



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.

January 2024

## Demand holds up at the end of 2023

Consumer sentiment improved once more, last month, and perceptions about economic conditions in the year ahead are becoming less pessimistic. This improvement was also reflected in services activity having rebounded in the last two months of 2023, with firms reporting better-than-expected consumer spending on leisure and hospitality services.

Elevated prices did not deter consumers from spending over the festive period, and recent Bank of England data suggest credit card borrowing helped buoy spending. With real wage growth expected to remain positive over H1 2024, this offers an upside to spending over the coming months. The physical quantity of retail goods bought is likely to remain subdued, however.

Whilst inflation has eased, upside risks remain, with supply-chain resilience being questioned by recent disruption in the Red Sea. Freight rates for containers travelling from the Far East to Western Europe have more than doubled in the space of a week, further highlighting the challenges associated with inflation returning to the 2% target. Immediate interest rate cuts hence are unlikely unless there is a substantial easing in headline CPI and or a dramatic deterioration in economic conditions.

### GDP GROWTH

# -0.1%

% change - QoQ, Q3 2023

Down from 0.0% in Q2 2023

### CPI INFLATION

# 3.9%

% change - YOY November 2023

Down from 4.6% in October

### UNEMPLOYMENT

# 4.3%

July 2023

Up from 4.2% in June

### WAGE GROWTH

# 7.3%

% change - YOY October 2023

Down from 7.8% in September

### BRC - KPMG RETAIL SALES

# 2.7%

% change - YOY, November 2023

Up from 2.5% in October

### CONSUMER CONFIDENCE

# -22

December 2023

Up from -24 in November

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GDP FALLS IN OCTOBER

Indicators of Economic Output

*GDP fell in October by 0.3%, following growth of 0.2% in September. Services activity fell and the largest downward contributors were information and communication activities as well as professional scientific, and technical activities. Consumer-facing services also fell marginally, though the biggest upward contributor was wholesale and retail trade, in contrast, other personal service activities provided the largest negative contribution.*

Looking at the most recent quarterly figures, the economy contracted marginally by 0.1% over the third quarter of 2023. Relative to the pre-pandemic benchmark of Q4 2019, economic output is 1.4% above this level. Services output fell marginally, but there was mixed performance, though the biggest decrease came from information and communication. Improving activity levels in education and public administration/defence activities offset this decrease. Production output displayed marginal growth, and within this manufacturing activity expanded, driven by the manufacture of transport equipment. Construction output rose by 0.4% as private residential repair and maintenance works (e.g. retrofits and extensions) drove activity. Looking at the expenditure side, investment provided a negative contribution to headline GDP, and household expenditure fell 0.5% in real terms. Business investment fell 3.2% on the quarter and is currently 3.7% above its pre-Covid level.

The latest S&P Global UK Composite PMI showed activity in December remained in positive territory, with the overall index increasing to 52.1, above the no-change 50-mark. Services led the resurgence, helped by improving demand. Manufacturing, in contrast, continued to see a reduction in production volumes. Looking at input costs, whilst some cost pressures had been softening, salary bills are heightening, leading to an increase in output charges for consumers.

Prices and Monetary Policy

Inflation fell in November and the Consumer Price Index eased to 3.9%. Of the headline rate, 1.1% emanates from food, 1.0% from restaurants and hotels and 0.7% from recreation and culture. Housing and energy costs are now pushing down on inflation, shaving off 0.5% from the headline figure. Fuel prices fell for both petrol and diesel, with these figures registered when petrol was £1.51 per litre and diesel £1.59. Inflation, over Q4 2023, is likely now to be slightly below the Bank of England's forecast of 4.6%.

Gas and food prices have steadily come down and shipping rates have fallen to levels now below pre-pandemic levels. Global oil prices had recently peaked at \$96 but have more recently fallen to \$78 (December average). Domestically, the headline Producer Price Inflation (PPI) measure for business input and output costs had remained in deflation over November. Input costs for durable items have led this decline, however, sustained inflation in perishables as well as clothing and footwear is pushing up on the headline rate.

The Bank of England (BoE), in December 2023, opted to keep rates unchanged for a third consecutive meeting, following fourteen consecutive hikes, at 5.25%, remaining the highest level since 2008. Along with the Office for Budget Responsibility (OBR), the BoE suggests no technical recession in 2024 and the outlook will remain broadly flat with growth now 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 are expected to be held at their current level until inflation eases to 2%, currently expected by the BoE in the middle of 2025. Households will increasingly feel the effects of higher mortgage repayments as more fixed terms come to an end. An estimated 3.2 million mortgages will see an end to their fixed rate by the end of this year, and 3.5 million by the end of 2026.

PROJECTIONS FOR 2024 UK GDP GROWTH

Bank of England (November Forecast)

0.0%

IMF (October Forecast)

0.6%

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**ECONOMIC INACTIVITY FALLS**

**Faster Indicators: BRC-KPMG Retail Sales**

In November, retail sales were once again lacklustre, rising only to 2.7% on a Total basis, up from 2.5% a month earlier. This was the third consecutive month at broadly the same level of growth, with the three-month average at 2.6%.

Food sales continue to provide the lion’s share of growth every month, with the three-month average only falling to 7.6% as inflation continues to ease considerably. The BRC-NielsenIQ Shop Price Index saw Food price inflation slow to 7.8% in November.

Non-Food remained in decline for the third month in a row in November, which is particularly worrying for retailers selling traditional festive gifting options, with only one category on that side of consumer spending seeing any growth for the month.

**Labour Market**

The UK’s labour market has begun to cool, though whether unemployment is above or below 4% remains dependent on the ONS estimate chosen. Job vacancy figures are more reliable and have come 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, 411,000 people are no longer economically active (when compared to before the pandemic).

Job vacancies fell to 949,000 in the three months to November, having peaked and now coming down swiftly. This represents 123,000 more vacancies than before the pandemic. Vacancies are above pre-crisis levels in 13 of 18 sectors, most notably accommodation and food as well as healthcare jobs. In absolute terms, the wholesale & retail sector accounts for the third largest number of vacancies, at 103,000, which is 18,000 below pre-pandemic levels.

**Outlook**

The outlook for demand has improved since the end of last year, and real income growth above inflation is set to offer consumers some reprieve from the significant dent to living-standards experienced since the end of 2022. The labour market picture remains uncertain, not just because of ONS data estimation issues but because of the UK’s still relatively tight labour market. However, signs of cooling are clear, with job vacancies now below a million and wage growth easing below 6%. Moreover, this lower demand for labour is expected to translate into heightening unemployment between now and 2025. Whilst inflation has showed encouraging signs of easing, upside risks abound, particularly with the recent near doubling in shipping container routes from East Asia to Western Europe. The Bank of England is hence likely to adopt a cautious stance, emphasising no rush in cutting interest rates, at least until the 2% inflation target is met.

% year-on-year (unless otherwise specified)	2022	2023 (f)	2024 (f)	2025(f)	2026(f)
Real GDP	4.2	0.5	0.0	0.3	0.8
Inflation	10.8	4.8	3.2	2.0	1.5
Unemployment (rate)	3.8	4.2	4.8	5.0	5.0
Interest (Bank Rate)	2.8	5.3	5.1	4.5	4.5
Real post-tax labour income	-2.8	0.8	1.1	0.5	0.2

Source: Bank of England, Monetary Policy Report November 2023

*Nb: Headline labour market statistics (unemployment and inactivity rates) are currently experimental. Hence the September publication is being used until the ONS resolves data estimation issues.*

**PROJECTIONS FOR 2024 UK GDP GROWTH**

Bank of England  
(November Forecast)  
**0.0%**

IMF (October Forecast)  
**0.6%**



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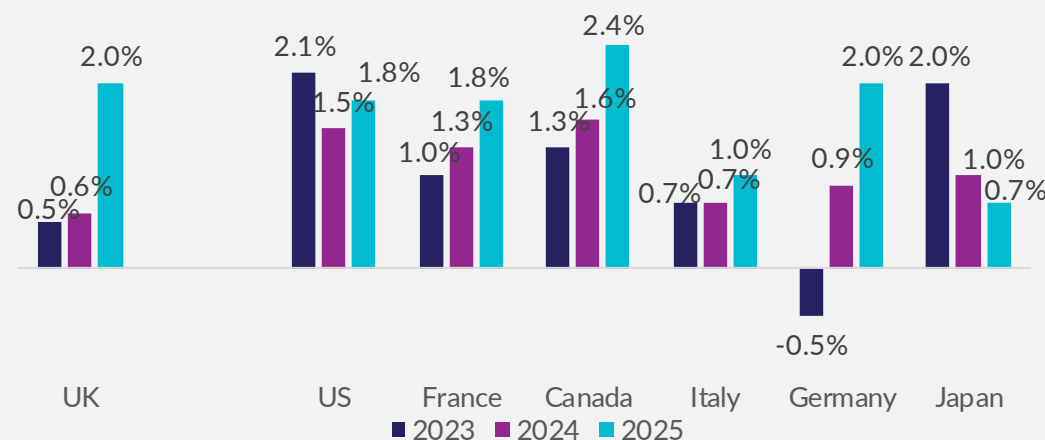


GLOBAL DEMAND UNDER PRESSURE

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, 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 4.9% on an annualised basis in Q3 2023, a fifth consecutive period of growth. The increase was led by improvements in consumer spending, private inventory investment and exports. The US' growth has picked up despite heightening interest rates though are yet to have their full impact and are expected to weigh on growth over the coming quarters.

GDP GROWTH, OCTOBER FORECASTS



Source: IMF, The World Economic Outlook.

The Eurozone economy was flat in Q3 2023 (on an annual basis), slowing down from 0.6% in Q2 2023, marking an end to eight consecutive periods of expansion. Germany's economy contracted by -0.4% (lower than 0.1% in Q2 2023). In contrast, France's GDP expanded by 0.6% (down from 1.2% in Q2 2023), Italy's by 0.1% (down from 0.3% in Q2 2023) and Spain's by 1.8% (down from 2.0% in Q2 2023).

The December S&P Global Eurozone Composite PMI shows business activity remained in contractionary territory. Orders have fallen over the past few months and continued to do so in the most recent period. Manufacturing output was unchanged, and factory output fell for a ninth consecutive month and orders also continued to decline. Price pressures are easing, particularly in input costs, but heightening wage bills are countering this trend for businesses, implying more persistent services inflation.

US inflation eased to 3.1% in November 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 2.4% in the 12 months to November, down on October's figure of 2.9%. Energy prices were 11.5% lower on the year, food, alcohol and tobacco prices 6.9% higher and the cost of non-energy industrial goods increased 2.9%.

2024 PROJECTED GROWTH - IMF (OCTOBER)

UK

0.6%

US

1.5%

FRANCE

1.3%

GERMANY

1.6%

JAPAN

1.0%

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SALES VOLUMES INCREASE IN NOVEMBER

UK retail sales increased in November 2023, by 1.3%, following (upwardly revised) flat growth in October. In broader terms, sales volumes fell by 0.8% in the three months leading up to November 2023 when compared to the preceding three months.

Food store sales rose by 0.8%, on the month, following 0.1% growth in October. Growth in volumes is resuming as food inflation eases. Nonetheless, food stores' sales volumes remained 2.8% below their pre-pandemic February 2020 levels, as consumers continued to grapple with rising living costs and food prices.

Non-food stores rose by 2.3% on the month, with sales volumes having increased by 0.2% in the preceding month. A decent increase in household goods stores (mainly furniture & lighting stores) as well as online stores was reported, with retailers suggesting deeper and wider Black Friday discounts drove spend. Automotive fuel sales volumes rose by 0.6% in November 2023, attributed to falling fuel prices.

The proportion of retail sales conducted online increased slightly to 26.6% from 26.5% in October. Online sales continued to outperform pre-pandemic levels, which stood at 19.7% in February 2020.

DATA & CHARTS

FIG 1 – Retail Sales Volumes vs Retail Sale Value

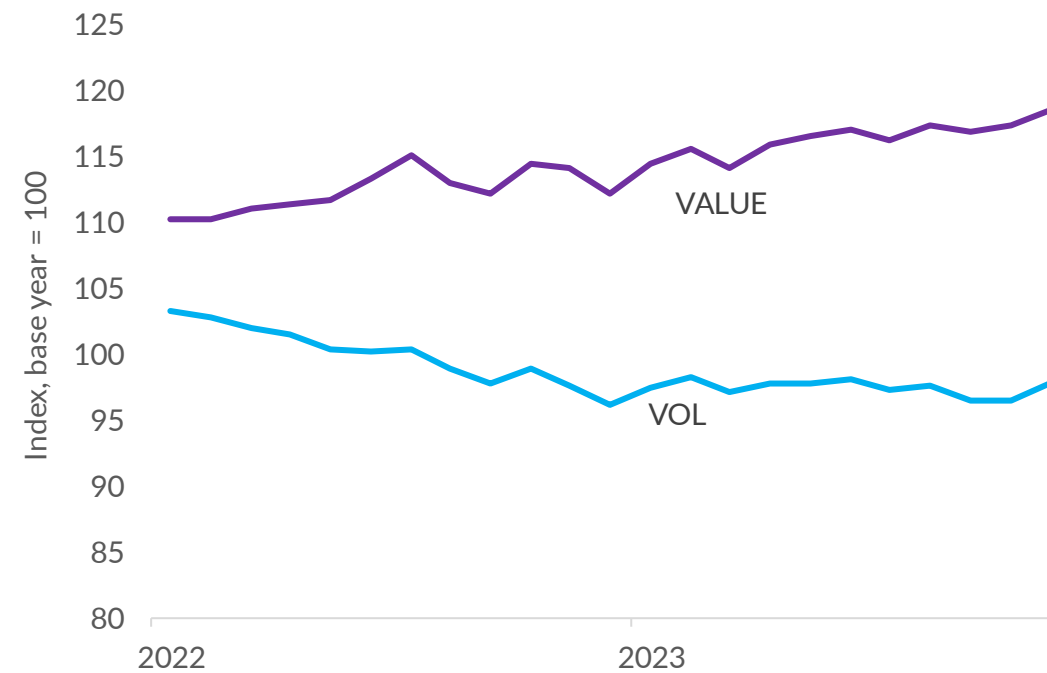
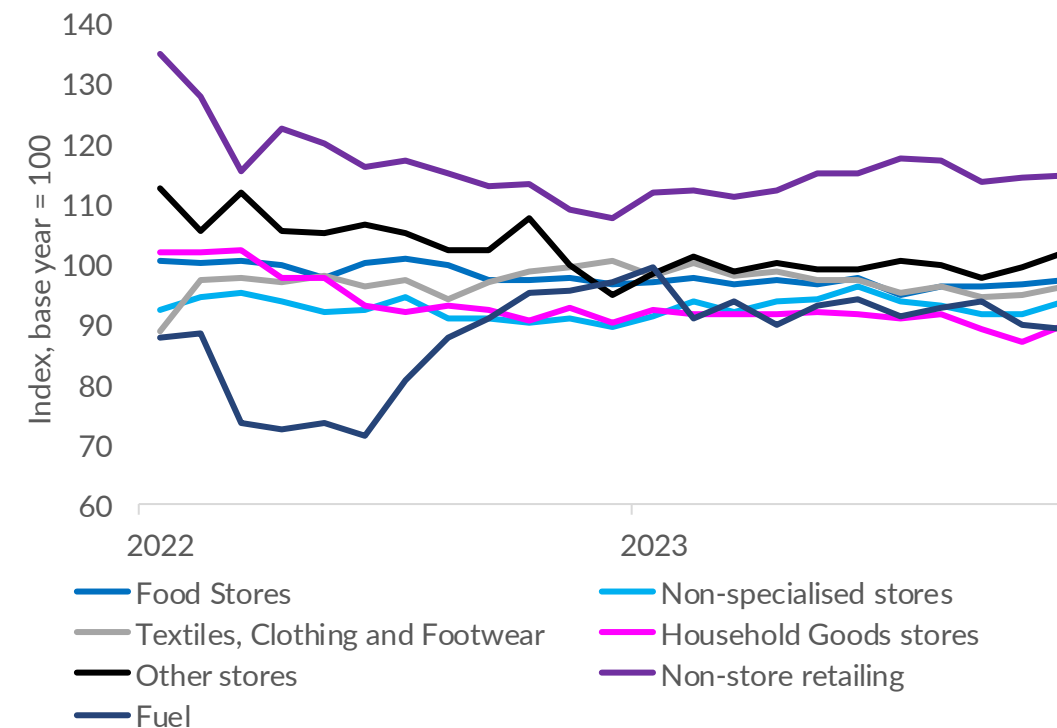


FIG 2 – ONS Retail Sales Category Volumes



SUMMARY NOVEMBER

Retail Sales

1.3%



Up from 0.0% in October.

Online Sales

1.5%



Up from -1.2% in October.

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
Sep-23	5.5	2.7
Oct-23	4.0	2.5
Nov-23	5.6	2.7

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
Nov-22	2.5	7.9	4.1	8.9	1.2	-3.3	-7.9
Dec	4.4	8.1	10.9	18.5	-1.5	-0.7	-11.6
Jan	2.9	8.6	5.8	18.5	-1.5	-7.3	-10.5
Feb	5.7	11.1	7.2	12.2	-2.7	1.5	-4.9
Mar	4.9	11.1	4.0	8.7	-3.7	-7.3	2.6
Apr	5.7	10.2	7.5	8.9	-0.2	0.4	-1.8
May	7.4	13.0	10.4	6.8	-0.1	0.5	1.8
Jun	6.8	10.2	11.6	8.3	3.2	-2.4	4.0
Jul	4.5	5.7	5.1	4.2	2.9	0.5	5.7
Aug	6.5	7.3	8.0	9.5	2.8	2.3	7.5
Sep	5.5	9.3	5.5	3.6	-1.1	-0.3	4.9
Oct	4.0	8.1	5.5	1.9	-2.9	-3.5	5.1
Nov-23	5.6	7.3	6.0	1.9	-1.6	5.4	8.3

Source: ONS RSI

LARGE & SMALL RETAILERS

% change on year ago	ONS Large Retailers	ONS Small Retailers
Sep-23	4.0	10.6
Oct-23	2.2	10.2
Nov-23	3.0	14.8

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
Nov-22	-1.1	0.5	0.5	0.8	2.4	-7.3	-3.8
Dec	-1.7	-1.3	-1.3	0.9	-2.6	-5.1	-1.3
Jan	1.4	0.6	1.9	-2.6	2.4	3.9	4.1
Feb	1.2	0.5	2.8	2.5	-0.8	2.8	0.4
Mar	-1.3	-0.8	-1.9	-2.3	0.0	-2.5	-0.9
Apr	0.8	0.5	1.7	0.8	0.1	1.3	0.9
May	-0.1	-0.5	0.8	-1.5	0.2	-0.8	2.4
Jun	0.5	0.9	2.0	-0.2	-0.5	-0.1	0.2
Jul	-1.2	-2.6	-2.7	-2.2	-0.7	1.4	1.9
Aug	0.6	1.4	-0.7	1.2	1.1	-0.7	-0.3
Sep	-1.3	0.0	-1.6	-2.0	-2.8	-1.9	-2.8
Oct	0.2	0.1	0.0	0.5	-2.6	1.5	0.5
Nov-23	1.3	0.8	2.3	1.3	3.5	2.6	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
Nov-22	£9.7bn	£2.9bn	-6.5	29.9
Dec	£10.5bn	£2.8bn	-7.4	27.1
Jan	£7.8bn	£2.1bn	-6.8	27.3
Feb	£8.1bn	£2.1bn	-2.2	25.8
Mar	£8.3bn	£2.2bn	4.1	26.1
Apr	£8.7bn	£2.2bn	2.7	25.8
May	£8.9bn	£2.3bn	7.1	25.7
Jun	£8.8bn	£2.2bn	7.4	25.3
Jul	£8.8bn	£2.3bn	10.1	26.2
Aug	£8.6bn	£2.2bn	10.2	25.2
Sep	£8.4bn	£2.2bn	7.1	25.6
Oct	£9.0bn	£2.4bn	5.5	26.3
Nov-23	£10.2bn	£3.1bn	8.3	30.7

Source: ONS RSI

SUMMARY NOVEMBER

ONS Sales

5.6%



Up from 4.0% in October.

Large retailers

3.0%



Down from 2.2% in October.

Strong increase in household goods store sales

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## CBI COMMENTARY

The retail sector had more negative sales growth, last month. Sales volumes were below “average” for the time of year, in November. Online sales continued to contract and are expected to contract again next month, at a similar pace.

Year-on-year sales declines in volumes are expected to intensify next month. Stock positions were considered “too high” relative to expected sales. Retailers anticipate that orders will contract this month, though at a marginally faster pace than during the previous month.

Wholesalers saw volumes contract in the year to December, contracting for the seventh month in a row. Sales volumes are expected to decline next month as well, at a slower pace. Distribution reported sales volumes declined when compared to last month, but at a milder pace. Sales are expected to fall at a similar rate over this month.

## VOLUME OF SALES – REALISED AND EXPECTED

	Balance	Expected (next month)
Jan-23	-23	-17
Feb	+2	-15
Mar	+1	-18
Apr	+5	+9
May	-10	-7
Jun	-9	0
Jul	-25	0
Aug	-44	-32
Sep	-14	-21
Oct	-36	-8
Nov	-11	-13
Dec	-32	-6
Jan-24		-41

Source: CBI Distributive Trades Survey

## SUMMARY DECEMBER

CBI Balance

**-32**



Down from -11 in November.

CBI Expected (January)

**-41**



Down from -6 in December.

Sales outlook for this month deteriorates



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## GfK CONSUMER CONFIDENCE

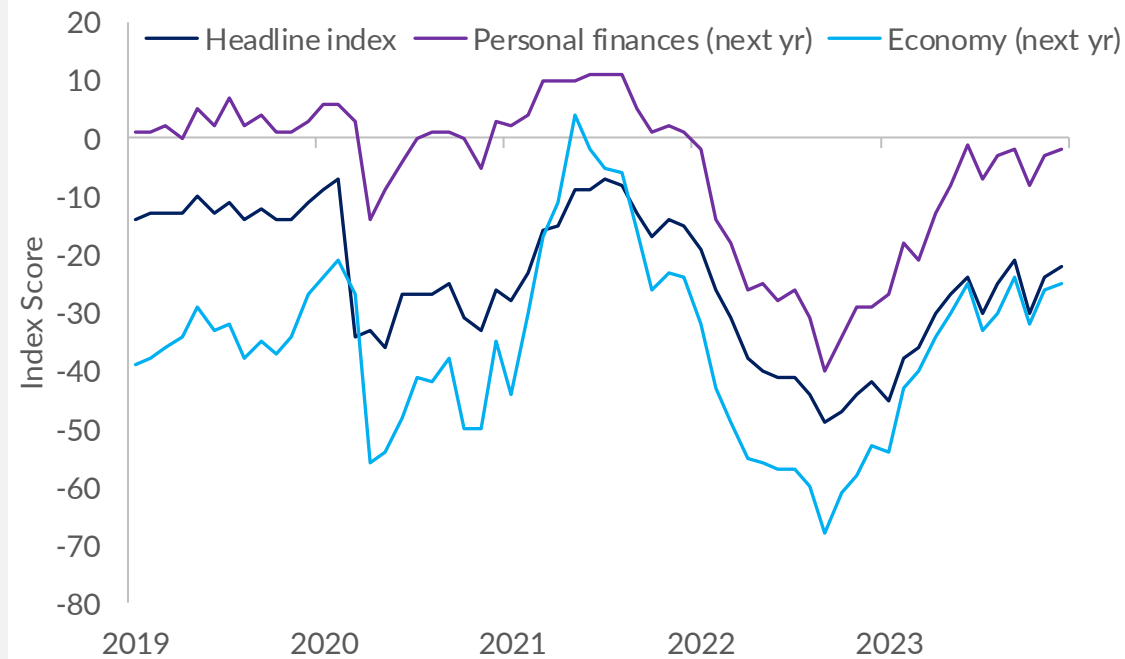
“Against the backdrop of flatlining economic growth, interest rates at a 15-year high, and price rises potentially eroding disposable income for years to come, the Consumer Confidence Index shows a modest improvement this month with gains across all key measures. Although the headline figure of -22 means the nation’s confidence is still firmly in negative territory, optimism for our personal finances for the next 12 months shows a notable recovery from the depressed -29 reported this time last year.

Recovery in this number is important as it best reflects household financial optimism and control over personal budgets. Despite the severe cost-of-living crisis still impacting most households, this slow but persistent movement towards positive territory for the personal finance measure looking ahead is an encouraging sign for the year to come.”

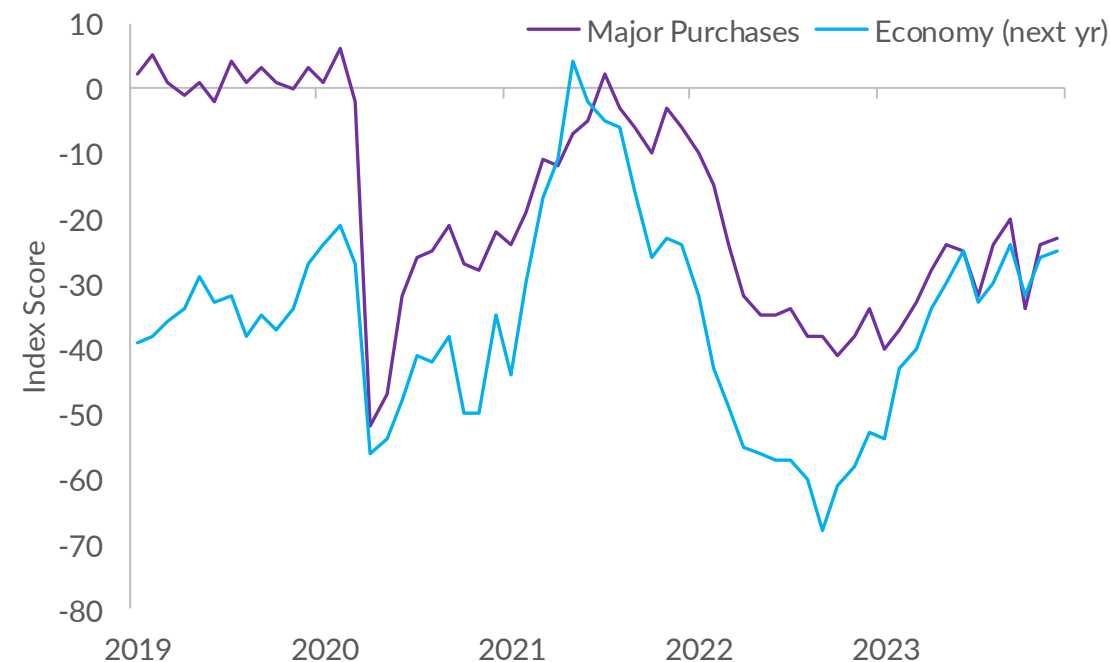
## GfK NOP CONSUMER CONFIDENCE INDEX

	Headline index	Major Purchases	Personal finances (past YR)	Personal finances (next YR)	Economy (past YR)	Economy (Next YR)
Dec-22	-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	-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-23	-22	-23	-14	-2	-44	-25

## LONG-TERM TRENDS



Source: GfK Consumer Confidence Index



Source: GfK Consumer Confidence Index

## SUMMARY DECEMBER

Headline GfK confidence

**-22**



Up from -24 in November

Major Purchases confidence

**-23**



Up from -24 in November

Consumer confidence increases in December

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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)
Nov-22	10.7	14.0	13.5
Dec	10.5	13.4	12.9
Jan	10.1	13.4	12.6
Feb	10.4	13.8	12.9
Mar	10.1	13.5	12.6
Apr	8.7	11.4	10.4
May	8.7	11.3	10.3
Jun	7.9	10.7	9.6
Jul	6.8	9.0	7.9
Aug	6.7	9.1	7.8
Sep	6.7	8.9	7.6
Oct	4.6	6.1	4.8
Nov-23	3.9	5.3	4.1

Source: ONS.

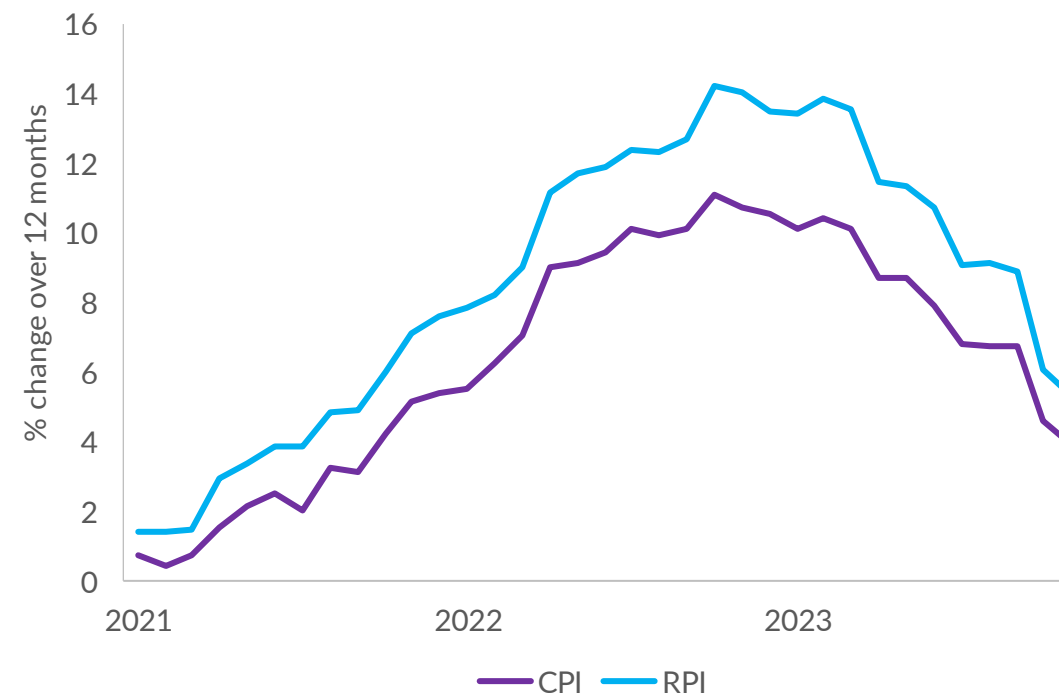
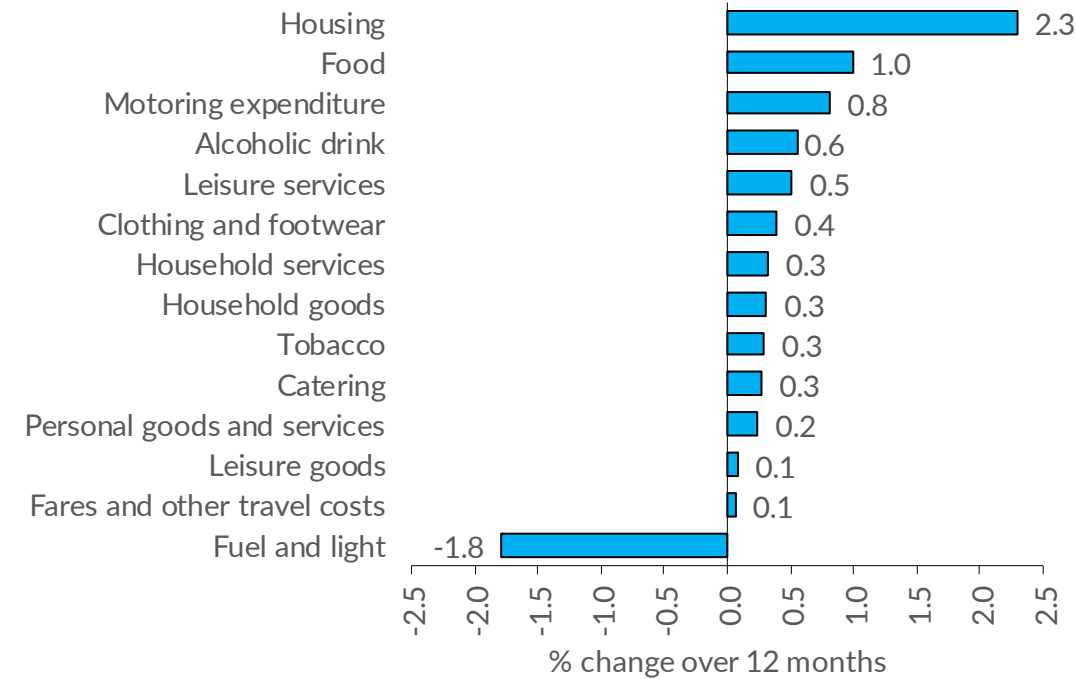
CPI: CONTRIBUTIONS TO THE ANNUAL RATE

	Food & non-alcoholic beverages	Clothing & Footwear	Housing & household services	Furniture & household goods	Transport	Restaurants & hotels
Nov-22	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	18.0	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-23	9.2	5.7	-3.4	2.3	-1.5	7.5

Source: ONS.

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

RPI: CONTRIBUTIONS TO THE ANNUAL RATE



SUMMARY NOVEMBER

CPI

3.9%

Down from 4.6% in October.



CPI Food

9.2%

Down from 10.1% in October.



CPI firmly edges down

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UK EMPLOYMENT

In the three months to July 2023:

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

NB: These figures will be updated when the Office for National Statistics resolves methodological concerns surrounding the UK's labour market figures (release expected in early 2024, see more information [here](#)).

LABOUR FORCE SURVEY

	Claimant Count		Unemployment	
	mills	% rate	Mills	% rate
Nov-22	1,533	3.9	1,244	3.7
Dec	1,540	3.9	1,270	3.7
Jan	1,518	3.9	1,253	3.7
Feb	1,499	3.8	1,293	3.8
Mar	1,526	3.9	1,329	3.9
Apr	1,549	3.9	1,305	3.8
May	1,527	3.9	1,370	4.0
Jun	1,543	3.9	1,439	4.2
Jul	1,550	4.0	1,464	4.3
Aug	1,541	3.9	NA	NA
Sep	1,550	4.0	NA	NA
Oct	1,559	4.0	NA	NA
Nov-23	1,575	4.0	NA	NA

Source: ONS

EMPLOYMENT (3 MONTHS ENDING)

Employment (3 months ending) (000s)	Total	Full-time	Part-time
Oct-22	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	33,053	24,590	8,462
Jun	32,929	24,396	8,533
Jul	32,882	24,420	8,462
Aug	NA	NA	NA
Sep	NA	NA	NA
Oct-23	NA	NA	NA

Source: ONS

SUMMARY JULY

Unemployment Rate

4.3%



Up from 4.2% in June.

Total Employment

75.5%



Down from 75.7% in June.

Inactivity picks up slightly



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EARNINGS

Between August and October 2023:

- **Regular pay** was estimated to have increased by 7.3% in nominal terms and increased by 1.3% in real terms.
- **Total pay** was estimated to have increased by 7.2% in nominal terms and increased by 1.4% in real terms.

Between August and October 2022 and August and October 2023:

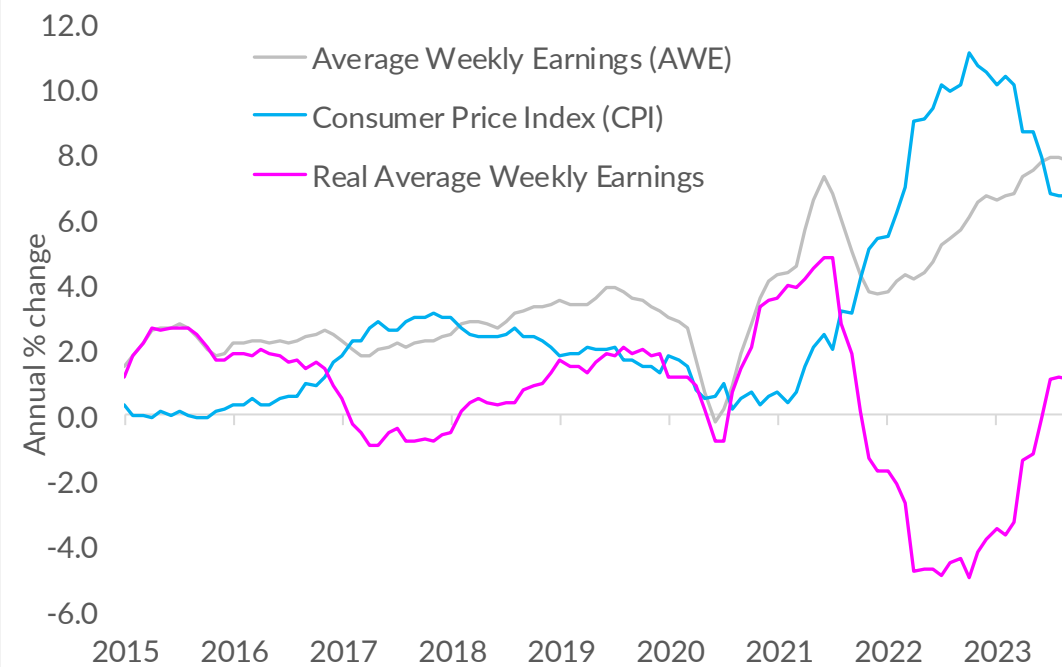
- **Average regular pay (excluding bonuses)** was estimated at £620 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£583 per week) and £478 per week in real terms (constant 2015 prices), higher than the estimate for a year earlier (£471 per week).
- **Average total pay (including bonuses)** was estimated at £663 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£626 per week) and £512 per week in real terms (constant 2015 prices), higher than the estimate for a year earlier (£506 per week).

AVERAGE WEEKLY EARNINGS GROWTH

	Average Weekly Earnings	Consumer Price Index (CPI)	Real Average Weekly Earnings
Nov-22	6.5	10.7	-4.2
Dec	6.7	10.5	-3.8
Jan	6.6	10.1	-3.5
Feb	6.7	10.4	-3.7
Mar	6.8	10.1	-3.3
Apr	7.3	8.7	-1.4
May	7.5	8.7	-1.2
Jun	7.8	7.9	-0.1
Jul	7.9	6.8	1.1
Aug	7.9	6.7	1.2
Sep	7.8	6.7	1.1
Oct	7.3	4.6	2.7
Nov-23		3.9	

Source: ONS.

LONG TERM EARNINGS SERIES



SUMMARY OCTOBER

Regular pay growth

7.3%



Down from 7.8% in September.

Total pay growth

7.2%



Down from 8.0% in September.

Wage growth remains elevated



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MONEY, CREDIT & INSOLVENCIES

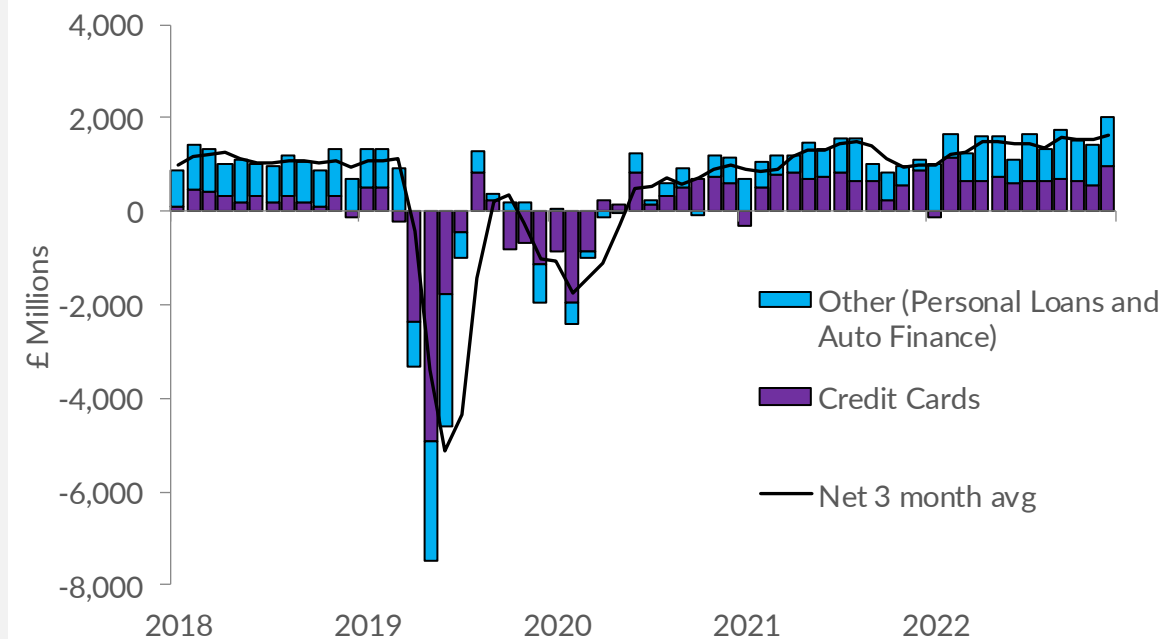
- Consumers in November borrowed an additional £2.0 billion in consumer credit, in net terms, of which borrowing was £1.0 billion in personal/auto loans and £1.0 billion of which was repayments on credit cards.
- Individuals borrowed net-zero in mortgage debt, compared to net repayments of £0.1 billion in October. Mortgage approvals for house purchases increased to 50,100, up from 47,900.
- Sterling money (known as M4ex) net flows were -£3.2 billion in November, down from £13.4 billion in the preceding month. Households in net terms deposited £3.4 billion from banks and building societies, compared with £4.6 billion of deposits in the preceding month.
- The effective interest rate paid on households' new time deposits with banks and building societies fell to 5.07, down from 5.27%.
- Private non-financial companies (PNFCs) in total repaid a net £1.6 billion in market finance from capital markets, compared to £1.8 billion of net repayments in the preceding month.
- There were 546 retail insolvencies in Great Britain in Q3 2023, down from 597 in Q2 2023. In 2022, there were 1,901 insolvencies, a massive increase compared to the 960 figure in 2021.
- There were 2 retail CVAs in England and Wales during Q3 2023, down from 6 in Q2 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)
Nov-22	890	230	965.7
Dec	-136	1025	992
Jan	1152	502	1221
Feb	659	578	1260
Mar	648	939	1493
Apr	718	881	1474
May	594	496	1425
Jun	623	1014	1442
Jul	637	693	1352.3
Aug	694	1035	1565.3
Sep	661	829	1516.3
Oct	541	870	1543.3
Nov-23	971	1033	1635

Source: Bank of England

CONSUMER CREDIT



Source: Bank of England

SUMMARY NOVEMBER

Net consumer credit  
**£2.0bn**



Up from £1.4 billion in October.

Net credit card lending  
**£1.0bn**



Up from £0.5 billion in October.

The effective rate on new personal loans increased to 9.1% and decreased on credit cards to 20.9%

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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 (£)
Dec-22	1.22	1.15	8.60	164.51
Jan	1.22	1.14	8.29	159.45
Feb	1.21	1.13	8.17	160.84
Mar	1.21	1.13	8.26	162.15
Apr	1.25	1.13	8.54	166.23
May	1.25	1.15	8.68	171.03
Jun	1.26	1.17	8.83	178.57
Jul	1.29	1.17	9.20	181.72
Aug	1.27	1.16	9.13	183.88
Sep	1.24	1.16	9.17	183.06
Oct	1.22	1.15	8.82	182.01
Nov	1.24	1.15	9.05	186.13
Dec-23	1.27	1.16	9.02	182.28

Source: Average monthly exchange rate, Bank of England

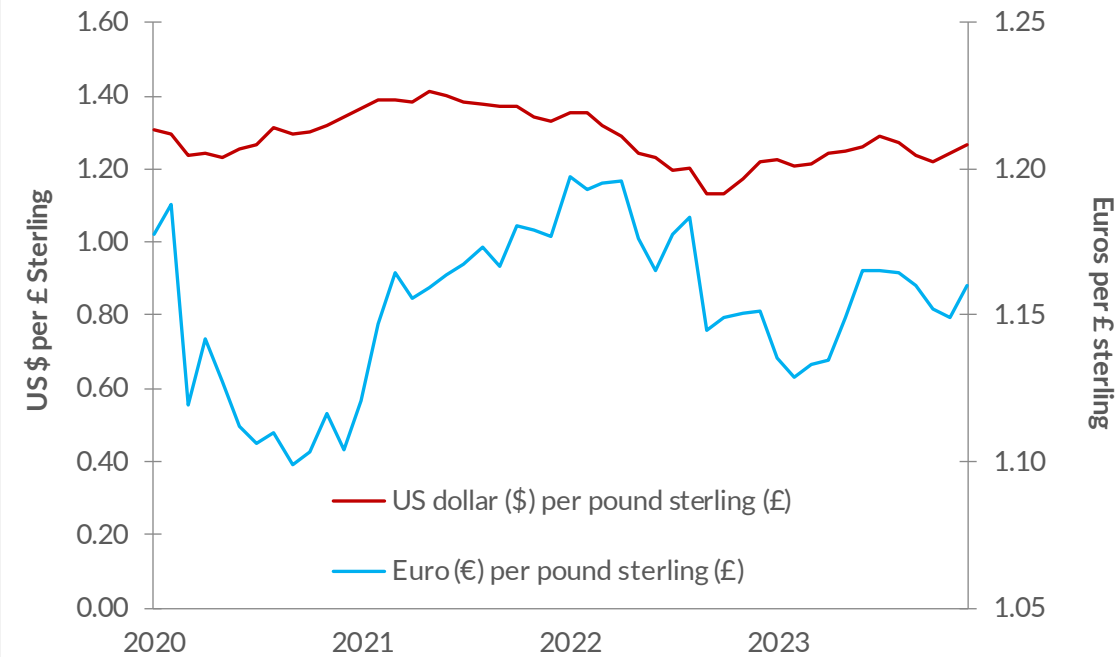
IMPACTS FROM CURRENCY DEPRECIATION

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.

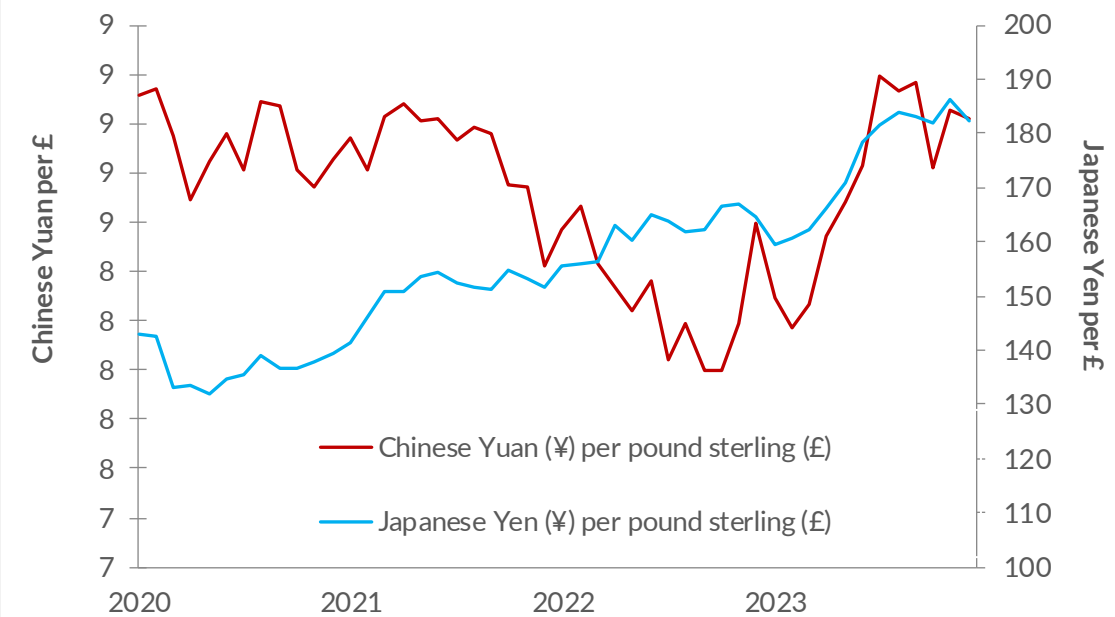
However, this failed to materialise following the post-referendum depreciation from 2016, most likely due to specialised supply chains.

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 DECEMBER

USD TO GBP, YOY

3.8%

Sterling appreciation in relation to the USD, YoY.



EURO TO GBP, YOY

0.8%

Sterling appreciation in relation to the Euro, YoY.



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

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## 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
<b>GDP</b>	0.5	0.6	0.2	0.7	1.8	1.4
<b>Cons. Spending</b>	0.4	0.5	0.2	0.5	N/A	1.0
<b>CPI (Q4)</b>	4.3	7.5	2.4	3.6	2.6	1.8
<b>Avg Earnings</b>	6.7	6.8	3.6	3.7	3.4	2.2
<b>Bank Rate (Q4)</b>	5.3	5.4	4.6	4.9	3.9	4.4

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

### SUMMARY FORECASTS

GDP 2023

**0.5%**



Unchanged from the previous projection of 0.5%

Avg. Earnings 2023

**6.7%**



Revised up from the previous projection of 6.6%.

The consensus City forecast for 2023 growth in December was 0.5%

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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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