

# Welsh Business Barometer

## Q1 2016 Summary

Welcome to the first Welsh Business Barometer which replaces the Quarterly Economic Survey from the Chambers of Commerce in Wales.

The Welsh economy performed reasonably well during the first quarter of 2016 with growth remaining relatively constant in both UK and export markets compared with the end of 2015. Employment is also growing in Wales with a rise in the number of businesses telling us that they have or intend to increase their workforce. Both these are good news for the economy during 2016.

However, while more businesses are telling us that their cashflow is improving rather than worsening we've seen a fall in the number of businesses saying that they are experiencing improvement in cashflow.

Despite this business confidence is growing with the majority of businesses reporting that they expect their turnover and profits to improve over the coming year.



**UK Market**  
Sales: +19.0%, down 2.0pts  
Orders: +16.0%, down 1.2pts

### UK Market

During the first quarter of 2016, 39% of businesses said that their UK sales increased while only 20% said that their sales decreased. This is a difference of +19%, down 2pts from the previous quarter.

When it comes to domestic orders 35.5% of businesses reported that their

sales had increased while 19.5% said their sales had decreased, a difference of +16% which is down 1.2pts from last quarter.

The balance for both UK sales and orders is clearly positive indicating that overall there is growth in the UK market. However with a small drop compared to the previous quarter growth has slowed down slightly.



**Export Market**  
Sales: +16.1%, down 2.9pts  
Orders: +15.2%, up 3.2pts

### Export Market

Overall Welsh businesses have experienced growth in international sales and orders during the first quarter of 2016.

16.1% more businesses experienced increased export sales rather than decreased sales but that figure is down 2.9pts from last quarter indicating that there was a slight growth deceleration.

However, 15.2% more businesses reported increased orders rather than a decrease in orders. This is up 3.2pts compared to the last quarter of 2015 indicating that an improvement in exports will be experienced in the coming months.



**Turnover Expectations**  
+42%, up 3.7pts

**Profitability Expectations**  
+32.3%, up 4.7pts

**Confidence**  
Welsh businesses are positive about the future with 42.0% more saying that they expect their turnover to increase in the next year rather than decrease and 32.3% more expecting their profits to rise in the next year rather than fall.

Both these figures are up from last quarter indicating that confidence is growing amongst Welsh businesses.

## Finances

28.2% of businesses reported that their cash flow improved during Quarter 1 2016 and 21.3% reported that their cash flow had worsened, a difference of 6.9%. While this is down 2.8pts from last quarter, overall these figures have not changed significantly since Quarter 1 2015 – the general trend over the past year indicates that cash flow has improved or, more likely, remained the same for 80% of respondents.

A measure of how healthy a business' finances are is how much they are investing in training their staff and in purchasing or maintaining plant, machinery and equipment.

During Q1 2016 27.9% of respondents said that they had increased their investment in training staff, 17% more than said they had decreased investment in training. This difference is up 0.5pts from last quarter.

When it comes to investment in plant, machinery and equipment 27.8% reported that they had increased investment while 11.3% said they had decreased investment. This is a difference of +16.5%, down 1.3pts from last quarter.



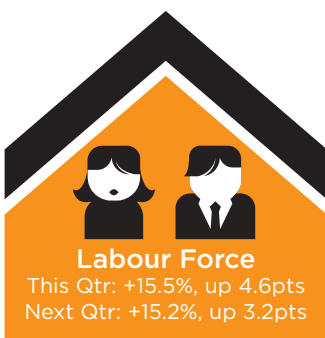
Cashflow  
+6.9%,  
down 2.8pts



Investment  
in training  
+17%, up 0.5pts



Investment in  
equipment  
+16.5%, down 1.3pts



### Labour Force

This Qtr: +15.5%, up 4.6pts  
Next Qtr: +15.2%, up 3.2pts

### Labour Force

The Welsh Business Barometer shows that we've experienced positive trends in employment during the start of 2016 with 25.5% of businesses reporting that they increased their workforce, that's 15.5% more than those who reported that they reduced their workforce, which was 10%.

Looking forward 15.2% more businesses said that they intend to increase their workforce in the next few months rather than decrease their workforce.

Both these figures are up from the end of 2015, indicating that more and more businesses are looking to increase their staff numbers which is good news for employment in Wales.

## Recruitment

42.8% of businesses said that they had recruited new staff during the first quarter of 2016. This is up only 0.1pts from last quarter but 14.7pts lower than the first quarter of 2015.

This implies that the jobs market is not as buoyant as it was a year ago. However, when taking into

consideration the number of businesses who are increasing their workforce, it is more likely that people are more secure in their jobs and therefore not looking to move on.

The proportion of business who encountered difficulties recruiting in the first quarter of 2016 remains high at 66.4%, this has remained relatively static for a number of quarters.



Recruitment  
42.8%, up 0.1pts