

Q3

2019

QUARTERLY ECONOMIC SURVEY



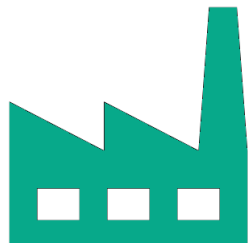
METHODOLOGY



QES Q3 fieldwork was carried out between the dates of 26th August 2019 to 16th September 2019. Data taken from Q2 2019 is also cited in the report and this was carried out between 10th May 2019 to 10th June 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.



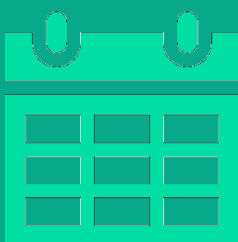
Manufacturing sector

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 4 2019:

4 November – 25 November, report issued 6th January 2020.

QES Quarter 1 2020:

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

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

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

Domestic demand: This quarter saw a slight hit in both domestic sales and orders.

Overseas sales and orders: Overseas sales saw a hit with demand falling, overseas orders similarly followed suit.

Employment: Businesses recorded they had actively recruited over the past three months and anticipate recruiting even further. Recruiting challenges remain both within the manufacturing and service sector.

Business confidence and investment: Business confidence remained steady with firms continuing to adopt a positive outlook for the future. Recent investment also rose.

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

These results should act as a wake-up call for Government, who need to recognise that all businesses, SME's, 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. Northamptonshire Chamber has not lost sight of these fundamental domestic priorities, and this is why we are excited to be releasing 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 Northamptonshire Chamber of Commerce and to represent the fantastic collection of businesses we have in the county.

A message from the Chief Executive

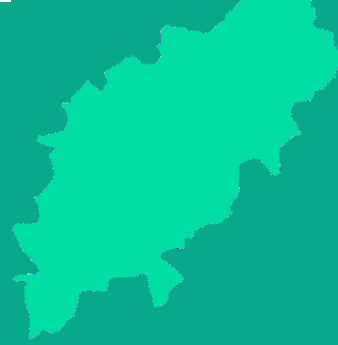


“ all businesses, especially small and medium sized firms, need support and encouragement in these exceedingly turbulent times ”

A handwritten signature in black ink, which appears to read 'Paul Griffiths'. The signature is stylized and written in a cursive-like font.

Paul Griffiths
Chief Executive

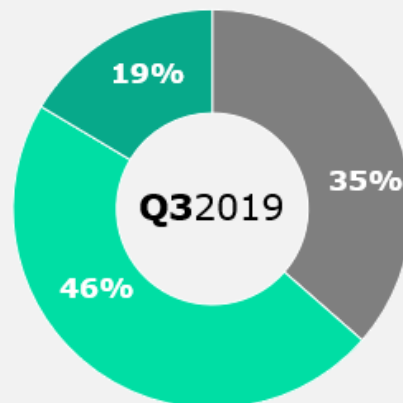
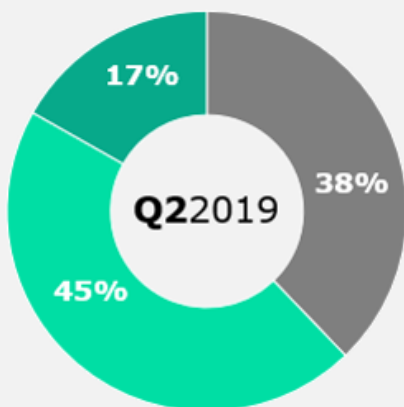
DOMESTIC SALES AND ORDERS



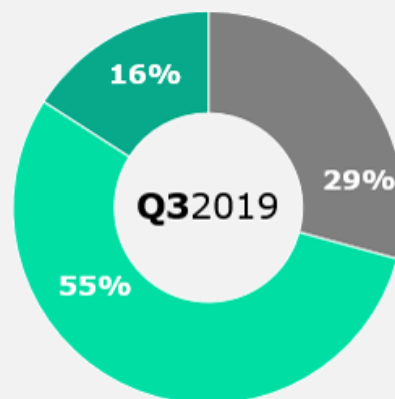
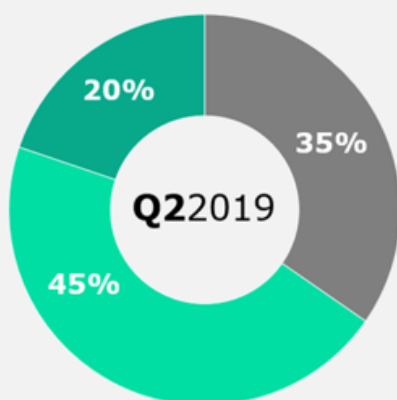
Overall, businesses in Northamptonshire saw a decrease in domestic activity compared to the second quarter of the year. The number of businesses recording an increase in domestic sales took a slight hit - down from 38% in Q2 to 35% in Q3. Businesses experiencing an increase in domestic orders also took a slight hit, falling from a balance of 35% in Q2 to 29% in Q3 2019.

A large majority of firms in both quarters reported that sales and orders had remained constant over the three months. The results in Q3 follow on from Q1 & Q2, highlighting that the underlying pace of UK activity has slowed. Unfortunately, this quarter saw an increased decline compared to what we saw in Q1 & Q2.

DOMESTIC SALES



DOMESTIC ORDERS



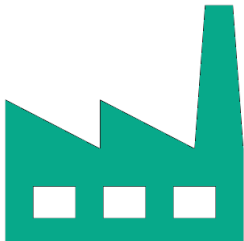
■ Increased ■ Remained Constant ■ Decreased



SERVICE SECTOR

In Q2 2019, a net balance of 25% recorded an increase in domestic sales and 24% increase in advanced orders. In contrast, this quarter a net balance of 27% experienced an increase in sales and 24% in advanced orders/bookings.

42% of respondents recorded an increase in UK sales, with 35% also reporting an increase in UK advance orders. A positive result for the service sector.



MANUFACTURING SECTOR

The number of businesses in the manufacturing sector reporting increased domestic sales fell by 2 percentage points this quarter (after a dramatic fall of 18 percentage points in Q2), dropping from 25% in Q1 to 5%. Similarly, the net balance of manufacturing firms seeing an increase in advanced orders fell into negative territory declining by 31% this quarter.

No manufacturing respondents reported an increase in domestic orders this quarter – 42% recorded a decrease and a further 40% reported a decrease in domestic sales.

OVERSEAS SALES AND ORDERS

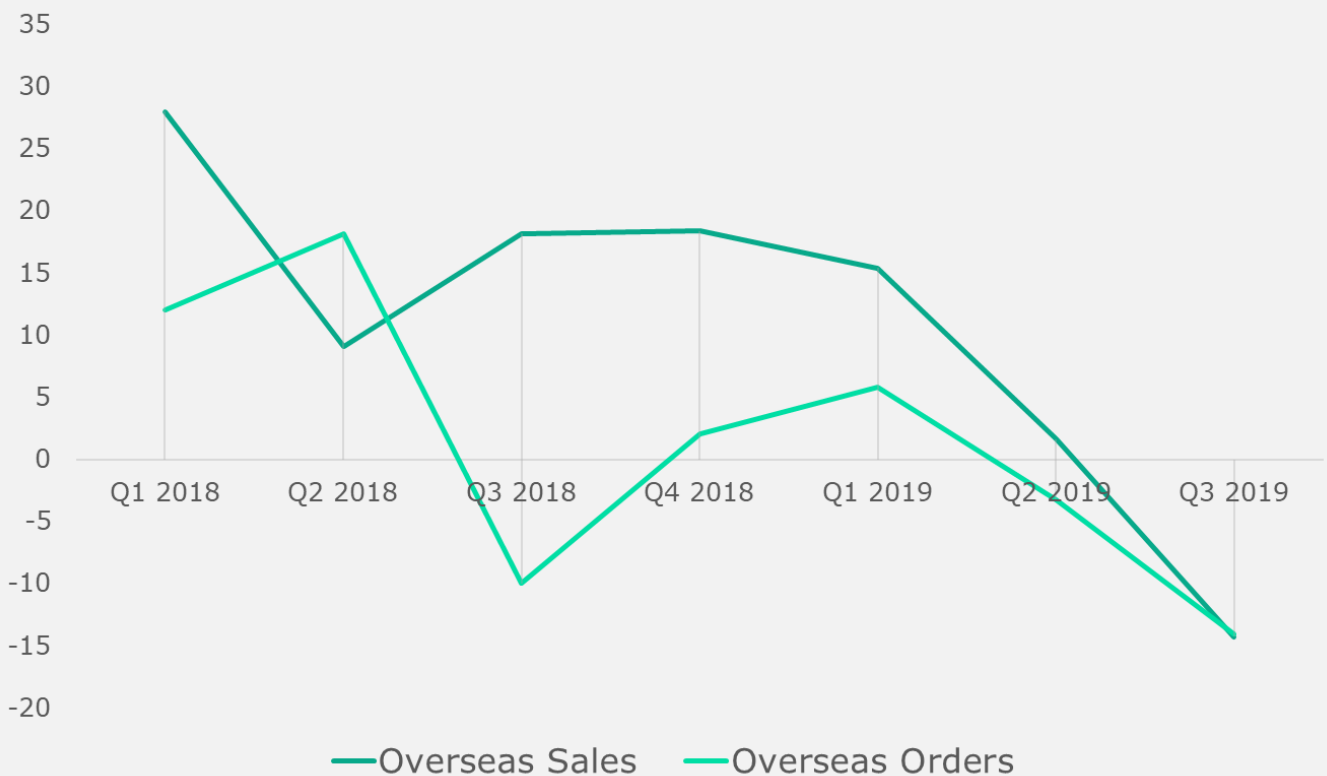


Northamptonshire-based businesses saw overseas activity slow in this quarter with both demand in overseas sales and overseas orders taking a hit.

The net balance of firms recording an increase in sales/customs/bookings declined by 16%, falling from 2% in Q2 to (14)% in Q3. Overseas orders followed the trend, experiencing a decline from (3)% in Q2 to a negative contribution in Q3, (14)%.

As illustrated by the graph below, the overseas market remains volatile with fluctuating responses in the previous six quarters. These results have followed the trend we saw in Q2 where export orders demand fell by 13%. They go against what the British Chambers of Commerce (BCC) expect which is export growth of 1.6% and import growth of 4.3% in 2019. The prospect of a messy and disorderly exit from the EU remains a significant risk to the economy. The fluctuating strength of 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 this weak growth trajectory 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. The failed attempts of passing a bipartisan Brexit deal through Parliament and the continued extension of the deadline has already damaged business confidence and investment across UK business communities.

To boost growth prospects, the Government must urgently provide firms with clarity on future conditions and bolster business investment incentives. Northamptonshire Chamber of Commerce will continue to lobby Central Government on behalf of the local business community and will strive to provide the most up to date, concise and clear information on our website in order to support businesses in all eventualities.

EMPLOYMENT



Overall during the last quarter, 27% of respondents recorded that they saw workforce growth. However, 15% also reported a decrease in workforce. In April 2019, the UK unemployment rate fell to 3.8% which is the lowest since December 1973. The latest unemployment figures in the East of England are down to 91,000 which, at just 2.8% of the workforce, is the lowest rate in the UK.

Sector split wise, the manufacturing sector has seen a decline in its workforce – a net balance movement of (32)%, with 42% of businesses recording a decrease in the quarter. Service sector recruitment has slowed but still remains way above the pace of the manufacturing sector with 30% reporting an increase in staffing.

29% of all respondents anticipate increasing their workforce further over the next three months.

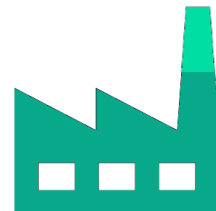
Percentage of businesses attempting to recruit

SERVICE SECTOR

MANUFACTURING SECTOR



55%

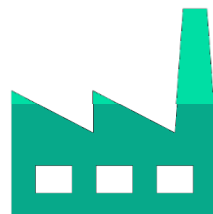


65%

Percentage of businesses experiencing difficulties recruiting



77%



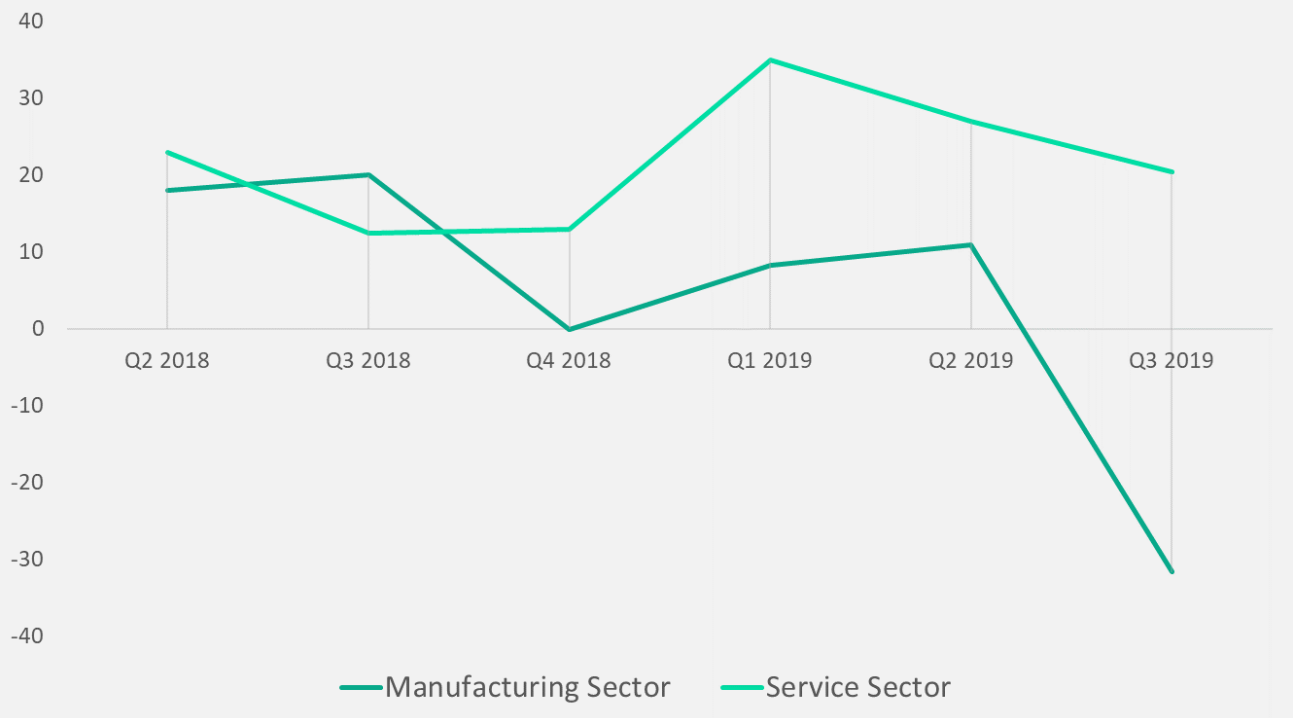
100%



68%

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

NET BALANCE (%) OF FIRMS REPORTING AN EXPANSION OF WORKFORCE OVER THE PAST QUARTER



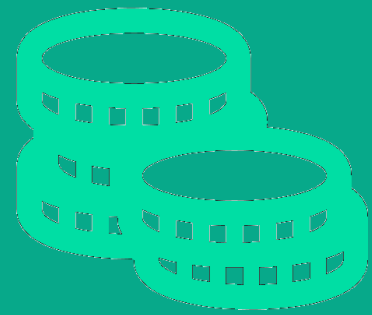
Overall, 56% of businesses that responded attempted to recruit during Q3 2019 and 82% of those experienced difficulties in recruiting appropriate staff for those vacancies. The split of job type is shown below.

Within the service sector 55% attempted to recruit with a very high 77% experiencing difficulties. The situation was even worse for manufacturers, 65% attempted to recruit, with a full 100% experiencing difficulties.

Job type	Service	Manufacturing
Full time	49%	48%
Part time	24%	10%
Temporary	10%	14%
Permanent	17%	28%

Role type	Service	Manufacturing
Skilled manual/Technical	36%	39%
Professional/Managerial	36%	22%
Clerical	18%	17%
Semi/Unskilled	10%	22%

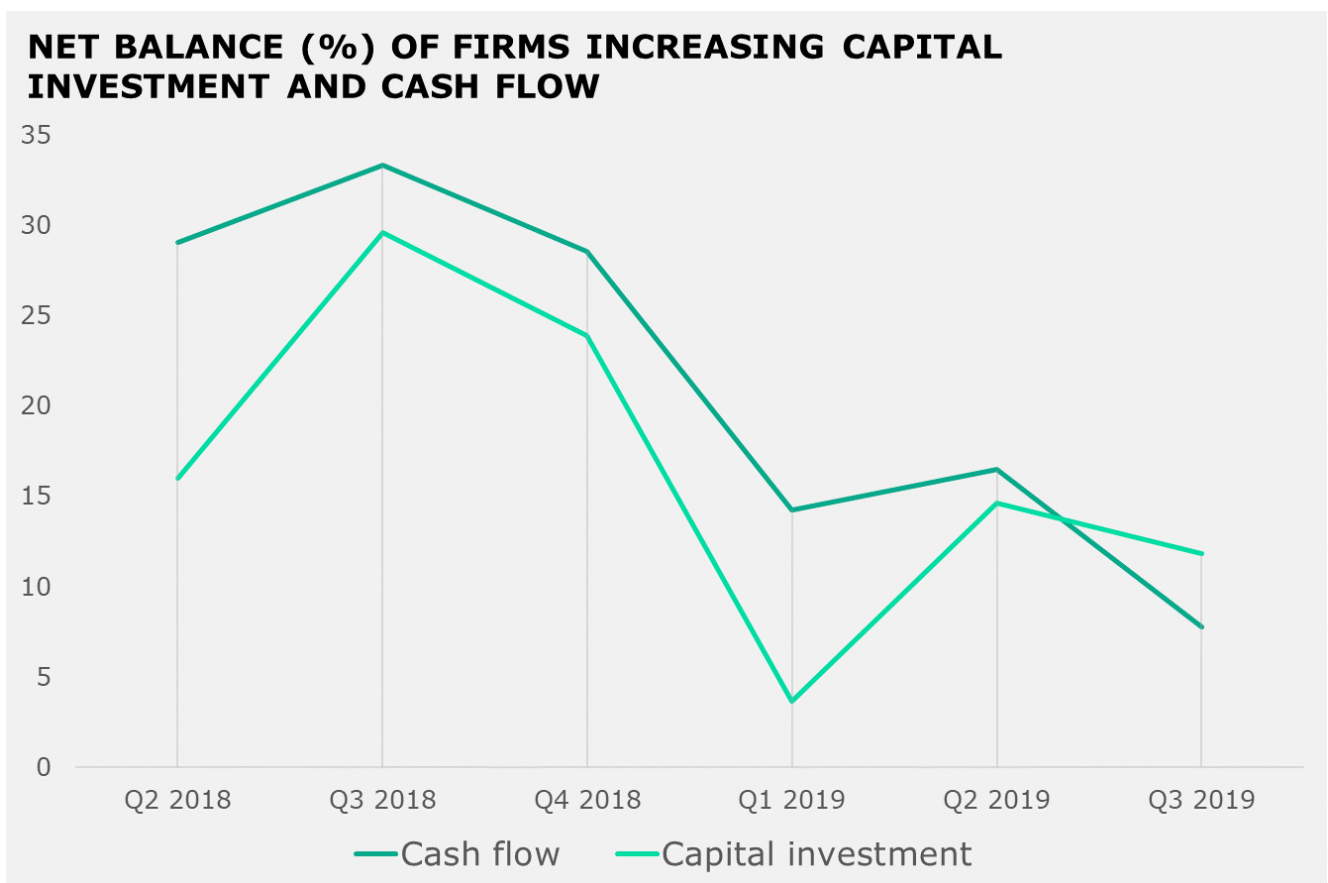
INVESTMENT



Overall, a slight slow-down on the cash flow and investment front with all capital investment, cash flow and investment in training plans experiencing a decrease.

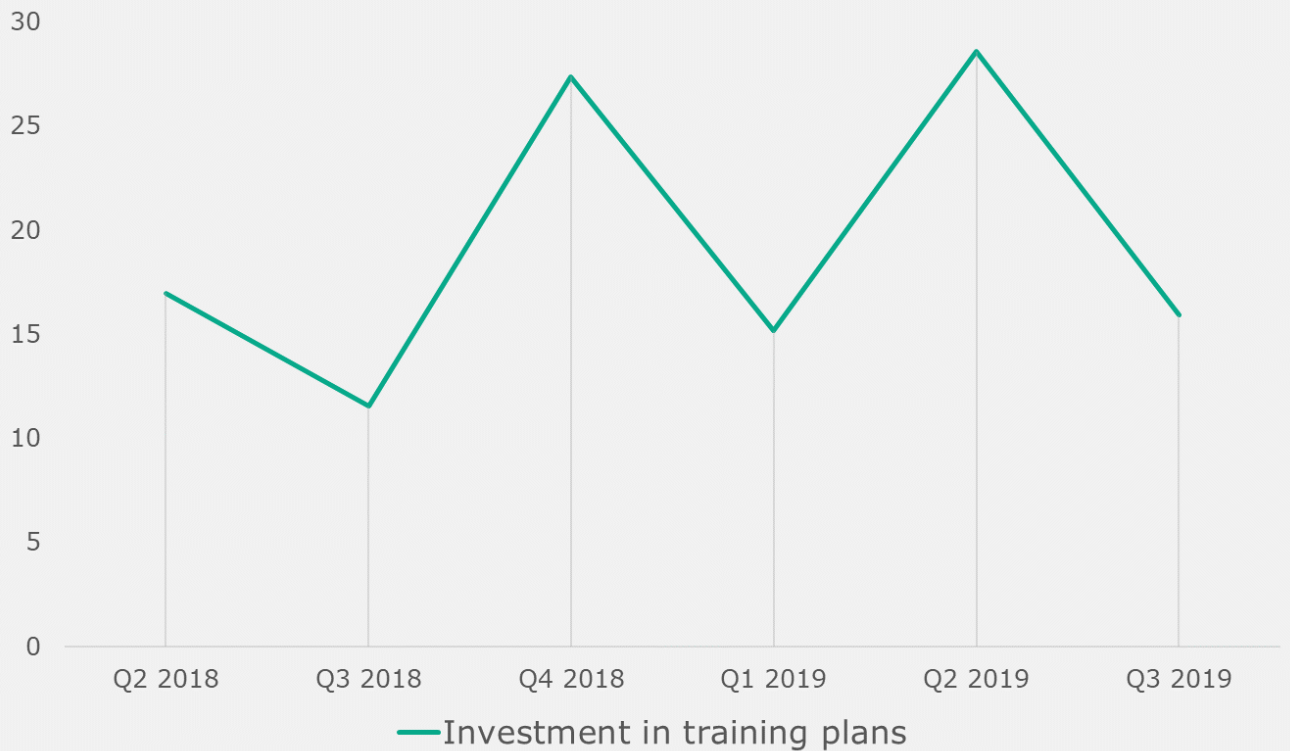
A net balance of 8% of respondents recorded that cash flow had increased during Q3 of the year (down from 17% in Q2) which in turn saw investment in machinery/equipment and investment in training plans fall.

There was a fall in investment in training plans, with this quarter seeing a net balance of 16% (down from 28% in Q2). Results this quarter, confirm that investment in training is not consistent with results fluctuating considerably over the past six quarters.





NET BALANCE OF FIRMS REPORTING AN INCREASE IN TRAINING PLANS



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

Service sector net balance returned a positive value on all three investment measures.

Manufacturing net balance scores were the complete reverse with all three investment measures recording negative net balance scores.

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.

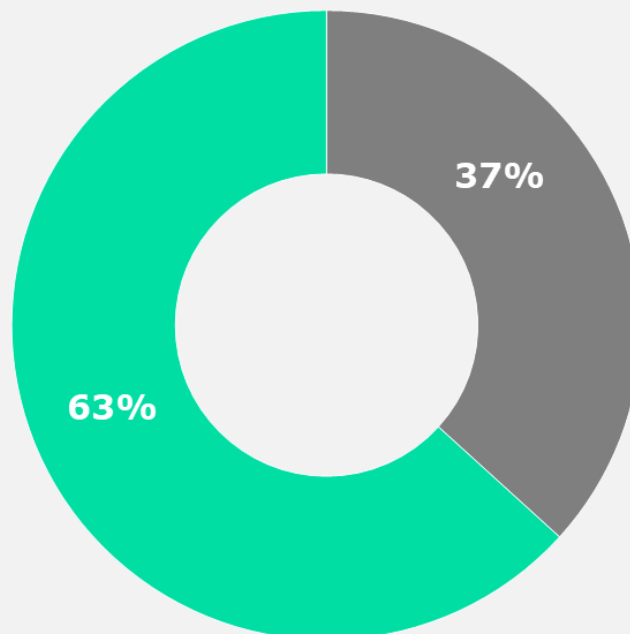
BUSINESS CONFIDENCE AND CONCERNS

Local businesses have stated that they continue to work at below capacity, with 63% reporting this to be the case in Q3 2019.

37% of businesses also continue to report that they expect the costs of doing business to rise in the next three months (up from 27% in Q2), therefore they anticipate increasing the price of their services and goods. The main price pressure was reported to be other overheads, taking over the top spot from raw material prices, which was the main concern to businesses in previous quarters. The volatility of cash flow leaves businesses more vulnerable to disruptions in their supply chain, the increase of raw material prices would have a pivotal role in this.

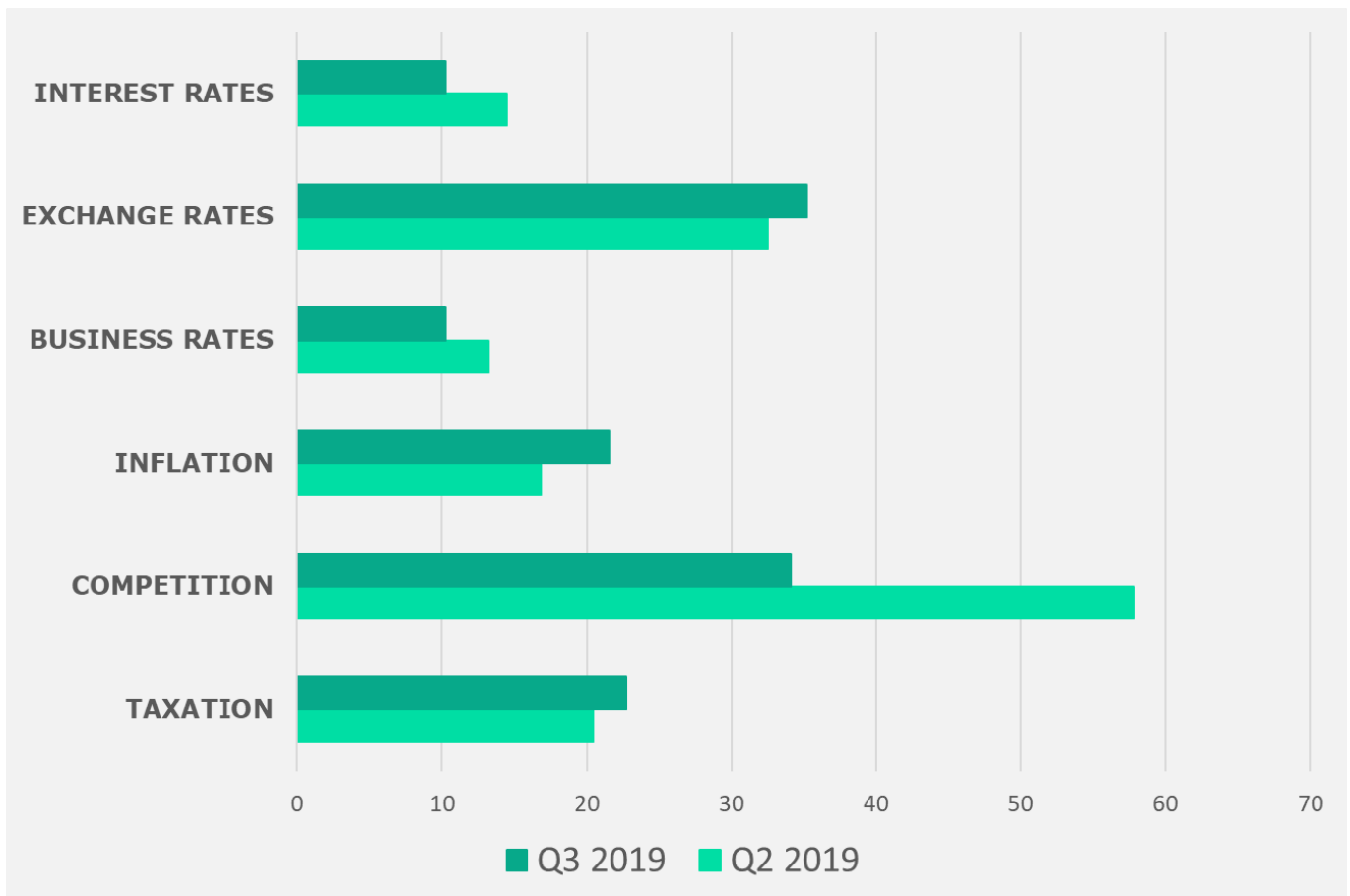
Firms were also questioned on the factors which are more of a concern to their business compared to three months ago. Unsurprisingly, competition, as per previous quarters was one of the dominant answers. However, it was knocked into second place as Exchange rates took over as the main concern in Q3 2019 with 35% reporting as an issue.

% OF BUSINESSES OPERATING AT FULL/BELOW CAPACITY



■ Full Capacity

■ Below Capacity



Business confidence has increased over the past 6 months with an increasing number of businesses having a positive outlook over the next 12 months. 53% of businesses stated they believe turnover will improve over the next year (up 5% from Q2) and 49% believe in turn profitability will improve (up 11% from Q2.)

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, to become more likely to invest, causing cash flow and economic growth to subsequently improve.



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