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BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q3 2022

Business confidence declines significantly. The BCC's Quarterly Economic Survey (QES) for Q3 2022 – the UK's largest independent survey of business sentiment and a leading indicator of UK GDP growth – shows a decline across key economic indicators, with weakening structural business conditions and confidence a cause for concern.

39% of respondents expect their profitability to decline over the next 12 months

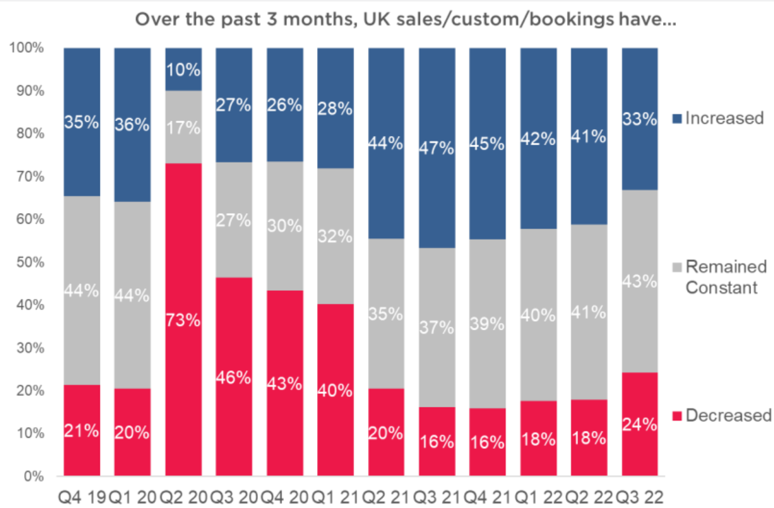
33% of firms reported increased domestic sales, down from 41% in Q2

84% of firms say inflation is more of a concern than three months ago

Domestic Sales

33% of respondents overall report an increase to domestic sales, a significant drop from Q2.

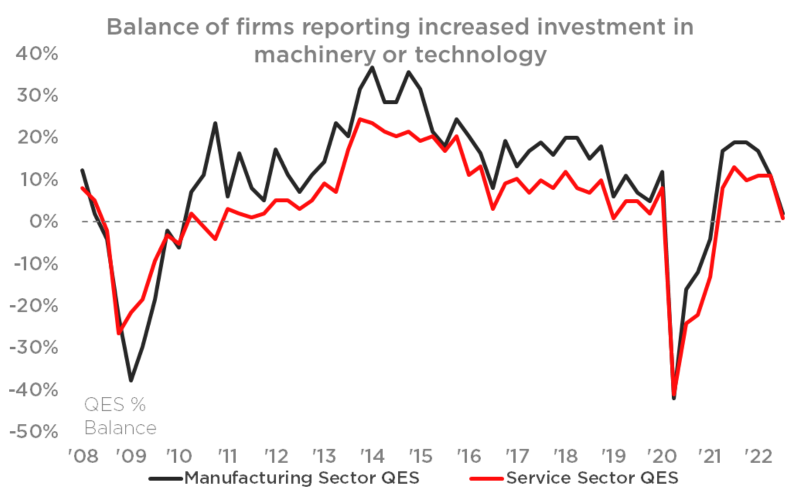
Retailers and wholesalers were the least likely to report an increase in domestic sales (25%) and the most likely to report a decrease (39%).



Investment

22% reported an increase to plant/equipment investment in the past three months, while 57% reported no change, and 22% reported a decrease.

As measured as a percentage balance, the manufacturing sector stands at +2% while the service sector stands at +1%, both the lowest levels since Q1 2021.



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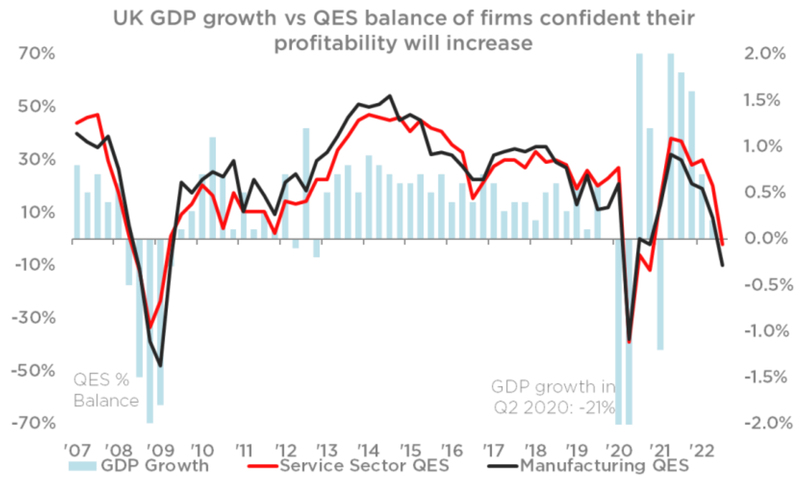
Profitability

The percentage of respondents expecting profitability to grow in the next 12 months has shrunk significantly from 43% in Q2 to 33% in Q3.

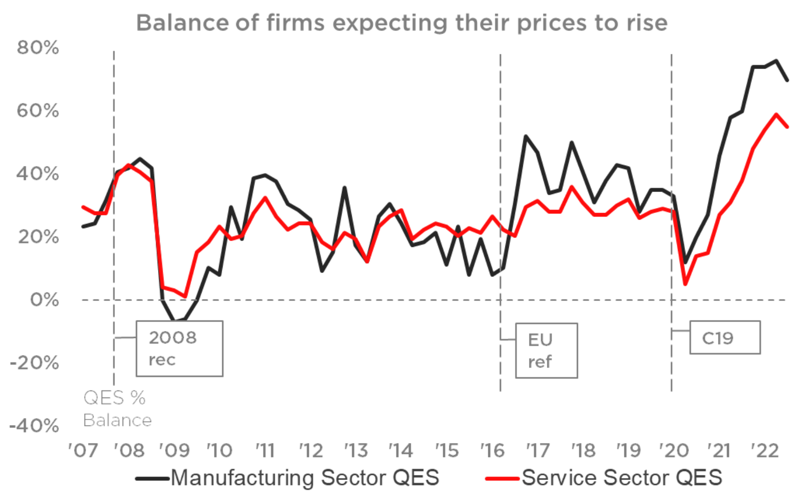
As measured as a percentage balance, the manufacturing sector stands at -10%, the lowest level since the start of the Covid crisis in Q2 2020, while the service sector stands at -2%.



Inflation

62% of respondents overall expect to raise prices, the second-highest level after Q2 2022.

As measured as a percentage balance, the manufacturing sector stands at +70%, slightly down on the previous record high in Q2 (+76%), while the services sector stands at +55%.



The view from businesses

"The impact of energy prices is extremely worrying for our business, particularly around standing charges for gas and electricity"
Small consumer services firm in Herefordshire and Worcestershire

"Investment is a problem for us, we are stuck and cannot expand the business due to lack of skilled labour available in the UK.
Small services firm in Kent

"There is a definite nervousness from business and personal shoppers around spending money
Small retailer in Kent

"Inflation, particularly in the construction industry, has meant that projects are not going ahead as no longer viable"
Small professional services firm in Birmingham

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"This quarter's results point to a significant decline in business confidence, with a clear shift downwards in many of the key indicators we track. Every sector has seen a falling proportion of firms reporting increased domestic sales, with the retail and wholesale sector particularly affected.

Diminishing sales coupled with soaring inflation is a toxic mix, and many firms are no longer looking to the future with optimism. Profitability and turnover confidence for the next year have dipped significantly since last quarter. Both measures are heading towards levels not seen since the onset of the Covid crisis. Many firms are caught in the pincer movement of soaring inflation and rising interest rates. The devaluation of the pound has also added a huge cost base for businesses reliant on imports."

David Bharier, Head of Research, British Chambers of Commerce

ABOUT **QES Q3 2022**

5,281 business respondents from across the UK

Responding businesses employ around 850k people

72% are in the service sector, 28% in the manufacturing sector

Around 47% are exporters

92% are SMEs

Fieldwork took place between 22 August and 16 September 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