



Economic Outlook, GDP, the wider economic context and retail sales

Confidence, inflation, labour market, credit & insolvencies

ECONOMIC MONITOR

A detailed analysis of trading conditions, consumer demand, and how the UK economy is performing.

MARCH 2025

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Executive Summary

The UK ended 2024 with marginal economic growth. GDP growth this year is forecast by the Bank of England (BoE) at just 0.7% - a sharp downgrade from previous estimates. Despite this, services remain resilient, and retail continues to be a key driver of activity. Consumer spending is projected to rise by around 1.5%, though at a more moderate pace than previously expected. However, [consumer sentiment has fallen to a new low](#), driven by a negative outlook on the economy.

Although inflation eased through 2024, it is now projected to rise towards 4% by mid-2025, fuelled by higher energy prices, increased food inflation, and persistent domestic cost pressures, such as utility bills, council tax and travel. Wage growth remains elevated, which could sustain demand but also add to services inflation - reinforcing the Bank of England’s cautious approach to rate cuts. With inflation now not expected to return to its 2% target until 2028, interest rates are likely to stay above 4% into next year from its current 4.75% rate.

The impact of higher National Insurance contributions on payroll costs will be felt sharply in the first half of 2025, with businesses continuing cost-cutting measures, including hiring slowdowns. Meanwhile, the geopolitical landscape remains uncertain, with global commodity prices rising further - especially energy and food - adding additional inflationary risks.

GDP GROWTH

0.1%

% change – QOQ, Q4 2024
Up from 0.0% in Q3 2024

CPI INFLATION

3.0%

% change - YOY January
Up from 2.5% in December

UNEMPLOYMENT

4.4%

December
Unchanged from 4.4% in November

WAGE GROWTH

5.9%

% change – YOY December
Up from 5.6% in November

BRC – KPMG RETAIL SALES

2.6%

% change – YOY, February
Down from 3.2% in January

CONSUMER CONFIDENCE

-20

February
Up from -22 in January

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FASTEST MONTHLY GDP GROWTH SINCE MARCH

Economic Growth

GDP rose 0.4% in December (on the month), following a marginal 0.1% rise in November.

- Services activity also grew 0.4% and the largest upward contributor was professional, scientific and technical activities. The biggest downward contributor was information and communication.
- Consumer-facing services expanded by 0.4%, and food and beverage activities provided the largest positive contribution. Wholesale and retail trade and repair of motor vehicles and motorcycles provided the biggest downward contribution.

Looking at the most recent quarterly figures, the economy grew a marginal 0.1% over the fourth quarter of 2024. Relative to the pre-pandemic benchmark of Q4 2019, economic output is 3.2% above this level.

- Services output grew by 0.2%, and the biggest contribution came from human health and social work activity.
- Production output decreased by 0.8%, and, within this, mining and quarrying fell the most.
- Construction output increased by 0.5% and private new housing construction drove the increase in new construction activity.
- On the expenditure side, asset inventories provided the biggest contribution to headline GDP, and household expenditure was flat in real terms.
- Business investment decreased by 3.2% on the quarter and is 0.6% above its pre-Covid level.

Prices

Inflation picked up in January and the Consumer Price Index annual rate rose to 3.0%. Of the headline rate, 0.4% emanates from food, 0.5% from restaurants and hotels, and 0.5% from recreation and culture. Housing and energy costs are now pushing up on inflation, adding 0.3% to the headline figure. Fuel prices rose for both petrol and diesel, with these figures registered when petrol was £1.37 per litre and diesel £1.44.

Domestically, the headline Producer Price Inflation (PPI) measure for business input costs remained lower than a year ago over January. Output cost inflation remained in slight positive territory, suggesting business cost pressures have significantly eased, although have settled at a higher level, 30.4% higher than Feb 2020 levels for inputs, and 25.5% higher for outputs.

Monetary Policy

The Bank of England (BoE), in February, reduced interest rates to 4.5%. The latest forecasts have downgraded GDP growth over the coming year, to 0.7% (down from 1.5%). Growth picks up to 1.5% over 2026 and 2027, however, real incomes are set to ease to 1.4% in 2025, more or less flat in the subsequent two years. Interest rates will remain elevated until inflation sustainably settles at the 2% target.

Inflation is expected to pick up to 3.7% in Q3 2025 and is now not expected to fall below 2% until 2028, a year later than thought during the November round of forecasts. Households will still continue to feel the effects of higher mortgage repayments, however, with an estimated 4.4 million mortgages coming onto a higher rate by the end of 2027.

For more on trends in global commodity prices, see our in-depth commentary in the [Shop Price Index](#) report.

PROJECTIONS FOR 2025 UK GDP GROWTH

Bank of England
(February Forecast)
0.7%

IMF (January
Forecast)
1.6%

Office for Budget
Responsibility
(October Forecast)
2.0%

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UNEMPLOYMENT UNCHANGED AT 4.4%

Purchasing Manager’s Index

The flash S&P Global UK Composite PMI edged down to 50.5 in February, signalling marginal private sector growth for a fourth month. Services gained momentum (51.1), but manufacturing slumped to a 14-month low (46.4). New orders fell at the fastest pace since August 2023, weighed down by weak demand and cautious spending.

Employment saw its sharpest decline since November 2020 as firms cut jobs amid rising costs. Input price inflation hit a 21-month high, driving steeper price hikes. Business confidence improved slightly but remained fragile, with firms citing economic uncertainty, geopolitical risks, and fallout from autumn Budget policies.

Labour Market

The UK’s labour market continues to cool, though the ONS’ most recent statistics estimate the unemployment rate (in the three months to December) was unchanged at 4.4%, closer to the rate at the start of 2024. The economic inactivity rate remains above pre-pandemic norms, however, but fell in the most recent period to 21.5%. The job vacancy figures additionally suggest labour demand has slowed considerably.

Job vacancies rose to 819,000 in the three months to January, decreasing by 110,000 over the past year. This now represents the same level of vacancies compared to before the pandemic. Vacancies are above pre-crisis levels in 10 of 18 sectors, most notably public sector jobs. In absolute terms, the wholesale and retail sector accounts for the fourth largest number of vacancies, at 79,000, which is a notable 41,000 below pre-pandemic levels.

Outlook

Inflation now looks set to climb towards 4%, remaining above target into 2026, with an expected decline below target only by 2028. The pass-through of rising employer taxes (via higher National Insurance contributions) and energy costs suggests persistent inflationary pressures, delaying disinflation further. Wage growth remains firm, supporting household incomes and offering some uplift to retail spending.

However, with the savings ratio set to fall and mortgage repayments staying elevated, the extent to which stronger earnings translate into higher goods consumption may be constrained. Global commodity prices continued rising in early 2025, with energy and food costs climbing, adding to imported inflation risks. Given the dual threat of sticky wages and external cost pressures, the Bank of England is likely to tread cautiously, with rates expected to fall no lower than 4.0% by year-end.

% year-on-year (unless otherwise specified)	2023	2024 (f)	2025(f)	2026(f)	2027(f)
Real GDP	0.4	0.7	0.7	1.5	1.5
Inflation	4.3	2.5	3.4	2.7	2.2
Unemployment (rate)	3.8	4.5	4.5	4.6	4.8
Interest (Bank Rate)	5.3	4.9	4.2	4.1	4.0
Real post-tax labour income	1.1	4.5	1.4	0.2	0.2

Source: Bank of England, Monetary Policy Report February 2025

Note: Labour market statistics (unemployment and inactivity rates) are currently not accredited ‘official statistics’ designation.

PROJECTIONS FOR 2025 UK GDP GROWTH

Bank of England
(February Forecast)

0.7%

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2.0%

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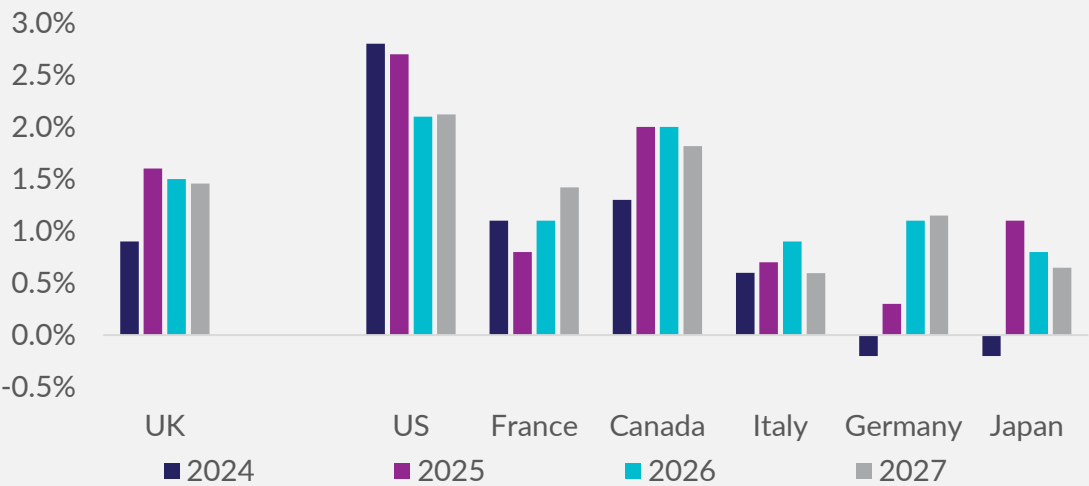
GLOBAL DEMAND UNDER PRESSURE

Financial conditions are tightening as the global interest rate-setter, the United States, maintains high interest rates. Many currencies have depreciated considerably against the US Dollar, with the one exception being the British Pound. The squeeze on emerging markets via higher debt interest payments is anticipated to slow global economic activity.

Uncertainty remains in the conclusion of the Ukraine-Russia conflict, and the effects of a demand shock from China (as it tries to stem deflation and buoy private consumption amidst the bursting of a property bubble) add tail risks to the global outlook. As these impacts are uncertain and volatile, commodity prices could rise higher as a result.

The US economy expanded by 2.3% on an annualised basis in Q4 2024, a notable deceleration compared to the preceding quarter. The increase was led by improvements in consumer spending and government spending, which was offset partly by a decrease in investment. The US' growth has slowed and an elevated Federal Funds Rate, as well as freshly introduced tariffs, will weigh on growth in the near term.

GDP GROWTH, JANUARY FORECASTS



Source: IMF, The World Economic Outlook.

The Eurozone economy was unchanged in Q4 2024, growing 0.9% (on an annual basis), registering the same rate of growth in Q3 2024. Germany's economy contracted by -0.2% (slightly up from -0.3% in Q3 2024). In contrast, France's GDP slowed to 0.7% (down from 1.2%), Italy's by 0.5% (unchanged from 0.5%) and Spain's by 3.5% (unchanged from 3.5%).

The HCOB Flash Eurozone Composite PMI held steady at 50.2 in February, indicating marginal private sector growth. Services expansion slowed to a three-month low (50.7), while manufacturing output rose to a nine-month high (48.7). New orders continued to fall, driving further job cuts, particularly in manufacturing. Input cost inflation accelerated to its highest in nearly two years, pushing selling prices higher. Business confidence dipped to a three-month low, reflecting economic uncertainty, weak demand, and geopolitical risks across the region.

US inflation picked up to 3.0% in January, a second consecutive increase. The Federal Reserve has begun to cut the Federal Funds rate, with three successive cuts bringing the target range of the Federal Funds rate to between 4.25% and 4.5%. They kept it unchanged at their most recent meeting and are expected to cautiously loosen monetary policy, though they will keep rates elevated above the average during the 2010s.

Inflation in the Eurozone has slowed from recent highs, and the European Central Bank was the first major central bank to cut the base interest rate, once again doing so, in January, now down to 2.75%. Amidst economic weakening, the ECB has opted to reduce pressure on the EU economies. The inflation rate picked up to 2.5% in the 12 months to January. Energy prices were 1.9% higher on the year, food, alcohol and tobacco prices 2.3% higher and the cost of non-energy industrial goods increased 0.5%.

2025 PROJECTED GROWTH – IMF (JANUARY)

UK

1.6%

US

2.7%

FRANCE

0.8%

GERMANY

0.3%

JAPAN

1.1%

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SALES VOLUMES REBOUND ON THE MONTH

UK retail sales rebounded by 1.7% in January (on the month), following a (downwardly revised) decrease of 0.6% in December. In broader terms, sales volumes fell by 0.6% in the three months leading up to January when compared to the preceding three months.

Food store sales surged by 5.6% on the month – the largest monthly rise since March 2020 – after four consecutive declines. Retailers cited an increase in home dining as a key driver.

- The divergence between sales values and volumes is greatest in this category of retail goods.
- Food stores' sales volumes are now 3.5% below their pre-pandemic February 2020 levels, as consumers grapple with a higher price level for food.

Non-food store sales slipped by 1.3% on the month, with sales volumes having marginally inched up by 1.1% in the preceding month.

- Volumes rose the most in non-store retailers, followed by flat growth in non-specialised stores.
- They fell the most in fashion and household goods stores.
- Automotive fuel sales volumes fell by 1.2%, in January.

The proportion of retail sales conducted online (seasonally adjusted) decreased to 25.7% in January, down from 26.9% in December. Online sales remain well above pre-pandemic norms of 19.7% (February 2020).

For the BRC's in-house data on retail sales, [visit here](#).

DATA & CHARTS

FIG 1 – Retail Sales Volumes vs Retail Sale Value

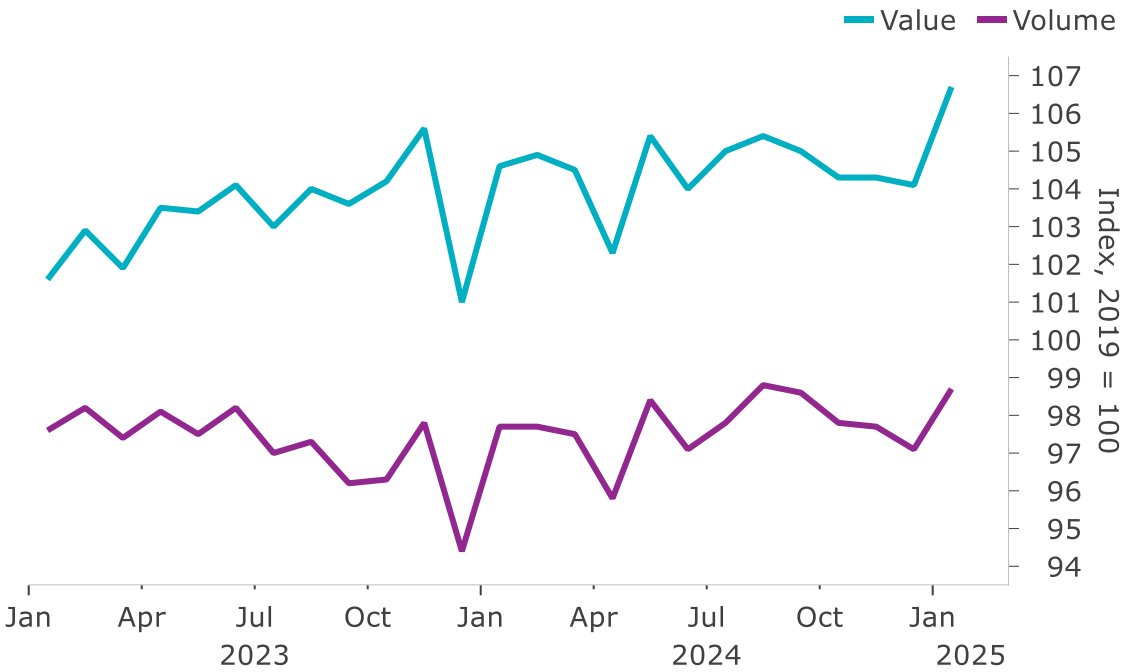
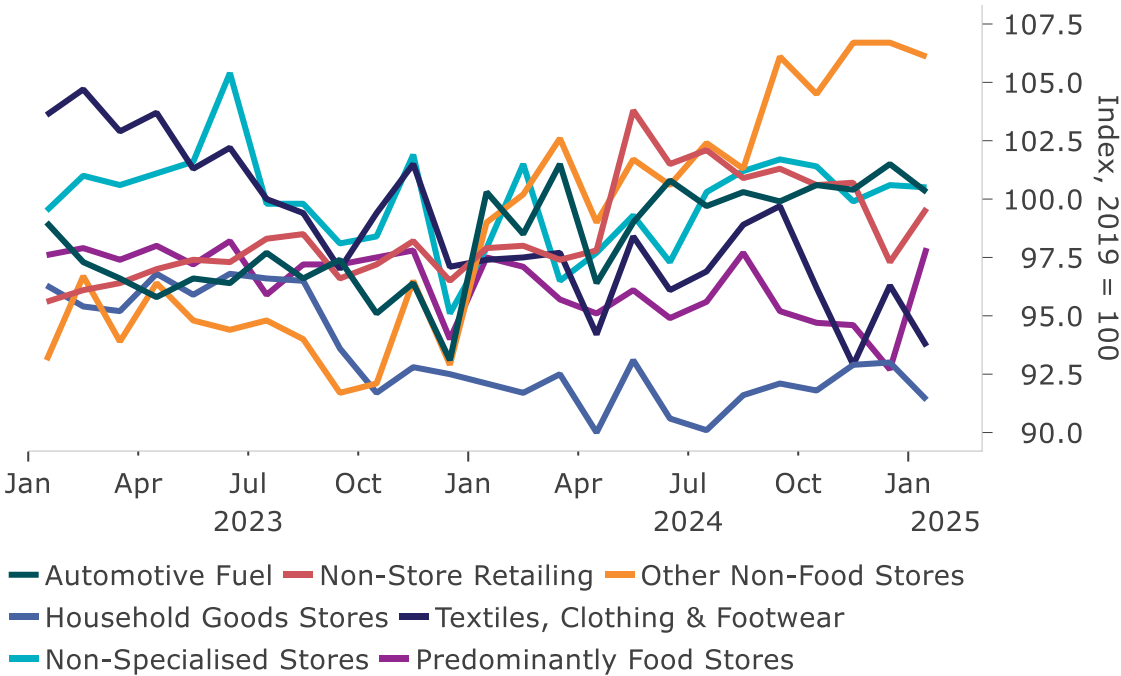


FIG 2 – ONS Retail Sales Category Volumes



SUMMARY JANUARY

Retail Sales

1.7%

Up from 0.6% in December.

Online Sales

-1.7%

Down from 0.5% in December.

Volumes rebound in January

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ONS & BRC SALES GROWTH – VALUE TERMS

% change on year ago	RSI Sales % YoY	RSM Sales % YoY
Nov-24	-2.7	-0.2
Dec-24	4.7	3.2
Jan-25	1.6	2.6

Source: ONS RSI & BRC RSM

ONS RETAIL SALES GROWTH – VALUE TERMS

M-Y	All (excl. fuel)	Predom. food stores	Depart. stores	Textiles, cloth. & footwear	Househ old goods	Oth. non- food	Non- store retailing
Jan-24	3.7	6.1	0.7	-1.3	-4.7	8.1	3.4
Feb	2.7	4.4	2.5	-2.3	-3.2	4.7	2.9
Mar	3.6	5.0	-1.4	0.2	-3.5	11.0	1.8
Apr	-2.7	-2.8	-5.5	-8.3	-8.7	3.9	1.2
May	2.0	1.3	-2.4	-0.7	-4.6	7.4	8.0
Jun	-0.9	-1.3	-8.2	-5.0	-7.6	6.4	5.5
Jul	2.0	2.3	0.5	-1.7	-8.3	6.9	6.4
Aug	1.6	1.8	0.9	0.7	-6.4	6.8	1.7
Sep	2.3	-0.8	2.6	3.3	-3.8	15.0	2.8
Oct	0.9	-1.7	1.4	-2.4	-2.5	12.6	1.5
Nov	-2.7	-2.4	-4.2	-7.2	-6.8	6.7	-5.5
Dec	4.7	0.7	6.1	0.5	4.6	16.2	7.7
Jan-25	1.6	1.9	3.1	-2.1	-0.3	6.0	-0.6

Source: ONS RSI

LARGE & SMALL RETAILERS

% change on year ago	ONS Large Retailers	ONS Small Retailers
Nov-24	-2.5	-3.6
Dec-24	4.1	6.9
Jan-25	2.8	-2.4

Source: ONS RSI

For the BRC’s in-house data on retail sales, [visit here](#).

ONS SALES GROWTH – VOLUME TERMS

M-Y	All (excl. fuel)	Predom. food stores	Depart. stores	Textiles, cloth. & footwear	Household goods	Oth. non- food	Non-store retailing
Jan-24	3.0	3.8	2.9	0.3	-0.5	6.6	1.4
Feb	0.3	-0.5	3.7	0.2	-0.4	1.2	0.1
Mar	-0.7	-1.5	-4.9	0.2	0.9	2.4	-0.6
Apr	-1.2	-0.5	1.3	-3.5	-2.7	-3.5	0.5
May	2.7	1.0	1.7	4.5	3.5	2.7	6.1
Jun	-1.7	-1.3	-2.0	-2.3	-2.7	-1.1	-2.2
Jul	1.0	0.7	3.1	0.8	-0.5	1.9	0.6
Aug	1.0	2.2	0.9	2.1	1.6	-1.1	-1.2
Sep	-0.1	-2.5	0.4	0.8	0.5	4.8	0.3
Oct	-1.0	-0.6	-0.2	-3.5	-0.4	-1.5	-0.6
Nov	-0.1	-0.1	-1.5	-3.5	1.3	2.1	0.1
Dec	-0.9	-2.0	0.6	3.7	0.0	0.0	-3.4
Jan-25	2.1	5.6	0.0	-2.7	-1.7	-0.6	2.4

Source: ONS RSI

ONS INTERNET SALES

M-Y	Av. Weekly value of all retail sales	Av. Weekly value of internet retail sales	Internet sales % YoY	Internet sales % of all retail sales
Jan-24	£8.1bn	£8.1bn	3.7	27.3
Feb	£8.3bn	£8.3bn	3.3	25.9
Mar	£8.7bn	£8.7bn	2.4	25.8
Apr	£8.5bn	£8.5bn	-0.5	26.3
May	£9.1bn	£9.1bn	5.8	26.7
Jun	£8.8bn	£8.8bn	2.5	26.2
Jul	£9.0bn	£9.0bn	4.0	26.9
Aug	£8.7bn	£8.7bn	2.5	25.6
Sep	£8.6bn	£8.6bn	6.5	27.0
Oct	£9.1bn	£9.1bn	4.9	27.7
Nov	£10.0bn	£10.0bn	-5.8	30.3
Dec	£11.1bn	£11.1bn	8.6	29.1
Jan-25	£8.2bn	£8.2bn	-0.3	26.8

Source: ONS RSI

SUMMARY JANUARY

ONS Sales

1.6%

Down from 4.7% in December.



Large retailers

2.8%

Down from 4.1% in December.



Strong increase in non-store retail sales

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CBI COMMENTARY

“Difficult trading conditions continued to weigh on retailers’ sentiment, with firms expecting their business situation to deteriorate over the coming quarter. This pessimism is reflected in the worsening of investment intentions. Specifically, retailers expect to scale back on capital expenditure in the next 12 months (compared to the past 12 months) to the greatest extent since May 2019.

Employment in retail declined at a moderate pace in the year to February, with headcount expected to fall at a broadly similar rate next month. Retailers also reported that selling price inflation remained below the long-run average for the fourth consecutive quarterly survey. Selling prices are expected to increase at an unchanged rate next month.

Retailers reduced orders placed upon suppliers at a fast pace in the year to February, as stock volumes relative to expected demand were broadly in line with the long-run average. Orders are expected to be cut back at an accelerated rate in March, marking the weakest expectations since March 2021, while stock positions are set to remain broadly unchanged.

Elsewhere in the distribution sector, wholesale annual sales volumes declined at a more moderate pace in February. Wholesalers expect the sales downturn to ease further in March. Motor trades annual sales volumes fell at a similarly rapid pace as seen over the past two months. However, motor traders expect the sales decline to decelerate considerably next month.”

VOLUME OF SALES – REALISED AND EXPECTED

	Balance	Expected (next month)
Mar-24	+2	-15
Apr	-44	-25
May	+8	-19
Jun	-24	-4
Jul	-43	-9
Aug	-27	-32
Sep	+4	-17
Oct	-6	+5
Nov	-18	-1
Dec	-15	-29
Jan	-24	-11
Feb	-23	-26
Mar-25		-30

Source: CBI Distributive Trades Survey

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CBI Balance

-23

Up from -24 in January.



CBI Expected (March)

-30

Down from -26 in February.



Sales outlook remains negative

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GfK CONSUMER CONFIDENCE

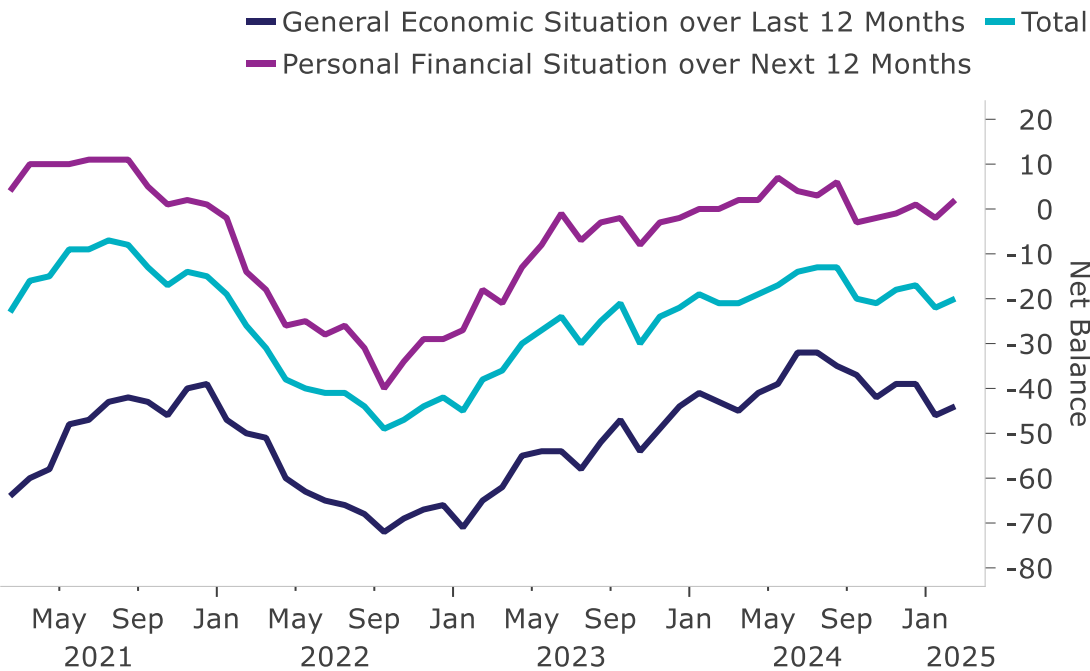
“In contrast to last month when all five core measures were down, this month they are all up. The biggest improvement is in how consumers see their personal finances for the coming year with an increase of four points that takes this measure out of negative territory to +2. The Bank of England interest rate cut on February 6th will have brightened the mood for some people, but the majority are still struggling with a cost-of-living crisis that is far from over.

Prices are still rising above the Bank of England’s target; gas and electricity bills remain a challenge for many households. So, it’s no surprise that consumer views on the general economic situation are still lower than 12 months ago, suggesting that people don’t expect the economy to show any dramatic signs of improvement soon. Politicians looking for bright spots on the horizon will be disappointed.”

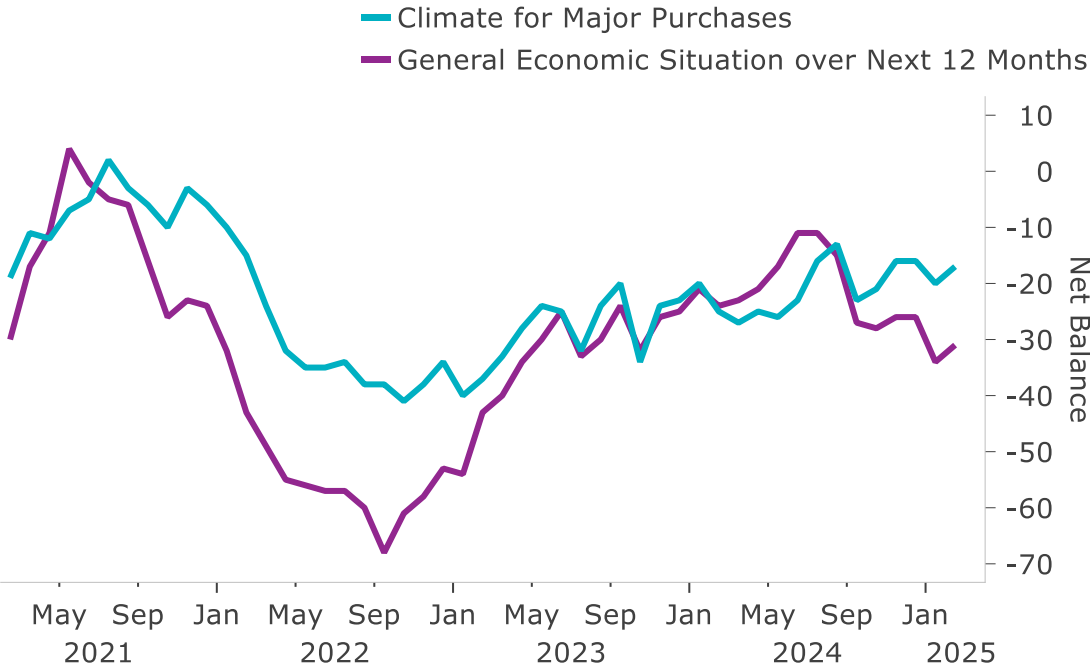
NET BALANCES BY MEASURE

	Headline index	Major Purchases	Personal finances (past YR)	Personal finances (next YR)	Economy (past YR)	Economy (Next YR)
Feb-24	-21	-25	-14	0	-43	-24
Mar	-21	-27	-13	2	-45	-23
Apr	-19	-25	-11	2	-41	-21
May	-17	-26	-10	7	-39	-17
Jun	-14	-23	-10	4	-32	-11
Jul	-13	-16	-8	3	-32	-11
Aug	-13	-13	-7	6	-35	-15
Sep	-20	-23	-9	-3	-37	-27
Oct	-21	-21	-10	-2	-42	-28
Nov	-18	-16	-9	-1	-39	-26
Dec	-17	-16	-7	1	-39	-26
Jan	-22	-20	-10	-2	-46	-34
Feb-25	-20	-17	-7	2	-44	-31

LONG-TERM TRENDS



Source: GfK Consumer Confidence Index



Source: GfK Consumer Confidence Index

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Headline GfK confidence

-20

Up from -22 in January.



Major Purchases confidence

-17

Up from -20 in January.



Consumer confidence picks up slightly in February

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ONS CONSUMER PRICE INDEX (CPI)

HEADLINE FIGURES, %, YOY

	CPI	Retail Price Index, all items (RPI)	All Items excl. mortgage interest payments (RPIX)
Jan-24	4.0	4.9	3.8
Feb	3.4	4.5	3.5
Mar	3.2	4.3	3.3
Apr	2.3	3.3	2.3
May	2.0	3.0	1.9
Jun	2.0	2.9	1.9
Jul	2.2	3.6	2.7
Aug	2.2	3.5	2.8
Sep	1.7	2.7	2.0
Oct	2.3	3.4	2.8
Nov	2.6	3.6	3.0
Dec	2.5	3.5	2.9
Jan-25	3.0	3.6	3.2

Source: ONS.

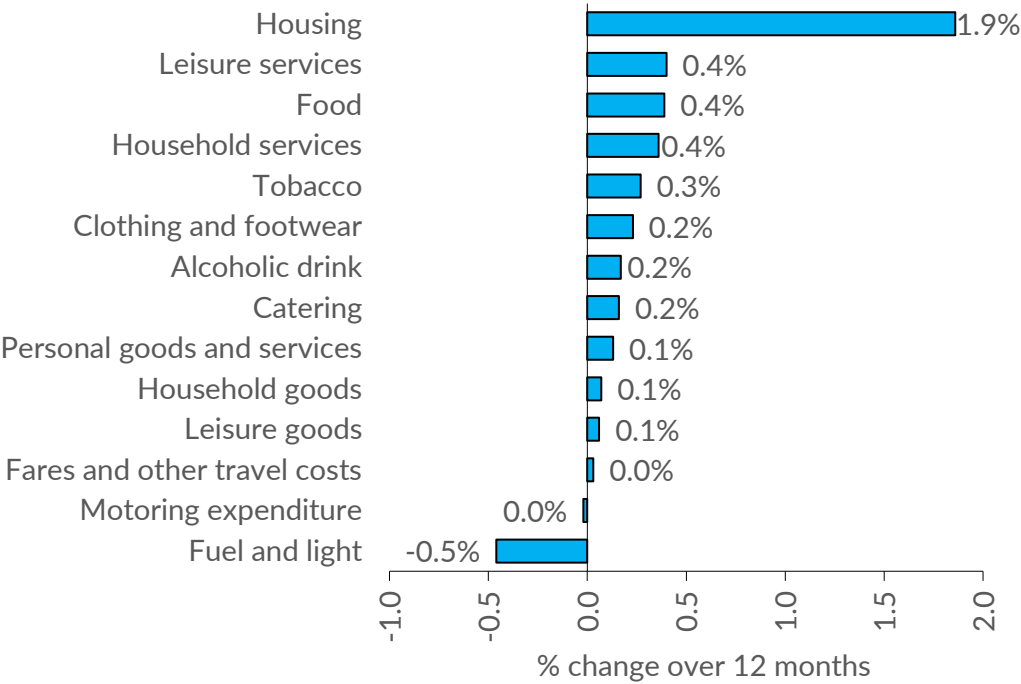
CPI: SUB-CATEGORIES, %, YOY

	Food & non-alcoholic beverages	Clothing & Footwear	Housing & household services	Furniture & household goods	Transport	Restaurants & hotels
Jan-24	6.9	5.6	-2.1	0.4	-0.3	7.0
Feb	5.0	5.0	-1.7	0.0	-0.1	6.0
Mar	4.0	4.0	-1.6	-0.9	0.1	5.8
Apr	2.9	3.7	-4.9	-1.0	0.1	6.0
May	1.7	3.0	-4.8	-1.9	0.5	5.8
Jun	1.5	1.6	-4.7	-1.6	0.9	6.2
Jul	1.5	2.1	-1.5	-1.7	0.2	4.9
Aug	1.3	1.6	-1.6	-1.3	1.3	4.3
Sep	1.9	0.8	-1.7	-1.0	-2.2	4.1
Oct	1.9	1.0	2.9	-0.5	-1.9	4.3
Nov	2.0	2.0	3.0	-0.4	-0.9	4.0
Dec	2.0	1.1	3.1	-0.3	-0.6	3.4
Jan-25	3.3	1.8	2.1	0.5	1.7	3.3

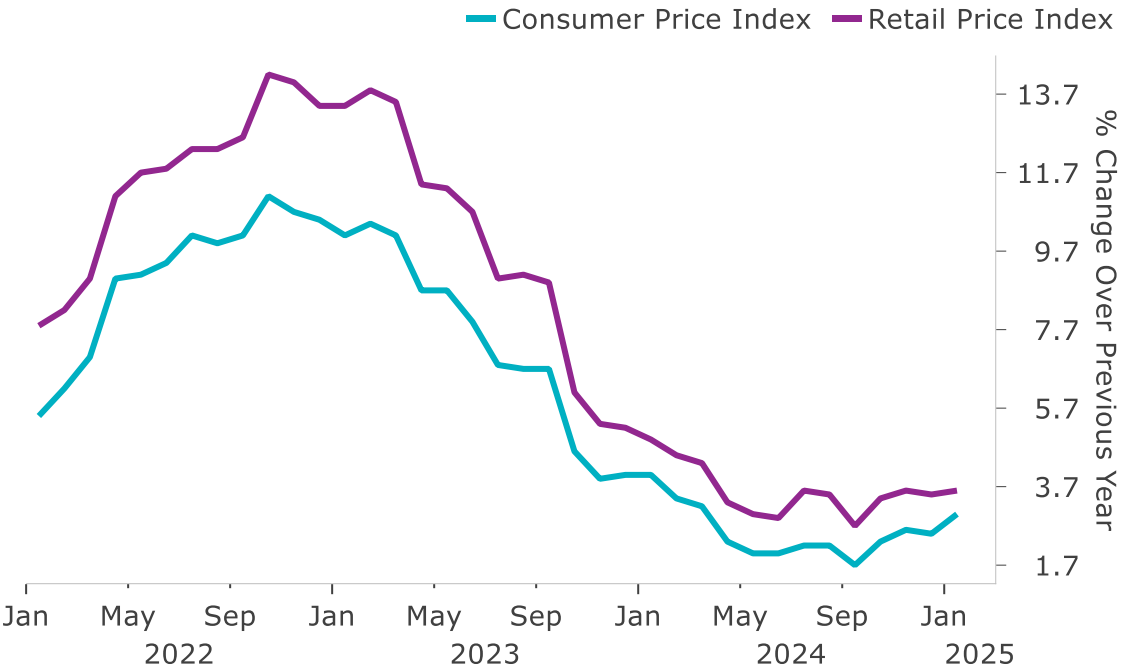
Source: ONS.

For the BRC's in-house data on Shop Price inflation, [visit here](#).

RPI: CONTRIBUTIONS TO THE ANNUAL RATE



CPI vs RPI



SUMMARY JANUARY

CPI

3.0%

Down from 2.6% in December.



CPI Food

3.3%

Unchanged from 2.0% in December.



CPI edges up to 3%

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UK EMPLOYMENT

In the three months to December 2024:

- The UK employment rate was estimated at 74.9%, 0.1 percentage points higher when compared to the previous three-month period, and 1.5 percentage points lower than before the coronavirus pandemic (December 2019 to February 2020).
- The UK unemployment rate was estimated at 4.4%, 0.1 percentage points higher than the previous three-month period (June to August), and 0.4 percentage points above pre-Covid levels.
- Total hours worked slightly decreased in the most recent reporting period, to 1.08 billion hours, notably above pre-pandemic levels, broadly signifying normalisation in the labour market.
- The UK economic inactivity rate was estimated at 21.5%, 0.1 percentage points lower on the previous quarter, and 1.2 percentage points higher than before the coronavirus pandemic.

Note: Headline estimates are not accredited ‘official statistics’ designation, and the new ‘Transformed Labour Force Survey’ (TLFS) figures are not expected to be transitioned until 2027, as the Office for National Statistics continues to have quality concerns regarding an earlier transition (see more information [here](#)).

LABOUR FORCE SURVEY

	Claimant Count		Unemployment	
	mills	% rate	Mills	% rate
Jan-24	1,552	4.1	1,412	4.1
Feb	1,595	4.2	1,460	4.2
Mar	1,608	4.2	1,510	4.3
Apr	1,594	4.2	1,524	4.4
May	1,629	4.3	1,547	4.4
Jun	1,640	4.3	1,465	4.2
Jul	1,778	4.7	1,478	4.2
Aug	1,773	4.6	1,435	4.1
Sep	1,770	4.6	1,509	4.3
Oct	1,754	4.6	1,508	4.3
Nov	1,726	4.5	1,568	4.4
Dec	1,700	4.5	1,557	4.4
Jan-25	1,730	4.5	NA	NA

Source: ONS

EMPLOYMENT (3 MONTHS ENDING)

Employment (3 months ending) (000s)	Total	Full-time	Part-time
Dec-23	33,377	24,997	8,381
Jan	33,323	25,038	8,285
Feb	33,320	25,015	8,305
Mar	33,331	25,103	8,228
Apr	33,348	25,021	8,327
May	33,386	25,078	8,308
Jun	33,496	25,117	8,380
Jul	33,597	25,202	8,395
Aug	33,748	25,205	8,543
Sep	33,749	25,245	8,505
Oct	33,770	25,283	8,487
Nov	33,783	25,364	8,420
Dec-24	33,856	25,411	8,445

Source: ONS

SUMMARY DECEMBER

Unemployment Rate

4.4%

Unchanged from 4.4% in November.



Total Employment

74.9%

Up from 74.8% in November.



Unemployment unchanged in the most recent period

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EARNINGS

Between October and December 2024 (compared to a year ago):

- **Regular pay** was estimated to have increased by 5.9% in nominal terms and increased by 2.5% in real terms.
- **Total pay** was estimated to have increased by 6.0% in nominal terms and increased by 2.5% in real terms.

Between October and December 2023 and October and December 2024:

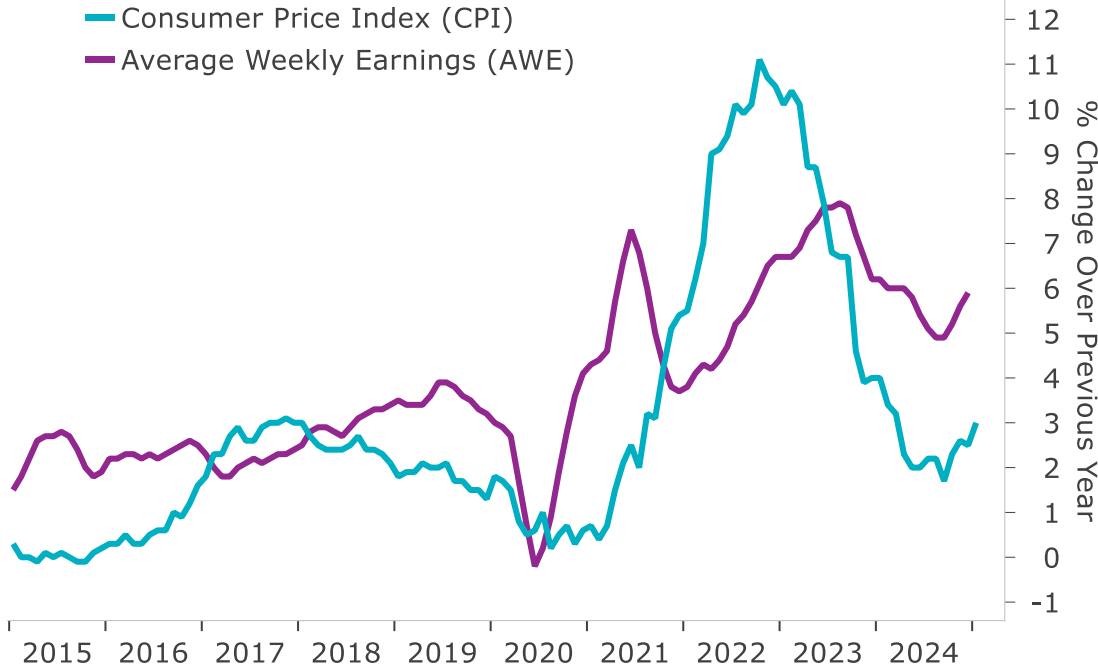
- **Average regular pay (excluding bonuses)** was estimated at £664 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£626 per week) and £493 per week in real terms (constant 2015 prices), higher than the estimate for a year earlier (£481 per week).
- **Average total pay (including bonuses)** was estimated at £710 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£670 per week) and £527 per week in real terms (constant 2015 prices), higher than the estimate for a year earlier (£514 per week).

AVERAGE WEEKLY EARNINGS GROWTH

	Average Weekly Earnings	Consumer Price Index (CPI)	Real Average Weekly Earnings
Jan-24	6.2	4.0	2.2
Feb	6.0	3.4	2.6
Mar	6.0	3.2	2.8
Apr	6.0	2.3	3.7
May	5.8	2.0	3.8
Jun	5.4	2.0	3.4
Jul	5.1	2.2	2.9
Aug	4.9	2.2	2.7
Sep	4.9	1.7	3.2
Oct	5.2	2.3	2.9
Nov	5.6	2.6	3.0
Dec	5.9	2.5	3.4
Jan-25		3.0	

Source: ONS.

LONG TERM EARNINGS SERIES



Note: The average weekly earnings measure used is 'regular pay,' which excludes bonuses and arrears.

SUMMARY DECEMBER

Regular pay growth

5.9%



Up from 5.6% in November.

Total pay growth

6.0%



Up from 5.5% in November.

Real wage growth picks up

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MONEY, CREDIT & INSOLVENCIES

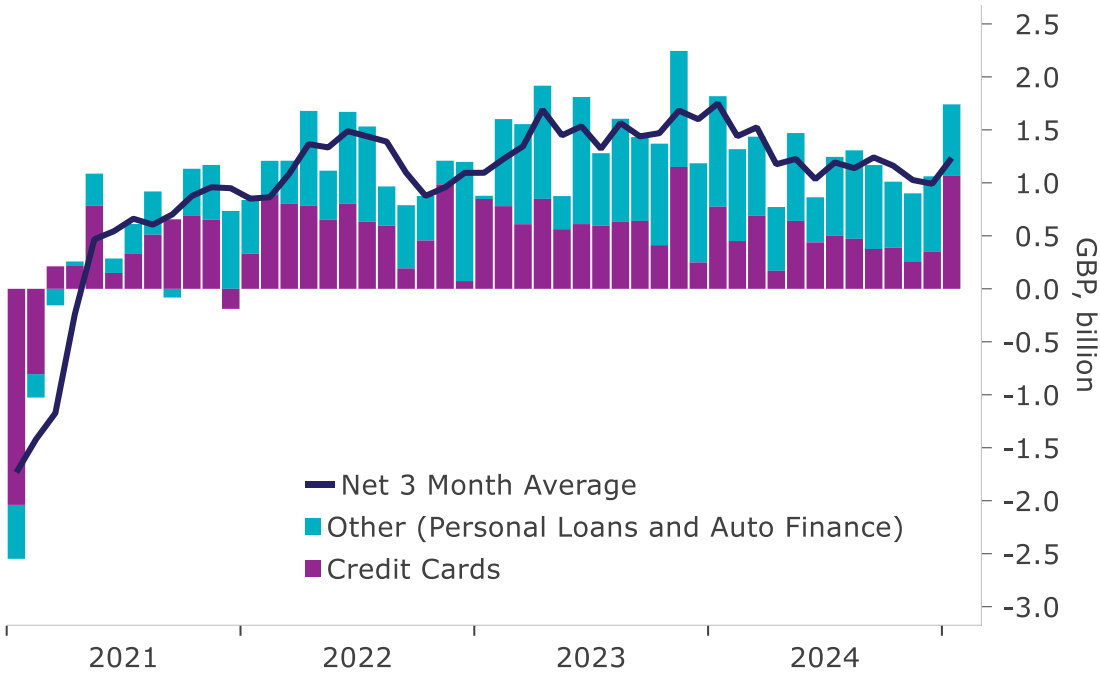
- Consumers in January borrowed an additional £1.7 billion in consumer credit, in net terms, of which borrowing was £0.7 billion in personal/auto loans and £1.1 billion of which was repayments on credit cards.
- Individuals borrowed £4.2 billion in mortgage debt in January, compared to £3.3 billion in net borrowing in December. Mortgage approvals for house purchases decreased to 66,189, down from 66,505 in December.
- Sterling money (known as M4ex) net flows were £25.7 billion in January, up from £10.5 billion in the preceding month. Households in net terms deposited £8.4 billion at banks and building societies, compared with £4.7 billion of deposits in the preceding month.
- The effective interest rate paid on households' new time deposits with banks and building societies edged down to 3.91%, down from 3.96%.
- Private non-financial companies (PNFCs) borrowed £2.4bn in market finance from capital markets, compared to £0.4 billion of net repayments in the preceding month.
- There were 463 retail insolvencies in Great Britain in Q4 2024, down from 475 in Q3 2024. In 2024, there were 2,018 insolvencies, 13.6% lower compared to the 2,337 figure in 2023.
- There were 2 retail CVAs in England and Wales during Q4 2024, unchanged from 2 in Q3 2024. In 2024, the industry had 16 companies enter a Company Voluntary Arrangement, up since 2023 and 2022 when there were 14 and 10 CVAs, respectively.

CONSUMER CREDIT

	Consumer Credit monthly changes (bn)	Credit Cards monthly changes (bn)	Other Loans and Advances monthly changes (bn)
Jan-24	£1.8bn	£0.8bn	£1.0bn
Feb	£1.3bn	£0.5bn	£0.9bn
Mar	£1.4bn	£0.7bn	£0.7bn
Apr	£0.8bn	£0.2bn	£0.6bn
May	£1.5bn	£0.6bn	£0.8bn
Jun	£0.9bn	£0.4bn	£0.4bn
Jul	£1.2bn	£0.5bn	£0.7bn
Aug	£1.3bn	£0.5bn	£0.8bn
Sep	£1.2bn	£0.4bn	£0.8bn
Oct	£1.0bn	£0.4bn	£0.6bn
Nov	£0.9bn	£0.3bn	£0.6bn
Dec	£1.1bn	£0.4bn	£0.7bn
Jan-25	£1.7bn	£1.1bn	£0.7bn

Source: Bank of England

CONSUMER CREDIT



Source: Bank of England

SUMMARY JANUARY

Net consumer credit

£1.7bn



Up from £1.1 billion in December.

Net credit card lending

£1.1bn



Up from £0.4 billion in December.

The effective rate on new personal loans decreased to 8.79% and increased on credit cards to 21.85%

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DOLLAR, EURO, YUAN, YEN

	US dollar (\$) per pound sterling (£)	Euro (€) per pound sterling (£)	Chinese Yuan (¥) per pound sterling (£)	Japanese Yen (¥) per pound sterling (£)
Feb-2024	1.26	1.17	9.10	188.86
Mar	1.27	1.17	9.18	190.45
Apr	1.25	1.17	9.08	192.56
May	1.26	1.17	9.15	196.95
Jun	1.27	1.18	9.25	200.69
Jul	1.29	1.19	9.36	202.76
Aug	1.29	1.17	9.25	189.31
Sep	1.32	1.19	9.35	189.27
Oct	1.30	1.20	9.27	195.52
Nov	1.27	1.20	9.20	195.82
Dec	1.26	1.21	9.22	194.60
Jan	1.24	1.19	9.04	193.27
Feb-2025	1.25	1.20	9.13	190.07

Source: Average monthly exchange rate, Bank of England

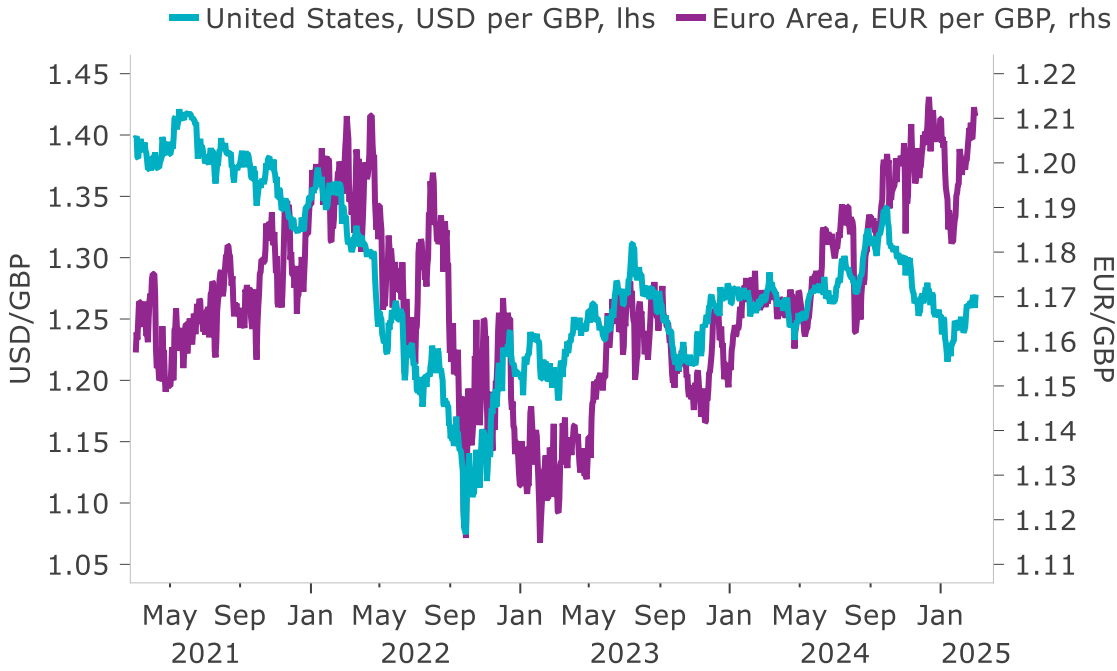
IMPACTS FROM CURRENCY DEPRECIATION

If Sterling depreciates, it can buy less foreign currency and therefore fewer foreign goods. This means retailers have to pay more for imports overall. There is no impact in the short-run, however, with retailers commonly using 6-12 months hedging contracts to protect themselves against currency fluctuations. Any permanent shock to the currency - i.e. a sustained sterling depreciation - takes one to two years to feed through in final consumer prices.

From the perspective of the wider economy, in theory, a pound depreciation should also stimulate exports, since domestically produced goods are cheaper to foreigners, which would increase the demand for UK produced goods.

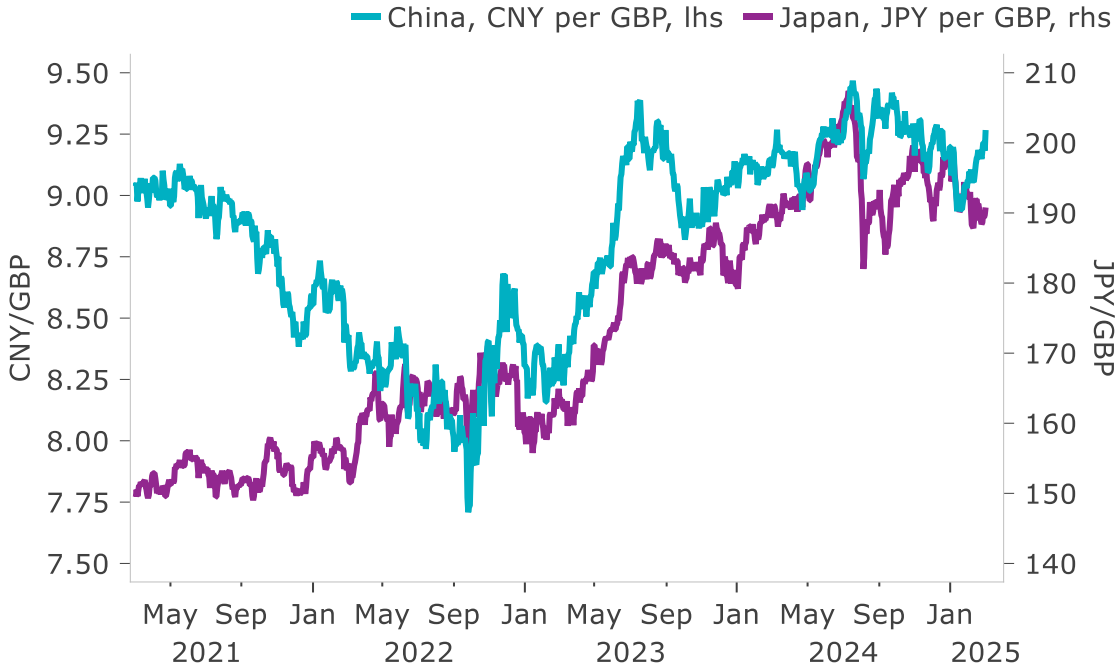
However, this failed to materialise following the post-referendum depreciation from 2016, most likely due to specialised supply chains.

USD PER GBP, EURO PER GBP



Source: Average monthly exchange rate, Bank of England

YUAN PER GBP, YEN PER GBP



Source: Average monthly exchange rate, Bank of England

SUMMARY JANUARY

USD TO GBP, YOY

-0.6%



Sterling depreciation in relation to the USD , YoY.

EURO TO GBP, YOY

2.9%



Sterling appreciation in relation to the Euro, YoY.

Sterling was lower on the year in February in relation to the US dollar but higher in relation to the Euro.

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CONSENSUS FORECASTS FOR THE UK ECONOMY

CONSENSUS ECONOMIC FORECASTS, CITY, OBR AND INDEPENDENT AVERAGE

	2025			2026		
	City	BoE	OBR	City	BoE	OBR
GDP	0.9	0.7	2.0	1.3	1.5	1.8
Cons. Spending	1.2	1.5	1.7	1.4	1.8	1.9
CPI (Q4)	2.8	3.5	2.5	2.3	2.4	2.1
Avg Earnings	3.5	3.0	3.6	2.8	3.0	2.1
Bank Rate (Q4)	3.8	4.2	3.8	3.5	4.1	3.6

Source: City average forecasts in HM Treasury’s ‘Forecasts for the UK Economy’, the Bank of England’s (BoE) February 2025 Monetary Policy Report and the Office for Budget Responsibility’s (OBR) Economic and fiscal outlook – October 2024 forecasts.

Note: Average Weekly Earnings estimates are that for the private sector under the Bank of England’s forecasts.

SUMMARY FORECASTS

GDP 2025

0.9%



Down from the previous projection of 1.1%.

Avg. Earnings 2024

3.5%



Down from a previous projection of 3.8%.

The consensus City forecast for 2025 growth in February was 0.9%

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BRC INSIGHT

The BRC has a diverse team of experts dedicated to providing insight into the UK’s retail industry. They work across several specialities to bring together cutting-edge data sources and provide in-depth analysis of both into fast-moving market developments and longer-term structural trends. We help our members with insight into the market in which they operate and to benchmark their performance against their peers.

The BRC produces some of the leading measures of UK retail performance, including sales, footfall, property vacancies and more.

You can find out more about our work by visiting <https://brc.org.uk/market-intelligence/>

ECONOMIC MONITOR

The BRC’s Economic Monitor is our monthly measure of the global & UK economy, the wider trading environment, and a collection of performance market measures within this context.

If you have any thoughts or feedback on how we might be able to improve this report – please do get in touch.

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