

Q4

2019

QUARTERLY ECONOMIC SURVEY

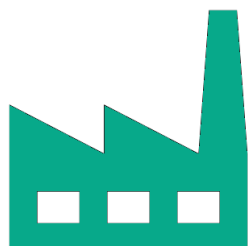
METHODOLOGY



QES Q3 fieldwork was carried out between the dates of 4th November 2019 to 25th November 2019. Data taken from Q3 2019 is also cited in the report and this was carried out between 26th August 2019 to 16th September 2019.



Net balance figures show the difference between the respondents who recorded an increase and decrease. If the figure is a plus, then it indicates growth and a positive contribution. If the figure is a minus it indicates a contraction of growth and a negative contribution.



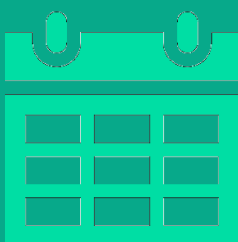
Manufacturing sector

Businesses with the main activity of manufacturing goods (i.e. electronic or IT), and the production of raw materials.



Service sector

Businesses with the main activity of providing a service, i.e. media/accounting/recruitment/hospitality or wholesaling.



Upcoming QES data collection:

QES Quarter 1 2020:

17 February – 9 March, report issued 2nd April 2020.

QES Quarter 2 2020:

18 May – 8 June, report issued 1st July 2020.

A message from the Chief Executive



“ all businesses, especially small and medium sized firms, need support and encouragement in these exceedingly turbulent times ”

Paul Griffiths
Chief Executive

The latest Quarterly Economic Survey (QES) goes to show the resilience and positive attitudes of the Milton Keynes business community. Weak growth, a decrease in consumer demand, export sales and investment intentions are being felt nationally. Despite demonstrating stable results this quarter, the findings still show that the persistent political and economic uncertainty has forced businesses to remain hesitant.

Milton Keynes Chamber will continue to feed these results into local, regional and national economic strategies. Data from Milton Keynes Chamber's QES is utilised by HM Government, The Bank of England and economists alike. It provides both local and central policy makers with accurate and unique insight into the performance, concerns and views of businesses across the city.

Domestic demand: This quarter saw a decrease in UK sales demand and in UK orders. However, the large majority of firms report no change over the past three months.

Overseas sales and orders: A slow-down in overseas demand with both sales and orders declining but staying in positive contribution. Results prove that overseas market remains volatile.

Employment: Businesses recorded they had actively recruited over the past three months and anticipate recruiting even further. Recruiting challenges still remain.

Business Confidence and Investment: Capital investment, cash flow, and training plans all saw relatively small movements this quarter.

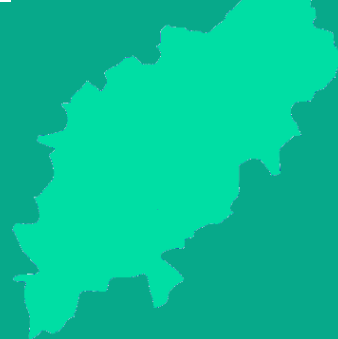
Enterprise is the lifeblood of the UK economy, and if dramatic change is not enacted then businesses will halt investment in recruitment to the detriment of growth.

These results should act as a wake-up call for Government, who need to recognise that all businesses, especially small and medium sized firms, need support and encouragement in these exceedingly turbulent times.

In the midst of all the political chaos surrounding Brexit, it is easy to put the fundamental issues which affect the day-to-day operations of businesses on the back burner. Milton Keynes Chamber has not lost sight of these fundamental domestic priorities, and this is why we were excited to release our Business Manifesto in November which sets out the additional priorities we will be focusing on in the near future. Topics such as skills and education, infrastructure, the cost of doing business and digital connectivity will also be at the forefront of our efforts as we continue to champion and represent the voice of local business.

I am proud to be Chief Executive of Milton Keynes Chamber of Commerce and to represent the fantastic collection of businesses we have in the city.

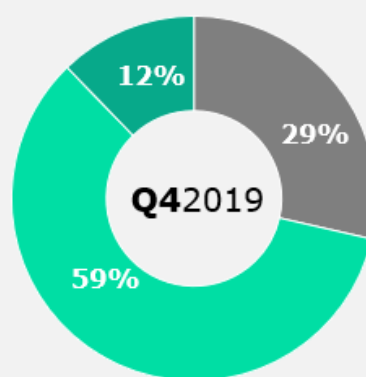
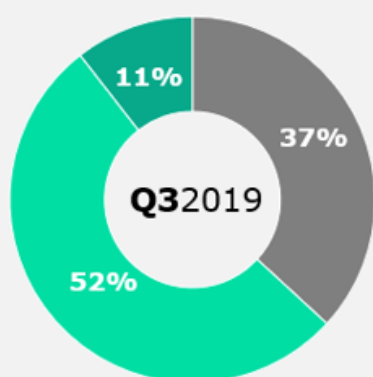
DOMESTIC SALES AND ORDERS



Overall, domestic demand of sales and orders is quite good news. The net balance (%) of businesses recording an increase in domestic sales declined, reducing by 9% compared to Q3. Over the last three months, the net balance (%) of businesses reporting an increase in advance orders was slightly reduced.

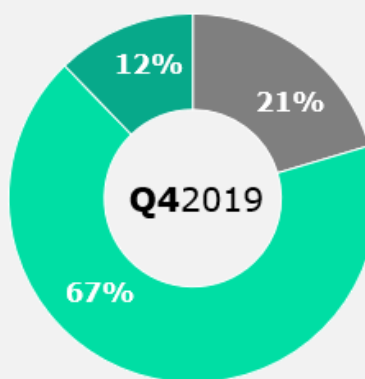
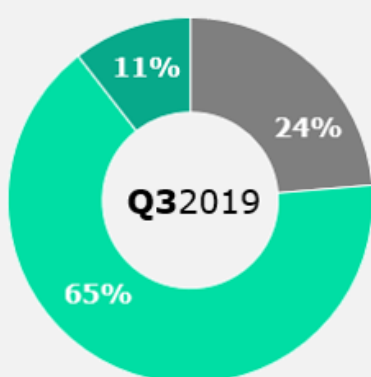
As per Q3 a large majority of firms in both quarters state that demand has remained constant over the past three months. The results in Q4 follow on from the trend we started to see in Q1, the underlying pace of UK activity has slowed.

DOMESTIC SALES



■ Increased ■ Remained Constant ■ Decreased

DOMESTIC ORDERS



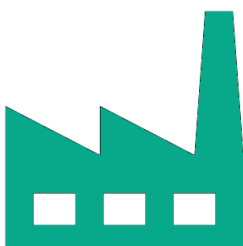
■ Increased ■ Remained Constant ■ Decreased



SERVICE SECTOR

27% of service sector respondents reported an increase in UK sales, with no respondents reporting falling sales.

Similarly, 22% reported an increase in UK orders, with 12% reporting a fall in advance orders.



MANUFACTURING SECTOR

33% of manufacturing respondents reported an increase in domestic sales. 11% also reported an increase in domestic advance orders.

OVERSEAS SALES AND ORDERS

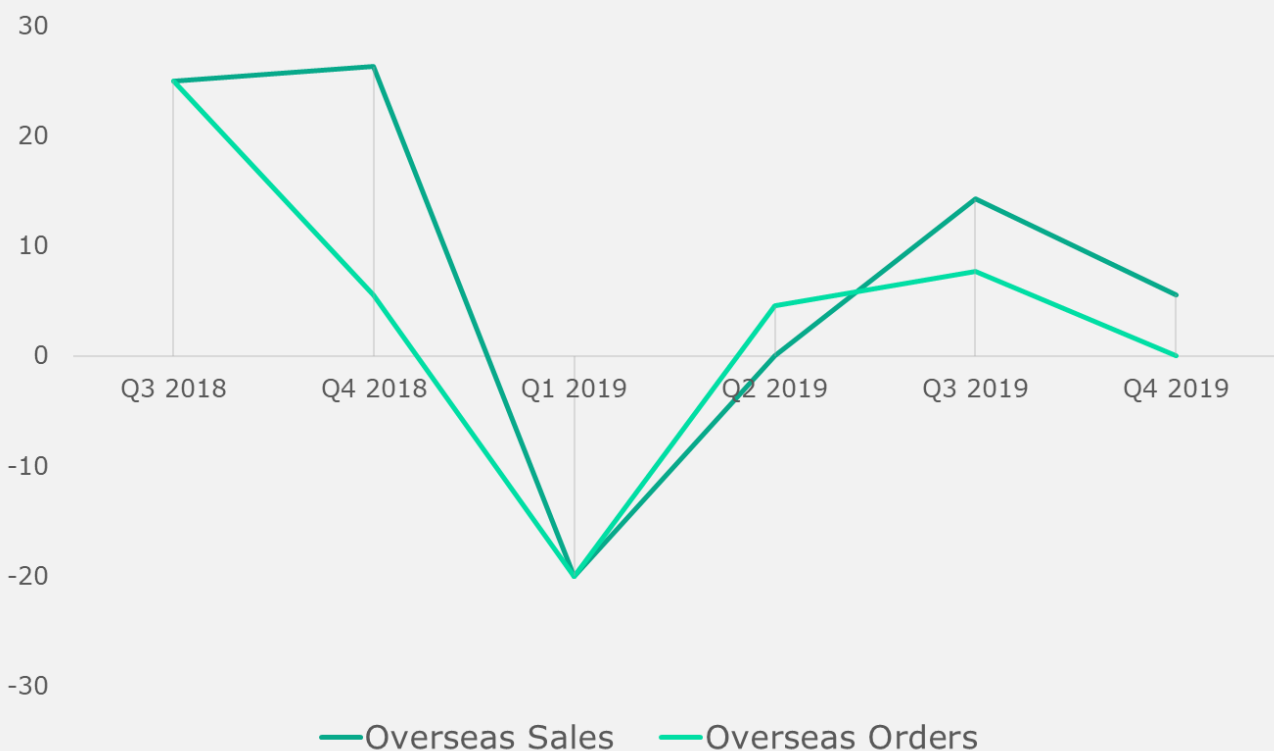


Unlike Q2 & Q3 Milton Keynes based businesses saw no increase in overseas activity this quarter with a slight decline for both demand in overseas sales and orders increasing.

The net balance of firms recording an increase in sales/customs/bookings was (33)%, not following the upward move out of negative territory into a positive contribution. There was also a fall back in overseas orders from Q3 8% to Q4 (33)%.

As illustrated by the graph, the overseas market remains extremely volatile for businesses in Milton Keynes with fluctuating responses in the previous six quarters. The results reflecting on the last three months chime with what the British Chambers of Commerce anticipated. The BCC expected export growth of 1.6% in 2019 and expects growth of 1.6% in 2020 and 1.7% in 2021 – compared to import growth of 4.3%, 1.8% and 2.2%. The prospect of a messy and disorderly exit from the EU remain a significant risk to the economy. The fluctuating strength of the sterling and the path of UK inflation against the backdrop of a volatile political atmosphere has not been complementary to the overseas market. We expect the volatility to continue and a weak trajectory of growth to continue for the next few quarters.

NET BALANCE OF FIRMS REPORTING AN INCREASE IN OVERSEAS SALES AND ORDERS

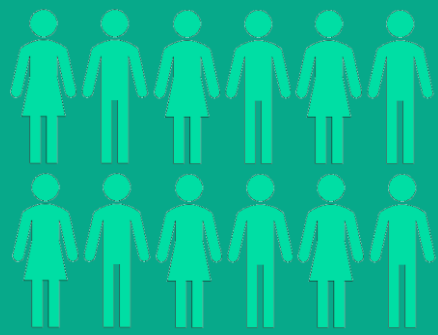




Other concerns

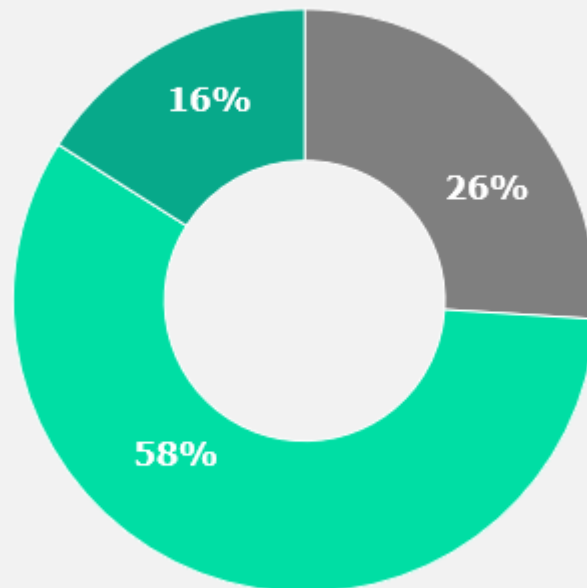
Unsurprisingly, when given the chance to comment on other factors of concern, the majority identified Brexit and the uncertainty associated with the current negotiations as a significant factor.

EMPLOYMENT



Overall during the last quarter, respondents recorded that they saw workforce growth of 26%, and a net balance of 10%. In April 2019, the unemployment rate in Milton Keynes was 1.9%. This is lower than the national rate of 2.7% and equal to the South East Midlands rate of 1.9%.

WORKFORCE EXPANSION OVER THE PAST THREE MONTHS (%)



■ Increased ■ Remained Constant ■ Decreased

42% of businesses also anticipate increasing their workforce further over the next three months.

59% of businesses who had attempted recruitment over the past quarter, stated that they had experienced recruitment difficulties in finding suitable staff. This figure has remained roughly constant over the past few quarters.



58%

Percentage of businesses expecting no change to their workforce over the next 3 months



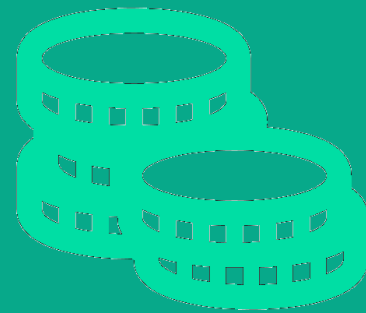
Job type	% of businesses
Full time	85%
Part time	48%
Temporary	22%
Permanent	52%

Role type	% of businesses
Skilled manual/Technical	53%
Professional/Managerial	59%
Clerical	41%
Semi/Unskilled	29%

The main struggle being recruiting Professional / Managerial staff with 59% of firms stating that as their biggest difficulty, followed by Skilled Manual / Technical staff recorded by 53% of respondents.

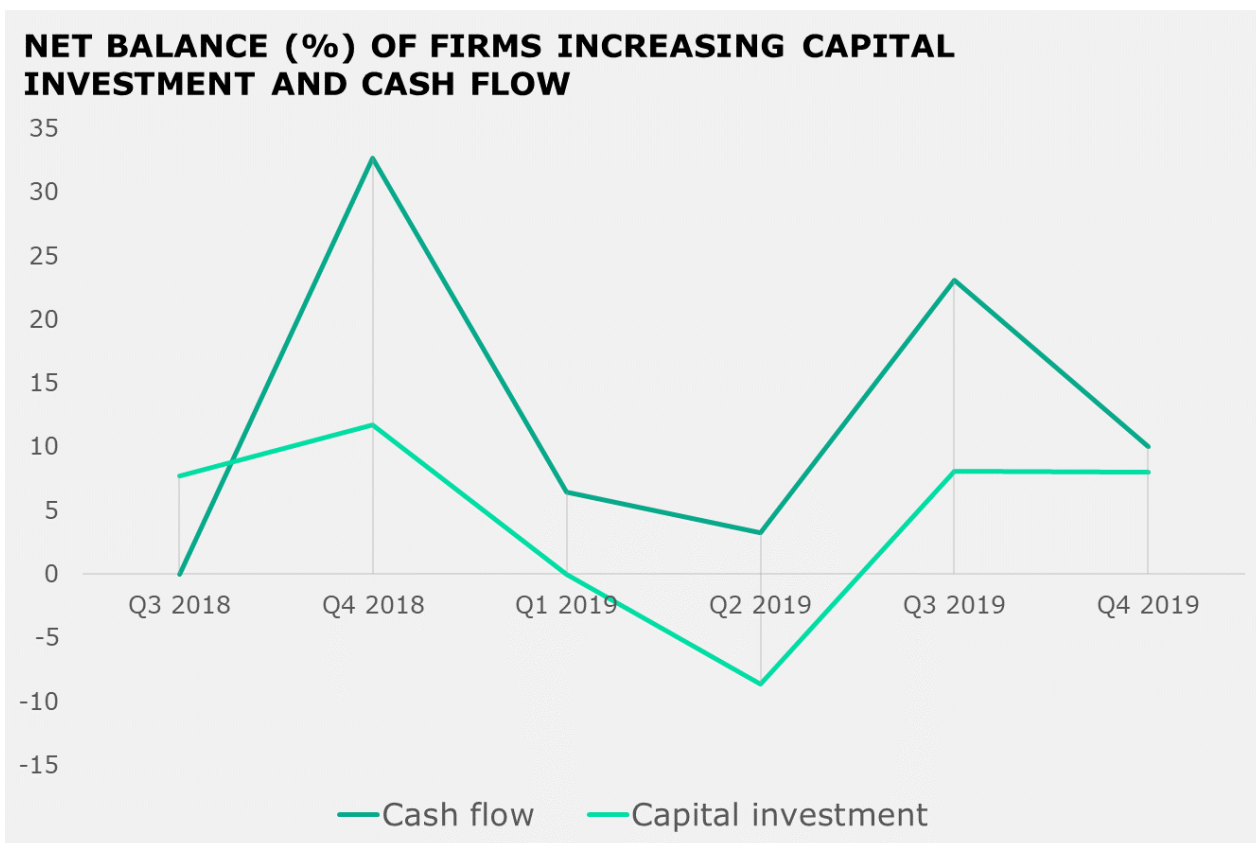
Recruitment intentions also fell slightly, businesses perhaps responding and getting use to the uncertainty over the future.

INVESTMENT



This quarter saw a decline in cash flow and capital investment. The net balance of businesses recording an increase in cash flow over the past three months, reduced by 10%, down from 23% in Q3.

Capital investment were also volatile, remaining in positive territory with the net balance of firms recording an increase in Q4 being 8 percentage points – the same as in Q3.



It is forecasted by the British Chambers of Commerce (BCC) that business investment is meant to remain historically low with a negative contribution of -1.3% for 2019 (downgraded from -1.05) and to 0.4% for 2020 (from 0.6%) before growth of 1.1% in 2021.



NET BALANCE OF FIRMS REPORTING AN INCREASE IN TRAINING PLANS



There was continued good news in terms of recent investment in training plans, with this quarter seeing a net balance of 18%. Results this quarter, confirm that investment in training is not consistent, with results fluctuating considerably over the past six quarters.

In the next few quarters, business confidence and investment expectations are expected to recover, as Brexit uncertainty declines and the economy adjusts smoothly to new trading relations with the EU.

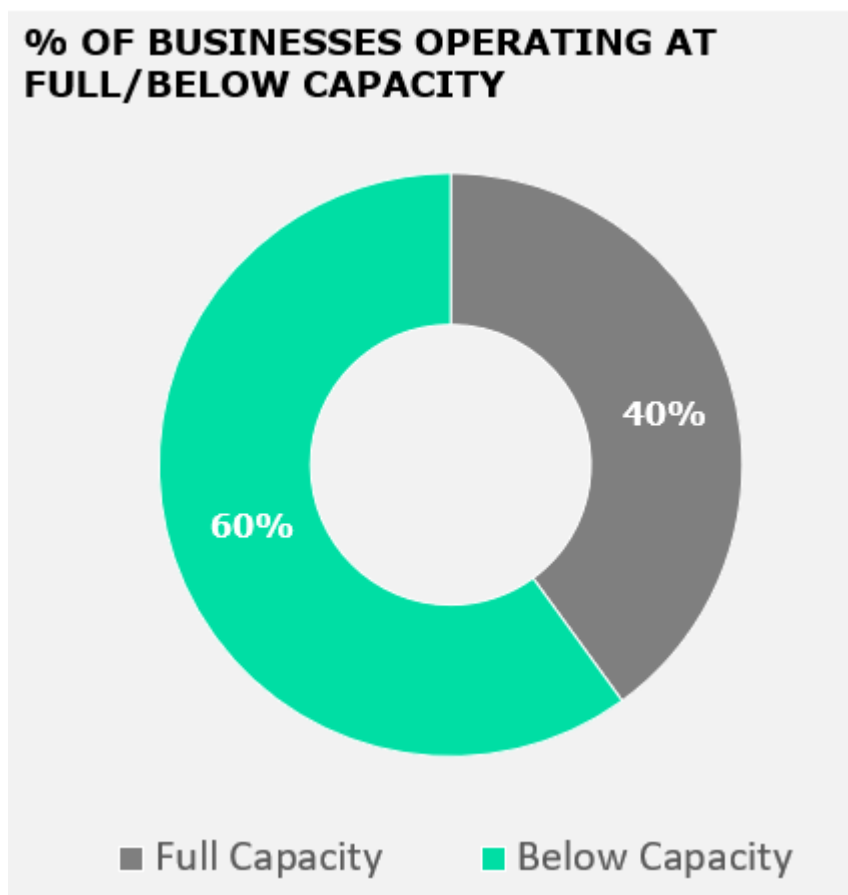
BUSINESS CONFIDENCE AND CONCERNS

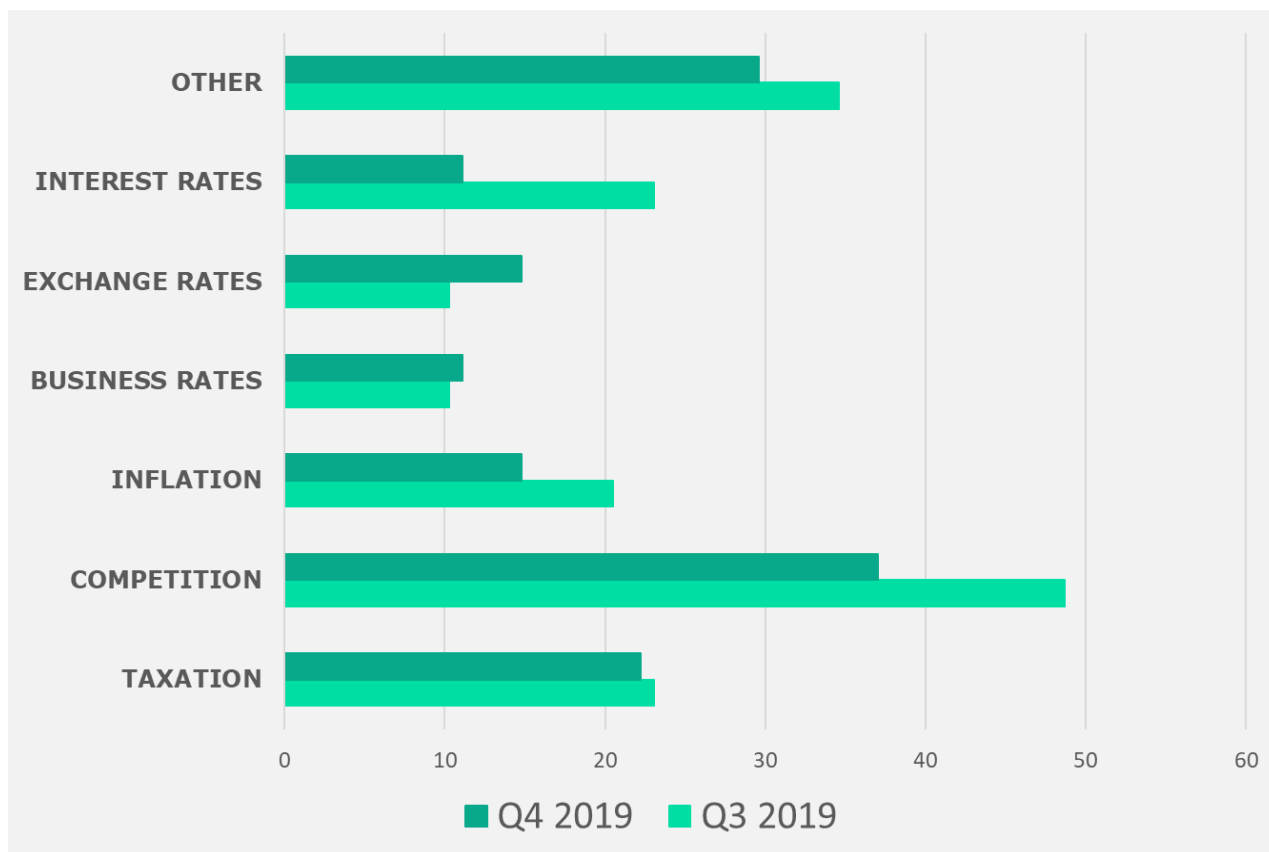
Results for Q4 are consistent with Q3.

60% of local respondents stated that they continue to operate at below capacity, a decrease of 9% in the last quarter.

27% of businesses also continue to report that they expect the costs of doing business to rise in the next three months (down from 36% in Q3), therefore they anticipate increasing the price of their services and goods. The main price pressure was reported to be other overheads, which has been a main concern for previous quarters. The volatility of cash flow leaves businesses more vulnerable to disruptions with overseas customers and in their supply chain, the increased finance costs would have a pivotal role in this.

Firms were also questioned on the factors which are more of a concern to their business compared to three months ago. Unsurprisingly, competition moved back to being the main cause of concern.





This said, business confidence remained high this quarter. 52% of firms stated that they anticipate turnover to increase over the next 12 months, with 46% expecting an increase in profitability over the next year, an increase in both figures compared to Q3 This is good news as more businesses are adopting a positive outlook for 2020.

However, this is very much subject to change given how the next few months play out with Brexit and future trading deals. If this period of prolonged uncertainty continues then it is increasingly likely that the stockpiling, we saw in Q1 will intensify and confidence and investment will become stagnant. The slowing overall economic growth will have a detrimental effect on business confidence and a weak trajectory of local economic growth would be likely.

Businesses need an optimistic view of the future, based on future sales, interest rates and inflation, then they are more likely to invest, causing cash flow and economic growth to subsequently improve.



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