

# BUSINESS CONDITIONS FORUM

13 – 04 – 2022

## *Global Inflationary Pressures and the UK Economy*

The NIESR Business Conditions Forum is funded by an ESRC Impact Acceleration Account

# BUSINESS CONDITIONS FORUM

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Welcome: Stephen Millard (*NIESR*)

The economic impact of the war in Ukraine: Corrado Macchiarelli (*NIESR*)

The UK labour market: Kemar Whyte / Stephen Millard (*NIESR*)

The outlook for UK inflation: Huw Dixon / Stephen Millard (*NIESR*)

Close – refreshments served in the Conference Room

# BUSINESS CONDITIONS FORUM

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## CHATHAM HOUSE RULES

Information disclosed during a meeting may be reported by those present, but the source of that information may not be explicitly or implicitly identified.

Brief minutes of the Forum are posted on the NIESR website but names and specific information/data are excluded.

# BUSINESS CONDITIONS FORUM

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## Latest NIESR GDP tracker

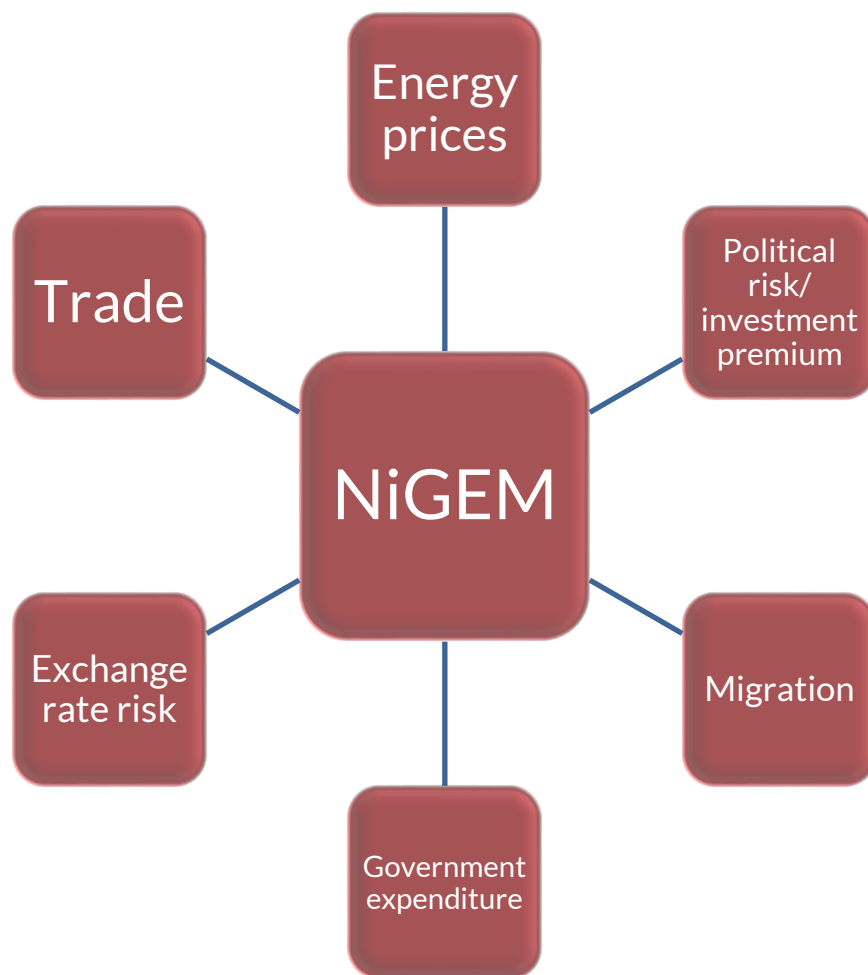
Q1 nowcast: 1.0%

Q2 nowcast: 0%

**NIESR Spring UK Economic Outlook:**  
to be published 10<sup>th</sup> May

# The Russia-Ukraine Shocks

The National Institute Global Econometric Model (NiGEM) a trade-linked global economic model covering 60 countries and regions.



# The Effect of the Conflict on the UK Economy and Inflation

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Reduce GDP growth by around 0.8 per cent to 4.0 per cent in 2022

Growth just above zero in 2023.

These estimates are being revised in the May forecast round.

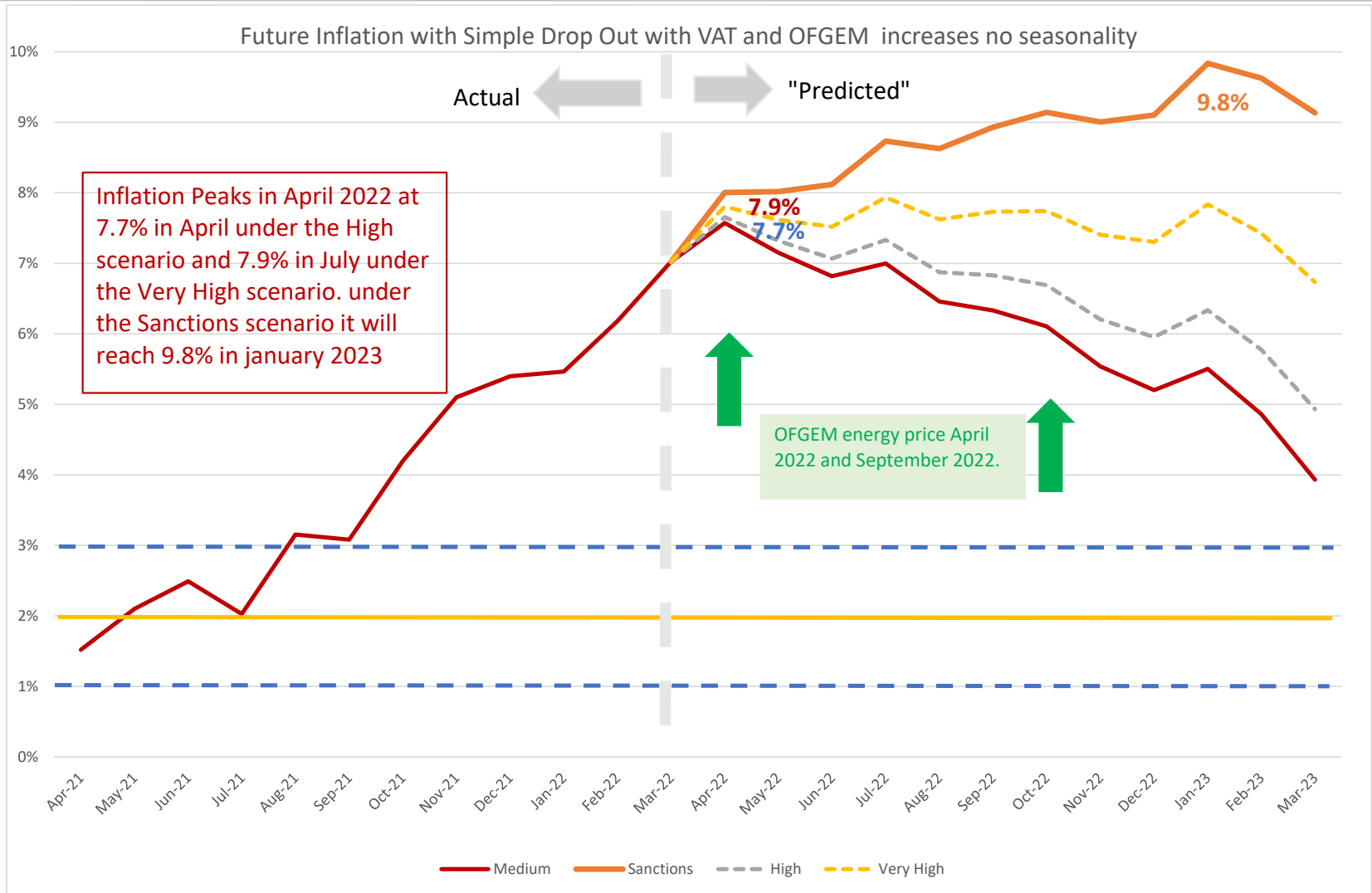
	Winter 2022		After Russia-Ukraine conflict	
	2022	2023	2022	2023
GDP	4.8	1.3	4	0.5
Inflation	4.6	2.5	7.1	3.5

# AWE – NIESR Wage Tracker

- Latest ONS estimates suggest wage rises are running at around 5.4 per cent, but inflation running at over 6.0 per cent – real squeeze.
- Our wage tracker predicts that average weekly earnings growth will grow at **6.2** per cent in the second quarter of 2022.
- Tracker suggests growth in private-sector regular pay will remain unchanged in second quarter of 2022, compared to 3-month to February 2022.

Average Weekly Earnings						
	Whole economy		Private sector		Public sector	
Latest weights	100		82		18	
	Regular	Total	Regular	Total	Regular	Total
<b>% change 3 month average year on year</b>						
Jan-21	4.2	4.8	4.0	4.7	4.7	4.8
Feb-21	4.4	4.4	4.0	4.1	5.2	5.2
Mar-21	4.6	4.3	4.2	4.1	5.5	5.5
Apr-21	5.7	5.7	5.7	6.0	4.8	5.0
May-21	6.7	7.4	7.2	8.2	3.7	3.9
Jun-21	7.4	8.8	8.4	10.2	2.8	2.8
Jul-21	6.8	8.3	7.8	9.8	2.5	2.5
Aug-21	6.0	7.3	6.8	8.3	2.7	2.6
Sep-21	5.0	6.0	5.5	6.6	2.6	2.7
Oct-21	4.3	5.0	4.7	5.4	2.6	2.8
Nov-21	3.9	4.2	4.1	4.5	2.6	2.6
Dec-21	3.7	4.5	4.0	5.0	2.7	2.7
Jan-22	3.9	4.8	4.1	5.3	2.4	2.3
Feb-22	4.0	5.4	4.4	6.2	2.4	2.0
Mar-22	4.2	5.7	4.7	6.7	2.6	2.2
Apr-22	4.1	6.3	4.5	7.1	3.1	2.8
May-22	4.2	6.5	4.5	7.2	3.2	3.4
Jun-22	4.2	6.2	4.4	6.7	3.2	3.5

# CPI Inflation

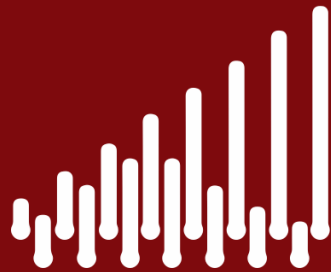




# Monetary Policy Dilemmas

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- Inflation surges when inflation already high and policy slack ...
- ... which leads to a real income squeeze
- Question is how will wages respond?
- Raising rates will push down on inflation ...
- ... but could lead to a recession
- Temptation not to raise rates in a war setting (but late 60s/early 70s)



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[www.niesr.ac.uk/wp-content/uploads/2022/03/PP32-Economic-Costs-Russia-Ukraine.pdf](http://www.niesr.ac.uk/wp-content/uploads/2022/03/PP32-Economic-Costs-Russia-Ukraine.pdf)



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