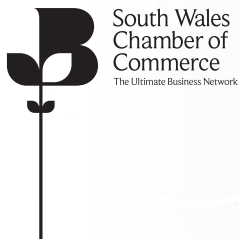


South Wales Chamber of Commerce  
Quarterly Economic Survey  
Results Q2 - 2010



## Quarterly Economic Survey – Quarter 2 2010

### South Wales Overview

The survey has shown that there is a cautious optimism amongst business in the South Wales region. There has been slight improvements in terms of areas such Sales and Turnover, signs that the environment for business is generally improving in the region. There are a number of concerns and pressures facing businesses yet the overall picture is generally positive.

### Sales

Generally there seems to be an improvement in overall sales figures for businesses. There has been a small increase in UK sales in Q2, with 71% of businesses showing increased or constant sales. The number of companies with decreasing sales fell 4% between Q1 and Q2 to 24%. These numbers were largely down to the performance of businesses in the

Cardiff area, where businesses had increased sales for the quarter in 39% of cases, a 4% improvement on Q1. In Newport the number of businesses reporting decreased sales increased to 23%, while the majority of businesses in the Swansea area (44%) stated that sales remained constant.

In terms of UK orders, the overall picture shows that there were a greater number of businesses reporting an increase in orders, improving 4% to 24%. The Cardiff region showed a large improvement in this area, with 37% of businesses showing an increase, an improvement of 10%. Both Swansea and Newport remained relatively unchanged from Q1.

There was a slight improvement in export sales for the whole South Wales region, with only 4% of businesses showing a decrease in sales, half the figure of the previous quarter. The Newport area reported a massive improvement in export sales, with 16% of businesses now enjoying an increase in sales, compared to just 3% in Q1. Export orders remained

broadly unchanged overall; however Newport again showed a larger percentage of businesses with increased orders.

## Workforce

There has been a large increase in businesses (24%) that have enlarged their workforce during Q2 of 2010 compared to 16% in Q1, an improvement of what they predicted in Q1. 82% of businesses expect to have growing or stable workforces in the next quarter. Figures for businesses that are recruiting are broadly similar to Q1, with 50% of all businesses looking to recruit full time staff and only 12% looking to recruit temporary employees. Similarly to Q1, businesses found skilled manual workers the hardest to recruit. The Cardiff area had greatest difficulty finding professional and managerial employees.

## Cash flow and capacity

Similarly to Q1 almost twice as many businesses (31%) experienced decreasing cash flows compared to an increase (17%). This was at odds with the predicted outcomes for the quarter, as only 9% of businesses expected a decreasing cash flow. However businesses are generally optimistic about the upcoming quarter, with 23% of businesses expecting an increased cash flow, compared to 9% expecting to see a decrease. The majority of businesses (65%) are not operating at full capacity; however this figure fell slightly compared to the previous quarter, down from 69%.

## Investment

A greater number of businesses (71%) plan to increase or maintain training for staff over the quarter, a slight improvement from the figures reported in Q1. The number of businesses planning to maintain or increase spending on plant and equipment investment has remained constant at 57%

## Business Optimism

Businesses in South Wales (45%) expect to see an increase in turnover over the next quarter, with only 22% expecting to see a decrease. Cardiff businesses in particular expect to see an increase in turnover, with 53% of businesses in the area stating this. In terms of profitability 69% of businesses expect that it will increase or remain the same, which is a very slight improvement (67%) on Q1.

## Concerns

Once again, competition (23%) is the main concern for businesses. However this is closely followed by taxation (22%). Taxation is the main source of concern for business in the Cardiff area, which contrasts with Q1 when the region mirrored Newport and Swansea in viewing competition as the main concern. Inflation and Exchange Rates are beginning to emerge as concerns in the Newport and Cardiff areas. The greatest pressures facing business are

other overheads (39%). Finance costs are becoming an increasing pressure, with 22% of businesses now reporting this as a concern.

## CF, NP and SA Comparison

The three regions follow broadly similar patterns; however there are a few key differences. Business in the Cardiff region are reporting a greater increase in sales and are generally more optimistic regarding future sales and turnover. Businesses in the Swansea region are far more pessimistic in this regard, with a proportionally far greater percentage expecting to see a decrease in profitability. Newport businesses reported a far greater increase in export sales compared to the other regions, where sales roughly remained constant.

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