BRITISH CHAMBERS OF COMMERCE

4 September 2025

QUARTERLY ECONOMIC FORECAST Q3 2025

The BCC's Quarterly Economic Forecast has upgraded growth expectations for 2025 but the outlook for the UK economy remains subdued.

- UK GDP is expected to grow by 1.3% in 2025, 1.2% in 2026, and 1.5% in 2027.
- CPI inflation is expected to be 3.7% in Q4 2025, and 2.5% and 2.1% in 2026 and 2027. The interest rate is expected to remain at 4% for the rest of 2025.
- Exports and imports are set to rise 3.1% and 4.4% in 2025, respectively, but net trade will continue to drag on growth through 2026 amid persistent global uncertainty.

GDP growth

The UK economy is expected to grow by 1.3% in 2025, revised up from the previous forecast of 1.1%. This upgrade reflects better-than-expected economic performance in Q1 supported by public spending. GDP is expected to ease in 2026 to 1.2%, before picking up to 1.5% in 2027, unchanged from the previous forecast.

Business investment is expected to grow by 1.6% in 2025, a downgrade from the previous forecast. Export growth has been revised up to 3.1% for 2025 (from 2.0%), due to the bringing forward of activity ahead of the US tariffs in Q1. Nonetheless, trade will remain subdued amid global uncertainty and frictions, including the removal of the US de minimis allowance. Exports are forecast to grow by 3.3% in 2026 and 3.2% in 2027.

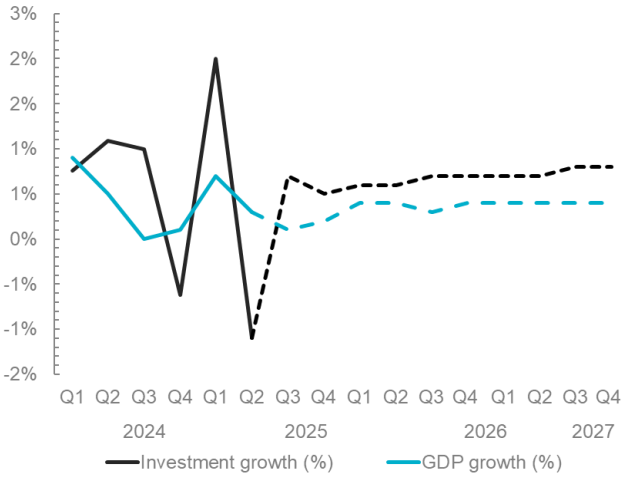
1.3% forecast GDP growth for 2025

1.6% forecast business investment growth for 2025

3.7% forecast CPI inflation rate by Q4 2025

Quarterly GDP growth is expected to average 0.3%

Source: BCC forecast Q3 2025, ONS



Inflation

Rising national insurance, wage growth, and global trade tensions are keeping business costs elevated. CPI is expected to peak at 3.7% in Q4 2025 before easing to 2.5% in Q4 2026 and 2.1% in Q4 2027. The Bank of England is expected to remain cautious, holding the base rate at 4% through 2025, then trimming to 3.5% by end-2026, where it is set to remain through 2027.

Employment

Unemployment is expected to hold steady at 4.7% this year, little changed from the 4.6% projected in Q2, as wage growth and the NI hike weigh on hiring. The rate is forecast to remain at 4.7% through end-2026. Average earnings are set to stay above inflation, reaching 4.3% in Q4 2025 (up from 4.2% in the previous forecast), before easing to 4.1% in 2026 and 4.0% in 2027, in line with earlier projections.

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Current forecast (2025 Q3)				
BCC Economic Full Forecast (Annual % change)				
	2024	**2025**	**2026**	**2027**
GDP	1.1%	1.3%	1.2%	1.5%
Household Consumption	0.6%	0.9%	1.2%	1.5%
General government	3.0%	1.9%	1.2%	0.9%
Investment	1.5%	2.0%	2.1%	2.9%
of which: Business Investment	2.0%	1.6%	1.9%	3.0%
Exports	-1.2%	3.1%	3.3%	3.2%
Imports	2.7%	4.4%	1.0%	3.3%
Total Production	-1.2%	0.4%	1.1%	1.2%
Manufacturing	0.0%	1.0%	1.5%	1.6%
Construction	0.5%	1.5%	1.0%	1.8%
Services	1.5%	1.3%	1.2%	1.5%
Unemployment rate %*	4.3%	4.7%	4.7%	4.5%
Unemployment 000's**	104	161	12	-69
Youth unemployment rate %*	14.0%	14.2%	14.3%	14.2%
Youth unemployment 000's**	87	29	6	-10
CPI inflation (Q4)^	2.4%	3.7%	2.5%	2.1%
Average earnings (Q4)^	5.8%	4.3%	4.1%	4.0%
Interest rates (end-of-year)*	4.75	4.00	3.50	3.50
NetTrade-Goods&Services-%GDP*	-1.1%	-1.3%	-0.7%	-0.9%
BofP-CurrentAccount-%GDP*	-2.7%	-2.9%	-2.5%	-3.0%
PSNBex-BCC forecast-FinYears-%GDP*	5.2%	5.0%	3.3%	2.7%
PSNBex-BCC forecast-FinYears-£bn*	148.8	147.8	100.0	80.0

* Reported as levels

** Change in levels

^ Annual % change in Q4

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

For more information, contact David Bharier, Head of Research
Email: d.bharier@britishchambers.org.uk

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