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# Bedfordshire Quarterly Economic Survey Results.



## **Q3 2019**

Based on data collected  
26th August to  
16th September 2019

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## The stats.

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**Business confidence saw a decline in Q3 2019 with 45% of respondents expecting turnover to improve & only 38% believed profits will increase.**

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**Domestic demand for Bedfordshire businesses improved in Q3 with sales seeing an overall net gain of 10% points.**

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**The forward order book for exporters in the next quarter looks particularly concerning with only 8% of firms expecting to see increases in sales.**

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# 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.

**"48 businesses responded  
that collectively employed  
over 5,700 people"**

# Local Economy Findings.

There were 48 respondents to the Quarterly Economic Survey for Quarter 3 2019 and those businesses employed 5,713 people.

16% of the respondents were sole traders, 53% small businesses (2-49 employees), 22% medium sized (50-249 employees) and 9% large businesses (250+ employees).

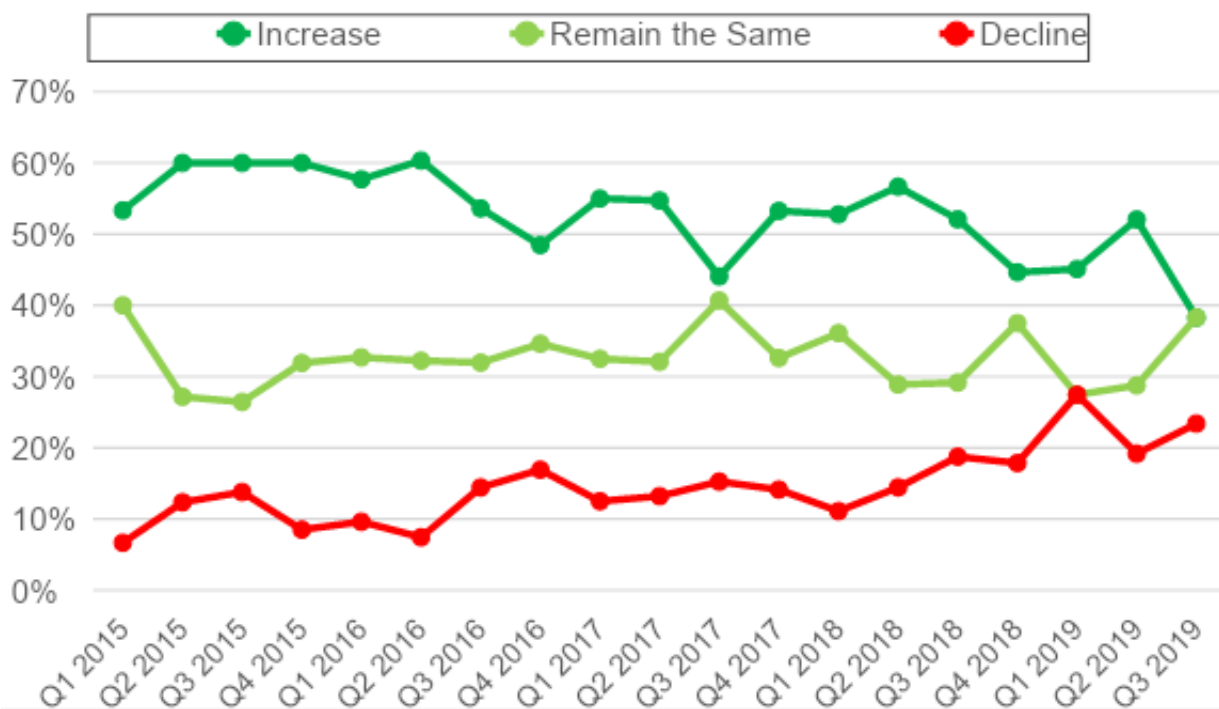
14 respondents described Professional Services as being the sector that best fits their main business activity, 11 as Manufacturing and 10 as Other Services. Other sectors represented included Retail/Wholesale, Consumer Services, Marketing/Media, Transport/Distribution, Wholesale/Retail, Construction, Tourism and Public or Voluntary sector services.

## Business Confidence

There was a further decline in business confidence in Q3 2019 when questioned about turnover for the next 12 months with only 45% of firms expecting turnover to improve compared to 60% in Q2 2019.

There was also a further decline in sentiment regarding profit forecasts where 38% of respondents believed their profits would improve over the next 12 months compared to 52% in the previous survey. Respondents profit expectations contracted by 9 points with 23% of those surveyed expect their profits to decline and 37% believed they would remain constant.

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



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## Domestic Market

Domestic demand for Bedfordshire businesses improved in quarter 3 with sales seeing an overall net gain of 10 percentage points with 33% of respondents seeing sales increasing, 52% remaining the same over the period and 15% expecting a decline.

Advanced domestic orders or custom saw an improvement in the period with 25% of respondents expecting to see orders increase, 60% to remain constant and 15% expecting a decline. A net improvement of 12% points compared to the previous quarter.

The British Chambers of Commerce (BCC) has downgraded its growth expectations for the UK Economy forecasting GDP growth in 2019 at 1.2% (previous forecast of 1.3%). The BCC expects that the UK economy will avoid a technical recession and return to modest growth but they anticipate a further downgrade in 2020 from 1.0% to 0.8% reflecting a weaker outlook for investment, trade and productivity.

## International Market

Exporters in Q3 2019 had a fairly flat quarter with 25% respondents seeing export sales increase in the period, 59% remained constant and 16% saw a decline in sales compared to 29%, 51% and 20% respectively in the previous quarter.

The forward order book for Q4 2019 looks particularly concerning with only 8% of firms expecting to see increases in sales compared to 31% in the previous survey. The UK's net trade position is also forecast to weaken over the period as companies face the combined headwinds of relentless uncertainty on the UK's future relationship with Europe, weakening growth in key international markets and mounting global trade tensions.

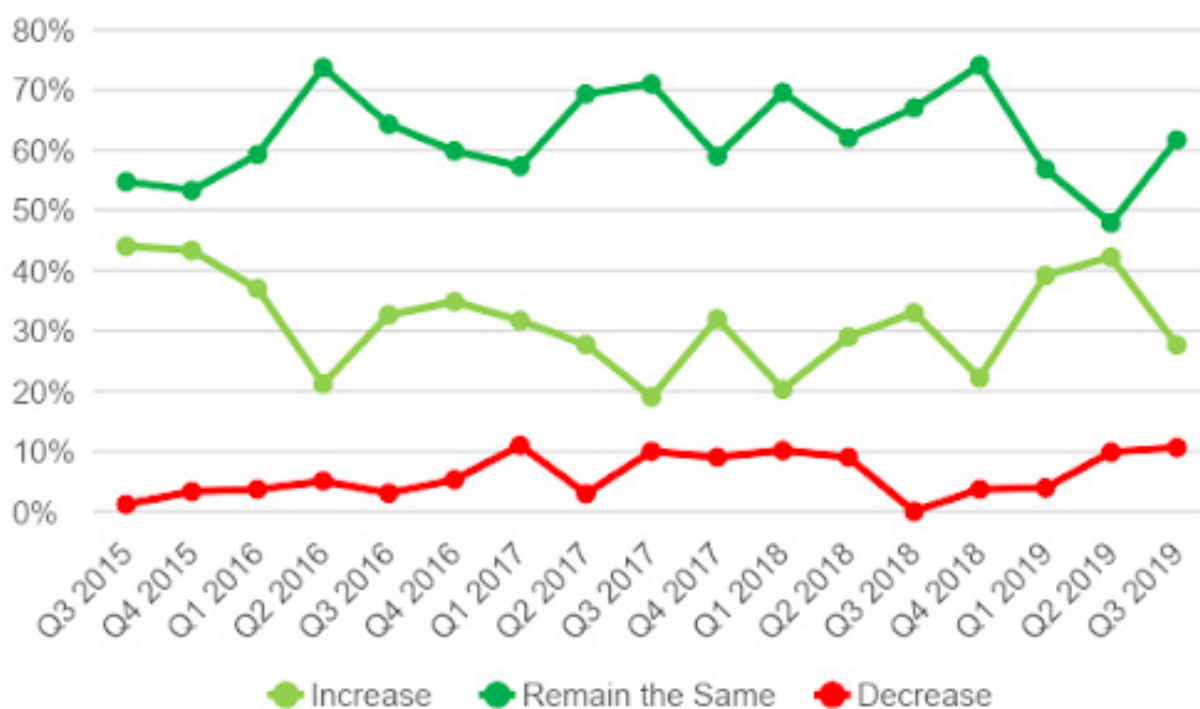
## Employment & Skills

Over the past 3 months, 28% of respondents increased their workforce, 62% stated it remained constant but 10% saw a decline.

61% 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 remained constant in Q3 2019 with 24% of survey respondents expecting their investment plans to increase, 62% to remain constant and 13% to decline, compared to 25%, 55% and 20% respectively in the previous quarter.

Expectations for investment in training remained broadly in line with the previous survey with 29% expecting to increase investment in training.

## Cashflow

Just under one in four respondents reported that their cashflow had improved in Q3 2019, whilst 65% of businesses said that it had remained constant over the period and 12% seeing a decline.

## Capacity

39% of the survey respondents stated they were operating at full capacity and 61% 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 42% of respondents expect the price of their goods or services to increase.

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# The bottom line...

## Business investment and productivity sinking amid Brexit stalemate and global slowdown.

**Dr Adam Marshall**

**Director General of the British Chambers of Commerce (BCC)**

Business investment is now forecast to decline by 1.5% this year and by 0.1% in 2020, which together with the decline of 0.4% in 2018, would be the longest period of sustained full-year declines in business investment for 17 years. Relentless Brexit uncertainty and the diversion of resources by many businesses to guard against the chaos of a messy and disorderly Brexit, are expected to limit investment intentions over the forecast period.

UK productivity is projected to be more subdued than in our previous outlook and implies that by the end of 2020, the UK economy will have experienced its weakest decade of average annual productivity growth on record. Anaemic business investment, together with low unemployment, is expected to keep a lid on productivity, with firms expected to rely more on hoarding labour than investing in new technology given the heightened political and economic uncertainty.

The UK's net trade position is forecast to weaken over the period as companies face the combined headwinds of relentless uncertainty on the UK's future relationship with Europe, weakening growth in key international markets and mounting global trade tensions.

The BCC's economic forecast assumes a messy and disorderly Brexit is avoided. A no-deal exit would lead to major, sudden and unanticipated changes for the UK economy and would lead to revisions in our next forecast.

The persistently listless growth forecast reflects the impact of a slowing global economy and increasing trade tensions, but is also a stark reminder of the impact of the political turmoil and lingering unwanted prospect of no-deal exit – the economic consequences of which would be extensive. The BCC is therefore calling on the government to do everything in its power to come to a negotiated solution with the EU and to take urgent steps to incentivise investment and boost business confidence.

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

"Our latest forecast shows a number of warning lights are flashing for the UK economy, even if we are able to avoid a messy and disorderly exit from the EU in just a few weeks' time.

"There's no dancing around the fact that Brexit uncertainty has hit business investment hard. In addition to reaching a negotiated settlement with the EU, the government should be preparing big new incentives for business investment in the UK, and should reconfirm its unconditional backing for the big infrastructure projects our economy needs to unlock growth.

"Amidst a slowing global economy and continued political uncertainty, the UK government needs to use the autumn Budget to back infrastructure, help businesses train and re-skill more people, and cut the high up-front costs of doing business in the UK."