

Q3 2022

QUARTERLY ECONOMIC SURVEY



Herefordshire
& Worcestershire
Chamber of Commerce



**CYBER
QUARTER**

MIDLANDS CENTRE
FOR CYBER SECURITY

CONTENTS

FOREWORD	2-3
MIDLANDS CENTRE FOR CYBER SECURITY	4-7
METHODOLOGY	8-9
EXECUTIVE SUMMARY: KEY FINDINGS	10-11
BUSINESS PERSPECTIVE: IN THEIR OWN WORDS	12-13
UK MARKET	14-15
OVERSEAS MARKET	16-17
CASH FLOW	18-19
INVESTMENT	20-21
EMPLOYMENT & RECRUITMENT	22-23
BUSINESS CONFIDENCE	24
CHAMBER POLICY CONTACTS	25

The core objective of the survey and research is to provide the highest quality evidence base and unique insights from businesses to inform decision making across UK Government and the wider business community. The latest survey was completed by over 5,200 businesses across the UK with 351 of these responses from Herefordshire and Worcestershire. I would like to thank everyone who completed the QES and I hope you find the report useful.

In previous quarters, I have outlined the different challenges businesses have faced in that period. The war in Ukraine, UK labour crisis, the fuel crisis and global supply issues remain significant problems for businesses. Raw material and supply chain issues continue to force prices upwards. Add to this the current cost of living crisis, rising energy prices, and inflation, conditions are extremely challenging. In our survey, 82% of businesses stated energy costs as a factor of concern for businesses. The recently announced six-month support for businesses from the government will provide much needed help to firms across Herefordshire & Worcestershire however, further support past this time scale is vital to provide much needed support to businesses.

The data we have collected in this survey raises alarming figures on the financial position businesses risk being left in as we approach the winter. The British Chamber of Commerce have predicted we are entering a winter recession. Businesses that in previous quarters showed cause for optimism, are now reporting several concerns.

Businesses reporting their sales had increased was down from 45% in Q2 to 32% in this quarter. In contrast, businesses reporting their sales had decreased was 22%, an increase from 14% in Q2. The net balance of UK sales has decreased significantly from 31% in Q2 to 10% in Q3. The analysis of UK sales gives a clear picture of how businesses have performed in the last three months and also how they expect to perform in future months ahead. The net balance of UK sales has been on the decline since Q3 2021. These figures emphasise the significant challenges businesses are facing and

the importance of our role as a Chamber in providing much needed support. The same can be said for forward orders that have been declining since Q3 2021. 32% of businesses indicated that their sales have increased. Perhaps as alarming is 22% of businesses indicating their sales had decreased in the last three months, compared to Q2 which was 14%. 39% of businesses indicated sales had remained the same.

The significant decrease in UK sales has had a detrimental impact on business cashflow. Our survey has shown that 27% of businesses experienced an increased cash flow, while 41% indicated cash flow remained the same. Crucially, 32% of businesses reported cash flow had decreased, increasing from 24% last quarter. Therefore, cashflow has indicated a negative net balance at -5% for the first time since Q1 2021, where businesses were feeling the brunt of the Covid-19 pandemic. Annual turnover has also been affected this quarter. Our data shows that the net balance of yearly turnover for businesses over the last three months is 23%. This was 37% in the previous quarter. Furthermore, the net balance of profitability has also decreased to 1%. This was 16% in Q2. Businesses have therefore indicated that turnover and profitability have both decreased from Q2. In conclusion, some businesses again are desperately seeking support to stay in business. As a Chamber of Commerce, we will continue to share business issues and concerns with central government to stimulate conversations about financial support required for businesses to overcome the challenges they are currently facing.

As winter approaches, the Chamber will continue to support local businesses in Herefordshire & Worcestershire. Whether it be training courses for your team to upskill and retain staff, our International Trade team supporting you with overseas documentation and customs declarations or our many events helping you create connections and sales with other businesses in the area.

I hope the findings of the report will be useful to your business and I thank you again for taking part in our Quarterly Economic Survey.



Sharon Smith
Chief Executive

Herefordshire & Worcestershire
Chamber of Commerce

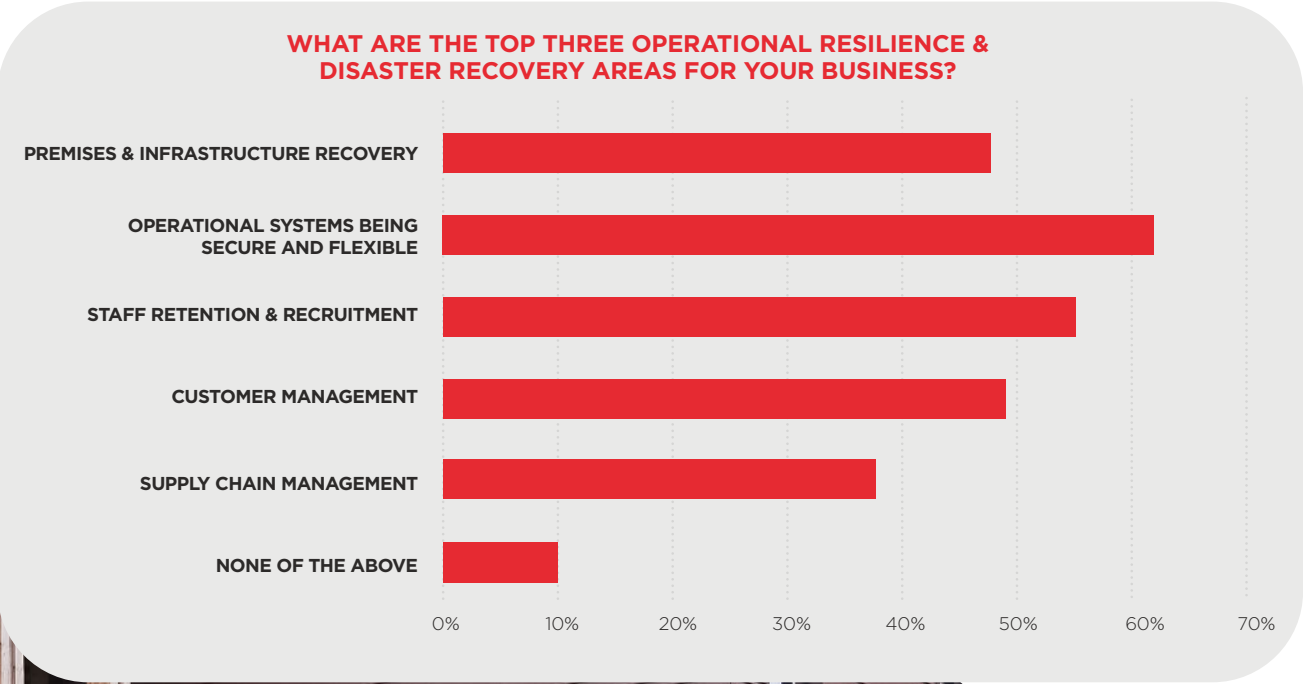
Herefordshire & Worcestershire Chamber of Commerce has released the results of the latest Quarterly Economic Survey, outlining business performance between August and September 2022. Data collection was conducted between Monday 22 August and Monday 12 September.

The Quarterly Economic Survey (QES) is the UK's largest and longest running independent survey of business sentiment, established in 1989. The survey is carried out quarterly on specific business issues.

MIDLANDS CENTRE FOR CYBER SECURITY

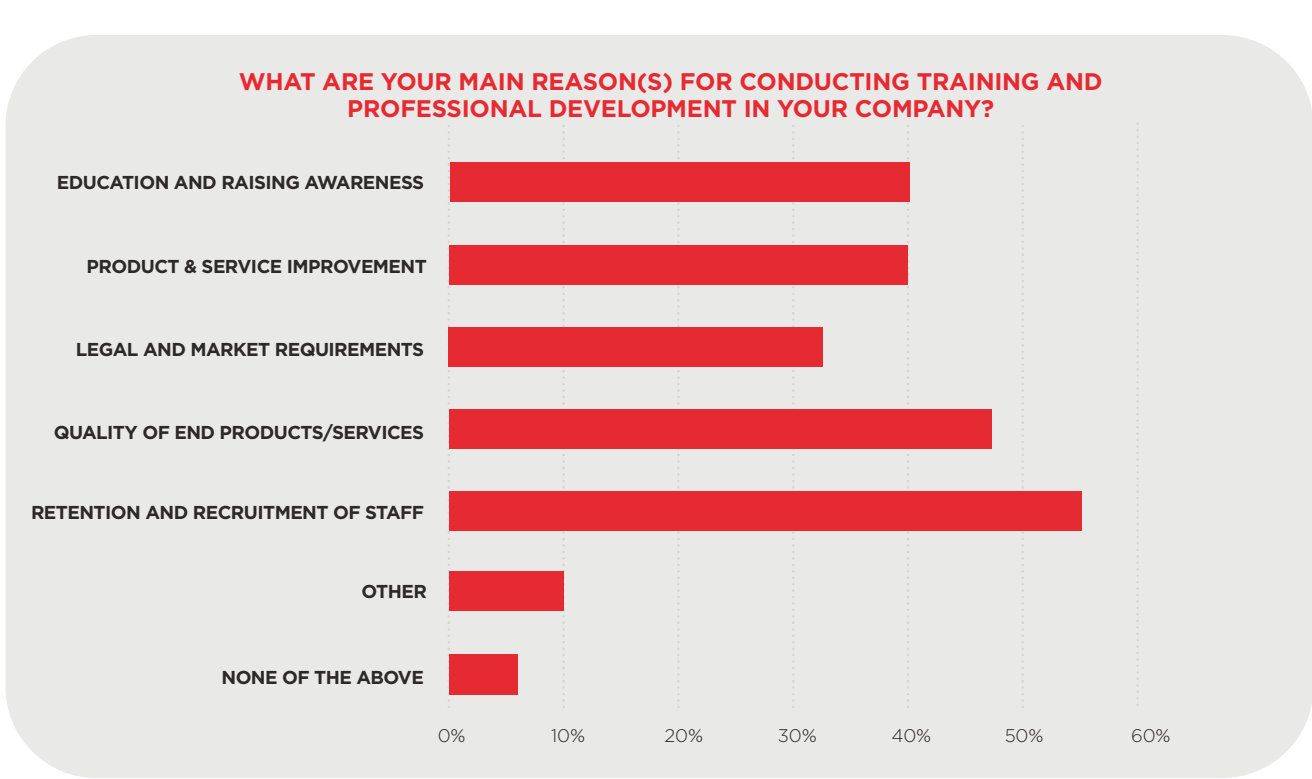
The Cyber Quarter are delighted to have been able to support this Herefordshire & Worcestershire Chamber of Commerce survey. The Cyber Quarter is a trail-blazing project that for several years has been providing a single hub for cyber security needs for businesses of all sizes. It is a joint venture between the University of Wolverhampton and Herefordshire Council, part-funded by the Marches Local Enterprise Partnership (LEP) and the European Regional Development Fund (ERDF). Through the results, we have been able to highlight several findings that demonstrate where businesses are in their business resilience journeys and reflect their top priorities in their disaster recovery.

With more businesses falling victim to cyber-attacks every year, it is reassuring to see that 63% of local businesses report that one of their top priorities in their business resilience is ensuring that their systems are secure. Alarming, research by Hiscox shows that one small business in the UK is successfully hacked every 19 seconds, not only affecting a business supply chain, but also poses a threat to their people and customer base.



MIDLANDS CENTRE FOR CYBER SECURITY

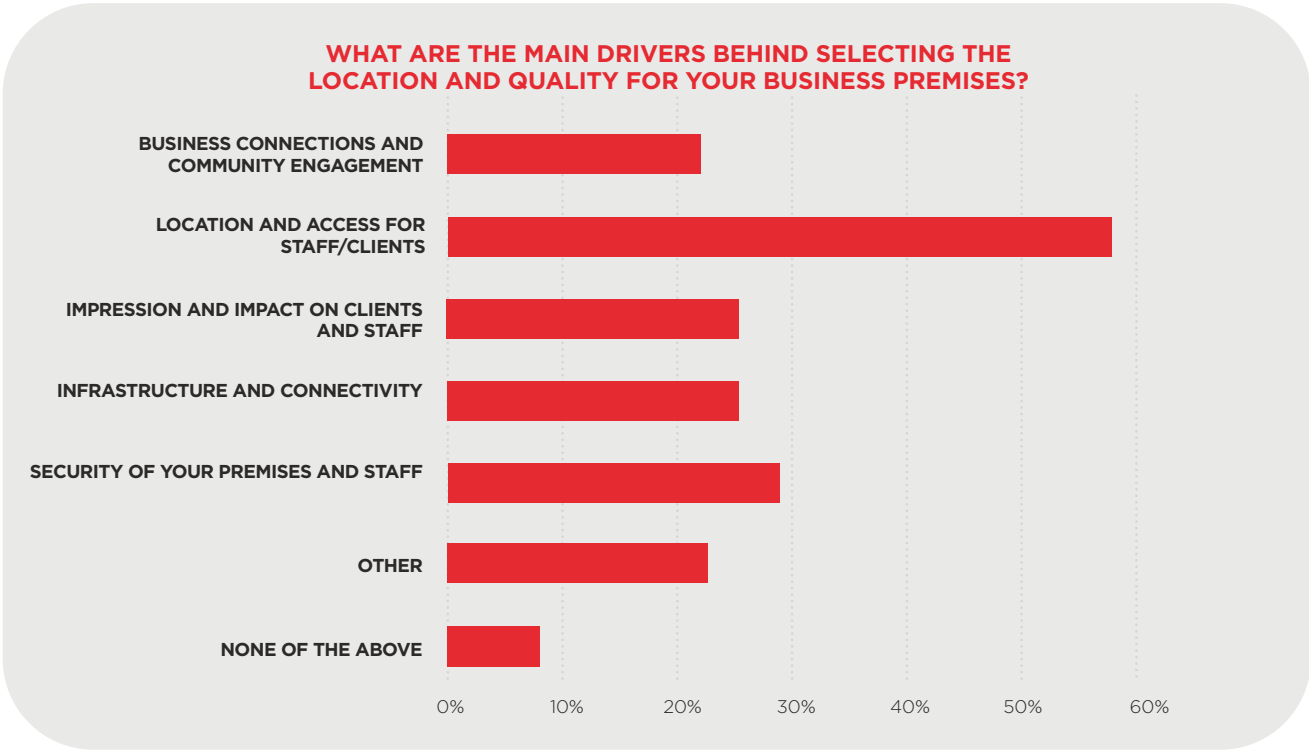
Naturally, raising awareness of current concerns/trends to staff is key in tackling this rising problem, although the QES shows a more important reason for training and professional development is the retention/recruitment of staff (55%). For those in managerial positions, it's necessary to engage with your staff and work with them on their professional development to improve their own skills/knowledge, which ultimately, leads back to improving a business's resilience.



At the Cyber Quarter, we're glad that we have been able to support local businesses over the past few years, with many being able to take advantage of the 15 hours of fully funded support to access specialist and academic expertise from the University of Wolverhampton, which may include: cyber security awareness, how to minimise cyber risk, incident response management and more. Once the initial support has been completed, the Cyber Quarter can then help deep dive into potential issues and support you further on your next steps to a secure and prospering business.

When selecting a location for their business premises, 58% of QES respondents said that location and access for staff/clients is the most important driving factor for them. Based at Skylon Park, Hereford, the Cyber Quarter can provide workspace for small and start-up

businesses in the local area to operate from, with shared access to a range of specialist facilities including server space and high-speed broadband as well as research and development laboratory space. At the Cyber Quarter building, we host regular tours to welcome potential new businesses as part of our vision to become a national hub to enhance and consolidate national and international cyber security.



To find out more about how the Cyber Quarter services and the support available to SME's, visit our website for information, or contact us at cyberqtr@wlv.ac.uk.

Thank you to all that took the time to complete this quarters survey and to the Chamber of Commerce for the opportunity for sponsorship. Let's work together to tackle the risk of cyber-crime and increase cyber and business resilience to all in Herefordshire.

METHODOLOGY

During Quarter 3 (Q3) 2022, 351 businesses in Herefordshire and Worcestershire responded to the Quarterly Economic Survey. Data collection took place between Monday 22 August 2022 and Monday 12 September 2022. Any reference to Quarter 2 (Q2) 2022 refers to the data collection period from Monday 16 May 2022 to Monday 6 June 2022.

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

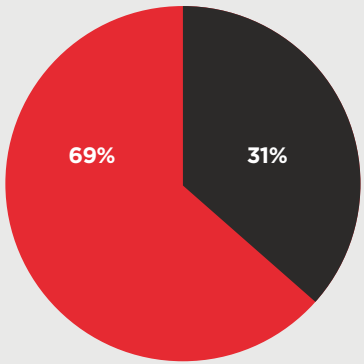
Main business activity includes manufacturing of goods (including electronic or information technology goods) and production of raw materials, construction, agriculture, fishing, mining, or utilities.

Service Sector

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

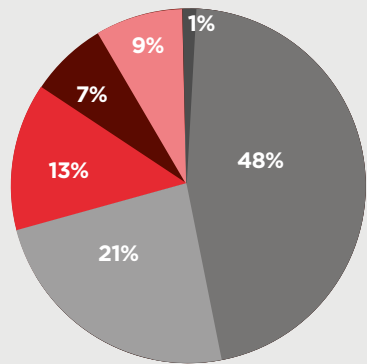
SAMPLE SUMMARY

Responses by Sector



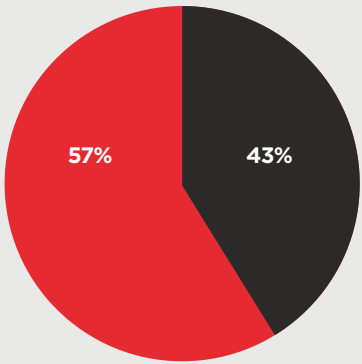
■ SERVICES
■ MANUFACTURING

Responses by Business Size



■ Sole Trader
■ 1-10
■ 11-49
■ 50-100
■ 101-249
■ 250+

Responses by Exporter



■ EXPORTERS
■ NON-EXPORTERS

EXECUTIVE SUMMARY:



DOMESTIC MARKET



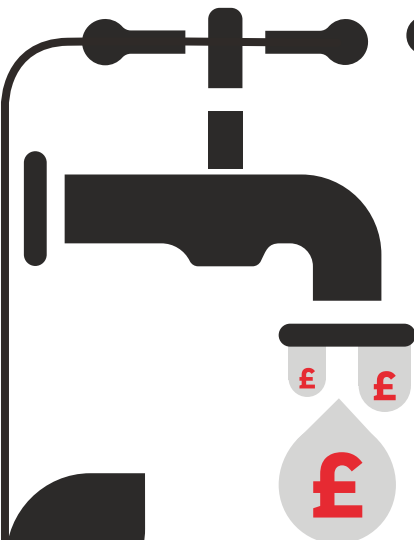
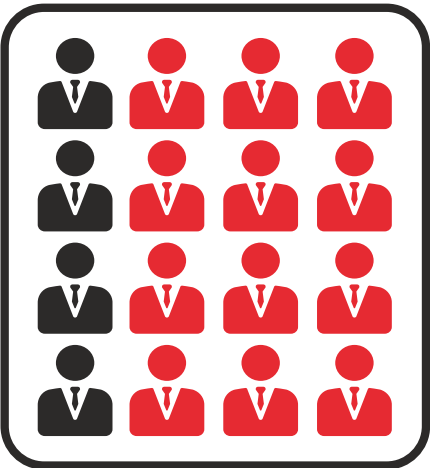
22%

of businesses experienced a decrease in UK sales this quarter, this has increased from 14% last quarter.

2022

56%

of businesses attempted to recruit staff over the last quarter, 73% of these businesses experienced recruitment difficulties.



CASH FLOW

-5%

Cashflow in this quarter was negative at -5%. This is the first time cashflow has been negative since Q1 2021.



ENERGY COSTS

82%

of businesses stated energy costs as a factor of concern for businesses.

TURNOVER

23%

Business confidence in yearly turnover has decreased considerably from 37% in the last quarter to 23% in this quarter.



Brexit also remains a concern for businesses.

BUSINESS PERSPECTIVE

IN THEIR OWN WORDS:

Very tight labour market. Hugely increasing costs of consumables and particularly energy and uncertain future due to the bleak financial outlook.

- Manufacturer employing 250+ people

The VSC sector has faced many challenges particularly around funding and commissioning. Specialist services within the sector are facing more competition from larger more generic agencies such as NSPCC, Barnardos etc. funding that has previously been ring-fenced seems to be opening up to other agencies.

- Public sector company employing 50-100 people

Export costs have risen and delays are still prevalent to some countries. Australia still on 3 month plus lead times.

- Health, care, and social care company employing 101-249 people

Our margins are squeezed as we can't pass on the full increase in the cost of rising fuel prices. If we do, we lose our customers to other suppliers. We take the hit to remain competitive and so profits are reduced and we find we have had to cut back on non-essential spend for example marketing, website infrastructure etc and let staff go.

- Agriculture company employing 1-10 people

Domestic conditions are tough and costs are becoming an issue. We need the EU.

- Retail company employing 11-49 people

It appears that the big corporates (who are customers of my clients) are buying up more and more small businesses so that they can monopolise the market and dictate prices (i.e. drive prices down).

- Professional services company employing 1-10 people

Rampant inflation on all key inputs and consumer confidence decline are a major concern especially with a perishable/limited shelf life product.

- Agriculture company employing 101-249 people

The war has delayed all major contracts, we foresee a major upturn in the next six months in Oil & Gas and Energy Projects hence we are looking at major investment in people and infrastructure.

- Manufacturing company employing 101-249 people

Labour market has been holding up really well despite the economic news - still lots of skills shortages and demand remains high. Although we are hearing a little more caution from candidates about moving jobs at this time.

- Professional services company employing 11-49 people

Our sales are very closely linked to the pub trade and with people worried about finances we are very worried about the impact that will have on beer sales. We are also struggling to sell into Europe due to Brexit. Delays on shipping and difficulty with paperwork have caused us huge issues in this area.

- Retail company employing 11-49 people

In simple terms our business has not been able to recover from the large financial losses of COVID (especially as a new business in 2020) and with the cost of living crisis our service and customer base is not where it needs to be. We just can seem to catch up with the expenditure against revenue being generated.

- Retail company employing 1-10 people

The high rate of inflation especially energy is making our products very uncompetitive vs China and India. We have the perfect storm falling shipping costs and huge input cost increases not seen by competitors. Eventually through no fault other than location we will be priced from the market.

- Manufacturing company employing 250+ people

COVID restrictions have driven the WFH agenda and staff needing support with working remotely.

- Professional services company employing 1-10 people

Energy costs and a clear reminder with the heat waves that climate change is here - should surely and hopefully mean that the Chamber is doing all it can to encourage members onto an energy and carbon reduction action pathway and that any and all comms and policy works makes reference to the urgent need for action on both accounts.

- Agriculture company employing 50-100 people

Economic conditions, i.e. the 'cost of living' due to excessive profits and out of control profiteering by utility companies and oil companies, is causing a recession that threatens the economy in a major way - and therefore the survivability of businesses, SMEs specifically.

- Retail company employing 1-10 people

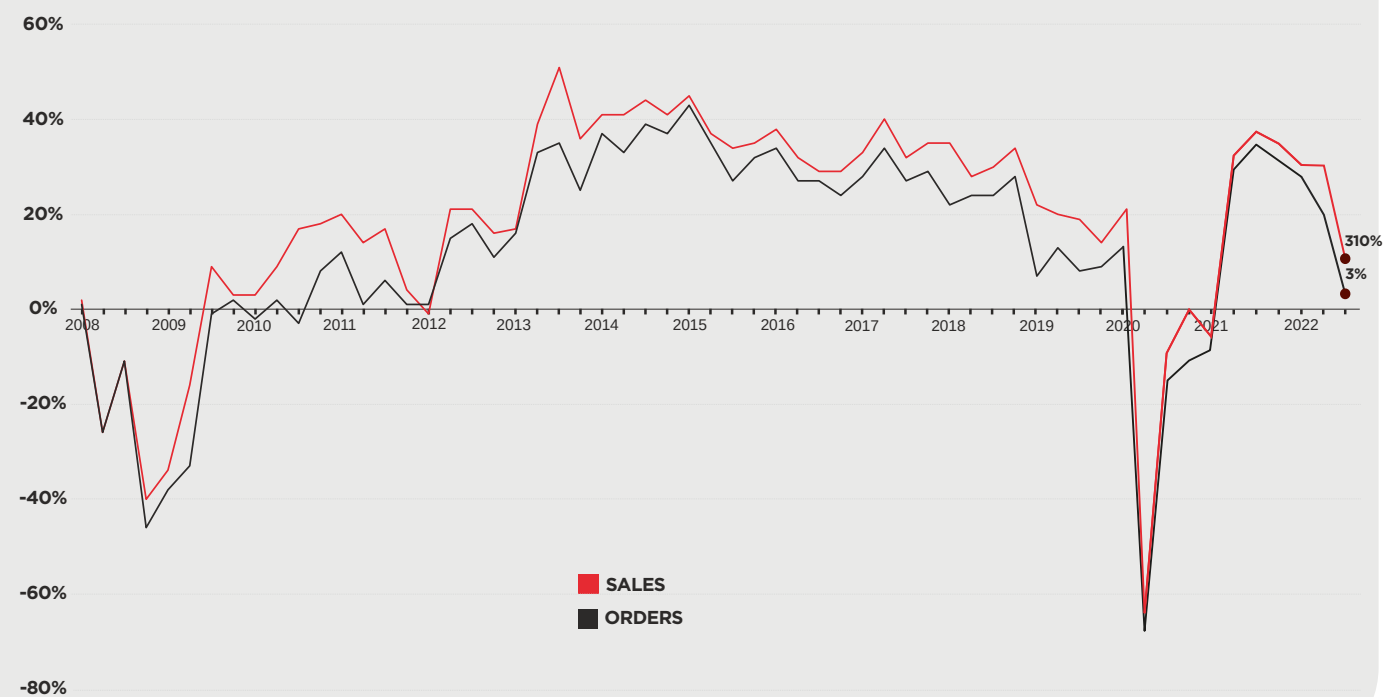
UK MARKET

The analysis of UK sales gives a clear picture of how businesses have been performing in the last three months and also how they expect to perform in the months ahead. The net balance of UK sales has been declining since Q3 2021. A similar picture for orders that have been declining since Q3 2021.

32% of businesses indicated that their sales have increased, a decrease from 45% in the previous two quarters. Perhaps as alarming is 22% of businesses indicating their sales had decreased in the last three months, compared to Q2 which was 14%. 39% of businesses indicated sales had remained the same.

Furthermore, only 25% of businesses reported that they had experienced increased orders. This has declined in the previous two quarters from 41% in Q1 and 35% in Q2. Arguably as alarming as the decline in those seeing orders increasing, in Q3 22% of businesses indicated that advanced orders had in fact decreased compared to 15% last quarter. 39% of businesses reported orders had remained the same, the same figure as Q2.

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



The GDP data released on the 12/08/22 has shown a 0.1% fall in GDP between April and June. This data is concerning for the British economy as we as we head towards the winter recession the Bank of England has forecast. This GDP data supports this forecast. Households are already being hit by rising inflation and rising interest rates, and the cost-of-living crisis remains a bleak prospect for households across the country with the utility tariff cap increasing in the autumn. Rising inflation is significantly impacting business profits and their ability to invest in long term growth.

The Ukraine war has contributed to poor trade performance with another record trade deficit. Exports were £27.9bn lower than imports on this measure of the underlying strength, with a gap representing 4.5 per cent of national income, the highest since comparable records began in 1997. Should you require support with International Trade or need the Chamber to lobby Central Government on your behalf this is something you can discuss with the International Trade and Policy teams at the Chamber.

Service Sector Insight

The percentage of manufacturers reporting increased UK sales has decreased significantly from 26% in the last quarter (Q2) to 3% in this quarter (Q3). UK orders have also decreased from 19% in Q2 to -5% in Q3. This represents the first time UK orders for businesses has been a negative number since Q1 2021 during a COVID lockdown period. This means that more manufacturers have experienced fewer orders this quarter than those experiencing an increase in orders.

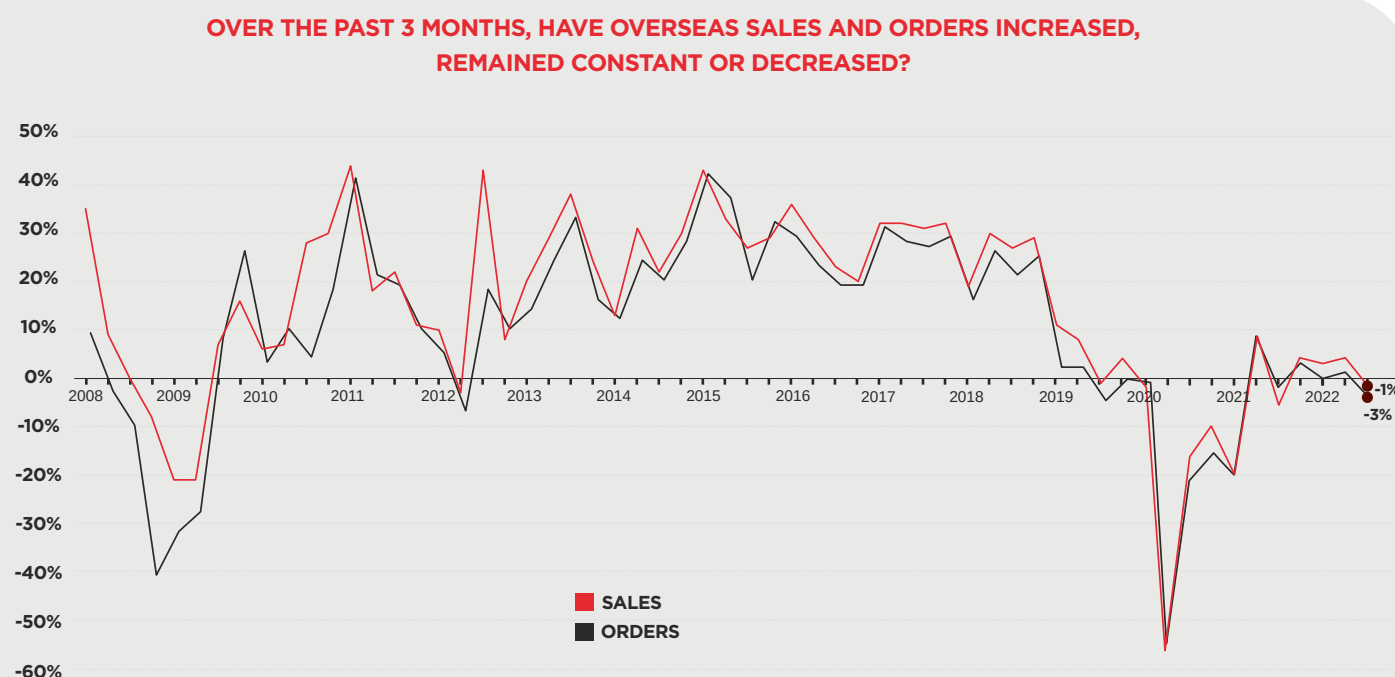
Manufacturing Sector Insight

The percentage of service companies reporting increased UK sales has also significantly decreased from 34% in Q2 to 9% in this quarter. UK orders have also decreased from 21% in Q2 to 3% in Q3. In the QES we categorise the service sector as businesses that main business activity provides a service to businesses as well as final consumers (including retailing/wholesaling, professional services and marketing).

OVERSEAS MARKET

International trade is key for businesses in Herefordshire and Worcestershire. 43% of businesses that answered this quarters survey were exporters. From our survey, 14% of businesses reported an increase in overseas sales. This compares with 16% in the previous quarter. 20% of businesses stated no change. 15% of businesses indicated a decrease in overseas sales, compared to 12% in Q2. Also, in terms of overseas advanced orders, 11% of businesses reported an increase in orders, 18% of businesses reported no change and 14% reported a decrease in overseas advanced orders.

The UK leaving the EU and the subsequent transition period, along with the impact of the Covid-19 pandemic, supply chain disruption, raw materials issues, the current energy crisis and global recession have caused significant hurdles that have prevented International Trade to flourish in the past two years. These results indicate perhaps Brexit remains an issue for overseas sales for businesses. Previous data from the ONS indicated businesses had experienced additional paperwork challenges when trading with the EU post-Brexit. Further paperwork and red tape means businesses were unable to process orders overseas. Despite these challenges businesses have faced, International Trade across Herefordshire & Worcestershire has remained relatively constant in recent quarters.



According to the Office for National Statistics (ONS), in their latest UK trade report. Imports from EU countries decreased by £0.1 billion (0.3%). Exports to EU countries increased by £1.3 billion (7.9%). The increase in exports to the EU was primarily driven by higher exports of fuels, and machinery and transport equipment which increased by £0.8 billion and £0.4 billion. Imports from EU countries were £0.4 billion higher than from non-EU countries in July 2022. Imports from non-EU countries were higher than imports from the EU for all of 2021, linked to the large increases in the imports of fuels in the last months of 2021. Exports to EU countries were at £17.4 billion in July 2022, the highest level since records began in January 1997. Exports to non-EU countries were £1.5 billion lower than exports to EU countries in July 2022.

The Russian invasion of Ukraine began on 24 February 2022 and, in response, the UK government imposed a range of economic sanctions on Russia from late February and early March 2022. Both imports from and exports to Russia increased slightly in July 2022 compared to the months prior following the start of the War, but remain at historical low levels. We will continue to monitor the trade impact of the conflict and resulting sanctions in future Quarterly Economic Surveys.

Service Sector Insight

The percentage of services companies reporting increased overseas sales has decreased from 2% in Q2 to minus 1% in this quarter. Overseas orders have remained negative for the fifth quarter in a row, remaining at negative 2% which has remained the same figure for the last three quarters.

Manufacturing Sector Insight

The percentage of manufacturers experiencing increased overseas sales has decreased to -4% this quarter. This is the first time the figure has been negative since Q3 2021 which was also -4%. Overseas orders are also negative at -5%.



CASH FLOW

Our Quarterly Economic Survey asks businesses to report on their cash flow over the last three months. Our survey has shown that 27% of businesses experienced an increased cash flow, while 41% indicated cash flow remained the same. Crucially, 32% of businesses reported cash flow had decreased, increasing from 24% last quarter. Therefore, cashflow has indicated a negative net balance at -5% for the first time since Q1 2021, where businesses were feeling the brunt of the Covid-19 pandemic.

Cash flow is the movement of money in and out of a company and the latest figures from this quarter highlight concern for business owners. 82% of businesses reported energy costs as a factor of concern.

According to the latest Office for National Statistics data, more than a quarter (29%) of UK businesses expect the prices of the goods or services they sell to increase in October 2022, broadly stable with the previous month's expectations. For businesses with 10 or more employees, 32% expect prices to increase.

Of those businesses considering price rises, energy prices continued to be the most common reason for doing so, at 46% for all businesses and 55% for businesses with 10 or more employees. These are the highest reported percentages since this question was first introduced to the Business Insights and Conditions Survey in April 2022.

The next most common reason reported by trading businesses considering increased prices was the price of raw materials, at 29% for businesses of all sizes. For businesses with 10 or more employees this percentage was 34%.

In early September 2022, 35% of all trading businesses reported their production and/or suppliers had been affected by the recent increase in energy prices. This was up from 33% in early August 2022. For businesses with 10 or more employees, these percentages were higher at 45% and 44%, respectively.

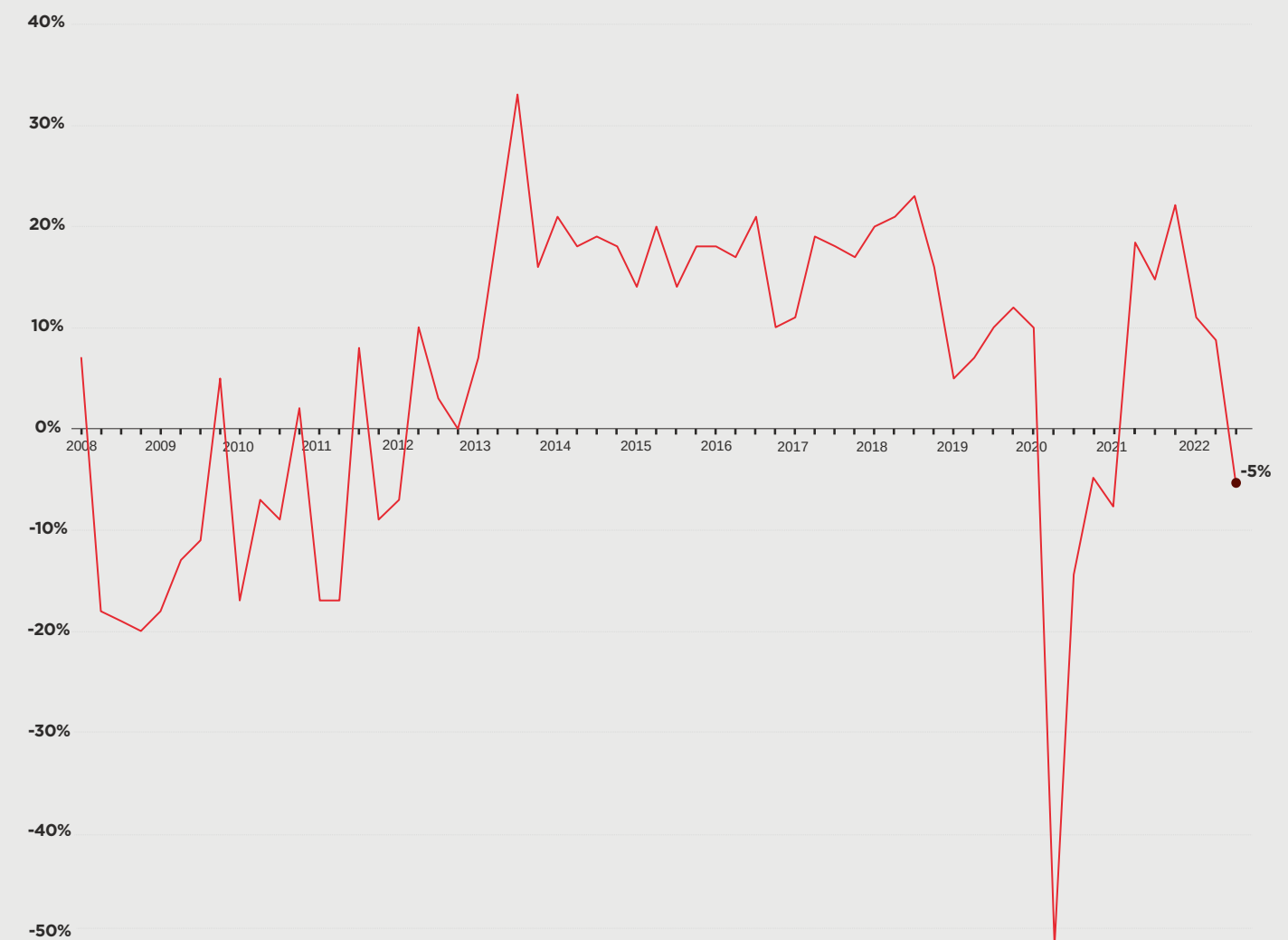
Manufacturing Sector Insight

The percentage of manufacturers reporting increased cash flow has decreased to -13%. The figure remains historically low in previous surveys and has decreased from -5% in Q2.

Service Sector Insight

The percentage of services companies reporting increased cash flow was also a negative number. The figure decreased considerably from 14% in Q2 to -5% in this quarter. This is the first time since Q1 2021 that the figure has been a negative figure.

OVER THE PAST THREE MONTHS, HAS YOUR CASH FLOW INCREASED, REMAINED CONSTANT OR DECREASED?



INVESTMENT

The Quarterly Economic Survey allows us to analyse how business conditions have changed in the last three months. In order for businesses to evolve, a level of investment is needed in machinery, equipment, and training to enhance business productivity and profits.

From our survey, we can gather a reflection of business' plans for future investment and from Q3 we found that 18% of businesses planned to revise upwards in their plans for investment. This has decreased from 26% in the last quarter (Q2). Furthermore, 23% of businesses have revised downwards their plans for investment, this is arguably due to the energy crisis in the UK and the ongoing uncertainty around energy bills for businesses leading into the winter. The BCC has predicted we are heading to a recession which would cast future doubt over the future of businesses. Therefore, with costs going up, businesses cannot afford to invest in machinery, training, and equipment.

Training in businesses can lead to significant development in the business, therefore training plans are vital. Only 18% of businesses planned to invest in training. This decreased significantly from Q2 where 27% of businesses planned to invest in training.

According to the latest Business Investment Report from the ONS, Business investment rose by 3.8% in Quarter 2 (Apr to June) 2022, its largest quarter on quarter increase since Quarter 2 2021. Gross Fixed Capital Formation (GFCF), the total of business and public sector investment, increased by 0.6% in Quarter 2 2022 and was 5.9% higher than the same quarter a year ago.

Government investment fell by 9.5% in the latest quarter, the largest fall since Quarter 2 2021. Other buildings and structures, and transfer costs contributed the most to the GFCF increase, with a smaller contribution from private sector dwellings.

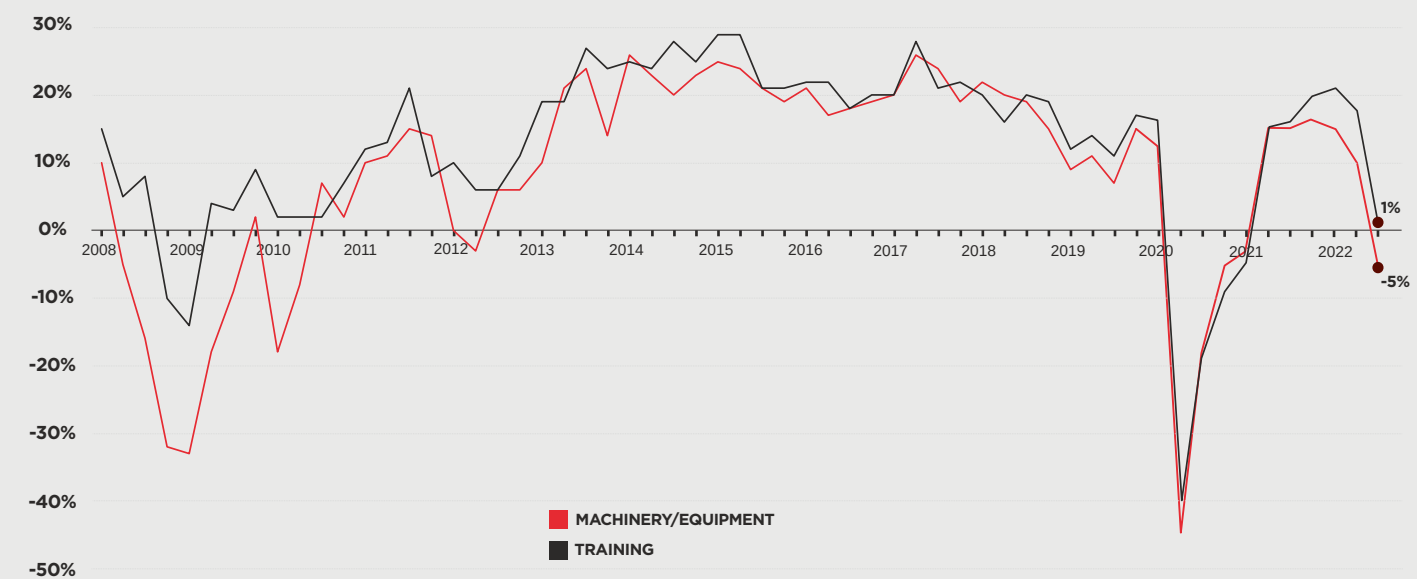
The level of business investment in Quarter 2 2022 is 5.7% below where it was in Quarter 4 (Oct to Dec) 2019, the quarter before the coronavirus (COVID-19) pandemic; GFCF levels are 2.4% above that same quarter, having exceeded that point for the first time in Quarter 1 (Jan to Mar) 2022.

Business investment has still not returned to pre-Covid pandemic levels. Gross Fixed Capital Formation (GFCF) returned to pre-coronavirus pandemic levels as of Quarter 1 (Jan to Mar) 2022. This reflects the different patterns of investment by government and businesses observed throughout the coronavirus pandemic.

In late September, former Prime Minister Liz Truss and former Chancellor Kwasi Kwarteng announced a Mini Budget and an energy support package for businesses to ease the pressure on businesses this winter due to the rising energy bills and inflation causing mounting problems across the UK. However, this budget was scrapped by new Chancellor Jeremy Hunt after the economic turmoil that followed Kwasi Kwarteng's budget. Inflation has risen to a 40 year high of 10.1%. The rise in inflation is driven by the highest food price increases in decades. This is a major concern to employees of businesses that are already struggling to cope with inflationary pressures as well as the rising energy costs to their business. As prices continue to rise, this means added costs for businesses buying materials and products to run their business. Stability was the key message in a new revised budget set

by Jeremy Hunt. However, the decision from Jeremy Hunt to cut back energy support from April next year comes at a significant cost for businesses worried about their survival. A clear vision for support for businesses must be a priority for government to relieve the severe pressure on businesses this winter. A long-term plan to stabilise the economic environment for businesses must be a priority, with business rates bills rising in line with inflation and increased taxes in April next year. In the current economic conditions, growth for businesses is looking extremely unlikely.

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



Manufacturing Sector Insight

For the first time since Q4 2020, planned investment in machinery/equipment/training from manufacturers was negative at -6%. This is a 10% decrease from Q2 and highlights the significant impact the energy crisis is having on businesses plans for investment to stimulate future growth. Planned investment in training has decreased significantly from 13% in Q2 to 1% in Q3.

Service Sector Insight

Service sector investment intentions in machinery were also negative at -7%, the first time since Q1 2021. This was a decrease from 9% in the last quarter (Q2). Planned investment in training was also negative -2%. A 19% decrease from Q2 where it was 17%. This highlights the cost cutting businesses are having to make due to the energy crisis and as a result investment in training has decreased significantly in the service sector.

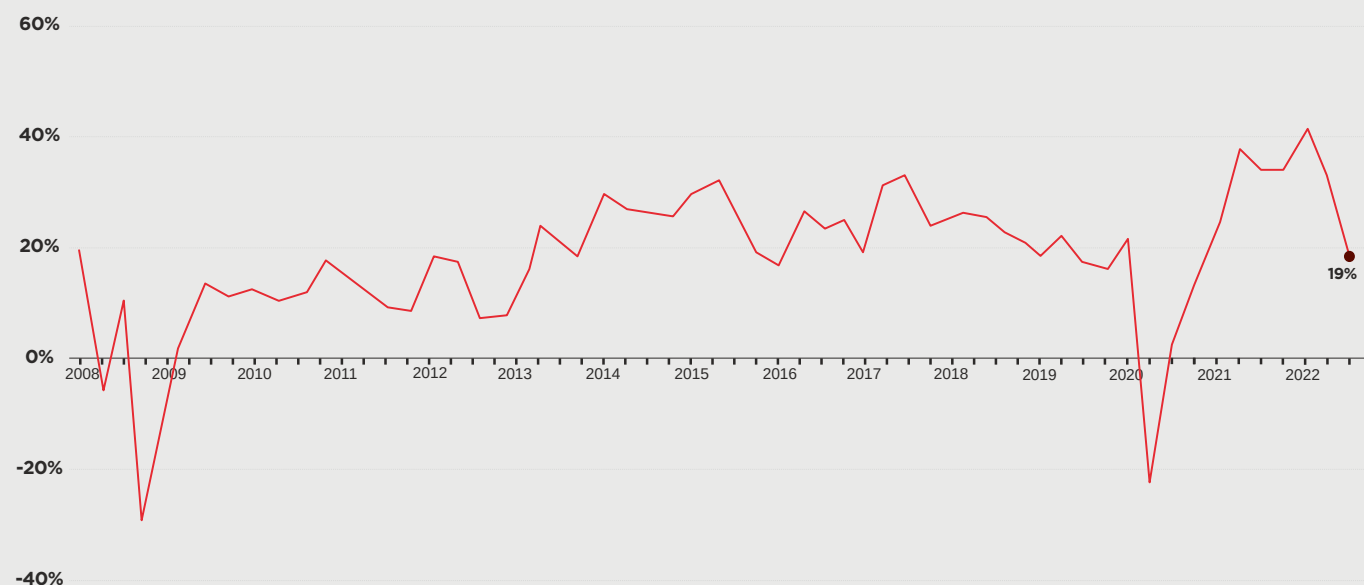
EMPLOYMENT & RECRUITMENT

Employment & Recruitment has been heavily affected by the pandemic. Around one million people were made redundant as a result of Covid-19. Despite these bleak figures, the employment market in Herefordshire & Worcestershire started to look positive once restrictions were eased in 2021. However, businesses now face an energy crisis that has put substantial pressure on businesses recruitment. Many businesses have stressed that they will be unable to stay open in the winter with energy bills rising and the lack of raw materials causing significant issues with the supply chain as a result of the war in Ukraine.

The latest QES figures were collected in the midst of an energy and raw materials crisis and the figures show the challenges businesses are facing. In this quarter, 26% of businesses reported that they had increased their workforce. 59% of businesses reported no change. The concerning figure is that 15% of businesses have reduced their workforce in the last three months. This is an increase from 9% in Q2. To put this alarming figure into context, this is the highest percentage of businesses reporting they had reduced their workforce since Q4 2020 (19%), which was at the height of the pandemic.

Furthermore, as we look to the next three months, only 27% of businesses expect to increase their workforce. This is a 10% decrease from Q2, and highlights the cost cutting businesses are having to make because of the many problems they face. 65% reported no change. Finally, 8% expect to reduce their workforce over the next three months.

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



In terms of recruitment, 56% of businesses attempted to recruit in the last three months. A slight decrease from 59% in Q2. A big positive from the data was 23% of businesses attempting to recruit apprenticeship roles, this is an increase from 15% in Q2. This data is welcome news as the first T- level students graduated in August with an emphasis on providing a pathway for students that do not go into higher education. The success of the new type of qualification is supported by the results with over 92% achieving a pass or above. Many have already secured their first job or an apprenticeship in areas like mechanics and digital product design. 370 students, 71% of those who applied, have so far been placed onto a university course, demonstrating the flexibility and appeal of these courses. Students have the choice of university, employment, or an apprenticeship. The introduction of T-levels is a welcome change in the education system for students that seek an alternative to the traditional A-levels qualification.

There is arguably not a better time for students to graduate from the T-level programme with businesses struggling in all aspects from cost of living to recruiting a skilled workforce. Businesses need a skilled workforce, but many struggle to find the skills they need at a price they can afford. Now is also the perfect time for employers to break out of that cycle by getting on board with T- levels and training their own workforce for the future.

Service Sector Insight

27% of service sector companies have increased their workforce over the last three months, a 2% decrease since the last quarter. 20% of service sector companies expect to increase their workforce over the next three months, this has decreased significantly from 38% in the previous quarter.

Manufacturing Sector Insight

25% of manufacturers have increased their workforce over the last three months. This is a decrease from the quarter before where 33% of businesses increased their workforce. With regards to expected change in workforce, 26% of manufacturers expect to increase their workforce over the next three months.

BUSINESS CONFIDENCE

Business Confidence among businesses in the Herefordshire and Worcestershire area has decreased this quarter with 49% of businesses expecting their yearly turnover to increase. This is a slight decrease from the previous quarter where 53% of businesses expected their turnover to increase. Furthermore, in this quarter, 25% of businesses predicted no change to their turnover and 26% of businesses expect their turnover to decrease. This is a 10% increase from 16% last quarter and highlights the difficult times businesses expect to face with costs ever increasing.

According to the ONS, in August 2022, 1 in 10 (10%) businesses reported they had been affected by industrial action; more than a quarter (28%) of those affected reported they were unable to obtain necessary goods because of this.

In August 2022, 26% of trading businesses reported their turnover was lower compared with July 2022, while 15% reported their turnover was higher (a net 11% of businesses reported lower turnover); the accommodation and food service activities industry reported the largest percentage of businesses whose turnover was lower, at 43% (a net decrease of 26%).

Nearly one in five (19%) trading businesses expect their turnover to decrease in October 2022, compared with 15% of businesses who expect their turnover to increase.

In early September 2022, the percentage of businesses that reported they were trading normally was 94%, with 84% fully trading and 10% partially trading (for example, trading with reduced hours or staff numbers). Meanwhile, 4% of businesses reported "temporarily paused trading" and 2% "permanently ceased trading" as their business's trading status. These figures lead to cause for optimism for businesses that are concerned for their futures in the current cost-of-doing-business-crisis.

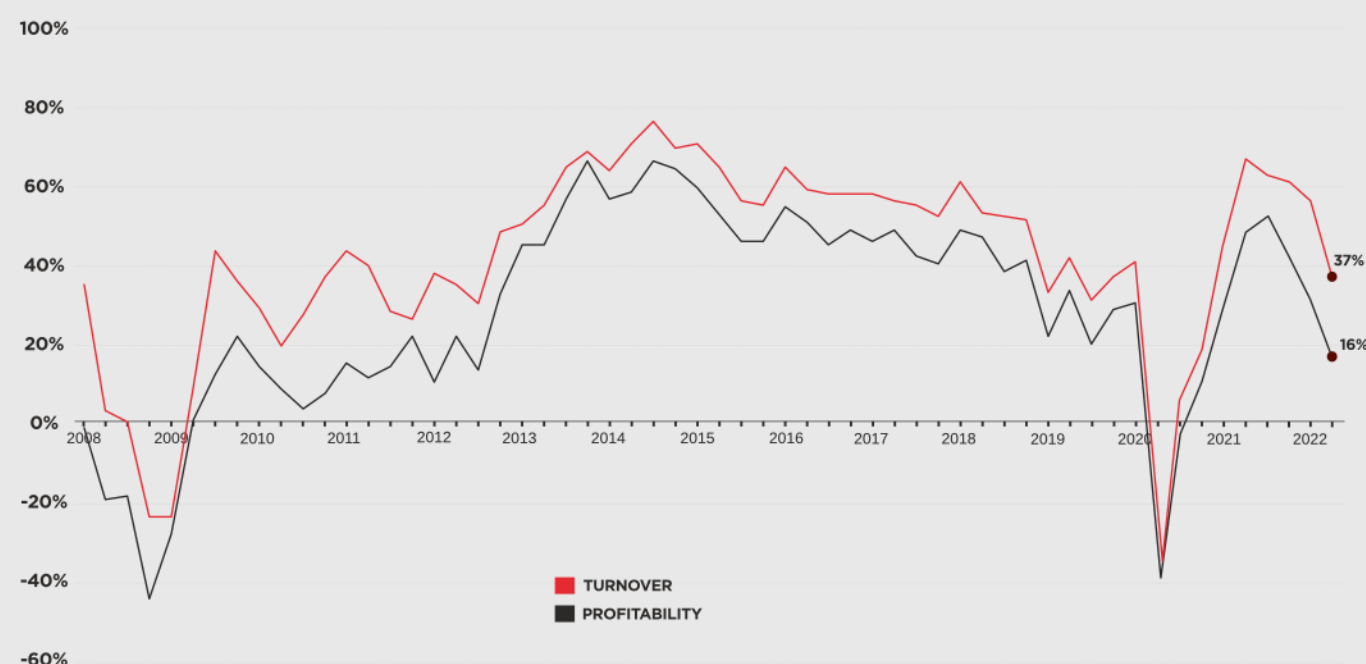
Service Sector Insight

Service sector confidence in turnover has decreased by 20% from last quarter, the figure was 24% this quarter, a sharp decrease from 44% in Q2. Confidence in yearly profitability also decreased to 8% this quarter. In contrast to 21% in Q2. Therefore highlighting the significant challenges that business expect over the next three months.

Manufacturing Sector Insight

Manufacturer confidence in yearly turnover decreased from 25% last quarter to 13% this quarter. Confidence in yearly profitability has also decreased, the figure for this quarter was -9%, a decrease from 1% last quarter.

OVER THE NEXT 12 MONTHS, DO YOU BELIEVE YOUR TURNOVER AND PROFITABILITY WILL INCREASE, REMAIN THE SAME OR WORSEN?



CHAMBER POLICY CONTACTS



ROBERT ELLIOT

Director of Business Engagement and Development



SAM MERRETT

Policy Executive

2022 QUARTERLY ECONOMIC SURVEY DATES

Q4 2022

Fieldwork: 7 November to 28 November 2022

Publication: End January 2023

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



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