Dollar jumps as strong US retail sales ease recession fears – as it happened

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Byline: Jasper Jolly (now) and Graeme Wearden (earlier)
Highlight: US retail sales grew by 1% in July, much stronger than the 0.3% expected; UK GDP grew by by 0.6% in Q2 2024Full story: UK economy continues recovery from recession with GDP growth of 0.6%

Body

block-time published-time 3.06pm BST

Retail sales data and Walmart ease US recession concerns

US retail sales grew strongly in July, and the numbers from America's largest bricks-and-mortar retailer back that up: Walmart raised its sales and profits forecasts on Thursday as well.

Both suggest that the US consumer is not in recession mode. Arun Sundaram, an analyst at CFRA Research, said (according to Reuters):

The US consumer seems to be in a stable position relative to the start of this year, which is encouraging given concerns of a looming slowdown.

Walmart's chief executive, Doug McMillon, told analysts that "so far, we aren't experiencing a weaker consumer overall," according to the Financial Times.

enltrRetail sales and WalMart earnings/guidance better than expected, jobless claims lower... whatever your recession probability was yesterday, you should lower it today.

— Greg Ip (@greg_ip) August 15, 2024

Ronald Temple, chief market strategist at Lazard, an investment bank, said:

Today's retail sales data and jobless claims offer yet more evidence that recession risk remains low in the US even as the economy decelerates from unsustainably strong growth levels. The case for the Fed to ease by 25 basis points is rock solid, but there is little evidence to suggest a need for a 50 basis point reduction.

In other business and economics news today:

The UK economy*grew by 0.6%* in the second quarter, continuing relatively strong growth over the course of this year. That performance came despite election uncertainty hitting output in July.Brian Niccol, the new chief executive of *Starbucks* , is in line for a sign-on pay package *worth up to $113m* (£88m), in one of the largest such executive deals in corporate history and which is four times larger than that of his predecessor.Danish energy group ***Ørsted*** cut the value of investments after *delays to wind projects* in the US and elsewhere.Texas officials have added NatWest Group to a growing list of financial firms considered to be taking part in a *"boycott" of energy companies* , in a move that could limit the UK bank's business with the oil-rich US state.Evoke, the owner of *William Hill* and 888 reported *widening losses in the first half* of 2024, in a "disappointing" update that led its new management team to admit that its turnaround plan for the gambling group was running behind schedule.

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In our coverage of the Middle East crisis, the Gaza death toll passes 40,000 as ceasefire and hostage talks begin in Doha

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Related: *Russia-Ukraine war live: Zelenskiy says Ukraine's troops have full control of Sudzha in Kursk*

In US politics, Kamala Harris is set for a joint rally with Joe Biden and the Vance-Walz vice-presidential debate is confirmed for 1 October

Related: *Harris set for joint rally with Biden; Vance-Walz debate confirmed for 1 October – live*

In UK politics, Labour 'putting rail passengers first', says minister as she blames Tories for prolonging strikes

Related: *Labour 'putting rail passengers first', says minister as she blames Tories for prolonging strikes – UK politics live*

Thank you for following today, and please do join Graeme Wearden tomorrow to take you through to the weekend. JJ

block-time published-time 2.34pm BST

Wall Street and European stock market indices rise after strong US retail sales

Europe's stock markets have regained all of the losses of the past fortnight, after the weaker-than-expected US non-farm payrolls caused days of turmoil.

US stock markets have now also opened higher, boosted by the strength of retail sales.

Here are the opening moves via Reuters:

The Dow Jones industrial average rose 287.3 points, or 0.72%, at the open to 40295.74.The S&P 500 rose 45.9 points, or 0.84%, at the open to 5501.13?.The Nasdaq Composite rose 201.9 points, or 1.17%, to 17394.545.

block-time published-time 2.14pm BST

Why are markets getting excited about the retail sales number? Because if people across America are spending that much more in shops and online, it does not suggest that the country is on the verge of recession.

Joseph Brusuelas, chief economist at RSM US, a consultancy, said the data suggests the US economy is not in recession.

Crucially, he added that it does not appear likely before the end of this year. Voters go to the polls in the presidential election in November. Today's data appears to be good news for Kamala Harris's campaign.

enltrUS July Retail Sales: Lots of noise in the series so always a good idea to smooth out the data. Take a look at that control group increase of 4.9%. This tends to strongly suggest that the economy is not in recession nor is at risk of one in the near term-i.e. before the end of… *pic.twitter.com/i4NtnS2C9h*

— Joseph Brusuelas (@joebrusuelas) *August 15, 2024*

'Don't bet against the US consumer' is the verdict of Capital Economics, a consultancy. They wrote:

There was almost nothing in the July retail sales report for the perma-bears to latch on to, with the rebound in retail sales led by a recovery in vehicle sales, but encouragingly broad-based with control group sales rising even further.

block-time published-time 2.00pm BST

The US retail sales surprise has lifted stock markets in Europe and set Wall Street on course for a strong open in about half an hour.

The FTSE 100 in London was *flat earlier* , but is now up by 0.7%, or 55 points. Almost all of that gain came immediately after the US retail sales data.

Wall Street futures suggest major US stock indices are on course to rise sharply. Reuters reports:

S&P 500 E-MINI FUTURES UP 0.8%NASDAQ FUTURES UP 1%DOW FUTURES UP 0.9%

block-time published-time 1.50pm BST

US dollar surges after strong retail sales surprise economists

The US dollar and stock market futures have jumped in value after stronger than expected US retail sales.

The dollar surged after the data release. The pound was worth $1.2865 before the data after strong UK GDP growth, but it has lost half a cent to be worth $1.2812 after the dollar strengthened.

An index tracking a trade-weighted basket of currencies was below 102.6 shortly before the data, but jumped above 103 immediately after.

enltrHuge beat on Retail Sales ? +1% MoM above expectations of +0.4% ?? Jobless Claims below expectations as well ???? Stock market futures up big led by Russell 2000 ???? *pic.twitter.com/pL6ioz2mso*

— Orlando (@thisisorlando) *August 15, 2024*

block-time updated-timeUpdated at 2.03pm BST

block-time published-time 1.40pm BST

That retail sales number is the one drawing the attention of commentators on the US economy.

enltrBest headline retail sales since April 2022 ???? *https://t.co/2xV6fPfjQF*

— Carl Quintanilla (@carlquintanilla) *August 15, 2024*

enltr?? Just In: July US Retail Sales rise 1.0%, above expectations for 0.4%. Core Retail Sales increased 0.4%, beating forecasts for a gain of 0.1%. The US Consumer remains resilient. *pic.twitter.com/vc4yheTgRX*

— Jesse Cohen (@JesseCohenInv) *August 15, 2024*

block-time published-time 1.37pm BST

US retail sales jump and jobless claims in line with forecasts

US retail sales jumped by 1% in July, according to data that suggest the world's largest economy may be in better state that some economists fear.

Economists had expected retail sales to rise by 0.3% month-on-month in July, but data from the US Census Bureau showed they rose by 1%.

Labour market data released at the same time showed initial jobless claims at 227,000, slightly below the 235,000 expected by economists polled by Reuters and below the 233,000 in June.

block-time updated-timeUpdated at 1.54pm BST

block-time published-time 1.27pm BST

Coming up shortly: US jobs and retail sales data.

If you have been paying any attention to this blog or any of the financial media over the last fortnight then you will have noticed that it has been a rather turbulent time. It was American jobs data that kicked off the *market turmoil of the first full week of August*.

Related: *Why August is one of the most dangerous months in the financial calendar*

Investors are increasingly concerned that the US economy is weakening. That could mean that the Federal Reserve is in the worst place for a central banker: "behind the curve". That would mean that the Fed may have to cut interest rates more aggressively to try to support the economy.

The initial jobless claims number in a few minutes will be closely scrutinised for that reason.

Economists polled by Reuters expect 235,000 people made first claims for unemployment benefits last week, up from 233,000 the week before.

If that number is significantly higher, then hold onto your hats. However, economists have been fairly sanguine about the US economy, so it may pass off without incident.

Retail sales are expected to rise 0.3% month-on-month.

block-time published-time 12.50pm BST

New Starbucks boss to receive pay package worth up to $113m

The new chief executive of *Starbucks* is in line for a sign-on pay package worth up to $113m (£88m), in one of the largest such executive deals in corporate history and which is four times larger than that of his predecessor.

The American coffee chain *poached the boss of Chipotle Mexican Grill, Brian Niccol* , naming him as its new chief executive this week in a surprise management shake-up, ousting Laxman Narasimhan from the job after just 17 months.

Niccol has been given a large pay deal to switch roles and will also be allowed to work remotely from his home in Newport Beach, California. Starbucks has agreed to cover the costs of establishing the "small remote office" and a dedicated local assistant, and Niccol will be able to use the company aeroplane to travel to its headquarters in Seattle when required.

Niccol, who *will take over the reins* on 9 September and will become its fourth boss in less than three years, is in line for the bumper pay packet largely because of a huge tranche of share options.

The contract, if paid out in full, would bring Niccol's pay to $113.2m. He was paid $22.5m at Chipotle in 2023, and $17.2m a year earlier.

You can read the full report here:

Related: *Pay deal for new Starbucks CEO worth up to $113m*

block-time published-time 12.37pm BST

The UK has had a flurry of economic data this week. And they all turned out well, said Salomon Fiedler, an economist at Berenberg, an investment bank.

After two years of stagnation, the economy rebounded in hl 2024, he wrote in a note to clients:

Labour market data – while not too reliable on their own due to data collection issues – corroborate the rosy picture. The unemployment rate declined to 4.2% in June from 4.4% in July. At the same time, inflation pressures continued to moderate.

Finally, average weekly earnings (ex bonus) rose 5.4% yoy in the three months to June, down from 5.8% in the three months to May. Easing wage pressure will be welcome news to those concerned about potential second-round effects on inflation.

Fiedler believes that growth will slow and UK inflation could accelerate again towards 2.5% by the end of the year, but he is on the side of the doves, thinking the Bank of England will ignore this as a temporary blip and cut rates. He wrote:

The Bank of England should be able to look through this, as temporary energy base effects contribute substantially to this deviation from the 2% target. We expect the BoE to cut six more times by 25bp each until mid-2025, bringing bank rate to a terminal 3.5%.

block-time published-time 12.06pm BST

Traders firm bets that Bank of England will hold interest rates in September

The continued strong GDP growth in the second quarter of the year will probably mean that the Bank of England delays interest rate cuts past September, according to financial market bets.

Derivatives trades allow the implied probabilities of rate cuts to be worked out. Refinitiv data suggests that the next 0.25% percentage point rate cut will not happen until the Bank's meeting on 7 November, skipping the meeting on 19 September.

The implied probability of no change to rates in September is 63%, according to Refinitiv. This morning the probability was 59% for no change, and 41% for a cut (according to one Graeme Wearden), so there has been a slight firming up of the conviction that the Bank will hold in September.

You can see the implied probabilities in the below table. Note the "no change" column giving the probability for the 19 September meeting:

Those figures still give a 37% chance of a cut, so it is not out of the question – but something would probably have to change markedly in the next month for that to happen.

However, if you look at the 19 December expected target rate, you can see that markets are just about pricing in a second cut by the end of the year. Bank rate is at 5%, so a move to 4.5% would imply two 0.25% cuts.

block-time published-time 11.32am BST

Let's have a look at financial markets' reaction to this morning's UK GDP figures.

The pound has gained 0.2% against the US dollar to reach $1.2857. It also rose against the euro, up 0.3% to €1.1665.

London's FTSE 100 is just about flat, down two points to 8,278.

The biggest gainer on the FTSE 100 is Admiral Group, after the insurer's profits beat expectations and it announced a higher dividend. It gained 7%. That also lifted fellow insurer Beazley, which gained 1.5%.

block-time published-time 11.09am BST

Ørsted shares fall after another costly delay to US wind project

Danish energy group ***Ørsted*** has cut the value of investments by 3.2bn krone (£370m) after delays to wind projects in the US and elsewhere.

Shares in the company dropped 7% on Thursday morning.

Ørsted was one of the darlings of the coronavirus pandemic bubble, as investors rushed to invest in green energy. The company – which, perhaps advisedly, rebranded from DONG Energy – had a particularly uplifting story, having slipped off its heritage as an oil and gas producer to pivot to green technology.

However, its shares are valued at less than a third of their peak in early 2021 after it hit a series of setbacks – even as it ramped up its wind generation capacity around the world.

The US has been particularly problematic. On Thursday ***Ørsted*** said it would push the start of its Revolution Wind project off the coasts of Connecticut and Rhode Island states from 2025 to 2026.

Mads Nipper, ***Ørsted*** 's chief executive, said:

Despite encouraging progress on our US offshore wind project Revolution Wind, the construction of the onshore substation for the project has been delayed. This means that we have pushed the commercial operation date from 2025 into 2026, which led to an impairment. This is, of course, unsatisfactory, and we continue our dedicated efforts to de-risk our portfolio.

block-time published-time 10.53am BST

Breaking away from UK economics for a moment, Aldi UK has said it will end its click and collect service that was introduced in the wake of the coronavirus pandemic.

Aldi is the UK's fourth-largest supermarket. It joined the rush of grocers trying to embrace online shopping, but was a bit more cautious, not offering home deliveries.

Reuters reports that Britons have partly retreated from online grocery shopping since the heights of the pandemic:

Online's share of Britain's total grocery market was about 7% before the onset of the pandemic in 2020. It peaked at about 15% during the pandemic, and is currently just under 13%, according to industry data.

And it's Jasper Jolly here, taking over from Graeme Wearden until 3pm.

block-time updated-timeUpdated at 12.13pm BST

block-time published-time 10.07am BST

A quick summary

Britain's economy has extended the recovery from recession last year after recording growth of 0.6% in the three months to June.

Figures from the Office for National Statistics (ONS) show gross domestic product (GDP) continued to grow in the second quarter, after growth of 0.7% in the first three months of 2024. City economists had forecast growth of 0.6%.

Liz McKeown, the ONS director of economic statistics, said:

"The UK economy has now grown strongly for two quarters, following the weakness we saw in the second half of last year.

"Growth across the three months was led by the service sector, where scientific research, the IT industry and legal services all did well."

However, the UK economy did not grow in June. The ONS said there were anecdotal reports from businesses that general election uncertainty, and public sector strikes, hit activity in June.

GDP per head of population grew by 0.3% in the quarter , but was still lower than a year ago – and before the Covid-19 pandemic starter.

Chancellor Rachel Reeves *said* economic growth was the Labour government's "national mission"…

… her predecessor, Jeremy Hunt, *said* the data were "further proof that Labour have inherited a growing and resilient economy".

The UK is likely to be the third-fastest G7 economy in the second quarter of 2024 , with only Canada yet to publish GDP data.

Since the pandemic, though, it's the second slowest G7 member:

enltrOver Q2, economy grew 0.6% - on top of 0.7% for Q1. Puts UK economy 2.3% larger than its pre-pandemic level (not great in G7 terms). Note - Germany will report overhauled GDP estimates shortly (of the kind that produced big upward revisions to other countries' GDP) *pic.twitter.com/wOhocMD0IV*

— Andy Bruce (@BruceReuters) *August 15, 2024*

Economists welcomed the GDP report.

Deutsche Bank *said* the near-term economic outlook has improved, while PWC *predicts* the second half of 2024 will be strong too.

But, the New *Economics* Foundation *said* the government needs to invest more in infrastructure, to support growth.

Related: *UK economy continues recovery from recession with GDP growth of 0.6%*

block-time updated-timeUpdated at 10.18am BST

block-time published-time 9.44am BST

This chart from Andy Bruce of Reuters shows how GDP per head has – finally – picked up this year, but remains below its pre-Covid levels:

enltrArguably biggest data point is that GDP per capita has risen now for two quarters running. Still 0.9% below its pre-pandemic peak, but it's a positive development. *pic.twitter.com/x48WY24uMp*

— Andy Bruce (@BruceReuters) *August 15, 2024*

block-time published-time 9.40am BST

Just in: UK productivity has weakened, highlighting the underlying problems within the economy.

New data from the Office for National Statistics shows that output per hour worked fell by 0.1% in April-June this year, compared with the same quarter in 2023.

The ONS explains:

Output per hour worked decreased because hours worked increased more (1.0%) than gross value added (GVA) (0.9%) in the same period.

block-time published-time 9.39am BST

Less happily, Britain's trade deficit has widened.

The UK's trade in goods deficit widened by £7.8bn to £52.4bn in April-June, because imports of goods rose by more than exports.

The ONS reports there was a rise in imports of machinery and transport equipment from both EU and non-EU countries, as well as a rise in fuel imports from non-EU countries.

The UK's trade gap with the European Union widened too. Exports to the EU increased by £1.4bn in June, to £15.6bn, while imports rose by £2.1bn to £26.9 in the month.

enltrThe total underlying trade deficit widened by £7.1bn to £13.3bn Quarter 2 (Apr to June) 2024 because of an increase in imports of goods. Read UK Trade ?? *https://t.co/8pkaYt48OA* *pic.twitter.com/LPcRYD8dch*

— Office for National Statistics (ONS) (@ONS) *August 15, 2024*

block-time published-time 9.28am BST

Investec: Sun is breaking through in UK economy

Despite today's "uninspiring" growth data for June, analyst at Investec say they remain optimistic on the UK's prospects as an investment destination.

The political landscape is more stable than some of the UK's allies, economic activity is much stronger relative to this point last year and the monetary policy easing cycle has commenced. When it comes to the UK, the sun appears to be breaking through the storm clouds.

block-time published-time 9.20am BST

Although the economy stagnated in June, it didn't actually shrink.

George Buckley of Nomura points out that UK GDP has not fallen in any of the past six months, having grown by a total of 1.5% (3% annualised) over that period, adding

That's quite a result for what is a volatile series.

As this chart shows, the last monthly contraction was in December:

block-time published-time 8.59am BST

Hunt: Labour have inherited a growing and resilient economy

Jeremy Hunt, the former Conservative chancellor, has seized on today's GDP report as proof that he didn't leave the new Labour government a shambles to clean up.

Hunt says today's growth figures are "further proof that Labour have inherited a growing and resilient economy".

He posted on X:

The Chancellor's attempt to blame her economic inheritance on her decision to raise taxes - tax rises she had always planned - will not wash with the public.

Labour promised over 50 times in the election they would not raise people's taxes and we will hold them to account on their promises.

enltrToday's figures are yet further proof that Labour have inherited a growing and resilient economy. The Chancellor's attempt to blame her economic inheritance on her decision to raise taxes - tax rises she had always planned - will not wash with the public. Labour promised… *https://t.co/44w11LRDT0*

— Jeremy Hunt (@Jeremy_Hunt) *August 15, 2024*

However, as we've covered earlier in this blog, the strong growth in Q1 and Q2 2024 follows a very weak 2023 – real GDP is estimated to have increased by 0.1% last year.

And real GDP per head of population is still 0.1% lower than a year ago (*see here*)

block-time updated-timeUpdated at 9.24am BST

block-time published-time 8.51am BST

The increase in UK real wages – with earnings rising faster than inflation – is one key factor fuelling growth this year.

Jeremy Hunt's cuts to national insurance also helped, argues James Smith, developed markets economist at ING, who explains:

Admittedly, the economy flatlined if you look at June specifically. But overall second quarter growth of 0.6%, hot on the heels of 0.7% in the first quarter, marks a remarkable rebound from a very minor technical recession in the second half of last year.

The most obvious explanation is the improvement in real wages the UK economy is experiencing. The impact of lower natural gas prices, coupled with much more modest increases in food prices, comes at a time when nominal wage growth has stayed north of 5% over recent months.

The most acute phase of the mortgage squeeze had also passed by the end of 2023, and that, combined with the impact of some personal tax cuts last November and again in March, probably helped too.

block-time published-time 8.40am BST

Deutsche Bank: Near-term economic outlook has improved

Today's GDP report is good news for Rachel Reeves, and the Bank of England, says Sanjay Raja, UK chief economist at Deutsche Bank Research.

Raja says the UK recorded “another stellar quarter” in April-June, but also sees a slowdown ahead.

He told clients this morning:

Q2-24 GDP growth surged for a second straight quarter hitting 0.6% q-o-q. Much of the growth was in line with our expectations, with household spending expanding by 0.2% q-o-q and business investment shrinking by 0.1% q-o-q. The bulk of the uplift in growth came from government spending (1.6% q-o-q) with stocks and net acquisitions also seeing big uplifts.

The good news is that this should lift the overall size of the economy, leaving the Chancellor with a slightly better near-term outlook than what the OBR presented in March. For the Bank of England, the slightly lower growth rate (including its composition) should leave the door open to further rate cuts – particularly given yesterday’s weaker inflation data.

But, we shouldn’t expect the strong growth in the first half of 2024 to last, Raja adds:

We should see some slowdown. Indeed, June GDP flatlined, with the services sector shrinking by 0.1% m-o-m. Carry-over effects into Q3-24 will be weaker. And catch-up effects, following on from the short and shallow technical recession we had in hl-23, will likely diminish.

Deutsche Bank predict the economy will grow by 1.2% this year, rising to 1.6% in the next two years.

block-time published-time 8.13am BST

The UK is now 2.3% larger than its level before the Covid-19 pandemic hit the global economy at the start of 2020.

That’s a weaker recovery than seen in the US, Canada, France and Italy, as this chart from today’s GDP report shows:

The Resolution Foundation reports that the UK’s record on growth since the eve of the pandemic is the second worst in the G7, higher only than Germany’s 0.2 per cent.

Simon Pittaway, senior economist at the Resolution Foundation, says:

“The UK economy has continued to bounce back from its recession last year, and has recorded the strongest growth of any G7 economy over the past six months.

“But that’s where the good news ends. Britain’s medium-term record is far less impressive, and has been driven by a growing population rather than rising productivity.

“Without a return to productivity growth, living standards will continue to stagnate and Britain will continue to fall behind its peers.”

enltrUK continues to bounce back from recession – but the bigger picture remains bleak - [@simonpittaway](https://twitter.com/simonpittaway) responds to the latest [@ONS](https://twitter.com/ONS) GDP data. Thread to follow shortly... https://t.co/QXlFEksqW7 pic.twitter.com/GgatpKuS3z

— Resolution Foundation (@resfoundation) [August 15, 2024](#)

block-time published-time 8.02am BST

The bigger picture is that the UK economy needs government investment to improve public services, and produce more green energy, argues Lydia Prieg, head of economics at the New Economics Foundation.

Prieg says:

“Small improvements in GDP don’t change the fact that the UK economy has long been at a standstill because of over a decade of underinvestment by successive governments.

If this government wants to set us on a new path it can’t just rely on private investment. This approach has been tried and tested - it’s left us with crumbling hospitals, sky-high energy bills and a second-rate public transport system.

Now we need this government to make smart public investments: in renewables to get energy bills down, in green industry and infrastructure to boost growth and wages, and in the NHS and social security to help us keep healthy.”

block-time updated-timeUpdated at 9.54am BST

block-time published-time 7.46am BST

UK heading for bronze medal in G7 growth contest

Labour’s goal is to secure the highest sustained growth in the G7.

Today’s GDP data suggests the economy was near the front of the G7 pack as the new government took office, but not top of the podium.

Data released overnight shows that Japan grew at an annualised rate of 3.1% in the second quarter of 2024 – which means a quarterly rise of almost 0.8%.

That puts Japan ahead of the US, *where* GDP increased at an annual rate of 2.8% in Q2 (or quarterly growth of 0.7%).

Growth has been more modest in the eurozone, which only expanded by 0.3% in Q2 as Germany shrank slightly.

We don’t get official Q2 data for Canada until the end of August, though; Statistics Canada *says* the latest data suggests that the economy expanded 0.5% in the second quarter of 2024.

One quarter’s data doesn’t a full insight into an economy, but as things stand…

Japan : +0.8% growth in Q2US : 0.7% growth in Q2UK : +0.6% growth in Q2Canada : estimated to have grown by 0.5% in Q2France : 0.3% growth in Q2Italy : 0.2% growth in Q2Germany : contracted by 0.1% in Q2

block-time updated-timeUpdated at 8.04am BST

block-time published-time 7.35am BST

Reeves: We will make all the country better off

Chancellor Rachel Reeves is not hanging out the bunting.

Following the news that the economy grew by 0.6% in April-June (a decent growth rate), Reeves says:

“The new Government is under no illusion as to the scale of the challenge we have inherited after more than a decade of low economic growth and a £22 billion black hole in the public finances.

“That is why we have made economic growth our national mission and we are taking the tough decisions now to fix the foundations, so we can rebuild Britain and make every part of the country better off.”

block-time published-time 7.35am BST

Today’s growth statistics provide more evidence that the economy is gradually turning a corner as the new government takes office, says Jake Finney, economist at PwC.

Finney expects strong growth in the second half of the year too:

UK real GDP expanded by 0.6% in the second quarter of 2024, powered by strong growth in the services sector, despite the fact that activity flatlined in June.

“ There is good reason to expect that the second half of 2024 will be strong too, given that wages are growing in real terms and the Bank of England has started to loosen monetary policy.

Our modelling indicates that the economy will grow by 1% across 2024 as a whole, up from 0.1% last year. Though even this could be an underestimate, if there is an upturn in consumer spending as the economic climate improves.

block-time published-time 7.28am BST

Election uncertainty and strikes may have hit growth in June

Pre-election uncertainty, and industrial action, may both have weighed on the economy in June.

The Office for National Statistics says anecdotal evidence from businesses suggests some clients were reluctant to place orders until they knew who had won the election.

That could have contributed to *the lack of growth in June*.

The ONS says:

Comments provided for June 2024 suggested some industries may have been affected by the general election held on 4 July 2024. In a range of industries across the economy, businesses stated that customers were delaying placing orders until the outcome of the election was known. These comments covered all of manufacturing, construction, and services.

A strike by junior doctors in late June , and the impact of *last year’s* *Hollywood strikes* , could also have hit activity.

The ONS adds:

While perhaps not as frequently mentioned as in recent months, industrial action in certain industries was also cited as a possible reason for reduced output.

This was stated as a reason for reduced output in human health with the junior doctors strikes towards the end of June, and in TV and film production where the Screen Actors Guild strikes in America in 2023 are still affecting UK production schedules.

block-time published-time 7.21am BST

Path for UK interest rate cuts 'looks to be set'

The UK economy is in ‘good health’, says Neil Birrell, chief investment officer at Premier Miton Investors :

Following this morning’s Q2 GDP report, Birrell says:

“The second quarter seems like a long time ago, but the GDP data confirms that the UK economy is in good health. The Bank of England is in the nice position, unlike other central banks, of having a level of surety in the data it is seeing, when setting policy.

With inflation playing ball as well, the path to lower interest rates looks to be set, the timing of the cuts is now the focus.”

block-time updated-timeUpdated at 7.21am BST

block-time published-time 7.18am BST

GDP per head lower than a year ago

When you adjust for population changes, growth was less vigorous

The ONS reports that real GDP per head is estimated to have increased by 0.3% in Quarter 2 2024 – only half as fast as the headline growth rate for the quarter.

Real GDP per head is 0.1% lower compared with the same quarter a year ago.

GDP per head, or per capita, is commonly used as a broad measure of average living standards or economic well-being.

block-time published-time 7.13am BST

The UK economy has finally shaken off its slumber of recent years, says Ben Jones, lead economist at the CBI :

“After a strong performance in May, a slowdown in GDP growth was always on the cards for June. But a second successive quarter of above-trend growth suggests the UK economy has finally shaken off its slumber of recent years.

“We think the quarterly data probably overstates the underlying momentum in the economy, with recent CBI surveys of activity remaining fairly subdued. But firms nonetheless appear confident that the recovery will continue.

“After a challenging, few years, and ahead of the Autumn budget, the focus is shifting to the steps needed to raise the UK’s growth rate over the long-term. This could include the reforms set out in our recent business tax roadmap, which can incentivise private investment and together with a Net Zero Investment plan boost green growth, one of the fastest growing sectors in the country.”

block-time published-time 7.12am BST

This chart shows how the economy has hauled itself back to growth this year, after a grim 2023:

But, our economics correspondent Richard Partington points out that this year’s growth follows “a lacklustre performance over the past decade, while high living costs, elevated interest rates, and faltering productivity gains keep a lid on momentum”.

The chancellor, Rachel Reeves, has targeted rebooting the economy as Labour’s No 1 priority, arguing that stronger growth would help boost living standards and raise more tax revenue to repair battered public services.

More here:

Related: *UK economy continues recovery from recession with GDP growth of 0.6%*

block-time published-time 7.08am BST

ONS: UK economy has now grown strongly for two quarters

The UK has now grown “strongly” for two quarters in a row, says ONS director of economic statistics Liz McKeown:

“The UK economy has now grown strongly for two quarters, following the weakness we saw in the second half of last year.

“Growth across the three months was led by the service sector, where scientific research, the IT industry and legal services all did well.

"In June growth was flat with services falling, due to a weak month for health, retailing and wholesaling, offset by widespread growth in manufacturing."

block-time updated-timeUpdated at 7.08am BST

block-time published-time 7.07am BST

Economy stagnated in June

Today's GDP report also shows the economy did not grow in June.

GDP showed no change in June, the Office for National Statistics reports, following growth of 0.4% in May.

Digging into the details… services output fell by 0.1% in June, while production output grew by 0.8% in the month, and construction output grew by 0.5%

block-time updated-timeUpdated at 7.15am BST

block-time published-time 7.02am BST

UK grows 0.6% in Q2

Newsflash: The UK economy grew by 0.6% in the second quarter of the year, as it continues to pull away from last year's shallow recession.

That's a slight slowdown on the first quarter, where the economy expanded by 0.7%, but still a healthy growth rate – and in line with expectations.

The Office for National Statistics reports that the services sector drove growth, while the production sector and construction both shrank slightly.

enltrGDP is estimated to have grown 0.6% in Quarter 2 (Apr to June) 2024, following growth of 0.7% in Quarter 1 (Jan to Mar). Services (+0.8%) grew while production (-0.1%) and construction (-0.1%) both contracted. Read GDP first quarterly estimate, UK ?? *https://t.co/hlNTYmpipY* *pic.twitter.com/cOj8VlAp6x*

— Office for National Statistics (ONS) (@ONS) *August 15, 2024*

Compared with a year ago, real GDP is estimated to have increased by 0.9%.

block-time updated-timeUpdated at 7.14am BST

block-time published-time 6.52am BST

This morning's data will be the first estimate of GDP in June, rounding off the second quarter of the year.

But previous monthly data has shown that the economy flatlined in April, before growing by 0.4% in May – which was *seen as an early boost for the Labour government*.

block-time published-time 6.46am BST

Introduction: UK GDP in focus

Good morning, and welcome to our rolling coverage of business, the financial markets and the world economy.

How strongly, or weakly, was the UK economy growing at the end of Rishi Sunak's premiership?

We'll find out shortly, when GDP data for June – and for the second quarter of 2024 – are released.

City economists predict the UK posted a quarter of solid growth. GDP is forecast to have grown by 0.6% in April-June, which would be a slight slowdown on the 0.7% recorded in January-March.

But in June alone, the economy may have stalled – with no growth forecast.

Sanjay Raja, chief UK economist at Deutsche Bank, says the service sector was driving activity in the last quarter:

On our calculations, the services economy will likely bounce up by 0.7% q-o-q – despite expected contractions in both the production and construction sectors over the same quarter.

On the expenditure side, we expect government spending, business investment, inventories, and net acquisitions to provide the bulk of the lift to quarterly GDP.

The strength – or otherwise – of the UK economy will also influence how soon the Bank of England feels confident to cut interest rates again, after inflation rose by less than expected in July:

Related: *UK inflation rises to 2.2% in first increase since December*

The agenda 7am BST: UK GDP report for June7am BST: UK trade report for June7am BST: UK GDP report for Q2 20249am BST: Norwegian central bank interest rate decision9.30am BST: UK labour productivity statistics1.30pm BST: US weekly jobless claims1.30pm BST: US retail sales for July

block-time updated-timeUpdated at 6.49am BST

Load-Date: August 15, 2024