



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.

April 2024

CONSUMER SPENDING POWER IMPROVES

The UK's economic performance at the start of 2024 has shown signs of improving momentum. The final estimate of GDP (released last week) confirmed that the UK entered a technical recession at the end of 2023. However, since then, other indicators such as business sentiment and retail sales have improved slightly, suggesting GDP is unlikely to have fallen further during Q1 2024.

The Quarterly National Accounts data also reveal that UK consumers are saving more as real income gains materialise into healthier savings buffers. These gains are expected to continue into Q2 and Q3, bolstered by lower inflation (particularly energy bills) and the cut in national insurance tax taking effect from this month.

Commodity prices have started to trend upward, although so far this has been limited to metals, particularly tin and gold. Oil prices also rose in March, and upward pressure on them is likely to remain, as longer shipping routes require more fuel and Russian refining facilities come under attack. Whilst shipping costs remain 50% higher than at the end of 2023, costs have started to come down, from a peak of 137%, which will ease pressure on businesses. Nonetheless, input costs are expected to remain high and broadly plateau over 2024.

GDP GROWTH

-0.3%

% change - QOQ, Q4 2023

Down from -0.1% in Q3 2023

CPI INFLATION

3.4%

% change - YOY February 2024

Down from 4.0% in January

UNEMPLOYMENT

3.9%

January 2024

Up from 3.8% in December

WAGE GROWTH

6.1%

% change - YOY January 2024

Down from 6.2% in December

BRC - KPMG RETAIL SALES

1.1%

% change - YOY, February 2024

Down from 1.2% in January

CONSUMER CONFIDENCE

-21

March 2024

Unchanged from -21 in February

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



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



GDP GROWS IN JANUARY

Indicators of Economic Output

GDP grew in January by 0.2%, following a contraction of 0.1% in December. Services activity was flat, and the largest downward contributor was education activities. The biggest upward contributor was professional, scientific and technical activities. Consumer-facing services also showed no growth, with the biggest downward contributor being buying and selling, renting and operating of own or leased real estate. In contrast, sports activities and amusement and recreation activities provided the largest positive contribution.

Looking at the most recent quarterly figures, the economy contracted by 0.3% over the fourth quarter of 2023. Relative to the pre-pandemic benchmark of Q4 2019, economic output is 1.0% above this level. Services output fell marginally, but there was mixed performance, though the biggest decrease came from wholesale and retail trade. Improving activity levels in administrative support and support services was not enough to offset decreases in most sub-sectors. Production output decreased by 1.1%, and, within this, manufacturing activity fell, driven by the manufacture of machinery equipment. Construction output fell by 0.9% as a slump in private housing construction drove declines in new construction activity. Looking at the expenditure side, investment provided the only positive contribution to headline GDP, and household expenditure fell 0.1% in real terms. Investment rose 1.4% on the quarter and is currently 4.7% above its pre-Covid level.

The latest S&P Global UK Composite PMI showed activity in March stayed in positive territory, with the overall index at 52.9, above the no-change 50-mark. Services remained in positive territory, though lost a little momentum last month, due to pressure on household disposable income.

Manufacturing managed to expand for the first time since February 2023. Wage bills continue to push up business expenses, leading to higher output charges for consumers.

Prices and Monetary Policy

Inflation eased notably in February and the Consumer Price Index lowered to 3.4%. Of the headline rate, 0.6% emanates from food, 0.8% from restaurants and hotels and 0.7% from recreation and culture. Housing and energy costs, as well as transport, are now pushing down on inflation, shaving off 0.3% and 0.03% (respectively) from the headline figure. Fuel prices rose for both petrol and diesel, with these figures registered when petrol was £1.42 per litre and diesel £1.51.

Gas and food prices have steadily come down though shipping rates remain elevated (although these are starting to fall back). Global oil prices had recently peaked at \$96 but have more recently risen to \$85 (March average). Domestically, the headline Producer Price Inflation (PPI) measure for business input costs remained in deflation over February. Output cost inflation rose back into slight inflation, suggesting business cost pressures have significantly eased, although remain at a high level.

The Bank of England (BoE), last month, opted to keep rates unchanged for a fifth consecutive meeting, following fourteen consecutive hikes, at 5.25%, remaining at 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 undershoot 2% over Q2 2024, before rising again. With a sustainable return to the 2% target from Q3 2025 onwards. Households will continue to feel the effects of higher mortgage repayments with an estimated 2.3 million mortgages seeing 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%

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



JOB VACANCIES FALL FURTHER

Faster Indicators: BRC-KPMG Retail Sales

February saw retail sales slow very slightly to 1.1% year on year, which was another disappointing result at the beginning of the year. As the weather was considerably wetter than average – reportedly 80% more – it is not a huge surprise that retailers were struggling to attract footfall in stores throughout the month. However, the half-term break was said to perform better than the same point last year.

Once again, Food sales growth continued to slow, commensurate with the falling rate of price inflation, but remained significantly elevated from the pre-cost-of-living crisis levels. On the Non-Food side of consumer spending, Valentine’s Day was said to attract some demand for flowers, cosmetics, and fragrances, with the latter two already being the standout performers of recent times.

Labour Market

The UK’s labour market has begun to cool, though the ONS’ most recently re-introduced statistics estimate the unemployment rate to be 3.9%, suggestive of lingering tightness in the labour market. 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, 21.8% of those aged 16-64 were inactive in the labour force.

Job vacancies fell to 908,000 in the three months to February and are now coming down swiftly. This still represents 82,000 more vacancies than before the pandemic. Vacancies are above pre-crisis levels in 14 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 99,000, which is 22,000 below pre-pandemic levels.

Outlook

The UK’s economy is set to have exhibited another quarter of broadly flat growth, following better retail sales performance and improving business sentiment as well as services activity, suggesting that a further GDP decline is unlikely. Inflation is now set to fall below 2% when April’s CPI figure is released in May. With a lower Ofgem price cap taking effect from this month, real wage growth is set to pick up over the coming quarter. Indeed, the national insurance tax cut announced during last month’s budget also provides consumers with more spending power. Nonetheless, interest rates remain high, and the impacts are still working their way through the economy, which particularly weighs upon mortgage holders and businesses with high levels of corporate debt. The net result is a broadly flat economic outlook over the coming year, though geopolitical risks remain high. Thus far commodities inflation has been limited to metals, though energy products such as oil have seen upward pressure over the past few months.

| % 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 not accredited ‘official statistics’ designation. The ONS introduce their new methodology in September.

PROJECTIONS FOR 2024 UK GDP GROWTH

Bank of England (February Forecast)

0.3%

IMF (January Forecast)

0.6%

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

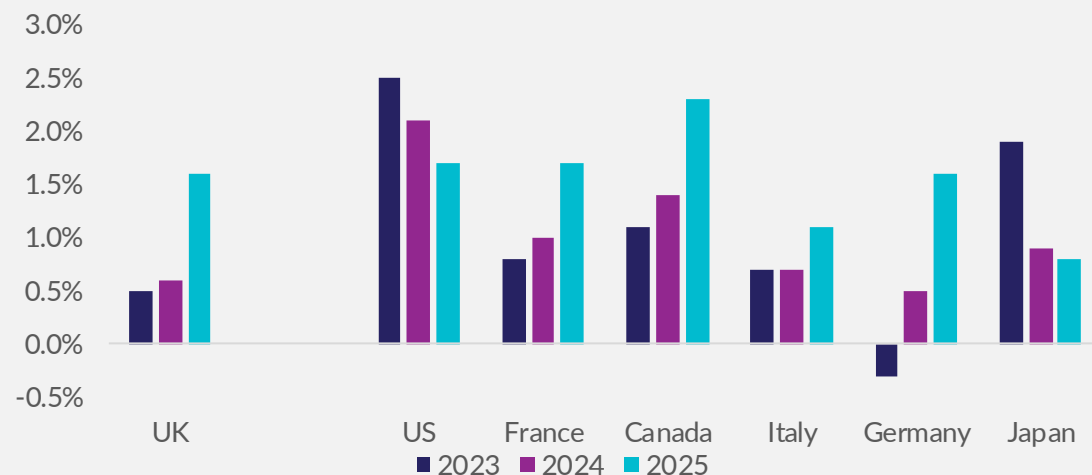


GLOBAL DEMAND UNDER PRESSURE

Financial conditions are tightening as the global interest rate-setter, the United States, maintains high 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 3.4% 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 March S&P Global Eurozone Composite PMI shows business activity remained in contractionary territory but was at a 9-month high. 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 faced fewer losses though still registered steep contractions. Input costs started to ease once more, now at a three-month low, though cost burdens remain above their historical trend level. Service providers continued to record price increases and selling price inflation also remains historically high, despite moderating last month.

US inflation picked up slightly to 3.2% in February 2024 though 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 eased to 2.6% in the 12 months to February, down from January's figure of 2.8%. Energy prices were 3.7% lower on the year, food, alcohol and tobacco prices 3.9% higher and the cost of non-energy industrial goods increased 1.9%.

2024 PROJECTED GROWTH - IMF (JANUARY)

UK

0.6%

US

2.1%

FRANCE

1.0%

GERMANY

0.5%

JAPAN

0.9%

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

SALES VOLUMES FLAT IN FEBRUARY

UK retail sales were estimated to be flat in February, following an upwardly revised increase of 3.6% in January. In broader terms, sales volumes fell by 0.4% in the three months leading up to February when compared to the preceding three months.

Food store sales fell by 0.3%, on the month, following a 3.1% expansion in December. Growth in volumes fell, and deteriorating sales performance was attributed to lower footfall as a result of wet weather. Food stores' sales volumes are now 3.5% below their pre-pandemic February 2020 levels, as consumers grapple with a higher price level for food.

Non-food store sales rose by 0.7% on the month, with sales volumes having risen by 3.9% in the preceding month. Volumes rose across all categories (but one), most dramatically in textile, clothing and footwear stores, followed by non-specialised stores. Household goods stores, in contrast, was the only sub-sector to see a decline in volumes (by 1.0%). Automotive fuel sales volumes fell by 1.3%, in February, attributed to rising fuel prices.

The proportion of retail sales conducted online (seasonally adjusted) rose to 25.7% in February, up from an upwardly revised 25.1% in January. Online sales remained above pre-pandemic norms of 19.7% (February 2020).

DATA & CHARTS

FIG 1 - Retail Sales Volumes vs Retail Sale Value

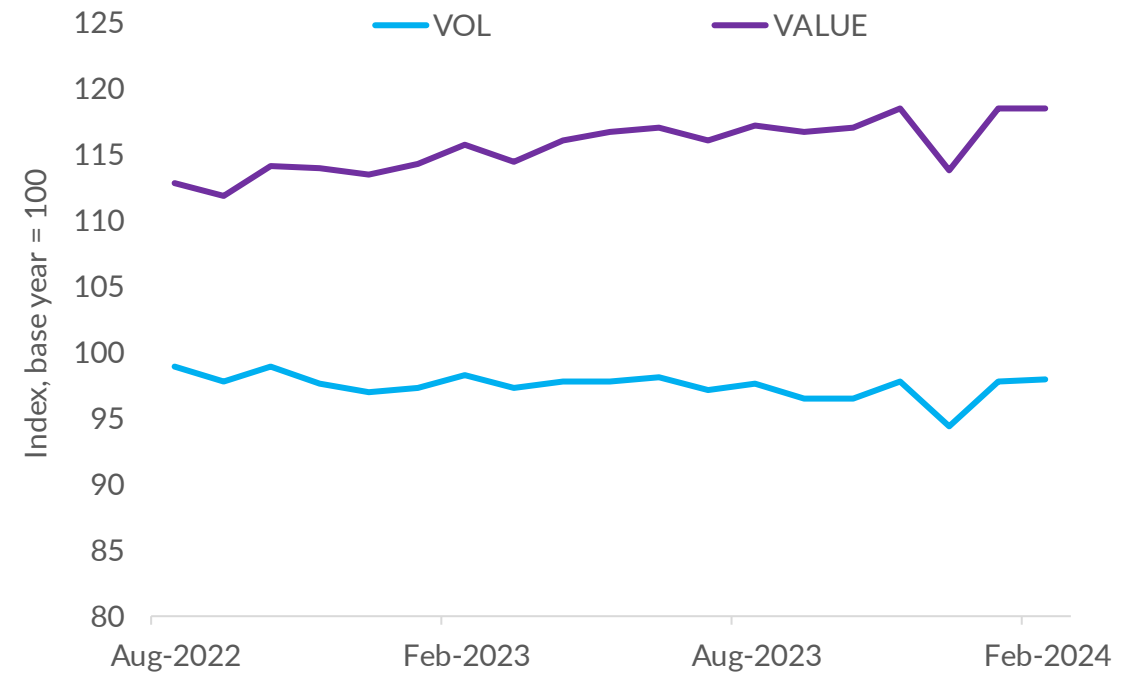
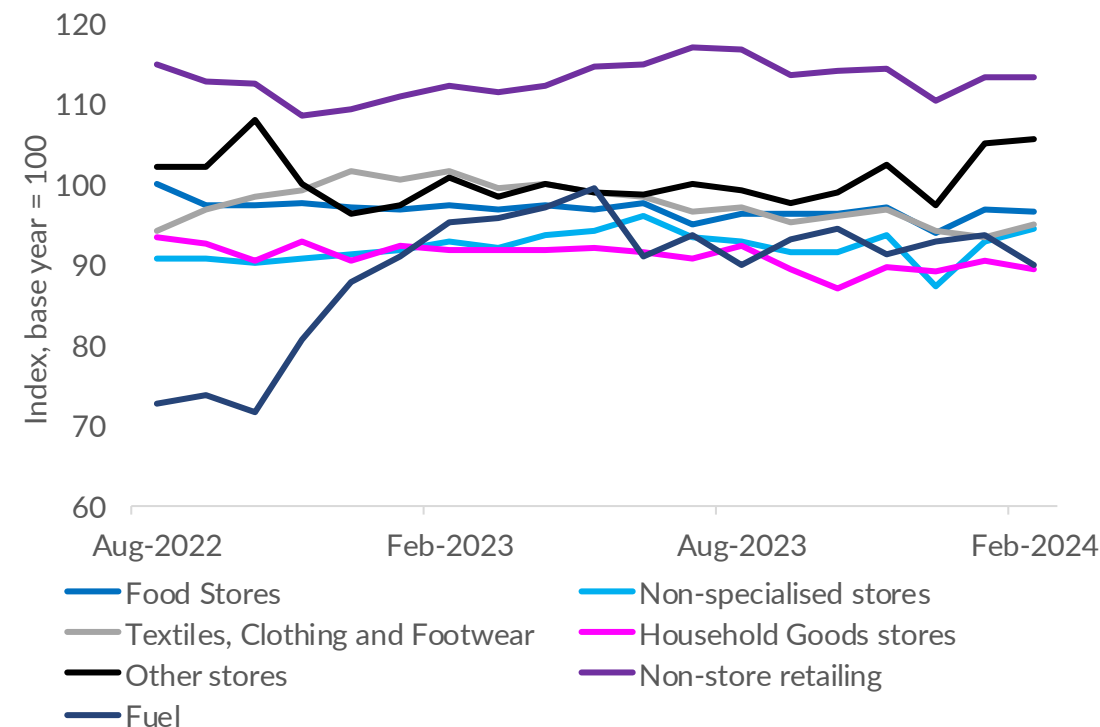


FIG 2 - ONS Retail Sales Category Volumes



SUMMARY FEBRUARY

Retail Sales

0.0%



Down from 3.6% in January.

Online Sales

2.1%



Up from -3.1% in January.

Wet weather shifts sales online



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

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



ONS & BRC SALES GROWTH – VALUE TERMS

| % change on year ago | RSI Sales | RSM Sales |
|----------------------|-----------|-----------|
| Dec-23 | 2.2 | 1.7 |
| Jan-24 | 4.5 | 1.2 |
| Feb-24 | 3.1 | 1.1 |

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 |
|--------|------------------|---------------------|----------------|-----------------------------|------------------|---------------|---------------------|
| Feb-23 | 5.9 | 11.1 | 7.2 | 14.0 | -2.7 | 1.4 | -5.0 |
| Mar | 5.1 | 11.1 | 4.0 | 10.8 | -3.7 | -7.4 | 2.5 |
| Apr | 5.9 | 10.2 | 7.5 | 10.8 | -0.2 | 0.5 | -2.0 |
| May | 7.5 | 13.0 | 10.4 | 8.1 | 0.0 | 0.3 | 1.6 |
| Jun | 6.9 | 10.2 | 11.6 | 10.0 | 3.2 | -2.5 | 3.8 |
| Jul | 4.6 | 5.7 | 5.1 | 5.9 | 3.0 | 0.3 | 5.5 |
| Aug | 6.6 | 7.3 | 8.0 | 10.2 | 3.0 | 2.0 | 7.5 |
| Sep | 5.6 | 9.3 | 5.6 | 4.7 | -1.0 | -0.4 | 4.8 |
| Oct | 4.2 | 8.0 | 5.7 | 3.4 | -2.8 | -4.2 | 5.7 |
| Nov | 5.8 | 7.3 | 5.9 | 2.9 | -2.2 | 5.4 | 8.8 |
| Dec | 1.8 | 4.0 | -1.8 | -1.8 | -4.2 | 1.3 | 5.2 |
| Jan | 4.5 | 6.1 | 3.8 | -2.1 | -1.8 | 9.6 | 4.4 |
| Feb-24 | 3.1 | 4.2 | 3.8 | -1.8 | -1.5 | 5.8 | 3.5 |

Source: ONS RSI

LARGE & SMALL RETAILERS

| % change on year ago | ONS Large Retailers | ONS Small Retailers |
|----------------------|---------------------|---------------------|
| Dec-23 | -0.8 | 14.5 |
| Jan-24 | 2.4 | 11.5 |
| Feb-24 | 1.3 | 9.3 |

Source: ONS RSI

ONS SALES GROWTH – VOLUME TERMS

| M-Y | All (excl. fuel) | Predom. food stores | Depart. stores | Textiles, cloth. & footwear | Household goods | Oth. non-food | Non-store retailing |
|--------|------------------|---------------------|----------------|-----------------------------|-----------------|---------------|---------------------|
| Feb-23 | 1.5 | 0.8 | 2.7 | 0.9 | -0.8 | 4.4 | 1.5 |
| Mar | -1.1 | -0.8 | -0.8 | -2.0 | 0.0 | -2.5 | -0.8 |
| Apr | 0.8 | 0.5 | 1.7 | 0.6 | 0.0 | 1.7 | 0.9 |
| May | -0.1 | -0.5 | 0.7 | -1.3 | 0.4 | -1.1 | 2.2 |
| Jun | 0.4 | 0.9 | 1.8 | -0.4 | -0.6 | -0.1 | 0.1 |
| Jul | -1.2 | -2.7 | -2.5 | -2.1 | -0.9 | 1.4 | 1.8 |
| Aug | 0.6 | 1.4 | -0.6 | 0.6 | 1.6 | -0.8 | -0.1 |
| Sep | -1.3 | 0.0 | -1.6 | -1.8 | -3.2 | -1.6 | -2.9 |
| Oct | 0.2 | 0.0 | 0.2 | 0.7 | -2.6 | 1.3 | 0.6 |
| Nov | 1.4 | 0.8 | 2.3 | 1.0 | 3.0 | 3.4 | 0.2 |
| Dec | -3.6 | -3.3 | -6.8 | -2.9 | -0.5 | -4.7 | -3.6 |
| Jan | 3.4 | 3.1 | 6.4 | -0.7 | 1.4 | 7.9 | 2.8 |
| Feb-24 | 0.2 | -0.3 | 1.6 | 1.7 | -1.0 | 0.4 | 0.0 |

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 |
|--------|--------------------------------------|---|----------------------|--------------------------------------|
| Feb-23 | £8.1bn | £2.1bn | -2.1 | 25.8 |
| Mar | £8.4bn | £2.2bn | 4.3 | 26.1 |
| Apr | £8.7bn | £2.2bn | 2.9 | 25.7 |
| May | £8.9bn | £2.3bn | 7.3 | 25.7 |
| Jun | £8.8bn | £2.2bn | 7.4 | 25.3 |
| Jul | £8.9bn | £2.3bn | 10.2 | 26.2 |
| Aug | £8.6bn | £2.2bn | 10.4 | 25.3 |
| Sep | £8.4bn | £2.2bn | 7.8 | 25.8 |
| Oct | £9.0bn | £2.4bn | 6.7 | 26.5 |
| Nov | £10.3bn | £3.2bn | 9.3 | 30.9 |
| Dec | £10.7bn | £2.9bn | 3.8 | 27.6 |
| Jan | £8.1bn | £2.2bn | 2.1 | 26.7 |
| Feb-24 | £8.3bn | £2.1bn | 3.0 | 25.7 |

Source: ONS RSI

SUMMARY FEBRUARY

ONS Sales

3.1%



Down from 4.5% in January.

Large retailers

1.3%



Down from 2.4% in January.

Strong increase in clothing and footwear store sales

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

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 positive sales growth for the first time since April 2023. Sales volumes were in line with the average for the time of year, last month. Online sales declined in the year to March and are expected to fall at a slower pace this month.

Year-on-year sales volumes are expected to decline this month, disappointing against seasonal norms. Stock positions were considered “adequate” relative to expected sales. Retailers anticipate that orders will contract this month, at a similar pace than during the previous month.

Wholesalers saw volumes expand in the year to March, following positive growth in the preceding month. Sales volumes are expected to fall next month, at a mild pace. Distribution reported sales volumes similarly expanded when compared to February, a second consecutive month of growth. Sales are expected to fall slightly over this month.

VOLUME OF SALES – REALISED AND EXPECTED

| | Balance | Expected (next month) |
|--------|---------|-----------------------|
| Apr-23 | +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 | -7 | -50 |
| Mar | +2 | -15 |
| Apr-24 | | -25 |

Source: CBI Distributive Trades Survey

SUMMARY MARCH

CBI Balance

+2

Up from -7 in February.



CBI Expected (April)

-25

Down from -15 in March.



Sales outlook turns positive for the first time in almost a year



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



GfK CONSUMER CONFIDENCE

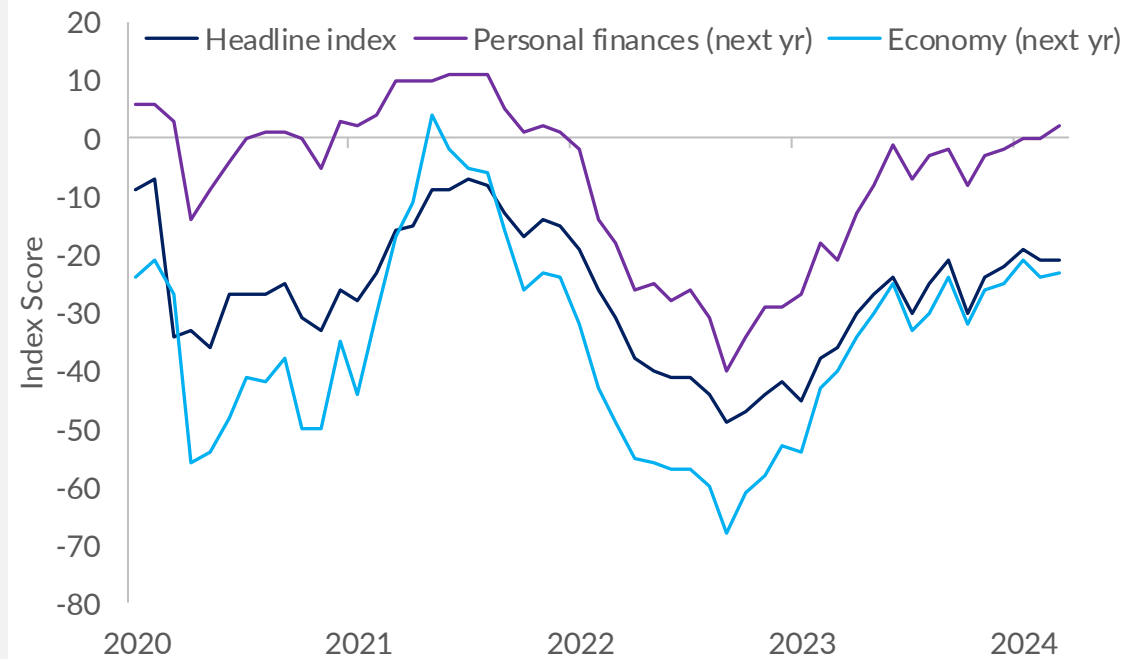
“Consumer confidence stalled at minus -21 in March, following the two-point dip in February. The improved Personal Finance measure (next 12 months) at +2 is encouraging because it’s the first positive and the highest score since December 2021. This is welcome news given the challenges faced by Britons of fiscal drag, higher costs for fuel, rising council taxes and utilities eroding any increases in wages or other income.

Look back to last year and it’s clear the improvements in consumer confidence seen most months since January 2023 have vanished. Moreover, this month the Major Purchase Index has dropped two points, the view of the wider economy over the past year is down and the Savings Index has dived four points. In the run-up to the next UK General Election, these are important questions for the future health of the economy.”

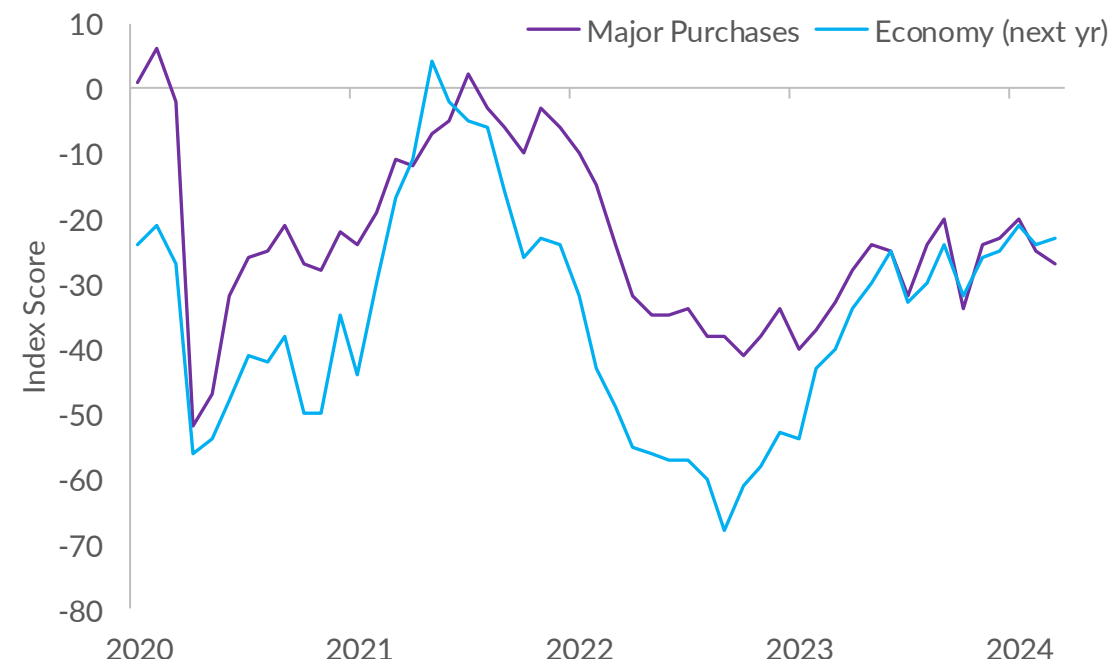
GfK NOP CONSUMER CONFIDENCE INDEX

| | Headline index | Major Purchases | Personal finances (past YR) | Personal finances (next YR) | Economy (past YR) | Economy (Next YR) |
|--------|----------------|-----------------|-----------------------------|-----------------------------|-------------------|-------------------|
| Mar-23 | -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 | -19 | -20 | -12 | 0 | -41 | -21 |
| Feb | -21 | -25 | -14 | 0 | -43 | -24 |
| Mar-24 | -21 | -27 | -13 | 2 | -45 | -23 |

LONG-TERM TRENDS



Source: GfK Consumer Confidence Index



Source: GfK Consumer Confidence Index

SUMMARY MARCH

Headline GfK confidence

-21



Unchanged from -21 in February

Major Purchases confidence

-27



Down from -25 in February

Consumer confidence unchanged in March

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



ONS CONSUMER PRICE INDEX (CPI)

HEADLINE FIGURES, %, YOY

| | CPI | Retail Price Index, all items (RPI) | All Items excl. mortgage interest payments (RPIX) |
|--------|------|-------------------------------------|---|
| Feb-23 | 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 | 4.0 | 5.2 | 4.0 |
| Jan | 4.0 | 4.9 | 3.8 |
| Feb-24 | 3.4 | 4.5 | 3.5 |

Source: ONS.

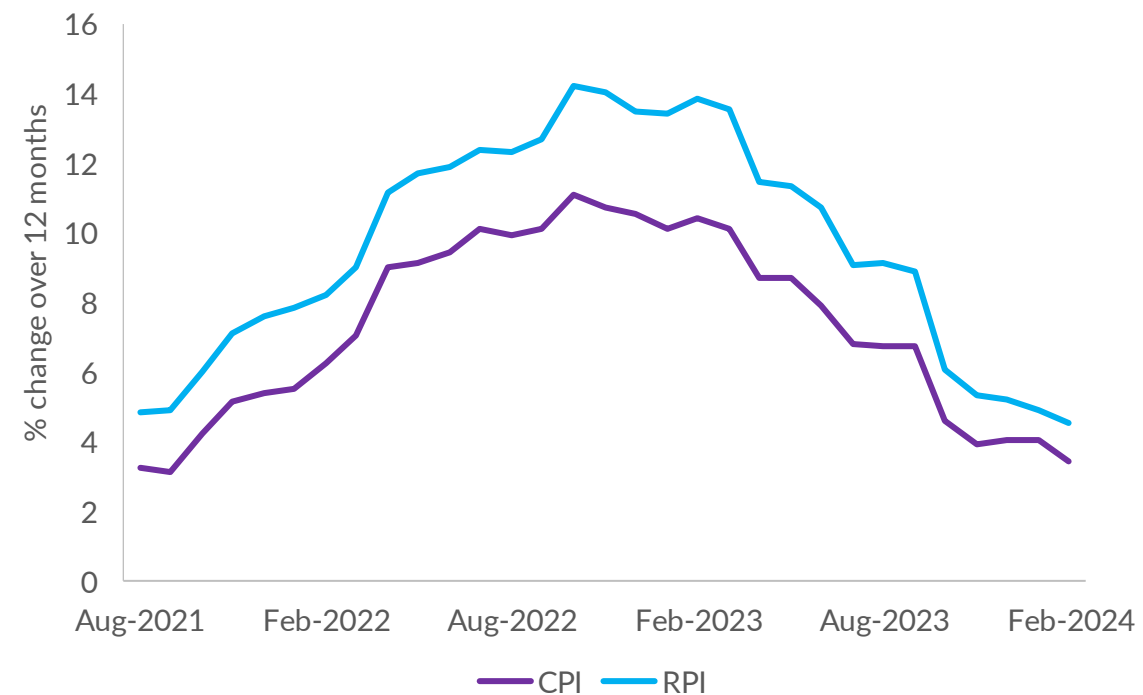
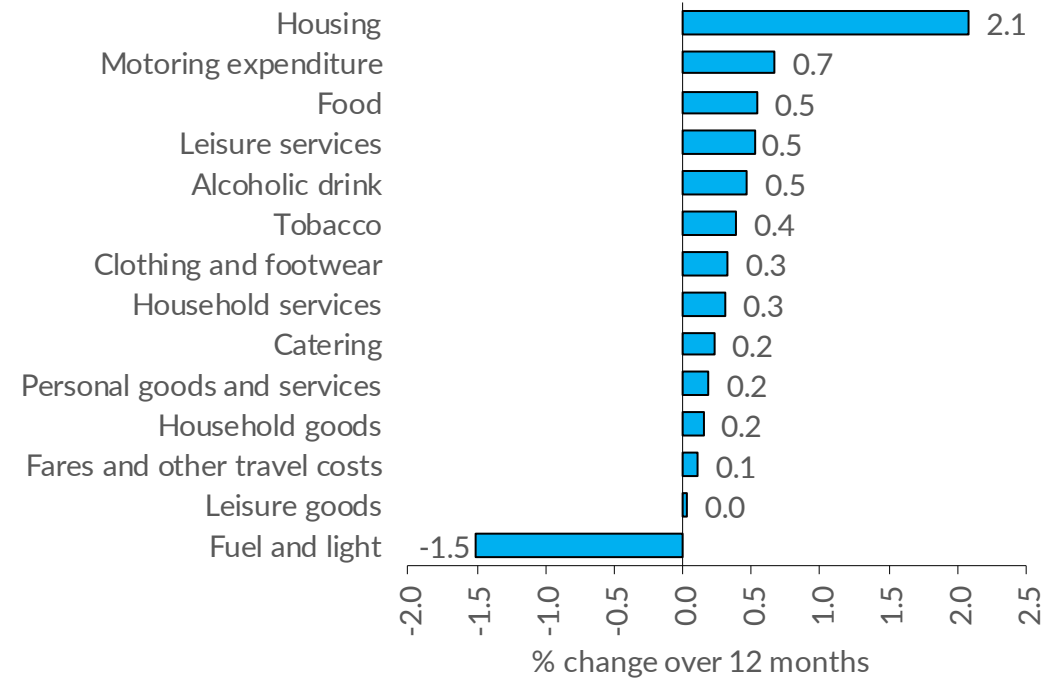
CPI: CONTRIBUTIONS TO THE ANNUAL RATE

| | Food & non-alcoholic beverages | Clothing & Footwear | Housing & household services | Furniture & household goods | Transport | Restaurants & hotels |
|--------|--------------------------------|---------------------|------------------------------|-----------------------------|-----------|----------------------|
| Feb-23 | 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 | 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 | 8.0 | 6.4 | -3.4 | 2.5 | -1.1 | 7.0 |
| Jan | 6.9 | 5.6 | -2.1 | 0.4 | -0.3 | 7.0 |
| Feb-24 | 5.0 | 5.0 | -1.7 | 0.0 | -0.1 | 6.0 |

Source: ONS.

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

RPI: CONTRIBUTIONS TO THE ANNUAL RATE



SUMMARY FEBRUARY

CPI

3.4%

Down from 4.0% in January.



CPI Food

5.0%

Down from 6.9% in January.



CPI eases to lowest since September 2021

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



UK EMPLOYMENT

In the three months to January 2024:

- The UK employment rate was estimated at 75.0%, unchanged when compared to the previous three-month period, and 1.2 percentage points lower than before the coronavirus pandemic (December 2019 to February 2020).
- The UK unemployment rate was estimated at 3.9%, slightly down over the previous three-month period, and 0.1 percentage points below pre-Covid levels.
- Total hours worked increased in the most recent reporting period (September), to 1.06 billion hours, slightly above pre-pandemic levels, signifying normalisation in the labour market.
- The UK economic inactivity rate was estimated at 21.8%, slightly lower on the previous quarter, and 1.3 percentage points higher than before the coronavirus pandemic.

NB: Headline estimates are not accredited 'official statistics' designation, and the 'Transformed Labour Force Survey' (TLFS) figures will now be published in September, when the Office for National Statistics introduces its new methodology for the collection of the UK's labour market figures (see more information [here](#)).

LABOUR FORCE SURVEY

| | Claimant Count | | Unemployment | |
|--------|----------------|--------|--------------|--------|
| | mills | % rate | Mills | % rate |
| Feb-23 | 1,499 | 3.8 | 1,346 | 3.9 |
| Mar | 1,526 | 3.9 | 1,346 | 4.0 |
| Apr | 1,549 | 3.9 | 1,353 | 3.9 |
| May | 1,527 | 3.9 | 1,395 | 4.0 |
| Jun | 1,543 | 3.9 | 1,460 | 4.2 |
| Jul | 1,550 | 4.0 | 1,496 | 4.3 |
| Aug | 1,541 | 3.9 | 1,452 | 4.2 |
| Sep | 1,550 | 4.0 | 1,407 | 4.1 |
| Oct | 1,559 | 4.0 | 1,367 | 4.0 |
| Nov | 1,560 | 4.0 | 1,355 | 3.9 |
| Dec | 1,565 | 4.0 | 1,320 | 3.8 |
| Jan | 1,568 | 4.0 | 1,359 | 3.9 |
| Feb-24 | 1,585 | 4.0 | | |

Source: ONS

EMPLOYMENT (3 MONTHS ENDING)

| Employment (3 months ending) (000s) | Total | Full-time | Part-time |
|-------------------------------------|--------|-----------|-----------|
| Jan-23 | 33,099 | 24,622 | 8,478 |
| Feb | 33,176 | 24,678 | 8,498 |
| Mar | 33,201 | 24,617 | 8,584 |
| Apr | 33,326 | 24,730 | 8,596 |
| May | 33,311 | 24,705 | 8,606 |
| Jun | 33,163 | 24,518 | 8,645 |
| Jul | 33,082 | 24,500 | 8,582 |
| Aug | 33,028 | 24,487 | 8,541 |
| Sep | 33,102 | 24,607 | 8,495 |
| Oct | 33,196 | 24,687 | 8,509 |
| Nov | 33,136 | 24,743 | 8,393 |
| Dec | 33,174 | 24,813 | 8,361 |
| Jan-24 | 33,175 | 24,886 | 8,289 |

Source: ONS

SUMMARY JANUARY

Unemployment Rate

3.9%



Up from 3.8% in December.

Total Employment

75.0%



Unchanged from 75.0% in December.

Inactivity higher than first estimated

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



EARNINGS

Between November 2023 and January 2024:

- **Regular pay** was estimated to have increased by 6.1% in nominal terms and increased by 1.8% in real terms.
- **Total pay** was estimated to have increased by 5.6% in nominal terms and increased by 1.4% in real terms.

Between November 2023 and January 2024 and November 2023 and January 2024:

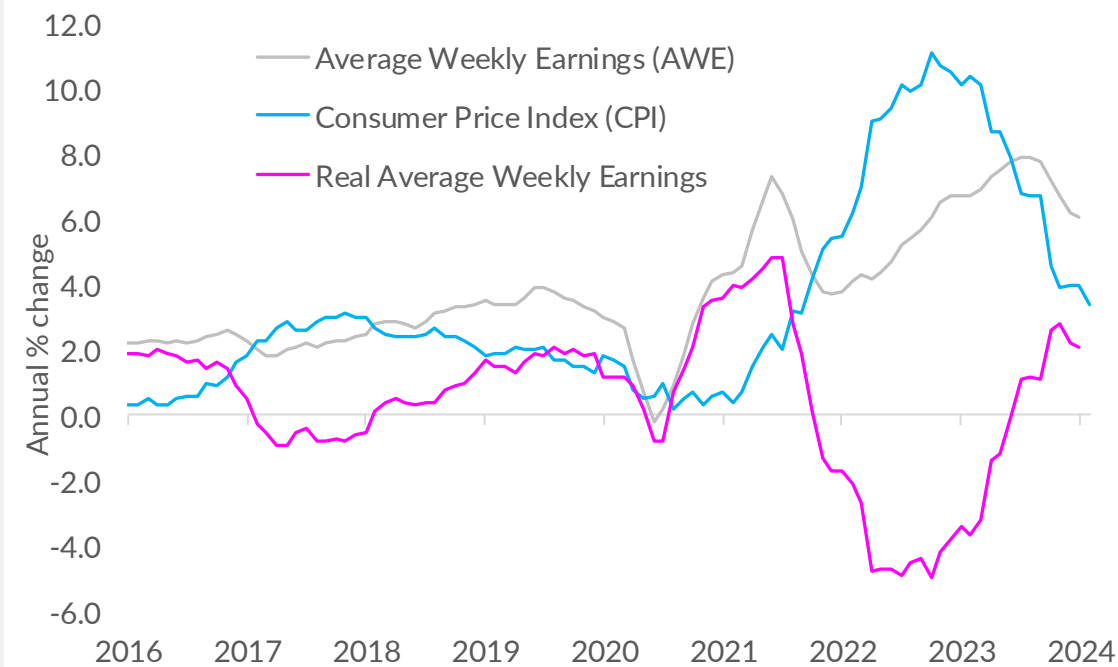
- **Average regular pay (excluding bonuses)** was estimated at £627 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£593 per week) and £480 per week in real terms (constant 2015 prices), higher than the estimate for a year earlier (£472 per week).
- **Average total pay (including bonuses)** was estimated at £672 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£637 per week) and £512 per week in real terms (constant 2015 prices), higher than the estimate for a year earlier (£505 per week).

AVERAGE WEEKLY EARNINGS GROWTH

| | Average Weekly Earnings | Consumer Price Index (CPI) | Real Average Weekly Earnings |
|--------|-------------------------|----------------------------|------------------------------|
| Feb-23 | 6.7 | 10.4 | -3.7 |
| Mar | 6.9 | 10.1 | -3.2 |
| 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 | 6.7 | 3.9 | 2.8 |
| Dec | 6.2 | 4.0 | 2.2 |
| Jan | 6.1 | 4.0 | 2.1 |
| Feb-24 | | 3.4 | |

Source: ONS.

LONG TERM EARNINGS SERIES



SUMMARY JANUARY

Regular pay growth

6.1%



Down from 6.2% in December.

Total pay growth

5.6%



Down from 5.8% in December.

Wage growth is easing in nominal terms

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



MONEY, CREDIT & INSOLVENCIES

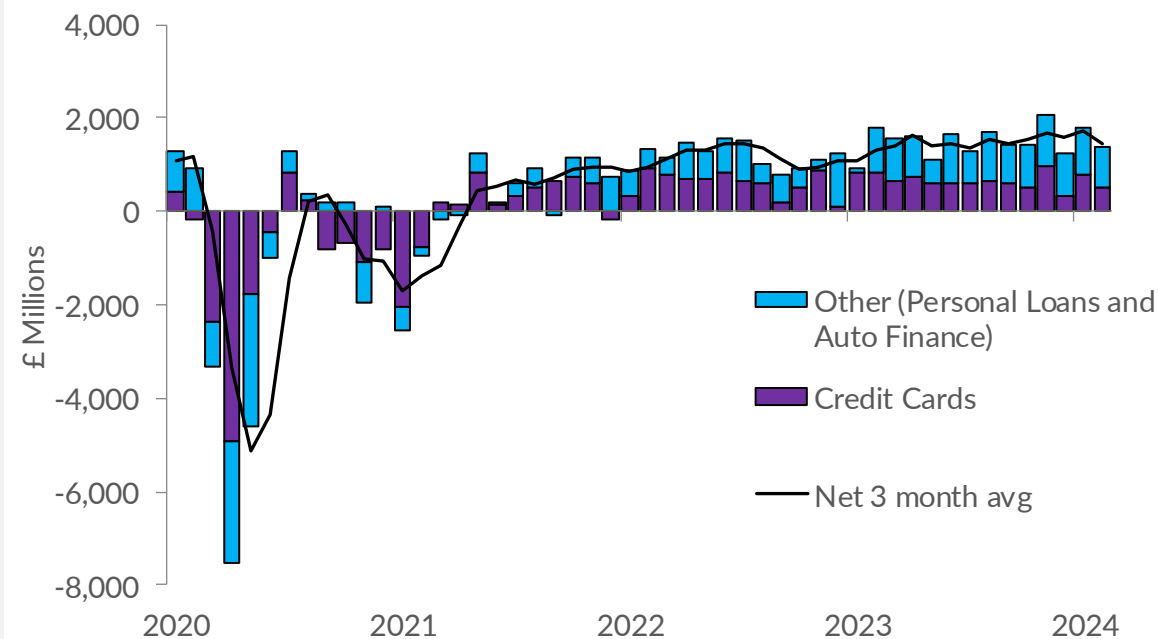
- Consumers in February borrowed an additional £1.4 billion in consumer credit, in net terms, of which borrowing was £0.9 billion in personal/auto loans and £0.5 billion of which was repayments on credit cards.
- Individuals borrowed £1.5bn in mortgage debt in February, compared to £1.1bn in net repayments in January. Mortgage approvals for house purchases increased to 60,383, up from 56,087.
- Sterling money (known as M4ex) net flows were £7.2 billion in February, up from -£0.2 billion in the preceding month. Households in net terms deposited £6.0 billion at banks and building societies, compared with £6.6 billion of deposits in the preceding month.
- The effective interest rate paid on households' new time deposits with banks and building societies fell slightly to 4.46%, down from 4.53%.
- Private non-financial companies (PNFCs) in total repaid a net £3.3 billion in market finance from capital markets, compared to £0.2 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) |
|--------|--------------------------------------|-----------------------------------|---|
| Feb-23 | 1,457 | 678 | 779 |
| Mar | 1,542 | 626 | 916 |
| Apr | 1,590 | 721 | 869 |
| May | 1,108 | 613 | 495 |
| Jun | 1,631 | 610 | 1,020 |
| Jul | 1,284 | 615 | 669 |
| Aug | 1,682 | 663 | 1,019 |
| Sep | 1,429 | 619 | 811 |
| Oct | 1,441 | 524 | 918 |
| Nov | 2,076 | 976 | 1,100 |
| Dec | 1,238 | 309 | 929 |
| Jan | 1,770 | 775 | 995 |
| Feb-24 | 1,378 | 510 | 868 |

Source: Bank of England

CONSUMER CREDIT



Source: Bank of England

SUMMARY FEBRUARY

Net consumer credit
£1.4bn



Down from £1.8 billion in January.

Net credit card lending
£0.5bn



Down from £0.8 billion in January.

The effective rate on new personal loans decreased to 8.76% and increased on credit cards to 21.55%

EXCHANGE RATES

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

DOLLAR, EURO, YUAN, YEN

| | US dollar (\$) per pound sterling (£) | Euro (€) per pound sterling (£) | Chinese Yuan (¥) per pound sterling (£) | Japanese Yen (¥) per pound sterling (£) |
|--------|---------------------------------------|---------------------------------|---|---|
| Mar-23 | 1.21 | 1.13 | 8.26 | 162.1 |
| Feb | 1.25 | 1.13 | 8.54 | 166.2 |
| May | 1.25 | 1.15 | 8.63 | 171.0 |
| Jun | 1.26 | 1.17 | 8.83 | 178.6 |
| Jul | 1.29 | 1.17 | 9.20 | 181.7 |
| Aug | 1.27 | 1.16 | 9.11 | 183.9 |
| Sep | 1.24 | 1.16 | 9.17 | 183.1 |
| Oct | 1.22 | 1.15 | 8.85 | 182.0 |
| Nov | 1.24 | 1.15 | 8.91 | 186.1 |
| Dec | 1.27 | 1.16 | 9.02 | 182.3 |
| Jan | 1.27 | 1.17 | 9.00 | 185.7 |
| Feb | 1.26 | 1.17 | 9.09 | 188.9 |
| Mar-24 | 1.27 | 1.17 | 9.11 | 190.4 |

Source: Average monthly exchange rate, Bank of England

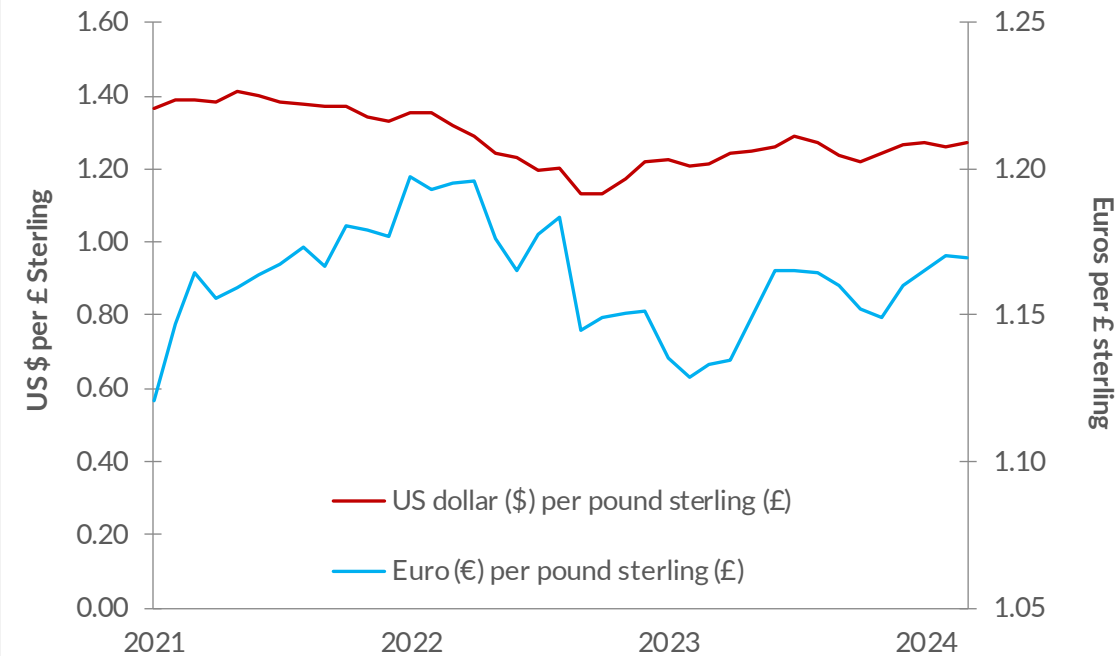
IMPACTS FROM CURRENCY DEPRECIATION

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.

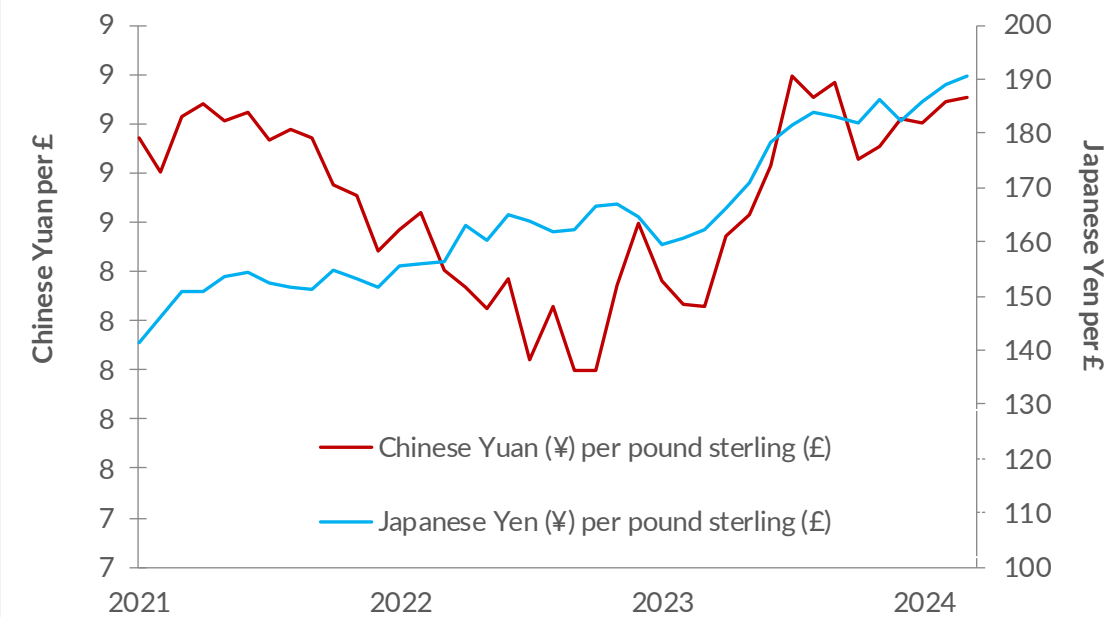
However, this failed to materialise following the post-referendum depreciation from 2016, most likely due to specialised supply chains.

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 MARCH

USD TO GBP, YOY

4.8%

Sterling appreciation in relation to the USD, YoY.



EURO TO GBP, YOY

3.2%

Sterling appreciation in relation to the Euro, YoY.



Sterling was higher on the year in March 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

CBI TRADES SURVEY

CONSUMER CONFIDENCE

INFLATION

LABOUR MARKET

UK EMPLOYMENT

EARNINGS

CREDIT

EXCHANGE RATES

FORECASTS

ABOUT US

CONSENSUS FORECASTS FOR THE UK ECONOMY

CONSENSUS ECONOMIC FORECASTS, CITY, OBR AND INDEPENDENT AVERAGE

| | 2024 | | | 2025 | | |
|-----------------------|------|------|-----|------|-----|-----|
| | City | BoE | OBR | City | BoE | OBR |
| GDP | 0.2 | 0.3 | 0.8 | 1.0 | 0.8 | 1.9 |
| Cons. Spending | 0.3 | -0.3 | 0.7 | 1.1 | 0.8 | 2.0 |
| CPI (Q4) | 1.9 | 2.8 | 2.2 | 2.0 | 2.5 | 1.5 |
| Avg Earnings | 3.9 | 4.0 | 3.6 | 2.6 | 2.8 | 2.1 |
| Bank Rate (Q4) | 4.3 | 4.2 | 4.2 | 3.3 | 3.4 | 3.3 |

Source: City average forecasts in HM Treasury's 'Forecasts for the UK Economy', the Bank of England's (BoE) February 2024 Monetary Policy Report and the Office for Budget Responsibility's (OBR) Economic and fiscal outlook - November 2023 forecasts.

SUMMARY FORECASTS

GDP 2024

0.2%



Unchanged from the previous projection of 0.2%

Avg. Earnings 2024

3.9%



Revised up from a previous projection of 3.7%.

The consensus City forecast for 2024 growth in March was 0.2%

MENU

EXEC SUMMARY

UK ECONOMY

PAGE 1

UK Economy (Page 2)

WORLD ECONOMY

RETAIL SALES

ONS

ONS

CBI TRADES SURVEY

CONSUMER CONFIDENCE

INFLATION

LABOUR MARKET

UK EMPLOYMENT

EARNINGS

CREDIT

EXCHANGE RATES

FORECASTS

ABOUT US

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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.

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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

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SHOP PRICE INDEX

FOOTFALL MONITOR

DIGITAL RETAIL INSIGHTS

ECONOMIC MONITOR

QUARTERLY

FORECASTING

VACANCY MONITOR

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CONTACT & DISCLAIMER

BRITISH RETAIL CONSORTIUM

+44 (0) 207 854 8900

insight@brc.org.uk

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