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BRITISH CHAMBERS OF COMMERCE **QUARTERLY ECONOMIC SURVEY**

KEY FINDINGS Q1 2017

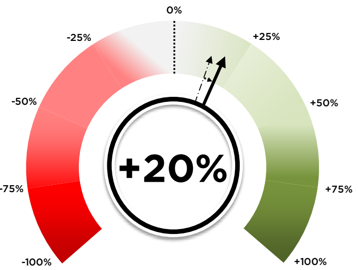
The British Chambers of Commerce (BCC) Quarterly Economic Survey – Britain's largest and most authoritative private sector business survey – based on more than 7,300 responses from firms across the UK in Q1 2017 – shows the manufacturing sector performing strongly in the first quarter of the year, particularly in the exports market. However, rising overheads and raw material costs present a risk to growth in the medium term.

> " In the here and now, many businesses are resilient and experiencing solid growth. Many firms tell us their short-term expectations are strong, but that the medium-term picture is far from clear.
>
> The rise in inflation seen since last year's EU referendum is the biggest immediate pressure facing most firms. While manufacturers have enjoyed a good quarter, they are facing higher costs at the factory gates, which increasingly translates into companies having to raise their own prices.
>
> Our survey, with deep participation all across the UK, demonstrates the fact that there are longstanding structural issues here at home that we need to tackle to sustain success in the future. The competitiveness of firms depends on a bold domestic economic policy - not just a good Brexit deal. "
>
> **Dr Adam Marshall** Director General, British Chambers of Commerce

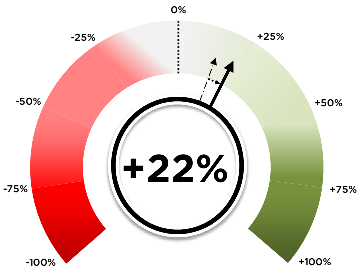
AT A GLANCE

Positive balance (**+**) = **growth** | Negative balance (**-**) = **contraction**

Domestic Sales

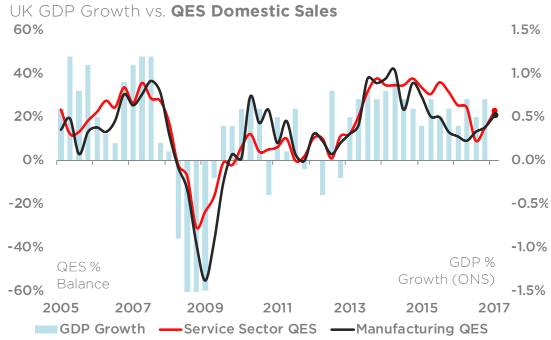


...of **manufacturers** reported improved domestic sales in Q1 2017, up from +15% in Q4 2016

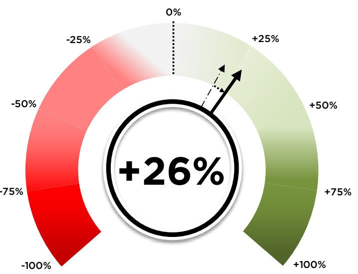


...of **service firms** reported improved domestic sales in Q1 2017, up from +15% in Q4 2016

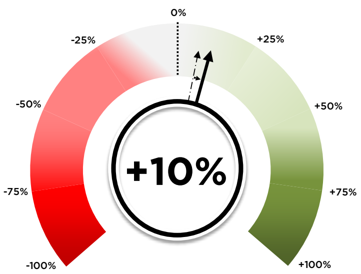
UK GDP Growth vs. **QES Domestic Sales**



Export Sales

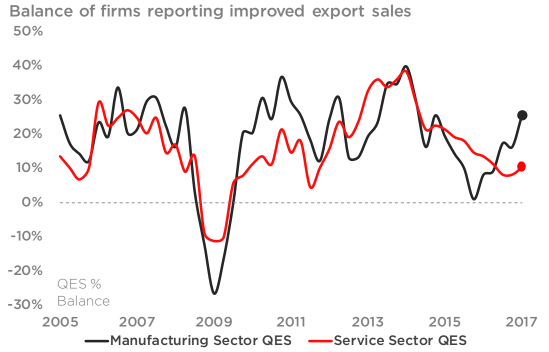


...of **manufacturers** reported improved export sales in Q1 2017, up from +16% in Q4 2016

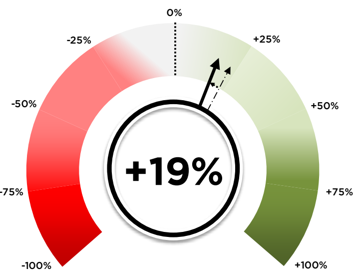


...of **service firms** reported improved export sales in Q1 2017, up from +8% in Q4 2016

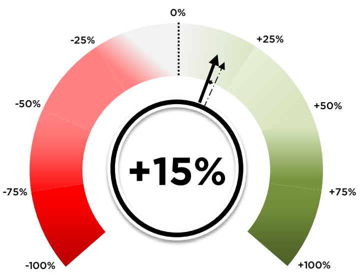
Balance of firms reporting improved export sales



Employment Growth

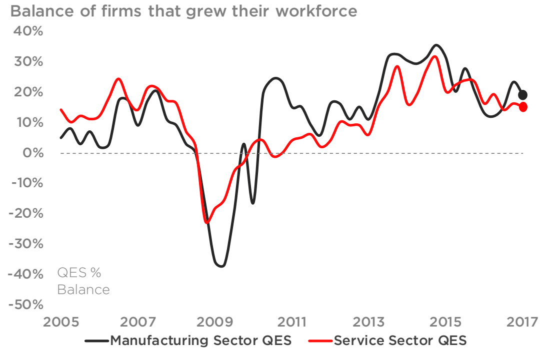


...of **manufacturers** reported an increase in their workforce in Q1 2017, down from +23% in Q4 2016



...of **service firms** reported an increase in their workforce in Q1 2017, down from +16% in Q4 2016

Balance of firms that grew their workforce



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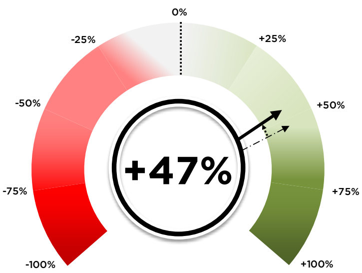
BRITISH CHAMBERS OF COMMERCE **QUARTERLY ECONOMIC SURVEY**

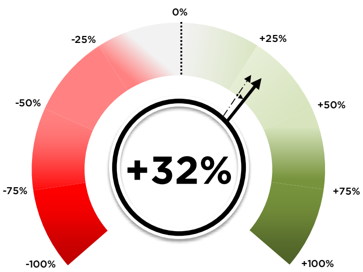
LOOKING **AHEAD**

The Quarterly Economic Survey (QES) examines business sentiment on a range of forward looking indicators, including investment intentions, turnover confidence, and prices. In Q1 2017, the forward looking indicators show that while confidence in turnover and profitability is improving, investment intentions remain low. More businesses have increased their employment expectations, although recruitment difficulties remain high.

Prices

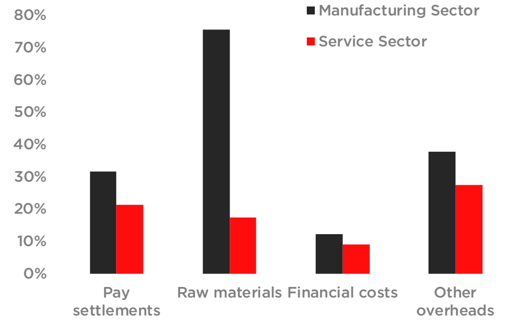


...of **manufacturers** expect their prices to increase, down from +52% in Q4 2016

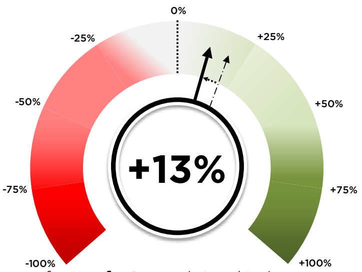


...of **service firms** expect their prices to increase, up from +30% in Q4 2016

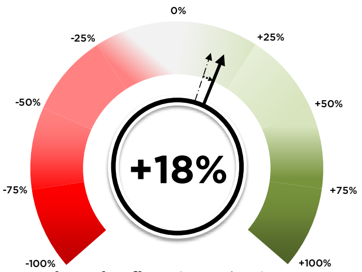
Firms facing pressures to raise prices due to the following factors:



Investment

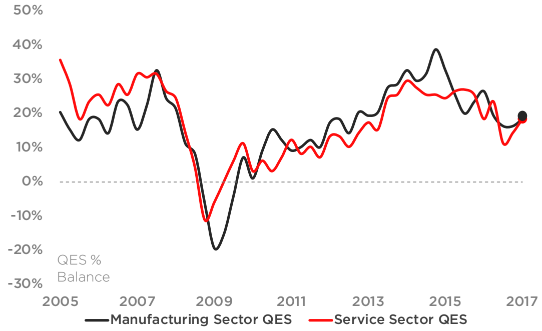


...of **manufacturers** intend to increase investment in plant & machinery, down from +19% in Q4 2016

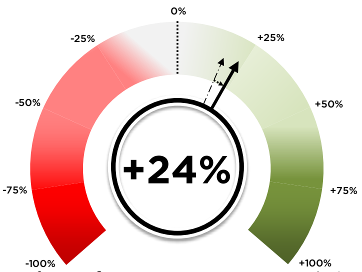


...of **service firms** intend to increase investment in training, up from +14% in Q4 2016

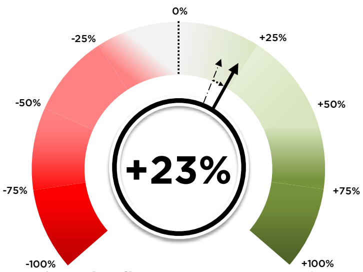
Balance of firms increasing investment in training



Employment Expectations

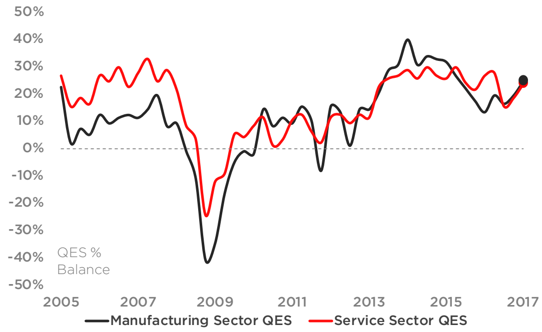


...of **manufacturers** expect to grow their workforce over the next three months, up from +19% in Q4 2016

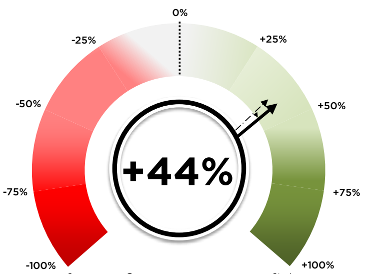


...of **service firms** expect to grow their workforce over the next three months, up from +18% in Q4 2016

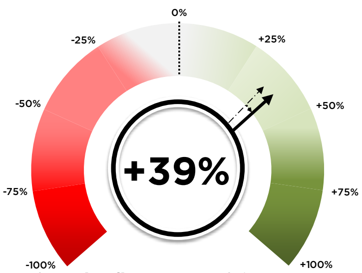
Balance of firms expecting to grow their workforce



Confidence

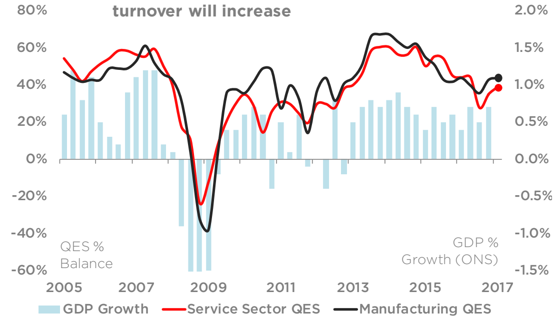


...of **manufacturers** are confident turnover will increase in the next 12 months, up from +43% in Q4 2016



...of **service firms** are confident turnover will increase in the next 12 months, up from +35% in Q4 2016

UK GDP Growth vs. **balance of firms confident turnover will increase**



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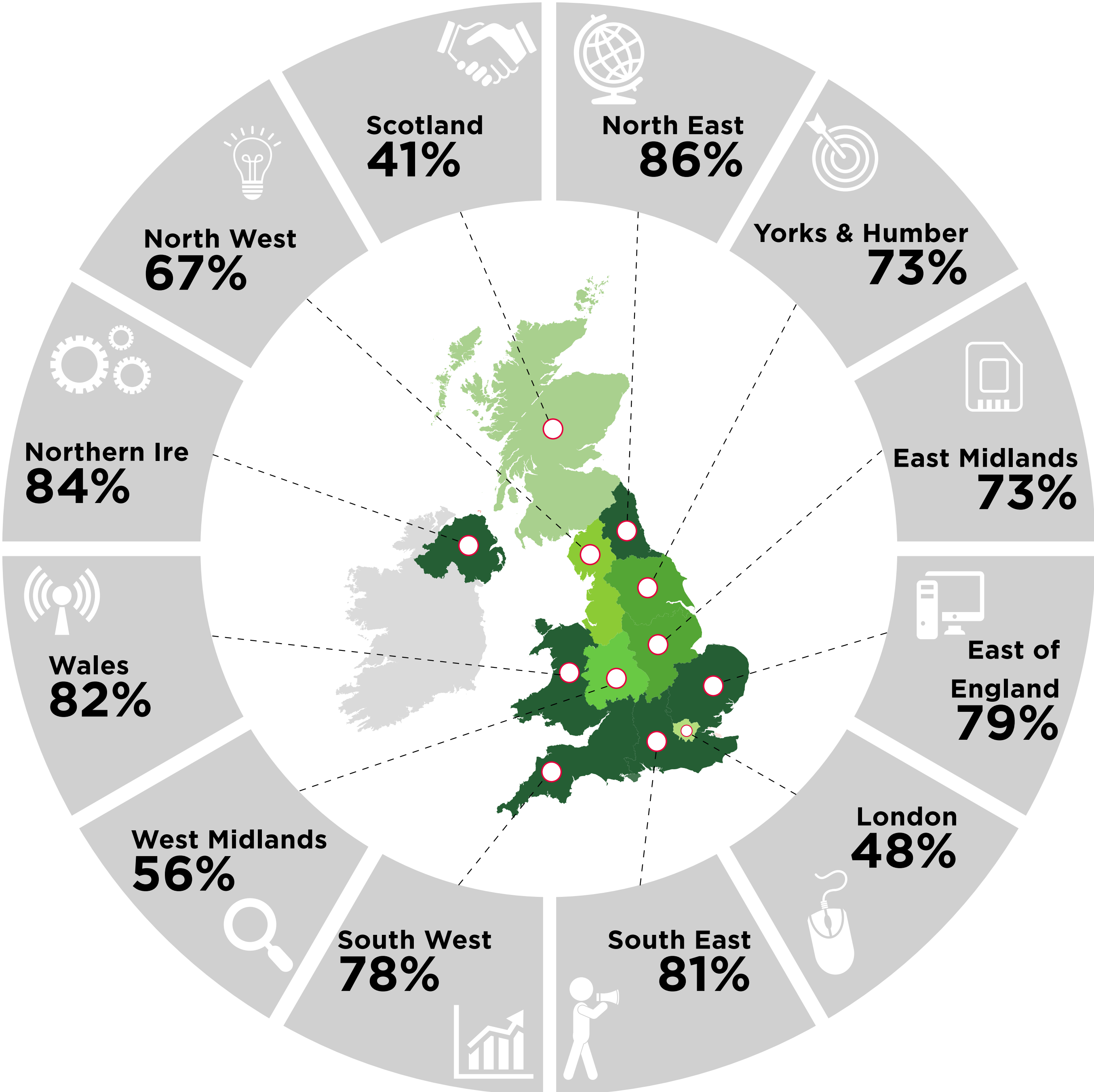
IN FOCUS **RAW MATERIALS**

The percentage of manufacturers reporting the rising cost of 'raw materials' as the biggest factor in price rises stood at its highest level since Q4 2011. This heat map shows the breakdown of this indicator by UK region:



In the manufacturing sector, the regions which saw the highest percentage of firms reporting the rising cost of 'raw materials' as the biggest factor in price rises were the North East at 86%, followed by Northern Ireland at 84%, and Wales at 82%. The regions and nations which saw the lowest percentage of manufacturers reporting raw material as the biggest factor were Scotland at 41%, London at 48%, and the West Midlands at 56%.

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ABOUT THE **QES**

The Quarterly Economic Survey is the flagship economic survey of the British Chambers of Commerce. It is a prominent tool used to measure the state of business sentiment and is monitored by a range of national and international organisations, such as the Bank of England, HM Treasury, and European Commission.

The BCC Q1 2017 QES is made up of responses from more than 7,300 businesses across the UK. Firms were questioned between 20 Feb and 13 March 2017. In the manufacturing sector, 1,783 firms responded, employing approximately 333,000 people. 66% (1,176) of manufacturing respondents were exporters. In the services sector, 5,5519 businesses responded, employing approximately 616,000 people. Of the services sector participants, 38% (2,095) were exporters.

Methodology

QES results are generally presented as balance figures - the percentage of firms that reported an increase minus the percentage that reported a decrease. If the figure is a plus it indicates expansion of activity and if the figure is a minus it indicates contraction of activity. A figure above 0 indicates growth, while a figure below 0 indicates contraction.

For example if 50% of firms told us their sales grew and 18% said they decreased the balance for the quarter would be +32% (an expansion).

If 32% told us their sales grew and 33% said they fell the balance would be -1% (a contraction).

This report has been prepared by the British Chambers of Commerce. Further information about any of the region and nation surveys may be obtained from the following:

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