

BRITISH CHAMBERS OF COMMERCE

# QUARTERLY ECONOMIC SURVEY Q2 2023

**Signs that inflation pressure is easing but more firms concerned about interest rates.** The BCC's Quarterly Economic Survey (QES) for Q2 2023 – the UK's largest independent survey of business sentiment, made up of 92% SMEs and a leading indicator of UK GDP growth – shows that less than half of firms now plan to raise prices in the next three months as cost pressures ease.

Most respondents report no improvement to sales, cash flow, or investment

Despite this, confidence improves slightly as inflationary pressures ease

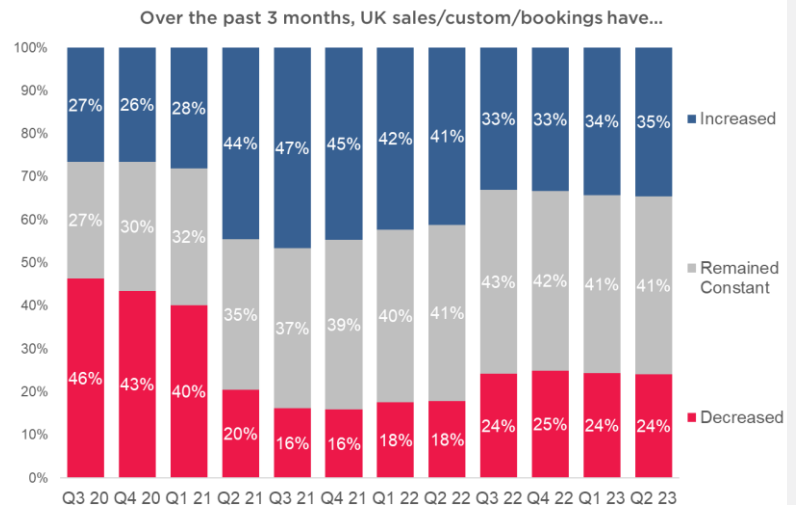
Sectoral disparities: hospitality firms more likely to report worsening conditions



## Domestic Sales

**Overall, 35% of respondents reported an increase to domestic sales in the last three months, while 24% reported a decrease, largely unchanged since Q3 2022.**

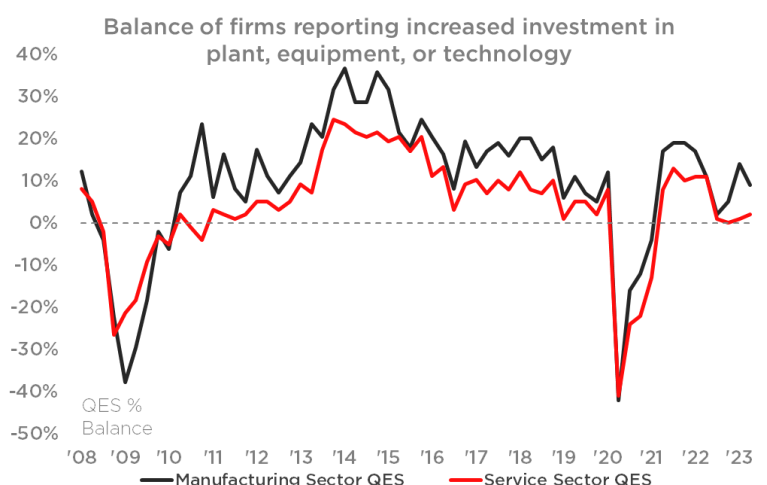
Marketing and media sector firms were the most likely to report increased sales (40%), while retail firms were the most likely to report a decrease (33%).



## Investment

**Overall, 23% of respondents reported an increase to plant/equipment investment in the past three months, while 58% reported no change, and 19% reported a decrease.**

As measured as a percentage balance, the manufacturing sector stands at +9% (down from +14% in Q1) while the service sector stands at +2%.



**Inflation**

The percentage of firms expecting their prices to rise (45%) has fallen to its lowest level since Q2 2021 although remains high by historical standards.

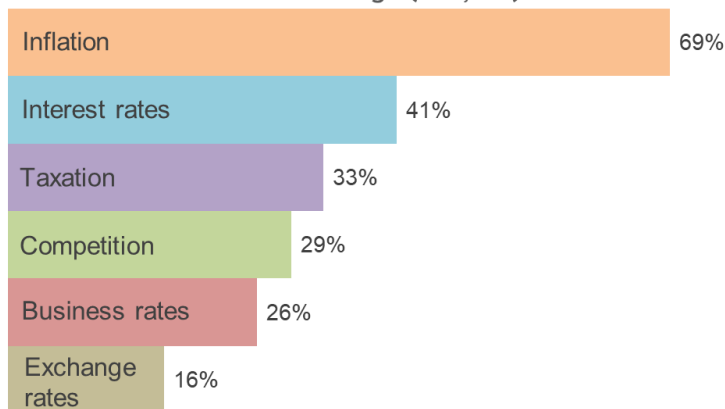
As measured as a percentage balance, the manufacturing sector stands at +41%, while the services sector stands at +44%, both down on the previous quarter.

**External factors**

Inflation remains the top external factor of concern for the majority of respondents (69%), though this has declined from the peak of 84% in Q3 2022.

Interest rates is a concern for 41% of respondents, up from 36% last quarter. Hospitality firms are the most likely to cite both inflation (79%) and interest rates (46%) as a concern.

External factors of greater concern than three months ago (n=4,275)

**The view from businesses**

*“Business rates have increased dramatically as has the rent we pay on our warehouses.”*

**Small logistics firm in Essex**

*“Inflation is apparently slowly dropping, but we are not seeing that in the prices we are paying for raw materials.”*

**Micro manufacturer in Surrey**

*“Our biggest customer has decided not to [open new restaurants] due to his gas bills increasing by 800%.”*

**Small services firm in Lancashire**

*“Post-Brexit red tape prevents me from doing business with some new European suppliers.”*

**Small retailer in Shropshire**

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*“Once again, data from the Quarterly Economic Survey sees no major improvement to key business indicators.*

*“Three years of economic shocks in the form of Covid-19 lockdowns, inflation, and new trade barriers with the EU have placed clear obstacles in the ability of firms to trade and grow. Now many SMEs face further pressure following interest rate rises, as borrowing costs increase. Predictably, investment suffers in such tough conditions.*

*“Despite this, business confidence remains buoyant, following a big drop in 2022, as inflationary ease further. This optimism should be reinforced with greater clarity from government on a plan for economic growth..”*

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

## ABOUT QES Q2 2023

5,009 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 15 May and 9 June 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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