

BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q2 2024

Business confidence continues to tick up in Q2. The BCC's Quarterly Economic Survey (QES) for Q2 2024 – the UK's largest independent survey of business sentiment, made up of 91% SMEs – shows that business conditions, as measured by sales and cash flow, have increased as concern about external factors such as inflation and interest rates continues to decline.

58% expect their turnover to grow over the next twelve months

25% report an increase to plant and machinery investment

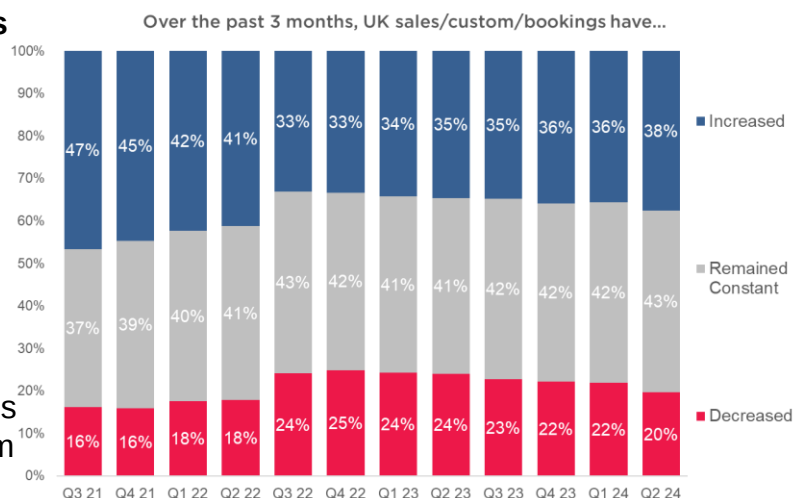
39% now expect their prices to rise in the next three months



Domestic Sales

Overall, 38% of respondents reported an increase to domestic sales in the last three months, while 20% reported a decrease. This is a slight improvement compared to previous quarters.

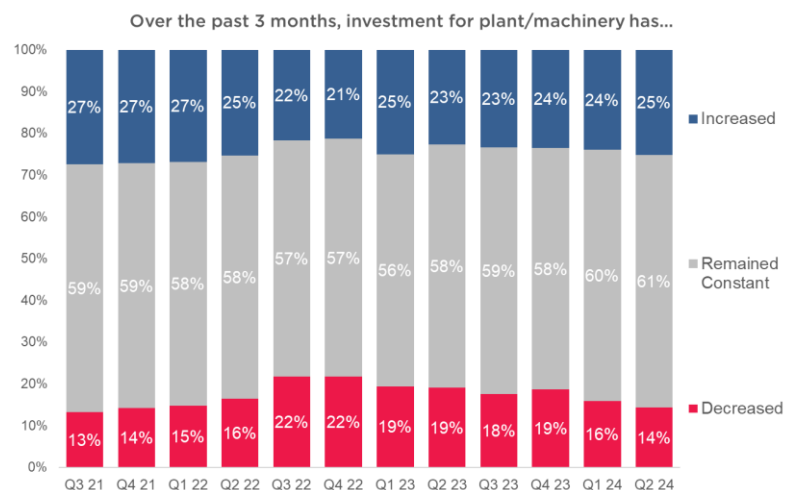
Confidence that turnover will grow in the next twelve months has also ticked up to 58% from 56% last quarter.



Investment

Overall, 25% of respondents reported an increase to plant/equipment investment in the past three months, while 61% reported no change, and 14% reported a decrease.

There are wide sectoral disparities; 23% of hospitality firms report a decrease in investment, while 42% of transport firms have seen an increase.



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Prices

The percentage of firms expecting their prices to rise drops to 39%, compared with 46% in the previous quarter.

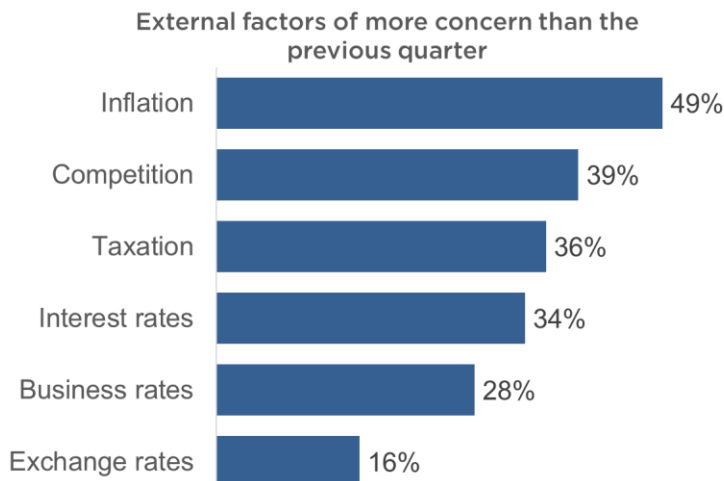
As measured as a percentage balance, the services sector stands at +40% while the manufacturing sector stands at +37%.



External factors

Fewer firms report concern about external factors. Inflation remains the top concern, this has fallen to 49%, compared to an all-time high of 84% in Q2 2022 at the height of the inflation crisis.

Competition with other organisations has grown in concern for 39% of firms, while 36% cite taxation.



The view from businesses

“Our business is with international shipping. Our prices have increased in line with increased costs from global ocean carriers”

Micro transport and logistics firm in Northern Ireland

“The increase in the national living wage has caused increase in labour costs which is our most expensive expenditure at 30% of our turnover”

Small third sector organisation in Yorkshire

“The cost of borrowing is making it difficult to compete with larger builders and developers with funds in the bank”

Micro construction firm in the East Midlands

“Insurance costs are getting higher and higher and there is little accountability for this”

Micro professional services firm in Scotland

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“The latest results from our QES show that both business conditions and business confidence have improved, albeit from a relatively low base. The last four years have seen SMEs deal with one crisis after the other, from Covid lockdowns to supply chain breakdowns and new trade barriers with the EU. As some of these crises have ebbed, more SMEs are regaining confidence and reporting increased sales and cash flow.

The data also show that concern about inflation among businesses has dropped to levels last seen in 2021 as fewer firms expect to raise prices. A Bank rate cut later this year will help bring down borrowing costs. However, investment levels remain a long-term concern and significant sectoral divergences remain, as sectors such as hospitality and retail continue to report far tougher trading conditions.”

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

ABOUT QES Q2 2024

4,967 business respondents from across the UK

Responding businesses employ around 883k people

76% are in the service sector, 24% in the manufacturing sector

Around 42% are exporters

91% are SMEs

Fieldwork took place between 13 May – 10 June 2024

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 organisation 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

<https://www.britishchambers.org.uk/page/join-a-chamber>