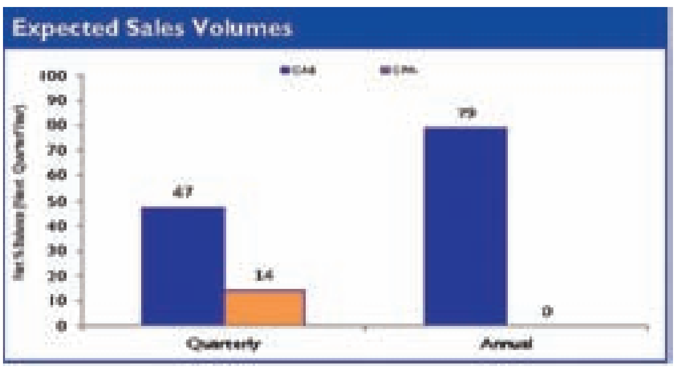
An impressive start

CAB ceo, Justin Ratcliffe, looks at the association's latest state of the market figures

The latest Q4, 2017 CAB State of the Market Survey highlights growth prospects have strengthened for the year ahead with 79% net balance of members expecting sales growth in 2018 compared to 56% in Q3. This is impressive as it is set against a background of ongoing economic and political uncertainty relating to Brexit.



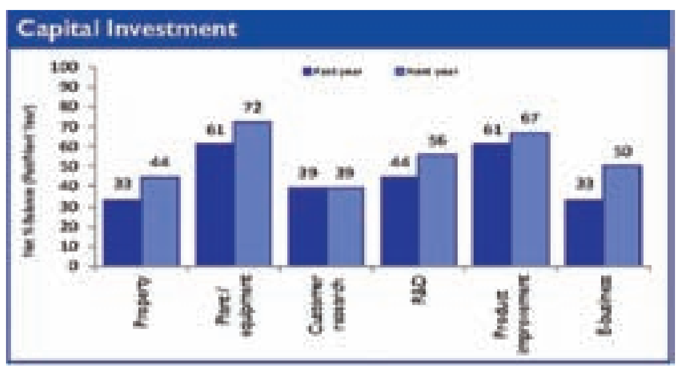
Annual consumer price inflation was 3.1% in November, up from 3.0% in October and 95% of members reported increases in Q4, compared to 87% in Q3, while 50% and 61% anticipated costs pressures to remain elevated in the next quarter and year ahead respectively. In line with the recent Markit/COS data, these strong cost pressures continued to persist due to the delayed impact of past sterling depreciation and rising global commodity prices. It is worth noting that in Q4, the sterling/Euro exchange rates depreciated (in annual terms) for an eighth consecutive quarter. In December, the price of Brent crude oil rose 18.8% year-on-year to a three year high of $64.2 per barrel. Together these issues have increased costs for fuel (53% net balance) and raw materials (89% net balance) amongst members. Wages and salaries (79%) was also noted as a key driver followed by energy costs (47%) and exchange rates (44%).

Labour costs were still anticipated to increase over the next quarter (68%), which was comparable to Q3 (69%) but showing an anticipated fall in the year ahead (63%) compared to Q3 (88%).

It is perhaps a concern that capacity utilisation remains low. The proportion of members operating at over 90% capacity for Q4 (16%) was very similar to Q3 (13%), while for the year ahead it slightly improved to 26%, compared to 20% in Q3.

Demand was again reported as the key constraint on sales growth over the next 12 months, 63% net balance (same as Q3), with labour availability (11%) and capacity (11%) ahead of material supply, raw material prices and no constraints (all 5%).

Justin Ratcliffe addressing members at the Library of Birmingham in November 2017



Capital investment again remained one of the key priorities with the focus over the year ahead being plant & equipment (72%) followed by product improvement (67%), R&D (56%), e-business (50%) and property (44%). Encouragingly, across all the capital investment there was a view that investment would increase year on year across all the metrics with exception of R & D which would be the same (39%) as the past year. ❐

Justin Ratcliffe

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