

## Overview

The latest GDP data confirms that the UK economy grew at a solid pace in the run-up to the EU referendum: UK GDP was revised up to 0.7% for Q2 '16 from the previous estimate of 0.6%. The upward revision was driven mainly by the services sector, while business investment was also revised up (double the previous estimate) and the latest data releases for the labour market suggest the jobs market has continued to strengthen. Surveys also point to the UK economy performing well in the immediate aftermath of the Brexit vote.

Weaker Sterling has led to a strong increase in the competitiveness of UK manufacturing, though it is not clear how long this advantage will remain. A weaker pound is starting to feed through into import costs, which is likely to be a drag on margins over the medium-term. It should be noted that other recent depreciations in sterling, e.g. after the 2008 financial crisis, did not lead to a long-term improvement in the UK's net trade position. A significant spike in consumer price inflation also emerged, which in part reflected the pass through of the sharp depreciation sterling in 2007.

The latest data from the BCC Quarterly Economic Survey for Q3 '16 shows a mixed picture overall. The export position, particularly for manufacturers, has shown a positive bounce over the summer months, probably supported by the markedly weaker sterling exchange rate. The domestic position by comparison, driven by the services sector (80% GDP), weakened materially in Q3. Companies also report a softening in attitude towards recruitment and investment over the coming year, with confidence weaker as business awaits greater clarity from government over the UK's future relationship with the European Union.

The near term outlook for businesses in the West Cheshire and North Wales area appears resilient and they are reporting more positive conditions than in the wider North West region. It is too early to tell whether this is driven by the specific industries in the area or by local economic conditions. The higher than normal exposure to manufacturing in the area for example, which has seen a benefit in terms of exports due to the weaker exchange rate, may be one of the reasons.

## Results

### Sales and Orders



Balances eased somewhat between Q2 and Q3 for the North West though export balances ticked up, in particular the orders balance.

The results for West Cheshire and North Wales however suggest a stronger overall performance in the third quarter than for the wider region, with domestic and international sales and orders growing. Expansion was driven by the manufacturing sector.

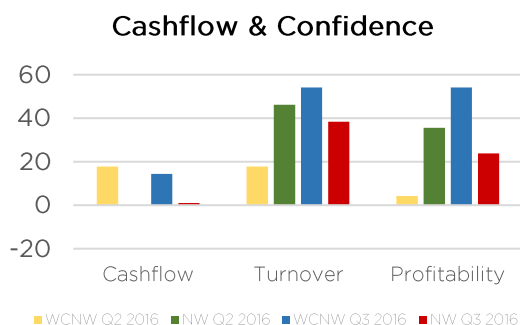
## Employment



Employment expanded marginally in Q3 for the North West. Expectations for Q4 show continued growth in employment but at a slower rate than in previous quarter.

The West Cheshire and North Wales area appears to be bucking trend however, with a healthy rise in employment intentions recorded in the third quarter.

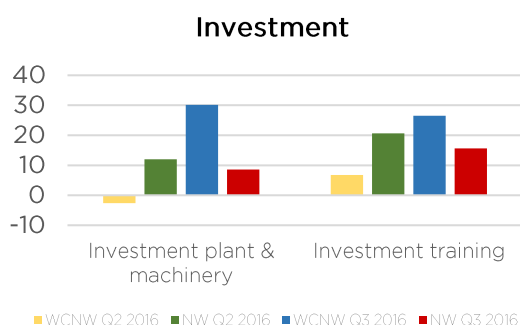
## Confidence



Cashflow in the North West has been broadly flat though the balance for the West Cheshire and North Wales area has softened a little.

Confidence measures for both turnover and profitability for the North West have eased slightly but show strong increases in West Cheshire and North Wales.

## Investment

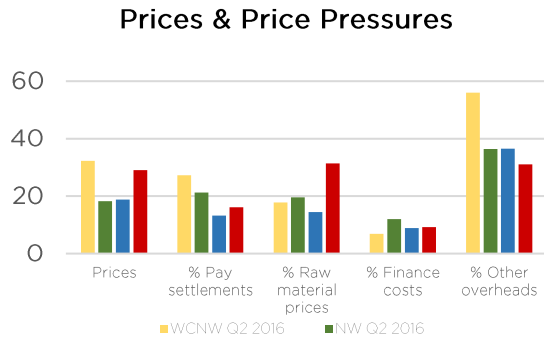


Investment levels across the North West have softened slightly over the summer period though continue to indicate growth.

By comparison, for West Cheshire and North Wales, both measures (capital and human) show an increase in the rate of growth.

With the business investment cycle closely linked to companies' expectations of medium-term demand, this outcome could suggest confidence in the area for developments in the local economy.

## Prices Pressures

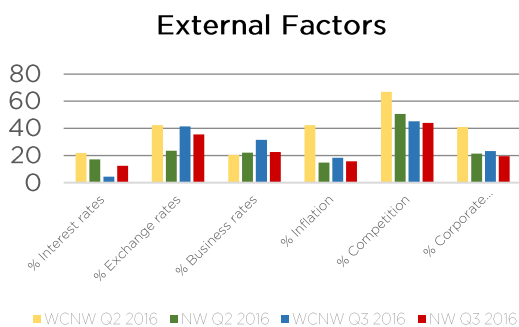


In the North West price expectations have increased which contrasts with West Cheshire and North Wales where there has been a softening.

There has been a marked increase in raw material prices, more so in the wider North West than West Cheshire and North Wales, which may reflect concerns over the inflationary impact of the sharp fall in sterling since the EU referendum.

Concerns over finance costs and pay settlements remain low, though with unemployment at low levels, and as businesses find it harder to recruit in a tighter labour market, there is a risk that the price of skilled labour could move upwards.

## External Factors



Concerns over interest rates have eased reflecting the Banks of England's decision to ease monetary policy at the MPC's August meeting.

While inflation expectations remain broadly similar in the North West they have fallen surprisingly in the West Cheshire and North Wales area.

This report was produced by GMCC Research  
at Greater Manchester Chamber of Commerce  
0161 393 4334  
research@gmchamber.co.uk  
@GMCCResearch | www.gmchamber.co.uk

