CBI Economics

Economic Forecast

The numbers behind the analysis



UK outlook: steady pace ahead

December 2024

Our latest forecast expects that the UK economy will grow at a moderate pace over 2025 and 2026. Recently announced measures in the Autumn Budget are expected to push up government spending and investment, but higher employment costs and the crowding out of private sector activity will weigh on household spending and business investment over our forecast. Inflation is projected to remain above the Bank of England's 2% target through 2026, primarily due to the passthrough of increased employment costs. Consequently, we expect Bank Rate to be reduced at a more gradual pace until it reaches 3.50% in Q1 2026. Productivity is expected to remain in line with its weak pre-COVID trend through 2026, which will weigh on the UK's longer-term growth prospects.

12mth% unless otherwise stated				2025				2026			
	2024	2025	2026	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
UK forecasts											
GDP & domestic demand											
Real GDP	0.9	1.6	1.5	1.5	1.5	1.8	1.7	1.6	1.5	1.5	1.5
Household consumption	0.8	1.7	1.4	1.5	1.9	1.9	1.7	1.6	1.5	1.4	1.2
Government consumption	2.6	3.9	1.5	4.8	4.2	4.1	2.7	1.8	1.5	1.4	1.4
Fixed investment	1.4	2.3	3.3	1.9	2.2	2.1	3.0	3.5	3.5	3.2	2.8
of which: business investment	1.6	2.4	2.1	3.4	2.5	1.8	1.8	2.0	2.1	2.2	2.2
External trade											
Exports	-1.8	2.0	2.0	1.2	2.0	2.7	2.0	2.0	2.0	2.0	1.9
Imports	2.5	3.2	2.6	6.1	0.6	3.0	3.3	3.1	2.8	2.5	2.2
Net trade (pp. contribution to GDP growth)	-1.4	-0.5	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0
Labour Market											
Unemployment (ILO, mn)	1.49	1.53	1.52	1.54	1.53	1.53	1.52	1.52	1.52	1.52	1.5
Unemployment rate (%)	4.3	4.4	4.3	4.4	4.4	4.4	4.3	4.3	4.3	4.3	4.3
Employment (ILO, mn):	33.14	33.42	33.80	33.26	33.37	33.47	33.57	33.67	33.75	33.85	33.9
Average earnings (including bonuses)	4.9	3.4	2.6	4.1	3.4	3.2	2.8	2.6	2.6	2.6	2.6
Prices											
CPI	2.6	2.6	2.5	2.5	2.6	2.8	2.6	2.5	2.4	2.4	2.4
RPI	3.6	3.1	2.5	3.3	3.1	3.1	2.7	2.6	2.5	2.5	2.6
Public finances*											
Net borrowing (£bn)	128.1	111.8	91.0								
Current budget (£bn)	-52.4	-24.4	8.0								
Current budget (% of GDP)	-1.8	-0.8	0.0								
Debt/GDP (%)	96.8	95.9	95.9								
Financial liabilities/GDP (%) *2024/25; 2025/26; 2026/2027	82.2	83.0	83.3								
Forecast Assumptions				2025				2026			
- O COUNTY OF THE PROPERTY OF	2024	2025	2026	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
UK Bank Rate	5.11	4.21	3.52	4.58	4.33	4.08	3.83	3.58	3.50	3.50	3.5
Oil prices \$ per barrel (Brent crude)	80.96	74.10	72.49	75.0	74.3	73.8	73.4	72.9	72.6	72.3	72.
USD/GBP	1.28	1.28	1.30	1.27	1.28	1.28	1.28	1.29	1.30	1.31	1.3
EUR/GBP	1.18	1.21	1.21	1.21	1.21	1.21	1.20	1.20	1.20	1.21	1.2
Global GDP (purchasing power parity)	3.1	3.2	3.3			1.41	1.20	1.20	1.20		٠.٧