



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.

October 2023

GDP revised up to 1.8% above pre-Covid level

Despite signs of weakness in a loosening labour market, household consumption is holding up so far. Heading into the final quarter of the year, nominal wage growth remains strong, boding well for real consumption. Job vacancies meanwhile have fallen below a million and the unemployment rate edged further up to 4.3%.

Retail sales volumes remain flat over the previous year, though sales growth in pound sterling (nominal) terms has been buoyant. Business cost bases remain swelled, and still-high input costs are slowing down the pass-through of price reductions. Easing inflation, however, will start to reduce nominal sales growth over the next few quarters.

Interest rates were kept unchanged at the last meeting of the Monetary Policy Committee and are expected to be held at their current rate of 5.25%. This cumulative tightening in lending conditions will weigh on the economy, with most of the impact still to be felt. The Bank of England is expected to keep interest rates elevated at least until the 2% inflation target has been hit. Pressure on household incomes will grow in higher housing costs and stress on businesses will linger, particularly those with higher debt burdens. The resilience of the past year will be tested into 2024 but the outlook remains broadly flat over the coming quarters, and uncertainty remains as to how quickly inflation will fall.

GDP GROWTH

0.2%

% change - QoQ, Q2 2023

Down from 0.3% in Q1 2023

CPI INFLATION

6.7%

% change - YOY August 2023

Down from 6.8% in July

UNEMPLOYMENT

4.3%

July 2023

Up from 4.2% in June

WAGE GROWTH

7.8%

% change - YOY July 2023

Unchanged from 7.8% in June

BRC - KPMG RETAIL SALES

4.1%

% change - YOY, August 2023

Up from 1.5% in July

CONSUMER CONFIDENCE

-21

September 2023

Up from -25 in August

MENU

EXEC SUMMARY

UK ECONOMY

PAGE 1

PAGE 2

WORLD ECONOMY

RETAIL SALES

ONS

ONS TABLES

CONSUMER CONFIDENCE

INFLATION

LABOUR MARKET

UK EMPLOYMENT

EARNINGS

CREDIT

EXCHANGE RATES

FORECASTS

ABOUT US



MENU

EXEC SUMMARY

UK ECONOMY

PAGE 1

PAGE 2

WORLD ECONOMY

RETAIL SALES

ONS

ONS TABLES

CONSUMER CONFIDENCE

INFLATION

LABOUR MARKET

UK EMPLOYMENT

EARNINGS

CREDIT

EXCHANGE RATES

FORECASTS

ABOUT US



GDP FALLS IN JULY

Indicators of Economic Output

GDP fell in July by 0.5%, following an increase of 0.5% in June. Services activity fell by the same amount, and the largest downward contributors were arts, entertainment and recreation as well as professional scientific and technical activities, seeing deteriorating performance. Consumer-facing services, despite the weather, remained flat, helped by sports competitions such as Wimbledon, the Ashes and Grand Prix, though pulled downwards by worsening physical retail activity.

Looking at the most recent quarterly figures, the economy expanded slightly over the second quarter of 2023, by 0.2%. Relative to the pre-pandemic benchmark of Q4 2019, economic output is 1.8% below this level. Services output did rise, but there was mixed performance, though the biggest increase came from the production of motion pictures, videos and TV programmes. Deteriorating activity levels in professional, scientific and technical activities offset this increase. Production output grew a stronger 1.2%, with manufacturing activity within this performing well, particularly the manufacture of transport equipment. Construction output rose by 0.3% as infrastructure repair and maintenance works (e.g. retrofits) drove activity. Looking on the expenditure side, investment provided a flat contribution to headline GDP, though household expenditure grew 0.5% in real terms. Business investment rose 4.1% on the quarter and is now 8.6% above its pre-Covid level.

The latest S&P Global UK Composite PMI showed activity remained in negative territory, with the overall index slightly decreasing to 48.5, crucially below the no-change 50-mark. Both services and manufacturing are in negative territory, and prospects for the services sector have deteriorated since the summer. Looking at input costs, prices did show their lowest increase since April 2021. Despite higher fuel costs, intensifying competition is eroding pricing power.

Prices and Monetary Policy

Inflation eased in August and the Consumer Price Index fell to 6.7%. Of the headline rate, 1.1% emanates from housing and energy costs, 1.6% from food and 1.1% from restaurants and hotels. Fuel prices rose for both petrol and diesel, with these figures registered when petrol was £1.49 per litre and diesel £1.51. Inflation is set to gradually fall over the course of the year.

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. Gas and food prices have steadily come down and shipping rates have fallen to levels not far above pre-pandemic levels. Domestically, the headline Producer Price Inflation (PPI) measure for business input costs has now entered deflation. Indeed, the British growing season more recently appears to have resulted in the cost of home food materials continuing to fall. Extrapolating this forward, food inflation is likely to enter single-digit territory during the final quarter of the year.

The Bank of England (BoE), last month, opted to keep rates unchanged, following fourteen consecutive hikes, at 5.25%, remaining the highest level since 2008. Along with the Office for Budget Responsibility (OBR), the BoE 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 real incomes are expected to recover, suggesting sales demand will pick up as inflation begins to ease. Interest rates are expected to be held at their current level until inflation eases to 2%, currently expected by the BoE in early 2025. Households will increasingly feel the effects of higher mortgage repayments as more fixed terms come to an end. An estimated 3 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 (August Forecast)

0.5%

IMF (July Forecast)

0.4%

MENU

EXEC SUMMARY

UK ECONOMY

PAGE 1

PAGE 2

WORLD ECONOMY

RETAIL SALES

ONS

ONS TABLES

CONSUMER CONFIDENCE

INFLATION

LABOUR MARKET

UK EMPLOYMENT

EARNINGS

CREDIT

EXCHANGE RATES

FORECASTS

ABOUT US



ECONOMIC INACTIVITY FALLS

Faster Indicators: BRC-KPMG Retail Sales

Retail sales rebounded in August, following the slump in July, recording 4.1% on a Total basis that was more in line with the trend seen throughout much of the year so far. While the difference in weather conditions between this period and the same point last year was less than a month ago, the country hardly experienced a return to traditionally high temperatures and was certainly not bathed in sunshine in August. This continued to hamper the fashion industry most of all.

The approach of the bank holiday weekend at the end of the month provided a boost to Food sales, but sales growth for the category continued to slow, as the inflation rate slowed. The three-month average to August fell to 8.2%, which was the lowest since January. Food price inflation fell to 11.5% in August according to our BRC-NielsenIQ Shop Price Index, which was the lowest seen since September last year.

Labour Market

The UK's labour market has begun to ease, and unemployment continued to rise in the most recent month, comfortably above pre-pandemic levels (4.3%). 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, 411,000 people are no longer economically active (when compared to before the pandemic).

Job vacancies remain elevated at 989,000 in the three months to July although have now peaked and are coming down. This represents 194,000 more vacancies than before the pandemic. Vacancies are above pre-crisis levels in almost every sector, 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, which is 12,000 below pre-pandemic levels.

Outlook

The labour market has proved remarkably resilient, but job vacancies have fallen below a million, and the unemployment rate rose to 4.3% in the most recent reporting period, a year ahead of where the Bank of England had forecast. Redundancies will pick up over the Q4 2023 and into H2 2023, in addition to the unemployment rate, likely to rise towards 5%. Over the next few years, there will be limited opportunities for growth, and strong nominal wage growth, supply-risks as well as elevated oil prices raise the risk of inflation persisting above target in the medium-term. Headwinds for global economic growth persist, and there remain no clear signs of a breakthrough in the Ukraine-Russia conflict. The Eurozone has disproportionately felt an impact, already experiencing a technical recession in 2023. The UK has experienced more persistent inflation than comparable countries, and re-accelerating wage pressures raise the risk that the Bank of England may need to carry out more tightening of monetary policy in order to bring inflation back to the 2% target.

% year-on-year (unless otherwise specified)	2021	2022	2023 (f)	2024 (f)	2025(f)
Real GDP	7.6	4.0	0.5	0.5	0.3
Inflation	5.0	10.8	5.0	2.5	1.5
Unemployment (rate)	4.0	3.8	4.0	4.5	4.8
Interest (Bank Rate)	0.3	2.8	5.8	5.9	5.0
Real post-tax labour income	0.9	-2.5	0.0	0.8	0.5

Source: Bank of England, Monetary Policy Report August 2023

PROJECTIONS FOR 2023 UK GDP GROWTH

Bank of England (August Forecast)

0.5%

IMF (July Forecast)

0.4%

MENU

EXEC SUMMARY

UK ECONOMY

PAGE 1

PAGE 2

WORLD ECONOMY

RETAIL SALES

ONS

ONS TABLES

CONSUMER CONFIDENCE

INFLATION

LABOUR MARKET

UK EMPLOYMENT

EARNINGS

CREDIT

EXCHANGE RATES

FORECASTS

ABOUT US

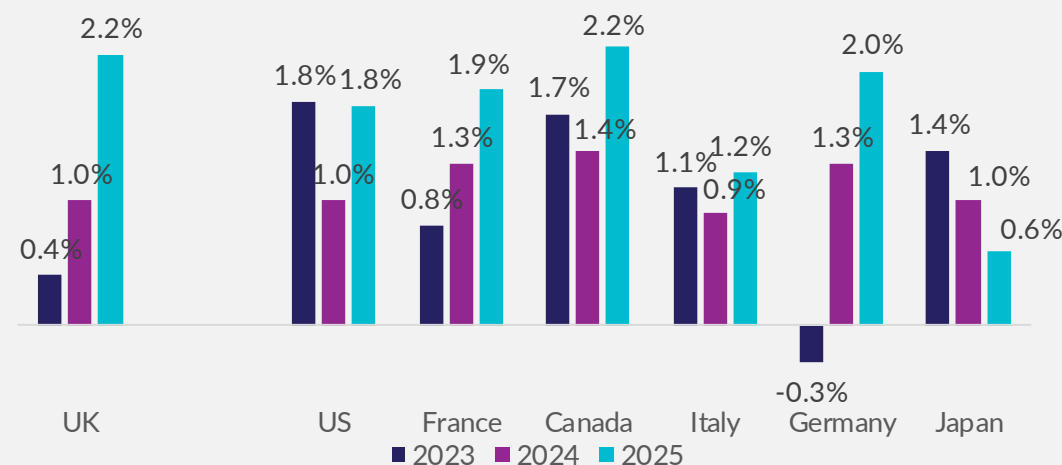


GLOBAL DEMAND UNDER PRESSURE

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 tries to stem deflation and buoy private consumption amidst the bursting of a property bubble) 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, global activity will be weighed upon.

The US economy expanded by 2.1% on an annualised basis in Q2 2023, a fourth consecutive period of growth. The increase was led by improvements in consumer spending and business investment. The US' growth has picked up despite heightening interest rates though are yet to have their full impact and will weigh on growth over the coming quarters.

GDP GROWTH, JULY FORECASTS



Source: IMF, The World Economic Outlook. Note: 2025 uses April Forecast.

The Eurozone economy expanded by 0.6% in Q2 2023 (on an annual basis), slowing down from 1.1% in Q1 2023, marking an eighth consecutive period of expansion. Germany's economy contracted by 0.1% (lower than -0.3% in Q1 2023). In contrast, France's GDP expanded by 0.9% (unchanged from 0.9% in Q1 2023), Italy's by 0.6% (down from 2.0% in Q1 2023) and Spain's by 1.8% (down from 4.2% in Q1 2023).

The September S&P Global Eurozone Composite PMI shows business activity remained in contractionary territory. Declining demand caused a slowdown in activity to persist, suggesting further contractions are likely. Manufacturing output performed worse, as factory output fell for a fifth consecutive month and orders continued to decline. Price pressures, despite easing to their lowest in 2 years, remain elevated by historical standards, driven by heightening wage pressures.

US inflation picked up to 3.7% in August, though is still 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 in order to bring inflation to heel. The central bank anticipates one further hike before the end of the year.

Inflation in the Eurozone has slowed from recent highs, though the European Central Bank hiked their key rate by 25 basis points to 4.5% due to fears over inflation becoming embedded. Prices eased to 5.2% in the 12 months to August, down on July's figure of 5.3%. Energy prices were 3.3% lower on the year, food, alcohol and tobacco prices 9.7% higher and the cost of non-energy industrial goods increased 4.7%.

2023 PROJECTED GROWTH - IMF (July)

UK

0.4%

US

1.8%

FRANCE

0.8%

GERMANY

-0.3%

JAPAN

1.4%

MENU

EXEC SUMMARY

UK ECONOMY

PAGE 1

PAGE 2

WORLD ECONOMY

RETAIL SALES

ONS

ONS TABLES

CONSUMER CONFIDENCE

INFLATION

LABOUR MARKET

UK EMPLOYMENT

EARNINGS

CREDIT

EXCHANGE RATES

FORECASTS

ABOUT US



SALES VOLUMES PICK UP IN AUGUST

UK retail sales experienced a pick-up in August 2023. Retail sales volumes are estimated to have risen by 0.4% in August, showing a partial recovery from the previous month's decline of -1.1% (revised up from -1.2%) in July 2023.

In broader terms, sales volumes expanded by 0.3% in the three months leading up to August 2023 when compared to the preceding three months.

Food stores witnessed a turnaround in sales volumes, increasing by 1.2% in August 2023 after a notable decline of -2.6% in July 2023. Supermarkets attributed the decline in July to wet weather affecting clothing sales and supermarket food sales. Despite this recovery, food stores' sales volumes remained 4.1% below their pre-pandemic February 2020 levels, as consumers continued to grapple with rising living costs and food prices.

Non-food stores showed a modest recovery, with sales volumes growing by 0.6% in August 2023, rebounding from a 1.2% decline in July 2023 when adverse weather conditions hampered footfall, as fashion sales bounced back following steep discounting. Automotive fuel sales volumes also dipped by 1.2% in August 2023, attributed to a recent increase in petrol and diesel prices.

The proportion of retail sales conducted online decreased slightly from 27.4% in July 2023 to 26.9% in August 2023 as more were comfortable with making physical shopping journeys rather than online. Nevertheless, online sales continued to outperform pre-pandemic levels, which stood at 19.7% in February 2020 and remained at one of the highest levels since April 2022 (27.3%).

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

DATA & CHARTS

FIG 1 – Retail Sales Volumes vs Retail Sale Value

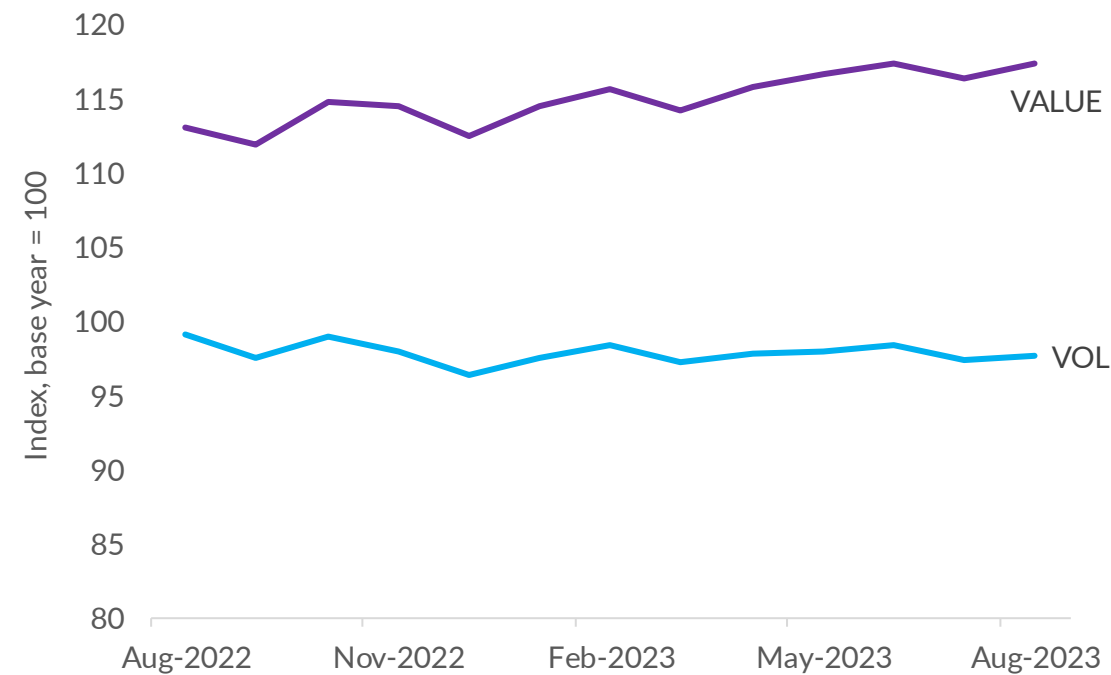
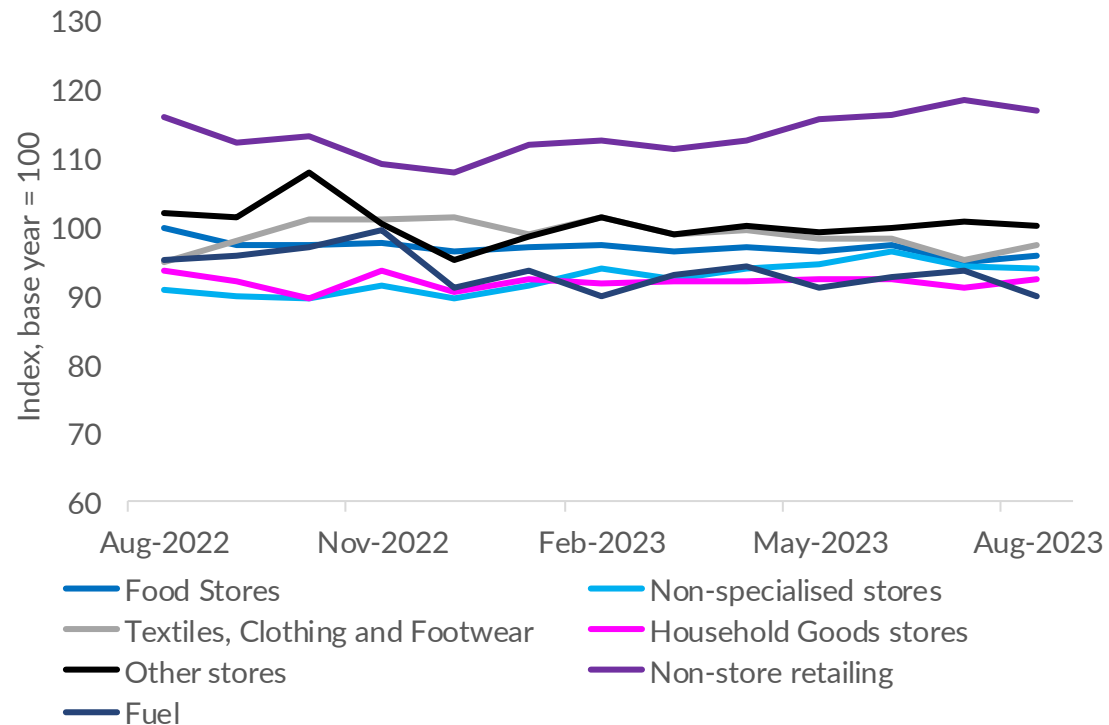


FIG 2 – ONS Retail Sales Category Volumes



SUMMARY AUGUST

Retail Sales

0.4%

Up from -1.1% in July.



Online Sales

-0.9%

Down from 2.6% in July.



Sales increased in both value and volume terms

MENU

EXEC SUMMARY

UK ECONOMY

PAGE 1

PAGE 2

WORLD ECONOMY

RETAIL SALES

ONS

ONS TABLES

CONSUMER CONFIDENCE

INFLATION

LABOUR MARKET

UK EMPLOYMENT

EARNINGS

CREDIT

EXCHANGE RATES

FORECASTS

ABOUT US



ONS & BRC SALES GROWTH – VALUE TERMS

% change on year ago	RSI Sales	RSM Sales
Jun-23	6.3	10.1
Jul-23	4.6	1.5
Aug-23	6.4	4.1

Source: ONS RSI & BRC RSM

ONS RETAIL SALES GROWTH – VALUE TERMS

M-Y	All (excl. fuel)	Predom. food stores	Depart. stores	Textiles, cloth. & footwear	Househ old goods	Oth. non-food	Non-store retailing
Aug-22	3.4	7.4	2.9	7.4	-5.0	0.4	-2.5
Sep	3.4	6.6	1.3	10.4	0.2	0.8	-5.3
Oct	3.9	6.8	0.9	12.1	-3.6	2.1	-2.1
Nov	2.8	7.6	4.1	10.7	2.5	-3.4	-7.8
Dec	4.5	8.0	10.9	19.5	-1.5	-0.7	-11.5
Jan	2.9	8.5	5.8	20.0	-1.5	-7.5	-10.5
Feb	5.8	10.9	7.2	13.1	-2.7	1.5	-4.8
Mar	4.9	10.7	4.1	9.6	-3.7	-7.0	2.5
Apr	5.6	9.8	7.5	9.1	-0.1	0.4	-1.5
May	7.3	12.6	10.3	7.0	-0.2	0.7	2.4
Jun	7.0	10.0	11.7	8.5	3.8	-1.6	5.0
Jul	4.6	5.6	5.2	4.0	3.0	0.9	6.5
Aug-23	6.4	6.9	8.8	9.7	2.2	3.2	6.2

Source: ONS RSI

LARGE & SMALL RETAILERS

% change on year ago	ONS Large Retailers	ONS Small Retailers
Jun-23	6.3	10.1
Jul-23	2.8	10.6
Aug-23	4.2	13.5

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
Aug-22	-1.5	-1.0	-4.6	-2.7	1.7	-2.1	-1.2
Sep	-1.6	-2.7	-1.0	3.2	-1.8	-0.9	-3.1
Oct	1.2	0.0	-0.3	3.0	-2.8	6.7	0.8
Nov	-0.9	0.6	1.7	0.1	4.4	-6.9	-3.6
Dec	-1.9	-1.3	-1.8	0.4	-3.3	-5.4	-1.1
Jan	1.3	0.5	2.0	-2.5	2.3	3.7	3.7
Feb	1.2	0.5	2.7	2.4	-0.6	2.9	0.7
Mar	-1.3	-1.0	-1.7	-2.2	0.1	-2.4	-1.0
Apr	0.8	0.5	1.8	0.5	0.1	1.2	1.2
May	-0.1	-0.6	0.8	-1.4	0.1	-0.8	2.5
Jun	0.7	1.0	1.9	0.0	0.2	0.4	0.5
Jul	-1.4	-2.6	-2.2	-2.9	-1.4	0.9	1.9
Aug-23	0.6	1.2	-0.4	2.3	1.1	-0.4	-1.3

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
Aug-22	£8.1bn	£2.0bn	-9.1	24.3
Sep	£8.0bn	£2.0bn	-8.2	25.2
Oct	£8.7bn	£2.2bn	-7.7	25.7
Nov	£9.7bn	£2.9bn	-6.9	29.7
Dec	£10.5bn	£2.8bn	-7.7	26.9
Jan	£7.8bn	£2.1bn	-7.3	27.1
Feb	£8.1bn	£2.1bn	-2.7	25.6
Mar	£8.3bn	£2.2bn	3.5	26.0
Apr	£8.7bn	£2.2bn	2.1	25.6
May	£8.9bn	£2.3bn	6.6	25.6
Jun	£8.9bn	£2.2bn	7.1	25.2
Jul	£8.9bn	£2.3bn	9.8	26.1
Aug-23	£8.6bn	£2.1bn	8.7	24.9

Source: ONS RSI

SUMMARY AUGUST

ONS Sales

6.4%



Up from 4.6% in July.

Large retailers

4.2%



Up from 2.8% in July.

Strong increase in food store sales

MENU

EXEC SUMMARY

UK ECONOMY

PAGE 1

PAGE 2

WORLD ECONOMY

RETAIL SALES

ONS

ONS TABLES

CBI TRADES SURVEY

CONSUMER CONFIDENCE

INFLATION

LABOUR MARKET

UK EMPLOYMENT

EARNINGS

CREDIT

EXCHANGE RATES

FORECASTS

ABOUT US

CBI COMMENTARY

The retail sector had less negative sales growth, last month. Sales volumes were reported as in line with seasonal norms, in September. Online sales continued to contract, at a firm pace, and are expected to see a modest expansion next month.

Year-on-year sales volumes were broadly unchanged but expected to fall this month. Stock positions were considered softer though stocks remain elevated relative to sales. Retailers anticipate that orders will contract this month, though at a slower pace than during the previous month.

Wholesalers saw volumes growth in the year to September contract for the fifth month in a row. Sales volumes are expected to be broadly unchanged next month. Motor traders reported sales volumes growth when compared to last month. Sales are expected to expand at a similar rate next month.

VOLUME OF SALES – REALISED AND EXPECTED

	Balance	Expected
Oct-22	+18	-13
Nov	-19	-9
Dec	+11	-21
Jan	-23	-17
Feb	+2	-15
Mar	+1	-18
Apr	+5	+9
May	-10	-7
Jun	-9	0
Jul	-25	0
Aug	-44	-32
Sep	-14	-21
Oct-23		-8

Source: CBI Distributive Trades Survey

SUMMARY SEPTEMBER

CBI Balance

-14



Up from -44 in August.

CBI Expected

-8



Down from -21 in September.

Retailer pessimism is easing



MENU

EXEC SUMMARY

UK ECONOMY

PAGE 1

PAGE 2

WORLD ECONOMY

RETAIL SALES

ONS

ONS TABLES

CONSUMER CONFIDENCE

INFLATION

LABOUR MARKET

UK EMPLOYMENT

EARNINGS

CREDIT

EXCHANGE RATES

FORECASTS

ABOUT US



GfK CONSUMER CONFIDENCE

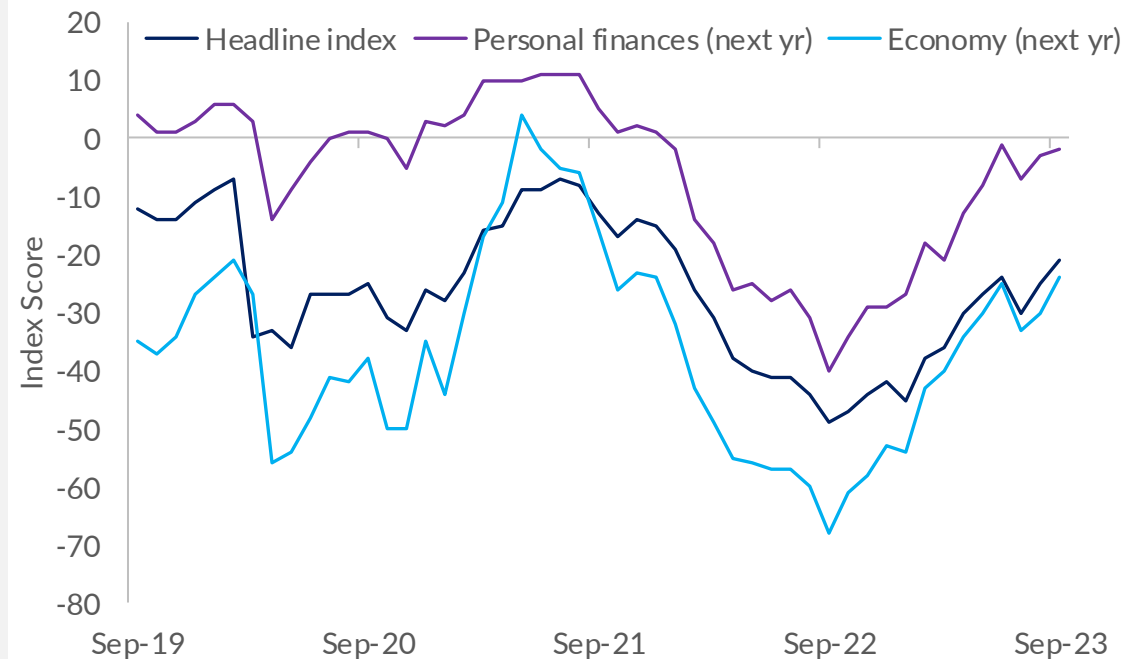
“Against the backdrop of falling inflation figures, growth in wages and high interest rates, UK consumer confidence rose this month to -21, the best recorded showing since January 2022. The view on our personal financial situation for the past year and the next is registering marginal but welcome growth, while expectations for the UK’s wider economy in the coming year show a more robust six-point increase.

And with less than 100 shopping days to Christmas, the four-point boost to the major purchase measure might offer some hope to retailers, who know all too well that many people face financial pressure in the run-up to this year’s festive season. While this month’s improved headline score is good news, it’s important to note many households are still struggling with the cost-of-living crisis and that economic conditions are tough.”

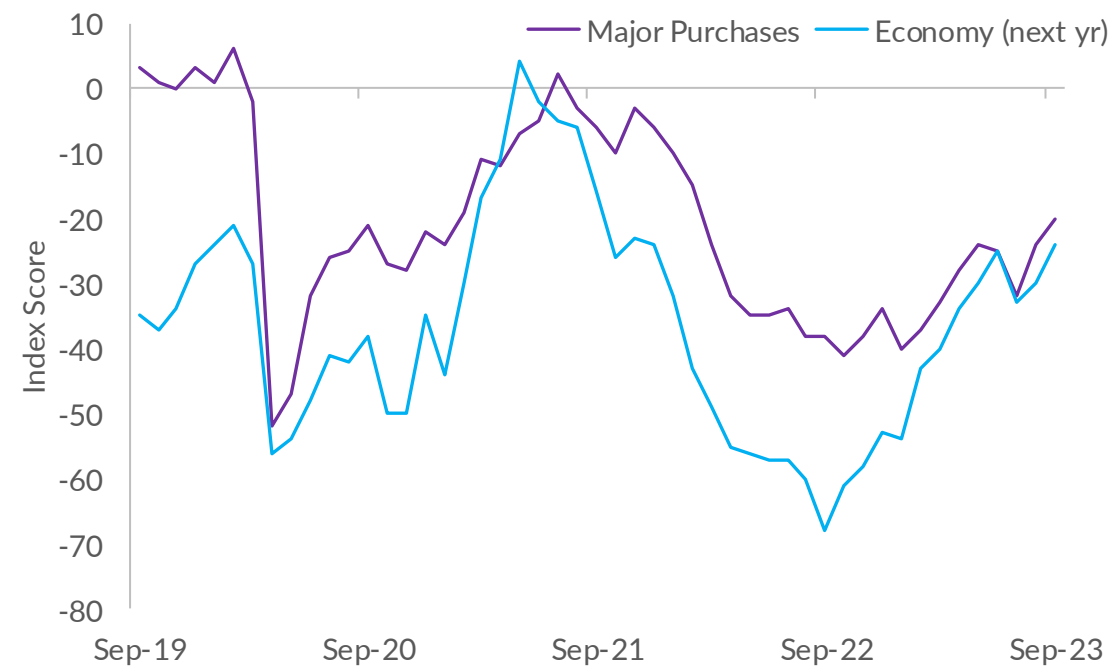
GfK NOP CONSUMER CONFIDENCE INDEX

	Headline index	Major Purchases	Personal finances (past YR)	Personal finances (next YR)	Economy (past YR)	Economy (Next YR)
Sep-22	-49	-38	-28	-40	-72	-68
Oct	-47	-41	-28	-34	-69	-61
Oct	-44	-38	-24	-29	-67	-58
Nov	-42	-34	-28	-29	-66	-53
Dec	-45	-40	-31	-27	-71	-54
Jan	-38	-37	-26	-18	-65	-43
Feb	-36	-33	-26	-21	-62	-40
Mar	-30	-28	-21	-13	-55	-34
Apr	-27	-24	-20	-8	-54	-30
May	-24	-25	-15	-1	-54	-25
Jun	-30	-32	-20	-7	-58	-33
Jul	-25	-24	-15	-3	-52	-30
Sep-23	-21	-20	-13	-2	-47	-24

LONG-TERM TRENDS



Source: GfK Consumer Confidence Index



Source: GfK Consumer Confidence Index

SUMMARY SEPTEMBER

Headline GfK confidence

-21

Up from -25 in August



Major Purchases confidence

-20

Up from -32 in August



Consumer confidence holds strong

MENU

EXEC SUMMARY

UK ECONOMY

PAGE 1

PAGE 2

WORLD ECONOMY

RETAIL SALES

ONS

ONS TABLES

CONSUMER CONFIDENCE

INFLATION

LABOUR MARKET

UK EMPLOYMENT

EARNINGS

CREDIT

EXCHANGE RATES

FORECASTS

ABOUT US



ONS CONSUMER PRICE INDEX (CPI)

HEADLINE FIGURES, %, YOY

	CPI	Retail Price Index, all items (RPI)	All Items excl. mortgage interest payments (RPIX)
Aug-22	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	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-23	6.7	9.1	7.8

Source: ONS.

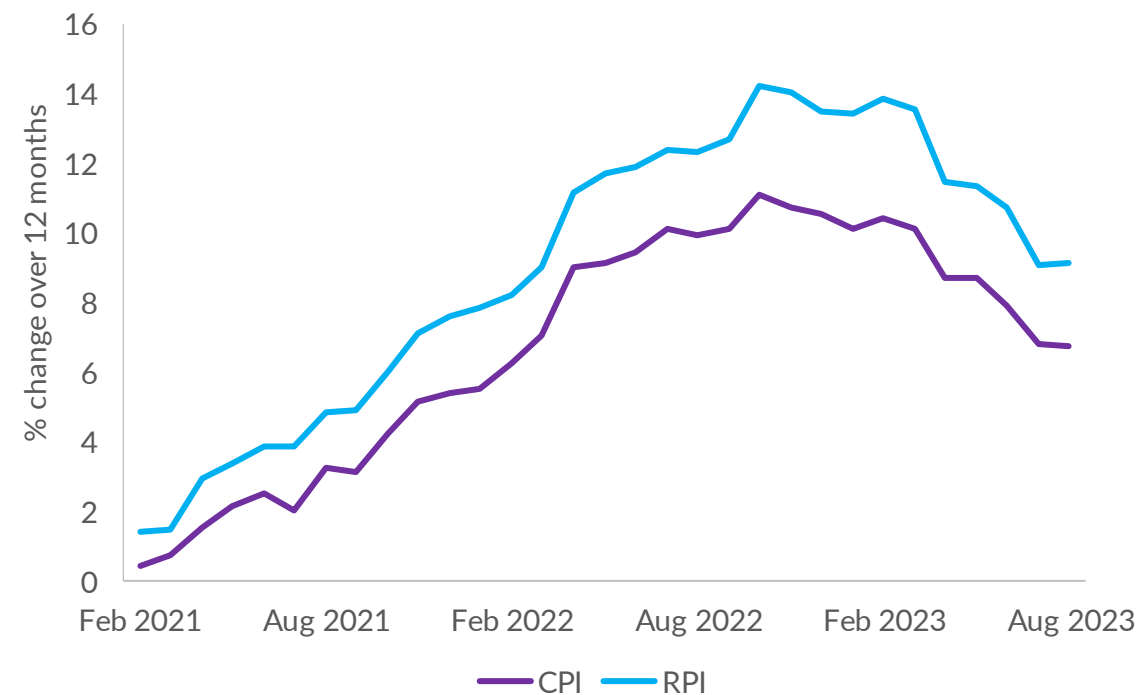
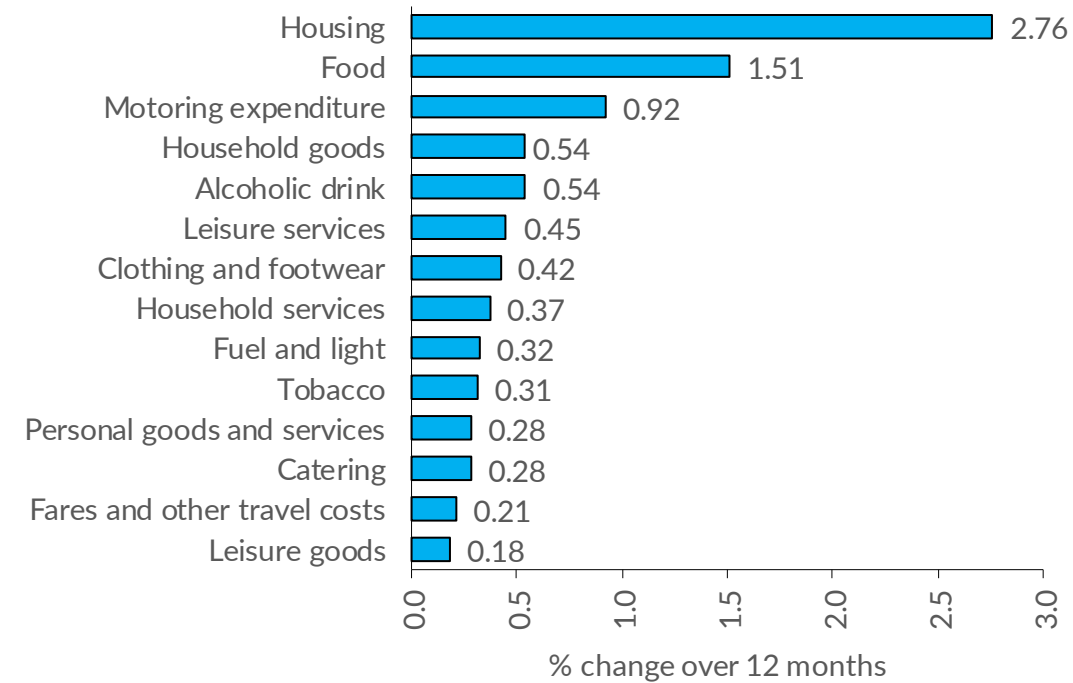
CPI: CONTRIBUTIONS TO THE ANNUAL RATE

	Food & non-alcoholic beverages	Clothing & Footwear	Housing & household services	Furniture & household goods	Transport	Restaurants & hotels
Aug-22	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	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	6.5	-1.8	9.5
Jul	14.8	6.6	6.8	6.2	-2.0	9.6
Aug-23	13.6	7.0	7.0	5.1	-0.5	8.3

Source: ONS.

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

RPI: CONTRIBUTIONS TO THE ANNUAL RATE



SUMMARY AUGUST

CPI

6.7%

Down from 6.8% in July.



CPI Food

13.6%

Down from 14.8% in July.



CPI eases further

MENU

EXEC SUMMARY

UK ECONOMY

PAGE 1

PAGE 2

WORLD ECONOMY

RETAIL SALES

ONS

ONS TABLES

CONSUMER CONFIDENCE

INFLATION

LABOUR MARKET

UK EMPLOYMENT

EARNINGS

CREDIT

EXCHANGE RATES

FORECASTS

ABOUT US

UK EMPLOYMENT

In the three months to July 2023:

- The latest figures suggest the unemployment rate increased slightly to 4.3%. The employment rate fell though still remains below pre-Covid levels. The inactivity rate rose in the most recent reporting period and 411,000 people are no longer economically active when comparing to the pre-pandemic period.
- The UK employment rate was estimated at 75.5%, 0.2 percentage points lower when compared to the previous three-month period, and 0.6 percentage points lower than before the coronavirus pandemic (December 2019 to February 2020).
- The UK unemployment rate was estimated at 4.3%, higher over the previous three-month period, and above pre-Covid levels.
- Total hours worked fell in the most recent reporting period, to 1.04 billion hours, slightly below pre-pandemic levels, signifying normalisation in the labour market.
- The UK economic inactivity rate was estimated at 21.1%, 0.2 percentage points higher than the previous quarter, and 0.9 percentage points higher than before the coronavirus pandemic.

LABOUR FORCE SURVEY

	Claimant Count		Unemployment	
	mills	% rate	Mills	% rate
Aug-22	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	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	1,464	4.3
Aug-23	1,551	4.0		

Source: ONS

EMPLOYMENT (3 MONTHS ENDING)

Employment (3 months ending) (000s)	Total	Full-time	Part-time
Aug-22	32,746	24,578	8,168
Sep	32,754	24,609	8,145
Oct	32,739	24,597	8,142
Nov	32,773	24,600	8,173
Dec	32,781	24,578	8,202
Jan	32,813	24,536	8,277
Feb	32,839	24,504	8,335
Mar	32,950	24,572	8,378
Apr	32,995	24,537	8,458
May	33,089	24,636	8,453
Jun	33,053	24,590	8,462
Jul	32,929	24,396	8,533
Aug-23	32,882	24,420	8,462

Source: ONS

SUMMARY JULY

Unemployment Rate

4.3%



Up from 4.2% in June.

Total Employment

75.5%



Down from 75.7% in June.

Inactivity picks up slightly



MENU

EXEC SUMMARY

UK ECONOMY

PAGE 1

PAGE 2

WORLD ECONOMY

RETAIL SALES

ONS

ONS TABLES

CONSUMER CONFIDENCE

INFLATION

LABOUR MARKET

UK EMPLOYMENT

EARNINGS

CREDIT

EXCHANGE RATES

FORECASTS

ABOUT US



EARNINGS

Between May and July 2023:

- **Regular pay** was estimated to have increased by 7.8% in nominal terms and increased by 1.2% in real terms.
- **Total pay** was estimated to have increased by 8.5% in nominal terms and increased by 0.6% in real terms.

Between May to July 2022 and May to July 2023:

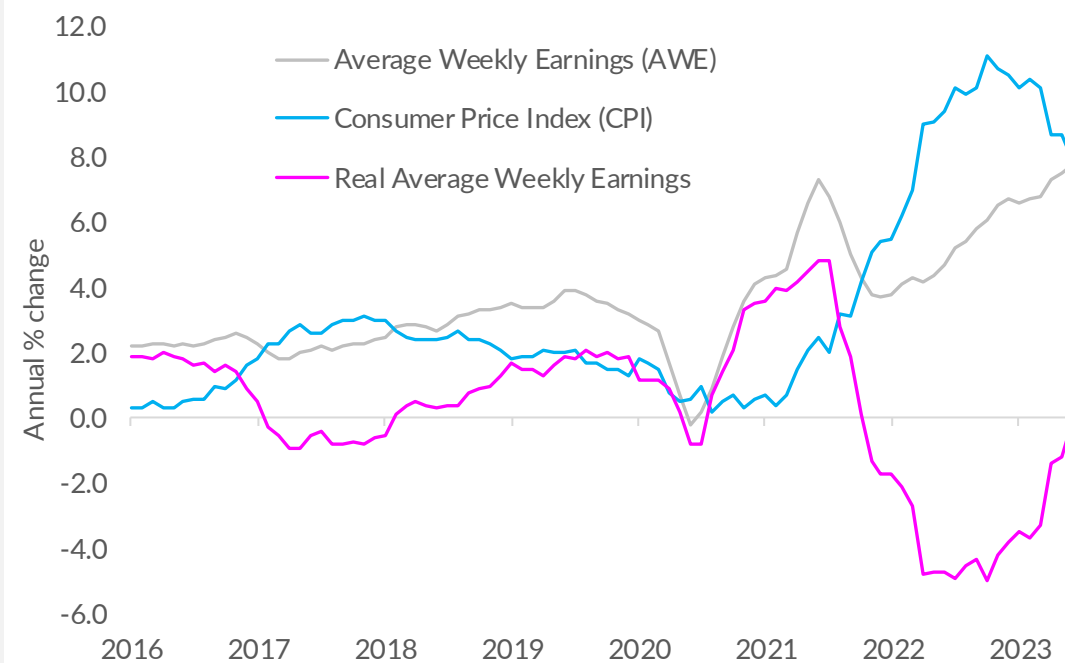
- **Average regular pay (excluding bonuses)** was estimated at £617 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£572 per week) and £479 per week in real terms (constant 2015 prices), higher than the estimate for a year earlier (£473 per week).
- **Average total pay (including bonuses)** was estimated at £664 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£615 per week) and £516 per week in real terms (constant 2015 prices), higher than the estimate for a year earlier (£508 per week).

AVERAGE WEEKLY EARNINGS GROWTH

	Average Weekly Earnings	Consumer Price Index (CPI)	Real Average Weekly Earnings
Aug-22	5.4	9.9	-4.5
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	6.7	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	7.8	6.8	1.0
Aug-23		6.7	

Source: ONS.

LONG TERM EARNINGS SERIES



SUMMARY JULY

Regular pay growth

7.8%



Unchanged from 7.8% in June.

Total pay growth

8.5%



Up from 8.4% in June.

Wage growth at record-highs

MENU

EXEC SUMMARY

UK ECONOMY

PAGE 1

PAGE 2

WORLD ECONOMY

RETAIL SALES

ONS

ONS TABLES

CONSUMER CONFIDENCE

INFLATION

LABOUR MARKET

UK EMPLOYMENT

EARNINGS

CREDIT

EXCHANGE RATES

FORECASTS

ABOUT US



MONEY, CREDIT & INSOLVENCIES

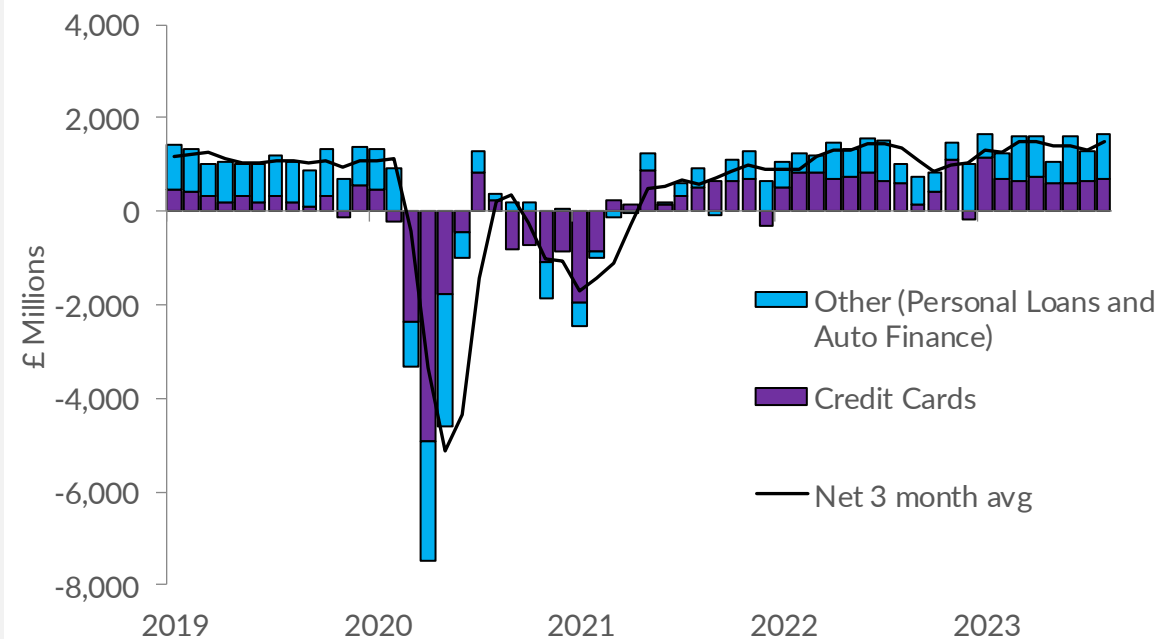
- Consumers in August borrowed an additional £1.6 billion in consumer credit, in net terms, of which borrowing was £1.0 billion in personal/auto loans and £0.7 billion of which was repayments on credit cards.
- Net borrowing of mortgage debt by individuals increased to £1.2 billion, up from £0.2 billion in July. Mortgage approvals for house purchases decreased to 45,400, down from 49,500.
- Sterling money (known as M4ex) net flows were -£8.1 billion in August, down from -£1.9 billion in the preceding month. Households in net terms deposited an additional £0.4 billion from banks and building societies, compared with £0.1 billion of net withdrawals in the preceding month.
- The effective interest rate paid on households' new time deposits with banks and building societies rose from 4.94% to 5.12%.
- Large businesses borrowing from banks decreased to -£0.2 billion of net repayments in August, whilst small and medium sized businesses repaid £1.3 billion. Private non-financial companies (PNFCs) repaid a net £0.7 billion in market finance from capital markets, compared to £0.2 billion of net repayments in the preceding month
- There were 593 retail insolvencies in Great Britain in Q2 2023, up from 550 in Q1 2023. In 2022, there were 1,901 insolvencies, a massive increase compared to the 960 figure in 2021.
- There were 6 retail CVAs in England and Wales during Q2 2023, up from 2 in 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)
Aug-22	1170	637	533
Sep	749	162	587
Oct	817	399	418
Nov	1452	1116	335
Dec	854	-156	1010
Jan	1627	1137	490
Feb	1245	674	570
Mar	1594	650	943
Apr	1591	724	867
May	1076	595	481
Jun	1589	612	976
Jul	1271	626	645
Aug-23	1644	678	966

Source: Bank of England

CONSUMER CREDIT



Source: Bank of England

SUMMARY AUGUST

Net consumer credit

£1.6bn



Up from £1.3 billion in July.

Net credit card lending

£0.7bn



Up from £0.6 billion in July.

The effective rate on new personal loans increased to 9.8% and increased on credit cards to 20.8%

MENU

EXEC SUMMARY

UK ECONOMY

PAGE 1

PAGE 2

WORLD ECONOMY

RETAIL SALES

ONS

ONS TABLES

CONSUMER CONFIDENCE

INFLATION

LABOUR MARKET

UK EMPLOYMENT

EARNINGS

CREDIT

EXCHANGE RATES

FORECASTS

ABOUT US

DOLLAR, EURO, YUAN, YEN

	US dollar (\$) per pound sterling (£)	Euro (€) per pound sterling (£)	Chinese Yuan (¥) per pound sterling (£)	Japanese Yen (¥) per pound sterling (£)
Sep-22	1.13	1.14	8.00	162.11
Oct	1.13	1.15	8.09	166.47
Oct	1.17	1.15	8.20	166.81
Nov	1.22	1.15	8.60	164.51
Dec	1.22	1.14	8.29	159.45
Jan	1.21	1.13	8.17	160.84
Feb	1.21	1.13	8.26	162.15
Mar	1.25	1.13	8.61	166.23
Apr	1.25	1.15	8.69	171.03
May	1.26	1.17	8.83	178.57
Jun	1.29	1.17	9.18	181.72
Jul	1.27	1.16	9.16	183.88
Sep-23	1.24	1.16	9.17	183.06

Source: Average monthly exchange rate, Bank of England

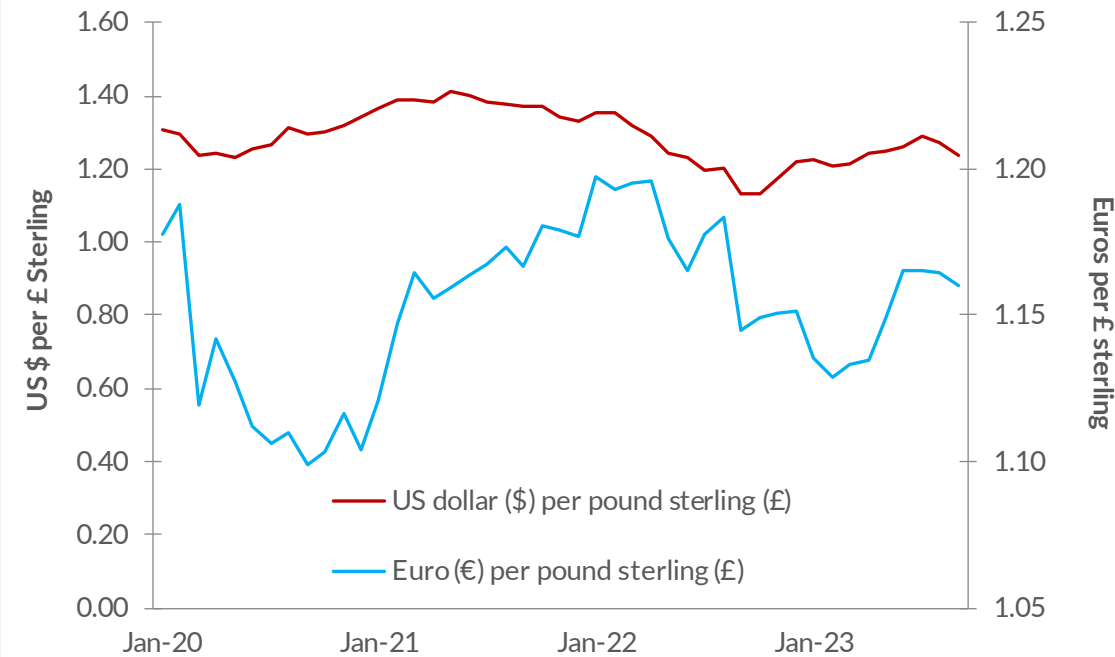
IMPACTS FROM CURRENCY DEPRECIATION

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.

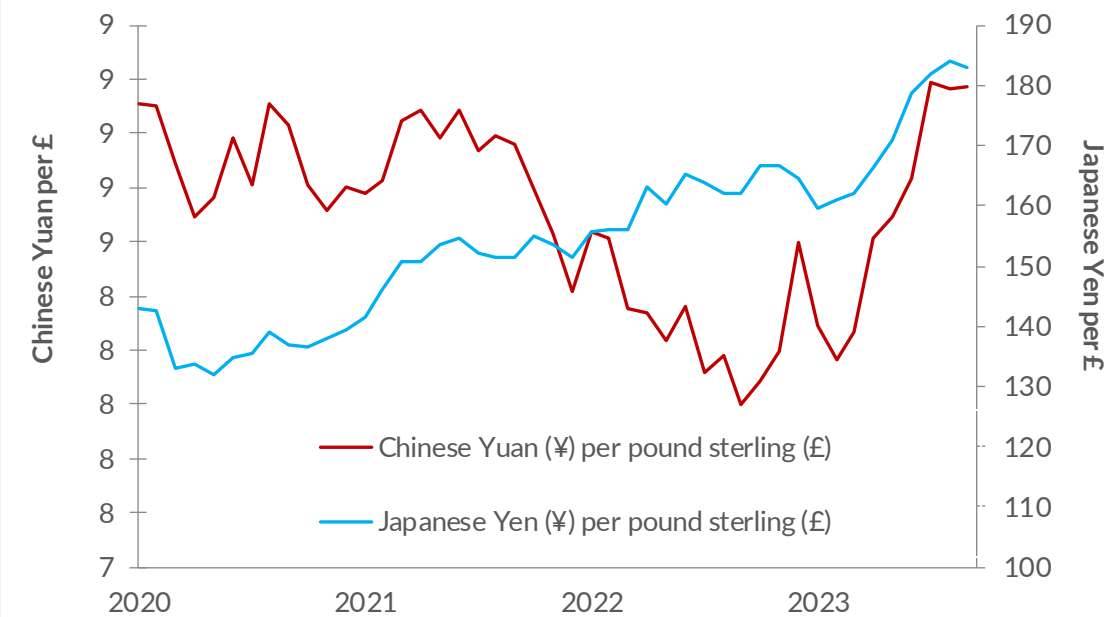
However, this failed to materialise following the post-referendum depreciation from 2016, most likely due to specialised supply chains.

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 SEPTEMBER

USD TO GBP, YOY

9.4%

Sterling appreciation in relation to the USD, YoY.



EURO TO GBP, YOY

1.4%

Sterling appreciation in relation to the Euro, YoY.



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

- MENU
- EXEC SUMMARY
- UK ECONOMY
 - PAGE 1
 - PAGE 2
- WORLD ECONOMY
- RETAIL SALES
 - ONS
 - ONS TABLES
- CONSUMER CONFIDENCE
- INFLATION
- LABOUR MARKET
 - UK EMPLOYMENT
 - EARNINGS
- CREDIT
- EXCHANGE RATES
- FORECASTS
- ABOUT US

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	-0.2	0.4	1.8	1.1	2.5
Cons. Spending	0.5	-0.8	0.4	1.5	N/A	1.8
CPI (Q4)	4.4	6.1	2.3	0.9	3.0	0.1
Avg Earnings	6.6	5.0	3.4	1.8	3.1	1.7
Bank Rate (Q4)	5.6	5.0	4.8	4.6	3.9	4.6

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 upward from the previous projection of 0.3%

Avg. Earnings 2023

6.6%



Revised up from the previous projection of 5.3%.

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

MENU

EXEC SUMMARY

UK ECONOMY

PAGE 1

UK Economy (Page 2)

WORLD ECONOMY

RETAIL SALES

ONS

ONS

CONSUMER CONFIDENCE

INFLATION

LABOUR MARKET

UK EMPLOYMENT

EARNINGS

CREDIT

EXCHANGE RATES

FORECASTS

ABOUT US

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.

AUTHOR



HARVIR DHILLON
ECONOMIST

EDITOR



KRIS HAMER
DIRECTOR OF INSIGHT

PUBLICATIONS

MONTHLY

RETAIL SALES MONITOR

SHOP PRICE INDEX

FOOTFALL MONITOR

DIGITAL RETAIL INSIGHTS

ECONOMIC MONITOR

QUARTERLY

FORECASTING

VACANCY MONITOR

HR BENCHMARK

ANNUAL

ANNUAL SALES REVIEW

CRIME SURVEY

PAYMENTS SURVEY

DIVERSITY AND INCLUSION SURVEY

CONTACT & DISCLAIMER

BRITISH RETAIL CONSORTIUM

+44 (0) 207 854 8900

insight@brc.org.uk

The articles and opinions contained in this publication do not necessarily reflect the views of the BRC. Whilst the BRC endeavours to ensure that the information in this publication is accurate and that the articles contain nothing prejudicial to the position or reputation of any party, the BRC shall not be liable for any damages (including without limitation, damages for loss of business or loss of profits) arising in contract, tort or otherwise from this publication or any information contained in it, or from any action or decision as a result of reading this report.

