Q1 2021

ECONOMIC IMPACT REPORT

Focusing on automation and skills

Herefordshire & Worcestershire Chamber of Commerce

INSPIRING WORCESTERSHIRE
CREATING OUR FUTURE WORKFORCE

Worcestershire Local Enterprise Partnership

CONTENTS

Sharon Smith
Chief Executive
Herefordshire & Worcestershire
Chamber of Commerce

Herefordshire & Worcestershire Chamber of Commerce has released the results of the latest Quarterly Economic Indicator, outlining business performance between January and March 2021. Data collection was conducted between Monday 15 February and Monday 8 March.

UK sales have decreased slightly this quarter down from 0% (Q4 2020) to -6% (Q1 2021), largely due to the national lockdown which has been in place since January 4 2021, and continues to impact businesses across the two counties. For the fifth quarter in a row, overseas sales are negative. This means most businesses have experienced fewer overseas sales compared to last quarter. With restrictions in international travel and increased red tape around imports and exports, overseas sales and orders remain negative.

As we look forward to restrictions being eased following the release of the government roadmap, we cannot forget the impact the latest national lockdown has had on businesses across Herefordshire and Worcestershire. Non-essential retail and tourism have been some of the hardest hit sectors across the country, with severe job losses and reduced income for many businesses across the sectors. However, the announcement of the extension of the Job Retention Scheme to September 2021 has helped save millions of jobs across all industries and sectors.

Reduced sales and trade continue to have a significant impact on business cashflow. Cashflow remains negative for the fourth quarter in a row decreasing slightly from -5% (Q4 2020) to -8% (Q1 2021). While the government business support loans and grants will help inject businesses with immediate cash, businesses are still making payments while remaining closed, causing significant financial pressure for many firms across the two counties. While businesses welcome state intervention in helping to keep afloat during these difficult times, they also remain hopeful that they are able to reopen on the dates proposed in the roadmap.

2021 is looking far more positive, with a successful vaccine rollout and government roadmap to ease restrictions. Businesses across Herefordshire and Worcestershire are now able to plan effectively for their reopening which will likely see a boost to the local and national economy. Our data shows business confidence in yearly turnover has more than doubled since last quarter from 19% (Q4 2020) to 44% (Q1 2021). Businesses are now confident that once lockdown restrictions ease, turnover will increase as consumers are likely to spend, which will help provide a much needed boost to the high street and local economy.

The Covid pandemic has claimed nearly one million jobs across all industries and sectors, (Unemployment rate: How many people are out of work?, 2021). However, the percentage of businesses looking to recruit in the next three months has doubled since last quarter from 12% (Q4 2020) to 23% (Q1 2021). One of the main reasons for this increase in growth is due to increased confidence in businesses ability to employ staff, once demand starts to pick up. In particular, Chamber conversations with Members have seen a growth in IT businesses looking to recruit skilled IT engineers to help with the increase in businesses moving operations remotely.

Throughout 2021 and beyond, the Chamber will continue to support local businesses as they recover and grow, creating jobs and positively contributing to society and the economy.

Judy Chadwick
Skills and Investment Group Manager and Worcestershire LEP Director of Skills

Worcestershire
Local Enterprise Partnership

Since our last appearance in the Quarterly Economic Report last year, the Worcestershire Local Enterprise Partnership (LEP) has worked to build on the research and data from our partners, employers and stakeholders, both local and national, to formulate our Local Skills Report. This report builds an action plan for the next five years to meet our skills, employment and education priorities for Worcestershire to improve our economic picture moving forward, focusing on the topic of automation in the county. The data from the Quarterly Economic Report and our partners from the Herefordshire & Worcestershire Chamber of Commerce is crucial to our ongoing thinking and we discuss regularly with them the direction to follow.

Over the last year, during the Covid-19 pandemic, one of the outcomes has been the rapid advancement of technology solutions into business, whether it has been moving to a virtual office, selling your services and goods online or the greater need for data analysis created by the change in environment. It has been a period of seismic change in our working lives which has brought new ways of working and new demands for technology as well as a greater challenge for business around security and data management.

Within our role leading on the vision for skills in Worcestershire, we must be able to predict trends over coming years and to be able to understand the education required to meet those demands. The impact of digital skills and the significant demand in our economy for employees with advanced level technical skills can not be underestimated, as well as developing technologies and the opportunities for upskilling and reskilling these bring.

It is clear that in Worcestershire, automation is on many of our businesses minds, with the use of artificial intelligence (AI), robotics and other forms of 'smart automation' advancing at a rapid pace. Automation has the potential to bring great benefits to the economy, by boosting productivity and creating new and improved products and services, however it is also clear that the skills demand must meet this requirement.

This crucial research allows us to start to inform our digital skills thinking moving forward and to ensure our education establishments, both at school age and higher, are understanding the needs of our businesses and shaping the curriculum to that need. It is clear that the wider impact of automation also enhances the need for greater project management and both critical thinking and problem-solving techniques in business.

The report reinforces the challenges for our employers to look beyond the current times of challenge and think of tomorrow and their needs. Again, workforce planning becomes crucial to our success as a county and balancing the short-term recovery with our long-term business goals. The need to reskill current staff but also to take on new entrants with these skills into our businesses and to look ahead to ensure the skills are in place for when we most crucially require them.

The Worcestershire Local Enterprise Partnership supports a number of key government initiatives such as the Kickstart programme, which can help with short-term project support, and the apprenticeship schemes, which are a great way to develop talent into our workforces. We would encourage employers to consider these schemes as ways to bring digital skills into organisations.

Worcestershire LEP is committed to supporting our employers to create their future workforce but also to support the upskilling and reskilling of the county's workforce, building resilience and positively impacting our economy beyond 2021.

METHODOLOGY

During Quarter 1 (Q1) 2021, 463 businesses in Herefordshire and Worcestershire responded to the Quarterly Economic Indicator. Data collection took place between Monday 15 February 2021 and Monday 8 March 2021. Any reference to Quarter 4 (Q4) 2020 refers to the data collection period from Monday 2 November 2020 to Monday 23 November 2020.

In this document some of the QES results are presented as balance figures. Balance figures show the difference between the increase and decrease in activity. If the figure is a plus, it indicates an expansion of activity. If the figure is a minus, it indicates a contraction of activity against the previous quarter.

BUSINESS SECTOR CLASSIFICATION

Throughout the document business sectors are used to make comparisons of activity. The sectors are defined below.

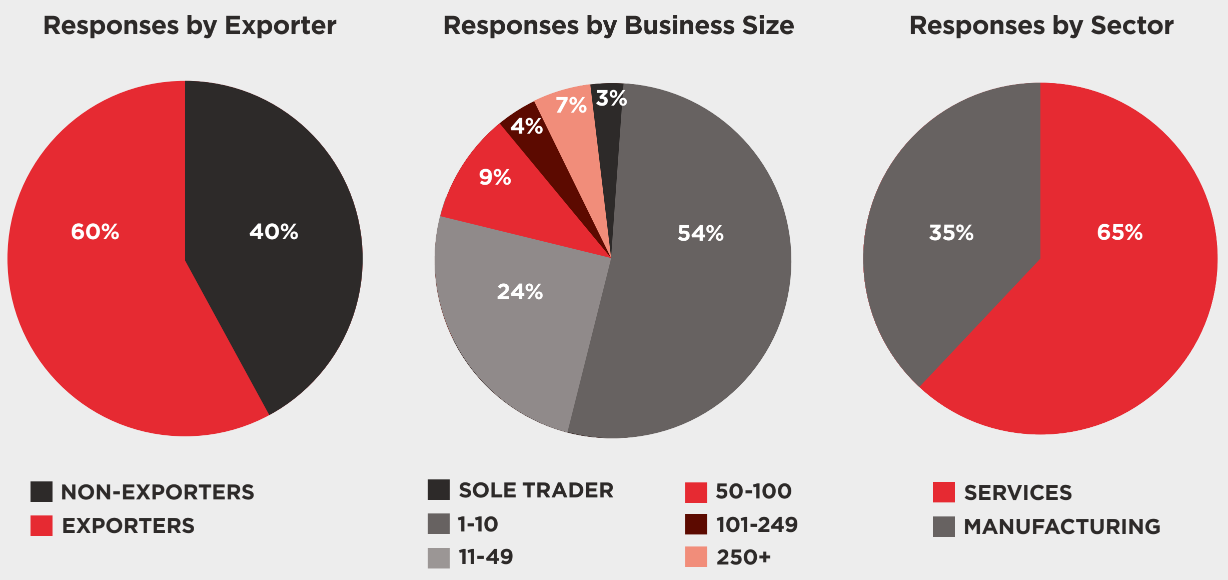
Manufacturing Sector

Main business activity includes manufacturing of goods (including electronic or information technology goods) and production of raw materials, construction, agriculture, fishing, mining or utilities.

Service Sector

Main business activity provides a service to businesses as well as final consumers (including retail/wholesaling, professional services and marketing).

SAMPLE SUMMARY



EXECUTIVE SUMMARY:
KEY FINDINGS

DOMESTIC & OVERSEAS MARKET

35% of businesses have experienced a decrease in UK sales this quarter.

For the fifth quarter in a row, overseas sales are negative. This means most businesses have experienced fewer overseas sales compared to last quarter.

2021

CASH FLOW

Cash flow remains negative for the fourth quarter in a row decreasing slightly from -5% (Q4 2020) to -8% (Q1 2021).

WORKFORCE

30% of businesses are looking to recruit in the next 3 months.

TURNOVER

Business confidence in yearly turnover has more than doubled since last quarter from 19% (Q4 2020) to 44% (Q1 2021).

BUSINESS PERSPECTIVE

IN THEIR OWN WORDS:

The biggest challenges facing us are short-term ones related to Covid closures and restrictions. Long-term we have a solid, growing business but are facing extreme cash flow shortages throughout this second year of restrictions. Lack of clarity/ roadmaps to re-opening, lack of consistency across UK nations and unclear/mixed messaging from government are what we are finding most frustrating and difficult to navigate.
• Hospitality business employing 1-10 people

Turnover for the current financial year is down 72% with barely any government assistance through Covid and just two months' rent credits from our commercial landlord. The only demand we've had recently is from the EU, where we hit the Brexit mess.
• Manufacturer employing 1-10 people

Non-tariff barriers following Brexit are having a severe effect on our clients and in turn on our business. There is little or no support for smaller businesses and we anticipate a very high level of insolvencies and business failures as a result.
• Professional services business employing 1-10 people

We have been severely affected by the Covid crisis but have not been given any assistance. It seems ridiculous to me that the businesses who have had to close are given support but the businesses that supply those businesses get no support.
• Retailer employing 1-10 people

Shipping to the EU is at an all-time low due to UK customs processing taking weeks and we may lose customers to EU competition because of it.
• Manufacturer employing 11-49 people

Rules of origin for importing are a real problem as we buy Turkish produced goods from a German company and now have to pay duty. Using the free trade deal with Turkey and buying direct from Turkey for all goods is not an option. This will result in higher prices and less choice for our customers. Doesn't seem a sensible solution.
• Retailer employing 11-49 people

Brexit is a complete disaster that is hitting us very hard. Despite setting up an EU office (under difficult circumstances due to lockdowns etc.) we are still finding it extremely difficult to ship to the EU. The paperwork is all present and correct, but the couriers just return the parcels. They cannot even give an explanation as to why, agree paperwork is complete, but suggest it may be that no lorries are available to take them. EU customers are scared to purchase as they are expecting large bills for tariffs and VAT.
• Manufacturer employing 50-100 people

Brexit is causing us big issues with importing/exporting to the EU and Northern Ireland.
• Retailer employing 50-100 people

The recent experience shows us that people can work from home, but we are left with expensive offices which need a serious rate reduction.
• Construction business employing 50-100 people

Access to new, increased UK R&D funds is a concern as access to EU monies has been reduced.
• Defence and security business employing 250+ people

AUTOMATION AND SKILLS

We have heard a lot in recent years about how automation will have a significant impact on businesses and the skills needed within their workforces. Technology and skills are two of the Chamber's Manifesto priorities for 2021-2022 so in this quarter's report we investigated how automation is likely to affect local businesses.

All the data in this section is based on the 345 Worcestershire businesses who responded to the Quarterly Economic Indicator. Of those 345 businesses:

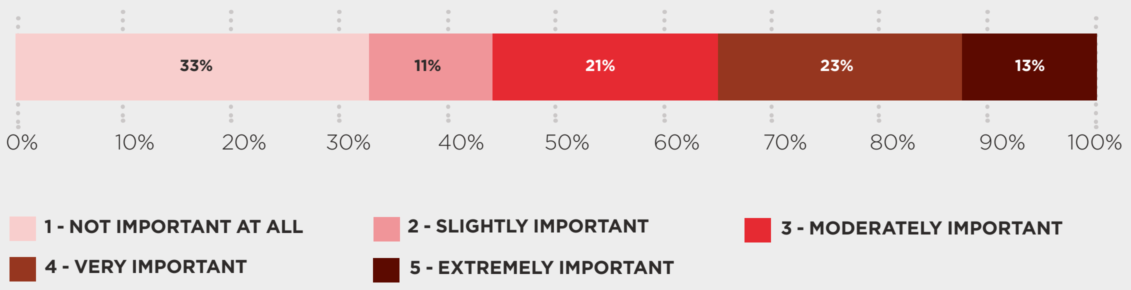
- 67% are services companies and 33% are manufacturers
- 57% are micro businesses (0-10 employees), 24% are small businesses (11-49 employees), 11% are medium businesses (50-249 employees), and 8% are large businesses (250+ employees)

It is likely that we haven't yet seen the full extent of automation adoption within business but there is some evidence to suggest that the pandemic has increased its implementation. The World Economic Forum 'Future of Jobs' report found that 57% of UK employers had accelerated automation of tasks due to Covid.

Locally there is a mixed picture. 44% of businesses ranked automation as not important at all or only slightly important to their business. On the other hand, 36% of businesses ranked automation as very or extremely important.

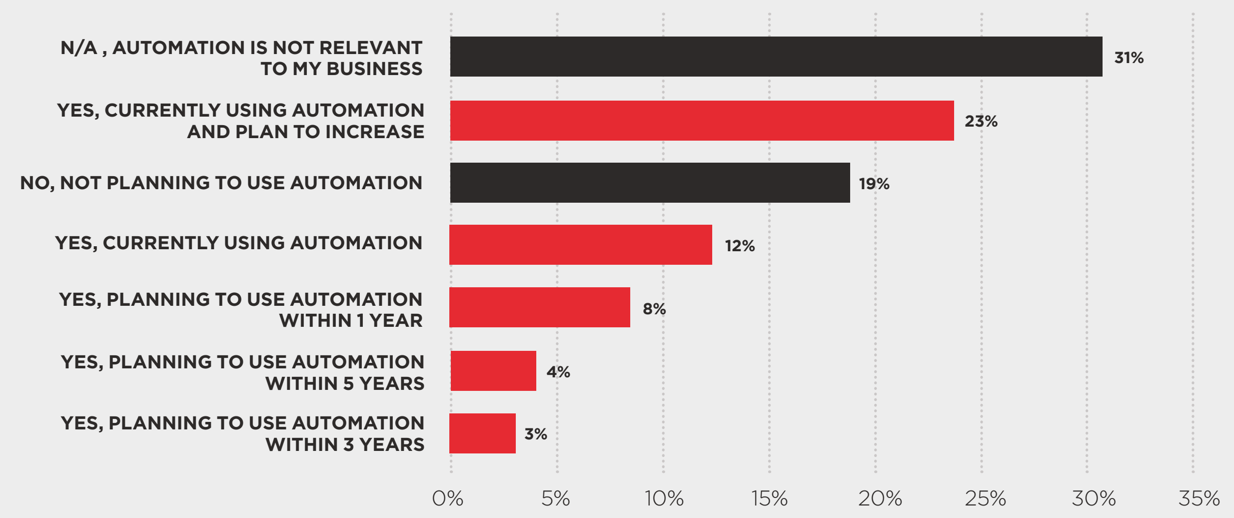
HOW IMPORTANT WILL AUTOMATION BE TO YOUR BUSINESS IN THE NEXT FEW YEARS?

1 MEANS NOT IMPORTANT AT ALL AND 5 MEANS EXTREMELY IMPORTANT



When we asked whether local businesses were planning to introduce automation, the results revealed a mixed picture once again. 50% of businesses were already using automation or are planning to increase it. 31% of businesses did not think automation was relevant to their business and a further 19% of businesses said they would not be introducing automation.

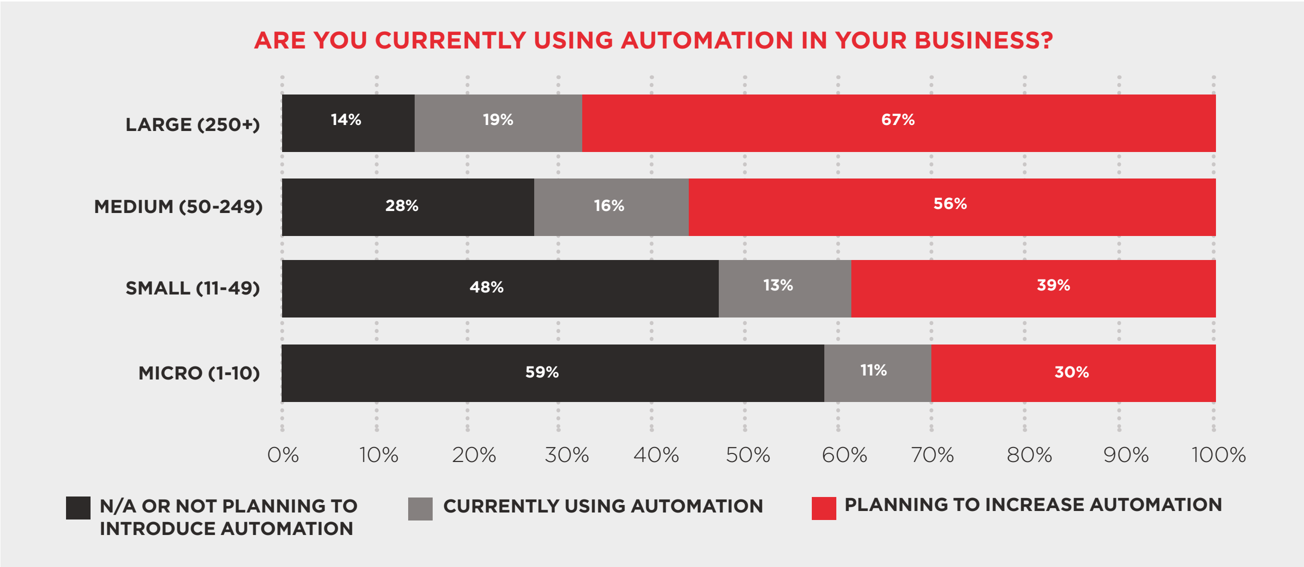
ARE YOU CURRENTLY USING AUTOMATION IN YOUR BUSINESS?



It is striking that almost a third of businesses did not think automation was relevant to their business. This could be because there is a lack of understanding about automation and how it has the potential to benefit a range of sectors. We are all familiar with how manufacturers use automation but less familiar with other types of automation. For example, Robotic Process Automation (RPA) is a way of automating administrative tasks which is currently being used in sectors such as finance, legal and logistics.

When we delved further into the data, we found a clear trend showing how micro and small businesses were much less likely to be considering automation. While we can only speculate on why this may be the case, the costs and resources associated with introducing automation may be more significant barriers for smaller businesses. Furthermore, smaller businesses are less likely to have a long-term strategic business plan (as we showed in our Q4 2019 Report) so it may be that automation hasn't yet been considered.

AUTOMATION AND SKILLS



The percentage of businesses planning to increase automation also varies considerably by sector. The sectors mostly likely to increase automation are:

- Manufacturers of electronic goods (55%)
- Manufacturers of non-electronic goods (48%)
- Retail (43%)

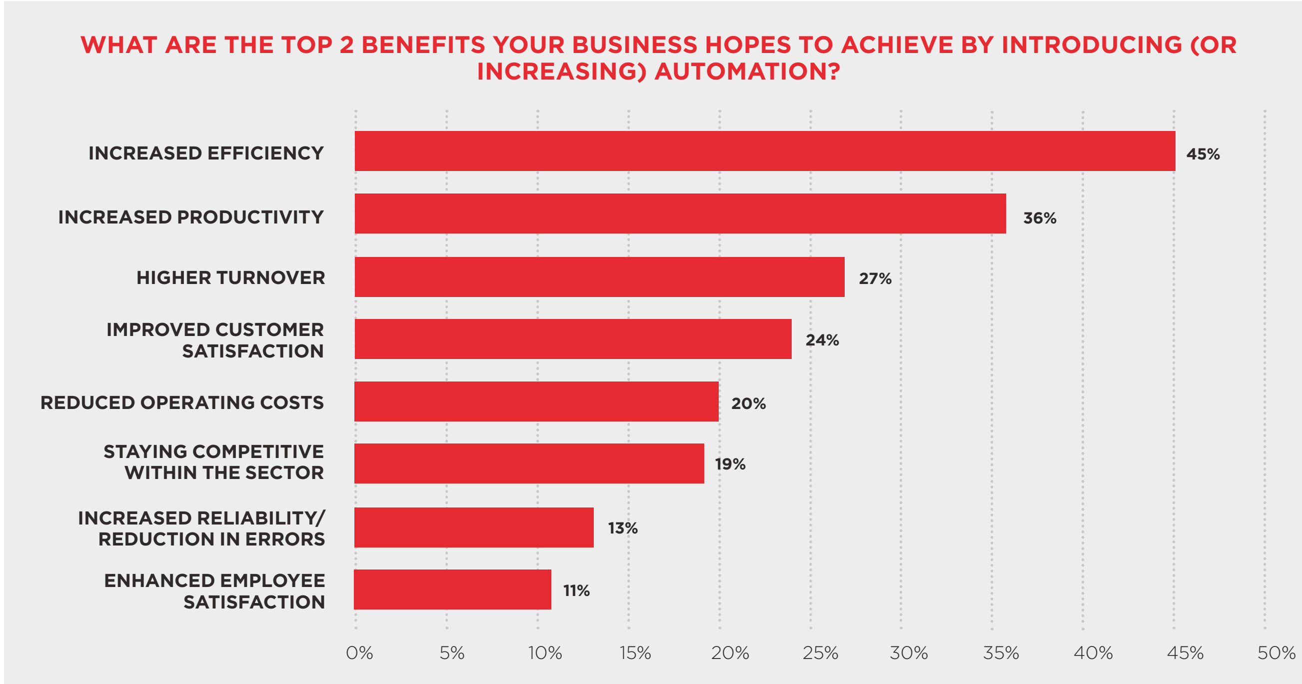
On the other hand, the three sectors unlikely to be increasing automation are:

- Construction (92%)
- Transport and Distribution (75%)
- Cultural and Creative (75%)

Our findings in this regard are slightly at odds with the PwC 'International Impact of Automation' report (released in 2018) which concluded that the transportation, manufacturing and construction sectors had the highest potential for automation. Whilst we can't say for sure, it could be that the technologies don't yet exist for those sectors to see automation as a possibility or it could be that automation is not seen as desirable within those sectors.

The top three benefits local businesses hope to achieve by introducing automation are:

- Increased efficiency (45%)
- Increased productivity (36%)
- Higher turnover (27%)



Many explanations have been put forward to explain persistent low productivity within the UK but, whatever the cause, if business productivity could be improved by automation it would be of significant benefit to the local and national economy. Those most likely to benefit will be early adopters of automation.

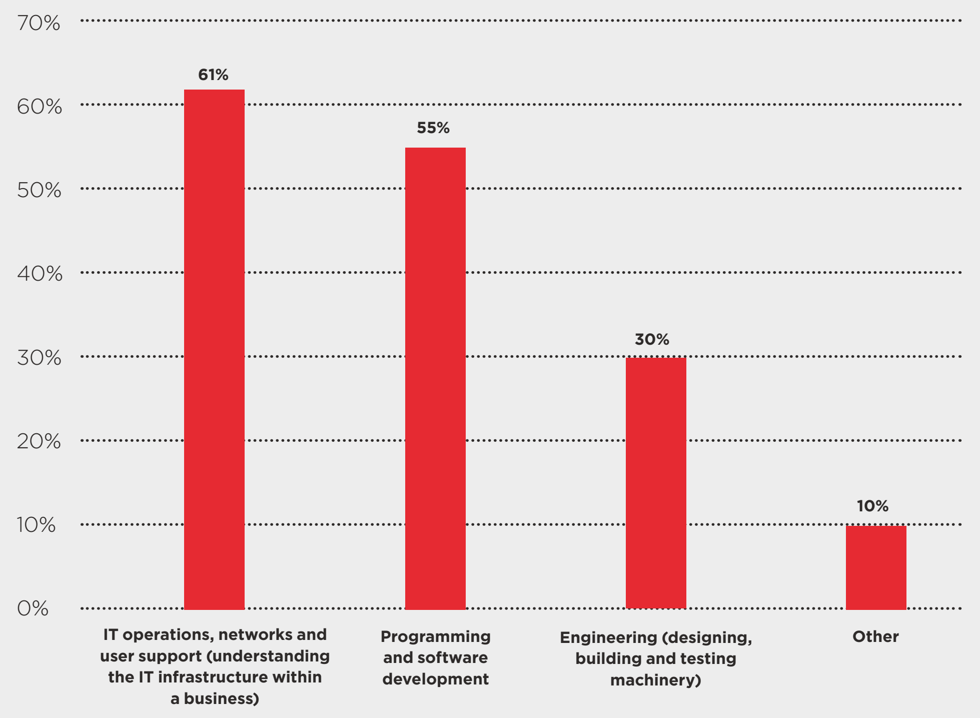
AUTOMATION AND SKILLS

Automation will have a significant impact on the type of skills needed in the future workforce. Increased automation adoption will require new skills and even create completely new jobs. A McKinsey discussion paper released in 2018, 'Automation and the Future of the Workforce', estimated that demand for technological skills will rise by 55% by 2030.

Locally we found that, to increase automation, 61% of businesses need IT operations skills in the short term and 55% need programming and software development skills. Of the 10% who selected other:

- 3% need digital marketing skills
- 2% need admin skills
- 2% need general digital skills to ensure employees can learn how to use new technology
- 3% listed a variety of other skills

IN THE SHORT TERM, WHAT SKILLS WILL YOUR BUSINESS NEED TO INTRODUCE (OR INCREASE) AUTOMATION? SELECT ALL THAT APPLY.



In the long term there are six skills which over 50% of local businesses need more of as they increase automation. Those are:

- Digital marketing (62%)
- Data analysis (60%)
- Programming and software development (59%)
- Cyber security (57%)
- Project management (55%)
- IT operations (54%)

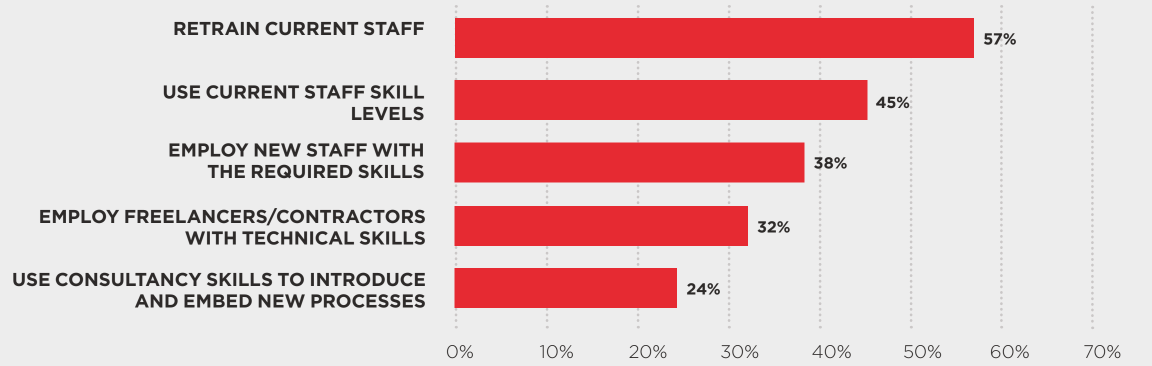
There are only three skills which a significant proportion of businesses need less of as they increase automation:

- Administrative (35%)
- Physical skills and manual dexterity (17%)
- Production skills (16%)

As we can see from these results digital skills are going to be key for businesses as they increase automation. In the Chamber's Employment Report 2020-2021 we found that technology and IT roles were the most difficult to recruit for, with 22% of businesses experiencing difficulties. To combat the skills shortage, it is important for businesses to invest in young people through apprenticeships and the Kickstart Scheme and commit to reskilling their existing workforce.

It was encouraging to see that the most popular approach to meeting the skills need was retraining current staff. 57% of businesses said they would use this approach as they increased automation.

HOW WILL YOUR BUSINESS MEET THE SKILLS NEEDED TO INTRODUCE (OR INCREASE) AUTOMATION?

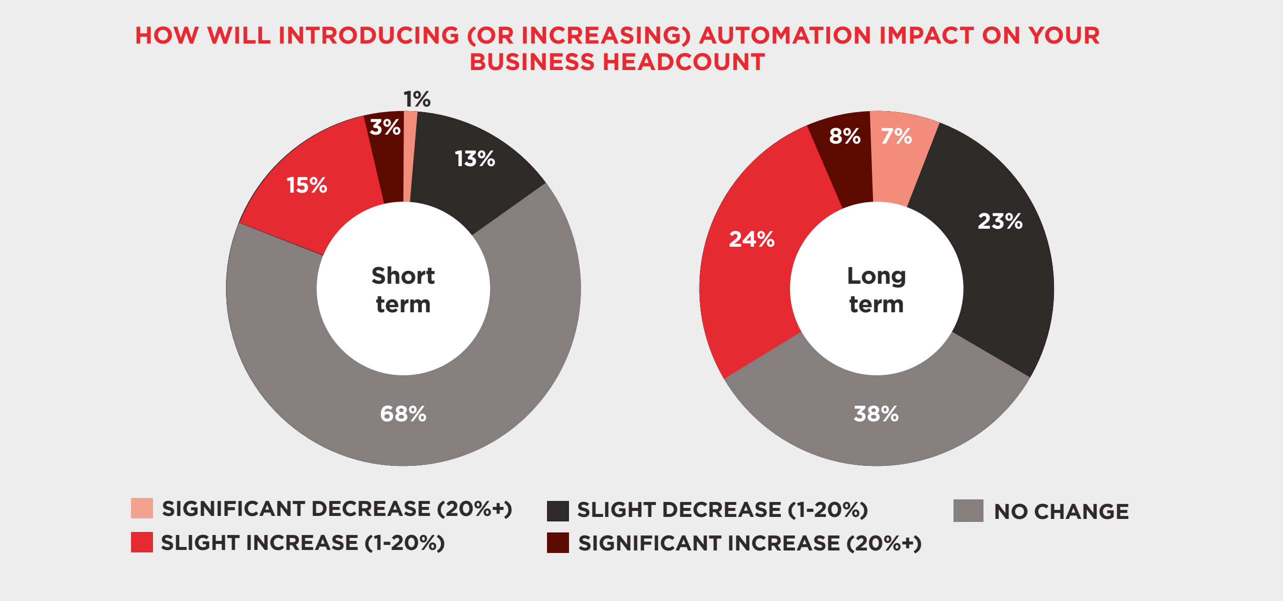


AUTOMATION AND SKILLS

To make retraining successful, companies need to demonstrate a commitment to lifelong learning within their workforce as technology develops, also a key idea in the government's 'Skills for Jobs' white paper released in January 2021.

In the same paper they put forward an ambition to strengthen links between employers, further education providers and business representative organisations to ensure that employers pay a key role in shaping local skills provision to meet local skills needs. This will include an understanding and analysis of how automation will affect the skills needed in the future workforce.

The final question we posed was how automation will affect business headcount. The situation for local businesses is very different in the short and long term. In the short term over two thirds of businesses, 68%, expect automation to have no impact on their business headcount. In the long term that figure drops to 38%. The remaining 62% are split evenly with 30% expecting a long-term decrease in headcount and 32% expecting an increase.



The three sectors most likely to increase headcount in the long term are:

- Marketing and media (43%)
- Retail (36%)
- Professional services (32%)

And the three sectors most likely to decrease headcount in the long term are:

- Retail (43%)
- Manufacturers of non-electronic goods (38%)
- Manufacturers of electronic goods (36%)

This report has shown that automation will have a considerable impact on the skills needed within the local economy. This is because a high proportion of local businesses plan to increase automation and there are many skills which businesses say they need more of to reap the benefits of automation.

The Chamber will continue to deliver actions related to technology and skills, including how automation will affect them, as they have been identified as key priorities for local businesses in 2021. Some of the actions we are committed to are:

- Continuing to promote and deliver the Kickstart Scheme to help businesses attract young people to their organisation
- Developing our training portfolios to help Members develop people in their organisations and provide targeted training to meet business needs
- Continuing to be represented on Skills Boards and working with Universities, higher education establishments and training providers on local support schemes
- Continuing to promote relevant grant funding that enables businesses to innovate, adapt, introduce automation and develop new products
- Working with partners to support significant change projects and organisations in the two counties, including Malvern Hills Science Park, BetaDen, 5G Innovation and the Midlands Centre for Cyber Security

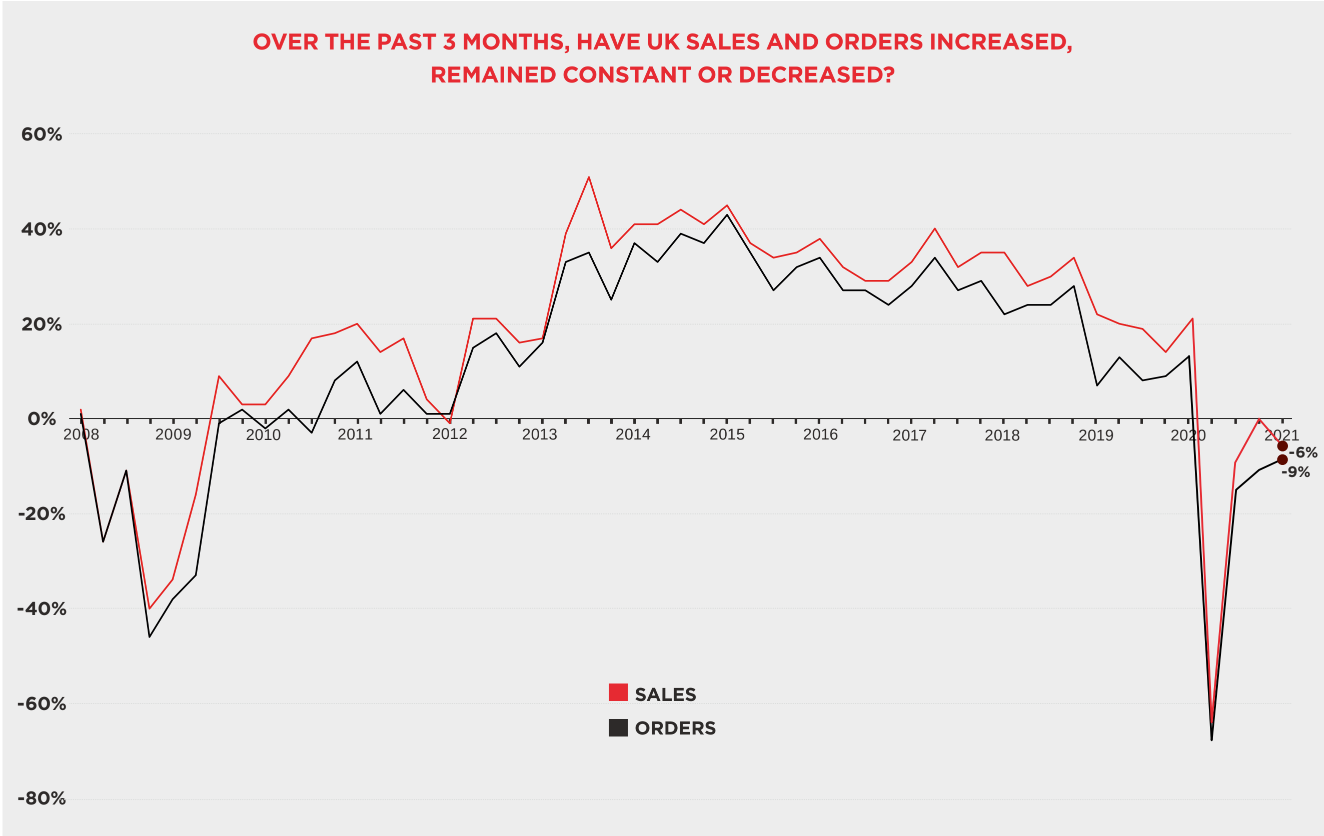
UK MARKET

The UK market has seen low levels of orders and sales for a fourth quarter in a row. Data recorded from the Quarterly Economic Indicator showed 29% of businesses saw increased sales during this quarter, while 35% saw their sales decrease, and 37% advised no change at all. Furthermore, 26% of businesses have advised an increase in orders during this quarter, while 35% of businesses recorded a decrease in orders, and 39% reported no change.

The latest figures released by the Office for National Statistics saw GDP grow by 1.2% in December 2020, partly due to a month of eased restrictions which allowed businesses to operate under tiered systems. However, GDP remains 6.3% below the February 2020 level (GDP monthly estimate, UK - Office for National Statistics, 2021).

The recovery for the UK market is very dependent on the success of easing lockdown restrictions within the UK and following the government roadmap to achieving this. Furthermore, the opening of the UK economy will also depend on the rate of the UK population getting vaccinated and whether lockdowns will be more localised if the spread of new variants enter the country once the lockdown has been lifted. Due to the national lockdown introduced in January 2021, we saw UK sales in the service sector reduce to -4% (Q1 2021).

Evidence from Chamber conversations with local businesses has shown overall the UK market has been in decline due to the national lockdown. With the government roadmap, businesses within the retail, tourism and hospitality sector are beginning to plan for reopening. With increased testing, businesses remain optimistic they will reopen on the dates specified in the government plan.



MANUFACTURING SECTOR INSIGHT

The percentage of manufacturers reporting increased UK sales has decreased slightly this quarter from 10% (Q4 2020) to 3% (Q1 2021). UK orders have also decreased from 0% (Q4 2020) to -2% (Q1 2021). This means that more manufacturers have experienced fewer orders this quarter than those experiencing an increase.

SERVICE SECTOR INSIGHT

The percentage of services companies reporting increased UK sales has also decreased from 3% (Q4 2020) to -4% (Q1 2021). UK orders have remained negative for the fourth quarter in a row, decreasing from -10% (Q4 2020) to -11% (Q1 2021).

OVERSEAS MARKET

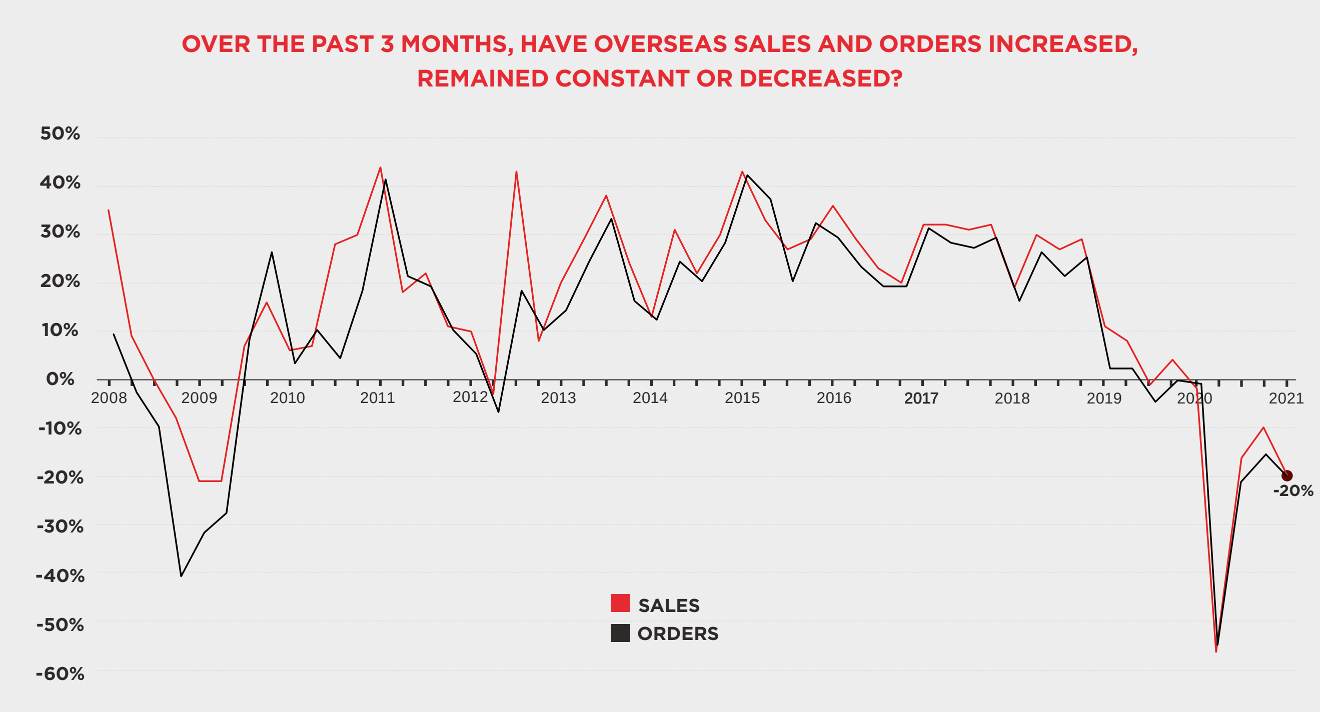
Our Quarterly Economic Indicator shows 17% of businesses have reported an increase in overseas sales, while 37% reported a decrease, and 37% stated no change. Also, 15% of businesses reported an increase in overseas orders this quarter, while 35% reported a decrease, and 48% remained constant.

According to the Office for National Statistics, 39.4% of businesses experienced additional paperwork challenges when trading with the EU. Their data showed that exports to the EU decreased by 40% in January (Business insights and impact on the UK economy - Office for National Statistics, 2021). Further paperwork at borders and ports has meant that many businesses are unable to process orders overseas because of increased red tape and containers being delayed at borders. A recent survey on Brexit released by the British Chambers of Commerce found that almost half (49%) of exporters are facing difficulties in adapting to the changes in the trade of goods following the ratification of the UK-EU Trade and Cooperation Agreement (TCA) on 1 January 2021.

With a trade agreement in place between the UK and the EU, new rules have been created which will see changes to living, working and trading with the EU for many years to come. While the Trade and Cooperation Agreement helps provide zero tariffs and zero quotas that is only on goods that comply with the appropriate rules of origin. Many businesses that have reported through our Covid weekly surveys have made suggestions that some details remain unclear and are causing significant challenges for many firms to trade within the EU.

The government has pledged to help small businesses deal with paperwork and documentation challenges with a scheme called the SME Brexit Support Fund which allows businesses to apply for grants of up to £2,000 to help them adapt to new customs and tax rules when trading with the EU.

As the UK has now left the EU, we are able to sign independent trade deals with other international countries which will see the UK economy grow and bring new opportunities for firms to trade. The overseas market has also been significantly impacted by the Covid pandemic with many countries restricting international travel to help reduce Covid cases.



MANUFACTURING SECTOR INSIGHT

The percentage of manufacturers experiencing increased overseas sales has decreased this quarter from 4% (Q4 2020) to -13% (Q1 2021). Overseas orders are negative for the fourth quarter in a row, decreasing from -3% (Q4 2020) to -12% (Q1 2021).

SERVICE SECTOR INSIGHT

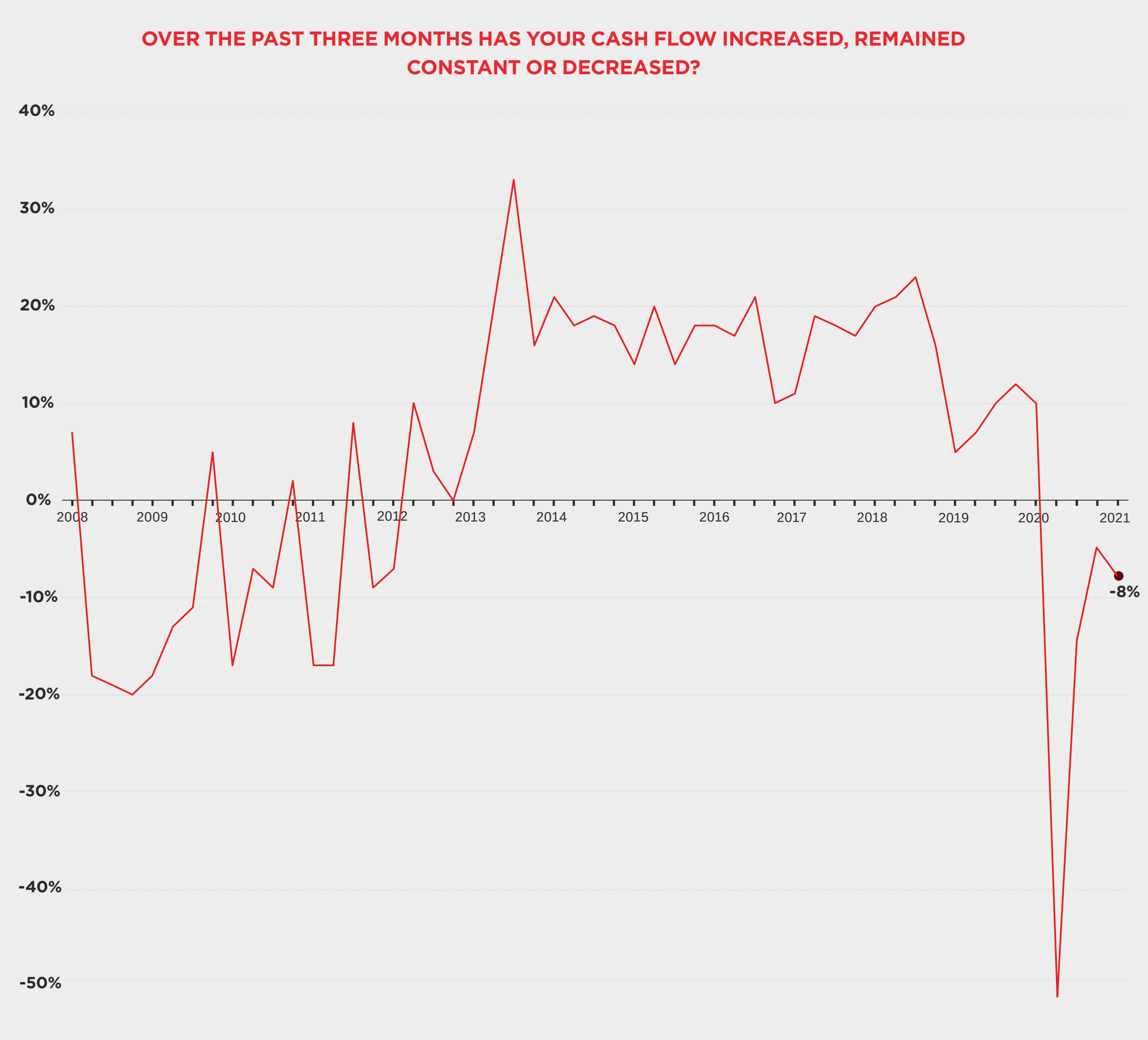
The percentage of services companies experiencing increased overseas sales has remained negative for the fifth quarter in a row, decreasing from -16% (Q4 2020) to -22% (Q1 2021). Overseas orders are negative for the seventh quarter in a row, decreasing from -22% (Q4 2020) to -28% (Q1 2021).

CASH FLOW

Data from our Quarterly Economic Indicator shows 27% of businesses experienced an increase in cash flow this quarter, while 38% remained the same and 35% saw a decrease.

The results of the latest Office for National Statistics Coronavirus survey showed the percentage of businesses with three months' cash reserves or less (including no cash reserves) has remained stable from January 2021 to early March, at 31%. This is largely due to government intervention with loans and grants to help support businesses who have remained closed throughout lockdown (Business insights and impact on the UK economy - Office for National Statistics, 2021).

During the recent budget many businesses welcomed the news of the extension of economic support packages for businesses as the government laid out the roadmap to help ease lockdown restrictions in the UK and help reopen the UK economy. Evidence from conversations with Chamber businesses have advised state intervention was crucial in helping businesses survive the last year because repeated lockdowns meant some businesses received either little or no income because of the pandemic.



MANUFACTURING SECTOR INSIGHT

The percentage of manufacturers reporting an improved cash flow position has risen for the third quarter in a row, from -3% (Q4 2020) to 0% (Q1 2021). However, the percentage remains historically low.

SERVICE SECTOR INSIGHT

The percentage of services companies reporting an improved cash flow position has remained negative for the fourth quarter in a row, decreasing from -2% (Q4 2020) to -5% (Q1 2021).

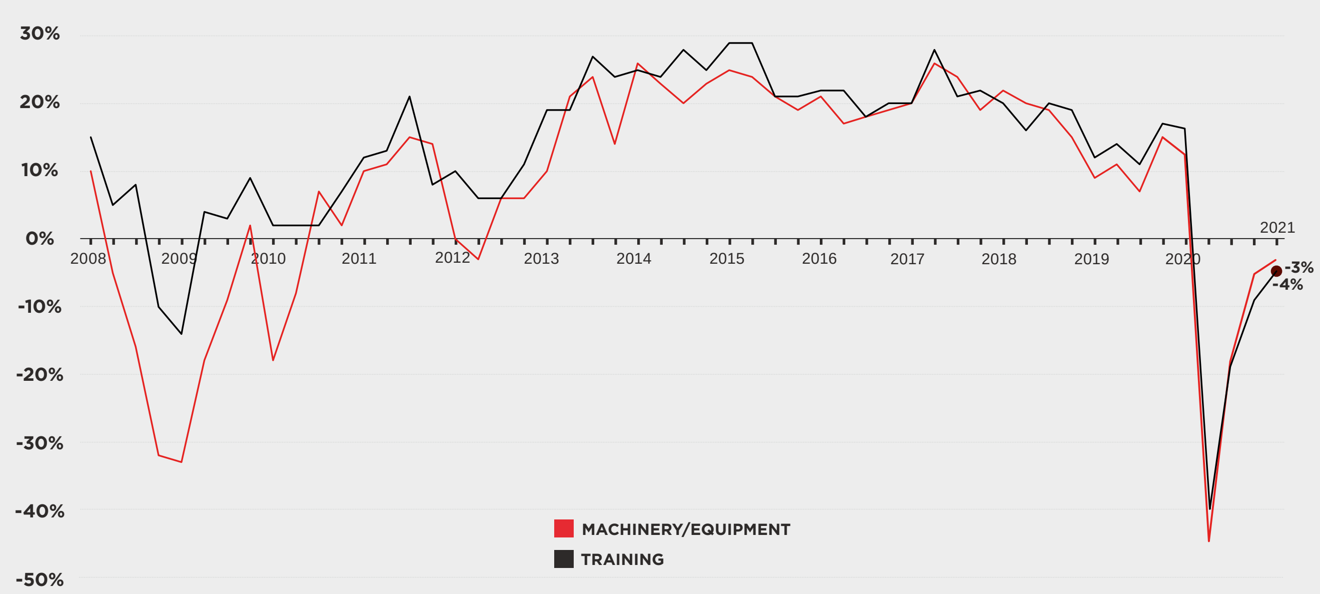
INVESTMENT

24% of businesses have increased their investment plans this quarter, while 49% remain unchanged. 27% of firms have revised their investment plans down due to uncertainty around Brexit and Covid.

Many firms remain reluctant to invest during uncertain times, however the roadmap to easing restrictions will see firms starting to plan for the reopening for the UK economy, which will hopefully bring more planned investment in sectors such as manufacturing and the service sector.

According to the Office for National Statistics, business investment increased by 1.3%, in volume terms, between Q3 and Q4 2020; however, business investment was 10.3% below Q4 2019 levels, before the impact of the Covid pandemic. In the recent budget, the government announced a super-deduction tax which, from 1 April 2021 until 31 March 2023, allows companies to claim a 130% super-deduction capital allowance on qualifying plant and machinery investments and a 50% first-year allowance for qualifying special rate assets. The super-deduction will allow companies to cut their tax bill by up to 25p for every £1 they invest, ensuring the UK capital allowances regime is amongst the world's most competitive.

OVER THE PAST 3 MONTHS, HAVE INVESTMENT PLANS FOR MACHINERY/EQUIPMENT/TRAINING INCREASED, REMAINED CONSTANT OR DECREASED?



MANUFACTURING SECTOR INSIGHT

Manufacturers investment intentions remain chronically low but have improved slightly on last quarter. Planned investment in machinery has risen from 3% (Q4 2020) to 8% (Q1 2021). Planned investment in training has risen from -6% (Q4 2020) to 2% (Q1 2021).

SERVICE SECTOR INSIGHT

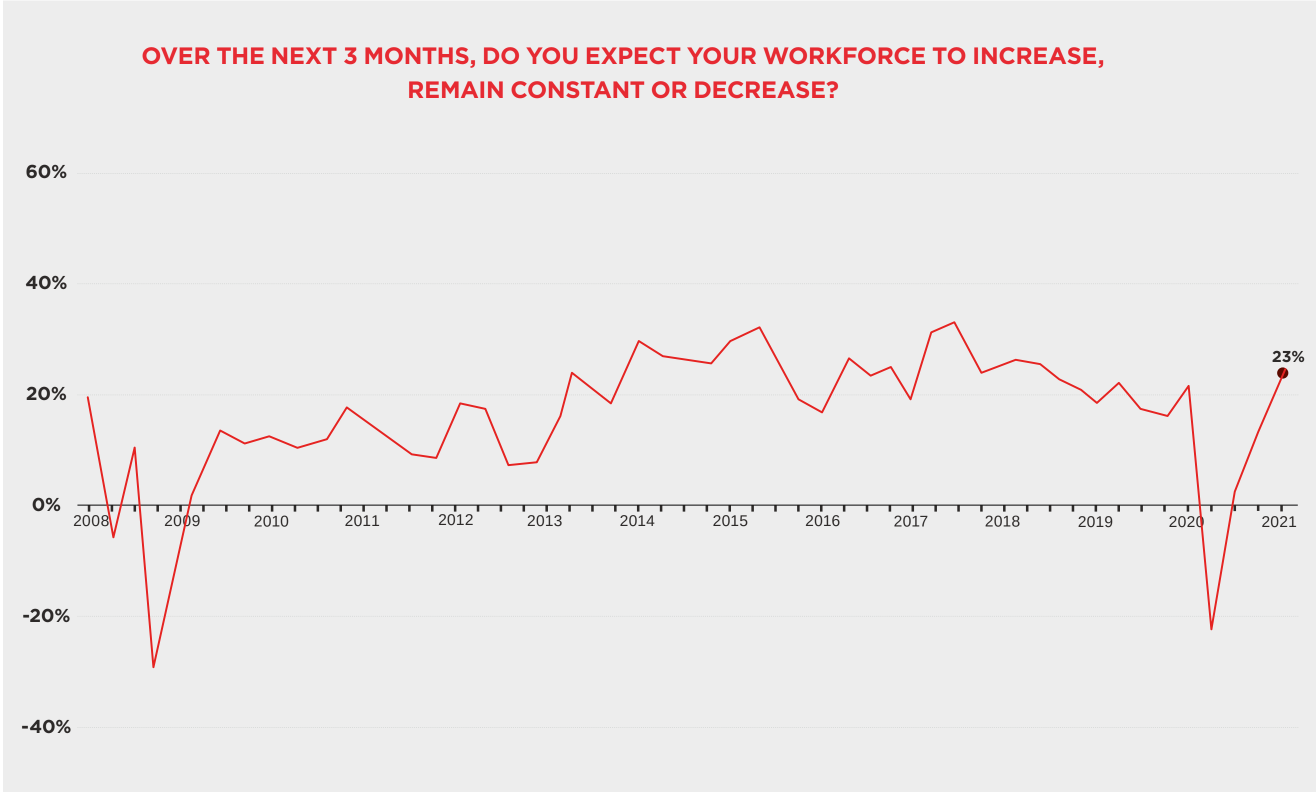
Service sector investment intentions have remained negative for the fourth quarter in a row. Planned investment in machinery has decreased from -5% (Q4 2020) to -7% (Q1 2021). Planned investment in training hasn't changed since last quarter and remains at -5%.

EMPLOYMENT & RECRUITMENT

Despite the Covid pandemic making almost one million people redundant, the employment market across Herefordshire and Worcestershire looks far more positive. 82% of the businesses within Herefordshire and Worcestershire who attempted to recruit this quarter (38% of all businesses) were looking to employ for full time positions, with 11% of organisations looking to employ apprentices. Furthermore, 44% of businesses were trying to fill positions within professional or managerial positions.

This is a welcome improvement from previous quarters; however, the employment market has been hit significantly hard by the pandemic. A recent report released by the Office for National Statistics has seen the number of payroll employees fall by 726,000. However, without the government's Job Retention Scheme that number could have been far higher (Labour market overview, UK - Office for National Statistics, 2021). With the Job Retention Scheme now extended until the end of September 2021, the government has also pledged to increase funding for apprenticeships and the Kickstart Scheme to help reduce unemployment across the UK. The Chamber is a gateway provider for the Kickstart Scheme and so far, we have seen 275 placements confirmed. This level of support is vital in ensuring the unemployment across both counties remains low.

Evidence from the Chamber's weekly Coronavirus impact survey has shown the Job Retention Scheme has been the most successful government program in helping to preserve jobs.



MANUFACTURING SECTOR INSIGHT

Just under a third of manufacturers (31%) have increased their workforce over the last three months, an 8% improvement on the previous quarter. Just over a third of manufacturers (34%) expect to increase their workforce over the next three months.

SERVICE SECTOR INSIGHT

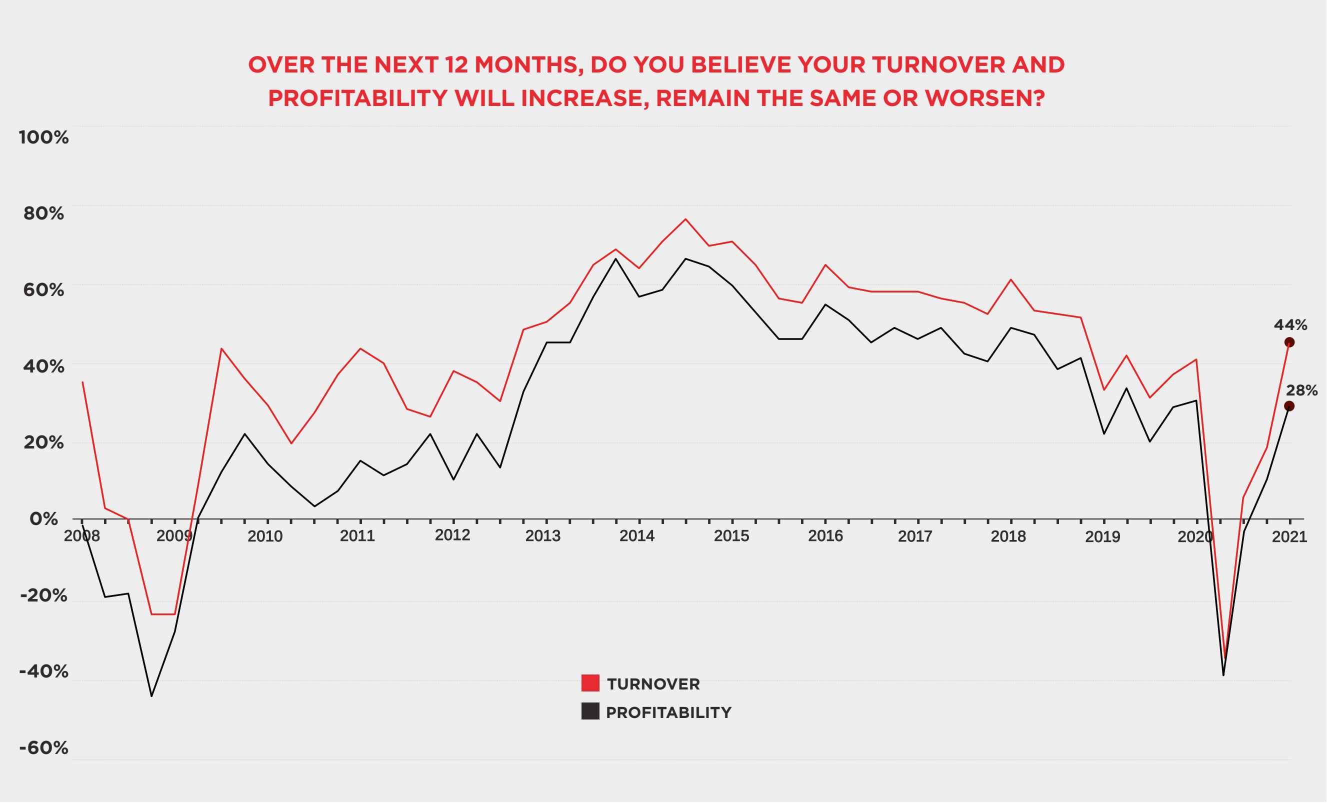
16% of service sector companies have increased their workforce over the last three months, a 3% decrease on the previous quarter. Just over a quarter (27%) of service sector companies expect to increase their workforce over the next three months.

BUSINESS CONFIDENCE

Business confidence has improved among businesses within Herefordshire and Worcestershire with 59% confident their yearly turnover will increase. 26% of businesses predicted no change, while 15% of businesses expect yearly turnover to decrease.

According to the Office for National Statistics, 15% of businesses who had not permanently stopped trading had no or low confidence that their business would survive the next three months. The Covid pandemic has had a significant impact on businesses over the last year with tiered systems and national lockdowns making it increasingly difficult for business to plan, leading to uncertainty.

According to the Chamber weekly Coronavirus impact survey, 16% of businesses are worried about further national lockdowns if Covid-19 cases continue to rise. Businesses are worried if further lockdowns are implemented businesses would struggle to survive without the appropriate economic support package from government. Although with the vaccination program rapidly expanding and increased testing at workplaces, many businesses are optimistic this is the end of the pandemic and some sense of normality will resume in the months ahead.



MANUFACTURING SECTOR INSIGHT

Manufacturer confidence in yearly turnover has improved significantly since last quarter from 25% (Q4 2020) to 42% (Q1 2021). Confidence in yearly profitability has also improved from 14% (Q4 2020) to 23% (Q1 2021).

SERVICE SECTOR INSIGHT

Service sector confidence in yearly turnover has more than doubled since last quarter from 19% (Q4 2020) to 45% (Q1 2021). Confidence in yearly profitability has more than trebled from 9% (Q4 2020) to 30% (Q1 2021).

CHAMBER POLICY CONTACTS

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2021 QUARTERLY ECONOMIC SURVEY DATES

Q2 2021

Fieldwork: 17 May to 7 June

Publication: TBC – mid July

Q3 2021

Fieldwork: 23 August to 13 September

Publication: TBC – mid October

Q4 2021

Fieldwork: 1 November to 22 November

Publication: TBC – mid January

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For further information or to find out about our next Quarterly Economic Survey, sponsorship opportunities and data collection, contact: **policy@hwchamber.co.uk**

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Herefordshire & Worcestershire Chamber of Commerce

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