[BCC comments on inflation figures for February 2018]

Head of Economics Suren Thiru comments on the fall in inflation to 2.7%.

The drop-in price growth in February was more than expected and supports our view that inflation remains on a downward trajectory. The largest downward pressure on inflation in the month came from transport and food prices, which rose by less than a year ago.

It is increasingly likely that the UK is now past the peak of the recent spike in inflation, and price growth will ease further over the coming months as the impact of the post-EU referendum decline in sterling drops out of the calculation. However, upward pressure from rising global commodity prices could well mean that it will be some time before inflation returns to the Bank of England’s 2% target.

Nonetheless, with the latest inflation data suggesting that underlying price pressures are weakening, this should give the Bank of England sufficient scope to shift its focus a little from tackling inflation to supporting a weakening economy. While the prospect of a single rise in interest rates this year remains on the table, the probability of multiple rate hikes looks unlikely at this stage.

With economic conditions likely to become more subdued, the MPC should opt for a prolonged period of monetary stability and keep interest rates steady over the near term. More also needs to be done to boost business investment, including tackling the high upfront cost of doing business in the UK.

Ends

Notes to editors:

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[BCC launches ‘No More Not Spots’ campaign]

Today (Tuesday) the British Chambers of Commerce (BCC) launches its campaign for ‘No More Not Spots’, with the aim of ending not spots for voice coverage where UK phone users live, work, travel and play.

The UK’s leading business group is launching a campaign that will bring together business communities and those involved in delivering coverage to identify coverage challenges and work through solutions to improve poor mobile coverage.

Not spots, and areas of partial not spots hamper UK businesses. A recent survey by the BCC of over 1,400 companies, found that a fifth (21%) of firms say the UK mobile phone network doesn’t meet their needs in accessing new and existing customers, suppliers and employees.

Despite welcome investment in geographic coverage for voice and text, not spots still exist, even in dense commercial centres, road and rail corridors where access issues, the built environment, and the economics of new infrastructure can combine to weaken coverage and frustrate network rollout.

The campaign will mobilise Chamber member businesses and wider local communities to [identify and report gaps in coverage to the BCC]. It will bring together all those involved in delivering coverage with local business communities to identify priorities for action.

The campaign is part of the BCC’s wider call for a greater focus on ‘fixing the fundamentals’ of the UK business environment to remove barriers to growth.

Launching the campaign at DP World London Gateway, a sea port and logistics hub, Dr Adam Marshall, Director General of the British Chambers of Commerce (BCC), said:

“A reliable mobile phone signal is one of the most basic requirements for any business, as more and more conversations and transactions take place while people are on the go. Unfortunately, dropped calls and poor signal remains an issue in many areas across the UK.

“From today, we’ll be campaigning for an end to mobile phone ‘not spots’ all across the UK, so that businesspeople can connect to customers, suppliers and staff – and so that local communities can better connect, too.

“Our campaign will be constructive and focused on solutions. While we’ll press for investment and services improvements, we’ll work with mobile operators and all parties with a stake in getting this right across the UK. Working together, business, communities and operators can identify key gaps in coverage and find shared solutions to resolve the real-world connection problems many business communities face.

"Our message to all businesses is simple: share and report mobile not spots – so that together we can take action to improve reliable coverage for the future. The UK's future prosperity depends on getting the fundamentals right here at home – and a push for reliable, dependable and consistently improving mobile connectivity is the perfect place to start."

Businesses in all parts of the country report being held back by not-spots in their area, including:

Scott Roberts, Chairman of Polar Technology in Oxfordshire, said:

"We can hardly get a signal in the office or factory, and in almost every direction for 20 miles the signal is so weak it drops out during a call. This is destroying our productivity as we rely on mobile phones to communicate and gets things done, especially when our management teams are on the move."

Justin Everley, Managing Director of Surf Snowdonia, an artificial wave lagoon in North Wales, said:

"Mobile coverage continues to be unreliable in our area, and no one in business likes unreliability. Poor coverage can mean missed bookings if customers can't get through to us. Visitors to the region may also need to rely on mobile phone signal to navigate to us, if they get lost and want to make a call, they can be stuck with no coverage."

Ends

Notes to editors:

Businesses and individuals can log a not spot on the BCC website.

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BCC: Business welcomes milestone agreement on Brexit transition period

Commenting on the agreement of a 'status quo' transition period by UK and EU27 Brexit negotiators, Dr Adam Marshall, Director General of the British Chambers of Commerce, said:

"This is a milestone that many businesses across the UK have been waiting for. The agreement of a status quo transition period is great news for trading firms on both sides of the Channel, as it means that they will face little or no change in day-to-day business in the short term.

"While some companies would have liked to see copper-bottomed legal guarantees around the transition, the political agreement reached in Brussels is sufficient for most businesses to plan ahead with a greater degree of confidence. Many companies will now have the clarity they require to proceed with investment and hiring strategies that would otherwise have remained in question.

"In the interests of business across Europe, both sides must now do everything in their power to ensure that the transition does not become a political football later in the negotiation process."

On citizens' rights, Marshall said:

"Businesses across the UK will be particularly relieved that they will be able to hire and retain European nationals on similar terms over the next two years, given the significant skills gaps they continue to contend with."

On trade agreements, he added:

"A priority for both the UK and the EU must now be to secure agreement from our shared trading partners to keeping the status quo on existing EU free trade agreements. Any loss of market access would hurt UK exporters and European supply chains alike. It is excellent that the UK and the EU agree on the need for continuity in existing trade agreements; together, we must now seek confirmation from our trading partners.

"While businesses are interested in the prospect of the UK being able to sign new trade agreements during the transition period, the top priority must be to retain market access on the same terms with existing trading partners."

On the future UK/EU trading relationship, Marshall concluded:

"Over the next few days, securing assent from the European Council must be the top priority. Over the coming weeks and months, the UK government and the European Commission must adopt a laser-like focus on the future trading relationship – and swiftly conclude a deal that minimises further adjustment costs and that answers the many practical questions that trading businesses still face.

“A zero-tariff agreement is a no-brainer for both sides. However, businesses need to see more pragmatic positions from both sides on customs and cooperation in services.”

Ends

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[BCC forecast: UK economy remains subdued despite uplift from strong global growth]

The British Chambers of Commerce (BCC) has today (Monday) upgraded its growth expectations for the UK economy, raising its forecast for GDP from 1.1% to 1.4% in 2018 and from 1.3% to 1.5% for 2019, and its first forecasts for 2020 is for 1.6% growth.

The upgrade to the leading business group’s forecast is largely driven by slightly stronger than expected levels of consumer spending. The UK’s export performance is expected to remain robust on the back of strong global growth, particularly in key markets such as the Eurozone and US. That said, with imports also likely to continue to grow at a good rate, the contribution of net trade to UK GDP growth over the near term is to be limited, particularly with little evidence of a sterling boost to the UK’s overall net trade position.

Despite the upgrades, UK GDP growth is set to remain well below the historical average throughout the forecast period. Our latest forecast also implies that the UK will remain among the worst performing economies in the G7 until 2020 at the earliest.

Productivity is expected to improve marginally over the forecast period but will remain subdued, hampered by deep rooted problems in the economy, including skills shortages and chronic underinvestment in the UK's infrastructure.

Inflation is now expected to have peaked, and will begin easing in the near term as the impact of the post-EU referendum slide in sterling fades. While average earnings are now expected to grow by slightly more than expected in our previous forecast, real earnings growth is not expected to return to positive territory until 2019. Our new forecast is that the next increase in UK official interest rates, to 0.75%, will occur in Q2 2018, followed by another raise in the first quarter of 2019.

The BCC expects UK public sector borrowing to be £13.4bn higher over the next three years than forecast by the Office for Budget Responsibility at last week's Spring Statement.

The muted levels of growth forecast for the UK economy reinforces the BCC's calls for greater attention and investment to be focused on improving the UK business environment, particularly 'fixing the fundamentals' and taking action to crowd in more private-sector investment. Distracted by Brexit, Westminster is failing to enact an ambitious growth plan for the economy. To create conditions for growth, action is needed on the issues holding businesses back, including mounting skills shortages, delivery of long-planned road and rail infrastructure projects, poor mobile connectivity, and high upfront costs for businesses.

Key points in the forecast:

- UK GDP growth forecast for 2018 is upgraded from 1.1% to 1.4%, and is expected to grow to 1.5% in 2019 (upgraded from 1.3%), and the first forecast of 2020 growth is 1.6%Average earnings have been upgraded from 2.5% to 2.7% in 2018, and is expected to grow by 2.9% in 2019 and 3.0% in 2020
- Inflation of 2.9% is forecast for this year, and 2.6% and 2.2% in 2019 and 2020 respectively
- Consumer spending has been upgraded from 1.0% to 1.2%, and is expected to grow by 1.4% and 1.6% in 2019 and 2020 respectively
- Productivity is expected to grow by 0.9% in 2018, 1.1% in 2019 and 1.3% in 2020
- Our new forecast is that the next increase in UK official interest rates, by 0.25%, will occur in the second quarter of 2018, followed by another raise in the first quarter of 2019
- Export growth is expected to grow at 3.6% in 2018, 3.4% in 2019 and 3.0% in 2020, while import growth is expected to grow by 2.8% in 2018, 2.9% in 2019 and 3.1% in 2020
- Business investment growth has been upgraded from 0.8% to 1.1% for 2018

and is expected to grow by 1.3% in 2019 and 1.5% in 2020

- Looking at sectors, manufacturing is expected to grow by 1.4%, 1.5% and 1.6% across the forecast period. Construction growth isset to remain muted for 2018 at 1.1% and is expected to grow at 1.4% and 1.7% thereafter. Services sector growth has been upgraded from 1.3% to 1.5% in 2018, and is forecast to grow at 1.7% and 1.8% in the following years
- Public sector net borrowing is expected to total £49.7 billion in 2017/18, £45.8 billion in 2018/19 and £34 billion in 2019/20.

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

"While many individual businesses are doing well, the inescapable conclusion from our forecast is that the UK economy as a whole should be performing better than it is, given robust and sustained global growth.

"Although strong global conditions have given the UK a bit of a boost through higher export demand in recent months, we have serious concerns about the potential for further growth here at home when the performance of key trading partners slows. Sustained skills and labour shortages are also a real issue, with businesses reporting significant difficulties recruiting and retaining the people they need.

"Political uncertainty aside, the biggest brake on higher UK growth is a lack of concerted action to 'fix the fundamentals' here at home, with government attention distracted by Brexit.

"A concerted effort to get the basics right on connectivity, infrastructure, training, immigration, procurement and business costs would give rise to a wave of investment and significant productivity improvements. The power to kick-start the UK economy, and raise the trend rate of growth above the current sluggish levels, lies in Westminster, not in Brussels – and businesses will respond to action by delivering investment, higher productivity, and the increased wages we all want to see."

Suren Thiru, Head of Economics at the British Chambers of Commerce, said:

"We've slightly upgraded our near-term outlook for the UK economy, with a moderate pick-up in pay growth expected to support a modest improvement in consumer spending, a key driver of the UK economy.

"Export growth is also expected to remain robust as stronger global economic growth continues to support demand for UK goods and services. However, with little evidence of import substitution by consumers or businesses despite their high cost, the contribution of net trade to UK GDP growth over the next few years is likely to remain modest.

"Despite the upward revisions, our latest forecasts suggest that the UK is set for an extended period of sub-par growth – a damning indictment of the state of the UK economy given the rapidly improving global growth outlook. The persistent economic imbalances, including a dependence on consumer expenditure and service sector output as the main drivers of GDP growth, continues to hinder the UK's growth prospects and leaves the UK more exposed to economic shocks.

“Our forecast implicitly assumes a relatively smooth Brexit with a transitional arrangement where trading conditions will be largely unchanged. Failure to achieve such an outcome would likely weigh on UK economic activity over the near term.”

Ends

Notes to editors:

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

The BCC is campaigning for action to fix the fundamentals of the UK economy, ensuring the basics are right for business investment and growth. Adam Marshall touched on this theme extensively at the BCC Annual Conference on 8th March, as well as on the need to fight back against proposals for nationalization, and his detailed comments can be found here.

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[BCC reacts to Chancellor’s Spring Statement]()

Commenting on the Spring Statement, delivered today (Tuesday) by the Chancellor of the Exchequer, Adam Marshall, Director General of the British Chambers of Commerce (BCC), said:

“Businesses will be encouraged by the Chancellor’s report on the UK’s fiscal health, with lower projections for the deficit and falling national debt, as well as his full-throated defence of the market economy and the role of the private sector in delivering prosperity.

“Yet as deficit and debt levels improve, the Chancellor must resist calls to pour money into politically-attractive, short-term spending priorities. Any headroom the Chancellor has must be used to leave a lasting mark on the UK’s infrastructure and to attract investment – particularly with the challenges and changes of Brexit ahead.

“A far stronger push is needed to fund and fix the fundamentals here in the UK over the coming months, and business wants the Chancellor to use his Autumn Budget to double down and spend to improve digital connectivity, deliver further road and rail improvements, strengthen the UK’s energy security and build more houses. Existing plans alone are not enough.

“Given that businesses across the UK have long complained about constant tinkering with tax rates, the Statement’s lack of tax and spending changes is welcome – and not before time. A clear annual cycle will mean fewer rushed policies and give firms the time they need to plan for any changes that come their way.”

On business rates:

“We are pleased that the government has listened to our calls to make revaluations more frequent. Switching to a three-year-cycle will go some way to reducing the huge changes in rates bills that clobber firms across the UK, and enable them to plan their growth strategies with greater confidence.

“However, a system that responds more frequently to changing economic conditions must also be simpler for firms to navigate. The current system already generates a huge number of appeals, and if it is not made easier for companies, more frequent valuations would simply make this backlog mushroom.”

On late payment:

“Previous attempts to tackle late payment have not had the desired effect, because affected firms are often unwilling to jeopardise customer relationships by calling out bad practice. The government must use its convening power to tackle this issue in sectors where it is clear that problems exist.

“Changing payment terms mid-contract, and burying payment terms in the small print when suppliers register for business, are issues that deserve ministers’ attention. However, ultimately improving relationships between businesses is a key part in addressing the problem of late payment.”

On apprenticeships and the apprenticeship levy:

“While more funding to support small businesses seeking to employ apprentices is welcome, urgent action is needed to reform and improve the apprenticeship levy – which is currently failing both businesses and the people they want to train. The levy’s lack of flexibility and its complexity are stifling the training aspirations of businesses of all sizes.”

On the latest forecast by the Office for Budget Responsibility, Suren Thiru, Head of Economics, added:

“Taken together, the OBR’s latest forecasts suggest that the UK will remain locked onto a low growth trajectory for the foreseeable future. While GDP growth for this year was upgraded slightly, their projections for 2021 and 2022 have been downgraded.

“It is encouraging that government borrowing is now projected to be lower over the next few years than in their previous forecast, and suggests that that chancellor will have some welcome fiscal headroom at the Autumn Budget later this year.

“The OBR’s latest outlook also highlights significant challenges facing the UK economy over the near term. Their projections implies that UK economic growth will remain unbalanced throughout the forecast period with business investment and trade expected to add little to overall UK growth.

“UK productivity is still expected to remain subdued over the next few years, and could weigh more on overall economic activity than the OBR’s GDP growth forecast currently suggests. Productivity continues to be hampered by the deep-rooted problems in our economy, from the skills gap to chronic underinvestment in the UK’s infrastructure.

“The OBR is right to highlight the risk of a disorderly Brexit, as a sudden departure from the EU would be likely to trigger a marked weakening in economic conditions.”

“Against this backdrop, the focus of the Autumn budget must be on delivering a fiscal consolidation plan that achieves a more sustainable balance between deficit reduction and boosting productivity and growth, including using its greater fiscal headroom to deliver urgently needed infrastructure investment.”

Ends

Notes to editors:

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