



Mid Yorkshire Chamber of Commerce

Connecting, supporting & representing business

Quarterly Economic Survey

1st Quarter 2019

(January – March)

This report presents the results of the Quarterly Economic Survey (QES) of businesses throughout the Mid Yorkshire Chamber area, conducted in collaboration with the British Chambers of Commerce (BCC). The BCC National Survey is the UK's largest private-sector Survey of business sentiment, and a leading indicator of UK GDP Growth.

The QES tracks trends in various aspects of economic activity including domestic and export sales; past and future employment; recruitment issues; confidence in future turnover and profitability; etc.

Chamber members and businesses throughout the Mid Yorkshire region are encouraged to continue to support this highly-respected and influential survey.

The latest QES reports are available at www.mycci.co.uk

Executive Summary



UK Sales and UK Orders continue to improve

UK Sales and Orders further consolidated the gains which were reported at the end of last year, and the figures stand at historically high levels. It is good to see that last year's improvements have carried through into the first Quarter of the New Year.



Export Sales and Orders dip slightly

Despite continuing political uncertainty around Brexit these figures from our Exporters are holding up well, and although there is some volatility in overseas markets, the present balances stand at levels not generally seen since 2017.



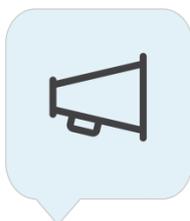
Employment and Employment Expectations steady

Despite a slightly downward adjustment of Employment Expectations from 19% in Q4 to 13% this time, Employment balances in Q1 stabilised at a slightly higher level. Official ONS figures report record high employment and record low unemployment at the end of Q1.



Cashflow stabilises, Capital Investments steady, and an increasing appetite for Investment in Training

Cashflow balances stabilised up by 1 point to 10%. **Capital Investments were steady**, whilst there was a **most welcome increase in the balance for Investment in Training** (21% this time from 14% in Q4).



Business Confidence a little unsteady, whilst Profit Expectations stabilise

Turnover Expectations dipped by 11 points (Q4 55% down to 44% in Q1). **Profit Expectations stabilised** in Q1 at 39% (Q4 38%), and in both cases the balances are generally maintaining levels not much seen since 2016.



Price Pressures and External Factors of Concern

Exchange Rates are by far the greatest worry. Unfortunately, rising prices of **Raw Materials** combined with '**Other Overheads**' and **Fuel/Utility costs** continue to outweigh the competitive advantages which apply when we are selling into Export Markets.

Foreword

This survey for the first Quarter of 2019 has produced **quite a good set of results**. Despite difficult trading and political conditions the businesses in our region have started the New Year better than might have been expected. Several important indicators in the Survey have improved or remained relatively stable, with **Home Sales and Orders continuing to improve** compared with the 2018 Quarter 4 Survey. However, Export Sales and Orders dipped slightly – but **overall the Export figures held up well**, and the present balances stand at levels not generally seen since 2017.

In fact the **Home Sales and Order balances are presently riding at historically high levels**, and the Survey reveals that Home Sales (85%) and Orders (84%) either increased or remained constant during the Quarter.

The **Export Sales and Order Balances** are **showing signs of resilience**, which because of major Brexit uncertainties is a pleasing performance. Yet unfortunately, whilst the effects of the weaker Pound Exchange Rate provides a competitive edge for our Exporters, the rates are causing significant **increased costs of imported Raw Materials** – thus making overseas trading increasingly more difficult and weakening the UK's net trade position. These ever-increasing input costs and the effects of a generally diminishing global economy are limiting overseas opportunities. Against this background our Exporters have performed to very high standards during this first Quarter of the year.

Furthermore, our Survey has reported robust balances for **Employment and Employment Expectations** – which once again are fully **corroborated by official ONS statistics** - with record numbers of people in employment, and very low levels of unemployment. This Quarter's survey also indicates that **Investments in Training are increasing, whilst Cashflow and Investments in Plant and Machinery have stabilised**. In addition, whilst there is some uncertainty about Turnover expectations for the months ahead, the anticipated levels of profits have stabilised at the 2018 Q4 level.

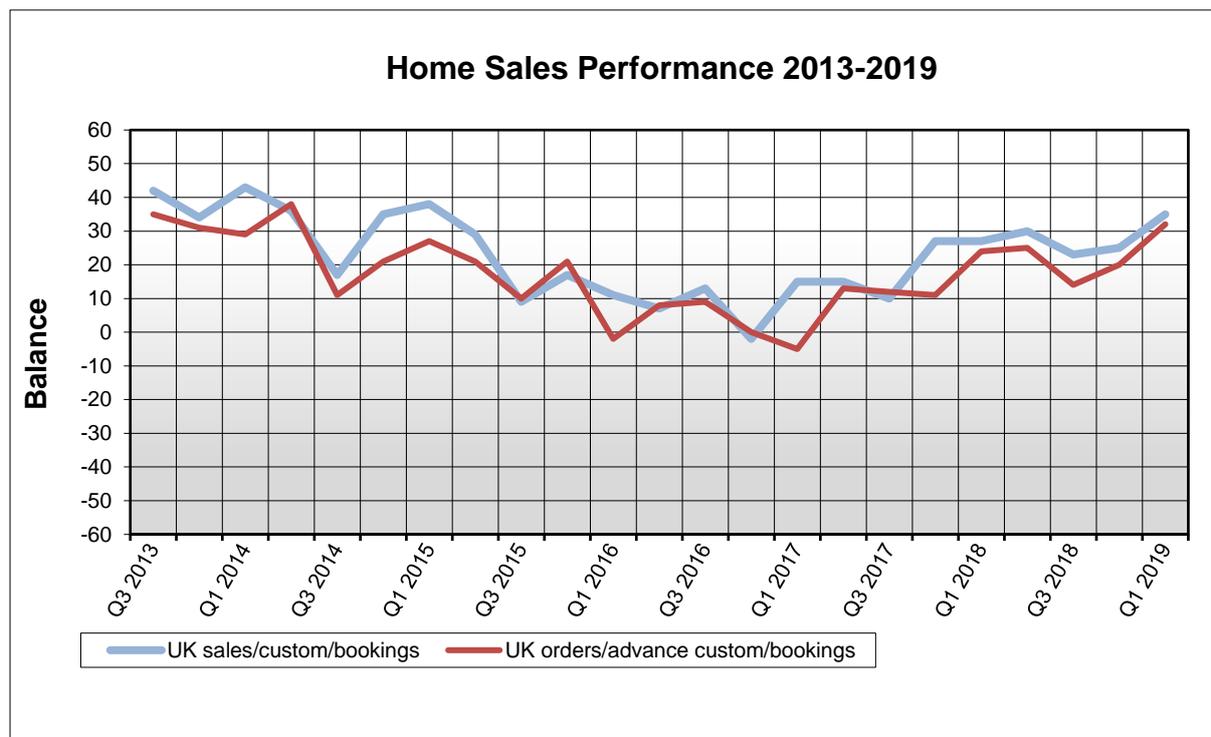
Having defied most economic forecasts, the first Quarter of the year has produced some encouraging results which provide some cause for optimism going forward - even though concerns about the outcome of Brexit negotiations presently continue to inhibit strategic business decisions.

Despite difficult conditions, the businesses in our Chamber area have demonstrated time after time their resourcefulness and resilience. Our Members, and the wider business community in our Chamber area, can be assured that whatever the challenges which might arise as the year progresses, all of us here at the Mid Yorkshire Chamber of Commerce will continue to support and assist them with the delivery of sustainable Economic Growth in our Region.

Steven Leigh – Chamber Head of Policy and Representation

UK SALES AND ORDERS CONTINUE TO IMPROVE

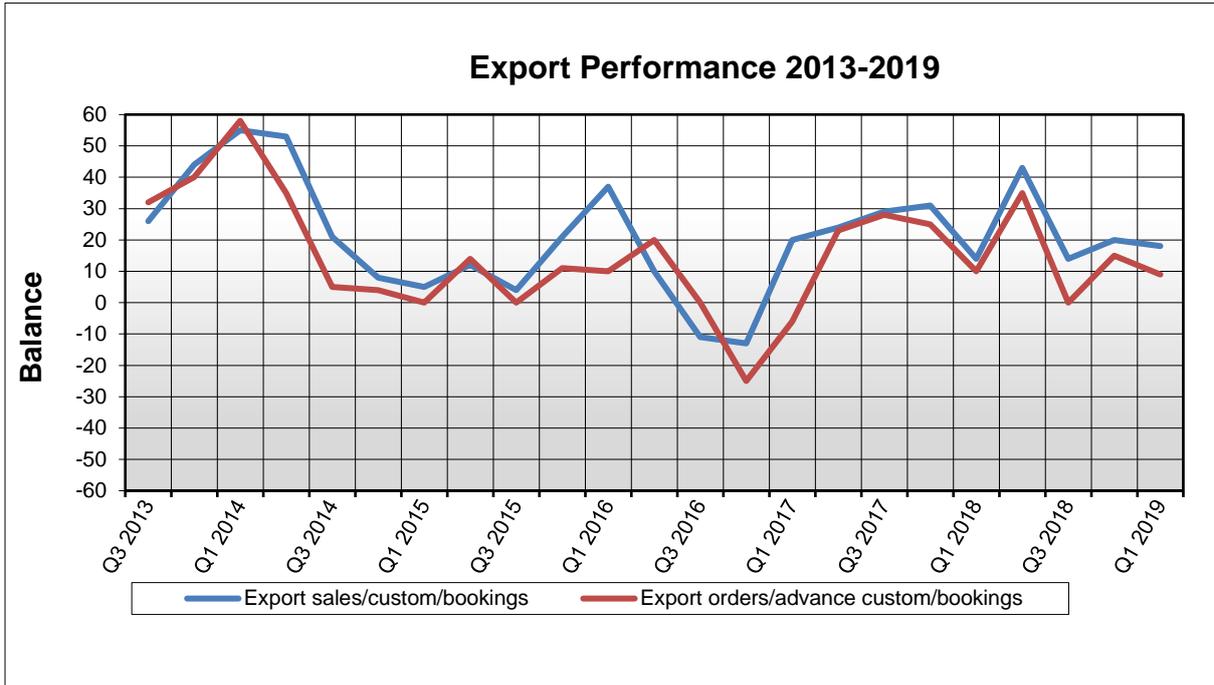
Encouragingly, UK Sales indicators increased to 35% this time, (from 25% in Q4) – maintaining levels not generally seen since 2015. The fact is that 85% of companies reported that Sales either increased or remained constant during this first Quarter of 2019. UK Orders also progressed, by 12 percentage points in Q1 to 32%, (from 20% in Q4), and again, these balances maintained a level not generally reported since 2015 with 84% of respondents reporting that their Orders increased or remained constant during the Quarter. The increasing trend of UK Sales and Orders at these higher levels is most welcome, and it is good to see that last year's improvements have been carried through into the first Quarter of the New Year.



EXPORT SALES AND ORDERS DIP SLIGHTLY

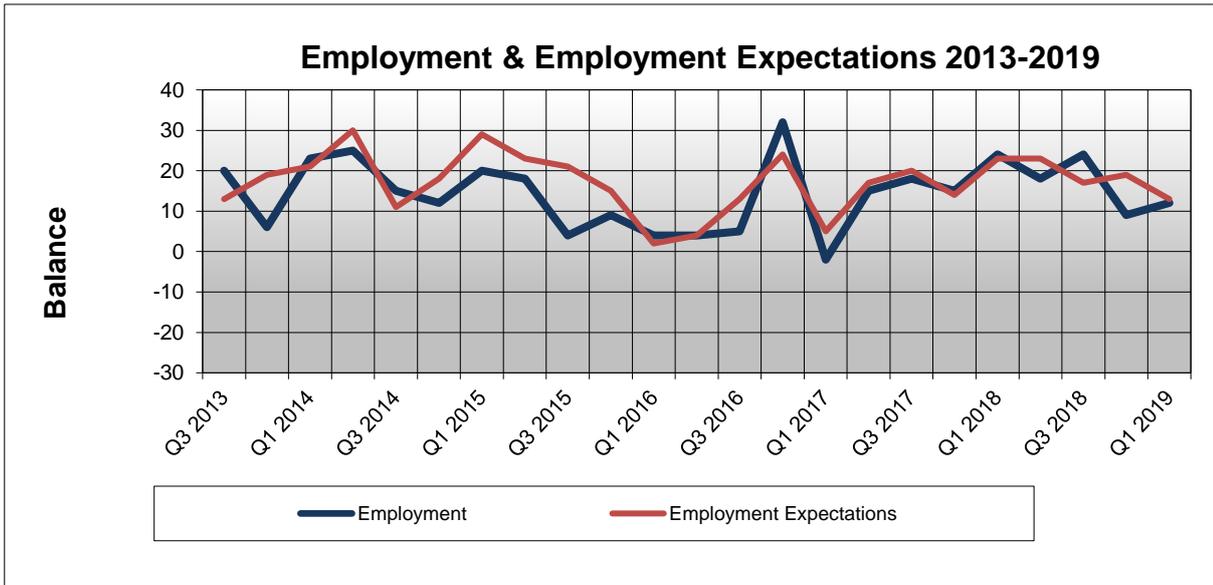
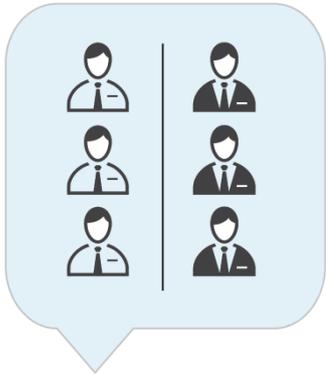
During this first Quarter of 2019, Export Sales dipped slightly from the improved results last time, falling by 2 percentage points to 18% in Q1 (from 20% in Q4). The Export Order balances also gave up recent gains, dropping 6 points to 9% (from 15% in Q4). Despite continuing political uncertainty around Brexit these figures from our Exporters are holding up well, and although there is some volatility in overseas markets, the present balances stand at levels not generally seen since 2017.





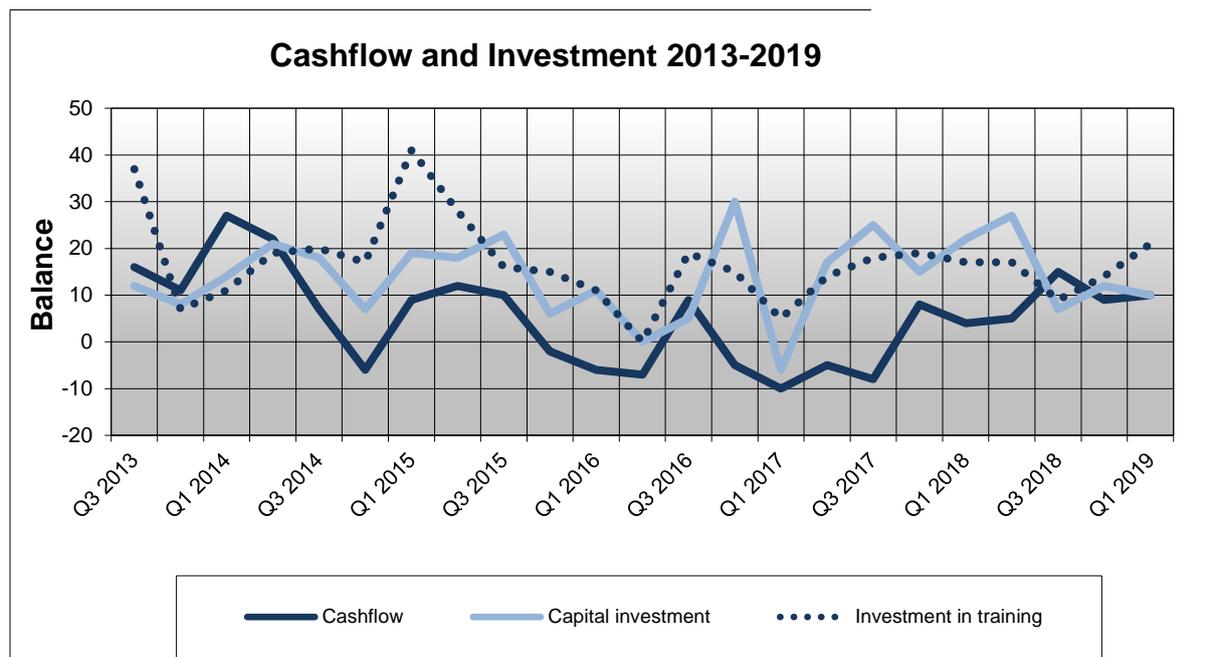
**EMPLOYMENT BALANCES STABILISE
EMPLOYMENT EXPECTATIONS LOWER**

After falling in Q4, Employment balances in Q1 stabilised at the slightly higher level of 12% (Q4 9%). However, there was a small downward adjustment of Employment Expectations from 19% in Q4 to 13% this time. These balances have a tendency to compensate for one another as has been evidenced this time. Official ONS figures report record high employment and record low unemployment at the end of Q1.



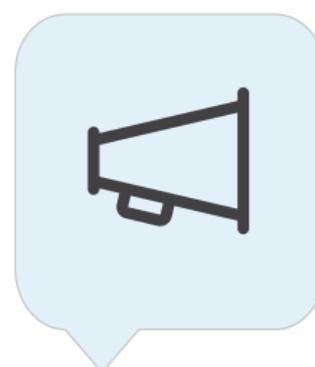
CASHFLOW STABILISES
CAPITAL INVESTMENTS STEADY
INVESTMENT IN TRAINING RISING

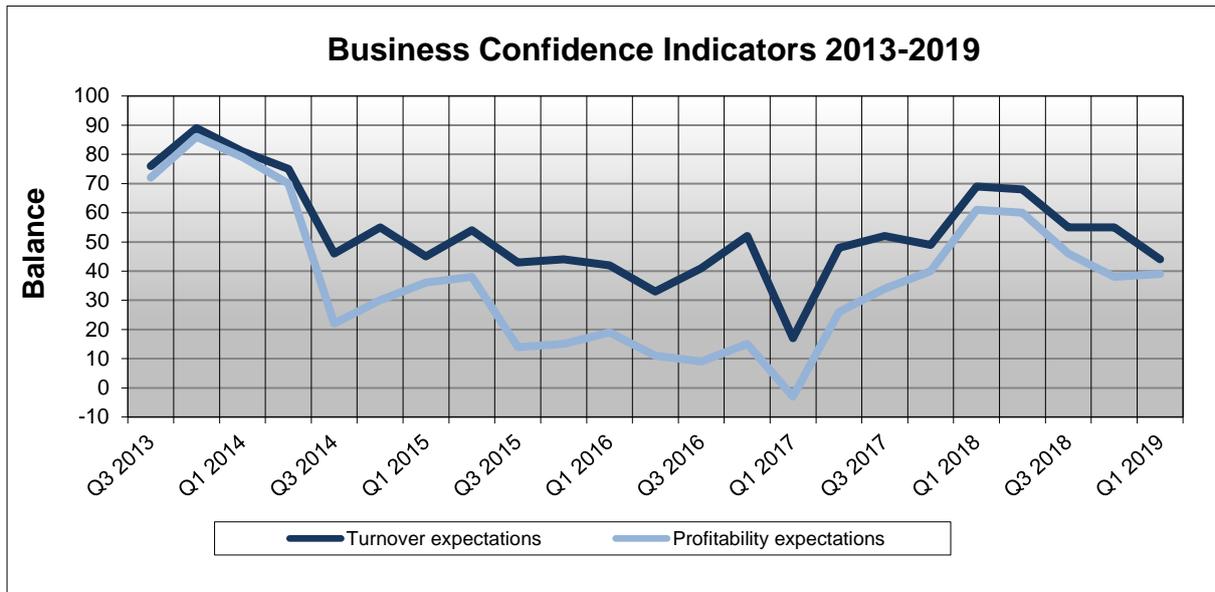
In Q1 our survey reports a slightly higher Cashflow balance of 10% (from 9% in Q4). Capital Investment balances were steady, giving up just 2 points (10% in Q1 from 12% in Q4). There was a most welcome increase in the balance for Investment in Training (21% this time from 14% in Q4).



UNCERTAIN BUSINESS CONFIDENCE
PROFIT BALANCES STATIC

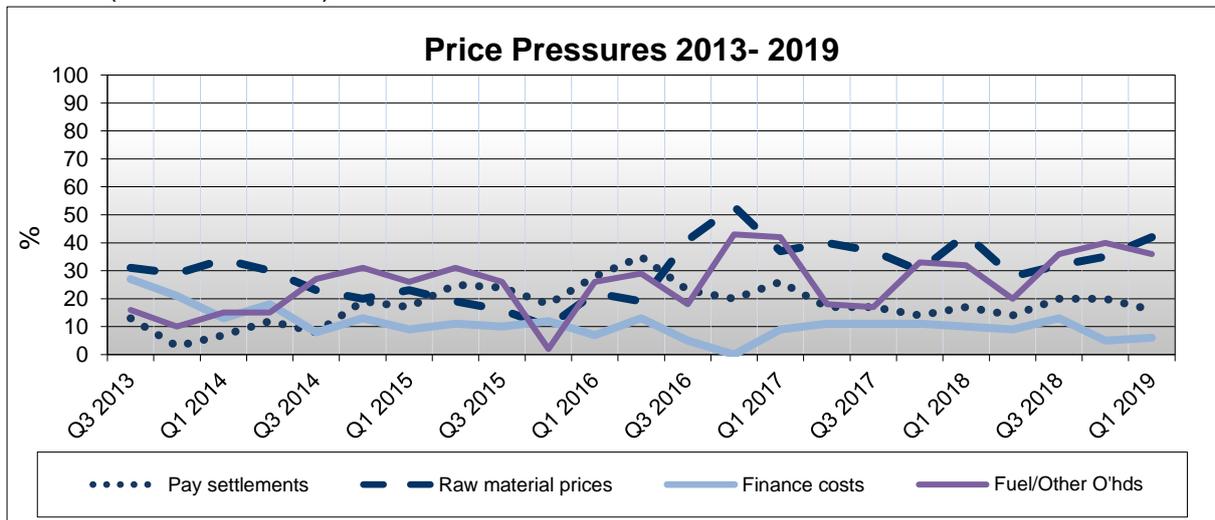
Whilst relatively stable in historic terms, it is nevertheless disappointing to report that Turnover Expectations have fallen somewhat (from 55% in Q4 to 44% this time). Profitability balances stabilised at 39%. However, it is worth recording that in both cases the balances remain at levels not generally seen since 2016. During this first Quarter of 2019 businesses reported 'increased' or 'remained constant' results for Turnover and Profitability at 86% and 84% respectively. These figures point to a reasonable business outlook as we enter the second Quarter.





- **PRICE PRESSURES MAINLY STABLE DURING THE QUARTER**
 - **RAW MATERIAL PRICES THE MAJOR WORRY**
 - **FUEL AND OTHER OVERHEADS A CONTINUING CONCERN**

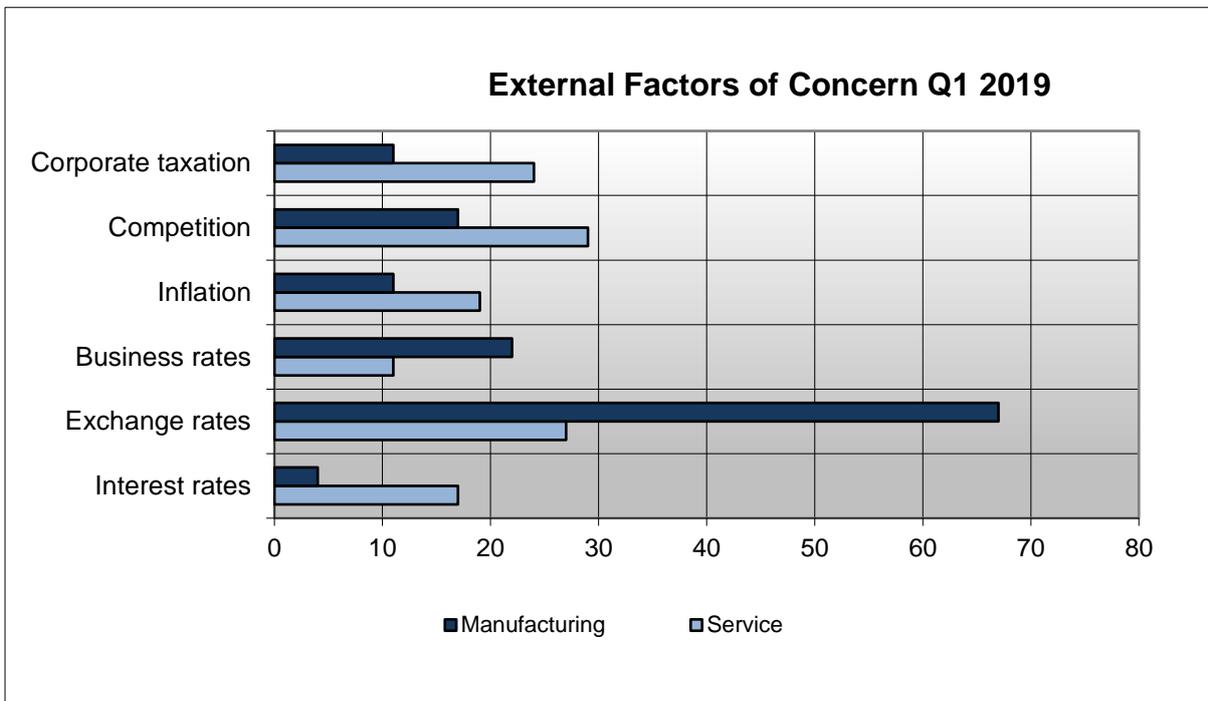
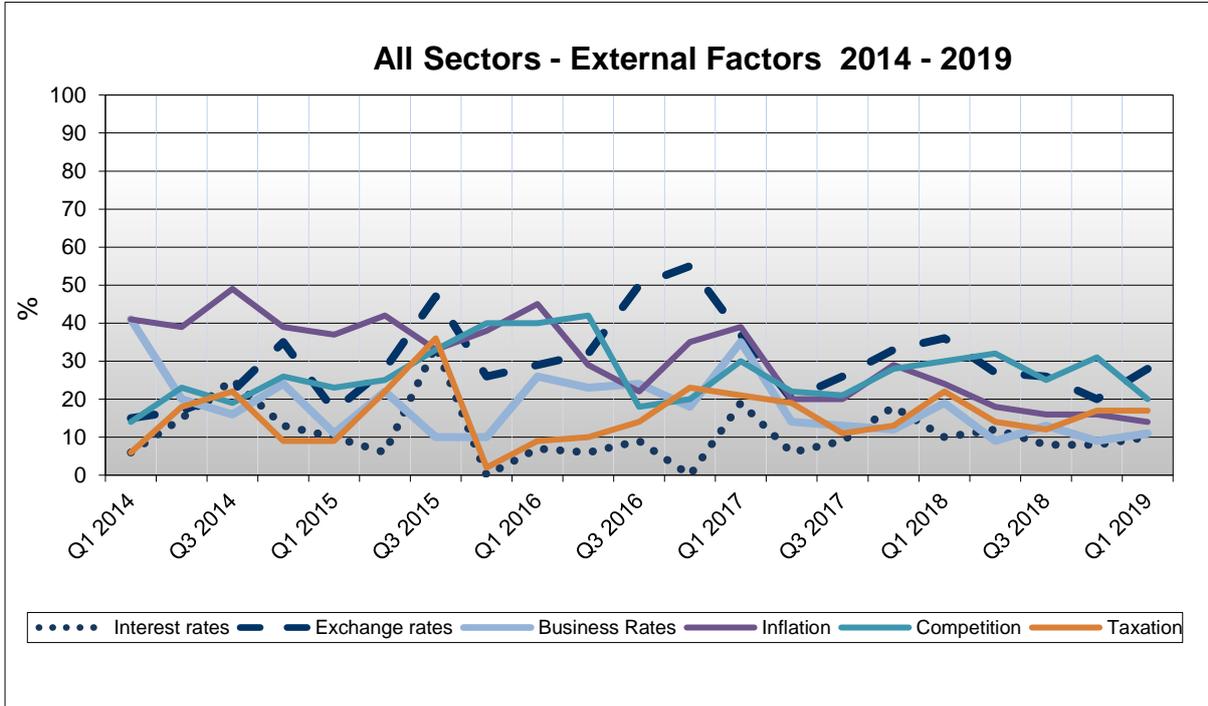
In this first Quarter of 2019 some pricing pressures increased compared with the previous Quarter. Concerns about Raw Material Prices increased again this Quarter (42% from 35% last time). ‘Other Overheads’ combined with Fuel/Utilities eased slightly at 36% (from 40% in Q4). Sector balances disclose that for **Manufacturing businesses, Raw Material Prices remain the greatest concern, at 56%**. Overall, the concerns about Finance Costs continue at a low level (Q1 6%, Q4 was 5%), and worries about Pay Settlements also reduced this time at 16% (from 20% in Q4).



EXTERNAL FACTORS OF CONCERN

- **EXCHANGE RATES ARE STILL THE MAIN WORRY FOR MANUFACTURERS**
- **COMPETITION IS THE MAJOR CONCERN TO THE SERVICE SECTOR**

For Service Sector companies, **Competition** and **Exchange Rates** are the principal items of concern. For Manufacturers, **Exchange Rates** are by far the greatest worry.



ABOUT THE SURVEY

The balance figures used throughout this survey are calculated by subtracting the percentage number of companies that report a decrease in sales, orders etc. from those reporting an increase. A positive balance therefore reflects the fact that more companies than not report an increase, and these balances are used to track trends over time using results from previous surveys. The Mid Yorkshire Chamber responses, together with the results from other UK Chambers of Commerce, are incorporated into the British Chambers of Commerce (BCC) National results publication.

The survey is the largest and most representative of its kind in the UK.

USEFUL LINKS

Mid Yorkshire Chamber of Commerce and Industry Limited

www.mycci.co.uk

Office for National Statistics

www.ons.gov.uk

HM Treasury

www.hm-treasury.gov.uk

British Chambers of Commerce

www.britishchambers.org.uk/

Department for Business, Energy & Industrial Strategy

www.gov.uk/government/organisations/department-for-business-energy-and-industrial-strategy

Whilst the figures conveyed in our summary derive from the Mid Yorkshire Survey replies, the interpretation is the responsibility of the Mid Yorkshire Chamber of Commerce, and should not be regarded as necessarily representing the view of any individual contributing business.