

Q2

2020

QUARTERLY ECONOMIC SURVEY

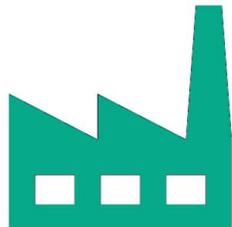
METHODOLOGY



QES Q2 fieldwork was carried out between the dates of 18th May 2020 to 8th June 2020. Data taken from Q1 2020 is also cited in the report and this was carried out between 17th February 2020 to 9th March 2020.



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

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



Service sector

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 3 2020:

24 August – 14 September, report issued 2nd October 2020.

QES Quarter 4 2020:

2 November – 23 November, report issued 4th January 2021.

There is no good news in the latest Quarterly Economic Survey (QES). By every measurable metric businesses in Milton Keynes are suffering, not unexpectedly, from the onset of COVID-19.

The business environment is clearly one of the most difficult in living memory; however, I believe that the results of this survey are hugely important both in comparison with previous quarters and as we look forward to any future economic recovery.

As the true scale of the Coronavirus began to take shape, the Milton Keynes Chamber set up a dedicated hotline which over the last few months has answered hundreds of questions from members, whilst collating information on the problems and challenges being faced. We have passed all this information up to the Policy team at the British Chambers of Commerce who have used it to lobby the government for and get changes and improvements to their support mechanisms. Data from Milton Keynes Chamber's QES is used by the Treasury, the Department for Business, Energy and Industrial Strategy and the Bank of England. Being a Chamber member means that your voice can be heard at the very heart of Government.

To briefly summarise the report findings:

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

Overseas sales and orders: Overseas sales and overseas orders both fell significantly.

Employment: Businesses reported little growth in employment with a sizeable number reporting falls in workforce numbers.

Business confidence and investment: Business confidence plunged to previously unseen lows.

Although we cannot predict the future and we must remain vigilant against the possibility of a second wave of the Coronavirus, as I write the very beginnings of measures easing the lockdown are coming into place. In the coming weeks firms will hopefully be able to turn their minds from just surviving towards stabilising and finally growing again.

Now more than ever the Milton Keynes Chamber will champion and represent the voice of local business. I am sure our members will do all they can to rise to the challenges posed by Coronavirus. Finally, can I wish everyone the very best in their health and personal wellbeing.

A message from the Chief Executive

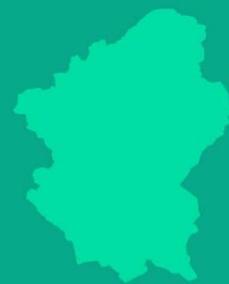


“ The business environment is clearly one of the most difficult in living memory. ”

A handwritten signature in black ink that reads "Louise Wall". The signature is fluid and cursive.

Louise Wall
Interim Chief Executive

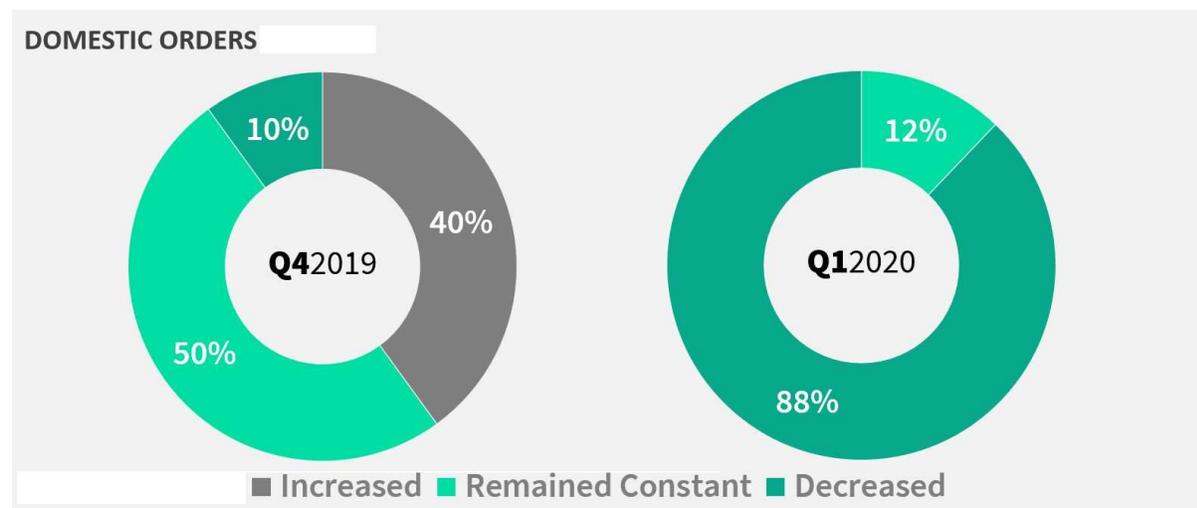
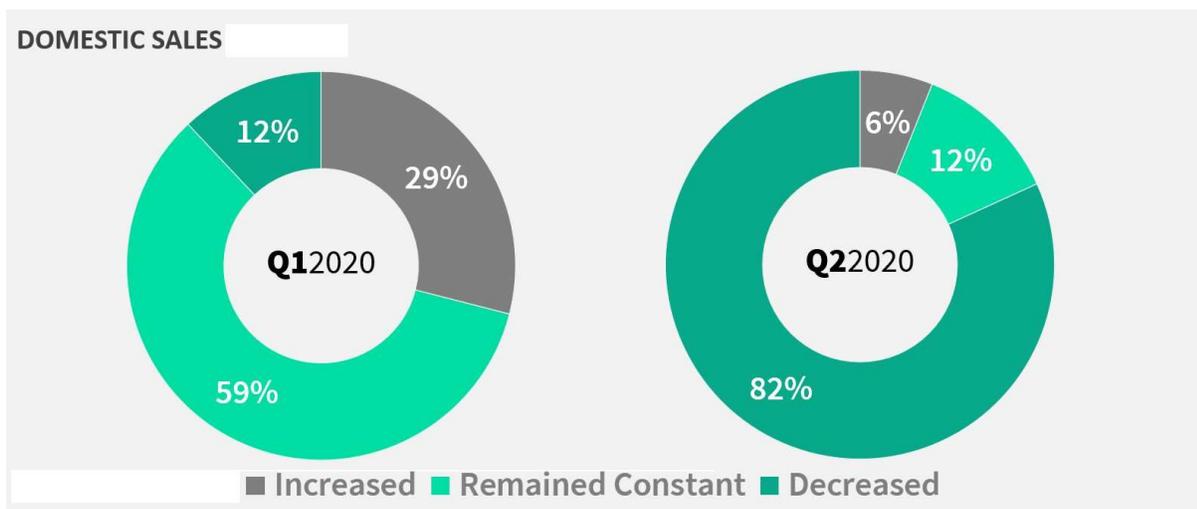
DOMESTIC SALES AND ORDERS



Overall, businesses in Milton Keynes saw a gigantic decrease in domestic activity compared to the first quarter of the year. The number of businesses recording an increase in domestic sales was down from 59% in Q1 2020 to 6% in Q2 with those seeing a decrease rising from 12% to 82%.

Businesses experiencing an increase in domestic orders dropped from 40% to 0% whilst the number recording a decrease in orders rose from 10% to 88%.

There was also a large drop in firms reporting constant sales and orders dropping from 29% to 12% for sales and 50% to 12% for orders.

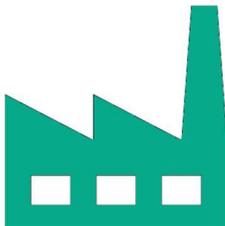




SERVICE SECTOR

The number of businesses in the service sector reporting increased domestic sales was 4% compared with those reporting decreasing sales at 85%, a positive net balance of -81%.

No businesses reported an increase in UK advanced orders, with 71% reporting a decrease. Sales in the UK remained constant for 12% whilst this figure was 8% for advanced orders.



MANUFACTURING SECTOR

This quarter whilst 14% experienced an increase in sales no businesses reported an increase in advanced orders/bookings.

71% of respondents recorded a decrease in UK sales with the same number reporting a decrease in UK advance orders. UK sales remained constant for 14% with advanced orders constant for 28%.

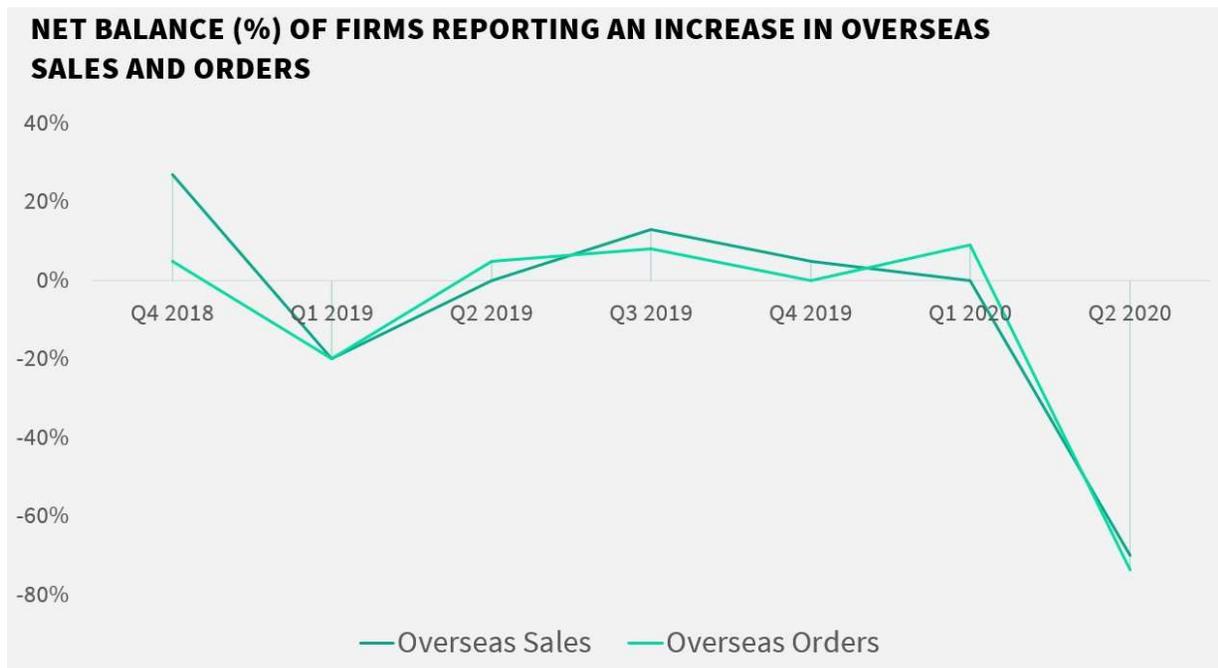
OVERSEAS SALES AND ORDERS



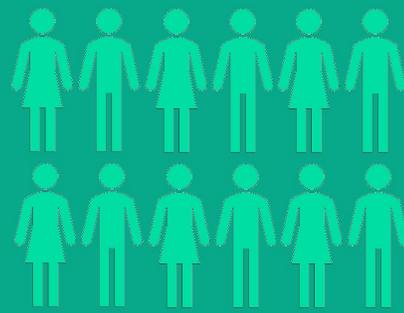
Milton Keynes based businesses saw a vast drop in overseas activity, falling back to significantly decreased demand in overseas sales and overseas orders.

The net balance of firms reporting an increase in sales/customs/bookings plummeted by 70% from 0% in Q1 2020 to -70 in Q2%. Net overseas plunged from 9% in Q1 2020 to -74% in Q2.

As illustrated by the graph below, the overseas market was volatile with fluctuating responses before the significant decrease in this quarter.

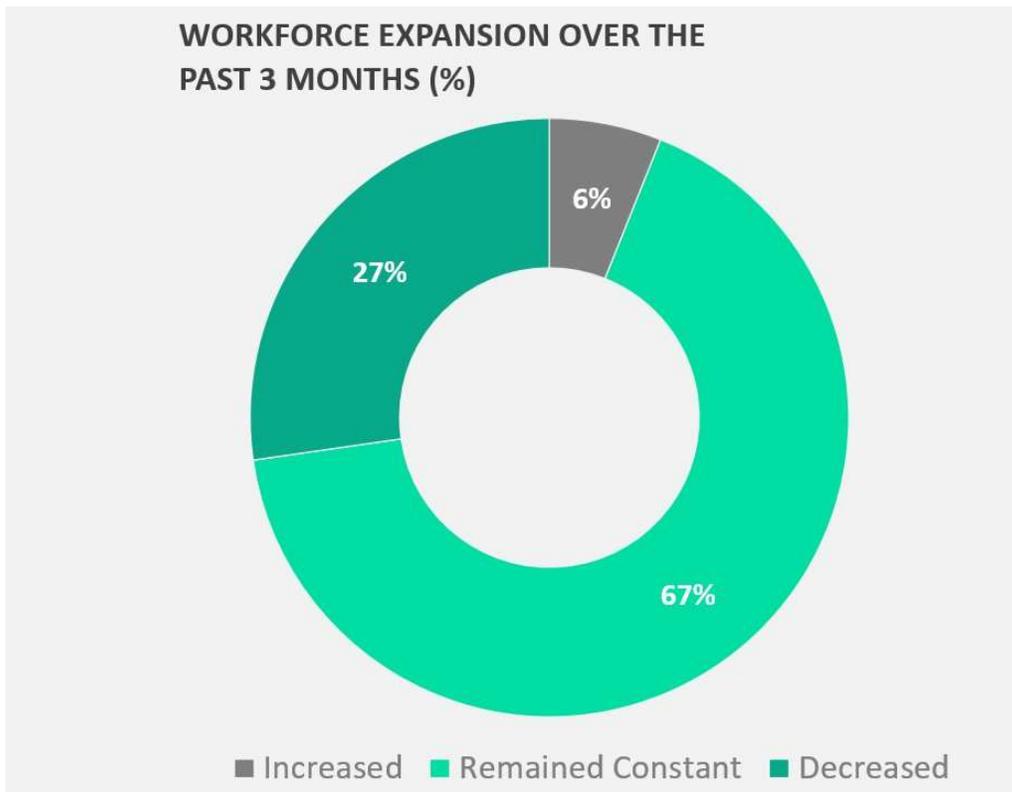


EMPLOYMENT

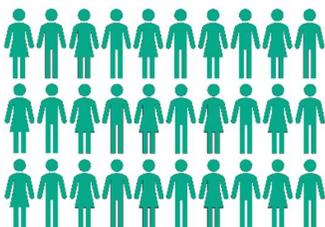


During the last quarter, 6% of respondents recorded that they saw workforce growth. However, 27% reported a decrease in workforce.

Just 3% of all respondents anticipate increasing their workforce further over the next three months with 30% expecting a decrease.

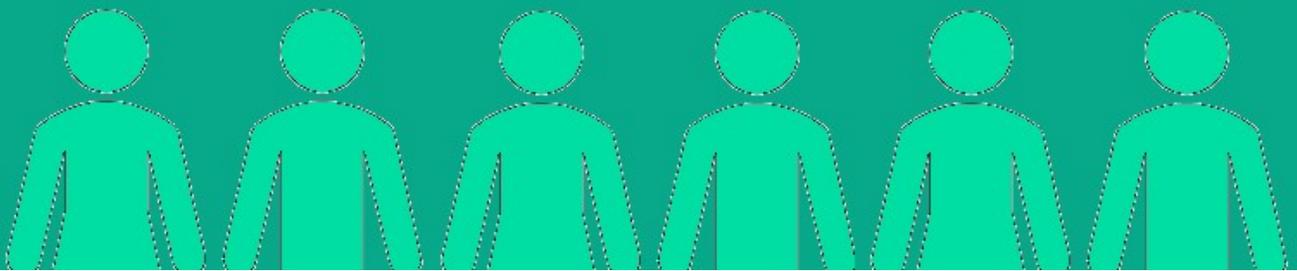


Just 18% of businesses that responded attempted to recruit during Q1 2020 and of these 11% stated that they had experienced recruitment difficulties in finding suitable staff. These figures are considerably lower than those from the past few quarters.



67%

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

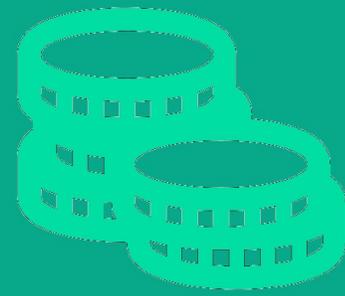


| Job Type | % of businesses |
|-----------------|------------------------|
| Full Time | 29% |
| Part Time | 43% |
| Temporary | 0% |
| Permanent | 43% |

| Role Type | % of businesses |
|---------------------------|------------------------|
| Skilled manual/ Technical | 17% |
| Professional/Managerial | 50% |
| Clerical | 17% |
| Semi/Unskilled | 17% |

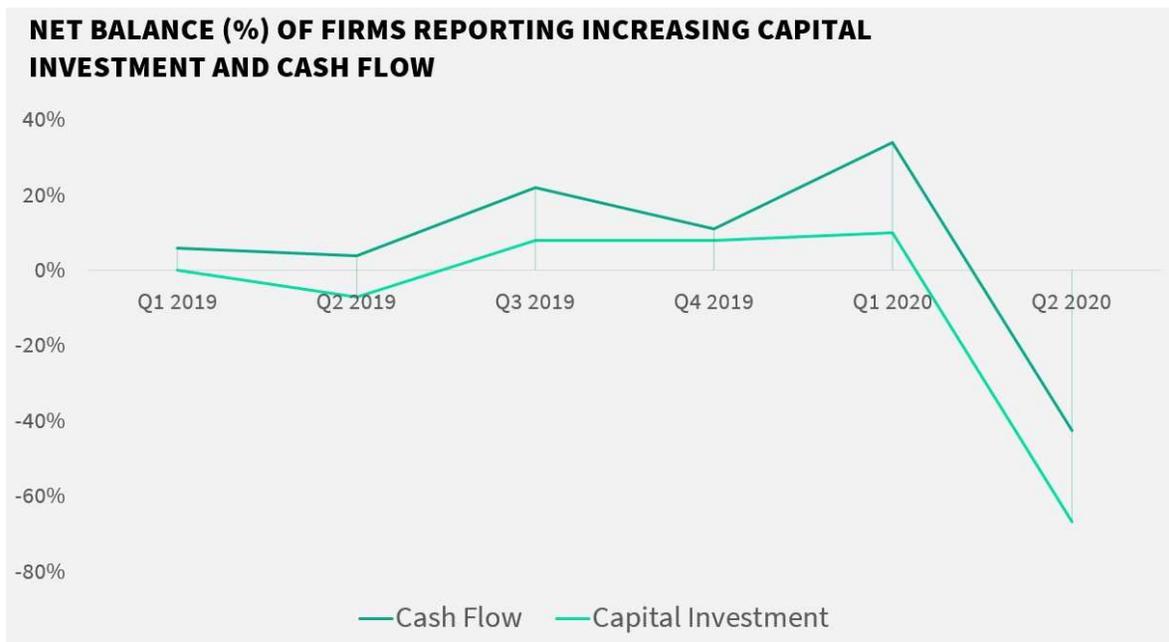
The main struggle being recruiting Professional / Managerial staff with 50% of firms stating that as their biggest difficulty.

INVESTMENT



A net balance of -42% of respondents recorded that cash flow had increased during Q2 (significantly down from 34% in Q1).

Capital investment moved comprehensively into negative territory with the net balance of firms recording an increase down to a net balance of -67%.





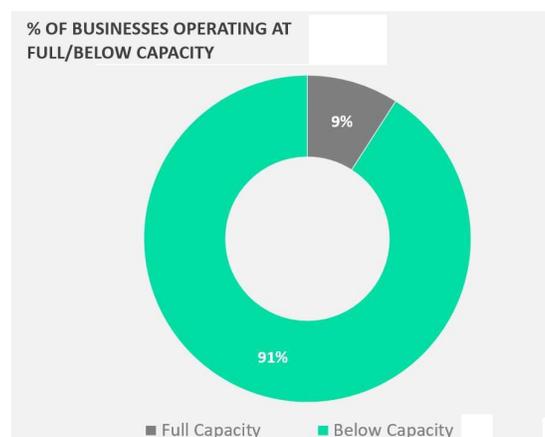
There was a large fall in investment in training plans, with this quarter seeing a net balance of -48% (down from 25% in Q1 2020).



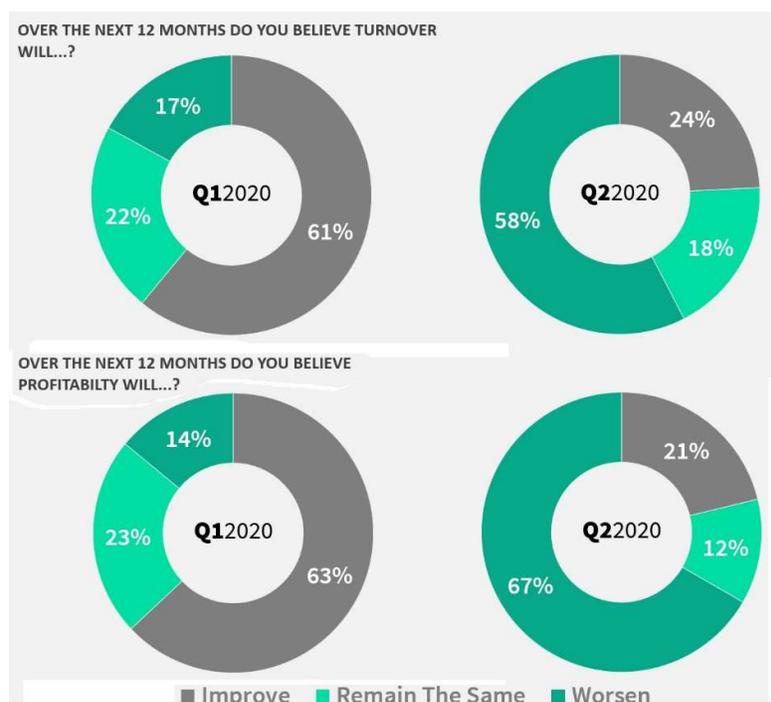
The Office for National Statistics (ONS) reports that GDP fell by 10.4% in the three months to April. Even during the 2008/9 financial crisis GDP shrunk by no more than 2.1% in a single quarter.

BUSINESS CONFIDENCE AND CONCERNS

There was a large rise in local businesses working at below capacity, with 91% reporting this to be the case in Q2 2020, up from 61% in Q1 2020. 18% of businesses anticipated increasing the price of their services and/or goods. The main price pressure was reported to be other overheads, followed by finance costs.

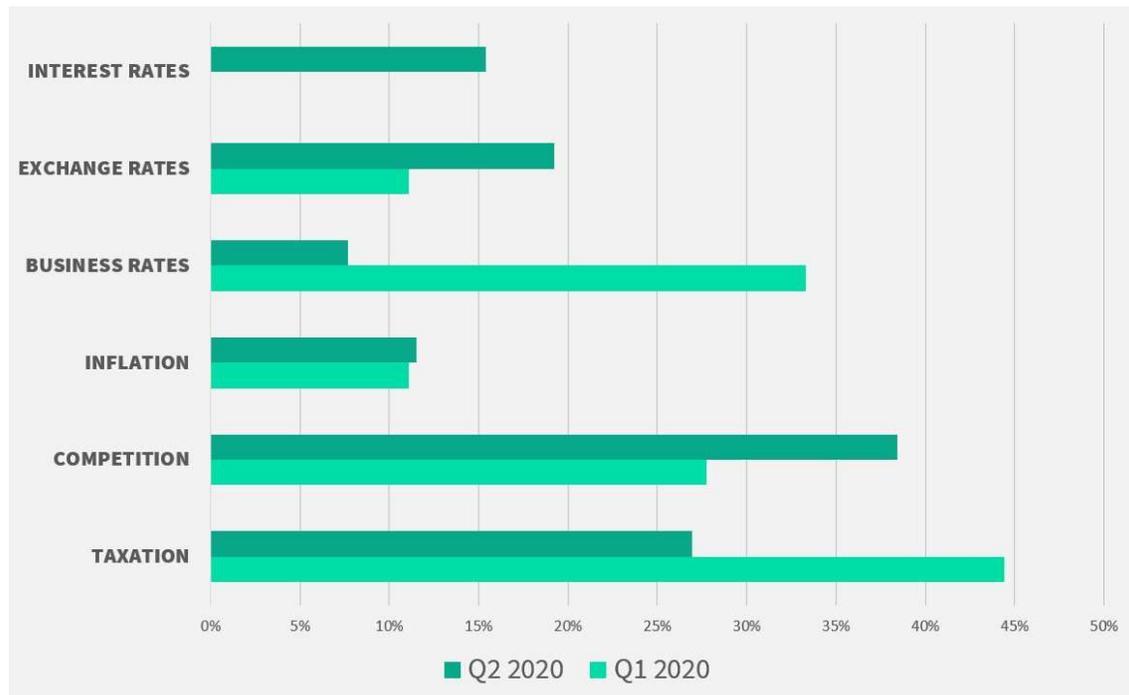


Business confidence fell precipitously between Q1 and Q2 2020 – 58% of businesses stated they believe turnover will worsen over the next year (17% in Q1 2020) and 56% believe in turn profitability will worsen (up from 14% in Q1 2020).





Firms were also questioned on the factors which are more of a concern to their business compared to three months ago. Competition was the top concern with 38% of businesses responding reporting this as an issue. Taxation, the top concern in Q1 2020, was a concern for 27% of businesses.





Other concerns

50% of Businesses cited 'Other Concerns' as factor for their business with 74% of them mentioning Covid-19, this puts the economic impact of Coronavirus into sharp relief. With lockdown restrictions gradually easing and shops beginning to reopen, it is to be hoped that Q2 will prove to be the low point for the UK economy. Over the coming months, further action will be needed to limit the long-term economic damage and kickstart a recovery.

The uncertainty regarding trading arrangements following Brexit and the end of the transition period was still mentioned by businesses.



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