

BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q1 2023

Business confidence improves but conditions remain largely unchanged. The BCC's Quarterly Economic Survey (QES) for Q1 2023 – the UK's largest independent survey of business sentiment and a leading indicator of UK GDP growth – shows that while business confidence has improved from a very weak base, most firms see no improvement to business conditions.

52% of UK firms believe their business turnover will increase over the next 12 months

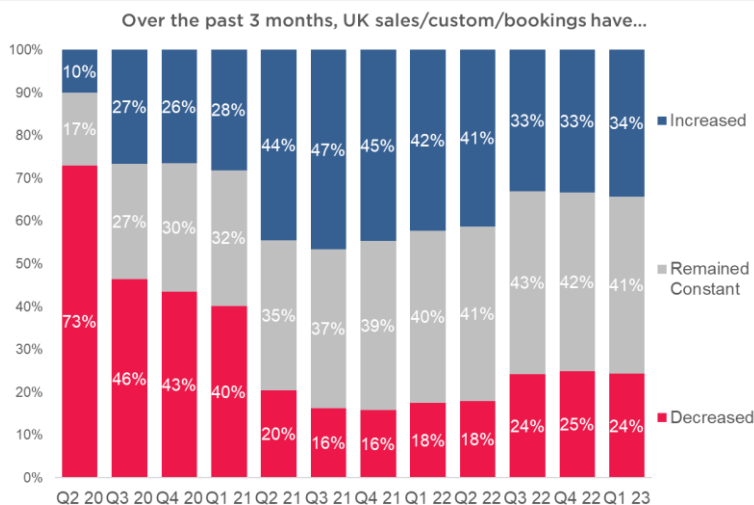
34% of firms reported an increase in sales over the past three months

47% of hospitality firms reported a drop in cashflow

**Domestic Sales**

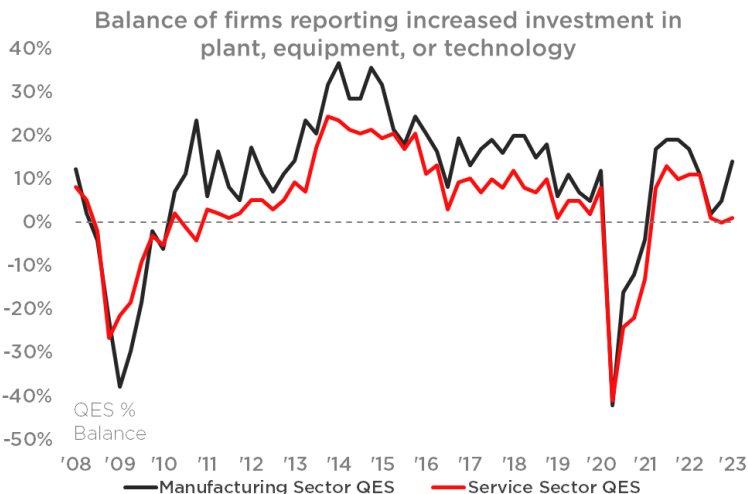
Overall, 34% of respondents reported an increase to domestic sales, while 24% reported a decrease, largely unchanged from Q3 and Q4.

Retail and wholesale firms were the most likely to report a decrease in sales (38%) while firms in the construction sector were least likely (18%).

**Investment**

Overall, 25% of respondents reported an increase to plant/equipment investment in the past three months, while 56% reported no change, and 19% reported a decrease.

As measured as a percentage balance, the manufacturing sector stands at +14% (up from +5% in Q4) while the service sector stands at +1%.



**Profitability**

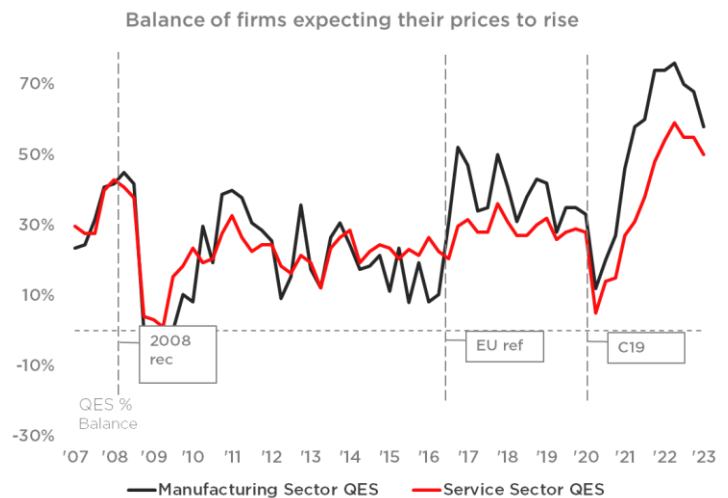
The percentage of respondents expecting profitability to grow in the next 12 months (42% overall) has rebounded following steep declines in Q3 and Q4.

As measured as a percentage balance, both the manufacturing and service sectors move out of 'negative territory' and stand at +13% and +11%, respectively.

**Inflation**

The percentage expecting their prices to rise (55%) remains at record highs, although is showing continued signs of easing.

As measured as a percentage balance, the manufacturing sector stands at +58%, while the services sector stands at +50%, both slightly down on the previous quarter.

**The view from businesses**

“As a business we are trying to grow but this growth is throttled by the lack of a skilled workforce on a local and national level.”

Small manufacturer in Scotland

“Projects keep getting delayed due to economic uncertainty.”

Medium-sized construction firm in Kent

“Our energy cost have risen 350% in the past 6 months.”

Small hospitality firm in Hull

“As an advanced manufacturer, we have a huge reliance on energy, consuming more than 27 gigawatts of electricity. Our fixed pricing contract expires in March and the uplift in cost will be more than £5m so this will need to be passed through to our customers.”

Large manufacturer in Bristol

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“After a significant decline in business confidence in the second half of 2022, results from QES Q1 show an improvement in business sentiment as political turmoil and inflationary pressures show some signs of easing.

“However, this comes from a very weak base, and while confidence has improved, this is yet to translate into an overall improvement of business conditions. Most SMEs still report no improvement to sales, cash flow, and investment.

“Three years of economic shocks - Covid lockdowns, global supply chain crises, inflation, and Brexit - have taken a significant toll on UK SMEs. The QES Q1 data once again confirms that these shocks have disproportionately impacted the retail and hospitality sectors, which are once again most likely to be reporting worsening sales and cash flow.”

David Bharier, Head of Research, British Chambers of Commerce

ABOUT QES Q1 2023

5,258 business respondents from across the UK

Responding businesses employ around 850k people

73% are in the service sector, 27% in the manufacturing sector

Around 47% are exporters

92% are SMEs

Fieldwork took place between 13 February and 9 March 2023

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>