

QUARTERLY ECONOMIC REVIEW Q1 2021/22



Sheffield
City Region
Quarterly
Economic
Review

INTRODUCTION

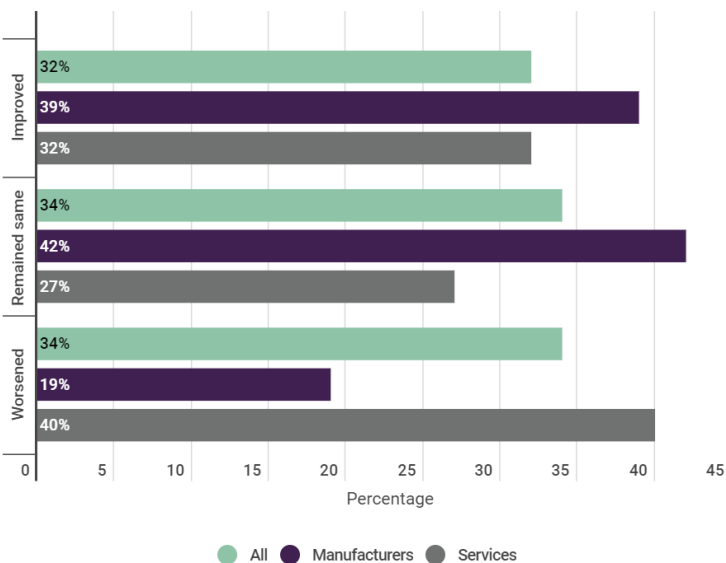
The following report uses data taken from the Quarterly Economic Review carried out in the first quarter (Q1) of 2021.

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

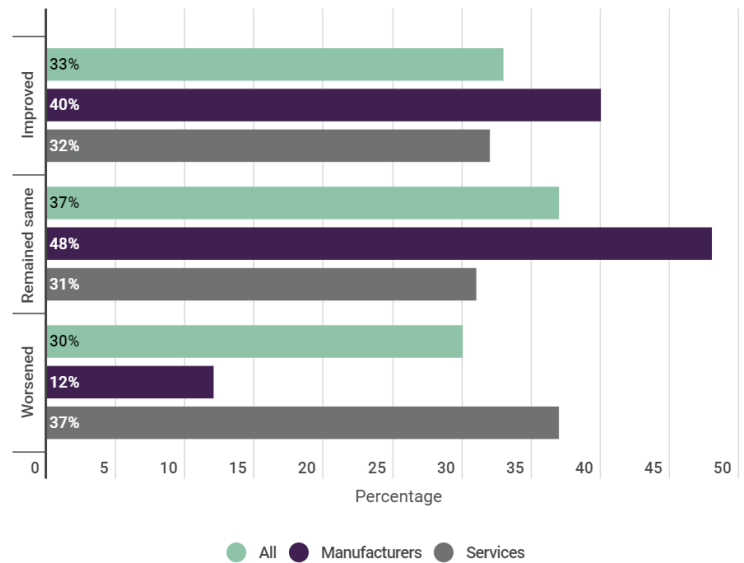
The survey ran from 15 February to 8 March. 285 businesses responded. 30% of these came from a broad manufacturing background and 37% were exporters.

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:

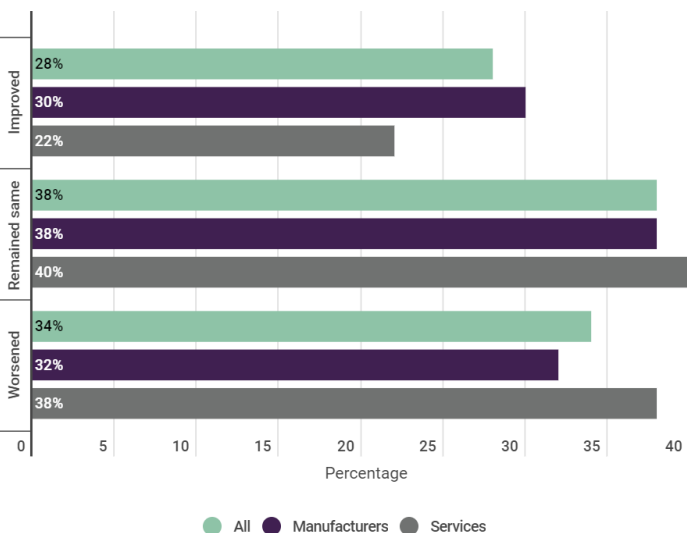


- Both sales and orders were stable, despite the impact of lockdown.

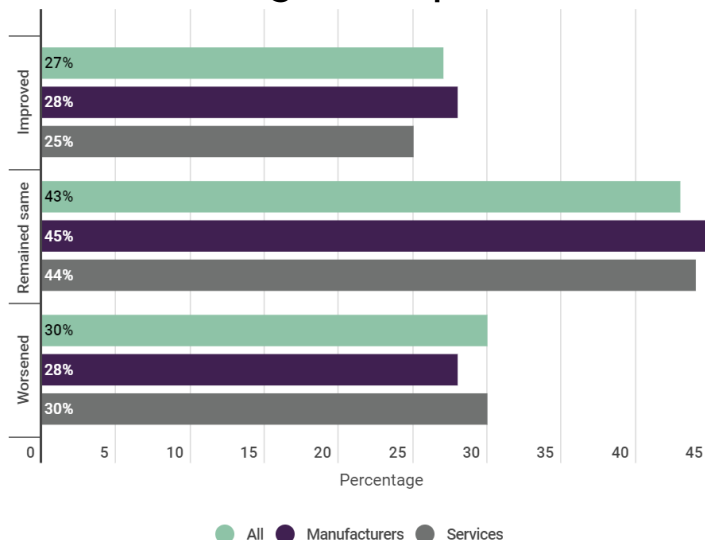
- Manufacturers performed strongly in both areas, but particularly on advanced orders/sales over the past three months (net +20% vs net +3%)

SALES AND ORDERS - OVERSEAS

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



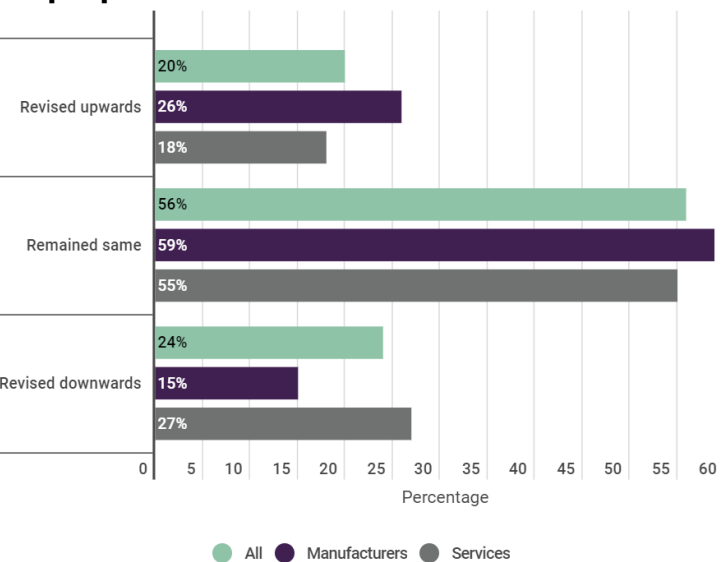
In the coming 3 months, orders/advance custom/bookings are expected to:



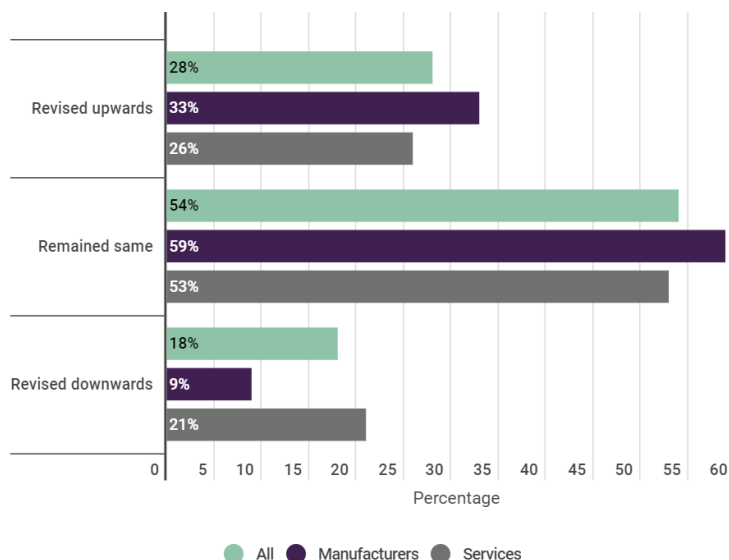
- In the quarter that the transition period between the UK and EU ended, overseas activity also saw a Q-on-Q improvement
- However, looking at specific markets, while North America and Asia performed strongly, 4 in 10 saw EU activity drop.

INVESTMENT INTENTIONS

Plans for new plant/ machinery/ equipment have been:

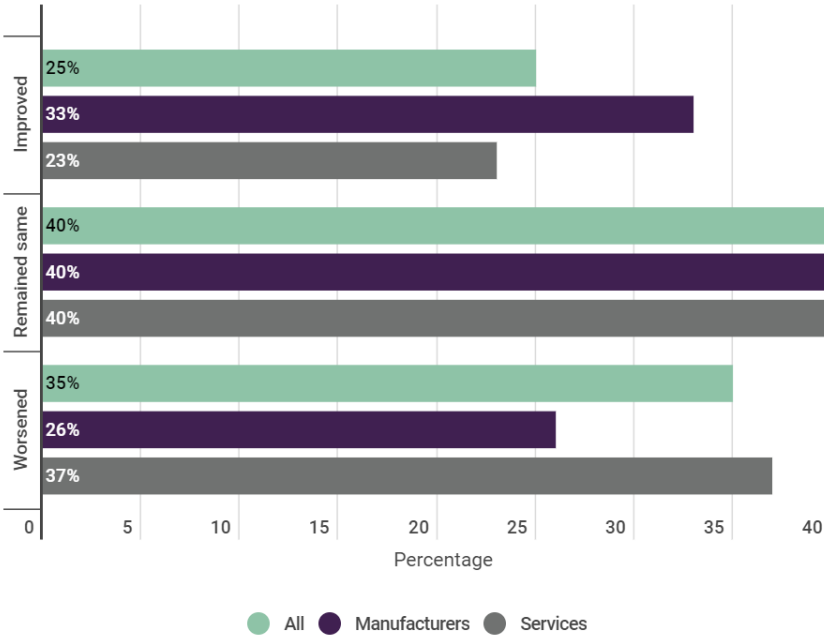


Plans for training have been:



Investment intentions continue to pick up. Manufacturers were again more likely to be upping their investment plans than service sector businesses.

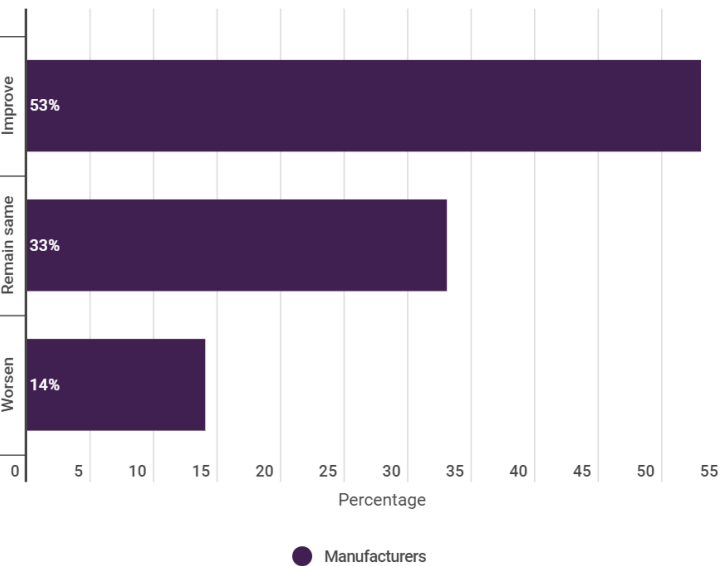
CASHFLOW



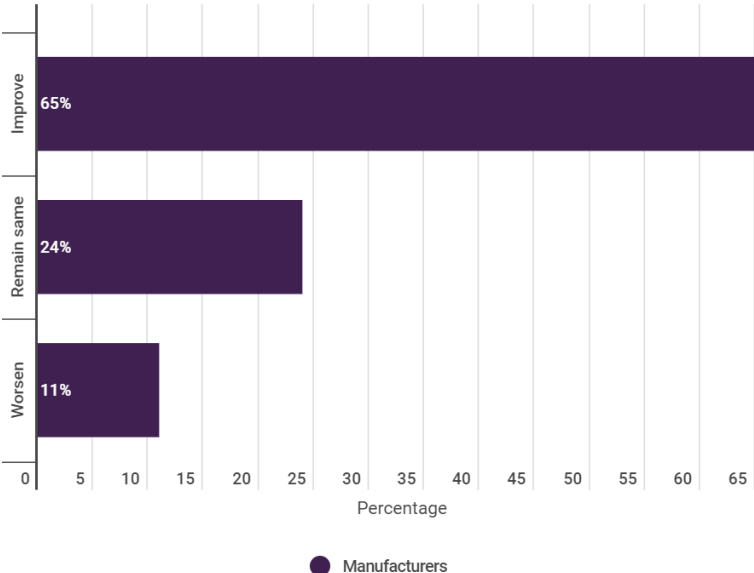
A third of manufacturers saw their cashflow improve.

PROFIT AND TURNOVER - MANUFACTURERS

Profitability is likely to:



Turnover is likely to:

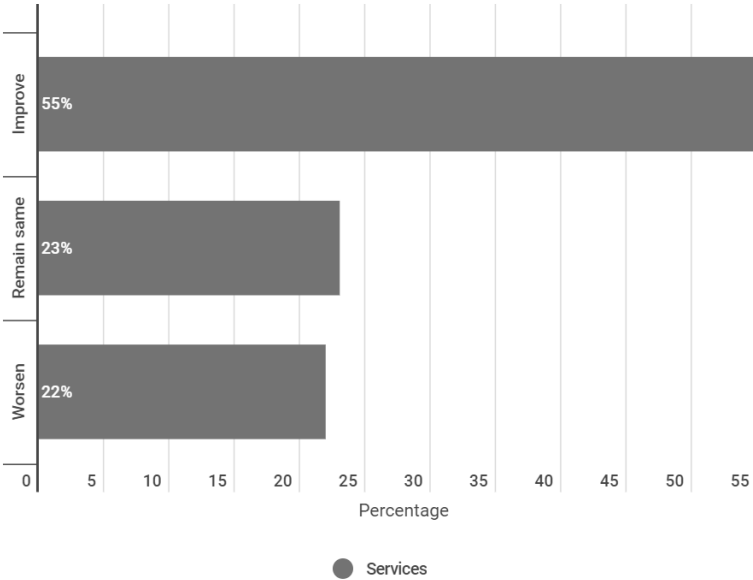


Manufacturers are optimistic for the coming 3 months. Over half expect their Turnover and Profitability to improve.

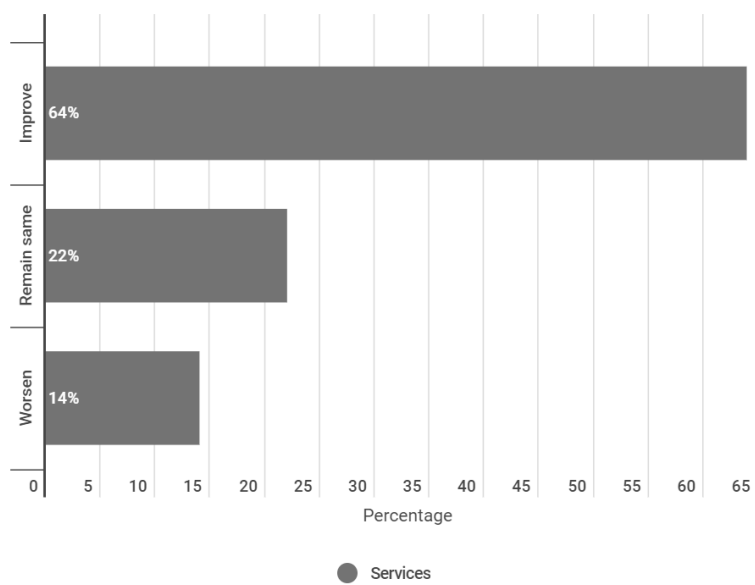
Just over 1 in 10 expect their Turnover to drop in the first quarter of 2021.

PROFIT AND TURNOVER - SERVICES

Profitability is likely to:



Turnover is likely to:

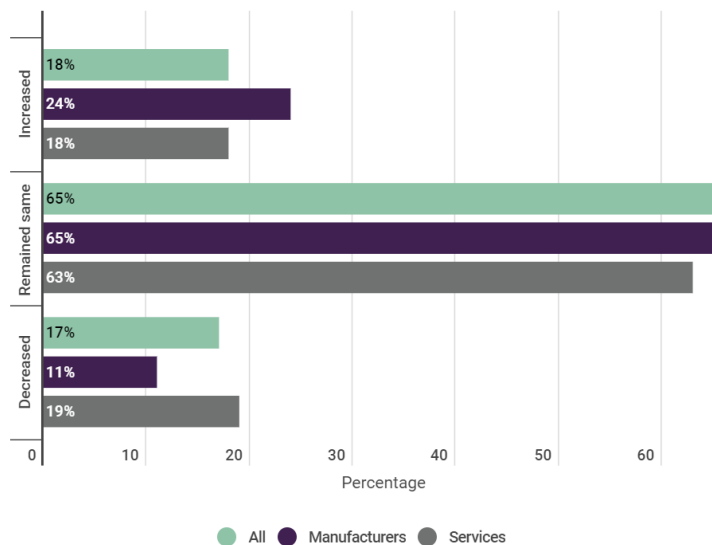


There is lots of optimism that things will improve. 64% of Services businesses are expecting Turnover to improve in the coming three months.

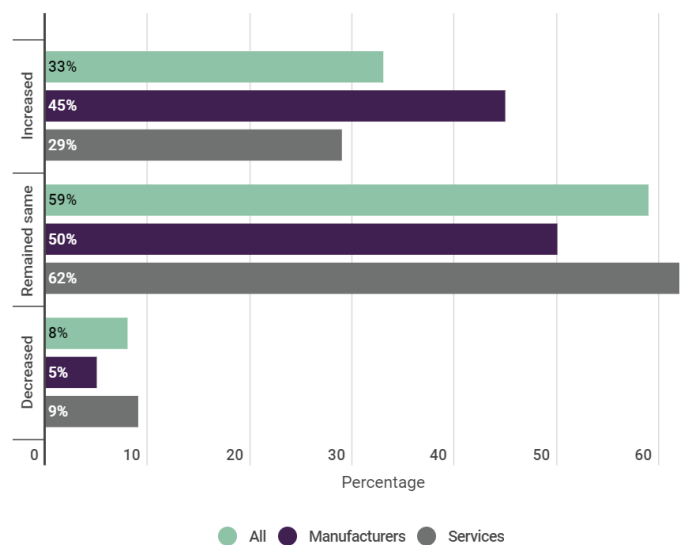
Only a fifth of businesses are expecting Turnover to remain the same.

WORKFORCE

Over the last 3 months, the workforce has:

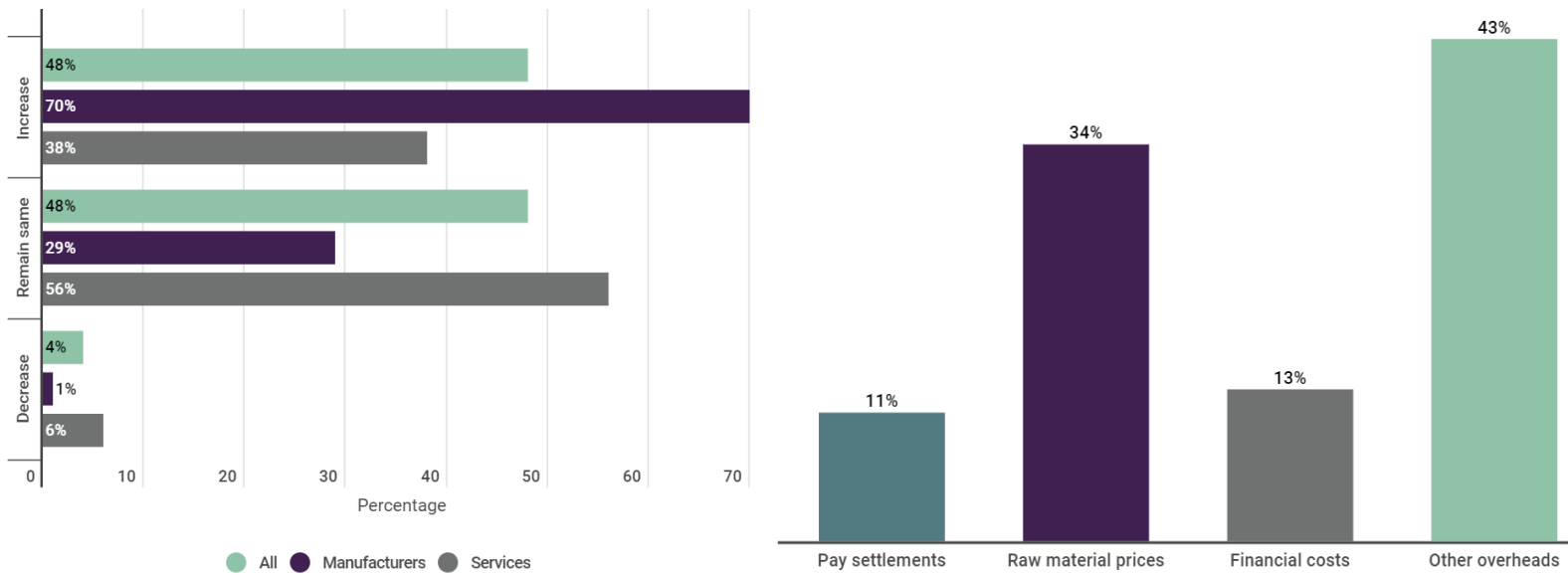


During the next 3 months, the workforce is expected to:



- Coming out of the lockdown, a net +25% expect to see their workforce grow.
- In the quarter, 44% attempted to recruit, with 60% of these struggling to fill vacancies

PRICE CHANGES



- Four in 10 expect prices to increase over the coming quarter, with 34% citing raw material prices as a pressure.

- This rises to 7 in 10 when looking solely at manufacturers, with 45% citing raw material prices

COMMENTARY

Business Confidence at recent-time Highs

As the economy emerges from the impact of 12 months of restrictions our latest Quarterly Economic Review data suggests that businesses are ready to grow and support the wider economic recovery the country now needs.

The survey, which ran from 15 February to 8 March, received over 285 responses, making it the most significant survey of its kind. Sentiment among businesses is as strong as it's been since before the pandemic, supported by the successful rollout of the vaccine programme, the roadmap for reopening the economy, and a broadly positive response to the spring budget.

COMMENTARY CONTINUED...

Two-thirds of businesses expect their turnover to improve over the coming year, with more than half expecting to see profits go up. Investment intentions are also on the up, with 28% planning increased investment in their people and one in 5 in equipment as they look to repoint their business to succeed in a post-pandemic world.

Recruitment expectations are also strong – 33% expect their workforce to grow, with the majority of these posts full-time and permanent, with only a small percentage (8%) expecting reductions in workforce over the next quarter. Despite these positive signs, there remain questions to be answered. Cashflow is still a problem for a significant number of businesses, with 35% seeing this worsen over the last quarter, meaning policy for continued grant and loan schemes will be important to avoid the rug being pulled out from under businesses just as they are getting going.

While UK activity is recovering well, overseas activity continues to trail behind. A third saw overseas sales activity worsen over the quarter, with approximately in 10 seeing a drop in EU activity. Although this was partly offset by stronger performance in other markets – particularly in North America and Asia – the EU remains the region's most significant trading partner. So the extent to which businesses are able to continue moving up the learning curve for the new way of trading, or in fact whether some of the problems are structural and irreversible, will be of great importance to future prospects.

How the economy handles price pressures will also be significant. Four in 10 expect their prices to increase over the coming months, rising to seven in 10 when looking solely at manufacturers. This pressure is largely driven by a growth in raw material prices, with half of manufacturers citing this as an issue, while others are still seeing increased costs associated with the continued friction experienced following the end of the UK's transition period with the EU. To what extent these pressures can be incorporated into refined business models versus how much is passed on to customers will be of great interest to those involved in setting monetary policy.

While individual experiences remain mixed, particularly for those sectors that have been mandated to close at one time or another, the survey results give much cause for optimism. Over the past 12 months, many businesses have looked at their operating models, markets, processes and products, and have sought to position themselves to succeed as restrictions are lifted. New ways of working initially forced upon businesses by the pandemic have brought forward some opportunities for efficiencies and greater opportunities to collaborate. The ultimate success of this activity will be put the test over the coming months as the economy reopens. This set of results suggests that businesses are up for the challenge.