[BCC: Productivity decline sign that wage growth can’t be taken for granted]

Commenting on the labour market figures for May 2018, published today by the ONS, Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said:

“With unemployment declining and employment levels continuing to rise, the latest data confirms that the labour market remains a bright spot for the UK economy. However, while the latest figures are likely to reinforce the MPC’s hawkish rhetoric, labour market data tends to lag behind the wider economy, so any broader weakening in economic conditions wouldn’t be expected to appear in the figures for some time.

“While regular earnings growth continues to marginally outpace inflation, the decline in UK productivity in the first quarter is a clear warning sign that positive real wage growth should not be taken for granted. While businesses are reporting some upward pressure on pay, sluggish productivity and high upfront business costs are restricting the extent to which wages are able to rise.

“More needs to be done to support firms looking to recruit and grow their business, including tackling the high input costs faced by businesses and addressing the chronic labour shortages that continue to undermine the UK growth prospects.”

Commenting on the labour productivity statistics, Suren added:

“The fall in the first quarter is disappointing and shows that the recent pick-up in productivity was relatively short lived. The decline in the quarter was driven by weaker than expected GDP growth outturn in Q1 and the recent pick-up in hours worked.

“The persistent weakness in UK productivity reflects the longstanding structural problems in our economy from a chronic skills shortage, to our creaking infrastructure and the escalating cost of doing business in the UK. Delivering solutions to these key business concerns would help boost investment and drive the productivity gains we need to boost the UK’s long-term growth potential.”

Ends

Notes to editors:

The British Chambers of Commerce (BCC) sits at the heart of a powerful network of 53 Accredited Chambers of Commerce across the UK, representing thousands of businesses of all sizes and within all sectors. Our Global Business Network connects exporters with nearly 40 markets around the world. For more information, visit: [www.britishchambers.org.uk]

The BCC has launched a campaign aimed at eradicating not-spots for mobile voice coverage. Add your not-spot here.

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BCC responds to Bank of England's 'Super Thursday'

Commenting on the Bank of England inflation report and interest rate decision published on 'Super Thursday', Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said:

"The decision to keep interest rates on hold, while unsurprising, was the right decision given the loss of momentum suffered by the UK economy in the first quarter and the downgrade to their 2018 GDP growth forecast. That said, the limited lowering of its GDP growth and inflation forecasts over 2019 and 2020, and the hawkish tone of the minutes from the latest MPC meeting, suggest that the prospect of an interest rate rise this year looks to have been delayed, rather than discarded.

"In our view the Bank of England remains too bullish about the UK's growth prospects over the next few years despite their downgrade to the 2018 forecast, which is now in line with our own outlook. Similarly, business investment is likely to be more sluggish than the Bank of England is currently forecasting, with the cost of doing business in the UK likely to weigh on investment decisions. Similarly, the contribution of net trade to UK GDP growth is likely to be more limited than suggested by the central bank's latest forecast. While UK export growth is likely to remain strong, imports are likely to grow at a faster rate than the bank expects with little evidence of significant import substitution. We currently expect that UK interest rates will rise to 0.75% this year, possibly as early as August.

"With UK economic conditions subdued and inflation weakening however, the case for a rate hike continues to look limited at best. The preferred option would be for the MPC to opt for a sustained period of monetary stability. While interest rates will need to be normalised at some point, it should be done slowly so as not to weaken the UK's growth prospects.

“Instead there should be a greater focus on lifting the UK out of its current low growth trajectory, including incentivising greater business investment and addressing the escalating burden of upfront costs facing UK firms.”

Ends

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BCC comments on trade statistics

Commenting on the trade statistics for March 2018, released today by the ONS, Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said:

“The narrowing in the UK’s trade deficit in the quarter is a welcome improvement from the weaker performance in the previous quarter, and mainly reflects a fall in goods imports from non-EU countries. However, short term trade data is often subject to significant revisions and should be treated with caution.

“Despite the narrowing in the UK’s trade deficit in Q1, with the construction sector in recession and manufacturing output slowing, this is further confirmation that the UK’s economic performance in the opening months of 2018 has been underwhelming.

“While export activity remains strong amid improving global trading conditions, the UK’s net trade position is likely to remain under pressure from strong import growth, with little sign that businesses or consumers are switching away from imports towards domestic alternatives, despite their higher cost.

“As a consequence, the lack of import substitution is likely to limit trade’s contribution to UK economic growth over the near term and means that a sustained rebalancing of the UK economy remains a long way off.

“More needs to be done to help firms compete on the global stage by addressing the longstanding issues, from the UK’s skills gap to our creaking digital and physical infrastructure, that continue to undermine the UK’s trade potential.”

Ends

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BCC: Pragmatism, not ideology, needed in customs debate

Reacting to comments made by Business Secretary Greg Clark MP and other political interviewees on the Andrew Marr programme regarding future customs arrangements, Dr Adam Marshall, Director General of the British Chambers of Commerce, said:

Whatever the final customs deal, the UK government must ensure that trading businesses face only one set of changes, not two, as they move goods across borders whether by land, sea or air.

“An agreement to maintain something close to the status quo until new rules, technology, infrastructure and staff are in place is a no-brainer. The alternative is greater uncertainty, disrupted supply chains, and one costly adjustment after another.

“Every trading business I speak to wants practical considerations, not ideology, to drive Cabinet decision-making and negotiations with the EU. The customs question is no different. If the government’s position is that the UK will not be in a customs union with the EU, it has an obligation to make this shift happen with the least possible disruption to business, consumers and the wider economy.

“A clear sunset clause would ensure that a pragmatic customs transition is completed without a cliff-edge for business or endless can-kicking by ministers.”

Ends

Notes to editors:

The British Chambers of Commerce has not endorsed any proposals for a final-status customs arrangement.

BCC research with the Port of Dover released on Monday 30th April, which surveyed 835 exporting and importing firms in Q1 2018, found that:

– 36% of trading businesses rely on just-in-time delivery of materials or components
– 33% of businesses affected by the implementation of new customs procedures still aren’t planning for checks and declarations between the UK and the EU

– 29% of companies believe they will be impacted in terms of administration, costs or operations by delays or congestion at UK or European ports after Brexit – but aren’t yet planning for this.

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