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News in Review

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"Britain looks to be out of recession already"

New UK growth statistics released from the Office for National Statistics (ONS) last week showed that monthly real gross domestic product (GDP) is estimated to have increased by 0.2% in January, following a 0.1% contraction in December.

Main contributors to growth in the month were services output and construction, which grew by 0.2% and 1.1% respectively, while production output was one area of detraction, falling 0.2% in January. At 1.1%, construction output saw its largest monthly rise since June last year, supported by a 2.6% rise in private sector house building, which had previously been subdued by elevated interest rates.

After the recent news that the UK was in a technical recession, following GDP contractions of 0.3% in Q4 of 2023 and 0.1% in Q3, this new data provides a glimmer of hope for a more positive start to the year. Research Director at the Resolution Foundation, James Smith, commented, *"Britain looks to be out of recession already, with strong retail sales helping the economy to grow in January and recent PMI data suggesting that momentum has continued into February."*

However, he went on to caution, *"Britain is far from ending its period of prolonged stagnation, with the economy yet to return to its pre-pandemic size on a per person basis. Ending stagnation will require sustained productivity improvements, greater investment and a far stronger export performance."*

US inflation ticks higher

Last week, February consumer price index data released from the US Labor Department showed overall prices increased by 3.2% year-on-year, a slight elevation from the 3.1% figure recorded in January. From a monthly perspective, costs increased by 0.4% in February, following a 0.3% gain the previous month. Main contributors to the monthly increase were rising fuel and housing costs, while food prices remained flat. Since the Federal Reserve started increasing borrowing costs in 2022, inflation has slowed considerably. In a key election year, it is anticipated the Fed will start cutting interest rates as the year progresses.

Surge in mortgage arrears

Key points from The Bank of England's Mortgage Lenders and Administrators Statistics report for Q4 2023 have shown that *'the value of outstanding mortgage balances with arrears increased by 9.2% from the previous quarter, to £20.3bn.'* This represents a massive 50.3% increase year-on-year, bringing the proportion of total loan values with arrears (relative to all outstanding mortgage balances) to 1.23%, an increase from 1.12% in the previous quarter, and the highest percentage in over 7 years (Q4 2016).

Housing demand returning

The Royal Institution of Chartered Surveyors (RICS) latest survey of the residential property market has highlighted a more positive trend in buyer enquiries and new listings, with sales modestly picking up in the near-term, with expectations that they will gain further momentum over the coming months. Within the survey, the new buyer enquiries indicator registered a net balance of +6% in February, replicating the January uptick. This *'second successive reading in positive territory... continues to signal an upward trend in buyer demand,'* according to RICS, who add, *'When disaggregated, most parts of the UK have seen a recovery in buyer enquiries over the past two months.'* The report shows a continuation in the stabilisation of house prices, with one-year projections indicating a return to growth.

Latest labour statistics

ONS data has shown the UK economic inactivity rate for the three months to January 2024 was recorded at 21.8%, increasing in the latest quarter, and marginally higher year-on-year. Looking closely at the data, a total of 9.2 million people aged between 16 and 64 are not currently in work or seeking employment, over 700,000 higher than prior to the pandemic. A prime reason for inactivity is rated as long-term illness, attributed to a third of working-age inactivity. Other groups include those with disabilities, discouraged workers and early retirees.

Here to help

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