



QUARTERLY ECONOMIC REVIEW

QUARTER 2 2016

In association with



Profile



Savings



Training



Representation



Protection



International
Trade



QUARTERLY ECONOMIC REVIEW

QUARTER 2 2016

REPORT SUMMARY

Strong domestic market supports Northamptonshire economy in second quarter

Strong domestic demand was a key factor in the growth of the Northamptonshire economy in the second quarter of 2016, according to a survey by Northamptonshire Chamber of Commerce.

The Quarterly Economic Survey (QES) report for the three months to June published on 12 July 2016 shows 84% of manufacturers reported an increase or consistent UK sales, with 89% of service sector businesses experiencing the same demand. Firms from both sectors also reported steady increases in UK orders.

However it was a different picture for firms trading overseas. Service sector firms experienced a decline in export sales and orders, despite an upturn in activity between January to March. This was echoed by manufacturers which reported that export sales activity had slowed down.

The report for Q2 2016 was conducted 23 May to 13 June and contains responses from 79 businesses employing 1,904 people across the county.

Hiring trends for businesses operating across the manufacturing sector reversed their downward trajectory reported during the previous two quarters. About a third of services and manufacturing firms surveyed stated their workforce had increased during the second quarter.

These findings mirror the decline from 100% to 44% of manufacturers expressing recruitment difficulties during Q2. In contrast, the services sector experienced a greater degree of difficulty in recruiting of staff with 70% citing this as an issue.

Whilst cashflow did improve for manufacturing firms over the previous three months, investment activity for plant and machinery and in training slowed during the second quarter - continuing the downward trend since Q4 2015. Conversely, a third of service sector firms reported an increase in investment plans and a further 65% stated plant and machinery investment remained consistent with the first quarter.

Competition was cited as the main external factor of concern for businesses during Q2. Exchange rates was viewed as the second external factor of concern by manufacturers with business rates highlighted by service firms.

In summary, businesses in Northamptonshire remained positive with 95% of manufacturing firms and 94% of services sector businesses citing profitability had increased or remained the same when compared with Q1 2016. Meanwhile 79% of service sector reported an increase in turnover with 37% of manufacturing firms reporting an increase in profitability.

Strong domestic sales has been a key factor in creating a stable local economy and to stable job creation in Northamptonshire.

However the fall in investment decisions reinforced the uncertainty felt by businesses in the run-up to the referendum on Britain's continued membership of the European Union (EU).

The Government needs to make economic stability and political clarity as its immediate priority. It must outline its next steps on exiting the EU following the electorate's Brexit vote.

Any prolonged period of uncertainty will affect confidence, investment, hiring and growth during the coming transition period. We all need to fully support our firms to ensure we get Britain back to business.

**Paul Griffiths, Chief Executive
Northamptonshire Chamber of Commerce**



Profile



Savings



Training



Representation



Protection



International
Trade



QUARTERLY ECONOMIC REVIEW

QUARTER 2 2016

RESPONSES

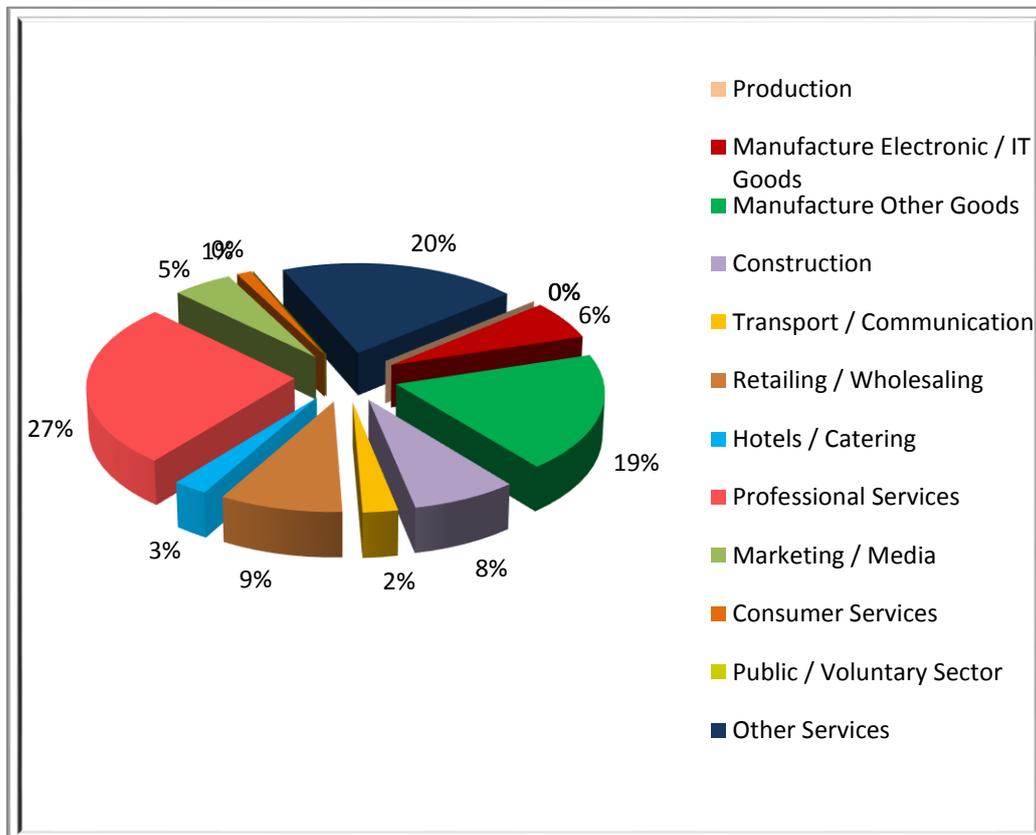
Northamptonshire Chamber of Commerce's Quarterly Economic Survey (QES) is a regular independent business survey and forms part of the biggest and most representative survey of its kind in the UK.

It is widely recognised as a key economic indicator by Government, The Bank of England and independent economists alike. It also provides both central and local policymakers with an important source of feedback of the performance, concerns and views of businesses across Northamptonshire.

The QES questionnaire covered ten broad sections;

- UK Sales and Orders Activity
- Export Sales and Orders Activity
- Employment
- Recruitment and Skills Shortages
- Cashflow
- Investment
- Business Confidence
- Capacity
- Price Pressures
- External Factors

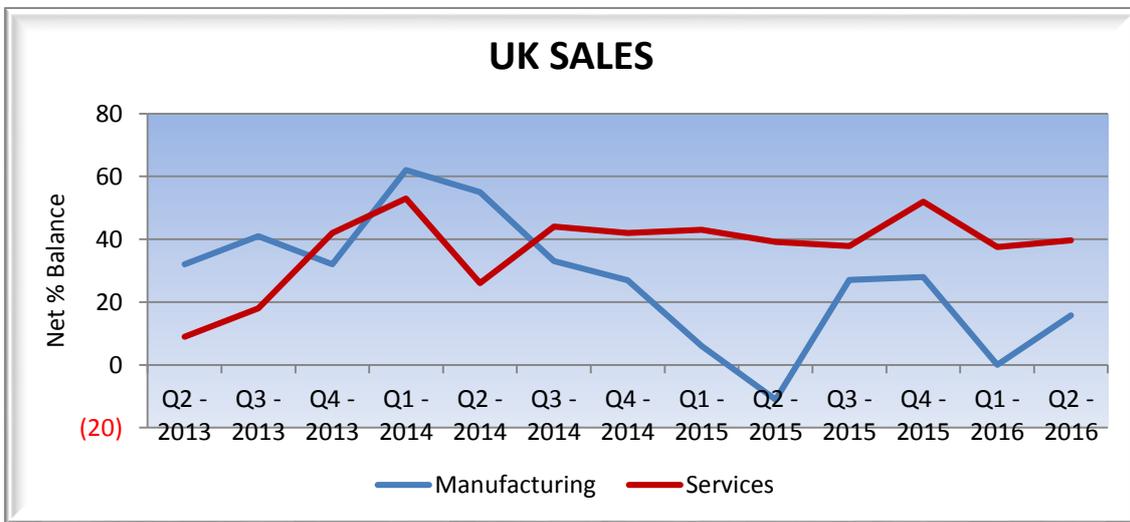
The fieldwork for Northamptonshire Chamber of Commerce's latest QES was conducted via electronic, hard copy questionnaires and via Survey Monkey during the period of 23rd May to 13th June. This report therefore sets out analysis and interpretation of the findings for the second quarter of 2016. A total of 79 businesses, employing 1,904 people from across the county responded. The sector split of respondents is shown in the pie chart below.



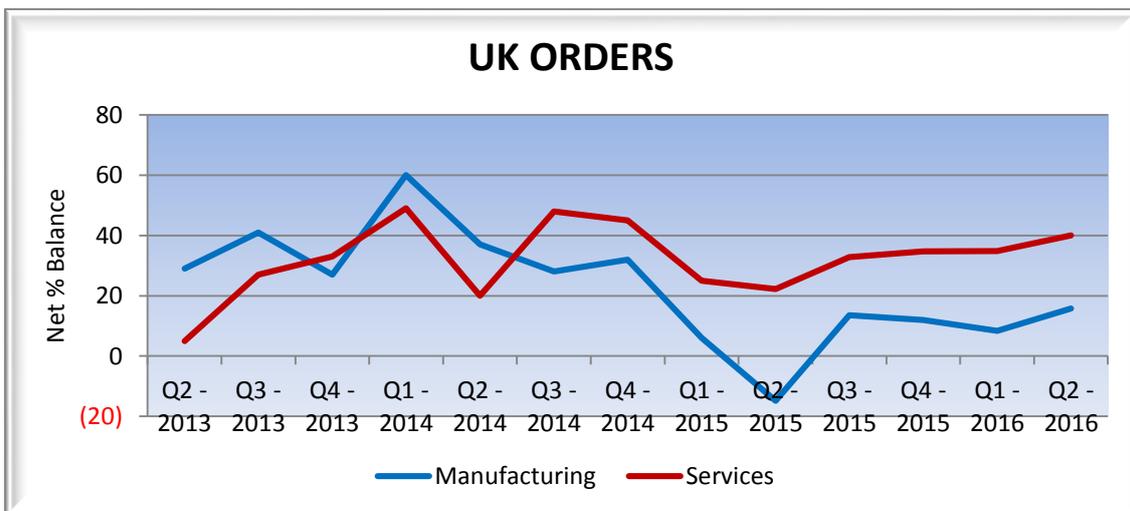
UK SALES AND ORDERS

During the second quarter of 2016, 32% of manufacturing firms stated that their UK sales had increased when compared to the first quarter of 2016. When added to those businesses that stated that their sales had remained consistent with the previous quarter the figure rises to 84%. 89% of service sector firms reported their UK sales being consistent or increasing over the second quarter of 2016 when compared to the first three months of the year.

16% of manufacturing firms reported a decline in UK sales activity throughout the second quarter. 51% of businesses operating across the services sector stated that their UK sales during the second quarter had increased when compared to the first of 2016.



UK orders for businesses operating across both the manufacturing and services sectors saw an increase during the second quarter. 88% of businesses operating across the services sector reported that orders had either remained consistent with the previous quarter or had increased. 80% of businesses operating in the manufacturing sector cited their orders had either remained consistent or had increased versus the second quarter.



* Net (percentage) balances are the difference between the percentage of businesses that expect improving or increasing positions and those expecting worsening or decreasing ones.





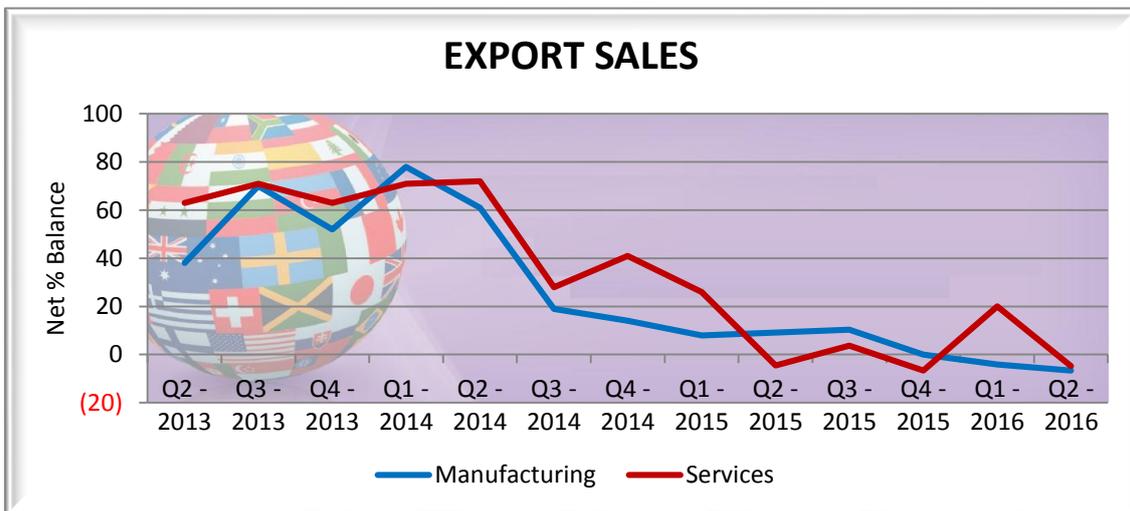
QUARTERLY ECONOMIC REVIEW

QUARTER 2 2016

EXPORT SALES AND ORDERS

As illustrated by the graph below, the service sector saw a noticeable decrease in export sales despite an upturn in activity during the previous quarter. However 76% of firms operating in the services sector said export sales had either remained consistent with the first quarter of 2016 or had increased. Furthermore, the graph also indicates that export sales activity for businesses in the manufacturing sector seemed to have slowed. 73% of manufacturing businesses though cited that export sales had either remained consistent or had increased when compared to the first quarter of 2016.

Around a fifth of companies operating across both the services and manufacturing sector reported their export sales had increased during the second quarter versus the first quarter.



The chart for export orders paints a remarkably similar picture to that of export sales with the manufacturing and services sector both contracting during the second quarter of 2016. A contraction is reading below 0.

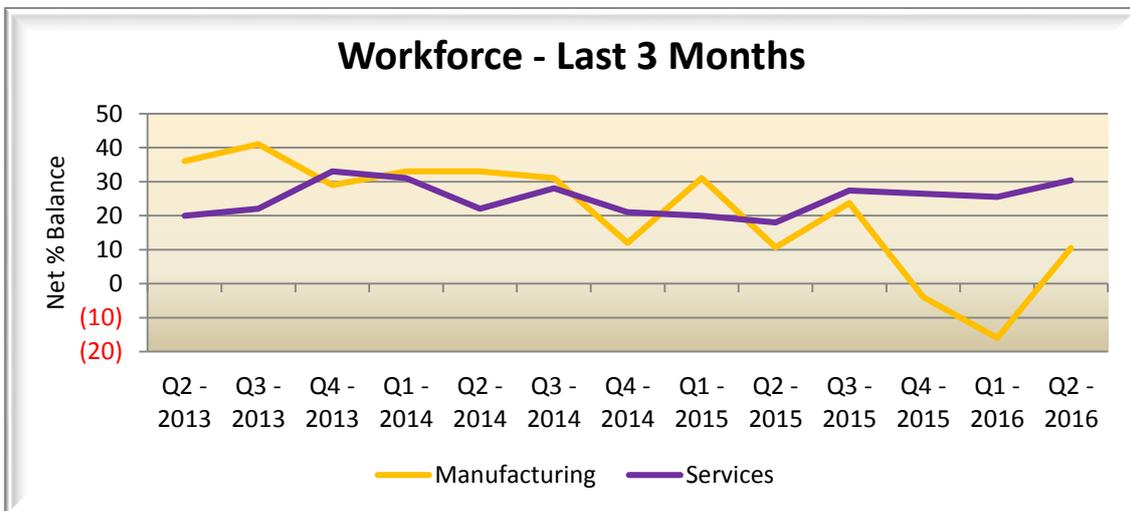


* Net (percentage) balances are the difference between the percentage of businesses that expect improving or increasing positions and those expecting worsening or decreasing ones.

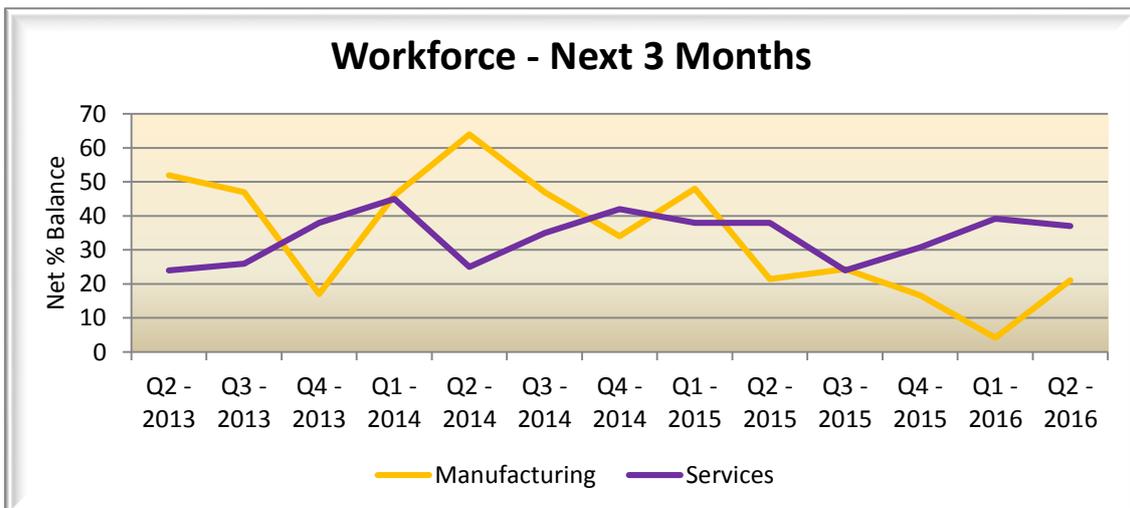
EMPLOYMENT

Hiring trends for businesses operating across the manufacturing sector reversed their downward trajectory reported during the previous two quarters, with the chart below clearly demonstrating this. Their counterparts in the services sector also reporting a pickup in hiring activity during the course of the second quarter.

There was a positive reading of 11% when looking at the balance figure for manufacturing firms. Businesses within the services sector continued to report robust hiring activity during the past three month with the net balance figure standing at 30%. 32% and 36% of services and manufacturing firms respectively reported that their workforce had increase during the second quarter.



Whilst the services sector reported that hiring trends for the next three months would slow when compared the second quarter of 2016, manufacturing hiring trends look to improve over third quarter. 40% of businesses operating in the services sector said that their workforce would likely remain the same or increase over the next quarter. Remarkably, 100% of businesses in the manufacturing sector stated that their workforce would either increase or remain the same during the quarter.



* Net (percentage) balances are the difference between the percentage of businesses that expect improving or increasing positions and those expecting worsening or decreasing ones.



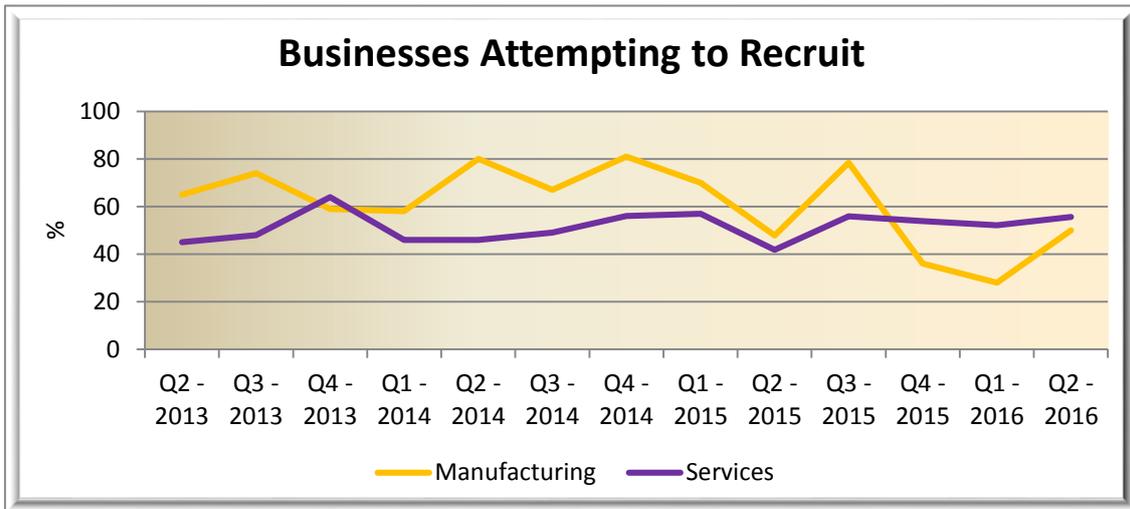


QUARTERLY ECONOMIC REVIEW

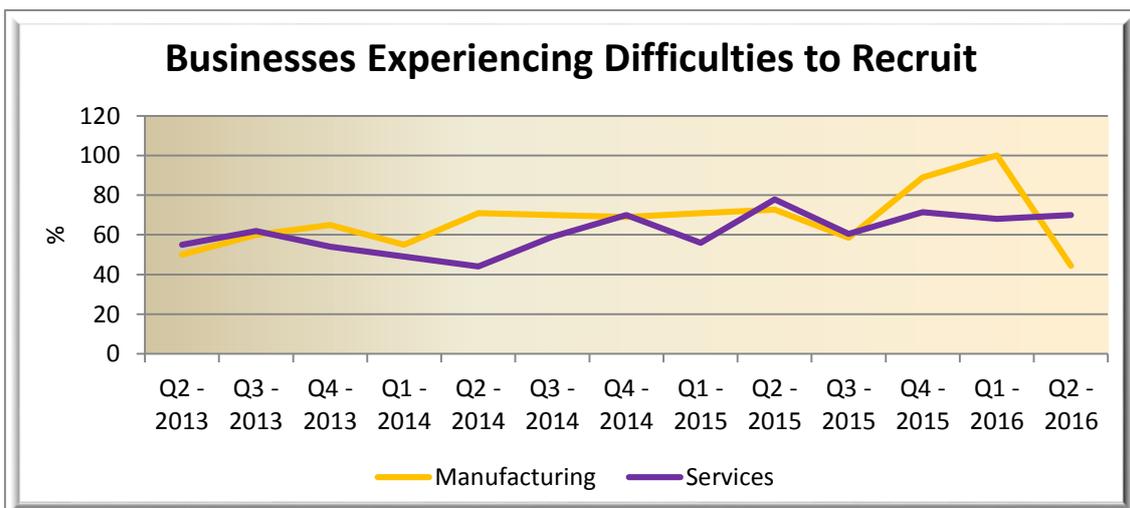
QUARTER 2 2016

RECRUITMENT & SKILLS SHORTAGES

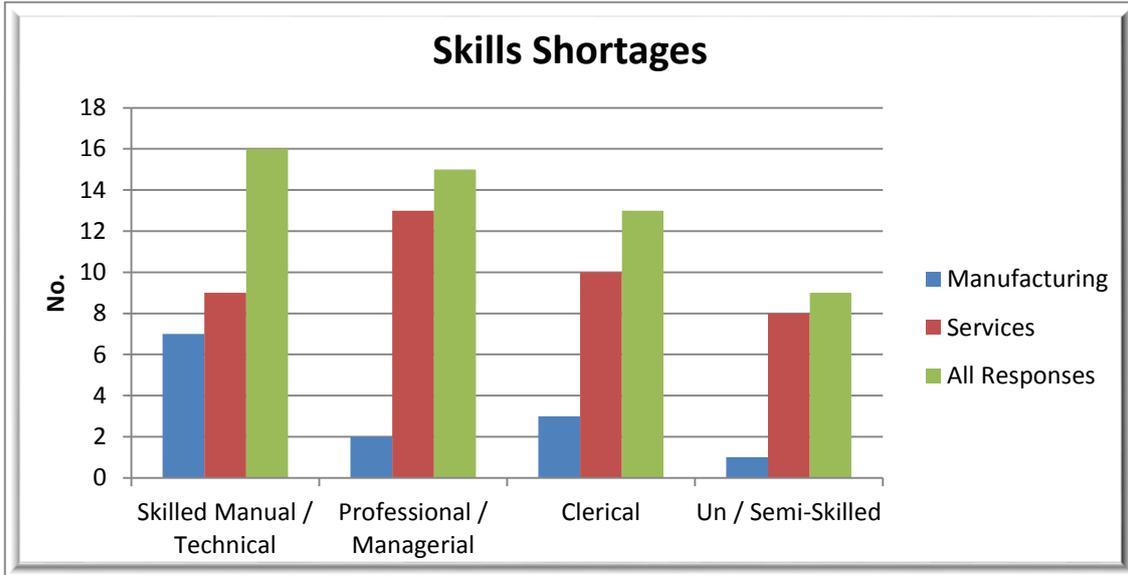
Similarly, when asked are you attempting to recruit staff there was an increase across both sectors with the manufacturing sector seeing the greatest increase. 56% of businesses surveyed operating across the services sector said that they'd attempted recruit staff whilst 50% of manufacturing firms stated that they had also attempted to recruit staff during the past the past three months.



With half of those businesses surveyed across the manufacturing sector attempting to recruit staff it's reassuring to note that there has been a substantial decline in those experiencing difficulties recruiting staff. The figure during the first quarter of 2016 showed that 100% of businesses attempting to recruit encountered difficulties, compared to a figure of 44% during the second quarter. The services sector experienced a greater degree of difficulty in recruiting of staff with 70% citing this as an issue, a slight tick up from the previous quarter at 68%.

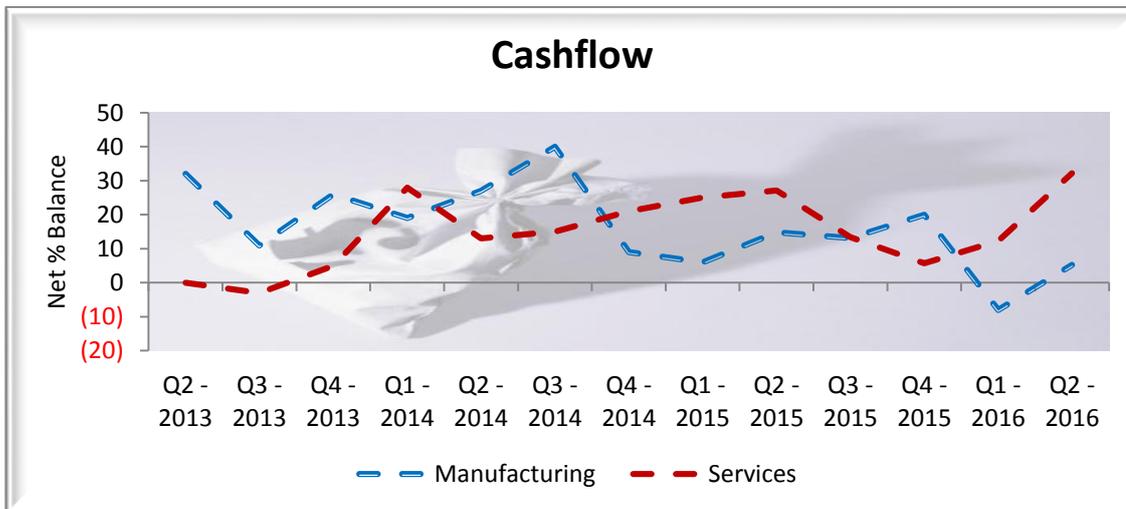


The following table highlights the skills areas where businesses experienced difficulty in sourcing new employees during this most recent quarter.



CASHFLOW & INVESTMENT

There was a marked increase in cashflow for businesses operating across both the manufacturing and services sector during the second quarter as is highlighted by the graph below. 84% of manufacturers reported that their cashflow had either improved or had remained consistent with the first quarter. Similarly, 84% of manufacturing firms said that their cashflow had either remained constant or increased when compared to the first quarter.



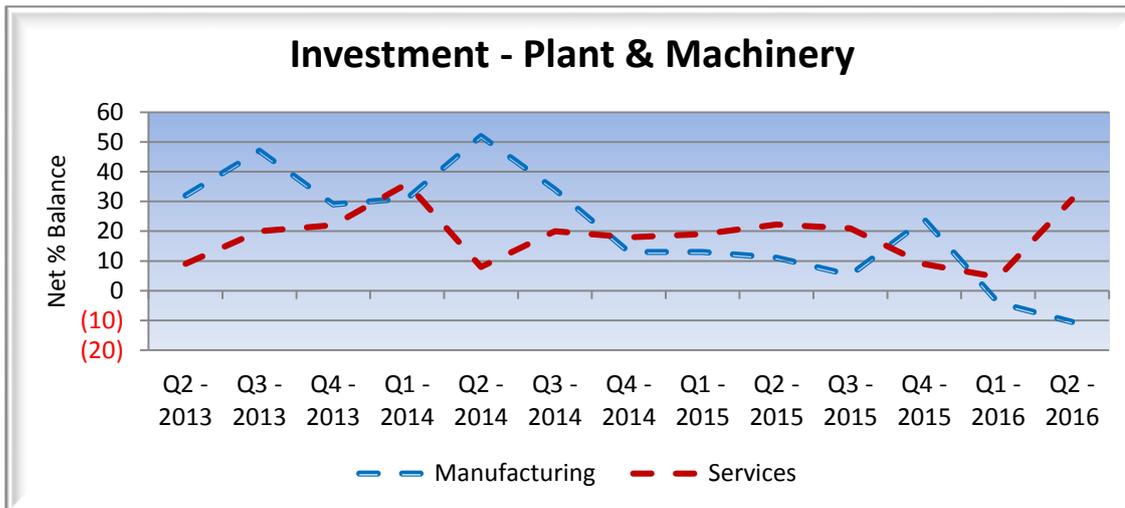


QUARTERLY ECONOMIC REVIEW

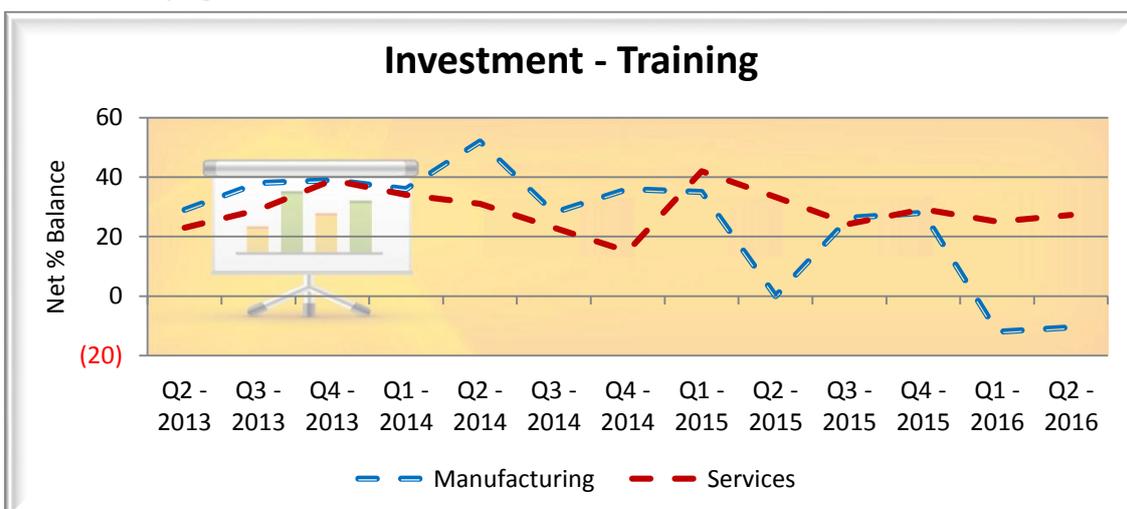
QUARTER 2 2016

Whilst cashflow did improve for manufacturing firms over the previous three months, investment activity for plant and machinery slowed during the second quarter. Despite the fact that at first glance manufacturing activity slowed during the previous three months, 79% of firms said that investment in plant/machinery remained the same as the first quarter.

Conversely, the services sector reported an increase in investment plans, with 33% of firms saying this and a further 65% stating plant and machinery investment remained consistent with the first quarter. The figure of 33% is the highest since for first quarter of 2014. Whilst the -11 balance figure for manufacturing represents a new low, and continues the downward trend started between Q4 2015 and Q1 2016.



Businesses operating in the manufacturing sector are still seeing a slowdown in training with the balance figure remaining in contraction territory – with a reading of -11. On the other hand the services sector has seen a slight uptick in training activity during the past three months – with a balance figure of 27%. Although, at first glance the manufacturing figure doesn't paint a positive picture, 79% said their investment in training remained the same as the first quarter, with 65% saying the same across the services sector.

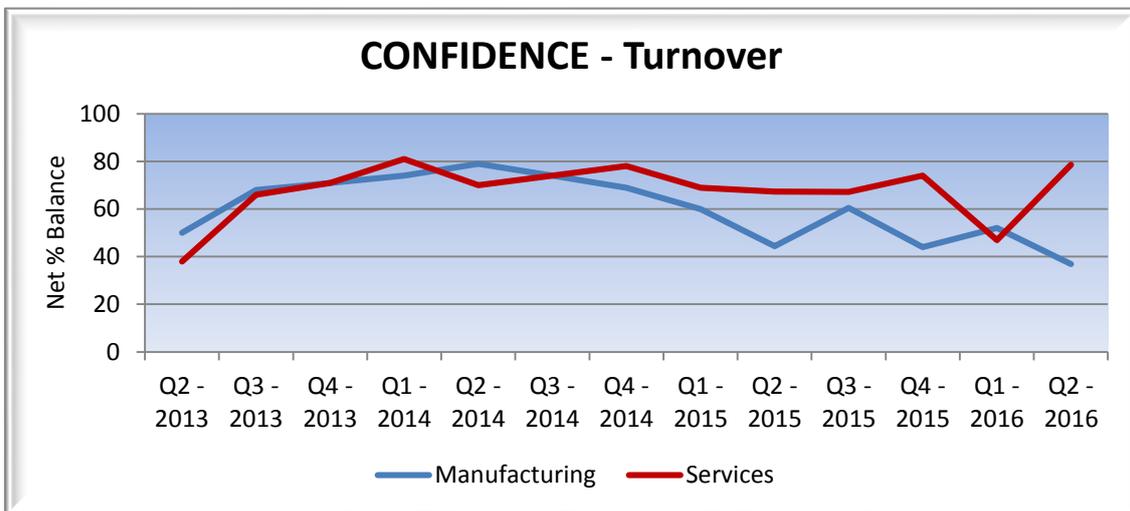


* Net (percentage) balances are the difference between the percentage of businesses that expect improving or increasing positions and those expecting worsening or decreasing ones.

CONFIDENCE

Confidence for businesses operating across the services sector increased during the past three months with the balance figure now at level last seen in Q1 2014 – at 79%. On the other hand manufacturing firm’s confidence as determined by turnover has decline during the second quarter – despite having a positive balance figure of 37%.

Reassuring is the fact that 63% of manufacturing business said that their turnover had remained the same when compared to the second quarter. 10% of businesses operating across the services sector said that their turnover had remained the same during the second quarter when compared to first quarter.



BUSINESS CONFIDENCE –TURNOVER NEXT 12 MONTHS - NET BALANCES

% Balance	Q2 - 2013	Q3 - 2013	Q4 - 2013	Q1 - 2014	Q2 - 2014	Q3 - 2014	Q4 - 2014	Q1 - 2015	Q2 - 2015	Q3 - 2015	Q4 - 2015	Q1 - 2016	Q2 - 2016
Manufacturing	50	68	71	74	79	74	69	60	44	61	44	52	37
Services	38	66	71	81	70	74	78	69	67	67	74	47	79

* Net (percentage) balances are the difference between the percentage of businesses that expect improving or increasing positions and those expecting worsening or decreasing ones.





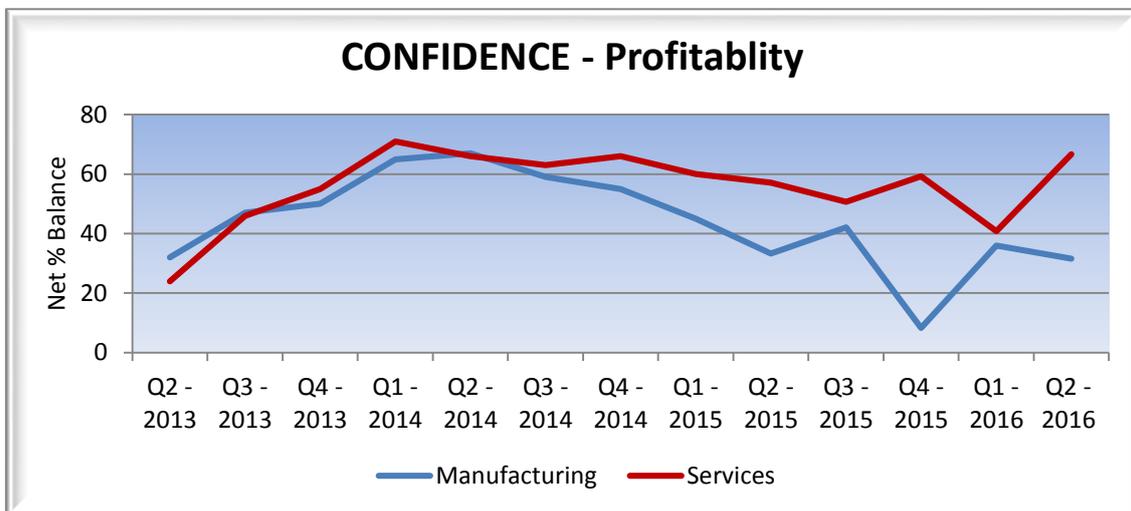
QUARTERLY ECONOMIC REVIEW

QUARTER 2 2016

95% of manufacturing firms cited that their profitability had either increased or remained the same when compared with the first quarter.

94% of service sector firms reported that confidence as measured by profitability was consistent with previous quarter or increased.

72% of service sector firms reported an increase in turnover with 37% of manufacturing firms reporting an increase in profitability.



BUSINESS CONFIDENCE – PROFITABILITY NEXT 12 MONTHS – NET BALANCES

% Balance	Q2 - 2013	Q3 - 2013	Q4 - 2013	Q1 - 2014	Q2 - 2014	Q3 - 2014	Q4 - 2014	Q1 - 2015	Q2 - 2015	Q3 - 2015	Q4 - 2015	Q1 - 2016	Q2 - 2016
Manufacturing	32	47	50	65	67	59	55	45	33	42	8	36	32
Services	24	46	55	71	66	63	66	60	57	51	59	41	67

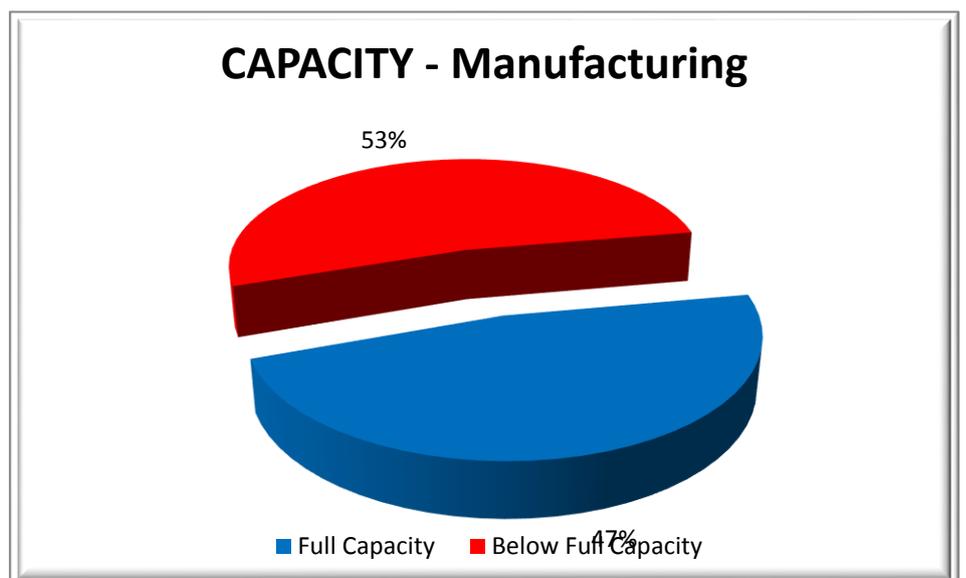
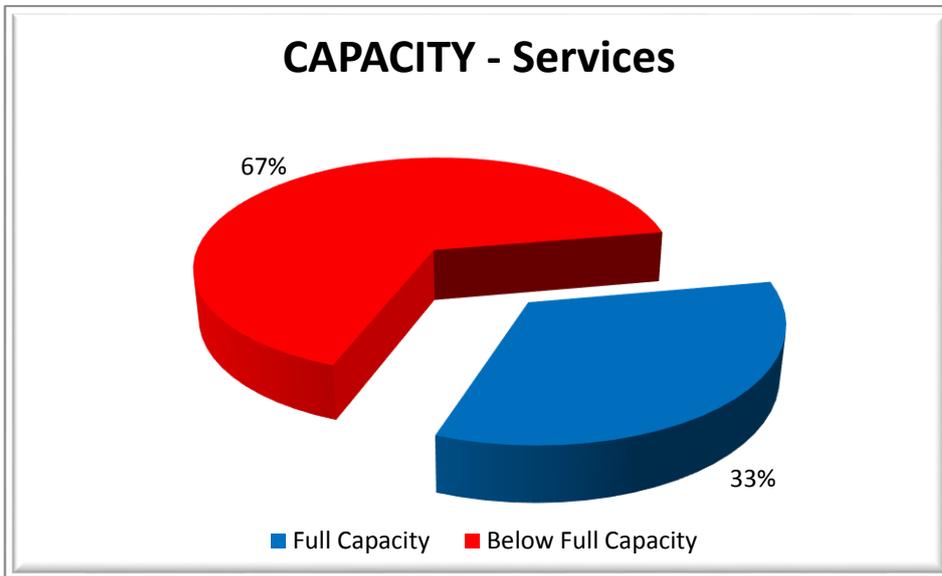
* Net (percentage) balances are the difference between the percentage of businesses that expect improving or increasing positions and those expecting worsening or decreasing ones.

CAPACITY

The majority of businesses operating across the manufacturing sector are still reporting that they're operating below capacity – as was the case during the first quarter.

Furthermore, two thirds of services sector firms said that they were also operating below capacity during the three months of the second quarter.

There was an 8% rise in manufacturing businesses reporting that they were operating below capacity over the past three months. There was a 10% rise in businesses across the services sector that were operating below capacity.



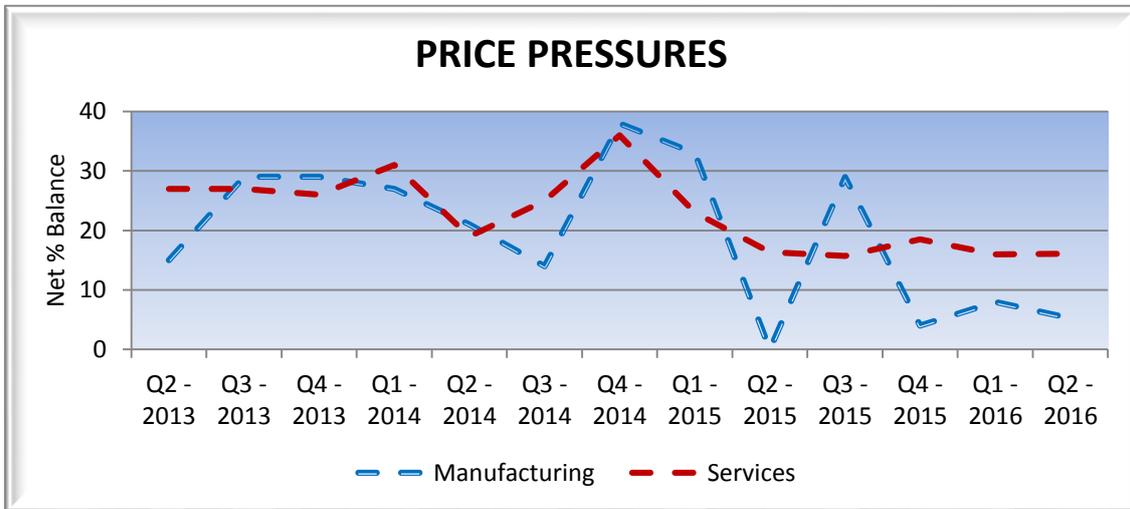


QUARTERLY ECONOMIC REVIEW

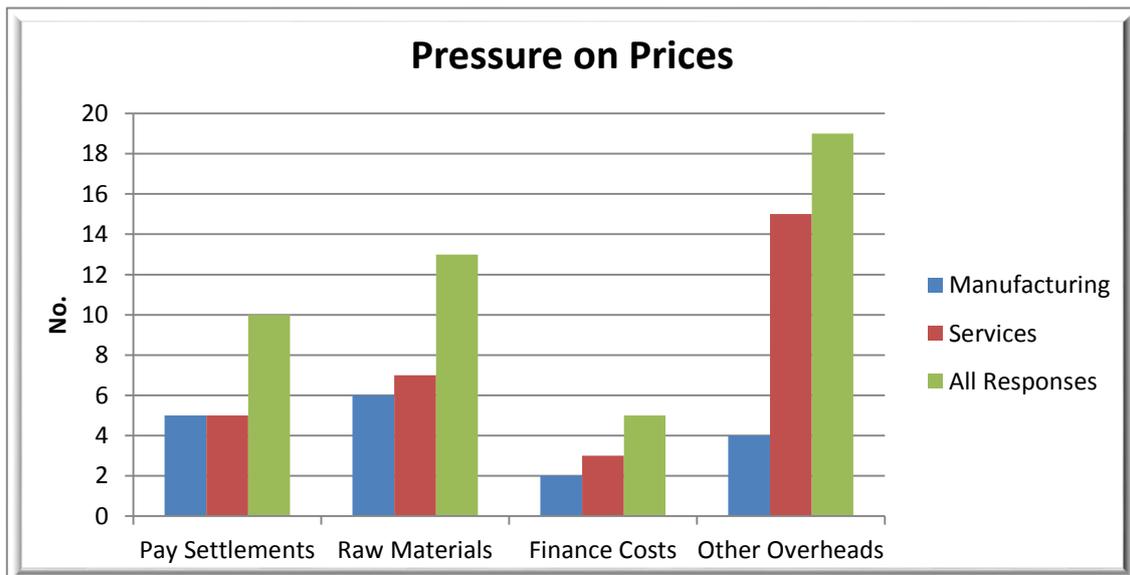
QUARTER 2 2016

PRICE PRESSURES

Only 11% of firms within the manufacturing sector reported increases in price pressures with 89% of firms citing price pressures had declined or had remained the same over the three months during the first quarter. Whilst the percentage of businesses in the services sector reporting an increase in price pressures during the second quarter stood at 18%, 80% of businesses reported price pressures that had either remained in line with the previous quarter. Only 2% of service sector businesses stated prices pressures had declined.



Other overheads (e.g. energy costs) was the main pressure on prices for businesses (this is when the figures for both the service and manufacturing sectors are combined). For the services sector other overheads were the main pressure on prices whereas for the manufacturing sector raw material costs were the factor



* Net (percentage) balances are the difference between the percentage of businesses that expect improving or increasing positions and those expecting worsening or decreasing ones.

EXTERNAL FACTORS

The main cause for concern for businesses during the second quarter was competition which matches data compiled during the first quarter of 2016.

The manufacturing sector's second external factor of concern was exchange rates closely followed by competition.

The service sectors second external factor of concern was business rates, closely followed by competition.

