

# QUARTERLY ECONOMIC FORECAST Q3 2023

## The BCC upgrades GDP forecast for 2023 but revises down growth for 2024 and 2025.

- The UK economy remains on course to avoid a technical recession, with a growth rate of 0.4% expected for the whole of 2023. This drops to 0.3% in 2024, and rises only slightly to 0.7% in 2025.
- The inflation rate is expected to slow to 5.0% in Q4 2023, unrevised from last quarter, but is revised up to 3.0% for Q4 2024. The interest rate is expected to be higher for longer than previously forecast.
- Imports, exports, and general government spending are all expected to decline in 2023.

In the short term, the BCC is expecting 0.4% growth for the whole of 2023, falling to 0.3% in 2024 and rising slightly to 0.7% in 2025, a downward revision from the BCC's previous forecast.

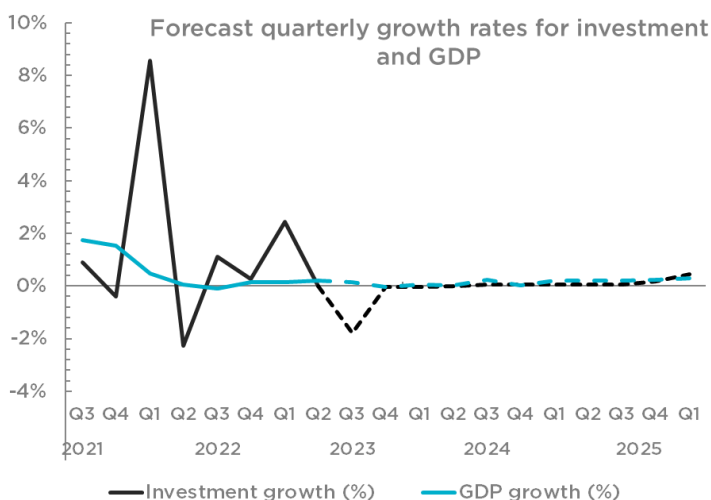
This reflects the negative impact of inflation and interest rates on household spending and their dampening effect on overall business investment, and while a technical recession is likely to be avoided, many households and SMEs are likely to experience recession-like conditions.

Both imports and exports down significantly in 2023 (-4.7% and -4.3% respectively) due to weak global demand and the continuing impact of Brexit. Further regulatory changes at both the UK and EU borders are also likely to weigh on trade flows.

**0.3%** forecast change in GDP growth for 2024

**-0.1%** forecast change in business investment for 2024

**5.0%** forecast CPI inflation rate by Q4 2023



### GDP growth

### Inflation

While BCC research shows inflation is the top concern for UK firms (cited by 69% of respondents in the BCC's [Quarterly Economic Survey](#)) fewer businesses now expect their prices to rise over the coming months. The forecast for the CPI rate, therefore, remains unchanged at 5.0% in Q4 2023. Energy and commodity prices continue to fall but core inflation remains stubborn. A wage-price spiral limits the fall in core inflation which is factor in a prolonged and higher interest rate, peaking at 5.5% in Q4 2023, and falling to 5.25% and 4.5% in 2024 and 2025, respectively.

### Employment

The UK labour market remains very tight with the BCC's Quarterly Economic Survey showing that around eight-in-ten firms attempting to recruit are facing recruitment difficulties. However, a modest increase in the unemployment rate is expected, peaking at around 4.7% in 2024. Average earnings are now expected to grow more strongly over the next three years, with 5.5% growth in 2023 and 3.5% in 2024 and 2.5% in 2025, this is above the forecasts for year-end CPI inflation in the next two years.

# QUARTERLY ECONOMIC FORECAST Q3 2023

## Current forecast (2023 Q3)

BCC Economic Full Forecast (Annual % change)				
	2022	2023	2024	2025
GDP	4.1%	0.4%	0.3%	0.7%
Household Consumption	5.6%	0.3%	0.2%	0.8%
General government	1.8%	-0.8%	-0.9%	0.4%
Investment	8.6%	1.7%	-1.0%	0.2%
of which: Business Investment	10.8%	4.9%	-0.1%	1.2%
Exports	9.9%	-4.3%	0.1%	2.0%
Imports	13.3%	-4.7%	0.4%	1.1%
Total Production	-3.2%	-0.2%	0.1%	0.4%
Manufacturing	-3.7%	0.8%	0.4%	0.6%
Construction	6.2%	2.4%	0.4%	1.0%
Services	5.5%	0.5%	0.6%	0.8%
Unemployment rate %*	3.7%	4.2%	4.7%	4.6%
Unemployment 000's**	-262	194	180	-37
Youth unemployment rate %*	10.5%	12.1%	12.6%	12.4%
Youth unemployment 000's**	-68	82	16	-8
CPI inflation (Q4)^	10.8%	5.0%	3.0%	2.0%
Average earnings (Q4)^	6.2%	5.5%	3.5%	2.5%
Interest rates (Q4)*	2.81	5.50	5.25	4.50
NetTrade-Goods&Services-%GDP*	-3.5%	-3.0%	-3.2%	-3.1%
BofP-CurrentAccount-%GDP*	-3.8%	-3.3%	-4.1%	-4.3%
PSNBex-BCC forecast-FinYears-%GDP*	5.2%	5.7%	3.7%	2.3%
PSNBex-BCC forecast-FinYears-£bn*	132.1	147.4	95.0	60.0

\* Reported as levels

\*\* Change in levels

^ Annual % change in Q4

For more information, contact David Bharier, Head of Research

Email: [d.bharier@britishchambers.org.uk](mailto:d.bharier@britishchambers.org.uk)