Sheffield City Region
Quarterly Economic Review

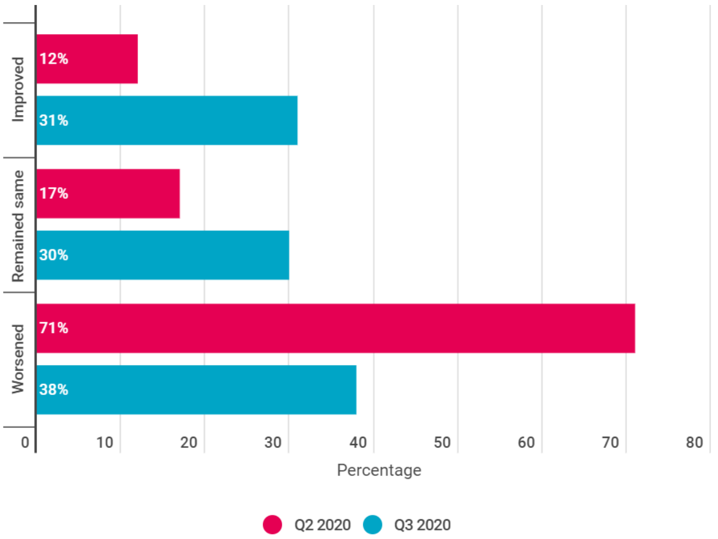
Quarter 3

The following report uses data taken from the Quarterly Economic Review carried out in the third quarter (Q3) of 2020. This regular survey asks businesses a series of questions on key economic indicators to give a snapshot of current operating conditions.
The survey ran from 24 August to 14 September with 317 responses:

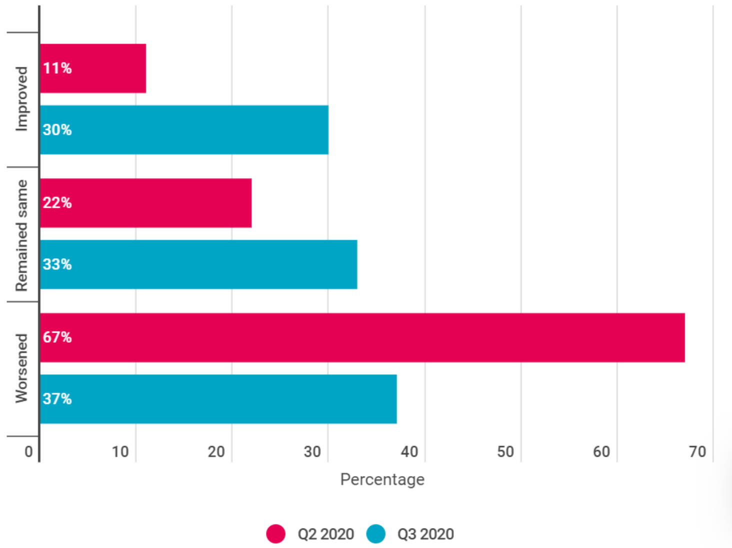
- 62% have fewer than 10 employees; 22% 10-49; 12% 50-249; 4% 250+
- 22% were from a manufacturing background
- 57 exporters
- Respondents employed a collective 49,412 people

Sales and orders - UK

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



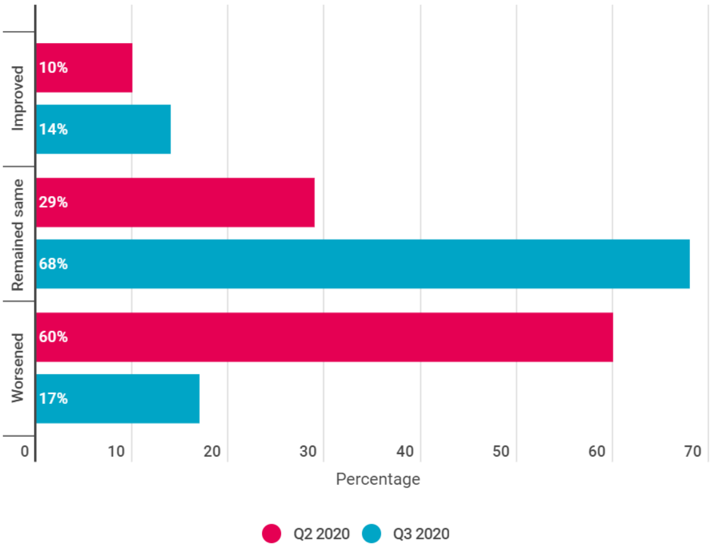
Over the past 3 months, orders/advance custom/bookings have:



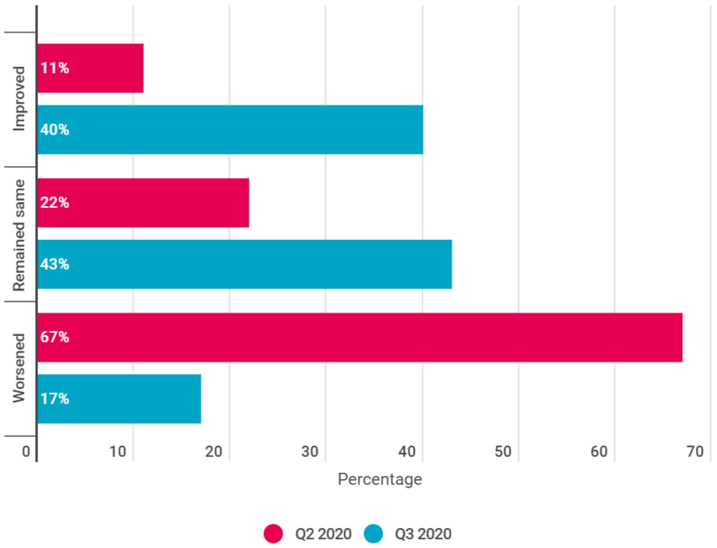
Following significant reductions in UK sales and order activity over the second quarter, Q3 saw a decent recovery, although both still saw more businesses reporting slightly reductions than growth, albeit not at the same scale as reported in Q2.

Sales and orders - Overseas

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



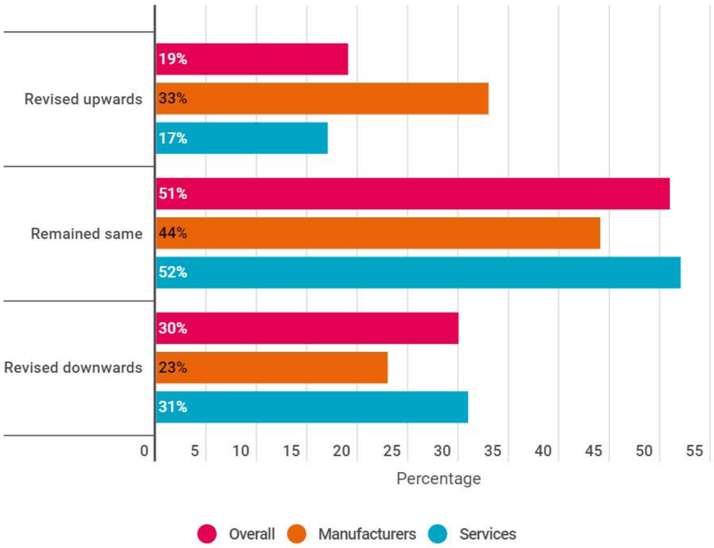
Over the past 3 months, orders/advance custom/bookings have:



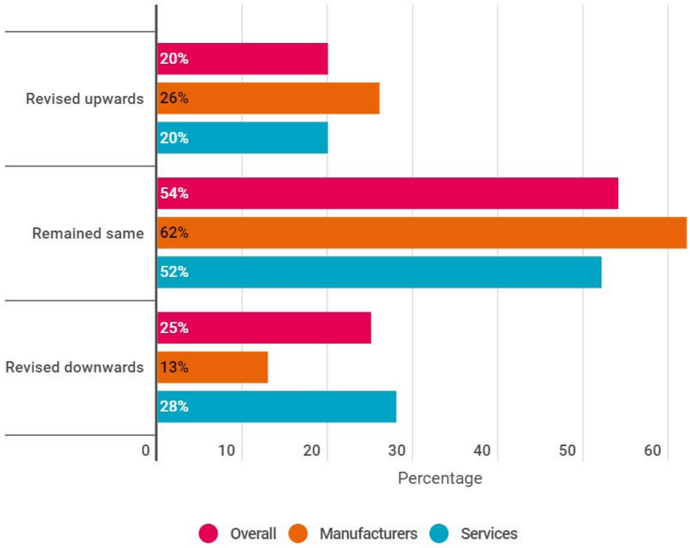
As with UK markets, there was a decent quarter-on-quarter improvement in activity, with sales performing more strongly than advanced orders. As we approach the end of the transition period with the EU it is concerning to see advanced orders not recovering as strongly and underlines the importance of certainty of outcome for businesses and their customers alike.

Investment Intentions

Plans for new plant/machinery/equipment have been:



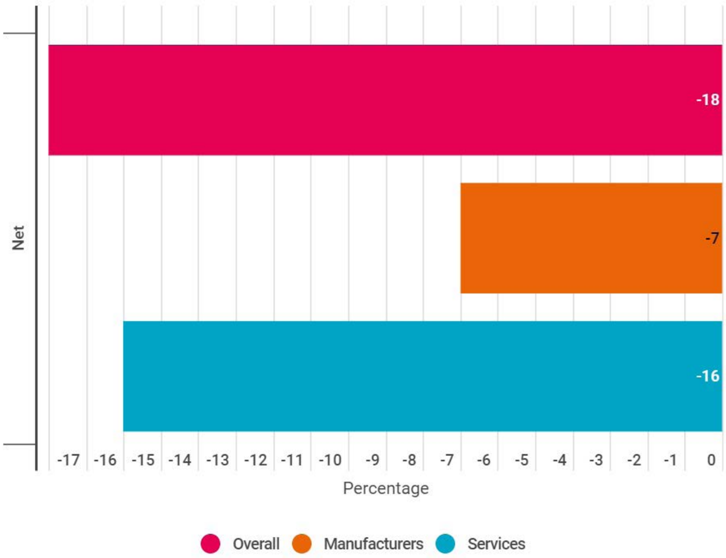
Plans for training have been:



There was a positive pick up in businesses revising their investment intentions upwards across both sectors. This followed historic lows in the second quarter and demonstrates businesses starting to plan for recovery and future growth. It also illustrates opportunities for efficiencies in operating identified by many businesses over recent months.

Cashflow

During the past 3 months, the situation has:



While an improvement on Q2, all sectors continue to struggle overall with reductions in cashflow.

At a time when many are looking to recover and invest this potentially undermines their ability to do so, underlining the importance of access to appropriate finance and responsible payment terms.

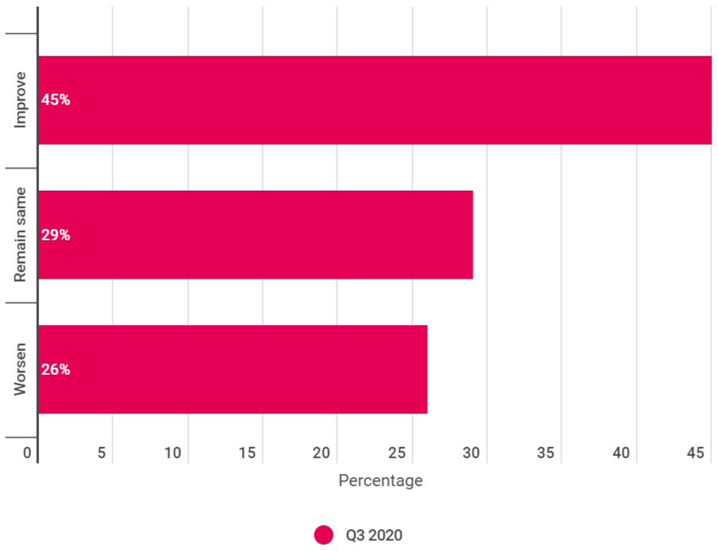
Business Confidence

Confidence in both profitability and turnover have recovered strongly across all sectors, with a greater optimism about the following 12 months as expressed in Q2.

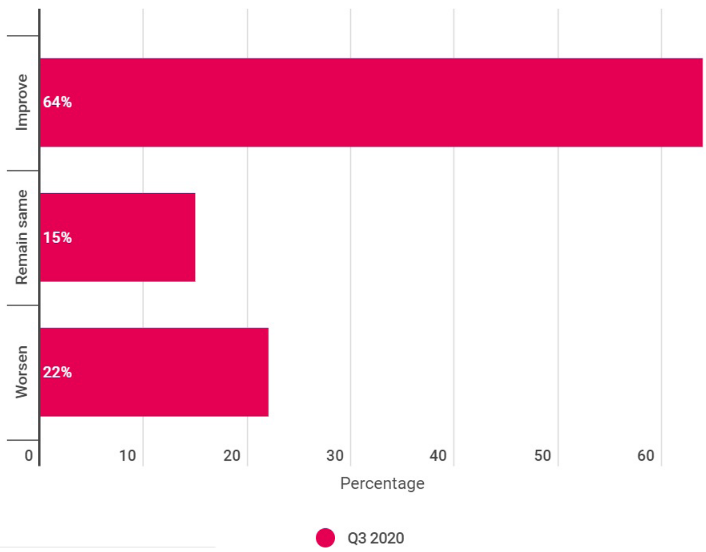
While this is sentiment as opposed to actual activity, it is an important driver of decision making and so positive to see improvements here, despite continued challenges in trading conditions.

Profitability and Turnover for Manufacturers

Profitability is likely to:

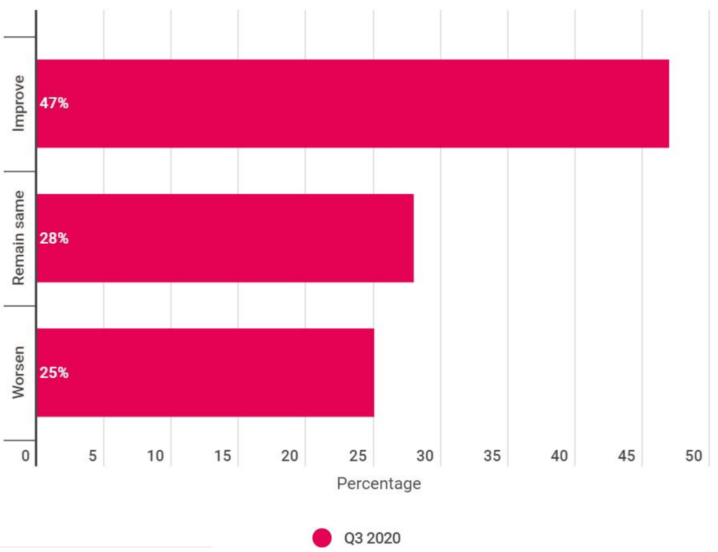


Turnover is likely to:

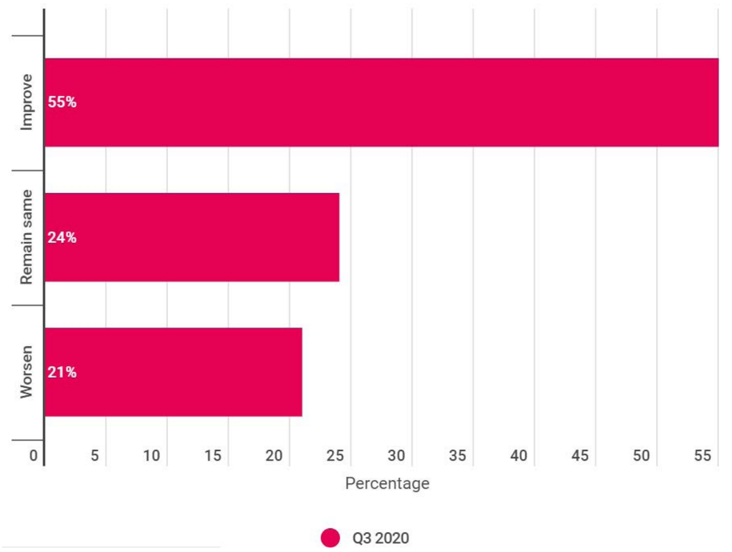


Profitability and Turnover for Services

Profitability is likely to:

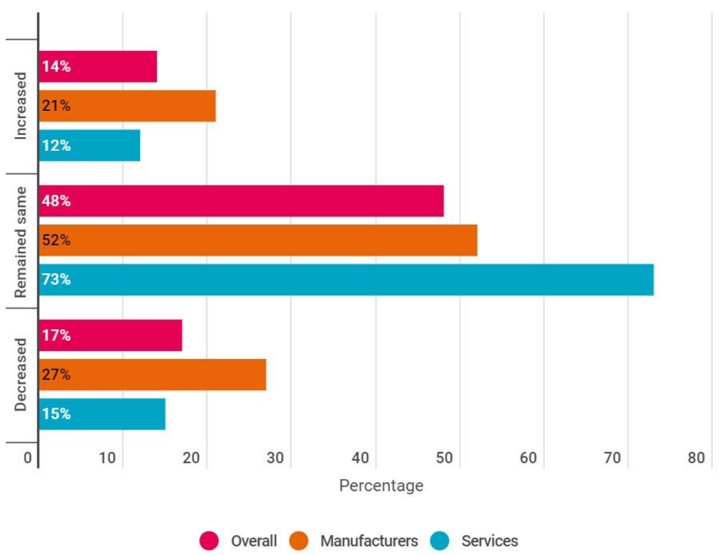


Turnover is likely to:

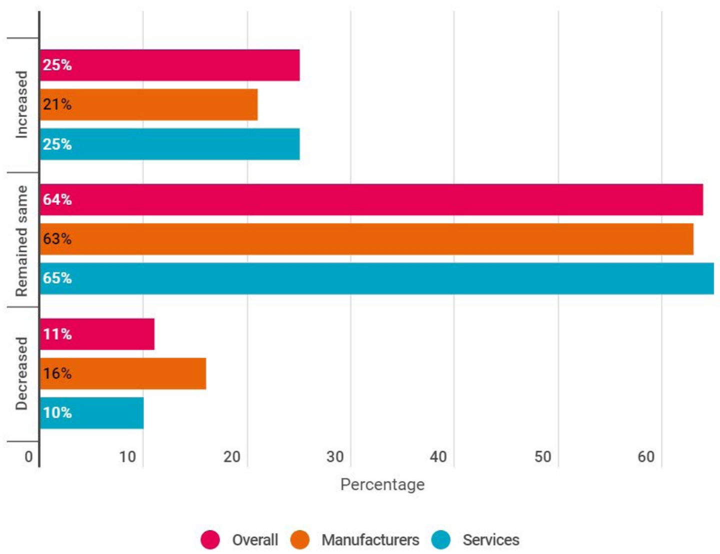


Workforce

Over the last 3 months, your workforce has seen a:



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



Following a number of firms reducing the size of their workforce over the past two quarters, only 11% expect further reductions in size over the coming quarter, with 25% anticipating an increase in their workforce size. In other figures, 37% attempted to recruit in the last quarter, with 47% of those struggling to find the right skills.

Commentary - An Economy fights back

Following historic lows in the second quarter of the year, which covered a period when large swathes of the economy was essentially cut off at the knees, analysts and commentators across the Sheffield City Region have keenly anticipated the results from Q3. So what did the survey – which attracted a record 409 responses – tell us?

There are two ways of looking at the results: on a regional, macro level or on a local, micro one.

At a macro level, given everything that has taken place over the last 6 months, the economy across the Sheffield City Region has held up well. UK market activity recovered from historic lows to almost reach positive territory again as a net score, with export markets not too far behind. In terms of staffing levels, unfortunately the figures showed large numbers of businesses reducing their workforce size over the past three months, but then we also saw four in ten employers looking to recruit to new roles and a further one in four expecting overall increases in the workforce over the coming quarter, with only 11% expecting further decreases.

Following massive drops in investment intentions over the summer, there is still a little way to go to recover to net positive territory, although encouragingly approximately one in five have started revising their plans upwards for both training and capital investment. However, perhaps denting the ability for more to do so, 41% have seen cashflow worsen – and on the back of 63% seeing it worsen over the summer.

While sentiment may feel less tangible, it is important as it can guide decisions made. For that reason it’s encouraging that 56% expect their turnover to grow over the coming year an 47% their profitability to rise over the coming year, compared to roughly the reverse of these figures over the summer.

Given everything the country has been through, given the uncertainty that still exists and given the new ground we find ourselves on, these results should give heart. There is still a long way to go – and as we discovered in March this year – things can change quickly, but the economy as a whole is not as bad as perhaps many feared.

However, it’s important that we also recognise that people don’t exist at the macro level, and the overall numbers hide a whole raft of different experiences – both within and across sectors, towns, cities and our more rural areas. Across most indicators, for every business that reported something as improving, another saw a deterioration.

In short, our 409 responses detail 409 different experiences and this poses tough questions for businesses and politicians alike, particularly around how we ensure continued support can be targeted to those that would most benefit. As we approach the end of 2020, which also marks the end of our transition period with the EU, it is important that the region comes together to help answer this question.