

Forecast Highlights

- GDP growth forecast for 2017 upgraded, but downgraded slightly for 2018
 - Economic growth to remain well below its long-term average over the forecast period
 - Consumer spending is expected to slow substantially, but UK's net trade position to improve
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UK GDP growth is forecast to slow...

GDP growth stood at 1.8% in 2016, slower than in the previous two years. Economic growth is expected to remain muted over the forecast period. GDP growth is expected to slow to 1.4% in 2017 (revised up from 1.1%) and 1.3% in 2018 (revised down from 1.4%). Growth in 2019 is forecasted to be slightly stronger, at 1.5%, as investment and household consumption growth pick up slightly.

...but consumption growth slows...

Household consumption growth is expected to slow down to 1.6%, 0.9% and 1.1% in 2017, 2018 and 2019 respectively, as households' real wages fall. Inflation is expected to exceed the inflation target shortly, as firms' higher input costs (from rising oil prices and Sterling depreciation) pass through to consumers. Average earnings growth is forecast to remain muted, at 2.1%-2.3% pa over the forecast period.

...trade prospects improve...

Export performance is expected to strengthen through the forecast period, bolstered by Sterling depreciation and the improved outlook for world growth. Nonetheless, political and economic uncertainties persist with UK's major trading partners over the forecast horizon. Weaker domestic demand growth will exert downward pressure on imports. The trade balance is therefore expected to improve, but remain negative over the forecast period.

...and investment growth remains subdued.

Investment growth is forecast to remain muted in the short term, as uncertainties over the outcomes of Brexit negotiations continue to weigh on investment intentions. Business investment is forecast to fall mildly in 2017 by 0.5%, before growing weakly thereafter. In addition to rising inflation, additional upfront cost pressures, pose a risk to the investment forecast, as uncertainty remains on how businesses will respond.

Suren Thiru, Head of Economics at the BCC, said:

"We have upgraded our growth forecast for 2017, driven by revisions to official GDP data and a stronger than expected end to 2016 for the UK economy. That said, the UK economy is still set to enter a more subdued period, with growth expected to remain materially below trend over the near term. The resilience in consumer spending, a key driver of UK growth, will slowly dissipate over the coming months as higher inflation and muted wage growth combine to erode consumer spending power.

"The UK's trade position will improve across the forecast period supported by the depreciation of Sterling and an improving outlook for the global economy. The imbalances in the economy continue to leave the UK increasingly exposed to economic shocks. While household consumption's contribution to UK GDP growth is likely to decrease over the near term, the slight improvement in investment and trade prospects over the same period is not expected to be enough to prevent a slowdown in overall growth."

BCC Q1 2017 Economic Forecast (Annual % change)				
	2016	2017	2018	2019
GDP	1.8%	1.4%	1.3%	1.5%
Household Consumption	3.0%	1.6%	0.9%	1.1%
General government	0.8%	0.9%	0.9%	0.8%
Investment	0.5%	0.3%	0.5%	1.3%
of which: Business Investment	-1.5%	-0.5%	0.2%	1.0%
Exports	1.4%	2.7%	3.1%	2.8%
Imports	2.5%	2.0%	1.3%	1.6%
Total Production				
Total Production	0.7%	0.7%	0.8%	0.8%
Manufacturing	0.7%	1.2%	0.7%	1.0%
Construction	1.5%	0.4%	0.2%	1.0%
Services	2.9%	1.9%	1.5%	1.7%
Unemployment rate %*				
Unemployment rate %*	4.9%	5.0%	5.3%	5.1%
Unemployment 000's**				
Unemployment 000's**	-148	54	96	-31
Youth unemployment rate %*				
Youth unemployment rate %*	13.3%	13.6%	13.8%	13.7%
Youth unemployment 000's**				
Youth unemployment 000's**	-81	1	4	-11
CPI inflation				
CPI inflation	0.6%	2.4%	2.7%	2.5%
Average earnings				
Average earnings	2.2%	2.3%	2.1%	2.2%
NetTrade-Goods&Services-%GDP*				
NetTrade-Goods&Services-%GDP*	-2.0%	-1.7%	-1.1%	-0.8%
BofP-CurrentAccount-%GDP*				
BofP-CurrentAccount-%GDP*	-4.7%	-2.7%	-1.3%	-0.9%
PSNBex-BCC forecast-FinYears-%GDP*				
PSNBex-BCC forecast-FinYears-%GDP*	3.6%	3.3%	2.6%	
PSNBex-BCC forecast-FinYears-£bn*				
PSNBex-BCC forecast-FinYears-£bn*	70.7	66.7	54.2	

Sources: BCC, Cambridge Econometrics

* Reported as levels

** Change in levels