

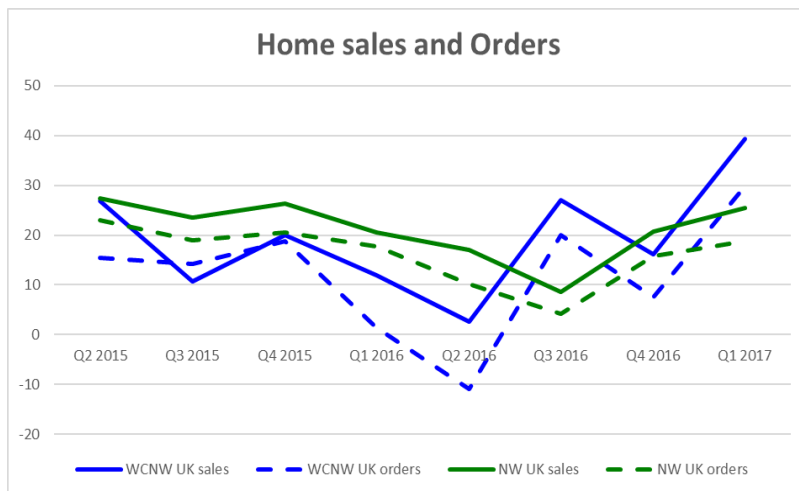
## Overview

The UK economy is still proving to be resilient following the EU referendum last June. Output growth was stable during 2016 supported by robust growth in consumption. Investment intentions however declined and although sterling depreciated, net trade dragged on GDP growth. With Article 50 triggered by the UK Government at the end of March and as the rise in import prices weighs on households' purchasing power, growth is expected to slow during the course of 2017 and 2018.

The Office for Budget Responsibility has revised the UK economy's growth forecast for 2017 to 2%. This is a sharp increase from the previous forecast of 1.4%. However, with rising inflation squeezing household budgets, growth is expected to slow to 1.6% in 2018 before progressively increasing to 2% in 2021. There is still significant uncertainty over the terms of the UK's future relationship, which may hold back investment.

## Results

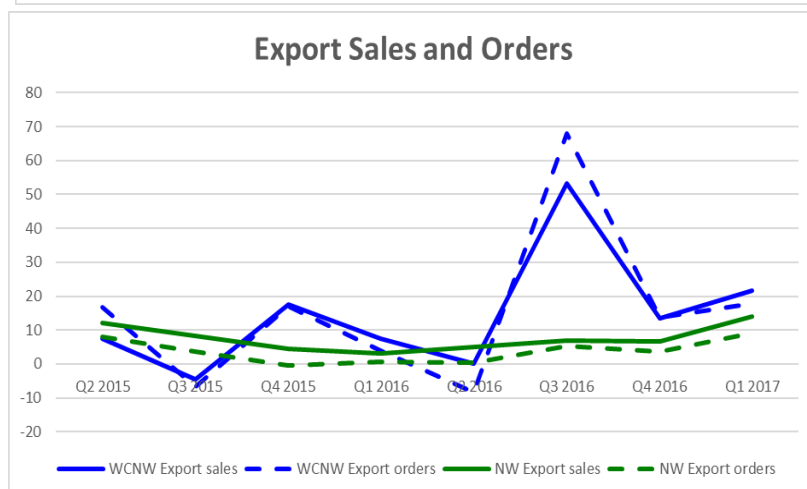
### Sales and Orders



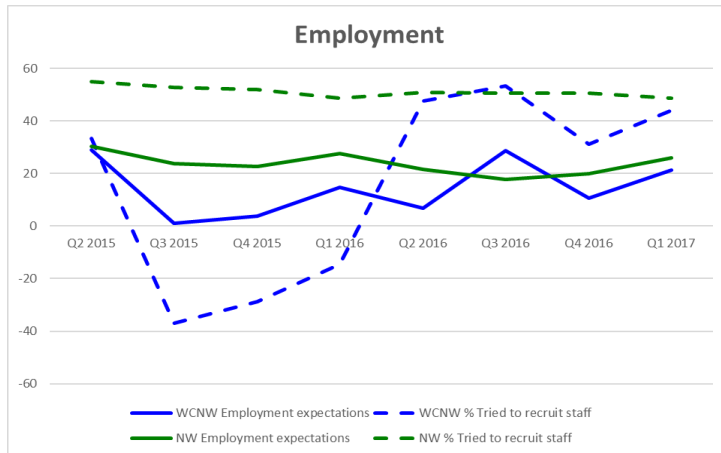
Sales and orders balances show that businesses in the region experienced solid growth in the first quarter of 2017.

For domestic sales and orders businesses in West Cheshire and North Wales reported a sharp increase compared to last quarter. Returns for the North West also showed an increase but at a slower pace than for West Cheshire and North Wales.

The Q1 '17 returns for West Cheshire and North Wales show a small increase in export sales and orders compared to Q4 '16, broadly in line with the rest of North West.

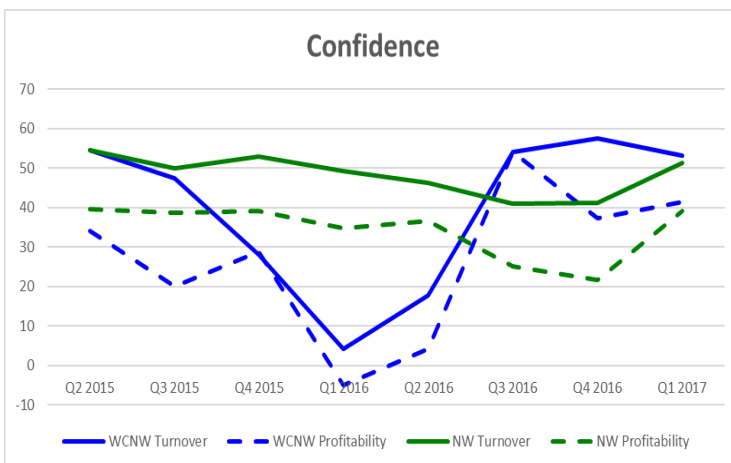


## Employment



After a fall in employment intentions in Q4 '16, results for Q1 '17 show an upturn for West Cheshire & North Wales bringing the balance in line with the rest of the North West. This could be explained by the increase in both export and domestic sales and orders balances shown above.

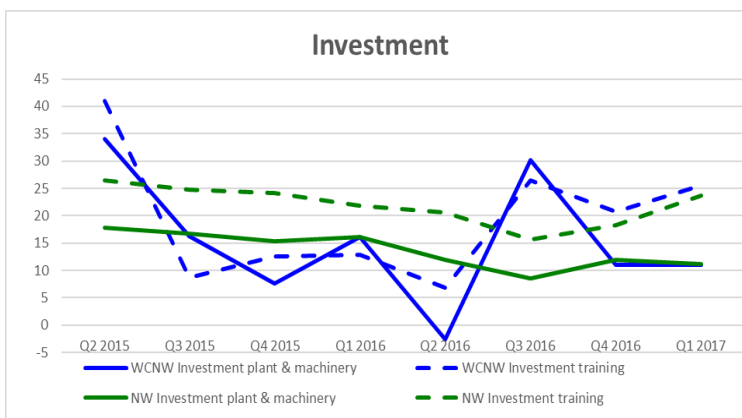
## Confidence



Confidence, in terms of turnover, for West Cheshire and North Wales has remained fairly steady since Q3 '16 although there was a slight dip reported in Q1 '17. This contrasts with the North West, which increased bringing the balance broadly in line with that for West Cheshire and North Wales.

Confidence, in terms of profitability, increased slightly for West Cheshire and North Wales while for the North West there was a solid rise, again bringing the balance broadly in line with West Cheshire and North Wales.

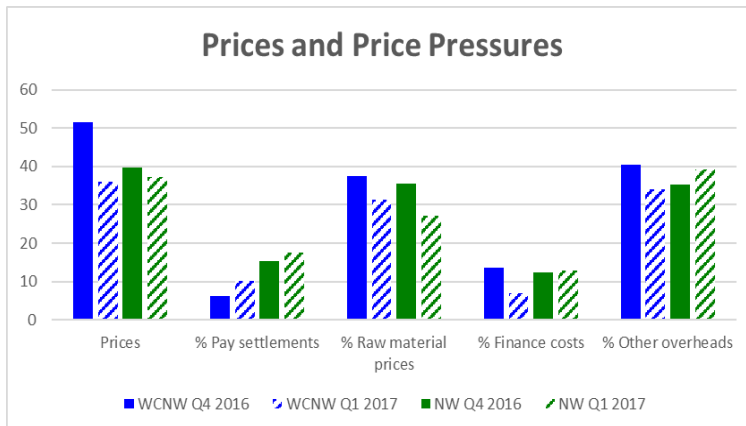
## Investment



Investment intentions in West Cheshire and North Wales for Q1 '17 were flat with Q4 '16 and have continued to follow the overall trend of the North West.

Investment in plant & machinery has remained constant and investment in training shows signs of returning to levels seen at the beginning of 2015. This is a positive sign given current skills shortages and the possibility of limited inward migration following Brexit.

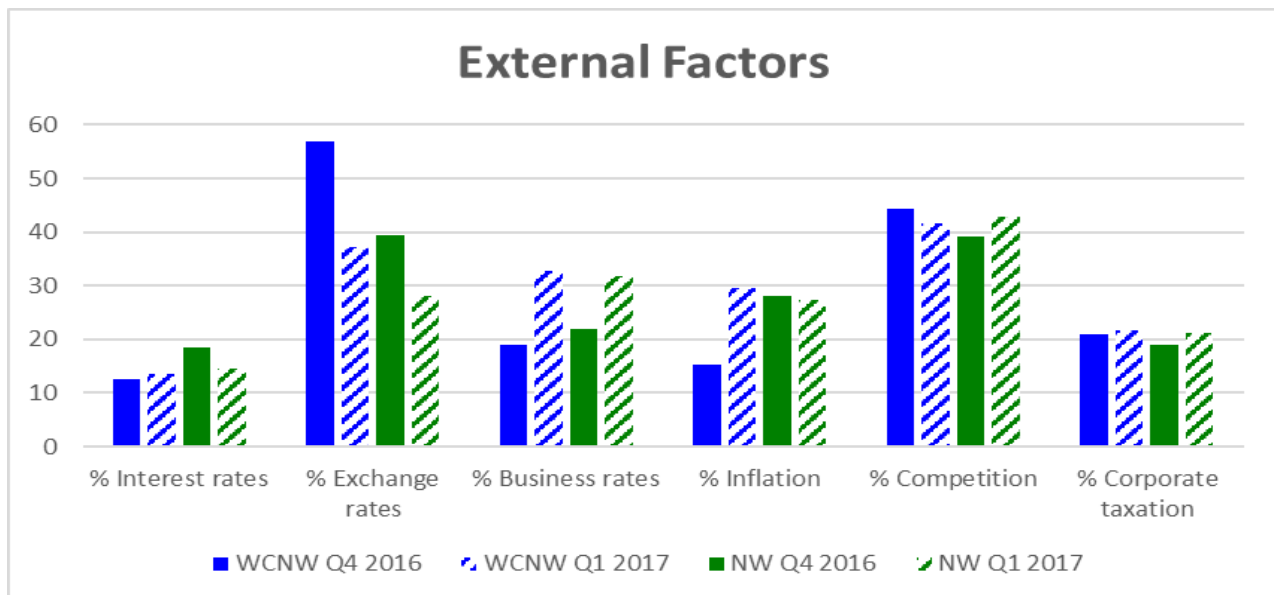
## Prices Pressures



Following a rise in price pressures in Q4 '16 concerns eased in Q1 '17, with the exception of pay settlements, which increased slightly. For the North West other overhead costs also increased.

Overall, concerns remain significant with a weaker sterling pushing up raw material prices and other overheads being the biggest worry.

## External Factors



## Summary

Results for Q1 '17 show that businesses in West Cheshire and North Wales are reporting a strong start to the year and confidence remains high as the UK Government enters Brexit negotiations. However, the drop in the value of sterling since the EU referendum continues to push up the price of raw materials which could dampen growth in the medium-term. There has also been a sharp increase of businesses citing inflation as a concern. Employment expectations are broadly moving in line with the trend in the North West, though businesses remain hampered by recruitment difficulties. Next quarter's results should give a better insight into the medium term impact of the EU referendum and it will be interesting to see if business confidence remains high as the Brexit negotiations develop.