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## News in Review

17 January 2024

*"The longer-term picture remains one of an economy that has shown little growth over the last year"*



**New data from the Office for National Statistics (ONS) has revealed that UK GDP is estimated to have grown by 0.3% in November 2023, this follows a fall of 0.3% in the previous month, and just exceeds a Reuters poll of economists who forecast growth of 0.2% in the month.**

The figures show that the main contributors to growth came from the services sector, which increased by 0.4% in November, with production output contributing 0.3% in the month. Growth in the services sector was boosted by retail sales, as people stocked up on Christmas goods, with Black Friday helping to shore-up sales. Meanwhile, construction output provided a drag, reducing by 0.2% in November.

Chief Economist at ONS, Grant Fitzner said the economic growth in November was supported by *"strong retail sales but also car leasing, computer games and fewer strikes than we've seen in previous months. We have had quite a number of companies telling us they saw strong Black Friday sales which had a positive impact not just on the retail sector but also warehousing, couriers and some manufacturing sectors."* Mr Fitzner went on to caution that *"the longer-term picture remains one of an economy that has shown little growth over the last year."*

The quarterly data shows that GDP is estimated to have fallen by 0.2% to November 2023, 0.1% higher than the decline expected by the Reuters poll. The Q4 2023 GDP reading is due in February. If this is a negative reading, the UK would be in what's termed a *'technical recession'*,

defined by two consecutive quarters of GDP contraction.

On assessing that data, Research Director at the Resolution Foundation, James Smith concluded that the stronger-than-expected growth in November provides the UK with *"a fighting chance"* of avoiding recession, adding, *"the final verdict on 2023 will come next month, but it is essential that Britain builds some economic momentum in 2024."*

Last week, Andrew Bailey, Governor of the Bank of England (BoE) cited further *"global shocks"* as a prime threat to the UK economy, as fresh concerns emerged over the supply of oil following the disruption and conflict on critical Red Sea shipping routes through the Suez Canal. When speaking to MPs on the Treasury Select Committee, Mr Bailey confirmed that the BoE was monitoring the situation closely, which had arisen following an escalation in attacks by Iran-backed Houthi rebels on container ships.

### Global economy

According to the World Bank's latest bi-annual *'Global Economic Prospects'* report released last week, the global economy is *'set for the weakest half decade of GDP growth in 30 years.'* Following growth of 6% in 2021 as the global economy reopened following the depths of the pandemic, the Bank said the growth rate eased back to 3% in 2022 and to an estimated 2.6% in 2023. Estimated growth in 2023 was supported by US economic resilience, according to the Bank, with the risk of a global recession receding, *'largely because of the strength of the US economy.'*

Looking ahead, a growth rate of 2.4% is expected this year, the weakest level of growth since the 2008/9 financial crisis. Higher interest rates have been a key factor contributing to this slowing, and *'mounting geopolitical tensions'* cloud the horizon of the global economy. In 2024, the World Bank estimate advanced economies will expand by 1.2%, with developing and emerging market economies growing by 3.9%.

### Mortgage product choice on the rise

The recent UK Mortgage Trends Treasury report from Moneyfacts details that total mortgage products (all LTVs) have increased by over 200 products month-on-month (December 2023 to January 2024). Average rates on both two and five-year fixed mortgages have fallen for a fifth consecutive month, and now reside at their lowest level in over six months. In addition, the average shelf-life of a mortgage product has increased to 21 days, this is the highest figure since last June (22 days).

### Jobs market

Released on Tuesday, UK labour market data from ONS has shown that between October and December, the estimated number of vacancies in the UK fell by 49,000, representing the longest consecutive run of quarterly falls ever recorded. However, vacancies remain above levels seen before the pandemic.

### 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 (17 January 2024)***