

## Economic Review

December 2024

### Headline inflation at eight-month high

**Release of the latest inflation statistics showed consumer prices are now rising at their fastest rate since March 2024, while last month also saw Bank of England (BoE) policymakers become more divided over the need to cut interest rates.**

Data published by the Office for National Statistics (ONS) showed the Consumer Prices Index (CPI) 12-month rate – which compares prices in the current month with the same period a year earlier – rose from 2.3% in October to 2.6% in November. ONS said the rise was primarily driven by an increase in motor fuel and clothing prices, which was only partially offset by a drop in air fares.

November's CPI rise was, though, in line with expectations expressed in a Reuters poll of economists. Additionally, there was some relief in relation to underlying price pressures, with services inflation – a measure closely monitored by the BoE – remaining unchanged at 5.0%.

The latest decision of the BoE's interest-rate setting body was announced a day after the inflation release, with the nine-member Monetary Policy Committee (MPC) voting by a 6-3 majority to maintain Bank Rate at 4.75%. The three dissenting voices each preferred an immediate 0.25 percentage point reduction in order to boost growth, but the six-strong majority, which included BoE Governor Andrew Bailey, expressed concern about wage growth and 'inflation persistence.'

Commenting after announcing the Committee's decision, Mr Bailey said he still believed the path for interest rates was "downwards." However, he added, "We think a gradual approach to future interest rate cuts remains right, but with the heightened uncertainty in the economy we can't commit to when or by how much we will cut rates in the coming year."

The next MPC meeting is scheduled for early next month, with the outcome of the Committee's deliberations due to be announced on 6 February.



### UK economy has 'largely stalled'

**Figures released last month by ONS showed the UK economy shrank for a second successive month in October, while more recent survey evidence suggests it remained 'largely stalled' as 2024 drew to an end.**

The latest official monthly gross domestic product (GDP) statistics revealed that economic output declined by 0.1% in October, defying analysts' expectations for a small monthly expansion. October's decline followed a similar-sized contraction in September and represents the first consecutive monthly drop in GDP since March and April 2020.

Revised data subsequently released by ONS also revealed that the economy performed worse than previously thought during earlier parts of last year. The updated statistics showed a growth rate of 0.4% across the second quarter, down from a previously published figure of 0.5%, while the economy is now estimated to have produced zero growth in the third quarter of 2024, down from an initial estimate of 0.1%.

The current economic malaise was also highlighted in updated growth projections published last month by the BoE. The Bank now estimates the UK will have seen no growth during the final three months of 2024.

Preliminary data from the latest S&P Global/CIPS UK Purchasing Managers' Index (PMI) also points to a loss of economic momentum. While December's flash headline growth indicator did remain at November's 50.5 level, this left the Index only marginally above the 50.0 no change threshold.

S&P Global Market Intelligence's Chief Business Economist Chris Williamson said, "The flash PMI data for December indicate the UK economy remained largely stalled at the end of 2024. New orders fell in December for the first time in over a year, reflecting a deterioration in demand as a deepening downturn in manufacturing shows growing signs of spreading to the services economy."

**Although most major indices closed 2024 higher year-on-year, trading at month end was mixed.**








US markets outperformed Europe in 2024. In the US, major indices registered double-digit annual gains, supported by interest rate cuts, Trump's return to the White House and enthusiasm for AI. The Dow closed the year over 12% higher on 42,544.22, while the tech-orientated NASDAQ closed the year up over 28% on 19,310.79.

Meanwhile, the Euro Stoxx 50 closed the year over 8% higher on 4,895.98. In Japan, the Nikkei 225 ended the year on 39,894.54, gaining over 19% in 2024, despite retreating on the last trading day of the year from a five-month high reached the previous session.

In the UK, the blue-chip FTSE 100 index closed December on 8,173.02, a gain of just under 6% for 2024 as a whole, locking in gains for a fourth straight year. The domestically focused FTSE 250 closed the year just under 5% higher on 20,622.61, while the FTSE AIM closed on 719.63, a loss of over 5% in the year.

On the foreign exchanges, the euro closed the month at €1.20 against sterling. The US dollar closed at \$1.25 against sterling and at \$1.03 against the euro.

Gold closed the year trading around \$2,637 a troy ounce, an annual gain of over 26%, its strongest since 2010.

Index	Value		% Movement (since 29/11/24)
	Value (31/12/24)		
 FTSE 100	8,173.02	▼	-1.38%
 FTSE 250	20,622.61	▼	-0.72%
 FTSE AIM	719.63	▼	-1.76%
 EURO STOXX 50	4,895.98	▲	+1.91%
 NASDAQ COMPOSITE	19,310.79	▲	+0.48%
 DOW JONES	42,544.22	▼	-5.27%
 NIKKEI 225	39,894.54*	▲	+4.41%

\*Closing value 30/12/24 (market was closed 31/12/24)

The price was supported by various factors including central bank reserve purchases and rising geopolitical tensions, prompting investors to seek safe haven assets. Brent crude closed the year trading at around \$74 a barrel, an annual loss of over 2%. At year end, robust economic data from China and a weakening US dollar supported the oil price.

**Retail sales post small November rise**

**Official retail sales data released last month showed a small rise in sales volumes during November, although more recent survey evidence continues to show a tough retail environment despite another modest rise in consumer sentiment.**

Figures released last month by ONS revealed that retail sales volumes rose by 0.2% in November. While this did represent a bounce back from October's 0.7% decline, the figure was below economists' expectations and left sales in the three months to November up by only 0.3%, the weakest performance according to this measure since the three months to June 2024.

Evidence from the recently released CBI Distributive Trades Survey also suggests retailers had a relatively weak run-up to Christmas. The CBI said retailers had 'endured a gloomy festive period' and looking ahead, they expected 'sales to fall again in January' with wholesalers and motor traders 'braced for sharper sales declines.'

Data from GfK's latest consumer confidence index, however, did offer the retail sector some hope for the new year, with the long-running survey showing households becoming modestly more cheery about their finances for the year ahead. Overall, December's headline sentiment figure rose to -17 from -18 in November, lifting consumer morale to a four-month high.

**Wage growth surprise: vacancies fall again**

**The latest batch of labour market statistics revealed a surprise pick-up in pay growth as well as a fall in both the level of job vacancies and the number of staff on payrolls.**

According to the latest ONS data, average weekly earnings excluding bonuses rose at an annual rate of 5.2% in the three months to October 2024; this was up from 4.9% across the preceding three-month period and higher than a consensus forecast of 5.0% from a Reuters poll of economists. ONS Director of Statistics Liz McKeown commented, "After slowing steadily for over a year, growth in pay excluding bonuses increased slightly in the latest period driven by stronger growth in private sector pay."

Job vacancies, however, fell once again, with 31,000 fewer reported in the September–November period compared to the previous three months. The latest release also revealed a drop in the number of people on payrolls, with provisional data indicating a 35,000 decline in November.

Last month, Reed Chief Executive Officer, James Reed, also noted that his firm had seen a "significant decline" in the number of jobs being advertised, while a number of surveys highlighted a slowdown in recruitment activity in the face of rising employers' National Insurance Contributions.

All details are correct at the time of writing (2 January 2025)

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