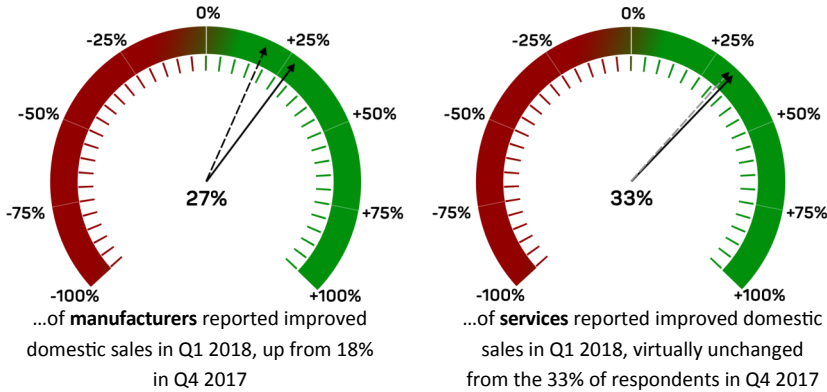


QUARTERLY ECONOMIC SURVEY Q1 2018

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.

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

DOMESTIC SALES



Domestic sales were up slightly for manufacturing this quarter according to our respondents, with a net balance of 27% reporting an improvement over the last three months. This compares with 18% of manufacturers reporting an improvement in sales for Q4 of 2017.

In the services sector there was barely a change to the net balance increase in domestic sales this quarter, up just one percentage point to 33%.

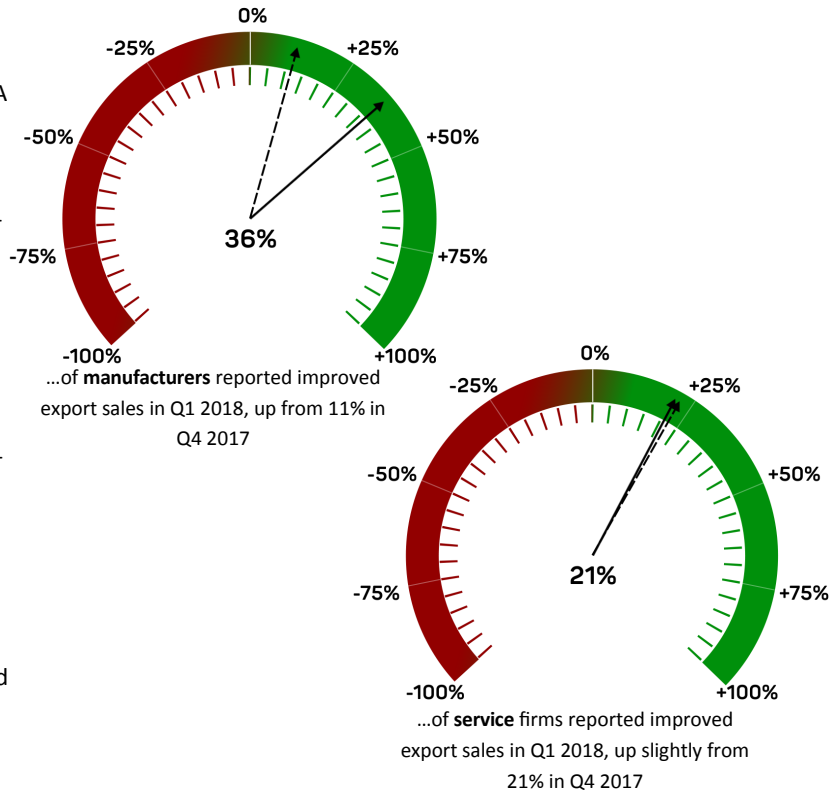
To meet the newly revised national growth forecast of 1.5% for the UK in 2018, the county's service industries will have to overcome the problems experienced from inflation, taxation and increased competition that respondents tell us are the key concerns to businesses.

EXPORT SALES

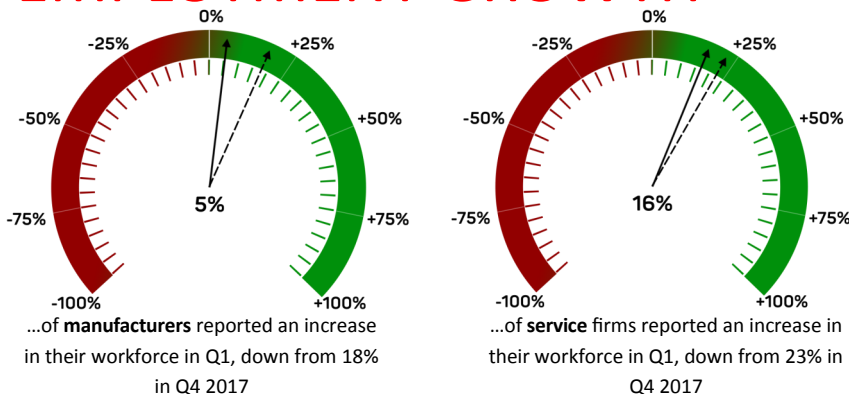
With the UK's export sales expected to perform in a robust way over the coming years we might be seeing the beginnings of this growth in Northamptonshire, if only in the manufacturing sector. A net balance of 36% of respondents in this sector reported growth in Q1 of 2018.

Meanwhile in the services sector a net 21% of respondents reported an improvement in exports over Q1 2018. This is virtually unchanged from Q4's 22%. This stabilising effect might be a result of thawing relations and areas of agreements in Brexit negotiations, global growth and the weak pound.

The Bank of England reports that the fall in the value of sterling, which has resulted in export growth, has also led to a limited number of British businesses switching from overseas to cheaper, domestically produced goods. Similarly, evidence from our exporters indicates that the uncertainties over where Brexit is heading are causing businesses in Europe to rely on their domestic markets for their products and materials, with members identifying this trend in the German market. If this is a trend that continues the UK could become further reliant on consumer spending and the domestic services sector to drive GDP growth, leaving it more exposed to international economic turbulence.

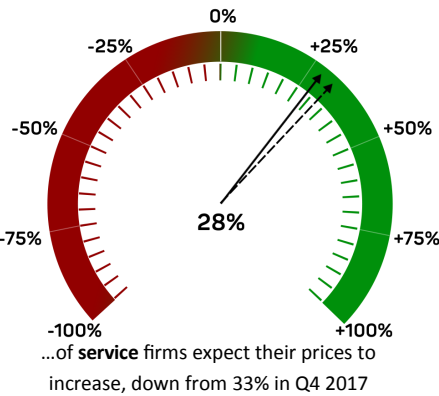
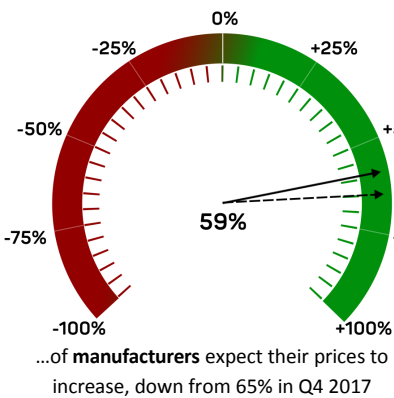


EMPLOYMENT GROWTH



The reported waning momentum of the UK's jobs boom was further demonstrated by the results for employment growth in both sectors this quarter. In Q1 2018 employment growth was reported by just 5% of manufacturers and 16% of service firms, with far more respondents identifying that employment numbers remained the same (at 59% and 65% respectively for manufacturers and the service sector).

The Quarterly Economic Survey (QES) examines business sentiment on a range of forward looking indicators,

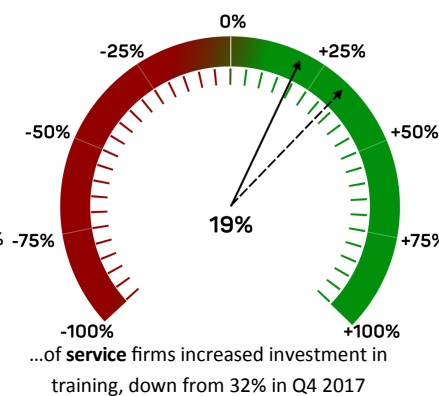
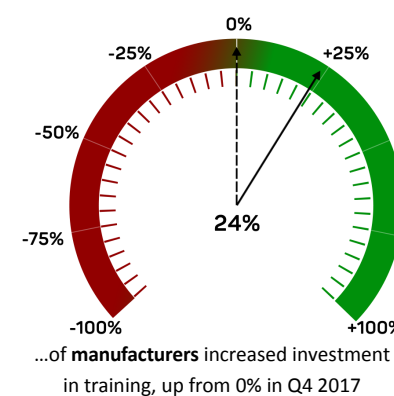


PRICE PRESSURE

A net 59% of manufacturers responding to the QES in Q1 identified a need to increase prices over the next three months. Of these 79% cited raw material prices as the cause for this.

In the services sector 28% of firms reported that their prices would need to increase, with the pressure for this spread more widely across a number of factors.

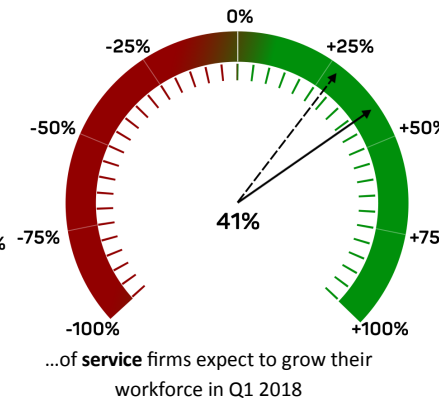
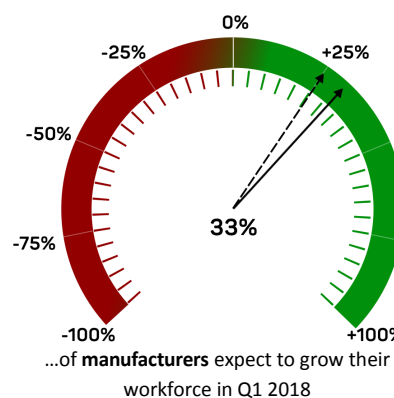
Compared with Q4 of 2017 expectations for price inflation weakened this quarter. The easing of inflationary pressures from further down the supply chain is being cited as the key cause of this slowing growth in prices.



INVESTMENT IN TRAINING

Over Q1 a net 19% of respondents in the services sector identified increased plans to invest in training. 69% of service firms reported that their investment in training over Q1 had not changed.

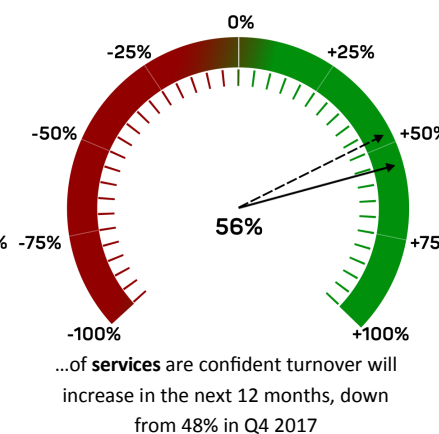
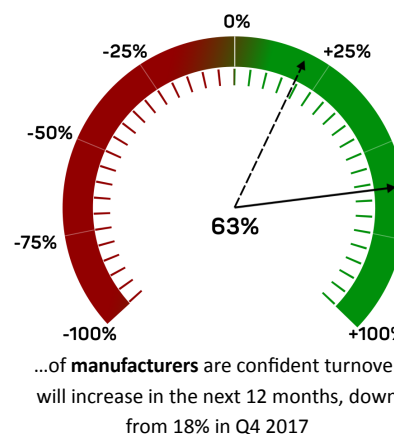
This is consistent with what is being observed nationally, with the rate of investment growth in the last year being broadly stable since the EU referendum. Until there is greater clarity on the UK's post-Brexit relationship with the EU there seems little reason to expect any movement in this area.



EMPLOYMENT EXPECTATIONS

In the services sector a net 41% of respondents reported the expectation to grow their workforce over the next quarter. 33% of manufacturers expect to grow their firm over the next three months.

With little spare capacity remaining in the labour market, combined with a slower rate of inward migration, the pace of employment growth is expected to slow and a gradual pickup in wages may follow, as companies compete for workers.



CONFIDENCE

A net 56% 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.

The dip in confidence reported by manufacturers in Q4 of 2017 has recovered in Q1 with a net 63% predicting an improvement in their turnover in the next twelve months.

RESPONDENTS

Northamptonshire Chamber of Commerce's Q1 2018 QES is made up of responses from 55 businesses across the county. Firms were questioned between 19 February and 12 March 2018. In the manufacturing sector 22 firms responded. 50% of manufacturing respondents were exporters. In the services sector 33 businesses responded. Of the services sector participants, 42% identified themselves as being exporters.