

BRITISH CHAMBERS OF COMMERCE

# QUARTERLY ECONOMIC SURVEY Q3 2023

**Investment flatlining as interest rate concerns grow.** The BCC's Quarterly Economic Survey (QES) for Q3 2023 – the UK's largest independent survey of business sentiment, made up of 91% SMEs and a leading indicator of UK GDP growth – shows that while firms expecting to raise prices in has fallen for the fifth consecutive quarter, almost half are now concerned about interest rates.

Most firms see no improvement to sales, cash flow, or investment

Fewer firms expect their prices to rise as inflationary pressures ease

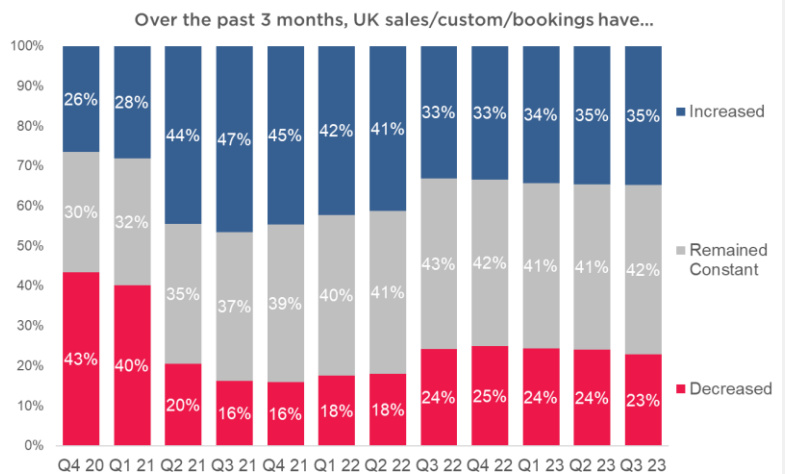
The proportion of firms concerned about interest rates rises to 45%



## Domestic Sales

**Overall, 35% of respondents reported an increase to domestic sales in the last three months, while 23% reported a decrease, largely unchanged since Q3 2022.**

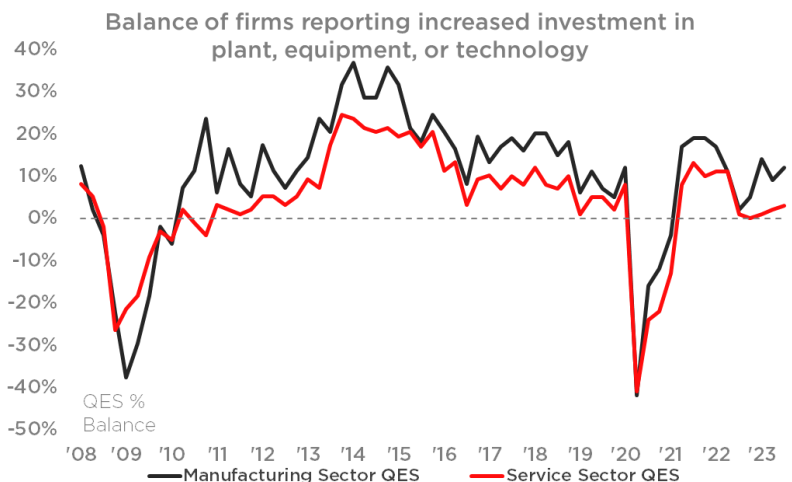
Consumer service firms (e.g. cleaning, decorating) were the most likely to report increased sales (43%), while retail firms were the most likely to report a decrease (30%).



## Investment

**Overall, 23% of respondents reported an increase to plant/equipment investment in the past three months, while 59% reported no change, and 18% reported a decrease.**

As measured as a percentage balance, the manufacturing sector stands at +12% (up from +9% in Q2) while the service sector stands at +3%.





## Inflation

The percentage of firms expecting their prices to rise (41%) has fallen for the fifth consecutive quarter but still remains high by historical standards.

As measured as a percentage balance, the manufacturing sector stands at +36%, while the services sector stands at +38%, both down on the previous quarter.

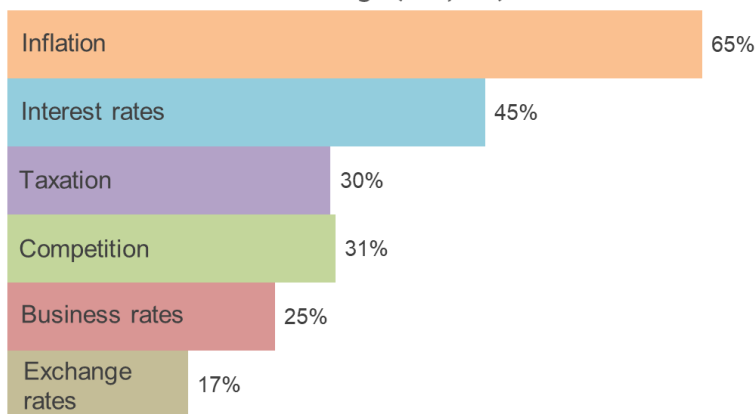


## External factors

Inflation remains the top external factor of concern for the majority of respondents (65%), though this has declined from the peak of 84% in Q3 2022.

Interest rates are now a concern for 45% of respondents, up from 41% last quarter. Hospitality firms are the most likely to cite both inflation (74%) and interest rates (52%) as a concern.

External factors of greater concern than three months ago (n=4,343)



## The view from businesses

*“Shortages and price rises are now subsiding and cost increases are now the result of wage costs”*

**Mid-sized services firm in East Midlands**

*“We cannot put our prices up much as we trade under the VAT limit and there is no sign that this will change. This means we are unable to expand or significantly up our prices despite all our suppliers increasing theirs”*

**Small hospitality firm in Bristol**

*“Increasing interest rates is not reducing inflation on core costs which is crucial as we cannot continue to absorb reduced sales prices and increase in costs”*

**Mid-sized construction firm in Aberdeenshire**

*“Our export business is 50% of what it was before Brexit”*

**Large retailer in Norfolk**

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*“The results of the QES continue to point to tough trading conditions for many firms as inflation, labour shortages, global trade barriers, and interest rate rises continue to bite. Manufacturers have reported a particularly tough quarter, and it will be crucial over the coming months to see how this trend plays out.*

*“Most firms continue to report no increase to their investment intentions. This is in part a reflection of broader uncertainty, with little clarity on major long-term projects and yet more trade barriers to come with the EU.*

*“Easing inflation and a recovery to business confidence provide brighter spots, but these need to be reinforced with a clear plan from Government on long-term investment and direction from the Bank on the interest rate.”*

**David Bharier, Head of Research, British Chambers of Commerce**

## ABOUT QES Q3 2023

5,051 business respondents from across the UK

Responding businesses employ around 840k people

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

Around 48% are exporters

91% are SMEs

Fieldwork took place between 21 August and 14 September 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:

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

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