

# CBI Economics

## UK Economic Forecast

The numbers behind the analysis



### UK outlook: shifting headwinds

December 2023

Our latest economic forecast shows that the UK is set for another year of weak growth over 2024. This largely reflects continued, but shifting, headwinds facing businesses and consumers. While we expect inflation to fall back further, household spending will be constrained by the impact of higher interest rates feeding through, and a modest loosening in the labour market. Weak growth also weighs on business and housing investment, further dragging on activity. While we expect some recovery over 2025, it should be noted that GDP growth remains below its average in pre-pandemic years. And the continued underperformance of UK productivity highlights the need to maintain focus on boosting the economy's longer-term growth prospects.

12mth% unless otherwise stated	2023	2024	2025	2024 Q1	Q2	Q3	Q4	2025 Q1	Q2	Q3	Q4
<b>UK forecasts</b>											
<b>GDP &amp; domestic demand</b>											
Real GDP	0.6	0.8	1.6	0.5	0.6	1.0	1.1	1.4	1.5	1.7	1.9
Household consumption	0.4	0.4	1.3	0.3	0.1	0.6	0.6	0.8	1.1	1.4	1.8
Government consumption	-0.2	2.8	2.1	3.5	1.8	2.9	3.1	2.5	2.1	1.9	1.8
Fixed investment	2.6	-4.2	0.7	-3.7	-5.5	-4.2	-3.4	-1.3	0.2	1.6	2.4
of which: business investment	5.4	-5.0	2.7	-3.5	-8.5	-4.6	-3.2	-0.2	2.3	3.8	4.8
<b>External trade</b>											
Exports	-0.6	2.6	3.3	0.6	2.6	3.1	4.1	3.8	3.6	3.1	2.9
Imports	-1.4	1.7	3.0	2.2	0.5	1.9	2.4	2.7	3.0	3.1	3.0
Net trade (pp. contribution to GDP growth)	0.3	0.2	0.1	0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0
Current account balance (% of GDP)	-2.5	-1.6	-1.5	-1.8	-1.6	-1.4	-1.5	-1.5	-1.5	-1.5	-1.4
<b>Labour Market</b>											
Unemployment (ILO, mn)	1.41	1.60	1.70	1.52	1.58	1.65	1.66	1.70	1.72	1.72	1.66
Unemployment rate (%)	4.1	4.7	4.9	4.4	4.6	4.8	4.8	4.9	5.0	5.0	4.8
Employment (ILO, mn):	32.95	32.69	32.83	32.77	32.69	32.64	32.64	32.68	32.75	32.86	33.02
Average earnings (including bonuses)	7.4	5.6	3.2	7.0	5.5	5.1	4.9	4.1	3.2	2.8	2.5
<b>Prices</b>											
CPI	7.4	2.9	2.1	4.1	2.5	2.5	2.5	2.2	2.1	2.0	2.0
RPI	9.8	4.1	2.4	5.3	3.9	3.8	3.2	2.6	2.4	2.4	2.3
<b>Public finances*</b>											
Net borrowing (£bn)	137.5	125.8	98.8								
% of GDP	5.0	4.4	3.4								
Debt/GDP (%)	96.8	97.9	95.2								
*2023/24; 2024/25; 2025/26											
<b>Global GDP growth forecasts</b>											
	2023	2024	2025								
Eurozone	0.5	0.7	1.6								
US	2.4	1.4	1.3								
Japan	1.6	1.4	1.4								
China	5.2	4.4	4.2								
India	6.6	6.3	6.1								
Global GDP (purchasing power parity)	3.0	2.9	3.1								
<b>Forecast Assumptions</b>											
	2023	2024	2025	2024 Q1	Q2	Q3	Q4	2025 Q1	Q2	Q3	Q4
UK Bank Rate	4.73	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Oil prices \$ per barrel (Brent crude)	84.4	84.6	79.3	87.6	85.2	83.5	82.1	80.9	79.8	78.7	77.8
USD/GBP	1.24	1.22	1.27	1.22	1.22	1.22	1.23	1.25	1.27	1.28	1.30
EUR/GBP	1.15	1.15	1.17	1.16	1.15	1.15	1.15	1.16	1.17	1.17	1.17