[EU Council: Joint statement from five business groups]

The British Chambers of Commerce, Confederation of British Indistry, EEF, Federation of Small Businesses and Institute of Directors comment on the statement from the EU Council.

“We welcome the fact that the European Council has approved the progression of talks to the discussion of a transition period, and a future trade relationship.

“It is our collective view that the transition period must now be agreed as soon as possible, to give businesses in every region and nation of the UK time to prepare for the future relationship. Further delays to discussions on an EU-UK trade deal could have damaging consequences for business investment and trade, as firms in 2018 review their investment plans and strategies.

“While our members will be particularly pleased that EU citizens currently living and working in the UK now have more clarity, it’s still essential that an unequivocal commitment on their future rights is made whatever the outcome of negotiations.

“We will continue to work with the government to ensure that UK firms can overcome the challenges and take advantage of the opportunities that a new trading relationship with the EU and the rest of the world will bring.”

Adam Marshall, Director General, British Chambers of Commerce

Carolyn Fairbairn, Director General, Confederation of British Industry

Stephen Phipson, Chief Executive, EEF

Mike Cherry, National Chairman, Federation of Small Businesses

Stephen Martin, Director General, Institute of Directors

[BCC comments on labour market statistics December 2017]

Commenting on the labour market statistics released today by the Office for National Statistics, Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said:

“While the UK unemployment rate remains historically low, the second successive drop in UK employment suggests that labour market conditions are moderating a little. However, the drop in both UK unemployment and employment was at least partly due to the rise in people who are now classed as economically inactive.

“The latest data also confirms that the UK labour market continues to face a number of key challenges. While it picked up slightly, pay growth continues to lag behind price growth, which is stifling consumer spending, a key driver of UK economic growth.

“Significantly, the rise in the number of vacancies is a further indication of the persisting skills shortage faced by business, which undermines the UK’s growth prospects.

“With UK economic conditions likely to become more sluggish over the near term, it is vital that more is done to support firms looking to recruit and grow their business, including tackling the high up-front taxes and costs of doing business in the UK.”

Ends

Notes to editors:

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BCC and six national Chambers across Europe urge politicians: move talks to transition and trade now

- *Unprecedented joint statement from national Chamber organisations bordering the North Sea*

- *Leading business organisations representing businesses in seven countries that account for 70% of EU-UK trade*

The British Chambers of Commerce (BCC) has today joined with national Chamber organisations from six countries bordering the North Sea, on the United Kingdom and the European Union to swiftly move to talks on transition and the future EU-UK trade relationship now that sufficient progress in the first phase of the Brexit negotiations has been made.

This landmark joint statement, from Chambers of Commerce representing businesses in seven countries that accounts for 70% of EU-UK trade in both directions, calls on both sides to provide clarity on what the future relationship will look like as soon as possible, and to strive for a trade-friendly agreement with a realistic transition period.

The statement reads:

The British Chambers of Commerce, Chambers Ireland, the Danish Chamber of Commerce, the French Chamber of Commerce and Industry, The German Chambers of Commerce and Industry, the Netherlands-British Chamber of Commerce and the Federation of Belgian Chambers of Commerce represented by Voka- Flanders Chamber of Commerce and BECI -Brussels Chamber of Commerce, call on the United Kingdom and the European Union to keep on striving for sufficient progress in the first phase of the Brexit negotiations to ensure talks on transition and the future EU-UK trade relationship can start as soon as possible.

• This is a joint statement by Chambers of Commerce of seven countries, altogether accounting for 70% of EU-UK trade in both directions

• We need clarity on what the future relationship will look like as soon as possible and call on negotiators to strive for a trade-friendly agreement

• A realistic transition period, maintaining the status quo until the new agreement is implemented, is highly desirable

• No deal is extremely undesirable for all sides

Countries from the northern European coastal area have always maintained exceptionally good trade ties. Trade between the United Kingdom and the other 6 EU countries in this area amounted to 344bn EUR in 2016, accounting for 70% of the total EU-UK trade. The English Channel, located in the middle of the North Sea area, is the world's busiest shipping lane, with more than 500 vessels passing through the strait on a daily basis, as well as being a key transport link between the EU and Ireland.

Many companies are embedded in supply chains spread over several northern European countries that depend highly on tight 'just in time' management cycles, which can be severely disrupted by even the slightest unforeseen regulatory changes. All these companies that engage both directly and indirectly in EU-UK trade and EU-EU via the UK trade, most notably in the case of Ireland, need to start taking the necessary actions to prepare for new EU-UK trading arrangements as soon as possible.

However, most of the big issues that are of concern for our businesses have not yet even been touched on by the EU and UK negotiators. Issues like future customs procedures, the extent of regulatory alignment between the UK and the EU and the mutual recognition of standards- and safety checking agencies are just a few critical areas in which companies need clarity.

We therefore call on EU and UK negotiators to create clarity on the outlines of a future trade friendly EU-UK relationship in the following months. As it is in the interest of the EU and the UK to have a united and open Europe, the new relationship should fully respect all aspects of the integrity of the Single Market.

Given the monumental changes Brexit will bring, a realistic transition period is needed to provide time for companies to adapt to the new EU-UK trading relationship. A status-quo like transition period – announced with sufficient notice – ensuring the UK remains in the customs union and the Single Market for the duration of the transition period, with all the appropriate rights and obligations, would be best to provide business with the highest possible degree of certainty and predictability.

We are increasingly concerned about continued rhetoric on a no-deal scenario. A 'no deal' scenario would be extremely undesirable for business as this would mean they will be faced with higher tariffs, more burdensome customs procedures and longer delays than under a negotiated separation.

We therefore urge both the British negotiator David Davis and the EU chief negotiator Michel Barnier to start discussing the outlines of a future EU-UK trade friendly relationship as soon as possible now that sufficient progress has been made in the first phase of the Brexit negotiations.

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

"Last week's breakthrough in the negotiations was a welcome relief for business communities. Trade thrives between the UK and Europe, and all sides benefit from reaching a business-friendly deal.

"It's clear that companies in the UK and in Europe all want talks to move forward to the future trade relationship without delay. There is a real clamour for the negotiations to start on the practical issues that will affect firms, from regulation and customs, to tariffs and taxes.

"Businesses trading between UK and Europe have done their best to focus on the potential impact of Brexit on their operations, rather than on the day-to-day political noise. However, businesses both in the UK and around the world want clarity on the key political issues, and it is up to the negotiators to provide that clarity."

Ends

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Chambers Ireland is Ireland's largest business organisation with a network of Chambers of Commerce in every major town and region in the country, representing over 10,000 businesses. For more information: http://www.chambers.ie/

Danish Chamber of Commerce (Dansk Erherv) is the network for the service industry in Denmark. It is one of the largest professional business organisations in Denmark with more than 200 employees, offices in Copenhagen, Aarhus and in Brussels. For more information visit: https://www.danskerhverv.dk/engelsk/

The Umbrella Organisation of French Chambers of Commerce and Industry (CCI France) is the voice of 125 regional and local Chambers in France supporting the development of more than 2,900,000 beneficiary and voting companies of commerce, services and industry. CCI France is the spokesperson of French Chambers of Commerce and Industry and represents the interests of French companies. For more information: www.cci.fr

The German Chambers of Industry and Commerce (Deutscher Industrie- und Handelskammertag – DIHK) is the umbrella organisation of 79 Chambers in Germany (IHKs) and the worldwide network of 130 business representations abroad. All companies registered in Germany, with the exception of handicraft businesses, the liberal professions and farms, are required by law to join a Chamber. Thus, the DIHK speaks for more than 3.6 million enterprises: www.dihk.de

The Netherlands British Chamber of Commerce. For more information visit: http://www.nbcc.co.uk/?lang=nl

The Federation of Belgian Chambers of Commerce is the umbrella organisation of the chambers in Belgium. For more information visit: http://www.belgianchambers.be/en/

– **Voka – Flanders Chamber of Commerce and Industry** is particularly concerned with Brexit as Flanders accounts for roughly 88% of Belgium-UK trade. Voka represents 18.000 companies that together are responsible for 70% of the private employment and 66% of the added value in Flanders. For more information visit: https://www.voka.be/eng

– **The Brussels Chamber of Commerce and Industry (BECI)** aims to develop a positive business environment and promote entrepreneurship. As a private employers' organisation, the Brussels Chamber represents 35.000 Brussels based companies and independent entrepreneurs or about 80% of the economy and

66% of the employment in the Brussels’ Capital Region. As Brussels is an important trade partner of the UK and seat of numerous company headquarters that trade with the UK, BECI is highly concerned about the Brexit. For more information: http://www.beci.be

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BCC forecast: Uncertainty constraining UK economic growth

The British Chambers of Commerce (BCC) has today slightly downgraded its three-year outlook for the UK economy, cutting growth expectations from 1.6% to 1.5% in 2017, from 1.2% to 1.1% in 2018, and from 1.4% to 1.3% in 2019.

The slight downgrade to the leading business group’s forecast is mainly driven by a slightly weaker contribution from net trade across the forecast period, while household consumption and business investment are expected to remain sluggish through the forecast period. UK productivity is also forecast to remain subdued.

Inflation is expected to remain elevated in the short-term, peaking at 3% in the final quarter of this year, and then moderate slightly as the impact of the post-EU referendum slide in sterling fades. However, inflation is forecast to outpace earnings until 2019, eroding real wages and weighing on consumer spending, a key driver of UK economic growth. As such, our new forecast is that the next increase in UK official interest rates, to 0.75%, will occur in Q4 2019.

The BCC expects UK public sector net borrowing to be £12.4 billion higher over the next three years than predicted by the Office for Budget Responsibility at the 2017 Autumn Budget, with slower growth expectations likely to reduce the Exchequer’s ability to generate tax revenue.

With the UK economy expected to continue on a path of slow and sluggish growth, the business group is urging a far stronger focus on ‘fixing the fundamentals’ of the UK economy over the coming year – as skills and labour shortages, congested infrastructure, patchy digital connectivity, a slow planning system and high up-front costs stymie investment and stunt productivity improvements. At the same time, now that a breakthrough has been reached on the first phase of Brexit negotiations, the UK government must look to answer business's practical questions around trade to provide further clarity to firms.

Key points in the forecast:

- UK GDP growth forecast for 2017 is downgraded from 1.6% to 1.5%, and is expected to slow to 1.1% in 2018 (downgraded from 1.2%), before rising to 1.3% in 2019 (downgraded from 1.4%). Quarter-on-quarter growth in Q4 2017 is forecast to slow slightly to 0.3%
- Export growth is expected to grow at 4.3% in 2017, 3.1% in 2018 and 2.9% in 2019 as global growth drives international demand, while import growth is expected to grow by 3.7% in 2017 2.7% in 2018, and 2.9% in 2019. This leaves our net trade position weaker across the forecast period than we previously forecast in Q3.
- Productivity is expected to grow by 0.5% in 2017, 0.6% in 2018 and 0.5% in 2019
- Inflation of 2.7% is forecast for this year, and 2.8% and 2.5% in 2018 and 2019 respectively. Inflation is expected to peak at 3%in the final quarter of 2017, in line with our previous forecast
- Our new forecast is that the next increase in UK official interest rates, to 0.75%, will occur in Q4 2019
- Growth in consumer spending is expected to slow from 1.6% in 2017 to 1.0% in 2018, before rising to 1.3% in 2019
- Business investment growth has been upgraded from 0.4% to 2.1% for 2017 as a result of revisions to ONS data, but is expected to slow to 0.8% in both 2018 and 2019
- Looking at sectors, manufacturing growth has been upgraded from 1.4% to 2% in 2017, and is expected to grow at 0.9% and 1.1% in 2018 and 2019. Construction growth has been revised upwards for 2017 from 1.3% to 3.2%, and is expected to grow at 0.5% and 1.0% thereafter. Services sector growth has been downgraded from 1.8% to 1.7% in 2017, and is forecast to grow at 1.3% and 1.6% in the following years
- Public sector net borrowing is expected to total £52.7 billion in 2017, £47.8 billion in 2018 and £36 billion in 2019.

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

"Despite pockets of resilience and success, and strong results for some UK firms, the bigger picture is one of slow economic growth amid uncertain trading conditions.

"Following the welcome news that the Prime Minister has reached a deal on the first phase of Brexit negotiations, it is now crucial to deliver a firm transition period and clarity on the nature of the UK's future trading relationship with the EU. Despite last week's deal, Brexit uncertainty still lingers over business communities, and is undermining many firms' investment decisions and confidence. Certainty over the course of Brexit would also help to stabilise markets, and reduce the volatility of sterling, which businesses say is increasing their costs.

“Yet even the best possible Brexit deal won’t be worth the paper it’s written on if the government fails to address the many long-standing, and well-known, barriers to growth here at home. Ever-rising upfront costs, a labour market at capacity, growing pressure on land use, and a physical and digital infrastructure in need of investment and expansion, all prevent UK firms from reaching their potential. While the recent Budget made some welcome steps in the right direction, concerted and sustained action to fix the fundamentals is needed to encourage business investment and growth.”

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

“The downgrades to our growth forecast confirm that the UK economy is in a challenging period with growth likely to remain well below average for a prolonged period.

“Continued uncertainty over Brexit and the burden of upfront cost pressures facing businesses is likely to stifle business investment, while falling real wage growth is expected to continue to weigh on consumer spending. Furthermore, with businesses continue to report that the post-EU referendum weakness in sterling is hurting as much as its helping, the significant imbalances currently facing the UK economy is expected to persist through the forecast period.

“The continued weakness in UK’s productivity is a key concern and reflects the lack of progress in dealing with some of the deep-rooted structural problems in our economy, from skills shortages to creaking physical and digital infrastructure.

“Despite the downgrades to our growth projections, the risks to our forecast remain on the downside. Should the UK face a disorderly exit from the European Union, the UK’s growth rates may be materially lower over the medium term.”

Ends

Notes to editors:

BCC spokespeople are available for broadcast and print interviews, please contact the press office to arrange.

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BCC: Business cheers negotiations breakthrough in Brussels – and urges swift start to trade talks

Director General Adam Marshall comments on the news that the UK and the EU have reached an agreement to conclude the first phase of Brexit talks.

"Businesses will be breathing a sigh of relief that 'sufficient progress' has been achieved. After the noise and political brinksmanship of recent days, news of a breakthrough in the negotiations will be warmly welcomed by companies across the UK.

"Business will particularly cheer the mutual commitment to a transition period to support business confidence and trade, and will want the details confirmed swiftly in the new year when negotiators move on to the big questions around our future trade relationship with the EU.

"For business, a swift start to trade talks is crucial to upcoming investment and growth decisions. Companies all across the UK want absolute clarity on the long-term deal being sought, and want government to work closely with business experts to ensure that the details are right.

"Businesses want answers on what leaving the EU will mean for regulation, customs, hiring, standards, tariffs and taxes. The job of the UK government and the European Commission now is to provide those answers – and do everything in their power to ensure vibrant cross-border trade between the UK and EU countries can continue."

On the question of citizens' rights, and the status of EU employees in UK firms, Dr Marshall added:

"The biggest priority for many firms since the EU referendum has been to get clarity and security for their European employees, whose contribution to business success across the UK is hugely valued. We are delighted that they, as well as UK citizens living and working in the EU, now have more clarity and can plan their future with greater confidence."

Ends

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