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Herefordshire & Worcestershire Chamber of Commerce

Welcome to the second Quarterly Economic Survey (QES) report for 2018. Our latest survey results reflect the outlook of companies of all sectors and sizes across the two counties in comparison to the West Midlands.



This quarter, changes to legislation caused concerns for firms both large and small. Many businesses saw a decline in their productivity during the final months due to time spent on making changes to comply with GDPR. The introduction of GDPR has had implications for several firms, in particular SME's who may have lost a lot of customer data due to the changes in legislation.

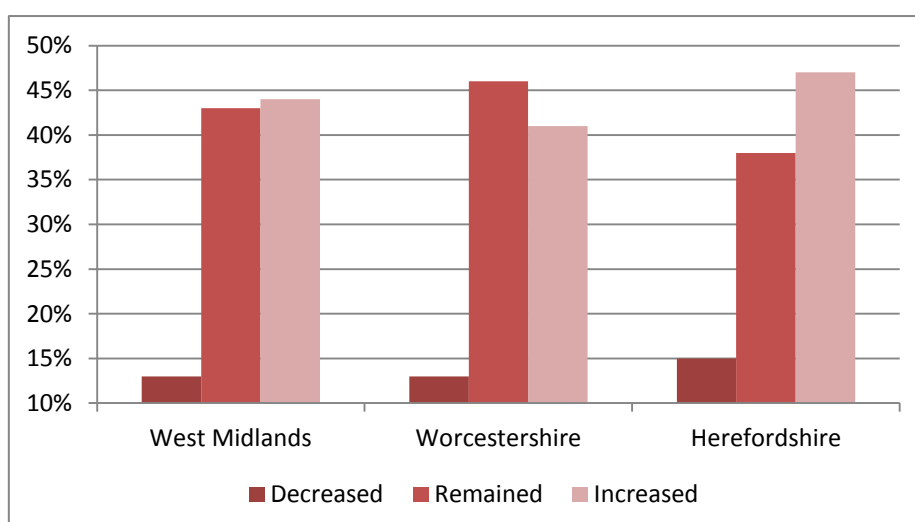
In this report, Herefordshire & Worcestershire Chamber of Commerce will cover the latest findings from the QES data and comment on domestic and overseas performance, the local labour market, issues firms are facing this quarter and how businesses are investing.

Domestic Performance

The UK market has remained strong for businesses in the two counties. On the whole, domestic sales continue to remain at a steady level

At a glance...

- 44% of firms within the West Midlands saw an increase in sales and 43% saw their sales remain constant.
- 41% of Worcestershire firms saw an increase in sales this quarter, down from 46% in Q1 2018.
- 47% of Herefordshire firms saw an increase in sales this quarter, down from 48% in Q1 2018.



Two sectors in particular have stood out this quarter: Construction, and Transport & Distribution.

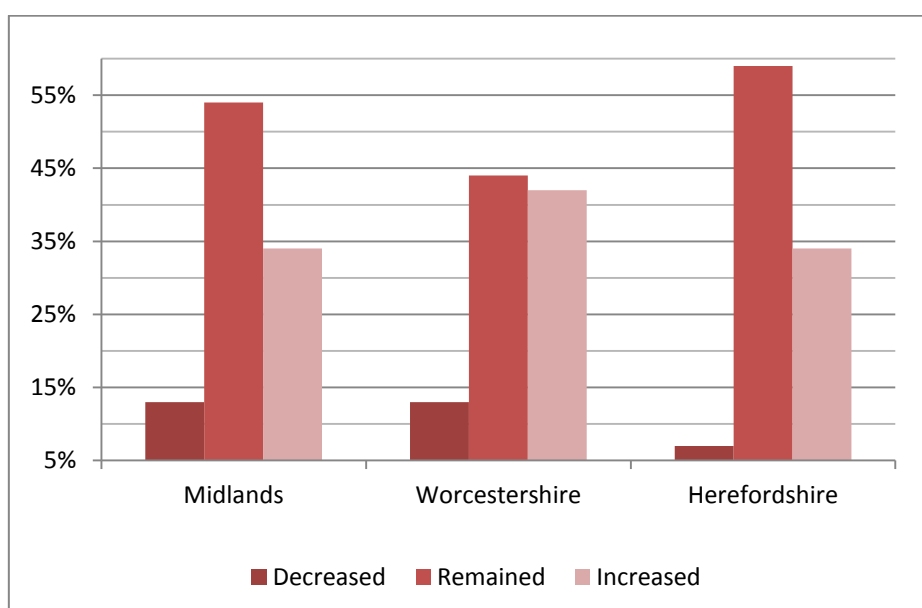
The Transport & Distribution sector saw a 25% growth in sales, a warm welcome compared to previous figures. While the Construction sector has continued to rise throughout the quarters with 55% of firms reporting an increase in sales during quarter two.

Overseas Performance

Exporting sales has remained constant this quarter, with firms adopting the attitude to continue trading until they receive more information from the government. Recent figures predict export growth will continue to rise, however during quarter two, the UK saw a widened trade deficit resulting from a combination of falling goods exports (£3.1 billion) and rising good imports (£1.9 billion).

At a glance...

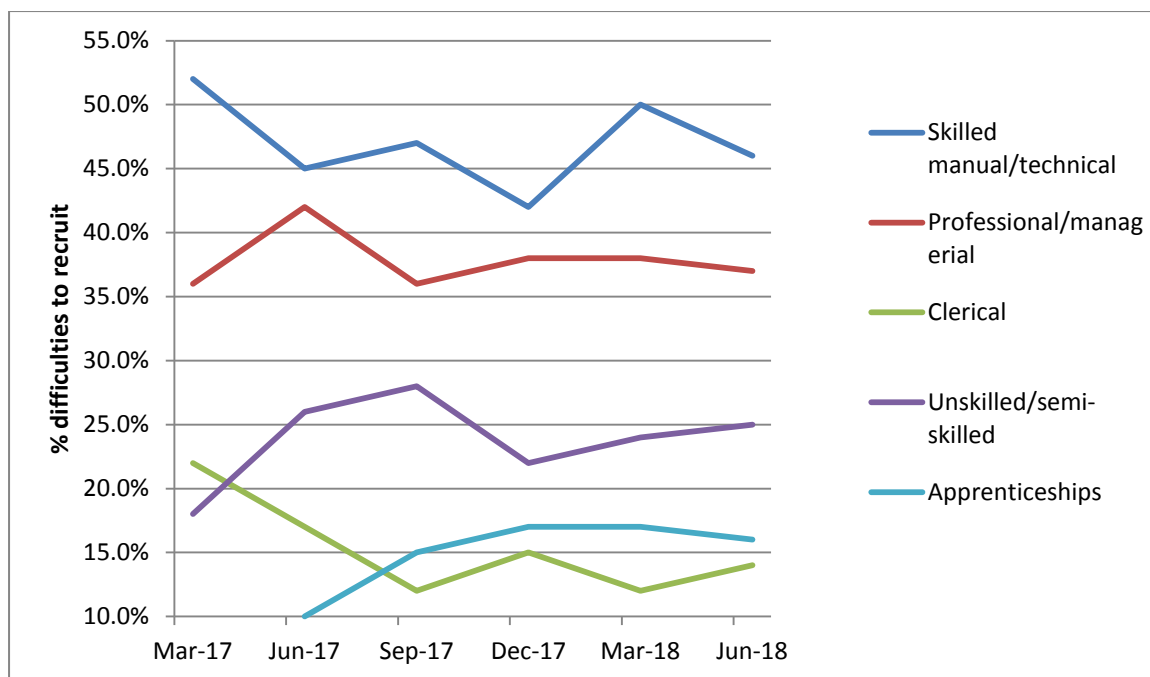
- Within the West Midlands 34% of firms saw an increase in overseas sales and 54% reported their sales had remained constant.
- 42% of Worcestershire firms saw an increase in overseas sales this quarter, up from 37% in Q1 2018
- 34% of Herefordshire firms saw an increase in overseas sales this quarter, up from 31% in Q1 2018.



Skills

A recent report by the Department of Education saw the number of apprenticeship starts dramatically fall since the introduction of the Apprenticeship Levy. This fall has been reflected locally with a 5% drop in firms actively looking for apprentices.

In Worcestershire 60% of firms experienced difficulties in finding suitable staff in skilled manual/technical and professional/managerial areas, up from 53% in Q1 2018. Similarly, 64% of Herefordshire firms reported difficulties in finding suitable staff, up from 43% in Q1 2018. You can see the change in difficulties to recruit certain roles in the two counties below.

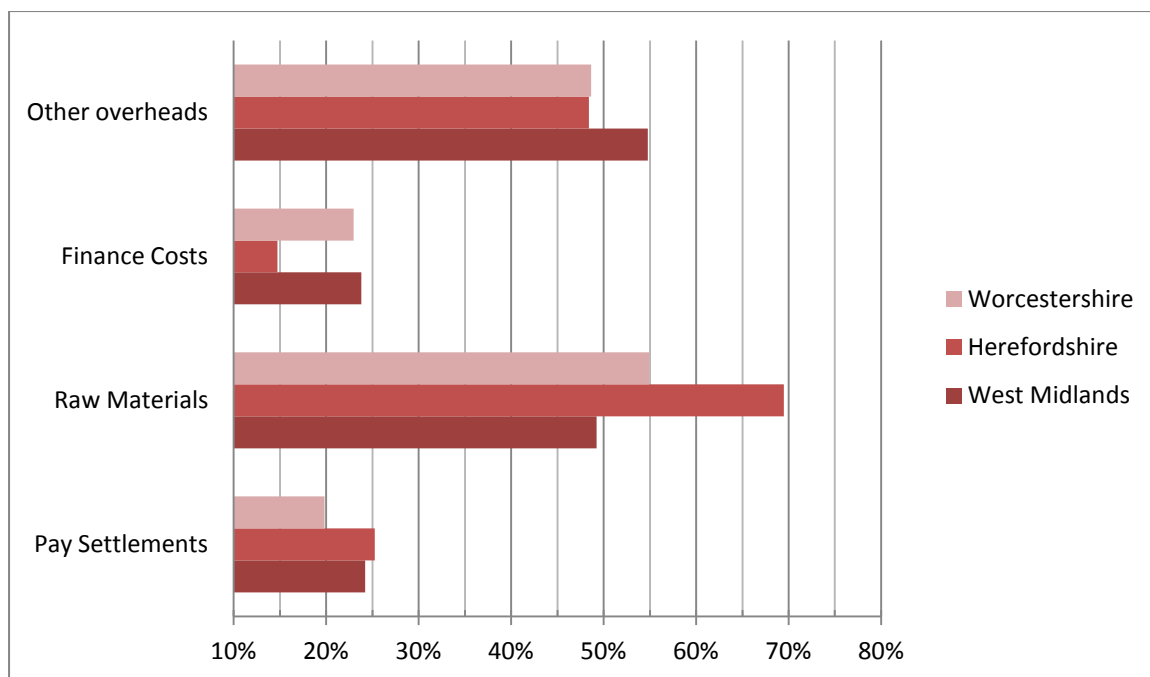


As a region we face a shortage of skills both at the lower and higher ends of the skills spectrum and with low apprenticeship starts, this may increase the skills gap over the next coming months.

The West Midlands Combined Authority (WMCA) have published the Regional Skills Plan detailing what actions the WMCA will take in order to tackle the skills agenda and increase productivity within businesses. One of their objectives is to accelerate the take-up of apprenticeships across the region, however with the current state of the apprenticeship system it is clear that it needs to be revised in order to encourage increased participation from businesses.

Price Pressures and Cash flow

Raw material prices continue to top the list for business concerns and with prices remaining high the pressure for businesses to increase their prices persists and this is a trend throughout the West Midlands.

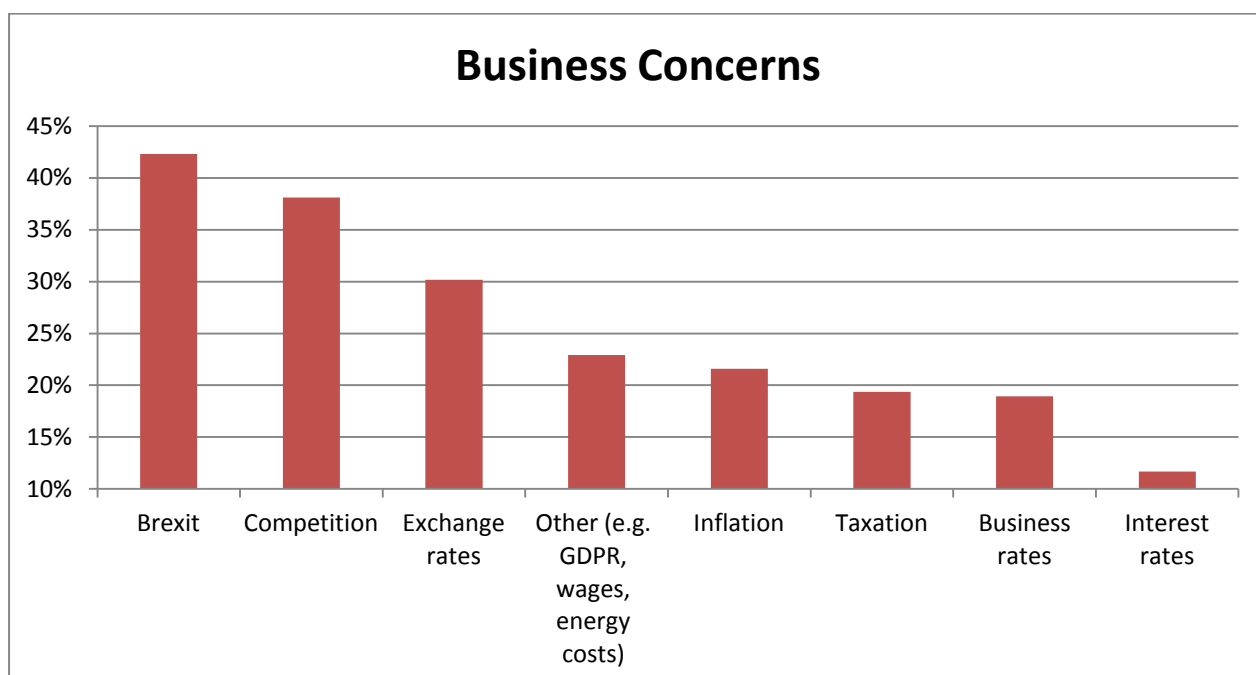


Raw material prices are adding significant pressure for Herefordshire businesses compared to those in Worcestershire and the rest of the West Midlands. Finance costs are the least concerning issue for those in the county and this may be due to the fact that wages are low in that area.

Cash flow remains at a good level, with over half of businesses reporting that it has remained steady over the past three months despite increasing concerns for business costs such as rent, staff wages and cuts to funding.

Business Concerns

The top three concerns included: competition, exchange rates and inflation.



It is no surprise that Brexit remains a concern for many businesses; however what was surprising is that this did not top the charts for business concerns.

With the introduction of GDPR this quarter, many businesses stated this as a concern. Firms felt that the legislation change was costly and the time spent on changing internal policies and practices cost them their productivity and valuable contacts.

Another concern which has increased is the cost of energy. Lowering energy bills can make a huge difference to businesses costs, which is why the Chamber are working in partnership with both Herefordshire and Worcestershire Council to deliver the Business Energy Efficiency Programme (BEEP). BEEP helps firms become more environmentally friendly, and in doing so, save money on energy costs.

If you are interested in reducing your energy usage and want to find out more please see our website: <https://hwchamber.co.uk/support/advice/business-energy-efficiency-programme>

Business Investment and Confidence

Unfortunately 2018 sees firms refraining from increasing investment into their business due to the uncertainty around how Brexit will affect them. It is vital that businesses receive answers on how Brexit could affect them in a timely manner for firms who want to make contingency plans. The British Chambers of Commerce has recently released a Brexit checklist to help businesses prepare for future decisions, click [here](#) for the pdf.

Uncertainty with Brexit has also impacted business confidence. Although confidence remains high a downward trend within the two counties has started to appear and between this quarter and the last there has been a 5% drop in confidence.

It is time for the UK government to draw a line under internal political debate and deliver urgent clarity on the practical, detailed issues that underpin trade – or face the continued deterioration in investment and confidence as the clock ticks down to the October deadline to complete the UK's Withdrawal Agreement.



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