Office for National Statistics

Article

Quarterly economic commentary: July to September 2024

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1 . Main points

- Real gross domestic product (GDP) showed no growth (0.0%) in Quarter 3 (July to Sept) 2024, while real GDP per head declined slightly (by 0.2%).

- The UK current account deficit (excluding precious metals) widened to 2.8% of GDP in Quarter 2 (Apr to June) 2024, mainly led by a higher deficit in goods trade.

- There was a further cooling in labour demand in Quarter 3, as vacancies continued to fall and employment growth moderated, although the labour market remains tight overall.

- Annual growth in regular earnings was 4.9% in the three-month period from July to September 2024, but has since increased to 5.2% in the three months to October 2024.

- Headline 12-month consumer price inflation (CPI) was 2.6% in November 2024, while the annual rate of core inflation was 3.5%, down from its peak of 7.1% last spring.

2 . National Accounts

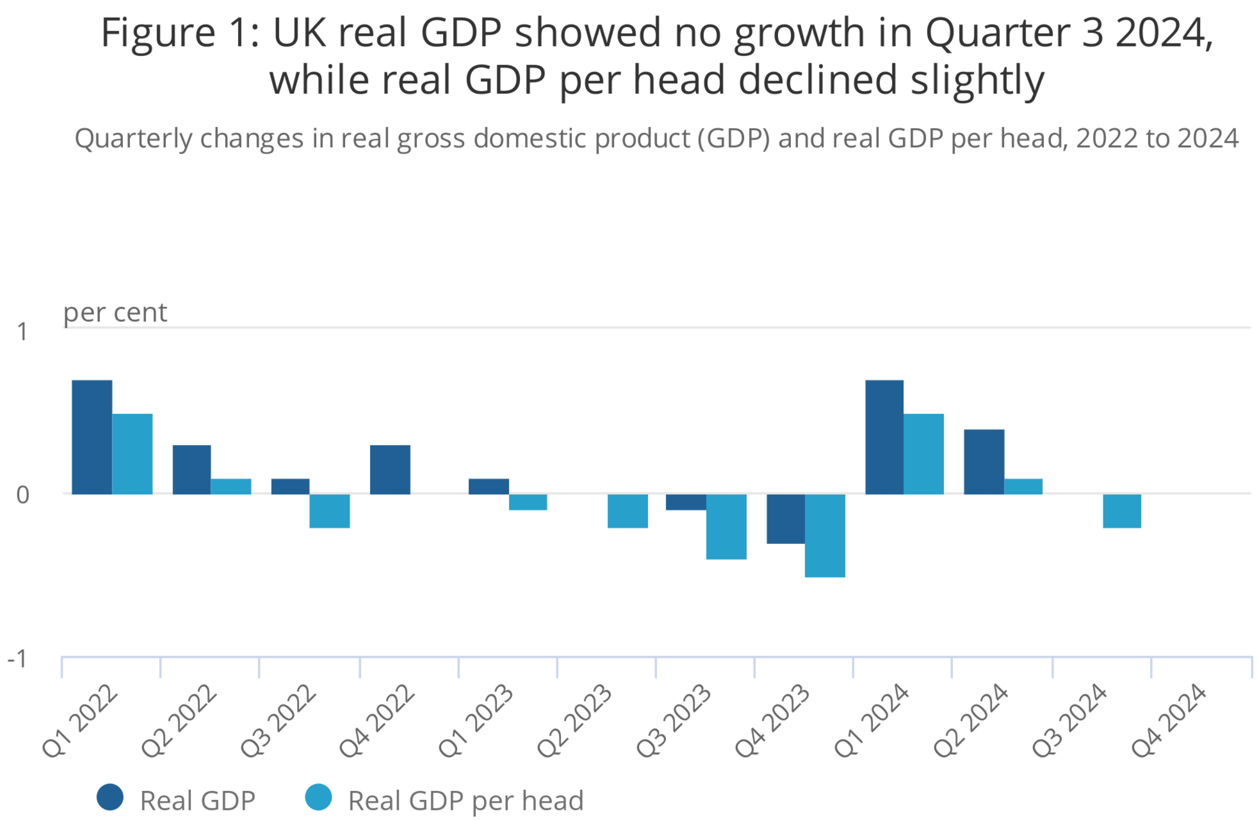
There was no increase in output produced by the UK economy in Quarter 3 (July to Sept) 2024. This followed a 0.4% increase in Quarter 2 (Apr to June) and a 0.7% increase in Quarter 1 (Jan to Mar). This leaves UK economic output 0.9% higher in Quarter 3 compared with a year ago.

Real GDP per head is one proxy indicator for economic welfare. This fell by 0.2% in Quarter 3 2024, reversing some of the improvement over the first half of the year. UK real GDP per head was 0.2% lower compared with a year ago (see Figure 1).

The more timely monthly GDP figures showed that output has slowed in recent months, with GDP estimated to have shown little growth since March.

Figure 1: UK real GDP showed no growth in Quarter 3 2024, while real GDP per head declined slightly

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 the national accounts revision policy, calendar year 2023 is now consistent with mid-year population estimates as published on 8 October 2024. Calendar year 2024 is consistent with 2021-based interim population projection as published on 30 January 2024.

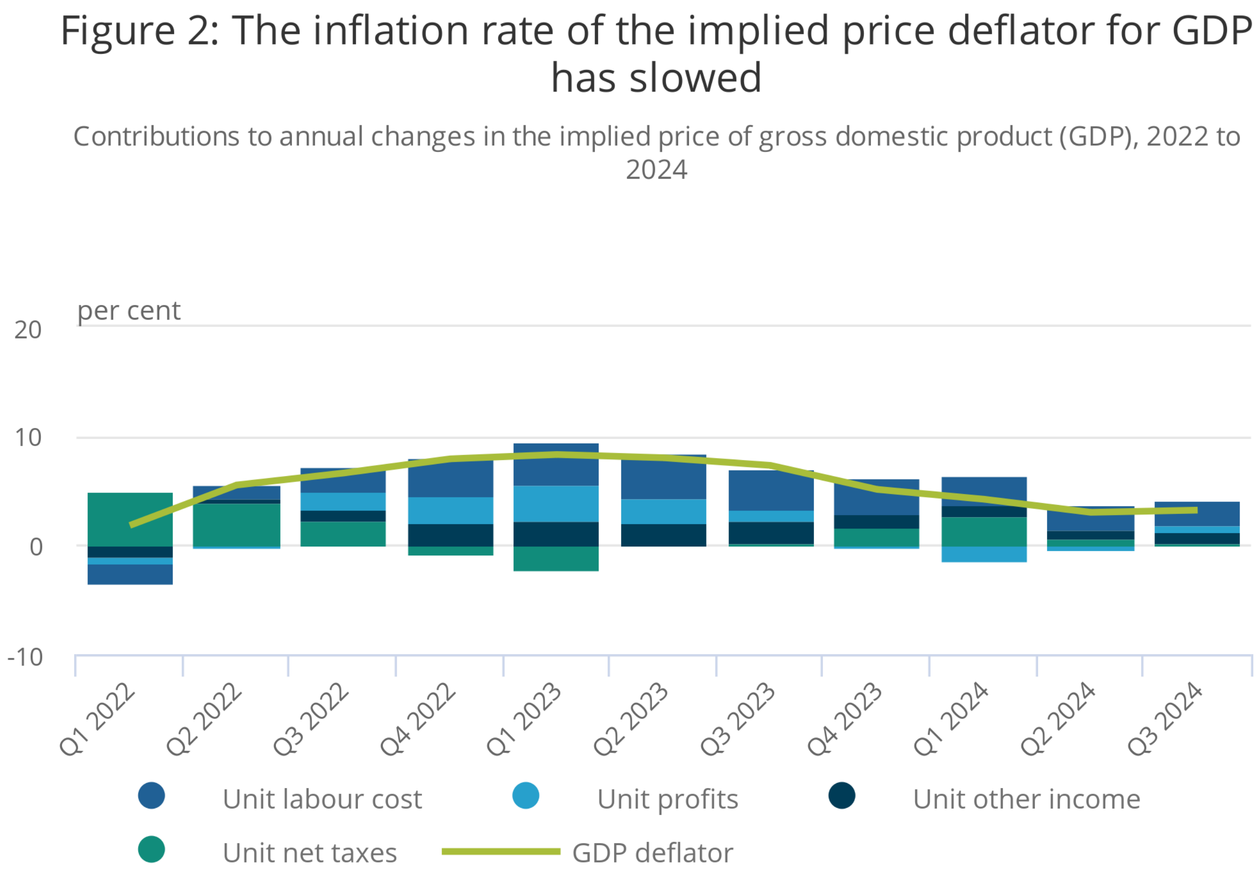
The volume of household expenditure increased for a third quarter in a row in Quarter 3 2024. Household spending is still lagging the increases in real household disposable income (RHDI) in recent quarters, pushing up the saving ratio to 10.1% in Quarter 3 2024. There might be intertemporal and precautionary savings motives underpinning these higher savings, as employment growth slowed this year and in the latest quarter of RHDI per head showed no growth (0.0%). 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: November 2024 bulletin suggest that household spending had a weak start in Quarter 4 (Oct to Dec) 2024, as sales volumes fell by 0.7% in October and increased by 0.2% in November.

Private non-financial corporations (PNFC) remained a net borrower in Quarter 3 2024 for a sixth consecutive quarter. This reflected 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, reversing the weakening in capital expenditure from last year.

The slowing of corporate incomes partly accounts for the lower rate of inflation of the implied price deflator for GDP, which increased by 3.2% in the year to Quarter 3 2024, down from 7.3% in the same period a year ago. Figure 2 shows that the contribution of unit labour costs and unit profits declined from their peaks in the first half of last year. More details about the GDP deflator as a measure of domestic inflation are explained in our 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



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.

Public sector borrowing the difference between public sector spending and income - was £11.2 billion in November 2024, £3.4 billion less than in November 2023. Borrowing in the financial year to November 2024 was £113.2 billion, £0.4 billion less than at the same point in the last financial year but the third-highest financial year-to-November borrowing since monthly records began in January 1993.

Public sector net debt excluding public sector banks was provisionally estimated at 98.1% of GDP at the end of November 2024; this remains at levels last seen in the early 1960s. Public sector net financial liabilities excluding public sector banks were provisionally estimated at 84.6% of GDP at the end of November 2024; this was 2.2 percentage points more than at the end of November 2023.

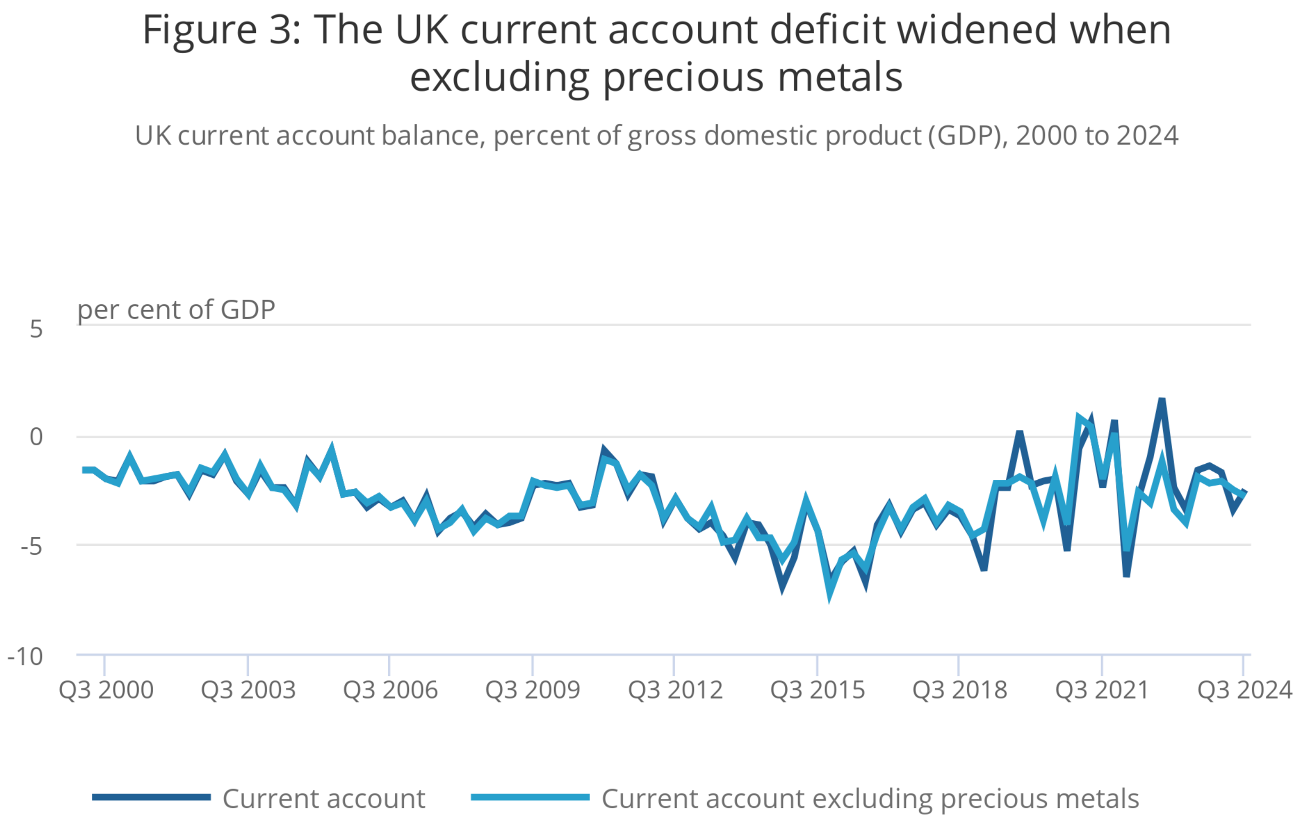
For more information, please see our [Public sector finances, UK: November 2024](#).

3 . Balance of Payments

The UK was a net borrower from the rest of the world in Quarter 3 (July to Sept) 2024. The deficit in the current account excluding precious metals, which measures underlying trends in the UK's net borrowing position, was 2.8% of gross domestic product (GDP) in Quarter 3 2024. This was an increase in the deficit of 0.3 percentage points from Quarter 2 (Apr to June) 2024, indicating a slight deterioration of the UK trade balance. This reflects a smaller deficit in the trade of goods, along with a fall in the surplus of trade in services.

Figure 3: The UK current account deficit widened when excluding precious metals

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).

Precious metals contributed positively to the UK's trade balance, however, as the UK trade deficit including precious metals was 2.5% of GDP in Quarter 3 2024, this was a 0.9 percentage point smaller deficit than in the previous quarter.

The deficit in the total primary income widened between Quarter 2 2024 and Quarter 3 2024, as payments to foreign investors increased by more than income from UK investments abroad. However, this was partly offset by the narrowing of the deficit in secondary income in Quarter 3, 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. This is a relatively persistent trend since the coronavirus (COVID-19) pandemic, although in Quarter 3 2024 the other investment balance widened considerably, and the net direct investment outflow narrowed. Portfolio investment continues to be volatile, which is common in times of large changes in global financial conditions, as shifting investor sentiment and economic uncertainty often lead to fluctuations in capital flows and market activity.

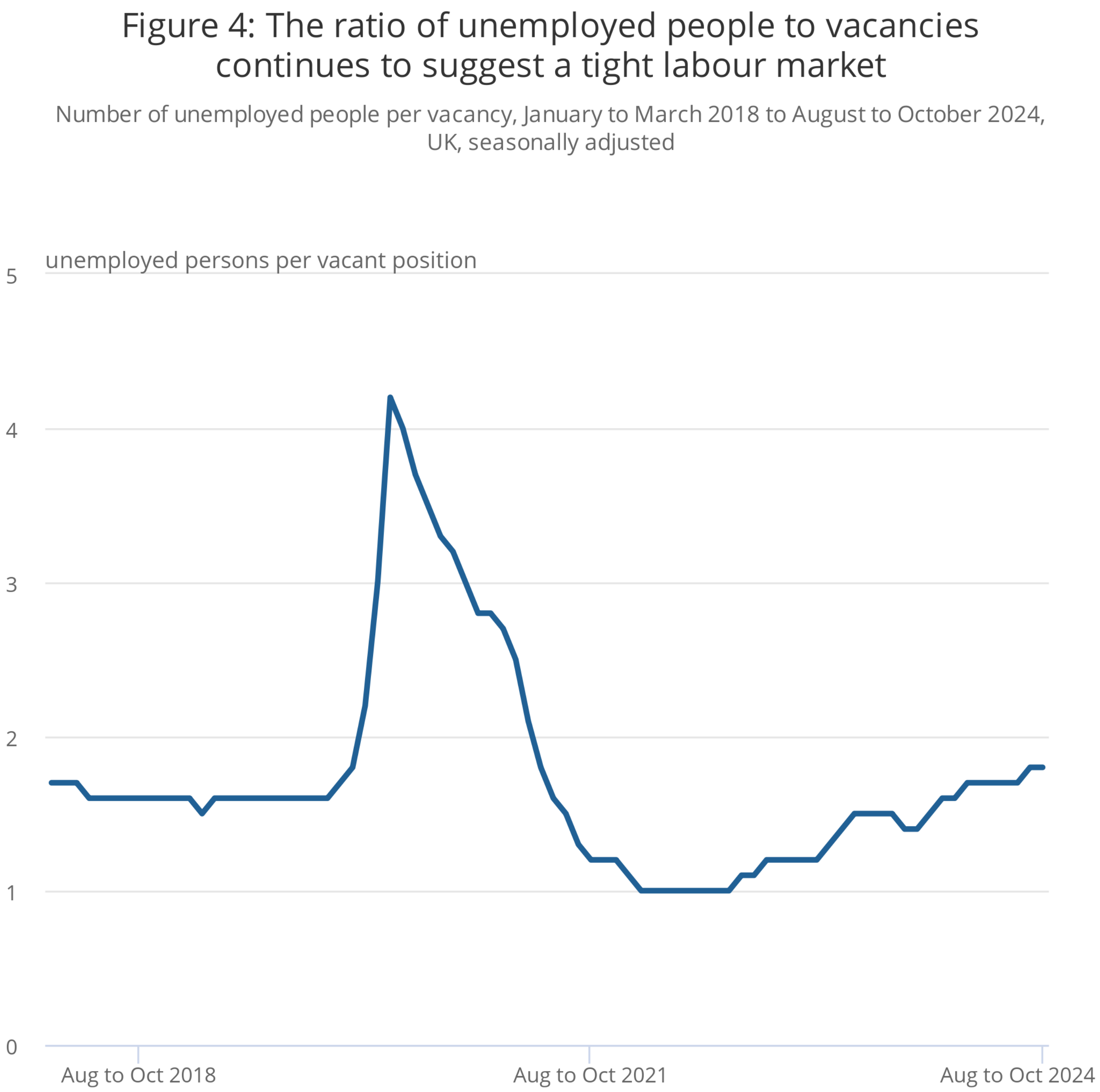
4 . Labour market

Quarter 3 (July to Sept) 2024 saw a continuation of the cooling in the labour market seen in the first half of the year, as labour demand has continued to fall and nominal earnings growth has continued to moderate from its peak in mid-2023.

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 above its pre-coronavirus (COVID-19) pandemic position of 1.7 in the latest period, reaching 1.8 unemployed people per job vacancy in August to October 2024. 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, but remains higher than the historically tight position in the first half of 2022 when the ratio was 1.0.

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

Number of unemployed people per vacancy, January to March 2018 to August to October 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 44,000 more payrolled employees recorded in October 2024 compared with January 2024. The flash estimate for November 2024 indicates a decrease of 35,000 payrolled employees compared with October, 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. The annual rate of growth for nominal earnings excluding bonuses picked up slightly in August to October 2024, to 5.2%, ending the run of generally slowing growth since the summer of 2023. This latest increase was driven largely by the private sector, where the annual growth rate in regular earnings was 5.4% for the latest period. External indicators such as the Bank of England Decision Maker Panel continue to expect slowing wage growth in the year ahead.

5 . Prices

The headline rate of consumer price inflation (CPI) increased to 2.6% in November 2024, its fastest pace since March. Core inflation was 3.5% in November, where there was easing in underlying price pressures compared with its peak at 7.1% 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, June to November 2024

%	Canada	France	Germany	Italy	Japan	UK	US
June	2.9	2.1	2.7	1.9	2.0	3.5	3.4
July	2.7	2.0	2.8	2.0	1.7	3.3	3.3
Aug	2.5	2.2	2.5	2.0	1.7	3.6	3.3
Sep	2.4	1.7	2.4	1.8	1.7	3.2	3.5
Oct	2.4	1.7	2.6	1.8	1.7	3.3	3.5
Nov	2.1	1.7	2.7	1.9	-	3.5	3.5

Source: Core inflation, G7, June 2024 to November 2024

Notes

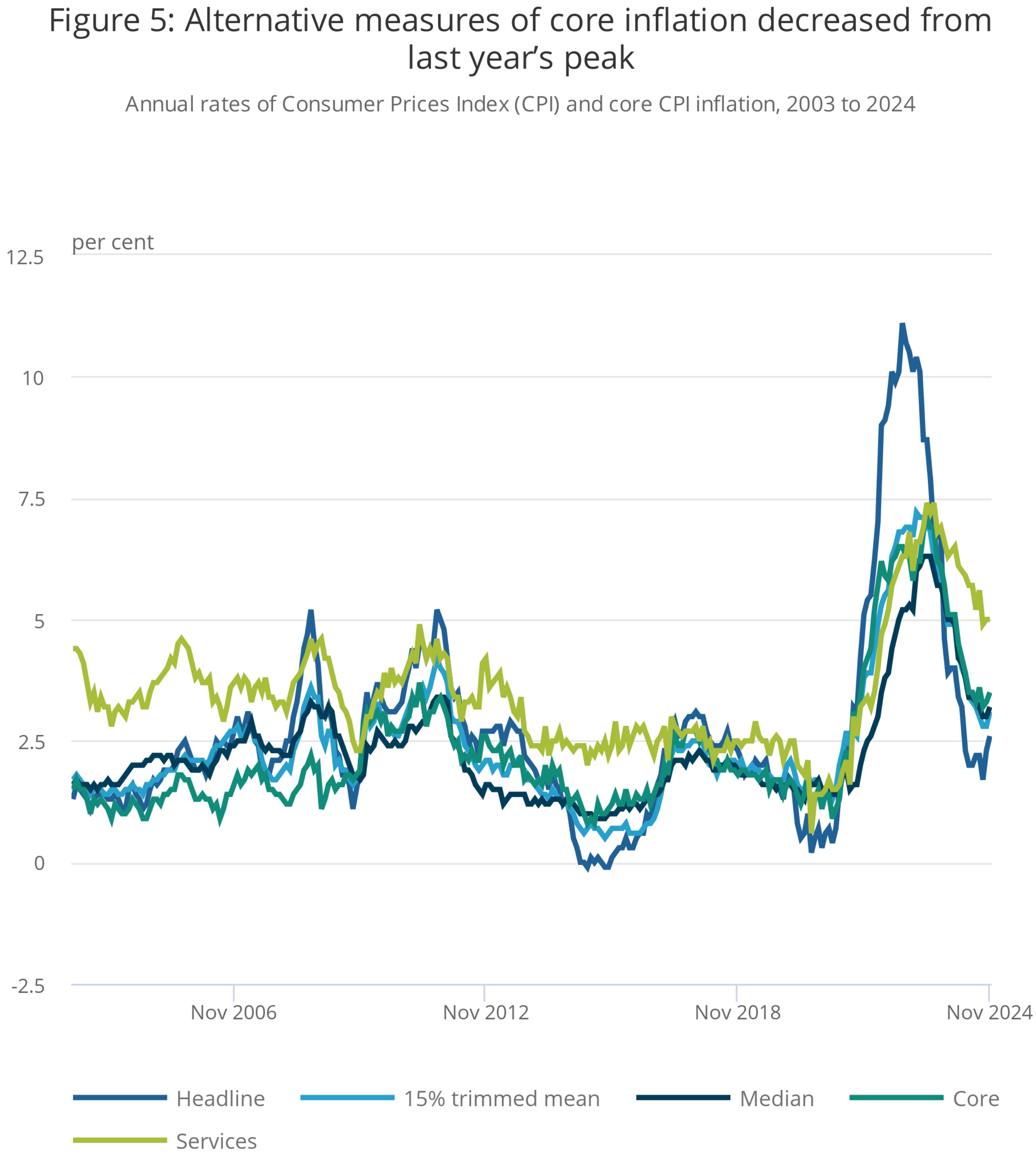
1. Core inflation in the UK is based on consumer price inflation (CPI) excluding energy food alcohol and tobacco.

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 Co-operation and Development (OECD). , OECD data are as of 18 December 2024.

The persistence of UK core inflation was mainly led by services prices, which increased by 5.0% over the 12 months to November 2024. The more imports-led core goods price inflation was 1.1% over the same period, although this rate has increased from around 0.0% some months ago. Our alternative indicators of core inflation, discussed in our New estimates of core inflation, UK: 2022 article, also decreased from last year's peak, but they are still above the headline inflation rate (see Figure 5).

Figure 5: Alternative measures of core inflation decreased from last year's peak

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.

The annual inflation rate for food and non-alcoholic beverages prices was 2.0% in the 12-months to November 2024. This was up from 1.3% three months ago, but still markedly below its peak of close to 20.0% from early 2023. Most of this decline in the annual inflation rate from its peak was caused by base effects, as current food prices stabilised and sharp increases from the same period a year ago were not repeated.

Energy prices are still lower than a year ago, but the difference has narrowed because of an increase in the Ofgem price cap in October 2024 by about 10%. This was partly offset by transport fuel prices, which declined in the second half of this year compared with an increase over the same period last year.

According to the Bank of England and Ipsos Inflation Attitudes Survey, inflation expectations increased slightly in November 2024, with one-year-ahead expectations at 2.8% and five-year-ahead expectations at 3.4%. Conversely, input and output producer prices slowed 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: November 2024 bulletin.

6 . Related links

GDP quarterly national accounts, UK: July to September 2024
Bulletin | Released 23 December 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: July to September 2024
Bulletin | Released 23 December 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: November 2024
Bulletin | Released 20 December 2024
How the relationship between UK public sector monthly income and expenditure leads to changes in deficit and debt.

Labour market overview, UK: December 2024
Bulletin | Released 17 December 2024
Estimates of employment, unemployment, economic inactivity, and other employment-related statistics for the UK.

Consumer price inflation, UK: November 2024
Bulletin | Released 18 December 2024
Price indices, percentage changes and weights for the different measures of consumer price inflation.

7 . Cite this article

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