



The Business Services Association
130 Fleet Street,
London.
EC4A 2BH

BSA Economic Tracker

Q1 Q2 Report 2023

September 2023

Background and Overview

The BSA - Business Services Association - brings together large and small businesses, professional services firms, charities, and social enterprises delivering services and infrastructure projects across the private and public sectors. Members include those delivering ICT, facilities management, back office and administration, construction and infrastructure provision and other project delivery. The sector employs c.3.3 million people and accounts for around one in ten jobs across every region of the country¹. A full list of members is included as an Annex.

The BSA Economic Tracker was launched in January 2022 to provide a regular economic overview of the areas impacting the business services sector. The Tracker is circulated to BSA members and updated monthly to reflect members' feedback, policy priorities and the wider economic landscape.

The Tracker reflects both the importance of BSA members and the business services sector to the UK economy and provides an insight into the key areas affecting the sector. Anonymised monthly reports are shared with the Department for Business and Trade and Number 10 as part of their intelligence-gathering activities. Department officials have fed back how useful they have found members' responses. Anonymised summaries have also been shared with HM Treasury and the Bank of England. Members' responses contribute to BSA submissions ahead of Budgets and consultation responses.

The 2023 Tracker was updated to be shorter, clearer, and more convenient for members to complete. Questions are now divided into three sections: an overview, costs and supply chains, and labour supply. This report summarises the responses gathered through the first six editions of the Tracker from January to June 2023 ('Q1 Q2'), and reflects changes in the economic landscape and experiences of BSA members since the [2022 report](#).

In addition to this report, the BSA recently published its [Manifesto 2023](#), setting out the policy areas of importance to the sector. It outlines our proposals for innovative and practical policy solutions to tackle the challenges facing the UK and to support businesses as they navigate economic pressures. It therefore captures many of the areas identified by BSA members via the Tracker.

¹ Oxford Economics, 2015. The use of business services by UK industries and the impact on economic performance. <https://www.bsa-org.com/wp-content/uploads/2017/10/OE-report-for-BSA-Productivity-report-Sept2015.pdf>



Contents

Background and Overview	1
Section One: Executive Summary	3
Section Two: Respondent Overview.....	5
Section Three: Labour supply	6
Section Four: Changing cost of goods and services	10
Section Five: Operational Disruption	12
Annex 1: List of BSA Members, September 2023	15



Section One: Executive Summary

This report of the BSA's Economic Tracker captures the experiences of BSA members as they navigated a range of economic challenges through the first six months of 2023. This included market instability, the ongoing impact of Russia's invasion of Ukraine, and widespread inflation. BSA members also provide insights into their experiences of changing regulation, legislation, and trading arrangements.

As in 2022², the most widely reported issue by organisations of all sizes related to labour supply. Labour and skills shortages were most commonly reported across digital, engineering and driving roles. The business operations of all respondents, and most of their supply chains, were impacted by labour shortages.

The majority of respondents also reported vacancies above normal levels and difficulties with recruitment across Q1 and Q2. Members did however report that challenges related to retention appeared to reduce across the six months.

The cost of living was the second most frequently reported issue by members as the majority of respondents' workforces have raised this issue with employers each month.

The changing cost of goods and services was the third most commonly identified challenge across this period. Almost all respondents identified price increases, particularly for food products, professional services rates, and building materials. Energy prices were also raised by a majority of respondents each month and the severity of their impact on organisations increased from Q1 to Q2. The main impacts of changing costs included increased uncertainty and inflexibility for margins, productivity, and revenue. Members were also asked to consider the extent to which the challenges they faced were reflected in contract terms. 2022's experiences of indexation in contracts and limited contractual protection persisted, as did associated risk and cost.

Supply chain disruption is no longer being reported as a pressing issue for organisations as it was in 2022. Difficulties sourcing goods and services also appear to have eased, however members continue to report factors disrupting their organisations' operations including the war in Ukraine, industrial action and EU exit. Importantly, cybersecurity and regulatory challenges are raised more frequently by respondents.

In all, the BSA's Economic Tracker continues to be a useful and indicative guide to the issues affecting the business services sector, across industry and organisation size.

Key points

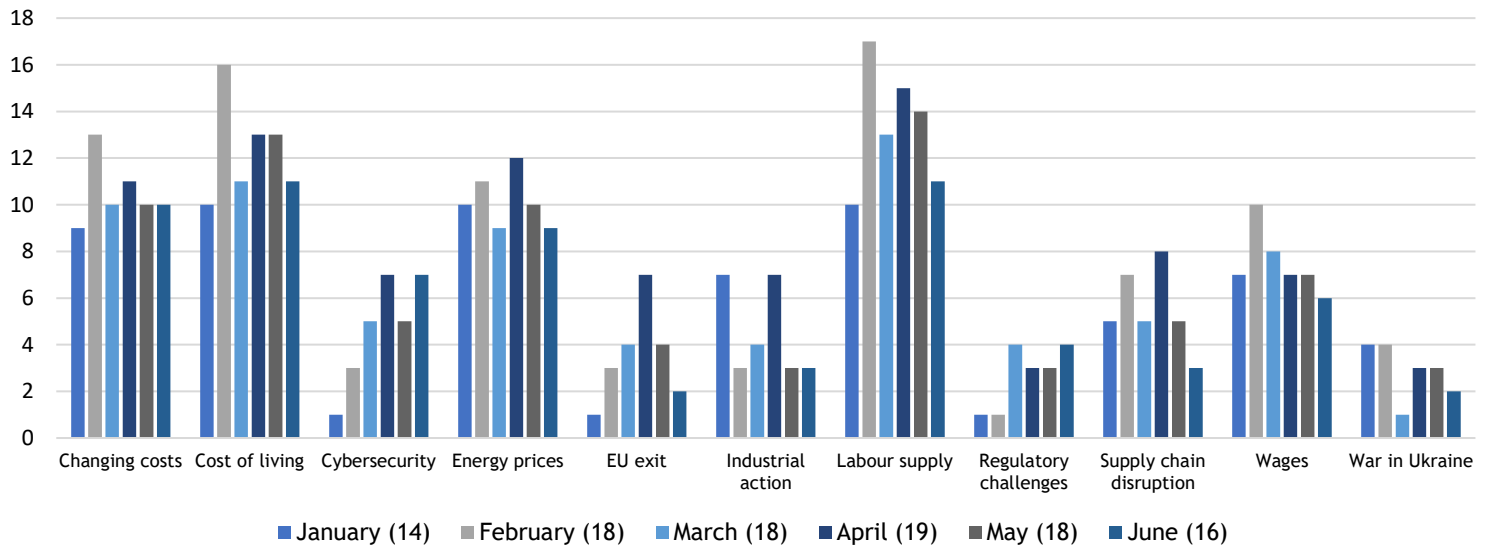
- Labour supply was the most widely reported issue affecting organisations.
- Particular shortages were noted for digital, engineering and driving roles.
- The cost of living was a top issue and most workforces raised this issue with their employers.
- Rising costs of goods and services impacted most organisations' operations.
- Increases were particularly stark for food products, professional services, and building materials.
- Supply chain disruption and sourcing goods and services have eased for respondents compared with 2022.
- Cybersecurity is increasingly reported as a concern, as are regulatory challenges.

² Business Services Association, 2022. *BSA Economic Tracker 2022 Report*. Online: <https://www.bsa-orq.com/wp-content/uploads/2023/02/BSA-Economic-Tracker-Report-2022-1.pdf>



Respondent-identified issues

Respondent-identified issues impacting organisations: January - June 2023



(Figure 1: Bar chart showing respondent-identified issues)

	0-24% respondents affected	25-49% respondents affected	50-74% respondents affected	75-100% respondents affected		
	January	February	March	April	May	June
Changing costs	9/14	13/18	10/18	11/19	10/18	10/16
Cost of living	10/14	16/18	11/18	13/19	13/18	11/16
Cybersecurity	1/14	3/18	5/18	7/19	5/18	7/16
Energy prices	10/14	11/18	9/18	12/19	10/18	9/16
EU exit	1/14	3/18	4/18	7/19	4/18	2/16
Industrial action	7/14	3/18	4/18	7/19	3/18	3/16
Labour supply	10/14	17/18	13/18	15/19	14/18	11/16
Regulatory challenges	1/14	1/18	4/18	3/19	3/18	4/16
Supply chain disruption	5/14	7/18	5/18	8/19	5/18	3/16
Wages	7/14	10/18	8/18	7/19	7/18	6/16
War in Ukraine	4/14	4/18	1/18	3/19	3/18	2/16

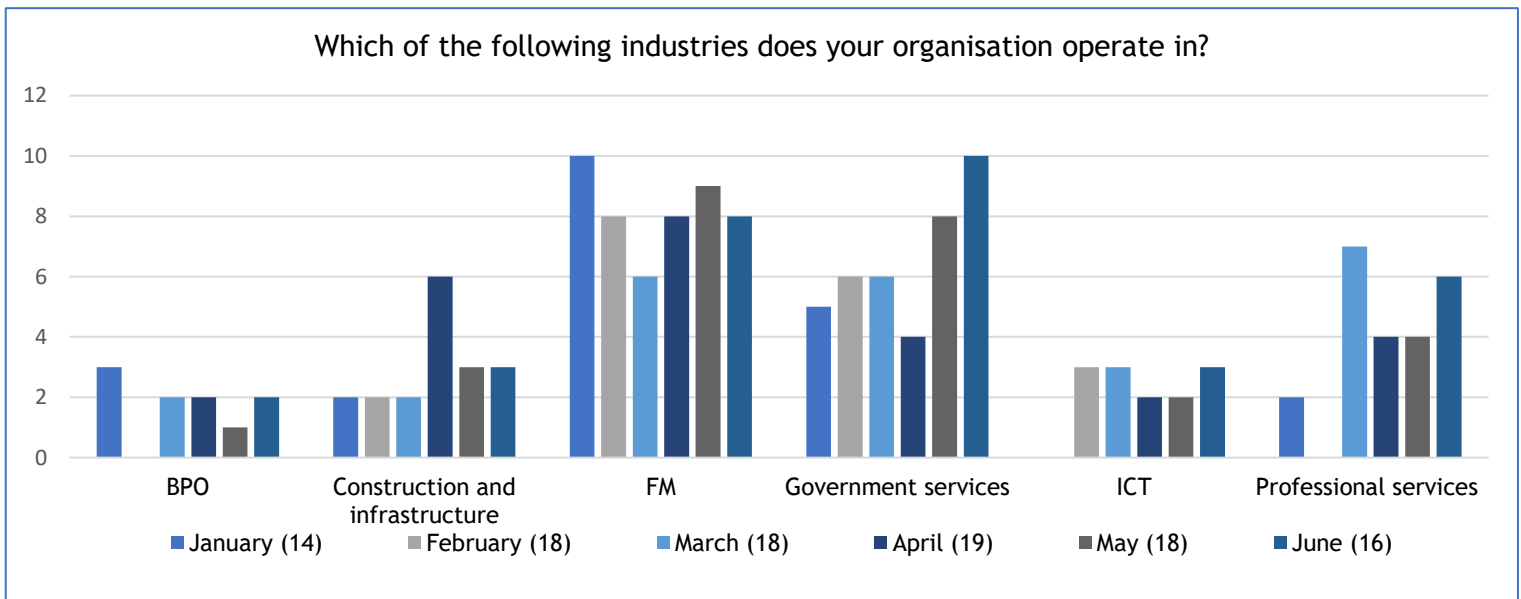
(Figure 2: Table showing a breakdown of the issues identified by number of respondents)



Section Two: Respondent Overview

Key Points

- The six strands which make up the business services sector - ICT and digital services, business process outsourcing (BPO), facilities management (FM), construction and infrastructure services, professional services and managed public services - have been represented most months.
- The majority of respondents operate across FM, public services and professional services. The majority also operate across multiple industries.
- Typically, medium-sized and large organisations were more likely to respond.

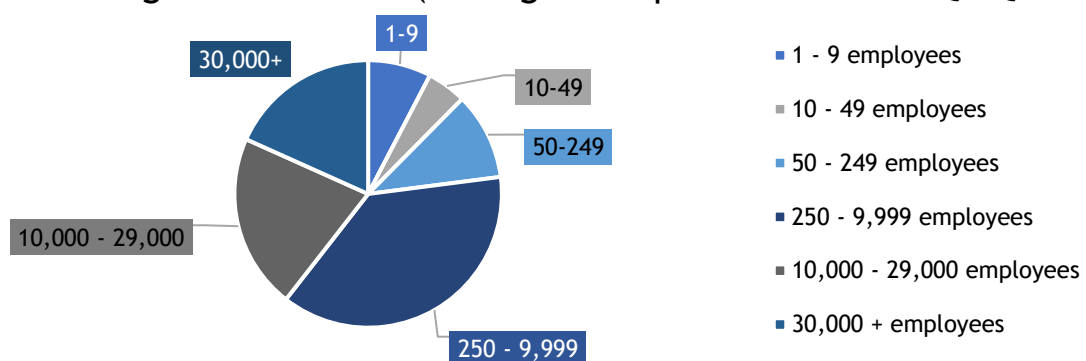


(Figure 3: Bar chart showing which industries Tracker respondents operate in)

Organisation size

- The majority of respondents each month employ 250-9,999 employees.
- Three to six organisations employing at least 10,000 people have been represented each month.

Jan-June organisation sizes (average % respondents across Q1 Q2 2023)



(Figure 4: Pie chart showing the average sizes of Tracker respondent firms)



Section Three: Labour supply

Key Points

- Labour supply was identified by a significant majority of respondents (an average of 77% of respondents identifying the issue each month).
- Labour and skills shortages were most commonly reported across digital, engineering, FM, hospitality and driving roles.
- Labour shortages impacted the business operations of all respondents. Most respondents' supply chains were impacted, although the severity of this impact reduced since Q4 2022³.
- The cost of living is one of the most frequently reported issues for respondents and the majority of their workforces have been raising the issue with them each month.
- Wage inflation was raised as a challenge by half of respondents in Q1, but this fell to just over a third of respondents by the end of Q2.
- Vacancies were reported by the majority of respondents as above normal levels and respondents consistently reported that they found it difficult to recruit. Challenges with retaining existing staff have, however, reduced.
- The majority of respondents consistently reported vacancies above normal levels.

Breakdown as a total of respondents

0-24% respondents affected	25-49% respondents affected		50-74% respondents affected		75-100% respondents affected	
	January	February	March	April	May	June
Cost of living	10/14	16/18	11/18	13/19	13/18	11/16
Labour supply	10/14	17/18	13/18	15/19	14/18	11/16
Industrial action	7/14	3/18	4/18	7/19	3/18	3/16
Pensions	0/14	3/18	2/18	0/19	0/18	1/16
Wages	7/14	10/18	8/18	7/19	7/18	6/16

(Figure 5: Table showing a breakdown of the issues identified relating to labour supply)

Vacancies

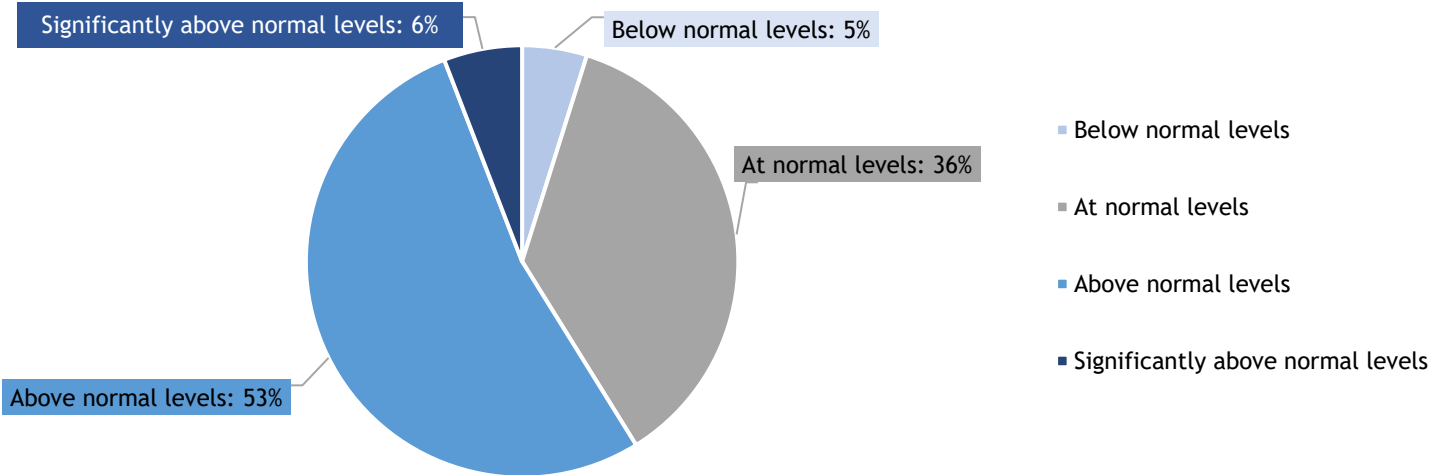
- The majority of respondents reported vacancies above normal levels. The proportion of respondents reporting vacancies at normal levels, however, increased from January (3/14) to June (7/16). The proportion of respondents reporting vacancies below normal levels has increased slightly in Q2 2023 with two to three reports each month, compared to zero to one in Q4 2022⁴ and Q1 2023.
- Labour shortages impacted the business operations of all respondents, with the majority describing impacts to 'some extent'. The number of respondents reporting large impacts from vacancies has remained between zero and three each month.
- On average, 1/4 of respondents each month reported expecting labour shortages to continue affecting their organisations in the next twelve months.
- Some respondents connected the current economic situation with fewer vacancies.

³ Business Services Association, 2022. BSA Economic Tracker 2022 Report. Online: <https://www.bsa-org.com/wp-content/uploads/2023/02/BSA-Economic-Tracker-Report-2022-1.pdf>

⁴ ibid



Jan-June vacancies (average % respondents across Q2 Q2 2023)



(Figure 7: Pie chart showing an average description of respondents' vacancy levels)

Labour shortages by job-type

The following shortages were identified by two or more members over **three or more months**:

- Digital and cyber (four out of six months)
- Drivers (four out of six months)
- Engineers (four out of six months)
- Facilities management (three out of six months)
- Hospitality and catering (three out of six months)
- IT (three out of six months)

Impact of labour shortages on respondents' supply chains

- We asked respondents how labour shortages impacted the organisations in their supply chains; the majority of respondents each month reported impacts to 'some extent', and this has remained consistent (an average of 59% of respondents each month).
- Only one respondent has reported a large impact on their supply chain, demonstrating a reduction in severity from Q4 2022⁵.

⁵ Business Services Association, 2022. BSA Economic Tracker 2022 Report. Online: <https://www.bsa-org.com/wp-content/uploads/2023/02/BSA-Economic-Tracker-Report-2022-1.pdf>



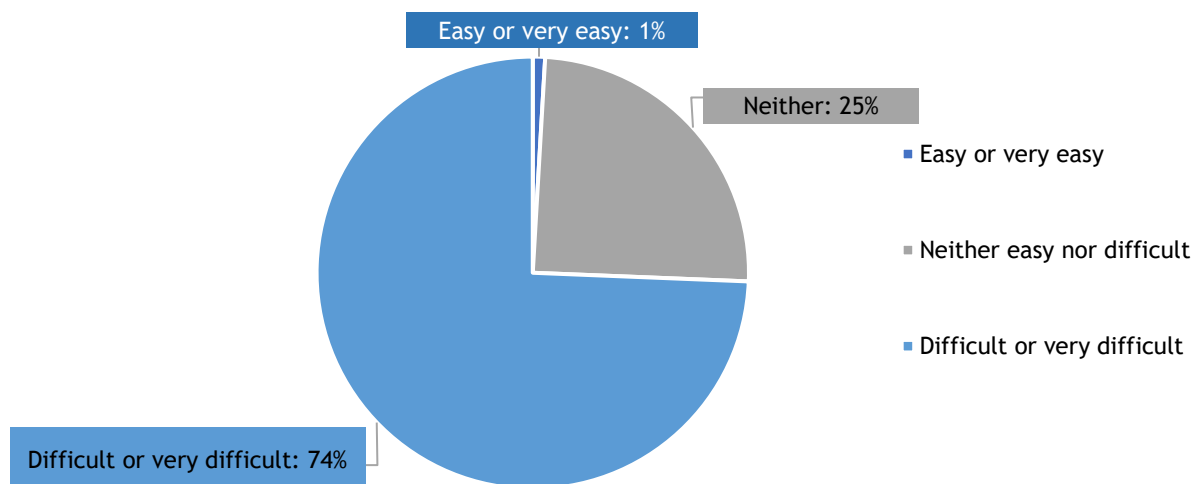
Retention

- The proportion of respondents finding it neither easy nor difficult to retain employees has increased markedly since January (4/14) to June (12/16), demonstrating a significant reduction in severity from Q3 and Q4 2022⁶.
- Just under half of respondents (an average of 40% of respondents each month) reported finding it difficult or very difficult to retain employees between January and May before falling to 25% in June.
- Large organisations described retention and absences challenges related to the cost of living and wage inflation.

Recruitment

- The proportion of respondents finding it difficult or very difficult to recruit new employees remained consistent from January to May (an average of 75% of respondents each month) before falling to 50% in June with the remainder of respondents reporting recruitment as neither easy nor difficult.
- As was the case in 2022⁷, no respondent has ever reported finding it very easy to recruit, and only one has reported finding it easy (1/14 in January).
- One large organisation described the labour market as more challenging and competitive than pre-pandemic, particularly in remote locations and for skilled labour.

January-June recruitment experiences (average % respondents across Q1 Q2 2023)



(Figure 6: Pie chart showing an average description of respondents' recruitment experiences)

⁶ ibid
⁷ ibid.



Cost of living

- The cost of living was one of the most frequently reported issues (an average of 72% of respondents each month). This is a significant increase from monthly reports in 2022.
- Each month, an average of 85% of respondents reported the cost of living being raised by their workforce to 'some' or a 'large extent'.
- The proportion of respondents' workforces raising the issue to a 'large extent' rose between January and May before falling slightly in June, and the proportion raising the issue to a 'small extent' has fallen.
- The number of respondents each month expecting the cost of living to continue affecting their organisations into 2024 fell from six to seven in January and February to between two and four since.
- Organisations of all sizes described impacts on their employees and supply chains. Several respondents linked the cost of living to inflation rates, and therefore reported expecting pressures to ease as, and if, inflation falls.

Wages

- Wages were raised by an average of 50% of respondents in Q1, although this proportion fell to 38% of respondents in Q2.
- Respondents linked upward pressure on wages to headline inflation figures and therefore expect this to subside as, and if, inflation falls.
- Medium and small organisations were particularly likely to report pressures from staff costs.



Section Four: Changing cost of goods and services

Key points

- The changing cost of goods and services was identified every month as a top issue affecting the majority of respondents' organisations.
- Most respondents every month reported their organisations experiencing increases in costs.
- Cost changes were most often reported for food, professional services and building materials.
- Energy prices were raised by a majority of respondents each month as an issue affecting their organisations, and the impact of energy price increases on organisations' operations also increased in severity from Q1 to Q2.
- Business operations of the majority of respondents were impacted by changing costs, and the severity of this impact increased each month. Impacts included uncertainty and inflexibility in margins, productivity and revenue.

Respondent-identified issues impacting organisations

0-24% respondents affected	25-49% respondents affected		50-74% respondents affected		75-100% respondents affected	
	January	February	March	April	May	June
Business rates	0/14	2/18	0/18	0/19	1/18	1/16
Changing costs	9/14	13/18	10/18	11/19	10/18	10/16
Energy prices	10/14	11/18	9/18	12/19	10/18	9/16

(Figure 8: Table showing a breakdown of the issues identified relating to changing cost of goods and services)

Changing costs of goods and services

- The majority of respondents (an average of 62% of respondents each month) identified the changing costs of goods and services as an issue affecting their organisation.
- The majority of respondents reported costs increasing (an average of 80% of respondents each month). The proportion of respondents identifying cost increases fell from January to March before rising again from April.
- Only one respondent each month reported decreases in costs of any size, or neither an increase nor decrease in prices.
- Similar to 2022⁸, all but one respondent in January (1/14) and March (1/18) reported their organisations being impacted to at least a 'small extent' by changing costs.
- Responses demonstrate that the severity of the impact of changing costs on organisations has markedly increased. The proportion of organisations reporting being impacted to a 'small extent' has fallen month-on-month from 43% in January to 6% in June; the proportion reporting 'some' or 'large' impacts increased from 57% in Q1 to 82% in Q2 on average.
- Respondents, particularly medium-sized and small organisations, described associated disruption to their margins and budgeting, as well as reduced flexibility and certainty about the businesses' productivity and revenues.
- Several members highlighted concerns about the wider economic situation and stressed the criticality of controlling inflation.

⁸ Business Services Association, 2022. BSA Economic Tracker 2022 Report. Online: <https://www.bsa-orq.com/wp-content/uploads/2023/02/BSA-Economic-Tracker-Report-2022-1.pdf>



Particular goods and services

Organisations of all sizes reported cost increases across all or most suppliers.

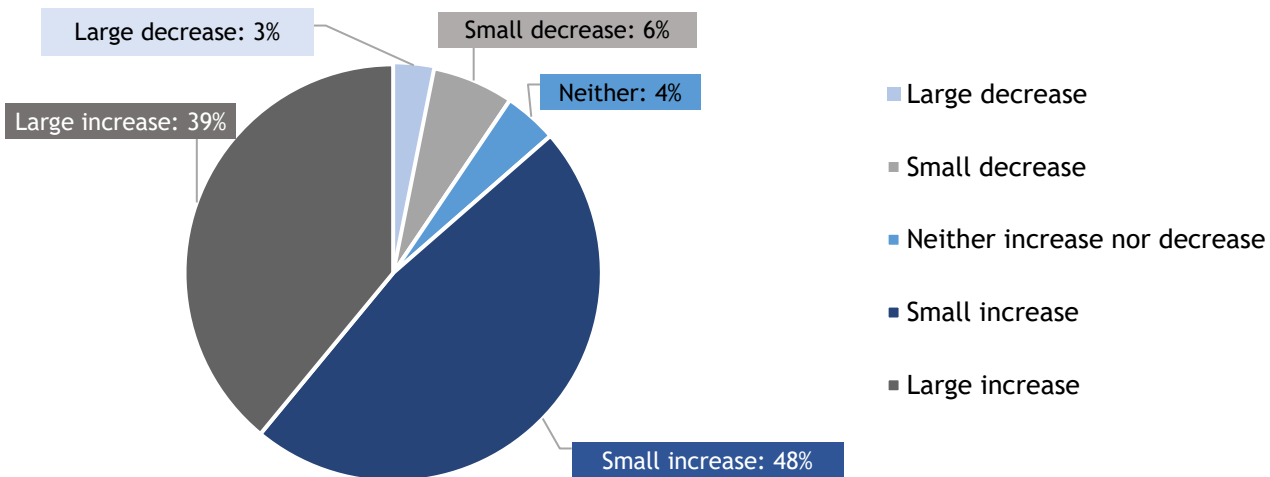
The following products were identified by two or more members as particularly changing in cost **over three or more months**:

- Food products (five out of six months)
- Professional services rates (five out of six months)
- Building materials (three out of six months)

Energy

- The majority of respondents each month (an average of 60% of respondents) identified energy prices as an issue affecting their organisations.
- All but one respondent (1/18 in March) reported increases in energy prices to at least a 'small extent' from January to June.
- The reported severity of energy price increases remained generally consistent from January to June with an average of 63% reporting some or large increases each month, but this did peak at 83% in April when one respondent described their site energy costs as 'rocketing'.
- The average proportion of members reporting at least some impact of energy prices on organisations' operations increased from 43% in Q1 to 64% in Q2.
- Respondents of all sizes described seasonal contractions in prices from Q1 to Q2.

How is your organisation seeing the cost of goods, services or raw materials change? (average % respondents across Q1 Q2 2023)?



(Figure 10: Pie chart showing an average description of respondents' recruitment experiences)



Section Five: Operational Disruption

Key points:

- Supply chain disruption has decreased as an issue for organisations, as has the proportion of respondents reporting difficulties sourcing goods and services.
- Sourcing goods and services was reported as neither easy nor difficult by the majority of respondents each month.
- A significant minority of respondents continue to report the war in Ukraine as an issue affecting their organisations.
- Cybersecurity and regulatory challenges are being reported more frequently by respondents.
- EU exit was raised by a significant minority of respondents each month, and challenges continued to relate to foreign investment, administrative burdens, and labour supply.
- Industrial action was raised by half of respondents in Q1, but this fell significantly by Q2 end.
- Most respondents reported that issues are reflected in contract terms to ‘some extent’. Respondents discussed challenges related to indexation and inflation protection in contracts.

Respondent-identified issues impacting organisations

0-24% respondents affected	25-49% respondents affected		50-74% respondents affected		75-100% respondents affected	
	January	February	March	April	May	June
Cybersecurity	1/14	3/18	5/18	7/19	5/18	7/16
EU exit	1/14	3/18	4/18	7/19	4/18	2/16
Industrial action	7/14	3/18	4/18	7/19	3/18	3/16
Regulatory challenges	1/14	1/18	4/18	3/19	3/18	4/16
Supply chain disruption	5/14	7/18	5/18	8/19	5/18	3/16
War in Ukraine	4/14	4/18	1/18	3/19	3/18	2/16

(Figure 11: Table showing a breakdown of the issues identified relating to changing cost of goods and services)

Sourcing goods and services:

- The proportion of respondents reporting supply chain disruption as an issue affecting their organisations has fallen from an average of 38% in January and February to an average of 23% in May and June.
- The majority of respondents reported finding sourcing goods, services and raw materials neither easy nor difficult, and impacts have consistently been reported as either ‘small’ or ‘some’.
- The proportion of respondents describing sourcing goods and services as difficult continued 2022’s downward trend⁹: 33% of respondents on average across January to April before falling in May (25%) and June (6%).
- The number of respondents finding sourcing easy has stayed between zero and two each month.
- Organisations which described supply challenges abating linked this to building diverse and resilient supply chains.

⁹ Business Services Association, 2022. BSA Economic Tracker 2022 Report. Online: <https://www.bsa-orq.com/wp-content/uploads/2023/02/BSA-Economic-Tracker-Report-2022-1.pdf>



How easy or difficult are you finding it to source the goods, services or raw materials your business purchases? (average % respondents)



(Figure 12: Pie chart showing average description of respondents' supply chain experiences)

The war in Ukraine

- The proportion of respondents reporting the war in Ukraine as an issue affecting their organisations has remained consistent (17% of respondents on average each month).

Cybersecurity:

- Challenges related to cybersecurity have increasingly been reported: 17% of respondents reported cybersecurity as an issue affecting organisations in Q1, and this rose to an average of 36% of respondents in Q2.
- Related to cybersecurity, respondents described concerns about their organisations' data and intellectual property, as well as their financial and reputational risk.

Regulatory challenges

- Respondents are increasingly reporting regulatory challenges. Only one respondent raised this issue in January and February, and this has risen to three or four respondents each month since.
- Challenges related to EU exit have been reported by between one and four respondents each month, but this peaked at 7/19 respondents in April.
- Respondents described the same challenges in Q1 Q2 2023 as they did in 2022¹⁰: obtaining European credit insurance against UK companies and VAT issues with associated higher upfront costs; cessation of EU-funded contracts; administrative burdens and management resource; and impacts on recruitment and retention of European staff.

¹⁰ Business Services Association, 2022. BSA Economic Tracker 2022 Report. Online: <https://www.bsa-org.com/wp-content/uploads/2023/02/BSA-Economic-Tracker-Report-2022-1.pdf>



Public sector industrial action

- Initially following 2022's trend of increased reporting¹¹, 50% of organisations described public sector industrial action as an issue affecting their organisations in January, but this fell to 19% by June.
- The impacts of industrial action on BSA members are varied, but those that reported disruption were almost entirely related to railway strike action. This impact was mitigated by organisations able to direct staff to work from home.

Contract terms

- 1/3 of respondents reported that the issues affecting them were reflected to at least 'some extent' in typical contract terms in Q1, and this rose to over 50% in May and June.
- Medium-sized organisations in particular described challenges related to price increases in contracts due for renewal and securing indexation clauses in contracts. The reported result of this limited protection in contracts was scaled-back activity in order to stay within budget.
- Members also described challenges related to central and local government funding constraints as well as public sector spending reviews which impact on trading and employment.

¹¹ ibid



Annex 1: List of BSA Members, September 2023

3C3 Ltd
AECOM
Amey Plc
Aramark
Atkins
Atlas FM
Atos
AutogenAI
Baachu
Balfour Beatty Plc
Barclays Corporate
Bellrock
Bevan Brittan LLP
Bouygues E&S UK
Browne Jacobson LLP
BT Group Plc
Business 2 Business
Capita Plc
Catch 22
CGI
CH & Co Group
City FM
Clyde & Co LLP
CMS Cameron McKenna Nabarro Olswang LLP
Compass Group Plc
Connections Consulting
Corndel Ltd
Costain
Deloitte
DWF LLP
DXC Technology
Elior UK Ltd
Eric Wright FM
Form1 Partners
Fujitsu UK
G3 Systems Ltd
G4S Plc
Glaston Consulting
Global Secure Accreditation
GoodPeople
Hinduja Global Solutions
HP
IBM
Ingeus
ISS UK
Jobs22
Kier Group Plc
KPMG
Lumby CMS
Mace
Maple Strategy
Maximus UK Ltd
Mazars
Medallia
Mitie
MTC
NatWest
NCG
Netcompany UK Ltd
OCS Group UK Ltd
P3
Pinsent Masons LLP
Public Digital
Reed in Partnership
Robertson FM
Salisbury Group
Seetec Group Ltd
Serco Group Plc
Sharpe Pritchard LLP
Sodexo Ltd
Sopra Steria Ltd
Space Solutions
Spend Network
Strictly Education
The Grichan Whitestone Partnership
The Growth Company
The Network Group
The Palladium Group
The Shaw Trust
The Sustainability Group
Turley
Twin UK
Veolia
Vercity
VINCI Facilities
VPS Group
Wand Consulting
Wates Group
Willmott Dixon
WSP