



Shropshire
Chamber of
Commerce



QUARTER **THREE** RESULTS 2021

SHROPSHIRE CHAMBER

Q3

QUARTERLY
ECONOMIC
SURVEY RESULTS

2. QES Q3 RESULTS

EXECUTIVE OVERVIEW

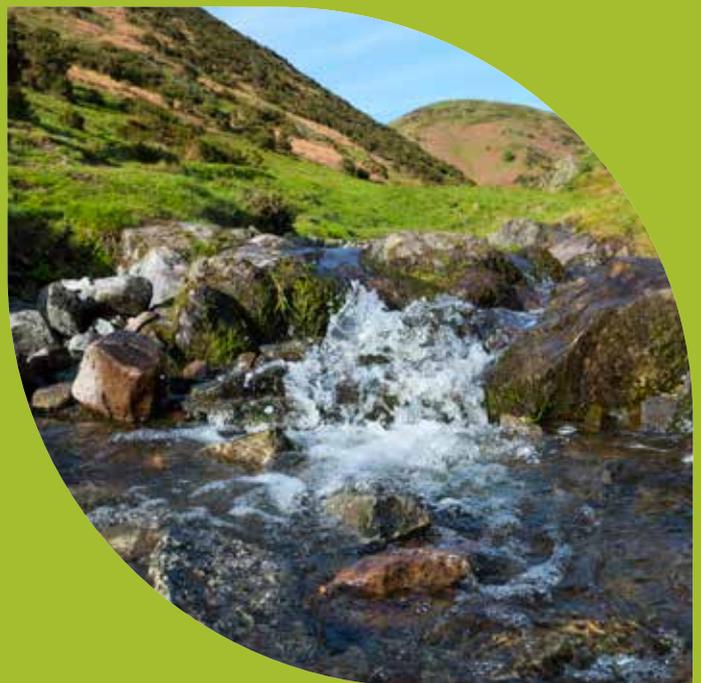
Each quarter Shropshire Chamber takes part in the British Chambers of Commerce national economic survey. In this report, you will see the results for Shropshire, trending from as far back as 2009.

If you and your company would like to take part in these surveys please contact policy@shropshire-chamber.co.uk giving your name, company name and the email to which reminders should be sent.

Please note this is only open to businesses in Shropshire and Telford & Wrekin, and Chamber Membership is not required to take part. Those in neighbouring counties should approach the British Chambers of Commerce to locate their nearest BCC accredited chamber. This survey is open to businesses from all sectors including public sector and third sector. The survey is open to any size of business from micro's, who employ no staff, to the very largest businesses.

The data is used both locally and nationally to lobby those in power on the main topics of concern. The national survey is highly respected and is used by Central Government to understand the economic situation and pressures facing businesses in the UK.

The greater our business voice, the more valuable the information becomes, so we want to encourage every business, Chamber member or not, to add their voice to this vital survey.



SHROPSHIRE QUARTERLY ECONOMIC UPDATE

POSITIVE SHOOTS OF RECOVERY

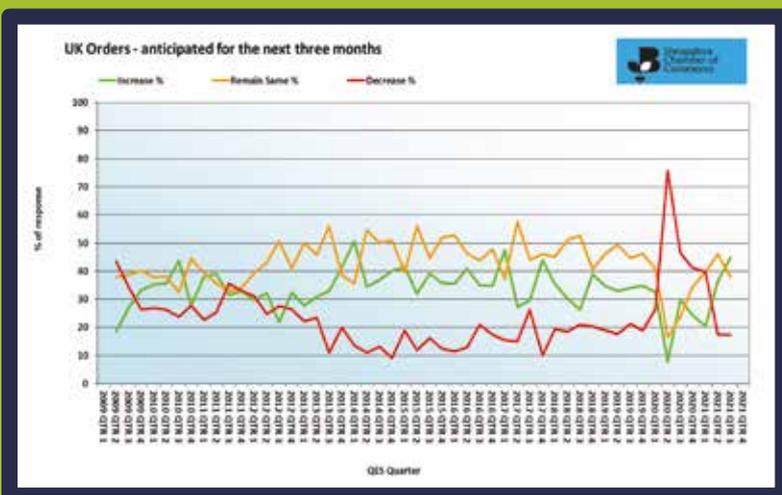
There are clear signs of the economy recovering despite the continuing issues with Covid, Brexit, staff shortages, and the global economy. The next quarter, dependant on any Covid restrictions, will show if this is a forward trend or simply a short-term bounce back.

UK SALES & ORDERS

UK sales over the last three months have seen a strong surge, with 50% of respondents seeing some sort of increase. A third of businesses saw no change in their sales, with the remainder seeing sales fall.



Comparing this data to the same questions from the last quarter, it is encouraging to see that the proportion of those businesses experiencing decreased sales is falling, and the proportion of businesses seeing an increase in their sales rising for the fifth consecutive quarter. As we emerge from the lockdowns and restrictions of the last 18 months, we hope to see the contingent of businesses who are enjoying increased sales to reach ever-greater heights.



Given that this group of businesses has only constituted 50% or more of respondents on five previous occasions renews hope in a strong rebound for Shropshire.

Orders over the next three months are showing a very similar trend of strong growth. In fact, the group of businesses that have strong order numbers has only been larger on two occasions over the last ten years, setting up what will hopefully be an even stronger sales quarter for the final QES of the year.

These figures very much mirror the national picture, with Shropshire having a slight advantage in terms of proportion of businesses experiencing increasing sales.

4. QES Q3 RESULTS

SHROPSHIRE QUARTERLY ECONOMIC UPDATE

EXPORTS

Export sales for the last quarter have shown a continued improvement.

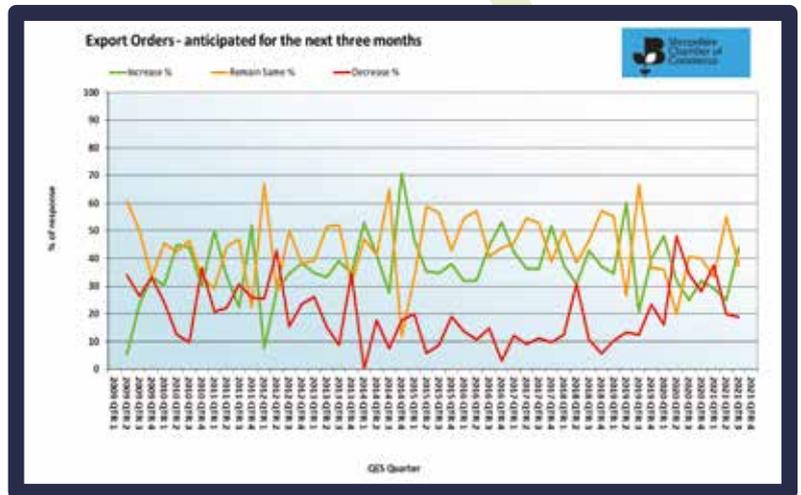
Roughly the same amount of respondents reported increased export sales, and decreased export sales.

Feedback from our members is varied, we are engaged with the British Chambers and policymakers to see what can be done about the near-universal complaint of the current price of freight; COVID and Brexit are two other factors affecting healthy growth in export sales.

Export orders for the next three months are encouraging, with almost half of respondents reporting that their orders are increasing, complemented by a drop in the proportion of business who are experiencing decreasing numbers.

By this measure, we should see healthy growth in sales for the next quarter.

In comparison to national numbers, Shropshire measures equally in terms of last quarter export sales, but going forward the picture appears brighter locally than it does nationally, with the county enjoying a much larger proportion of businesses with increased export orders, than the country at large.



+7% of manufacturers reported increased export sales in Q3 2021, down from +8% in Q2 2021

+6% of service firms reported increased export sales in Q3 2021, up from -7% in Q2 2021



NATIONAL

“ The supply chain crisis, alongside wider labour shortages and spiralling price rises, is clearly starting to drag on our economic recovery from Covid-19. ”

Source - British Chamber of Commerce

SHROPSHIRE QUARTERLY ECONOMIC UPDATE

STAFF, SKILLS & RECRUITMENT

This section of the survey asks general questions about a company's workforce, skills and current & future recruitment.



Over the last three months, more than 90% of Shropshire businesses have either maintained their staff levels, or increased them.

This is obviously an incredibly encouraging sign, and emblematic of the general theme of the results this quarter – bouncing back.

Over the next three months, roughly half of businesses expect to grow their workforces, with the other half expecting staff levels to stay the same; only two respondents expected their workforce size to decrease.



This proportion of companies looking to expand their staffing levels is the highest since 2009.

Around 75% of businesses are already recruiting for these roles, more than the national average.

However, of those businesses, 65% have experienced difficulty finding the right staff, with the most amount of difficulty experienced recruiting for managerial roles.



We collected comments from recruiters to understand what they perceived to be the barriers stopping people from coming to work in Shropshire – see next page.

SHROPSHIRE QUARTERLY ECONOMIC UPDATE

WHAT BARRIERS DO YOU FEEL STOP PEOPLE COMING TO WORK IN SHROPSHIRE?

Lack of rural based office space

Poor employment benefits offered

Low wages

Transport links and accommodation affordability



Healthcare and education and public transport let the area down

Can't create jobs because of difficulty getting planning permission for small rural enterprises



Extracted from the comments of those who completed the survey

SHROPSHIRE QUARTERLY ECONOMIC UPDATE

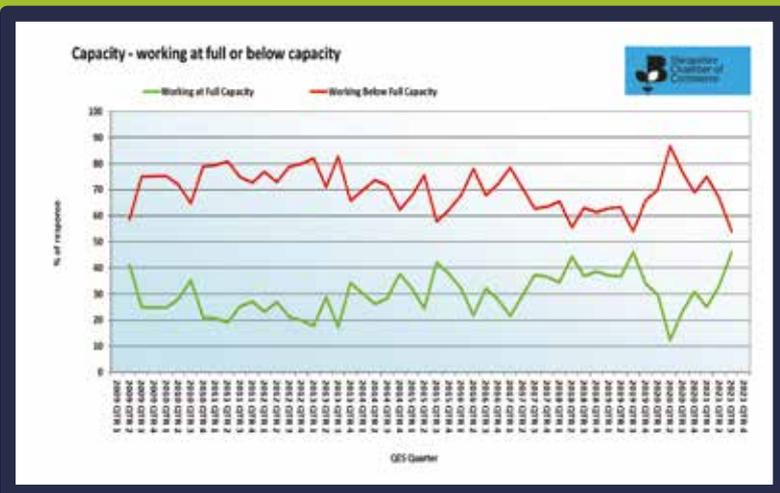
CASH and CAPACITY

Over the last 18 months, cashflow has been very volatile for almost all businesses. The proportion of respondents who reported an improved cashflow dropped from last quarter, and hovers around 20%.



Thankfully, a majority of businesses have reported cashflow performance remaining the same. This can be partially explained by the strong surge of businesses reporting that they are now operating at full capacity, this quarter the highest since early 2019.

This is complemented by a falling rate of businesses operating under full capacity – this still constitutes the majority of businesses, but is back to pre Covid levels.



When compared to national results, the working-at-capacity figures are very similar, but the cashflow results indicate that the national picture looks better than the regional one. The nation-wide survey showed a higher proportion of businesses with increasing cashflows, and a lower proportion of those seeing their cashflow fall.

In terms of payments to businesses, it is encouraging to continue seeing stability in the number of outstanding payments owed to firms, and a fall in the number of larger companies asking Shropshire business to renegotiate contracts.



This mantle has been taken by mid-sized firms who, we are told, are more frequently asking to renegotiate their contracts with our members further down the supply chain.

1 in 5 firms (22%) reporting a decrease in their cash flow, while 44% reported no change.

8. QES Q3 RESULTS

SHROPSHIRE QUARTERLY ECONOMIC UPDATE

INVESTMENT

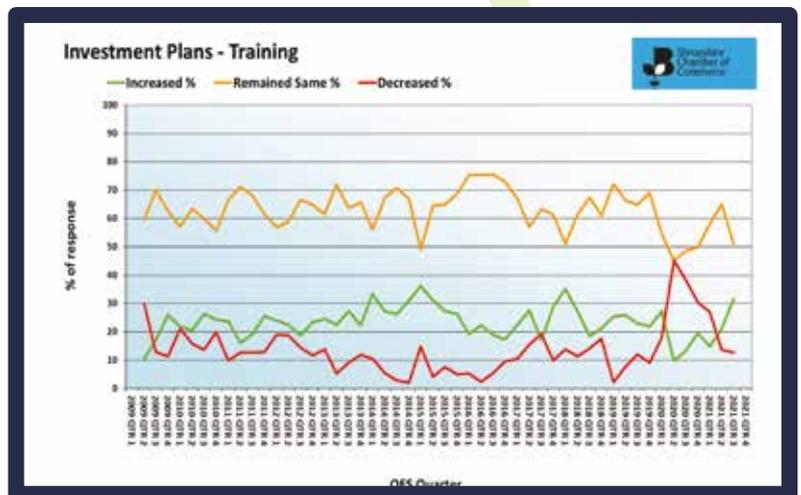
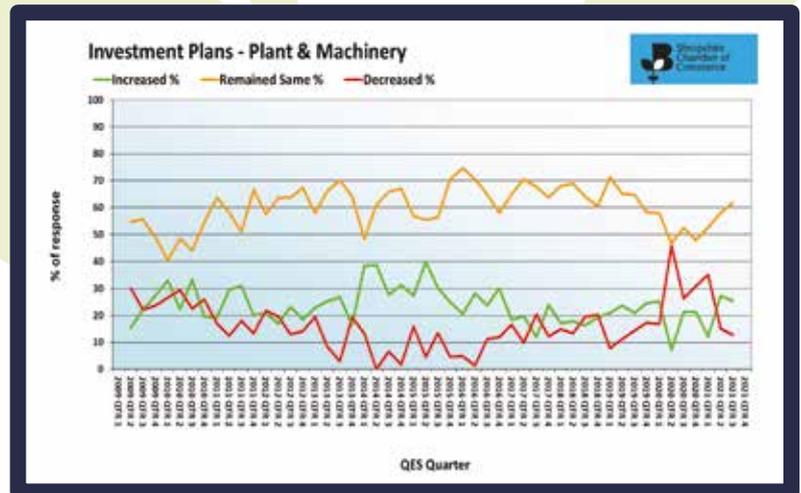
The so-called 'superdeduction' announced by the Chancellor doesn't seem to have spurred a huge amount of growth in investment into plant and machinery, with the proportion of businesses who say they're increasing investment dropping to around 25% this quarter.

This is 10% more than the cohort that intend to decrease investment, which is promising, whilst the group of businesses remaining constant with their investments constitute the vast majority at over 60%.

These figures aren't too dissimilar from the national picture, with plant and machinery investment at the same level across the country; nationally we are being outspent on training investment, however.

Half of Shropshire businesses are maintaining their spending on training, with around a third increasing it; it is encouraging to see that the group of businesses reducing their training investment is diminishing in size for the fifth consecutive quarter.

We must bear in mind the aforementioned recruitment and skills comments – could this net increase in skills investment be due to a slimming jobs market, a desire to see staff at their very best, or both?



27% of firms overall reported an increase in investment in Q3 (unchanged from Q2), far lower than the percentage of firms who reported a rise in domestic sales (47%). The failure to see any positive upward movement in investment is another troubling warning sign for longer term recovery.

Meanwhile, **13% of firms** reported a decrease in investment in Q3, and a further 59% said they had seen no change.



Shropshire proved, in most areas, to be a mirror of the national picture, however this is tempered a little by the high density of manufacturing in our area, the business type suffering the most from prices rises in materials. [in Shropshire & T&W].



SHROPSHIRE QUARTERLY ECONOMIC UPDATE

CHAMBER QUESTIONS

In these reports, we like to add two or three questions on points pertinent to local businesses, devised by the Chamber Team.



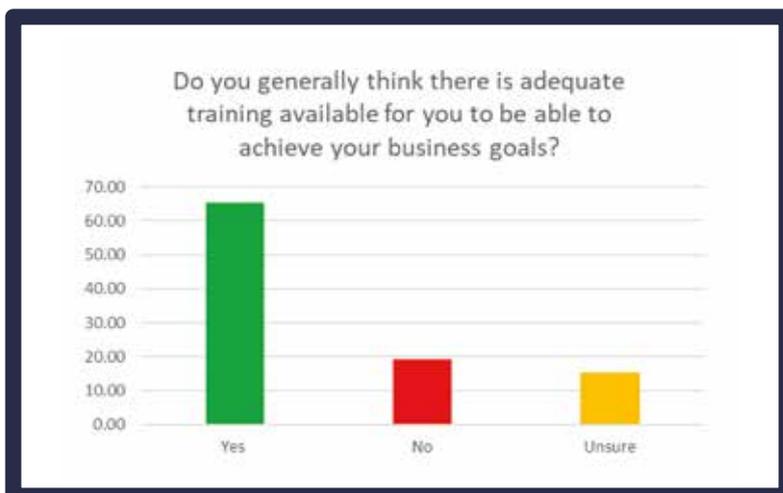
This quarter, we were focused on skills, training, and levelling up.

We are proud of our Training and Events Calendar and we wanted to gauge members' opinions on the skill level of their workforce, and whether we could help with skill development through events free to those members as part of their subscription.

Over 90% of businesses understand what skills development their staff will need over the next three year period, and 65% believe there is adequate training available to them for their business to reach its goals, but nearly 70% of respondents would value help and support in getting there.



This sort of on-the-ground intelligence helps us put together a calendar of fantastic training sessions, as well as know when to ask the members what they'd like to see.



“Though the UK economy remains on track for moderate growth in the third quarter, with staff and supply shortages increasingly having a suffocating effect on economic activity and price pressures intensifying, a spell of stagflation maybe inevitable.”

Suren Thiru
Head of Economics
British Chambers of Commerce



SHROPSHIRE QUARTERLY ECONOMIC UPDATE

CHAMBER QUESTIONS

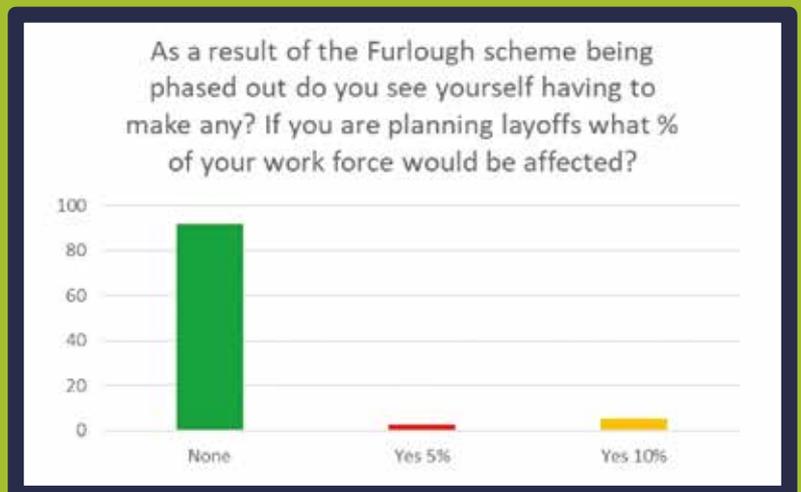
Given the Government have heavily promoted policies aimed at getting young people into work, we were interested in the make-up of local workforces.

Almost 75% of businesses surveyed said they would consider recruiting a Kickstart or an apprentice in the next three months which is great news, especially considering the Chancellor's plans to extend the Kickstart scheme as well as incentives for employing apprentices through into the New Year.



One scheme that isn't continuing, however, is furlough.

We were keen to see how businesses expected to be able to respond to the end of the scheme, and encouragingly over 90% of respondents plan to make no redundancies, with the remainder planning to make between 5-10%.



“Businesses are being battered by a deluge of up-front cost pressures, including huge increases in the prices of key raw materials and shipping, as well as now facing a rise in National Insurance Contributions. At the same time, they are losing out on opportunities for growth due to the labour shortages, despite many already raising wages and offering training.”

Shevaun Haviland
Director General
British Chambers of Commerce



SHROPSHIRE QUARTERLY ECONOMIC UPDATE

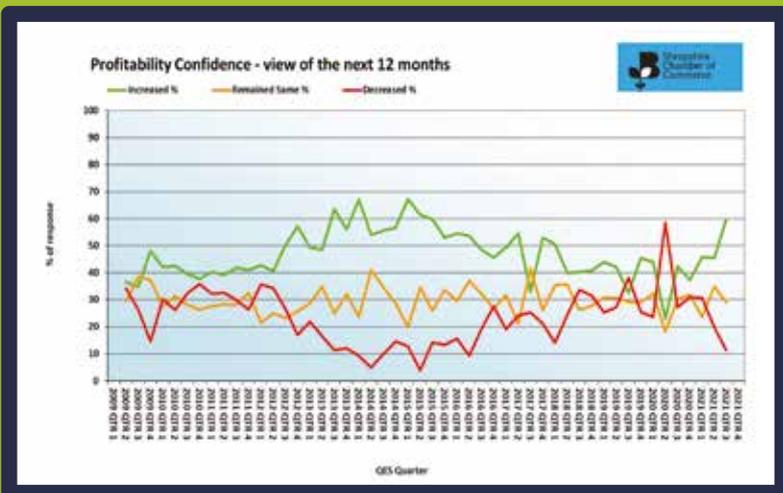
CONFIDENCE

This is always one of the most observed metrics on the report, as we look towards the next quarter and businesses project their success.



Confidence in an increasing turnover over the next 12 months has dipped slightly for the second consecutive quarter, but still hovers around 60%, which is a higher proportion than those businesses who think turnover will remain the same (around 30%) or will drop (around 10%).

This relative confidence is mirrored in the predictions for profitability – the figures are largely the same but with a more marked upward trend in profitability confidence.



This shows a trend of quarter-on-quarter increases in the number of businesses becoming more confident about their next 12 months trading.

Some interesting comments we collected pointed to turnover increasing purely because of inflation, which would be a pyrrhic victory for firms; and one business whose turnover has been so bad since the pandemic started, the only way for it to go is up.

Compared to the national picture, Shropshire businesses have less confidence in their 12 month turnover, but more confidence in their profitability over the next year.

+52% of manufacturers are confident turnover will increase in the next 12 months, unchanged from Q2 2021.

+52% of service firms are confident turnover will increase in the next 12 months, up from +49% in Q2 2021.

12. QES Q3 RESULTS

SHROPSHIRE QUARTERLY ECONOMIC UPDATE

FEAR FACTORS and PRESSURE

For this part of the survey, we ask people to 'tick' as many fear factors as they are afflicted by, giving us a holistic picture of business sentiment and anxiety.

For only the second time on record, inflation has emerged as the most popular factor, followed by taxation, chosen by 35% and 25% of respondents respectively.

Competition, historically the biggest factor, only scores around 10% this quarter, showing how much the economic climate is the prevalent concern.

Compared to national statistics, however, Shropshire recorded a fewer proportion of businesses in every fear factor, perhaps lending credence to the idea that firms in the region are struggling slightly less, or are more optimistic, than those nationwide.



In the survey, we also asked whether businesses were under pressure to raise their prices, and the main driver for that pressure – in the aforementioned manner they could pick all that they were affected by.

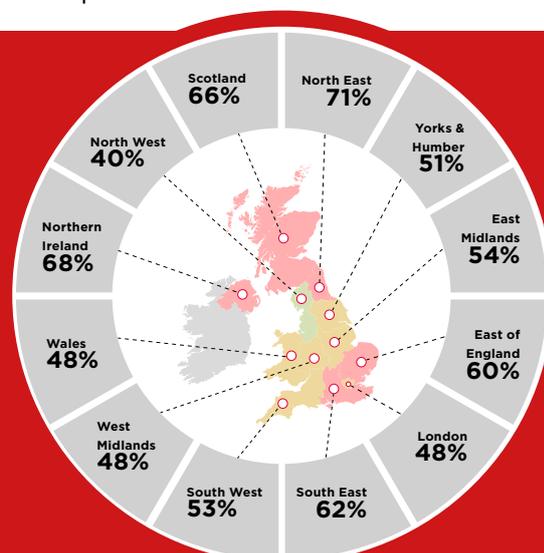
Almost 40% of respondents reported that the cost of raw materials was putting pressure on them to raise their prices to compensate. Around 10% of respondents cited pay settlements and cost of credit as price-raising factors.

Similarly to the fear factors, when looking at the national results Shropshire fares slightly better, scoring considerably under the national averages for the pressure points.

INFLATION AS A CONCERN

In Q3 2021, the balance of manufacturing firms expecting prices to increase over the next three months rose to its highest level on record. Furthermore, when asked which factor was more of a concern to their business than three months ago, 'inflation' is now cited as the top answer. 52% of firms overall and 62% of manufacturers cited this as a concern above other factors listed including 'interest rates', 'exchange rates', 'business rates', 'competition', and 'taxation'. This is the highest since records began for this indicator in 2009.

The chart shows the geographical breakdown of the percentage of firms citing inflation as an external factor of concern.



NATIONAL

QUARTERLY ECONOMIC SURVEY

ABOUT THE QES

The Quarterly Economic Survey is the flagship economic survey from the British Chambers of Commerce. It is a prominent tool used to measure the state of business sentiment and is monitored by a range of national and international organisations, including the Bank of England, HM Treasury, and the European Commission.

The BCC Q3 2021 QES is made up of responses from 5,737 businesses across the UK. Firms were questioned between 23 August and 13 September 2021.

In the manufacturing sector, 1,448 firms responded, employing approximately 372,000 people. 69% (1,000) of manufacturing respondents said they exported.
In the services sector, 4,289 businesses responded, employing approximately 1.6m people. Of the services sector participants, 37% (1,600) said they exported.

WHAT MAKES THE QES UNIQUE?

Sample size – The survey is aggregated from businesses sourced by the Chamber of Commerce network from across the UK. Completed by over 6,000 businesses each quarter, it is one of the UK's largest and most representative private business surveys.

Multi-sector – Covers both the manufacturing sector (25% of respondents) and services sector (75%). A high proportion of respondents from both sectors are exporters.

Company size – The survey covers businesses of all sizes, with the vast majority of respondents falling in to the SME category of under 250 employees.

Timeliness – Each quarter, the QES is made available before official statistics (such as GDP growth), and so provides an up to the minute picture of business sentiment.

METHODOLOGY

QES results are generally presented as balance figures - the percentage of firms that reported an increase minus the percentage that reported a decrease.

If the figure is above 0, it indicates overall expansion of activity and if the figure is below 0, it indicates overall contraction of activity.

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).

14. QES Q3 RESULTS

BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q3 2021 OVERVIEW

Our latest data indicate only a modest uptick in underlying economic conditions in the third quarter as the boost from the end of restrictions was increasingly stymied by mounting headwinds.

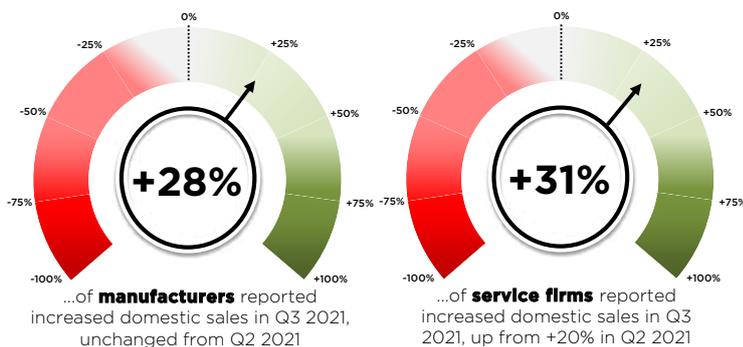
The key services sector recorded the strongest improvements in the quarter as consumer-focused firms, including hotels and hospitality, received the biggest boost from the easing of social distancing. Manufacturing firms saw more limited gains as increasingly acute supply chain disruption limited their ability to fulfil orders and meet customer demand. The underwhelming uptick in investment intentions means that it may be weak point of the recovery because it would weaken our ability to boost productivity and lift the UK's long-term growth trajectory.

Suren Thiru Head of Economics, British Chambers of Commerce

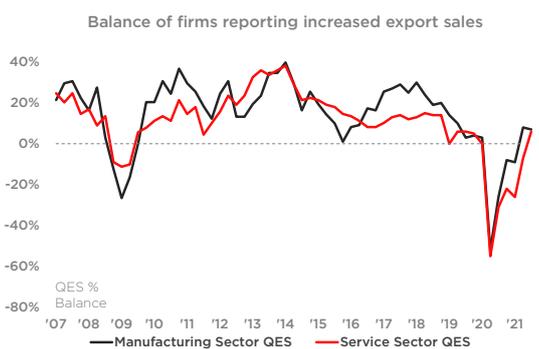
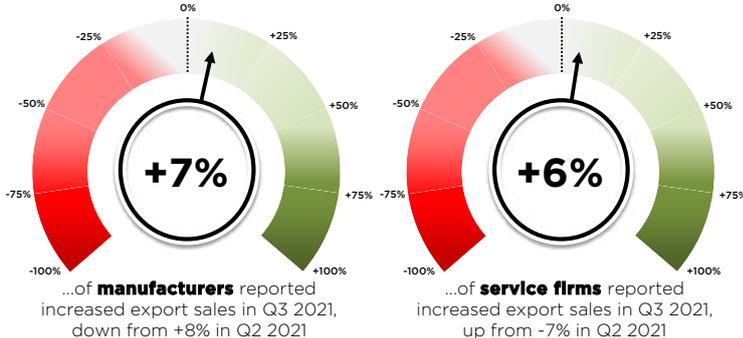
AT A GLANCE

Positive balance (+) = growth | Negative balance (-) = contraction

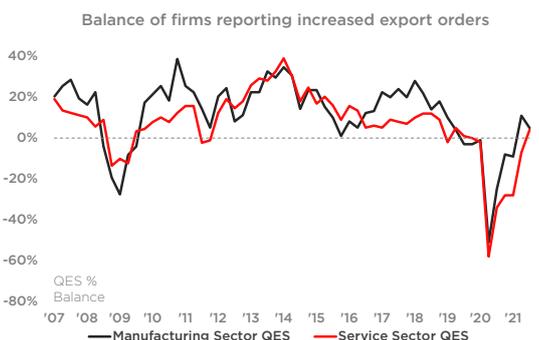
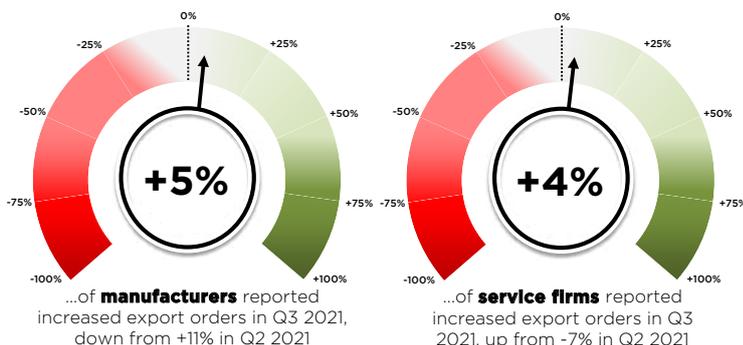
Domestic Sales



Export Sales

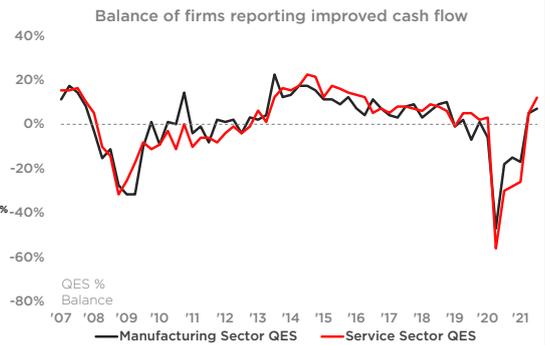
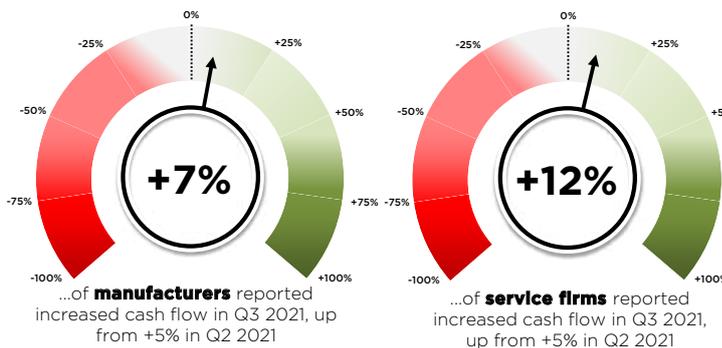


Export Orders

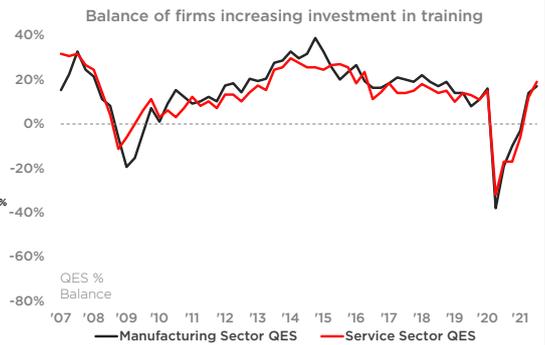
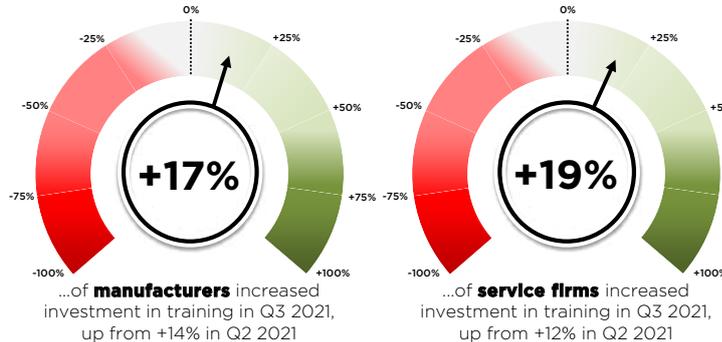


The survey of 5,737 finds that despite business activity improving as more firms report increased domestic sales, indicators for structural business health such as investment and cash flow are lagging. Inflation expectations also hit record highs as 62% of manufacturers expect their prices to rise in the next three months while only 2% expect a decrease, giving a percentage balance of +60%. Around 9 in 10 (88%) manufacturers cite raw materials costs as the driver of price increases. In contrast, just 1 in 5 (22%) manufacturers cite pay settlements as a driver of price increases, still below its pre-pandemic level.

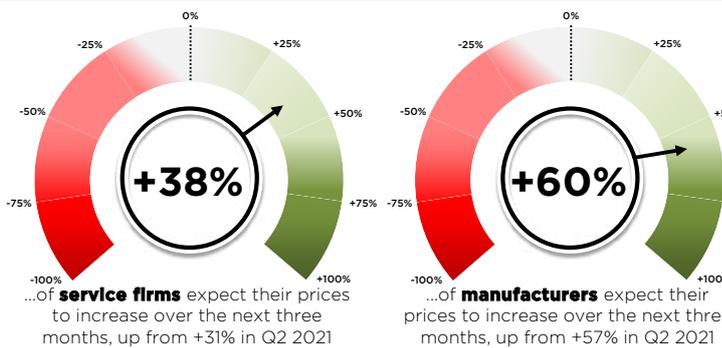
Cash Flow



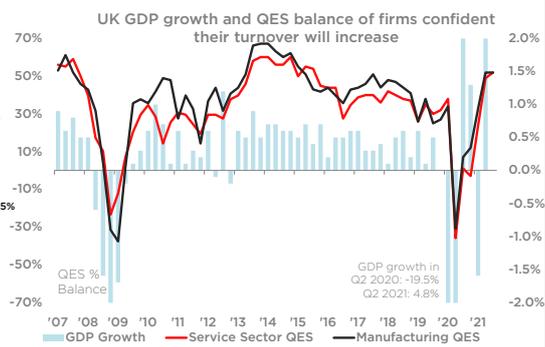
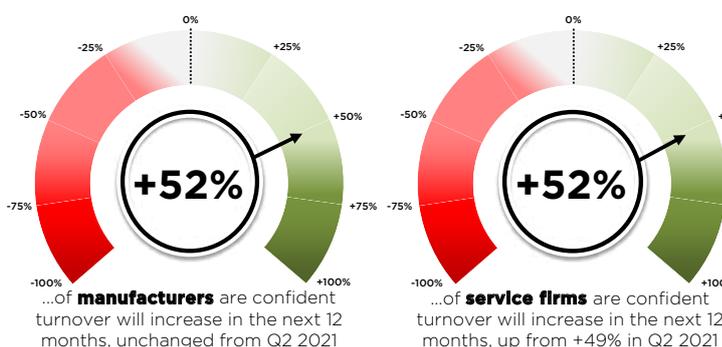
Investment



Prices



Confidence



QUARTER **THREE** RESULTS 2021

DISTRIBUTED IN PARTNERSHIP WITH

PARTNER LOGO

PARTNER DETAILS DISPLAYED HERE



If you would like to discuss partnering with us for the next Quarterly Economic Survey, please contact Josh Carpenter on 01952 208236.

shropshire-chamber.co.uk

01952 208200