



**NORTH WEST
QUARTERLY ECONOMIC SURVEY
Quarter 1 2009**

Full Report

Findings from the first quarter of 2009 economic survey of the North West.

This quarter 1,277 firms from across the North West completed the survey.

The following North West Chamber's contributed to this report:

Congleton, Lancaster, South Cheshire, Macclesfield, East Lancashire, Warrington, North & Western Lancashire, Cumbria, Liverpool, Knowsley, Sefton, Halton, Wirral, St Helens, Altrincham & Sale and Greater Manchester.

This report was produced by Greater Manchester Chamber on behalf of Chambers of Commerce North West. If you have any queries about the production of the report please contact Holly Keogh on 0161 237 4106 or email holly.keogh@gmchamber.co.uk

NB: Net balance figures, referred to throughout this report, are determined by subtracting the percentage of companies reporting decreases in a factor from the percentage of companies reporting increases.

Contents

Section		Page
1	Report Summary	4
1.1	Manufacturing	4
1.2	Services	5
2	Report Detail	6
2.1	UK Sales and Orders	6
2.2	Exports	7
2.3	Employment in Manufacturing	8
2.4	Recruitment in Manufacturing	8
2.5	Employment in Services	9
2.6	Recruitment in Services	10
2.7	Confidence in Manufacturing	11
2.8	Confidence in Services	12
2.9	Cash Flow	12
2.10	Investment in Plant and Machinery	13
2.11	Price Pressures	14
2.12	Prices	14
2.13	External Factors	15

1. Report Summary

1.1 Manufacturing

Compared to the service industry manufacturers continue to be hit harder by the current economic climate.

Reported demand and general economic conditions kept deteriorating for manufacturers during the last quarter. Net balances for UK sales continued to fall from -32% to -51%, the worst result in our database. UK orders have also worsened from -38% to -50% net balance this quarter. Exporters continue to do comparatively better but also report increasingly negative net balances. Following a number of positive quarters, overseas sales have decreased for the second time in a row to -21% and overseas orders are at -27%.

Following a dramatic drop during the 4th quarter 2008 business confidence improved marginally, to -30% for turnover, but deteriorated significantly from -34% to -47% for profitability.

The biggest price pressure for manufacturers remain raw material prices, followed by other overheads. It can be assumed that this is due to higher energy and fuel prices continuing to move through the supply chain. Pressure from pay settlements remains the lowest concern. Only 27%

of manufacturers expect their prices to increase over the next three months, compared to 36% in the 4th quarter. Along with other indicators cash flow continued to deteriorate to -41% net balance.

After slipping into the negative during the last quarter, reported investment in training as well as plant and machinery continues to fall, showing a net balance of -8% and -25% respectively. The percentage of manufacturers working at full capacity has decreased further to only 18%.

At a net balance of -28% manufacturing businesses continue to reduce staff at an increasing rate as well, reflecting expectations from the last quarter. A reduced net balance of -22% of manufacturers, however, expect the size of their workforce to shrink further over the next three months. Fewer firms are reporting difficulty in recruiting staff.

Inflation has dropped markedly as an area of concern for manufacturers. Along with interest rates it is shown as the lowest concern. The main area of concern to manufacturers are exchange rates, cited by 54% of respondents. Corporate tax, interest rates and competition remain of roughly equal concern to manufacturers.

1.2 Services

Service sector performance has deteriorated again this quarter, but continues to do comparatively better than manufacturing. UK sales have fallen and now show a net balance of -30% (compared to -24% during the 4th quarter). UK orders have also continued to fall and cash flow conditions have maintained a, albeit slowing, negative trend and the net balance is now standing at -35%.

Indicating some possible light at the end of the tunnel, confidence in profitability and turnover has stagnated for the former at -25% net balance and slightly improved for the latter to -11%. Investment for plant and machinery has fallen slightly again and now stands at a net balance of -19%. Investment for training has deteriorated only slightly from -1% net balance to -3%.

The percentage of businesses working at full capacity has fallen again to 26%, compared to 29% in the 4th quarter and 65% in the 3rd quarter.

The number of businesses reporting price pressure due to increased raw material prices has increased slightly but the highest driver of price pressure remains other overheads. Price pressure due to pay settlements is the weakest, which reflects the situation reported by the manufacturing sector.

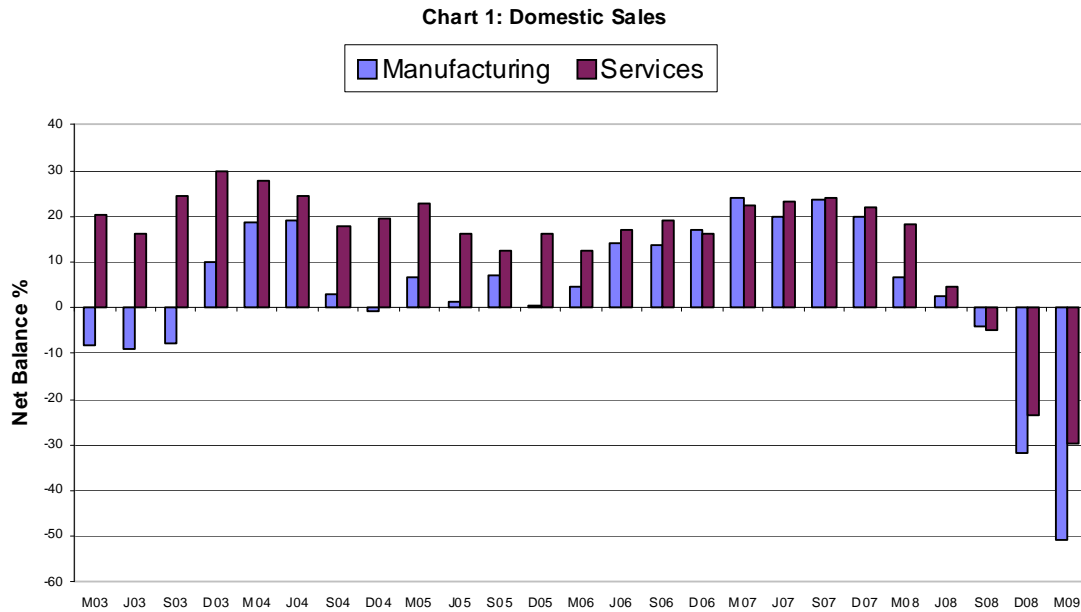
Service businesses continue to reduce their workforce, but like manufacturers fewer employers expect their workforce to fall further over the next three months. Net balances stand at -14% for current and -6% for expected future staff reductions.

Competition continues to be the prime concern for service businesses. This is followed closely by business rates, and corporate taxation. Exchange and interest rates are of equal concern to service providers and for the first time since the 4th quarter of 2001 inflation finds itself at the bottom of the list remain.

2. Report Detail

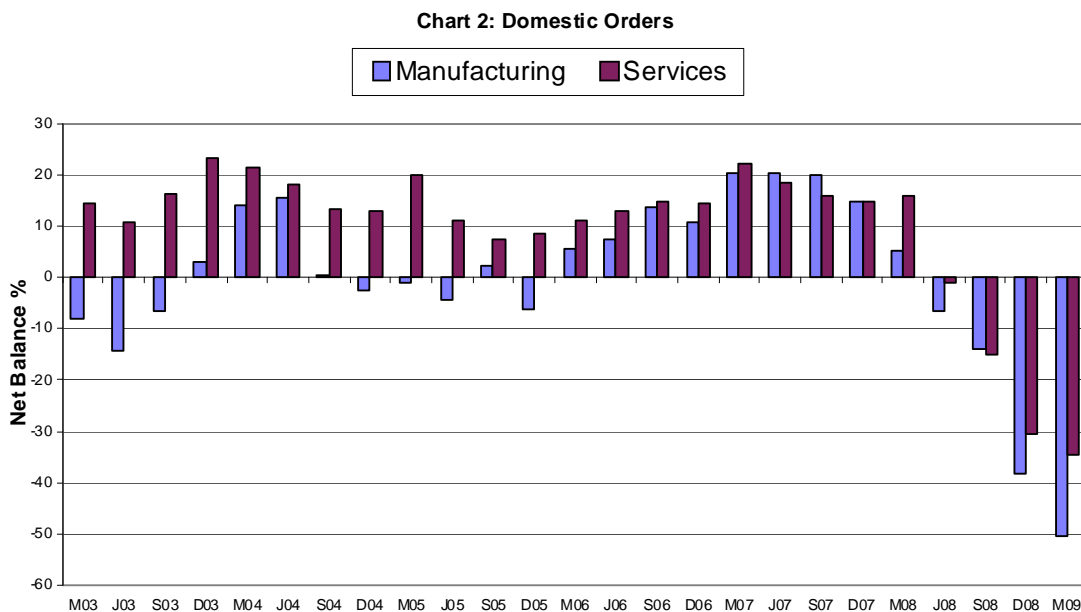
2.1 UK Sales & Orders

“Manufacturing and services perform poorly again”



For manufacturers UK sales have fallen for the sixth consecutive quarter from -32% to -51% net balance. UK orders for manufacturers have also fallen to -50% net balance.

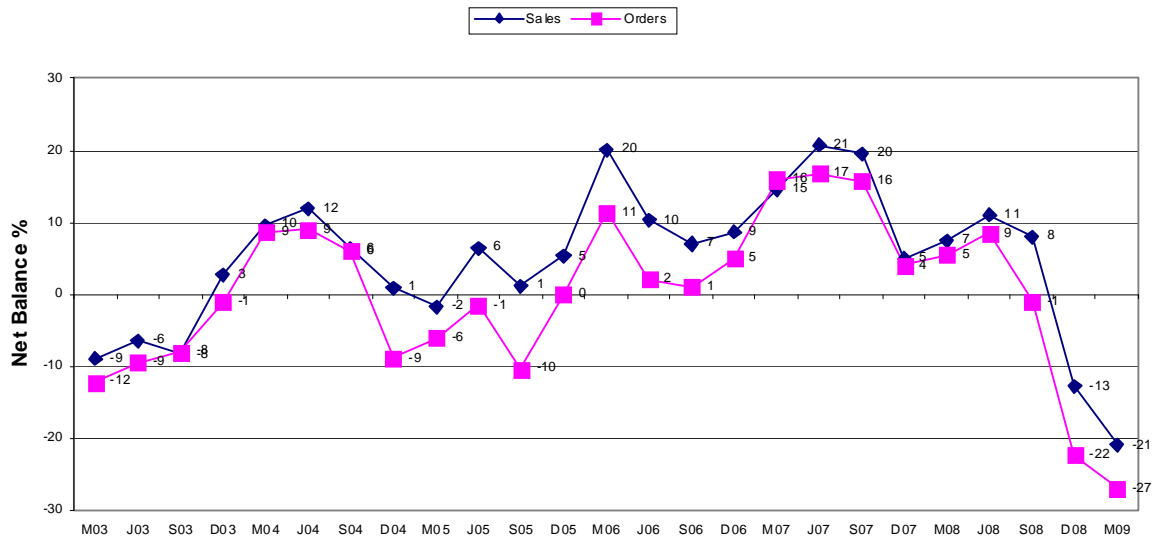
The service sector is also further deteriorating this quarter with UK sales falling from -24% to a net balance of -30%. UK orders have also fallen to -35% net balance from -31% in the 4th quarter 2008.



2.2 Exports

“Overseas sales for manufacturers continue to look bleak, but services pick up”

Chart 3: Manufacturing Exports

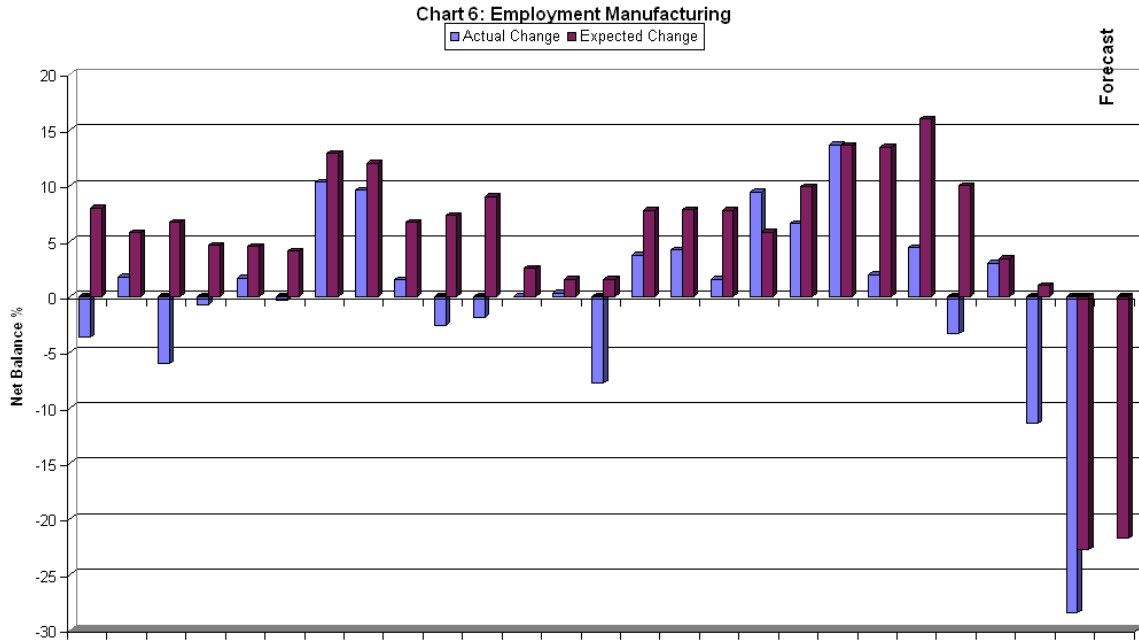


Exporting manufacturers have negative net balances of -21% and -27% for sales and orders respectively. This is an 8 percentage point decrease in sales and a 5 percentage point decrease for orders. For services, the picture is more encouraging however with a 2 percentage point increase for

overseas sales, up to -15% net balance from -18% in quarter 4. The overall decrease for overseas orders for services is much less than the manufacturing decrease with a -20% net balance down from -18% last quarter.

2.3 Employment in Manufacturing

“Employment continues to decrease”

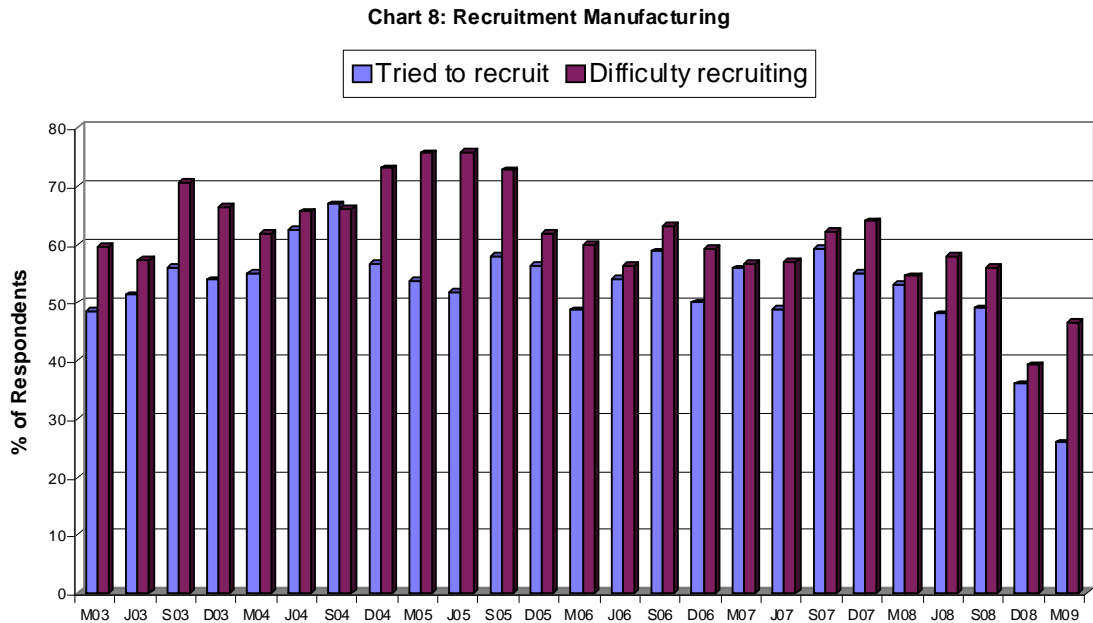


For manufacturing firms the net balance of businesses reporting an increase in actual employment growth has decreased from -11% to -28%. The forecast for next quarter, however, is slightly more optimistic with

expectations for employment at -22%. These figures indicate that manufacturers are reducing staff, however, the trend might flatten in the near future.

2.4 Recruitment in Manufacturing

“Fewer manufacturers recruiting”



The proportion of manufacturers attempting to recruit staff over the last 3 months has fallen from 36% to 26%. 47% of respondents reported difficulty in recruiting staff up from 39% last quarter which, given the current unemployment situation at present, is surprising.

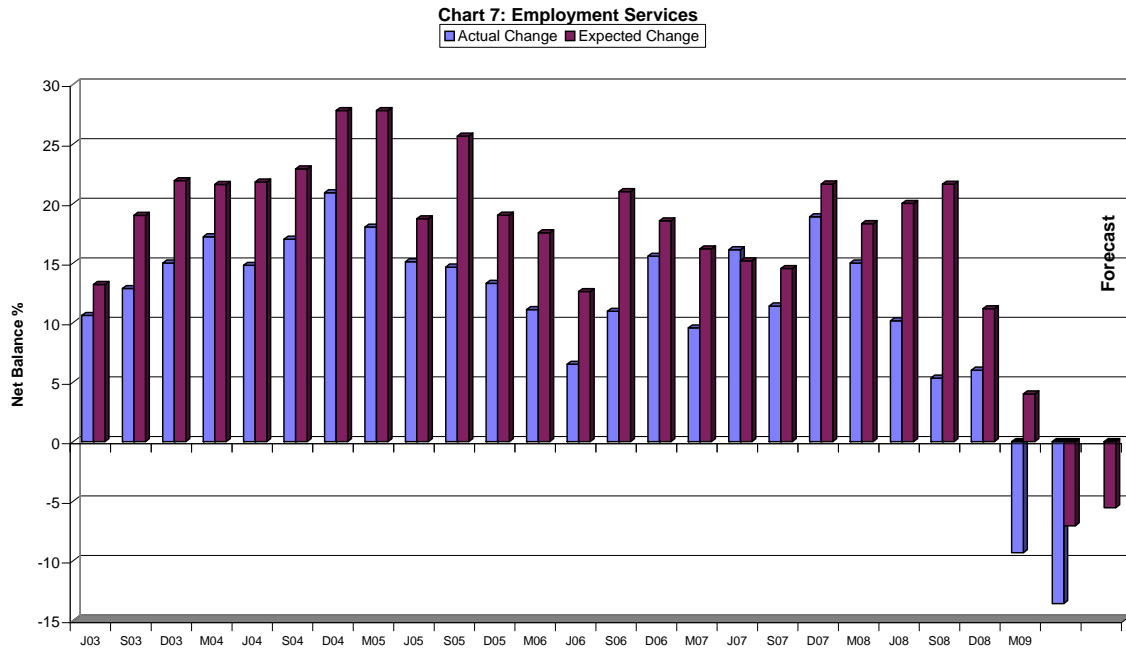
Recruitment of part time and full time jobs remains fairly stable this quarter at 14% and 86% respectively, this is up from 15% and 85% in the 4th quarter 2008. There has been an increase in recruitment of temporary

jobs, up 11 percentage points to 41%. Conversely, recruitment of permanent jobs has fallen from 70% to 59%.

This quarter it has been easier for recruiting manufacturers to find skilled manual and professional / managerial employees with an 11 percentage point decrease in difficulty for both. It has been harder for manufacturers to find suitable clerical and un- and semi-skilled manual labour, but only harder by a small margin.

2.5 Employment in Services

“Services reduce workforce”

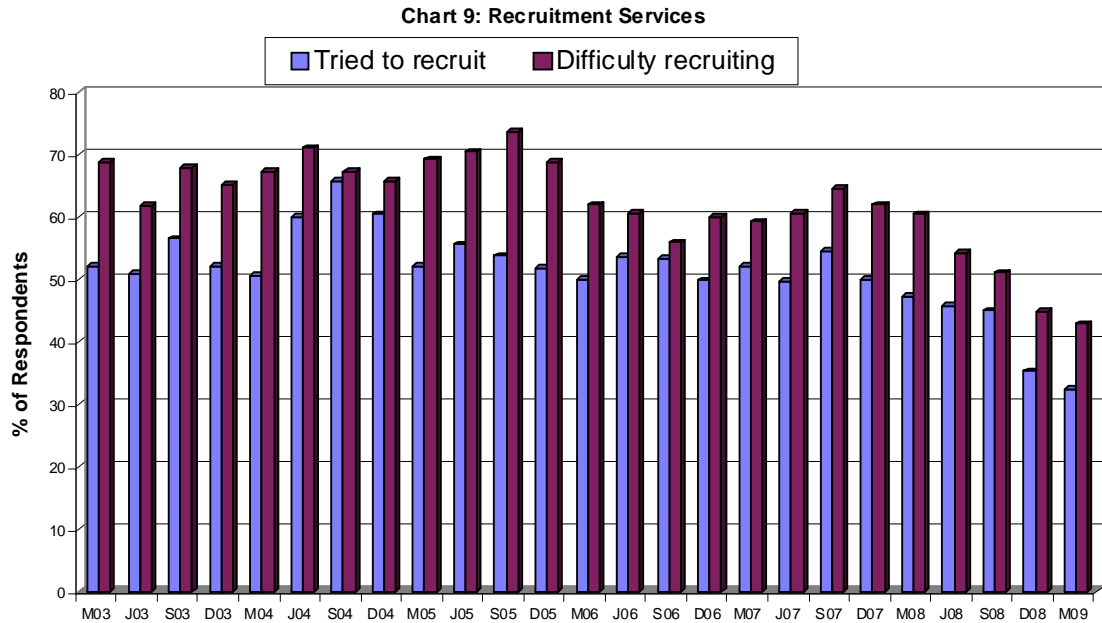


For service firms, the net balance of businesses reporting an increase in actual employment growth has

decreased with a net balance of -14% compared to -9% last quarter.

2.6 Recruitment in Services

“Decreases in recruitment for services”



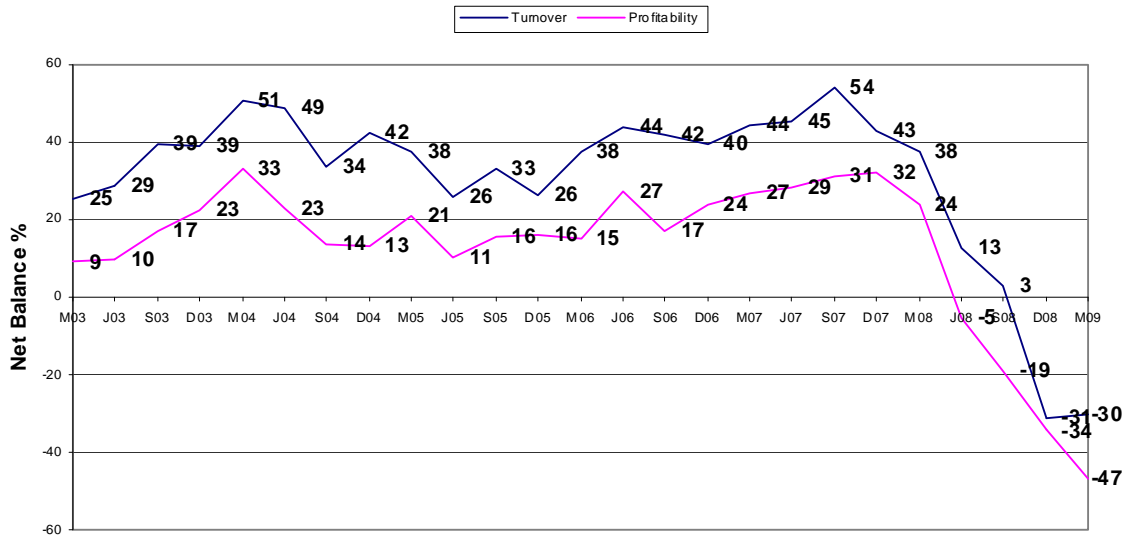
In the service sector, 32% of respondents have attempted to recruit this quarter, a decrease of only 3 percentage points. Of these positions, 36% were part time and 68% full time, both of which have remained stable. 38% were temporary jobs and 62% permanent jobs, both again remaining constant this quarter. It has been

harder to recruit professional / managerial staff, up from 20% to 21%, therefore this is minimal. Services have found it much easier to recruit skilled manual labour, down from 23% to 14% this quarter. The clerical and un and semi-skilled manual categories have remained the same at 20% and 12% respectively.

2.7 Confidence in Manufacturing

“Slight increase in confidence in turnover”

Chart 4: Confidence Manufacturing



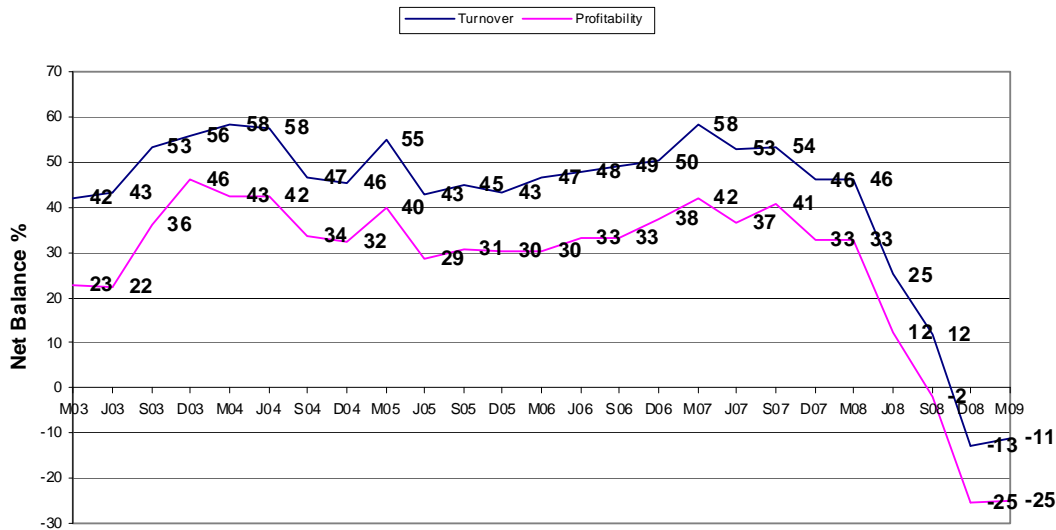
Optimism in the manufacturing sector over turnover has increased slightly this quarter by one percentage point to -30% net balance.

However, confidence in profitability amongst manufacturers has continued its falling trend, deteriorating by 13 percentage points to a net balance of -47%.

2.8 Confidence in Services

“Bucking the trend for confidence?”

Chart 5: Confidence Services



The net balance of service companies expecting an increase in turnover has also increased this quarter by 2 percentage points to -11%. Confidence in profitability has

remained stable at -25%. This maybe suggests things are beginning to bottom out, however, it may also be only a temporary recovery. Only time will tell.

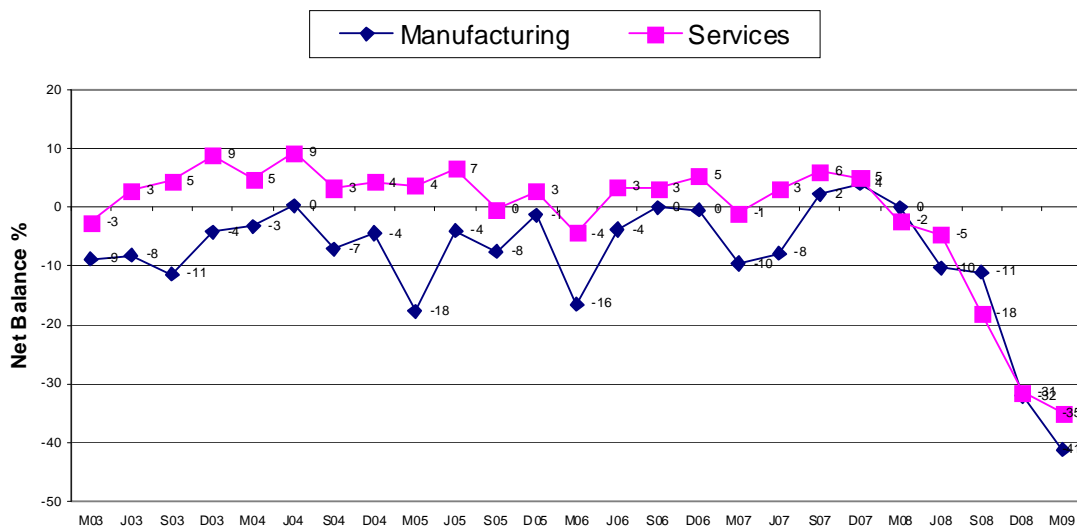
2.9 Cash Flow

“Cash flow pressure remains high”

For both sectors, the number of companies experiencing worsening cash flow is increasing. For services it is -35% net balance down from -31% last quarter.

last quarter. Cash flow for manufacturers has fallen to -41% net balance from -32% last quarter, a drop of 9 percentage points.

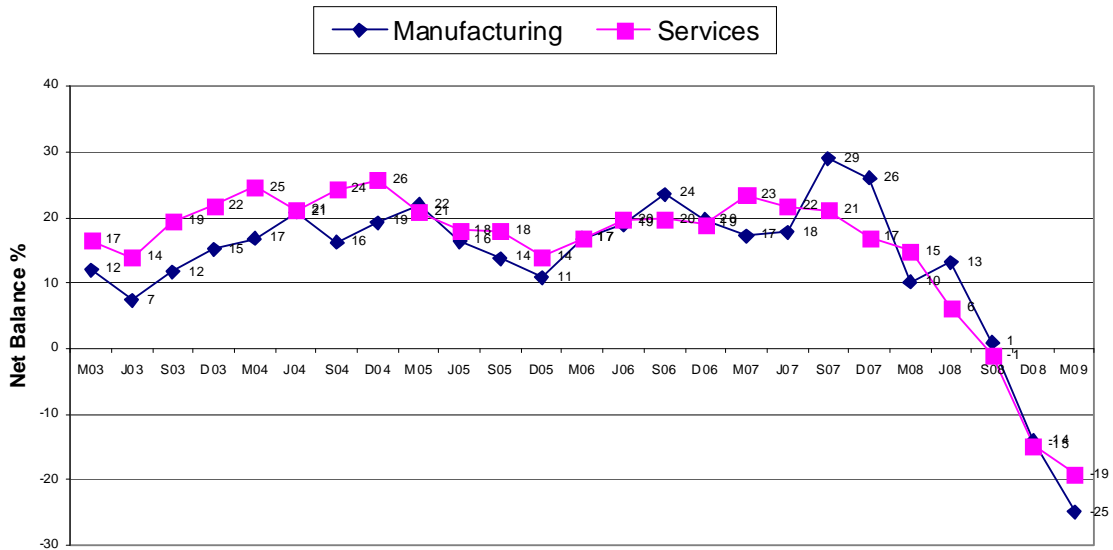
Chart 10: Cashflow



2.10 Investment in Plant & Machinery

“Investments plans adjusted downwards”

Chart 11: Investment Plant & Machinery

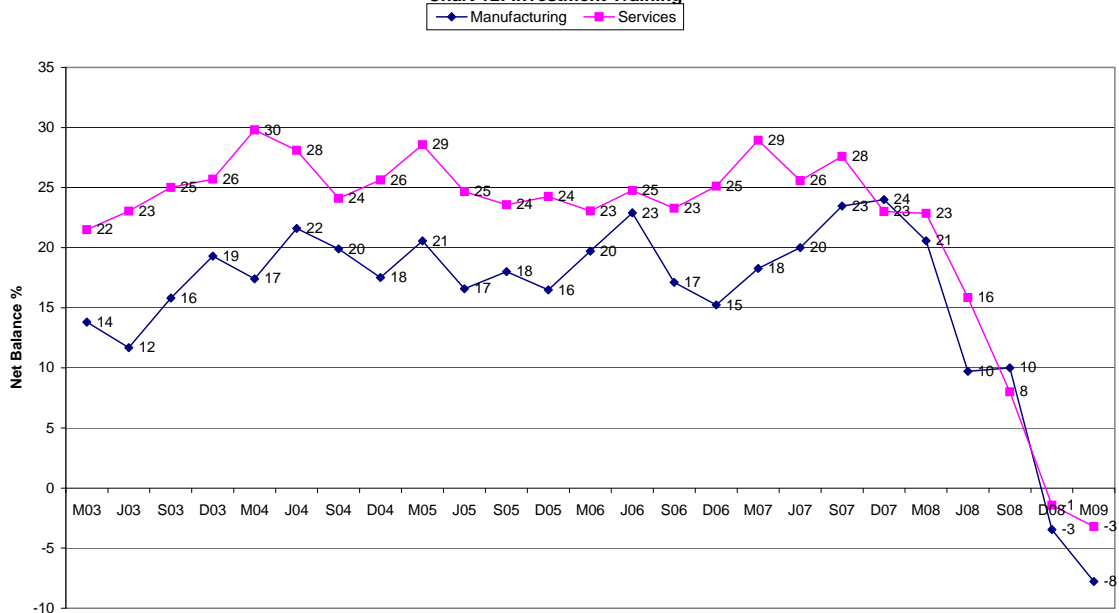


For manufacturing, an increasing number of companies have revised their investment plans for plant and machinery downwards. The net balance has gone from -14% to -25% which is a substantial decrease.

An increasing number of responses also state investment in training is decreasing with a 5 percentage point fall for manufacturers to -8% net balance, and for services from -1% to -3%.

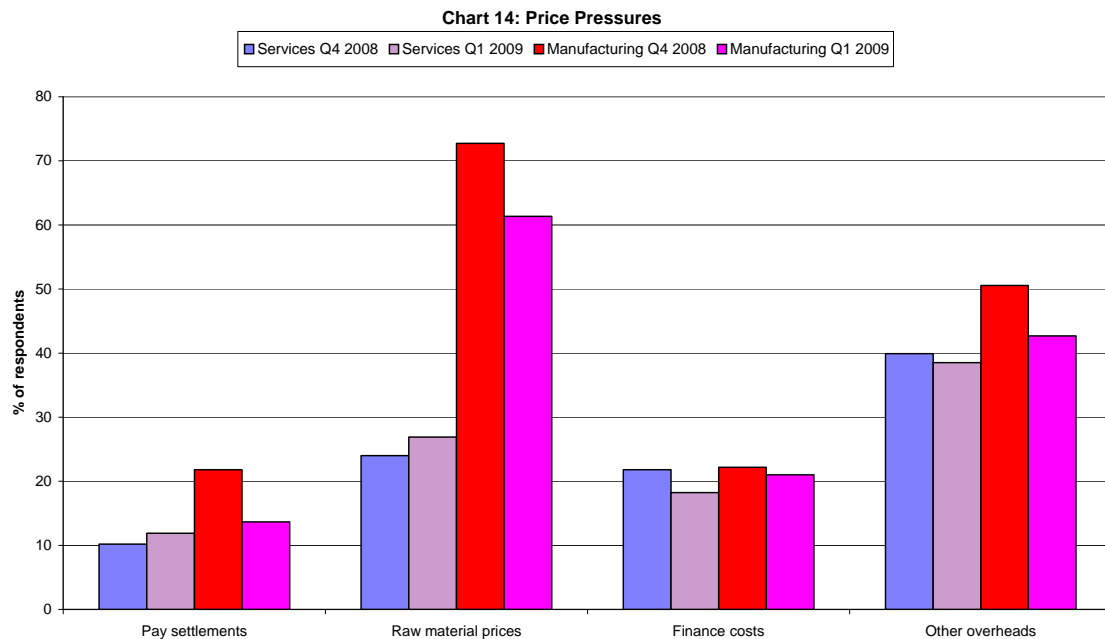
Services have also followed this trend; with a net balance of -19%, however this is only a decrease of 4 percentage points.

Chart 12: Investment Training



2.11 Price Pressures

“Price pressures begin to ease for some”



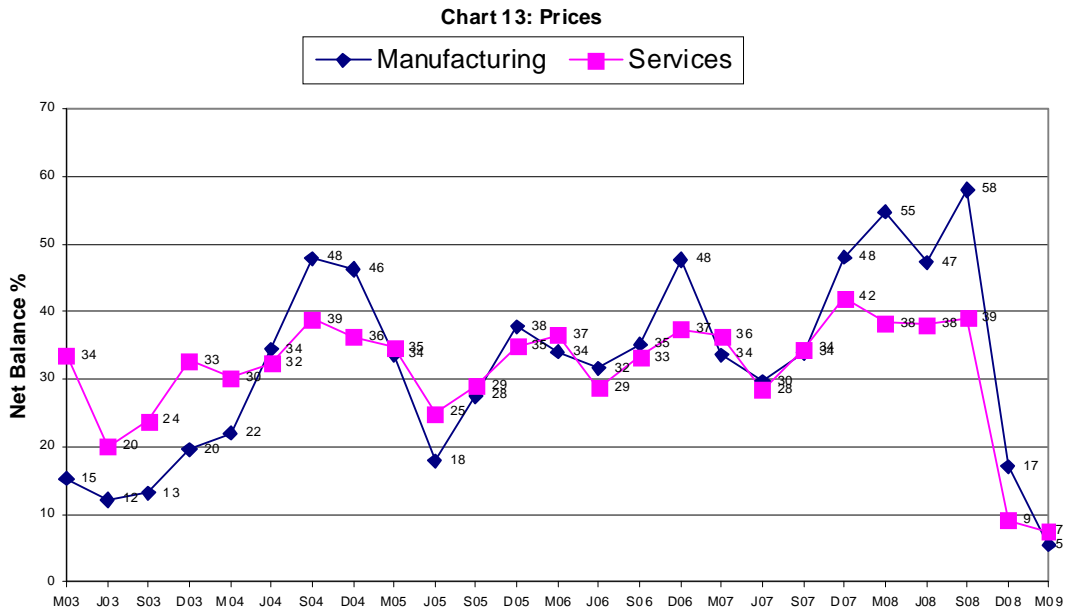
The biggest price pressure remains raw materials for manufacturers. 61% of respondents reported this as a pressure, although this is a decrease of 12 percentage points from last quarter. The second highest price pressure is due to other overheads although this has decreased from 51% to 43%. The least cause for concern was pressure to pay settlements at 14% down 8 percentage points.

For services, other overheads remains the greatest price pressure, however this pressure has decreased to 38% from 40%. Raw material prices for services is the second highest pressure at 27%, an increase of 3 percentage points. Pressure to pay settlements remains the lowest pressure for both sectors.

2.12 Prices

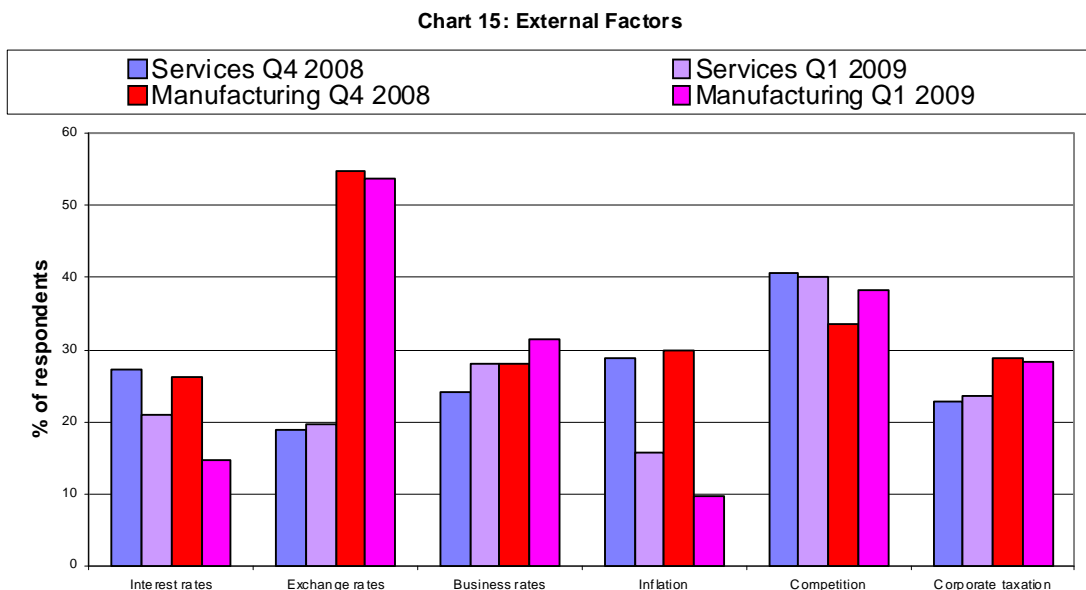
Over the next 3 months only a net balance of 5% of manufacturers expect the prices of their goods to increase; this is down from 17% last quarter. A net balance of 7% of service

businesses who responded expect the price of their goods / services to increase – down by 2 percentage points.



2.13 External Factors

“Competition an increasing worry”



Unsurprisingly, the main concern for manufacturers this quarter is exchange rates at 54%, down from

55% three months ago. An increasing area of concern for manufacturers is business rates with a 3 percentage

point increase to 31%. Of least concern to manufacturers is inflation which has drastically decreased yet again this quarter from 30% to 10%.

A big concern for both manufacturers and services this quarter is competition with 38% of manufacturers citing this as more of a concern, and competition is the greatest anxiety for services at 40%.

For services, concern about business rates is up from 24% to 28%. Remaining fairly stable for services are concerns over exchange rates and corporate taxation. Inflation has also become much less of a concern for services, down from 29% to just 16%.

		Manufacturing				Services			
		Q2 08	Q3 08	Q4 08	Q1 09	Q2 08	Q3 08	Q4 08	Q1 09
Deliveries And Orders		%	%	%	%	%	%	%	%
Sales/custom/bookings have...	Rise	32	30	20	12	32	28	19	17
	Same	39	36	29	26	41	39	39	36
	Fall	-29	34	51	63	-27	-33	42	47
	net	3	-4	-32	-51	5	-5	-24	-30
Orders/advance custom/bookings have...	Rise	26	25	17	12	27	22	16	16
	Same	42	37	27	25	45	41	37	33
	Fall	-32	-39	56	63	-28	37	47	51
	net	-6	-14	-38	-50	-1	-15	-31	-35
Overseas sales/custom/bookings have...	Rise	32	34	25	22	25	31	14	20
	same	47	39	37	34	55	45	53	46
	fall	-21	-26	38	43	-20	-24	33	35
	net	11	8	-13	-21	4	7	-18	-15
Overseas orders/ advance custom/bookings have..	rise	32	29	19	21	20	23	14	18
	same	45	41	39	32	59	52	53	44
	fall	-23	-30	42	48	-21	-25	33	38
	net	9	-1	-22	-27	-1	-2	-18	-20
Labour									
Over the past 3 months, has your workforce:	increased	19	26	15	10	19	22	15	13
	Remained constant	58	51	59	51	66	62	61	61
	reduced	-23	23	26	39	-14	-16	24	26
	net	-3	3	-11	-28	5	6	-9	-14
Over the next 3 months, do you expect your workforce to:	increase	21	17	8	9	21	19	12	14
	remain constant	62	66	62	61	69	66	70	67
	decrease	-17	-16	31	30	-10	-15	19	19
	net	3	1	-23	-22	11	4	-7	-6
Have you attempted to recruit staff over the past 3 months?	yes	48	49	36	26	46	45	35	32
	no	52	51	64	74	54	55	65	68
If yes, were they for: (please tick all that apply)	part-time jobs?	13	13	15	14	34	35	31	36
	full-time jobs?	87	87	85	86	66	65	69	64
	temporary jobs?	29	100	30	41	33	36	37	38
	permanent jobs?	71	0	70	59	67	64	63	62
Did you experience any difficulties finding suitable staff?	yes	58	56	39	47	54	51	45	43
	no	46	51	34	55	53	59	70	72
If yes, for which of the following categories of employee:									
	skilled manual	38	43	44	33	23	22	23	14
	professional/managerial	18	20	26	15	24	18	20	21
	clerical	16	15	10	13	20	36	20	20
	un and semi-skilled manual	11	10	9	10	13	16	12	12
Cashflow									
During the last three months has your cashflow:	improved	20	22	13	10	25	19	13	11
	same	49	45	42	40	46	44	43	43
	worse	-31	-33	45	51	-29	-37	44	46
	net	-10	-11	-32	-41	-5	-18	-31	-35

Investment									
For plant/machinery/equipment ?	revised upwards	27	21	15	9	22	18	13	11
	unchanged	60	59	56	58	63	64	59	59
	revised downwards	-14	-20	29	33	-15	-19	28	30
	net	13	1	-14	-25	6	-1	-15	-19
For training ?	revised upwards	20	21	16	16	26	22	17	17
	unchanged	69	68	64	60	64	64	65	62
	revised downwards	-11	-11	20	24	-10	-14	18	20
	net	10	10	-3	-8	16	8	-1	-3
Confidence (For Next 12 Months)									
Do you believe that over the next 12 months turnover will:	improve	41	38	23	23	48	41	30	30
	Remain the same	30	27	23	23	29	30	27	29
	worsen	-29	-35	54	53	-23	-29	43	41
	net	13	3	-31	-30	25	12	-13	-11
Profitability will	improve	34	29	22	16	43	36	26	24
	Remain the same	27	24	22	21	27	26	23	28
	worsen	-39	-48	56	63	-30	-38	51	49
	net	-5	-19	-34	-47	12	-2	-25	-25
Production									
At the present time the percentage of firms working	at full capacity is	32	30	22	18	33	33	29	26
	at less than full capacity	68	70	78	82	67	67	71	74
Prices/Costs									
Over the next 3 months, do you expect the price of your goods /services	increase	54	61	36	27	43	44	27	24
	remain the same	40	36	46	51	53	51	55	59
	decrease	-6	3	19	22	-5	-5	18	17
	net	47	58	17	5	38	39	9	7
Is your business currently suffering pressures to raise its prices from any of the following? (tick all that apply)	pay settlements	27	28	22	14	17	18	10	12
	raw material prices	83	78	73	61	33	36	24	27
	finance costs	17	26	22	21	24	23	22	18
	other overheads	52	40	51	43	50	51	40	37
External Factors									
your business than three months ago. (tick all that apply)	interest rates	27	27	26	15	41	37	27	21
	exchange rates	47	42	55	54	18	14	19	20
	business rates	20	22	28	31	23	23	24	28
	inflation	62	67	30	10	57	61	29	16
	competition	32	31	33	38	33	35	41	40
	corporate taxation	16	19	29	28	23	18	23	24
Number of respondent companies*		237	278	275	300	711	918	1050	977
Number of employees		21262	23943	14239	14822	76850	141531	48401	37266