Sussex Quarterly Economic Survey

4th QUARTER 2009

INTRODUCTION

The British Chambers of Commerce (BCC) Quarterly Economic Survey for the 4th quarter 2009 covered 178 businesses in Sussex. Businesses were surveyed via online questionnaires over the period 16 November to 7 December 2009.

In the service sector 122 firms responded and in the manufacturing sector 56 firms responded. The majority of firms that took part in the survey employ fewer than 500 people and three were companies with more than 500 employees. All data are unweighted.

DOMESTIC MARKET

A third (34%) of Sussex firms reported a decline in domestic sales and bookings in the last quarter (33% in Q3 2009) and a similar proportion reported increased sales (35% compared with 32% in Q3 2009). 35% reported a reduction in the number of advance orders or bookings their company received in the last quarter (39% in Q3 2009).

- Sussex's balance for home sales is similar to last quarters, at 1% (-1% in Q3 2009). The net balance for services' **home sales** has experienced a marginal fall to -2% this quarter from 4% in Q3 2009. The manufacturing sector's balance for home sales has gained significant ground from -14% in Q3 2009 to 9% this quarter.

- Sussex's net balance for **home orders** has seen an improvement since the last quarter with an 11 point rise to -3%. The net balance for the service sector's home orders has also risen by 11 points from -16% in Q3 2009 to -5% this quarter. Likewise, manufacturing's net balance for home orders gained ground by 14 points, to 2%.

1 Results for manufacturing are indicative only due to the small base size.

EXPORT MARKET

Export sales are marginally better than last quarter. Export sales remained constant, according to 36% of Sussex businesses (41% in Q3 2009) and 24% reported a decrease in exports (31% in Q3 2009). A significantly larger proportion than last quarter say export sales increased (40% in Q4 2009 and 27% in Q3 2009).

Also advanced export orders appear to have improved since last quarter. 38% (33% in Q3 2009) of Sussex businesses say export orders are constant, 27% (39% in Q3 2009) say they have decreased and 35% (28% in Q3 2009) say export orders have risen.

- Sussex's **export sales** balance is better than last quarters, at 16% (-4% in Q3 2009). The services sector gained considerable ground since last quarter from -7% to 23%. The manufacturing sector's export sales gained ground slightly by seven points in Q4, to 7%.

- The net balance for Sussex's **export orders** was also better than last quarters at 8% (-11% in Q3 2009). The service sector's export orders balance gained considerable ground from -21% last quarter to 24% in Q4 2009. In contrast, manufacturing's net export order balance lost ground slightly by 14 points, to -14%.

EMPLOYMENT

Just over half of Sussex businesses (59%) say their workforce has remained constant (55% in Q3 2009). Just over a fifth (21%) has seen a fall in the last 3 months (28% in Q3 2009). A similar proportion (20%) of Sussex firms has seen employment increase (17% in Q3 2009).

69% of firms expect their workforce to remain the same in the next three months (a similar proportion compared with Q3 2009 at 67%). 14% expects their workforce size will decrease (15% in Q3 2009). 17% of firms expect to expand their workforce (Q3 2009 was 18%).

41% of Sussex businesses have tried to recruit staff in the last three months (46% in Q3 2009). The majority of these positions were for full-time (66%) or permanent jobs (58%). 42% tried to recruit temporary staff and 34% part-time. Over a third who tried to recruit has experienced difficulties (36% in Q4 compared with 64% in Q3 2009).

- Overall Sussex's **employment balance** has risen by ten points since last quarter, to -1%. The services sector employment balance rose by three points in Q4, to -3%. The picture for manufacturing shows significant improvement as its employment balance rose 25 points to 2%.

- Sussex's **employment expectations** balance has remained stable since last quarter at 3%. The service sector's employment expectations balance also remained unchanged since last quarter at 6%. Likewise, the manufacturing sector's employment expectations balance is unchanged at -6%.

INVESTMENT

26% of Sussex businesses say their plans for investment in equipment such as machinery have decreased since last quarter (33% in Q3 2009). 52% say their investment plans have remained unchanged (same proportion as last quarter). 22% say their plans have improved (15% in Q3 2009). This shows a slight improvement on last quarter's results.

Over half (55%) of Sussex businesses have not changed their plans for training in the last three months (similar to last quarter at 57%). 24% says their plans have worsened (27% in Q3 2009) and improved for 20% of businesses (16% in Q3 2009). Again, these figures are comparable with those seen in the last quarter.

- The Q4 balance of firms in Sussex planning to increase **investment in plant & machinery** is -4% (significantly higher than Q3 2009 at -18%). The balance of service sector firms planning to invest in plant & machinery is also higher than last quarter (eight point rise), to -9% and the manufacturing sector has experienced a considerable rise of 23 points, to 3%.

- Intentions to **invest in training** improved among Sussex firms in Q4 by seven points, to -4%. The balance of service sector firms planning to invest in training is virtually unchanged since last quarter (two point rise to -8% in Q4). However, the balance of manufacturing firms planning to invest in training has improved over the last quarter (16 point increase to 4% in Q4).

BUSINESS CONFIDENCE

It would appear that confidence among Sussex businesses is returning gradually. 19% of businesses believe that their turnover will worsen in the course of the next 12 months (compared with 24% last quarter and 34% in Q2 2009). 57% is more optimistic (compared with 45% last quarter and 36% in Q2 2009), believing that their turnover will improve during the next year. Again, this shows confidence is returning slowly. 24% believe it will remain the same (32% in Q3 2009). Overall, a higher proportion of Sussex businesses are confident regarding their turnover than those with a negative opinion.

There are fewer negative perceptions in terms of profitability compared to the last few quarters. 32% believe it will worsen over the next 12 months (35% last quarter and 48% in Q2 2009). 42% believe it will improve (similar to last quarter at 40%) and 26% say it will remain the same (similar to last quarter's figures at 25%).

- Sussex firms are more confident about their **turnover** this quarter, driven by both the service and manufacturing sector. The net balance has risen by 17 points, to 38%. The services sector's turnover confidence balance is improved considerably since last quarter by 18 points, to 38%. Confidence in manufacturing turnover has also improved by 15 points, to 36%.

- **Profitability confidence** also rose in Sussex, by five points to 10% driven by the manufacturing sector. Service's profitability confidence balance remained unchanged since last quarter at 12%. Manufacturing's profitability confidence rose 17 points, to 7%.

CAPACITY UTILISATION AND CASHFLOW

The majority of businesses in Sussex (70%) are operating below capacity (unchanged since last quarter). 36% of Sussex businesses say their cashflow has worsened in the last quarter (a lower proportion than last quarter at 42%). 41% say it has remained the same (39% in Q3 2009) and 23% say it has improved (19% in Q3 2009).

- The proportion of service firms operating at **full capacity** remained unchanged since last quarter at 31%. The proportion of manufacturing firms operating at full capacity remained fairly static at 29% (27% in Q3 2009). Overall, operating capacity of firms working at full capacity in Sussex remained static over the last quarter at 30%.

- **Cashflow** improved for the manufacturing sector and service sectors. The service sector gained seven points, to -14%. Manufacturing experienced a marginal improvement by 13 points, to -12%. Overall, the figures for Sussex improved by ten points, to -13%.

PRICES

Confidence in terms of price stability has dropped compared to previous quarters, although a larger proportion of Sussex businesses expect prices to rise. 57% of businesses expect the price of their goods and services to remain the same over the next three months (68% in Q3 2009 and 65% in Q2 2009). 30% of Sussex businesses expect prices to rise, higher than last quarter at 22%. 13% expect prices to fall.

- Pressure to raise **prices** rose marginally in Q4 driven by the manufacturig sector. Overall, in Sussex the balance of firms under pressure to raise prices rose by five points in Q4, to 17%. In services, the balance of firms expecting to increase prices was vitually unchanged and rose one point, to 17%. The balance of manufacturing firms reporting pressure to raise prices increased by 14 points, to 18%.

TABULATIONS

The tabulation below shows, over the last few quarters, which factors were more of a concern to Sussex business compared with the previous quarter. Competition concerns rose by 12 points, to 53%, followed by business rates which increased by 11 points, to 40%. These two areas signalled the highest levels of concern. Inflation worries grew by six points, to 49% and corporation tax by just two points, to 17%. In contrast, interest rate (two point fall to 22%) and exchange rate (two point fall to 30%) worries eased slightly.

Sussex	4Q08 %	1Q09 %	2Q09 %	Q309 %	Q409 %
Interest Rates	25	21	19	24	22
Exchange Rates	38	41	33	32	30
Business Rates	34	36	31	29	40
Inflation	43	41	39	43	49
Competition	46	40	50	41	53
Corporation Tax	28	17	21	15	17
Number of companies	367	290	224	170	178

Manu-facturing	1	1	1	1	2	2	2	2	3	3	3	3	4	4	4	4	5	5	5	5
	1Q09	2Q09	3Q09	4Q09	1Q09	2Q09	3Q09	4Q09	1Q09	2Q09	3Q09	4Q09	1Q09	2Q09	3Q09	4Q09	1Q09	2Q09	3Q09	4Q09
Interest Rates	19	15	23	32	11	19	31	4	0	0	0	0	0	0	0	0	14	16	25	18
Exchange Rates	59	44	41	39	61	47	54	50	50	100	50	100	0	100	100	0	60	48	49	46
Business Rates	41	56	50	50	34	22	12	35	50	100	0	0	0	0	0	0	37	38	27	41
Inflation	34	30	36	46	50	47	42	46	100	100	100	100	0	0	0	0	45	39	41	48
Competition	59	70	55	68	23	41	31	54	50	100	0	50	0	0	0	0	38	54	39	61
Corporation Tax	19	26	14	21	14	28	8	19	0	0	0	50	0	0	0	0	15	26	10	21
Number of companies	32	27	22	28	44	32	26	26	2	1	2	2	0	1	1	0	78	61	51	56

Services	1	1	1	1	2	2	2	2	3	3	3	3	4	4	4	4	5	5	5	5
	1Q09	2Q09	3Q09	4Q09	1Q09	2Q09	3Q09	4Q09	1Q09	2Q09	3Q09	4Q09	1Q09	2Q09	3Q09	4Q09	1Q09	2Q09	3Q09	4Q09
Interest Rates	24	18	26	26	20	19	21	18	75	50	0	0	50	67	0	33	24	20	24	24
Exchange Rates	35	25	22	21	29	34	28	29	50	0	33	0	0	67	0	0	33	28	24	22
Business Rates	34	25	25	37	38	36	36	50	25	0	100	0	50	33	0	33	35	28	30	39
Inflation	38	41	50	51	47	36	33	39	25	100	33	100	50	0	0	67	40	39	44	49
Competition	41	45	46	49	44	55	36	54	0	50	33	0	0	33	0	33	41	48	42	49
Corporation Tax	20	21	16	16	7	13	18	18	25	0	33	0	100	33	0	0	17	18	17	16
Number of companies	151	111	76	90	55	47	39	28	4	2	3	1	2	3	1	3	212	163	119	122

1 = 1 – 19 employees
2 = 20 – 199 employees
3 = 200 – 499 employees
4 = 500+ employees
5 = All

Sussex	Sussex				Services				Manufacturing			
	1Q09	2Q09	3Q09	4Q09	1Q09	2Q09	3Q09	4Q09	1Q09	2Q09	3Q09	4Q09
Sales-Home Sales	-33	-27	-1	1	-29	-26	4	-2	-48	-29	-14	9
Home Orders	-33	-33	-14	-3	-30	-33	-16	-5	-42	-33	-12	2
Export Sales	-8	-6	-4	16	-2	-13	-7	23	-16	6	0	7
Export Orders	-2	-8	-11	8	4	-15	-21	24	-9	7	0	-14
Employment last 3 months	-15	-15	-11	-1	-8	-15	-6	-3	-29	-15	-23	2
Employment next 3 months	-3	-1	3	3	2	5	6	6	-17	-20	-6	-6
% Tried to Recruit	42	46	46	41	41	46	47	36	45	46	41	52
% Part Time	32	32	36	34	36	38	40	41	16	15	19	13
% Full Time	68	68	64	66	64	62	60	59	84	85	81	87
% Temporary	39	48	41	42	44	40	34	33	25	63	57	63
% Permanent	61	52	59	58	56	60	66	67	75	38	43	38
% Skilled Manual	29	27	34	25	22	22	27	23	46	39	52	29
% Professional and Managerial	31	32	38	24	31	37	38	19	31	18	38	32
% Clerical	19	19	16	6	23	22	16	9	9	11	14	0
% Semi Skilled and Unskilled	14	22	19	8	15	25	14	7	11	14	33	11
% Recruitment Difficulties	55	54	64	36	51	57	60	33	63	47	71	43
Cashflow	-40	-23	-23	-13	-36	-27	-21	-14	-49	-9	-25	-12
Investment Plant and Machinery	-25	-17	-18	-4	-24	-20	-17	-9	-27	-7	-20	3
Investment Training	-7	-11	-11	-4	-3	-9	-10	-8	-16	-14	-12	4
Confidence Turnover	-8	2	21	38	-3	5	20	38	-23	-5	21	36
Confidence Profitability	-25	-19	5	10	-17	-18	12	12	-49	-18	-10	7
% Full Capacity	28	26	30	30	31	25	31	31	18	29	27	29
Prices	12	-2	12	17	16	-5	16	17	0	3	4	18
% Pay Settlements	13	16	17	15	15	17	18	16	9	15	16	13
% Raw Materials	36	35	31	37	26	26	21	24	64	59	55	64
% Financial Costs	22	21	21	22	23	19	22	21	19	26	18	25
% Other Overheads	44	44	41	47	45	47	43	46	42	38	37	50
Number of Companies	290	224	170	178	212	163	119	122	78	61	51	56

All figures expressed as a percentage balance, except where title is preceded by %, in which case figures are a pure percentage of companies. Percentage balances are determined by subtracting the percentage of companies reporting decreases in a factor from the percentage of companies reporting increases.

For all tabulations base sizes below 30 are too small for analysis purposes and have been included for the purpose of completeness.