

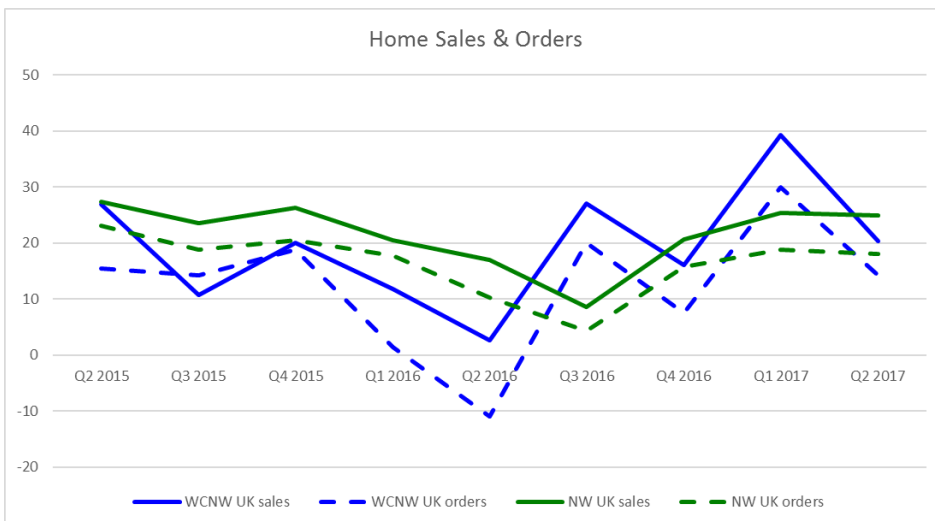
Background

UK GDP slowed to 0.2% in Q1 2017 as household spending slowed due to rising prices. Growth in manufacturing and construction output showed little growth while business services and finance continued to grow strongly. The weaker exchange rate and a stronger world economy has led to an increase in export volume growth. Planned investment in technology has seen investment intentions strengthen a little further, with firms seeking to improve efficiency. The labour market has continued to tighten though wage growth has slipped back. Inflation in retail goods prices has picked up further, as the depreciation of sterling continued to pass through to retail prices.

This quarter the survey received 144 responses from businesses in West Cheshire & North Wales representing over 7,500 employees. The split between the number of businesses in the two regions was very close to 50/50. 22% of the businesses that responded were from the manufacturing sector whilst the remaining 78% came from services.

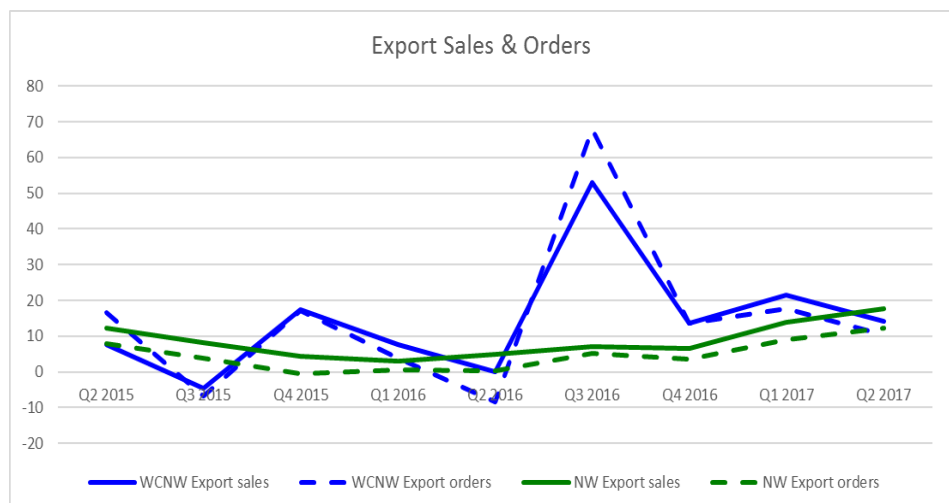
Survey Results for Q2

Sales and Orders

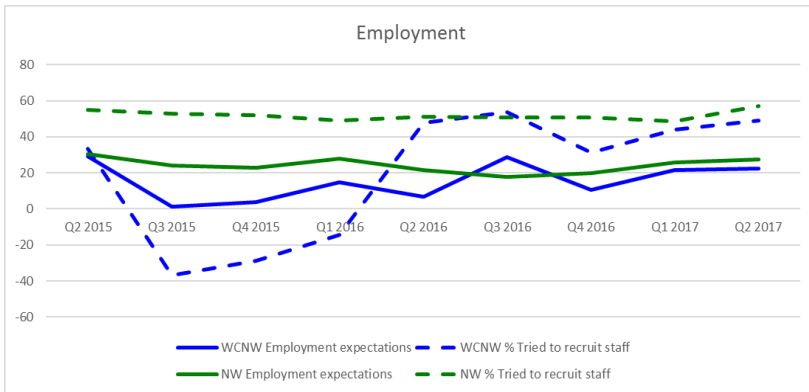


After solid growth in domestic sales and orders for Q1 2017, balances for WCNW have fallen back to similar levels seen in Q4 2016. This is below the average for the North West as a whole where balances are broadly static with Q1 '17.

Balances for export sales & orders for West Cheshire and North Wales also show a decrease but not to the same extent as for domestic balances. Again, this is in contrast to the North West in general where balances suggest steady growth since Q4 2016, probably due to the depreciation in the value of sterling and the pick-up in global demand.



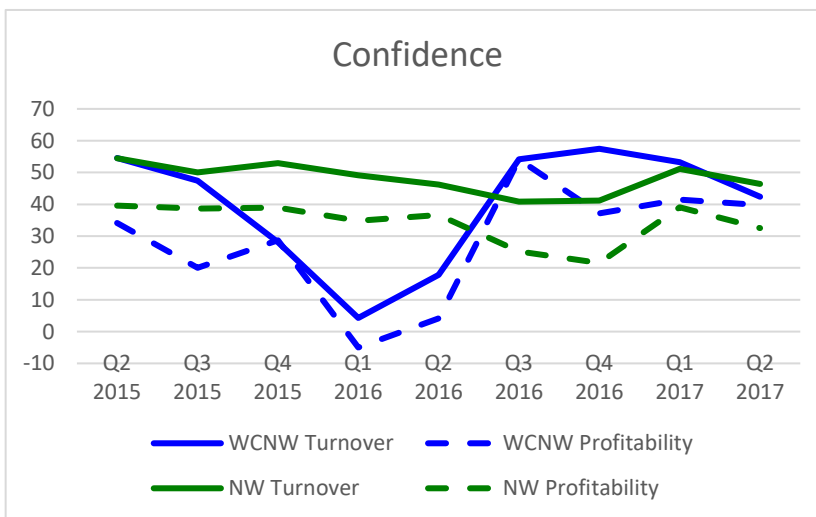
Employment



Employment intentions for Q2 '17 remain steady with the percentage of businesses that tried to recruit staff rising slightly compared to Q1. Employment expectations have remained virtually the same as Q1.

Both balances remain marginally below the rest of the North West.

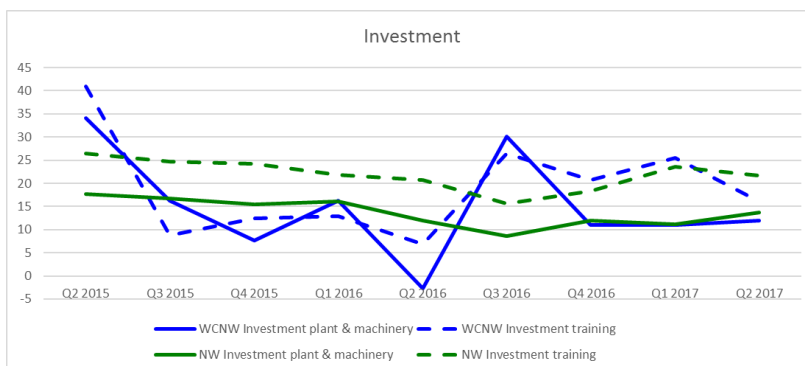
Confidence



Confidence, in terms of turnover, for West Cheshire and North Wales has continued its steady decline to its lowest level since Q2 '16. This reflects balances for the North West, which have also taken a downturn, but not to the same extent as West Cheshire & North Wales.

Confidence, in terms of profitability, has remained steady for West Cheshire and North Wales while for the North West has declined slightly.

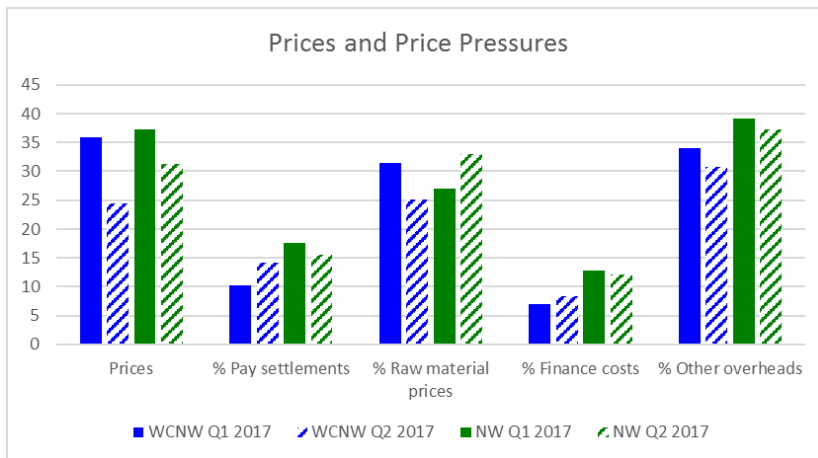
Investment



Investment intentions for training in West Cheshire and North Wales for Q2 '17 have declined more sharply than for the North West as whole.

Investment in plant & machinery has remained stable over the last six months but has picked up slightly for the North West to levels close to immediately before the EU referendum.

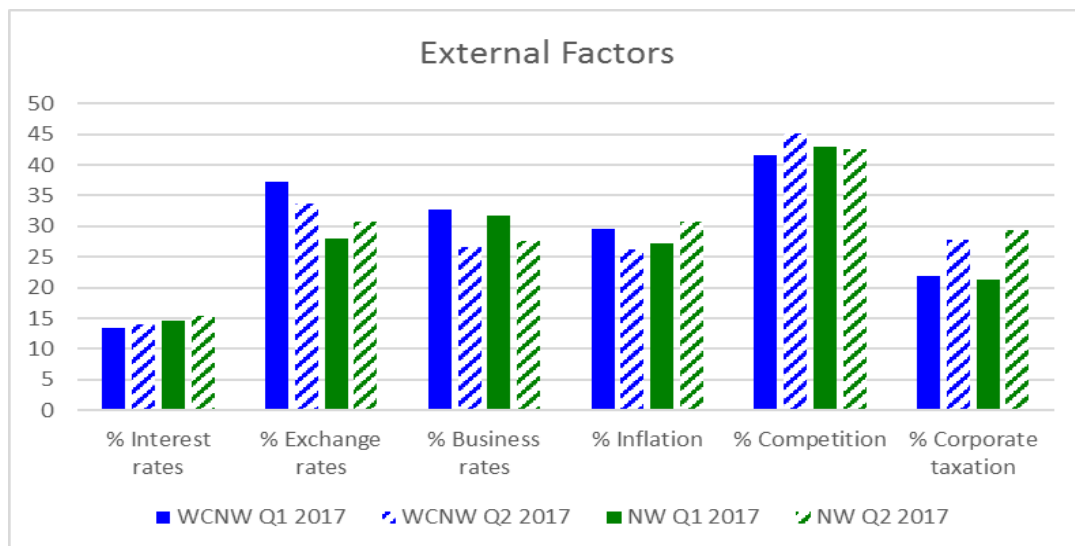
Prices Pressures



Price pressures as a whole have continued to ease for businesses in West Cheshire and North Wales and the North West.

Finance costs and pay settlements have risen slightly while raw material costs have eased probably reflecting the marginal strengthening in the exchange rate and an easing in the oil price. In contrast, balances for the North West suggest cost pressures have increased notably for raw materials.

External Factors



Summary

The results for Q2 2017 for West Cheshire & North Wales indicate that growth is beginning to slow with both domestic and export sales and orders balances reducing. Although confidence as a whole remains fairly high, confidence in turnover has continued its downward trend since Q4 2016. Prices have eased over the quarter, as raw material costs have eased back. Rising inflation remains a key risk to UK's growth prospects, especially the squeeze on household disposable incomes.

The UK government must play its part by tackling the issues that hold businesses back, including labour shortages, weaknesses in our physical and digital infrastructure, and high upfront costs which dampen investment intentions and firms' growth potential.