

BCC: Inflationary pressures intensifying for businesses

Commenting on the inflation statistics for January 2017, published today by the Office for National Statistics, Suren Thiru, Head of Economics at the British Chambers of Commerce, said:

“While the rise was slightly less than expected, UK inflation remains firmly on course to breach the 2% inflation target, possibly as early as next month. Although most categories of goods and services contributed to the increase, it was primarily driven by rising food and fuel prices.

“The continued rise in factory gate prices confirms that inflationary pressures in the supply chain are intensifying, and a sustained period of materially above target inflation looks increasingly probable. However, the uncertainty over future economic conditions is likely to limit the extent to which the expected higher inflation becomes embedded in stronger wage growth. This means that consumer spending power is likely to come under increasing pressure in the coming months.

“Higher inflation is a major headache for businesses as it increases their cost base and weighs on investment decisions. Therefore, next month’s Budget must be used to ease the burden of up-front costs faced by firms including further, more fundamental reform of business rates.”

Ends

Notes to editors:

The British Chambers of Commerce (BCC) sits at the heart of a powerful network of 52 Accredited Chambers of Commerce across the UK, representing thousands of businesses of all sizes and within all sectors. Our Global Business Network connects exporters with nearly 40 markets around the world. For more information, visit: www.britishchambers.org.uk

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BCC: UK exporters put in strong performance in final quarter of 2016

Commenting on the UK trade statistics for December 2016, released today by the Office for National Statistics, Mike Spicer, Director of Economics at the British Chambers of Commerce (BCC), said:

“The narrowing in the UK’s trade deficit in the final months of last year is a welcome improvement from the weaker performance in the previous quarter, and reflects a growing number of goods being exported to non-EU countries. As Brexit dominates the headlines, the results are an important reminder that UK companies take advantage of trading opportunities in every part of the world.

“This performance comes despite the mixed reaction of exporters to the depreciation in Sterling – which our research has found is hurting as many as it is helping. Looking ahead, the continued weakness of the pound and the expected slowdown in economic growth will likely dampen demand for consumer imports.

“In order to keep UK businesses trading with the world, companies need more direct support from government such as more investment in trade show access. But with margins under pressure, we need to see action at the Budget to reduce the upfront costs of doing business, particularly business rates. This will free up resource for businesses to invest in people and product development – absolutely necessary to taking full advantage of the growth opportunities in overseas markets.”

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BCC: Dash for housing must not sacrifice business land

Commenting on the release of the housing white paper by the Communities Secretary, Sajid Javid, Dr Adam Marshall, Director General of the British Chambers of Commerce (BCC), said:

“Business communities around England want to see housebuilding on the rise – as it supports construction and property businesses locally, and increases confidence across the board. The government’s renewed commitment to raising our poor record on housebuilding is to be welcomed. So too is a drive to build homes for rent, as well as homes for sale, as they represent an important mix in many areas where businesses are seeking staff.

“Yet a dash for housing that leaves no room in our towns and cities for offices, depots, laboratories, workshops and factories would be a huge mistake. Ministers must ensure there are enough well-connected sites for commerce and industry across England, where far too much prime business land has been sacrificed to housing development in recent years. Building homes without leaving room for workplaces would be a mistake that takes a generation to correct.”

Ends

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BCC Budget Submission: Action needed on business rates burden sapping businesses

Ahead of the Chancellor's Spring Budget on March 8, the British Chambers of Commerce (BCC) is urging the government to take action on delivering real reform to the business rates system.

The business group is calling on the Chancellor to use his last Spring Budget to support long-term business investment by taking action to deliver real reform to the business rates system. As it stands, the system creates a number of perverse incentives for business location, property improvement, and plant and machinery investment.

BCC seeks four key measures on business rates from the Spring Budget:

- **Abandon the fiscal neutrality principle in business rates reform** – an unacceptable barrier to fundamental reform of the business rates system that is unique to that tax
- **Bring forward the switch from RPI to CPI, currently planned for April 2020, to April 2017**
- **Removal of all plant and machinery from the valuation of property for business rates purposes**
- **Drop proposals to restrict the ability of the Valuation Tribunal for England to order changes to business rates liabilities**

Dr Adam Marshall, Director General of the BCC, said:

"The current rates system is broken, and despite attempts by successive governments to introduce marginal reforms, the fundamental unfairness of business rates remains.

"We're calling for steps to be introduced which would help alleviate some of the excessive pressure put on businesses by rates. The policy of fiscal neutrality means there are winners and losers across the country from reforms, but limits the government's scope to bring about fundamental change to the system. Excluding plant and machinery from valuations would remove a perverse incentive for investment, and businesses should be allowed to appeal valuations through a simpler and fairer process.

"Businesses from across the Chamber network of all sizes, sectors and locations, lament the burden of this high up-front cost, which they are forced to pay before making even a penny of profit."

ENDS

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BCC International Trade Survey: Fall in Sterling expected to increase cost base and push up prices

The BCC today publishes the results of its International Trade Survey, looking at the impact of the depreciation in Sterling on businesses.

The recent fall in the value of Sterling is squeezing domestic sales margins, and increasing the cost base of UK businesses, according to the results of the British Chambers of Commerce's (BCC) latest International Trade Survey. The findings, released today (Monday), also indicate that the weak pound is expected to push up the prices of products and services.

The results of the survey, **run in partnership with moneycorp** and based on the responses of nearly 1,500 surveyed businesses, indicate that the recent devaluation of Sterling is having a negative impact on the domestic sales margins of nearly half of businesses (44%). The effect is more diverse on export margins, with roughly equal levels of businesses reporting a positive (25%) and negative (22%) impact, suggesting that while the fall in value of the pound may be helping some UK exporters, it's also hurting others.

The survey also found that 68% of businesses expect the fall in the value of Sterling to increase their cost base in the coming year. In turn, over half (54%) of companies expect to have to increase the prices of their products and services over the next 12 months.

Away from prices, the findings also show that nearly half of businesses (45%) do not currently manage currency risk. For those that do, invoicing in Sterling instead of their customer's local foreign currency (32%) was the

most popular means, followed by opening a foreign currency bank account to deal with sales and purchases in the same currency (16%), and waiting for an advantageous rate and buying using the spot market (14%). The same number of businesses (46%) don't expect to manage their currency risk in the next six months.

Dr Adam Marshall, Director General of the British Chambers of Commerce (BCC), said:

"The depreciation of Sterling in recent months has been the main tangible impact that firms have had to grapple with since the EU referendum vote.

"Our research shows that the falling pound has been a double-edged sword for many UK businesses. Nearly as many exporters say the low pound is damaging them as benefiting them. For firms that import, it's now more expensive, and companies may find themselves locked into contracts with suppliers and unable to be responsive to currency fluctuations.

"Our survey shows that inflation is going to be an important concern for businesses over the coming year. While inflation rates aren't high by historical standards, they are still putting increasing pressure on companies. Rising costs are squeezing margins, and forcing many firms to increase the prices of their goods and services.

"Currency fluctuations aren't something in the UK government's direct control, and they are likely to continue as the Brexit transition unfolds. Ministers must do everything in their power, meantime, to help businesses keep costs down and stay competitive. Alleviating many of the up-front costs facing companies should be a priority for the Budget in March – starting with the sledgehammer of business rates."

Lee McDarby, Managing Director of UK Corporate International Payments at moneycorp, said:

"The post referendum fall in sterling has clearly had an impact on many UK businesses and, as hedging begins to expire, importers and exporters will have to adapt to the new landscape. For exporters, the move potentially allows for greater competitiveness on an international level; however, importers may now have to think of new ways of protecting their businesses from further volatility.

"The timeframe for stepping away from the European Union is long, with at least two years of negotiation as and when Article 50 is triggered; this means that companies will have to be nimble and proactive when it comes to managing foreign exchange exposure.

"The key events of 2016 have certainly caused market uncertainty and there are no signs that this will subside in 2017. On that basis we are definitely engaging more with new and existing clients who are turning to FX specialists such as moneycorp for support and assistance when it comes to managing their currency risk."

Ends

Notes to editors:

The British Chambers of Commerce surveyed 1,474 business people online between 1 December and 19 December. The survey sourced respondents from every region and nation of the UK. Around 95% of responding businesses were SMEs, and around one third were manufacturing, with the remaining two thirds operating in the service sector. A vast majority (80%) of responding businesses also sell products or services overseas.

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