



# The economic outlook

September 2024



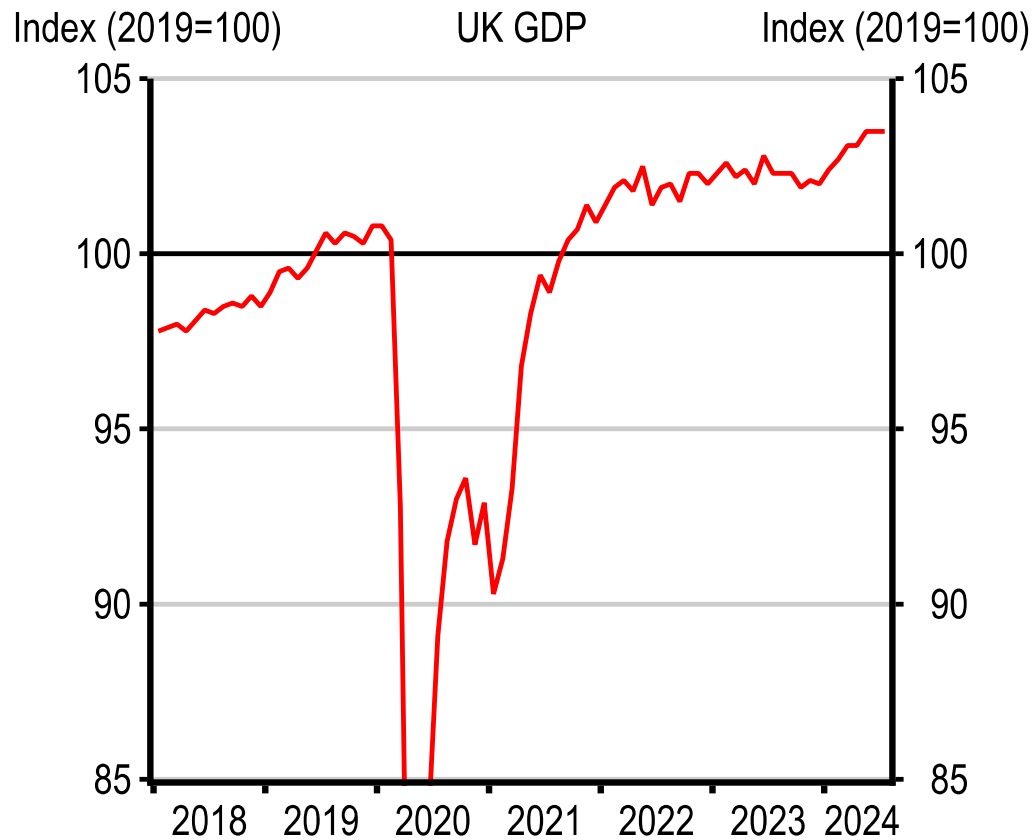
Economics  
Global & UK

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## In the UK, a solid first half of 2024, but questions around household spending...



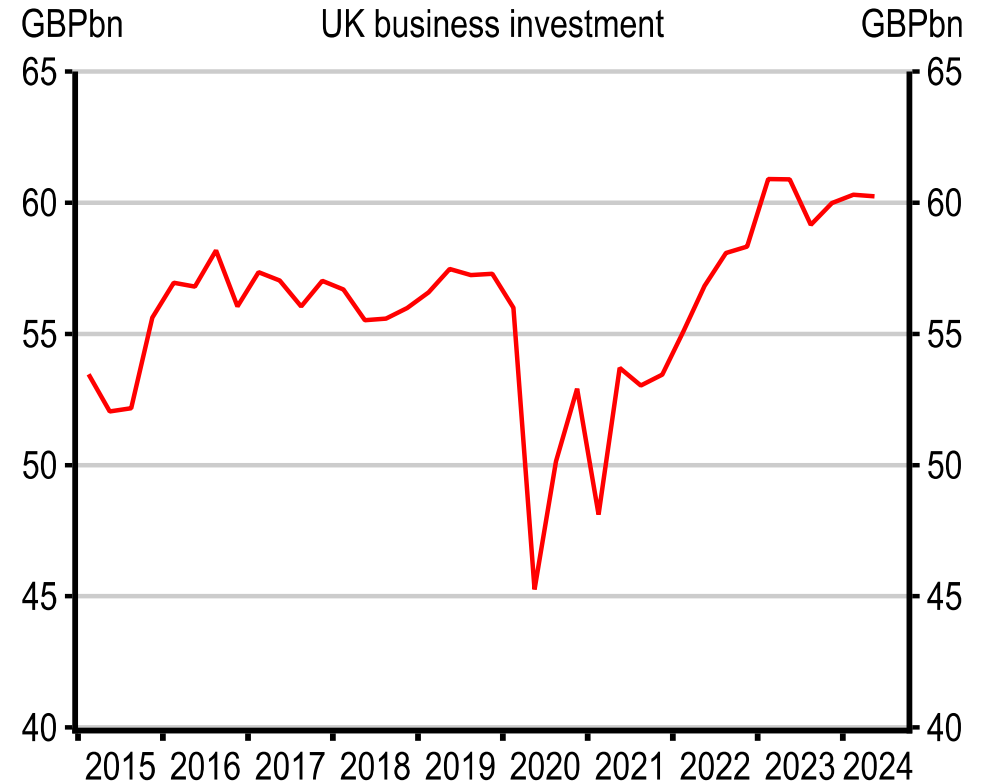
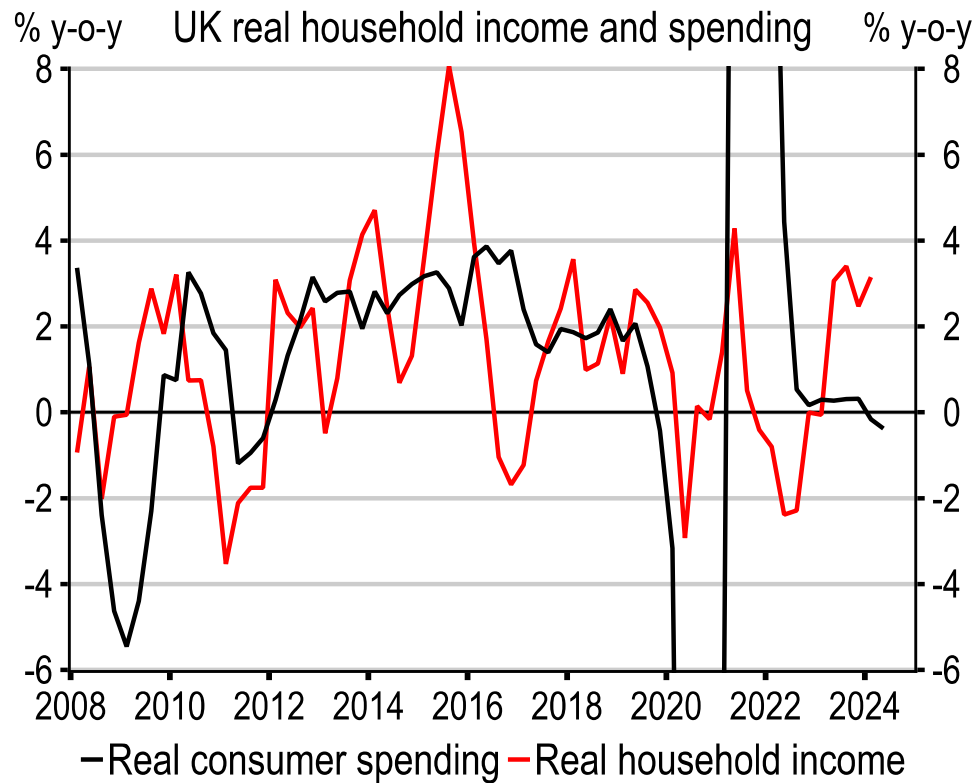
Source: Macrobond, ONS

## Real GDP growth forecast

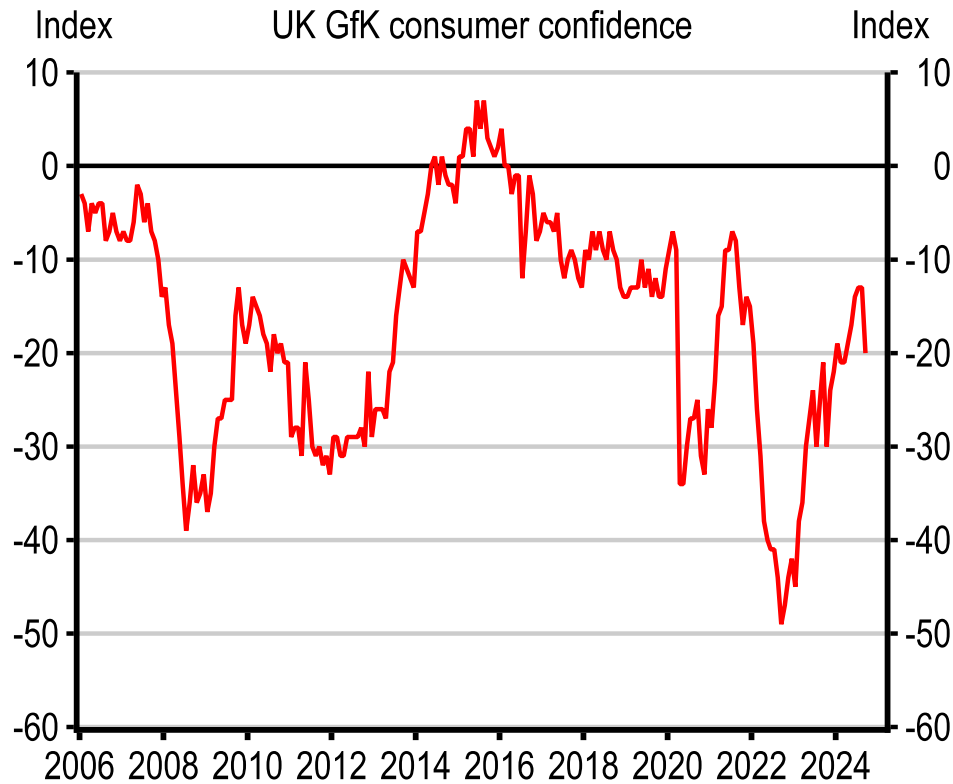
2023	0.1%
2024f	1.1%
2025f	1.4%
2026f	1.8%

Source: ONS, HSBC \*Mostly net trade and inventories

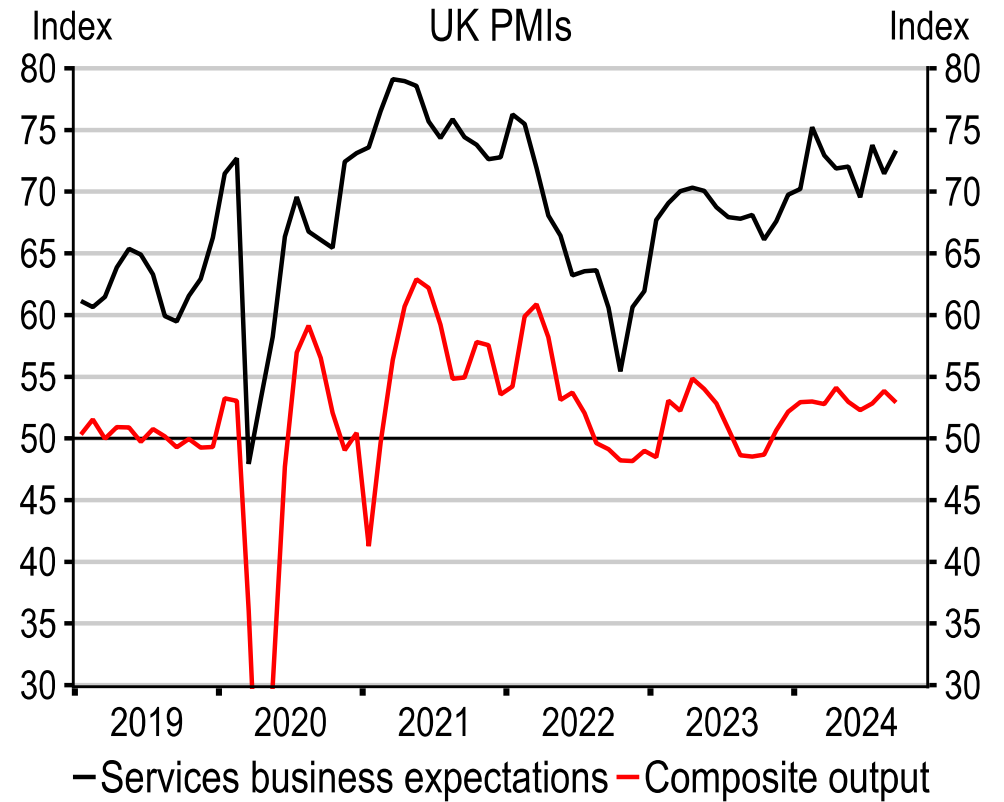
## Higer confidence and lower rates should boost domestic demand



## Confidence is up, but are pre-Budget jitters creeping in?

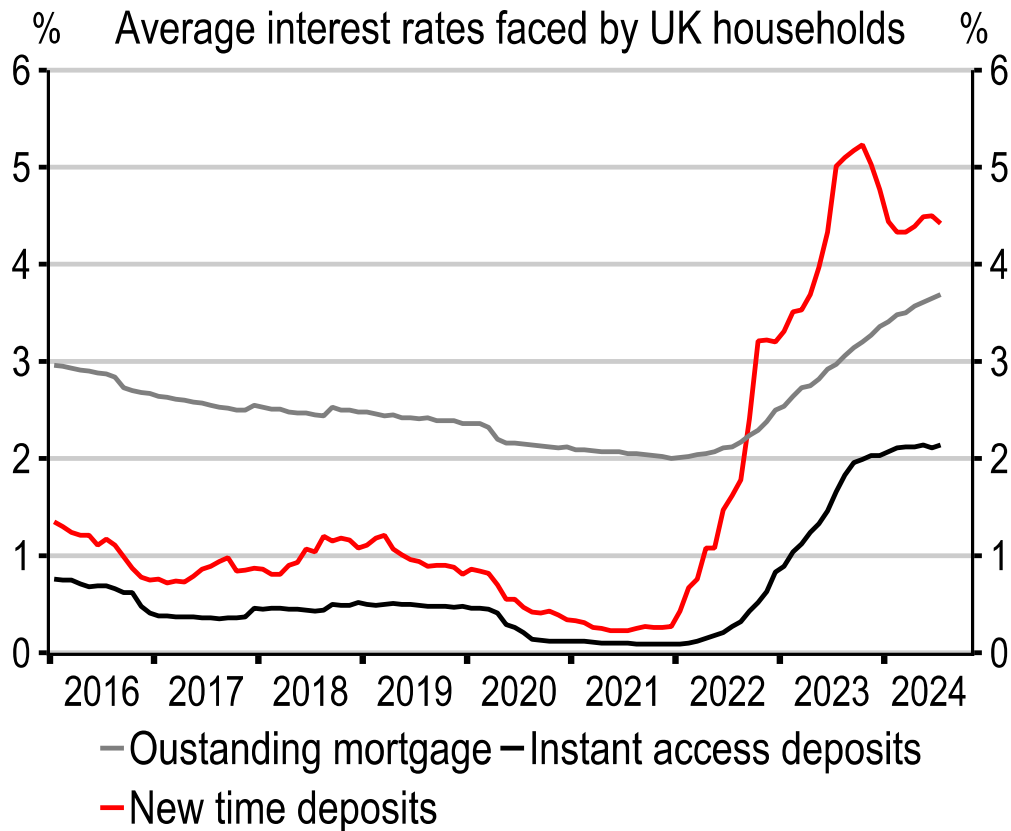


Source: GfK, Macrobond

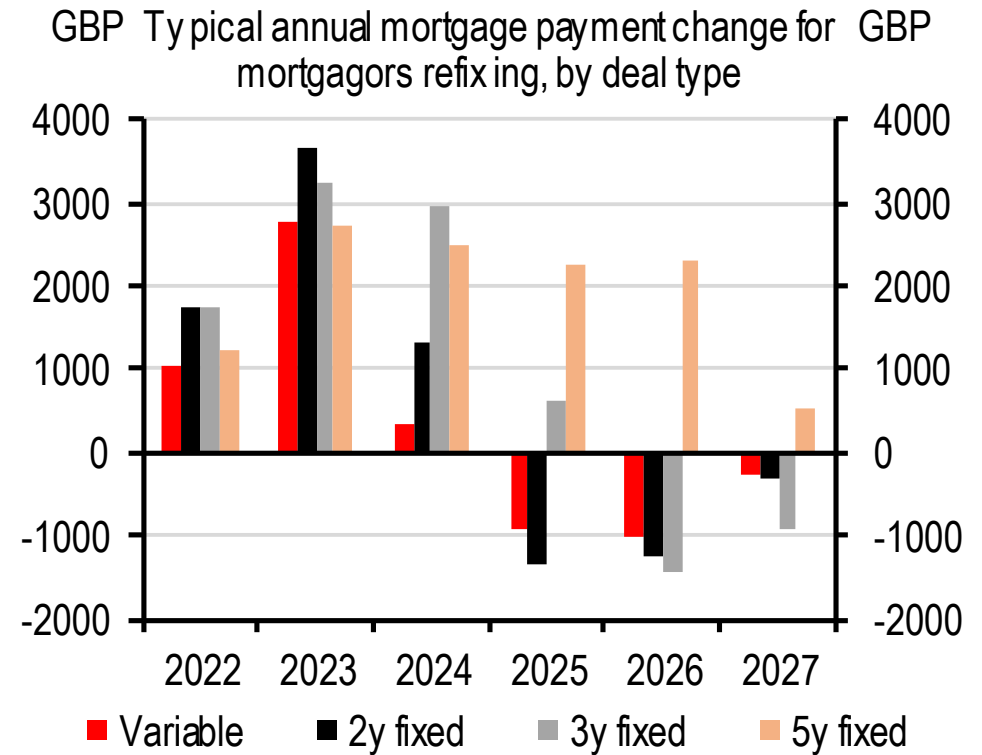


Source: S&P Global, Macrobond

## Lower rates should reduce savings incentives, and ease the mortgage squeeze

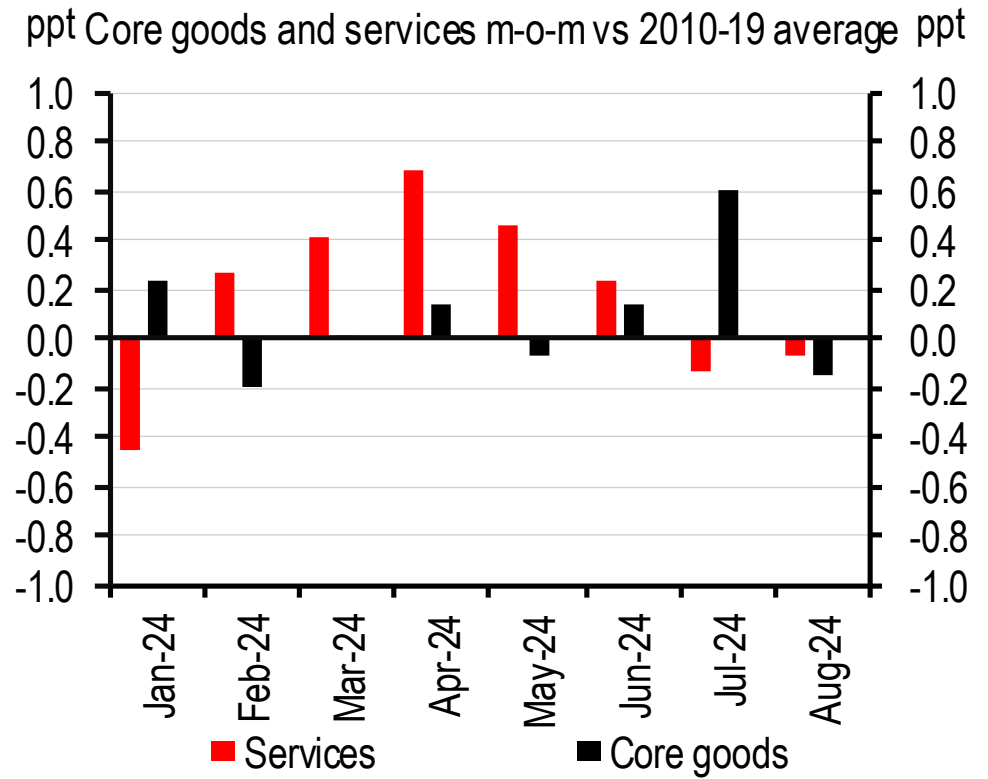
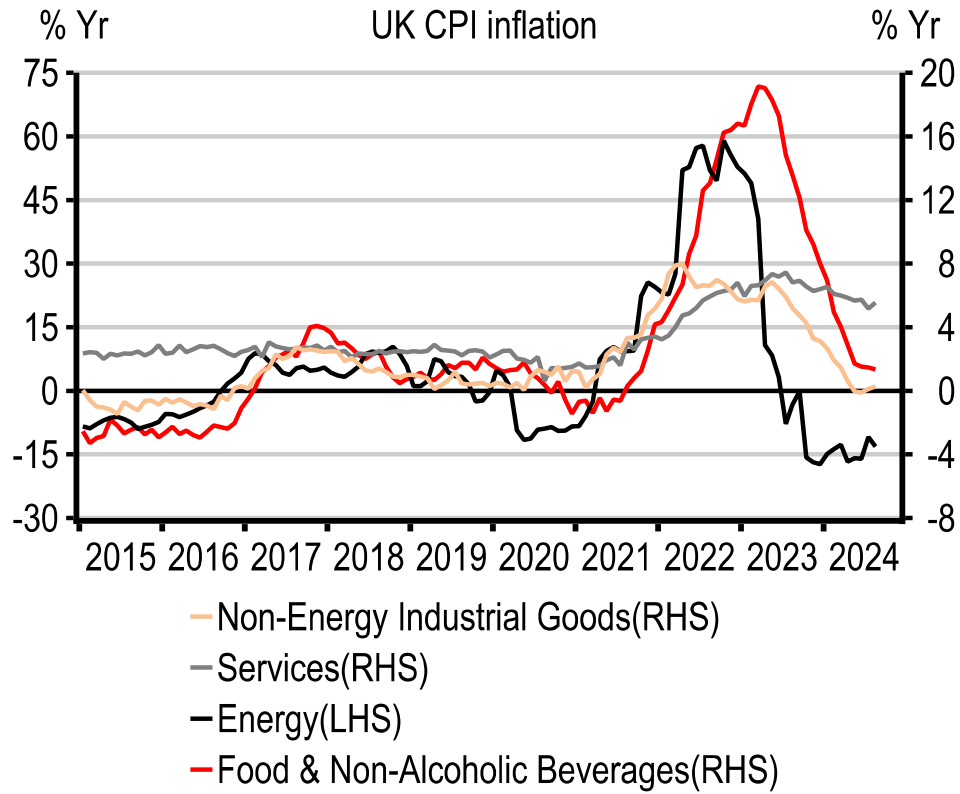


Source: GfK, Macrobond

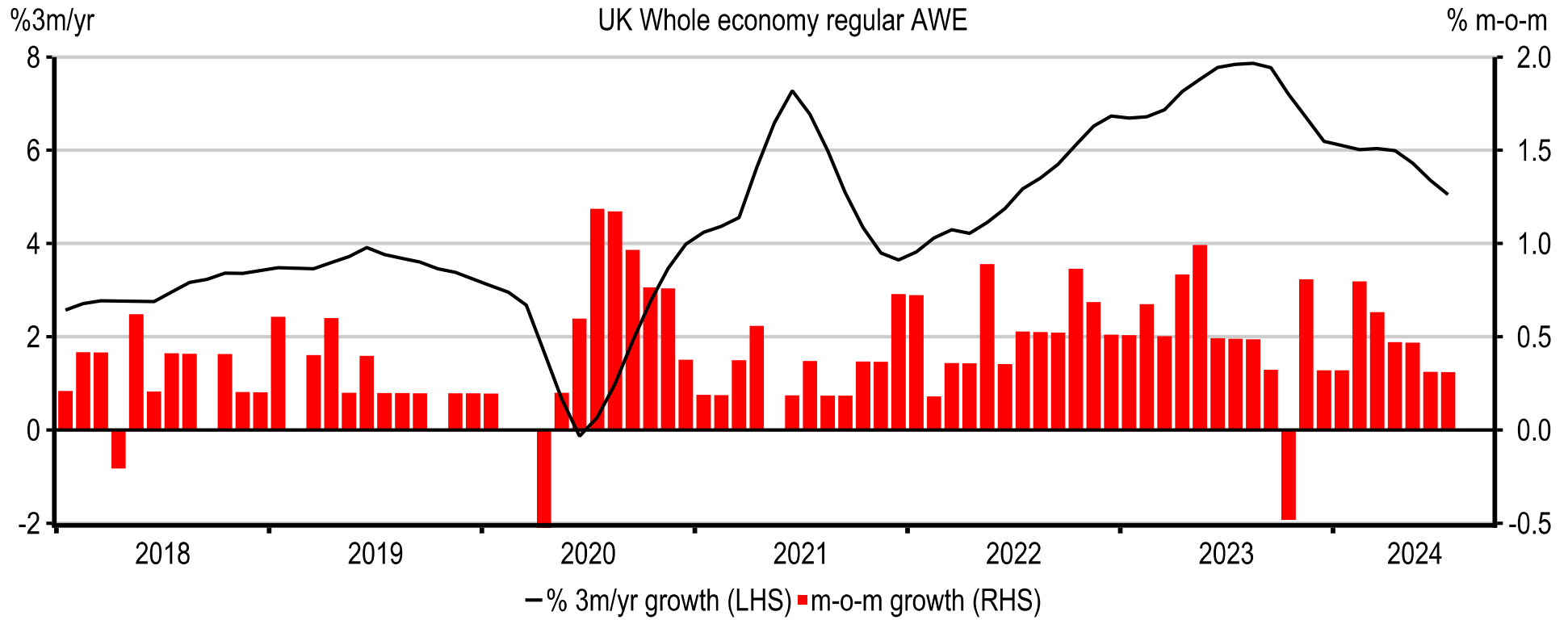


Source: Bank of England, Bloomberg, HSBC calculations  
 NB: 'Typical' mortgage defined as GBP150k outstanding.  
 Mortgage cost projections based on market implied interest rates

## There's been progress on inflation, even services

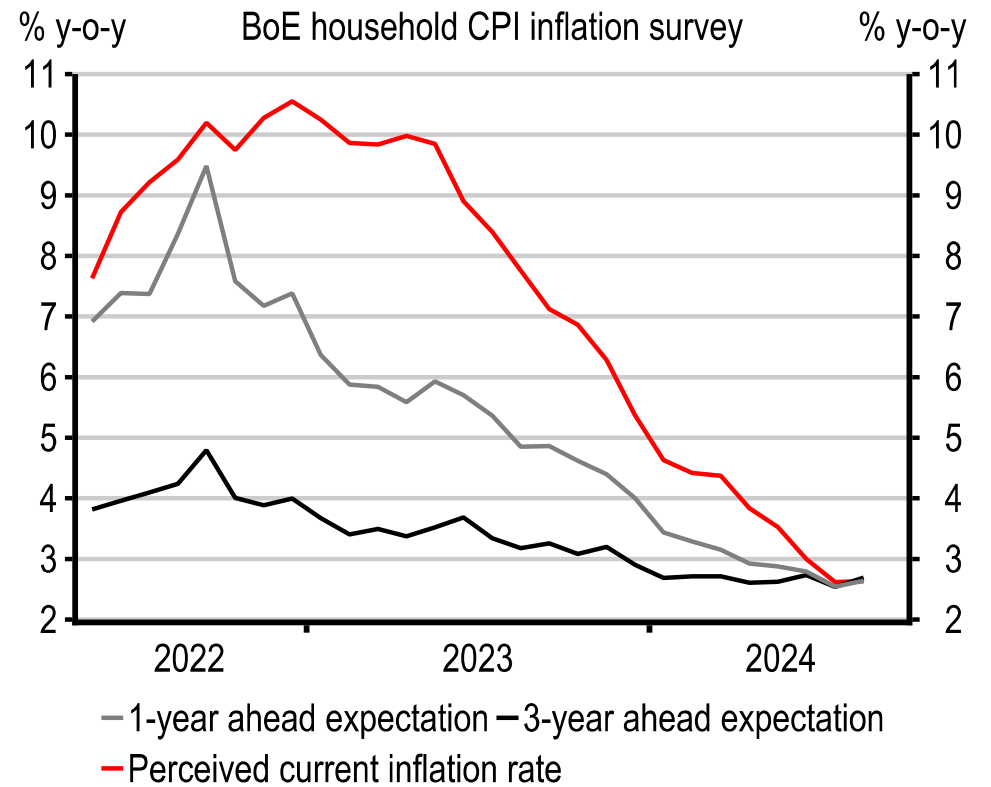
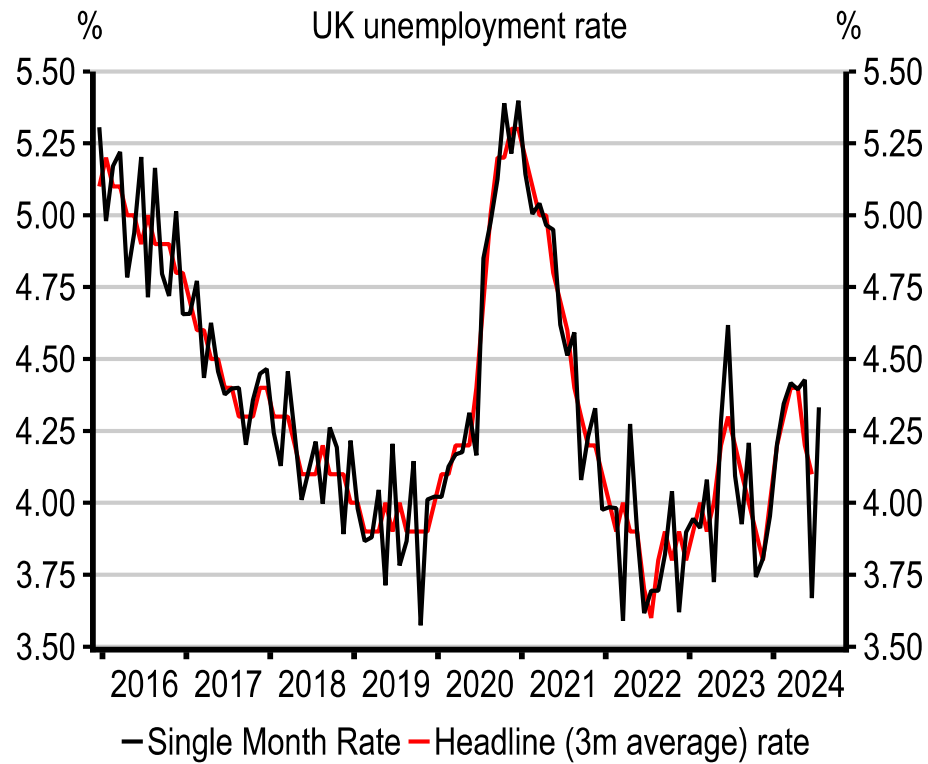


## Wages hold the key



Source: Macrobond, ONS, HSBC

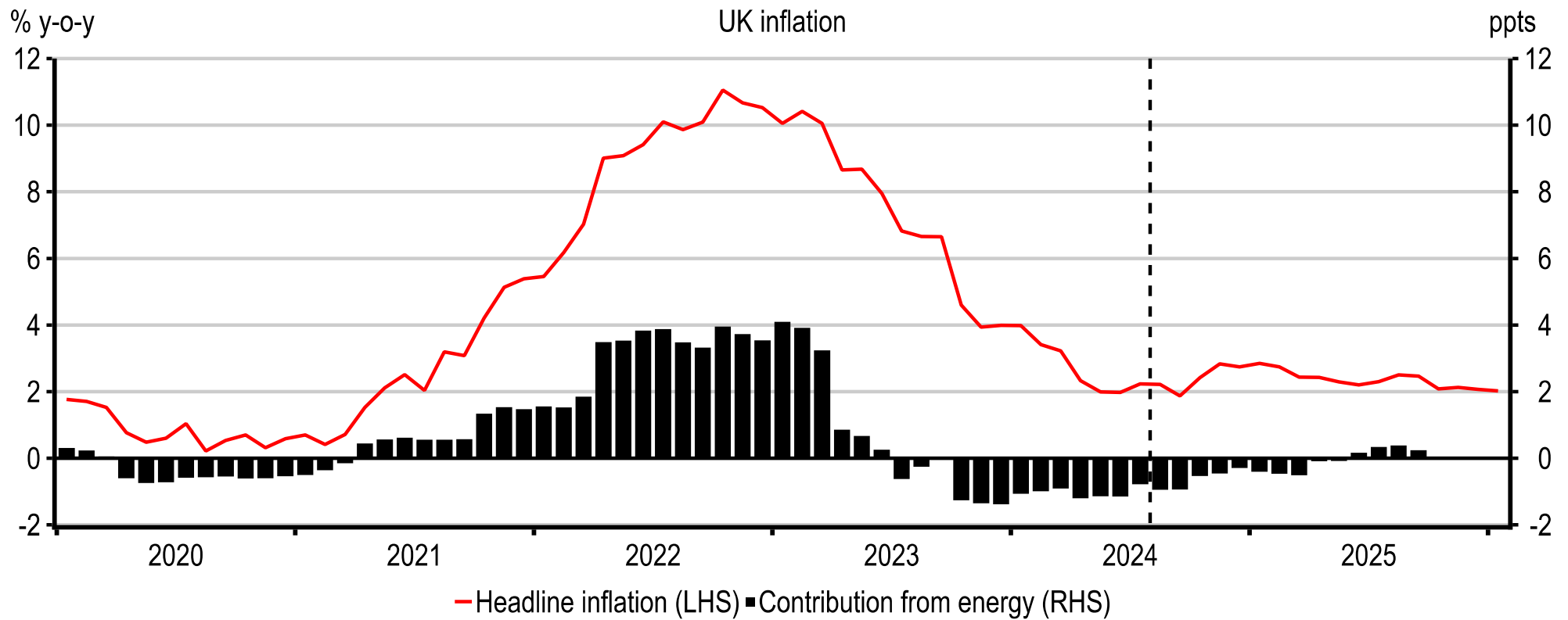
## The labour market is loosening (or is it?)



Source: ONS, Macrobond, BoE



## A bumpy ride to 'sustained' 2% inflation



Source: Macrobond, ONS, HSBC forecasts

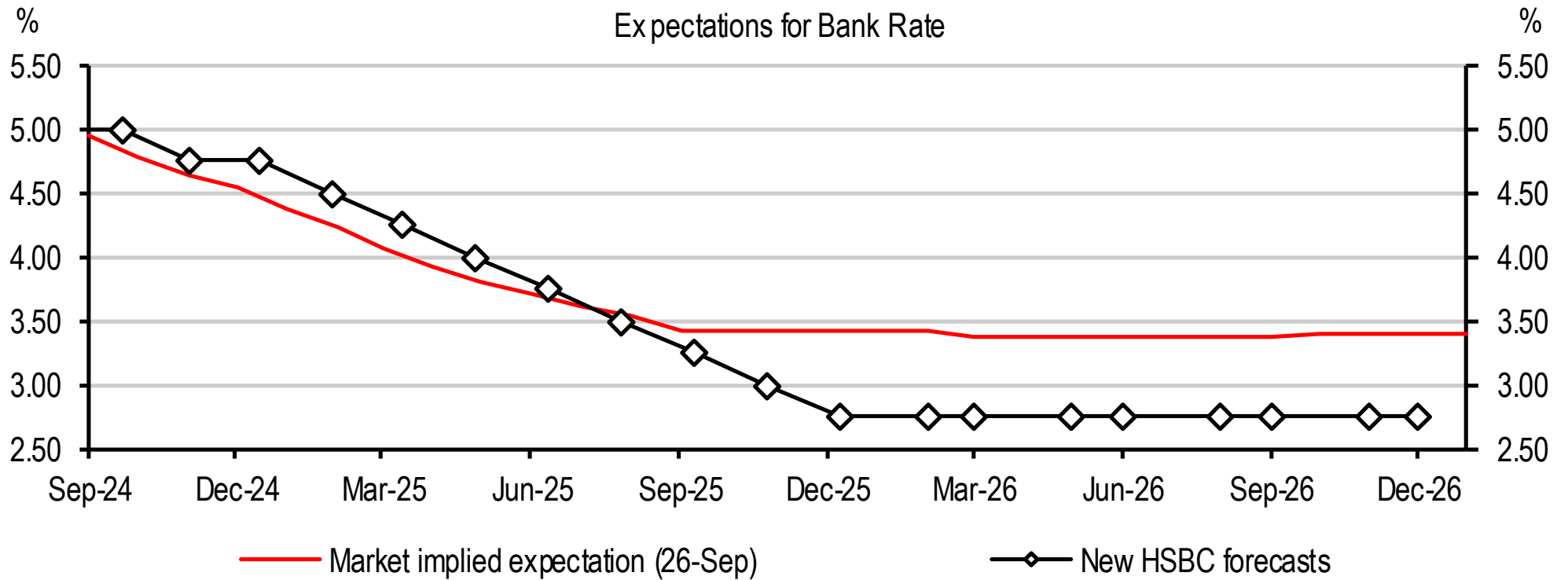
## Easy does it: snippets from the BoE's September meeting

The statement maintained its previous guidance that:

*“Monetary policy would need to continue to remain restrictive for sufficiently long until the risks to inflation returning sustainably to the 2% target in the medium term had dissipated further. The Committee continued to monitor closely the risks of inflation persistence and would decide the appropriate degree of monetary policy restrictiveness at each meeting”.*

Of course, a change in rates does not require unanimity. For most members, the statement tells us, the current stance is appropriate, and “in the absence of material developments, a gradual approach to removing policy restraint would be warranted”.

## We expect the path of rate cuts to ramp up next year

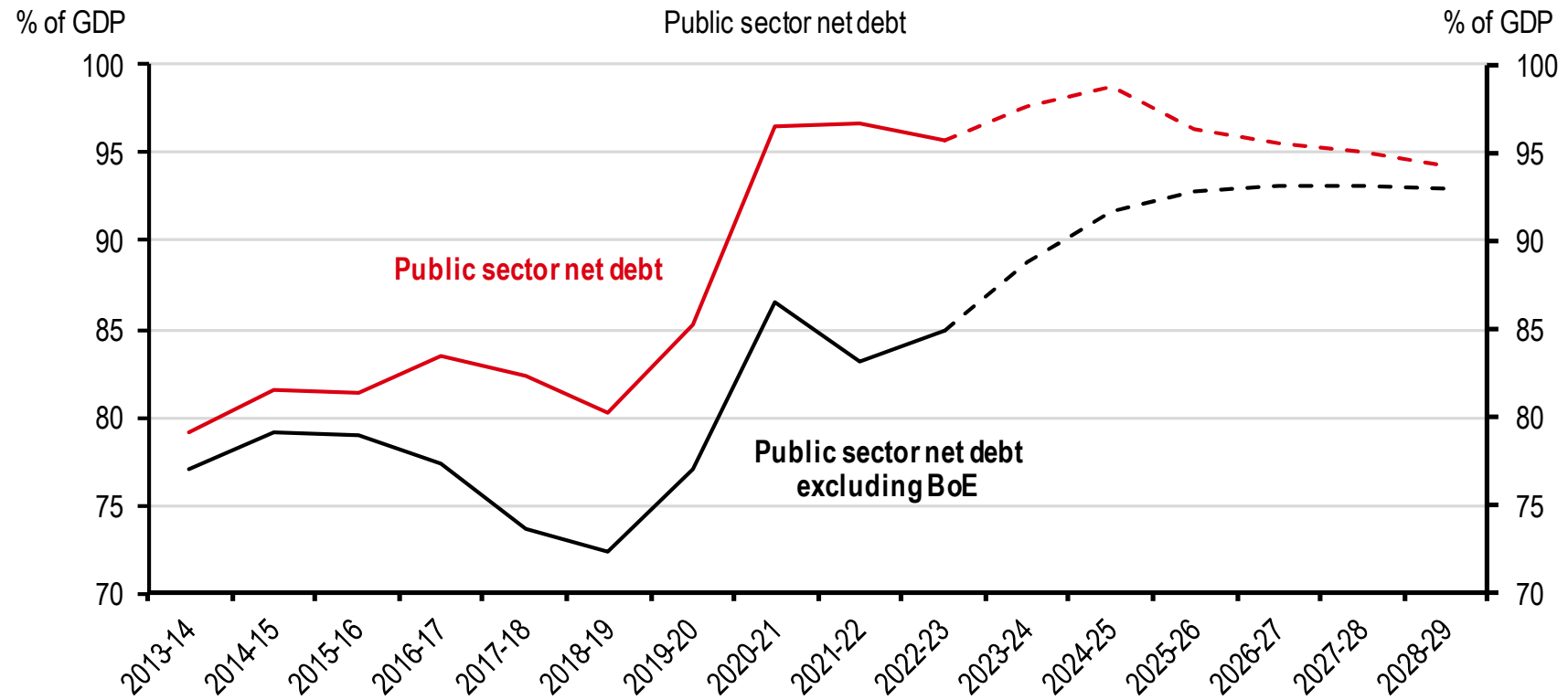


Source: BoE, HSBC forecasts

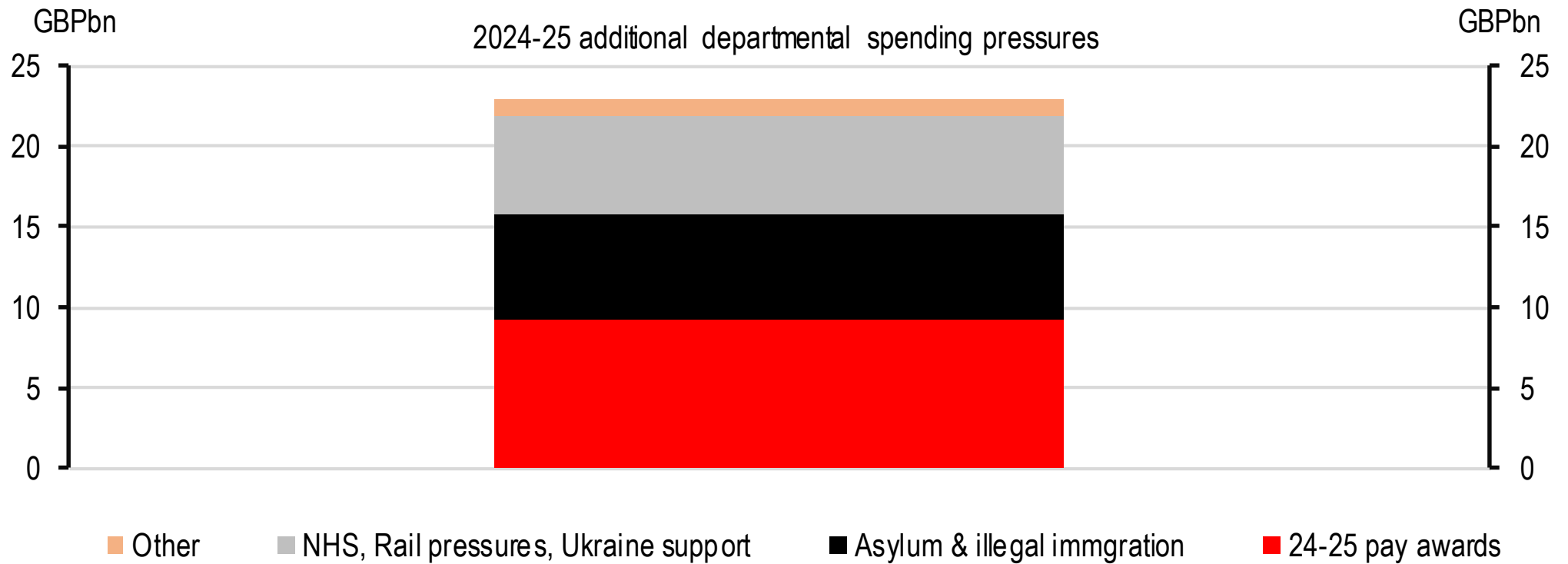
## Times a-changing

- **Fiscal constraints**
- **A focus on growth**
  - Stability
  - Planning reform
  - Better EU relations
- **New deal for workers**
- **Limited implications for BoE outlook**

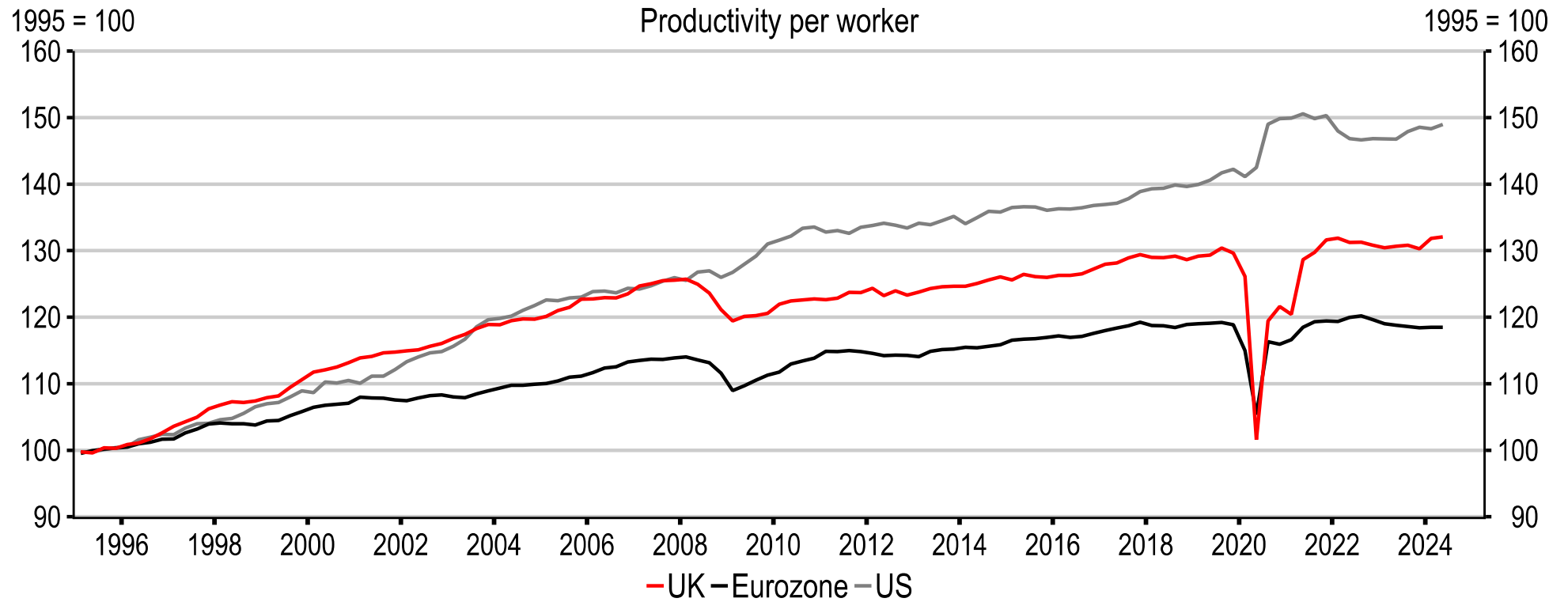
## The existing fiscal rule was already hard to meet (but can the rules be changed?)...



## ...and now there's an extra fiscal 'black hole'



## Productivity is the real magic money tree



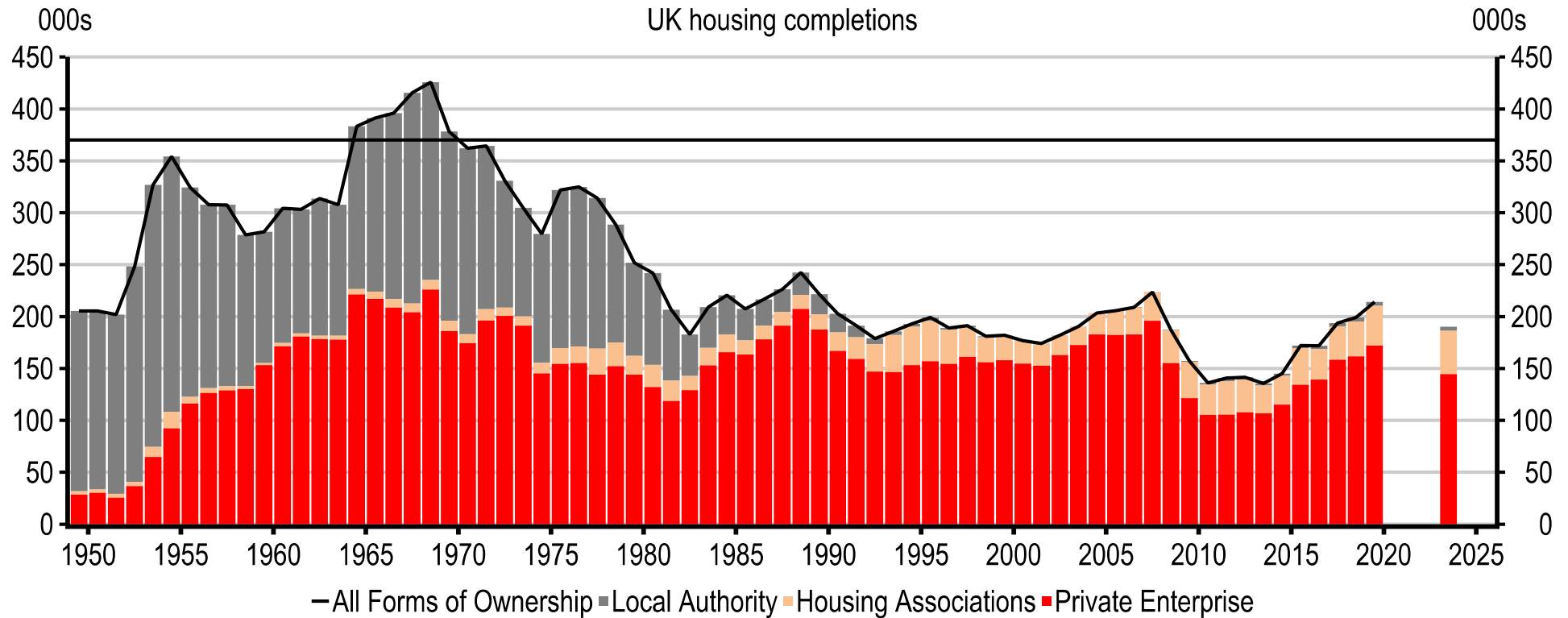
## Labour's growth agenda

### How Labour will kickstart economic growth:

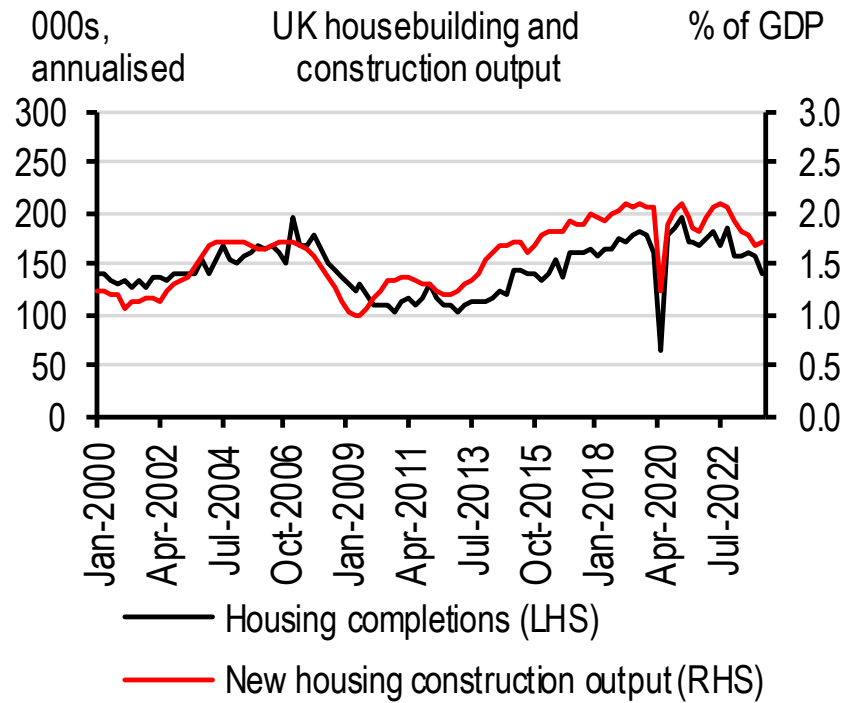
- Deliver economic stability with tough spending rules
- A new partnership with business to boost growth everywhere
- A National Wealth Fund to invest in jobs
- Planning reform to build 1.5 million new homes
- Devolution of power across England
- A New Deal for Working People



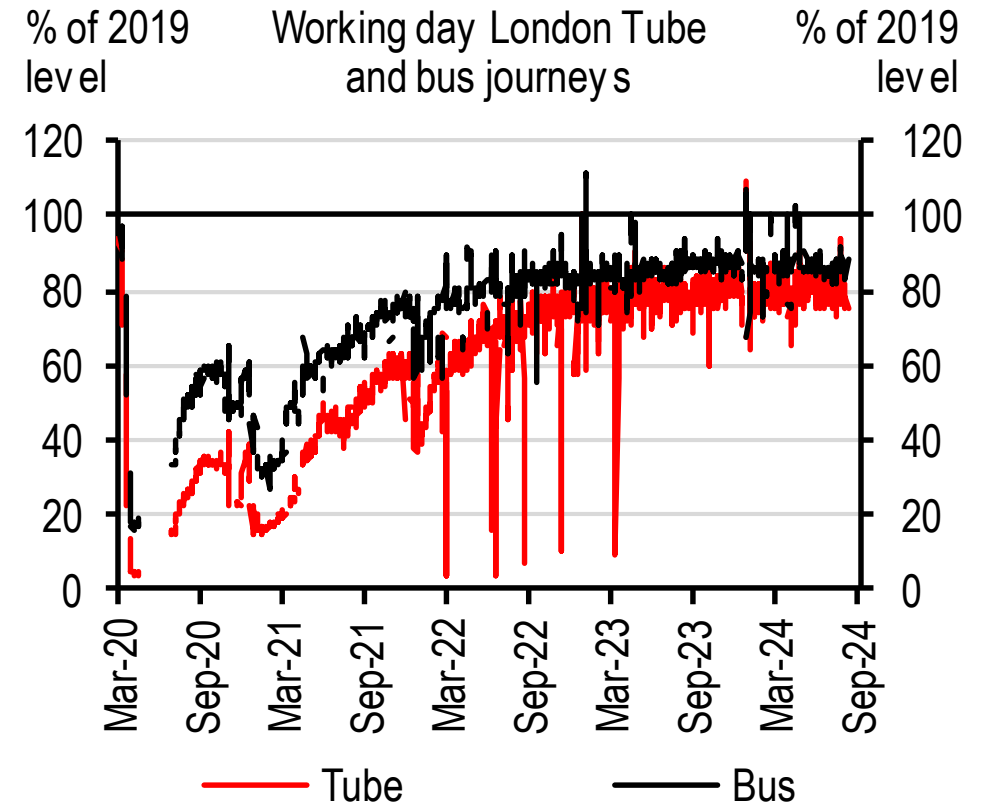
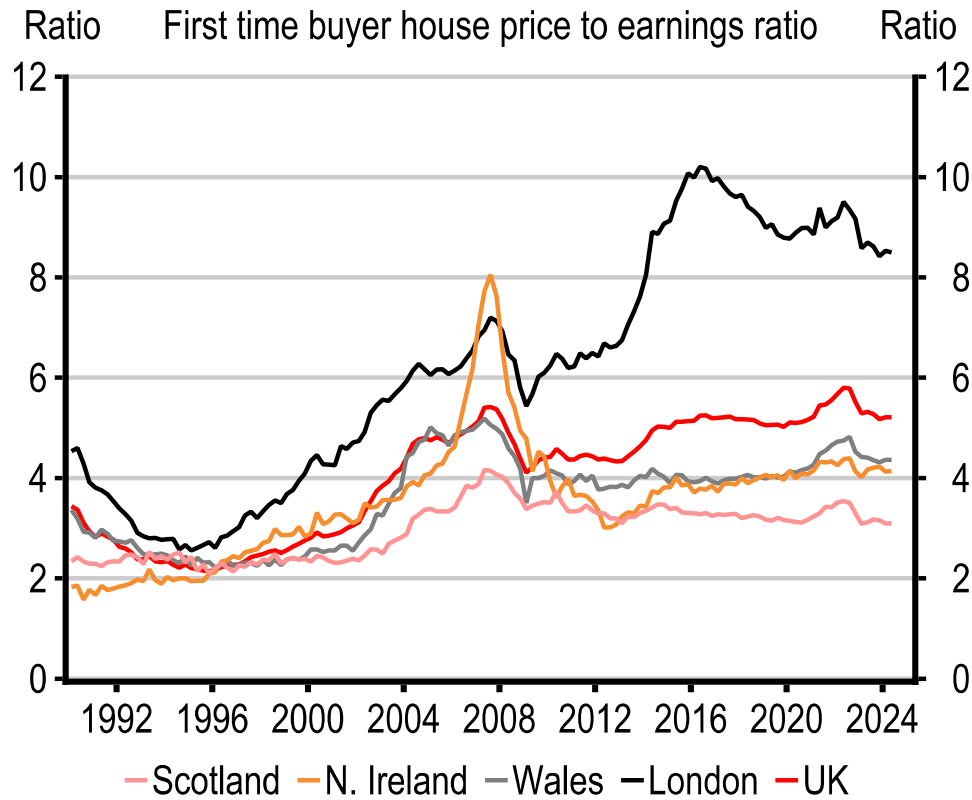
## The government aims to build 370k homes per year



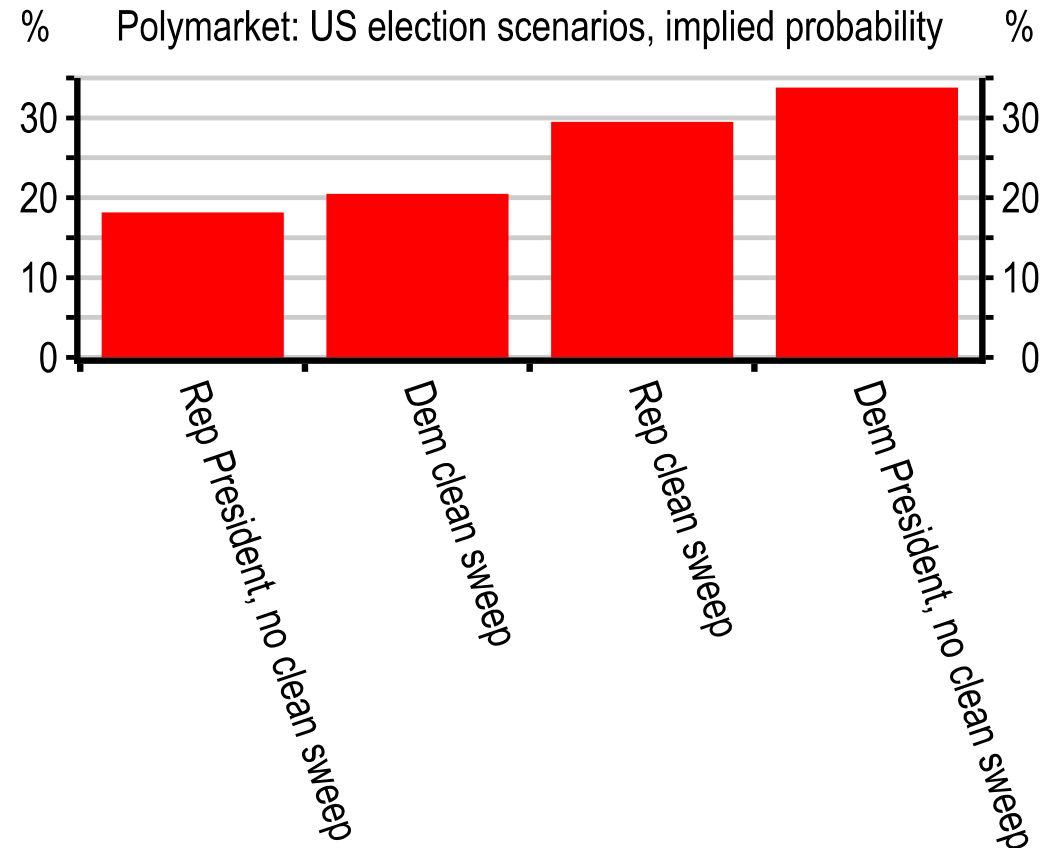
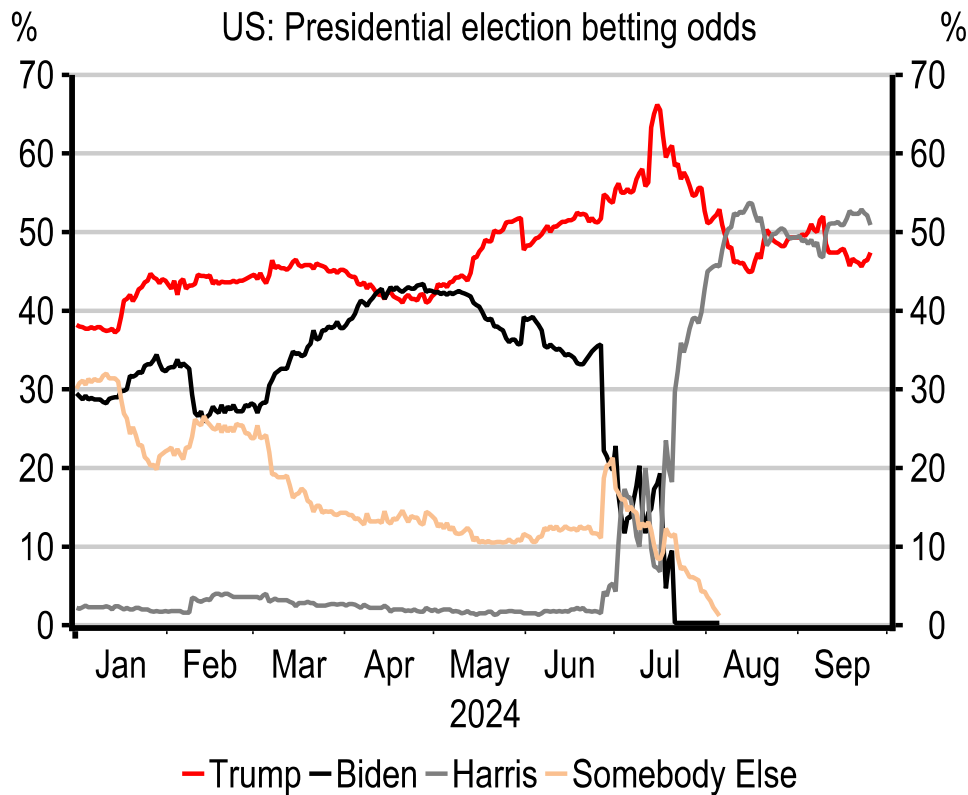
## Possible boost to GDP, but supply bottlenecks are an issue



## Any impact on affordability, living and working arrangements could take time

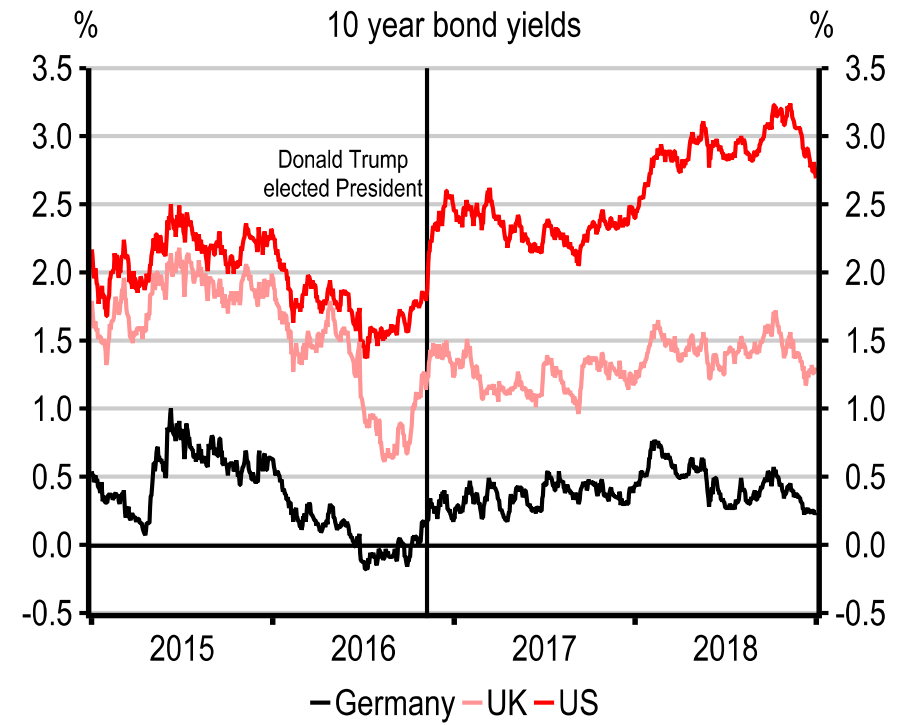


## The US election is another big uncertainty



Source: Macrobond, RealClearPolitics, Polymarket  
Data as of 11 September 2024

## US policy changes could affect Europe's exports and financial markets...



## Conclusions

- **Higher real incomes and confidence, lower interest rates and (possibly) planning reforms can help deliver growth**
- **We see the BoE accelerating the pace of rate cuts next year as it gets more confident in disinflation**
- **The US election poses risks**

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