

QUARTERLY ECONOMIC FORECAST Q1 2025

The BCC's award-winning Quarterly Economic Forecast has downgraded growth expectations for 2025, as firms deal with a raft of rising cost pressures.

- UK GDP growth is expected to be 0.9% for the whole of 2024, 1.4% in 2026, and 1.5% in 2027.
- CPI inflation rate is expected to be 2.8% in 2025, and 2.1% and 2% in 2026 and 2027. The interest rate is expected to be cut to 4.25% by the end of 2025.
- Exports are projected to decline by 0.5% in 2025, while imports are expected to be flat (0.0%). Overall, net trade continues to fall in both 2025 and 2026.

GDP growth

GDP is expected to grow by 0.9% in 2025, a downgrade from the previous forecast of 1.3%. This year's limited growth will be driven largely by increased day-to-day government spending. GDP is expected to rise in 2026 to 1.4%.

The overall profile remains relatively weak due to a weak trade and business investment outlook. With continuing difficulties trading with the EU and wider global uncertainties, exports are forecast to contract by 0.5% in 2025 (compared with a rise of 0.2% in the previous forecast). Exports are expected to grow by 1% in 2026 and 2.1% in 2027, while imports are projected to be flat in 2026 (0.0%) before rising to 0.8% in 2026.

0.9%

forecast GDP growth for 2025

0.6%

forecast business investment growth for 2025

2.8%

forecast CPI inflation rate by Q4 2025

Forecasted quarterly growth rates for investment and GDP (dotted lines)

Year	Quarter	Investment growth (%)	GDP growth (%)
2025	Q1	0.6%	0.9%
2026	Q1	0.6%	1.4%

Inflation

CPI is expected to remain above the Bank of England's target until the end of 2027, reaching 2.8% in Q4 2025 and 2.1% in Q4 2026. This is due to increased taxation putting pressure on firms to raise prices, as well as the implementation of tariffs globally, the Bank of England is expected to bring the interest rate to 4.25% by the end of 2025, and 4.0% by the end of 2026.

Employment

The unemployment rate is expected to be 4.6% by the end of 2025, up from 4.5% in the previous forecast, as increased labour costs, particularly NICs, reduce hiring intentions. Average earnings are expected to be higher this year than previously forecast, putting further cost pressures on businesses. Annual wage growth is expected to be 4.2% in 2025, an upward revision from 3.8% in the last forecast. It is then expected to slow to 4% in both 2026 and 2027.

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Current forecast (2025 Q1)				
BCC Economic Full Forecast (Annual % change)				
	2024	2025	2026	2027
GDP	0.9%	0.9%	1.4%	1.5%
Household Consumption	0.7%	0.9%	1.2%	1.5%
General government	2.0%	3.5%	1.5%	1.1%
Investment	1.3%	0.8%	1.8%	2.1%
of which: Business Investment	0.8%	0.6%	1.8%	2.0%
Exports	-2.2%	-0.5%	1.0%	2.1%
Imports	1.6%	0.0%	0.8%	2.3%
Total Production	-1.6%	-0.6%	0.5%	0.7%
Manufacturing	-0.7%	-0.2%	0.8%	1.1%
Construction	0.4%	1.3%	1.5%	1.6%
Services	1.3%	1.1%	1.5%	1.6%
Unemployment rate %*	4.3%	4.6%	4.6%	4.6%
Unemployment 000's**	103	109	13	-4
Youth unemployment rate %*	14.0%	15.0%	15.2%	15.2%
Youth unemployment 000's**	88	45	4	-3
CPI inflation (Q4)^	2.4%	2.8%	2.1%	2.0%
Average earnings (Q4)^	3.2%	4.2%	4.0%	4.0%
Interest rates (end-of-year)*	4.75	4.25	4.00	4.00
NetTrade-Goods&Services-%GDP*	-1.0%	-1.2%	-1.2%	-1.4%
BofP-CurrentAccount-%GDP*	-2.7%	-3.3%	-3.6%	-4.1%
PSNBex-BCC forecast-FinYears-%GDP*	4.5%	3.6%	3.0%	2.7%
PSNBex-BCC forecast-FinYears-£bn*	129.9	105.0	87.5	72.2

* Reported as levels

** Change in levels

^ Annual % change in Q4

In 2024, the BCC's QEF won the FocusEconomics 'Best UK GDP Forecast' award

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