

QUARTERLY ECONOMIC FORECAST Q3 2024

The BCC's award winning Quarterly Economic Forecast has upgraded growth expectations for 2024, with 2025 remaining unchanged, and a minor upward revision for 2026.

- UK GDP growth expected to be 1.1% for the whole of 2024, 1.0% in 2025, and 1.1% in 2026.
- CPI inflation rate is expected to increase to 2.6% by Q4 2024, slightly higher than previous forecast. The interest rate is expected to be cut to 4.9% by the end of 2024.
- Exports and imports are expected to fall in 2024, while overall investment is projected to grow.

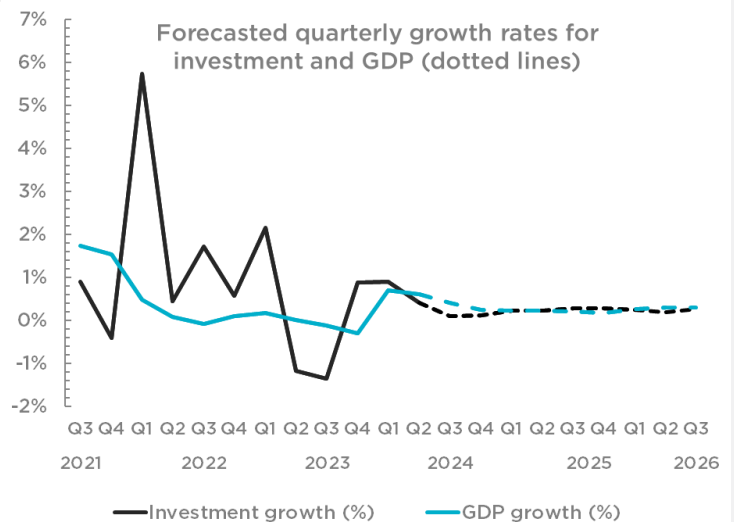
With first estimate ONS data showing an increase in GDP growth by 0.6% in Q2 2024, overall growth for 2024 is now expected to be 1.1%, with government spending the main driver. The economy is expected to grow by 1.0% and 1.1% in 2025 and 2026.

However, the overall profile remains flat, due to poor trade outlook and business investment. BCC surveys continue to show most SMEs are still not increasing their investment. Further trade barriers with the EU, and geopolitical risks mean trade is also likely to continue to suffer. Both imports and exports are expected to fall in 2024 by -0.6% and -1.1%, respectively, before a gradual bounce back in 2025 and 2026.

1.1%
forecast GDP
growth for 2024

0.3%
forecast business
investment growth
for 2024

2.6%
forecast CPI
inflation rate by
Q4 2024



GDP growth

Inflation

Employment

CPI is expected to be slightly higher than previously forecast by the end of 2024, at 2.6%, due to global trade uncertainties, pay growth, and rising energy costs. It is then expected to slow, closer to the Bank of England 2% target, reaching 2.2% in Q4 2025 and 2.1% in Q4 2026. As a result of the uptick in inflation, the Bank is expected to adopt a more cautious approach and make a series of 0.1pp cuts, bringing the interest rate to 4.9% by the end of 2024, 4.3% in 2025, and falling to 3.8% by the end of 2026.

The average unemployment rate is expected to be 4.3% in 2024, rising slightly next year to 4.4%, before easing to 4.1% in 2025. 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 4.0% to Q4 2024, followed by 4.0% to Q4 2025 and 3.5% at the end of 2026.

QUARTERLY ECONOMIC FORECAST Q3 2024**Current forecast (2024 Q3)**

BCC Economic Full Forecast (Annual % change)				
	2023	2024	2025	2026
GDP	0.1%	1.1%	1.0%	1.1%
Household Consumption	0.3%	0.3%	1.1%	1.4%
General government	0.5%	1.6%	-0.7%	-0.2%
Investment	2.2%	1.0%	0.9%	1.1%
of which: Business Investment	5.5%	0.3%	1.4%	2.0%
Exports	-0.5%	-1.1%	0.5%	1.1%
Imports	-1.5%	-0.6%	-0.7%	1.0%
Total Production				
Total Production	0.0%	0.3%	0.5%	0.6%
Manufacturing	1.1%	0.7%	0.6%	0.8%
Construction	2.1%	-0.9%	0.9%	1.5%
Services	0.3%	1.5%	1.1%	1.1%
Unemployment rate %*				
Unemployment rate %*	4.0%	4.3%	4.4%	4.1%
Unemployment 000's**				
Unemployment 000's**	73	82	33	-85
Youth unemployment rate %*				
Youth unemployment rate %*	11.9%	13.3%	13.4%	13.1%
Youth unemployment 000's**				
Youth unemployment 000's**	4	48	3	-13
CPI inflation (Q4)^				
CPI inflation (Q4)^	4.2%	2.6%	2.2%	2.1%
Average earnings (Q4)^				
Average earnings (Q4)^	6.7%	4.0%	4.0%	3.5%
Interest rates (end of Q4)*				
Interest rates (end of Q4)*	5.25	4.9	4.3	3.8
NetTrade-Goods&Services-%GDP*				
NetTrade-Goods&Services-%GDP*	-1.2%	-1.3%	-1.0%	-1.1%
BofP-CurrentAccount-%GDP*				
BofP-CurrentAccount-%GDP*	-3.3%	-3.5%	-3.4%	-3.7%
PSNBex-BCC forecast-FinYears-%GDP*				
PSNBex-BCC forecast-FinYears-%GDP*	4.5%	4.1%	2.7%	2.5%
PSNBex-BCC forecast-FinYears-£bn*				
PSNBex-BCC forecast-FinYears-£bn*	122.1	114.8	75.0	70.0

* Reported as levels

** Change in levels

^ Annual % change in Q4

In 2024, the BCC's QEF won the FocusEconomics 'Best UK GDP Forecast' award

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