

## News in Review

12 February 2025

*“Low and stable inflation is the foundation of a healthy economy”*



**In their latest meeting on 6 February, the Monetary Policy Committee (MPC) voted by a 7 to 2 majority to cut Bank Rate by 0.25 percentage points to 4.5%, in a widely expected move. The two dissenting voices wished to reduce Bank Rate by 0.5 percentage points to 4.25%.**

For the seven members favouring the reduction to 4.5% - the lowest level since June 2023 - the justification was based on ‘progress on disinflation in domestic prices and wages,’ according to the meetings minutes. However, inflation is proving more stubborn than hoped, with higher global energy costs expected to elevate headline CPI inflation to 3.7% in the third quarter of the year, before falling back to around the 2% target towards the end of 2027 – six months later than previously anticipated. According to the Bank of England (BoE), a ‘gradual and careful approach to the further withdrawal of monetary policy restraint’ is appropriate, based on the MPC’s evolving view of the inflationary outlook. The central bank said the impact of potential US tariffs over the coming months was unclear, but higher global tariffs were likely to impact inflation and result in even slower growth.

The meeting minutes revealed that the BoE has reduced its 2025 growth forecast for the UK economy to just 0.75% from its previous estimate of 1.5%. However, the growth predictions for both 2026 and 2027 were elevated to 1.5%, from the 1.25% previously predicted. Keir Starmer

commented on the reduced growth forecast, *“We were never going to turn this around in six or seven months - that just spurs us on.”*

Andrew Bailey, Bank of England Governor, commented on the outcome of the meeting, saying, *“We’ll be monitoring the UK economy and global developments very closely, and taking a gradual and careful approach to reducing rates further.”* He continued, *“Low and stable inflation is the foundation of a healthy economy and it’s the Bank of England’s job to ensure that.”*

Specifically on growth, the BoE Governor did say he felt the Autumn Budget had impacted, in particular the increase in employer’s National Insurance contributions from April, adding, *“There’s no question that the increase in the cost of employment does have an effect,”* feeding through into reduced confidence for both businesses and households.

Rachel Reeves said the reduction to Bank Rate was *“welcome news”* before adding that she was still *“not satisfied”* with the level of growth.

The next MPC meeting is scheduled for 20 March.

### **National Minimum Wage and National Living Wage increases confirmed**

Last week the government confirmed legislation for a new National Living Wage of £12.21, and a new National Minimum Wage of £10.00 per hour from April 2025. The 6.7% in the National Living Wage provides a pay boost of £1,400 for eligible

full-time workers. While the £1.40 per hour increase in the National Minimum Wage for 18-20-year-olds means eligible full-time younger workers will see their pay boosted by £2,500 a year.

Employment Rights Minister, Justin Madders, welcomed the legislation, saying, *“Economic growth only matters if working people are feeling the benefits. This will be a welcome pay bump for millions of workers who in turn will spend more in the real economy boosting our high streets.”*

### **Average house price hits record high**

The latest Halifax House Price Index showed that UK prices reached a record high in January, with the average property topping £299,138. Prices increased by 0.7% in the month, following a dip of -0.2% in December. Despite the annual growth figure easing slightly to 3.0%, down from 3.4% in December, Amanda Bryden, Head of Mortgages at Halifax, said the market was showing *“noteworthy”* resilience.

Northern Ireland maintains the strongest UK annual house price growth, up 5.9% in January, averaging £205,473. In England, the North East has the most robust annual property price growth, up 5.2%, with properties averaging £178,696. As anticipated, London stays on the top spot with the UK’s highest average house price, at £548,288, up 2.8% year-on-year.

### **Here to help**

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