

UK Economic Overview

CONSUMERS AND THE MACRO ECONOMY

May 2024



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Summary

Highlights – What You Need To Know



The UK economy continues to show a number of headwinds that make for a stable performance pattern but challenging landscape for short-term growth. Consumer confidence showing early signs of recovery but overall negative outlook in relation to the economy. Businesses and consumers continue to adopt a cautious approach.

Consumer Confidence



Confidence remains low but showing an upwards trend
Spending is flat since 2022 but propped up by inflation
Consumer credit continues to grow up 14% in year to March 2024

Pages 6-12

Retail & Inflation



Month to month sales flat
Most sectors showed negative growth in April
GDP flat in 2023 despite inflation
CPI continues to fall

Pages 13-22

Employment



Job vacancies continue to fall since 2022 peak
Small rise in unemployment for two consecutive months
Real Estate and Distribution show strong job growth

Pages 23-26

Supply Chain



Retail inventories increased for first time since Q2 2022
Finished goods increasing for third consecutive quarter but less than in Q2 and Q3
WIP declined following four quarters of growth

Pages 27-37

Housing



Mortgage volumes down
Number of property transactions continue to fall with 16 months of decline
House prices show two months of increases

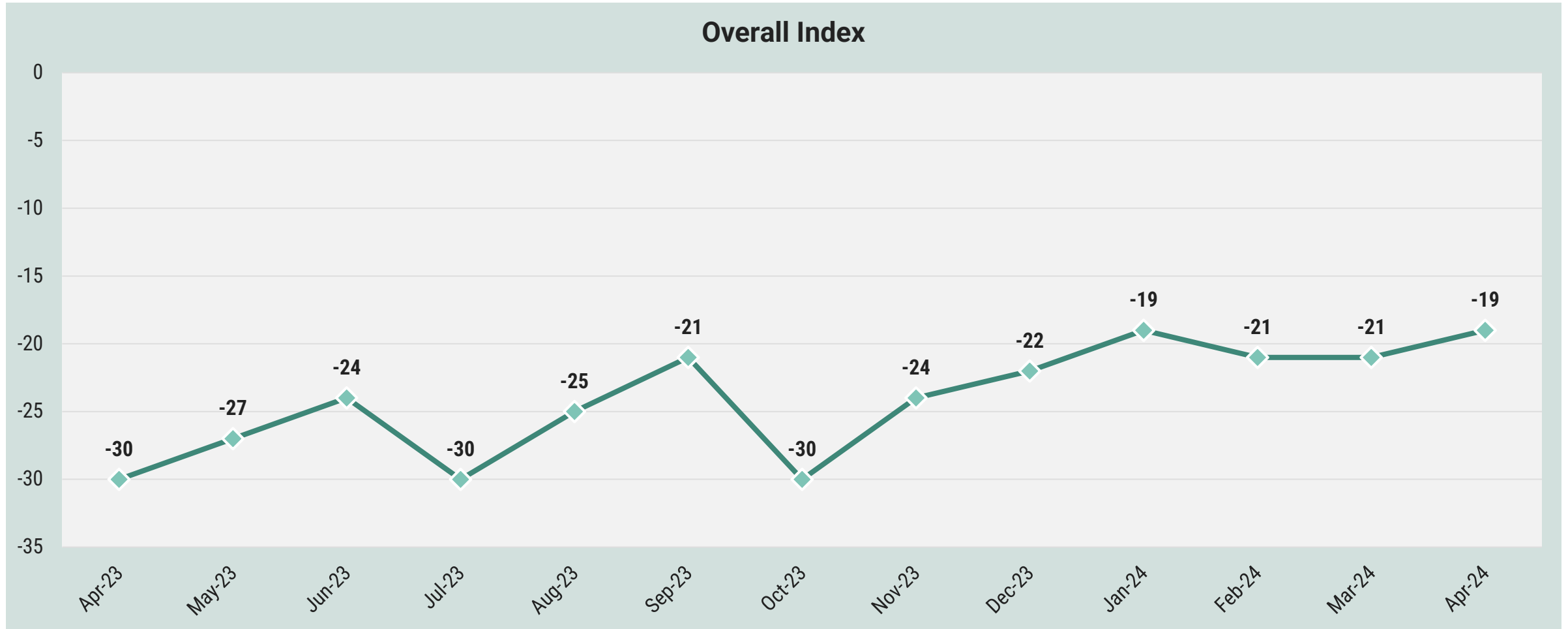
Pages 38-42

Consumers



UK Consumer Confidence

Consumer confidence showed mixed signals in April, with a slight improvement in key measures and continued hope for personal financial stability in the coming year



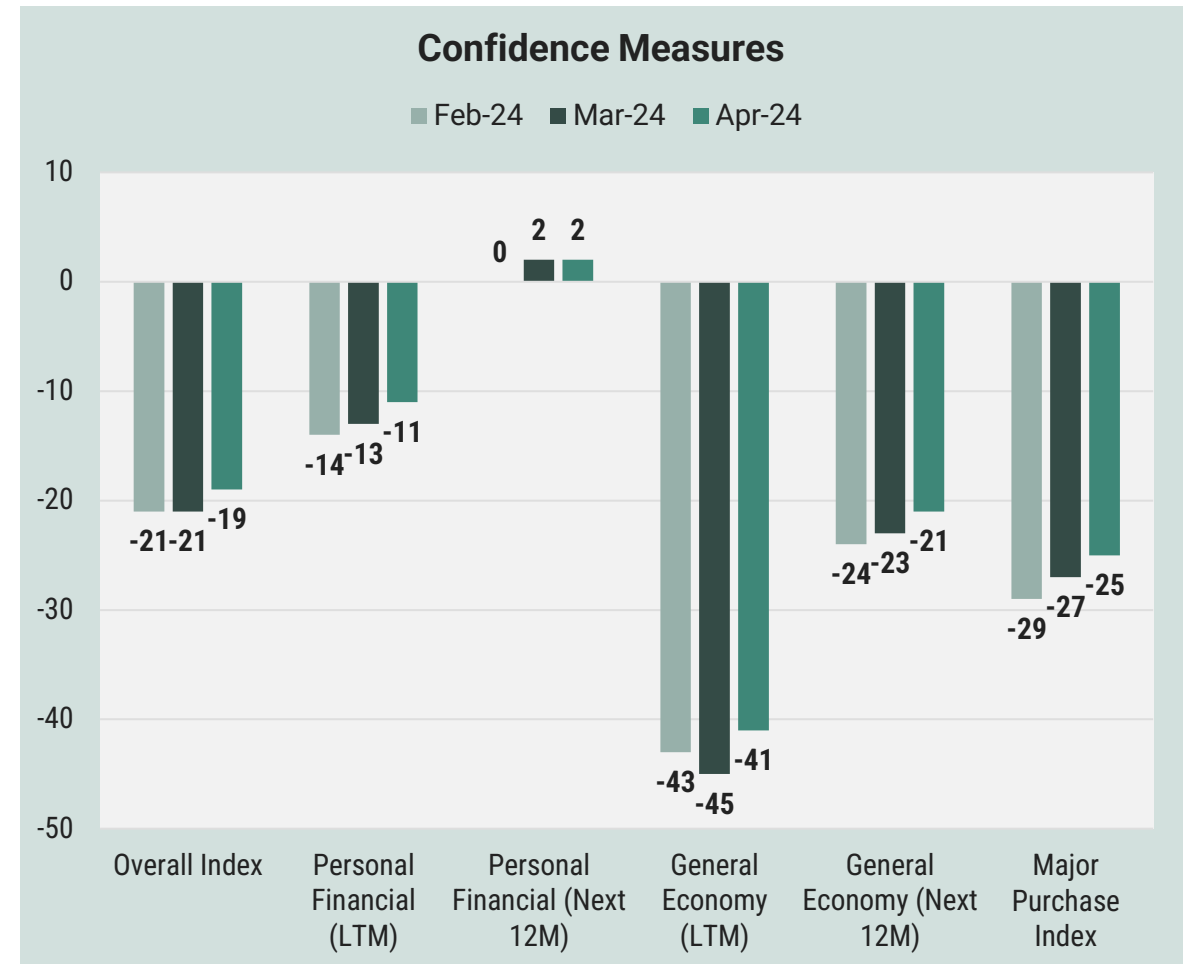
Source: GfK Consumer Confidence Barometer, <https://www.gfk.com/press>



UK Consumer Confidence

All measures improved slightly from previous month

| Measure | Trend | April 2024 | March 2024 | Feb 2024 | Jan 2023 |
|---|-------|------------|------------|----------|----------|
| Overall Index | 2 | -19 | -21 | -21 | -19 |
| Personal Financial Situation (LTM) | 2 | -11 | -13 | -14 | -12 |
| Personal Financial Situation (Next 12 Months) | 0 | 2 | 2 | 0 | 0 |
| General Economy (LTM) | 4 | -41 | -45 | -43 | -41 |
| General Economy (Next 12M) | 2 | -21 | -23 | -24 | -21 |
| Major Purchase Index | 2 | -25 | -27 | -29 | -27 |

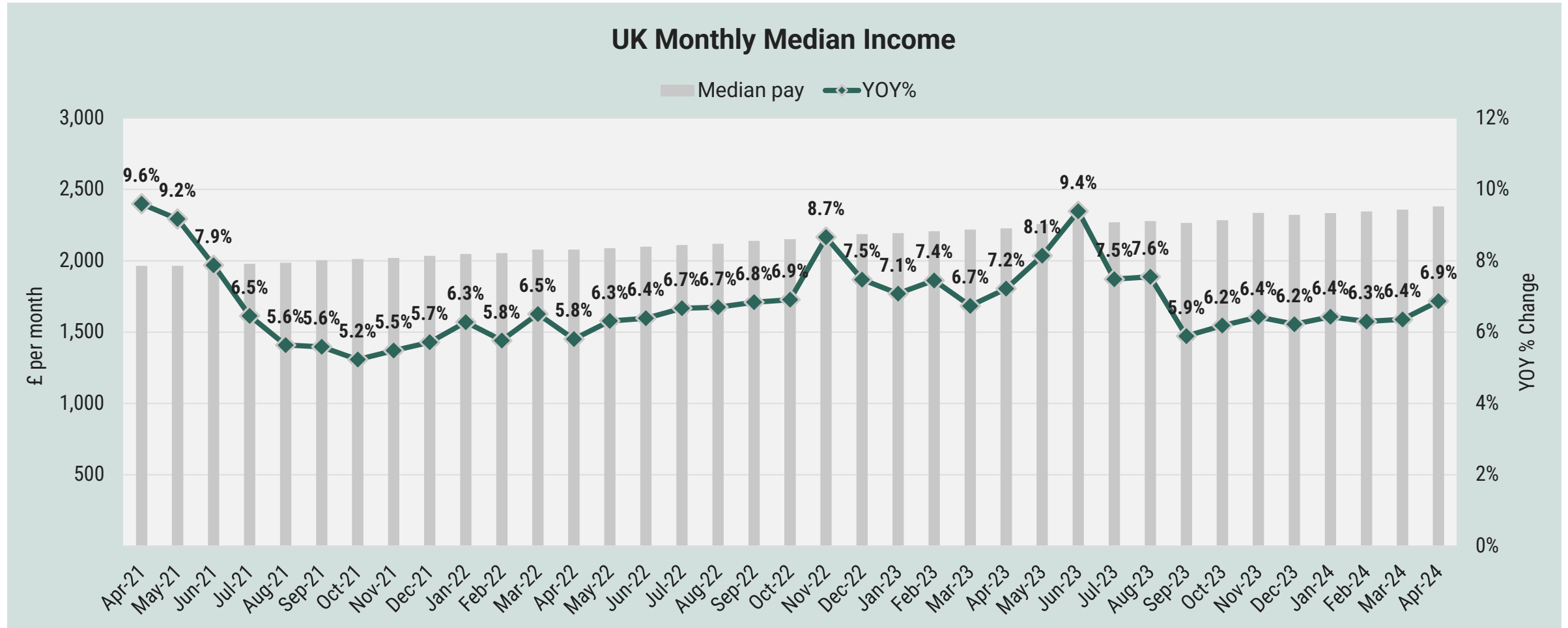


Source: GfK Consumer Confidence Barometer, <https://www.gfk.com/press>

Income



UK Median Income increased nearly 7% compared to 2023

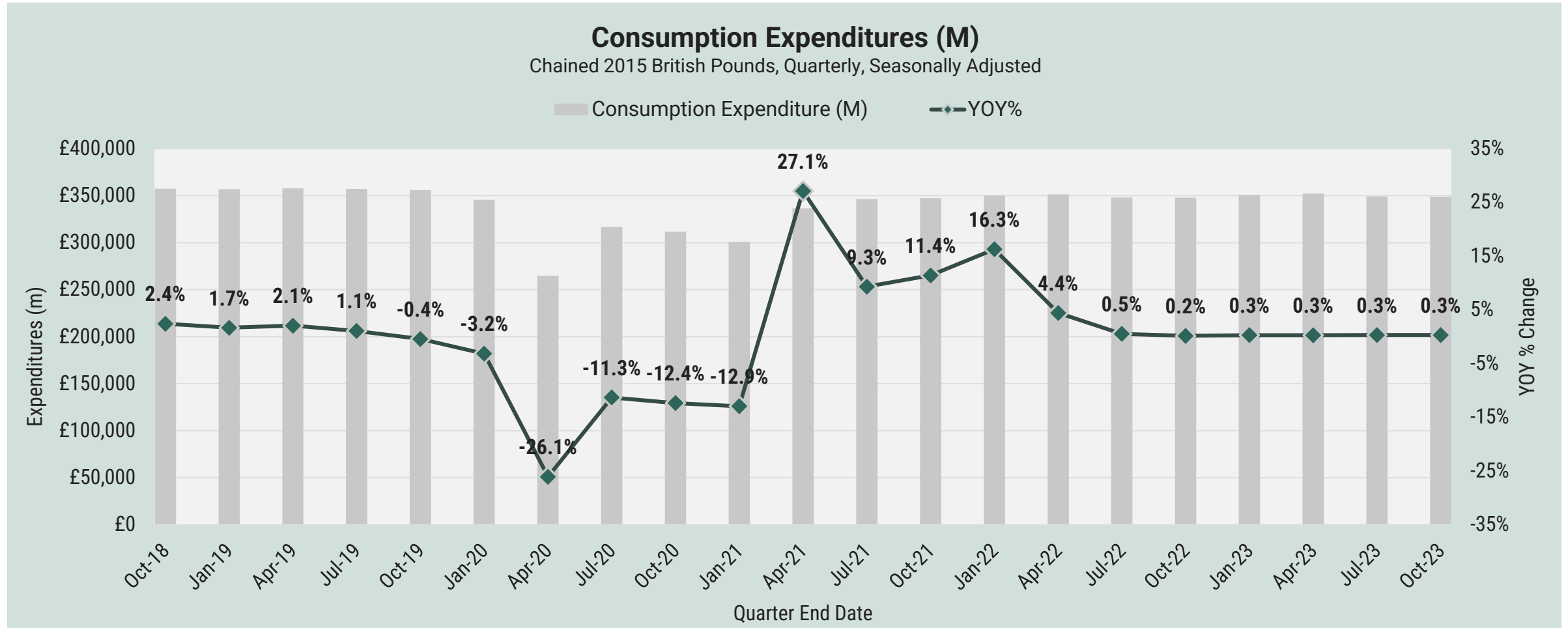


Source: Office for National Statistics

Spending



The year-over-year change in consumption expenditures has remained nearly flat since mid-2022

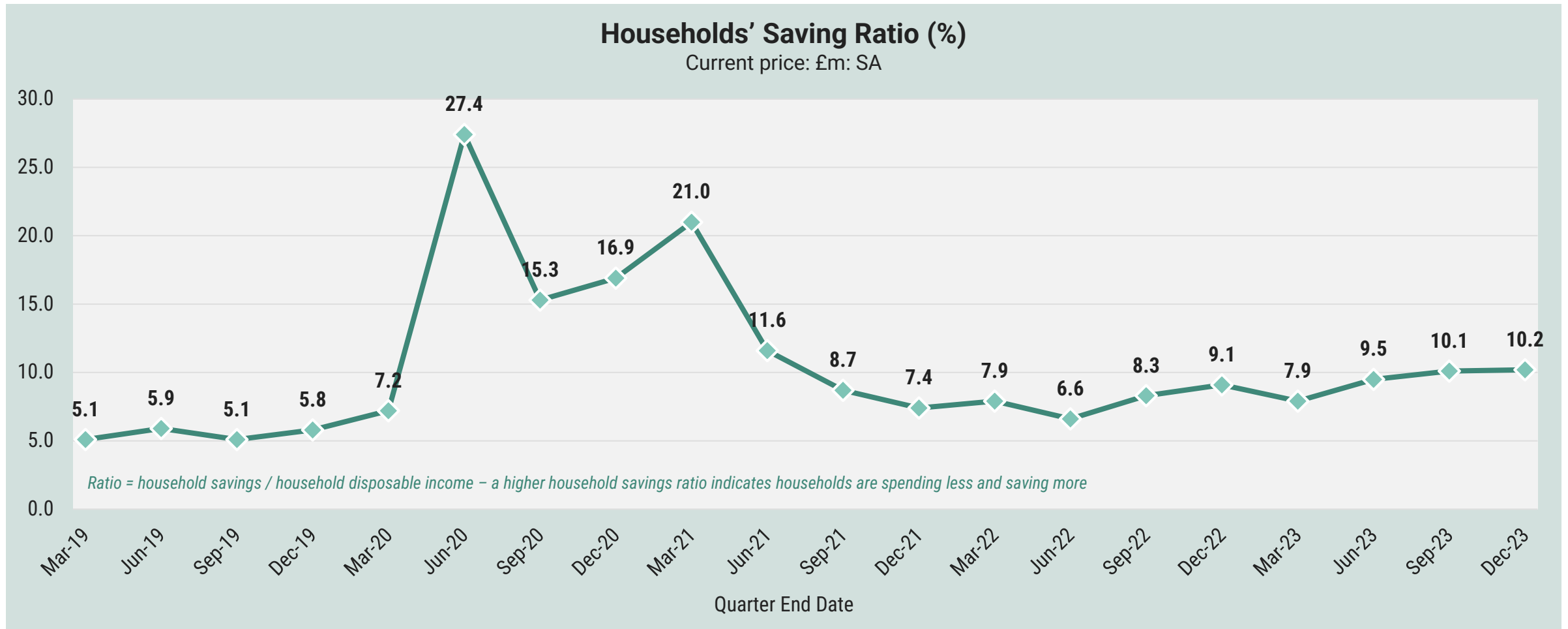


Organization for Economic Co-operation and Development, Private Final Consumption Expenditure in the United Kingdom [GBRPFCEQDSNAQ], retrieved from FRED, Federal Reserve Bank of St. Louis;



Households' Saving Ratio (%)

UK household savings ratio remains above 10% through Q4-2023

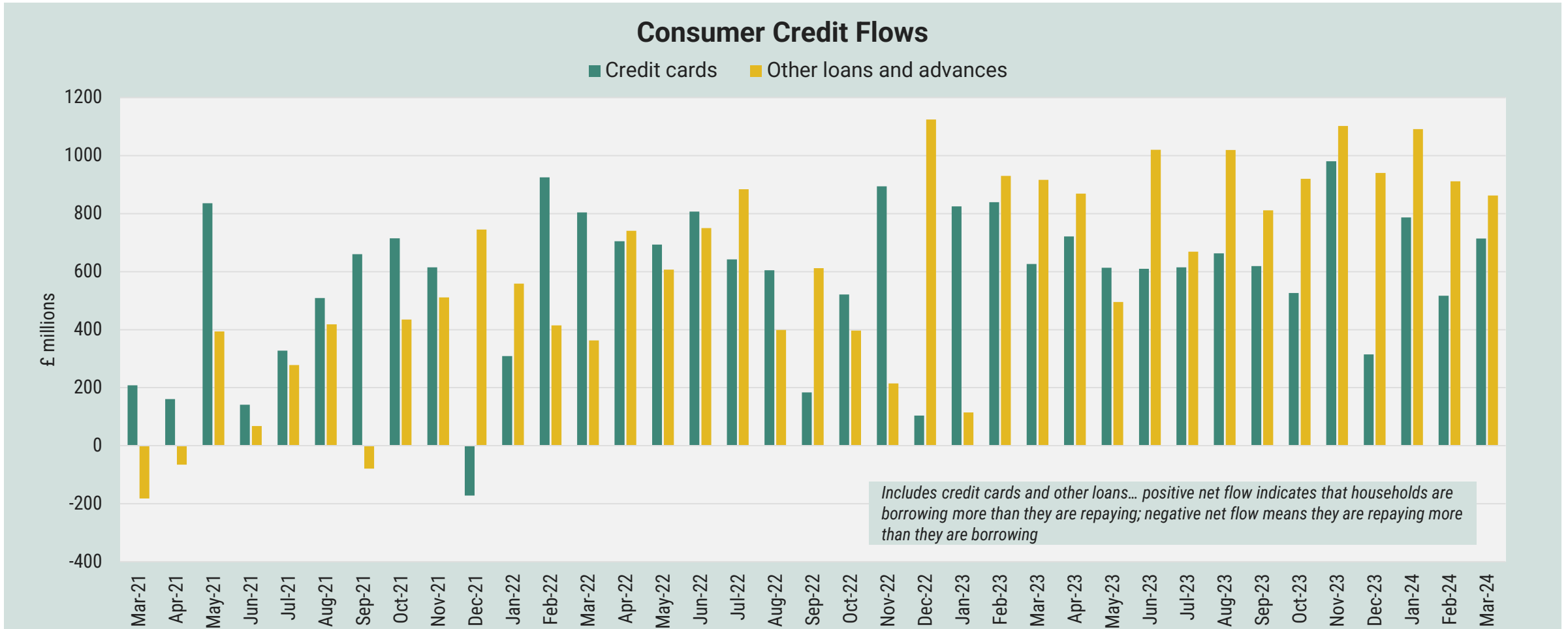


Source: Office for National Statistics, Households (S.14): Households' saving ratio (per cent): Current price: £m: SA

Consumer Credit



Consumer credit card continues to climb, increasing 14% YOY through March 2024



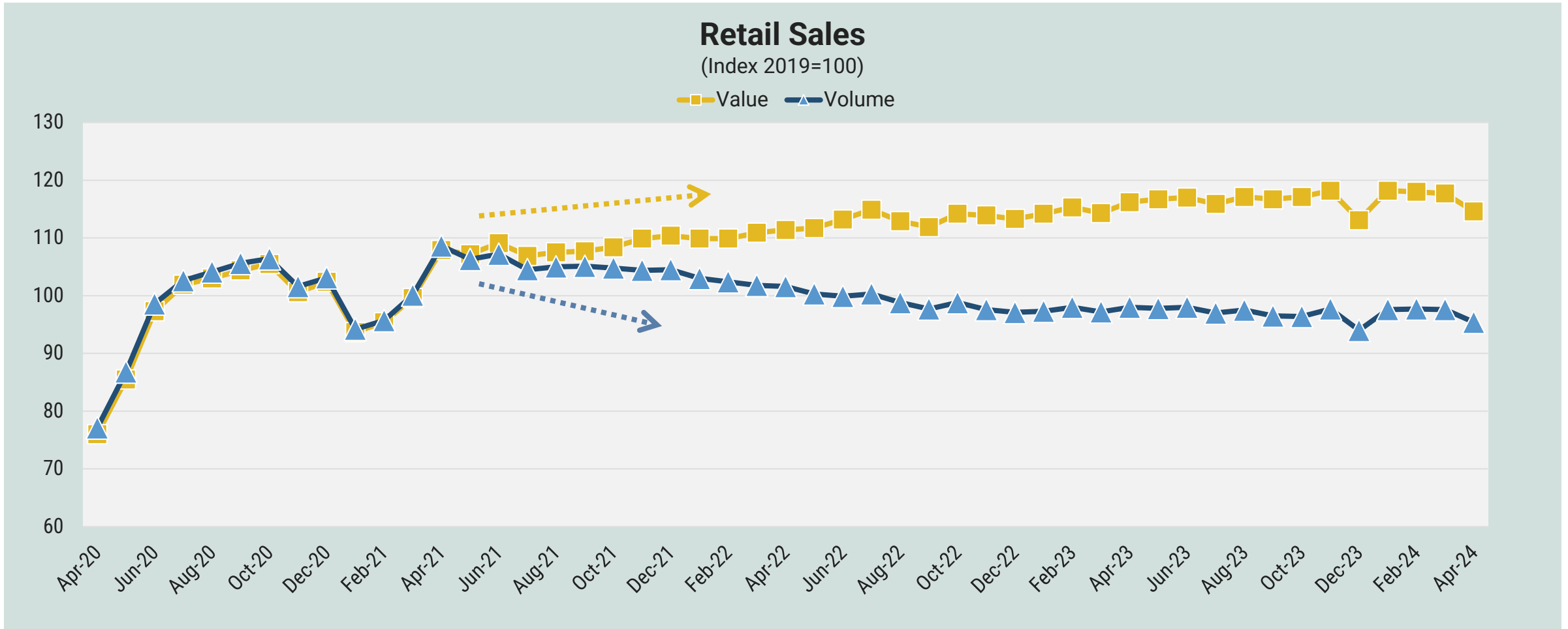
Source: <https://www.bankofengland.co.uk/statistics/money-and-credit>, Consumer credit (M&C Tables B and C)

Retail

Retail Sales



UK retail sales index remains relatively flat month-to-month and slightly below 2023, with volume index lagging sales volume since post-COVID period

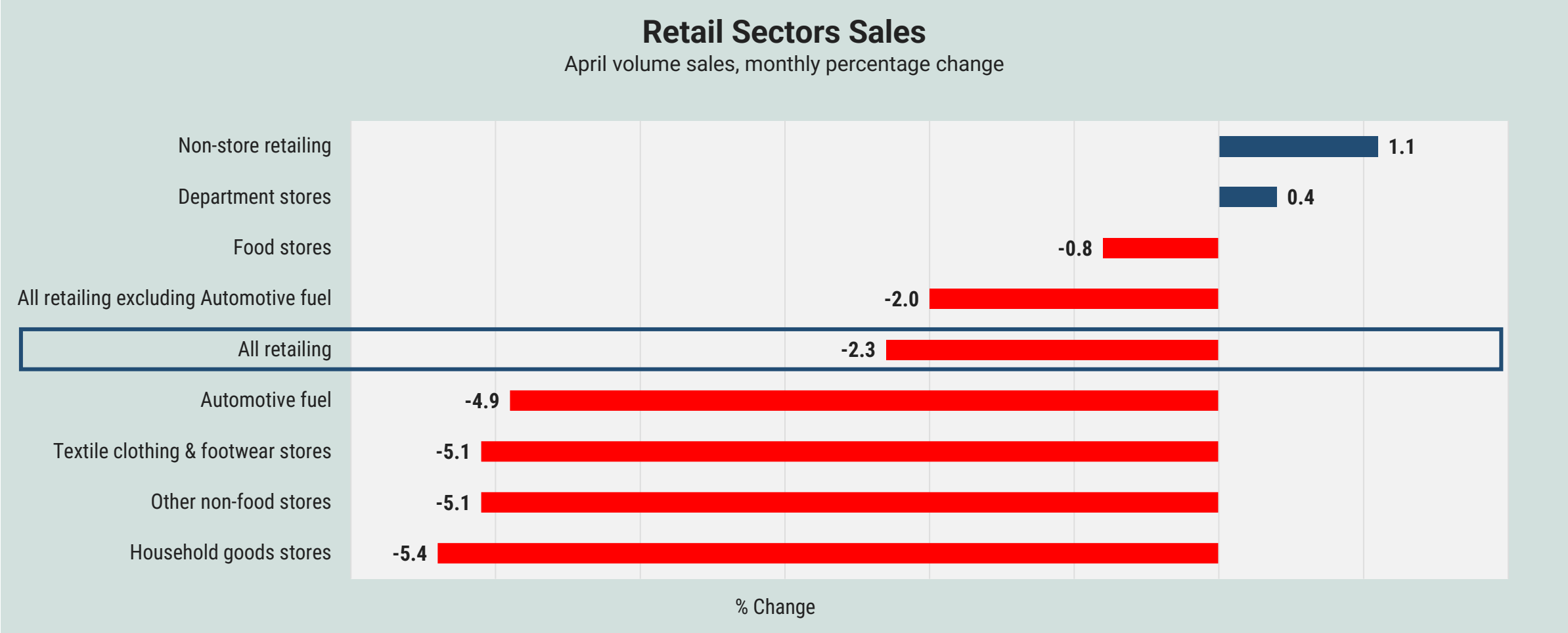


Source: Office for National Statistics, Monthly Business Survey, Retail Sales Inquiry from the Office for National Statistics

Category Sales



Non-store retail and department stores showed gains; all other sectors declined month-over-month



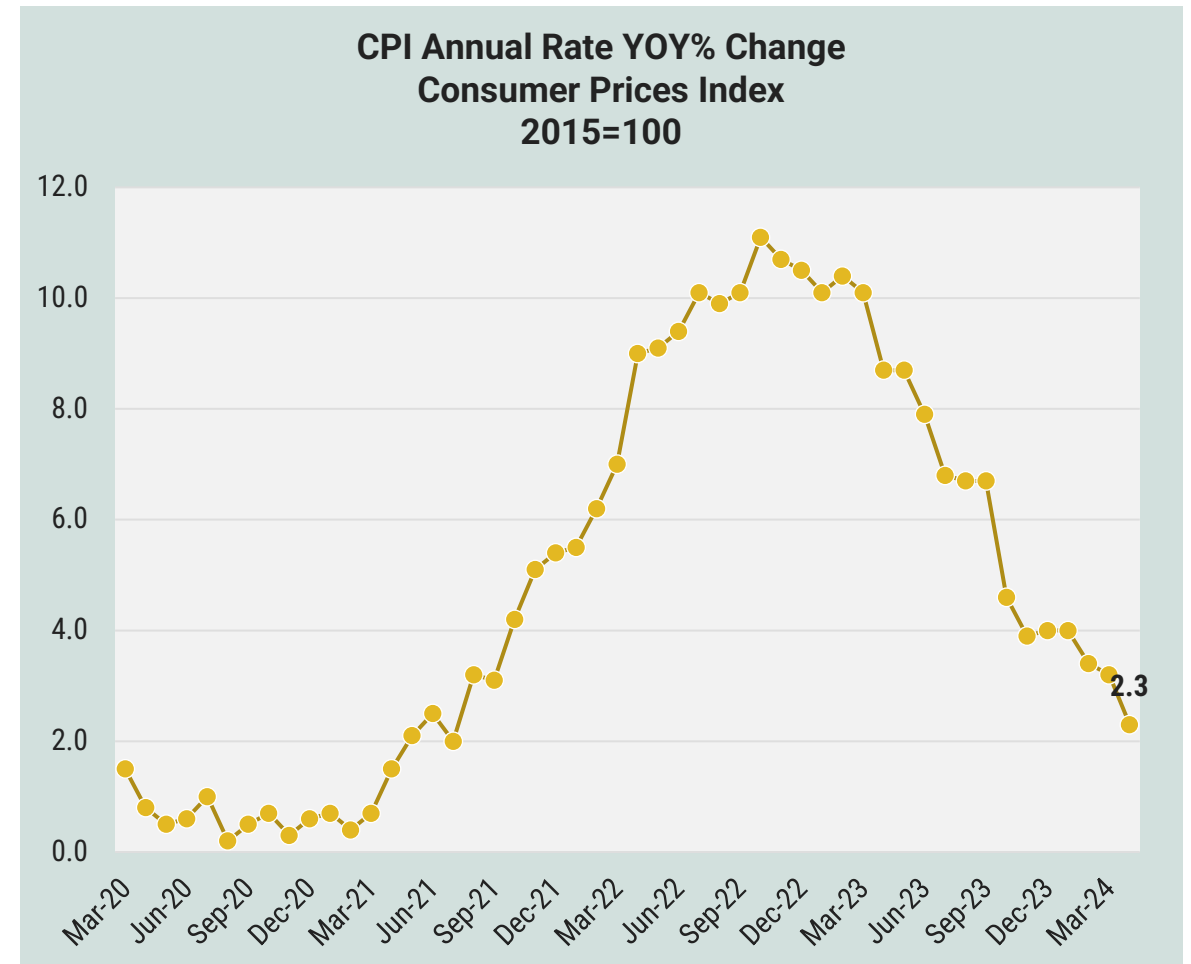
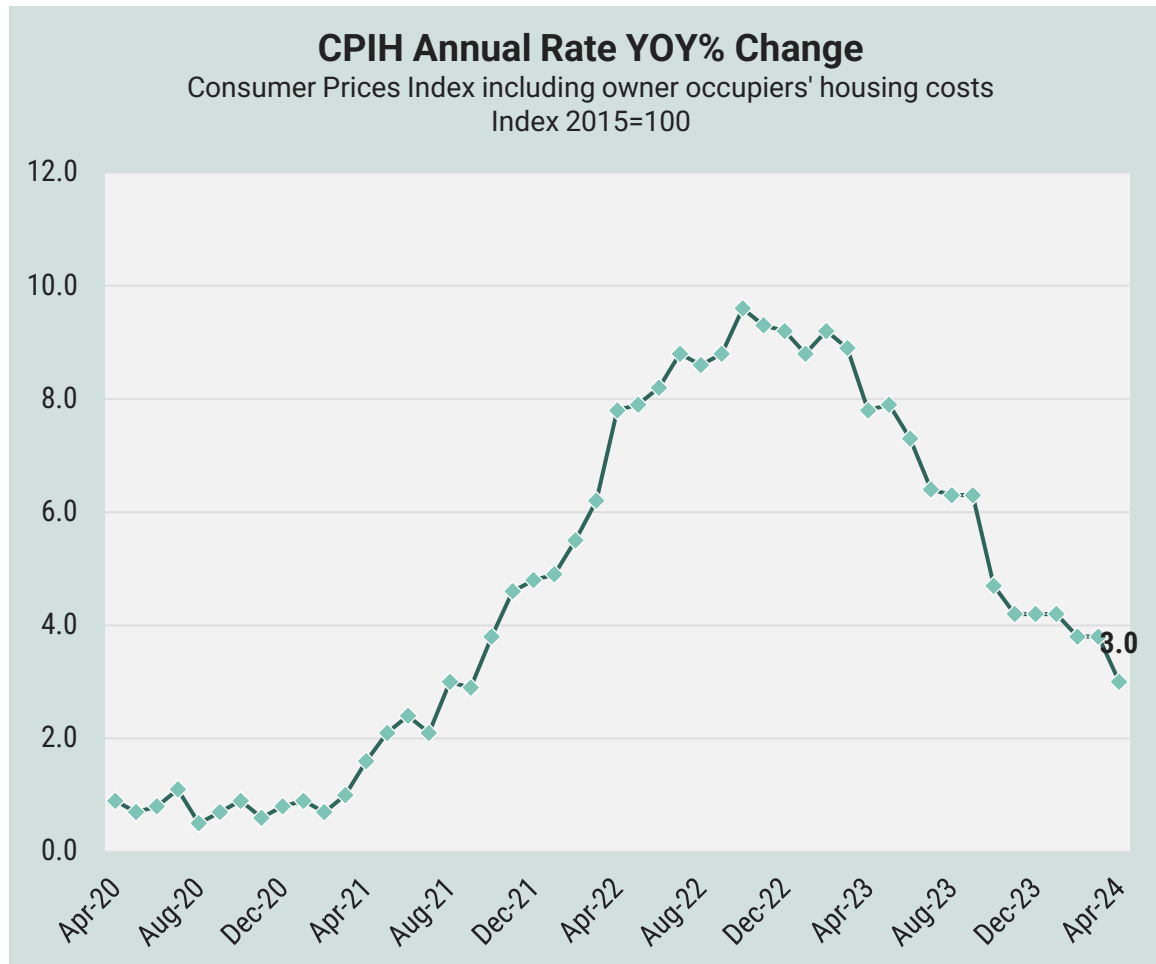
Source: Office for National Statistics, Monthly Business Survey, Retail Sales Inquiry from the Office for National Statistics

Inflation



Consumer Price Index

Consumer price index (CPIH, incl. housing) dropped to 3.0% in April; excluding housing costs, CPI was 2.3% above 2023

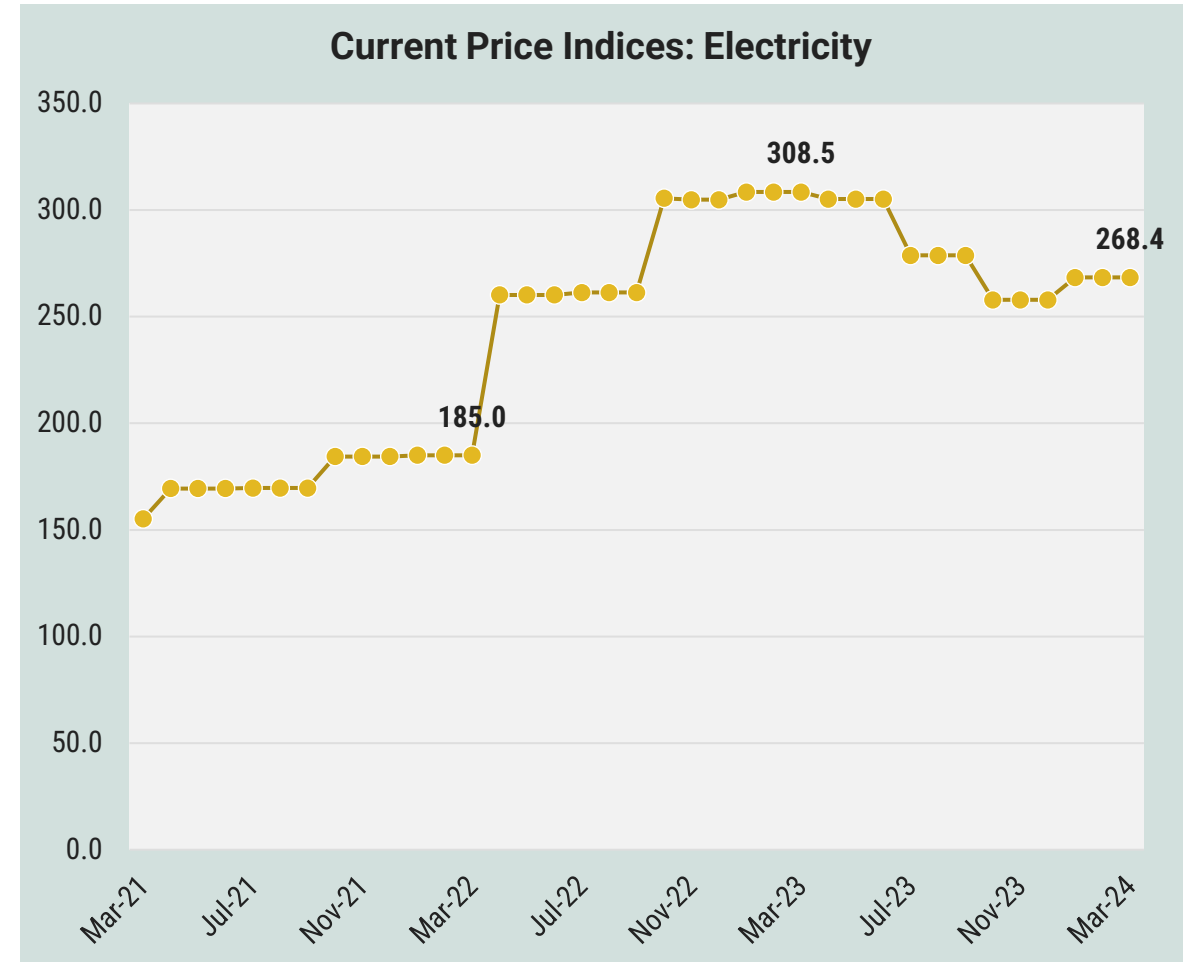
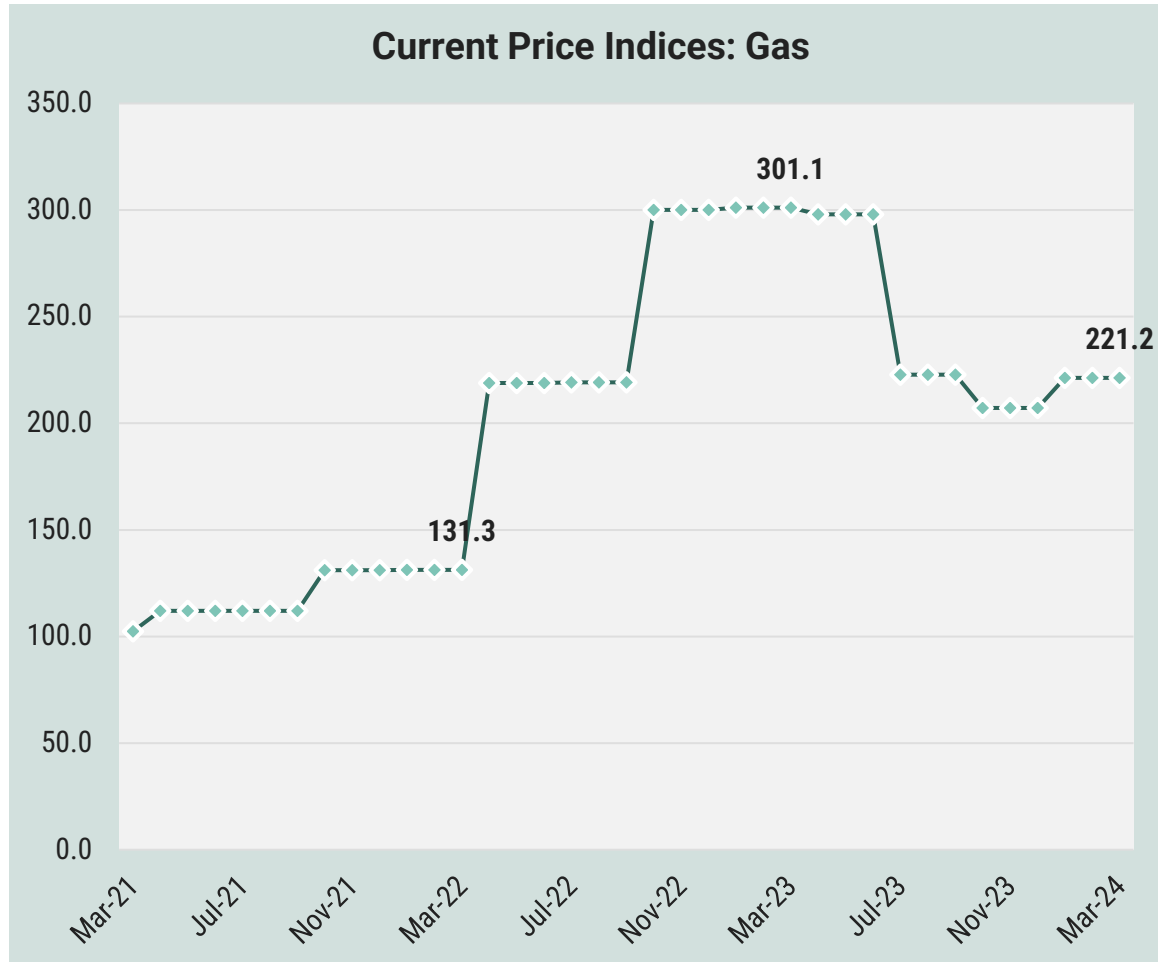


Source: Office for National Statistics, <https://www.ons.gov.uk/economy/inflationandpriceindices/>



Gas & Electricity

Gas & electricity indices remain relatively flat month-to-month

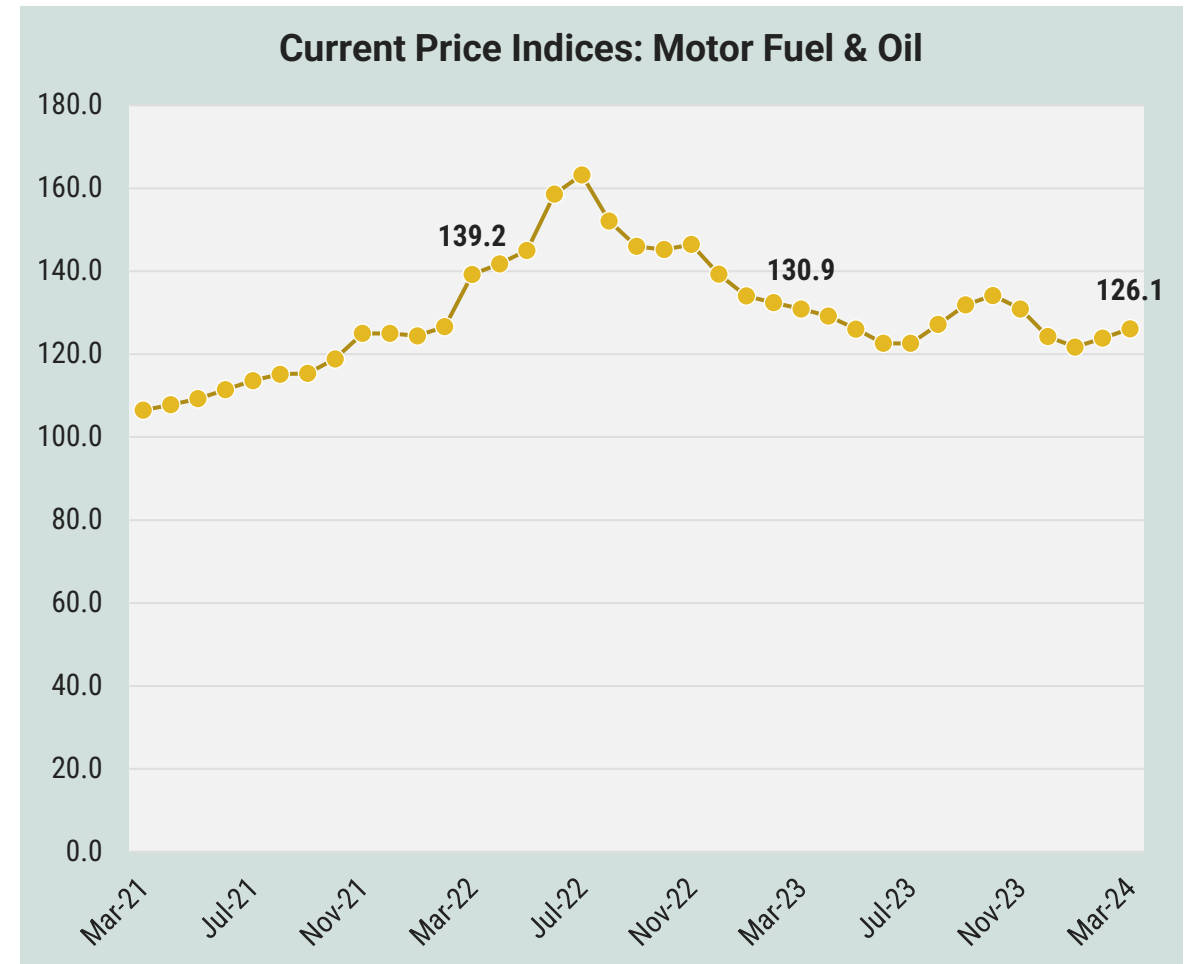
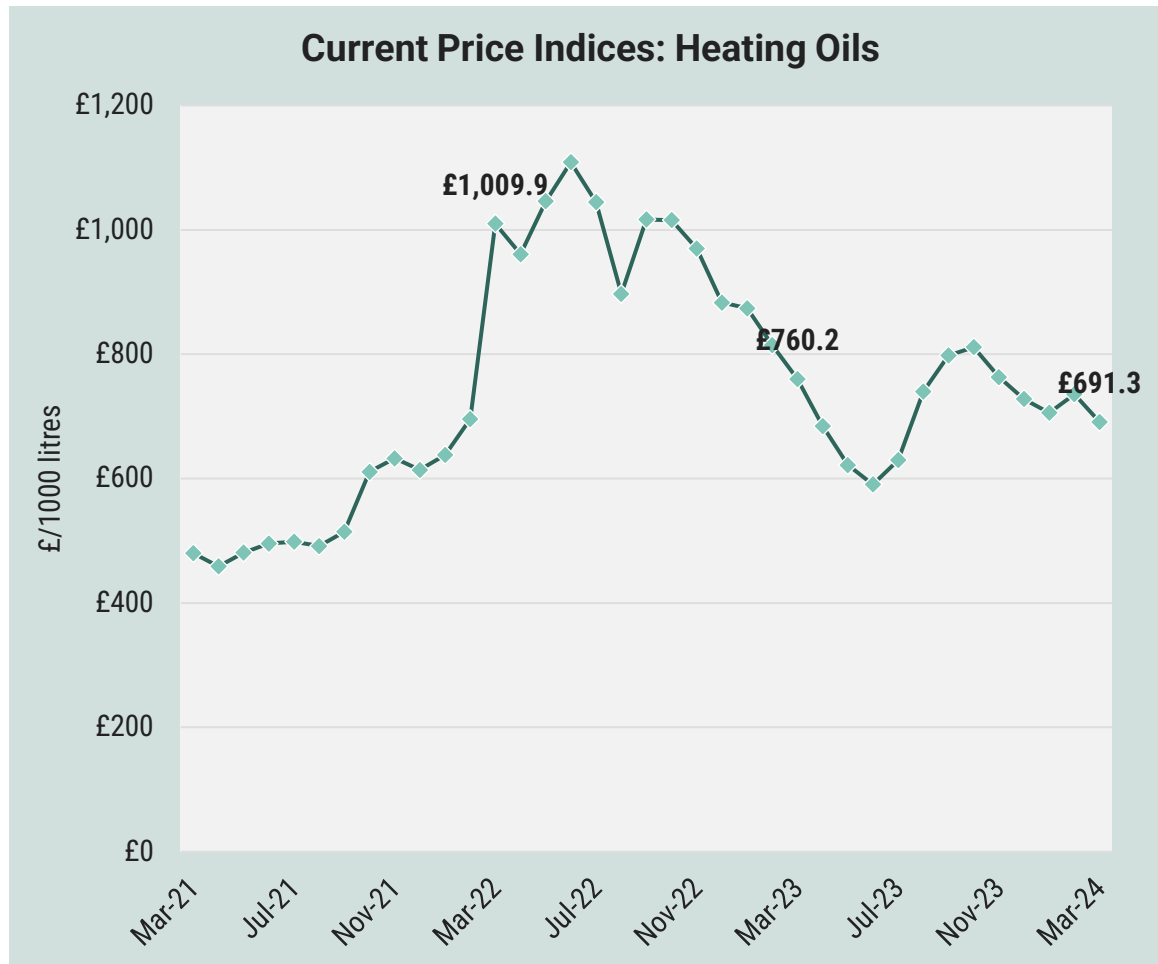


Source: Gov.uk, energyprices.stats@energysecurity.gov.uk



Heating Oils & Motor Fuel

Heating oils index declined, motor fuel has risen slightly last two months

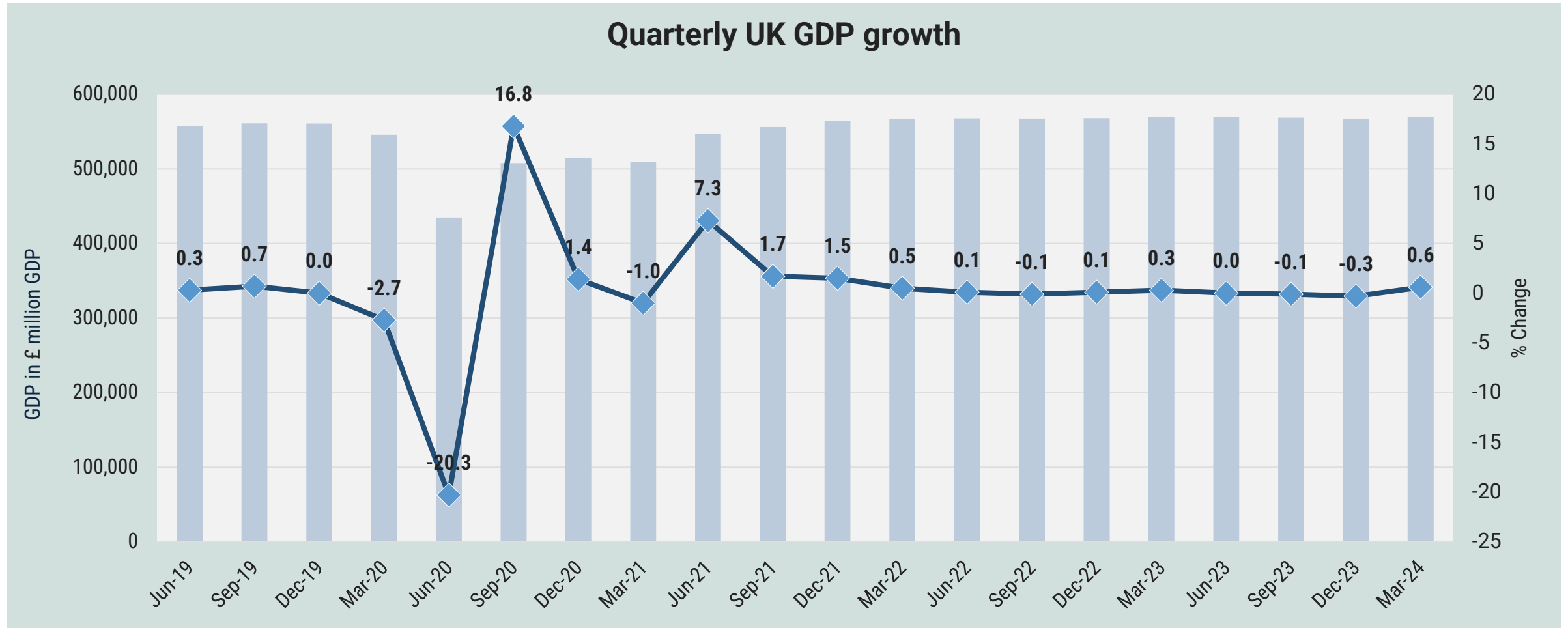


Source: Gov.uk, energyprices.stats@energysecurity.gov.uk

GDP



The UK economy contracted slightly in 2023 but started 2024 with an upward trend in GDP

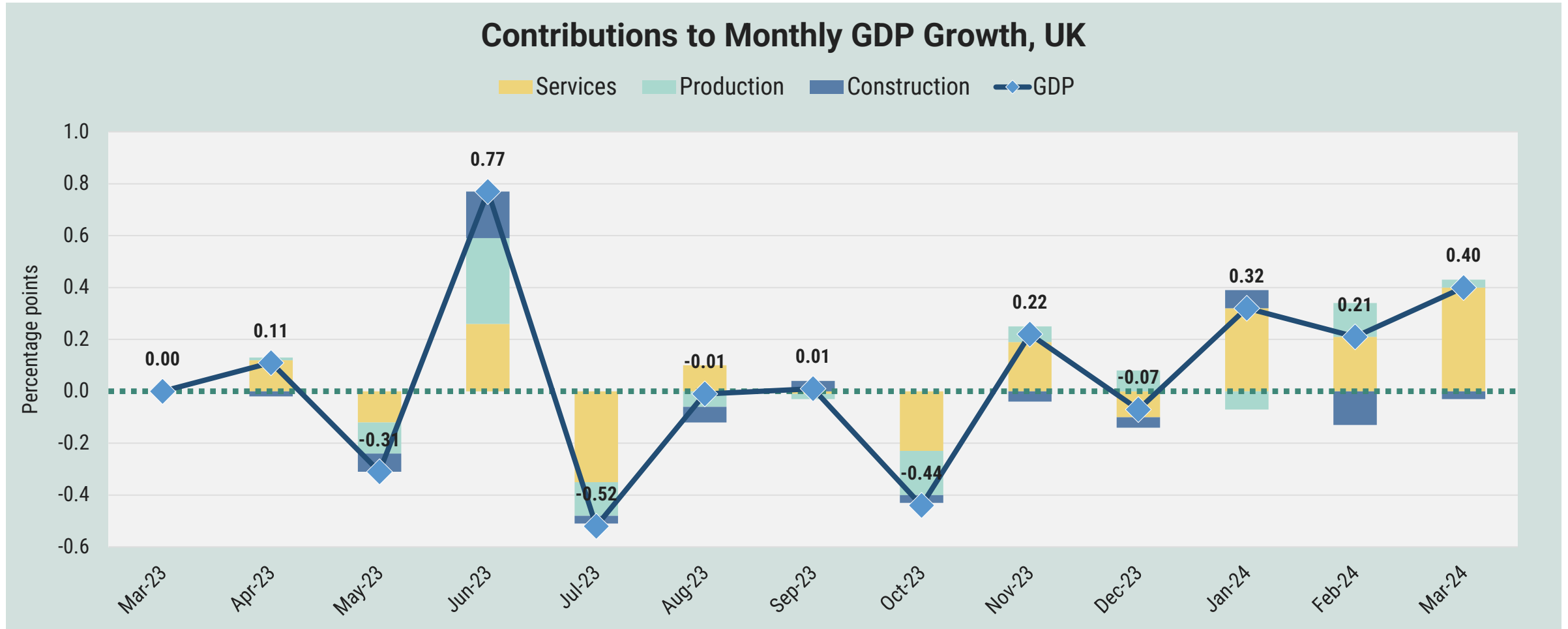


Source: Office for National Statistics, Gross Domestic Product: Quarter on Quarter growth: CVM SA %

GDP



Production output grew by 1.1% in February 2024 and was the largest contributor to the rise in GDP in February. Services output also grew, by 0.1%, while construction partially offset these with a fall of 1.9%

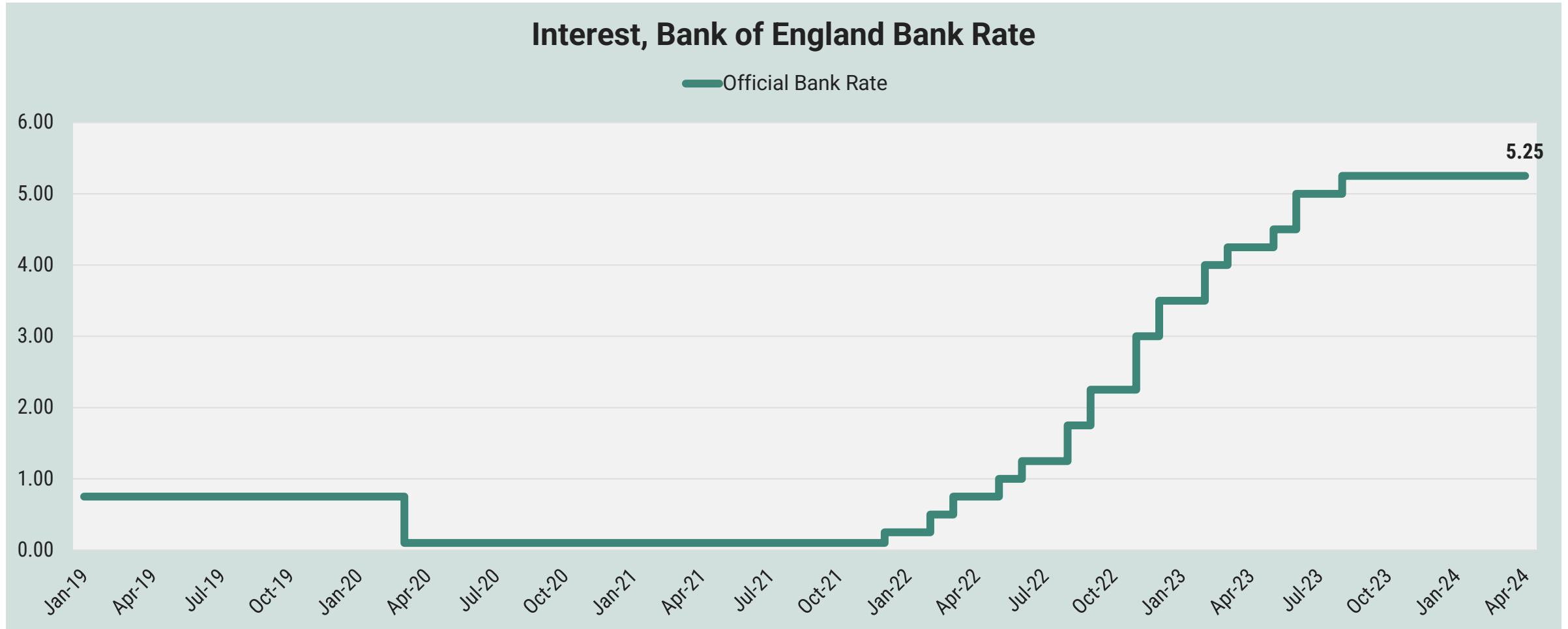


Source: GDP monthly estimate from the Office for National Statistics, Sum of component contributions may not sum to total services growth because of rounding



Interest Rates

Bank of England Bank Rate remains flat through April 2024 at 5.25%



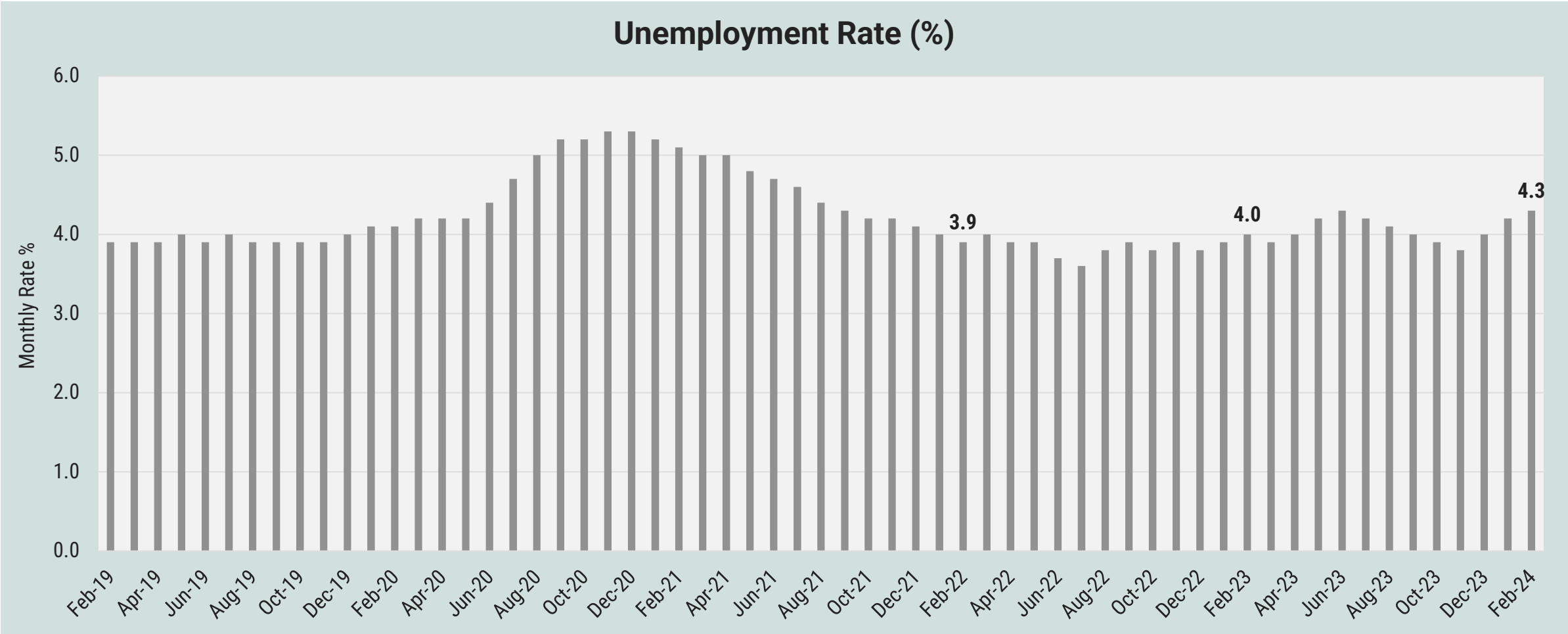
Source: Bank of England, <https://www.bankofengland.co.uk/monetary-policy/the-interest-rate-bank-rate>

Employment

Unemployment



UK unemployment rate through February was 4.3%, slightly higher than 2023 rate of 4%

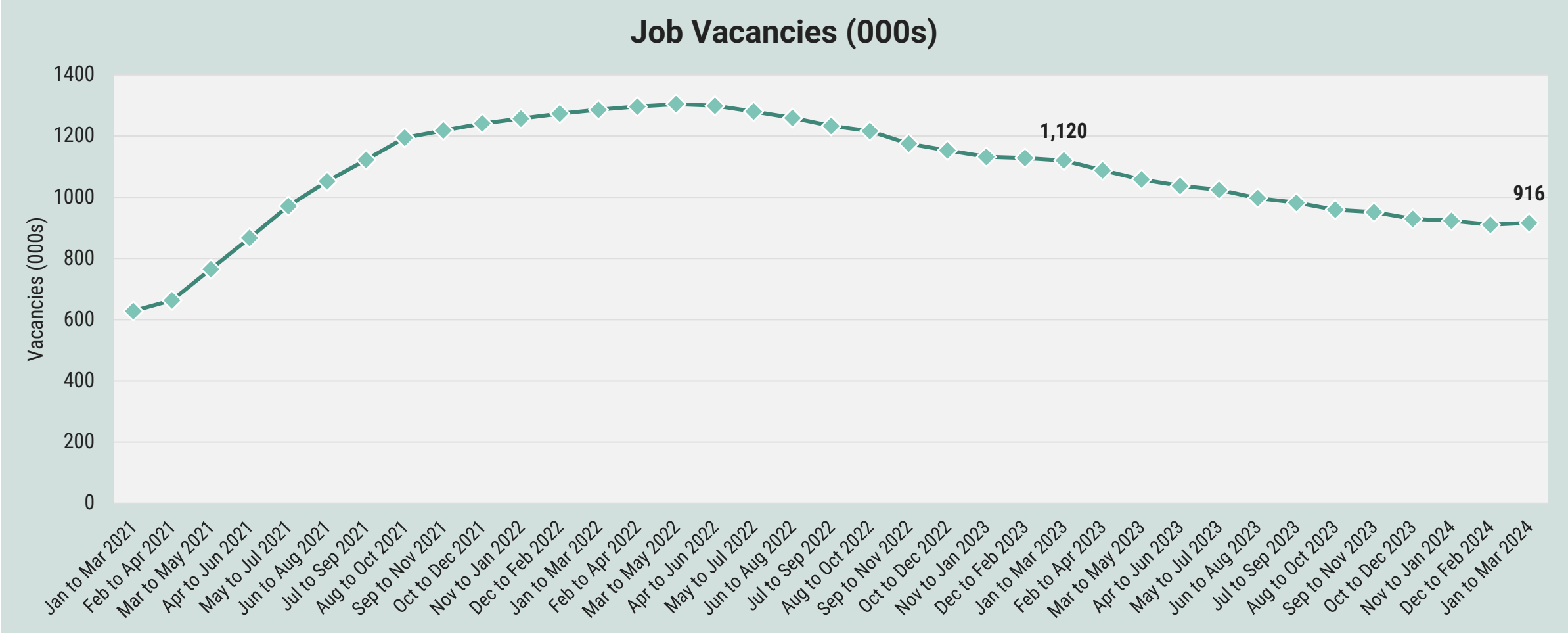


Source: Office for National Statistics

Job Vacancies



UK job vacancies were 916,000, down from 1,120,000 last year

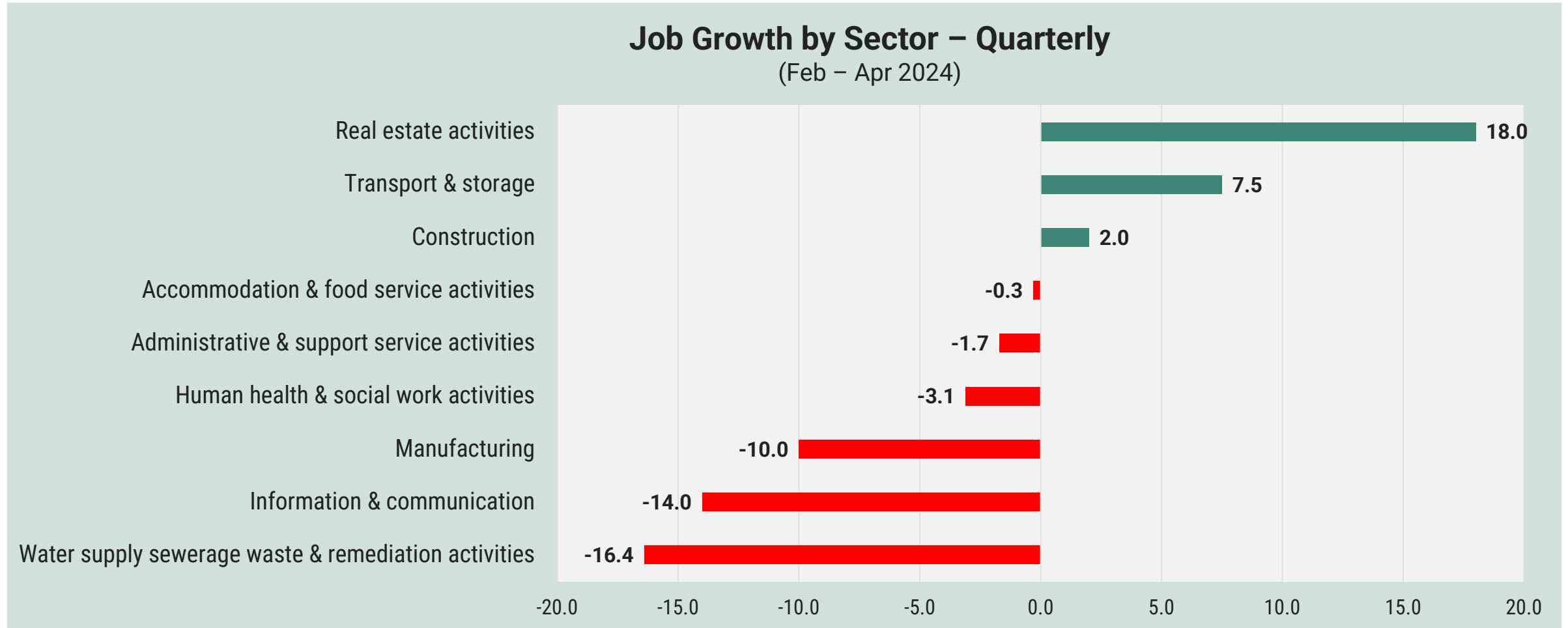


Source: Office for National Statistics

Quarterly Growth Across Industry Sectors



Real estate activities and transport and storage experienced notable job growth



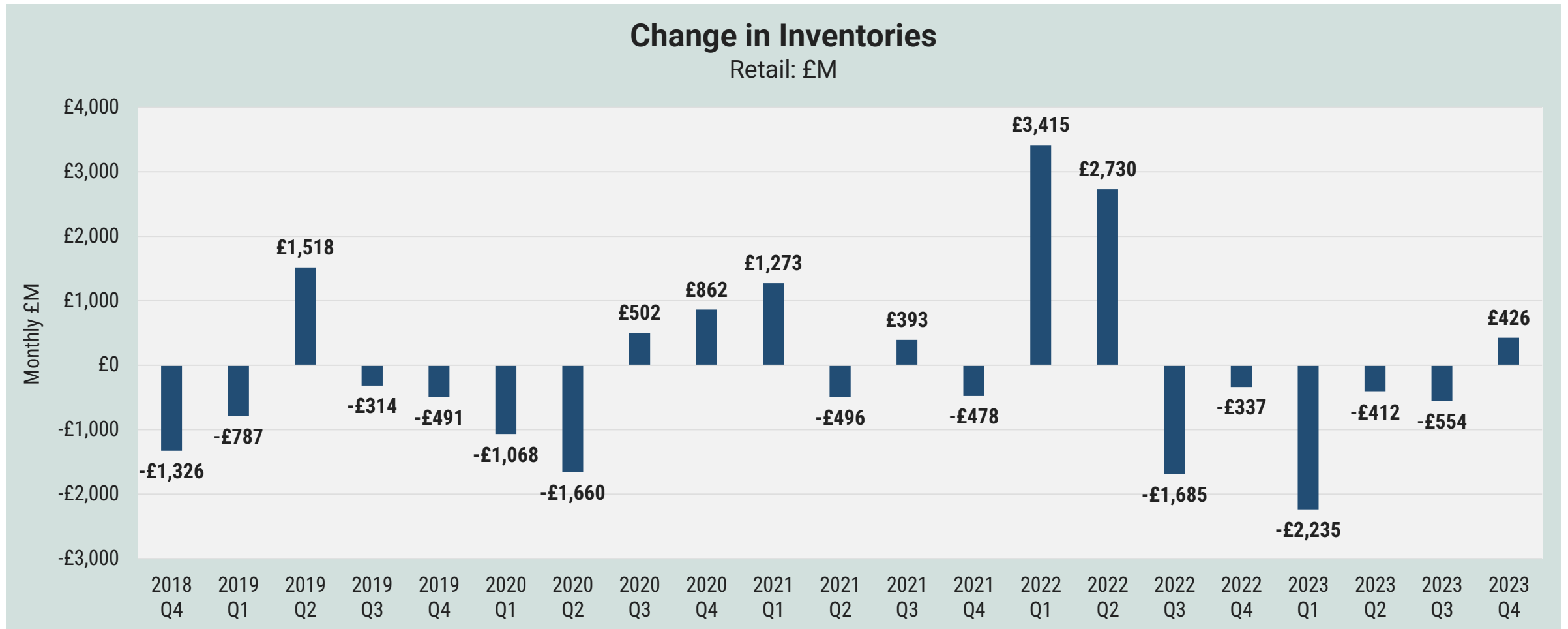
Source: Office for National Statistics

Supply Chain



Inventories: Retail

Retail inventories increased in Q4 compared to Q4-2023 and for the first time since 2022

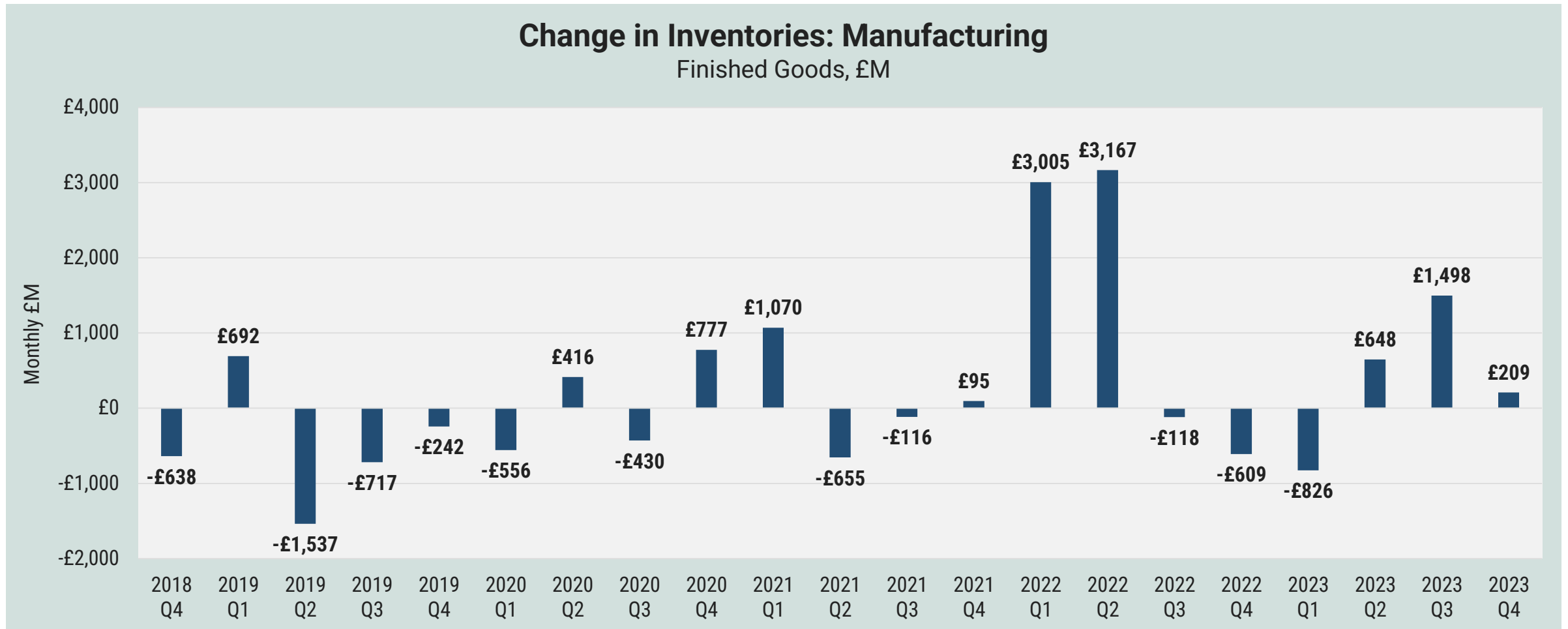


Source: Office for National Statistics, Change in Inventories: Retail



Change in Inventories: Manufacturing: Finished Goods

Inventories of finished goods has increased for three consecutive quarters

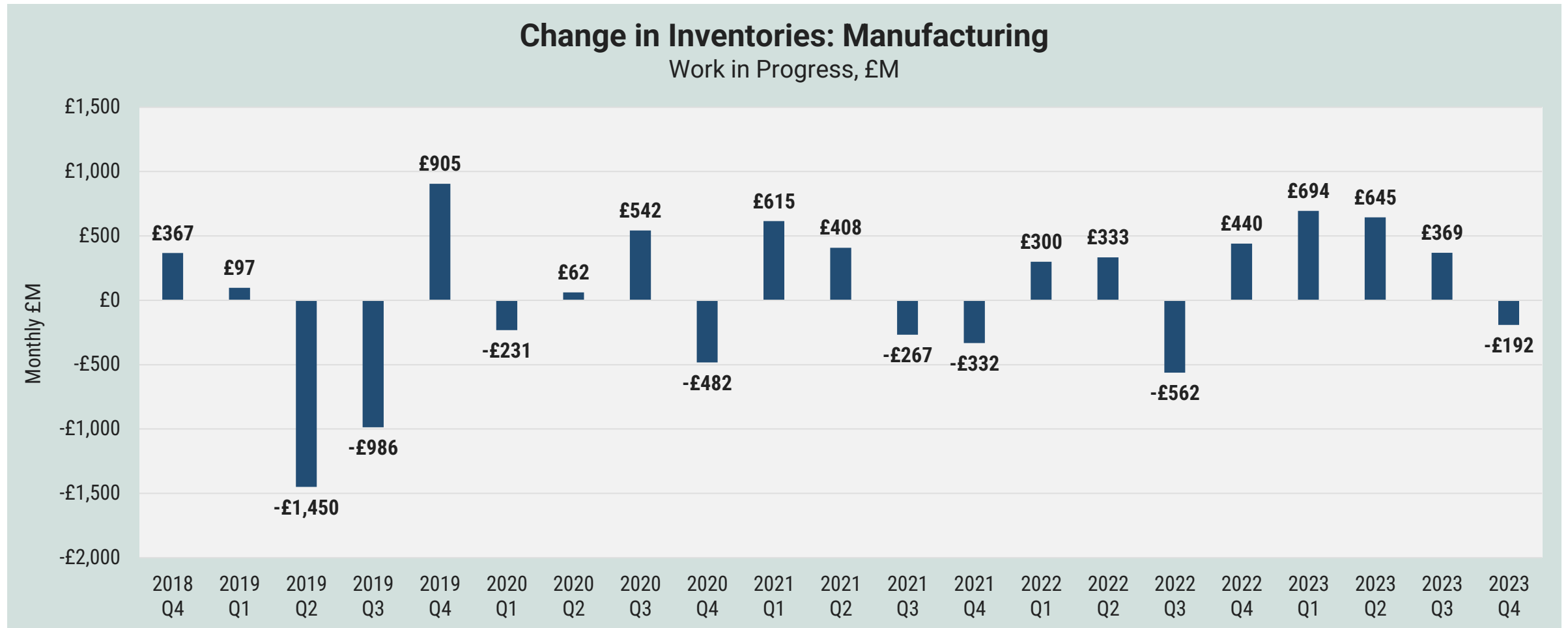


Source: Office for National Statistics



Change in Inventories: Manufacturing: Work in Progress

WIP inventories declined following four consecutive quarters of increases

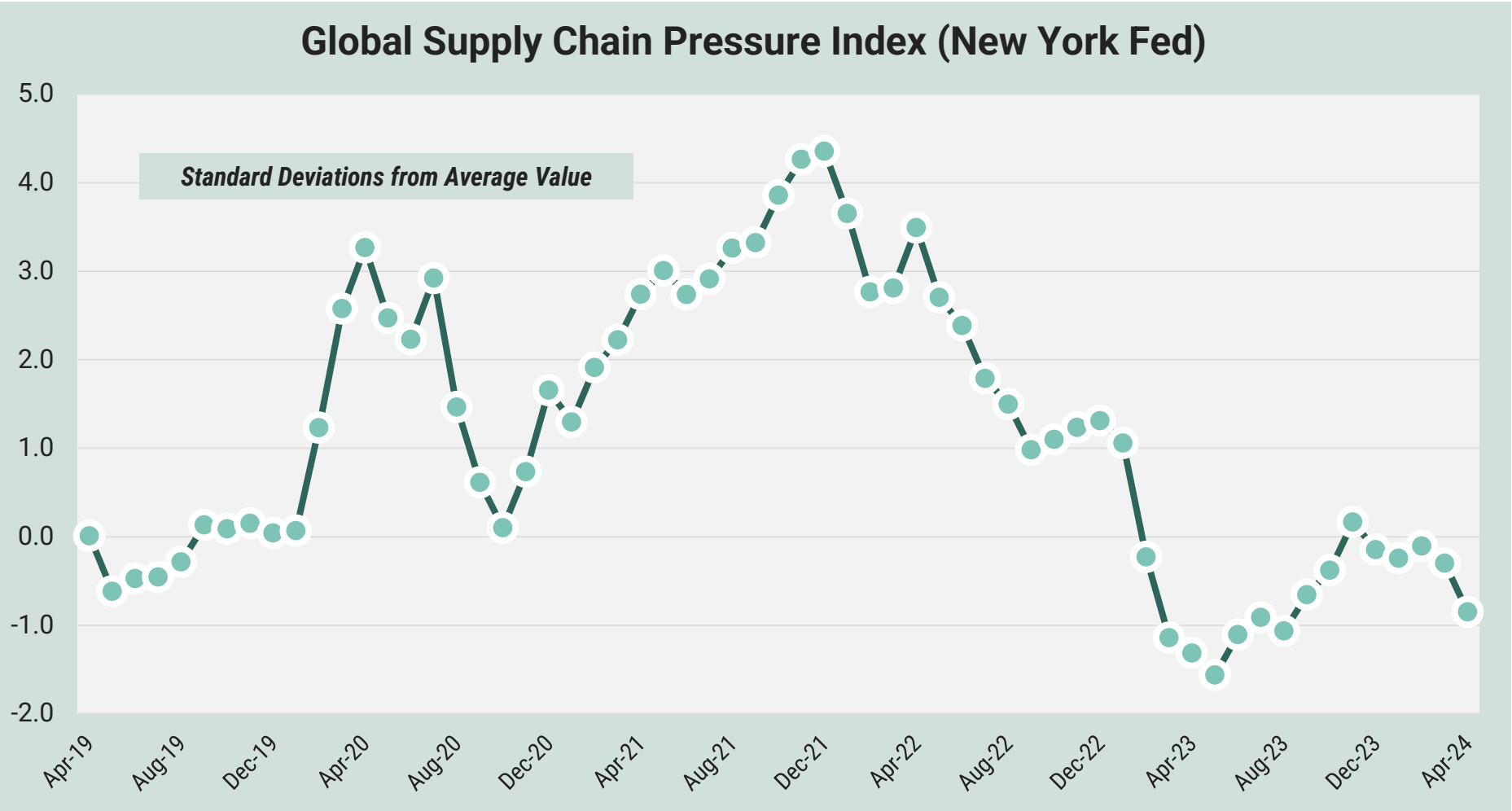


Source: Office for National Statistics

Global Supply Chain Index



The GSCPI fell to **-.85** in April



Source: Federal Reserve Bank of New York, Global Supply Chain Pressure Index, <https://www.newyorkfed.org/research/gscpi.html>.

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

The GSCPI is not an official estimate of the Federal Reserve Bank of New York, its President, the Federal Reserve System, or the Federal Open Market Committee.

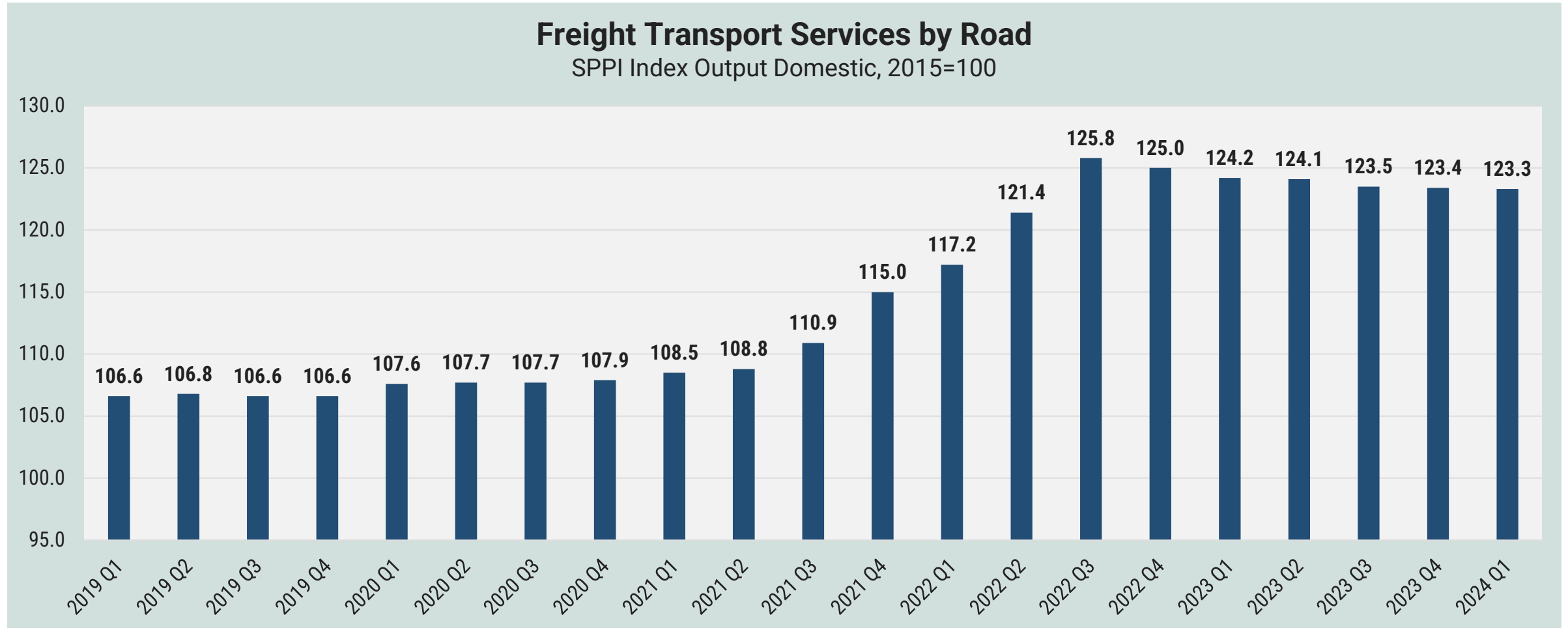
The GSCPI is a product of the Applied Macroeconomics and Econometrics Center (AMEC).

<https://www.newyorkfed.org/research/policy/gscpi#/overview>

Freight Transport Volume



Freight transport services index has remained stable over the last 3 quarters

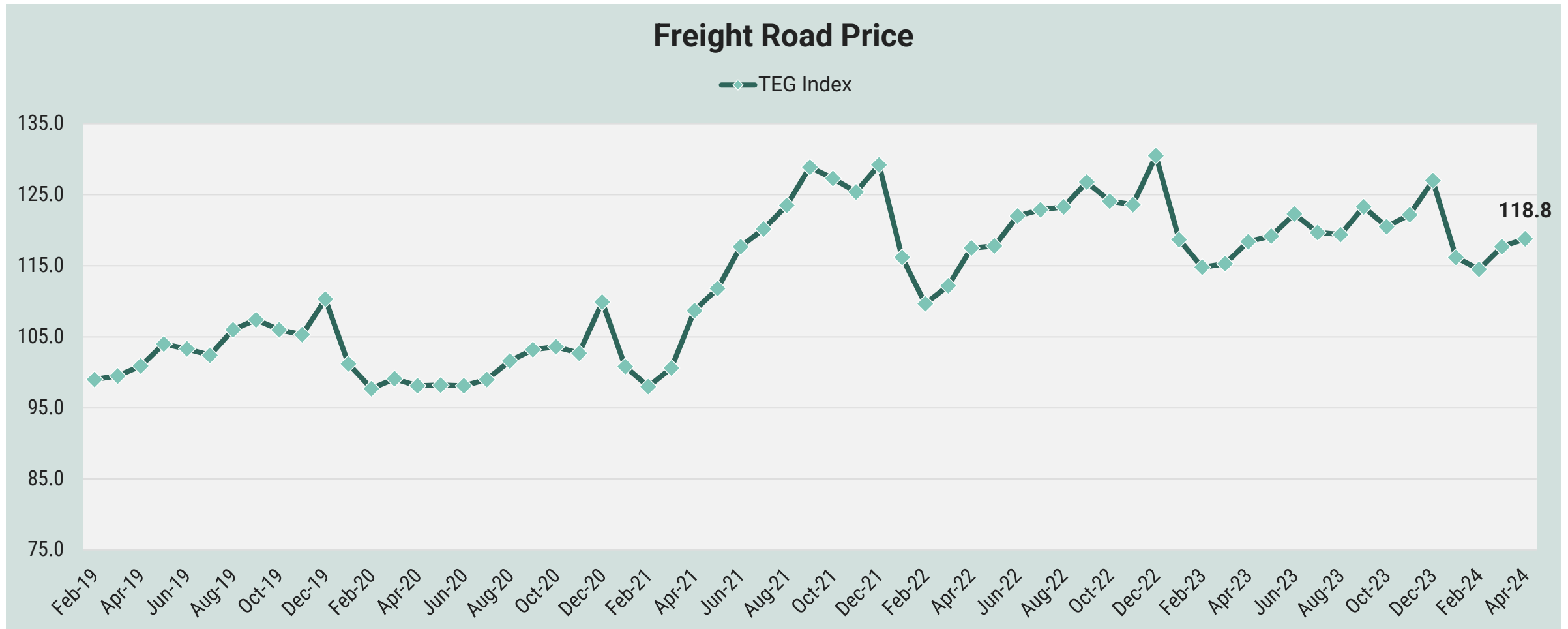


Source: Office for National Statistics, SPPI Index Output Domestic



Freight Road Price

In April 2024, the TEG Road Transport Index continued its upward trajectory, rebounding from a low point of 114.5 in February

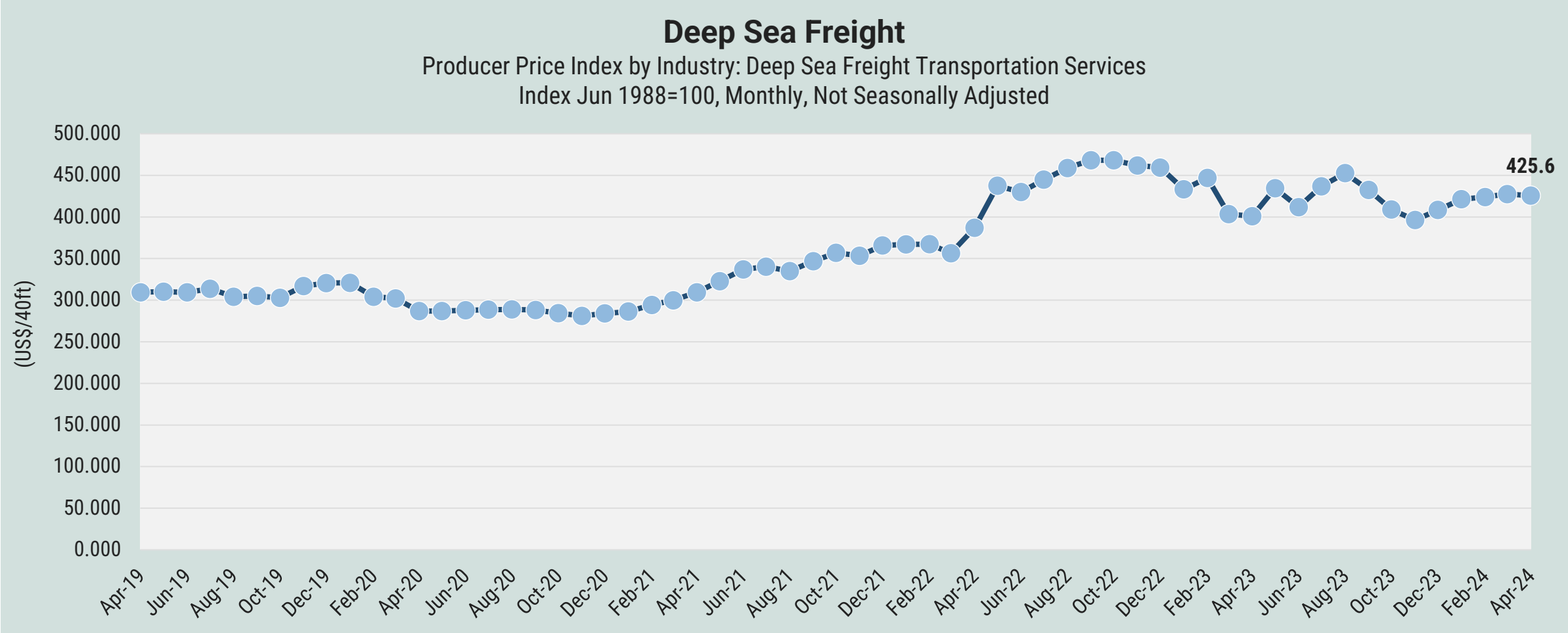


Source: <https://transportexchange.com/road-transport-price-index/>

Deep Sea Freight Cost



March deep sea freight rates were 6% above last year and down slightly vs. previous month

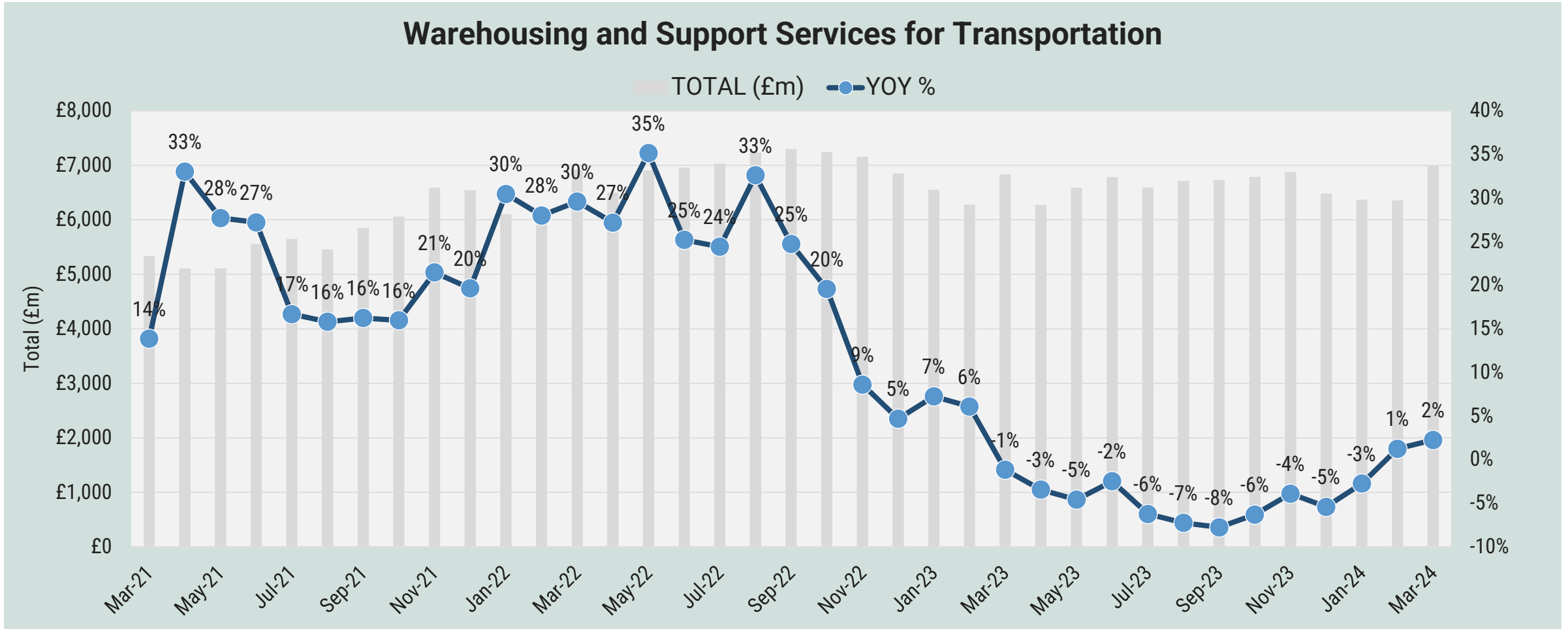


Source: U.S. Bureau of Labor Statistics, FRED, Federal Reserve Bank of St. Louis

Warehouse Services



Warehousing and support services spending increased 2.3% in March 2024

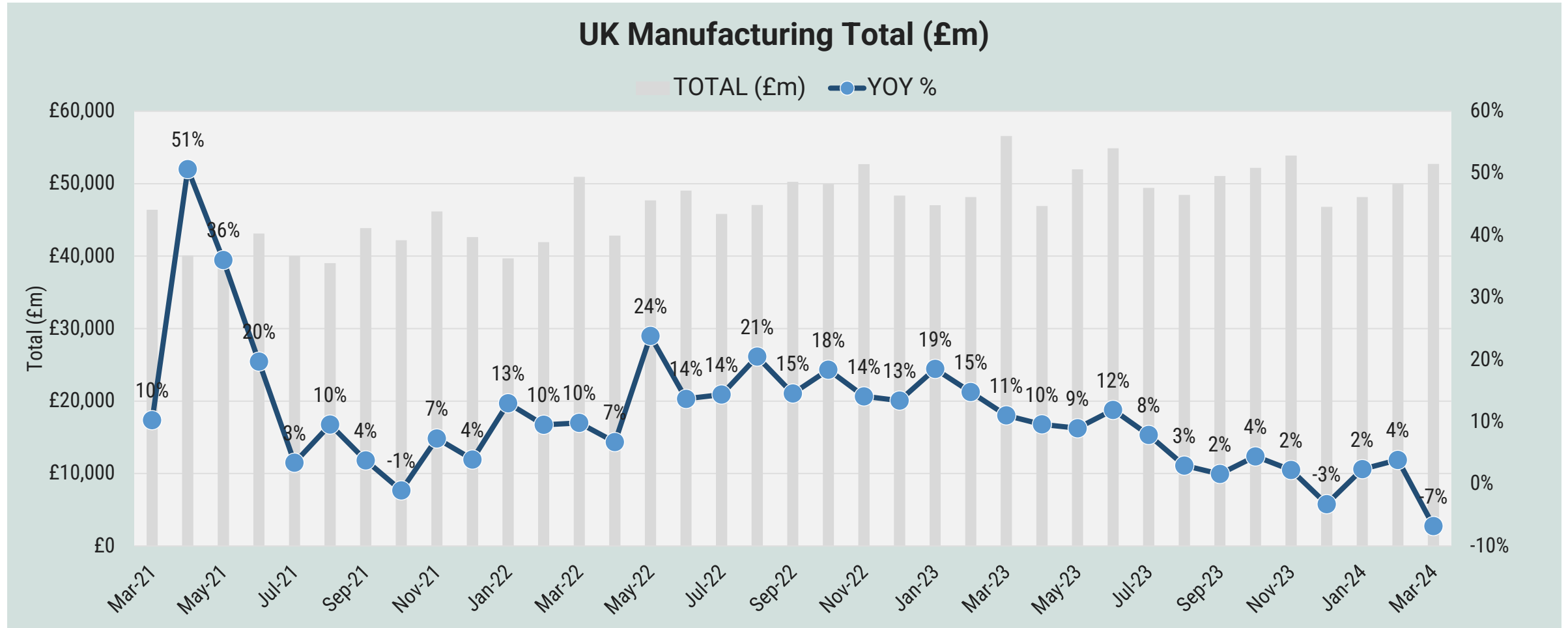


Source: Office for National Statistics, Warehousing and support services for transportation TOTAL (£m)

Manufacturing



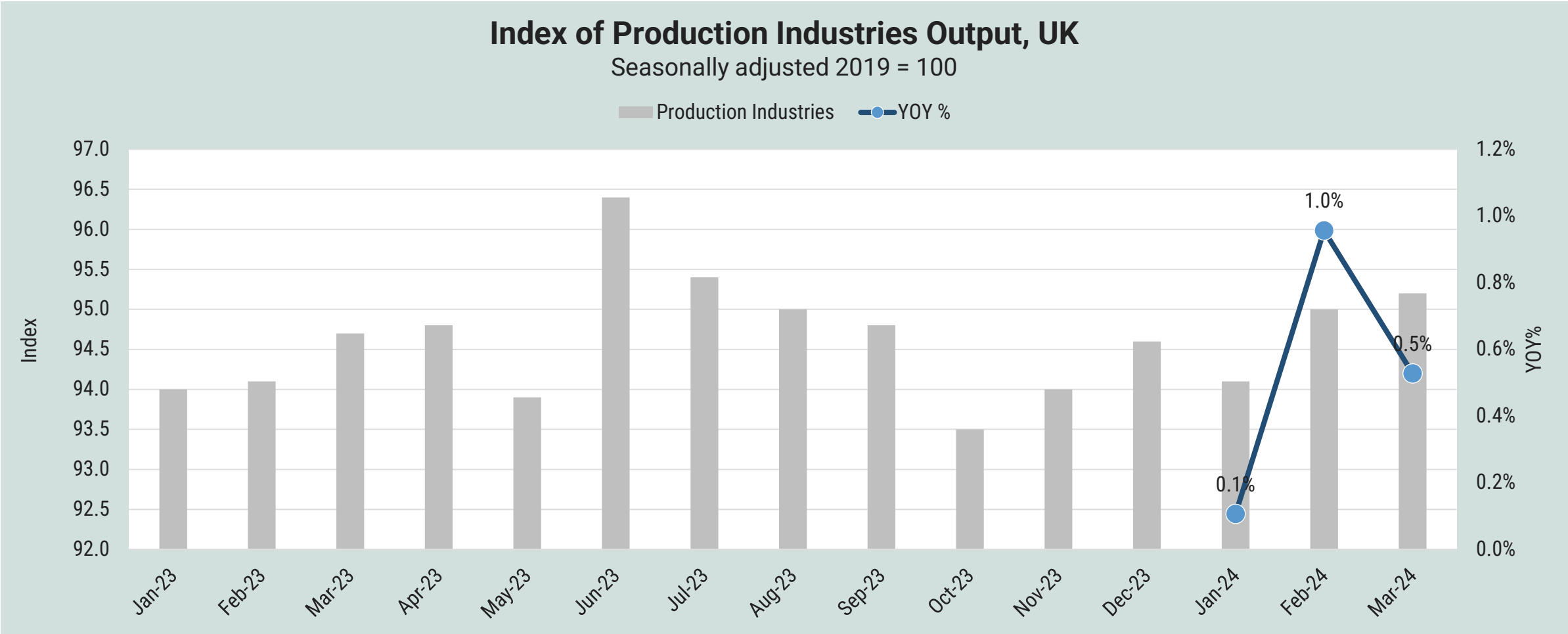
UK Manufacturing output increased to £ 52.7 billion in March 2024, but is 6.8% below 2023



Production



Industrial production output rose 0.5% vs. 2023



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

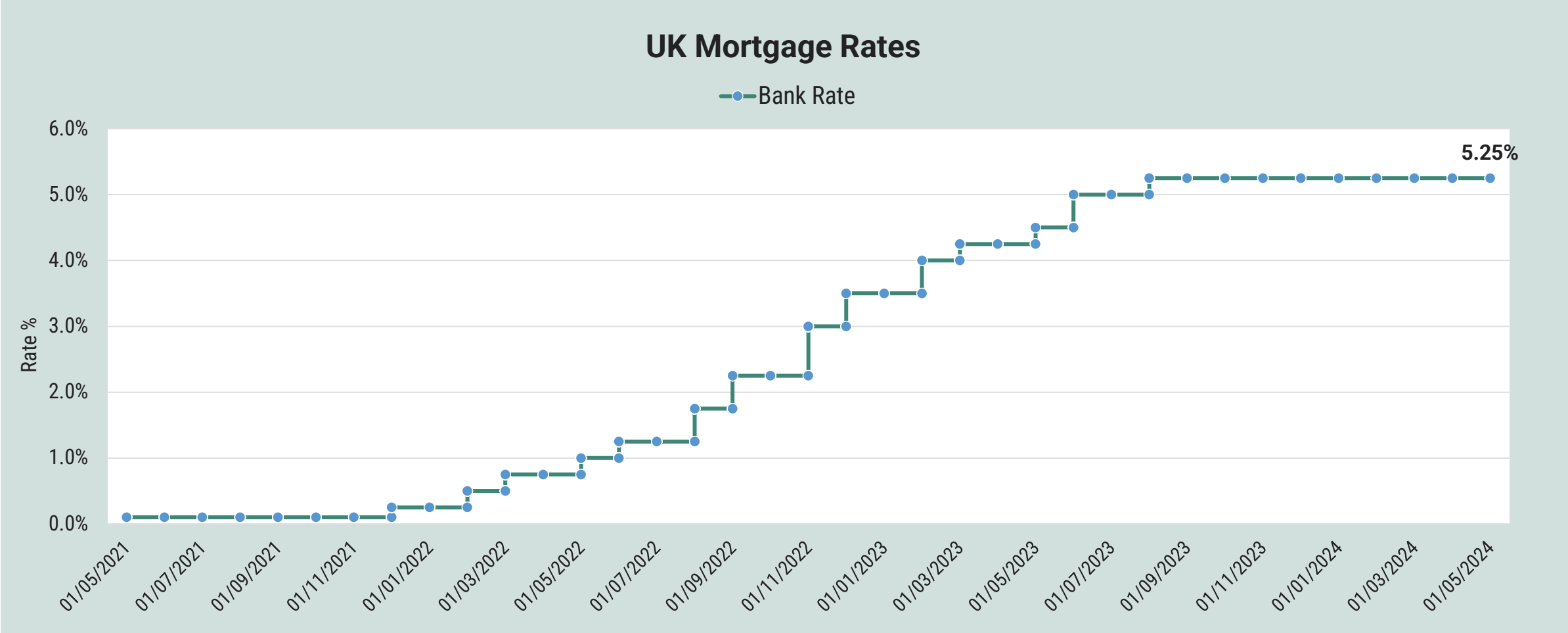
Note: Movements in the volume of production for the UK production industries: manufacturing, mining and quarrying, energy supply, and water and waste management. Figures are seasonally adjusted.

Housing

Mortgage Rates



Mortgage rates now 5.25%



Source: <https://www.bankofengland.co.uk/boeapps/database/Bank-Rate.asp>

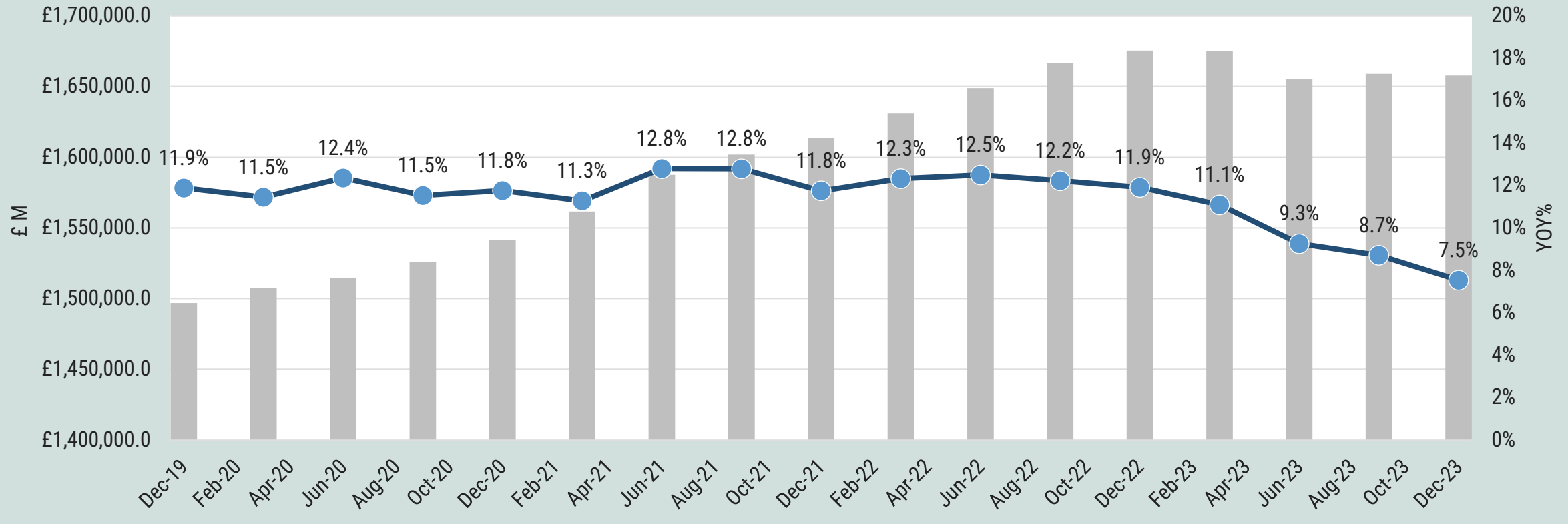
Residential Loans Volume



Residential loan volume is up 7.5% YOY

Overall Residential Loans to Individuals

£ millions YOY %

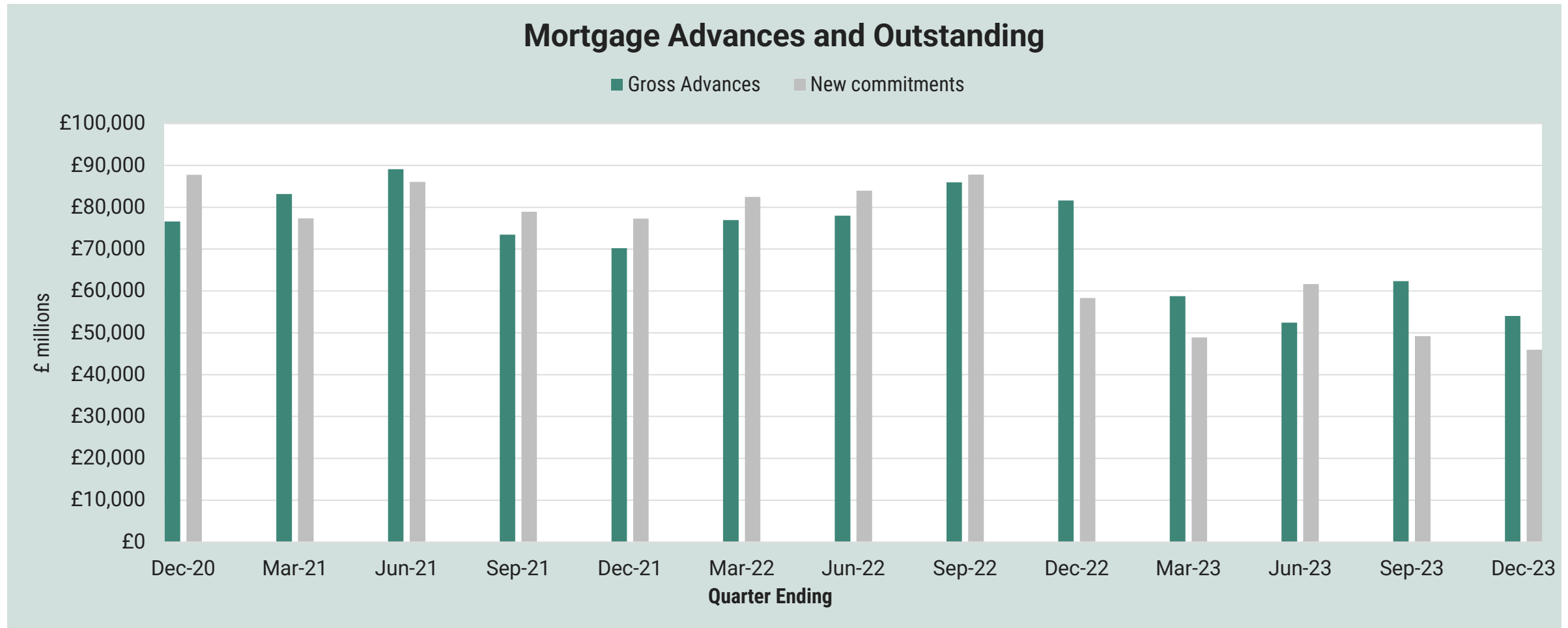


Source: <https://www.fca.org.uk/data/mortgage-lending-statistics>



Mortgage Advances and Outstanding

Mortgage volumes down in 2023, high interest rates suppressing demand

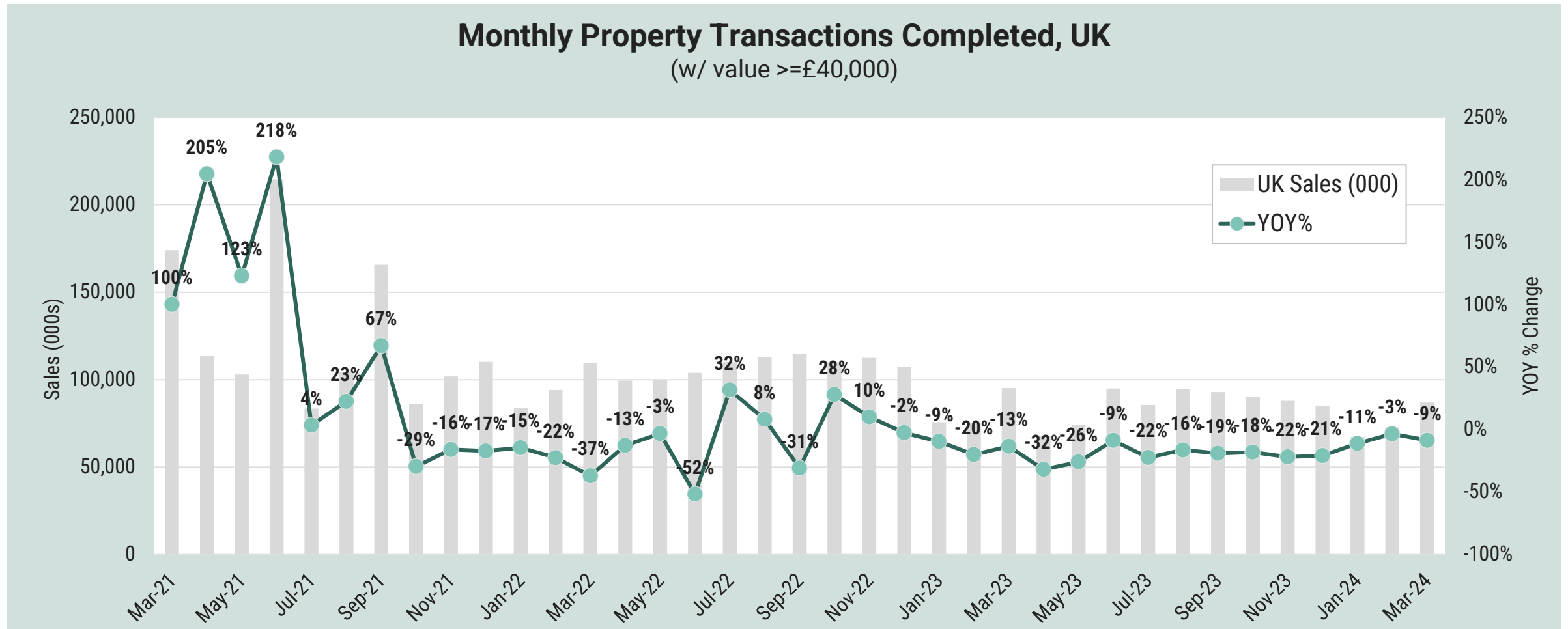


Source: <https://www.bankofengland.co.uk/statistics/>

Property Transactions



Monthly property transactions through March 2024 were down nearly 9% from 2023

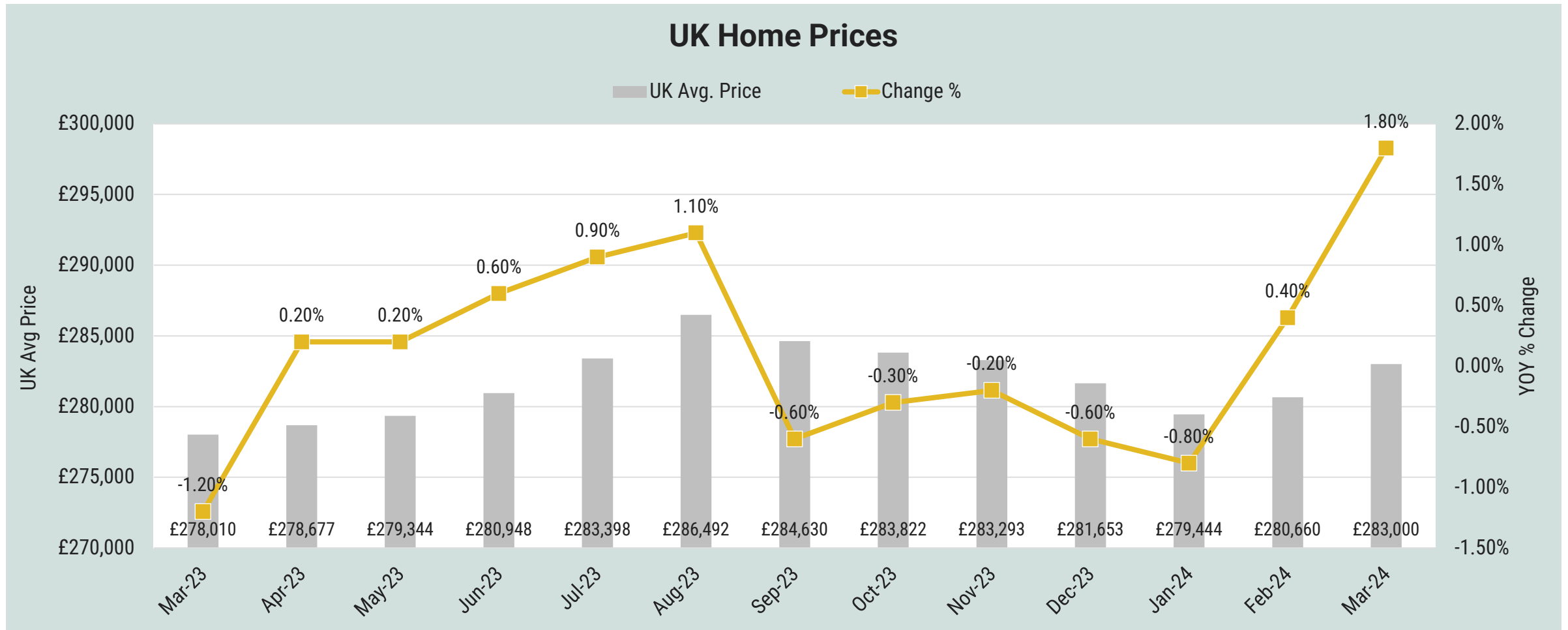


Source: <https://www.bankofengland.co.uk/statistics/>



House Sales Volume and Price

After several months of decline, March UK home prices rose nearly 2% from previous year



Source: [gov.uk/government/statistical-data-sets](https://www.gov.uk/government/statistical-data-sets)

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