



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.

SEPTEMBER 2024

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GDP 0.9% HIGHER THAN A YEAR AGO

Strong economic growth continued over Q2 2024, with GDP expanding 0.6%, following growth of 0.7% in the preceding quarter. So far, stellar performance has coincided with a return to GDP per head rising, suggesting growing consumer purchasing power. Indeed, our most recent Customer Sentiment Monitor suggests the outlook surrounding personal finances remains stable.

However, rising energy bills mean that inflation will experience some upward impetus over the coming months, with the housing and energy component starting to push up on the headline rate of inflation, particularly over Q4. Goods deflation is expected to persist; however, services inflation is likely to continue sustaining inflationary pressures into early 2025. This will limit the pace of interest rate cuts and push the bulk of any cuts into next year.

Risks remain skewed to the upside in further commodity price movements, and although prices eased on the month, they remain higher than a year ago. Natural gas prices pressed upwards, seeing heightened volatility following Ukraine’s incursion into Russia, though oil prices stepped back. This mixed picture is likely to culminate in a plateauing of business input costs, and as a result will keep cost burdens high.

GDP GROWTH

0.6%

% change – QOQ, Q2 2024
Up from 0.7% in Q1 2024

CPI INFLATION

2.2%

% change - YOY July
Up from 2.2% in June

UNEMPLOYMENT

4.2%

June
Down from 4.4% in May

WAGE GROWTH

5.4%

% change – YOY June
Down from 5.8% in May

BRC – KPMG RETAIL SALES

0.5%

% change – YOY, July
Up from -0.2% in June

CONSUMER CONFIDENCE

-13

August
Unchanged from -13 in July

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GDP FLAT IN JUNE

Indicators of Economic Output

GDP was flat in June, following no growth in May. Services activity contracted marginally by 0.1%, and the largest downward contributor was wholesale and retail trade activities. The biggest upward contributor was professional, scientific and technical activities. Consumer-facing services contracted similarly, and retail trade provided the largest negative contribution. The biggest upward contributor was food and beverage service activities.

Looking at the most recent quarterly figures, the economy expanded by 0.6% over the second quarter of 2024. Relative to the pre-pandemic benchmark of Q4 2019, economic output is 2.3% above this level. Services output expanded robustly, and the biggest increase came from professional, scientific and technical activities. Wholesale and retail trade declined marginally on the quarter. Production output decreased slightly by 0.1%, and, within this, manufacturing activity declined most steeply, driven by the manufacture of transport equipment. Construction output fell by 0.1% as a slump in residential and infrastructure construction drove declines in new construction activity. Looking at the expenditure side, net trade provided the only negative contribution to headline GDP, and household expenditure rose by 0.2% in real terms. Investment, however, fell -0.1% on the quarter and is currently 5.2% above its pre-Covid level.

The latest S&P Global UK Composite PMI showed activity in August stayed in positive territory, with the overall index inching up to 53.4, above the no-change 50-mark, a 4-month high. Services activity continues to expand, and the pace of expansion picked up in the most recent month. Manufacturing activity expanded but the pace eased to a 2-month low. “Prices charged” inflation slowed to its weakest since early 2021, driven mainly by more competitive market conditions, though manufacturing firms are still increasing prices faster due to high shipping bills.

Prices and Monetary Policy

Inflation accelerated in July and the Consumer Price Index rose to 2.2%. Of the headline rate, 0.2% emanates from food, 0.7% from restaurants and hotels, and 0.5% from recreation and culture. Housing and energy costs are now pushing down by less on inflation, shaving off 0.2% from the headline figure. Fuel prices rose for both petrol and diesel, with these figures registered when petrol was £1.44 per litre and diesel £1.50.

Gas and certain food commodity prices are inching upwards, and shipping rates have recently soared, with the Shanghai to Rotterdam route seeing a 346% rise in the spot rate. Global oil prices had recently peaked at \$93 per barrel in April but have more recently stabilised at around \$81 (August average). Domestically, the headline Producer Price Inflation (PPI) measure for business input costs entered slight inflation over July. Output cost inflation also remained slightly positive, suggesting business cost pressures have significantly eased, although remain at a high level.

The Bank of England (BoE), in August, opted to cut interest rates for the first time since 2020, following seven consecutive pauses, to 5%, though still remaining at decade-highs. The latest forecasts are considerably more optimistic about economic growth over 2024, projecting 1.3% GDP growth. It settles at around 1% over 2025 and 2026, with real incomes expected to exhibit a decent increase of 3.5%, over this year, easing to 1.5% 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 average 2.2% over Q3 2024, before rising again. With a sustainable return to the 2% target from Q1 2026 onwards, falling below 2% from there onwards. Households will continue to feel the effects of higher mortgage repayments, however, 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
(August Forecast)

1.3%

IMF (April Forecast)

0.5%

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UNEMPLOYMENT DECREASES TO 4.2%

Faster Indicators: BRC-KPMG Retail Sales

In July 2024, Total UK retail sales saw a modest rise of 0.5%, falling short of the 1.5% growth recorded in July of the previous year.

Food sales exhibited a rise in the three months leading up to July, signalling favourable performance compared to the corresponding period last year. This increase was higher than the growth observed in the preceding three months leading up to June. While the rate of growth has been steady rather than exponential, it suggests a gradual improvement in consumer confidence relating to food purchases.

Non-food sales experienced a decline in the three months leading up to July when compared to the same timeframe in the previous year. This downturn indicates a reduction in consumer expenditure on non-food items.

Labour Market

The UK’s labour market continues to cool, though the ONS’ most recent statistics estimate the unemployment rate (in the three months to June) edged down to 4.2%, 0.2 percentage points higher than at the start of the year. The economic inactivity rate remains above pre-pandemic norms, however and declined in the most recent period to 22.1%, down from 22.3%.The job vacancy figures additionally suggest labour demand has slowed considerably.

Job vacancies fell to 884,000 in the three months to July and have come down significantly since their recent peak. This still represents 65,000 more vacancies than before the pandemic. Vacancies are above pre-crisis levels in 14 of 18 sectors, most notably healthcare jobs. In absolute terms, the wholesale and retail sector accounts for the fourth largest number of vacancies, at 87,000, which is 33,000 below pre-pandemic levels.

Outlook

The UK’s economy has performed very well through the first half of 2024, and GDP growth has exceeded that across mainland Europe. This trend is expected to have continued over Q3, with the most recent Bank of England forecasts suggestive of continued resilience into 2025. In contrast to mainland Europe, where the trend is of expanding services activity and a contraction in manufacturing, the UK is experiencing a resurgence in both. This has been buoyed by strengthening consumer as well as business sentiment. The recent cut in interest rates has prompted optimism in further cuts, however the rate is unlikely to fall much further below 4% over 2025. Commodity price risks remain in play, and whilst prices eased on the month slightly, prices remain higher than a year ago. Particular input costs such as freight container costs are 346% higher than a year ago, keeping cost burdens elevated. Inflation is expected to remain above target by year-end, which is likely to limit the pace of rate cuts, the bulk of which are expected to take place next year.

% year-on-year (unless otherwise specified)	2022	2023	2024 (f)	2025(f)	2026(f)
Real GDP	4.3	0.0	1.3	1.0	1.3
Inflation	10.8	4.3	2.8	2.3	1.5
Unemployment (rate)	4.0	3.8	4.5	4.8	4.8
Interest (Bank Rate)	2.8	5.3	4.9	4.1	3.7
Real post-tax labour income	-2.5	0.8	3.5	1.5	0.5

Source: Bank of England, Monetary Policy Report August 2024

Note: Headline labour market statistics (unemployment and inactivity rates) are currently not accredited ‘official statistics’ designation.

PROJECTIONS FOR 2024 UK GDP GROWTH

Bank of England (August Forecast)

1.3%

IMF (April Forecast)

0.5%

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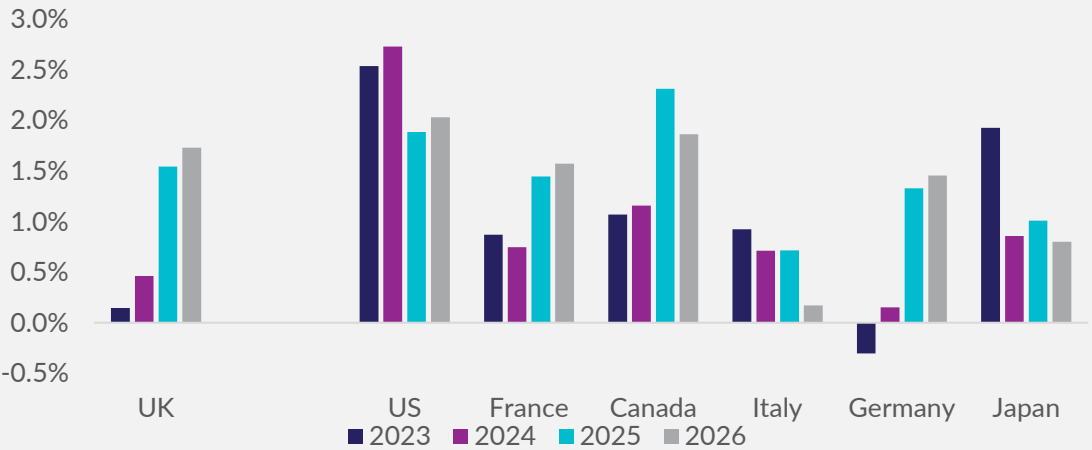


GLOBAL DEMAND UNDER PRESSURE

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, with the one exception being the British Pound. The squeeze on emerging markets via higher debt interest payments is anticipated to slow global economic activity. Uncertainty remains in the conclusion of the Ukraine-Russia conflict, tensions in the Middle East, and the effects of a demand shock from China (as it tries to stem deflation and buoy private consumption amidst the bursting of a property bubble) add tail risks to the global outlook. As these impacts are uncertain and volatile, commodity prices could rise higher as a result. As economic activity experiences persistent headwinds in weaker demand and elevated interest rates, global activity will be weighed upon.

The US economy expanded by 3.0% on an annualised basis in Q2 2024, an eighth consecutive period of growth, a notable acceleration compared to the preceding quarter. The increase was led by improvements in consumer spending and business investment that were offset partly by higher imports. The US' growth has picked up though an elevated Federal Funds Rate is 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 Q2 2024, growing 0.6% (on an annual basis), up from 0.5% in Q1 2024. Germany's economy contracted by -0.1% (unchanged from -0.1% in Q1 2024). In contrast, France's GDP expanded by 1.1% (down from 1.5% in Q1 2024), Italy's by 0.9% (up from 0.6% in Q1 2024) and Spain's by 2.9% (up from 2.6% in Q1 2024).

The August S&P Global Eurozone Composite PMI shows business activity remained in expansionary territory and rose to a 3-month high. Activity picked up, particularly in the service sector, with manufacturing still witnessing falling output levels. Hence the bulk of growth momentum registered was largely accounted for by services, as compared to manufacturing. Input cost inflation continues to ease but cost burdens remain above their historical trend level.

US inflation eased to 2.9% in July 2024. Inflation has now settled to its lowest since March 2021. The Federal Reserve has embarked upon an aggressive tightening cycle over the past two years, 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 it is likely to cut the Federal Funds rate during their next meeting, this month.

Inflation in the Eurozone has slowed from recent highs, and the European Central Bank was 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 picked up slightly to 2.6% in the 12 months to July. Energy prices were 1.2% higher on the year, food, alcohol and tobacco prices 2.3% higher and the cost of non-energy industrial goods increased 0.7%.

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 RISE IN JULY

UK retail sales rose by 0.5% in July, following an upwardly revised decrease of 0.9% in June. In broader terms, sales volumes rose by 1.1% in the three months leading up to July when compared to the preceding three months.

Food store sales were flat on the month, following a 1.0% contraction in June. The divergence between sales values and volumes is greatest in this category of retail sales. Food stores' sales volumes are now 5.4% below their pre-pandemic February 2020 levels, as consumers grapple with a higher price level for food.

Non-food store sales rose by 1.4% on the month, with sales volumes having fallen by 1.9% in the preceding month. Volumes rose the most in non-specialised stores, household goods stores, as well as non-store retailers. They contracted in fashion stores and household goods stores. Automotive fuel sales volumes also fell, by 1.9%, in July.

The proportion of retail sales conducted online (seasonally adjusted) rose to its highest since February 2022 at 27.8% in July, up from 27.4% in June. Online sales remain well 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

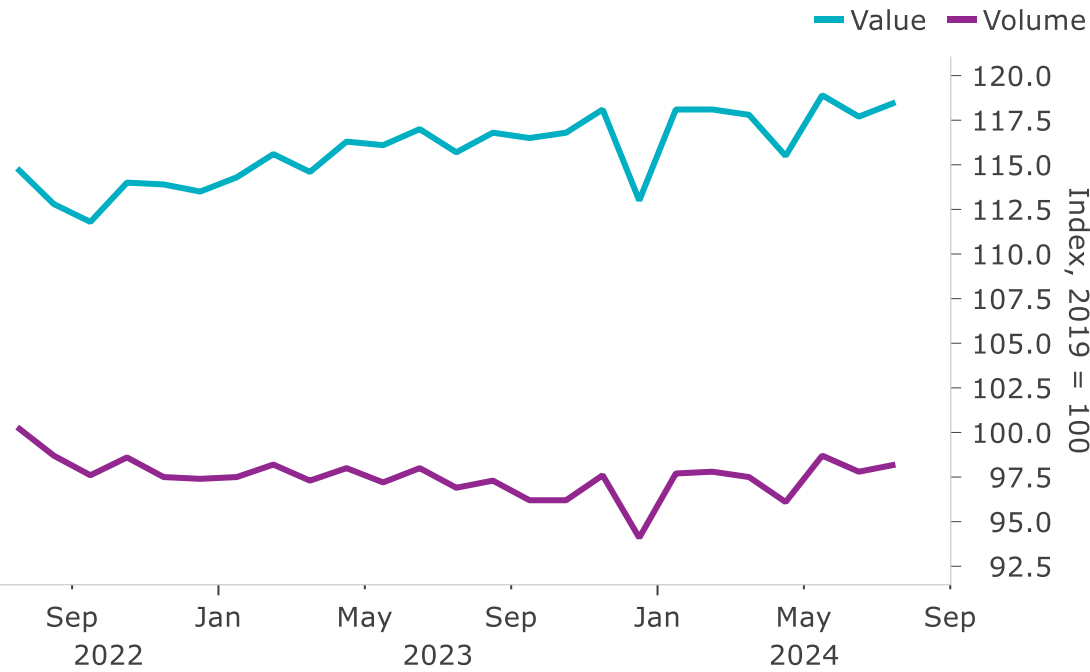
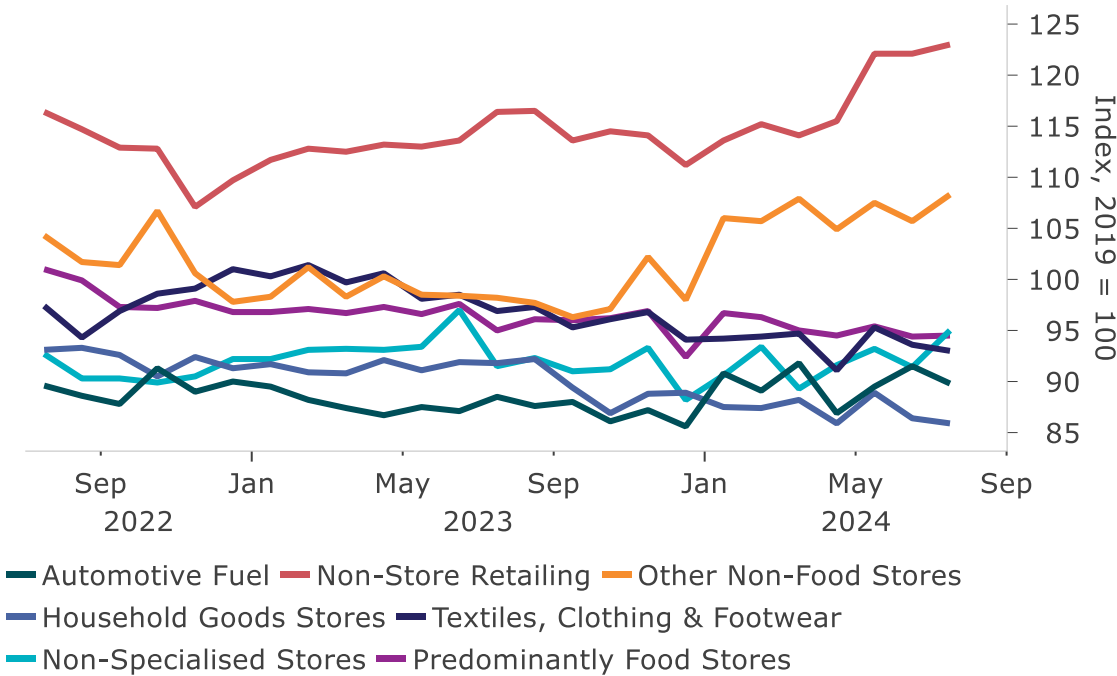


FIG 2 – ONS Retail Sales Category Volumes



SUMMARY JULY

Retail Sales

0.5%

Up from -1.9% in June.

▲

Online Sales

2.5%

Up from -2.0% in June.

▲

Volatile sales picture in recent months

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ONS & BRC SALES GROWTH – VALUE TERMS

% change on year ago	RSI Sales	RSM Sales
May-24	2.5	0.7
Jun-24	-0.2	-0.2
Jul-24	2.5	0.5

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
Jul-23	4.4	5.3	5.1	5.9	2.9	-0.7	6.1
Aug	6.4	7.2	8.0	10.2	2.9	0.8	7.6
Sep	5.4	9.0	5.6	4.7	-1.0	-0.8	4.9
Oct	4.0	7.9	5.6	3.6	-2.7	-4.8	5.7
Nov	5.6	6.9	5.8	3.1	-2.6	4.6	10.0
Dec	1.1	2.8	-1.8	-1.4	-5.4	0.1	5.6
Jan	4.0	6.1	0.7	-1.1	-4.6	9.3	3.8
Feb	3.0	4.4	2.5	-2.3	-2.9	5.0	4.6
Mar	3.9	5.2	-1.4	0.3	-3.3	11.2	2.9
Apr	-2.1	-2.8	-3.6	-8.5	-8.4	5.2	2.9
May	2.5	1.2	-0.2	-0.8	-4.0	8.6	8.9
Jun	-0.2	-1.2	-6.3	-4.0	-7.2	6.8	7.4
Jul-24	2.5	2.0	4.0	-2.7	-7.8	8.8	7.3

Source: ONS RSI

LARGE & SMALL RETAILERS

% change on year ago	ONS Large Retailers	ONS Small Retailers
May-24	2.3	3.0
Jun-24	-1.0	2.6
Jul-24	2.0	3.9

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
Jul-23	-0.9	-0.6	0.3	-2.8	-1.3	-1.7	0.4
Aug	0.5	0.6	2.2	0.6	0.5	-0.7	0.5
Sep	-1.1	-2.5	-2.5	-2.0	-0.1	1.0	2.0
Oct	0.6	1.3	-0.2	0.6	0.9	-0.8	0.2
Nov	-1.3	-0.1	-1.7	-2.0	-3.1	-1.5	-2.8
Dec	0.1	0.2	0.1	0.7	-2.7	0.7	0.6
Jan	1.6	0.8	2.1	0.8	2.5	5.3	0.2
Feb	-3.8	-4.6	-5.3	-2.9	0.5	-4.1	-3.4
Mar	3.7	4.7	2.7	0.2	-1.2	8.2	2.4
Apr	0.2	-0.4	2.6	0.1	0.2	-0.1	0.7
May	-0.5	-1.2	-4.3	0.5	1.0	1.8	-0.7
Jun	-1.4	-0.8	3.1	-4.5	-2.3	-5.2	1.5
Jul-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
Jul-23	£8.8bn	£8.8bn	10.5	26.3
Aug	£8.6bn	£8.6bn	10.5	25.3
Sep	£8.4bn	£8.4bn	8.2	25.9
Oct	£9.0bn	£9.0bn	7.1	26.7
Nov	£10.2bn	£10.2bn	10.3	31.2
Dec	£10.6bn	£10.6bn	4.8	28.0
Jan	£8.1bn	£8.1bn	3.8	27.3
Feb	£8.3bn	£8.3bn	4.2	26.1
Mar	£8.7bn	£8.7bn	2.9	25.9
Apr	£8.5bn	£8.5bn	0.4	26.4
May	£9.1bn	£9.1bn	6.1	26.6
Jun	£8.8bn	£8.8bn	2.8	26.1
Jul-24	£9.1bn	£9.1bn	3.8	26.7

Source: ONS RSI

SUMMARY JULY

ONS Sales

2.5%

Up from -0.2% in June.



Large retailers

2.0%

Up from -1.0% in June.



Strong increase in
fashion store retail
sales

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CBI COMMENTARY

The retail sector saw sales volumes fall in the year to August, albeit at a slower pace. Sales volumes were judged to be poor for the time of year. Online sales contracted in the year to August and are expected to contract again this month, at a faster rate.

Ahead, year-on-year sales volumes are expected to decline again, remaining below seasonal norms, though the pace of decline will ease. Stock positions were judged to be ‘too high’ in relation to expected sales, albeit to a lesser extent than in the preceding month. Retailers anticipate that orders will continue to contract this month at a slower pace than during the previous month.

Wholesalers saw volumes contract for a third consecutive month. Sales volumes are expected to grow modestly next month, at a slower pace. Distribution reported sales volumes contracted compared to July, a third consecutive fall. Sales are expected to decrease at a slower pace in August.

VOLUME OF SALES – REALISED AND EXPECTED

	Balance	Expected (next month)
Sep-23	-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
Jun	-24	-4
Jul	-43	-9
Aug	-27	-32
Sep-24		-17

Source: CBI Distributive Trades Survey

SUMMARY AUGUST

CBI Balance

-27

Up from -43 in July.



CBI Expected (September)

-32

Up from -17 in August.



Sales outlook remains negative

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GfK CONSUMER CONFIDENCE

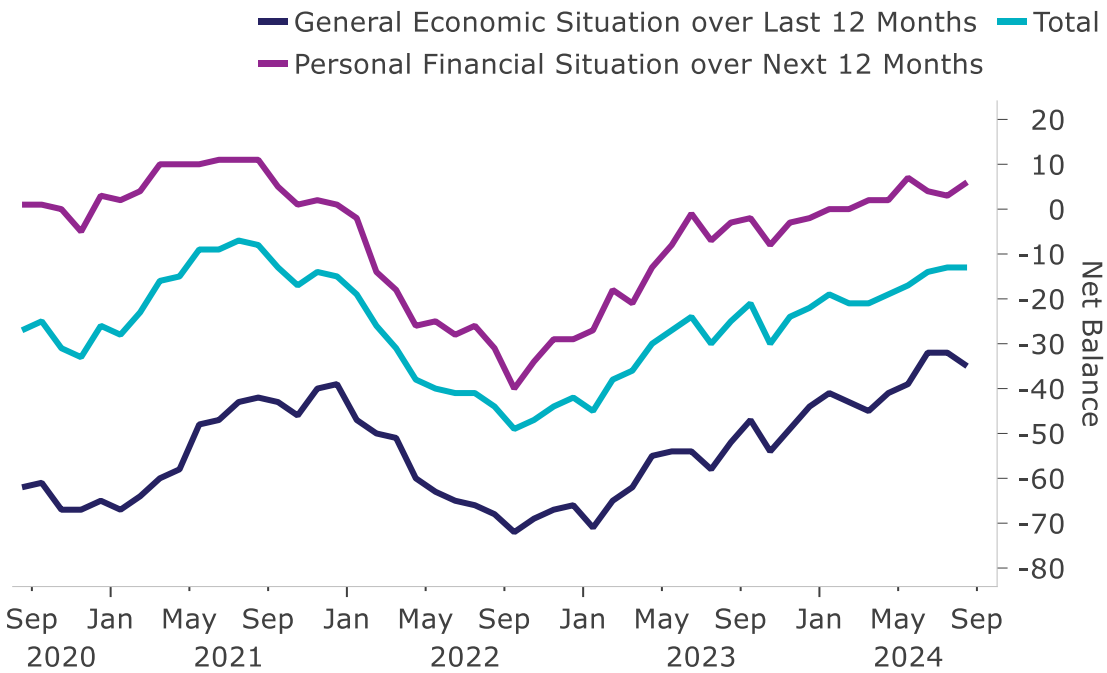
“The Overall Index Score is unchanged at -13, although there are interesting contrasts behind this headline. On the one hand, our expectations for the UK’s economy are down for the first time since February, with this measure registering a four-point decrease to -15. There’s a three-point drop in how consumers view the economy last over the past year too. At the same time, there are strong personal financial expectations for the coming year with a three-point uptick in this measure to +6.

This more positive outlook may be due to a mortgage friendly interest rate cut at the beginning of August – and hopes of more to come. The three-point jump in the Major Purchase Index is great news for retailers with more shoppers agreeing that now is a good time to buy big-ticket items. The wider point beyond the contrasts is that all the key numbers this month are significantly more encouraging than 12 and 24 months ago.”

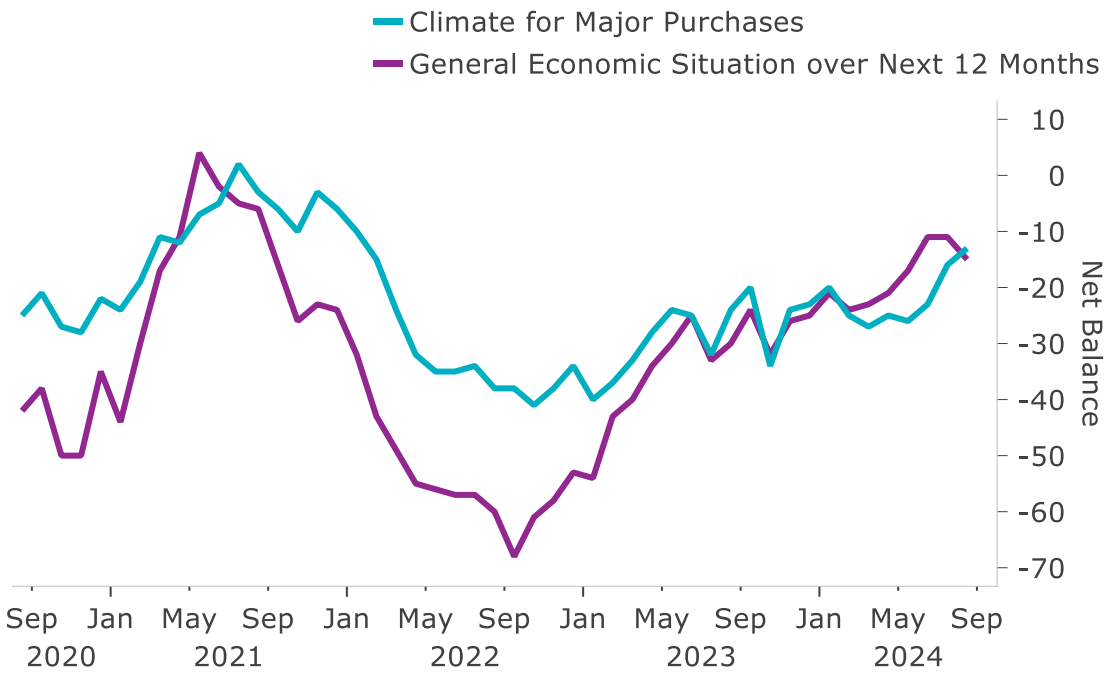
NET BALANCES BY MEASURE

	Headline index	Major Purchases	Personal finances (past YR)	Personal finances (next YR)	Economy (past YR)	Economy (Next YR)
Aug-23	-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	-14	-23	-10	4	-32	-11
Jul	-13	-16	-8	3	-32	-11
Aug-24	-13	-13	-7	6	-35	-15

LONG-TERM TRENDS



Source: GfK Consumer Confidence Index



Source: GfK Consumer Confidence Index

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Headline GfK confidence

-13

Unchanged from -13 in July.



Major Purchases confidence

-13

Up from -16 in July.



Consumer confidence stable

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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)
Jul-23	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	2.0	3.0	1.9
Jun	2.0	2.9	1.9
Jul-24	2.2	3.6	2.7

Source: ONS.

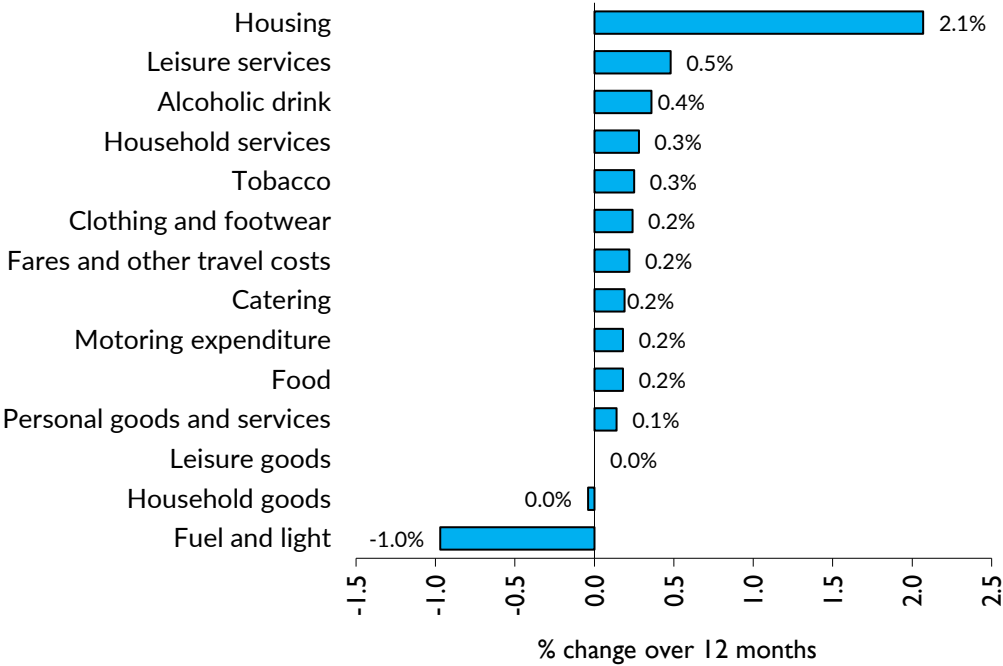
CPI: SUB-CATEGORIES, %, YOY

	Food & non-alcoholic beverages	Clothing & Footwear	Housing & household services	Furniture & household goods	Transport	Restaurants & hotels
Jul-23	14.8	6.6	6.8	6.2	-2	9.6
Aug	13.6	7	7	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	6.4	-3.4	2.5	-1.1	7
Jan	6.9	5.6	-2.1	0.4	-0.3	7
Feb	5	5	-1.7	0	-0.1	6
Mar	4	4	-1.6	-0.9	0.1	5.8
Apr	2.9	3.7	-4.9	-1	0.1	6
May	1.7	3	-4.8	-1.9	0.5	5.8
Jun	1.5	1.6	-4.7	-1.6	0.9	6.2
Jul-24	1.5	2.1	-1.5	-1.7	0.2	4.9

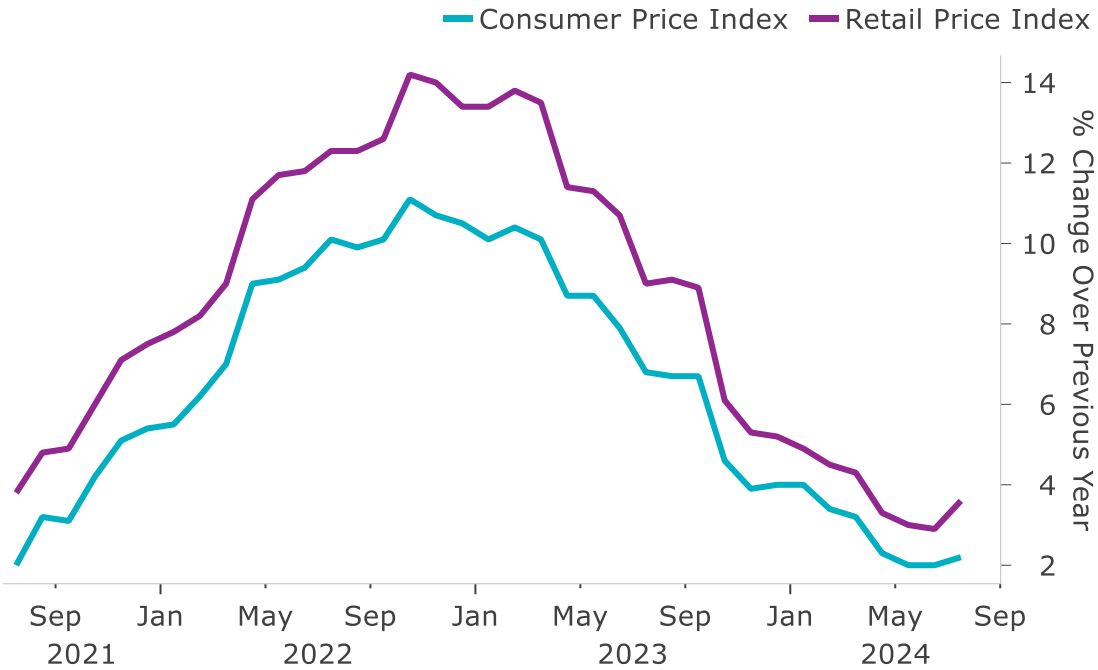
Source: ONS.

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

RPI: CONTRIBUTIONS TO THE ANNUAL RATE



CPI vs RPI



SUMMARY JULY

CPI

2.2%

Up from 2.0% in June.

CPI Food

1.5%

Unchanged from 1.5% in June.

CPI rises for first time since December

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UK EMPLOYMENT

In the three months to June 2024:

- The UK employment rate was estimated at 74.5%, unchanged when compared to the previous three-month period, and 1.7 percentage points lower than before the coronavirus pandemic (December 2019 to February 2020).
- The UK unemployment rate was estimated at 4.2%, 0.1 percentage points lower than over the previous three-month period, and 0.1 percentage points above pre-Covid levels.
- Total hours worked increased in the most recent reporting period, to 1.06 billion hours, slightly above pre-pandemic levels, broadly signifying normalisation in the labour market.
- The UK economic inactivity rate was estimated at 22.2%, lower 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 new ‘Transformed Labour Force Survey’ (TLFS) figures will now be published in September in tandem with the current Labour Force Survey (LFS) figures due to methodological concerns regarding the overrepresentation of elderly respondents in the new survey (see more information [here](#)).

LABOUR FORCE SURVEY

	Claimant Count		Unemployment	
	mills	% rate	Mills	% rate
Aug-23	1,546	4.0	1,496	4.3
Sep	1,530	4.0	1,452	4.2
Oct	1,524	4.0	1,407	4.1
Nov	1,525	4.0	1,367	4.0
Dec	1,536	4.0	1,355	3.9
Jan	1,544	4.0	1,320	3.8
Feb	1,552	4.1	1,373	4.0
Mar	1,595	4.2	1,440	4.2
Apr	1,608	4.2	1,486	4.3
May	1,594	4.2	1,510	4.4
Jun	1,629	4.3	1,528	4.4
Jul	1,640	4.3	1,435	4.2
Aug-24	1,802	4.7	NA	NA

Source: ONS

EMPLOYMENT (3 MONTHS ENDING)

Employment (3 months ending) (000s)	Total	Full-time	Part-time
Jun-23	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	32,967	24,704	8,263
May	32,999	24,791	8,208
Jun-24	33,094	24,803	8,291

Source: ONS

SUMMARY JUNE

Unemployment Rate

4.2%



Down from 4.4% in May.

Total Employment

74.5%



Up from 74.4% in May.

Inactivity higher than first estimated

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EARNINGS

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

- **Regular pay** was estimated to have increased by 5.4% in nominal terms and increased by 2.4% in real terms.
- **Total pay** was estimated to have increased by 4.5% in nominal terms and increased by 1.6% in real terms.

Between April and June 2023 and April and June 2024:

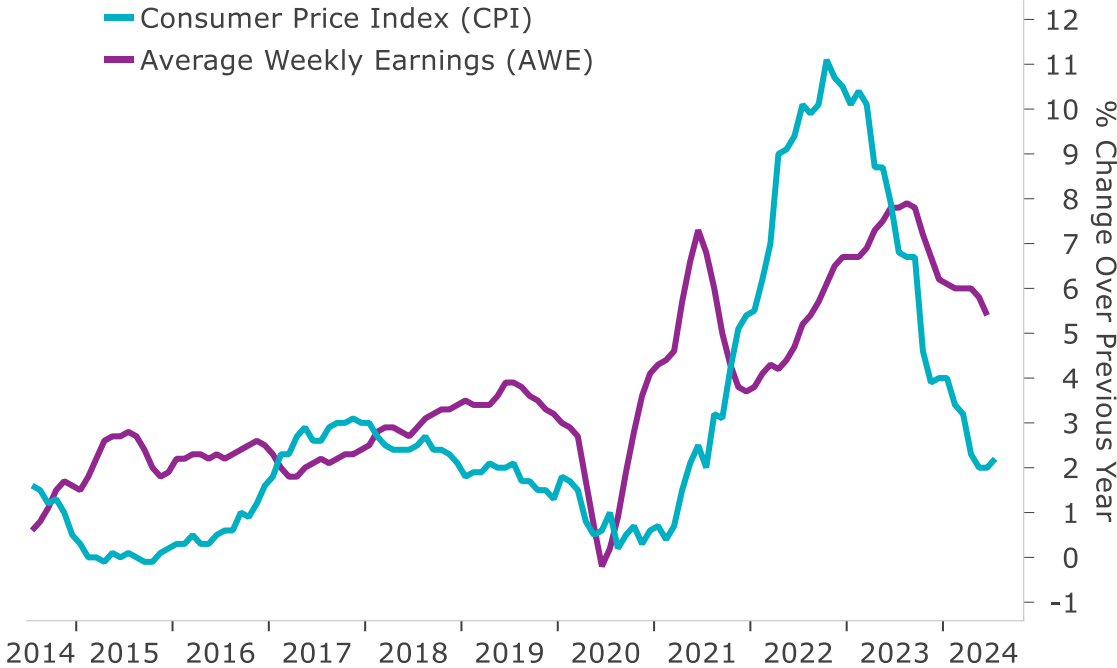
- **Average regular pay (excluding bonuses)** was estimated at £645 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£614 per week) and £487 per week in real terms (constant 2015 prices), higher than the estimate for a year earlier (£477 per week).
- **Average total pay (including bonuses)** was estimated at £690 per week in nominal terms (not adjusted for inflation), higher than the estimate for a year earlier (£670 per week) and £521 per week in real terms (constant 2015 prices), higher than the estimate for a year earlier (£520 per week).

AVERAGE WEEKLY EARNINGS GROWTH

	Average Weekly Earnings	Consumer Price Index (CPI)	Real Average Weekly Earnings
Jul-23	7.8	6.8	0.6
Aug	7.9	6.7	1.1
Sep	7.8	6.7	1.3
Oct	7.2	4.6	1.3
Nov	6.7	3.9	1.5
Dec	6.2	4.0	1.8
Jan	6.1	4.0	1.9
Feb	6.0	3.4	1.9
Mar	6.0	3.2	2.1
Apr	6.0	2.3	2.4
May	5.8	2.0	2.5
Jun	5.4	2.0	2.4
Jul-24		2.2	

Source: ONS.

LONG TERM EARNINGS SERIES



Note: The average weekly earnings measure used is 'regular pay,' which excludes bonuses and arrears.

SUMMARY JUNE

Regular pay growth

5.4%

Down from 5.8% in May.



Total pay growth

4.5%

Down from 5.7% in May.



Real wage growth heads above 2%

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MONEY, CREDIT & INSOLVENCIES

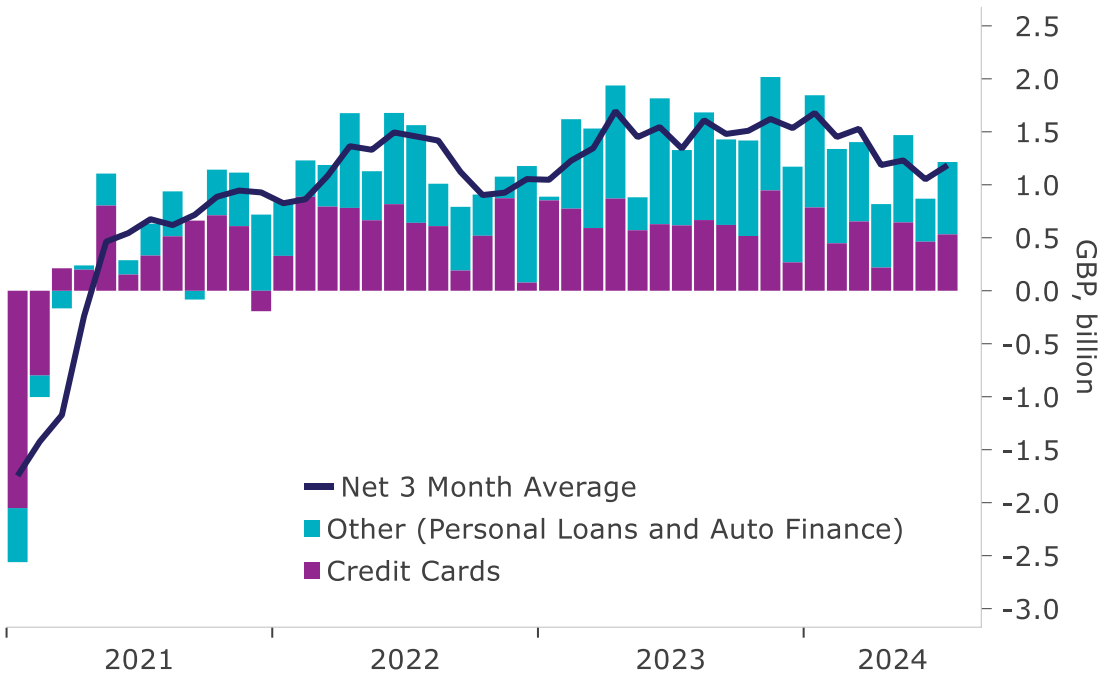
- Consumers in July borrowed an additional £1.2 billion in consumer credit, in net terms, of which borrowing was £0.7 billion in personal/auto loans and £0.5 billion of which was repayments on credit cards.
- Individuals borrowed £2.8 billion in mortgage debt in July, compared to £2.6 billion in net borrowing in June. Mortgage approvals for house purchases increased to 62,000, up from 60,600 in June, the highest since September 2022.
- Sterling money (known as M4ex) net flows were £10.2 billion in July, up from £4.3 billion in the preceding month. Households in net terms deposited £5.7 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 edged down slightly to 4.42%, down from 4.44%.
- Private non-financial companies (PNFCs) in total repaid a net £0.2 billion in market finance from capital markets, compared to £1.6 billion of net borrowing in the preceding month.
- There were 574 retail insolvencies in Great Britain in Q2 2024, up from 504 in Q1 2023. In 2023, there were 2,338 insolvencies, 23% higher compared to the 1,901 figure in 2022.
- There were 8 retail CVAs in England and Wales during Q2 2024, up from 4 in Q1 2024. 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)
Aug-23	£1.3bn	£0.6bn	£0.7bn
Sep	£1.7bn	£0.7bn	£1.0bn
Oct	£1.4bn	£0.6bn	£0.8bn
Nov	£1.4bn	£0.5bn	£0.9bn
Dec	£2.0bn	£0.9bn	£1.1bn
Jan	£1.2bn	£0.3bn	£0.9bn
Feb	£1.8bn	£0.8bn	£1.1bn
Mar	£1.3bn	£0.4bn	£0.9bn
Apr	£1.4bn	£0.7bn	£0.7bn
May	£0.8bn	£0.2bn	£0.6bn
Jun	£1.5bn	£0.6bn	£0.8bn
Jul	£0.9bn	£0.5bn	£0.4bn
Aug-24	£1.2bn	£0.5bn	£0.7bn

Source: Bank of England

CONSUMER CREDIT



Source: Bank of England

SUMMARY JULY

Net consumer credit

£1.2bn



Up from £0.9 billion in June.

Net credit card lending

£0.5bn



Unchanged from £0.5 billion in June.

The effective rate on new personal loans increased to 9.14% and decreased on credit cards to 21.61%

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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 (£)
Aug-2023	1.29	1.17	9.26	181.72
Sep	1.27	1.16	9.21	183.89
Oct	1.24	1.16	9.04	183.06
Nov	1.22	1.15	8.89	182.01
Dec	1.24	1.15	8.98	186.13
Jan	1.27	1.16	9.05	182.16
Feb	1.27	1.16	9.12	185.44
Mar	1.26	1.17	9.10	188.86
Apr	1.27	1.17	9.18	190.45
May	1.25	1.17	9.08	192.56
Jun	1.26	1.17	9.15	196.95
Jul	1.27	1.18	9.25	200.69
Aug-2024	1.29	1.19	9.36	202.76

Source: Average monthly exchange rate, Bank of England

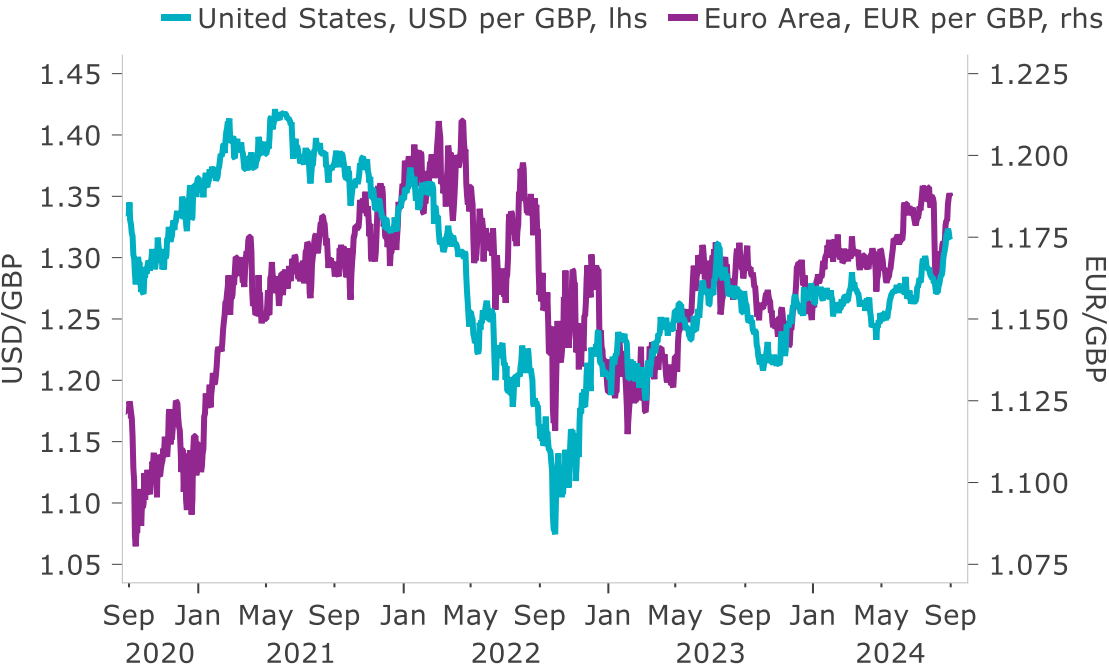
IMPACTS FROM CURRENCY DEPRECIATION

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.

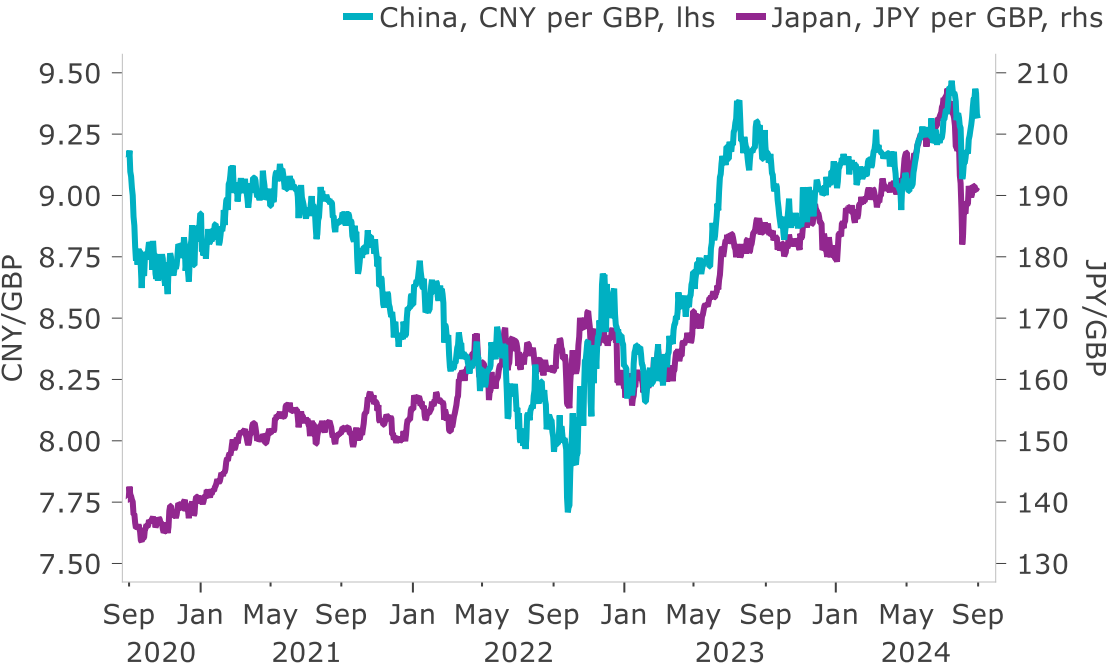
However, this failed to materialise following the post-referendum depreciation from 2016, most likely due to specialised supply chains.

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 AUGUST

USD TO GBP, YOY

1.9%

Sterling appreciation in relation to the USD , YoY.



EURO TO GBP, YOY

0.9%

Sterling appreciation in relation to the Euro, YoY.



Sterling was higher on the year in August 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
GDP	1.1	1.3	0.8	1.3	1.0	1.9
Cons. Spending	0.6	0.5	2.9	1.4	1.5	2.0
CPI (Q4)	2.5	2.8	1.4	2.0	2.3	1.6
Avg Earnings	5.0	5.0	3.4	2.8	3.0	1.8
Bank Rate (Q4)	4.6	4.9	4.2	3.5	4.1	3.4

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

Note: Average Weekly Earnings estimates are that for the private sector under the Bank of England’s forecasts.

SUMMARY FORECASTS

GDP 2024

1.1%



Up from the previous projection of 1.0%

Avg. Earnings 2024

5.0%



Unchanged from a previous projection of 5.0%.

The consensus City forecast for 2024 growth in August was 1.1%

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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/>

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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.

AUTHOR



HARVIR DHILLON
ECONOMIST

EDITOR



KRIS HAMER
DIRECTOR OF INSIGHT

CONTACT & DISCLAIMER

BRITISH RETAIL CONSORTIUM
+44 (0) 207 854 8900
insight@brc.org.uk

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