

Welsh Business Barometer

Q3 2016 Summary

Welcome to the Welsh Business Barometer for the third quarter of 2016.

For the third quarter of 2016 The Welsh Business Barometer is showing that businesses across Wales are adjusting to a post-Brexit referendum environment and that uncertainty regarding what the future will bring is causing a slowdown in economic growth.

Every indicator in the Barometer is showing a similar trend – a fall in the number of companies stating that business has improved in the quarter and more companies advising that business remained constant. Overall this indicates a slowdown in growth rather than the economy contracting.

The survey for the Barometer took place three months after the decision for the UK to leave the European Union. In this time Welsh businesses have been calling for clarification on the way forward but it is becoming increasingly clear that we will not know details for several months if not years.

This uncertainty is not helping the Welsh economy. The Barometer shows that exports and domestic markets are being affected and businesses are cautious about investing.

We mustn't however overplay the effects of the Brexit referendum result. The Welsh economy is still growing and businesses are confident that they will continue to grow over the next year.

The focus for all involved; government and the business community, should now be on helping economic growth here to accelerate again.

For this to happen the UK government needs to clarify the trading relationship it wants the UK to have with the remaining EU countries and the rest of the world. The Welsh Government also has a role to play in fully supporting businesses that have the ambition to expand, especially through exporting. Businesses also have a responsibility to support each other by investing in training and equipment, and also paying their suppliers on time.



UK Market

Sales: +14.45, down 7.15pts
Orders: +14.73%, down 5.27pts

UK Market

The barometer shows that the UK market grew during the third quarter but with growth slowing down. While the major questions around Brexit do not directly affect the UK market, the general uncertainty caused by the referendum result as well as the knock-on effects on the supply chains of exporters seem to have impacted on Welsh businesses trading within the UK.



Export Market

Sales: +12.21%, down 5.79pts
Orders: +10.18%, down 6.72 pts

Export Market

The result of the Brexit referendum caused the pound to fall against the Euro and the US Dollar. Many exporters were able to take advantage of this leading to exports growing during the last quarter.

However, uncertainty over the outcome of Brexit negotiations, and the impact on trading arrangements with other countries, has affected their and their customer's confidence in trading leading to export growth not being as high as it could be.



Turnover Expectations
+39.16,
down 0.74 pts

Profitability Expectations
+22.72%,
down 5.28pts

Confidence
Despite all the indicators in the Welsh Business Barometer showing a slowdown in growth Welsh businesses are still reasonably positive about the future but the decision to leave the European Union has impacted on business confidence.

Finances

There has been a fall in the number of businesses increasing investment in equipment and training and a corresponding rise in the number of businesses reducing their investment indicating that there is a nervousness to invest until more unravels regarding the outcomes of Brexit and negotiations with trading partners.



Investment in training
+6.63%,
down 9.87pts



Investment in equipment
+10.12, down 5.28 pts



Labour Force
This Qtr: +12.37%,
down 1.23pts
Next Qtr: +15.28%,
down 6.92 pts

Labour Force

The Welsh Business Barometer shows that the positive trends in employment we've experienced in the previous quarters of 2016 have continued, with a slight fall in the balance for the last quarter and a much larger fall in the balance regarding plans for the next quarter our analysis is that some businesses

are holding back increasing their workforce until they receive more certainty regarding the future. Only time will tell whether the intention to increase workforces will become reality.

Recruitment

44.0% of businesses said that they had recruited new staff during the third quarter of 2016. Down only 0.11% from quarter two. This shows that the job market at least is holding.

Of those that recruited 58.8% reported that they had difficulty recruiting. Although this figure is down 2.85% on last quarter and has been falling consistently during 2016, at over half of businesses it is still too high.



Recruitment
44.0%,
down 0.11 pts

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