

# Q3

2020

## QUARTERLY ECONOMIC SURVEY

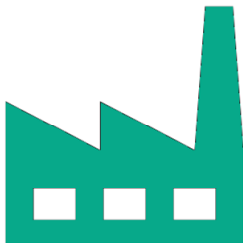
# METHODOLOGY



QES Q3 fieldwork was carried out between the dates of 24th August 2020 to 14th September 2020. Data taken from Q2 2020 is also cited in the report and this was carried out between 18th May 2020 to 8th June 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 4 2020:**

2 November – 23 November, report issued 4th January 2020.



The latest Quarterly Economic Survey shows an improvement in the business environment in Milton Keynes following the historic lows seen in Quarter 2.

Almost every metric shows an upturn from the last quarter, however despite this we still need to be cautious about the signs of economic recovery. Significant numbers of businesses are reporting decreases in sales and orders or turnover and profitability – decreases from Q2, the most difficult quarter in living memory. If the economy was bouncing back fully (the hoped for V-Shaped recovery) we would expect all these figures to be in positive territory.

The Milton Keynes Chamber continues to keep track of all the government schemes supporting businesses, in order to do the best for our members. This includes acting as an intermediary for the new Kickstart scheme, offering placements for young people in danger of long term unemployment.

To briefly summarise the report findings:

**Domestic demand:** This quarter saw an increase in both domestic sales and orders.

**Overseas sales and orders:** The net balance of firms reporting increased overseas sales and overseas orders both rose.

**Employment:** The majority of firms both reported no change in their workforce in the last quarter and expected no change for the next.

**Business confidence and investment:** Business confidence increased with a majority of firms expecting increased turnover in the next 12 months and a plurality increased profitability.

As I write, the number of Coronavirus cases across the country appears to be rising, along with the infection rate. There is still great uncertainty about whether new restrictions will be levelled on businesses in the coming months or whether a relaxation can take place.

During this uncertainty the Milton Keynes Chamber will continue to advise and assist our members to the best of our ability. I know we represent a terrific group of businesses who are doing all they can tackle the challenges faced, from Coronavirus or any other quarter. As ever can I finish by expressing my hope that everyone stays safe and healthy.

# A message from the Chief Executive



“...we still need to be cautious about the signs of economic recovery.”

**Louise Wall**  
Interim Chief Executive

# DOMESTIC SALES AND ORDERS

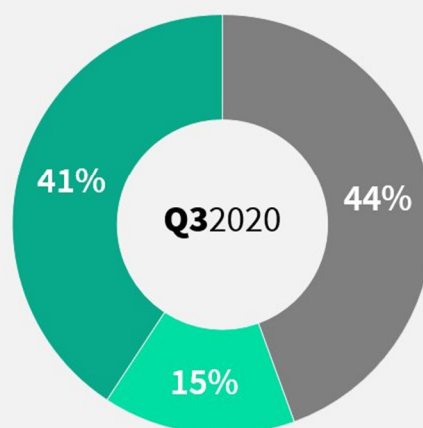
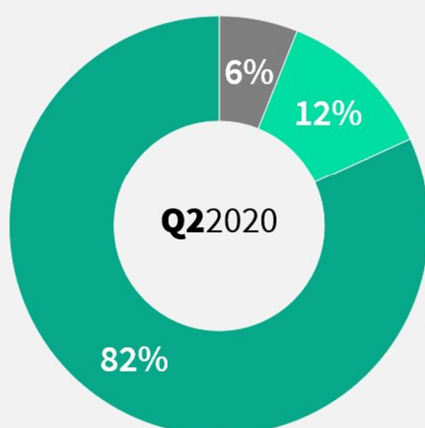


Overall, businesses in Milton Keynes saw an increase in domestic activity compared to the second quarter of the year. The number of businesses recording an increase in domestic sales was up from 6% in Q2 2020 to 44% in Q3 with those seeing a decrease falling from 82% to 41%.

Businesses experiencing an increase in domestic orders rose from 0% to 42% whilst the number recording a decrease in orders fell from 88% to 39%.

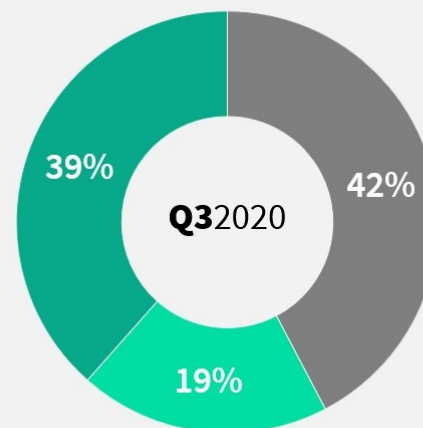
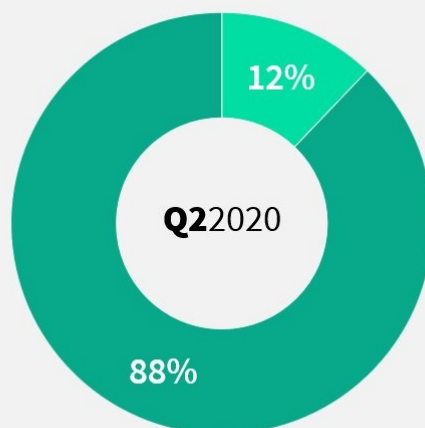
There was also a small rise in firms reporting constant sales and orders up from 12% to 15% for sales and 12% to 19% for orders.

## DOMESTIC SALES



■ Increased ■ Remained Constant ■ Decreased

## DOMESTIC ORDERS



■ Increased ■ Remained Constant ■ Decreased

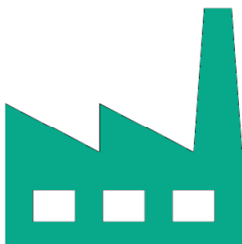




## SERVICE SECTOR

The number of businesses in the service sector reporting increased domestic sales was 45% matching those reporting decreasing sales at 45%, a net balance of 0%.

43% of businesses reported an increase in UK advanced orders, with 43% reporting a decrease. Sales in the UK remained constant for 9% whilst this figure was 14% for advanced orders.



## MANUFACTURING SECTOR

This quarter 40% experienced an increase in sales with the same number reporting an increase in advanced orders/bookings.

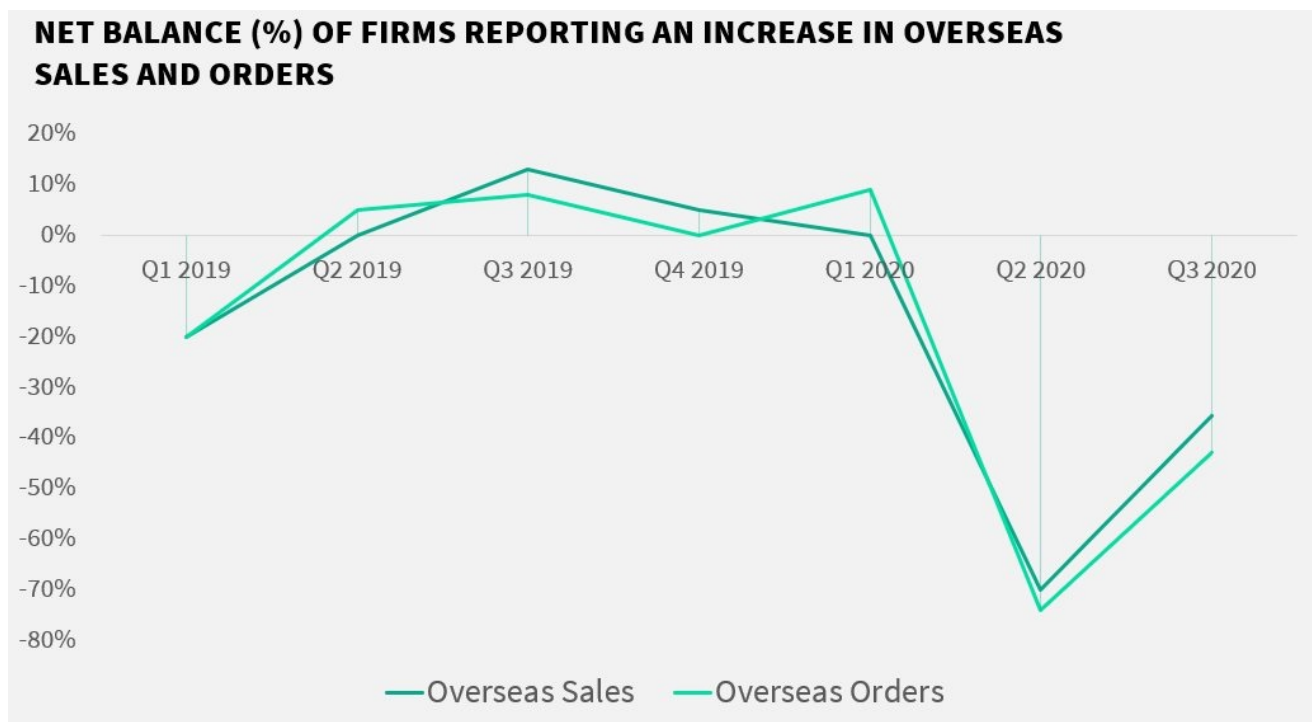
20% of respondents recorded a decrease in UK sales and in UK advance orders. UK sales and orders remained constant for 40%.

# OVERSEAS SALES AND ORDERS



Milton Keynes based businesses saw an improvement in overseas activity, with increased demand in overseas sales and overseas orders.

The net balance of firms recording an increase in sales/customs/bookings rose by 34% from -70% in Q1 2020 to -36 in Q3%. Net overseas rose from -74% in Q2 2020 to -43% in Q3.

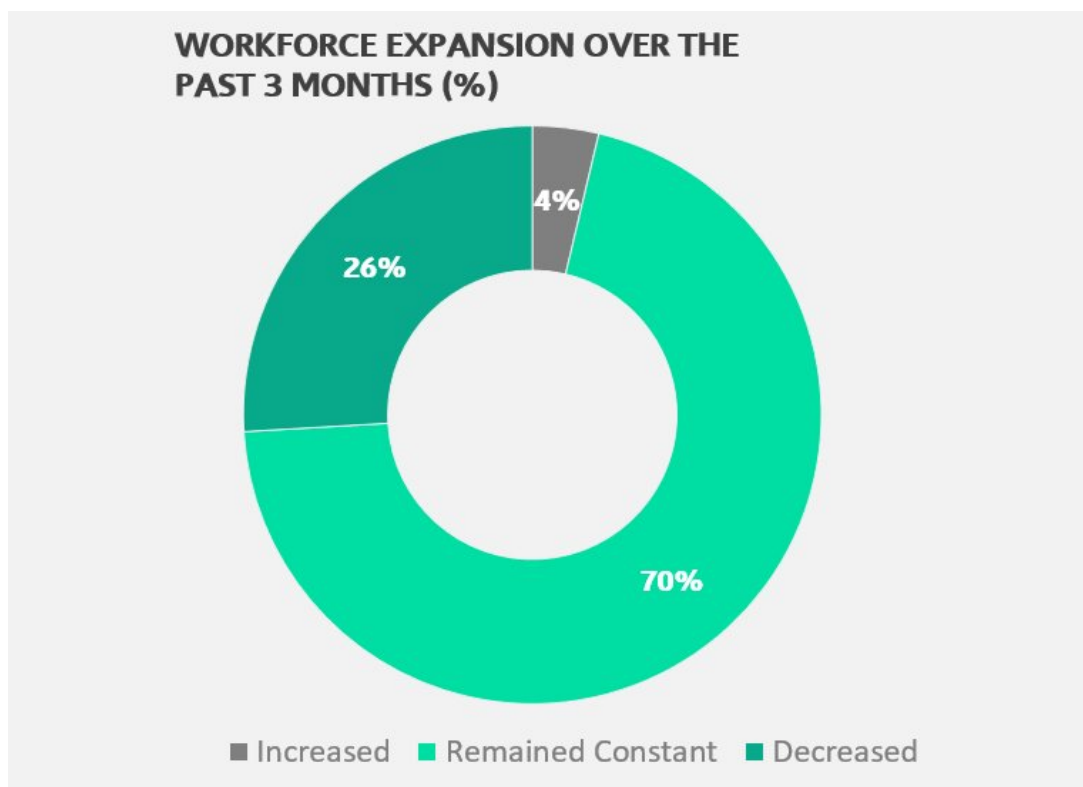


# EMPLOYMENT



During the last quarter, 4% of respondents recorded that they saw workforce growth. However, 26% reported a decrease in workforce.

12% of all respondents anticipated increasing their workforce further over the next three months with 27% expecting a decrease.



Just 14% of businesses that responded attempted to recruit during Q2 2020 and of these 21% stated that they had experienced recruitment difficulties in finding suitable staff.



## 62%

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



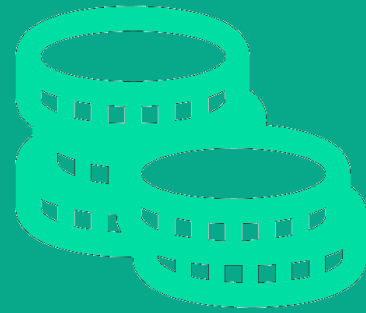


Job Type	% of businesses
Full Time	25%
Part Time	100%
Temporary	0%
Permanent	25%

Role Type	% of businesses
Skilled manual/ Technical	33%
Professional/Managerial	83%
Clerical	0%
Semi/Unskilled	0%

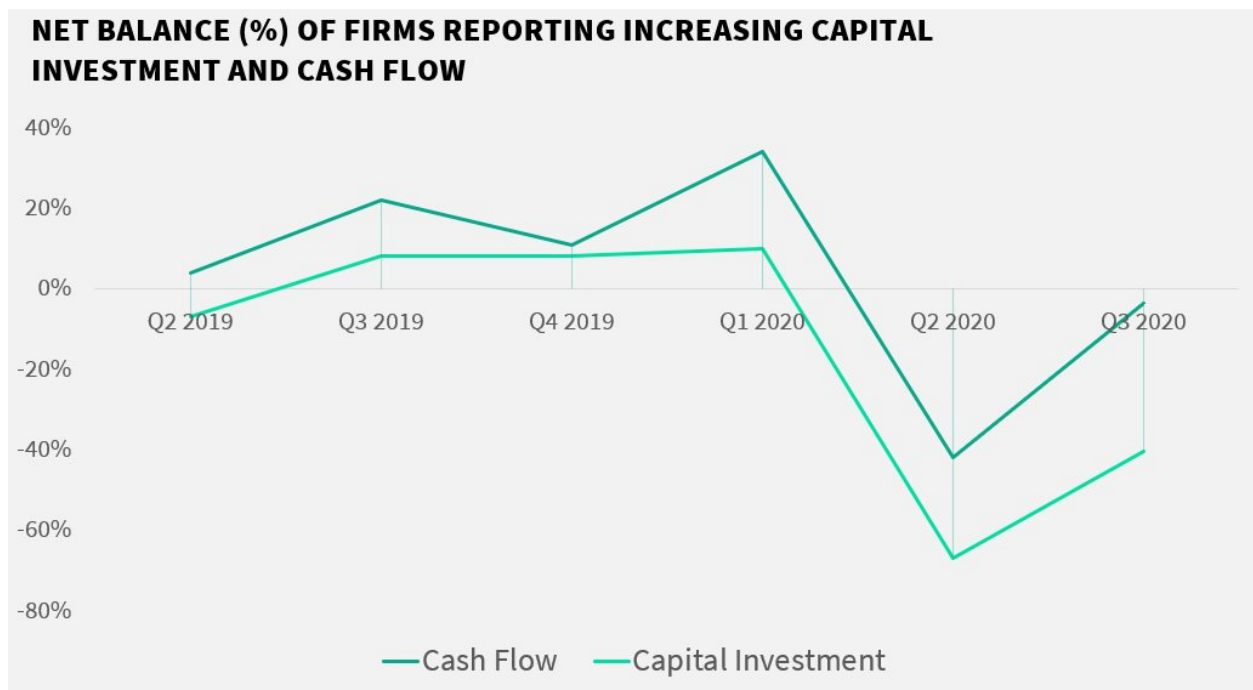
As with Q2, firms stated that recruiting Professional / Managerial staff was the biggest difficulty, with 83% reporting this.

# INVESTMENT



A net balance of -4% of respondents recorded that cash flow had increased during Q3 (up from -42% in Q2).

Capital investment remained comprehensively in negative territory with the net balance of firms recording an increase at a net balance of -42%, up from -67% in Q2.





Investment in training plans barely rose from it's Q2 low, seeing a net balance of -42% (up from -48% in Q2 2020).

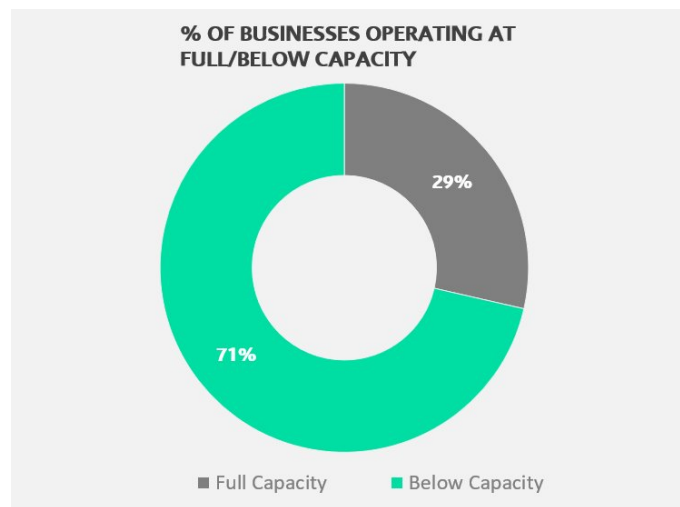


The Office for National Statistics (ONS) reports that GDP fell by 19.8% in the three months to June. Overall for the first six months of 2020 GDP fell by 21.8%.

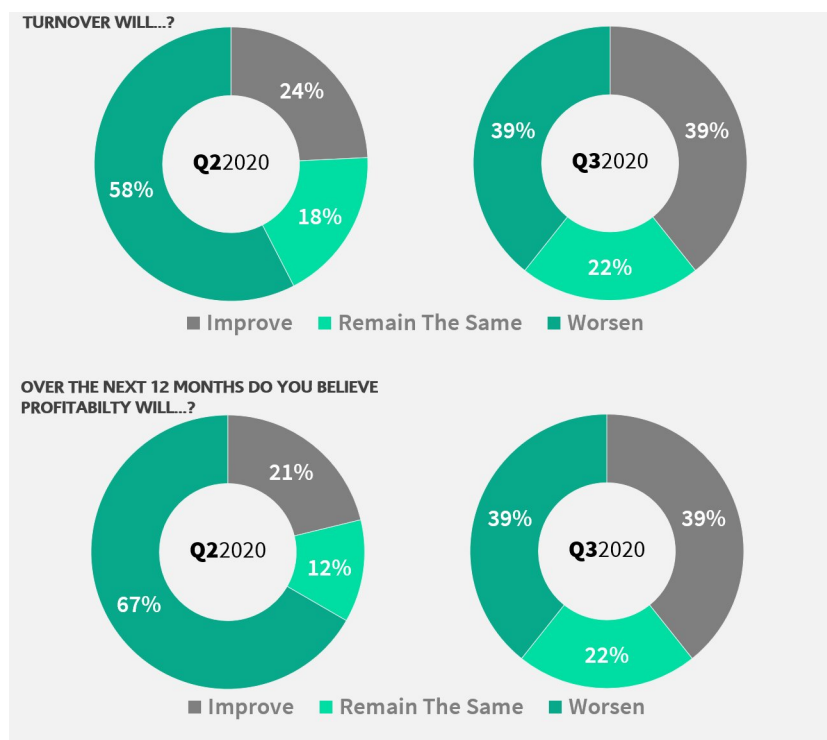


# BUSINESS CONFIDENCE AND CONCERNS

There was a fall in local businesses working at below capacity, with 71% reporting this to be the case in Q3 2020, down from 91% in Q2 2020. 21% of businesses anticipated increasing the price of their services and/or goods. The main price pressure was reported to be other overheads, followed by raw material costs.

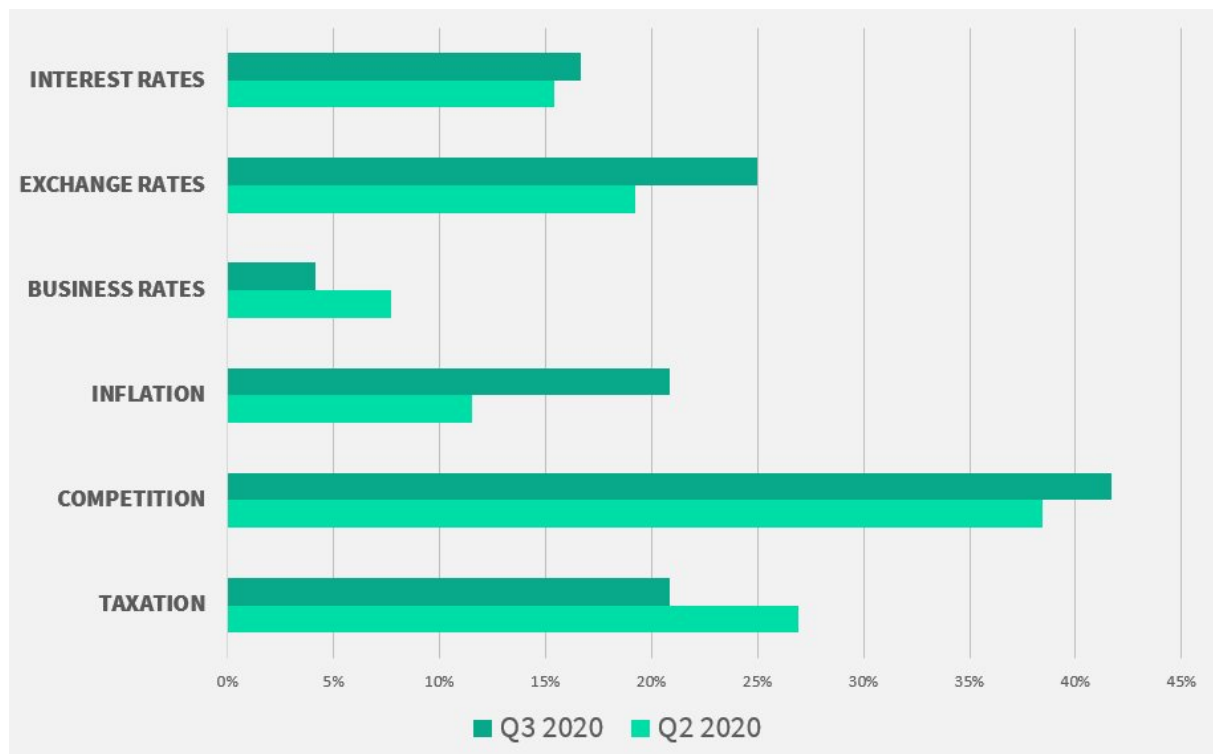


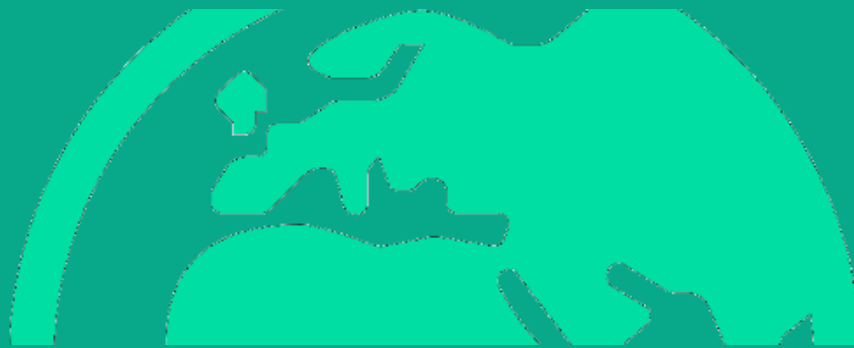
Business confidence improved between Q2 and Q3 2020 – 39% of businesses stated they believe turnover will worsen over the next year (58% in Q2 2020) and 39% believe profitability will worsen (down from 67% in Q2 2020).





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 42% of businesses responding reporting this as an issue. Exchange rates became the second highest concern in Q3 2020, reported by 25% of businesses.





## Other concerns

46% of Businesses cited 'Other Concerns' as factor for their business with 63% of them mentioning Covid-19. Although this survey has shown an improvement to the local economy for Q3 after the unprecedentedly low figures for Q2, it is clear that the impacts of Covid-19 are still highly significant. With many Government support schemes coming to an end in the coming months it remains to be seen whether this improvement will continue at the same or a faster pace, or slow or even drop.

The uncertainty regarding trading arrangements following Brexit and the end of the transition period was mentioned by 32% of businesses. This is clearly a significant concern and it is unfortunate that the important preparations needed by many firms could be missed due to the Coronavirus pandemic.





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