

UK Economic Overview

CONSUMERS AND THE MACRO ECONOMY

May 2025



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1. Summary

Highlights – Current Economic Trends



The UK economy remained weak over Q1 2025, with modest GDP growth and inflation levels remaining above target over the period. Positive developments included monetary policy rates and supply chain pressures continuing to ease. However, consumer sentiment and job creation metrics have persisted to deteriorate

| Inflation and GDP | Consumer Confidence and Retail | Employment | Supply Chain | Housing |
|---|--|---|--|--|
|  Inflation (CPI) ↑ 2.6% (2.5%) Quarterly GDP Growth ↑ 0.1% (-) BoE Bank Rate ↓ 4.25% (4.75%) |  Consumer Confidence ↓ -23 (-22) Consumer Credit Growth ↓ 6.4% (6.6%) Retail Sales (Volume) ↑ 99.7 (97.3) |  Unemployment Rate - 4.4% (4.4%) Job Vacancies ↓ 781k (806k) Wage Growth ↑ 5.9% (5.6%) |  Freight Rates ↓ \$2,157 (\$3,445) Supply Chain Pressure Index ↓ -0.18 (-0.22) Manufacturing Growth ↓ -1.0% (-3.3%) |  2-year Variable Rate ↓ 4.86% (5.02%) Residential Loan Volumes ↑ 1.3% (0.8%) Property Transactions ↑ 104.3% (14.5%) |
| Pages 7-13 | Pages 14-21 | Pages 22-25 | Pages 26-36 | Pages 37-42 |

Key

↑ Latest Reported Data
(Data per previous Report in January 2025¹)

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 Bank Rate has reduced to 4.25% following cuts in February and May due to progress in disinflation
- Monthly GDP growth of 0.5% was reported for February which was ahead of expectations driven by increased activity across the services and production sectors
- Deep sea freight rates continued to fall sharply over Q1 and the beginning of Q2 to \$2,157. Rates remain c.20% below the same period last year (\$3,725) even after they peaked at a record high last July (\$5,937)
- Industrial production ceased its trend of 13 months of consecutively neutral or declining YoY growth in February, though growth was modest at 0.1%
- The UK's recently announced trade deals with India and the US is welcome progress amid global trade tensions, contributing to longer term growth prospects



Key Headwinds

- Despite modest improvement over the start of Q1, consumer confidence fell sharply by four points in April. Declines were recorded across all measurement categories, in particular perceptions of the general economy over the past year (down 5 points) and the outlook for the next twelve months (down 8 points)
- Jobs growth continued to trend downwards over Q1, with vacancies down 14% YoY in March



Concerns

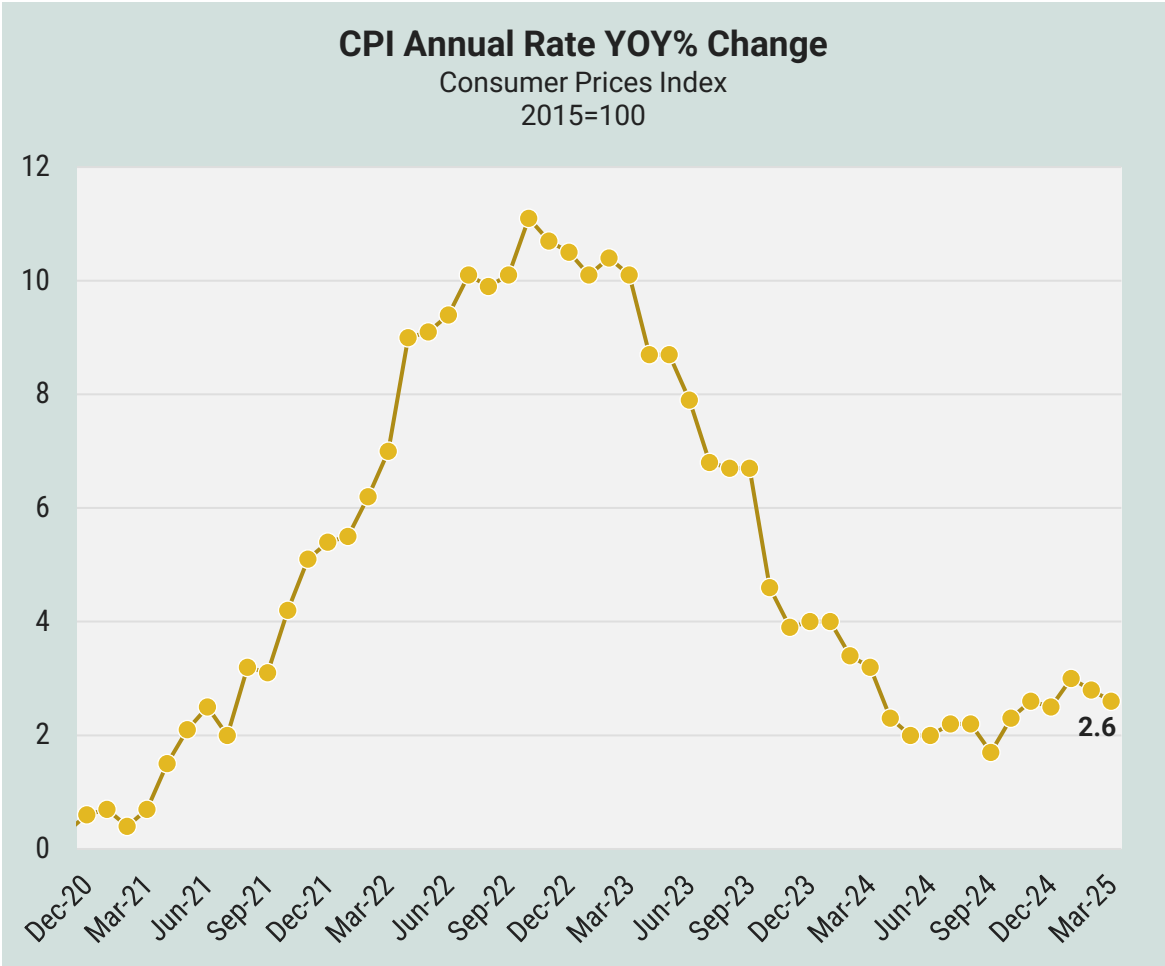
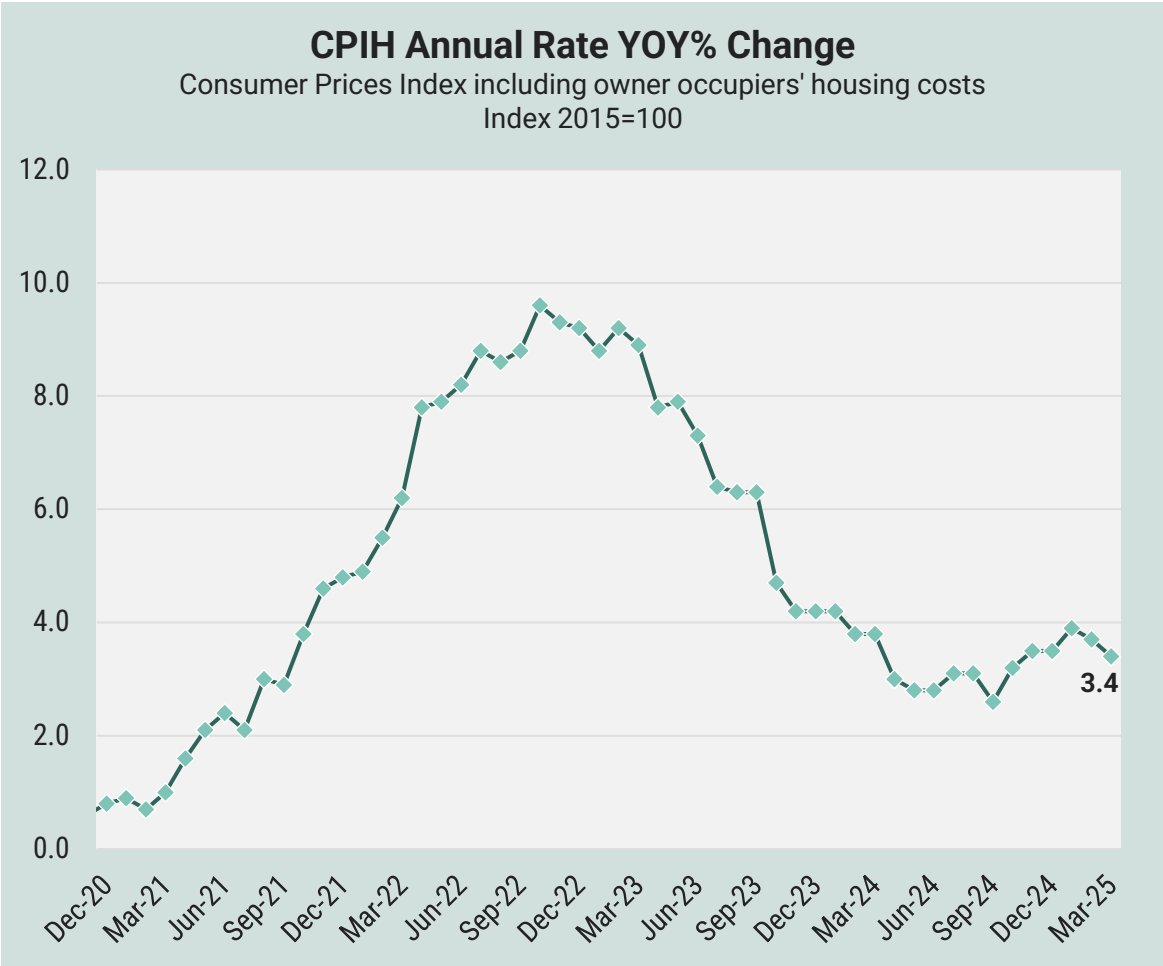
- Recent economic volatility caused by US trade policy decisions is yet to be reflected in much of the data reported. It is likely that ongoing tensions, particularly with China, will contribute to prolonged economic uncertainty and global recessionary concerns
- Despite beating recent market expectations, UK GDP growth remains weak with limited confidence in credible growth being sustained over the remainder of the year
- Inflation remains above the Bank of England's target rate with the CPI rising to 3% in January before softening to 2.6% in February. The Bank's approach to rate cuts remains gradual due to the persistent and uncertain nature of inflationary risks in the economy

2. Inflation and GDP

Consumer Price Index



Consumer price index (CPIH, incl. housing) indicated a gradual decline over Q1 to 3.4% in March, down from 3.9% at the end of 2024. The same trend persisted for the CPI excluding housing costs, falling to 2.6% in March from 3% in December

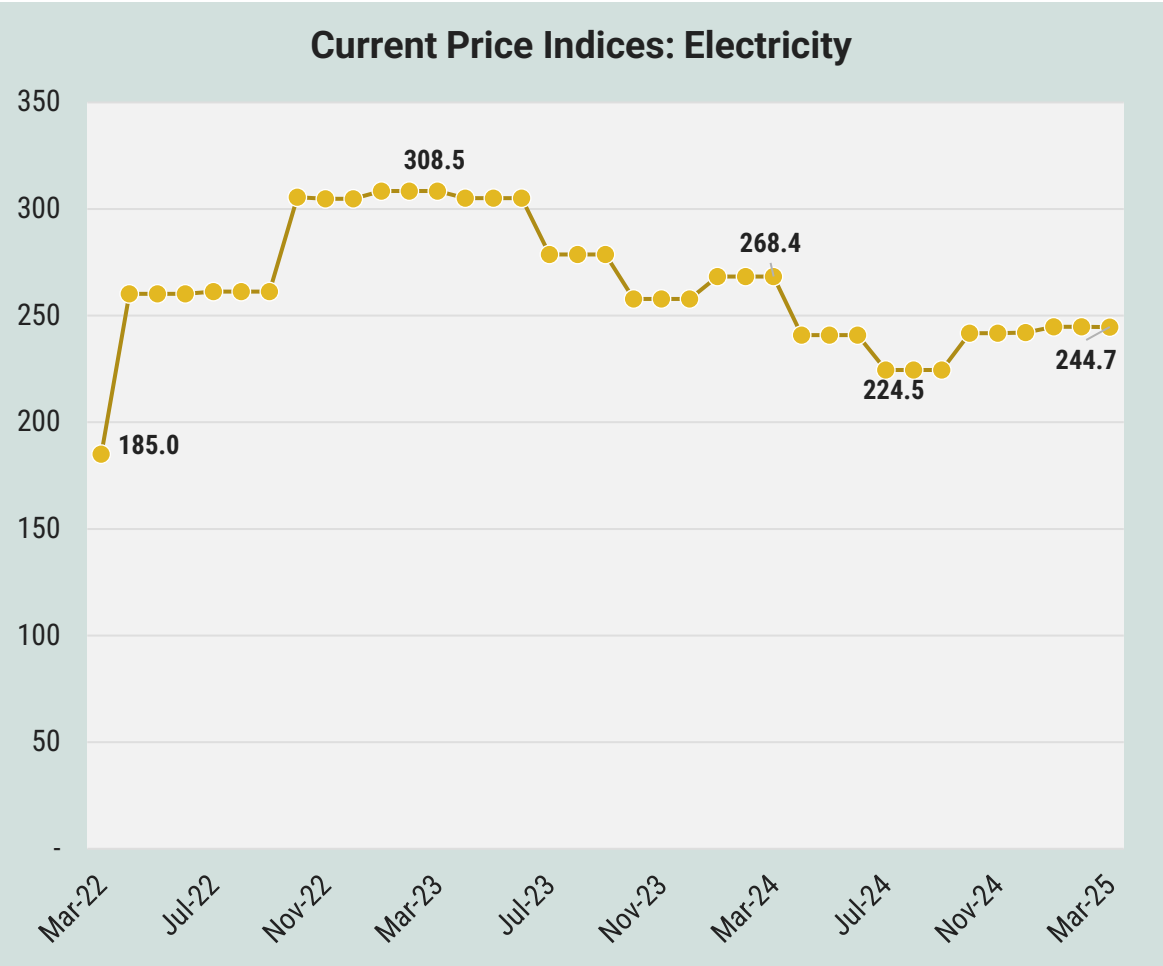
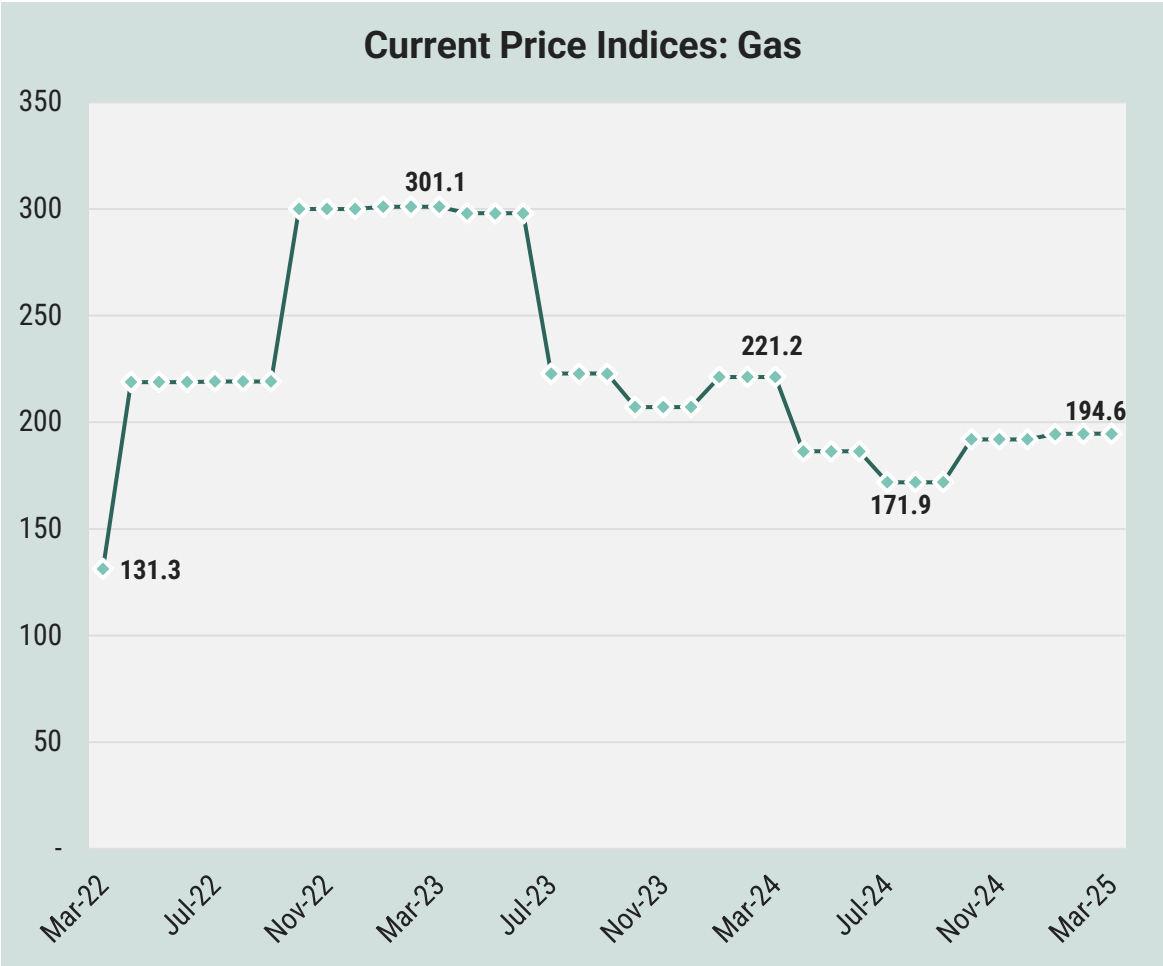


Source: Office for National Statistics

Gas & Electricity



Gas & electricity indices remained stable over Q1 2025 and remain well below their 2022 and 2023 peaks

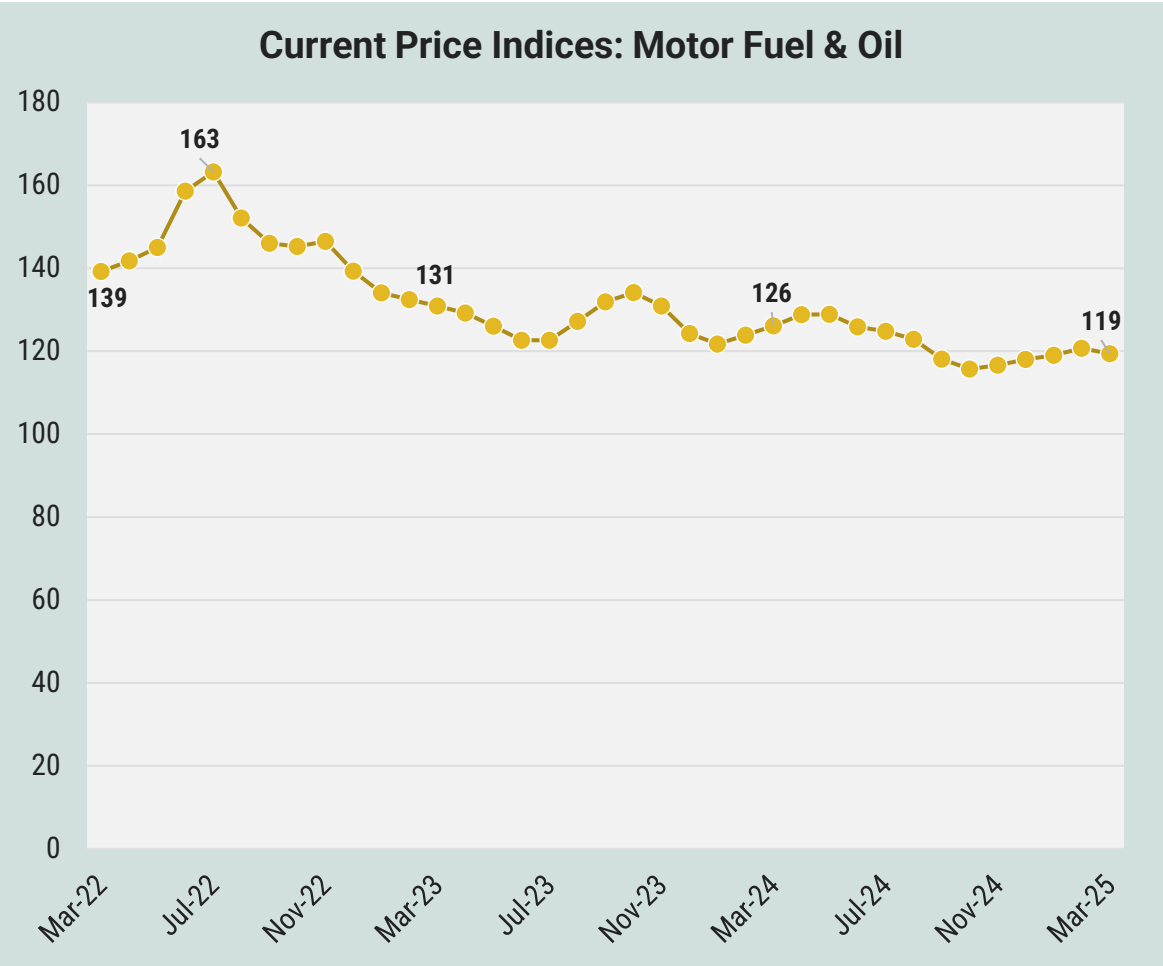
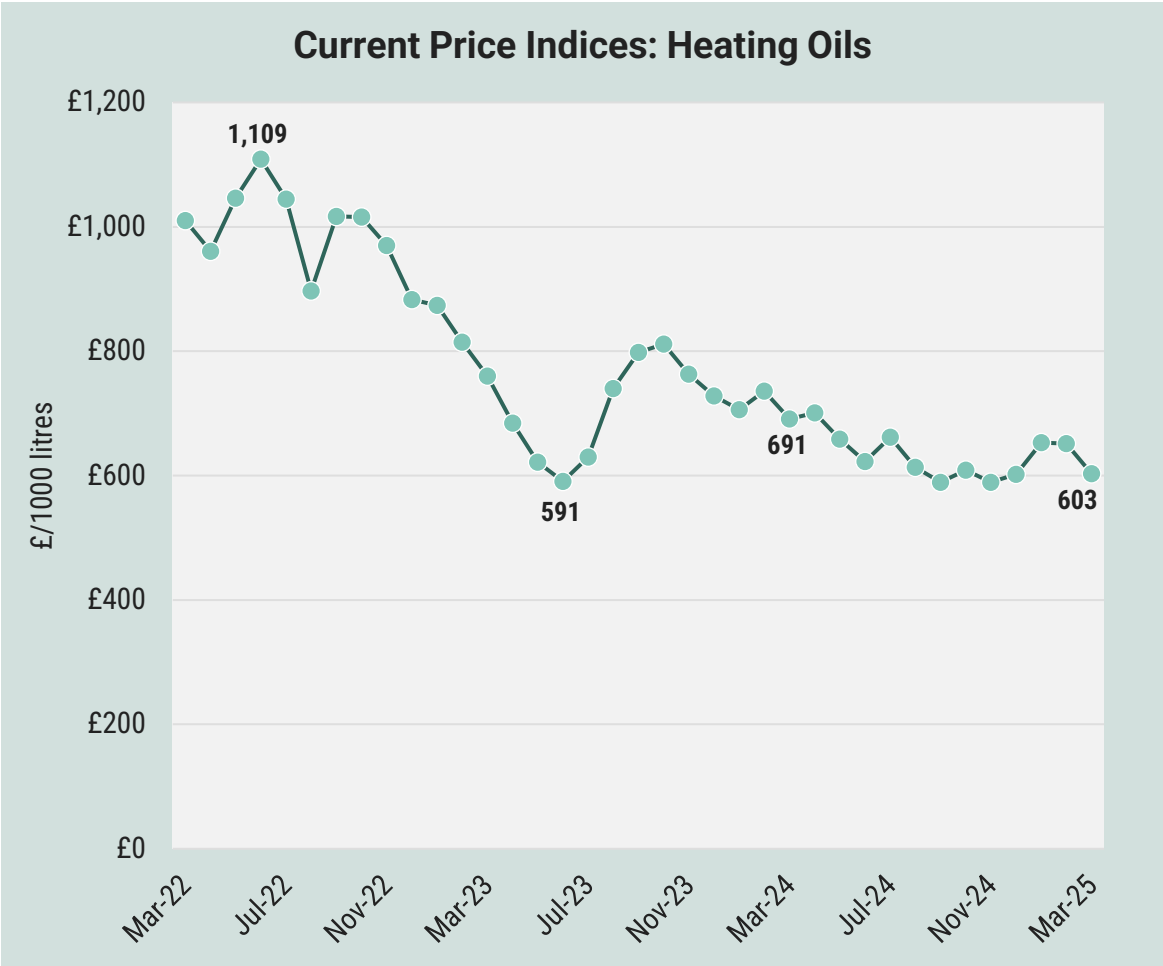


Source: Gov.uk, energyprices.stats@energysecurity.gov.uk

Heating Oils & Motor Fuel



Despite an initial price increase at the beginning of the year, heating oils have stabilised towards the end of the quarter and remain flat from year-end 2024. Motor fuels have continued to remain relatively flat over the period

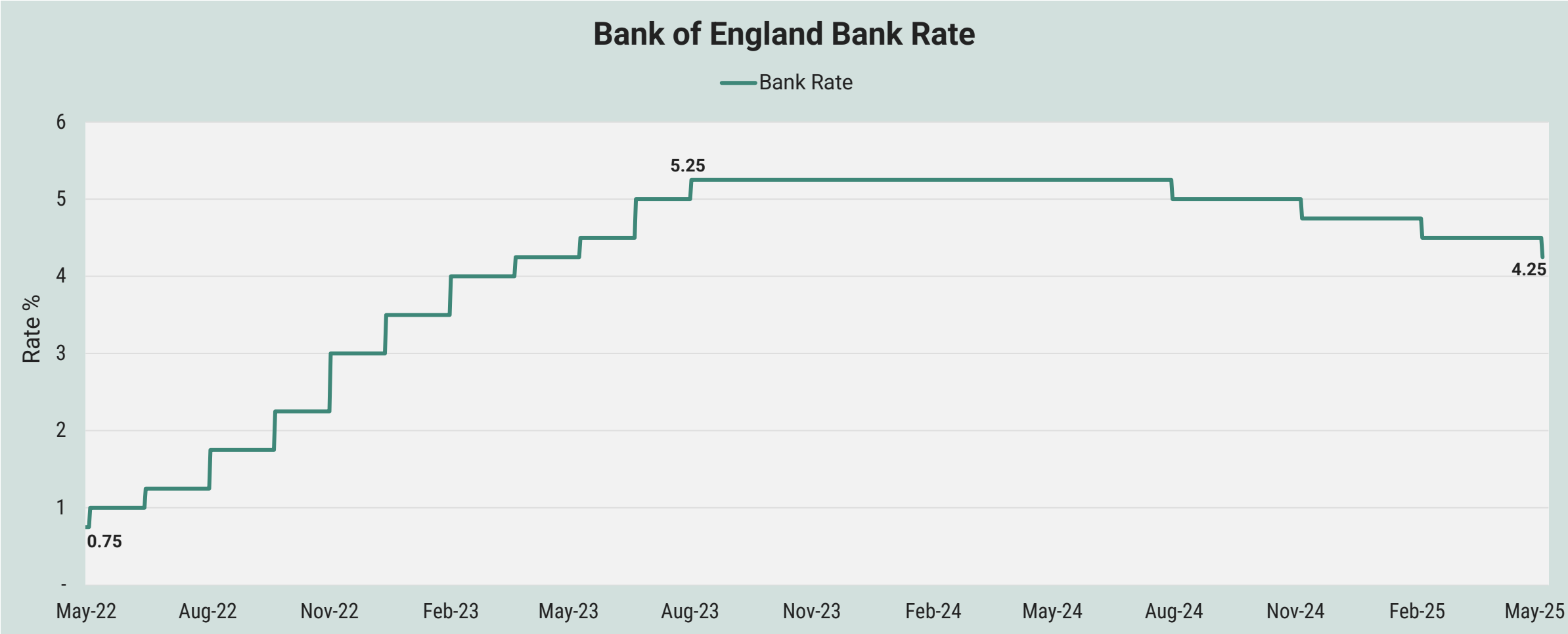


Source: Gov.uk, Domestic Energy Price Indices

Interest Rates



The Bank of England Bank Rate has fallen to 4.25% in May due to progress in disinflation. The Bank maintains a gradual approach to rate cuts amid persistent inflationary risks to prices and wages

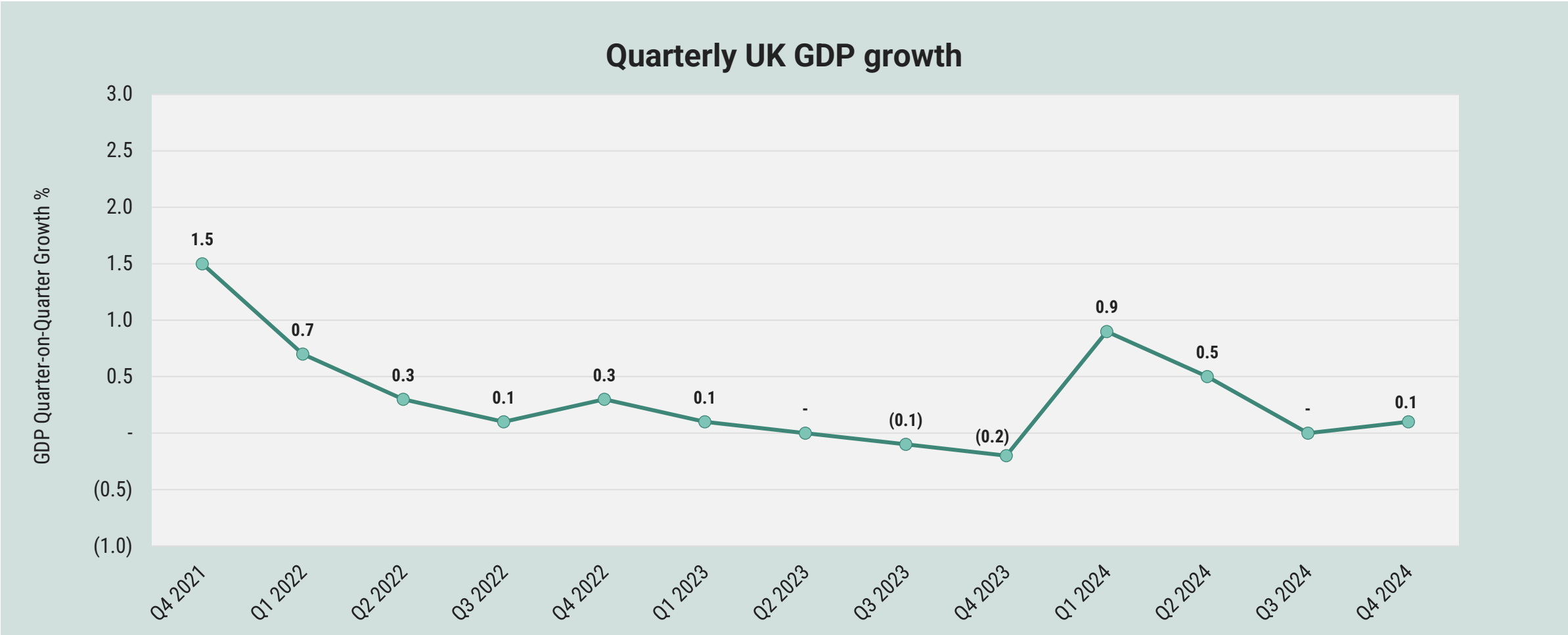


Source: Bank of England

GDP (Quarter-on-Quarter Growth)



UK gross domestic product (GDP) growth remained weak over Q4 2024, following flat growth in the previous quarter

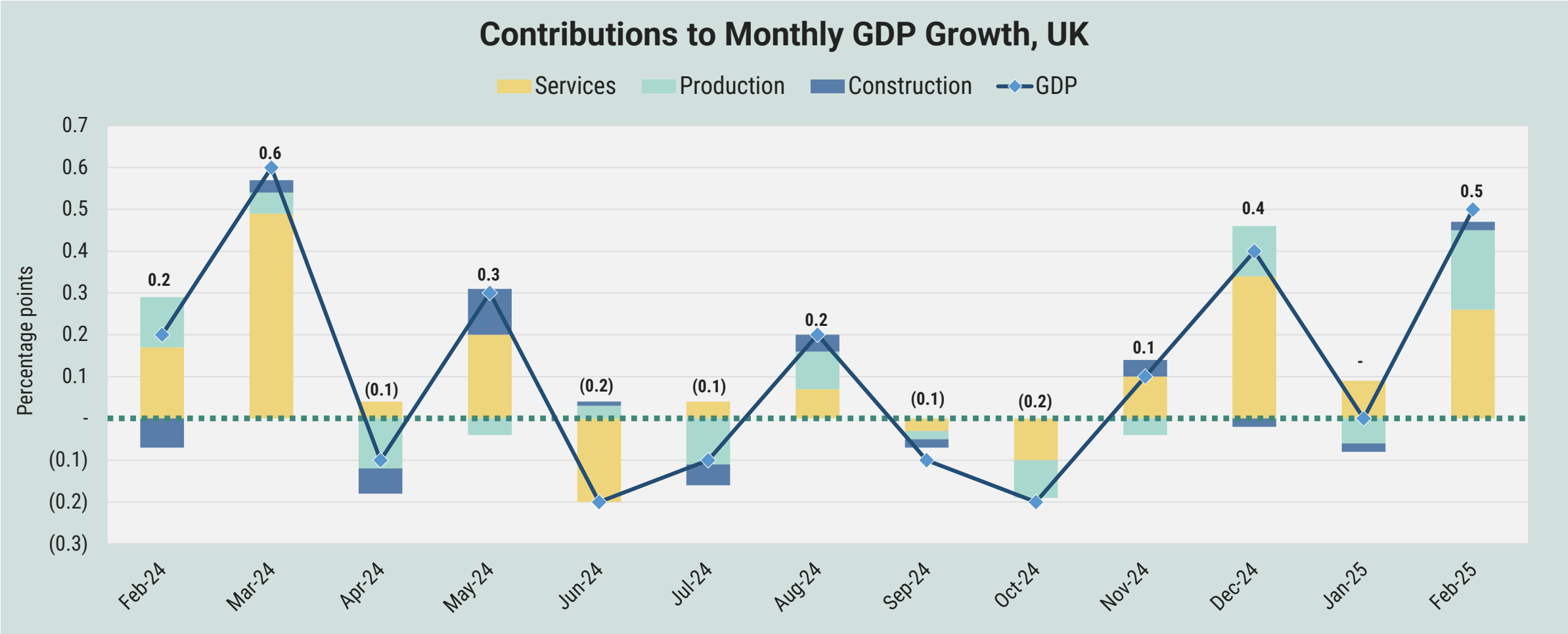


Source: Office for National Statistics, Gross Domestic Product: Quarter on Quarter growth: CVM SA %

GDP (Monthly Growth)



Positive monthly GDP growth of 0.5% for February driven by increased output across all three main sectors. This follows no growth in January with positive service growth offset by falling production and construction output



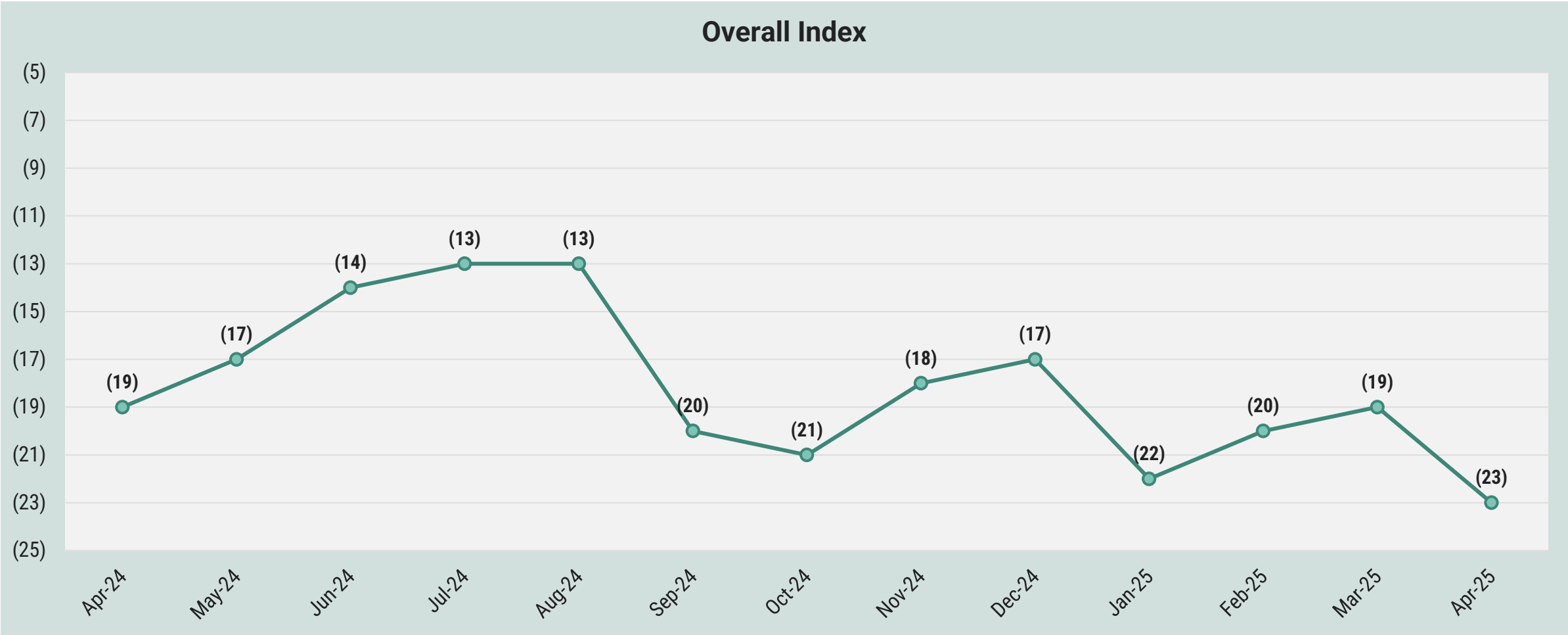
Source: GDP monthly estimate from the Office for National Statistics, Sum of component contributions may not sum to total services growth because of rounding

3. Consumer Metrics

UK Consumer Confidence



Despite improving over January and February, the GfK Consumer Confidence Index decreased by four points to -23 in April, its lowest point over the past 12 months



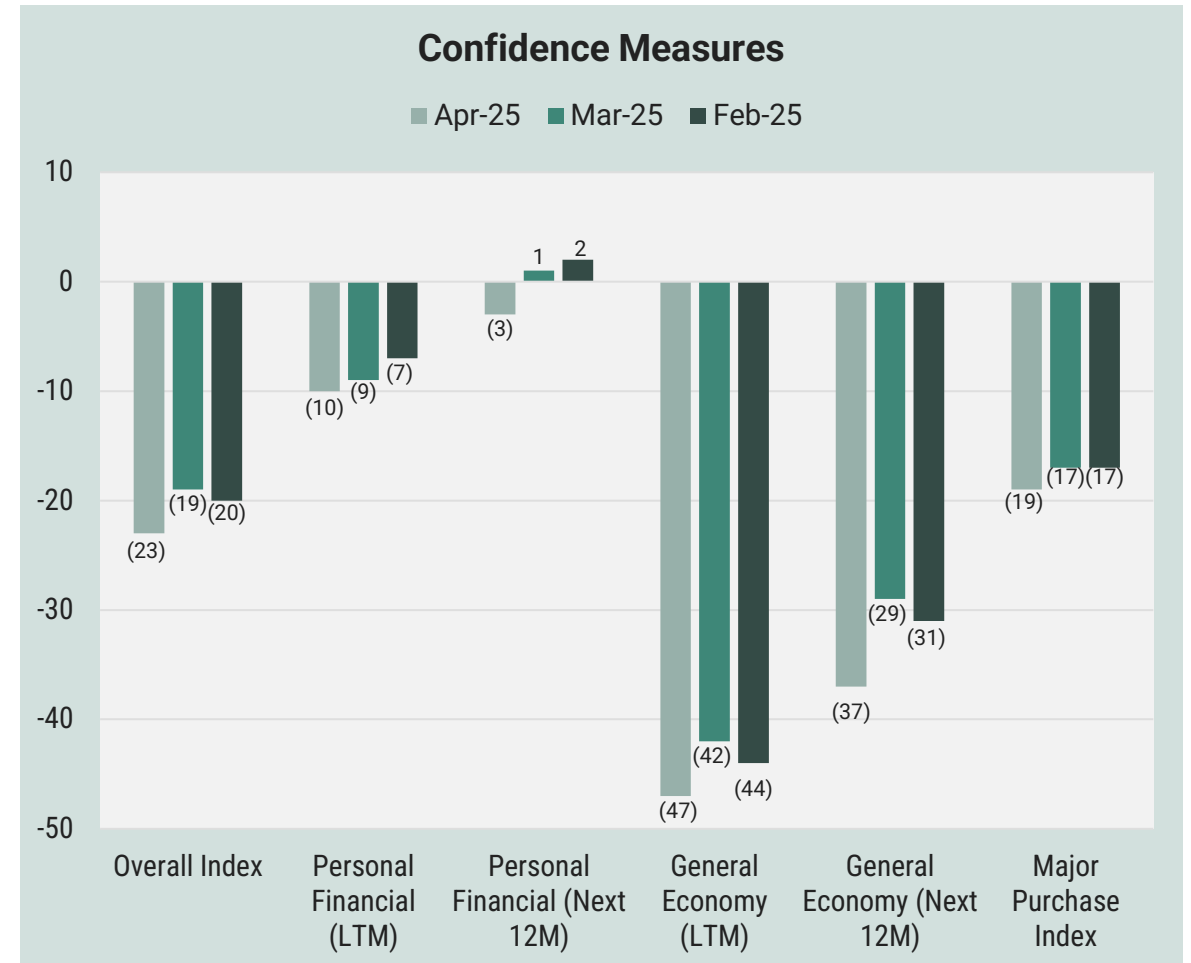
Source: GfK Consumer Confidence Barometer



UK Consumer Confidence

All measures of consumer confidence declined in April, with steep declines across both Personal Financial and the General Economy over the next 12 months

| Measure | Trend | Apr-25 | Mar-24 | Feb-24 |
|---|-------|--------|--------|--------|
| Overall Index | ↓ 4 | (23) | (19) | (20) |
| Personal Financial Situation (LTM) | ↓ 1 | (10) | (9) | (7) |
| Personal Financial Situation (Next 12 Months) | ↓ 4 | 3 | 1 | 2 |
| General Economy (LTM) | ↓ 5 | (47) | (42) | (44) |
| General Economy (Next 12M) | ↓ 8 | (37) | (29) | (31) |
| Major Purchase Index | ↓ 2 | (19) | (-17) | (17) |

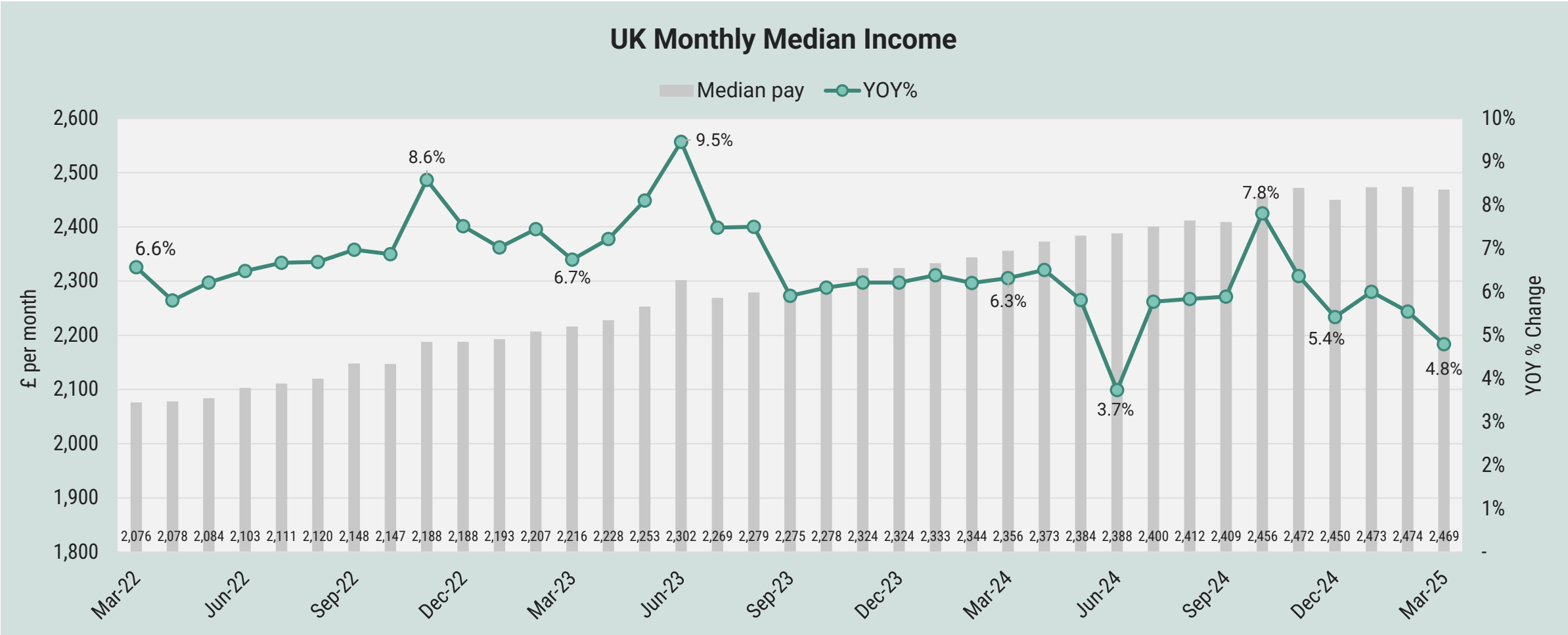


Source: GfK Consumer Confidence Barometer

Income



UK Median Income growth continued to slow over Q1 2025, with YoY growth softening to 4.8% in March

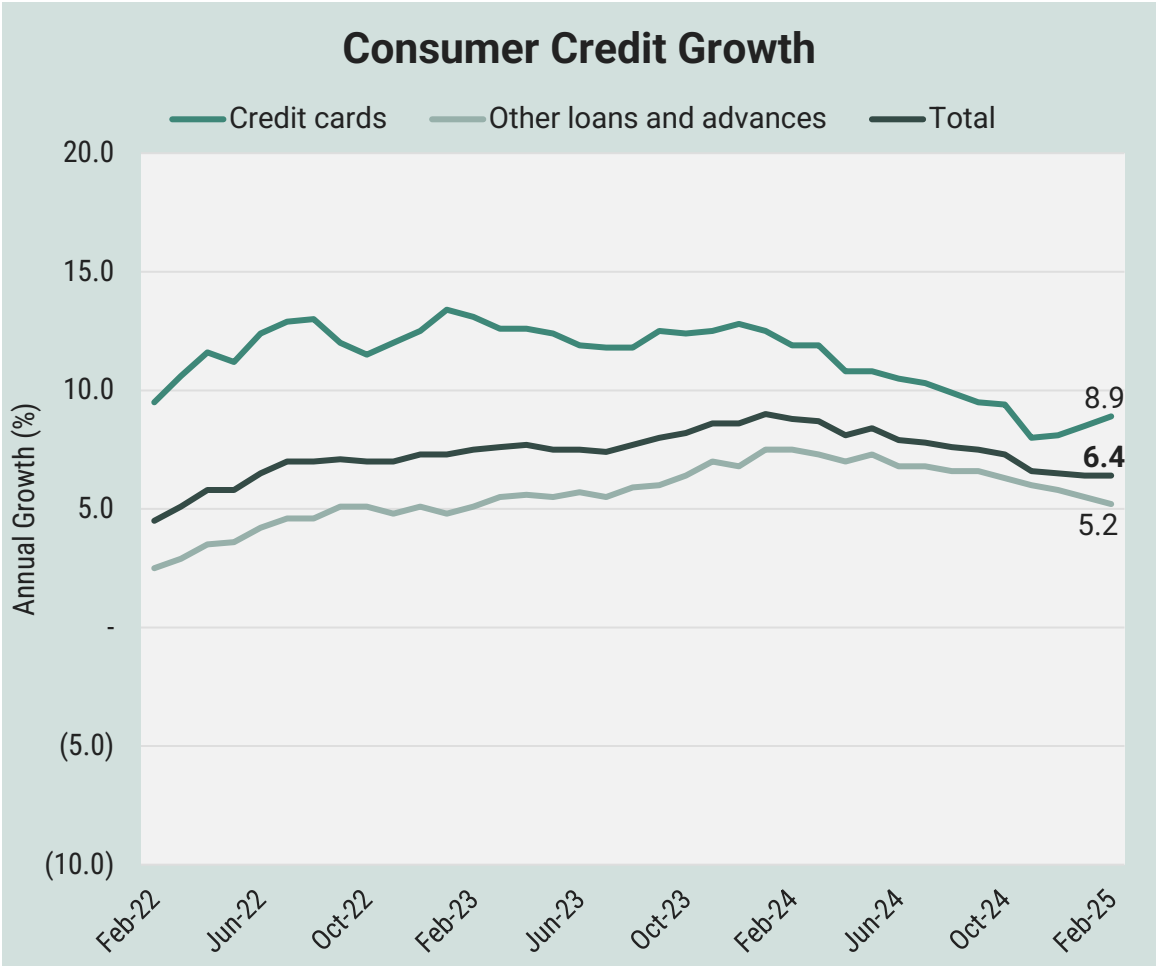
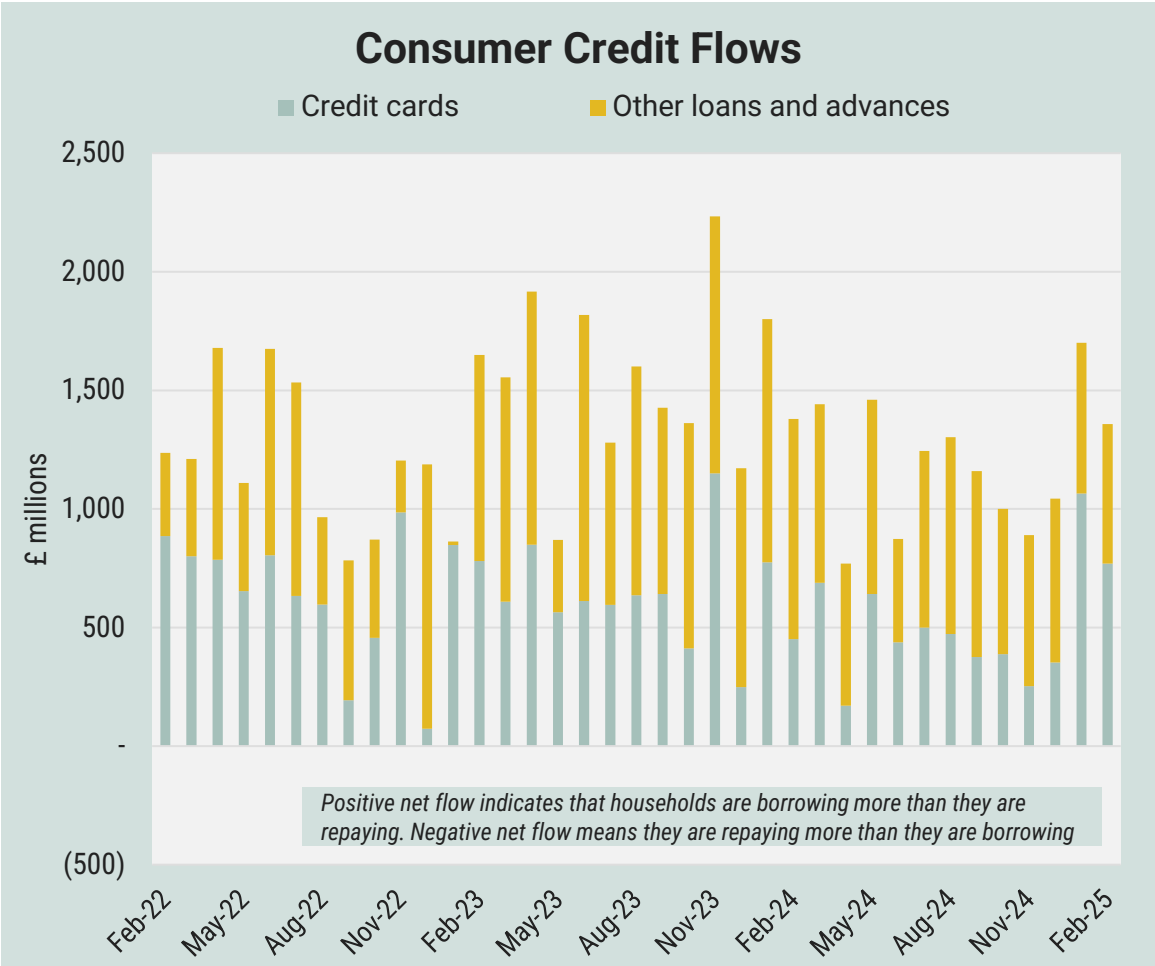


Source: Office for National Statistics, Earnings and employment from Pay As You Earn Real Time Information

Consumer Credit



Net consumer credit flows increased strongly over Q1 2025, showing a similar trend to the same period last year. Total credit growth remained stable over Q1; however, higher credit card growth offset declining other advances



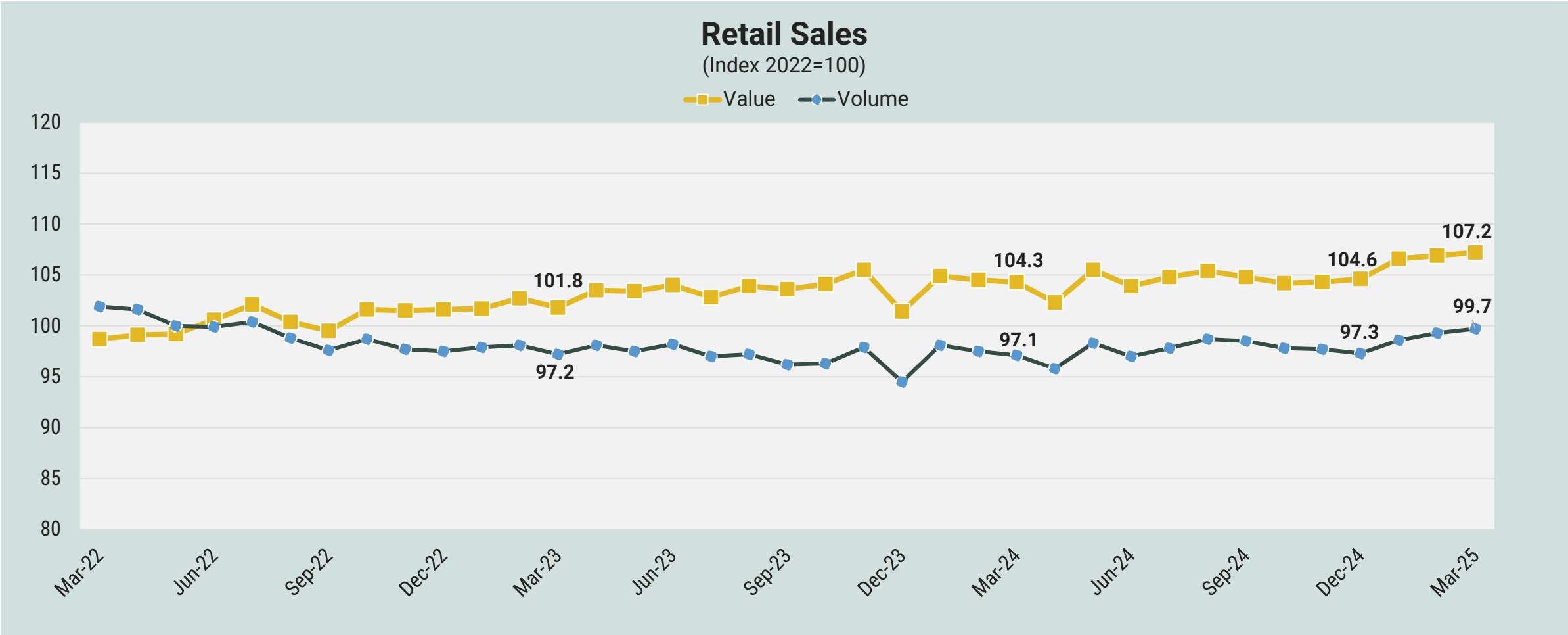
Source: Bank of England, Household credit

4. Retail Sales

Retail Sales



Both retail values and volumes sustained gradual increases over the first quarter of 2025, rising 2.6% and 2.4% respectively since December



Source: Office for National Statistics, Retail Sales

Category Sales



March volume increases were driven by higher reported sales across non-food retailers, including online retailers, clothing & footwear, department stores, and others. There was a decrease in volumes for food and automotive fuel sales



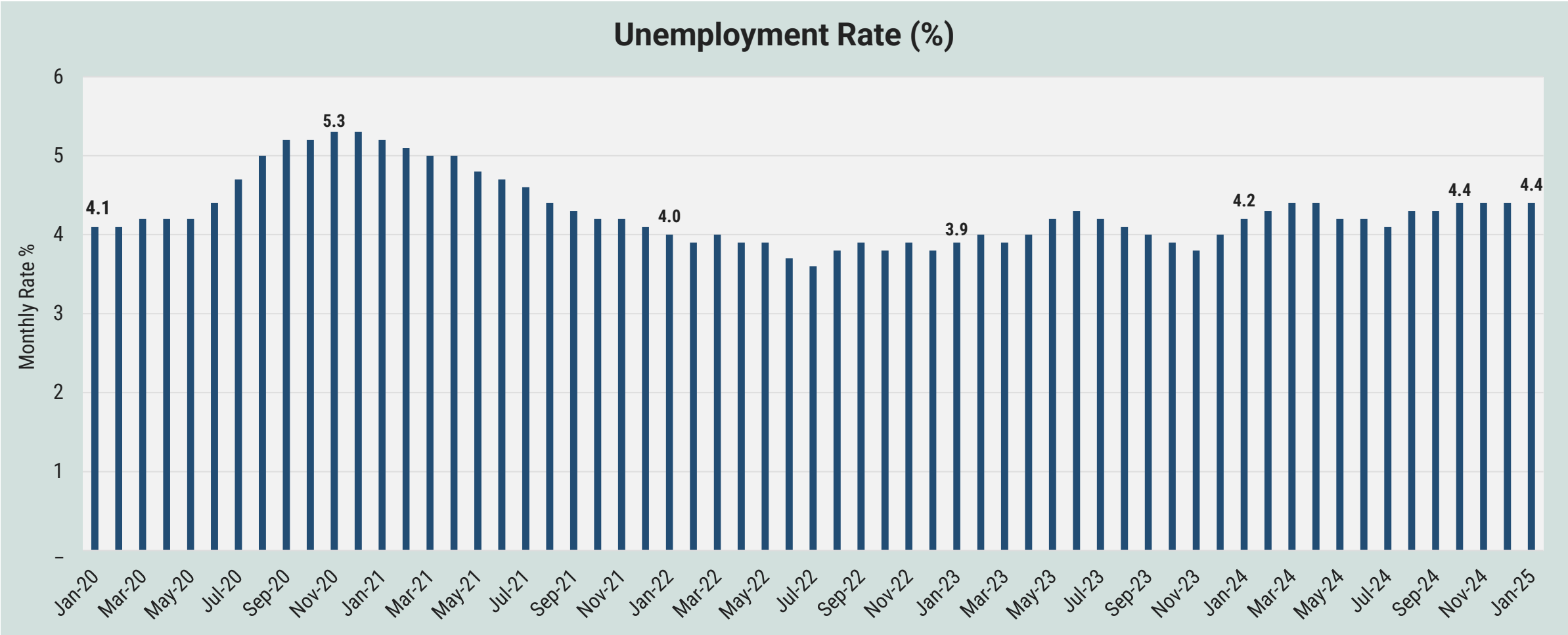
Source: Office for National Statistics, Retail Sales

5. Employment

Unemployment



UK unemployment rate has remained flat at 4.4% over Q4 2024 and January 2025. This compares to a rate of 4.2% in January 2024

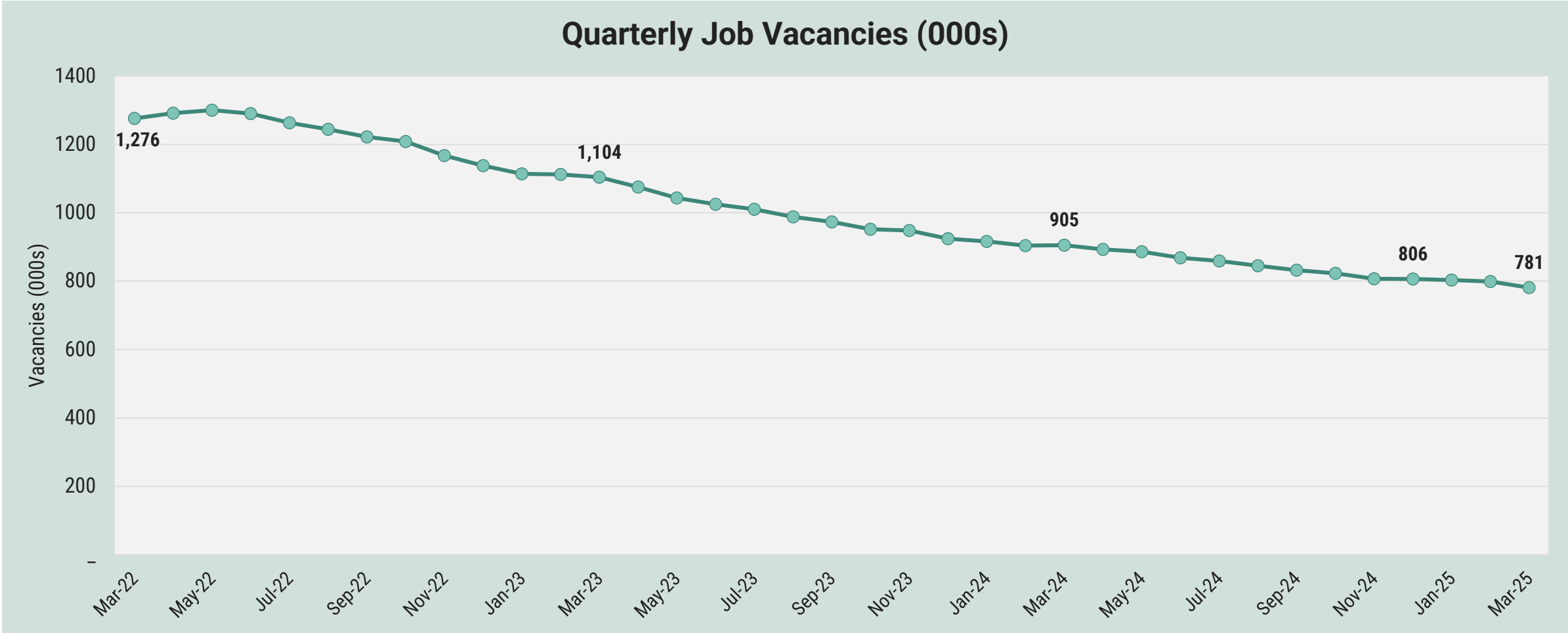


Source: Office for National Statistics, Employment Rate (aged 16 and over, seasonally adjusted)

Job Vacancies



UK job vacancies continued to fall during the quarter January to March to 781,000. This represents a 14% decrease in vacancies compared to the same period last year

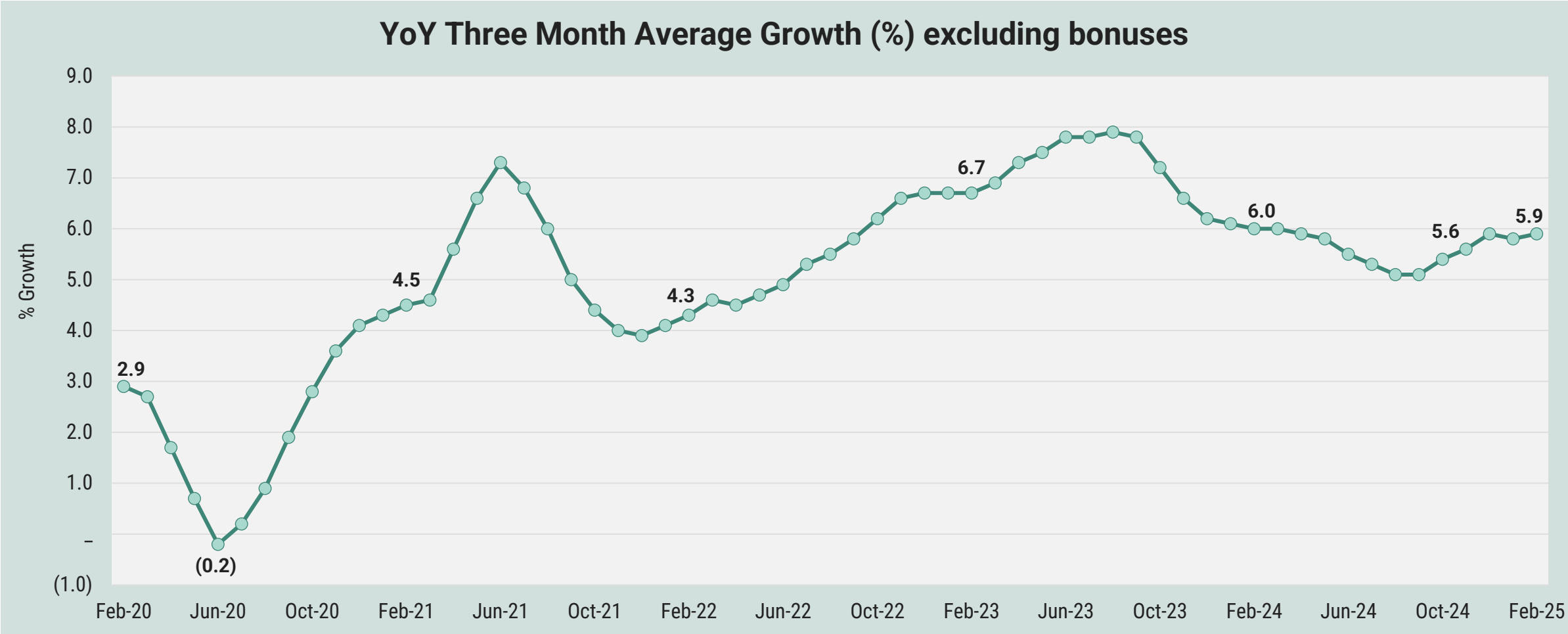


Source: Office for National Statistics, Vacancies and Unemployment

Wage Growth



Annual average growth in employees' earnings (excl. bonuses) was 5.9% over the three months December to February November, indicating relatively flat growth since Q4 2024



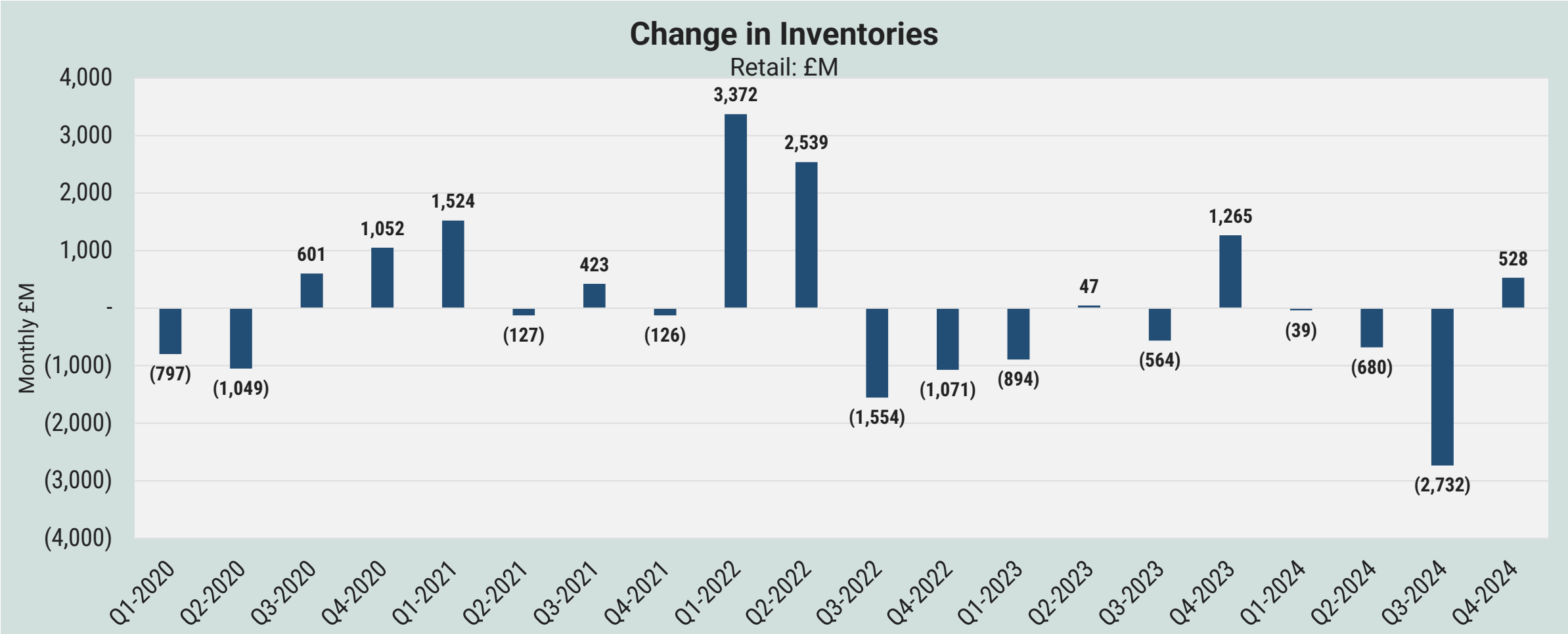
Source: Office for National Statistics, Whole Economy Year on Year Three Month Average Growth (%)

6. Supply Chain

Inventories: Retail



Revised figures indicate retail inventories being reduced at a significantly higher rate over Q3-2024, the largest quarterly decrease over the dataset. Total retail inventories fell £2,923m over 2024 following a decrease of £146m in 2023

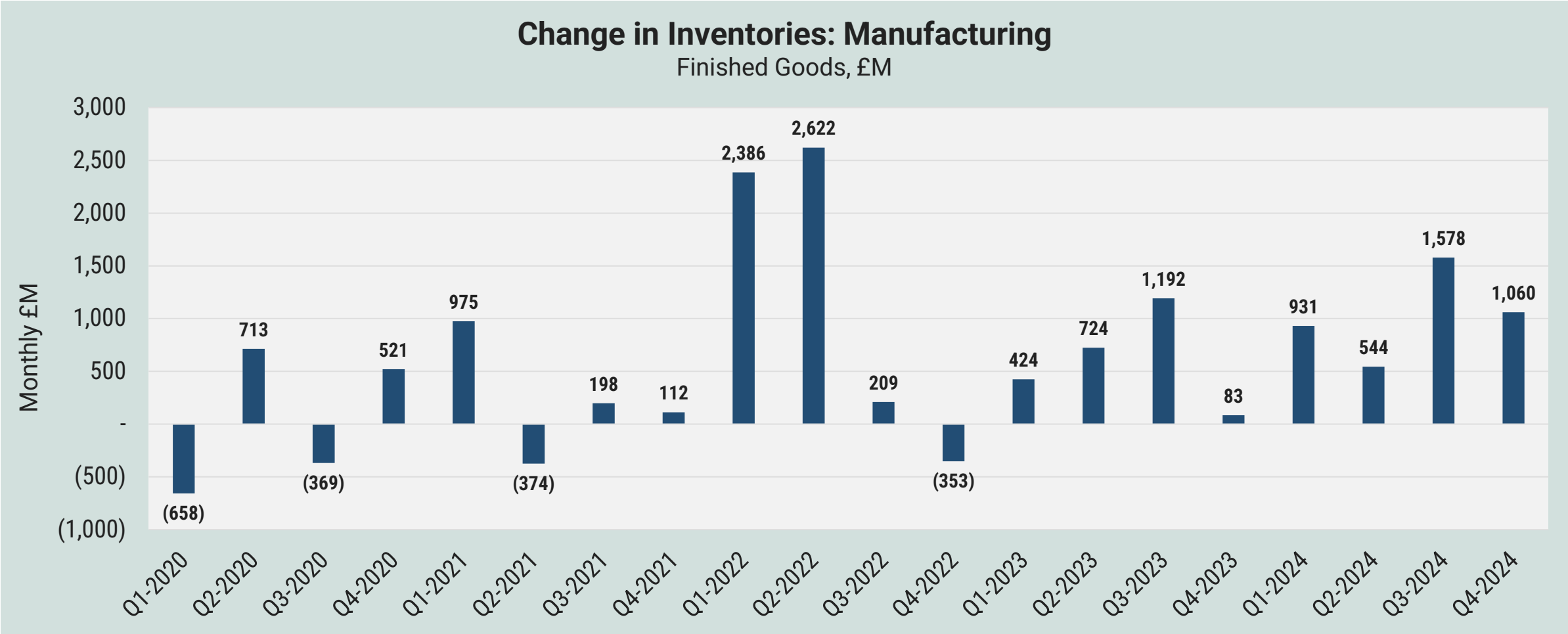


Source: Office for National Statistics, Change in Inventories: Retail



Change in Inventories: Manufacturing: Finished Goods

Inventories of finished goods continued to increase for the eight consecutive quarter over Q4 2024. Total finished goods inventories increased by £4,113m over 2024 following an increase of £2,423m over 2023



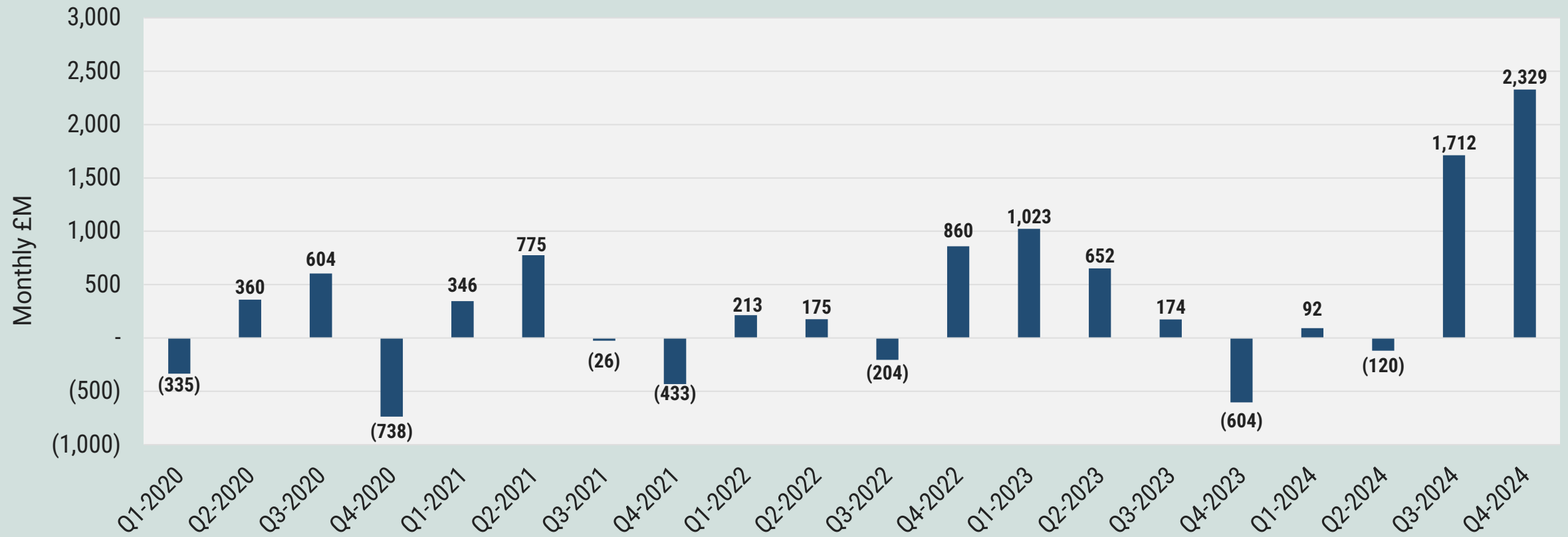
Source: Office for National Statistics



Change in Inventories: Manufacturing - Work in Progress

WIP inventories continued to rise sharply over Q4-2024. Total WIP inventories increased by £4,013m over 2024 following an increase of £1,245m over 2023

Change in Inventories: Manufacturing
Work in Progress, £M





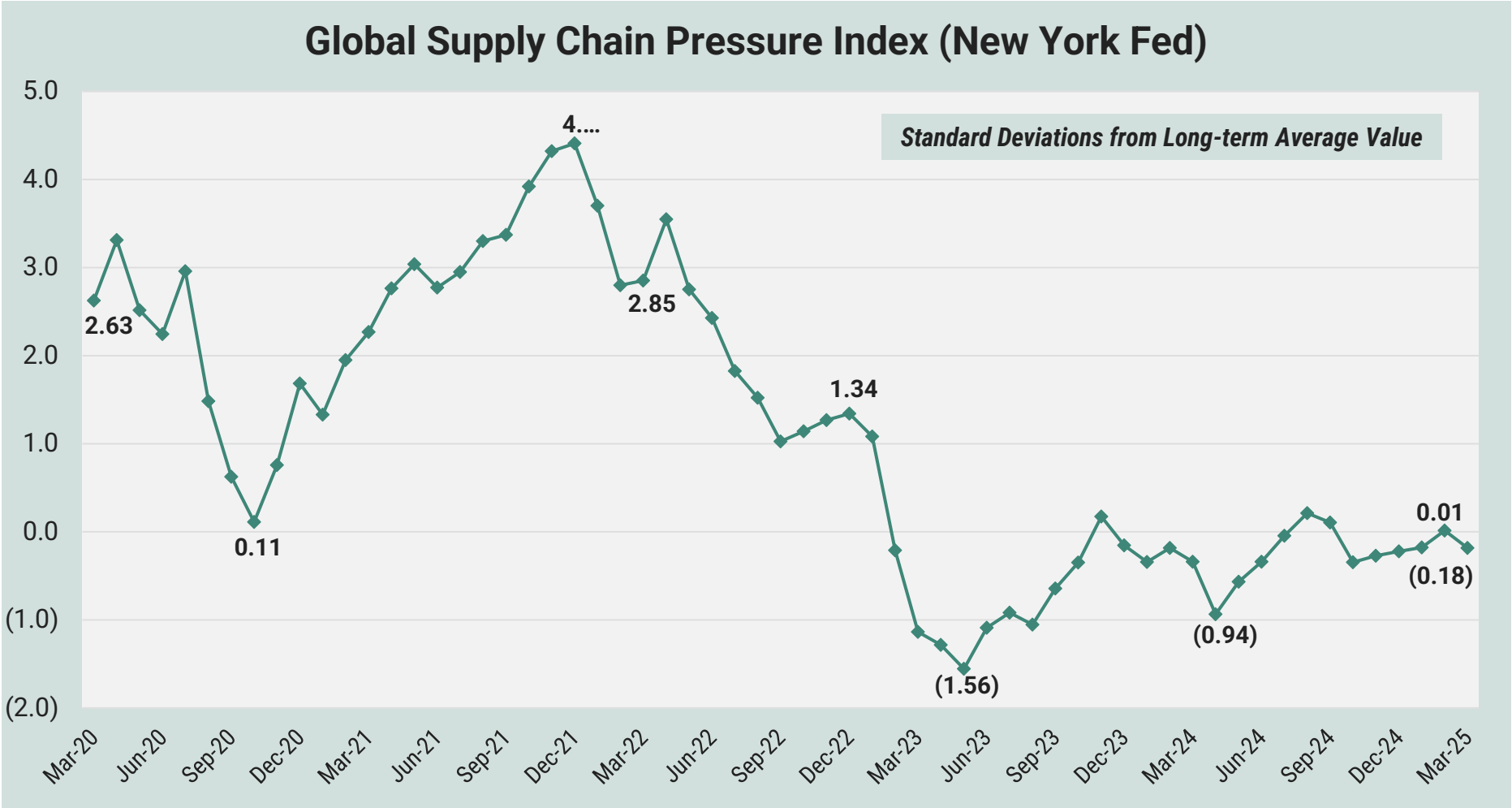
Global Supply Chain Index

The GSCPI has remained relatively stable over Q4-2024 and

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.

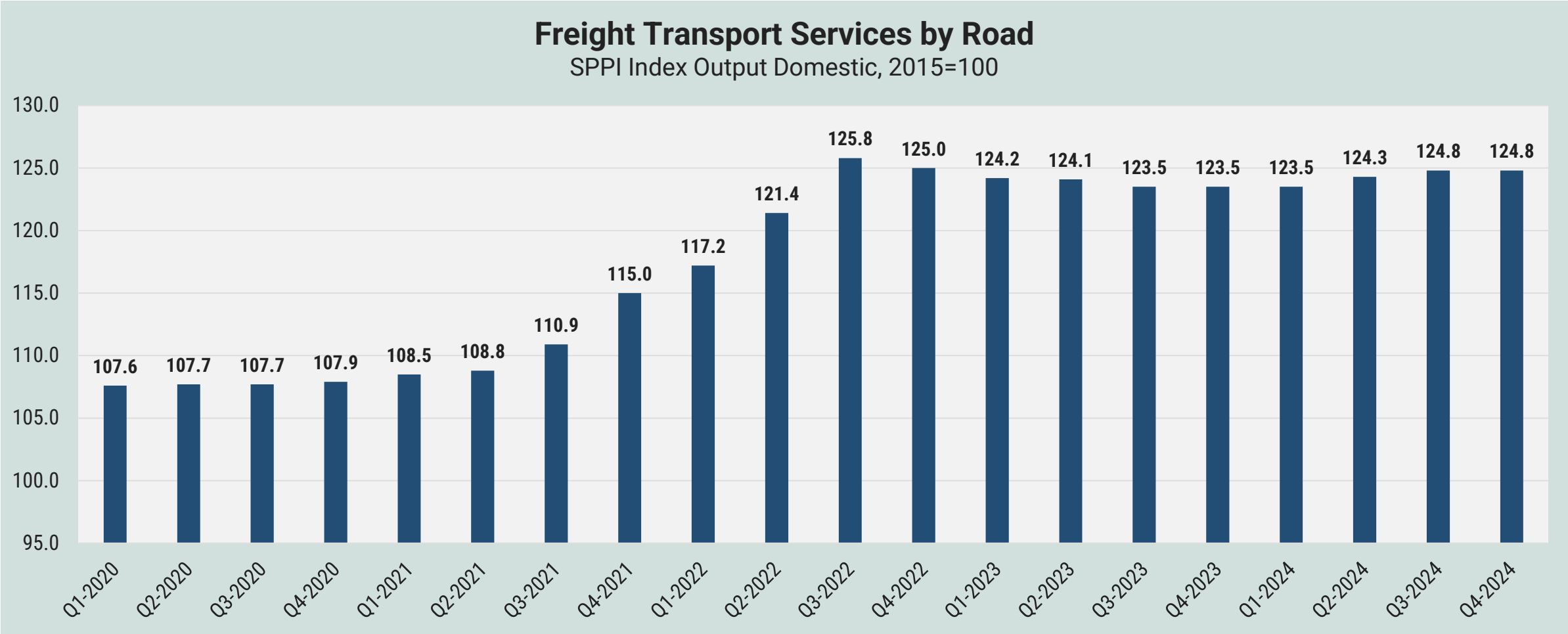


Source: Federal Reserve Bank of New York, Global Supply Chain Pressure Index

Freight Transport Volume



There has been no update to the freight transport services index since our last report in Q1 which indicated volumes remaining steady over Q4-2024

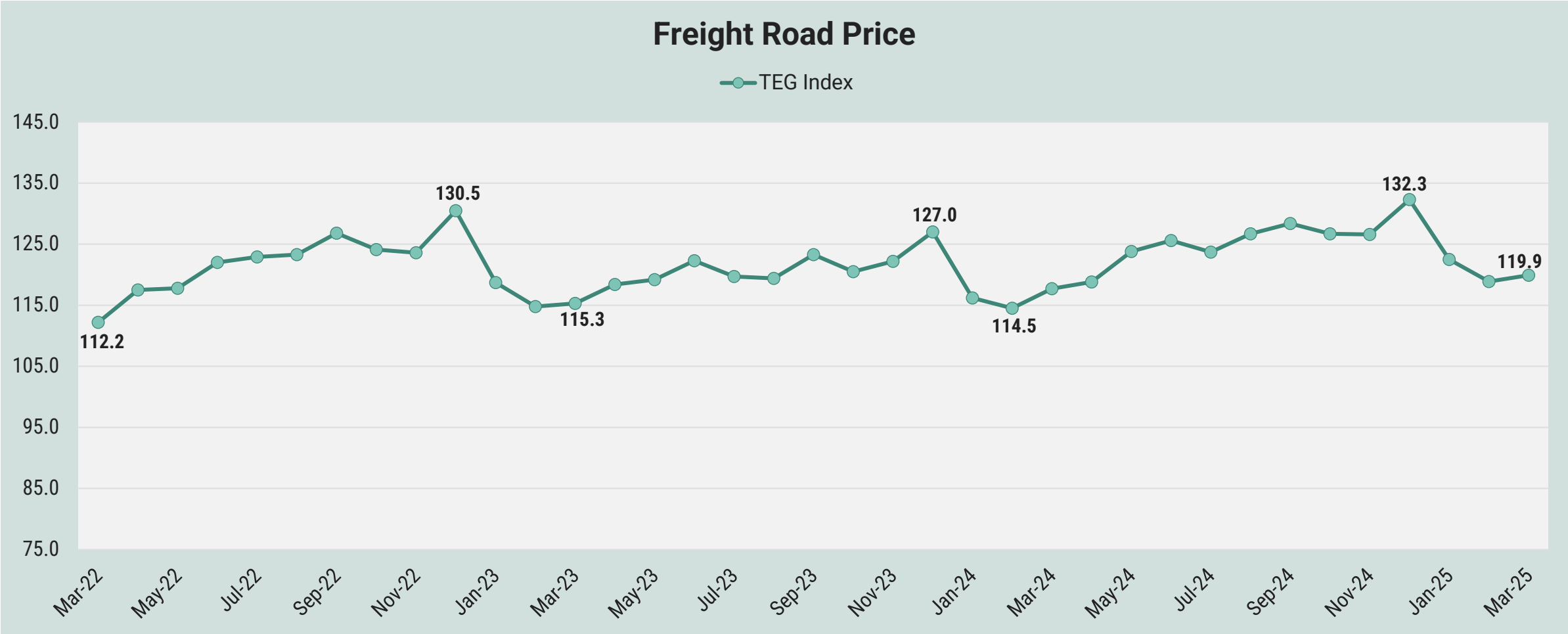


Source: Office for National Statistics, SPPI Index Output Domestic

Freight Road Price



The TEG Road Transport Index fell sharply over January and February which is in line with previous seasonal trends. The index rose 1 point in March, up 1.7 points compared to the previous period last year

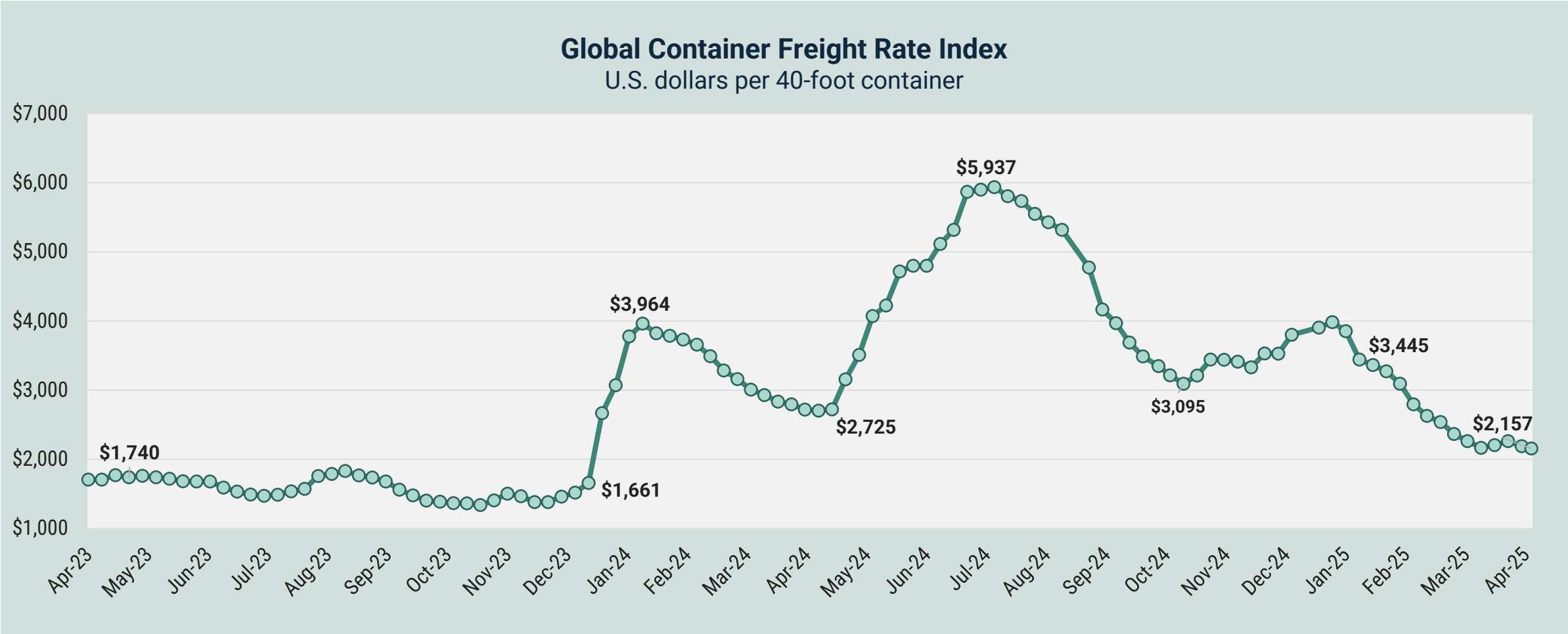


Source: Transport Exchange Group

Deep Sea Freight



Global freight rates have decreased sharply over Q1-2025 before steadying over April. Despite rates increasing by 117% between April and June last year, rates are currently c.20% below their April 2024 level

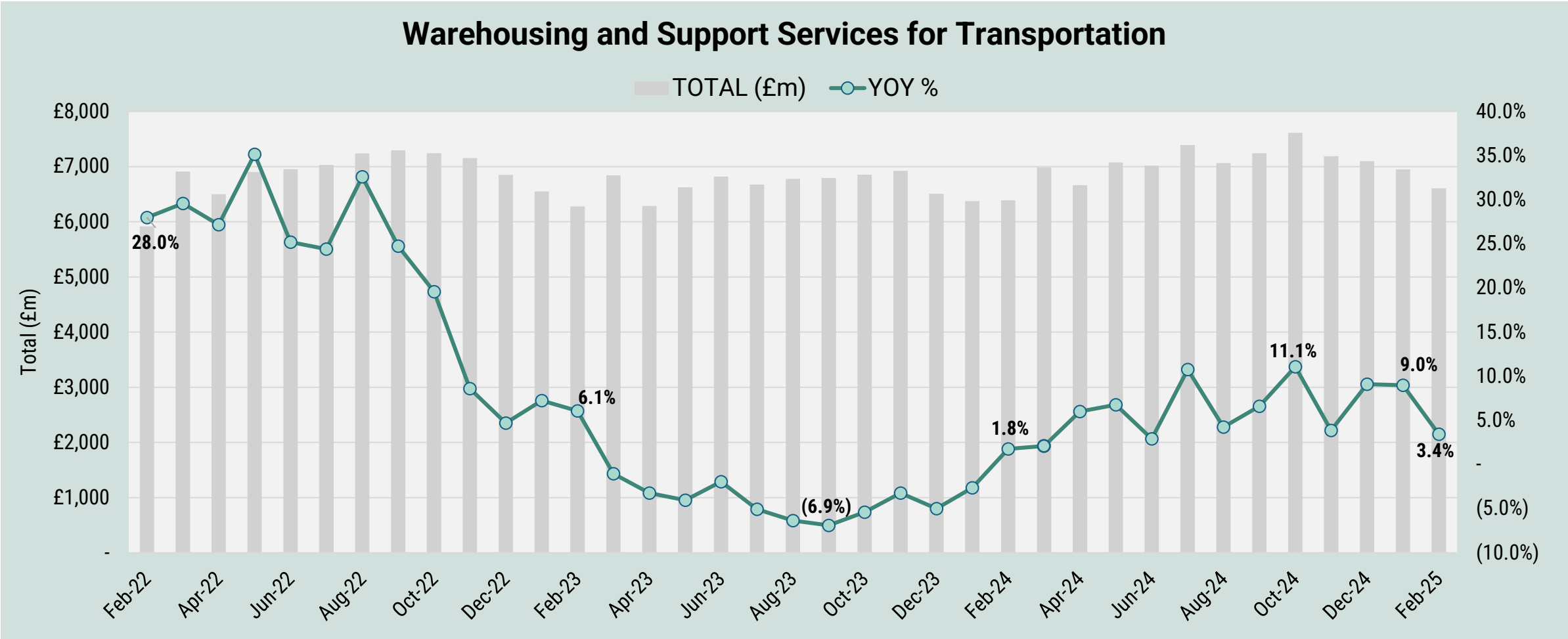


Source: Statista

Warehouse Services



Warehousing and support services spending recorded strong YoY over December and January at c.9%. Growth softened but remained positive in February at 3.4%

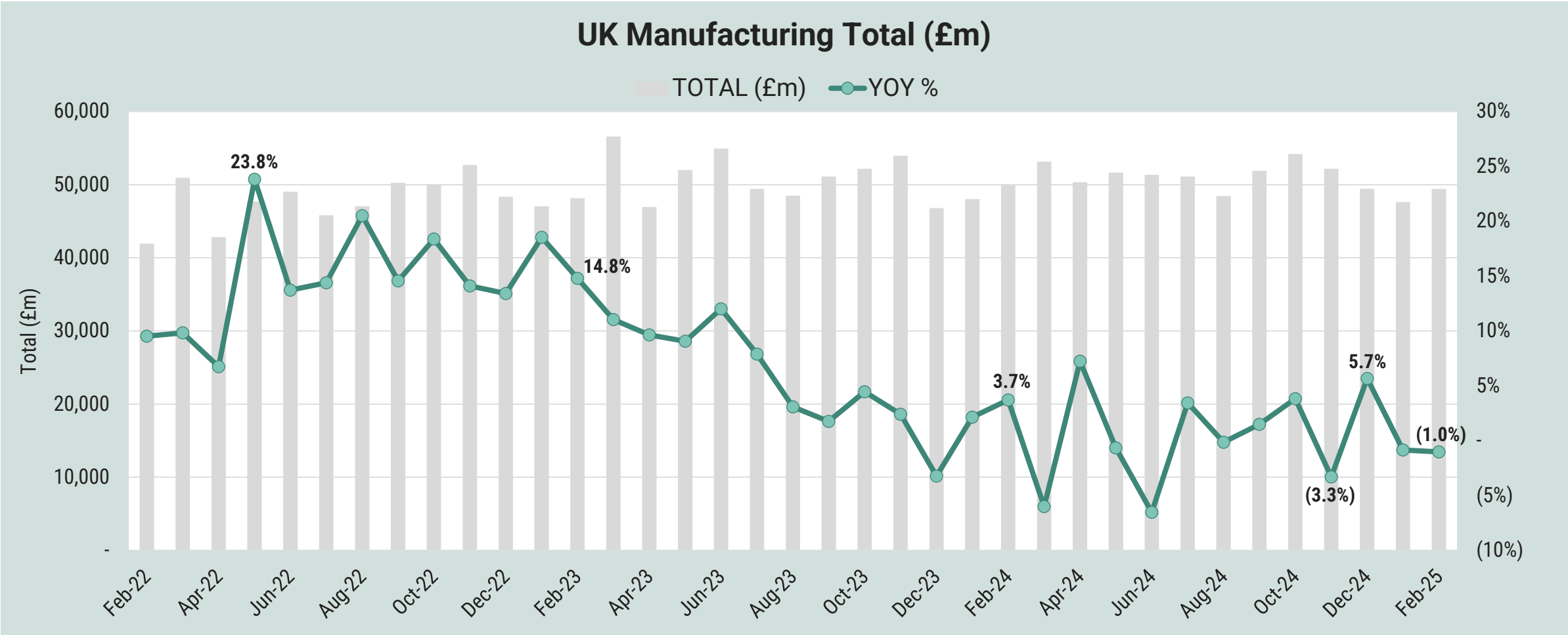


Source: Office for National Statistics, Warehousing and support services for transportation TOTAL (£m)

Manufacturing



Despite growing strongly at the end of 2024, UK Manufacturing output remains lower YoY to February

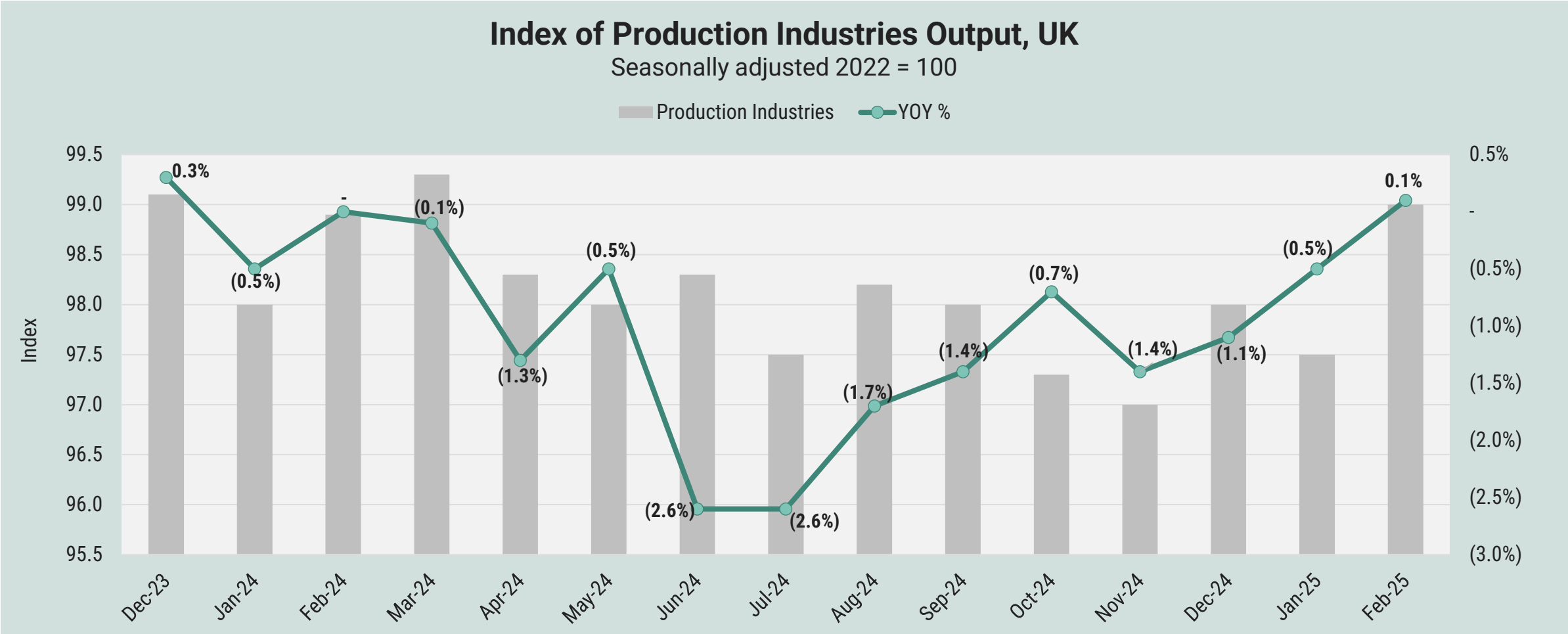


Source: Office for National Statistics, UK Manufacturing

Production



The Industrial production index continued to fall over Q4-2024 and January 2025. However, it indicated its first month of YoY growth since December 2023 in February



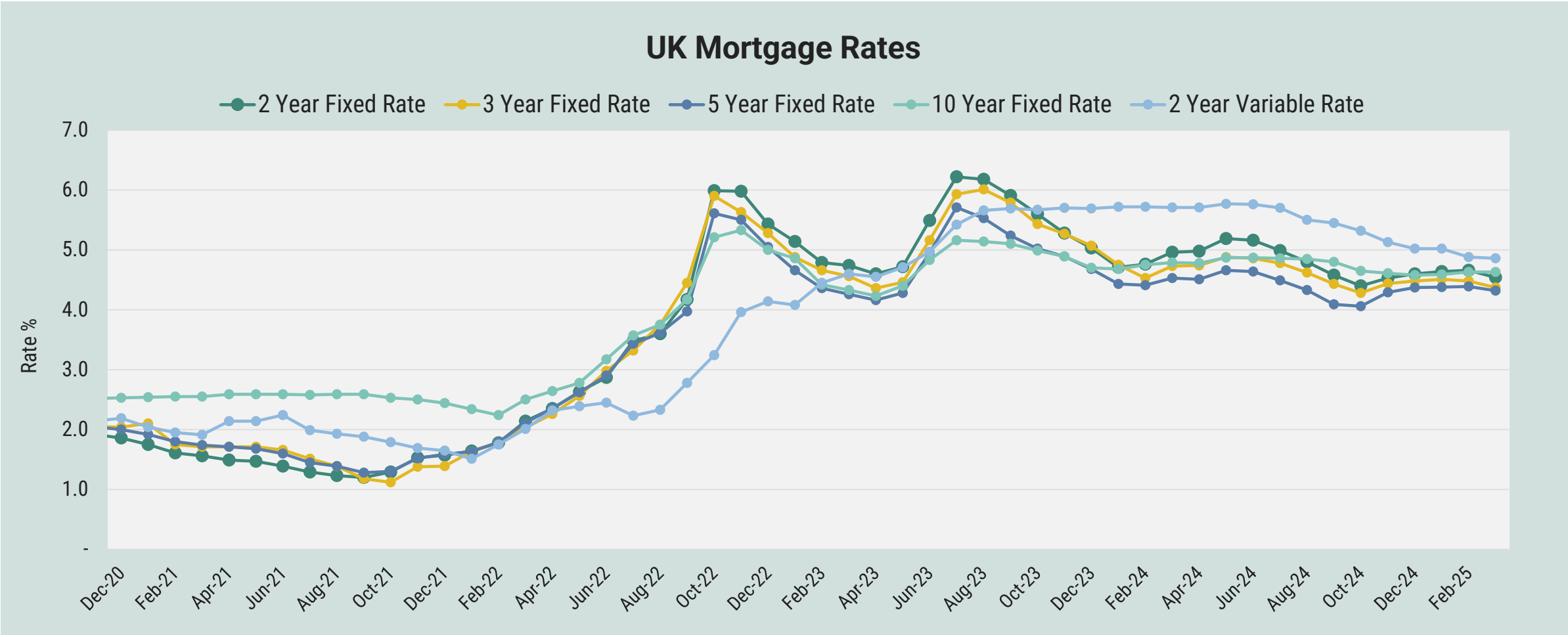
Source: Office for National Statistics, Output of the Production Industries
Note: Movements in the volume of production for the UK production industries: manufacturing, mining and quarrying, energy supply, and water and waste management. Figures are seasonally adjusted.

7. Housing

Mortgage Rates



The downward trajectory of variable rates softened over the first quarter of 2025 with fixed rates remaining relatively flat over the period

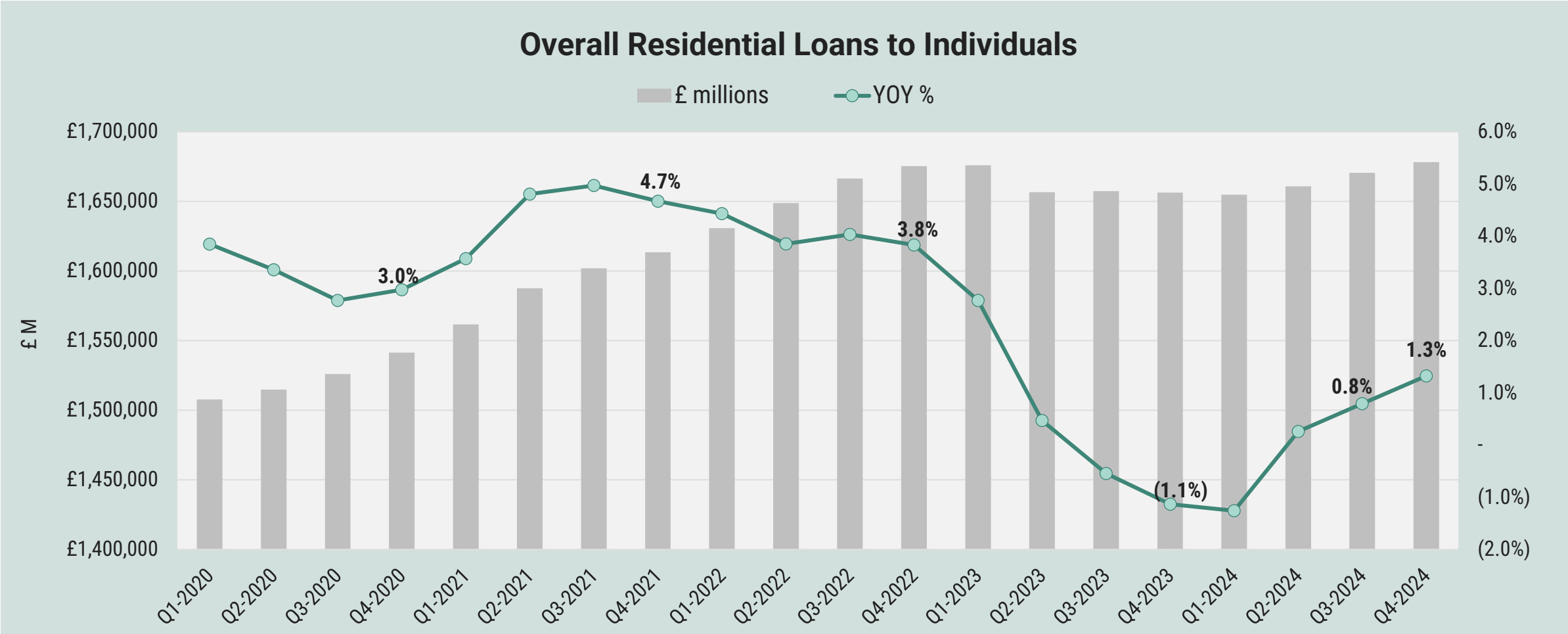


Source: Bank of England (rates assume 75% LTV)

Residential Loans Volume



Residential loan volumes continued a gradual upward trend in Q4 2024

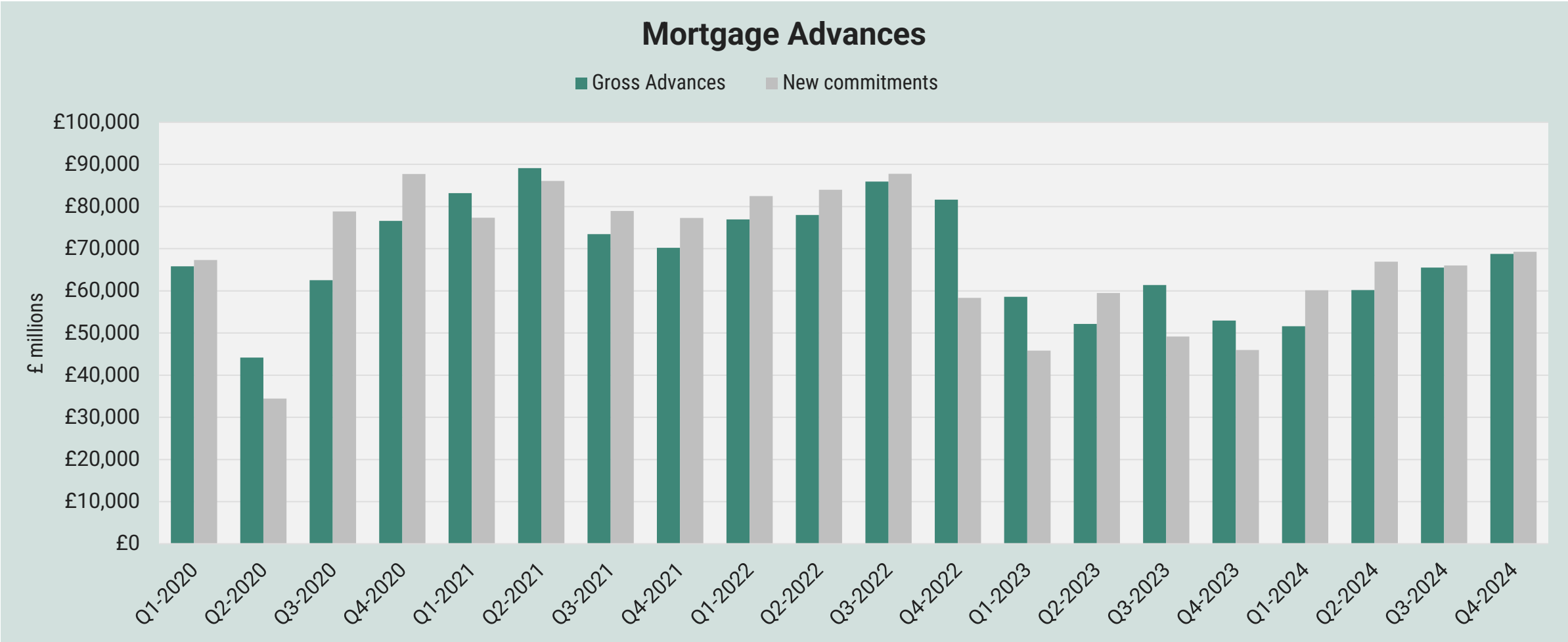


Source: FCA

Mortgage Advances



Both gross advances and new commitments demonstrated minor growth over Q4-2024

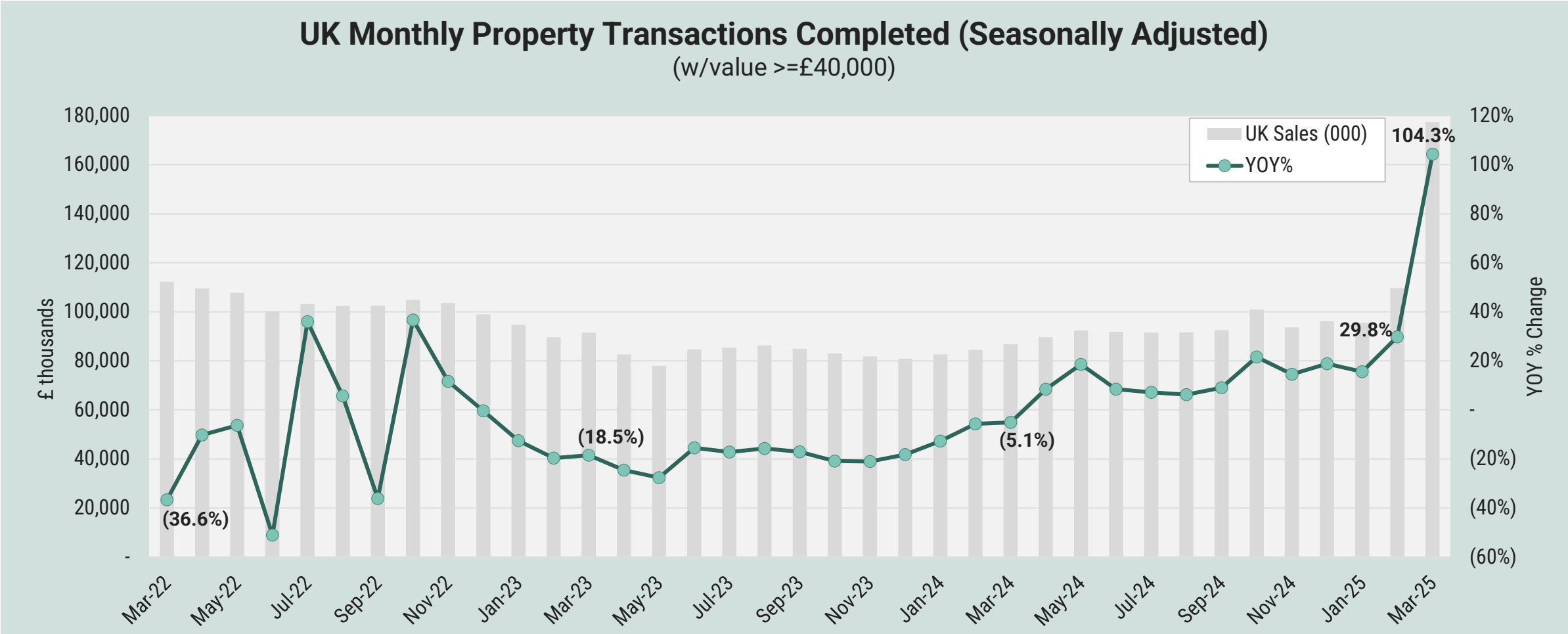


Source: Bank of England

Property Transactions



Provisional transaction data for January to March reports a sharp rise in YoY property sales due to impending changes to stamp duty thresholds from 1 April

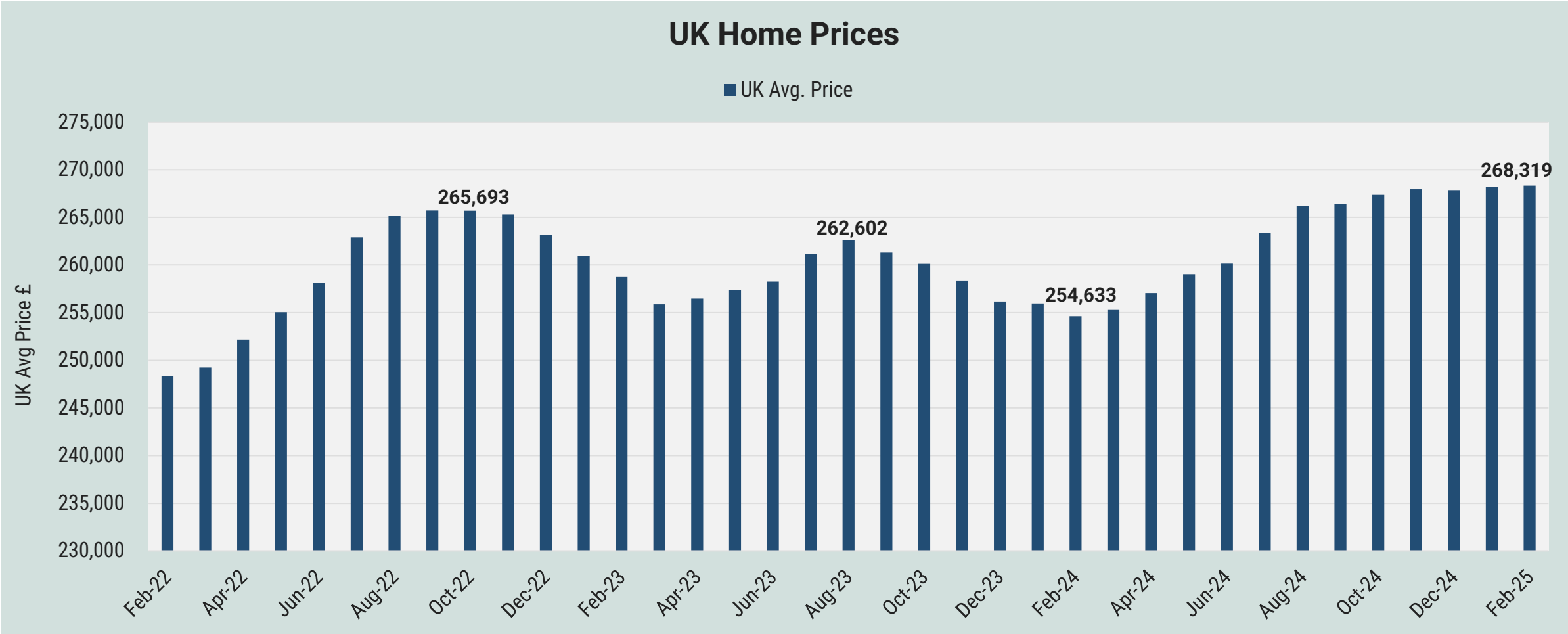


Source: Bank of England

House Sales Price



Average UK home prices have remained flat over Q4-2024 and the start of 2025. Prices have increased 5.4% YoY to February



Source: UK Government, UK House Price Index

8. About Ankura

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For more information, please visit:
ankura.com.



Craig Bowen

Managing Director
+44 7917 177 861
craig.bowen@ankura.com



Keith Jelinek

Senior Managing Director
1 248 894 8264
keith.jelinek@ankura.com



Geraint Thomas

Senior Managing Director
+44 20 7469 1111
geraint.thomas@ankura.com



Rick Maicki

Senior Managing Director
+1 216 906 1580
rick.maicki@ankura.com





ankura.com