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

Confidence, inflation, labour market, credit & insolvencies

BRC INSIGHT

ECONOMIC BRIEFING REPORT

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

July 2023

BRC INSIGHT

WAGE GROWTH STRENGTHENS

Inflation is stubbornly high in the UK, remaining unchanged at 8.7%, once more a slower pace of disinflation than the Bank of England had originally estimated. This prompted a strong interest rate rise by the Monetary Policy Committee, and the Bank Rate now stands at 5%.

Retail performance has held up beyond expectations over H1 2023, with sales volumes even managing to see growth in some months, despite the difficult inflationary backdrop. Services inflation is now ramping up and will become a bigger focus in the Consumer Price Index (CPI) figures, as food and energy inflation start to ease. However, higher wage settlements are resulting in input costs remaining elevated, which will imply slower disinflation.

Stubborn inflation hits consumer spending across most channels, whether grocery, utility or housing. Sustained wage pressures, moreover, will offer some reprieve to working households, and buoy demand within the economy. We expect growth to broadly remain flat over the coming year, and this stagnation is likely to continue into 2024. Inflationary pressures continue to become embedded in the economy and the latest re-acceleration in wage growth suggests that there is a higher risk of further tightening in monetary policy.

GDP GROWTH

0.1%

% change – QoQ, Q1 2023

Unchanged from 0.1% in Q4 2022

CPI INFLATION

8.7%

% change - YOY May 2023

Unchanged from 8.7% in April

UNEMPLOYMENT

3.8%

April 2023

Down from 3.9% in March

WAGE GROWTH

7.2%

% change – YOY April 2023

Up from 6.8% in March

BRC – KPMG RETAIL SALES

3.9%

% change – YOY, May 2023

Down from 5.1% in April

CONSUMER CONFIDENCE

-24

June 2023

Up from -27 in May

GDP GROWS IN APRIL

Indicators of Economic Output

GDP grew in April by 0.2%, following a fall of 0.3% in March. Services activity expanded, with the largest upward contributor being wholesale and retail trade, seeing improving performance. Consumer-facing services witnessed a strong expansion of 1.0%, and within this the largest 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 beyond expectations into June, with the overall index slightly decreasing to 52.8, remaining above the no-change 50-mark. Private sector business activity continued to expand for a fifth consecutive month, driven primarily by solid services performance in contrast with manufacturing, continuing its relative underperformance. In terms of input costs, manufacturing companies did note falling factory gate prices, though in contrast service providers noted a rise in their average prices charged. This points to services inflation likely persisting over the second half of the year.

Prices and Monetary Policy

Inflation remained unchanged in May and the Consumer Price Index stood still at 8.7%. Of the headline rate, 2.0% emanates from housing, energy and transport costs and 2.1% from food. Fuel prices continue to fall, with these figures registered when petrol was £1.44 per litre and diesel £1.54. 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 is set to expire in July and uncertainty remains as to whether it will be extended. 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 the extension of the Energy Price Guarantee (staying at £2,500 for the typical household), 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. Global commodity prices have been falling since June 2022, now 14.4% lower compared to this peak. Gas and food prices have steadily come down and shipping rates have fallen to levels not far above pre-pandemic levels. However, imported inflation is still affecting food prices in the domestic sphere. A shortage in produce sparked by bad weather has placed upward pressure on imported food products. The effects of heightening interest rates (which have a lagged effect of between 12-18 months) are still to materialise and imply a hit to household incomes over this year and next, depressing economic output.

The Bank of England, in May, opted to hike rates for a thirteenth consecutive meeting, reaching 5.0%, 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 remains resilient, suggesting sales demand will pick up as inflation begins to ease. However, the bank rate futures curve has risen to 5.5%, with further rate hikes expected at the next two meetings. Households will increasingly feel the effects of higher mortgage repayments as more fixed terms come to an end. An estimated 2 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 (May Forecast)

0.3%

IMF (April Forecast)

-0.3%

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ECONOMIC INACTIVITY FALLS

Faster Indicators: BRC-KPMG Retail Sales

Sales growth slowed considerably in May, falling to 3.9% on a Total basis, down from 5.1% in the previous month. This represents a far steeper fall in volumes sold in the retail industry, due to the ever-increasing rate of price inflation in the market. This slowdown is clear evidence of the toll that the cost-of-living crisis is having on consumer spending power, as people are clearly holding back on spending unless they are necessary purchases. This result was also quite a surprise given the extra bank holiday during the month, for the Coronation of King Charles III, which was hoped to provide a boost.

Food sales, once again, dominated the industry, both in terms of growth as it slowed only slightly to 9.6% for the three months to May, but also as it left little available spend left for more discretionary purchases. Price inflation continued to be the main driving force behind this growth rate, with the BRC-Nielsen Shop Price Index recording a year-on-year inflation rate of 15.4% for the month.

Labour Market

The UK's labour market has begun to ease, though remains tight with unemployment in line with pre-pandemic levels (3.8%). 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, 348,000 people are no longer economically active (when compared to before the pandemic). Inactivity encouragingly continued to decrease in the most recent reporting period.

Vacancies remain near record highs of 1.05 million in the three months to May although have now peaked and are coming down. This represents 225,000 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 111,000, 7,000 below pre-pandemic levels.

Exacerbating tightness, the inactivity rate remains elevated, though fell in the latest reference period. This has increasingly been driven by long-term sickness (rising to its highest since the pandemic) and those entering education. The BoE has pointed to the smaller workforce as something exacerbating the shortage in labour as well as skills more broadly. This has the potential to fuel further wage growth, ultimately contributing to further inflationary pressure.

Outlook

The Bank of England announced a significant 50 basis point hike in interest rates, following strong inflationary pressures building in services. This has increased the odds of interest rates possibly even rising above 6%, come the September meeting, however, we anticipate the Bank has little tightening left to do, as they keep interest rates elevated whilst inflation clearly comes down below the 2% target. The degree of tightening hitherto does increase the risk of economic activity contracting, though we broadly still expect output to remain on a knife's-edge, displaying muted growth. As the lagged effects of interest rates gradually have their impact on the economy, unemployment is likely to rise above 4% and consumer demand weighed upon.

The labour market continues to show signs of resilience, but cooling job vacancy numbers implies that firms are pulling back on hiring intentions. Redundancies are expected to rise over the second half of 2023, with resultant increases in unemployment by year-end and into 2024, with a peak expected by the Bank of England of 4.8%. There will be limited opportunity for growth, and this stagflationary environment is unlikely to be helped by a structurally tight labour market in the UK. Headwinds for global economic growth persist, and prospects of further stimulus in China raise the risk of heightening global demand for commodities (thus far only limited to metals). There are no clear signs of a breakthrough in the Ukraine-Russia conflict, and the Eurozone has disproportionately felt an impact, entering a recession in Q1 2023. The UK continues to experience more persistent inflation than comparable countries, and re-accelerating wage pressures suggest 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	0.3	0.8	0.8
Inflation	5.0	10.8	5.0	2.3	1.0
Unemployment (rate)	4.0	3.8	3.8	4.0	4.5
Interest (Bank Rate)	0.3	2.8	4.8	4.0	3.7
Real post-tax labour income	0.9	-2.5	-0.5	1.3	1.0

Source: Bank of England, Monetary Policy Report May 2023

PROJECTIONS FOR 2023 UK GDP GROWTH

Bank of England (May Forecast)

0.3%

IMF (April Forecast)

-0.3%

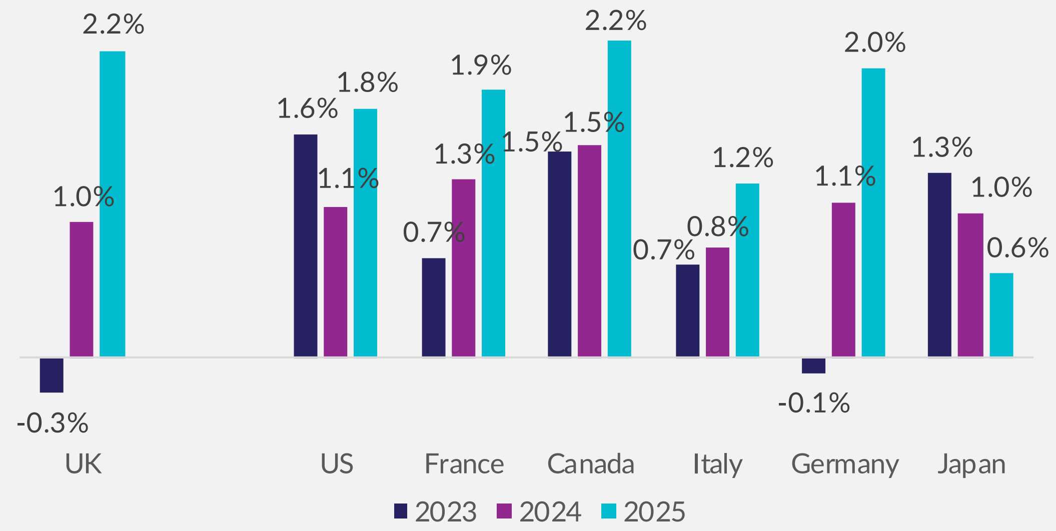
GLOBAL DEMAND UNDER PRESSURE

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, a global slump in activity remains likely this year.

The US economy expanded by an upwardly revised 2.0% on an annualised basis in Q1 2023, a third consecutive period of growth. The increase was led by improvements in consumer spending, exports, as well as government spending. The US growth has slowed into 2023, and the effects of heightening interest rates are yet to have their full impact and will weigh on growth over the coming quarters.

The Eurozone economy expanded by 1.0% in Q1 2023 (on an annual basis), slowing down from 1.8% in Q4 2022, marking an eighth consecutive period of expansion. Germany's economy contracted by 0.5% (down from +0.8% in Q4 2022). In contrast, France's GDP expanded by 0.9% (up from 0.6% in Q4 2022), Italy's by 1.9% (up from 1.5% in Q4 2022) and Spain's by 3.8% (up from 2.9% in Q4 2022).

GDP GROWTH, APRIL FORECASTS



Source: IMF, The World Economic Outlook.

The June S&P Global Eurozone Composite PMI shows business activity remained in expansion territory for a sixth consecutive month at 50.3, though weakened considerably on the month. Stagnating orders caused a slowdown in activity, with this suggesting a further deceleration is likely. Manufacturing output performed worse, as factory output fell for a third consecutive month and orders continued to decline. Price pressures, despite easing to their lowest since December 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 the stability of the global financial system have come to the fore, following the collapse of SVB and Credit Suisse, more recently First Republic in the US. Cautioning greater resilience than during the 08/09 financial crisis, the Federal Reserve elected to keep their base rate unchanged at 5.25% at their most recent meeting. The Bank of England went further, increasing the base rate from 4.5% to 5.0% in June.

US inflation eased further to 4.0% in May, 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 or the one immediately after, 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 3.5% due to fears over inflation becoming embedded. Prices eased to 6.1% in the 12 months to May, down on April's figure of 7.0%. Energy prices were 1.8% lower on the year, food, alcohol and tobacco prices 12.5% higher and the cost of non-energy industrial goods increased 5.8%.

2023 PROJECTED GROWTH – IMF (APRIL)

UK

-0.3%

US

1.6%

FRANCE

0.7%

GERMANY

-0.1%

JAPAN

1.3%

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SALES VOLUMES RISE FOR THE SECOND MONTH

UK retail sales volumes (including automotive fuel) rose by 0.3% in May, when compared to the previous month, following an increase of 0.5% 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 17.0% higher than in February 2020 (pre-Covid levels) whereas in volume terms are 0.8% below this level (fig. 1).

Digging deeper into the sales categories, the increase in April was driven by strong sales performance in the non-food channel. Greater activity in the household goods channel as well as PurePlay meant the overall non-food category expanded. In contrast, watches and jewellery stores as well as clothing stores performed less well, seeing volumes fall on the month.

Online sales rose by 2.5% on the month with increases in both food and non-food channels. Within the non-food channel, sales grew the most in fashion, followed by department stores. The proportion of online sales rose to 26.5%, 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%.

The biggest fall on the month (of -0.5%) was observed in sales of food, with anecdotal evidence suggesting a substitution away from supermarket and convenience stores towards spending on takeaways and fast food. The additional bank holiday provided some impetus for this, and 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

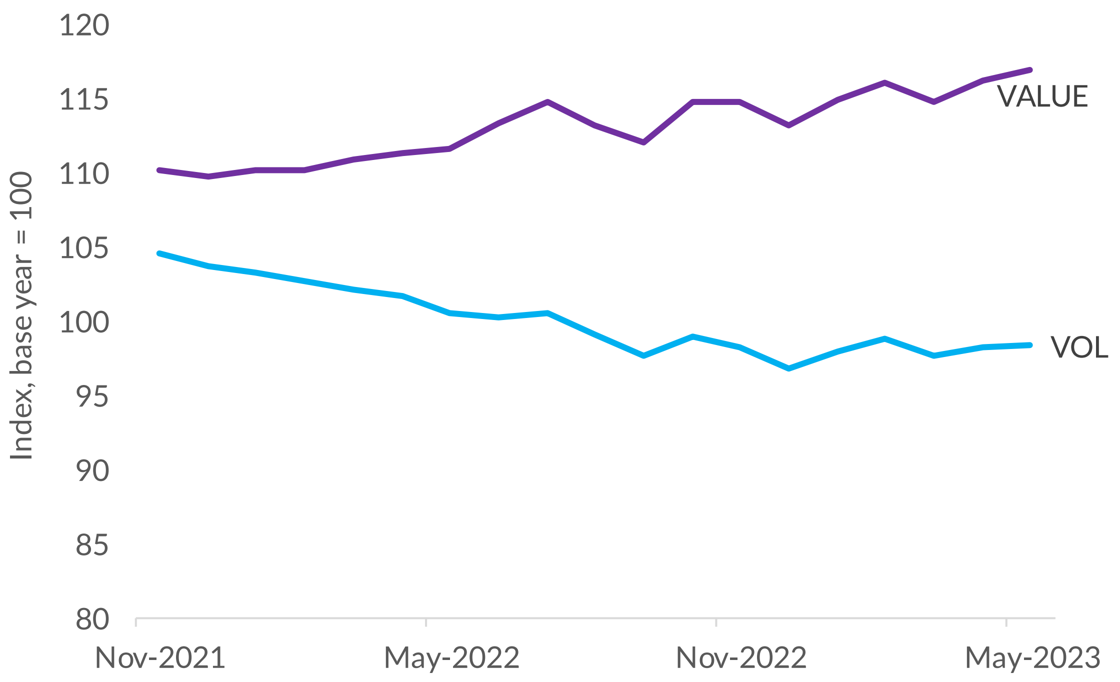
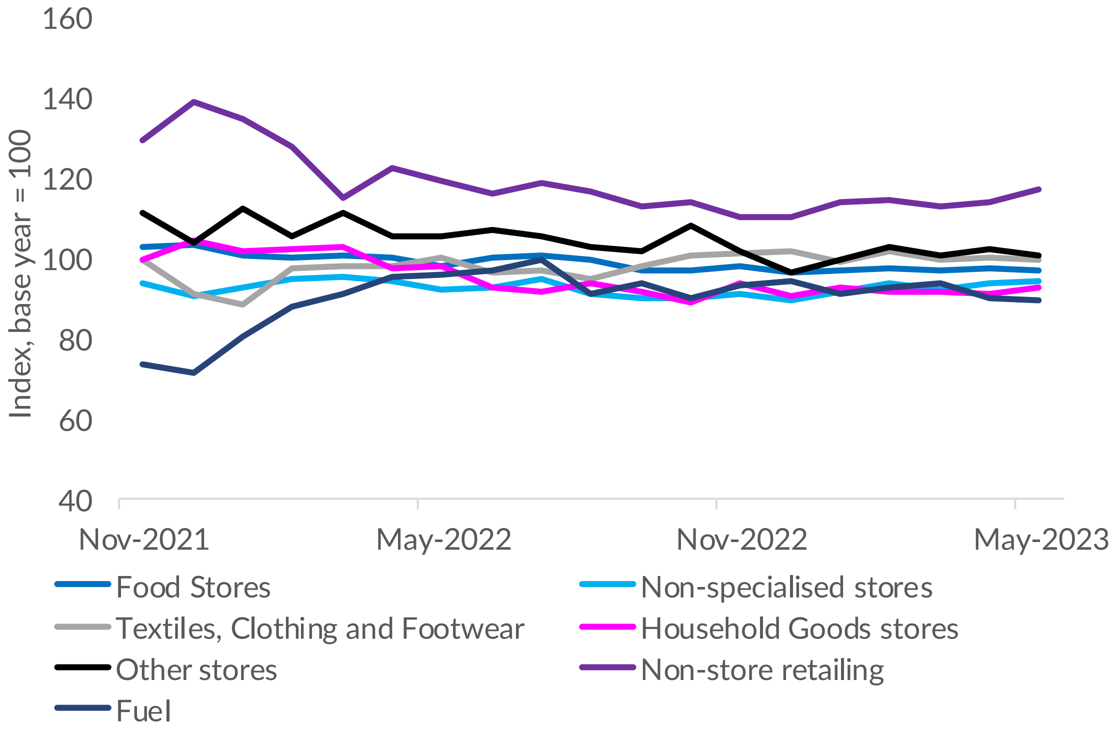


FIG 2 – ONS Retail Sales Category Volumes



SUMMARY MAY

Retail Sales

0.3%

Down from 0.5% in April.

Online Sales

2.5%

Up from 2.1% in April.

Sales increased in both value and volume terms

ONS & BRC SALES GROWTH – VALUE TERMS

% change on year ago	RSI Sales	RSM Sales
Mar-23	5.5	5.1
Apr-23	6.1	5.1
May-23	8.0	3.9

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
May-22	1.4	2.9	0.8	16.0	-10.4	0.2	-3.7
Jun	0.9	2.9	2.8	12.9	-10.2	0.4	-7.0
Jul	5.2	7.2	7.2	16.2	-8.2	4.5	-0.7
Aug	3.4	7.4	2.9	7.3	-5.5	0.5	-2.5
Sep	3.5	6.5	1.3	10.3	-0.3	1.2	-4.8
Oct	3.9	6.7	0.9	12.0	-4.0	2.5	-1.8
Nov	3.1	7.6	4.1	10.5	2.8	-2.0	-7.4
Dec	5.2	8.0	10.9	19.9	-1.0	0.4	-9.2
Jan	3.4	8.3	5.9	20.4	-1.2	-6.3	-8.8
Feb	6.3	10.9	7.3	13.8	-3.2	3.0	-3.1
Mar	5.5	10.9	4.1	10.0	-4.1	-5.2	4.3
Apr	6.1	10.0	7.6	9.2	-1.2	2.5	-0.1
May-23	8.0	12.8	10.1	7.4	0.3	1.9	4.4

Source: ONS RSI

LARGE & SMALL RETAILERS

% change on year ago	ONS Large Retailers	ONS Small Retailers
Mar-23	6.8	1.2
Apr-23	6.2	5.8
May-23	7.4	9.9

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
May-22	-1.2	-2.2	-1.9	2.0	0.2	-0.2	-2.3
Jun	0.1	2.6	0.7	-3.4	-5.1	1.9	-3.0
Jul	0.3	0.2	1.7	0.2	-1.2	-1.4	2.3
Aug	-1.4	-0.9	-3.8	-1.8	2.0	-2.7	-1.7
Sep	-1.5	-2.6	-0.8	3.0	-2.0	-0.9	-3.0
Oct	1.2	0.0	-0.5	3.1	-2.8	6.0	0.8
Nov	-0.6	0.7	1.7	0.2	4.9	-6.0	-3.5
Dec	-1.6	-1.4	-1.9	0.8	-3.0	-5.4	0.3
Jan	1.2	0.4	2.0	-2.5	2.0	3.5	3.4
Feb	1.2	0.6	2.8	2.7	-1.1	3.2	0.4
Mar	-1.3	-0.8	-1.7	-2.3	0.0	-2.2	-1.2
Apr	0.7	0.6	1.7	0.5	-0.5	1.6	0.8
May-23	0.1	-0.5	0.6	-0.4	1.5	-1.4	2.7

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
May-22	£8.3bn	£2.1bn	-8.3	25.7
Jun	£8.3bn	£2.1bn	-8.9	25.2
Jul	£8.5bn	£2.1bn	-6.3	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	-8.0	25.6
Nov	£9.7bn	£2.9bn	-7.1	29.6
Dec	£10.6bn	£2.8bn	-7.5	26.8
Jan	£7.8bn	£2.1bn	-6.9	27.1
Feb	£8.1bn	£2.1bn	-2.9	25.5
Mar	£8.4bn	£2.2bn	3.2	25.7
Apr	£8.7bn	£2.2bn	1.8	25.4
May-23	£8.9bn	£2.3bn	6.3	25.3

Source: ONS RSI

SUMMARY MAY

ONS Sales

8.0%

Up from 6.1% in April.

Large retailers

7.4%

Up from 6.2% in April.

Strong increase in household goods stores

GfK CONSUMER CONFIDENCE

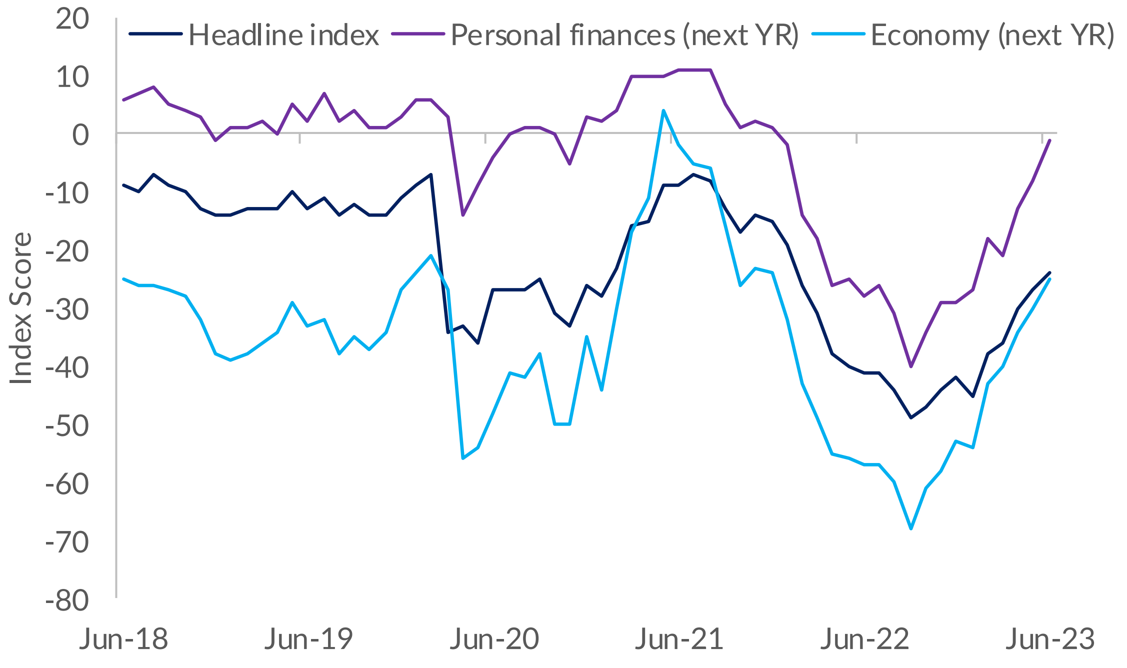
"Despite the fierce economic headwinds of the cost-of-living crisis, double-digit grocery price increases, and the mortgage squeeze severely impacting both homeowners and renters alike, the UK Consumer Confidence Index has improved by another three points in June, the fifth monthly improvement in a row.

This is a whisker away from pushing into positive territory, something we have not seen since December 2021, and it's also the third consecutive monthly increase – all of which is good news for the future. Consumers are showing remarkable resilience in the face of inflation that is currently refusing to yield. This is the best showing for the Overall Index Score for the past 17 months and, if consumers continue to weather the current economic storm, then this will provide a firm foundation for getting back to growth."

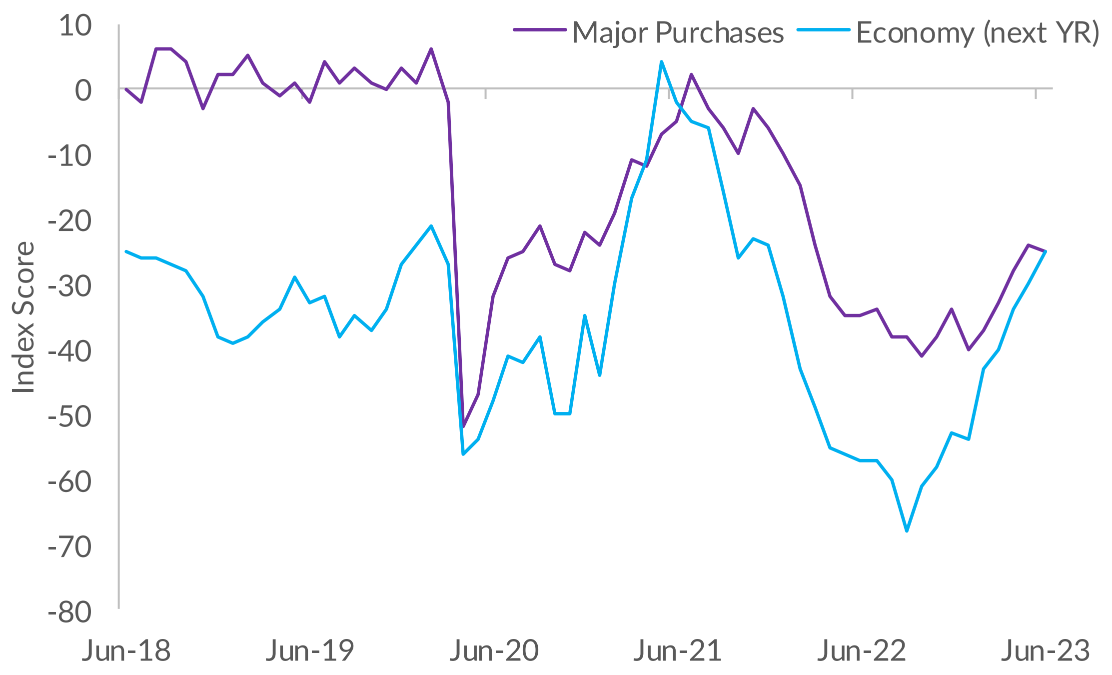
GfK NOP CONSUMER CONFIDENCE INDEX

	Headline index	Major Purchases	Personal finances (past YR)	Personal finances (next YR)	Economy (past YR)	Economy (Next YR)
Jun-22	-41	-35	-23	-28	-65	-57
Jul	-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-23	-24	-25	-15	-1	-54	-25

LONG-TERM TRENDS



Source: GFK Consumer Confidence Index



Source: GFK Consumer Confidence Index

SUMMARY JUNE

Headline GFK confidence

-24

Up from -27 in May

Major Purchases confidence

-25

Down from -24 in May

Consumer confidence continues to improve

ONS CONSUMER PRICE INDEX (CPI)

HEADLINE FIGURES, %, YOY

	CPI	Retail Price Index, all items (RPI)	All Items excl. mortgage interest payments (RPIX)
May-22	9.1	11.7	11.8
Jun	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-23	8.7	11.3	10.3

Source: ONS.

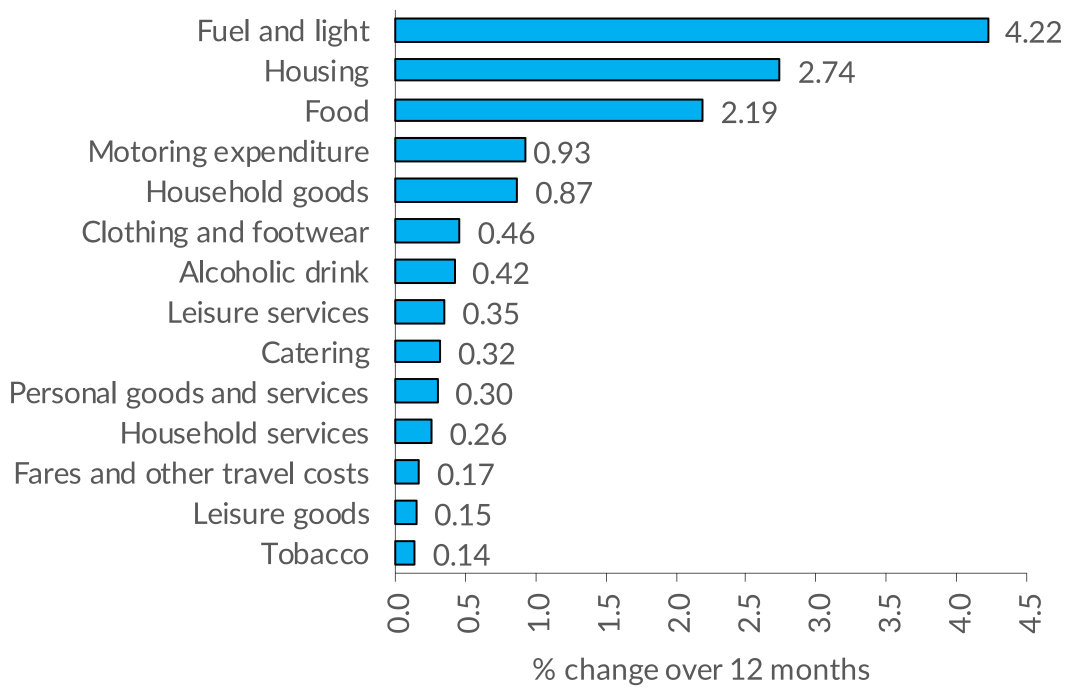
CPI: CONTRIBUTIONS TO THE ANNUAL RATE

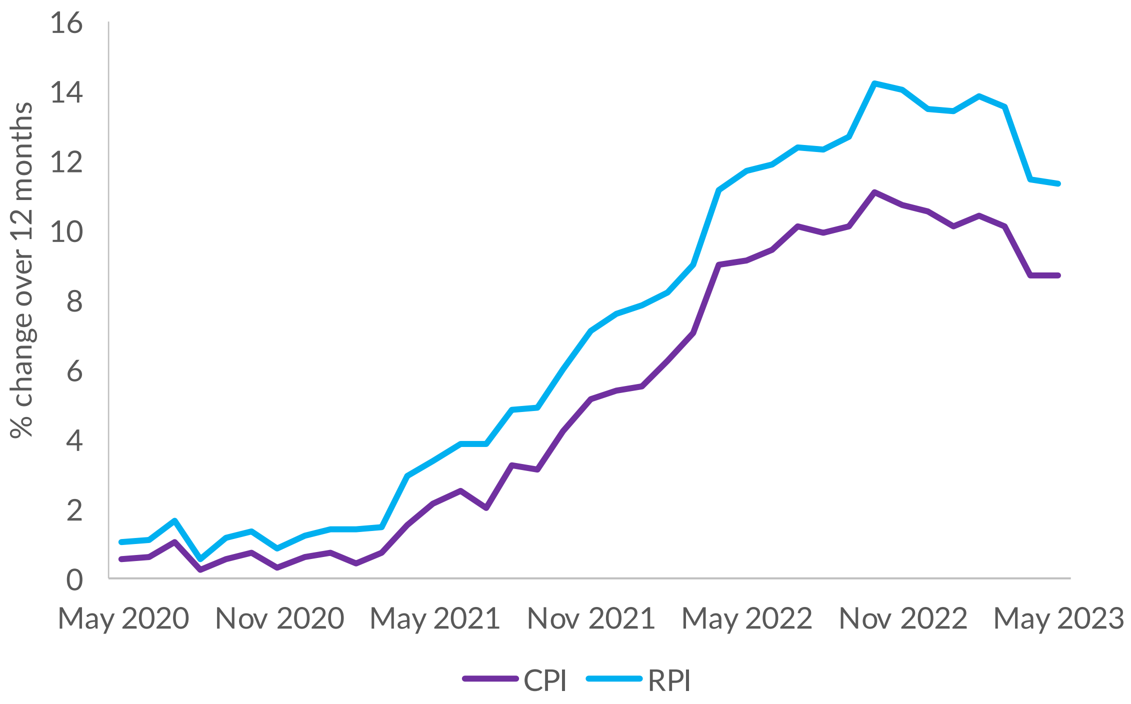
	Food & non-alcoholic beverages	Clothing & Footwear	Housing & household services	Furniture & household goods	Transport	Restaurants & hotels
May-22	8.6	7	19.4	10.8	13.8	7.6
Jun	9.8	6.2	19.6	10.3	14.9	8.5
Jul	12.6	6.7	20	10.1	14.8	8.9
Aug	13.1	7.6	20	10.1	12	8.7
Sep	14.5	8.5	20.2	10.7	10.6	9.7
Oct	16.2	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-23	18.3	7.1	12.1	7.5	1.2	10.3

Source: ONS.

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

RPI: CONTRIBUTIONS TO THE ANNUAL RATE





SUMMARY MAY

CPI

8.7%

Unchanged from 8.7% in April.

CPI Food

18.3%

Down from 19.0% in April.

CPI remains unchanged

BRC INSIGHT

BRC INSIGHT

UK EMPLOYMENT

In the three months to April 2023:

- The latest figures suggest the unemployment rate decreased slightly to 3.8%. The employment rate, however, paradoxically rose though still remains below pre-Covid levels. The inactivity rate did encouragingly fall in the most recent reporting period. 348,000 people are no longer economically active when comparing to the pre-pandemic period.
- The UK employment rate was estimated at 76.0%, 0.3 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 3.8%, higher over the previous three-month period, and in line with 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 21.0%, 0.3 percentage points lower than the previous quarter, and 0.7 percentage points higher than before the coronavirus pandemic.

LABOUR FORCE SURVEY

	Claimant Count		Unemployment	
	mills	% rate	Mills	% rate
May-22	1,574	4	0.0	3.8
Jun	1,549	3.9	1,294	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-23	1,536	3.9		

Source: ONS

EMPLOYMENT (3 MONTHS ENDING)

Employment (3 months ending) (000s)	Total	Full-time	Part-time
Apr-22	32,707	24,562	8,145
May	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-23	33,089	24,636	8,453

Source: ONS

SUMMARY APRIL

Unemployment Rate

3.8%

Down from 3.9% in March.

Total Employment

76.0%

Up from 75.9% in March.

Inactivity continues to decrease

EARNINGS

Between February and April 2023:

- **Regular pay** was estimated to have increased by 7.2% in nominal terms and fell by -1.3% in real terms.
- **Total pay** was estimated to have increased by 6.5% in nominal terms and fell by -2.0% in real terms.

Between January to March 2022 and January to March 2023:

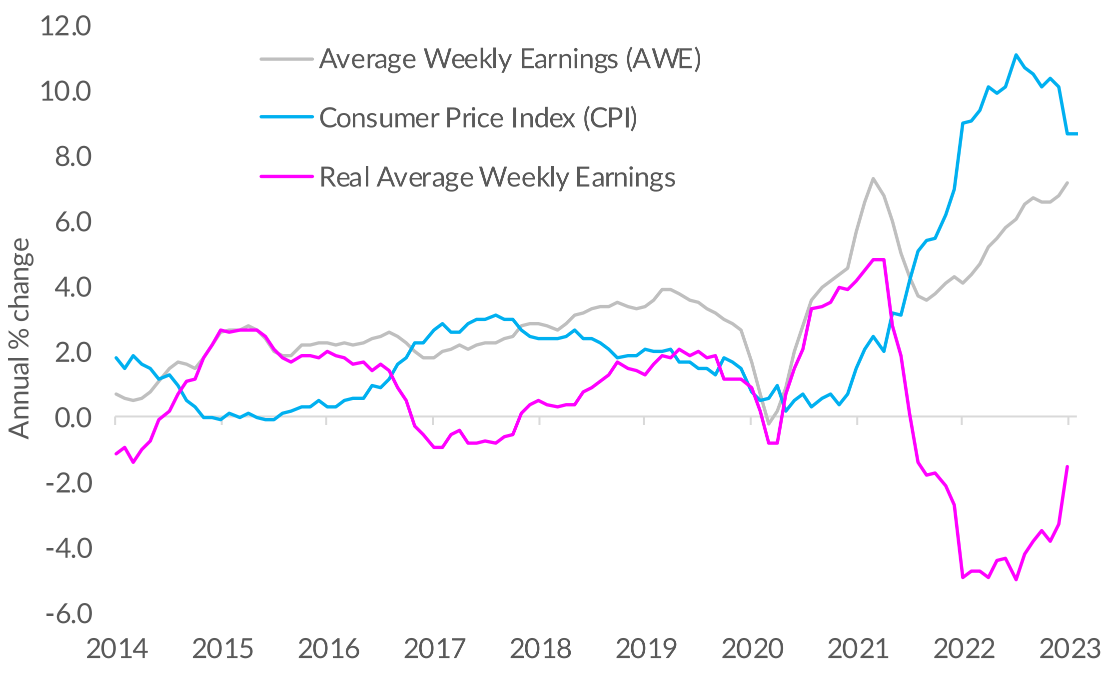
- **Average regular pay (excluding bonuses)** was estimated at £603 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£561 per week) and £473 per week in real terms (constant 2015 prices), lower than the estimate for a year earlier (£474 per week).
- **Average total pay (including bonuses)** was estimated at £648 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£603 per week) and £506 per week in real terms (constant 2015 prices), lower than the estimate for a year earlier (£507 per week).

AVERAGE WEEKLY EARNINGS GROWTH

	Average Weekly Earnings	Consumer Price Index (CPI)	Real Average Weekly Earnings
May-22	4.4	9.1	-4.7
Jun	4.7	9.4	-4.7
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	7.2	8.7	-1.5
May-23		8.7	

Source: ONS.

LONG TERM EARNINGS SERIES



SUMMARY APRIL

Regular pay growth

7.2%

Up from 6.8% in March.

Total pay growth

6.5%

Up from 6.1% in March.

Wage growth picks up again

MONEY, CREDIT & INSOLVENCIES

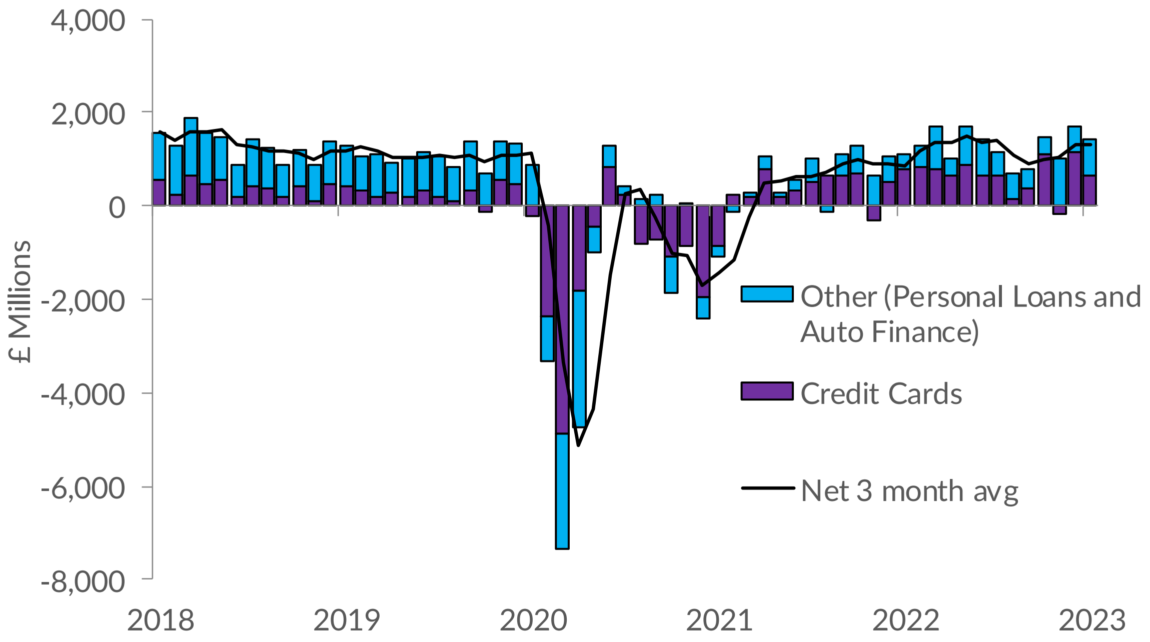
- Consumers in May borrowed an additional £1.1 billion in consumer credit, in net terms, of which borrowing was £0.5 billion in personal/auto loans and £0.6 billion of which was repayments on credit cards.
- Net borrowing of mortgage debt by individuals decreased from -£1.5 billion to being a flat -£0.1 billion in May. Mortgage approvals for house purchases increased to 50,500, up from 49,00.
- Sterling money (known as M4ex) significantly decreased to £4.6 billion in May, from £6.8 billion in April. Households in net terms withdrew £4.6 billion from banks and building societies, compared with £3.7 billion of deposits in the preceding month.
- The effective interest rate paid on individuals' new time deposits with banks and building societies rose slightly to 3.95%.
- Large businesses borrowing from banks decreased to £0.4 billion in May, whilst small and medium sized businesses repaid £1.0 billion. Private non-financial companies (PNFCs) repaid a net £0.6 billion in market finance from capital markets, compared to £0.5 billion of net borrowing in the preceding month.
- There were 545 retail insolvencies in Great Britain in Q1 2023, up from 517 in Q4 2022. In 2022, there were 1,900 insolvencies, a massive increase compared to the 960 figure in 2021.
- There were 2 retail CVAs in England and Wales during 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)
May-22	1232	699	533
Jun	1650	833	817
Jul	1390	624	766
Aug	1153	640	513
Sep	725	158	568
Oct	816	396	420
Nov	1449	1120	329
Dec	856	-150	1006
Jan	1610	1138	472
Feb	1230	681	549
Mar	1586	653	933
Apr	1513	726	787
May-23	1144	617	528

Source: Bank of England

CONSUMER CREDIT



Source: Bank of England

SUMMARY MAY

Net consumer credit

£1.1bn

Down from £1.6 billion in April.

Net credit card lending

£0.6bn

Down from £0.7 billion in April.

The effective rate on new personal loans decreased to 8.3% and increased on credit cards to 20.4%

BRC INSIGHT

DOLLAR, EURO, YUAN, YEN

	US dollar ($) per pound sterling (£)	Euro (€) per pound sterling (£)	Chinese Yuan (¥) per pound sterling (£)	Japanese Yen (¥) per pound sterling (£)
May-22	1.24	1.18	8.46	160.19
Jun	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-23	1.25	1.15	8.70	171.03

Source: Average monthly exchange rate, Bank of England

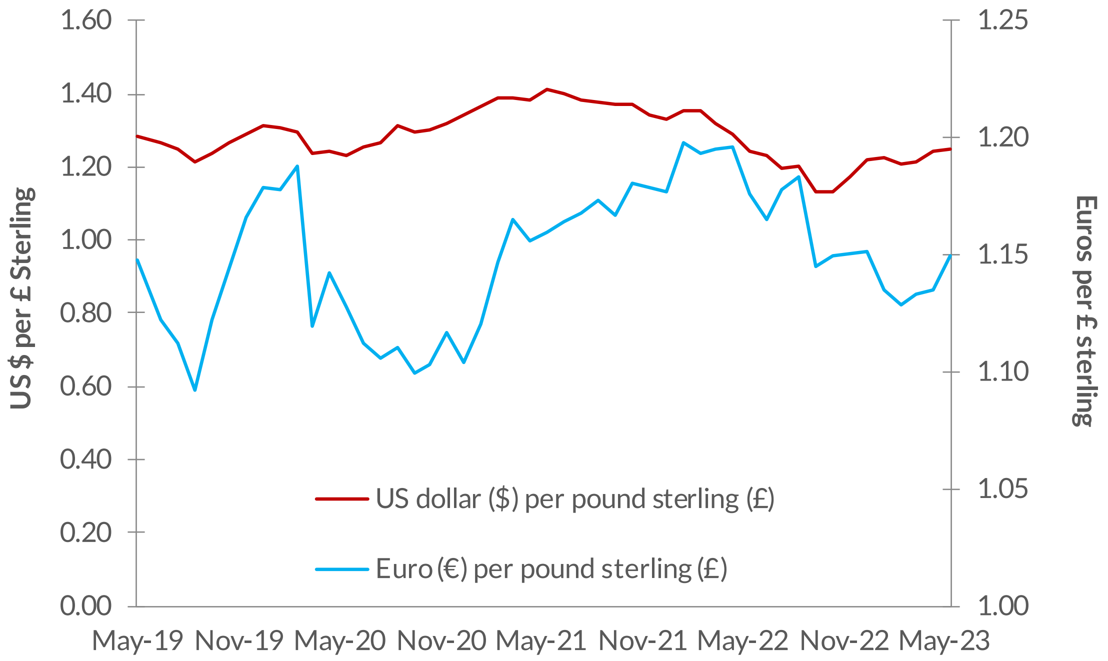
IMPACTS FROM CURRENCY DEPRECIATION

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.

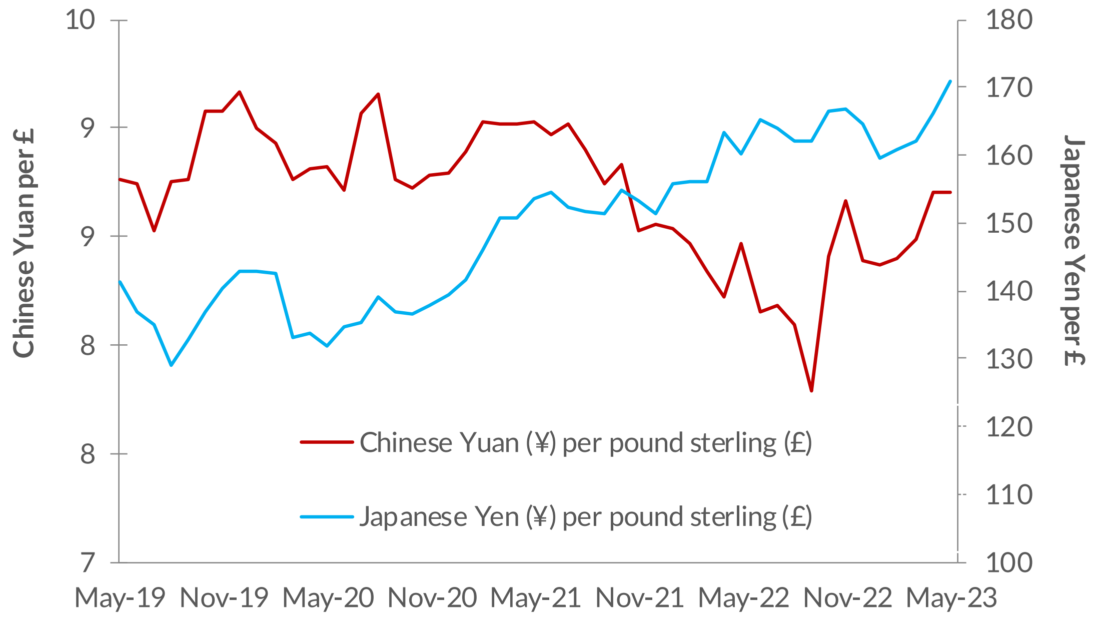
However, this failed to materialise following the post-referendum depreciation from 2016, most likely due to specialised supply chains.

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 MAY

USD TO GBP, YOY

0.2%

Sterling appreciation in relation to the USD , YoY.

EURO TO GBP, YOY

-2.2%

Sterling appreciation in relation to the Euro, YoY.

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

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	0.7	1.8	1.1	2.5
Cons. Spending	0.3	-0.8	0.6	1.5	*N/A*	1.8
CPI (Q4)	4.7	6.1	2.6	0.9	3.0	0.1
Avg Earnings	5.0	5.0	2.8	1.8	3.1	1.7
Bank Rate (Q4)	5.0	5.0	4.2	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%

Revised up from the previous projection of 0.0%

Avg. Earnings 2023

5.0%

Revised down from the previous projection of 5.2%.

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

BRC INSIGHT

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BRC INSIGHT

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 work with everyone from Amazon to Aldi, helping these organisations to better benchmark their performance against their peers.

The BRC both works with leading data suppliers and also produces some of the leading measures of UK retail performance, including sales, footfall, vacancies and more.

The dashboard below gives you a snapshot of the latest figures for retail sales and other KPIs. You can find out more about our reports by exploring the other pages in this Retail Insight & Analytics section of the website.

THE ECONOMIC BRIEFING REPORT

The BRC's Economic Briefing Report (EBR) is our monthly measure of the global & UK economy, the wider trading environment, and a collection of performance market measures within this context.

The EBR has been running for over a decade, however the BRC are now looking to bring it into the 21st century – and are currently exploring new partnerships and data sources to make this a reality.

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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PUBLICATIONS

MONTHLY

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- SHOP PRICE INDEX
- FOOTFALL MONITOR
- DIGITAL RETAIL INSIGHTS
- ECONOMIC BRIEFING REPORT

QUARTERLY

- FORECASTING
- QUARTERLY TRENDS
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