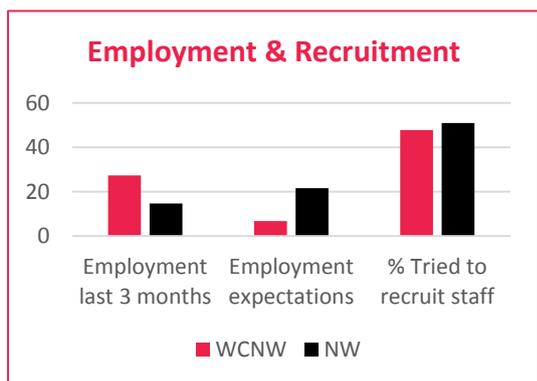


Introduction

Both official data and the British Chambers of Commerce Quarterly Economic Survey have been indicating that the UK economy has been slowing for around 18 months. Weak global trade levels and slow growth in the European economies has had an effect on the UK's economic performance. Naturally, the vote for the UK to leave the European union will have a further dampening effect, likely to be heightened in the short term through lack of certainty about even short-term positions, while the long-term effects are far from understood. The Q2 2016 QES took place before the referendum itself, though business were aware of it and will have priced in some the volatility, but with most commentators expecting a remain vote, it is likely that the QES data relating to the coming quarter will turn out to be on the optimistic side.



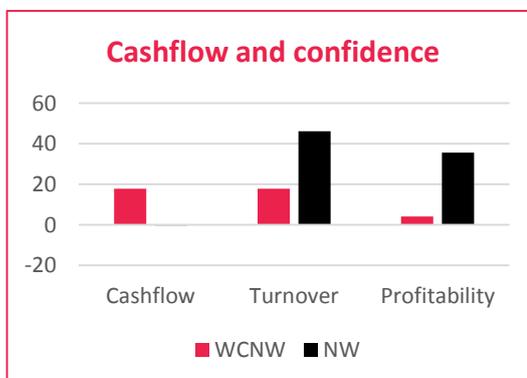
Sales: Compared to the wider data from North West England, the results of the Q2 2016 QES for West Cheshire and North Wales Chamber of Commerce highlight a generally weaker performance in the second quarter than for the wider regional economy, though some indicators continue to show that there was confidence amongst businesses.

Employment: Though indications of sales between April and June are low for businesses selling into the UK and flat for international sales, employment

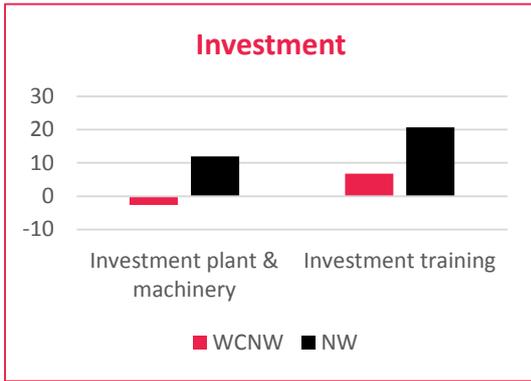
balances for the quarter were higher in the WCNW area than for England's North West.

Orders: The orders balances, a key forward-looking measure that anticipates demand for the third quarter of the year point to contraction overall in both the UK and overseas markets. A concern after the Brexit vote is that the outturn may be worse even than this data suggests.

Employment: With net employment showing positive for Q2 and expectations for Q3 also indicating growth, there is clearly enough confidence to allow companies to continue to recruit, though this is focused more strongly on the services sector. However, with around half of all companies actively seeking to recruit in the past quarter, the overall labour market picture looks positive.

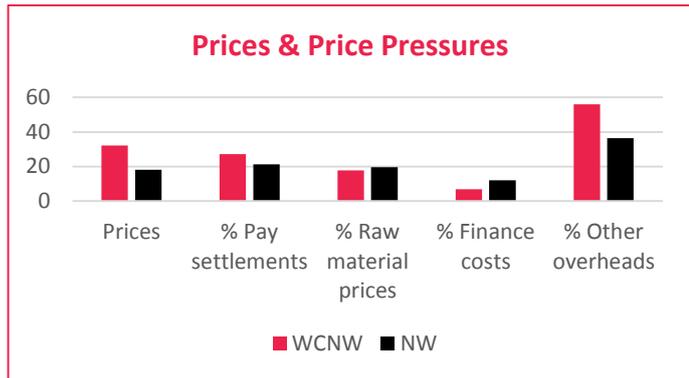


Confidence: Turnover and profitability expectations are lower than the regional average though remains positive, though the low profitability balance suggests that companies are expecting to see their margins squeezed across the coming months.



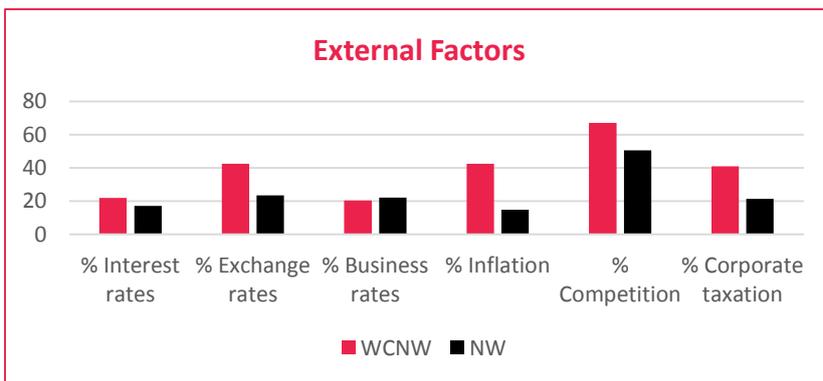
Investment: Investment levels are lower than the North West for human capital and for capital plant and machinery, and the latter shows a small contraction in the most recent data. The continued rise in employment may be affecting wage growth with pay settlements a bigger concern for businesses in WCNW than for the wider region.

Prices Pressures: Whilst raw material and finance costs are lower than for the wider area, this increase in pay settlements and in other overheads delivers a higher expectation of raised prices over the coming months for businesses. Businesses in WCNW are considerably more concerned about exchange rates, inflation, competition and taxation than the wider North West region as a whole, which brings together the picture for this quarter's QES data.



Summary

Overall, demand was looking weak moving into the referendum period with sales into the rest of the UK growing only slowly. The export data is flat at best, and the disruption seen from the Brexit vote will continue not only into the coming months, but years, and the uncertainty will unnerve many businesses. Despite this, employment levels appear positive and firms are trying to recruit; low levels of unemployment will be delivering upward pressure onto pay rates and, combined with other cost pressures, businesses are expecting to increase prices over the coming months more quickly here than in the wider region.



Companies also note that whilst this will likely deliver growth in turnover, the growth in profitability is not so strong, suggesting that margins will become smaller as the year moves on. In these times, competition is an ever-present concern for many businesses, and the volatility from Brexit, whether

eventually carried out or not, will be with us for some time to come.

