



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

Confidence, inflation, labour market, credit & insolvencies

ECONOMIC MONITOR

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

February 2024

Outlook for inflation improves

The Bank of England (BoE), yesterday, voted to keep interest rates unchanged at 5.25%, stressing the need to keep rates elevated until inflation sustainably returns to the 2% target. Nonetheless, the economic growth outlook improved marginally, and 40% lower gas prices since the end of 2023 are feeding through into a rosier inflation outlook.

Consumer confidence continued its improvement and perceptions surrounding economic conditions are finally escaping negative territory. Service providers report improving demand as a result of lower borrowing costs, suggestive of improving momentum. However, business budgets remain constrained by elevated cost pressures, particularly labour costs.

Inflation is now forecast by the BoE to temporarily return to the 2% target in Q2 2024, due to lower energy bills, before increasing slightly to 2.4% by year-end as the contribution of energy bills to the Consumer Price Index (CPI) becomes less negative. It then sustainably returns to target during the middle of 2025. However, upside risks remain in play, with a close to tripling in shipping costs, and an uncertain future trajectory of oil prices that could jeopardise a smooth decline in the CPI.

GDP GROWTH

-0.1%

% change - QOQ, Q3 2023

Down from 0.0% in Q2 2023

CPI INFLATION

4.0%

% change - YOY December 2023

Up from 3.9% in November

UNEMPLOYMENT

4.2%

November 2023 (*Experimental*)

Unchanged from 4.2% in October

WAGE GROWTH

6.6%

% change - YOY November 2023

Down from 7.2% in October

BRC - KPMG RETAIL SALES

1.7%

% change - YOY, December 2023

Down from 2.7% in November

CONSUMER CONFIDENCE

-19

January 2024

Up from -22 in December

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GDP GROWS IN NOVEMBER

Indicators of Economic Output

GDP grew in November by 0.2%, following a fall of 0.3% in October. Services activity grew and the largest upward contributors were information and communication activities as well as wholesale and retail trade. Consumer-facing services also grew, with the biggest upward contributor being wholesale and retail trade, though in contrast travel agencies, tour operators and other related activities provided the largest negative contribution.

Looking at the most recent quarterly figures, the economy contracted marginally by 0.1% over the third quarter of 2023. Relative to the pre-pandemic benchmark of Q4 2019, economic output is 1.4% above this level. Services output fell marginally, but there was mixed performance, though the biggest decrease came from information and communication. Improving activity levels in education and public administration/defence activities offset this decrease. Production output displayed marginal growth, and within this manufacturing activity expanded, driven by the manufacture of transport equipment. Construction output rose by 0.4% as private residential repair and maintenance works (e.g. retrofits and extensions) drove activity. Looking at the expenditure side, investment provided a negative contribution to headline GDP, and household expenditure fell 0.5% in real terms. Business investment fell 3.2% on the quarter and is currently 3.7% above its pre-Covid level.

The latest S&P Global UK Composite PMI showed activity in January remained in positive territory, with the overall index increasing to 52.5, above the no-change 50-mark. Services continued to lead the resurgence, helped by improving confidence and lower borrowing costs. Manufacturing, in contrast, continued to see a reduction in production volumes. Looking at input costs, freight costs have increased, wage bills are heightening, leading to an increase in output charges for consumers.

Prices and Monetary Policy

Inflation fell in December and the Consumer Price Index rose to 4.0%. Of the headline rate, 0.9% emanates from food, 1.0% from restaurants and hotels and 0.8% from recreation and culture. Housing and energy costs are now pushing down on inflation, shaving off 0.5% from the headline figure. Fuel prices fell for both petrol and diesel, with these figures registered when petrol was £1.43 per litre and diesel £1.51.

Gas and food prices have steadily come down and shipping rates have fallen to levels now below pre-pandemic levels. Global oil prices had recently peaked at \$96 but have more recently settled at \$79 (January average). Domestically, the headline Producer Price Inflation (PPI) measure for business input costs remained in deflation over December. Output cost inflation was, however, flat, in contrast. Input costs for durable items have led this decline, however, sustained inflation in perishables as well as clothing and footwear is pushing up on the headline rate.

The Bank of England (BoE), at the start of this month, opted to keep rates unchanged for a fourth consecutive meeting, following fourteen consecutive hikes, at 5.25%, remaining the highest level since 2008. The latest forecasts are more optimistic about economic growth, though the outlook remains broadly flat with growth not expected to pick up significantly until the end of 2025. Real incomes are expected to exhibit moderate growth (though decline in per-capita terms), helped by healthy nominal wage growth. Interest rates will remain elevated until inflation sustainably settles at the 2% target, with two-thirds of the impact of monetary tightening having come through. Inflation is expected to temporarily reach 2% over Q2 2024, before rising again. Inflation sustainably returns to 2% from Q3 2025 onwards. Households will continue to feel the effects of higher mortgage repayments as more fixed terms come to an end. An estimated 2.3 million mortgages will see an end to their fixed rate by the end of this year, and 2.4 million by the end of 2026.

PROJECTIONS FOR 2024 UK GDP GROWTH

Bank of England (February Forecast)

0.3%

IMF (January Forecast)

0.6%

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JOB VACANCIES FALL FURTHER

Faster Indicators: BRC-KPMG Retail Sales

December was the culmination of the festive period, which is the most important time of the year for many retailers. Therefore, the slowdown to 1.7% on a Total basis was a very disappointing result.

Christmas is of course the culinary highlight of the year for many households, with luxurious food and drinks the order of the day across the country. Food sales recorded growth of 6.8% for the three months to December, which was a significant slowdown from the previous month and from its peak in June.

On the Non-Food side, people were once again clearly reigning in their spending in December, despite the importance of Christmas. Non-Food sales remained in decline, with -1.5% for the three months to December.

Labour Market

The UK’s labour market has begun to cool, and the ONS’ most recent experimental estimate of unemployment has the rate at 4.2%. The job vacancy figures are more reliable and have come firmly down from peaks with hiring intentions slowing considerably. However, the UK continues to have a large share of the workforce not currently seeking work, otherwise known as ‘economically inactive’. As of the most recent figures, 20.8% of those aged 16-64 were inactive in the labour force.

Job vacancies fell to 934,000 in the three months to December, having peaked and now coming down swiftly. This represents 108,000 more vacancies than before the pandemic. Vacancies are above pre-crisis levels in 13 of 18 sectors, most notably accommodation and food as well as healthcare jobs. In absolute terms, the wholesale & and retail sector accounts for the third largest number of vacancies, at 100,000, which is 21,000 below pre-pandemic levels.

Outlook

The latest set of Bank of England forecasts suggest a slightly better outlook for economic growth. Indeed, real income growth is expected to provide support for consumption within the economy, helping to bolster services activity. Despite the less pessimistic picture, the outlook remains flat, and well below historic rates of economic growth. Interest rate hikes so far have a third of their impact yet to materialise, weighing on activity within the economy. Market expectations of interest rate cuts will help ease the income hit faced by households, in the form of lower quoted rates on mortgages, though an income hit in per capita terms remains in play. Heightening shipping costs and broader geopolitical tensions in the Middle East do present upside risks for key commodities, particularly energy. However, assuming gas prices remain low, inflation is expected to be more subdued than had been expected, last year.

% year-on-year (unless otherwise specified)	2022	2023 (f)	2024 (f)	2025(f)	2026(f)
Real GDP	4.3	0.3	0.3	0.8	1.0
Inflation	10.8	4.3	2.8	2.5	2.0
Unemployment (rate)	3.8	4.2	4.5	5.0	5.0
Interest (Bank Rate)	2.8	5.2	4.2	3.4	3.2
Real post-tax labour income	-2.5	0.5	2.0	0.5	-0.3

Source: Bank of England, Monetary Policy Report February 2024

Nb: Headline labour market statistics (unemployment and inactivity rates) are currently experimental. The ONS will resume publication, this month.

PROJECTIONS FOR 2024 UK GDP GROWTH

Bank of England (February Forecast)

0.3%

IMF (January Forecast)

0.6%

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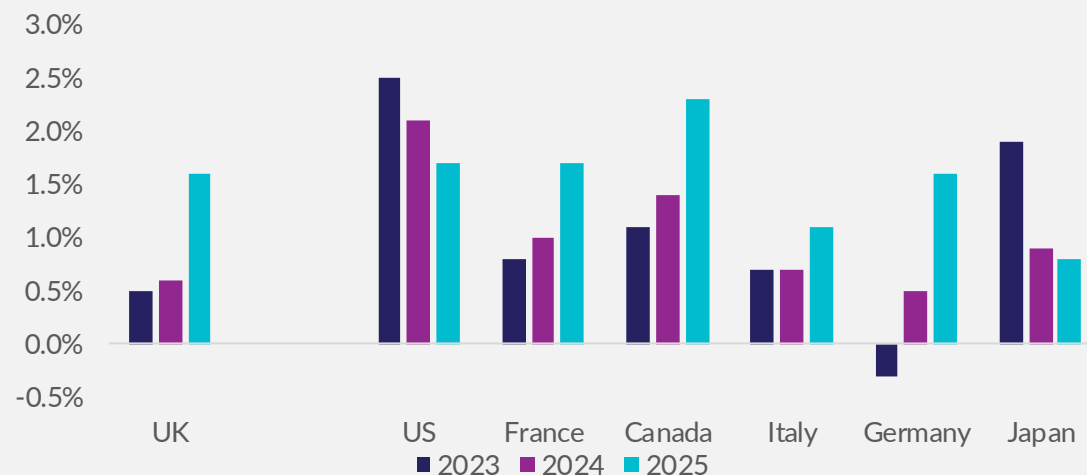


GLOBAL DEMAND UNDER PRESSURE

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, tensions in the Middle East, and the effects of a demand shock from China (as it tries to stem deflation and buoy private consumption amidst the bursting of a property bubble) add tail risks to the global outlook. As these impacts are uncertain and volatile, commodity prices could rise higher as a result. As economic activity experiences persistent headwinds in weaker demand and elevated interest rates, global activity will be weighed upon.

The US economy expanded by 3.3% on an annualised basis in Q4 2023, a sixth consecutive period of growth. The increase was led by improvements in consumer spending, private inventory investment and exports. The US' growth has slowed up following the hike in interest rates with an elevated Federal Funds Rate expected to weigh on growth over the coming quarters.

GDP GROWTH, JANUARY FORECASTS



Source: IMF, The World Economic Outlook.

The Eurozone economy was broadly flat in Q4 2023, growing 0.1% (on an annual basis), little changed from 0.0% in Q3 2023. Germany's economy contracted by -0.2% (lower than -0.3% in Q3 2023). In contrast, France's GDP expanded by 0.7% (up from 0.6% in Q3 2023), Italy's by 0.5% (up from 0.1% in Q3 2023) and Spain's by 2.0% (up from 1.9% in Q3 2023).

The January S&P Global Eurozone Composite PMI shows business activity remained in contractionary territory. Orders have fallen over the past few months and continued to do so in the most recent period, though at a much slower pace. Manufacturing output was less contractionary, but factory output fell for a tenth consecutive month and orders also continued to decline. Price pressures are easing, particularly in input costs which are falling. Service providers, however, continued to record price increases. Indeed, selling price inflation resumed its recent pickup.

US inflation picked up to 3.4% in December 2023 and remains considerably lower than the June 2022 peak 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 to bring inflation back to the target rate. The central bank has signalled a higher likelihood of interest rate cuts, during 2024.

Inflation in the Eurozone has slowed from recent highs, and the European Central Bank kept their key rate unchanged at 4.5%, stressing that further hikes remain on the table. Prices picked up to 2.9% in the 12 months to December, up on November's figure of 2.4%. Energy prices were 6.7% lower on the year, food, alcohol and tobacco prices 6.1% higher and the cost of non-energy industrial goods increased 2.5%.

2024 PROJECTED GROWTH - IMF (JANUARY)

UK

0.6%

US

2.1%

FRANCE

1.0%

GERMANY

0.5%

JAPAN

0.9%

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SALES VOLUMES DROP IN DECEMBER

UK retail sales fell in December 2023, by 3.2%, following (upwardly revised) growth of 1.4% in November. In broader terms, sales volumes fell by 0.9% in the three months leading up to December 2023 when compared to the preceding three months.

Food store sales fell by 3.1%, on the month, following 1.1% growth in November. Growth in volumes fell, with shoppers bringing forward some food shopping. Food stores' sales volumes are now 5.8% below their pre-pandemic February 2020 levels, as consumers continued to grapple with rising living costs and food prices.

Non-food stores fell by 3.9% on the month, with sales volumes having increased by 2.7% in the preceding month. Volumes fell across all categories, though most dramatically in department stores, followed by 'other' stores (jewellery and games shops). Automotive fuel sales volumes fell by 1.9% in December 2023, attributed to falling fuel prices.

The proportion of retail sales conducted online (seasonally adjusted) increased slightly to 27.1% from 26.6% in November. Online sales continue to outperform pre-pandemic levels, which stood at 19.7% in February 2020.

DATA & CHARTS

FIG 1 - Retail Sales Volumes vs Retail Sale Value

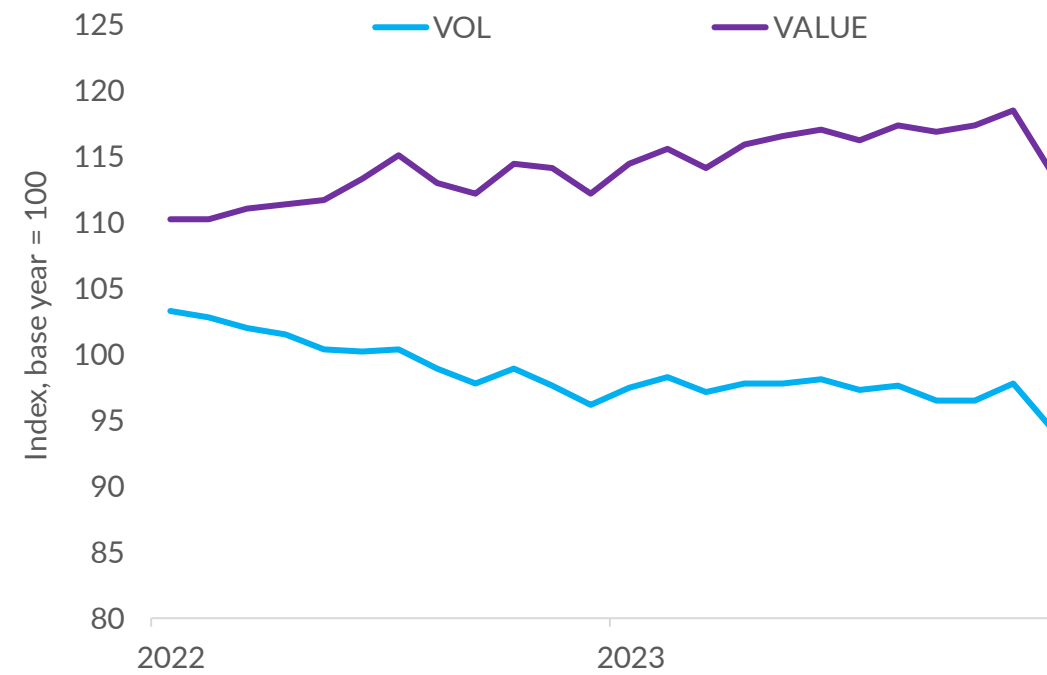
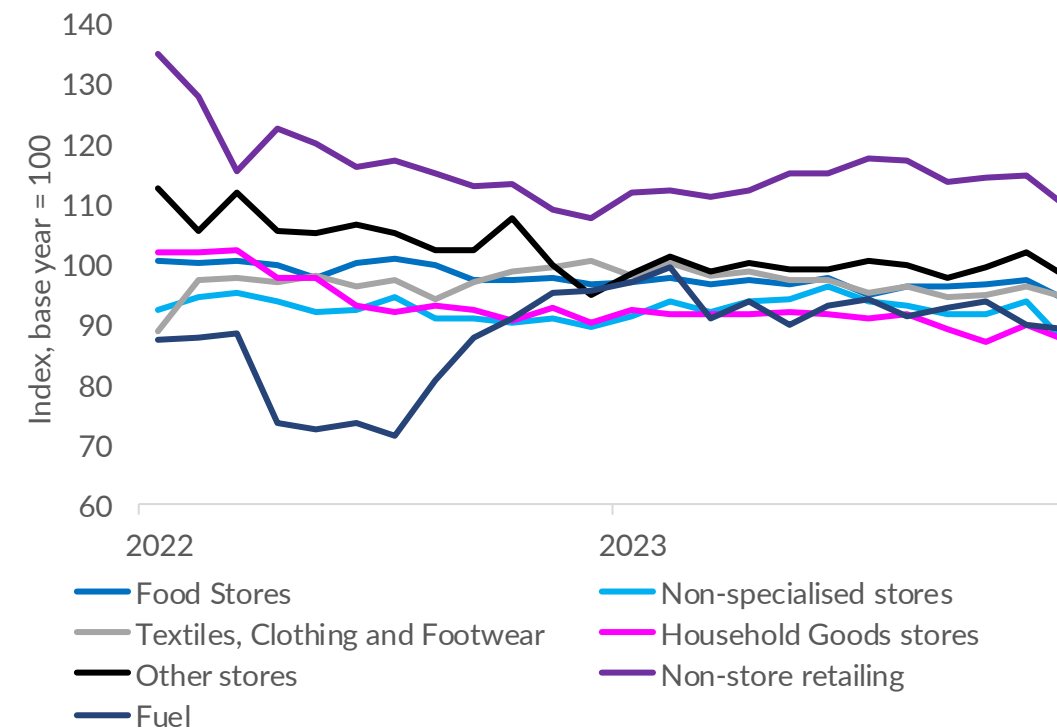


FIG 2 - ONS Retail Sales Category Volumes



SUMMARY DECEMBER

Retail Sales

3.2%



Down from 1.4% in November.

Online Sales

-1.7%



Down from 1.0% in November.

Sales decreased in both value and volume terms



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

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ONS & BRC SALES GROWTH – VALUE TERMS

% change on year ago	RSI Sales	RSM Sales
Oct-23	4.0	2.5
Nov-23	5.6	2.7
Dec-23	2.2	1.7

Source: ONS RSI & BRC RSM

ONS RETAIL SALES GROWTH – VALUE TERMS

M-Y	All (excl. fuel)	Predom. food stores	Depart. stores	Textiles, cloth. & footwear	Househ old goods	Oth. non-food	Non-store retailing
Dec-22	4.4	8.1	10.9	18.5	-1.5	-0.7	-11.6
Jan	2.9	8.6	5.8	18.5	-1.5	-7.3	-10.5
Feb	5.7	11.1	7.2	12.2	-2.7	1.5	-4.9
Mar	4.9	11.1	4.0	8.7	-3.7	-7.3	2.6
Apr	5.7	10.2	7.5	8.9	-0.2	0.4	-1.8
May	7.4	13.0	10.4	6.8	-0.1	0.5	1.8
Jun	6.8	10.2	11.6	8.3	3.2	-2.4	4.0
Jul	4.5	5.7	5.1	4.2	2.9	0.5	5.7
Aug	6.5	7.3	8.0	9.5	2.8	2.3	7.5
Sep	5.5	9.3	5.5	3.6	-1.1	-0.3	4.9
Oct	4.0	8.1	5.5	1.9	-2.9	-3.5	5.1
Nov	5.6	7.3	6.0	1.9	-1.6	5.4	8.3
Dec-23	2.2	4.4	-2.0	-1.0	-6.2	3.0	5.7

Source: ONS RSI

LARGE & SMALL RETAILERS

% change on year ago	ONS Large Retailers	ONS Small Retailers
Oct-23	2.2	10.2
Nov-23	3.0	14.8
Dec-23	-0.7	14.5

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
Dec-22	-1.7	-1.3	-1.3	0.9	-2.6	-5.1	-1.3
Jan	1.4	0.6	1.9	-2.6	2.4	3.9	4.1
Feb	1.2	0.5	2.8	2.5	-0.8	2.8	0.4
Mar	-1.3	-0.8	-1.9	-2.3	0.0	-2.5	-0.9
Apr	0.8	0.5	1.7	0.8	0.1	1.3	0.9
May	-0.1	-0.5	0.8	-1.5	0.2	-0.8	2.4
Jun	0.5	0.9	2.0	-0.2	-0.5	-0.1	0.2
Jul	-1.2	-2.6	-2.7	-2.2	-0.7	1.4	1.9
Aug	0.6	1.4	-0.7	1.2	1.1	-0.7	-0.3
Sep	-1.3	0.0	-1.6	-2.0	-2.8	-1.9	-2.8
Oct	0.2	0.1	0.0	0.5	-2.6	1.5	0.5
Nov	1.3	0.8	2.3	1.3	3.5	2.6	0.2
Dec-23	-3.3	-3.1	-7.1	-1.5	-3.0	-4.5	-2.1

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 % of all retail sales
Dec-22	£10.5bn	£2.8bn	-7.4	27.1
Jan	£7.8bn	£2.1bn	-6.8	27.3
Feb	£8.1bn	£2.1bn	-2.2	25.8
Mar	£8.3bn	£2.2bn	4.1	26.1
Apr	£8.7bn	£2.2bn	2.7	25.8
May	£8.9bn	£2.3bn	7.1	25.7
Jun	£8.8bn	£2.2bn	7.4	25.3
Jul	£8.8bn	£2.3bn	10.1	26.2
Aug	£8.6bn	£2.2bn	10.2	25.2
Sep	£8.4bn	£2.2bn	7.1	25.8
Oct	£9.0bn	£2.4bn	5.5	26.5
Nov	£10.3bn	£3.2bn	8.3	30.7
Dec-23	£10.7bn	£3.0bn	4.1	27.6

Source: ONS RSI

SUMMARY DECEMBER

ONS Sales

2.2%



Down from 5.6% in October.

Large retailers

-0.7%



Down from 3.0% in November.

Strong decrease in department store sales

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CBI COMMENTARY

The retail sector had more negative sales growth, last month. Sales volumes were “poor” for the time of year, in January. Online sales continued to contract and are expected to contract again next month, at a similar pace.

Year-on-year sales declines in volumes are expected to fall at a similar pace next month. Stock positions were considered “high” relative to expected sales. Retailers anticipate that orders will contract this month, though at a slower pace than during the previous month.

Wholesalers saw volumes contract in the year to January, contracting for the eighth month in a row. Sales volumes are expected to decline next month as well, at a similar pace. Distribution reported sales volumes declined when compared to last month, but at a broadly similar pace. Sales are expected to fall at a similar rate over this month.

VOLUME OF SALES – REALISED AND EXPECTED

	Balance	Expected (next month)
Feb-23	+2	-15
Mar	+1	-18
Apr	+5	+9
May	-10	-7
Jun	-9	0
Jul	-25	0
Aug	-44	-32
Sep	-14	-21
Oct	-36	-8
Nov	-11	-13
Dec	-32	-6
Jan	-50	-41
Feb-24		-50

Source: CBI Distributive Trades Survey

SUMMARY DECEMBER

CBI Balance

-50



Down from -32 in November.

CBI Expected (February)

-50



Down from -41 in January.

Sales outlook for this month deteriorates

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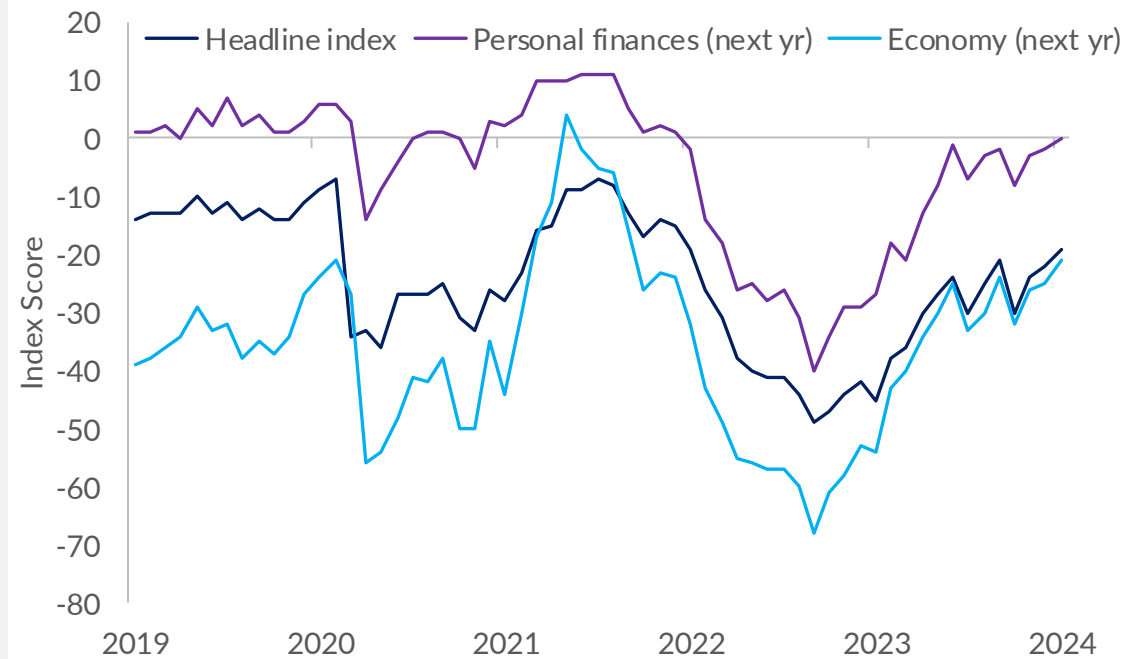
“Consumer confidence has started the year well with all measures up and a headline score of -19, the best since January 2022. Importantly, the view on our personal financial situation for the coming year has gained two points and now stands at zero. This is exciting as it ends 24 consecutive months of negative scores for this measure and this significant change is the best single indicator for how the nation’s households feel about their income and expenditure.

Despite the cost-of-living crisis still impacting many households across the UK, consumers appear to be encouraged by the positive news about falling inflation. On balance, while there is national and global turmoil, the Consumer Confidence Index has started 2024 on a positive note – let’s see if this optimism continues.”

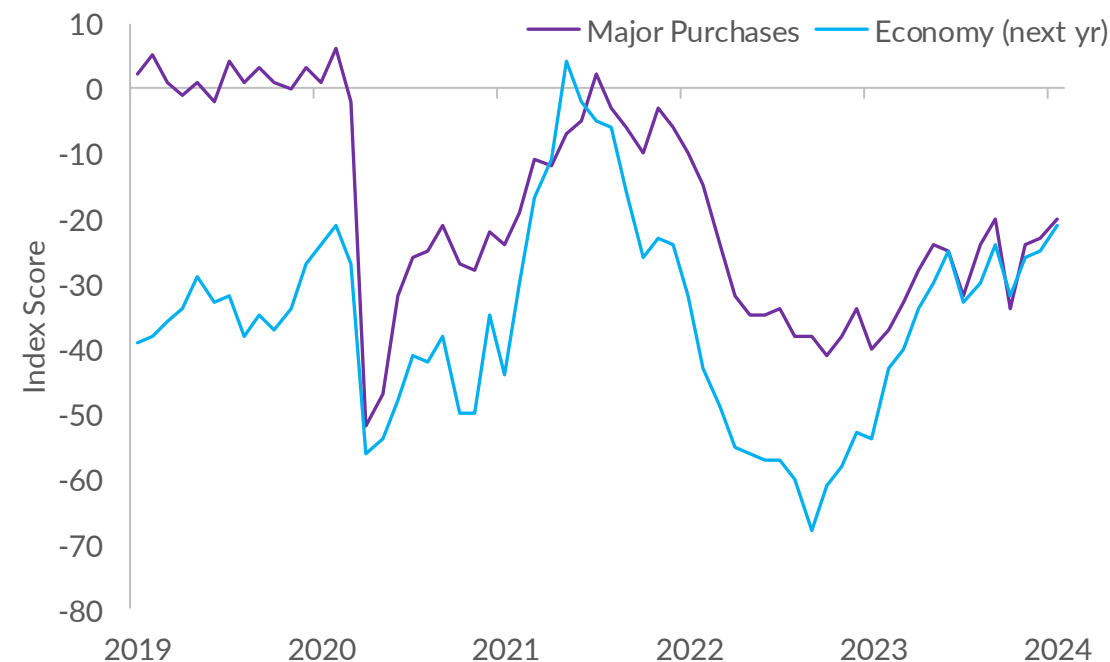
GfK NOP CONSUMER CONFIDENCE INDEX

	Headline index	Major Purchases	Personal finances (past YR)	Personal finances (next YR)	Economy (past YR)	Economy (Next YR)
Jan-23	-45	-40	-31	-27	-71	-54
Feb	-38	-37	-26	-18	-65	-43
Mar	-36	-33	-26	-21	-62	-40
Apr	-30	-28	-21	-13	-55	-34
May	-27	-24	-20	-8	-54	-30
Jun	-24	-25	-15	-1	-54	-25
Jul	-30	-32	-20	-7	-58	-33
Aug	-25	-24	-15	-3	-52	-30
Sep	-21	-20	-13	-2	-47	-24
Oct	-30	-34	-19	-8	-54	-32
Nov	-24	-24	-16	-3	-49	-26
Dec	-22	-23	-14	-2	-44	-25
Jan-24	-19	-20	-12	0	-41	-21

LONG-TERM TRENDS



Source: GfK Consumer Confidence Index



Source: GfK Consumer Confidence Index

SUMMARY JANUARY

Headline GfK confidence

-19



Up from -22 in December

Major Purchases confidence

-20



Up from -23 in December

Consumer confidence increases in January

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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)
Dec-22	10.5	13.4	12.9
Jan	10.1	13.4	12.6
Feb	10.4	13.8	12.9
Mar	10.1	13.5	12.6
Apr	8.7	11.4	10.4
May	8.7	11.3	10.3
Jun	7.9	10.7	9.6
Jul	6.8	9.0	7.9
Aug	6.7	9.1	7.8
Sep	6.7	8.9	7.6
Oct	4.6	6.1	4.8
Nov	3.9	5.3	4.1
Dec-23	4.0	5.2	4

Source: ONS.

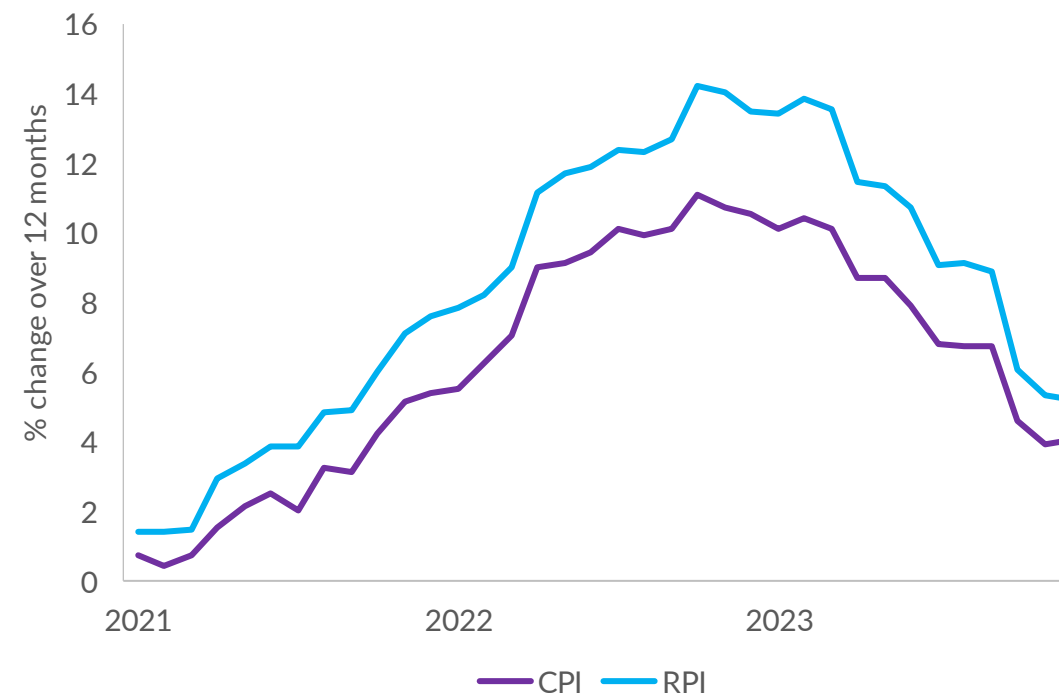
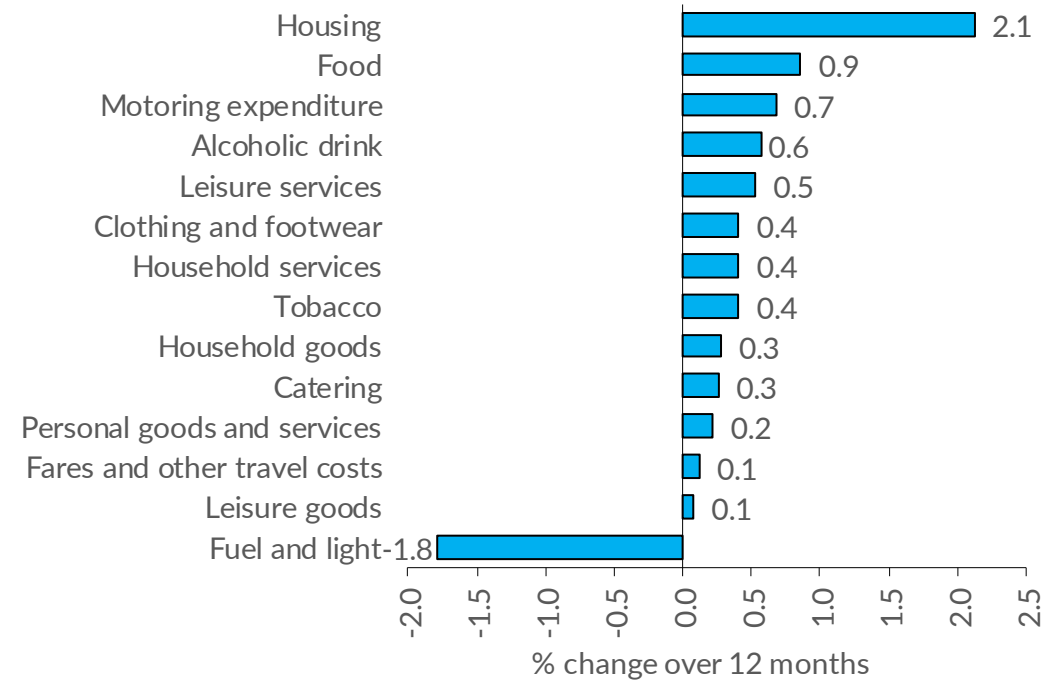
CPI: CONTRIBUTIONS TO THE ANNUAL RATE

	Food & non-alcoholic beverages	Clothing & Footwear	Housing & household services	Furniture & household goods	Transport	Restaurants & hotels
Dec-22	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	18.0	8.1	26.6	8.7	2.9	12.1
Mar	19.1	7.2	26.1	8.0	0.8	11.3
Apr	19.0	6.8	12.3	7.5	1.5	10.2
May	18.3	7.1	12.1	7.5	1.2	10.3
Jun	17.3	7.2	12.0	6.5	-1.8	9.5
Jul	14.8	6.6	6.8	6.2	-2.0	9.6
Aug	13.6	7.0	7.0	5.1	-0.5	8.3
Sep	12.1	6.9	6.9	3.7	0.7	8.6
Oct	10.1	6.2	-3.5	3.1	0.5	7.5
Nov	9.2	5.7	-3.4	2.3	-1.5	7.5
Dec-23	8.0	6.4	-3.4	2.5	-1.1	7.0

Source: ONS.

For the BRC's in-house data on Shop Price inflation, [visit here](#).

RPI: CONTRIBUTIONS TO THE ANNUAL RATE



SUMMARY DECEMBER

CPI

4.0%

Up from 3.9% in November.



CPI Food

8.0%

Down from 9.2% in November.



CPI edges up slightly

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UK EMPLOYMENT

In the three months to November 2023 (experimental estimates):

- The UK employment rate was estimated at 75.8%, 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 4.2%, unchanged over the previous three-month period, and 0.3 percentage points above pre-Covid levels.
- Total hours worked fell in the most recent reporting period (September), to 1.04 billion hours, slightly below pre-pandemic levels, signifying normalisation in the labour market.
- The UK economic inactivity rate was estimated at 20.8%, 0.1 percentage points higher than the previous quarter, and 0.6 percentage points higher than before the coronavirus pandemic.

NB: Headline estimates are experimental, and the hours worked figures will be updated when the Office for National Statistics resolves methodological concerns surrounding the UK's labour market figures (release expected this month, see more information [here](#)).

LABOUR FORCE SURVEY

	Claimant Count		Unemployment	
	mills	% rate	Mills	% rate
Dec-22	1,540	3.9	1,270.00	3.7
Jan	1,518	3.9	1,253	3.7
Feb	1,499	3.8	1,293	3.8
Mar	1,526	3.9	1,329	3.9
Apr	1,549	3.9	1,305	3.8
May	1,527	3.9	1,370	4.0
Jun	1,543	3.9	1,439	4.2
Jul	1,550	4.0	1,440	4.2
Aug	1,541	3.9	1,444	4.2
Sep	1,550	4.0	1,448	4.2
Oct	1,559	4.0	1,453	4.2
Nov	1,560	4.0	1,460	4.2
Dec-23	1,571	4.0	NA	NA

Source: ONS

EMPLOYMENT (3 MONTHS ENDING)

Employment (3 months ending) (000s)	Total	Full-time	Part-time
Nov-22	32,781	24,578	8,202
Dec	32,813	24,536	8,277
Jan	32,839	24,504	8,335
Feb	32,950	24,572	8,378
Mar	32,995	24,537	8,458
Apr	33,089	24,636	8,453
May	33,053	24,590	8,462
Jun	32,929	24,396	8,533
Jul	32,959	24,420	8,462
Aug	32,975	NA	NA
Sep	32,985	NA	NA
Oct	33,014	NA	NA
Nov-23	33,048	NA	NA

Source: ONS

SUMMARY NOVEMBER

Unemployment Rate

4.2%



Unchanged from 4.2% in October.

Total Employment

75.8%



Up from 75.7% in October.

Inactivity reduces slightly

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EARNINGS

Between September and November 2023:

- **Regular pay** was estimated to have increased by 6.6% in nominal terms and increased by 1.3% in real terms.
- **Total pay** was estimated to have increased by 6.5% in nominal terms and increased by 1.4% in real terms.

Between September and November 2022 and September and November 2023:

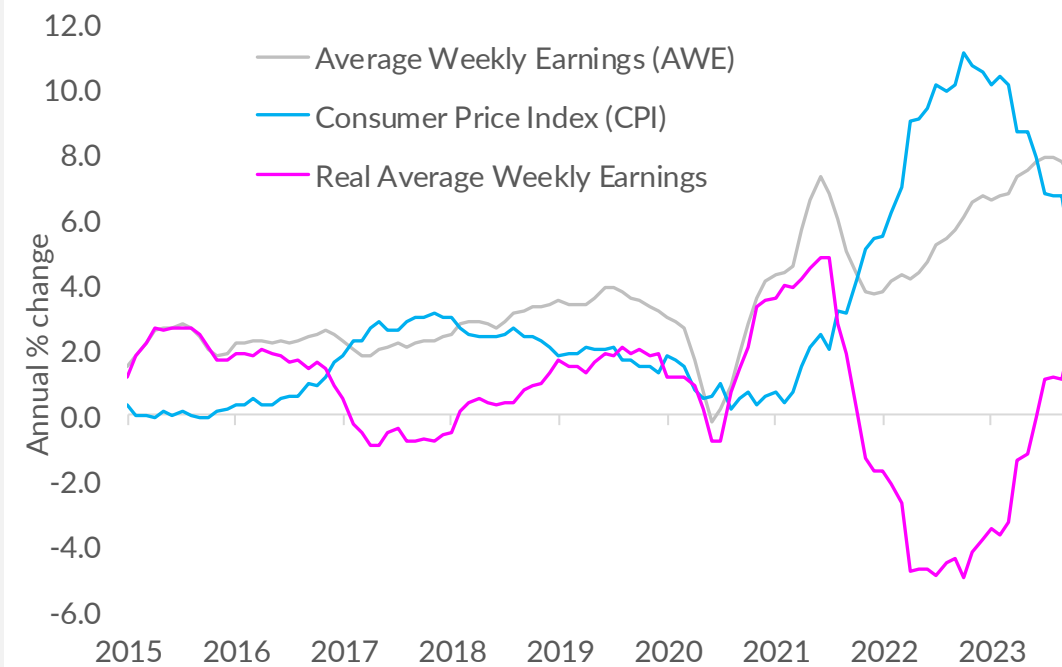
- **Average regular pay (excluding bonuses)** was estimated at £623 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£588 per week) and £480 per week in real terms (constant 2015 prices), higher than the estimate for a year earlier (£472 per week).
- **Average total pay (including bonuses)** was estimated at £666 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£634 per week) and £510 per week in real terms (constant 2015 prices), higher than the estimate for a year earlier (£507 per week).

AVERAGE WEEKLY EARNINGS GROWTH

	Average Weekly Earnings	Consumer Price Index (CPI)	Real Average Weekly Earnings
Dec-22	6.7	10.5	-3.8
Jan	6.6	10.1	-3.5
Feb	6.7	10.4	-3.7
Mar	6.8	10.1	-3.3
Apr	7.3	8.7	-1.4
May	7.5	8.7	-1.2
Jun	7.8	7.9	-0.1
Jul	7.9	6.8	1.1
Aug	7.9	6.7	1.2
Sep	7.8	6.7	1.1
Oct	7.2	4.6	2.6
Nov	6.6	3.9	2.7
Dec-23		4.0	

Source: ONS.

LONG TERM EARNINGS SERIES



SUMMARY NOVEMBER

Regular pay growth

6.6%



Down from 7.2% in October.

Total pay growth

6.5%



Down from 7.2% in October.

Wage growth is easing in nominal terms

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MONEY, CREDIT & INSOLVENCIES

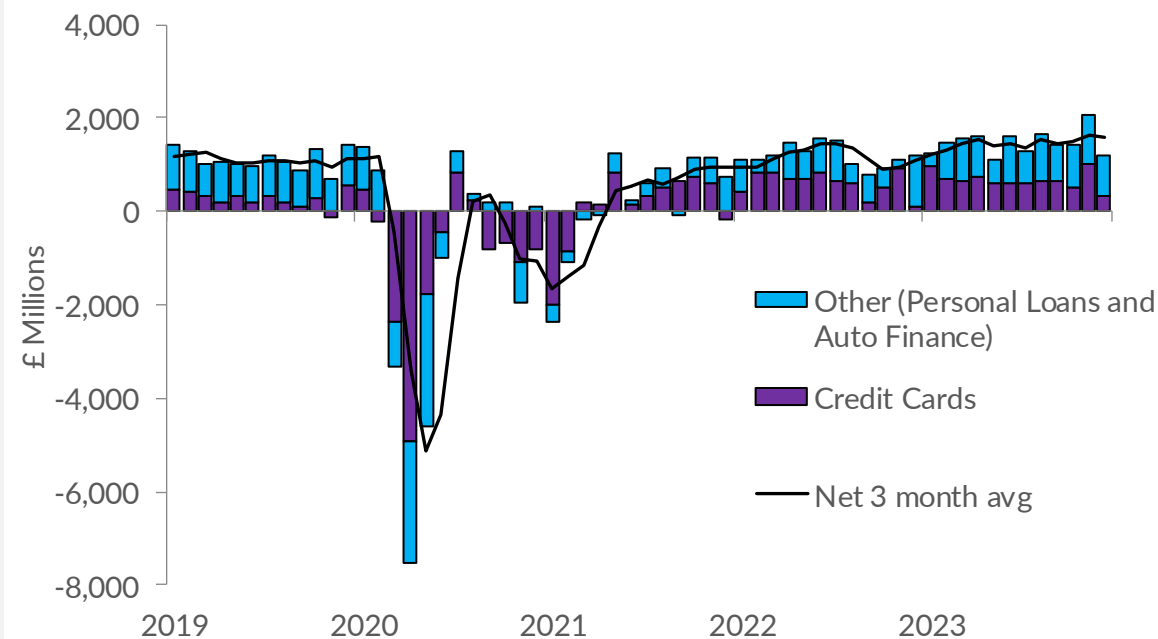
- Consumers in December borrowed an additional £1.2 billion in consumer credit, in net terms, of which borrowing was £0.9 billion in personal/auto loans and £0.3 billion of which was repayments on credit cards.
- Individuals repaid £0.8bn in mortgage debt in December, compared to net zero borrowing in November. Mortgage approvals for house purchases increased to 50,459, up from 49,313.
- Sterling money (known as M4ex) net flows were £19.9 billion in December, up from -£2.9 billion in the preceding month. Households in net terms deposited £5.4 billion from banks and building societies, compared with £3.9 billion of deposits in the preceding month.
- The effective interest rate paid on households' new time deposits with banks and building societies fell to 4.8, down from 5.1%.
- Private non-financial companies (PNFCs) in total borrowed a net £0.7 billion in market finance from capital markets, compared to £1.4 billion of net repayments in the preceding month.
- There were 634 retail insolvencies in Great Britain in Q4 2023, up from 550 in Q3 2023. In 2023, there were 2,331 insolvencies, 22.6% higher compared to the 1,901 figure in 2022.
- There were 4 retail CVAs in England and Wales during Q4 2023, up from 2 in Q3 2023. In 2023, the industry had 14 companies enter a Company Voluntary Arrangement, up since 2022 and 2021 when there were 10 and 13 CVAs respectively.

CONSUMER CREDIT

	Consumer Credit monthly changes (bn)	Credit Cards monthly changes (bn)	Other Loans and Advances monthly changes (bn)
Dec-22	1,209	97	1,111
Jan	1,259	963	295
Feb	1,457	678	779
Mar	1,562	648	914
Apr	1,587	717	870
May	1,111	612	499
Jun	1,614	604	1,010
Jul	1,276	609	667
Aug	1,669	660	1,008
Sep	1,431	624	808
Oct	1,424	530	894
Nov	2,058	987	1,071
Dec-23	1,197	307	891

Source: Bank of England

CONSUMER CREDIT



Source: Bank of England

SUMMARY DECEMBER

Net consumer credit
£1.2bn



Down from £2.1 billion in November.

Net credit card lending
£0.3bn



Down from £1.0 billion in November.

The effective rate on new personal loans increased to 9.2% and was unchanged on credit cards at 20.9%

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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 (£)
Dec-22	1.22	1.15	8.60	164.51
Jan	1.22	1.14	8.29	159.45
Feb	1.21	1.13	8.17	160.84
Mar	1.21	1.13	8.26	162.15
Apr	1.25	1.13	8.54	166.23
May	1.25	1.15	8.68	171.03
Jun	1.26	1.17	8.83	178.57
Jul	1.29	1.17	9.20	181.72
Aug	1.27	1.16	9.13	183.88
Sep	1.24	1.16	9.17	183.06
Oct	1.22	1.15	8.82	182.01
Nov	1.24	1.15	9.05	186.13
Dec-23	1.27	1.16	9.02	182.28

Source: Average monthly exchange rate, Bank of England

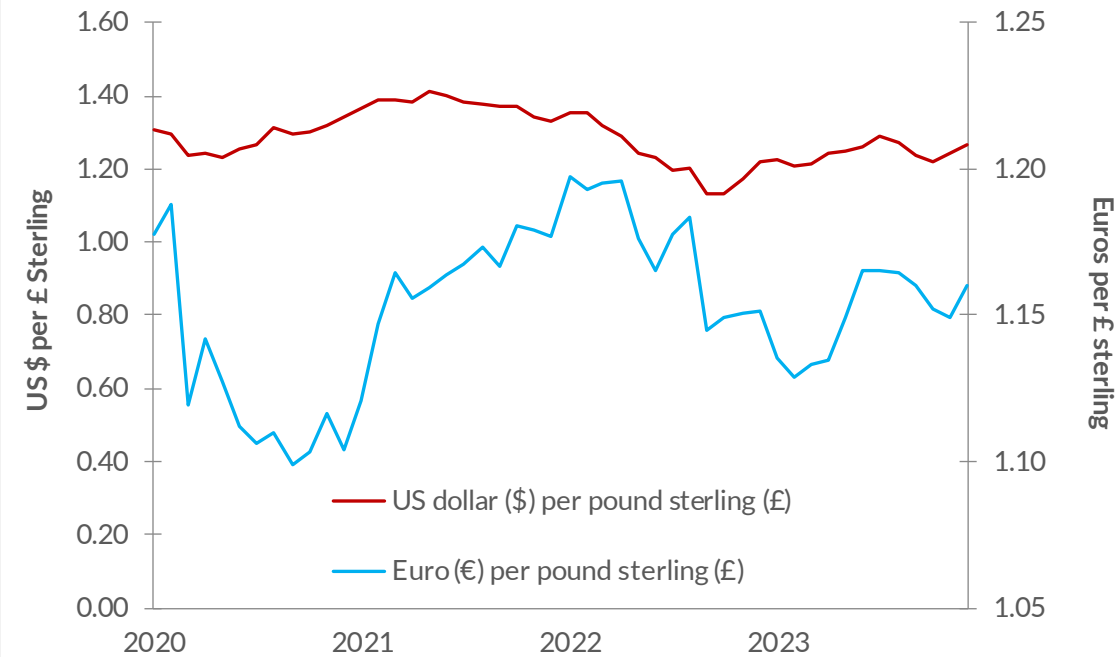
IMPACTS FROM CURRENCY DEPRECIATION

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.

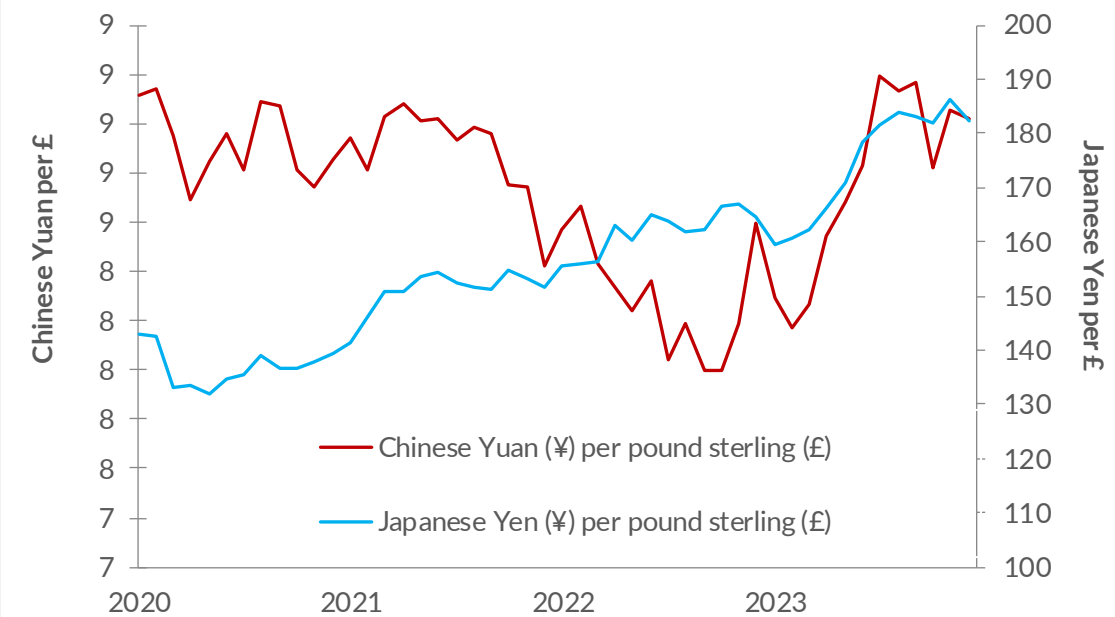
However, this failed to materialise following the post-referendum depreciation from 2016, most likely due to specialised supply chains.

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 DECEMBER

USD TO GBP, YOY

3.8%

Sterling appreciation in relation to the USD, YoY.



EURO TO GBP, YOY

0.8%

Sterling appreciation in relation to the Euro, YoY.



Sterling was higher on the year in December in relation to the US dollar and in relation to the Euro.



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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	0.4	0.6	0.2	0.7	1.8	1.4
Cons. Spending	0.5	0.5	0.2	0.5	N/A	1.0
CPI (Q4)	4.0	7.5	2.1	3.6	2.6	1.8
Avg Earnings	6.4	6.8	3.6	3.7	3.4	2.2
Bank Rate (Q4)	5.3	5.4	4.3	4.9	3.9	4.4

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

SUMMARY FORECASTS

GDP 2023

0.4%



Revised down from the previous projection of 0.5%

Avg. Earnings 2023

6.4%



Revised down from the previous projection of 6.7%.

The consensus City forecast for 2023 growth in December was 0.4%

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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 help our members with insight into the market in which they operate and to benchmark their performance against their peers.

The BRC produces some of the leading measures of UK retail performance, including sales, footfall, property vacancies and more.

You can find out more about our work by visiting <https://brc.org.uk/insight/>

ECONOMIC MONITOR

The BRC’s Economic Monitor is our monthly measure of the global & UK economy, the wider trading environment, and a collection of performance market measures within this context.

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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