

Article

# Quarterly economic commentary: April to June 2024

Economic commentary for the latest quarterly national accounts, prices and labour market indicators.

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# 1 . Main points

- Gross domestic product (GDP) increased by 0.5% in Quarter 2 (Apr to June) 2024, with real GDP per head also seeing positive growth (0.2%) for a second consecutive quarter.
- The UK current account deficit (excluding precious metals) widened to 3.2% of GDP in Quarter 2 2024, mainly led by a higher deficit in goods trade.
- There was a further cooling in labour demand in Quarter 2, as vacancies continued to decrease and employment growth moderated, though the labour market remains tight overall.
- Annual growth in regular earnings was 5.1% in the three-month period from April to June 2024, following the peak of 7.9% in mid-2023.
- Headline 12-month consumer price inflation (CPI) was 2.2% in August 2024, while the annual rate of core inflation was 3.6%, down from its peak of 7.1% last spring.

## 2 . National Accounts

There was an increase in output produced by the UK economy in Quarter 2 (Apr to June) 2024, as gross domestic product (GDP) increased by 0.5%, following a 0.7% increase in Quarter 1 (Jan to Mar). This growth in the first half of 2024 more than reversed the decline in output from the second half of 2023 as real GDP in Quarter 2 was 0.7% higher compared with the same quarter a year ago.

Real GDP per head is one proxy indicator for economic welfare. This increased by 0.2% in Quarter 2 and 0.5% in Quarter 1, following six consecutive quarters of either zero or negative growth. This still leaves GDP per head 0.3% lower than it was last year.

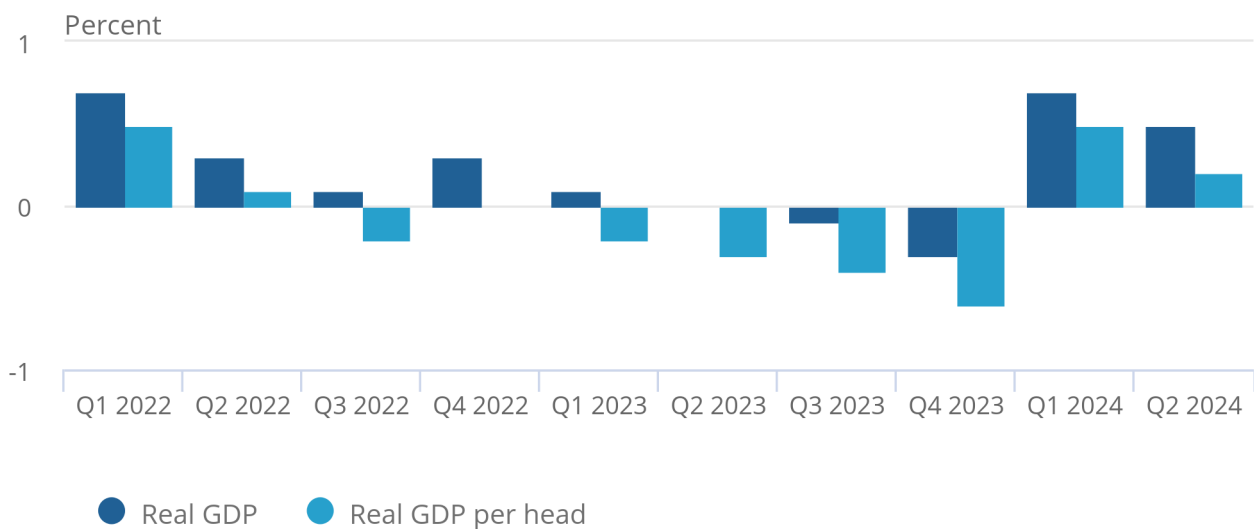
The timelier monthly GDP figures showed that output has slowed in recent months, with GDP estimated to have had little new growth since March.

### Figure 1: UK real GDP and real GDP per head returned to growth in 2024

Quarterly changes in real gross domestic product (GDP) and real GDP per head, 2022 to 2024

#### Figure 1: UK real GDP and real GDP per head returned to growth in 2024

Quarterly changes in real gross domestic product (GDP) and real GDP per head, 2022 to 2024



Source: Quarterly national accounts from the Office for National Statistics

Notes:

1. Percentage change on previous period.
2. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).
3. GDP per head is based on the chained volume measure. In line with National accounts revision policy, 2022 is consistent with mid-year population estimates as published on 15 July 2024. 2023 is now consistent with 2021-based interim population projection as published on 30 January 2024.

The volume of household expenditure increased by 0.2% in Quarter 2 and by 0.6% in Quarter 1, reversing the fall in spending from the second half of last year. Household spending is still lagging the recent increases in real household disposable income (RHDI), pushing up the saving ratio to 10% in Quarter 2 2024, where there might be intertemporal and precautionary savings motives. Further information about savings motives can be found in our [Households' finances and saving, UK: 2020 to 2024](#) article. Monthly retail sales figures in our [Retail sales, Great Britain: August 2024 bulletin](#) suggest that household spending had a solid start in Quarter 3 (July to Sept) 2024, as sales volumes rose by 1.0% in August following a rise 0.7% in July.

Private non-financial corporations (PNFC) increased their net borrowing in Quarter 2. This reflects some weakening in corporate incomes, as profit margins have been squeezed and gross operating surplus (GOS) declined from last year's peak. At the same time, firms increased their investment spending in recent quarters, recovering some of the weakening in capital expenditure from last year.

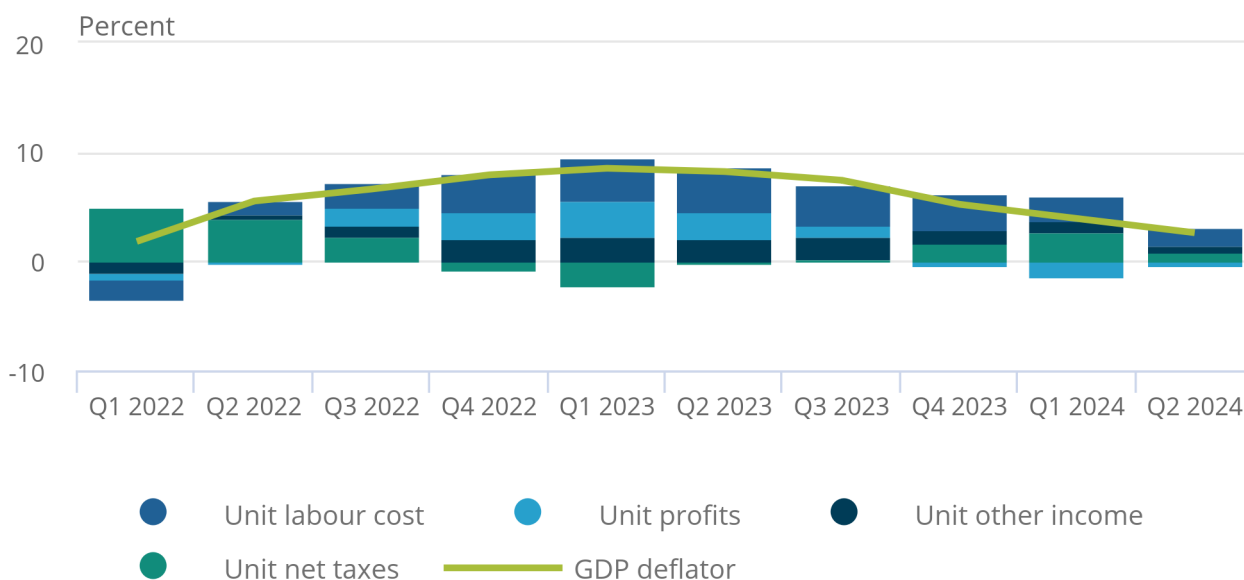
The decline in corporate income partly accounts for the slower rate of inflation of the implied GDP deflator, which increased by 2.6% in the year to Quarter 2, 2024. Figure 2 shows that the contribution of unit profits turned negative in the latest three quarters. This was partly attributed to base effects from energy subsidies which boosted GOS last year, but the underlying pace of unit profits has also slowed recently. Unit labour costs are still increasing, though also at a slower pace. More information about the GDP deflator as a measure of domestic inflation is included in our [The role of labour costs and profits in UK inflation: 2010 to 2023 article](#).

**Figure 2: The inflation rate of the implied price deflator for GDP has slowed**

Contributions to annual changes in the implied price of gross domestic product (GDP), 2022 to 2024

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Contributions to annual changes in the implied price of gross domestic product (GDP), 2022 to 2024



Source: Quarterly national accounts from the Office for National Statistics

**Notes:**

1. Unit labour costs are based on compensation of employees, which comprise wages and salaries, and employers' social contributions.
2. Unit profits are based on the gross operating surplus of corporations, excluding the alignment adjustment.
3. Other income includes mixed income and the operating surplus of non-corporations.
4. There is a residual that includes the statistical discrepancy and the alignment adjustment in recent quarters.
5. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

Public sector net borrowing excluding public sector banks (PSNB ex) was £13.7 billion in August 2024. This monthly borrowing was £3.3 billion higher than in August 2023 and the third highest August borrowing since monthly records began in January 1993. For the first five months of this financial year, PSNB ex was £64.1 billion, £0.3 billion more than in the same five-month period a year ago and £6.2 billion above the Office for Budget Responsibility March forecast, as published in our [Public sector finances, UK: August 2024 bulletin](#).

Public sector net debt excluding public sector banks (debt) was £2,768.0 billion at the end of August 2024, which is £175.2 billion more than at the end of August 2023. Debt was provisionally estimated at 100% of the UK's annual GDP and remains at levels last seen in the early 1960s.



### 3 . Balance of payments

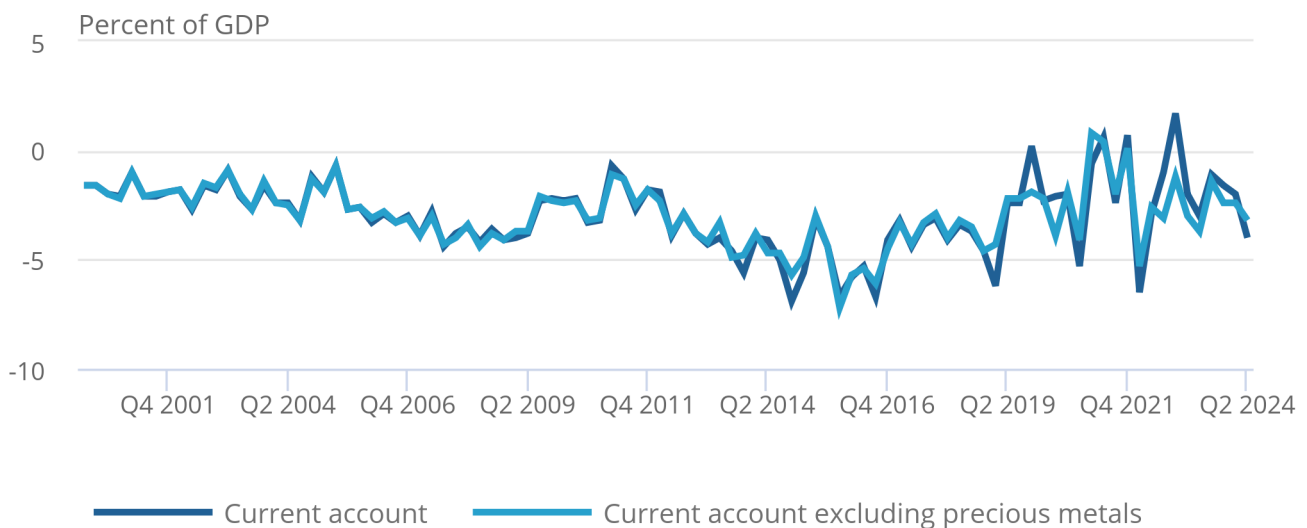
The UK was a net borrower from the rest of the world in Quarter 2 (Jan to Mar) 2024. The deficit in the current account excluding precious metals, which measures underlying trends in the UK's net borrowing position, was 3.2% of gross domestic product (GDP) in Quarter 2, a widening compared with the previous quarter when it was 2.4%. Including precious metals, the deficit was 4.0% of GDP. This widening in the underlying current account deficit in Quarter 2 was caused mainly by a higher deficit in goods trade, and partly offset by a higher services surplus.

**Figure 3: The UK current account deficit widened in recent quarters**

UK current account balance, percent of gross domestic product (GDP), 2000 to 2024

Figure 3: The UK current account deficit widened in recent quarters

UK current account balance, percent of gross domestic product (GDP), 2000 to 2024



Source: Quarterly national accounts from the Office for National Statistics

**Notes:**

1. The current account, excluding precious metals, is often used as an underlying measure. This is because movements in non-monetary gold, an important component of precious metals, can sometimes be large and highly volatile, distorting underlying trends in goods exports and imports.
2. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

The deficit in the primary income balance widened in Quarter 2, as income from UK investments abroad decreased while payments to foreign investors increased. The widening of the primary income deficit was mainly led by a decrease in net direct investment income for the second quarter in a row. This was partly offset by the narrowing of the deficit in secondary income in Quarter 2, mainly led by central government income flows during the same period.

On the financial account, the UK continues to see other investment inflows partly offset by net direct investment outflows, a broadly persistent trend since the coronavirus (COVID-19) pandemic though the net balances have recently narrowed. Portfolio investment and financial derivatives have been more volatile, which is common in times of large changes in global financial conditions, especially in cases of more liquid forms of capital such as debt or equity securities.



## 4 . Labour market

There are signs of the labour market continuing to cool during the second quarter of 2024. There has been a further decrease in labour demand, while nominal earnings inflation has continued to moderate.

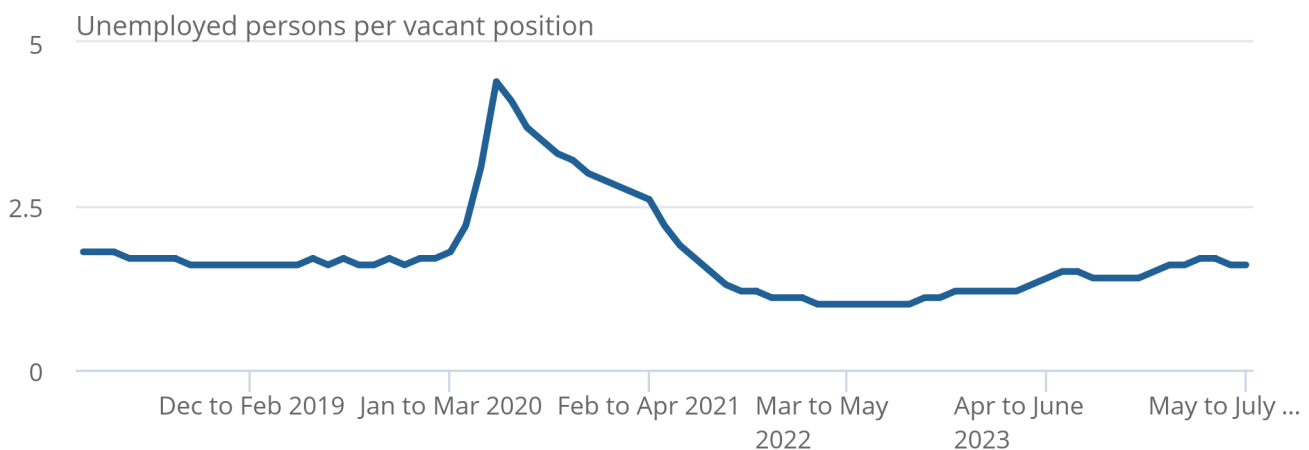
The ratio between the number of unemployed people and the number of job vacancies brings together the picture for labour supply and labour demand, giving an indication of the scarcity of available labour, relative to business demand for labour. Figure 4 shows that this ratio rose to its pre-coronavirus (COVID-19) pandemic position earlier in 2024 at 1.7 unemployed people per vacancy. In the latest period, the ratio was 1.6 unemployed people per job vacancy, following recent decreases in the unemployment level. A ratio at this level continues to indicate a tight labour market, where demand for labour is high relative to the available supply of labour.

### Figure 4: The ratio of unemployed people to vacancies continues to suggest a tight labour market

Number of unemployed people per vacancy, Jan to Mar 2018 to May to Jul 2024, UK, seasonally adjusted

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Number of unemployed people per vacancy, Jan to Mar 2018 to May to Jul 2024, UK, seasonally adjusted



Source: Vacancy Survey and Labour Force Survey from the Office for National Statistics

The number of payrolled employees has been relatively flat through the course of 2024, with 14,000 more payrolled employees recorded in July 2024 when compared with January 2024. The flash estimate for August indicates a decrease of 59,000 payrolled employees compared with July, though the flash estimate is subject to revision in subsequent months.

Given the tightness of the labour market, we continue to see relatively strong earnings inflation. There was an annual increase in regular earnings of 5.1% in the three months to July 2024. However, this rate of growth continues to slow, with the equivalent rate a year ago at 7.8%. External indicators such as the [Bank of England Decision Maker Panel](#) continue to expect slowing wage growth in the year ahead. Annual growth in total earnings declined more sharply in the three months to July 2024, to 4.0% from 8.3% a year ago. However, this is affected by the NHS and civil service one-off payments made in June and July 2023, which were not repeated in 2024.



## 5 . Prices

The headline rate of consumer price inflation (CPI) was 2.2% in August 2024, unchanged from July. This marked the fifth month in a row where headline inflation was around 2%. Core inflation was 3.6% in August, where there was easing in underlying price pressures compared with its peak at over 7% in May 2023. This still leaves UK core inflation among the highest compared with other advanced economies (see Table 1).

Table 1: UK core inflation declined from last year's peak but remains among the highest in the G7  
Core inflation, G7, March 2024 to August 2024

%	Canada	France	Germany	Italy	Japan	UK	US
<b>Mar</b>	3.0	2.3	2.9	2.2	2.3	4.2	3.9
<b>Apr</b>	2.7	2.2	2.7	2.1	2.0	3.9	3.7
<b>May</b>	2.9	2.1	2.9	2.0	1.8	3.5	3.5
<b>June</b>	2.9	2.1	2.7	1.9	2.0	3.5	3.4
<b>July</b>	2.7	2.0	2.8	2.0	1.7	3.3	3.3
<b>Aug</b>	2.5	2.2	2.5	2.0	1.7	3.6	3.3

Source: Organisation for Economic Co-operation and Development, Office for National Statistics

### Notes

1. Core inflation in the UK is based on the CPI excluding energy food, alcohol, and tobacco.
2. Figures for other countries are based on the national measures of consumer price indices, excluding energy and food, as reported by the Organisation for Economic Cooperation and Development (OECD).

This persistence in UK core inflation was mainly led by services prices, which increased by 5.6% over the 12 months to August 2024, indicating some remaining domestic price pressures. The more imports-led core goods price inflation was 0.3% over the same period. This dichotomy between core goods and services price inflation is reflected in our [Contributions to the 12-month rate of CPI\(H\) by import intensity dataset](#), where most of the decline in the annual inflation rate was caused by CPI classes having a high import content. Similarly, our alternative indicators of core inflation, discussed in our [New estimates of core inflation, UK: 2022 article](#), decreased from last year's peak and remain on a downward trajectory, but they are still above the headline inflation rate (see Figure 5).

The annual inflation rate for food and non-alcoholic beverages prices declined to 1.3% in the 12-months to August 2024 from its peak of close to 20% from early 2023. Most of this decline in the annual inflation rate was caused by base effects, as current food prices stabilised and sharp increases from the same period a year ago were not repeated. Some food items have decreased in price in recent months, but this was not widespread.

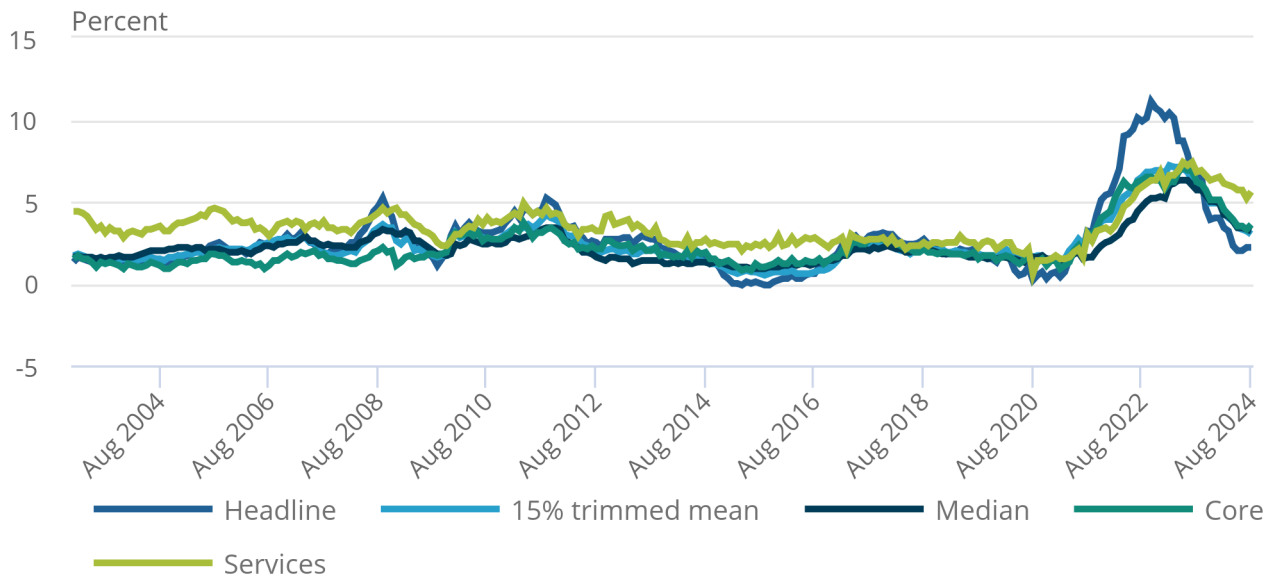
Energy prices decreased following the reduction in the Ofgem price cap in July and some decline in transport fuels prices over the three months to August. The Ofgem price cap is set to increase by about 10% in October. Oil prices declined in September, which typically filters into transport fuel prices with a short lag.

## Figure 5: Alternative measures of core inflation remain on a downward trend but are still relatively high

Annual rates of Consumer Prices Index (CPI) and core CPI inflation, 2003 to 2024

### Figure 5: Alternative measures of core inflation remain on a downward trend but are still relatively high

Annual rates of Consumer Prices Index (CPI) and core CPI inflation, 2003 to 2024



Source: Consumer price inflation from the Office for National Statistics

#### Notes:

1. The official core CPI inflation measure excludes energy, food, alcoholic beverages, and tobacco.
2. The alternative trimmed mean core inflation measure removes the top 15% and bottom 15% of the distribution of CPI item price changes in every month.

According to the [Bank of England and Ipsos Inflation Attitudes Survey](#), there is some evidence of stabilisation in inflation expectations with one-year-ahead expectations at 2.6% and five-year-ahead expectations at 3.2% in August 2024. There has also been a slowing in input and output producer prices from their peak in mid-2022 which filtered into consumer prices with a lag. For more information about producer prices, please see our [Producer price inflation, UK: August 2024 bulletin](#).

## 6 . Related links

### [GDP quarterly national accounts, UK: April to June 2024](#)

Bulletin | Released 30 September 2024

Revised quarterly estimate of gross domestic product (GDP) for the UK. Uses additional data to provide a more precise indication of economic growth than the first estimate.

### [Balance of payments, UK: April to June 2024](#)

Bulletin | Released 30 September 2024

A measure of cross-border transactions between the UK and rest of the world. Includes trade, income, capital transfers and foreign assets and liabilities.

### [Public sector finances, UK: August 2024](#)

Bulletin | Released 20 September 2024

How the relationship between UK public sector monthly income and expenditure leads to changes in deficit and debt.

### [Labour market overview, UK: September 2024](#)

Bulletin | Released 10 September 2024

Estimates of employment, unemployment, economic inactivity, and other employment-related statistics for the UK.

### [Consumer price inflation, UK: August 2024](#)

Bulletin | Released 18 September 2024

Price indices, percentage changes and weights for the different measures of consumer price inflation.

## 7 . Cite this article

Office for National Statistics (ONS), released 30 September 2024, ONS website, article, [Quarterly economic commentary: April to June 2024](#)