

## Background

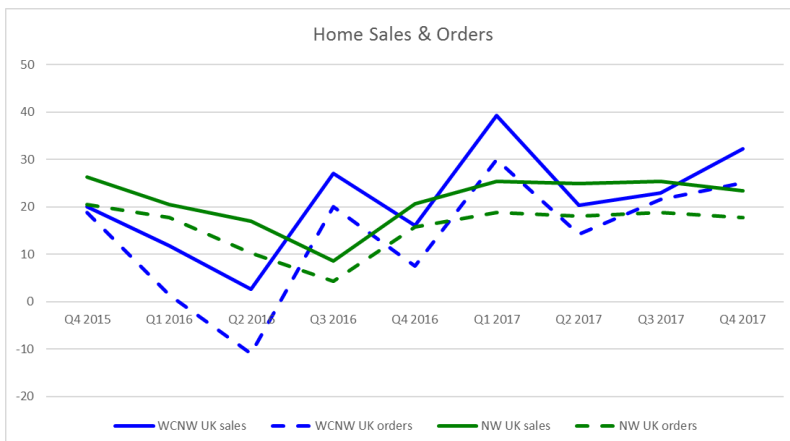
The Office for Budget Responsibility announced in its economic summary during the Autumn Budget that they expect GDP growth for 2017 of 1.5% which is down from their previous forecast of 2% published in March 2017. The projections for growth in 2018 and 2019 have also been downgraded to 1.4% (previously 1.6%) and 1.3% (1.7% previously) respectively. These downgrades are driven primarily by consumer spending, a key driver of UK growth, remaining under pressure over the next few years, with pay growth not expected to exceed price growth until 2019.

The Bank of England's Agents' Summary has indicated that during Q4 2017 growth in manufacturing output strengthened once again whilst construction output growth eased. The weaker exchange rate and a stronger world economy has led to an increase in export volume growth. Investment intentions remained modestly consistent overall with some businesses looking to scale back or defer investment plans due to uncertainty about future trading arrangements with the EU. CPI inflation has risen further above the 2% target as companies pass on the higher costs stemming from the lower level of sterling.

This quarter the Chamber's Quarterly Economic Survey received 129 responses from businesses in West Cheshire & North Wales (WCNW) representing over 7,500 employees. 20% of the businesses that responded were from the manufacturing sector whilst the remaining 80% came from services.

## Survey Results for Q4

### Sales and Orders

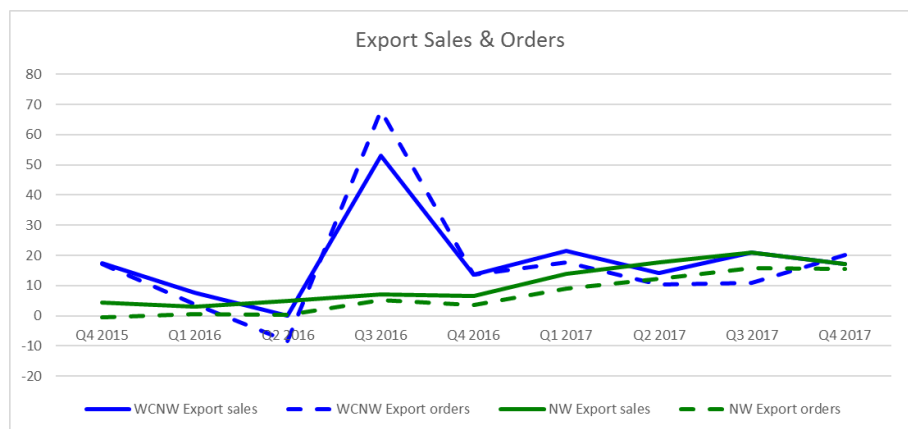


Growth in home sales & orders for WCNW continued its recovery after the dip that was seen during Q2 '17, and is now just marginally below its level in Q1 '17.

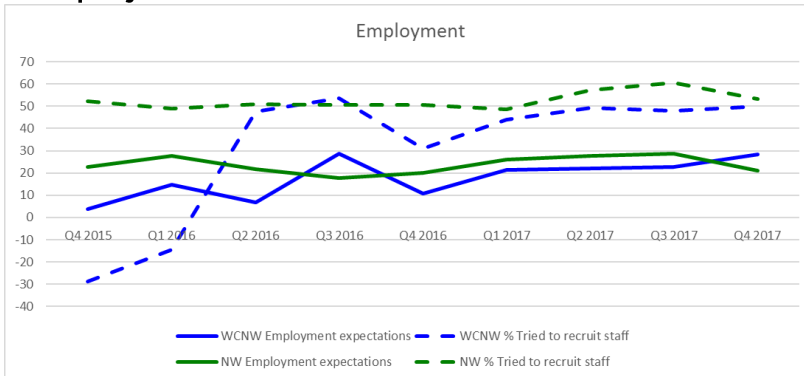
Conversely, responses for the North West as a whole indicate a slight fall in home sales and orders. Overall the responses from the North West have remained steady throughout 2017.

Responses indicate that export sales for WCNW and the North West fell slightly and at the same rate during Q4 '17. Export orders for the North West also fell slightly after three quarters of consecutive growth.

However, export orders for WCNW have risen to their highest level in 12 months and above that of the North West.



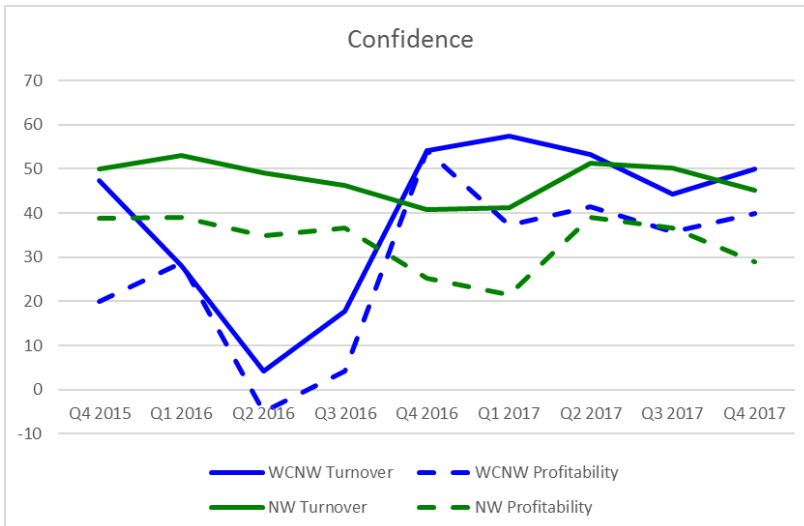
## Employment



Employment intentions in Q4 '17 rose slightly with more businesses in WCNW expecting to recruit staff over the next three months than the North West as a whole, the first time this has happened in over twelve months.

Recruitment over the last three months, for businesses in WCNW, also rose slightly on the quarter, but remains just below the North West, which fell slightly.

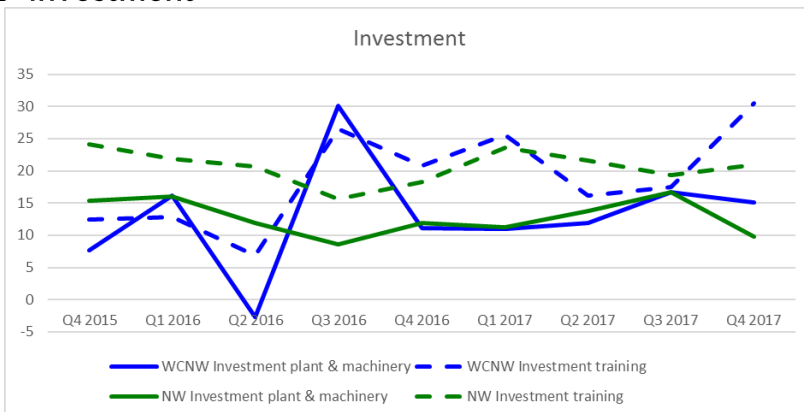
## Confidence



WCNW businesses indicated an increase in confidence during the last quarter of 2017. However, confidence levels are yet to return to heights seen during Q4 '16 and Q1 '17.

Conversely, the responses from the North West indicate that confidence for the region as a whole has declined slightly with both turnover and profitability confidence falling below that of WCNW.

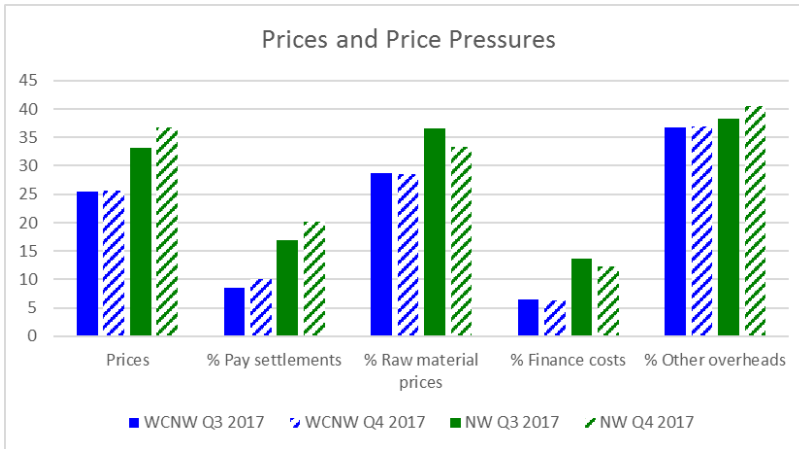
## Investment



Investment intentions for training in WCNW rose sharply and to the highest level since Q2 '15, whilst plant and machinery investment declined slightly from Q3 '17.

In contrast North West responses showed a substantial fall in investment in plant and machinery but a slight rise in investment in training.

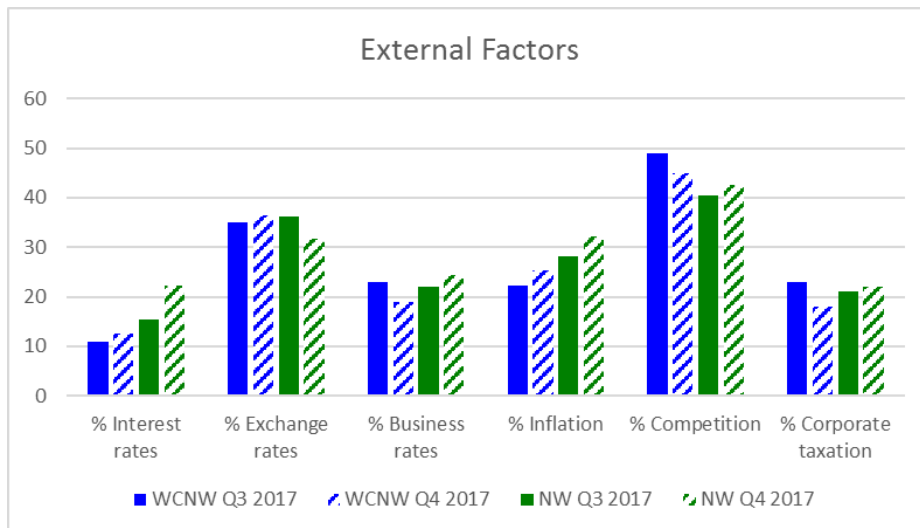
### Prices and Price Pressures



Price pressures for WCNW remained steady with responses in Q3 '17, the only change being a slight increase in concern over pay settlements.

The North West as a whole on the other hand saw increases in concern over prices, pay settlements and other over-heads. All price pressures for the North West remain higher than those of WCNW.

### External Factors



### Summary

The results for Q4 2017 indicate that businesses in West Cheshire & North Wales finished 2017 in broadly a similar position to the start of the year, after an easing in growth and confidence during Q2 and Q3. Investment in training has finished 2017 on a two and a half year high, whilst plant and machinery investment has also had a strong second half of the year. Price pressures have not changed on the quarter, while apprehension around external factors has shown a mixed picture with exchange rates and competition the main concerns for businesses.

Looking forward, the UK economy is set to continue on an underwhelming growth trajectory over the near term with uncertainty over the impact of Brexit coupled with high inflation and weak productivity likely to dampen overall economic activity.