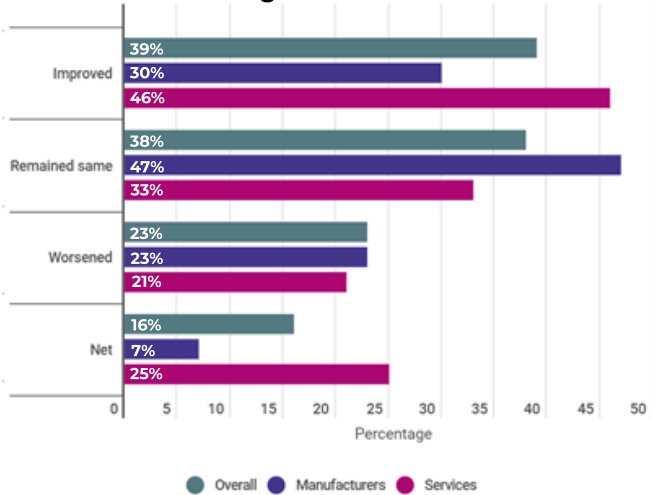


Between 17 February and 19 March 410 businesses responded to the East Midlands chamber Quarterly Economic Survey.

33% employed fewer than 10 people; 30% employed between 11-49 people; 25% employed between 50-249 people; 11% employed over 250 people.

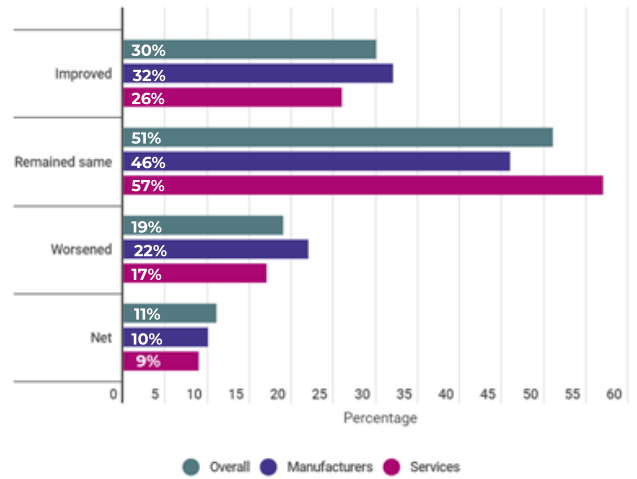
39% operated in a broadly manufacturing sector, 61% operated in a broadly service sector. 48% were exporters.

Businesses in the UK - Over the past 3 months, sales/custom/bookings have:



A net +16% of businesses saw domestic sales and bookings improve over the past quarter, with the service sector (+25%) outperforming the service sector (+7%)

Businesses involved in overseas markets - Over the past 3 months, sales/custom/bookings have:



A net 11% saw overseas activity strengthen, with manufacturers (+10%) slightly outperforming service sector businesses (+9%).

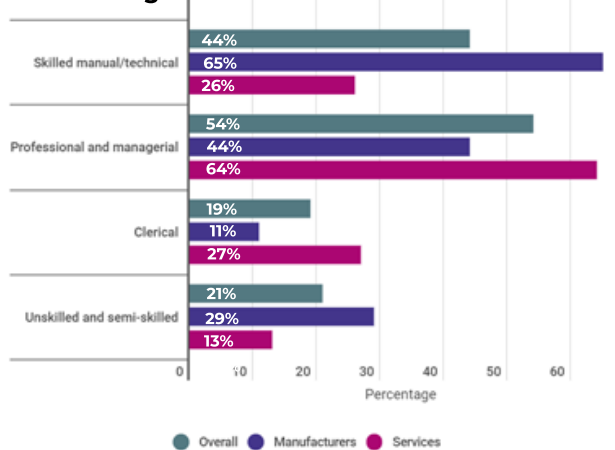
Labour Force:

58%
have attempted to recruit in the last three months

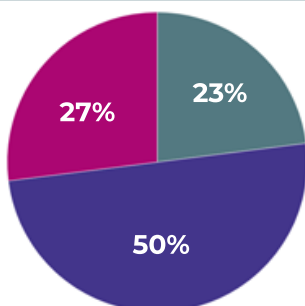
59%
Reported difficulties in recruiting

58% of businesses attempted to recruit over the quarter, with 59% of those struggling to find staff with the right skills. Professional and managerial roles were the hardest to recruit for.

In the last 3 months businesses have had difficulty in recruiting:



Cashflow

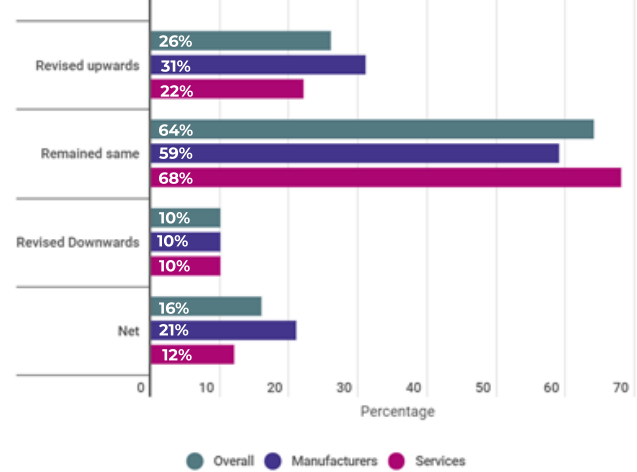


During the past three months, cashflow improved for 23% of respondents.

27% saw their cashflow situation get worse and it remained the same for 50%.

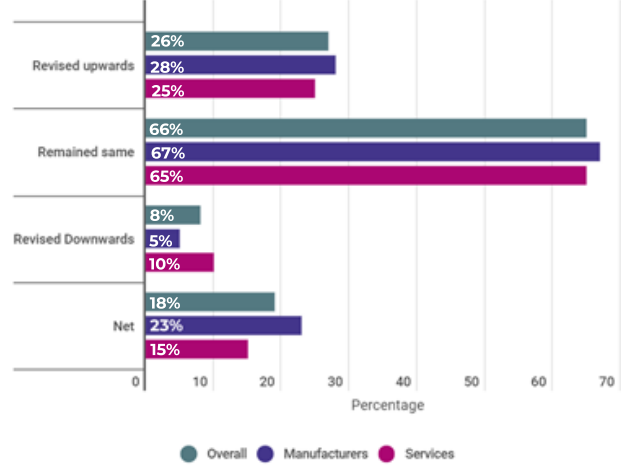
Investment Intentions

Plans for new plant/machinery/equipment have been:



26% of businesses have revised their machinery investment intentions upwards. The Manufacturing Sector with a net of +21% most likely to have made a revision.

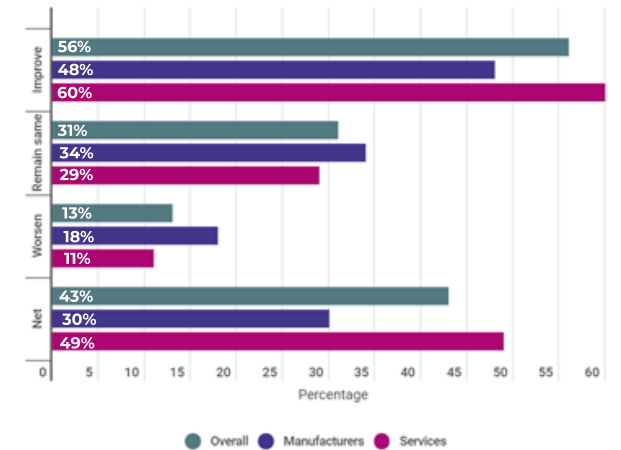
Plans for training have been:



26% of businesses have revised their plans for training upwards. With 8% having revised downwards in the last three months.

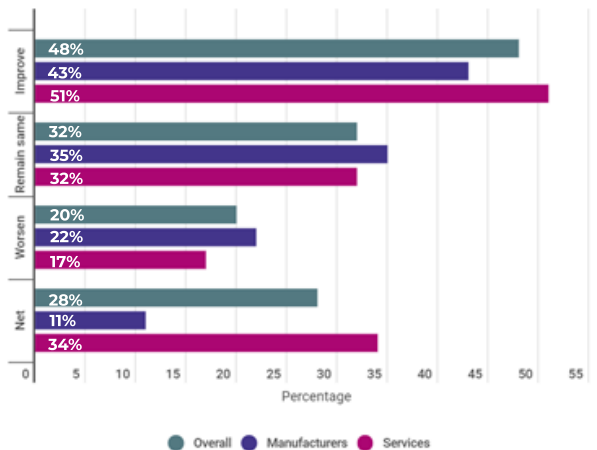
Business Confidence

Turnover is likely to:



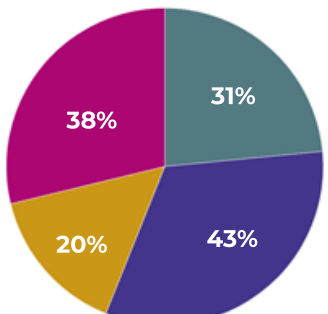
A net of +43% thought Turnover is likely to improve with the services sector (+49%) outperforming the manufacturing sector (+30%).

Profitability is likely to:



A net of +28% felt Profitability is likely to improve. With Services (+34%) more confident than Manufacturers (+11%).

Pressure to raise costs



- 31% of businesses felt under pressure to raise costs because of pay settlements
- 20% felt pressure due to financial costs
- 43% because of Raw materials prices
- 38% because of other costs

Commentary

The coronavirus crisis has undoubtedly had a profound impact on the UK's economy in a short space of time. However, when the fieldwork for Q1's Quarterly Economic Survey was taking place the full extent of potential coronavirus implications for business were not yet understood. Instead, businesses were starting the year with an increased sense of certainty following the return of a strong majority for the governing party in Westminster and the UK's formal exit from the European Union at the end of January.

This sentiment is reflected in the overall State of the Economy Index continuing its upward trajectory from the latter half of 2019 to reach 241.

The conditions businesses were operating in then and the sentiment they felt towards their prospects have now changed, with those variances differing significantly by sector. However, examination of the Q1 results do give a flavour of where businesses were in terms of their preparedness and resilience, as well as some of the early issues which were beginning to emerge as the coronavirus outbreak started to have an impact.

One of the biggest concerns for many businesses in Q1 was cashflow. Although this fluctuated throughout 2019, it was linked closely with stockpiling ahead of series of proposed exit dates for leaving the EU which never came to pass. These issues receded at the end of 2019, but returned in Q1, with 27% of respondents saying their cashflow situation had deteriorated.

It's highly likely that the figure for Q2 will be significantly higher, with firms not necessarily starting from a strong base in terms of cashflow when the coronavirus lockdown restrictions came into play, and then weakening once this started to bite.

With regards to business activity, the survey found that the domestic market was particularly strong, with 39% of respondents reporting an increase in UK sales and 30% an increase in overseas activity. In terms of investment intentions, 26% revised these upwards for capital projects and 27% upwards for training. As businesses examine the wider impact of any slowdown on their business models, it is essential for the UK economy that these figures remain robust. In doing so, this will also support businesses to continue to transition towards new ways of working where they can – for example – invest in IT to increase remote working options, and in training to strengthen areas of management and broaden staff abilities to respond to shifting demands.

Perhaps the most interesting indicators among all the findings were the ones relating to sentiment. Over half the businesses (56%), at the time of the survey, were expecting their turnover to improve over the coming year, while 48% were also expecting their profitability to improve. Given the uncertainties of 2019, these figures suggested a relatively decent level of confidence in the economy.

The length and severity of the disruption caused by coronavirus and subsequent Government interventions will be key in seeing how businesses feel come Q2's survey, when fieldwork opens in June.