

FACTORS AFFECTING BUSINESS PERFORMANCE

FIG. 10 CUSTOMER DEMAND – CHANGE VERSUS 12 MONTHS AGO



This quarter around three-fifths (61%) of businesses in the Manufacturing & Engineering sector report customer demand to be a greater challenge than 12 months ago. The share of Manufacturing & Engineering firms reporting customer demand to be a greater challenge has shown an upward trend since a low of 32% in Q3 2010.

CUSTOMER DEMAND CHALLENGING IN KEY SECTORS

The proportion of businesses reporting customer demand to be a greater challenge than 12 months ago has risen across most sectors. Over the last year, there has been a notable rise in the share of businesses in the Transport & Storage sector reporting customer demand to be a greater challenge to business performance. The sector is something of a bellwether for the economy as a whole, as its performance is closely tied to the overall level of economic activity in the UK. In addition, the proportion of manufacturers reporting customer demand as a greater challenge than 12 months ago also stands at its highest since Q3 2009.

The share of businesses in Retail & Wholesale reporting customer demand to be a greater challenge also remains high at 55%, as consumers face weak earnings growth and rising unemployment, despite falling inflation.

BCM suggests that the weak demand for goods and services will bear down on growth in the short term, with most sectors of the economy affected. Pressure on household budgets will impact domestic demand, and the economic slowdown in the eurozone poses a risk to demand for exports.

CUSTOMER DEMAND AN INCREASING CHALLENGE • WEAK DEMAND LIKELY TO LIMIT GROWTH IN SHORT TERM