

BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q4 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 following the sharpest decline in the history of the QES in Q2 2020, all the key indicators in Q4 remained substantially worse than pre-pandemic levels, with nearly half of firms reporting decreased sales.

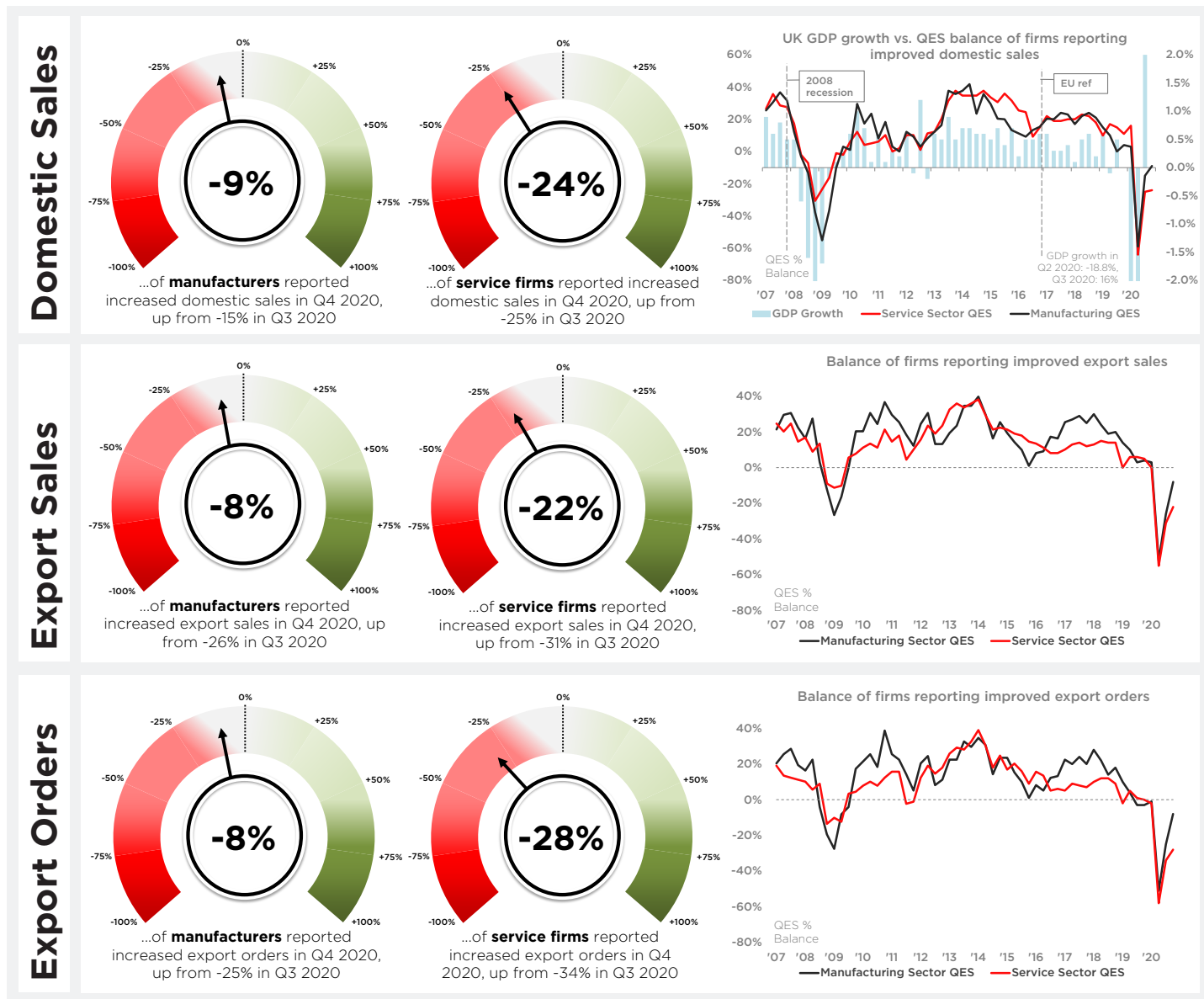
“Our latest results indicate that economic activity was strikingly downbeat in the final quarter of 2020 as the re-introduction of tighter Coronavirus restrictions, including a second lockdown, weighed heavily on the key drivers of growth. The services sector endured a particularly difficult quarter, with consumer-facing businesses most severely exposed to the renewed restrictions.

Though the vaccine rollout provides real optimism, with the UK facing a sustained period of tougher lockdown restrictions to tackle the new variant of Covid-19, the risk of a double-dip recession in the first quarter of this year is uncomfortably high.”

Suren Thiru Head of Economics, British Chambers of Commerce

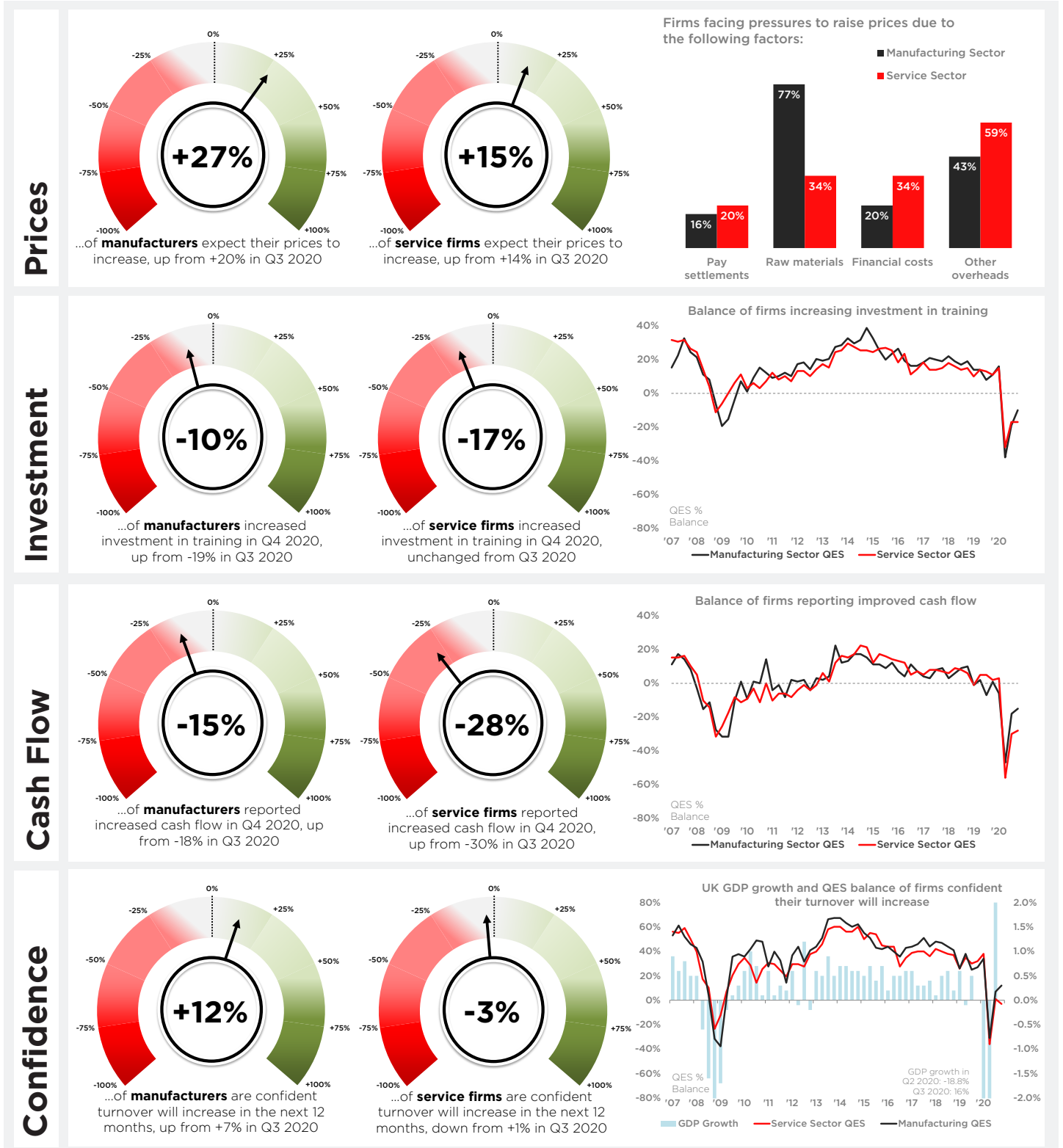
AT A GLANCE

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



BRITISH CHAMBERS OF COMMERCE LOOKING AHEAD

The survey of 6,203 businesses also finds that indicators for cash flow, investment, and turnover confidence have not changed significantly compared to the previous quarter. Overall, 35% of firms continue to report decreased investment in plant, machinery and equipment, and only 17% report an increase, highlighting longer-term concerns for the economy.

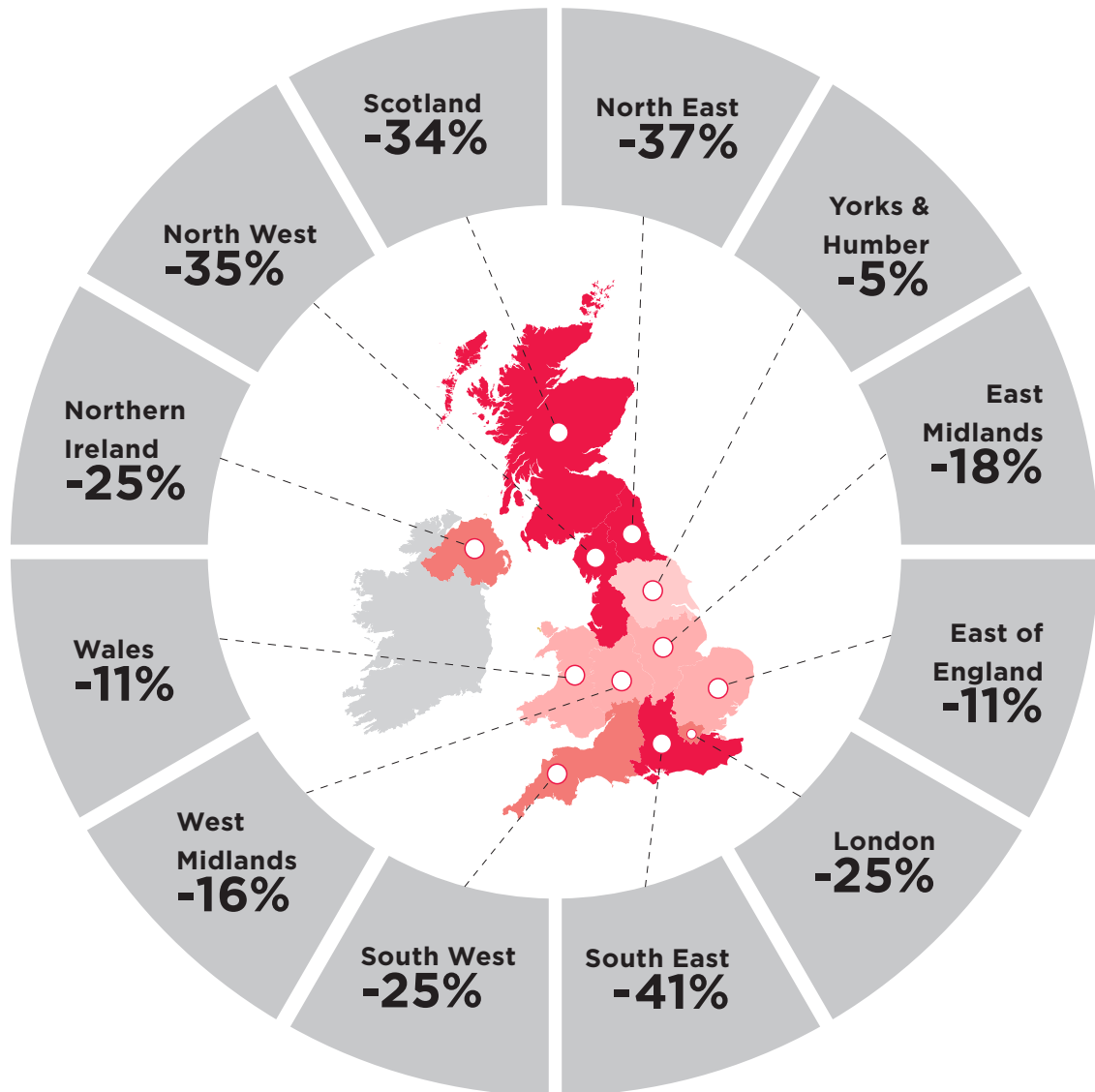


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CHANGE IN CASH FLOW

In Q4 2020, the balance of firms reporting an increase in cash flow stood at -22%. This means that 21% of respondents reported an increase, while 43% reported a decrease. In Q2 2020, following the start of the first lock-down, the indicator for cash flow fell to its lowest level in the history of the QES. The subsequent two quarters suggest that recovery has not taken place for the vast majority of firms.

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



"As a micro brewery and taproom, we lost 80% of trade business during lock-downs."

Brewery with 3 employees in Kent

"Clients have taken back budgets to cover PPE or Covid signage, other new clients had to close doors and reduce marketing spend. Only a few see the need to promote or market their business to consumers and attract new sales."

Marketing firm with 2 employees in Worcestershire

"Since July we have operated at around 50% of normal. We had a £10k grant which basically covered our rent for 5 months."

Brewery with 7 employees in Manchester

"Lock-downs have encouraged on-line shopping and encouraged shoppers to use large supermarkets/stores. This is all to the detriment of small independent retail businesses"

Retailer with 3 employees in Norfolk

"Theatres can not open at full capacity, producers therefore can not put on shows therefore there is no demand for the products we manufacture - namely scenery and related scenic items."

Manufacturer, sole trader, in Kent

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 2020 QES is made up of responses from 6,206 businesses across the UK. Firms were questioned between 2 and 26 November 2020. In the manufacturing sector, 1,491 firms responded, employing approximately 188,100 people. 70% (1,046) of manufacturing respondents were exporters. In the services sector, 4,711 businesses responded, employing approximately 745,500 people. Of the services sector participants, 41% (1,949) 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).