

Lincolnshire

Economic Briefing

Headlines

National

Economic growth for Q4 revised up - by 0.1% to 0.6%

Production output decreased by 0.4 per cent but services growth remains strong at 0.8%

Inflation rises holds at 0.3% in February

Local

Unemployment rate steady at 1.5% but increases in youth and long term unemployment

Employment rate falls slightly to 73.8% but remains above the national rate (73.2%)

Increase in bank lending to Lincolnshire SMEs

Quarterly Economic Survey Snapshot – Q1

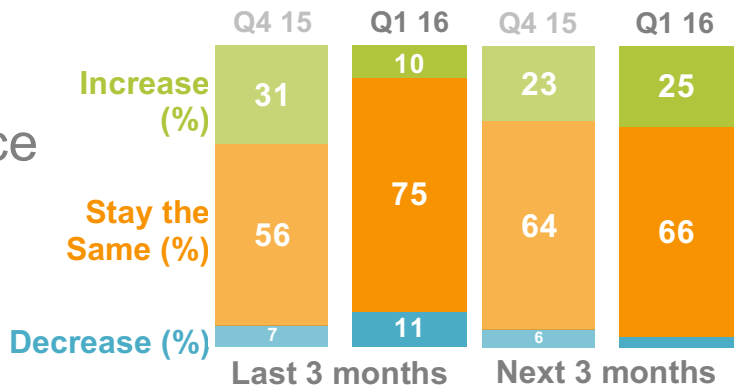
QES Headlines

Shot in the arm for exports (sales and orders)

Domestic demand remains reasonably strong in the face of uncertainty and economic headwinds

Stable workforce predicted

Workforce



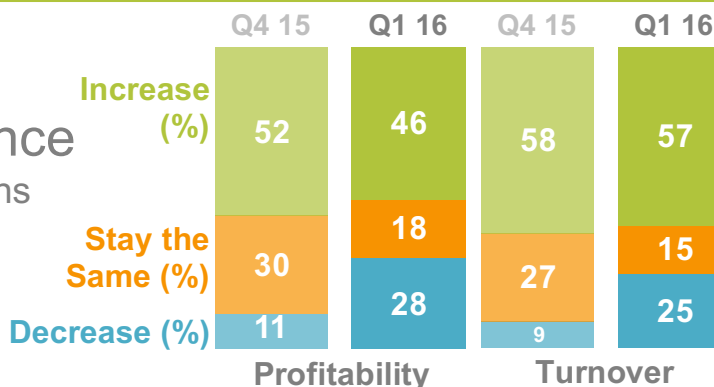
Sales & Markets

Last 3 Months



Performance

Next 12 Months



Confidence levels for the year ahead take a hit

Future plans for workforce relatively unchanged

Manufacturing sector continues to struggle compared to service sector

QES Headlines

Businesses feeling the effects of economic uncertainty

Exports are up, domestic sales and workforce numbers are relatively stable, but business confidence is down in the face of national and global economic uncertainty.

A potential 'Brexit', global economic slowdown, and the introduction of the National Living Wage, are all factors impacting on business performance and confidence according to the latest findings from the Lincolnshire Quarterly Economic Survey.

Overseas sales and orders have both been given a boost due to changes in exchange rates. The possibility of a 'Brexit' has created uncertainty in sterling on currency markets and as a result the pound has dropped considerably against both the euro and the dollar (see page 3).

Subsequently UK products and services are now cheaper for overseas markets and we have seen an improvement in both sales and orders. **Sales in particular**, where the proportion of businesses reporting an improvement more than doubled based on last quarter (17% to 38%), is **now at its highest since Q1 2014**.

The turnaround in orders is less dramatic but still good with balances for both sales and orders returning to positive territory after two quarters of zero or negative results. On the downside, much of this positivity is being driven by services, with performance in manufacturing similar to that of last quarter.

Back home, a small **increase in the proportion of businesses reporting improved UK sales** to 46% means that this is the second highest proportion on record (the highest being 50% in Q3 2014).

However, and further compounding this issue of economic uncertainty, there has also been a jump in the proportion of businesses reporting worsening levels of sales, and at 23%, this is the highest it has been since Q1 2013.

These uncertain conditions will also have played a part in the large jump in the proportion of businesses reporting no change in their workforce over the last three months (from just over 50% last quarter to 75% this quarter).

Where is all this uncertainty emanating from?

The latest growth figures for the UK were ok with Q4 growth revised up by 0.1% to 0.6%, and whilst a lot has been made of slowing growth this was still the strongest growth of any of the G7 economies.

The questions around our EU membership is certainly playing its part, and not just in the currency markets. The EU is the UK's biggest export market and businesses who rely on exports, imports, and migrant labour, will be waiting to see what happens here (and the possible ramifications) before making decisions that affect the future of the business.

Further afield there is the issue of China's slowing economy. Being the world's second largest economy means that any effects there are felt around the globe through supply chains, prices, changes in consumer habits, and resulting exports and imports. So despite double digit growth in recent years China's economy has now slowed to around 7%. To put this into context, the Bank of England recently modelled a 1% drop in China's GDP would reduce UK GDP by 0.1%, and that this was a conservative estimate.

Looking ahead now, there is little change in how businesses expect their prices for goods and services to change over the next three months, suggesting that that forecasts for inflation to slowly rise over the year are accurate.

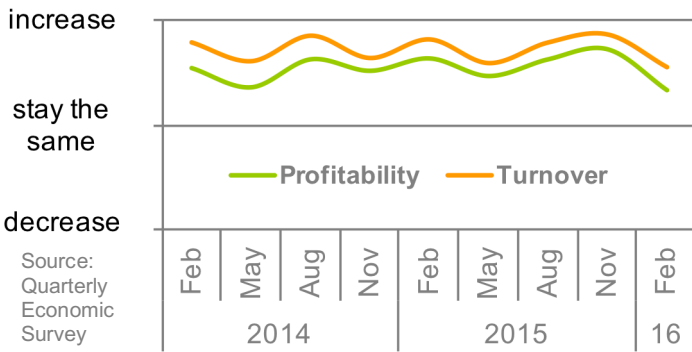
Where businesses are feeling the pressure to raise prices then 'pay settlements' (30%) are now the main cause of this, most likely representing the incoming National Living Wage and its increase on the national minimum wage for over 25s.

Given many of these factors more businesses now expect levels of profitability and turnover to decrease, but despite this uncertainty a quarter of businesses do expect to increase their workforce. Perhaps more reassuring is that only three per cent of businesses expect their workforce to reduce over the next few months.

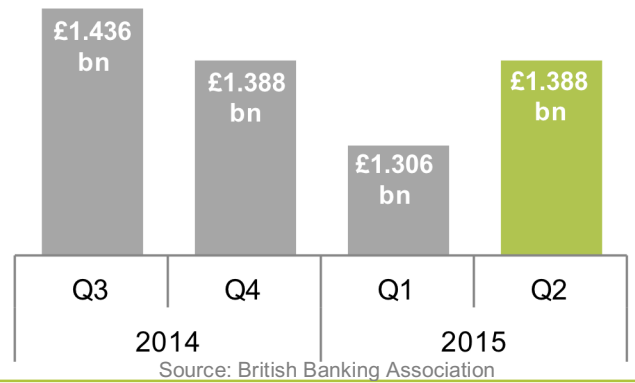


National and Local Economic Indicators

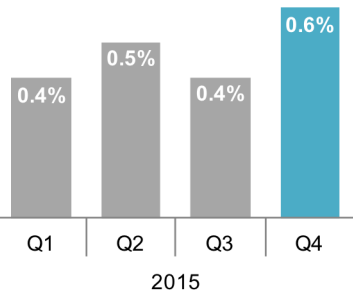
Expected Change Over the Next 12 Months



Bank Lending to Lincolnshire SMEs

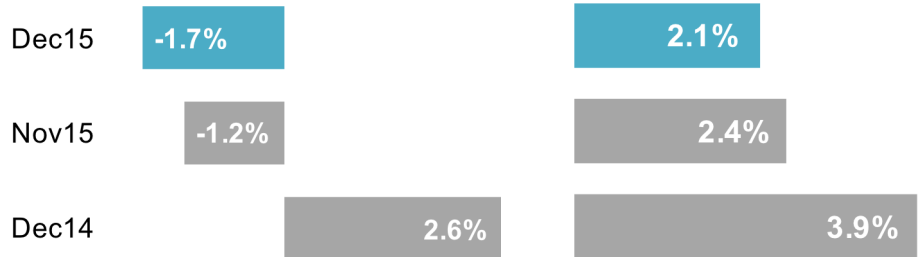


UK Quarterly Change in GDP

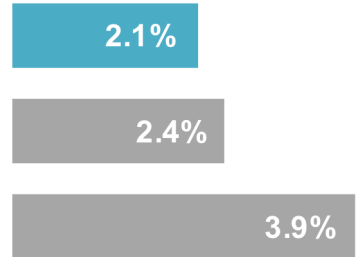


Manufacturing Output

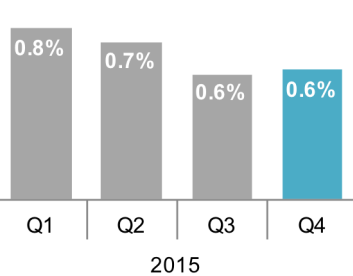
(% change, latest 3 months on same 3 months a year ago)



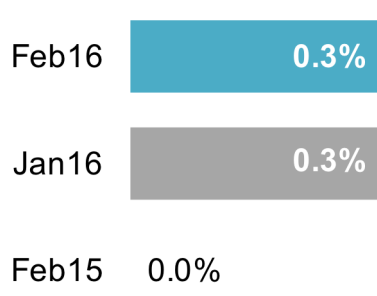
Services Output



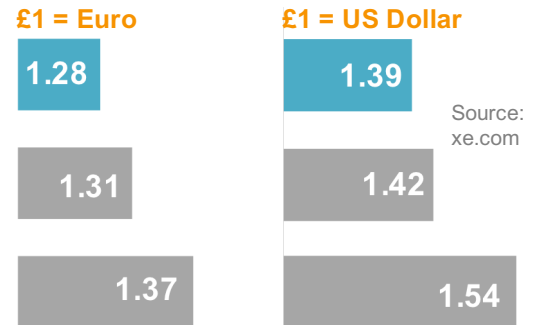
UK Quarterly Change in Consumer Spending



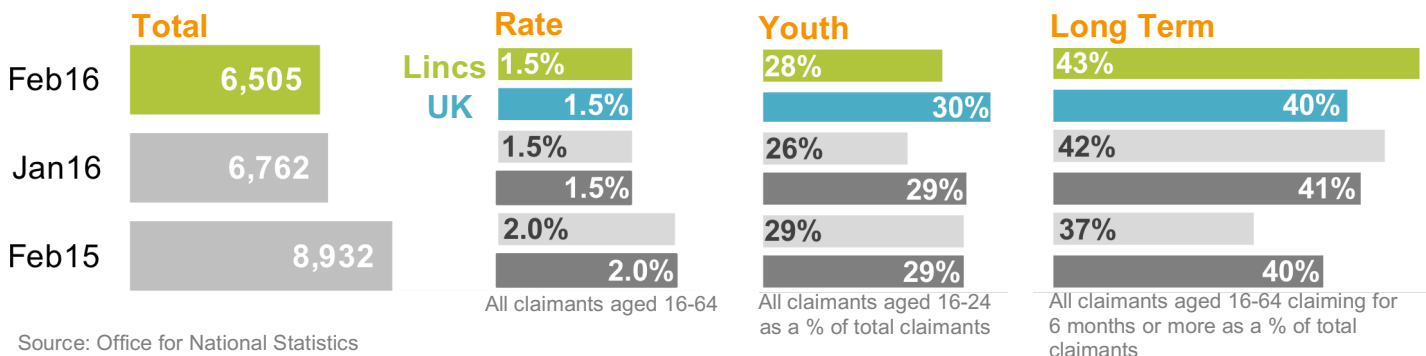
Inflation – UK Monthly Change in Consumer Price Index (CPI)



Exchange Rates



Unemployment in Lincolnshire Claimant Count and Rates (JSA and Universal Credit), Feb16





Devolution for Greater Lincolnshire

A devolution deal document has been agreed with Whitehall by all 10 local authorities from the Humber to the Wash, plus the Greater Lincolnshire Local Enterprise Partnership (GLLEP).

Although all the councils will continue to exist in their current form, they will also come together to form a “combined authority” to exercise the new powers. Like other areas with devolved powers, such as Sheffield and Manchester, the combined authority will also have its own directly elected mayor.

The funding and responsibilities will include transport, housing, skills training and flood risk management. Further commitments are also agreed on health and social care, as well as court and prison services. The aim is to ensure local accountability, making the new body answerable to the one million people in Greater Lincolnshire.

Leader of Lincolnshire County Council, Cllr Martin Hill, said:

“In Greater Lincolnshire we will have more control of our own future, rather than letting Whitehall decide what’s best for us. As well as unlocking the economic potential of the region, the new arrangements re-unite the historic Greater Lincolnshire area.”

The devolution arrangements could boost the area’s economy by £8bn, create 29,000 jobs and provide 100,000 new homes. The combined authority will receive £15m a year, for the next 30 years, for infrastructure projects to boost economic growth, and will have responsibility for a devolved and consolidated, multi-year local transport budget for the entire combined authority area.

Business Lincolnshire - The local website linking you to schemes and services to help you start or grow your business: www.businesslincolnshire.com
www.gov.uk

Greater Lincolnshire Employment and Skills Board - Giving employers opportunities to lead and influence local training provision to have access to skills needed to grow their business.
tel: 01522 550545
email: clare.hughes@lincolnshire.gov.uk

Greater Lincolnshire Local Enterprise Partnership - Supporting business in the region; aiming to improve infrastructure and conditions for doing business from the Humber to the Wash.
www.greaterlincolnshirelep.co.uk
email: GLLEPsecretariat@lincolnshire.gov.uk

Jobcentre Plus - Providing services that support people of working age from welfare into work, helping employers fill their vacancies
www.gov.uk/jobs-jobsearch www.gov.uk/advertise-job

Select Lincolnshire - Raising the profile of Lincolnshire, promoting and attracting investment into the county, signposting to local produce within the County and promoting food and drink across the UK. www.selectlincolnshire.com tel: 01522 550618
email: select@lincolnshire.gov.uk

Lincolnshire Chamber of Commerce
A membership organisation providing business - support advice and benefits. www.lincs-chamber.co.uk tel: 01522 523333 email: enquiries@lincs-chamber.co.uk

Trading Standards business advice
Giving support and encouragement to businesses by giving advice and information to help them get it right first time. www.lincolnshire.gov.uk tel: 01522 782341
email: TradingStandards@lincolnshire.gov.uk

Federation of Small Businesses
A non-profit making membership group promoting the interests of the self-employed and owners of small businesses www.fsb.org.uk email: david.thorpe@fsb.org.uk tel: 01522 790806 (Direct)
m: 07917 628927 tel: 01522 688070 (Lincoln Office)

All information contained in this briefing is the most up-to-date available at time of publication (11th April 2016). This briefing has been produced by Codename Consulting Ltd on behalf of Lincolnshire County Council, and published on the Lincolnshire Research Observatory (LRO) website. Visit the Economy theme page on the website for more information <http://www.research-lincs.org.uk/Economy.aspx/Economy.aspx>