



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.

March 2024

UK ENTERS TECHNICAL RECESSION

The UK entered a technical recession at the end of 2023, according to the latest ONS data. However, there is little new news here, as the data is a continuation of the sluggish and flatline growth following the pandemic bounce back in 2022.

There has nonetheless been a rebound in services activity at the start of this year due to improving consumer confidence. If this continues, we expect the ONS to report just a short-lived recession when the Q1 2024 GDP figures are published, in May.

Despite this, recession headlines seen last month continue to dampen consumer sentiment in respect of big-ticket purchases in the near term. However, with the energy price cap falling noticeably in April, lower energy bills will provide some respite for households. Consequently, we may see the annual inflation rate fall below 2% in the coming months.

Continued turmoil in the Middle East has started to feed through to oil prices, and through to prices at UK fuel forecourts. This will provide some compensating upward pressure on inflation, and there are further risks as Russian sanctions loopholes are clamped down upon and conflict continues in Gaza, the Red Sea, and Ukraine. These factors have driven shipping costs higher by 93% (compared to a year ago), and these costs are likely to remain elevated while shipping routes are impeded.

GDP GROWTH

-0.3%

% change - QOQ, Q4 2023

Down from -0.1% in Q3 2023

CPI INFLATION

4.0%

% change - YOY January 2024

Unchanged from 4.0% in December

UNEMPLOYMENT

3.8%

December 2023

Unchanged from 3.9% in November

WAGE GROWTH

6.2%

% change - YOY December 2023

Down from 6.7% in November

BRC - KPMG RETAIL SALES

1.2%

% change - YOY, January 2023

Down from 1.7% in December

CONSUMER CONFIDENCE

-21

February 2024

Down from -19 in January

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GDP FALLS IN DECEMBER

Indicators of Economic Output

GDP fell in December by 0.1%, following growth of 0.2% in November. Services activity fell and the largest downward contributors were wholesale & retail trade as well as human health and social work activities. Consumer-facing services also fell, with the biggest downward contributor being food and beverage services as well as wholesale & retail trade. In contrast, accommodation 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 1.0%, and, within this, manufacturing activity fell, driven by the manufacture of machinery equipment.

Construction output fell by 1.3% 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. Business investment rose 1.5% on the quarter and is currently 5.6% above its pre-Covid level.

The latest S&P Global UK Composite PMI showed activity in February stayed in positive territory, with the overall index increasing to 53.3, above the no-change 50-mark. Services continued to drive improving activity, helped by increasing consumer demand. Manufacturing, in contrast, continued to see declining production volumes. Looking at input costs, freight costs have increased, and wage bills are pushing up business expenses, leading to an increase in output charges for consumers.

Prices and Monetary Policy

Inflation was unchanged in January and the Consumer Price Index was stuck at 4.0%. Of the headline rate, 0.8% emanates from food, 1.0% from restaurants and hotels and 0.8% from recreation and culture. Housing and energy costs, as well as transport, are now pushing down on inflation, shaving off 0.3% and 0.1% (respectively) from the headline figure. Fuel prices fell for both petrol and diesel, with these figures registered when petrol was £1.40 per litre and diesel £1.48.

Gas and food prices have steadily come down though shipping rates remain elevated (although these are starting to ease). Global oil prices had recently peaked at \$96 but have more recently risen to \$83 (February average). Domestically, the headline Producer Price Inflation (PPI) measure for business input costs remained in deflation over January. Output cost inflation also fell back into deflation, suggesting business cost pressures have significantly eased, although remain at a high level.

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

PROJECTIONS FOR 2024 UK GDP GROWTH

Bank of England (February Forecast)

0.3%

IMF (January Forecast)

0.6%



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JOB VACANCIES FALL FURTHER

Faster Indicators: BRC-KPMG Retail Sales

The 1.2% growth seen in January is hardly a strong start to the year for UK retail sales, albeit representing less of a decline in volumes than the previous month.

Food sales continued to see strong growth throughout the month, as the rate of price inflation on this side of the consumer spending equation remains relatively high. The growth rate continued its slowing trajectory in January, with the three-month average falling to 6.3%, which was its lowest level seen since November 2022.

For Non-Food, January was the seventh consecutive month of declines, resulting in the three-month average falling to its steepest decline of -1.8%, the worst since August 2022. Health & Beauty was the only category to provide any buoyancy.

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 3.8%, 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, 20.8% of those aged 16-64 were inactive in the labour force.

Job vacancies fell to 932,000 in the three months to January, having peaked and now coming down swiftly. This still represents 106,000 more vacancies than before the pandemic. Vacancies are above pre-crisis levels in 15 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 102,000, which is 19,000 below pre-pandemic levels.

Outlook

Despite entering a technical recession at the end of last year, the UK economy is set for a short-lived period of contraction, with a largely flat growth picture expected to repeat itself this year. A rosier inflation outlook due to the lower Ofgem price cap taking effect from April implies stronger real wage growth over H1 2024, helping to support consumer spending. Whilst the impact from interest rates has largely peaked, about a third of existing monetary tightening has yet to make its impact on the economy, particularly for mortgage holders and businesses saddled with corporate debt. Lower energy costs will help to reduce business and consumer cost bases; however, transport costs are expected to provide compensating upward pressure on costs, in the form of higher oil prices. Geopolitical tensions in the Middle East remain in play, and shipping costs look to remain elevated for the foreseeable future, presenting upside risks for commodity prices. Nonetheless, the domestic inflation outlook is appearing more optimistic, by year-end.

% 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%

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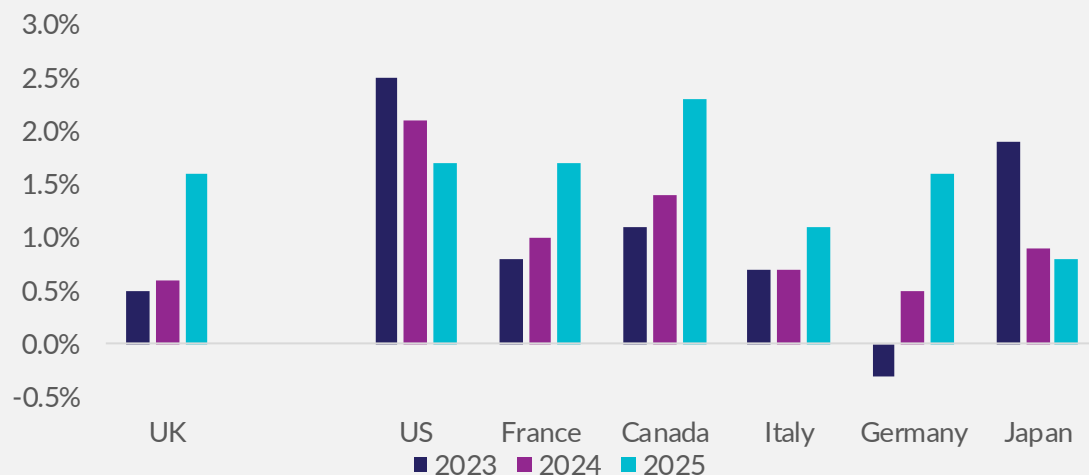


GLOBAL DEMAND UNDER PRESSURE

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

GDP GROWTH, JANUARY FORECASTS



Source: IMF, The World Economic Outlook.

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

The February S&P Global Eurozone Composite PMI shows business activity remained in contractionary territory but was at an 8-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 was less contractionary due to demand holding up better. Input costs re-accelerated, pushing cost burdens slightly above their historical trend level. Service providers continued to record price increases and selling price inflation also remains historically high.

US inflation eased to 3.1% in January 2024 and remains considerably lower than the June 2022 peak of 9.1%. The Federal Reserve has embarked upon an aggressive tightening cycle over the past year, seeking to demonstrate credibility in reversing its loose money policy over the pandemic and quell demand to bring inflation back to the target rate. The central bank has signalled a higher likelihood of interest rate cuts, during 2024.

Inflation in the Eurozone has slowed from recent highs, and the European Central Bank kept their key rate unchanged at 4.5%, stressing that further hikes remain on the table. Prices eased to 2.8% in the 12 months to January, down from December 2023's figure of 2.9%. Energy prices were 6.3% lower on the year, food, alcohol and tobacco prices 5.7% higher and the cost of non-energy industrial goods increased 2.0%.

2024 PROJECTED GROWTH - IMF (JANUARY)

UK

0.6%

US

2.1%

FRANCE

1.0%

GERMANY

0.5%

JAPAN

0.9%

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SALES VOLUMES BOUNCE BACK IN JANUARY

UK retail sales rebounded in January, by 3.4%, following a (downwardly revised) fall of 3.3% in December. In broader terms, sales volumes fell by 0.2% in the three months leading up to January when compared to the preceding three months.

Food store sales rose by 3.4%, on the month, following a 3.1% contraction in December. Growth in volumes rose, attributed to better supermarket performance. Steeper falls in the preceding month were due to the bringing forward of Christmas purchases to November. Food stores' sales volumes are now 2.6% below their pre-pandemic February 2020 levels, as consumers continued to grapple with a higher price level for food.

Non-food store sales rose by 3.0% on the month, with sales volumes having fallen by 3.9% in the preceding month. Volumes rose across all categories, most dramatically in 'other' stores (jewellery and games shops), followed by department stores. Clothing and footwear, in contrast, was the only sub-sector to see a decline in volumes. Automotive fuel sales volumes rose by 5.4%, in January, attributed to easing fuel prices.

The proportion of retail sales conducted online (seasonally adjusted) fell to its lowest since March 2020, to 24.8% in January, down from 26.8% in December. Online sales remained above pre-pandemic norms of 19.7% (February 2020).

DATA & CHARTS

FIG 1 – Retail Sales Volumes vs Retail Sale Value

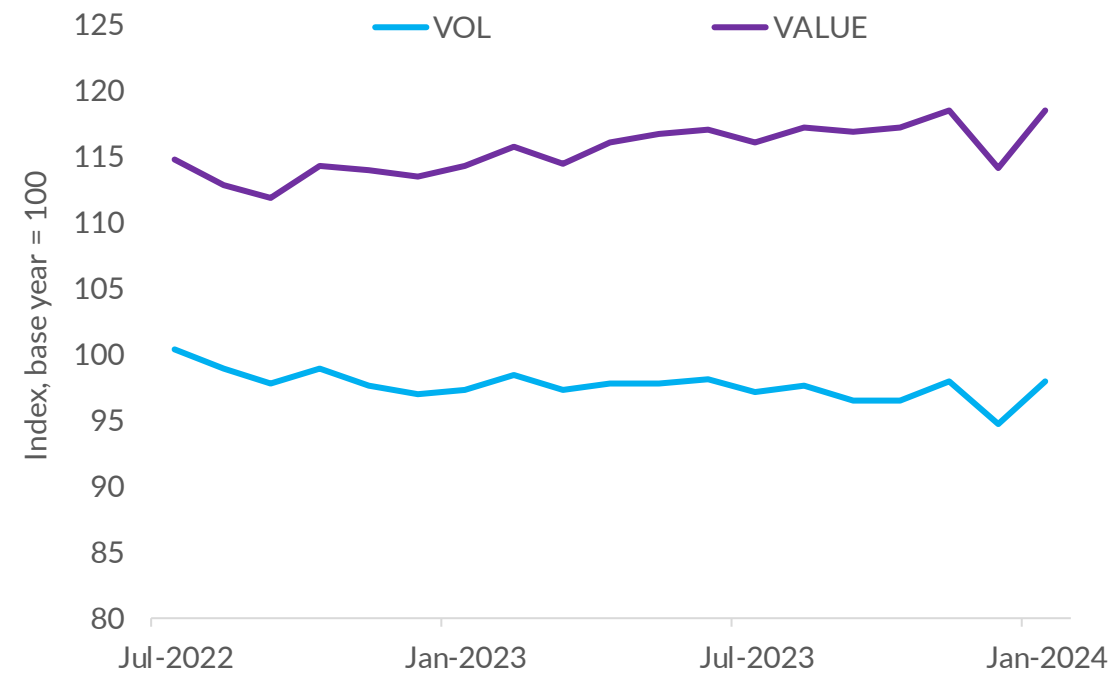
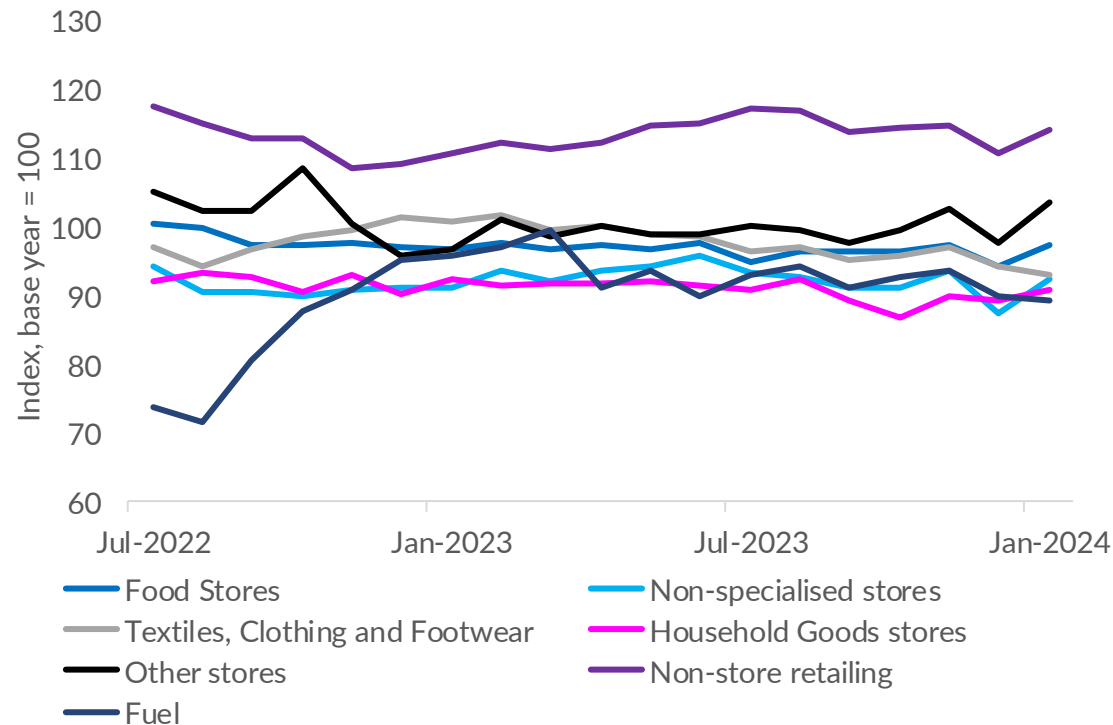


FIG 2 – ONS Retail Sales Category Volumes



SUMMARY JANUARY

Retail Sales

3.4%



Up from -3.3% in December

Online Sales

-4.1%



Down from -2.3% in December

Sales increased in both value and volume terms



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

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ONS & BRC SALES GROWTH – VALUE TERMS

% change on year ago	RSI Sales	RSM Sales
Nov-23	5.9	2.7
Dec-23	2.2	1.7
Jan-24	4.8	1.2

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
Jan-23	3.0	8.7	5.8	20.5	-1.5	-7.4	-10.7
Feb	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	2.6
Apr	5.9	10.2	7.5	10.8	-0.2	0.6	-2.0
May	7.5	13.0	10.4	8.2	0.0	0.4	1.6
Jun	6.9	10.2	11.6	10.0	3.2	-2.6	3.9
Jul	4.6	5.7	5.1	6.0	2.9	0.3	5.5
Aug	6.6	7.3	8.0	10.2	2.8	2.0	7.5
Sep	5.5	9.2	5.5	4.8	-1.2	-0.5	4.8
Oct	4.1	8.0	5.6	3.5	-2.9	-4.2	5.7
Nov	5.9	7.4	6.0	3.1	-2.1	5.7	9.0
Dec	2.2	4.2	-1.5	-1.4	-3.7	1.9	5.7
Jan-24	4.8	6.7	3.8	-2.9	-1.1	9.3	5.5

Source: ONS RSI

LARGE & SMALL RETAILERS

% change on year ago	ONS Large Retailers	ONS Small Retailers
Nov-23	3.4	14.9
Dec-23	-0.8	14.5
Jan-24	2.2	13.7

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
Jan-23	0.3	-0.2	0.0	-0.5	2.3	1.0	1.2
Feb	1.5	0.8	2.7	0.9	-0.8	4.4	1.5
Mar	-1.2	-0.9	-1.8	-2.1	0.2	-2.4	-0.9
Apr	0.8	0.5	1.7	0.7	0.0	1.6	0.9
May	-0.1	-0.5	0.6	-1.4	0.4	-1.1	2.3
Jun	0.4	0.9	1.7	-0.3	-0.6	-0.2	0.2
Jul	-1.2	-2.7	-2.5	-2.1	-0.8	1.5	1.8
Aug	0.6	1.4	-0.7	0.6	1.6	-0.8	-0.1
Sep	-1.3	0.0	-1.7	-1.8	-3.2	-1.7	-2.8
Oct	0.2	0.0	0.1	0.8	-2.6	1.8	0.6
Nov	1.5	0.9	2.6	1.2	3.4	3.3	0.3
Dec	-3.5	-3.1	-6.5	-2.8	-0.5	-5.1	-3.6
Jan-24	3.2	3.4	5.4	-1.4	1.8	6.2	3.2

Source: ONS RSI

ONS INTERNET SALES

M-Y	Av. Weekly value of all retail sales	Av. Weekly value of internet retail sales	Internet sales % YoY	Internet sales % of all retail sales
Jan-23	£7.8bn	£2.1bn	-6.6	27.3
Feb	£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	7.2	25.7
Jun	£8.8bn	£2.2bn	7.4	25.3
Jul	£8.9bn	£2.3bn	10.1	26.2
Aug	£8.6bn	£2.2bn	10.3	25.2
Sep	£8.4bn	£2.2bn	7.7	25.8
Oct	£9.0bn	£2.4bn	6.6	26.5
Nov	£10.3bn	£3.2bn	9.3	30.8
Dec	£10.7bn	£2.9bn	3.9	27.5
Jan-24	£8.1bn	£2.1bn	1.1	26.3

Source: ONS RSI

SUMMARY JANUARY

ONS Sales

4.8%



Up from 2.2% in December.

Large retailers

2.2%



Up from -0.8% in December.

Strong increase in department store sales

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

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CBI COMMENTARY

The retail sector had notably less negative sales growth last month. Sales volumes were in line with the average for the time of year, in February. Online sales grew for the first time in almost two years and are expected to expand again this month, at a stronger pace.

Year-on-year sales declines in volumes are expected to be at a much lower pace next month. Stock positions were considered “high” 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 February, the first expansion in ten months. Sales volumes are expected to expand next month as well, at a slower pace. Distribution reported sales volumes similarly expanded when compared to last month, again for the first time in ten months. Sales are expected to fall slightly over this month.

VOLUME OF SALES – REALISED AND EXPECTED

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

Source: CBI Distributive Trades Survey

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CBI Balance

-7

Up from -50 in January



CBI Expected (March)

-15

Up from -50 in February.



Sales outlook for this month improves

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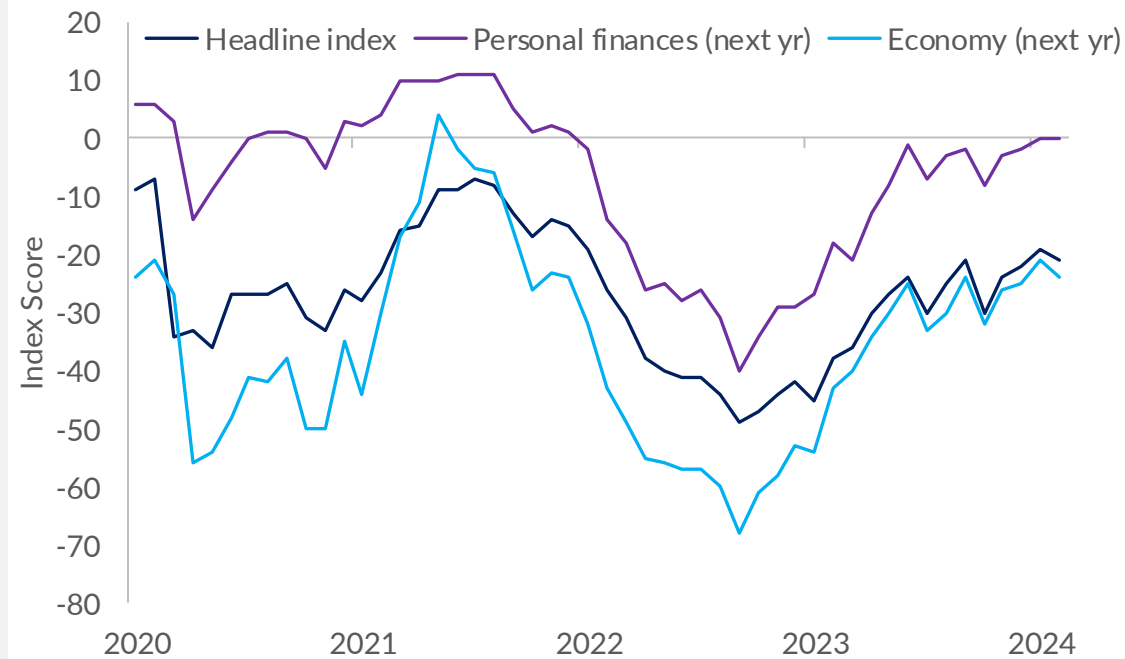
“There’s a mixture of bad news and good news for February. The bad news is that the improvement in the Overall Index Score seen over recent months stalled slightly in February due to a fall across most measures. However, the good news is that optimism for our personal financial situation for the next 12 months has not slipped back. Although registering again at zero, this is a significant improvement on the -18 score from February last year.

This metric is key to understanding the financial mood of the nation because confident householders are more likely to spend despite the cost-of-living crisis. Looking forward, it will be interesting to see what the forthcoming Budget delivers in terms of taxation and inflation. These are important issues to everyone – especially in an election year. The recent performance of the economy will play a crucial role in determining results at the ballot box. “

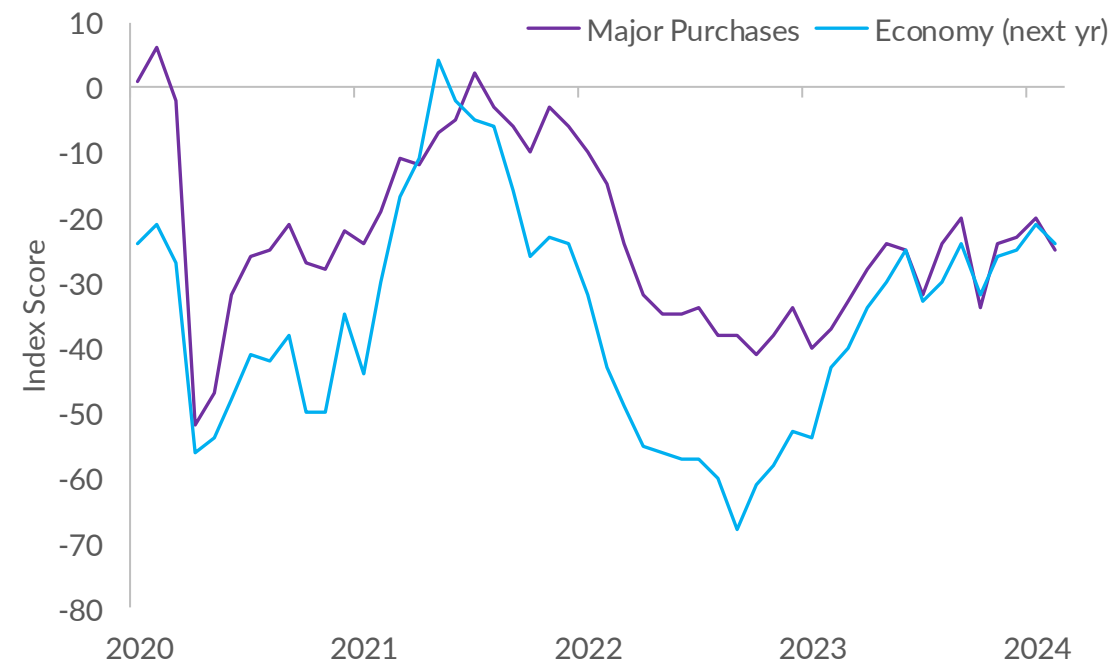
GfK NOP CONSUMER CONFIDENCE INDEX

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

LONG-TERM TRENDS



Source: GfK Consumer Confidence Index



Source: GfK Consumer Confidence Index

SUMMARY FEBRUARY

Headline GfK confidence

-21



Down from -19 in January

Major Purchases confidence

-25



Down from -20 in January

Consumer confidence edges down in February

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ONS CONSUMER PRICE INDEX (CPI)

HEADLINE FIGURES, %, YOY

	CPI	Retail Price Index, all items (RPI)	All Items excl. mortgage interest payments (RPIX)
Jan-23	10.1	13.4	12.6
Feb	10.4	13.8	12.9
Mar	10.1	13.5	12.6
Apr	8.7	11.4	10.4
May	8.7	11.3	10.3
Jun	7.9	10.7	9.6
Jul	6.8	9.0	7.9
Aug	6.7	9.1	7.8
Sep	6.7	8.9	7.6
Oct	4.6	6.1	4.8
Nov	3.9	5.3	4.1
Dec	4.0	5.2	4.0
Jan-24	4.0	4.9	3.8

Source: ONS.

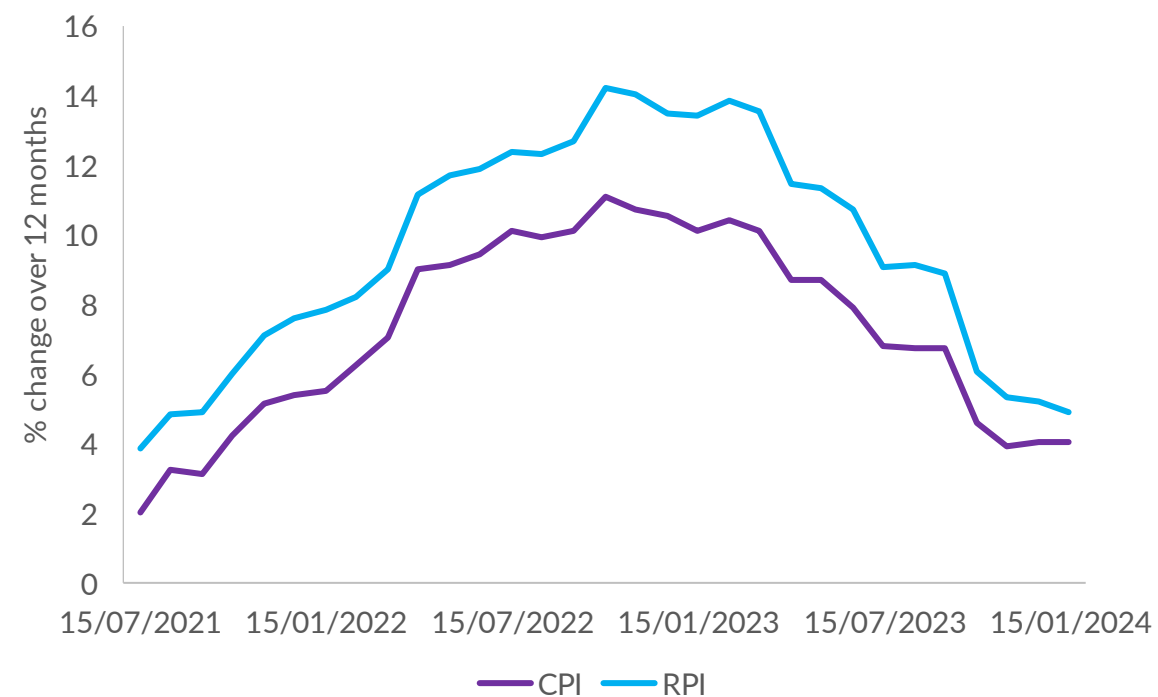
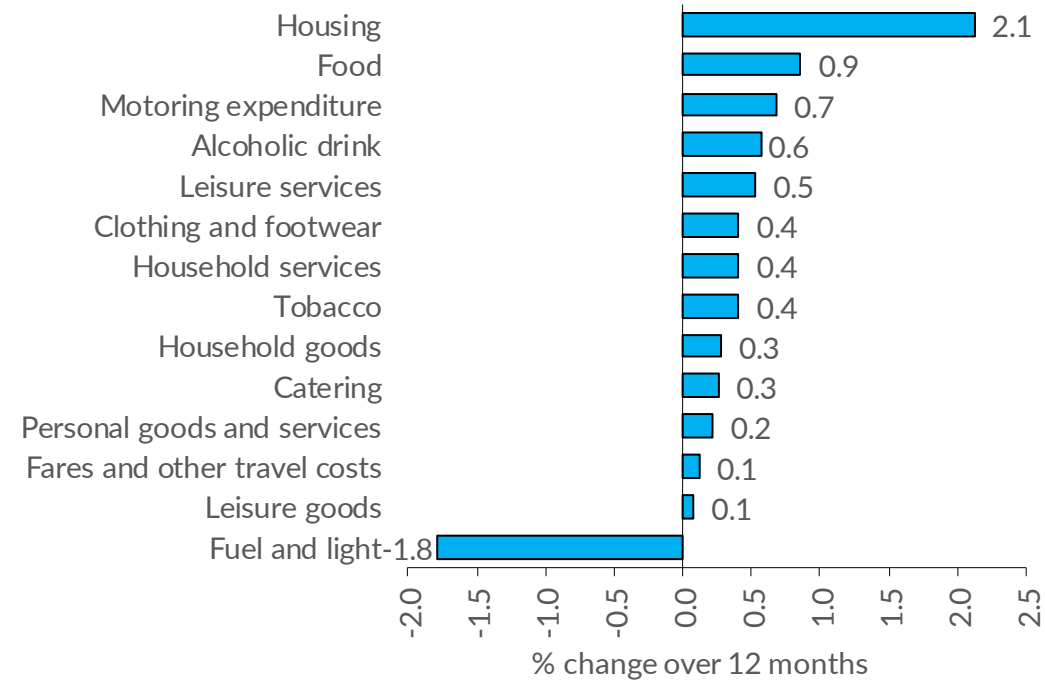
CPI: CONTRIBUTIONS TO THE ANNUAL RATE

	Food & non-alcoholic beverages	Clothing & Footwear	Housing & household services	Furniture & household goods	Transport	Restaurants & hotels
Jan-23	16.7	6.2	26.7	9.2	3.1	10.8
Feb	18.0	8.1	26.6	8.7	2.9	12.1
Mar	19.1	7.2	26.1	8.0	0.8	11.3
Apr	19.0	6.8	12.3	7.5	1.5	10.2
May	18.3	7.1	12.1	7.5	1.2	10.3
Jun	17.3	7.2	12.0	6.5	-1.8	9.5
Jul	14.8	6.6	6.8	6.2	-2.0	9.6
Aug	13.6	7.0	7.0	5.1	-0.5	8.3
Sep	12.1	6.9	6.9	3.7	0.7	8.6
Oct	10.1	6.2	-3.5	3.1	0.5	7.5
Nov	9.2	5.7	-3.4	2.3	-1.5	7.5
Dec	8.0	6.4	-3.4	2.5	-1.1	7.0
Jan-24	6.9	5.6	-2.1	0.4	-0.3	7.0

Source: ONS.

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

RPI: CONTRIBUTIONS TO THE ANNUAL RATE



SUMMARY JANUARY

CPI

4.0%

Unchanged from 4.0% in December.

CPI Food

6.9%

Down from 8.0% in December

CPI remains unchanged

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UK EMPLOYMENT

In the three months to December 2023:

- 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 3.8%, slightly down over the previous three-month period, and 0.2 percentage points below pre-Covid levels.
- Total hours worked fell in the most recent reporting period (September), to 1.05 billion hours, slightly below pre-pandemic levels, signifying normalisation in the labour market.
- The UK economic inactivity rate was estimated at 21.9%, unchanged on the previous quarter, and 1.4 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
Jan-23	1,518	3.9	1,314	3.8
Feb	1,499	3.8	1,346	3.9
Mar	1,526	3.9	1,383	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-24	1,579	4.0	NA	NA

Source: ONS

EMPLOYMENT (3 MONTHS ENDING)

Employment (3 months ending) (000s)	Total	Full-time	Part-time
Dec-22	33,067	24,641	8,426
Jan	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-23	33,174	24,813	8,361

Source: ONS

SUMMARY DECEMBER

Unemployment Rate

3.8%



Down from 3.9% in November.

Total Employment

75.8%



Up from 75.7% in November.

Inactivity higher than first estimated



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EARNINGS

Between October and December 2023:

- **Regular pay** was estimated to have increased by 6.2% in nominal terms and increased by 1.8% in real terms.
- **Total pay** was estimated to have increased by 5.8% in nominal terms and increased by 1.4% in real terms.

Between October and December 2022 and October and December 2023:

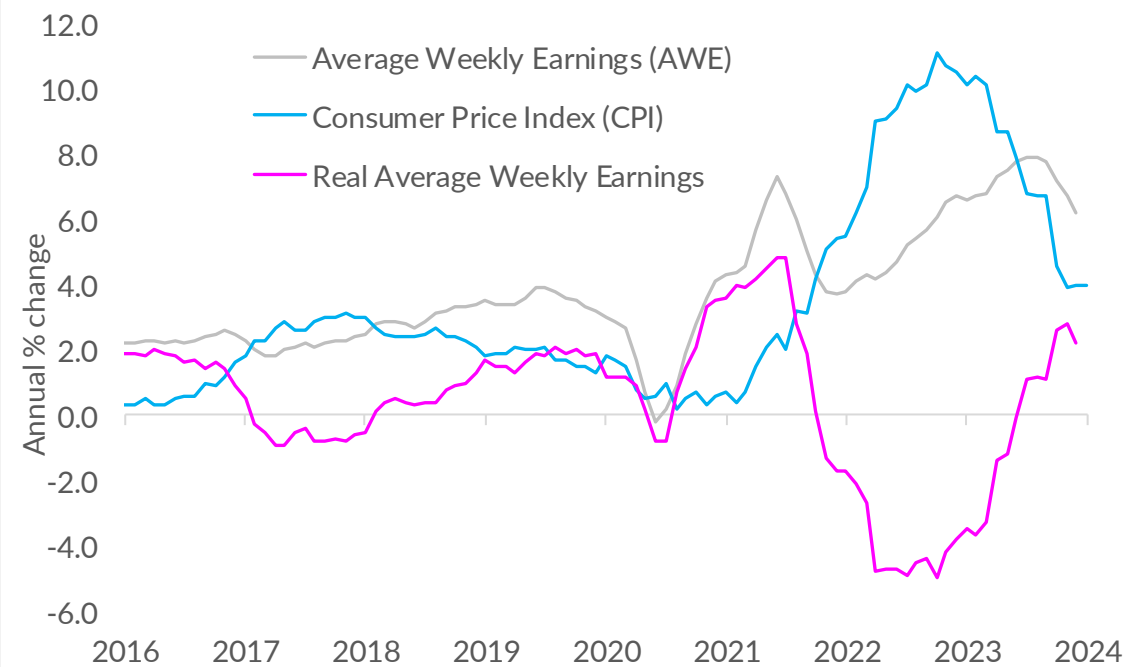
- **Average regular pay (excluding bonuses)** was estimated at £626 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£590 per week) and £481 per week in real terms (constant 2015 prices), higher than the estimate for a year earlier (£472 per week).
- **Average total pay (including bonuses)** was estimated at £669 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£634 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
Jan-23	6.6	10.1	-3.5
Feb	6.7	10.4	-3.7
Mar	6.8	10.1	-3.3
Apr	7.3	8.7	-1.4
May	7.5	8.7	-1.2
Jun	7.8	7.9	-0.1
Jul	7.9	6.8	1.1
Aug	7.9	6.7	1.2
Sep	7.8	6.7	1.1
Oct	7.2	4.6	2.6
Nov	6.7	3.9	2.8
Dec	6.2	4.0	2.2
Jan-24		4.0	

Source: ONS.

LONG TERM EARNINGS SERIES



SUMMARY DECEMBER

Regular pay growth

6.2%



Down from 6.7% in November.

Total pay growth

5.8%



Down from 6.7% in November.

Wage growth is easing in nominal terms

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MONEY, CREDIT & INSOLVENCIES

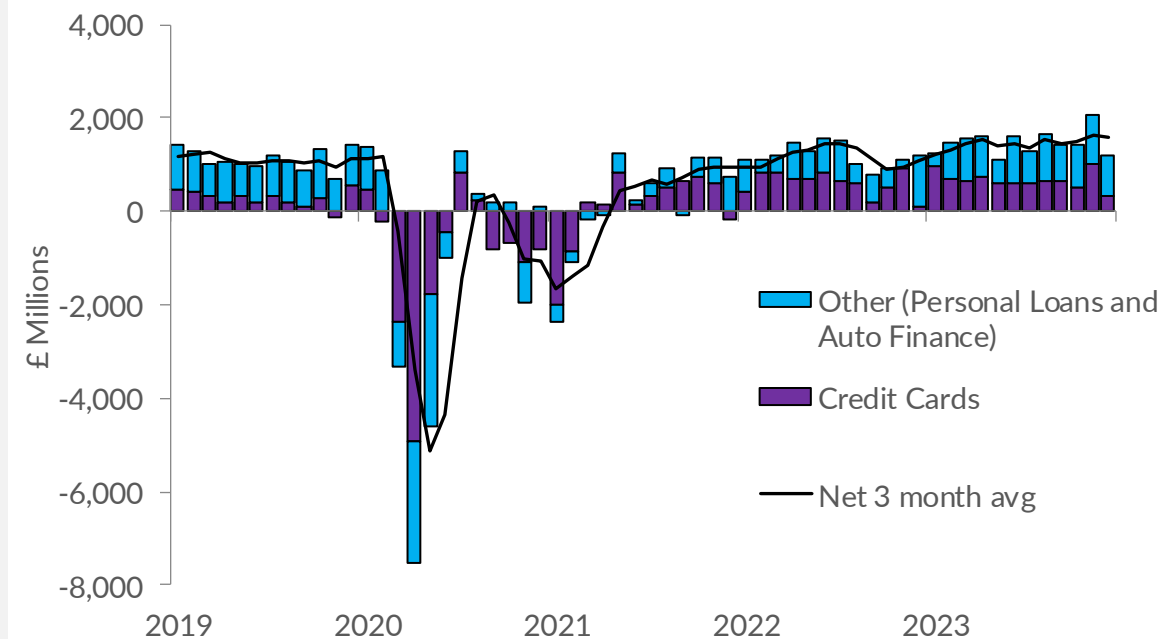
- Consumers in December borrowed an additional £1.2 billion in consumer credit, in net terms, of which borrowing was £0.9 billion in personal/auto loans and £0.3 billion of which was repayments on credit cards.
- Individuals repaid £0.8bn in mortgage debt in December, compared to net zero borrowing in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

CONSUMER CREDIT

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

Source: Bank of England

CONSUMER CREDIT



Source: Bank of England

SUMMARY DECEMBER

Net consumer credit
£1.2bn



Down from £2.1 billion in November.

Net credit card lending
£0.3bn



Down from £1.0 billion in November.

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

EXCHANGE RATES

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DOLLAR, EURO, YUAN, YEN

	US dollar (\$) per pound sterling (£)	Euro (€) per pound sterling (£)	Chinese Yuan (¥) per pound sterling (£)	Japanese Yen (¥) per pound sterling (£)
Jan-23	1.22	1.14	8.38	159.5
Feb	1.21	1.13	8.32	160.8
Mar	1.21	1.13	8.43	162.1
Apr	1.25	1.13	8.54	166.2
May	1.25	1.15	8.73	171.0
Jun	1.26	1.17	9.17	178.6
Jul	1.29	1.17	9.22	181.7
Aug	1.27	1.16	9.29	183.9
Sep	1.24	1.16	8.95	183.1
Oct	1.22	1.15	8.89	182.0
Nov	1.24	1.15	8.91	186.1
Dec	1.27	1.16	9.08	182.3
Jan-24	1.27	1.17	9.15	185.7

Source: Average monthly exchange rate, Bank of England

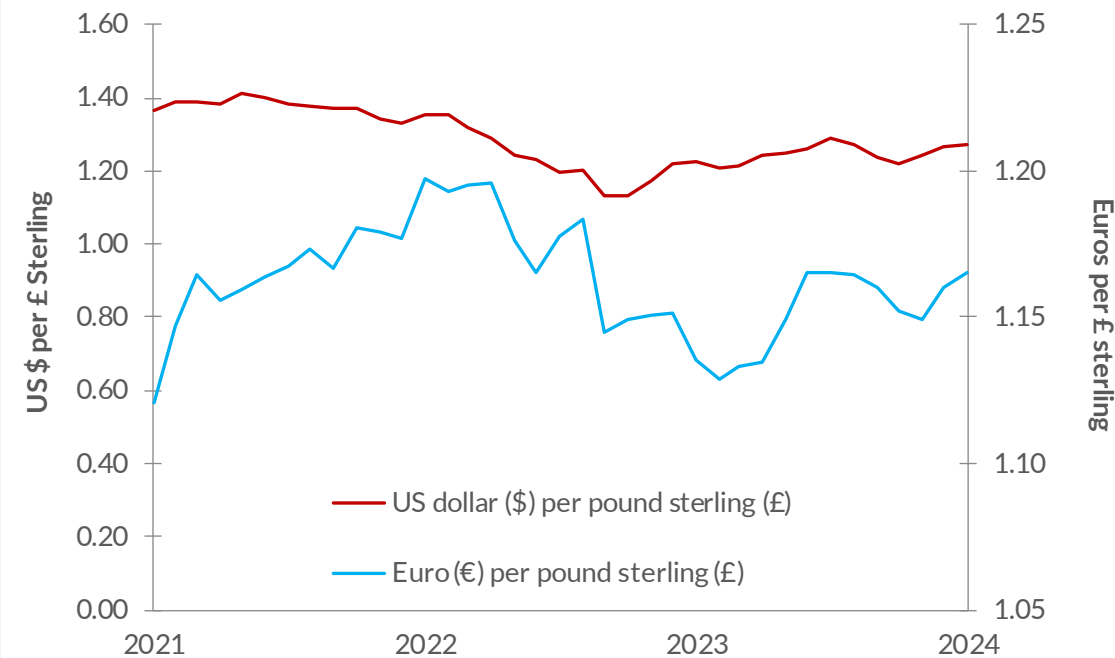
IMPACTS FROM CURRENCY DEPRECIATION

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.

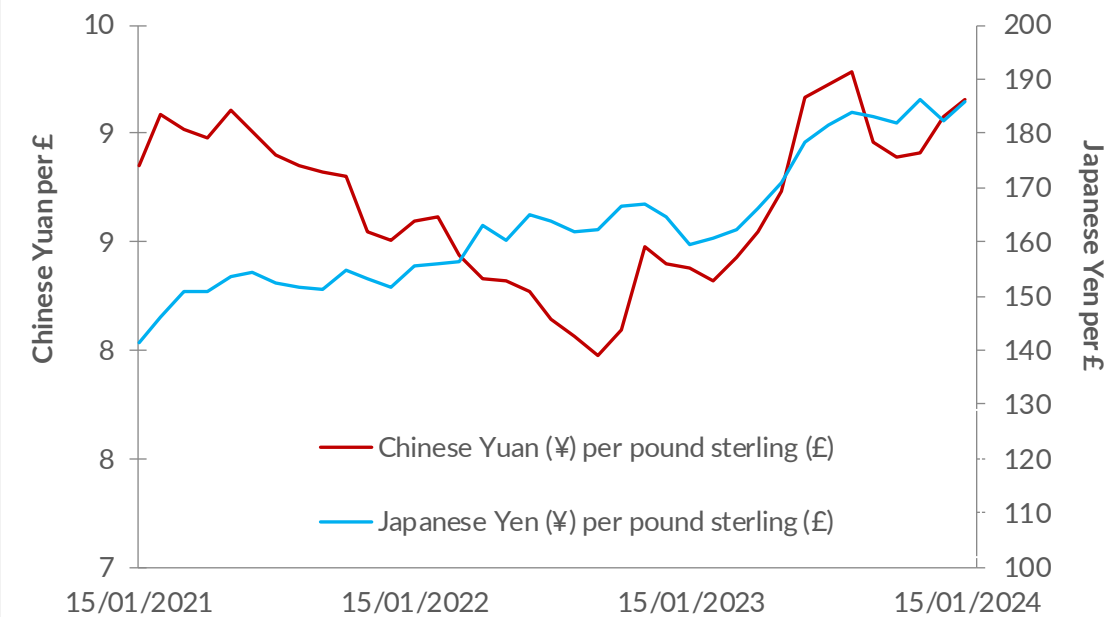
However, this failed to materialise following the post-referendum depreciation from 2016, most likely due to specialised supply chains.

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 JANUARY

USD TO GBP, YOY

3.8%

Sterling appreciation in relation to the USD, YoY.



EURO TO GBP, YOY

2.7%

Sterling appreciation in relation to the Euro, YoY.



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

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CONSENSUS FORECASTS FOR THE UK ECONOMY

CONSENSUS ECONOMIC FORECASTS, CITY, OBR AND INDEPENDENT AVERAGE

	2023		2024		2025	
	City	OBR	City	OBR	City	OBR
GDP	0.4	0.6	0.2	0.7	0.9	1.4
Cons. Spending	0.5	0.5	0.2	0.5	1.0	1.0
CPI (Q4)	4.0	7.5	2.0	3.6	2.0	1.8
Avg Earnings	6.4	6.8	3.7	3.7	2.9	2.2
Bank Rate (Q4)	5.3	5.4	4.3	4.9	2.1	4.4

Source: City average forecasts in HM Treasury’s ‘Forecasts for the UK Economy’, 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

3.7%



Revised up from a previous projection of 3.6%.

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

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BRC INSIGHT

The BRC has a diverse team of experts dedicated to providing insight into the UK’s retail industry. They work across several specialities to bring together cutting-edge data sources and provide in-depth analysis of both into fast-moving market developments and longer-term structural trends. We help our members with insight into the market in which they operate and to benchmark their performance against their peers.

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

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

ECONOMIC MONITOR

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

If you have any thoughts or feedback on how we might be able to improve this report – please do get in touch.

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