

# Business Conditions Forum

Wednesday 6<sup>th</sup> July 2022

The medium-term outlook for activity and  
inflation: Is stagflation back?

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

# 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

Q2 nowcast: -0.4%

## Latest NIESR CPI tracker

Underlying inflation stable at 5.7% (May)

## Latest NIESR wage tracker

Q2 nowcast for Average Weekly Earnings: 7.8%

Summer *UK Economic Outlook* published 2<sup>nd</sup> August

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Welcome: Rory Macqueen (*NIESR*)

The cost of living squeeze: Kemar Whyte (*NIESR*)

UK house prices: Urvish Patel / Stephen Millard (*NIESR*)

Probability of a deep recession: Peter Dixon / Stephen Millard (*NIESR*)

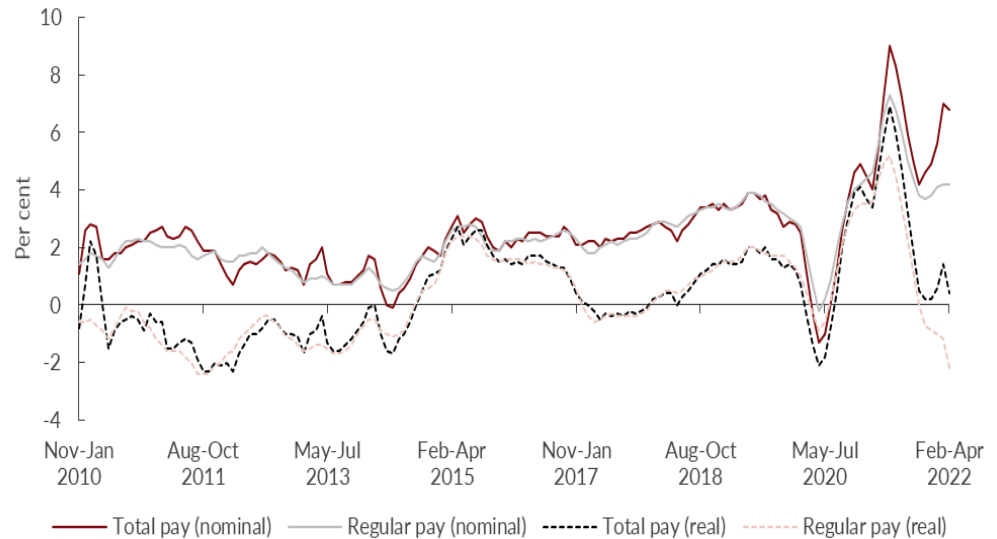
Close – refreshments served in the Conference Room

# Cost-of-Living Crisis

Kemar Whyte

# Cost-of-Living Squeeze Tightens...

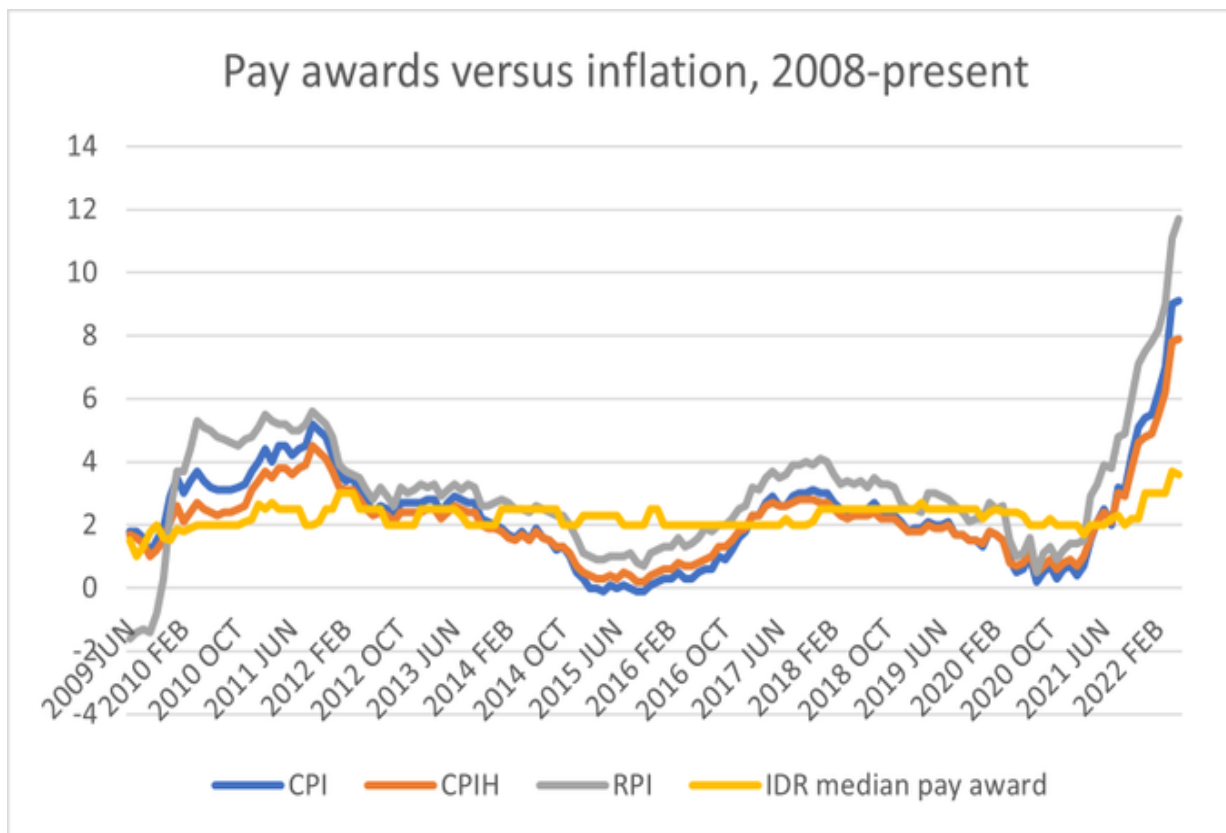
- Labour market continues to recover, with employment, vacancies, and wages all increasing...
- **BUT** cost-of-living squeeze remains evident...
- Regular pay fell at its fastest 3-month average rate in over a decade



Source: ONS and NIESR calculations

# Wages Dwarfed by Inflation

- Median wage settlement has risen but still lags inflation.
- Price-wage spiral?



Source: Incomes Data Research

# Will House Prices Crash?

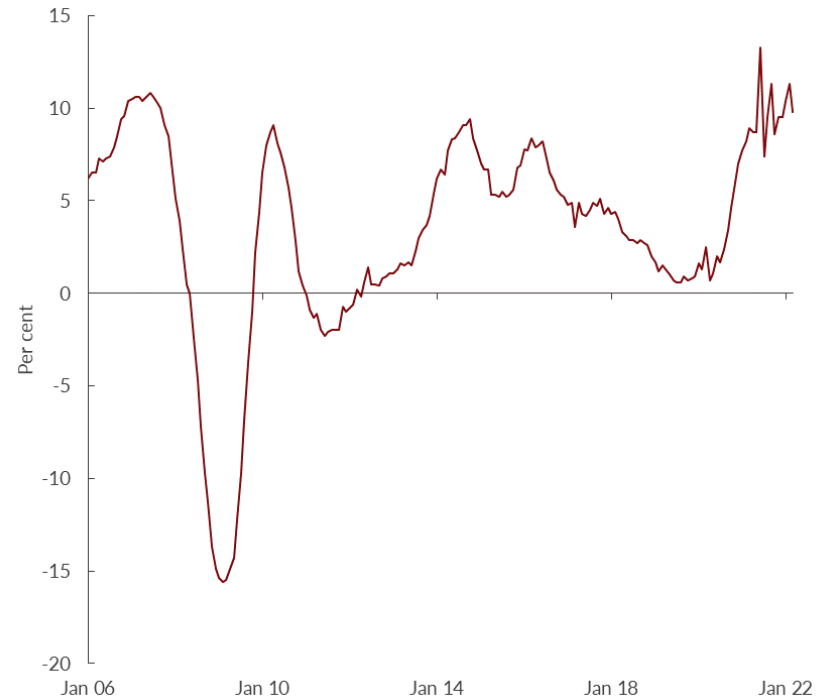
Urvish Patel



# UK House Price Inflation is High ...

Why has house price inflation increased:

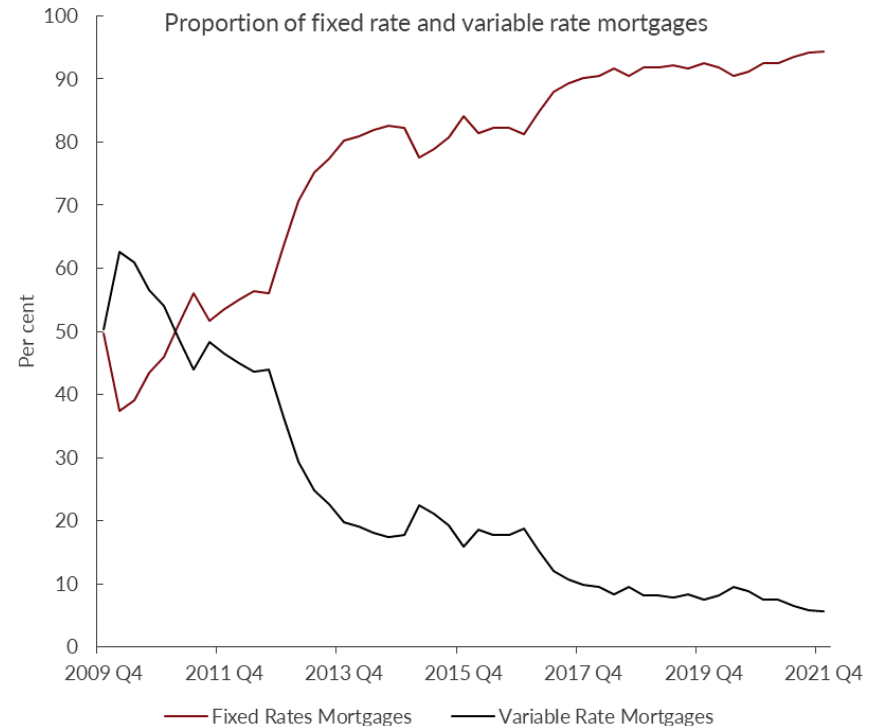
- Low interest rates
- Remote working
- Stamp duty holiday
- Increased household savings in the pandemic
- Planning restrictions and supply chain bottlenecks



Source: ONS

# ... but will House Prices Crash?

- More mortgages are now at fixed rates
- Rates are only rising gradually
- Household credit growth is low
- Proportion of high LTV and high LTI mortgages has fallen
- FPC imposed 'affordability tests'
- Greater proportion of double income households with mortgages

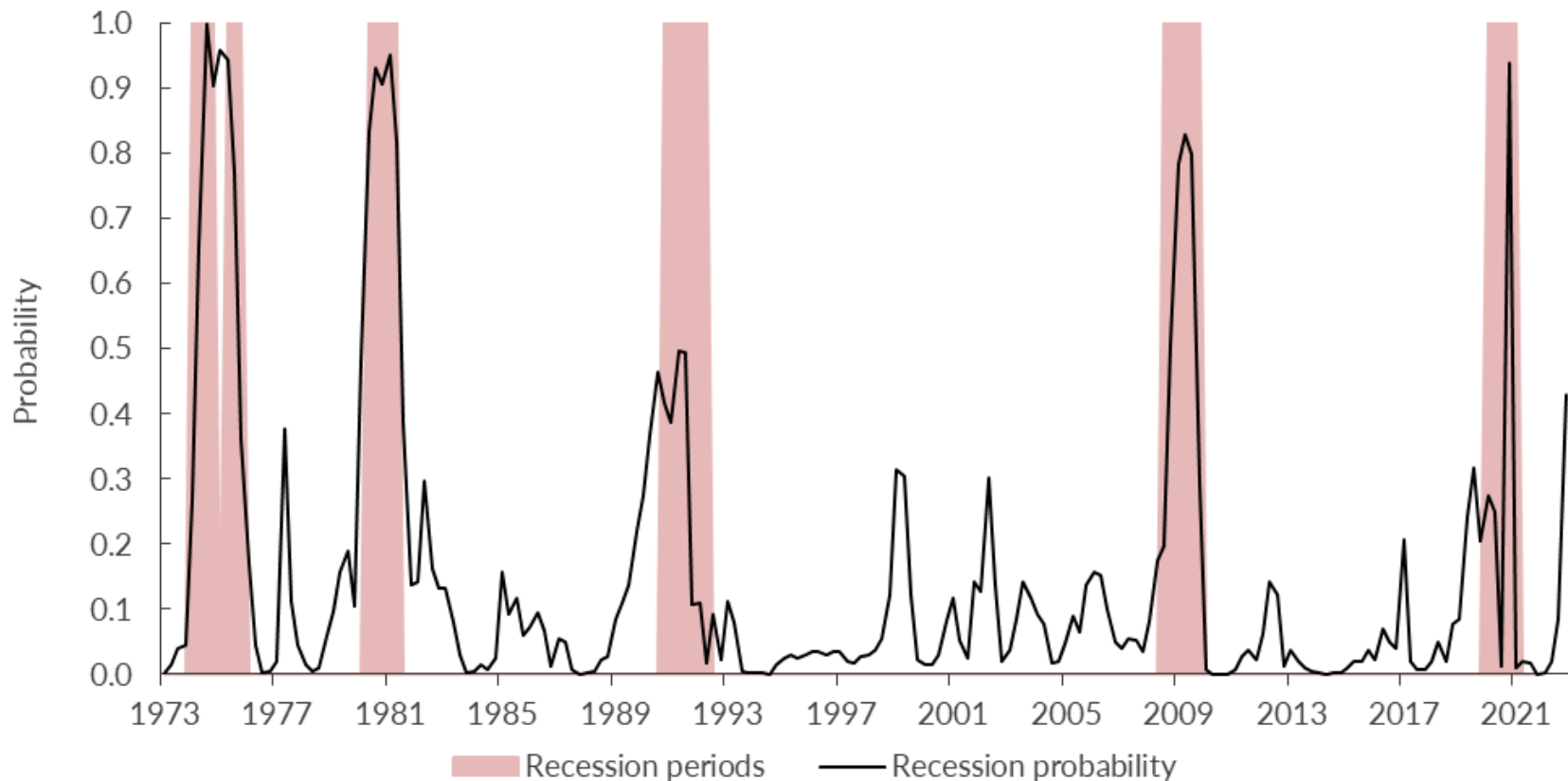


Source: Financial Conduct Authority

# Are We Headed for a Deep Recession?

Stephen Millard  
(with many thanks to Peter Dixon)

# Probability of a Deep Recession



Probability of negative year-on-year growth has risen from close to zero in May to around 45% now!



**Thank You**

