

# QUARTERLY ECONOMIC SURVEY

Q3  
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 Q3 2018 survey was conducted between **27th August** and **17th September** 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 **92** businesses: **41** from the manufacturing sector and **51** from the services sector.

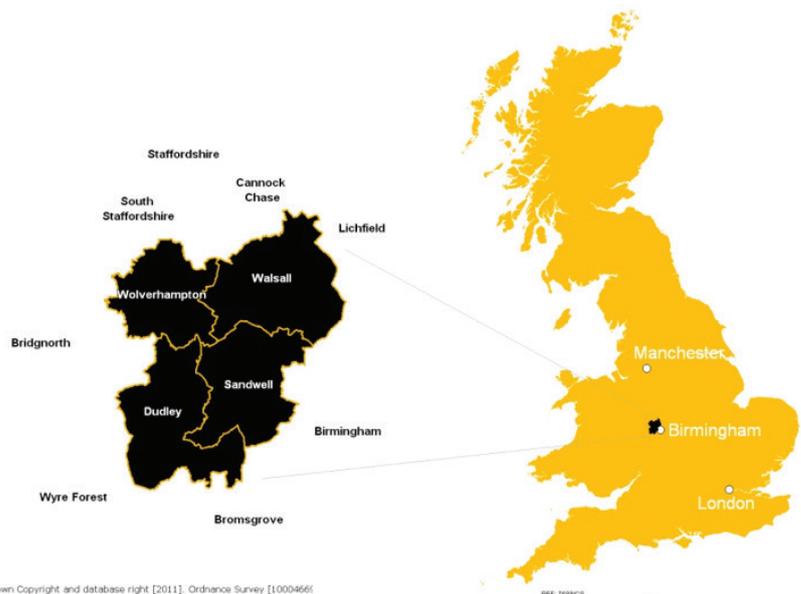
N.B. The balance figures referred to throughout this report are ascertained by calculating the percentage of respondents who reported either increased or constant levels of performance in each respective area, and then subsequently subtracting the percentage of those who reported a decrease.

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

**45%**  
MANUFACTURING



**55%**  
SERVICES



# FOREWORD - CHAMBER

“THE QES Q3 FIELDWORK PERIOD COINCIDED WITH THE ONS REGIONAL LABOUR MARKET DATA RELEASE AND THE LONG-AWAITED REPORT FROM THE MIGRATION ADVISORY COMMITTEE (MAC) ASSESSING THE ROLE OF EEA WORKERS IN THE UK. WE WERE PARTICULARLY INTERESTED TO READ THE MAC’S REPORT AS WE HAD FED INTO THE EVIDENCE IN LATE 2017 BY HOSTING THE MAC AT THE CHAMBER OFFICES.

The data for Q3 points to ongoing, serious recruitment difficulties for Black Country businesses. Although 94% of respondents expect their labour force to grow in the coming months, 64% of respondents said they faced recruitment difficulties in the preceding quarter. We know that unemployment figures are relatively low in the West Midlands at 4.6%, but the labour market is extremely tight, and employers are finding it hard to recruit the right staff. Domestic sales are a strong point for the manufacturing sector, whilst the outlook for



investment in training and plant machinery remains relatively high also.

What is imperative for the Black Country and wider West Midlands, is that the option to access EU migrant labour is not ‘switched off’ by an immigration policy that is not business-friendly. Crucially, it seems that the government is listening in terms of apprenticeship reform, which means that business groups such as ourselves are being listened to. With a faltering apprenticeship system and an end to free movement of labour, the government could well be facing a perfect storm which will serve to exacerbate existing recruitment issues.”

Corin Crane  
**Chief Executive, Black Country Chamber**

# FOREWORD - LEP

“THE RECENTLY RELEASED UKCES EMPLOYER SKILLS SURVEY FOR 2017 SUGGESTS SOME POSITIVE STEPS FORWARD IN THE BLACK COUNTRY ON SKILLS DEVELOPMENT. THE PERCENTAGE OF ALL VACANCIES THAT ARE DUE TO SKILLS SHORTAGES IS DOWN BY 10 PERCENTAGE POINTS, FROM 37% TO 27%, AND THE PERCENTAGE OF ESTABLISHMENTS WITH A SKILLS SHORTAGE VACANCY HAS FALLEN FROM 7% TO 4%

However, local skills shortages remain persistent and a key challenge for Black Country businesses. The survey identified 15,930 vacancies in the



Black Country, 4,238 of which are due to skills shortages - this equates to 27% of all vacancies, five percentage points more than the national average and two percentage points higher than the regional average. In terms of sectors, Construction (36%), Manufacturing (33%) and Hotels and Restaurants (32%) were most susceptible to skills-shortage vacancies. Skills gaps are exacerbated due to the relatively lower number of Black Country establishments training staff - 62% compared to the national average of 66% and one of the worst performing LEPs.

In response to the Employer Skills Survey’s four identified skills challenges of: finding the right workers, optimising and improving existing skills, expanding employee training and improving work place practices to drive performance, Black Country partners need to work pragmatically and collaboratively to build on the progress that has been made and to reverse persistent problem areas. Activity should be industry-led and holistic in its approach, such as through the LEP’s Black Country Skills Factory and the Elite Centre for Manufacturing Skills.”

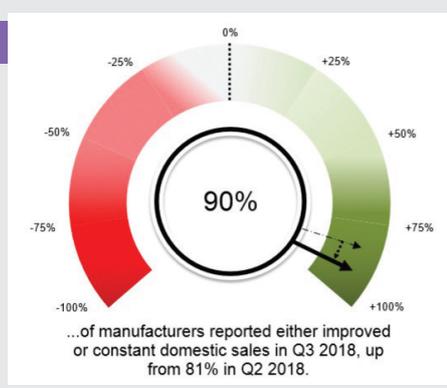
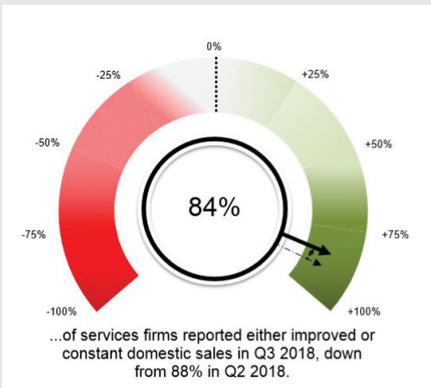
Ninder Johal  
**LEP Board Member**

# QUARTERLY ECONOMIC SURVEY (QES) KEY FINDINGS Q3 2018

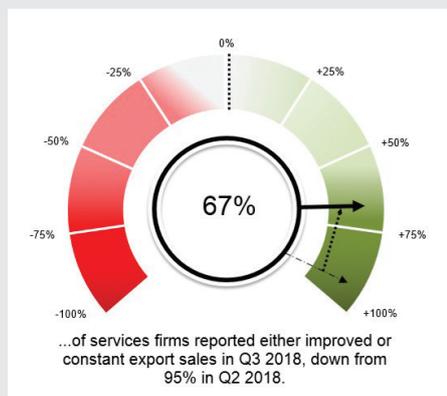
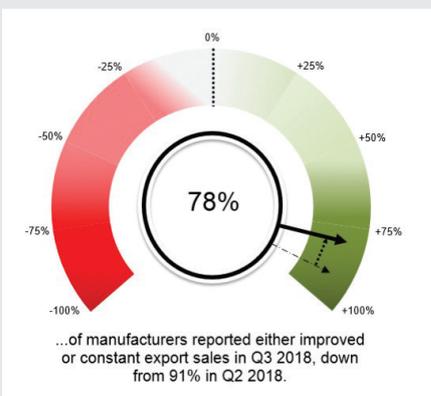
## AT A GLANCE

The outlook for manufacturers domestic sales has improved, with 90% of manufacturers reporting improved or constant domestic sales – 9% up on the quarter. The outlook is slightly more subdued for the service sector with a 4% drop on the quarter. Compared to the previous quarter, manufacturers report a more modest outlook for export sales, with a 13% drop on the previous quarter, standing at 78%. Again, the service sector reports a steeper drop from 95% to 67%.

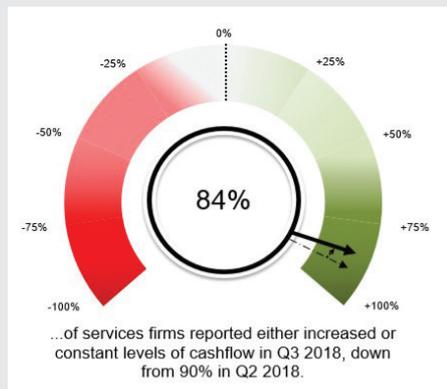
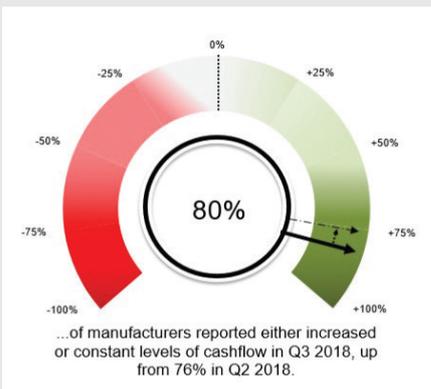
### DOMESTIC SALES



### EXPORT SALES

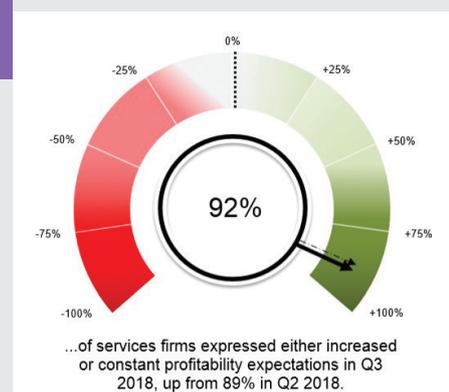
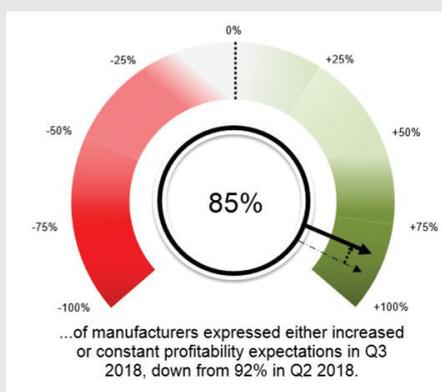
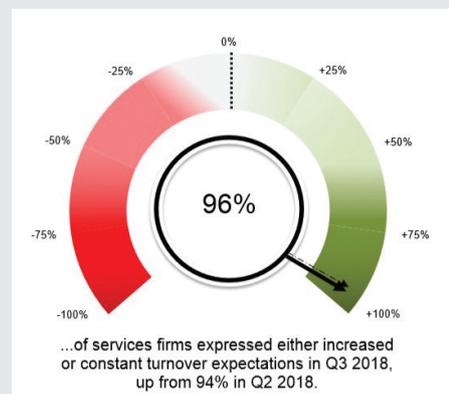
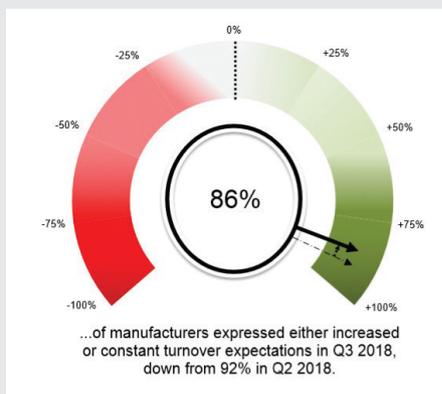
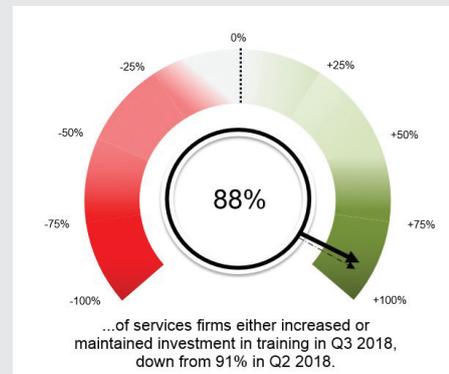
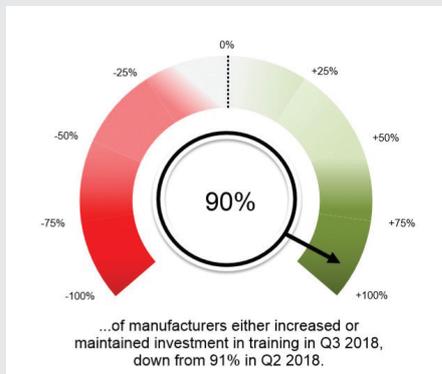


### CASHFLOW



# LOOKING AHEAD

A role reversal for this quarter sees manufacturers reporting a brighter outlook with regards to cashflow, seeing a rise from 76% to 80%. The service sector is again more subdued in terms of cashflow, with a 6% drop on the quarter at 84%. Investment intentions in training remain comparatively high for both sectors, but we continue to hear grumblings across industries about the lack of flexibility in the apprenticeship levy as well as a lack of preparation and awareness of the governments flagship technical education policy change, the T Level. Business confidence is slightly lower for manufacturers. With continued uncertainty around the UK's future relationship with the EU and given the volatility of global markets due to the continued threat of an exacerbating US-China trade war, this is not specific to the Black Country.



# FOCUS: RECRUITMENT



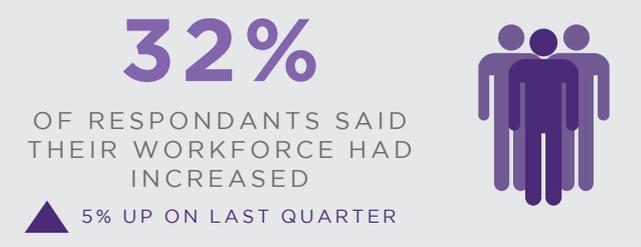
- Skills and recruitment are long-standing issues for the Black Country, the West Midlands and the UK. What we are seeing at the moment, across the country, is a serious difficulty for businesses to recruit the right staff. The labour market is extremely tight and this is shown through manufacturers inability to find the right staff. 64% of businesses reporting recruitment difficulties is almost double the number of those who reported recruitment difficulties in Q2 2018. Positively, business intentions to invest in training remain comparatively high for Q3 2018, with no change on the quarter for manufacturers and only a 3% dip for the service sector.
- We continue to hear about issues with the apprenticeship levy when talking to Black Country businesses. What we hear most often is that the apprenticeship levy is restrictive and inflexible and often feels like an extra tax on business. Meanwhile, businesses remain generally in the dark with regards to another change to technical education, the T Level, set to be rolled out in 2020. Whilst businesses in the Black Country welcome the overarching strategic ambition to simplify the technical education landscape, it is crucial that the policy rationale is understood across industry and the practicalities of the role of business in shaping this new qualification is understood.
- During this quarter, the Migration Advisory Committee (MAC) released a report assessing the role of EEA workers in the UK. In the Black Country, EEA workers are employed at all levels across a range of sectors. The Black Country Chamber gave evidence to the MAC last year and will continue to lobby for due business consultation on any adaptations to a post-Brexit immigration system. The West Midlands has an EU-born manufacturing workforce of 14% according to the EEF, so it is crucial that these existing recruitment difficulties are not made worse by burdensome immigration policy.

# INFOGRAPHIC

92 BUSINESSES RESPONDED TO THE SURVEY DURING THE PERIOD 27TH AUGUST TO 17TH SEPTEMBER 2018.



## OVER THE PAST 3 MONTHS...



## OVER THE NEXT 3 MONTHS...



## OVER THE NEXT 12 MONTHS...



## CURRENTLY...



## 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](http://www.blackcountrylep.co.uk)



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