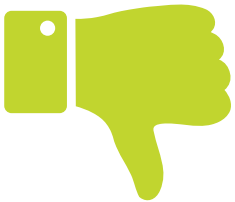

Bedfordshire Quarterly Economic Survey Results.



Q1 2019

Based on data collected
18th February to
11th March 2019

The Stats.



Business confidence took a significant dip in Q1 2019. Although 53% of respondents expected turnover to improve, 27% expected profits to decline in the next 12 months.



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



Domestic sales more positive than anticipated but future orders are forecast to be on the pessimistic side.

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 traditionally lower than average response rate during this period and must be treated with a degree of caution.

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

Local Economy Findings.

There were 51 respondents to the Quarterly Economic Survey for Quarter 1 2019 and those businesses employed 4,712 people.

8% of the respondents were sole traders, 66% small businesses (2-49 employees), 18% medium sized (50-249 employees) and 8% large businesses (250+ employees).

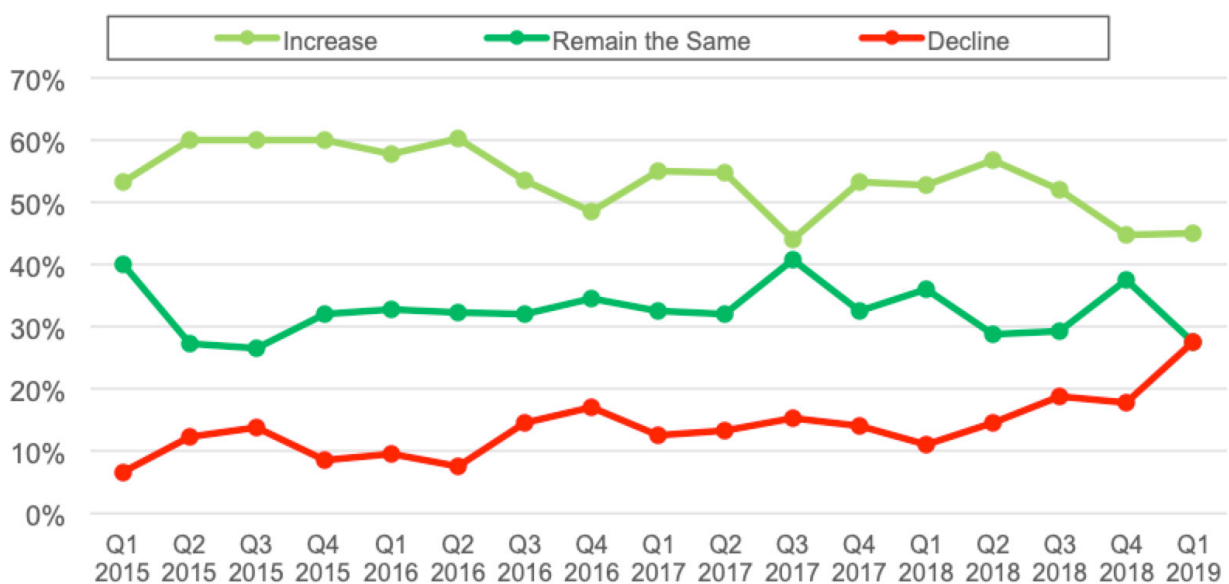
15 respondents described Manufacturing as being the sector that best fits their main business activity, 15 as Professional Services and 10 as Other Services. Other sectors represented included Retail/Wholesale, Consumer Services, Marketing/Media, Transport/Distribution, Wholesale/Retail, Construction, Tourism and Public or Voluntary sector services.

Business Confidence

Business confidence took a significant dip in Q1 2019 when questioned about turnover and profit prospects for the next 12 months.

Although respondents turnover expectations remained in line with Q4 2018 results, with 53% forecasting an increase over the next 12 months, 27% of those surveyed expect their profits to decline compared to 18% in the previous quarter. This anticipated decline in profits is the highest recorded in over 4 years and shows the uncertain landscape that business is operating in having a real impact on a local level.

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



Domestic Market

Domestic demand for Bedfordshire businesses saw more positive results than anticipated in Q1 2019 with an overall net gain of 4 percentage points with 71% of respondents seeing sales increasing or remaining the same over the period, compared to 67% respectively in the previous quarter.

Advanced domestic orders or custom saw a further decline in the period with 31% of respondents expecting to see orders increase, 54% to remain constant and 15% expecting a decline. A net contraction of 3% points compared to the previous quarter.

The British Chambers of Commerce has downgraded its growth expectations for the UK Economy forecasting GDP growth for 2019 at just 1.2% (down from previous forecast of 1.3%) which if realised would be the weakest growth in a decade. It has also downgraded its GDP growth forecast for 2020 to 1.3% and published its first forecast for 2021 of 1.4%.

The forecast assumes that the UK avoids a messy and disorderly exit from the EU. The downgrades to near term growth outlook are a further indication that the UK economy is set to remain on a weak growth trajectory for some time to come, unless decisive action is taken.

International Market

Q1 2019 results showed that international trade had a large contraction in reported sales and future orders. 24% of respondents saw export sales increase in the period, 48% remained constant and 28% saw a decline in sales compared to 28%, 59% and 13% respectively in the previous quarter.

The forward order book for Q1 2019 also looks pessimistic with only 22% of respondents expecting to see increases in sales compared to 26% of respondents forecasting them to decline.

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 to a negative contribution from trade over the forecast period.

The UK's trade deficit widened by £1.3 billion to £10.4 billion pounds in the three months to January 2019.

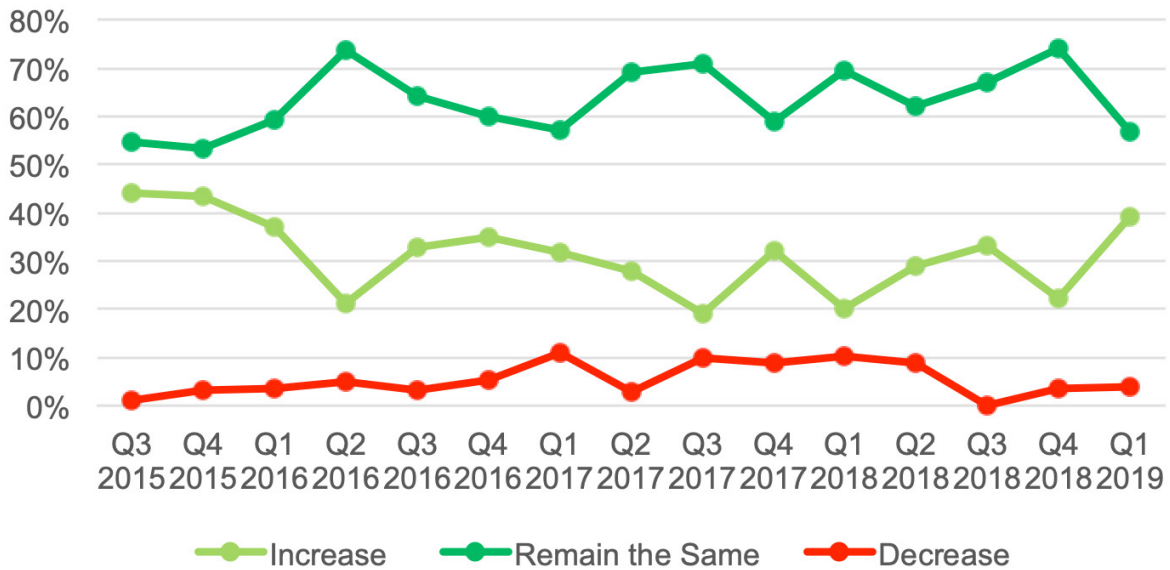
Employment & Skills

Over the past 3 months 29% of respondents increased their workforce, 65% stated it remained constant and just 6% saw a decline.

60% of those businesses recruiting have experienced difficulties with 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 around 4.0% across the forecast period. However, in 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 saw a decline with 22% of survey respondents expecting their investment plans to increase, 71% to remain constant and 6% to decline, compared to 23%, 75% and 2% respectively in the previous quarter.

Expectations for investment in training saw a net 16 point contraction on the previous quarter, with 22% of businesses expecting to invest in training over the next 3 months compared to 31% in Q4 2018.

Cashflow

Just under one in five respondents reported that their cashflow had declined in Q1 2019, whilst 57% of businesses said that it had remained constant over the period and just 25% seeing an improvement.

Capacity

35% of the survey respondents stated they were operating at full capacity and 65% operating below capacity a significant decline with the previous quarter's results, which was 45% and 55% 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 41% of respondents expect the price of their goods or services to increase.

The bottom line...

UK economy to falter further as Brexit uncertainty continues to bite.

Dr Adam Marshall

Director General of the British Chambers of Commerce (BCC)

"It is clear that political inaction has already had economic consequences, with many firms hitting the brakes on investment and recruitment decisions as a result of ongoing uncertainty. Worse still, some companies have moved investment and growth plans as part of their contingency preparations. Some of this investment may never come back to the UK.

"The economy is currently growing sluggishly at best, but a messy and disorderly exit from the EU would do real and lasting damage to the UK's economic prospects. A clear course of action on Brexit is needed from government, and greater levels of planning and guidance to prepare its own agencies and communities for all possible outcomes.

"Once no deal on March 29 has been averted, the attention and energy of both Westminster and Whitehall must return to the UK growth agenda. For too long Brexit has distracted from efforts to remove barriers to growth at home, including critical skills gaps, ageing physical and digital infrastructure systems, and high costs in the business environment. If the UK economy is to have a shot at escaping a Brexit-induced black hole, practical growth issues here at home need to be tackled urgently."