

Welsh Business Barometer

Q4 2016 Summary

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

For the final quarter of 2016, the Welsh Business Barometer is showing that the slowdown seen in the economy post the EU referendum is continuing but Welsh businesses are adapting and planning for a post-Brexit future.

The economy in Wales is still growing with more businesses telling us that their sales are increasing rather than decreasing and more businesses advising that they are increasing their workforce rather than decreasing it.

That gap is however closing leading to concern that the slowdown we experienced following the Brexit referendum result is continuing.

Whilst there are areas of concern, the number of businesses experiencing difficulties recruiting has risen again and more businesses are predicting that their profits will fall during 2017, there is still lots to be positive about in this Welsh Business Barometer.

A rise in the number of businesses experiencing increased export sales and orders, improvements in training investment figures and over half of businesses expecting their turnover to increase all indicate that Welsh businesses are doing their best to trade through the uncertainty and are looking to seize opportunities as they rise.

Overall, our findings suggest growth will continue in 2017, albeit at a more modest pace. The government must act strongly this year to support investment and improve the business environment - both of which are crucial to boosting business confidence, and therefore further growth.



UK Market

The barometer shows that the UK market grew during the last quarter of the year but with growth being the slowest its been through 2016.

With no firm proposals on the table of what Brexit will look like, the cost of imported raw materials increasing and an expectation that inflation will rise in 2017, this is a sign of a lack of confidence in the economy.



Export Market

The overall figures for exports is showing signs of stability even though the export market is continuing to slow. This does however hide some important changes happening in international markets. The ability of many of our exporters to be more competitive on the international stage due to the low pound has led to a rise in the number reporting increasing exports.

However, we've also seen a rise in the number reporting falling exports. Although some of this will be down to global uncertainties following the referendum, the US presidential elections or terrorism attacks, it does show how important it is for Welsh businesses to diversify and keep looking for new international markets.



Labour Force & Recruitment

Businesses are continuing to grow their workforce at roughly the same pace as in the previous quarter. The rate of growth is however down from earlier in the year indicating that many businesses are holding off investing increasing their workforce until they are clearer on what Brexit means. There is still a significant proportion that are looking to grow though.

The number of businesses recruiting has remained constant throughout 2016 as well. The trend of around two-thirds of businesses difficulty continues too. This is a worry as the expectation amongst the business community is that restricting free movement across Europe will make it harder to recruit staff with the required skills.

Finances

The fourth quarter of 2016 saw an improvement in businesses' cashflow and businesses increasing their investment in training and machinery. Investing in training is particularly important if businesses are finding it difficult to recruit staff who already have the right skills. Whilst there seems to be businesses already investing in anticipation of Brexit many are holding off until they have more certainty over the future.



Cashflow
+6.58%,
up 9.9pts



**Investment in
equipment**
+8.03%, down 2.09pts



**Turnover
Expectations**
+35.95%, down 3.21pts

**Profitability
Expectations**
+14.43%, down 8.29pts

Confidence

Overall significantly more businesses are confident of the future than not, but confidence is continuing to fall. Our prediction is that business confidence will continue at this rate until we receive more clarity over what the outcomes of Brexit will be.

Visit our website
www.southwaleschamber.co.uk
for more details