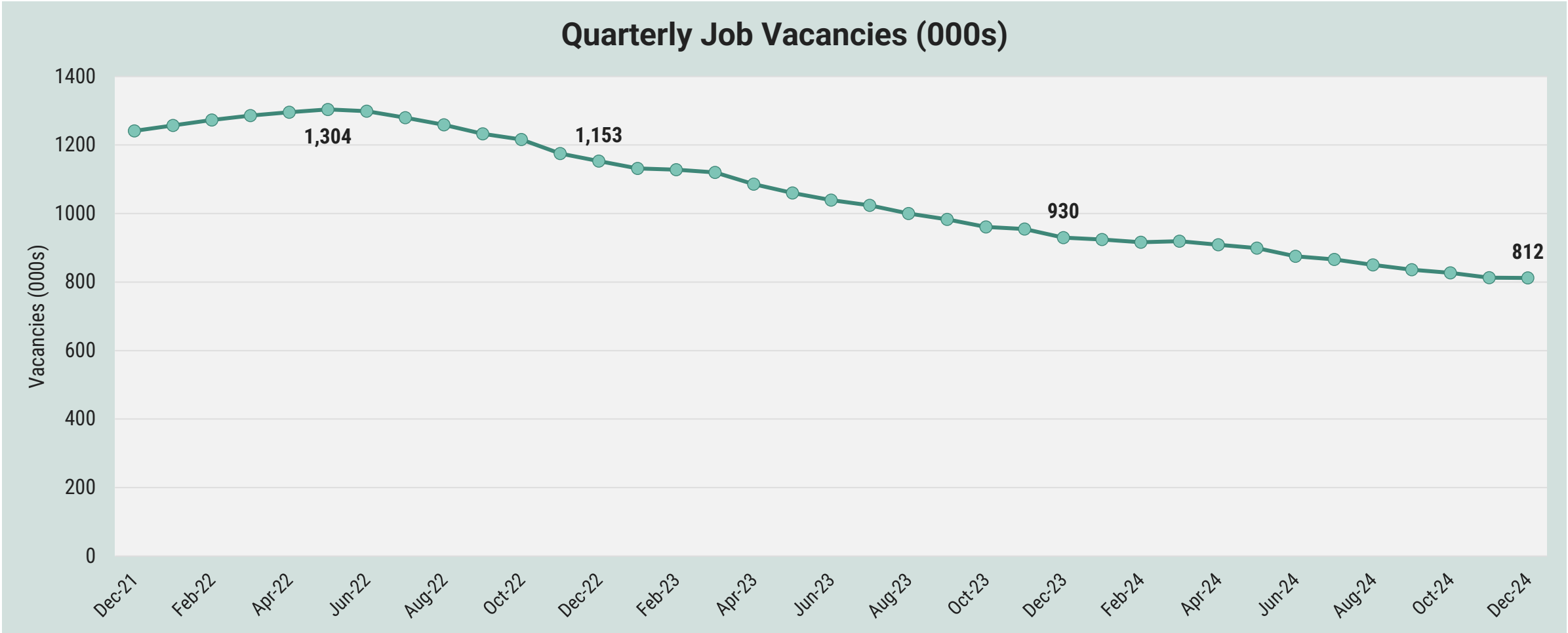


Source: Office for National Statistics, Employment Rate (aged 16 and over, seasonally adjusted)

Job Vacancies



UK job vacancies fell for 30th consecutive period in the quarter October to December 2024 to 812,000

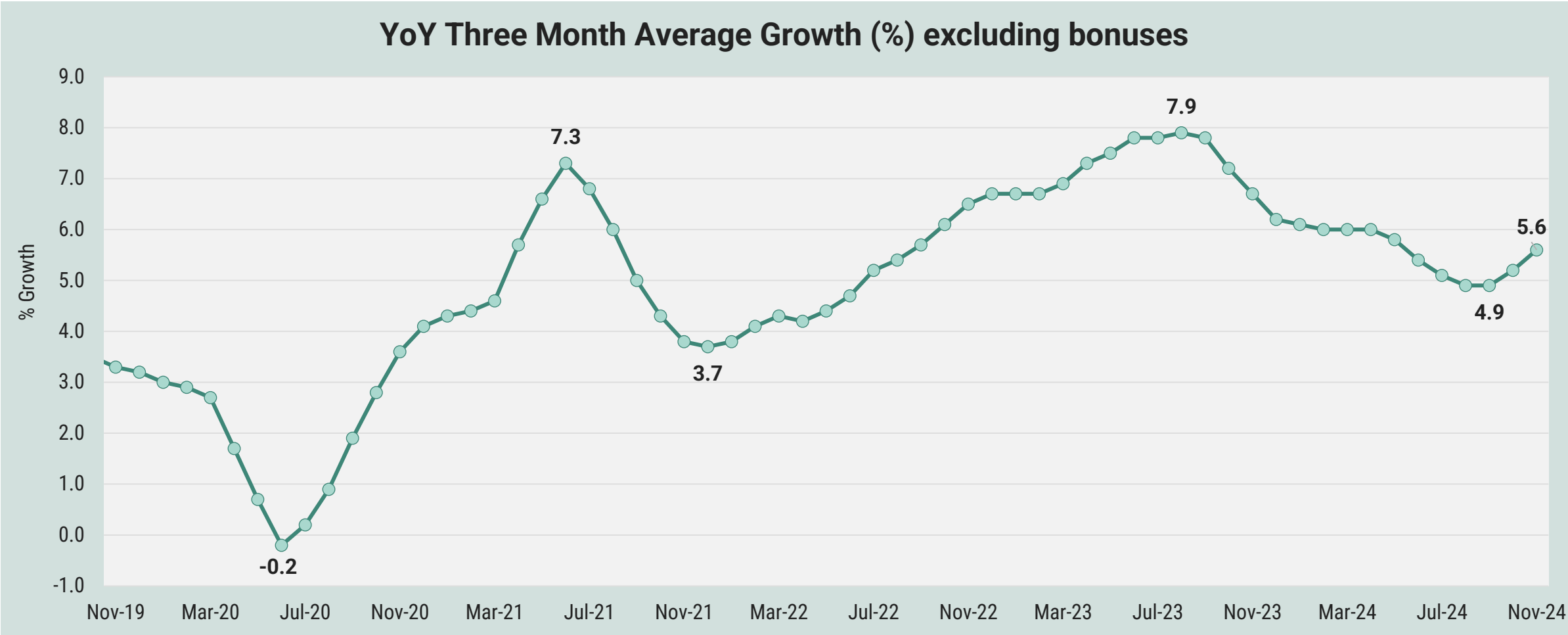


Source: Office for National Statistics, Vacancies and Unemployment

Wage Growth



Annual average growth in employees' earnings (excl. bonuses) was 5.6% over September to November 2024, up from 5.2% over the previous period



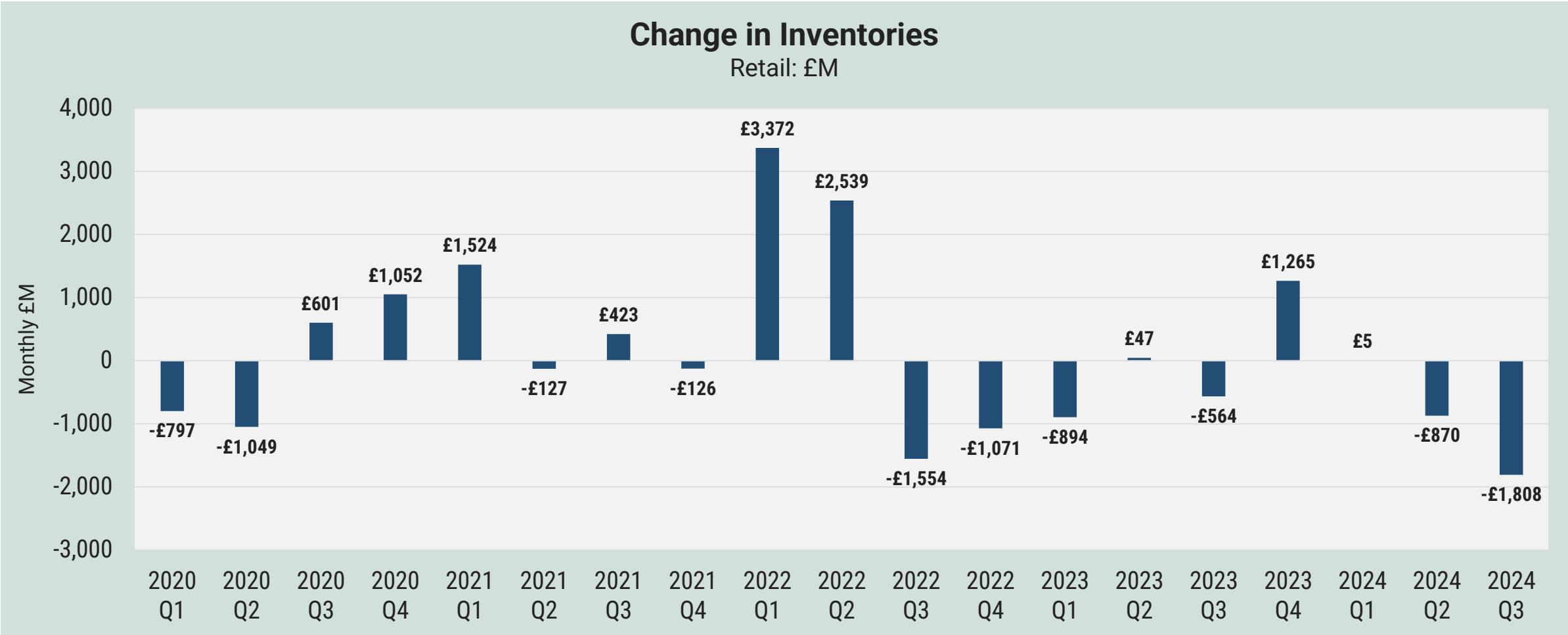
Source: Office for National Statistics, Whole Economy Year on Year Three Month Average Growth (%)

Supply Chain

Inventories: Retail



Retail inventories have continued their downward trend over Q2 and Q3 2024, with a particularly steep decline over the most recent quarter

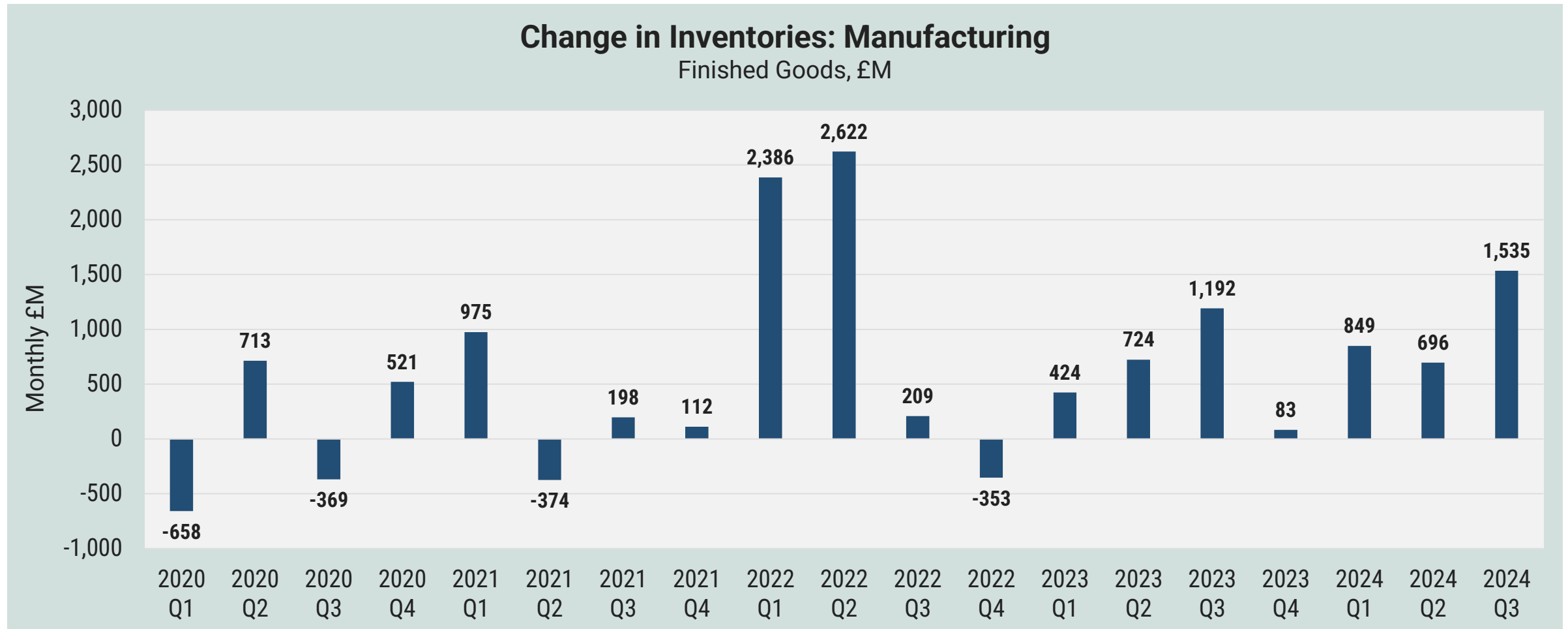


Source: Office for National Statistics, Change in Inventories: Retail



Change in Inventories: Manufacturing: Finished Goods

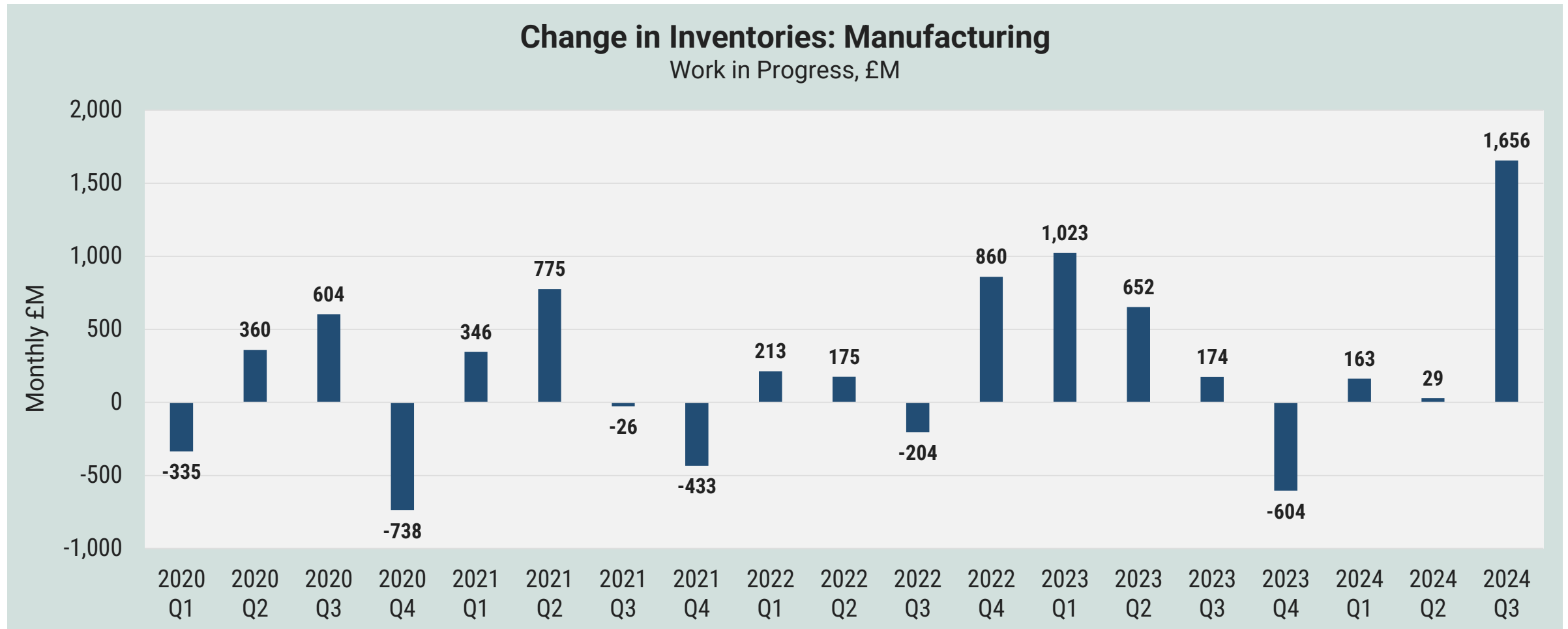
Inventories of finished goods increased for the seventh consecutive quarter over Q3 2024





Change in Inventories: Manufacturing - Work in Progress

Despite soft growth over Q1 and Q2, WIP inventories rose sharply over Q3. This is their largest increase since 2018





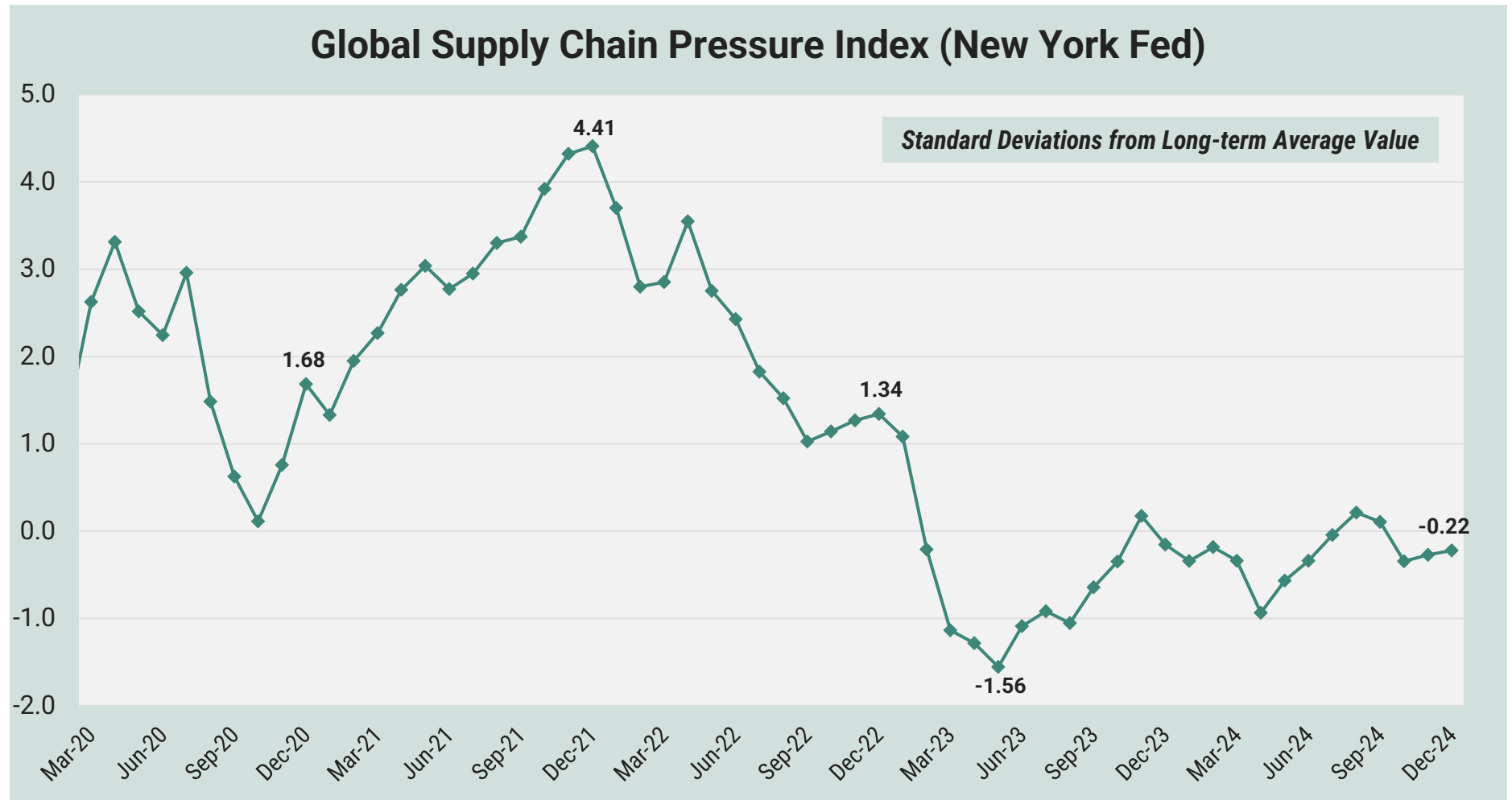
Global Supply Chain Index

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 declined sharply over September and October last year indicating reduced supply chain pressures. The index rose slightly over the final two months of the year but remained negative

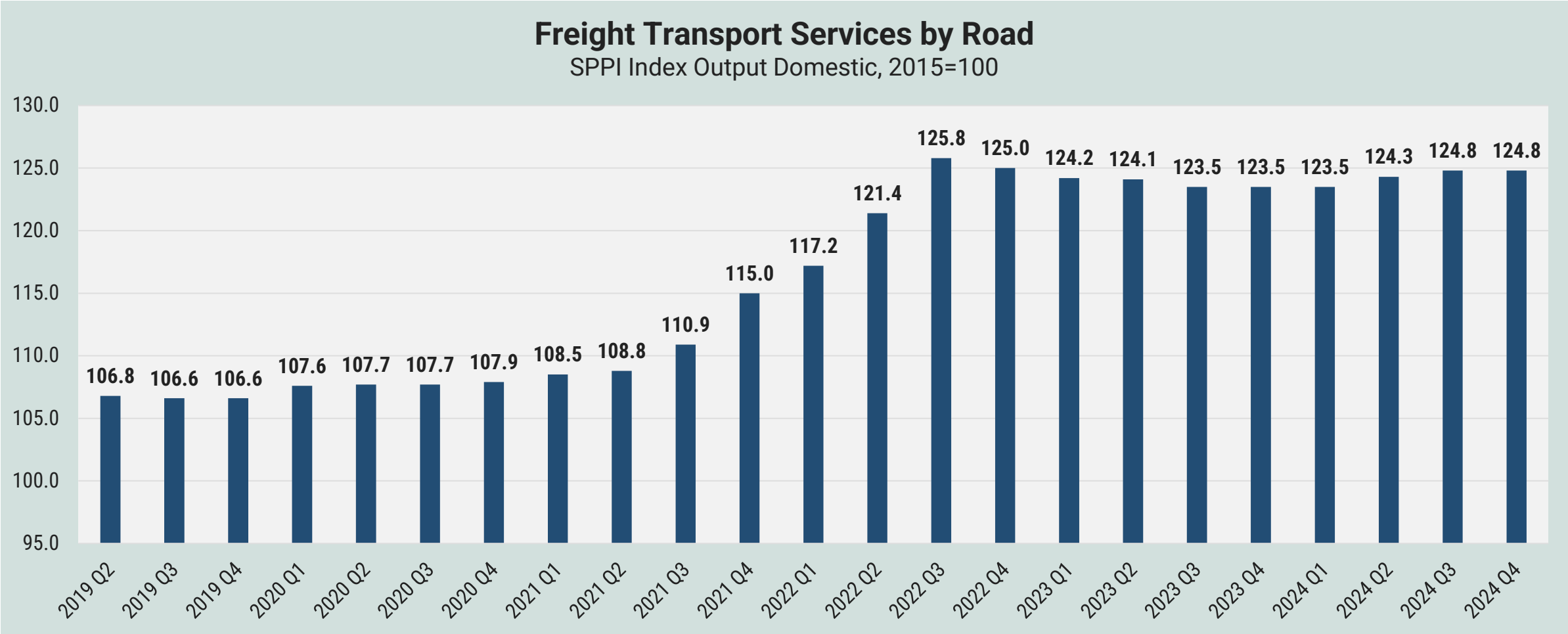


Source: Federal Reserve Bank of New York, Global Supply Chain Pressure Index

Freight Transport Volume



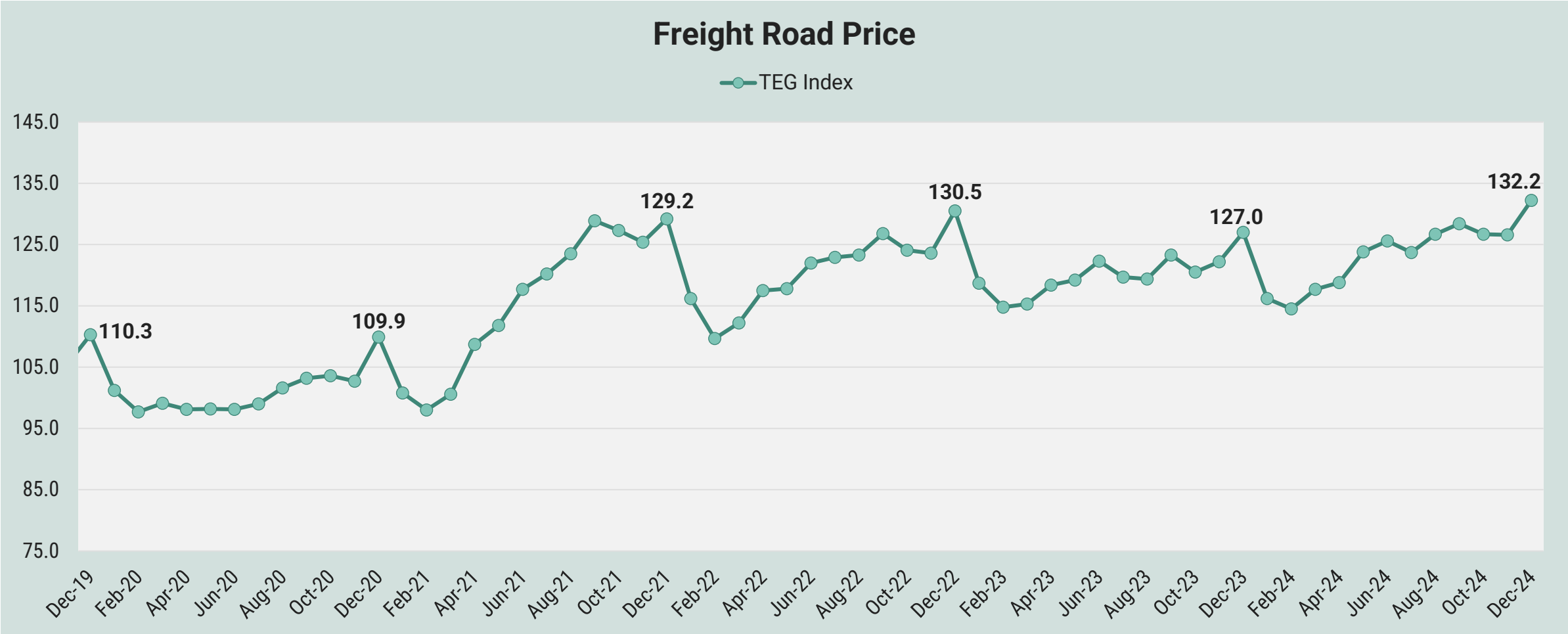
Freight transport services index increased for the first quarter since 2022 in Q3 but remained steady for the final quarter of the year



Source: Office for National Statistics, SPPI Index Output Domestic

Freight Road Price

The TEG Road Transport Index remained steady over the initial part of Q4 before rising sharply in December. This is in line with previous seasonal increases in December

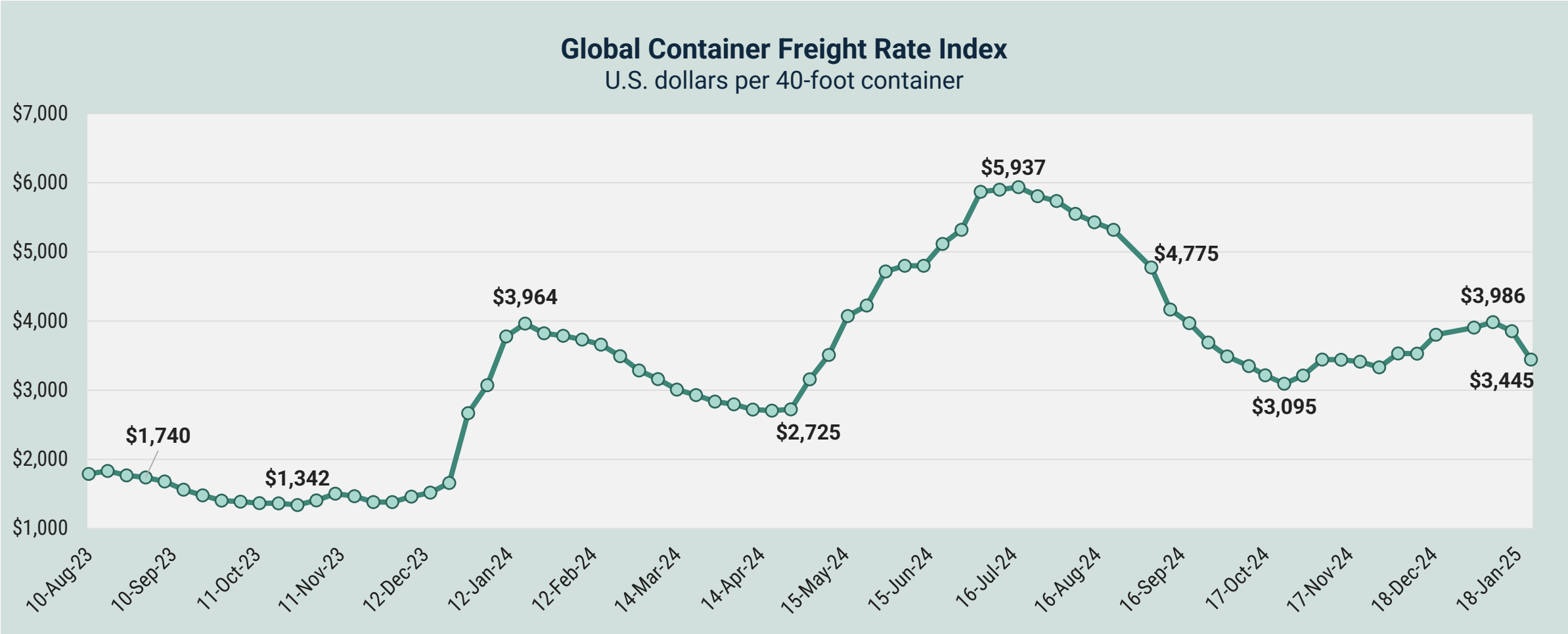


Source: Transport Exchange Group

Deep Sea Freight



Following sharp declines over Q3, global freight rose slightly across Q4. However, rates have decreased by 12% from their opening position in January

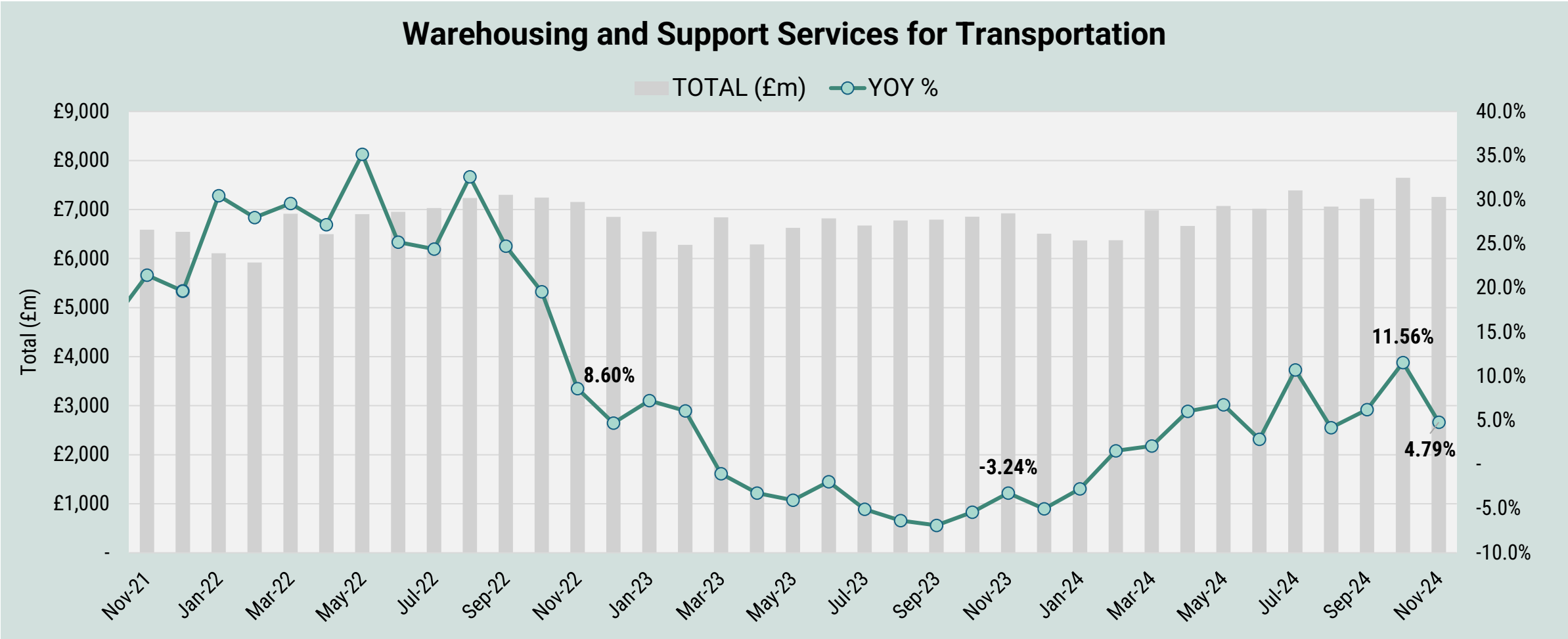


Source: Statista

Warehouse Services



Warehousing and support services spending continued to record consecutive YoY growth over Q3 and the start of Q4

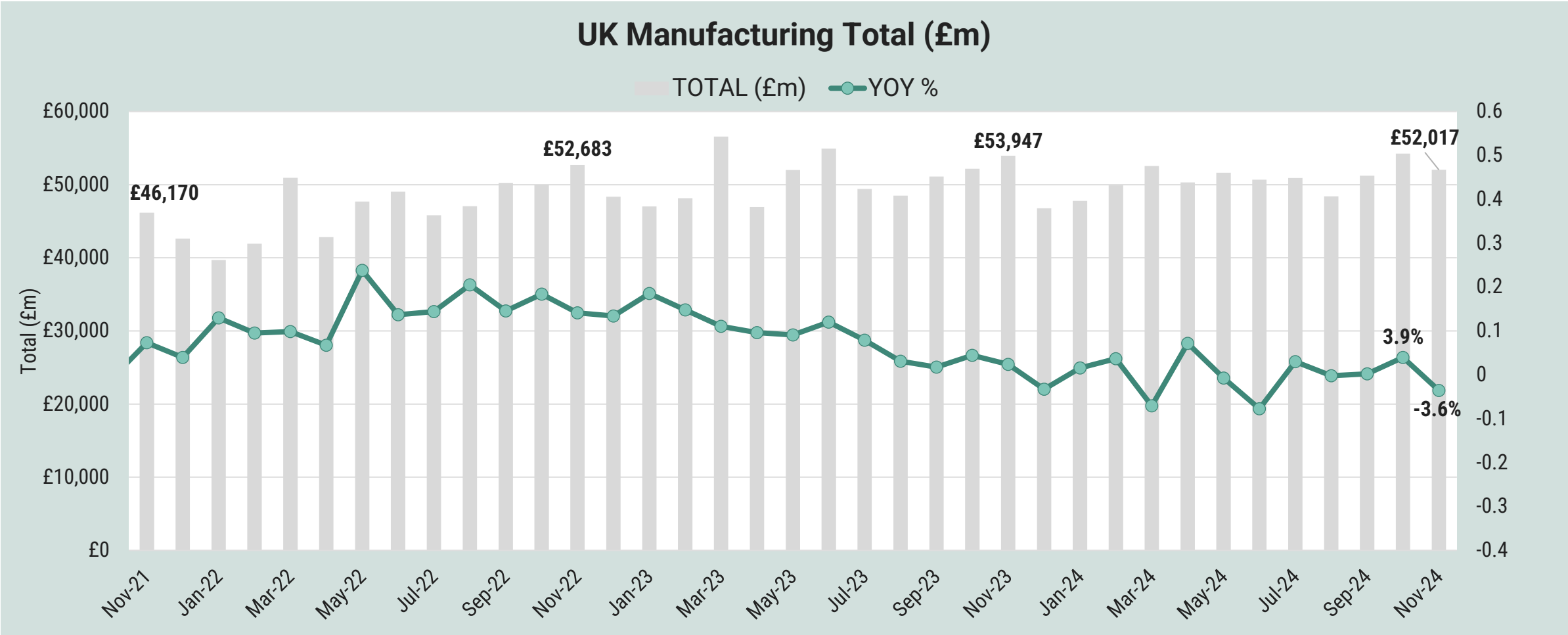


Source: Office for National Statistics, Warehousing and support services for transportation TOTAL (£m)

Manufacturing



Despite, growing 3.9% in October, UK Manufacturing output remained down YoY following declines in November

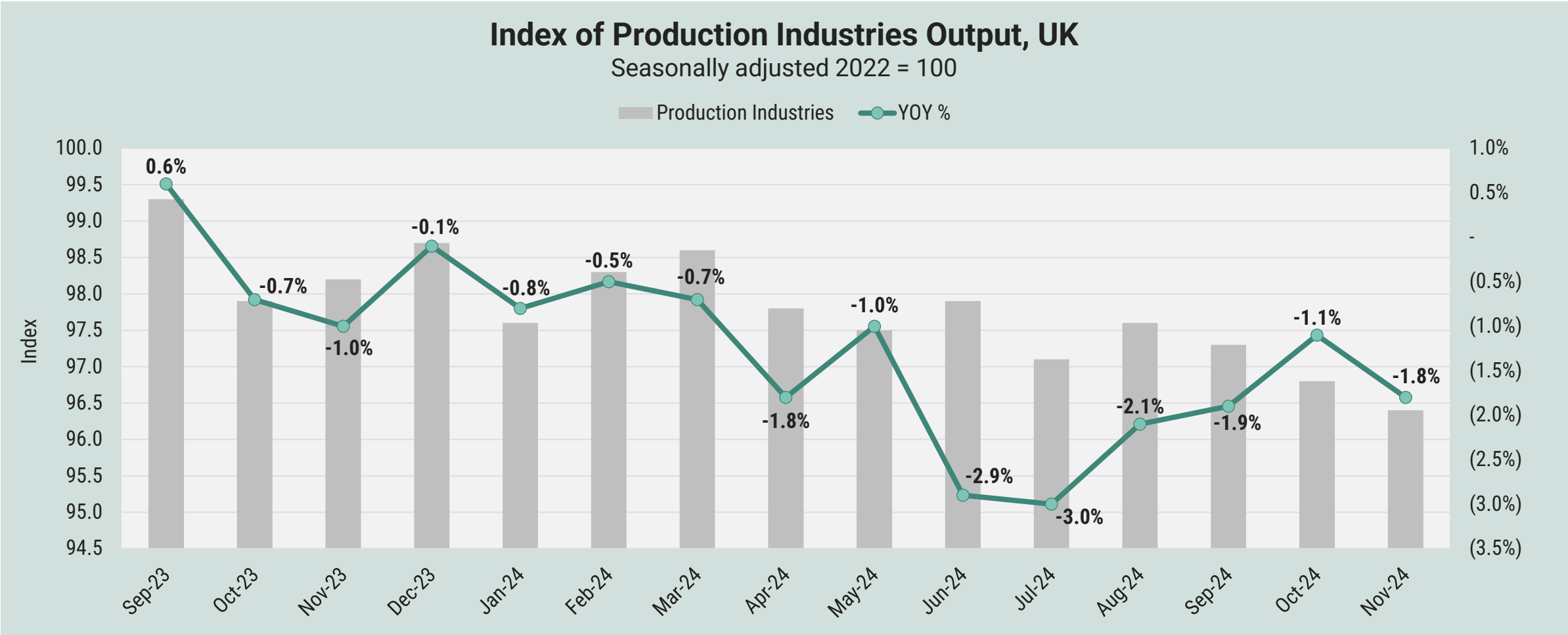


Source: Office for National Statistics, UK Manufacturing

Production



The Industrial production index continued to fall towards the end of 2024, down 1.8% YoY in November



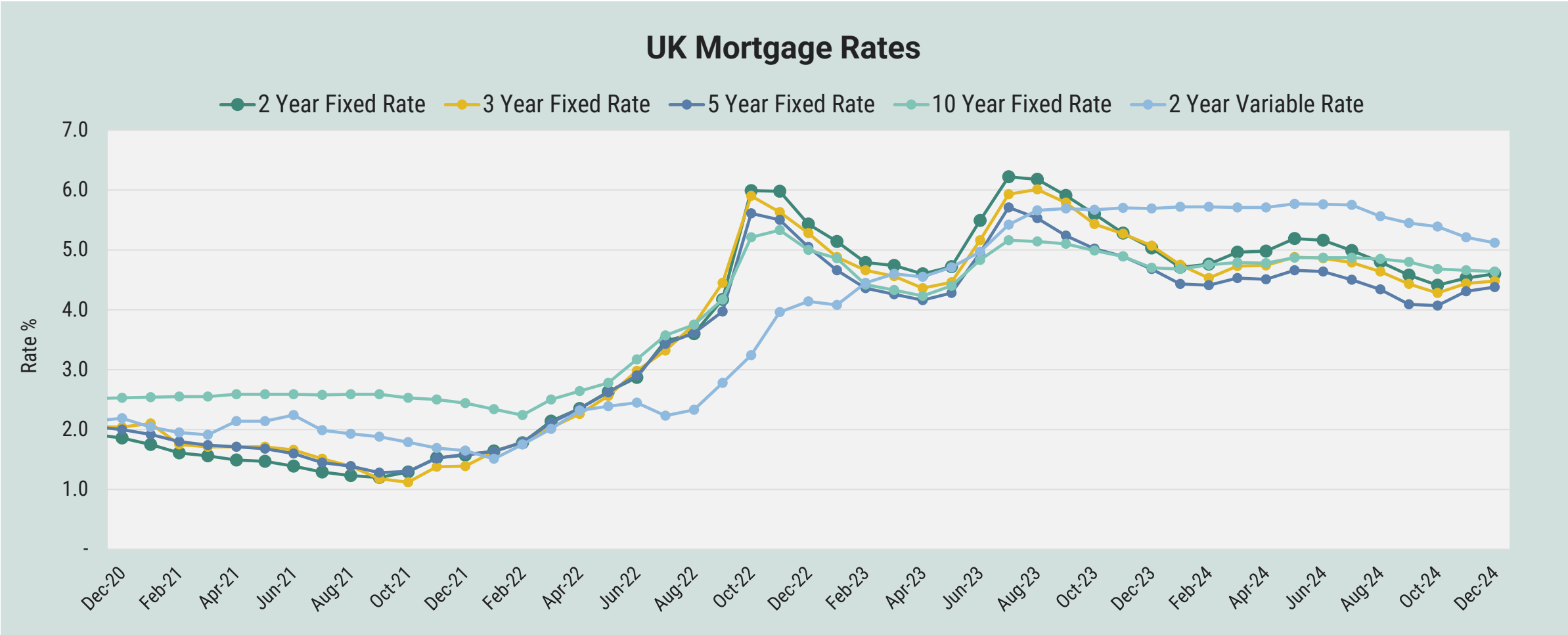
Source: Office for National Statistics, Output of the Production Industries
Note: Movements in the volume of production for the UK production industries: manufacturing, mining and quarrying, energy supply, and water and waste management. Figures are seasonally adjusted.

Housing

Mortgage Rates



Variable rates continued their downward trajectory over the final quarter of 2024 while fixed rates began to rise again over November and December despite the reduction in the Bank of England base rate

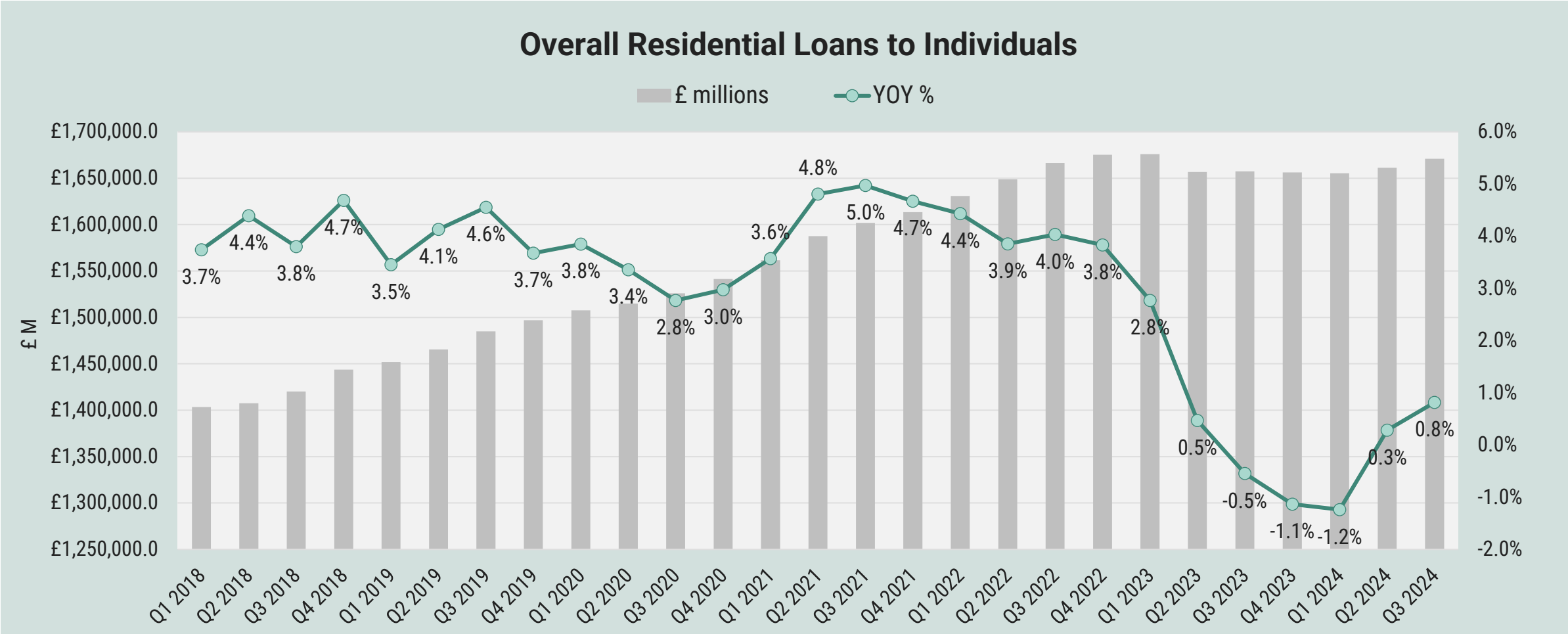


Source: Bank of England (rates assume 75% LTV)

Residential Loans Volume



Residential loan volumes continued a gradual upward trend in Q3 2024

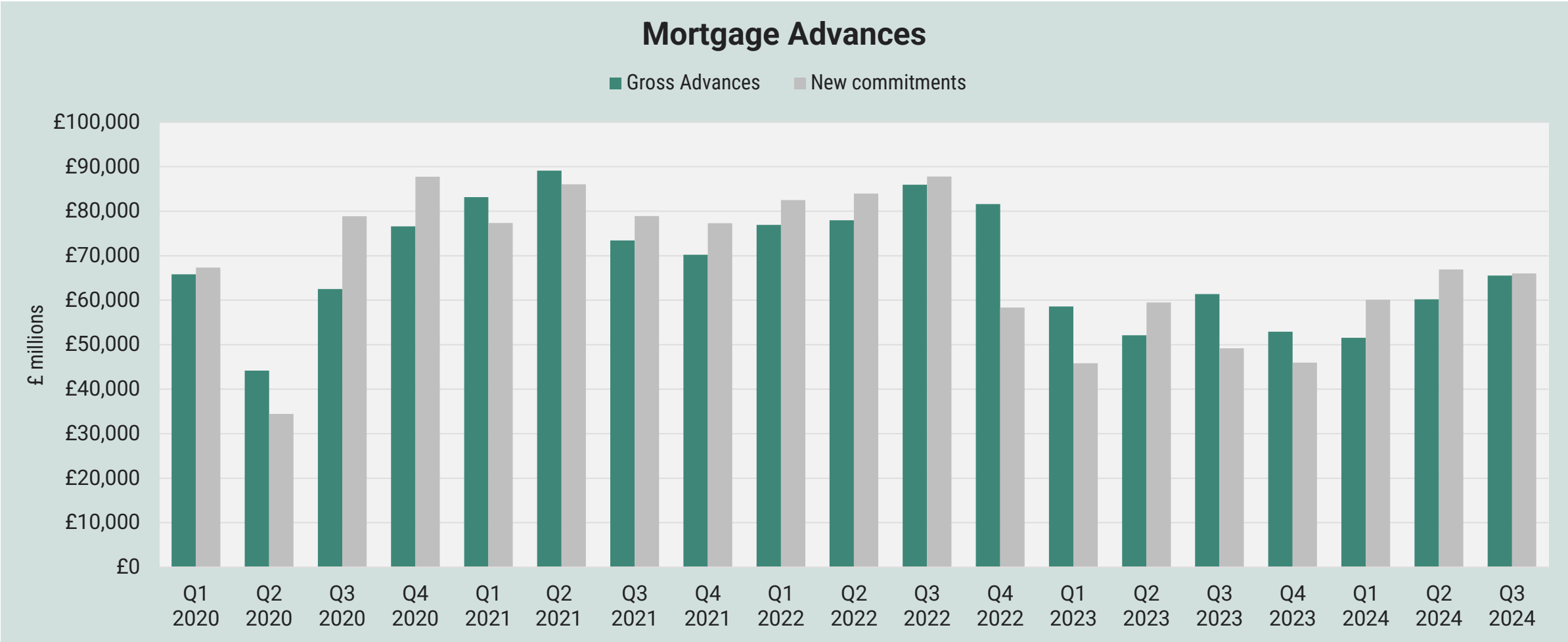


Source: FCA

Mortgage Advances



New commitments remained relatively flat over Q3 while gross advances continued to rise over the quarter

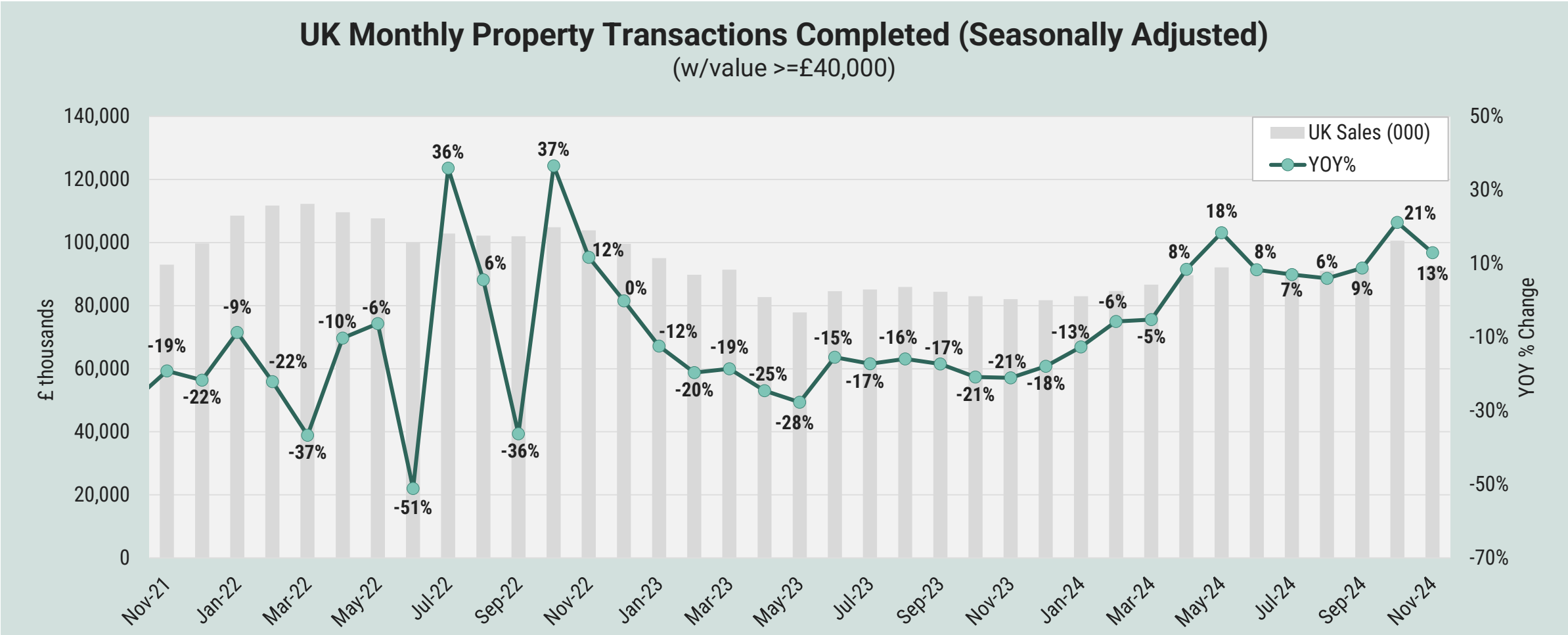


Source: Bank of England

Property Transactions



Provisional transaction data for September to November indicate continued YoY growth in property sales

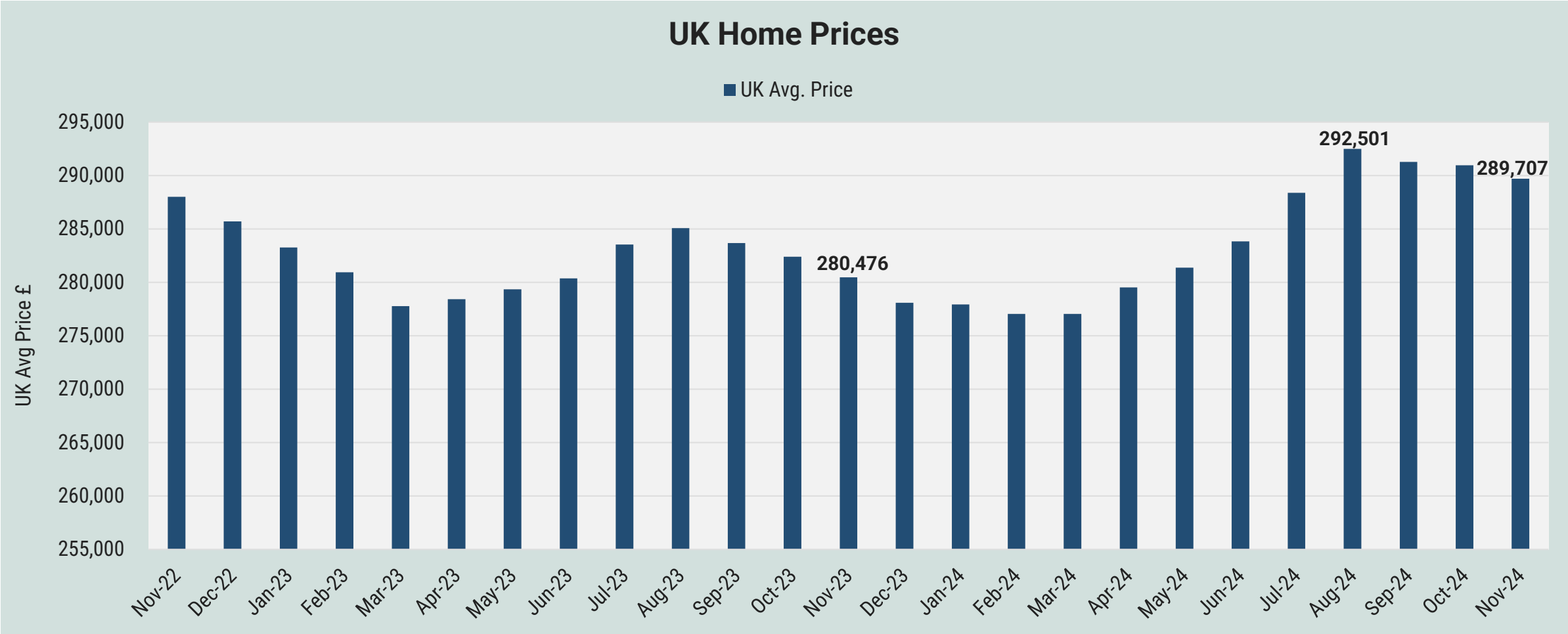


Source: Bank of England

House Sales Price



Average UK home prices slightly softened towards the end of the year falling from their peak in August to £289,707 in November. Compared to the same period last year, prices were up 3.3%



Source: UK Government, UK House Price Index

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