

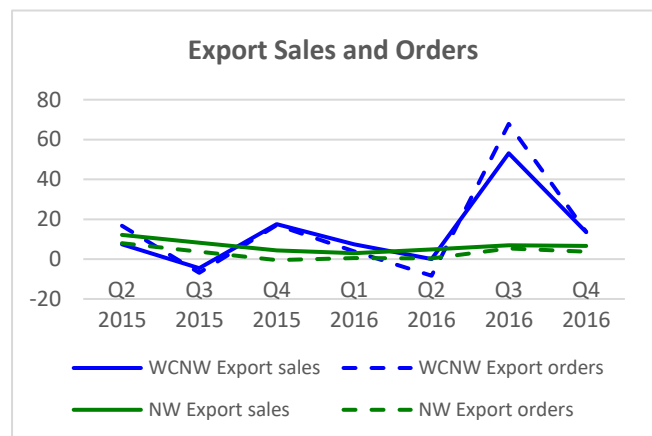
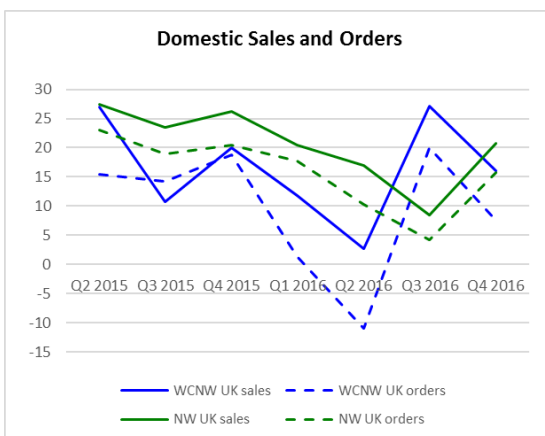
Overview

The UK economy has proved resilient overall following the vote to leave the EU in June. Output grew by 0.5% in Q3, slightly down from the upwardly revised Q2 outturn. While investment intentions have weakened since Q2, household spending has remained robust and the past depreciation of sterling has helped support net trade.

Looking ahead forecasters expect the economy to slow down over the medium term. The Office for Budget Responsibility's forecasts announced in the Autumn Statement, for example, showed a slowdown over the next few years, with 2017's growth rate cut from 2.2% to 1.4%, though recession does not look to be on the cards. While the fall in sterling will support net trade, it will also put upward pressure on inflation by raising import prices, which will weigh on households' real incomes and spending. Also, uncertainty over the terms of the UK's future trade relationship with the EU is likely to hold back corporate investment.

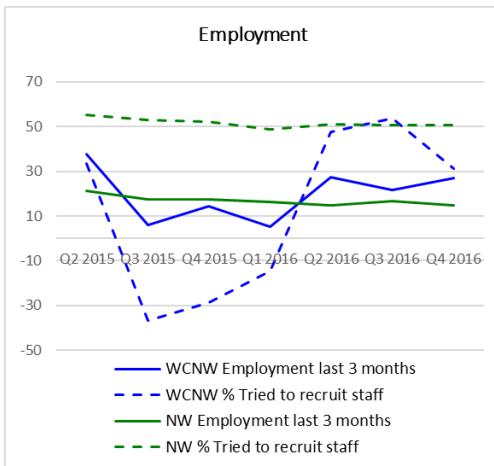
Results

Sales and Orders



Compared to the North West, Q4 '16 returns for West Cheshire and North Wales indicate a sharp slowdown in both domestic and export sales and orders. This may in part reflect the area's exposure to manufacturing (which recorded a fall in output in the Q3 official data), and the past depreciation of sterling which caused a bounce in export sales and orders in Q3, may now be acting as a drag due to higher import prices as businesses restock and the increased costs start to be felt throughout the supply chain.

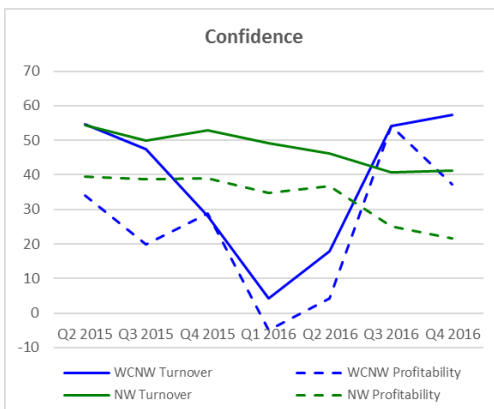
Employment



The employment position in the North West and through West Cheshire and North Wales has remained fairly constant. The measure of companies trying to recruit new staff has also been broadly flat in the North West, though the picture for West Cheshire and North Wales has been more volatile over the last 18 months.

The number of companies trying to recruit fell significantly towards the end of 2015 but rebounded in Q1 and Q2 '16 before easing back in the latest quarter. This could be explained by the sharp rise in export sales and orders (see above) following sterling's depreciation, with manufacturing the main driver.

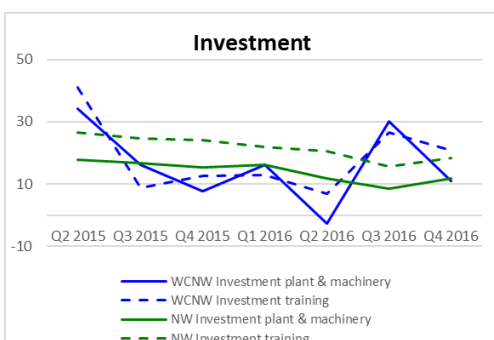
Confidence



Following a dip in 2015, confidence in future turnover has picked up strongly since Q1 '16 in West Cheshire and North Wales and steadied generally across the North West area.

The rate of growth in confidence in profitability slowed a touch in Q4 in West Cheshire and North Wales, and is likely to reflect the impact of higher input prices as companies restock, acting as a drag on margins.

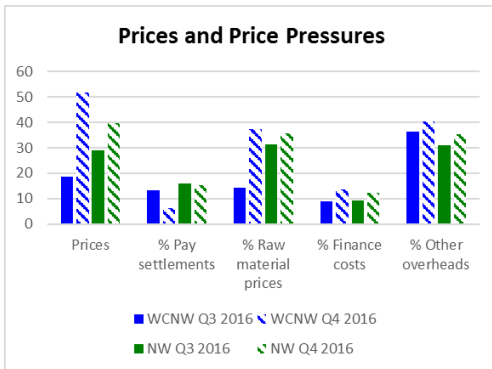
Investment



The investment picture in Q4 for West Cheshire and North Wales and the North West is broadly similar. The softening in investment intentions in plant and machinery in Q4 is consistent with the slowdown in sales and orders (see left) and the elevated level of uncertainty due to Brexit.

Investment in training whilst positive is below levels in the first half of 2015. This is of some concern given current skills shortages and the possibility of limited inward migration following Brexit.

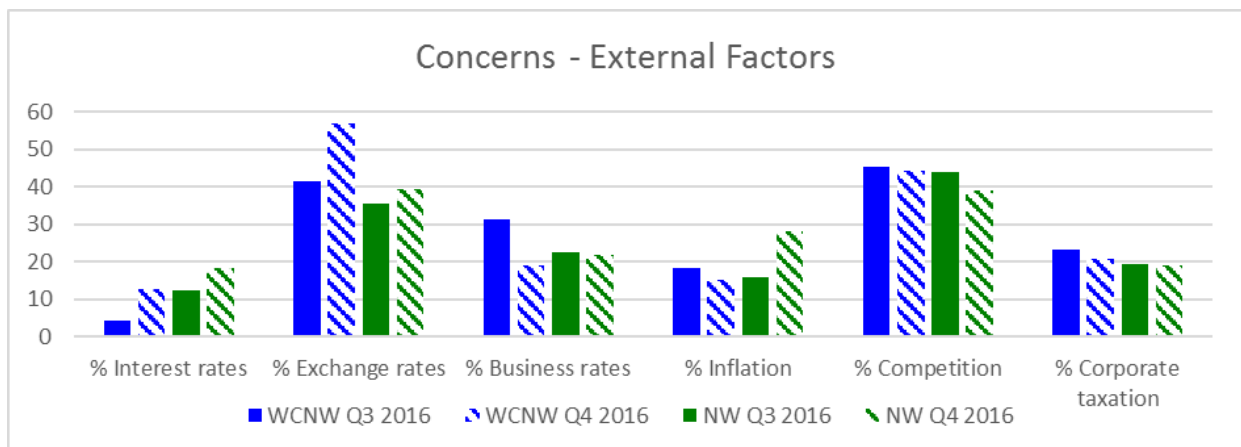
Prices Pressures



Following a fall in price pressure concerns in Q3, concerns have increased in West Cheshire and North Wales in Q4, except for pay settlements. This brings the survey results more in line with both the North West and the national picture.

There has been a significant rise in the number of companies reporting price increases since Q3, and the sharp rise in concerns over the price of raw materials is not a surprise given the manufacturing base in West Cheshire and North Wales.

External Factors



Summary

Q4 results suggest that the softening in the outlook for North West companies reported in Q3 has continued. Businesses are understandably cautious in uncertain times, but have shown that they are pragmatic and ready to take advantage of opportunities as they present themselves. In West Cheshire and North Wales the position has been more volatile in recent quarters than for the North West as a whole – this could reflect in part the smaller sample size and the greater contribution from manufacturing. Nevertheless, the position in West Cheshire and North Wales appears to be converging with that of the wider North West. Next quarter's results should provide further clarity on the medium-term impact on businesses of the UK's decision to leave the EU, though in the lead up to the government invoking Article 50 concerns about the UK's trading relationship with the EU may rise further thus dampening business confidence.

This report was produced by GMCC Research
at Greater Manchester Chamber of Commerce
0161 393 4334
research@gmchamber.co.uk
@GMCCResearch | www.gmchamber.co.uk

