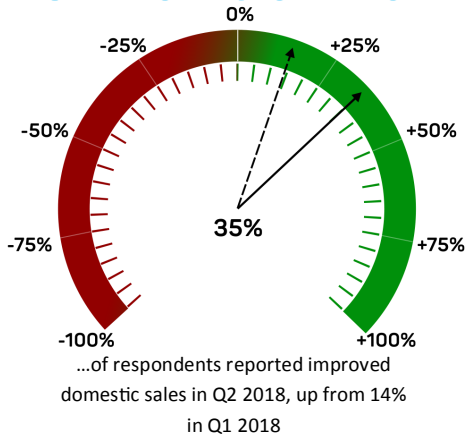


QUARTERLY ECONOMIC SURVEY Q2 2018

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.

DOMESTIC SALES

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



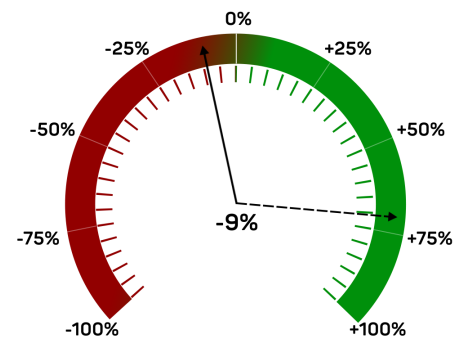
Domestic sales were up this quarter according to our respondents, with a net balance of 35% reporting an improvement over the last three months. This compares with 14% in Q1 of this year.

Looking at the national picture, the British Chambers of Commerce (BCC) downgraded its growth forecast for 2018 to 1.3% (from 1.4%) which, if realised will be the weakest calendar year of growth since 2009. Respondents tell us that competition, taxation, exchange rates and even steel tariffs are a concern to their growth and prices this quarter.

EXPORT SALES

The Office for National Statistics reported that the total UK trade deficit widened in Q1 2018 by £1.9 billion, to £9.7 billion, due mainly to falling exports of both goods and services. In Milton Keynes we are seeing evidence for this as a net balance of -9% growth in this sector was reported in Q2 of 2018.

It is possible that the UK is now moving past the recent sweet spot for exporters, with growth in key markets moderating and the impact of the post-EU referendum slump in sterling, which has helped some exporters, now subsiding. The possibility of an escalating trade war has added to the downside risks for exporters.



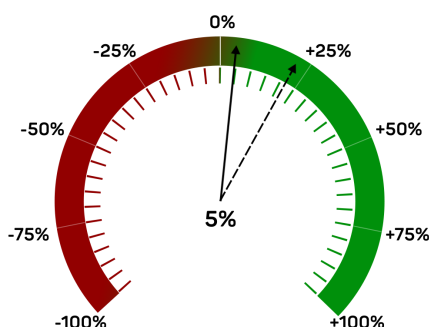
BCC Economic Forecast: UK set for weakest year of GDP growth since 2009

The British Chambers of Commerce (BCC) has slightly 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 lacklustre outlook for consumer spending, business investment and trade. While real wage growth has returned to positive territory, the UK's leading business group does not expect this to translate into materially stronger spending over the forecast horizon, with weak productivity expected to limit the extent to which wages will increase, and household finances are likely to remain stretched amid historically low household savings and high debt levels.

| GDP growth (annual % change) | Q4 17 | Q1 18 | Q2 2018 |
|------------------------------|-------|-------|---------|
| 2018 | 1.1 | 1.4 | 1.3 |
| 2019 | 1.3 | 1.5 | 1.4 |
| 2020 | - | 1.6 | 1.6 |

EMPLOYMENT GROWTH

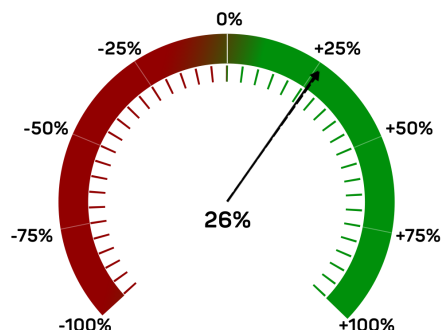


The reported waning momentum of the UK's jobs boom reported nationally seem to have affected Milton Keynes, with stability in growth and expectations of employment reported in this quarter and the last.

Employment growth was reported by just 5% of respondents in Q2, down from 22% in Q1 of this year. However, stability in workforce growth is supported by the 74% of firms who reported no change in this quarter.

LOOKING AHEAD

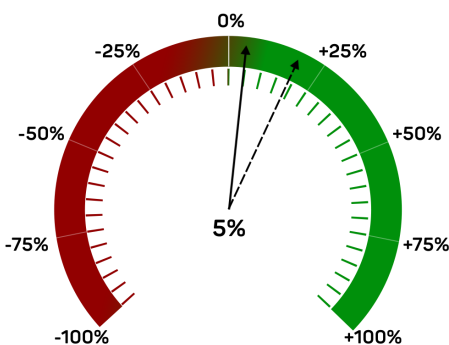
The Quarterly Economic Survey (QES) examines business sentiment on a range of forward looking indicators, including investment intentions, turnover confidence, and prices.



...of respondents expect their prices to increase over the next quarter

PRICE PRESSURE

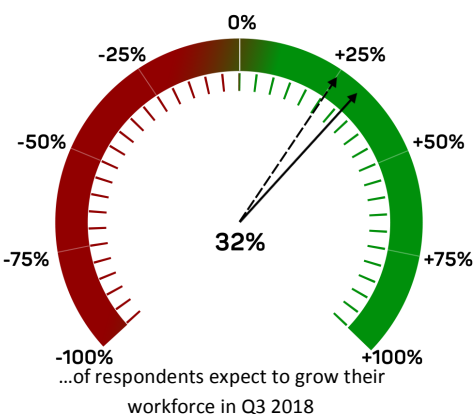
A net balance 26% of businesses responding to the QES in Q2 identified a need to increase prices over the next three months. This represents a continuity in expectations of price inflation for the last three quarters. A number of factors were reported as the underlying cause for this anticipated price inflation, with respondents identifying raw materials, pay settlements and finance costs.



...of respondents increased investment in training, down from 19% in Q1 2018

INVESTMENT IN TRAINING

Over Q2 the net number of respondents indicating their intention to increase their investment in training was 5%. Respondents indicated to us that an unwillingness to invest as a result of Brexit is obvious in both parent companies with UK subsidiaries and domestic firms. But without retention, re-training and upskilling of staff these organisations will struggle to out perform against their competition, a factor that they tell is the key concern facing their business.

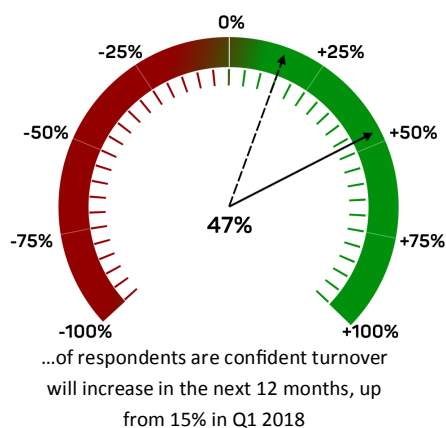


...of respondents expect to grow their workforce in Q3 2018

EMPLOYMENT EXPECTATIONS

A net 32% of respondents expect to grow their workforce over the next three months.

Whilst the hiring intentions over the next three months of 2018 will increase slightly from what was expected of the next quarter in Q1, fewer respondents thought things would stay the same and there was even the anticipation from 5% of respondents that workforces would contract in size. This is further evidence that uncertainty and lack of clarity over Brexit is preventing many businesses from developing future plans.



...of respondents are confident turnover will increase in the next 12 months, up from 15% in Q1 2018

CONFIDENCE

A net 47% of firms expect an improvement in turnover over the next twelve months, which is a considerable improvement in business confidence as compared with the first quarter of 2018 and its 15% of respondents who foresaw an improvement in revenue over the next year.

This uncertainty around what a post-EU future means for UK businesses is also reflected in the disparate views recorded in the latest HSBC Navigator survey— as 38% of UK companies are expecting Brexit to have a negative impact while 28% think it will have no impact, and 33% anticipate a positive impact. The results, there as in the QES survey, suggest companies are moderately confident that the UK will reach a trade deal with the EU and will subsequently pursue trade liberalisation with non-EU partners.

RESPONDENTS

Milton Keynes Chamber of Commerce's Q2 2018 QES is made up of responses from businesses across the county. Firms were questioned between 19 February and 12 March 2018. Of the respondents 11% were from the manufacturing sector. 89% of respondents identified themselves as being in the services sector.