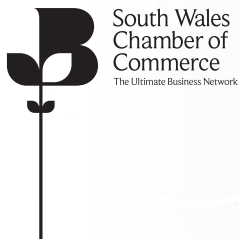


South Wales Chamber of Commerce
Quarterly Economic Survey
Results Q3 - 2010



Quarterly Economic Survey – Quarter 3 2010

South Wales Overview

The latest Quarterly Economic Survey has shown that there is still an amount of optimism in the business community in South Wales regarding the future. Sales and turnover are continuing to rise, while businesses are looking to recruit. There are still a few issues facing the community but there seems to have been a slight improvement on the results from the previous quarter.

Sales

Overall sales seem to be improving, with 73% of businesses surveyed showing a rise in or constant sales. This is a slight improvement on last quarter (71%). Both Cardiff and Newport based businesses reported an excellent quarter, with 49% and 47% showing an increase in sales on the previous period,

an increase of 17% and 8% respectively. Businesses in the Swansea territory reported slightly less impressive figures with only 27% of businesses reporting an increase in sales, the majority (42%) remaining constant.

A greater proportion of businesses surveyed (25%) showed a fall in orders taken compared to the previous quarter (21%). This trend is followed within the Newport and Swansea territories.

Export sales remained largely unchanged on the previous quarter; however trends within the territories show that the strong growth shown in the Newport area in the previous quarter has tailed off, falling from 26% of companies showing increased or constant sales to 17%. There is a very similar picture when it comes to export orders, with Newport again showing fewer companies with increased sales compared to last quarter.

Workforce

The majority of businesses (81%) expect their workforce to either increase or stay constant, a similar figure to the previous quarter, where 83% of businesses expected to do so. 22% of businesses increased their workforce, which ran in line with expectations set out during Q2. Companies are also looking to employ full time staff, with 50% looking for such positions, showing that businesses are becoming increasingly secure about their ability to maintain employment levels. Professional and managerial employees have now become the hardest staff to find to fill roles, overtaking skilled and technical workers

Cash flow and Capacity

66% of businesses reported increased or constant cash flows, a slight improvement on the previous quarter. 65% of businesses surveyed expect prices to remain the same in the next quarter. The majority of businesses surveyed (71%) are still operating under

capacity, a trend that continues from the previous quarter, where 72% reported this.

Concerns

Businesses surveyed still saw competition and taxation as the main concern for businesses, unchanged from the previous quarter. However, interest rates are becoming an increasing concern for business, with 33% of businesses now reporting this as an issue, showing an increased desire for lending amongst businesses within the region. Inflation is also becoming an increasing concern for businesses. Regionally, taxation is the biggest problem for businesses in the Newport area, while both Cardiff and Swansea follow the overall trend of seeing competition as their main threat.

Investment

For the second quarter in a row the number of businesses looking to increase or maintain their

spending on training for staff has slightly improved, rising to 73% from 71%. There is a very similar picture regarding investment in plant and equipment, with a slight improvement from 57% to 58%.

Optimism

The air of optimism surrounding businesses is illustrated best by the expectations they have for turnover and profitability. The vast majority of businesses (79%) expect constant or increased turnover in the next quarter. Similar views are held in terms of profitability, with only 25% of businesses expecting to see a decrease. This is a sign that businesses believe the growth of the economy is likely to continue and that the worst of the recession is now over. Businesses in Swansea are much more pessimistic than other regions regarding increased profitability, with 36% expecting a decrease in the next quarter.

Regional Comparisons

Similarly to previous quarters, the main difference between regions seems to revolve around future expectations. While businesses within the Cardiff and Newport areas seem to expect an improvement on their trading position in the coming months, companies within the Swansea region do not appear to share their optimism, with a greater proportion expecting to see a decrease in turnover. This follows a trend from previous quarters.

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