

The background of the entire page is a photograph of a notebook. The notebook is open, showing several pages with colorful bar charts and circular diagrams. A silver pen lies horizontally across the pages. The overall theme is financial analysis and data reporting.

# ECOPULSE

January 2023

MONTHLY PULSE OF ECONOMIC INDICATORS



**BNP PARIBAS**

The bank for a changing world

# UNITED KINGDOM

## Further contraction in GDP on the horizon

According to the latest business surveys, economic activity in the UK continues to contract. According to the *Confederation of British Industry* (CBI), confidence balances in the industrial and distributive trades sectors (retail and wholesale sales) are clearly deteriorating while rebounding slightly in the services sector.

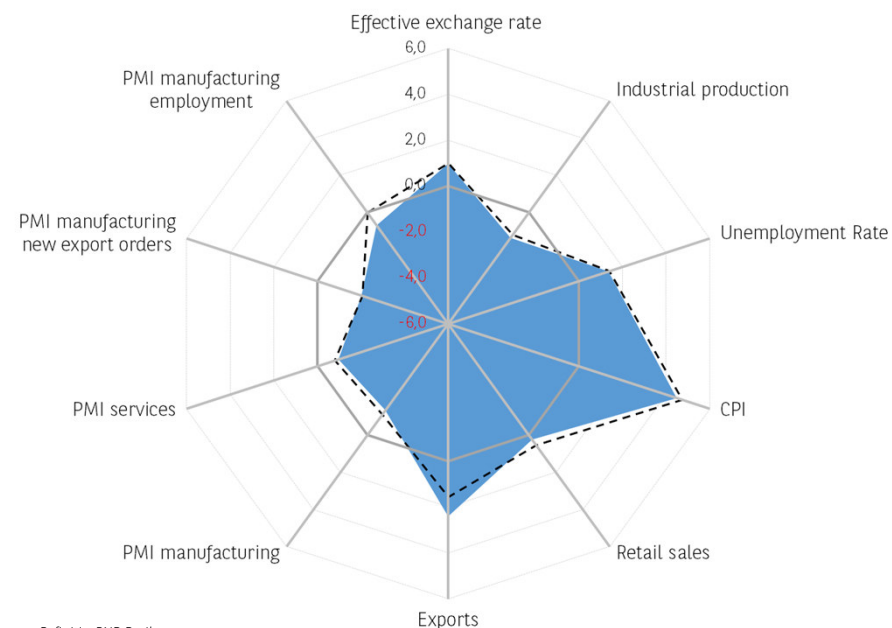
Against a backdrop of a cost of living crisis, consumer confidence again deteriorated in January (-45 points for the GfK index), close to its record low reached last September (-49 points). However, consumer confidence in the economic situation over 12 months was slightly less negative (-54 points) having reached its lowest level in September (-68 points).

Headline inflation fell for the second month in a row, standing at 10.5% year-on-year in December (compared to 10.7% in November) while core inflation was stable at 6.3%. The Monetary Policy Committee (MPC) of the Bank of England (BoE) is expected to raise its key interest rate further at its February meeting, particularly as business data provided a positive surprise in November.

The signs of easing in the labour market are still too limited to slow the momentum in wage growth. According to the latest employment figures, the unemployment rate remained stable in November (3.7%). The increase in employment (+27k) did not compensate for the increase in the number of unemployed (+56k).

Our forecasts suggest that UK GDP is likely to contract further in Q4 2022 (-0.3% q/q), despite the surprise upturn in growth in November. In the context of the cost of living crisis and significant uncertainties about economic activity, consumer spending and private investment are expected to make negative contributions to growth in Q4. This recession is expected to continue for much of 2023.

### Economic indicators quarterly changes



Source: Refinitiv, BNP Paribas.

The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -6 and +6. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

### GDP growth q/q: actual, carry-over and forecasts

	Actual			Forecast	Carry-over	Forecast			Carry-over	Annual growth forecasts (y/y)		
	Q1 2022	Q2 2022	Q3 2022	Q4 2022	end 2022	Q1 2023	Q2 2023	mid 2023		2022	2023	2024
	0,6	0,1	-0,3	-0,3	-0,4	-0,6	-0,2	-1,1		4,4	-0,9	0,8

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