

Economic Update: February 2014

Looking back

The UK economy gained momentum throughout 2013 with Gross Domestic Product (GDP) growth exceeding earlier forecasts.

A rise in GDP in the first three quarters of 2013 saw output grow more quickly than any previous nine-month period since 2010. Growth of 0.4 per cent and 0.7 per cent in Q1 and Q2 was followed by a 0.8 per cent rise in Q3. Overall, GDP increased by 1.5 per cent between September 2012 and September 2013.

With the economy taking fledgling steps on the road to recovery, Chancellor George Osborne's 2013 Autumn Statement introduced measures intended to support businesses. Business rate rises will be capped at two per cent and there will be to help revitalise the high street with cuts of up to 50 per cent on rates for businesses moving into empty high street properties.

GDP

The UK economy grew 0.7 per cent in Q4 2013, bringing the annual growth rate for 2013 to 1.9 per cent, according to preliminary estimate from the Office for National Statistics (ONS).

This marks the fastest annual rate of growth since 2007 when the economy grew 3.4 per cent, the ONS said.

Output increased in three of the four main industrial sectors in Q4 2013:

- service sector output grew 0.8 per cent in Q4 2013
- agricultural output increased by 0.5 per cent in Q4 2013, after shrinking 3.2 per cent in Q3 2013
- construction was the only main industrial sector to register a decline in output, with a drop of 0.3 per cent.

Jobs and unemployment

Figures from the ONS for September to November 2013 put employment at 30.15 million; up 280,000 from June to August. This means 72.1 per cent of the UK population is currently in work.

Unemployment reached 2.32 million in September to November 2013. This put the unemployment rate at 7.1 per cent, a fall of 0.5 percentage points from June to August.

There were 216,000 more jobs in September 2013 than in June and 598,000 more than a year earlier. Yearly jobs growth was driven by the professional, scientific and technical sector, which saw an increase of 137,000 jobs to reach 2.62 million.



The family firm of accountants

for the creative industries

Inflation

Inflation slowed in the year to October 2013 with the Consumer Prices Index (CPI) growing by 2.2 per cent, a notable reduction from the 2.7 per cent to September 2013. CPI inflation fell again in November to 2.1 per cent, before reaching the Bank of England's stated target of two per cent in December.

Trade

In October 2013, the trade deficit for goods and services stood at £2.6 billion. In the three months to October 2013, the deficit on trade in goods increased by £2.9 billion to £29.5 billion. Exports of goods fell by 4.1 per cent but were 1.1 per cent higher compared to the same period in 2012 with a total value of £74.9 billion. Similarly, imports decreased in Q3 2013 but were higher than the same months in 2012.

The ONS reported that exports of services reached a record high of £50.8 billion in Q3 2013. In contrast, imports of services in Q3 decreased by £1.1 billion compared with the previous quarter, to £28.6 billion.

Mortgages

Demand for mortgages rose at the fastest pace in six years in Q4 2013, according to the Bank of England.

The Bank also reported a greater availability of mortgages in Q4, particularly for people wishing to borrow a high percentage of the value of their home.

Competitive pricing and interest in the Government's Help to Buy Scheme have supported this renewed enthusiasm for homeownership.

Protecting your business and business opportunities

These are just some of the measures you can take to protect your business and maximise opportunities that come your way.

Take care of tax

The end of the 2013/14 tax year is fast approaching so now is a good time to take advantage of any remaining allowances or reliefs. You should also make sure your tax returns and payments are made on time or you could incur penalties for late payment from HMRC.

Plan for 2014/15

It's never too early to start planning for the next financial year. Get your business plan up-to-date and watertight. Get detailed forecasts for costs, profits and cashflow in place now. If you expect to borrow at some point this year, lenders will need to see that you've understood your figures.

Business rates

Business rates were, for many, the biggest news in the 2013 Autumn Statement. In addition to a business rate cap of two per cent, businesses will be able to pay their rates over 12 months rather than the current 10 month period from April 2014.

The retail sector will get extra support throughout 2014/15 and 2015/16 with a business rate discount of up to £1,000 for retail properties with a rateable value of up to £50,000.

There will also be to help revitalise the high street with cuts of up to 50 per cent on rates for businesses moving to empty high street properties.

Relief for small businesses

Are you one of the 360,000 small businesses that could qualify for Small Business Rate Relief? Eligible businesses can benefit from up to 100 per cent rate relief until April 2015, after the Chancellor confirmed a year-long extension to the scheme in the Autumn Statement.

Contact us

We can help you to identify and take advantage of any opportunities to prosper over the coming months. Please contact us to arrange a meeting.

All figures are correct at time of going to press, 31 January 2014.