

BRITISH CHAMBERS OF COMMERCE

**QUARTERLY ECONOMIC FORECAST** Q1 2023**The BCC upgrades GDP forecast for 2023 but expects the UK economy to shrink by 0.3% in 2023.**

- The BCC's Q1 2023 Quarterly Economic Forecast expects the UK economy to avoid a technical quarterly recession as it upgrades its quarterly GDP forecast. One quarter of decline is expected in Q1 2023 followed by three quarters of near flat growth.
- The BCC UK inflation is expected to slow to 5.0% in Q4 2023, and 1.5% by Q4 2024.
- Investment, household consumption, imports and exports are all expected to decline in 2023.

**GDP growth**

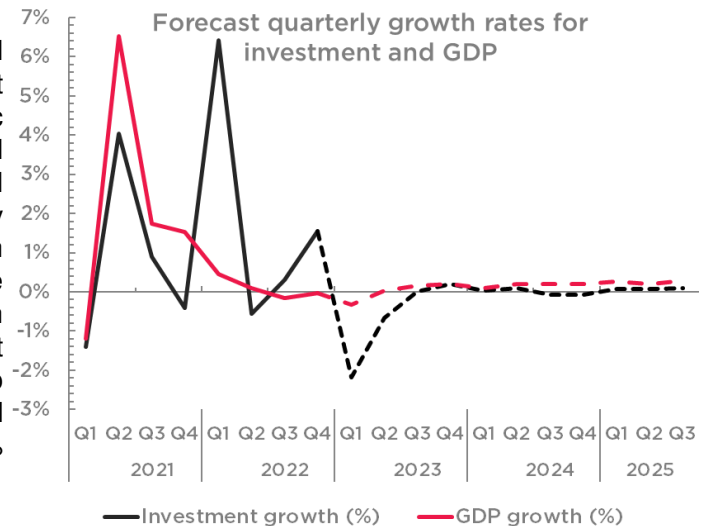
In the short term, the BCC is now expecting the first quarter of 2023 to see GDP fall, before three quarters of flat or weak growth - leading to an overall contraction of 0.3% for the year.

The expectation for 2023 has been revised upwards from -1.3% in the BCC's last forecast, due to a more resilient economic performance at the end of 2022. Household spending held up well, despite a fall in real disposable income due to rising energy costs, inflation outstripping wages, frozen income tax allowances and higher mortgage payments. Exports were also stronger than expected in the second half of 2022, in part due to fuel and machinery demand, and also trade in precious metals. However, this trend is not expected to continue with a 4.5% decline in exports predicted across 2023.

**-0.3%**  
forecast change  
in GDP growth  
for 2023

**0.2%**  
forecast change in  
business  
investment for 2023

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

**Inflation**

Businesses and consumers will continue to face high costs due to inflation, but the current downward trajectory of the CPI rate, following a peak of 11.1% in October 2022, is likely to continue throughout the year, ending at 5% in Q4. A further slowing to 1.5% is expected in Q4 2024. This means prices will continue to rise, at slower rates, and that prices overall will stabilise at a much higher level than two years ago. Average earnings growth will lag behind inflation until 2024.

**Investment**

Overall investment is expected to contract by 1.5% in 2023, but business investment will make a positive contribution of 0.2%. Household consumption is also expected to fall by 0.4% and Government spending is expected to increase by 1.8%. The overall picture for 2024 shows a return to growth but only at a level which will see the UK economy finally get back to its pre-pandemic size (Q4 2019) in the final quarter. Net exports, household spending and business investment will all return to weak positive territory, but with the contribution of government spending falling, the recovery will be lacking in strength.

**QUARTERLY ECONOMIC FORECAST** Q1 2023**Current forecast (2023 Q1)**

<b>BCC Economic Full Forecast (Annual % change)</b>				
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
GDP	4.0%	-0.3%	0.6%	0.9%
Household Consumption	5.4%	-0.4%	0.7%	1.2%
General government	1.9%	1.8%	1.2%	0.8%
Investment	7.7%	-1.5%	0.0%	0.1%
of which: Business Investment	9.9%	0.2%	1.0%	1.7%
Exports	10.3%	-4.5%	1.1%	2.4%
Imports	12.6%	-2.0%	1.4%	2.0%
<b>Total Production</b>				
Total Production	-4.3%	-2.8%	0.2%	0.7%
Manufacturing	-4.8%	-2.7%	0.2%	0.8%
Construction	5.6%	0.6%	0.8%	1.2%
Services	5.5%	0.2%	0.6%	1.0%
<b>Unemployment rate %*</b>				
Unemployment rate %*	3.7%	4.5%	4.8%	4.1%
<b>Unemployment 000's**</b>				
Unemployment 000's**	-262	270	109	-226
<b>Youth unemployment rate %*</b>				
Youth unemployment rate %*	10.5%	11.8%	12.1%	12.1%
<b>Youth unemployment 000's**</b>				
Youth unemployment 000's**	-68	53	10	0
<b>CPI inflation (Q4)^</b>				
CPI inflation (Q4)^	10.8%	5.0%	1.5%	2.0%
<b>Average earnings (Q4)^</b>				
Average earnings (Q4)^	5.8%	4.5%	2.6%	2.5%
<b>Interest rates (Q4)*</b>				
Interest rates (Q4)*	3.50	4.25	3.50	3.25
<b>NetTrade-Goods&amp;Services-%GDP*</b>				
NetTrade-Goods&Services-%GDP*	-3.4%	-4.4%	-4.6%	-4.6%
<b>BofP-CurrentAccount-%GDP*</b>				
BofP-CurrentAccount-%GDP*	-4.6%	-4.6%	-5.3%	-5.7%
<b>PSNBex-BCC forecast-FinYears-%GDP*</b>				
PSNBex-BCC forecast-FinYears-%GDP*	7.0%	5.6%	4.0%	
<b>PSNBex-BCC forecast-FinYears-£bn*</b>				
PSNBex-BCC forecast-FinYears-£bn*	173.1	139.0	100.0	

\* Reported as levels

\*\* Change in levels

^ Annual % change in Q4

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