

# United Kingdom

In Q4 2024, UK growth remained modest (+0.1%; ► [Figure 1](#)), thus confirming the slowdown observed since mid-2024. This near stagnation is mainly due to sluggish domestic demand, which made no contribution to GDP over the quarter. Household consumption did not grow, corporate investment declined (-3.2%) and residential investment rebounded slightly (+0.6% after -2.1% in Q3). Domestic demand has received some public support, however, with public sector consumption and investment increasing by +0.6% and +3.9% respectively over the quarter. Exports fell back for the third consecutive quarter (-2.5%), while imports increased (+2.1%), leading to a significantly negative contribution to GDP growth by foreign trade (-1.4 points), broadly offset by inventory growth (+1.5 points).

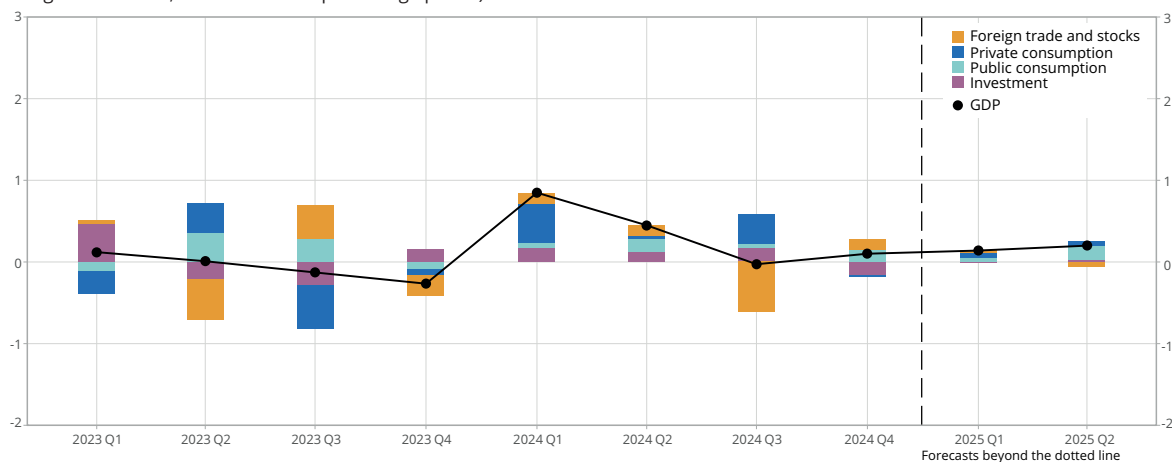
For Q1 2025, activity indicators based on surveys of businesses in the Confederation of British Industry (CBI), such as the household confidence survey, were in decline in January and rebounded only very slightly in February, reflecting concerns about the economic future (► [Figure 2](#)). Similarly, in February, the PMI for the manufacturing industry and the composite PMI both weakened (46.9 and 50.5 respectively). The companies interviewed attributed the slowdown in activity to high interest rates, economic uncertainty and the drop in confidence resulting from the autumn budget. Thus, over the first part of the year, activity is expected to increase by +0.1% in Q1 and +0.2% in Q2.

Inflation rose significantly in January (+3.0% after +2.5% in December), mainly due to higher transport prices and the application of VAT to private schools, as announced in the autumn budget. It is expected to continue to rise to 3.7% in Q2. On the one hand, energy prices look set to rise again as part of the increase in price caps set out by the regulatory body (Ofgem). On the other hand, core inflation, which was at +3.7% year on year in January, is expected to remain at this level, supported by the new increase in the minimum wage (+6.7%) and the increase in employer contributions planned for April.

Growth in employment is expected to be sluggish (+0.1% over Q1 and zero in Q2), in line with activity. As a result, although wages remain dynamic (annual wage growth excluding bonuses reached +5.9% in December), household purchasing power is likely to stagnate in Q1 2025 before falling back in the spring (-0.2%), and private consumption looks set to remain sluggish (+0.1% per quarter). Corporate investment is expected to continue to contract (-0.3% per quarter), in a context of depleting margins. Conversely, the beginning of a decline in interest rates looks set to favour the recovery of residential investment, as hinted at by the improvement in past housing starts. The main support for activity would still be public demand, which should accelerate in Q2 as the new budget comes into force.

## ► 1. UK activity is expected to remain sluggish in H1 2025

(quarterly change in GDP in %, contributions in percentage points)



**Last point:** Q2 2025 (forecast from Q1 2025).

**How to read it:** in Q4 2024, GDP grew by 0.1% and investment contributed -0.2 points to this increase.

**Source:** ONS, INSEE calculations.

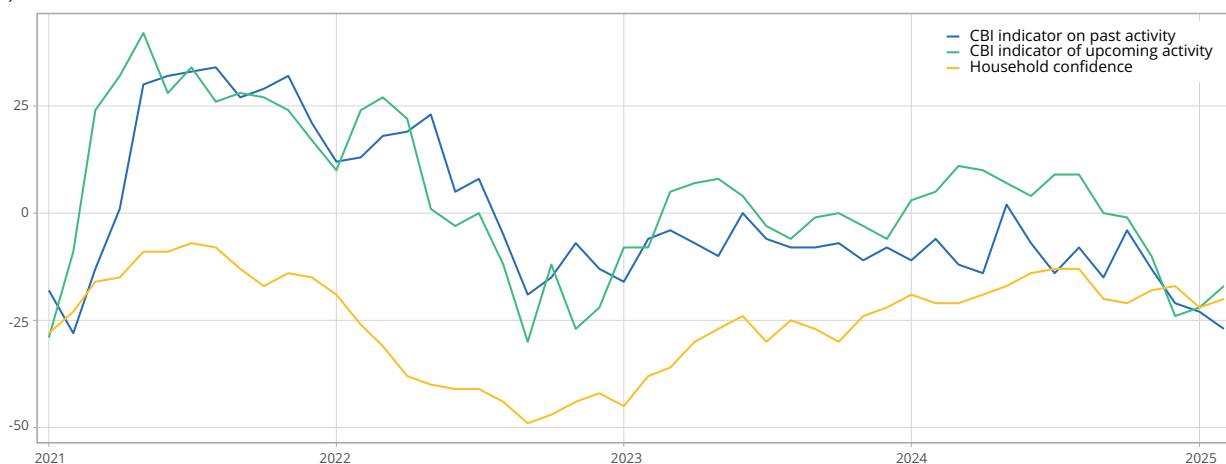
## International economic outlook

Concerning foreign trade, the United Kingdom is expected to continue to lose market share: exports are likely to increase at a slower rate than world demand for UK products, while imports will receive only weak support from domestic demand. All in all, the contribution of foreign trade to growth is set to be zero in H1 2025.

The mid-year growth overhang for 2025 is expected to be +0.5%, after annual growth of +0.9% in 2024. ●

### ► 2. Economic indicators are not promising

(in level)



**Last point:** in February 2025.

**Note:** the CBI Growth Indicator is based on a monthly survey of UK industrialists, analysing their past and future performance. The household confidence indicator is constructed by the GfK institute from households' responses to survey questions on their financial situation over the last 12 months and how they envisage this situation over the coming year.

**How to read it:** in February, the CBI indicator on future activity was -17 and the household confidence index was also -20.

**Source:** Confederation of British Industry (CBI), GfK.