

QUARTERLY ECONOMIC REVIEW Q4 2020/21



Sheffield
City Region

INTRODUCTION

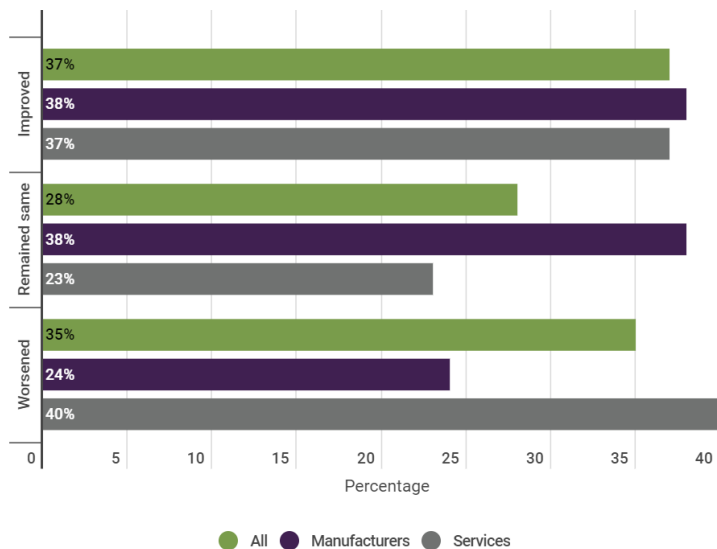
The following report uses data taken from the Quarterly Economic Review carried out by Sheffield City Region in the fourth quarter (Q4) of 2020.

This regular survey asks businesses a series of questions on key economic indicators.

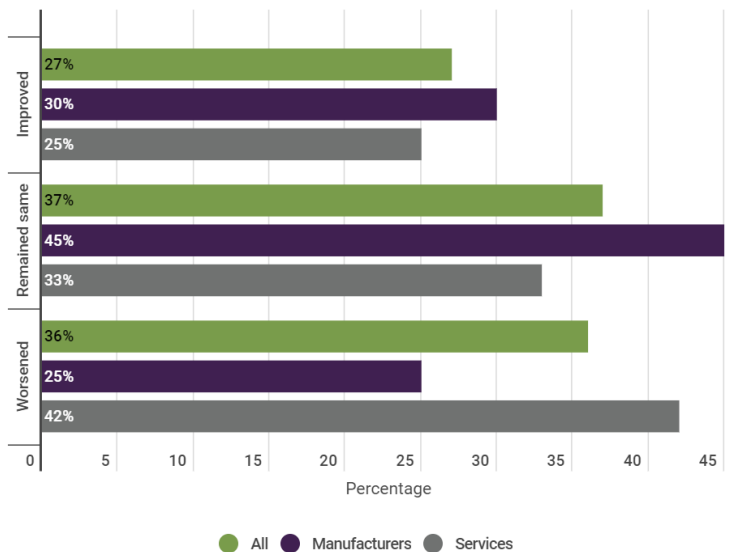
The survey ran from 2 to 23 November. 37% of the responses came from exporters.

SALES AND ORDERS - UK

Over the past 3 months, sales/custom/bookings have:



In the coming 3 months, orders/advance custom/bookings are expected to:

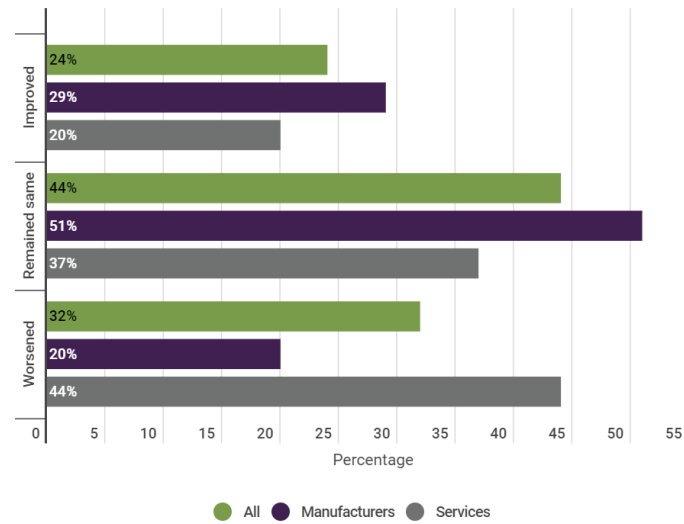


Following significant reductions in UK sales and order activity over the second quarter, over a third of businesses reported an increase in sales in Q4.

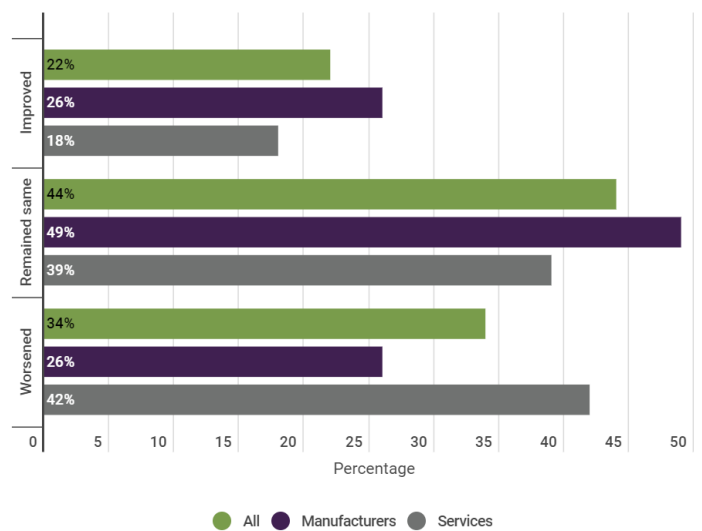
Looking into 2021 more businesses are expecting orders to remain the same or worsen.

SALES AND ORDERS - OVERSEAS

Over the past 3 months, sales/custom/bookings have:



In the coming 3 months, orders/advance custom/bookings are expected to:

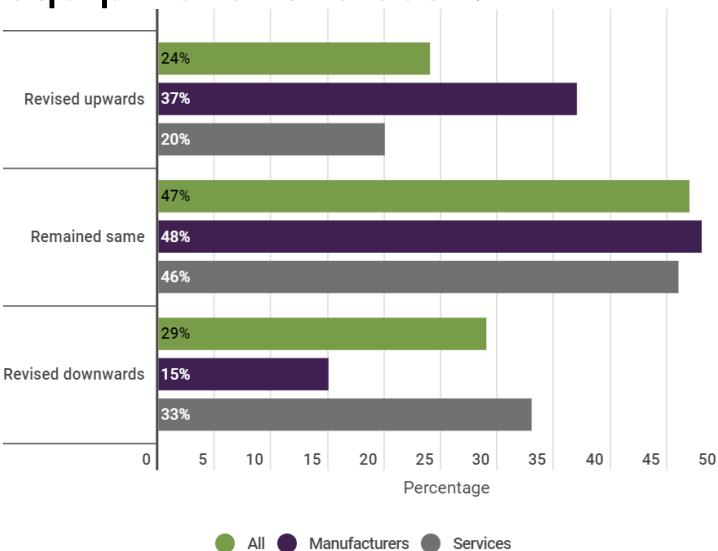


32% of exporters have seen a drop in orders during the previous 3 months and over a third expect to see orders worsen in the coming three months.

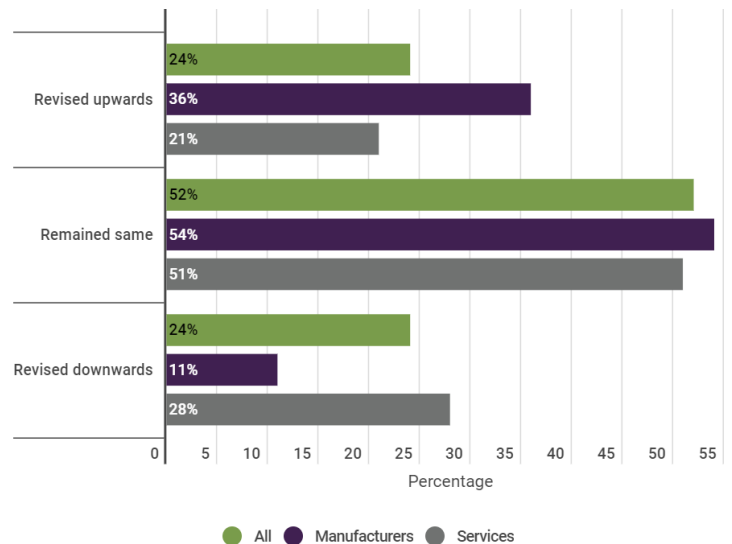
Almost one-quarter of businesses have seen an increase in orders during the previous 3 months.

INVESTMENT INTENTIONS

Plans for new plant/ machinery/ equipment have been:



Plans for training have been:



Investment intentions have largely remained the same across sectors. Although businesses operating in Services are most likely to have revised their intentions downwards.

CASHFLOW



38%

Of businesses expect cashflow to remain the same



51%

Of Manufacturers expect cashflow to stay the same

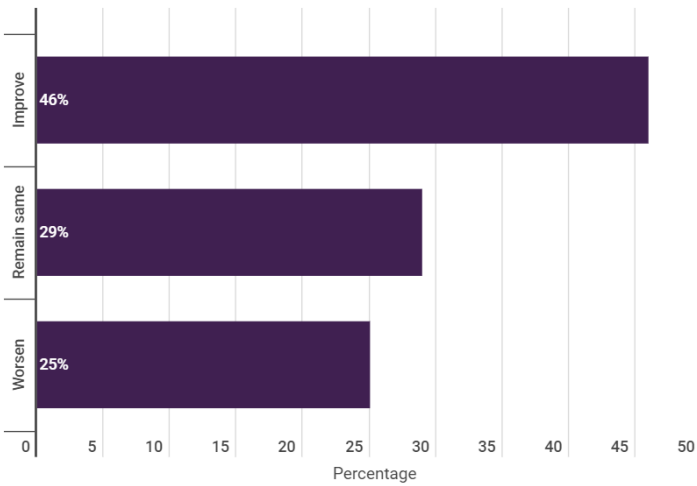


43%

In Services have seen cashflow worsen

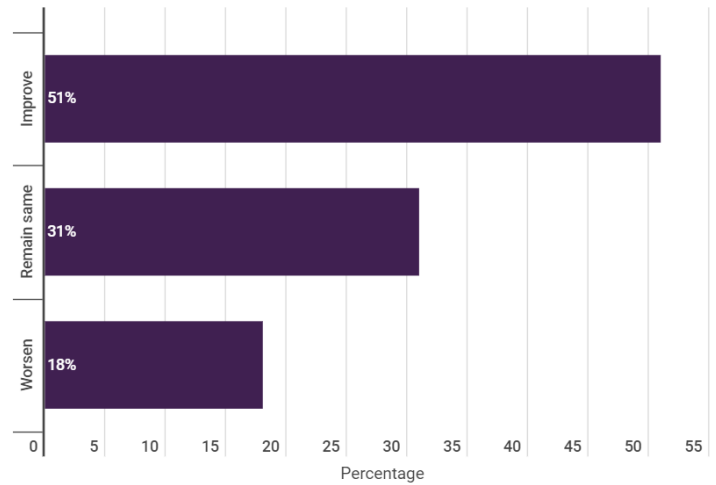
PROFIT AND TURNOVER - MANUFACTURERS

Profitability is likely to:



● Manufacturers

Turnover is likely to:



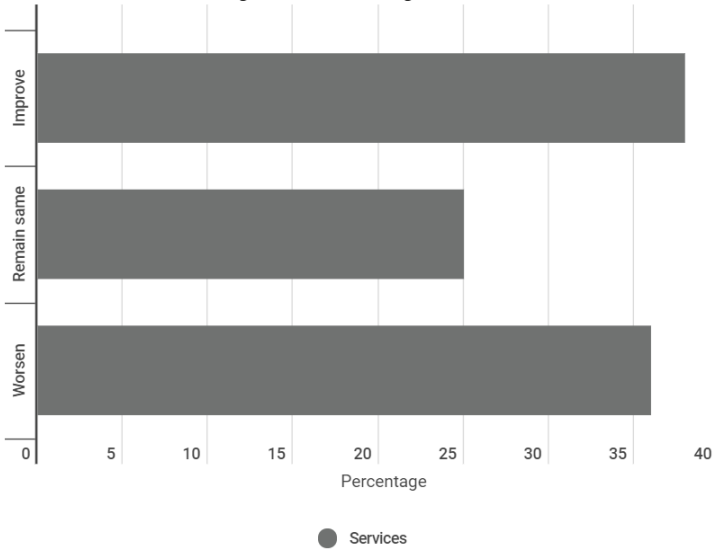
● Manufacturers

Manufacturers are optimistic for the coming 3 months. Around half expect their Turnover and Profitability to improve.

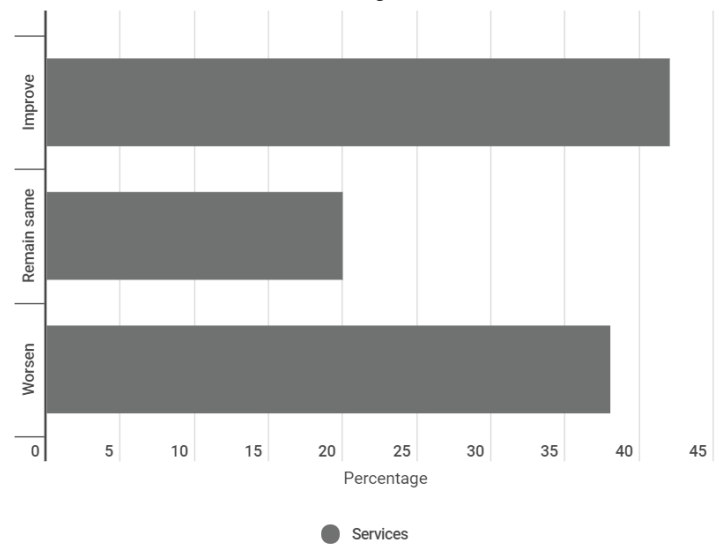
Less than 1 in 5 expect their Turnover to drop in the first quarter of 2021.

PROFIT AND TURNOVER - SERVICES

Profitability is likely to:



Turnover is likely to:

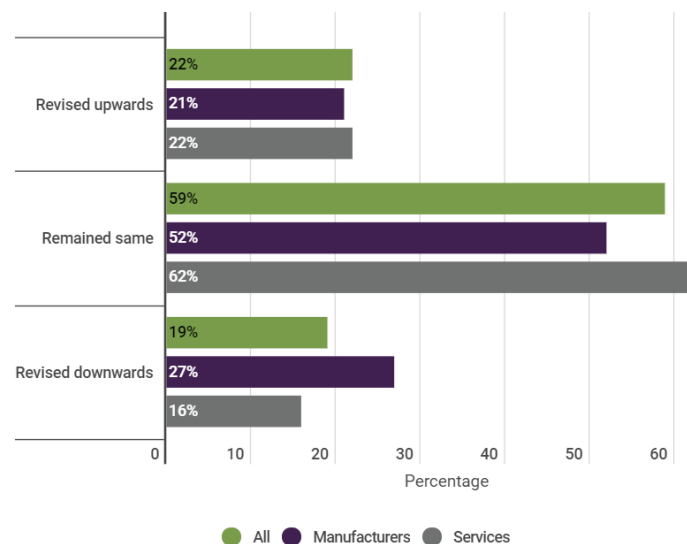


Services companies have a larger split with over a third expecting things to improve and a similar amount expect Turnover and Profitability to worsen.

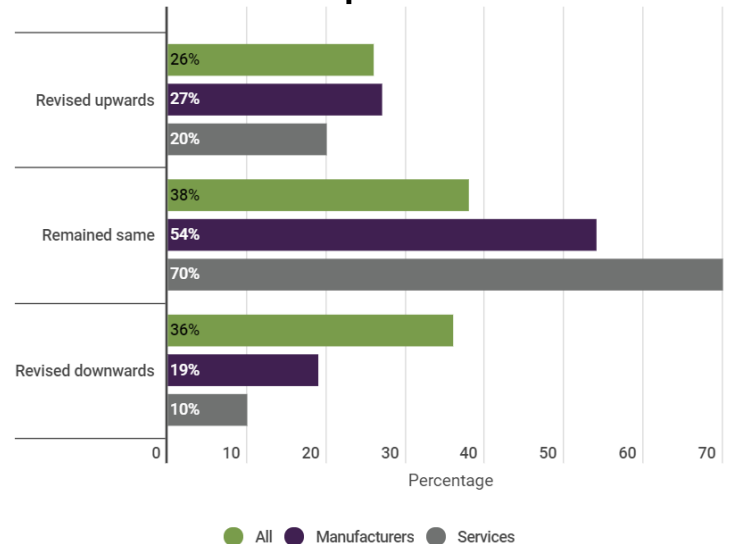
Only a fifth of businesses are expecting Turnover to remain the same into 2021.

WORKFORCE

Over the last 3 months, the workforce has:



During the next 3 months, the workforce is expected to:



The majority of businesses are expecting their workforce to remain the same in the coming months. Very few businesses have decreased the size of their workforce or expect to in the coming months.

PRICE CHANGES



46%

Feel pressure to raise prices due to raw materials costs



30%

Of Manufacturers feel the biggest pressure will be Exchange Rates



1/3

Of Services businesses feel pressure from competition than 3 months ago

COMMENTARY AN ECONOMY TREADING WATER

“Unprecedented”. “Uncertain”. “Unpredictable”. The adjectives that characterised the vast majority of 2020 for businesses were again at play in the final quarter of the year covered by the Quarterly Economic Survey.

A year that saw record lows across various indicators covered by the survey – UK and international sales and orders, confidence in turnover and investment, cashflow and investment intentions – was always unlikely to end with solid answers for businesses.

However, there were hopes heading into late autumn and early winter that news of a vaccine would support planning to reopen to economy more fully. Businesses were also told by politicians to finally expect some answers and clarity on our post-transition trading arrangements with the EU.

As it transpired, neither of these things came to pass. Instead, businesses were faced with further restrictions to trading and continued uncertainty as to the future rules – both domestically and international – by which they would be running their operations.

Despite this, the results in the Q4 survey were not wholly negative. Reflecting the innovation and ingenuity shown by businesses throughout the year, many saw small improvements in their activity levels. A number still made plans for investment – in both people (a net 4% increased training spending compared to Q3) and equipment (a net 5% increase) – and a small, but a significant number were planning on future recruitment, with 22% expecting to grow their workforce over the next three months.

There were still disappointments. Cashflow remains a crippling problem for many, undermining both resilience to future shocks and the ability to respond to opportunities when they present themselves.

COMMENTARY CONTINUED...

Future pricing intentions started to creep up as increases in raw material costs – along with access difficulties – began to impact on manufacturers. Advanced orders and bookings were down for many as the national lockdown in November caused some to pause their plans and a general sentiment of “wait and see” started to pervade the conversations of some.

In conversations with businesses, many spoke of a “weariness” and “fatigue” at navigating themselves and their staff through the difficulties of the past 10 months. However, there was still an undercurrent of tentative optimism for the coming year, as reflected in the confidence indicators for future turnover and profitability, perhaps acknowledging that the current predicament can’t last forever.

The economy, as a whole, hasn’t slipped back to the place it was in during May and June, however, nor has it continued its rebound from that position. Instead, it can best be described as “treading water”, waiting to see whether the final days of a year that asked more questions than anyone would have anticipated, finally delivered some answers.

It’s clear that 2020 was unprecedented, unpredictable and created amazing levels of uncertainty. Much of what has gone on has been out of businesses’ ability to control. However, under those circumstances, with one hand tied behind their backs, they have worked to manage those factors that they can control, looking for internal efficiencies, improvements in quality and new opportunities.

As we move into 2021, policymakers must do likewise. It is in their gift to control the nation’s capacity for testing, the speed at which a vaccine is rolled out and the availability and reading of data on how the pandemic is progressing.

They can also control the levels of business support provided, the rules as to how it’s accessed, and the measures that exist to allow businesses to reopen and make money without Government support.

It is essential that we get this right for 2021. Despite all the challenges of the past year, the vast majority of businesses have made it through – with some even finding opportunities to excel. If the first half of 2021 follows a similar pattern to the past six months, then more of those currently treading water may sadly slip under.