

Introduction

The Buckinghamshire Business Barometer tracks local business confidence and performance and gauges views on topical issues.

In the latest survey we asked the Buckinghamshire business community to share their views on how the recent announcements in the Spring Budget announced on 15 March 2023 will impact their business.

As with each Business Barometer survey, our aim is to establish how businesses have fared in the last few months to help build a picture of the needs and opportunities that exist in the Buckinghamshire business community.



This valuable insight into the local economy is fed into our conversations with government and other stakeholders to ensure the voice of Buckinghamshire firms is being heard nationally.

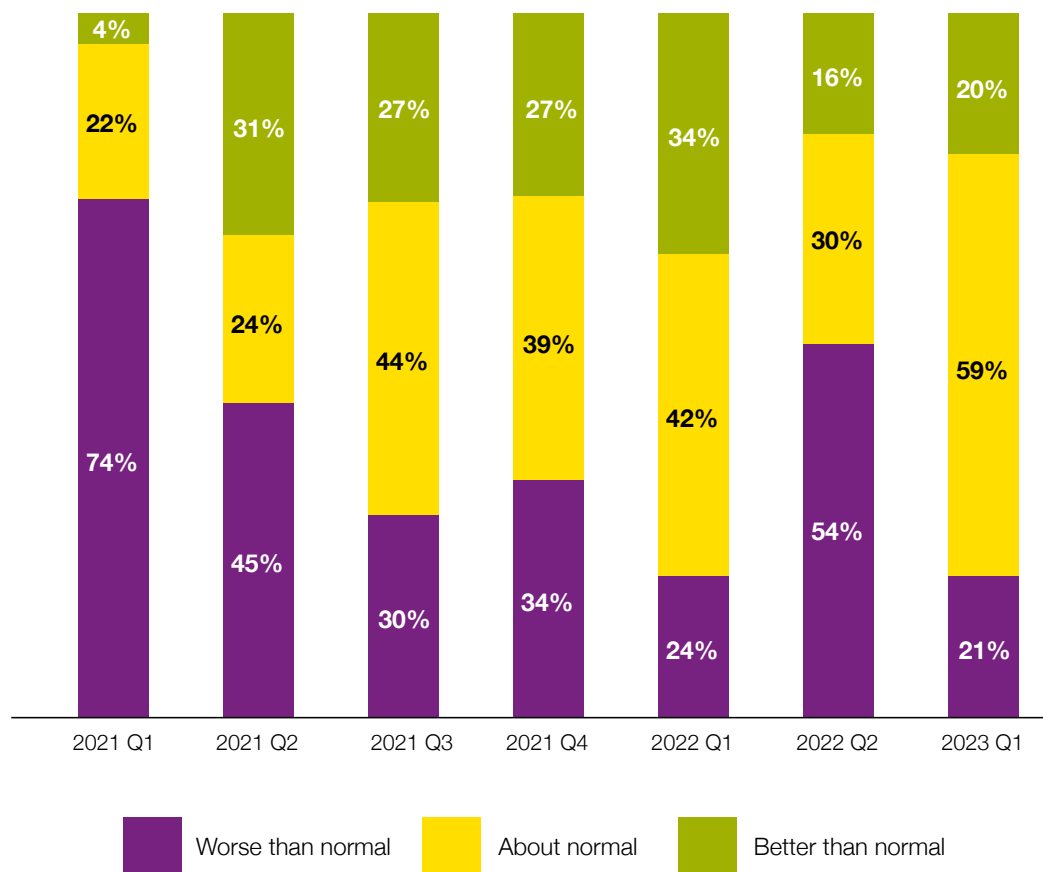


Findings

The survey results suggest improving business confidence over the last six months; however, concerns remain regarding high costs, and firm's ability to recruit and retain staff. Around a third of respondents cited staffing as their key challenge.

Trading conditions deteriorated in the second quarter of 2022 but had improved again by March 2023.

How are trading conditions compared to normal for this time of year?



Current trading situation

Net balance scores
(situation over the last 3 months)



About normal:

59%
(up from 30% Q2 2022)

Better than normal:

20%
(up from 16%)



Worse than normal:

21%
(down from 54%)

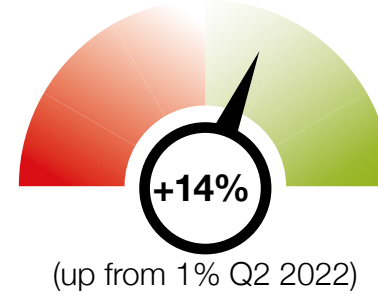
Net balance score:

-1%
(up/improvement from -37%)

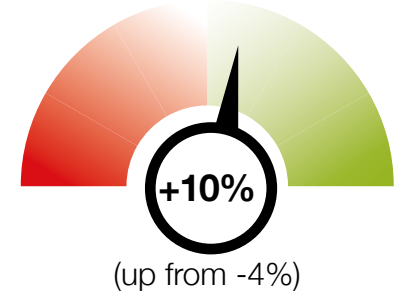
The net balance score is the % of firms reporting an increase minus the % reporting a decrease.

The net balance business performance scores for Q1 2023 are positive in terms of sales and custom; order books and pipelines; turnover and workforce growth, however high costs mean that for many, higher demand is not resulting in higher profits.

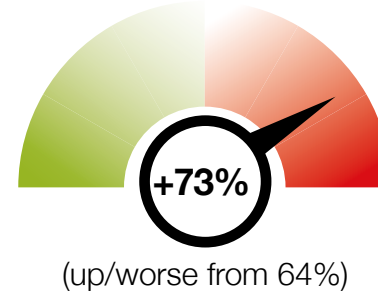
Sales have/custom



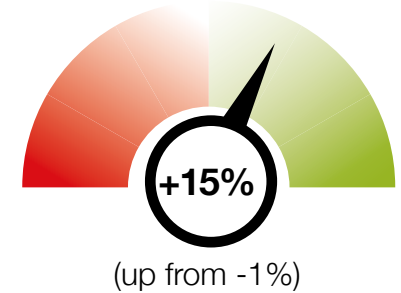
Order book/pipeline:



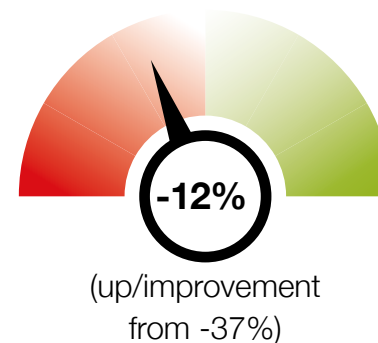
Costs have:



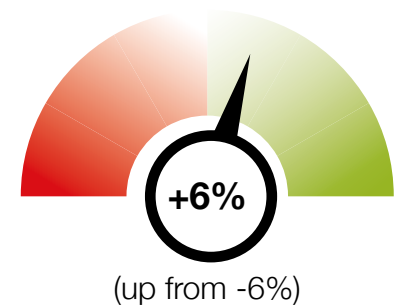
Turnover has:



Profits have:



Workforce has:



Spring Budget

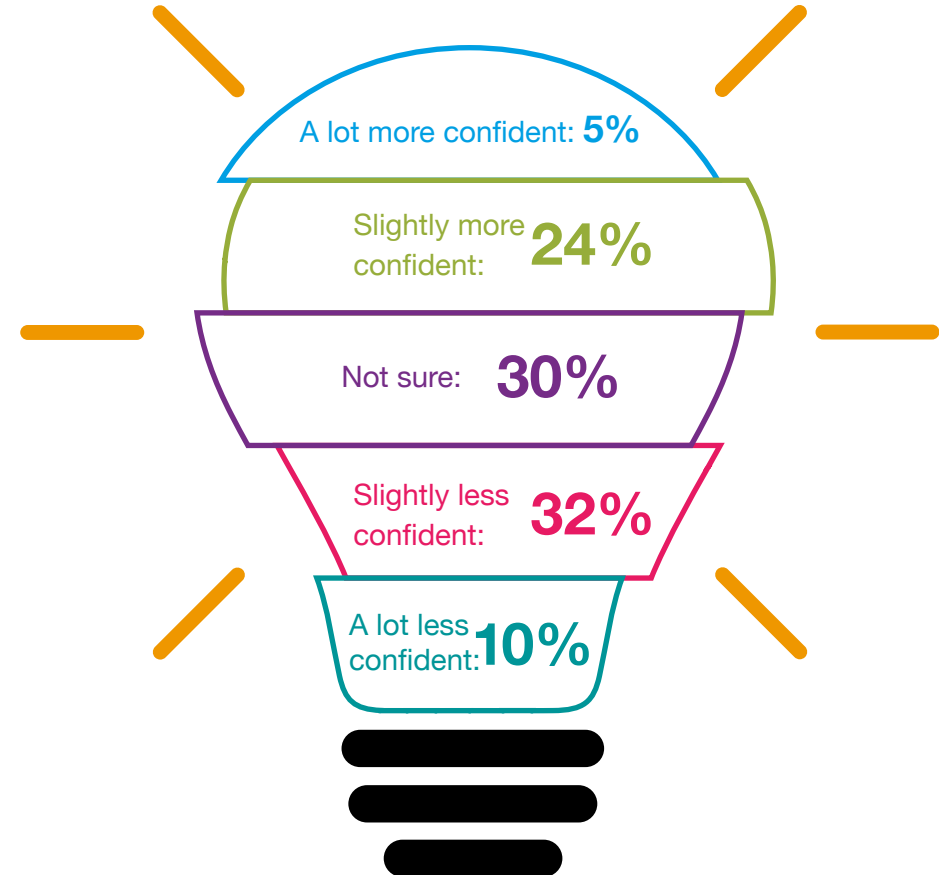
Of those businesses who were a 'lot more' or 'slightly more' confident about the year ahead following the spring budget, key reasons given were:

- Evidence that the economy has stabilised and there is reduced likelihood of recession.
- Greater confidence in the government than in recent years.
- Business operating in markets that are doing well and have not been affected by the 'cost of living' crisis, therefore the budget has little impact.

Of those businesses who were a 'lot less' or 'slightly less' confident about the year ahead following the spring budget, key reasons given were:

- The rise in corporation tax.
- Little announced to help mitigate rising costs.
- Little announced to help raise consumer confidence.
- Business provides services that tend to be cut when margins are tight (e.g. training, coaching, marketing, advertising.)
- Lack of support for SMEs.

Following the announcements from the Spring Budget, how confident do you feel about your business for the year ahead?



Spring Budget 2023

"The 'cost of living' crisis does not seem to have impacted demand for our business thus far, our customer base being comfortably off home-owners who have cash saved."

"Any rise in corporation tax rates mean[s] that repaying loans becomes harder."

"Increase in corporation tax meaning less available to reinvest in growth."

"The increase in corporation tax and decrease in help with energy costs for business, together with an increase in material costs, rates and overheads, is anti-aspirational and will make trading conditions more difficult."

"The limited support from the government for SME's is still wholly inadequate. Simple steps like cancelling the interest on CBILS loans would make a massive difference."

"No good news for business - no VAT cut for hospitality, no energy help, no rates or NI help."

Main challenges for the year ahead

Respondents provided details of a wide range of challenges that they anticipate for the forthcoming year.

By far the most common theme was **staff recruitment and retention challenges**, cited by approximately a third of respondents. This was followed by concerns related to customers, primarily **consumer confidence** and consumer's ability to spend in light of rising costs. The third main challenge cited was **high costs**. Be they energy, labour and/or materials.

Other challenges cited by fewer respondents included: being able to manage anticipated growth; the general economic climate; cashflow; pipeline fulfilment; accessing innovation/ R&D funding and delays to planning decisions.

These challenges are illustrated by the quotes...

"Managing customer prices in the inflationary environment and ensuring customer loyalty remains high."

"Recruiting a workforce with the exacting skills we require in an industry where there is a big skills gap."

"Sustainable growth in terms of new larger premises. Securing long term contracts with governmental departments."

"Energy costs are crippling us. We closed for the winter months as we thought our increased energy costs would outweigh our revenue from being open, having opened in March and been very busy, we have just received our energy bill for a month and I have to ask is it really worth it? Luckily we have solar so our electric wasn't too bad but our gas bill has just wiped out all our profits and more!"

"Our market space is highly skilled engineering contractors in the defence & aerospace sectors. There are shortages of skilled staff and budget constraints. If rates do not increase in line with inflation and in recognition of the skill shortage, contractors will move into other sectors and we could find our sales reducing."

"Energy costs, sourcing and cost of raw materials, rise in business rates and pressure on staff wages."

"Keeping clients happy and ensuring that the Council deliver[s] planning decisions on time."

"R&D funding for new product development."

What, if anything, is preventing growth?

The main barrier to growth cited by respondents was recruitment and retention difficulties. This was followed by high costs, limiting respondent's ability to invest.

Other barriers cited (by four or more respondents) were: consumer confidence; lack of demand; the economic climate and the planning system.

A selection of quotes illustrating these barriers are...

"Ability to find trained or suitable candidates for business expansion."

"Lack of skilled technicians."

"Ability to invest because all free cash is taken up on keeping the lights on."

"I would say costs as we usually put all our profits back into the company to grow it with new technology and staff investing in the future."

"Covid related debts and the cost of servicing them."

"The availability of suitable warehouse premises."

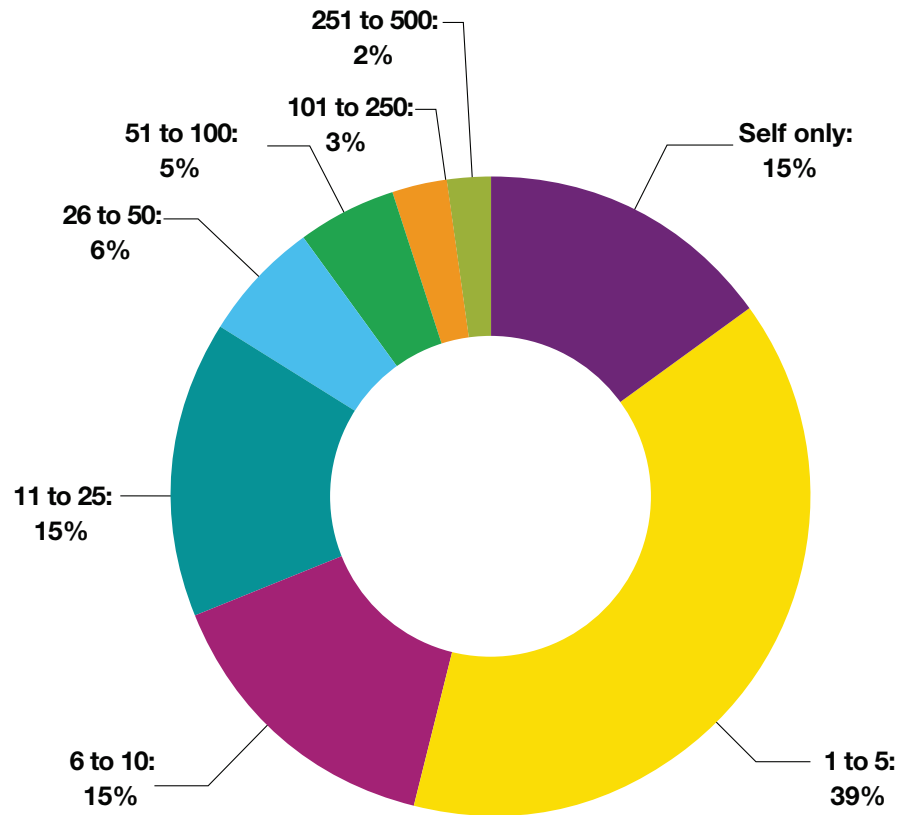
"The unbelievable length of time ... taken to determine a [planning] application,.. [this] is adversely affecting our growth."

"Trying to make our customer experience and service better would need planning permission. With the current system in such disarray, the costs involved, the lack of understanding by planners, the ridiculous surveys needed and the dogmatic approach of public bodies such as highways, I just don't even bother to contemplate trying to improve or expand our business and employ more people as I know I'd be banging my head against a wall. Wasting time & money."

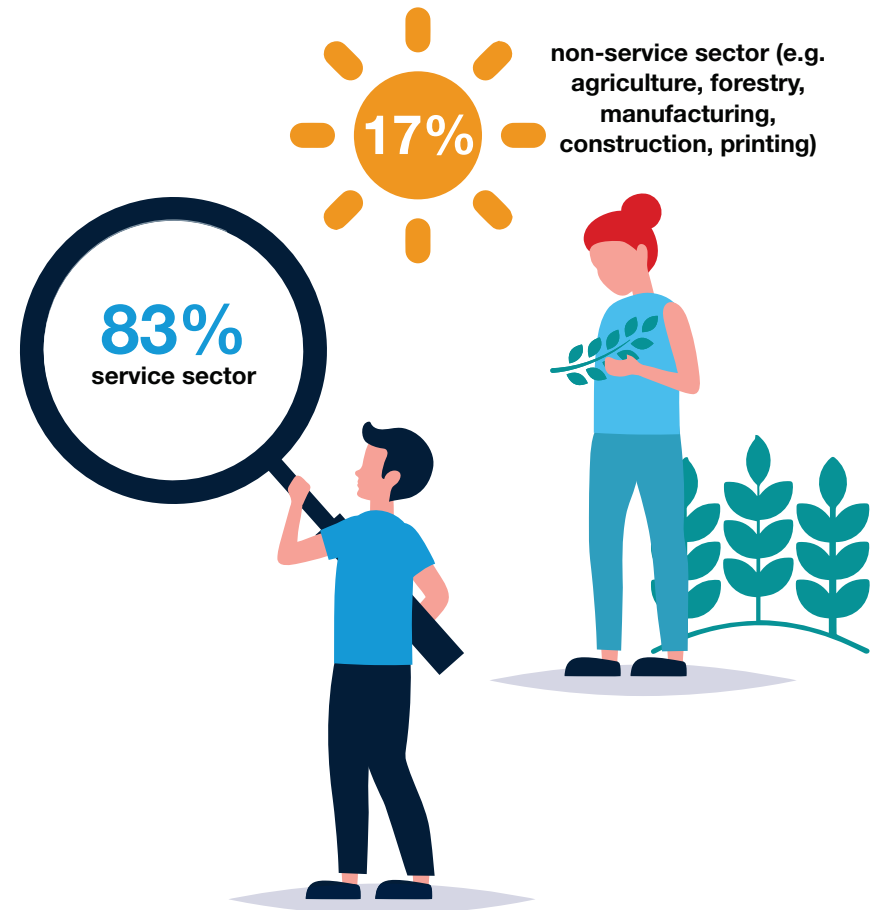
"There appears to be less business grants available. I am looking to innovate this year and the grants I have found are only for projects over £100,000. That appears to me to be very positive and obtainable for big business but not very realistic or obtainable for SME's. I would like to see more support for small business regarding innovation and design."

"We had to change tactics and send some of our subcontracting abroad. The interim disruption is costly and time consuming but the outcome looks better than manufacturing in the UK"

How many employees does your business have:



What sector is your business in?



The Buckinghamshire Business Barometer is run by Buckinghamshire Business First (BBF) and Buckinghamshire Local Enterprise Partnership (Bucks LEP). The Barometer began in 2021 and is conducted via an online survey on a quarterly basis. The survey can be completed by any business operating within Buckinghamshire and is promoted to businesses through BBF and its partners. Respondents are self-selecting and the results are not weighted, therefore the findings should be treated as indicative rather than representative of all Buckinghamshire businesses.

The net balance score is the percentage of firms reporting an increase minus the percentage reporting a decrease. For example, if 15% of firms told us their sales increased and 65% said their sales decreased, the balance for the quarter would be -50%. Alternatively, if 50% report profits have increased, and 10% report profits have decreased, the balance would be +40%. With the exception of costs, negative figures indicate a contraction and positive figures indicate growth.

A total of 110 Buckinghamshire businesses responded to the Q1 2023 Buckinghamshire Business Barometer.

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