

Article

Quarterly economic commentary: January to March 2024

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

Contact:
Macroeconomic Insights team
economic.advice@ons.gov.uk
+44 1633 651833

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1 . Main points

- Gross domestic product (GDP) increased by 0.7% in Quarter 1 (Jan to Mar) 2024, with real GDP per head also seeing positive growth (0.5%) after seven quarters without positive growth.
- The UK current account deficit (excluding precious metals) narrowed to 3.5% of GDP in Quarter 1 2024, with a smaller deficit in goods trade and larger surplus in services trade.
- There was a further cooling in labour demand, as job vacancies fell for the 23rd consecutive period in March to May 2024.
- Annual growth in regular earnings was 6.0% in the three-month period from February to April 2024, following the peak of 7.9% in mid-2023.
- Headline 12-month consumer price inflation (CPI) slowed to 2.0% in May 2024, while the annual rate of core inflation declined to 3.5%, down from its peak of 7.0% last spring.

2 . National accounts

There was an increase in output produced by the UK economy in Quarter 1 (Jan to Mar) 2024, as gross domestic product (GDP) increased by 0.7%, reversing the decline in output in the second half of last year. Real GDP was 0.3% higher than it was a year ago in Quarter 1 in the UK. Real GDP per head is one proxy indicator of economic welfare. This increased by 0.5% in Quarter 1, following seven consecutive quarters without positive growth (Figure 1). This left GDP per head 0.6% lower compared with the same quarter last year.

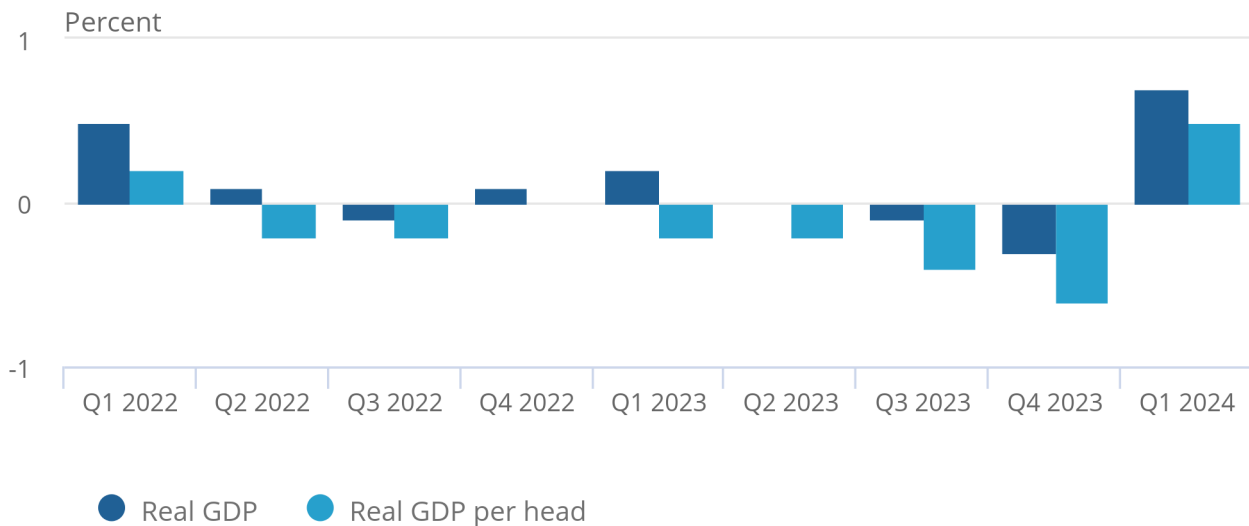
The more timely monthly GDP figures show that output is estimated to have been flat in April 2024.

Figure 1: UK real GDP recovered its fall from last year, while real GDP per head returned to growth in Quarter 1, having not grown in the previous seven quarters

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

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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 Statistic

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 Revisions Policy, year 2022 is consistent with 2020-based interim population projections, as published on 27 January 2023. Year 2023 is consistent with 2021-based interim population projections, as published on 30 January 2024.

The volume of household expenditure increased by 0.4% in Quarter 1, 2024, following falls in the second half of last year. Household spending is still lagging the recent increases in real household disposable income (RHDI), pushing up the savings rate to 11.1% in Quarter 1 2024, where there might be intertemporal and precautionary savings motives. Further information about savings motives can be found in our [Economic modelling of forced saving during the coronavirus \(COVID-19\) pandemic article](#). Monthly retail sales figures in our [Retail sales, Great Britain: May 2024 bulletin](#) show there was a decline in spending in April, followed by a rebound in May.

Private non-financial corporations (PNFC) remained a net borrower in Quarter 1, although borrowing has slowed from its unusually high pace in Quarter 4 (Oct to Dec). This reflects the weakening in corporate incomes, as profit margins have been squeezed and gross operating surplus (GOS) was on a downward trend during most of last year. At the same time, firms increased their investment spending in recent quarters, recovering some of the weakening in capital expenditure from mid last year.

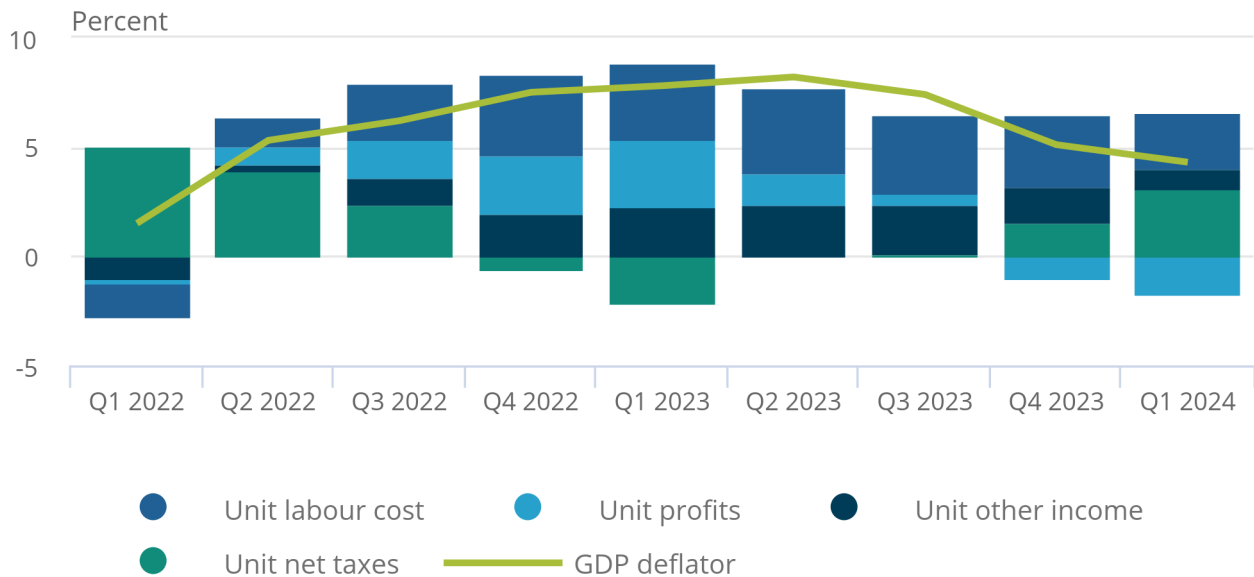
The decline in corporate income was the main contributor to the slower rate of inflation of the implied GDP deflator, which increased by 4.3% in the year to Quarter 1, 2024. Figure 2 shows that the contribution of unit profits turned negative in the latest two quarters, while unit labour costs are still increasing, although at a slightly slower pace. More details about 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 GDP deflator has slowed as unit profits declined

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 Statistic

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 net borrowing excluding public sector banks (PSNB ex) was £15.0 billion in May 2024. This monthly borrowing was £0.8 billion higher than in May 2023. For the first two months of this financial year, PSNB ex was £33.5 billion, £0.4 billion more than in the same two-month period a year ago, but £1.5 billion below Office for Budget Responsibility forecasts, as published in our [Public sector finances, UK: May 2024 bulletin](#).

Public sector net debt excluding public sector banks (debt) was £2,742.9 billion at the end of May 2024, which is £172.2 billion more than at the end of May 2023. Debt was provisionally estimated at around 99.8% 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 1 (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 3.5% of GDP in Quarter 1, a narrowing compared with the previous quarter. Including precious metals, the deficit was slightly smaller.

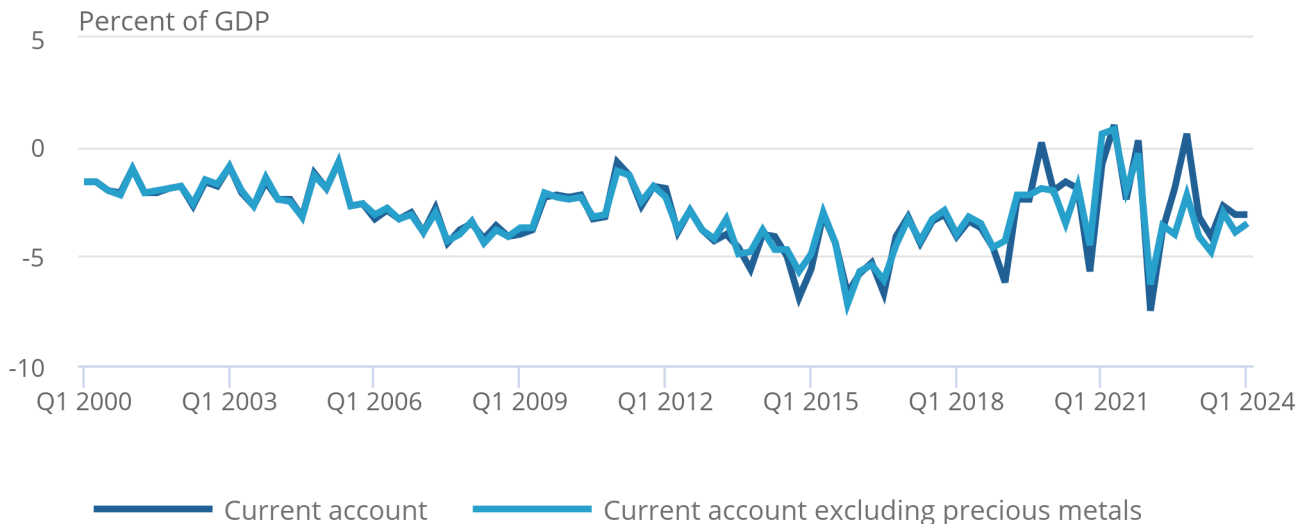
This narrowing in the underlying current account deficit in Quarter 1 was mainly caused by a lower deficit in goods trade and a higher surplus in services trade. These trends in the UK trade balance were partly offset by higher deficits on the income balance, including both primary and secondary income.

Figure 3: The UK ran a current account deficit in Quarter 1 (Jan to Mar), 2024

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

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



Source: Balance of payments 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.

There has been a decline in global trade openness, relative to its trend before the coronavirus (COVID-19) pandemic, as reported by the Organisation for Economic Co-operation and Development (OECD) in the 2024 volume of [Economic Outlook](#). The decline in energy prices also contributed to the reduction in the UK's goods trade deficit, reversing some of the impact from the initial increases in energy prices from 2022.

The primary income deficit increased in Quarter 1, 2024. This is because net borrowing increased on the investment income account, as income earned from UK investments abroad decreased by more than UK payments to the rest of the world. Central government income flows were the main contributor to trends in secondary income during the same period.

International financial flows tend to be volatile, which is most evident in mobile forms of capital, such as loans and deposits. These types of capital flows can be particularly large at times of more volatile movements in financial conditions. There was an increase in net portfolio outflows in Quarter 1 2024, which was offset by higher net inflows in the financial derivatives and other investment balances.

4 . Labour market

There are signs that the labour market was cooling in Quarter 1 (Jan to Mar) of 2024, with labour demand continuing to fall into the first quarter of 2024, alongside increases in unemployment.

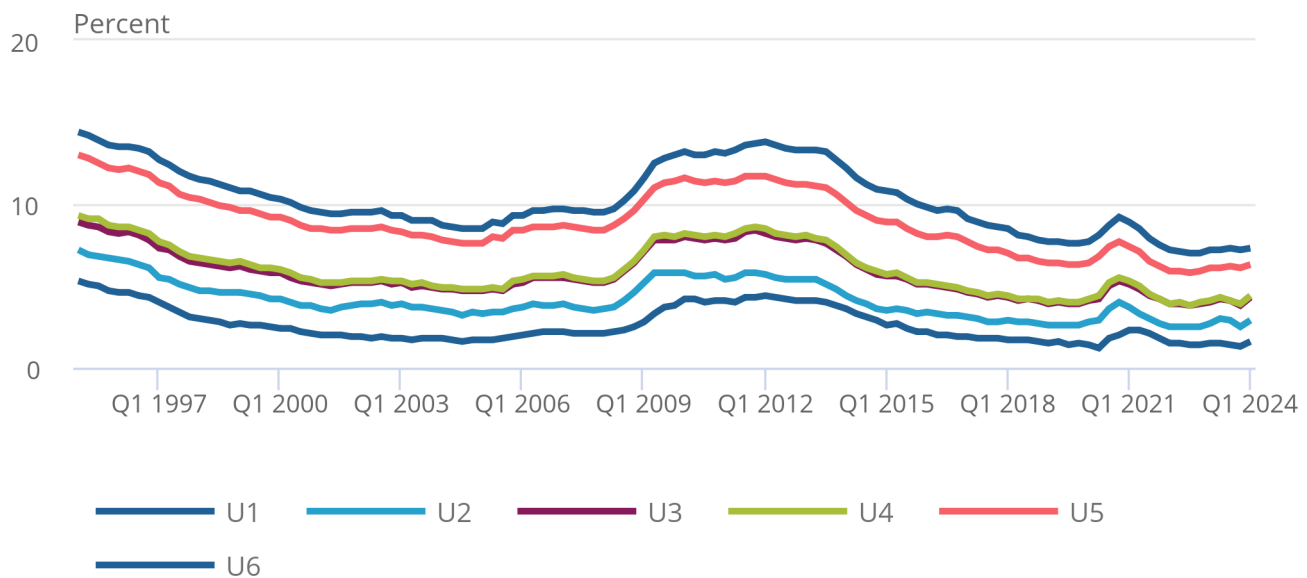
Figure 4 shows that broader measures of labour market availability have risen over the last year, with the headline unemployment rate increasing to 4.4% in the latest period (February to April 2024). Our [Alternative measures of underutilisation in the UK labour market article](#) has more information about labour market availability.

Figure 4: Measures of labour market availability have risen slightly in recent periods

Measures of labour market availability, U1 to U6, Quarter 1 (Jan to Mar) 1995, to Quarter 1 2024, UK

Figure 4: Measures of labour market availability have risen slightly in recent periods

Measures of labour market availability, U1 to U6, Quarter 1 (Jan to Mar) 1995, to Quarter 1 2024, UK



Source: Labour Force Survey from the Office for National Statistics

Notes:

1. Increased volatility of Labour Force Survey (LFS) estimates, resulting from smaller achieved sample sizes, means that estimates of quarterly change should be treated with additional caution.
2. Data from July to September 2022 onwards has been reweighted, causing a step change discontinuity.

Alongside this rise in labour market availability, the number of vacancies, decreased to 904,000 in March to May 2024, the 23rd quarterly fall in succession.

The ratio between the number of unemployed people and the number of job vacancies brings together the picture for both labour supply and labour demand. This gives an indication of the scarcity of available labour, relative to business demand for labour. This ratio increased steadily in recent months as the number of unemployed people rose, while vacancies decreased. In the latest period, the ratio rose to 1.7 unemployed people per job vacancy, just above its pre-pandemic position.

The increase in this ratio, since its record low in mid-2022, indicates that the labour available to businesses has become relatively less scarce. However, given the exceptional position of the labour market in mid-2022, the ratio has only just surpassed its pre-pandemic position, which was judged to be indicative of a tight labour market at the time.

In the context of this tightness in the labour market, we continue to see relatively strong wage growth. In the latest period, the annual growth rate for regular average weekly earnings remained at 6.0% for the third consecutive month. However, external sources, such as the [Bank of England Monthly Decision Maker Panel](#), continue to expect slowing wage growth in the year ahead.

5 . Prices

The 12-month rate of consumer price inflation declined to 2.0% in May 2024, its slowest annual pace in almost three years. Core inflation was 3.5% in the year to May, whereas there is some easing in underlying price pressures compared with its peak at over 7% last spring. This still leaves UK core inflation among the highest compared with other advanced economies (see Table 1).

Table 1: UK core inflation fell in recent months but remains among the highest in the G7

%	Canada	France	Germany	Italy	Japan	UK	US
Dec	3.5	2.8	3.5	2.9	2.9	5.1	4.0
Jan	3.3	2.8	3.3	2.5	2.7	5.1	4.0
Feb	3.0	2.7	3.1	2.3	2.6	4.5	3.9
Mar	3.0	2.3	2.9	2.2	2.3	4.2	3.9
Apr	2.7	2.2	2.7	2.1	2.0	3.9	3.7
May	2.9	2.1	2.9	2.0	1.8	3.5	3.5

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

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) as of 26 June 2024.

The annual inflation rate for core goods prices was negative 0.1% in the 12 months to May 2024. Service price inflation eased to 5.7% over the same period, indicating some remaining domestic price pressures. This is reflected in our [Contributions to the 12-month rate of CPI\(H\) by import intensity dataset](#), where the majority of the decline in the annual inflation rate was caused by items 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 but remain above the headline inflation rate (see Figure 5).

The annual Inflation rate for food and non-alcoholic beverages prices declined to 1.7% in the 12-months to May 2024 from its peak of close to 20% from early last year. 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 started to decrease in price in recent months.

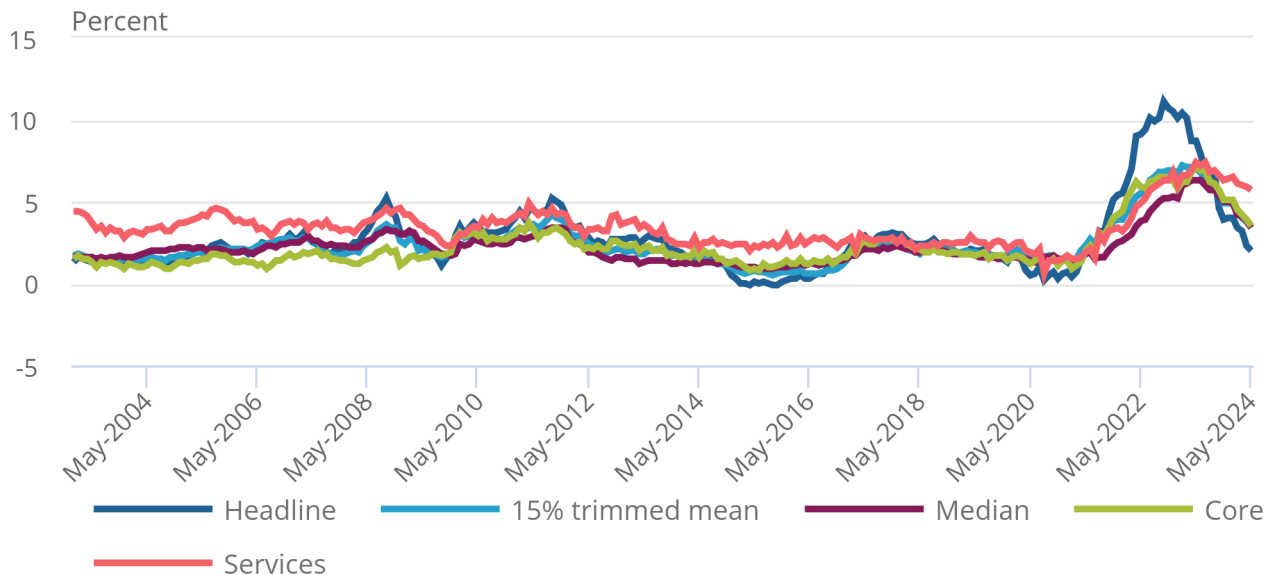
Energy prices decreased in April following the reduction of the Ofgem price cap for gas and electricity prices. This was partially offset by the increase in motor fuel prices for four consecutive months to May.

Figure 5: There was an easing in measures of core inflation from last summer

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

Figure 5: There was an easing in measures of core inflation from last summer

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 a decline in inflation expectations with one-year-ahead expectations at 2.6% and five-year-ahead expectations at 3.1% in May 2024. There has also been a slowing in input and output producer prices from their peak in mid-2022 which is filtering into consumer prices with a lag. For more information about producer prices, please see our [Producer price inflation, UK: May 2024 bulletin](#).

6 . Related links

[GDP quarterly national accounts, UK: January to March 2024](#)

Bulletin | Released 28 June 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: January to March 2024](#)

Bulletin | Released 28 June 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: May 2024](#)

Bulletin | Released 21 June 2024

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

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

Bulletin | Released 11 June 2024

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

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

Bulletin | Released 19 June 2024

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

7 . Cite this article

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