

BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC FORECAST Q3 2022

- The BCC's Q3 2022 Quarterly Economic Forecast downgraded its expectations for UK GDP growth for 2022 to 3.3% (from 3.5% in Q2) against a deteriorating economic outlook.
- UK inflation is now expected to reach 14% in Q4 2022, an upwards revision from 10%.
- BCC is now forecasting a recession for the UK economy this year, with negative economic growth for Q2, Q3, and Q4 2022.

In the short term, the BCC is now forecasting a recession for the UK economy with three consecutive quarters of contraction between Q2 and Q4 in 2022. Annual expectations for GDP growth also continue to decline, with 3.3% forecast for 2022, significantly below the 7.4% growth recorded in 2021. However, unlike the Bank of England, the BCC expects the economy to grow in 2023, albeit at a very low 0.2%, with a slight increase to 1% in 2024.

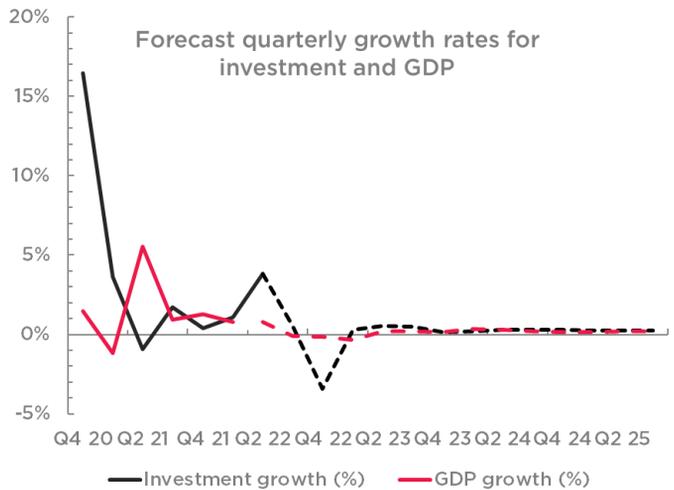
The downgrade reflects deteriorating economic conditions; rising energy costs, a decline in household spending and real wages; weaker export prospects and a pessimistic global economic outlook; and weakening business confidence and cashflow. Many of these issues were initially caused by the global response to Covid-19 and have been further compounded by the war in Ukraine.

GDP growth

3.3% forecast increase in GDP growth for 2022

2.7% forecast increase in business investment for 2022

14% forecast increase in CPI inflation rate by Q4 2022



Inflation

Businesses and consumers will continue to face exceptionally high costs as inflation spirals upwards in 2022. Increased and more sustained inflationary pressure is now forecast for Q4 2022, as the Consumer Price Index (CPI) inflation rate is expected to reach a peak of 14%. This is up from the previous, already high, projected rate of 10%. The CPI inflation rate is expected to slow to 5% in 2023, and finally return to the Bank of England's target of 2% in 2024.

Investment

Business investment is set to grow at 2.7% in 2022, an upward revision from the Q2 forecast of 1.8%. This is likely to be driven by growth in building construction rather than spending on machinery or equipment. However, it is expected to increase by only 0.6% in 2023, slightly down from the 0.8% growth predicted in Q2. Overall investment is expected to grow by 4% this year but shrink by 0.4% in 2023 before rebounding to 1.1% in 2024. Consumer spending is now forecast to grow at 3.8% in 2022, a fall from the 4% predicted in Q2.

Current forecast (2022 Q3)

BCC Economic Full Forecast (Annual % change)				
	2021	2022	2023	2024
GDP	7.4%	3.3%	0.2%	1.0%
Household Consumption	6.2%	3.8%	0.3%	1.1%
General government	14.3%	1.1%	1.0%	0.7%
Investment	5.9%	4.0%	-0.4%	1.1%
of which: Business Investment	0.8%	2.7%	0.6%	1.2%
Exports	-1.3%	2.3%	1.8%	1.2%
Imports	3.8%	7.7%	-3.8%	1.6%
Total Production	5.6%	2.1%	0.3%	1.0%
Manufacturing	7.2%	2.0%	0.0%	1.0%
Construction	12.9%	4.4%	0.4%	0.6%
Services	7.5%	3.5%	0.2%	1.1%
Unemployment rate %*	4.5%	3.8%	4.1%	4.1%
Unemployment 000's**	-27	-225	95	31
Youth unemployment rate %*	12.4%	10.5%	10.7%	10.9%
Youth unemployment 000's**	-70	-69	6	6
CPI inflation (Q4)^	5.0%	14.0%	5.0%	2.0%
Average earnings (Q4)^	4.3%	4.5%	3.6%	2.6%
Interest rates (Q4)*^	0.12	2.00	3.00	3.00
NetTrade-Goods&Services-%GDP*	-1.3%	-2.8%	-1.3%	-1.5%
BofP-CurrentAccount-%GDP*	-2.6%	-3.5%	-1.5%	-2.0%
PSNBex-BCC forecast-FinYears-%GDP*	6.0%	3.7%	1.8%	
PSNBex-BCC forecast-FinYears-£bn*	141.8	91.3	45.4	

* Reported as levels

** Change in levels

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