

BCC: Inflationary pressures beginning to ease

Commenting on the inflation statistics for January 2018, published today by the Office for National Statistics, Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said:

“Inflation was unchanged in January, as a smaller rise in motor fuel prices helped to keep a lid on overall UK price growth. The slowing growth in producer prices points to an easing of inflationary pressures further down the supply chain, which suggests that inflation is likely to drift downwards over the coming months.

“The path of inflation over the next year is likely to be determined by the extent to which more subdued UK economic growth is offset by inflationary pressure from rising global commodity prices. Against this backdrop, it remains probable that while inflation will continue to drift downwards, it’s likely to remain above the Bank of England’s 2% inflation target for some time to come.

“Nonetheless, with inflation now on a downward trajectory, this should give the Bank of England enough wriggle room to keep interest rates on hold for longer than implied by the hawkish tone of their latest inflation report, particularly if economic conditions weaken as we expect.

“We would urge the MPC to proceed with caution on raising rates, to avoid dampening business activity and wider economic growth. More must also be done to kickstart business investment, including addressing the upfront cost of doing business in the UK.”

Ends

Notes to editors:

The British Chambers of Commerce (BCC) sits at the heart of a powerful network of 52 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

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BCC: UK's trade position weakened by rise in imports

Commenting on the trade statistics for December 2017, released today by the ONS, Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said:

“The sharp deterioration in the UK's net trade position in December was disappointing and means that trade is likely to have been a drag on UK growth in the final quarter of the year. This deterioration reflects a significant increase in imports in the quarter, more than offsetting the rise in exports.

“Although there was a surprise pick-up in construction output, the sector remains a concern and together with the widening in the UK's trade deficit and weakening industrial output indicates that economic conditions are becoming more sluggish. While many exporters are benefiting from stronger growth in key trading markets, imports continue to grow at a solid pace with businesses continuing to report little in the way of import substitution despite their high cost. If this trend continues as we expect, the contribution of net trade to UK GDP growth over the near term is likely to be limited at best.

“As we move through the Brexit process more needs to be done to provide clarity on what the future trading relationship with the EU will look like. Action is also needed to address the longstanding issues, from the UK's skills gap to our creaking digital and physical infrastructure, that continue to undermine the UK's trade performance.”

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[BCC comments on Bank of England ‘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 Bank of England’s latest forecasts point to a mild improvement in the central bank’s outlook for the UK economy, with upgrades to its UK growth forecasts, compared to their November report.

“The hawkish tone of the latest inflation report and the minutes from the latest MPC meeting will reinforce expectations of at least one rate hike this year, particularly given the stronger than expected GDP growth in the final quarter of last year.

“However, in our view, UK economic conditions will be more subdued over the near term than the Bank of England currently predicts. The contribution of net trade to UK GDP growth is likely to be much more modest than implied by the central bank’s latest projections. While UK export growth is forecast to remain solid amid a strengthening global economy, imports are likely to grow at a faster rate than the Bank expects, with little evidence that firms or consumers are switching towards domestic alternatives, despite their relatively higher cost.

“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 and Brexit uncertainty likely to weigh on investment intentions.

“If UK economic conditions do become more sluggish, we would caution the MPC against raising interest rates in the near term to avoid weakening business and consumer confidence. More also needs to be done to kickstart growth by addressing some of the long-term, structural issues facing the UK economy, including the UK’s chronic skills shortage.”

Ends

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[BCC comments on government response to Taylor Review](#)

Commenting on the publication of the government's response to the Taylor Review, Jane Gratton, Head of Business Environment at the British Chambers of Commerce (BCC), said:

“Matthew Taylor's report acknowledged that businesses are facing high employment costs and was cognisant of the current climate of uncertainty and change, so the government must be careful not to unduly burden firms with further costs and bureaucracy, which could price people out of jobs.

“The Review recognised that the flexibility of the UK's labour market is a source of strength and competitive advantage, and many of the common-sense changes that he suggested to improve clarity on modern working practises are now being taken forward by government.

“Businesses communities will support the greater focus on the quality of work outlined in the government's response. Most businesses are already providing a positive workplace environment where quality work, pay, training and productivity go hand in hand. However, with a tight labour market and prevalent labour shortages, the government must play its part in delivering a pipeline of skilled workers needed for businesses to maximise productivity and growth.

“The government is right to consult further on many of the recommendations of the Review and should work closely with business and employees to protect against any unintended consequences which would undermine the competitiveness of the UK labour market.

“The Chamber Network is committed to making jobs better – and helping people do better. Delivering good work is crucial to our people, businesses, communities and the future success of the country as a whole.”

Ends

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[BCC open letter to PM: Businesses need clarity on Brexit](#)

As Cabinet ministers gather today (Wednesday) to discuss the government’s negotiating stance ahead of critical talks on the UK’s future relationship with the European Union, Francis Martin, President of the British Chambers of Commerce (BCC) and Adam Marshall, the BCC’s Director General, write an open letter to Prime Minister Theresa May, making an urgent appeal for clarity on the government’s objectives.

In the letter, the BCC’s leaders urge the government to make key choices and deliver a clear statement of intent – so that businesses of all sizes and sectors can make decisions for the future.

The full letter is below:

Dear Prime Minister,

As President and Director General of the British Chambers of Commerce, we write today to make an urgent appeal for clarity on Her Majesty’s Government’s objectives at a critical moment in the UK’s negotiations with the European Union.

In Chamber business communities all across the United Kingdom, there are a

range of views on the depth and breadth of the UK's future relationship with the EU.

As a consequence, the BCC has refrained from entering into the noisy political debate on the shape of the final settlement in recent weeks. We have instead emphasised the need for answers to the many practical questions businesses now face. Our aim has always been to maximise, not constrain, the government's chances of success as ministers and the civil service work to secure the best possible deal for the UK.

Yet businesses need those elected to govern our country to make choices – and to deliver a clear, unequivocal statement of intent.

The perception amongst businesses on the ground, large and small alike, is one of continued division. Even amongst the many optimistic, future-oriented firms – those who see opportunity in change – patience is wearing thin. Directly-affected companies are poised to activate contingency plans. Many others, worryingly, have simply disengaged.

Clear UK negotiating objectives are crucial to both business and public confidence.

While the BCC has campaigned strongly in favour of a status-quo transition period, to give businesses time to plan for change, this transition must lead to a clear endpoint. There is no room for continued ambiguity as companies make investment and hiring decisions. The government must set out its plans.

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Notes to editors:

Francis Martin is the elected, non-executive President of the British Chambers of Commerce, and the first in the 158-year-old organisation's history from Northern Ireland. He is a partner and former Managing Partner (2008-2013) of BDO Northern Ireland, a member of the global accountancy and business advisory firm.

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