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.

June 2023

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INFLATION BACK INTO SINGLE-DIGITS

Overall UK inflation has finally fallen back into single-digits. Much of the prior energy price rises have fallen out of the annual inflation calculation, bringing down the headline rate. The BRC-NielsenIQ Shop Price Index (SPI) suggests that food inflation is now easing, though with still-high input costs, the pace at which inflation falls is likely to be slow.

Retail performance over Q1 2023 has exceeded BoE and OBR expectations, and service sector activity continued to grow in April and into May, according to the latest flash Purchasing Manager's Index. Consumer spending is thus likely to hold up retail demand over Q2, however, businesses continue to face elevated input costs. Although commodity prices and transport costs have fallen, higher wage settlements are increasing input costs and are largely fixed in the short term.

This persistence in inflation will hit consumer spending through elevated energy bills and high grocery and housing costs. However, sustained wage pressures will offer some relief to working households. This means the UK is likely to avoid a contraction in economic output this year, although the broader picture is one of a stagnant economy through to 2024. With inflationary pressures becoming embedded in the economy and the persistence of relatively high wage growth and food price inflation, the likelihood is of further interest rate rises by the Bank of England, with most city analysts now predicting rates beyond 5%.

GDP GROWTH

0.1%

% change – QoQ, Q1 2023

Unchanged from 0.1% in Q4 2022

CPI INFLATION

8.7%

% change - YOY April 2023

Down from 10.1% in March

UNEMPLOYMENT

3.9%

March 2023

Up from 3.8% in February

WAGE GROWTH

6.7%

% change – YOY March 2023

Up from 6.6% in February

BRC – KPMG RETAIL SALES

5.1%

% change – YOY, April 2023

Unchanged from 5.1% in March

CONSUMER CONFIDENCE

-27

May 2023

Up from -30 in April

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GDP FELL IN MARCH

Indicators of Economic Output

GDP fell in March by 0.3%, following flat growth in February. Services activity fell, with the largest downward contributor being wholesale and retail trade, seeing deteriorating performance. Consumer-facing services also saw activity fall as poor weather affected footfall and high food prices weighed on demand.

Looking at the most recent quarterly figures, the economy expanded slightly over the first quarter of 2023, by 0.1%. Relative to the pre-pandemic benchmark of Q4 2019, economic output is 0.5% below this level. Services output did rise, but was generally flat, brought down by the impact of strikes, affecting in particular education and transport. Improving activity levels in information and communication contributed the most to growth. Production output also saw slight growth, with manufacturing activity within this performing well, particularly manufacture of metals and electronic products. Construction output, however, rose by 0.7% as residential repair and maintenance works (e.g. extensions and refurbs) drove activity. Looking on the expenditure side, investment positively contributed to headline GDP, with household expenditure showing no real growth. Business investment rose 1.3% on the quarter, and is now 1.4% below its pre-Covid level. Inventories did fall within this, led by continuing stock reduction in the retail sector.

The latest S&P Global Flash PMI showed activity continued to expand beyond expectations into May, with the overall index slightly decreasing to 53.9, remaining above the no-change 50-mark. This expansion continued to be driven by growth in service sector activity as consumer spending remained resilient. Manufacturing activity in contrast remained in contraction territory, a third consecutive fall, impeded by subdued order books. Inflationary pressures remain, though eased to their weakest since March 2021. Purchasing managers noted while commodity price pressure and falling transport costs were reducing input costs, higher wage costs were increasing them.

Prices and Monetary Policy

Inflation eased in April, finally escaping double-digit territory. The Consumer Price Index fell from 10.1% to 8.7%, with Ofgem's price cap increase in April 2022 dropping out of the annual comparison. Of the headline rate, 1.8% emanates from housing, energy and transport costs and 2.2% from food. Fuel prices continue to fall, with these figures registered when petrol was £1.46 per litre and diesel £1.62.

There continues to be no clarity in the outcome of the Ukraine-Russia conflict. A stalemate has formed, and no end in sight is apparent. The Black Sea Grain initiative is set to expire in July and 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, with metals the latest commodity to have seen higher prices over the past few months.

The Spring Budget in March 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 17% 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 imported food products. 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 May, opted to hike rates for a twelfth consecutive meeting, reaching 4.5%, 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 be weighed upon over H2 2023 but remains resilient, suggesting sales demand will pick up as inflation begins to ease. However, the bank rate futures curve has risen to 4.8%, with a further rate hike expected at their next meeting on the 22nd of June. 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 (May Forecast)

0.3%

IMF (April Forecast)

-0.3%

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ECONOMIC INACTIVITY FALLS

Faster Indicators: BRC-KPMG Retail Sales

The third consecutive month at broadly the same level of growth, once again at 5.1% on a Total basis, highlights the stagnation seen in the retail industry in spring this year. On its own, this result would ordinarily be seen as another strong performance, but as the country remains in an inflation driven cost of living crisis, the growth rate contradicts the underlying fact that the amount of goods sold across the piste are continuing to fall year on year.

High food prices drove Food sales value growth to new heights as well, reaching 9.8% for the three months to April, which is the highest ever for this measure. However, it was not merely inflation that drove Food spending in April, as the Easter weekend is a culinary highlight of the year, when people get together with family and friends to celebrate the holiday. Despite the ever increasing prices, people were reluctant to restrict their indulgence in higher quality food for the main event, but then tightened their belts, where possible, for the rest of the month.

Labour Market

The UK's labour market has begun to ease, though remains tight with unemployment very slightly above pre-pandemic levels (3.9%). 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, 361,000 people are no longer economically active (when compared to before the pandemic). Inactivity encouragingly continued to decrease in the most recent reporting period.

Vacancies remain near record highs of 1.08 million in the three months to April although have now peaked and are coming down. This represents 257,000 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 109,000, 12,000 below pre-pandemic levels.

Exacerbating tightness, the inactivity rate remains elevated, though fell in the latest reference period. This has increasingly been driven by long-term sickness (rising to its highest since the pandemic) and those entering education. 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 avoided a technical recession at the end of 2022, and is set to avoid one in 2023 as well. Spending into 2023 has been far more resilient than had been expected, with consumers seemingly adjusting well to the income shock of the past year. High inflation, however, means that consumption will be weighed upon, with a muted outlook for growth this year. Financial markets have priced in another further Bank of England rate hike during their next meeting, this month, as inflation in April came in above their expectations at the start of May. Inflation has now left double-digit territory, but is set to remain above target by the end of 2023 and into 2024. The central bank is now considerably more optimistic regarding the UK's economic prospects this year, with the spike in unemployment revised lower. However, despite this brighter economic outlook, the lagged effects of interest rate hikes will be felt over the coming quarters, as high food inflation also dampens consumer demand.

A tight labour market following the pandemic has loosened slightly, with vacancies trending downwards and unemployment slightly rising. Whilst unemployment rises this year and into 2024, the rate is now expected to peak at 4.8%. This will offer limited opportunity for growth, as stagflation is exacerbated by the UK's labour shortage issue. Global risks remain at their highest in many decades. China has reopened its economy, contributing to heightened global demand in commodities (thus far limited to metal). The Russia-Ukraine conflict finds itself in a stalemate and mainland Europe finds itself in a precarious place, firmly on the edge of recession. The persistence of inflation and wage pressures in the UK has also heightened the risk of further monetary policy tightening needed to bring inflation back to the 2% target, consistent with the Bank of England's price stability mandate.

% year-on-year (unless otherwise specified)	2021	2022	2023 (f)	2024 (f)	2025(f)
Real GDP	7.6	4.0	0.3	0.8	0.8
Inflation	5.0	10.8	5.0	2.3	1.0
Unemployment (rate)	4.0	3.8	3.8	4.0	4.5
Interest (Bank Rate)	0.3	2.8	4.8	4.0	3.7
Real post-tax labour income	0.9	-2.5	-0.5	1.3	1.0

Source: Bank of England, Monetary Policy Report May 2023

PROJECTIONS FOR 2023 UK GDP GROWTH

Bank of England (May Forecast)

0.3%

IMF (April Forecast)

-0.3%

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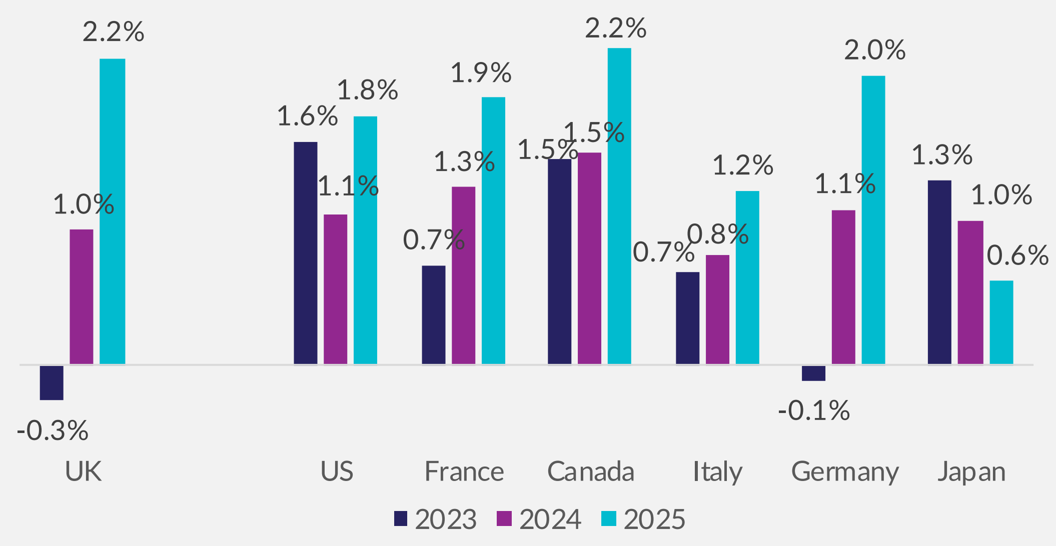
GLOBAL DEMAND UNDER PRESSURE

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, 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 1.3% on an annualised basis in Q1 2023, a third consecutive period of growth. The increase was led by improvements in consumer spending, exports, as well as government spending. The US growth has slowed into 2023, and the effects of heightening interest rates are yet to have their full impact, and will weigh on growth over the coming quarters.

The Eurozone economy expanded by 1.3% in Q1 2023 (on an annual basis), slowing down from 1.8% in Q4 2022, marking an eighth consecutive period of expansion. Germany's economy contracted by 0.1% (down from +0.8% in Q4 2022). In contrast, France's GDP expanded by 0.8% (up from 0.4% in Q4 2022), Italy's by 1.8% (up from 1.4% in Q4 2022) and Spain's by 3.8% (up from 2.9% in Q4 2022).

GDP GROWTH, APRIL FORECASTS



Source: IMF, The World Economic Outlook.

The May S&P Global Eurozone Composite PMI shows business activity remained in expansion territory for a fifth consecutive month at 53.3, highlighting strong services performance across mainland Europe. The bloc has performed much better than expectations, and growth looks set to have continued in Q2. A strong services sector was helped by improving demand conditions and buttressed falls in manufacturing output. Price pressures, despite easing to their lowest since March 2021, remain elevated by historical standards, driven by heightening wage pressures.

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, more recently First Republic in the US. Cautioning greater resilience than during the 08/09 financial crisis, the Federal Reserve elected to raise their base rate by 25 basis points to 5.25% at their most recent meeting. The Bank of England decided to match this increase, increasing the base rate from 4.25 to 4.5% in May.

US inflation eased further to 4.9% in April, easing significantly 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 a further interest rate hike of 25 basis points either at the next meeting or the one immediately after, 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 eased to 6.1% in the 12 months to May, down on April's figure of 7.0%. Energy prices were 1.7% lower on the year, food, alcohol and tobacco prices 12.5% higher and the cost of non-energy industrial goods increased 5.8%.

2023 PROJECTED GROWTH – IMF (APRIL)

UK

-0.3%

US

1.6%

FRANCE

0.7%

GERMANY

-0.1%

JAPAN

1.3%

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SALES VOLUMES ROSE IN APRIL

UK retail sales volumes (including automotive fuel) rose by 0.5% in April, when compared to the previous month, following a downwardly revised decrease of 1.2% 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 16.4% higher than in February 2020 (pre-Covid levels) whereas in volume terms are 0.9% below this level (fig. 1).

Digging deeper into the sales categories, the increase in April was driven by improving sales in both food and non-food channels. The expansion was greater in non-food, with watches and jewellery, sports and equipment as well as department stores performing well. Easter brought about a surge in food sales volumes, though not enough to bring them above pre-Covid levels.

Online sales rose by 1.5% on the month with increases limited to the food channel. Within the non-food channel, only saw increasing growth in fashion and "other" store. The proportion of online sales was unchanged at 26.0%, with the online penetration rate having held steady at this proportion for a year, 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 (of 2.2%) was observed in sales of automotive fuel. The falling price of fuel was not enough to prevent volumes (amount of fuel) from itself falling. consumers to economise on car travel. Volumes are expected to rise upwards in this category as prices stabilise, however some consumers may continue to economise on fuel whilst general inflation remains high.

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

DATA & CHARTS

FIG 1 – Retail Sales Volumes vs Retail Sale Value

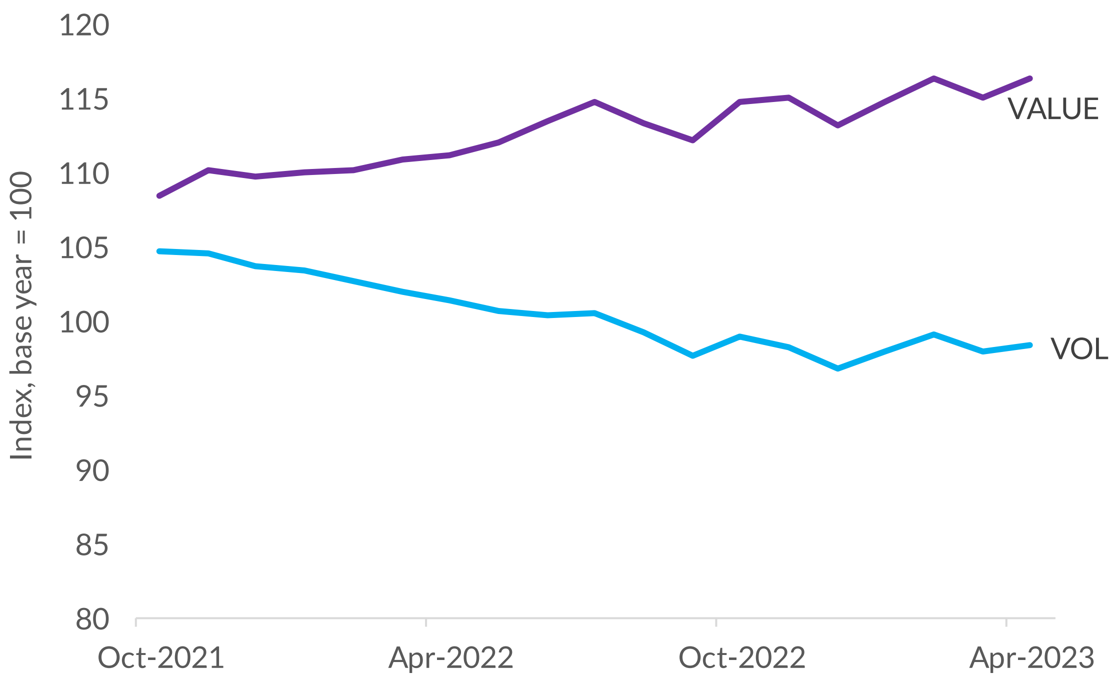
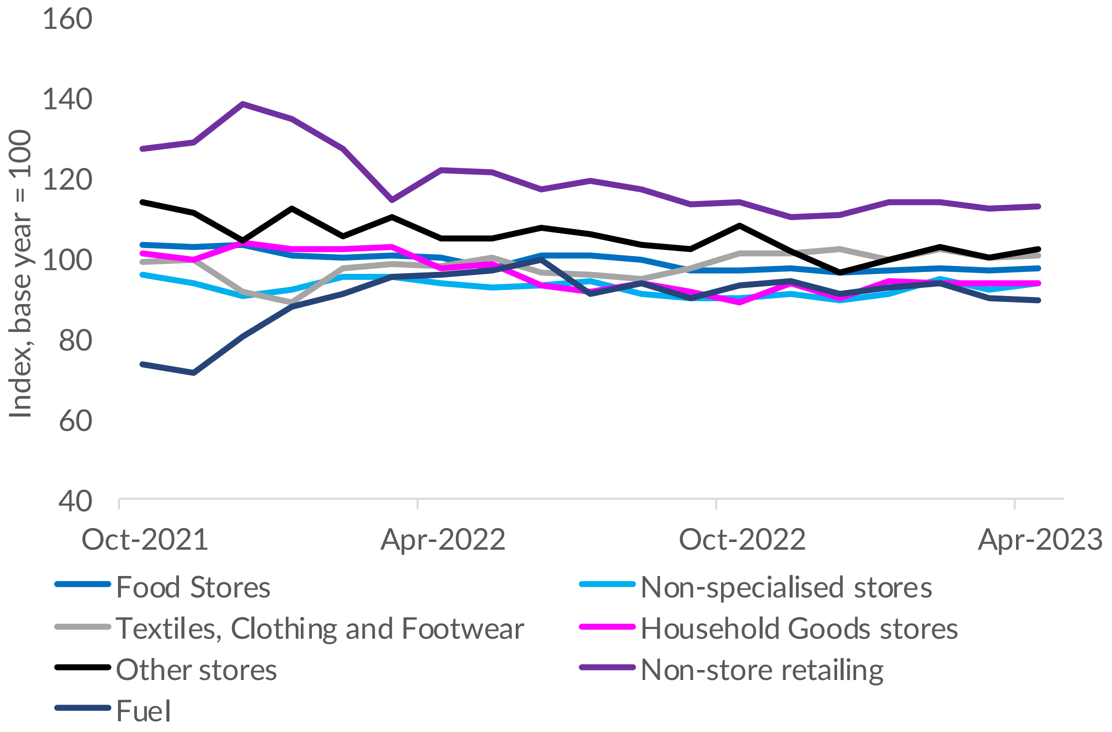


FIG 2 – ONS Retail Sales Category Volumes



SUMMARY APRIL

Retail Sales

0.5%

Up from -1.2% in March.

Online Sales

1.5%

Up from 0.7% in March.

Sales increased in both value and volume terms

RETAIL SALES – ONS TABLES

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ONS & BRC SALES GROWTH – VALUE TERMS

% change on year ago	RSI Sales	RSM Sales
Feb-23	6.5	5.2
Mar	5.8	5.1
Apr-23	6.5	5.1

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
Apr-22	2.1	3.2	1.5	11.5	-6.2	8.0	-6.2
May	1.5	2.9	0.9	16.0	-10.4	0.3	-2.8
Jun	1.0	2.9	2.8	12.9	-10.2	0.5	-6.2
Jul	5.2	7.1	7.2	16.2	-8.2	4.6	-0.3
Aug	3.4	7.3	2.9	7.3	-5.5	0.6	-2.1
Sep	3.5	6.4	1.4	10.3	-0.3	1.3	-4.5
Oct	4.0	6.7	1.0	12.0	-4.0	2.6	-1.4
Nov	3.1	7.5	4.1	10.5	2.8	-1.9	-7.1
Dec	5.2	7.9	10.9	20.0	-1.0	0.5	-8.8
Jan	3.4	8.1	5.9	20.5	-0.1	-6.3	-8.8
Feb	6.5	10.9	7.3	13.9	-1.3	3.0	-3.0
Mar	5.8	10.9	4.3	10.5	-1.7	-5.0	4.4
Apr-23	6.5	10.1	7.8	9.5	1.7	3.3	-0.8

Source: ONS RSI

LARGE & SMALL RETAILERS

% change on year ago	ONS Large Retailers	ONS Small Retailers
Feb-23	7.9	1.9
Jan	7.1	1.8
Apr-23	6.5	6.5

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
Apr-22	-0.7	-0.5	-1.5	-0.3	-5.0	-5.1	6.4
May	-0.8	-2.5	-0.9	2.0	1.0	0.1	-0.2
Jun	0.1	2.9	0.2	-3.7	-5.7	2.5	-3.6
Jul	0.1	0.0	1.6	-0.3	-1.2	-1.4	1.8
Aug	-1.3	-0.8	-3.7	-1.6	2.0	-2.5	-1.7
Sep	-1.6	-2.6	-0.8	2.9	-2.1	-1.1	-3.1
Oct	1.1	0.0	-0.5	3.8	-3.2	5.7	0.6
Nov	-0.6	0.6	1.6	0.0	5.5	-5.9	-3.5
Dec	-1.5	-1.1	-1.9	1.0	-3.8	-5.2	0.2
Jan	1.3	0.3	1.5	-2.2	4.6	3.4	3.2
Feb	1.3	0.7	4.5	2.2	-0.9	2.9	0.1
Mar	-1.4	-0.8	-3.0	-1.7	0.4	-2.5	-1.4
Apr-23	0.8	0.7	1.7	0.2	-0.2	2.1	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 % of all retail sales
Apr-22	£8.2bn	£2.2bn	-10.2	26.5
May	£8.3bn	£2.1bn	-8.0	25.8
Jun	£8.3bn	£2.1bn	-8.6	25.3
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	-7.9	25.6
Nov	£9.8bn	£2.9bn	-7.0	29.6
Dec	£10.6bn	£2.9bn	-7.0	27.0
Jan	£7.8bn	£2.1bn	-7.2	27.0
Feb	£8.1bn	£2.1bn	-3.2	25.3
Mar	£8.4bn	£2.2bn	3.3	25.7
Apr-23	£8.8bn	£2.2bn	1.3	25.2

Source: ONS RSI

SUMMARY APRIL

ONS Sales

6.5%

Up from 5.8% in March.

Large retailers

6.5%

Down from 7.1% in March.

Strong increase in department stores

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GfK CONSUMER CONFIDENCE

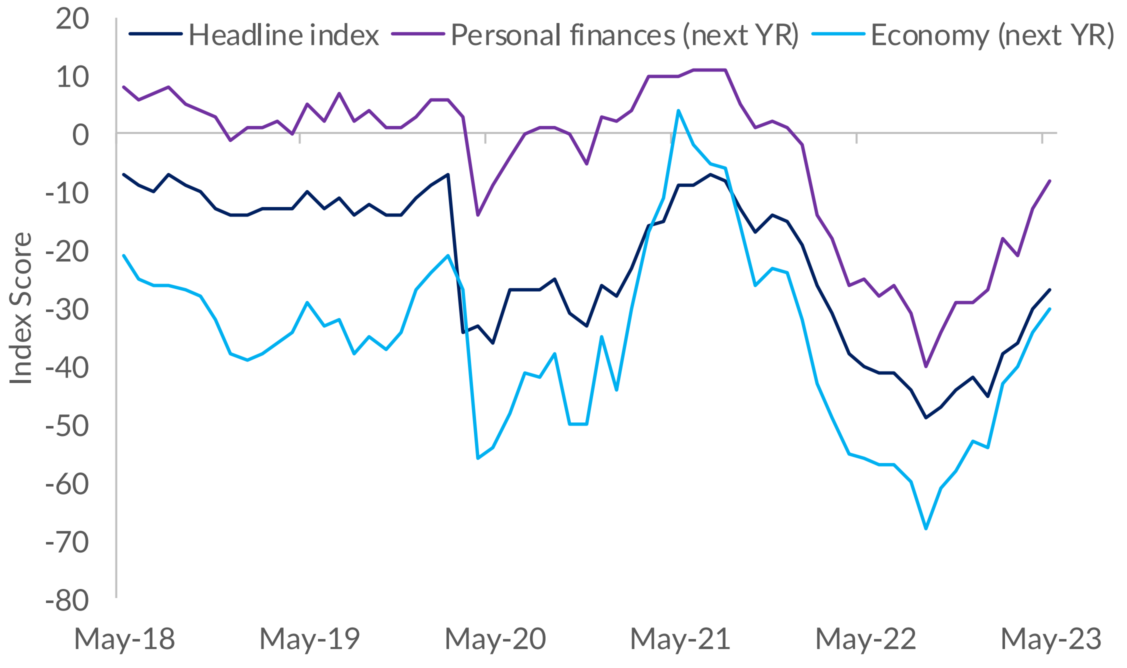
"The cost-of-living crisis has been part of our daily financial reality for a long time, with double-digit inflation and record-high food prices. But despite those pressures, May sees an encouraging three-point uptick in consumer confidence. This is the fourth monthly increase in a row from January's score of -45. While Brits have little control over the general economy, it's good to see further improvement in how people view their personal finances in the next 12 months with a robust five-point jump to -8."

"This measure most keenly reflects our hopes and fears for the coming year, and it underpins our ability to spend on goods and services that drive our economy. Of course, the headline score of -27 means we're still deep in negative territory and a long way from any 'sunny uplands'. However, the overall trajectory this year is positive and might reflect a stronger underlying financial picture across the UK than many would think. "

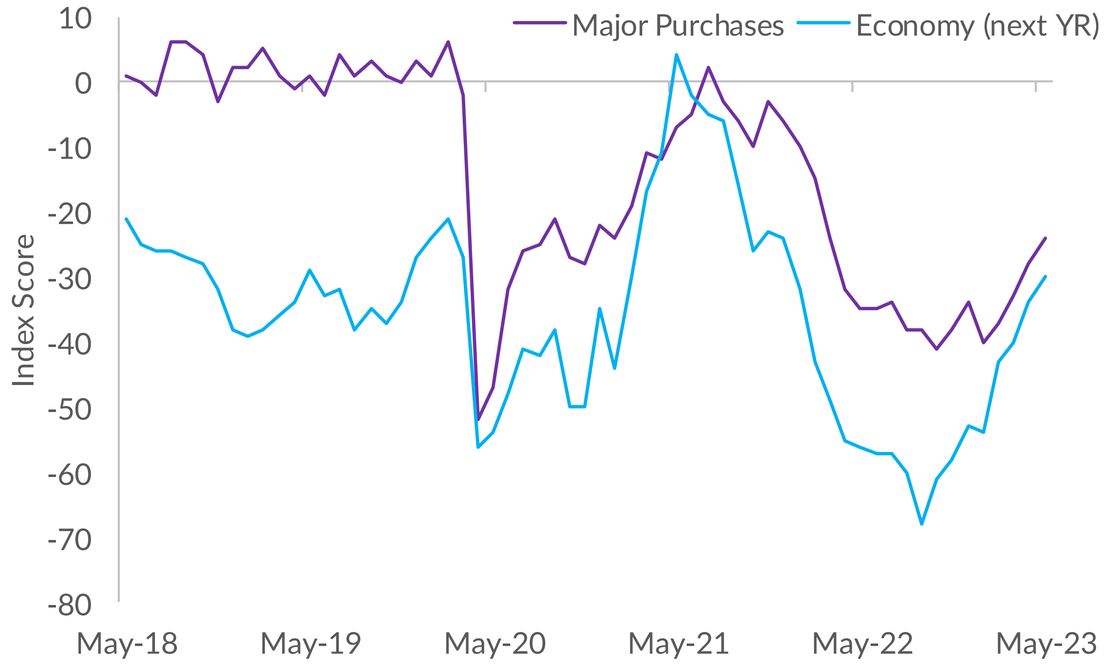
GfK NOP CONSUMER CONFIDENCE INDEX

	Headline index	Major Purchases	Future savings	Personal finances (past YR)	Personal finances (next YR)	Economy (past YR)	Economy (Next YR)
May-22	-40	-35	25	-22	-25	-63	-56
Jun	-41	-35	22	-23	-28	-65	-57
Jul	-41	-34	22	-23	-26	-66	-57
Aug	-44	-38	15	-25	-31	-68	-60
Sep	-49	-38	14	-28	-40	-72	-68
Oct	-47	-41	18	-28	-34	-69	-61
Nov	-44	-38	10	-24	-29	-67	-58
Dec	-42	-34	10	-28	-29	-66	-53
Jan	-45	-40	9	-31	-27	-71	-54
Feb	-38	-37	13	-26	-18	-65	-43
Mar	-36	-33	18	-26	-21	-62	-40
Apr	-30	-28	11	-21	-13	-55	-34
May-23	-27	-24	13	-20	-8	-54	-30

LONG-TERM TRENDS



Source: GFK Consumer Confidence Index



Source: GFK Consumer Confidence Index

SUMMARY MAY

Headline GFK confidence

-27

Up from -30 in April

Major Purchases confidence

-24

Up from -28 in April

Consumer confidence continues to improve

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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)
Apr-22	9.0	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	14.2	13.9
Nov	10.7	14.0	13.5
Dec	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-23	8.7	11.4	10.4

Source: ONS.

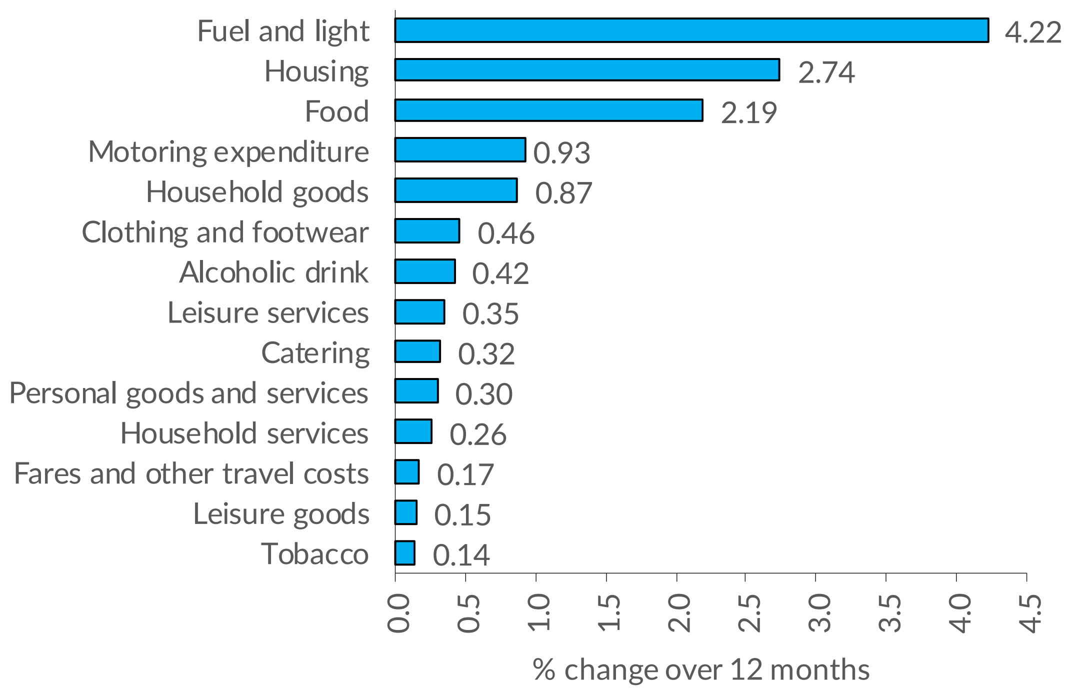
CPI: CONTRIBUTIONS TO THE ANNUAL RATE

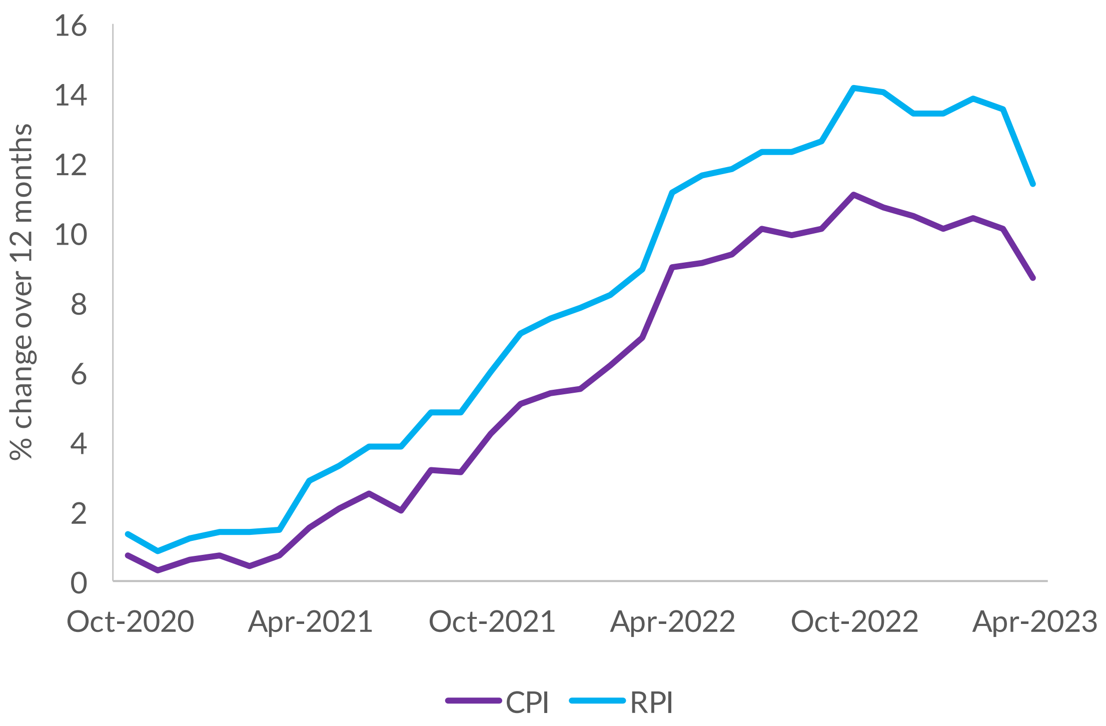
	Food & non-alcoholic beverages	Clothing & Footwear	Housing & household services	Furniture & household goods	Transport	Restaurants & hotels
Apr-22	6.7	8.3	19.2	10.5	13.5	7.9
May	8.6	7	19.4	10.8	13.8	7.6
Jun	9.8	6.2	19.6	10.3	14.9	8.5
Jul	12.6	6.7	20	10.1	14.8	8.9
Aug	13.1	7.6	20	10.1	12	8.7
Sep	14.5	8.5	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	18	8.1	26.6	8.7	2.9	12.1
Mar	19.1	7.2	26.1	8	0.8	11.3
Apr-23	19	6.8	12.3	7.5	1.5	10.2

Source: ONS.

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

RPI: CONTRIBUTIONS TO THE ANNUAL RATE





SUMMARY APRIL

CPI

8.7%

Down from 10.1% in March.

CPI Food

19.0%

Down from 19.1% in March.

CPI fell in the most recent period, entering single-digits

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UK EMPLOYMENT

In the three months to March 2023:

- The latest figures suggest tightness in the labour market continues to ease, with the unemployment rate rising to 3.9%. The employment rate, however, paradoxically rose though still remains below pre-Covid levels. The inactivity rate did encouragingly fall in the most recent reporting period. 361,000 people are no longer economically active when comparing to the pre-pandemic period.
- The UK employment rate was estimated at 75.9%, 0.1 percentage points higher when compared to the previous three-month period, and 0.7 percentage points lower than before the coronavirus pandemic (December 2019 to February 2020).
- The UK unemployment rate was estimated at 3.9%, higher over the previous three-month period, and now slightly above pre-Covid levels.
- Total hours worked rose in the most recent reporting period, to 1.05 billion hours, now in line with pre-pandemic levels, signifying normalisation in the labour market.
- The UK economic inactivity rate was estimated at 21.0%, 0.4 percentage points lower than the previous quarter, and 0.8 percentage points higher than before the coronavirus pandemic.

LABOUR FORCE SURVEY

	Claimant Count		Unemployment	
	mills	% rate	Mills	% rate
Apr-22	1,605	4.1	1,300	3.8
May	1,574	4	1,285	3.8
Jun	1,549	3.9	1,294	3.8
Jul	1,533	3.9	1,224	3.6
Aug	1,521	3.9	1,188	3.5
Sep	1,528	3.9	1,224	3.6
Oct	1,519	3.9	1,247	3.7
Nov	1,533	3.9	1,244	3.7
Dec	1,540	3.9	1,270	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-23	1,572	4		

Source: ONS

EMPLOYMENT (3 MONTHS ENDING)

Employment (3 months ending) (000s)	Total	Full-time	Part-time
Mar-22	32,632	24,517	8,115
Apr	32,707	24,562	8,145
May	32,863	24,686	8,177
Jun	32,792	24,612	8,180
Jul	32,746	24,578	8,168
Aug	32,754	24,609	8,145
Sep	32,739	24,597	8,142
Oct	32,773	24,600	8,173
Nov	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-23	32,995	24,537	8,458

Source: ONS

SUMMARY MARCH

Unemployment Rate

3.9%

Up from 3.8% in February.

Total Employment

75.9%

Up from 75.8% in February.

Inactivity continues to decrease

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EARNINGS

Between January and March 2023:

- **Regular pay** was estimated to have increased by 6.7% in nominal terms and fell by -2.0% in real terms.
- **Total pay** was estimated to have increased by 5.8% in nominal terms and fell by -3.0% in real terms.

Between January to March 2022 and January to March 2023:

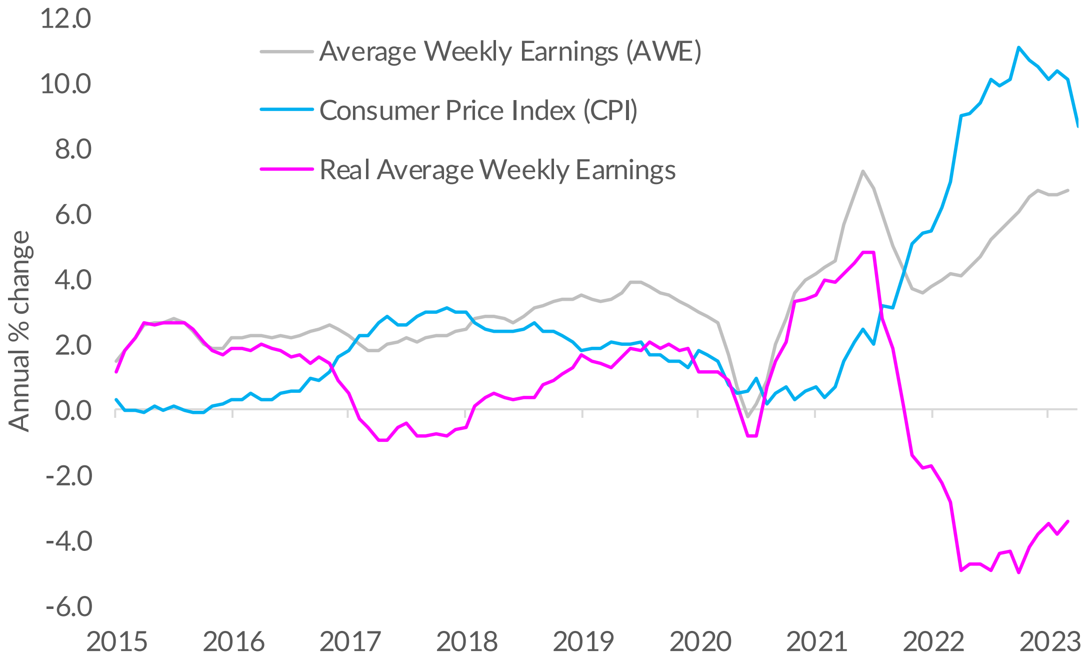
- **Average regular pay (excluding bonuses)** was estimated at £598 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£559 per week) and £472 per week in real terms (constant 2015 prices), lower than the estimate for a year earlier (£480 per week).
- **Average total pay (including bonuses)** was estimated at £642 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£612 per week) and £504 per week in real terms (constant 2015 prices), lower than the estimate for a year earlier (£524 per week).

AVERAGE WEEKLY EARNINGS GROWTH

	Average Weekly Earnings	Consumer Price Index (CPI)	Real Average Weekly Earnings
Mar-22	4.2	7	-2.8
Apr	4.1	9	-4.9
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	6.6	10.1	-3.5
Feb	6.6	10.4	-3.8
Mar-23	6.7	10.1	-3.4

Source: ONS.

LONG TERM EARNINGS SERIES



SUMMARY MARCH

Regular pay growth

6.7%

Up from 6.6% in February.

Total pay growth

5.9%

Unchanged from 5.9% in February.

Wage pressures remain

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MONEY, CREDIT & INSOLVENCIES

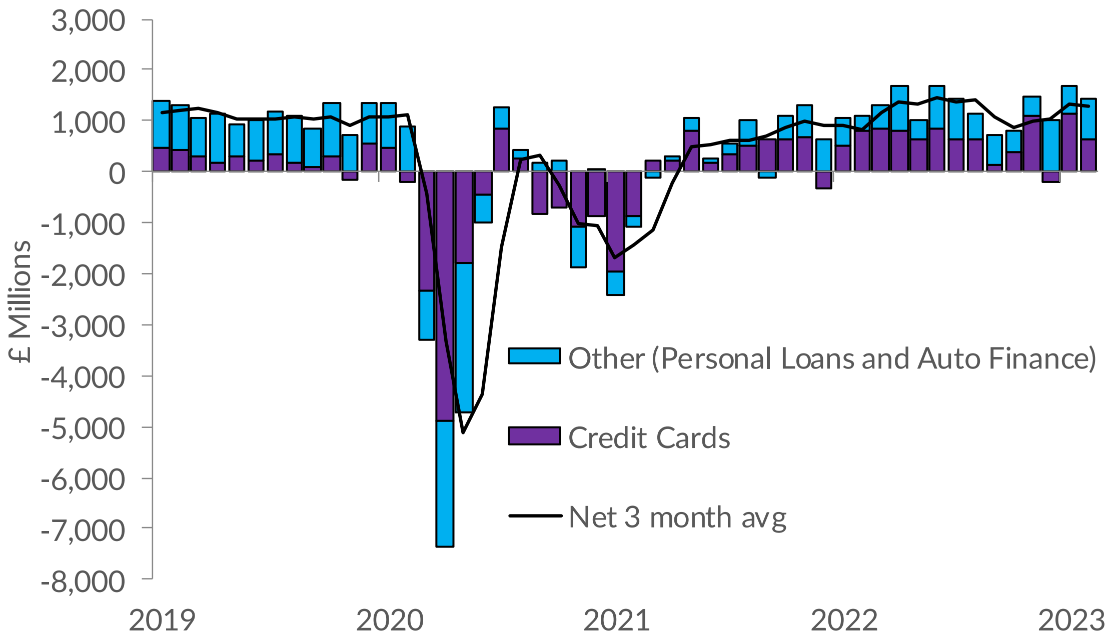
- Consumers in April borrowed an additional £1.6 billion in consumer credit, in net terms, of which borrowing was £0.9 billion in personal/auto loans and £0.7 billion of which was repayments on credit cards.
- Net borrowing of mortgage debt by individuals decreased from being flat to -£1.4 billion in April. Mortgage approvals for house purchases fell to 48,690, down from 51,488.
- Sterling money (known as M4ex) significantly increased to £7.3 billion in April, from -£16.1 billion in March. Households' deposits of money increased with net flows of £3.6 billion, compared with -£3.0 billion in the preceding month.
- The effective interest rate paid on individuals' new time deposits with banks and building societies rose slightly to 3.83%.
- Large businesses borrowing from banks decreased to £1.6 billion in April, whilst small and medium sized businesses repaid £0.7 billion. Private non-financial companies (PNFCs) repaid a net £1.2 billion in market finance from capital markets, compared to £0.6 billion net repayments in the preceding month.
- There were 545 retail insolvencies in Great Britain in Q1 2023, up from 517 in Q4 2022. In 2022, there were 1,900 insolvencies, a massive increase compared to the 960 figure in 2021.
- There were 2 retail CVAs in England and Wales during Q1 2023. In 2022, the industry had 10 companies enter a Company Voluntary Arrangement, down since 2021 and 2020 when there were 13 and 22 CVAs respectively.

CONSUMER CREDIT

	Consumer Credit monthly changes (bn)	Credit Cards monthly changes (bn)	Other Loans and Advances monthly changes (bn)
Mar-22	£1.2	£0.8	£0.3
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	£0.2	£0.6
Oct	£0.8	£0.4	£0.4
Nov	£1.5	£1.1	£0.4
Dec	£0.9	-£0.2	£1.0
Jan	£1.7	£1.1	£0.5
Feb	£1.5	£0.7	£0.8
Mar-23	£1.6	£0.7	£0.9

Source: Bank of England

CONSUMER CREDIT



Source: Bank of England

SUMMARY APRIL

Net consumer credit

£1.6bn

Unchanged from £1.6 billion in March.

Net credit card lending

£0.7bn

Unchanged from £0.7 billion in March.

The effective rate on new personal loans increased to 8.3% and decreased on credit cards to 20.1%

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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 (£)
Apr-22	1.29	1.20	8.27	163.18
May	1.24	1.18	8.39	160.19
Jun	1.23	1.17	8.13	165.15
Jul	1.20	1.18	8.20	163.93
Aug	1.20	1.18	8.02	162.02
Sep	1.13	1.14	7.92	162.11
Oct	1.13	1.15	8.40	166.47
Nov	1.17	1.15	8.51	166.81
Dec	1.22	1.15	8.36	164.51
Jan	1.22	1.14	8.32	159.45
Feb	1.21	1.13	8.40	160.84
Mar	1.21	1.13	8.50	162.15
Apr-23	1.25	1.13	8.71	166.23

Source: Average monthly exchange rate, Bank of England

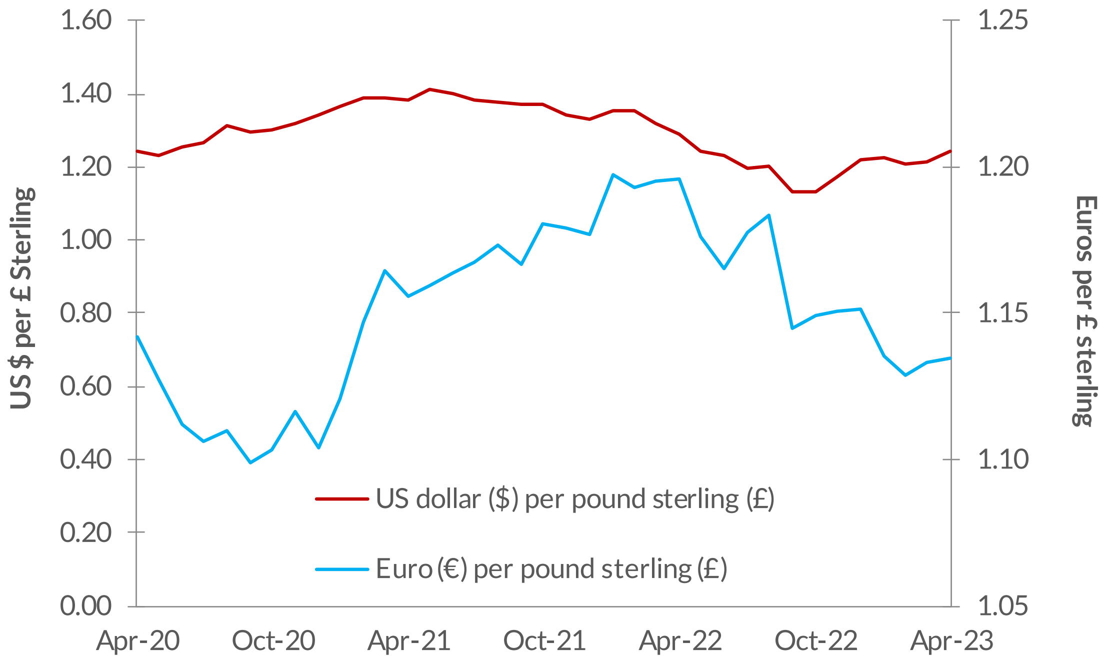
IMPACTS FROM CURRENCY DEPRECIATION

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.

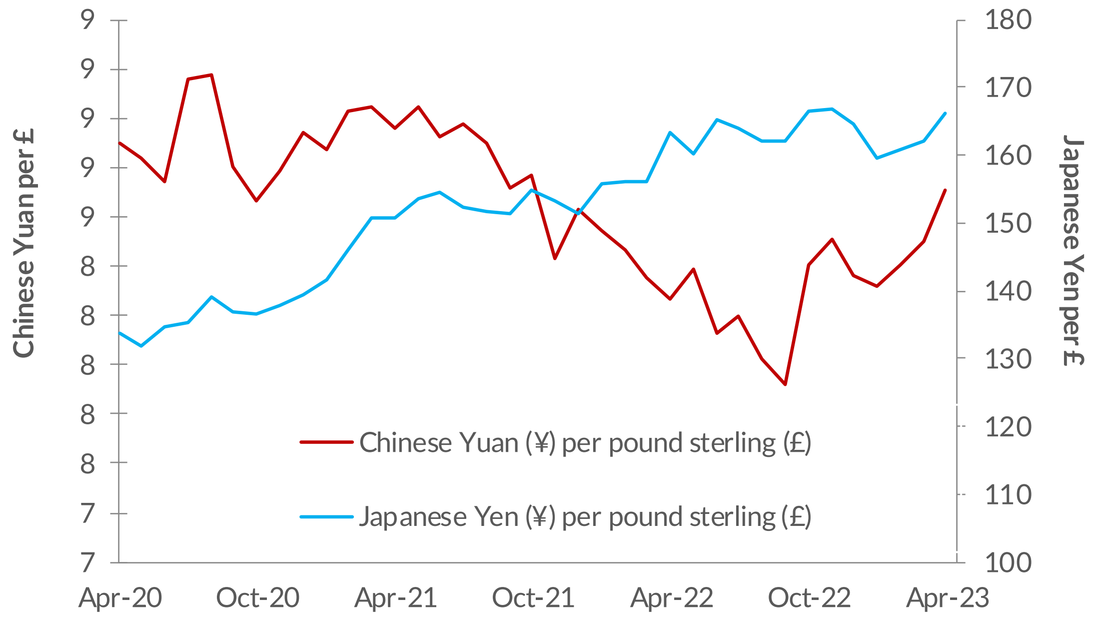
However, this failed to materialise following the post-referendum depreciation from 2016, most likely due to specialised supply chains.

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 APRIL

USD TO GBP, YOY

-3.6%

Sterling depreciation in relation to the USD , YoY.

EURO TO GBP, YOY

-5.1%

Sterling appreciation in relation to the Euro, YoY.

Sterling remained lower on the year in April in relation to the US dollar and also 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	0.0	-0.2	0.7	1.8	1.1	2.5
Cons. Spending	-0.0	-0.8	0.5	1.5	*N/A*	1.8
CPI (Q4)	3.4	6.1	2.3	0.9	3.0	0.1
Avg Earnings	5.2	5.0	3.02	1.8	3.1	1.7
Bank Rate (Q4)	4.5	5.0	3.4	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

0.0%

Revised up from the previous projection of -0.3%

Avg. Earnings 2023

5.2%

Revised up from the previous projection of 4.7%.

The consensus City forecast for 2023 growth in May was 0.0%

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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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PUBLICATIONS

MONTHLY

- RETAIL SALES MONITOR
- SHOP PRICE INDEX
- FOOTFALL MONITOR
- DIGITAL RETAIL INSIGHTS
- ECONOMIC BRIEFING REPORT

QUARTERLY

- FORECASTING
- QUARTERLY TRENDS
- RETAIL EMPLOYMENT MONITOR

ANNUAL

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- WORKFORCE SURVEY
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