



Mid Yorkshire
Chamber of Commerce

QUARTERLY ECONOMIC SURVEY

4th QUARTER 2018

(October - December)

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 increase slightly

UK Sales and Orders consolidated the gains which were reported in Q3, and the figures remain at historically robust levels. The figures are proving to be relatively stable, and hopefully these improvements will be maintained as we move forward into the New Year.



Export Sales and Orders rally

Export Sales and Orders recovered from the disappointing results we reported last time. The improved balances have again demonstrated that Export markets can be affected by world events (this time possibly partly due to falling oil prices and weakening Sterling Exchange Rates).



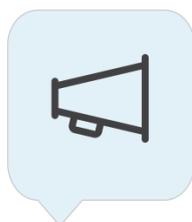
Employment and Employment Expectations Steady

Employment and Employment Expectation balances held steady at levels which were generally last reported back in 2015. **This healthy level** is corroborated by official ONS figures for numbers of people in employment.



Cash Flow wavers, Capital Investments rising, and appetite for Investment in Training resumes

Cashflow balances wavered, down by 6 points to 9%. **Capital Investments moved up**, and **Investments in Training resumed** after falling last time.



Business Confidence steady, but Profit Expectations dip

Turnover held steady whilst Profit Expectations dipped slightly, but in both cases the balances are generally maintaining levels not much seen since 2015.



Price Pressures and External Factors of Concern

Competition is becoming a greater concern but for Manufacturers and Service Sector companies alike **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, and Corporate taxation is a growing concern.

Foreword

All things considered, this survey for the fourth Quarter of 2018 has produced **a reasonably good set of results**. Overall indications are that despite difficult trading conditions the businesses in our region will enter the New Year with an element of business confidence. Several of the **important indicators in the Survey have proved resilient and stable**, with Home and Export Sales and Orders all posting gains compared with the Quarter 3 Survey. However, whilst Turnover expectations were static the Profitability Expectation indicator fell for the third consecutive Quarter.

The **UK Sales and Order balances are presently riding at historically robust levels**, and the Survey reveals that UK Sales and Orders (both at 87%) either increased or remained constant during this fourth Quarter. Likewise, Export Sales and Orders have recovered some lost ground from Q3, and the results are presently standing at around the sustained levels which were last being recorded during the period 2014-2016.

The **increase in Export activities is really welcome** because the ongoing major Brexit uncertainties and the effects of the weaker Pound are **increasing the cost of imported Raw Materials** - making overseas trading progressively more difficult. Whilst the lower Exchange Rates have been beneficial for Exporters in general terms, there are now hints that our weakening currency is likely to be hindering, rather than helping, the UK's net trade position. These persistently-increasing input costs, when combined with the slowing global economy, are limiting potential export demand. Against this background **our Exporters have excelled during this last Quarter** of the year.

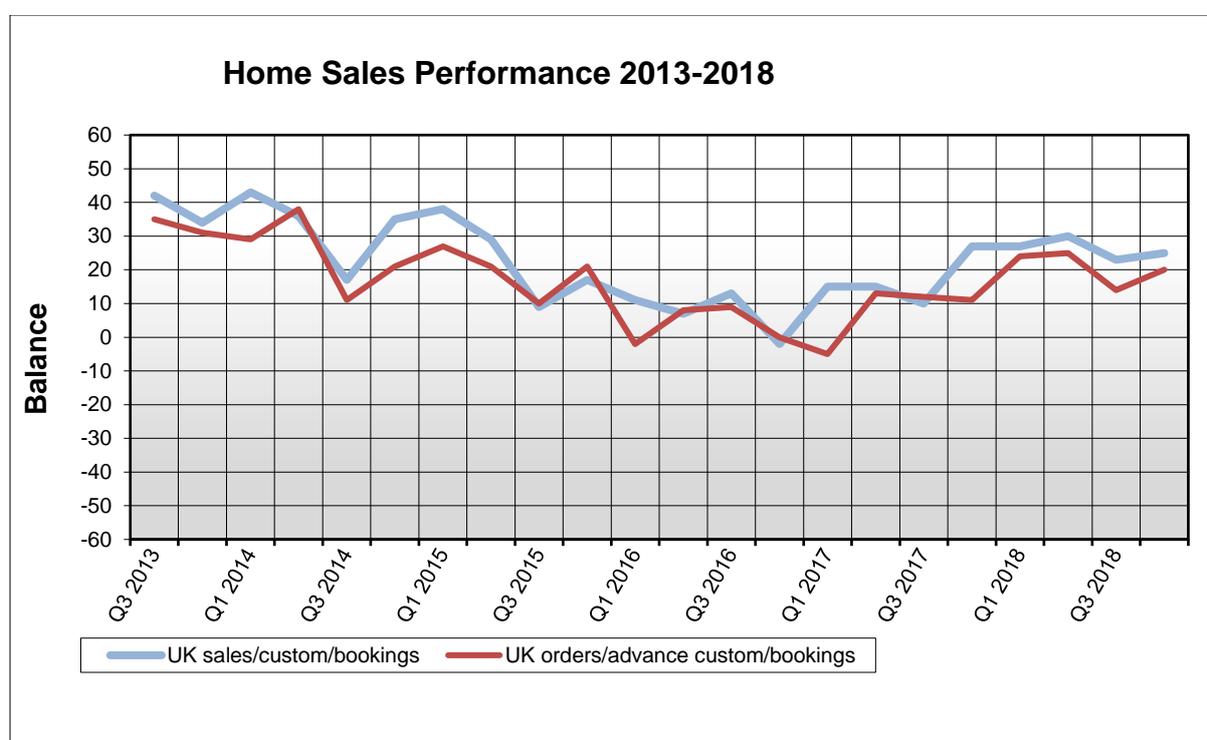
Likewise, our Survey has confirmed **High Employment and Employment Expectations**, and our figures are fully **corroborated by official ONS statistics** for numbers of people in employment. Our survey also indicates that **Capital Investment and Investments in Training are now back on the agenda**. Furthermore, although (understandable) reservations have been expressed about Profitability, the **expectations regarding Turnover remain at a high level**, not much seen since 2014.

As we enter the New Year there are some major challenges surrounding the Economic outlook for the UK. The outcome of Brexit negotiations will obviously be a critically-important factor, and there are dangers that potential in the short-term for economic growth could be significantly adversely affected. **But businesses in our Chamber region continuously demonstrate their great ingenuity and resilience to challenging business conditions**. Whatever the difficulties which might arise, our Members, and the wider business community in our Chamber area, can be certain that all of us here at the Mid Yorkshire Chamber of Commerce will continue to strive to help businesses to invest, grow, employ and deliver sustainable Economic Growth to our Region.

Steven Leigh – Chamber Head of Policy and Representation

UK SALES AND ORDERS IMPROVE SLIGHTLY

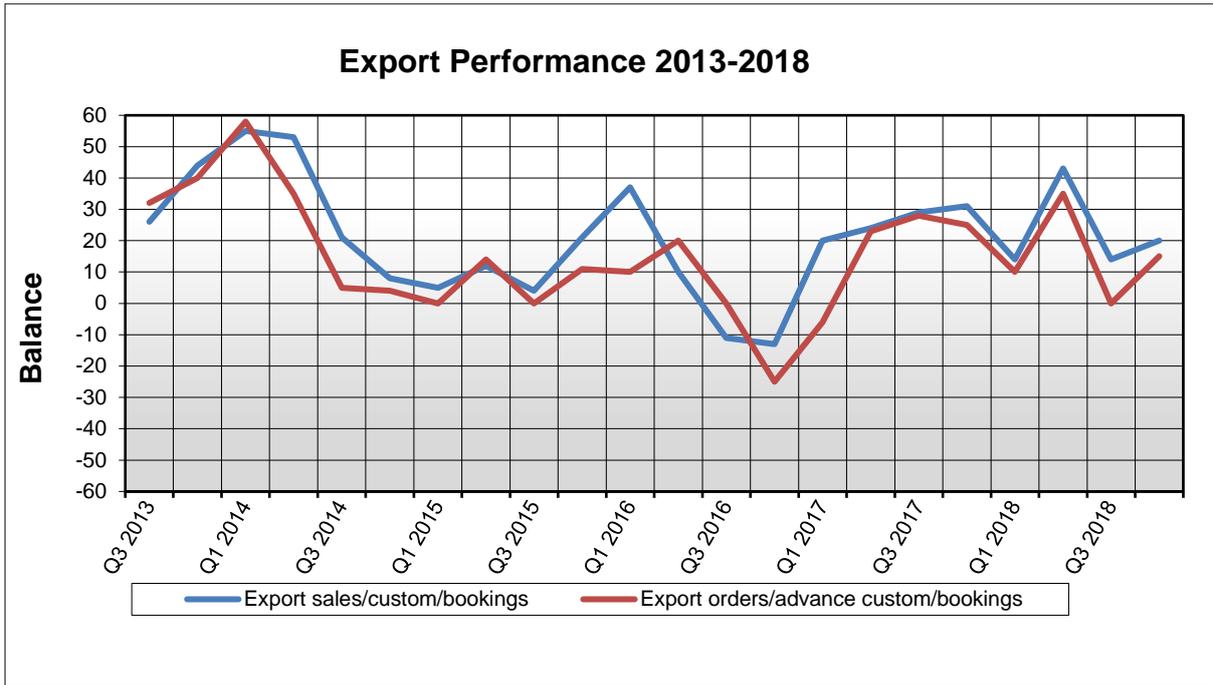
UK Sales indicators increased slightly to 25% this time, (from 23% in Q3) – maintaining levels not generally seen since 2015. The fact is that 87% of companies reported that Sales either increased or remained constant during this fourth Quarter of 2018. UK Orders also increased, by 6 percentage points in Q4 to 20%, (from 14% in Q3). But once again, these balances maintained a level not generally reported since 2015 with 87% of respondents reporting that their Orders increased or remained constant during the Quarter. The stability of UK Sales and Orders at these levels is proving to be relatively robust, and hopefully the improvements will continue through into the New Year.



EXPORT SALES AND ORDERS RALLY

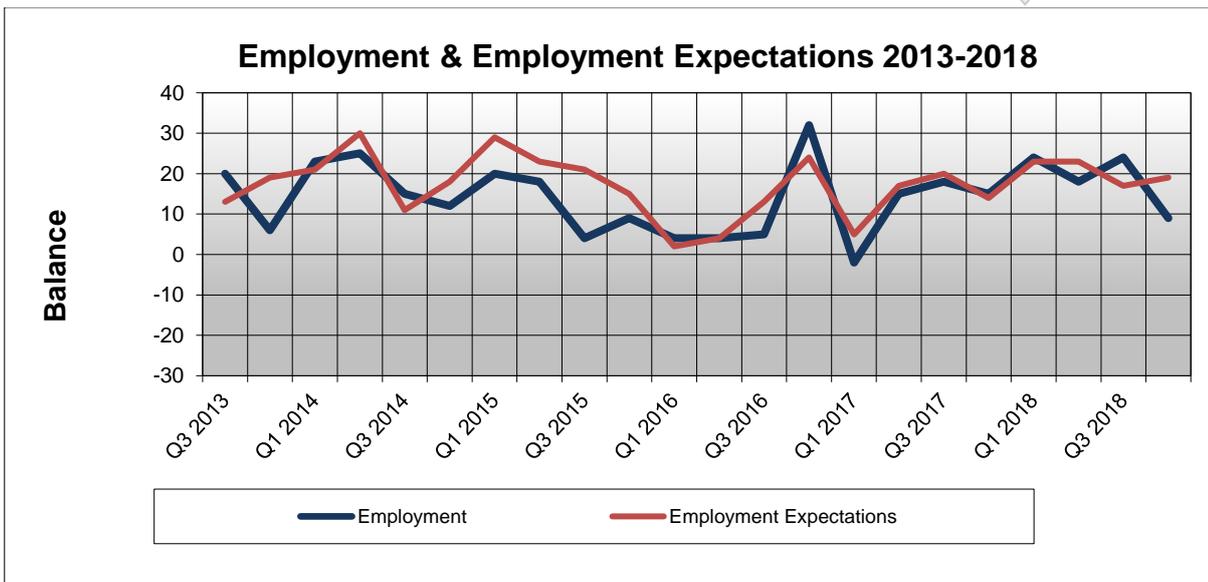
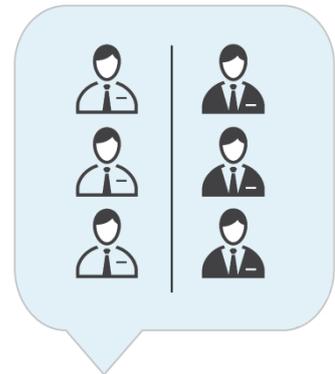
During this fourth Quarter of 2018, Export Sales bounced back from the disappointing results last time, increasing by 6 percentage points to 20% in Q4 (from 14% in Q3). The Export Order balances rallied well this time, by 15 points from a zero balance in Q3. Despite continuing political uncertainty around Brexit these figures from our Exporters are most encouraging, They again demonstrate that Export markets can be unpredictable, and quickly affected by world events (this time probably due in part to falling crude oil prices and weakening Sterling Exchange Rates).





UK EMPLOYMENT BALANCES ADJUST DOWNWARD EMPLOYMENT EXPECTATIONS STABLE

After an increase in Q3, Employment balances gave up the gains this time. However, there was a compensating slight upwards adjustment of Employment Expectations. Employment in Q4 fell by 15 points to 9% (from 24% in Q3). Meanwhile, Employment Expectations were relatively stable at 19%, two points higher than in Q3.

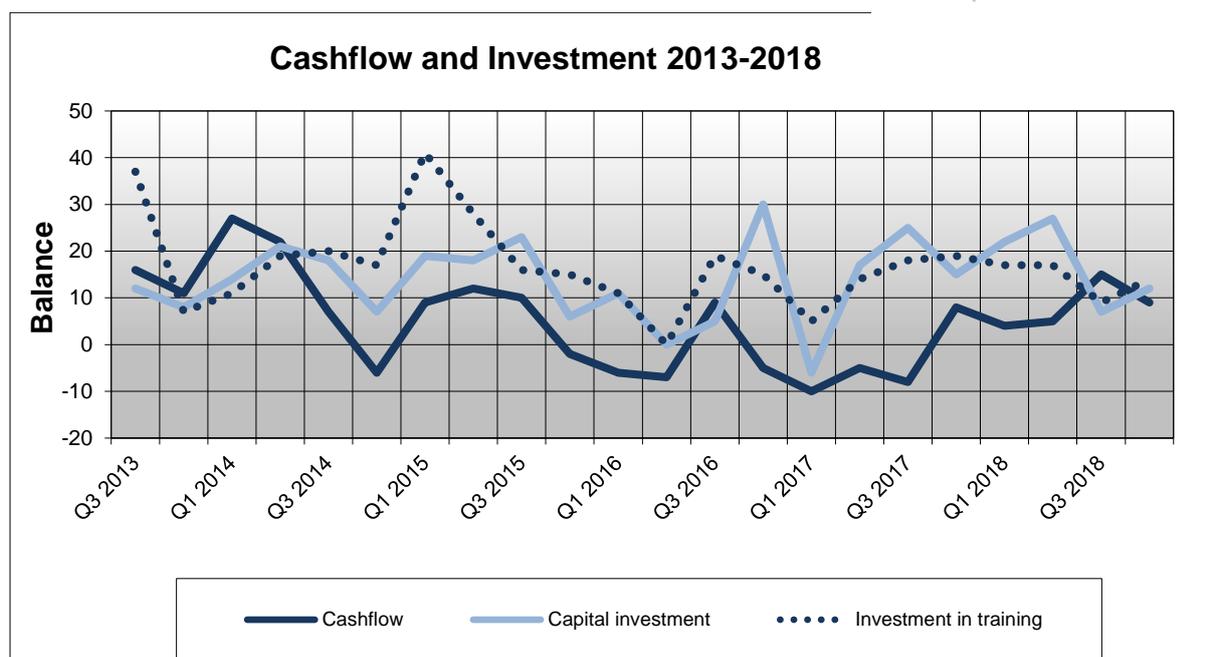


CASHFLOW WAVERS

CAPITAL INVESTMENTS ON THE RISE

INVESTMENT IN TRAINING RESUMES

In Q4 our survey reports a slightly lower Cashflow balance of 9% [from 15% in Q3] (probably due to increasing Capital Investments this Quarter, see below). Capital Investment balances increased by 5 points (12% in Q4 from 7% in Q3). There was also slightly more appetite for Investment in Training (14% this time from 9% in Q3).

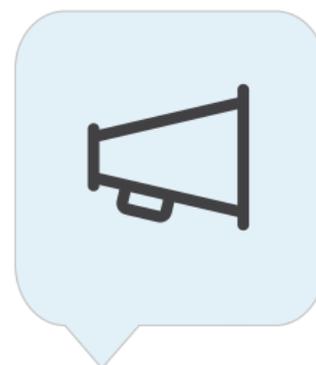


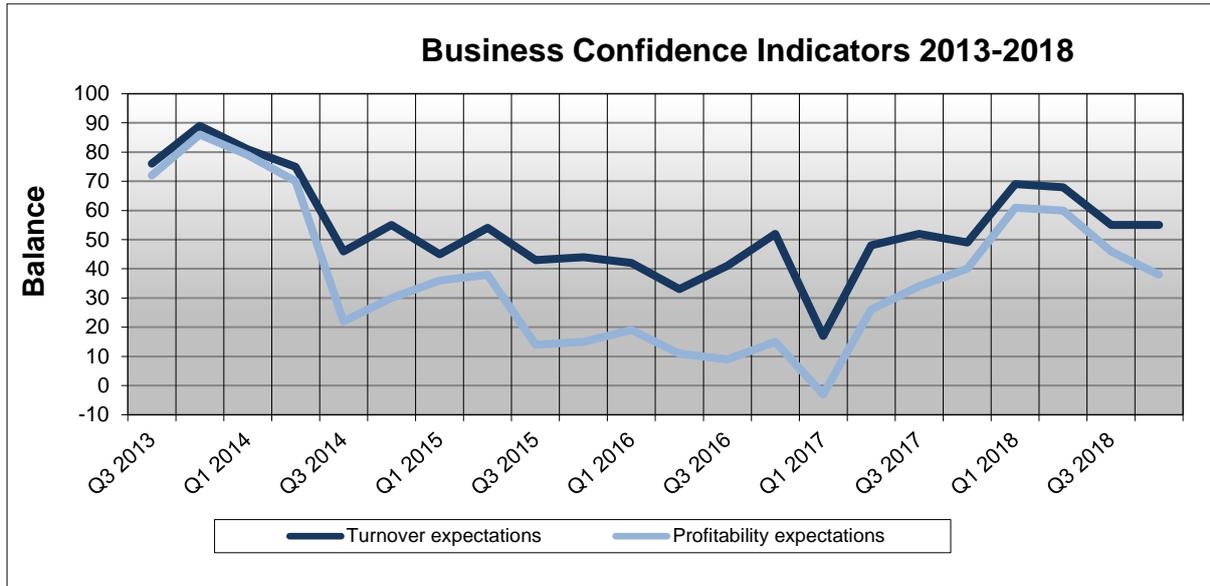
BUSINESS CONFIDENCE STABLE

PROFIT BALANCES STALL

Whilst relatively stable in historic terms, it is nevertheless disappointing to report that Profit Expectations have fallen somewhat (from 46% in Q3 to 38% this time). Turnover balances were unchanged, at 55%. However, it is worth recording that in both cases the balances remain at levels not generally seen since 2014. During this fourth Quarter of 2018 businesses reported 'increased' or 'remained constant' results for Turnover and Profitability at 89% and 85% respectively.

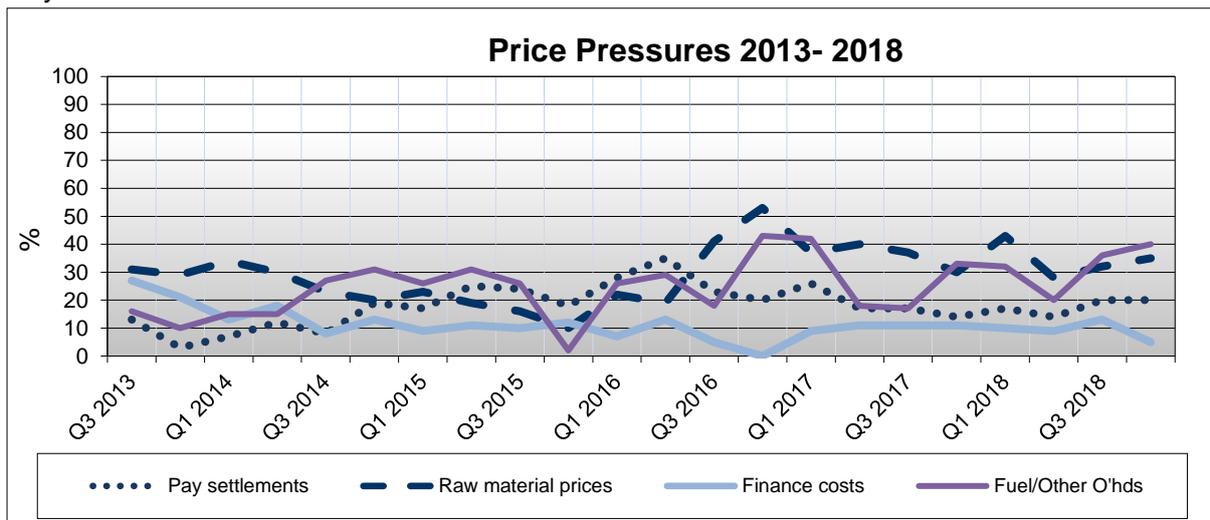
These figures point to a reasonable business outlook for the early part of the New Year.





- **MOST PRICE PRESSURES INCREASE DURING THE QUARTER**
- **'OTHER OVERHEADS' WITH FUEL/ UTILITIES THE MAJOR WORRY**
 - **RAW MATERIAL PRICES A CONTINUING CONCERN FOR MANUFACTURERS**

In this fourth Quarter of 2018 some balances for pricing pressures increased compared with the previous Quarter. Concerns about Raw Material Prices increased again this Quarter (35% from 32% last time). 'Other Overheads' combined with Fuel/Utilities became the biggest price pressure at 40% (from 36% in Q3). Sector balances disclose that for **Manufacturing businesses Raw Material Prices remain the greatest concern, at 69%**. Overall, the concerns about Finance Costs continue to reduce (Q4 5%, Q3 was 13%), and worries about Pay Settlements remain the same this time at 20%.

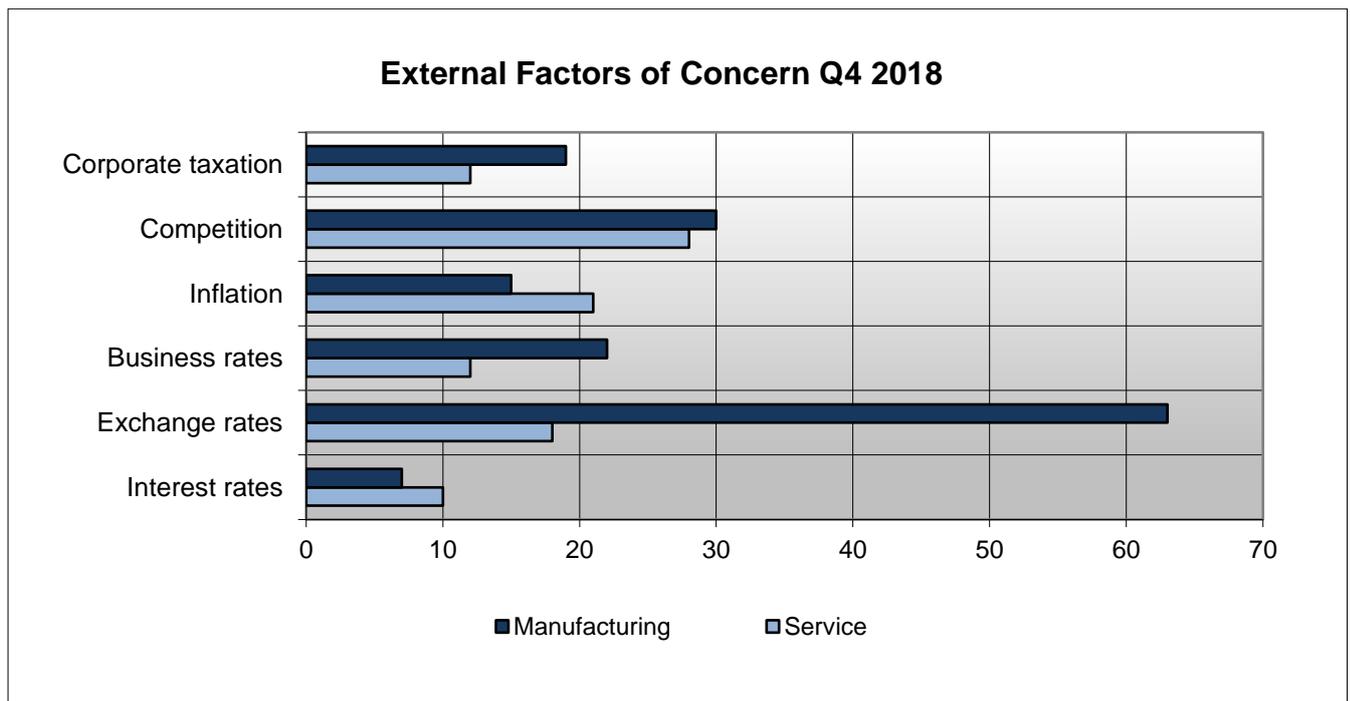
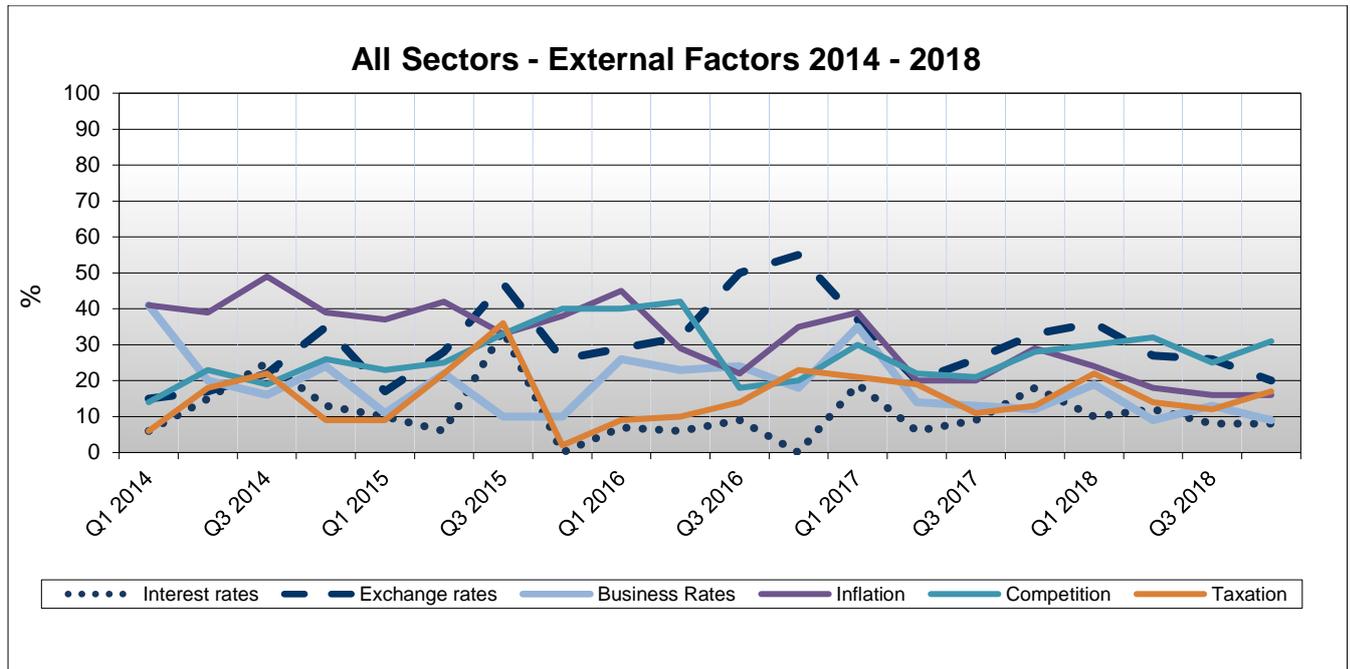


EXTERNAL FACTORS OF CONCERN

- **EXCHANGE RATES ARE STILL THE MAIN WORRY FOR MANUFACTURERS**
- **COMPETITION CONCERNS FROM BOTH SECTORS**
- **INFLATION THE SECOND MAJOR CONCERN TO THE SERVICE SECTOR**

For Service Sector companies, **Competition** and **Inflation** are the principal items of concern. For Manufacturers, **Exchange Rates** and **Competition** are the greatest worries.

Over both Sectors the only increasing concerns are **Competition** and **Corporate Taxation**.



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.statistics.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.