

Q2

2020

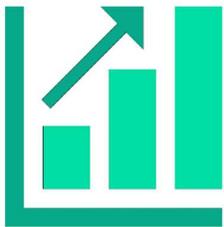
QUARTERLY ECONOMIC SURVEY



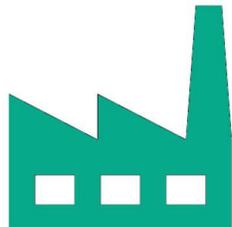
METHODOLOGY



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 Northamptonshire 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 Northamptonshire 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 Northamptonshire 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 Northamptonshire 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, which appears to read 'Louise Wall'. The signature is fluid and cursive.

Louise Wall
Interim Chief Executive

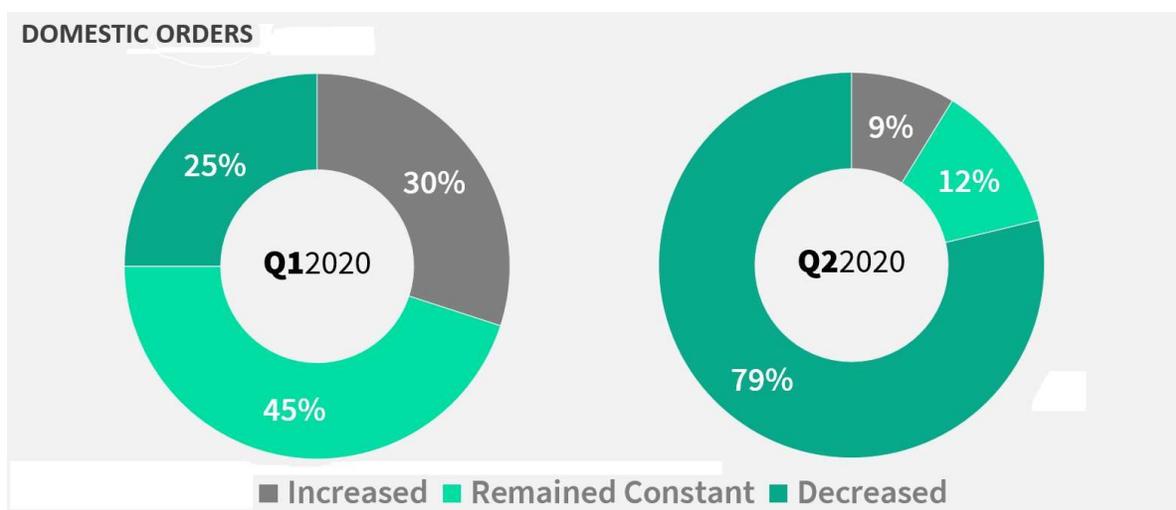
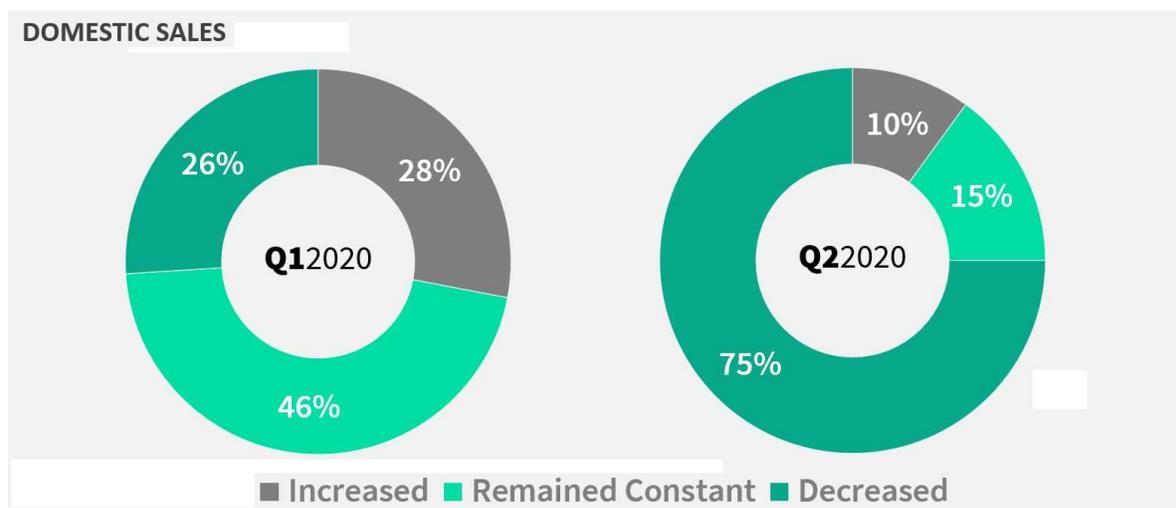
DOMESTIC SALES AND ORDERS



Overall, businesses in Northamptonshire 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 28% in Q1 2020 to 10% in Q2 with those seeing a decrease rising from 26% to 75%

Businesses experiencing an increase in domestic orders dropped from 30% to 9% whilst the number recording a decrease in orders rose from 25% to 79%.

There was also a large drop in firms reporting constant sales and orders dropping from 46% to 15% for sales and 45% to 12% for orders.

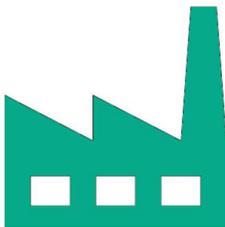




SERVICE SECTOR

The number of businesses in the service sector reporting increased domestic sales was 8% compared with those reporting decreasing domestic sales at 76%, a positive net balance of -68%.

10% of respondents recorded an increase in UK advanced orders, with 78% reporting a decrease in UK advance orders. Sales in the UK remained constant for 15% whilst UK advanced orders/bookings were constant for 12% of Service Sector businesses.



MANUFACTURING SECTOR

This quarter whilst 14% experienced an increase in sales and 5% in advanced orders/bookings, 71% of respondents recorded a decrease in UK sales, with 81% reporting a decrease in UK advance orders. UK sales and advanced orders/bookings remained constant for 14% of Manufacturing Businesses.

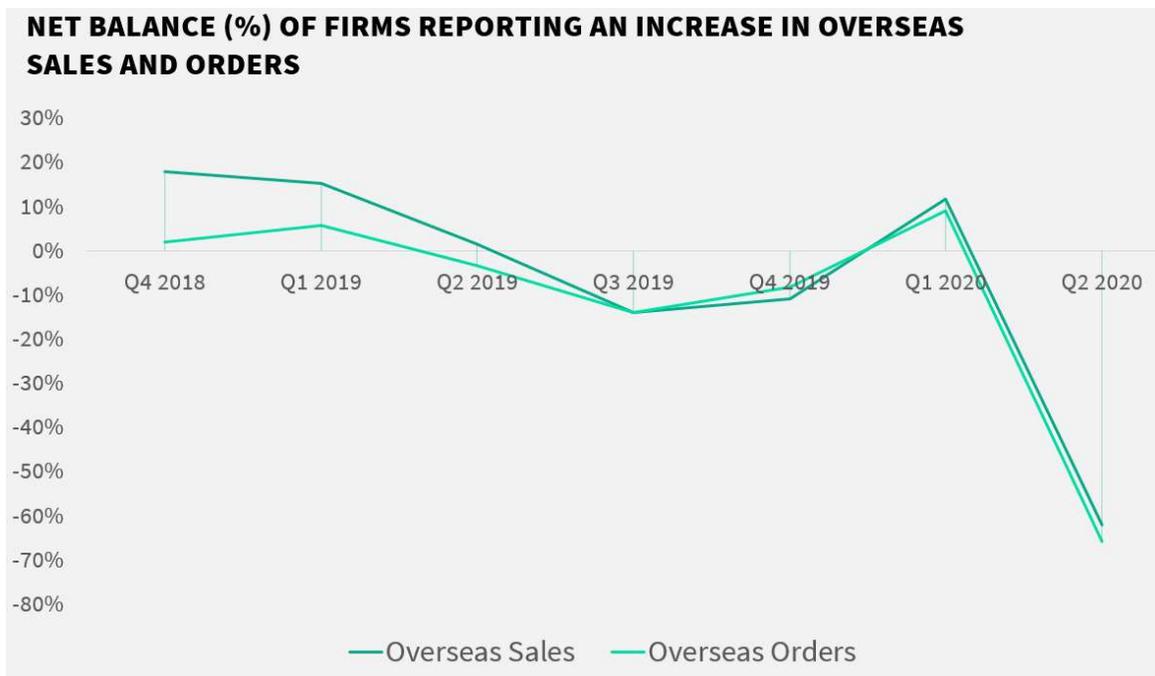
OVERSEAS SALES AND ORDERS



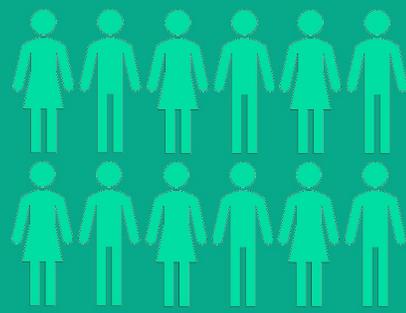
Northamptonshire-based businesses saw a vast drop in overseas activity, falling back from growth in the first quarter of 2020 to significantly decreased demand in overseas sales and overseas orders.

The net balance of firms recording an increase in sales/customs/bookings plummeted by 75%, from 12% in Q1 2020 to -63% in Q2. Net overseas orders plunged from 9% in Q1 2020 to -66% in Q2.

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



EMPLOYMENT

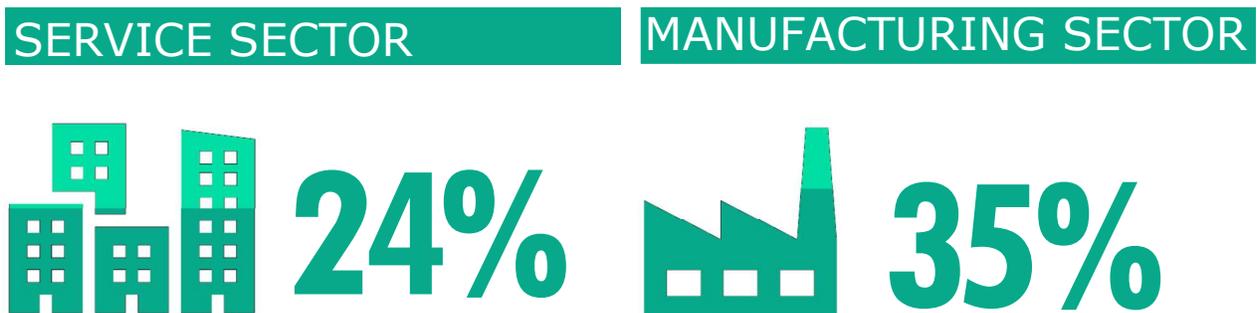


During the last quarter, 12% of respondents recorded that they saw workforce growth. However, 21% reported a decrease in workforce.

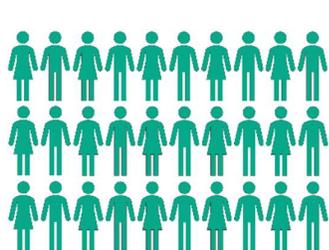
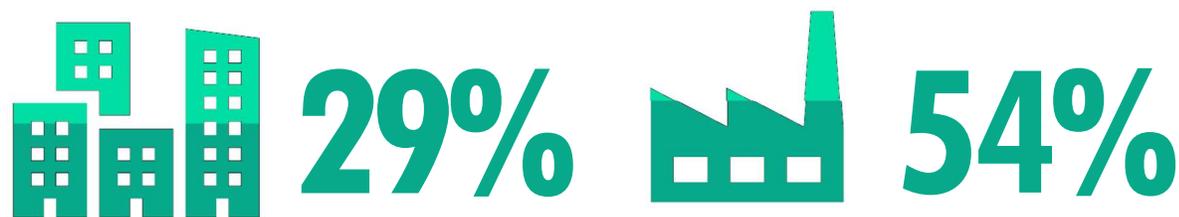
Sector split wise, the manufacturing sector has seen a decrease in its workforce – a net balance movement of -33%, with just 5% of businesses recording an increase in the quarter. Service sector recruitment split evenly with 15% reporting an increase in staffing and 15% a decrease, a net balance of 0%.

10% of all respondents anticipate increasing their workforce further over the next three months while 31% think their workforce will decrease.

Percentage of businesses attempting to recruit

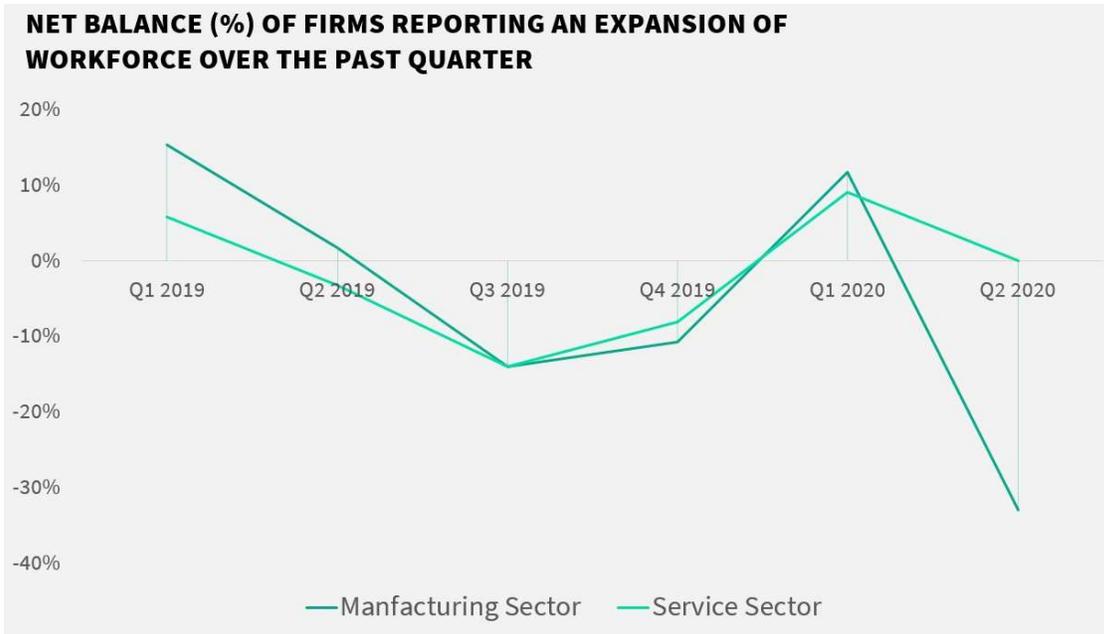
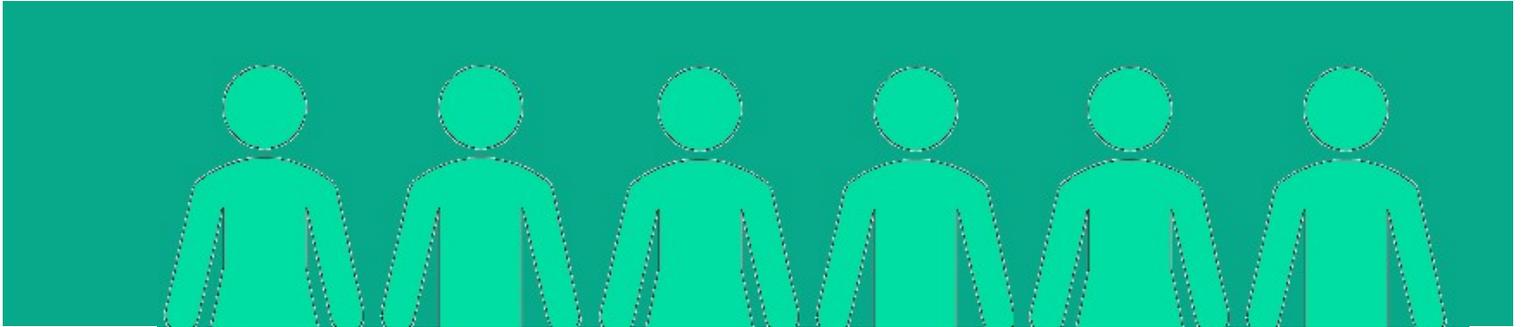


Percentage of businesses experiencing difficulties recruiting



59%

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



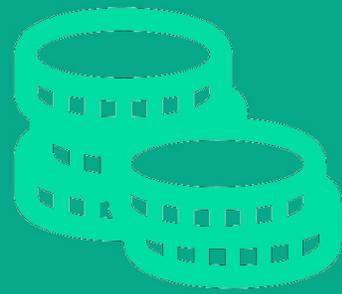
Overall, 27% of businesses that responded attempted to recruit during Q2 2020 and 35% of those experienced difficulties in recruiting appropriate staff for those vacancies. The split of job type is shown below.

Within the service sector 24% attempted to recruit with 29% experiencing difficulties. The situation was worse for manufacturers, 35% attempted to recruit, with 54% experiencing difficulties.

Job Type	Service	Manufacturing
Full Time	25%	67%
Part Time	63%	0%
Temporary	13%	11%
Permanent	25%	0%

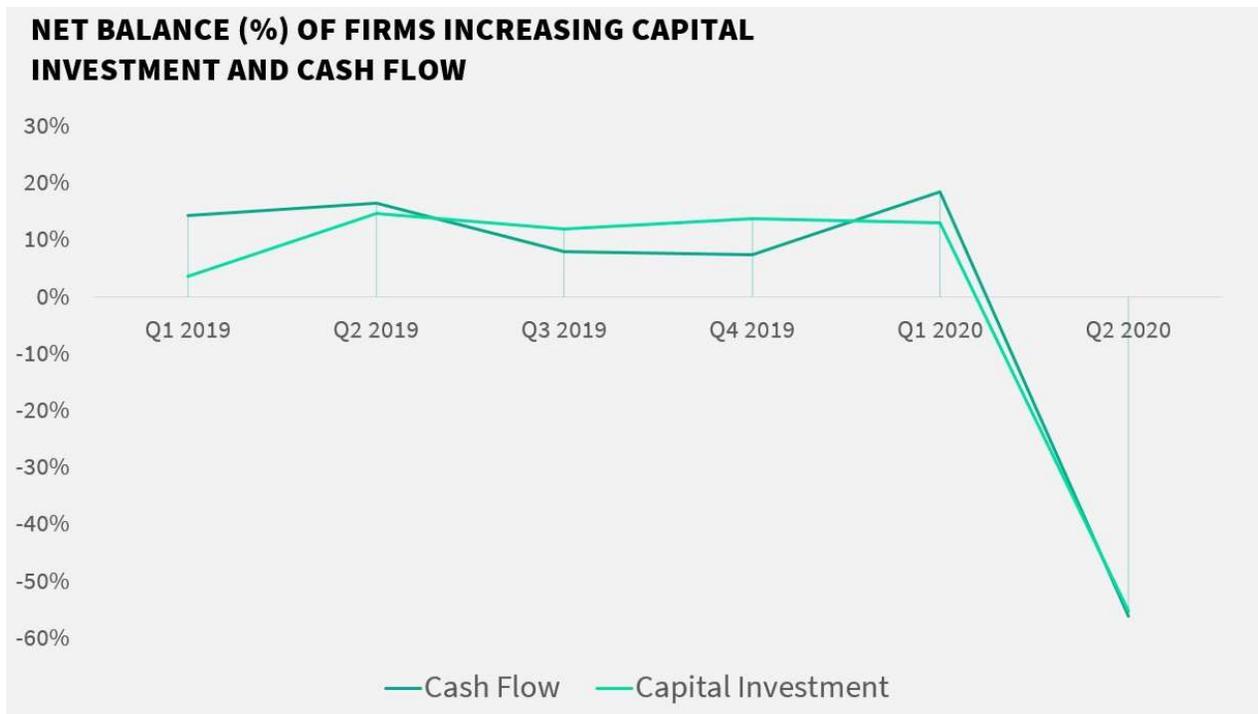
Role Type	Service	Manufacturing
Skilled manual/ Technical	35%	63%
Professional/Managerial	47%	13%
Clerical	18%	50%
Semi/Unskilled	12%	0%

INVESTMENT

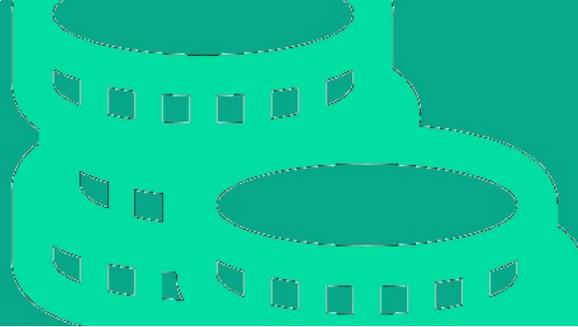


A net balance of -56% of respondents recorded that cash flow had increased during Q2 (significantly down from 18% in Q1 2020).

Capital investment moved comprehensively into negative territory with the net balance of firms recording an increase down to a net balance of -55%.



The Office for National Statistics (ONS) reports that GDP fell by 10.4% in the three months to April. Even during the 2008/09 financial crisis GDP shrunk by no more than 2.1% in a single quarter.

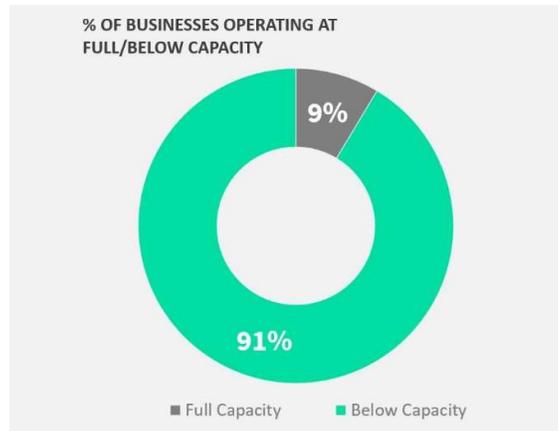


There was a large fall in investment in training plans, with this quarter seeing a net balance of -36% (down from 15% in Q1 2020).

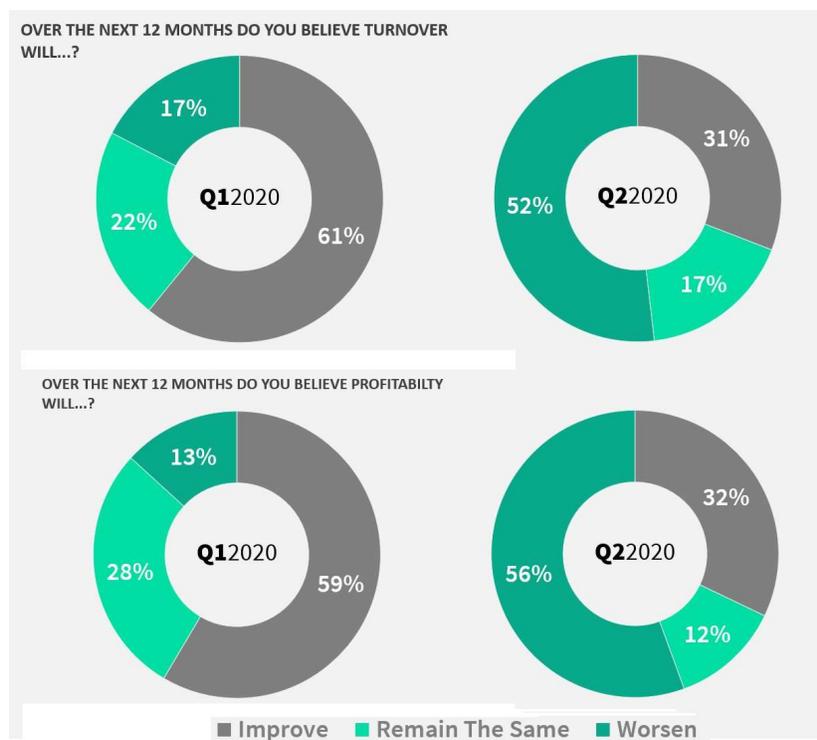


BUSINESS CONFIDENCE AND CONCERNS

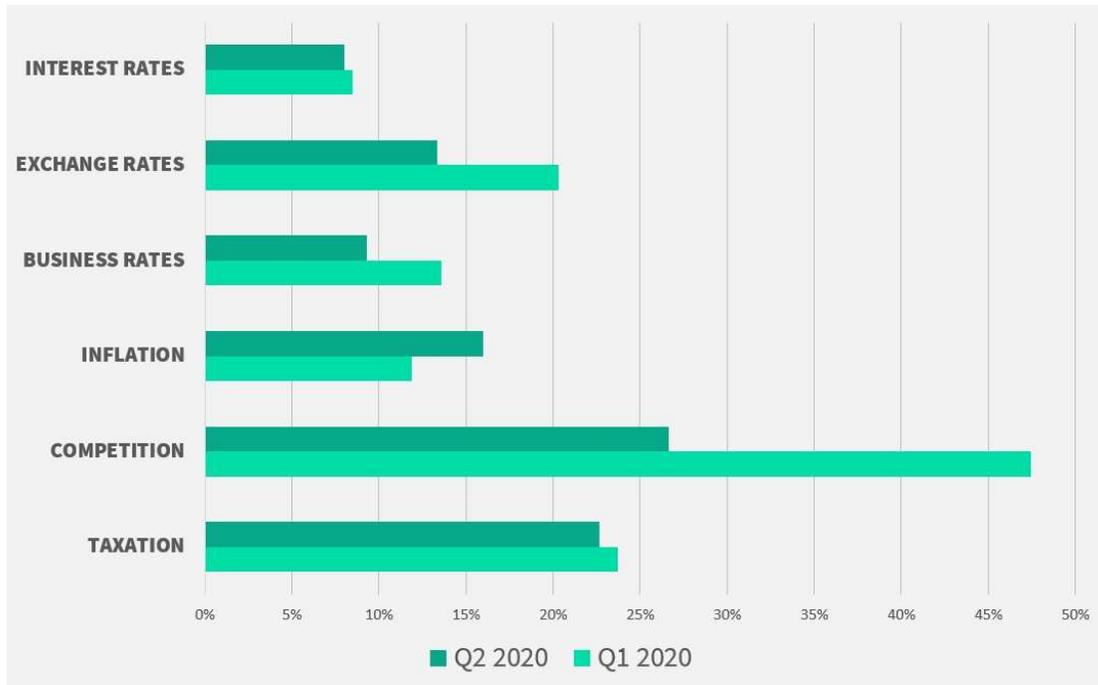
There was a large rise in local businesses working at below capacity, with 91% reporting this to be the case in Q2 2020, up from 61% in Q1 2020. 21% of businesses anticipated increasing the price of their services and/or goods. The main price pressure was reported to be other overheads, closely followed by raw material prices.



Business confidence fell precipitously between Q1 and Q2 2020 – 52% 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 13% 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 remained the main concern, as it was in Q4 2019 with 47% of businesses responding reporting this as an issue.





Other concerns

56% of Businesses cited 'Other Concerns' as factor for their business with 91% 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.



Tel: 01604 490490
www.Northants-Chamber.co.uk

Northamptonshire Chamber of Commerce
Waterside House
8 Waterside Way,
Northampton NN4 7XD

