

QUARTERLY ECONOMIC FORECAST Q2 2023

The BCC upgrades GDP forecast for 2023 but expects UK economic activity to remain flat.

- The BCC's Q2 2023 Quarterly Economic Forecast expects the UK economy to avoid a technical recession as it upgrades its quarterly GDP forecast. A growth rate of 0.3% is expected for the whole of 2023, rising slightly to 0.6% in 2024, and 1.0% in 2025.
- The inflation rate is expected to slow to 5.0% in Q4 2023, and 1.5% in Q4 2024, unchanged from the previous forecast.
- Imports, exports, and general government spend are all expected to decline in 2023.

GDP growth

In the short term, the BCC is expecting quarterly GDP to remain flat throughout 2023, with three quarters of 0.1% growth and one quarter of no growth.

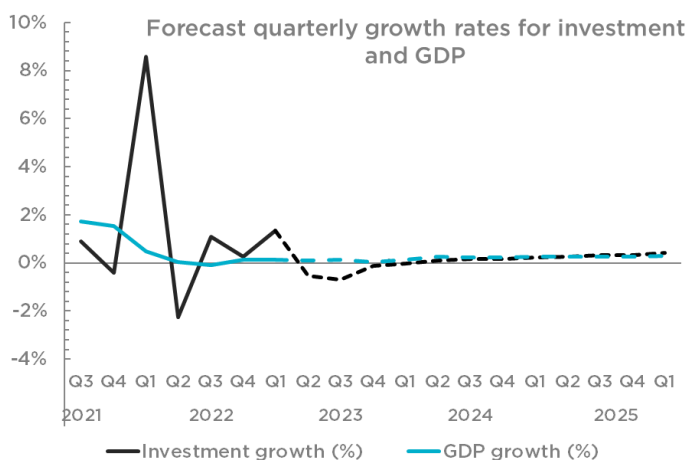
The slight upwards revision from the BCC's previous Q1 forecast of -0.3% to 0.3% is due to higher levels of household spending and recent increases in overall business investment. Evidence from recent BCC business surveys also showed a rebounding of business confidence at the start of 2023.

However, despite greater political stability, stubbornly high inflation rates and labour market shortages weigh on growth. Export activity also fell back at the end of 2022 as global supply chain crises and trade barriers with the EU disproportionately impact smaller exporters.

0.3%
forecast change
in GDP growth
for 2023

1.3%
forecast change in
business
investment for 2023

5.0%
forecast CPI
inflation rate by
Q4 2023



Inflation

Inflation remains among the top concern for UK businesses, and the forecast for the CPI rate remains unchanged from the previous forecast of 5.0% in Q4 2023. It is expected to continue to slow, and drop below the Bank of England's target, to 1.5% in Q4 2024. While energy and commodity prices begin to ease, core inflation remains stubborn. The Bank of England interest rate is expected to peak at 4.75% in the second half of 2023, higher than the previous forecast of 4.25%. It is expected to fall to 4% in 2024, and 3.75% in 2025.

Employment

The labour market is expected to remain tight as a record number of organisations report recruitment difficulties in the BCC's business surveys, particularly in the hospitality, retail, and manufacturing sectors. However, some modest growth in the unemployment rate is expected, rising to 4.1% in 2023 and 4.4% in 2024 as the number of vacancies begins to fall. Average earnings growth is expected to begin to meet the CPI rate in Q4 2023 at 4.5% and surpassing it in Q4 2024 at 2.6%.

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Current forecast (2023 Q2)

BCC Economic Full Forecast (Annual % change)				
	2022	2023	2024	2025
GDP	4.1%	0.3%	0.6%	1.0%
Household Consumption	5.6%	0.2%	0.5%	1.1%
General government	1.8%	-4.1%	-1.9%	-0.8%
Investment	8.6%	0.7%	-0.4%	0.9%
of which: Business Investment	10.8%	1.3%	0.6%	1.6%
Exports	9.9%	-4.7%	0.8%	2.2%
Imports	13.3%	-8.2%	0.1%	1.0%
Total Production	-3.2%	-1.3%	0.2%	0.8%
Manufacturing	-3.7%	-0.7%	0.2%	0.8%
Construction	6.2%	2.4%	0.6%	1.2%
Services	5.5%	0.5%	0.7%	1.0%
Unemployment rate %*	3.7%	4.1%	4.4%	4.1%
Unemployment 000's**	-262	140	127	-98
Youth unemployment rate %*	10.5%	11.4%	11.6%	11.5%
Youth unemployment 000's**	-68	53	6	-8
CPI inflation (Q4)^	10.8%	5.0%	1.5%	2.0%
Average earnings (Q4)^	6.2%	4.5%	2.6%	2.5%
Interest rates (Q4)*	2.81	4.75	4.00	3.75
NetTrade-Goods&Services-%GDP*	-3.5%	-2.3%	-2.2%	-1.9%
BofP-CurrentAccount-%GDP*	-3.8%	-2.8%	-3.1%	-3.2%
PSNBex-BCC forecast-FinYears-%GDP*	5.5%	5.3%	3.3%	2.9%
PSNBex-BCC forecast-FinYears-£bn*	139.2	134.0	85.0	75.0

* Reported as levels

** Change in levels

^ Annual % change in Q4

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