

# QUARTERLY ECONOMIC FORECAST Q1 2024

**Quarterly Economic Forecast has slightly upgraded growth expectations for 2024 and 2025, as the recession lasts just two quarters, but strong growth will remain elusive.**

- UK GDP growth expected to be 0.5% for the whole of 2024, 0.7% in 2025, and 1.0% in 2026.
- The inflation rate is expected to slow to 2.3% in Q4 2024, revised down slightly from last quarter. The interest rate is also expected to be decreased to around 4.5% across Q4 2024.
- Exports and imports are both expected to fall in 2024, while overall investment is projected to now grow.

## GDP growth

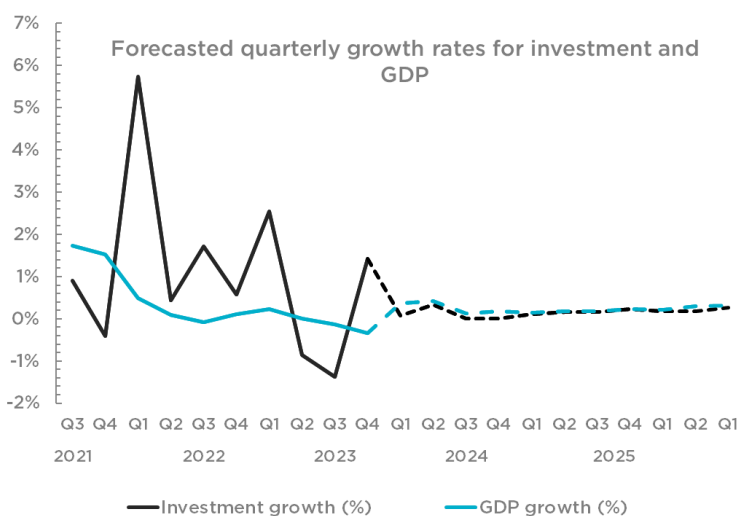
With ONS data showing a technical recession for Q3 and Q4 2023, overall growth for 2023 is expected to be 0.1%. The GDP growth expectations for 2024 and 2025 are both up, by 0.1 percentage points, to 0.5% and 0.7%, respectively.

Recovery remains fragile as consumer and business confidence are muted - although disposable incomes are now above pre-pandemic levels, households are still spending less than they did in 2019. Subdued global demand, further trade barriers with the EU, and geopolitical conflicts mean trade is also likely to continue to suffer. Exports are set to fall in 2024 by 1.3% before rising by 1.1% and 1.7% in 2025 and 2026.

**0.5%**  
forecast change  
in GDP growth  
for 2024

**1.0%**  
forecast change in  
business  
investment for 2024

**2.3%**  
forecast CPI  
inflation rate by  
Q4 2024



## Inflation

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, but remaining slightly above the Bank of England's 2% target. The Bank of England interest rate is likely to be decreased as a result of easing inflation to an average of 4.5% for Q4 2024, and 3.5% across both Q4 2025 and Q4 2026.

## Employment

The unemployment rate is expected to rise slightly to 4.2% in 2024 and then 4.4% in 2025, a slight downgrade from last quarter's forecast. However, the labour market is set to remain 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. Average earnings are expected to continue to grow more strongly than 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.

**QUARTERLY ECONOMIC FORECAST** Q1 2024**Current forecast (2024 Q1)**

| <b>BCC Economic Full Forecast (Annual % change)</b> |             |             |             |             |
|---|-------------|-------------|-------------|-------------|
|   | <b>2023</b> | <b>2024</b> | <b>2025</b> | <b>2026</b> |
| GDP   | 0.1%        | 0.5%        | 0.7%        | 1.0%        |
| Household Consumption                               | 0.4%        | 0.2%        | 0.9%        | 1.2%        |
| General government                                  | 0.6%        | -0.5%       | -0.3%       | -0.5%       |
| Investment  | 2.9%        | 0.5%        | 0.5%        | 0.8%        |
| of which: Business Investment                       | 6.1%        | 1.0%        | 0.8%        | 1.5%        |
| Exports   | -1.4%       | -1.3%       | 1.1%        | 1.7%        |
| Imports   | -1.6%       | -0.9%       | 0.8%        | 1.1%        |
|   |             |             |             |             |
| Total Production                                    | 0.1%        | 0.2%        | 0.4%        | 0.6%        |
| Manufacturing                                       | 1.2%        | 0.5%        | 0.6%        | 0.7%        |
| Construction  | 2.0%        | 0.4%        | 1.2%        | 1.5%        |
| Services  | 0.3%        | 0.4%        | 0.8%        | 1.1%        |
|   |             |             |             |             |
| Unemployment rate %*                                | 4.0%        | 4.2%        | 4.4%        | 4.4%        |
| Unemployment 000's**                                | 73          | 51          | 91          | 6           |
| Youth unemployment rate %*                          | 11.9%       | 12.1%       | 12.5%       | 12.5%       |
| Youth unemployment 000's**                          | 4           | -2          | 12          | -2          |
|   |             |             |             |             |
| CPI inflation (Q4)^                                 | 4.2%        | 2.3%        | 2.1%        | 2.2%        |
| Average earnings (Q4)^                              | 7.7%        | 3.0%        | 4.0%        | 4.5%        |
| Interest rates (Q4)*                                | 5.25        | 4.50        | 3.50        | 3.50        |
|   |             |             |             |             |
| NetTrade-Goods&Services-%GDP*                       | -1.4%       | -1.6%       | -1.6%       | -1.6%       |
| BofP-CurrentAccount-%GDP*                           | -3.1%       | -3.1%       | -3.4%       | -3.6%       |
|   |             |             |             |             |
| PSNBex-BCC forecast-FinYears-%GDP*                  | 5.1%        | 3.1%        | 2.7%        | 2.5%        |
| PSNBex-BCC forecast-FinYears-£bn*                   | 139.1       | 85.0        | 75.0        | 70.0        |

\* Reported as levels

\*\* Change in levels

^ Annual % change in Q4

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