

**QES** LANCASHIRE QUARTERLY  
ECONOMIC SURVEY

Quarter 1, 2021

<b>SECTION</b>	<b>PAGE</b>
Summary	3
Domestic Market	4
Export Market	4
Employment	4
Recruitment	5
Business Confidence	5
Investment Intentions	6
Prices	6
External Factors	7
Quarterly Balance Changes	8

## About this Quarter's Survey

The Q1 2021 Survey was conducted by the North & Western Lancashire Chamber of Commerce; Chamber of Commerce East Lancashire; and Lancaster & District Chamber in conjunction with MHA Moore & Smalley Chartered Accountants and Business Advisors.

- The survey collection period was from 15<sup>th</sup> February to 8<sup>th</sup> March 2021.
- Responses were received from 118 companies across Lancashire employing 5,666 people.
- From the manufacturing sector, 28 business (24%) employing 1,614 people responded to the survey.
- From the service sector, 90 businesses (76%) employing 4,052 people responded to the survey.
- 78 companies (66%) were involved in exports.

### METHODOLOGY:

QES results are generally presented as balance figures - the percentage of firms that reported an increase minus the percentage that reported a decrease. If the figure is a plus it indicates expansion of activity and if the figure is a minus it indicates contraction of activity. A figure above 0 indicates growth, while a figure below 0 indicates contraction.

For example, if 50% of firms told us their sales grew and 18% said they decreased the balance for the quarter would be +32% (an expansion).

If 32% told us their sales grew and 33% said they fell the balance would be -1% (a contraction).

## Summary

The Lancashire Chambers of Commerce Quarterly Economic Survey show a mixed picture as different sectors cope with the continued impact of restrictions brought about by the pandemic. Following a period of recovery manufacturing businesses have returned to position of contraction or stagnation.

The service sector continues to struggle according to most metrics showing further contraction. However, the level of contraction has improved with fewer firms reporting a worsening of business through the first quarter than in Q4 2020.

Confidence has returned with both sectors believing that conditions will improve over the next 12 months.

### Key findings in the Q1 2021 survey

#### Manufacturing sector:

- The balance of firms reporting increased domestic sales fell to a position of contraction from +25 to -4; with domestic orders balance also decreased from +25 to -7.
- The balance of firms reporting increased export sales returned to a stagnant position, dropping from +22 to 0. The balance reporting improved export orders fell further to a position of contraction, from +31 to -5.
- The balance of firms reporting an increase in their workforce over the past three months grew significantly, from -6 to +21, and the balance of employment expectations in the next 3 months increased slightly from +15 to +18.
- Manufacturers who tried to recruit dropped from 70% to 46% over the last 3 months. 91% of the majority of those trying were recruiting for full-time (85%) and permanent (69%) positions. There was also an increase in those finding it difficult to recruit, from 52% to 57%.
- The balances of manufacturers reporting planned increases in investment weakened for plant/machinery (down from +19 to -3) and strengthened slightly for training (up from +12 to +14).
- The balance of manufacturers reporting pressure on prices went up significantly from +19 to +52. The percentage of those suffering cost pressures due to raw materials continued to increase, from 70% to 93%.
- Those reporting confidence in improving conditions over the next twelve months improved in terms of both turnover (up from +37 to +43) and profitability (up from +19 to +33).

#### Services sector:

- The balance of firms reporting increased domestic sales remains in a position of contraction despite improving from -48 to -19, which is the same for the balance reporting improved domestic orders which went up from -43 to -28.
- The balance of firms reporting increased export sales fell, going down from -32 to -51. The balance reporting improved export orders also weakened further, from -31 to -49.
- There was no change in the balance of firms reporting an increase in their workforce over the past three months, remaining in contraction at -17. However, the forward-looking employment expectations for the next three months balance went up to a position of growth, from -8 to +11.
- The balance of firms reporting increased cashflow is still shows contraction but improved from -49 to -15.
- Business confidence in conditions improving over the next twelve months in the service sector has moved from contraction to growth for both turnover (up from -11 to +34) and profitability (up from -14 to +15).

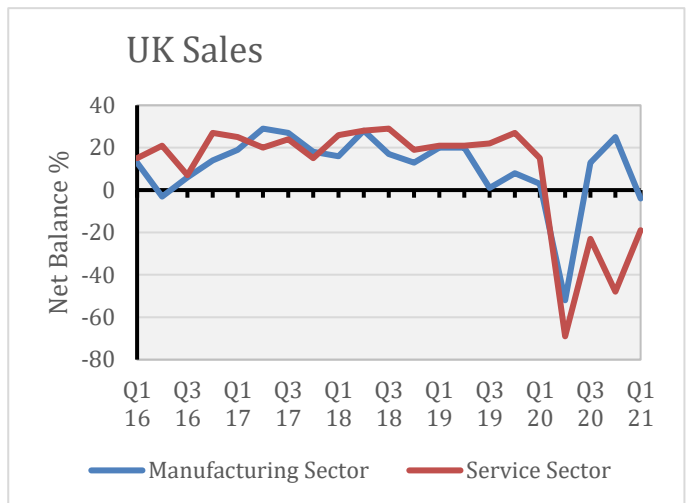
**+Positive number represents an expansion -Negative number represents a contraction**

## Domestic Market

In the manufacturing sector, the UK sales balance dropped into contraction (-4%, down from +25%) following two quarters of strong recovery. The UK advance manufacturing orders balance for the 3 months ahead is also saw a drop (-7%, down from +0%).

Although the service sector remains in contraction UK sales balance improved by 29 points on the previous quarter (-19%, up from -48%).

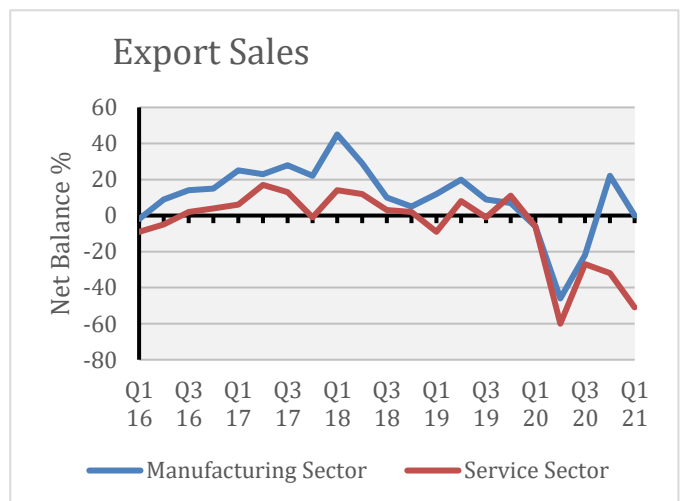
The advance orders/bookings balance increased, by 15 points though also remained in contraction (-28%, up from -43%).



## Export Market

In manufacturing, the export sales balance was down 22 points (0%, down from +22%), stagnating after a quarter of strong signs of recovery. The advance export orders balance returned to a position of contraction, weakening by 36 points on the previous quarter (-5%, down from +31%). Stocking up Q4 2020 ahead of the Brexit transition period's end is a likely contributing factor for this quarter's downturn.

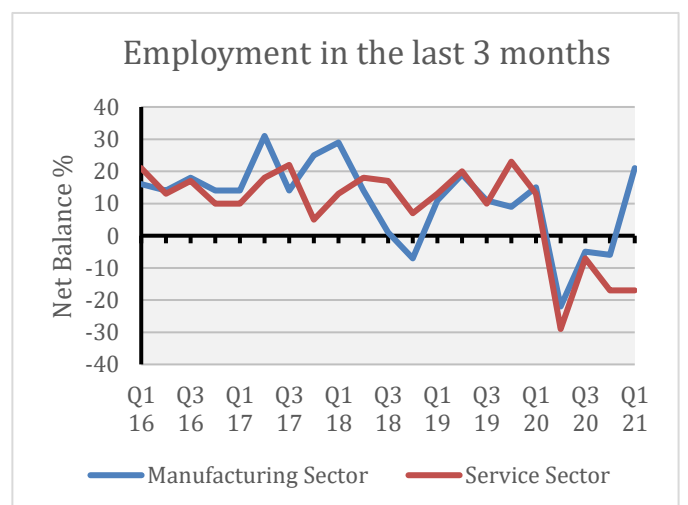
The services export sales balance weakened further, down 19 points (-51%, down from -32%); whilst the services export orders balance was down by 7 points (-31%, down from -24%). This is the fourth consecutive quarter of contraction in both export sales and orders for the service sector.



## Employment

In manufacturing, the net balance of companies reporting that their workforce had increased over the past three months was up 27 points this quarter (+21%, up from -6%), returning to growth after here quarters of contraction. The employment expectations balance for the three months ahead also increased, by 3 points (+18%, up from +15%).

In services, there was no change in the balance of firms reporting an increase in their workforce over the past three months (-17%), making it four consecutive quarters in contraction. The forward-looking employment expectations recovered to a position of growth, gaining 19 points (+11%, up from -8%).

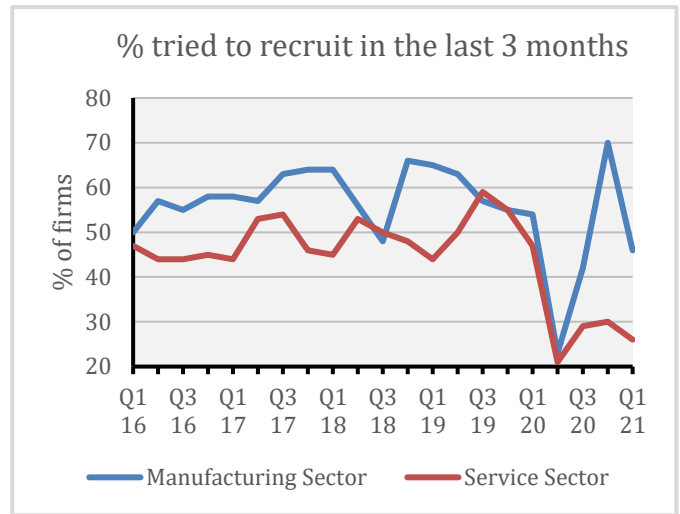


## Recruitment

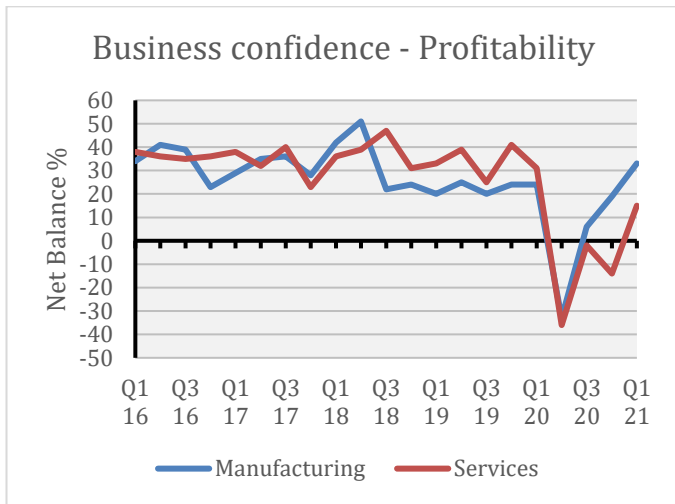
Both sectors reported a downturn in the percentage of firms looking to recruit over the last 3 months, with recruitment at lower level than is usual but above the record lows of Q2 2020. Manufacturing reported a sizable weakening of 24% to 46%. The service sector saw a smaller drop of 4% to 26%.

Of all firms attempting to recruit, 56% were seeking to fill permanent vacancies (up 9%), with 22% looking to take on temporary workers (down 3%). 69% of firms attempted to recruit for full-time positions (down 5%), whilst 39% were looking to fill part-time roles (up 11%).

55% of firms attempting to recruit said they experienced difficulties finding suitable staff (up 15%).



## Business confidence



Firms in both sectors are starting to see the light at the end of the pandemic tunnel as both reported significant upturns in confidence for the future.

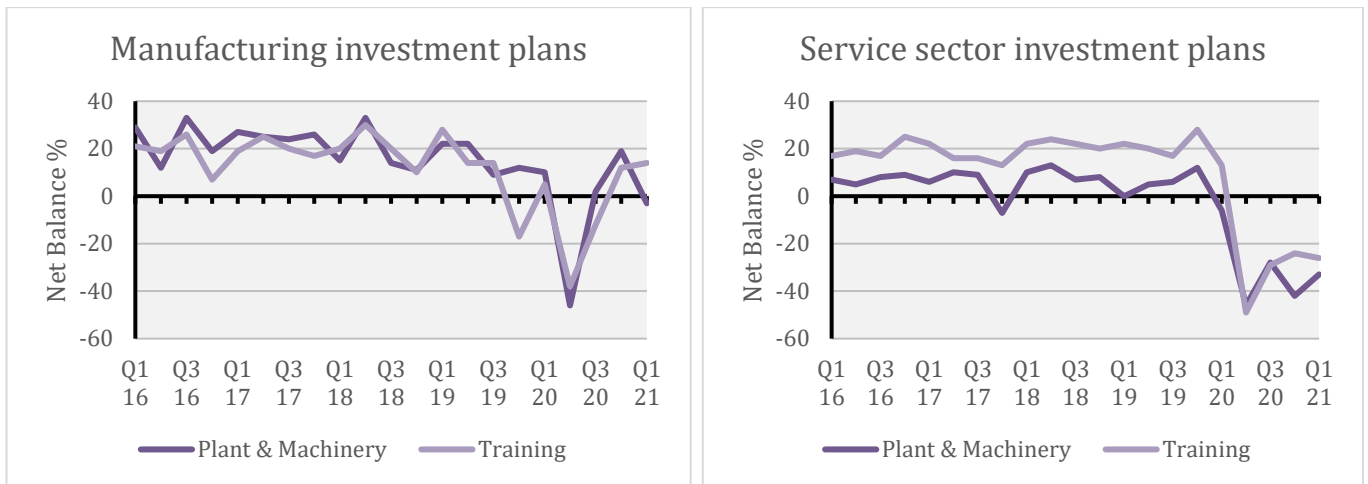
The net balance of manufacturing companies expecting turnover to improve in the coming year strengthened by 6 points (+43%, up from +37%), matching the level seen before the first lockdown. The manufacturing profitability balance was up 14 points (+33%, up from +19%), reaching levels not seen since 2018.

After a downturn in the previous quarter in the services sector, the net balance of firms expecting turnover to improve over the next 12 months increased by 45 points (+34%, up from -11%); whilst the services profitability balance was up 29 points on the previous quarter (+15%, up from -14%).

The percentage of manufacturing firms operating at full capacity saw a slight drop for the second quarter in a row of 3 points (39%, down from 42%). There was no change in the percentage of service businesses reporting they were working at full capacity (21%).

Manufacturing companies reporting their cashflow has improved over the last 3 months dropped slightly by 5 points (+4%, down from +9%). The balance of services firms reporting that their cashflow improved over the past three months improved significantly by 34 points (-15%, up from -49%).

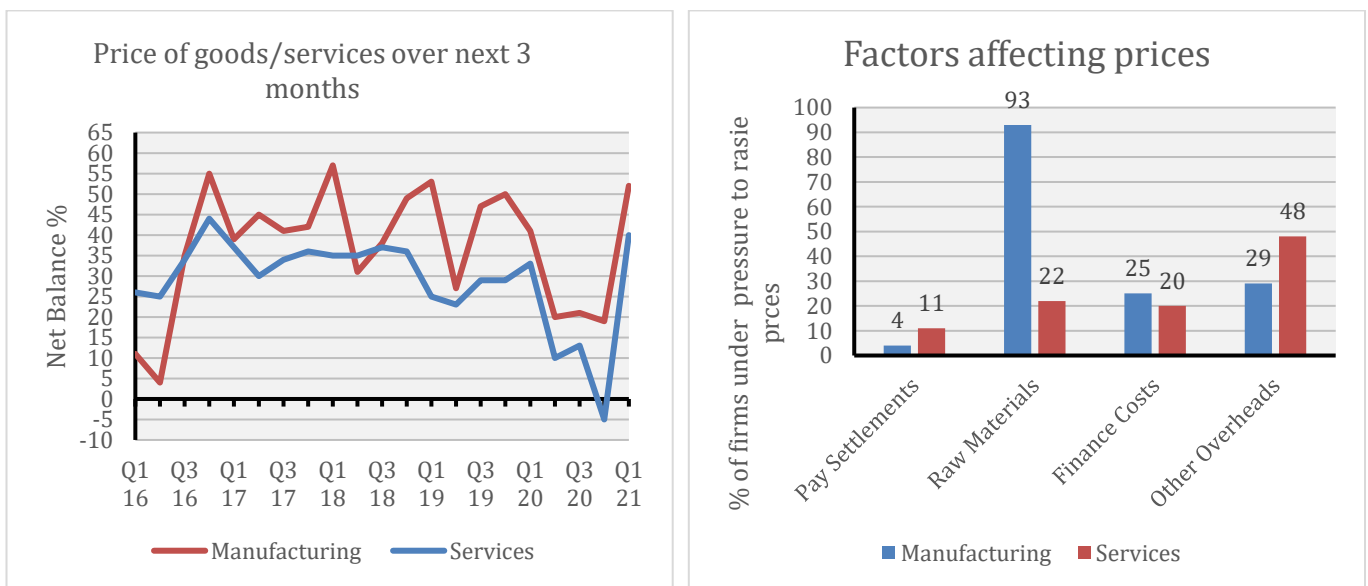
### Investment intentions



In manufacturing, the capital investment balance fell into contraction with a 22-point loss (-3%, down from +19%). Training investment continued recovering with a small increase by 2 points (+14%, up from +12%).

For services businesses, the capital investment balance improved by 9 points but remains negative (-33%, up from -42%), whilst the training investment balance weakened by 2 points remains in a position of contraction (-26%, down from -24%).

### Prices

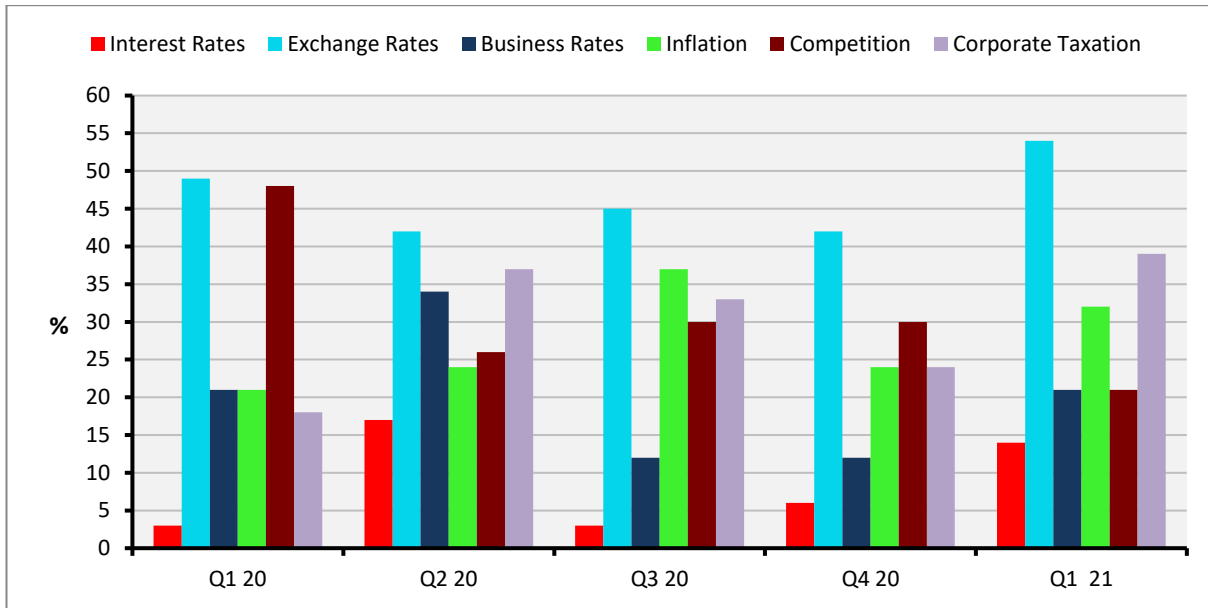


In manufacturing, the percentage balance of firms expecting their prices to rise increased by 33 points (+52%, up from +19%). In the services sector, the percentage balance of firms expecting their prices to increase in the next three months also increased dramatically, a rise of 45 points on the previous quarter (+40%, up from -5%).

In terms of factors affecting the price of goods and services, 93% of manufacturers said raw material costs were a factor behind the need to raise prices continuing a steady rise since the second quarter 2020 (up 23 points from 70%). The pressure from financial costs increased by 13 points (25%, up from 12%). However, pressure from pay settlements eased by 20 points (4%, down from 24%).

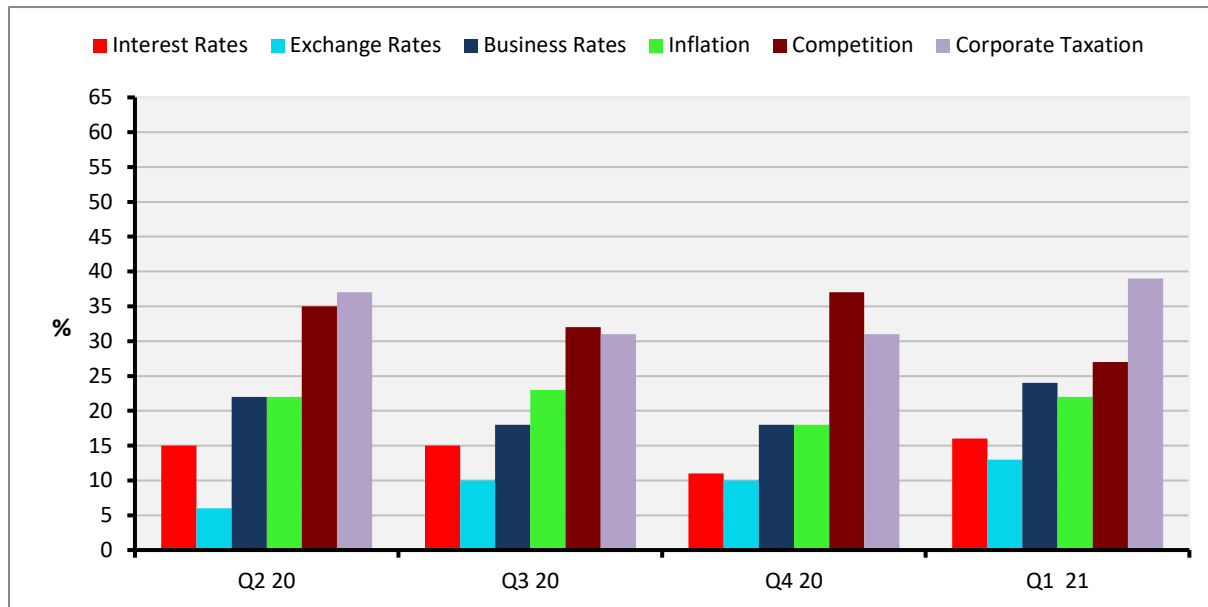
Other overhead costs remained the biggest pressure in prices for service sector firms and this increased by 11 points (48%, up from 37%). All other factors saw smaller increases of pressure with the largest change being in raw materials which went up by 9 points (+22%, up from 13%).

## Business Concerns (external factors) - Manufacturing



**Exchange rates** remains the biggest concern for manufacturing firms and the level of concern has increased (**54%**, up from 43%). **Corporate taxation** has become the second largest concern (**39%**, up from 24%). Concerns about **inflation** grew (**32%**, up from 24%), as with **business rates** (**21%**, up from 12%) and **interest rates** concerns (**14%**, up from 6%). Concern about **competition** has eased (**21%**, down from 30%).

## Business Concerns (external factors) – Services



The service sector reported only small changes in all external areas of concern in Q4. **Corporate taxation** is now the biggest concern for firms in the service sector (**39%**, up from 31%). Concerns about **competition** has reduced but is still the second biggest area (**27%**, down from 37%); followed by **business rates** (**18%**, up from 18%); **inflation** (**22%**, up from 18%); **interest rates** (**16%**, up from 11%); and **exchange rates** (**13%**, up from 10%).

**BALANCE CHANGES**

					Quarterly Change	
	Manufacturing		Services		Manufacturing	Services
	Q4 2020	Q1 2021	Q4 2020	Q1 2021	Q1 2021	Q1 2021
Domestic Sales	25	-4	-48	-19	12	29
Domestic Orders	25	-7	-43	-28	25	15
Export Sales	22	0	-32	-51	44	-19
Export Orders	31	-5	-31	-49	54	-18
Employment last 3 months	-6	21	-17	-17	-1	0
Employment next 3 months	15	18	-8	11	5	19
% Tried to recruit	70	46	30	26	28	-4
% Part-time	17	23	37	48	5	11
% Full-time	91	85	60	61	11	1
% Temporary	30	8	20	30	10	10
% Permanent	39	69	53	48	-1	-5
% Recruitment difficulties	52	57	32	54	9	22
% Skilled manual	83	42	55	60	0	5
% Professional/Managerial	50	17	73	33	8	-40
% Clerical	25	17	27	33	17	6
% Semi and unskilled	75	33	9	27	-8	18
Cashflow	9	4	-49	-15	26	34
Investment - plant/machinery	19	-3	-42	-33	17	9
Investment - training	12	14	-24	-26	24	-2
Confidence - turnover	37	43	-11	34	24	45
Confidence - profitability	19	33	-14	15	13	29
% Full capacity	42	39	21	21	-2	0
Prices	19	52	-5	40	-2	45
% Pay Settlements	24	4	10	11	9	1
% Raw materials	70	93	13	22	13	9
% Financial costs	12	25	14	20	-8	6
% Other overheads	33	29	37	48	3	11
<i>External Factors of more concern than 3 months ago</i>						
% Interest rates	6	14	11	16	3	5
% Exchange rates	42	54	10	13	-3	3
% Business rates	12	21	18	24	0	6
% Inflation	24	32	18	22	-13	4
% Competition	30	21	37	27	0	-10
% Tax	24	39	31	39	-9	8





North & Western  
Lancashire  
Chamber of Commerce



**mha**  
MOORE & SMALLEY

**Head Office**

9-10 Eastway Business Village  
Olivers Place // Fulwood  
Preston // PR2 9WT

T // 01772 653000

F // 01772 655544

E // [info@lancschamber.co.uk](mailto:info@lancschamber.co.uk)

**Fylde Coast Office**

1-2 Lockheed Court  
Amy Johnson Way  
Blackpool // FY4 2RN

T // 01253 347063

F // 01772 655544

E // [info@lancschamber.co.uk](mailto:info@lancschamber.co.uk)

**Preston Office**

Richard House  
9 Winckley Square // Preston  
Lancashire // PR1 3HP

T // 01772 821021

E // [info@mooreandsmalley.co.uk](mailto:info@mooreandsmalley.co.uk)

**Blackpool Office**

Fylde House  
Skyways Commercial Campus  
Amy Johnson Way // Blackpool  
Lancashire // FY4 3RS

T // 01253 404404

E // [info@mooreandsmalley.co.uk](mailto:info@mooreandsmalley.co.uk)