

# 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**

## **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](http://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 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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## [BCC: Pragmatism, not ideology, needed in customs debate](#)

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## [BCC: Business can't rely on just-in-](#)

## time Brexit preparation

New research by the British Chambers of Commerce, released today (Monday), in partnership with the Port of Dover, finds that over a third (36%) of traders rely on the just-in-time delivery of material and components, but that many are not preparing for changes to customs procedures after Brexit.

The survey, based on the responses of over 835 businesses from across the UK that export or import, found that delays at UK or EU ports would lead to considerable business disruption, particularly for those operating a just-in-time model.

Nearly a third (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 still aren't yet planning for it.

Crucially, with less than a year to go until Brexit, one in three (33%) businesses affected by the implementation of new customs procedures still aren't planning for checks and declarations between the UK and EU.

The sheer volume and speed of trade between the UK and EU reinforces how vital it is for both government and business to be clear on a delivery timetable for the necessary infrastructure investment and systems to be in place. The government needs to promptly define its vision for the end state relationship with the EU so that businesses have clarity, and are in a position to implement the necessary changes to their operations from the start of the transition period. In the meantime, firms should be planning for how different scenarios could impact them, and consider the implications now to minimise disruption in the future.

Around a third of the UK's trade in goods crosses the English Channel in lorries via the Port of Dover and Eurotunnel, serving the just-in-time supply chain between the UK, Ireland and the rest of the EU. Maintaining fluidity throughout the journey of trade in goods, both at ports and along the key strategic road arteries serving them, is essential. 67% of respondents say it's not likely that their business will move its operations from their existing UK port to a different UK port in the next three years, but 30% say the infrastructure leading to and from ports is not meeting their business needs.

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

"While a lot remains to be agreed about the nature of the future trading relationship with the EU, the UK government has made clear its intention to leave the Customs Union. Firms need to know what checks and declarations they will have to go through on trade with the EU – and need to start planning for the changes ahead.

"Understandably, the lack of certainty over the terms of the final settlement

with the EU makes it hard to plan with confidence, but businesses shouldn't be complacent about preparing for new processes under different scenarios. The businesses most likely to be impacted by change at the border must start thinking through the consequences for their supply chains, freight forwarding arrangements, software requirements and budgets. Leave it too late, and firms could face even greater disruption or cost when the time comes for changes to border arrangements to be implemented.

"Business needs to look hard at how they will operate under new conditions in the future, but the same applies to the Government. If there is to be minimal friction between the UK and the Continent, then physical infrastructure such as inland clearance, IT systems for quick risk assessments, as well as agreements on no doubling up of checks between the UK and the EU, must be implemented as soon as possible."

**Richard Christian, Head of Policy & Communications of the Port of Dover, said:**

"It can surely be no coincidence that the cross-Channel trade corridor with the UK's nearest and largest trading partner, of which Dover is a major part, handles around a third of the UK's trade in goods and that a similar percentage of British traders rely on the just-in-time delivery of material or components via fluid borders and roads serving them.

"The Port of Dover provides pan-European just-in-time supply chains with the efficiency and fluidity needed by British, Irish and European farmers, traders and manufacturers, as well as ordinary citizens.

"There is no substitutable capacity elsewhere that can handle the type and volume of goods that Dover does. For the sake of UK plc, it is vital that fluidity at Dover and throughout the supply chain is maintained, by keeping checks to a minimum and any that need to be made are done away from the Port, by bringing forward targeted road investment to key trading gateways such as A2 dualling to Dover linked to the Lower Thames Crossing which we support, and through the awareness raising of businesses.

"We need to work together to ensure the shortest, most efficient route to market stays that way so that goods continue to flow and jobs are safeguarded."

**Ends**

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The Port of Dover is Europe's busiest international roll-on roll-off ferry

port. It handles up to £122 billion (or 17% of the UK's trade in goods) in 2.6 million freight vehicles. Together with 2.3 million tourist vehicles and around 12 million passengers, the Port supports the rapid movement of people and goods with the UK's largest and nearest trading partner – the EU.

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