

# Uncertainty in the market impacts confidence amongst Thames Valley businesses

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The latest Thames Valley Business Barometer saw a record drop in confidence levels during the latter half of 2016

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- Over half of businesses stated that confidence had deteriorated
- Seven out of ten businesses said that turnover had increased or stayed the same which is down from the previous barometer
- Business pipeline shows signs of slowing down with nearly a third stating their pipeline decreased with another third stating that it had stayed the same
- Just under one third of businesses reported that their profitability had improved in the past six months versus 52% in the first half of 2016
- Just over half of businesses said that their headcount had remained the same

Profitability and turnover growth in the Thames Valley slowed in the second half of 2016, according to the latest Thames Valley Business Barometer published today by accountancy and business advisory firm BDO (<https://www.bdo.co.uk/en-gb/locations/bdo-reading>) and PR and marketing agency C8 Consulting (<http://www.c8consulting.co.uk/>).

Almost two thirds (67%) of companies surveyed stated that profitability had either improved or stayed the same compared to 82% in the spring. A similar pattern was also observed in regard to turnover, with 71% reporting that it had either increased or remained the same compared to 85% earlier in the year.

The survey, which was conducted during a six week period from September to October 2016, revealed that just 48% of business leaders felt that general levels of economic confidence had either improved or remained the same in the last six months versus 70% earlier in the year (and 92% in autumn 2015), suggesting a drastic reduction in confidence which is now impacting on business performance with a drop in turnover, profit and pipeline.

In this latest survey, headcount remained relatively stable although increases in headcount had slowed. 83% percent of respondents reported numbers either having increased or remained the same compared with 85% in June. Looking ahead to the next six months, the region's business leaders expect this stability to continue.

On the question of staff attrition, 70% of respondents said that their level of staff turnover had not changed. However, 22% of businesses surveyed saw an increase in staff turnover in the second half of 2016.

Simon Brooker, Partner and Head of BDO LLP in the Thames Valley, comments: "Despite the apparent drop in profitability, confidence and turnover, other Barometer indicators such as headcount and staff attrition still remain healthy. When looking forward, predictions around turnover and profitability are

slightly more optimistic although neither are expected to return to the levels we saw 12 months earlier.

“Eight months ago in our spring 2016 survey businesses appeared to be erring on the side of caution in the responses they gave. In this survey however confidence showed a marked decline and is at its lowest level since the Barometer began. It will be interesting to see how this plays out over the coming months as EU negotiations take centre stage. Future Barometer surveys should give a clearer picture of how current events have affected businesses in the Thames Valley.”

The latest Business Barometer also looked at the impact of the EU referendum results among businesses in the Thames Valley. Of more than 150 businesses surveyed, only 2% said that nothing concerned them as a result of Brexit. The need for clarity about the rules of trading with EU countries (58%) and the investment by government in local infrastructure (52%) came out as the two top concerns. Other matters of concern included: the impact of protracted uncertainty caused by the delay in leaving, the impact of clients cancelling or delaying their projects, the impact of changes to the exchange rate, and the impact on the ability to recruit and retain the best talent.

Despite the concerns, however, three key opportunities were identified as having arisen as a result of Brexit: the fall in the value of the pound leading to a boost for exporters, tourism and for inward investment, especially from non EU countries; the ability for the UK to agree its own trade deals with countries outside the EU and, the ability to set our own rules and make the UK more attractive for business.

Paula Elliott, Managing Director of C8 Consulting, comments: “Whilst the outcome of the EU referendum has undeniably resulted in the short term view of ‘business as usual’ across the Thames Valley, it is clear that bigger decisions are being delayed due to uncertainty and we are already beginning to see this coming through in the figures. Despite this, the feedback from the Barometer panel also indicated an emerging need for greater agility in business to manage the short term and to respond to circumstances faster. This is not only being fueled by Britain’s decisions to leave the EU, but also the ever-changing face of the workplace and the constant demand for flexible working.”

More than 150 businesses across the Thames Valley took part in the Barometer survey. ActiveOps, BtL JSP, Magal Engineering and Teneo are also profiled in the report, sharing their perspectives on their own performance and the key challenges they face in the year ahead. The Local Enterprise Partnerships of Oxfordshire and Berkshire used the survey to find out what businesses in the region think about the decision to leave the EU. The results of the survey have been analysed by the LEPs and are being fed back to various key government units.

The Thames Valley Business Barometer report can be downloaded from the BDO or the C8 Consulting websites. If you would like to take part in future Barometer surveys please contact [ian.white@bdo.co.uk](mailto:ian.white@bdo.co.uk)

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About the BDO Thames Valley Barometer

The Thames Valley Business Barometer – a collaboration between BDO LLP

(<https://www.bdo.co.uk/en-gb/locations/bdo-reading>) and PR and marketing company C8 Consulting

(<http://www.c8consulting.co.uk/>) – provides a twice yearly snapshot of business and economic confidence

in the Thames Valley. This latest survey opened on 19th September and ran until the 31st October 2016. Over 150 local businesses took part.

#### About BDO

Accountancy and business advisory firm BDO LLP provides integrated advice and solutions to help businesses navigate a changing world.

Our clients are Britain's economic engine – ambitious, entrepreneurially-spirited and high growth businesses that fuel the economy.

We share our clients' ambitions and their entrepreneurial mind-set. We have the right combination of global reach, integrity and expertise to help them succeed.

#### BDO LLP

BDO LLP operates in 18 offices across the UK, employing 3,500 people offering tax, audit and assurance, and a range of advisory services. BDO LLP has revenues of £405m and is the UK member firm of the BDO International network.

#### BDO International

The BDO International network provides business advisory services in 158 countries, with 68,000 people working out of 1,400 offices worldwide. It has revenues of \$7.6bn.

#### About C8 Consulting

C8 Consulting is one of the UK's premier marketing agency serving clients in the UK and around the globe. With offices in London and Reading, C8 offers a range of services from high profile event planning and management to public relations to specialist copy writing to website redesigns to media training and marketing design projects. C8 Consulting is a key driver and partner for the Thames Valley Business Barometer, a half yearly survey, which it works on in conjunction with global accounting firm, BDO to measure economic confidence in the Thames Valley. Owner Paula Elliott is vice-chair on the Thames Valley Byte Night Board, Action for Children's national sleep-out event <http://www.c8consulting.co.uk/>