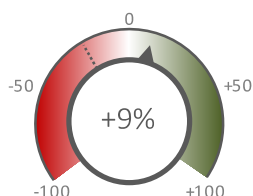


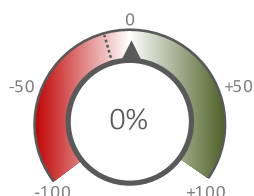
These latest results from the Quarterly Economic Survey (QES), when compared with last quarter's, appear to show that the reported negative impact that many businesses were bracing for has not yet materialised, with current conditions better than most expected. For example, there are no signs of an imminent recession (in fact according to the IMF, the UK is set to be the fastest growing G7 economy in 2016), and exporters (particularly manufacturers) are capitalising on favourable exchange rates. However, the current uncertain economic outlook for 2017 and beyond (a slowing global economy and falling levels of world trade, the potential rise of protectionism, as well as the UK's trading relationships with the EU and wider) means that this remains a pivotal period for local businesses to continue to provide their views and concerns about conditions in Lincolnshire through the QES, influencing local and national policy.

HEADLINES... + Positive Balance (growth) - Negative Balance (contraction)Previous Quarter's Balance

DOMESTIC SALES AND ORDERS RECOVER



...the balance of respondents reporting improvements in **domestic sales**, up from -18%



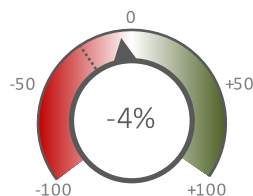
...the balance of respondents reporting improvements in **domestic orders**, up from -11%

Sales Performance Last 3 months – UK Market

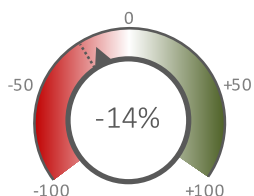
Improved
Stayed the Same
Worsened



OVERSEAS SALES AND ORDERS SHOW SLIGHT RECOVERY BUT STILL NEGATIVE



...the balance of respondents reporting improvements in **export sales**, up from -20%



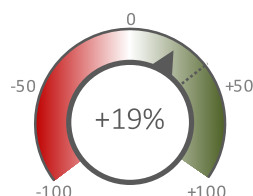
...the balance of respondents reporting improvements in **export orders**, up from -20%

Sales Performance Last 3 months – Overseas Market

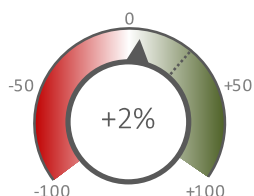
Improved
Stayed the Same
Worsened



AND BUSINESS CONFIDENCE TAKES A HIT



...the balance of respondents confident of increases in **turnover** in the **next 12 months**, down from 39%



...the balance of respondents confident of increases in **profits** in the **next 12 months**, down from 25%

Profitability Next 12 Months

Improve
Stay the Same
Worsen

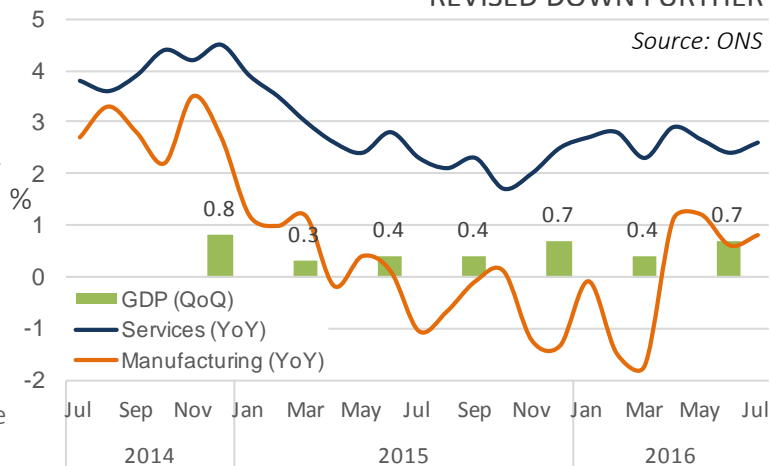


BEHIND THE HEADLINES...

These latest QES results are the first indication of local business sentiment post the Brexit decision. After last quarter's disappointing set of results, particularly around sales and orders at both home and overseas, this quarter's results represent a swing back to a more measured but generally positive outlook albeit tinged with uncertainty as to what lies ahead. This outlook is also reflected in many national sources of economic information as discussed below.

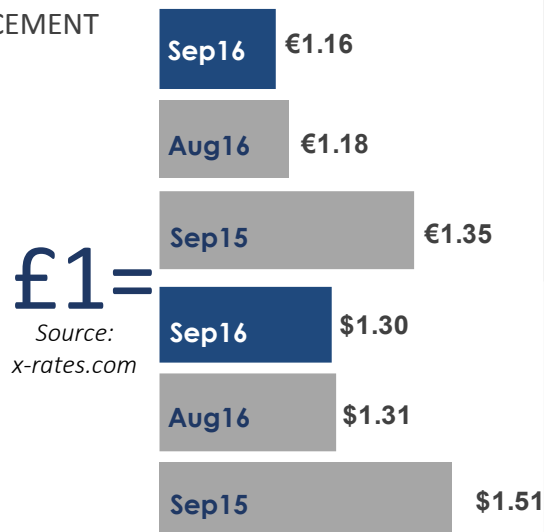
Latest Gross Domestic Product (GDP) growth figures relating to the period Apr-Jun 2016 were recently revised up by 0.1% to 0.7%. Manufacturing growth is at its strongest for two years according to the latest Markit/CIPS purchasing managers' index (PMI). So, the current position is one of quiet optimism and certainly the forecasts for UK economic growth for the remainder of 2016 are strong. But looking past that then there are too many unknowns in the process of exiting the EU for anyone to be confident of trying to predict future economic conditions. Hence, why we are seeing many 2017 growth forecasts halved, and businesses less confident now about the next 12 months than they were pre-referendum.

STRONG GDP GROWTH IN 2016 EXPECTED, MANUFACTURING RESURGENT, BUT 2017 FORECASTS REVISED DOWN FURTHER



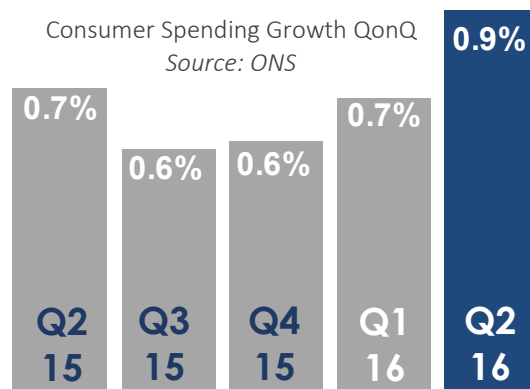
POUND DROPS FURTHER FOLLOWING BREXIT TIMESCALES ANNOUNCEMENT

Since last quarter, Sterling has continued its fall against the euro and the dollar. And as Prime Minister Theresa May announced the timeline for Brexit at the Conservative Party Conference, the following day (the 5th October) the pound hits its lowest level for 31 years. It is difficult to say at this stage how long this financial instability will last. In the meantime, as with any economic changes invariably there will be winners and losers when it comes to these currency changes. As local results from the QES show, manufacturing businesses (our largest exporting sector) already appear to be benefitting from the current exchange rate. This can also be seen in the aforementioned Purchasing Managers' Index (PMI) figures. Farmers also look set to benefit from a favourable exchange rate when it comes to EU Common Agriculture Payments (CAP) which are set in euros.



Latest figures on consumer spending from the Office for National Statistics show that consumer spending has maintained its strong level of growth into Q2 of 2016. This is despite upwards pressure on prices from increasing input prices which rose by 7.6% in the year to August 2016 (partly as a result of the current exchange rate). The fact that the Consumer Price Index (CPI) rose by only 0.6% and output prices rose by 0.8% over the same period suggests that these higher input prices are yet to be passed on to consumers. Whilst the rate of inflation is currently low it is above the rates experienced in 2015 and early 2016 and we can expect it to rise in the near future. The recent cut in the interest rate to 0.25% will however help to stimulate consumer spending.

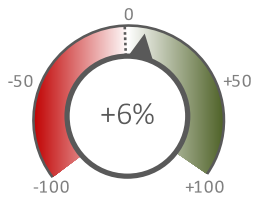
CONSUMER CONFIDENCE REMAINS



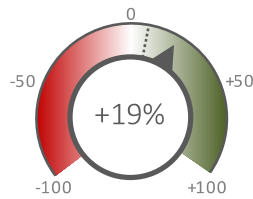
OTHER RESULTS...

+ Positive Balance (growth)
 - Negative Balance (contraction)
Previous Quarter's Balance

WORKFORCE UNCHANGED BUT FUTURE GROWTH EXPECTATIONS UP



...the balance of respondents reporting an increase in their **workforce** in the **last 3 months**, up from 0

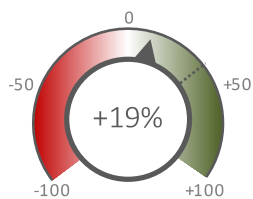


...the balance of respondents expecting to increase their **workforce** over the **next 3 months**, up from 7%

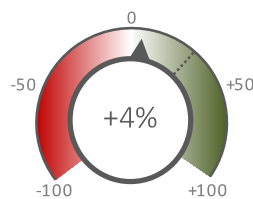
Workforce Next 3 Months



PRESSURE ON PRICES AND CAPITAL INVESTMENT DOWN

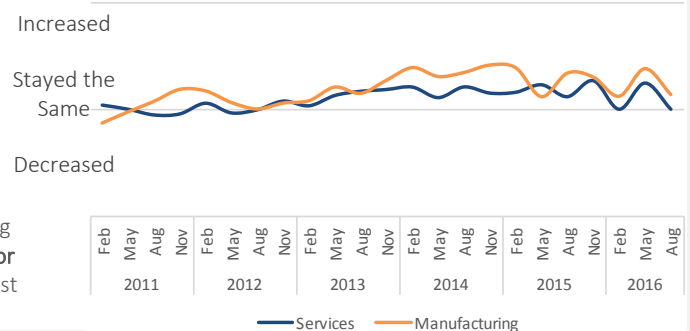


...the balance of respondents expecting to increase their **prices** over the **next 3 months**, up from 7%



...the balance of respondents reporting an increase in their **investment plans for plant / machinery / equipment** in the last 3 months

Investment Plans for Plant / Machinery / Equipment in the Last 3 Months



IN OTHER NEWS...

The Business Lincolnshire Growth Hub, in partnership with the Greater Lincolnshire Local Enterprise Partnership Innovation Council and Digital Lincoln, have launched some research to develop a deeper understanding of the digital landscape in Greater Lincolnshire.

Digital workers make a significant impact to the competitiveness of the UK Economy, contributing £161bn to national wealth. The number of digital jobs are growing almost 3 times more rapidly in number than other jobs.

The research aims to uncover more about the scale and potential of Greater Lincolnshire's digital businesses. We want to understand the issues that employers have in recruiting staff with the right digital skills and ultimately how to help grow the number of digital jobs and businesses.

Part of the research is an online survey which we would like as many different types of business to take part in, even if those businesses don't 'do digital' as their core activity, they are likely to employ digital professionals.

Please take a few minutes to complete our simple survey at – <http://www.businesslincolnshire.com/digital-business-survey>. Please only complete the survey once.

The survey will remain open until the end of October and we will share information about the results via www.businesslincolnshire.com.

Contact Angela.driver@lincolnshire.gov.uk with any queries.

USEFUL CONTACTS...

Business Lincolnshire - The local website linking you to schemes and services to help you start or grow your business.

www.businesslincolnshire.com

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

m: 07917 628927

tel: 01522 688070 (Lincoln Office)

ABOUT THE QES AND BRIEFING...

The Quarterly Economic Survey (QES) is the flagship economic survey of the British Chambers of Commerce. It is a prominent tool used to measure the state of business sentiment and is monitored by a range of national and international organisations, such as the Bank of England, HM Treasury, European Commission, and IMF.

QES results are generally presented as balance figures - the percentage of firms that reported an increase minus the percentage that reported a decrease. If the figure is a plus it indicates expansion of activity and if the figure is a minus it indicates contraction of activity. A figure above 0 indicates growth, while a figure below 0 indicates contraction.

For example, if 50% of firms told us their sales grew and 18% said they decreased the balance for the quarter is +32% (an expansion). If 32% told us their sales grew and 33% said they fell the balance is -1% (a contraction).

The analysis for this briefing has been produced by **Codename Consulting Ltd** on behalf of Lincolnshire County Council, and published on the Lincolnshire Research Observatory (LRO) website.

All information contained in this briefing is the most up-to-date available at time of publication (7th October 2016).

