

News in Review

19 February 2025

"I'm still not satisfied with the level of growth that our economy is achieving"



The latest UK growth data from the Office for National Statistics (ONS) shows the economy grew by 0.1% in the fourth quarter of last year, exceeding expectations. A Reuters poll of economists had forecast that gross domestic product (GDP) would shrink by 0.1% in the period.

The main contributor to GDP growth was the service sector, expanding by 0.4% in December, following growth of 0.2% the previous month. Production output grew by 0.5% in December 2024, while construction output fell by 0.2%.

Despite the small uptick, the economy is still in challenging territory. Chancellor Rachel Reeves commented on the data, *"The growth numbers have come in higher than many expected, but I'm still not satisfied with the level of growth that our economy is achieving."* She continued, *"I am determined to go further and faster in delivering the economic growth and the improvements in living standards that our country deserves."*

After the Bank of England reduced growth estimates for the year to just 0.75% from 1.5%, warnings are intensifying that the increase in employers' National Insurance contributions, combined with the minimum wage increase announced during the Autumn Budget, are likely to result in many businesses cutting jobs and elevating prices.

Mel Stride, the Shadow Chancellor, said the Autumn Budget is *"killing growth"* with businesses and working people *"already paying for her choices."*

It is widely anticipated that during the Spring Forecast on 26 March, the Office

for Budget Responsibility (OBR) will also reveal downgrades to growth forecasts.

A "positive near-term outlook" for housing sales

Although the new UK Residential Survey from the Royal Institution of Chartered Surveyors (RICS) showed that growth in new buyer enquiries and agreed sales both weakened in January, survey respondents are optimistic about sales and house prices in the coming months. The RICS house price balance - which measures the difference between respondents reporting price increases and those noting falls - declined in January to +22 from +26 in December, despite a poll of economists having expected a reading of +27 in January.

Looking at the regional data, house prices continue to rise across the UK. The North West of England and Northern Ireland are experiencing the most robust growth, while price strength is least robust in the South East, and Yorkshire and the Humber.

RICS Head of Market Analytics, Tarrant Parsons, commented on the dataset, *"Growth in buyer demand lost a bit of momentum through the early part of the year, with this flatter picture likely linked to the turbulence seen across money markets in the first half of January."*

Looking ahead, Mr. Parsons said, *"Respondents continue to envisage a slightly positive near-term outlook for sales activity. This should be further supported by the unwinding of some of the pressures around mortgage interest rates over the past couple of weeks."*

Economists expect interest rate reductions and the increase in Stamp Duty from April will support the market.

First-time buyers on the up

Market analysis from Halifax has highlighted that in 2024 there was a 19% uptick in first-time buyers (FTBs), with 341,068 purchasing a home. The data shows, despite affordability challenges, FTBs make up the largest share of home purchases. Notably, those buying their first home made up over half (54%) of all home purchases made with a mortgage in 2024. The average FTB is aged 33, versus 31 ten years ago. The average deposit is £61,090.

Wages continue to outpace inflation

Average wages are continuing to outpace inflation according to official figures released by ONS on Tuesday. Without taking account of inflation, ONS said annual pay growth, excluding bonuses, was 5.9% from October to December 2024. Earnings growth for the private sector was 6.2%, while for the public sector it was 4.7%.

When taking inflation into account, pay rose by 3.4% between October and December compared with the same period in 2023.

The data release showed that the UK's unemployment rate remained unchanged at 4.4%, although ONS has advised that its jobs figures should be treated with caution because of low response rates to its employment survey.

Here to help

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

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

All details are correct at time of writing (19 February 2025)