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BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q4 2024

Business confidence falls following UK Budget announcements. The BCC's Quarterly Economic Survey (QES) for Q4 2024 – the UK's largest independent survey of business sentiment, made up of 91% SMEs – shows concern about tax, including national insurance, has spiked. Business confidence has slipped to its lowest level since the aftermath of the mini-Budget in Autumn 2022.

Taxation is the top external factor of concern, cited by 63% of respondents

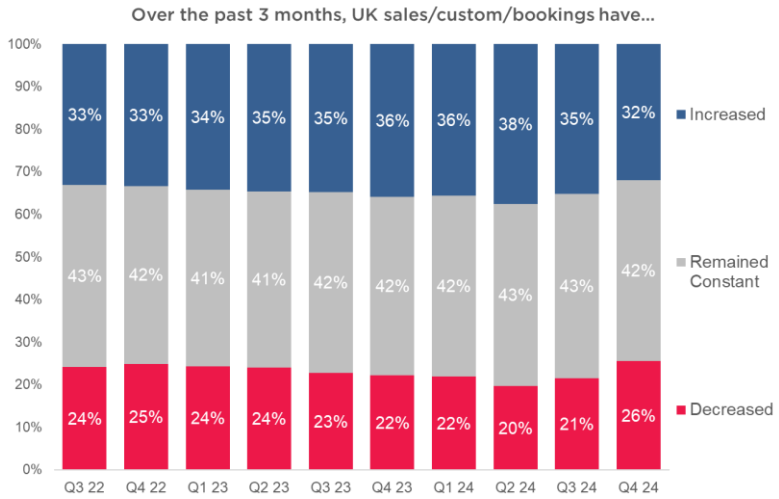
55% of firms expect prices to go up, with labour costs the biggest driver

Fewer firms report increased sales, investment and confidence

Domestic Sales

The percentage of respondents reporting increased domestic sales has fallen to 32%, compared to 35% in Q3. 42% reported no change and 26% of firms said they had seen a decrease in sales.

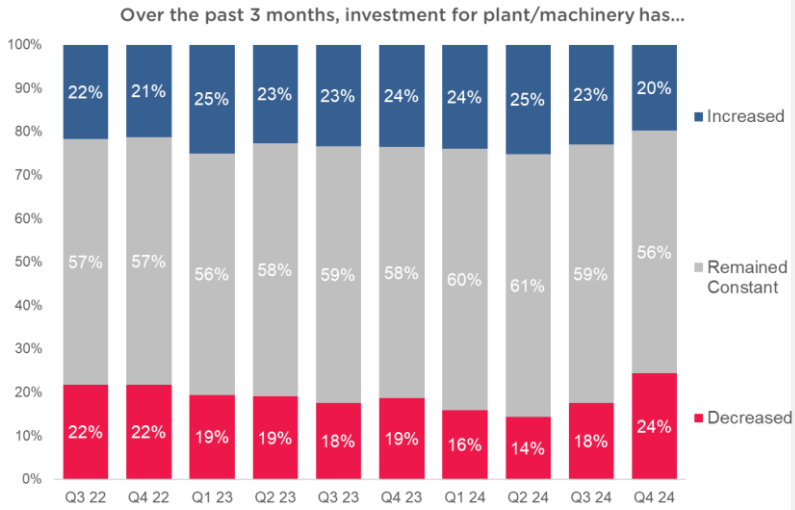
Confidence that turnover will grow in the next twelve months has also ticked down to 49% from 56% last quarter.



Investment

Overall, 20% of respondents reported an increase to plant/equipment investment in the past three months, while 56% reported no change, and 24% reported a decrease.

The issue is more marked in certain sectors, with 42% of retail and hospitality firms reporting a scaling back of investment and 30% of manufacturers.



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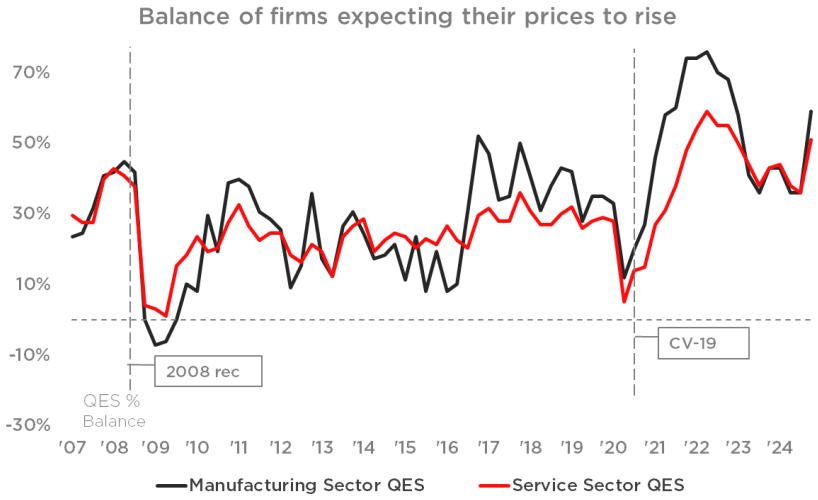
Prices

The percentage of firms expecting their prices to rise increased to 55%, a rise compared to 39% in Q3.

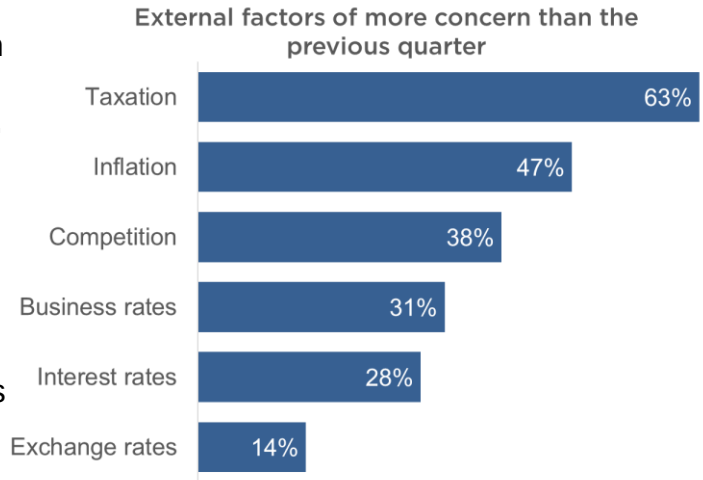
As measured as a percentage balance, the services sector stands at +51% while the manufacturing sector stands at +59%.



External factors

Taxation is now the top concern for respondents, with 63% citing this, compared with 48% of businesses in Q3.

Concern about other external issues continues to ease. Inflation concerns remain broadly similar to the previous quarter - 47% compared to 46% in Q3. Worry about interest rates has fallen slightly to 28% (29% in Q3).



The view from businesses

"The budget has been devastating, the failure to introduce the promised business rate reform while introducing the NI changes will have a detrimental impact on the high street and the wider economy" ***Large hospitality firm*** ***in North West England***

"Labour's decision to increase National Insurance for businesses has been a hammer blow to business confidence & has caused reversal in plans to increase investment." ***Small Construction Firm*** ***in Scotland***

"NIC Increases will have a significant impact on costs which as a price taker we are unable to pass on to customers so this will hit our profitability" ***Large manufacturing firm*** ***in Northern Ireland***

"The NI increase is a real concern for us. We are a hospice. It will add £225k to our payroll, and we cannot afford it." ***Medium public sector firm*** ***in East of England***

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"*This dataset is a clear signal that business sentiment has been significantly impacted following recent policy announcements, notably national insurance increases. Taxation is now by far the biggest concern, cited by 63% of businesses. Confidence has now dipped to 2022 levels, with less than half of firms expecting improved turnover over the next year and over a fifth now expecting it to worsen.*

"Faced with rising costs, our survey paints a difficult picture and shows businesses are having to make some very difficult decisions. Many tell us they expect to push up prices and cut back on investment and we expect this to lead to a low or no-growth economic climate in the coming months."

David Bharier, Head of Research at the British Chambers of Commerce

ABOUT QES Q4 2024

- 4,808 business respondents from across the UK
- Responding businesses employ over one million people
- 76% are in the service sector, 24% in the manufacturing sector
- Around 37% are exporters
- 91% are SMEs
- Fieldwork took place between 11 November - 9 December 2024

Methodology

QES asks businesses if they have seen an increase, decrease, or no change in a range of metrics such as domestic sales, cash flow, and investment.

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

For example, if 50% of firms told us their sales increased and 18% said their sales decreased, the balance for the quarter would be +32% (an overall expansion). If 32% told us their sales increased and 33% said their sales decreased, the balance would be -1% (an overall contraction).

For more information:

Contact David Bharier, Head of Research at the British Chambers of Commerce for any queries or to understand how your organisation may benefit from the BCC Insights Unit

d.bharier@britishchambers.org.uk

If you would like to enquire about local data, you can find your local Chamber of Commerce here https://www.britishchambers.org.uk/page/join-a-chamber

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