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.

August 2022

BRC INSIGHT

UK SET FOR LONG-LASTING RECESSION

The UK is projected to enter a recession by the end of the year, according to the Bank of England's latest set of economic forecasts. With wholesale gas prices registering almost daily records, inflationary pressures are yet to see their peak. Indeed, inflation rose to 10.1% in July and will rise further still in October when Ofgem lifts its price cap, and again in January, with annual energy bills set to rise over £5,000 absent fiscal support to insulate households from further rises. Against a backdrop of higher fuel costs and heightening shop prices, the outlook for demand is weak over the coming year. Indeed, consumer sentiment in the UK has dropped to its lowest on record.

The prices of many key commodities such as oil and fertiliser do however appear to be on their way down. Despite these costs easing, broader-based inflation is likely to set into the economy as input costs on the producer side rise to record levels. The pass-through of costs continues to be seen in the BRC's Shop Price Index, rising to new highs in August. Consumers now face squeezed incomes from multiple outgoings, not only energy bills but prices in supermarkets and for leisure activities. We expect as a result for real household consumption to fall sharply over Q4 2022 and 2023H1.

GDP GROWTH

-0.1%

% change – QoQ, Q2 2022

Down from 0.8% in Q1 2022.

CPI INFLATION

10.1%

% change - YOY July 2022

Up from 9.4% in June.

UNEMPLOYMENT

3.8%

June 2022

Unchanged from 3.8% in May

WAGE GROWTH

4.3%

% change – YOY May 2022

Up from 4.2% in April

BRC – KPMG RETAIL SALES

2.3%

% change – YOY, July 2022

Up from -1.0% in June

CONSUMER CONFIDENCE

-44

August 2022

Down from -41 in July 2022

GDP CONTRACTS IN JUNE

Indicators of Economic Output

GDP fell by 0.6% in June, following growth of 0.4% in May. Services were the main contributor to the fall in the most recent reporting period, as Test and Trace activity as well as vaccinations tailed off, hampering output. Output in consumer-facing, activities, however, remained flat, pulled down by retail trade though pulled up by restaurants and pubs.

Looking at the most recent quarterly figures, growth contracted very slightly in Q2 2022, falling 0.1% on the previous quarter. Relative to the pre-pandemic benchmark of Q4 2019, economic output is 0.6% above this level. The latest quarterly contraction follows growth of 0.8% in the first quarter of 2022. Services output fell 0.4% in 2022 Q2, as weaker retail as well as health and social work activities weighed on output. Production output rose, although slowed as supply-chain pressures kept the sector below its pre-Covid level. Construction output saw the strongest rise of 2.3%, aided by good weather and buttressing the weaker growth across production and services. Looking on the expenditure side, overall investment was one of the only positive contributors to headline GDP, with household expenditure exerting a downward influence. It remains 0.6% below its pre-Covid level. Business investment, however, encompassing solely private sector funds, grew by 3.8% on the quarter, though is 5.7% smaller than in Q4 2019. Inventories did increase within this, led by rises in the wholesale as well as mining and quarrying sectors.

The latest IHS Markit Flash PMI showed activity remained flat during the month of August, with the overall index decreasing slightly to 50.9 (greater than 50 indicates positive output). This was primarily led by a further slowdown in manufacturing with new orders faltering and the cost-of-living squeeze weighing on demand and supply-chain disruption causing the manufacturing component of the index to register falling output. On a positive note, input cost inflation eased to its lowest since November 2020.

Prices and Monetary Policy

Inflation remains at its highest since the early 1980s with the Consumer Price Index hitting 10.1%, which is close to 3% below where the Bank of England see it peaking in 2022 Q4. Of the headline rate, 4.8% emanates from housing, energy and transport costs. Fuel prices continued to rise, with these figures registered when petrol was £1.90 per litre and diesel £1.98. Largely accounting for July's slight increase in inflation were housing costs and food prices, both respectively 20% and 12.6% higher than a year ago (the highest since the Global Financial Crisis in 08/09) and are expected to keep rising against a backdrop of high global food prices.

There continues to be no end in sight to the Ukraine-Russia conflict and alongside China's persistence in pursuing a zero-Covid strategy, there is a risk of inflationary expectations becoming permanently embedded within the economy, adding fuel to the inflationary fire. The Bank of England has, however, with its recent tightening cycle, attempted to tame inflationary expectations, whilst acknowledging its limited role in redressing supply-chain issues, particularly the price of oil and wholesale gas.

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 rising since November 2020, now 40% higher than a year ago, and global food prices have seen double-digit increases on an annual basis since January 2021. Shipping rates, in addition, have risen three-fold when compared to before the pandemic. With supply chain pressures expected to linger for longer, they are expected to filter further into final consumer prices, particularly with record producer costs.

After the adoption of a rather cautious approach in embarking upon monetary tightening, the Bank of England, in August, opted to hike rates for the sixth consecutive meeting, reaching 1.75%, the highest level in 13 years. With inflation proving to be much less transitory than first thought by the Bank, numerous shocks in the form of war and port disarray in China have spooked commodity markets and generated further production bottlenecks, just as the economy was emerging from the pandemic. This delay in easing supply-chain pressure has meant inflation is likely to remain elevated into 2023, with the Bank of England expecting it to settle back to the 2% target in 2024.

PROJECTIONS FOR 2023 UK GDP GROWTH

Bank of England (August Forecast)

-1.5%

IMF (July Forecast)

0.5%

GDP RETURNS TO GROWTH

Faster Indicators

The sun shone on UK retail in July, with a return to growth for the first time since March, as total sales were 2.3% higher over the previous year. The weather played a significant role in this improvement, as people were keen to socialise as temperatures soared, which boosted sales of barbecue food and refreshments in comparison to recent months. However, a significant portion of the 2.3% growth over the last three months remains price inflation at the checkouts, which is driving many consumers to either cut back on their amounts of consumption, or trade down in the ranges they are purchasing.

Labour Market

Against the backdrop of considerable price pressures and a global economic slowdown, the UK is experiencing its tightest labour market in decades with the unemployment rate remaining unchanged at 3.8% in the three months to June and job vacancies remaining at record highs. The shrinking pool of available labour (350,000 people are no longer economically active when compared to before the pandemic) had started showing signs of reversing, however inactivity rose in the most recent reporting period.

Vacancies remain at record highs of 1.3 million in the three months to July, although does appear to have peaked. This represents half a million more vacancies than before the pandemic. Vacancies are above pre-crisis levels in every sector, with accommodation and food as well as healthcare jobs seeing the most acute labour shortages. In absolute terms, the wholesale & retail sector accounts for the third largest number of vacancies, at 161,000, around 26,000 higher than prior to the pandemic. The industry continues to confront recruitment challenges with a shortage in HGV drivers, warehouse workers as well as workers willing to work unsocial hours.

To compound the aforementioned tightness in the labour market, the inactivity rate remains elevated, and worryingly rose again in the latest reference period. This has increasingly been driven by long-term sickness as well as early retirement. The BoE has tightened policy at a slower pace than has the Federal Reserve, however the BoE is expected to keep pace with the Fed lest the value of Sterling falls markedly, exacerbating inflationary pressures. This makes a further rate rise almost inevitable during the BoE's next meeting on the 15th of September. Some evidence of wage pressure is apparent in the figures, however most of the recent pay growth is accounted for by financial and professional services occupations. Lower-income occupations have seen comparatively weaker pay growth, falling sharply in real terms.

Outlook

With the current economic environment clearly showing signs of weakness, a recession is a virtual certainty; particularly coupled with the coming October rise in energy bills. This is likely to affect demand sharply, with inflationary headwinds and the tightest labour market in decades constraining growth in addition, further this year. The future outlook remains highly uncertain however our expectation is for a prolonged decline in economic activity and subsequent rises in unemployment. Further commodity price volatility as a result of stretched global supply-chains, exacerbated by the Ukraine-Russia crisis as well as public health restrictions in China, represents a further downside risk to the outlook, with the possibility to further enflame inflationary pressures. A steady trajectory of future rate hikes will imply higher borrowing costs over the next couple of years, slowing economic activity further.

% year-on-year (unless otherwise specified)	2021	2022 (f)	2023 (f)	2024 (f)
Real GDP	7.5	3.5	-1.5	-0.3
Inflation	5.0	13.0	5.5	1.5
Unemployment (rate)	4.0	3.8	4.8	5.8
Interest (Bank Rate, end period)	0.3	2.4	2.9	2.4
Real post-tax household income	2.0	-1.5	-2.3	0.8

Source: Bank of England, Monetary Policy Report August 2022

PROJECTIONS FOR 2023 UK GDP GROWTH

Bank of England (August Forecast)

-1.5%

IMF (July Forecast)

0.5%

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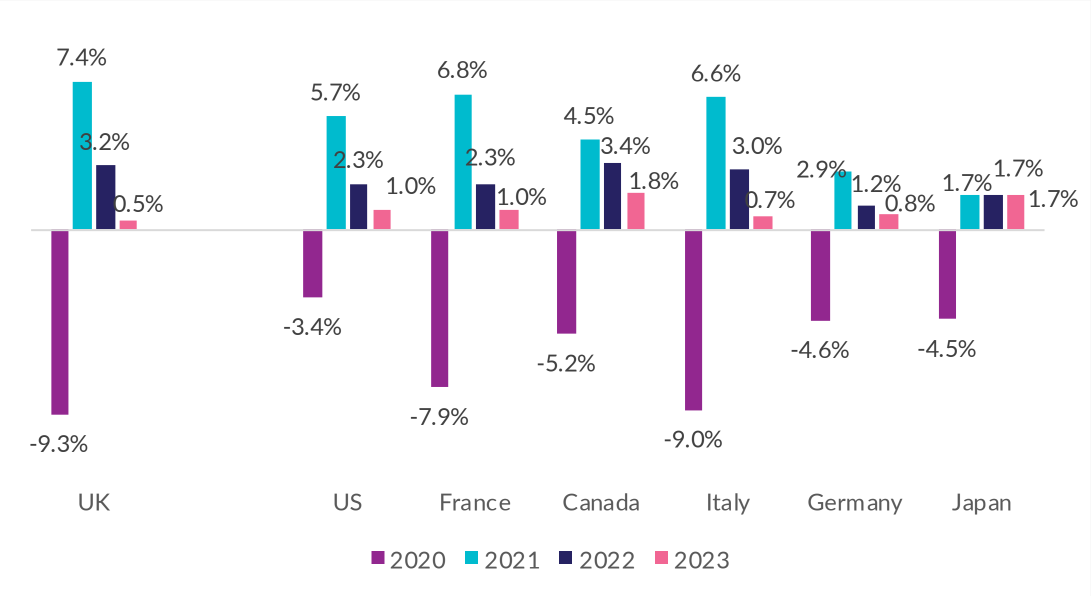
ADVANCED ECONOMIES SET FOR STAGFLATION

Global economic growth faces multiple threats in the form of the Ukraine-Russia conflict, Covid outbreaks in China and near record high food and commodity prices. The electrical chip shortage is alleviating although a considerable backlog remains. Public health restrictions in China continue to remain at the whim of outbreaks, with Yiwu and Urumqi the latest cities to adopt restrictions. Port activity in Shanghai, meanwhile, is normalising with container volumes steadily increasing. Uncertainty, however, is likely to slow World GDP, as economic activity experiences active headwinds.

The US economy contracted by 0.9% on an annualised basis in Q2 2022, a second consecutive contraction following-1.6% in Q1 2022. The decline was led by decreases in business investment and falls in government spending. This was partly offset by better export performance and increasing household consumption. Momentum appears to have slowed further still as retail sales in the US flatlined and consumer confidence plummeted to its lowest level since the 1980s.

The Eurozone economy expanded by 3.9% in Q2 (on an annual basis), down from 5.4% in 2022 Q1, a fifth consecutive period of expansion. Germany's economy grew by 1.5% (down from 3.6% in 2022 Q1), France's by 4.2% (down from 4.8% in 2022 Q1), Italy's by 4.6% (down from 6.2% in 2022 Q1) and Spain's by 6.3% (unchanged from 6.3% in 2022 Q1).

GDP GROWTH, JULY FORECASTS



Source: IMF, The World Economic Outlook.

The IHS Markit July Eurozone PMI shows Eurozone business activity fell to a 17-month low of 49.9 highlighting a fall in manufacturing production and slowing services activity. The bloc is likely to see the pace of growth slow further over the coming quarter as price pressures weigh on confidence and hurt order books, constraining activity, with the potential for a Eurozone recession during the Winter.

Inflation is on the rise globally, as the world economy experiences volatile commodity prices (particularly natural gas) in the aftermath of the pandemic, having increased pressure on central banks to start winding back the monetary stimulus launched at the beginning of the pandemic. Higher energy prices and supply chain bottlenecks, from widespread labour shortages to a shortage in semiconductors and shipping containers, have triggered rapid rises in prices in many economies. The Federal Reserve and Bank of England have both now embarked upon interest rate hikes, with former hiking their base rate by an aggressive 75 basis points to 2.5% in their most recent meeting. The BoE, in contrast, opted to tighten by 50 basis points, increasing the base rate to 1.75% in August.

US inflation rose to 8.5% in July, remaining near record highs since the early 1980s. The Federal Reserve believes that much of the inflation hitherto has been generated as a result of supply-shocks, though has acknowledged the role of excess demand within the US economy and the need to cool overheating in the economy. Hence, having tightened 75 basis points in their most recent meeting, further concerns around the persistence of inflation are making more likely a further rate hike during the next meeting in September. Ahead, Jerome Powell, Chair of the Federal Reserve, has outlined a need to cool excess demand while supply constraints ease.

Inflation in the Eurozone has risen to its highest level since its inception, mounting pressure on the European Central Bank to continue hiking interest rates. Prices rose 8.9% in the 12 months to July, up on June. Energy prices were 39.6% higher on the year, food alcohol and tobacco prices rose 9.8% and the cost of non-energy industrial goods increased 4.5%. With inflationary pressures expected to linger on this year, the ECB increased its interest rate by another half a percentage point to 0.5%, a second consecutive hike.

2022 PROJECTED GROWTH – IMF (JULY)

UK

3.2%

US

2.3%

FRANCE

2.3%

GERMANY

1.2%

JAPAN

1.7%

SUMMER SUN STIMULATES SPENDING

UK retail sales volumes grew 0.3% in July, when compared to the previous month, following a downwardly revised fall of 0.2% 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 15.6% higher than in February 2020 (pre-Covid levels) whereas in volume terms are now only 2.3% above this level (fig. 1).

Digging deeper into the sales categories, the surprise rebound in the July was predominantly driven by strong performance in online sales, with a range of promotions boosting sales. This led to the proportion of online sales rising to 26.3%, having been on a downward trend since a peak of 37.5% in February 2021. Nonetheless, it remains comfortably above pre-Covid levels of 19.8%.

Additionally, sales in food stores held up despite consumers feeling the inflationary squeeze. Supermarket's sales volumes remained flat, though specialist food stores (butchers and bakers) experienced a strong monthly rise, suggestive of consumers perhaps changing their buying habits.

Pulling down the figures were falls in department stores as well as households goods stores. Increasing concerns surrounding affordability are leading consumers to postpone big-ticket item spending. Fuel sales similarly fell by 0.9% in July, when compared to the previous month. Continued high pump prices as well as recommendations against travel during the heatwave saw reductions in UK road traffic.

For the BRC's in-house data on retail sales, [visit here](#).

DATA & CHARTS

FIG 1 – Retail Sales Volumes vs Retail Sale Value

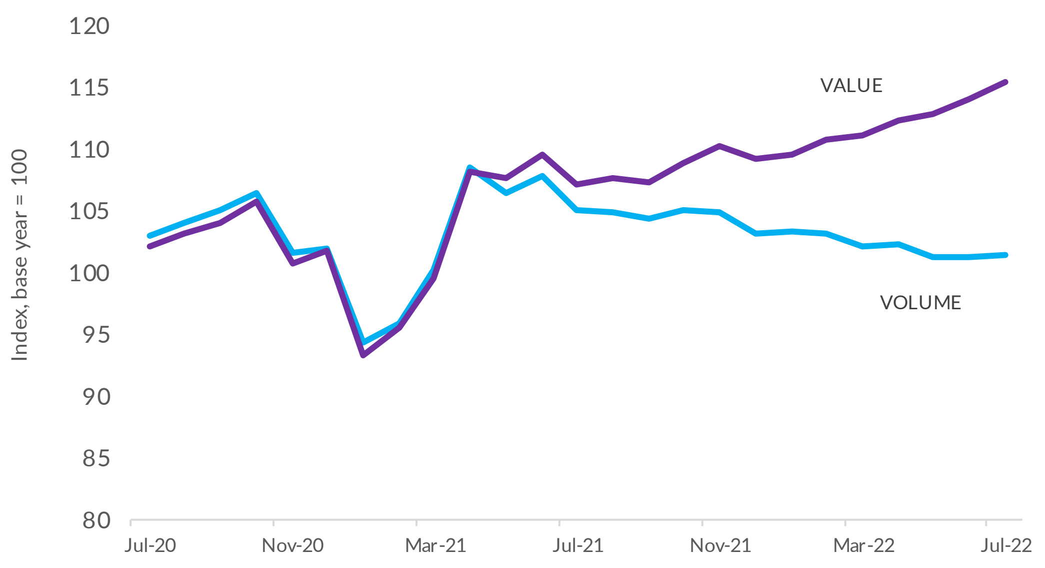
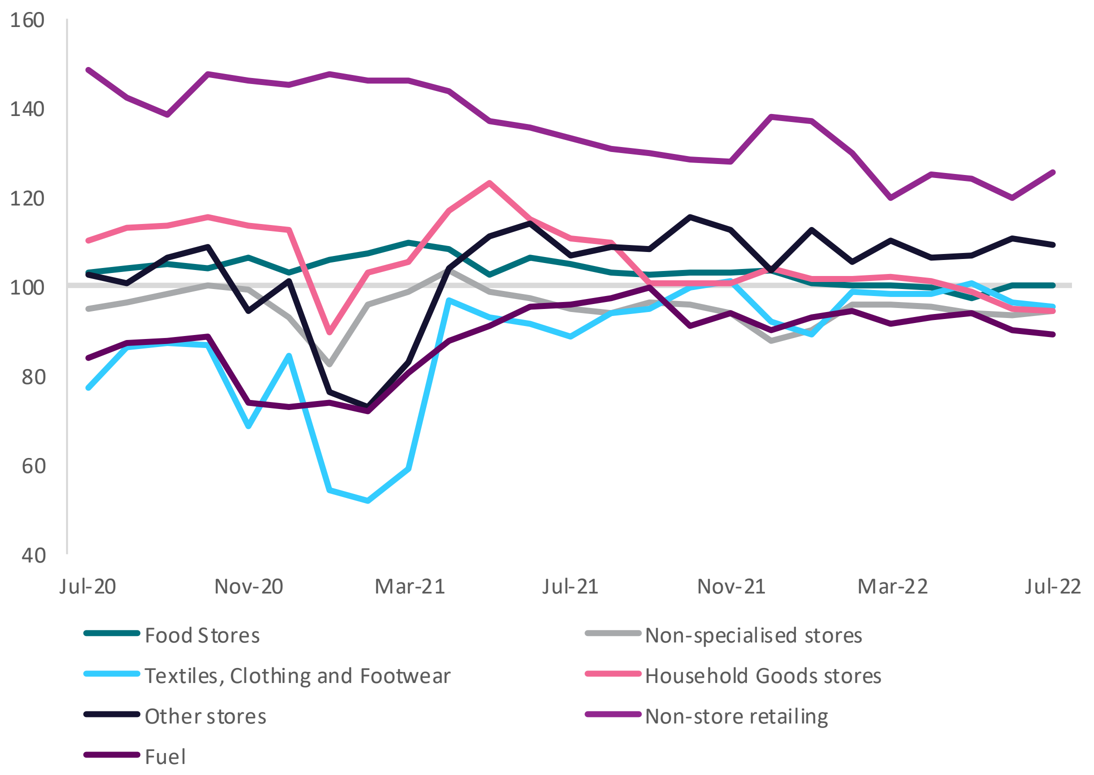


FIG 2 – ONS Retail Sales Category Volumes



SUMMARY JULY

Retail Sales

0.3%

Up from -0.2% in June.

Online Sales

4.8%

Up from -3.7% in June.

Retail sales return to growth as online sales rebound.

BRC INSIGHT

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ONS & BRC SALES GROWTH – VALUE TERMS

% change on year ago	RSI sales	RSM Sales
May-22	1.9	-1.1
Jun-22	1.3	-1.0
Jul-22	5.7	2.3

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
Jul-21	2.8	2.3	1.6	16.5	6.1	5.4	-7.4
Aug	2.0	0.4	-0.4	10.1	2.7	11.0	-5.8
Sep	0.5	-0.4	0.9	10.4	-5.4	4.5	-3.8
Oct	0.9	1.3	-0.5	15.5	-5.9	8.5	-10.3
Nov	5.3	-0.5	-2.1	53.7	-2.3	24.5	-8.3
Dec	4.0	4.8	-1.6	13.9	-3.9	5.0	1.7
Jan	12.6	-1.6	14.8	74.8	26.5	54.5	-1.8
Feb	10.9	-2.1	5.6	107.8	9.9	53.1	-4.0
Mar	5.7	-6.2	2.1	80.3	7.5	40.7	-10.4
Apr	2.9	2.9	1.6	11.4	-1.9	9.3	-4.5
May	1.9	2.5	1.5	16.3	-10.6	2.5	-1.7
Jun	1.3	2.0	1.9	12.8	-8.8	3.4	-5.2
Jul-22	5.7	6.2	6.5	15.5	-5.9	8.2	1.6

Source: ONS RSI

LARGE & SMALL RETAILERS

% change on year ago	ONS Large Retailers	ONS Small Retailers
May-22	2.4	0.5
Jun-22	1.5	0.3
Jul-22	6.6	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
Jul-21	-2.9	-1.8	-2.4	-3.3	-3.8	-6.3	-1.9
Aug	-0.3	-1.6	-1.3	6.0	-0.9	1.9	-2.0
Sep	-0.8	-0.5	2.5	1.3	-8.5	-0.6	-0.7
Oct	1.7	0.6	-0.3	4.8	0.3	7.0	-1.0
Nov	-0.6	-0.3	-1.9	1.5	-0.1	-2.6	-0.3
Dec	-1.3	0.4	-6.9	-9.1	3.2	-8.3	7.7
Jan	-0.3	-2.8	3.0	-3.1	-2.0	9.0	-0.7
Feb	-0.3	-0.3	6.0	11.2	-0.1	-6.5	-5.2
Mar	-0.6	0.0	0.2	-0.5	0.5	4.7	-7.9
Apr	-0.1	-0.1	-0.6	-0.3	-1.1	-3.4	4.6
May	-1.1	-2.6	-1.5	2.3	-2.6	0.6	-0.6
Jun	0.2	2.7	-0.6	-3.9	-3.6	3.6	-3.7
Jul-22	0.4	0.1	1.4	-1.2	-0.4	-1.5	4.8

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
Jul-21	£8.0bn	£2.2bn	1.5	28.0
Aug	£7.8bn	£2.2bn	4.6	27.7
Sep	£7.8bn	£2.2bn	6.7	28.3
Oct	£8.3bn	£2.4bn	0.5	28.9
Nov	£9.5bn	£3.1bn	-7.3	32.8
Dec	£10.1bn	£3.1bn	1.4	30.5
Jan	£7.5bn	£2.3bn	-10.5	30.0
Feb	£7.6bn	£2.1bn	-15.3	27.9
Mar	£8.0bn	£2.1bn	-18.8	26.4
Apr	£8.3bn	£2.2bn	-9.7	26.4
May	£8.3bn	£2.1bn	-8.0	25.7
Jun	£8.3bn	£2.1bn	-9.1	25.1
Jul-22	£8.5bn	£2.2bn	-4.2	25.3

Source: ONS RSI

SUMMARY JULY

ONS Sales

5.7%

Up from 1.3% in June.

Large retailers

6.6%

Up from 1.5% in June.

Sales return to growth

BRC INSIGHT

CBI COMMENTARY

Retailers reported sales volumes in the year to August growing at the fastest pace in nine months. The pick-up in headline sales growth was driven almost entirely by grocers. Retail sales for the time of year in August were judged to be broadly "average". Internet retail sales volumes continued to fall on a year ago, but at far more modest pace than in previous months.

Looking ahead to next month, year-on-year retail sales volumes are expected to continue to rise at a fast pace and internet sales are set to be steady. Sales are also anticipated to remain in line with seasonal norms. However, retailers remain pessimistic about their business situation over the next three months, to the greatest extent since May 2020. This gloom is reflected in firms' expectations to reduce capital expenditures over the next 12 months (relative to the previous 12).

Despite the pessimism across the sector, retailers' hiring intentions remain strong. Headcount grew at a solid pace in the year to August and is expected to continue to expand next month.

Retail price pressures grew more acute in August, with year-on-year average selling prices growing at their quickest pace since 1985. Price inflation is expected to continue at a similarly fast rate next month.

Retailers judged that stocks were "too high" in relation to expected demand in August, to the greatest extent since May 2020. Stock positions are anticipated to remain firm next month.

Elsewhere, wholesalers reported sales volumes stagnating in the year to August, while motor traders saw another fast fall in sales. Wholesale and motor trade sales are both expected to decline next month.

VOLUME OF SALES – REALISED AND EXPECTED

	Balance	Expected
Aug-21	+60	+29
Sep	+11	+39
Oct	+30	+29
Nov	+39	+35
Dec	+8	+56
Jan	+28	+5
Feb	+14	+24
Mar	+9	+14
Apr	-35	+39
May	-1	-8
Jun	-5	-4
Jul	-4	-2
Aug-22	+37	-14

Source: CBI Distributive Trades Survey

SUMMARY AUGUST

CBI Balance

+37

Up from -4 in July.

CBI Expected

-14

Down from -2 in July.

Firms increasingly gloomy about the next three months

BRC INSIGHT

GfK CONSUMER CONFIDENCE

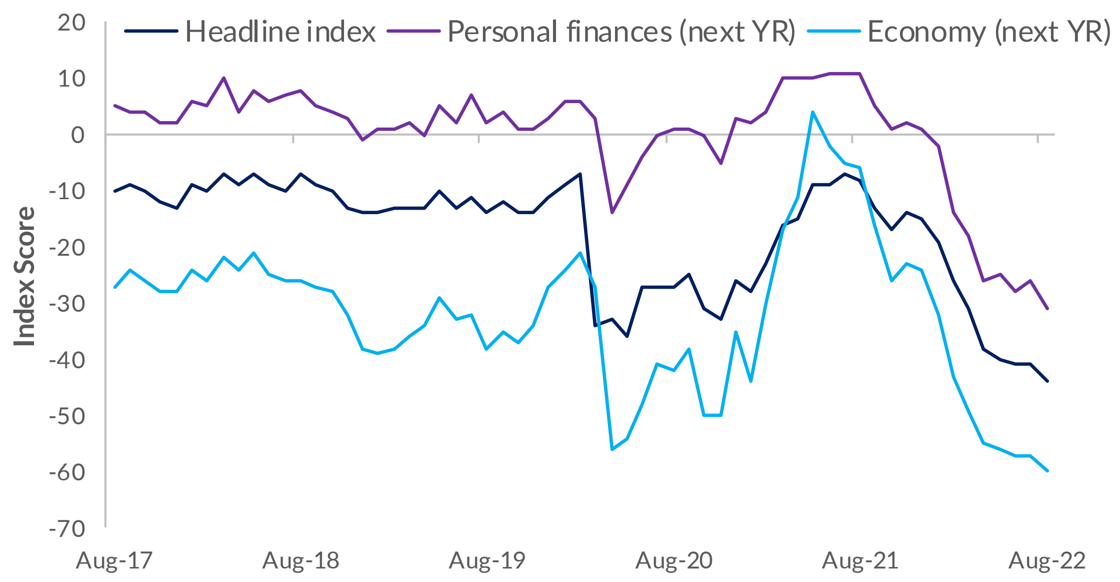
"The Overall Index Score dropped three points in August to -44, the lowest since records began in 1974. All measures fell, reflecting acute concerns as the cost-of-living soars. A sense of exasperation about the UK's economy is the biggest driver of these findings."

"These findings point to a sense of capitulation, of financial events moving far beyond the control of ordinary people. With headline after headline revealing record inflation eroding household buying power, the strain on the personal finances of many in the UK is alarming. Just making ends meet has become a nightmare and the crisis of confidence will only worsen with the darkening days of autumn and the colder months of winter."

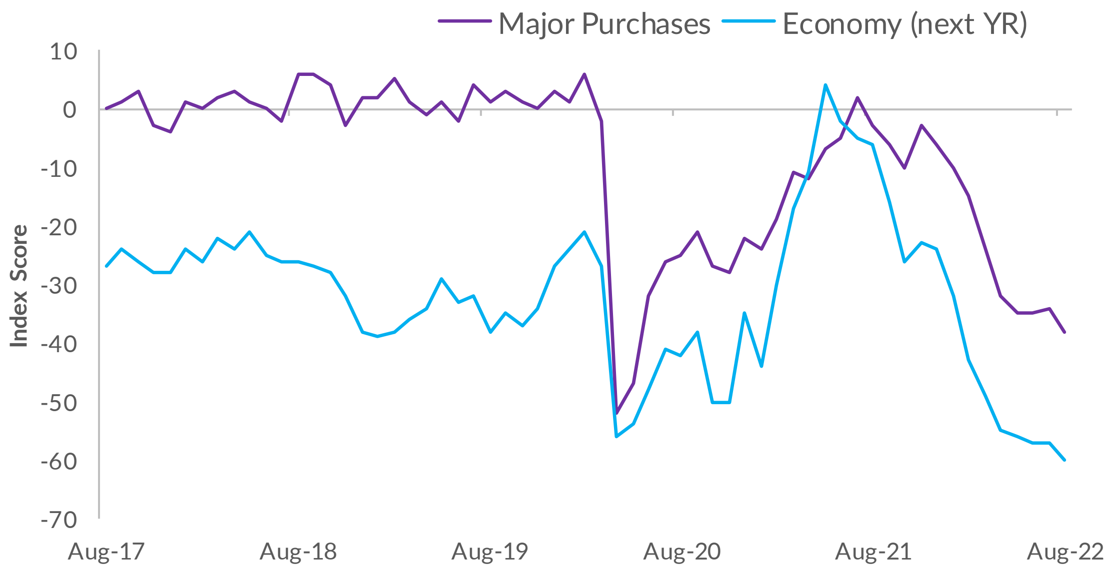
GFK NOP CONSUMER CONFIDENCE INDEX

	Headline index	Major Purchases	Future savings	Personal finances (past YR)	Personal finances (next YR)	Economy (past YR)	Economy (Next YR)
Aug-21	-8	-3	+21	0	11	-42	-6
Sep	-13	-6	+20	-4	5	-43	-16
Oct	-17	-10	+25	-5	+1	-46	-26
Nov	-14	-3	+22	-7	+2	-40	-23
Dec	-15	-6	+22	-5	+1	-39	-24
Jan	-19	-10	+15	-6	-+2	-47	-32
Feb	-26	-15	+14	-11	-+14	-50	-43
Mar	-31	-24	+18	-13	-+18	-51	-49
Apr	-38	-32	+10	-19	-+26	-60	-55
May	-40	-35	+10	-22	-+25	-63	-56
Jun	-41	-35	+9	-23	-+28	-65	-57
Jul	-41	-34	+13	-23	-+26	-66	-57
Aug-22	-44	-38	+18	-25	-31	-68	-60

LONG-TERM TRENDS



Source: GFK Consumer Confidence Index



Source: GFK Consumer Confidence Index

SUMMARY AUGUST

Headline GFK confidence

-44

Down from -41 in July

Major Purchases confidence

-38

Down from -34 in July

Consumer confidence hits rock-bottom.

ONS CONSUMER PRICE INDEX (CPI)

HEADLINE FIGURES, %, YOY

	CPI	Retail Price Index, all items (RPI)	All Items excl. mortgage interest payments (RPIX)
Jul-21	2.0	3.8	3.9
Aug	3.2	4.8	4.9
Sep	3.1	4.9	5.0
Oct	4.2	6.0	6.1
Nov	5.1	7.1	7.2
Dec	5.4	7.6	7.7
Jan	5.5	7.8	8.0
Feb	6.2	8.2	8.3
Mar	7.0	9.0	9.1
Apr	9.0	11.1	11.2
May	9.1	11.7	11.8
Jun	9.4	11.8	11.9
Jul-22	10.1	12.3	12.3

Source: ONS.

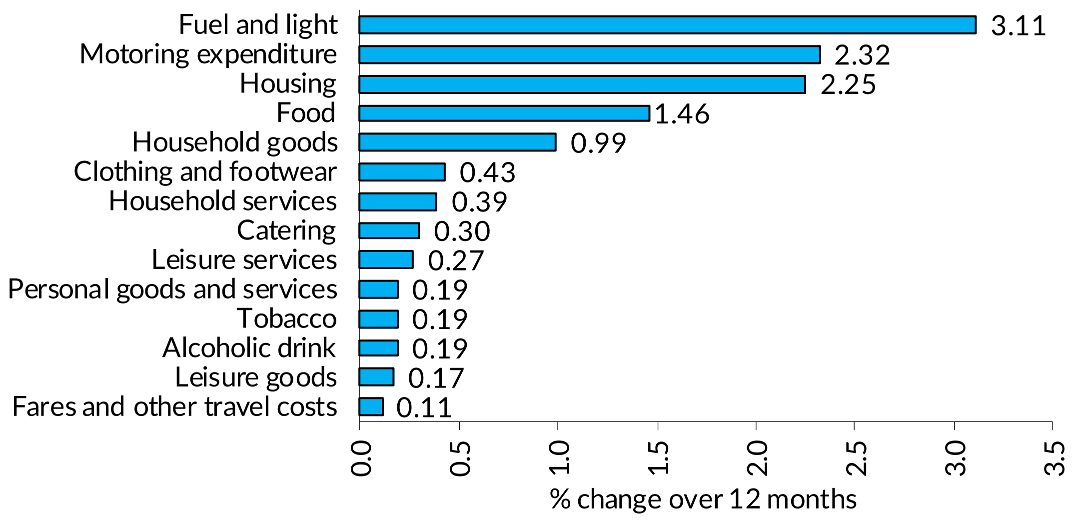
CPI: CONTRIBUTIONS TO THE ANNUAL RATE

	Food & non-alcoholic beverages	Clothing & Footwear	Housing & household services	Furniture & household goods	Transport	Restaurants & hotels
Jul-21	-0.6	1.7	1.7	2.9	7.7	2.2
Aug	0.3	1.3	1.8	3.7	7.8	8.6
Sep	0.8	0.6	1.9	4.5	8.4	5.1
Oct	1.2	-0.4	6.8	5.7	9.9	6.3
Nov	2.5	3.5	7.0	6.1	12.5	5.2
Dec	4.2	4.2	6.9	7.3	11.9	6.0
Jan	4.3	6.3	7.1	8.4	11.3	4.7
Feb	5.1	8.9	7.2	9.1	11.5	5.0
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	7.0	19.4	10.8	13.8	7.6
Jun	9.8	6.2	19.6	10.3	14.9	8.5
Jul-22	12.6	6.7	20.0	10.1	14.8	8.9

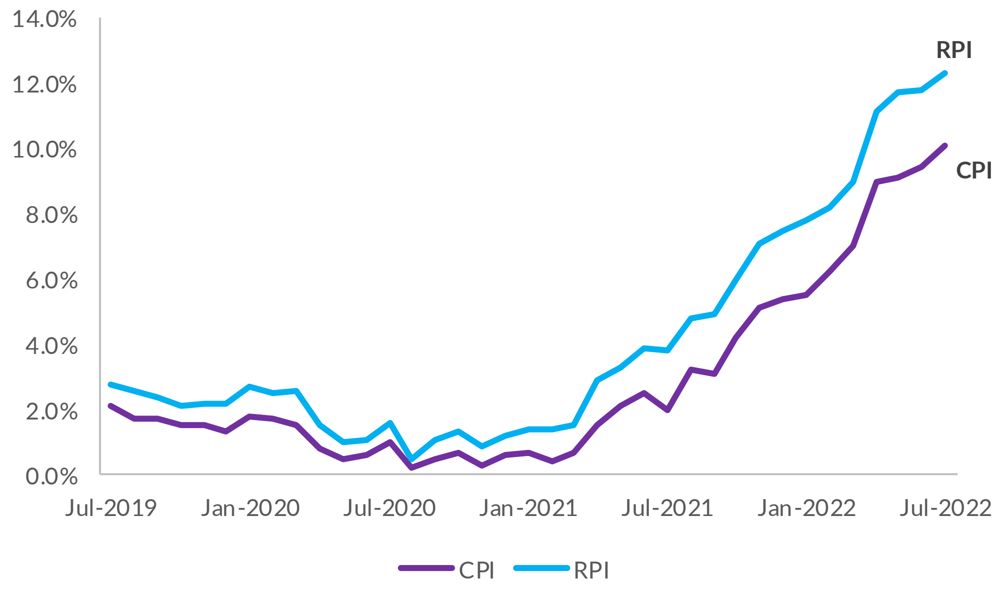
Source: ONS.

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

RPI: CONTRIBUTIONS TO THE ANNUAL RATE



CPI vs RPI



SUMMARY JULY

CPI

10.1%

Up from 9.4% in June.

CPI Food

12.6%

Up from 9.8% in June.

Consumer Price Inflation at its highest since April 1983

BRC INSIGHT

UK EMPLOYMENT

In the three months to June 2022:

- The latest figures continue to suggest tightness in the labour market, with the unemployment rate falling slightly to 3.8%. The employment rate fell slightly, and crucially remains below pre-Covid levels. Worryingly, the inactivity rate has started to rise again, after showing signs of falling, suggesting returns to the labour market have been limited. Close to 350,000 people are no longer economically active when comparing to the pre-pandemic period.
- Total hours worked continued its upward rise, reaching 1.04 billion hours, now only 0.6% below pre-pandemic levels, signifying a considerable degree of normalisation in the labour market.
- The UK employment rate was estimated at 75.5%, 0.4 percentage points lower than the previous three-month period, and 1.2 percentage points lower than before the coronavirus pandemic (December 2019 to February 2020).
- The UK unemployment rate was estimated at 3.8%, down from the previous three-month period, in line with pre-pandemic levels.
- The UK economic inactivity rate was estimated at 21.4%, 0.3 percentage points higher than the previous quarter, and 1.2 percentage point higher than before the coronavirus pandemic.

LABOUR FORCE SURVEY

	Claimant Count		Unemployment	
	mills	% rate	mills	% rate
Jul-21	2.2	5.6	1.6	4.6
Aug	2.1	5.4	1.5	4.4
Sep	2.1	5.2	1.5	4.3
Oct	2.0	5.0	1.4	4.2
Nov	1.9	4.9	1.4	4.1
Dec	1.9	4.7	1.4	4.0
Jan	1.8	4.6	1.3	4.0
Feb	1.8	4.4	1.3	3.8
Mar	1.7	4.2	1.3	3.7
Apr	1.6	4.1	1.3	3.8
May	1.6	4.0	1.3	3.8
Jun	1.5	3.9	1.3	3.8
Jul-22	1.5	3.9		

Source: ONS

EMPLOYMENT (3 MONTHS ENDING)

Employment (mills)	Total	Full-time	Part-time
Jun-21	32.3	24.5	7.8
Jul	32.4	24.6	7.8
Aug	32.5	24.5	8.0
Sep	32.6	24.5	8.0
Oct	32.6	24.5	8.1
Nov	32.6	24.5	8.1
Dec	32.6	24.5	8.1
Jan	32.5	24.4	8.1
Feb	32.6	24.5	8.1
Mar	32.6	24.5	8.1
Apr	32.7	24.6	8.1
May	32.9	24.7	8.2
Jun-22	32.8	24.6	8.2

Source: ONS

SUMMARY

Unemployment Rate

3.8%

Unchanged from 3.8% in May.

Total Employment

75.5%

Down from 75.9% in May.

Unemployment remained unchanged at 3.8% in June, in line with the pre-pandemic rate.

BRC INSIGHT

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EARNINGS

Between April and June 2022:

- **Regular pay** was estimated to have increased by 4.7% in nominal terms and fell by -3.0% in real terms.
- **Total pay** was estimated to have increased by 5.1% in nominal terms and fell by -2.5% in real terms.

Between April 2021 and June 2021 and April 2022 and June 2022:

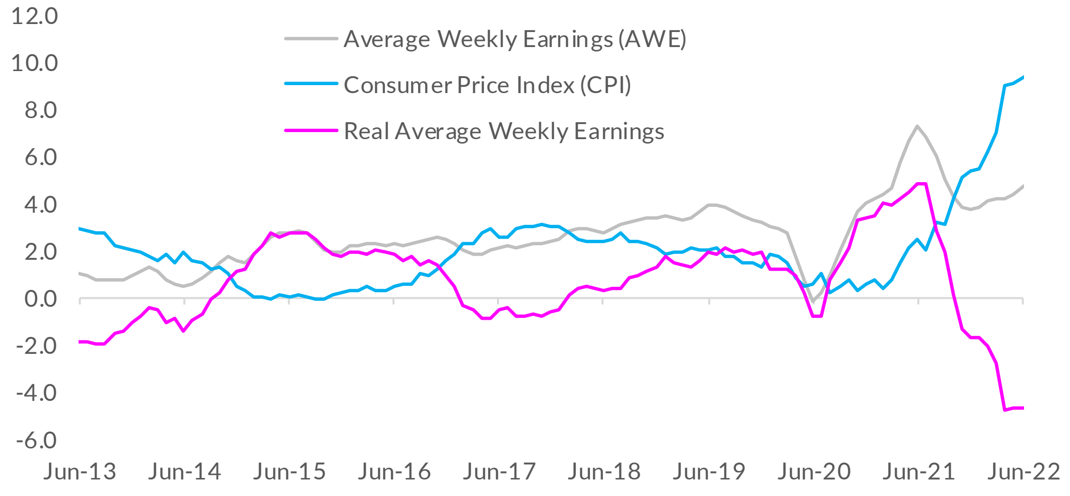
- **Average regular pay (excluding bonuses)** was estimated at £568 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£540 per week) and £475 per week in real terms (constant 2015 prices), lower than the estimate for a year earlier (£489 per week).
- **Average total pay (including bonuses)** was estimated at £611 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£576 per week) and £511 per week in real terms (constant 2015 prices), lower than the estimate for a year earlier (£521 per week).

AVERAGE WEEKLY EARNINGS GROWTH

	Average Weekly Earnings	Consumer Price Index (CPI)	Real Average Weekly Earnings
Jun-21	7.3	2.5	4.8
Jul	6.8	2.0	4.8
Aug	6.0	3.2	2.8
Sep	5.0	3.1	1.9
Oct	4.3	4.2	0.1
Nov	3.8	5.1	-1.3
Dec	3.7	5.4	-1.7
Jan	3.8	5.5	-1.7
Feb	4.1	6.2	-2.1
Mar	4.2	7.0	-2.8
Apr	4.2	9.0	-4.8
May	4.4	9.1	-4.7
Jun-22	4.7	9.4	-4.7

Source: ONS.

LONG TERM EARNINGS SERIES



Note: The average weekly earnings measure used is 'regular pay,' which excludes bonuses and arrears.

SUMMARY JUNE

Regular pay growth

4.7%

Up from May.

Total pay growth

5.1%

Down from 6.4% in May.

Pay growth is increasing in nominal terms however inflation is sharply reducing wages in real terms.

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MONEY, CREDIT & INSOLVENCIES

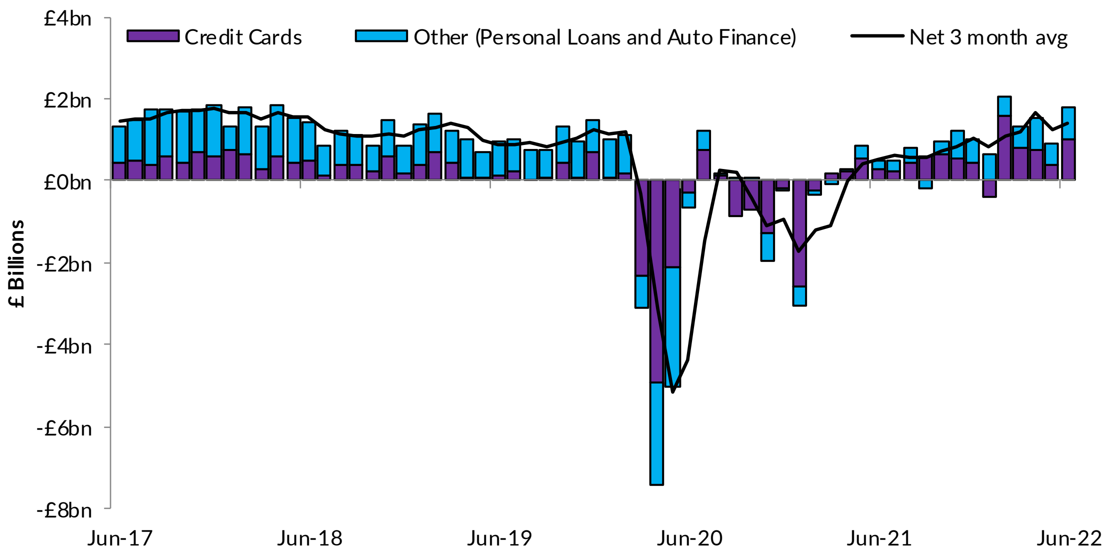
- Consumers in June borrowed an additional £1.8 billion in consumer credit, in net terms, of which £1.0 billion was new lending on credit cards.
- Net borrowing of mortgage debt by individuals decreased to £5.3bn, from £8.0bn in the preceding month. Mortgage approvals for house purchases decreased to 63,700 in June, from 65,700 in May and is moreover below the 12-month pre-pandemic average up to February 2020 of 66,700.
- Sterling money (known as M4ex) decreased to -£2.9 billion in May. Households' holdings of money weakened with net flows of £1.5 billion, compared with £5.2 billion in the preceding month.
- The effective interest rate paid on individuals' new time deposits with banks and building societies rose to 1.58%, compared to 1.25% in the previous month.
- Large businesses borrowing from banks remained flat at £0.9 billion in June, whilst small and medium sized businesses repaid £0.4 billion. Private non-financial companies (PNFCs) redeemed £9.4 billion in net finance from capital markets up from the £5.1 billion redeemed in the preceding month.
- There were 510 retail insolvencies in Great Britain in Q2 2022, 31% higher than in Q1 2022. In 2021, there were 960 insolvencies, a slight increase compared to the 917 figure of 2020.
- There were 32 retail CVAs in Great Britain during Q2 2022. In 2021, the industry saw 43 CVAs , down since 2020 and 2019 when there were 62 and 84 CVAs respectively.

CONSUMER CREDIT

	Consumer Credit monthly changes (bn)	Credit Cards monthly changes (bn)	Other Loans and Advances monthly changes (bn)
Jun-21	£0.5	£0.3	£0.2
Jul	£0.5	£0.2	£0.3
Aug	£0.8	£0.4	£0.4
Sep	£0.4	£0.6	-£0.2
Oct	£0.9	£0.7	£0.3
Nov	£1.2	£0.5	£0.7
Dec	£1.0	£0.4	£0.6
Jan	£0.2	-£0.4	£0.6
Feb	£2.1	£1.6	£0.5
Mar	£1.3	£0.8	£0.5
Apr	£1.5	£0.8	£0.8
May	£0.9	£0.4	£0.5
Jun-22	£1.8	£1.0	£0.8

Source: Bank of England

CONSUMER CREDIT



Source: Bank of England

SUMMARY JUNE

Net consumer credit

£1.8bn

Up from £0.9 billion in May.

Net credit card lending

£1.0bn

Up from £0.4 billion in May.

The effective rate on new personal loans ticked up to 6.71% in May, 19 basis points below the February 2020 level.

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DOLLAR, EURO, YUAN, YEN

	US dollar ($) per pound sterling (£)	Euro (€) per pound sterling (£)	Chinese Yuan (¥) per pound sterling (£)	Japanese Yen (¥) per pound sterling (£)
Jul-21	1.38	1.17	8.91	152.22
Aug-21	1.38	1.17	8.89	151.59
Sep-21	1.37	1.17	8.84	151.27
Oct-21	1.37	1.18	8.80	154.94
Nov-21	1.34	1.18	8.52	153.38
Dec-21	1.33	1.18	8.54	151.46
Jan-22	1.36	1.20	8.52	155.67
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

Source: Average monthly exchange rate, Bank of England

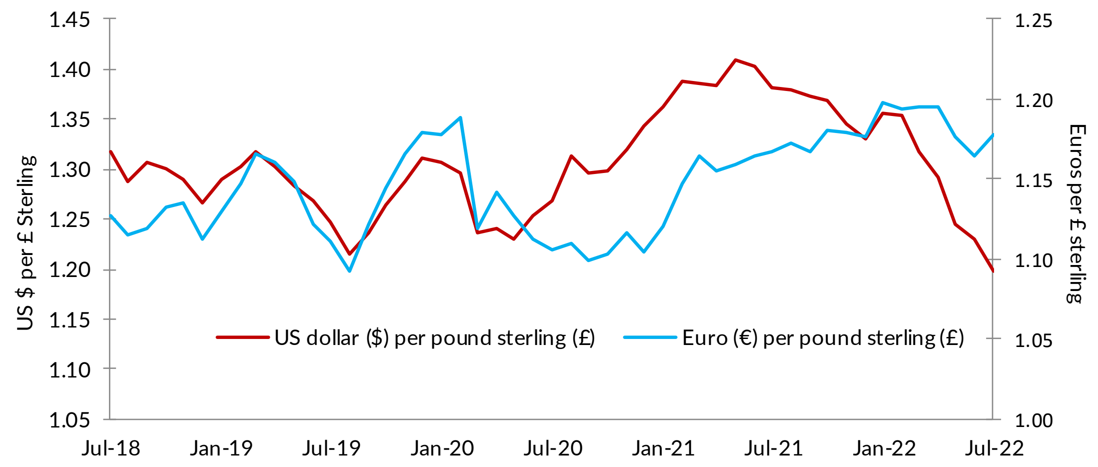
IMPACTS FROM CURRENCY DEPRECIATION

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.

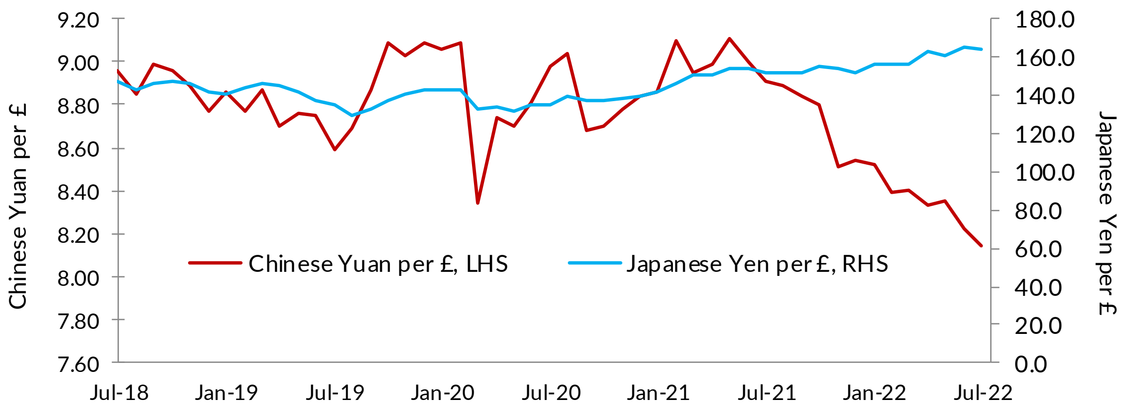
However, this failed to materialise following the post-referendum depreciation from 2016, most likely due to specialised supply chains.

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 JULY

USD TO GBP, YOY

-13%

Sterling depreciation in relation to the USD , YoY.

EURO TO GBP, YOY

0.9%

Sterling appreciation in relation to the Euro, YoY.

Again the Sterling depreciated on the year in July in relation to the US dollar and appreciated in relation to the Euro.

BRC INSIGHT

LONG-TERM FORECASTS FOR THE UK ECONOMY

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

	2022		2023		2024		2025	
	City	OBR	Indep.	OBR	Indep.	OBR	Indep.	OBR
GDP	3.6	3.8	0.5	1.8	1.5	2.1	1.8	1.8
Cons. Spending	4.6	5.4	0.5	1.0	n/a	1.5	n/a	1.1
CPI (Q4)	10.4	7.4	3.1	4.0	2.5	1.5	2.6	1.9
Avg Earnings	5.8	5.3	3.7	2.8	3.6	2.6	3.4	2.9
Bank Rate (Q4)	2.23	1.10	2.30	1.80	2.60	n/a	2.59	n/a

Source: City, OBR and Independent average forecasts: Long-term economic forecasts by city forecasters (average in last 3 months) & independent average from 2020 onwards, OBR.

SUMMARY FORECASTS

GDP 2022

3.5%

A slight downgrade from previous projections of 3.6%.

Avg. Earnings 2022

5.7%

Upgraded from previous projections of 5.3%.

The consensus median forecast for 2022 UK growth in August slowed to 3.5%

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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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