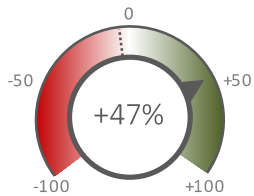


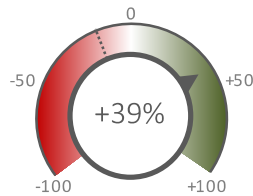
Lincolnshire businesses appear robust and ready for 2017 according to the latest set of results from the Quarterly Economic Survey (QES). This final quarter of 2016 has seen a marked improvement in conditions for exporters with both manufacturing and services enjoying the upturn. Domestic sales and orders have continued to steadily improve though manufacturing businesses are finding the going much harder at home than abroad. Overall, businesses appear bullish about their prospects in 2017 but we cannot ignore that the pressure on businesses to raise prices on their goods and services is increasing, and that inflation is a growing concern. 2017 looks set to be the year where we debate what future trading and relationships with the rest of the world looks like. As such, we would like to remind businesses of the importance of responding to the QES and providing their views on local conditions, ensuring that local and national policy is influenced to benefit Lincolnshire as well as the UK.

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

EXPORT SALES AND ORDERS RECOVER



...the balance of respondents reporting improvements in **export sales**, up from -4%



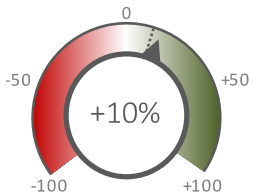
...the balance of respondents reporting improvements in **export orders**, up from -14%

Sales Performance Last 3 months – Overseas Market

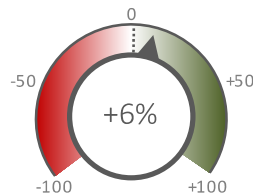
Improved
Stayed the Same
Worsened



DOMESTIC SALES AND ORDERS OVERALL CONTINUE TO GROW



...the balance of respondents reporting improvements in **domestic sales**, up from +9%



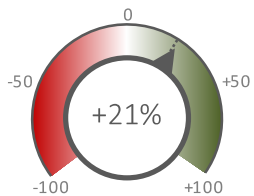
...the balance of respondents reporting improvements in **domestic orders**, up from 0%

Sales Performance Last 3 months – UK Market

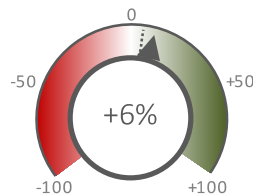
Improved
Stayed the Same
Worsened



CONFIDENCE LEVELS HOLD HEADING INTO 2017



...the balance of respondents confident of increases in **turnover** in the **next 12 months**, up from +19%



...the balance of respondents confident of increases in **profits** in the **next 12 months**, up from +2%

Turnover Next 12 Months

Improve
Stay the Same
Worsen

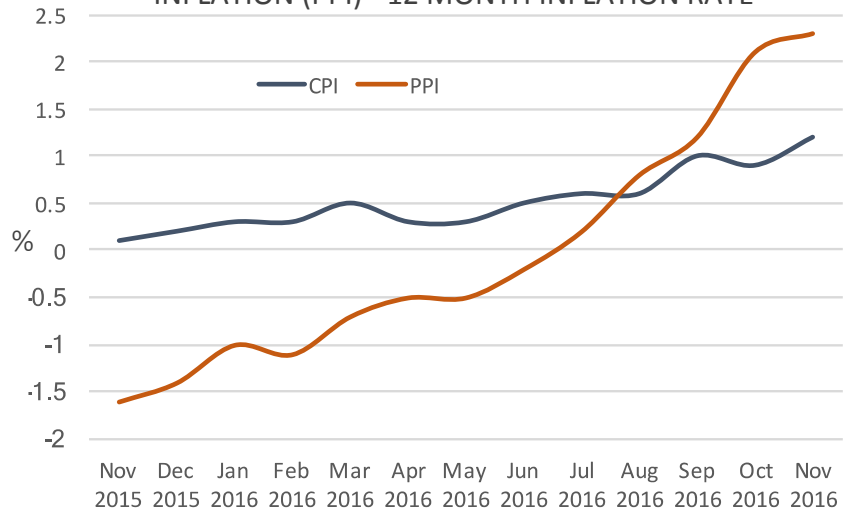


BEHIND THE HEADLINES...

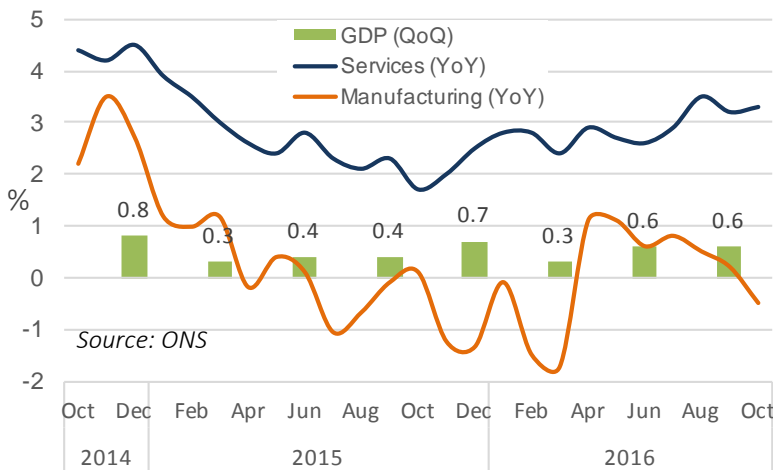
This final set of QES results for 2016 paint a positive but pensive end to the year. Sales and orders, at home and overseas, overall have both improved though there are some differences in fortunes across performance for the manufacturing and service sectors. Confidence levels have improved across the board, and intentions for recruitment and investment in the future remain steady. What is concerning businesses as we head into 2017 are the inflationary pressures they are under, the impacts of which are discussed below.

After an unexpected dip in the rate in October, the Consumer Price Inflation (CPI) rate rose again in November, up to 1.2 per cent. The rate is now at its highest since October 2014, when it was 1.3 per cent. The Producer Price Inflation (PPI) rate has continued to rise and now stands at 2.3 per cent. A recent Bank of England survey found that costs paid for materials and imports rose at the fastest pace in around five years in the fourth quarter of 2016. Locally, we are already starting to see the effects of inflation on the business outlook for 2017 as, whilst increases in turnover are expected, they are not necessarily expected to translate into increased profit levels.

CONSUMER PRICE INFLATION (CPI) AND PRODUCER PRICE INFLATION (PPI) - 12 MONTH INFLATION RATE



GDP AND SERVICES GROWTH STEADY, BUT MANUFACTURING CONTRACTS



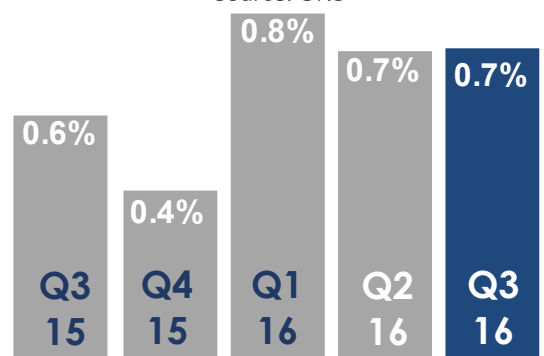
This final quarter of 2016 has seen some small revisions made to Gross Domestic Product (GDP). Growth figures relating to the period Jul-Sep 2016 were recently revised up by 0.1% to 0.6%, with the two preceding quarters revised down by 0.1%. Manufacturing growth has fallen away after it rallied in the summer, and the service sector, whilst showing overall steady growth, is being driven by consumer spending (see below). The concern is that this consumer confidence could fall away in 2017 (see below) as we see employers shift price increases onto product prices and essentially cut consumer spending power.

Latest figures from the Office for National Statistics show that consumer spending has continued its strong showing since the start of 2016, and there is every indication that Q4 figures will be just as good, if not stronger in the run up to Christmas. However, as touched on previously on this page, lurking in the background is the upwards pressure on prices from increasing input prices which rose by 12.9% in the year to November 2016. Until now producers have been reluctant to pass these price increases on to the consumer but this can only be maintained for so long. As such, 2017 is likely to be when we see the pressure on producer prices start to impact on retail prices and ultimately consumer confidence hit with spending reined in. By how much remains to be seen.

CONSUMER CONFIDENCE REMAINS

Consumer Spending Growth QonQ

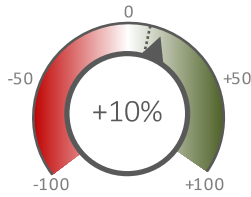
Source: ONS



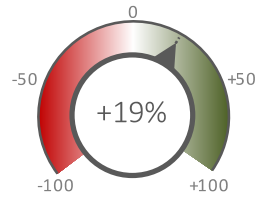
OTHER RESULTS...

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

FUTURE EMPLOYMENT GROWTH EXPECTATIONS HOLD UP GOING INTO 2017



...the balance of respondents reporting an increase in their **workforce** in the **last 3 months**, up from +6%



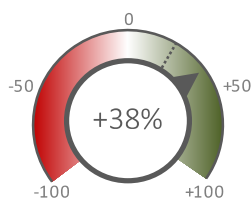
...the balance of respondents expecting to increase their **workforce** over the **next 3 months**

Workforce Next 3 Months

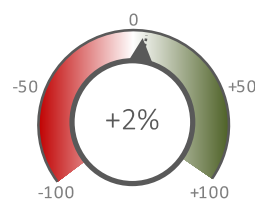
Increase
Stay the Same
Decrease



PRESSURE ON PRICES INCREASING AND CAPITAL INVESTMENT PLANS FALL FURTHER



...the balance of respondents expecting to increase their **prices** over the **next 3 months**, up from 19%



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

Prices of Goods/Services Next 3 Months

Increase
Stay the Same
Decrease



IN OTHER NEWS...

Small and medium sized businesses in Lincolnshire can access free expert advice and grants to grow their business after a £5 million cash injection into the county's Business Lincolnshire Growth Hub.

The *support* is available exclusively to small and medium sized business in Greater Lincolnshire (including North and North East Lincolnshire) and is designed to help businesses:

- Understand their current business position and the basic pillars needed to support their growth in the future
- Get their business 'investment ready' and access finance for growth
- Save energy, reduce waste and become more resource efficient
- Embrace digital technology and help businesses 'get online'
- Manage supply chains more effectively and access new supply chains

A number of grants are available to businesses to help them grow – starting from £1,000 and rising to £10,000. Interested businesses must contact the Business Lincolnshire Growth Hub on businesslincolnshire@lincolnshire.gov.uk or visit the Business Lincolnshire website for more information.

Businesses are also being encouraged to sign up for weekly business bulletin to ensure they get the latest business news, grants information and support advice direct to their mailbox. Sign up at <http://www.businesslincolnshire.com/register>.

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 (5th January 2017).

