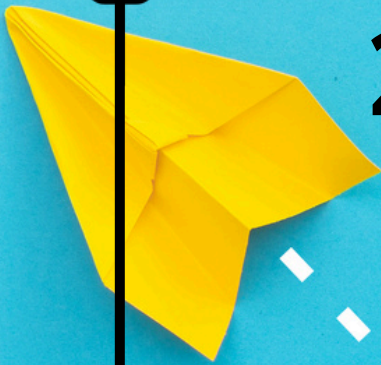


BQ3 **2024**



INTRODUCTION

The third Quarterly Economic Survey of 2024 took place on August 19th until September 9th, the first QES to take place since Keir Starmer was appointed Prime Minister on July 5th 2024.

Our Members have consistently demonstrated their strength and adaptability in the face of various challenges, now, they look to the new government to provide the stability and opportunities necessary for future growth. Moving forward, we are particularly interested in collaborating on policies that support interest rates, tackle inflation, address the skills gap and navigate the ongoing impacts of Brexit. All of which are concerns businesses have highlighted via our Quarterly Economic Surveys.

We continue to support and represent our Members by communicating current economic challenges, highlighted by you in our Quarterly Economic Surveys. This data is then communicated with the British Chambers of Commerce and shared with our new Labour Government.

In this document, we will report on the findings of our Q2 survey. This survey, focuses on key aspects such as sales, order books, employment, cash flow, turnover, inflation, and business concerns. We also address the current barriers businesses are facing in regards to innovation, including the support businesses require in order to prioritise innovation. The findings reveal both positive trends and areas of concern, reflecting the challenges and opportunities businesses face in the current market.

Robert Elliot

Director of Business Engagement & Policy



350 

ORGANISATIONS

COMPLETED THE SURVEY

METHODOLOGY SUMMARY



During Quarter 3 (Q3) 2024, 350 businesses in Herefordshire and Worcestershire responded to the Quarterly Economic Survey. Data collection took place between Monday 19 August 2024 and Monday 9 September 2024. Any reference to Quarter 2 (Q2) 2024 refers to the data collection period from Monday 13 May 2024 and Monday 3 June 2024.

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.

For example, if 50% of firms told us their sales increased and 18% said their sales decreased, the balance for the quarter would be +32% (an overall expansion). If 32% told us their sales increased and 33% said their sales decreased, the balance would be -1% (an overall contraction).

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 retailing/wholesaling, professional services, and marketing).

WORCESTERSHIRE LEP



Worcestershire
Local Enterprise Partnership

Nigel Hall

WLEP Board (Innovation Lead)

It is my pleasure to introduce this quarter's Chamber Economic Survey Report in my capacity as a Non-Executive Director and Chair of Innovation at Worcestershire LEP. Since joining the board 18 months ago, my role has been to support the shaping and drive of our region's innovation agenda, collaborating with stakeholders and local partners to foster a new thriving ecosystem for business growth going forward.

As an ex-Executive, Board Advisor, NED and Mentor to multiple Founder entrepreneurs across the tech, media, telco and digital area for over 40 years, I truly believe innovation is at the heart of economic progress, creating new opportunities and helping all businesses overcome modern challenges.

This survey offers us all some valuable insights into the state of innovation in Herefordshire and Worcestershire, with businesses identifying lack of funding (35%), skilled personnel (28%), and regulatory constraints (17%) as primary barriers. Encouragingly, the responses also highlight key enablers, such as developing talent, strong leadership, and access to capital—areas that align closely with WLEP's emerging strategic priorities.

But, I'm also pleased to highlight some of the excellent innovation support already available to businesses in Worcestershire;

BetaDen, our award-winning technology accelerator, helps tech entrepreneurs commercialise their products with mentoring, proof-of-concept funding, and free workspace.

The Business & IP Centre offers free tools and resources on Intellectual Property (IP) to support innovation.

The Innovation Specialist Advisor programme provides businesses with an initial diagnostic and assessment to explore new product or service opportunities, alongside potential grant funding between £2,500 and £20,000 (subject to eligibility).

Through the Worcestershire Growth Hub, businesses can access regional and national programmes, such as Made Smarter, which helps manufacturing and engineering firms boost productivity with digital technology, and Innovate UK Business Growth, which supports disruptive innovation from seed to scale.

Additionally, Midlands Cyber, one of the UK's recognised cyber clusters, offers our cyber community resources such as international partnerships and soft landing packages, helping businesses expand globally.

For more information on these programmes, please reach out to the Worcestershire Growth Hub.

Finally, it is great to have partnered with the H&W Chamber of Commerce on this and to share these findings with you. I would personally like to thank the Chamber and all the businesses which took the time to respond.

The results of the survey have been extremely useful to gauge local business views in respect to innovation so that we can better understand the support needed to make further improvements and enhance the local innovation ecosystem together.

Our continued partnership with the Chamber and feedback from this survey will guide our next steps in enhancing the local innovation ecosystem.

I encourage businesses to engage with us as we refine our regional innovation strategy. Your input will help shape the future of innovation in our region. If you have further suggestions or ideas to contribute, or would even like to actively personally contribute to the development of the regional strategy and plans - please do get in touch via enquiries@wlep.co.uk.

Together, we can build an even stronger foundation for innovation in Worcestershire.

enquiries@wlep.co.uk 

01905 672 700 



Worcestershire
Local Enterprise Partnership



WORCESTERSHIRE LEP SUMMARY

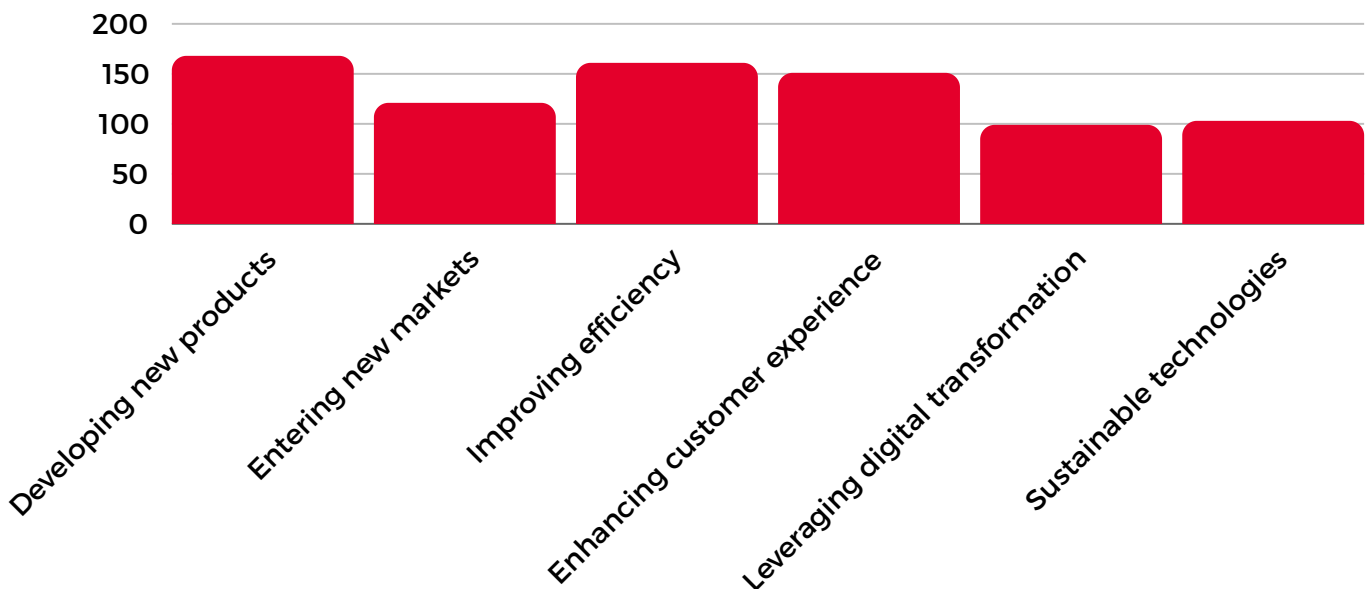
QUESTION 16

What are the barriers for innovation?



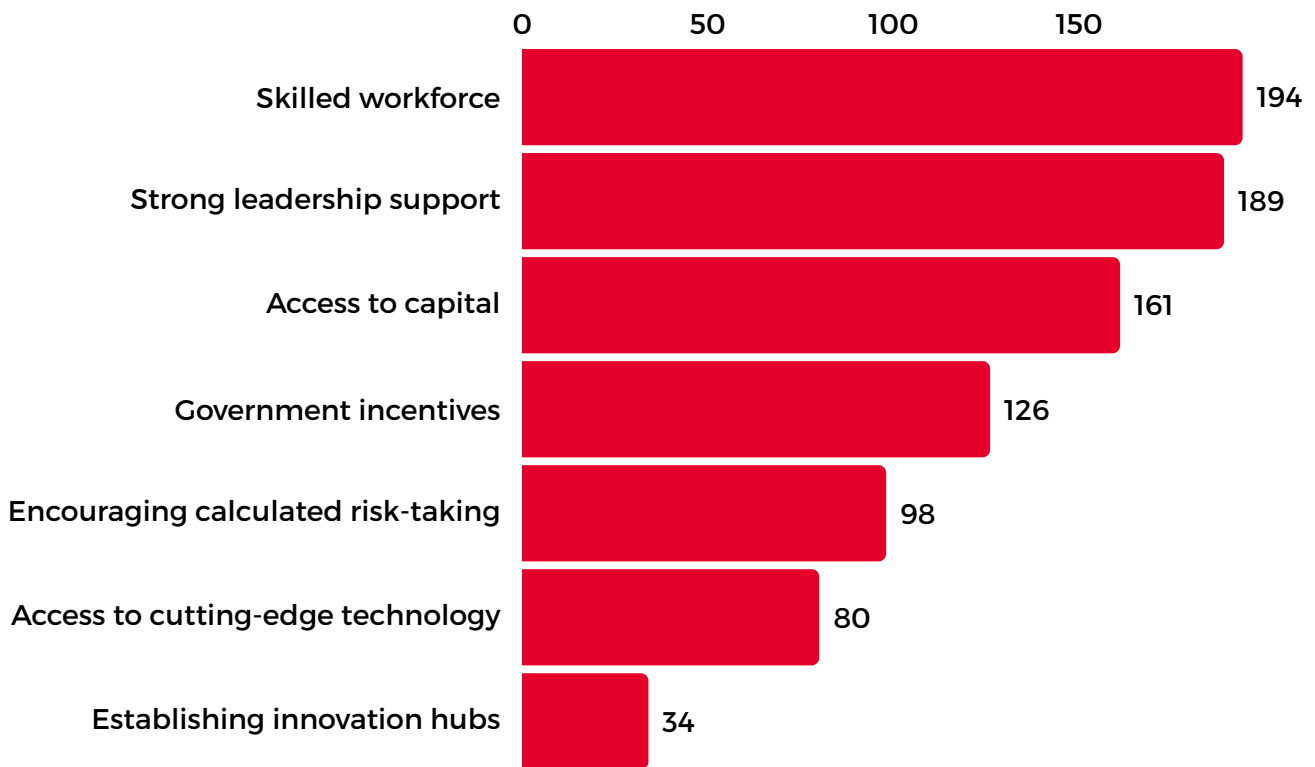
QUESTION 17

Where do businesses see opportunities for innovation?



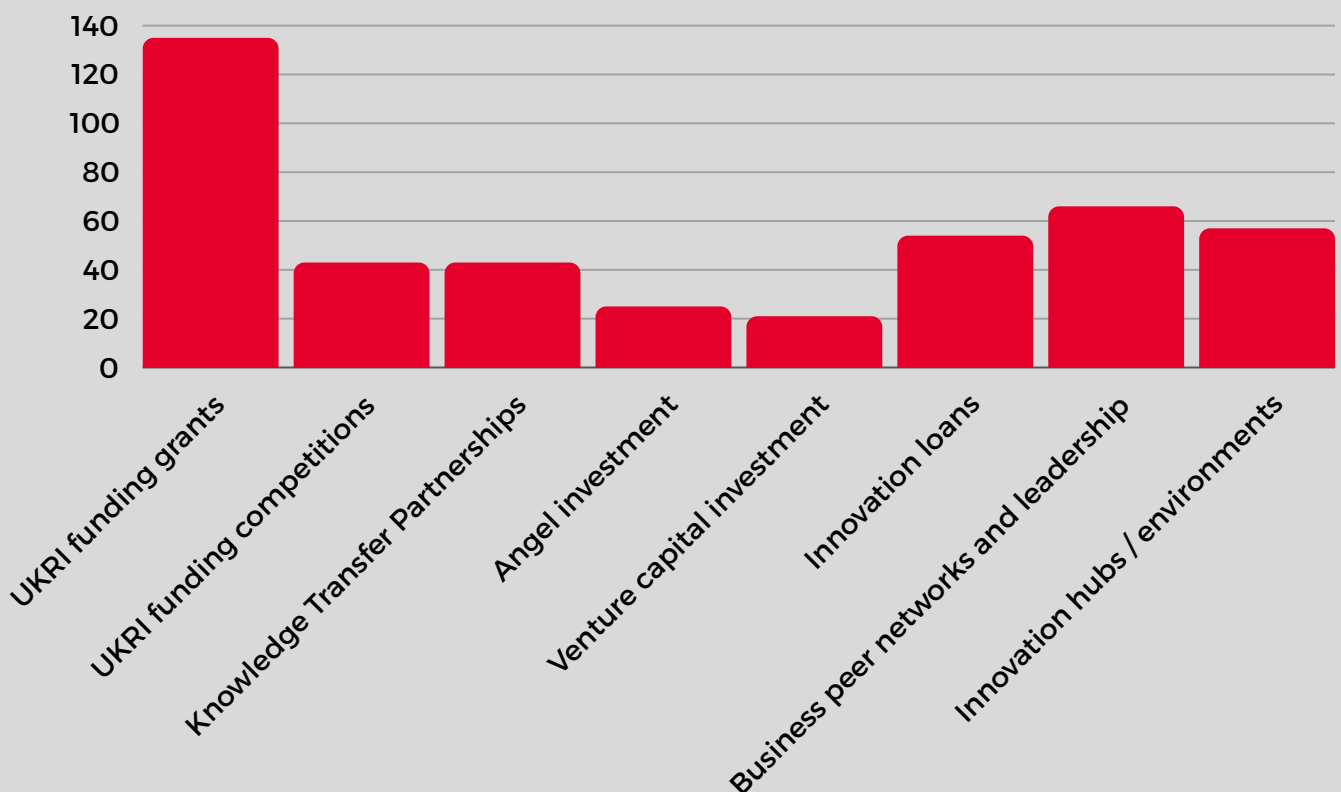
QUESTION 16

What are the enablers required to encourage increased innovation and adoption of new technologies, services, and processes?



QUESTION 16

What types of innovation support would you want help in accessing?



BUSINESS PERSPECTIVE

THESE ARE A FEW COMMENTS FROM LOCAL BUSINESSES...

“ —

“The October Budget is a material concern at this time. Targeting CGT, APR and BPR could damage business.”

Professional Services Business (500-550 employees)

“There seems to be a distinct lack of considering something new within the marketing departments and social media experts across Worcestershire. Everyone seems happy to continue with the typical Status Quo and therefore nothing changes.”

Marketing, media, advertising, or communications Business (1-5 employees)

“Uncertainty over government manifesto vs actual plans.”

Product Design Business (6-10 employees)

“AI adoption is going to be crucial and businesses need help to enable this cultural and technological shift.”

Professional Services Business (1-5 employees)

“Streamlining our internal processes has created more space for thought however, we need to encourage more project working across teams and unlock skills.”

Voluntary Sector Business (20-30 employees)

“We've noticed customers holding off making decision on purchasing new services due to the economic uncertainty.”

Professional Services Business (20-30 employees)

“I've noticed a reduction in bookings and enquiries...possibly due to the increase in alternative self catering experiences in the area and cheaper or equivalent costs to find a week in the sun abroad.”

Hospitality, catering, or tourism Business (1-5 employees)

— ”

UK MARKET SUMMARY



UK SALES SUMMARY

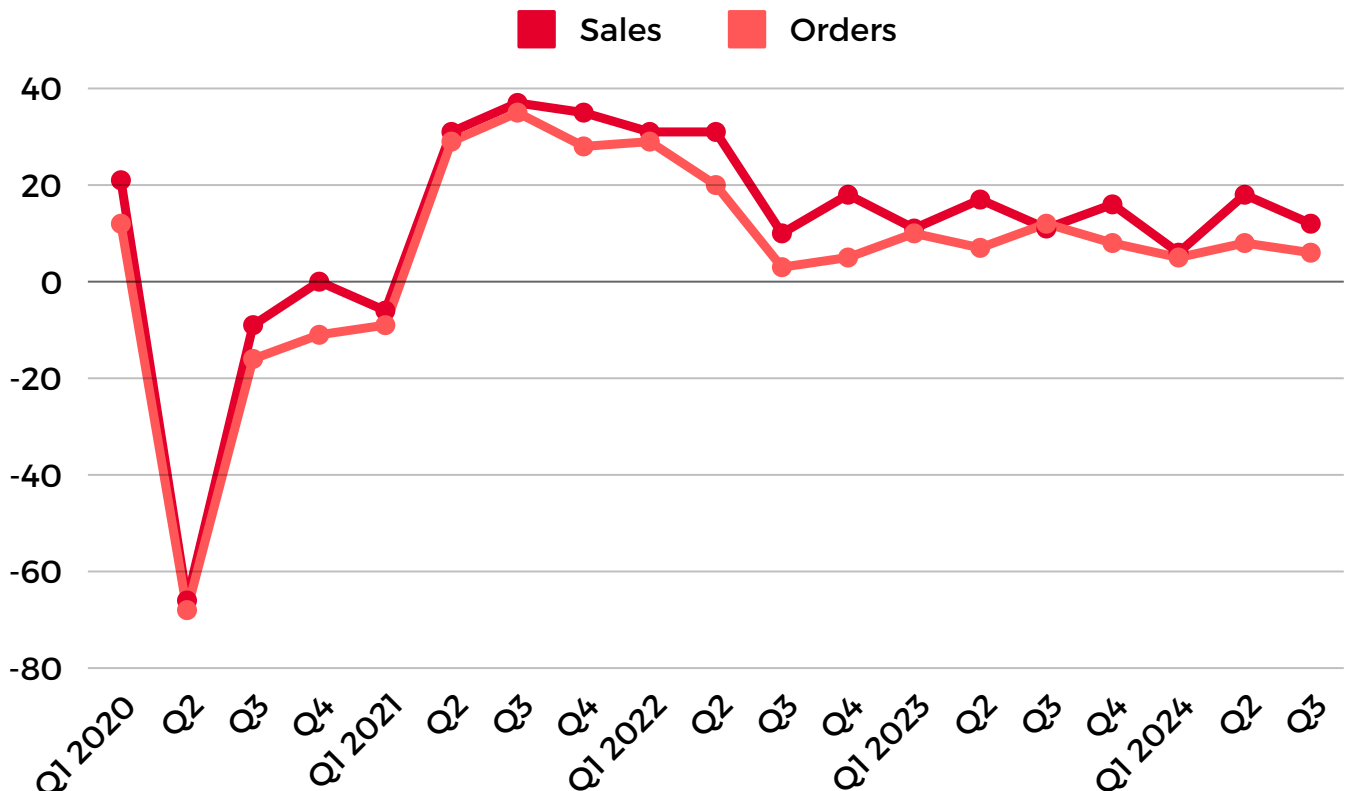
The net balance for UK sales has decreased to 12% this quarter, compared to 18% in Q2. 30% of businesses indicated an increase in UK sales, this was 36% in the previous quarter.

18% of businesses reported a decrease in UK sales over the last three months, this figure remains the same as Q2. 43% reported no change to their UK sales.

UK ORDERS SUMMARY

Similarly, the net balance data for UK orders also shows a slight decrease from the previous quarter. 24% of businesses reported an increase in UK orders over the last three months, this has fallen from 27% in Q2.

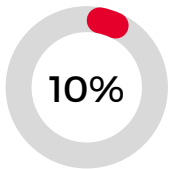
18% reported a decrease, compared to 19% last quarter. 41% reported no change. Therefore, the net balance fell slightly to 6% from 8% in Q2.



UK MARKET SUMMARY



MANUFACTURING INSIGHT



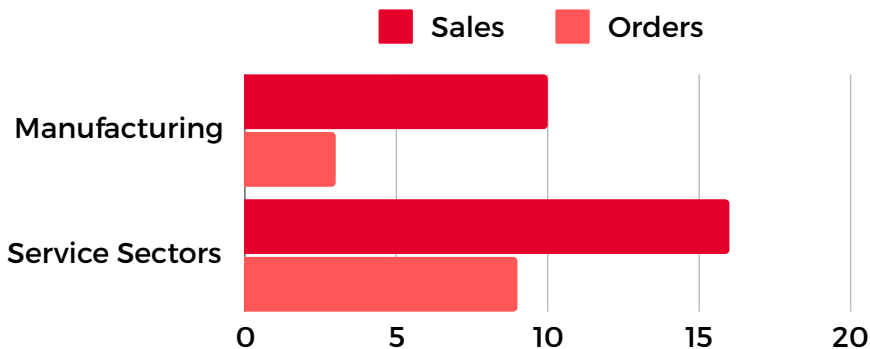
The net balance of manufacturers reporting on their UK sales was 10% this quarter. This has significantly improved from 1% in the previous quarter.

In terms of advanced orders, the net balance of orders have increased to 3% compared to -10% in Q2.

SERVICE SECTOR INSIGHT

The net balance of service sector companies reporting on their UK sales has decreased to 16% this quarter from 23% in Q2.

However, the net balance of UK orders decreased to 9% from 11% in the previous quarter. We categorise the service sector as businesses who's main business activity provides a service to businesses as well as final consumers (retail, professional services, marketing, public sector).





OVERSEAS ORDERS SUMMARY

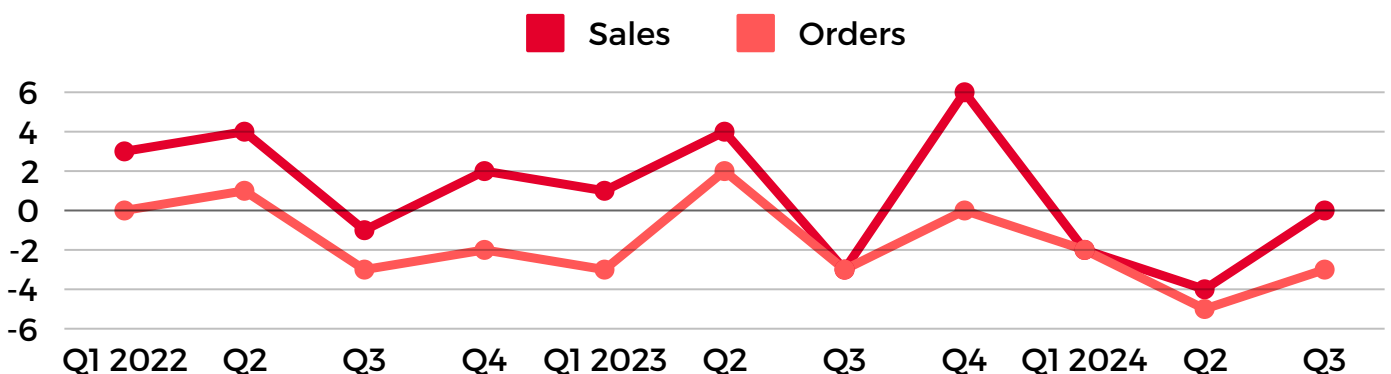
OVERSEAS SALES SUMMARY

The net balance of overseas sales has increased to 0% this quarter, the figure was -4% in the previous quarter. 11% of businesses reported an increase in overseas sales, compared to 9% in Q2. 11% reported a decrease in sales, an improvement from 13% of businesses reporting a decrease in sales in the previous quarter. 17% reported no change.



OVERSEAS ORDERS SUMMARY

Overseas orders data has also improved over the last three months. The net balance of overseas orders has increased to -3%, from -5% in Q2. 8% of businesses reported an increase in overseas orders, same as Q2. 12% reported a decrease in overseas orders, an improvement from 13% in Q2. 17% reported no change.





OVERSEAS ORDERS SUMMARY

MANUFACTURING SUMMARY

The net balance of manufacturers reporting on their overseas sales was -1% this quarter, compared to -8% in the previous quarter. In terms of overseas orders, the net balance was -10%, compared to -4% in the previous quarter.

SERVICE SECTOR SUMMARY

The net balance of services companies reporting on their overseas sales was 2%, improving from -4% in the previous quarter. Overseas orders have improved slightly to 2%, compared to -5% in Q2.

35% of firms in Q3 (compared with 38% in Q2) said they had seen an increase in domestic sales over the previous three months, while 43% reported no change, and 21% a decrease. The production and manufacturing sector report the toughest conditions, with 27% of firms experiencing a decline in sales.

British Chambers of Commerce

CASHFLOW SUMMARY



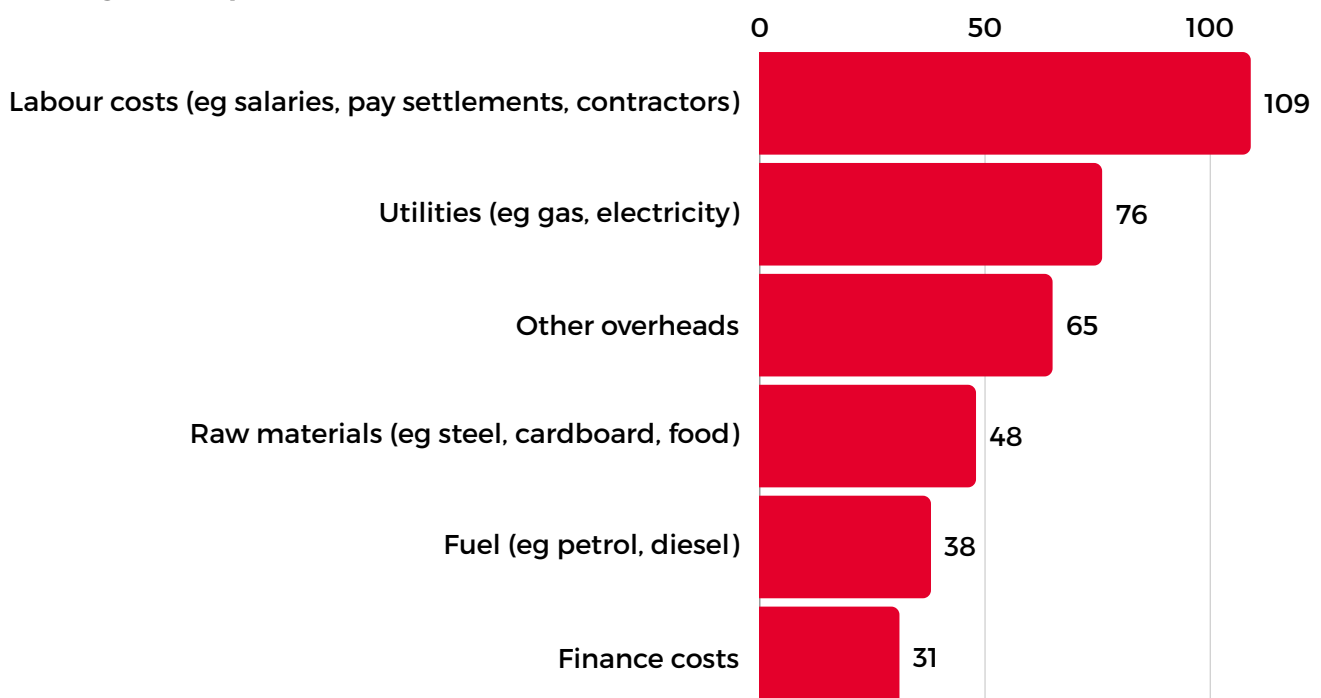
The Quarterly Economic Survey allows us to gather key information on business cash flow to be able to measure business performance over the last three months, and how this compares to the previous quarter.

23% 23% of businesses reported their cash flow has increased in the last three months, compared to 30% in the previous quarter.

27% 27% reported their cashflow has worsened in the last three months, in contrast to 20% in Q2.

50% 50% reported their cashflow has remained the same. Therefore, cashflow has indicated a negative net balance of -3% for the first time since Q1 2023.

The most reported reasons for why trading businesses are considering raising their prices were:




EMPLOYMENT & RECRUITMENT SUMMARY




50% of businesses that answered this QES attempted to recruit staff over the last quarter. 57% of these businesses had experienced problems when recruiting. The number of businesses reporting difficulties is remaining consistent.

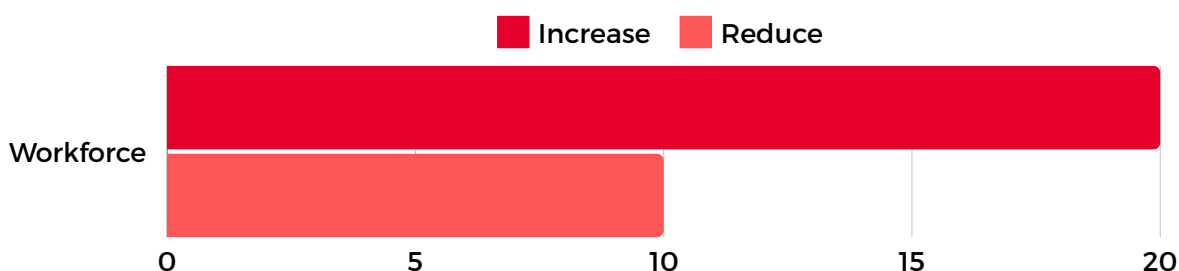
49% of businesses reported that skilled managerial roles were the most difficult roles to recruit for.

Businesses have also reported on their workforce changes.

 22% of respondents reported that they had increased their workforce in the last three months, compared to 25% in Q2.

 12% reported that they had reduced their workforce, compared to 11% in Q2. 66% reported no change.

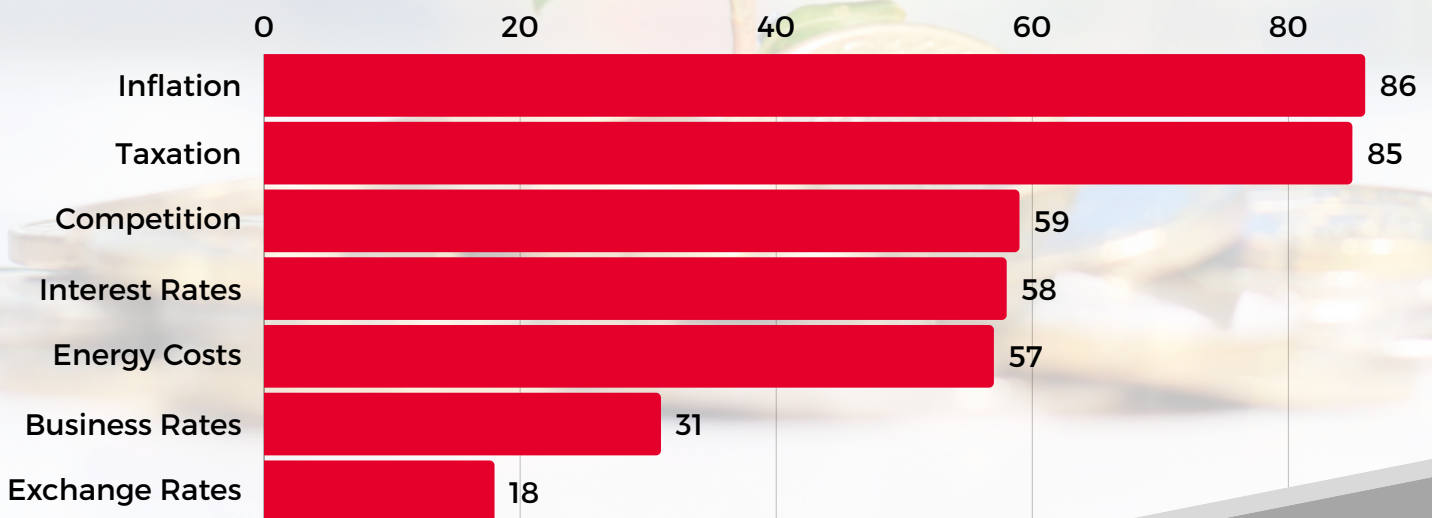
Furthermore, 20% of businesses expect to increase their workforce in the next three months, similar to 21% in Q2. 10% expect to reduce their workforce, compared to 6% in Q2. 69% expected no change over the next three months.



INVESTMENT SUMMARY

Investment and training are essential for any business to develop. From the QES, we can gather data on businesses plans for investment and training. 15% of businesses revised upwards their Capital Investment plans, a slight decrease from 19% in Q2. 21% have revised downwards their plans for Investment, compared to 17% in Q2. 64% reported no change.

This data is disappointing after a positive increase in plans for Capital Investment in the previous quarters. It suggests businesses currently have other priorities such as tackling high inflation and interest rates and as a result plans for Capital Investment have been put to one side. This theory is backed up by businesses main concerns:



The data for investment in training paints a similar picture.

18% of businesses revised upwards their investment in training over the last three months, decreasing from 23% in Q2. 15% revised downwards, compared to 11% in Q2. 67% indicated no change. Therefore, a net balance of just 2%, compared to a net balance of 12% in Q2.

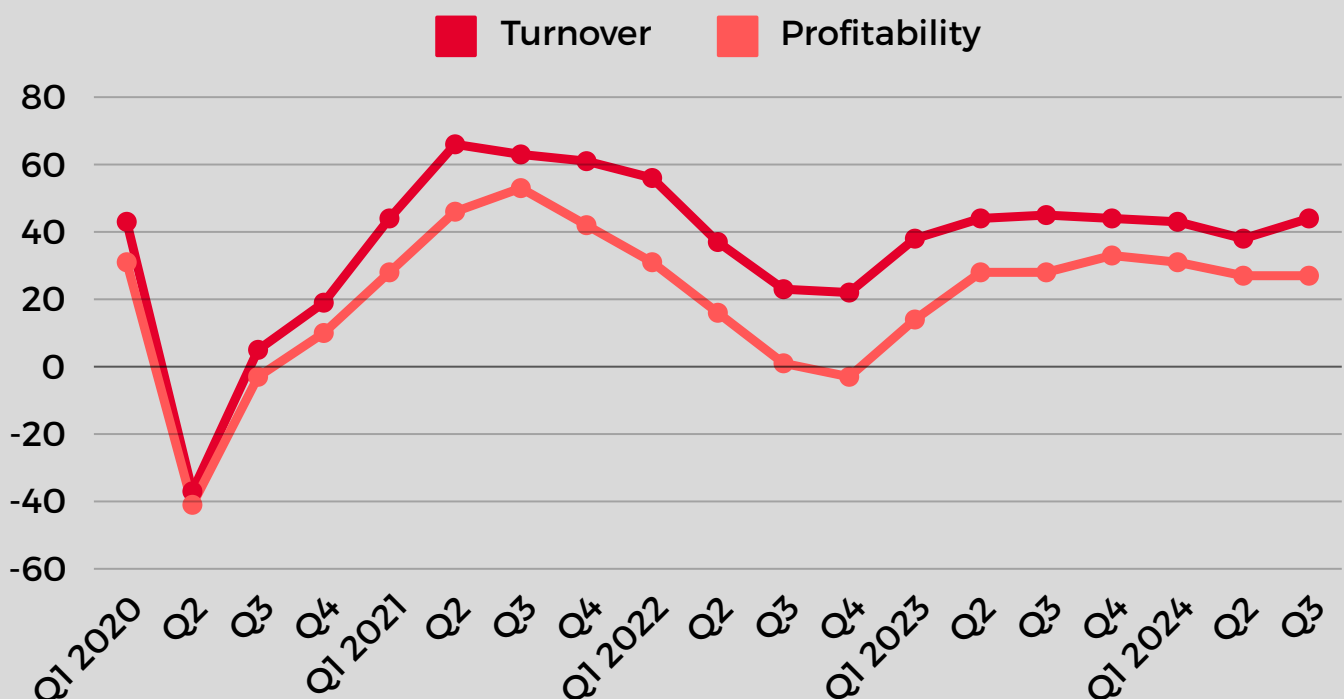
EMPLOYMENT & RECRUITMENT SUMMARY



Business Confidence data is highly valuable in quantifying how businesses have been performing and how they expect their business to perform over the next 12 months. In this quarter, we have seen further improvement to business confidence in turnover and profitability after a period of sharp stagnation as a result of the cost-of-living crisis.

56% of businesses reported they expect their turnover to improve over the next 12 months, compared to 52% in Q2. 12% expect their turnover to worsen and 33% reported they expect their turnover to remain the same.

There was further improvement in business profitability data. 45% expect their profitability to improve over the next 12 months, compared to 44% in Q2. Only 18% expect their profitability to worsen, increasing slightly from 17% in Q2. 36% expect no change.



BRITISH CHAMBERS OF COMMERCE

SUMMARY



The BCC's National Data for Q3, collected at the same period of time as our local area.

In the first major survey of business sentiment since the General Election, the BCC's Quarterly Economic Survey – the UK's largest and longest running independent business survey – shows taxation is now the main area of concern for businesses.

Ahead of the Budget later this month, 48% of firms cited it as a worry (compared with 36% in Q2). Concern about inflation and interest rates continues to slowly decline.

35% of firms (compared with 38% in Q2) said they had seen an increase in domestic sales over the previous three months, while 43% reported no change, and 21% a decrease. The production and manufacturing sector report the toughest conditions, with 27% of firms experiencing a decline in sales.

The survey was conducted after the General Election with fieldwork carried out between 19th August and 16th September 2024. The data from over 5,100 businesses across the UK (91% of whom are SMEs – fewer than 250 employees) also shows that most firms are still not increasing investment.

Taxation now the primary external concern

48% of responding firms say taxation is now more of a concern than three months ago, compared with 36% of businesses in Q2, with the professional services (53%) and construction sectors (51%) more likely to cite this.

Concern about other external issues continues to ease. 46% of firms say they are more worried about inflation compared to last quarter (49% in Q2 and 82% in Q2 2022). Concern about interest rates continues to fall, down to 29% of businesses (34% in Q2).

Business conditions struggling

The percentage of respondents reporting increased domestic sales has fallen to 35%, compared to 38% in Q2. 43% reported no change and 21% of firms said they had seen a decrease in sales. There were some sectoral differences – with 27% of firms in manufacturing and retail reporting a fall in sales in Q3. Meanwhile, 42% of marketing, media and advertising businesses said they had seen a rise.

BRITISH CHAMBERS OF COMMERCE

SUMMARY



Business confidence flatlines

56% of companies expect to see their turnover increase over the next 12 months – a slight decrease from 58% in Q2. 29% expect no change and 15% expect to see turnover decline.

Profitability confidence has also fallen, with 48% of businesses expecting profits to increase in the next year. That compares to 51% in Q2. 32% expect no change and 20% of respondents believe their profits will fall (compared with 17% in the previous quarter).

Most firms still not increasing investment

Only 23% of responding businesses say they increased investment levels (new plant, machinery or equipment bought or rented) over the last three months. That's down from 25% of firms in Q2. 59% say investment has remained the same, 18% reported a decrease.

Considerable sectoral disparities exist, with retailers least likely to report increased investment (21%). While 30% of production and manufacturing firms say they have increased investment over the last three months.

Expectation of price increases is levelling off

The proportion of firms expecting to raise prices remains the same as last quarter at 39%, after a rise earlier in the year. 58% of businesses say they expect prices to stay the same, and just 3% are expecting a decrease.

Labour costs continue to be cited as the main pressure for businesses, cited by 66% (67% in Q2). The issue is more significant for transport, logistics or storage with 76% reporting it as a challenge, and 74% of firms in construction and hospitality sectors.

David Bharier, Head of Research at the British Chambers of Commerce said:

“The first half of 2024 saw better than expected economic and business confidence data. However, throughout summer, major uncertainties have mounted and now many of our indicators have flatlined or ticked down.

“On the domestic front, many businesses are increasingly anxious about the direction of economic policy, and taxation has now become their primary concern. The major escalation in the Middle East conflict will also be a significant factor.

BRITISH CHAMBERS OF COMMERCE

SUMMARY



“Investment levels remain the Achilles heel of the UK economy. Despite interest rates starting to fall and inflation easing, most SMEs are still hesitant to invest. Further interest rate cuts in the coming months will help alleviate borrowing costs, but SMEs will need support to fund the skills and technologies that will help boost productivity.

“This month’s Budget will be a critical juncture. Businesses will need to see action on solving the investment puzzle, supporting global trade, particularly with the EU, and easing tax anxiety.”

Shevaun Haviland, Director General of the British Chambers of Commerce said:

“Our survey is a timely reminder of the real challenges businesses across our Chamber network are facing.

“With speculation rife about the tax impact of this month’s crucial Budget, businesses are clearly anxious. They understand the fiscal backdrop the Chancellor is facing and the need for the Government to address public finances. However, that must not be at the expense of investment and growth.

“While most firms are still expecting increased turnover over the next 12 months, confidence has dipped slightly. Sales and cashflow are also being hit, with the impact on manufacturers particularly concerning.

“Our message to Government is clear. Business stands ready to work in partnership to overcome challenges and help grow the economy. But an effective industrial strategy and a competitive tax landscape are essential to getting Britain booming again.”