

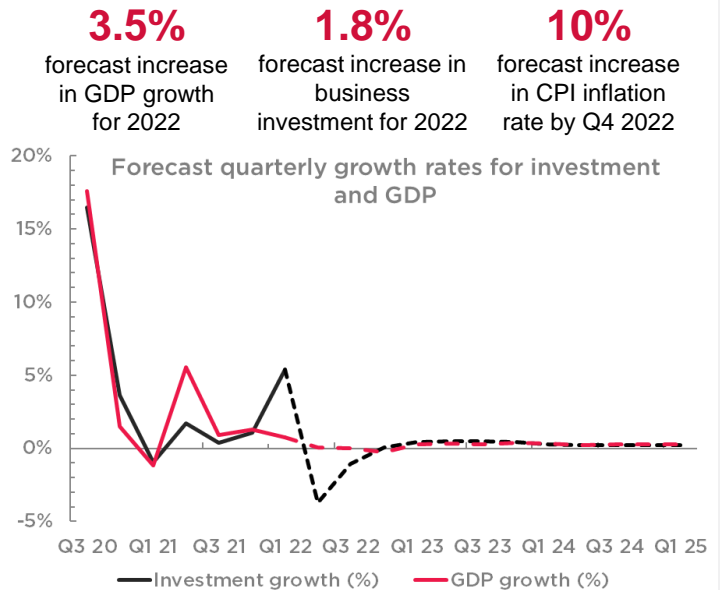
QUARTERLY ECONOMIC FORECAST Q2 2022

- The BCC's Q2 2022 quarterly economic forecast, released on 8 June 2022, has downgraded GDP growth to 3.5% amid deteriorating economic outlook
- UK inflation rate is expected to reach 10% in Q4 2022, outpacing average earnings growth
- Heightened economic uncertainty and rising costs weaken business investment, with 1.8% growth forecast for 2022

GDP growth

The British Chambers of Commerce has marginally downgraded its expectations for UK GDP growth in 2022 to 3.5%, from 3.6% in its previous forecast in March 2022 and less than half the growth of 7.5% recorded last year. Quarter-on-quarter GDP growth is expected to be at 0.0% in both Q2 and Q3 2022, and falling into negative territory at -0.2% in Q4 2022.

The downgrade reflects a combination of soaring inflation, weak business investment, tax rises, and a global economic shock compounded by the Russian invasion of Ukraine. Following forecasted GDP growth of 3.5% this year, UK economic growth is expected to slow sharply to 0.6% in 2023, before increasing slightly to 1.2% in 2024.

**Investment**

Business investment is forecast to grow at 1.8% in 2022, down sharply from the previous forecast of 3.5%. The downgrade reflects heightened political and economic uncertainty and rising cost pressures which limit small firms' ability to invest. The BCC's survey data for business investment have shown no sign of recovery since the start of the Covid-19 pandemic. Consumer spending is forecast to grow at 4.0% in 2022, down from its previous forecast of 4.4%. The slight downgrade reflects the historic squeeze on real household incomes as inflation outpaces the forecast 5% growth in average earnings for 2022.

Inflation

Businesses and consumers face unprecedented inflationary pressures flowing from rising raw material costs, the increase in the energy price cap, and upward pressure on energy and commodity prices. The CPI inflation rate is expected to reach 10% in Q4 2022, which would be the highest since CPI records began in their current form in 1989. CPI inflation is expected to fall back to the Bank of England's 2% target by Q4 2024, while the Bank of England interest rate is expected to rise to 2% in 2022 and 3% in 2023, upgraded from 1% and 1.5% in the previous forecast, respectively.

QUARTERLY ECONOMIC FORECAST Q2 2022**Current forecast (2022 Q2)**

| BCC Economic Full Forecast (Annual % change) | | | | |
|---|-------------|-------------|-------------|-------------|
| | 2021 | 2022 | 2023 | 2024 |
| GDP | 7.4% | 3.5% | 0.6% | 1.2% |
| Household Consumption | 6.2% | 4.0% | 0.6% | 1.2% |
| General government | 14.3% | 2.5% | 1.1% | 0.8% |
| Investment | 5.9% | 3.4% | -0.3% | 1.3% |
| of which: Business Investment | 0.8% | 1.8% | 0.8% | 1.5% |
| Exports | -1.3% | 3.0% | 2.3% | 1.6% |
| Imports | 3.8% | 6.9% | -2.7% | 1.7% |
| Total Production | 5.6% | 2.4% | 1.3% | 1.3% |
| Manufacturing | 7.2% | 2.1% | 1.0% | 1.4% |
| Construction | 12.9% | 4.7% | 0.6% | 0.6% |
| Services | 7.5% | 3.6% | 0.4% | 1.2% |
| Unemployment rate %* | 4.5% | 3.8% | 3.9% | 3.9% |
| Unemployment 000's** | -31 | -244 | 39 | 5 |
| Youth unemployment rate %* | 12.4% | 10.6% | 10.7% | 10.7% |
| Youth unemployment 000's** | -70 | -62 | 2 | -2 |
| | 2021 | 2022 | 2023 | 2024 |
| CPI inflation (Q4) | 5.0% | 10.0% | 3.5% | 2.0% |
| Average earnings (Q4) | 4.6% | 4.0% | 3.2% | 2.3% |
| Interest rates (Q4)* | 0.12 | 2.00 | 3.00 | 3.00 |
| NetTrade-Goods&Services-%GDP* | -1.3% | -2.4% | -1.1% | -1.2% |
| BofP-CurrentAccount-%GDP* | -2.6% | -2.3% | -1.2% | -1.7% |
| PSNBex-BCC forecast-FinYears-%GDP* | 6.8% | 4.1% | 2.0% | |
| PSNBex-BCC forecast-FinYears-£bn* | 158.86 | 98.3 | 48 | |

* Reported as levels

** Change in levels

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