

News in Review

27 November 2024

"We know that families across Britain are still struggling with the cost of living"



UK inflation was 2.3% in October, according to figures released last week by the Office for National Statistics (ONS), the first rise in the UK's consumer prices index (CPI) for three months.

As well as faring worse than economists had expected, the figure was a significant increase on the 1.7% recorded a month earlier. It took inflation to a six-month high and was the largest month-on-month rise in CPI since inflation peaked in October 2022.

Higher energy bills were the main driver behind the rise, ONS noted. Following the latest energy price cap rise last month, the average household gas and electricity bill rose by £149 a year, according to the Office of Gas and Electricity Markets (Ofgem). Ofgem warned that another price rise, scheduled for January 2025, is set to push the typical direct debit up by a further £21 a year.

Commenting on the figures, Darren Jones, Chief Secretary to the Treasury, said, *"We know that families across Britain are still struggling with the cost of living. That is why the Budget last month focused on fixing the foundation of our economy so we can deliver change. But we know there is more to do. That is why the government is focused on economic growth and investment so we can make every part of the country better off."*

British retail sales fall in October

Another ONS data set released last Friday added to the sense of stalling momentum in the UK economy, with retail sales falling by 0.7% in October, the sector's sharpest downturn since June 2024.

Analysts suggested that shoppers may have held back on some spending ahead of the Budget. Clothing stores performed especially badly, recording the biggest subsector fall of 3.1% over the month to October. ONS tempered, however, that the fall followed strong growth in preceding months. Indeed, total sales volumes were up 0.8% in the August to October period when compared with the previous three months.

Responding to the release, Kris Hamer, Director of Insight at the British Retail Consortium, commented, *"While October produced a positive start to the 'golden quarter', with year-on-year growth for the fourth month in a row, there was a monthly decline due to pre-Budget jitters from households. Fashion took the brunt of this hit, especially as the milder weather last month put off winter purchases."*

Uplift in consumer confidence

More positively, the latest GfK Consumer Confidence Index, also released on Friday, showed that British consumers have become less pessimistic since the government's first Budget.

The long-running survey of British consumer sentiment rose to -18 in November, its highest score since August 2024. This strong showing confounded economists, who had expected confidence to fall. Instead, all five of the survey's components rose. Notably, in the run-up to Christmas, shoppers' willingness to make expensive purchases rose five points to -16.

FTBs delaying homeownership

Nearly half of prospective first-time buyers (FTBs) have delayed taking their first step

onto the property ladder, according to the latest FTB Index released last week by Aldermore.

Some 48% of FTBs are waiting up to a year longer to own their first home, while 22% have had to push back their plans by at least two years. The data showed, however, that despite the delay, eight out of 10 buyers said that the challenges were worth it in the end.

COP29 ends with deal – and disappointment

Following two weeks of tense negotiations, the annual UN climate conference closed in Baku, Azerbaijan, on Sunday morning, with an overall climate financing target to reach *'at least \$1.3tn by 2035'*. Dubbed the *'climate finance COP'*, rich nations pledged to contribute at least \$300bn annually to the global fight against climate change, alongside efforts to raise additional funds through both public and private sources.

Some developing countries, however, criticised the amount they will receive. The Chair of the Alliance of Small Island States, Cedric Schuster, said, *"Our islands are sinking. How can you expect us to go back to the women, men, and children of our countries with a poor deal?"* Similarly, UN Secretary-General António Guterres expressed disappointment, *"I had hoped for a more ambitious outcome – on both finance and mitigation – to meet the great challenge we face."*

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.