In Cumbria . pp. 80-81.

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As we approach the new Brexit deadline of October 31, we can reflect on some of the lessons from recent trends in economic indicators in the UK.

The first quarter of 2019 (January to March) was marked by the build up of inventories that acted as a temporary boost to UK economic growth (up 0.5 per cent on the previous quarter).

Evidence of this phenomenon is now widespread – confirmed, for instance, by trends in the Purchasing Managers Index (IHS Markit / CIPS).

In his monthly column, Professor Frank Peck, of the University of Cumbria’s Centre for Regional Economic Development, looks at corporate change in Cumbria.

It is interesting to note that stockpiling was not just a feature of larger corporates that form parts of international production systems but it also affected small and medium sized businesses: The CBI Quarterly SME Trends Survey reported growth in stocks at the fastest rate on record, up 33 per cent for raw materials and 18 per cent on finished goods.

In the second quarter (April to June 2019), early estimates suggested that growth would flatten out as companies briefly operate from stock.

The Bank of England Agents’ Survey of businesses, for instance, indicated that around a third of their survey respondents planned to run down stocks built up in the previous quarter.

In the event, the figures released by the Office of National Statistics for the second quarter of 2019 showed a decline in GDP for the first time since 2012 (-0.2 per cent). Manufacturing output fell (-2.3 per cent) after strong growth of 1.9 per cent in the first quarter of the year.

The construction sector also reduced output by -1.3 per cent while services showed only modest growth of +0.1 per cent.

Explanations for this reversal are fairly clear – there is volatility in
were many more job gains than losses announced publicly in this period of time and a wide range of new investments.

Brexit may be having negative effects on some decisions, but clearly not on all.

Even in the manufacturing sector there have been announcements of plans to invest in new premises and facilities (Pirelli Carlisle; Kimberley Clark, Barrow; SIS Patches, Maryport; Tweddle Engineering, Kirkbride; Cavendish Nuclear, Whitehaven; James Cropper, Burneside; Clark Door, Carlisle).

Announcements in the media have also included reference to many investments in accommodation, visitor attractions and food services associated with tourism.

This pattern ties in with national trends where tourism is experiencing a short-term lift from the decline in the value of sterling. VisitBritain national forecasts for 2019 anticipate a record year for spending by overseas visitors to the UK.

Domestic tourism is also expected to be strong as the weak pound stimulates staycations.

In Cumbria, there has been a range of new announcements of plans to invest in tourism accommodation, food services and visitor attractions (Lake Windermere Cruises; Waterhead Hotel, Coniston; Holiday Inn, Barrow; Costa Coffee, Carlisle; Bruce and Luke’s, Carlisle; Lakes Distillery, Bassenthwaite; Leisure Resorts, Penrith; Hinton Group, Workington).

In all these announcements of jobs and investment in Cumbria, there is very little explicit reference to Brexit as a reason for corporate change in the county.

This may change, of course, following the anticipated Brexit deadline on October 31.

The outcome is uncertain, but whatever transpires, it is likely that the economy of the UK will be more exposed to global economic conditions than at present.

Beyond Brexit, therefore, there are significant and growing uncertainties in the global economy arising from trade tensions between the USA and China as well as geopolitical tensions in oil-producing countries that add to uncertainties affecting energy costs.

Looking ahead, will the Brexit deadline produce a similar rollercoaster in national indicators characterised by a bounce back in quarter three or will there be another period of decline implying economic recession (negative growth in two consecutive quarters)?

Growth figures for the third quarter of 2019 are not due for release until November, so we will not have the benefit of knowing the state of the economy by the next Brexit deadline.

However, there will be monthly GDP estimates available for July and August. We await these announcements with more than passing interest.

### National GDP and Components’ Growth Rates April-June 2019 (%)

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Source: ONS GDP Monthly Estimates reported in Statistical Bulletin, 9 August 2019