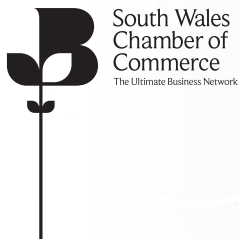


South Wales Chamber of Commerce
Quarterly Economic Survey
Results Q1 - 2010



Quarterly Economic Survey - Quarter 1 2010

South Wales Overview

We are officially out of the recession, but what impact has this had on businesses in South Wales? The survey results for Q1 have revealed that businesses are still faced with difficult times ahead and bureaucracy remains a constant concern. There is a slight divide between outcomes for South West Wales and South East Wales, however business are taking a positive approach as they learn to adapt to a changing businesses environment!

Sales

Generally, UK Sales have remained constant in Q1. The number of companies with the same or increasing UK sales were 69%, Q4 2009 showing 68%. The number of companies with decreased UK sales is 28%, a positive 14% decrease from Q1 2009. Swansea saw the biggest decrease in UK sales (32%) and Cardiff and Newport saw the biggest increase in overall UK sales (35%). Majority of businesses have seen their sales orders remain constant. In Q1 2010, order book figures increased or stayed the same for 56% of companies, only a decrease of 2% since last quarter, meaning no recent deterioration in order books to cover sales. Swansea saw the biggest decrease in UK Orders (30%). Cardiff saw the biggest Increase in sales orders (27%).

Quarter 1 2010 has not been a good month for export sales, with a 5% dip from Q4; export sales have seen a gradual increase throughout 2009. Generally export orders have remained constant, in Q1 only 6% of businesses saw a decrease compared to 11% in Q4 and there was only a marginal increase of 2% between Q4 and Q1. Cardiff has seen the biggest decrease in export sales (11%) and export orders (14%).

Workforce

Companies with a growing workforce exceeded those with a falling workforce. In Q1, 79% of businesses had stable or growing workforces and 86% expect that to be the case next quarter. Of the companies recruiting in Q1 over twice as many were recruiting full time employees (39%) rather than part time (18%), and more businesses were recruiting permanent over temporary staff. These proportions were the same in Q4. 24% of businesses have suggested that skilled workers are progressively less difficult to recruit. This was the case for Cardiff and Swansea areas whereas Newport regions are finding semi or unskilled jobs the hardest to fill.

Cashflow

Twice as many businesses found their cashflow worsened (36%) than improved (18%) during Q1; however 25% of respondents expect their cashflow to increase in the next quarter and only 9% expect their cashflow to decrease. Expectations for equal or

increased turnover and profitability in Q1 were 76% and 66% respectively; there has been a significant positive trend throughout 2009 with a slight decrease in Q1 2010. Businesses based in South West Wales expect their profitability to decrease (71%) whereas businesses in South East Wales expect an increase (44%). Throughout South Wales, 69% of businesses are still operating below capacity.

Investment

Investment in training has seen a gradual increase since Q1 2009, 66% of businesses have planned to invest in training during the next quarter. Only 57% of businesses intend to maintain or increase spending of plant and equipment in Q1, a slight decrease on last quarter (61%). Business in the Newport region predicts an increase in plant and equipment hire during next quarter.

Business Concerns

Competition (53%) remains to be the major external factor causing concerns for business, followed by Taxation at 47% and fears about business rates at 36%. This is also the trend for Swansea and Cardiff postcode areas. *The SWCC has lobbied for changes to the thresholds of the Small Business Rate Relief Scheme to ensure more small and medium businesses are eligible for rate relief.* Newport postcode area results show that Interest Rates are also a business concern, at 15%. In Q1, 39% of businesses see themselves as being under pressure from

increasing raw material prices and 53% of businesses are under pressure from other overheads.

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You will be aware that certain patron members can help with reducing some of your overhead costs such as resource and storage; utility savings; postage and distribution; training needs; reduced communication costs.

Please view our full range of services and Patron members on the South Wales Chamber website www.southwaleschamber.co.uk

SA, CF, NP Comparison

There are many similarities in business activity and business concerns between the Swansea, Cardiff and Newport regions. The positive aspects for businesses across South Wales are plans for investment in Training; twice as many businesses are looking to fill full time jobs; 76% of businesses are optimistic that turnover will increase or remain the same during the next quarter.

Business sales and orders have seen a gradual increase over the past year however not enough of an impact to encourage business growth - 69% of businesses in South Wales remain to operate below capacity; twice as many businesses found cashflow has worsened but overheads have increased, causing the biggest pressure for business. External factors such as competition and bureaucracy, in particular Taxation and Business Rates, are also a contributing factor.

There are a few differing aspects between each region. Unlike Cardiff and Newport, businesses in Swansea saw a decrease in sales (32%), orders (30%) and workforce and they expect a decrease in profitability. During quarter 1, Cardiff saw a decrease in export sales (11%) and orders (14%). And unlike Cardiff and Swansea, businesses in Newport predict an increase in investment of plant hire and finds Interest Rates are also a business concern.

Year Trend (since Q1 2009)

This section aims to examine the survey results since Q1 2009 to determine any trends in business activity and what factors remains a constant concern for businesses. The most profound findings are that businesses have continued to remain optimistic regardless of the uphill struggle many businesses have faced during the recession.

Since Q1 2009, overall UK business sales have seen a gradual increase of 7% (Q1 2009 22% - Q1 2010 29%); UK orders peaked in Q3 2009 (26%) but has been in gradual decline since, is now at 20%. Similarly, export sales increased by 5% during 2009 but decreased from 11% in Q4 2009 to 7% in Q1 2010. Export orders have decreased for more businesses than they have increased

Expectations for increased turnover and profitability was evident in Q2 of 2009 and continued up to Q4 2009, however by Q1 2010 business expectations for increased turnover fell by 6% and profitability fell by 13%. The reality for most businesses is the gradual decline of cashflow and operating below full capacity.

Also, since Q2 of 2009, businesses have begun to plan for future investment in training and recruitment and enhancing production through procuring plant and equipment. There is optimism for increased workforce; there has been an 8% increase in businesses attempting to recruit full time jobs since Q1 2009 (Q1 2009 31% - Q1 2010 39%).

During Q1 and Q2 Competition and business rates were main concerns, since Q3 competition and taxation has become the main concerns. Other overheads and raw material prices has remained the biggest pressure on businesses since Q1 2009.

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