

BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q3 2020

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 while key indicators have improved from historic lows in Q2, they remain significantly lower than before the pandemic struck. Business-to-consumer firms, including hospitality, fared worst.

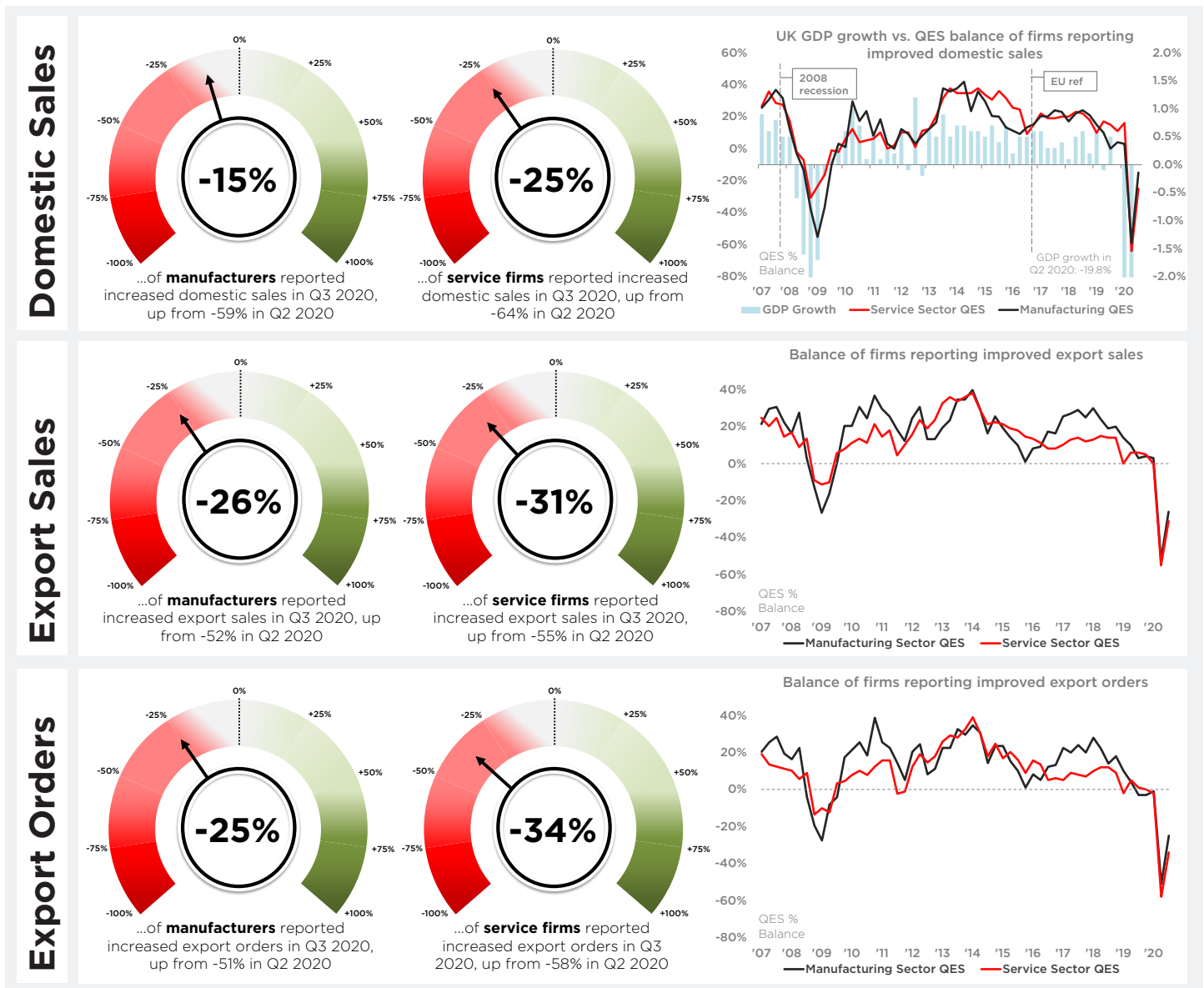
“Our latest survey indicates that underlying economic conditions remained exceptionally weak in the third quarter. While the declines in indicators of activity slowed as the UK economy gradually reopened, they remain well short of pre-pandemic levels with little sign of a swift ‘V’-shaped recovery.

While the government's Winter Economy Plan may provide a short-term boost, with restrictions tightening and the economic scarring already caused by the pandemic starting to crystallise, the resulting gains in economic output are likely to fade over the coming months.”

Suren Thiru Head of Economics, British Chambers of Commerce

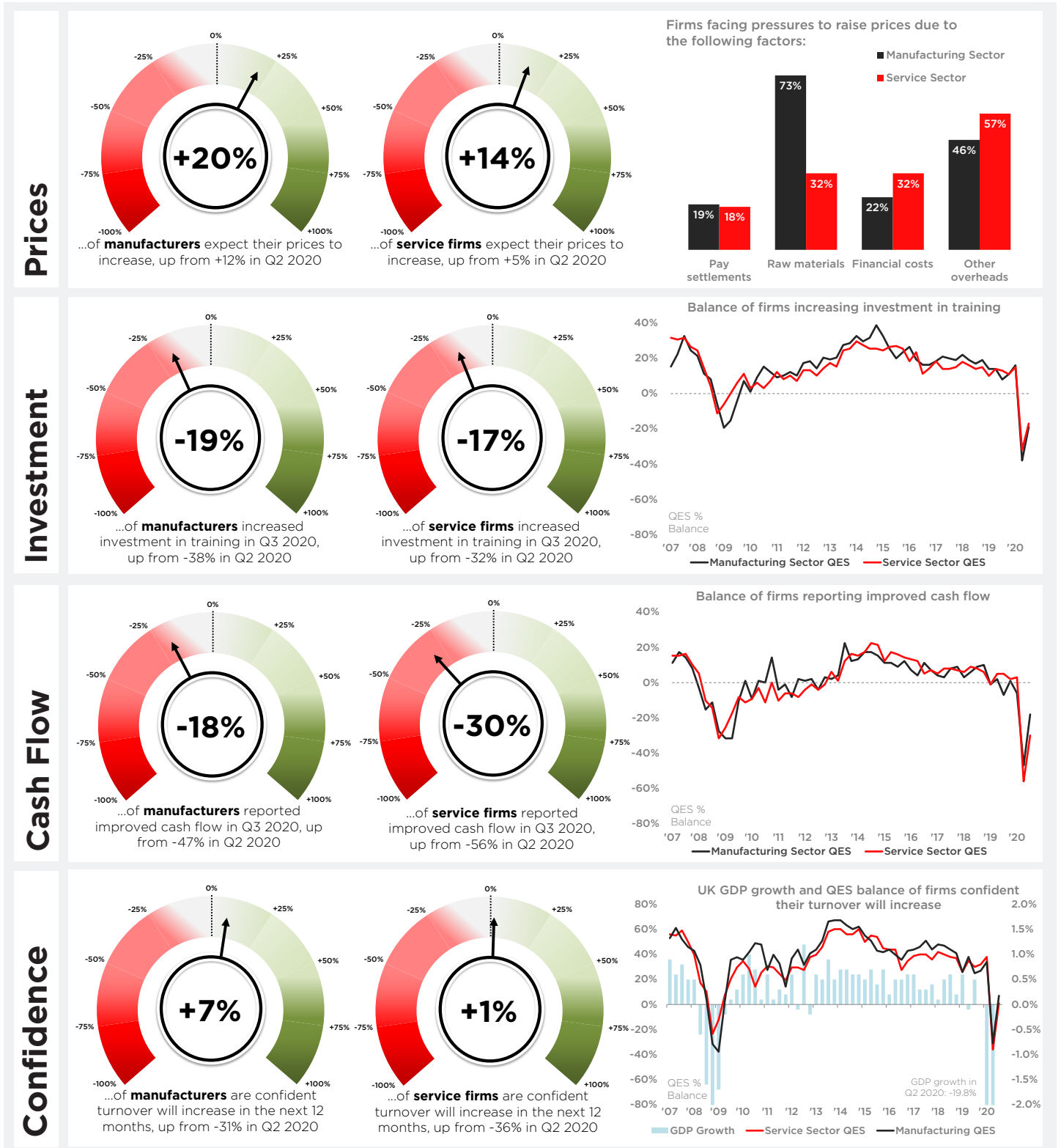
AT A GLANCE

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



BRITISH CHAMBERS OF COMMERCE LOOKING AHEAD

The survey of 6,410 businesses also finds that a significant number of firms continue to report decreasing turnover and profitability confidence, and investment intentions, highlighting longer-term concerns for the economy as many businesses look to downsize. Cash flow, a key indicator of business health, also continued to deteriorate for almost half of firms.

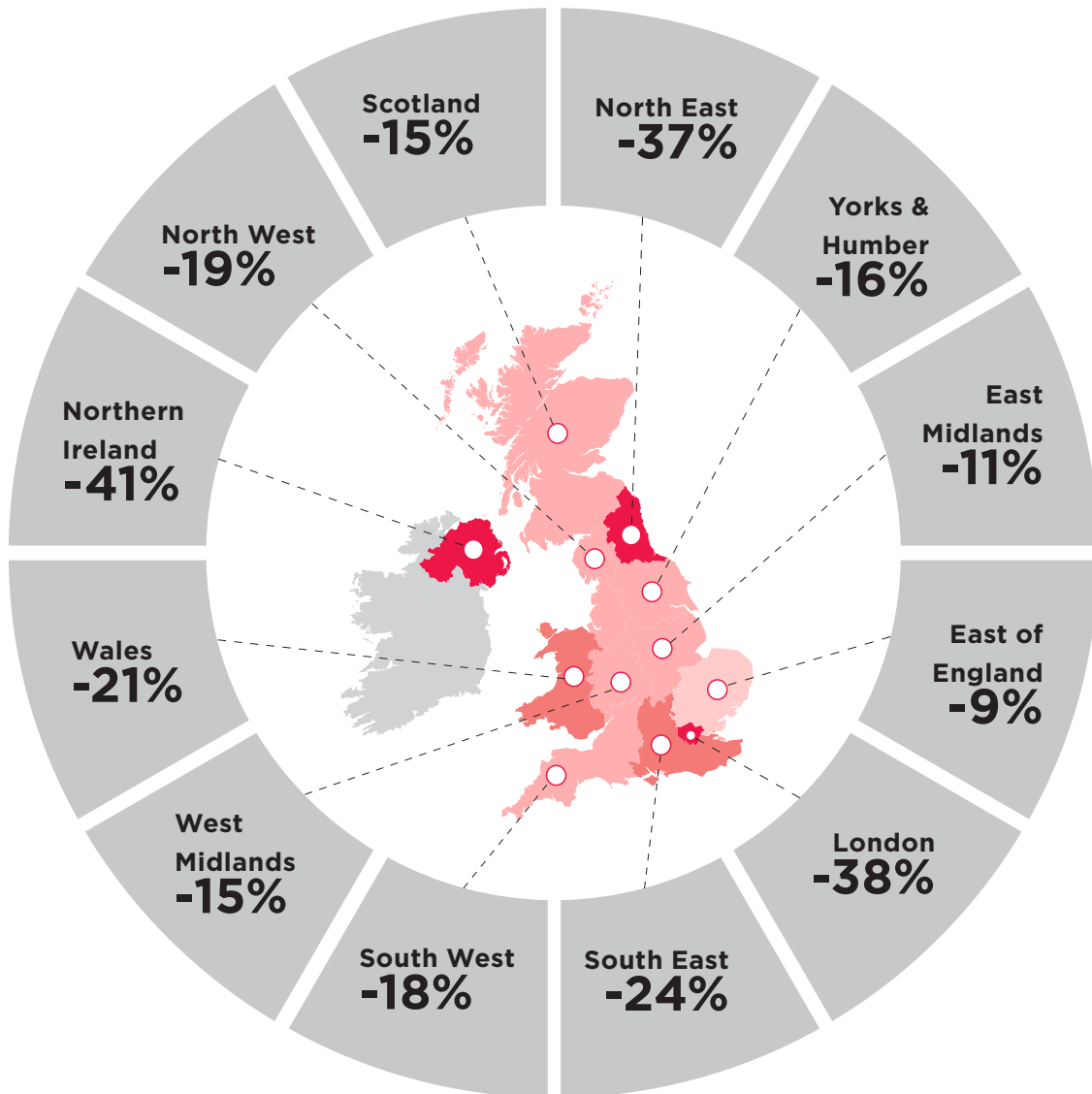


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CHANGE IN DOMESTIC SALES

In Q3 2020, the balance of firms reporting an increase in domestic sales remained at a level similar to the worst quarters of 2008-09 recession. Overall, a balance of -20% of respondents reported increased domestic sales. The underlying data forming this balance is as follows: 27% of respondents reported an increase in sales, 27% reported no change, and 46% reported a decrease.

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



"The retail, high street and tourism sectors have not recovered and are unlikely to as we move into the autumn and winter months."

Retailer with 7 employees in Ayrshire

"The greatest challenge at the current time is cash flow. Clients are taking significantly longer to pay their fees and in some instances it is possible that debts will turn into bad debts as a result of business failure for our client base."

Services firm with 126 employees in Kent

"Our industry (live events) was one of the first to close and will be one of the last reopen."

Live events firm with 50 employees in Manchester

"Using capital reserves to avoid increased liabilities. Our revenue pipeline so concerning that repayment looks challenging."

Tourism/hospitality firm with 43 employees in Aberdeen

"A second lock-down would almost certainly cause us to close as cash flow, which is already strained, would not be sustainable and we have decided that we will not borrow simply to keep afloat."

Manufacturer with 3 employees in Worcestershire

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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 Q3 2020 QES is made up of responses from 6,410 businesses across the UK. Firms were questioned between 24 August and 14 September 2020. In the manufacturing sector, 1,578 firms responded, employing approximately 141,800 people. 64% (1,007) of manufacturing respondents were exporters. In the services sector, 4,832 businesses responded, employing approximately 534,900 people. Of the services sector participants, 38% (1,828) 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).