

BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q1 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 find that business conditions remained historically poor in the first quarter of 2021 as the third lockdown severely limited activity. However, business confidence was boosted amid the strong vaccine roll-out and the government's roadmap providing some ability for companies to forward plan.

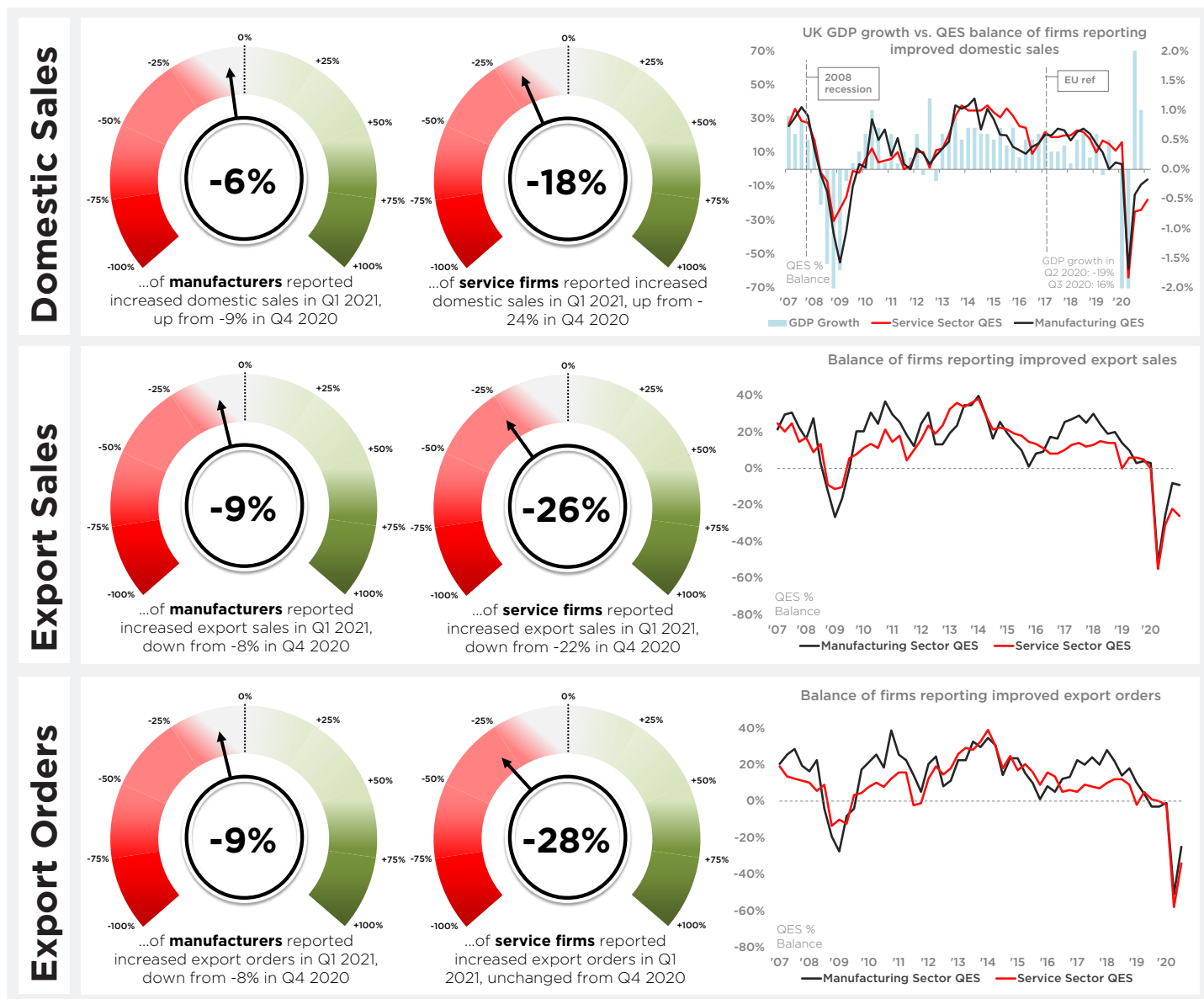
“Our latest survey indicates a particularly difficult first quarter of the year for the UK economy, as a third lockdown and post-Brexit border disruption weighed heavily on key indicators of activity.

We are currently witnessing a two-speed services sector. Consumer-focused services companies, where activity is most limited by lockdown controls, suffering an especially damaging quarter. In contrast, business and professional services firms, where adapting to operate under restrictions is more straightforward, fared markedly better.”

Suren Thiru Head of Economics, British Chambers of Commerce

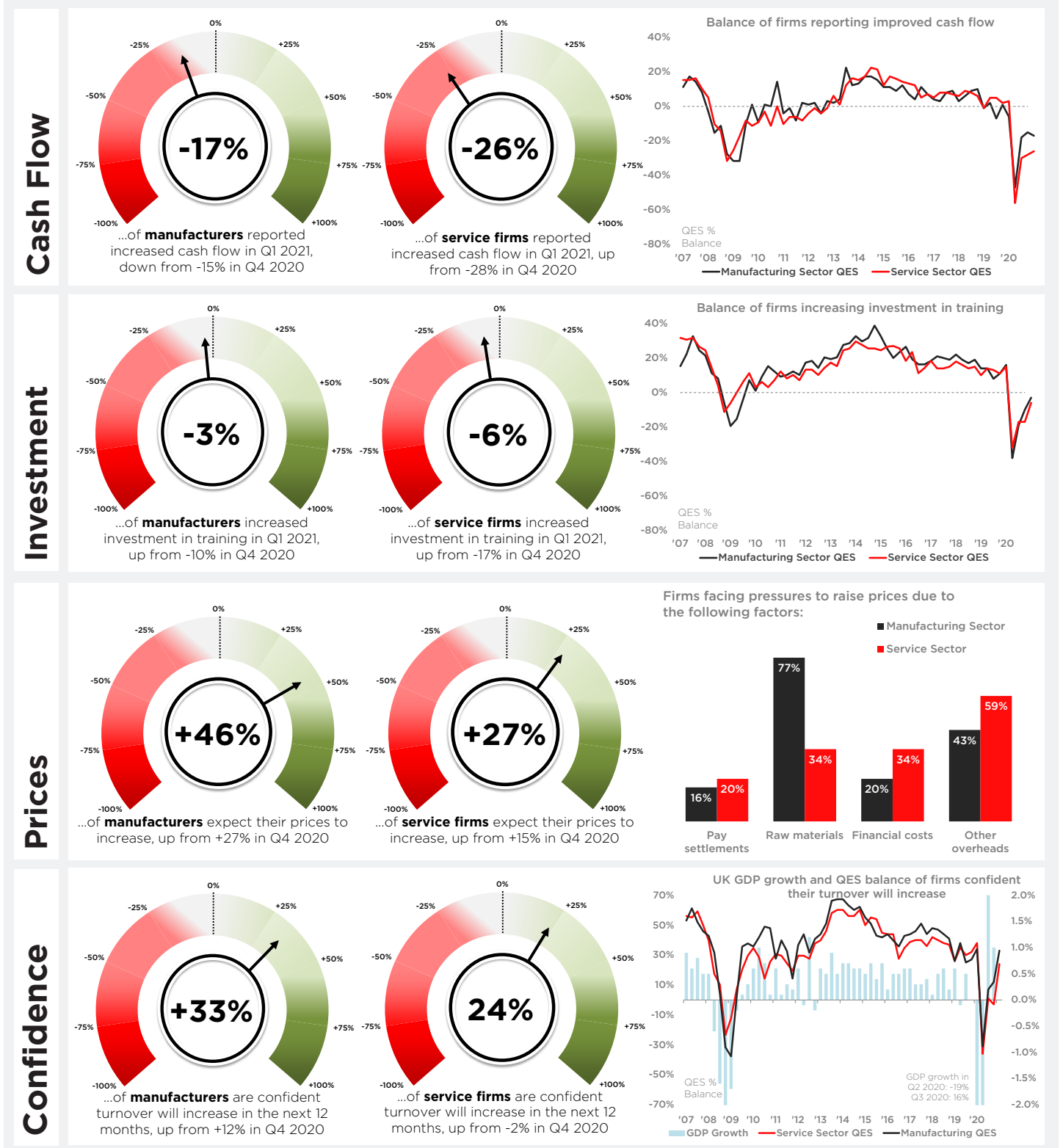
AT A GLANCE

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



BRITISH CHAMBERS OF COMMERCE LOOKING AHEAD

The survey of 6,103 firms across the UK also found that while cash flow and investment indicators showed no sign of improvement, the percentage of firms expecting turnover to increase over the next twelve months has returned to near pre-pandemic levels. All sectors have seen a rise in the level expecting turnover to increase when compared with the previous quarter. Professional service firms and marketing/media firms are most likely to expect an increase in turnover with 58% and 60% respectively expecting turnover to increase.

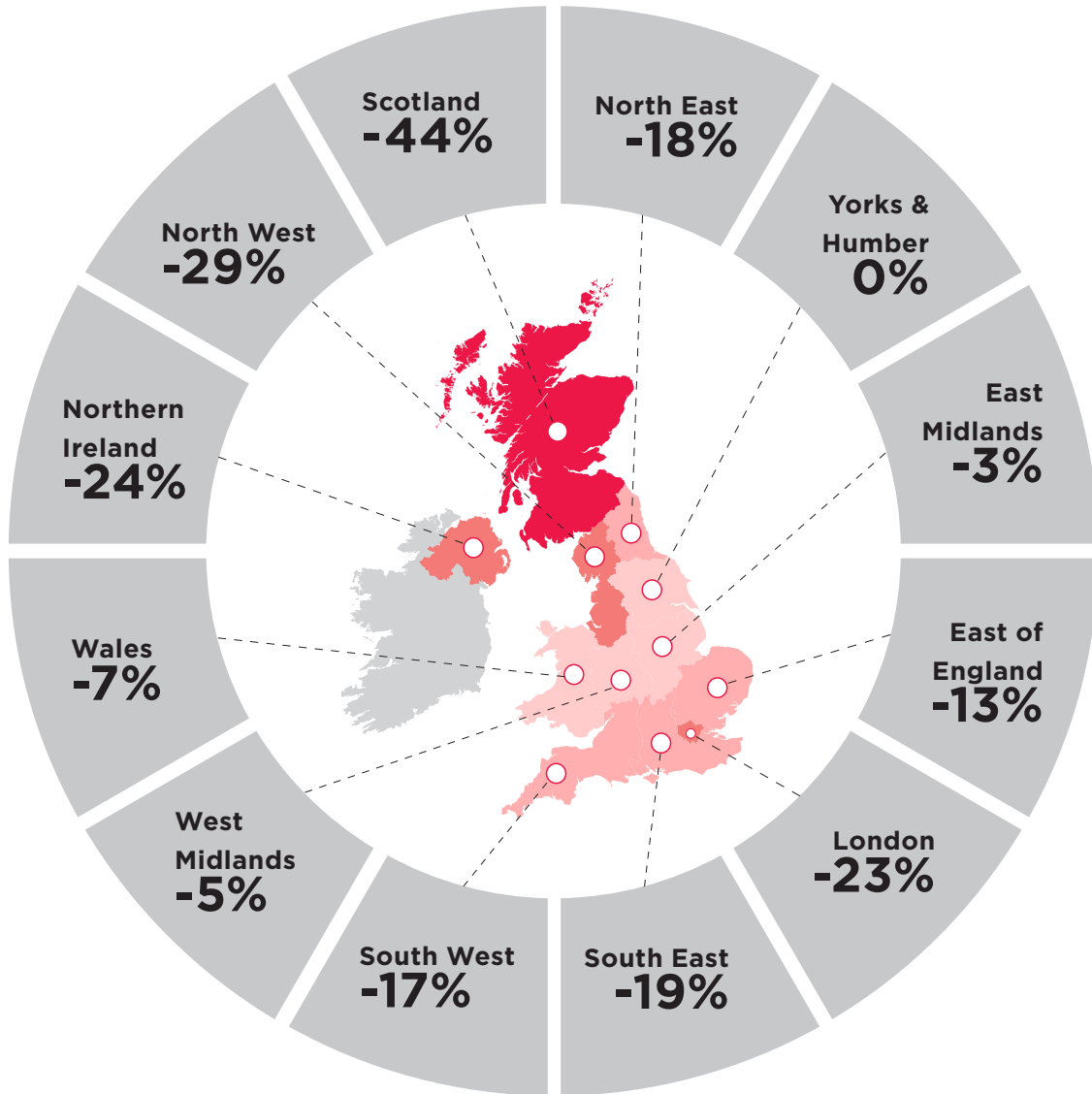


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CHANGE IN DOMESTIC SALES

In Q1 2021, the balance of firms reporting an increase in export sales stood at -12%. This means that 28% of respondents reported an increase, 32% reported no change, and 40% reported a decrease. In Q2 2020, following the start of the first lock-down, the indicator for domestic sales fell to its lowest level in the history of the QES. The subsequent quarters have not indicated recovery for most firms, and indeed, as BCC data have consistently illustrated, the sectoral gap has remained wide and growing with 81% of hotels and catering firms reporting decreased sales in the quarter.

The below chart shows the geographical breakdown of the balance of firms reporting increased domestic sales.



"Our business is based on selling cask ale to pubs. We have lost our business and have been expected to credit out of date beer to the pubs. It's a double hit as we had to pay to make it."

Manufacturer with 14 employees in Devon

"We are currently closed and will have been for 3.5 months so no income, only costs. We lost £150,000 last year and will lose another £50,000 in the first quarter."

Tourism/hospitality firm with 10 employees in Cumbria

"Sales are approximately 10% down on the same period 12 months ago, with reduced sales visits, no overseas trips to distributors, and no exhibitions to find new distributors"

Services firm with 19 employees in Bedfordshire

"The Brexit export process is a massive problem. Rules aren't clear or understood consistently the same way by suppliers, manufacturers, distributors, freight forwarders and end user customers."

Manufacturer with 103 employees, in Sussex

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 Q1 2021 QES is made up of responses from 6,103 businesses across the UK. Firms were questioned between 15 February and 11 March 2021. In the manufacturing sector, 1,526 firms responded, employing approximately 161,000 people. 68% (1,040) of manufacturing respondents were exporters. In the services sector, 4,577 businesses responded, employing approximately 381,500 people. Of the services sector participants, 40% (1,838) were exporters.

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).