

# Welsh Business Barometer

## Q1 2017 Summary

### Welcome to the Welsh Business Barometer for the first quarter of 2017

The slowdown in growth that the Welsh economy has experienced since last summer seems to be reversing with most key indicators in the Welsh Business Barometer showing that growth is accelerating again.

Following the Brexit Referendum there was a general feeling of uncertainty about the future; What access will UK businesses have to the single market? Will employees who are from other EU nations be able to stay? And, will EU programmes in Wales continue post-Brexit?

While we are not significantly further forward with getting answers to these questions, the triggering of Article 50 of the Lisbon Treaty has at least put a timetable in place for an outcome.

Businesses now feel more comfortable about being uncertain.

This is what has led to improving growth in UK and export sales, more businesses recruiting and improving confidence. Despite this, Chamber of Commerce members in Wales are saying that the economy is uneventful and fragile.

As Brexit negotiations begin, Welsh companies want answers to practical questions, not political posturing. A pragmatic and grown-up dialogue on the real-world issues, rather than verbal volleys between London and Brussels, would give firms greater confidence over the next two years.

It is crucial for both the UK and Welsh governments to remember Brexit is not the only thing on the minds of Welsh businesses. Issues here at home, from the need for improved infrastructure connecting Wales, a better skilled workforce and access to finance, still need to be addressed.

Businesses would not look kindly on a government that treats Brexit as its only job. Getting the fundamentals right here in Wales is as important, if not more important, than any eventual Brexit deal.



**UK Market**  
Sales: +22.38 up 9.35pts  
Orders: +25%, up 13.75pts

### UK Market

Growth in the UK market accelerated during the first quarter of the year with the Barometer showing an improving positive balance for both sales and orders.



**Export Market**  
Sales: +23.08%, up 12.74pts  
Orders: +34.61%, up 25.65 pts

### Export Market

After expressing concern over the future performance of exports in the last Welsh Business Barometer, the favourable exchange rate has helped Welsh exporters increase the amount they sell to customers outside the UK during the start of 2017.

Brexit has the potential to significantly impact Welsh exports. It is therefore crucial that support is in place to help businesses adapt to any new arrangements with the European Union and to find new markets in the rest of the world.



**Labour Force**  
+15.15%, up 2.83pts

**Recruitment**  
50.0 % up 5.59pts

### Labour Force & Recruitment

Employment growth has remained relatively consistent over the last few quarters with this Welsh Business Barometer showing a slight acceleration in growth.

The number of businesses recruiting has risen to over half for the first time in several years. Over the last few months businesses have indicated that they had put off recruiting new staff or filling vacancies until they were clearer of the future.

With businesses becoming more comfortable with the uncertainty around Brexit, and that very little will change in the immediate future, they are now more confident about recruiting.

What is interesting is the fall in the number of respondents reporting that they had difficulty recruiting. While this is something to be welcomed, we will have to monitor this indicator to see if it is a sign of something more permanent.

### Finances

Businesses' finances were in a good position at the start of 2017 with the balance on cashflow expected to increase and companies increasing their investment in training and equipment. The relatively high growth in investment in equipment is another indicator that businesses are becoming comfortable with the current economic climate.



**Cashflow**  
+6.15  
down 0.43pts



**Investment in training**  
+9.23%,  
down 2.62pts



**Investment in equipment**  
+18.46 up 10.43pts

### Turnover Expectations Confidence

+53.85 up 17.9pts

### Profitability Expectations

+27.69%, up 13.26pts

Business confidence took a dent after the Brexit referendum but with some clarity being given regarding the process, if not the outcome, of exiting the European Union businesses are becoming increasingly confident of improving turnover and profitability over the next year.

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[www.southwaleschamber.co.uk](http://www.southwaleschamber.co.uk)  
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