Economic Outlook, GDP, the wider economic context and retail sales

Confidence, inflation, labour market, credit & insolvencies

BRC INSIGHT

ECONOMIC BRIEFING REPORT

A detailed analysis of trading conditions, consumer demand, and how the UK economy is performing.

April 2023

BRC INSIGHT

CONSUMPTION TO FALL OVER H1

The UK economy's outlook has improved slightly despite the high inflationary environment. The Office for Budget Responsibility and Bank of England (BoE) now suggest the UK may avoid a technical recession this year.

Indeed, upward revisions to growth meant that the UK's economy expanded slightly in the final quarter of 2022. Though the UK technically avoided a recession, growth is expected to have contracted over Q1 2023. But growth now returns in Q2 at 0.4%, according to the BoE. Despite the better headline picture for economic growth this year, household budgets will remain squeezed by relatively high energy bills, food prices and housing costs. Inflation will steadily fall over the course of the year, but is likely to remain above 4% by the end of the year. The BRC-Nielsen Shop Price Index (SPI) is showing that food inflation is persisting, with further increases in prices seen month-on-month.

Business activity (as measured by the Purchasing Managers' Index) remained in positive territory and services activity was bolstered by high orders. Supply shortages acted as a constraint on growth, though businesses also report heightening input cost pressure. With interest rates expected to be held higher for longer, business and household balance sheets are expected to weaken. Tough trading conditions ahead remain, at least until the summer, with resultant insolvencies across many sectors expected throughout the year and a rise in unemployment to come.

GDP GROWTH

0.1%

% change – QoQ, Q4 2022

Up from -0.2% in Q3 2022

CPI INFLATION

10.4%

% change - YOY February 2023

Down from 10.1% in January

UNEMPLOYMENT

3.7%

January 2023

Unchanged from December

WAGE GROWTH

6.5%

% change – YOY December 2022

Down from 6.7% in December 2022

BRC – KPMG RETAIL SALES

5.2%

% change – YOY, February 2023

Up from 4.2% in January

CONSUMER CONFIDENCE

-36

March 2023

Up from -38 in February

UK EXPECTED TO AVOID A TECHNICAL RECESSION

Indicators of Economic Output

GDP grew by 0.3% in January, following a 0.5% fall in December 2022. Services activity rose, with education as well as transport and storage driving growth. Consumer-facing services increased with a bounce-back in sports activities when the Premier League fixtures resumed. There were negative contributions provided by retail trade, as sales volumes fell.

Looking at the most recent quarterly figures, the economy expanded slightly over the final quarter of 2022, by 0.1%. Relative to the pre-pandemic benchmark of Q4 2019, economic output is 0.6% below this level. Services output also slightly rose in Q4 2022, brought down by the impact of strikes, depressing retail sales in particular. Output in administrative activities was revised upward, mainly travel agents. Production output was flat over the same period, as some manufacturers experienced supply shortages, but upward revisions throughout 2022 have now brought the sector back above its pre-Covid level. Construction output, however, rose by an upwardly revised 1.3%, as infrastructure works on HS2 picked up. Looking on the expenditure side, investment positively contributed to headline GDP, with household expenditure contributing to a more modest increase. Business investment fell a downwardly revised 0.2% on the quarter, and is now 2.2% below its pre-Covid level. Inventories did fall within this, led by stock reduction in the retail sector and lack of materials availability within manufacturing.

The latest S&P Global Flash PMI showed activity continued to expand, with the overall index decreasing to 52.2 but remaining above the no-change 50-mark. This was primarily led by faster new business growth in service sector activity. However, staff shortages acted as a constraint on growth. Manufacturing activity in contrast remained in contraction territory, impeded by weaker demand. In a potential sign of further inflation pass-through, purchasing managers noted steepening cost burdens. Wage pressures and higher food prices pushed them up, though lower energy bills and reduced transportation costs offset this partly.

Prices and Monetary Policy

Inflation remained close to its highest since the 1980s with the Consumer Price Index in double-digits at 10.4%, now having peaked as projected by the Bank of England. Of the headline rate, 4.0% emanates from housing, energy and transport costs and 2.1% from food. Fuel prices continue to fall, with these figures registered when petrol was £1.49 per litre and diesel £1.72. Largely accounting for February's increase in inflation was clothing, food and restaurant prices.

There continues to be no clarity in the potential outcome of the Ukraine-Russia conflict. A stalemate has formed, and no clear end is in sight. The Black Sea Grain initiative is set to expire in May, and considerable uncertainty remains as to whether it will be extended. Alongside other heightened geopolitical risks, China's economic re-opening has the potential to boost global demand, placing upward price pressure on commodities.

The Spring Budget last month saw a few key announcements centred around the size of the labour force and promoting investment. According to the Office for Budget Responsibility (OBR), the UK's fiscal watchdog, the announcements will provide a short pre-election boost, however question marks remain over the UK's growth prospects longer-term. Key policies announced were the extension of the Energy Price Guarantee (staying at £2,500 for the typical household), an increase in corporation tax from 19% to 25% (from April 2023) as well as the temporary introduction of full expensing for capital investment.

Rising commodity and energy prices, coupled with labour and raw material shortages over the last twelve months, meant that production costs have been pushed up for many businesses. Global commodity prices have been falling since June 2022, now 19% lower compared to this peak. Gas and food prices have steadily come down and shipping rates have fallen to levels not far above pre-pandemic levels. However, imported inflation is still affecting food prices in the domestic sphere. A shortage in produce sparked by bad weather has placed upward pressure on the CPI in the latest reference period. The effects of heightening interest rates (which have a lagged effect of between 12-18 months) are still to materialise and imply a hit to household incomes over this year and next, depressing economic output.

The Bank of England, in March, opted to hike rates for an eleventh consecutive meeting, reaching 4.25%, the highest level since 2008. Along with the OBR, the Bank of England suggests no technical recession in 2023 though the outlook will remain broadly flat, and growth is unlikely to pick up significantly until the second half of 2024. Within GDP, private consumption by households is set to fall over Q1 2023 and Q2 2023, suggesting sales demand will remain weak over the first half of the year, before picking up in the second. The bank rate futures curve has now settled at 4.5%, with a penultimate rate hike anticipated in May. Households will increasingly feel the effects of higher mortgage repayments as more fixed terms come to an end. An estimated 2 million mortgages will see an end to their fixed rate by the end of this year.

PROJECTIONS FOR 2023 UK GDP GROWTH

Bank of England (February Forecast)

-0.5%

IMF (January Forecast)

-0.6%

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ECONOMIC INACTIVITY FALLS

Faster Indicators

The step up in sales growth, which was up to 5.2% on a Total basis in February from 4.2% a month earlier, was a surprising result given the apprehension in the market at the beginning of the year. It was thought that the success of the January sales would likely lead to a lack of demand for the rest of the first quarter of 2023, due to cannibalisation of full price sales as consumers rushed to get their hands on the best deals and so forgoing the latest fashions and newly released household goods.

The steep slowdown did not arrive in February, as consumer spending held up even though the sales period ended. That being said, volumes were down once again, as inflation continues to have an historic impact on sales, with price increases continuing to accelerate in the first two months of the year.

Labour Market

The UK's labour market has begun to ease, though remains tight with unemployment still below pre-pandemic levels. Vacancies have come down from peaks, and hiring intentions have notably slowed. However, the UK continues to have a large share of the workforce not currently seeking work, otherwise known as 'economically inactive'. Currently, 488,000 people are no longer economically active (when compared to before the pandemic). Inactivity encouragingly decreased in the most recent reporting period.

Vacancies remain near record highs of 1.12 million in the three months to December although have now peaked and are coming down. This represents 301,000 more vacancies than before the pandemic. Vacancies are above pre-crisis levels in most sectors, including accommodation and food as well as healthcare jobs. In absolute terms, the wholesale & retail sector accounts for the third largest number of vacancies, at 147,000, around 12,000 higher than prior to the pandemic.

Exacerbating tightness, the inactivity rate remains elevated, though fell in the latest reference period. This has increasingly been driven by long-term sickness, those entering education and early retirements. The BoE has pointed to the smaller workforce as something exacerbating the shortage in labour as well as skills more broadly. This has the potential to fuel further wage growth, ultimately contributing to further inflationary pressure.

Outlook

The UK was confirmed to have avoid a recession in the final quarter of 2022, with upward revisions suggesting growth performance had been bolstered by British tourists spending abroad. Household consumption is expected to contract over this year and the economy set to broadly stagnate. Financial markets have priced in a further Bank of England rate hike during their next meeting in May. Inflation remains in double-digits, but is expected to remain above target by the end of 2023. The central bank is now more optimistic regarding the UK's economic prospects. However, despite this less pessimistic economic outlook, household consumption is set to decline in real terms over H1 2023, as energy bills rise in April, the lagged effects of interest rate hikes begun to be felt, and food inflation all eat into consumer wallets.

A tight labour market following the pandemic is anticipated to loosen this year and into 2024 as unemployment rises, however this will offer limited opportunity for growth, if the UK's labour shortage issue persists. Global risks remain at their highest in many decades. China has reopened its economy, and is likely to contribute to heightened global demand over the coming quarters. The Russia-Ukraine conflict finds itself in a stalemate and mainland Europe finds itself in a precarious place, firmly on the edge of recession. A global slump in economic activity remains likely, which will invariably affect the UK's own growth prospects.

% year-on-year (unless otherwise specified)	2021	2022 (f)	2023 (f)	2024 (f)	2025(f)
Real GDP	7.6	4.0	-0.5	-0.3	0.3
Inflation	5.0	10.8	4.0	1.5	0.5
Unemployment (rate)	4.0	3.8	4.3	4.8	5.3
Interest (Bank Rate)	0.3	2.8	4.4	3.7	3.4
Real post-tax labour income	0.9	-2.5	-1.6	2.3	0.7

Source: Bank of England, Monetary Policy Report February 2023

PROJECTIONS FOR 2023 UK GDP GROWTH

Bank of England (February Forecast)

-0.5%

IMF (January Forecast)

-0.6%

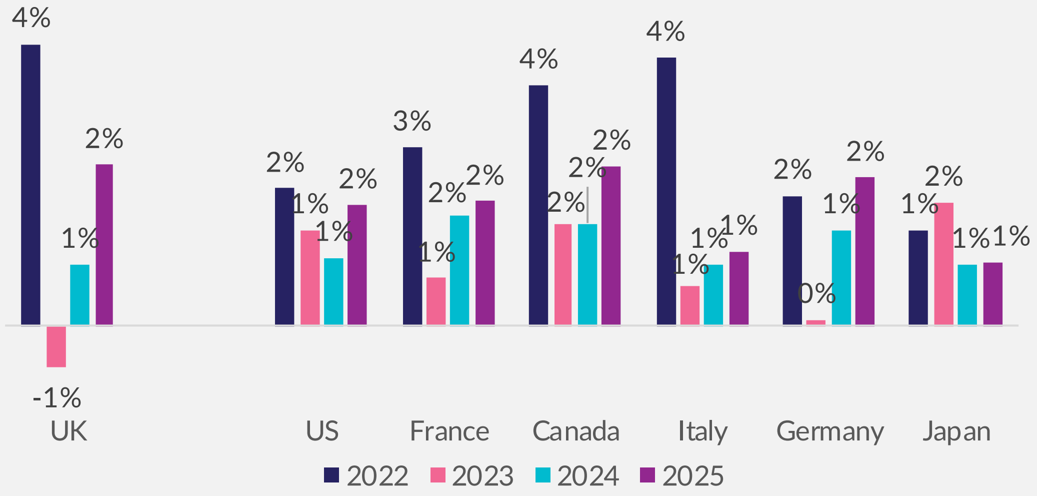
GLOBAL DEMAND SET TO SLUMP

Financial conditions are tightening as the global interest rate-setter, the United States, hikes interest rates. Many currencies have depreciated against the US Dollar, not least the Pound (though dollar weakening has strengthened certain currencies more recently). The squeeze on emerging markets via higher debt interest payments is anticipated to slow global economic activity. Uncertainty remains in the conclusion of the Ukraine-Russia conflict, the effects of a demand-spike from China (as it drops pandemic restrictions) adding tail risks to the global outlook. As their impacts are uncertain and volatile, commodity prices could rise higher as a result. As economic activity experiences persistent headwinds in weaker demand and interest rate rises, a global slump in activity remains likely this year.

The US economy expanded by 2.7% on an annualised basis in Q4 2022, a second consecutive period of growth. The increase was led by improvements in private inventory investment, consumer spending, as well as government spending. The US has now exited a technical recession, though the effects of heightening interest rates are yet to have their full impact, and will weigh on growth over 2023.

The Eurozone economy expanded by 1.8% in Q4 (on an annual basis), slowing down from 2.4% in Q3 2022, marking a seventh consecutive period of expansion. Germany's economy grew by 0.9% (down from 1.4% in Q3 2022), France's by 0.5% (down from 1.0% in Q3 2022), Italy's by 1.4% (down from 2.5% in Q3 2022) and Spain's by 2.7% (up from 4.8% in Q3 2022).

GDP GROWTH, JANUARY FORECASTS



Source: IMF, The World Economic Outlook.

The March S&P Global Flash Eurozone PMI shows business activity rose for a third consecutive month to 54.1 highlighting better than expected services performance across mainland Europe. The bloc has performed better than expectations, and an expansion in the first quarter now appears more likely. The upside surprise was driven primarily by a strong services sector, with manufacturing output only sustained by a backlog in orders. Price pressures, despite easing, remain elevated by historical standards.

Inflation is widely understood to have already peaked globally, with the volatile commodity price (particularly natural gas and oil) movements in the aftermath of the Ukraine-Russia conflict largely having reversed. However, fears over the stability of the global financial system have come to the fore, following the collapse of SVB and Credit Suisse. Cautioning greater resilience than during the 08/09 financial crisis, the Federal Reserve elected to raise their base rate by 25 basis points to 5.00% at their most recent meeting. The Bank of England decided to match this increase, increasing the base rate from 4.00 to 4.25% in March.

US inflation eased once more to 6.0% in February, steadily easing from its peak in June 2022 of 9.1%. The Federal Reserve has embarked upon an aggressive tightening cycle over the past year, seeking to demonstrate credibility in reversing its loose money policy over the pandemic and quell demand in order to bring inflation to heel. Financial markets have priced in one to two more interest rate hikes of 25 basis points, before interest rates are held steady and eventually cut.

Inflation in the Eurozone has slowed from recent highs, though the European Central Bank hiked their key rate by 50 basis points to 3.00% due to fears over inflation becoming embedded. Prices rose 8.5% in the 12 months to February, slightly down on January's figure of 8.6%. Energy prices were 13.7% higher on the year, food alcohol and tobacco prices rose 15.0% and the cost of non-energy industrial goods increased 6.8%.

2023 PROJECTED GROWTH – IMF (JANUARY)

UK

-0.6%

US

1.4%

FRANCE

0.7%

GERMANY

0.1%

JAPAN

1.8%

BRC INSIGHT

SALES VOLUMES RISE IN FEBRUARY

UK retail sales volumes (including automotive fuel) grew by 1.2% in February, when compared to the previous month, following an upwardly revised increase of 0.9% in the preceding month. In a clear depiction of how inflationary pressures are hurting volumes (the physical amount of goods), retail sales in value terms are 16.6% higher than in February 2020 (pre-Covid levels) whereas in volume terms are equivalent to this level (fig. 1).

Digging deeper into the sales categories, the rise in February was driven by sales in non-food stores rising, though remain 0.1% below pre-pandemic levels. Retailers reported across the clothing and department store sub-sectors that growth was aided by strong sales in discount stores. Solid performance was also seen in second-hand goods stores such as auction houses and charity shops. Food sales rose (in supermarkets and convenience stores), where consumers substituted away from spending in hospitality due to cost-of-living pressures.

Online sales rose by 2.6% on the month due to increased department and other store goods demand via the online channel. The proportion of online sales was broadly unchanged at 25.4%, with the impact of Royal Mail strikes less than expected. Online sales have broadly been on a downward trend since a peak of 37.5% in February 2021. Nonetheless, they remain comfortably above pre-Covid levels of 19.8%.

The biggest fall on the month was observed in sales of automotive fuel. January saw an uptick in car use following the worst of postal strikes, and in the most recent reference period, in volume terms, fuel sales contracted. Fuel prices are continuing to fall but wider cost pressures are encouraging consumers to economise on car travel. Volumes are likely to rise upwards in this category as prices stabilise.

For the BRC's in-house data on retail sales, visit here.

DATA & CHARTS

FIG 1 – Retail Sales Volumes vs Retail Sale Value

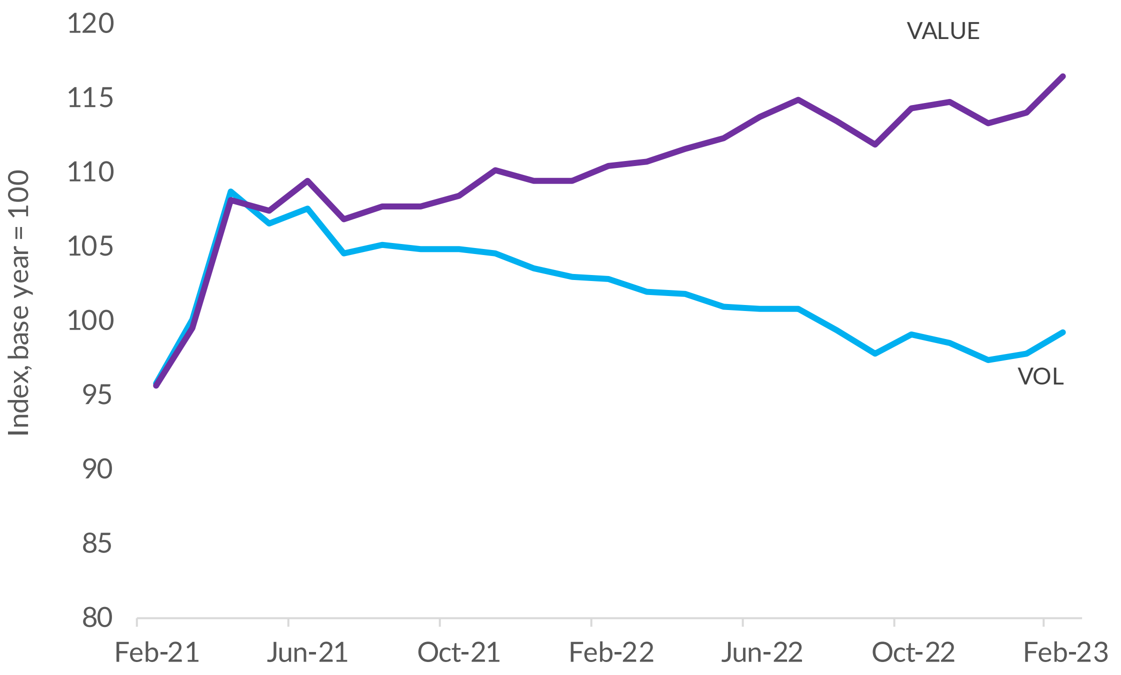
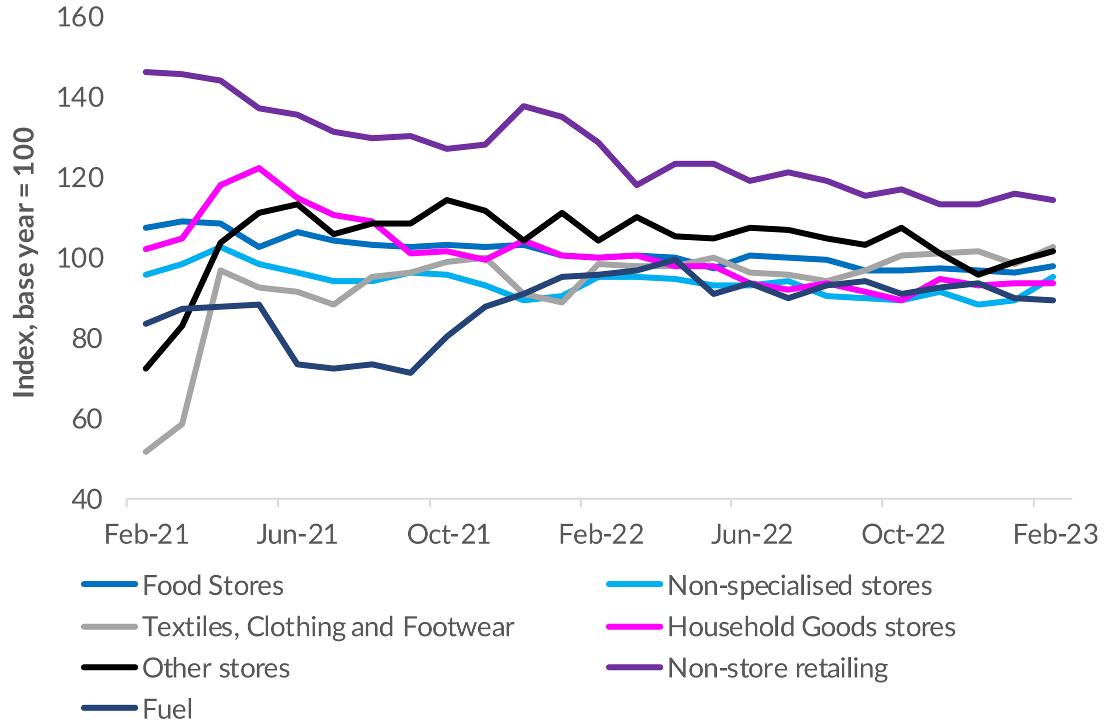


FIG 2 – ONS Retail Sales Category Volumes



SUMMARY FEBRUARY

Retail Sales

1.2%

Up from 0.9% in January.

Online Sales

2.6%

Up from -0.4% in January.

Sales increased in both value and volume terms

RETAIL SALES – ONS TABLES

ONS & BRC SALES GROWTH – VALUE TERMS

% change on year ago	RSI Sales	RSM Sales
Dec-22	5.6	6.9
Jan-23	3.2	4.2
Feb-23	6.5	5.2

Source: ONS RSI & BRC RSM

ONS RETAIL SALES GROWTH – VALUE TERMS

M-Y	All (excl. fuel)	Predom. food stores	Depart. stores	Textiles, cloth. & footwear	Household goods	Oth. non-food	Non-store retailing
Feb-22	10.6	-2.0	5.5	107.2	8.8	52.4	-4.9
Mar	5.7	-5.7	1.8	79.8	6.3	41.1	-11.6
Apr	2.2	3.1	1.4	11.6	-6.0	8.1	-6.0
May	1.6	2.9	0.8	16.1	-10.1	0.2	-2.6
Jun	1.2	2.9	2.8	12.8	-10.0	0.9	-5.5
Jul	5.4	6.7	7.2	16.2	-8.5	6.5	0.0
Aug	3.6	6.8	2.9	7.3	-5.5	2.9	-1.8
Sep	3.3	5.9	1.4	9.6	-0.3	1.8	-4.2
Oct	3.6	6.1	1.0	11.5	-3.7	1.1	-0.7
Nov	3.3	7.3	5.0	10.1	4.1	-2.8	-5.5
Dec	5.6	8.2	11.5	19.9	1.0	-0.7	-7.0
Jan	3.2	7.4	6.6	18.8	1.8	-5.9	-9.0
Feb-23	6.5	11.2	7.6	14.7	-1.5	1.4	-3.0

Source: ONS RSI

LARGE & SMALL RETAILERS

% change on year ago	ONS Large Retailers	ONS Small Retailers
Dec-22	8.2	-3.3
Jan-23	5.6	-3.9
Feb-23	7.6	3.0

Source: ONS RSI

For the BRC's in-house data on retail sales, visit here.

ONS SALES GROWTH – VOLUME TERMS

M-Y	All (excl. fuel)	Predom. food stores	Depart. stores	Textiles, cloth. & footwear	Household goods	Oth. non-food	Non-store retailing
Feb-22	-0.4	-0.5	5.6	10.6	-0.4	-5.9	-4.9
Mar	-0.5	0.1	-0.2	-0.6	0.8	5.3	-8.3
Apr	-0.3	-0.2	-0.7	0.0	-2.6	-4.4	4.8
May	-1.1	-2.6	-1.8	2.2	-0.4	-0.5	-0.3
Jun	0.3	3.0	0.0	-3.8	-4.4	2.8	-3.1
Jul	-0.1	-0.4	1.4	-0.3	-1.6	-0.6	1.6
Aug	-1.3	-0.9	-3.8	-1.7	1.9	-2.1	-1.7
Sep	-1.7	-2.7	-0.8	2.6	-2.1	-1.6	-2.9
Oct	1.1	0.0	-0.5	4.0	-2.6	4.4	1.0
Nov	-0.4	0.8	2.0	0.4	6.0	-6.1	-3.2
Dec	-1.4	-0.7	-3.1	0.7	-1.8	-5.4	0.3
Jan	0.4	-0.5	0.8	-2.9	0.8	3.6	2.0
Feb-23	1.5	0.9	5.5	2.9	-0.3	1.7	0.2

Source: ONS RSI

ONS INTERNET SALES

M-Y	Av. Weekly value of all retail sales	Av. Weekly value of internet retail sales	Internet sales % YoY	Internet sales % YoY retailing
Feb-22	£7.6bn	£2.1bn	-15.4	27.9
Mar	£8.0bn	£2.1bn	-19.3	26.3
Apr	£8.2bn	£2.2bn	-10.2	26.5
May	£8.3bn	£2.1bn	-8.1	25.8
Jun	£8.3bn	£2.1bn	-8.4	25.2
Jul	£8.5bn	£2.1bn	-6.3	24.9
Aug	£8.1bn	£2.0bn	-9.1	24.3
Sep	£8.0bn	£2.0bn	-8.4	25.1
Oct	£8.7bn	£2.2bn	-8.0	25.5
Nov	£9.8bn	£2.9bn	-6.5	29.5
Dec	£10.6bn	£2.8bn	-7.3	26.8
Jan	£7.8bn	£2.1bn	-9.0	26.9
Feb-23	£8.1bn	£2.1bn	-3.4	25.2

Source: ONS RSI

SUMMARY FEBUARY

ONS Sales

6.5%

Up from 3.2% in January.

Large retailers

7.6%

Up from 5.6% in January.

Strong decline in textiles, clothing and footwear.

CBI COMMENTARY

The retail sector witnessed flat sales growth this past month. Sales volumes were reported as ‘good’ for the time of year, and are expected to exceed seasonal norms, in April. Online sales continued to contract, at a firm pace, and are expected to see a modest expansion next month.

Year-on-year sales volumes are expected to increase during the month of Easter. Stock positions were considered ‘elevated’ compared to expected sales though retailers do expect them to remain ease slightly. Despite an easing, stock positions are expected to remain “too high”. Retailers anticipate that orders will stay flat next month, following four months of decline.

Wholesalers saw firm sales volumes growth in the year to March. Sales volumes are expected to stay flat next month, though more moderately. Motor traders reported unchanged sales volumes growth when compared to last month. Sales are expected to resume their decline next month.

VOLUME OF SALES – REALISED AND EXPECTED

	Balance	Expected
Mar-22	+9	+14
Apr	-35	+39
May	-1	-8
Jun	-5	-4
Jul	-4	-2
Aug	+37	-14
Sep	-20	+31
Oct	+18	-13
Nov	-19	-9
Dec	+11	-21
Jan	-23	-17
Feb	+2	-15
Mar-23	+1	-18

Source: CBI Distributive Trades Survey

SUMMARY MARCH

CBI Balance

+1

Down from +2 in February.

CBI Expected

-18

Down from -15 in February.

Retailers remain pessimistic about the future outlook

BRC INSIGHT

GfK CONSUMER CONFIDENCE

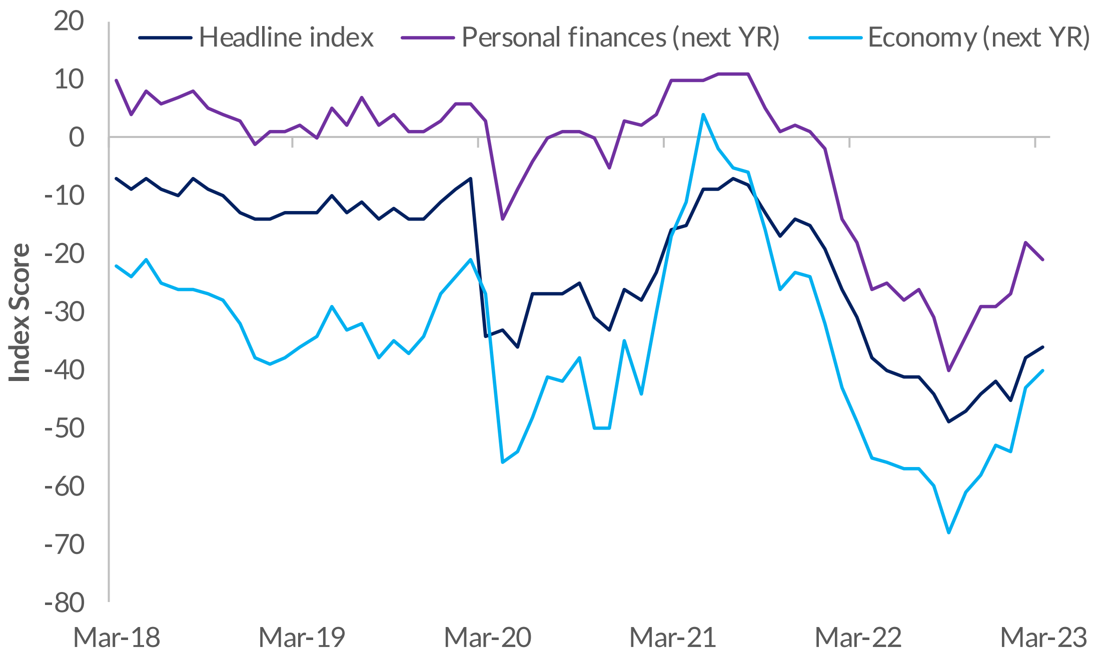
"A small improvement in the Overall Index Score this month masks continuing concerns among consumers about their personal financial situation. This measure best reflects the financial pulse of the nation and it remains weak, with the figure for the coming year down three to -21 and an unchanged score for the past 12 months of -26."

Forecasts that headline inflation will fall this year have proved premature, given Wednesday's announcement of an unexpected increase. Wages are not keeping up with rising prices and the cost-of-living crisis remains a stark reality for most. The recent Budget will bring relief to some sections of the population, but for now many people are simply looking to survive day-by-day. Just having enough money to live right and pay the bills remains the number one concern for consumers across the UK."

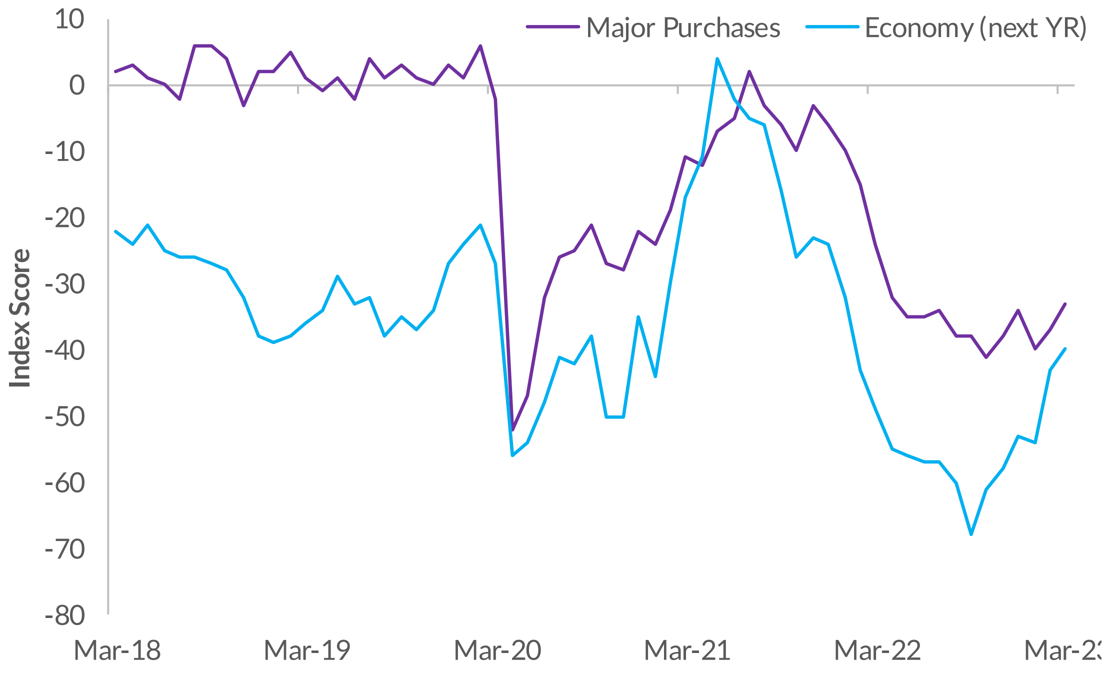
GfK NOP CONSUMER CONFIDENCE INDEX

	Headline index	Major Purchases	Future savings	Personal finances (past YR)	Personal finances (next YR)	Economy (past YR)	Economy (Next YR)
Mar-22	-31	-24	+25	-13	-18	-51	-49
Apr	-38	-32	+22	-19	-26	-60	-55
May	-40	-35	+22	-22	-+25	-63	-56
Jun	-41	-35	+15	-23	-+28	-65	-57
Jul	-41	-34	+14	-23	-+26	-66	-57
Aug	-44	-38	+18	-25	-+31	-68	-60
Sep	-49	-38	+10	-28	-+40	-72	-68
Oct	-47	-41	+10	-28	-+34	-69	-61
Nov	-44	-38	+9	-24	-+29	-67	-58
Dec	-42	-34	+13	-28	-+29	-66	-53
Jan	-45	-40	+18	-31	-+27	-71	-54
Feb	-38	-37	+11	-26	-+18	-65	-43
Mar-23	-36	-33	+13	-26	-21	-62	-40

LONG-TERM TRENDS



Source: GFK Consumer Confidence Index



Source: GFK Consumer Confidence Index

SUMMARY MARCH

Headline GFK confidence

-36

Up from -38 in February

Major Purchases confidence

-33

Up from -37 in February

Consumer confidence increases in March

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ONS CONSUMER PRICE INDEX (CPI)

HEADLINE FIGURES, %, YOY

	CPI	Retail Price Index, all items (RPI)	All Items excl. mortgage interest payments (RPIX)
Feb-22	6.2	8.2	8.3
Mar	7	9.0	9.1
Apr	9	11.1	11.2
May	9.1	11.7	11.8
Jun	9.4	11.8	11.9
Jul	10.1	12.3	12.3
Aug	9.9	12.3	12.2
Sep	10.1	12.6	12.4
Oct	11.1	14.1	13.9
Nov	10.7	14.0	13.5
Dec	10.5	13.4	12.9
Jan	10.1	13.4	12.6
Feb-23	10.4	13.8	12.9

Source: ONS.

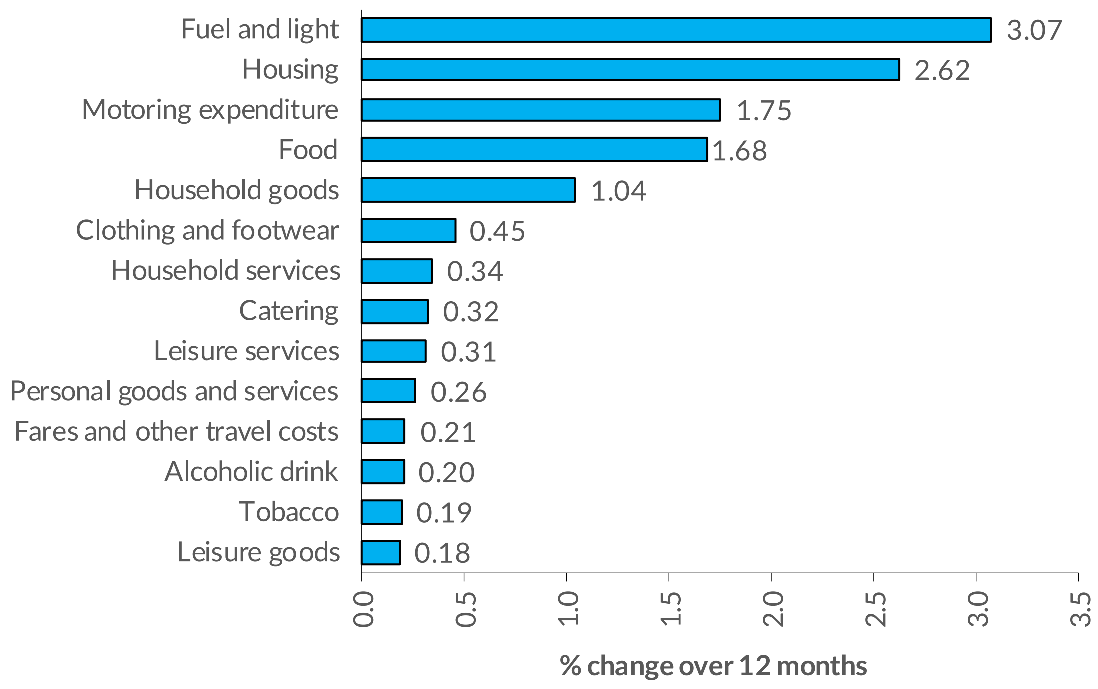
CPI: CONTRIBUTIONS TO THE ANNUAL RATE

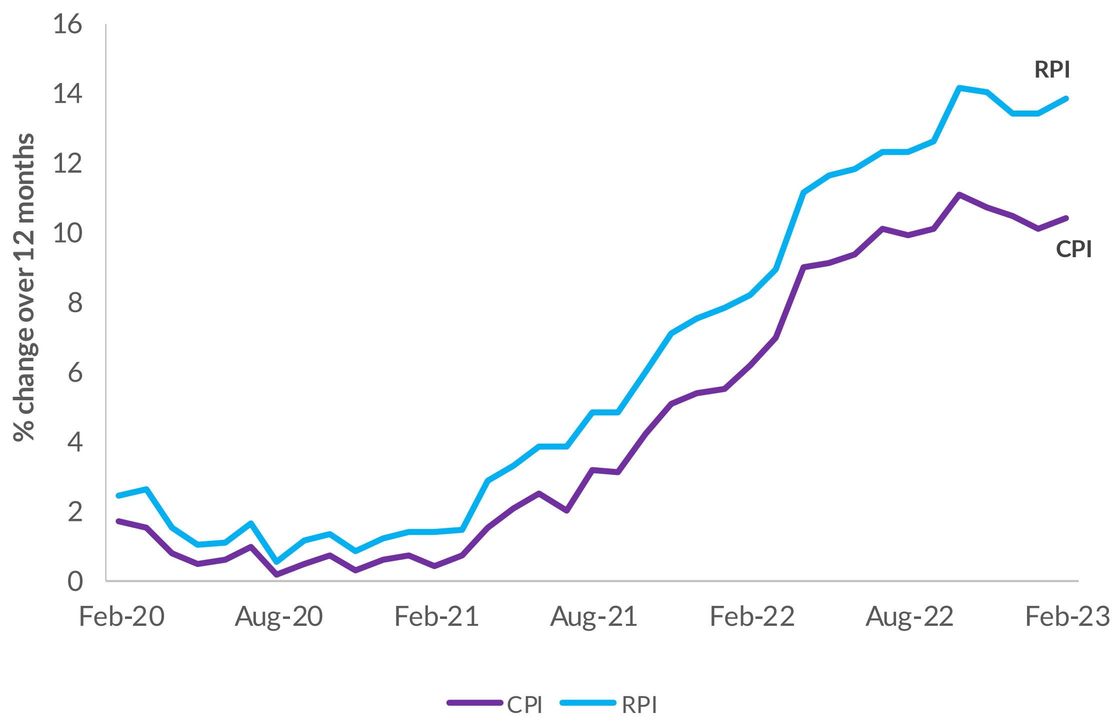
	Food & non-alcoholic beverages	Clothing & Footwear	Housing & household services	Furniture & household goods	Transport	Restaurants & hotels
Feb-22	5.1	8.9	7.2	9.1	11.5	5
Mar	5.9	9.8	7.7	10.3	13.4	6.9
Apr	6.7	8.3	19.2	10.5	13.5	7.9
May	8.6	7	19.4	10.8	13.8	7.6
Jun	9.8	6.2	19.6	10.3	14.9	8.5
Jul	12.6	6.7	20	10.1	14.8	8.9
Aug	13.1	7.6	20	10.1	12	8.7
Sep	14.5	8.5	20.2	10.7	10.6	9.7
Oct	16.2	8.5	26.6	10.5	8.9	9.6
Nov	16.4	7.5	26.6	10.7	7.2	10.2
Dec	16.8	6.5	26.6	9.8	6.5	11.3
Jan	16.7	6.2	26.7	9.2	3.1	10.8
Feb-23	18.0	8.1	26.6	8.7	2.9	12.1

Source: ONS.

For the BRC's in-house data on Shop Price inflation, visit here.

RPI: CONTRIBUTIONS TO THE ANNUAL RATE





SUMMARY FEBRUARY

CPI

10.4%

Up from 10.1% in January.

CPI Food

18.0%

Up from 16.7 % in January.

CPI rose in the most recent period

BRC INSIGHT

UK EMPLOYMENT

In the three months to January 2023:

- The latest figures suggest tightness in the labour market is slowly easing, with the unemployment rate unchanged at 3.7%. The employment rate remained flat and crucially remains below pre-Covid levels. The inactivity rate did encouragingly fall in the most recent reporting period. 488,000 people are no longer economically active when comparing to the pre-pandemic period.

- Total hours worked rose in the most recent reporting period, to 1.04 billion hours, 0.9% below pre-pandemic levels, signifying partial normalisation in the labour market.

- The UK employment rate was estimated at 75.7%, 0.1 percentage points higher when compared to the previous three-month period, and 0.8 percentage points lower than before the coronavirus pandemic (December 2019 to February 2020).

- The UK unemployment rate was estimated at 3.7%, flat over the previous three-month period, and the lowest since 1974.

- The UK economic inactivity rate was estimated at 21.3%, 0.2 percentage points lower than the previous quarter, and 1.1 percentage points higher than before the coronavirus pandemic.

LABOUR FORCE SURVEY

	Claimant Count		Unemployment	
	mills	% rate	mills	% rate
Feb-22	1751	4.4	1.3	3.8
Mar	1669.4	4.2	1259	3.7
Apr	1603.9	4.1	1300	3.8
May	1569.2	4	1285	3.8
Jun	1542.4	3.9	1294	3.8
Jul	1527.9	3.9	1224	3.6
Aug	1529	3.9	1188	3.5
Sep	1532.9	3.9	1224	3.6
Oct	1526.5	3.9	1247	3.7
Nov	1542.6	3.9	1244	3.7
Dec	1539.4	3.9	1270	3.7
Jan	1509.1	3.8	1253	3.7
Feb-23	1497.9	3.8		

Source: ONS

EMPLOYMENT (3 MONTHS ENDING)

Employment (3 months ending) (000s)	Total	Full-time	Part-time
Jan-22	32530	24430	8100
Feb	32566	24511	8055
Mar	32632	24517	8115
Apr	32707	24562	8145
May	32863	24686	8177
Jun	32792	24612	8180
Jul	32746	24578	8168
Aug	32754	24609	8145
Sep	32739	24597	8142
Oct	32773	24600	8173
Nov	32781	24578	8202
Dec	32813	24536	8277
Jan-23	32839	24504	8335

Source: ONS

SUMMARY JANUARY

Unemployment Rate

3.7%

Unchanged from 3.7% in December.

Total Employment

75.7%

Up from 75.6% in December.

Inactivity continues to decrease

EARNINGS

Between November and January 2022:

- **Regular pay** was estimated to have increased by 6.5% in nominal terms and fell by -2.6% in real terms.
- **Total pay** was estimated to have increased by 5.9% in nominal terms and fell by -2.6% in real terms.

Between November 2021-January 2022 and November-2022 and January-2023:

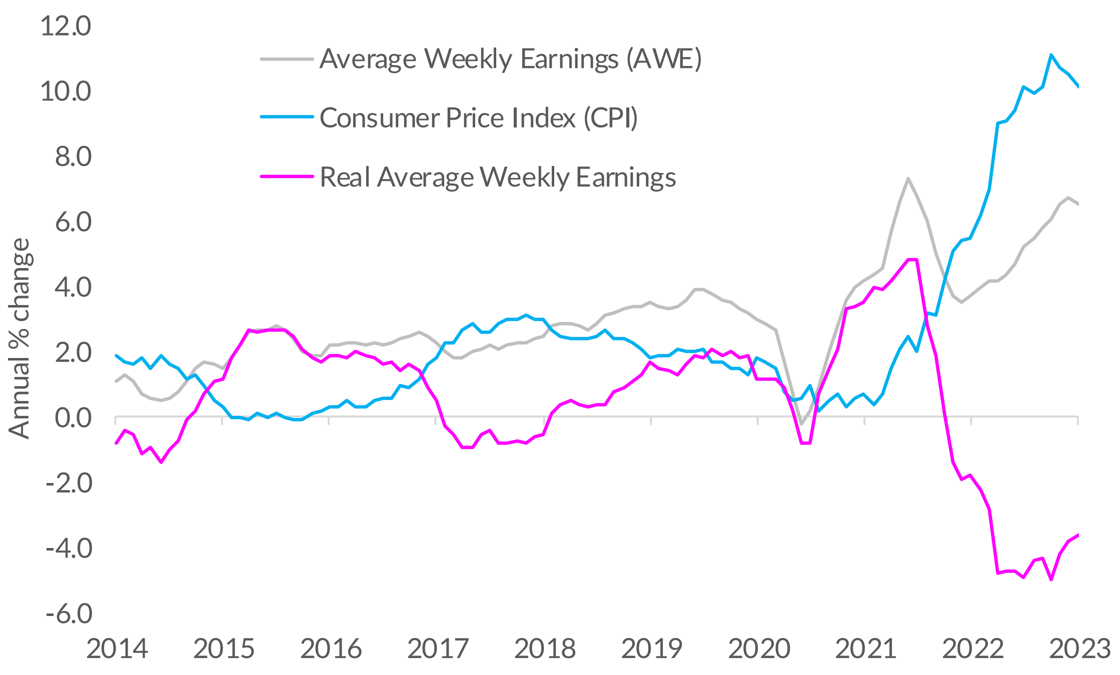
- **Average regular pay (excluding bonuses)** was estimated at £589 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£556 per week) and £471 per week in real terms (constant 2015 prices), lower than the estimate for a year earlier (£484 per week).
- **Average total pay (including bonuses)** was estimated at £630 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£598 per week) and £503 per week in real terms (constant 2015 prices), lower than the estimate for a year earlier (£526 per week).

AVERAGE WEEKLY EARNINGS GROWTH

	Average Weekly Earnings	Consumer Price Index (CPI)	Real Average Weekly Earnings
Jan-22	3.7	5.5	-1.8
Feb	4	6.2	-2.2
Mar	4.2	7	-2.8
Apr	4.2	9	-4.8
May	4.4	9.1	-4.7
Jun	4.7	9.4	-4.7
Jul	5.2	10.1	-4.9
Aug	5.5	9.9	-4.4
Sep	5.8	10.1	-4.3
Oct	6.1	11.1	-5
Nov	6.5	10.7	-4.2
Dec	6.7	10.5	-3.8
Jan-23	6.5	10.1	-3.6

Source: ONS.

LONG TERM EARNINGS SERIES



SUMMARY JANUARY

Regular pay growth

6.5%

Down from 6.7% in December.

Total pay growth

5.7%

Down from 6.0% in December.

Pay growth is expected to have peaked

MENU

MONEY, CREDIT & INSOLVENCIES

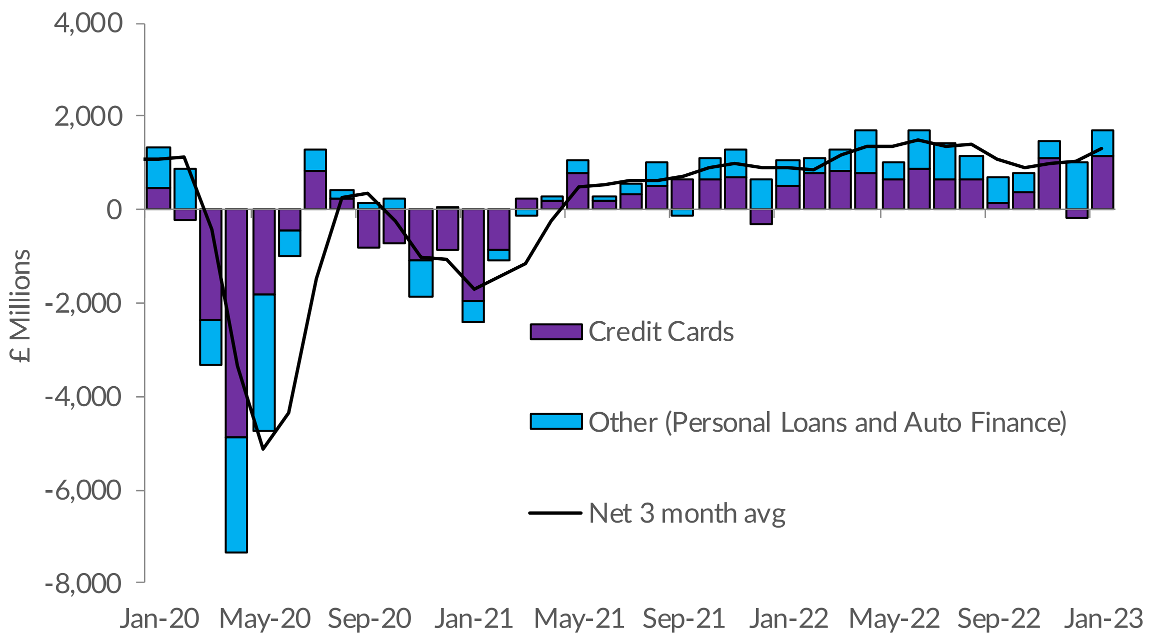
- Consumers in January borrowed an additional £1.6 billion in consumer credit, in net terms, of which borrowing was £0.5bn in personal/auto loans and £1.1 billion of which was repayments on credit cards.
- Net borrowing of mortgage debt by individuals decreased from £3.1 billion to £2.5 billion in January. Mortgage approvals for house purchases fell to 39,600, down from 40,500, a fifth consecutive decrease.
- Sterling money (known as M4ex) significantly rose to £39.8 billion in January, from -£37.0 billion in December. Households' holdings of money decreased with net flows of £6.9 billion, compared with £7.5 billion in the preceding month.
- The effective interest rate paid on individuals' new time deposits with banks and building societies rose by 18 basis points to 3.51%.
- Large businesses borrowing from banks decreased to £2.9 billion in January, whilst small and medium sized businesses repaid £0.6 billion. Private non-financial companies (PNFCs) raised a net £1.4 billion in market finance from capital markets, compared to £4.9 billion net repayments in the preceding month.
- There were 508 retail insolvencies in Great Britain in Q4 2022, up from 480 in Q3 2022. In 2022, there were 1,888 insolvencies, a massive increase compared to the 960 figure in 2021.
- There were 2 retail CVAs in Great Britain during Q4 2022. In 2022, the industry had 21 companies register for a Company Voluntary Arrangement, down since 2020 and 2019 when there were 41 and 45 CVAs respectively.

CONSUMER CREDIT

	Consumer Credit monthly changes (bn)	Credit Cards monthly changes (bn)	Other Loans and Advances monthly changes (bn)
Jan-22	£1.0	£0.4	£0.5
Feb	£1.3	£0.9	£0.4
Mar	£1.3	£0.8	£0.5
Apr	£1.7	£0.8	£0.9
May	£1.0	£0.6	£0.4
Jun	£1.7	£0.9	£0.8
Jul	£1.4	£0.6	£0.8
Aug	£1.1	£0.6	£0.5
Sep	£0.7	£0.1	£0.5
Oct	£0.8	£0.4	£0.4
Nov	£1.4	£1.1	£0.3
Dec	£0.8	-£0.2	£1.0
Jan-23	£1.6	£1.1	£0.5

Source: Bank of England

CONSUMER CREDIT



Source: Bank of England

SUMMARY JANUARY

Net consumer credit

£1.7bn

Up from £0.8 billion in December.

Net credit card lending

£1.1bn

Up from £0.6 billion in December.

The effective rate on new personal loans increased to 8.35% and on credit cards to 20.85%

DOLLAR, EURO, YUAN, YEN

	US dollar ($) per pound sterling (£)	Euro (€) per pound sterling (£)	Chinese Yuan (¥) per pound sterling (£)	Japanese Yen (¥) per pound sterling (£)
Feb-22	1.35	1.19	8.39	156.05
Mar-22	1.32	1.20	8.40	156.20
Apr-22	1.29	1.20	8.33	163.18
May-22	1.24	1.18	8.35	160.19
Jun-22	1.23	1.17	8.23	165.15
Jul-22	1.20	1.18	8.15	163.93
Aug-22	1.20	1.18	8.12	162.02
Sep-22	1.13	1.14	7.75	162.11
Oct-22	1.13	1.15	8.22	166.47
Nov-22	1.17	1.15	8.68	166.81
Dec-22	1.22	1.15	8.43	164.51
Jan-23	1.22	1.14	8.34	159.45
Feb-23	1.21	1.13	8.29	160.84

Source: Average monthly exchange rate, Bank of England

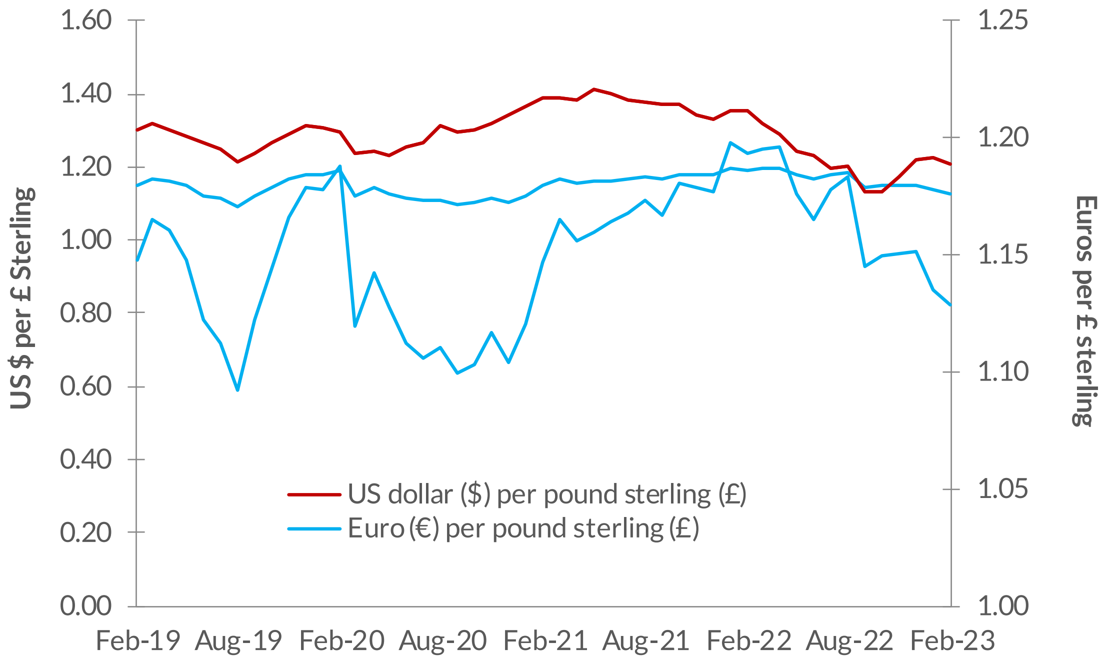
IMPACTS FROM CURRENCY DEPRECIATION

If Sterling depreciates, it can buy less foreign currency and therefore fewer foreign goods. This means retailers have to pay more for imports overall. There is no impact in the short-run, however, with retailers commonly using 6-12 months hedging contracts to protect themselves against currency fluctuations. Any permanent shock to the currency - i.e. a sustained sterling depreciation - takes one to two years to feed through in final consumer prices.

From the perspective of the wider economy, in theory, a pound depreciation should also stimulate exports, since domestically produced goods are cheaper to foreigners, which would increase the demand for UK produced goods.

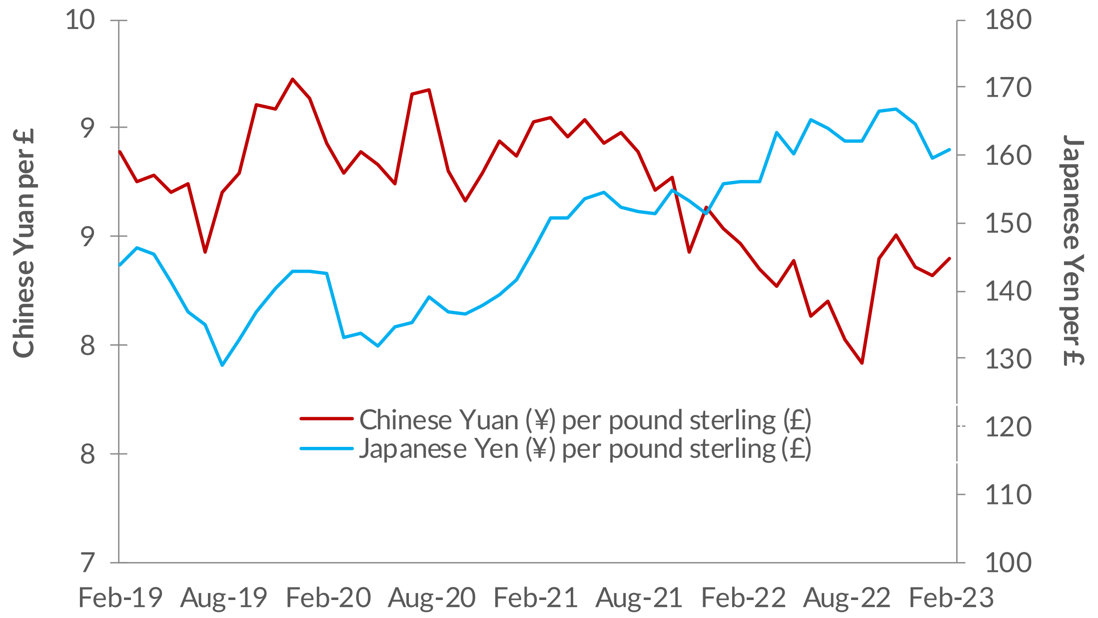
However, this failed to materialise following the post-referendum depreciation from 2016, most likely due to specialised supply chains.

USD PER GBP, EURO PER GBP



Source: Average monthly exchange rate, Bank of England

YUAN PER GBP, YEN PER GBP



Source: Average monthly exchange rate, Bank of England

SUMMARY FEBRUARY

USD TO GBP, YOY

-10.7%

Sterling depreciation in relation to the USD , YoY.

EURO TO GBP, YOY

-5.4%

Sterling appreciation in relation to the Euro, YoY.

Sterling remained lower on the year in February in relation to the US dollar and also in relation to the Euro.

BRC INSIGHT

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LONG-TERM FORECASTS FOR THE UK ECONOMY

LONG-TERM ECONOMIC FORECASTS, CITY, OBR AND INDEPENDENT AVERAGE

	2023		2024		2025	
	City	OBR	City	OBR	Indep.	OBR
GDP	-0.6	-0.2	0.8	1.8	1.1	2.5
Cons. Spending	-0.6	-0.8	0.6	1.5	*N/A*	1.8
CPI (Q4)	3.3	6.1	2.1	0.9	3.0	0.1
Avg Earnings	4.9	5.0	3.4	1.8	3.1	1.7
Bank Rate (Q4)	4.3	5.0	3.3	4.6	3.9	4.6

Source: City, OBR and Independent average forecasts: Long-term economic forecasts by city forecasters (average in last 3 months) & independent average from 2025, OBR.

SUMMARY FORECASTS

GDP 2023

-0.8%

Revised up from the previous projection of -0.9%

Avg. Earnings 2023

4.5%

Revised up from the previous projection of 4.0%.

The consensus City forecast for 2023 growth in February was -0.8%

ABOUT US

MENU

BRC INSIGHT

The BRC has a diverse team of experts dedicated to providing insight into the UK's retail industry. They work across several specialities to bring together cutting-edge data sources and provide in-depth analysis of both into fast moving market developments and longer-term structural trends. We work with everyone from Amazon to Aldi, helping these organisations to better benchmark their performance against their peers.

The BRC both works with leading data suppliers and also produces some of the leading measures of UK retail performance, including sales, footfall, vacancies and more.

The dashboard below gives you a snapshot of the latest figures for retail sales and other KPIs. You can find out more about our reports by exploring the other pages in this Retail Insight & Analytics section of the website.

THE ECONOMIC BRIEFING REPORT

The BRC's Economic Briefing Report (EBR) is our monthly measure of the global & UK economy, the wider trading environment, and a collection of performance market measures within this context.

The EBR has been running for over a decade, however the BRC are now looking to bring it into the 21st century – and are currently exploring new partnerships and data sources to make this a reality.

If you have any thoughts or feedback on how we might be able to improve this report – please do get in touch.

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