

BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q1 2022

Inflationary Pressures Reach Uncharted Territory. The BCC's Quarterly Economic Survey (QES) for Q1 2022 – the UK's largest independent survey of business sentiment and a leading indicator of UK GDP growth – shows inflationary pressures on firms reaching levels never previously recorded in its 33-year history.

Almost two-thirds of firms (62%) **expect to raise prices**

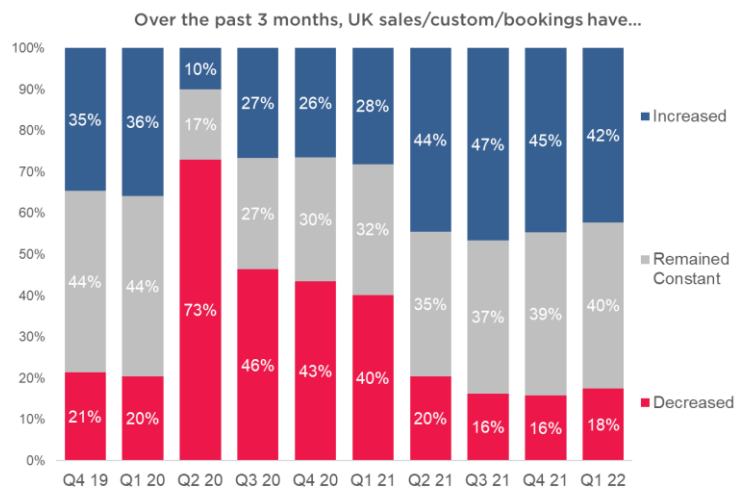
The vast majority (77%) cite **inflation as a growing concern**

Indicators for **cash flow weaken** as cost of doing business crisis escalates

**Domestic Sales**

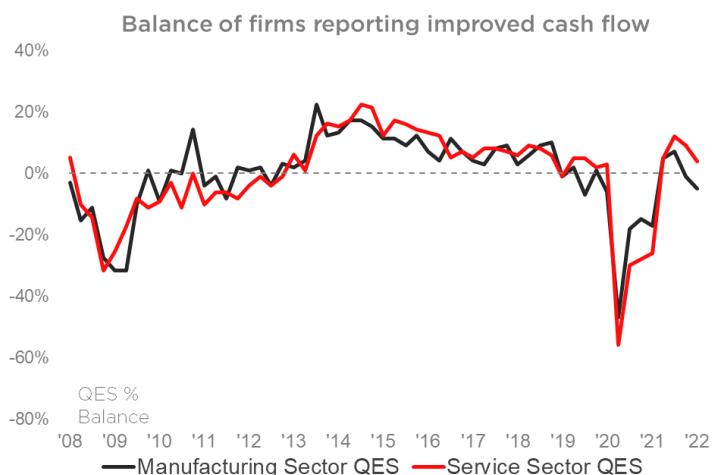
Around four-in-ten firms overall report an increase to domestic sales, slightly down on Q4 2021.

Transport & distribution firms were most likely to report an increase in domestic sales (49%), while hospitality firms were the least likely (32%).

**Cash flow**

Most firms report no improvement to cash flow, with slightly more reporting worsening compared to Q4 2021

As measured as a percentage balance, the manufacturing sector stands at -5%, the lowest level since Q1 2021, while the services sector stands at +4%, the lowest since Q2 2021.

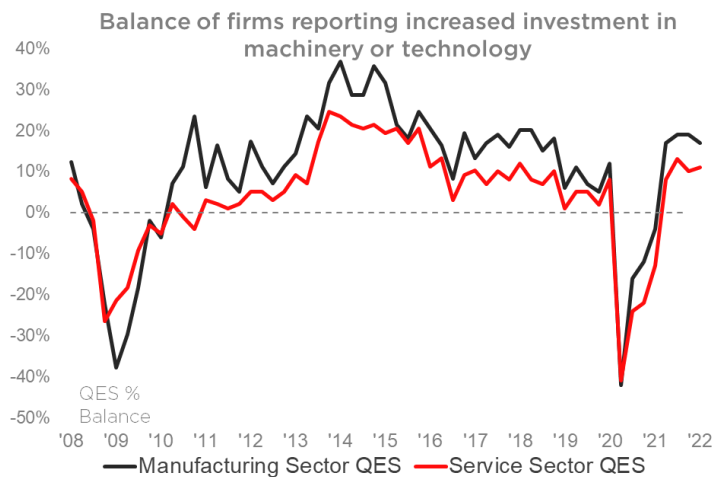




Three quarters (73%) of firms overall report no increase to investment in equipment or technology.

Investment

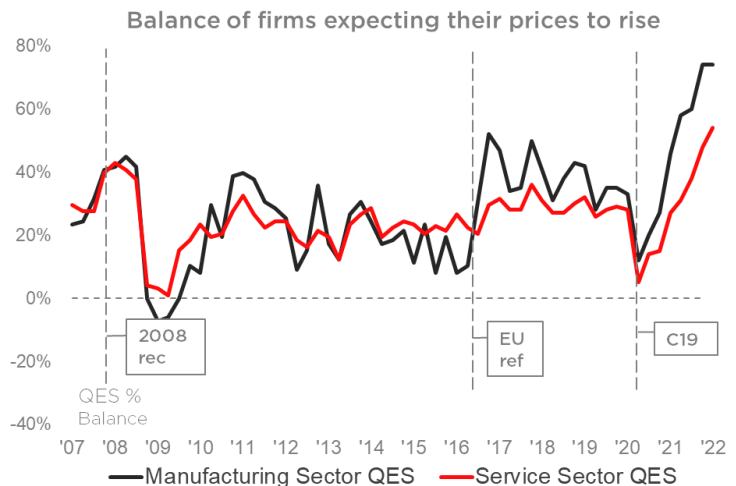
As measured as a percentage balance, the manufacturing sector stands at +17%, the lowest level since Q2 2021, while the services sector stands at +11%.



Almost two-thirds of firms overall expect to raise prices, increasing beyond what was already at record highs

Inflation

As measured as a percentage balance, the manufacturing sector stands at +74%, the highest level on record, while the services sector stands at +54%, again the highest on record.



The view from businesses

“Increased energy and fuel costs are causing huge problems. We have had large price increases from packaging suppliers and transport providers over the last six months and the biggest rises are yet to come.”

Small manufacturer in Aberdeen

“50% of staff were isolating in January 2022. More than any other month since covid began.”

Small construction firm in East Lancashire

“We are dealing with input costs on energy (up 98%), labour (up 6%), taxation (up 8.75%) and raw materials (up 12%).”

Small hotelier in Scotland

“Not at all happy with proposed plans for rises in corporation tax and national insurance contributions on the back of severe potential problems caused by inflation and global transport costs which have risen by up to 10-fold since early 2020.”

Small services firm in Kent

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“Our latest survey lays bare the huge financial stress that firms across the country are under. The level of inflationary pressures has soared to record levels and we are now truly in uncharted territory. Firms cite cost increases coming at them from all angles, ranging from energy bills to raw material prices and the imminent rise in National Insurance.

We need to be absolutely clear: this cost of doing business crisis is squeezing firms’ finances, driving further increases in prices and directly fuelling the cost-of-living crisis.”

Shevaun Haviland, Director General, British Chambers of Commerce

ABOUT THE QES

Made up of 5,627
businesses across
the UK

Responding
businesses employ
around 1.3m people

70% are in the service
sector, 30% in the
manufacturing sector

Around 49% are
exporters

91% are SMEs

Fieldwork took
place between 14
February and 10
March 2022

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:

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<https://www.britishchambers.org.uk/page/economic-data>

Or 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>