

# Q1

2020

## QUARTERLY ECONOMIC SURVEY

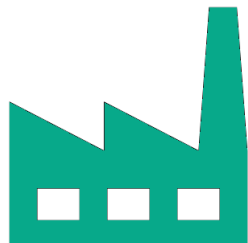
# METHODOLOGY



QES Q1 fieldwork was carried out between the dates of 17th February 2020 to 9th March 2020. Data taken from Q4 2019 is also cited in the report and this was carried out between 4th November 2019 to 25th November 2019.



Net balance figures show the difference between the respondents who recorded an increase and decrease. If the figure is a plus, then it indicates growth and a positive contribution. If the figure is a minus it indicates a contraction of growth and a negative contribution.



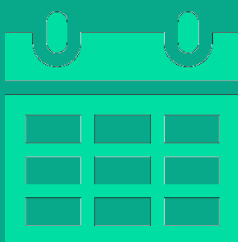
## **Manufacturing sector**

Businesses with the main activity of manufacturing goods (i.e. electronic or IT), and the production of raw materials.



## **Service sector**

Businesses with the main activity of providing a service, i.e. media/accounting/recruitment/hospitality or wholesaling.



## **Upcoming QES data collection:**

### **QES Quarter 2 2020:**

18 May – 8 June, report issued 1<sup>st</sup> July 2020.

### **QES Quarter 3 2020:**

24 August – 14 September, report issued 2<sup>nd</sup> October 2020.



I write this introduction to the findings of the latest Quarterly Economic Survey (QES) in unprecedented times. Between the collection of the data and the publication of this report the onset of COVID-19, the Coronavirus, has fundamentally changed life in the UK and across the world, with a huge impact on our economy.

With this unparalleled change to our financial situation it would be easy to dismiss the findings of this report as irrelevant to our present times, however I believe that if we are to successfully fight off the threat of the Coronavirus and return to normal, however long it takes, an idea of what 'normal' was will be helpful.

It is perhaps ironic that one of the findings of the report was a boost in confidence due to increased political certainty following the General Election of December 2019. A small number of firms mentioned the Coronavirus as an issue but this was largely for exporters or those relying on imports from China at that time.

Milton Keynes Chamber will continue to feed these results into local, regional and national economic strategies. Data from Milton Keynes Chamber's QES is utilised by HM Government, The Bank of England and economists alike. It provides both local and central policy makers with an accurate and unique insight into the performance, concerns and views of businesses across the county.

**Domestic demand:** This quarter saw a decrease in both domestic sales and orders.

**Overseas sales and orders:** Overseas sales rose, however there was a drop in overseas orders.

**Employment:** Businesses recorded they had actively recruited over the past three months and anticipate recruiting even further. Recruiting challenges remain both within the manufacturing and service sector.

**Business confidence and investment:** Business confidence remained steady with firms continuing to adopt a positive outlook for the future. Recent training investment also rose.

Whatever the current economic circumstances the Milton Keynes Chamber will continue to champion and represent the voice of local business.

I look forward to a time when the current crisis has ended and the Milton Keynes Chamber can return to making the case for measures to boost business confidence, calling for action to lessen the costs facing business and supporting infrastructure improvements. In the meantime I remain proud to be Chief Executive of Milton Keynes Chamber of Commerce and a fantastic collection of businesses I am sure will do everything to face up to the challenges posed by Coronavirus. Most of all can I express my wish that everyone stays safe and well.

# A message from the Chief Executive



“ The Coronavirus has fundamentally changed life in the UK and across the world, with a huge impact on our economy. ”

A handwritten signature in black ink, appearing to read 'Paul Griffiths'.

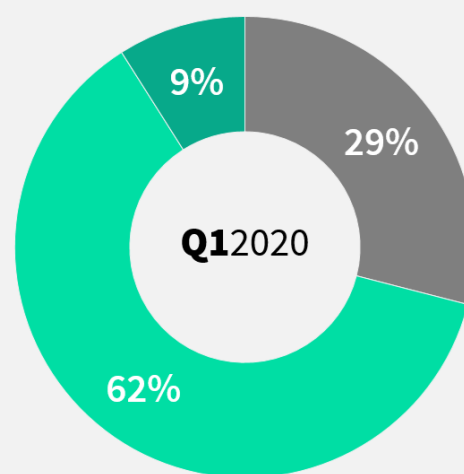
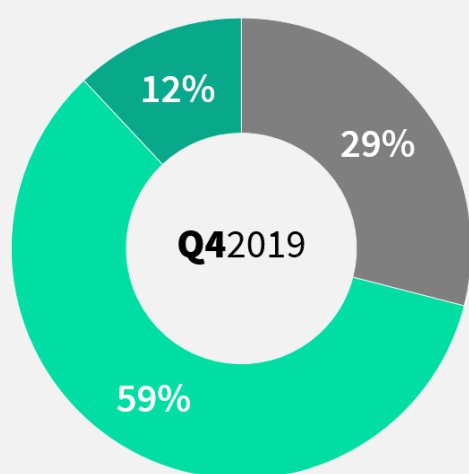
**Paul Griffiths**  
Chief Executive

# DOMESTIC SALES AND ORDERS



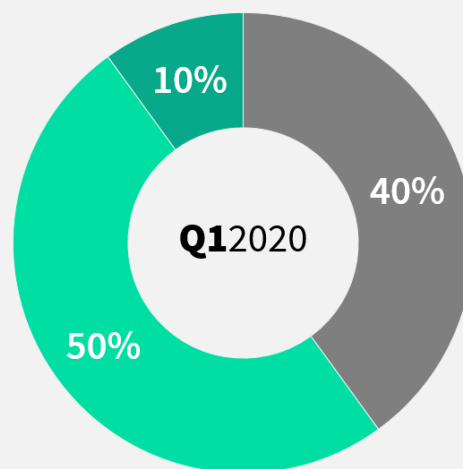
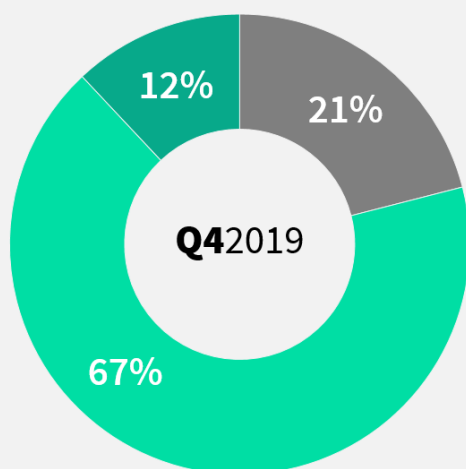
Overall, businesses in Milton Keynes saw a small increase in domestic activity compared to the fourth quarter of last year. The number of businesses recording an increase in domestic sales remained constant at 29%. Businesses experiencing an increase in domestic orders were up from 21% to 40%. A plurality of firms in both quarters reported that sales and orders had remained constant over the three months.

## DOMESTIC SALES



■ Increased ■ Remained Constant ■ Decreased

## DOMESTIC ORDERS



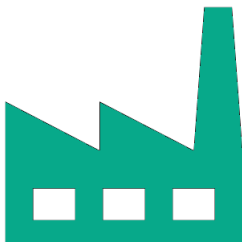
■ Increased ■ Remained Constant ■ Decreased



## SERVICE SECTOR

27% of service sector respondents reported an increase in UK sales, with no respondents reporting falling sales.

Similarly, 22% reported an increase in UK orders, with 12% reporting a fall in advance orders.



## MANUFACTURING SECTOR

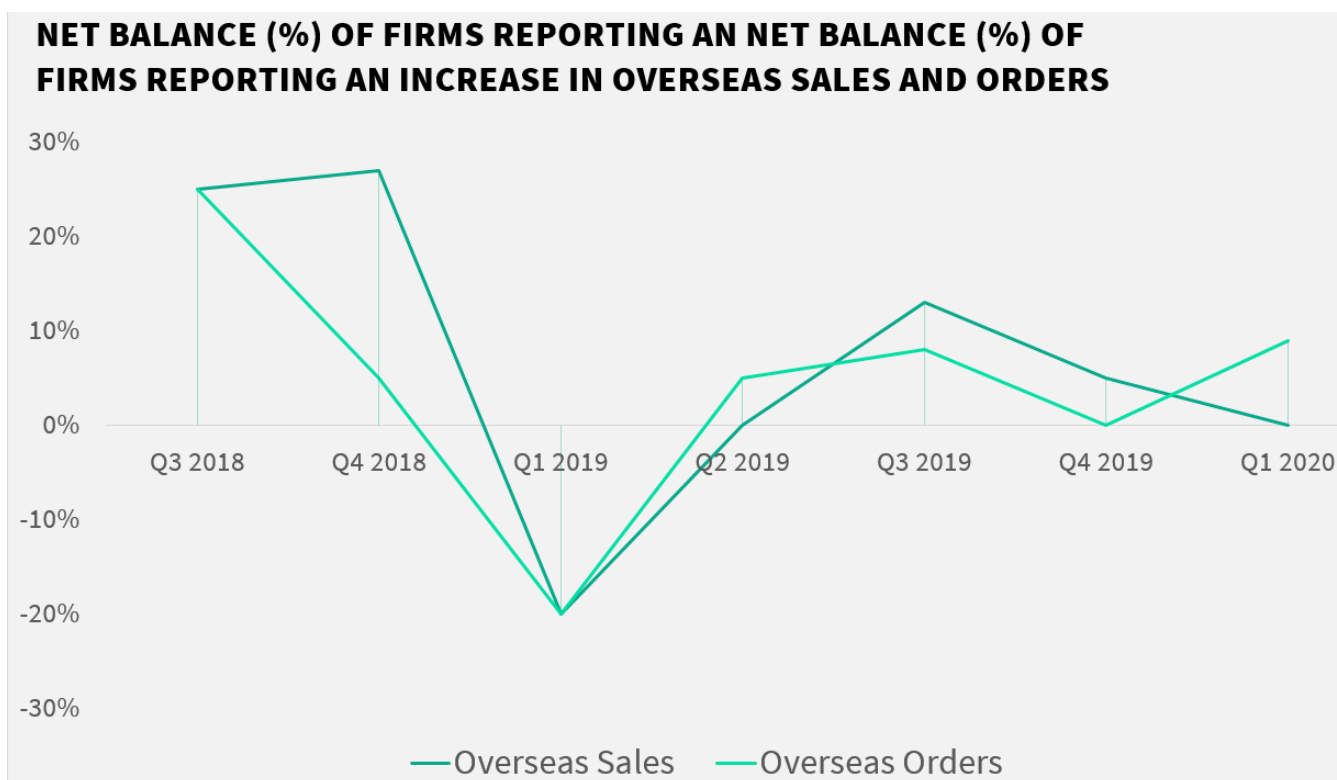
33% of manufacturing respondents reported an increase in domestic sales. 11% also reported an increase in domestic advance orders.

# OVERSEAS SALES AND ORDERS

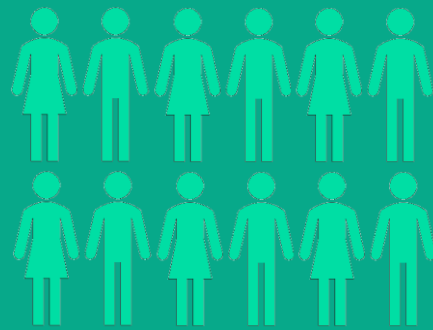


Milton Keynes businesses saw a steady picture on overseas activities in this quarter with almost every respondent reporting that overseas sales and orders had remained constant.

The net balance of firms recording an increase in sales/customs/bookings was down from 4% in Q4 2019 to 0%. There was a small rise in overseas orders from 0% to 9%.

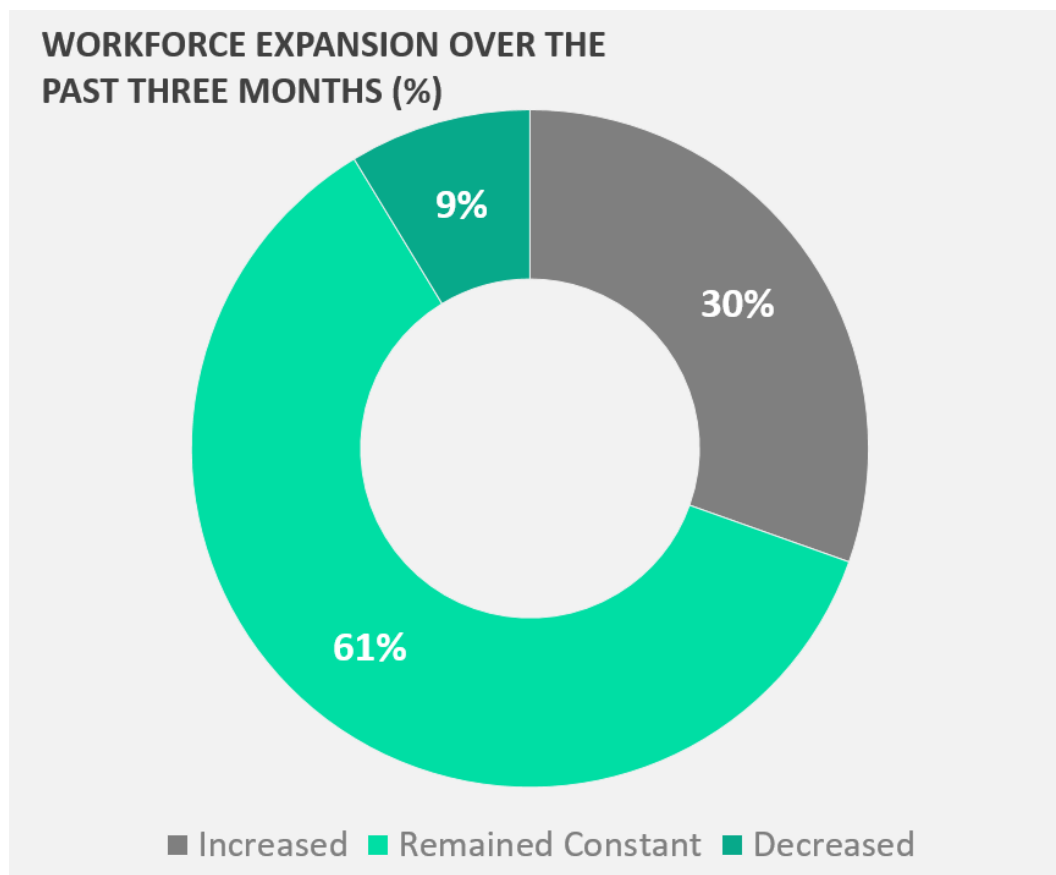


# EMPLOYMENT



During the last quarter, 30% of respondents recorded that they saw workforce growth. However, 9% reported a decrease in workforce.

45% of all respondents anticipate increasing their workforce further over the next three months.



Overall, 60% of businesses that responded attempted to recruit during Q1 2020 and of these 50% stated that they had experienced recruitment difficulties in finding suitable staff. This figure has remained roughly constant over the past few quarters.



# 55%

**Percentage of businesses expecting no change to their workforce over the next 3 months**



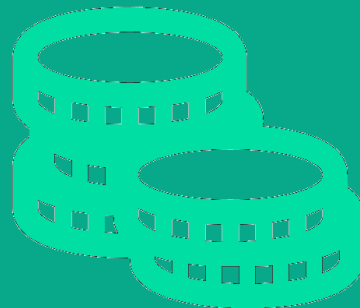
<b>Job Type</b>	<b>% of businesses</b>
Full Time	80%
Part Time	30%
Temporary	20%
Permanent	30%

<b>Role Type</b>	<b>% of businesses</b>
Skilled manual/ Technical	20%
Professional/Managerial	50%
Clerical	30%
Semi/Unskilled	10%

The main struggle being recruiting Professional / Managerial staff with 50% of firms stating that as their biggest difficulty, followed by Clerical staff recorded by 30% of respondents.

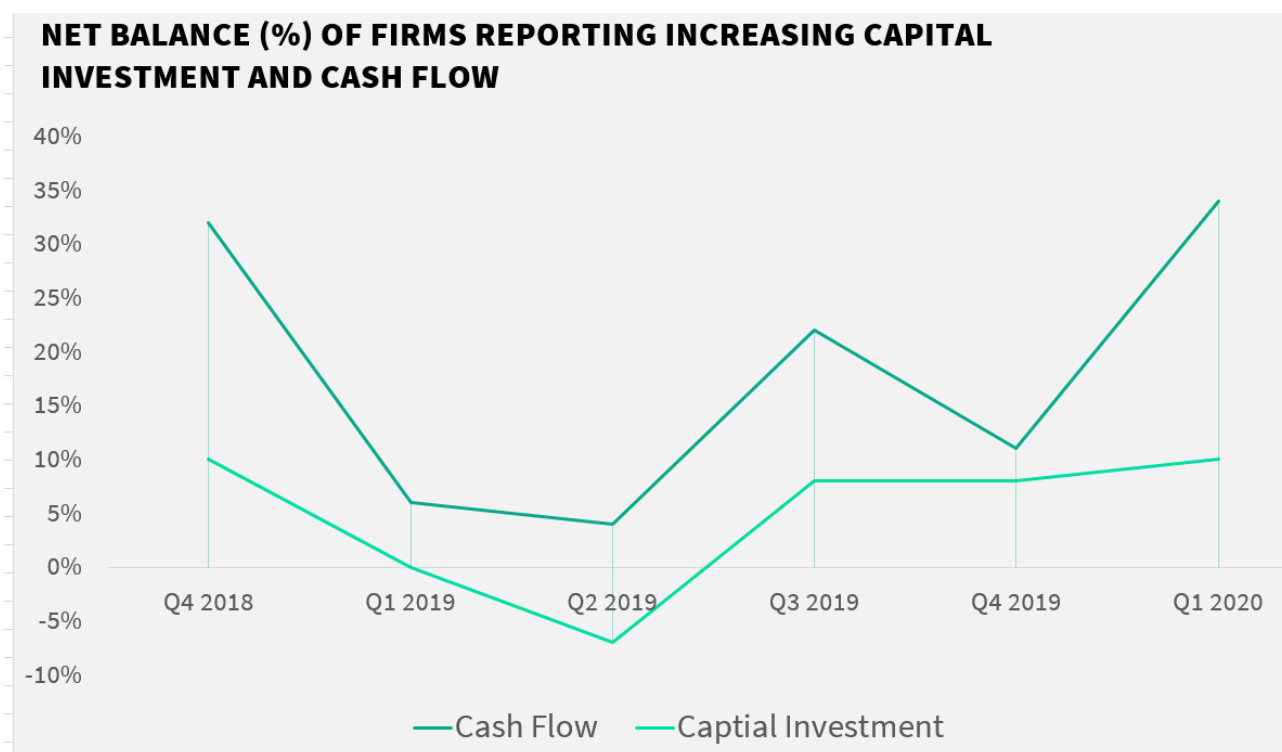


# INVESTMENT



This quarter saw an increase in cash flow and a small rise in capital investment. A net balance of 34% of respondents recorded that cash flow had increased during Q1 (up from 10% in Q4 2019).

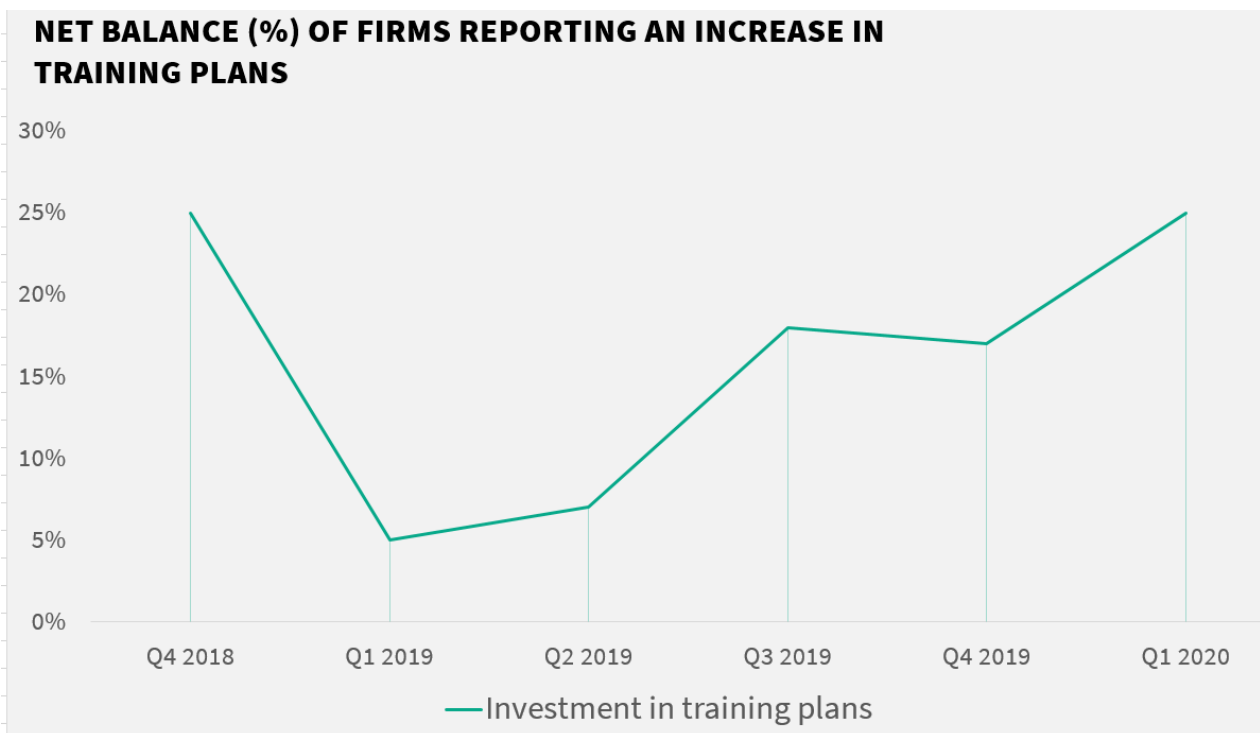
Capital investment remained in positive territory with the net balance of firms recording an increase in Q1 being up 2% on Q4 2019.



The British Chambers of Commerce (BCC) has downgraded its UK GDP growth expectations for 2020 to 0.8%, from 1.0%. Outside of the 2008/09 financial crisis, this would be the weakest full-year growth outturn since 1992 and down sharply from UK GDP growth of 1.4% in 2019.



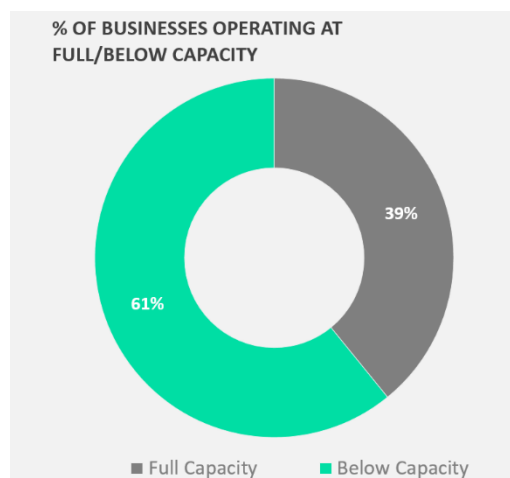
There was continued good news in terms of recent investment in training plans, with this quarter seeing a net balance of 25%. This continues a trend of increasing investment since it's most recent low point in Q1 2019.



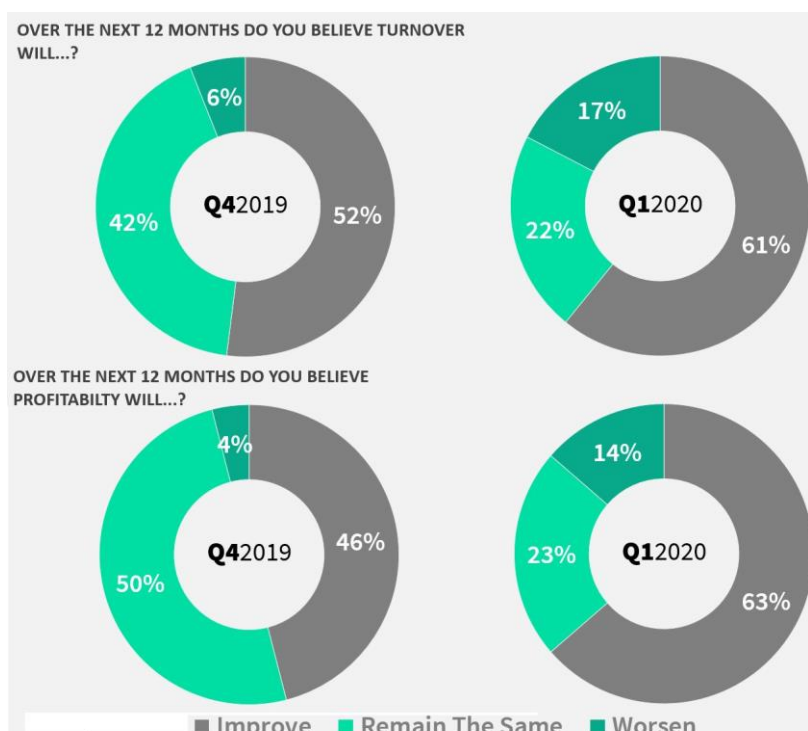
It's forecasted by the British Chambers of Commerce (BCC) that business investment is likely to remain low with a prediction of -0.7% for 2020 before growth of 0.6% in 2021.

# BUSINESS CONFIDENCE AND CONCERNS

Results for Q1 show little change from Q4. 61% of local respondents stated that they continue to operate at below capacity, an increase of 1% since the last quarter. 52% of businesses anticipate increasing the price of their services and goods in the next three months (up from 27% in Q4 2019). The main price pressure was reported to be other overheads, which has been a main concern for previous quarters.

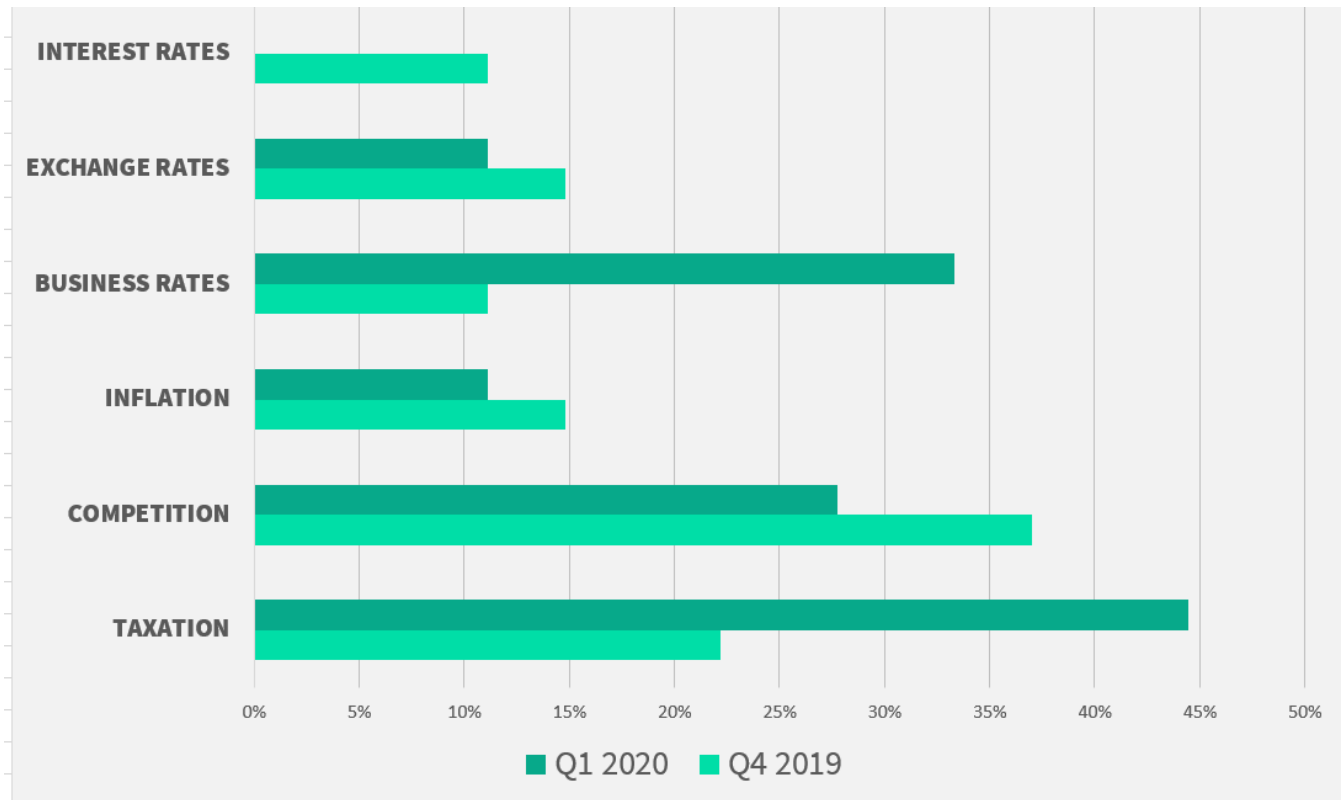


Business confidence remained high this quarter. 61% of firms stated that they anticipate turnover to increase over the next 12 months, with 63% expecting an increase in profitability over the next year, an increase in both figures compared to Q4 2019.

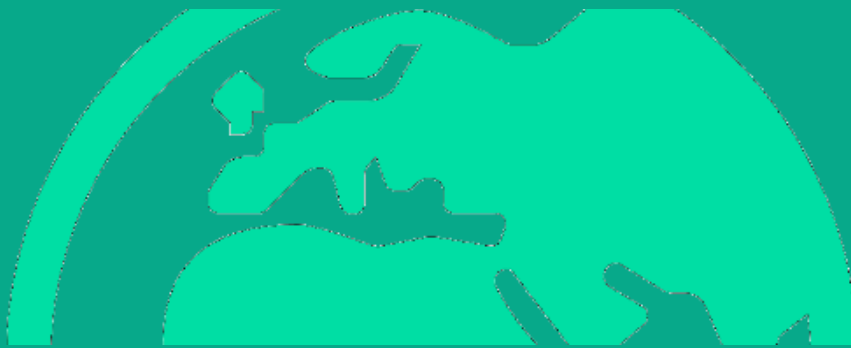




Firms were also questioned on the factors which are more of a concern to their business compared to three months ago with Taxation followed by Business Rates the largest factors and both showing large rises since the last quarter.







### Other concerns

Despite the more settled political situation following the result of the UK General Election in December 2019 the most common concern mentioned was still Brexit with uncertainty regarding trading arrangements following the end of the transition period still weighing on businesses.

The outbreak of Covid-19 - the Coronavirus was also a significant concern.

The British Chambers of Commerce (BCC) forecasts that there will be minimal quarter-on-quarter GDP growth in Q1 2020, followed by a contraction in Q2. UK GDP growth is expected to pick-up in subsequent years: to 1.4% in 2021 and 1.6% in 2022.

The forecast indicates that by the end of 2022, the UK economy will have grown below its historic average growth rate of 2.6% for eight successive years, the longest period since records began.



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