

BCC Quarterly Economic Survey: Subdued growth in Q2 amid challenging business conditions

Today the BCC publishes the results of its Quarterly Economic Survey for Q2 2017.

13 July 2017

The British Chambers of Commerce (BCC) today publishes its Quarterly Economic Survey – the UK's largest and most authoritative private-sector business survey. Based on the responses of over 7,700 businesses in Q2 2017, the results for both sectors indicate that the UK economy grew at a subdued rate in the second quarter of 2017.

The services sector, a key driver of UK economic growth, saw indicators of domestic activity, employment and investment continue to weaken slightly in the quarter. Consumer-facing industries such as retail outlets and hotels reported weaker growth rates compared to B2B businesses in the quarter.

The survey shows export sales and orders in the manufacturing sector remain solid and well above historical averages. While export activity increased marginally in the services sector, it remains below historic levels.

The balance of firms expecting prices to rise has decreased across both sectors, but remains close to the historically high levels seen in the wake of the EU referendum. The percentage of manufacturers reporting raw materials as the key driver of increased prices remains near record highs.

The findings indicate that while confidence in future turnover and profitability is improving, the balance of service firms revising their investment in training upwards is also at historical lows, particularly for retailers and wholesalers. Both sectors report low levels of improvement in cash flow.

Key findings in the Q2 2017 survey:

- Overall, the figures for both sectors indicate static growth, with the services sector remaining below historic levels
- The percentage balance of manufacturing firms expecting the price of their goods to increase over the next three months has fallen slightly from the near-historic-highs reported in the previous quarter (from +47% to +34%), and fell in services from +32% to +28%
- However, manufacturers report continued pressure from the price of raw materials, with 60% reporting this as the cause of price increases (down from 76%). Pressure from financial costs also rose in both, rising from 12% to 15% in manufacturing and 9% to 13% in services
- In the manufacturing sector, the balance of firms reporting increasing

domestic sales held steady at +20, while domestic orders fell slightly from +16 to +15. The balance reporting export sales rose marginally from +26 to +27 and export orders fell from +22 to +20

- In services, the balance of firms reporting increasing domestic sales fell from +22 to +19 and domestic orders fell from +19 to +15. The balance reporting increasing export sales rose from +10 to +13 and export orders also rose from +5 to +9
- The percentage of businesses in both sectors attempting to recruit fell somewhat, but remain relatively high at 65% in manufacturing (down from 86%) and 49% in services (down from 59%). Of those, the percentage of firms facing recruitment difficulties dropped but remains high in both sectors at 64% (down from 74%) in manufacturing and 42% in services (down from 58%)
- Confidence across the board held fairly steady in the second quarter. The balance of manufacturers confident that turnover would improve over the next 12 months rose from +44 to +46, and the balance for services from +39 to +40. The balance of manufacturing firms confident that profitability would increase rose from +32 to +33 and in services from +28 to +33
- However, the balance of firms in both sectors reporting improved cashflow remains at historical lows, with +3 in manufacturing and +8 in services

Commenting on the results, Dr Adam Marshall, Director General of the British Chambers of Commerce, said:

“Our latest survey results, which reflect the outlook of companies in all sectors and locations of the UK, indicate that for many businesses growth is static at best, and at worst, beginning to slow.

“It’s time for the economy to be put back at the heart of the agenda, with a focus on creating the best possible environment for business growth all across the UK. Government must play its part by tackling the issues that hold businesses back, including labour shortages, weaknesses in our physical and digital infrastructure, and high upfront costs which dampen investment intentions and firms’ growth potential. Any talk of higher business taxes to pay for politically-motivated spending must be quashed swiftly, to avoid undermining business confidence further.

“The subdued growth picture also underlines the importance of getting as much clarity on the Brexit transition as possible, as quickly as possible over the coming months.”

Suren Thiru, Head of Economics at the BCC, said:

“Our latest survey indicates that UK economic activity remained subdued in the second quarter of 2017.

“Services sector activity stuttered a little with a number of the key balances weakening this quarter. Consumer-focused industries were the worst performers – further evidence that rising inflation is dampening consumer activity. That said, the sector is likely to have been the key driver of

second quarter growth. While the manufacturing sector enjoyed a solid quarter, the improvements are from a low base and the longer-term trends suggests that the sector's contribution to overall UK growth will not be enough to offset weaknesses elsewhere.

"The latest results also point to a continued pick-up in export activity for both service sector firms and manufacturers. The improving growth outlook for some of the UK's key international markets and the weaker sterling have helped improve trading conditions for UK exporters.

"Rising inflation remains the key challenge for the UK economy this year. Consumer prices are likely to keep rising in the coming months as the recent sizeable increases in the cost of raw materials and other overheads filter through supply chains. However, while still high, the drop in the balance of firms expecting prices to rise indicates that price pressures at the factory gate have moderated a little."

Ends

Notes to editors:

The BCC Q2 2017 QES is made up of responses from 7,700 businesses across the UK, and is the largest private business survey in the country. Firms were questioned between 22 May and 12 June 2017 on a wide range of business issues, including: domestic sales and orders; export sales and orders; employment prospects; investment prospects; recruitment difficulties; cashflow; confidence; and price pressures.

Spokespeople are available for interview and a full QES is available from the press office.

How are balances calculated?

QES results are generally presented as balance figures – the percentage of firms that reported an increase minus the percentage that reported a decrease. If the figure is a plus it indicates expansion of activity and if the figure is a minus it indicates contraction of activity. A figure above 0 indicates growth, while a figure below 0 indicates contraction.

For example, if 50% of firms told us their sales grew and 18% said they decreased the balance for the quarter is +32% (an expansion).

If 32% told us their sales grew and 33% said they fell the balance is -1% (a contraction).

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Media contacts:

Orla Hennessy – Press and Communications Officer

020 7654 5813 / 07825746812

[BCC comments on Taylor Review](#)

Commenting on the publication of the Taylor Review, Dr Adam Marshall, Director General of the British Chambers of Commerce (BCC), said:

“The world of work is changing, and it is only right that employment law and practice change with it. Matthew Taylor has rightly recognised that the UK’s flexible labour market is a great source of strength and competitive advantage, but has also recommended some common-sense changes where grey areas have emerged in recent years. We are pleased that he has acknowledged that UK firms already face high costs in addition to wages, and has sought to avoid adding to these burdens at a time of uncertainty and change.

“Civic-minded business leaders across the UK have expressed concerns about the consequences of insecure employment in their local communities in recent years, and recognise there is a two-way bargain that needs to be struck that gives flexibility and security to both employers and employees. Civic businesses will also agree with Taylor on the importance of good-quality work, and opportunities for growth, development and workplace health.

“While the notion of a wage premium in exchange for uncertain working hours is superficially attractive, it could have unforeseen consequences, and push wage costs up elsewhere. Further expert consideration of the potential impact of such a measure on jobs will be needed.

“If the new category of ‘dependent contractors’ proposed by the review is implemented, it must have a clear legal definition to prevent any ambiguity or unintended knock-on effects.

“The government should consult widely with business and employees over the coming months to ensure any response to the Taylor Review is proportionate, fair and above all unbureaucratic.”

Ends

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BCC: ‘No deal’ not an option for business communities

Today the BCC publishes the results of a post-election survey on business views on the UK’s objectives in the EU negotiations.

10th July 2017

One month on from the General Election, the British Chambers of Commerce (BCC) today (Monday) publishes a post-election survey of over 2,400 companies, which shows that while businesses have a range of views on their preferred objectives for the UK in Brexit negotiations, there is almost no support to conclude UK-EU talks without a trade deal.

Asked to consider which option came closest to their view about what the UK’s Brexit negotiation objectives should be, the survey – carried out just after the election – showed:

- **2% said leave the Single Market and Customs Union, and rely on WTO rules for trade (leave without a trade deal with the EU)**
- **34% said remain in the Single Market and Customs Union**
- **13% said remain in Customs Union only (no hard borders or tariffs, but limited scope to negotiate trade agreements with third countries)**
- **11% said remain in the Single Market only (accept EU regulations and rules in return for full access to market)**
- **28% said a comprehensive Free Trade Agreement and a customs agreement (the government’s pre-election objectives, set at the Prime Minister’s Lancaster House speech)**
- **12% said don’t know or ‘other’**

Respondents were also asked about a transition period, and which of the following options they believe is best for their business:

- **46% said ‘a transition period of three years’**
- **22% said ‘a transition period of longer than three years’**
- **17% said ‘no transition period’**
- **15% said ‘don’t know’ or ‘other’**

Dr Adam Marshall, Director General of the British Chambers of Commerce (BCC), said:

“Our results make it clear that there are a range of business views on what the UK should be seeking in a final deal with the EU, but there is near-universal consensus that a deep and comprehensive agreement is needed. ‘No deal’ isn’t seen as a viable option. Businesses want a pragmatic settlement on the practical, real-world issues that affect their operations, not arbitrary political red lines.

“By more than three to one, businesses want a transition period on the way to a final agreement with the EU. This is critical to prevent firms facing the prospect of repeated, costly adjustments to new trading conditions. If companies have to change their business model once in 2019 and again several years thereafter, the competitiveness and investment potential of our firms will be undermined.

“Getting transition arrangements on the negotiations agenda as quickly as possible would give businesses – many of whom are considering big investment decisions now – the confidence to press ahead.”

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Notes to editors:

The British Chambers of Commerce (BCC) survey received responses from 2,422 business people from all regions of the UK online between Monday 12 June and Wednesday 14 June 2017. Of the businesses surveyed, 91% were SMEs, 25% operate in the manufacturing sector, and 75% operate in the services sector. The results were weighted to align to the BEIS 2016 business population estimates.

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BCC at Chevening meeting: Put UK business and economy first in Brexit talks

As the BCC attends a meeting at Chevening House on Brexit, it calls on the government to put the economy first in the negotiations.

7 July 2017

On the day (Friday) that the British Chambers of Commerce attends a high-level Brexit meeting at Chevening House with the Department for Exiting the EU and other representatives from the business world, the leading business organisation is calling on the UK government to put British business and economic considerations first in the on-going Brexit negotiations.

BCC Director General Adam Marshall will argue that achieving a good deal for the UK economy may require the Government to be more flexible in its position over the coming months, in order to prioritise jobs, investment and certainty for the future.

In recent weeks the BCC has, together with other business organisations, called on the government to seek to maintain the economic benefits of the Single Market and the Customs Union, until a comprehensive final settlement between the UK and EU is agreed and implemented.

The BCC has also called for the negotiators to agree to start the trade elements of the talks as early as possible, to give businesses on both sides greater confidence and clarity.

Dr Adam Marshall, Director General of the British Chambers of Commerce (BCC), said:

“Business communities across the UK want the government to take a pragmatic and flexible approach to Brexit negotiations that puts the needs of the economy front and centre.

“Most businesses are a long way away from the theoretical debates we hear in Westminster, and just want answers to the practical, real-world questions they face. ‘Will our goods get stuck at border crossings? Who can we hire, and for how long? Who do we pay VAT to? Whose regulations and standards do we need to comply with?’ And so on.

“Answering these questions will require government to work in lock-step with business throughout the Brexit process, both on high-level strategy and on the detailed technical and legal issues that affect specific sectors. The meeting at Chevening with the Secretary of State has to be the start of a process of sustained engagement between government and business in order to get the best possible Brexit deal.

“At the same time, we will tell ministers loudly and clearly that Brexit isn’t the only game in town. Unless the UK has the best domestic business environment, even the best Brexit deal would fall flat. A high-cost, high-tax Britain with patchy infrastructure and serious skills gaps would be no recipe for future success.”

Ends

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Media contacts:

Allan Williams – Senior Press Manager

020 7654 5812 / 07920583381

Orla Hennessy – Press and Communications Officer

020 7654 5813 / 07825746812

[Adam Marshall: transition from education to work ‘a national imperative’](#)

Director General, Adam Marshall, opens the BCC’s Business and Education Summit by calling for action to improve the transition from the world of education to the workplace.

6 July 2019

In his opening address to delegates at the BCC’s Business and Education Summit, Director General Adam Marshall calls on education and business to work together to solve the skills gap by improving the transition from education to the workplace. Dr Marshall said:

“Unless we improve the transition from the world of education to the world of work in the UK, we won’t fix our long-standing issues around productivity –

which stop us paying our way in the world as a nation; our firms will be less competitive against their global peers – as businesses struggle to fill skills gaps, and have to divert their training focus to fixing basic skills; and crucially, the burning question of fairness between generations – one of the biggest issues facing our country today – will not be fully addressed.

“These are not left-wing or right-wing issues. They are national imperatives.

“We as business need to do more. Together with colleagues from educational institutions of all stripes, from local government, and from national government, we have a duty to ensure that all young people at school – and indeed far more of our teachers – have regular and repeated interactions with businesses, with industry, and with life in the workplace.

“We have a duty to help school- and college-leavers access the world of work and opportunity, and find their route to personal fulfilment and success.

“A duty to generate confidence between businesses on one hand, and potential recruits on the other – revitalising the social contract between them.

“And finally, we also have a duty to continue to build partnerships between our educational institutions and firms across the country – with a shared focus on the success not just of individuals, but also of the places that they call home.”

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Notes to editors:

The BCC Business and Education Summit takes place today at etc venues, 200 Aldersgate, London, EC1A 4HD. For details of the full agenda, please click: <http://www.bccbusinesseducation.com/business-education-summit/business-education-summit-programme/>

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