

BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q3 2024

Business conditions stall as tax anxiety grows. The BCC's Quarterly Economic Survey (QES) for Q3 2024 – the UK's largest independent survey of business sentiment, made up of 91% SMEs – shows that following steady improvements in business conditions in the first half of 2024, key indicators stalled or declined in Q3.

56% expect their turnover to grow over the next twelve months

23% report an increase to plant and machinery investment

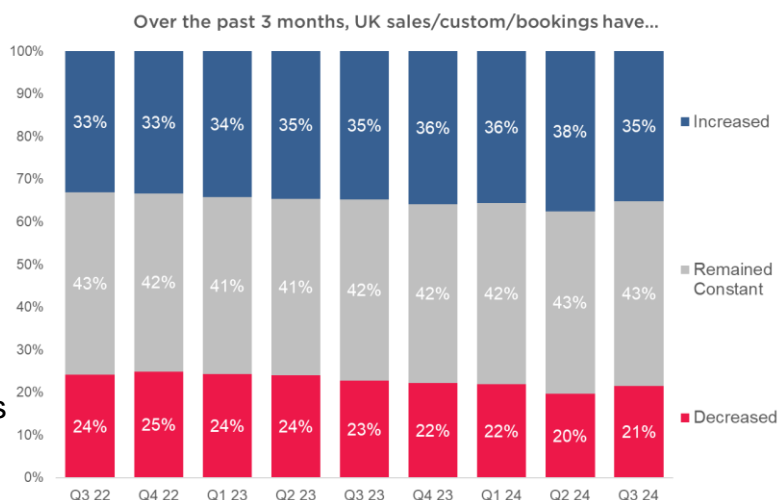
48% report taxation as more of a concern than three months ago



Domestic Sales

Overall, 35% of respondents reported an increase to domestic sales in the last three months, while 21% reported a decrease. This is a slight worsening compared to previous quarters.

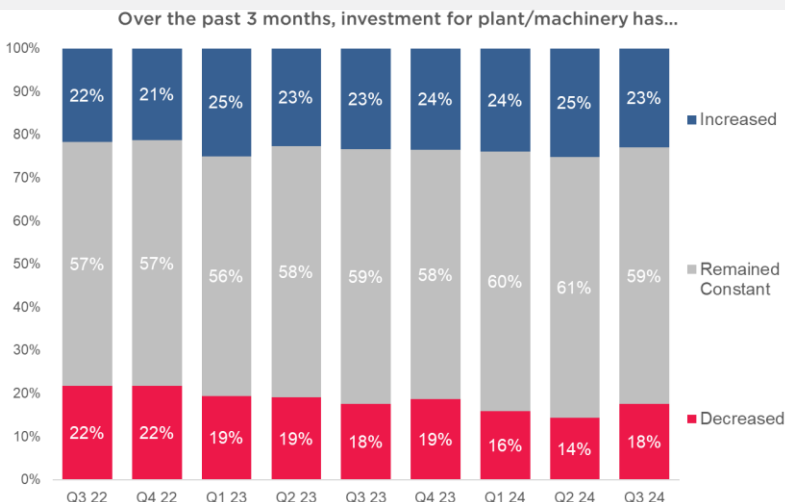
Confidence that turnover will grow in the next twelve months has also ticked down to 56% from 58% last quarter.



Investment

Overall, 23% of respondents reported an increase to plant/equipment investment in the past three months, while 59% reported no change, and 18% reported a decrease.

There are wide sectoral disparities; 21% of retail firms report a decrease in investment, while 30% of production and manufacturing firms have seen an increase.

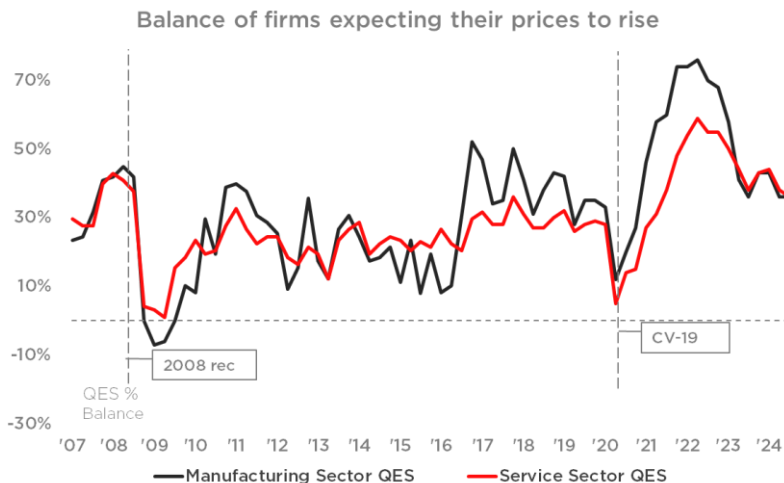




The percentage of firms expecting their prices to rise drops to 39%, the same as in the previous quarter.

As measured as a percentage balance, both the services and manufacturing sectors stand at +36%

Prices

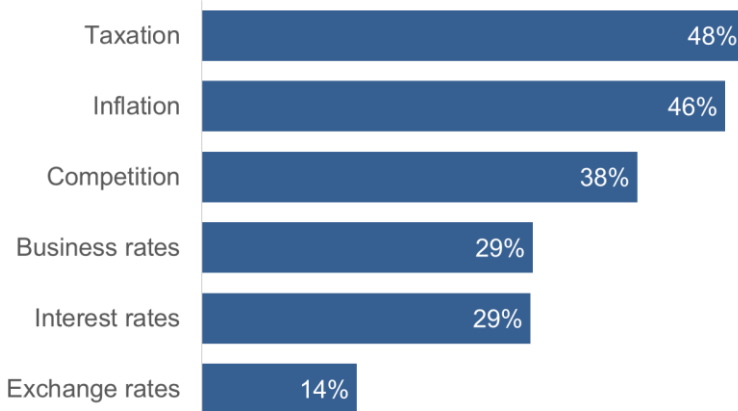


48% of responding firms say taxation is now more of a concern than three months ago, compared with 36% of businesses in Q2.

Concern about other external issues continues to ease. 46% of firms say they are more worried about inflation compared to last quarter (49% in Q2 and 82% in Q2 2022).

External factors

External factors of more concern than the previous quarter



The view from businesses

“The government’s proposed changes make me very apprehensive about the labour market.”

Micro professional services firm
in Cambridgeshire

“Many organisations are hanging fire and waiting for what Rachel Reeves is planning in terms of taxation before moving on any initiatives”

Micro professional services firm in Bristol

“Lots of changes happening with the new government. This has opportunities and threats to our business.”

Small third sector organisation in Bristol

“Customers are very nervous about future business based on rumours of tax increases in the upcoming budget and the increase in the minimum wage”

Micro services firm in the East Midlands

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“The first half of 2024 saw better than expected economic and business confidence data. However, throughout summer, major uncertainties have mounted and now many of our indicators have flatlined or ticked down. On the domestic front, many businesses are increasingly anxious about the direction of economic policy, and taxation has now become their primary concern. The major escalations in the Middle East conflict will also be a significant factor.

“Investment levels remain the Achilles heel of the UK economy. Despite interest rates starting to fall and inflation easing, most SMEs are still hesitant to invest. Further interest rate cuts in the coming months will help alleviate borrowing costs, but SMEs will need support to take on the skills and technologies that will help boost productivity.”

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

ABOUT QES Q3 2024

5,152 business respondents from across the UK

Responding businesses employ over one million people

75% are in the service sector, 25% in the manufacturing sector

Around 38% are exporters

91% are SMEs

Fieldwork took place between 19 August – 16 September 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>