

# **BCC comments on Conservative-DUP deal**

BCC comments on the confidence and supply deal agreed by the Conservative Party and DUP.

26 June 2017

**Commenting on the confidence and supply deal announced today by the Conservatives and DUP, Dr Adam Marshall, Director General of the British Chambers of Commerce (BCC), said:**

“Since the General Election, the top priority for business communities across the UK has been a workable government that can do more than just tackle Brexit negotiations. Action is needed, now, to improve the environment for business and industry here at home. For business, action on the economy will be the true test of the success of the Conservative-DUP deal over the coming months.”

**Ends**

**Notes to editors:**

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## **BCC: Anaemic economic growth reinforces case for action on business environment**

Today the BCC releases its Economic Forecast for Q2 2017.

26 June 2017

**The British Chambers of Commerce (BCC) has today slightly upgraded its UK growth forecast for 2017 from 1.4% to 1.5%. Its expectations for growth in 2018 and 2019 remain unchanged at 1.3% and 1.5% respectively.**

**Despite the slight upgrade to our outlook for 2017, growth over the next few years is forecast to remain anaemic – and well below historical averages.**

Despite slower than expected growth in Q1 2017, the leading business group has slightly upgraded its growth forecast for 2017 as a whole – mainly as a result of stronger global outlook growth, including in key markets for UK businesses. While lower sterling has had mixed results of late, it remains likely to boost short-term export activity this year.

Rising inflation is anticipated to remain a key concern for businesses and consumers, and is forecast to peak at 3.4% this year – a five year high. Our new forecast is that the first increase in UK official interest rates, to 0.5%, will occur in Q1 2018. This is three quarters earlier than predicted in our Q1 forecast.

With inflation rising and average earnings growth is expected to hold steady, wage growth in real terms is expected to remain negative over the next few years. As a consequence, consumer spending, a key driver of UK growth, is forecast to remain persistently weak over the next few years.

Economic growth is expected to remain well below historical averages through the forecast period, which reinforces the need to focus on creating the conditions for growth in the UK economy. Following an inconclusive General Election, the Chamber Network is calling for a cross-party focus on supporting business in all parts of the United Kingdom over the crucial months and years ahead.

#### **Key points in the forecast:**

- **UK GDP growth forecast for 2017 is upgraded to 1.5% and is expected to slow to 1.3% in 2018, before rising to 1.5% in 2019. GDP Growth of 0.4% expected in Q2 2017**
- **GDP growth forecast for 2018 remains unchanged at 1.3%, and for 2019 at 1.5%**
- **Inflation of 2.9% is forecast for this year, peaking at 3.4% in Q4 2017. Inflation is expected to slow to 2.8% in 2018 and 2.5% in 2019. The previous forecasts were for 2.4%, 2.7% and 2.5% respectively**
- **First increase in official interest rates, to 0.5%, is expected in Q1 2018 – earlier than the prediction of Q4 2018 in our previous forecast**
- **Consumer spending growth has been downgraded for 2017 from 1.6% to 1.3%, and is expected to slow to 0.9% in 2018 and 1.2% in 2019 as real wages are eroded by inflationary pressures**
- **Business investment growth has been revised upward from -0.5% to 0.3% in 2017, driven by a strong first quarter, but we forecast that it will remain muted at 0.5% in 2018 before growing by 1.2% in 2019**
- **Export growth for 2017 has been upgraded from 2.7% to 3.1% but is**

**forecast to slow to 2.9% in 2018 and 2.8% in 2019**

- **Looking at sectors, construction has been upgraded from 0.4% to 1.1% in 2017 and is expected to grow by 0.7% in 2018 and 1.2% in 2019. The services sector is expected to grow by 1.7% in 2017, 1.3% in 2018 and 1.6% in 2019. Manufacturing is to grow by 1.2%, 0.6% and 1.2% respectively**

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

“Over recent months, many of the businesses I speak to have expressed cautious optimism for their own prospects, but remain wary about the growth prospects of the UK economy as a whole.

“In the wake of an inconclusive General Election, that wariness is set to increase – as is the sense that the UK economy is merely treading water. With inflationary pressures expected to intensify and consumer spending forecast to slow, this outlook is likely to persist in the near term.

“While the recent election campaign had almost no focus on supporting business, action to boost business confidence and growth remains urgent. A cross-party consensus must be sought in Westminster in order to create a UK business environment that supports sustained growth and job creation, even as the new government works to secure the best possible Brexit deal with the EU.

“The cost of doing business in the UK is too high – and weighs on the investment, recruitment and growth capabilities of our firms. Companies are faced with significant currency fluctuations and rising upfront costs, and their growth efforts are hampered by skills shortages and poor physical and digital connectivity. Westminster must come together to tackle these issues, which together with a pragmatic and economy-focused Brexit deal, will give business communities the best opportunity to foster lasting growth across the UK.”

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

“While we have slightly upgraded our outlook for 2017, our current forecast points to several years of subdued activity in the UK economy, with economic growth under-performing its historic average. Higher inflation is likely weigh significantly on the UK’s near-term growth prospects. We expect inflation to rise further over the course of this year as the rising cost of imported raw materials continues to filter through supply chains.

“Consumer spending, a key driver of UK economic growth, is expected to slow considerably as inflation erodes real wages. Business investment is likely to remain relatively subdued as rising inflation and the escalating burden of upfront business costs weigh on investment intentions. On the upside, 2017 may prove the sweet spot for exporters as they are boosted by the persistent weakness in the value of sterling and an improving outlook for the global economy.

“Although the UK’s growth prospects over the long-term remain highly uncertain, the risks are shifting to the downside. Increased uncertainty in

the aftermath of the General Election and around the Brexit negotiations could result in more muted growth.

“An earlier than required tightening in monetary policy could destabilise consumer and business confidence and push UK growth materially lower, particularly during this period of political instability. While interest rates need to rise at some point, it should be done slowly and steadily so as not to harm the UK’s growth prospects.”

**Ends**

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## **BCC: guarantee for EU citizens welcome, but long overdue**

Director General Adam Marshall responds to the Prime Minister’s offer of guarantees for EU citizens at the European Council.

“Concerned business communities across the UK will welcome the Prime Minister’s proposal to guarantee the rights of EU citizens, but with a tinge of regret and frustration. This offer could have been made loudly and clearly nearly a year ago in the immediate aftermath of the referendum, which would have spared individuals, communities and employers significant angst and worry. Signals matter, and the UK government’s lack of clarity until now has meant that many UK firms have lost valued members of staff, with others saying that key employees are thinking about leaving.

“The UK and EU must strive for an ironclad, reciprocal guarantee on citizens’ rights as soon as possible in the Brexit negotiations. Individuals and

businesses – both here and on the Continent – cannot be left in limbo until the conclusion of the final Brexit agreement.”

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## **BCC reacts to Queen's Speech**

BCC gives its reaction to the 2017 Queen's Speech.

21 June 2017

**Commenting on the Queen's Speech, Dr Adam Marshall, Director General of the British Chambers of Commerce (BCC) said:**

"While Brexit isn't the top immediate priority for many businesses, firms of every size and shape want to avoid turbulence and confusion during the Brexit transition. The government's proposed bills on trade, customs and immigration must minimise adjustment costs and maximise opportunities. Achieving this will require continuous and constructive engagement with business communities across the UK.

"Importantly, many of the real, practical priorities for businesses across the UK can be delivered without new primary legislation. Ministers must inject real momentum and pace into the major infrastructure schemes that have already been agreed and announced. They must cut back on the stifling up-front costs that deter investment and risk-taking, and press ahead with an Industrial Strategy that helps places across the UK achieve their potential. This is an important moment for ministers to show that they are doing their day job, and delivering a stronger environment for growth here at home.

"Businesses want to see a workable government going about its day job, and clear signals that the economy is once again front and centre in political life. Consensus and a strong partnership between government and business will be critical at a time of significant change."

**On the Customs Bill:**

“Chambers of Commerce facilitate tens of billions of pounds worth of UK trade across borders every year. We stand ready to work with the government to develop a UK customs system that supports free-flowing trade between UK firms and their customers and suppliers around the world. It is crucial that business and government work together, as well, to ensure that a new UK customs code underpins seamless trade between the UK and the continent in the years to come.”

**On Immigration Bill:**

“The needs of the economy must be at the heart of this once-in-a-generation overhaul of the UK’s immigration system. While businesses accept the need for controls over migration flows, they want clear assurances that they will be able to recruit from overseas to fill vacancies when they are unable to find or train suitable candidates here at home.

“After Brexit, they will also want to see a flexible system for the movement of labour and skills between the UK and the EU that enjoys clear public support. This is also a major opportunity to simplify the Home Office’s bureaucratic processes, which impose heavy costs and great uncertainty on businesses and individuals alike.”

**On the Trade Bill:**

“Safeguarding and retaining the favourable terms of trade that UK businesses have enjoyed under EU free trade agreements negotiated by the EU over the past four decades must be a top priority for ministers as the UK develops its own trade policy. The firms we represent say that confirming existing levels of market access is a bigger immediate priority than launching new free trade negotiations with new countries and markets around the world. They also need ground-level trade promotion and support to take advantage of the opportunities that new trade agreements may create in future.”

**On the Great Repeal Bill:**

“At a time of change, businesses want as much short-term certainty and stability as possible on their regulatory obligations. This bill must deliver continuity and the day-one equivalence that is necessary for businesses to continue to trade seamlessly with customers and suppliers, both in Europe and across the world.”

**On the HS2 Phase 2A Bill:**

“We welcome the government’s commitment to legislate for the second phase of HS2, which will extend the benefits of the line to many more business communities. However, we will continue to press for the completion of a full national network – and to ensure that other key road and rail priorities, both small and large, are fully funded and executed throughout the UK. We need to have the fundamentals right here at home, including infrastructure, to trade successfully in the future regardless of the eventual Brexit deal.”

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