

BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q4 2021

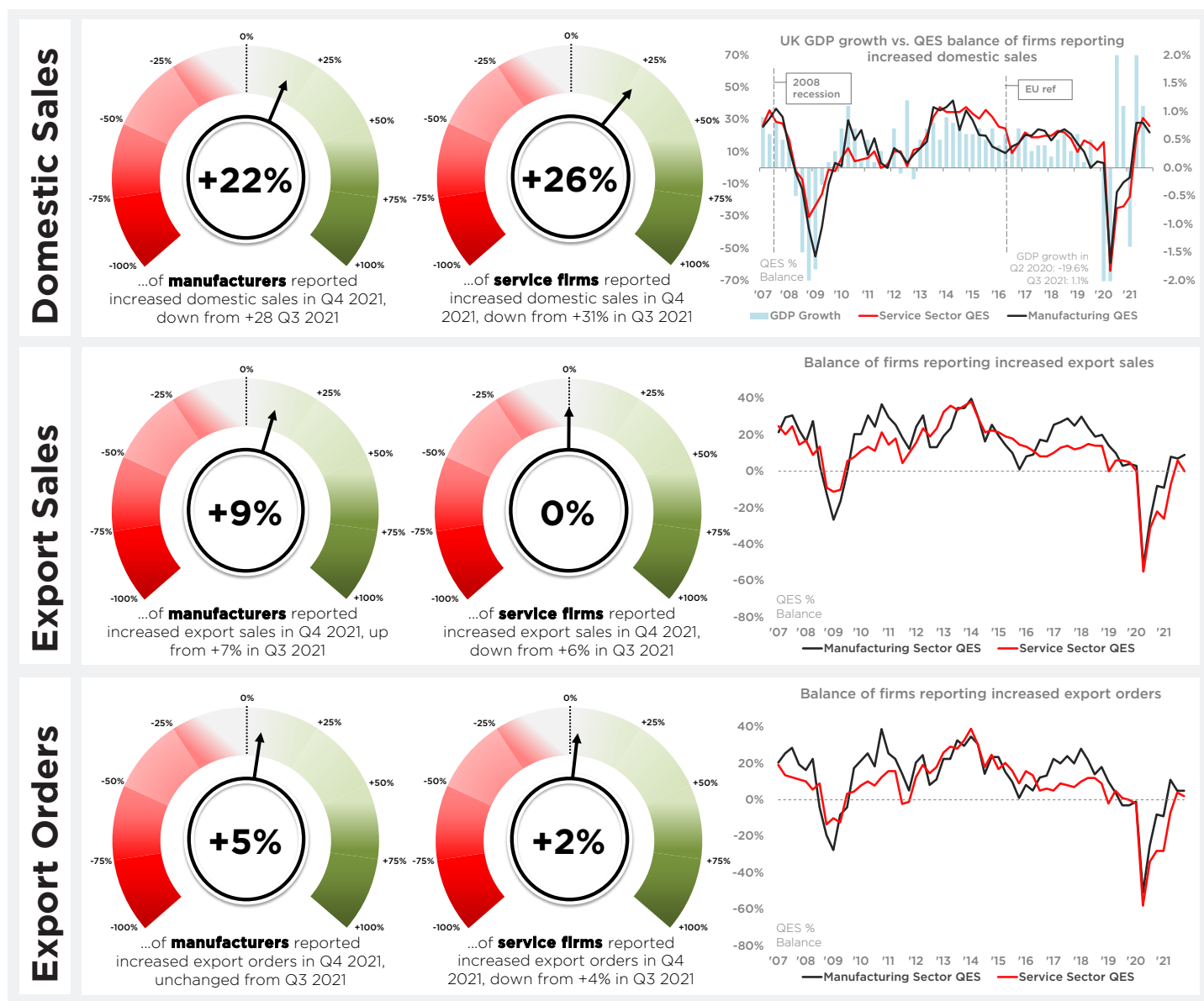
The British Chambers of Commerce's Quarterly Economic Survey is the UK's largest independent survey of business sentiment and a leading indicator of UK GDP growth. The most recent results for Q4 2021 show that the economic recovery stalled in the fourth quarter, with firms facing unprecedented inflationary pressures.

“Our latest survey suggests that UK's economic recovery slowed in the final quarter of 2021 as mounting headwinds increasingly limited the key indicators of activity. The persistent weakness in cash flow is troubling because it leaves businesses more exposed to the economic impact of Omicron, rising inflation and potential further restrictions.

The record rise in price pressures suggests that a substantial inflationary surge is likely in the coming months. Rising raw material costs, higher energy prices and the reversal of the VAT reduction for hospitality are likely to push inflation above 6% by April. The UK economy is starting 2022 facing some key challenges. The renewed reluctance among consumers to spend and staff shortages triggered by the Omicron variant and Plan B may mean that UK GDP falls in the near term, particularly if more restrictions are needed.”

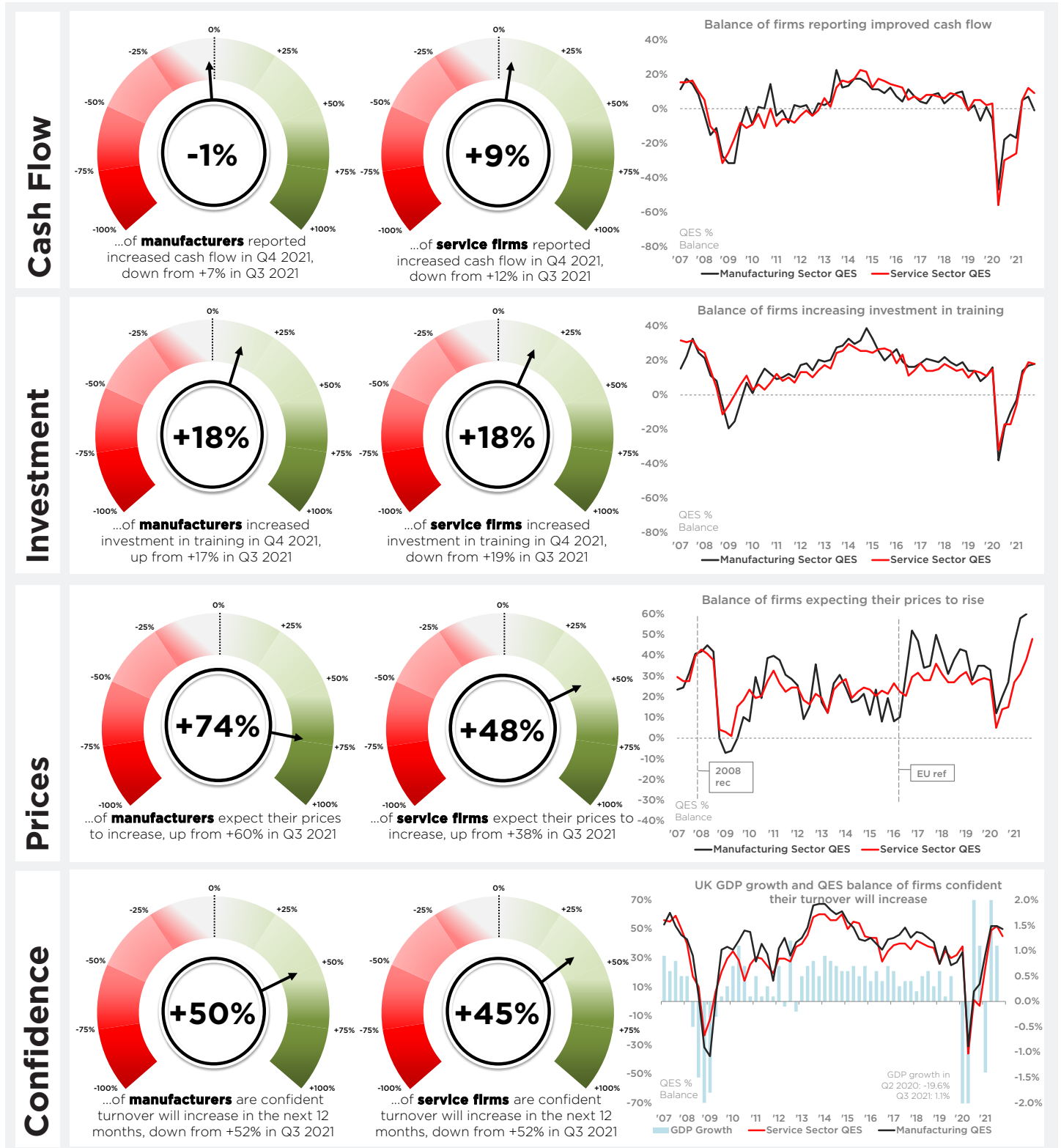
Suren Thiru Head of Economics, British Chambers of Commerce

AT A GLANCE

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


BRITISH CHAMBERS OF COMMERCE LOOKING AHEAD

The survey of almost 5,500 firms showed that some indicators also revealed a continued stagnation in the proportion of firms reporting improved cashflow and increased investment. Given these figures were reported before the full impact of Omicron and the introduction of Plan B, this metric is a cause for concern, as some firms are still struggling to recovery from large scale losses incurred since the start of the pandemic.

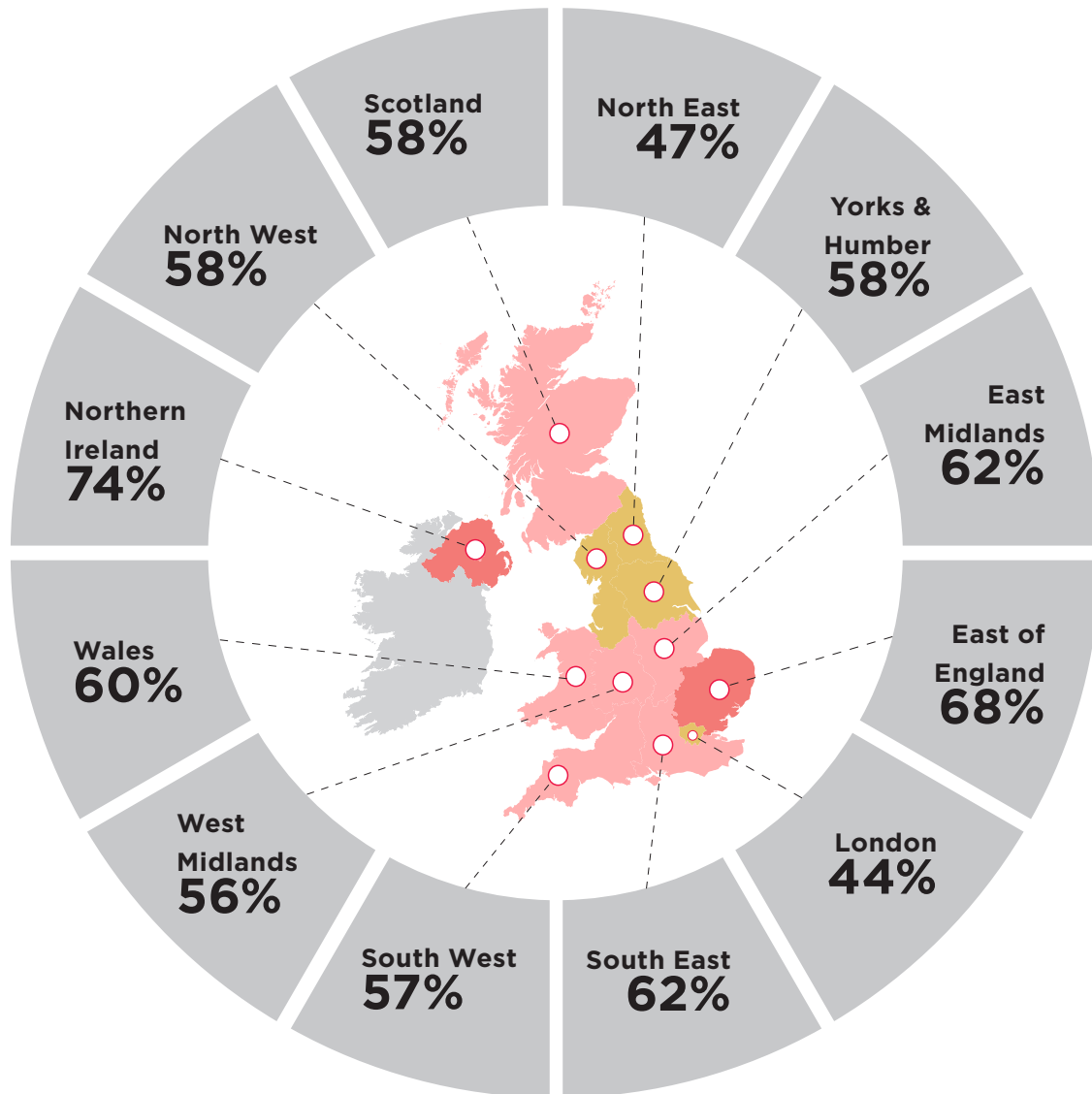


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PRICE EXPECTATIONS

In Q4 2021, the balance of manufacturing firms expecting prices to increase over the next three months rose to its highest level on record. Furthermore, when asked which factor was more of a concern to their business than three months ago, 'inflation' is now cited as the top answer. 66% of firms overall and 73% of manufacturers cited this as a concern above other factors listed including 'interest rates', 'exchange rates', 'business rates', 'competition', and 'taxation'. This is the highest since records began for this indicator in 2009.

The below chart shows the geographical breakdown of the percentage of firms expecting their prices to rise in the next three months.



"Raw material pricing and supply chain delays are worse than I have experienced ever. Some of these increases are opportunistic and some are real but all are beyond anything we could have planned for or imaged: 61% in marine grade stainless steel 40% in aluminium extrusion and components, 12 % of high grade plastics and service increase of over 10%. There will be a day in the near future when consumers will just not buy new items due to price increases."

Small manufacturer in Cambridgeshire

"Our gas and electric is increasing by 250% because we run a laundry this is a massive impact. This is due to the collapse of the smaller suppliers."

Small consumer services firm in Kent

"Rising wages further impact profitability and raise prices thus reducing competitiveness of the UK's tourism product. We need VAT to remain under 20% and business rates to reduce for the sector to stand any chance of retaining a viable tourism industry."

Mid-sized hospitality firm in Ayrshire

"Raw materials costs are more than x10 the rate of inflation. Paper has gone up more the 20%, wood up 70%, metal up 50%. The baseline rate of inflation is not a reflection of the costs business are facing. When power contracts end the renewed price increases for gas and electric will hit business hard."

Small manufacturer in Cambridgeshire

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 Q4 2021 QES is made up of responses from 5,487 businesses across the UK. Firms were questioned between 1 and 22 November 2021. In the manufacturing sector, 1,499 firms responded, employing approximately 157,000 people. 68% (1,013) of manufacturing respondents said they exported. In the services sector, 3,988 businesses responded, employing approximately 657,000 people. Of the services sector participants, 36% (1,431) 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:

National

Coordinator: David Bharier
d.bharier@britishchambers.org.uk
British Chambers of Commerce,
65 Petty France, London SW1H 9EU
(020 7654 5800)

Scotland

Coordinator: Colin Campbell
ccampbell@scottishchambers.org.uk
Scottish Chambers of Commerce
(0141 444 7508)

North East

Coordinator: Jonathan Walker
Jonathan.Walker@neechamber.co.uk
North East England Chamber of
Commerce (0191 3861133)

North West

Coordinator: Subrah Krishnan-Harihara
Subrahmaniam.KrishnanHarihara@gmchamber.co.uk
Greater Manchester Chamber
of Commerce (0161 393 4321)
Contributing Chambers: St Helens,
Liverpool, North & West Lancashire,
East Lancashire, Greater Manchester,
Cumbria, South Cheshire, Wirral

Yorkshire & the Humber

Coordinator: David Bharier (BCC)
Contributing Chambers: Barnsley &
Rotherham, Doncaster, Sheffield, Hull &
Humber, West & North Yorkshire, and
Mid Yorkshire

East Midlands

Coordinator: Chris Hobson
Chris.Hobson@emc-dnl.co.uk
East Midlands Chamber (Derbyshire,
Nottinghamshire & Leicestershire)
(0116 204 6606):
Contributing Chambers: Derbyshire,
Nottinghamshire & Leicestershire,
Northamptonshire, Lincolnshire

West Midlands

Coordinator: Beth Clewes
b.clewes@birmingham-chamber.com
Greater Birmingham Chambers of
Commerce (07722 124207)
Contributing Chambers: Coventry &
Warwickshire, Birmingham, Black
Country, Staffordshire, Shropshire,
Herefordshire & Worcestershire

Wales

Coordinator: Molly Baker
molly.baker@chamberswales.com
Chambers Wales South East, South
West and Mid (01633 254041)
Contributing Chambers: South Wales,
West Cheshire and North Wales

East of England

Coordinator: David Bharier (BCC)
Contributing Chambers: Bedfordshire,
Cambridgeshire, Essex, Hertfordshire,
Norfolk and Suffolk

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).

South East

Coordinator: David Bharier (BCC)
Contributing Chambers:
Kent Invicta, Hampshire, Surrey, Sussex,
Isle of Wight, Milton Keynes, Thames
Valley

South West

Coordinator: David Bharier (BCC)
Contributing Chambers:
Business West, Dorset, Cornwall,
Somerset, Devon

London

Coordinator: David Bharier (BCC)
Contributing Chambers: London

Northern Ireland

Coordinator: Christopher Morrow
Christopher.Morrow@northernirelandchamber.com
Northern Ireland Chamber of
Commerce (028 9024 4113)