

Results of the Business West Quarterly Economic Survey Q2, 2015

Business West, working with the British Chambers of Commerce, undertakes a quarterly economic survey of businesses. The results presented below reflect the position of almost 1000 businesses surveyed between 25th May and 16th June in the West of England, Gloucestershire, Swindon and Wiltshire.

Business West Comment on the Key Findings

Commenting on the survey results for quarter 2, Phil Smith, Managing Director of Business West, said:

“The latest quarterly figures for our region signal an encouraging bounce back after the recovery slowed at the start of the year. However, a drop in business confidence is a cause for concern, indicating that a new government must bring a fresh set of measures to secure long term growth.

“Increases in domestic and international sales, recruitment and cashflow paint a positive picture for our region’s business in the last three months, but all major indicators are below levels seen this time last year. This suggests that this quarter’s growth is on light footing, and there are still hurdles in the way to long term prosperity.

“Whilst the General Election result provided clarity, the political talk since has been less than clear. Constant talk of an EU referendum, coupled with fears of a Grexit has brought uncertainty which could have had a negative effect on business confidence. These results highlight that business confidence remains fragile and there needs to be renewed government focus on economic growth.”

Key Economic Indicators Q2 (May – June 2015)

The table below shows the percentage of survey respondents reporting increases against the following key indicators:

Indicator	Q2 2015	Change on Quarter (Q1 2015)	Change on Year (Q2 2014)
UK sales	49%	+1	-7%
UK orders	44%	-1%	-9%
Export sales	39%	+7%	-6%
Export orders	36%	+8%	-2%
Current workforce	30%	+5%	-6%
Future workforce	32%	+3%	-5%
Business confidence	69%	-7%	-5%
Cashflow	38%	+1%	-4%

EU Referendum

In addition to our regular questions on general business conditions, this quarter we also explored views on the upcoming EU referendum given its importance in the current political context.

- The significant majority of firms believe that leaving the EU would pose a risk to the UK economy (81%), and their business (66%).
- Almost two thirds of local businesses (61%) would vote to stay in the EU if the vote was today, compared to 24% that would vote to leave.
- If a future negotiation of terms made the relationship more beneficial to the UK economy 76% would vote to stay compared to just 10% that would vote to leave.
- 58% of firms feel that they need more information before making an informed decision on EU membership.

The results have already been covered extensively by the local media, including interviews with survey respondents on BBC Points West and ITV West Country, in addition to further coverage on local radio, print and online. The full press release on the findings is available [here](#).

National Picture

Our local business survey feeds into the national British Chambers of Commerce (BCC) Quarterly Economic Survey which is closely watched by the Bank of England and the Treasury. The results indicated that the national economy is showing signs of 'two-tier' growth, with the service sector racing ahead of manufacturing.

- While most key national service sector balances recorded small increases in Q2 2015, virtually all the key national manufacturing balances recorded a decline— continuing the slowdown seen in Q1.
- In services, overall the growth level for sales and orders remained broadly static, but balances for employment, investment, confidence and cashflow increased slightly between Q1 & Q2, signalling stronger growth.
- In contrast, all the key manufacturing balances fell this quarter and most balances are now lower than their average 2007 pre-recession levels.
- In spite of disappointing features, the Q2 results still point to continued economic growth, but with many headwinds.

Commenting on the national results, John Longworth, Director General of the BCC, said:

"These figures give us the best, most current insight into business experience and sentiment. Overall, they indicate that we will see continued growth in the economy, thanks mainly to the strength of the services sector. But the difference in results also raises the prospect of the UK experiencing two-tier growth – with modest expansion in services and markedly slower growth in manufacturing and goods.

"If we are to secure long-term, sustainable, diversified growth, the government must tackle structural problems which are acting as a brake on our economy."

Please note that Business West's position is informed by the views of local businesses and has presented these findings impartially.