

# Q1 2022

## QUARTERLY ECONOMIC SURVEY



Herefordshire  
& Worcestershire  
Chamber of Commerce



Worcestershire  
Local Enterprise Partnership



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**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 and confidence between November and January 2021/2022. The survey was conducted between Monday 14 February and Monday 8 March 2022.**

The Quarterly Economic Survey (QES) has been conducted by the British Chambers of Commerce within its UK network since 1989. Its findings have allowed businesses, their partners, and representative bodies to assess their current position, plan, and benchmark themselves amongst their peers. This last survey was completed by 5627 businesses across the UK, 408 (7.3%) of them from Herefordshire and Worcestershire. I would like to thank everyone who invested time in completing the QES and I hope you find the survey results useful.

Whilst writing my introduction to the last QES, I referred to the fact that for two years we had been conducting our research, through the survey, in what was often referred to as “unprecedented times”. Each moment there was a chance of sustained recovery, another factor would become relevant to slow any progress. In the case of the last survey, it was the government’s “Plan B” and now as our latest survey was being conducted global uncertainty over the war in Ukraine, its effects on general supply chain, and the much publicised increases in energy cost, and further inflationary pressures have become very evident.

This survey indicates the considerable financial stress that businesses across Herefordshire and Worcestershire are experiencing. The level of inflationary pressure has reached record levels and to some extent, based on recent times, we are in uncharted territory. It is evident that where previously, businesses were showing cautious optimism, they are now reporting concern.

It is interesting that while assessing business optimism in the Quarterly Economic Survey with a number of questions consistent across all surveys, in this latest survey we were also asking businesses what their principal challenges and priorities were for the year ahead. The reason for this questioning was for the Chamber of Commerce to identify key areas of focus for the 2022/2023 Business Manifesto. A Manifesto that has key drivers identified by the Members, for the benefit of the Members. Nearly 50 different priorities were identified, and these were then categorised into six sections. These are, International Trade, Sustainability, Business Costs, Technology, Business Growth (called Covid Recovery last year) and People (called Skills last year). The 2022/2023 Business Manifesto can be found on the Chamber website.

I am particularly grateful to our partners at Worcestershire Local Enterprise Partnership, and Worcestershire County Council and their Skills and People Team for supporting us with this survey. The Herefordshire & Worcestershire Chamber of Commerce are committed to supporting all activities that promote skills development, opportunity, and workforce planning.

As you will read later, while a high number of companies do have a workforce plan, a greater number do not and this must be seen as an opportunity, rather than a concern. Like many activities undertaken by the Chamber, there are pathways to share best practice, highlight opportunities for funding and training and support business at all levels.

I hope you enjoy the findings of the report that covers all aspects of business performance and confidence and may I thank you all once again for taking part.





**Judy Gibbs**

Skills and Investment Group Manager and  
Worcestershire LEP Director of Skills



**In 2021, we encountered a perfect storm in recruitment and skills across the UK, where the many external factors and influences impacted our ability as employers to recruit. Brexit reduced numbers and added red tape to the recruitment of European labour and the Covid 19 pandemic added its own impacts alongside. The most significant being the lack of movement in the labour market caused by individuals choosing to remain with their employers protecting their terms and conditions in a difficult time for all, with many employers keeping artificially high headcounts to compensate for employees with Covid and keep skills within their businesses.**

The press and social media added to the storm and young people chose to find their next steps themselves and often chose to remain in education as an alternative to employment.

A bidding war began in certain sectors where wages rose to previously unseen levels and caused chaos between employers demanding skills and available labour where need had to be filled.

Understandably, and as a result of this, it is clear to both the Local Enterprise Partnership, its

partners and local education providers that there is a need to have a strong focus on all areas of Skills, People, Workforce Planning and Employment Opportunity over the next few years.

Employers need to look, not at just the here and now, but to the future and consider how a mix of recruitment from new entrants such as apprenticeships, working with inclusive practices and the replenishment of existing skills alongside strong training plans can work for their organisation moving forward.

It is important that Worcestershire's education providers in Further and Higher Education understand the needs of our businesses in the future and can plan and implement the solutions to those needs now.

It is clear that this is the direction Worcestershire is moving in and it is clear there are a number of examples to celebrate:

- Worcestershire County Council and the Herefordshire & Worcestershire Chamber of Commerce supported 560 young people into kickstart placements with many great case studies and to date over 140 being retained by their host employers.
- Employers turned to apprenticeships in the first quarter of the academic year of 2021/22 and Worcestershire reported a 10% higher level of apprenticeships than the rest of England and 13% over the West Midlands region helping to bring new talent into the county.
- Our largest employment provider working on the Restart contract helped over 450 long term unemployed back into work in our county supporting employers to gain employees.

We continue to support the recent Government White Paper published in 2021 and we look forward to working with all of our employers to both create and embed new schemes and approaches to recruitment and workforce planning. It is with this in mind, that I ask all employers to engage in the process of collating data on skills needs moving forward, as whilst it is indeed good to see that our employers in this report recognise the need to make positive change, we must continue despite the challenge of the short term business recovery goal and financial pressures moving forward. We hope that the guidance you give will help us and the wider education stakeholders in the county to support you effectively moving forward and help us to close the skills gap together.

# METHODOLOGY

During Quarter 1 (Q1) 2022, 408 businesses in Herefordshire and Worcestershire responded to the Quarterly Economic Survey. Data collection took place between Monday 14 February and Monday 8 March 2022. Any reference to Quarter 4 (Q4) 2021 refers to data collections between Monday 1 November and Monday 22 November 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

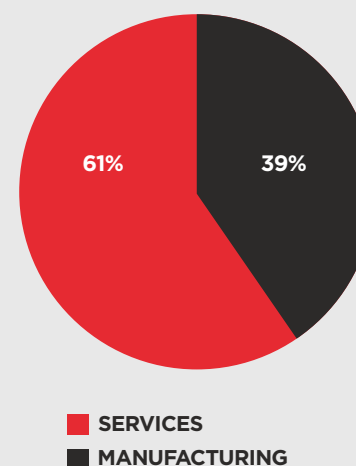
Main business activity includes manufacturing of goods (including electronic or information technology goods) and production of raw materials, construction, agriculture, fishing, mining, or utilities.

### Service Sector

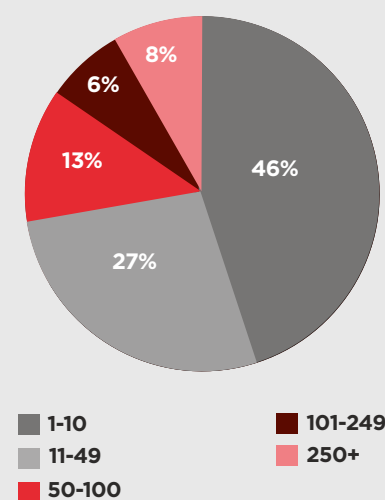
Main business activity provides a service to businesses as well as final consumers (including retail/wholesaling, professional services, and marketing).

## SAMPLE SUMMARY

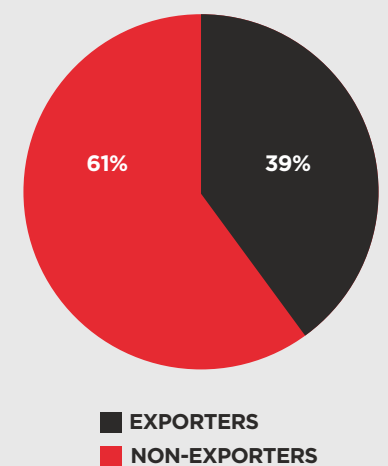
Responses by Sector



Responses by Business Size



Responses by Exporter



# EXECUTIVE SUMMARY:

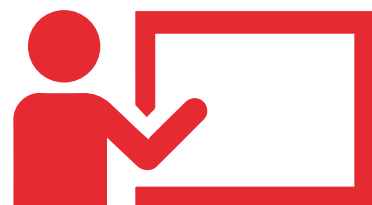


## DOMESTIC MARKET



**45%**

of businesses have increased sales, compared to 46% last quarter. 14% reported a decrease in sales compared to 11% last quarter.

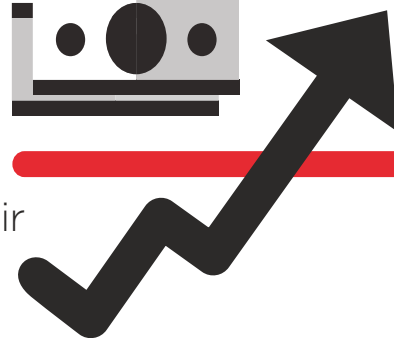
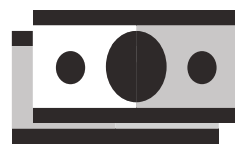


**30%**

of businesses reported they had increased their training activity. This was up from 21% in Quarter 1 2021.

**50%**

of businesses expected their profitability to improve in the next 3 months. This is compared to 56% of companies reporting an increase in last quarter.



# 2022

## CASH FLOW

**22%**

of businesses expected their cash flow to worsen this quarter, 5% more than previous quarter.



**57%**

of businesses detailed staff costs as a reason for price increase. This is up from 48% in previous quarter.

## TURNOVER

**65%**

of businesses are confident that their turnover over the next 12 months will increase. That compares to 67% last quarter. 9% expected turnover to fall.





# BUSINESS PERSPECTIVE

## IN THEIR OWN WORDS:



***Ukraine conflict will impact the global economy, increasing prices and causing shortages. The energy market is in meltdown. We need to be looking at what we can do to support business now.***

- Large employer – Professional Services

***Businesses need to be encouraged to upskill and invest in training and development.***

- Sole Trader – IT Training

***To progress our strategy and employ more staff, we need more Government help and support.***

- 1-5 employees – Manufacturing

***The biggest challenge going forward is costs and passing on increases to supermarket customers.***

- 50 employees – Agriculture

***Export, red tape and uncertainty over Brexit remains.***

- 1-5 employees – Manufacturing

***Immense pressure to raise salaries due to the increased cost of living and the advantage to candidates in the labour market, even though we can't really afford it, we have to raise salaries to retain staff.***

- 1-25 employees – Electronic Goods

***The pandemic has definitely impacted the working landscape and I feel small SME's are still adapting to the changes.***

- 1-10 employees – Automotive Supply Chain

***Keep taxes low, improve broadband and public transport.***

- 1-10 employees – Creative



***Lack of labour and supply chain delays means we are currently operating at capacity. If we had more labour (of the right quality) we would be able to increase our output, even with the current supply chain problems.***

- 50-100 employees – Manufacturing

***Brexit saw the loss of our Northern Ireland customers. Costs of importing produce have increased as a result of customs costs and transport costs.***

- 1-10 employees – Retail/Wholesale

***We are beginning to see the effects of the pandemic in terms of the loss of several clients which I think will continue as those who have kept going with the benefit of the JRS scheme and local grants find they are now not viable.***

- 1-10 employees – Printing

***Fuel and raw material import costs are significantly affecting profit.***

- 1-5 employees – Agriculture

***Concerned that the levelling up agenda will ignore rural areas where there is still a need for support due to low wages, poor infrastructure, and general economic difficulties.***

- 50 employees – Leisure Hospitality

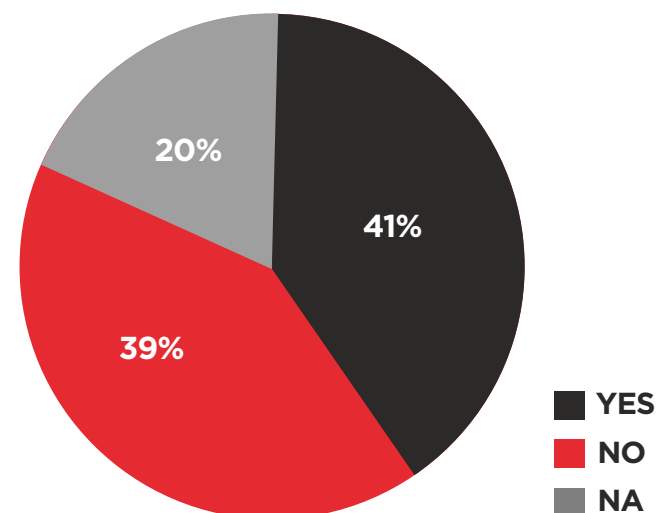
***The next 6 months are going to be incredibly challenging in hospitality because of above - inflation rises in staff and input costs and the extreme difficulties in recruiting staff. All this on top of Covid closures causing huge losses.***

- 50 employees – Leisure Hospitality



# WORKFORCE PLANNING, SKILLS, AND EMPLOYMENT STRATEGY

**Question – As an organisation, do you have a workforce plan for future employment strategy?**



Our survey was looking to establish how many businesses had a workforce plan in place as part of their future employment strategy. The purpose of the question was not to judge businesses on their plans, but to establish examples of best practice, and to identify areas where improvement could be implemented, and support identified.

## **Businesses with Workforce Plans in Place Identified Both Key Elements and Benefits.**

- Active HR team and interaction with team.
- Employer branding survey to establish key values.
- Health and Wellbeing, Diversity and Inclusion initiatives.
- Hybrid and flexible working model.
- Working with Chamber Members to support the business needs.
- Extending use of recruitment agencies, for advice as well as workforce.
- Investment in technology and automation, coupled with IT Training.
- Incentivising staff to introduce, recruit and train apprentices in-house.
- Identifying critical skills and implementing training.
- Active involvement in Apprenticeships and Graduate Recruitment.



- Reform of structure through engagement with existing employees.
- Retention of key staff.
- Incentives for new staff.
- Measuring and developing staff attitude.
- Improving productivity.
- Succession planning.



# WORKFORCE PLANNING, SKILLS, AND EMPLOYMENT STRATEGY

We then asked businesses how they had recruited within their organisations over the last 6 months.

It was interesting that three leading aspects were adopting a strategy to retain staff through additional benefits, or wage increases, transferring existing staff into new roles within the organisation, or that there were still vacancies unfulfilled.

The results are represented here.

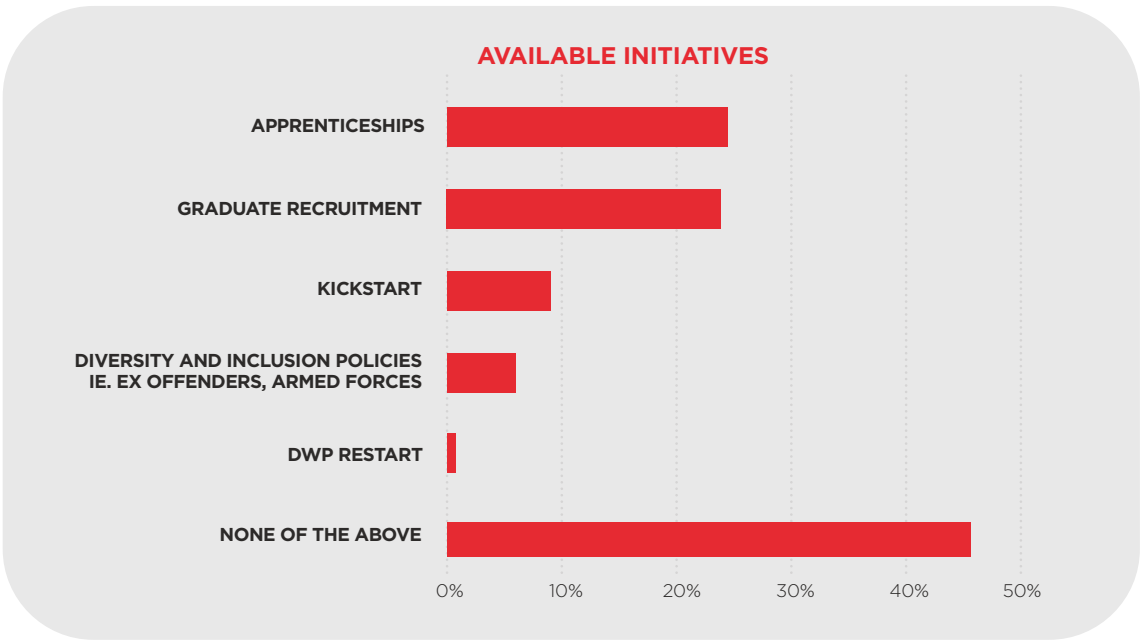


It is clear in the results displayed that retaining staff, and where change is required due to a change in business conditions, utilising staff in all areas of the organisation perhaps not previously considered is key to many organisations.

Between the Herefordshire & Worcestershire Chamber of Commerce, Worcestershire LEP, Marches LEP, and Worcestershire and Herefordshire County Councils there are many areas of support, funding, and opportunities for organisations to attract new employees, or those looking for employment to have a chance to succeed.

Awareness of such opportunities can sometimes be lost in the multitude of various initiatives so it was important from this survey that it was possible to establish which schemes and opportunities were well utilised and had good awareness, and those that were less so.

Equally, as the results below will show, there is a large number of businesses that have so far not utilised these schemes, or perhaps are unaware of their existence. Whilst this could be viewed negatively, it does in fact provide the Chamber and Local Partners with a target audience to approach.



One final question we asked in this latest survey was whether organisations promoted themselves as an attractive place to work.

337 organisations responded to this question, 82.5% of the data sample.

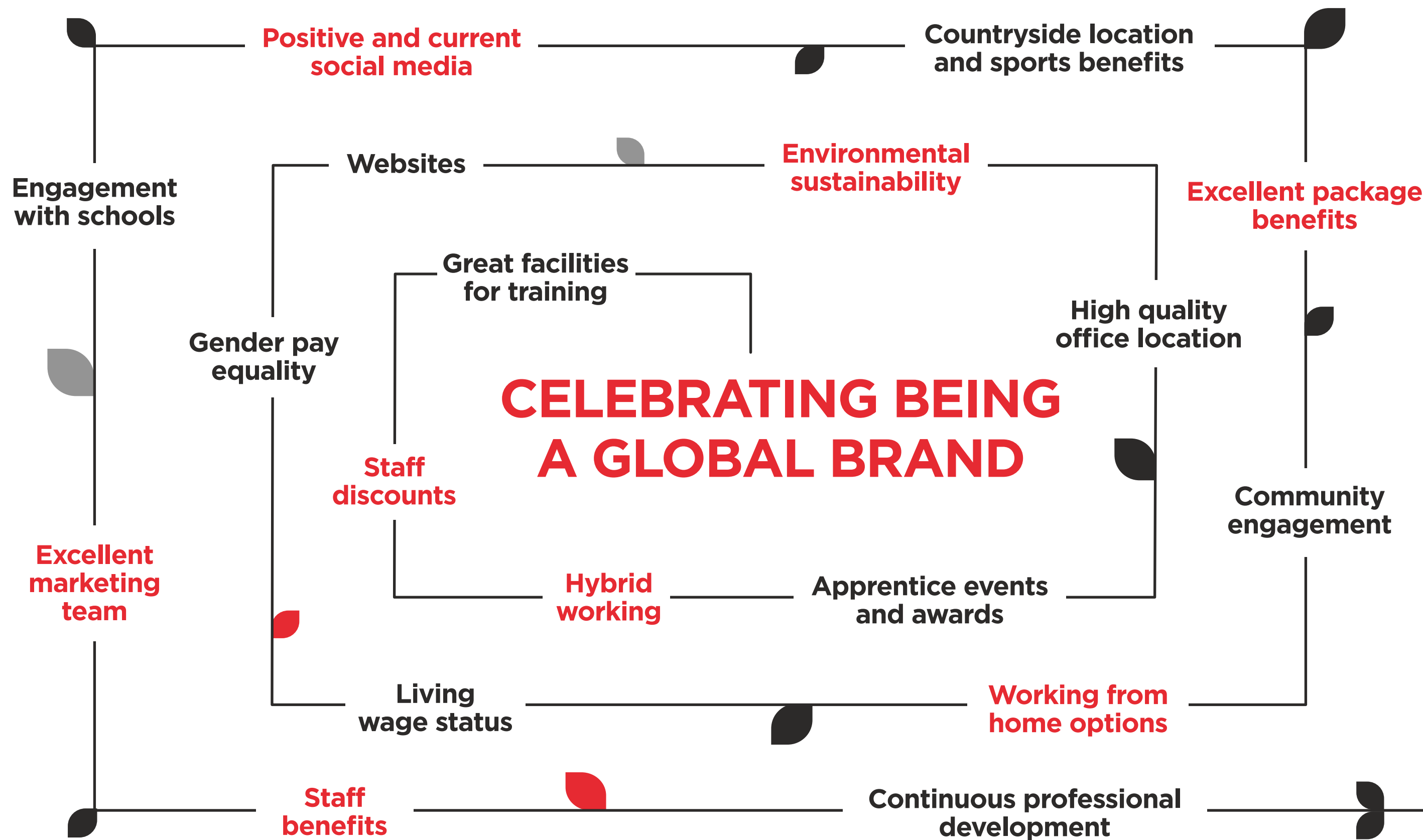
**Yes: 38.2% businesses actively promote themselves as an attractive place to work.**

**No: 41.3% of business did not actively promote themselves.**

Very few businesses that responded “no” gave the survey evidence as to why, but one very interesting comment was that as a family business, recruitment was controlled and the business very attractive!

These reports, while reporting on fact, also act as an advisory tool for all that read the report. With that in mind, it is interesting to learn of different actions.

# WORKFORCE PLANNING, SKILLS, AND EMPLOYMENT STRATEGY





# UK MARKET

In terms of UK sales 45% of businesses responding to the survey reported an increase in UK sales over the previous three months. Interestingly in the previous survey this figure had been 46% and before that 49%. As with the previous QES some of this increase would have been represented by businesses experiencing an upturn as further Covid restrictions were lifted.

According to Office for National Statistics (ONS), data from the latest quarterly figures for UK Gross Domestic Product indicate an increase from 1.1% between July and September, to a 1.3% increase between October and December. The data from ONS suggest that for the months of January and February 2022 GDP has grown by a further 0.2% to 1.5%.

Service sector businesses have been the main contributor, particularly travel and tourism related businesses while production and construction related businesses have experienced a slight fall in production.

Locally, this has also been the case. In Herefordshire and Worcestershire, 50% of Service related businesses reported increased sales compared to just 38% in the Manufacturing sector. To further put this service related growth into perspective, it is worth noting that 36% of businesses in Herefordshire and Worcestershire reported that sales had remained unchanged and 14% had experienced a fall in sales.

The rising cost of living, and events in Ukraine will make a survey of UK sales very interesting in the next QES to be conducted in May. Income will be one factor, supply may well be another. This is represented in this survey when asking businesses about their order levels for the next three months. 35% expected orders to remain the same while 12% expected to experience a fall in orders.



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





# OVERSEAS MARKET

Within Herefordshire and Worcestershire, there is a mixed picture for overseas markets and International Trade. 18% of businesses experienced increased sales (17% Q4 2021) and 16% have increased overseas orders (15% Q4 2021). However, it has been well documented that Brexit is still a factor, as is regulation and documentation causing delay and now a restricted supply of ferries making a channel crossing harder. 21% of businesses reported overseas sales remaining the same compared to 17% last quarter and 15% of businesses reported a decline in overseas sales compared to 13%. Overseas orders are also concerning, 20% of businesses reporting that orders have remained the same and 16% experiencing a fall in orders compared to 12% in Quarter 3.

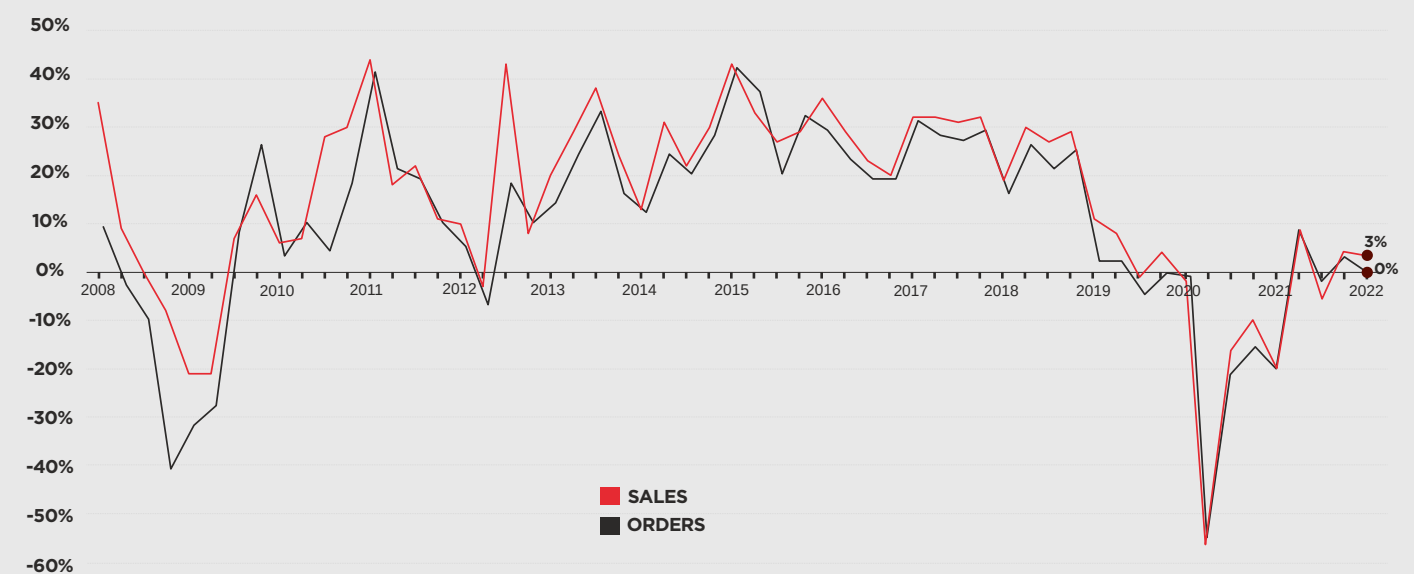
On a national scale, according to the ONS, total exports of goods, excluding precious metals, increased by £2.1 billion (7.8%) in February 2022, driven by a £3.0 billion (25.4%) increase in exports to EU countries, while exports to non-EU countries decreased by £0.9 billion (6.4%).

While exports to EU countries have increased by 25.4% in February 2022 compared with January 2022, exports to the EU have decreased slightly, by 0.3%, when comparing February 2022 with December 2021.

Total imports of goods, excluding precious metals, decreased by £1.0 billion (2.2%) in February 2022, because of a £0.7 billion (3.0%) fall in imports from EU countries, while imports from non-EU countries fell by £0.3 billion (1.3%).



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





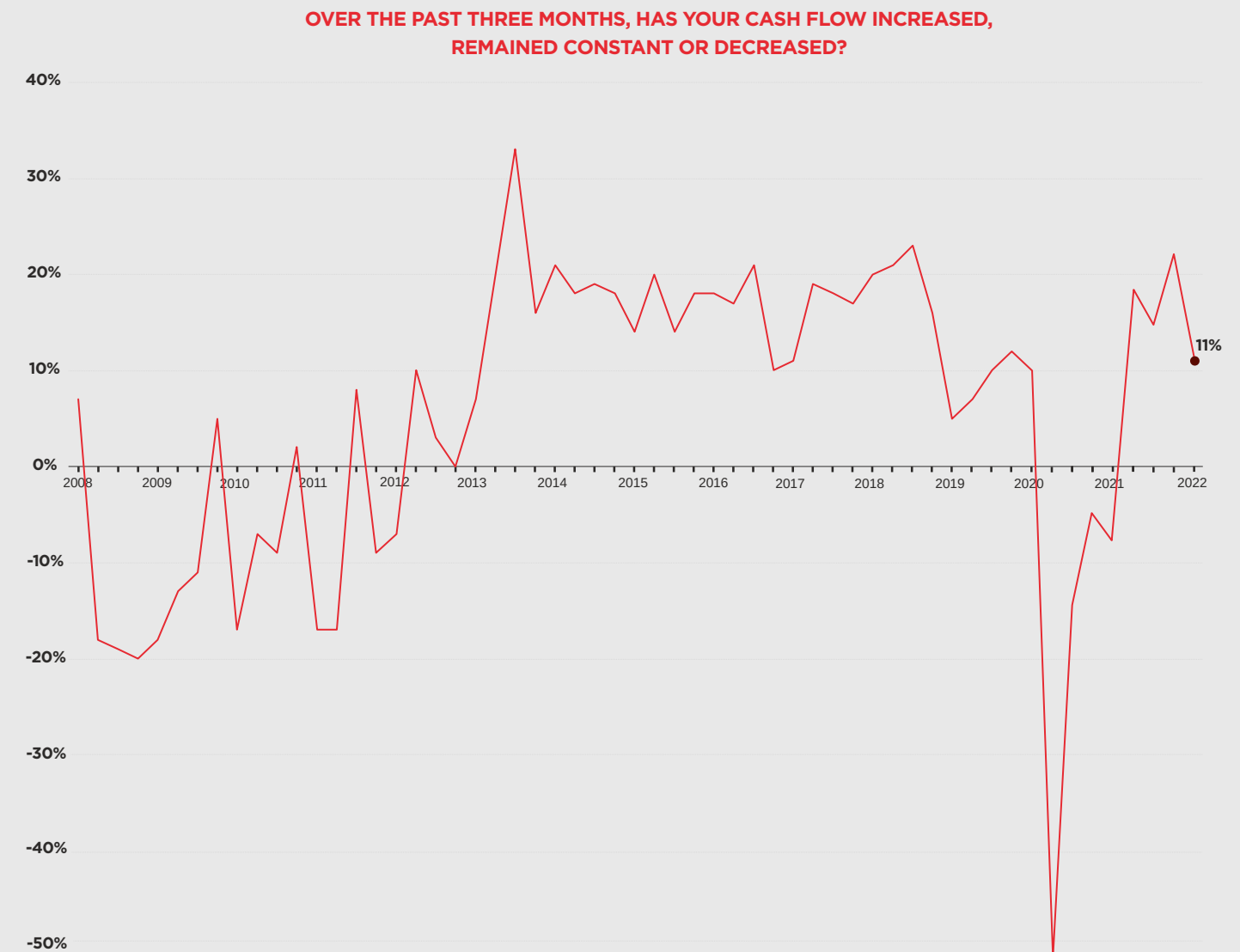
# CASH FLOW

The Quarterly Economic Survey asks businesses to report on cashflow over the previous three months. This is where businesses can provide a real barometer of their state of health in terms of business. Nationally and locally the picture is concerning.

According to the British Chamber's overall analysis, 28% of businesses reported an increase in cashflow over the last three months. This was compared to 31% in the last quarter. In the same survey they found that nationally, 26% of businesses had experienced a declining cashflow compared to 23% in Q4.

Looking locally in Herefordshire and Worcestershire, there is a worrying picture. 33% of businesses reported an increase compared to 39% and 22% experience a fall, compared to 17% in Q4. That is a significant shift locally and one that will have a "knock-on" affect across the supply chain, and within the businesses concerned.

This further emphasises the importance of making funds, grants, and loans available to businesses of all sizes. Herefordshire & Worcestershire Chamber of Commerce, the regional LEP's, and county councils all have teams working with businesses to identify such support.





# INVESTMENT

Investment plans for machinery and training have been revised upwards from the previous quarter but not to levels expressed earlier in the year. In the latest report 27% of respondents outlined that their investment plans had increased compared to 26% in last survey, but 31% in Q2.

As always, factors which have impacted investment by firms are the concerns around interest rates and the cost of borrowing to fund investment opportunities. Businesses are concerned that if interest rates were to rise, this would then lead to less investment in machinery and training. Opportunity does present itself in the form of tax allowances for research and development and the Chamber will be working with partners in 2022 to ensure these benefits are fully utilised.

Attracting investment across Herefordshire and Worcestershire remains one of the top priorities for Herefordshire & Worcestershire Chamber of Commerce. Investment in training and skills is pivotal in helping to secure long term investment across both regions and helps develop the local economy. There are currently a number of investment opportunities for SME's, medium and large businesses to invest in key sites and joint ventures including the Malvern Hills Science Park, and the Shell Store within Skylon Park in Herefordshire.

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





# EMPLOYMENT & RECRUITMENT

Over the last three months, 31% of businesses have increased their workforce (34% did so in Q3). 60% of businesses reported no change, compared to 58% doing so in Q3. This might indicate a stabilising of the job market, but more likely a consolidation of existing workforce as advanced orders slow.

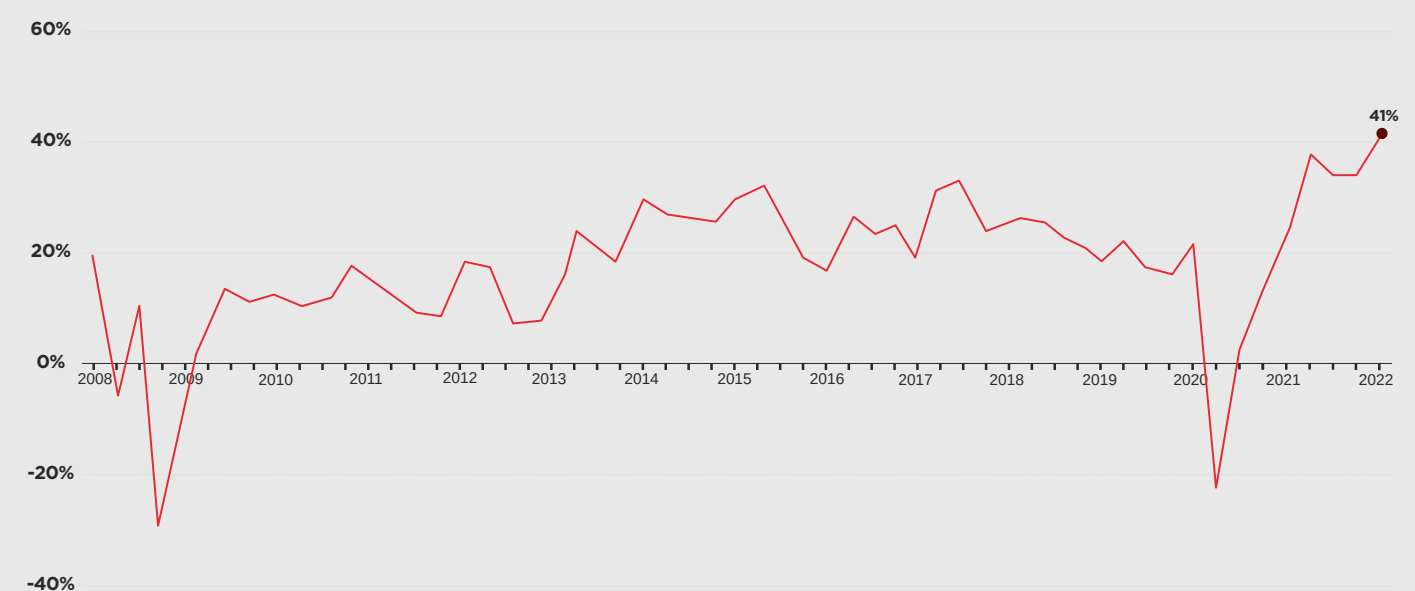
Recruitment continues however, indicated by 38% expecting to increase their workforce in the next quarter. 53% of businesses attempted to recruit in the last quarter. Encouragingly these were predominantly full-time roles, and apprenticeships at a higher level than last year. One measure that continues to be consistent is that 74% of those recruiting had difficulties in doing so. Main problem areas were professional, managerial, and clerical positions.

Since the last Quarterly Economic Survey, the Chamber, in conjunction with Hewett Recruitment, have published the latest Salary and Benefits Survey. This study can be found on the Chamber website [www.hwchamber.co.uk](http://www.hwchamber.co.uk) and provides a valuable analysis of many aspects of recruitment and retention across multiple sectors.

According to the Office for National Statistics, in November 2021 there were 29.4 million employees in the UK: up 257,000 on the revised October 2021 level and up 424,000 on the pre-coronavirus (COVID-19) February 2020 level. Labour Force Survey estimates for August to October 2021 show the employment rate increased by 0.2 percentage points on the quarter, to 75.5%. The number of part-time workers decreased strongly during the coronavirus pandemic, but has been increasing since April to June 2021, driving the quarterly increase in employment. The unemployment rate decreased by 0.4 percentage points on the quarter to 4.2% while the inactivity rate increased by 0.1 percentage points to 21.2%.



**OVER THE NEXT 3 MONTHS, DO YOU EXPECT YOUR WORKFORCE TO INCREASE, REMAIN CONSTANT OR DECREASE?**



# BUSINESS CONFIDENCE

Business confidence in turnover continues to fall. 67% of businesses expected their turnover to improve, this figure was 70% last quarter, and 72 % in Q2 2021.

61% of businesses expected their own prices to increase, compared to 49% last quarter. Principle reasons for these increases were detailed as pay settlements (wages and salaries), raw materials and staffing costs.

Price rises will not all be passed onto the consumer. Keeping a competitive edge is vital. It is no surprise that businesses are showing concern over their profitability. 56% of businesses expected profitability to improve in next three months. This was a positive 65% last quarter.



## What's causing most concern to business?

The biggest increase in this list since last quarter was easily Energy costs.



## CHAMBER POLICY CONTACTS

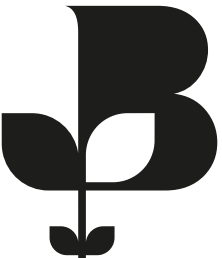


**ROBERT ELLIOT**  
Director of Business Engagement  
and Development

## 2022 QUARTERLY ECONOMIC SURVEY DATES

### Q2 2022

Fieldwork: 22 May to 6 June 2022  
Publication: End June 2022



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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](mailto:policy@hwchamber.co.uk)**

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Herefordshire & Worcestershire Chamber of Commerce



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