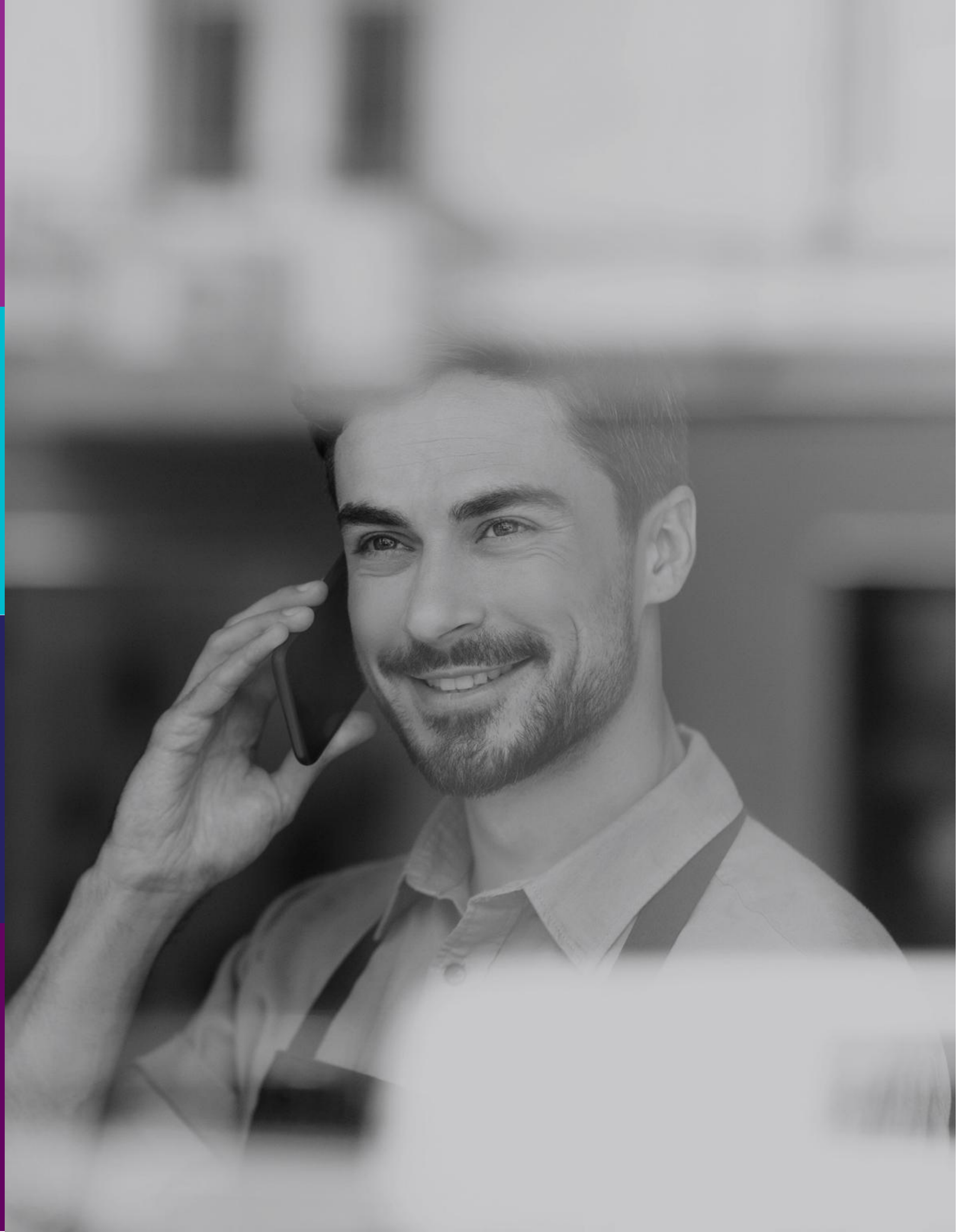
ECONOMIC MONITOR

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

March 2026



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EXECUTIVE SUMMARY

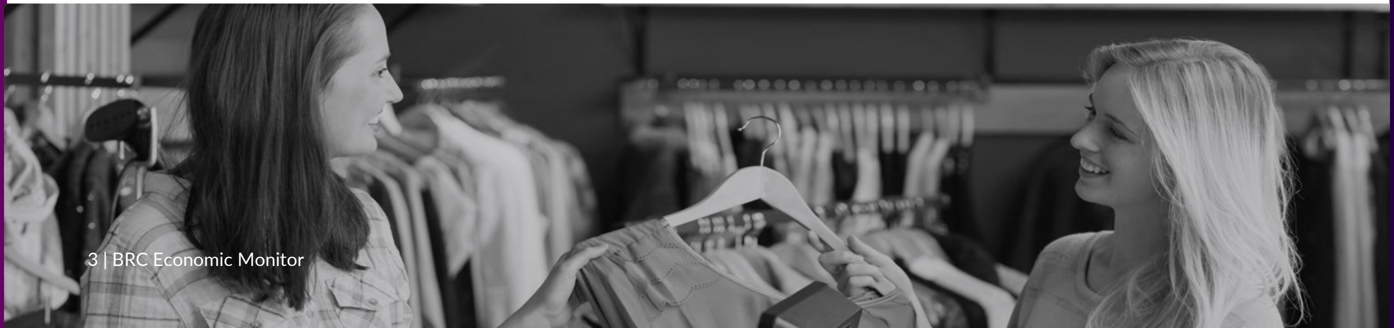
Another energy price shock due to conflict in the Middle East is likely to lead to stickier inflation

The situation in the Middle East has had profound implications for the flow of energy supplies in and out of the Strait of Hormuz. Oil and natural gas prices remain volatile, Brent Crude spiked to almost $120 a barrel and then fell back closer to $90. The latest price at the time of writing is $100. However, prices remain someway off the levels seen during the onset of the Ukraine-Russia conflict.

A return to 2% inflation in the UK is now under considerable doubt, with it likely to be closer to 3% come the end of the year. This will be driven by prices at the pump, energy bills and shipping costs feeding into food and other product prices, the former due to the tight relationship between natural gas and food production costs, albeit with some lag.

Hence, our current expectation is one of stickier inflation than we previously expected. This implies that consumer caution is likely to persist (with an elevated savings ratio), household demand will remain subdued and real wage growth will be minimal. This will occur against a backdrop of a worsening labour market, with the highest unemployment rate in over five years raising the risk of a return to stagflation for the UK.

Interest rates are now likely to remain at their 3.75% level for the remainder of the year (absent a swift unwinding of the conflict), as the Bank of England stresses caution in the face of inflationary headwinds. Business cost bases will remain high, with labour costs adding additional strain, likely to culminate in some further pass-through into consumer inflation.



GDP Growth
0.1%
% change – QoQ, Q4 2025
Unchanged from 0.1% in Q3 2025

CPI Inflation
3.0%
% change - YOY January
Down from 3.4% in December

Unemployment
5.2%
December
Up from 5.1% in November

Wage Growth
4.2%
% change – YOY December
Down from 4.4% in November

Retail Sales
1.2%
% change - YOY February
Down from 2.7% in January

BRC Consumer Sentiment
-30
Net Balance - January
Up from -32 in December

UK ECONOMY

GDP GROWTH REMAINS MUTED

Economic Growth

Monthly GDP grew 0.1% in the three months to December, compared with a 0.1% contraction in the three months to October.

- Services activity showed no growth, and the largest upward contributor was administrative and support service activities. The biggest downward contributor was professional, scientific and technical activities.
- Consumer-facing services increased 0.2%, and travel agency and tour operator services provided the biggest upward contribution, followed by food and beverage service activities. Wholesale and retail provided the biggest negative contribution.

Looking at the most recent quarterly figures, the economy remained unchanged with 0.1% growth over the fourth quarter of 2025.

Quarterly GDP Data

- **Services output** was flat and the biggest contribution came from administrative and support services.
- Production output increased by 1.2%, driven by a surge in electricity, gas, steam and air conditioning supply.
- Construction output contracted by 2.1%, driven by falling construction of private new residential buildings.
- On the expenditure side, **household consumption** provided the biggest contribution to headline GDP and grew by 0.2% in real terms.
- **Business investment** decreased by 2.7% on the quarter, although remains 2.0% higher than the same quarter in the previous year.

Prices

Inflation slowed in January, and the **Consumer Price Index** annual rate eased to 3.0%, down from 3.0%. Of the headline rate, 0.4% emanates from food, 0.6% from restaurants and hotels, and 0.4% from recreation and culture. Housing and energy costs are pushing up on inflation, albeit now less so, adding 0.6% to the headline figure. Fuel prices fell for both petrol and diesel in February, and petrol averaged £1.32 per litre and diesel £1.41.

Business input costs within the domestic supply chain – based on the PPI series – entered slight deflation (-0.2% in the year to December). Output prices witnessed higher inflation of 2.5%, year-on-year. The largest downward contributor for inputs was crude oil and large upward contributor for outputs was food.

Monetary Policy

The Bank of England, in February, kept **interest rates** unchanged to 3.75%. The latest forecasts have downgraded GDP growth over 2026 to 0.9% (down from 1.2%). Growth picks up to 1.5% over 2027 and 1.9% in 2028; however, real incomes are set to ease to 0.6% in 2026, subdued in 2027, before picking up to 0.9% in 2028.

Inflation averaged 3.4% in Q4 2025 and is expected by the BoE to return to the 2% target in Q3 2026. Inflation is now set to ease more dramatically than first thought, primarily driven by government policies in freezing rail fares, fuel duty as well as easing energy prices. This is expected to shave off a cumulative 0.7 percentage points from inflation in Q2 2026. Conflict in the Middle East, however, casts considerable doubt over these projections. The BoE is likely as a result to raise their forecast for inflation.

Projections for 2026 UK GDP Growth	Bank of England (Feb Forecast)	IMF (Jan Forecast)	Office for Budget Responsibility (Mar Forecast)
	0.9%	1.3%	1.1%

UK ECONOMY

UNEMPLOYMENT RISES TO 5.2%

Purchasing Managers' Index

UK private sector output growth remained strong in February, with the flash S&P Global Composite PMI at 53.9 (Jan: 53.7), signalling the fastest rise in activity since April 2024. Growth was supported by a robust upturn in new work across both **manufacturing and services**, though employment fell again and job losses persisted, led by services. Manufacturers also reported a sharper improvement in export orders, with S&P Global noting the rise in **new work** from abroad was the fastest for around four-and-a-half years.

Labour Market

The UK's labour market continues to deteriorate, and the ONS' most recent (unaccredited) Labour Force Survey (LFS) statistics estimate the **unemployment rate** (in the three months to November) increased to 5.2%, 0.2 percentage points higher on the previous quarter. The **economic inactivity** rate remains above pre-pandemic norms, however, and remained unchanged in the most recent period at 20.8%. The job vacancy figures additionally suggest labour demand remains subdued, although appears to have bottomed out.

Job vacancies edged down slightly to 726,000 in the three months to January, decreasing by 73,000 over the past year, their lowest since 2015 (outside of Covid). Vacancies are below pre-Covid levels in 13 of 18 sectors, most notably wholesale and retail jobs. In absolute terms, the wholesale and retail sector accounts for the second largest number of vacancies, at 79,000, which is a notable 41,000 below pre-pandemic levels.

Outlook

Tensions in the Middle East have reached new highs. The decision to attempt to topple the Iranian regime has had catastrophic implications for the flow of crude oil as well as natural gas. The outlook for domestic inflation in the UK, moreover, has dramatically changed as both oil and gas prices spike. Whilst inflation was likely to be closer to the 2% target by the end of the year, it is now likely to be closer to 3% by the end of the year.

This will primarily be driven by pressures from energy as well as food, and potentially another round of above inflation increases in utility bills. Against this backdrop, unemployment continues to rise, having hit 5.2%, its highest in five years. The risk of stagflation has firmly returned, following a period of relative stability.

As a result, the odds of further interest rate cuts this year have drastically reduced. Indeed, markets now expect one hike in the Bank Rate. Whilst a sustained pause at 3.75% is more likely, consumers are likely to miss out on any relief from interest rate reductions. Furthermore, consumer caution will linger, and household demand will be weaker than in the absence of the conflict. We still anticipate that retail volumes will remain resilient, although food volumes are likely to be depressed.

% year-on-year (unless otherwise specified)	2024	25(f)	26(f)	27(f)	28(f)
Real GDP	1.1	1.4	0.9	1.5	1.9
Inflation	2.5	3.4	2.0	1.8	2.0
Unemployment (rate)	4.3	4.8	5.3	5.2	5.1
Interest (Bank Rate)	4.9	4.0	3.3	3.5	3.7
Real post-tax labour income	4.7	1.8	0.6	0.3	0.9

Source: Bank of England, Monetary Policy Report (Feb 2026)

Note: Labour market statistics (unemployment and inactivity rates) are currently not accredited 'official statistics' designation.

Projections for 2026
UK GDP Growth

Bank of England (Feb Forecast)	IMF (Jan Forecast)	Office for Budget Responsibility (Mar Forecast)
0.9%	1.3%	1.1%

WORLD ECONOMY

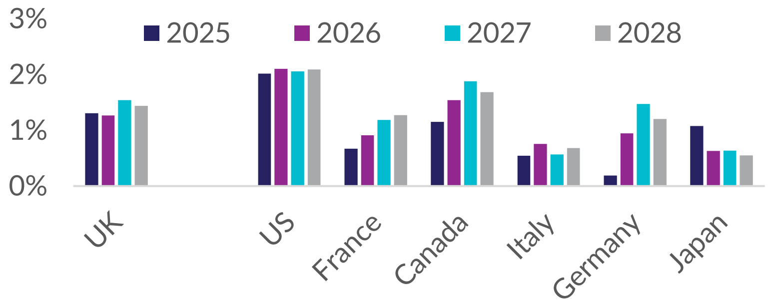
SECOND ENERGY PRICE SHOCK UNDERWAY, U.S. GLOBAL TARIFF REGIME PERSISTS DESPITE LEGAL SETBACKS

A second energy price shock in the span of 4 years is underway, as the U.S. and Israel attempt to topple the Iranian regime. This has meant a spike in energy prices, likely to weigh on global growth over the coming year. Renewed inflationary impetus will keep global interest rates elevated, weighing on the recovery of private consumption.

The U.S. has shifted to a universal 10% tariff under Section 122 following the Supreme Court's ruling that invalidated all IEEPA-based duties, with the administration signalling a possible rise to 15% later in the year. Legal uncertainty has grown, as multiple states challenge the new framework, while the EU has paused ratification of its U.S. trade deal pending clarity on Washington's approach.

The U.S. economy cooled sharply at the end of 2025. Real GDP rose at a 1.4% annual rate in Q4 2025, down from 4.4% in Q3, with growth supported by consumer spending and investment but partially offset by declines in government spending and exports.

GDP GROWTH, IMF OCT FORECASTS



The **Eurozone** economy continued to expand but momentum softened. GDP increased by 0.2% q/q in Q4 2025 (down from 0.3% in Q3) and was up 1.2% y/y. Household consumption rose while trade was a drag, highlighting an economy growing modestly but still sensitive to external headwinds.

The HCOB Flash Eurozone Composite PMI Output Index rose to 51.9 in February (from 51.3 in January), with the pick-up led by manufacturing. However, new order growth remained marginal and firms were again cautious on hiring, while input cost inflation accelerated even as output price inflation eased slightly.

Labour signals remain mixed. PMI evidence suggests firms are still growing activity, but the reluctance to add staff points to ongoing caution and only modest underlying momentum. At the same time, the re-acceleration in input costs indicates cost pressures remain a live issue for pricing decisions

US inflation has eased from late-2025 levels but shows signs of persistence. The CPI rose 2.4% y/y in January 2026 (down from 2.7% in December 2025). The Federal Reserve, at its January 2026 meeting, held the federal funds target range at 3.5%–3.75%, signalling continued data-dependence as it balances inflation against the outlook for the labour-market.

The European Central Bank held its interest rate at 2.0%. Amidst economic weakening, the ECB has opted to reduce pressure on the EU economies. The inflation rate picked up to 1.9% in the 12 months to February. Energy prices were 3.4% lower on the year, food, alcohol and tobacco prices 2.6% higher, and the cost of non-energy industrial goods increased 0.7%.

2026 Projected Growth IMF (Jan 26)	UK	US	FRANCE	GERMANY	JAPAN
	1.3%	2.4%	1.0%	1.1%	0.7%

RETAIL SALES - BRC

FESTIVE SLOWDOWN IN SALES

"February trading saw sales growth stall after January's uplift, with grey, wet weather and post-Christmas caution weighing on spending across most categories and channels. UK total retail sales rose by 1.1% year-on-year over the four weeks to 28 February, with performance notably weaker in the first half of the month (particularly online) before a modest recovery later on.

"Total sales growth of 1.1% YoY reflected a 2.9% rise in Food and a 0.4% fall in Non-Food. Within Non-Food, in-store sales increased by 0.2% YoY, while online Non-Food sales fell by 1.3%. The Non-Food online penetration rate eased to 36.1% (down slightly on a year ago), remaining below its longer-run average."

DATA & CHARTS

Fig 1- BRC Retail and online performance

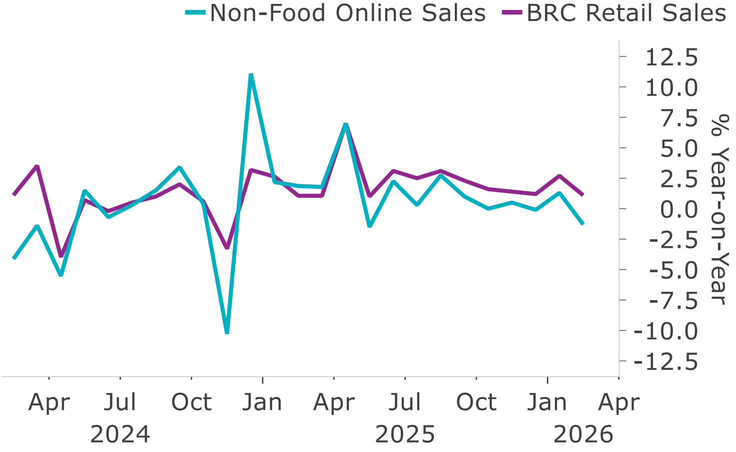
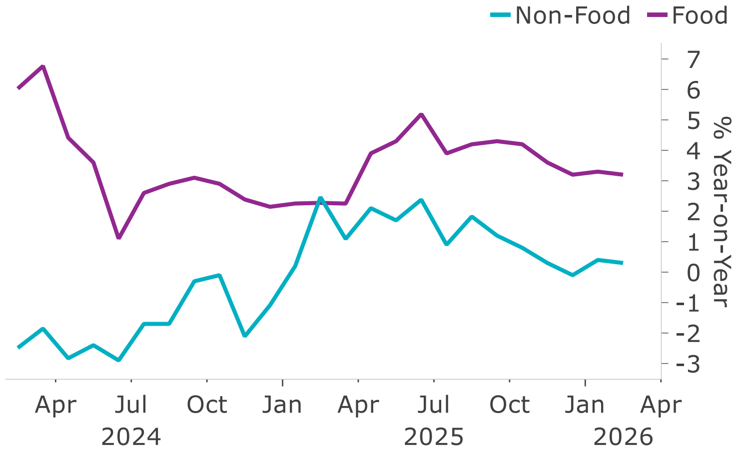


Fig 2- BRC Retail Sales category performance



Summary February (Year-on-Year)

Retail Sales
+1.1%↓
Down from +2.7% in January

Online Non-Food Sales
-1.3%↓
Down from +1.3% in January

Wet weather delivers pullback in sales

RETAIL SALES - ONS

VOLUMES PICK UP SHARPLY

UK retail sales volumes rose by 1.8% in January, following a 0.4% rise in December and a (revised) 0.4% fall in November. This was the largest monthly increase since May 2024, lifting volumes 0.1% over the latest three months, and leaving sales flat versus pre-pandemic (Feb 2020) levels.

Food store sales rose by 1.2% on the month, following a 0.2% rise in the preceding month.

- Food store volumes weakened in January, with the ONS noting falls in supermarkets (food stores were the main drag against stronger non-food and fuel)
- Despite the softer month, the wider ONS picture is that the three-month change is only slightly positive overall, as gains elsewhere (fuel and non-food) only partly offset supermarket declines.

Non-food store sales rose by 2.2% on the month, following a 0.9% fall in the preceding month.

- The ONS attributes the strength to “other non-food stores”, where artwork and antiques (including auction activity) supported volumes
- The ONS also highlights sustained strength in computer & telecoms retailers (noting strong performance since September 2025) and household goods benefiting from January seasonal furniture sales

The proportion of retail sales conducted online (seasonally adjusted) was 28.2% in January, down slightly from 28.3% in December. Online sales remain well above pre-pandemic norms of 19.7% (Feb 2020).

DATA & CHARTS

Fig 1- Retail sales volumes vs retail sale value

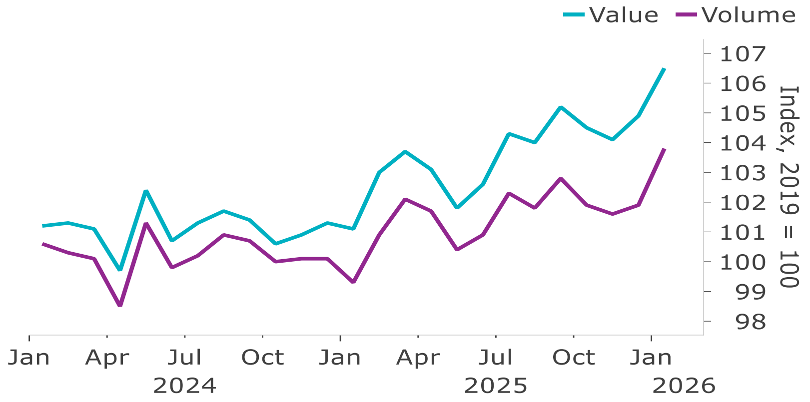
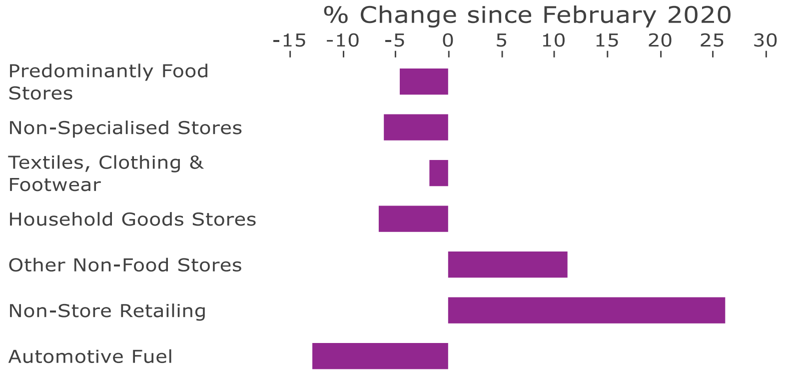


Fig 2- Retail sales category volumes



Summary January (Month-on-Month)

Retail Sales
+1.8% ↑
Up from 0.4% in December

Online Sales
+1.3% ↓
Down from 1.4% in December

Sales volumes up at the start of the year

RETAIL SALES – ONS TABLES

ONS & BRC SALES GROWTH – VALUE TERMS

% change on year ago	RSI Sales % YoY	RSM Sales % YoY
Nov-25	6.5	1.2
Dec-25	0.7	2.7
Jan-26	7.2	1.1

ONS RETAIL SALES GROWTH – VALUE TERMS

M-Y	All (excl. fuel)	Predom. food stores	Depart. stores	Textiles, cloth. & footwear	H Hold goods	Oth. Non-food	Non-store retailing
Jan-25	0.9	2.9	4.2	-2.5	-0.6	1.7	-4.3
Feb	2.1	1.9	2.4	0.8	5.9	3.9	0.0
Mar	1.9	-0.2	4.2	2.6	1.2	5.9	3.6
Apr	7.7	10.5	10.4	6.6	5.1	4.4	3.6
May	0.1	2.1	3.3	-4.2	-1.6	0.4	-3.7
Jun	3.5	4.9	9.2	0.1	1.3	0.0	3.7
Jul	3.7	4.8	3.5	3.9	3.8	0.3	3.6
Aug	3.2	2.3	5.0	3.1	3.4	1.4	7.3
Sep	4.6	4.7	4.5	7.0	2.7	0.1	8.2
Oct	5.1	5.5	1.7	5.9	6.7	3.8	6.2
Nov	6.5	5.6	10.3	11.1	10.1	-0.2	8.0
Dec	0.7	3.2	-3.6	2.6	-1.9	-4.5	2.3
Jan-26	7.2	4.9	-2.9	6.7	6.3	9.2	18.7

LARGE & SMALL RETAILERS

% change on year ago	ONS Large Retailers	RSM Sales % YoY
Nov-25	6.7	5.9
Dec-25	-0.2	4.5
Jan-26	3.5	20.3

ONS SALES GROWTH – VOLUME TERMS

M-Y	All (excl. fuel)	Predom. food stores	Depart. stores	Textiles, cloth. & footwear	Household goods	Oth. nonfood	Non-store retailing
Jan-25	-1.0	1.8	1.3	-1.5	-1.5	-4.9	-5.3
Feb	1.8	-1.1	0.4	3.2	7.1	3.3	6.2
Mar	1.4	0.6	0.1	2.2	-2.6	4.5	2.8
Apr	-0.4	0.7	1.4	-1.9	0.0	-4.5	0.9
May	-1.4	-1.8	-1.7	-3.3	-2.2	-0.5	0.8
Jun	0.9	1.3	1.6	2.2	0.7	-1.6	0.7
Jul	1.4	1.8	-1.0	3.3	0.9	-0.2	1.8
Aug	0.1	-1.1	1.4	0.2	0.5	1.2	1.3
Sep	0.9	0.1	0.2	3.6	0.8	0.9	1.5
Oct	-0.7	-0.6	-2.1	-2.6	2.2	1.3	-2.0
Nov	-0.7	-0.3	1.6	1.1	0.7	-2.0	-4.0
Dec	0.3	0.2	-2.3	-1.6	-2.8	0.6	5.1
Jan-26	2.0	1.2	-1.3	0.1	3.2	5.3	3.4

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
Jan-25	£8.1bn	£8.1bn	-0.8	26.8
Feb	£8.5bn	£8.5bn	2.0	25.9
Mar	£8.8bn	£8.8bn	5.1	26.6
Apr	£9.1bn	£9.1bn	7.1	26.2
May	£9.0bn	£9.0bn	-1.9	26.1
Jun	£9.0bn	£9.0bn	4.4	26.5
Jul	£9.3bn	£9.3bn	2.6	26.6
Aug	£9.0bn	£9.0bn	5.1	26.0
Sep	£9.0bn	£9.0bn	5.5	27.2
Oct	£9.5bn	£9.5bn	5.7	27.9
Nov	£10.6bn	£10.6bn	13.4	32.3
Dec	£11.2bn	£11.2bn	1.9	29.4
Jan-26	£8.7bn	£8.7bn	15.3	28.9

Summary January (Year-on-Year)

ONS Sales

7.2%↑

Up from 0.7% in December.

Large Retailers

3.5%↑

Up from -0.2% in December.

Strong increase in other non-food retail volumes

CBI TRADES SURVEY

CBI COMMENTARY

"Retail sales volumes fell at a rapid pace in the year to February, continuing a run of weakness that goes back to mid-2023. Sales in February were separately judged to be "poor" by seasonal standards, to a similar extent to January. Some businesses cited the persistently wet weather as a factor weighing on footfall and in-person sales. The rainy conditions may have contributed to the rebound in internet retail sales volumes in the year to February, which grew at the fastest pace since April 2021.

Looking ahead, retailers anticipate a slower rate of decline in annual sales volumes next month. Sales are expected to fall short of seasonal norms again in March (albeit to a lesser degree), while internet sales are expected to grow at a similarly fast rate.

The prolonged period of weak demand continues to dampen sentiment in the retail sector. Retailers expect their business situation to deteriorate over the coming quarter, to one of the greatest degrees in 17 years."

VOLUME OF SALES – REALISED AND EXPECTED

	Balance	Expected (next month)
Mar-25	-41	-30
Apr	-8	-30
May	-27	-33
Jun	-46	-37
Jul	-34	-49
Aug	-32	-31
Sep	-29	-16
Oct	-27	-36
Nov	-32	-39
Dec	-44	-24
Jan	-17	-57
Feb	-43	-30
Mar-26		-17

Summary February

CBI Balance
-43 ↓
Down from -17 in January

CBI Expected (March)
-17 ↑
Up from -30 in February

Sales outlook turns less negative

CONSUMER CONFIDENCE

GfK CONSUMER CONFIDENCE

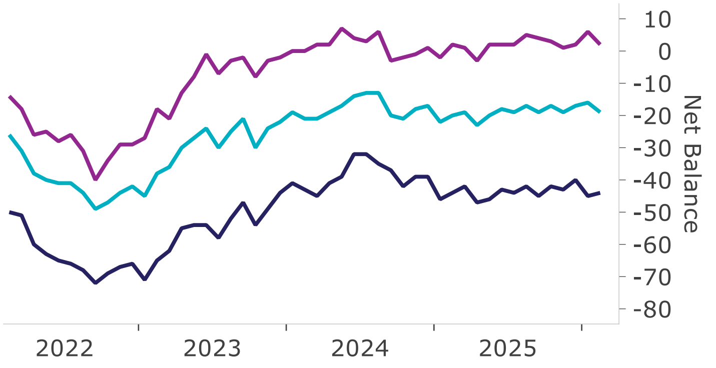
"After a modest improvement in recent months, Consumer Confidence is down three points in February, returning to the level seen in November 2025. This decline is mainly driven by weaker perceptions of personal finances, both looking back a year and ahead. Fewer people say that now is a good time to make major purchases (a measure that has dropped four points), and fewer consumers intend to save money (the Savings Index is down seven points). Although the rate of inflation is easing, prices continue to rise, forcing many households to prioritise day-to-day spending over longer-term needs.

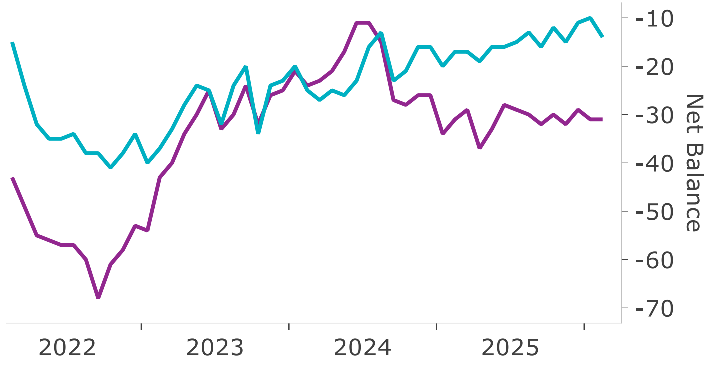
Views on the broader economy remain firmly in negative territory, with consumers anticipating only limited economic growth this year. Unemployment has now reached its highest level in nearly five years, and this is increasing concerns about job security, particularly given the backdrop of weak wage growth. With fewer entry-level opportunities available, those on lower incomes are already feeling the strain, and this trend risks undermining the typically more optimistic outlook held by younger age groups."

NET BALANCES BY MEASURE

	Headline Index (Total)	Major Purchases	Personal finances (past YR)	Personal finances (next YR)	Economy (past YR)	Economy (Next YR)
Feb-25	-20	-17	-7	2	-44	-31
Mar	-19	-17	-9	1	-42	-29
Apr	-23	-19	-10	-3	-47	-37
May	-20	-16	-7	2	-46	-33
Jun	-18	-16	-7	2	-43	-28
Jul	-19	-15	-7	2	-44	-29
Aug	-17	-13	-4	5	-42	-30
Sep	-19	-16	-7	4	-45	-32
Oct	-17	-12	-5	3	-42	-30
Nov	-19	-15	-7	1	-43	-32
Dec	-17	-11	-6	2	-40	-29
Jan	-16	-10	-3	6	-45	-31
Feb-26	-19	-14	-7	2	-44	-31

LONG-TERM TRENDS





Source: GFK Consumer Confidence Index

Summary February (Net Balance)

Headline GFK Confidence
-19↓
Down from -16 in January

Major Purchases Confidence
-14↓
Down from -10 in January

Consumer confidence stepped back in February

INFLATION

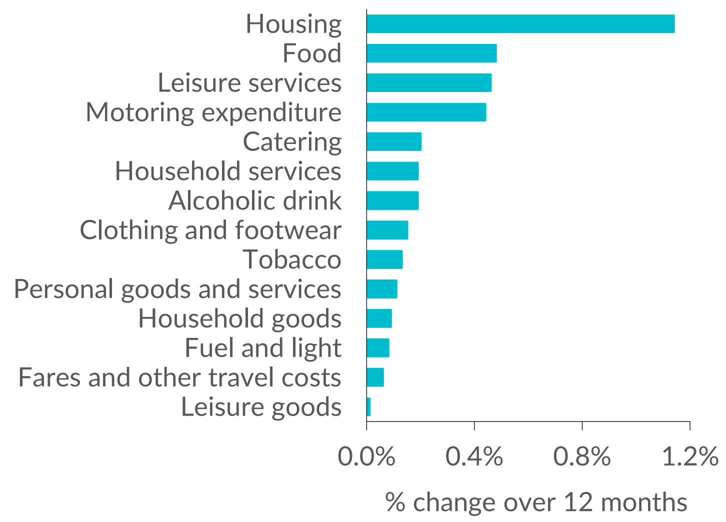
HEADLINE FIGURES, %, YOY

	CPI	Retail Price Index, all items (RPI)	All Items excl. mortgage interest payments (RPIX)
Jan-25	3.0	3.6	3.2
Feb	2.8	3.4	3.0
Mar	2.6	3.2	2.8
Apr	3.5	4.5	4.2
May	3.4	4.3	4.1
Jun	3.6	4.4	4.3
Jul	3.8	4.8	4.7
Aug	3.8	4.6	4.4
Sep	3.8	4.5	4.4
Oct	3.6	4.3	4.2
Nov	3.2	3.8	3.7
Dec	3.4	4.2	4.1
Jan-26	3.0	3.8	3.7

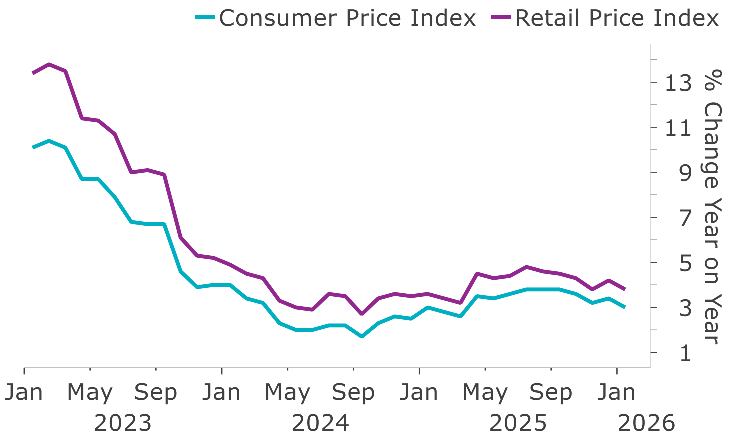
CPI: SUB-CATEGORIES, %, YOY

Month	Food & non-alcoholic beverages	Clothing & Footwear	Housing & household services	Furniture & household goods	Transport	Restaurants & hotels
Jan-25	3.3	1.8	2.1	0.5	1.7	3.3
Feb	3.3	-0.6	1.9	0.2	1.8	3.4
Mar	3.0	1.1	1.8	0.5	1.2	3.0
Apr	3.4	-0.4	7.8	-0.5	3.3	2.7
May	4.4	-0.3	7.7	0.8	0.7	2.8
Jun	4.5	0.5	7.5	0.9	1.7	2.6
Jul	4.9	0.3	7.4	0.7	3.2	3.4
Aug	5.1	0.2	7.4	0.8	2.4	3.8
Sep	4.5	0.5	7.3	0.4	3.8	3.9
Oct	4.9	0.3	5.2	0.3	3.8	3.8
Nov	4.2	-0.6	5.1	-0.3	3.7	3.5
Dec	4.5	0.0	4.9	-0.6	4.0	3.8
Jan-26	3.6	0.0	4.5	-0.5	2.7	4.1

RPI: CONTRIBUTIONS TO THE ANNUAL RATE



CPI vs RPI



Summary January (Year-on-Year)

CPI

3.0%

Down from 3.4% in December

CPI Food

3.6%

Down from 4.5% in December

CPI may prove stickier than 2025 Autumn Budget implied

LABOUR MARKET

UK EMPLOYMENT

In the three months to December 2025:

- The UK employment rate was estimated at 75.0%, 0.1 percentage points lower when compared to the previous three-month period, and 1.5 percentage points lower than before the coronavirus pandemic (Dec 2019 to Feb 2020).
- The UK unemployment rate was estimated at 5.2%, up 0.1 percentage points compared to the previous three-month period (July to September), and 1.3 percentage points above pre-Covid levels.
- The UK economic inactivity rate was estimated at 20.8%, flat on the previous quarter, and 0.5 percentage points higher than before the coronavirus pandemic.
- According to the latest HMRC Pay As You Earn figures for December 2025, there were 30.279 million payrolled employees, 0.6% lower (or a decline of 134,127 employees) compared to the previous year.

LABOUR FORCE SURVEY

Month	Claimant Count (mills)	Claimant Count (% rate)	Unemployment (Mills)	Unemployment (% rate)
Jan-25	1,697	4.4	1,545	4.4
Feb	1,751	4.6	1,574	4.4
Mar	1,742	4.5	1,614	4.5
Apr	1,708	4.5	1,640	4.6
May	1,691	4.4	1,673	4.7
Jun	1,697	4.4	1,672	4.7
Jul	1,669	4.4	1,674	4.7
Aug	1,664	4.3	1,737	4.8
Sep	1,657	4.3	1,789	5.0
Oct	1,650	4.3	1,832	5.1
Nov	1,636	4.3	1,840	5.1
Dec	1,626	4.2	1,883	5.2
Jan-26	1,667	4.3	NA	NA

Source: ONS

EMPLOYMENT (3 MONTHS ENDING)

Month	Total (000s)	Full-time (000s)	Part-time (000s)
Dec-24	33,863	25,419	8,444
Jan	33,922	25,496	8,426
Feb	33,996	25,500	8,496
Mar	33,975	25,409	8,567
Apr	34,011	25,479	8,532
May	34,130	25,547	8,583
Jun	34,214	25,624	8,590
Jul	34,243	25,633	8,610
Aug	34,221	25,563	8,658
Sep	34,192	25,567	8,625
Oct	34,226	25,584	8,642
Nov	34,303	25,537	8,766
Dec-25	34,244	25,499	8,745

Source: ONS

***Note:** Headline estimates are not accredited 'official statistics' designation, and the new 'Transformed Labour Force Survey' (TLFS) figures are not expected to be transitioned until December 2026, as the Office for National Statistics continues to have quality concerns regarding an earlier transition (see more information here).*

Summary December

Unemployment Rate
5.2↑
Up from 5.1% in November

Total Employment Rate
75.0%↓
Down from 75.1% in November

Unemployment ticking up

LABOUR MARKET

EARNINGS

Between October and December (compared to a year ago):

- Regular pay was estimated to have increased by 4.2% in nominal terms and increased by 0.5% in real terms.
- Total pay was estimated to have increased by 4.2% in nominal terms and increased by 0.5% in real terms.

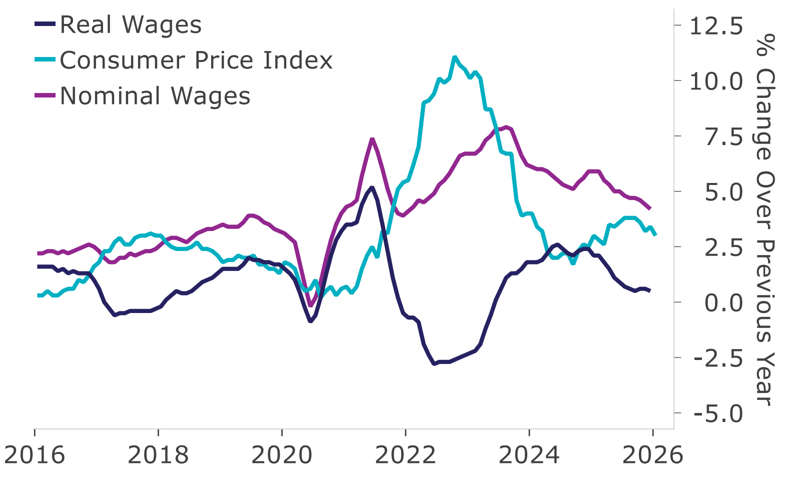
Between October and December (compared to a year ago):

- **Average regular pay (excluding bonuses)** was estimated at £691 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£665 per week) and £495 per week in real terms (constant 2015 prices), higher than the estimate for a year earlier (£494 per week).
- **Average total pay (including bonuses)** was estimated at £735 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£713 per week) and £527 per week in real terms (constant 2015 prices), down from the estimate for a year earlier (£529 per week).

AVERAGE WEEKLY EARNINGS GROWTH

Month	Average Weekly Earnings	Consumer Price Index (CPI)	Real Average Weekly Earnings
Jan-25	5.9	3.0	2.1
Feb	5.9	2.8	2.1
Mar	5.5	2.6	1.8
Apr	5.3	3.5	1.5
May	5.0	3.4	1.1
Jun	5.0	3.6	0.9
Jul	4.8	3.8	0.7
Aug	4.7	3.8	0.6
Sep	4.7	3.8	0.5
Oct	4.6	3.6	0.6
Nov	4.4	3.2	0.6
Dec	4.2	3.4	0.5
Jan-26		3.0	

LONG TERM EARNINGS SERIES



Summary December (Year-on-Year)

Regular pay growth

4.2

Down from 4.4% in November

Total pay growth

4.2%

Down from 4.6% in November

Real wage growth subdued

CREDIT

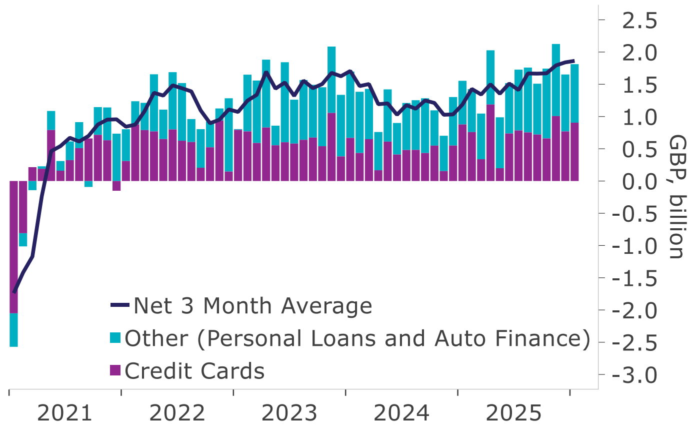
MONEY, CREDIT & INSOLVENCIES

- Consumers in December borrowed an additional £1.8 billion in consumer credit, in net terms, of which borrowing was £0.9 billion in personal/auto loans and £0.9 billion of which were repayments on credit cards.
- Individuals borrowed £4.1 billion in mortgage debt in January, compared to £4.5 billion of net borrowing in December. Mortgage approvals for house purchases fell to 59,999, from 61,007 in December.
- Sterling money (known as M4ex) net outflows were £7.1 billion in January, compared with £13.9 billion of new inflows in the preceding month. Households, in net terms, deposited £4.2 billion at banks and building societies, compared with £4.5 billion of deposits in the preceding month.
- There were 534 retail insolvencies in Great Britain in Q3 2025, down from 558 in Q2 2025 and 502 in Q1 2025. In 2024, there were 2,018 insolvencies, 13.6% lower compared to the 2,337 figure in 2023.
- There were 11 retail CVAs in England and Wales in 2025. In 2024, the industry had 16 companies enter a Company Voluntary Arrangement, up since 2023 and 2022 when there were 14 and 10 CVAs, respectively.

CONSUMER CREDIT

Month	Consumer Credit monthly changes (bn)	Credit Cards monthly changes (bn)	Other Loans and Advances monthly changes (bn)
Jan-25	£1.6bn	£0.9bn	£0.7bn
Feb	£1.4bn	£0.8bn	£0.7bn
Mar	£1.0bn	£0.3bn	£0.7bn
Apr	£2.0bn	£1.2bn	£0.8bn
May	£1.0bn	£0.2bn	£0.8bn
Jun	£1.5bn	£0.7bn	£0.8bn
Jul	£1.7bn	£0.8bn	£0.9bn
Aug	£1.8bn	£0.8bn	£1.0bn
Sep	£1.5bn	£0.7bn	£0.8bn
Oct	£1.7bn	£0.7bn	£1.1bn
Nov	£2.1bn	£1.0bn	£1.1bn
Dec	£1.7bn	£0.8bn	£0.9bn
Jan-26	£1.8bn	£0.9bn	£0.9bn

CONSUMER CREDIT



Source: Bank of England

Summary January

Net consumer credit
£1.8bn
Up from £1.7 billion in December

Net credit card lending
£0.9bn
Up from £0.8 billion in December.

The effective rate on new personal loans increased to 9.03% and increased on credit cards to 21.75%

EXCHANGE RATES

DOLLAR, EURO, YUAN, YEN

Month	US dollar ($) per pound sterling (£)	Euro (€) per pound sterling (£)	Chinese Yuan (¥) per pound sterling (£)	Japanese Yen (¥) per pound sterling (£)
Feb-2025	1.25	1.20	9.13	190.07
Mar	1.29	1.19	9.36	192.46
Apr	1.31	1.17	9.60	189.34
May	1.34	1.18	9.64	193.49
Jun	1.36	1.18	9.74	196.15
Jul	1.35	1.16	9.68	198.41
Aug	1.35	1.16	9.65	198.40
Sep	1.35	1.15	9.62	199.65
Oct	1.34	1.15	9.52	202.15
Nov	1.31	1.14	9.34	203.87
Dec	1.34	1.14	9.43	208.75
Jan	1.35	1.15	9.42	211.92
Feb-2026	1.36	1.15	9.37	210.53

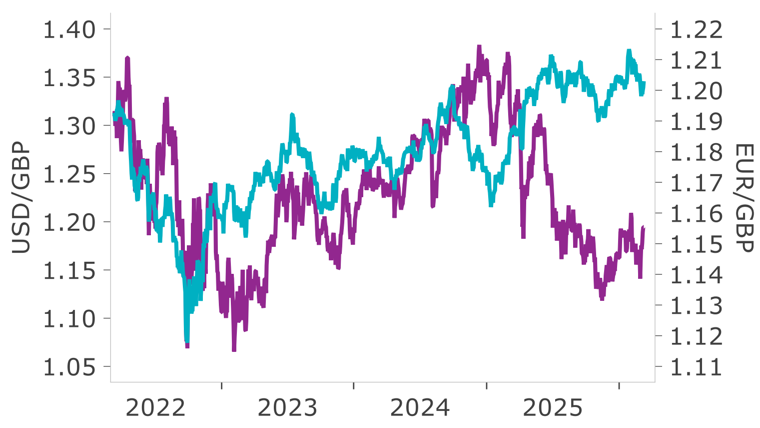
Impacts From Currency Depreciation

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.

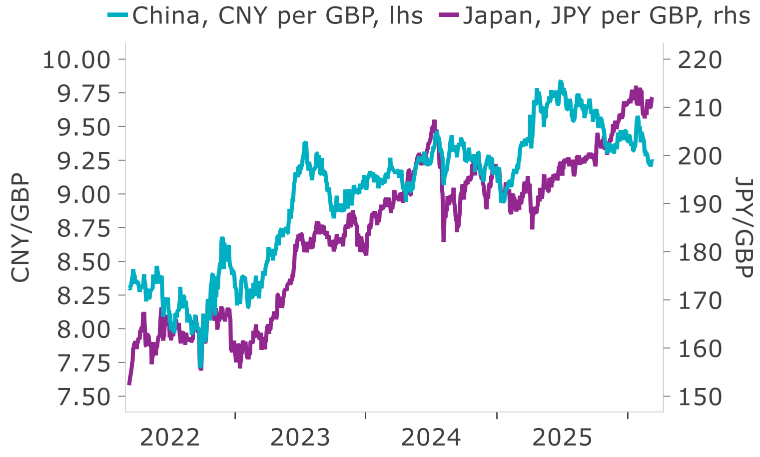
However, this failed to materialise following the post-referendum depreciation from 2016, most likely due to specialised supply chains.

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 February (Year-on-Year)

USD TO GBP, YOY

8.2%

Sterling appreciation in relation to the USD.

EURO TO GBP, YOY

-4.6%

Sterling depreciation in relation to the Euro.

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

FORECASTS

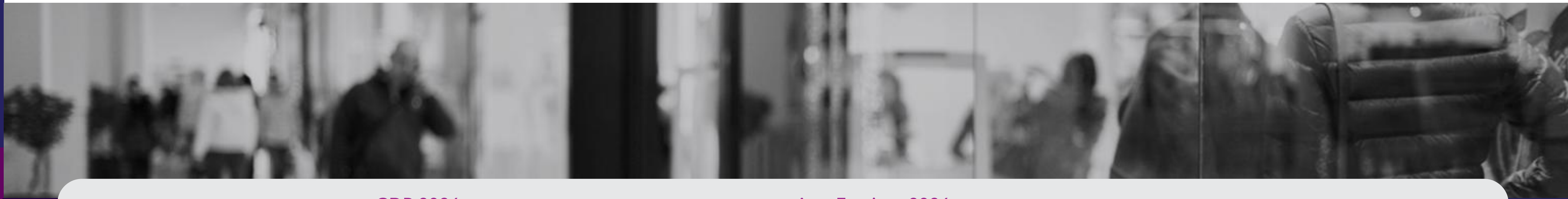
CONSENSUS FORECASTS FOR THE UK ECONOMY

CONSENSUS ECONOMIC FORECASTS, CITY, OBR AND INDEPENDENT AVERAGE

	2026			2027		
	City	BOE	OBR	City	BOE	OBR
GDP	1.0	0.9	1.4	1.4	1.5	1.4
Cons. Spending	1.0	1.0	0.8	1.3	1.0	1.5
CPI (Q4)	2.1	2.0	1.9	2.0	1.8	1.9
Avg Earnings	3.0	3.3	3.4	3.0	2.7	2.4
Bank Rate (Q4)	3.3	3.3	3.3	3.2	3.5	3.5

Source: City average forecasts in HM Treasury's 'Forecasts for the UK Economy', the Bank of England's (BoE) Feb 2026 Monetary Policy Report and the Office for Budget Responsibility's (OBR) Economic and fiscal outlook – Mar 2026 forecasts.

Note: Average Weekly Earnings estimates are for the private sector under the Bank of England's forecasts.



Summary Forecasts

GDP 2026

1.0%-

Unchanged from the previous projection of 1.0%.

Avg. Earnings 2026

3.0%↓

Down from the previous projection of 3.1%.

The consensus City forecast for 2026 growth in January was 1.0%

ABOUT US

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/market-intelligence/

ECONOMIC MONITOR

The BRC's Economic Monitor is our monthly measure of the global & UK economy, the wider trading environment, and a collection of performance market measures within this context. If you have any thoughts or feedback on how we might be able to improve this report, please do get in touch.

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