

QUARTERLY ECONOMIC SURVEY

Q2
18

ABOUT THE QES

Carried out by the Black Country Chamber of Commerce and in partnership with the Black Country Local Enterprise Partnership (LEP), the Quarterly Economic Survey (QES) is a survey conducted each quarter, the results of which contribute towards and are compiled by the British Chambers of Commerce to form one of the largest independent economic surveys of businesses in the UK.

As the most authoritative national business confidence survey, and the first to be published each quarter, the results of the QES are closely watched by both HM Treasury and the Bank of England's Monetary Policy Committee, thereby helping to inform decisions that impact upon matters such as interest rates and business policy. The survey itself has reliably anticipated the onset of two recessions since the early 1990s before they

began and continues to act as a reliable indicator of national and regional economic performance. Moreover, fluctuations in prices or a downturn in demand are important economic indicators that are flagged up first by businesses on the ground, so the QES is an essential mechanism for decision-makers to understand the economy, not just in the City of London, but in the regions too.

The results of the survey are used to inform upon detailed economic performance and trends throughout the local region and beyond. At a national level, the survey covered more than 6,000 businesses employing approximately 874,000 people, therein highlighting that it provides a holistically representative picture of UK commerce and industry.

METHODOLOGY

The Q2 2018 survey was conducted between **21st May** and **11th June** and businesses from across the Black Country, including all members of the Black Country Chamber of Commerce, were invited to respond.

The survey was completed by **212** businesses: **75** from the manufacturing sector and **137** from the services sector.

N.B. The balance figures referred to throughout this report are ascertained by calculating the percentage of respondents who reported either increased or constant levels of performance in each respective area, and then subsequently subtracting the percentage of those who reported a decrease.

Please note, this report is made available to all local media organisations, Black Country MPs, MEPs, local authorities and businesses.

35%
MANUFACTURING



65%
SERVICES



© Crown Copyright and database right [2011]. Ordnance Survey [1000000]

FOREWORD - CHAMBER

IN THE MONTHS FOLLOWING THE COLLAPSE OF CARILLION, MANUFACTURERS ACROSS THE BLACK COUNTRY HAVE REPORTED ISSUES SURROUNDING CASH FLOW AND LATE PAYMENT, PARTICULARLY THOSE WHO WERE INVOLVED IN THE SUPPLY CHAIN NETWORK.

This is further ratified by recent research carried out by American Express, which highlighted that almost half (46%) of decision makers in UK SMEs are distracted from pursuing growth related activities due to concerns pertaining to cash flow and financial pressures.

As a Chamber, we must work with local businesses to help ensure that they are on top of their cash flow so that they may realise their potential for growth, which in turn will boost the Black Country economy. I would encourage any companies that have concerns about their cash flow to contact us and explore the full range of support that is available.



Despite the aforementioned issues regarding financial pressures, the growth of export sales reported amongst survey respondents through consecutive quarters is positive news for the region, showcasing a sense of resilience and eagerness to trade globally as we approach the Brexit deadline of March 2019.

Corin Crane
Chief Executive, Black Country Chamber

FOREWORD - LEP

OFFICIAL INWARD INVESTMENT STATISTICS RECENTLY PUBLISHED BY THE DEPARTMENT FOR INTERNATIONAL TRADE (DIT), SHOW THAT, IN 2017/18, THE WEST MIDLANDS REGION HAD THE MOST NUMBER OF FOREIGN DIRECT INVESTMENT (FDI) PROJECTS OF ALL UK REGIONS OUTSIDE LONDON AND THE SOUTH EAST. IN TOTAL, 171 FDI PROJECTS CREATED 9,424 NEW JOBS IN THE WEST MIDLANDS IN 17/18, 12.4% OF THE TOTAL NUMBER OF NEW JOBS CREATED THROUGH FDI IN THE UK. THE NUMBER OF FDI PROJECTS IN THE



UK OVERALL HAS FALLEN SINCE LAST YEAR, FROM 2,265 TO 2,072, THOUGH THE AMOUNT OF NEW JOBS CREATED FROM FDI HAS INCREASED.

In the Black Country, there were 11 successful FDI projects in 17/18 that have created 1,174 new jobs and safeguarded a further 61. Over half of these projects were in manufacturing industries, reflecting that these sectors remain a crucial part of our economy; the Black Country has attracted significant investment through the expansion of companies such as Gonvarri Steel Services, ArcelorMittal and Jaguar Land Rover. Inward investment is essential for further job creation, innovative activity and more efficient supply chains - all ultimately helping us achieve higher productivity growth within manufacturing and across other key sectors.

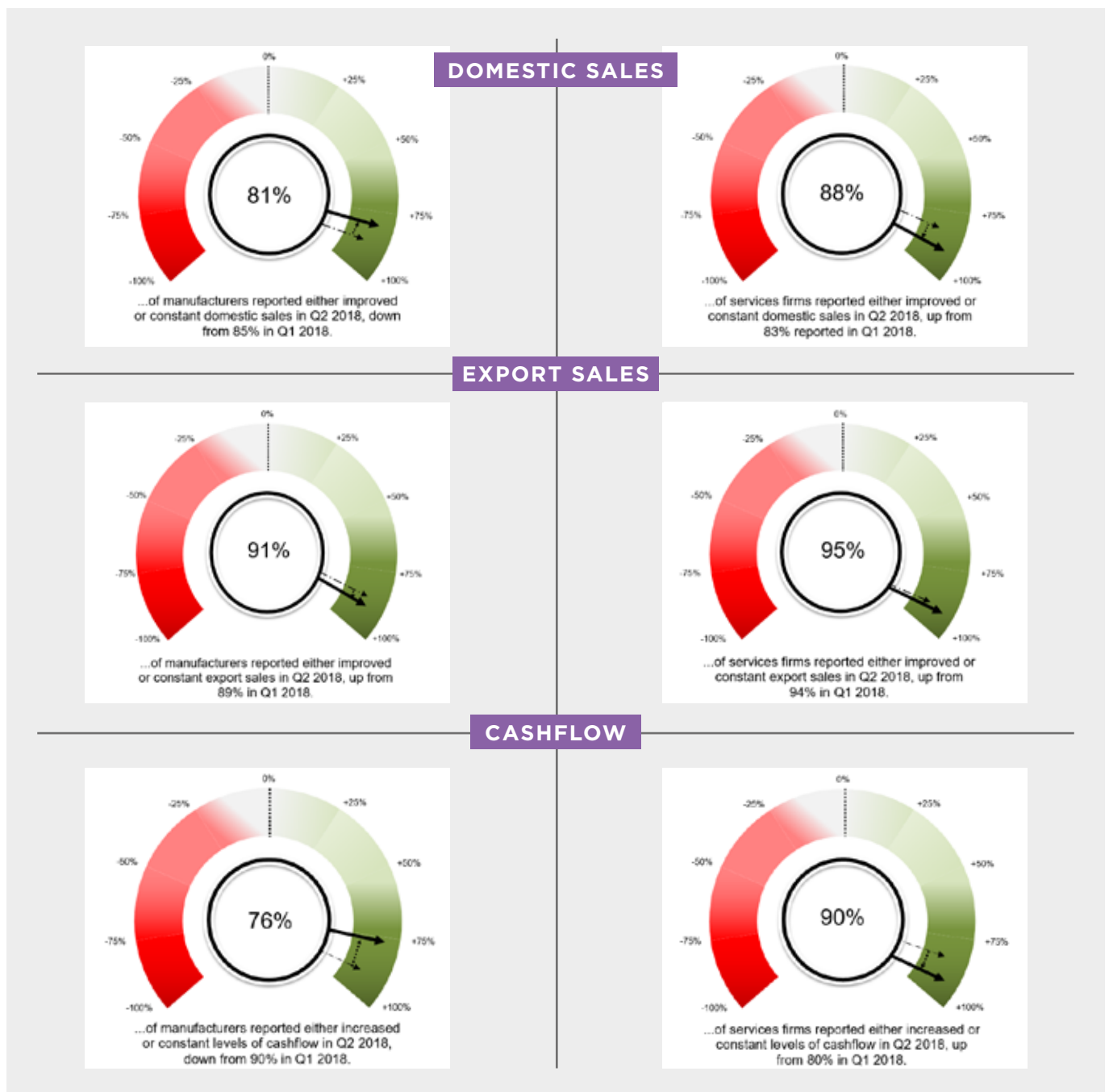
The number of FDI projects in the Black Country decreased in 17/18 compared to the previous year, down 31% from 16 projects. This validates the perceived uncertainty reported in the Quarterly Economic Survey for Q2 2018, leading to decreases in training investment and potentially aggravated by weak domestic sales and ongoing issues with cash flow and poor payment practice.

Stewart Towe
Chair, Black Country LEP

QUARTERLY ECONOMIC SURVEY (QES) KEY FINDINGS Q2 2018

AT A GLANCE

In Q2 2018, we have seen continued growth in export sales for both manufacturers and service sector organisations. However, manufacturing companies have reported a significant fall in levels of cash flow, which are down to 75% from 95% on last quarter. Arguably, this could be attributed to the Carillion collapse, the fallout from which is still being felt amongst local businesses that were involved in the supply chain network, as well as uncertainty surrounding the ongoing Brexit negotiations.

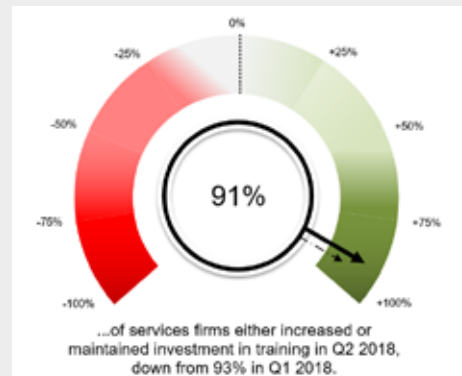


LOOKING AHEAD

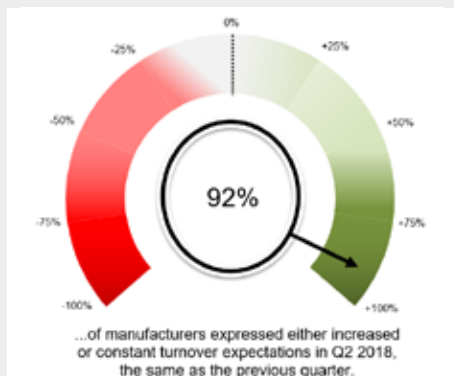
For Q2 2018, the forward-looking indicators for Black Country manufacturers point to a dampening of investment intentions, particularly with regards to training. Similarly, the service sector outlook for a decrease in training investment combined with a slight fall in business confidence is a cause for concern.



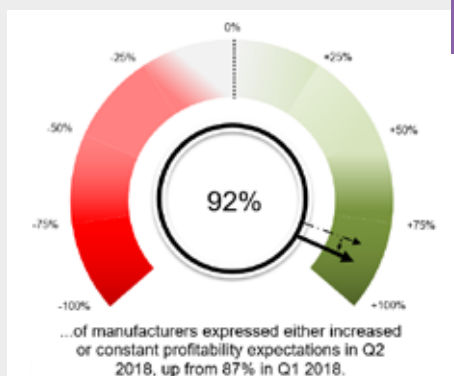
INVESTMENT INTENTIONS (TRAINING)



BUSINESS CONFIDENCE (TURNOVER)



BUSINESS CONFIDENCE (PROFITABILITY)



FOCUS: CASH FLOW

- From a manufacturing perspective, **+1%** of survey respondents reported either improved or constant levels of cash flow in Q2, a rather significant fall from **+10%** on the previous quarter and from **+7%** in Q2 2018. As previously mentioned, this could be the result of the Carillion collapse earlier this year and the continued uncertainty surrounding Brexit negotiations.
- At a national level, cash flow continues to be a concern amongst manufacturing companies, with just **+6%** having reported improved cash flow; in the construction industry, this balance falls to just **+2%**.
- In contrast, within the Black Country, the service sector saw improved or constant cash flow at **+17%**, up from **+7%** from Q1 2018 and up from **+11%** on the last 12 months.
- However, cash flow is a concern for service sector organisations on a national scale, with just **+9%** reporting improved cash flow. Furthermore, consumer-facing firms have struggled more, with the number falling to just **+4%**.

N.B. These percentage point balance figures are calculated from the percentage of firms that reported an increase minus the percentage that reported a decrease. If the figure is a plus it indicates expansion of activity and if the figure is a minus it indicates contraction of activity. A figure above 0 indicates growth, while a figure below 0 indicates contraction.



INFOGRAPHIC

212 BUSINESSES RESPONDED TO THE SURVEY DURING THE PERIOD 21ST MAY TO 11TH JUNE

35%

MANUFACTURING



65%

SERVICES

OVER THE PAST 3 MONTHS...



40%

SAID UK SALES HAD INCREASED

▼ 9% DOWN ON LAST QUARTER

reported an increase in export sales
▼ 11% down on last quarter



reported a decrease in export sales
▼ 1% down on last quarter

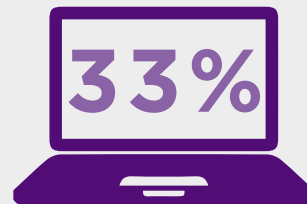
OVER THE NEXT 3 MONTHS...



31%

OF RESPONDANTS SAID THEIR WORKFORCE WOULD INCREASE

▼ 4% DOWN ON LAST QUARTER



EXPECT THE PRICE OF GOODS AND SERVICES TO INCREASE

▼ 5% DOWN ON LAST QUARTER

OVER THE NEXT 12 MONTHS...



66%

EXPECT TURNOVER TO IMPROVE

SAME AS LAST QUARTER

59%

EXPECT PROFITABILITY TO IMPROVE

▼ 3% DOWN ON LAST QUARTER

27%

OF RESPONDANTS SAID THEIR WORKFORCE HAD INCREASED

SAME AS LAST QUARTER



25%

SAID INVESTMENT PLANS FOR TRAINING HAD BEEN INCREASED

▼ 8% DOWN ON LAST QUARTER



25%

SAID INVESTMENT PLANS FOR PLANT & MACHINERY HAD BEEN INCREASED

▲ 1% UP ON LAST QUARTER

CURRENTLY...

37%

ARE OPERATING AT FULL CAPACITY

▼ 3% DOWN ON LAST QUARTER



TOP THREE EXTERNAL FACTORS AFFECTING YOUR BUSINESS



31% EXCHANGE RATES



41% COMPETITION



23% CORPORATE TAX

ABOUT THE BLACK COUNTRY LEP

The Black Country LEP aligns activity across private and public sectors to create the right environment for businesses with a remit to tackle barriers to business growth and create a globally competitive local economy. The Black Country – located at the heart of the national transport network – comprises the metropolitan boroughs of Dudley, Sandwell, Walsall and the city of Wolverhampton. It is home to 1.17 million people and over 35,000 businesses.

www.blackcountrylep.co.uk



BLACK COUNTRY CHAMBER OF COMMERCE

Creative Industries Centre,
University of Wolverhampton Science Park,
Glaisher Drive,
Wolverhampton,
WV10 9TG

T: 0330 024 0820

www.blackcountrychamber.co.uk

