Article

Quarterly economic commentary: October to December 2024

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

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Table of contents

1 . Main points

- Real gross domestic product (GDP) increased by 0.1% in Quarter 4 (Oct to Dec) 2024, while real GDP per head declined by 0.1%.

- The UK current account deficit was 2.9% in Quarter 4 (Oct to Dec) 2024; excluding precious metals, the underlying current account deficit was 2.6% of GDP in Quarter 4.

- There was a cooling in the labour market in recent quarters, while annual growth in regular earnings was 5.9% in the three-month period from November 2024 to January 2025.

- Headline 12-month consumer price inflation (CPI) was 2.8% in February 2025; the annual rate of core inflation was 3.5%, down from its peak of 7.1% in May 2023.

2 . National accounts

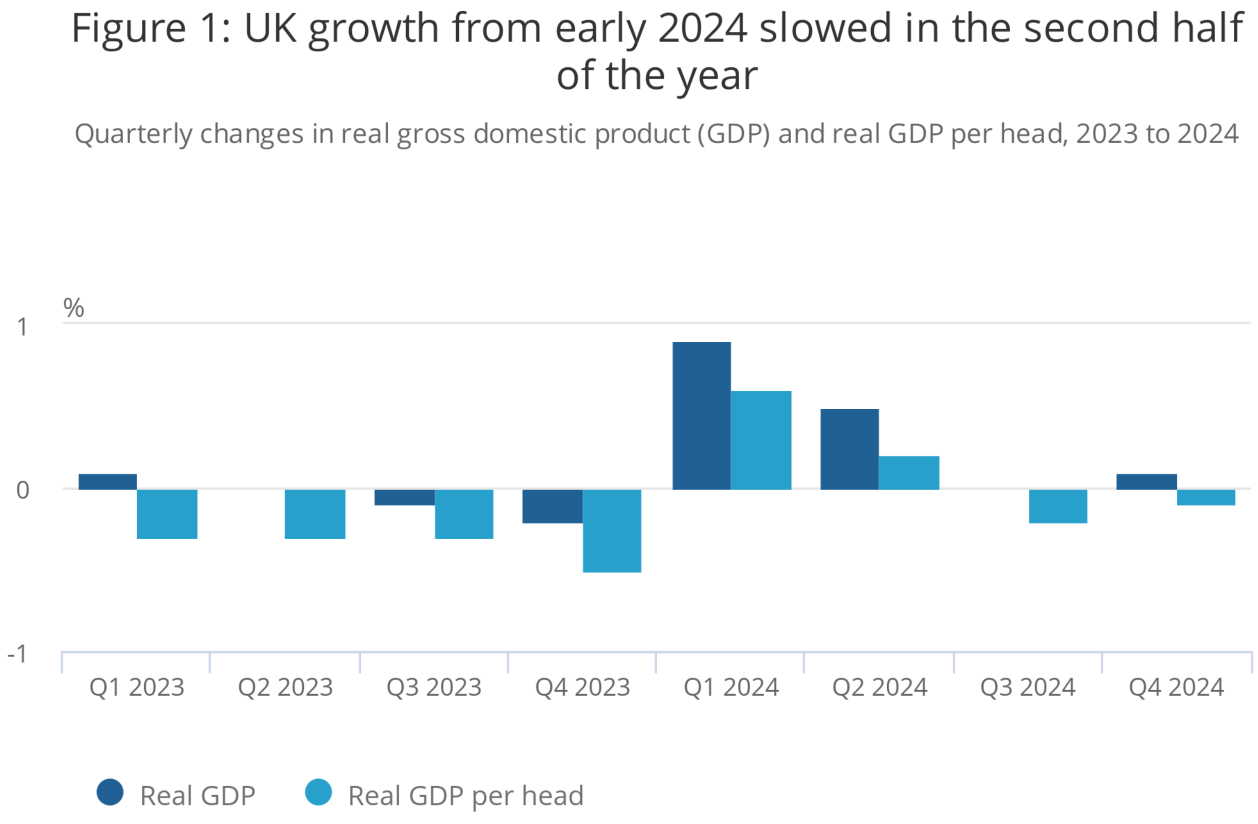
Gross domestic product (GDP) increased by 0.1% in Quarter 4 (Oct to Dec) 2024, following no growth in Quarter 3 (July to Sept) 2024. This leaves UK real GDP 1.5% higher, compared with a year ago. This reflects the high growth pulse from the first half of 2024 (see Figure 1).

Real GDP per head is one proxy indicator for economic welfare. This fell by 0.1% in Quarter 4 2024, following on from a 0.2% fall in Quarter 3 2024. UK real GDP per head was 0.5% higher, compared with a year ago.

The timelier monthly GDP figures showed a fall of 0.1% in January 2025, after an increase of 0.4% in December 2024. The weakness in real GDP over recent quarters was concentrated in market output, while the non-market sector has performed better.

Figure 1: UK growth from early 2024 slowed in the second half of the year

Quarterly changes in real gross domestic product (GDP) and real GDP per head, 2023 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. Population figures for 2023 and 2024 are consistent with the 2022-based interim population projections published on 28 January 2025.

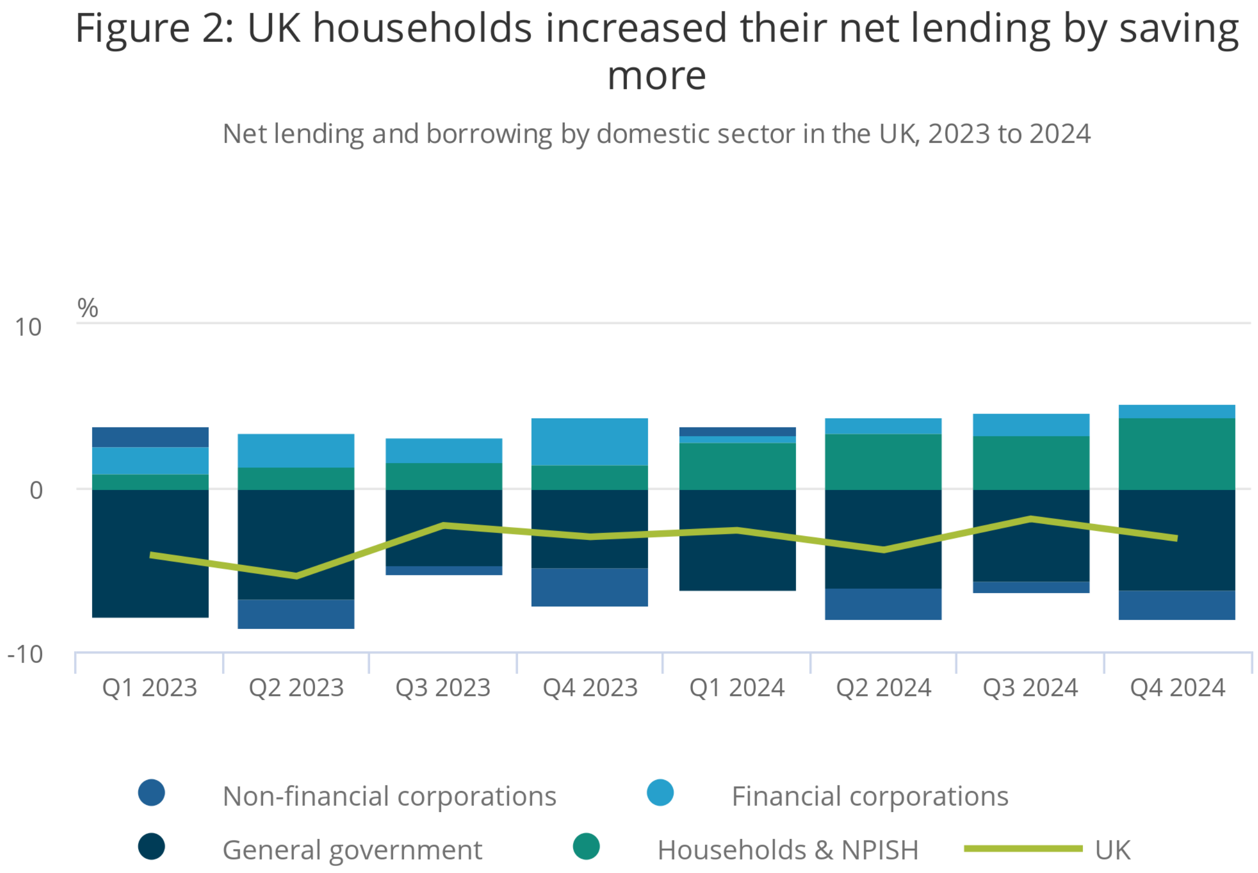
The volume of household expenditure increased by 0.1% in Quarter 4. Household disposable income outpaced inflation in 2024, but this was mostly used to increase savings. The household saving ratio rose to 12.0% in Quarter 4 2024, which was its highest level since the coronavirus (COVID-19) pandemic. Households may have recently increased their saving for both intertemporal and precautionary motives as consumer confidence decreased, and there are some signs of a loosening in the labour market. Further information about intertemporal and precautionary 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: January 2025 bulletin saw household spending make a solid start in Quarter 1 (Jan to Mar) 2025. Sales volumes rose by 1.7% in January, more than reversing their 0.6% fall from December 2024.

Fixed investment fell in Quarter 4, while remaining 2.2% above its level from a year ago. The fall in Quarter 4 was mainly led by business investment, which decreased by 1.9%, compared with the previous quarter. Economic uncertainty is elevated according to our Business insights and impact on the UK economy: 20 March 2025 bulletin . This may be having an impact on investment spending. Corporate gross operating surplus also declined in Quarter 4 while remaining higher than a year ago. Overall, private non-financial corporations increased their net borrowing in Quarter 4, which partly offset private-sector net lending generated by households and the financial sector (see Figure 2).

Figure 2: UK households increased their net lending by saving more

Net lending and borrowing by domestic sector in the UK, 2023 to 2024



Source: Quarterly sector accounts from the Office for National Statistics

Notes:

1. NPISH stands for non-profit institutions serving households.

2. The bars show domestic sectors’ net balances.

3. The line shows the UK’s aggregate net balance with the rest of the world.

Public sector net borrowing was £10.7 billion in February 2025. This was £0.1 billion more than in February 2024, and the fourth highest February borrowing since 1993 when monthly records began. Borrowing in the financial year to February 2025 was £132.2 billion. This was £14.7 billion more than at the same point in the last financial year and the third highest financial year-to-February borrowing since 1993 when monthly records began.

Public sector net debt excluding public sector banks was provisionally estimated at 95.5% of GDP at the end of February 2025. This is 0.1 percentage points more than at the end of February 2024, remaining at levels last seen in the early 1960s. Public sector net financial liabilities excluding public sector banks were provisionally estimated at 82.9% of GDP at the end of February 2025. This was 2.3 percentage points more than at the end of February 2024.

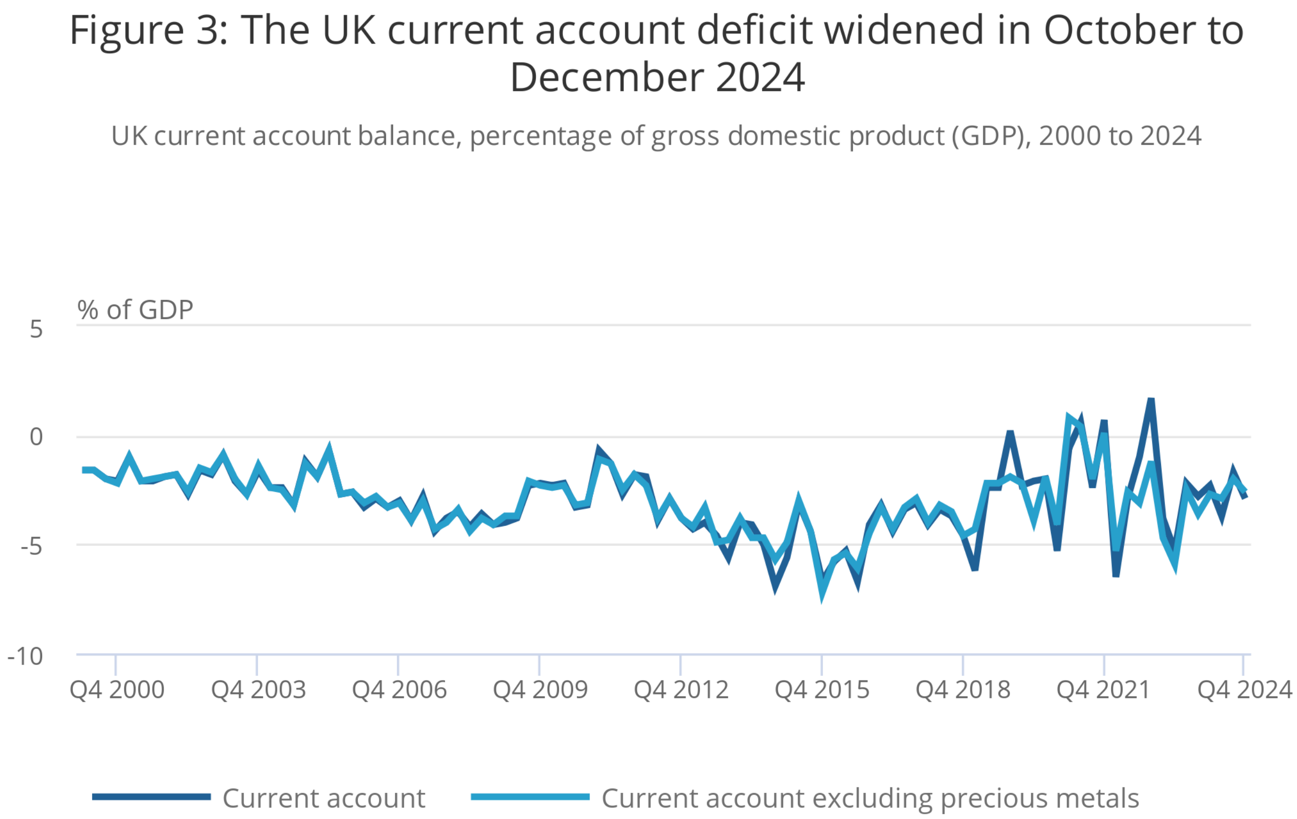
For more information, please see our Public sector finances, UK: February 2025 bulletin.

3 . Balance of payments

The UK was a net borrower from the rest of the world in Quarter 4 (Oct to Dec) 2024, equating to 2.9% of gross domestic product (GDP). Excluding the volatile movements in precious metals, the underlying current account deficit was 2.6% of GDP in Quarter 4.

Figure 3: The UK current account deficit widened in October to December 2024

UK current account balance, percentage 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.

The Organisation for Economic Co-operation and Development (OECD) identified the recent escalation of trade-restrictive measures as a substantial risk to global growth and global trade, as discussed in their Economic Outlook, Interim Report March 2025. The UK is less exposed to these risks, compared with many other economies, owing to its lower share of goods trade in total GDP. UK firms are more concerned about overall economic uncertainty and business costs than about low international demand, as indicated by our Business insights and impact on the UK economy: 20 March 2025 bulletin.

The deficit in the primary income balance narrowed in Quarter 4, as income from UK investments abroad decreased by less than UK payments to foreign investors. This was offset by the widening of the deficit in secondary income in Quarter 4, mainly led by central government income flows.

On the financial account, the UK saw combined net portfolio and net other investment inflows in 2024, partly offset by net direct investment outflows. Portfolio investment and other investment have been volatile in recent years. This is common in times of large changes in global financial conditions, especially for more liquid forms of capital such as debt or equity securities. The UK's net international investment liabilities were 9.8% of GDP at the end of 2024. This was a reduction, compared with 2023, owing to a combination of revaluation and other effects.

4 . Labour market

Real-time information (RTI) on employee payroll numbers has levelled out in recent months, recording a small increase of 0.2% in the year to February 2025. This measure has also seen payroll numbers fall in 6 of the previous 12 months, indicating some weakness in employment. The annual growth rate in workforce jobs employees declined in 2024, compared with 2023. These trends are reflected in several business surveys. The Purchasing Managers Index (PMI) for employment has been below the "no change" benchmark of 50 since October 2024. The Bank of England [Decision Maker's Panel](#) (DMP) also recorded a marked slowdown in employment growth in the second half of 2024. The weaker news on employment reflects higher labour costs, a weaker outlook for UK economy, and higher worldwide economic and geopolitical uncertainty. The headline unemployment rate in the three months to January 2025 was 4.4%. This is a 0.3 percentage point increase, compared with the previous year.

In the three months up to and including January 2025, average weekly earnings (AWE) were 5.9% higher than the year before for regular pay. The increase in wage inflation is a reversal of the downward trend in wage inflation since the summer of 2023 (see Figure 4). This was also despite many of the recognised causes of wage inflation, such as labour productivity and labour market spare capacity, continuing to exert weaker pressure on wage settlements. RTI pay data showed a similar annual growth rate when compared with AWE total earnings including arrear payments.

Figure 4: Average weekly earnings growth increased at the start of 2025

Average weekly earnings annual growth rates in GB, seasonally adjusted, 2001 to 2025

Source: Monthly Wages and Salaries Survey from the Office for National Statistics

The Bank of England's (BoE's) Monetary Policy Report - February 2025 reported that the downward trend in wage growth is expected to continue through 2025 to an annual rate of 3.9% by the end of the year, despite the recent increase in wage inflation. Most factors affecting pay settlements are expected to exert less upward pressure this year, according to the BoE Agents. In real terms, the annual rate of wage growth was 2.2% in the three months to January 2025 for regular pay, maintaining a stable path over the past year. Households mostly used higher real wages to increase their savings.

5 . Prices

The headline rate of consumer price inflation (CPI) was 2.8% in the year to February 2025. Core inflation was 3.5% over the same period. This is a marked decline from peak inflation rates in recent years, but headline and core inflation increased, compared with their recent low in September 2024. UK core inflation remains among the highest, compared with other advanced economies (see Table 1).

Table 1: UK core inflation declined from its peak but remains among the highest in the G7
Core inflation, G7, September 2024 to February 2025

%	Canada	France	Germany	Italy	Japan	UK	US
September	2.4	1.7	2.4	1.8	1.7	3.2	3.3
October	2.4	1.7	2.6	1.8	1.7	3.3	3.3
November	2.1	1.7	2.8	1.9	1.7	3.5	3.3
December	1.9	1.6	3.0	1.6	1.6	3.2	3.2
January	1.6	1.8	2.8	1.7	1.6	3.7	3.3
February	2.6	1.6	2.6	1.5	1.5	3.5	3.1

Source: Organisation for Economic Co-operation and Development (OECD), US Bureau of Labour Statistics (BLS), and the Office for National Statistics

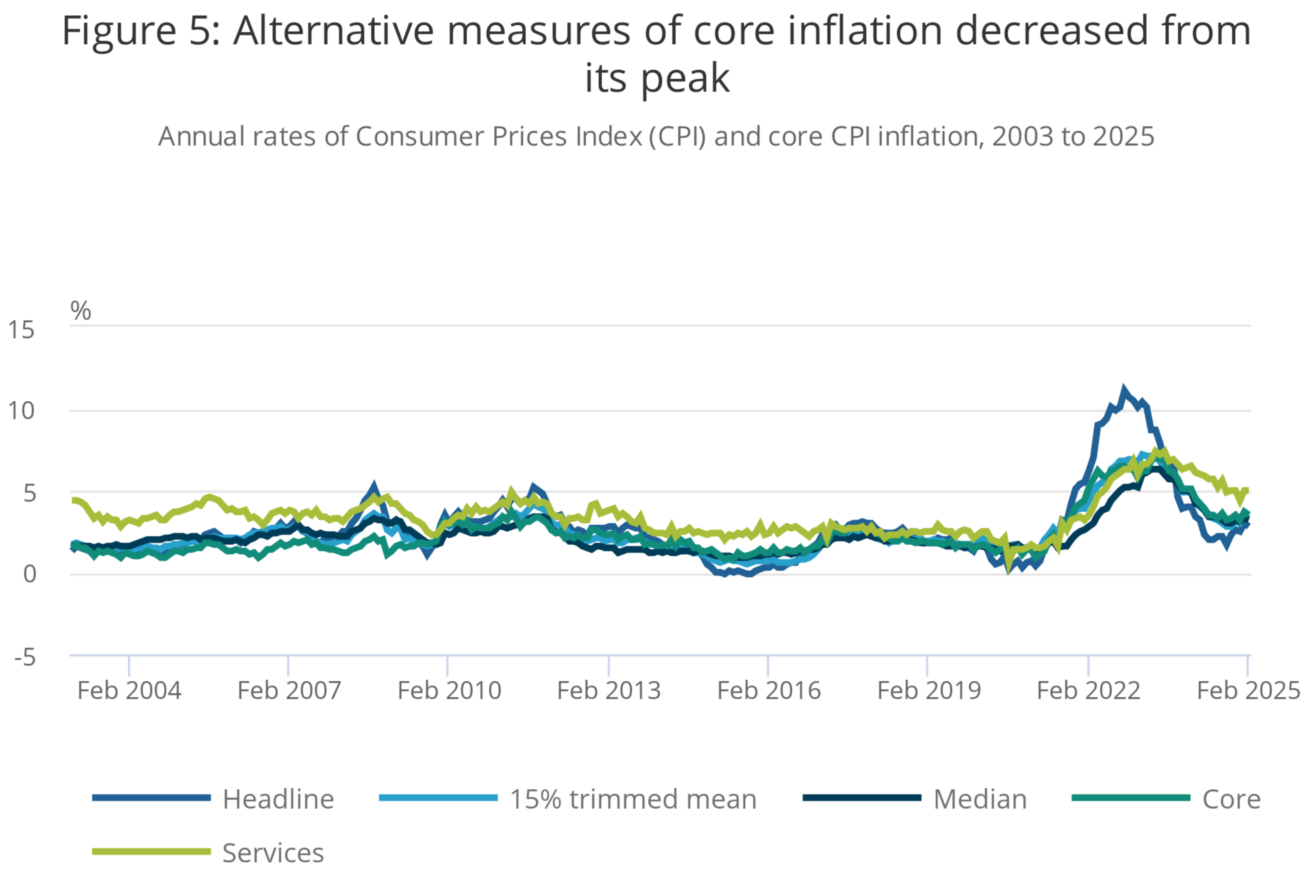
Notes

1. Core inflation in the UK is based on the Consumer Price Index excluding energy food, alcohol, and tobacco. Core inflation in the US is based on CPI excluding energy and food, as reported by the US Bureau of Labour Statistics.
2. Figures for other countries are based on the national measures of consumer price indices, excluding energy and food, as reported by the OECD.
3. OECD data as of 24 March 2025.

Continued UK core inflation was mainly led by services prices, which increased by 5.0% in the year to February 2025. The more imports-led core goods price inflation, referring to CPI non-energy industrial goods, was 1.1% over the same period. This was up from around zero percent last summer. This wedge between core goods and service price inflation is reflected in ourContributions to the 12-month rate of CPI(H) by import intensity dataset. Most of the decline in the annual inflation rate from its post-coronavirus (COVID-19) pandemic peak was accounted for by CPI classes having a high import content. One indicator of domestic inflation is wage growth. This remains elevated, and has outpaced productivity growth, adding to domestic inflationary pressures. Our alternative indicators of core inflation, discussed in ourNew estimates of core inflation, UK: 2022 article, decreased from their peak, but are still above the headline inflation rate (see Figure 5).

Figure 5: Alternative measures of core inflation decreased from its peak

Annual rates of Consumer Prices Index (CPI) and core CPI inflation, 2003 to 2025



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 3.3% in the year to February 2025. This is up from 1.3% six months ago, but still markedly below its peak of close to 20% from early 2023. The recent increase in food price inflation was mainly because of processed foods, but the inflation rate for fresh food prices also increased. Energy prices are still lower than a year ago. However, the inflation rate is set to increase when the Ofgem price cap for gas and electricity prices increases by 6.4% in April 2025, compared with a 12.3% fall in April 2024.

Household inflation expectations increased in February 2025, with one-year-ahead expectations at 3.2% and five-year-ahead expectations at 3.6%, according to the[Bank of England and Ipsos Inflation Attitudes Survey](). There has also been an increase in firms' price expectations in recent months, as discussed in our [Business insights and impacts on the UK economy: 20 March 2025 bulletin](). Together with the recent firmness in wage growth, this points to some remaining persistence in UK inflation.

6 . Related links

[GDP quarterly national accounts, UK: October to December 2024]
Bulletin | Released 28 March 2025
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: October to December 2024]
Bulletin | Released 28 March 2025
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: February 2025]
Bulletin | Released 21 March 2025
How the relationship between UK public sector monthly income and expenditure leads to changes in deficit and debt.

[Labour market overview, UK: March 2025]
Bulletin | Released 20 March 2025
Estimates of employment, unemployment, economic inactivity, and other employment-related statistics for the UK.

[Consumer price inflation, UK: February 2025]
Bulletin | Released 26 March 2025
Price indices, percentage changes and weights for the different measures of consumer price inflation.

7 . Cite this article

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