



ECONOMY BRIEFING

LINCOLNSHIRE CHAMBER OF COMMERCE

JULY 2023

INTRODUCTION

- QES is the largest independent business survey in the UK
- Significant economic indicator - both locally and nationally
- Informs Bank of England, Government policy decisions

ECONOMIC CONTEXT



Economy headlines

1. The economy is expected to be broadly flat through 2023

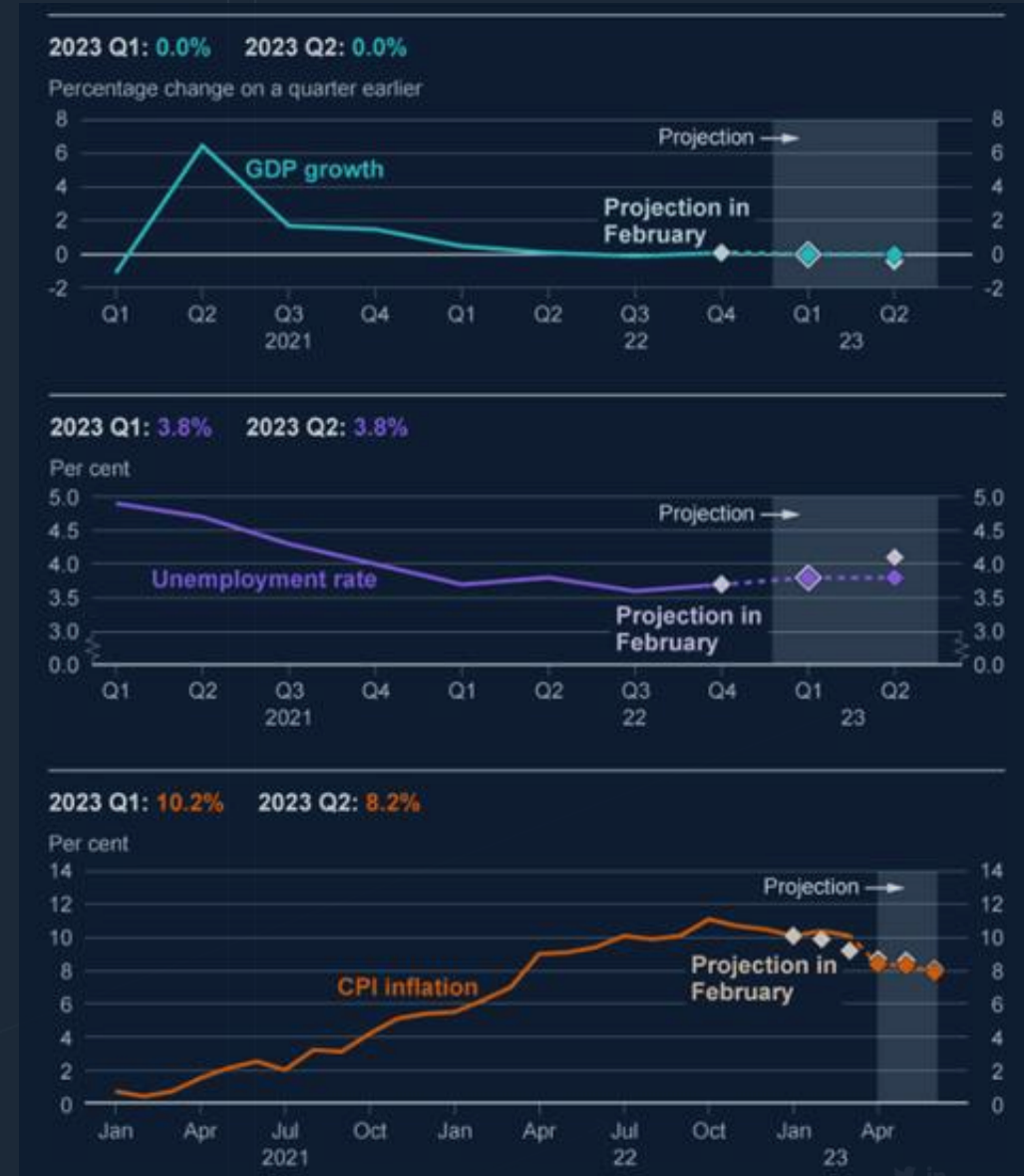
- Consensus that we will avoid a technical recession
- Economy grew by 0.1% in the 3 months to April
- Services -0.1%, Production +0.2%, Construction +1.6%

2. Unemployment rates remain low

- The unemployment rate in the UK remains at 3.8%
- Unemployment is projected to increase moderately in the medium term
- Unemployment in Greater Lincolnshire is very low currently due to other factors in the labour market

3. Inflation rates are falling, but slowly

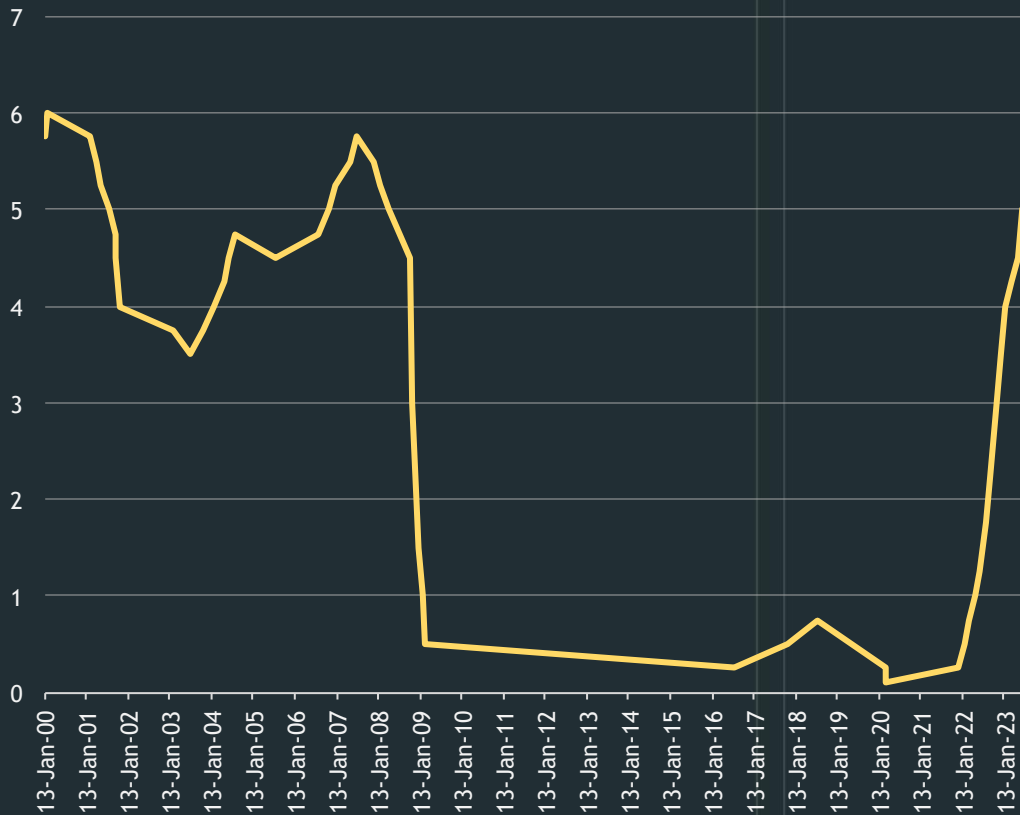
- Inflation fell to 8.7% in May but is above Bank of England expectations
- Consumer inflation (CPI) is expected to fall significantly during the year due to falling energy prices



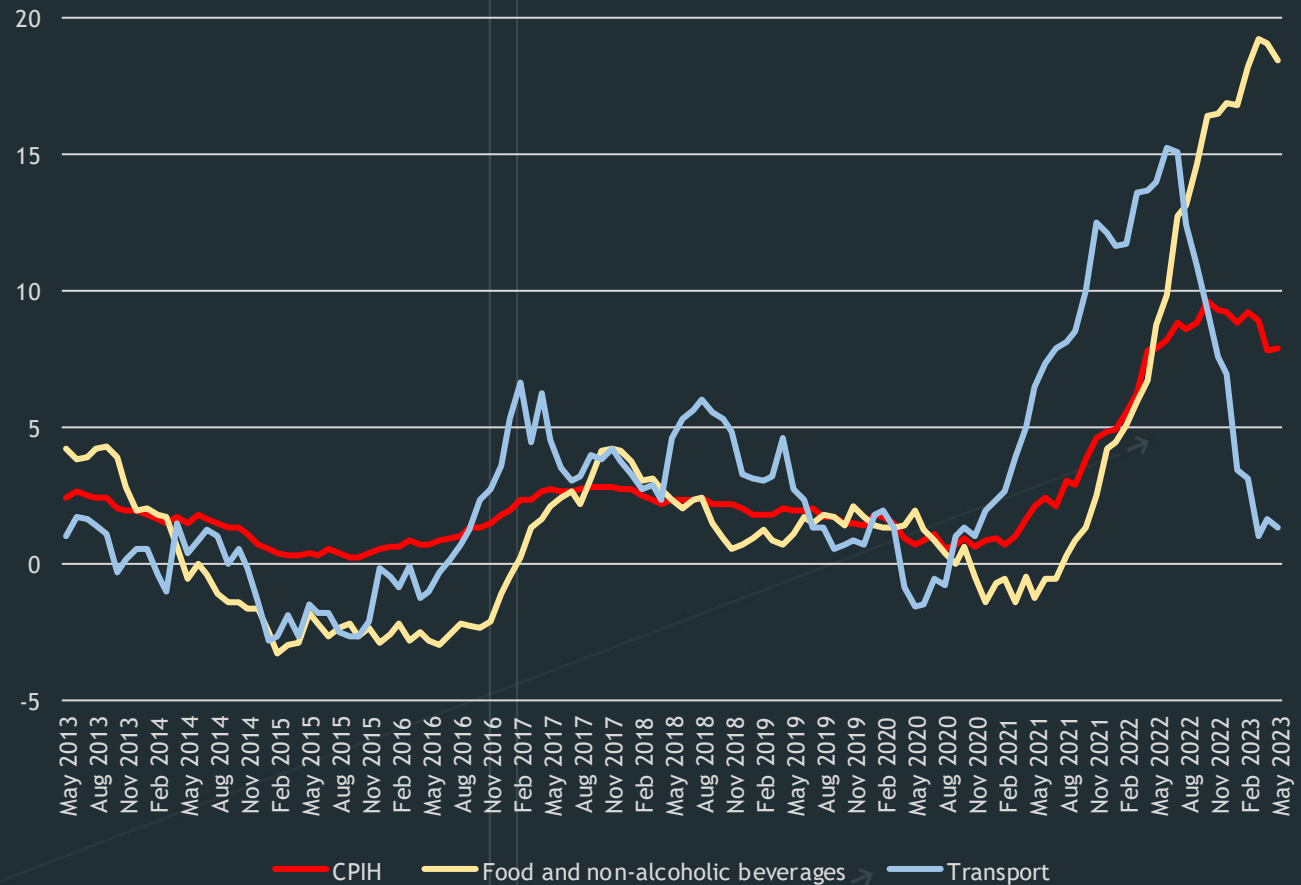
Source: Bank of England MPAC Report May 2023

BoE expects interest rates to average 5.5% over the next 3 years

Bank of England Base Rate 2000-Present

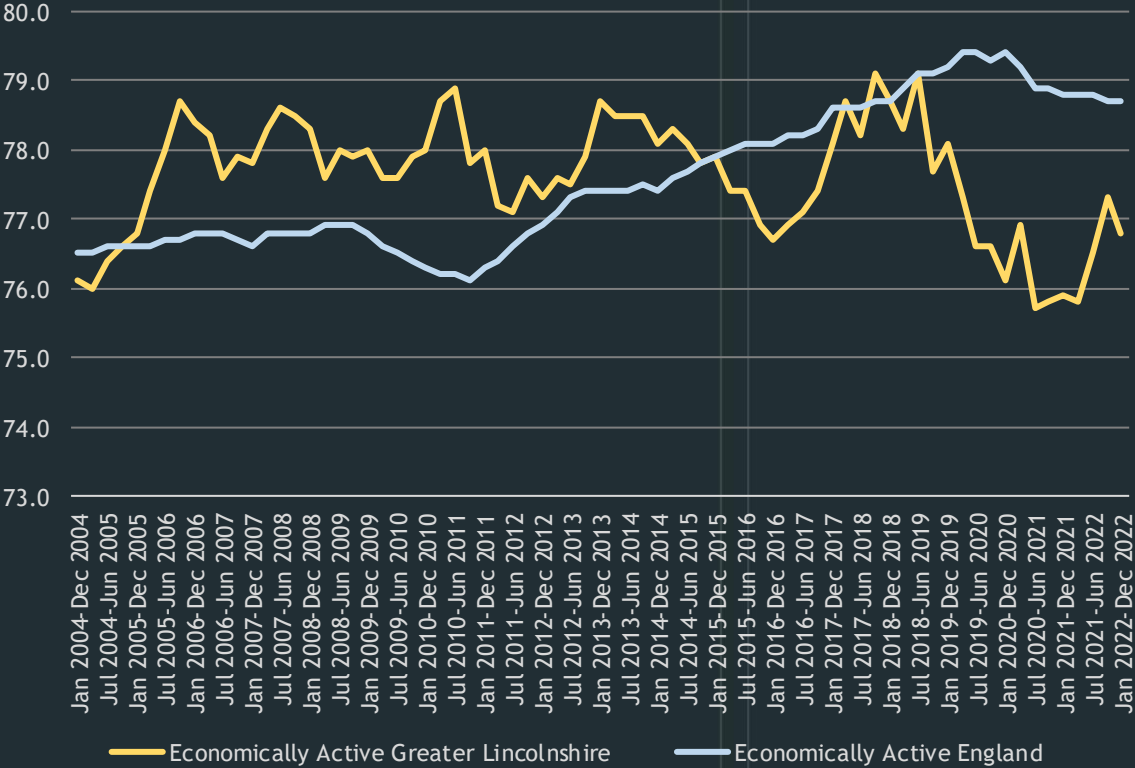


Consumer Price Index - selected components

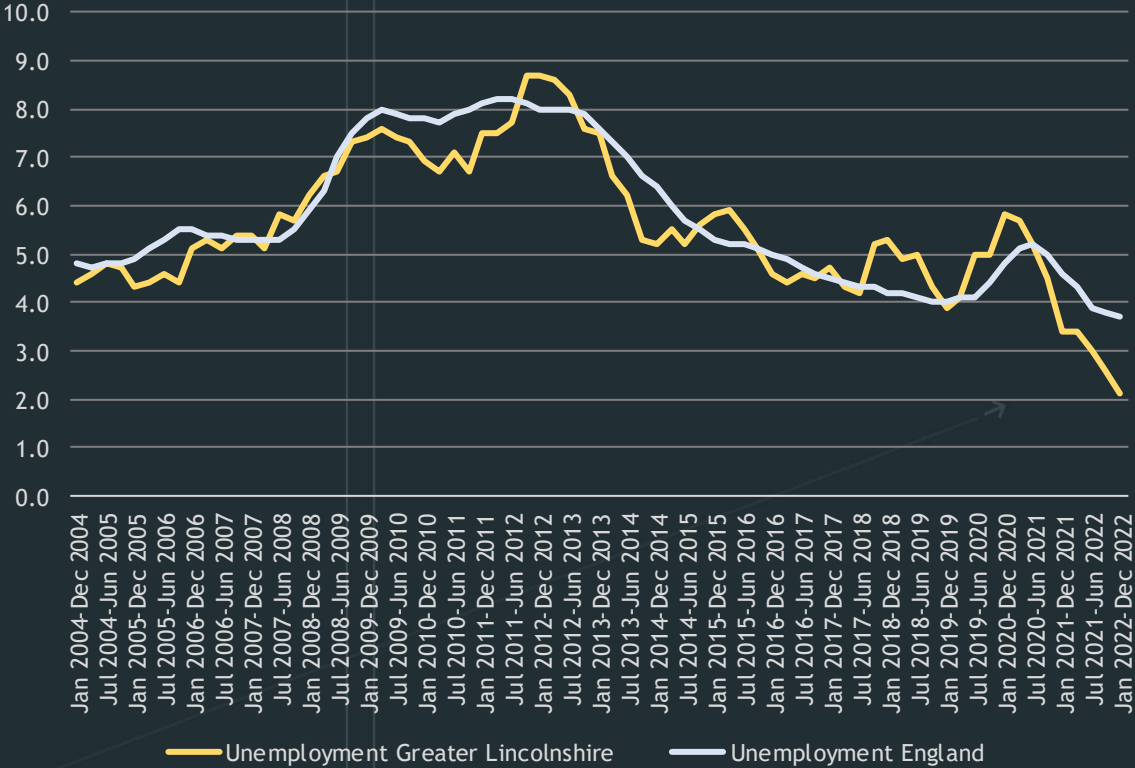


The labour market is still extremely tight

Economic Activity Rate

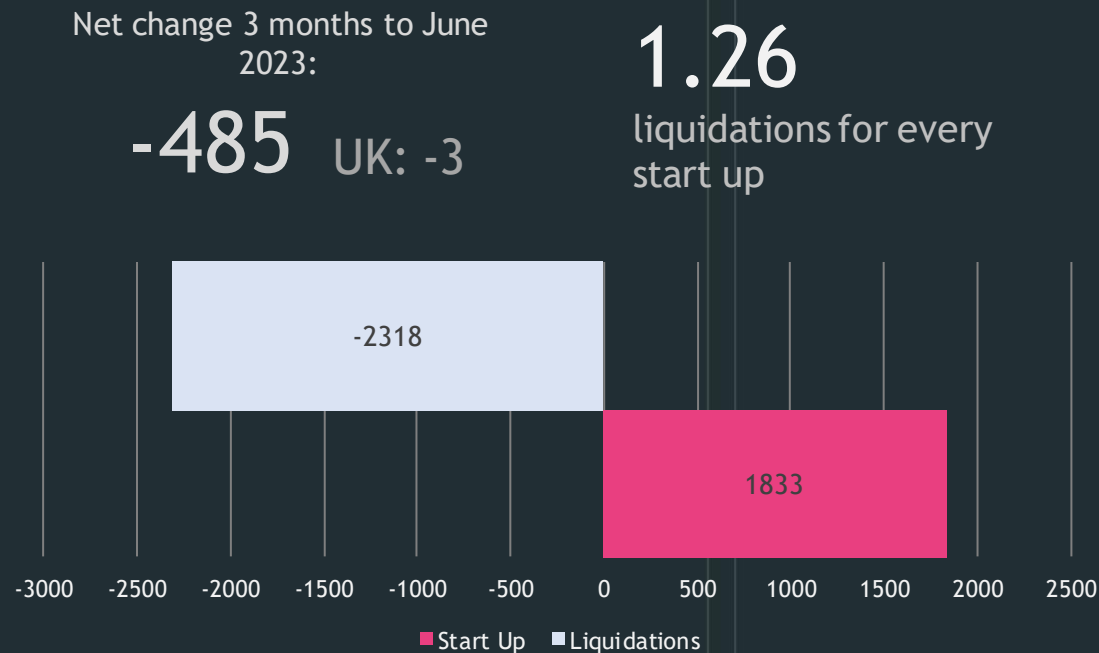


Unemployment Rate

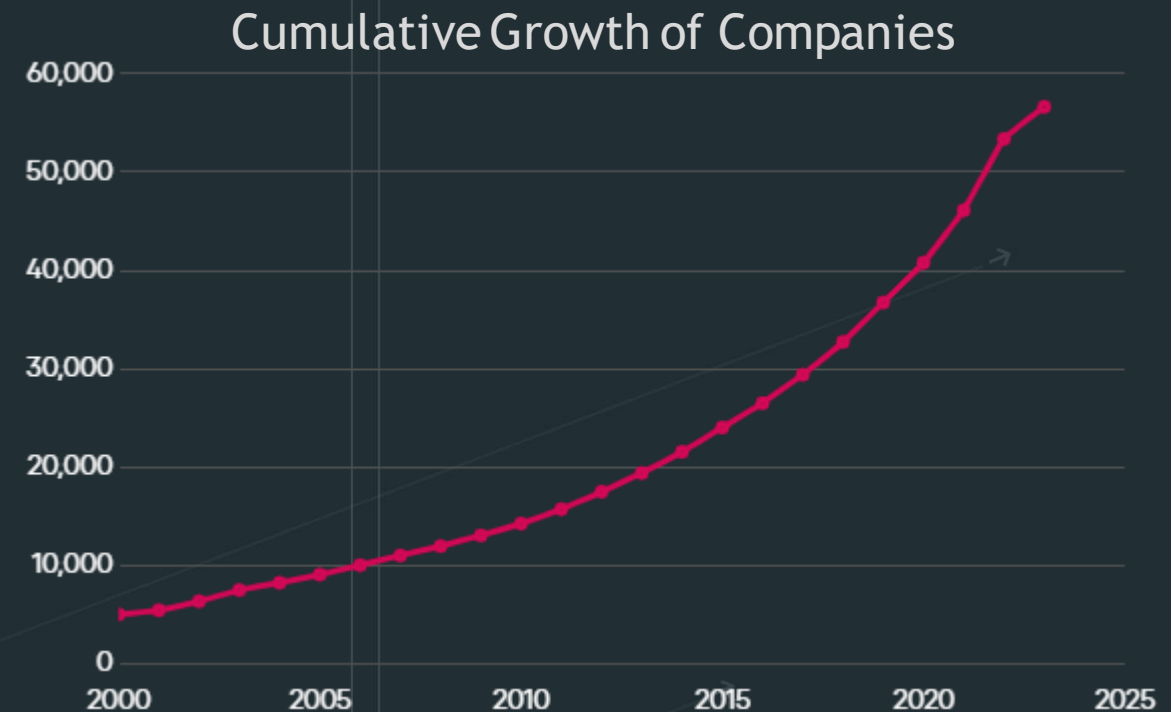
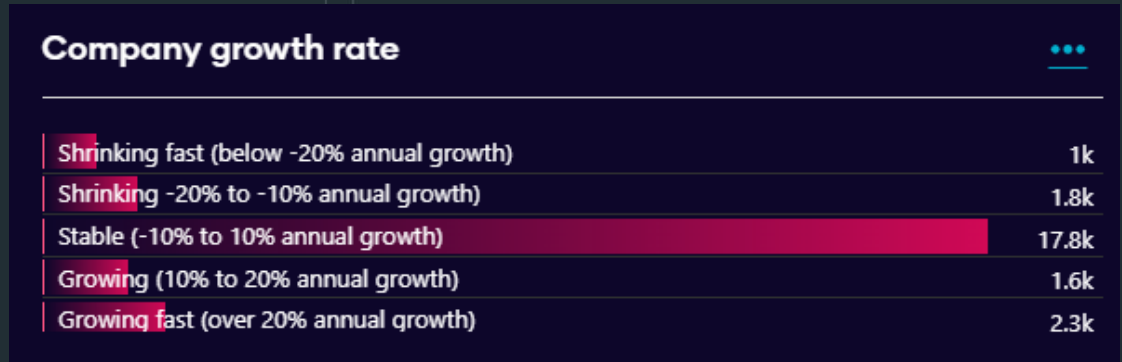


Start-up rates remain constant; increasing liquidations

- Increasing numbers of business cessations during Q2 2023
- Trend broadly reflects national position



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Source: TheDataCity, June 2023



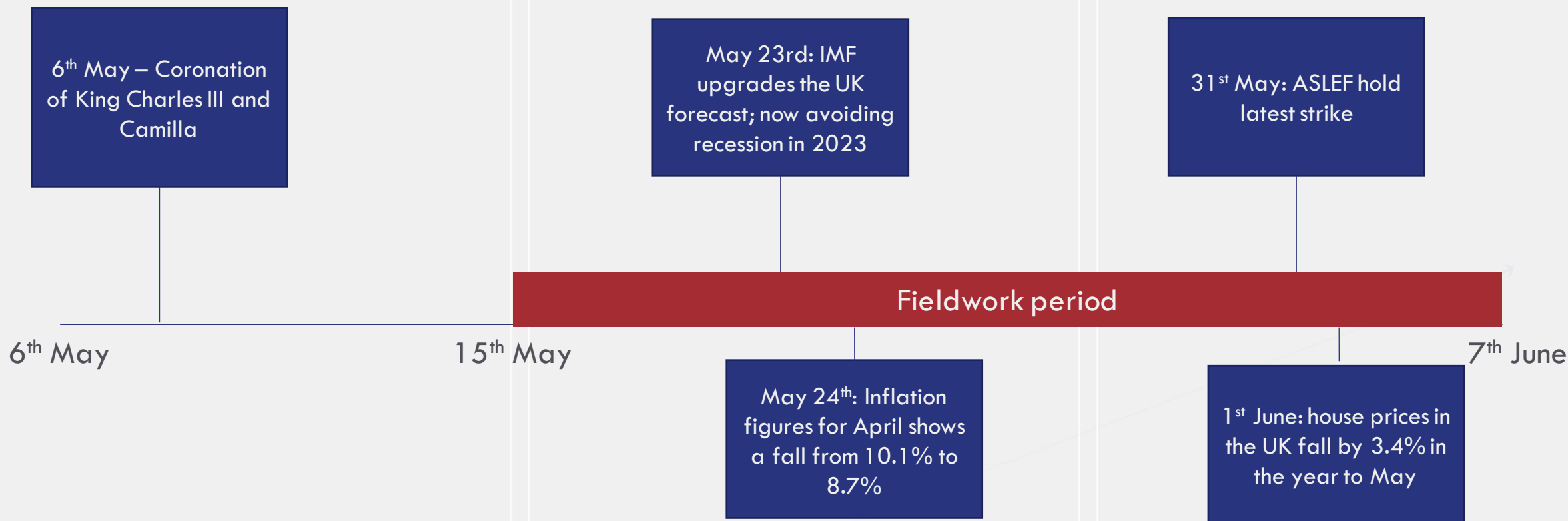
QES Q3 RESULTS



CONTEXT

How to interpret QES results:

Results are expressed as a balance, which takes the average position of respondents. E.g. if, from a total of 50 respondents, 5 respondents (10%) reported an increase and 30 (-60%) reported a decrease – with the rest reporting no change, the total balance would be -50%



Domestic sales improve but orders remain in negative territory

+3% 

LAST QUARTER

Balance of respondents reporting improvements in **DOMESTIC SALES**

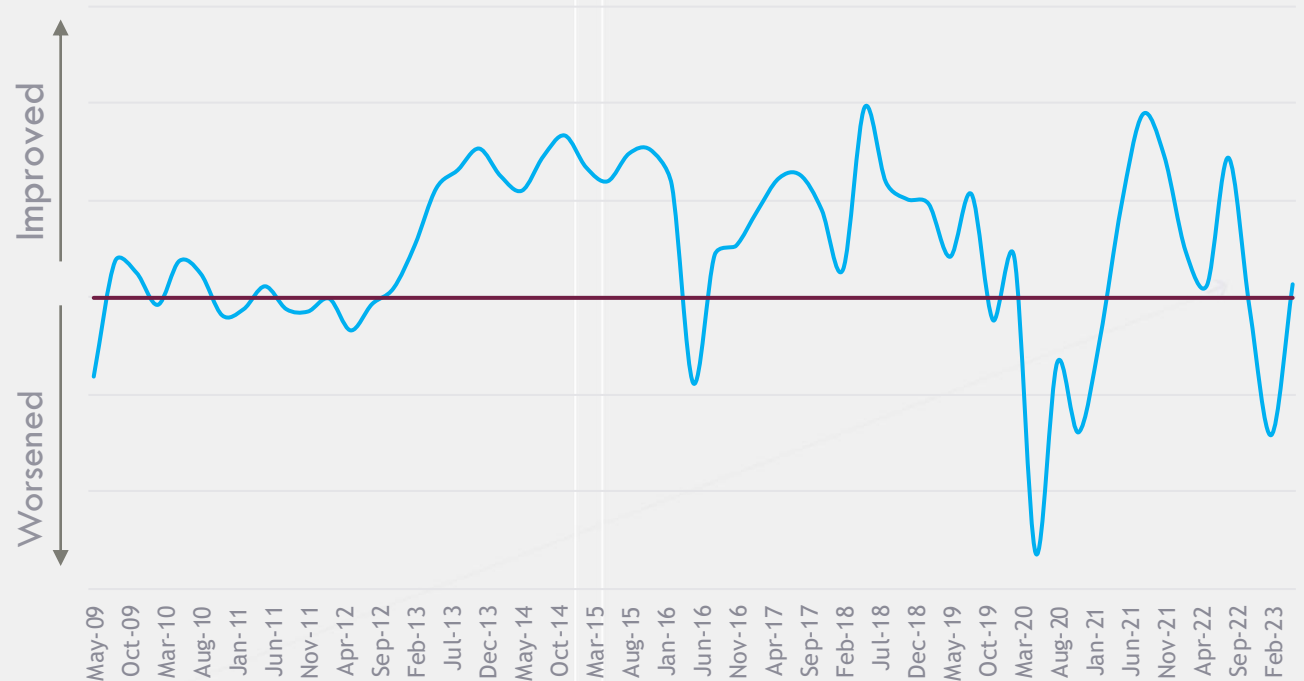
-8% 

LAST QUARTER

Balance of respondents reporting improvements in **DOMESTIC ORDERS**

- Overall an improving picture for both sales and orders on Q1
- However, 30% of businesses indicate that their domestic order books have worsened in the past 3 months.

For businesses involved in the UK market, over the past 3 months, and excluding seasonal variations:
Sales/Custom/Bookings have



Overseas sales and order worsen again

-44% ▼

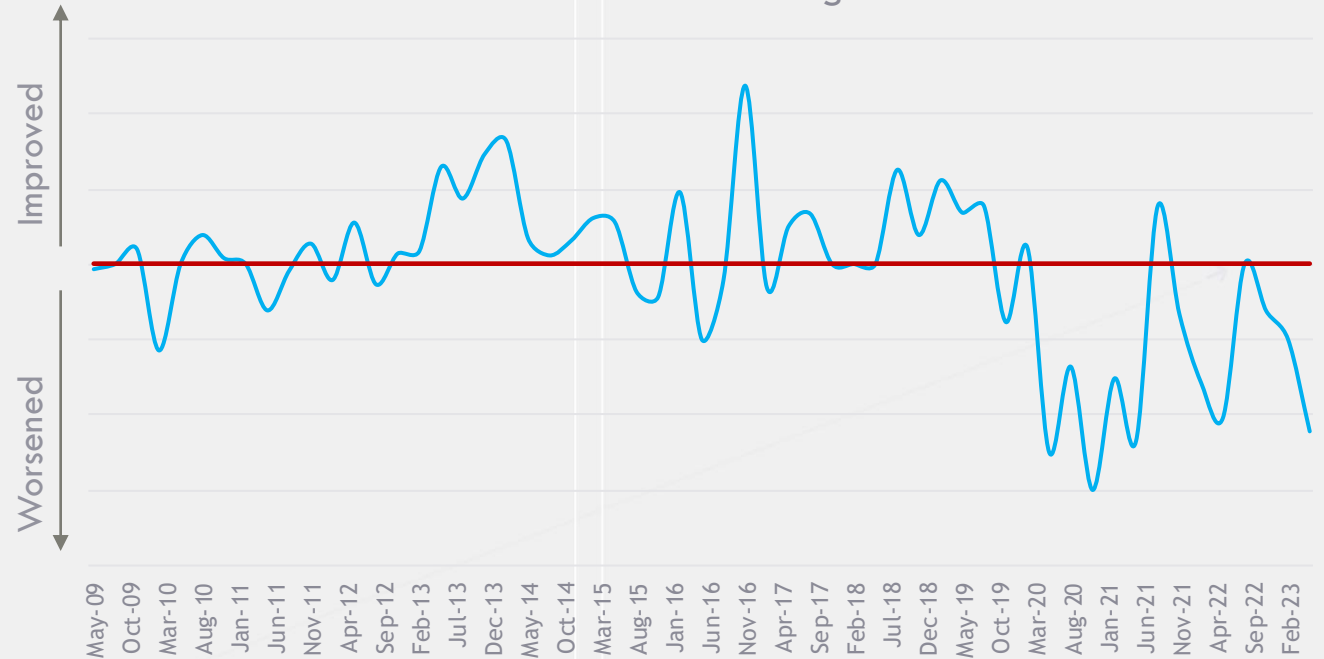
LAST QUARTER -20
Balance of respondents
reporting improvements in
OVERSEAS SALES

-44% ▼

LAST QUARTER -33
Balance of respondents
reporting improvements in
OVERSEAS ORDERS

- Results for both sales and orders amongst the worst we've seen
- Only 6% saw an improvement in Q2, whilst 45% said the position had worsened

For businesses involved in overseas markets, over the past 3 months, and excluding seasonal variations:
Sales/Custom/Bookings have



Around half of employers have tried to recruit in the past quarter

53% 

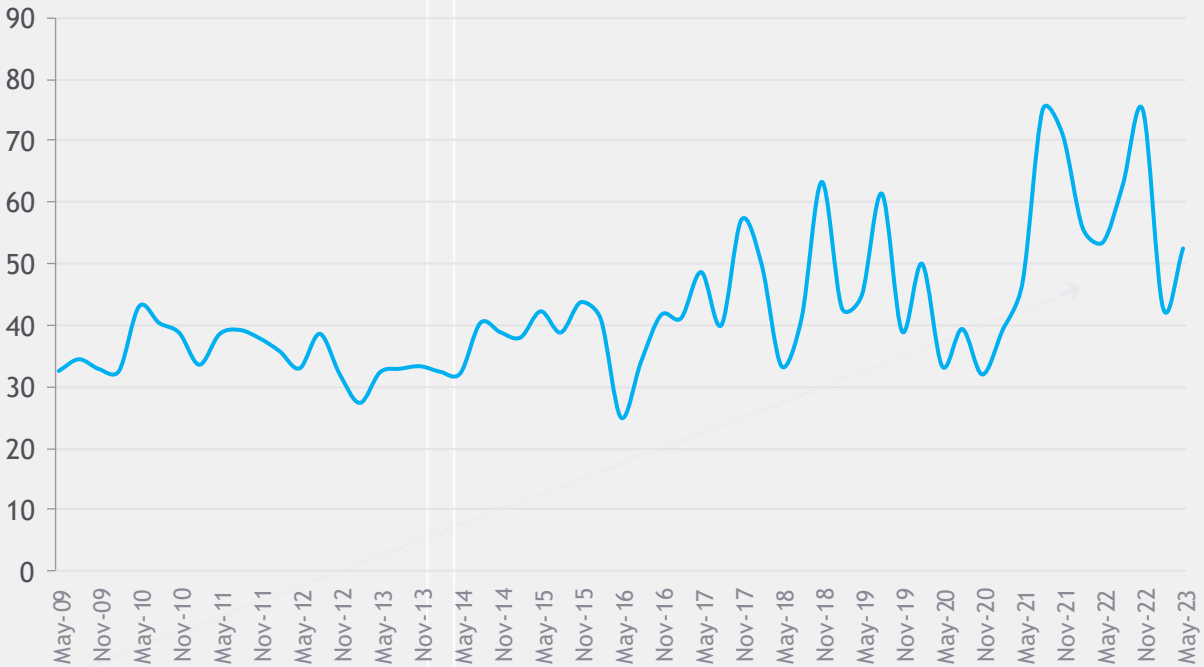
LAST QUARTER 43%
Percentage of respondents
who have
ATTEMPTED TO RECRUIT

+18% 

LAST QUARTER +5
Balance of respondents
reporting increases in
WORKFORCE

- 25% of employers increased their workforce in the past quarter
- However, 86% experienced difficulty recruiting, the majority in clerical or semi-skilled roles

Over the past 3 months, have you attempted to recruit staff? YES



The cashflow situation has stayed the same over the past three quarters

-25% ✓

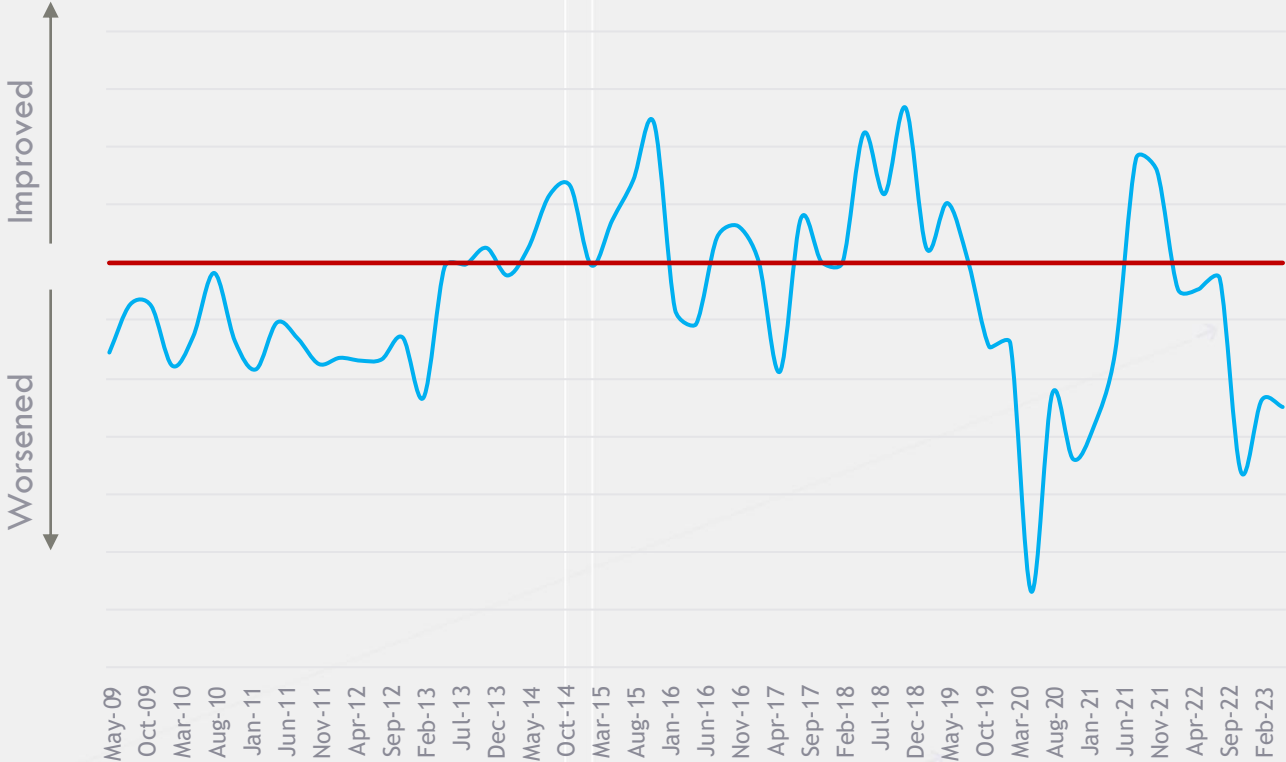
LAST QUARTER -24
Balance of respondents
reporting improvements in
CASHFLOW

-3% ^

LAST QUARTER -10%
Balance of respondents
reporting improvements in
CAPITAL INVESTMENTS

- 43% of respondents said their cashflow position had worsened in the last quarter; 18% said it had improved

Over the past 3 months, has your cash flow improved, worsened, or stayed the same?



Prices on the whole are rising, but for fewer businesses than in Q1

+55% 

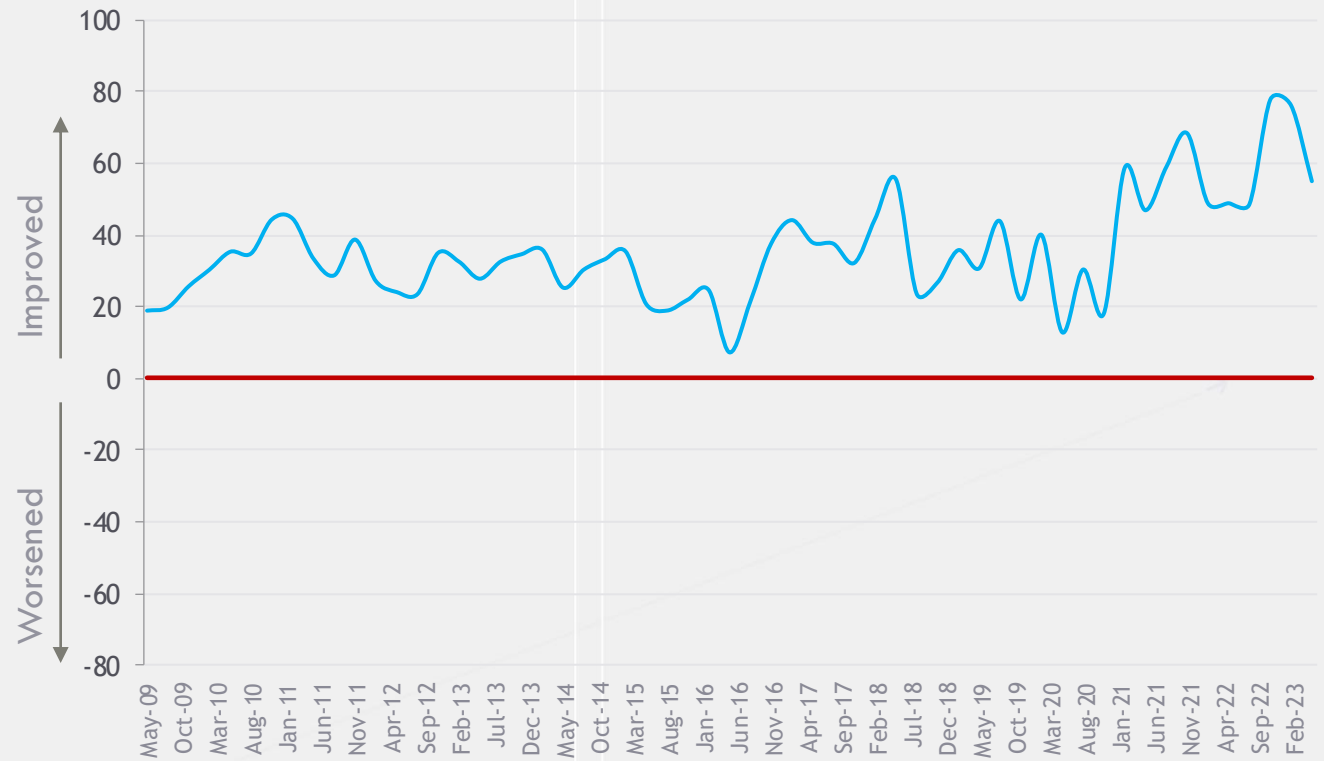
LAST QUARTER +76

Balance of respondents reporting increases in

PRICE OF GOODS/SERVICES

- The slowing of inflationary pressures on businesses was reflected by the proportion who expected to raise prices in the next 3 months, down from 76 in Q1 to 60 this quarter.

Over the next 3 months, do you expect the price of your goods/services to increase, decrease, or stay the same?



Confidence has risen significantly relative to the last two quarters

+10% 

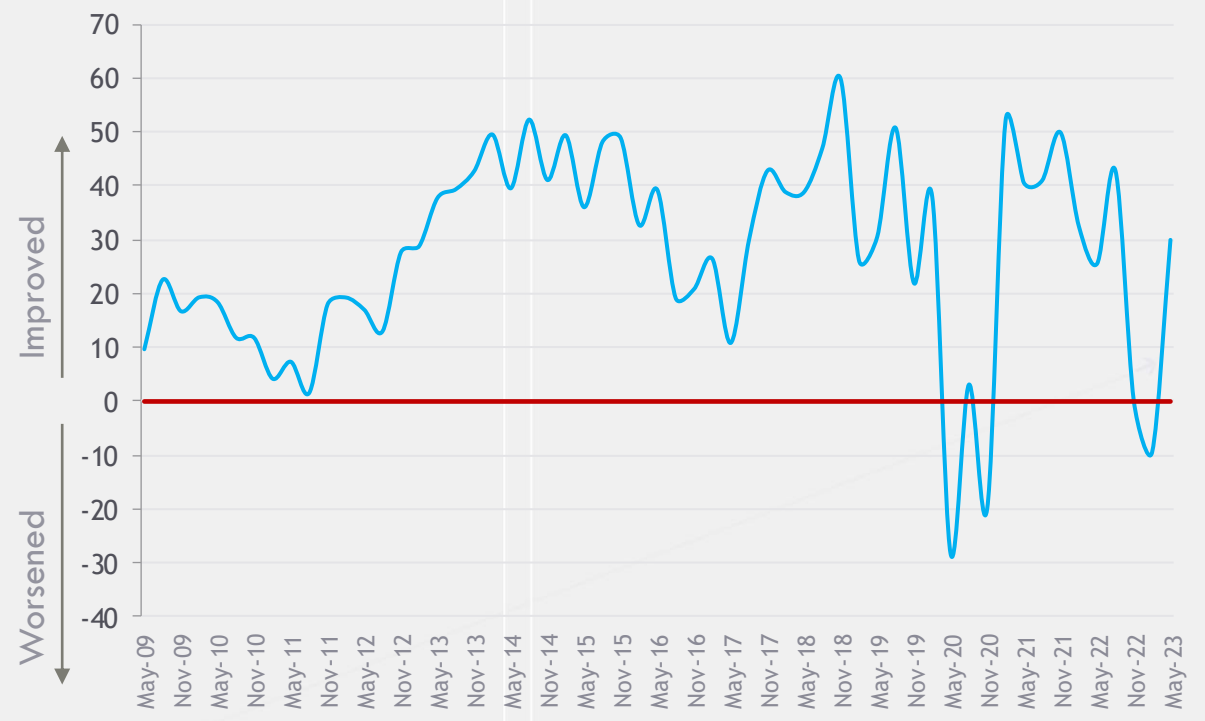
LAST QUARTER -33
Balance of respondents reporting improvements in **FUTURE PROFITABILITY**

+30% 

LAST QUARTER -10%
Balance of respondents reporting improvements in **FUTURE TURNOVER**

- Over half of businesses now expect their turnover to rise, signalling that businesses expect the worst of the pressures to be over
- There was also a large, but more cautious, increase in those expecting profitability to improve in the next 12 months from -33 to +10.

Do you believe that over the next 12 months your company's turnover will increase, decrease or stay the same?



Inflation, utilities and labour costs remain the largest concerns to businesses

Which of the following are more of a concern to you now than 3 months ago?



IN SUMMARY

- A relatively positive set of results given the current climate
- Domestic markets are still strong but overseas markets are still a challenge
- Recruitment levels may have peaked
- Price pressures are impacting on profitability but not confidence on turnover
- Cashflow situation is still a risk

THANK YOU - AND GET IN TOUCH

James Baty

Policy and Research Executive Manager

Greater Lincolnshire Local Enterprise Partnership

James.Baty@lincolnshire.gov.uk



Lancaster House | 36 Orchard Street
Lincoln | LN1 1XX

T 01522 550540

E greaterlincslep@lincolnshire.gov.uk

🐦 [GreaterLincsLEP](#)