

Q3
2022

THAMES VALLEY QUARTERLY ECONOMIC SURVEY REPORT

Produced by



In partnership with



Quarterly Economic Survey

Introduction | TVCC

The latest results Quarterly Economic Survey (QES) for Q2 2022 show key economic indicators flashing red, with worsening business conditions and confidence falling significantly from the previous results from Q2. Sales and cashflow are down, many firms are operating below capacity, and the number of businesses expecting to see their profits increase is falling.

Results show that only 40% of those surveyed are operating at full capacity. 70% of businesses have attempted to recruit staff over the last 3 months and 80% facing difficulties finding suitable staff. These are well documented problems with recruitment which continue nationally, and the Thames Valley has not escaped this issue.

It is not surprising to see that inflation is once again the top external factor for businesses, with 88% of businesses citing this as their primary concern. With growing pressures in the form of significant shortages of people and materials, rising costs of energy, materials and shipping, together these issues are knocking confidence to investment. Over half (53%) of businesses are expecting the price of their goods/services to increase in the next 3 months. We need to see economic stability across the region and beyond, to start to rebuild the confidence to invest.

This publication is one part of a renewed emphasis on the largest independent business survey in the UK, which often picks up substantial changes in the economy long before other surveys or official statistics. For that reason, it is watched by policymakers such as the Treasury, the Bank of England, the Office of Budget Responsibility, the EU Commission, and the IMF.

I would like to thank our members for their input into the survey, which fuels the findings that follow, to colleagues at the Chamber who have been working with our members to gain insights, and to the BDO team for their continued support.



Paul Britton
CEO, Thames Valley Chamber of Commerce

Quarterly Economic Survey

Introduction | BDO

Given the volatile environment businesses have faced over the last two years, a period of stability would be much welcomed at this moment in time. However, with recent events which have sent the pound plummeting, and the situation in Ukraine seemingly intensifying, we find ourselves once again speculating what the future may hold.

Despite the multiple challenges faced, over the last two years the QES results have shown the Thames Valley to be a very resilient region. However, it appears that resiliency is now being tested, with some statistics starting to see a downward turn.

A decrease in UK sales was seen by 14% of businesses this past quarter, an increase of 4%, whilst 15% stated they expect their turnover to drop, an increase of 6%. Additionally, issues with recruitment seem to be escalating, rather than easing, with 80% having difficulties recruiting suitable staff, a substantial jump of 10%, and 8% expecting their workforce to decrease over the next few months. Fewer businesses are also now operating at full capacity (40% vs 49%) and a massive 89% stated that inflation is a greater concern compared to three months ago.

Although these figures may cause some alarm, there is some stability, and even optimism, across other areas of the survey. A greater number of businesses saw their international sales and advanced orders either increase or remain the same, and there was no movement in the percentage of businesses which saw their advanced domestic orders decrease (12%). The same can be said with cashflow, with 80% reporting no decrease in this, matching the Q2 results, and planned investment in training remains unaffected, for now.

So, it appears that the next three months are crucial to how Thames Valley businesses will progress across the next calendar year. This could potentially be a tipping point where optimism across the region becomes a thing of the past, but given the resilience shown across these very difficult, recent years, let's hope that the region continues that success into 2023.



Clare Hawthorn
Business Services and Outsourcing Director, BDO

Quarterly Economic Survey

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UK SALES



THOUGHT THAT UK SALES HAD **INCREASED**



44%

44% thought that **UK sales** had increased

THOUGHT THAT UK ORDERS HAD **INCREASED**



37%

37% thought that **UK orders** had increased

REPORTED AN **INCREASE** IN OVERSEAS SALES



19%

19% reported an increase in **overseas sales**

REPORTED AN **INCREASE** IN OVERSEAS ORDERS



18%

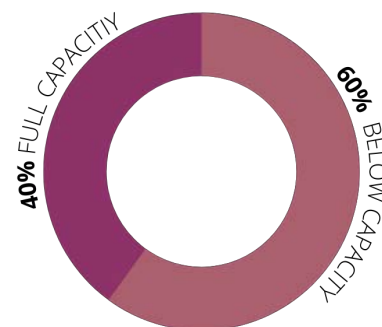
18% reported an increase in **overseas orders**



Firms running at...

40% running at **full capacity**

60% running **below capacity**



OVER THE PAST 3 MONTHS



SAID CASH FLOW HAD **INCREASED**



38%

38% said **cash flow** had increased

31% said investment in **plant and machinery** had increased

SAID INVESTMENT IN PLANT AND MACHINERY HAD **INCREASED**



31%

26% said investment in **training** had increased

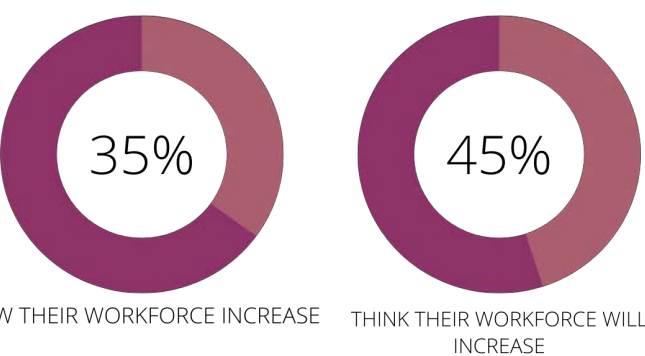
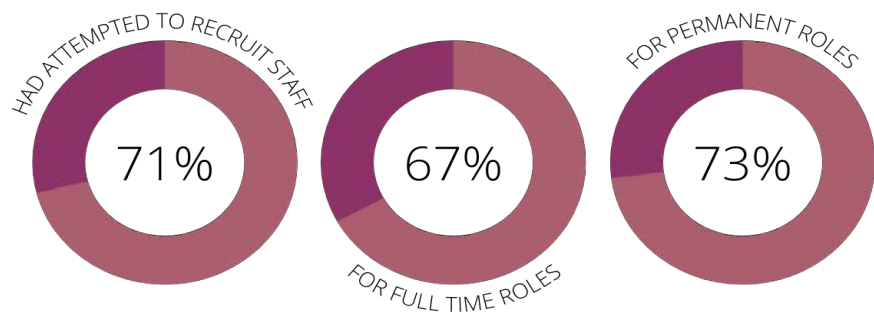
SAID INVESTMENT IN TRAINING **INCREASED**



26%

OVER THE PAST 3 MONTHS

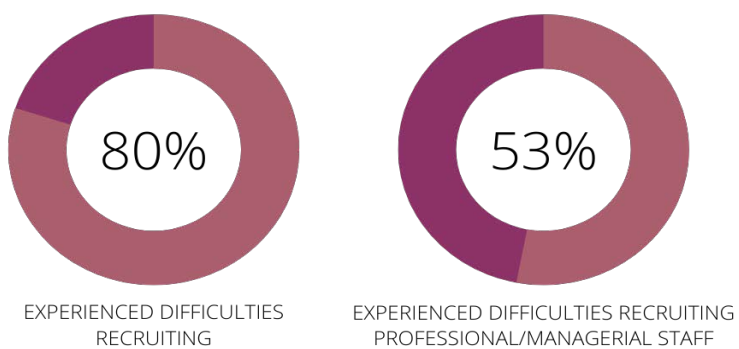
71% had attempted to **recruit** staff
67% for **full-time** roles
73% for **permanent** roles



35% saw their **workforce** increase
45% think their **workforce** will increase



80% experienced difficulties **recruiting**
53% experienced difficulties recruiting **professional/managerial staff**



IN THE NEXT 3 MONTHS



53% felt the price of their **goods** and **services** would increase



Quarterly Economic Survey

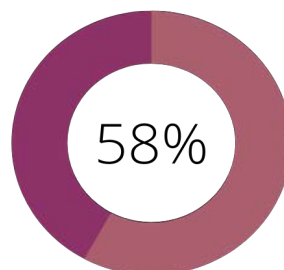
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OVER THE NEXT 12 MONTHS

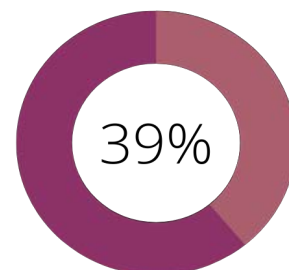


58% expect **turnover** to improve

39% expect **profitability** to improve



EXPECT TURNOVER TO IMPROVE



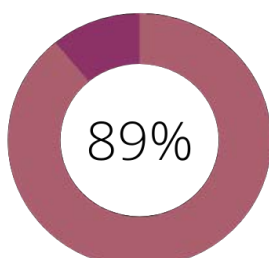
EXPECT PROFITABILITY TO IMPROVE

Top 3 factors affecting business

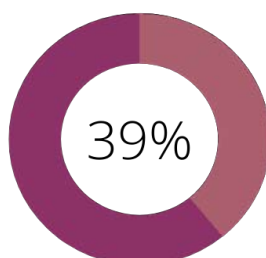
89% **inflation**

39% **interest rates**

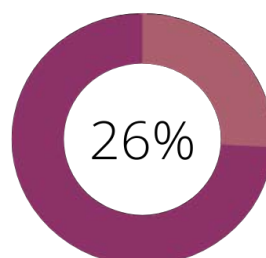
26% **business rates**



INFLATION



INTEREST RATES



BUSINESS RATES



Price rise pressures

Pay settlements – 77%

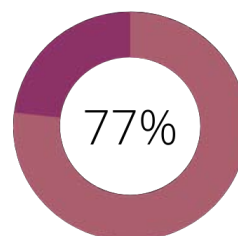
Raw material prices – 31%

Fuel – 40%

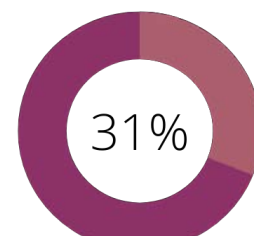
Finance costs – 17%

Other overheads – 31%

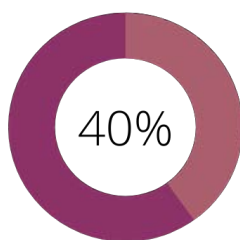
Utilities – 71%



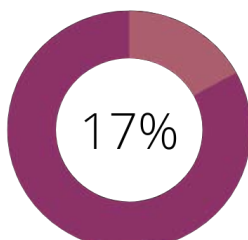
PAYMENT SETTLEMENTS



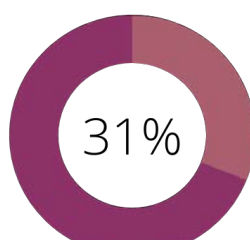
RAW MATERIAL PRICES



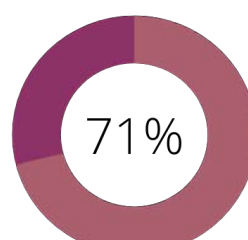
FUEL



FINANCE COSTS



OTHER OVERHEADS



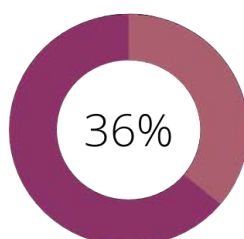
UTILITIES

Top 3 skills shortages

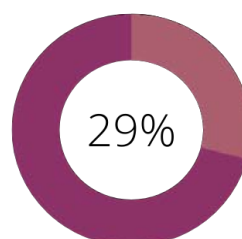
36% **Skilled/manual/technical**

29% **Clerical**

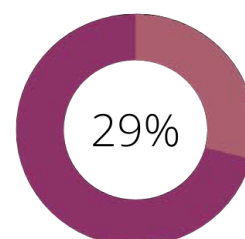
29% **Semi/unskilled**



SKILLED/MANUAL/TECHNICAL



CLERICAL



SEMI/UNSKILLED

The Quarterly Business Survey (QES) is established as Britain's biggest and longest-running private business survey and has provided data since 1989. The survey, a leading indicator, often picks up changes in the economy long before other surveys and official statistics and consistently mirrors trends in official data. It remains closely watched by both UK Government and the Bank of England.

Since the Covid-19 crisis, the QES has demonstrated the scale of impact on UK business. The survey has been essential in understanding the short and long-term impacts on business of different sectors and sizes.

This survey ran from 22nd August to 12th September 2022 and asked businesses a series of questions on key economic indicators. We would like to thank all of those members who completed the survey and also the following members for their valuable contribution to this report and briefing event.





THAMES VALLEY
**CHAMBER OF
COMMERCE**
GROUP

Published: October 2022

If you are interested in getting involved or would like to find out more about the QES report please contact: **TimMajor@tvchamber.co.uk**

Tel: +44 (0)1753 870500

www.thamesvalleychamber.co.uk

Thames Valley Chamber of Commerce Group | 150 Edinburgh Avenue | Slough | Berkshire | SL1 4SS