Q2 2021

QUARTERLY ECONOMIC SURVEY

Focusing on international trade

Herefordshire & Worcestershire Chamber of Commerce

Bishop Fleming
Accountancy · Advisory · Tax · Private Wealth

CONTENTS

Sharon Smith
Chief Executive
Herefordshire & Worcestershire
Chamber of Commerce

Herefordshire & Worcestershire Chamber of Commerce has released the results of the latest Quarterly Economic Survey, outlining business performance between April and June 2021. Data collection was conducted from Monday 17 May to Monday 7 June.

The UK market has seen sales grow significantly from the previous quarter, with 48% of businesses experiencing increased sales in Q2 2021, compared to 29% in Q1 2021. This large increase in sales is due to the easing of national Covid-19 lockdown restrictions, which saw non-essential retail open from 12 April, which helped boost the local economy across Herefordshire and Worcestershire. Furthermore, continuation of easing restrictions on 17 May allowed the return of many businesses within the tourism and hospitality sector, which added to the increased sales, helping to increase business confidence amongst those impacted by the national lockdowns.

The overseas market has also seen an increase in sales from the previous quarter. 37% of businesses experienced an increase this quarter, compared to 17% in Q1 2021. With countries worldwide now exiting national lockdowns, there has been an increase in sales globally, which has in turn, helped boost the global economic recovery and increase trade worldwide. Members from Herefordshire and Worcestershire continue to face challenges associated with the Trade and Cooperation Agreement, with increased Rules of Origin, additional paperwork and logistical challenges. Working with our International Trade team, we continue to highlight these challenges to local and national government to help support businesses of all sizes who continue to trade with the EU.

39% of businesses have experienced an increase in cash flow this quarter, compared to 27% in Q1 2021. Members continue to report positive increases in cash flow as firms start to resume trading and recover from the effects of national lockdowns. Cash flow is essential in helping small businesses to survive and expand their business and alongside increasing sales, the governments grant and loan schemes have been vital in helping support businesses across Herefordshire and Worcestershire over the past year during the national crisis. We continue to work with local and national government to support businesses as we kickstart the UK economic recovery.

Investment plans for machinery and training have improved from the previous quarter, from 24% (Q1 2021) to 31% (Q2 2021). Members have reported positive investment plans this quarter, investing in training to help develop their employee's skills and investing in new machinery to help increase productivity and meet order targets. The UK government has pledged to help increase investment plans too, with a number of government-backed initiatives already secured for the local area, which include £20 million for Worcester and £22.4 million for Hereford, from the Conservative government Stronger Towns Fund. This funding is targeted to help with urban regeneration as well as improve skills and connectivity across both regions.

Unemployment across Worcestershire is currently 3.8%, whilst Herefordshire stands at 3.3% with Covid-19 still affecting the local employment market. The Chamber has partnered with the Department for Work & Pensions to provide employment support through the Kickstart Scheme, securing 460 placements for young people in local businesses to date. Our role is to support businesses across Herefordshire and Worcestershire with their applications to help provide employment opportunities for young people and help reduce youth unemployment across both counties.

Throughout 2021 and beyond, the Chamber will continue to support local businesses across the two counties as they recover from the effects of the Covid-19 pandemic and grow throughout the months ahead, supporting job creation and contributing to society and the economy.

Wendy Andrews
VAT Director

Bishop Fleming

The key challenge for businesses trading internationally has been the change in the nature of the UK's trading relationship with the EU from 1 January 2021 following the end of the Brexit transition period. The Trade and Cooperation Agreement signed on 24 December 2020 between the UK and the EU gave some certainty about the nature of the new relationship, but the detail of the agreement has led to significant challenges for businesses both buying from and selling to the EU in 2021, and this is reflected in the survey results.

83% of businesses which exported and 77% of businesses that imported reported that trading with the EU had become more difficult. These businesses were predominately those which traded in goods rather than services as the imposition of a physical border between England, Scotland and Wales (GB) and the EU has led to some of the most problematical issues for businesses involved in moving goods between the two areas.

In particular, the new requirements for customs declarations for both exports and imports were identified as a barrier to trade. Increased information is required for these declarations and additional compliance costs are incurred where third parties are used to prepare the declarations. In the case of food and drink products moving into the EU there are additional documentary and inspection requirements which have caused significant delays in clearing goods as well as additional administration.

In addition, although the TCA allows for tariff free trade with the EU, this treatment is dependent on the origin of the goods. Goods which originate in the EU can be moved into GB free of duty and goods originating in GB can be moved into the EU free of duty. However, when there is limited processing of goods which have been imported from third countries there may be customs duty on these goods when they move between the EU and GB. From the perspective of a GB business, this can lead to unexpected additional costs of goods being imported from the EU and also unexpected duty costs for EU customers. In both cases the additional duty cost can impact pricing and margins.

The survey results also highlight the specific issues faced by GB businesses selling goods to EU consumer customers. Before 1 January 2021, goods which had been ordered online could be sent directly to EU consumer customers with either UK or EU VAT being paid by the seller. The imposition of a customs border between the EU and GB from 1 January means that this has no longer been possible. GB based online sellers have had to consider alternative ways of delivering their goods to customers without the customer needing to pay over the VAT to the carrier before the delivery can be made. The new EU Import One Stop Shop (iOSS) which is due to start on 1 July 2021 will alleviate some of these problems by allowing GB businesses to register for VAT in an EU member state and pay VAT on goods under €150 being delivered to EU consumer customers.

Some of the issues faced by businesses trading with the EU will be resolved as the transactions become more familiar but others are likely to lead to structural changes in trading patterns. Businesses facing increased duty costs in their supply chains as a result of the origin issue may seek to reduce these costs, for example by delivering goods directly from third countries into the EU rather than using GB as a base for Europe-wide distribution.

The increased complexity of trading with the EU may also lead businesses to look further afield in search of other markets for their goods and other sources of materials previously purchased from the EU.

Bishop Fleming is a member of the Kreston International network which gives us access to tax professionals and other business advisors in Europe and around the world who can provide advice on local tax and business requirements.

METHODOLOGY

During Quarter 2 (Q2) 2021, 441 businesses in Herefordshire and Worcestershire responded to the Quarterly Economic Survey. Data collection took place between Monday 17 May 2021 and Monday 7 June 2021. Any reference to Quarter 1 (Q1) 2021 refers to the data collection period from Monday 15 February 2021 to Monday 8 March 2021.

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

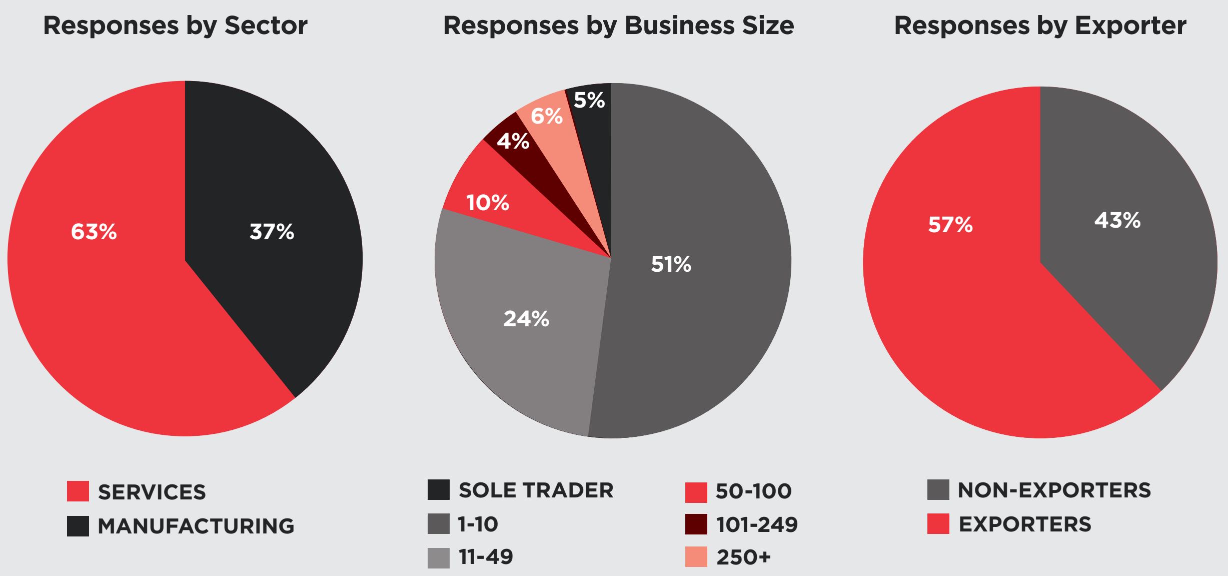
Manufacturing Sector

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 MARKET

UK sales have significantly improved this quarter. 48% of businesses have increased sales, compared to 29% last quarter.

2021

RAW MATERIALS

64% of businesses said that raw material prices are pressuring them to raise prices. That percentage rose to 95% of manufacturers.

51% **62%**

WORKFORCE

51% of businesses attempted to recruit in the last 3 months. 62% of those experienced difficulties recruiting.

38% of businesses are concerned about inflation, up from 18% last quarter.

TURNOVER

72% of businesses are confident that their turnover over the next 12 months will increase. That compares to 59% last quarter.

BUSINESS PERSPECTIVE

IN THEIR OWN WORDS:

The negative impact of Covid-19 has disrupted my forecasts and I do not envisage a recovery for another 9 to 12 months. Customer flow is significantly down on 9 months ago (October 2020) and sales are some 35% down.
• Retailer employing 1-10 people

We've had a very good year to date and are solidly booked until the end of September.
• Tourism company employing 1-10 people

The transport infrastructure in Hereford is terrible and causing our business large delays. An East river crossing would allow the city to flow along with more dedicated cycle and pedestrian routes.
• Services company employing 1-10 people

Business rates need a serious overhaul, stopping retail expansion, the likes of large corporate companies need to pay more tax.
• Retailer employing 1-10 people

The implementation of IR35 legislation is likely to cause my business to cease trading since it can no longer invoice clients directly.
• Professional services company employing 1-10 people

We have ceased to import from the EU because of Brexit-related increased costs, which our customers will not be prepared to absorb.
• Retailer employing 1-10 people

We are reliant on planning events in line with the easing of government restrictions - and currently this is still not 100% certain - which is making our path to recovery more challenging.
• Events company employing 1-10 people

Increasingly concerned with regards to raw material supply and its impact on potential growth.
• Manufacturer employing 11-49 people

Business is growing fast. We are investing in people, refurbishing the office, training, hiring new apprentices and offering work experience places.
• Professional services company employing 11-49 people

Very much still left in the dark post-Brexit, would like more support and a better understanding of the situation.
• Professional services company employing 11-49 people

Climate change and the pace of change that is required versus the pace of change that is actually happening.
• Manufacturer employing 50-100 people

We need government support to keep UK business supported in the pandemic recovery. Help on machinery and premises investment and apprenticeship scheme incentives for industry is needed.
• Manufacturer employing 101-249 people

We are hearing that some EU customers are saying they will only now accept an invoice from EU countries. Smaller parcels are costing more to send to Europe, so we are losing smaller business.
• Manufacturer employing 101-249 people

The problem of getting enough workforce is more concerning than anything else. We have relied on EU workforce for many years now. There are fewer and fewer in the job markets and many of our own British unemployed are less skilled and usually less well educated but most of all do not wish to have long term employment.
• Manufacturer employing 250+ people

With many foreign workers returning to their home country it is becoming very difficult to recruit for unskilled/semi-skilled/skilled positions.
• Retailer employing 250+ people

INTERNATIONAL TRADE

During this Quarterly Economic Survey, we asked a series of questions about how businesses have found importing and exporting with the EU since January and what their future trading plans look like with the EU and the rest of the world.

On 1 January 2021, the UK and EU entered into the EU-UK Trade and Cooperation Agreement. Data from the Office for National Statistics showed that exports to the EU decreased by 40.7% in January. However, since then EU exports have recovered. In February they increased by 46.6%, followed by an 8.6% and 2% increase in March and April respectively.

Imports from the EU also fell in January by 28.8%. They have since increased but not to the same extent as exports. In February they increased by 7.3%, followed by 4.5% and 3.2% in March and April respectively.

In April, monthly goods imports from non-EU countries surpassed those from the EU and were the highest since records began in January 1997.

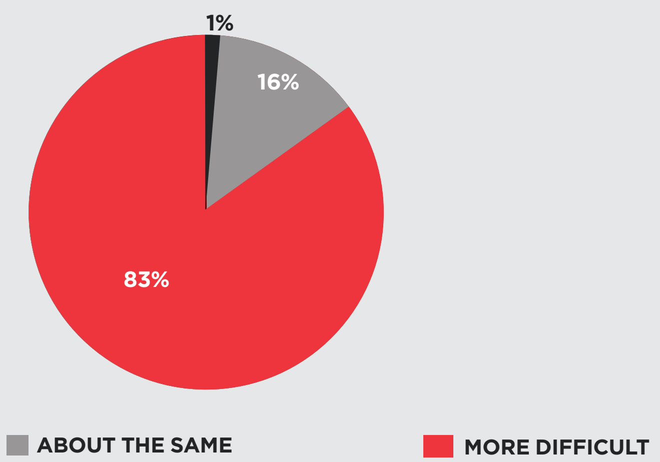
With the ongoing Covid-19 pandemic and recession, the ONS have said it is too early to assess the extent to which this reflects short-term trade disruption or longer-term supply chain adjustments.

The data in this section is based on 190 survey responses from businesses who trade internationally.

EXPORTING TO THE EU

When we asked about the ease of exporting to the EU since January, 83% of businesses said it had been more difficult.

SINCE 1 JANUARY 2021, HAVE YOU FOUND IT EASIER, ABOUT THE SAME OR MORE DIFFICULT TO EXPORT OR MOVE STOCK TO THE EU?



Analysing the data by business sector, the percentage experiencing difficulties rose to:

- 97% of retailers and wholesalers
- 87% of manufacturers of other goods

Exporting difficulties were similar across all business sizes.

Of the 17% who have found exporting easier or about the same the three most common reasons were:

- We export services not goods
- We have become used to the new procedures
- We only export a small amount to the EU

Other responses included:

- "Most stocks are shipped using UPS or DHL. Hence they handle the paperwork."
- "Ex works terms remain the same, as long as documentation is correct, no issues."
- "It's the same as exporting to Australia and New Zealand."
- "No major change as we put in place agreements prior to Brexit that would accommodate changes in legislation."

Of the 83% who have found exporting more difficult, these were the reasons (businesses could choose more than one option):

Need for customs declarations for goods being exported (costs of compliance)	81%
New customs duty costs for the customer as a result of origin requirements	58%
Practical issues for VAT on sales to EU consumers	44%
Potential new EU VAT registration requirements when acting as an importer to the EU	37%
Impact on goods moving within the EU and stock held in the EU	35%
Additional requirements for importing food products into the EU	29%
Other	19%
People movement issues	10%

INTERNATIONAL TRADE

The other responses, accounting for 19%, were varied. The three most common were:

- Shipment delays
- Increased costs
- Problems with 'export support' industry e.g. lack of preparation and help available

Other responses included:

- "Lack of understanding of how new procedures work in the marketplace."
- "Uncertainty over data regulations since Brexit."
- "Customers prefer to buy from EU suppliers."
- "Difficulty servicing consumers directly (particularly in NI & ROI) due to the EORI number requirement."

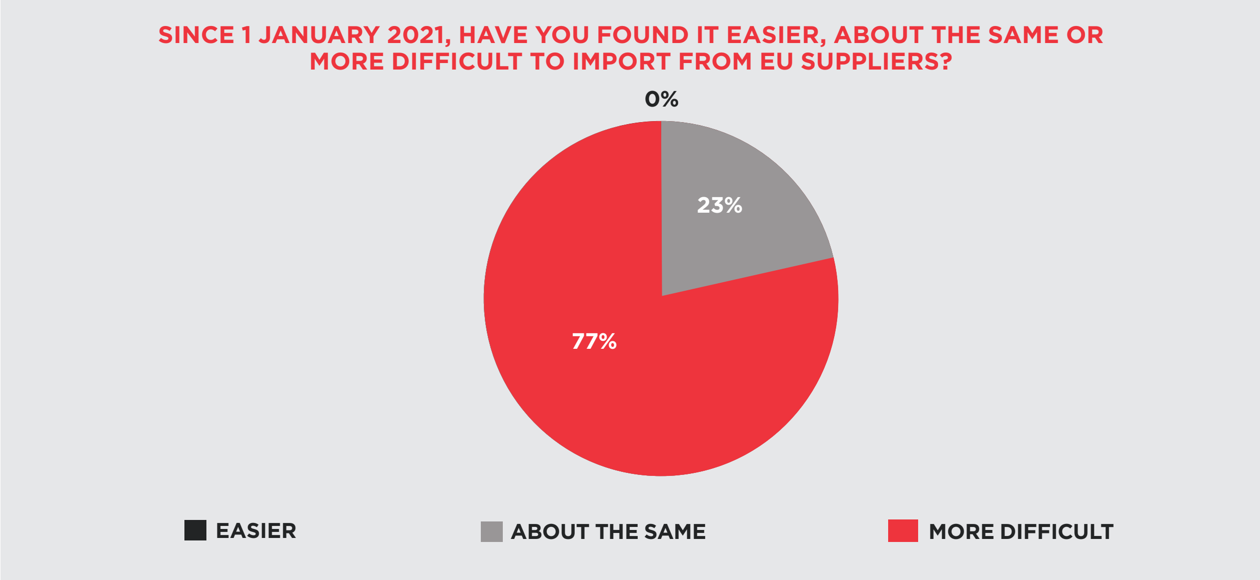
CASE STUDY:

We've just won a Queens Award for International Trade and then embarked on a very difficult year in terms of trading to our more successful countries – those in the EU. Whilst trade across the rest of the world continues to grow as we expand our available websites in other territories, we have had to put in place a lot of confusing measures in order to continue trading throughout Europe. Many of these issues were not addressed prior to the last-minute deal being agreed and guidance since has been sketchy with us and government agencies often trying to sort out what we should be doing together. We are confident of growing all European trade this year, but it's not been an easy start."

Daniel Walton, Managing Director
OLPRO

IMPORTING FROM THE EU

When we asked about the ease of importing from the EU since January, 77% of businesses said it had been more difficult.



Analysing the data by business sector, the percentage experiencing difficulties rose to 82% of retailers and wholesalers.

Importing difficulties were similar across all business sizes.

Of the 23% who have found exporting about the same the four most common reasons were:

- We only have a low level of imports from the EU
- We've experienced no issues
- Our suppliers deal with the paperwork
- There hasn't been much change to import procedures

Other responses included:

- "It's about the same now as importing from outside the EU, which we were already used to doing."
- "Nothing has really changed apart from an extended timeline."
- "Normal service apart from slight delays to delivery dates."

INTERNATIONAL TRADE

Of the 77% who have found importing more difficult, these were the reasons:

Requirement for customs declarations for goods being imported from the EU	78%
New customs duty costs on EU imports as a result of origin requirements	59%
New rules regarding import VAT	51%
Specific issues relating to Northern Ireland	20%
Other	17%
Additional requirements for importing food products from the EU	10%

The other responses, accounting for 17%, were varied. The two most common were:

- Shipment/clearance delays
- Increased costs

Other responses included:

- "Freight forwarders significantly under-prepared for the requirements as a result of Brexit. This has caused us huge problems with our customers."
- "Suppliers having goods returned by couriers."
- "Suppliers refusing to deliver to the UK."

FUTURE TRADING PLANS

It was encouraging to find that most local businesses are aiming to increase their levels of international trade. Although a small proportion are planning to reduce trade levels with the EU, 51% are planning to increase their trade levels with the EU, despite some of the difficulties being faced.

Analysing the data by business size and sector generated the following insights:

- Manufacturers of electronic goods (67%) are most likely to increase trade levels with the EU
- Retailers (23%) are most likely to reduce trade levels with the EU
- Professional services companies (87%) are most likely to increase trade levels with the rest of the world
- Micro businesses (23%) are most likely to reduce trade levels with the EU
- Large businesses (41%) are most likely to keep trade levels the same with the rest of the world

INTERNATIONAL TRADE

When we asked businesses what would help them increase their future trading plans, the responses were wide-ranging:

Less bureaucracy/simplified procedures	20%
Training/support	9%
Rejoin the EU (or the single market/customs union)	9%
Fewer transport delays	8%
Changes to the EU/UK Trade and Cooperation Agreement	7%
Fewer costs	7%
Marketing	6%
Happy with current trade levels	5%
Not sure	5%
More clarity around processes	5%
Access to finance	3%
Easing of travel restrictions	3%
More trade deals	3%
More resources/time	1%

Other responses included:

- "Finance guarantee from government to reduce risk of no payment.''
- "A long period of stability with no more regulatory changes."
- "Exchange rates more favourable to an exporter."
- "Ship product direct from our factory in China to EU customers rather than through the UK. We'll also look to open a warehouse in EU and reduce staffing levels here."
- "Having an English bank account that accepts US$ payments. Clients willing to pay other than by US$, BACS or PayPal with their inherent charges and low currency conversion rates."
- "To be able to reclaim import duty on products we export."
- "Lower value Pound!"

This report has shown that most local businesses have experienced difficulties trading with the EU since 1 January 2021, when both importing and exporting. The difficulties have been similar across all business sizes with retailers and manufacturers experiencing more difficulties than most.

It's hard to say whether these difficulties are being caused by short term disruption or whether they're persistent problems due to the nature of the EU-UK Trade and Cooperation Agreement.

Covid-19 has complicated the picture, making it difficult to separate the effects of travel restrictions and a global downturn from the effects of the new trade relationship with the EU.

Businesses now understand what the trade rules are between the EU and UK and where difficulties have arisen. It's now essential for them to factor in those difficulties when planning the future of their business, in terms of their supply chains, business structure and future trade plans.

International trade is vital to the UK economy, so it was encouraging to discover that most local businesses are planning to increase trade levels with the EU and the rest of the world.

The Chamber and our partners, including the Department for International Trade, will be ready to help by providing a comprehensive suite of international support, advice, services and training to help Herefordshire and Worcestershire businesses of any size or export experience.

CASE STUDY:

"Level Peaks Associates committed to developing more overseas customers and increasing exports back in early 2016. Using the Chamber of Commerce and Department for International Trade for advice and guidance, we created new sales channels. Our first major export was to The Netherlands, however, the most significant event came just after entering the first Covid lockdown last year, when we were awarded a multinational framework supply contract with NATO, valued at over £400M. This has led to sales into Belgium, France, and Czech Republic; it is hoped that Spain, the Netherlands and others will also utilise this contract as Covid restrictions across Europe ease. Establishing exports is not difficult, however, we have required guidance from government departments and Bishop Fleming have steered us with respect to taxation issues. International trade enables growth without having to significantly change internal processes and helps offset the risks associated with over-reliance on a single customer (in our case, UK government)."

Mark Smith, Managing Director
Level Peaks Associates Ltd

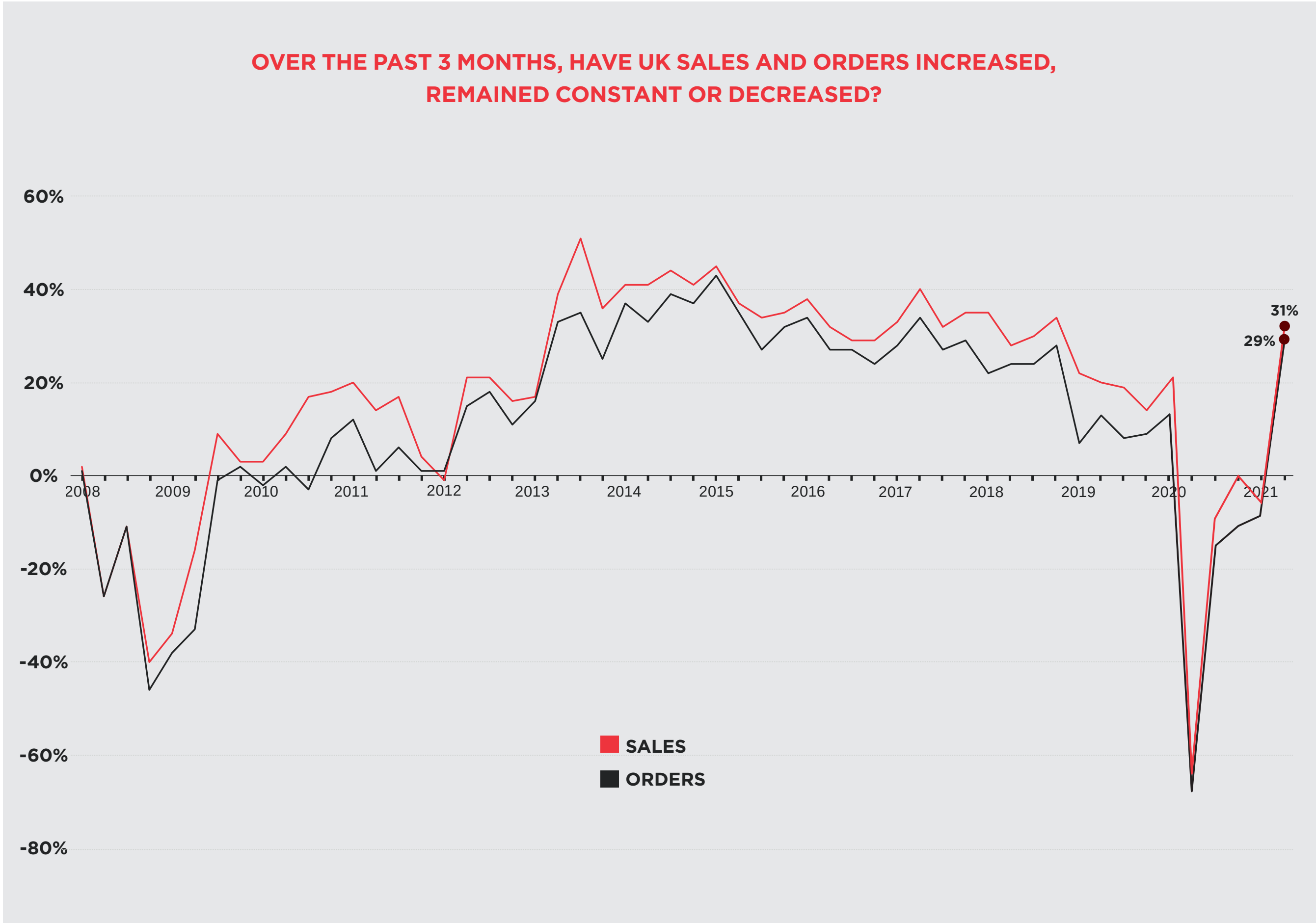
UK MARKET

The UK market has seen sales grow significantly from the previous quarter, for example, in Q2 2021 48% of businesses experienced increased sales, compared to 29% in Q1 2021. This increase in sales is due to a range of factors such as the easing of lockdown restrictions which has meant sectors of the UK economy have seen a sharp bounce back in demand for products and services. However, 34% of businesses reported sales had remained constant and 18% indicated a decline in sales. Orders within the UK market have also improved from 26% (Q1 2021) to 48% (Q2 2021) which suggests businesses are seeing a growth in orders from firms and customers which is helping to stimulate the economic recovery. 34% of businesses reported no change and 19% reported a decline in orders.

The latest figures released by the Office for National Statistics saw GDP grow by 2.1% in March 2021, however GDP is still 5.9% below the pre-pandemic level. The increase in GDP in Q1 2021 was due to the reopening of schools, which saw an increase in parents returning to work. (GDP monthly estimate, UK - Office for National Statistics, 2021).

The UK market has seen sharp levels of growth in recent times due to the opening of hospitality and retail, which has seen consumer expenditure continue to grow in May, up 7.6% compared to the same period of 2019. (UK Consumer Spending Report | Barclays Corporate, 2021). The increase in consumer expenditure is evidence to suggest the UK is on course to stage an economic recovery. However, this economic recovery is dependent on businesses remaining open, reduced Covid-19 cases and the UK becoming fully vaccinated in efforts to reduce the transmission of the virus.

Evidence from the Chamber's Coronavirus Impact survey has shown overall, many businesses across Herefordshire and Worcestershire are seeing an increase in consumer expenditure which is helping to drive the recovery of the local economy across both regions. However, businesses continue to remain cautious about the longevity of the economic recovery while remaining hopeful they will be able to remain open for the year ahead.



OVERSEAS MARKET

The overseas market has seen an increase in sales from the previous quarter. 37% of businesses experienced an increase this quarter compared to 17% in Q1 2021. The 20% improvement in sales in the overseas market is due to a range of factors such as countries now exiting national lockdowns, which has seen a boost globally. Furthermore, free trade agreements with non-European countries will further support the UK position as a global trading hub which will likely see greater imports and exports to non-European countries. Orders within the overseas market have more than doubled from 15% (Q1 2021) to 38% (Q2 2021). UK businesses have seen a sharp growth in orders from businesses from outside the European Bloc which has seen the UK economy grow significantly over recent times.

According to the Office for National Statistics, Q1 2021 was the first quarter since records began, that imports of goods from non-EU countries were higher than from EU countries. (UK trade - Office for National Statistics, 2021). The factors which caused this were short-term trade disruption related to the Trade and Co-operation Agreement with the EU such as challenges with supply chains, custom documentation and increased paperwork on goods and services entering and leaving the EU.

Evidence from the Chamber's Coronavirus Impact survey found 19% of Herefordshire and Worcestershire businesses are still experiencing delays with importing and exporting goods to the EU. Firms are reporting disruption to logistics and transportation of goods which has seen lead times be extended from 3-4 weeks to 8-10 weeks, which is causing severe delay to supply chains and impacting industries such as construction, manufacturing and retail.

With continued restrictions on international travel, the recovery of the overseas market will be dependent on vaccination programs, return of international business travel, new Free Trade agreements with non-EU countries as well as co-operation between member states to help minimise short, medium and long term disruption to challenges aligned with supply chains, increased documentation and shortage of raw materials.

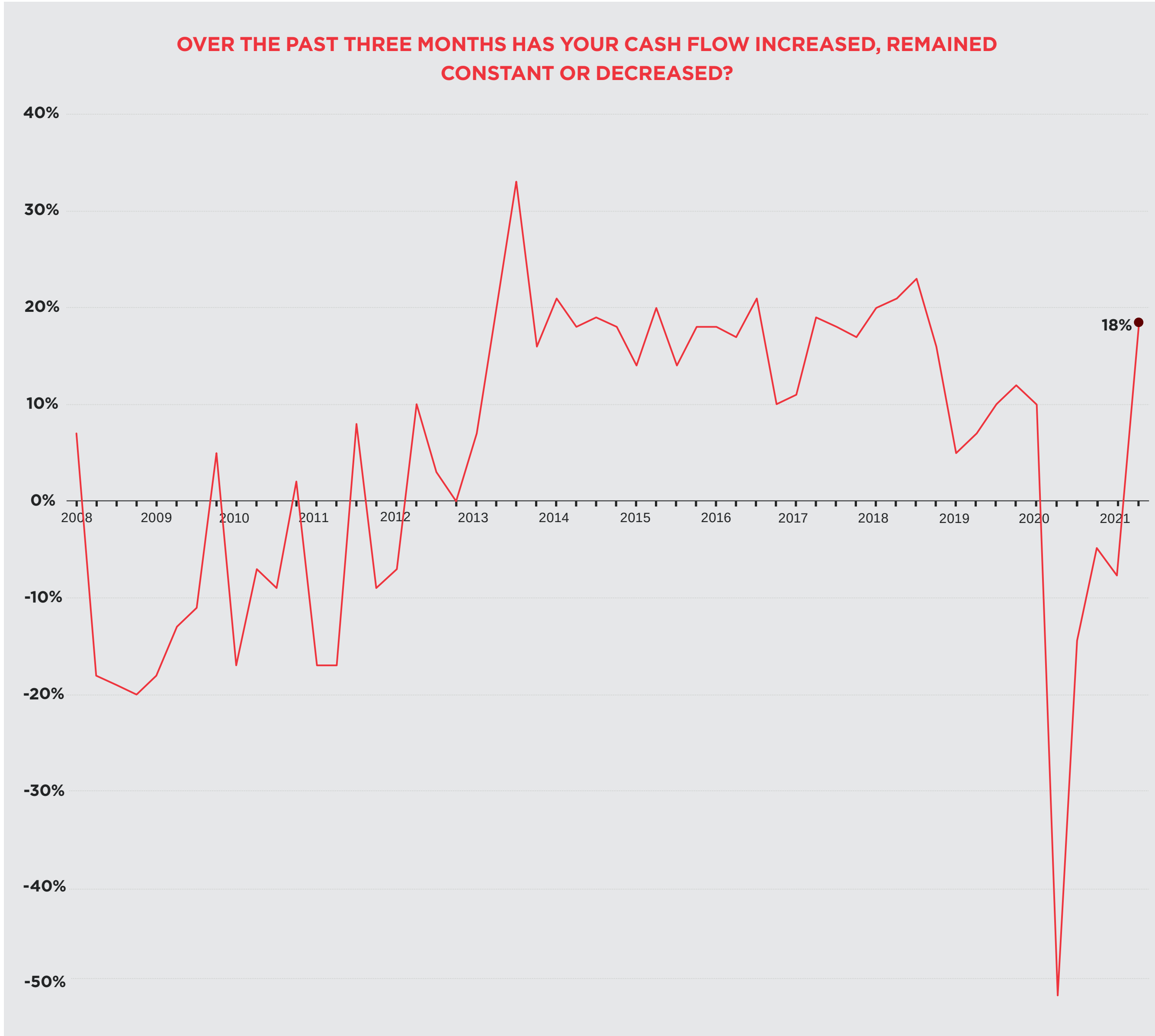
OVER THE PAST 3 MONTHS, HAVE OVERSEAS SALES AND ORDERS INCREASED, REMAINED CONSTANT OR DECREASED?

CASH FLOW

39% of businesses have experienced an increase in cash flow this quarter, compared to 27% in Q1. Government economic support and increase in trade are two factors as to why cash flow for businesses across Herefordshire and Worcestershire has increased significantly over the past three months. However, more than 40% of businesses advised cash flow had remained the same and 21% reported a decline in cash flow. Government economic support packages such as the Job Retention Scheme and grants to support business costs helped firms with cash flow, however many firms were unable to qualify for support which saw an increase in businesses using their own cash flow to help the maintain costs of their business.

According to the Office for National Statistics, cash reserves of more than six months at the end of May 2021, had declined by more than 1.2% following a year of lockdown restrictions. In October 2020, government passing a ruling which would give more power to the Small Business Commissioner to help small firms with late payments to help improve cash flow for small businesses. (Government to protect small businesses with action on late payments, 2021).

According to a recent Bank of England article on cash flow, the Bank of England estimated UK companies could face an aggregate cash flow deficit of £140 billion pounds, due to the economic shock of Covid-19. (How will the Covid-19 shock affect the cash flows of UK companies?, 2021). With industries such as retail, hospitality and services now re-opening, the government remain confident that the UK economy will bounce back to pre-pandemic levels and aim to help businesses maintain effective cash flow to help with business costs and maintain plans for growth.

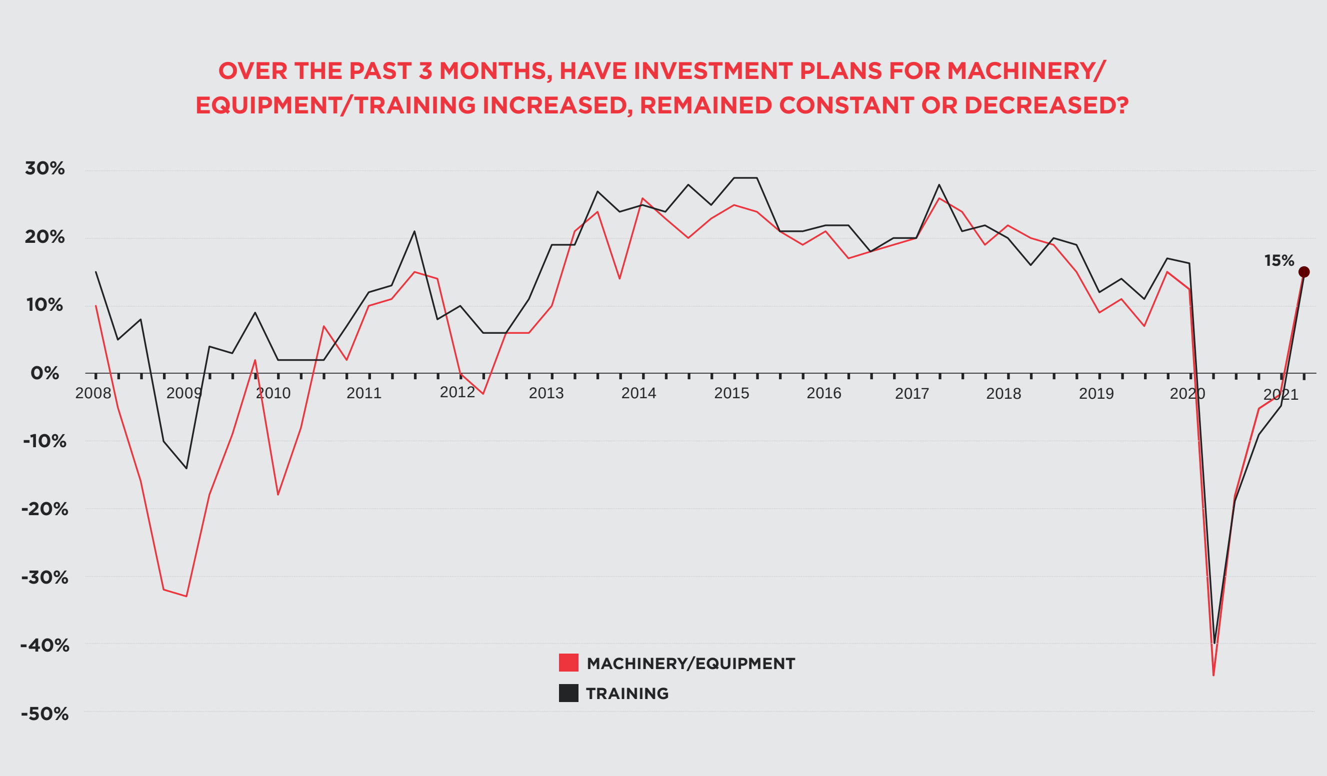


INVESTMENT

Investment plans for machinery and training have improved from the previous quarter, from 24% (Q1 2021) to 31% (Q2 2021). Factors which have caused an increase in investment plans this quarter are increased sales and trade for firms which have reopened since the easing of national lockdowns. Members across Herefordshire and Worcestershire are seeing positive signs of an economic recovery in the local market which is helping to stimulate increased investment in training, machinery and equipment.

According to the Office for National Statistics, business investment had fallen by 11.9% in the first quarter of 2021. The decline in business investment was due to the national lockdown, uncertainty with Covid-19, as well as complexities with the Trade and Co-operation Agreement. (Business investment in the UK - Office for National Statistics, 2021). Despite this, as the UK economy begins its recovery, the government remains optimistic that UK and overseas businesses will start to invest in the local, regional and national market to help boost the UK economy and reduce unemployment across the UK.

The UK government has pledged to help increase investment plans with a number of initiatives which include £20 million from the Conservative government Stronger Towns Fund, which is targeted to help with urban regeneration and planning use, skills, enterprise and connectivity. This investment within Worcester will help create regenerate the local area and help boost the local economy. Herefordshire was also successful in its application for the Government Towns Fund with a total of £22.4 million secured to help drive social mobility, skills gaps, deprivation in local communities and to help challenge the climate crisis.



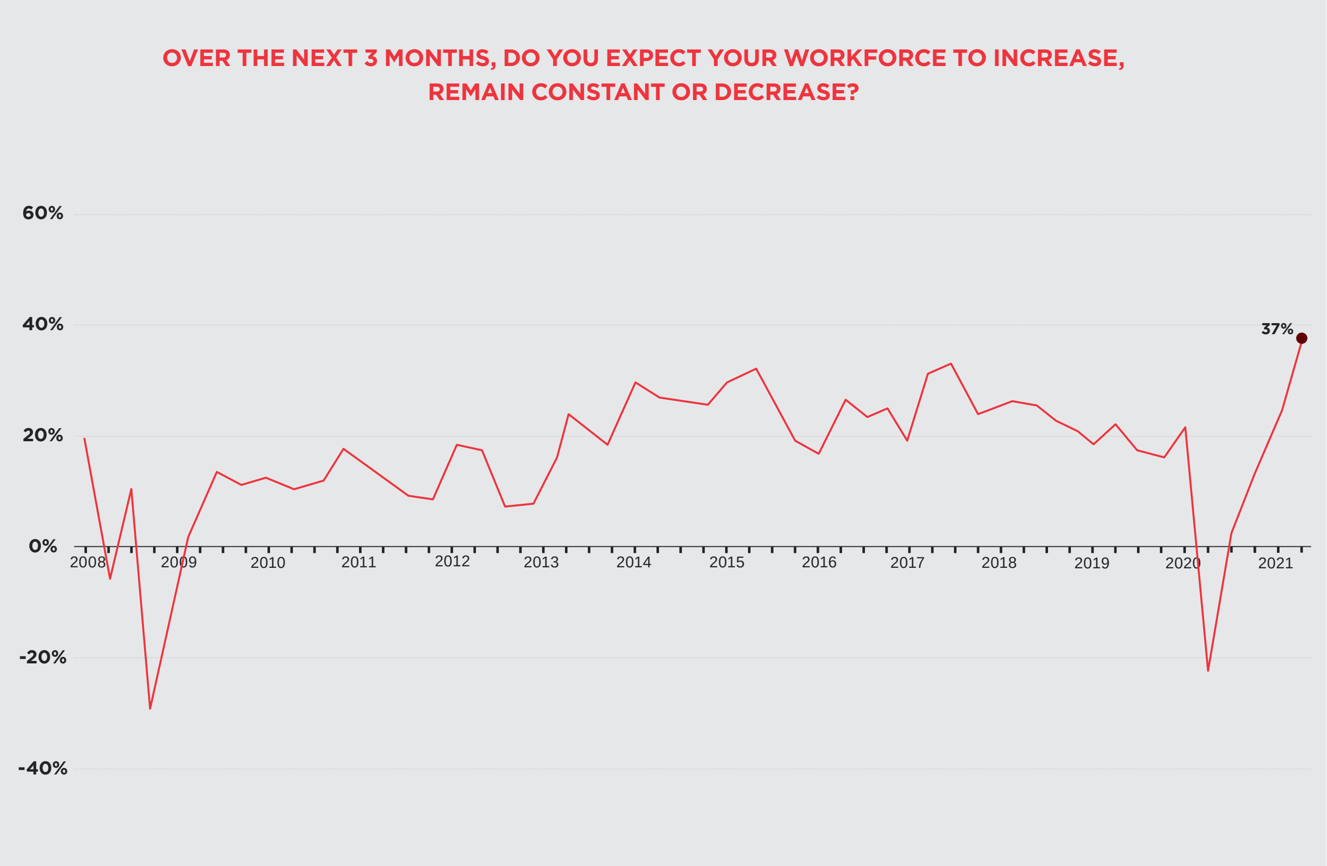
EMPLOYMENT & RECRUITMENT

51% of businesses have attempted to recruit in Q2 compared to 38% in Q1. Half of businessess reported they would try and recruit over the next three months, which represents how resilient the local employment market is across both regions, despite the challenges of Covid-19. The Quarterly Economic Survey reports 82% of businesses who have attempted to recruit are doing so for full time roles.

However, 54% of businesses struggled recruiting for roles such as skilled manual and technical roles which suggest the local labour market is in short supply. However, there are wider implications surrounding skilled workers, with complexities around the new points immigration system which has impacted sectors such as agriculture and construction.

According to the Office for National Statistics, the number of payroll employees has increased for the fifth consecutive month but remains 772,000 below pre-pandemic levels. Since February 2020, the largest falls in payrolled employment have been in the hospitality sector, among those aged under 25 years, and those living in London. (Labour market overview, UK - Office for National Statistics, 2021). The Job Retention Scheme continues to help reduce unemployment across all sectors and industries, helping to provide security for businesses as they are recovering from the effects of the pandemic.

Unemployment across Worcester is currently 3.8% (Labour Market Profile - Nomis - Official Labour Market Statistics, 2021), with Covid-19 affecting the local employment market, the government continues to try and reduce youth unemployment through the Kickstart Scheme. The Chamber continues to act as a gateway for the Kickstart Scheme and have currently confirmed 460 placements across Herefordshire and Worcestershire. The Kickstart Scheme is pivotal scheme in helping to reduce youth unemployment across both regions.



BUSINESS CONFIDENCE

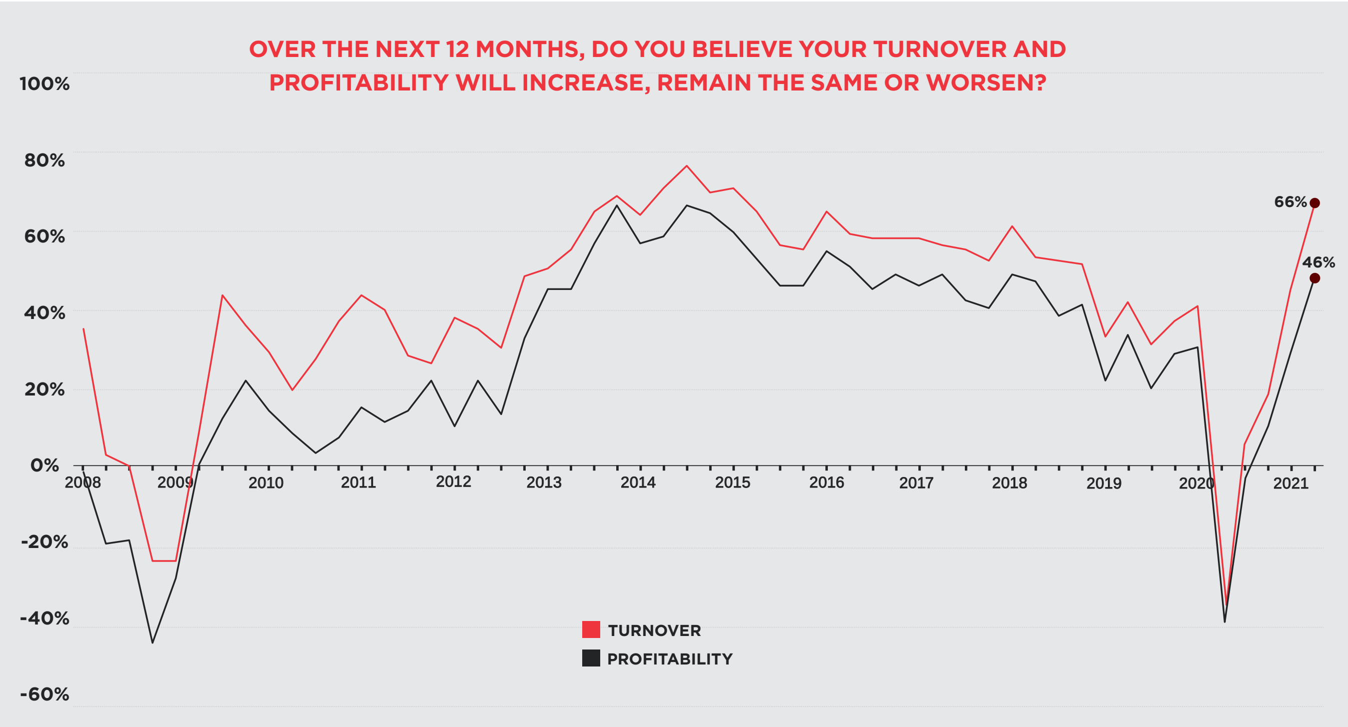
Business confidence in turnover has improved from the previous quarter. 72% of businesses expect their turnover over the next 12 months to increase compared to 59% last quarter. Members reported during the QES the increase in confidence in turnover was due to increased trading following the latest lockdown easing which saw the return of non-essential retail in April 2021.

Furthermore, the return of the hospitality sector in May 2021 helped provided a much needed boost to the local and regional economy. 60% of businesses expect their profitability over the next 12 months to increase compared to 50% in Q1. Increase in profitability was due to increased sales and orders from business and customers, which has helped stimulate a bounce back in the local economy.

A recent report conducted by the ONS on business confidence found 83.2% of businesses were confident they would survive the next three months, with Covid-19 cases remaining at a low level and the easing of restrictions continuing, business confidence is at all time high since the pandemic.

Factors of concern for businesses post pandemic include business rates, inflation, competition and corporate taxation. The government during the Covid-19 pandemic has pledged billions of pounds in helping to subsidise many businesses and help preserve many jobs throughout the last year.

Evidence from the Chamber's Coronavirus Impact Survey has found many firms used the government loans and grants throughout Covid-19, however many businesses have raised concerns surrounding the repayments of government loans with some firms unable to make payments due to low cash flow and limited turnover following the Covid-19 pandemic.



CHAMBER POLICY CONTACTS

ROBERT ELLIOT
Director of Engagement and Development

ARJUN HEIR
Policy Executive

LISA TITSHALL
Policy and Research Executive

2021 QUARTERLY ECONOMIC SURVEY DATES

Q3 2021

Fieldwork: 23 August to 13 September

Publication: TBC – mid October

Q4 2021

Fieldwork: 1 November to 22 November

Publication: TBC – mid January

WORCESTERSHIRE OFFICE (HEAD OFFICE)
Severn House
Prescott Drive
Warndon Business Park
Worcester
WR4 9NE
01905 673 600

HEREFORDSHIRE OFFICE
The Shell Store
Canary Drive
Skylon Park
Hereford
HR2 6SR

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

policy@hwchamber.co.uk
www.hwchamber.co.uk
@hw_chamber
Herefordshire & Worcestershire Chamber of Commerce

Herefordshire
& Worcestershire
Chamber of Commerce