

ECONOMY OVERVIEW



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JANUARY 2025

CBRE

UK economic & political outlook

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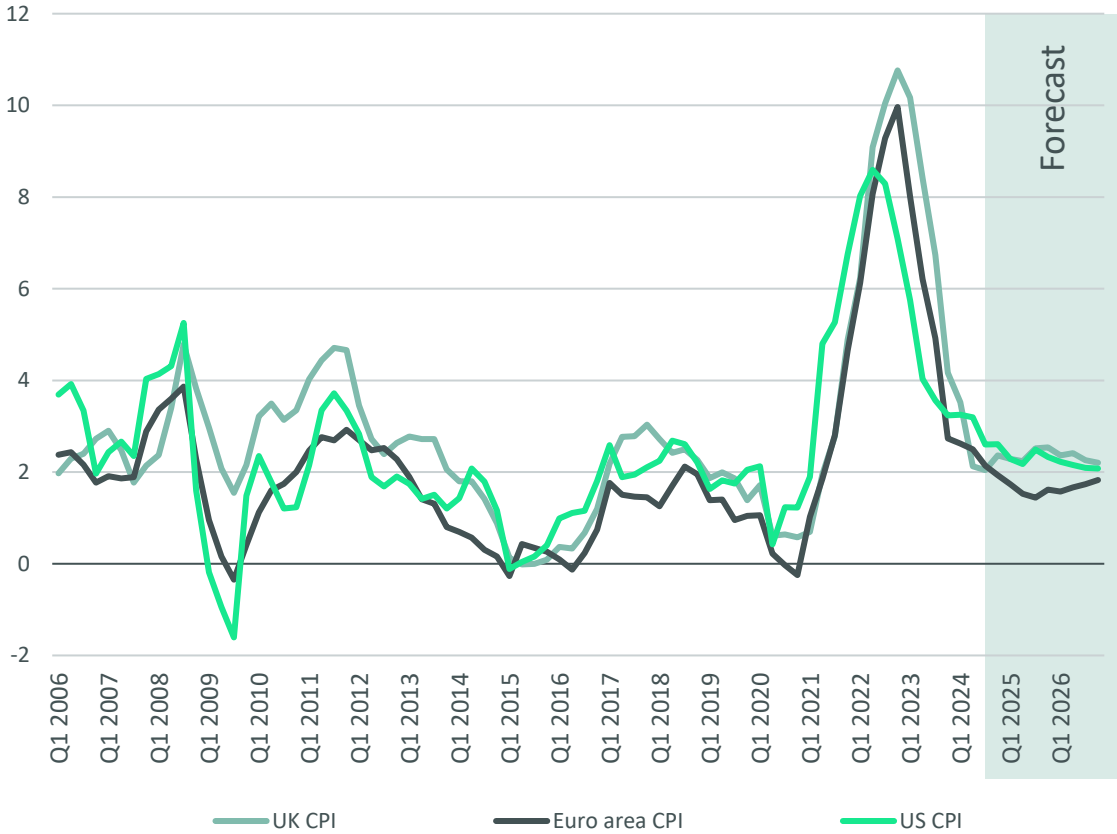
WE
STREET
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We are
on
the road
to
recovery

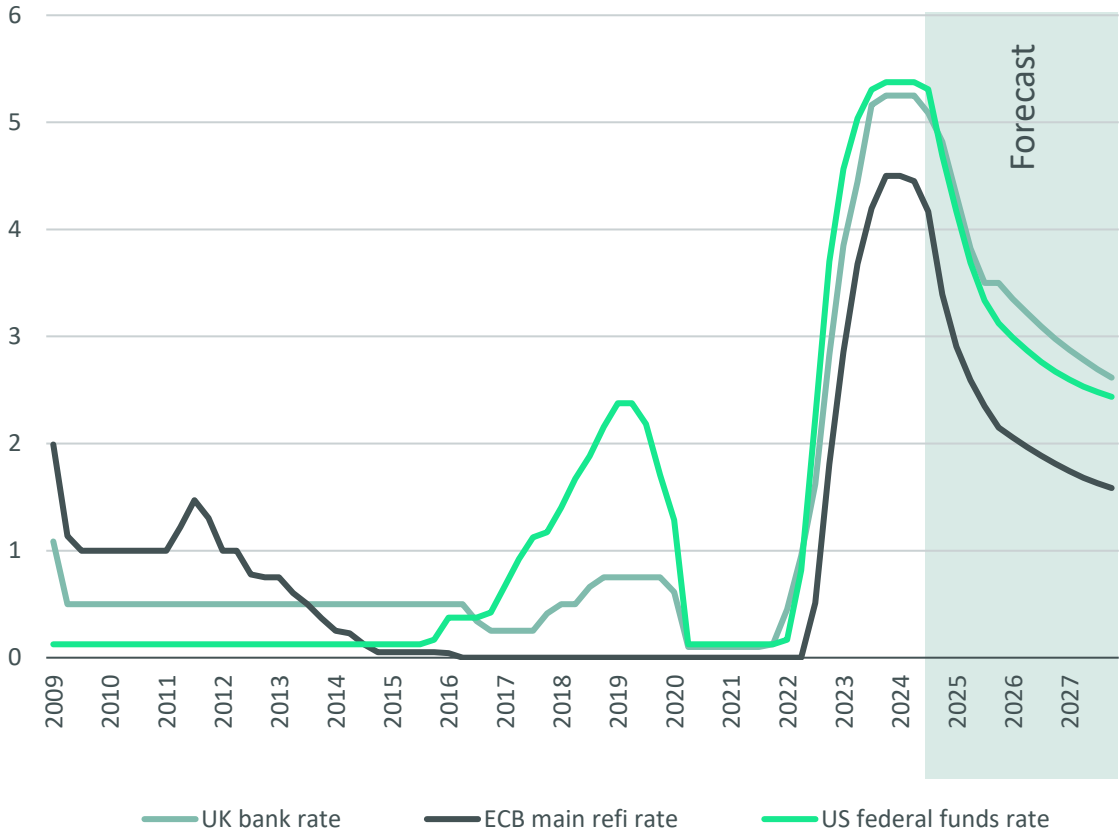
Albeit a
rocky
road

Inflation has returned to a more moderate level and our rate cutting cycle has begun

Consumer price inflation – year on year % change



Central bank policy interest rates (%)



Source: Macroeconomic Forecasts: CBRE House View November 2024

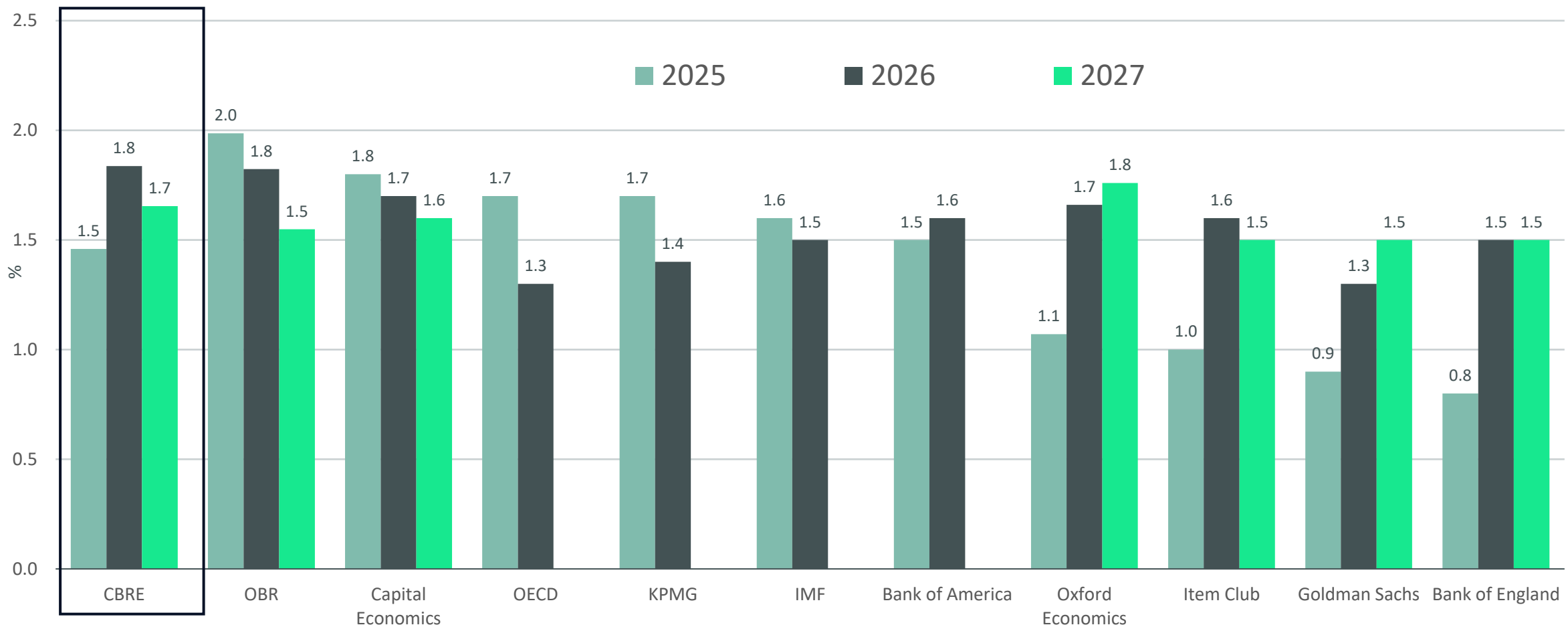
CBRE economic forecasts

	2023	2024	2025f	2026f
GDP growth	0.3	1.0	1.5	1.8
Inflation	7.3	2.5	3.0	2.6
Unemployment	4.0	4.3	4.3	4.2
Base rate (Q4)	5.25	4.85	3.85	3.00
10-year gilts	4.2	4.3	4.4	4.1

Source: CBRE Research

Big range of views for the near-term outlook

Summary of UK GDP growth forecasts, 2025-2027



Source: Various proprietary forecasts, December 2024 / January 2025

Short-term indicators suggest mixed sentiment

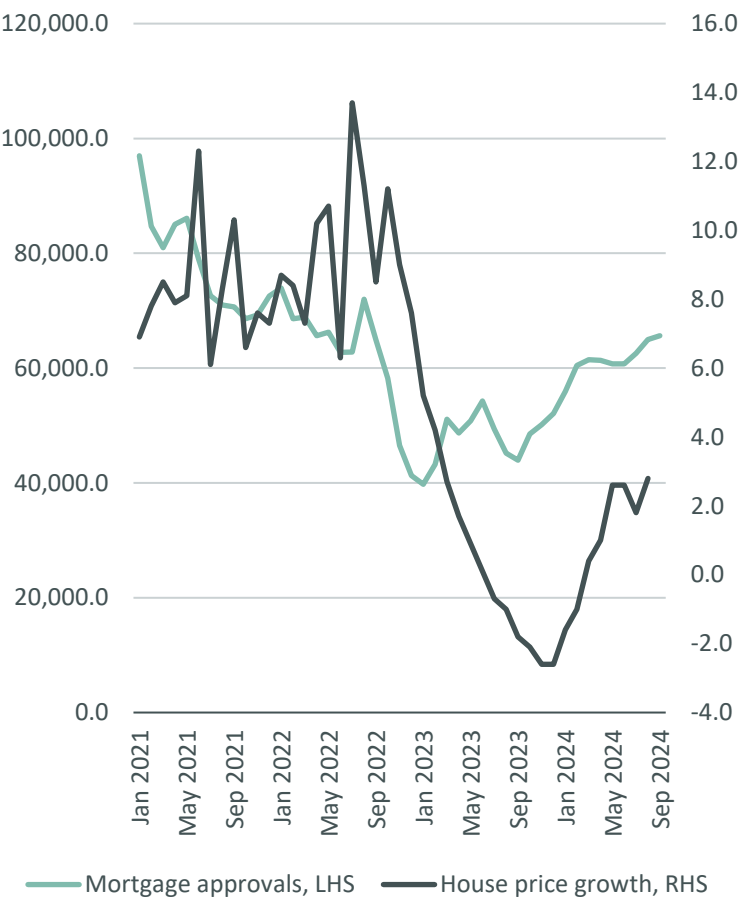
Average weekly earnings



Source: ONS, 21st January 2025

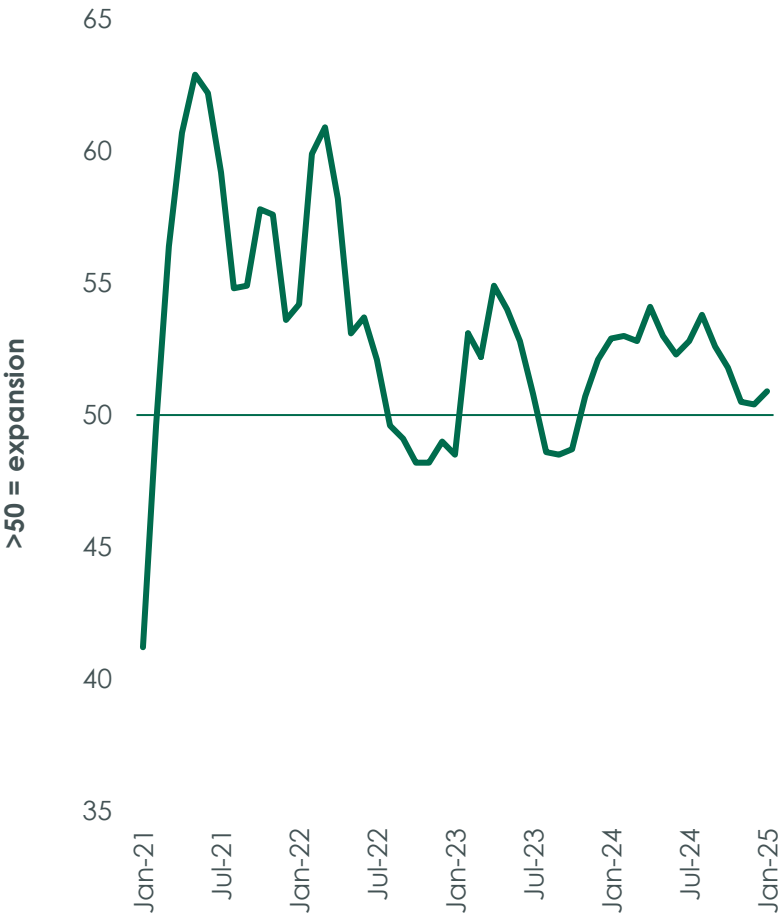
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Housing market activity



Source: ONS, 17th January 2025

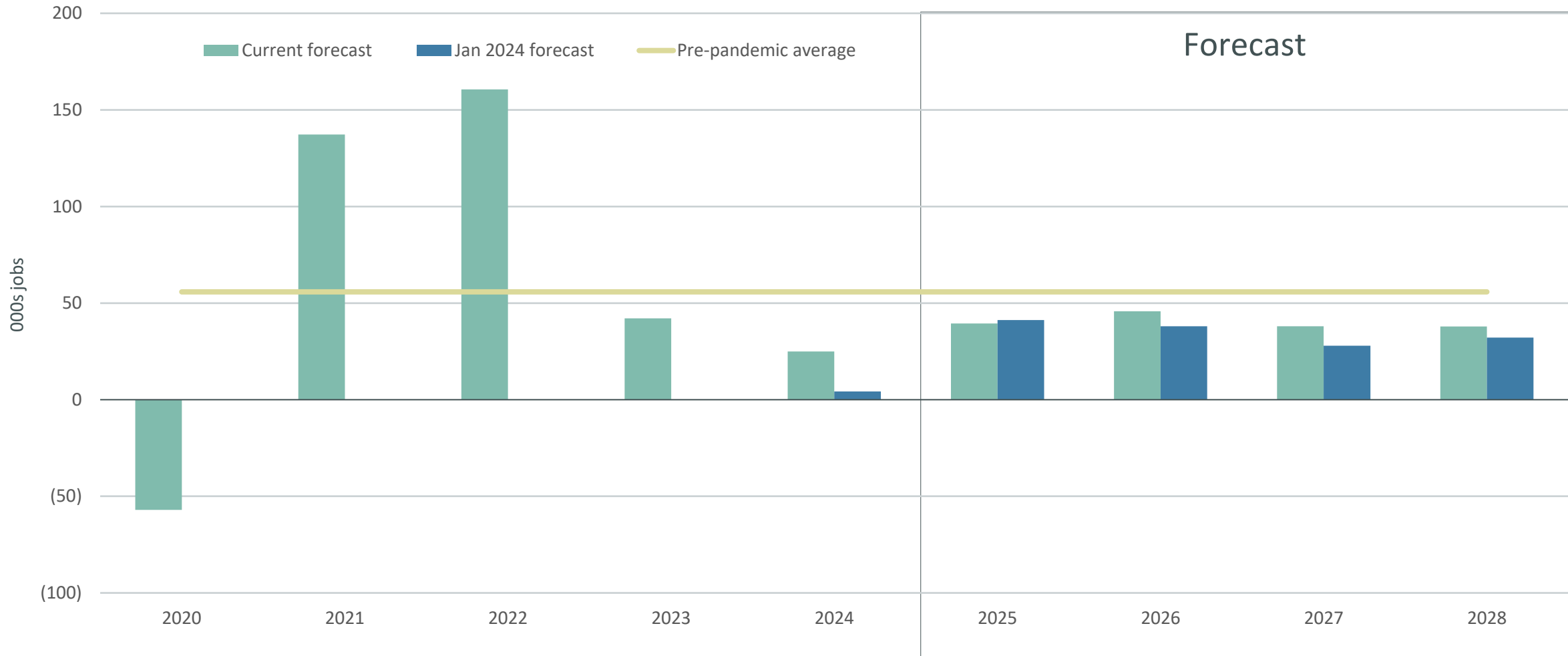
Composite PMI



Source: S&P Global, 24th January 2025

Jobs growth is stronger than we expected a year ago

Office-based employment growth, Central London, 000s jobs



Source: CBRE Research

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The return of Trump

What is the likely impact of a second Trump presidency?

Trade:

Higher tariffs will feed through into higher inflation

Immigration:

Tighten labour markets in the US

Spending:

Fully enacted Trump spending will increase federal deficit by \$4.1tn

Deregulation:

Positive for economic growth

Foreign policy:

Resolution to Russia / Ukraine will be positive (economically)

Taxation:

Generally considered positive for CRE

Reasons to be optimistic



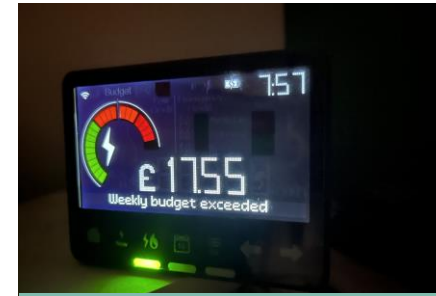
Resilient labour
markets



Monetary easing
boosting demand



Rate cuts can be
used to stimulate
economic growth



Resolution to
Ukraine war could
ease energy costs

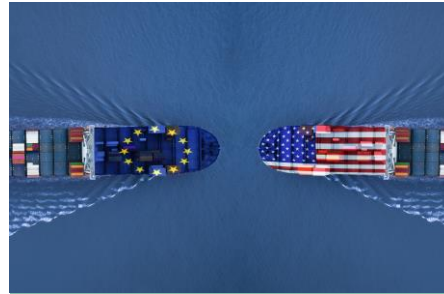
Downside risks to the economy



Inflation



UK tax rises (with
more to come?)



Tariffs / trade wars



Global wars /
conflicts



UK Government Initiatives

Policy implications for retail

Minimum wage increase and
higher employee NI

Increase operational costs could
potentially affect hiring decisions

Business rates

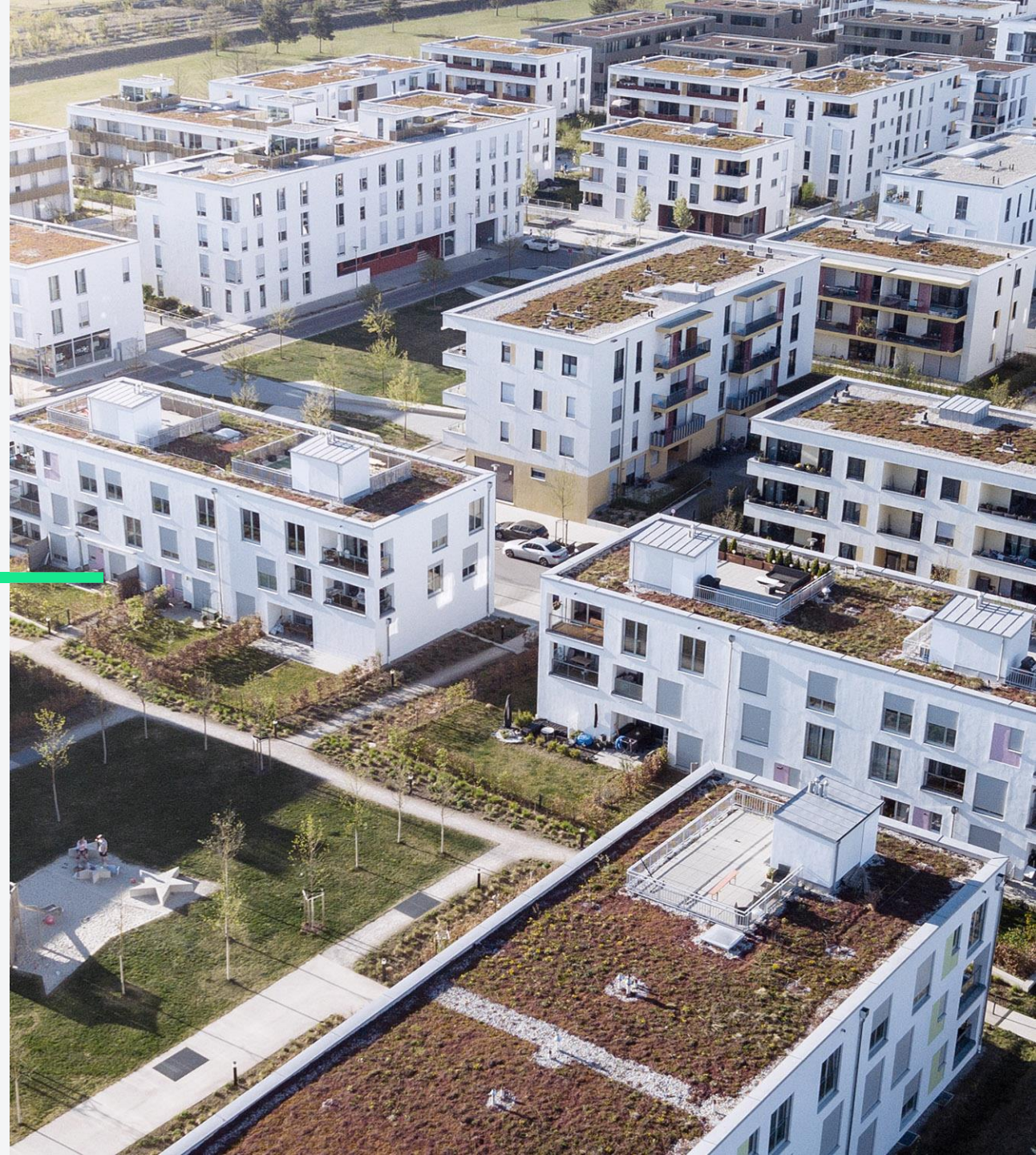
The discount on business rates
reduced from 75% to 40%, which
could impact their profitability.

Minimum wage increases

Boost to consumer spending

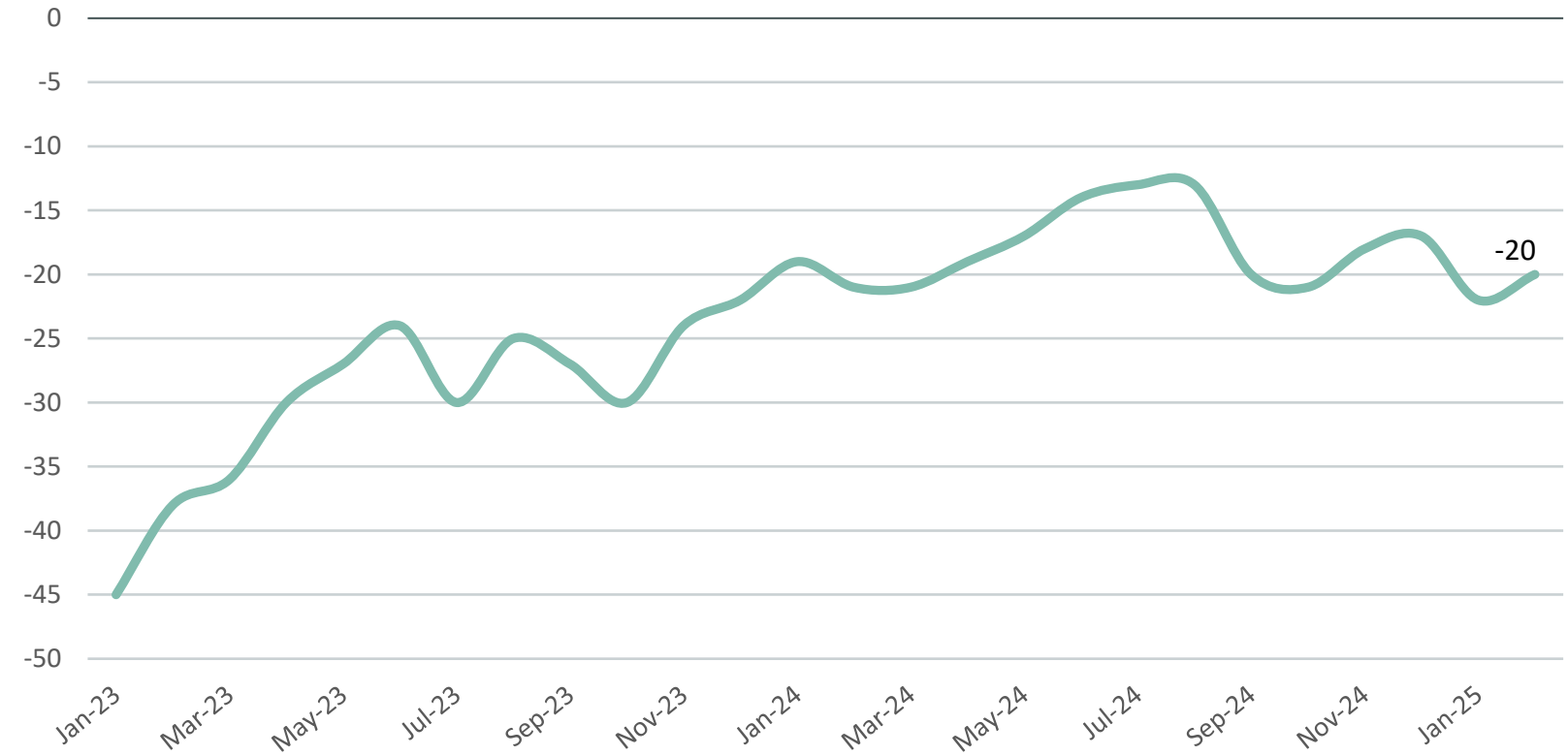
Increased government spending
Household income expected to
grow, stimulating consumer
spending

So is it
overall
positive for
retail?



Consumer confidence increased by 2 points in February following January's sharp decline

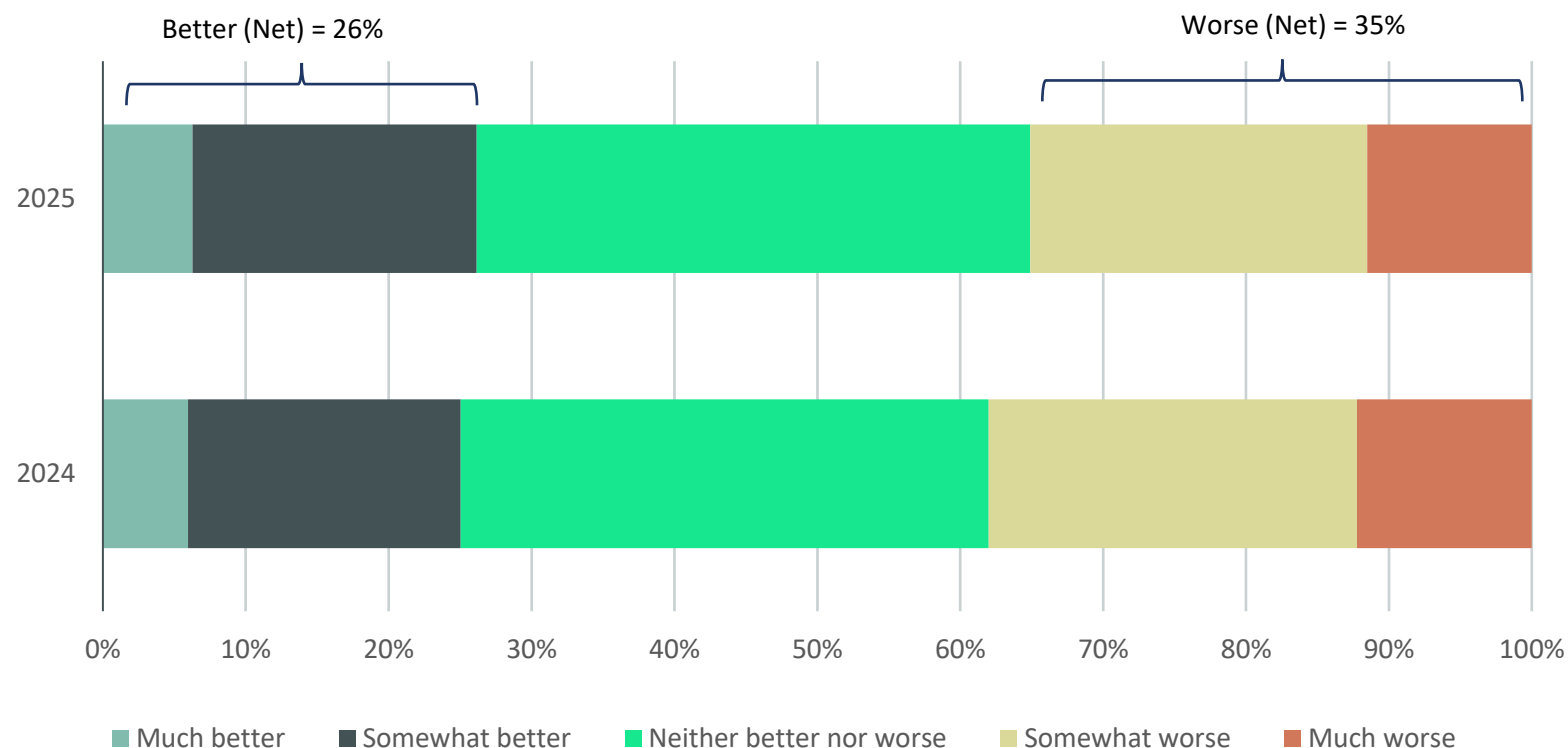
GfK Consumer Confidence Barometer (Jan 2023 – Feb 2025)



Source: GfK February 2025

There is a slight improvement in the negative sentiment from last year, though 35% still feel worse

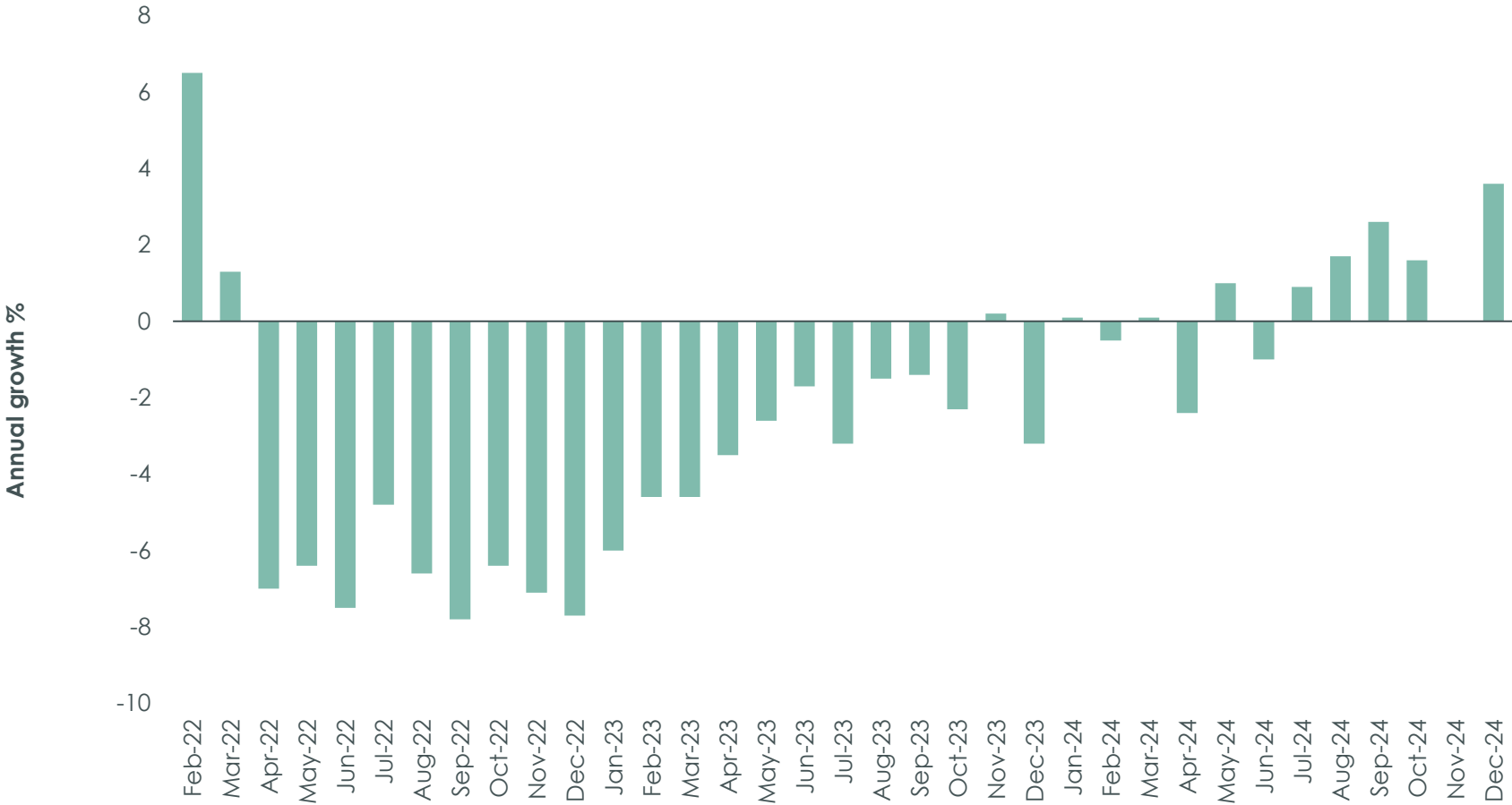
Q. Do you feel better or worse about your personal finances now than last year?



Source: CBRE UK Consumer Survey 2025

Uptick in retail sales

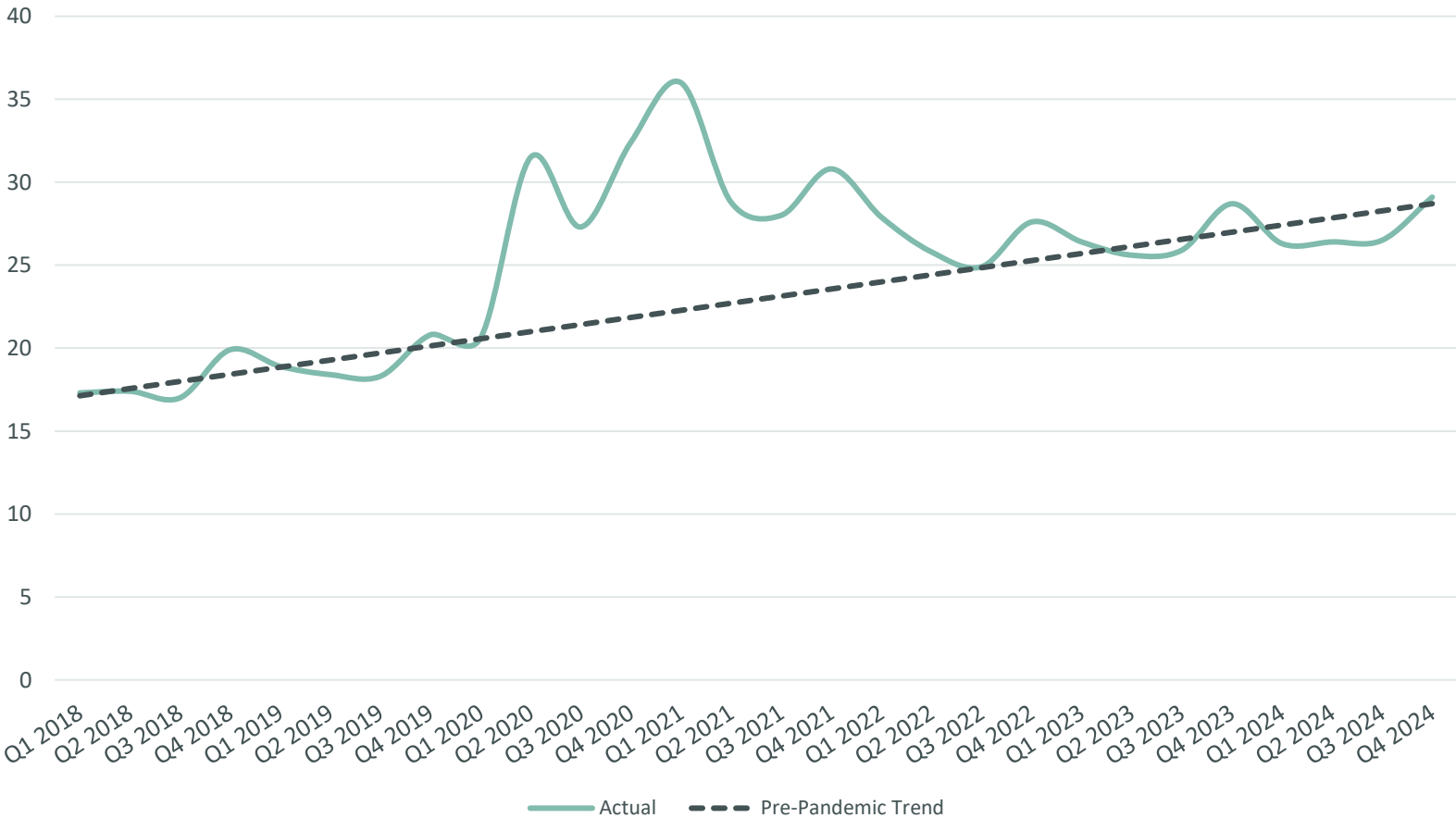
Monthly UK retail sales volumes



Source: ONS, 17th January 2025

The UK’s online penetration has returned to pre-pandemic trend

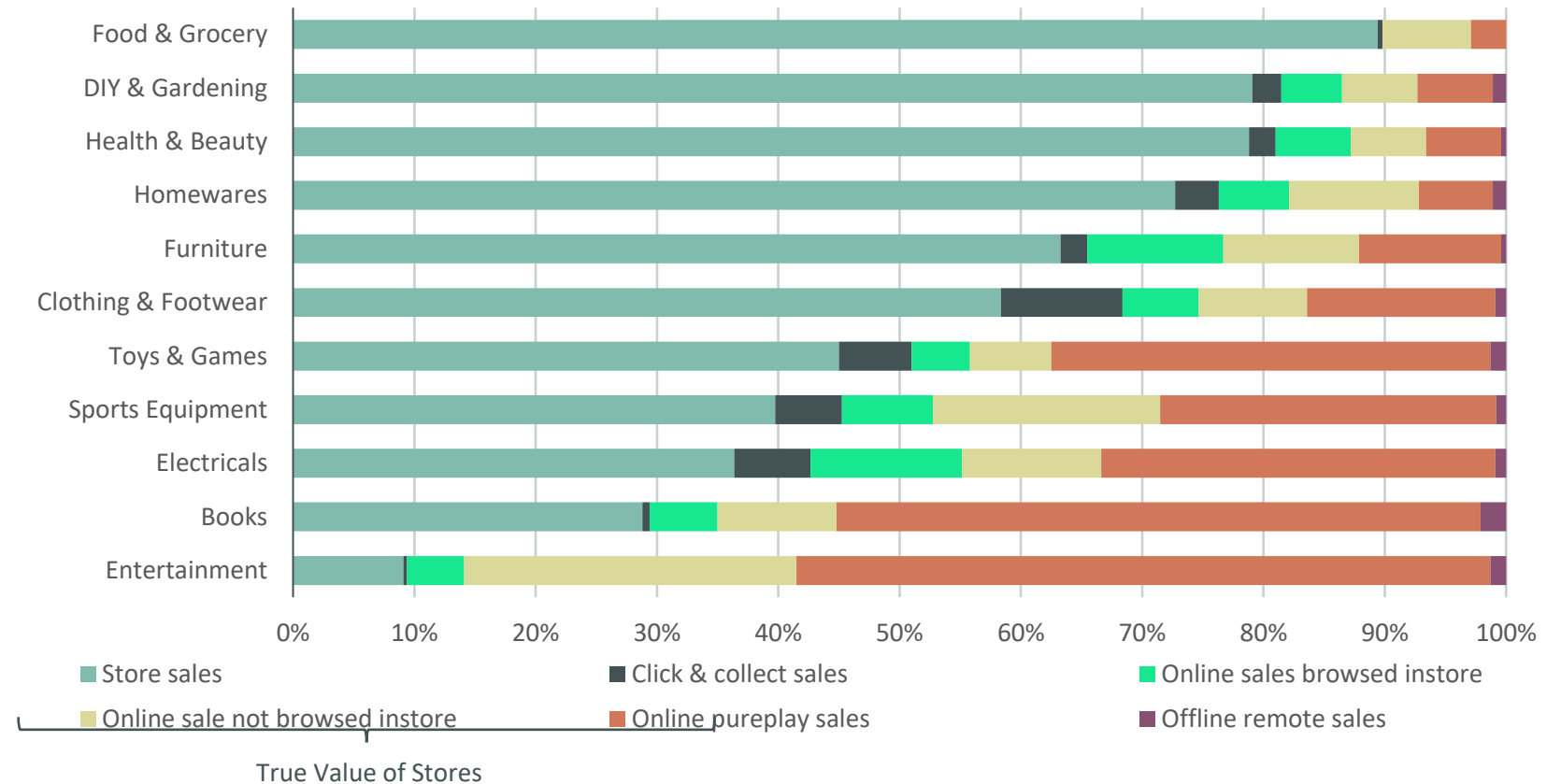
UK retail online penetration (% of all retail sales) , 2015-19 Trend and Actual



Source: CBRE Research, ONS December 2024

But it's not as
simple as online
vs offline anymore

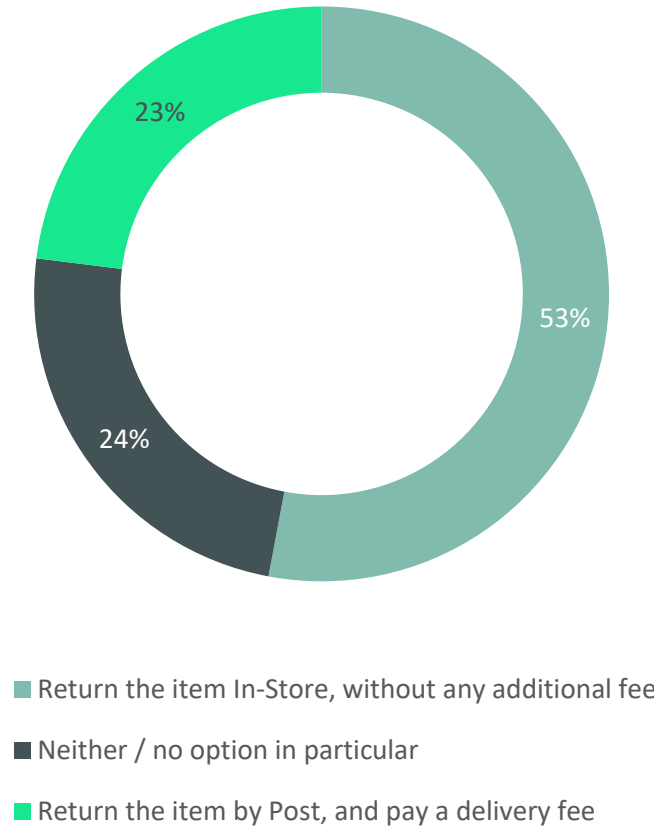
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Source: GlobalData

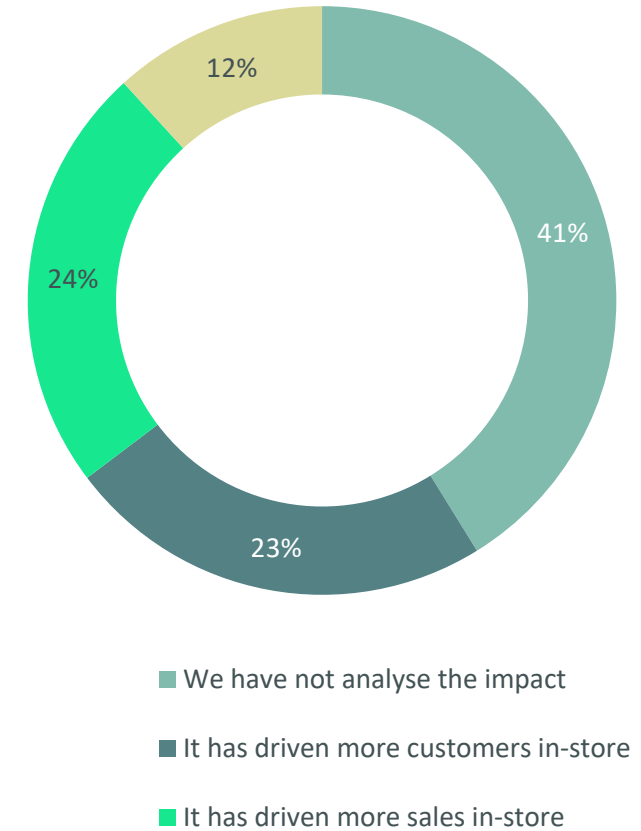
Online return fees have changed the way consumers are interacting with the store

If you need to return an item that you've ordered online, which option would you prefer to use, if any?



Source: Consumer Survey 2025, CBRE Research.

If your company has introduced online return fees via post, what is the impact?



Source: [European Retail Occupier Survey 2024](#), CBRE Research.

And occupiers are seeing the alternative value that can be delivered through bricks and mortar

Please evaluate the performance of the following aspects of brick-and-mortar and online retail



Source: [European Retail Occupier Survey 2024](#), CBRE Research.

Any Questions?



Jennet Siebrits
Head of Research

Thank you.

Gracias ধন্যবাদ Salamat धन्यवाद Obrigado 謝謝 Спасибо 감사합니다 Merci תודה شکریہ Danke ありがとう Terima Kasih شکرا

To keep up to date watch out for my Thought of the Week.

Jennet Siebrits

Head of UK Research

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