

BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q2 2022

Measures for inflation at the highest levels on record. The BCC's Quarterly Economic Survey (QES) for Q2 2022 – the UK's largest independent survey of business sentiment and a leading indicator of UK GDP growth – shows inflationary pressures continuing to reach levels never previously recorded in its 33-year history, as the vast majority of firms expect further price rises.

65% of respondents expect to raise prices

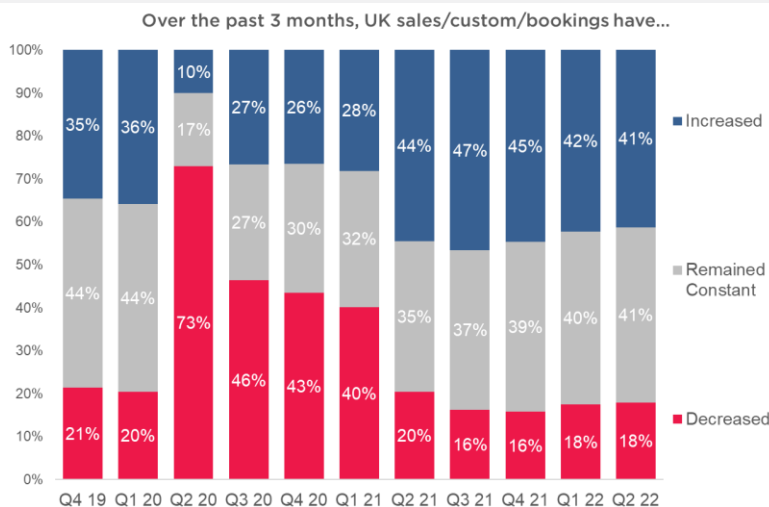
82% cite inflation as a growing concern

Indicators for longer-term confidence weaken

**Domestic Sales**

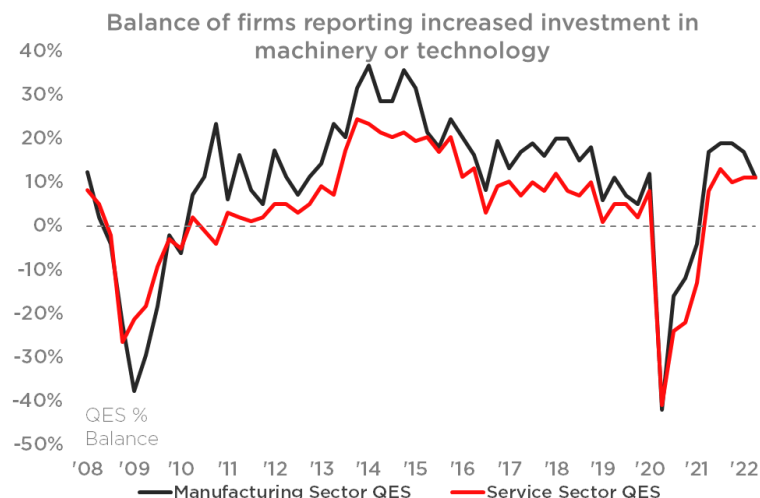
41% of respondents overall report an increase to domestic sales, slightly down on Q1 2022.

Marketing and media firms were most likely to report an increase in domestic sales (51%), while retailers and wholesalers were among the least likely (33%).

**Investment**

25% of respondents overall report an increase to investment in plant, machinery, and technology, compared to 27% in Q1.

As measured as a percentage balance*, the manufacturing sector stands at +11%, the lowest since Q1 2021. The services sector also stands at +11%, unchanged from the previous quarter.





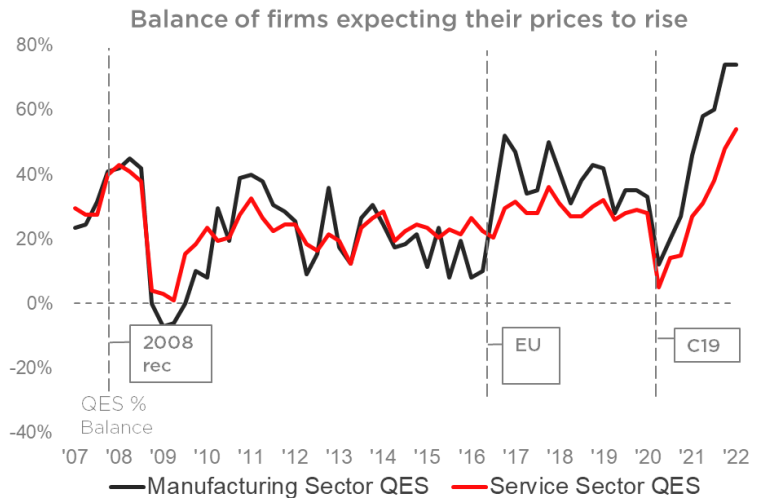
Just over half (54%) of firms overall expect their turnover to increase over the next twelve months, down from 63% in Q1 2022.

As measured as a percentage balance, the manufacturing sector stands at +38%, while the services sector stands at +37%. These are both the lowest figures since Q1 2021.

Turnover

65% of respondents overall expect to raise prices, increasing beyond what was already at record highs.

As measured as a percentage balance, the manufacturing sector stands at +76%, the highest level on record, while the services sector stands at +59%, again the highest on record.

Inflation

The view from businesses

“We have been directly affected by supply shortages caused by the Russian/Ukraine war. This will materially affect our profitability this year.”

Medium sized manufacturer in Scotland

“It is so hard to keep on top of pricing as we are getting daily price increase notifications. Items aren't just going up in pence, they are going up in pounds.”

Small retailer in Northern Ireland

“High energy costs have had a significant impact on cash flow and the ability to purchase raw materials, despite the sales order book remaining strong.”

Small manufacturer in the East Midlands

“We have been operating at over full capacity for two years. Recruitment to increase capacity has been impossible.”

Medium sized professional services firm in Somerset

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“This quarter’s survey results clearly point to a weakening economic outlook amid unprecedented cost pressures and falling business confidence. Businesses face an unprecedented convergence of cost pressures, with the main drivers coming from raw materials, fuel, utilities, taxes, and labour. The continuing supply chain crisis, exacerbated by conflict in Ukraine and lockdowns in China, has further compounded this.

Against this backdrop, it is no surprise that business confidence for the months ahead is waning as we enter a period of heightened economic uncertainty.”

David Bharier, Head of Research, British Chambers of Commerce

ABOUT QES Q2 2022

Made up of 5,709
businesses across
the UK

Responding
businesses employ
around 1.19m
people

73% are in the service
sector, 27% in the
manufacturing sector

Around 47% are
exporters

92% are SMEs

Fieldwork took
place between 16
May and 9 June
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:

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<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>