QUARTERLY ECONOMIC FORECAST Q2 2024

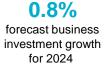
The BCC's Quarterly Economic Forecast has slightly upgraded growth expectations for 2024 and 2025, reflecting a stronger start to the year.

- UK GDP growth expected to be 0.8% for the whole of 2024, 1.0% in 2025, and 1.0% in 2026.
- CPI inflation rate is expected to slow to 2.3% by Q4 2024, unchanged from the previous forecast. The interest rate is expected to be cut to 4.75% by the end of 2024.
- Exports and imports are both expected to fall in 2024, while overall investment is projected to grow.

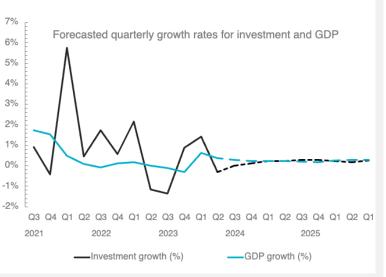
With first estimate ONS data showing an increase in GDP growth by 0.6 in Q1 2024, overall growth for 2024 is now expected to be 0.8%. Growth is expected to be 1.0% for 2025 and 2026.

However, the overall profile remains flat, as a poor outlook for exports acts 5% as a drag anchor and high interest 4% rates continue to limit investment. 3% BCC surveys continue to show most 20% SMEs are still not increasing their investment. Subdued global demand, further trade barriers with the EU, and geopolitical conflicts mean trade is -1% also likely to continue to suffer. -2% Exports are expected to fall in 2024 by 1.7% before rising by 0.3% and 1.1% in 2025 and 2026.





2.3% forecast CPI inflation rate by Q4 2024



While the CPI rate of inflation has eased faster than expected, core inflation remains higher. Nevertheless, the overall downward trend should continue with CPI at 2.3% in Q4 2024, 2.1% in Q4 2025 and 2.2% in 2026, remaining slightly above the Bank of England's 2% target. The Bank of England interest rate is likely to be cut as a result of easing inflation to 4.75% at the end of Q4 2024, then 4.35% for Q4 2025, and 3.95% by Q4 2026.

The unemployment rate is expected to rise slightly to 4.5% in 2024 and then 4.6% in 2025, a slight increase from last quarter's forecast. However, the labour market is set to remain historically tight as difficulty finding skilled staff and long-term sickness impact the available workforce. BCC research shows most firms seeking to recruit continue to report skills shortages, though to a lesser extent compared to previous years. Average earnings are expected to outpace inflation across the forecast period, with annual growth of 3.0% to Q4 2024, followed by 4.0% to Q4 2025 and 4.5% at the end of 2026.





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Current forecast (2024 Q2)

BCC Economic Full Forecast (Annual % change)				
	2023	2024	2025	2026
GDP	0.1%	0.8%	1.0%	1.0%
Household Consumption	0.3%	0.3%	1.2%	1.4%
General government	0.5%	0.8%	-0.3%	-0.2%
Investment	2.2%	0.9%	0.6%	1.1%
of which: Business Investment	5.5%	0.8%	1.3%	2.0%
Exports	-0.5%	-1.7%	0.3%	1.1%
Imports	-1.5%	-1.9%	0.7%	1.0%
Total Production	0.0%	1.3%	0.5%	0.6%
Manufacturing	1.1%	1.7%	0.7%	0.8%
Construction	2.1%	-0.7%	1.2%	1.5%
Services	0.3%	0.9%	0.8%	1.1%
Unemployment rate %*	4.0%	4.5%	4.6%	4.4%
Unemployment 000's**	73	147	55	-85
Youth unemployment rate %*	11.9%	13.2%	13.3%	13.1%
Youth unemployment 000's**	4	39	4	-12
CPI inflation (Q4)^	4.2%	2.3%	2.1%	2.2%
Average earnings (Q4)^	6.7%	3.0%	4.0%	4.5%
Interest rates (end of Q4)*	5.25	4.75	4.35	3.95
NetTrade-Goods&Services-%GDP*	-1.2%	-1.0%	-1.3%	-1.4%
BofP-CurrentAccount-%GDP*	-3.3%	-1.2%	-1.7%	-2.1%
PSNBex-BCC forecast-FinYears-%GDP*	4.5%	3.1%	2.7%	2.5%
PSNBex-BCC forecast-FinYears-£bn*	120.7	85.0	75.0	70.0

^{*} Reported as levels

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^{**} Change in levels

[^] Annual % change in Q4