

**BRITISH CHAMBERS OF COMMERCE**
**QUARTERLY ECONOMIC FORECAST** Q3 2019

**Headlines:**

* UK GDP forecasted to grow at 1.2% in 2019, 0.8% in 2020 and 1.2% in 2021
* UK productivity forecast to weaken and business investment expected to contract further
* A messy and disorderly EU exit would increase the probability of the UK slipping into recession

**GDP growth revised downwards in 2019 and 2020**

The BCC has downgraded its growth expectations for the UK in 2019 to 1.2% (from 1.3%) and to 0.8% (from 1.0%) for 2020. The BCC’s GDP growth forecast of 1.2% remains unchanged for 2021. While the UK economy will avoid a technical recession and return to modest growth in the third quarter, downgrades to the GDP growth forecast for 2019 and 2020 reflect a weaker outlook for investment, trade and productivity amid a continued lack of clarity over Brexit and deteriorating global economic conditions. The BCC’s economic forecast assumes a messy and disorderly Brexit is avoided. A no-deal exit would lead to major, sudden and unanticipated changes for the UK economy and would lead to revisions in our next forecast.

**Weakening global conditions stifle trade prospects**

The UK’s net trade position is forecast to weaken over the period as companies face the combined headwinds of Brexit uncertainty, weakening growth in key trading markets and mounting global trade tensions. Consumer spending is expected to be supported by earnings growth outpacing inflation over the period. UK interest rates are expected to remain at 0.75% throughout 2019 and 2020, before rising to 1.0% in 2021. Government spending’s contribution to UK GDP growth is expected to be stronger over the forecast period amid stronger public spending commitments made at the 2019 Spending Review.

**Outlook for business investment and productivity worsens**

Business investment is now forecast to decline by 1.5% this year and by 0.1% in 2020, which together with the decline of 0.4% in 2018, would be the longest period of sustained full-year declines in business investment for 17 years. Relentless Brexit uncertainty and the diversion of resources by many businesses to guard against the chaos of a messy and disorderly Brexit are expected to limit investment intentions over the forecast period. UK productivity is projected to be more subdued than in our previous outlook and implies that by the end of 2020, the UK economy will have experienced its weakest decade of average annual productivity growth on record.

**“**Our latest outlook indicates that the UK economy is set to stumble down an ever more sluggish growth path over the near term, unless decisive action is taken. The prolonged nature of the Brexit uncertainty, including the still real risk of a no-deal exit, together with a deterioration in global economic conditions are expected to weigh on investment, trade and productivity - important determinants of economic growth. The deteriorating outlook for productivity is a particular worry as it limits sustained wage growth, living standards and the UK’s longer-term growth potential.

A messy and disorderly departure from the EU would palpably increase the likelihood of the UK economy slipping into a marked downturn, particularly given the lack of actionable information that businesses need to help mitigate some of the impacts of a disorderly exit.**”**

**Suren Thiru, Head of Economics, British Chambers of Commerce**

**BCC ECONOMIC FORECAST SUMMARY** Q3 2019
**(ANNUAL CHANGE %)**



Sources: BCC, Cambridge Econometrics

\* Reported as levels

\*\* Change in levels

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