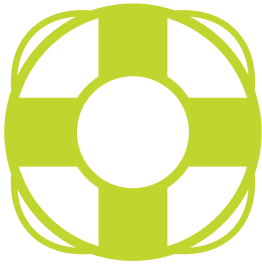

Bedfordshire Quarterly Economic Survey Results.



Q1 2018

Based on data
collected 19th February
to 12th March 2018

The Stats.



Business confidence remained buoyant with 57% of respondents believing turnover will improve over the next 12 months.



Export growth is expected to remain robust as stronger global economic growth continues to support demand for UK goods and services.



Investment intentions for plant & machinery saw a 6% point contraction in Q1 2018.

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.

"74 businesses responded that collectively employed over 7,000 people"

Local Economy Findings.

There were 74 respondents to the Quarterly Economic Survey for Quarter 1 2018 and those businesses employed over 7,000 people.

11% of the respondents were sole traders, 58% small businesses (2-49 employees), 23% medium sized (50-249 employees) and 8% large businesses (250+ employees).

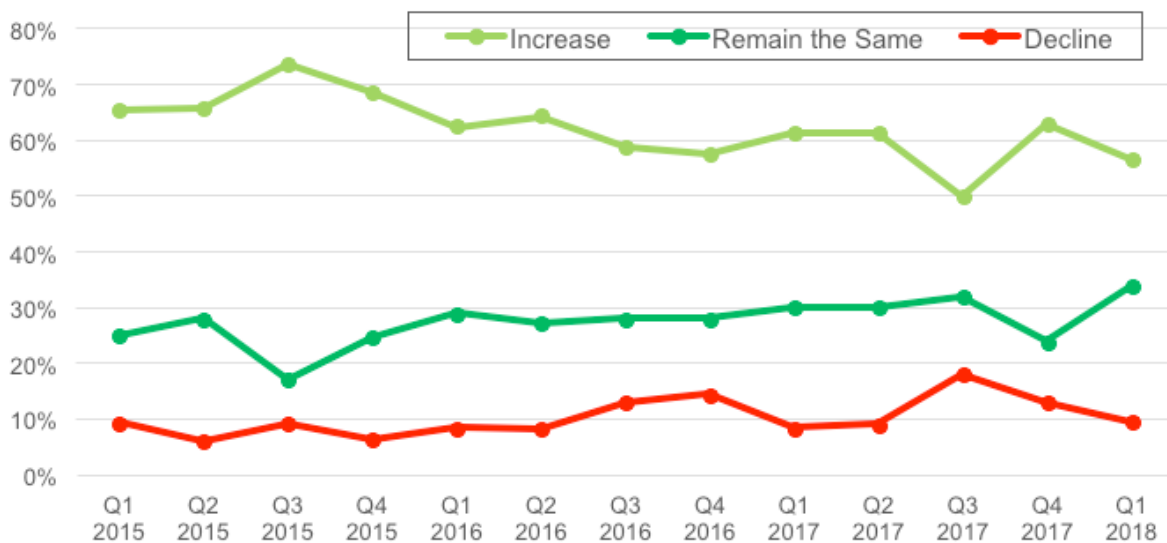
29 respondents described Manufacturing as being the sector that best fits their main business activity, 20 as Professional Services and 6 as Other Services. Other sectors represented included Retail/Wholesale, Construction, Marketing/Media, Transport/Distribution, Wholesale/Retail, Tourism and Public or voluntary sector services.

Business Confidence

Business confidence remained broadly in line with the Q4 2017 survey responses when questioned about turnover and profitability prospects for the next 12 months.

Q1 2018 showed 57% of respondents expecting their turnover to increase over the next 12 months and 53% anticipating improvements in profits. With net indicators showing +7 points and +6 points for turnover and profit growth respectively.

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



Domestic Market

Domestic demand for Bedfordshire businesses continued to improve in Q1 2018 overall net growth at +5 points with 34% of respondents seeing sales increasing over the period, whilst 57% saw sales remain constant and only 9% saw a decline compared to 41% and 11% respectively in the previous quarter.

Advanced domestic orders or custom also saw significant improvements in the period with +19% respondents expecting to see orders increase or remain constant compared to 7% expecting to see a contraction in sales. The 7% expecting to see their order book drop is the lowest recorded on the survey since Q4 2015.

In its February 2018 inflation report, the Bank of England upgraded its UK GDP growth forecast for 2018 to 1.8% from 1.6% and for 2019, from 1.7% to 1.8%. The central bank's latest UK GDP growth forecast in 2018 are higher than the British Chamber's latest growth projections, which, in our view will be more subdued over the near term.

International Market

Q4 2017 results showed that international trade remains soft for all sectors but the latest data saw a +11% in net export gains and was a reflection of the previous quarter's buoyant order book.

32% of respondents expect export sales to increase in Q2 2018, 66% to remain constant and just 7% expect to see a decline in sales – a 2 year low.

The forward order book for Q2 2018 looks to remain broadly in line with the previous quarter with 26% expect to see increases in sales and 62% of respondents expecting them to remain constant.

Export growth is expected to remain robust as stronger global economic growth continues to support demand for UK goods and services.

The UK's trade deficit widened from £9.7b in Q3 2017 to £12.2b in Q4 2017, down from the previous estimate of 0.5%. The downward revision was driven by industrial output growing slightly less than previously estimated.

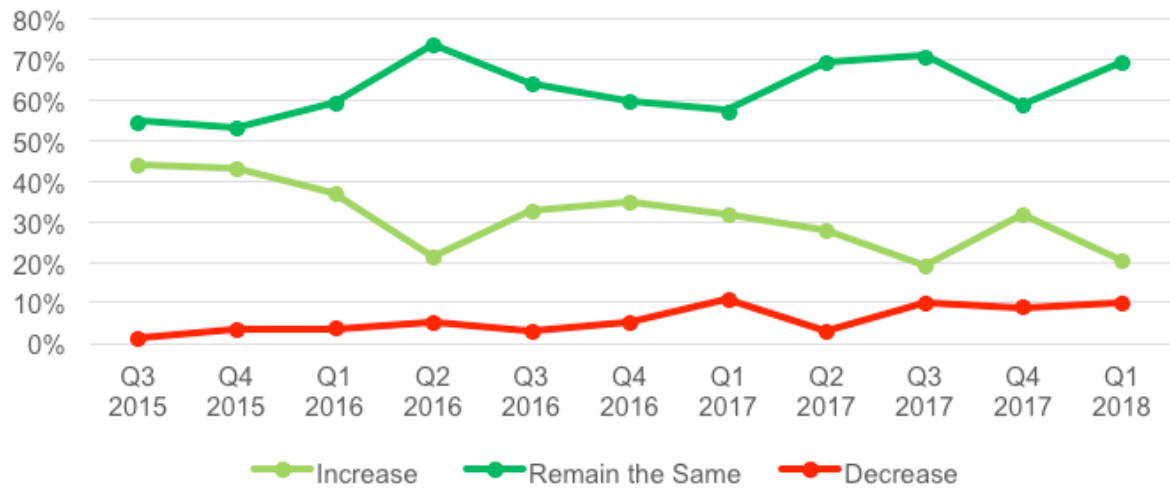
Employment & Skills

Over the past 3 months 19% of respondents increased their workforce compared to 30% in the previous quarter with 49% of those businesses recruiting have experienced difficulties.

Although the jobs market in Bedfordshire remains on a relatively firm footing, businesses in Bedfordshire continue to highlight the difficulties in finding the right talent to support their growth aspirations.

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

Over the next 3 months, do you anticipate your workforce to...



Investment Intentions

Investment intentions for plant & machinery saw a 6 point contraction from the previous quarter with 16% of respondents saying their intentions for investment have decreased, 56% to remain constant and 28% expect them to increase.

Expectations for investment plans for training remained broadly in line with the previous quarter, with 25% of businesses expecting to invest in training over the next 3 months, compared to 20% in Q4 2017.

Cashflow

Just under one in four respondents reported that their cashflow had improved in Q1 2018, whilst 61% of businesses said that it had remained constant over the period and 15% seeing a decline.

Capacity

37% of the survey respondents stated they were operating at full capacity and 63% operating below capacity remaining in line with the previous quarter's results.

The Top 3 factors affecting businesses in the area remain exchange rates, inflation and business rates which expose firms to raw material and overhead price pressures. In the next 3 months 39% of respondents expect the price of their goods or services to increase.

The bottom line...

UK Economy remains subdued despite uplift from strong global growth

The British Chambers of Commerce (BCC) has upgraded its growth expectations for the UK economy, raising its forecast for GDP from 1.1% to 1.4% in 2018, 1.3% to 1.5% for 2019 and its first forecasts for 2020 is for 1.6% growth.

The upgrade to the forecast is largely driven by slightly stronger than expected levels of consumer spending. The UK's export performance is expected to remain robust on the back of strong global growth, particularly in key markets such as the Eurozone and US. That said, with imports also likely to continue to grow at a good rate, the contribution of net trade to UK GDP growth over the near term is to be limited, particularly with little evidence of a sterling boost to the UK's overall net trade position.

Despite the upgrades, UK GDP growth is set to remain well below the historical average throughout the forecast period. Our latest forecast also implies that the UK will remain among the worst performing economies in the G7 until 2020 at the earliest. Productivity is expected to improve marginally over the forecast period but will remain subdued, hampered by deep rooted problems in the economy, including skills shortages and chronic underinvestment in the UK's infrastructure.

Inflation is now expected to have peaked, and will begin easing in the near term as the impact of the post-EU referendum slide in sterling fades. While average earnings are now expected to grow by slightly more than expected in our previous forecast, real earnings growth is not expected to return to positive territory until 2019. Our new forecast is that the next increase in UK official interest rates, to 0.75%, will occur in Q2 2018, followed by another raise in the first quarter of 2019.

Dr Adam Marshall

Director General of the British Chambers of Commerce.

“While many individual businesses are doing well, the inescapable conclusion from our forecast is that the UK economy as a whole should be performing better than it is, given robust and sustained global growth.”

“Although strong global conditions have given the UK a bit of a boost through higher export demand in recent months, we have serious concerns about the potential for further growth here at home when the performance of key trading partners slows. Sustained skills and labour shortages are also a real issue, with businesses reporting significant difficulties recruiting and retaining the people they need.”

“Political uncertainty aside, the biggest brake on higher UK growth is a lack of concerted action to ‘fix the fundamentals’ here at home, with government attention distracted by Brexit.”

“A concerted effort to get the basics right on connectivity, infrastructure, training, immigration, procurement and business costs would give rise to a wave of investment and significant productivity improvements. The power to kick-start the UK economy, and raise the trend rate of growth above the current sluggish levels, lies in Westminster, not in Brussels – and businesses will respond to action by delivering investment, higher productivity, and the increased wages we all want to see.””