

# **BCC: Action needed to sustain increases in real wages**

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

“The continued rise in employment, coupled with a further drop-in the unemployment rate, is further evidence that the UK jobs market remains in good shape, with firms continuing to recruit despite sluggish economic conditions. However, the rising number of hours worked indicates that the recent pick-up in UK productivity is likely to be short lived.

“The end of a prolonged squeeze on real wage growth is an important moment, although maintaining positive real wage growth could prove challenging without sustained increases in productivity and relieving the high upfront costs which restrict pay increases. The return to positive real wage growth is unlikely to translate into materially stronger spending in the near term with consumers expected to remain under pressure from uncomfortably high debt levels, particularly if interest rates rise further.

“Against this backdrop, ministers must do more to support firms looking to recruit and grow their business, including easing upfront business costs and plugging the growing skills gaps. Working with businesses to deliver meaningful reform to the Apprenticeship Levy, so it works better for everyone, would be a good place to start.”

## **Ends**

## **Notes to editors:**

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## **BCC Quarterly Economic Survey: UK economy treading water despite export boost**

Based on the responses of over 7,100 businesses, the survey shows that UK economic growth remained subdued in the first quarter of 2018, despite a strong export performance.

In the service sector, a key driver of the UK economy, the proportion of firms reporting improved export sales and orders rose slightly, although overall growth remains muted and relatively unchanged from the previous three months. Consumer-facing industries continue to report tougher trading conditions than B2B firms. In the manufacturing sector, the proportion of firms reporting improved export sales stands at its highest since Q2 2014.

However, domestic factors continue to weigh on the UK economy. Fewer firms in the manufacturing sector saw an increase in domestic orders, and the balance of firms reporting an increase in domestic sales is now at its lowest level since Q4 2016. Tighter cash flow is an increasing concern for many, and the skills shortages that have plagued businesses for the last few quarters have failed to ease significantly, with those in both sectors still struggling to recruit.

There has been a small, but welcome, uptick in business confidence – but amid a troubling domestic backdrop much more needs to be done to safeguard the future of the economy. A strong focus on fixing the fundamentals of business – reducing the upfront costs, reforming the Apprenticeship Levy, and boosting our domestic physical and digital infrastructure – will go some way to removing many of the barriers which are holding back business communities across the country.

### **Key findings in the Q1 2018 survey:**

#### **Manufacturing sector:**

- The balance of firms reporting increased domestic sales fell from +23 to +17, the lowest since Q4 2016, while domestic orders fell from +18 to +16
- The balance of firms reporting increased export sales rose from +25 to +30. Export orders also rose from +20 to +28. Both balances are at their highest since Q2 2014
- The percentage of manufacturers that attempted to recruit in the last three months held fairly steady at 67% (up from 66% in the previous quarter). Of those, 69% had recruitment difficulties, down slightly from 75% in the previous quarter but still high by historical standards. Of these, skilled manual labour was the leading areas of recruitment

- difficulties (68%) – remaining at the highest level since records began
- Confidence in turnover rose from +44 to +48, as did confidence in profitability from +33 to +35. The balance of firms investing in plant and machinery rose slightly from +16 to +20, and from +19 to +22 in investment in training
  - The percentage balance of manufacturers expecting their prices to increase fell from +50% to +41%, although this remains high by historical standards. The price of raw materials continues to be the primary source of price pressures, with 64% reporting it as a cause (in line with the 63% last quarter). The balance of firms citing pay settlements as a source of price pressures rose from 20% to 23%
  - The balance of firms reporting cashflow improvements is nearing negative territory at +3 (down from +9 in Q4 2017) – the lowest since Q1 2013

### **Services sector:**

- The balance of firms reporting improved export sales rose slightly from +12 to +13 and orders from +7 to +10. Domestic sales held steady at +20, while domestic orders rose from +14 to +16
- The percentage of businesses attempting to recruit remained unchanged at 50%. Of those, the percentage of services firms reporting greater recruitment difficulties fell from 71% to 60%. Professional and managerial roles are the leading areas of hiring difficulties (56%)
- Confidence in turnover rose from +36 to +42, as did confidence in profitability from +27 to +33 – both at the highest since Q2 2016. The balance of companies investing in training rose slightly from +15 to +18, while investment in plant and machinery rose from +8 to +12
- The balance of services firms expecting prices to increase, fell from +36% to +31%. The balance of firms citing pay settlements as a source of price pressures rose from 18% to 19%
- The balance of firms reporting cashflow improvements remains low at +6 (down slightly from +7 in the previous quarter).

### **Commenting on the results, Dr Adam Marshall, Director General of the British Chambers of Commerce, said:**

“What growth we see in the UK economy is due principally to strong global trading conditions, rather than domestic demand, which remains muted. Uncertainty, recruitment difficulties and price pressures remain persistent concerns for businesses of every shape and size, even if short-term confidence levels remain resilient.

“Even with a standout performance from manufacturing exporters able to reap the benefits of lower Sterling, the UK economy as a whole is treading water, rather than powering ahead.

“It’s time for the UK government to multitask and demonstrate that it can do more than negotiate Brexit. A far stronger domestic economic agenda is needed to fix the fundamentals needed for business to thrive here at home.

“At a time when firms face stratospheric up-front costs, the apprenticeship system is in crisis, roads are being allowed to crumble, mobile phone and

broadband 'not-spots' are multiplying, and businesses are being blocked from hiring talent via arbitrary visa caps, it's obvious that the key to improved productivity and competitiveness lies in getting the basics right.

"Sorting these business fundamentals must move to the top of the agenda – and fast."

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

"The results indicate that UK GDP growth continued to underwhelm in the first quarter of 2018. Activity in the dominant services sector was muted in the quarter, with most of the key indicators remaining below their pre-EU referendum levels.

"Our findings suggest that cash flow is increasingly an issue for businesses who remain under pressure from a combination of high upfront business costs, subdued financing levels and unfair payment practices. Tightening cashflow is a key business concern as it can leave firms exposed to sudden changes in economic conditions.

"UK exporters enjoyed another strong quarter, boosted by the improving outlook for the global economy. There was an encouraging uptick in investment intentions and business confidence. If this trend continues, we could see overall business activity pick up in the coming quarters.

"The latest results also indicate that inflation is now on a downward trajectory, with inflation expectations easing in the quarter. Significantly, firms continue to report little upward pressure from pay settlements. While we expect interest rates to rise next month, with UK economic conditions subdued and inflation weakening, the case for a further tightening in monetary policy continues to look limited at best."

**Ends**

**Notes to editors:**

**The BCC Q1 2018 QES is made up of responses from 7,159 businesses across the UK, and is the largest private business survey in the country.** Firms were questioned between 19 Feb to 12 March 2018 on a wide range of business issues, including: domestic sales and orders; export sales and orders; employment prospects; investment prospects; recruitment difficulties; cashflow; confidence; and price pressures.

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

How are balances calculated?

**QES results are generally presented as balance figures – the percentage of firms that reported an increase minus the percentage that reported a decrease. If the figure is a plus it indicates expansion of activity and if the figure is a minus it indicates contraction of activity. A figure above 0 indicates growth, while a figure below 0 indicates contraction.**

For example, if 50% of firms told us their sales grew and 18% said they decreased the balance for the quarter is +32% (an expansion).

If 32% told us their sales grew and 33% said they fell the balance is -1% (a contraction).

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## **BCC: Government must establish permanent dialogue with business on future trade deals**

The British Chambers of Commerce (BCC) is today (Wednesday) intensifying its call for the UK Government to establish a formal, permanent dialogue with business, consumer and civil society organisations to ensure that trade negotiations – including those on Brexit – draw on the detailed knowledge, expertise and experience of the private and third sector.

The leading business group has written to international trade secretary Dr Liam Fox to urge his Department to swiftly establish formal structures for engagement on trade – which are needed to ensure that real-world business issues and concerns are appropriately tackled by civil servants as they negotiate trade agreements on the UK's behalf.

With less than a year to go before the UK formally leaves the European Union, the BCC's call for the government to establish formal ways for business and civil society to engage with trade negotiations is supported by new research from the business group and the London School of Economics (LSE), which recommends that the UK swiftly adopt six practices that successful trading powers around the world use to ensure trade negotiations deliver for their country's economic and consumer interests:

- **Establish a formal process for engaging with stakeholders**, including the creation of a set of minimum standards on a statutory footing with formal guidelines
- **Introduce a formal and flexible committee structure**, to ensure targeted engagement of stakeholders throughout all stages of negotiations
- **Enhance civil society dialogues**, encompassing a range of sectors and regions
- **Enable the structured use of online consultations**, to provide a basis for constructive dialogue in the UK for civil society at large
- **Adapt and implementing the 'room-next-door' mechanism in negotiations**, allowing stakeholders to sit in an adjacent room to negotiations, providing immediate feedback and expertise, and
- **Ensure transparency through reports and enforcement**, to provide stakeholders with information at all stages of the policy process

**Speaking while on a business visit to Beijing, Adam Marshall, Director General of the British Chambers of Commerce (BCC), said:**

“The world’s most successful trading countries have formal structures to tap into business expertise ahead of and during major trade negotiations. As the UK prepares to develop its own independent trade policy after its departure from the European Union, the government must learn from global best practice – and swiftly establish a detailed, meaningful and permanent dialogue with business and civil society that informs and supports future UK trade deals.

“This is imperative, as the government needs business expertise, insight and support both to ‘roll over’ existing EU free trade agreements, which must happen for UK businesses to maintain current levels of market access, and as we enter into discussions with new markets around the world in future.

“Without a permanent and deep dialogue between business and government on the practical details of trade across borders, UK negotiators may lack crucial insights – forcing them to muddle through rather than deliver the best possible deals for the UK’s exporting and importing interests.”

**Ends**

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The [LSE's Master of Public Administration \(MPA\)](http://www.lse.ac.uk/study-at-lse/Graduate/Degree-programmes-2018/Master-of-Public-Administration) is an interdisciplinary two-year degree covering the broad field of public policy and administration in a global context. With a focus on quantitative analysis for evidence-based policy-making, the MPA provides students with the knowledge and skill base that are essential for a successful career in the public, non-profit, and private sectors.

<http://www.lse.ac.uk/study-at-lse/Graduate/Degree-programmes-2018/Master-of-Public-Administration>

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## **BCC welcomes Dundee and Angus Chamber of Commerce into Network**

The British Chambers of Commerce is pleased to announce that Dundee and Angus Chamber of Commerce has passed the accreditation process, to become the 53rd Accredited Chamber of Commerce in the UK.

The Chamber, led by Chief Executive Alison Henderson, successfully demonstrated that its approach to governance, resource management and service delivery met the challenging requirements of BCC Accreditation. It now becomes the eighth accredited Chamber in Scotland, adding to the Chamber Network's unrivalled connections and roots in local business communities across the UK.

**Alison Henderson, Chief Executive of Dundee and Angus Chamber, said:**

“We are delighted to formally join the British Chambers of Commerce's accredited network, which will further develop our Chamber as a business. Accreditation gives our members a powerful voice at the heart of Westminster and beyond, as we fight for the best business conditions in Dundee, Scotland, and the UK as a whole. We're looking forward to learning from the rest of the network, showcasing the growth that we are experiencing as a Chamber, and putting Dundee & Angus businesses at the heart of a 75,000-strong UK business community.”

**Ronan Quigley, Executive Director of Corporate Services at the British Chambers of Commerce (BCC), added:**

“The British Chambers of Commerce is unique as a business network, given our roots in local business communities. We are pleased that Dundee and Angus has joined the network, which will strengthen our voice in Westminster and beyond.”

## **Ends**

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## **[BCC: Clear focus of aviation strategy welcome, but pace needed](#)**

Commenting on the government’s response to the call for evidence on a new Aviation Strategy, Jane Gratton, Head of Business Environment at the British Chambers of Commerce (BCC), said:

“Businesses will welcome the clear focus on building a global and connected Britain, developing more trade and investment opportunities and supporting sustainable growth in the sector. Yet there is increasing concern and frustration among firms that the process of increasing aviation capacity is taking too long. Without this, firms will struggle to connect with high-growth and emerging economies beyond Europe, and to develop the strong and successful trading partnerships we need for the future.

“Businesses rely on well-connected flights for face-to-face meetings, the ‘just-in-time’ delivery of freight and business services, and access to an international labour force. UK competitiveness and growth will be damaged



unless urgent action is taken to boost capacity at our airports.

“Firms need to see construction on the third runway at Heathrow begin promptly. That said, well-connected regional airports are also vital, providing short-haul travel and helping to relieve capacity shortages. The Government should commit to implementing its ‘Making Best Use’ policy, to maximise aviation capacity at regional airports and boost growth across the country.

“We welcome proposals to improve information and accessibility for passengers. A world-class aviation network requires an improved passenger journey, from home to the boarding gate, together with better connectivity for freight. All airports in the UK would benefit from improved integration into the wider transport network. Investment is required in all forms of transportation to and from airports, with HS2, other rail links, road capacity and road maintenance at the top of the list.

“Only government can strike the right balance between the economic, environmental and social impacts of aviation. However, in striking this balance government should take full account of the critical role aviation has to play in supporting the growth of the UK economy.”

**Ends**

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