

BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q4 2022**Business conditions show no signs of recovering following a big drop last quarter.**

The BCC's Quarterly Economic Survey (QES) for Q4 2022 – the UK's largest independent survey of business sentiment and a leading indicator of UK GDP growth – shows key economic indicators have stabilised at concerning low levels, following significant declines in Q3.

Only 34% of firms expect their profitability to increase, while 36% expect a decline

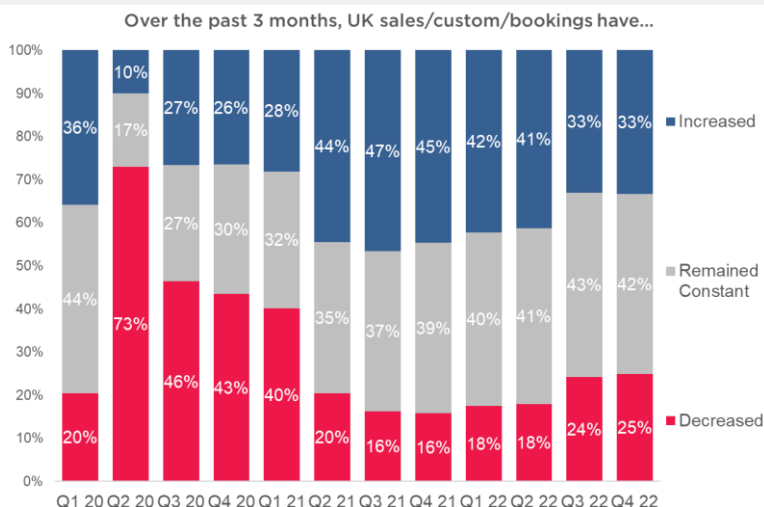
33% of firms report increased domestic sales, unchanged from Q3

80% of firms say inflation is more of a concern than three months ago

**Domestic Sales**

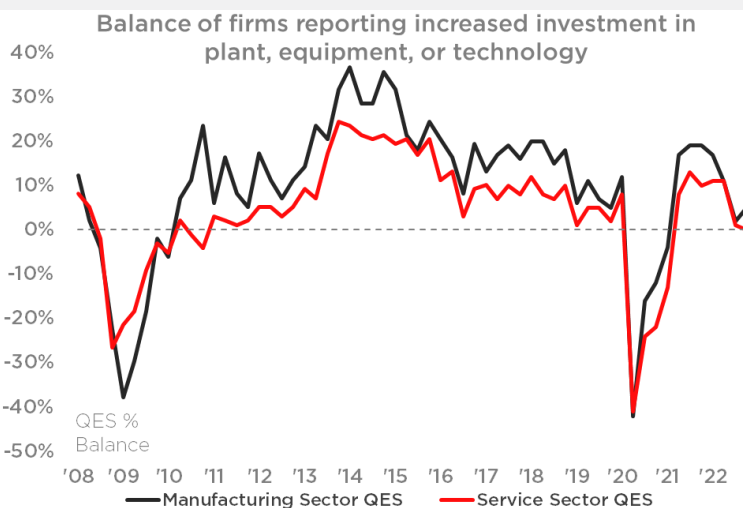
Overall, 33% of respondents reported an increase to domestic sales, largely unchanged from Q3, which itself was a significant drop on previous quarters.

Hospitality firms were the least likely to report an increase in domestic sales (26%) and among the most likely to report a decrease (36%).

**Investment**

Overall, 21% reported an increase to plant/equipment investment in the past three months, while 57% reported no change, and 22% reported a decrease. This is unchanged from Q3.

As measured as a percentage balance, the manufacturing sector stands at +5% while the service sector stands at 0%, among the lowest levels since Q1 2021.



**Profitability**

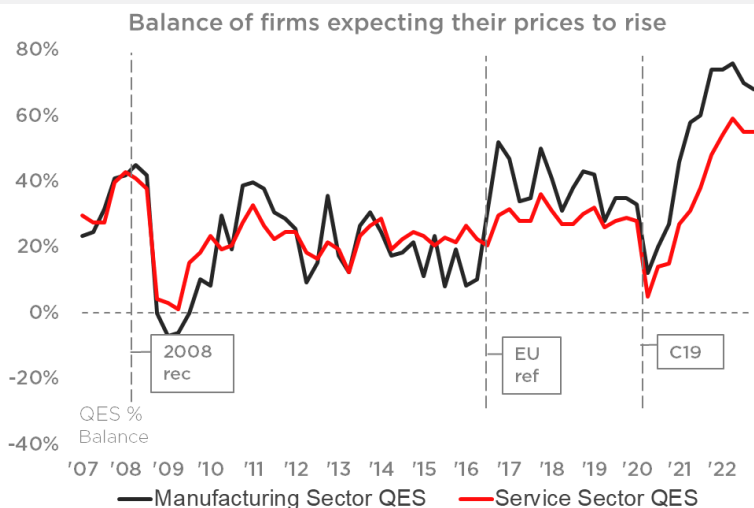
Despite a slight improvement, the percentage of respondents expecting profitability to grow in the next 12 months (34% overall) has held at Covid-crisis levels.

More firms overall (36%) still expect a decrease. As measured as a percentage balance, both the manufacturing and service sectors stand at -1.

**Inflation**

The percentage expecting their prices to rise (60%) remains at record highs, although is showing mild signs of easing.

As measured as a percentage balance, the manufacturing sector stands at +68%, slightly down on Q3, while the services sector stands at +55%, unchanged from last quarter.

**The view from businesses**

“Our electric costs will rise from £34,000 per year to around £250,000 from March and there is so much uncertainty. We want to invest to make us more efficient and reduce our electrical usage, but there are no grants on offer to help.”

Small services services firm in Somerset

“The cost of raw materials is 400-500% higher and is consequently affecting our sales.”

Small manufacturer in the East Midlands

“We are desperately short of semi/unskilled workers. We could increase business by about 20% if we could employ. We are turning away work as we are struggling to meet current requirements with the staff we have.”

Small services firm in Sussex

“We are still suffering from the pretty much total loss of our European export trade. This is directly as a result of Brexit and shipping difficulties, including factors such as double duty payments. This has reduced turnover by 50%.”

Micro retailer in Norfolk

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“These results provide further confirmation that business conditions deteriorated significantly in the second half of 2022. The situation remains critical for the majority of SMEs who find themselves cut adrift by monumental inflationary pressures, often driving triple-digit percentage cost increases, particularly on energy.

“Business confidence remains worryingly low, with only a third of firms reporting improvements to sales, and less than a quarter reporting increased investment. While the change in administrations from Truss to Sunak may have stabilised markets, the Autumn Statement on 17 November appears to have had no positive impact on business confidence. Indeed, while inflation is still by far and away the top concern for businesses, taxation has now become far more of an issue for SMEs.”

David Bharier, Head of Research, British Chambers of Commerce

ABOUT QES Q4 2022

5,687 business respondents from across the UK

Responding businesses employ around 850k people

71% are in the service sector, 29% in the manufacturing sector

Around 46% are exporters

92% are SMEs

Fieldwork took place between 1 and 30 November 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:

Contact David Bharier, Head of Research at the British Chambers of Commerce

d.bharier@britishchambers.org.uk

<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>