



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.

**JULY 2024**

## INFLATION RETURNS TO TARGET... FOR NOW

Economic growth is expected to surprise to the upside over this year, with Q1 growth revised up and a decent pace maintained in Q2, as suggested by the Purchasing Manager's Indices. Average earnings have beaten inflation since the end of the pandemic, helping to hold up consumer spending. The BRC Customer Sentiment Monitor for June suggested a slight decrease in consumer optimism though consumers did reveal they would be maintaining their spending over the coming month.

The Consumer Price Index finally returned to the 2% target, which implies faster real wage growth over Q3. However, recent movements in natural gas prices suggest that the housing and energy component of inflation may begin to push up on inflation, raising the possibility of the CPI being above the Bank of England's target by year-end. Services inflation continues to remain elevated, though in contrast deflation in goods persisted, suggesting interest rate cuts this year may be limited and the bulk of any cuts pushed to 2025.

Supply-chain conditions are fragile, and commodity prices have slowly inched upwards over recent months. Shipping costs continue to rise as a result of the conflict in the Middle East, and the route from Shanghai to Rotterdam has seen a particularly strong price rise, with the spot rate now 458% higher on the year, unlikely to fall much further back absent an end to the conflict. Hence business input costs will remain high and this is likely to result in ~1% inflation passed down the supply chain.

### GDP GROWTH

# 0.7%

% change - QOQ, Q1 2024

Up from -0.3% in Q4 2023

### UNEMPLOYMENT

# 4.4%

April

Up from 4.3% in March

### BRC - KPMG RETAIL SALES

# 0.7%

% change - YOY, May

Up from -4.0% in April

### CPI INFLATION

# 2.0%

% change - YOY May

Down from 2.3% in April

### WAGE GROWTH

# 6.0%

% change - YOY April

Unchanged from 6.0% in March

### CONSUMER CONFIDENCE

# -14

June

Up from -17 in May

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GDP FLAT IN APRIL

Indicators of Economic Output

**GDP was flat in April, following growth of 0.4% in March. Services activity expanded by 0.2%, and the largest upward contributor was information and communication activities. The biggest downward contributor was wholesale and retail trade. Consumer-facing services grew similarly, and retail trade provided the largest positive contribution. The biggest downward contributor was real estate activities.**

Looking at the most recent quarterly figures, the economy expanded by 0.7% over the first quarter of 2024. Relative to the pre-pandemic benchmark of Q4 2019, economic output is 1.8% above this level. Services output expanded robustly, and the biggest increase came from transportation and storage. Retail trade also returned to growth. Production output increased by 0.6%, and, within this, manufacturing activity rose, driven by the manufacture of transport equipment. Construction output fell by 0.6% as a slump in private commercial construction drove declines in new construction activity. Looking at the expenditure side, investment provided the only negative contribution to headline GDP, and household expenditure rose by 0.4% in real terms. Investment, however, rose 0.5% on the quarter and is currently 5.2% above its pre-Covid level.

The latest S&P Global UK Composite PMI showed activity in June stayed in positive territory, with the overall index inching down to 51.7, above the no-change 50-mark, a 7-month low. Services activity continues to expand, although the pace of expansion is slowing. Manufacturing activity rose to a 26-month high, with a solid rebound led by strong client demand for new orders. Prices charged inflation rose to a four-month high, with manufacturing and services firms increasing selling prices in order to meet increasing input costs.

Prices and Monetary Policy

Inflation eased in May and the Consumer Price Index lowered to 2.0%. Of the headline rate, 0.2% emanates from food, 0.8% from restaurants and hotels and 0.6% from recreation and culture. Housing and energy costs are now pushing down on inflation, shaving off 0.7% from the headline figure. Fuel prices rose for petrol but fell for diesel, with these figures registered when petrol was £1.49 per litre and diesel £1.56.

Gas and food prices are inching upwards, and shipping rates have recently soared, with the Shanghai to Rotterdam route seeing a particularly sharp rise in the spot rate. Global oil prices had recently peaked at \$93 but have more recently fallen to \$81 (June average). Domestically, the headline Producer Price Inflation (PPI) measure for business input costs remained in deflation over May. Output cost inflation remained slightly positive, suggesting business cost pressures have significantly eased, although remain at a high level.

The Bank of England (BoE), in June, opted to keep rates unchanged for a seventh consecutive meeting, following fourteen consecutive hikes, at 5.25%, remaining at the highest level since 2008. Whilst they are expected to cut before year-end, there remains uncertainty over whether this will take place in August or September. The latest forecasts are more optimistic about economic growth, though the outlook remains broadly flat with growth not expected to pick up significantly until the end of 2025. Real incomes are expected to exhibit a decent upwardly revised increase of 3.3%, over this year, easing to 1.2% in 2025. Interest rates will remain elevated until inflation sustainably settles at the 2% target, with most of the impact of monetary tightening having come through. Inflation is expected to hover around 2% over Q2 2024, before rising again. With a sustainable return to the 2% target from Q1 2026 onwards. Households will continue to feel the effects of higher mortgage repayments with an estimated 1.4 million mortgages coming onto a higher rate by the end of this year, and 3.9 million by the end of 2026.

PROJECTIONS FOR 2024 UK GDP GROWTH

Bank of England (May Forecast)

0.5%

IMF (April Forecast)

0.5%

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UNEMPLOYMENT INCREASES TO 4.4%

Faster Indicators: BRC-KPMG Retail Sales

Overall, while May 2024 didn't exhibit the typical robust growth seen in previous years, it still marks a turnaround from the decline experienced in April. However, it's worth noting that an early Easter this year may have impacted April's retail sales growth.

In May 2024, food sales showed a return to growth after experiencing a decline in April. This marks a notable recovery compared to the previous month's dip, suggesting a stabilising trend. Non-food sales in May decreased year-on-year over the three months leading up to May and were lower compared to the same period last year. However, there was an improvement compared to the three-month average sales in April.

Labour Market

The UK's labour market has begun to cool, and the ONS' most recently re-introduced statistics estimate the unemployment rate to have risen to 4.4%, suggestive of further loosening in the labour market. The job vacancy figures are more reliable and have come firmly down from peaks with hiring intentions slowing considerably. However, the UK continues to have a large share of the workforce not currently seeking work, otherwise known as 'economically inactive'. As of the most recent figures, 22.3% of those aged 16-64 were inactive in the labour force.

Job vacancies fell to 904,000 in the three months to May and have come down significantly since their recent peak. This still represents 85,000 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 and retail sector accounts for the fourth largest number of vacancies, at 88,000, which is 32,000 below pre-pandemic levels.

Outlook

The UK's economy is expected to grow more than 1% over 2024, a relative strengthening, suggesting that interest rate hikes have been weathered rather well by households and businesses alike. Services activity remains in expansionary territory, and consumer sentiment continues to rise. A return to the target rate of inflation (likely to be temporary) has bolstered sentiment somewhat and has had the knock-on effect of bolstering real wage growth. This is expected to hold up household consumption over the coming quarters, with a summer of sport expected to offer more spending opportunities. However, commodity price risks remain in play, and they have slowly edged upward, with freight container costs soaring over the past month in tandem. Alongside persistent services inflation, this may limit the number of interest rate cuts this year, and potentially push them into 2025.

% year-on-year (unless otherwise specified)	2022	2023 (f)	2024 (f)	2025(f)	2026(f)
Real GDP	4.3	0.0	0.5	1.0	1.3
Inflation	10.8	4.3	2.5	2.3	1.5
Unemployment (rate)	4.0	3.8	4.3	4.8	4.8
Interest (Bank Rate)	2.8	5.3	4.8	4.3	3.8
Real post-tax labour income	-2.5	0.8	3.3	1.3	0.3

Source: Bank of England, Monetary Policy Report May 2024

Note: Headline labour market statistics (unemployment and inactivity rates) are currently not accredited 'official statistics' designation. The ONS will introduce their new methodology in September.

PROJECTIONS FOR 2024 UK GDP GROWTH

Bank of England (May Forecast)

0.5%

IMF (April Forecast)

0.5%

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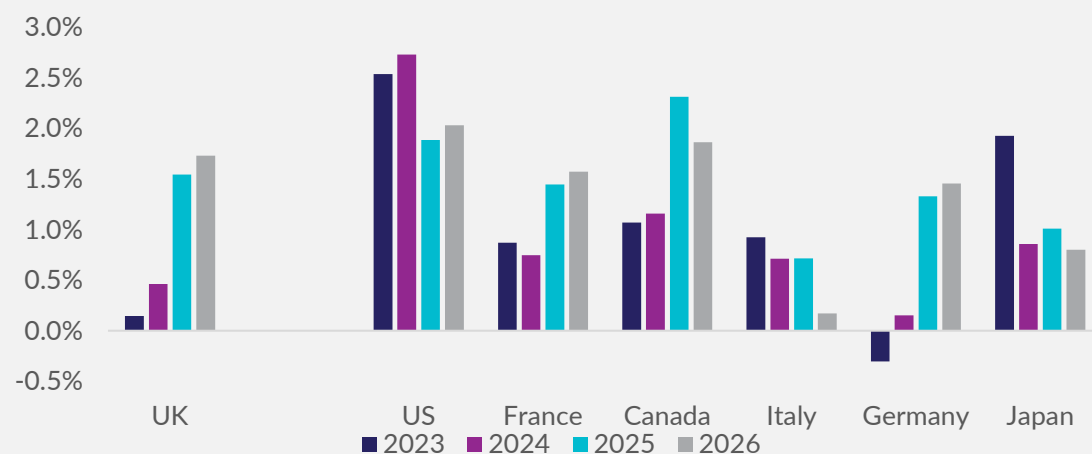


GLOBAL DEMAND UNDER PRESSURE

Financial conditions are tightening as the global interest rate-setter, the United States, maintains high interest rates. Many currencies have depreciated against the US Dollar, not least the Pound (though dollar weakening has strengthened certain currencies more recently). The squeeze on emerging markets via higher debt interest payments is anticipated to slow global economic activity. Uncertainty remains in the conclusion of the Ukraine-Russia conflict, tensions in the Middle East, and the effects of a demand shock from China (as it tries to stem deflation and buoy private consumption amidst the bursting of a property bubble) add tail risks to the global outlook. As these impacts are uncertain and volatile, commodity prices could rise higher as a result. As economic activity experiences persistent headwinds in weaker demand and elevated interest rates, global activity will be weighed upon.

The US economy expanded by 1.4% on an annualised basis in Q1 2024, a seventh consecutive period of growth, though a notable slowdown compared to the preceding quarter. The increase was led by improvements in consumer spending and housing investment that were offset partly by private inventory investment and higher imports. The US' growth has slowed up following the hike in interest rates with an elevated Federal Funds Rate expected to weigh on growth in the near term.

GDP GROWTH, APRIL FORECASTS



Source: IMF, The World Economic Outlook.

The Eurozone economy picked up slightly in Q1 2024, growing 0.4% (on an annual basis), up from 0.1% in Q4 2023. Germany's economy contracted by -0.2% (unchanged from -0.2% in Q4 2023). In contrast, France's GDP expanded by 1.1% (up from 0.8% in Q4 2023), Italy's by 0.6% (down from 0.7% in Q4 2023) and Spain's by 2.4% (down from 2.1% in Q4 2023).

The June S&P Global Eurozone Composite PMI shows business activity remained in expansionary territory though was at a 3-month low. Activity slowed as demand softened, with new orders decreasing for the first time since February. Orders slowed more dramatically in manufacturing as compared to services. Input cost inflation continued to ease but remained above pre-pandemic averages and cost burdens also remained above their historical trend level.

US inflation eased slightly to 3.3% in May 2024. Inflation has now settled from 9.1% but remains above the target rate. 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 H2 2024.

Inflation in the Eurozone has slowed from recent highs, and the European Central Bank were the first major central bank to cut the base interest rate, now down to 4.25%, stressing that further cuts are contingent upon a sustained easing in inflationary pressures. The inflation rate rose slightly to 2.6% in the 12 months to May. Energy prices were 0.3% lower on the year, food, alcohol and tobacco prices 2.6% higher and the cost of non-energy industrial goods increased 0.8%.

2024 PROJECTED GROWTH - IMF (APRIL)

UK

0.5%

US

2.7%

FRANCE

0.7%

GERMANY

0.2%

JAPAN

0.9%

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SALES VOLUMES BOUNCE BACK IN MAY

UK retail sales rose by 2.9% in May, following a downwardly revised decrease of 1.8% in April. In broader terms, sales volumes rose by 1.0% in the three months leading up to May when compared to the preceding three months.

Food store sales grew by 1.2%, on the month, following a 0.8% contraction in April. Growth in volumes rose, and improving sales performance was attributed to one less trading day in the previous year, following the King's Coronation, interfering with typical seasonal adjustment. Food stores' sales volumes are now 4.3% below their pre-pandemic February 2020 levels, as consumers grapple with a higher price level for food.

Non-food store sales fell by 3.5% on the month, with sales volumes having fallen by a sharp 3.0% in the preceding month. Volumes rose across all categories, growing the fastest in non-store retailers, and fashion stores, followed by household goods stores. Automotive fuel sales volumes rose by 2.8%, in May, attributed to falling fuel prices.

The proportion of retail sales conducted online (seasonally adjusted) rose to 27.2% in May, up from 26.7% in April. Online sales remain above pre-pandemic norms of 19.7% (February 2020).

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

DATA & CHARTS

FIG 1 – Retail Sales Volumes vs Retail Sale Value

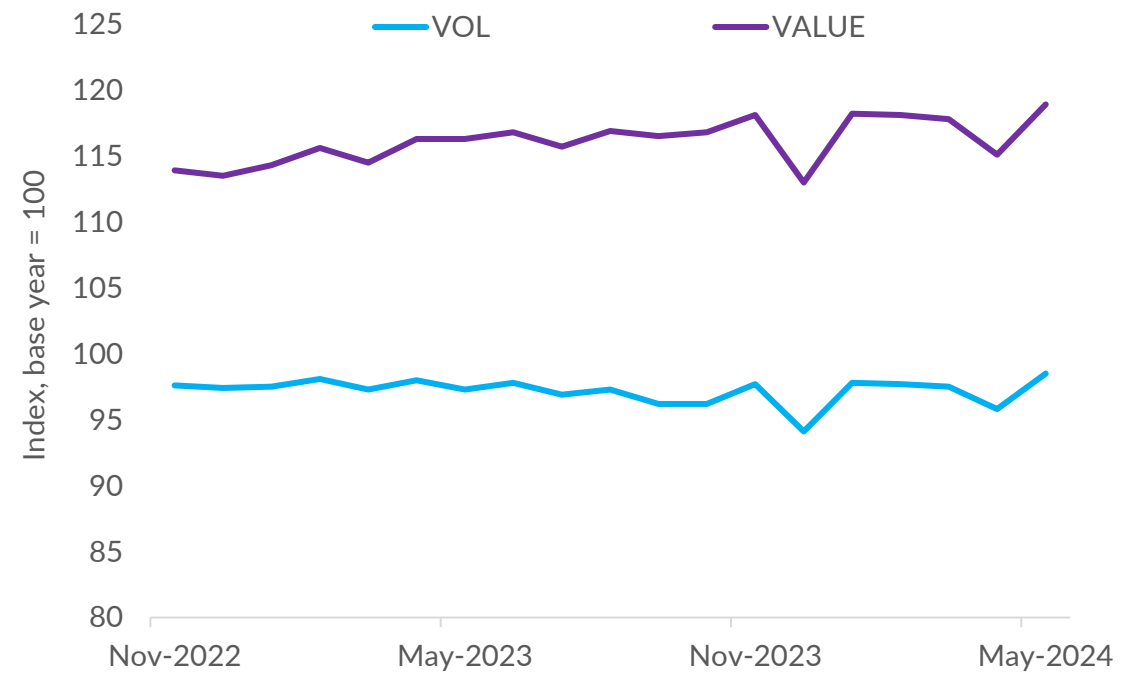
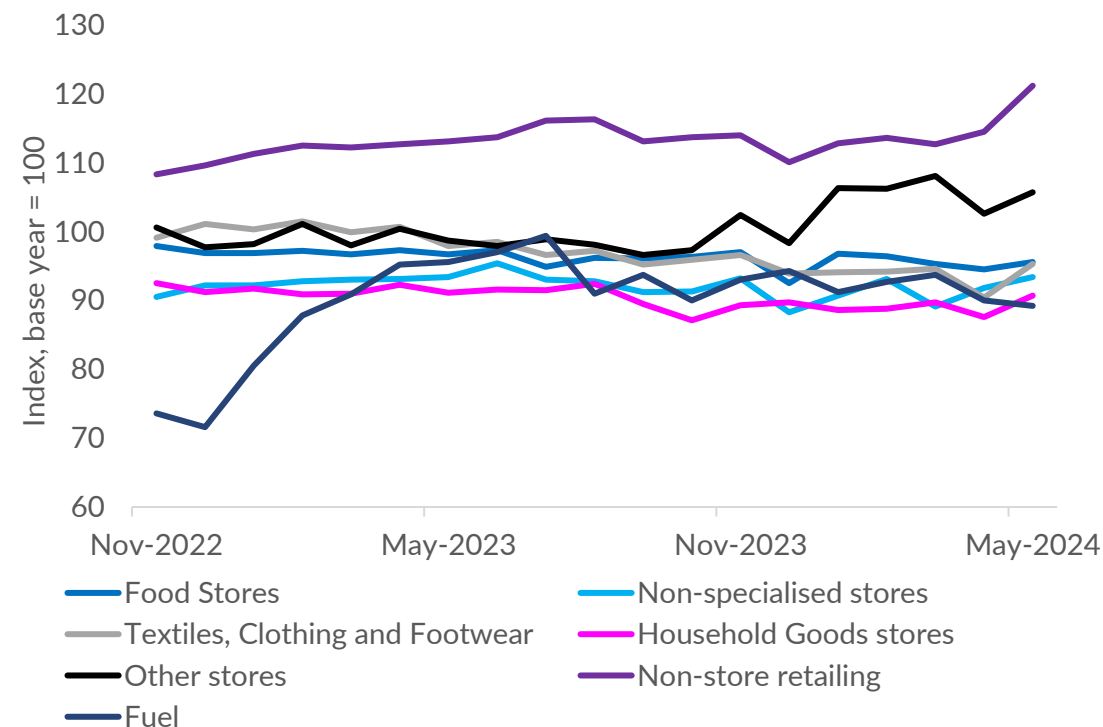


FIG 2 – ONS Retail Sales Category Volumes



SUMMARY MAY

Retail Sales

2.9%

Up from -1.8% in April.



Online Sales

5.4%

Up from -0.4% in April.



Seasonal adjustment brings down sales growth

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ONS & BRC SALES GROWTH – VALUE TERMS

% change on year ago	RSI Sales	RSM Sales
May-23	4.1	3.5
Apr	-2.4	-4.0
May-24	2.3	0.7

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
May-23	7.5	13.0	10.4	8.1	-0.1	0.5	1.2
Jun	6.8	9.9	11.6	10.0	3.2	-2.3	3.5
Jul	4.3	5.4	5.1	5.8	2.9	-0.6	5.1
Aug	6.4	7.2	8.0	10.1	2.9	0.9	7.4
Sep	5.4	9.1	5.6	4.6	-1.0	-0.7	4.6
Oct	4.0	8.0	5.7	3.4	-2.7	-4.7	5.5
Nov	5.5	7.0	5.9	2.9	-2.3	4.7	8.6
Dec	1.1	2.8	-1.7	-1.8	-4.5	0.4	4.8
Jan	4.0	6.1	0.8	-1.3	-3.3	9.6	3.5
Feb	3.0	4.3	2.6	-2.6	-1.4	5.8	3.3
Mar	4.1	5.5	-1.4	0.1	-1.9	11.8	2.0
Apr	-2.4	-2.7	-3.3	-9.3	-6.7	2.7	2.6
May-24	2.3	1.2	0.0	-0.5	-1.8	6.6	8.0

Source: ONS RSI

LARGE & SMALL RETAILERS

% change on year ago	ONS Large Retailers	ONS Small Retailers
May-23	3.6	5.6
Apr	-3.4	0.7
May-24	1.8	4.1

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-23	-0.9	-0.6	0.3	-2.8	-1.3	-1.7	0.4
Jun	0.5	0.6	2.2	0.6	0.5	-0.7	0.5
Jul	-1.1	-2.5	-2.5	-2.0	-0.1	1.0	2.0
Aug	0.6	1.3	-0.2	0.6	0.9	-0.8	0.2
Sep	-1.3	-0.1	-1.7	-2.0	-3.1	-1.5	-2.8
Oct	0.1	0.2	0.1	0.7	-2.7	0.7	0.6
Nov	1.6	0.8	2.1	0.8	2.5	5.3	0.2
Dec	-3.8	-4.6	-5.3	-2.9	0.5	-4.1	-3.4
Jan	3.7	4.7	2.7	0.2	-1.2	8.2	2.4
Feb	0.2	-0.4	2.6	0.1	0.2	-0.1	0.7
Mar	-0.5	-1.2	-4.3	0.5	1.0	1.8	-0.7
Apr	-1.4	-0.8	3.1	-4.5	-2.3	-5.2	1.5
May-24	2.9	1.2	1.7	5.4	3.5	3.0	5.9

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-23	£8.9bn	£2.3bn	7.3	25.7
Jun	£8.8bn	£2.2bn	7.6	25.4
Jul	£8.8bn	£2.3bn	9.9	26.2
Aug	£8.6bn	£2.2bn	10.3	25.3
Sep	£8.4bn	£2.2bn	8.0	25.8
Oct	£9.0bn	£2.4bn	6.8	26.6
Nov	£10.2bn	£3.2bn	9.5	31.0
Dec	£10.6bn	£3.0bn	4.3	27.9
Jan	£8.1bn	£2.2bn	3.4	27.1
Feb	£8.3bn	£2.2bn	3.5	25.9
Mar	£8.7bn	£2.2bn	2.5	25.7
Apr	£8.5bn	£2.2bn	-0.8	26.2
May-24	£9.1bn	£2.4bn	4.2	26.2

Source: ONS RSI

SUMMARY MAY

ONS Sales

2.3%



Up from -2.4% in April.

Large retailers

1.8%



Up from -3.4% in April.

Strong increase in non-store retail sales

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CBI COMMENTARY

The retail sector saw sales volumes fall in the year to June. Sales volumes were judged to be disappointing for the time of year. Online sales contracted in the year to June and are expected to contract again this month, although only slightly.

Overall year-on-year sales volumes are expected to decline at a slower rate, remaining below seasonal norms. Stock positions were judged to be broadly adequate in relation to expected sales. Retailers anticipate that orders will contract this month, at a broadly similar pace than during the previous month.

Wholesalers saw volumes contract in the year to June, following positive growth in the month preceding. Sales volumes are expected to fall marginally next month, at a slower pace. Distribution reported sales volumes contracted compared to May, the first fall since January. Sales are expected to decrease, but at a milder pace, in July.

VOLUME OF SALES – REALISED AND EXPECTED

	Balance	Expected (next month)
Jul-2023	-25	0
Aug	-44	-32
Sep	-14	-21
Oct	-36	-8
Nov	-11	-13
Dec	-32	-6
Jan	-50	-41
Feb	-7	-50
Mar	+2	-15
Apr	-44	-25
May	+8	-19
June	-24	-4
Jul-24		-9

Source: CBI Distributive Trades Survey

SUMMARY JUNE

CBI Balance

**-24**



Down from +8 in May.

CBI Expected (July)

**-9**



Down from -4 in June.

Sales outlook turns negative





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## GfK CONSUMER CONFIDENCE

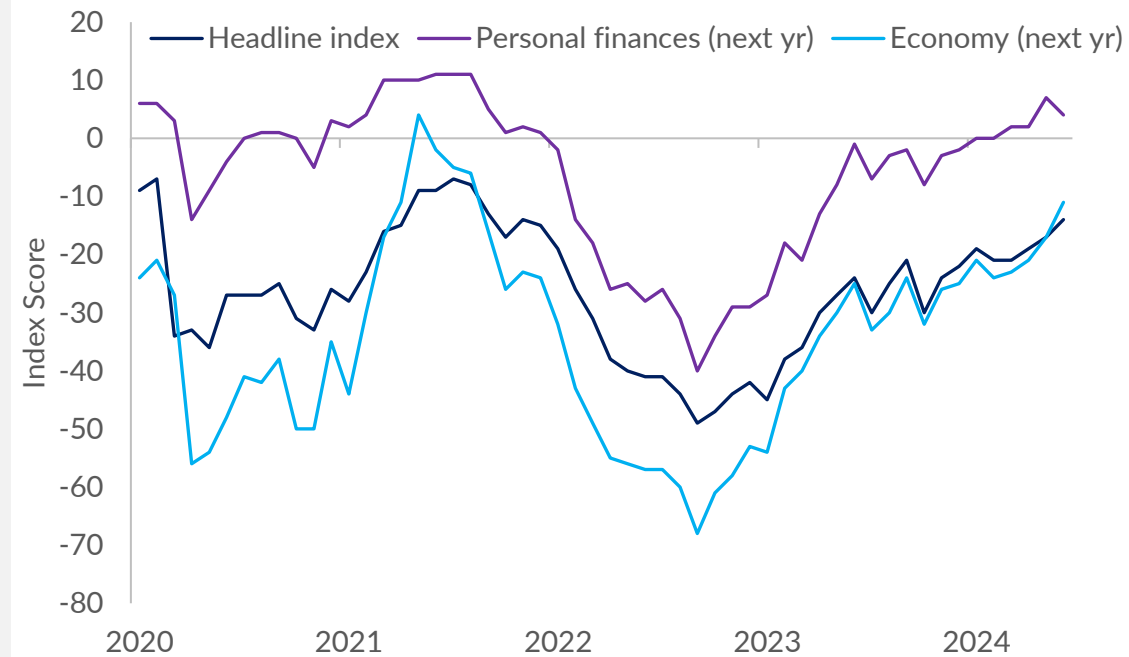
"Once again we have an improved reading for the Overall Index Score with June showing a three-point improvement bolstered by consumers' more sympathetic view of the economy for the last year and the 12 months to come. Those measures on the economy registered sharp increases of seven points and six points respectively, and there was a welcome three-point boost in intentions to make major purchases.

While June's reading of -14 is the third month in a row that confidence has increased, the headline score remains negative owing to the difficulties so many have experienced as the unrelenting cost-of-living crisis batters household budgets. Nevertheless, consumer confidence continues its robust long-term upward trend this month and has recovered significantly since the record low of -49 reached in September 2022."

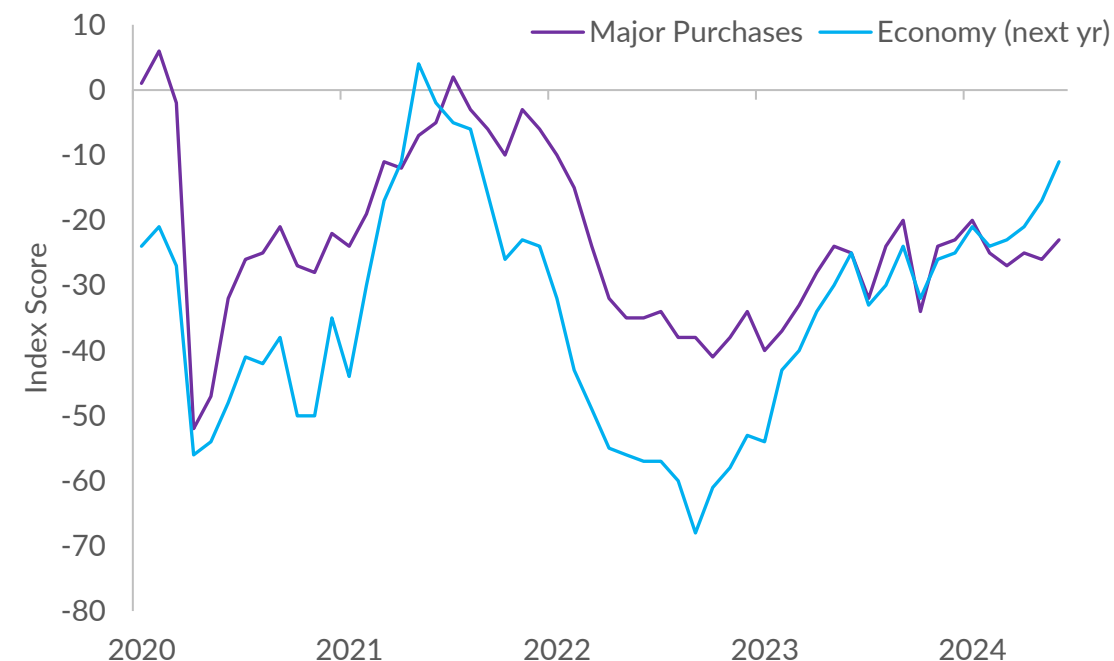
## GfK NOP CONSUMER CONFIDENCE INDEX

	Headline index	Major Purchases	Personal finances (past YR)	Personal finances (next YR)	Economy (past YR)	Economy (Next YR)
Jun-23	-24	-25	-15	-1	-54	-25
Jul	-30	-32	-20	-7	-58	-33
Aug	-25	-24	-15	-3	-52	-30
Sep	-21	-20	-13	-2	-47	-24
Oct	-30	-34	-19	-8	-54	-32
Nov	-24	-24	-16	-3	-49	-26
Dec	-22	-23	-14	-2	-44	-25
Jan	-19	-20	-12	0	-41	-21
Feb	-21	-25	-14	0	-43	-24
Mar	-21	-27	-13	2	-45	-23
Apr	-19	-25	-11	2	-41	-21
May	-17	-26	-10	7	-39	-17
Jun-24	-14	-23	-10	4	-32	-11

## LONG-TERM TRENDS



Source: GfK Consumer Confidence Index



Source: GfK Consumer Confidence Index

## SUMMARY JUNE

Headline GfK confidence

**-14**



Up from -17 in May.

Major Purchases confidence

**-23**



Up from -26 in May.

Consumer confidence on the up

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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)
May-23	8.7	11.3	10.3
Jun	7.9	10.7	9.6
Jul	6.8	9.0	7.9
Aug	6.7	9.1	7.8
Sep	6.7	8.9	7.6
Oct	4.6	6.1	4.8
Nov	3.9	5.3	4.1
Dec	4.0	5.2	4.0
Jan	4.0	4.9	3.8
Feb	3.4	4.5	3.5
Mar	3.2	4.3	3.3
Apr	2.3	3.3	2.3
May-24	2.0	3.0	1.9

Source: ONS.

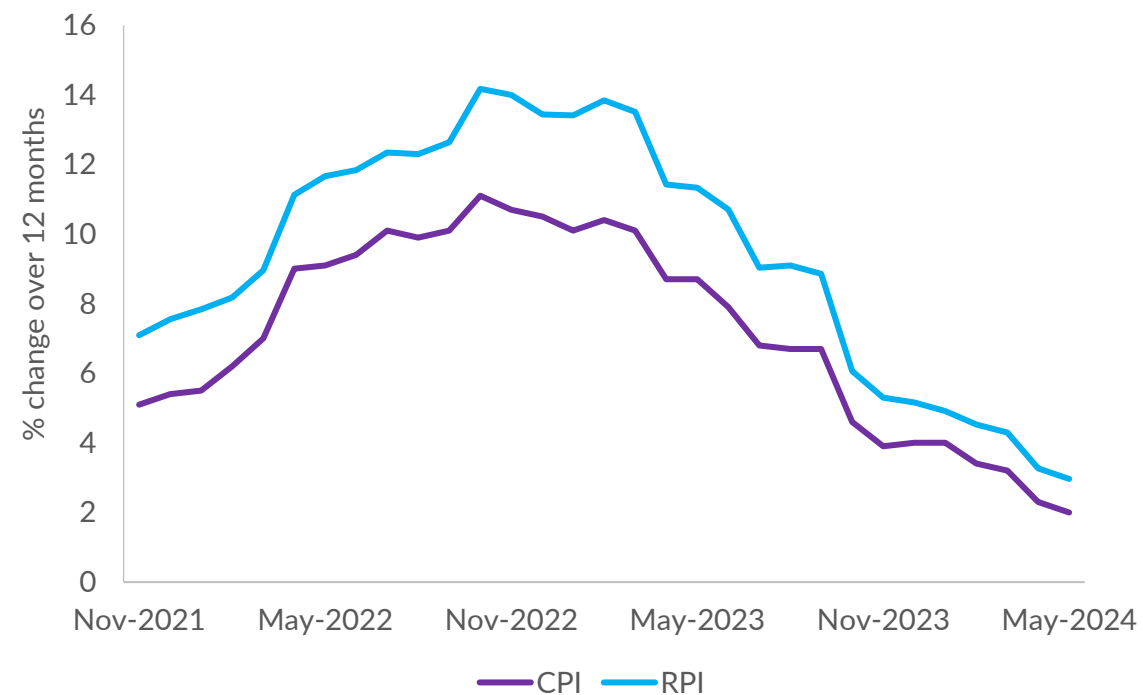
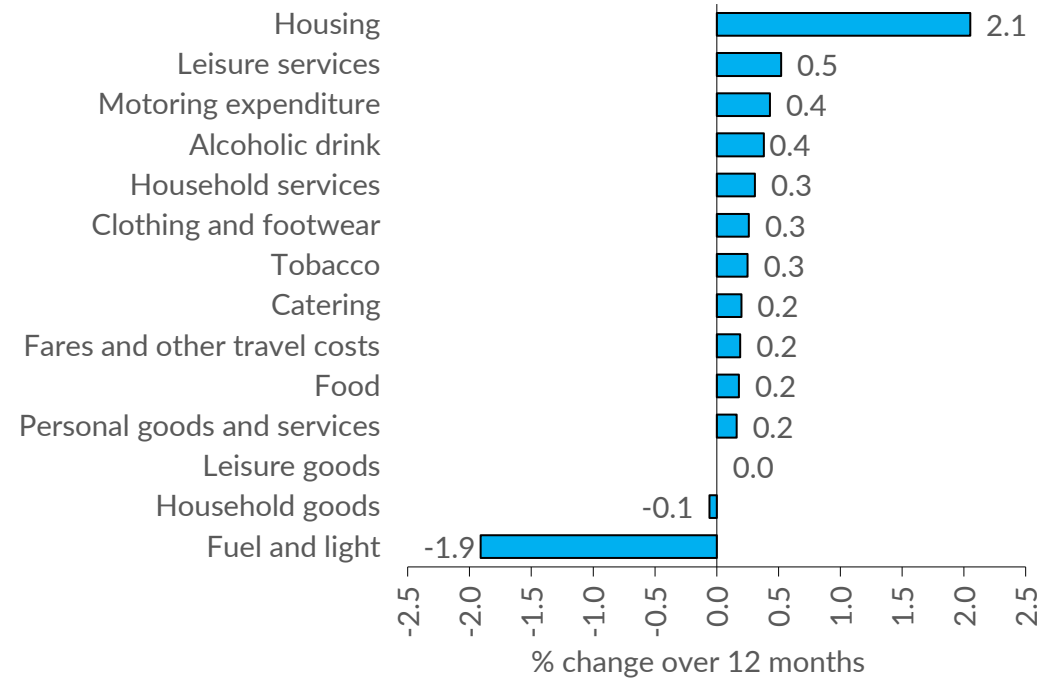
CPI: CONTRIBUTIONS TO THE ANNUAL RATE

	Food & non-alcoholic beverages	Clothing & Footwear	Housing & household services	Furniture & household goods	Transport	Restaurants & hotels
May-23	18.3	7.1	12.1	7.5	1.2	10.3
Jun	17.3	7.2	12.0	6.5	-1.8	9.5
Jul	14.8	6.6	6.8	6.2	-2.0	9.6
Aug	13.6	7.0	7.0	5.1	-0.5	8.3
Sep	12.1	6.9	6.9	3.7	0.7	8.6
Oct	10.1	6.2	-3.5	3.1	0.5	7.5
Nov	9.2	5.7	-3.4	2.3	-1.5	7.5
Dec	8.0	6.4	-3.4	2.5	-1.1	7.0
Jan	6.9	5.6	-2.1	0.4	-0.3	7.0
Feb	5.0	5.0	-1.7	0.0	-0.1	6.0
Mar	4.0	4.0	-1.6	-0.9	0.1	5.8
Apr	2.9	3.7	-4.9	-1.0	0.1	6.0
May-24	1.7	3.0	-4.8	-1.9	0.5	5.8

Source: ONS.

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

RPI: CONTRIBUTIONS TO THE ANNUAL RATE



SUMMARY MAY

CPI

2.0%

Down from 2.3% in April.



CPI Food

1.7%

Down from 2.9% in April.



CPI eases to lowest since July 2021

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UK EMPLOYMENT

In the three months to April 2024:

- The UK employment rate was estimated at 74.3%, 0.5 percentage points lower when compared to the previous three-month period, and 1.9 percentage points lower than before the coronavirus pandemic (December 2019 to February 2020).
- The UK unemployment rate was estimated at 4.4%, 0.4 percentage points higher than over the previous three-month period, and 0.3 percentage points above pre-Covid levels.
- Total hours worked decreased in the most recent reporting period, to 1.05 billion hours, slightly above pre-pandemic levels, broadly signifying normalisation in the labour market.
- The UK economic inactivity rate was estimated at 22.3%, higher on the previous quarter, and 1.7 percentage points higher than before the coronavirus pandemic.

*Note: Headline estimates are not accredited 'official statistics' designation, and the 'Transformed Labour Force Survey' (TLFS) figures will now be published in September, when the Office for National Statistics introduces its new methodology for the collection of the UK's labour market figures (see more information [here](#)).*

LABOUR FORCE SURVEY

	Claimant Count		Unemployment	
	mills	% rate	Mills	% rate
May-23	1,522	4.0	1,395	4.0
Jun	1,535	4.0	1,460	4.2
Jul	1,546	4.1	1,496	4.3
Aug	1,537	4.0	1,452	4.2
Sep	1,544	4.0	1,407	4.1
Oct	1,553	4.1	1,367	4.0
Nov	1,558	4.1	1,355	3.9
Dec	1,562	4.1	1,320	3.8
Jan	1,566	4.1	1,373	4.0
Feb	1,572	4.1	1,440	4.2
Mar	1,570	4.1	1,486	4.3
Apr	1,578	4.1	1,510	4.4
May-24	1,629	4.3	NA	NA

Source: ONS

EMPLOYMENT (3 MONTHS ENDING)

Employment (3 months ending) (000s)	Total	Full-time	Part-time
Apr-23	33,326	24,730	8,596
May	33,311	24,705	8,606
Jun	33,163	24,518	8,645
Jul	33,082	24,500	8,582
Aug	33,028	24,487	8,541
Sep	33,102	24,607	8,495
Oct	33,196	24,687	8,509
Nov	33,136	24,743	8,393
Dec	33,174	24,813	8,361
Jan	33,107	24,849	8,257
Feb	32,980	24,759	8,222
Mar	32,997	24,850	8,146
Apr-24	32,967	24,704	8,263

Source: ONS

SUMMARY APRIL

Unemployment Rate

4.4%



Up from 4.3% in March.

Total Employment

74.3%



Down from 74.5% in March.

Inactivity higher than first estimated



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EARNINGS

Between February and April 2024 (compared to a year ago):

- **Regular pay** was estimated to have increased by 6.0% in nominal terms and increased by 2.3% in real terms.
- **Total pay** was estimated to have increased by 5.9% in nominal terms and increased by 2.2% in real terms.

Between February and April 2023 and February and April 2024:

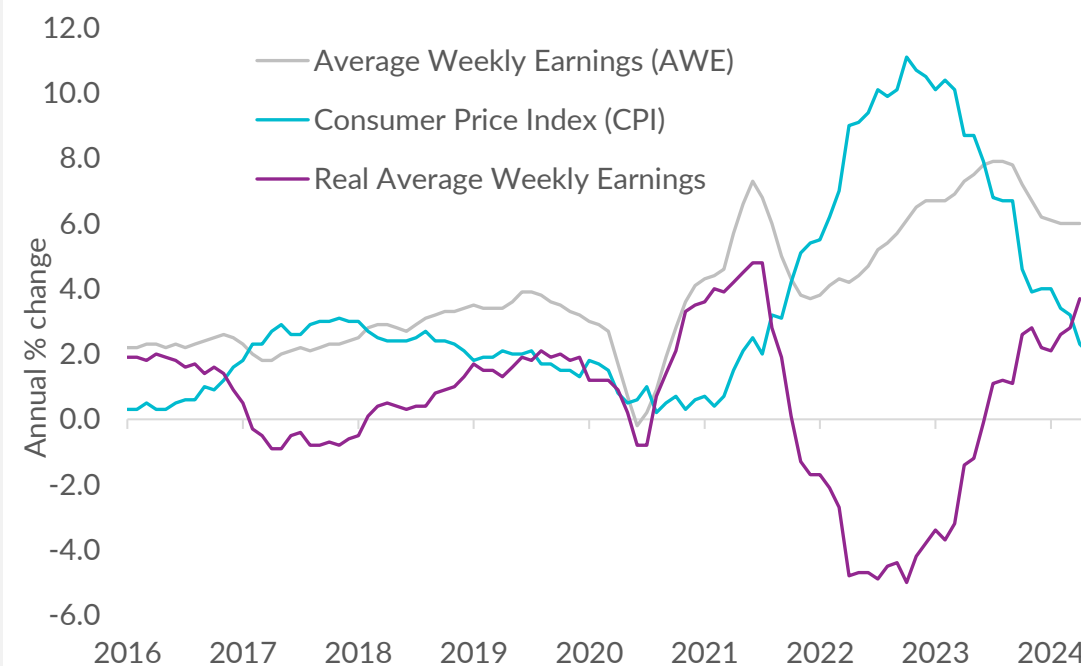
- **Average regular pay (excluding bonuses)** was estimated at £640 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£605 per week) and £486 per week in real terms (constant 2015 prices), higher than the estimate for a year earlier (£473 per week).
- **Average total pay (including bonuses)** was estimated at £687 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£652 per week) and £523 per week in real terms (constant 2015 prices), higher than the estimate for a year earlier (£511 per week).

AVERAGE WEEKLY EARNINGS GROWTH

	Average Weekly Earnings	Consumer Price Index (CPI)	Real Average Weekly Earnings
May-23	7.5	8.7	-1.2
Jun	7.8	7.9	-0.1
Jul	7.9	6.8	1.1
Aug	7.9	6.7	1.2
Sep	7.8	6.7	1.1
Oct	7.2	4.6	2.6
Nov	6.7	3.9	2.8
Dec	6.2	4.0	2.2
Jan	6.1	4.0	2.1
Feb	6.0	3.4	2.6
Mar	6.0	3.2	2.8
Apr	6.0	2.3	3.7
May-24		2.0	

Source: ONS.

LONG TERM EARNINGS SERIES



SUMMARY APRIL

Regular pay growth

6.0%

Unchanged from 6.0% in March.

Total pay growth

5.9%

Unchanged from 5.9% in March.

Real wage growth heads above 2%

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MONEY, CREDIT & INSOLVENCIES

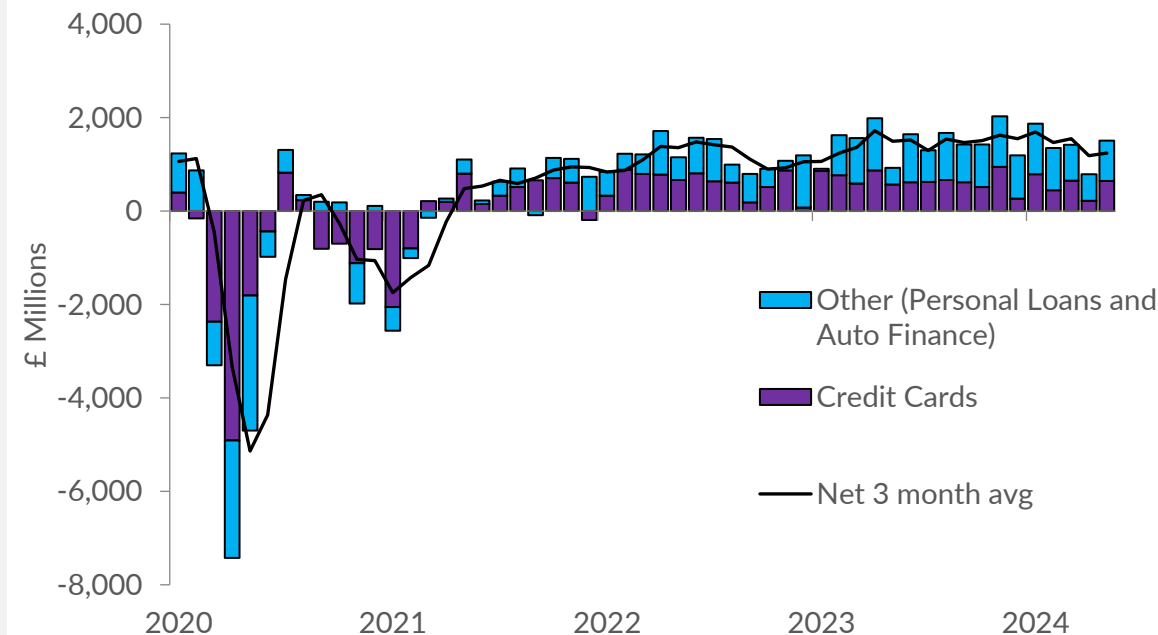
- Consumers in May borrowed an additional £1.5 billion in consumer credit, in net terms, of which borrowing was £0.9 billion in personal/auto loans and £0.6 billion of which was repayments on credit cards.
- Individuals borrowed £1.2bn in mortgage debt in May, compared to £2.2bn in net borrowing in April. Mortgage approvals for house purchases were little changed at 60,000, slightly down from 60,800.
- Sterling money (known as M4ex) net flows were £2.6 billion in May, down from £9.3 billion in the preceding month. Households in net terms deposited £5.3 billion at banks and building societies, compared with £8.4 billion of deposits in the preceding month.
- The effective interest rate paid on households' new time deposits with banks and building societies rose slightly to 4.43%, up from 4.40%.
- Private non-financial companies (PNFCs) in total repaid a net £0.5 billion in market finance from capital markets, compared to £1.1 billion of net repayments in the preceding month.
- There were 505 retail insolvencies in Great Britain in Q1 2024, down from 637 in Q4 2023. In 2023, there were 2,335 insolvencies, 22.9% higher compared to the 1,900 figure in 2022.
- There were 4 retail CVAs in England and Wales during Q1 2024, unchanged from 4 in Q4 2023. In 2023, the industry had 14 companies enter a Company Voluntary Arrangement, up since 2022 and 2021 when there were 10 and 13 CVAs respectively.

CONSUMER CREDIT

	Consumer Credit monthly changes (bn)	Credit Cards monthly changes (bn)	Other Loans and Advances monthly changes (bn)
May-23	927	573	354
Jun	1,649	618	1,031
Jul	1,307	623	684
Aug	1,672	666	1,006
Sep	1,426	621	805
Oct	1,426	518	908
Nov	2,031	948	1,082
Dec	1,192	269	923
Jan	1,872	790	1,082
Feb	1,351	447	904
Mar	1,423	652	771
Apr	790	220	570
May-24	1,513	646	866

Source: Bank of England

CONSUMER CREDIT



Source: Bank of England

SUMMARY MAY

Net consumer credit

£1.5bn



Up from £0.8 billion in April.

Net credit card lending

£0.6bn



Up from £0.2 billion in April.

The effective rate on new personal loans increased to 9.01% and increased on credit cards to 21.46%

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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 (£)
May-23	1.25	1.15	8.70	171.03
Jun	1.26	1.17	9.14	178.57
Jul	1.29	1.17	9.22	181.72
Aug	1.27	1.16	9.17	183.88
Sep	1.24	1.16	8.91	183.06
Oct	1.22	1.15	8.89	182.01
Nov	1.24	1.15	9.07	186.13
Dec	1.27	1.16	9.07	182.28
Jan	1.27	1.17	9.14	185.70
Feb	1.26	1.17	9.11	188.86
Mar	1.27	1.17	9.13	190.41
Apr	1.25	1.17	9.03	192.63
May-24	1.26	1.17	9.26	197.05

Source: Average monthly exchange rate, Bank of England

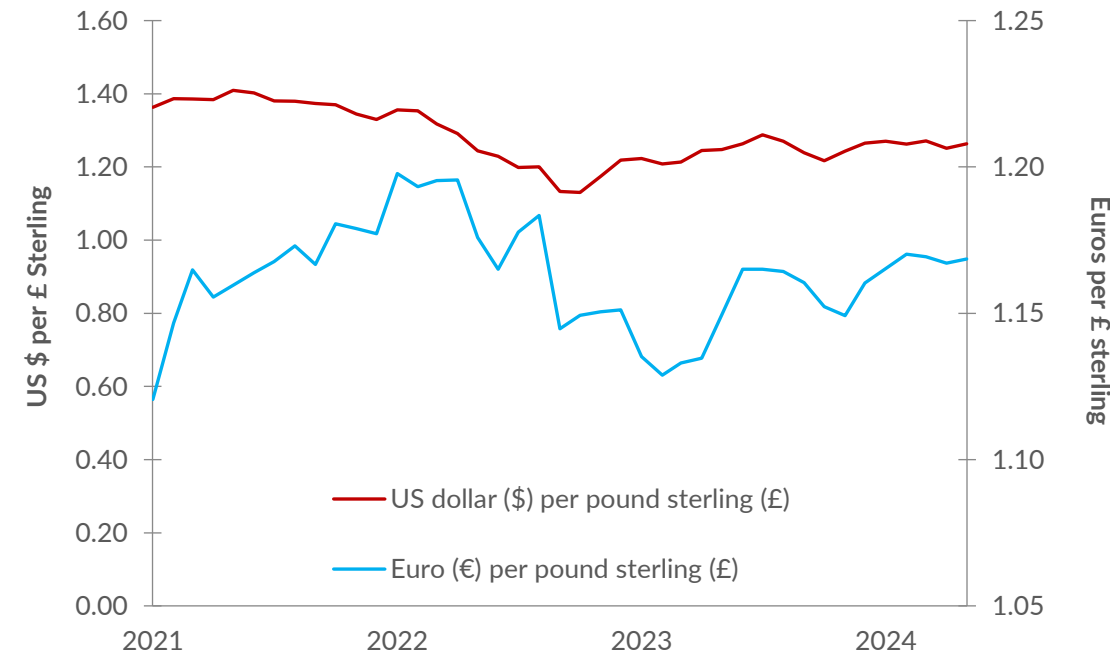
IMPACTS FROM CURRENCY DEPRECIATION

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.

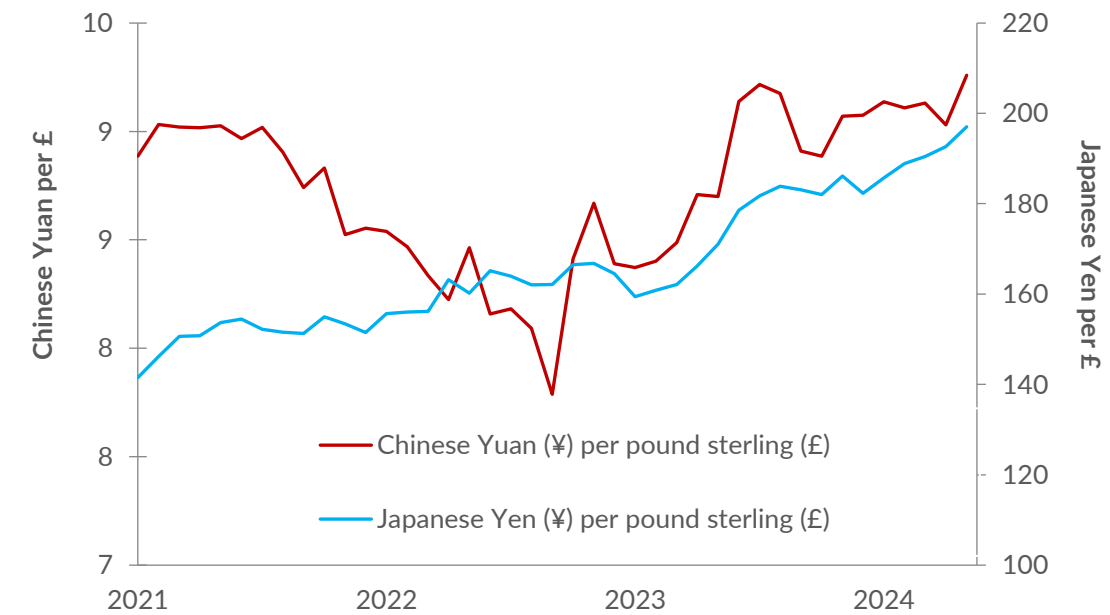
However, this failed to materialise following the post-referendum depreciation from 2016, most likely due to specialised supply chains.

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

1.3%

Sterling appreciation in relation to the USD, YoY.



EURO TO GBP, YOY

1.7%

Sterling appreciation in relation to the Euro, YoY.



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

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# CONSENSUS FORECASTS FOR THE UK ECONOMY

CONSENSUS ECONOMIC FORECASTS, CITY, OBR AND INDEPENDENT AVERAGE

	2024			2025		
	City	BoE	OBR	City	BoE	OBR
<b>GDP</b>	0.4	0.5	0.8	1.1	1.0	1.9
<b>Cons. Spending</b>	0.3	0.3	2.9	1.2	1.3	2.0
<b>CPI (Q4)</b>	2.0	2.5	1.4	2.0	2.3	1.6
<b>Avg Earnings</b>	4.0	5.3	3.4	2.7	2.3	1.8
<b>Bank Rate (Q4)</b>	4.3	4.8	4.2	3.4	4.3	3.4

Source: City average forecasts in HM Treasury’s ‘Forecasts for the UK Economy’, the Bank of England’s (BoE) May 2024 Monetary Policy Report and the Office for Budget Responsibility’s (OBR) Economic and fiscal outlook – March 2024 forecasts.

## SUMMARY FORECASTS

GDP 2024

0.4%



Up from the previous projection of 0.2%

Avg. Earnings 2024

4.0%



Revised up from a previous projection of 3.8%.

The consensus City forecast for 2024 growth in June was 0.4%

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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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