

The following report uses data taken from the Quarterly Economic Survey carried out by East Midlands Chamber in the third quarter (Q3) of 2020. This regular survey asks businesses a series of questions on key economic indicators.

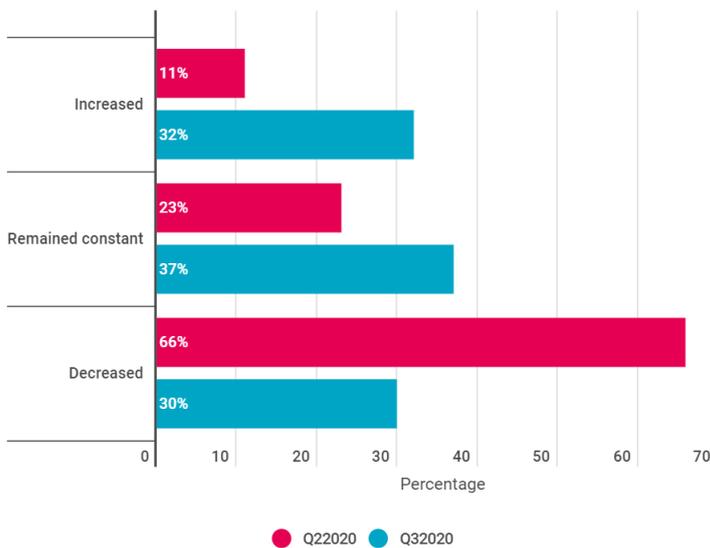
The survey ran from 24 August to 14 September with 470 responses.

45% of respondents have fewer than 10 employees; 33% between 10-49; 17% between 50-249 and 6% have over 250+ employees.

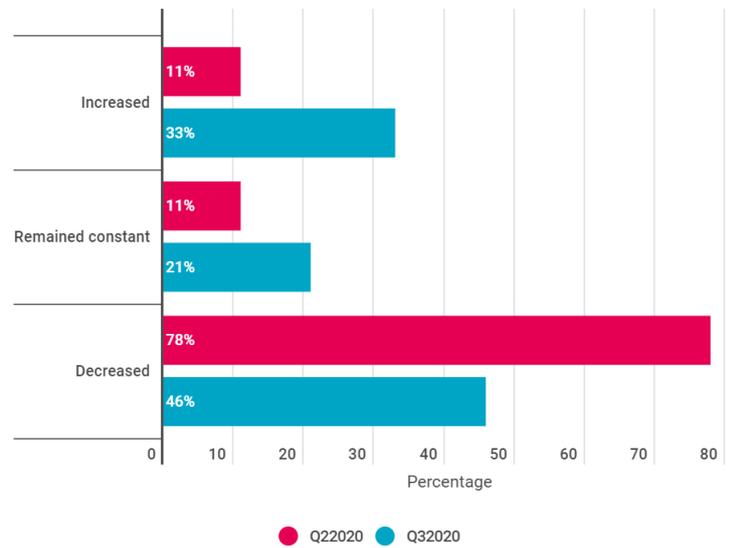
149 came from a manufacturing background and are 182 exporters.

Sales and orders - UK

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



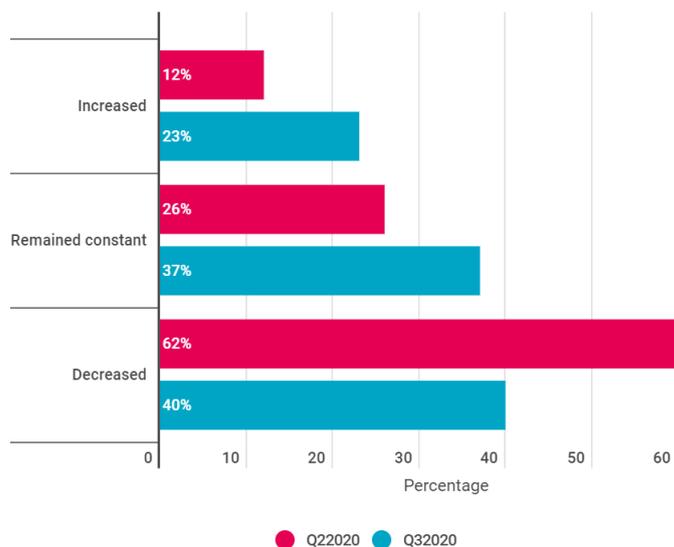
In the coming 3 months, orders/advance custom/bookings are expected to:



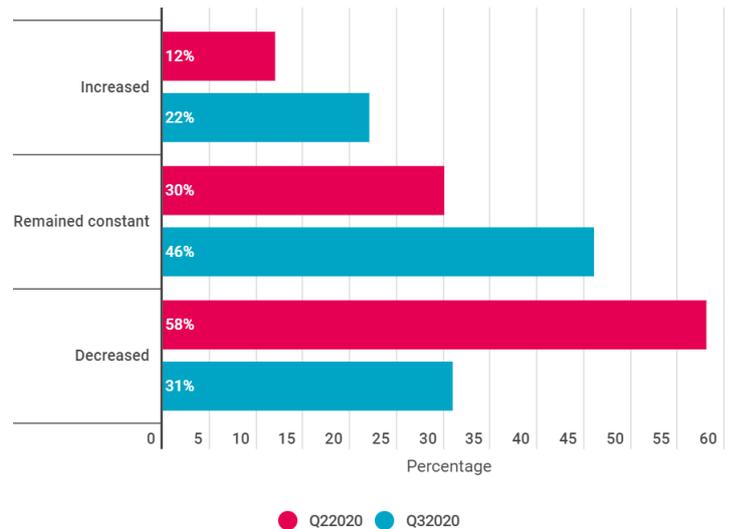
Following significant reductions in UK sales and order activity over the second quarter, Q3 saw a decent recovery with a third of all respondents seeing growth in both areas. When analysed by sector, Service sector businesses outperformed manufacturers.

Sales and orders - Overseas

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



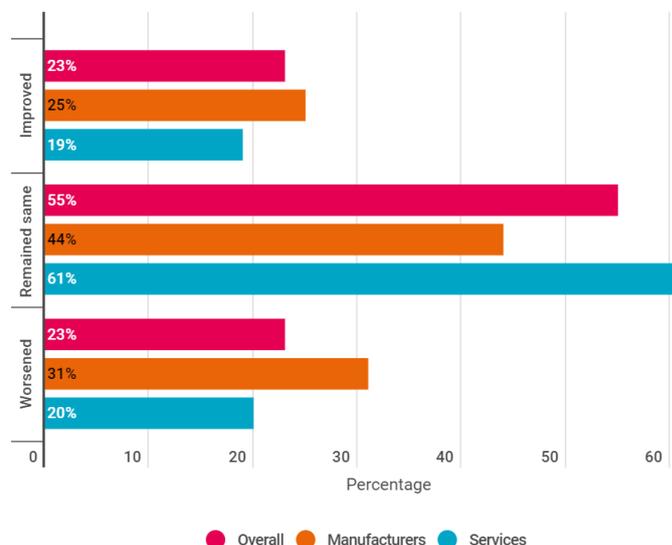
In the coming 3 months, orders/advance custom/bookings are expected to:



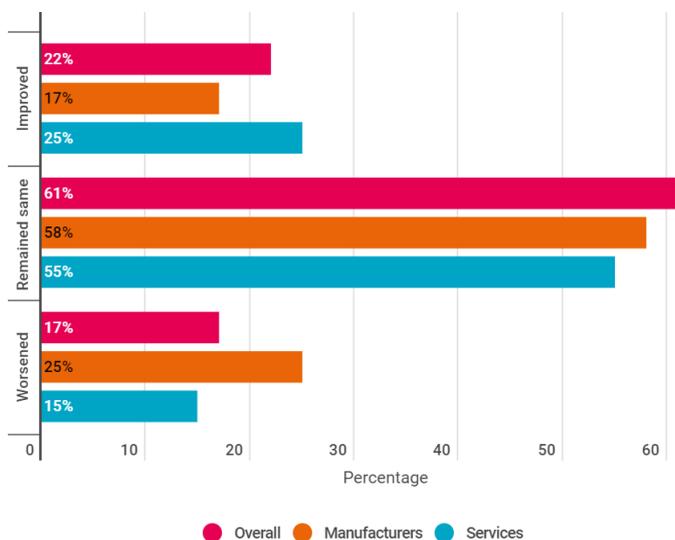
As with UK markets, there was a decent quarter-on-quarter improvement in activity, however, not at the same level. 40% still saw reductions in Sales (with 23% seeing improvements) and 31% saw reductions in orders (against 22% who saw improvements). When looking at specific markets, the North American market was the strongest performer.

Investment Intentions

Plans for new plant/machinery/equipment have been:



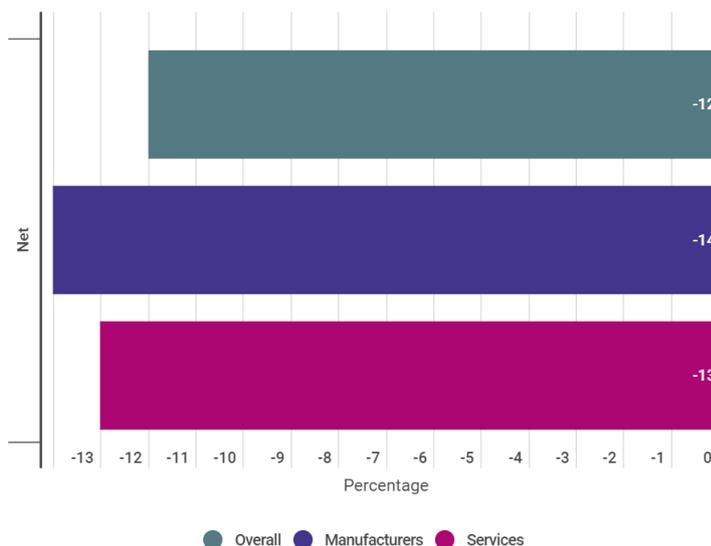
Plans for training have been:



There was a positive pick up in businesses revising their investment intentions upwards across both sectors. This followed historic lows in the second quarter and demonstrates businesses starting to plan for recovery and future growth. It also illustrates opportunities for efficiencies in operating identified by many businesses over recent months.

Cashflow

During the past 3 months, the situation has:



While an improvement on Q2, all sectors continue to struggle overall with reductions in cashflow.

At a time when many are looking to recover and invest this potentially undermines their ability to do so, underlining the importance of access to appropriate finance and responsible payment terms

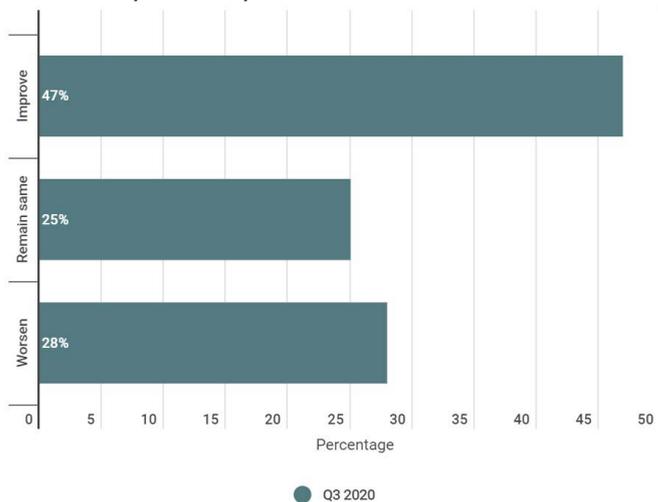
Profitability and Turnover for Manufacturers

Around half of manufacturers are confident that turnover and profitability are going to improve, with 54% expecting an increase in turnover.

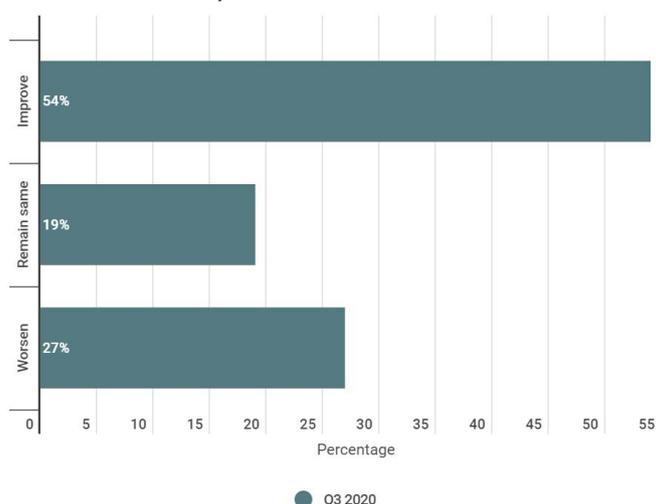
A quarter of manufacturing businesses are expecting their profitability to remain constant with 28% expecting to see a decrease.

Only 19% are expecting their turnover to remain the same with 27% expecting a decrease in the coming months.

Profitability is likely to:

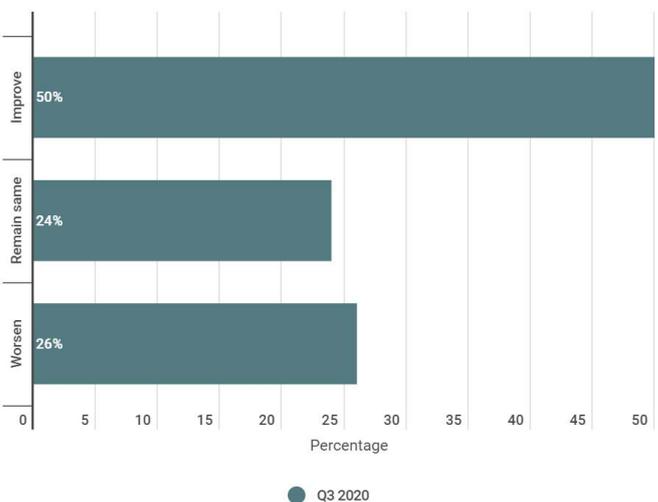


Turnover is likely to:

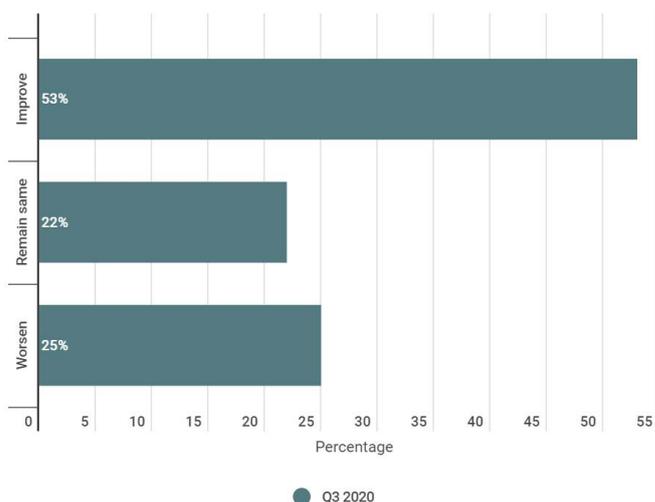


Profitability and Turnover for Services

Profitability is likely to:



Turnover is likely to:

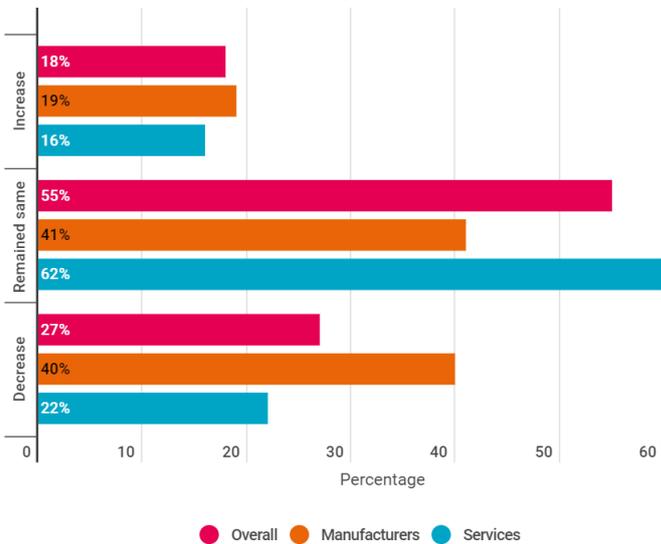


In the service industry over half expect their profitability and turnover to improve in the coming months.

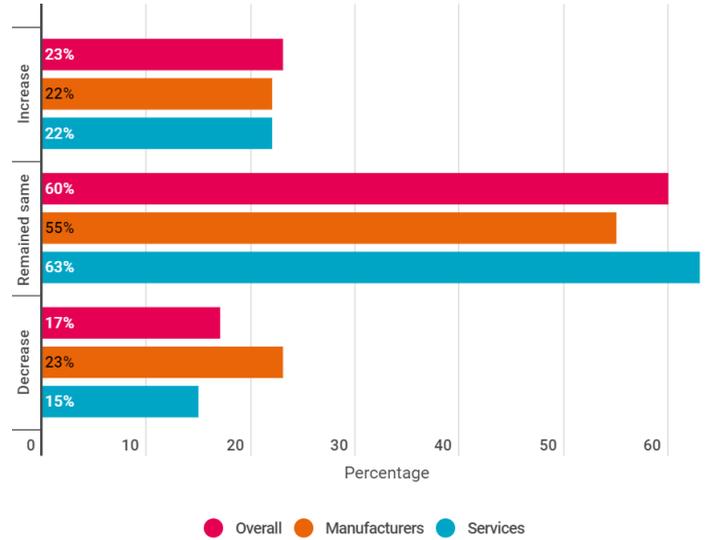
Although a quarter of business expect profitability and turnover to decrease.

Workforce

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



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



Following a number of firms reducing the size of their workforce over the past two quarters, only 17% expect further reductions in size over the coming quarter, with 23% anticipating an increase in their workforce size.

In other figures, 4 in ten attempted to recruit in the last quarter, with 38% of those struggling to find the right skills.

Commentary - An Economy fights back

The Chamber has been running its Quarterly Economic Survey over several decades now, and yet I'm not sure there's a roller-coaster on the planet that would do justice to the well-worn analogy when describing how the economy has performed in recent times.

Following historic lows in the second quarter of the year, which covered a period when large swathes of the economy was essentially cut off at the knees, analysts and commentators have keenly anticipated the results from Q3. So what did the survey – which attracted a record 470 responses, making it the largest of its kind in the region and comparable with many national surveys – tell us?

There are two ways of looking at the results: on a regional, macro level or on a local, micro one.

So the macro headlines first. Given everything that has taken place over the last 6 months, the economy across Derbyshire, Nottinghamshire and Leicestershire is in decent shape. UK market activity recovered from historic lows to return to positive territory for advanced orders and bookings, albeit only just, with export markets not too far behind. In particular for exports, the North American market performed particularly well. In terms of staffing levels, unfortunately the figures showed large numbers of businesses reducing their workforce size over the past three months, but then we also saw four in ten employers looking to recruit to new roles and a further one in four expecting overall increases in the workforce over the coming quarter.

Following massive drops in investment intentions over the summer, an encouraging 23% are now revising their plans upwards for both training and capital investment. However, perhaps denting the ability for more to do so, 38% have seen cashflow worsen – and on the back of 68% seeing it worsen over the summer.

While sentiment may feel less tangible, it is important as it can guide decisions made. For that reason it's encouraging to see over half of respondents expecting their turnover and profitability to rise over the coming year, compared to the reverse of these figures over the summer.

Given everything the country has been through, given the uncertainty that still exists and given the new ground we find ourselves on, these results should give some heart to people. There is still a long way to go – and as we discovered in March this year – things can change quickly, but the economy as a whole is not as bad as perhaps many feared.

However, while this is positive news for national policy and decision makers, it's important that we temper the statement with a recognition that people don't exist on a macro scale.

It's a series of individuals and local experiences that make up life and the overall numbers hide a whole raft of different experiences. Looking by sector, we see that our manufacturers – such an important part of the East Midlands economy – have been slower to recover, while some in logistics or IT have experienced what can only be described as a boom driven by the shifting necessity of online retail and remote working. By geography, Derbyshire businesses have not performed as strongly as their neighbours in the other two counties, although some of this may be explained by a higher preponderance of manufacturers. More broadly, many of the services in our city and town centres have struggled, whereas those that have been able to shift to online or remote ways of providing their service have fared relatively ok.

In short, our 470 responses detail 470 different experiences and this poses tough questions for businesses and politicians alike. How do we ensure the continued support that is undoubtedly needed can be targeted to those that would most benefit? How do we ensure that the positive learnings and ways of working that many have taken from the past 6 months can be properly built upon as the economy continues its recovery, while also helping those businesses that for a multitude of reasons have been unable to move as quickly? And importantly, how do we make sure we can harness our regional strengths without undermining the diversity of business within the East Midlands, which in itself is something that we know gives us much of our resilience when compared to other regions?

These are the challenges that we need to address over the coming quarter. And they need to be addressed against a backdrop of continued uncertainty about how the virus and associated policy will develop, in addition to the forthcoming change in our trading relationship with the EU (which at any other time would be dominating all of the headlines!). The Chamber will ensure that these discussions are taking place and that we involve the real experiences of our members in them. Many thanks to all of you who continue to complete the Quarterly Economic Survey – your support is needed and appreciated now more than ever.