

Q4

2019

QUARTERLY ECONOMIC SURVEY



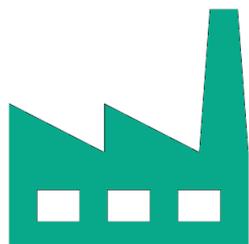
METHODOLOGY



QES Q4 fieldwork was carried out between the dates of 4th November 2019 to 25th November 2019. Data taken from Q3 2019 is also cited in the report and this was carried out between 26th August 2019 to 16th September 2019



Net balance figures show the difference between the respondents who recorded an increase and decrease. If the figure is a plus, then it indicates growth and a positive contribution. If the figure is a minus it indicates a contraction of growth and a negative contribution.



Manufacturing sector

Businesses with the main activity of manufacturing goods (i.e. electronic or IT), and the production of raw materials.



Service sector

Businesses with the main activity of providing a service, i.e. media/accounting/recruitment/hospitality or wholesaling.



Upcoming QES data collection:

QES Quarter 1 2020:

17 February – 9 March, report issued 2nd April 2020.

QES Quarter 2 2020:

18 May – 8 June, report issued 1st July 2020.

The latest Quarterly Economic Survey (QES) goes to show the resilience and positive attitudes of Northamptonshire's business community. Weak growth, a decrease in consumer demand, export sales and investment intentions are being felt nationally. Despite demonstrating stable and strong results this quarter, the findings still show that the persistent political and economic uncertainty has forced businesses to remain hesitant.

Northamptonshire Chamber will continue to feed these results into local, regional and national economic strategies. Data from Northamptonshire Chamber's QES is utilised by HM Government, The Bank of England and economists alike. It provides both local and central policy makers with an accurate and unique insight into the performance, concerns and views of businesses across the county.

Domestic demand: This quarter saw a slight increase in both domestic sales and orders.

Overseas sales and orders: Overseas sales saw a hit with demand falling, overseas orders similarly followed suit.

Employment: Businesses recorded they had actively recruited over the past three months and anticipate recruiting even further. Recruiting challenges remain both within the manufacturing and service sector.

Business confidence and investment: Business confidence remained steady with firms continuing to adopt a positive outlook for the future. Recent training investment also rose.

Enterprise is the lifeblood of the UK economy, if dramatic change is not enacted businesses will continue to halt investment in recruitment to the detriment of growth.

These results should act as a wake-up call for Government, who need to recognise that all businesses, SME's, need support and encouragement in these exceedingly turbulent times.

In the midst of all the political chaos surrounding Brexit, it is easy to put the fundamental issues which affect the day-to-day operations of businesses on the back burner.

Northamptonshire Chamber has not lost sight of these fundamental domestic priorities, and this is why we were excited to be release our Business Manifesto in November which set out the additional priorities we will be focusing on in the near future. Topics such as skills and education, infrastructure, the cost of doing business and digital connectivity will also be at the forefront of our efforts as we continue to champion and represent the voice of local business.

I am proud to be Chief Executive of Northamptonshire Chamber of Commerce and to represent the fantastic collection of businesses we have in the county.

A message from the Chief Executive

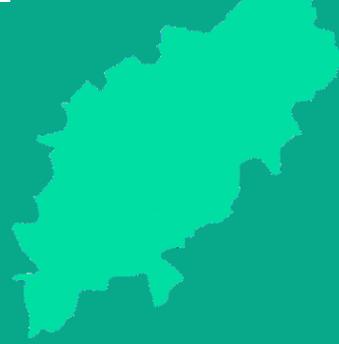


“ all businesses, especially small and medium sized firms, need support and encouragement in these exceedingly turbulent times ”

A handwritten signature in black ink, which appears to read 'Paul Griffiths'. The signature is stylized and written in a cursive-like font.

Paul Griffiths
Chief Executive

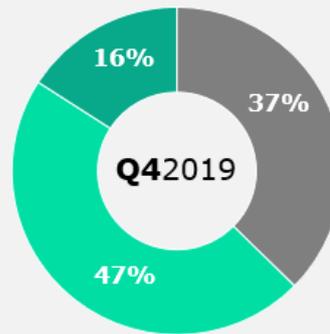
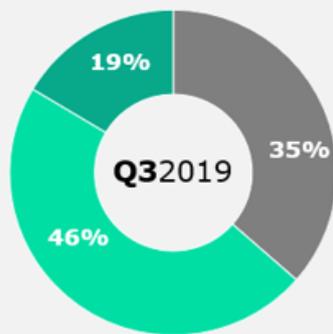
DOMESTIC SALES AND ORDERS



Overall, businesses in Northamptonshire saw a small increase in domestic activity compared to the third quarter of the year. The number of businesses recording an increase in domestic sales was slightly up from 35% in Q3 to 37% in Q4. Businesses experiencing an increase in domestic orders were the same in Q4 as those recorded in Q3 at 29%.

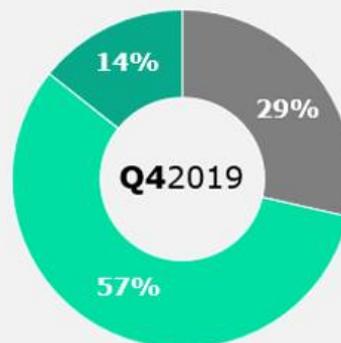
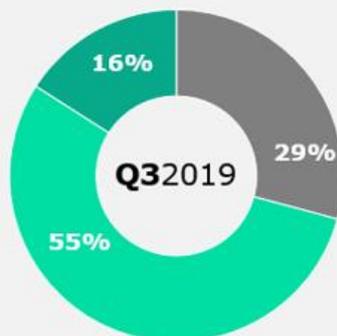
A large majority of firms in both quarters reported that sales and orders had remained constant over the three months. The results in Q4 follow on from Q1, Q2, & Q3 highlighting that the underlying pace of UK activity has slowed.

DOMESTIC SALES



■ Increased ■ Remained Constant ■ Decreased

DOMESTIC ORDERS



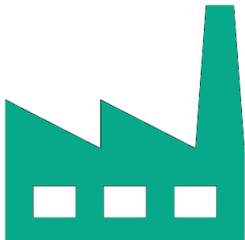
■ Increased ■ Remained Constant ■ Decreased



SERVICE SECTOR

In Q3 2019, a net balance of 27% recorded an increase in domestic sales and 24% an increase in advanced orders. In contrast, this quarter a net balance of 24% experienced an increase in sales and 20% in advanced orders/bookings.

37% of respondents recorded an increase in UK sales, with 31% also reporting an increase in UK advance orders. A positive result for the service sector.



MANUFACTURING SECTOR

The number of businesses in the manufacturing sector reporting increased domestic sales rose 3 percentage points this quarter (after a dramatic fall of 20 percentage points in Q2 & Q3). However, the net balance of manufacturing firms seeing an increase in advanced orders continued in negative territory at (10)% this quarter (after declining by 31% in Q3).

No manufacturing respondents reported an increase in domestic orders whilst 19% recorded an increase in sales and 29% an increase in domestic orders

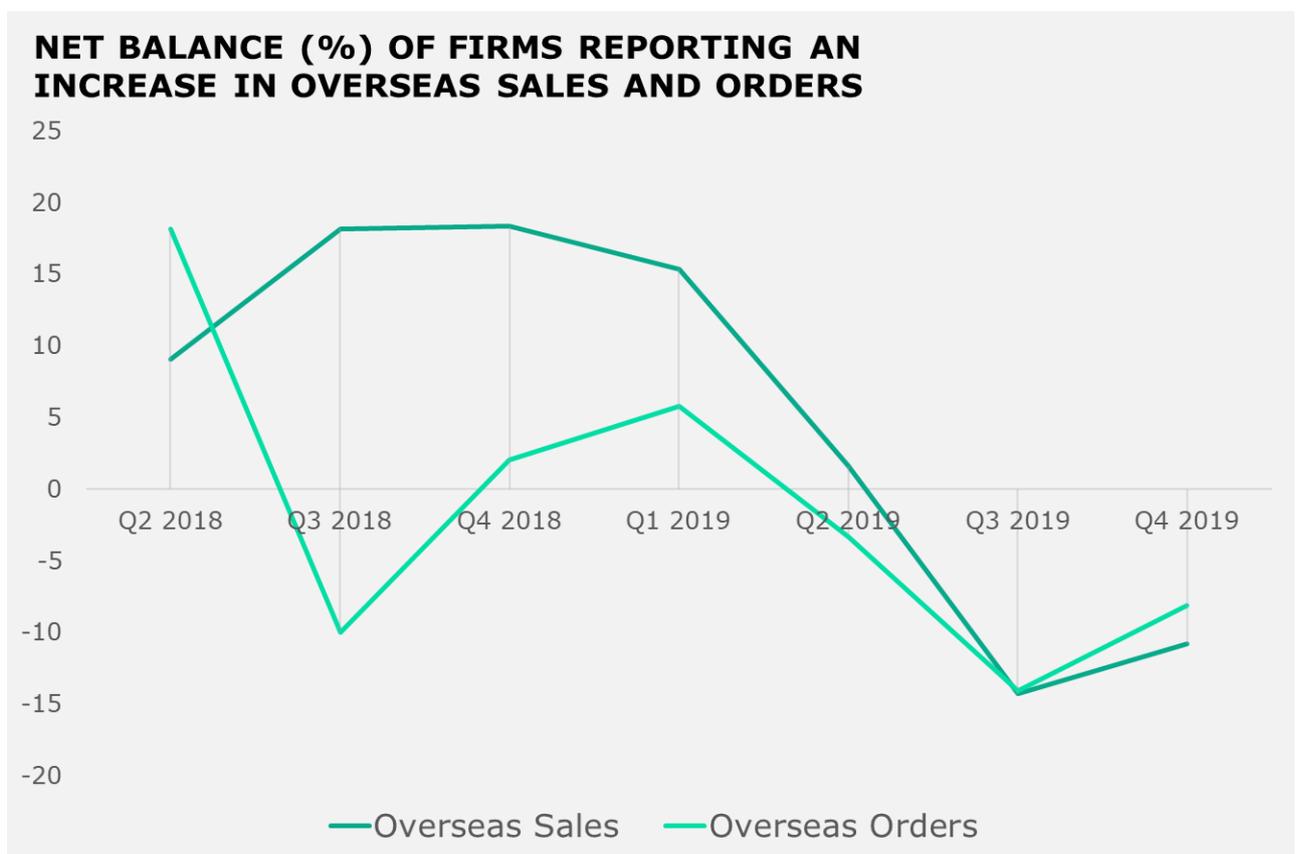
OVERSEAS SALES AND ORDERS



Northamptonshire-based businesses saw overseas activity slow in this quarter with both demand in overseas sales and overseas orders taking a hit.

The net balance of firms recording an increase in sales/customs/bookings declined by 11%, falling from (14)% in Q3 to (25)% in Q4. Overseas orders followed the trend, experiencing a decline from (14)% in Q3 to a negative contribution in Q4, (19)%.

As illustrated by the graph below, the overseas market remains volatile with fluctuating responses in the previous six quarters. These results have followed the trend we saw in Q3 where export orders demand fell. They go against what the British Chambers of Commerce (BCC) expected which was export growth of 1.6% and import growth of 4.3% in 2019. The prospect of a messy and disorderly exit from the EU remains a significant risk to the economy. The fluctuating strength of sterling and the path of UK inflation against the backdrop of a volatile political atmosphere has not been complementary to the overseas market. We expect this weak growth trajectory to continue for the next few quarters.

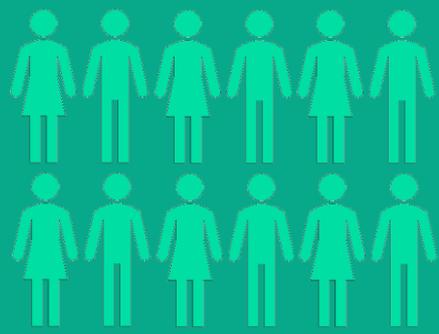




Other concerns

Unsurprisingly, when given the chance to comment on other factors of concern, the majority identified Brexit and the uncertainty associated with the current political landscape.

EMPLOYMENT



Overall during the last quarter, 30% of respondents recorded that they saw workforce growth. However, 14% also reported a decrease in workforce.

Sector split wise, the manufacturing sector has seen an increase in its workforce – a net balance movement of 14%, with 33% of businesses recording an increase in the quarter. Service sector recruitment has slowed but still remains in positive territory with 29% reporting an increase in staffing.

36% of all respondents anticipate increasing their workforce further over the next three months.

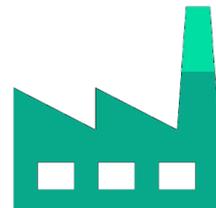
Percentage of businesses attempting to recruit

SERVICE SECTOR

MANUFACTURING SECTOR



49%

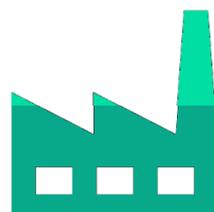


62%

Percentage of businesses experiencing difficulties recruiting



64%

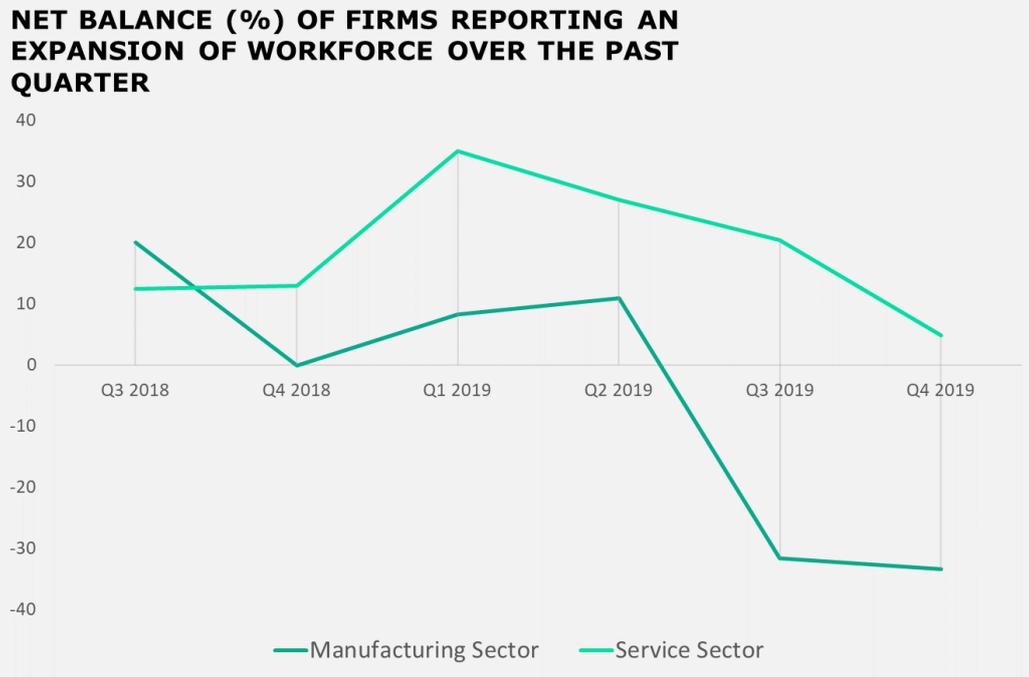


69%



60%

Percentage of businesses expecting no change to their workforce over the next 3 months



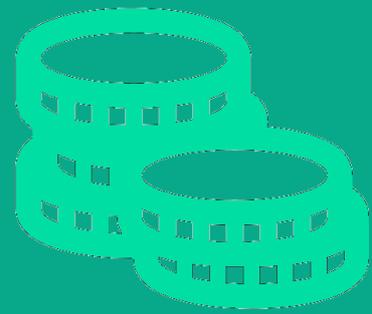
Overall, 52% of businesses that responded attempted to recruit during Q4 2019 and 65% of those experienced difficulties in recruiting appropriate staff for those vacancies. The split of job type is shown below.

Within the service sector 49% attempted to recruit with a high 64% experiencing difficulties. The situation was slightly worse for manufacturers, 62% attempted to recruit, with 69% experiencing difficulties.

Job type	Service	Manufacturing
Full time	40%	44%
Part time	26%	11%
Temporary	13%	0%
Permanent	21%	44%

Role type	Service	Manufacturing
Skilled manual/Technical	21%	57%
Professional/Managerial	38%	14%
Clerical	25%	14%
Semi/Unskilled	17%	14%

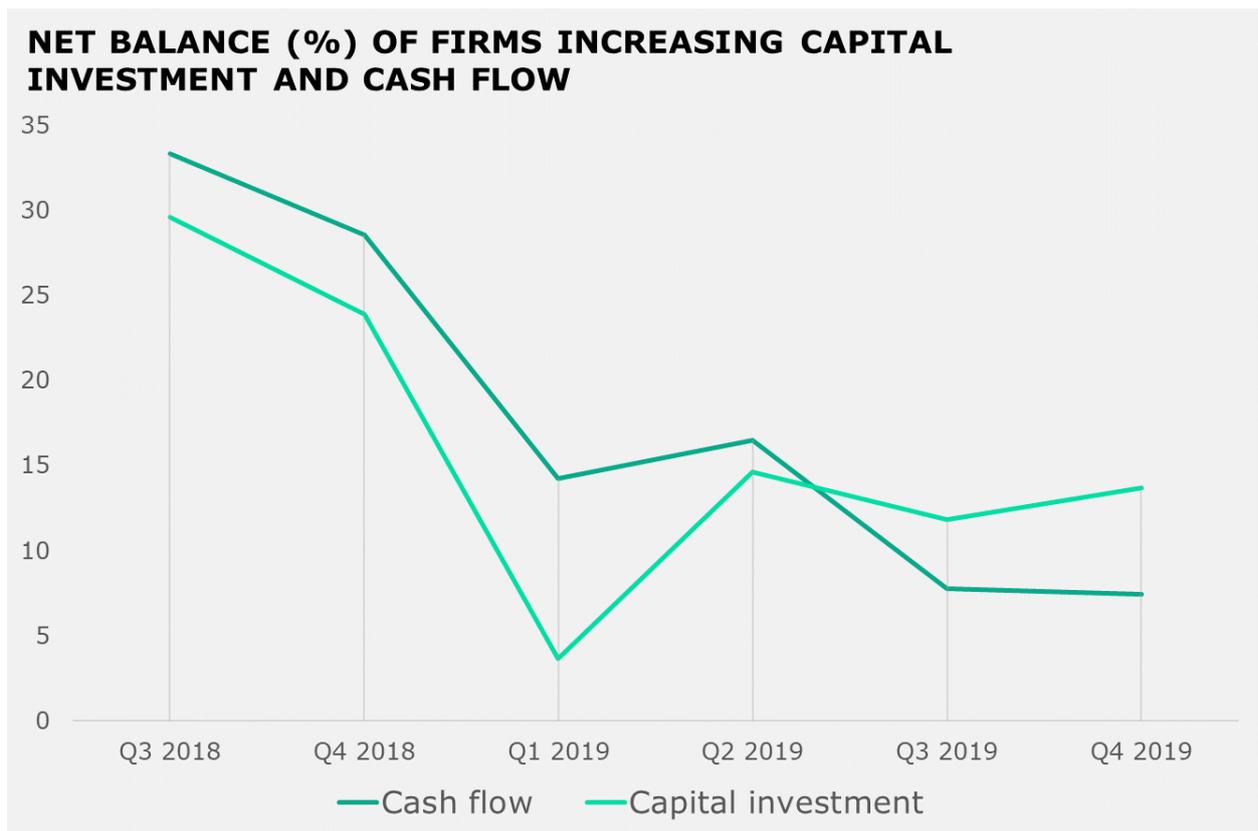
INVESTMENT

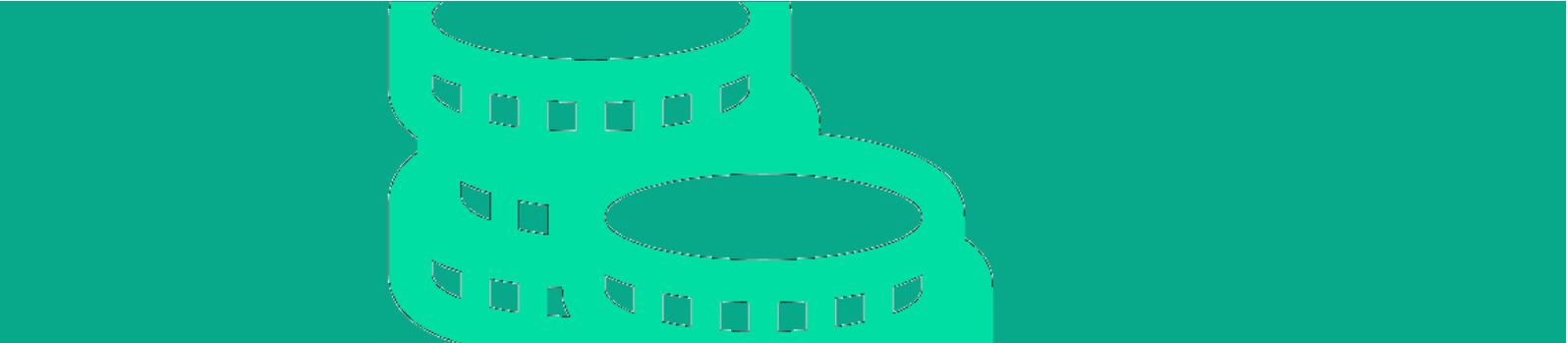


Overall, a slight slow-down on the cash flow and investment front with all capital investment, cash flow and investment in training plans experiencing a decrease.

A net balance of 7% of respondents recorded that cash flow had increased during Q4 of the year (down from 8% in Q3) which in turn saw investment in machinery/equipment and investment in training plans remain fairly static.

There was a rise in investment in training plans, with this quarter seeing a net balance of 18% (up from 16% in Q3). Results this quarter, confirm that investment in training is not consistent with results fluctuating considerably over the past six quarters.





NET BALANCE OF FIRMS REPORTING AN INCREASE IN TRAINING PLANS



It's forecasted by the British Chambers of Commerce (BCC) that business investment is likely to remain historically low with a negative contribution of -1.3% for 2019 (downgraded from -1.05), to 0.4% for 2020 (from 0.6%) before growth of 1.1% in 2021.

Service sector net balance returned a positive value on all three investment measures.

Manufacturing net balance scores were the same with all three investment measures recording positive net balance scores.

In the next few quarters, business confidence and investment expectations are expected to recover, as Brexit and Election uncertainty declines and the economy adjusts smoothly to new trading relations with the EU.

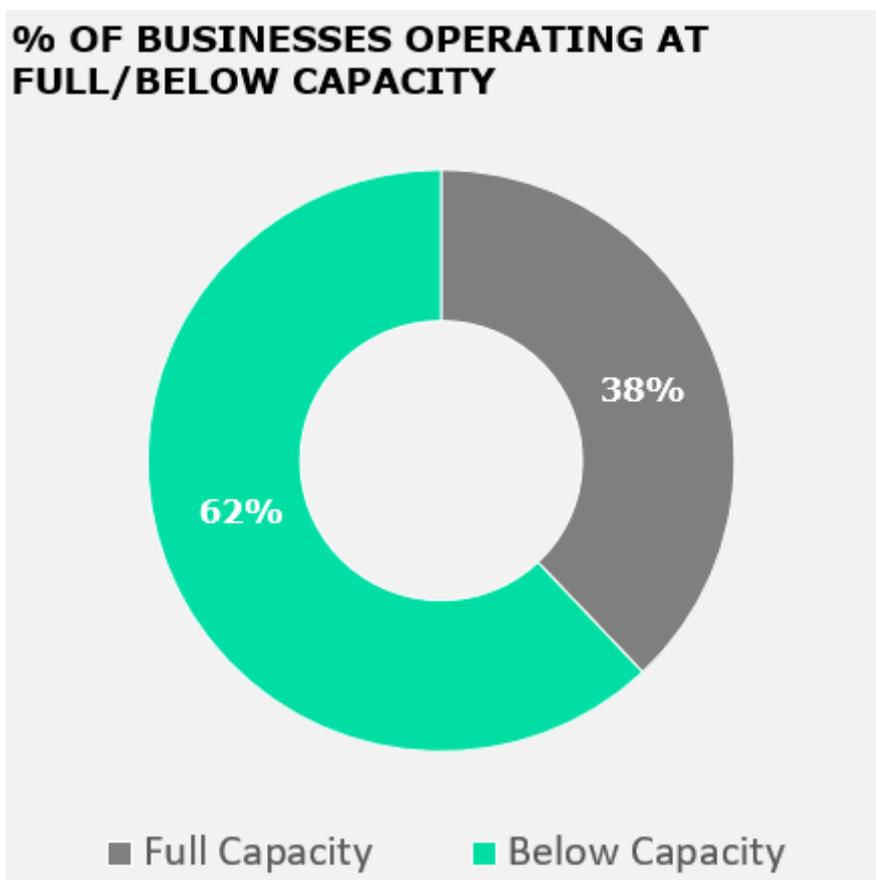
BUSINESS CONFIDENCE AND CONCERNS

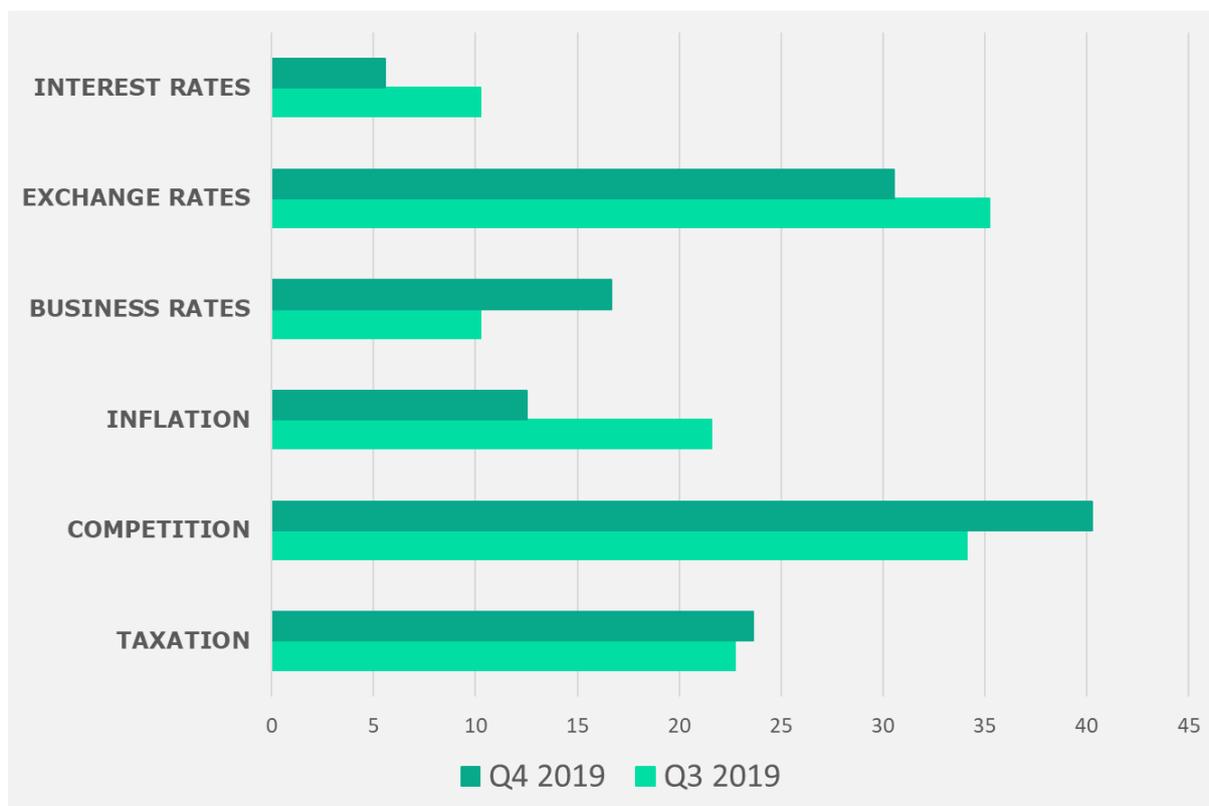
Local businesses have stated that they continue to work at below capacity, with 62% reporting this to be the case in Q4 2019.

29% of businesses continue to report that they expect the costs of doing business to rise in the next three months (down from 37% in Q3), therefore they anticipate increasing the price of their services and goods. The main price pressure was reported to be other overheads, closely followed by raw material prices.

The volatility of cash flow leaves businesses more vulnerable to disruptions in their supply chain, the increase of raw material prices would have a pivotal role in this.

Firms were also questioned on the factors which are more of a concern to their business compared to three months ago. Unsurprisingly, exchange rates, as per previous quarters was one of the dominant answers. However, it was knocked into second place as Competition took over as the main concern in Q4 2019 with 40% reporting this as an issue.





Business confidence has increased over the past 9 months with an increasing number of businesses having a positive outlook over the next 12 months. 70% of businesses stated they believe turnover will improve over the next year (up 53% from Q3) and 58% believe in turn profitability will improve (up 49% from Q3).

However, this is very much subject to change given how the next few months play out with Brexit and future trading deals. If this period of prolonged uncertainty continues then it is increasingly likely that the stockpiling, we saw in Q1 will intensify and confidence and investment will become stagnant. The slowing overall economic growth will have a detrimental effect on business confidence and a weak trajectory of local economic growth would be likely.

Businesses need an optimistic view of the future, based on future sales, interest rates and inflation, to become more likely to invest, causing cash flow and economic growth to subsequently improve.



Tel: 01604 490490
www.Northants-Chamber.co.uk

Northamptonshire Chamber of Commerce
Waterside House
8 Waterside Way,
Northampton NN4 7XD

 @NorthantsCoC
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