BCC/DHL: UK exporters impeded by labour shortages

The British Chambers of Commerce, in partnership with DHL, today (Friday) publishes its latest Quarterly International Trade Outlook, based on survey and documentation data from UK exporters. The Outlook shows exporters are being hampered by widespread labour shortages, particularly in manufacturing, where two-thirds of firms struggled to recruit in the first quarter of 2018.

Both sectors are being severely hampered by the prevalence of skills shortages. Of those recruiting, 66% of manufacturers and 57% of services exporters are struggling to find the right staff, according to the survey of **over 3,300 exporters**. In the manufacturing sector, the greatest difficulty was in finding skilled manual and technical labour (66%) and in the services sector, it was professional and managerial level positions (53%).

Addressing the growing skills gap is a joint responsibility for business, government and the education sector. Companies themselves must do more to invest in training, but to do that they need to be confident that the apprenticeship and training system is fit for purpose – particularly with regard to the apprenticeship levy and the implementation of new frameworks, where businesses have raised significant issues to government in recent months.

The continued lack of clarity over future immigration rules – and business access to skills from overseas – is also a key issue where urgent action is required.

The survey also shows that in the manufacturing sector, growth in export sales and orders remain stable, while they slowed slightly for the services sector in the first quarter of 2018.

Elsewhere, the BCC/DHL Trade Confidence Index, which measures the volume of trade documents issued by accredited Chambers of Commerce for goods shipments, increased by 2.24% on the quarter, and stands at the second highest level on record.

Key findings from the report:

- 68% of exporting manufacturers and 53% of services had attempted to recruit in the last three months, of those, nearly two-thirds reported difficulty finding staff (66% and 57% respectively)
- 42% of exporting manufacturers and 28% of exporting service firms reported increased export sales in Q1. 42% of exporting manufacturers and 25% of exporting service firms reported increased export orders
- 45% of exporting manufacturers expect their prices to rise. Of these firms, 82% cited raw materials as a cost pressure. 37% of services expect prices to rise

- 56% of exporting manufacturers cite exchange rates as a concern to their business (compared to 66% in the previous quarter), and 42% in the services sector (down from 47%)
- The BCC/DHL Trade Confidence Index, a measure of the volume of trade documentation issued nationally, rose by 2.24% on the quarter. The Index now stands at 126.82 – the second highest level since records began in 2004

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

“At a time of significant uncertainty and change, it’s pleasing to be able to report that many UK exporters are doing well. Yet many tell us that their future prospects are being constrained because it’s becoming harder and harder to recruit the people they need to grow.

“Businesses with global ambitions are facing critical skills gaps at just about every level. The combination of decades of constant change in the training system, declines in immigration, and tight local labour markets are stopping many firms from making key investments. A stable training system, a reformed apprenticeship levy, answers to practical questions around Brexit and clarity on the UK’s future immigration regime are urgently needed. Get these right, and exporters all across the UK will take risks, invest and grow.

“Price pressures continue to weigh on business, with manufacturers particularly feeling the pinch from costs at the factory gate. While the fall in the pound has provided a boost for some exporters, it’s been a drag for others, who report rising costs for inputs and components. While politicians exhort firms to do their purchasing closer to home, our evidence suggests that for many firms, import substitution isn’t currently a viable option – as many companies simply can’t find or afford the inputs they need on the UK market.”

Ian Wilson, CEO DHL Express UK and Ireland, said:

“The positive Trade Confidence Index, increasing by 2.24% on the previous quarter to be the second highest on record, resonates with the success we’re seeing from UK businesses trading internationally.

“There are of course still many challenges for UK businesses, as this report highlights. The skills shortage is a significant concern, which is why it’s more important than ever to consider your retention strategies and people development programmes. Brexit is also driving considerable uncertainty, and businesses should broaden their portfolio of international markets to spread risk in these changing times. We join the BCC in pushing for decisions to be made to allow UK exporters to continue trading with confidence, as seamlessly as possible.”

Ends

Notes to editors:

The Trade Confidence Index is a measure of trade documents issued by Accredited Chambers of Commerce for goods to overseas markets where documentation is required.

Spokespeople are available for interview and a full QITO report is available from the press office.

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

Media contacts:

Allan Williams – Head of Press and Communications

020 7654 5812 / 07920583381

Orla Hennessy – Press and Communications Officer

020 7654 5813 / 07825746812

BCC: Inflation continues on its downward path

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

"Inflation surprisingly slowed in April with the main downward pressure to the rate coming from air fares, as a result of the timing of Easter, compared to last year. This more than offset upward pressures from rising fuel prices. The latest data is further confirmation that inflation remains on a downward path.

"The increase in producer prices may lead to a short-term uptick in inflation over the coming months, but it is likely to be a temporary rise with the rate continuing its overall trend back towards the Bank of England's 2% target.

"While we think that interest rates will rise again before the end of the year, we would caution against the sort of sustained tightening in monetary policy recently implied by some MPC members, as it could dampen business and consumer confidence and further subdue UK economic growth. Instead more needs to be done to lift the UK out of its current low growth trajectory, including incentivising long-term business investment."

Ends

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Media contacts:

Allan Williams – Head of Press and Communications

020 7654 5812 / 07920583381

Orla Hennessy – Senior Press and Communications Officer

020 7654 5813 / 07825746812

BCC to Prime Minister: Time to 'fix the fundamentals' for UK growth

Chamber business leaders from across the United Kingdom have today (Tuesday) written to the Prime Minister calling for a renewed focus on tackling the barriers to growth and investment in the United Kingdom – and a radical plan for action.

Gathered today in Manchester, Chamber business leaders are calling on the Prime Minister to balance the importance of securing the best possible deal with the EU with the urgent need to set out a compelling vision for UK growth and a bold set of domestic policies to fix the fundamentals at home.

Business communities throughout the UK are concerned about perceived inaction in Westminster and Whitehall on key domestic economic matters – where attention and swift action are needed for the UK to succeed after it leaves the EU.

Writing on behalf of the 53 accredited Chambers of Commerce from every region and nation of the UK, Dr Adam Marshall, Director General of the British Chambers of Commerce (BCC), says:

"Our future success depends not just on Brexit negotiations, but also on the big economic decisions that must be made here in the UK. It is time, Prime Minister, for you to set out a compelling, pro-enterprise and pro-growth vision for the future, and a bold set of domestic policies to make it happen.

"It is time for you to tell business communities across the UK how your government will act – fast – to stabilise the faltering training and apprenticeship system and give clarity on migration rules, as businesses face unprecedented labour and skills shortages all across the country.

"It is time for visible action to rebuild our rutted and potholed roads, to use the resources of the state to build more homes, and to speed up the delivery of airport, rail and energy upgrades.

"It is time to eliminate the significant gaps in mobile and digital connectivity that continue to strangle business productivity and UK competitiveness – the central theme of our 'No More Not Spots' campaign.

"It is time to set a new mandate for HMRC and economic regulators to support, rather than pursue and punish, the small and medium-sized firms that can drive future growth, and focus their enforcement activities on the small number of companies pursuing questionable practices that are ultimately paid for by the rest.

"After decades of delay and incremental change, it is time to tackle the huge costs and complexities of the UK tax system, which actively discourage investment, risk-taking, and the stronger export performance we all want to see.

"And it is time for your government to deliver a far more explicit blueprint to support economic growth in all regions and nations – including greater local decision-making, away from the centralising instincts of Westminster and the devolved administrations.

"Prime Minister, the many thousands of firms we collectively represent are clear: business as usual is not good enough at a time of significant uncertainty. A concerted drive to 'fix the fundamentals' would unlock business confidence and investment – and set the UK on a path to long-term growth, alongside a comprehensive settlement between the UK and EU."

Ends

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Orla Hennessy – Press and Communications Officer

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BCC: Evidence of need for Apprenticeship reform mounting

Commenting on the Apprenticeship statistics released today by the Department of Education, Jane Gratton, Head of Skills at the British Chambers of Commerce said:

"Since the introduction of the apprenticeship reforms, the statistics have shown a marked decline in the number of apprenticeship starts and, sadly, the latest numbers are no different.

"Businesses are crying out for skilled workers to fill job vacancies and apprenticeships should be very much part of the solution, but the system just isn't working. For SMEs in particular, the new rules have added to the barriers, complexity and cost of recruiting and training staff. For larger firms, the inflexibility of the system has made it difficult to spend their levy funds as they see best, making it feel more like a tax, and leaving less money available to pay for the training people need. Businesses want to invest more in upskilling their workforce, and to offer great career opportunities for young people, but this system is holding everyone back.

"There is consensus across the UK business community that the Levy needs reform, yet our calls continue to go unanswered. We are not asking for a complete overhaul – everyone wants this system to work better. Each month the number of apprenticeships is falling, so now has to be the time for government to work with business and training providers to sort things out."

Ends

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The latest statistics from the Department of Education can be found here.

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BCC: Productivity decline sign that wage growth can't be taken for granted

Commenting on the labour market figures for May 2018, published today by the ONS, Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said:

"With unemployment declining and employment levels continuing to rise, the latest data confirms that the labour market remains a bright spot for the UK economy. However, while the latest figures are likely to reinforce the MPC's hawkish rhetoric, labour market data tends to lag behind the wider economy, so any broader weakening in economic conditions wouldn't be expected to appear in the figures for some time.

"While regular earnings growth continues to marginally outpace inflation, the decline in UK productivity in the first quarter is a clear warning sign that positive real wage growth should not be taken for granted. While businesses are reporting some upward pressure on pay, sluggish productivity and high upfront business costs are restricting the extent to which wages are able to rise.

"More needs to be done to support firms looking to recruit and grow their business, including tackling the high input costs faced by businesses and addressing the chronic labour shortages that continue to undermine the UK growth prospects."

Commenting on the labour productivity statistics, Suren added:

"The fall in the first quarter is disappointing and shows that the recent pick-up in productivity was relatively short lived. The decline in the quarter was driven by weaker than expected GDP growth outturn in Q1 and the recent pick-up in hours worked.

"The persistent weakness in UK productivity reflects the longstanding structural problems in our economy from a chronic skills shortage, to our creaking infrastructure and the escalating cost of doing business in the UK. Delivering solutions to these key business concerns would help boost investment and drive the productivity gains we need to boost the UK’s long-term growth potential.”

Ends

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