

Bedfordshire Quarterly Economic Survey Results

Q4 2017

Based on data collected 6th November to 27th November 2017



Bedfordshire Chamber of Commerce

- Business confidence bounced back in Q4 with 63% of respondents believing turnover will improve over the next 12 months.
- 40% of businesses expect to increase their prices over the next 3 months.
- Both domestic and international sales improved in Q4 2017.

“92 businesses responded that collectively employed over 6,000 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 92 respondents to the Quarterly Economic Survey for Quarter 4 2017 and those businesses employed over 6,000 people.

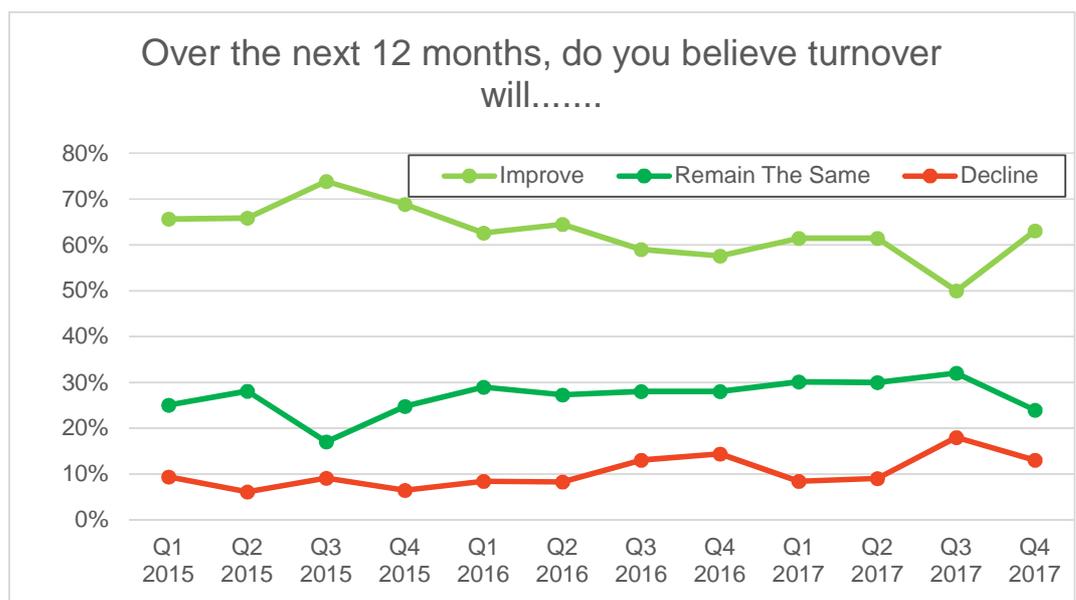
13% of the respondents were sole traders, 59% small businesses (2-49 employees), 21% medium sized (50-249 employees) and 7% large businesses (250+ employees).

30 respondents described Professional Services as being the sector that best fits their main business activity, 24 as Manufacturing and 14 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 rebound in business confidence in the Q4 2017 survey responses when questioned about turnover and profitability prospects for the next 12 months.

Q4 has provided some welcome relief from the first nine months of 2017 with 63% of respondents expecting their turnover to increase over the next 12 months and 53% anticipating improvements in profits. The UK economic output is now 9.7% above it's Q1 2008 pre-recession peak and these local results show some modest optimism in the county.



Domestic Market

Domestic demand for Bedfordshire businesses improved in Q4 2017 with 47% of respondents seeing sales increasing over the period, whilst 12% saw a decline compared to 36% and 11% respectively in the previous quarter.

Advanced domestic orders or custom also saw significant improvements in the period with 39% expecting to see an increase up 12% points from the previous quarter.

The first official estimate of UK GDP saw growth in the third quarter at 0.4%, up slightly on the growth of 0.3% recorded in the previous quarter and stronger than had been expected. While GDP growth in Q3 was a slight uptick on the previous quarter, the UK's combined economic growth performance over the first nine months of 2017 was still the weakest since late 2012. Overall, the latest GDP data suggests that the UK economy remains on a low growth trajectory.

International Market

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

30% of respondents saw export sales increase, 53% remained constant and 17% saw a decline in sales. While exports rose 0.6% in late September, this was more than offset by a 3.2% rise in imports over the same period. It seems there remains little evidence that the decline in sterling's value over the past year is boosting the UK's overall trade position.

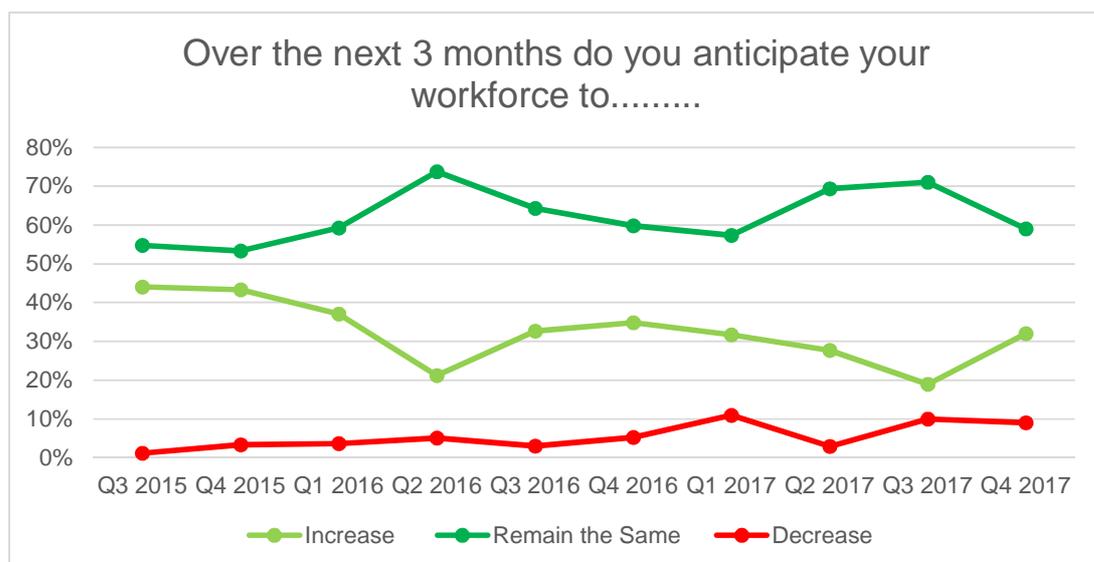
Businesses across the UK continue to report that the post-EU Referendum weakness in sterling is hurting as much as helping, with firms continuing to face higher input costs due to weakening currency.

That said, Bedfordshire exporters did report that advanced overseas orders and custom had improved, with 28% expecting an increase compares to 20% in the previous quarter.

Employment & Skills

Q4 saw a rebound in recruitment with 30% of respondents increasing their workforce over the last 3 months, compared to just 19% in the previous quarter.

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



Investment Intentions

Investment intentions for plant & machinery remained broadly in line from the previous quarter with 20% of respondents saying their intentions for investment have increased, 67% to remain constant and 13% expect them to decrease.

There was a 6 percentage point improvement in investment plans for training on the previous quarter, with 18% of businesses expecting to invest in training over the next 3 months, compared to 12% in Q3 2017. Although a stark improvement on the previous quarter this still remains significantly below past survey results.

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 over one in three respondents reported that their cashflow had improved in Q4 2017, whilst 47% of businesses said that it had remained constant over the period and 17% seeing a decline.

Capacity

37% of the survey respondents stated they were operating at full capacity down 6 percentage points from the previous quarter.

The bottom line...

Uncertainty constraining UK economic growth

The British Chambers of Commerce (BCC) has slightly downgraded its three-year outlook for the UK economy, cutting growth expectations from 1.6% to 1.5% in 2017, from 1.2% to 1.1% in 2018, and from 1.4% to 1.3% in 2019.

The slight downgrade to the leading business group's forecast is mainly driven by a slightly weaker contribution from net trade across the forecast period, while household consumption and business investment are expected to remain sluggish through the forecast period. UK productivity is also forecast to remain subdued.

Dr Adam Marshall, Director General of the British Chambers of Commerce.

“Despite pockets of resilience and success, and strong results for some UK firms, the bigger picture is one of slow economic growth amid uncertain trading conditions.

“Clarity on the nature of the UK’s future trading relationship with the EU is needed to ease the cloud of uncertainty that lingers over business communities, and which is undermining many firms’ investment decisions and confidence. Certainty over the course of Brexit would also help to stabilise markets, and reduce the volatility of sterling, which businesses say is increasing their costs.

“Yet even the best possible Brexit deal won’t be worth the paper it’s written on if the government fails to address the many long-standing, and well-known, barriers to growth here at home. Ever-rising upfront costs, a labour market at capacity, growing pressure on land use, and a physical and digital infrastructure in need of investment and expansion, all prevent UK firms from reaching their potential. While the recent Budget made some welcome steps in the right direction, concerted and sustained action to fix the fundamentals is needed to encourage business investment and growth.”