

Herefordshire &
Worcestershire

Quarterly Economic Survey
Q3 2016

Full Report & Economic
Brief



working in partnership with



Worcestershire
Local Enterprise Partnership



British
Chambers of
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Foreword: Mike Ashton

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



This Quarterly Economic Survey takes a unique snapshot of the local business climate following the Brexit vote. After the initial disappointment or joy, businesspeople and politicians have now come together to make Britain the best place to do business.

Following Theresa May's speech at the Conservative Party Conference, we now know that Article 50 will be triggered by March 2017, officially firing the starting gun for Brexit. Businesses still await further clarity and communication from Westminster and the department for Brexit about the process. We call on Government to answer those burning questions the business community have, as soon as they are able to.

While there is uncertainty, the business community has shown its strength in its resilience towards recent turbulent headwinds. I have total faith in the local business community and I look forward to seeing what we can achieve at the end of this year.

Locally, the Chamber has been lobbying and promoting some key infrastructure projects which will help businesses, such as dualling the Carrington Bridge and Worcestershire Parkway. It is vitally important, now more than ever, to make sure we have the right infrastructure in place. This will help open up the two counties to other parts of the country, unlocking huge amounts of economic capacity.

Finally, I would also like to say a big thank you to you - the business community - as this quarter we achieved a huge 600 responses for the QES. This is our highest number to date and we wouldn't be able to do this without your ongoing support.

See you next quarter.

Analysis: Gary Woodman

Chief Executive of Worcestershire Local Enterprise Partnership (LEP)



In the last quarter we've seen great results from the range of projects we've funded across Worcestershire; just one of the factors that have led to signs of strong confidence in the local economy. In this QES report we can see that local businesses are continuing their excellent performance seen throughout this year, with a majority of businesses reporting an increase in domestic sales over the last quarter.

While the latest QES findings indicate that most businesses have not been affected by the EU Referendum outcome, there are some clear signs that reflect the impact of the referendum result on the local economy. For example, a majority of businesses have reported their export sales remained constant in the last quarter, and manufacturing businesses in particular have reported that the result has influenced levels of business investment.

We believe that greater clarity on EU negotiations and policy from Government, and greater levels of local investment in key areas such as skills, infrastructure and business support will lessen the impact of uncertainty in the UK economy and help to ensure Worcestershire continues its excellent rate of growth seen in recent years. The Worcestershire LEP and partners will continue to work with partners to understand the local economic impact of the referendum result over the coming quarters and throughout the negotiations.

To help promote further local economic growth, we've recently submitted bids for a total of £105m of Government funding to invest in a wide range of infrastructure projects and other innovative initiatives - in particular a £70m bid to complete the much needed dualling of the A4440 Carrington Bridge. The successes of our existing projects and partners, and the exceptional growth of our local businesses are all topics that we will be celebrating at our 2016 Annual Conference on 4 November. I would therefore encourage all local businesses to register their attendance at our Conference via our website, www.wlep.co.uk.



Domestic performance

In Q3 2016, the overall percentage of companies across Herefordshire & Worcestershire reporting an increase in domestic sales fell slightly to 45%. However while domestic sales survived the Brexit vote relatively unscathed, exports are another story.

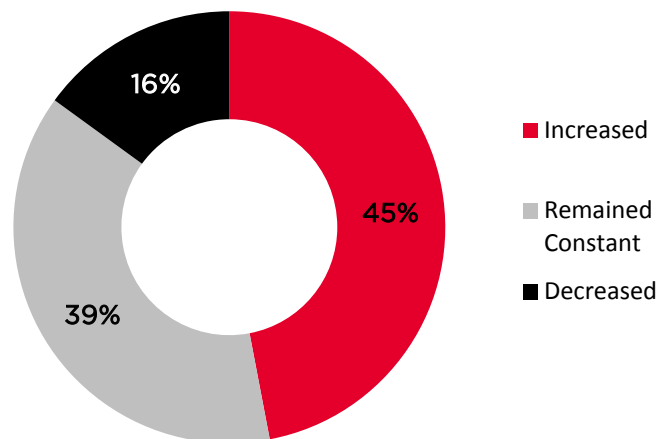
Meanwhile, 39% of respondents felt that domestic sales had remained constant and 16% reported a decrease in sales. Businesses reporting a decrease in sales rose 1% this quarter.

The manufacturing sector has seen another slight decline in domestic sales down 3%, with 44% of businesses reporting an increase in sales. The Service sector has remained positive, with 46% seeing an increase in sales.

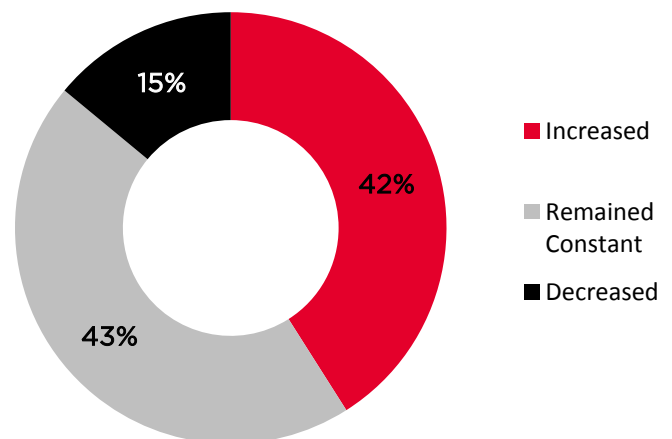
There is still some work to be done in order to help local manufacturers in the two counties improve competitiveness and productivity, particularly in light of Brexit.

We would encourage any business experiencing challenges to contact Worcestershire.Business.Central for expert advice on what support and funding is available.

Graph 1: Domestic Sales



Graph 2: Advanced Sales



Exports

In Q3, 32% of firms reported an increase in exports, compared to 43% in Q2. This is a significant dip of 11%, we do however expect an increase during Q4.

9% of local companies reported a decrease in their overseas sales, which actually fell 5% from Q2.

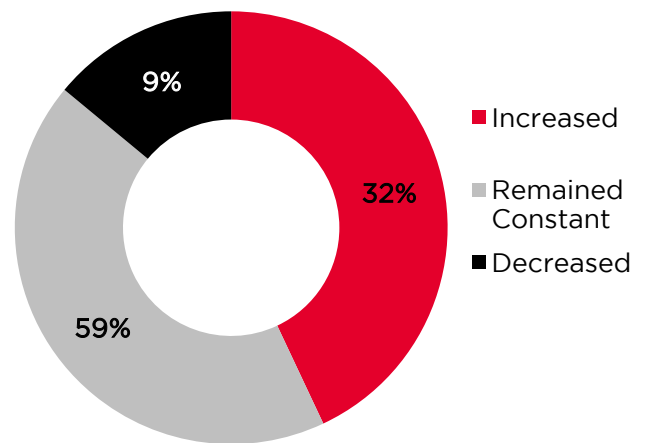
10% of businesses also reported a decrease in overseas orders during the last quarter. The immediate uncertainty following Brexit will have certainly played a part here.

Manufacturing firms have been feeling the squeeze, with only 37% reporting an increase, 9% down on Q2. However, only 32% of Service Sector firms reported an increase in Q3, down by 16% on Q2.

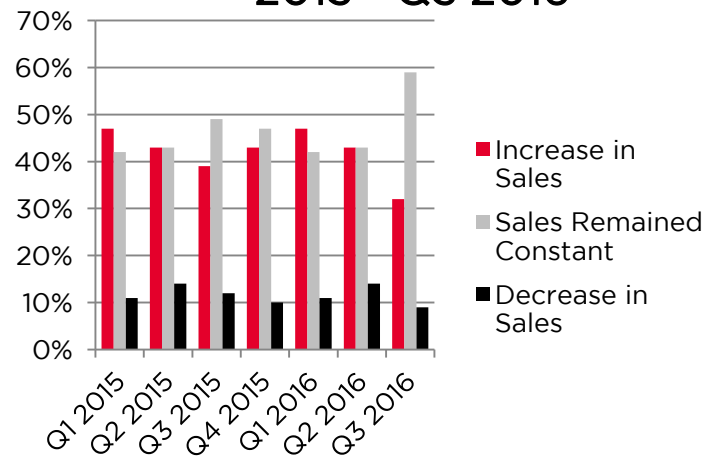
The contrast between domestic and export sales is not surprising, given the time of the Q3 survey. As businesses look back over the last 3 months, they see a challenging time with weaker global growth, uncertainty and troublesome exchange rates.

Despite the exporting opportunities presented by the drop in sterling, businesses have not been able to make the most of it and now more than ever, need support from their local Chamber.

Graph 3: Export Sales



Graph 4: Export Sales Q1 2015 - Q3 2016



Labour Force & Recruitment

Despite uncertain times it is great to see nearly a third of local businesses investing in people and recruiting.

The majority of businesses however (61%) reported no changes and 65% expect their workforce to remain the same until the end of Q4.

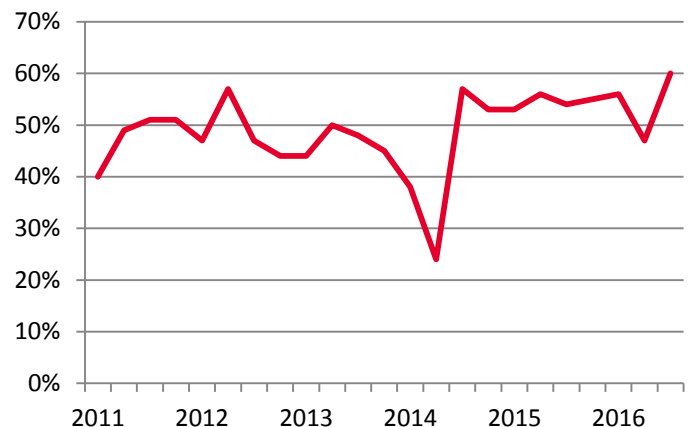
Just over half of respondents attempted to recruit over the summer period, mostly for full time, permanent roles.

Skills remains one of the biggest issues for local employers across the two counties. 60% experienced difficulties in hiring suitable staff, a continuing trend of the last few years.

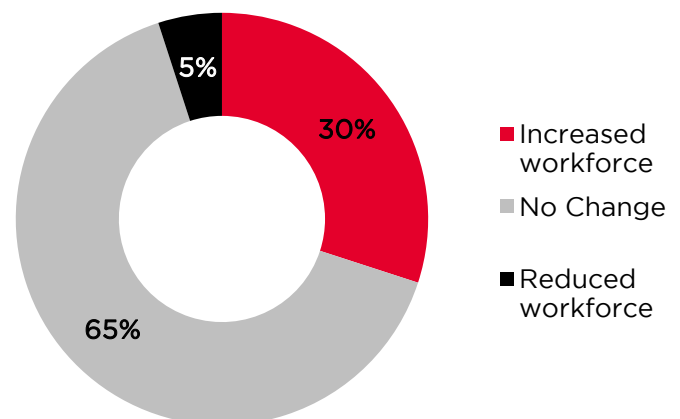
Skilled manual and technical roles remain the hardest to fill (45%), closely followed by professional and managerial (36%) and clerical roles (14%). This is further evidence of the skills shortage impacting on the two counties.

The Chamber will continue to champion this issue and work to influence government legislation. We are lucky to have the support of our local MPs in addressing this challenge and look forward to working with them on bridging the gap between business and education in the near future.

Graph 5: % of firms having trouble to recruit



Graph 6: Workforce outlook for the next 3 months



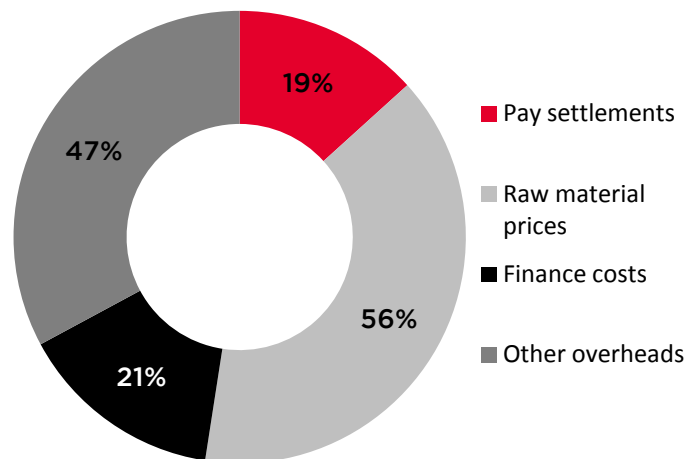
Business Confidence, Concerns & Investment

Pressure to raise prices

In light of the Brexit vote, the number of businesses expecting to raise their prices rose by 12%, to 30% in Q3. This is a significant increase and highlights how business costs eventually have to be passed down to the consumer.

Raw material prices were the most mentioned causes for price rises (56%), possibly due to the price rise following the weaker pound in the aftermath of the referendum.

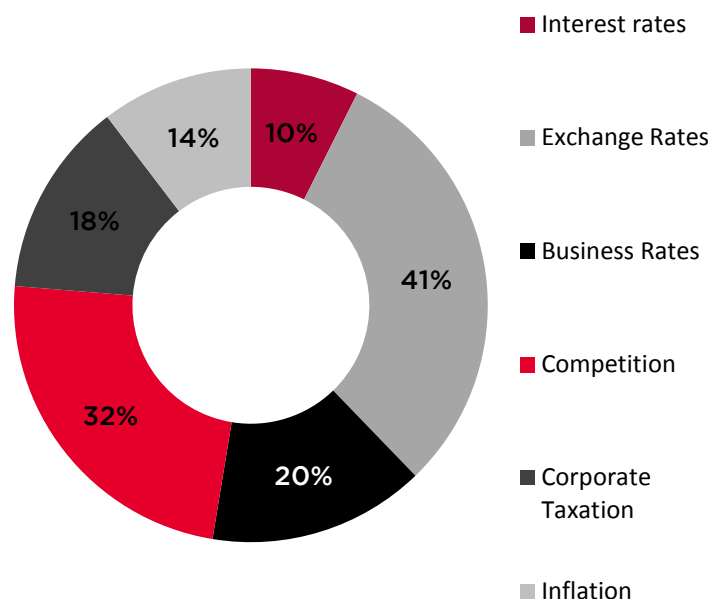
Graph 7: Causes of pressures to raise prices



Investment

Investment in plant machinery and equipment has risen in recent months, with 26% of businesses revising upwards, however the majority still report no change. This is a similar case for investment in training.

Graph 8: Factors of concern to Business



Business Concerns

Naturally, exchange rates shot up as the biggest concern to business, rising 16%, to 41%. Following this the biggest concerns were competition (32%) and corporate taxation (18%).

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** or membership@hwchamber.co.uk

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