

QUARTERLY ECONOMIC SURVEY



FINDINGS



Herefordshire
& Worcestershire
Chamber of Commerce

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Herefordshire & Worcestershire Chamber of Commerce

Welcome to the first Quarterly Economic Survey report for 2018. Here at Herefordshire & Worcestershire Chamber of Commerce we pride ourselves on being the voice for businesses in the two counties. This report highlights the key challenges our Members have raised over the last quarter.



We received a fantastic response rate from local businesses, which allows us to paint a picture of how firms in the two counties are fairing in the current economic climate.

It is clear that the difficulties businesses were facing during 2017 have remained during this first quarter. Both exchange rates and increases in inflation over the past year have put pressure on businesses to increase the price of their goods/services. Business costs such as raw material and the Apprenticeship Levy continues to make it difficult for businesses to remain competitive. The uncertainty of Brexit continues to be at the forefront of businesses minds when looking ahead to future planning, but businesses remain resilient and will continue to innovate and grow despite the uncertainty.

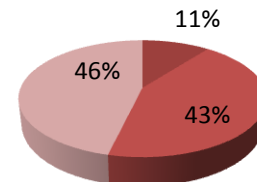
Domestic Performance

Domestic sales performance was strong for a number of firms in the two counties. Particularly the construction sector and professional services who saw their sales increase.

On the whole, sales and advanced orders have remained constant over the last six months. Despite uncertainty, firms in Herefordshire have seen a 5% rise in the number of firms reporting an increase in sales which is a warm welcome compared to the figures last year. Worcestershire firms appear to remain at a constant level for sales and are keen to improve this figure over the next 12 months.

Sales

■ Decrease ■ Remained Constant ■ Increased

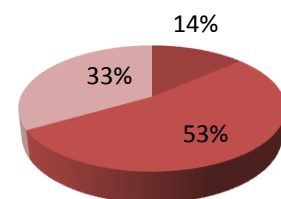


Overseas Performance

The export market is incredibly buoyant at the moment with 33% reporting an increase in overseas sales and 31% in their advanced export orders. Brexit uncertainty hasn't been holding back firms sales, but it has been impacting how they think about selling abroad in the future. Firms are keen to understand what will happen on trade deals and urge both the UK government and the EU to come to an agreement sooner rather than later.

Export Sales

■ Decrease ■ Remained the same ■ Increased



Here at Herefordshire & Worcestershire Chamber of Commerce we are able to provide our Members with key information on how to be successful at exporting with the Global Trade Hub and The Department for International Trade (DiT).

Only 40% of survey respondents identified themselves as exporters. If you would like to gain free expertise and practical support, you can find out more on our website

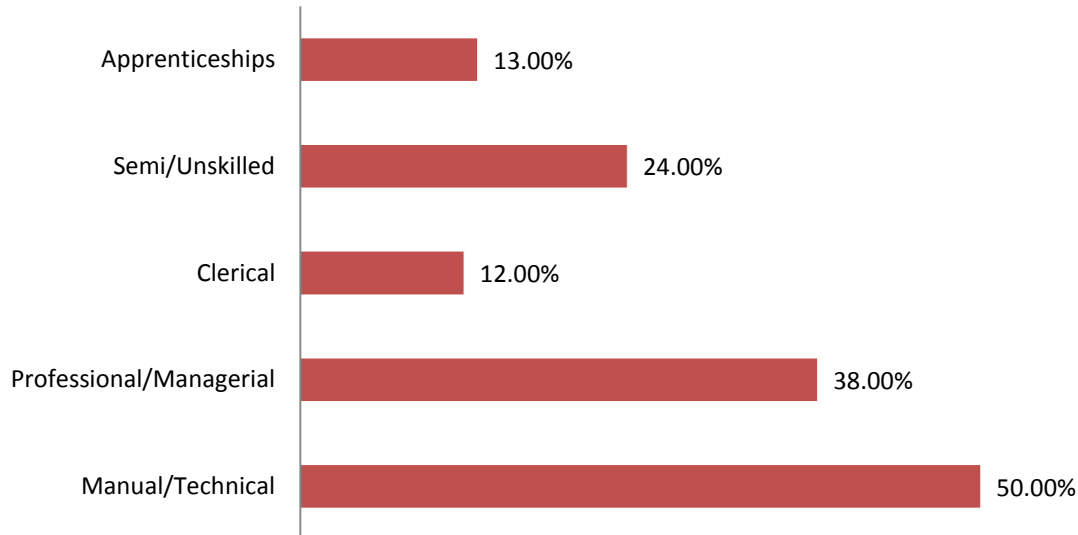
<https://hwchamber.co.uk/global-trade-hub>

Skills

Skills and recruitment continues to remain a huge issue for local firms. Over half of businesses attempted to recruit and 51% struggled this quarter. The biggest skills in demand continued to be manual/technical (50%) followed by professional/managerial (38%) and last but not least, semi skilled or unskilled workers (24%) which are particularly key for agriculture and manufacturing sectors.

The majority of businesses continue to find difficulties in recruiting staff, with over half of businesses attempting to recruit this quarter. The most sought after staff continues to be those who are skilled in manual and technical areas, as well as professional/managerial roles.

All of this is set in the context of incredibly low unemployment. In Herefordshire the unemployment rate amongst 16-64 year-olds has decreased to 3% and Worcestershire's unemployment rate is at 2%, both considerably below the national levels. This has meant an increase in competition between businesses in the counties for labour.



Price Pressures and Business Confidence

Raw material prices, fuelled by volatile exchange rates and uncertainty, continue to pressure firms to increase their prices despite wanting to remain competitively in local and international markets.

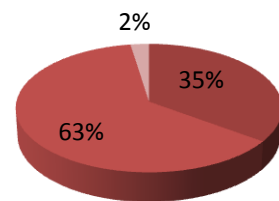
35% expect to raise their prices over the next three months, a recurring statistic of ever increasing costs among all business sectors and sizes.

Cash flow for businesses has remained constant over the past six months with the majority reporting a consistent picture. This is a much more positive picture than a year ago which saw one of the worst months for cash flow in recent years.

Business confidence remains resilient with the majority of businesses (68%) believing that turnover will increase over the next 12 months, up by 4% since previous quarter. Almost 60% believe profitability is expected to increase, although many firms have acknowledged the impact squeezed margins are going to have on profitability.

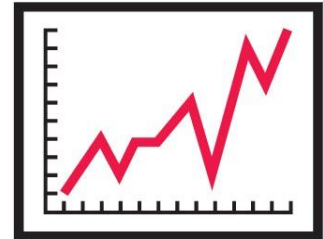
Expectation of the price of goods/services to...

■ Decrease ■ Remain the same ■ Increase



Business Investment and Future Concerns

During 2017, there was a slight downward trend in the number of businesses investing in their plant, machinery and equipment. This quarter saw 30% of firms increase their investment in this area, up by 4% compared to the previous quarter, a small welcome improvement. When asked about their investment plans in training for their staff 26% reported that they have increased their investment plans. However with an ever growing skills and labour shortage, firms should be much more focused on their skills and retention strategy. Many firms are using salary as a retention strategy, Herefordshire & Worcestershire Chamber of Commerce have produced a **Salary & Skills report** which benchmarks salaries across the two counties.



Leading onto the biggest business concerns for Q1 2018, we see competition continues to top the charts (42%) followed by inflation (29%) and exchange rates (22%).

When you break it down between larger and smaller companies in the region, you see exchange rates at the top of concerns for larger firms and competition at the top for smaller firms. Between the two counties, both emphasise competition as a main concern (Worcestershire 44% and Herefordshire 34%). The second top concern for Herefordshire was taxation, with 29% of firms feeling that taxation in the county for businesses is becoming more of a concern. Worcestershire business' second top concern was inflation (31%) and with the increases in inflation over the past year this has put a considerable strain on many firms.



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