

UK economic forecast

The numbers behind the analysis

JUNE 2023

UK outlook: glass half full?

We have upgraded our forecast for economic growth so that we no longer expect the economy to fall into a mild recession this year, instead predicting growth of 0.4% over 2023. The near-term outlook is supported by falling inflation – in part driven by lower wholesale energy prices – giving some breathing space to households, and a more favourable global outlook. However, inflation is not expected to fall back as swiftly as expected back in December. Meanwhile, the upgrade to our forecast still entails sluggish growth for the economy, as high inflation continues to put pressure on households and pushes interest rates higher. A mild pick-up in growth next year (to 1.8%) masks longer-term challenges for the economy: with exports and business investment underperforming, and productivity remaining lacklustre.

12mth% unless otherwise stated	2022	2023	2024	2023	Q1	Q2	Q3	Q4	2024	Q1	Q2	Q3	Q4
UK forecasts													
GDP & domestic demand													
Real GDP	4.1	0.4	1.8	0.2	0.1	0.5	0.8	1.1	1.8	2.1	2.3		
Household consumption	5.6	-0.1	1.6	0.3	-0.6	-0.2	0.1	0.3	1.6	2.1	2.5		
Government consumption	1.8	-0.7	1.6	-2.9	0.0	0.2	0.1	2.7	1.7	1.0	1.0		
Fixed investment	8.6	0.9	1.2	0.4	1.8	0.6	0.7	-0.1	1.2	1.7	2.0		
of which: business investment	10.8	0.0	1.9	3.2	-0.9	-1.4	-0.8	-0.7	1.7	3.1	3.6		
External trade													
Exports	9.9	-2.8	3.3	5.2	0.5	-8.6	-6.9	2.2	3.2	4.0	4.0		
Imports	13.3	-8.0	2.7	-9.8	-9.7	-6.7	-5.9	2.1	2.3	3.1	3.4		
Net trade (pp. contribution to GDP growth)	-1.2	1.8	0.2	-0.3	-0.1	0.1	0.0	0.0	0.2	0.1	-0.1		
Current account balance (% of GDP)	-3.8	-1.9	-1.4	-2.2	-1.9	-1.7	-1.6	-1.5	-1.4	-1.2	-1.3		
Labour Market													
Unemployment (ILO, mn)	1.26	1.37	1.39	1.33	1.35	1.39	1.42	1.41	1.40	1.39	1.37		
Unemployment rate (%)	3.7	4.0	4.0	3.9	3.9	4.0	4.1	4.1	4.0	4.0	3.9		
Employment (ILO, mn):	32.74	33.03	33.23	33.00	33.02	33.04	33.06	33.09	33.18	33.27	33.40		
Average earnings (including bonuses)	6.0	5.7	3.7	5.8	6.4	5.7	5.1	4.4	4.0	3.5	3.2		
Prices													
CPI	9.1	7.2	2.8	10.2	8.5	6.4	4.3	3.8	2.2	2.5	2.5		
RPI	11.3	9.6	4.5	12.6	10.6	8.9	6.7	5.9	4.3	4.1	3.7		
Public finances*													
Net borrowing (£bn)	137.1	119.0	81.2										
% of GDP	5.4	4.5	2.9										
Debt/GDP (%)	100.0	99.9	98.4										
*2022/23; 2023/24; 2024/25													
Global GDP growth forecasts													
	2022	2023	2024										
Eurozone	3.5	0.8	1.0										
US	2.1	0.8	0.7										
Japan	1.0	1.2	0.9										
China	3.0	5.6	4.6										
India	6.7	5.8	6.4										
Global GDP (purchasing power parity)	3.3	2.6	3.0										
Forecast Assumptions													
	2022	2023	2024	2023	Q1	Q2	Q3	Q4	2024	Q1	Q2	Q3	Q4
UK Bank Rate	1.54	4.60	5.00	3.92	4.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Oil prices \$ per barrel (Brent crude)	100.8	80.0	75.4	81.2	81.1	79.4	78.1	76.8	75.8	74.8	74.0		
USD/GBP	1.24	1.25	1.25	1.22	1.25	1.26	1.26	1.26	1.26	1.25	1.25	1.25	1.25
EUR/GBP	1.17	1.14	1.14	1.13	1.14	1.15	1.15	1.15	1.15	1.14	1.14	1.14	1.14