

Economic Background

The Office for National Statistics (ONS) estimates that UK GDP grew by 0.7% in the three months leading to August 2018. This remains unchanged on the three months prior as growth continued to be boosted by warm weather.

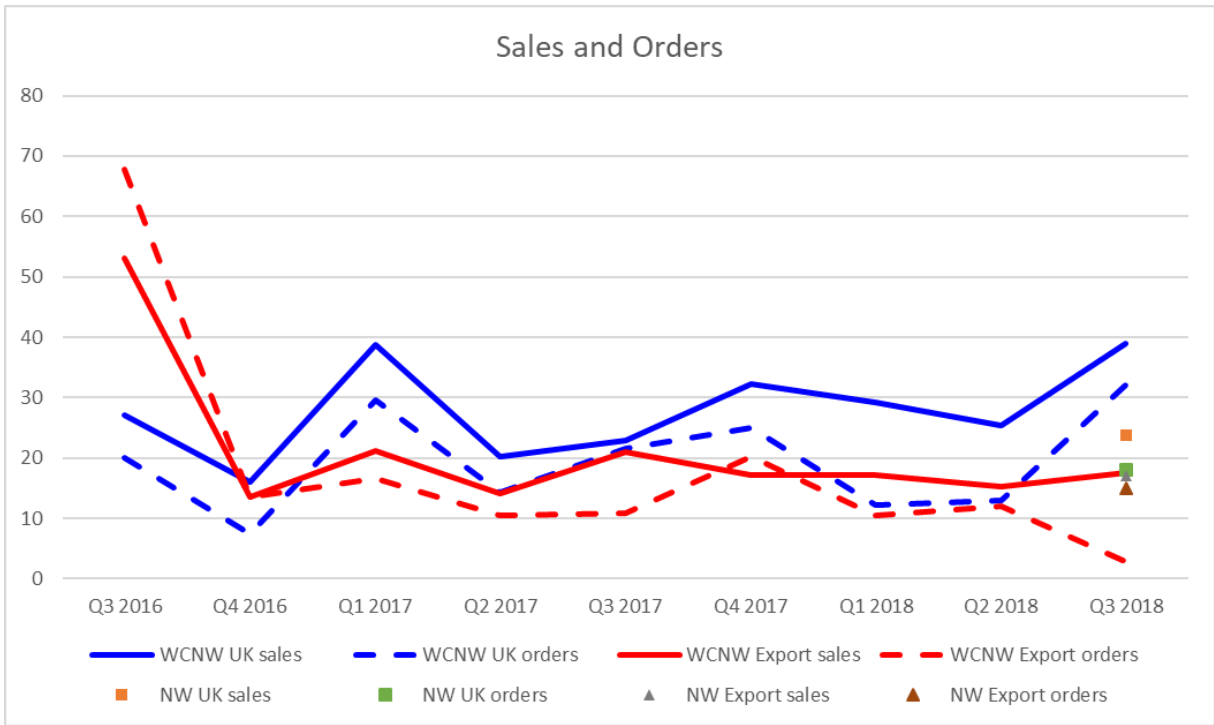
Whilst the services sector remained the biggest contributor to GDP growth, the production and construction industries are both estimated to have had a positive contribution with rolling three-month growths of 0.7% and 2.9%, respectively.

The Bank of England’s Agents’ Summary for Q3 2018 indicated that consumer spending growth ticked up, boosted again by the warm weather over the summer. Investment intentions softened slightly caused by a slight rise in uncertainty, mostly related to concerns around Brexit.

This quarter the Chamber’s Quarterly Economic Survey received 91 responses from businesses in West Cheshire & North Wales (WCNW) representing just under 5,000 employees. 11% of the businesses that responded were from the manufacturing sector whilst the remaining 89% came from the services sector.

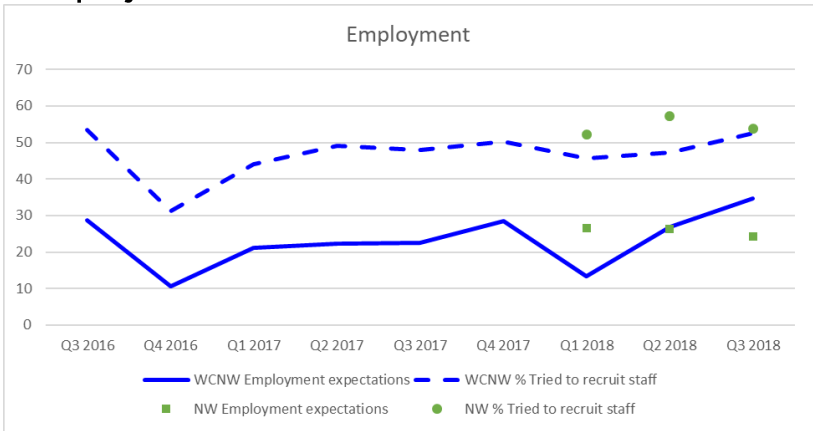
Survey Results for Q3 2018

Sales and Orders



Responses indicate a rise in growth in domestic sales and orders, which recovered to their highest level since Q1 '17. Conversely, growth in the North West figures to levels seen at the back end of 2017. Export sales growth for WCNW remained steady on the quarter whilst responses indicate a slowdown in growth for export orders, falling to the lowest level since Q2 '16, maybe reflecting an easing in global growth.

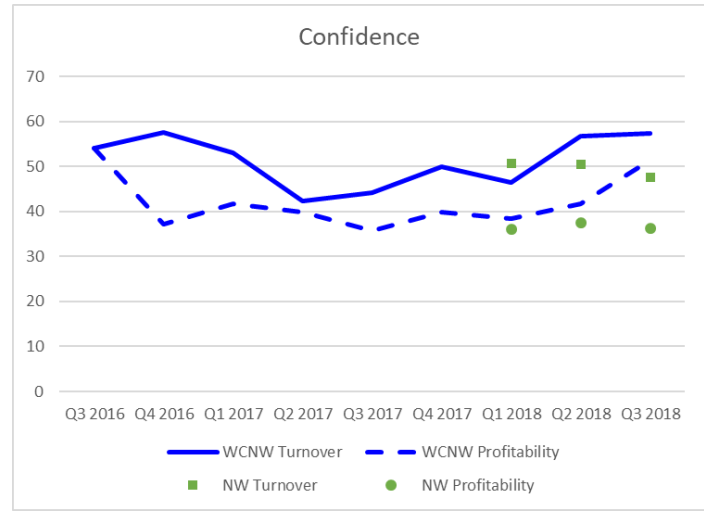
Employment



Employment expectations continued to recover after the dip seen in Q1 '18 and return above the average of the North West.

The percentage of WCNW businesses that tried to recruit staff over the last three months continued to pick up slightly but remains broadly flat with a year ago.

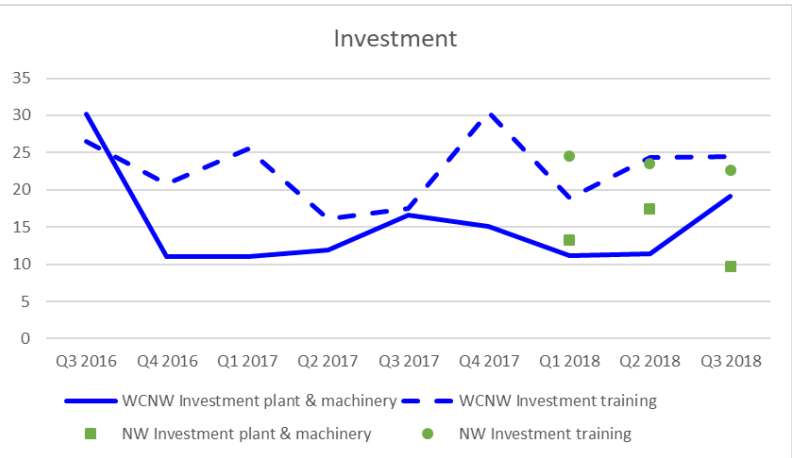
Confidence



Confidence in profitability has risen to a two-year high, whilst turnover confidence remained steady on the quarter. This has perhaps been boosted by the growth in domestic sales and orders shown above.

Confidence in WCNW has remained higher compared to the North West.

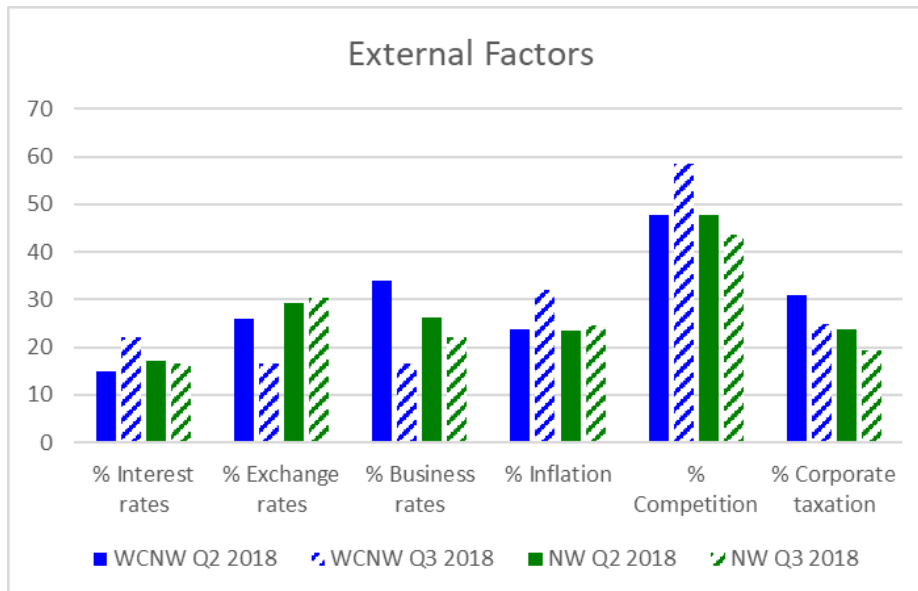
Investment



Investment in plant & machinery has seen growth to a two-year high. This is in marked contrast when compared to the North West, which has seen a fairly substantial dip on the quarter.

Investment in training remained flat and slightly above that of the North West figure.

External Factors & Prices and Pressures



Concerns around interest rates have continued the steady rise since Q3 '17 and are now at a two-year high. This could be due to uncertainty about the impact of Brexit on rates and inflationary concerns, which have also risen. Competition concerns have also risen to the highest point in two-years and remain the biggest concern to businesses in WCWN by some way. After large rises last quarter, concerns around business rates and corporation taxation have eased slightly.

Price pressures remain relatively flat with the only change being a slight easing in concern around raw material prices. Overall, the number of businesses looking to raise their prices in the next three months has increased slightly, returning to figures seen at the start of the year.

Summary

Businesses in WCNW have indicated a slight pick-up in growth in both domestic sales and orders, as well as export sales. Confidence has also increased slightly on the quarter. The figures from the North West show a different light on this quarter's figures, with virtually all areas easing. Although the sample size of responses for WCNW is lower than that of the North West as a whole, this could mean that businesses in the WCWN region are not being affected by the current political and Brexit related uncertainty as much as those in other parts of the North West.

With the Chancellors Budget nearly upon us, it must deliver radical, decisive action to boost growth and productivity at precisely the moment that the economy needs it most. There has never been a more important time for the government to bolster business investment, competitiveness and productivity, in the face of significant Brexit headwinds.