

BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q2 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 UK economic conditions deteriorated at an unprecedented rate in the second quarter of 2020, with eleven of the 14 key service sector QES indicators falling to their lowest level in the survey's 31-year history.

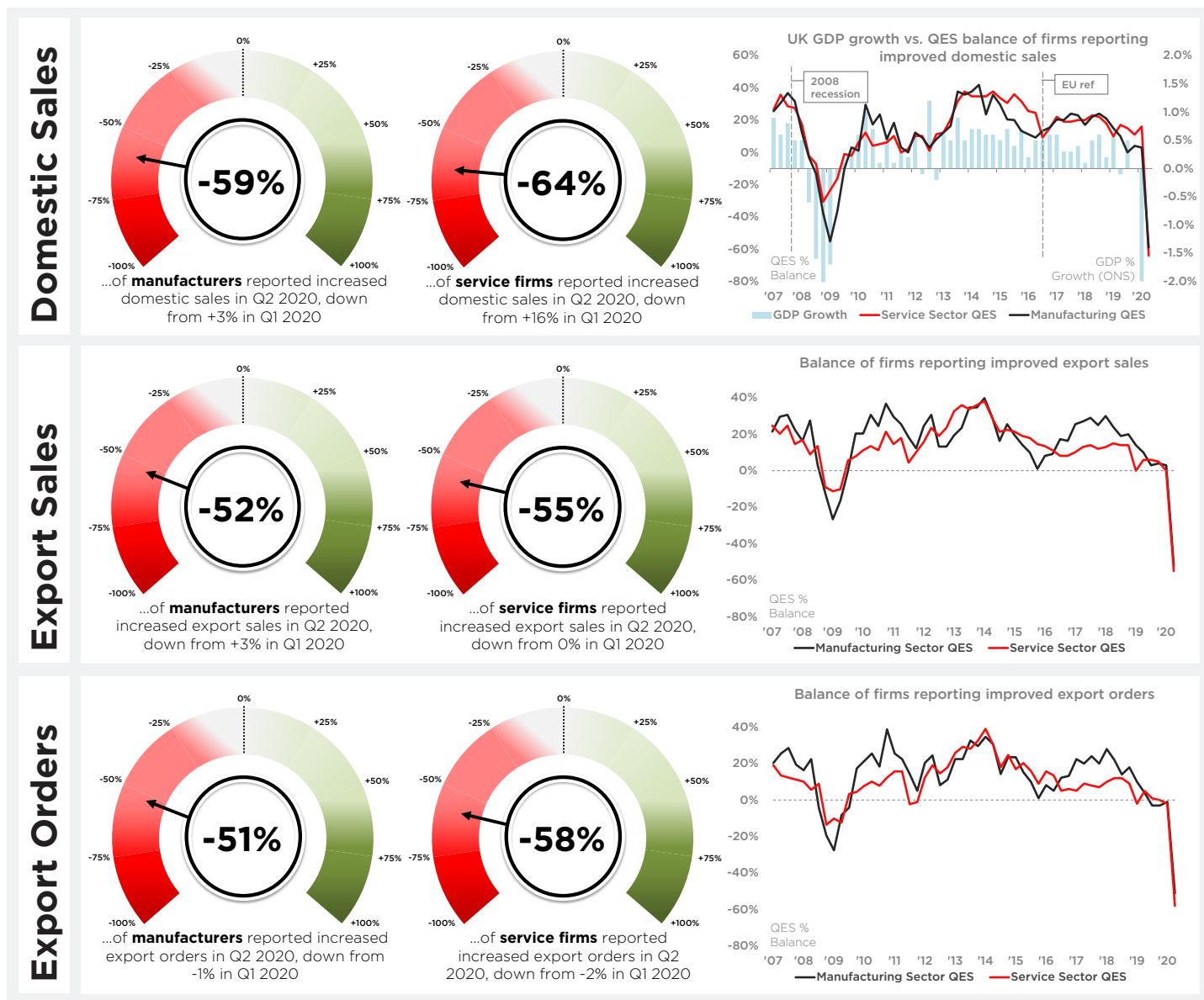
“Our results demonstrate the need for swift and substantial action. The Government has one chance to jump-start the economy and business confidence over the coming weeks – and they must take it.

Business communities across the UK want to see a clearer, bolder roadmap to recovery that helps them restart, rebuild and renew. The UK cannot meander its way back to success in this era of uncertainty. The only way to re-ignite business and consumer confidence is to demonstrate an absolute and unshakeable focus on boosting the economy over the coming months. ”

Adam Marshall Director General, British Chambers of Commerce

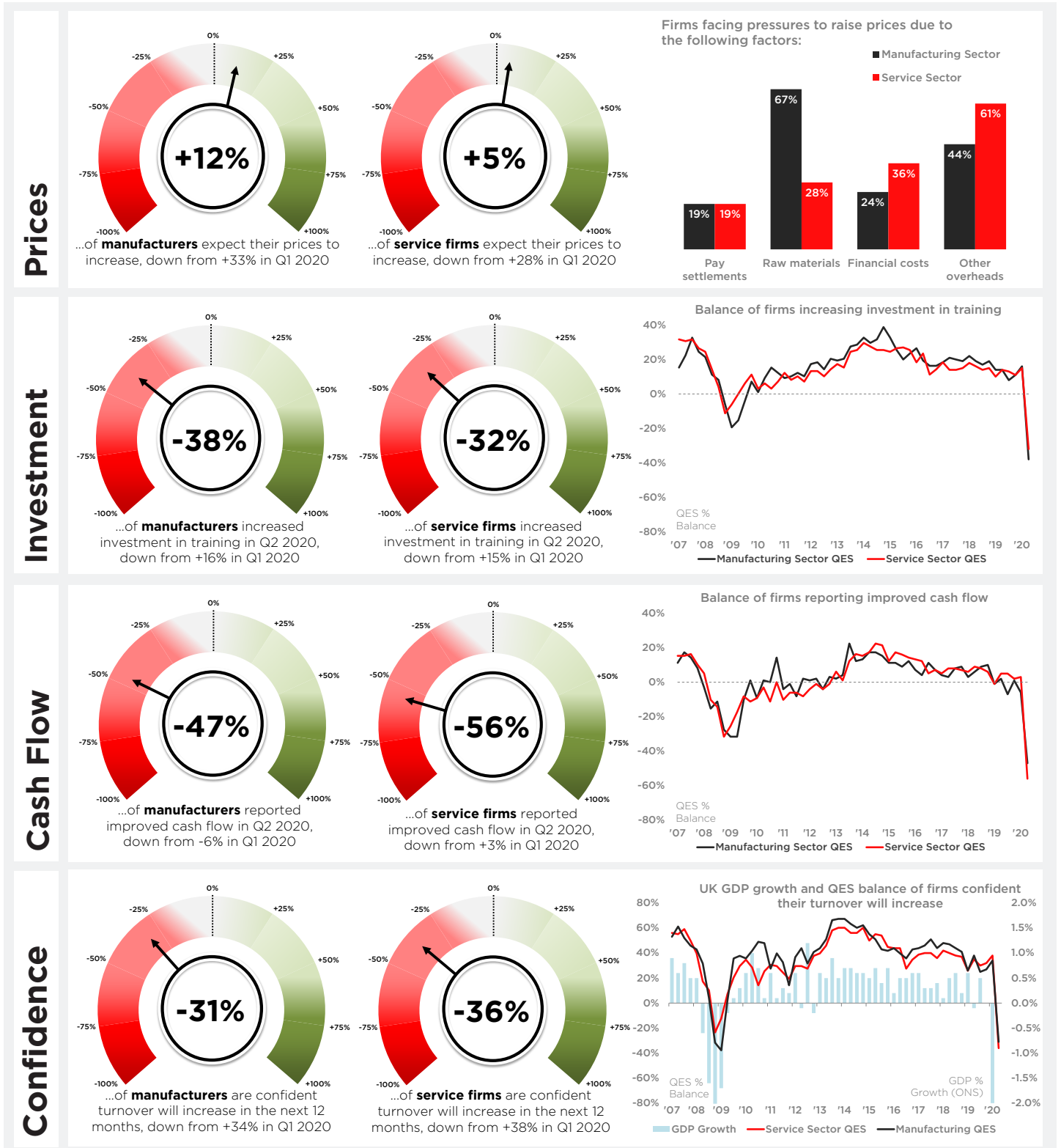
AT A GLANCE

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



BRITISH CHAMBERS OF COMMERCE LOOKING AHEAD

The survey of 7,700 businesses also finds that most forward-looking indicators dropped to record lows for both services firms and manufacturers. The balance of firms confident that turnover will increase over the next twelve months dropped to its lowest level on record among services firms. The balance of firms reporting improved cashflow – a key indicator of business’ health – is also at its lowest level for both sectors.

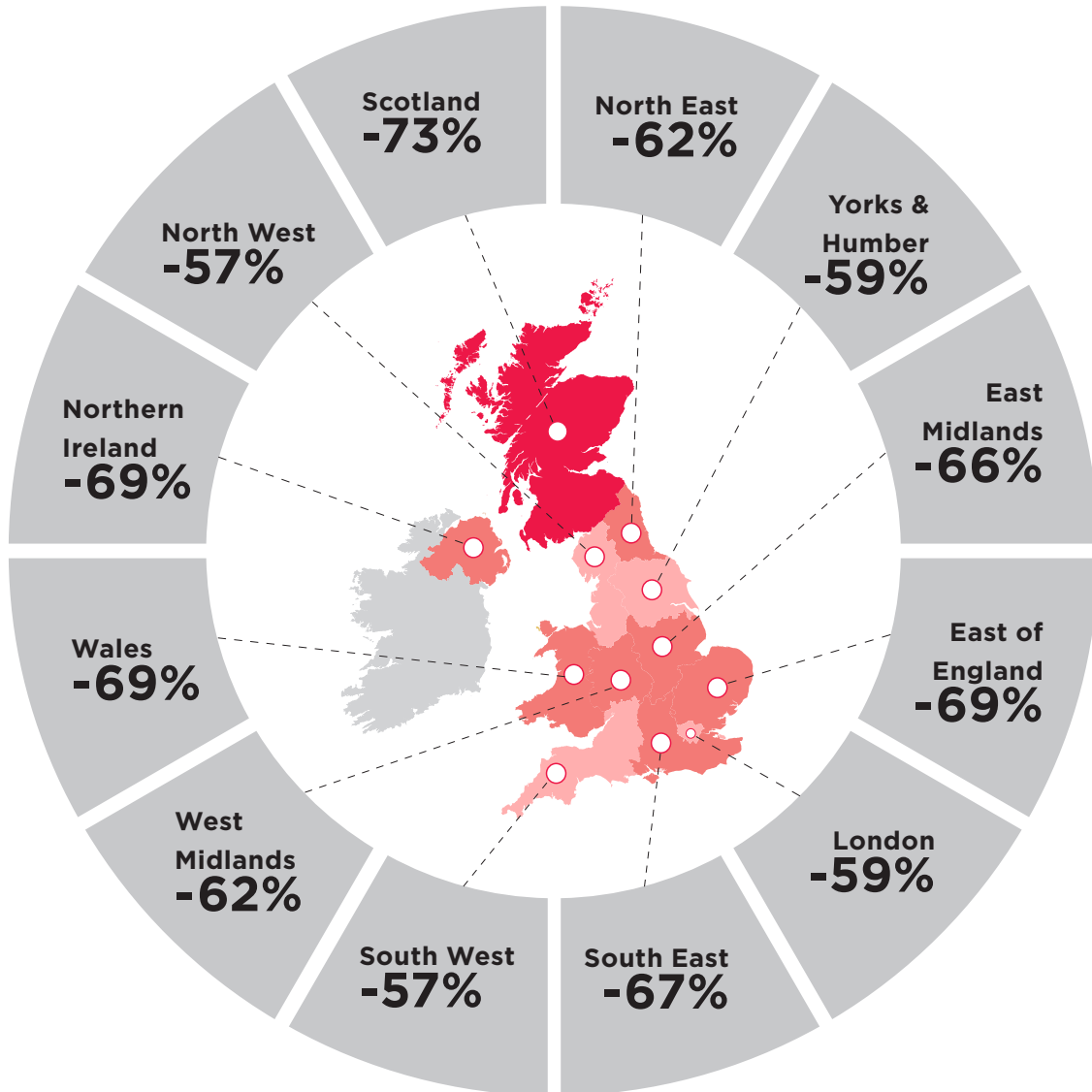


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CHANGE IN DOMESTIC SALES

In Q2 2020, the balance of firms reporting an increase in domestic sales fell to its lowest level on record. Overall, -63% of respondents reported increased domestic sales. The underlying data forming this balance is as follows: 10% of respondents reported an increase in sales, 17% reported no change, and 73% reported a decrease.

In manufacturing sector, the balance stood at -64%, four percentage points lower than the worst quarter of the 2008-09 recession. In the services sector, the balance stood at -59%, 31 percentage points lower. The below chart shows the geographical breakdown of the balance of firms reporting increased domestic sales.



"Orders have drastically reduced or cancelled not expecting it to pick up until next year."

Manufacturer with 22 employees in the West Midlands

"Revenues have dropped by 95%, trying to adapt but I am not confident that I can get back to the revenue required to keep my team employed after furlough. That is what keeps me up at night"

Manufacturer with 8 employees in Scotland

"95% loss of turnover the days following government announcement of lock-down restrictions. I had 25 client contracts cancelled within the space of four days"

Marketing/media firm with 4 employees in London

"We supply products for hospitals and home healthcare. March & April saw a increase in orders for UK & Overseas customers. May's sales have relaxed.."

Manufacturer with 200 employees in the West Midlands

"Turnover and orders have dropped by 90%. Bills and liabilities have not. Orders are being cancelled or postponed and future investment by customers put on permanent hold affecting current and future income."

Service firm with 10 employees in Lancashire

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 Q2 2020 QES is made up of responses from 7,706 businesses across the UK. Firms were questioned between 18 May and 12 June 2020. In the manufacturing sector, 1,709 firms responded, employing approximately 162,800 people. 67% (1,149) of manufacturing respondents were exporters. In the services sector, 5,997 businesses responded, employing approximately 422,100 people. Of the services sector participants, 37% (2,233) 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).