

BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q4 2023

Business confidence improves though most firms report no increase to investment. The BCC's Quarterly Economic Survey (QES) for Q4 2023 – the UK's largest independent survey of business sentiment, made up of 91% SMEs – shows an increase turnover growth expectations, although most firms continue to report no increase to sales, cash flow, or investment.

More than half (56%) now expect their turnover to grow over the next twelve months

Most firms report no increase to sales, cash flow, or investment

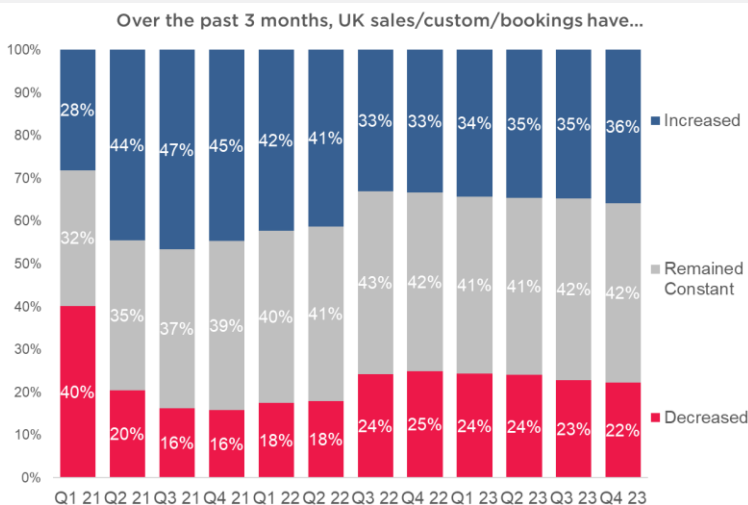
More firms now expect prices to rise, halting the downward trend in this indicator



Domestic Sales

Overall, 36% of respondents reported an increase to domestic sales in the last three months, while 22% reported a decrease, largely unchanged since Q3 2022.

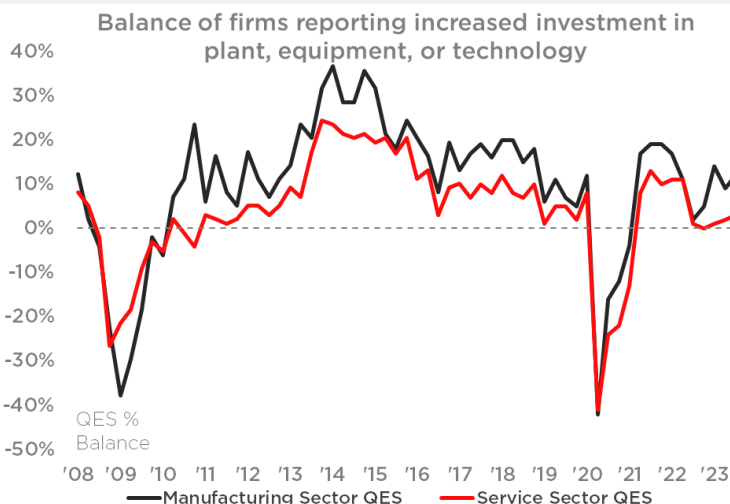
B2B service firms (e.g. finance, media, legal) were the most likely to report increased sales (38%), while the manufacturing sector was the least (32%).



Investment

Overall, 24% 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 +12% in Q3) while the service sector stands at +4%.



**Prices**

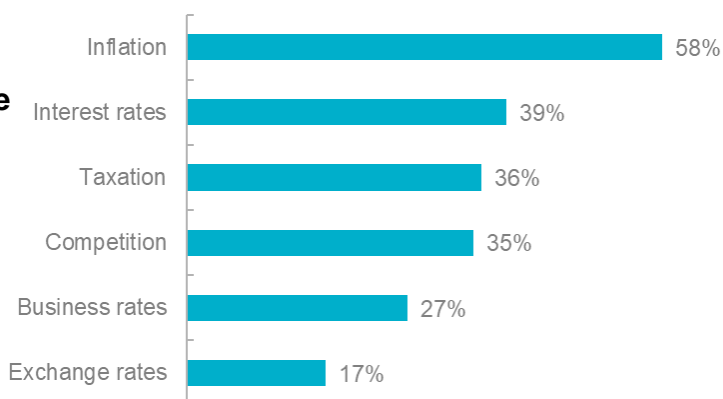
The percentage of firms expecting their prices to rise has grown in Q4 to 47% from 41% in Q3, halting the downward trend seen since Q2 2022.

As measured as a percentage balance, both the manufacturing sector and services sector stands at +43%.

**External factors**

Inflation remains the top external factor of concern for the majority of respondents (58%), though this has declined significantly from the peak of 84% in Q3 2022.

Interest rates are a concern for 39% of respondents, down from 45% last quarter. B2C service firms are the most likely to cite inflation (62%) as a concern.

External factors of more concern than three months ago**The view from businesses**

“Our OEM customers dealers and end customers primarily in the materials handling sectors have high stock levels and are not replenishing stock due to the high cost of finance because of the high interest rates globally. Europe slowed down early in 2023 and now US market is slowing.”

Larger manufacturer in Northern Ireland

“Business rates are killing service sector on the high street”

Mid-sized consumer services firm in Aberdeen

insightsunit

“We shall have to increase our prices in order to maintain healthy margins as the cost of raw materials remain high, and we are affected by the increasing costs in transport and shipping, especially to the EU”

Micro services firm in Business West

“High interest rates and slowing growth means less heavy machinery is being bought”

Large construction firm in Northern Ireland

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“The latest QES results show steadily growing confidence among UK SMEs, particularly compared to this time last year, when the UK was beset by a significant energy price shock and political instability.

“However, while it’s likely the UK will avoid a technical recession, these results provide more evidence of a very low growth climate as most SMEs continue to report no improvement to sales, cash flow, or investment.

“The data also reveal the disproportionate impacts of economic shocks on different types of businesses. Manufacturers, for example, are more likely to be exposed to the trade barriers established with Europe, while many firms in the retail and hospitality sector are reporting recessionary conditions.”

David Bharier, Head of Research, British Chambers of Commerce

ABOUT QES Q4 2023

5,029 business respondents from across the UK

Responding businesses employ around 919k people

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

Around 47% are exporters

91% are SMEs

Fieldwork took place between 6 – 30 November 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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If you would like to enquire about local data, you can find your local Chamber of Commerce here

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