

QUARTERLY ECONOMIC FORECAST Q4 2025

The BCC’s Quarterly Economic Forecast suggests last month’s Budget is unlikely to kickstart the UK economy, with growth outlook expected to remain subdued.

- UK GDP is expected to grow by 1.4% in 2025, 1.2% in 2026, and 1.5% in 2027.
- CPI inflation is expected to be 3.6% in Q4 2025, and 2.1% and 2.0% in 2026 and 2027. The interest rate is expected to be 3.75% by then end of 2025 and 3.50% by the end of 2026.
- Exports and imports are set to rise by 1.8% and 1.4% in 2026, respectively, but net trade will continue to drag on growth through 2026 amid persistent global trade uncertainty.

GDP growth

The UK economy is expected to grow by 1.4% in 2025, revised slightly up from the previous forecast of 1.3%, driven by strong public spending. GDP is then expected to slow to 1.2% in 2026, before rising to 1.5% in 2027, unchanged from the previous forecast, because of productivity challenges and cautious fiscal tightening.

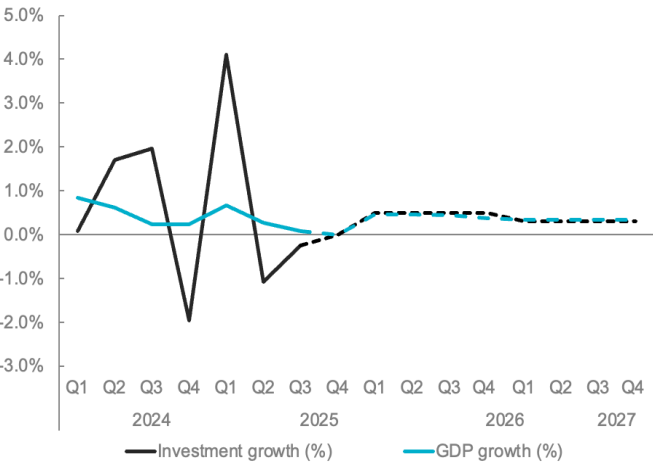
Business investment is forecast to fall from the expected 3% growth in 2025 to just 0.9% in 2026 and 1.5% in 2027. This is due to ongoing cost pressures on firms and the lack of direct growth measures in the Budget. Export growth is expected to fall from 3.0% this year to 1.8% in 2026 (a downgrade from 3.3% in Q3). The downgrade reflects the tariffs impact and the lack of delivery yet on the proposed UK-EU reset.

1.2%
forecast GDP
growth for 2026

0.9%
forecast business
investment growth
for 2026

2.1%
forecast CPI
inflation rate by
Q4 2026

Quarterly GDP growth is expected to average 0.4% for 2025-27
Source: BCC forecast Q4 2025, ONS



Inflation

Inflation is expected to ease next year, with CPI at 2.1% by the end of 2026, with wage growth cooling and a softening overall labour market. Inflation is forecast to reach the Bank of England target of 2% by Q4 of 2027. With inflation easing, alongside a loosening labour market and weak growth, further interest rate cuts are likely, albeit modest. The interest rate is expected to be 3.75% by the end of this year and fall to only 3.50 by December 2026.

Employment

Unemployment is expected to rise to 5.1% in 2026, as the labour market continues to loosen. Firms will continue to face ongoing cost pressure, sluggish productivity and low output, limiting recruitment appetite. The unemployment rate is then expected to ease to 4.8% in 2027. Average earnings are expected to continue easing through the forecast period. Wage growth is anticipated to be 4.3% by the end of this year, falling gradually to 3.8% in 2026 and 3.5% in 2027 (down from 4.1% and 4.0% in the last forecast) .

QUARTERLY ECONOMIC FORECAST Q4 2025

Current forecast (2025 Q4)				
BCC Economic Full Forecast (Annual % change)				
	2024	2025	2026	2027
GDP	1.1%	1.4%	1.2%	1.5%
Household Consumption	-0.2%	0.9%	1.1%	1.4%
General government	3.4%	2.0%	2.1%	1.6%
Investment	1.8%	3.2%	1.9%	2.5%
of which: Business Investment	2.3%	3.0%	0.9%	1.5%
Exports	0.6%	3.0%	1.8%	2.4%
Imports	2.6%	3.8%	1.4%	2.8%
Total Production	-0.9%	-0.8%	0.6%	1.4%
Manufacturing	0.5%	-0.3%	0.9%	1.8%
Construction	0.6%	1.4%	1.1%	1.9%
Services	1.6%	1.6%	1.3%	1.6%
Unemployment rate %*	4.3%	4.8%	5.1%	4.8%
Unemployment 000's**	104	215	125	-105
Youth unemployment rate %*	14.0%	14.7%	15.4%	15.2%
Youth unemployment 000's**	87	61	38	-10
CPI inflation (Q4)^	2.4%	3.6%	2.1%	2.0%
Average earnings (Q4)^	6.7%	4.3%	3.8%	3.5%
Interest rates (end-of-year)*	4.50	3.75	3.50	3.50
NetTrade-Goods&Services-%GDP*	-0.9%	-0.9%	-0.9%	-1.1%
BofP-CurrentAccount-%GDP*	-2.2%	-3.5%	-3.9%	-4.4%
PSNBex-BCC forecast-FinYears-%GDP*	5.1%	4.6%	3.7%	2.7%
PSNBex-BCC forecast-FinYears-£bn*	149.7	139.4	112.0	100.0

* Reported as levels

** Change in levels

^ Annual % change in Q4

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

For more information, contact David Bharier, Head of Research

Email: d.bharier@britishchambers.org.uk