

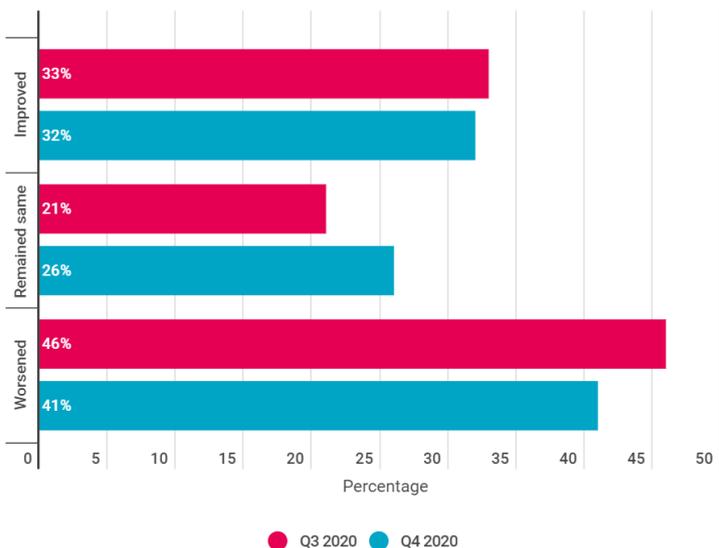
The following report uses data taken from the Quarterly Economic Survey carried out by East Midlands Chamber in the fourth quarter (Q4) of 2020.

This regular survey asks businesses a series of questions on key economic indicators. The survey ran from 2 to 23 November.

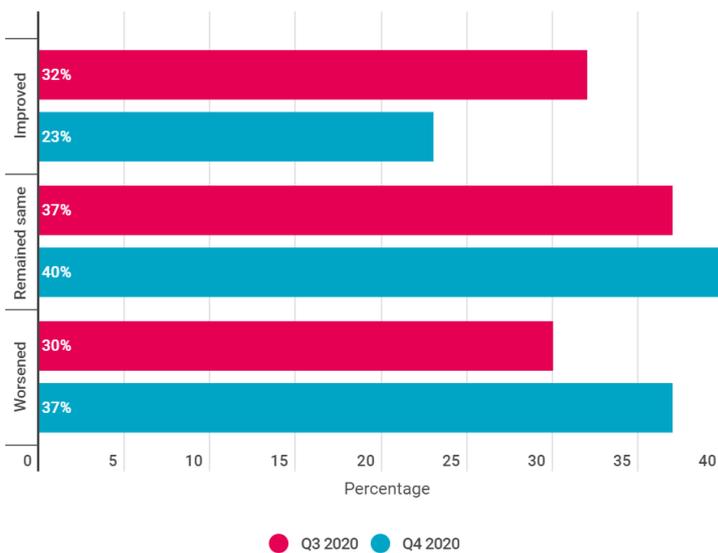
34% of respondents came from a manufacturing background and are 43% exporters.

## Sales and orders - UK

Over the past 3 months, sales/custom/bookings have:



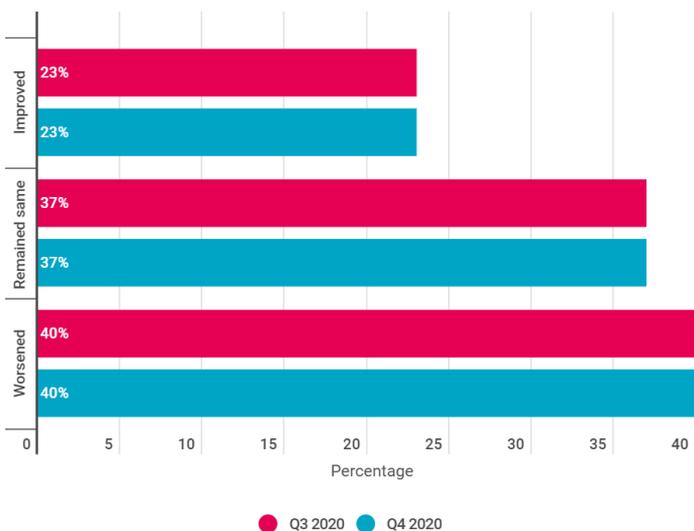
In the coming 3 months, orders/advance custom/bookings are expected to:



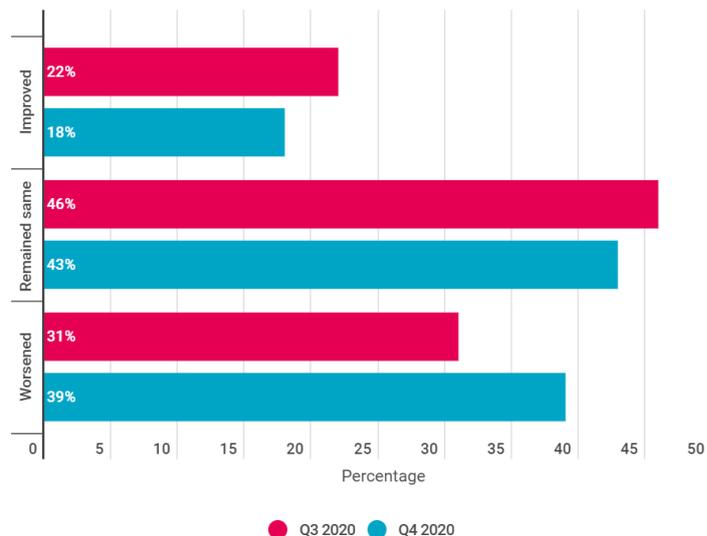
Following significant reductions in UK sales and order activity over the second quarter, nearly a third of businesses reported an increase in sales in Q4. Looking into 2021, 37% of businesses are expecting advanced orders to worsen.

## Sales and orders - Overseas

Over the past 3 months, sales/custom/bookings have:



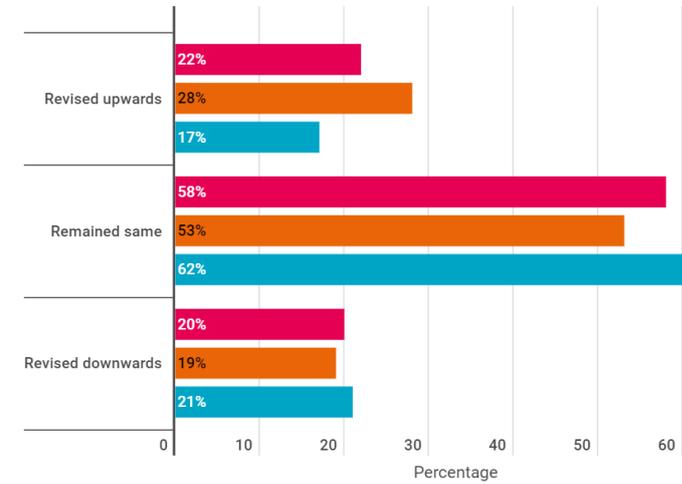
In the coming 3 months, orders/advance custom/bookings are expected to:



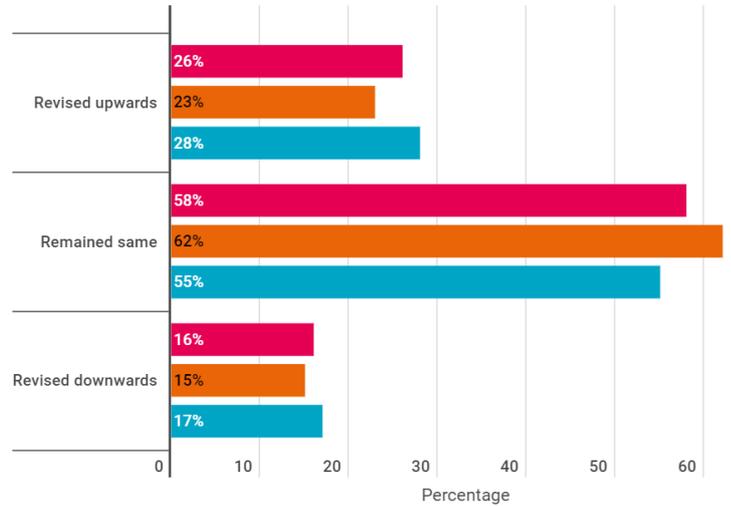
For the second quarter running 40% of businesses saw sales fall. 18% of business are expecting order to increase during the first quarter of 2021, 43% expecting upcoming order to stay the same.

## Investment Intentions

Plans for new plant/machinery/equipment have been:



Plans for training have been:



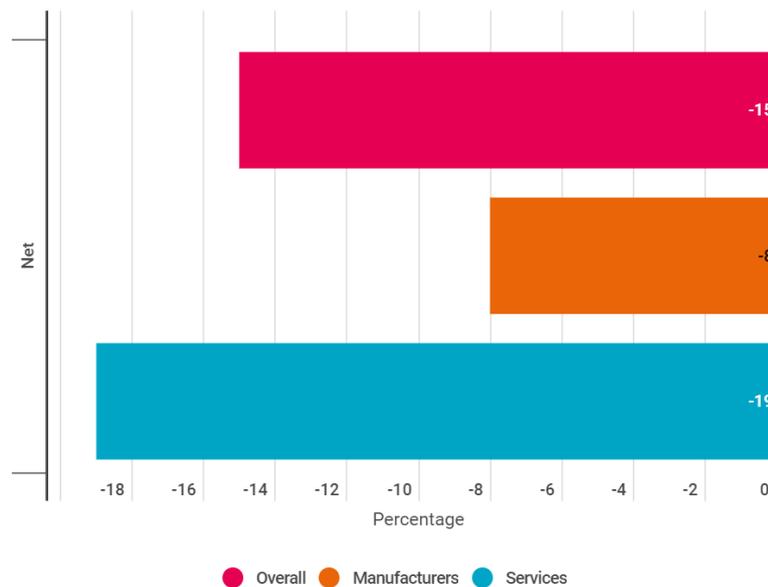
● Overall ● Manufacturers ● Services

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As there has been uncertainty going into the final quarter of the year, it's not a surprise that the majority of businesses are keeping their investment intentions the same. Less than 20% of businesses in any sector have revised their training intentions downwards.

## Cashflow

During the past 3 months, the situation has:  
(Net)



● Overall ● Manufacturers ● Services

Businesses are still continuing to struggle with cashflow. Fewer Manufacturers are seeing cashflow issues when compared to businesses in Services. Businesses in all sectors are continuing to see their cashflow decline.

# Profitability and Turnover for Manufacturers

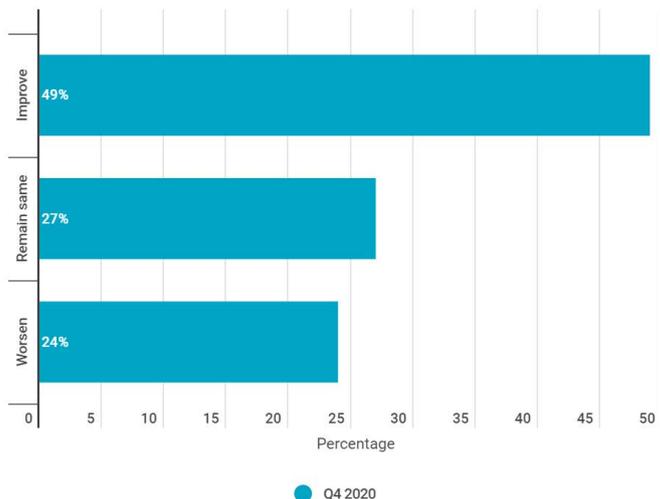
Around half of manufacturers are confident that turnover and profitability are going to improve, with 55% expecting an increase in turnover.

A quarter of manufacturing businesses are expecting their profitability to remain constant with 24% expecting to see a decrease.

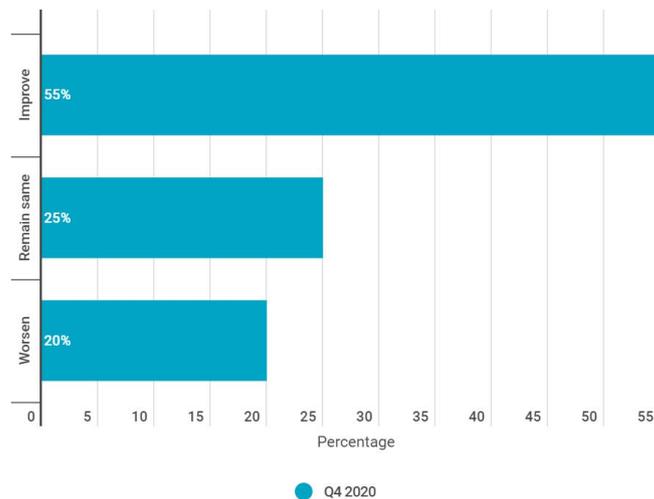
Only 25% foresee their turnover remaining the same.

20% expecting a decrease in the coming months.

Profitability is likely to:

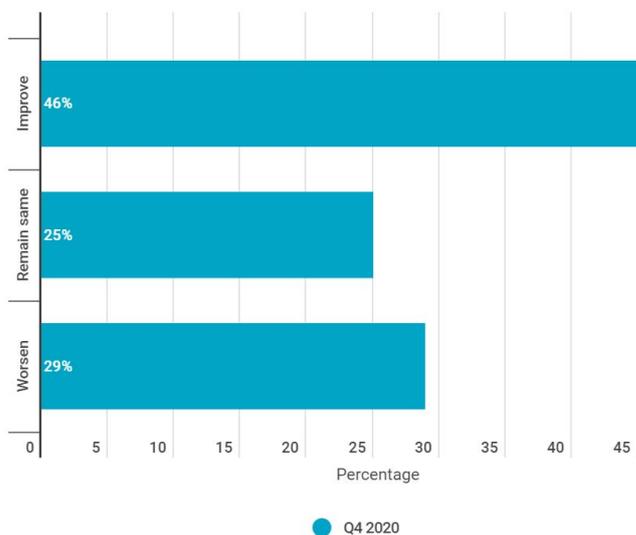


Turnover is likely to:

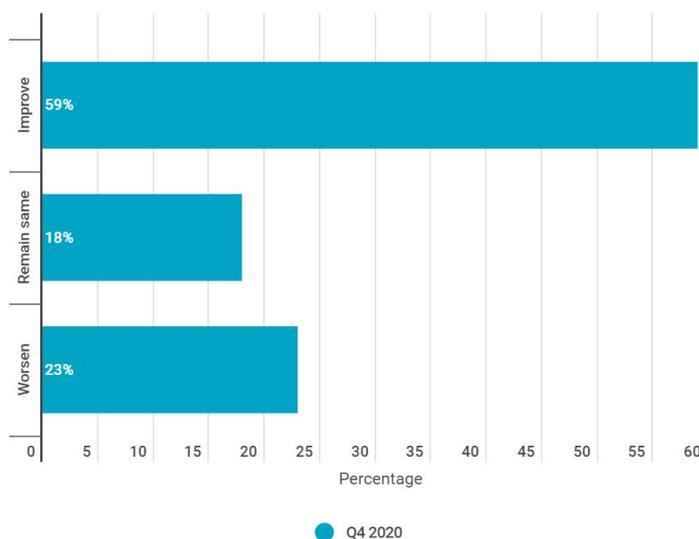


# Profitability and Turnover for Services

Profitability is likely to:



Turnover is likely to:

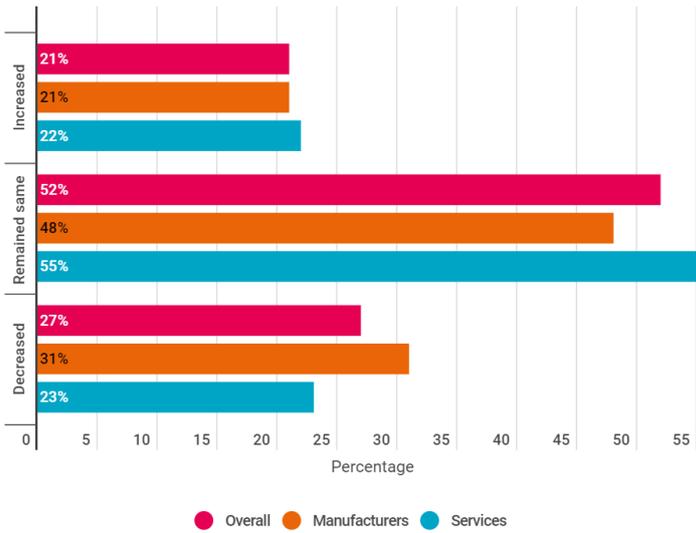


In the service industry over half expect their profitability and turnover to improve in the coming months.

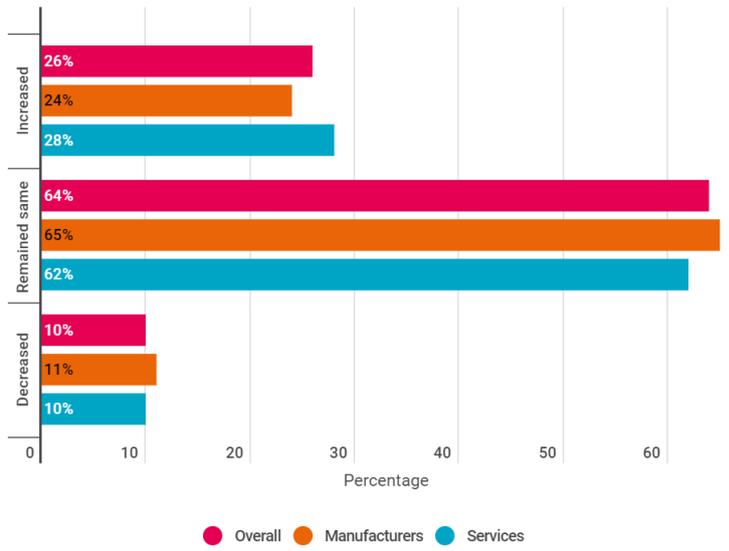
Although a quarter of business expect profitability and turnover to decrease.

# Workforce

Over the last 3 months, your workforce has seen a:



During the next 3 months, the workforce is expected to:

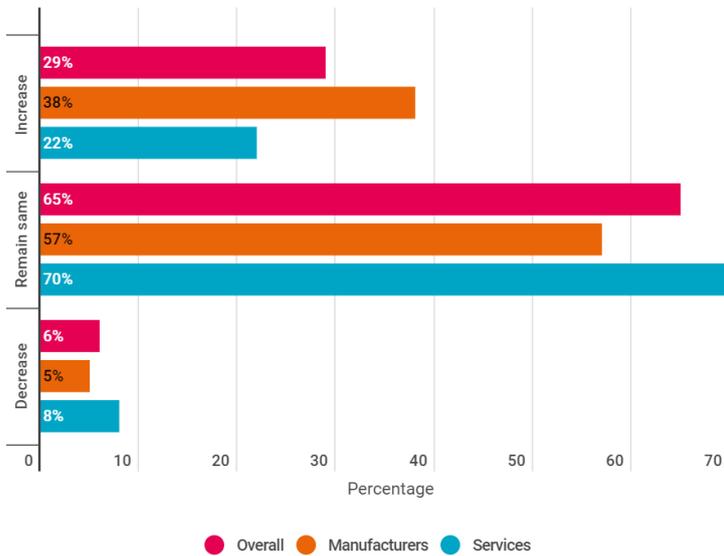


Over half of businesses have kept their workforce the same size in the previous three months. Over 60% in all sectors are expecting their workforce to remain the same in the coming months.

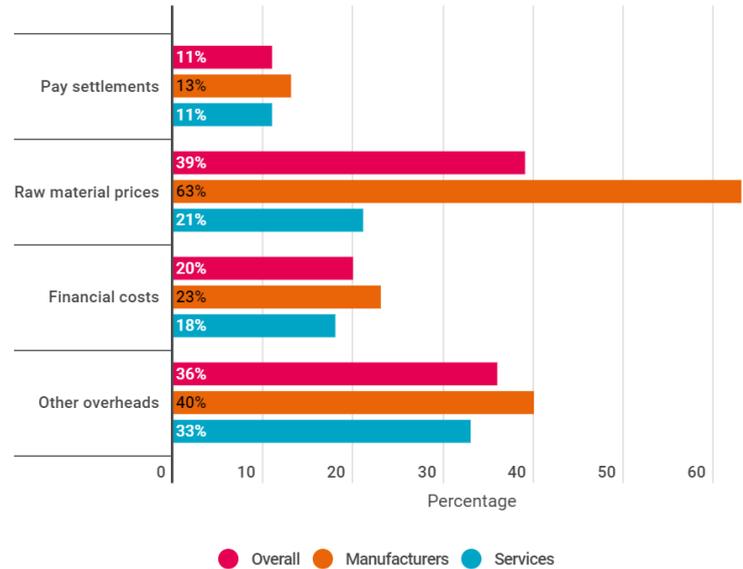
Only around 10% are expecting their workforce to decrease in size in the next quarter.

# Price Changes

In the next 3 months businesses expect goods/services prices to:



Businesses are under pressure to raise prices from the following:

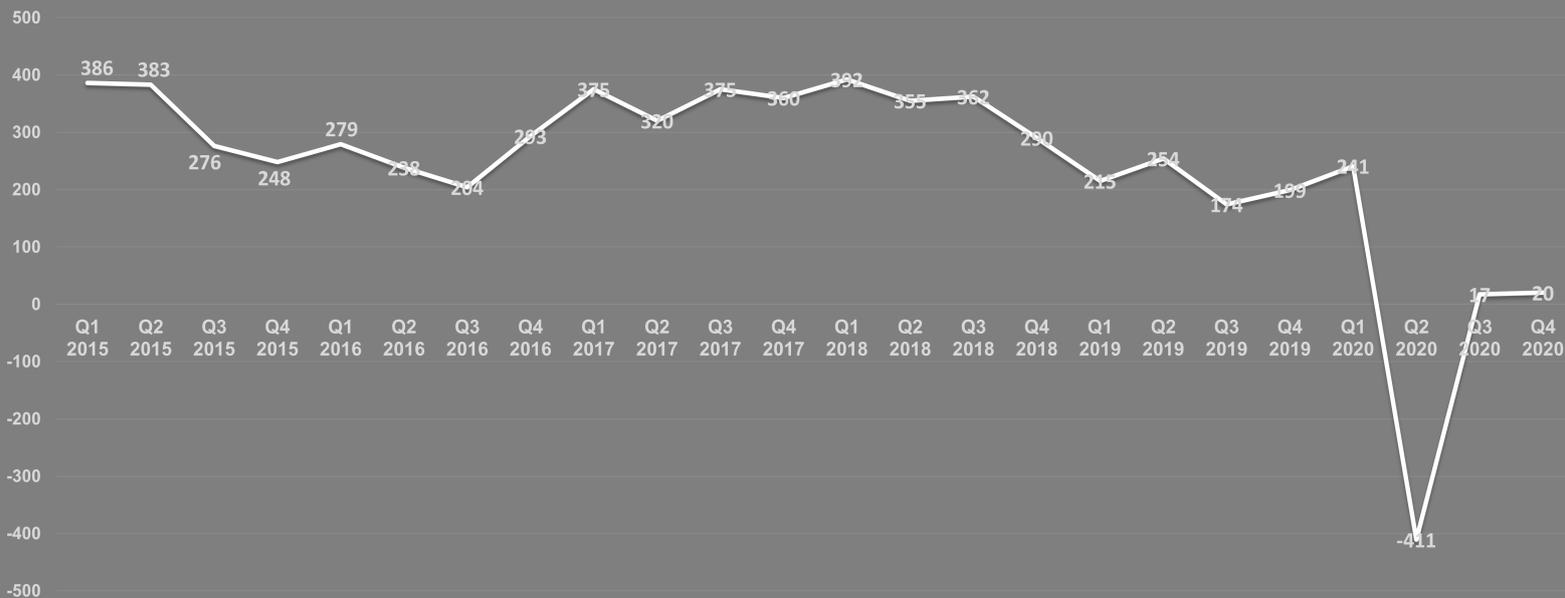


The majority of businesses are expecting prices to remain the same going into 2020. More Manufacturers are expecting an increase in prices when compared to other sectors.

This seems to be because of expected price increases in raw materials. Manufacturers expect pressure to increase prices from the full ranges of factors outlined above.

# State of the Economy Index

State of the Economy Index



## An economy treading water

“Unprecedented”. “Uncertain”. “Unpredictable”. The adjectives that characterised the vast majority of 2020 for businesses were again at play in the final quarter of the year covered by the Quarterly Economic Survey.

A year that saw record lows across various indicators covered by the survey – UK and international sales and orders, confidence in turnover and investment, cashflow and investment intentions – was always unlikely to end with solid answers for businesses. However, there were hopes heading into late autumn and early winter that news of a vaccine would support planning to reopen to economy more fully. Businesses were also told by politicians to finally expect some answers and clarity on our post-transition trading arrangements with the EU.

As it transpired, neither of these things came to pass. Instead, businesses were faced with further restrictions to trading and continued uncertainty as to the future rules – both domestically and international – by which they would be running their operations.

Despite this, the results in the Q4 survey were not wholly negative. Reflecting the innovation and ingenuity shown by businesses throughout the year, many saw small improvements in their activity levels. A number still made plans for investment – **in both people (a net 10% increased training spending compared to Q3) and equipment (a net 2% increase)** – and a small, but significant number were planning on future recruitment, **with a net 16% expecting to grow their workforce over the next three months.**

There were still disappointments. Cashflow remains a crippling problem for many – **it worsened for a net 15% of companies** – undermining both resilience to future shocks and the ability to respond to opportunities when they present themselves.

Future pricing intentions started to creep up as increases in raw material costs – along with access difficulties – began to impact on manufacturers. Advanced orders and bookings were down for many **(a net 14% of businesses involved in the domestic market and a net 21% for overseas operators)** as the national lockdown in November caused some to pause their plans and a general sentiment of “wait and see” started to pervade the conversations of some.

In conversations with businesses, many spoke of a “weariness” and “fatigue” at navigating themselves and their staff through the difficulties of the past 10 months. However, there was still an undercurrent of tentative optimism for the coming year, as reflected in the confidence indicators for future turnover and profitability **(a net 35% and 20% of respondents, respectively, expected these to improve over the next three months)**, perhaps acknowledging that the current predicament can’t last forever.

Overall, when looking at the State of the Economy Index, the flatlining figure from Q3 to Q4 doesn’t represent a total disaster for businesses in the region, but instead a stalling of the recovery seen in the summer after the spring’s historic falls.

# An economy treading water - continued

The economy, as a whole, hasn't slipped back to the place it was in during May and June, however, nor has it continued its rebound from that position. Instead, it can best be described as "treading water", waiting to see whether the final days of a year that asked more questions than anyone would have anticipated, finally delivered some answers.

It's clear that 2020 was unprecedented, unpredictable and created amazing levels of uncertainty. Much of what has gone on has been out of businesses' ability to control. However, under those circumstances, with one hand tied behind their backs, they have worked to manage those factors that they can control, looking for internal efficiencies, improvements in quality and new opportunities.

As we move into 2021, policymakers must do likewise. It is in their gift to control the nation's capacity for testing, the speed at which a vaccine is rolled out and the availability and reading of data on how the pandemic is progressing.

They can also control the levels of business support provided, the rules as to how it's accessed, and the measures that exist to allow businesses to reopen and make money without Government support.

It is essential that we get this right for 2021. Despite all the challenges of the past year, the vast majority of businesses have made it through – with some even finding opportunities to excel. If the first half of 2021 follows a similar pattern to the past six months, then more of those currently treading water may sadly slip under.