Council
20 February 2025
Item 18

Property and Law Roundup

Purpose: For noting

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Summary

The regular round up of key developments affecting the legal services regulated by the CLC. This is a supplement to the weekly reports on the economy and housing market that are circulated to Council Members by the Chief Executive.

Recommendation

The Council is asked to note the contents of this report.

Relevant Regulatory Objectives

RO1 - protect and promote the public interest
RO2 - support the constitutional principle of the rule of law
RO3 - improve access to justice
RO4 - protect and promote the interests of consumers
RO5 - promote competition in the provision of legal services
RO6 - encourage an independent, strong, diverse and effective legal profession
RO7 - increase public understanding of the citizen's legal rights and duties
RO8 - promote and maintain adherence to the professional principles
RO9 -

Financial impact
None arising from the paper, but information contained can help plan for future impacts.

Diversity and inclusion impact
None arising from the paper, but information contained may help identifying upcoming issues.

Communications requirements
This paper is posted on the CLC website.

Introduction

This is the regular update for Council on key developments in the economy, housing market, law and the legal sector. It builds on the information and insight provided weekly in the Chief Executive's update to Council.

Relevant CLC Principal Risks

Information in this paper could help inform the status and mitigation of the following risks.

PR1- Loss of significant practice fee income caused by depressed market conditions, practice churn or practice closure

PR2 - Unplanned increase in the cost of regulation to the point where expenditure exceeds income

PR6 - Not delivering on the CLC Strategy

PR7 - Practices are not able to secure Professional indemnity insurance or terms are unaffordable or unacceptable to the CLC

MODERNISATION AND DIGITALISATION OF LEGAL SERVICES

The CLC has long been pressing government (the Ministry of Housing, Communities and Local Government, MHCLG) to bring its convening and persuasive powers to bear on the effort to modernise and digitalise the home buying and selling process.

We were pleased that the relevant Deputy Director at MHCLG agreed to take on the role of Chair of the Digital Property Market Steering Group. We believe that this helps to signal government's focus on this issue and will help unblock some of the barriers to change that are held in place by organisations across the sector.

On Sunday, 9th February, the government announced that it would be taking three key steps to drive faster progress through DPMSG:

- Completing the design and implementation of data standards for home buying and selling. This will take forward the work of the Open Property Data Association.
- Leading sprint exercises with local authorities to define how the property data they hold can be digitalised, identify which data should be prioritised and what the impact will be.
- Working with the Department of Science, Innovation and Technology on bringing digital ID that can be reused to the property market.

DPMSG remains the steering group for all this work.

This is a very welcome development that the CLC expects will increase the pace of delivery of change and innovation across the property sector.

ECONOMIC OUTLOOK AND INTEREST RATES

The Office for National Statistics issued its monthly estimate of GDP on 13th February.

It found that GDP grew by 0.1% in the three months to December 2024 and by 0.4% in December. This estimate is still subject to future revision, but is better than the widely expected contraction of GDP.

Figure 1: UK GDP is estimated to have grown by 0.4% in December 2024, and grew by 0.1% in the three months to December 2024

Monthly index, UK, January 2007 to December 2024

Source: ONS

Forecast for the UK economy

In mid-January, KPMG issued its updated forecasts for the UK economy, highlighting more growth in 2025, but 'renewed challenges from a higher pace of inflation, increased trade frictions, and a heightened state of economic uncertainty'.

Table 1: Summary of KPMG's latest forecasts for the UK economy

	2023	2024	2025	2026
Real GDP	0.4	0.8	1.7	1.4
Consumer spending	0.4	1.0	1.8	1.4
Investment	0.3	1.8	2.3	2.3
Unemployment rate	4.0	4.3	4.3	4.2
Inflation	7.3	2.5	2.4	2.4
Base interest rate	5.25	4.75	4.00	3.50

Source: KPMG

KPMG forecast three additional interest rate cuts in 2025, ending the year with a rate of 4%. KPMG's Chief Economist Yael Selfin said:

"As global economic conditions begin to diverge after the end of the global inflationary shock, central banks must navigate a more uncertain and volatile economic environment. The risk of policy error remains high, which could prompt a slower and more deliberate approach from policymakers."

UK Interest Rates

The Bank of England's Monetary Policy Committee voted 7-2 for a 0.25 percentage point cut in the bank rate at its February meeting, saying:

> *CPI inflation was 2.5% in 2024 Q4. Domestic inflationary pressures are moderating, but they remain somewhat elevated, and some indicators have eased more slowly than expected. Higher global energy costs and regulated price changes are expected to push up headline CPI inflation to 3.7% in 2025 Q3, even as underlying domestic inflationary pressures are expected to wane further. While CPI inflation is expected to fall back to around the 2% target thereafter, the Committee will pay close attention to any consequent signs of more lasting inflationary pressures.*
>
> *GDP growth has been weaker than expected at the time of the November Monetary Policy Report, and indicators of business and consumer confidence have declined. GDP growth is expected to pick up from the middle of this year. The labour market has continued to ease and is judged to be broadly in balance. Productivity growth has been weaker than previously estimated, and the Committee judges that growth in the supply capacity of the economy has weakened. As a result, the recent slowdown in demand is judged to have led to only a small margin of slack opening up.*
>
> *In support of returning inflation sustainably to the 2% target, the Committee judges that there has been sufficient progress on disinflation in domestic prices and wages to reduce Bank Rate to 4.5% at this meeting.*

CONSUMER CONFIDENCE

The GfK Consumer Confidence Index fell 5 points in January. Neil Bellamy, of GfK said:

"New Year is traditionally a time for change, but looking at these figures, consumers don't think things are changing for the better. This month's results show a decline in all five measures that make up the Overall Index Score. There are particularly steep falls in consumer views on the wider UK economy, both looking back a year (down seven points) and at what's in store for the next 12 months (eight points lower). These figures underline that consumers are losing confidence in the UK's economic prospects. While the Savings Index on motivation to save money is not included in the calculation of the Overall Index Score, it's notable that it has leapt nine points in January to +30. This sharp increase is unwelcome because it's another sign that people see dark days ahead and are therefore thinking of putting money aside for safety."

Measure	↑↔↓	January 2025	December 2024	November 2024	January 2024
Overall Index Score	↓5	-22	-17	-18	-19
Personal Financial Situation over last 12 months	↓3	-10	-7	-9	-12
Personal Financial Situation over next 12 months	↓3	-2	1	-1	0
General Economic Situation over last 12 months	↓7	-46	-39	-39	-41
General Economic Situation over next 12 months	↓8	-34	-26	-26	-21
Major Purchase Index	↓4	-20	-16	-16	-20
Savings Index (commented on but not used in Overall Index Score)	↑9	30	21	24	27

GfK An NIQ Company

Source: GfK Consumer Confidence Barometer powered by NIM (January 2025)

HOUSING MARKET

RICS Residential market Survey published on 10th February found that buyer demand was broadly flat in January but that sales volumes are still expected to rise gently over the months ahead. The l#Key points were:

- Sales market activity appears to level-off
- House prices continue to rise steadily at the national level
- Further pick-up reported in new instructions to sell