

Bedfordshire Quarterly Economic Survey Results

Q4 2016

Based on data collected 7th November to 28th November 2016



Bedfordshire Chamber of Commerce

- Exchange rates and inflation are key concerns for business.
- Investment intentions for plant and machinery remain low but plans for training have improved on Q3 2016 results.
- Profitability forecasts for the next 12 months have dropped further due to cost pressures faced by local businesses.

“136 businesses responded that collectively employed over 15,000 people”

Introduction to Findings

Background

Bedfordshire Chamber of Commerce provides business support services to members who collectively employ approximately 25% 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.

Local Economy Findings

There were 136 respondents to the Quarterly Economic Survey for Quarter 4 2016 and those businesses employed over 15,000 people.

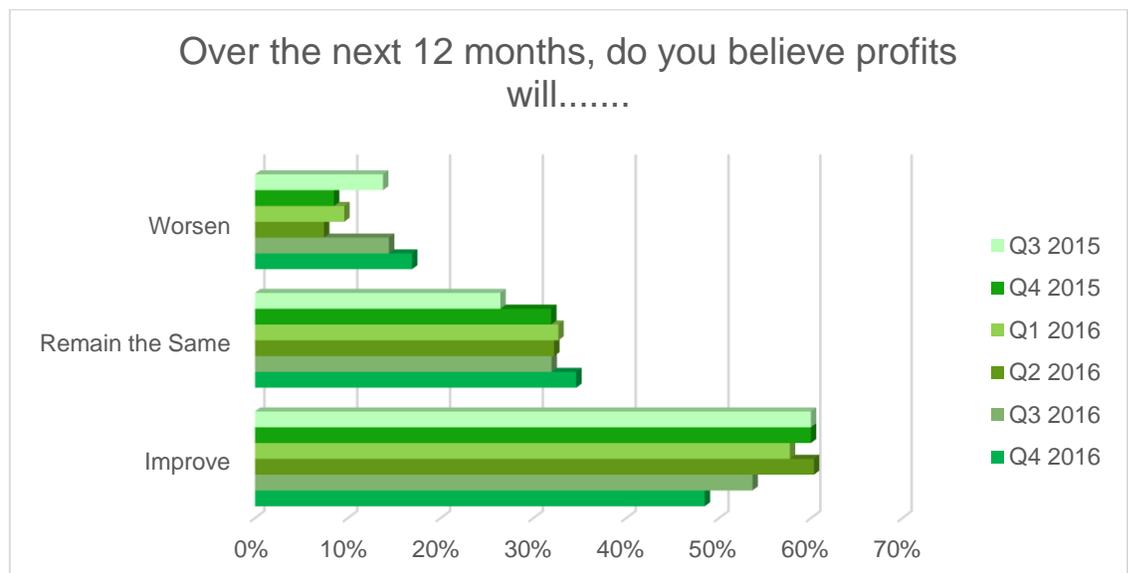
9% of the respondents were sole traders, 60% small businesses (2-49 employees), 21% medium sized (50-249 employees) and 10% large businesses (250+ employees).

36 respondents described Professional Services as being the sector that best fits their main business activity, 36 as Manufacturing and 26 as Other Services. Other sectors represented included Retail/Wholesale, Construction, Marketing/Media, Transport/Distribution, Wholesale/Retail, Tourism and Public or voluntary sector services.

Business Confidence

There was no change in the Q4 2016 survey responses when questioned about turnover prospects for the next 12 months and remained in line with the results from Q3 2016. Businesses remained cautious in their forecasts but reported they expected a further dip in the outlook for profit expectations, with 17% of respondents expecting profits to fall in this period.

Inflation and the weakening of sterling has placed cost pressures on businesses and are becoming a real concern to their growth prospects. With inflation expected to breach the Bank of England's 2% target next year, weaker economic activity looks almost certain.



Domestic Market

Domestic demand for Bedfordshire businesses remained static in Q4 2016 37% of respondents registered an increase in sales whilst 15% saw a decline compared to 51% and 3% respectively this time last year.

Advanced domestic orders or custom showed a decline with 31% of businesses expecting orders to increase compared to 36% in Q3 2016 results highlighting that the near term outlook for the local economy remains challenging, with recent resilience in growth expected to weaken.

International Market

There were no significant changes in Q4 2016 results when compared to the previous quarter.

35% of exporters saw an increase in sales, 49% reported their revenues remained constant and 16% saw a decline. With demand remaining relatively flat in the two quarters post Brexit it will be interesting to see if the effect of the value of the falling pound has been overstated by some commentators.

Employment & Skills

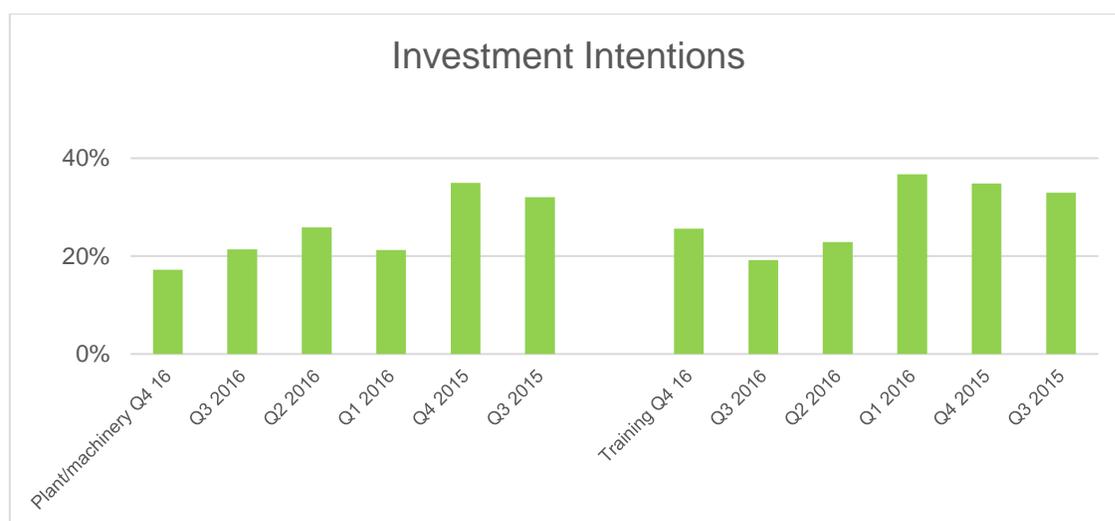
Over the past 3 months 33% of respondents increased their workforce, with 35% looking to recruit in the next quarter and remained broadly in line with Q3 2016 results.

61% of those businesses recruiting have experienced difficulties with the hardest positions to fill classed as Professional/Managerial, closely followed by technical/skilled manual.

Investment Intentions

Investment intentions for both plant & machinery and training continue to report weaker expectations levels for investment. 17% of respondents say their investment intentions for plant and machinery have increased, 70% to remain constant and 12% expect them to decrease. There was an increase in investment plans for training on the previous quarter with 26% of businesses expect to invest in training over the next 3 months compared to 19% in Q3 2016.

In the absence of a clear road ahead many companies now see increased uncertainty in the economy, which is weighing on their investment expectations and forward confidence. British Chambers of Commerce growth forecasts suggest that rising prices are expected to weaken investment intentions, by squeezing firm's margins.



Cashflow

Just over one in four respondents reported that their cashflow had improved in Q4 2016, whilst 50% of businesses said that it had remained constant over the period.

21% of those surveyed expected their cash flow to decrease and continues to remain a concern.

Capacity

43% of the survey respondents stated they were operating at full capacity, a vast improvement on the last 2 quarters surveys. The decline in capital spending intentions is reflected by the rise in spare capacity and has reduced the need to make immediate investments.

Would you like an objective view of how your business is performing? Members, EFM who specialise in Business Advisory and Financial Management, provide an online performance tool to highlight where you could make improvements, which considers a range of measures beyond just profits.

To take the quiz press here: [Business Performance Analysis](#)

The bottom line...

The survey results show that although there are some companies adopting a 'business as usual' approach in the months since the referendum there has been a clear dent in expectations for the near term future for local business.

Lower sterling and rising inflation are now starting to affect business communities and consumers across the UK. The devaluation of sterling may present opportunities for some exporting businesses but many others see this less positively, as they are unable to benefit from it.

Almost one in three businesses cite exchange rates as their biggest concern and with inflation fast becoming a key issue there is an expectation that prices will have to increase as a result.

Some key points from the British Chambers of Commerce UK forecast:

- *UK GDP growth forecasts for 2016 upgraded to 2.1%, but is expected to weaken to 1.1% in 2017 before picking up to 1.4% in 2018.*
- *Export growth is set to slow from 2.6% in 2016 to 2.3% in 2017, before increasing to 2.9% in 2018.*
- *Looking at sectors, BCC are predicting growth in services at 1.7% per year, construction activity forecast to fall by 2% in 2017 and manufacturing growth is expected to remain steady but muted at 0.8% over 2017 and 2018.*