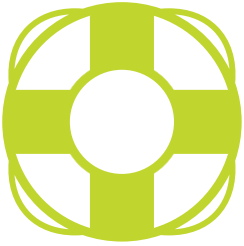

Bedfordshire Quarterly Economic Survey Results.



Q2 2018

Based on data
collected 21st May
to 11th June 2018

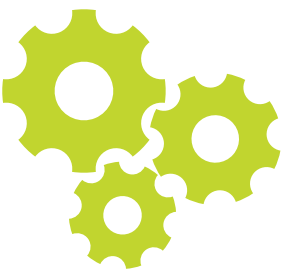
The Stats.



Despite business confidence remaining buoyant with 62% of respondents believing turnover will improve over the next 12 months domestic sales saw a 11% net contraction.



Export growth dipped in the period with overseas sales and demand declining.



Investment intentions for plant & machinery and training saw improvements in Q2 2018, bucking the national trend.

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.

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

Local Economy Findings.

There were 93 respondents to the Quarterly Economic Survey for Quarter 2 2018 and those businesses employed over 5,000 people.

22% of the respondents were sole traders, 57% small businesses (2-49 employees), 16% medium sized (50-249 employees) and 5% large businesses (250+ employees).

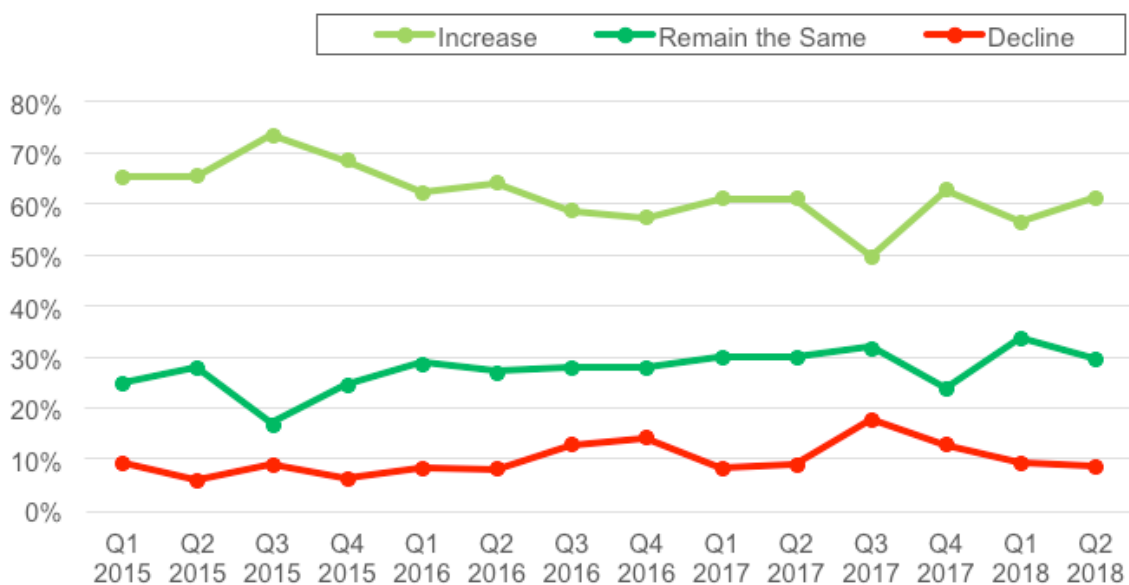
27 respondents described Professional Services as being the sector that best fits their main business activity, 20 as Manufacturing and 19 as Other Services. Other sectors represented included Retail/Wholesale, Construction, Marketing/Media, Transport/Distribution, Wholesale/Retail, Tourism and Public or voluntary sector services.

Business Confidence

Business confidence remained broadly in line with the Q1 2018 survey responses when questioned about turnover and profitability prospects for the next 12 months.

Q2 2018 showed 62% of respondents expecting their turnover to increase over the next 12 months and 57% anticipating improvements in profits. With net indicators showing +1 points and +2 points for turnover and profit growth respectively.

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



Domestic Market

Domestic demand for Bedfordshire businesses weakened in Q2 2018 with overall net contraction seeing a -11 point drop with 37% of respondents seeing sales increasing over the period, whilst 48% saw sales remain constant and 15% saw a decline compared to 59% and 9% respectively in the previous quarter.

Advanced domestic orders or custom also saw a significant decline in the period with 72% respondents expecting to see orders remain constant or decline.

The British Chambers of Commerce has downgraded its growth expectations for the UK Economy forecasting GDP growth for 2018 at 1.3% (from 1.4%) which, if realised, will be the weakest calendar year growth since 2009 when the economy was in the throes of the global financial crisis.

The downgrades have been largely driven by a more lack lustre outlook for consumer spending, business investment and trade.

International Market

Q2 2018 results showed that international trade remains soft for all sectors with the latest data seeing a surprising -7% net contraction in export, a stark contrast to the previous quarter's buoyant order book.

20% of respondents saw export sales increase in Q2 2018, 64% to remain constant and 16% expect to see a decline in sales – compared to 32%, 56% and 7% respectively in the previous quarter.

The forward order book for Q2 2018 also looks to remain sluggish with 20% expect to see increases in sales and 64% of respondents expecting them to remain constant.

The UK's net trade position is expected to weaken over the next few years by more than expected in previous forecasts. Exporters will struggle to recover the ground lost in the year so far, as growth in key markets moderates.

International trade for UK business appears to becoming lethargic in the face of uncertainties around Brexit, interest rate rises and international developments such as a possible trade war and rising oil prices.

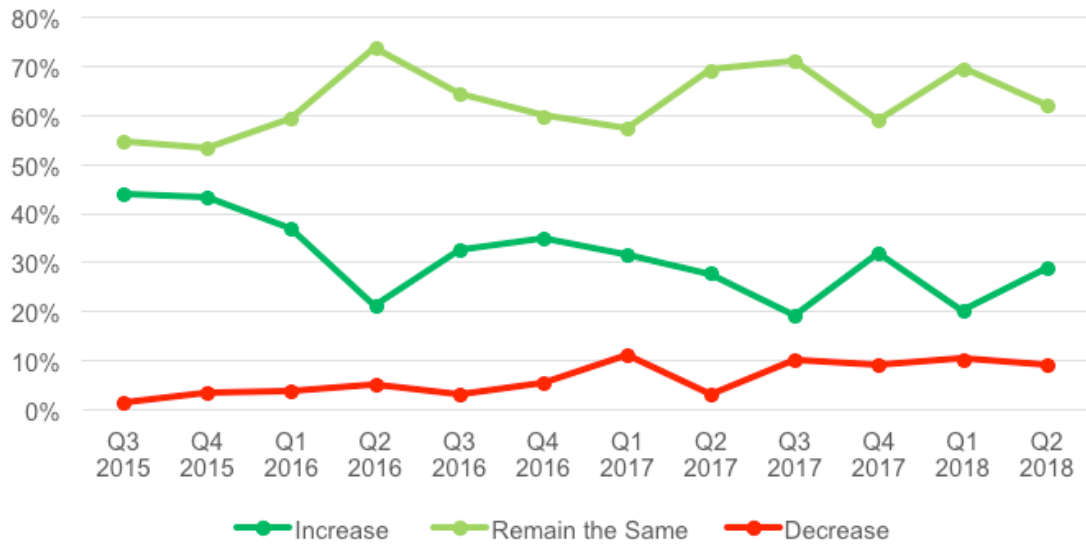
Employment & Skills

Over the past 3 months 25% of respondents increased their workforce compared to 19% in the previous quarter with 48% 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 bucked the national trend that saw a improvements from the previous quarter with 11% of respondents saying their intentions for investment have decreased, 62% to remain constant and 27% expect them to increase.

Expectations for investment plans for training remained broadly in line with the previous quarter, with 29% of businesses expecting to invest in training over the next 3 months, compared to 27% in Q1 2018.

Cashflow

Just over one in four respondents reported that their cashflow had improved in Q2 2018, whilst 53% of businesses said that it had remained constant over the period and 21% seeing a decline.

Capacity

38% of the survey respondents stated they were operating at full capacity and 62% 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 30% of respondents expect the price of their goods or services to increase.

The bottom line...

UK set for weakest year of GDP growth since 2009

Dr Adam Marshall

Director General of the British Chambers of Commerce (BCC)

"A decade on from the start of the financial crisis, the UK now faces another extended period of weak growth amidst a backdrop of both domestic and global uncertainty.

"Our forecast should serve as a wake-up call to government - as it demonstrates that 'business as usual' is not an option when it comes to the economy.

"With firms facing ongoing Brexit uncertainty, increasing global protectionism and instability in some parts of the world that will impact on costs and profits, now is the time for more robust action to support business confidence and investment.

"Brexit cannot be Westminster's only priority. Businesses across the country want to see far more urgency around fixing the fundamentals here at home and a concerted effort to lower the high costs of doing business.

"The next few years are set to be a testing time for business in the UK. What firms and their employees need is much more visible evidence that ministers are committed to getting the basics right - which would enable business in turn to invest, take risks and grow."

Suren Thiru

Head of Economics at the British Chambers of Commerce (BCC)

“While the bad weather had a demonstrative impact on the economy in Q1 2018, the latest outlook suggests that the loss of momentum suffered by the UK in the first quarter is more than just a temporary soft patch, with UK growth forecast to remain well below its historic average for the foreseeable future unless action is taken.

“The downgrades to our forecast reflect a broad-based weakening in the outlook for key areas of the UK economy including consumer spending, business investment and trade. Consumer spending is expected to be more subdued over the near term from a combination of sluggish real wage growth and stretched household finances. Trading conditions for UK exporters are expected to become more challenging over the forecast period as growth in key markets start to moderate. Against this backdrop, the case for sustainable increases in interest rates continues to look rather weak.

“While Brexit uncertainty and the weakness in sterling have weighed on overall UK growth, it is the failure to deal with the longstanding structural issues from weak productivity to the deep imbalances in the UK economy that continue to undermine the UK’s growth potential.

“The risks to the outlook are on the downside. A messy departure from the EU would likely slow UK GDP growth further over the medium term. The prospect of an escalating trade war is now a key downside risk to our forecast as it could mean much weaker export and business investment growth than implied by the current forecast.”