

BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q1 2020

The British Chambers of Commerce's Quarterly Economic Survey is the UK's largest private sector survey of business sentiment and a leading indicator of UK GDP growth. The results for Q1 2020 indicate that while business confidence began to improve as a result of renewed political clarity at the end of 2019, this was offset by the growing impacts of Covid-19 on the wider UK economy.

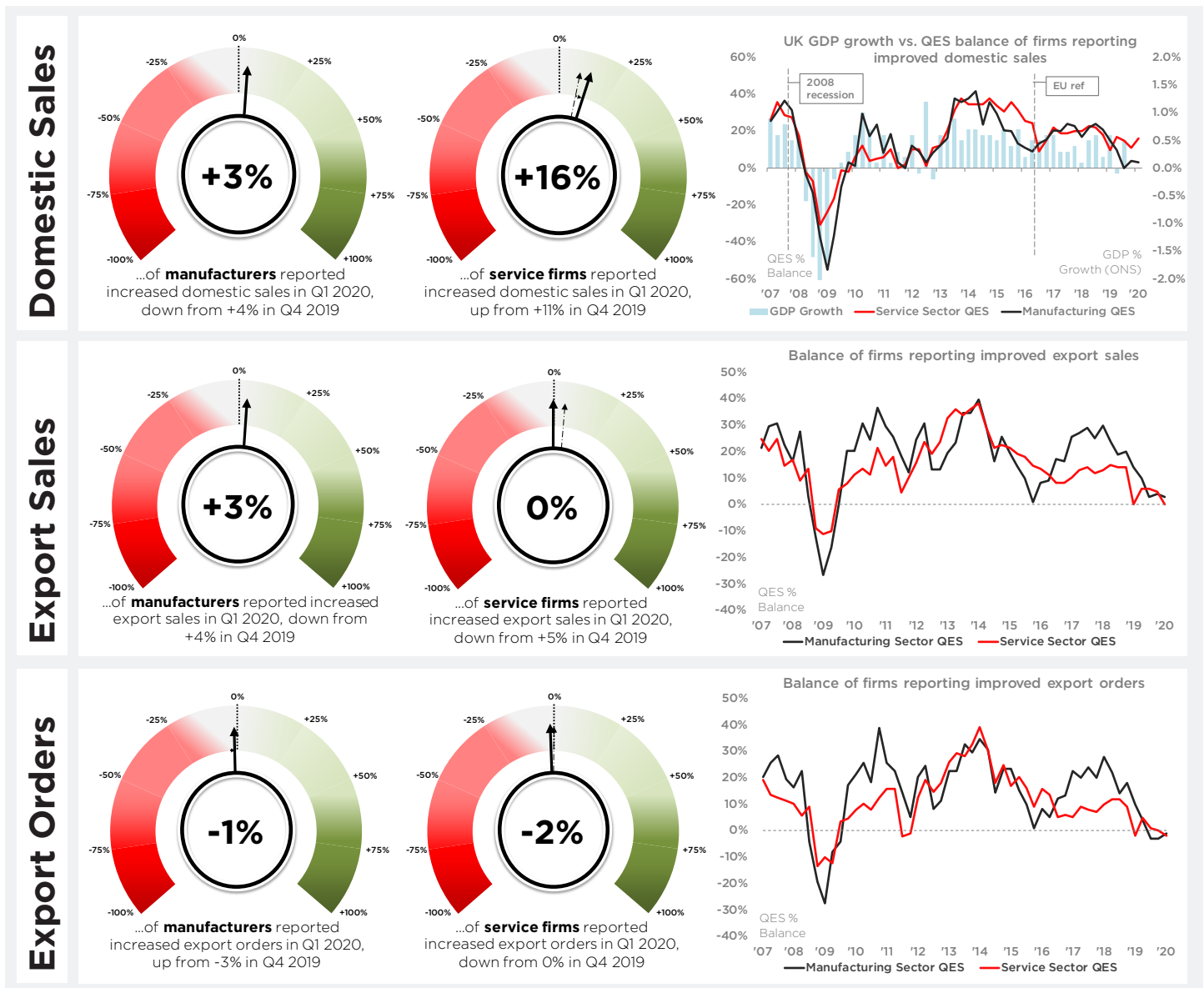
“The QES for Q1 2020 suggests that UK economic conditions were relatively subdued before the unprecedented economic storm caused by the Covid-19 outbreak took hold. The services sector saw domestic activity improve but indicators for export activity weakened and remain at their lowest level since 2011.

Domestic and export activity in the manufacturing sector remained underwhelming. With the pause button being pressed on large parts of the UK economy, a historically significant weakening in economic output in Q2 is expected. ”

Suren Thiru Head of Economics, British Chambers of Commerce

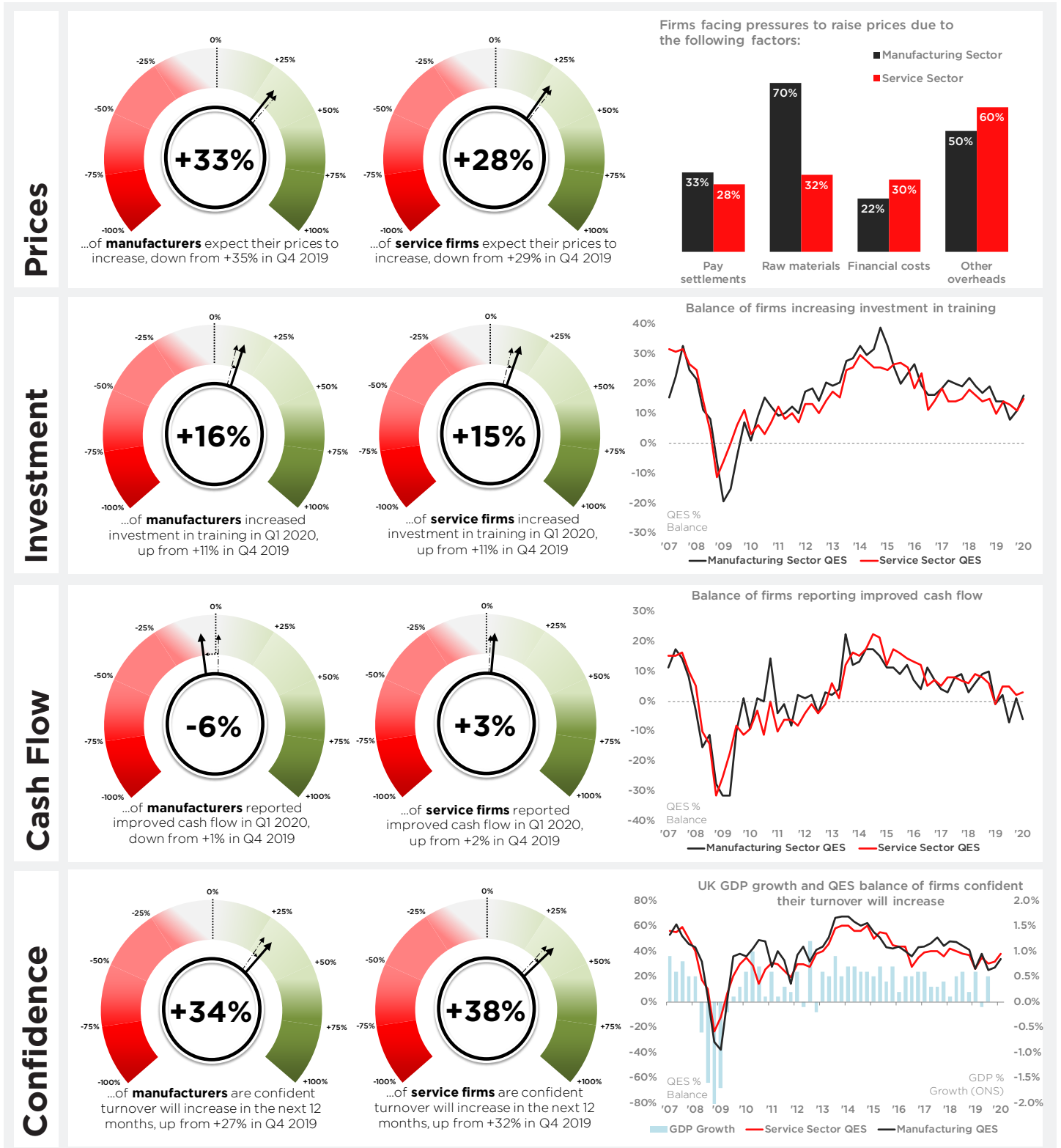
AT A GLANCE

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



BRITISH CHAMBERS OF COMMERCE LOOKING AHEAD

The survey of over 6,200 firms, employing more than 1.2m people, found that while investment and confidence began to gradually improve in Q1, shorter term indicators around cash flow showed prolonged underlying weakness, even before the full impacts of the Covid-19 crisis became clear.



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CASH FLOW

In Q1 2020, the balance of manufacturers reporting increased cash flow fell back into negative territory and stood at -6%, the second lowest level since 2011. In the services sector, the balance of firms reporting increased cash flow remained weak at +3%. Many firms cited the onset of the Covid-19 crisis as a key impact on business performance.

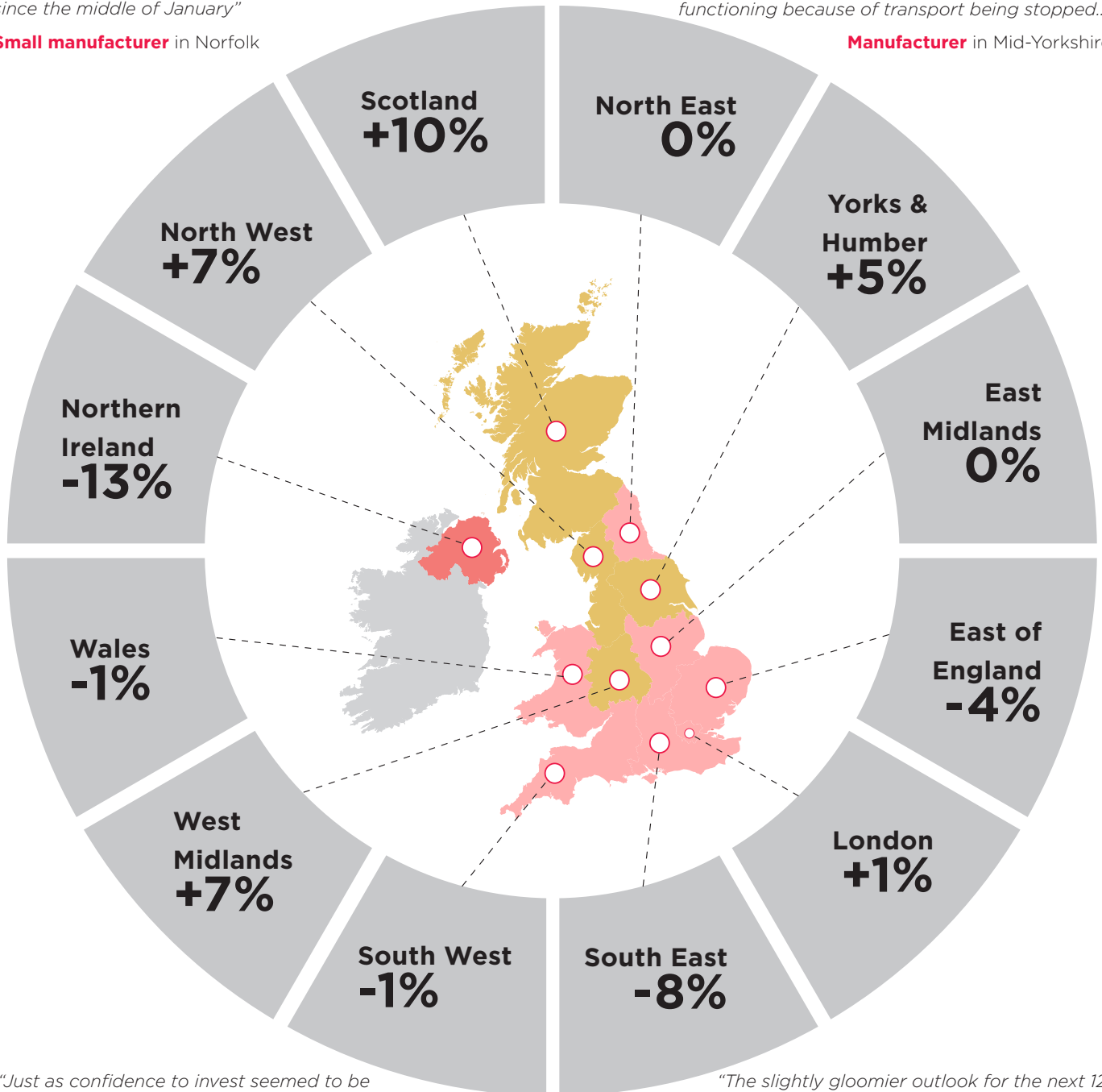
The below chart shows the geographical breakdown of the balance of firms reporting increased cash flow.

"We are being affected significantly by the coronavirus, not receiving goods from China since the middle of January"

Small manufacturer in Norfolk

"Our products are manufactured in China. Due to coronavirus, the office and factory in China is not functioning because of transport being stopped.."

Manufacturer in Mid-Yorkshire



"Just as confidence to invest seemed to be recovering, and there were positive indicators for increasing future turnover, along came coronavirus."

Transport firm in Inverness

"The slightly gloomier outlook for the next 12 months is the result of coronavirus which is already having an impact on events we are working on in mainland Europe for clients.."

Small marketing firm in Hampshire

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 2020 QES is made up of responses from 6,275 businesses across the UK. Firms were questioned between 17 February and 13 March 2020. In the manufacturing sector, 1,579 firms responded, employing approximately 338,600 people. 74% (1,174) of manufacturing respondents were exporters. In the services sector, 4,696 businesses responded, employing approximately 937,600 people. Of the services sector participants, 47% (2,185) 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 a plus it indicates expansion of activity and if the figure is a minus it indicates contraction of activity. A figure above 0 indicates growth, while a figure below 0 indicates contraction.

For example, if 50% of firms told us their sales grew and 18% said they decreased the balance for the quarter would be +32% (an expansion).

If 32% told us their sales grew and 33% said they fell the balance would be -1% (a contraction).