Bedfordshire Quarterly Economic Survey Results.

Q3 2018

Based on data collected 27th August to 17th September 2018

Bedfordshire Chamber of Commerce

The Stats.

Despite business confidence remaining buoyant with 65% of respondents believing turnover will improve over the next 12 months 19% expect profits to decline.

Further contraction of export revenues in the period with overseas sales and demand declining.

Cashflow over the quarter took a significant dip with 31% of respondents experiencing a decline in cashflow.

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.

It is worth noting that the survey has a tradititonallyv lower than average response rate during this period and must be treated with a degree of caution.

"49 businesses responded that collectively employed over 5,000 people"

Local Economy Findings.

There were 49 respondents to the Quarterly Economic Survey for Quarter 3 2018 and those businesses employed 4,656 people.

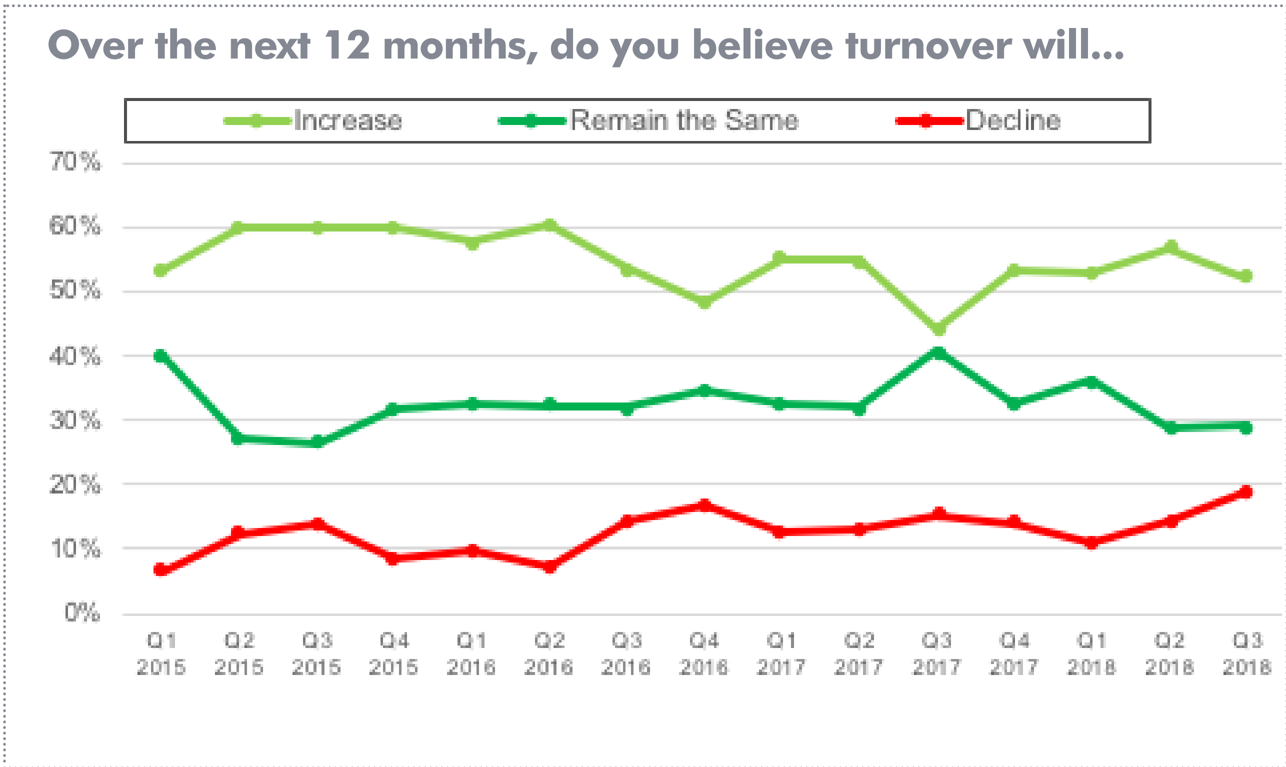
12% of the respondents were sole traders, 57% small businesses (2-49 employees), 25% medium sized (50-249 employees) and 5% large businesses (250+ employees).

17 respondents described Manufacturing as being the sector that best fits their main business activity, 11 as Professional Services and 10 as Other Services. Other sectors represented included Retail/Wholesale, Consumer Services, Marketing/Media, Transport/Distribution, Tourism and Public or voluntary sector services.

Business confidence remained fairly buoyant when questioned about turnover prospects for the next 12 months.

Q3 2018 showed 65% of respondents expecting their turnover to increase over the next 12 months but 19% expect their profits to decline. This expected decline in profits is the highest recorded in just over 3 years and shows the uncertain landscape that business is operating in having a real impact on a local level.

Business Confidence



Domestic Market

Domestic demand for Bedfordshire businesses saw a significant improvement in Q3 2018 with an overall net gain of 11 percentage points drop with 80% of respondents seeing sales increasing or remaining the same over the period, compared to 70% respectively in the previous quarter.

Advanced domestic orders or custom also saw an improvement in the period with 55% respondents expecting to see orders increase, 35% to remain constant and 10% expecting a decline. Compared to 28%, 57% and 15% respectively in the previous quarter.

The British Chambers of Commerce has downgraded its growth expectations for the UK Economy forecasting GDP growth for 2018 at just 1.1% (down from 1.3% in Q2 2018). It has also downgraded its GDP growth forecast for 2019 to 1.3% but has left its growth forecast for 2020 unchanged at 1.6%.

The latest forecast implies that by 2020 the UK economy will have experienced its second weakest decade of average annual GDP growth on record. The downgrades to the forecast have been driven by a weaker outlook for trade and investment. Consumer spending is also expected to remain weak with workers unlikely to experience meaningful real wage growth.

International Market

Q3 2018 results showed that international trade remains soft for all sectors with the latest data remaining in line with Q2 responses.

34% of respondents saw export sales increase in Q3 2018, 50% to remain constant and 16% expect to see a decline in sales.

The forward order book for Q3 2018 also looks to remain sluggish with 26% expect to see increases in sales and 52% of respondents expecting them to remain constant.

Exporters are expected to face far more subdued growth given continued Brexit uncertainty and the expected slower growth in key markets. As a consequence, we expect a negative contribution from trade over the forecast period.

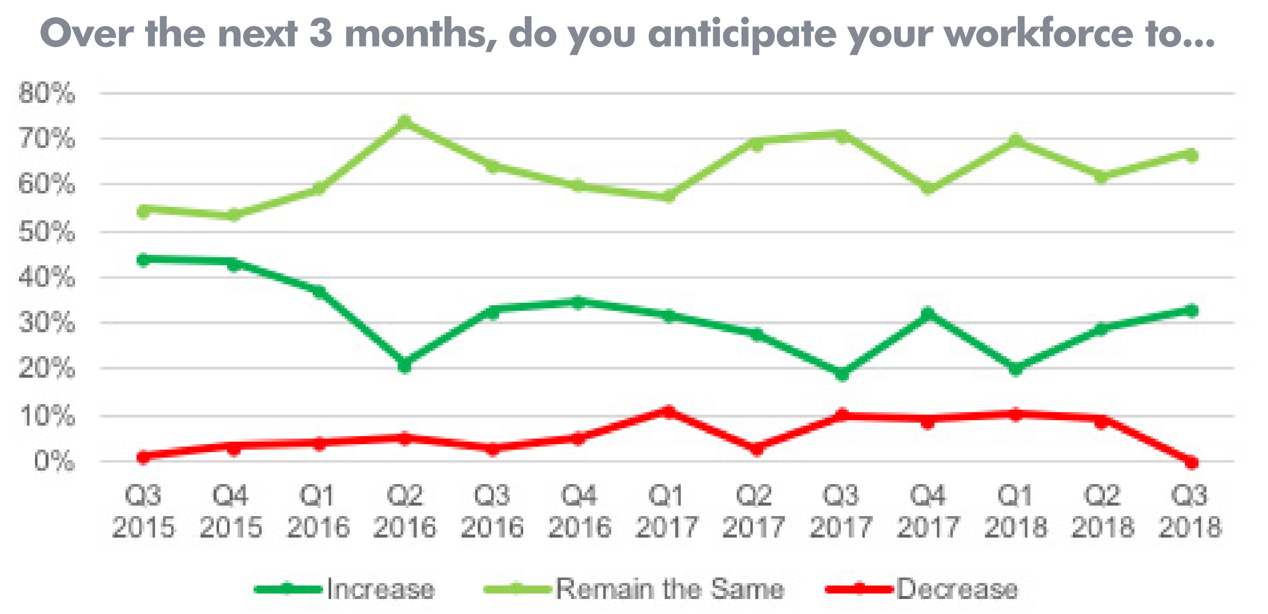
The UK's trade deficit widened by £4.7billion to £8.6billion pounds in Q2 2018, the largest deficit since Q3 2016. The widening in the deficit was driven by a 3.6% fall in goods exports in Q2 and 2% increase in imported goods over the same period.

Employment & Skills

Over the past 3 months 33% of respondents increased their workforce compared to 25% in the previous quarter with 57% of those businesses recruiting have experienced difficulties.

The hardest positions to fill were classed as technical/skilled manual, closely followed by professional/managerial.

The labour market is expected to continue to be a source of strength for the economy, with the unemployment rate forecasted to average 4.2% across the forecast period. However, is such a tight labour market, businesses will continue to face significant skills gaps, undermining their potential to grow.



Investment Intentions

Investment intentions for plant & machinery remained broadly in line with Q2 2018 results with 72% of survey respondents expecting their investment plans to remain the same.

Expectations for investment in training remained saw a net 8% point contraction on the previous quarter, with only 17% of businesses expecting to invest in training over the next 3 months, compared to 29% in Q2 2018.

Cashflow

Just under one in three respondents reported that their cashflow had declined in Q3 2018, whilst 45% of businesses said that it had remained constant over the period and just 24% seeing an improvement.

Capacity

27% of the survey respondents stated they were operating at full capacity and 73% operating below capacity a significant decline with the previous quarter's results, which was 38% and 62% respectively.

The Top 3 factors affecting businesses in the area remain exchange rates, interest rates and inflation and which expose firms to raw material and overhead price pressures. In the next 3 months 38% of respondents expect the price of their goods or services to increase.

Overall, the last month's data releases provide little evidence to suggest a sustained upturn in the UK's economic growth prospects, or evidence to corroborate the MPC's recent decision to raise interest rates.

The bottom line...

UK Growth forecasts downgraded as Brexit uncertainty hits investment and trade.

Dr Adam Marshall

Director General of the British Chambers of Commerce (BCC)

"Despite strong performances by some firms, the UK economy as a whole is set to grow at a snail's pace. Brexit uncertainty continues to weigh heavily on many firms, as most of the practical questions facing trading businesses remain unanswered. The lack of precision on the nature of the UK's future relationship with the EU is lowering expectations for both business investment and export growth.

"The drag effect on investment and trade would intensify in the event of a 'messy' and disorderly Brexit. Businesses need the Brexit negotiations to deliver clarity, precision and results at pace over the coming weeks.

"A deal with Brussels won't deliver stronger UK growth on its own. The Prime Minister and the Chancellor must now pull out all the stops here at home to bolster business confidence, slash costs, and crowd in investment. At a time of massive change and uncertainty, business would not forgive a timid 'business as usual' Autumn Budget, nor tax hikes that make UK companies less competitive around the world."

Suren Thiru

Head of Economics at the British Chambers of Commerce (BCC)

"The changes to our forecast indicate that the UK economy is in for a testing period, with persistent uncertainty and the possibility of a disorderly EU exit increasingly weighing on the UK's growth prospects.

"Mounting uncertainty and the cost of doing business in the UK is likely to put a brake on investment intentions, while for exporters a combination of moderating growth in key trading markets and Brexit uncertainty are forecast to limit export activity. Consumer spending is unlikely to offset the predicted weakness in investment and trade with real wage growth expected to remain muted across the forecast horizon.

"The persistent failure to lift the UK economic speed limit by taking sustained action to boost productivity, from closing the skills gap to greater infrastructure investment, continues to limit the UK's growth potential and leaves the UK more susceptible to external economic shocks.

"Despite the downgrades to our growth forecast, the risks to our outlook remain tilted to the downside. A messy Brexit could further limit the extent to which the UK economy is able to grow, while the prospect of a renewed decline in sterling could increase the squeeze on consumers and businesses. A material broadening of global trade disputes, could also weigh further on economic activity in the UK."