NORTHAMPTONSHIRE CHAMBER OF COMMERCE

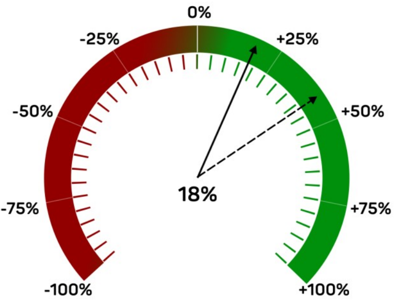
QUARTERLY ECONOMIC SURVEY Q4 2017

Northamptonshire 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.

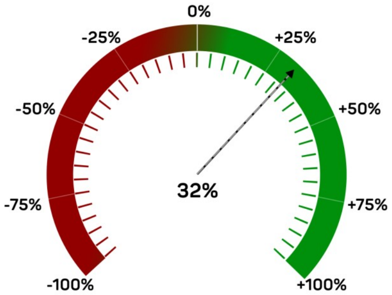
AT A GLANCE

Positive balance (+) = growth | Negative balance (-) = contraction

DOMESTIC SALES



...of manufacturers reported improved domestic sales in Q4 2017, down from +42% in Q3 2017



...of service firms reported improved domestic sales in Q4 2017, unchanged from Q3

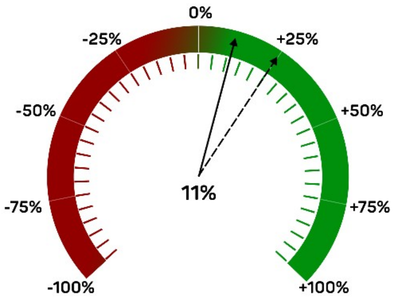
Domestic sales were down significantly for manufacturing this quarter according to our respondents, with a net balance of just 18% reporting an improvement over the last three months. However, as with the services sector, far more respondents reported no change to their domestic sales over Q4, with 59% of manufacturers and 46% of service firms seeing a continuity with Q3 sales numbers.

This puts Northamptonshire in line with the projections many economic analysts have made for the UK for the fourth quarter of 2017 and the early months of 2018. The uncertainty in domestic sales is attributed to the consumer price inflation remaining around 3% and continuing caution over investment as Brexit negotiations proceed haltingly.

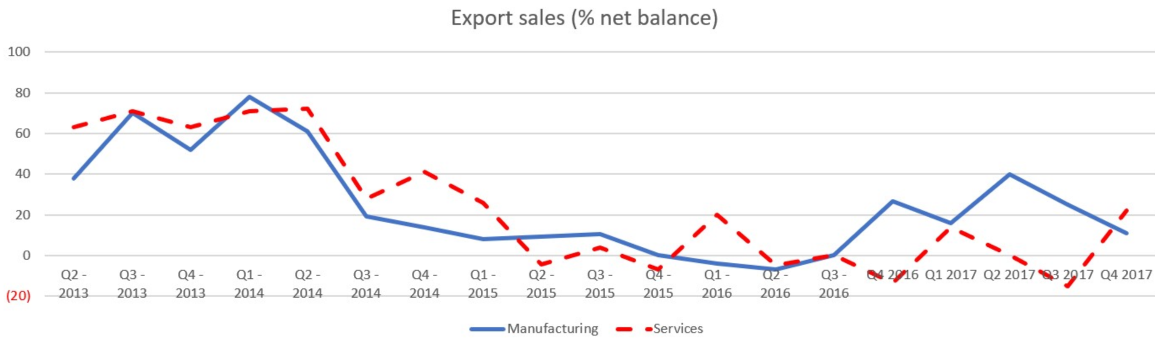
EXPORT SALES

Manufacturing

Recent reports of healthy foreign manufacturing orders don't seem to have affected Northamptonshire in Q4, with respondents identifying more with a patchier export performance and just 11% net improvement in overseas sales, down from 25% of the previous quarter. Nevertheless, there is cause for optimism as more of our manufacturers reported that their overseas sales remained the same for Q4 and the same amount (44%) identified an improvement in advanced custom.

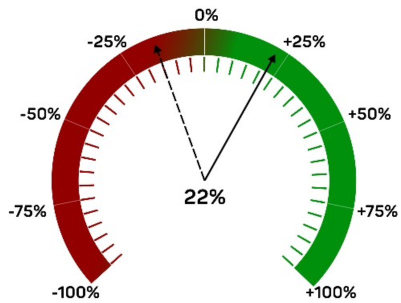


...of manufacturers reported improved export sales in Q4 2017, down from +25% in Q3 2017

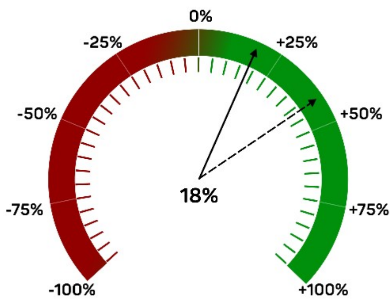


Service sector

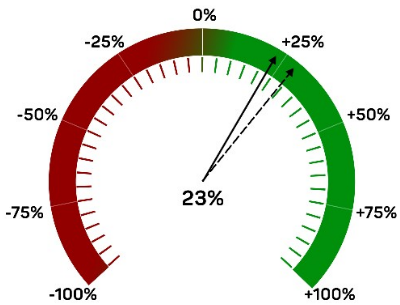
Meanwhile in the services sector the downward trend for overseas sales, which began in Q3 of 2014, has reversed with respondents reporting a net 22% improvement in Q4 2017. This compares with a negative growth of -15% of Q3 and perhaps gives cause for optimism against a backdrop of political uncertainty in trade negotiations. Perhaps, in the services sector at least, we are seeing the beginnings of the predicted rebalance away from domestic demand and towards international trade in response to strengthening global growth and the weak pound.



...of service firms reported improved export sales in Q4 2017, up from -15% in Q3 2017



...of manufacturers reported an increase in their workforce in Q4, down from +42% in Q3 2017



...of service firms reported an increase in their workforce in Q4, down from 29% in Q3 2017

EMPLOYMENT GROWTH

Signs that the UK's jobs boom may be losing momentum, with a drop experienced nationally in Q3, was not reflected in the QES results in this quarter in Northamptonshire. However, in Q4 employment growth was reported by just 18% of manufacturers and 23% of service firms, with far more respondents identifying that employment numbers remained the same (at 44% and 70% respectively for manufacturers and the service sector).

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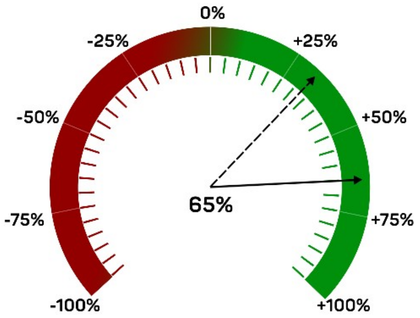
LOOKING AHEAD

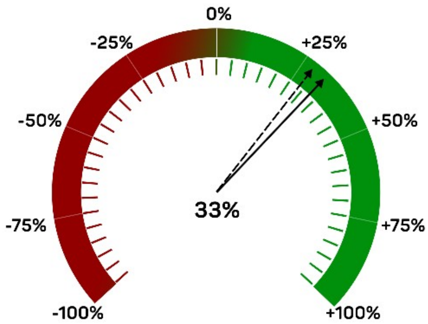
The Quarterly Economic Survey (QES) examines business sentiment on a range of forward looking indicators, including investment intentions, turnover confidence, and prices.

PRICE PRESSURE

65% of manufacturers responding to the QES in Q4 identified a need to increase prices over the next three months. Of these 93% cited raw material prices as the cause for this. In the services sector 33% of firms reported that their prices would need to increase, with the pressure for this spread more widely across a number of factors.



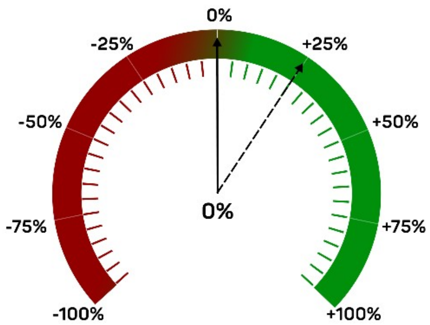
...of manufacturers expect their prices to increase, up from +33% in Q3 2017



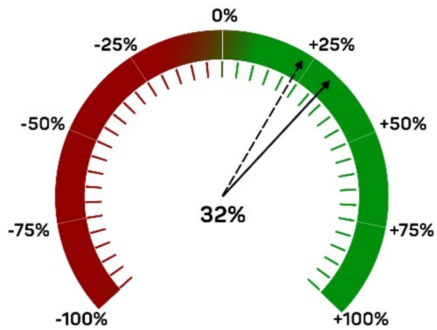
...of service firms expect their prices to increase, up from +28% in Q3 2017

INVESTMENT IN TRAINING

Over Q4 the balanced number of service firms reporting an improved investment in training was 32%. In the manufacturing sector a net 0% of respondents identified an improvement in their training investment. However, 76% of manufacturers reported that their investment had not changed in this area.



...of manufacturers increased investment in training, down from +25% in Q3 2017



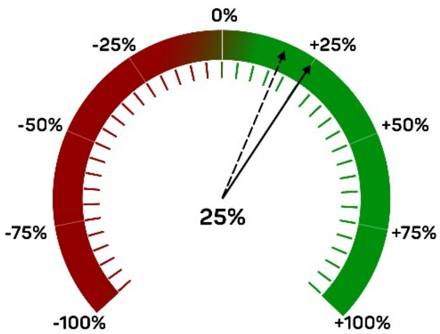
...of service firms increased investment in training, up from +23% in Q3 2017

EMPLOYMENT EXPECTATIONS

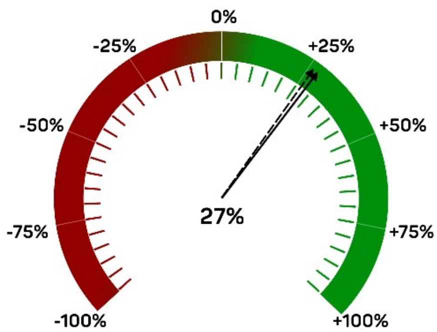
A greater capacity in both sectors to take on more staff might have signalled greater demands from a rise in exports, but so far this has not been indicated in the QES results of 2017 for Northamptonshire.

In the employment expectations of the service sector a net 27% of respondents expect to growth their workforce over the next three months, which continues the stable trend for workforce growth in this, the biggest sector of the economy.

In manufacturing a net 25% of respondents reported the expectation to grow their workforce over the next quarter, which is a small improvement from the Q3 response of 17%.



...of manufacturers expect to grow their workforce in Q1 2018

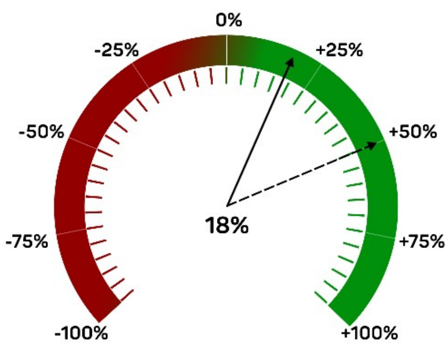


...of service firms expect to grow their workforce in Q1 2018

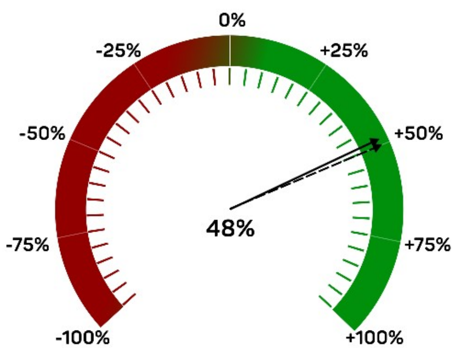
CONFIDENCE

A net 50% of service firms expect an improvement in turnover over the next twelve months, which fits into the longstanding trend for business confidence in this sector.

Until this quarter manufacturers had reported a similar, if slightly more variable, trend in confidence in projected turnover. However, in Q4 2017 a net 18% predict an improvement in their turnover in the next twelve months, which is the lowest reported confidence since the financial crash.



...of manufacturers are confident turnover will increase in the next 12 months, down from +50% in Q3 2017



...of manufacturers are confident turnover will increase in the next 12 months, down from +50% in Q3 2017

RESPONDENTS

Northamptonshire Chamber of Commerce's Q4 2017 QES is made up of responses from 48 businesses across the county. Firms were questioned between 6 November and 27 November 2017. In the manufacturing sector 18 firms responded. 50% of manufacturing respondents were exporters. In the services sector 30 businesses responded. Of the services sector participants, 30% identified themselves as being exporters.