



# MONTHLY UK ECONOMIC BRIEFING

## MARCH 2018

### KEY POINTS

- There was not much in the way of policy in the Spring Statement, but the Chancellor did present an update on the outlook of the UK economy using forecasts from the Office of Budget Responsibility (OBR).
- The OBR revised up growth for 2018 by 0.1ppt to 1.5% in line with BNP Paribas, but kept its forecast for 2019 unchanged at 1.3%.
- The OBR also included in this forecast an assessment of Brexit and its effect on the public finances.
- The OBR estimates the Brexit bill will amount to £37.1bn with around 75% falling within the five year forecast period.
- Another important step regarding Brexit after December's agreement has been achieved with joint legal text being drawn up.
- UK inflation in February fell by more than many expected as the impact of the post-EU referendum fall in the value of sterling wore off. CPI was reported as 2.7% from 3% in January compared to the same period a year ago.
- RPI fell to 3.6% in February y-on-y from 4% in January.



OBR revised up growth for 2018 to

**1.5%**



In February the RPI rate was

**3.6%**



Average annual weekly earnings in April rose by

**2.2%**



Brexit bill will amount to

**£37.1bn**



In February the CPI rate was

**2.7%**



The unemployment rate from Nov 17- Jan 18 fell to

**4.3%**

## CONTACTS



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# UK ECONOMIC UPDATE

## Spring Statement: No new policies

There was not much in the way of policy in this Statement, but the Chancellor did present an update on the outlook of the UK economy using forecasts from the OBR.

The OBR revised up growth for 2018 by 0.1ppt to 1.5% in line with BNP Paribas, but kept its forecast for 2019 unchanged at a below-consensus 1.3%, and revised down its forecasts for 2021 and 2022 by 0.1ppts each to 1.4% and 1.5% respectively. Likewise, its forecasts for productivity growth – already slashed in November – were revised down by 0.1ppts each from 2018-2022.

The OBR also included in this forecast an assessment of Brexit and its effect on the public finances. The OBR estimates the Brexit bill will amount to £37.1bn, with around 75% falling within the five year forecast period. The UK will continue to make payments (largely pension liabilities) to the EU until 2064.

## Brexit update

Joint legal text has been drawn up giving force to what was agreed in December.

The details of the text include complete agreement on citizens' rights and the UK's financial settlement over withdrawal from the EU. It states the transition period will be of limited duration; the period will last from Brexit day on 29 March 2019 to 31 December 2020. The UK will no longer participate in decision making processes and will no longer be a member state, but it will preserve the benefits of the single market and customs union. The UK will be able to negotiate, sign and ratify its own trade deals during the transition period. The UK will still be party to existing EU trade deals with other countries.

This is another important step after December's agreement as it provides certainty to both business and citizens for after the UK leaves the EU in March 2019. However, there is still much needed progress to be made on the governance of the agreement, and on the border between Ireland and Northern Ireland.

What next? The UK and the EU are hoping the terms of an agreement on the transitional period can be signed off by both sides at the EU summit this

month. Once a transition deal is agreed, then negotiations can focus on the future relationship - with the aim of a deal being agreed in the Autumn to allow time for EU member states and the UK Parliament to ratify it before Brexit next March.

## UK inflation falls more than expected

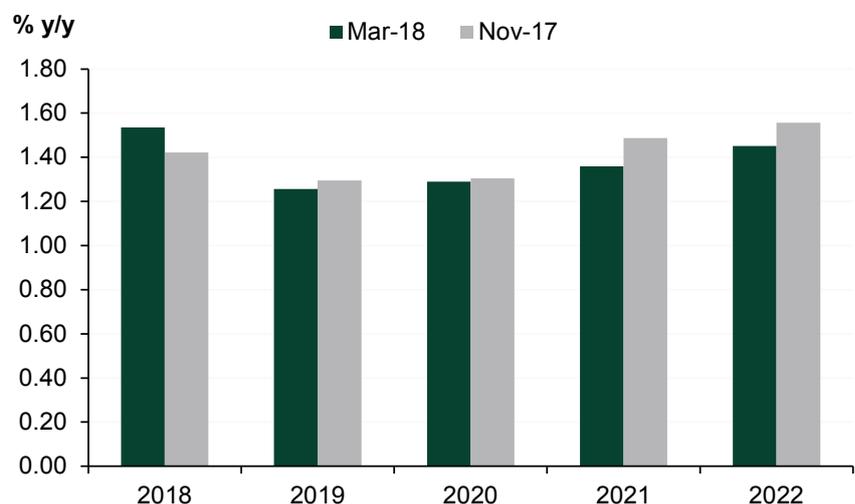
UK inflation in February fell by more than many expected as the impact of the post-EU referendum fall in the value of sterling wore off.

The consumer price index was reported as rising by 2.7% from 3% in January, compared to the same period a year ago. The largest downward contributions to the change in the rate came from transport and food prices, which rose by less than a year ago.

The annual change in the retail price index, fell to 3.6% in February from 4% in January.

**“The OBR revised up growth for 2018 by 0.1ppt to 1.5%, but kept its forecast for 2019 unchanged at a below-consensus 1.3%, and revised down its forecasts for 2021 and 2022.”**

UK GDP FORECASTS



Source: Office of Budget Responsibility