Prior to the financial crisis, real wages in the UK tended to grow by around 2% per annum, as shown in this chart for the period up to 2007. From 2008 onwards, however, there has been a persistent squeeze on real wages as earnings growth has slowed dramatically while consumer price inflation has generally remained higher. We expect this real wage squeeze to moderate in 2014, but it will probably not be until 2015 and beyond that real earnings start to grow again, and even then at a more modest rate than the norm before the crisis. This real wage restraint should, however, help to keep employment growing.

Source: ONS, PwC

The UK economy started to recover in 2010, but this upturn stalled due to rising global commodity prices in late 2010 and early 2011 and, most importantly, the intensification of the eurozone crisis during 2011 and the first half of 2012. After the European Central Bank succeeded in calming the markets, however, this boosted confidence in the UK leading to a revival in growth here. But UK growth remains heavily reliant on the consumer and the key to sustaining this in 2014 and beyond will be stronger business investment growth.

Source: ONS, PwC