
Bedfordshire Quarterly Economic Survey Results.



Q2 2019

Based on data collected
20th May to
10th June 2019

The stats.



Q2 2019 saw a freeze in investment intentions for plant & machinery, recruitment and training.



Domestic sales took a dive, with tough trading conditions contributing to a net contraction of 11% points.



In stark contrast to domestic sales, exporters in Q2 2019 outperformed expectations with results showing that international trade had net gains in reported sales and future orders.

Introduction to Findings.

Background

Bedfordshire Chamber of Commerce provides business support services to members who collectively employ approximately 23% of Bedfordshire's workforce.

The aim of the Chamber is to support businesses to grow and help create the best climate for the county to prosper. This is achieved by ensuring that those taking decisions on key issues such as skills, infrastructure, taxation and business regulation hear the voice of our members.

The representation of members' views is an essential part of the Chamber service, where our mission is to nurture a winning business network that helps people connect, grow and ensure their message is heard.

The national survey...

Forming part of the British Chamber of Commerce's national survey, the QES is the principal national business survey and the first to be published in each quarter. Its results are closely watched by both the Bank of England's Monetary Policy Committee and the Treasury.

The data reveals a timely and accurate snapshot for the economic climate for businesses in Bedfordshire and beyond.

Local results...

The results for Bedfordshire have been collated and presented below to ensure our members receive a local view ahead of the national publication which will be provided in due course.

"Bedfordshire Chamber of Commerce provides business support services to members who collectively employ approximately 23% of Bedfordshire's workforce."

Local Economy Findings.

There were 75 respondents to the Quarterly Economic Survey for Quarter 2 2019 and those businesses employed 10,243 people.

5% of the respondents were sole traders, 55% small businesses (2-49 employees), 29% medium sized (50-249 employees) and 11% large businesses (250+ employees).

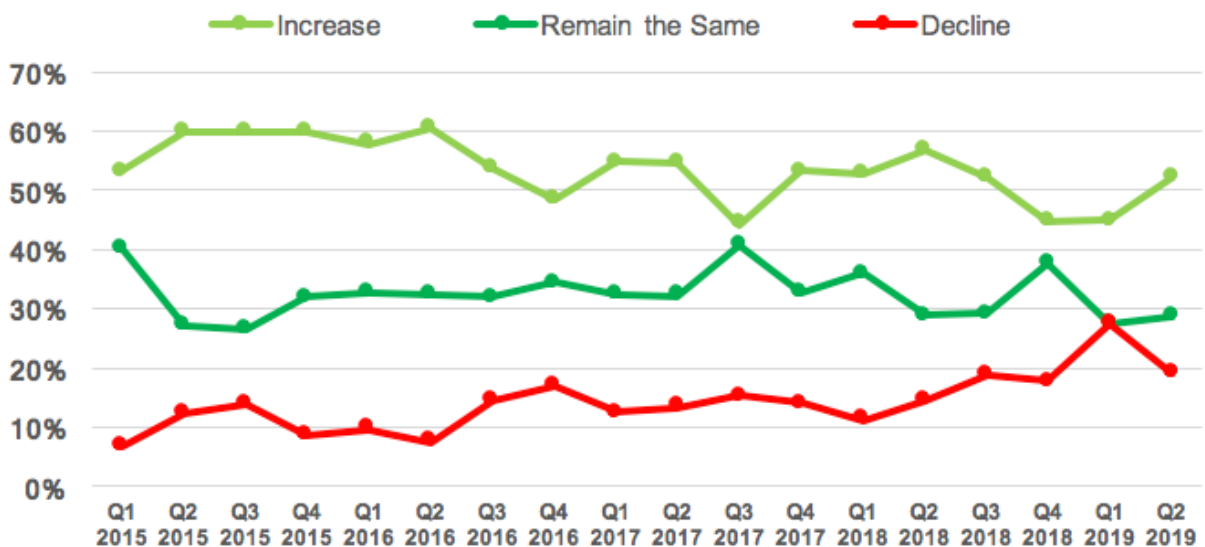
20 respondents described Manufacturing as being the sector that best fits their main business activity, 20 as Professional Services and 13 as Other Services. Other sectors represented included Retail/Wholesale, Consumer Services, Marketing/Media, Transport/Distribution, Wholesale/Retail, Construction, Tourism and Public or Voluntary sector services.

Business Confidence

Although there was a further decline in business confidence in Q2 2019 when questioned about turnover for the next 12 months, 52% of respondents believed their profits would improve over the next 12 months compared to 45% in the previous survey.

Respondents turnover expectations contracted by 6 points with 60% forecasting an increase over the next 12 months, 15% of those surveyed expect their profits to decline and 25% believed they would remain constant.

Over the next 12 months, do you believe profit will...



Domestic Market

Domestic demand for Bedfordshire businesses in quarter 2, as previously forecast in Q1 2019, highlighted tough trading conditions with sales seeing an overall net contraction of 11 percentage points with 44% of respondents seeing sales increasing, 36% remaining the same over the period and 20% expecting a decline, compared to 33%, 52% and 15% respectively in the previous quarter.

Advanced domestic orders or custom saw a further decline in the period with 39% of respondents expecting to see orders increase, 39% to remain constant and 22% expecting a decline. A net contraction of 15% points compared to the previous quarter.

The British Chambers of Commerce (BCC) has slightly upgraded its growth expectations for the UK Economy forecasting GDP growth for 2019 at 1.3% (previous forecast of 1.2%) driven by the exceptionally rapid stockbuilding early in the year. However, the immediate boost to UK GDP is forecast to come at the cost of more subdued growth in 2020 and 2021 as the unwinding of historically-high inventory levels, coupled with weaker business investment, weigh on economic activity.

The BCC forecast assumes that the UK avoids a messy and disorderly exit from the EU.

International Market

In stark contrast to domestic sales, exporters in Q2 2019 outperformed expectations with results showing that international trade had net gains in reported sales and future orders. 29% of respondents saw export sales increase in the period, 51% remained constant and 20% saw a decline in sales compared to 24%, 48% and 28% respectively in the previous quarter.

The forward order book for Q2 2019 also looks positive with 31% of respondents expecting to see increases in sales compared to 17% of respondents forecasting them to decline.

A subdued global economy and Brexit uncertainty has weakened trading conditions for UK exporters but Bedfordshire based businesses seemed to have bucked the national trend in Q2 2019.

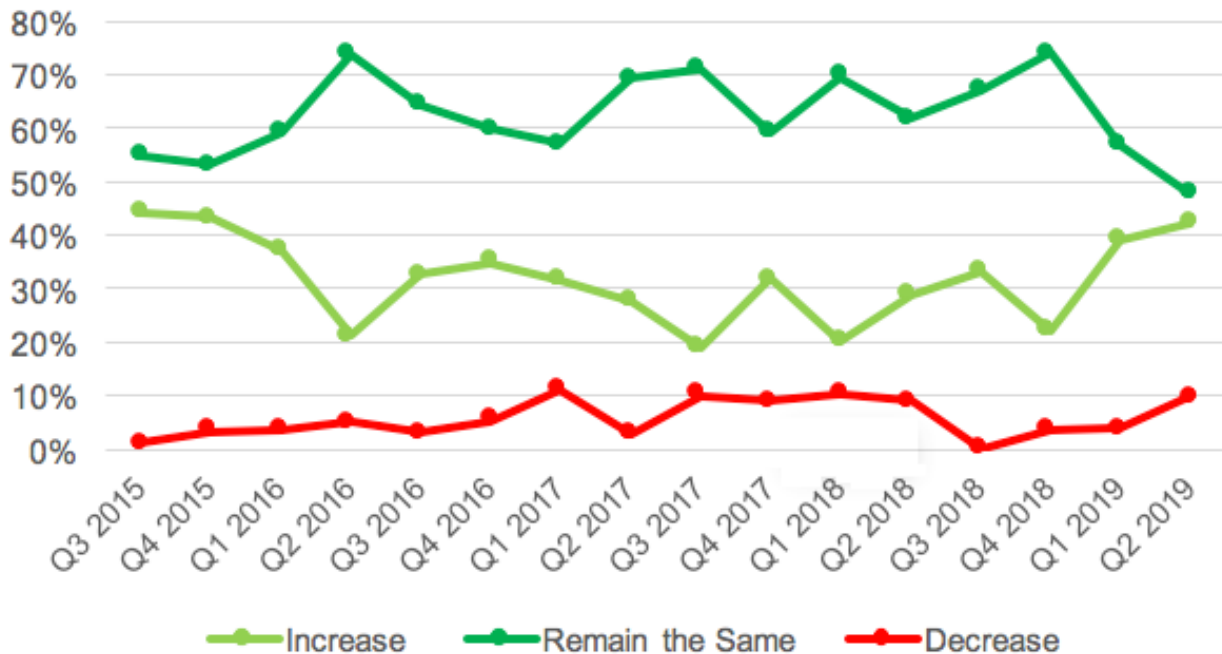
Employment & Skills

Over the past 3 months 28% of respondents increased their workforce, 55% stated it remained constant but 17% saw a decline, the highest recorded in 3 years.

70% of those businesses recruiting have experienced difficulties with the hardest positions to fill classed as technical/skilled manual and professional/managerial.

The labour market is expected to continue to be a source of strength for the economy, with the unemployment rate to average around 4.0% across the forecast period. However, with such a tight labour market, businesses will continue to face significant skills gaps, undermining their potential to grow.

Over the next 3 months, do you anticipate your workforce to...



Investment Intentions

Investment intentions for plant & machinery remained on hold in Q2 2019 with 25% of survey respondents expecting their investment plans to increase, 55% to remain constant and 20% to decline, compared to 22%, 71% and 6% respectively in the previous quarter. A net contraction of 27 points, the highest recorded level since Q1 2015.

Expectations for investment in training remained broadly in line with the previous survey with 29% expecting to increase investment in training.

Cashflow

Just over one in three respondents reported that their cashflow had improved in Q2 2019, whilst 50% of businesses said that it had remained constant over the period and 16% seeing a decline.

Capacity

55% of the survey respondents stated they were operating at full capacity and 45% operating below capacity, a significant improvement with the previous quarter's results and a reflection of the effects of a recruitment difficulties, which was 35% and 65% respectively.

The Top 3 factors affecting businesses in the area are other overheads (possibly driven by increased wage inflation), exchange rates and the price of raw materials. In the next 3 months 35% of respondents expect the price of their goods or services to increase.

The bottom line...

Brexit stockpiling to hit economic growth in coming years.

Dr Adam Marshall

Director General of the British Chambers of Commerce (BCC)

“While politicians are distracted, businesses are left with no choice but to try and prepare for the unwanted possibility of leaving the European Union on 31st October without a deal and transition period. Businesses are putting resources into contingency plans, such as stockpiling, rather than investing in ventures that would positively contribute to long-term economic growth. This is simply not sustainable. Business communities expect the next Prime Minister to quickly find a sensible and pragmatic way forward to avoid a messy and disorderly Brexit.

“The UK’s low-growth trajectory makes clear that we can’t afford for Westminster to keep turning a blind eye to the domestic agenda. The upcoming Comprehensive Spending Review is an opportunity for the next government to affirm its commitment to support economic growth, including investment in the skills and training system and infrastructure projects, such as high-speed rail and the city regeneration schemes linked to them. Businesses will also be expecting action to alleviate the heavy burden of upfront costs, which stunt growth.”