

BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q2 2021

The British Chambers of Commerce's Quarterly Economic Survey is the UK's largest independent survey of business sentiment and a leading indicator of UK GDP growth. The most recent results show significantly more firms reporting improvements in key indicators, such as domestic sales and business confidence, with some measures returning to pre-pandemic levels. However, these rises come from the lowest base in the 31-year history of the QES, and business conditions remain fragile, with inflation cited as a key concern.

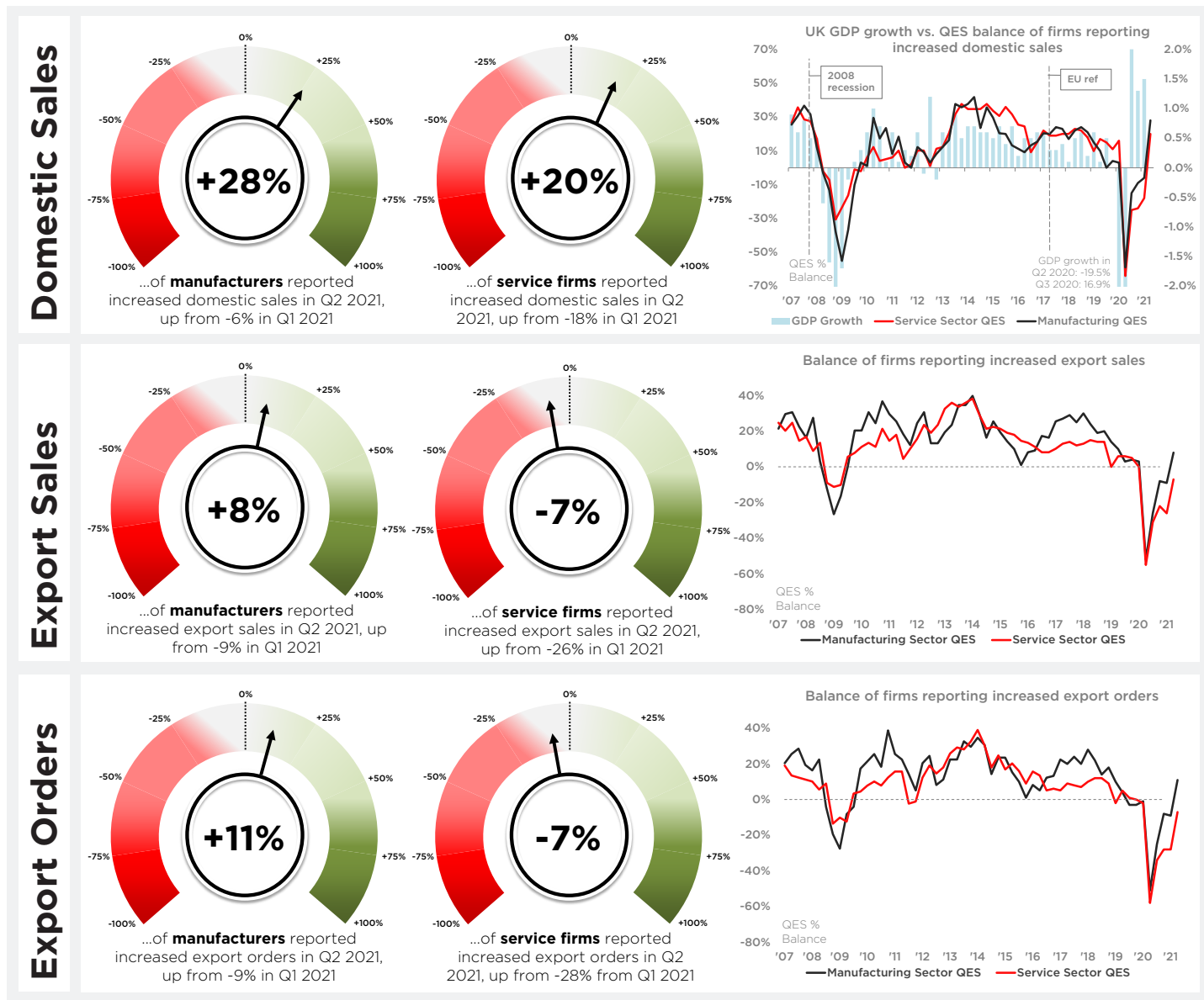
“Our latest survey points to a striking rebound in underlying economic conditions in the second quarter. The UK economy is in a sweet spot right now with the rapid vaccine roll-out, the release of pent-up demand as restrictions eased and ongoing government support driving a strong revival in indicators of activity in the quarter.

The upturn in forward-looking indicators points to a summer economic rebound. However, the second quarter maybe the high point for the UK economy with momentum likely to fade somewhat later this year when government support ends and the transient boost from the economy reopening dissipates.”

Suren Thiru Head of Economics, British Chambers of Commerce

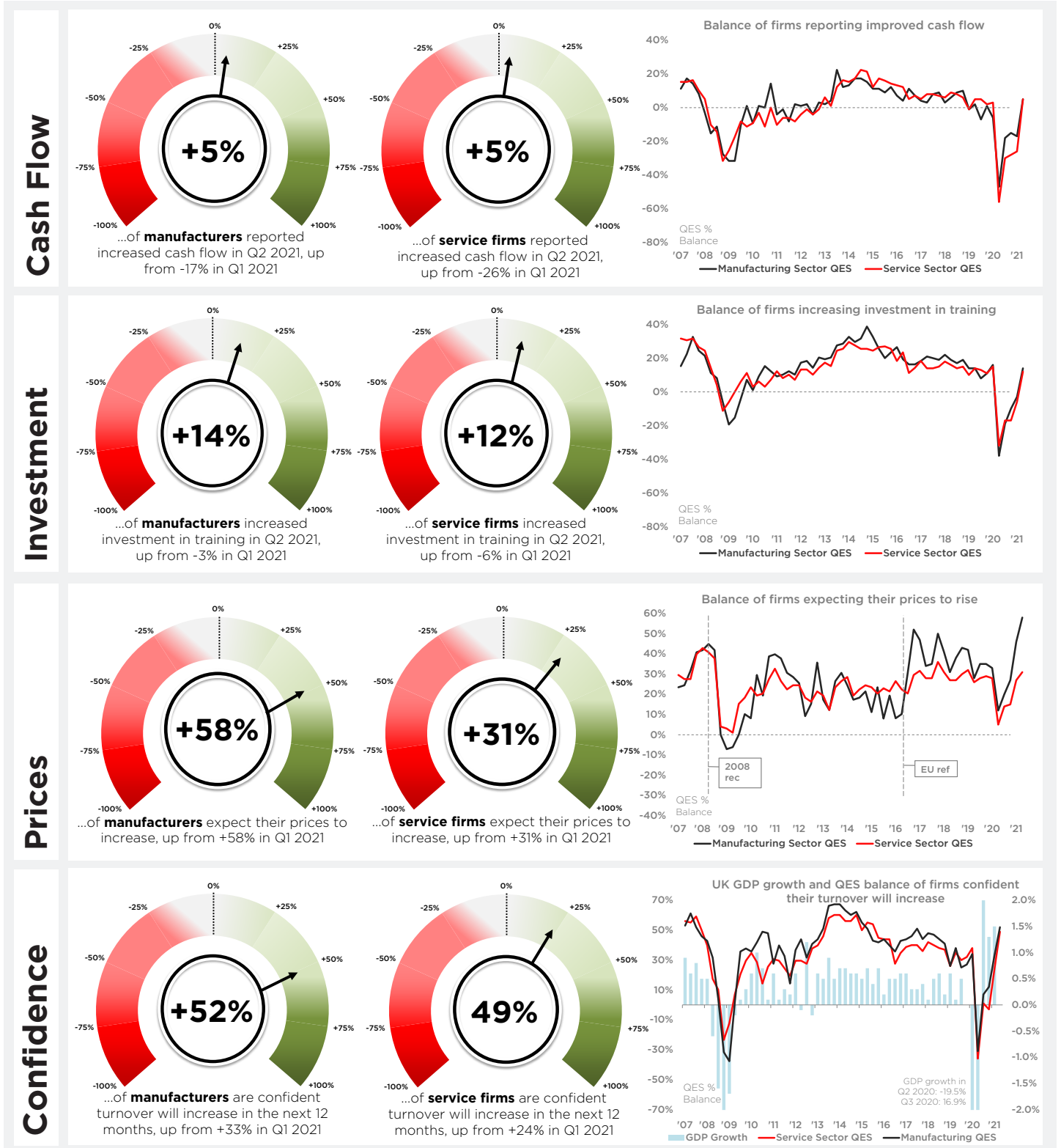
AT A GLANCE

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



BRITISH CHAMBERS OF COMMERCE LOOKING AHEAD

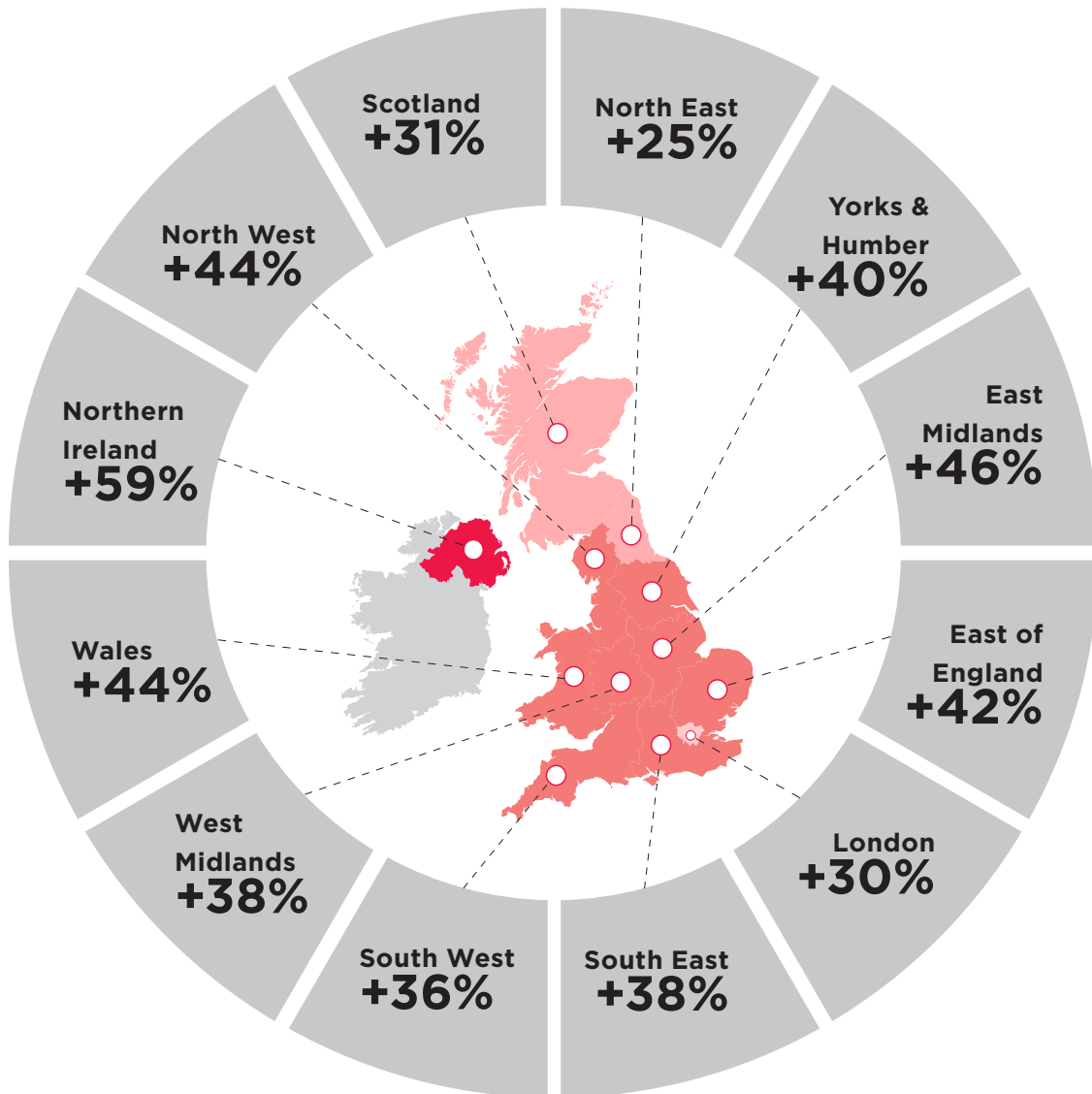
The survey of 5,889 firms across the UK also showed steep rises in the percentage of firms, particularly manufacturers, expecting to raise prices and citing inflation as a cause of concern. Raw materials costs are identified as the key driver of rising prices for 89% of manufacturers, while the upward pressure from pay settlements was little changed, cited by 17% of manufacturers.



CHANGE IN PRICE EXPECTATIONS

In Q2 2021, the balance of manufacturing firms expecting prices to increase over the next three months rose to its highest level on record. Overall, 42% of firms expected an increase in prices, 56% expected no change, and 3% expected a decrease. In the manufacturing sector, 60% expected an increase and 3% expected a decrease, giving a net balance of +58%. 89% of manufacturers cited raw materials as the source of cost pressures.

The below chart shows the geographical breakdown of the balance of firms expecting prices to increase over the next three months.



"The cost of raw materials have seen an increase of up to 50% on some of the parts we purchase."

Manufacturer with 17 employees in East Lancashire

"Raw material prices have increased 20% since Brexit and seem to be increasing still."

Manufacturer with 26 employees in Suffolk

"Cost of raw materials increasing by large percentages. Orders/quotes are only valid for 24-48 hours now not a fortnight or month. Shortage of raw materials are causing major delays and price re-negotiation"

Manufacturer with 7 employees in Mid Yorkshire

"There is a sharp increase in raw material costs, which coupled with the new UK import quotas, is putting pressure on sourcing suitable imports from the sustainable sources we normally are able to purchase from."

Manufacturer with 76 employees in Wirral

"Cost of raw materials from overseas have increased by 25% since the beginning of year. Shipping container delays and costs also a big worry currently."

Manufacturer with 12 employees in East Lancashire

BRITISH CHAMBERS OF COMMERCE ABOUT THE QES

The Quarterly Economic Survey is the flagship economic survey from 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, including the Bank of England, HM Treasury, and the European Commission.

The BCC Q2 2021 QES is made up of responses from 5,889 businesses across the UK. Firms were questioned between 17 May and 10 June 2021. In the manufacturing sector, 1,490 firms responded, employing approximately 463,000 people. 69% (1,035) of manufacturing respondents said they exported. In the services sector, 4,339 businesses responded, employing approximately 1.2m people. Of the services sector participants, 41% (1,793) said they exported.

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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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 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).