

# Welsh Business Barometer

## Q2 2016 Summary

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

The survey for this Welsh Business Barometer took place in the weeks leading up to the referendum on the UK's future within the European Union and the results of the barometer should be read in that context.

Overall the barometer shows that the Welsh economy was performing well during the quarter with growth in both the domestic and export markets. Most of the other indices within the barometer also show reasonably constant growth with other indicators showing, at worst, a small slowdown in growth.

The impact of the referendum shouldn't therefore be overestimated but there are indications that some businesses were nervous of the result and were putting off decisions until it was known. For example, the balance in the number of businesses planning on increasing their workforce in the near future jumps substantially compared to previous quarters and although business confidence is very much positive it has fallen slightly compared to earlier in the year.

Wales' economy is mainly made up of small businesses, most of whom do not believe that they will be affected by the outcome of the vote, so it's not surprising that it's only having a small impact on the overall barometer. Only time will tell however what impact the referendum result will have on the economy and we will be watching the Welsh Business Barometer for indications over the coming months and years as negotiations and eventual Brexit take place.

Businesses of all sizes and from all sectors were surveyed between 23<sup>rd</sup> May and 13<sup>th</sup> June with responses from 470 businesses across Wales.



**UK Market**  
Sales: +21.6%, up 2.6pts  
Orders: +20.0%, up 4.0pts

### UK Market

During the second quarter of 2016 21.6% more businesses reported that their sales had increased rather than decreased. This is up 2.6pts from the previous quarter.

When it comes to domestic orders 20% more businesses reported that

their orders had increased rather than decreased which is also up from the previous quarter.

These indicate that the UK market performed well during the quarter with growth slightly accelerating again after a period of slowing growth over the last year.



**Export Market**  
Sales: +18.0%, up 1.9pts  
Orders: +16.9%, up 1.7pts

### Export Market

Welsh businesses also experienced slightly accelerating growth in their export markets during the last quarter.

18% more businesses reported increased export sales rather than decreased sales. This figure is up 1.9pts from the previous quarter.

Looking forward we saw 16.9% more businesses reporting increased orders rather than a decrease in orders. This is up 1.7pts compared to the first quarter of 2016 so we should expect sales to continue to grow in the coming months.



**Turnover Expectations**  
+39.9%, down 2.1pts

**Confidence**  
Welsh businesses are positive for the future with 39.9% more saying that they expect their turnover to increase in the next year rather than decrease and 28.0% more expecting their profits to rise in the next year rather than fall.  
Both these figures are however down from the previous quarter indicating that there was some nervousness about the result of the EU referendum.

**Profitability Expectations**  
+28.0%, down 4.3pts

**Finances**

10.9% more businesses reported that their cashflow improved during the second quarter of the year rather than worsened. This is up 4pts from the previous quarter.

A measure of how healthy a business' finances are and their future outlook is how much they invest in equipment and training.

During Q2 2016 growth in investment was reasonably constant with 15.4% more businesses saying that they increased their investment in equipment rather than decreased it, down 1.1pts from last quarter. When it comes to training 16.5% more businesses reported that they increased their investment rather than decreased it, down 0.5pts from last quarter.



Cashflow  
+10.9%,  
up 4.0pts



Investment  
in training  
+16.5%,  
down 0.5pts



Investment in  
equipment  
+15.4%, down 1.1pts



**Labour Force**

This Qtr: +13.6%, down 1.9pts  
Next Qtr: +22.2%, up 7.0pts

**Labour Force**

The Welsh Business Barometer shows that the positive trends in employment we experienced in the first quarter of 2016 have continued with 13.6% more businesses reporting that they had increased their workforce during the quarter rather than decreased it and 22.2% more businesses saying that they intend to increase their workforce in the next few months rather than reduce

their workforce.

With a slight fall in the balance for the last quarter but a substantial rise in the balance regarding plans for the next quarter our analysis is that some businesses were holding back increasing their workforce until after the EU referendum. Only time will tell whether the intention to increase workforces will become reality now that we have the result.

**Recruitment**

44.1% of businesses said that they had recruited new staff during the second quarter of 2016.

This is up only 1.3pts from last quarter but 11.9pts lower than the same quarter in 2015 implying that the jobs market

isn't as buoyant as it was a year ago but it is gradually improving.

The proportion of businesses that tried recruiting during the second quarter of 2016 that had difficulties doing so remains high at 61.6%, a figure that this indicator has been hovering around for a number of quarters.



**Recruitment**  
44.1%, up 1.3pts