

Economic Background

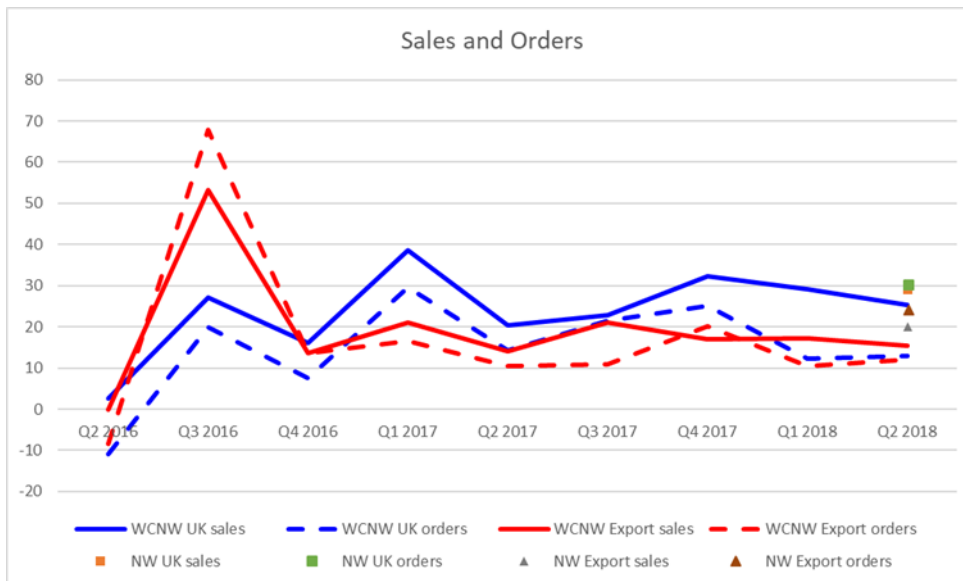
According to The Office for National Statistics, UK GDP rose by 0.2% in Q2 '18 compared with the previous quarter. The ONS also suggested that growth strengthened slightly in May growing by 0.3%, up from 0.2% in April, largely due to the services sector. However, there was a contraction in growth in the production and construction industries. The widening in the UK's trade deficit for the second successive month is also a concern and means that trade is likely to have been a drag on GDP in the second quarter of the year.

The latest Bank of England's Agents' Summary indicated that business services have grown relatively solidly. Growth in domestic manufacturing output had edged up as growth in export output eased slightly.

This quarter the Chamber's Quarterly Economic Survey received 100 responses from businesses in West Cheshire & North Wales (WCNW) representing just under 4,500 employees. 26% of the businesses that responded were from the manufacturing sector whilst the remaining 74% came from the services sector.

Survey Results for Q2 2018

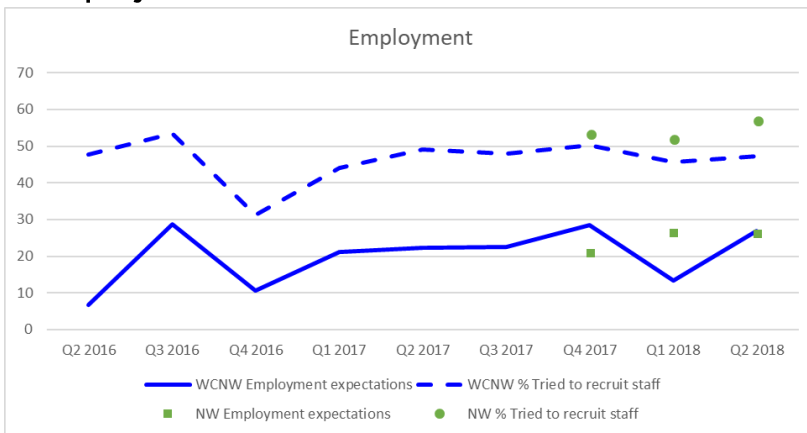
■ Sales and Orders



Responses indicate a second successive slowing in growth in domestic sales which dipped below that of the average for the North West. Export sales growth also eased slightly falling to the lowest level in 12 months.

After a significant dip in growth in both domestic and export orders in Q1 '18, levels recovered slightly but remain below those of the North West as a whole.

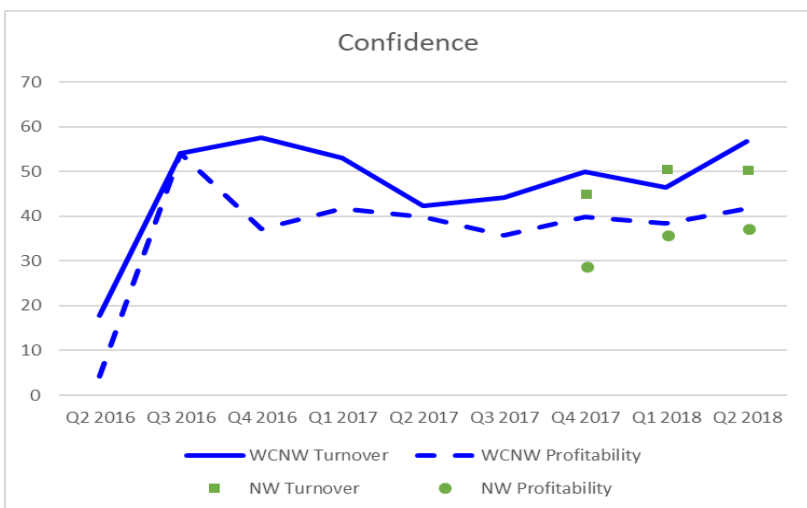
Employment



The percentage of WCNW businesses that tried to recruit staff over the last three months remains broadly flat after a very slight increase in Q1 '18.

Employment expectations have recovered after the dip seen in Q1 '18 returning to levels at the end of 2017 and falling in line with the North West.

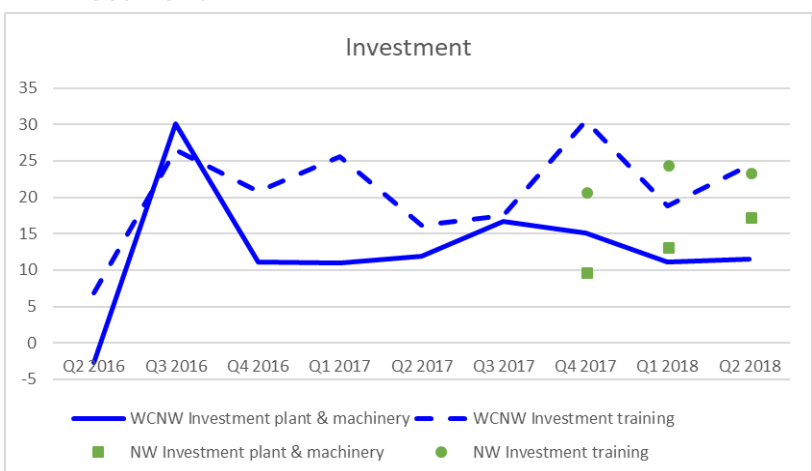
Confidence



Despite the slowing in domestic and export sales growth indicated above, confidence in both profitability and turnover has increased on the quarter with the latter the highest since Q4 '16.

Confidence in WCNW is also higher compared to the North West.

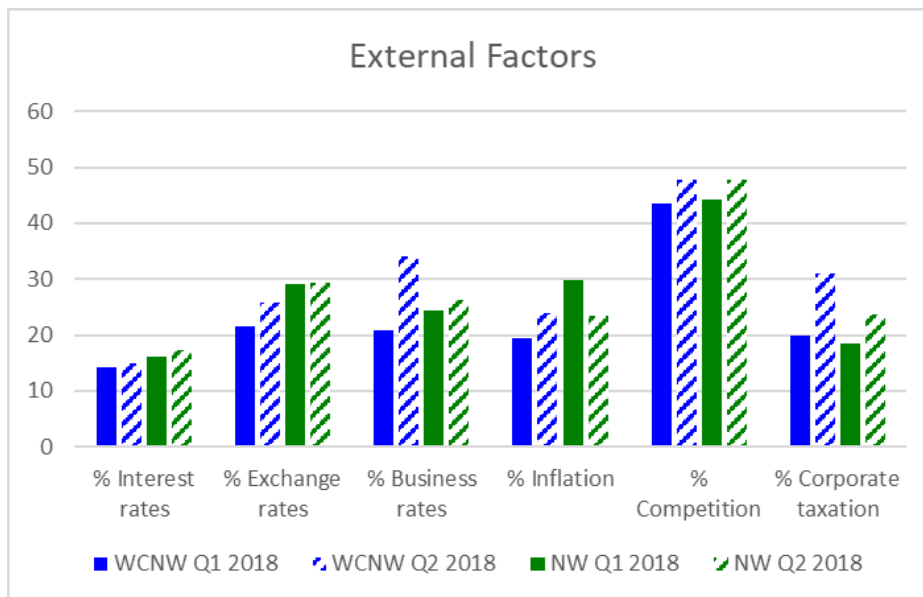
Investment



Investment in training has recovered after the slight drop seen in Q1 '18.

Plant & machinery investment has remained flat on the quarter but has fallen behind the North West average, which has seen a second successive increase.

External Factors & Prices and Pressures



There has been an increase in concern about a wide range of external factors over the last quarter. Concern over business rates recorded the largest increase and rose to the highest level since Q2 '15. Businesses are also reporting a significant increase in concern about corporate taxation which rose to the highest level since Q2 '16. Competition, once again, remains the largest concern for businesses in WCNW as well as the North West region as a whole.

Price pressures remain relatively flat with only raw material price concerns increasing. Overall the number of businesses looking to raise their prices in the next three months has decreased slightly.

Summary

Businesses in West Cheshire & North Wales have indicated a slight slowdown in growth in both domestic and export sales. Despite this, confidence has increased slightly on the quarter. The current political and Brexit related uncertainty, as well as the failure to deal with longstanding issues such as weak productivity, are likely to weigh on economic activity over the near term.

The availability of skilled staff remains the biggest issue that firms in the region face as 77% of businesses cite issues recruiting new staff (compared to a national average of 65%).

Big, bold action is needed for the UK to buck the current slow-growth trend – with major new incentives for business investment, confidence-boosting infrastructure projects, and a concerted effort to slash the up-front cost of doing business, which is putting consumer-facing businesses especially under intense pressure.