

Results of the Business West Quarterly Economic Survey Q3, 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 over 560 businesses surveyed between 24th August and 14th September in the West of England, Gloucestershire, Swindon and Wiltshire.

Business West Comment on the Key Findings

Commenting on the survey results for quarter 3, Phil Smith, Managing Director of Business West, said:

“This quarter’s results make for tough reading, with a decrease in all major indicators both on the quarter and the year. Last quarter we saw signs of a bounce back after a slow start to the year, but the last three months have seen a shift back. Drops in domestic and international sales, recruitment, cashflow and confidence raise alarm bells in the midst of growing global uncertainty.

“Look further afield from the South West and it’s been a turbulent couple of months for the global economy. Chinese ‘Black Monday’ in August saw hundreds of billions wiped off worldwide financial markets, including £74 billion off the FTSE. With these events coming in the middle of our survey of firms in the South West, the downbeat results should come as no surprise.

“Although the strength of the global economy is being questioned, which is a major concern, it isn’t all bad news. The South West has had some good news during this time that is keeping confidence afloat. This month’s data shows unemployment in our region is the lowest in the UK, Bristol was just found to be the fifth most affluent city in the UK, and when you factor in that business confidence is still at 63% the picture is less alarming. The message coming out of the figures is that although decreases across the board are a cause for concern, there are still reasons to be optimistic going forward.”

Key Economic Indicators Q3 (August – September 2015)

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

| Indicator | Q3 2015 | Change on Quarter (Q2 2015) | Change on Year (Q3 2014) |
|---------------------|---------|-----------------------------|--------------------------|
| UK sales | 39% | -10% | -11% |
| UK orders | 34% | -10% | -11% |
| Export sales | 30% | -9% | -7% |
| Export orders | 28% | -8% | -5% |
| Current workforce | 27% | -3% | -2% |
| Future workforce | 31% | -1% | 0% |
| Business confidence | 63% | -6% | -6% |
| Cashflow | 33% | -5% | -7% |

Interest Rates

Interest rates have been at a record low level of 0.5% for six years since the financial crisis, but we've recently been hearing calls for an increase get louder given that our economy is on the up. A rise in interest rates would be a significant moment so we were keen to explore when local businesses would want to see a rise and how it would affect their day to day trade.

- Just 11% of firms think that the Bank of England should raise interest rates by the end of this year, 38% thought they should increase in 2016, and 38% in 2017 or later.
- A third of businesses believe a rise would have a negative impact of their business, compared to 10% who believe it would have a positive impact. Just over a half (51%) answered neutrally.
- When asked what form the impact would take the top three responses were; the general impact on the UK economy (49%), cost of borrowing (30%) and impact on consumer confidence (30%).

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. These results indicated that the national economy is showing signs of 'two-tier' growth, with the service sector showing stronger balances than manufacturing.

- Overall, the results signal moderate economic growth over the next year, but the UK recovery is facing serious global challenges.
- In both manufacturing and services, most key balances were weaker in Q3 than in Q2, even though there were a few improvements.
- Even so, the falls in the Q3 service balances are in general smaller than the declines in the manufacturing balances.
- In absolute terms, most Q3 service balances are stronger than the manufacturing balances.
- The percentage of firms operating at full capacity increased slightly in both main sectors.

Commenting on the results, John Longworth, Director General of the British Chambers of Commerce, said:

“These latest survey results are somewhat disappointing, as both manufacturing and service firms experienced dampened growth. The real area of concern is manufacturing. Confidence is low, as growth continued to fall, and our measure of manufacturing export growth hit a six year low. Services growth, on the other hand, dipped only slightly and overall trends show the sector remains relatively strong and stable.

“Global uncertainty, weakened demand from China and the strength of the pound are some of the factors likely hindering manufacturers’ performance. If the manufacturing sector has entered a prolonged period of slow growth, then closing the trade deficit and improving the current account deficit will become more difficult.

“If we want to make sure this period of two-tier growth is only temporary then we must help businesses get access to the working and growth capital that they require. We must also deal with the intensifying skills gap, which is holding British businesses back. The Chancellor’s Spending Review is the opportune time to tackle these shortcomings, not only for manufacturers but for all companies. Only action to help fix the fundamentals – skills, infrastructure and access to capital – can help end the UK’s two-tier growth pattern and ensure all businesses can grow.”