



North East England  
Chamber of Commerce

# Economic Survey

## Quarter 3, 2020

In association with



Durham  
University  
Business School

# Grow your influence

## Key indicators

INDICATOR	BALANCE (ALL COMPANIES)	CHANGE ON LAST QUARTER	CHANGE ON LAST YEAR	MANUFACTURING	SERVICE
UK sales	-37.2	24.0 ▲	-51.8 ▼	-40.6	-35.6
UK orders	-39.2	23.1 ▲	-47.4 ▼	-46.8	-35.4
Export sales	-24.6	15.1 ▲	-22.2 ▼	-25.5	-24.1
Export orders	-26.0	13.9 ▲	-20.4 ▼	-30.0	-23.4
Plant investment plans	-24.3	12.0 ▲	-32.2 ▼	-14.5	-29.7
Training investment plans	-18.3	12.5 ▲	-39.5 ▼	-17.5	-18.8
Cashflow	-29.5	18.7 ▲	-30.9 ▼	-30.5	-29.0
Prices	-18.8	-10.9 ▼	-32.9 ▼	-21.5	-17.5
Current workforce	-0.5	11.8 ▲	-16.8 ▼	1.6	-1.4
Future workforce	10.6	17.5 ▲	-19.3 ▼	1.6	14.7
Future profitability	-2.5	33.6 ▲	-38.8 ▼	-10.9	1.4
Future turnover	2.0	34.0 ▲	-52.0 ▼	-3.2	4.2

## Economic Survey Q3 2020 foreword

This is the second economic survey we have conducted since the onset of the Covid-19 pandemic and our results continue to lay bare the impact this crisis is having on our regional economy.

While there are some signs of increased positivity in these results, the overall level of business confidence remains low. With our last survey conducted during the most stringent phase of 'lockdown', we expected scores to bounce back as businesses reopened and thought about recovery over the summer.

This has been the case, but it is striking that our measures for domestic and export sales are still well below the previous record lows we saw during the financial crisis.

However, for large parts of our business community the outlook is highly uncertain. Sectors such as retail, leisure and hospitality continue to face the twin challenges of public health restrictions and low levels of consumer confidence. Following recent Government announcements, the months ahead look extremely difficult for these businesses without further support.

Other sectors are faring better, either through adaptation to new ways of working or by operating in markets that are more 'Covid-proof'. Yet we must not forget the harm to business resilience and balance sheets that has been caused over recent months.

We have been extremely vocal about the need for Government to get on with its 'levelling up' agenda. As I write, large parts of our region are among the worst hit by infection rates and local restrictions, having entered this crisis with above average levels of unemployment and inequality. These survey results only add weight to the argument that urgent action is needed to prevent these disparities growing further. I'd like to thank everyone who took the time to complete the survey and for your contribution to our campaign for a stronger North East economy.

**Lesley Moody MBE**  
North East England Chamber of Commerce President

## Economic Survey Q3 2020 overview – Durham University Business School

The latest economic survey by the Chamber indicates that there has been some recovery of business confidence across the North East over the last three months, but that the impact of the pandemic can still be seen across all the figures, particularly in comparison to the same period last year.

With tighter Covid-19 restrictions being reintroduced across most of the region, there is likely to be a further impact upon both business activity and confidence, with the service sector perhaps most exposed to the implications. The Survey also highlights re-emerging concerns about the post-Brexit trading environment after 31 December 2020.

Despite all these immediate challenges, there is also a need to look further ahead to ensure that the long term economic prospects of the region are addressed. During the Regional Economic Briefing on Thursday 1 October, Professor Richard Harris, Deputy Dean at Durham University Business School, will draw upon his research on UK productivity to highlight the challenges faced in addressing regional economic imbalances, particularly here in the North East. His work provides an insightful economic background that supports the agenda addressed by the Chamber's Stronger North East campaign.

**Peter Allen** is Associate Dean for External Engagement and Impact at Durham University Business School. Much of his work focuses on innovation and new business development, from start-ups, through SMEs, to major global companies.

## The Quarterly Economic Survey is carried out by the North East England Chamber of Commerce. This survey conducted during August - September 2020 is based on responses from 213 businesses.

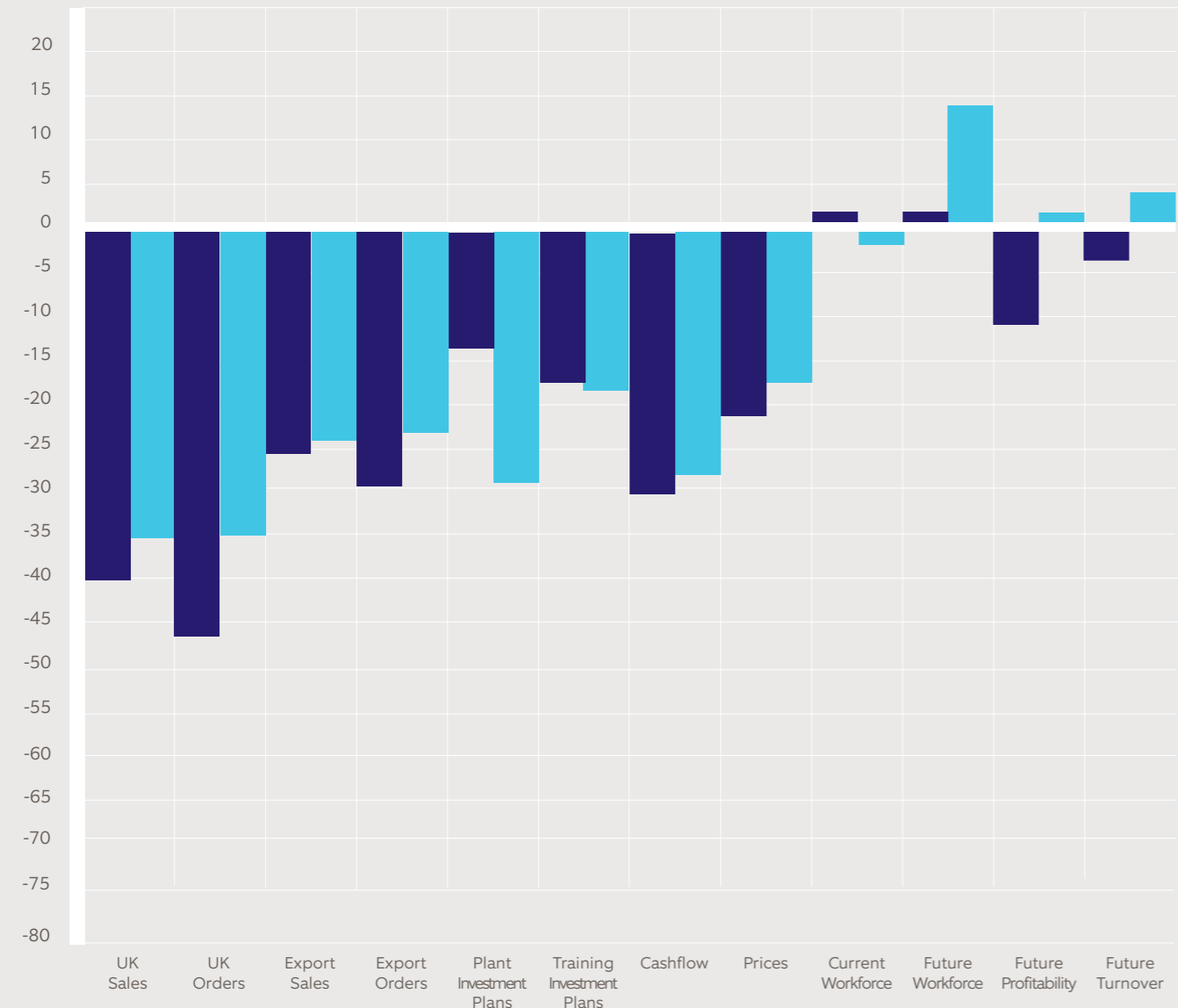
It is worth noting that the number of businesses providing responses in the All Companies analysis is not necessarily equal to the sum of those providing responses for the two broad sectors, as not all respondents provide details of the industry in which they operate. Where data analysis involves more than two variables, and where three or less companies have provided information, data has been withdrawn from the survey in order to protect the anonymity of companies, and to provide accurate analysis.

### Methodology

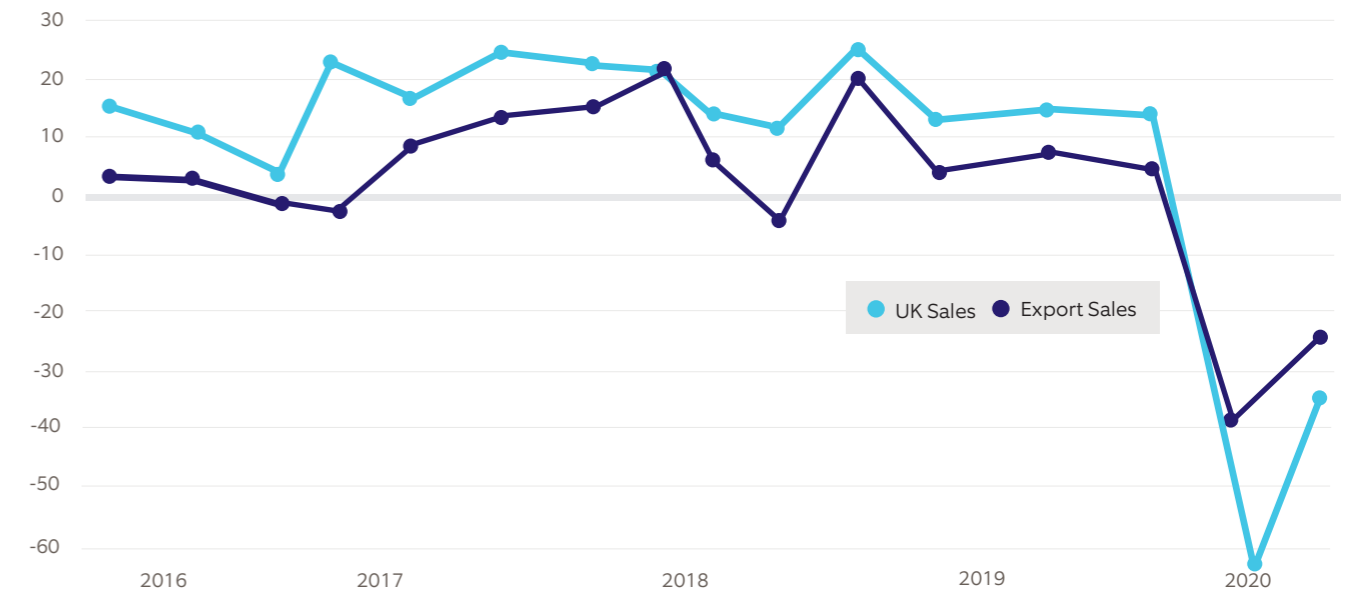
Most of the questions in the survey ask whether companies have experienced an increase, decrease or no change in respect of a given performance indicator, such as UK Sales.

The balances are calculated as the percentage of respondents reporting an increase (e.g. in UK Sales) minus the percentage reporting a decrease. A positive balance indicates growth in respect of a particular indicator, whilst a negative balance reflects contraction. This methodology is standard practice in surveys of this type.

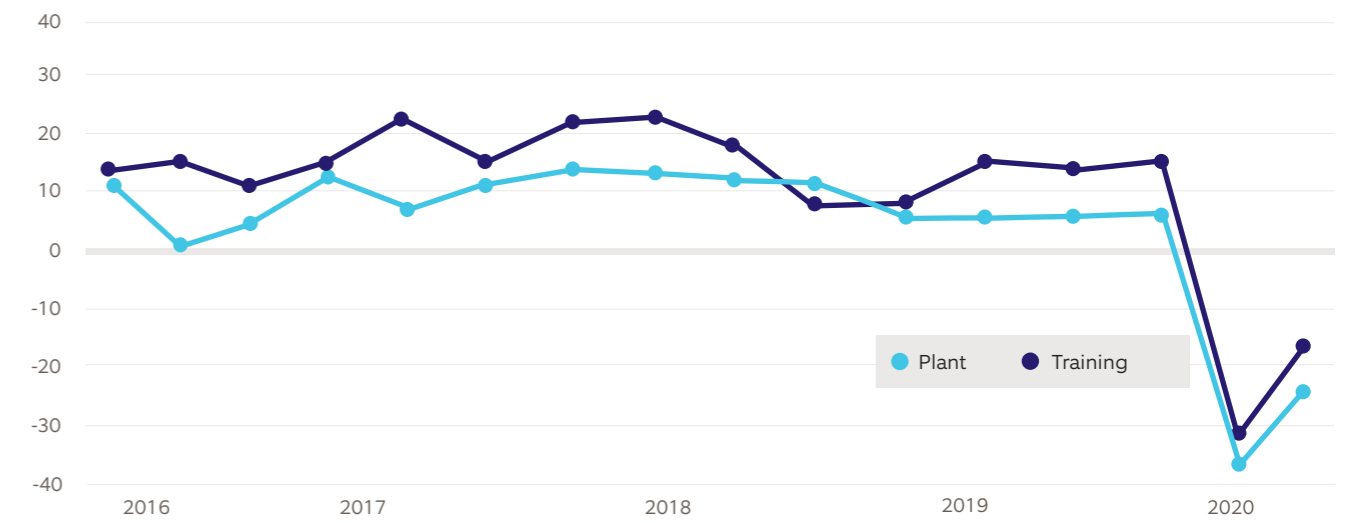
● Manufacturing ● Service



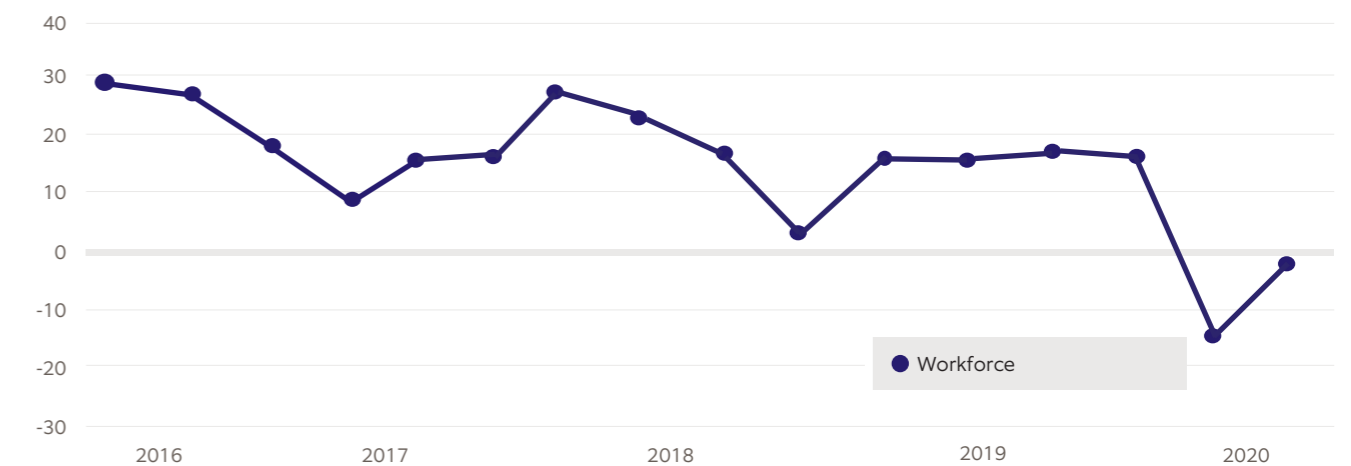
## Five Year Trend - Sales



## Five Year Trend - Investment



## Five Year Trend - Workforce



**With fewer restrictions in place than the full lockdown in Q2, there has been an improvement in overall confidence and performance. Yet we are still seeing extremely challenging economic conditions.**

**Capacity**

The proportion of businesses operating at full capacity (27.3%), is above levels recorded last quarter (23%) but below Q3 2019 (29.2%).

**Recruitment**

- Under one-third of respondents attempted to recruit full-time staff (31%), representing an increase on levels recorded last quarter (22.1%) but still below Q3 last year (54.1%).
- A smaller proportion attempted to recruit part-time staff (16.7%), an increase on last quarter (10.4%) but again, still below the level recorded last year (28.4%).
- More businesses attempted to recruit permanent staff this quarter (23.5%), representing an increase on figures recorded last quarter (11.2%) but less than half the number recorded last year (49.8%).
- More businesses attempted to recruit temporary staff (19.2%) than last quarter (11.2%), and slightly fewer than Q3 2019 (20.2%).

**Price pressures**

- Price pressures arising from pay settlements (14.5%) were up on last quarter (13.2%) but below the values recorded last year (20.1%).
- The proportion of members facing price pressures from raw materials (28.1%) increased on the levels recorded last quarter (22%) but were below the same period last year (31.5%).
- Price pressures as a result of financial costs (22.2%) were up on the figures last quarter (20.9%), and below Q3 2019 (26%).
- 39.8% of businesses experienced price pressures arising from other overheads, representing an increase on last quarter (34.5%) but a slight decrease on the value last year (41.4%).

**Key factors**

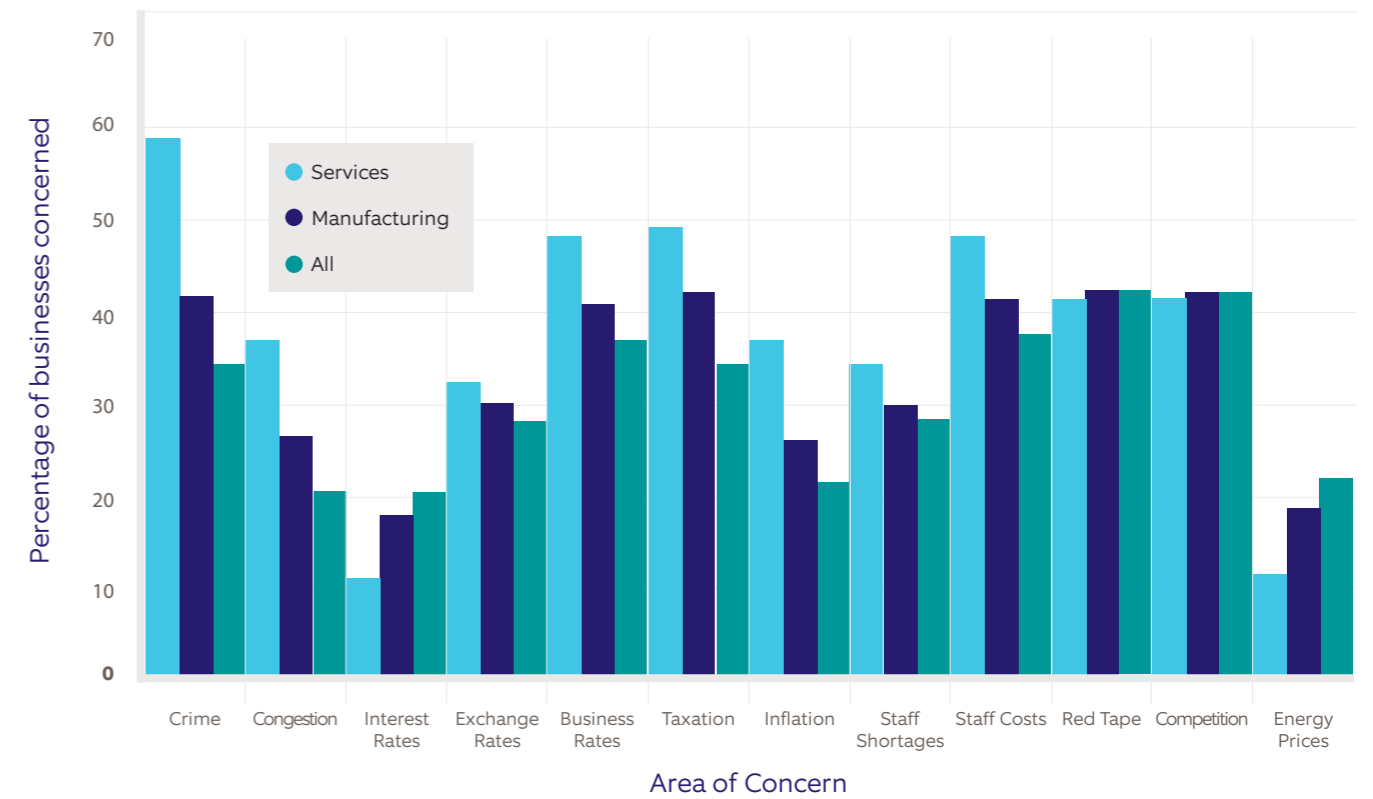
- The most commonly cited factors surrounding businesses success related to the ability to adapt to challenging circumstances. Successes included: investment in marketing and advertising, rapid transition to home/remote working and exploration of different markets.
- Factors relating to customer loyalty and existing relationships were also common. Businesses reported a desire to support one another during the crisis and an increase in collaboration.
- Factors associated with staff were also commonly reported, which included: Adaptable workforce staff, hardworking and talented staff, as well as staff being committed to the success of the business.
- Businesses also reported the benefits of various Government support schemes such as loans, rates holidays and the Job Retention Scheme.

**Barriers**

The main barriers to business success were considered to be:

- The ongoing impact of Covid-19 and the resulting recession on demand and business operations.
- An increased level of uncertainty around Brexit was expressed in terms of: Concerns surrounding the type of deal secured with the EU, impacts on business with EU-based customers and the potential paperwork and barriers which may result as well as Brexit related delays.
- Inability to access Government support due to eligibility issues.
- Restrictions on trade due to new rules around Covid-19 such as social distancing or cleaning requirements.
- Difficulties were also attributed to Government being distracted from wider economic aims due to the crisis.

**Some businesses are in a position to consider longer-term economic issues such as taxation and staff shortages. However for many, short-term survival is still the priority.**



**Perceptions**

Perception scores reflect whether issues affecting members and their business activity are of greater concern now compared to last quarter. Six out of the twelve indicators were considered to be of greater concern this quarter.

The indicators which experienced increased concern included; Inflation (38.7%), up 1.2 percentage points on last quarter, congestion (+3.9 percentage points), taxation (+5.2 percentage points) and staff shortages (+9.1 percentage points). The indicators which were considered to be less of a concern included; exchange rates, down by 2.4 percentage points, business rates, down 3.4 percentage points and staff costs (-3.4 percentage points).

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