BRITISH CHAMBERS OF COMMERCE

5 December 2024

QUARTERLY ECONOMIC FORECAST Q4 2024

The BCC's award-winning Quarterly Economic Forecast has downgraded growth expectations for 2024, amidst rising taxation, while slightly upgrading 2025 and 2026.

- UK GDP growth is expected to be 0.8% for the whole of 2024, 1.3% in 2025, and 1.5% in 2026.
- CPI inflation rate is expected to be 2.2% in 2025, and 2.0% in 2026. The interest rate is expected to be cut to 4.0% by the end of 2025.
- Exports are expected to increase in 2025, while imports are projected to fall. Overall, net trade continues to fall in both 2025 and 2026.

GDP growth

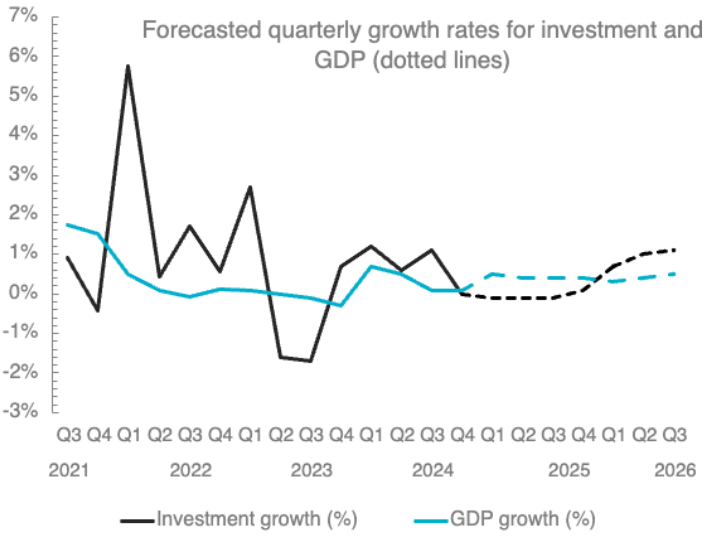
GDP is expected to grow by 0.8% in 2024, a downgrade from the previous forecast (1.1%). Growth has been revised upwards for the next two years - with 1.3% expected in 2025 and 1.5% in 2026, higher than previous forecast (1.0% and 1.1%). These upgrades are driven by increased government spending. The recent NICs increase is expected to slightly reduce household consumption.

The overall profile remains relatively weak, due to poor trade outlook and business investment. Trade barriers with the EU, global conflicts and potential tariff threats will weigh down on trade. Imports are expected to contract by 0.2% in 2025 and grow by just 0.9% in 2026. Exports are forecast to grow by 0.2% in 2025 rising to 1.1% by the end of 2026.

1.3%
forecast GDP growth for 2025

0.9%
forecast business investment growth for 2025

2.2%
forecast CPI inflation rate by Q4 2025



Inflation

CPI is expected to remain above the Bank of England's target until the end of 2026, reaching 2.2% in Q4 2025 and 2% in Q4 2026. This is due to increased business costs and geopolitical risks. Nevertheless, the Bank of England is expected to bring the interest rates to 4.0% by the end of 2025, and 3.50% in 2026, unchanged compared to previous forecast.

Employment

The average unemployment rate is expected to be 4.5% by the end of 2025, falling slightly to 4.2% in 2026. The slight increase is due to increased employment costs flowing from NICs and new employment policies could negatively impact on hiring decisions. Average earnings are expected to grow more slowly next year as businesses deal with increased costs, including NICs and national living wage. Annual wage growth is expected to be 3.5% in Q4 2024, rising to 3.8% in 2025 and 4.0% in 2026.

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Current forecast (2024 Q4)

BCC Economic Full Forecast (Annual % change)				
	2023	2024	2025	2026
GDP	0.3%	0.8%	1.3%	1.5%
Household Consumption	0.7%	0.7%	1.0%	1.2%
General government	0.6%	2.3%	3.5%	1.5%
Investment	-0.1%	1.4%	0.6%	2.3%
of which: Business Investment	2.7%	1.5%	0.9%	2.1%
Exports	-2.2%	-2.0%	0.2%	1.1%
Imports	-3.4%	2.1%	-0.2%	0.9%
Total Production	-1.5%	-0.8%	0.4%	0.8%
Manufacturing	0.7%	-0.2%	0.6%	1.2%
Construction	2.5%	-0.2%	1.4%	1.5%
Services	0.4%	1.3%	1.2%	1.4%
Unemployment rate %*	4.0%	4.3%	4.5%	4.2%
Unemployment 000's**	73	90	77	-86
Youth unemployment rate %*	11.9%	14.0%	14.9%	14.6%
Youth unemployment 000's**	4	82	37	-13
CPI inflation (Q4)^	4.2%	2.4%	2.2%	2.0%
Average earnings (Q4)^	6.5%	3.5%	3.8%	4.0%
Interest rates (end-of-year)*	5.25	4.75	4.00	3.50
NetTrade-Goods&Services-%GDP*	-0.6%	-1.5%	-1.4%	-1.5%
BofP-CurrentAccount-%GDP*	-2.0%	-3.2%	-3.4%	-3.7%
PSNBex-BCC forecast-FinYears-%GDP*	4.5%	4.5%	3.7%	3.1%
PSNBex-BCC forecast-FinYears-£bn*	121.9	127.6	105.0	90.0

* 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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