

# Q3

2020

## QUARTERLY ECONOMIC SURVEY

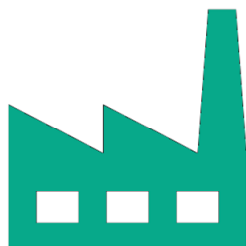
# METHODOLOGY



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 2021.

The latest Quarterly Economic Survey shows an improvement in the business environment in Northamptonshire 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 Northamptonshire 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 Northamptonshire 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

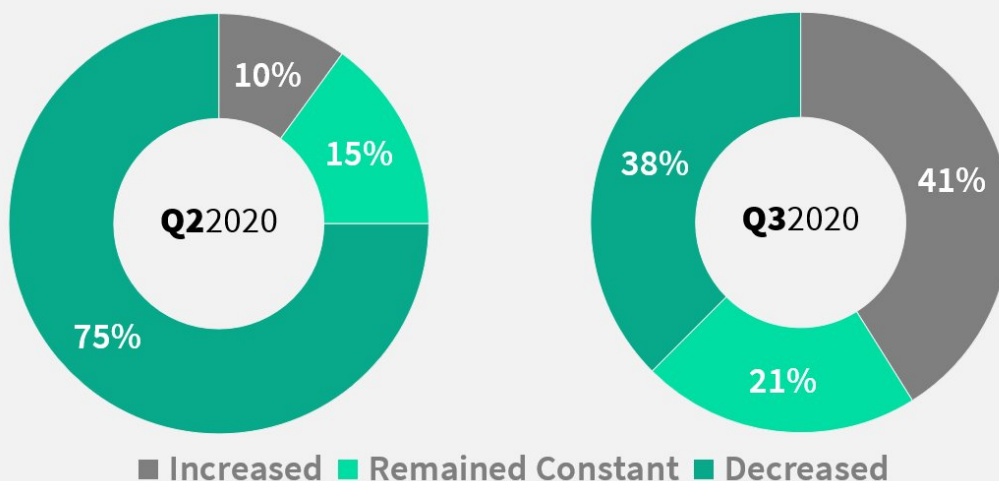
# DOMESTIC SALES AND ORDERS

Businesses in Northamptonshire saw a rise in domestic activity compared to the second quarter of the year. The number of businesses recording an increase in domestic sales was up from 10% in Q2 2020 to 41% in Q3 with those seeing a decrease falling from 75% to 38%

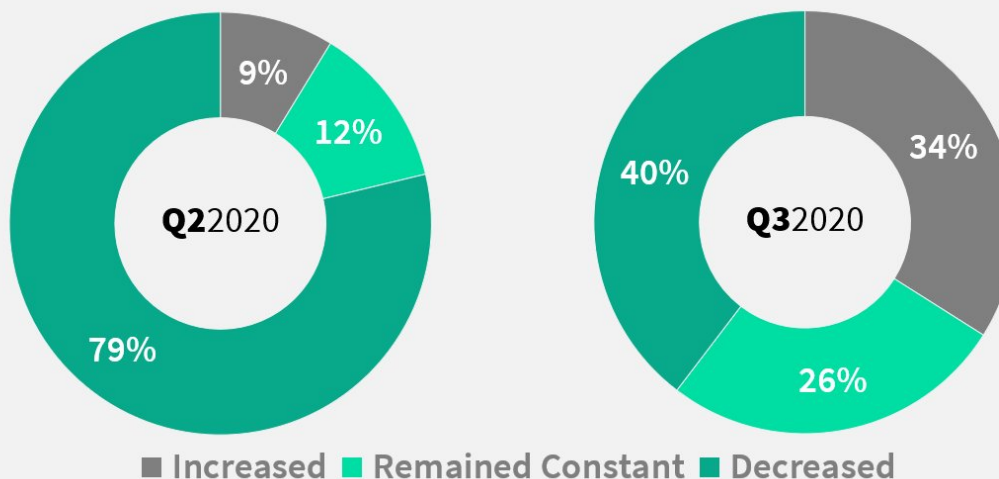
Businesses experiencing an increase in domestic orders rose from 9% to 34% whilst the number recording a decrease in orders fell from 79% to 40%.

There were also rises in firms reporting constant sales and orders, increasing from 15% to 21% for sales and 12% to 26% for orders.

## DOMESTIC SALES



## DOMESTIC ORDERS

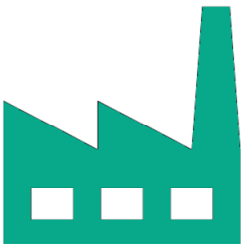




## SERVICE SECTOR

The number of businesses in the service sector reporting increased domestic sales was 39% compared with those reporting decreasing domestic sales at 39%, a net balance of 0%.

31% of respondents recorded an increase in UK advanced orders, with 40% reporting a decrease in UK advance orders. Sales in the UK remained constant for 23% whilst UK advanced orders/bookings were constant for 29% of Service Sector businesses.



## MANUFACTURING SECTOR

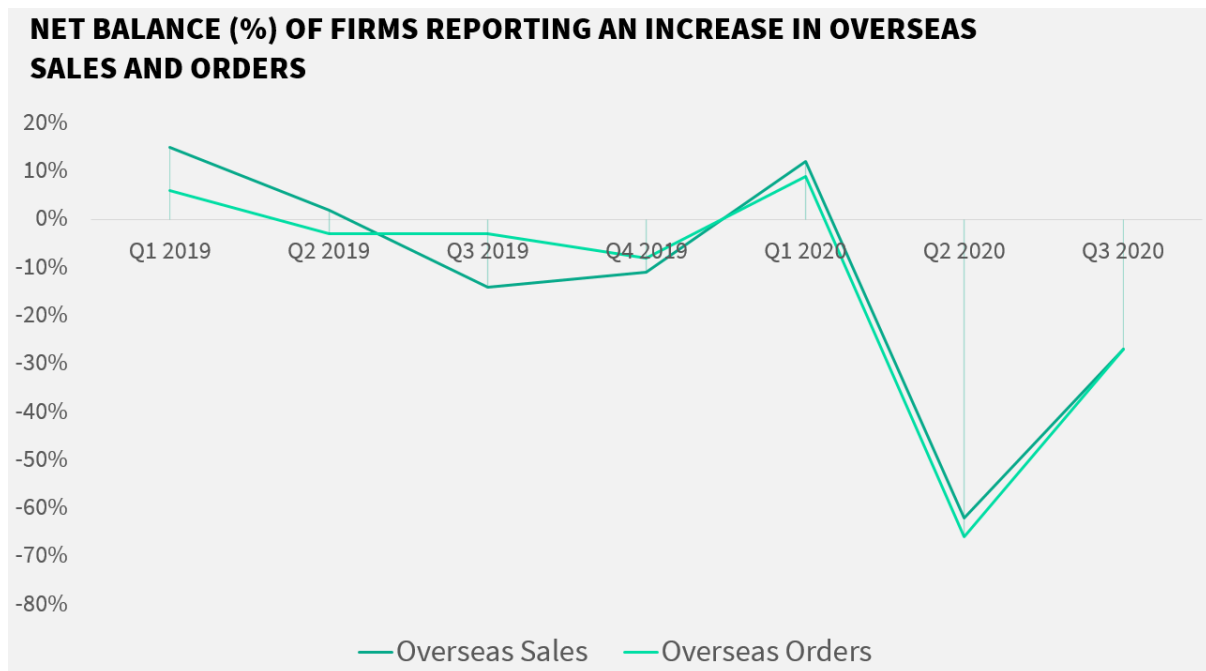
This quarter 50% of manufacturers experienced an increase in sales and 45% in advanced orders/bookings, 33% of respondents recorded a decrease in UK sales, with 36% reporting a decrease in UK advance orders. UK sales remained constant for 17% of manufacturing businesses with 18% reporting remained constant for advanced orders/bookings.

# OVERSEAS SALES AND ORDERS



Following the vast drop in overseas activity in Q2 Northamptonshire-based businesses saw some improvement this quarter, with the net balance of firms reporting an increase in overseas sales and orders rising. However this still means that more businesses than not are reported a decreasing sales and orders compared with Q2.

The net balance of firms recording an increase in sales/customs/bookings rose by 36%, from -63% in Q2 2020 to -27% in Q3. Net overseas orders rose from -66% in Q2 2020 to -27% in Q3.



# EMPLOYMENT



During the last quarter, 19% of respondents recorded that they saw workforce growth. However, 25% reported a decrease in workforce.

Sector split wise, the manufacturing sector saw a net balance of 0%, with 25% of businesses recording an increase in the quarter and 25% a decrease. Service sector recruitment saw 17% reporting an increase in staffing and 26% a decrease, a net balance of -9%.

24% of all respondents anticipate increasing their workforce further over the next three months while 20% think their workforce will decrease.

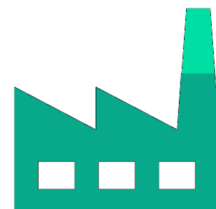
## Percentage of businesses attempting to recruit

SERVICE SECTOR

MANUFACTURING SECTOR



37%

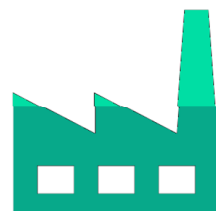


50%

## Percentage of businesses experiencing difficulties recruiting



29%



50%

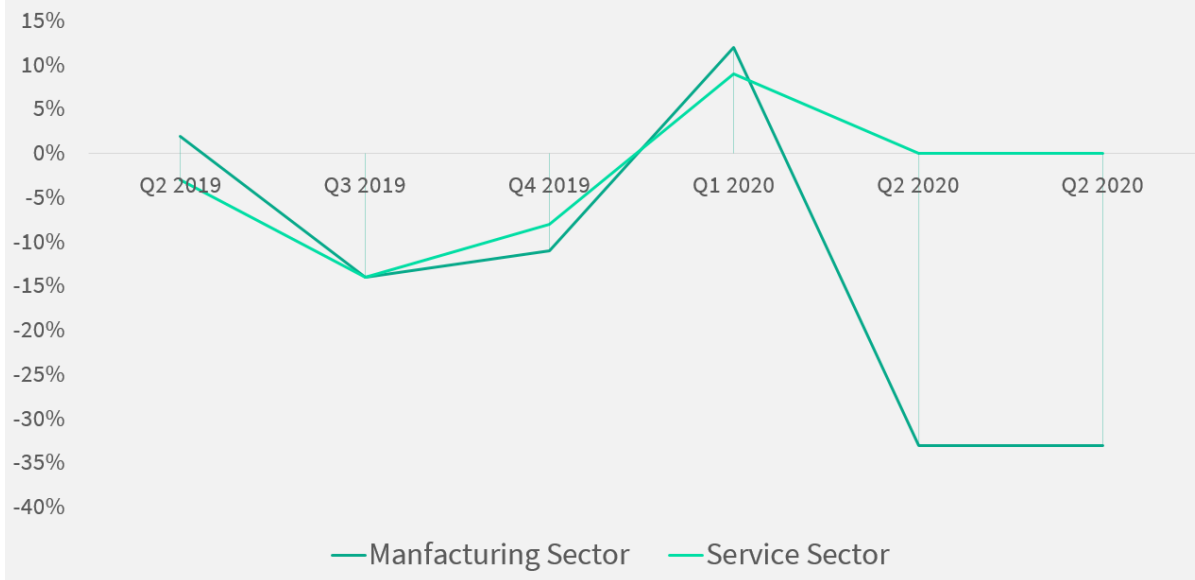


55%

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



### NET BALANCE (%) OF FIRMS REPORTING AN EXPANSION OF WORKFORCE OVER THE PAST QUARTER



Overall, 39% of businesses that responded attempted to recruit during Q3 2020 and 33% of those experienced difficulties in recruiting appropriate staff for those vacancies. The split of job type is shown below.

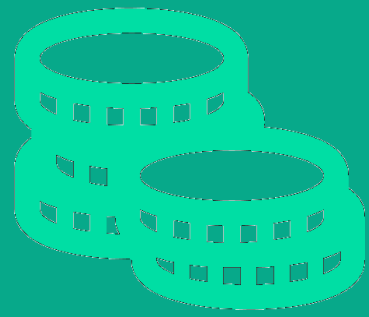
Within the service sector 37% attempted to recruit with 29% experiencing difficulties. The situation was worse for manufacturers, 50% attempted to recruit, with 50% experiencing difficulties.

Job Type	Service	Manufacturing
Full Time	72%	71%
Part Time	17%	0%
Temporary	11%	29%
Permanent	39%	43%

Role Type	Service	Manufacturing
Skilled manual/ Technical	50%	50%
Professional/Managerial	50%	50%
Clerical	14%	33%
Semi/Unskilled	0%	17%

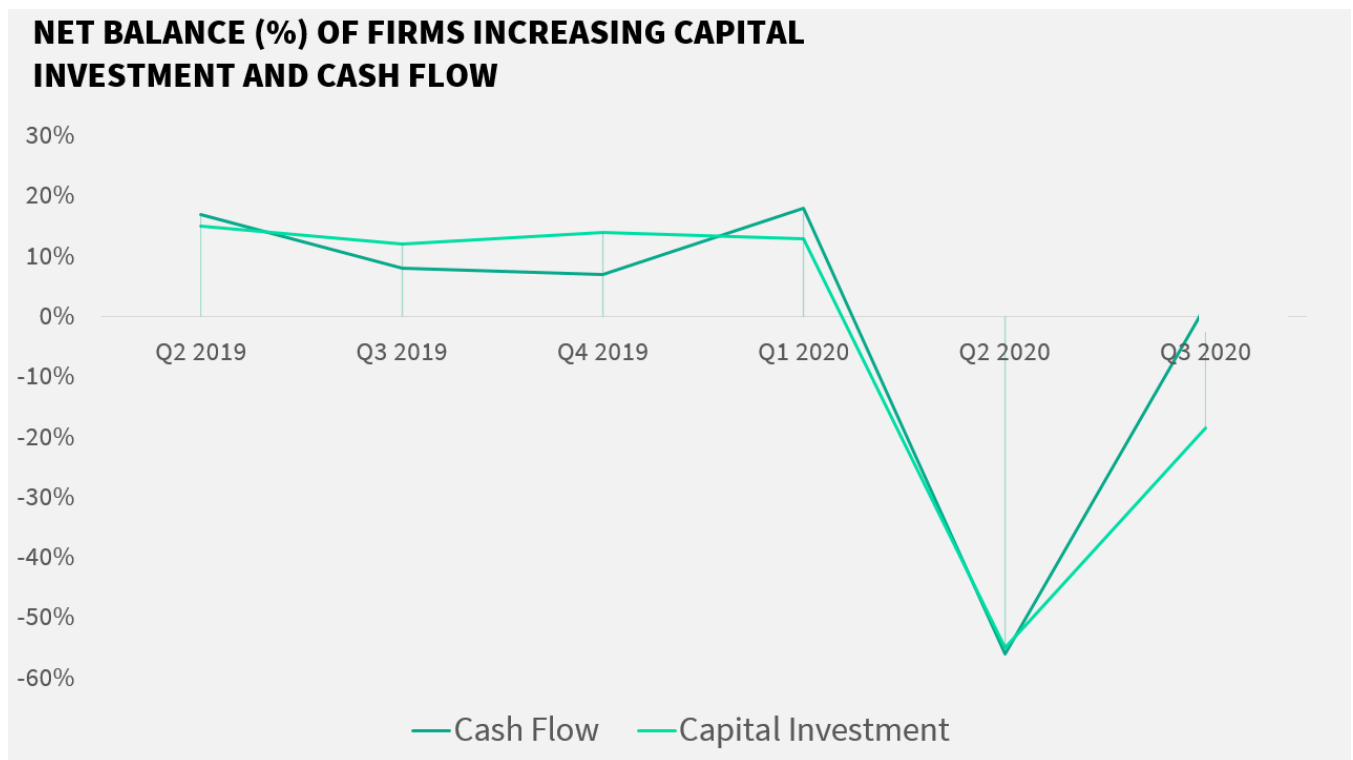


# INVESTMENT

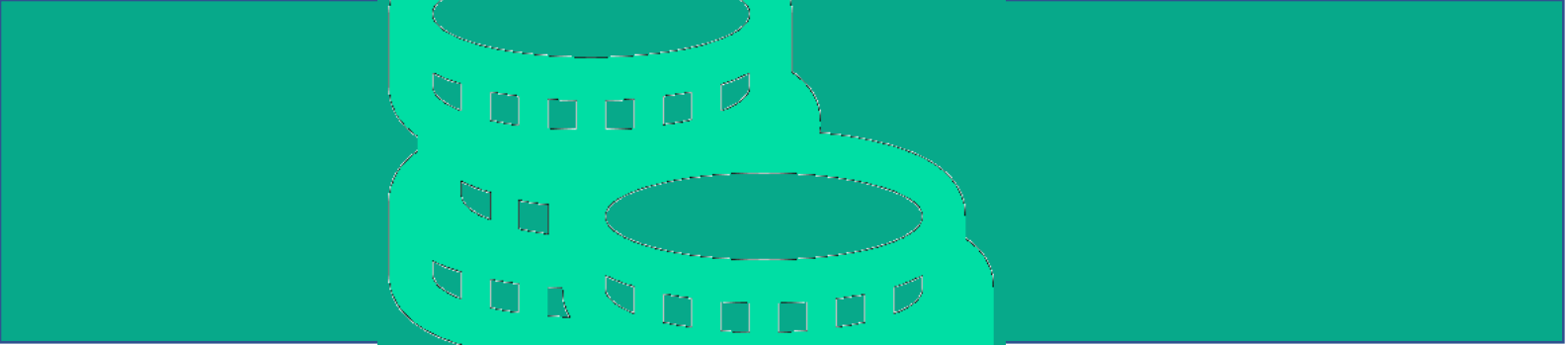


A net balance of 0% of respondents recorded that cash flow had increased during Q3 (significantly up from -56% in Q2 2020).

Capital investment stayed in negative territory with the net balance of firms recording an increase up to a net balance of -19%.



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%.

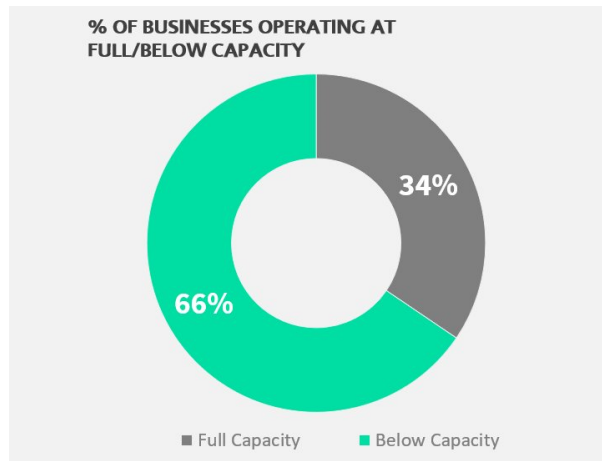


Investment in training plans continued to stay in negative territory, with this quarter seeing a net balance of -13% (up from -36% in Q2 2020).

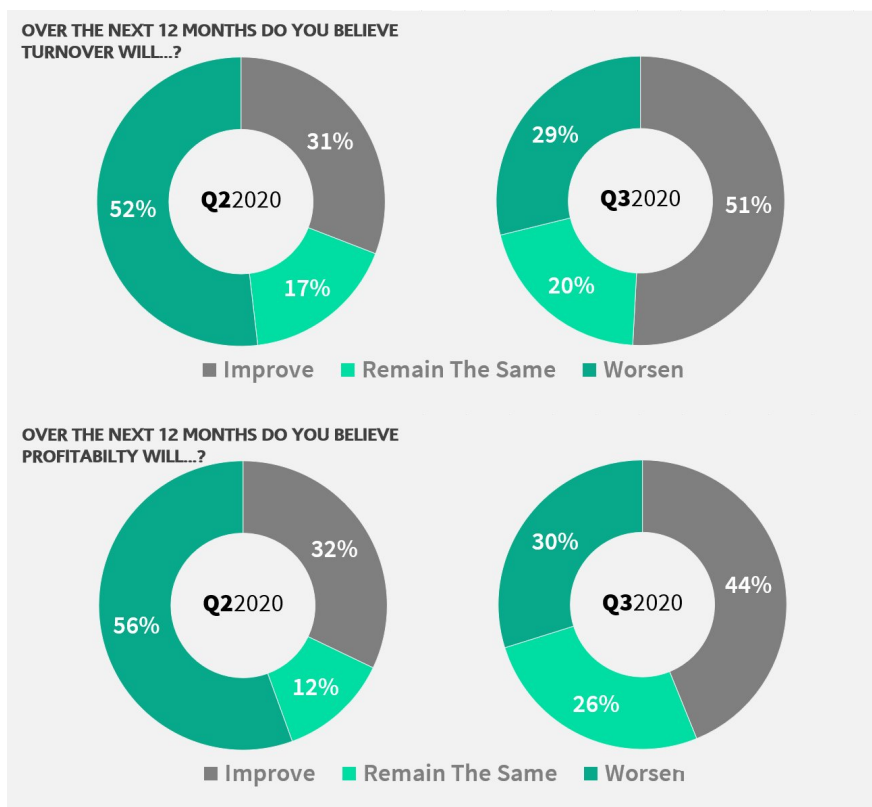


# BUSINESS CONFIDENCE AND CONCERNS

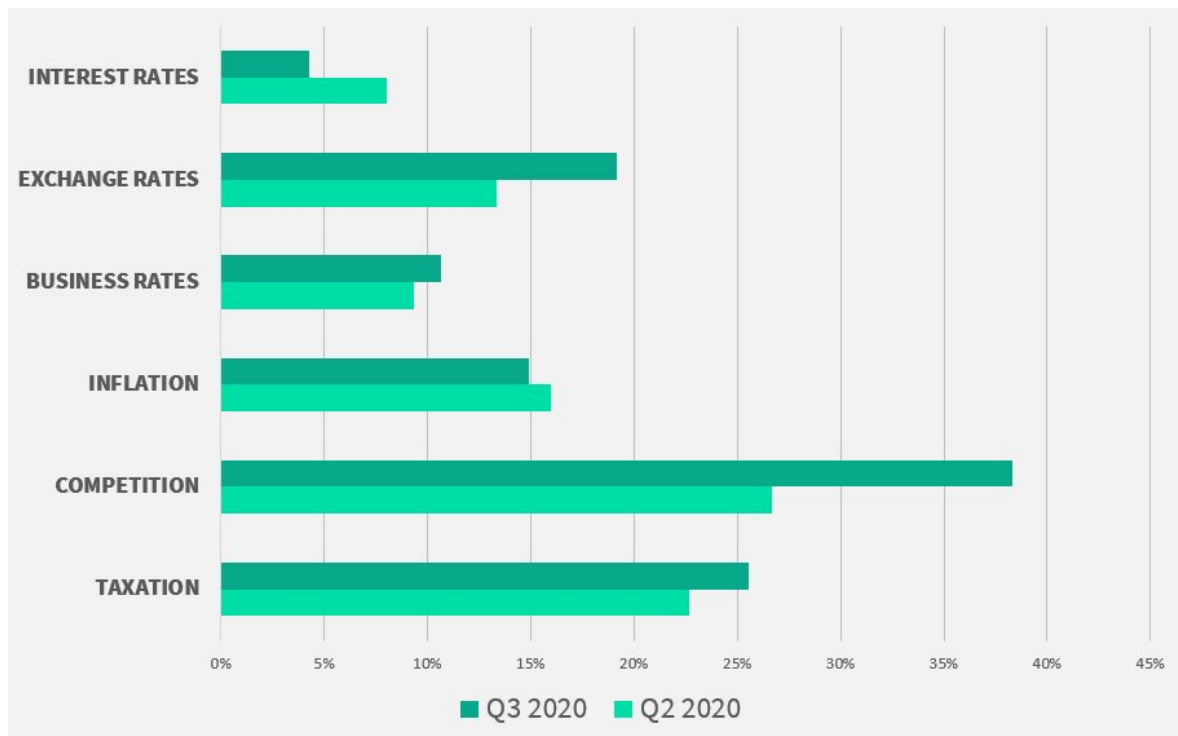
There was a fall in local businesses working at below capacity, with 66% reporting this to be the case in Q3 2020, down from 91% in Q2 2020. 24% of businesses anticipated increasing the price of their services and/or goods. The main price pressure was reported to be other overheads, closely followed by raw material prices.



Business confidence rose between Q2 and Q3 2020 – 51% of businesses stated they believe turnover will improve over the next year (31% in Q2 2020) and 29% believe in turn profitability will worsen (down from 52% 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 remained the main concern, as it was in Q2 2020 with 38% of businesses responding reporting this as an issue.






## Other concerns

49% of Businesses cited 'Other Concerns' as factor for their business with 37% 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 21% 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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