

Background

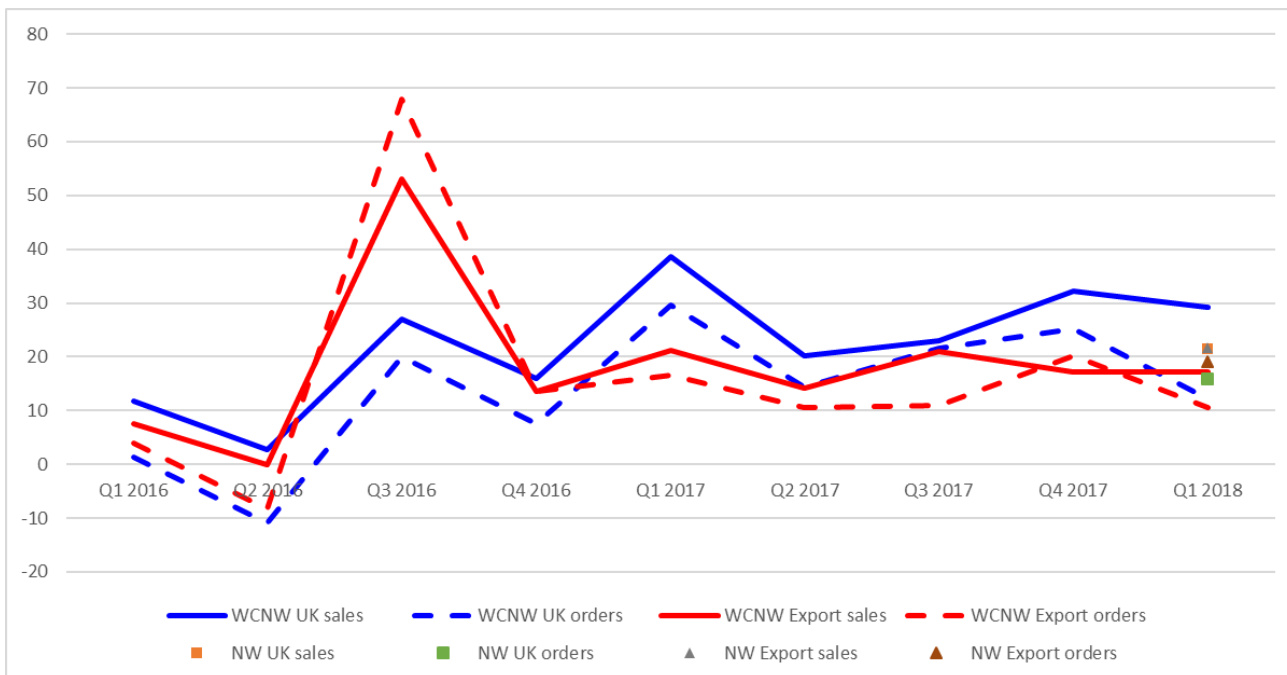
According to The Office for Budget Responsibility, the UK economy has slightly more momentum in the near term due to the unexpected strength of the world economy: UK GDP growth is expected to be 1.5% in 2018, 0.1% higher than forecast previously. UK GDP growth is expected to slow a little in 2019 and pick up modestly over the subsequent three years. Productivity growth has been much stronger than expected since the end of 2017.

The Bank of England's Agents' Summary has indicated that business services turnover growth has been modest whilst domestic manufacturing output growth has eased slightly. Exporters continued to report strong growth which reflects in their investment intentions picking up slightly.

This quarter the Chamber's Quarterly Economic Survey received 136 responses from businesses in West Cheshire & North Wales (WCNW) representing over 6,500 employees. 20% of the businesses that responded were from the manufacturing sector whilst the remaining 80% came from services.

Survey Results for Q1 2018

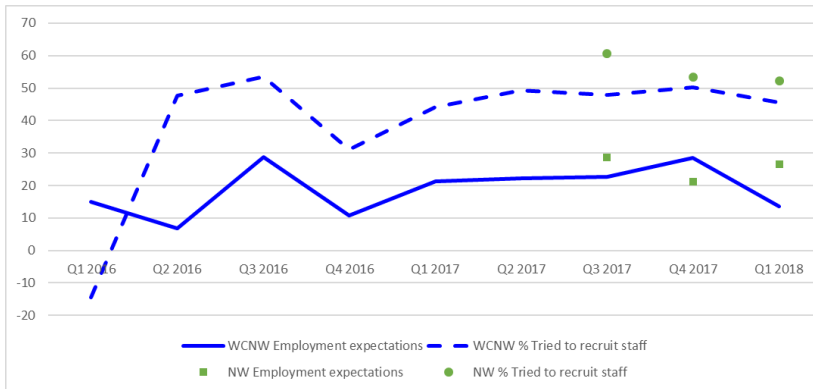
Sales and Orders



Responses indicate that growth in UK sales dipped slightly during the first quarter of 2018 but remain higher than the average for the North West. Export sales growth remained unchanged on the quarter as businesses in the North West as a whole moved ahead of those in WCNW.

Growth in both UK and export orders has slowed with UK figures falling to the lowest level seen since Q4 '16. A slowdown in export sales was also recorded but was not as drastic as for orders. Lower orders may push down on sales in the next quarter's results. The slowdown in export activity may reflect a slight easing in global growth.

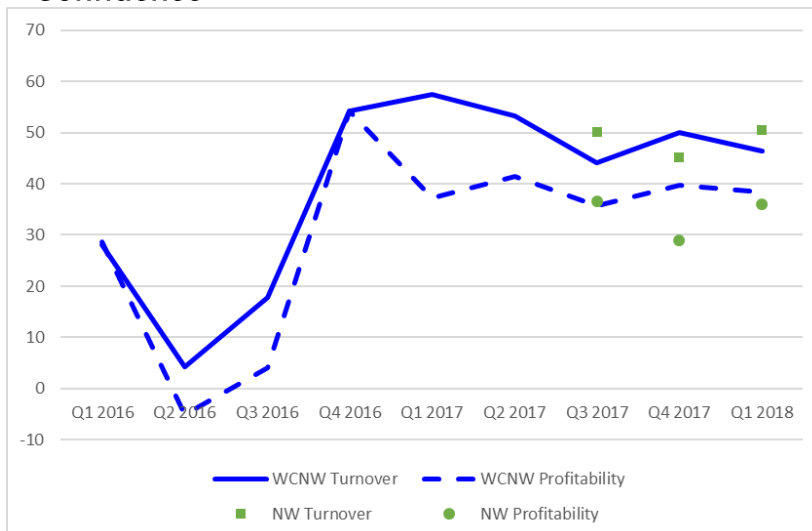
Employment



The percentage of WCNW businesses that tried to recruit staff over the last three months slightly decreased with the levels remaining virtually flat over the last four quarters.

Employment expectations have also fallen, to the lowest level since Q4 '16, and are now below that of the North West average which saw a small rise as a whole.

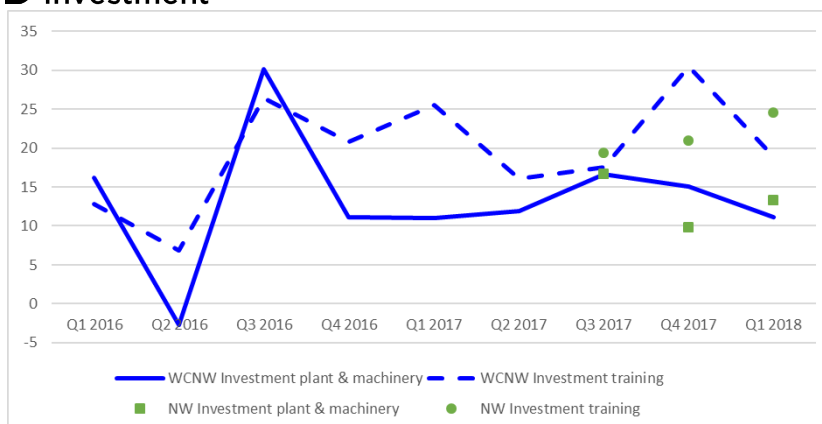
Confidence



Responses indicate a minor fall in both confidence in turnover and profitability during the quarter returning to similar levels seen in Q3 '17.

Conversely, the responses from the North West indicate that confidence for the region as a whole has risen slightly having fallen in Q4 '17.

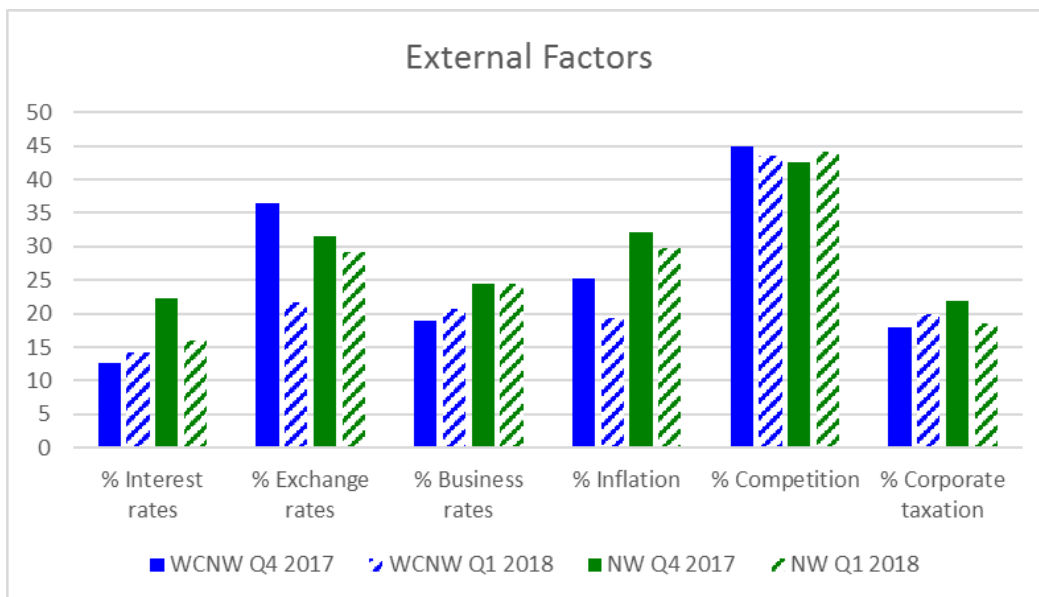
Investment



After the sharp rise in investment in training seen last quarter, levels dipped during Q1 '18 and fell back below the average of the North West.

Plant and machinery investment intentions have also slowed, but at a lower rate than for training, returning to levels seen at the start of 2017.

External Factors & Prices and Pressures



Concerns around external factors shows a mixed picture for Q1 '18. Inflation and exchange rates concerns both eased perhaps reflecting easing from the pass through of the sharp fall in the exchange rate in 2016 and more information around Brexit outcome. On the other hand, interest rates, business rates and corporation tax all rose slightly, the first could reflect the more hawkish tone from the Bank of England and other advanced economy central banks.

Prices and price pressure remain flat and have remained relatively unchanged for the last three quarters. Raw material prices remain the biggest concern for businesses in WCNW.

Summary

The results for Q1 2018 indicate a slight slow down in growth, in virtually all areas, for businesses in West Cheshire & North Wales with the only exception being export sales which remained unchanged from Q4 '17. Tighter cashflow has seen a rise in concern and the skills shortages that plague businesses in our region have not gone away with recruitment difficulties remaining high.

It's time for the UK government to multitask and demonstrate that it can do more than negotiate Brexit. A far stronger domestic economic agenda is needed to fix the fundamentals needed for business to thrive here at home.

At a time when firms face stratospheric up-front costs, the apprenticeship system is in crisis, roads are being allowed to crumble, mobile phone and broadband 'not-spots' are multiplying, it's obvious that the key to improved productivity and competitiveness lies in getting the basics right.