Leading Indicators

Key economic and financial metrics, updated weekly

29th October 2024

Budget Preview: What's next for the UK?

£20bn
Planned additional annual investment Reeves aims to fund through changes to the UK's fiscal rules

£22bn
Current UK fiscal deficit, 2024/25

+1.5%
UK GDP Growth 2025, IMF October 2024 forecast

LABOUR'S FISCAL RULES

Chancellor Rachel Reeves will unveil her first budget tomorrow, alongside the latest Office for Budget Responsibility (OBR) forecasts. Reeves is expected to propose a combination of spending cuts, increased investment, and tax hikes. Since taking office in early July, Reeves and Prime Minister Keir Starmer have repeatedly highlighted the challenged state of the UK's public finances as they stand.

Reeves has confirmed plans to adjust the UK's fiscal rules to fund c. £20 billion in additional investment per year through increased borrowing. She is also anticipated to adopt a new measure - 'public sector net financial liabilities' (PSNFL) - which accounts for financial assets such as student loans. This adjustment could allow Reeves to borrow up to an additional £50 billion annually by the end of the decade, while still have debt falling, under the Treasury's forecasts.

WHAT WE KNOW

What tax considerations can we anticipate from tomorrow's budget?

Reeves has reaffirmed Labour's manifesto pledge to not increase the burden on 'working people'. However, with a £22 billion fiscal gap to address, other revenue-raising measures remain under consideration. These may include potential taxes on capital gains, dividends, inheritance, non-domiciled residents, and fuel.

In line with Labour's drive to stimulate growth, Starmer recently pledged at the UK's International Investment Summit to 'rip up' regulations that hinder growth – a move aimed to support the construction of homes, warehouses, and data centres. As part of Labour's broader initiative to boost foreign investment, more capital could find its way into commercial real estate ahead of the upcoming budget.

CHANGING DYNAMICS

The broader context is that such budgets and policies lay the groundwork for long-term economic stability and growth. If Reeves' additional borrowing is directed toward growth-enhancing capital projects, such as improving Britain's infrastructure, this could significantly bolster the UK economy's long-term growth prospects.

Notably, in recent IMF projections, the UK saw the second-highest growth upgrade among G7 countries after the US, with GDP expected to grow by +1.1% this year—up from previous forecasts of +0.7%—and by +1.5% in 2025.
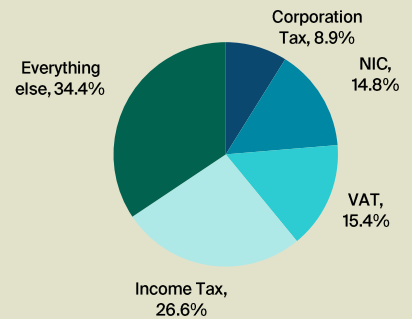
Chancellor can gain room for investment by changing the debt rules
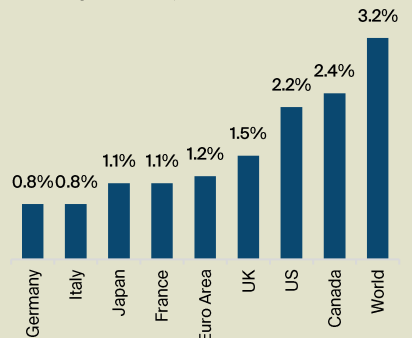OBR forecasts for various balance sheet indicators, % of GDP

Source: Knight Frank Research, OBR
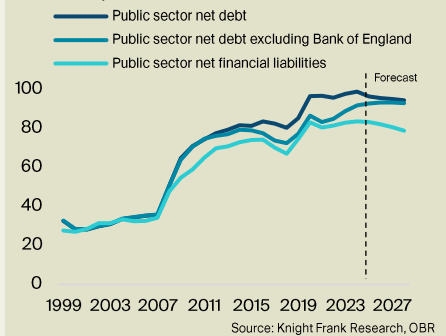
Two-thirds of all revenue is driven by the big four taxes
Current receipts, 2024-25*

Source: Knight Frank Research, OBR forecasts, Bloomberg
*Figures rounded to one decimal place

UK GDP set to grow +1.5% in 2025
IMF 2025 growth projections, %

Source: Knight Frank Research, IMF

Sources: Bloomberg, Oxford Economics, IMF, Macrobond, OBR, Capital Economics, Financial Times, Knight Frank
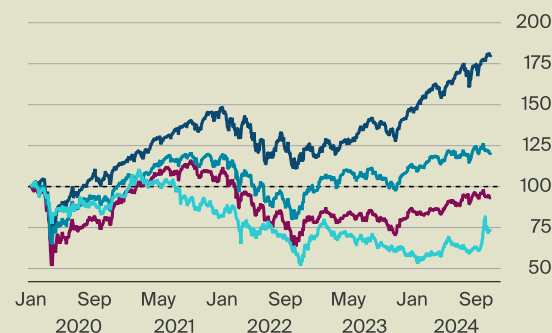
Equities

Equity markets
Price return index, Jan 2020 = 100, US$

— FTSE 250 — S&P 500 — STOXX 600 — Hang Seng

Source: Knight Frank, Macrobond
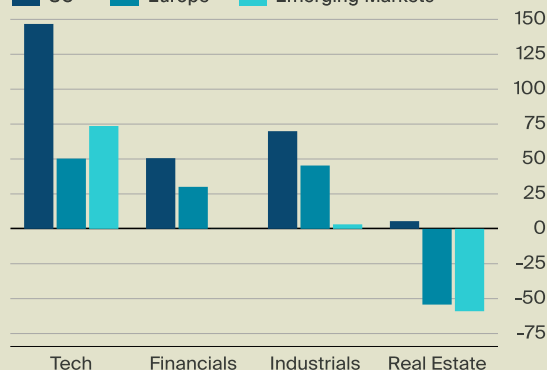
Index	Last	Percentage change since			
Original value and base		1 day	1 week	1 month	Jan '20
DAX 30	8,119	0.7	-1.0	-1.6	22.7
FTSE 250	27,055	0.4	-1.9	-3.9	-6.6
Hang Seng	2,650	0.5	-1.0	3.5	-26.7
IBEX 35	12,880	0.8	-0.5	-3.5	20.2
MIB	37,888	1.1	-0.9	-1.4	43.9
S&P 500	5,824	0.2	-0.7	1.4	80.3
STOXX 600	564	0.6	-1.1	-4.0	20.8
TOPIX	18	1.6	-1.8	-6.8	10.9

Equity regional sectors
Price return index percentage change since Jan 2020
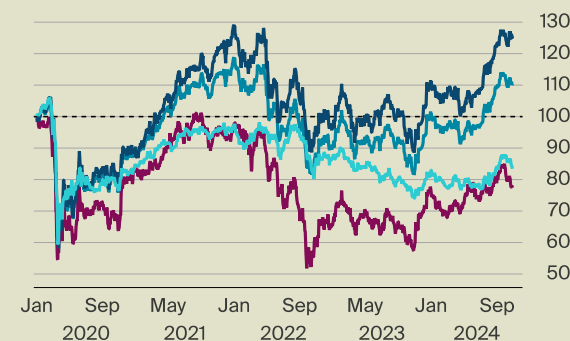
■ US ■ Europe ■ Emerging Markets

Source: Knight Frank, Macrobond

	Percentage change since Jan 2020		
	US	Europe	World
Tech	146.7%	50.3%	73.6%
Financials	50.6%	30.1%	0.0%
Industrials	69.9%	45.3%	3.2%
Real Estate	5.5%	-54.2%	-59.0%

REITs by region
EPRA/NAREIT total return index, Jan 2020 = 100, US$

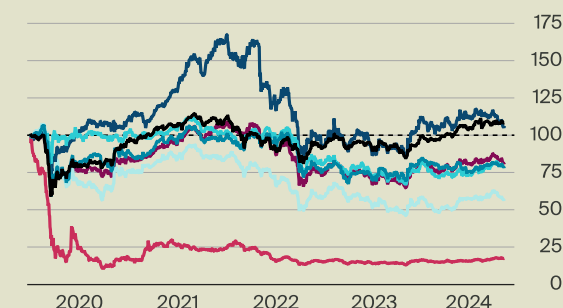— World — Europe — US — Asia Pacific

Source: Knight Frank, Macrobond

Index, total return	Last	Percentage change since			
Original value and base		1 day	1 week	1 month	Jan '20
US	2,999	-0.4	-1.3	0.0	25.5
Europe	2,229	0.7	-2.4	-7.8	-21.8
World	3,545	-0.4	-1.8	-2.2	10.3
Asia Pacific	3,275	-1.0	-3.1	-4.5	-16.6

UK REITs by sector
UK EPRA gross total return index, Jan 2020 = 100, GBP£

— All REITs — Office — Industrial — Retail — Healthcare
— Residential — FTSE 250

Source: Knight Frank, Macrobond

Index, total return	Last	Percentage change since			
Original value and base		1 day	1 week	1 month	Jan '20
All REITs	835	0.6	-2.2	-5.1	-18.3
Office	1,694	0.8	-1.6	-7.3	-42.9
Industrial	1,317	0.7	-2.4	-6.0	6.2
Retail	62	0.2	-1.5	-2.7	-82.7
Healthcare	1,796	0.4	-1.3	-3.6	-20.8
Residential	1,205	0.4	-1.7	-3.0	-21.0
FTSE 250	18,453	0.2	-1.4	-0.7	8.3

Bonds & Rates

Knight Frank

Government bond yields
10 year government bond yields, %

— US — UK — Germany — Italy — Japan — Singapore
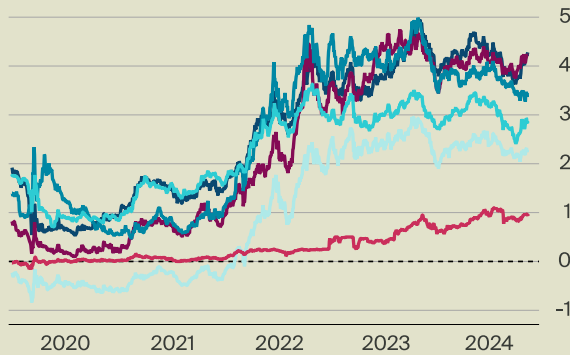
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Italy	3.41	3.41	3.46	3.37	1.40
Japan	0.97	0.94	0.95	0.87	-0.03
Singapore	2.87	2.87	2.93	2.63	1.74
UK	4.23	n/a	4.17	3.98	0.82
US	4.28	4.28	4.20	3.75	1.92

Yield curves
Latest nominal yield curves vs one year ago, %

Today
— US — UK — Germany — S. Korea

One year ago
···· US ···· UK ···· Germany ···· S. Korea

The yield curve is an indication of the risk free rate at different maturities
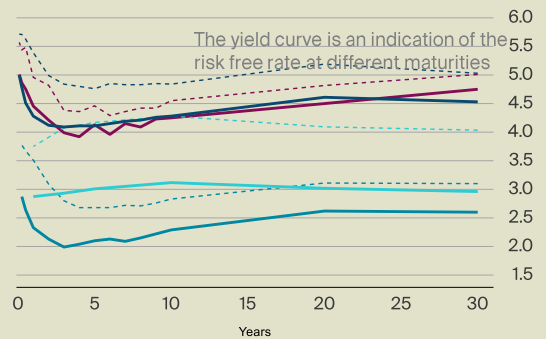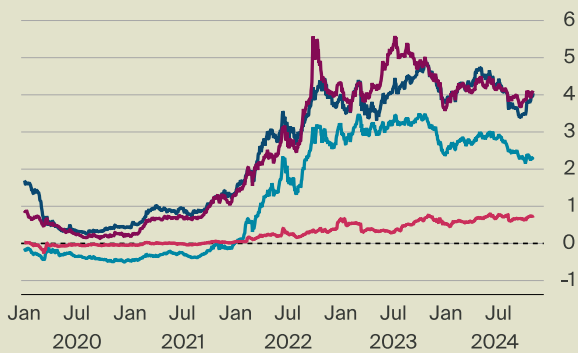
Source: Knight Frank, Macrobond

Interest rate swaps
5 year swap rates, %

— US — UK — Eurozone — Japan

Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Eurozone	2.27	2.29	2.30	2.23	-0.13
Japan	0.74	0.71	0.74	0.66	0.03
Singapore	3.66	n/a	n/a	n/a	1.50
UK	4.11	4.09	3.96	3.85	0.88
US	4.04	3.97	3.92	3.48	1.70

Swap curves
Latest swap curves vs one year ago, %

Today
— US — UK — Euro Area — Japan

One year ago
···· US ···· UK ···· Euro Area ···· Japan
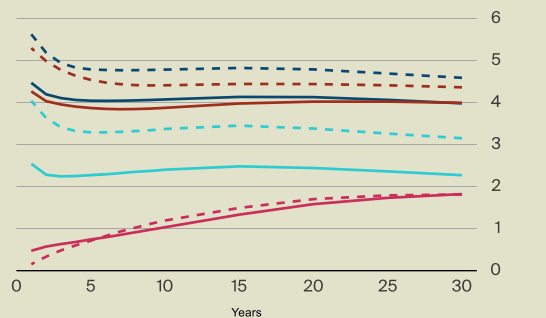
Source: Knight Frank, Macrobond

Commodities & Volatility

Energy
Oil spot prices, $ per barrel
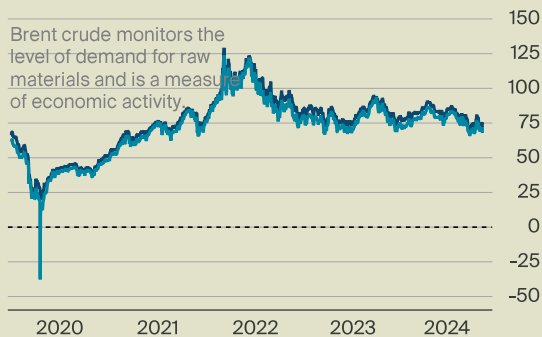
— Brent Crude — West Texas Intermediate (WTI)

Brent crude monitors the level of demand for raw materials and is a measure of economic activity.

Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
Brent, $ per barrel	71.6	75.6	73.8	72.0	66.0
WTI, $ per barrel	67.8	71.6	70	68.1	61.1

Baltic dry index
Baltic Exchange, Shipping Dry index (BDI), US$
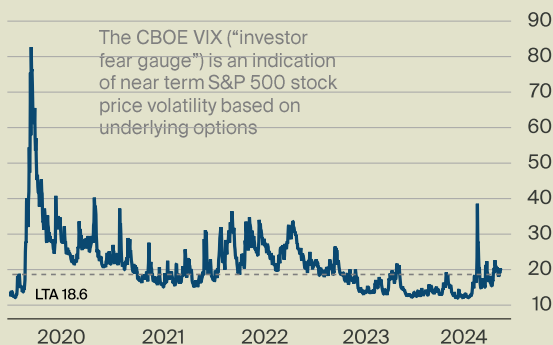
— Baltic dry index

Baltic Dry Index is a measure of what it costs to ship raw materials and is a leading indicator of global demand.

Source: Knight Frank, Macrobond

	Last	Percentage change since			
		1 day	1 week	1 month	Jan '20
Baltic Dry	1382	-2.47	-10.6	-34.5	26.8

Volatility index
Near term stock price volatility indicator

— CBOE Volatility Index (VIX) --- Long term average

The CBOE VIX ("investor fear gauge") is an indication of near term S&P 500 stock price volatility based on underlying options

LTA 18.6

Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
CBOE VIX	19.8	19.8	18.2	17.0	13.8
Euro Stoxx 50 VIX	18.7	18.7	18.6	16.0	14.0
Nikkei VIX	29.4	25.9	27.2	26.5	14.8
KOSPI VIX	21.4	21.9	21.7	25.4	14.7

Systemic stress
Measures FX, money, sovereign and bond yield volatility

— New ECB Composite Indicator of Systemic Stress (CISS)
--- Long term average

The CISS is an indicator of instability across the whole financial system (hence "systemic stress")

LTA 0.092

Source: Knight Frank, Macrobond

	Last	1 week	1 month	Jan '20
Systemic stress composite	0.050	0.055	0.079	0.023
Equity markets stress sub index	0.045	0.062	0.104	0.009
Bond markets stress sub index	0.033	0.031	0.047	0.02
FX markets stress sub index	0.013	0.012	0.031	0.004

Currencies & Monetary Policy

Knight Frank

Currencies
Spot prices

- EUR per GBP, lhs
- USD per GBP, lhs
- USD per EUR, lhs
- KRW per GBP, rhs
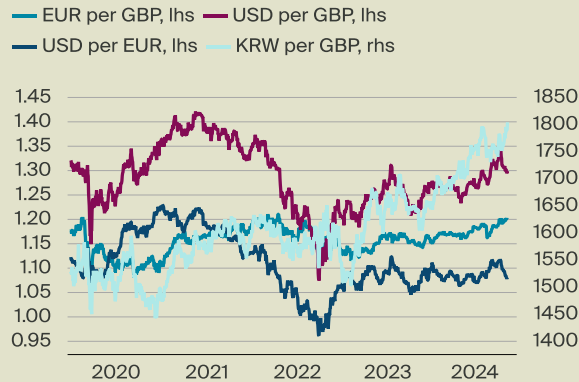
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
EUR per GBP	1.199	1.200	1.201	1.197	1.177
KOR per GBP	1,804	1,791	1,785	1,782	1,525
USD per GBP	1.299	1.296	1.304	1.338	1.321
USD per EUR	1.081	1.081	1.085	1.114	1.123

Hedging benefits
Hedging benefit p.a. on a 5 year forward

- USD per EUR
- USD per GBP
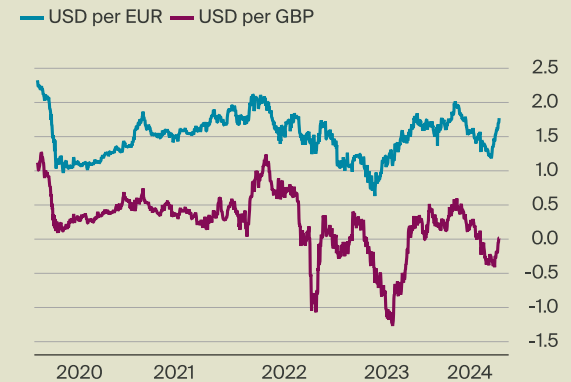
Source: Knight Frank, Macrobond

	Last	1 day	1 week	1 month	Jan '20
USD to EUR	1.77	1.71	1.62	1.33	2.32
USD to GBP	0.02	0.02	-0.11	-0.33	1.12

Inflation and monetary policy

	Inflation rate (%)				Interest rates (%)		Asset purchasing	
	Sep	Aug	Jul	Jun	Last	Jan '21	Latest ($)	1m change (%)
Australia	n/a	n/a	n/a	3.8	4.35	0.10	0.29 tn	1.2
Canada	1.6	2.0	2.5	2.7	3.75	0.25	207 bn	-3.6
China	0.5	0.7	0.6	0.3	4.35	4.35	6.48 tn	3.7
Euro Area	1.7	2.2	2.6	2.5	3.40	0.00	6.99 tn	-0.1
France	1.1	1.8	2.3	2.2	3.40	0.00	1.67 tn	-1.5
Germany	1.6	1.8	2.3	2.2	3.40	0.00	2.66 tn	-0.6
India	5.5	3.7	3.6	5.1	6.50	4.00	462 bn	6.7
Italy	0.7	1.1	1.3	0.8	3.40	0.00	1.26 tn	-1.7
Japan	2.5	3.0	2.8	2.8	0.25	-0.10	5.05 tn	0.3
Saudi Arabia	1.7	1.6	1.5	1.5	5.50	1.00	512 bn	3.9
South Korea	1.6	2.0	2.6	2.4	3.25	0.50	416 bn	2.6
Spain	1.5	2.2	2.7	3.4	3.40	0.00	487 bn	0.3
Sweden	1.6	1.9	2.6	2.6	3.25	0.00	110 bn	-1.4
UK	1.7	2.2	2.2	2.0	5.00	0.10	1.23 tn	-1.2
US	2.4	2.6	2.9	3.0	5.00	0.25	7.03 tn	-0.8

1. Australia Inflation rate is only available on a quarterly basis.

Source: Knight Frank, Macrobond

Quantifying Technology in Real Estate

Quantifying Technology in Real Estate explores how emerging technologies are transforming the real estate landscape. This report examines key trends across sectors, highlighting how technological integration is driving innovation and influencing real estate strategies for the future.

View report

UK Cities DNA – Don't Stop Thinking Of Tomorrow

The first of twelve insight papers in our UK Cities DNA initiative — putting real estate supply and demand in the context of the economic direction of travel.

View report

Recent research

Life Sciences & Innovation Insight: Q2 2024

The UK life sciences sector is changing at pace. With this in mind, we have developed a quarterly market intelligence dashboard to track key developments.

UK Real Estate Navigator: Q2 2024

Is UK Real Estate at a turning point? Explore the current trends in UK commercial real estate with the latest edition of our UK Real Estate Navigator, available now.

We like questions, if you've got one about our research, or would like some property advice, we would like to hear from you

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