

QUARTERLY ECONOMIC SURVEY Q3 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.

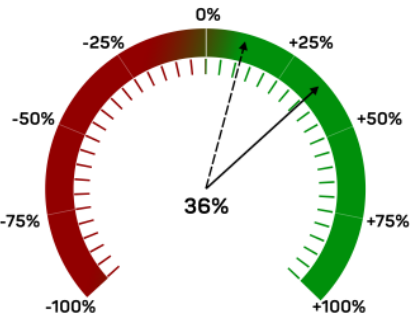
DOMESTIC SALES

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

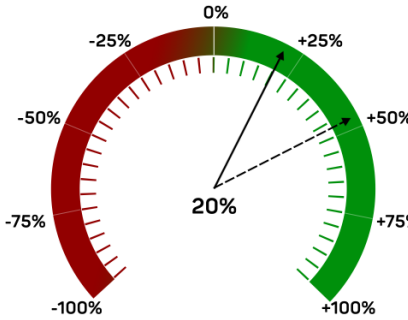
Domestic sales were up for manufacturing this quarter according to our respondents, with a net balance of 36% reporting an improvement over the last three months. This compares with just 11% of manufacturers who reported an improvement in sales in the previous quarter

In the services sector there was a decrease in domestic sales this quarter, with just 20% of respondents reporting an increase.

Through the QES we have learnt that whilst the impact of Brexit is being felt through the increase expense of exchange rate and raw material costs, businesses are also facing pressure from greater competition and local political uncertainty.



...of **manufacturers** reported a increase in domestic sales in Q3 2018, up from 11% in Q2 2018



...of **services** reported improved domestic sales in Q3 2018, down from the 47% of respondents in Q2 2018

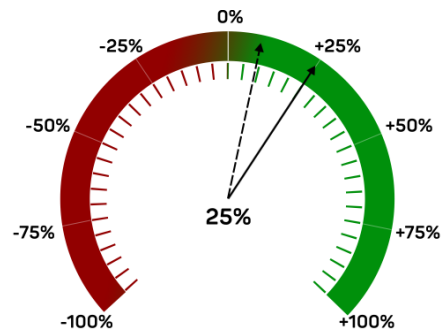
EXPORT SALES

In the manufacturing sector this quarter a net balance of 25% of respondents saw growth.

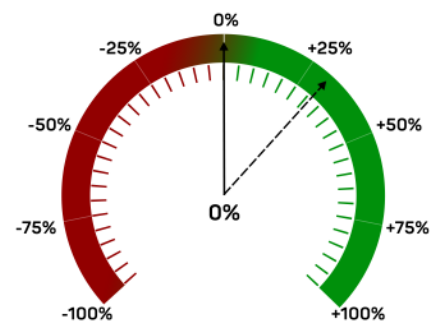
Meanwhile in the services sector a net balance of 0% of respondents had an improvement in exports. This is down from 31% of respondents from Q2.

This quarter the BCC has downgraded its forecasted export growth to 1.7% for 2018 (from 2.8%) and 2.7% for 2019 (from 2.9%). This is as a result of continued Brexit uncertainty and anticipated slower growth in key markets. As a consequence BCC is expecting a negative contribution from trade over the forecast period. This fits with the picture of volatility in export sales growth that we have gathered through the QES since the Brexit referendum results.

This testing period for the UK economy, with persistent uncertainty and the possibility of a disorderly EU exit, are weighing increasingly on the UK's growth prospects. However, whilst the anticipated renewed decline in sterling could increase the burden on consumers and businesses in the domestic market, the weaker pound could lead to an improvement in the growth of export activities, as we have seen in the last few years.

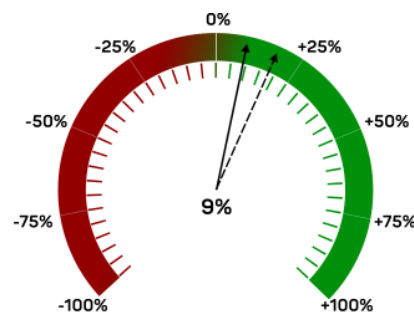


...of **manufacturers** reported improved export sales in Q3 2018, up from 9% in Q2 2018

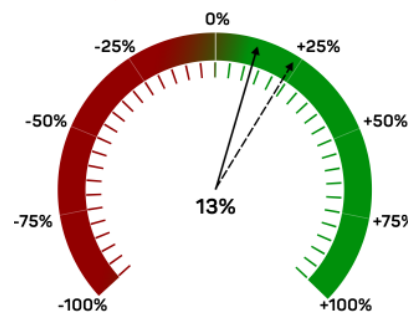


...of **service** firms reported improved export sales in Q3 2018, down from 31% in Q2 2018

EMPLOYMENT GROWTH



...of **manufacturers** reported an increase in their workforce in Q3, down from 18% in Q2 2018



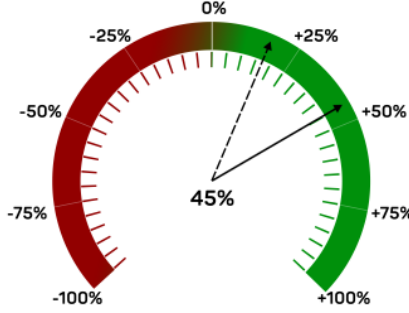
...of **service** firms reported an increase in their workforce in Q3, down from 24% in Q2 2018

In Q3 2018 employment growth was reported by just 9% of manufacturers and 13% of service firms in Northamptonshire.

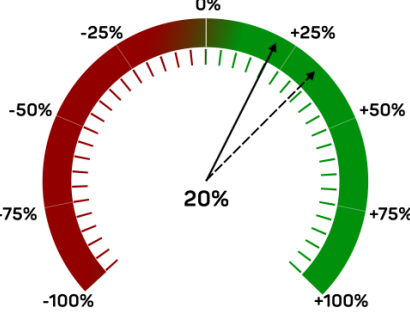
A rising number of respondents have told us of a decrease in their workforce over the last quarter. This time 18% of manufacturers and 13% of service sector firms reported a contraction in their employment numbers, compared with 6% and 3% (respectively) of the previous quarter.

LOOKING AHEAD

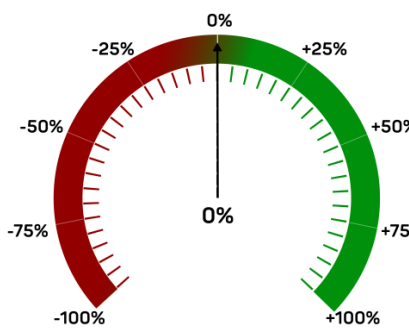
The Quarterly Economic Survey (QES) examines business sentiment on a range of forward looking indicators, including investment intentions, turnover confidence, and prices.



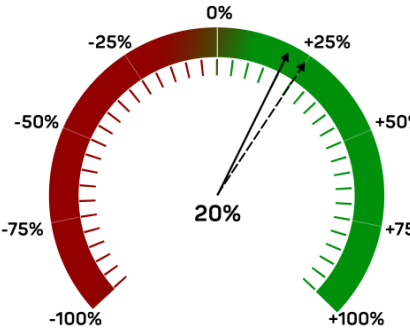
...of **manufacturers** expect their prices to increase, up from 18% in Q2 2018



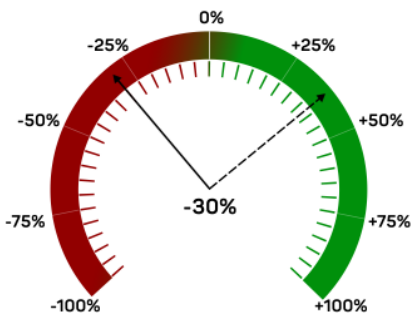
...of **service** firms expect their prices to increase, down from 34% in Q2 2018



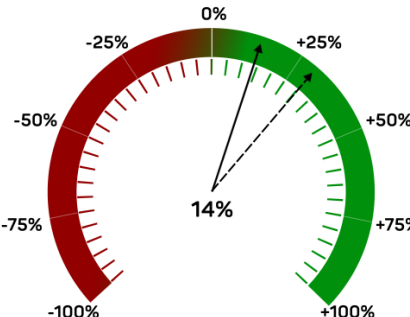
...of **manufacturers** increased investment in training, which is the same as in Q2



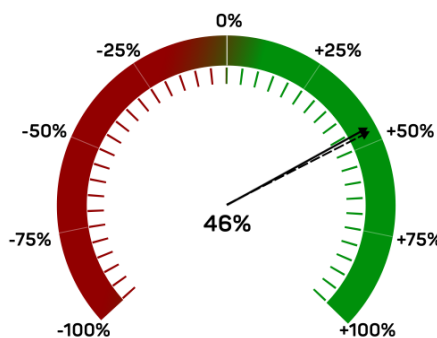
...of **service** firms increased investment in training, down from 25% in Q2 2018



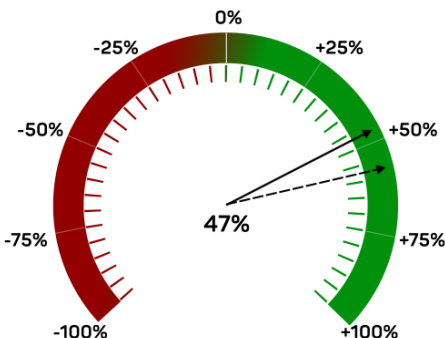
...of **manufacturers** expect to grow their workforce over the next Q, compared with 38% of Q2 2018



...of **service** firms expect to grow their workforce over the next Q, compared with 30% of Q2 2018



...of **manufacturers** are confident turnover will increase in the next 12 months, down slightly from 47% in Q2 2018



...of **services** are confident turnover will increase in the next 12 months, down from 58% in Q2 2018

PRICE PRESSURE

A net 45% of manufacturers responding to the QES in Q3 identified a need to increase prices over the next three months. Of these 88% cited raw material prices as the cause for this. This is up 20% from last quarter.

In the services sector 20% of firms reported that their prices would need to increase over the next three months, which is down 14% on last quarter. Once again, respondents identified the pressure for this is spread more widely across a number of factors.

Inflation in raw material prices, potential disruption to supply chains and uncertainty across all markets as a result of Brexit is creating considerable fluctuations to this volatile benchmark.

INVESTMENT IN TRAINING

Over Q3 a net 20% of respondents in the services sector identified plans to increase investment in training, and once again a net balance 0% of manufacturers report plans to increase their investment in training.

Stagnant investment in training, also being observed nationally, is not compatible with attitude of the labour market, which continues to favour the employee. Firms need to consider raising their investment in their staff for retention and recruitment, or potentially risk losing out as vacancies open up in the post-Brexit workplace

EMPLOYMENT EXPECTATIONS

In the services sector a net 14% of respondents reported the expectation to grow their workforce over the next quarter.

–30% of manufacturers expect to grow their firm over the next three months.

Through the QES a number of respondents have told us that suppliers are relocating their operations to Europe, resulting in inflated costs or disruption. Coupled with the loss of major retailers in Northampton town centre, slumped employment expectations can be anticipated for at least as long as investment remains torpid.

CONFIDENCE

A net 47% of service firms and 46% of manufacturers expect an improvement in turnover over the next twelve months.

Despite a further downgrade in growth expectations for 2018 and 2019 from the British Chambers of Commerce, confidence in Northamptonshire continues to hold at around half of respondents expecting their turnover to grow over the next twelve months. This optimism has been roughly continuous for the last year, but has not yet translated into buoyant investment or employment expectations, and is not born out by the figures for domestic sales or exports.

RESPONDENTS

Northamptonshire Chamber of Commerce's Q3 2018 QES is made up of responses from businesses across the county. Firms were questioned between 27 August and 17 September 2018. In the manufacturing sector 73% of respondents identified as being exporters. In the services sector 20% of respondents identified as being exporters.