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BCC ECONOMICS

BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q3 2018

The British Chambers of Commerce (BCC) Quarterly Economic Survey – Britain's largest and most authoritative private sector business survey – based on more than 5,600 responses from firms across the UK – suggest that this year's annual economic growth is set to be the lowest since the financial crisis as business confidence weakens.

"These figures reinforce what we are hearing from businesses up and down the country – the uncertainty over Brexit, and the lack of bold moves to boost business at home, are starting to bite.

It should be a matter of grave concern to government that sales and orders both at home and abroad are stagnating. Weaker sterling is no longer proving a boon to many of our exporters, while consumer spending is failing to boost the domestic market.

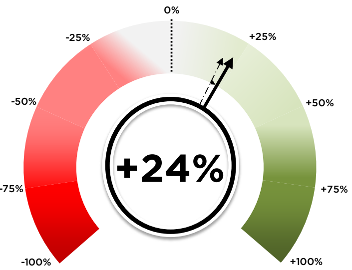
There has never been a more important time for the government to bolster business investment, competitiveness and productivity, in the face of significant Brexit headwinds."

Dr Adam Marshall Director General, British Chambers of Commerce

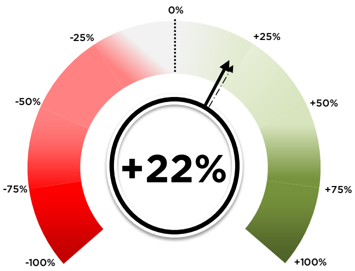
AT A GLANCE

Positive balance (+) = **growth** | Negative balance (-) = **contraction**

Domestic Sales

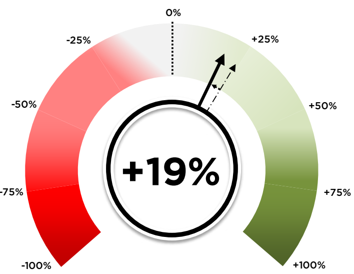


...of **manufacturers** reported improved domestic sales in Q3 2018, up from +22% in Q2 2018

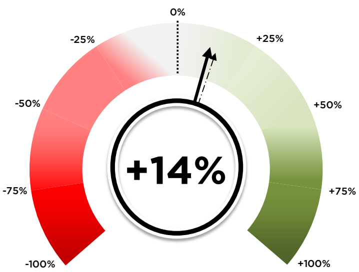


...of **service firms** reported improved domestic sales in Q3 2018, down from +23% in Q2 2018

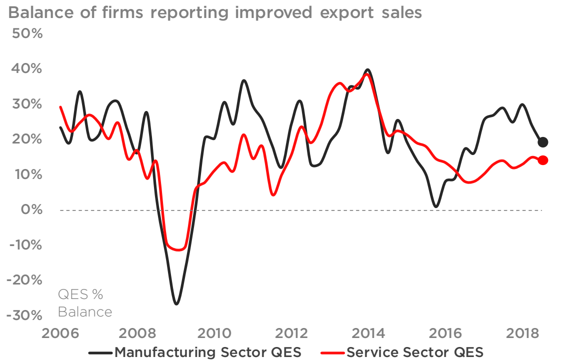
Export Sales



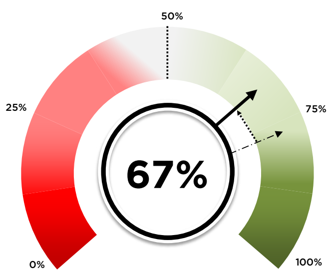
...of **manufacturers** reported improved export sales in Q3 2018, down from +24% in Q2 2018



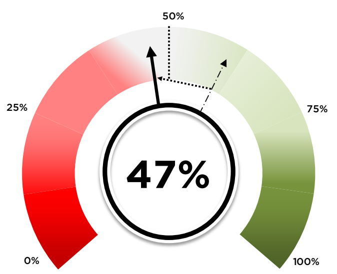
...of **service firms** reported improved export sales in Q3 2018, down from +15% in Q2 2018



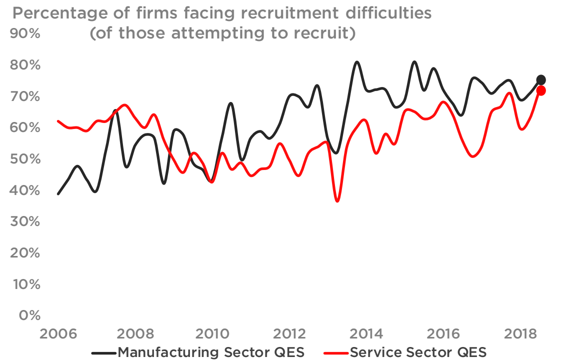
Recruitment difficulties



...of **manufacturers** attempted to recruit in Q3 2018, down from 77% in Q2 2018
(note: this is not a percentage balance scale)



...of **service firms** attempted to recruit in Q3 2018, down from 60% in Q2 2018
(note: this is not a percentage balance scale)

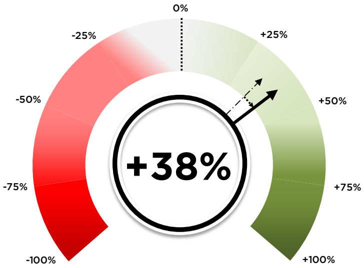


BRITISH CHAMBERS OF COMMERCE

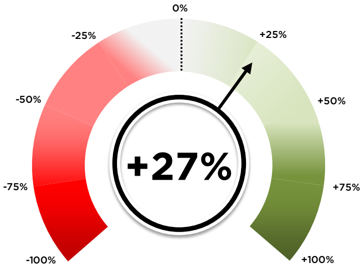
LOOKING **AHEAD**

The Quarterly Economic Survey (QES) examines business sentiment on a range of forward looking indicators, including investment intentions, turnover confidence, and prices. In Q3 2018, the proportion of manufacturers expecting their prices to increase also rose, with 81% citing the cost of raw materials as the driver of cost increases, the highest level for seven years. Uncertainty over future trading conditions is continuing to act as a brake on business investment in both the manufacturing and services sectors, and business confidence in turnover and profitability also weakened in the quarter.

Prices

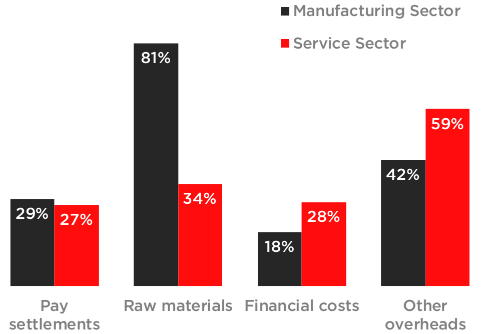


...of **manufacturers** expect their prices to increase, up from +31% in Q2 2018

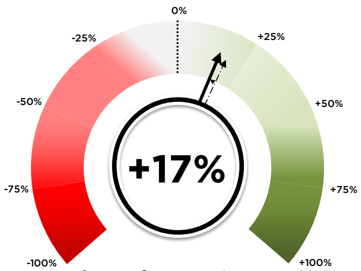


...of **service firms** expect their prices to increase, unchanged from Q2 2018

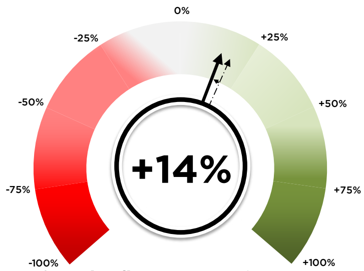
Firms facing pressures to raise prices due to the following factors:



Investment

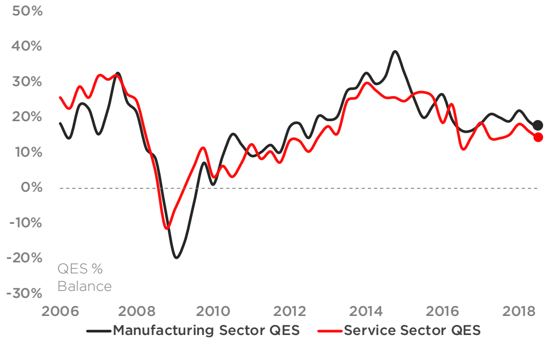


...of **manufacturers** increased investment in training in Q3 2018, down from +19% in Q2 2018

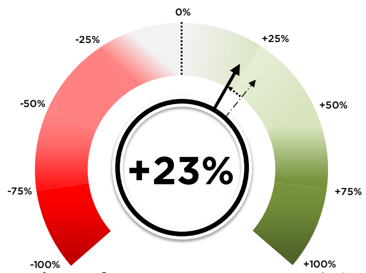


...of **service firms** increased investment in training in Q3 2018, down from +16% in Q2 2018

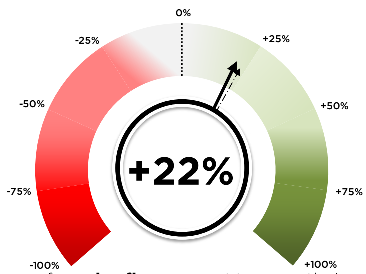
Balance of firms increasing investment in training



Employment Expectations



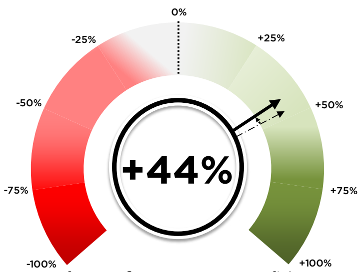
...of **manufacturers** expect to grow their workforce over the next three months, down from +29% in Q2 2018



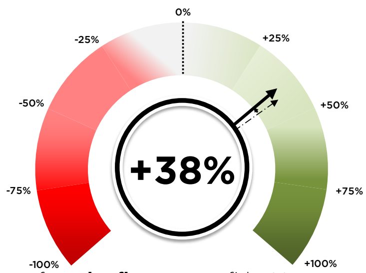
...of **service firms** expect to grow their workforce over the next three months, down from +23% in Q2 2018

Balance of firms expecting to grow their workforce

Confidence

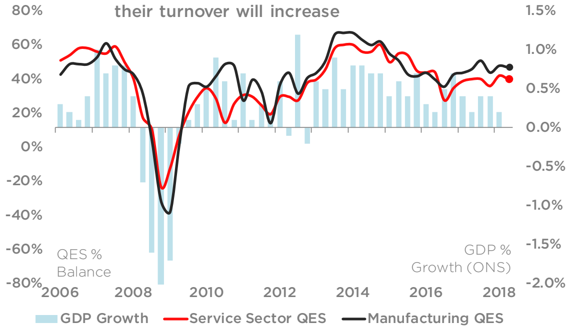


...of **manufacturers** are confident turnover will increase in the next 12 months, down from +47% in Q2 2018



...of **service firms** are confident turnover will increase in the next 12 months, down from +40% in Q2 2018

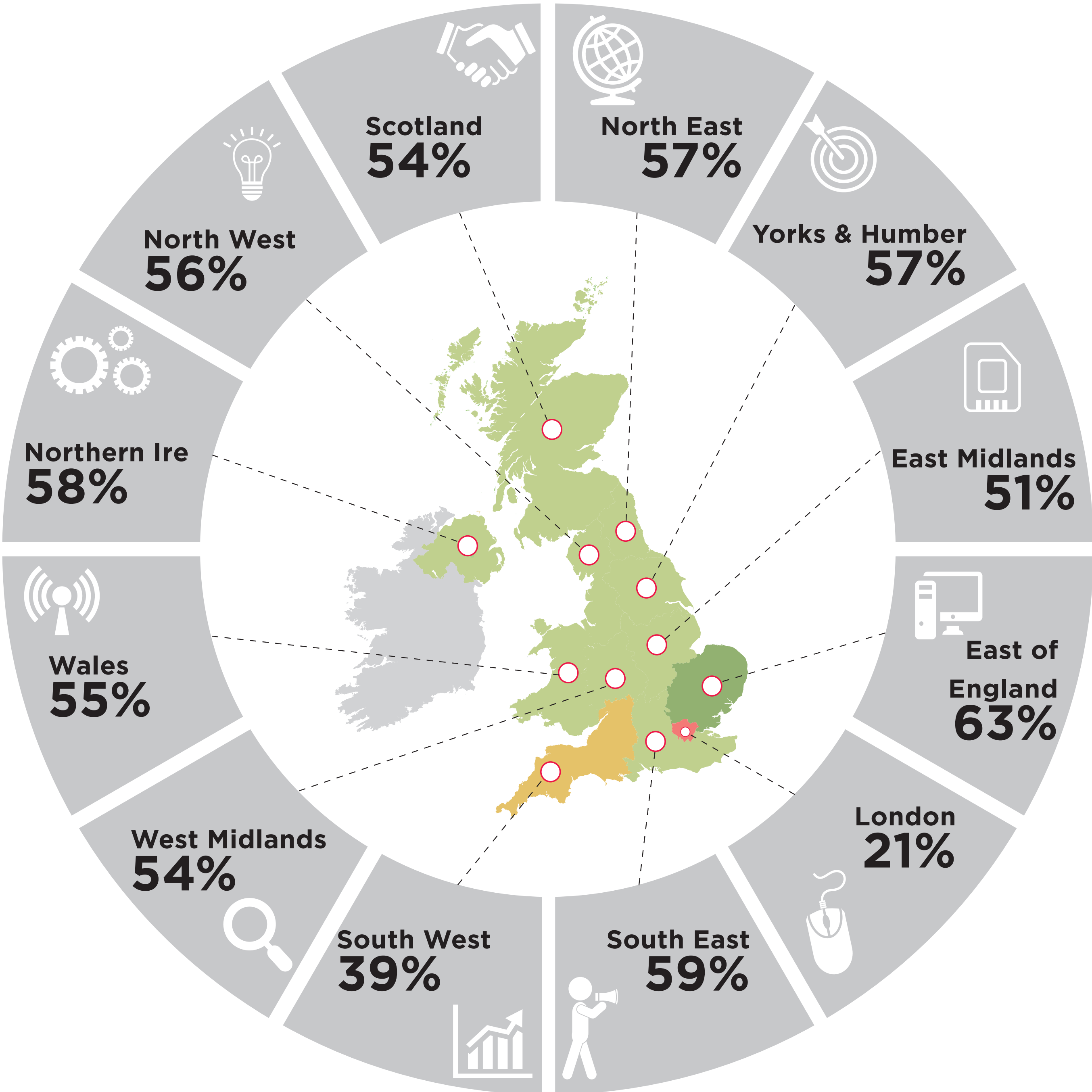
UK GDP growth and QES balance of firms confident their turnover will increase



BRITISH CHAMBERS OF COMMERCE

SERVICE SECTOR RECRUITMENT

In Q3 2018, the percentage of service firms attempting to recruit is at its lowest level for 25 years, and of the firms in the sector that did try and recruit, the percentage experiencing difficulties rose to an all time high, since the survey began in 1989.



The regions and nations which saw the largest percentage of service sector firms attempting to recruit were the East of England (63%), the South East (59%), and Northern Ireland (58%). The regions with the lowest percentage of service firms attempting to recruit were London (21%), the South West (39%), and East Midlands (51%).

BRITISH CHAMBERS OF COMMERCE

ABOUT THE **QES**

The Quarterly Economic Survey is the flagship economic survey from the British Chambers of Commerce. It is a prominent tool used to measure the state of business sentiment and is monitored by a range of national and international organisations, including the Bank of England, HM Treasury, and European Commission.

The BCC Q2 2018 QES is made up of responses from more than 5,600 businesses across the UK. Firms were questioned between 27 August 2018 and 17 September 2018. In the manufacturing sector, 1,423 firms responded, employing approximately 249,000 people. 68% (965) of manufacturing respondents were exporters. In the services sector, 4,212 businesses responded, employing approximately 968,000 people. Of the services sector participants, 37% (1,547) were exporters.

Methodology

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 would be +32% (an expansion).

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

This report has been prepared by the British Chambers of Commerce. Further information about any of the region and nation surveys may be obtained from the following:

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