

## BCC: GLOBAL HEADWINDS AND UNCERTAINTY SLOW UK GROWTH IN 2016

### Other elements from within the forecast

#### *Main components of demand*

- Annual average growth in **household consumption** is forecast to slow: from 3.0% in 2015 to 2.7% in 2016, 2.5% in 2017 and 2.4% in 2018.
- In calendar-year terms, **UK business investment** growth of 4.5% is predicted in 2016, 7.4% in 2017, and 7.4% in 2018
- In full-year terms, growth in **real exports** accelerated to 5.0% in 2015, but real exports fell in Q3 & Q4 2015. The new forecast is that **real exports**, in full-year terms, will grow by 2.3% in 2016, 3.0% in 2017, and 3.0% in 2018.
- The **real net trade deficit**, having risen to 3.3% of GDP in 2015, is forecast to rise further to 3.7% of GDP in 2016; it will then edge down marginally to 3.6% of GDP in both 2017 & 2018.

#### *Main sectors of the economy*

- **Service sector output** is forecast to grow by 2.6% in 2016, 2.7% in 2017 and 2.7% in 2018. The share of services in UK output is likely to rise further in the next few years and the sector will remain the biggest contributor to GDP growth.
- **Manufacturing output** is expected to grow more slowly than services, by 0.5% in 2016, 1.4% in 2017 and 1.4% in 2018.
- **Total industrial output** growth is forecast at 0.5% in 2016, 1.0% in 2017 and 1.0% in 2018.
- **Construction output** growth is forecast at 0.5% in 2016, 2.6% in 2016 & 2.6% in 2018.

#### *Official interest rates*

- The first increase in **UK official interest rates** to 0.75% is expected to occur in Q4 2016, one quarter later than previously predicted
- Further modest increases in **official interest rates** can then be expected, in small 0.25% steps, with official interest rates reaching 1.50% in Q4 2017

#### *Unemployment and productivity*

- The **UK unemployment rate** is forecast to fall from 5.1% in Q4 2015, to 4.9% in Q4 2016, 4.8% in Q4 2017 and 4.7% in Q7 2018.
- Net fall in **total unemployment** of 101,000 forecast over the next 3 years.
- Total **youth unemployment** (people aged 16 to 24) is expected to fall from 622,000 (a jobless rate of 13.6%) in Q4 2015, to 564,000 (a jobless rate of 12.1%) in Q4 2018, a net fall of 58,000.

#### *Public finances*

- **UK public sector net borrowing** is forecast to fall steadily over the next few years.
- But the official timetable for moving into budgetary surplus in 2019/20, outlined in the November 2015 Autumn Statement, is slightly too ambitious.

- The UK is likely to return to balance in 2019/20, but a move into surplus is only likely in 2020/21.

### ***Inflation and earnings***

- In annual average terms, **annual CPI inflation is forecast** at 0.9% in 2016, 1.8% in 2017 and 2.2% in 2018. In Q4 we predicted 1.1% in 2016 and 2.0% in 2017.
- **Total earnings growth** (total pay including bonuses) is predicted to average 2.6% in 2016, 3.5% in 2017 and 4.0% in 2018.
- The new forecasts for **earnings growth** are lower than those we made in Q4.