BRC INSIGHT

ECONOMIC MONITOR

Economic Outlook, GDP, the wider economic context and retail sales

Confidence, inflation, labour market, credit & insolvencies

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

August 2023

BRC INSIGHT

Inflation begins to ease

Encouragingly, inflation eased in last month, from 8.7% to 7.9%, although it is expected to be more than double the 2% target rate by the end of 2023. The softening in inflation was enough for the Bank of England to opt for a 25 basis point interest rate rise, with the Bank Rate now at 5.25% - its highest rate since February 2008.

Retail sales have held up well this year so far, despite higher interest rates and high input costs. However, strong wage pressures are forcing input costs to remain elevated, which is also feeding into historically high inflation in the service sector. Despite a slow fall in inflation over the next 6 months, strong wage settlements suggest real household incomes will begin to recover in the second half of this year.

The economic situation makes for a challenging trading environment for retailers. With interest rates expected to be higher for longer, making borrowing for businesses and households more expensive, financial stress on businesses and consumers (especially those that are overleveraged) will increase. In Q2 2023, retail insolvencies increased by 16% year on year - a trend that is expected to continue. We expect economic growth to be broadly flat over the next 12 months, and the risk remains of persistent inflation domestically as well as from global commodity price volatility, particularly following the end of the Black Sea Grain Initiative.

GDP GROWTH

0.1%

% change – QoQ, Q1 2023

Unchanged from 0.1% in Q4 2022

CPI INFLATION

7.9%

% change - YOY June 2023

Down from 8.7% in May

UNEMPLOYMENT

4.0%

May 2023

Up from 3.8% in April

WAGE GROWTH

7.3%

% change – YOY May 2023

Unchanged from 7.3% in April

BRC – KPMG RETAIL SALES

4.9%

% change – YOY, June 2023

Down from 3.7% in May

CONSUMER CONFIDENCE

-30

July 2023

Up from -24 in June

GDP GROWS IN APRIL

Indicators of Economic Output

GDP fell in May by 0.2%, following an increase of 0.2% in April. Services activity was flat, with the largest downward ward contributor being wholesale and retail trade, seeing deteriorating performance. Consumer-facing services witnessed a fall of 0.2%, and within this the largest downward contribution came from pubs, restaurants and bars.

Looking at the most recent quarterly figures, the economy expanded slightly over the first quarter of 2023, by 0.1%. Relative to the pre-pandemic benchmark of Q4 2019, economic output is 0.5% below this level. Services output did rise, but was generally flat, brought down by the impact of strikes, affecting in particular education and transport. Improving activity levels in information and communication contributed the most to growth. Production output also saw slight growth, with manufacturing activity within this performing well, particularly manufacture of metals and electronic products. Construction output, however, rose by 0.4% as residential repair and maintenance works (e.g. extensions and refurbs) drove activity. Looking on the expenditure side, investment positively contributed to headline GDP, with household expenditure showing no real growth. Business investment rose 3.3% on the quarter and is now 1.1% above its pre-Covid level. Inventories did fall within this, led by continuing stock reduction in the retail sector.

The latest S&P Global Flash PMI showed activity continued to expand into July, but considerably slower, with the overall index slightly decreasing to 50.7, remaining above the no-change 50-mark. Private sector business activity continued to expand for a sixth consecutive month, held up by weakening services performance despite continuing falls in manufacturing activity, continuing its relative underperformance. In terms of input costs, manufacturing companies did note falling transport and logistical costs, though in contrast service providers noted a further rise in their average prices charged. This suggests services inflation is likely to persist over the second half of the year.

Prices and Monetary Policy

Inflation eased in June and the Consumer Price Index fell to 7.9%. Of the headline rate, 1.8% emanates from housing and energy costs, 2.0% from food and 1.2% from restaurants and hotels. Fuel prices continue to fall, with these figures registered when petrol was £1.43 per litre and diesel £1.46. Inflation is set to gradually fall over the course of the year.

There continues to be no clarity in the outcome of the Ukraine-Russia conflict. A stalemate has formed, and no end in sight is apparent. The Black Sea Grain initiative came to an end following Russia's withdrawal, initially causing wheat prices to soar (though they have settled more recently). Alongside other heightened geopolitical risks, China's economic re-opening has the potential to boost global demand, placing upward price pressure on commodities, with metals the latest commodity to have seen higher prices over the past few months.

The Spring Budget in March saw a few key announcements centred around the size of the labour force and promoting investment. According to the Office for Budget Responsibility (OBR), the UK's fiscal watchdog, the announcements will provide a short pre-election boost, however question marks remain over the UK's growth prospects longer-term. Key policies announced were an increase in corporation tax from 19% to 25% (from April 2023) as well as the temporary introduction of full expensing for capital investment.

Rising commodity and energy prices, coupled with labour and raw material shortages over the last twelve months, meant that production costs have been pushed up for many businesses. Gas and food prices have steadily come down and shipping rates have fallen to levels not far above pre-pandemic levels. Domestically, the headline Producer Price Inflation (PPI) measure for business input costs has now entered deflation. Indeed, the British growing season more recently appears to have resulted in the cost of imported food materials falling in June. Extrapolating this forward, food inflation is likely to enter single-digit territory during the final quarter of the year.

The Bank of England, this month, opted to hike rates for a fourteenth consecutive meeting, reaching 5.25%, the highest level since 2008. Along with the OBR, the Bank of England suggests no technical recession in 2023 though the outlook will remain broadly flat, and growth is unlikely to pick up significantly until the second half of 2024. Within GDP, private consumption by households is set to be weighed upon over H2 2023 but real incomes are expected to recover, suggesting sales demand will pick up as inflation begins to ease. However, the bank rate futures curve has risen to 5.5%, with a further rate hike priced in at the next meeting in September. Households will increasingly feel the effects of higher mortgage repayments as more fixed terms come to an end. An estimated 3 million mortgages will see an end to their fixed rate by the end of this year.

PROJECTIONS FOR 2023 UK GDP GROWTH

Bank of England (August Forecast)

0.5%

IMF (July Forecast)

0.4%

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ECONOMIC INACTIVITY FALLS

Faster Indicators: BRC-KPMG Retail Sales

Following May's slowdown in retail sales, June saw a rebound to a similar level to that seen in the previous few months, with 4.9% on a Total basis. This return to form is encouraging for retailers, as there was a considerable level of consternation heading into the summer as to whether sales would tail off for seasonal goods. Thankfully, the return of hot weather for the majority of the month encouraged people to visit the shops and splash out.

Food sales growth accelerated back to 9.8% for the three months to June, following a slowdown last month. Interestingly, this increase coincided with price inflation easing further from its peak in April. The BRC-NielsenIQ Shop Price Index recorded food inflation at 14.6% for June, which was the lowest since February. This reinforces the evidence of a significant increase in demand for the month, which was largely driven by people looking to make the most of the good weather for the first three weeks of the month, especially for the Father's Day weekend.

Labour Market

The UK's labour market has begun to ease, and unemployment rose in the most recent month, above pre-pandemic levels (4.0%). Vacancies have come down from peaks and hiring intentions have notably slowed. However, the UK continues to have a large share of the workforce not currently seeking work, otherwise known as 'economically inactive'. Currently, 281,000 people are no longer economically active (when compared to before the pandemic). Inactivity continued to decrease in the most recent reporting period.

Job vacancies remain elevated at 1.03 million in the three months to June although have now peaked and are coming down. This represents 208,000 more vacancies than before the pandemic. Vacancies are above pre-crisis levels in most sectors, including accommodation and food as well as healthcare jobs. In absolute terms, the wholesale & retail sector accounts for the third largest number of vacancies, at 113,000, which is 8,000 below pre-pandemic levels.

Exacerbating tightness, the inactivity rate remains elevated, though fell in the latest reference period and has been broadly trending downward over H1 2023. With a bigger gap in labour force participation when comparing to the pre-pandemic period (exacerbated by the end of free movement in the UK) the BoE has pointed to this as something that has the potential to fuel further wage growth, ultimately contributing to further inflationary pressure.

Outlook

The Bank of England announced a 25 basis point hike in interest rates, at their most recent meeting, upgrading their estimate of inflation in the medium-term as well as the outlook for real incomes. We expect the Bank is likely to be at or near the end of its tightening cycle with the Bank Rate unlikely to rise above 6%. Interest rates will remain elevated whilst inflation clearly comes down below the 2% target, not expected to happen until early 2025. The degree of tightening hitherto does increase the risk of economic activity contracting, though output is still expected to remain on a knife's-edge, displaying muted growth. As the lagged effects of monetary tightening have a gradual impact on the economy, unemployment is likely to rise above 4% and consumer demand weighed upon.

The labour market is holding up, but cooling job vacancy numbers implies that firms are pulling back on hiring intentions, and indeed unemployment did rise in the most recent reporting period. Redundancies are expected to pick up over the second half of 2023, alongside resultant increases in unemployment by year-end and into 2024, with a peak expected by the Bank of England of 5% in 2026. Over the next couple of years, there is expected to limited opportunity for growth, and a structurally tight labour market in the UK raises the risk of inflation persisting above target in the medium-term. Headwinds for global economic growth persist, and there remain no clear signs of a breakthrough in the Ukraine-Russia conflict. The Eurozone has disproportionately felt an impact, experiencing a technical recession in Q1 2023. The UK continues to experience more persistent inflation than comparable countries, and re-accelerating wage pressures raises the risk that the Bank of England may need to carry out more tightening of monetary policy in order to bring inflation back to the 2% target.

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

Source: Bank of England, Monetary Policy Report August 2023

PROJECTIONS FOR 2023 UK GDP GROWTH

Bank of England (August Forecast)

0.5%

IMF (July Forecast)

0.4%

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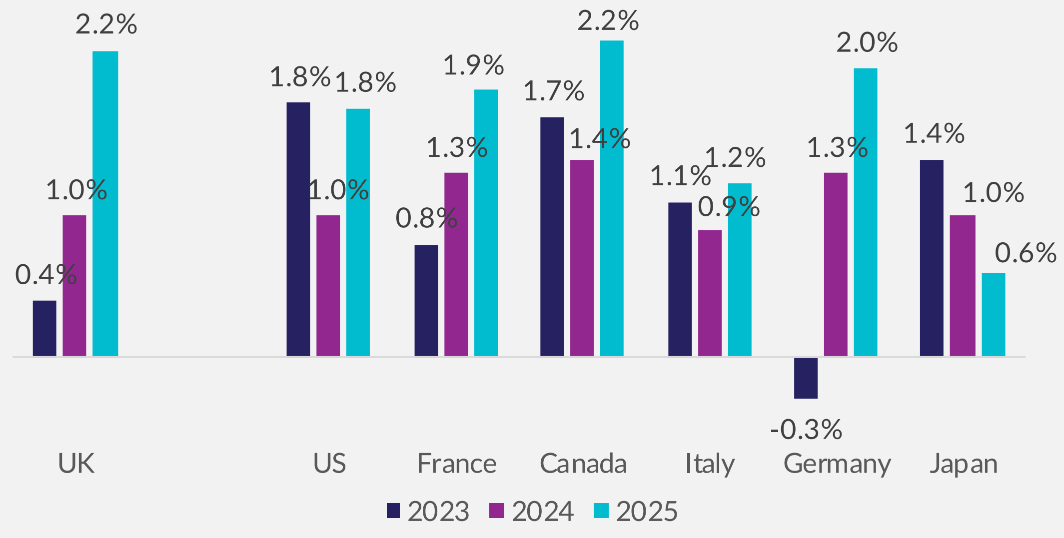
GLOBAL DEMAND UNDER PRESSURE

Financial conditions are tightening as the global interest rate-setter, the United States, hikes interest rates. Many currencies have depreciated against the US Dollar, not least the Pound (though dollar weakening has strengthened certain currencies more recently). The squeeze on emerging markets via higher debt interest payments is anticipated to slow global economic activity. Uncertainty remains in the conclusion of the Ukraine-Russia conflict, the effects of a demand-spike from China (as it drops pandemic restrictions) adding tail risks to the global outlook. As their impacts are uncertain and volatile, commodity prices could rise higher as a result. As economic activity experiences persistent headwinds in weaker demand and interest rate rises, global activity will be weighed upon.

The US economy expanded by 2.4% on an annualised basis in Q2 2023, a fourth consecutive period of growth. The increase was led by improvements in consumer spending and business investment. The US' growth has picked up despite heightening interest rates though are yet to have their full impact and will weigh on growth over the coming quarters.

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

GDP GROWTH, JULY FORECASTS



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

The July S&P Global Eurozone Composite PMI shows business activity fell into contractionary territory following six consecutive months of expansion, weakening considerably on the month. Declining orders caused a slowdown in activity, suggesting further contractions are likely. Manufacturing output performed worse, as factory output fell for a fourth consecutive month and orders continued to decline. Price pressures, despite easing to their lowest since November 2020, remain elevated by historical standards, driven by heightening wage pressures.

Inflation is widely understood to have already peaked globally, with the volatile commodity price (particularly natural gas and oil) movements in the aftermath of the Ukraine-Russia conflict largely having reversed. However, fears over global commodity price pressures is stepping up, following Russia's withdrawal from the Black Sea Grain Initiative. The Federal Reserve has been keen to signal a 'data-dependent' approach to their monetary tightening, opting for a pause at their June meeting due to concerns surrounding financial resilience. However, the Federal Reserve elected to increase their Bank rate to 5.5% at the most recent meeting in July. The Bank of England opted for the same course of action, increasing the base rate by 25 basis points from 5.0% to 5.25%, this month.

US inflation eased further to 3.0% in June, easing significantly from its peak in June 2022 of 9.1%. The Federal Reserve has embarked upon an aggressive tightening cycle over the past year, seeking to demonstrate credibility in reversing its loose money policy over the pandemic and quell demand in order to bring inflation to heel. Financial markets have priced in a further interest rate hike of 25 basis points at the next meeting, before interest rates are held steady and eventually cut.

Inflation in the Eurozone has slowed from recent highs, though the European Central Bank hiked their key rate by 25 basis points to 4.25% due to fears over inflation becoming embedded. Prices eased to 5.3% in the 12 months to July, down on June's figure of 5.5%. Energy prices were 6.1% lower on the year, food, alcohol and tobacco prices 10.8% higher and the cost of non-energy industrial goods increased 5.0%.

2023 PROJECTED GROWTH – IMF (July)

UK
0.4%

US
1.8%

FRANCE
0.8%

GERMANY
-0.3%

JAPAN
1.4%

SALES VOLUMES RISE FOR THE THIRD MONTH

UK retail sales volumes (including automotive fuel) rose by 0.7% in June, when compared to the previous month, following an increase of 0.1% in the preceding month. In a clear depiction of how inflationary pressures are hurting volumes (the physical amount of goods), retail sales in value terms are 18.0% higher than in February 2020 (pre-Covid levels) whereas in volume terms are 0.2% below this level (fig. 1).

Digging deeper into the sales categories, the increase in June was primarily driven by strong growth in non-food channels. Greater activity in non-specialised and 'other' stores (department stores, auction houses and charity shops) meant the overall non-food category expanded. In contrast, clothing stores and sales of automotive fuel performed less well, seeing volumes fall on the month.

Online sales fell by 0.5% on the month with decreases in both food and non-food channels. Within the non-food channel, sales fell the most in fashion, followed by flat growth in other stores. The proportion of online sales fell to 26.0%, with the online penetration rate having held steady at this proportion for a year, since a peak of 37.5% in February 2021. Nonetheless, they remain comfortably above pre-Covid levels of 19.7%.

Sales of food did grow, with anecdotal evidence from retailers suggesting a boost from good weather as well as heightening promotions helped boost the number of shopping trips and items purchased. Easing inflation will mean that sales values should start to slow over the coming months.

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

DATA & CHARTS

FIG 1 – Retail Sales Volumes vs Retail Sale Value

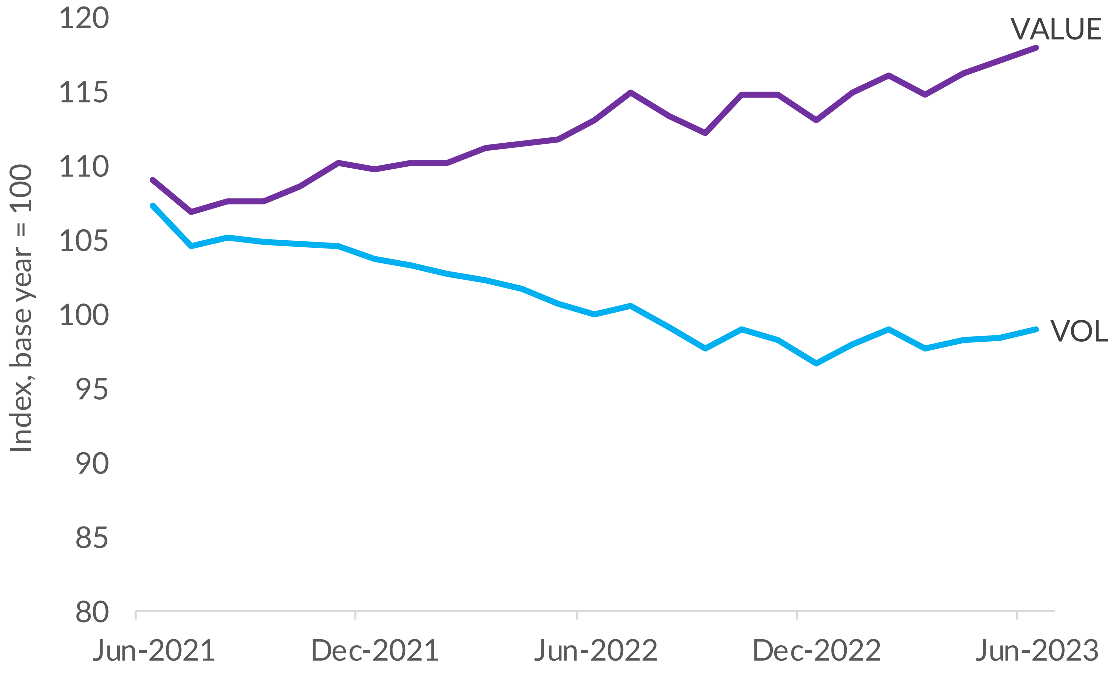
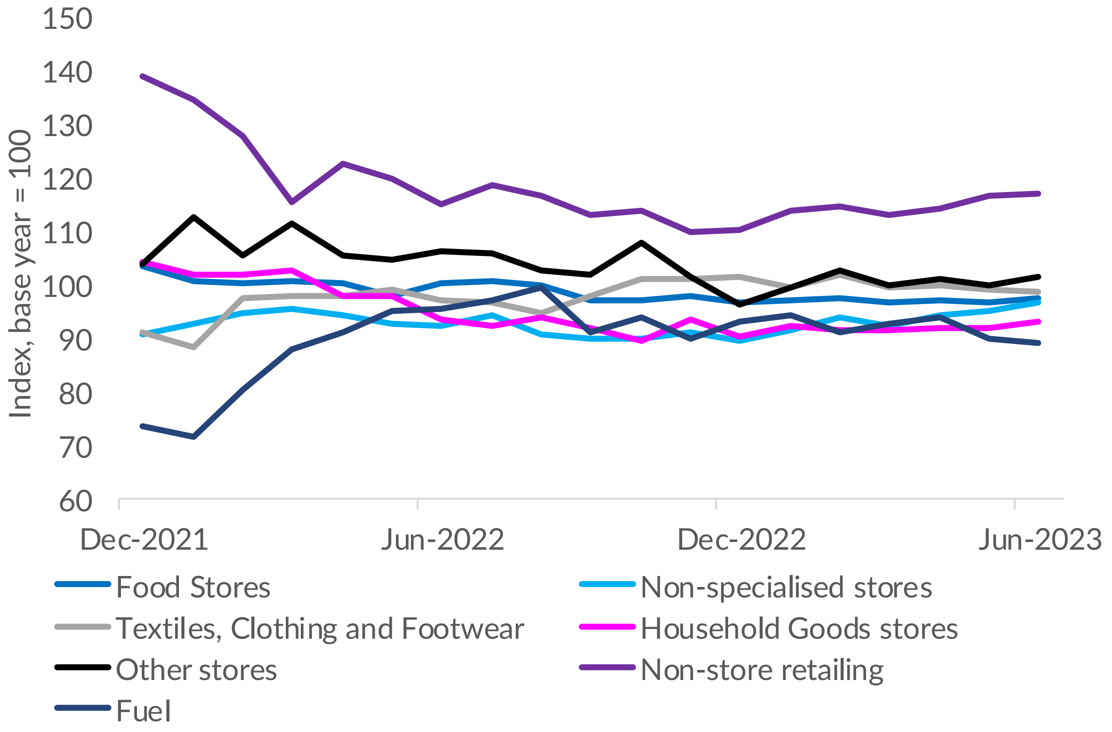


FIG 2 – ONS Retail Sales Category Volumes



SUMMARY JUNE

Retail Sales

0.7%

Up from 0.1% in May.

Online Sales

-0.5%

Down from 2.5% in May.

Sales increased in both value and volume terms

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ONS & BRC SALES GROWTH – VALUE TERMS

% change on year ago	RSI Sales	RSM Sales
Apr-23	6.0	5.1
May-23	7.7	3.9
Jun-23	7.9	4.9

Source: ONS RSI & BRC RSM

ONS RETAIL SALES GROWTH – VALUE TERMS

M-Y	All (excl. fuel)	Predom. food stores	Depart. stores	Textiles, cloth. & footwear	Household goods	Oth. non-food	Non-store retailing
Jun-22	1.0	2.9	2.8	13.1	-9.5	0.4	-7.0
Jul	5.3	7.2	7.2	16.4	-7.6	4.5	-0.7
Aug	3.5	7.4	2.9	7.4	-5.0	0.5	-2.5
Sep	3.5	6.5	1.3	10.4	0.2	1.1	-4.8
Oct	4.0	6.8	0.9	12.1	-3.6	2.5	-1.7
Nov	3.0	7.6	4.1	10.7	2.5	-2.0	-7.4
Dec	5.1	8.0	10.9	19.8	-1.5	0.3	-9.2
Jan	3.4	8.4	5.8	20.7	-1.5	-6.4	-8.8
Feb	6.3	10.9	7.2	13.9	-3.2	2.8	-3.1
Mar	5.3	10.7	4.1	10.1	-4.2	-5.8	4.2
Apr	6.0	9.8	7.5	9.3	-0.5	1.7	-0.3
May	7.7	12.7	10.3	7.4	-0.6	1.7	3.7
Jun-23	7.9	10.3	12.5	9.0	4.7	0.2	6.9

Source: ONS RSI

LARGE & SMALL RETAILERS

% change on year ago	ONS Large Retailers	ONS Small Retailers
Apr-23	6.3	5.0
May-23	7.2	9.4
Jun-23	6.2	13.6

Source: ONS RSI

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

ONS SALES GROWTH – VOLUME TERMS

M-Y	All (excl. fuel)	Predom. food stores	Depart. stores	Textiles, cloth. & footwear	Household goods	Oth. non-food	Non-store retailing
Jun-22	-0.2	2.2	-0.5	-2.2	-4.5	1.6	-4.2
Jul	0.6	0.4	2.6	-0.2	-1.6	-0.7	3.0
Aug	-1.4	-0.8	-4.0	-2.1	1.9	-2.7	-1.7
Sep	-1.5	-2.6	-0.7	3.2	-2.0	-0.9	-2.9
Oct	1.2	0.0	-0.4	3.1	-2.8	6.1	0.9
Nov	-0.6	0.8	1.8	0.2	4.4	-6.0	-3.6
Dec	-1.7	-1.4	-1.8	0.6	-3.3	-5.4	0.3
Jan	1.2	0.5	2.0	-2.3	2.4	3.6	3.3
Feb	1.3	0.6	2.9	2.6	-1.0	3.0	0.6
Mar	-1.4	-0.9	-1.7	-2.3	0.1	-2.5	-1.2
Apr	0.8	0.6	1.9	0.4	0.2	1.2	0.8
May	0.0	-0.4	0.9	-1.0	0.1	-1.2	2.4
Jun-23	0.8	0.7	1.9	-0.4	1.4	1.5	0.2

Source: ONS RSI

ONS INTERNET SALES

M-Y	Av. Weekly value of all retail sales	Av. Weekly value of internet retail sales	Internet sales % YoY	Internet sales % of all retail sales
Jun-22	£8.3bn	£2.1bn	-8.9	25.2
Jul	£8.5bn	£2.1bn	-6.2	24.9
Aug	£8.1bn	£2.0bn	-9.1	24.3
Sep	£8.0bn	£2.0bn	-8.4	25.1
Oct	£8.7bn	£2.2bn	-7.9	25.6
Nov	£9.7bn	£2.9bn	-7.1	29.6
Dec	£10.6bn	£2.8bn	-7.6	26.8
Jan	£7.8bn	£2.1bn	-6.8	27.2
Feb	£8.1bn	£2.1bn	-2.6	25.5
Mar	£8.4bn	£2.2bn	3.3	25.8
Apr	£8.7bn	£2.2bn	1.9	25.5
May	£8.9bn	£2.3bn	6.2	25.4
Jun-23	£8.9bn	£2.2bn	6.6	24.9

Source: ONS RSI

SUMMARY JUNE

ONS Sales

7.9%

Up from 7.7% in April.

Large retailers

6.2%

Down from 7.2% in April.

Strong increase in department stores

GfK CONSUMER CONFIDENCE

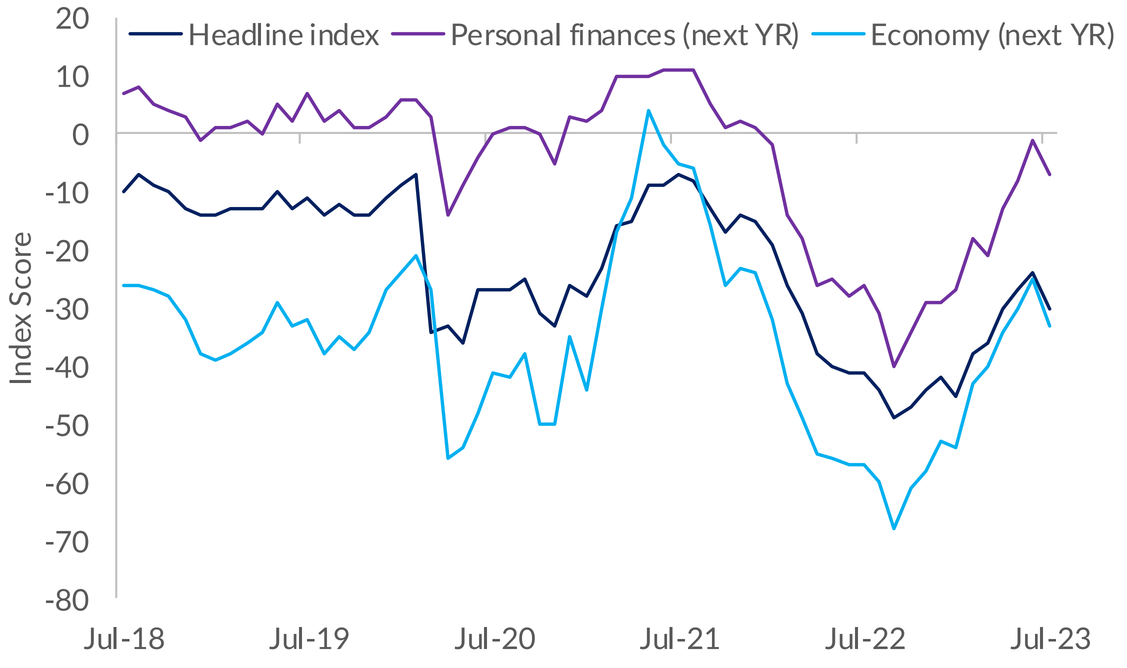
"For the first six months of 2023, UK consumer confidence improved despite the headwinds of the cost-of-living crisis, with double-digit inflation outpacing income growth and rising interest rates impacting both home-owners and renters alike. Suddenly, this resilience has collapsed, resulting in a six-point fall this month in the headline score. There are clear concerns for the coming year for our personal finances and for the wider UK economy, with these measures down six and eight points, respectively."

"The recent fall in headline inflation will do little to improve the financial mood; consumers need to see falling prices and interest rates before that happens. Reality has started to bite and, as people continue to struggle to make ends meet, consumers will pull back from spending, as is clear from the seven-point drop in this month's measure of major purchase intentions."

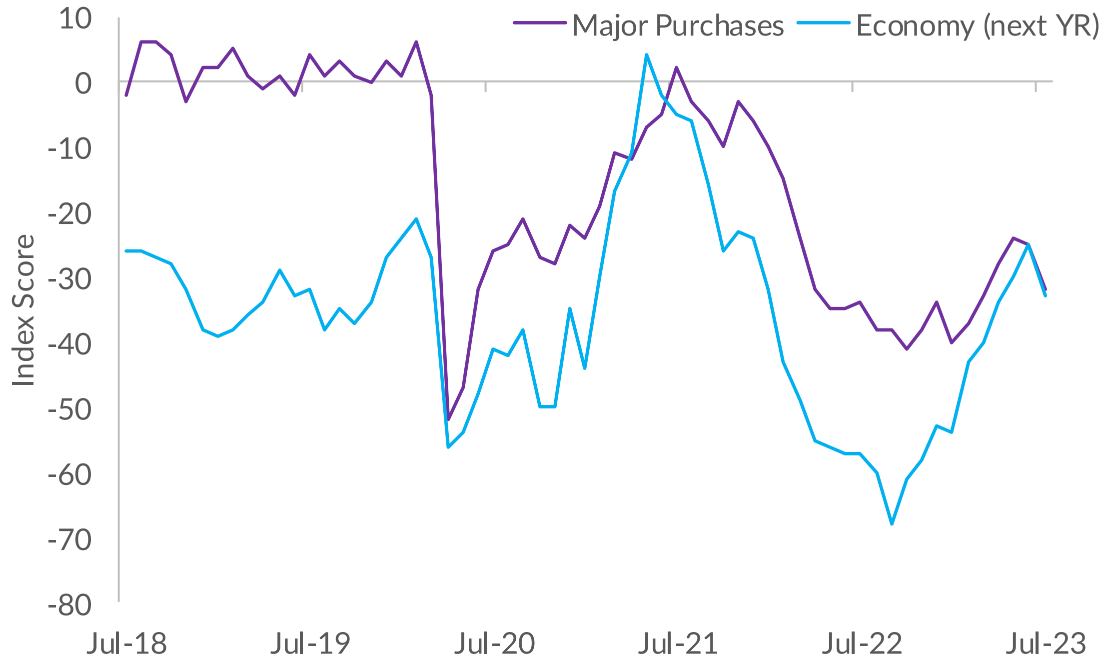
GfK NOP CONSUMER CONFIDENCE INDEX

	Headline index	Major Purchases	Personal finances (past YR)	Personal finances (next YR)	Economy (past YR)	Economy (Next YR)
Jul-22	-41	-34	-23	-26	-66	-57
Aug	-44	-38	-25	-31	-68	-60
Sep	-49	-38	-28	-40	-72	-68
Oct	-47	-41	-28	-34	-69	-61
Nov	-44	-38	-24	-29	-67	-58
Dec	-42	-34	-28	-29	-66	-53
Jan	-45	-40	-31	-27	-71	-54
Feb	-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-23	-30	-32	-20	-7	-58	-33

LONG-TERM TRENDS



Source: GFK Consumer Confidence Index



Source: GFK Consumer Confidence Index

SUMMARY JULY

Headline GFK confidence

-30

Down from -24 in June

Major Purchases confidence

-32

Down from -25 in June

Consumer confidence drops

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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)
Jun-22	9.4	11.8	11.9
Jul	10.1	12.3	12.3
Aug	9.9	12.3	12.2
Sep	10.1	12.6	12.4
Oct	11.1	14.2	13.9
Nov	10.7	14.0	13.5
Dec	10.5	13.4	12.9
Jan	10.1	13.4	12.6
Feb	10.4	13.8	12.9
Mar	10.1	13.5	12.6
Apr	8.7	11.4	10.4
May	8.7	11.3	10.3
Jun-23	7.9	10.7	9.6

Source: ONS.

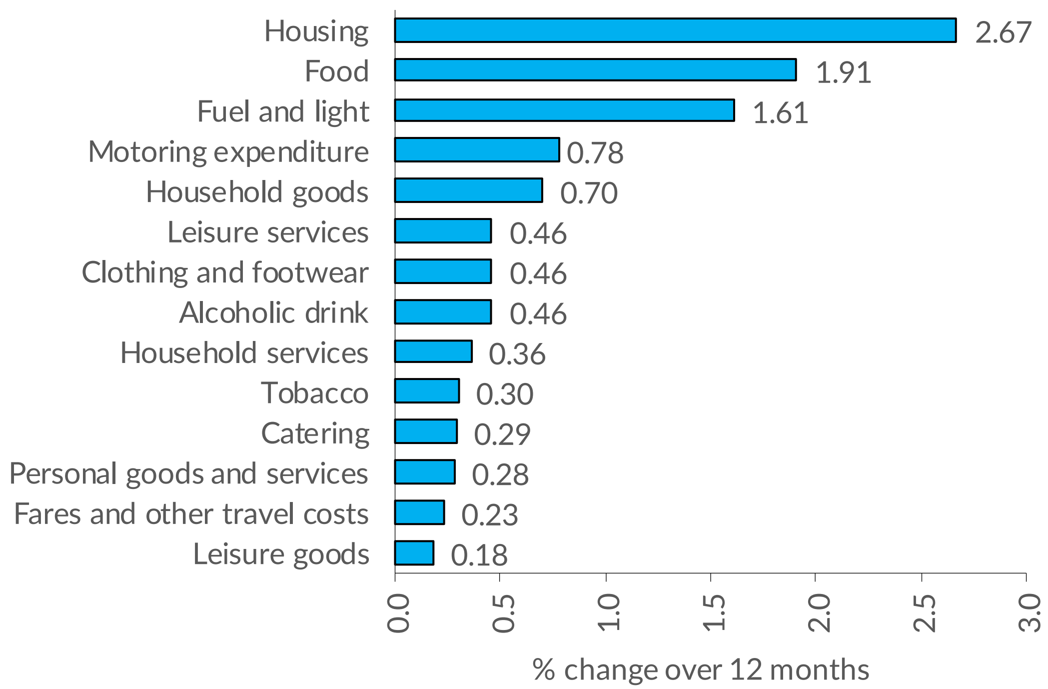
CPI: CONTRIBUTIONS TO THE ANNUAL RATE

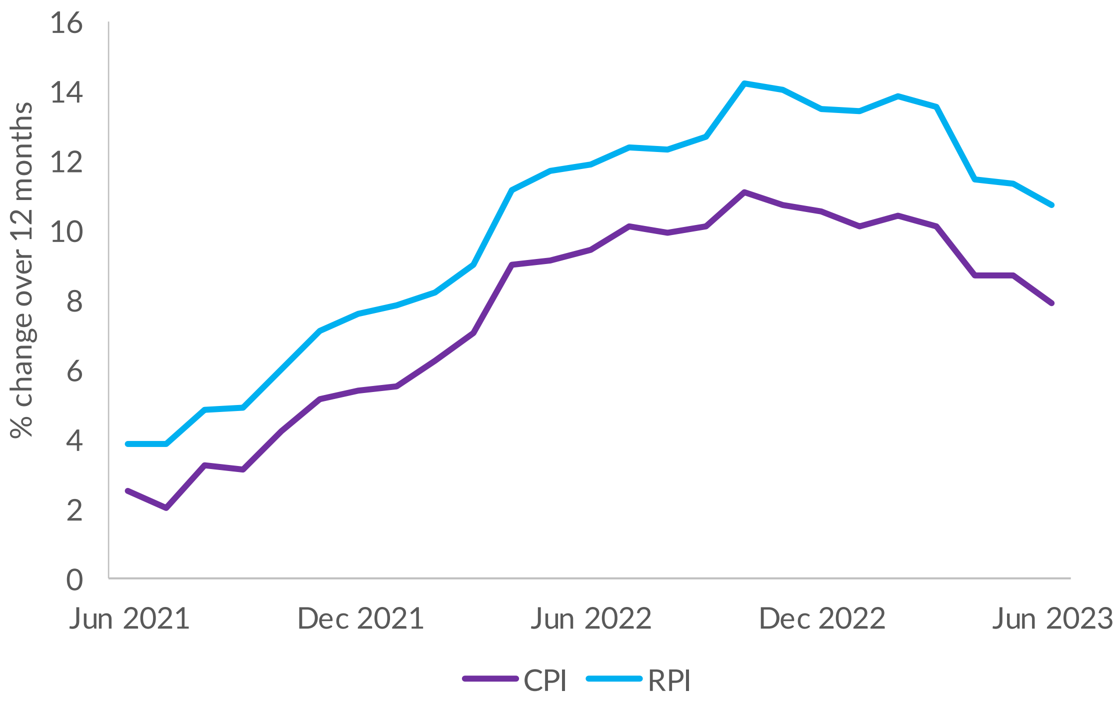
	Food & non-alcoholic beverages	Clothing & Footwear	Housing & household services	Furniture & household goods	Transport	Restaurants & hotels
Jun-22	9.8	6.2	19.6	10.3	14.9	8.5
Jul	12.6	6.7	20	10.1	14.8	8.9
Aug	13.1	7.6	20	10.1	12	8.7
Sep	14.5	8.5	20.2	10.7	10.6	9.7
Oct	16.2	8.5	26.6	10.5	8.9	9.6
Nov	16.4	7.5	26.6	10.7	7.2	10.2
Dec	16.8	6.5	26.6	9.8	6.5	11.3
Jan	16.7	6.2	26.7	9.2	3.1	10.8
Feb	18	8.1	26.6	8.7	2.9	12.1
Mar	19.1	7.2	26.1	8	0.8	11.3
Apr	19	6.8	12.3	7.5	1.5	10.2
May	18.3	7.1	12.1	7.5	1.2	10.3
Jun-23	17.3	7.2	12	6.5	-1.8	9.5

Source: ONS.

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

RPI: CONTRIBUTIONS TO THE ANNUAL RATE





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CPI
7.9%
Down from 8.7% in May.

CPI Food
17.3%
Down from 18.3% in May.

CPI eases

UK EMPLOYMENT

In the three months to May 2023:

- The latest figures suggest the unemployment rate increased slightly to 4.0%. The employment rate fell though still remains below pre-Covid levels. The inactivity rate continued to fall in the most recent reporting period and 281,000 people are no longer economically active when comparing to the pre-pandemic period.
- The UK employment rate was estimated at 76.0%, 0.2 percentage points higher when compared to the previous three-month period, and 0.6 percentage points lower than before the coronavirus pandemic (December 2019 to February 2020).
- The UK unemployment rate was estimated at 4.0%, higher over the previous three-month period, and above pre-Covid levels.
- Total hours worked rose in the most recent reporting period, to 1.06 billion hours, now slightly above pre-pandemic levels, signifying normalisation in the labour market.
- The UK economic inactivity rate was estimated at 20.8%, 0.3 percentage points lower than the previous quarter, and 0.6 percentage points higher than before the coronavirus pandemic.

LABOUR FORCE SURVEY

	Claimant Count		Unemployment	
	mills	% rate	Mills	% rate
Jun-22	1,549	3.9	1.3	3.8
Jul	1,533	3.9	1,224	3.6
Aug	1,521	3.9	1,188	3.5
Sep	1,528	3.9	1,224	3.6
Oct	1,519	3.9	1,247	3.7
Nov	1,533	3.9	1,244	3.7
Dec	1,540	3.9	1,270	3.7
Jan	1,518	3.9	1,253	3.7
Feb	1,499	3.8	1,293	3.8
Mar	1,526	3.9	1,329	3.9
Apr	1,549	3.9	1,305	3.8
May	1,527	3.9	1,370	4.0
Jun-23	1,552	4.0		

Source: ONS

EMPLOYMENT (3 MONTHS ENDING)

Employment (3 months ending) (000s)	Total	Full-time	Part-time
May-22	32,863	24,686	8,177
Jun	32,792	24,612	8,180
Jul	32,746	24,578	8,168
Aug	32,754	24,609	8,145
Sep	32,739	24,597	8,142
Oct	32,773	24,600	8,173
Nov	32,781	24,578	8,202
Dec	32,813	24,536	8,277
Jan	32,839	24,504	8,335
Feb	32,950	24,572	8,378
Mar	32,995	24,537	8,458
Apr	33,089	24,636	8,453
May-23	33,053	24,590	8,462

Source: ONS

SUMMARY MAY

Unemployment Rate

4.0%

Up from 3.8% in April.

Total Employment

76.0%

Unchanged from 76.0% in April.

Inactivity continues to decrease

EARNINGS

Between March and May 2023:

- **Regular pay** was estimated to have increased by 7.3% in nominal terms and fell by -1.2% in real terms.
- **Total pay** was estimated to have increased by 6.9% in nominal terms and fell by -0.8% in real terms.

Between January to March 2022 and January to March 2023:

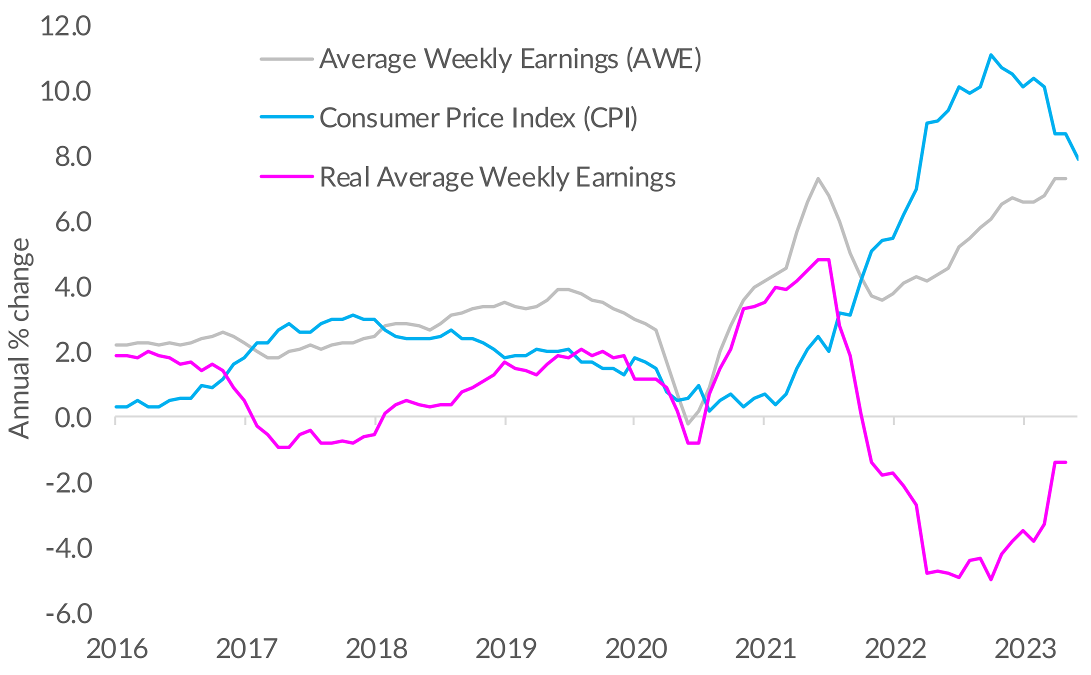
- **Average regular pay (excluding bonuses)** was estimated at £607 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£567 per week) and £474 per week in real terms (constant 2015 prices), lower than the estimate for a year earlier (£477 per week).
- **Average total pay (including bonuses)** was estimated at £651 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£606 per week) and £506 per week in real terms (constant 2015 prices), lower than the estimate for a year earlier (£508 per week).

AVERAGE WEEKLY EARNINGS GROWTH

	Average Weekly Earnings	Consumer Price Index (CPI)	Real Average Weekly Earnings
Jun-22	4.6	9.4	-4.8
Jul	5.2	10.1	-4.9
Aug	5.5	9.9	-4.4
Sep	5.8	10.1	-4.3
Oct	6.1	11.1	-5
Nov	6.5	10.7	-4.2
Dec	6.7	10.5	-3.8
Jan	6.6	10.1	-3.5
Feb	6.6	10.4	-3.8
Mar	6.8	10.1	-3.3
Apr	7.3	8.7	-1.4
May	7.3	8.7	-1.4
Jun-23		7.9	

Source: ONS.

LONG TERM EARNINGS SERIES



SUMMARY MAY

Regular pay growth

7.3%

Unchanged from 7.3% in April.

Total pay growth

6.9%

Up from 6.1% in April.

Wage growth remains strong

BRC INSIGHT

MONEY, CREDIT & INSOLVENCIES

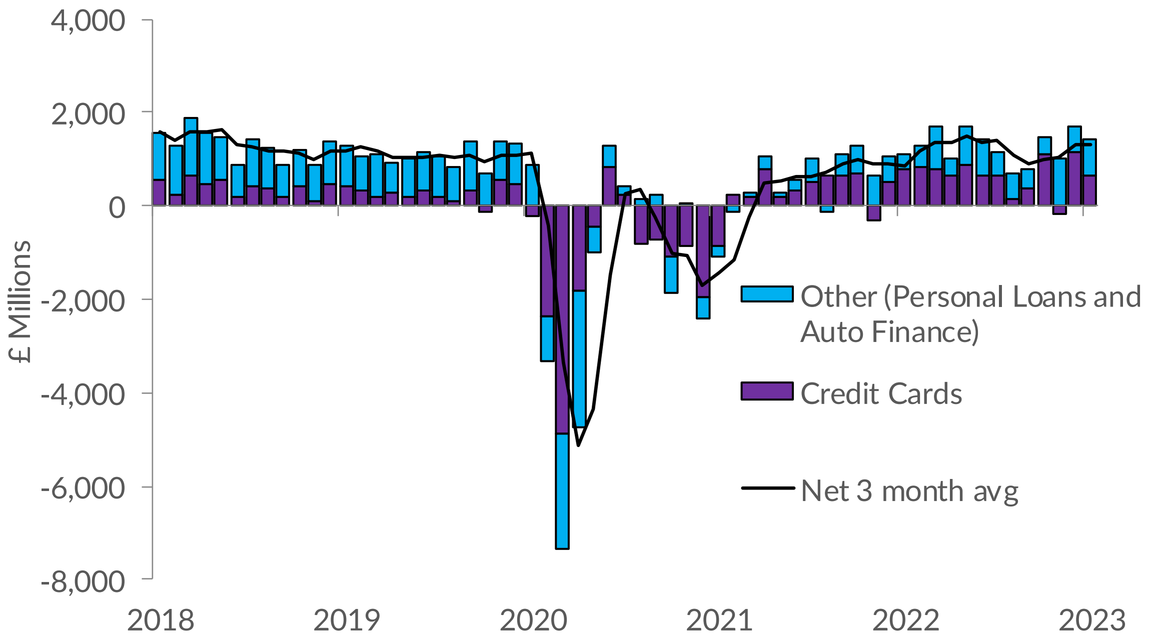
- Consumers in June borrowed an additional £1.7 billion in consumer credit, in net terms, of which borrowing was £1.0 billion in personal/auto loans and £0.6 billion of which was repayments on credit cards.
- Net borrowing of mortgage debt by individuals increased by £0.1 billion from decreasing -£0.1 billion in May. Mortgage approvals for house purchases increased to 54,700, up from 54,700.
- Sterling money (known as M4ex) decreased to -£3.7 billion in June, from -£3.4 billion in the preceding month. Households in net terms deposited an additional £3.4 billion from banks and building societies, compared with £3.1 billion of withdrawals in the preceding month.
- The effective interest rate paid on individuals' new time deposits with banks and building societies rose from 3.95% to 4.29%.
- Large businesses borrowing from banks decreased to -£4.3 billion in June, whilst small and medium sized businesses repaid £1.3 billion. Private non-financial companies (PNFCs) repaid a net £5.6 billion in market finance from capital markets, compared to £0.4 billion of net repayments in the preceding month.
- There were 593 retail insolvencies in Great Britain in Q2 2023, up from 550 in Q1 2023. In 2022, there were 1,901 insolvencies, a massive increase compared to the 960 figure in 2021.
- There were 6 retail CVAs in England and Wales during Q2 2023, up from 2 in Q1 2023. In 2022, the industry had 10 companies enter a Company Voluntary Arrangement, down since 2021 and 2020 when there were 13 and 22 CVAs respectively.

CONSUMER CREDIT

	Consumer Credit monthly changes (bn)	Credit Cards monthly changes (bn)	Other Loans and Advances monthly changes (bn)
Jun-22	1557	827	730
Jul	1392	624	767
Aug	1165	640	525
Sep	731	157	573
Oct	810	396	415
Nov	1458	1120	339
Dec	868	-149	1017
Jan	1620	1136	483
Feb	1253	685	568
Mar	1607	654	952
Apr	1589	729	859
May	1090	624	466
Jun-23	1661	614	1047

Source: Bank of England

CONSUMER CREDIT



Source: Bank of England

SUMMARY JUNE

Net consumer credit

£1.7bn

Up from £1.1 billion in May.

Net credit card lending

£0.6bn

Unchanged from £0.6 billion in May.

The effective rate on new personal loans increased to 8.4% and was unchanged on credit cards to 20.4%

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 (£)
Jun-22	1.23	1.17	8.16	165.15
Jul	1.20	1.18	8.18	163.93
Aug	1.20	1.18	8.09	162.02
Sep	1.13	1.14	7.79	162.11
Oct	1.13	1.15	8.41	166.47
Nov	1.17	1.15	8.67	166.81
Dec	1.22	1.15	8.39	164.51
Jan	1.22	1.14	8.37	159.45
Feb	1.21	1.13	8.40	160.84
Mar	1.21	1.13	8.49	162.15
Apr	1.25	1.13	8.71	166.23
May	1.25	1.15	8.70	171.03
Jun-23	1.26	1.17	9.14	178.57

Source: Average monthly exchange rate, Bank of England

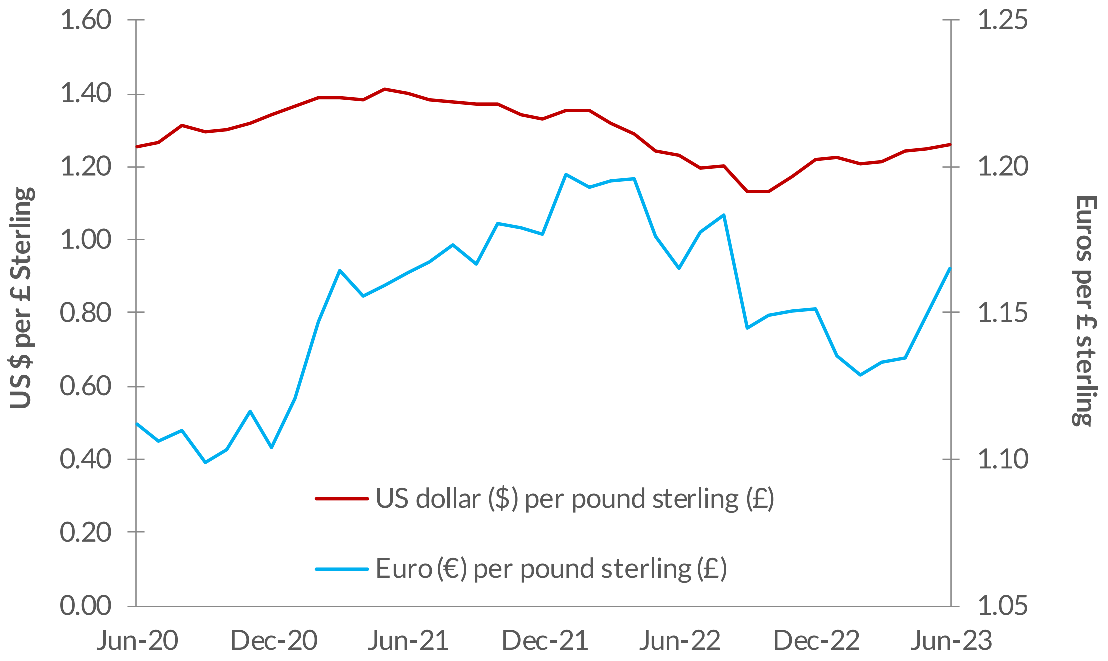
IMPACTS FROM CURRENCY DEPRECIATION

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.

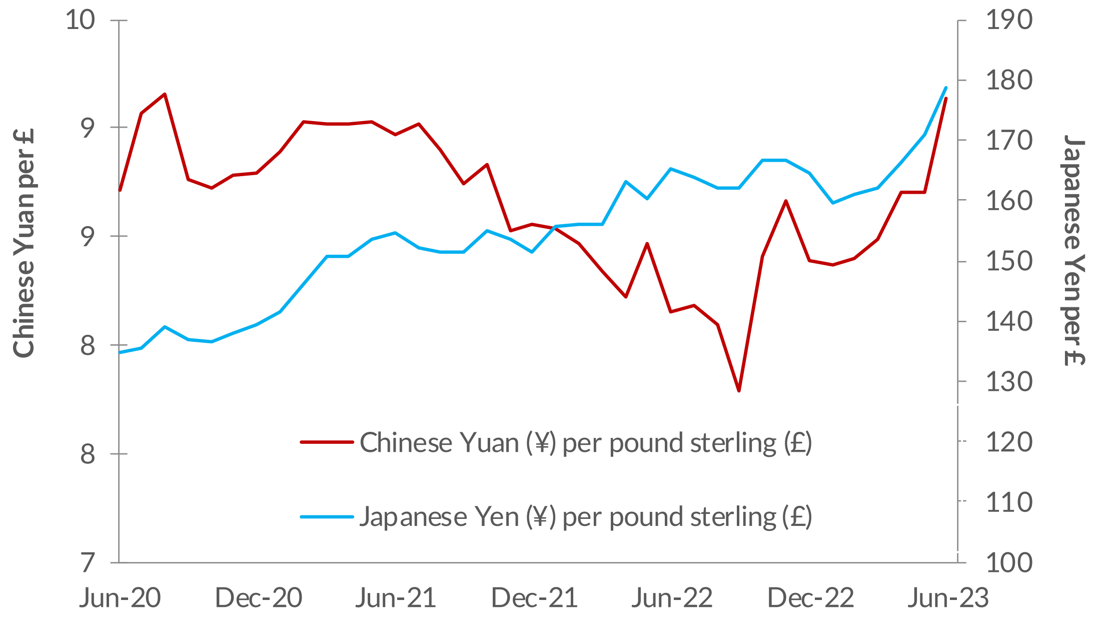
However, this failed to materialise following the post-referendum depreciation from 2016, most likely due to specialised supply chains.

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 JUNE

USD TO GBP, YOY

2.7%

Sterling appreciation in relation to the USD , YoY.

EURO TO GBP, YOY

0.0%

Sterling appreciation in relation to the Euro, YoY.

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

INSIGHT

BRC INSIGHT

LONG-TERM FORECASTS FOR THE UK ECONOMY

LONG-TERM ECONOMIC FORECASTS, CITY, OBR AND INDEPENDENT AVERAGE

	2023		2024		2025	
	City	OBR	City	OBR	Indep.	OBR
GDP	0.2	-0.2	0.6	1.8	1.1	2.5
Cons. Spending	0.3	-0.8	0.5	1.5	*N/A*	1.8
CPI (Q4)	5.1	6.1	2.6	0.9	3.0	0.1
Avg Earnings	4.9	5.0	3.3	1.8	3.1	1.7
Bank Rate (Q4)	5.7	5.0	4.8	4.6	3.9	4.6

Source: City, OBR and Independent average forecasts: Long-term economic forecasts by city forecasters (median) & independent average from 2025, OBR.

SUMMARY FORECASTS

GDP 2023

0.2%

Unchanged from the previous projection of 0.2%

Avg. Earnings 2023

4.9%

Revised down from the previous projection of 5.0%.

The consensus City forecast for 2023 growth in July was 0.2%

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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