



QUARTERLY ECONOMIC REVIEW

QUARTER 2 2016

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QUARTERLY ECONOMIC REVIEW

QUARTER 2 2016

MANUFACTURERS in Milton Keynes have seen a dramatic upturn in hiring activity in the last three months, according to the latest Quarterly Economic Survey (QES) from Milton Keynes Chamber of Commerce.

The QES report published on 12 July for Q2 2016 showed that, looking forward, all of the manufacturing firms questioned said their headcount would either increase over the next three months or remain the same.

100% of those manufacturing firms also surveyed cited workforce training had increased or be consistent when compared with the first quarter.

It was a similar story for the service sector, who also reported an increase in hiring activity across the same timeframe. Only 4% of the service industry said their headcount would decrease over the next three months. And 92% of service sector firms said investment in training would increase or stay the same.

Data for the Q2 2016 report was collected from 23 May to 13 June and contains responses from 40 businesses employing 1,491 people.

Export sales and orders were buoyant in the second quarter of 2016, with all manufacturing firms and 90% of the service sector who took part reporting steady or increasing export sales over the most recent quarter.

It was a positive picture for export orders, with 100% of firms operating in the manufacturing sector indicating that figures had remained consistent or increased when compared to the first quarter. 78% of service sector businesses said the same.

But UK sales activity for business operating in the services sector showed a sharp decline over the previous three months, with 18% of firms reporting a decrease in sales – triple that of the last quarter, when only 6% reported a decline.

More than a third of the service sector respondents said that their sales activity over the second quarter was in line with the first quarter.

For manufacturing, UK sales activity has recorded a slight pick-up in activity over the past three months with almost half of manufacturing firms reporting an increase in UK sales activity during the second quarter and a further 44% reporting sales in line with first quarter.

Price pressures for businesses operating in the manufacturing sector declined sharply during the second quarter of 2016 with just 11% of all respondents reporting an increase over the last quarter.

Overheads, such as energy costs, were the main factor leading all industries to increase their prices. And exchange rates, business rates and competition were the main external factors for concern.

Milton Keynes Chamber of Commerce chief executive Paul Griffiths said: "It is brilliant to see firms are recruiting new staff and having great success internationally, but the uncertainty of the recent EU referendum could be an influence on the dip in the domestic market.

“The Chamber now calls upon the government to outline the next steps in the UK leaving the EU as quickly as possible to ensure calm and stability during the upcoming Brexit transition period.

“As we enter this period of transition for our country and our business communities you Chamber are here to help. Contact us with any questions you might have.”

Paul Griffiths, Chief Executive
Milton Keynes Chamber of Commerce



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QUARTERLY ECONOMIC REVIEW

QUARTER 2 2016

RESPONSES

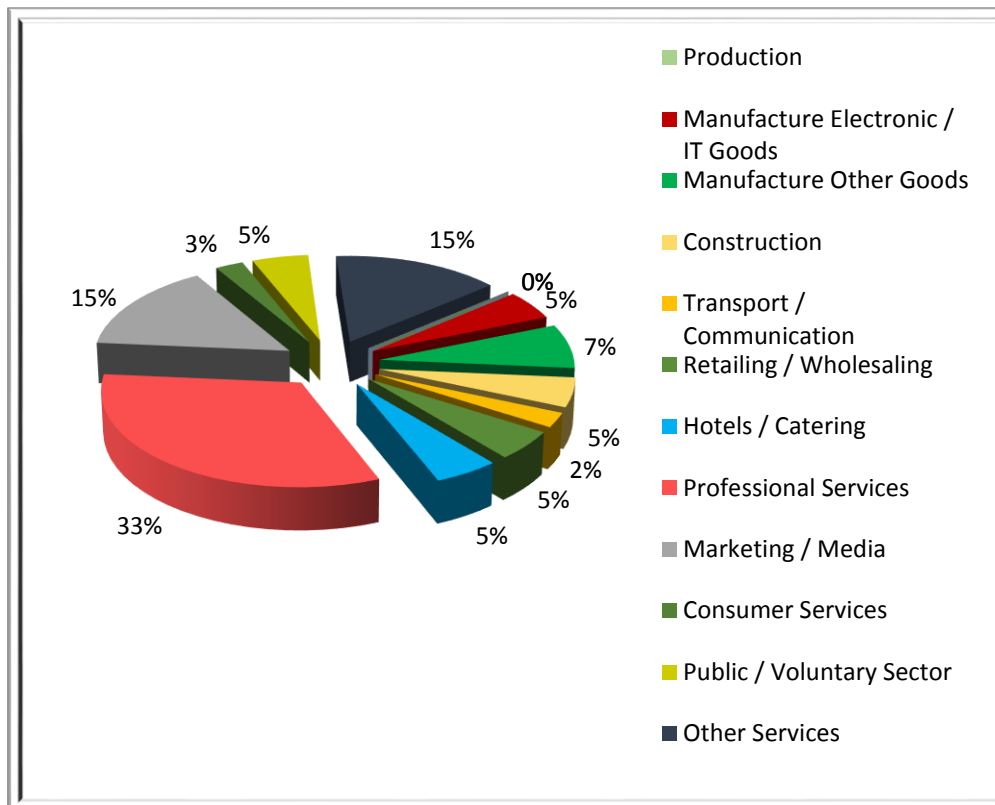
Milton Keynes Chamber of Commerce's Quarterly Economic Survey (QES) is a regular independent business survey and forms part of the biggest and most representative survey of its kind in the UK.

It is widely recognised as a key economic indicator by Government, The Bank of England and independent economists alike. It also provides both central and local policymakers with an important source of feedback of the performance, concerns and views of businesses across Milton Keynes.

The QES questionnaire covered ten broad sections;

- UK Sales and Orders Activity
- Export Sales and Orders Activity
- Employment
- Recruitment and Skills Shortages
- Cashflow
- Investment
- Business Confidence
- Capacity
- Price Pressures
- External Factors

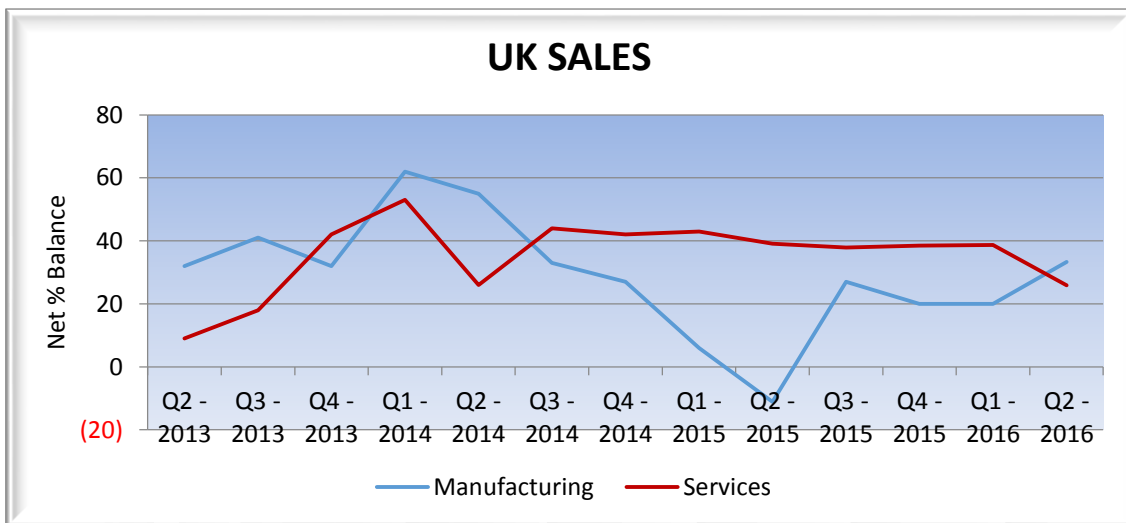
The fieldwork for Milton Keynes Chamber of Commerce's latest QES was conducted via electronic and hard copy questionnaire during the period 23rd May to the 13th June. This report therefore sets out analysis and interpretation of the findings for the second quarter of 2016. A total of 40 businesses, employing 1,491 people from across Milton Keynes responded. The sector split of respondents is shown in the table below.



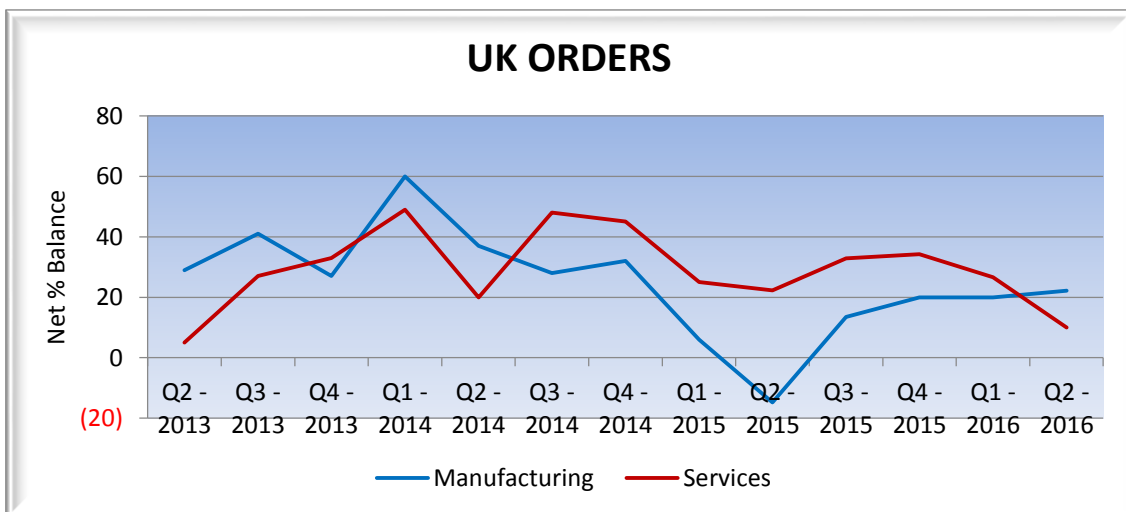
UK SALES AND ORDERS

44% of manufacturing firms reported an increase in UK sales activity during the second quarter with a further 44% reporting sales in line with first quarter. As can be viewed by the chart below, manufacturing sales activity has recorded a slight pick-up in activity over the past three months.

UK sales activity for business operating in the services sector declined over the previous three months, with this quarter showing that 18% of firms reporting a decrease in sales. This is compared to first quarter when only 6% reported a decline. However, 37% of businesses operating in the services sector had said that their sales activity over the second quarter remained in line with the first quarter.



UK orders – an indication of future demand – for the second quarter of 2016 for manufacturing firms were broadly in line with the first quarter of 2016. 78% of manufacturing firms reported that their orders had either increased or remained consistent in the first quarter of 2016. 81% of services sector firms reported orders that either remained consistent with the first quarter or increased.



* Net (percentage) balances are the difference between the percentage of businesses that expect improving or increasing positions and those expecting worsening or decreasing ones.



QUARTERLY ECONOMIC REVIEW

QUARTER 2 2016

EXPORT SALES AND ORDERS

100% of manufacturing firms reported that export sales over the most recent quarter either remained consistent or increased when compared to the first quarter of 2016. 90% of service sector firms reported that their export sales had either remained consistent with the first quarter or had increased.



Similarly to export sales, 100% of firms operating within manufacturing sector indicated that their export orders had remained consistent or increased when compared to the first quarter. 78% of service sector businesses stated that their export orders had either remained constant with the first quarter or had increased.

Factoring in those businesses in the services sector that reported a decline in export orders, the overall balance figure reads 0. Meaning that 22% reported a decline in orders equaling those that reported an increase in orders over the second quarter.

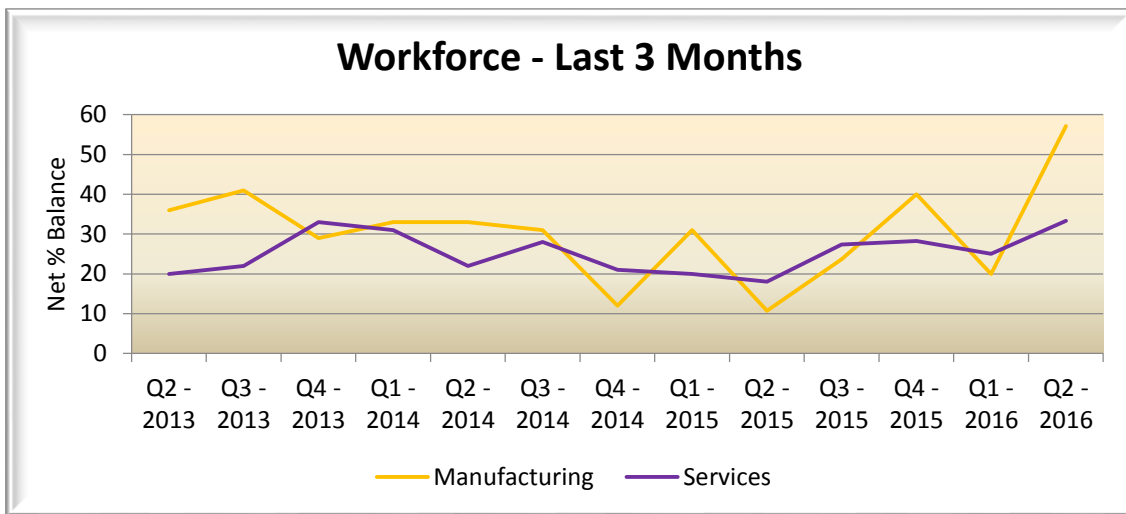


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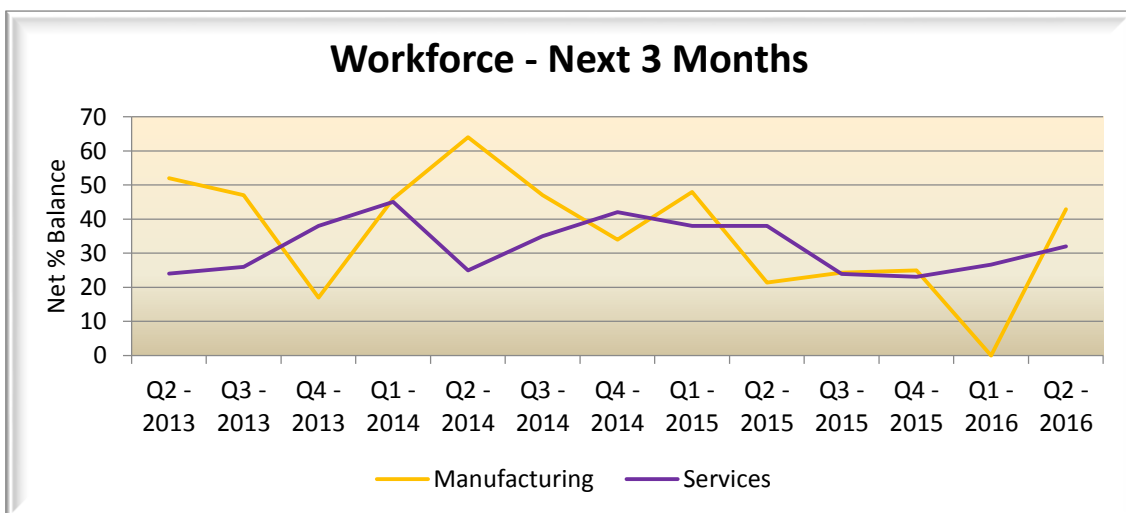
EMPLOYMENT

71% of businesses operating in the manufacturing sector reported that their headcount over the past three months had increased over the past three months during the second quarter. Employment in the services sector wasn't as healthy with a third of businesses stating that their headcount had increased. However when looking at the decline figure for both sectors, 0% of service sector firms reported a decrease in headcount versus 14% for manufacturing businesses.

85% of businesses operating across the manufacturing sector said that their workforce had either increased or remained in line with the first quarter.



As can be seen by the above chart showing the previous three months hiring trends and the below chart showing the next three months hiring trends, the manufacturing sector has seen a dramatic upturn in hiring activity. Although, the services sector has also reported an increase in hiring activity across the same timeframe. 100% of firms in the manufacturing sector said their headcount would either increase over the next three months or remain the same. Whilst only 4% of service sector firms said their headcount would decrease over the next three months.



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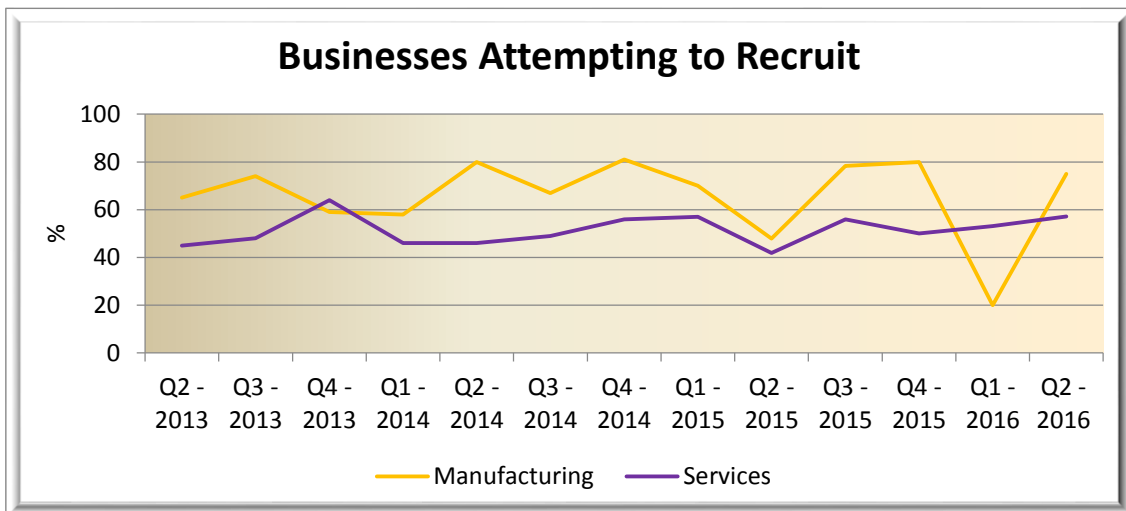


QUARTERLY ECONOMIC REVIEW

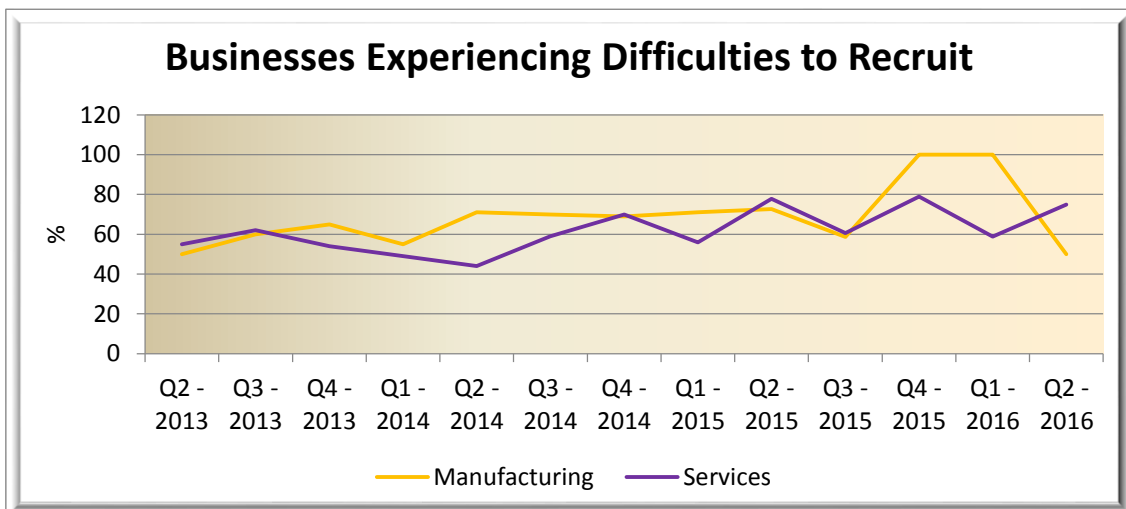
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RECRUITMENT & SKILLS SHORTAGES

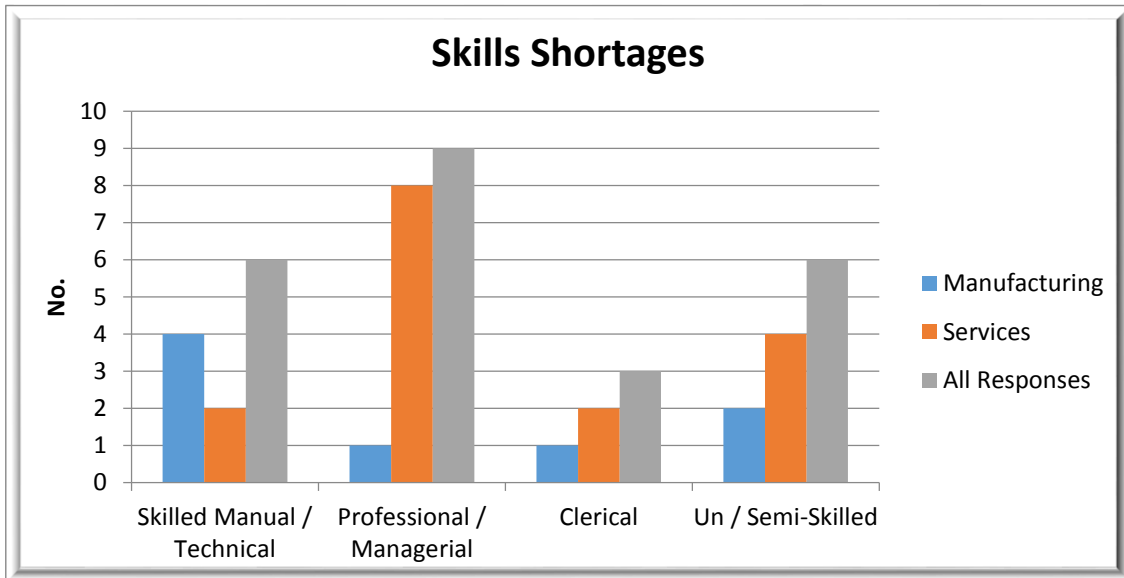
Data compiled during the first quarter shows that 75% of manufacturing firms and 57% of service sector firms attempted to recruit staff during the second quarter.



Of the 50% of manufacturing firms that had attempted to recruit staff over the past three months, 50% said they'd experienced difficulties in recruiting suitable staff. 75% of the 57% of service sector firms reporting that they had experienced difficulties in recruiting suitable staff during the second quarter.

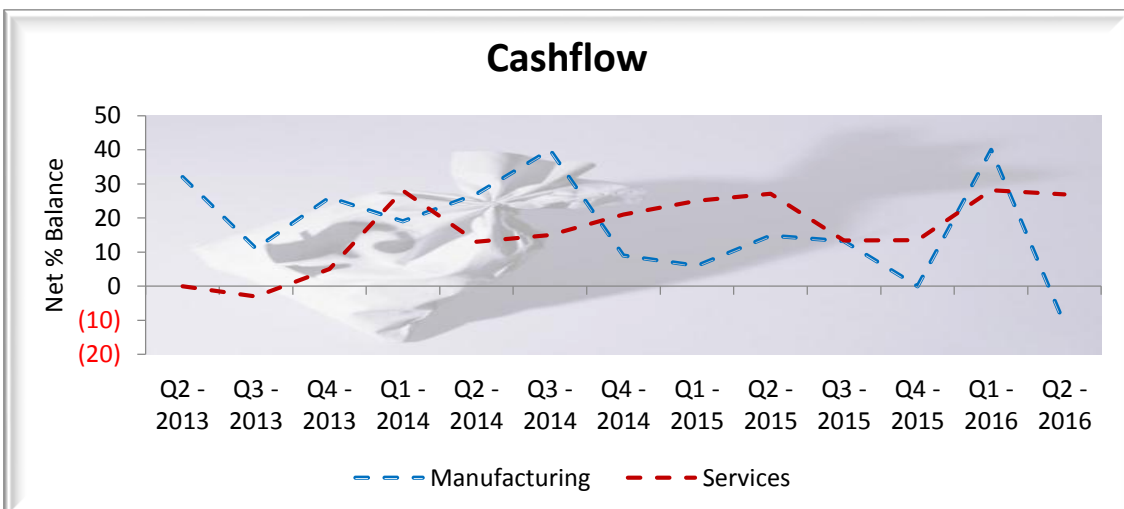


The following table highlights the skills areas where businesses experienced difficulty in sourcing new employees during the second quarter.



CASHFLOW & INVESTMENT

There was a deterioration in cashflow for businesses operating in the manufacturing sector with the balance figure now in contraction territory, with a reading of -11%. Conversely, the services sector's cashflow situation remained in robust health during the second quarter with a balance figure of 27%.



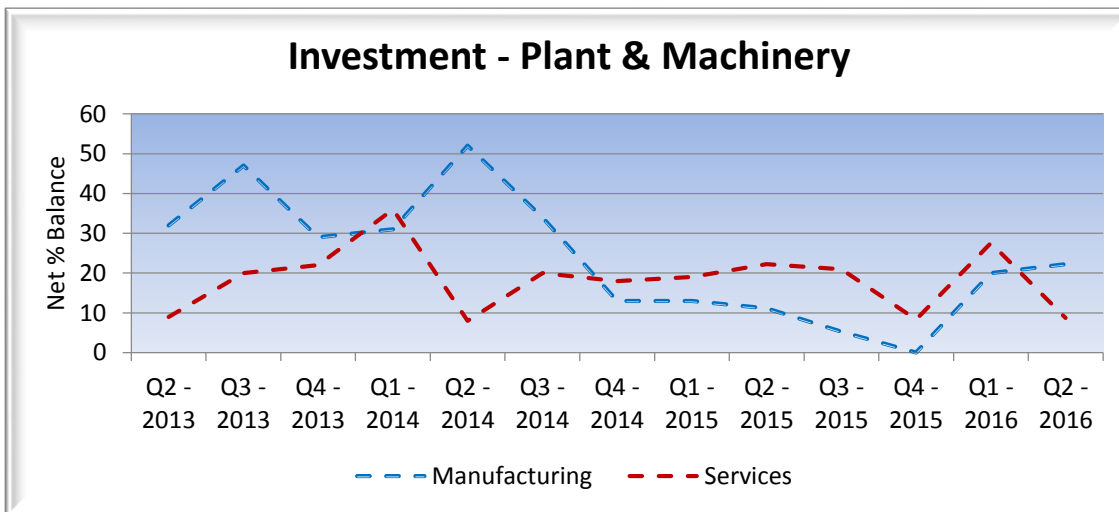


QUARTERLY ECONOMIC REVIEW

QUARTER 2 2016

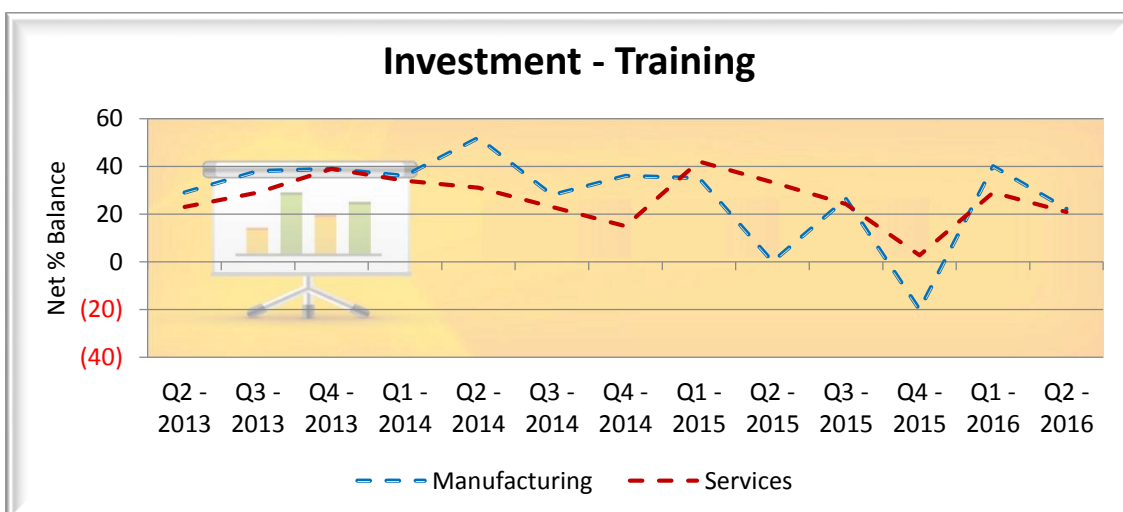
22% of manufacturing firms reported an increase in investment in plant and/or machinery during the past three months, with 78% stating investment activity had remained the same when compared to the first quarter. This means of those manufacturing firms surveyed this quarter 0% reported a decline in investment.

26% of service sector firms stated that investment plans had increase during the second of 2016 when compared to the first quarter. 57% of firms operating across the services sector stated that their investment plans for plant and/or machinery remained the same this past quarter when compared to the first quarter.



Positively, investment plans in training for businesses operating across the manufacturing sector remained in robust health, with 100% of firms surveyed citing training had increased or remained consistent when compared with the first quarter.

Investment in training for businesses operating in the service sector also remained in robust health over the second quarter. 29% of service sector businesses surveyed during the second quarter stated that their investment in training had increased, with a further 63% of firms citing investment in training remained the same, when compared to the first quarter.

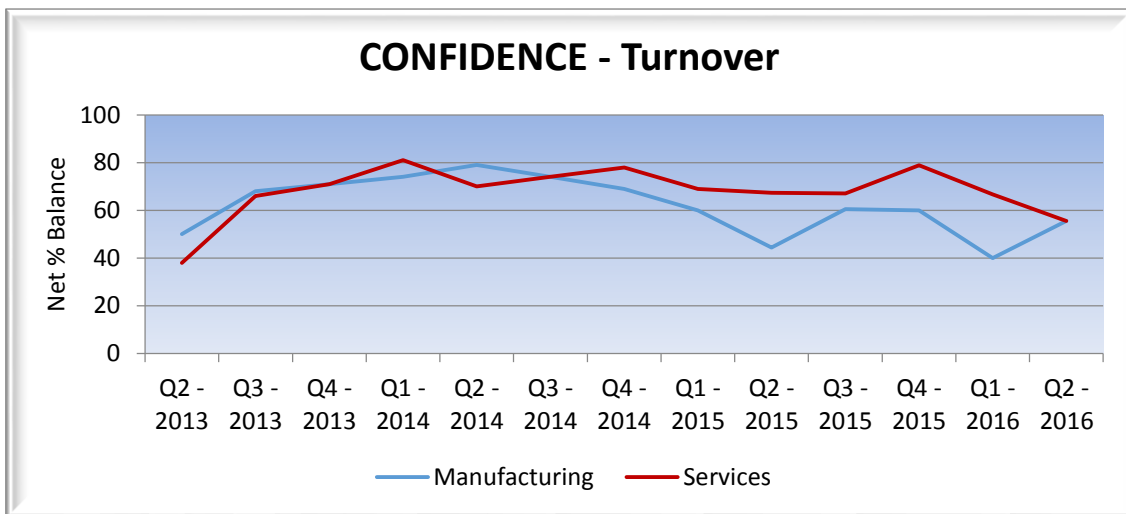


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CONFIDENCE

Business confidence across Milton Keynes as determined by turnover remained healthy during the second quarter of 2016 across both the service and manufacturing sectors.

56% of manufacturing businesses stated that their turnover during the second quarter increased. Also during the second quarter 70% of service sector businesses stated that their turnover had increased.



BUSINESS CONFIDENCE -TURNOVER NEXT 12 MONTHS - NET BALANCES

% Balance	Q2 - 2013	Q3 - 2013	Q4 - 2013	Q1 - 2014	Q2 - 2014	Q3 - 2014	Q4 - 2014	Q1 - 2015	Q2 - 2015	Q3 - 2015	Q4 - 2015	Q1 - 2016
Manufacturing	50	68	71	74	79	74	69	60	44	61	60	40
Services	38	66	71	81	70	74	78	69	67	67	79	67

* Net (percentage) balances are the difference between the percentage of businesses that expect improving or increasing positions and those expecting worsening or decreasing ones.



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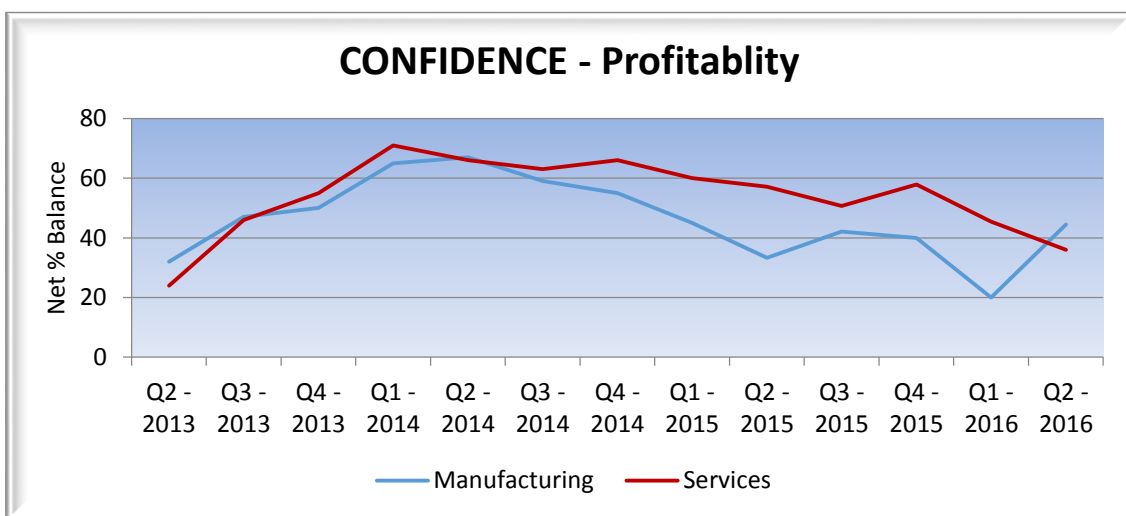
QUARTERLY ECONOMIC REVIEW

QUARTER 2 2016

Overall confidence when looking at profitability based on respondents to this quarter's survey, remained in robust health.

89% of manufacturing firms reported that profitability either remained the same or increased when compared to the previous quarter.

84% of service sector firms reported that confidence based on profitability had remained the same or had increased during the second quarter of 2016 when compared to the first quarter of 2016.



BUSINESS CONFIDENCE – PROFITABILITY NEXT 12 MONTHS – NET BALANCES

% Balance	Q2 - 2013	Q3 - 2013	Q4 - 2013	Q1 - 2014	Q2 - 2014	Q3 - 2014	Q4 - 2014	Q1 - 2015	Q2 - 2015	Q3 - 2015	Q4 - 2015	Q1 - 2016
Manufacturing	32	47	50	65	67	59	55	45	33	42	40	20
Services	24	46	55	71	66	63	66	60	57	51	58	45

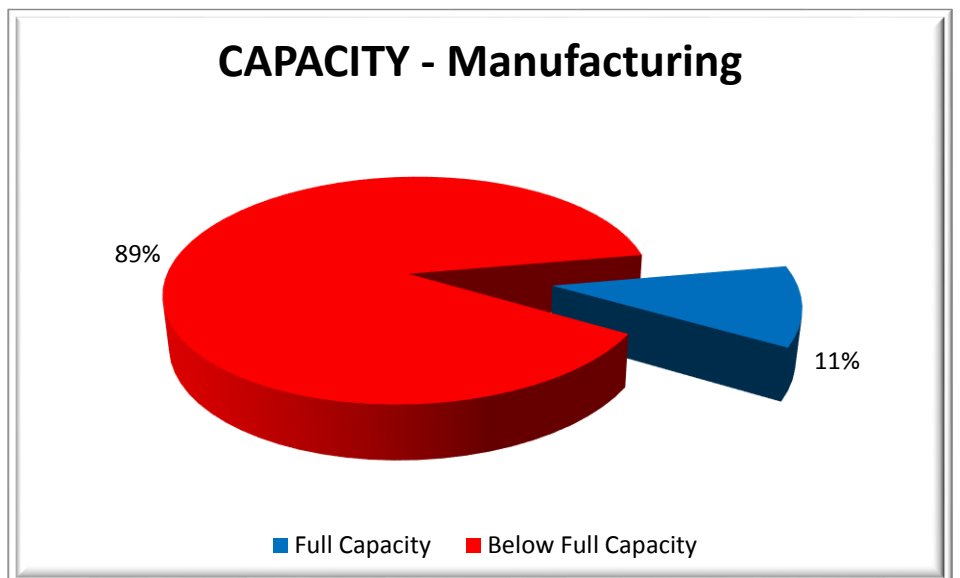
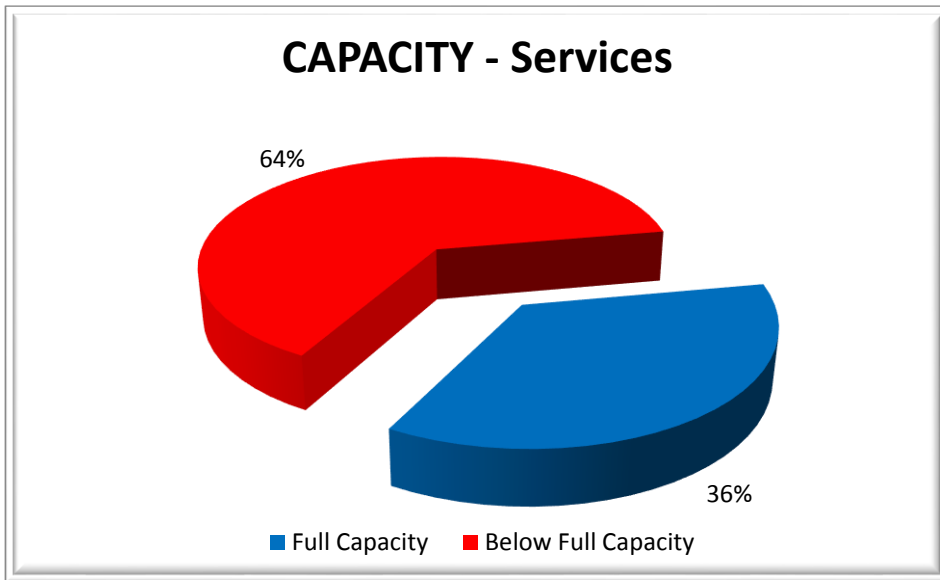
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CAPACITY

Data compiled during the second quarter of 2016 shows that a majority of businesses operating across both the services and manufacturing sectors are still operating below capacity.

64% of services sector said they were operating below capacity.

During the same timeframe 89% of manufacturing firms said that they were operating below capacity with the remaining 11% stating they were operating above capacity.



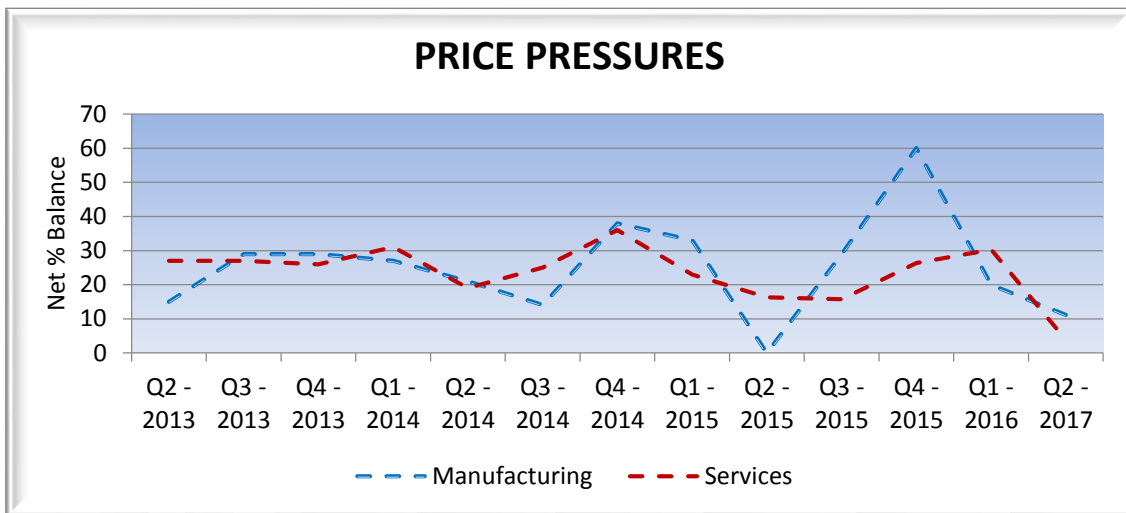


QUARTERLY ECONOMIC REVIEW

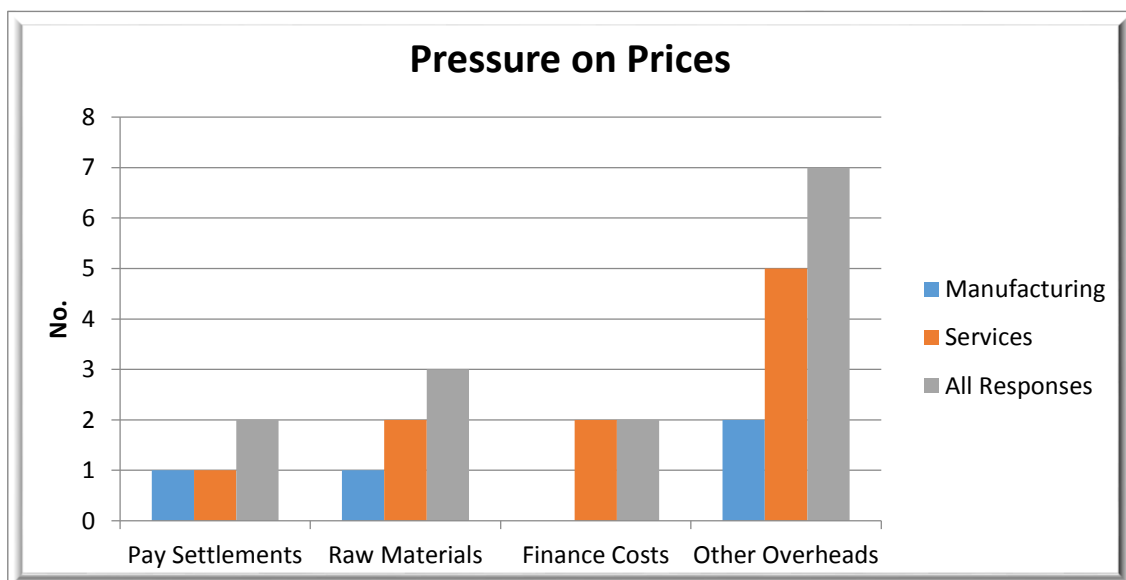
QUARTER 2 2016

PRICE PRESSURES

Price pressures for businesses operating in the manufacturing sector declined sharply during the second quarter of 2016. Only 11% of businesses in the manufacturing sector reported an increase in prices pressures. Equally, only 11% of firms operating across the services sector reported an increase in price pressures during the second quarter when compared to the first quarter.



As can be seen in the graph below, increases in other overheads (such as energy costs) were the main contributing factor for businesses overall – across both sectors – when asked what was leading them to increase their prices.



* Net (percentage) balances are the difference between the percentage of businesses that expect improving or increasing positions and those expecting worsening or decreasing ones.

EXTERNAL FACTORS

When combining figures for both the manufacturing and services sector, competition was the leading course for concern amongst businesses in Milton Keynes during the second quarter – this was also the case during the first quarter.

Manufacturers firms reported that exchange rates, business rates and competition were their leading courses for concern whereas competition was the main external factor of concern for businesses operating across the services sector during the second quarter of 2016.

