



QES REPORT

Q1 2024



A WORD FROM OUR CEO

With all the shocks that businesses have faced over the past few years it is fantastic to see that confidence throughout our region has remained buoyant.

The economic landscape is starting to show signs of happier days with interest rates less of a concern for local firms who complete our Quarterly Economic Survey with headline inflation beginning to fall.

While some sectors are starting to report that they are now looking at new investments and recruiting new members of the team to help deal with growth demand – some sectors particularly hospitality and retail are still very concerned about the effects of inflation on their consumers.

The Chamber of Commerce will continue to champion the voice of business to the very highest levels of government about the positive changes that have supported members but also the challenges that are still holding back parts of our vibrant economy.

LOUISE WALL
CEO



INTRODUCTION

The quarterly economic survey is the largest independent business survey in the UK and collects data from all corners of the country to understand how businesses of all sizes and sectors are feeling. The survey has been running since 1989 and is used by leading politicians and fiscal policymakers in decision-making that affects UK firms.

In Northamptonshire & Milton Keynes the responses from local firms have created a positive but uncertain economic picture. There are still huge cost pressures that firms are facing from raising labour costs to higher interest rates. But overall firms feel like the dial has shifted and that a positive economic situation is on the way – with over 50% of professional service respondents believing their 'turnover' will improve in the next 12 months while 43.48% have said their 'advanced orders' have increased.

These numbers are even higher for the local manufacturing sector with 60% of respondents reporting their UK sales have increased, with the same number also saying they anticipate their turnover to increase within 12 months too.

However, cost pressures are affecting the bottom line with labour costs, raw materials and finance costs most cited as more of a concern. Inflation and high interest rates are forcing firms to raise their prices – with 29.63% of respondents looking to raise their prices within the next three months to meet their higher costs.

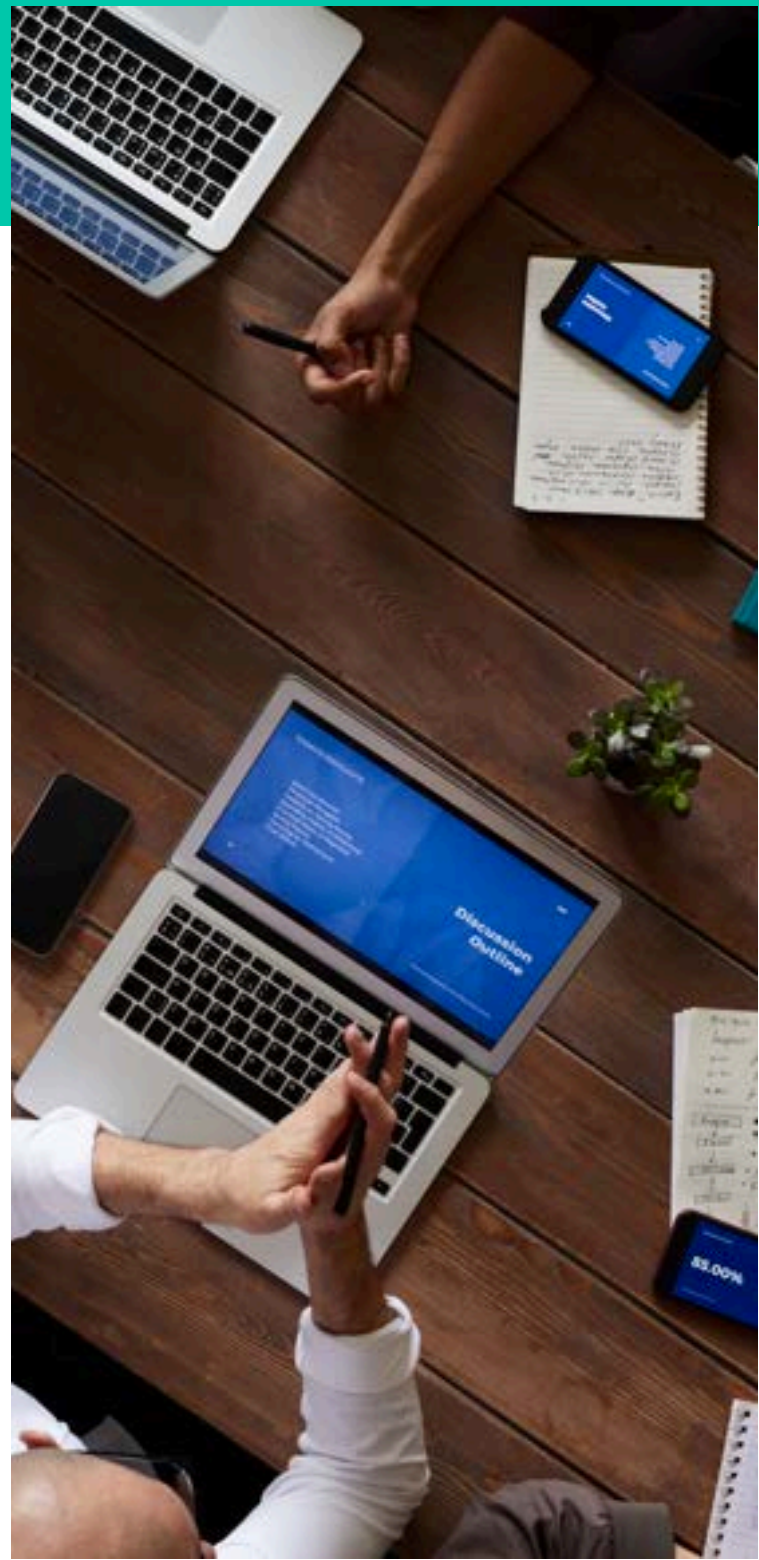


DOMESTIC ORDERS

UK orders in both the local services and manufacturing sectors have shown strength with 79.31% of business responders citing that their domestic orders have increased or remained consistent over the past 3 months. This is at the same time that 42.86% of respondents have reported an increase in their advance UK orders.

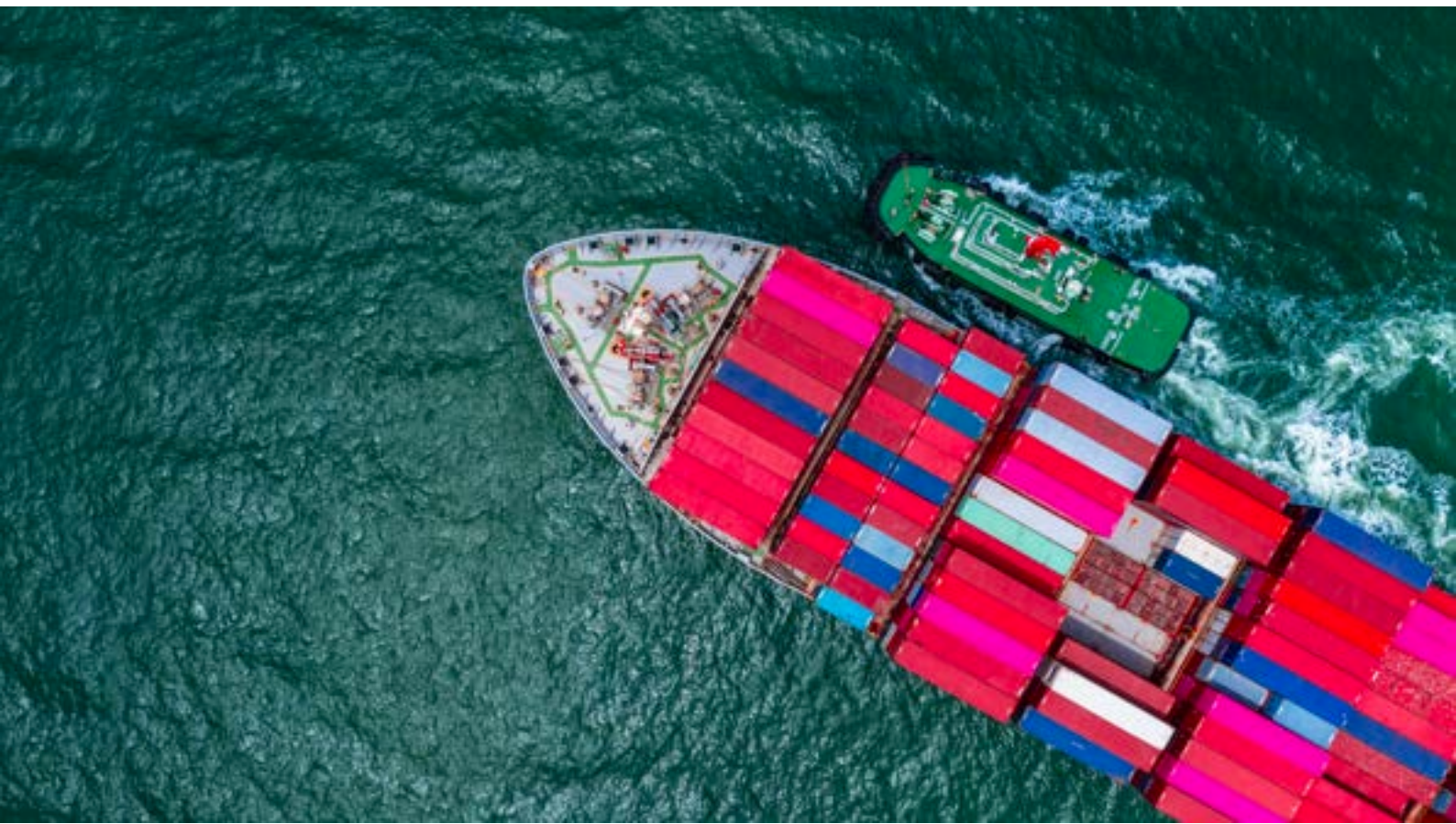
42.86%

of respondents reporting higher advanced orders, suggesting growing demand in the market.



OVERSEAS ORDERS

Export sales have also remained buoyant with 29.41% of exporters citing their sales have increased. However, over 25% of firms have said that their advanced orders have decreased. This could suggest a downward trend is on the horizon if advanced orders continue to fall.



BUSINESS CONFIDENCE

Despite 75.86% of respondents reporting that they are facing pressure to raise their prices due to labour costs and 53.57% of firms have cited inflation as more of a concern for their business, firms across our area still have high levels of confidence.

Firms have demonstrated that their confidence is still strong with 53.13% of businesses reporting that they expect their turnover to improve within the next 12 months. We have also seen 68.76% of firms anticipate their profitability will improve or remain the same within the year. This is positive considering 62.50% of firms report they are currently operating below full capacity.

However, despite the confidence 40.63% of firms who responded expect their prices to rise over the next three months to meet the challenges in the current economic conditions.

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The Export Market is appearing more fragile, however, I believe the UK has re-established its position well since Brexit & Covid.

**SME Logistics Firm -
Northamptonshire**

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75.8%

of respondents reported that they are facing pressure to raise their prices due to labour costs

62.5%

of firms report they are currently operating below full capacity.

INVESTMENT & CASHFLOW

There is a mixed picture in the cash flow data with 47.83% of firms saying their cash flow has remained constant over the past three months – this is up 17.83% compared to Q4 2023. However, 26.09% of firms have said their cash flow has increased which is a fall of 18.91% compared to Q4.

There are sectoral differences within the investment data with firms in retail and hospitality much less likely to be looking into increasing investment – whereas firms in the logistics and transport sector are more likely to be looking into investments into equipment.

Overall 31.82% of respondents have indicated that investment into equipment will improve in the next 12 months which is 16.82% up compared to Q4. Investment in training is much more robust with 90.63% of respondents reporting that investment will either remain the same or increase within the next 12 months.



RECRUITMENT

47.83%

of respondents facing difficulties in hiring due to the scarcity of professional and managerial skills.

The labour market remains as one of the most challenging areas for businesses to grapple with. The competition for people and the skills businesses need to help meet orders and grow is a real concern locally.

In Q1 2024 62.96% of respondents attempted to recruit, with 47.83% of those saying they have had difficulties in doing so. Most reported is a lack of 'Professional & Managerial Skills'.

But rising labour costs are taking hold with firms having to make the decision to let people go - in Q4 of 2023 0% of respondents expected their workforce to decrease, but in Q1 of 2024, that number has risen to 7.41% of firms - certainly not a huge jump but something to keep our eyes on.

