

Economic Update



Release date : 26 November 2018

Economic update - November 2018

Key data highlights:

October saw inflation remain at 2.4 per cent, reducing the likelihood of a Bank Rate rise from 0.75 per cent. Consumers remain wary of their day-to-day finances with sentiment falling slightly even with higher employment and real wage growth. The alternative measure of inflation containing owner-occupiers' housing costs - owning, maintaining and living in one's own home and Council Tax (CPIH, 2.2 per cent) shows that utility bills have become the largest contributor to the housing component of the index, reflecting lower disposable income.

The new monthly GDP figures showed growth of 0.6 per cent in the three months to September, with the services sector the largest contributor (0.4 per cent), followed by construction (0.13 per cent). Quarter 3 saw an increase in growth driven by the manufacture of transport equipment businesses as more goods were exported.

The UK business landscape continues to show uncertainty around the Brexit negotiations. After three consecutive quarterly increases in 2017, business investment has stalled in 2018. In quarter 2 it was 0.7 per cent lower than in quarter 1 and 0.2 per cent lower than a year earlier. Expenditure on transport equipment was the largest negative contribution, only partly offset by small increases in ICT equipment and other machinery.

Notes to Editor

1 For more information please call the [UK Finance press office on 020 7416 6750](tel:02074166750) or e-mail press@ukfinance.org.uk.

2 UK Finance is the trade association formed on 1 July 2017 to represent the banking and finance industry operating in the UK. It represents more than 250 firms in the UK providing credit, banking, markets and payment-related services. The organisation brings together most of the activities previously carried out by the Asset Based Finance Association, the British Bankers' Association, the Council of Mortgage Lenders, Financial Fraud Action UK, Payments UK and the UK Cards Association.

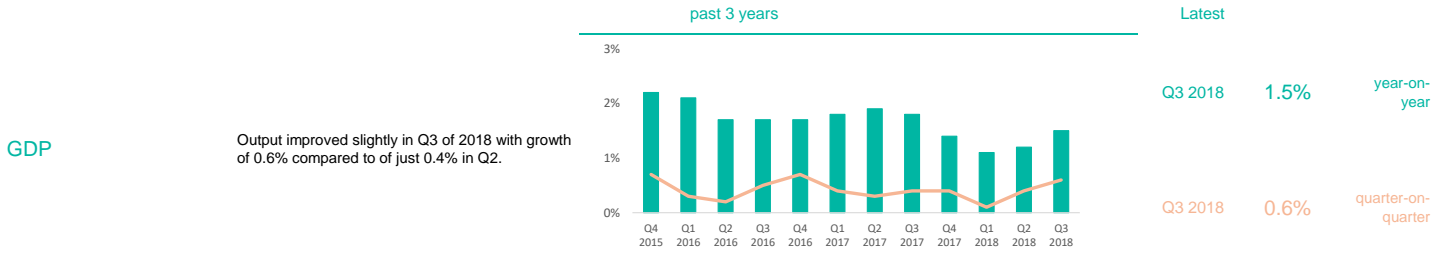
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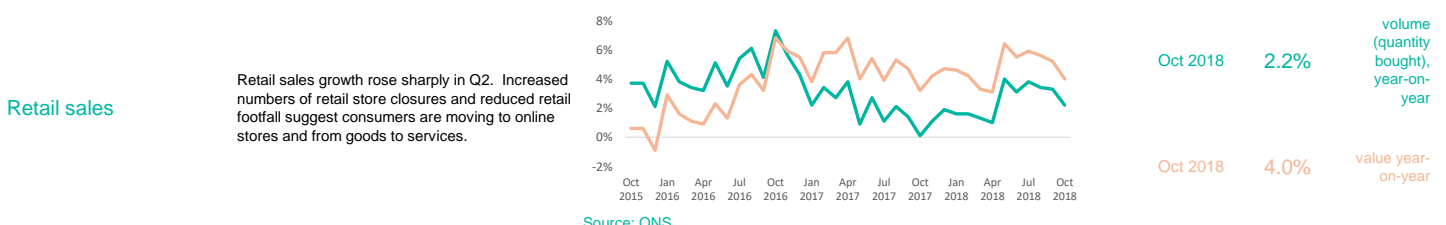
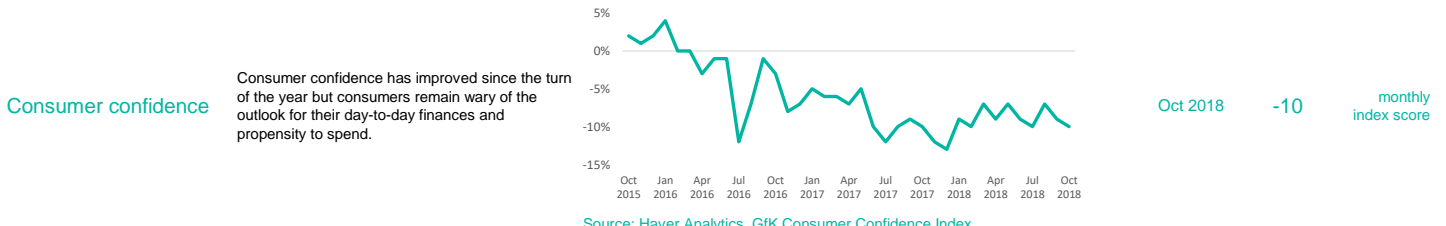
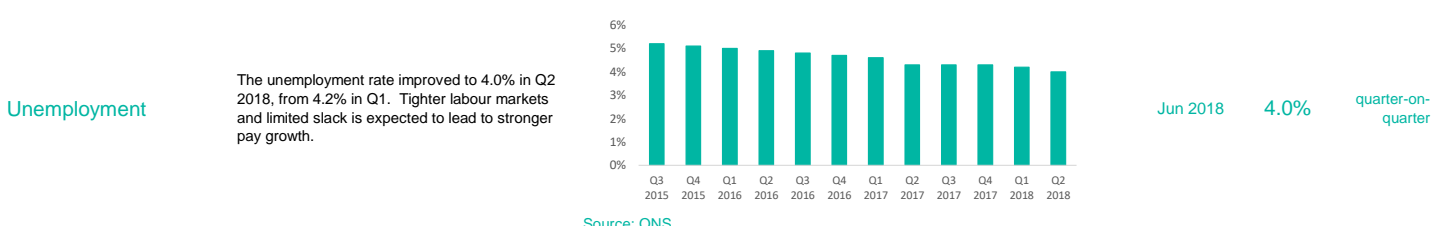
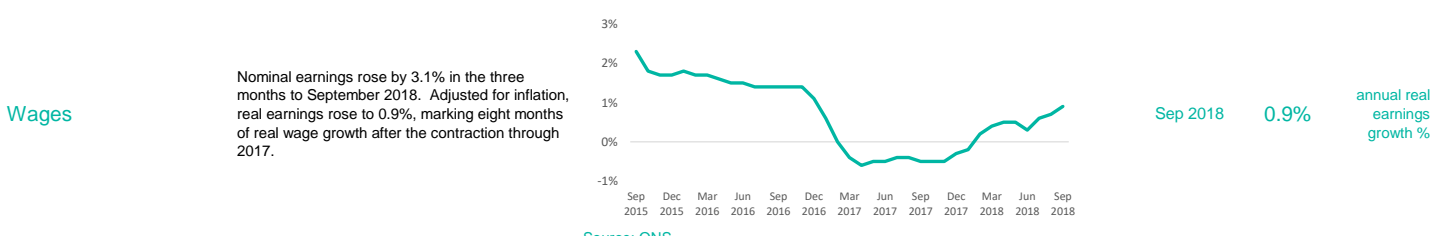
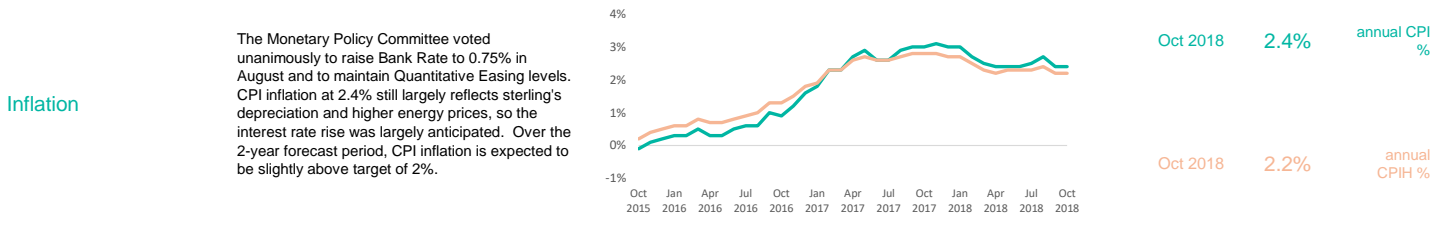
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Source: ONS

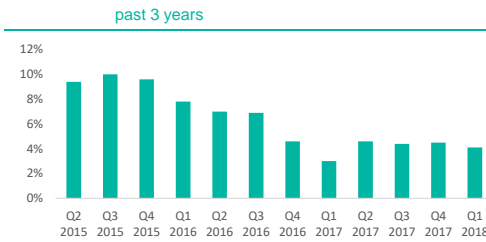


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Household savings ratio

Stable post-tax income combined with rising consumption has led to a steady decline in the saving ratio since 2015.



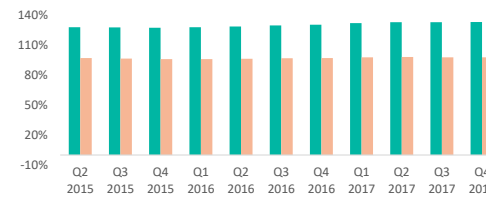
Latest

Q1 2018 4.1% household ratio (%), quarterly

Source: ONS

Household debt

In Q4 2017, household debt reached 133% of disposable income, 98% of which comprised of mortgage debt. Household borrowing and debt servicing costs, influenced by inflation, are outpacing real earnings growth, giving downward pressure on the savings ratio.



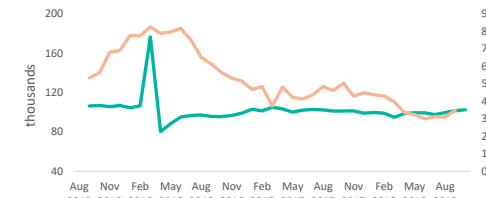
Q4 2017 133.2% household debt to income (%), quarterly

Q4 2017 97.8% of which mortgages (%), quarterly

Source: Haver Analytics, Bank of England

Property transactions and house prices

The number of property transactions completed in the UK, with a value of £40,000 or above has been stable through 2018 with a monthly average of 99,300. Annual UK house price inflation has been slowing through the year and the current rate stands at 3.5%.



Oct 2018 102,530 Residential property transactions over £40,000 GBP

Sep 2018 3.5% annual house price rates of change, %

Source: Haver Analytics, Land Registry, ONS

Business confidence

Business confidence, measured by average of business prospects and economic optimism, was slightly higher in August. Nearly half of firms were more optimistic about the economy than they were at the start of the year.

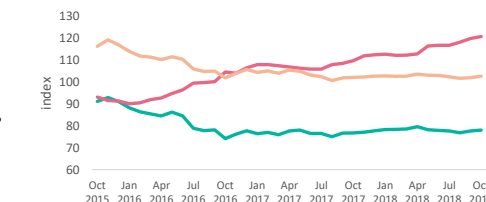


Oct 2018 42.0% business confidence, monthly, up (%)

Source: Haver Analytics, Lloyds Business Barometer

Sterling exchange rate and producer prices

Depreciation of sterling following the referendum vote in 2016 raised the cost of imports and pushed up inflation. Input PPI value increased to 120.8 in October, with producer price inflation rising to 1.7%.



Oct 2018 78.1 broad exchange rate index, monthly

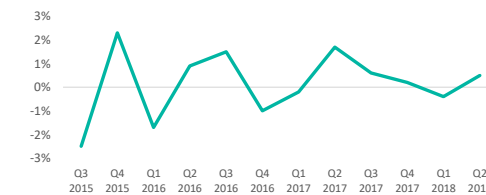
Oct 2018 € 1.13 EUR/GBP, monthly average

Oct 2018 120.8 input PPI, monthly

Source: Haver Analytics, ONS

Business investment

After falling by 0.4% in Q1 2018 business investment grew by 0.5% in Q2 2018. The expectation is that real investment for the long term will continue at a muted pace, as businesses remain in a 'wait-and-see' mode until there is a clearer outcome from the Brexit negotiations.



Q2 2018 0.5% quarter-on-quarter % growth

Source: ONS

Company insolvencies

There were a total of 4,308 company insolvencies in Q3 2018 in England and Wales. Total company insolvencies fell by 4% compared to Q1 2018. Following changes to claimable expense rules the number of companies entering insolvency in Q1 2018 increased by 12.3% when compared with the same quarter in 2017.



Q3 2018 4,308 quarterly totals

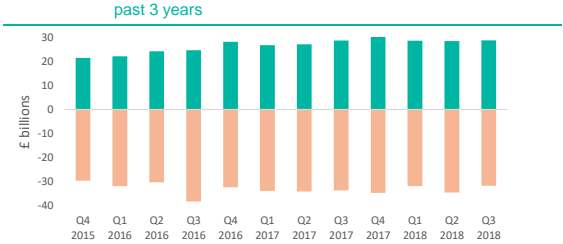
Source: The Insolvency Service

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Trade in goods & services

The total UK trade deficit narrowed by £3.2bn to £2.9bn in the three months to September 2018.



Latest

Q3 2018 £28.9 bn Services balance, three-month on three-month

Q3 2018 -£31.9 bn Goods balance, three-month on three-month

Source: ONS

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		Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18
Inflation	annual CPI	3.0%	3.1%	3.0%	3.0%	2.7%	2.5%	2.4%	2.4%	2.4%	2.5%	2.7%	2.4%	2.4%
	annual CPIH	2.8%	2.8%	2.7%	2.7%	2.5%	2.3%	2.2%	2.3%	2.3%	2.3%	2.4%	2.2%	2.2%
Wages	annual real earnings growth	-0.5%	-0.5%	-0.3%	-0.2%	0.2%	0.4%	0.5%	0.5%	0.3%	0.6%	0.7%	0.9%	
Consumer confidence	monthly	-10	-12	-13	-9	-10	-7	-9	-7	-9	-10	-7	-9	-10
Retail sales	volume (quantity bought), month on same month previous year	0.1%	1.1%	1.9%	1.6%	1.6%	1.3%	1.0%	4.0%	3.1%	3.8%	3.4%	3.3%	2.2%
	value (month on same month previous year)	3.2%	4.2%	4.7%	4.6%	4.2%	3.3%	3.1%	6.4%	5.5%	5.9%	5.6%	5.2%	4.0%
Property transactions and house prices	Residential property transactions over £40,000 GBP	101,200	101,380	99,060	99,700	99,090	94,890	98,700	99,510	99,450	97,550	99,550	101,620	102,530
	annual house price rates of change, %	5.0%	4.3%	4.5%	4.4%	4.3%	4.0%	3.4%	3.2%	3.0%	3.1%	3.1%	3.5%	
Business confidence	monthly	42.0%	45.0%	45.0%	50.0%	47.0%	48.0%	48.0%	51.0%	46.0%	46.0%	44.0%	47.0%	42.0%
Sterling exchange rate and producer prices	broad exchange rate index, monthly	76.8	77.1	77.8	78.3	78.4	78.6	79.7	78.2	77.9	77.6	76.9	77.7	78.1
	EUR/GBP, monthly average	1.12	1.13	1.13	1.13	1.13	1.13	1.15	1.14	1.14	1.13	1.12	1.12	1.13
	input PPI, monthly	109.8	112.0	112.5	112.7	112.2	112.3	112.9	116.5	116.8	116.8	118.2	119.9	120.8

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	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	
GDP	quarter-on-year	2.4%	2.1%	2.2%	2.1%	1.7%	1.7%	1.7%	1.8%	1.9%	1.8%	1.4%	1.1%	1.2%	1.5%
	quarter-on-quarter	0.6%	0.4%	0.7%	0.3%	0.2%	0.5%	0.7%	0.4%	0.3%	0.4%	0.4%	0.1%	0.4%	0.6%
Unemployment	quarter-on-quarter	5.5%	5.2%	5.1%	5.0%	4.9%	4.8%	4.7%	4.6%	4.3%	4.3%	4.3%	4.2%	4.0%	
Household savings ratio	quarterly %	9.4%	10.0%	9.6%	7.8%	7.0%	6.9%	4.6%	3.0%	4.6%	4.4%	4.5%	4.1%		
Household debt	household debt to income (%), quarterly	128.0%	127.8%	127.6%	128.0%	128.8%	129.8%	130.6%	132.2%	133.1%	133.1%	133.2%			
	of which mortgages (%), quarterly	97.1%	96.6%	96.1%	96.2%	96.5%	96.9%	97.2%	97.8%	98.2%	97.9%	97.8%			
Business investment	quarter-on-quarter % growth	-0.1%	-2.5%	2.3%	-1.7%	0.9%	1.5%	-1.0%	-0.2%	1.7%	0.6%	0.2%	-0.4%	0.5%	
Company insolvencies	quarterly totals	3,796	3,536	3,567	3,677	3,633	3,591	5,519	3,996	3,518	5,290	4,515	4,471	4,049	4,308
Trade in goods and services	services balance, three-month on three-month	£21.0 bn	£20.6 bn	£21.6 bn	£22.3 bn	£24.3 bn	£24.8 bn	£28.3 bn	£26.9 bn	£27.2 bn	£28.9 bn	£31.3 bn	£28.8 bn	£28.6 bn	£28.9 bn
	goods balance, three-month on three-month	-£26.8 bn	-£28.8 bn	-£29.8 bn	-£32.0 bn	-£30.5 bn	-£38.5 bn	-£32.5 bn	-£34.1 bn	-£34.3 bn	-£33.8 bn	-£34.9 bn	-£32.1 bn	-£34.7 bn	-£31.9 bn

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