



GBP

In its October 2024 Economic and fiscal outlook, the Office for Budget Responsibility's (OBR) GDP growth forecast was 1.1% in 2024 and 2.0% in 2025. By contrast, the Treasury's November 2024 survey of independent forecasts showed an average forecast of 0.9% for 2024 and 1.3% for 2025.

Although the UK economy began to recover this year, growth in 2024 and 2025 is now expected to be slower than previously forecast. The CBI forecasts GDP growth to continue at "a steady but unimpressive pace" through 2026, primarily driven by household spending. The weaker outlook partly reflects the impact of the Autumn Budget, with higher employment costs likely to limit growth.

On Friday, the latest GDP growth data will be released for the UK, which is expected to show a slight uptick from last month's negative reading. November's data release came in below forecast at -0.1% (compared to the 0.2% expected), and this morning, analysts are expecting month-on-month GDP from September to October to land at 0.1%.

CBI Chief Economist Louise Hellem said, "Measures in the Autumn Budget will increase firms' costs at a time when their profit margins have already been under pressure. Many businesses have told us that these measures will likely push up prices and weigh on their hiring and investment plans going forward."

Furthermore, the CBI has also reported that consumer spending is expected to increase during 2025, but to a lesser extent than previous forecasts suggested. Although business investment is forecast to grow, it will likely be slowed by higher employment costs following the Budget. Productivity is also expected to be challenging and will probably lag slightly behind its lacklustre pre-pandemic trend into 2026.

EUR

The ECB's monetary policy meeting takes place on Thursday in Frankfurt, where the Governing Council is expected to cut interest rates again, which would mark the fourth cut of 2024.

November saw the bloc's dominant services industry contract sharply, with manufacturing sinking even deeper into contraction, leading some to predict a half-percentage point cut in December. However, according to all but two of 75 economists polled by Reuters, the European Central Bank will cut only 25 basis points (bps) from its deposit rate on Thursday.

In spite of heightened political instability in Europe, including the French government's collapse last week, the ECB seems unlikely to react for now. Although, more cuts are already being priced into next year as the economy slows and fears about US tariffs rise. Forecasters at some financial institutions predict significant cuts that would take the ECB's benchmark rate below the 2%-2.5% range.

Currency headlines



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EUR: ECB is expected to cut rates for the fourth time this year



USD: US CPI is expected to rise to a 2.7% annual rate



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