

Daily Dose of Macro & Markets 30th September 2025: “UK Economy → Delicately Poised But...”

The ‘Daily Dose of Macro & Markets’ is our new publication designed to speak to the key global macro debates that matter for markets (with 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday and Thursday morning (early London time).

Key Quotes:

“We are in the middle of a jobs drought in the UK - one that feels different from anything I have seen in my four decades working in recruitment.

Source: James Reed, Chairman and CEO of Reed (recruitment specialists), 16th September 2025

“wrong to say we can cast off any restraint on spending”

Source: UK Chancellor Rachel Reeves, Labour Party conference, yesterday

UK Economy → Delicately Poised But...

The outlook for the UK economy remains finely balanced. The bears remain focussed on the fiscal risks and the potential for a UK bond crisis. Others (including us) are more optimistic and expect the economy to accelerate (aided by rate cuts, credit growth, house price strength and a global re-acceleration).

Yesterday’s data, in that respect was mixed (TABLE 1). Net consumer credit surprised to the upside (and remains in an uptrend – FIG 4); net monthly mortgage lending disappointed (although still likely remains in its 17 month uptrend*); while mortgage approvals were OK (but down on last month – FIG 5). Equally, earlier today UK GDP (final estimate) came in at 0.3% q-o-q (as expected) – that’s the 6th quarter of consecutive GDP growth (albeit some prints have been modest – FIG 3). Added to that, UK Chancellor Rachel Reeves, in her Labour Party Conference speech yesterday, held the line on fiscal discipline (see quote above).

More troublingly, though, the message of Jim Reed (Chair of ‘Reed’, a global recruitment business) highlights that this is an economy that is trying to accelerate, but struggling to generate robust momentum (job vacancies, for example, have been trending down for over 3 years**).

All of which reinforces the need for the BoE to keep cutting rates (NB there is only 34bps of more cuts expected by July next year). That absence of ‘robust momentum’ also reinforces the importance of Reeves sticking to her line on fiscal discipline (ideally with some cutting of government spending, and not just more tax hikes). Yesterday, once again, she made the right noises. On 26th November (budget day), if not in the run-up to the event, we’ll find out exactly how she is balancing the books. In the meantime, according to various measures of risk (and risk premia), the market remains quiescent about the fiscal risk. UK 3m GBPUSD volatility, for example, moved lower yesterday after her speech (and is towards the lower end of its multi year range); UK 1 & 2 year government bonds closed with a lower yield; the spread of UK 10 & 30 year government bond yields over their US equivalents, widened by a mere 1bp; while the GB£ ticked higher against the USD and was off 1 cent against the Euro.

Indeed, despite the BREXIT vote in 2016 (and market chatter about a UK fiscal crisis), the pound-Euro has remained rangebound in a 12% trading range for the past 9 years (post BREXIT - H/T Bill D. for flagging). Currently **it's sitting right in the middle of that range**.

All eyes, therefore, will be on the next UK inflation data point (& market rate expectations afterwards). If the CBI survey data is correct, though, inflation should start to roll over once again in the next few months (FIG 1).

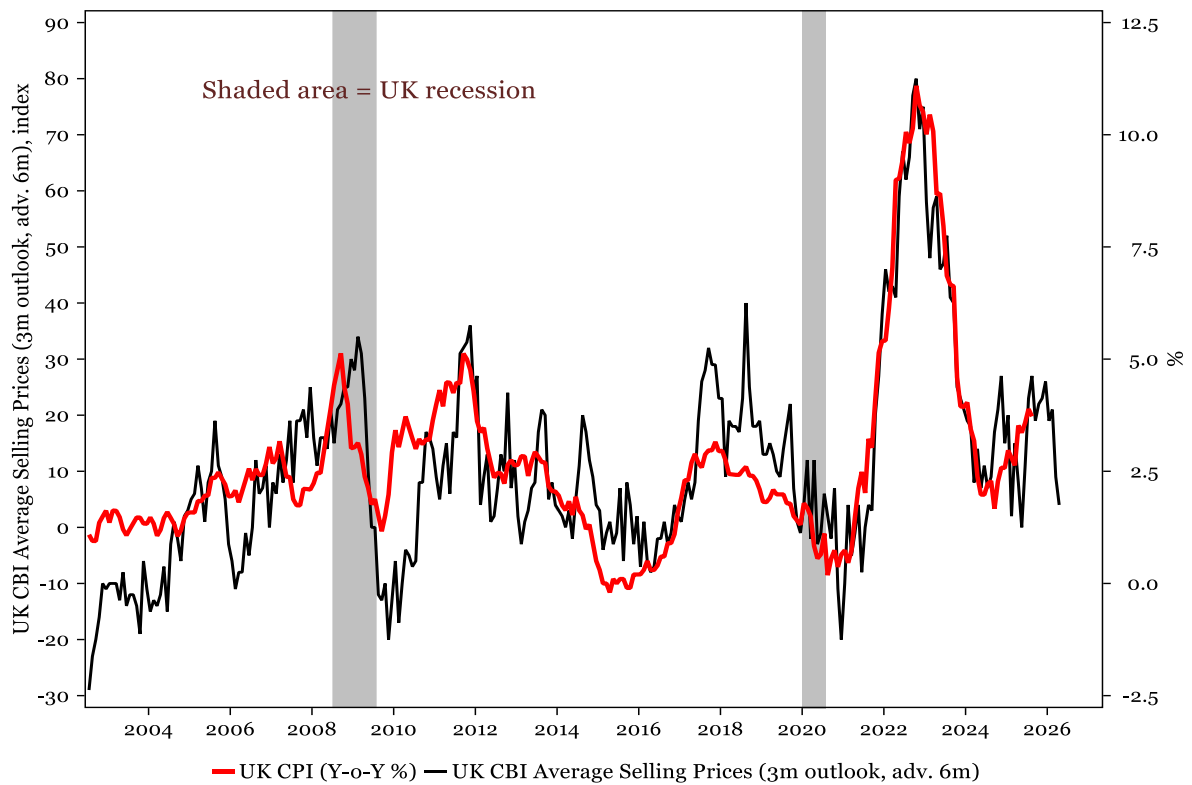
TABLE 1: UK economic data published this week, shown with Bloomberg consensus estimates and actual outcomes

United Kingdom		Browse		08:33:30		09/29/25 - 10/07/25		View Agenda Weekly	
Economic Releases		All Economic Releases							
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior Revised
20	09/29 09:30				Net Consumer Credit	Aug	1.5b	1.7b	1.6b 1.7b
20	09/29 09:30				Consumer Credit YoY	Aug	--	7.1%	7.0% --
23	09/29 09:30				Net Lending Sec. on Dwellings	Aug	4.8b	4.3b	4.5b --
24	09/29 09:30				Mortgage Approvals	Aug	64.7k	64.7k	65.4k 65.2k
25	09/29 09:30				Money Supply M4 MoM	Aug	--	0.4%	0.1% --
26	09/29 09:30				M4 Money Supply YoY	Aug	--	3.4%	2.9% --
27	09/29 09:30				M4 Ex IOFCs 3M Annualised	Aug	--	4.1%	3.4% 3.3%
28	09/30 00:01				Lloyds Business Barometer	Sep	--	42	54 --
29	09/30 00:01				Lloyds Own Price Expectations	Sep	--	63	65 --
30	09/30 00:01				BRC Shop Price Index YoY	Sep	1.2%	1.4%	0.9% --
31	09/30 07:00				GDP QoQ	2Q F	0.3%	0.3%	0.3% --
32	09/30 07:00				GDP YoY	2Q F	1.2%	1.4%	1.2% --
33	09/30 07:00				Private Consumption QoQ	2Q F	0.1%	0.1%	0.1% --
34	09/30 07:00				Government Spending QoQ	2Q F	1.2%	1.3%	1.2% --
35	09/30 07:00				Gross Fixed Capital Formation QoQ	2Q F	-1.1%	0.5%	-1.1% --
36	09/30 07:00				Exports QoQ	2Q F	1.6%	-0.2%	1.6% --
37	09/30 07:00				Imports QoQ	2Q F	1.4%	0.0%	1.4% --
38	09/30 07:00				Total Business Investment QoQ	2Q F	-4.0%	-1.1%	-4.0% --
39	09/30 07:00				Total Business Investment YoY	2Q F	0.1%	3.0%	0.1% --
40	09/30 07:00				Current Account Balance	2Q	-25.0b	-28.9b	-23.5b -21.2b

*NB we look through the stamp duty induced volatility earlier this year (in March, April etc).

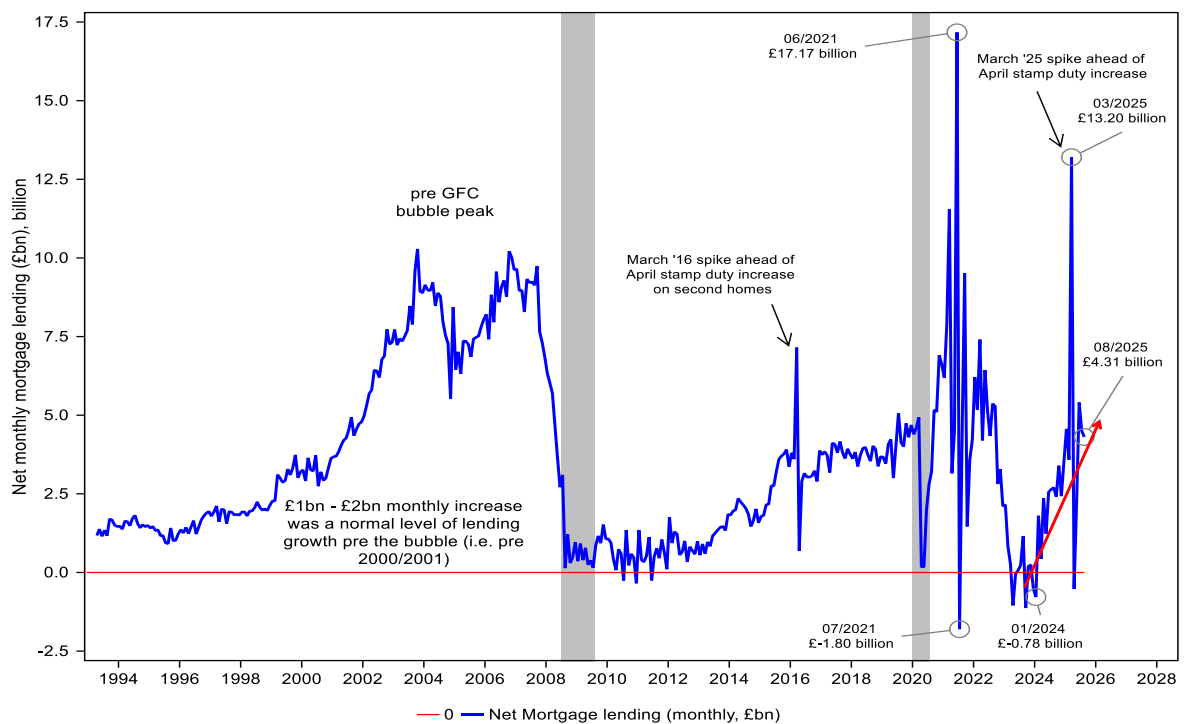
**albeit they ticked modestly higher last month (728k in July vs. 720k in June 2025).

FIG 1: UK CBI industrial trends selling prices (adv. 3m) vs. UK CPI (Y-o-Y %)



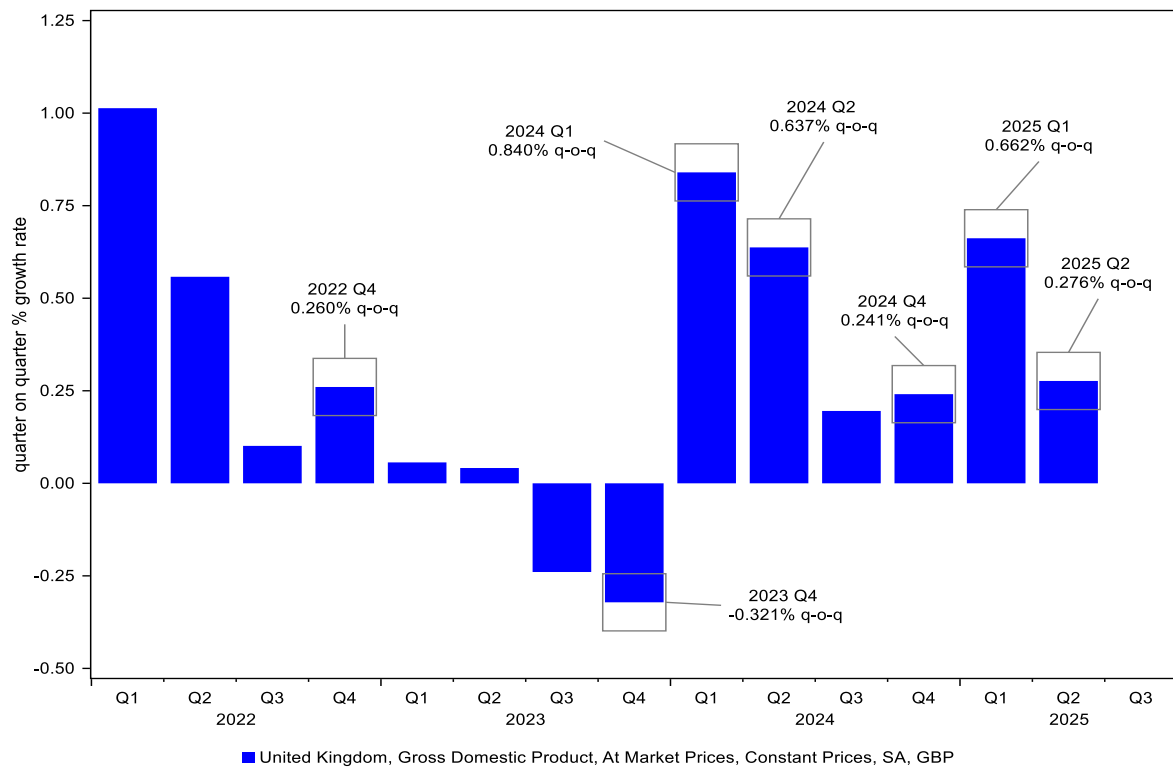
Source: Longview Economics, Macrobond

FIG 2: UK net mortgage lending (£bn, monthly).



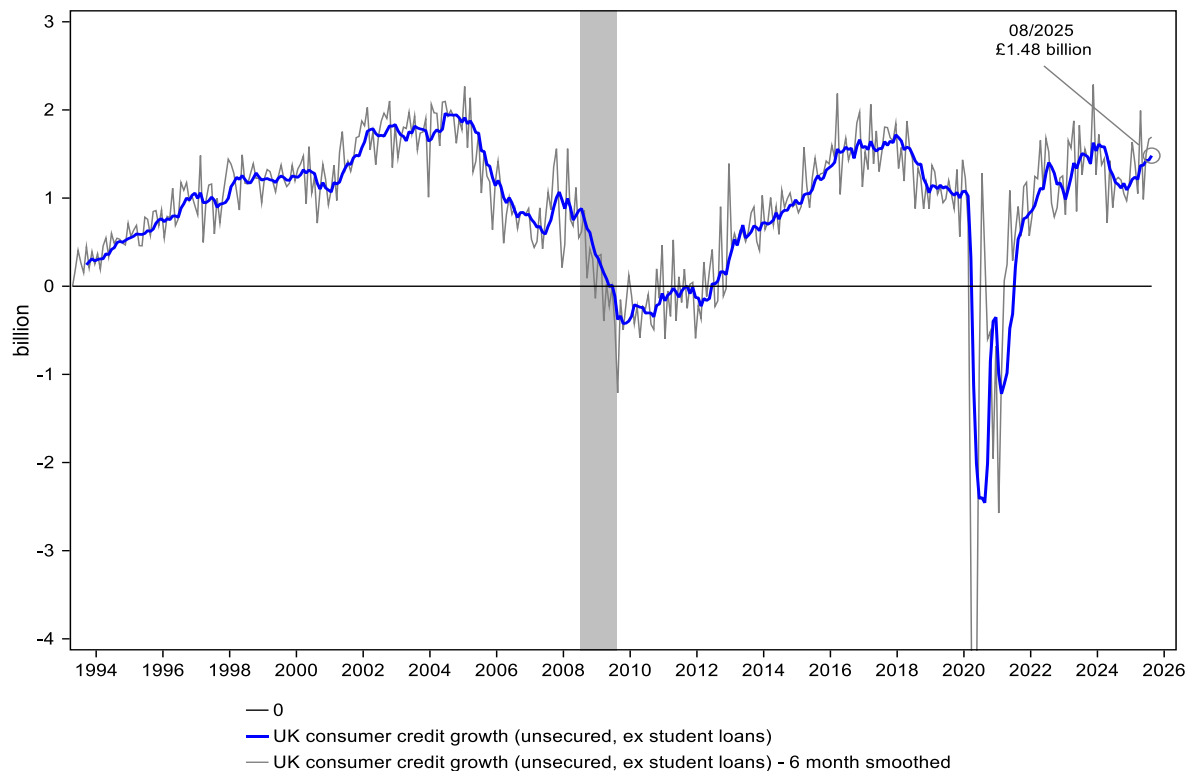
Source: Longview Economics, Macrobond

FIG 3: UK GDP (q-o-q %, real)



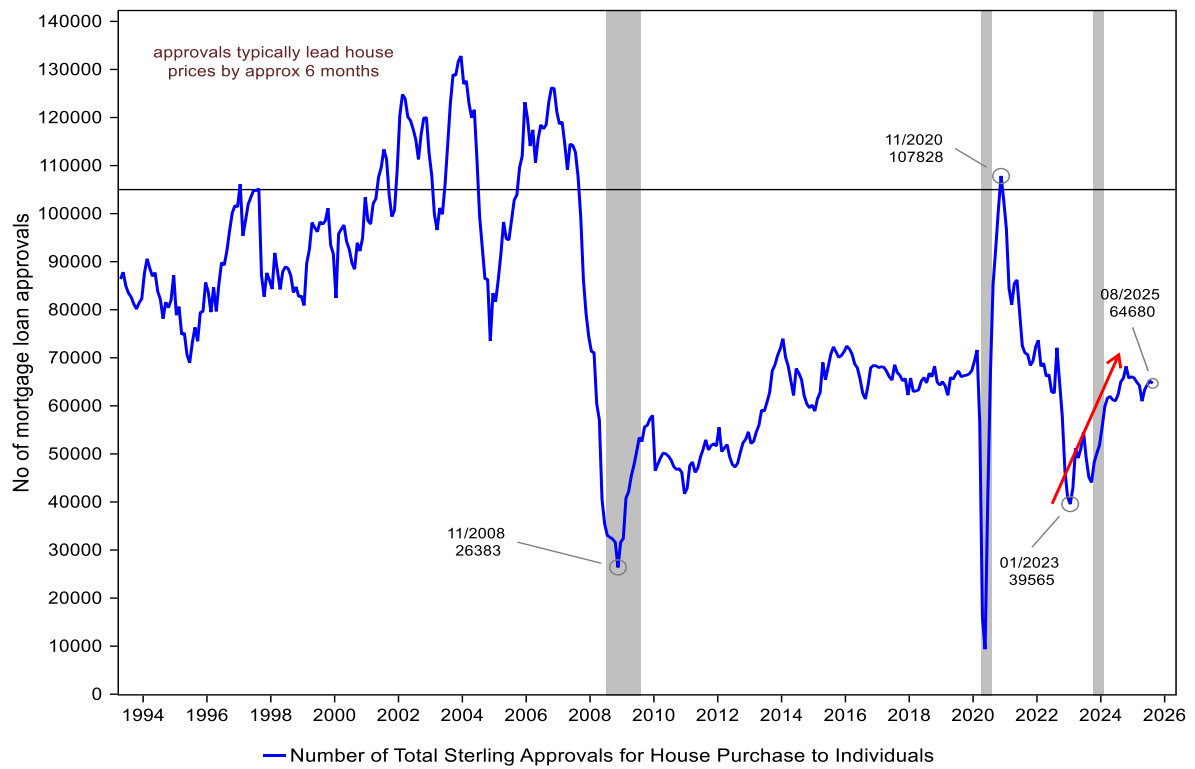
Source: Longview Economics, Macrobond

FIG 4: UK consumer credit (monthly, ex. student lending, £bn)



Source: Longview Economics, Macrobond

FIG 5: UK mortgage approvals (purchase only, monthly total)



Source: Longview Economics, Macrobond