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News in Review

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"The economy contracted slightly in October, with services showing no growth overall and production and construction both falling"

The UK economy contracted again in October, according to official figures released on Friday by the Office for National Statistics (ONS). The unexpected fall of 0.1% marked two consecutive months of negative growth for the first time since the onset of the pandemic in March and April 2020.

Analysts pointed to the effects of the Budget weighing on confidence as a reason for poor growth. Prior to the release, economists had expected GDP to rise by 0.1% in October. Chancellor Rachel Reeves called the data *"disappointing"*.

The poor showing resulted in part from weak performances from hospitality and manufacturing. According to ONS, hotels and food services slowed in October, along with arts and entertainment. Manufacturing was the biggest drag on overall production output, down 0.6%, while the construction industry fell by 0.4%. The services sector also dragged on the economy, providing no growth in October after returning similarly flat figures in September. Conversely, growth in transport, and science and technology rose in October.

"It's not possible to turn around more than a decade of poor economic growth and stagnant living standards in just a few months," Ms Reeves said. *"Growth is the number one mission of this government – economic growth that results in families feeling better off with more money in their pockets – and we're driving that economic growth and we hope that those numbers will start to improve because of the policies that we're pursuing in the months ahead"* she added.

Commenting on the release, Liz McKeown, ONS Director of Economic Statistics, said, *"The economy contracted slightly in October, with services showing no growth overall, and production and construction both falling. Oil and gas extraction, pubs and restaurants and retail all had weak months, partially offset by growth in telecoms, logistics, and legal firms. However, the economy still grew a little over the last three months as a whole."*

Consumer confidence edged up in December

On the same day, separate data from GfK's long-standing Consumer Confidence Index painted a rosier picture in the run-up to Christmas. Consumer confidence edged up by one point in December to reach a total of -17. Despite rising confidence, however, respondents remained cautious about making major purchases, with GfK's major purchase index remaining at -16.

Looking ahead, expectations for the general economic situation over the next year stayed at November's level of -26. Meanwhile, the forecast for personal finances over the same period was up two points at +1, three points higher than this time last year.

Neil Bellamy, Consumer Insights Director at NIQ GfK, commented, *"Consumer confidence is still far from strong but there is some room for optimism with views on personal finances over the next 12 months up two points versus November and creeping back into positive territory. However, with the major purchase measure unchanged at -16 in December, consumers are still thinking twice about big-ticket purchases and whether they will bring Christmas cheer."*

Buyer demand pushes UK house prices higher

House price growth has gathered pace, according to the latest Residential Survey released last week by the Royal Institution of Chartered Surveyors (RICS). With new buyer demand, new instructions and house prices all on the up in November, sales and prices are also staying high as 2024 draws to a close.

New buyer enquiries posted a headline net balance of +12% in November, a fifth consecutive positive reading, with a net balance of +1% for agreed sales. Commenting on the data, Tarrant Parsons, RICS Senior Economist said, *"Although the latest survey results continue to signal a steady improvement in buyer demand across the residential market, the broader macro environment is likely to pose additional headwinds moving forward."*

Is Europe's stuttering economy ready for Trump?

Weeks away from the return of Donald Trump to the White House, the outlook for growth across Europe looks subdued, figures released by the European Central Bank (ECB) indicate. Last Thursday, the ECB cut interest rates for a third time in a row, citing falling inflation as justification. At the same time, however, the central bank dropped its forecast for Eurozone growth next year to 1.1%, down from the 1.3% it had expected in September. ECB President Christine Lagarde cautioned that Europe's economic recovery depended on consumers spending more and businesses increasing their investments.

Here to help

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