

QUARTERLY ECONOMIC SURVEY

**Q1 2019**



# About THE QES

Carried out by the Black Country Chamber of Commerce, 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 notable policy-making organisations. These organisations include: HM Treasury, the Bank of England's Monetary Policy Committee, BEIS and the European Commission. 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.

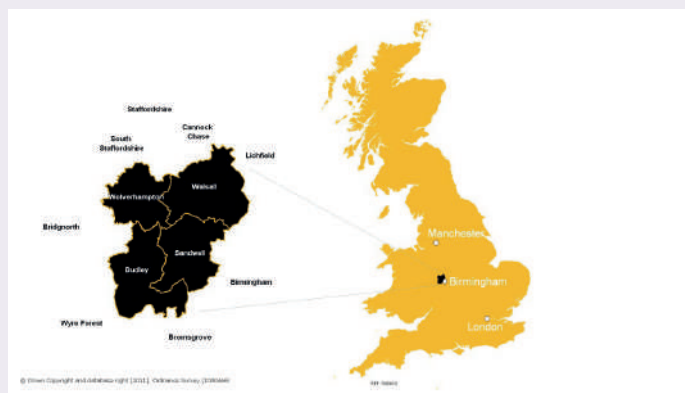


## BLACK COUNTRY CHAMBER OF COMMERCE

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## METHODOLOGY

**26%**  
Manufacturing

**74%**  
Services

The Q1 2019 survey was conducted between 18th February and 11th March 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 111 businesses: 82 from the manufacturing sector and 29 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.



# FOREWORD

## CORIN CRANE



**The first quarter of 2019 has continued to test the resilience of Black Country businesses. Economic headwinds, revised growth from the Office of Budget Responsibility and Brexit uncertainty will continue to impact business communities across the UK whilst the impasse in Westminster continues. March was a month which had been promised to break the deadlock with a Parliamentary vote on the government's Withdrawal Agreement. The second defeat of the Withdrawal Agreement however, means that Black Country businesses continue to wait for clarity on what a future relationship between the UK and EU will look like.**

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**CHANGES TO  
APPRENTICESHIP  
FUNDING WILL  
NOW TAKE  
EFFECT FROM  
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OUR MEMBERS  
UNDERSTAND  
THIS.”**

Away from Brexit, the Chancellor made some important announcements during the Spring budget. Changes to apprenticeship funding will now take effect from April and we will be working hard to ensure that our members understand this. The Chancellor also announced that he will officially 'retire' controversial PFI contracts. We saw first-hand, the devastating effect of badly managed PFI contracts when we worked with supply chain businesses in the wake of the Carillion liquidation last year. Mr Hammond also confirmed

that 'late payments' were on the Treasury's radar and that company audit committees will now be obliged to publish payment practice in their company accounts.

We have made a busy start to 2019, from MP Engagement sessions to International Trade and Brexit seminars, we are working on a range of activities that ensure the voice of our members is heard loudly and clearly at the local, regional and national level.

**Chief Executive  
Black Country Chamber  
of Commerce**

# QUARTERLY ECONOMIC SURVEY (QES)

## KEY FINDINGS

### Q1 2019



#### DOMESTIC SALES



83% of manufacturing respondents outlined that domestic sales had either remained constant or increased for Q1 2019. That is 5% down on the quarter and 2% down on **Q1 2018**. The service sector report domestic sales at 95% (increased or remained constant), which is 9% up on **Q4 2018** and 12% up on the year. That means a combined figure of 92% of respondents reporting either improved or constant domestic sales.

#### EXPORT SALES



Manufacturers report a drop in export sales at 81%, that's 6% down on the last quarter and 8% down on **Q1 2018**. The service sector reports improved export sales on both the quarter (+11%) and the year (+3) at 97%, meaning combined statistics stand at 90% of respondents reporting improved or constant export sales for **Q1 2019**.

#### CASHFLOW



Manufacturers report a drop in terms of cashflow, from 90% improved or remained constant in **Q1 2018**, down to 76% a year later. On the quarter, cashflow is down 4% from 80%. The service sector also sees a 4% drop on last quarter's data at 83%, but cashflow is better on the year, with a 3% improvement. This points to a combined total of 80% of respondents reporting increased or constant cashflow for **Q1 2019**.

#### PROFITABILITY



Forecast profitability for the next 3-months for manufacturers stands at 86% (improved or remain constant). This is 1% lower than the forecast profitability for 87% in **Q1 2018** and **Q4 2018**. The service sector reports forecast profitability at 91% improve or remain constant, 4% up on the quarter and 2% up on the year's statistics. Combined profitability forecasts stand at 90%.

#### TURNOVER



Turnover forecasts for the manufacturing sector stand at 93% expecting an increase or to remain constant. That is the same as **Q4 2018** and 1% up on last year's statistics. The service sector is slightly lower 83%, that is 11% down on **Q4 2018** and 13% lower than forecasted turnover from the same time last year. This means a combined outlook of 83%.

#### RECRUITMENT DIFFICULTIES



59% of manufacturers report experiencing recruitment difficulties, that's down 17% from, **Q4 2018**. Whilst 33% of service sector respondents experienced recruitment difficulties, down 18% on the previous quarter. This points to a combined total of 40% of respondents experience recruitment difficulties.

#### Top external factors facing businesses in Q1 2019



#### Pressure to increase costs coming from



# 98%

of respondents

expect prices to rise over the next 3-months whilst a total of **62%** respondents are operating below capacity. **59%** of manufacturers are operating below capacity.



Innovation  
Branding  
Solution  
Marketing  
Analysis  
Ideas  
Success  
Management



**We have long urged the government, in line with the message from the British Chambers of Commerce, that business communities are facing many policy issues away from the context of the UK's withdrawal from the EU.**

## WHAT'S NEXT DANIEL TURNER

Yes, we need clarity on a deal with the EU urgently, but if the business landscape is not healthy on the domestic front, a new, business-friendly deal with the EU will not matter. This means: helping businesses to understand and use their apprenticeship funding, ensuring that infrastructure projects run on time and are cost-efficient and a guarantee for supply-chain businesses on cashflow and late payments.

The Chancellor made the right noises on these issues during the Spring Statement, but the devil, as always, will be in

the detail. Although he cited the FSB's 'FairPayFairPlay' campaign, the Chancellor failed to announce any adaptations to the Making Tax Digital implementation which the British Chambers have long called for. As ever, we will be working hard to ensure that the messages we hear on the ground in the Black Country, are swiftly fed through to the relevant Ministerial Departments in Westminster.

Daniel Turner  
**Policy Officer,  
Black Country Chamber**



**AS EVER, WE WILL BE WORKING HARD TO ENSURE THAT THE MESSAGES WE HEAR ON THE GROUND IN THE BLACK COUNTRY, ARE SWIFTLY FED THROUGH TO THE RELEVANT MINISTERIAL DEPARTMENTS IN WESTMINSTER.**



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