Bedfordshire Quarterly Economic Survey Results

Q3 2017

Based on data collected 21st August to 11th September 2017

Bedfordshire Chamber of Commerce

- Domestic demand for Bedfordshire business remained flat in Q3 2017.
- There was a dramatic decline in investment plans for training
- Over the next 3 months only 19% of respondents expect to increase their workforce.

“63 businesses responded that collectively employed over 7,000 people”

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.

Local Economy Findings

There were 63 respondents to the Quarterly Economic Survey for Quarter 3 2017 and those businesses employed over 7,000 people.

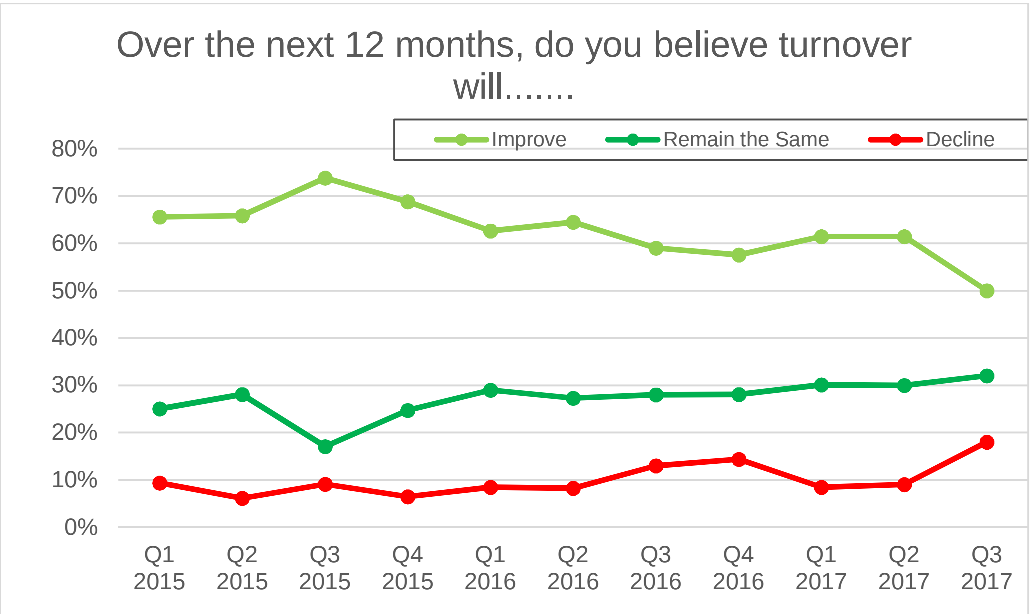
13% of the respondents were sole traders, 54% small businesses (2-49 employees), 23% medium sized (50-249 employees) and 10% large businesses (250+ employees).

16 respondents described Professional Services as being the sector that best fits their main business activity, 16 as Manufacturing and 12 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 a decline in business confidence in the Q3 2017 survey responses when questioned about turnover and profitability prospects for the next 12 months.

The Bank of England has downgraded its outlook for the UK economy and local businesses have shown a weakening in the confidence of their turnover and profit expectations. Only 50% of respondents expect their turnover to increase over the next 12 months, with 41% anticipating improvements in profits.



Domestic Market

Domestic demand for Bedfordshire businesses remained flat in Q3 2017 with 52% of respondents seeing sales remaining constant over the period, whilst 11% saw a decline compared to 41% and 13% respectively in the previous quarter.

Advanced domestic orders or custom also remained fairly flat in the period.

While the outlook for UK exporters is modest growth, imports are expected to grow at a faster rate than previously forecast, showing little evidence that consumers or firms are switching away from imports towards domestic alternatives despite their rising costs.

International Market

The international picture remains soft for all sectors with the latest data showing either a flat or weaker picture.

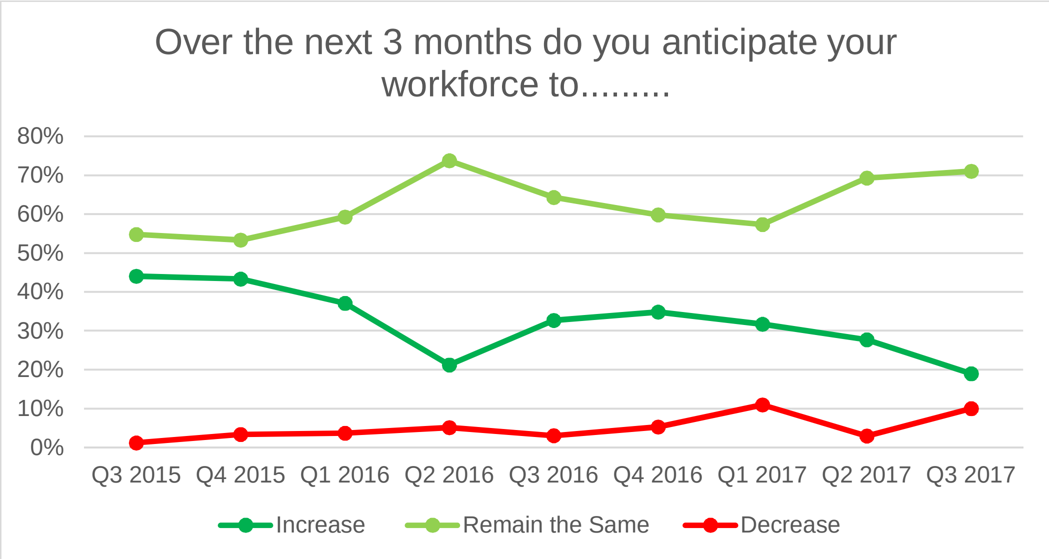
29% of respondents saw export sales increase, 51% remained constant and 20% saw a decline in sales. A weakening sterling might see exporters achieving some short term opportunities – in either lowering prices or increasing margins – these are fast being eroded by higher costs from imported materials.

The UK is an import-export economy with a net trade deficit; all things being equal, weak Sterling is likely to hurt more through imported inflation than it benefits in competitive pricing abroad.

Employment & Skills

Over the past 3 months only 19% of respondents increased their workforce, compared to 30% in the previous showing the lowest recorded response in nearly 3 years.

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



Investment Intentions

Investment intentions for plant & machinery remained in line from the previous quarter with 18% of respondents saying their intentions for investment have increased, 77% to remain constant and 5% expect them to decrease.

There was a dramatic decline in investment plans for training on the previous quarter, with 12% of businesses expecting to invest in training over the next 3 months, compared to 26% in Q2 2017.

Indicators point towards UK labour market conditions cooling over the next few years as the expected slowdown in growth and the rising burden of upfront business costs stifle firms’ hiring intentions.

Cashflow

Just one in four respondents reported that their cashflow had improved in Q3 2017, whilst 65% of businesses said that it had remained constant over the period.

Capacity

43% of the survey respondents stated they were operating at full capacity up 6% points from the previous quarter.

The bottom line…

Overall, the latest data releases add to the growing consensus that the UK economy is weakening.

The Bank of England has downgraded its outlook for the UK economy. The central bank cut its UK GDP growth forecast for 2017 to 1.7%, from its previous forecast of 1.9%. They also downgraded their 2018 GDP growth forecast from 1.7% to 1.6%. The Bank of England attributed much of weakening outlook to more subdued consumer spending and business investment. As a result, the MPC vote to keep interest rates on hold at 0.25% widened from 5-3 to 6-2. Overall, the Bank of England's latest forecasts of UK GDP growth suggest that the UK economy is in a more subdued period.

As we move through the Brexit process there needs to be a greater focus on measures to boost confidence and growth, including addressing the escalating burden of upfront taxes and costs associated with doing business in the UK

Suren Thiru, Head of Economics, British Chambers of Commerce.

"The changes to our growth forecast suggest that the UK economy is likely to remain on a low-growth trajectory, and will be marginally smaller at the end of the forecast period than we predicted in the second quarter. It is increasingly clear that the post-EU referendum slide in the value of sterling has done more harm than good. Inflation is being driven by the sizable increases in the cost of imported raw materials over the past year, and is expected to remain a drag on consumer spending over the near term, with pay growth not expected to outpace price growth until 2019.

The contribution of net trade to UK GDP growth is not expected to be as strong as we previously predicted, as we see little evidence that the depreciation of the pound is materially boosting the UK's external position. Although there remains considerable uncertainty over UK's growth prospects, the risks to our current outlook are to the downside. On Brexit our forecast implicitly assumes a relatively smooth exit from the EU. A more sudden departure would be likely to trigger a far more marked weakening in economic conditions."