

 **Embargo: 00.01hrs Monday 9 December 2019**

**BRITISH CHAMBERS OF COMMERCE**
**QUARTERLY ECONOMIC FORECAST** Q4 2019

**Headlines:**

* UK GDP forecasted to grow at 1.3% in 2019, 1.0% in 2020 and 1.3% in 2021
* Business investment is forecast to contract by 1.0% in 2019 and by a further 0.7% in 2020
* Worsening global trends and Brexit uncertainty are key downside risks for the UK economy

**UK GDP growth to remain subdued…**

The British Chambers of Commerce (BCC) expects UK GDP growth to slow from 1.3% for this year to 1.0% in 2020 - the weakest outturn since 2009 Although this is a slight upgrade on BCC’s previous forecast of 0.8%, it indicates that by the end of 2020 the UK economy will have experienced its second weakest decade of average annual GDP growth on record. The BCC has upgraded its growth forecast for 2021 from 1.2% to 1.3%. The BCC’s economic forecast assumes that a messy and disorderly Brexit is avoided. A no-deal exit could lead to major, sudden and unanticipated changes for the UK economy and would lead to revisions in our next forecast.

**…with stronger expected levels of government spending…**

The upgrades are largely driven by stronger expected levels of government spending - both observed in the 2019 Spending Round and the anticipated uplift in expenditure by any incoming government. Government spending growth been upgraded to 3.3% for 2019 (from 2.3%), to 3.0% for 2020 (from 2.4%), before growth of 3.0% in 2021 (from 2.2%) – This means growth each year of the forecast period is expected to more than three times the decade average of 0.9%. However, stronger government spending is expected to come at the cost of higher borrowing. UK public sector net borrowing is forecast to be £83.4 billion higher over the next three years than predicted by the OBR at the 2019 Spring Statement.

**…but weaker business investment, trade and consumer spending.**

Business investment is forecast to contract by 1.0% in 2019 and by a further 0.7% in 2020. Uncertainty, particularly over Brexit, and the upfront costs associated with doing business in the UK, are expected to continue to weigh on investment decisions.  The UK’s net trade position is forecast to be weaker over the forecast period than in BCC’s previous forecast . A weaker outlook for the global economy, growing trade tensions and continued uncertainty on the UK’s future relationship with the EU are likely to stifle export sales. While average earnings growth in real terms is set remain in positive territory amid weakening inflation, household spending is expected to be limited by a slowing labour market.

**“**Our forecast points to several years of anaemic activity in the UK economy unless decisive action is taken. An expansion in government spending is likely to give a nudge to the UK economy, whoever wins the General Election. However, a slowing global economy and unrelenting political uncertainty are expected to weaken business investment, trade and consumer spending, limiting the UK’s growth trajectory.

“The downside risks to the UK’s economic outlook remain concerningly high. Worsening global trends and uncertainty over the course of Brexit present real dangers for the UK economy. More uncertainty in the aftermath of the General Election and a persistent lack of clarity on the UK’s future trading relationships could also result in more muted growth.**”**

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

**BCC ECONOMIC FORECAST SUMMARY** Q4 2019
**(ANNUAL CHANGE %)**



Sources: BCC, Cambridge Econometrics

\* Reported as levels

\*\* Change in levels

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