

Economic Background

The Office for National Statistics (ONS) estimated that UK GDP growth slowed to 0.4% in the three months to October 2018. After a strong Summer, there had been a softening in services sector growth due in part to a fall in car sales.

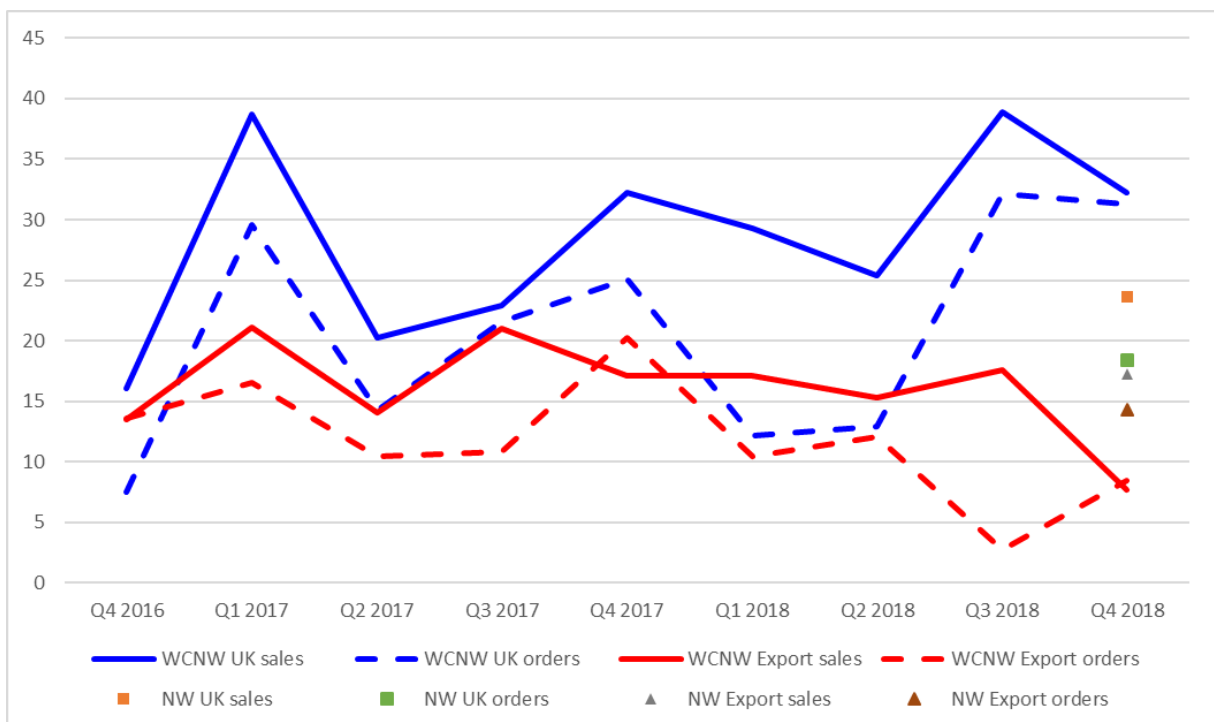
Rolling three-month growth was flat in the manufacturing industries whilst construction growth fell back slightly from the high growth seen in July 2018. However, it remained a positive contributor to GDP growth.

The Bank of England's Agents' Summary for Q4 2018 indicated that consumer demand had softened, especially for major household purchases. Investment intentions continued to weaken, with Brexit uncertainty a restraining factor.

This quarter the Chamber's Quarterly Economic Survey received 98 responses from businesses in West Cheshire & North Wales (WCNW) representing over 8,200 employees. 11% of the businesses that responded were from the manufacturing sector whilst the remaining 89% came from the services sector.

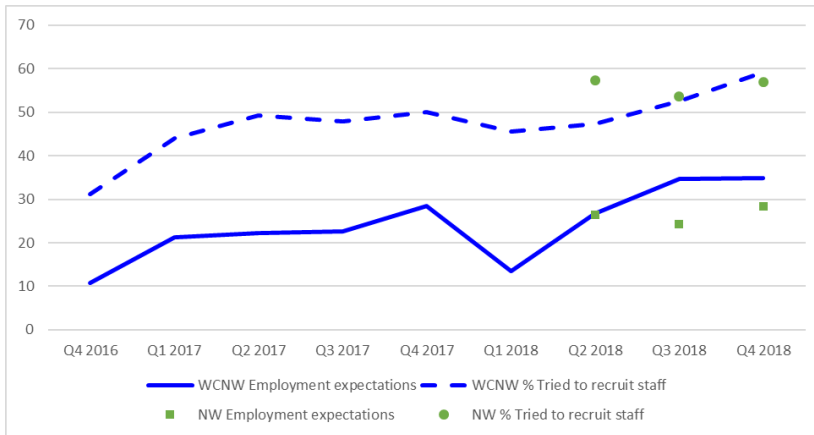
Survey Results for Q4 2018

Sales and Orders



Responses indicate a slight easing in growth for both domestic sales and orders, but finished the year stronger than at the start. Export sales growth reflected the dip in exports orders growth seen in Q3 '18 slowing to their lowest level since Q2'16. Export orders recovered slightly after the dip in Q3 '18 but figures remain lower than the same time last year. This could reflect weaker world demand, especially the slowdown in the rest of the EU during 2018.

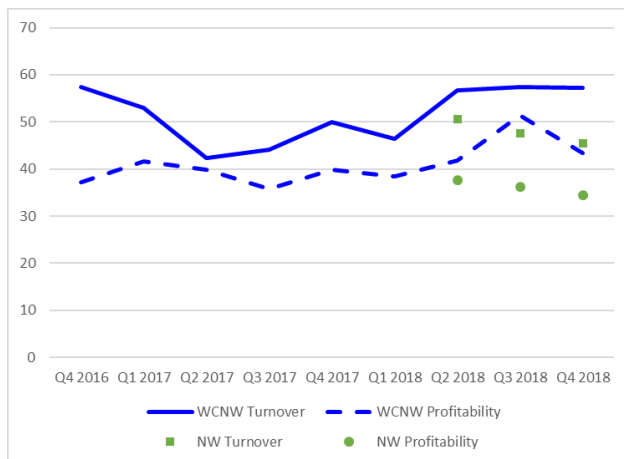
Employment



Employment expectations remained flat on the quarter and continue to stay 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, rising to the highest level in over two and half years.

Confidence

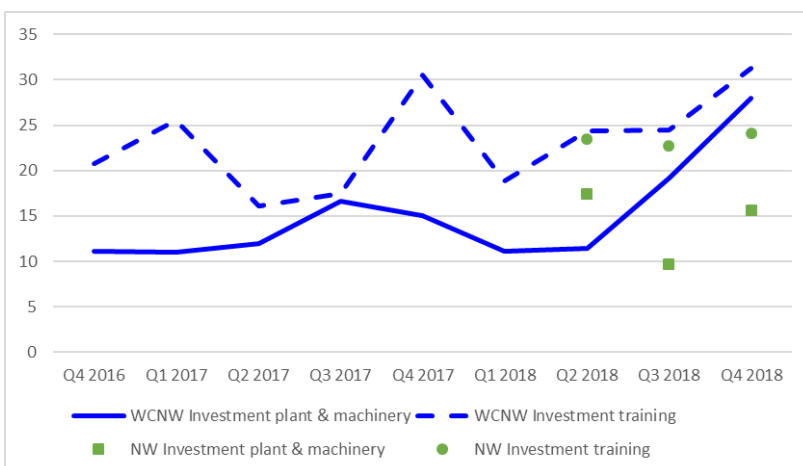


Confidence in profitability dipped to levels seen in Q2 '18 after the rise last quarter.

Turnover confidence remains strong but is unchanged over the last two quarters.

Confidence in WCNW remains higher than the average for the North West as a whole.

Investment

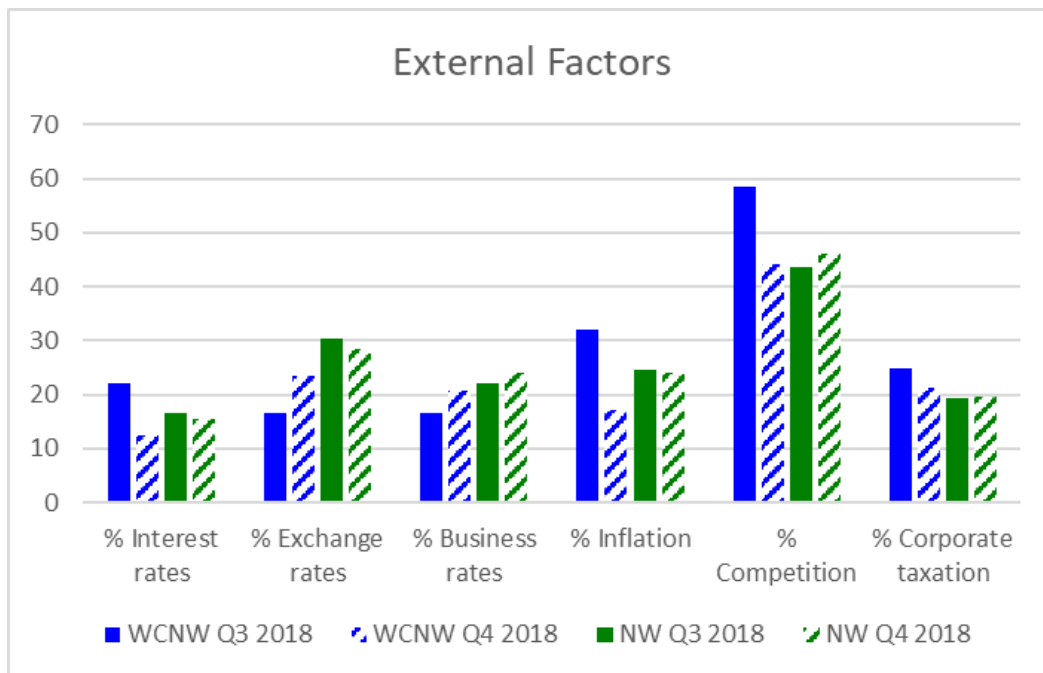


Investment in plant & machinery has continued its strong growth and has risen to the highest level on record. This is also reflected in the figures for the North West with levels for WCNW remaining higher.

This outcome is a somewhat at odds with the official data nationally which indicates investment is being held back by a lack of confidence notably around Brexit.

Investment in training has also picked up and risen to the highest level since Q2 '15.

External Factors & Prices and Pressures



External factors show a mixed picture for Q4 '18. Interest rates, inflation, competition and corporate taxation concerns all eased whilst business rates and exchange rates concerns increased. The ongoing debate around Brexit has increased the volatility in the value of the pound and could be a reason for exchange rate concerns to increase.

Price pressures remain relatively flat at the end of 2018. However, the number of businesses reporting that they will increase their prices over the next three months has increased to the highest level since Q1 '17, but remains slightly lower than the average for the North West.

Summary

Businesses in WCNW have indicated that growth in both domestic sales and orders have remained steady. However, there continues to be concern around exporters in the region with low levels of growth in sales and orders. Overall confidence has eased slightly on the quarter whilst investment figures show a positive outlook for the WCNW region despite ongoing uncertainty about Brexit. Recruitment difficulties have eased to the lowest level since Q3 '16 which is somewhat at odds to the national figures which remain near record levels.

With little clarity on the trading conditions they'll face in just two months' time, businesses in WCNW seem to be bucking the national trend of holding back on spending and making big decisions about their futures. However, the government's absolute priority now must be to provide clarity on conditions in the near term and avoid a messy and disorderly Brexit. Business communities won't forgive politicians who allow this to happen, by default or otherwise.