

BRITISH CHAMBERS OF COMMERCE

**QUARTERLY ECONOMIC FORECAST** Q4 2022**BCC downgrades UK GDP and business investment forecasts amid deteriorating conditions.**

- The BCC's Q4 2022 Quarterly Economic Forecast now expects a recession for 2023 as it downgrades its expectations for UK GDP growth for 2023 to -1.3% (from 0.2% in Q3). BCC expects five quarters of negative growth between Q3 2022 and Q3 2023, inclusive.
- UK inflation is expected to reach 11.0% in Q4 2022, and 5% by Q4 2023.
- Investment, household consumption, imports and exports are all expected to decline in 2023.

**GDP growth**

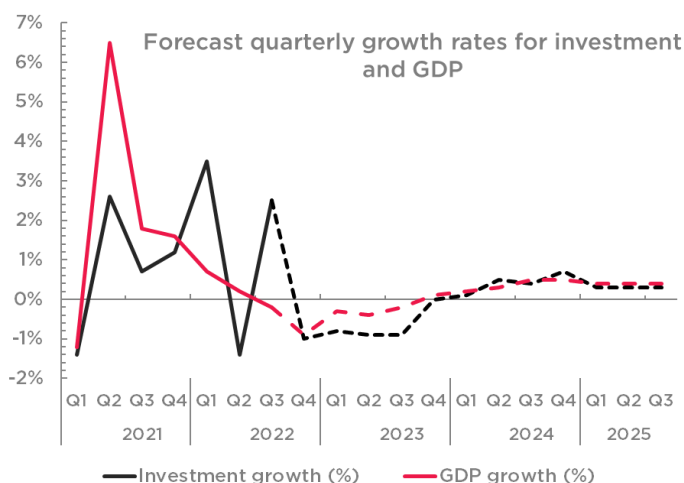
In the short term, the BCC is forecasting a recession for the UK economy with five consecutive quarters of contraction between Q3 2022 and Q3 2023. The annual expectation for GDP growth in 2023 is now -1.3%. The BCC expects the economy to grow in 2024, albeit at a low 0.7%.

A key contributor to the 2023 economic contraction is a sharp fall in household spending as consumers face up to rising energy costs, falling real wages, increasing taxes and higher mortgage payments. A poor outlook for the global economy means exports are also likely to fall, although they will be outstripped by a sharper decline in imports. Business confidence has fallen significantly, with the BCC's Q3 2022 Quarterly Economic Survey showing around four-in-ten businesses expecting a decline in profitability.

**-1.3%**  
forecast change  
in GDP growth  
for 2023

**-3.0%**  
forecast change in  
business  
investment for 2023

**11.0%**  
forecast change  
in CPI inflation  
rate by Q4 2022

**Inflation**

Businesses and consumers will continue to face high costs due to inflation, but the upward spiral is now thought to have peaked at 11.0% in Q4 2022. This is down from the previous BCC prediction of 14.0%, thanks in part to the Government's energy price guarantee. The CPI rate is expected to slow to 5.0% in 2023, and finally drop below the Bank of England's target of 2.0% in 2024. However, this simply means prices will stabilise at a very high level and Government plans to reduce energy support after April 2023 could put upward pressure on inflation again.

**Investment**

Business investment is set to grow at 4.2% in 2022, following a strong first half to the year. But business investment is now expected to fall by 3.0% in 2023, down significantly from a previous prediction of a 0.6% increase. Household consumption is also expected to fall by 2.3% although Government spending will hold up at 4.6%. This is amid recent BCC research showing significant falls in business confidence in recent months. The overall picture for 2024 shows a return to growth but not at a level which will compensate for the five quarters of a shrinking economy.

**QUARTERLY ECONOMIC FORECAST** Q4 2022**Current forecast (2022 Q4)**

<b>BCC Economic Full Forecast (Annual % change)</b>				
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
GDP	7.5%	4.2%	-1.3%	0.7%
Household Consumption	6.2%	4.7%	-2.3%	0.3%
General government	12.6%	1.9%	4.6%	1.5%
Investment	5.6%	5.3%	-1.8%	0.1%
of which: Business Investment	-0.1%	4.2%	-3.0%	1.4%
Exports	-0.3%	7.3%	-2.7%	0.4%
Imports	2.8%	11.2%	-6.6%	0.0%
<b>Total Production</b>				
Total Production	7.7%	-3.9%	-3.7%	-0.1%
Manufacturing	9.7%	-4.6%	-3.9%	-0.1%
Construction	13.2%	5.2%	-1.4%	0.2%
Services	7.2%	5.6%	-0.9%	0.7%
<b>Unemployment rate %*</b>				
Unemployment rate %*	4.5%	3.7%	4.5%	5.1%
<b>Unemployment 000's**</b>				
Unemployment 000's**	-27	-266	283	203
<b>Youth unemployment rate %*</b>				
Youth unemployment rate %*	12.4%	10.2%	10.6%	10.9%
<b>Youth unemployment 000's**</b>				
Youth unemployment 000's**	-70	-82	12	10
<b>CPI inflation (Q4)^</b>				
CPI inflation (Q4)^	5.0%	11.0%	5.0%	1.5%
<b>Average earnings (Q4)^</b>				
Average earnings (Q4)^	5.1%	5.0%	4.5%	2.6%
<b>Interest rates (Q4)*</b>				
Interest rates (Q4)*	0.12	3.00	5.25	4.50
<b>NetTrade-Goods&amp;Services-%GDP*</b>				
NetTrade-Goods&Services-%GDP*	-0.8%	-3.2%	-2.0%	-2.0%
<b>BofP-CurrentAccount-%GDP*</b>				
BofP-CurrentAccount-%GDP*	-2.0%	-4.7%	-3.6%	-3.9%
<b>PSNBex-BCC forecast-FinYears-%GDP*</b>				
PSNBex-BCC forecast-FinYears-%GDP*	5.8%	7.2%	5.7%	
<b>PSNBex-BCC forecast-FinYears-£bn*</b>				
PSNBex-BCC forecast-FinYears-£bn*	133.3	174.5	139.0	

\* Reported as levels

\*\* Change in levels

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