

Herefordshire
& Worcestershire
Chamber of Commerce

Herefordshire & Worcestershire
Quarterly Economic Survey
Q1 2016
Full Report & Economic Brief

Working in partnership with



Worcestershire
Local Enterprise Partnership

Foreword: Mike Ashton

**Chief Executive, Herefordshire & Worcestershire
Chamber of Commerce**



The Herefordshire & Worcestershire Quarterly Economic Survey (QES) results for Q1 2016 signal a positive year ahead for business in the two counties. Despite the many headwinds businesses face today from an uncertain global market, local businesses are remaining strong. Key points include:

- 72% of service sector firms and 70% of manufacturers believe that turnover will improve in the next 12 months
- 89% of our businesses have seen domestic sales and export sales increase or remain constant
- There has been a 5% rise in exporters reporting an increase in sales compared to Q4 2015

It is great to see that a high percentage of respondents are looking to increase their workforce in the next three months. We are also seeing our businesses become more flexible, with more part-time employment becoming available as well as full time roles. While it is good news to see such positive employment plans for the future, most businesses have continued to struggle finding skilled manual / skilled technical staff. We have worked closely with Robin Walker MP to help bridge the gap between the business community and the education sector in Worcestershire. We are now working with Bill Wiggin MP in Herefordshire to do the same. I hope that when I introduce the QES in Q1 2017 we will see the situation improve.

Businesses will also be thinking seriously about the upcoming EU Referendum and how to cast their vote. The Chamber held a snap poll at the Chamber Business Expo in March and found that nearly two-thirds (65%) of businesspeople polled would vote to stay in the EU. 24% wanted to leave and 11% were still unsure how they would vote. If you would like to find out more, join us at our Brexit Panel Debate sponsored by mfg Solicitors on Thursday 12 May.

See you next Quarter.



Analysis: Gary Woodman

Executive Director of Worcestershire Local Enterprise Partnership (LEP)



Recently we announced that Worcestershire has shown one of the fastest rates of growth in economic output nationally in recent years and this quarter's QES results act as a reminder that businesses are still working hard to drive growth in our local economy.

It is good to see that business confidence for the future for an increased turnover and profitability has risen significantly over the last quarter and that businesses are expecting to increase the size of their workforce. Companies have also succeeded in increasing their export sales despite the challenges faced in the global economy.

The latest results do, however, indicate that local business investment could be higher and that companies' overall growth in sales and orders has been fairly steady. For businesses looking to invest and expand, the Worcestershire Growth Fund, which is funded by our Growth Deal, is currently available and allows businesses to apply for grants of up to £100,000 to support the growth of their business, create jobs and increase productivity. Expressions of Interest for round 2 need to be submitted by 13 May 2016 with details available at www.business-central.co.uk/worcestershiregrowthfund.

We have once again seen a strong rationale for confidence in Worcestershire's economy - with a range of infrastructure improvements currently being delivered through Worcestershire's Growth Deal. Furthermore, an additional £1.8bn has been announced by Government for the 39 Local Enterprise Partnerships to bid towards on a competitive basis. This funding will go towards projects that address key economic issues and improve business productivity through for example; skills provision, providing access to high quality commercial property and improving digital and transport infrastructure.

Domestic performance

In Q1 2016, the overall percentage of companies across Herefordshire & Worcestershire reporting an increase in domestic sales was 49%, with a decrease of 1% compared to Q4 2015.

Meanwhile 40% of respondents felt that sales had remained constant and 11% reported a decrease in sales. Businesses reporting a decrease in sales lowered by 4% this quarter.

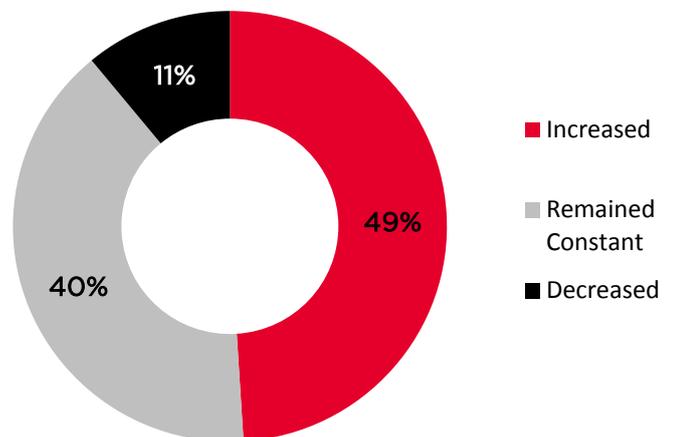
The manufacturing sector saw UK sales rise by 5% in Q1 2016 compared to Q4 2015.

The Service sector remained positive with 45% seeing an increase in sales, a slight increase of 1% compared to Q4 2015.

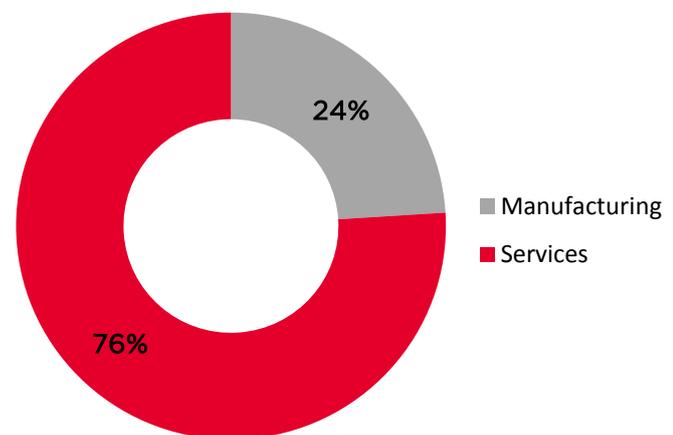
Manufacturers surveyed ranged from self-employed to having over 1500 employees. The average being around 100 employees.

Service firms surveyed ranged from the self-employed up to having over 500 employees. The average was under 20 employees.

Graph 1: Domestic Sales



Graph 2: Breakdown of sector responses



Exports

Overall the percentage of firms reporting an increase in exports was 47%, rising 4% from 43% in Q4 2015. This has pushed the export sales balance up to 36%, rising 7% from the previous quarter.

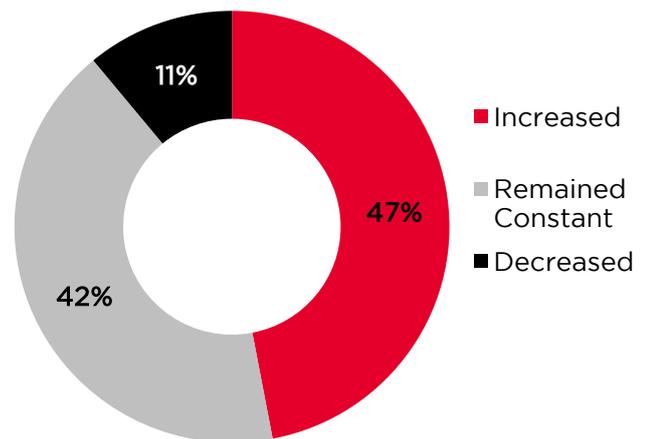
Only 11% of companies saw a decrease in their overseas sales, custom and bookings, down 3% on last quarter.

The balance for overseas orders has decreased 3% to 29% in Q1 2016. There has been a 2% decrease in the number of orders from Q4 to Q1.

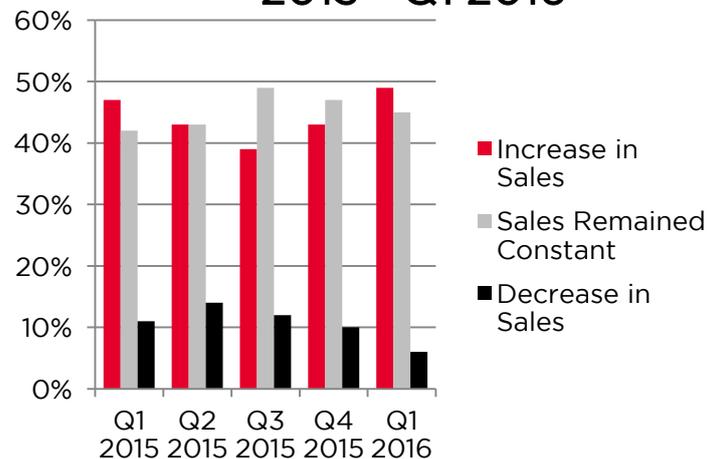
The percentage of local manufacturing firms reporting an increase in exports rose to 43% in Q1 2016, from 37% in Q4 2015. 14% of manufactures reported a decrease in sales with the remaining 43% experiencing constant overseas sales.

Similarly to Q4 2015, this quarter local service sector businesses reporting increased sales was lower at 48%, but 42% had sales remain constant and only 9% reporting a decrease.

Graph 3: Export Sales



Graph 4: Export Sales Q1 2015 - Q1 2016



Labour Force & Recruitment

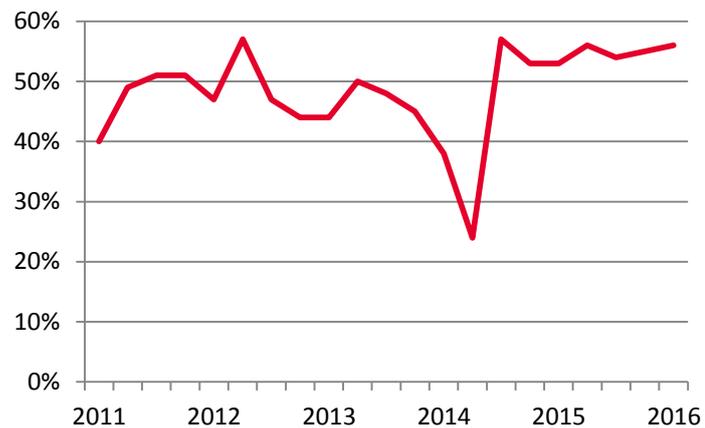
The percentage of firms reporting an increase in workforce slightly rose by 1% in Q1 2016, compared to the previous quarter, to 26%. 31% of businesses expected to increase their workforce in the next 3 months. This is a 7% increase compared to Q4 2015 and it is great to see our local businesses taking on more staff in the two counties, with only 4% of businesses looking to reduce their workforce.

75% of companies surveyed attempted to recruit in the last Quarter, making up 53% of manufactures and 47% of the services sector.

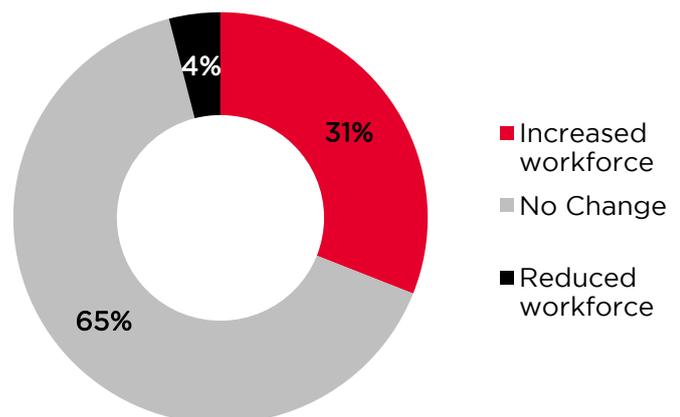
Difficulties hiring staff were experienced by 56% of businesses, up 1% from Q4. 56% of local manufacturers and 56% of local services have both reported problems of finding suitably skilled candidates.

This is further evidence of the skills shortage impacting on the two counties. Many of our members have identified the skills shortage as a serious concern. The Chamber is currently working hard to help bridge the gap between business and education, to combat the biggest threat to our local growth.

Graph 5: % of firms having trouble to recruit



Graph 6: Workforce outlook for the next 3 months



Business Confidence, Concerns & Investment

Pressure to raise prices

24% of companies surveyed experienced pressures to raise their prices, with 4% reporting a price decrease.

Pay settlements, raw materials and other overheads were mentioned as the main contributors to price increases, similar to previous quarters.

Turnover and Profitability

The turnover balance has risen 10% from Q4 2015, to 67% in Q1 2016, and the profitability balance has increased to 64%.

70% of local manufacturers are expecting an increase in turnover, an increase of 9% on Q4 2015.

73% of service sector firms expect turnover to improve and 66% expect profitability to increase, both 6% more than Q4 2015.

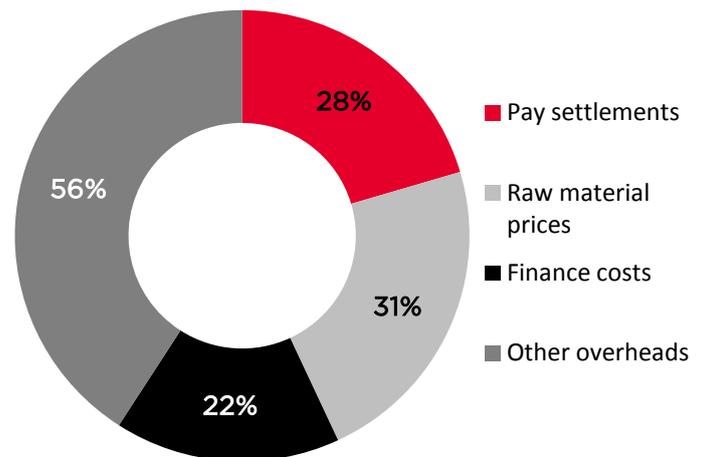
Investment

Investment in plant machinery and equipment is down 2% to 21%, but an increasing number of manufacturers are investing in new machinery, whereas investment in training is up 1% at 22% particularly among local services.

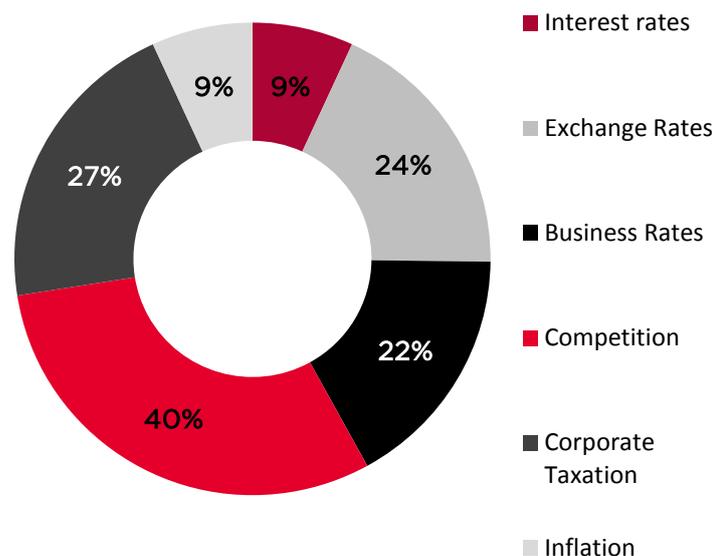
Business Concerns

The largest concerns to business are competition, corporation tax and exchange rates

Graph 7: Causes of pressures to raise prices



Graph 8: Factors of concern to Business



About the Quarterly Economic Survey

Formed in 1989, the Quarterly Economic Survey (QES) is the private sector's leading indicator of the UK economy.

At the regional level, Herefordshire & Worcestershire Chamber of Commerce conducts the QES every quarter across the two counties to assess how businesses are performing on a range of key indicators. The feedback from the survey helps to shape our business policy priorities.

Nationally, the results from the QES are monitored by the Bank of England, HM Treasury, and the European Commission as a quarterly indication of business conditions.

About Herefordshire & Worcestershire Chamber of Commerce

Established in the 1830's during the industrial revolution, Herefordshire & Worcestershire Chamber of Commerce remains a dynamic, not for profit organisation, working hard to support the local businesses and specifically our 1400-strong network of member businesses. Our members make business connections, raise their profile and access professional expertise, knowledge and experience.

If you would like to find out more about Chamber membership please contact the team on [01905 673611](tel:01905673611) or membership@hwchamber.co.uk

Written and Researched by:

Sophia Haywood

Policy & PR Executive

Herefordshire & Worcestershire Chamber of Commerce

sophiah@hwchamber.co.uk

HEAD OFFICE

Severn House

Prescott Drive

Worcester

WR4 9NE

T: 01905 673600

HEREFORD OFFICE

The Town Hall

St Owen Street

Hereford

HR1 2PJ

T: 01432 803 236

E: goodbusiness@hwchamber.co.uk

www.hwchamber.co.uk

