
Bedfordshire Quarterly Economic Survey Results.



Q4 2019

Based on data collected
4th November to
25th November 2019

The stats.



Business confidence bounced back in Q4 2019 with 51% of respondents expecting turnover to improve & 43% believed profits will increase.



Domestic demand for Bedfordshire businesses improved again in Q4 with sales seeing an overall net gain of 3% points.



Investment intentions in plant & machinery improved in the quarter with 29% of respondents expected for their investment plans to increase.

Introduction to Findings.

Background

Bedfordshire Chamber of Commerce provides business support services to members who collectively employ approximately 23% of Bedfordshire's workforce.

The aim of the Chamber is to support businesses to grow and help create the best climate for the county to prosper. This is achieved by ensuring that those taking decisions on key issues such as skills, infrastructure, taxation and business regulation hear the voice of our members.

The representation of members' views is an essential part of the Chamber service, where our mission is to nurture a winning business network that helps people connect, grow and ensure their message is heard.

The national survey...

Forming part of the British Chamber of Commerce's national survey, the QES is the principal national business survey and the first to be published in each quarter. Its results are closely watched by both the Bank of England's Monetary Policy Committee and the Treasury.

The data reveals a timely and accurate snapshot for the economic climate for businesses in Bedfordshire and beyond.

Local results...

The results for Bedfordshire have been collated and presented below to ensure our members receive a local view ahead of the national publication which will be provided in due course.

It is worth noting that the survey has a traditionally lower than average response rate during this period and must be treated with a degree of caution.

"84 businesses responded that collectively employed over 9,000 people"

Local Economy Findings.

There were 84 respondents to the Quarterly Economic Survey for Quarter 4 2019 and those businesses employed 9,064 people.

5% of the respondents were sole traders, 56% small businesses (2-49 employees), 29% medium sized (50-249 employees) and 10% large businesses (250+ employees).

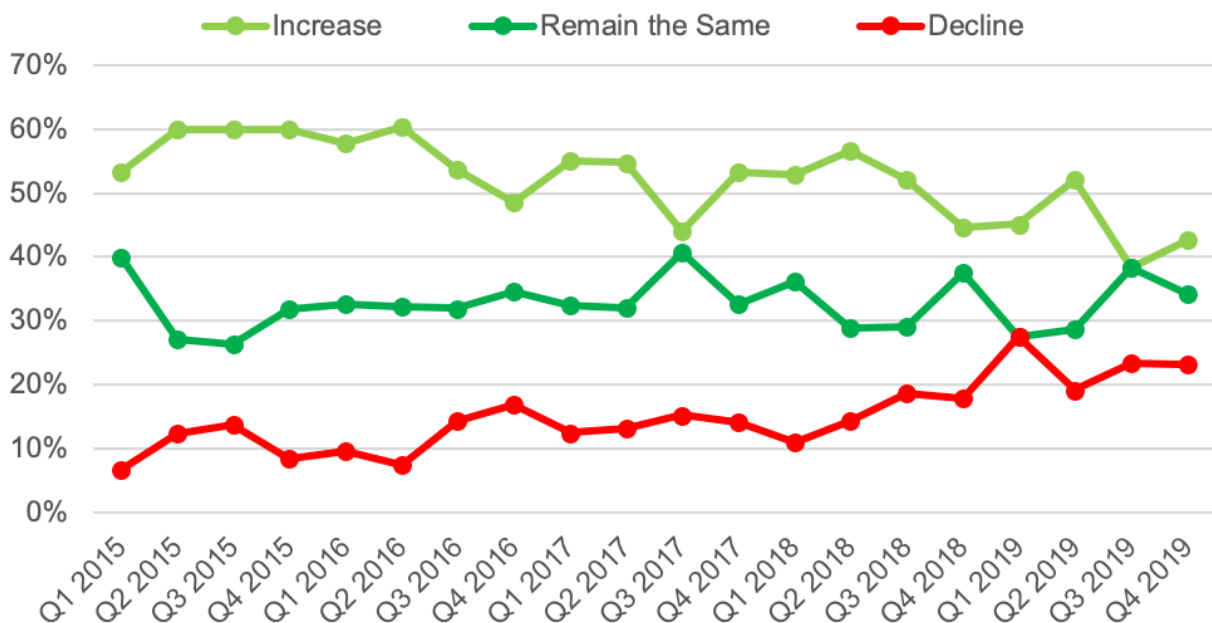
26 respondents described Professional Services as being the sector that best fits their main business activity, 19 as Manufacturing and 11 as Other Services. Other sectors represented included Retail/Wholesale, Consumer Services, Marketing/Media, Transport/Distribution, Wholesale/Retail, Construction, Tourism and Public or Voluntary sector services.

Business Confidence

Q4 2019 saw a bounce back in business confidence when businesses were questioned about turnover prospects for the next 12 months with 51% of firms expecting turnover to improve compared to 45% in Q3 2019.

There were slight improvements in sentiment regarding profit forecasts where 43% of respondents believed their profits would improve over the next 12 months compared to 38% in the previous survey. Respondents profit expectations broadly in line with Q3 results with 23% of those surveyed expect their profits to decline and 34% believed they would remain constant.

Over the next 12 months, do you believe profit will...



Domestic Market

Domestic demand for Bedfordshire businesses improved again in quarter 4 with sales seeing an overall net gain of 3 percentage points with 32% of respondents seeing sales increasing, 54% remaining the same over the period and 14% expecting a decline.

Advanced domestic orders or custom remained constant in the period with 27% of respondents expecting to see orders increase, 58% to remain constant and 15% expecting a decline.

The British Chambers of Commerce (BCC) expects UK GDP growth to slow from 1.3% this year to 1.0% in 2020 – the weakest outturn since 2009. Although this is a slight upgrade on BCC's previous forecast of 0.8%, it indicates that by the end of 2020 the UK economy will have experienced its second weakest decade of average annual GDP growth on record. The BCC has upgraded its growth forecast for 2021 from 1.2% to 1.3%. The BCC's economic forecast assumes that a messy and disorderly Brexit is avoided. A no-deal exit could lead to major, sudden and unanticipated changes for the UK economy and would lead to revisions in the next forecast.

International Market

Exporters in Q4 2019 had a mixed quarter with 39% respondents seeing export sales increase in the period, 43% remained constant and 18% saw a decline in sales compared to 25%, 59% and 16% respectively in the previous quarter.

The forward order book for Q4 2019 has seen significant improvements with only 35% of firms expecting to see increases in sales compared to 8% in the previous survey. The UK's net trade position is forecast to be weaker over the period. A deteriorating outlook for the global economy, growing global tensions and continued uncertainty on the UK's future relationship with the EU are likely to stifle export sales.

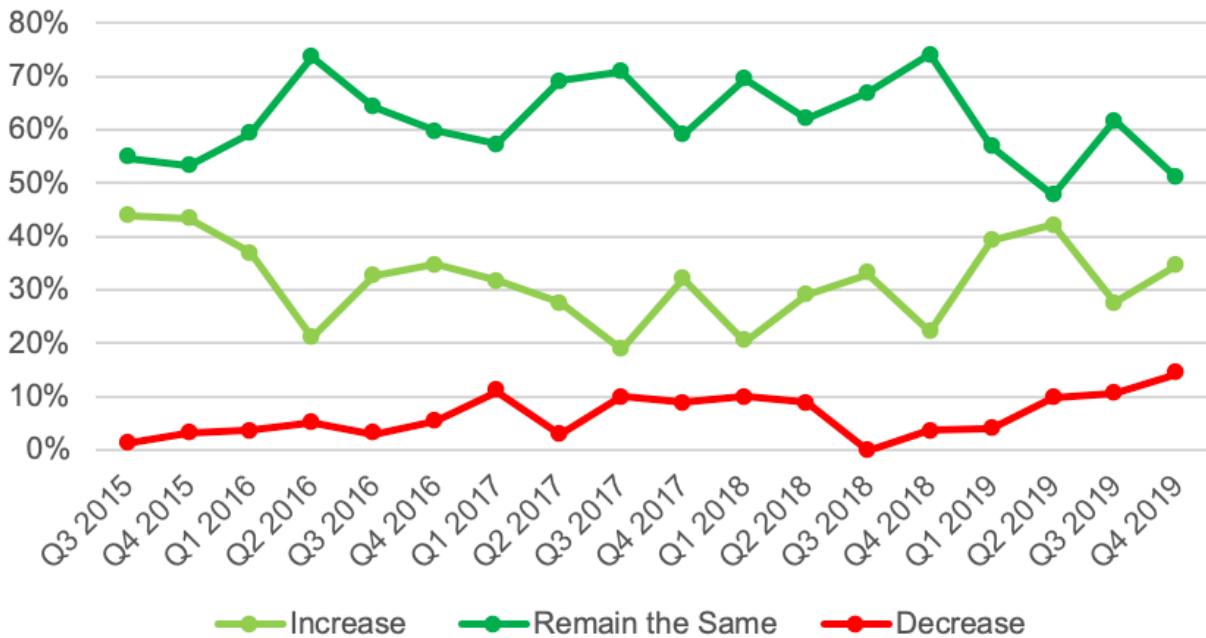
Employment & Skills

Over the past 3 months 35% of respondents increased their workforce, 51% stated it remained constant but 14% saw a decline.

55% of those businesses recruiting have experienced difficulties with the hardest positions to fill classed as technical/skilled manual and professional/managerial.

The labour market is expected to continue to be a source of strength for the economy, with the unemployment rate to average around 4.0% across the forecast period. However, with such a tight labour market, businesses will continue to face significant skills gaps, undermining their potential to grow.

Over the next 3 months, do you anticipate your workforce to...



Investment Intentions

Investment intentions for plant & machinery improved in Q4 2019 with 29% of survey respondents expecting their investment plans to increase, 61% to remain constant and 10% to decline, compared to 24%, 62% and 14% respectively in the previous quarter.

Expectations for investment in training remained broadly in line with the previous survey with 20% expecting to increase investment in training, 72% to remain constant and 8% decreasing their investment plans.

Cashflow

Just under one in four respondents reported that their cashflow had improved in Q4 2019, whilst 58% of businesses said that it had remained constant over the period and 18% seeing a decline.

Capacity

47% of the survey respondents stated they were operating at full capacity and 53% operating below capacity.

The Top 3 factors affecting businesses in the area are other overheads (possibly driven by increased wage inflation), exchange rates and the price of raw materials. In the next 3 months 41% of respondents expect the price of their goods or services to increase.

The bottom line...

Weak GDP growth forecast for 2020 as business investment falls.

Dr Adam Marshall

Director General of the British Chambers of Commerce (BCC)

UK economic growth in 2020 is forecast to slow to its weakest rate since the financial crisis as higher government spending struggles to offset falling business investment, weakening net trade and sluggish consumer spending.

GDP growth is forecast to slow from 1.3% for this year to 1.0% in 2020 - the weakest outturn since 2009 – according to the latest economic forecast from British Chambers of Commerce (BCC). Although this is a slight upgrade on BCC's previous forecast of 0.8%, it indicates that by the end of 2020 the UK economy will have experienced its second weakest decade of average annual GDP growth on record. The BCC has upgraded its growth forecast for 2021 from 1.2% to 1.3%.

The upgrades are largely driven by stronger expected levels of government spending - both observed in the 2019 Spending Round and the anticipated uplift in expenditure by any incoming government. However, with tax revenue expected to weaken amid a slowing economy, stronger government spending is expected to come at the cost of higher borrowing. UK public sector net borrowing is forecast to be £83.4 billion higher over the next three years than predicted by the Office for Budget Responsibility at the 2019 Spring Statement.

Responding to the forecast, Adam Marshall, Director General of the British Chambers of Commerce, added:

"The needs of business have been glossed over in the General Election campaign, and our latest forecast shows the danger of allowing this to continue.

"As soon as the smoke clears from the election battlefield, economic growth must be put front and centre again in Westminster. No incoming government can deliver its promises to the electorate without healthy and thriving business communities – or without a clear and detailed plan for the UK's future relationship with the EU.

"As long as businesses are held back by Brexit uncertainty, high up-front costs, skills gaps, and poor infrastructure, we can expect growth to be mediocre, at best. At this critical moment, details matter. An incoming government needs to get both the signals and the substance right – and give companies the confidence to invest."