

2022 FIRST QUARTER ECONOMIC SURVEY

Hello,

Welcome to the first edition of the Essex Chambers of Commerce very own Quarterly Economic Survey, offering an up-to-date snapshot of the performance of the Essex business community. In order to channel our Policy Work in the right and priority areas for local businesses, it is so important to understand our members' views on current business issues and challenges. Through our constant dialogue with the British Chambers of Commerce and the government, we are then able to ensure that those views are heard.

Please note that comparative figures to previous time periods are not available, we value your commitment in responding to the next quarterly survey due in July 2022 to enable us to build a comprehensive database. Actual data in percentage terms was utilised in the analysis with a sample response of at least 50 firms, a figure over 50% is indicative of growth; a figure under 50% represents contraction. Note that figures may not always total exactly due to rounding differences.

Summarising the Essex QES Q1 results indicate that conditions are not improving for most businesses, against the backdrop of the war in Ukraine and the effects it has had in exacerbating the cost of doing business crisis, it appears that COVID-19 is now cast away in the shadow! Quite understandably, the focus of the Spring Statement has been on supporting individuals and families manage the cost of living and while some measures have been positive news for businesses, the Chancellor warns that the economic uncertainty we're currently facing will only get worse before it gets better.

Key Points:

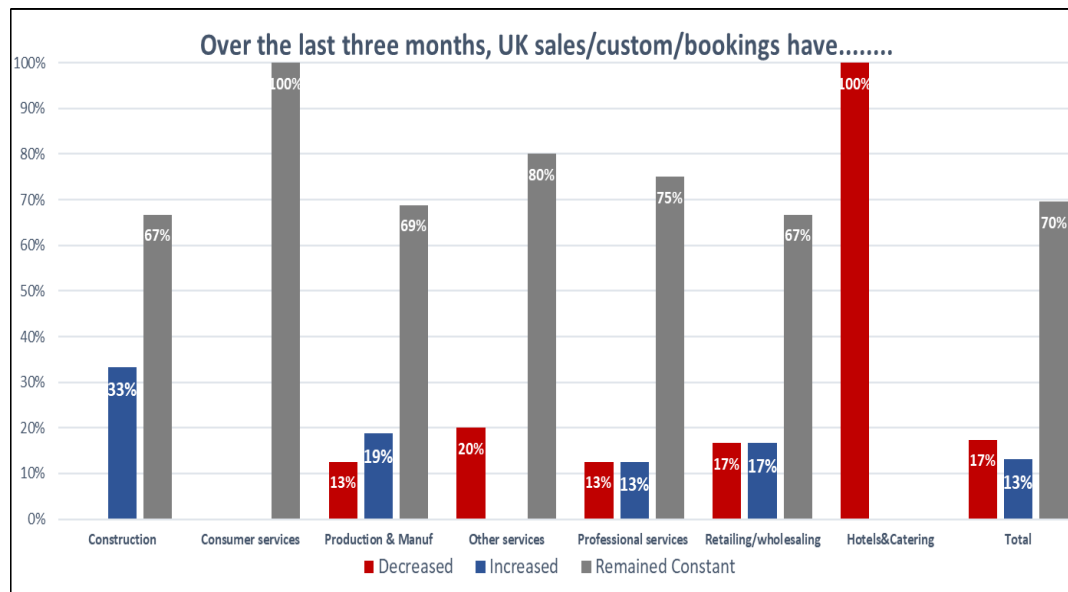
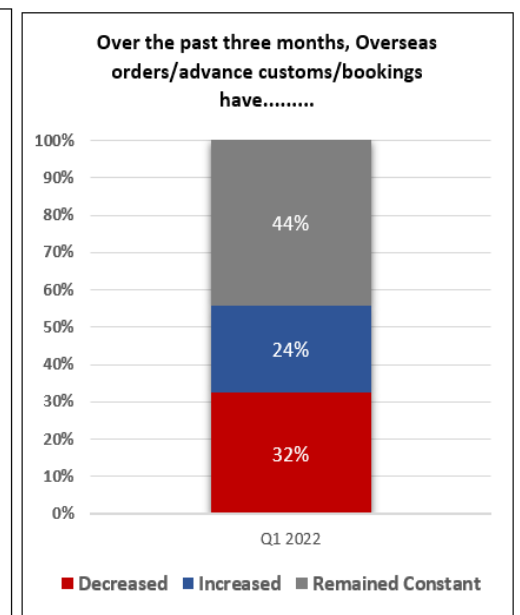
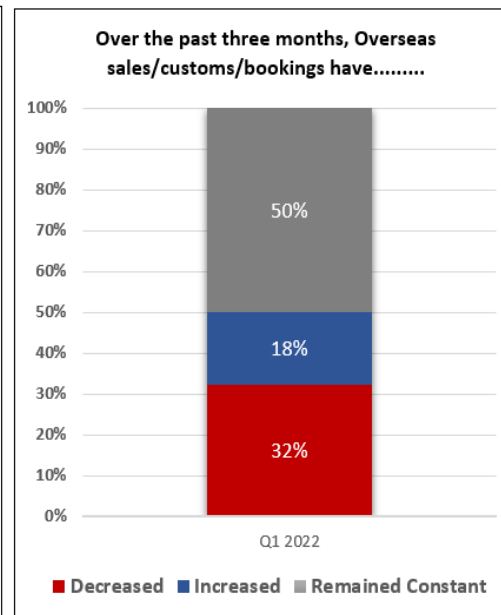
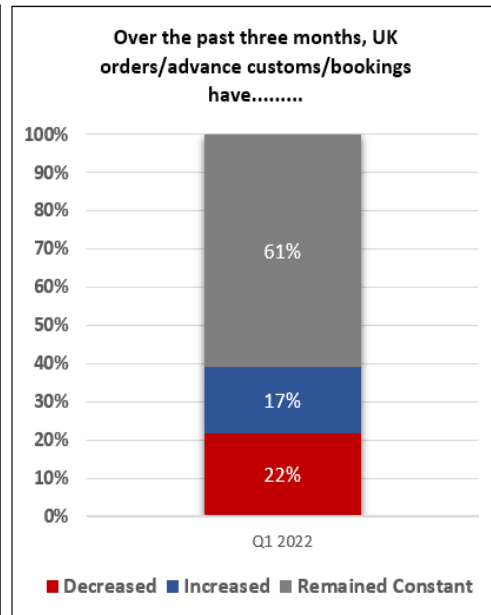
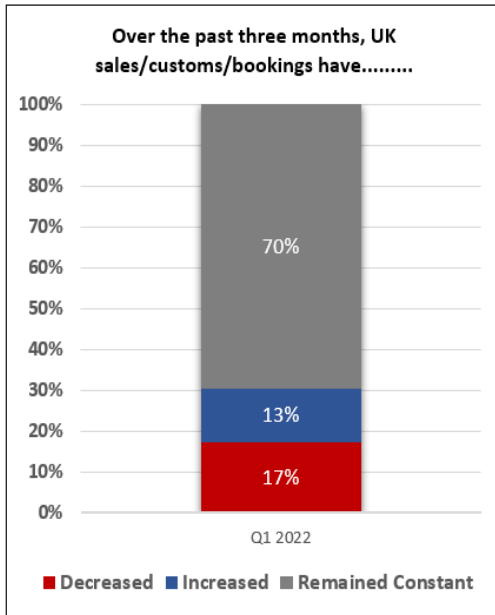
- **Domestic sales activity** holds up as domestic re-opening continues;
- However, indicators for **structural business conditions** (export sales, cash flow and investment) continue to show no signs of recovery and have in fact worsen slightly;
- The percentage of firms facing **recruitment difficulties** remain at record highs;
- Inflation is by far and away the top factor of concern, with the percentage of firms **expecting their prices to increase** reaching new highs
- **Underlying causes:** spiralling energy costs, raw material costs, wages, supply chain disruption, geo-political tensions

I would like to thank all those members who participated in the survey. Your voice matters and your contribution will genuinely make a difference. We know that the demands on your time are huge, but please help us continue to campaign for the business environment your organisation needs to thrive in and make a positive difference in a very uncertain world we live in.

Christine Bhatt

Director of Policy, Essex Chambers of Commerce

BUSINESS CONDITIONS



DOMESTIC UK SALES & ORDER BOOK

Around 60% of firms reported their order pipeline remained constant, however, 70% of actual sales were realised, an approx.9% increase in relative terms.

The **hotel and catering industry** sector reported the most decline in sales whilst the **construction industry** sector reported the most increase.

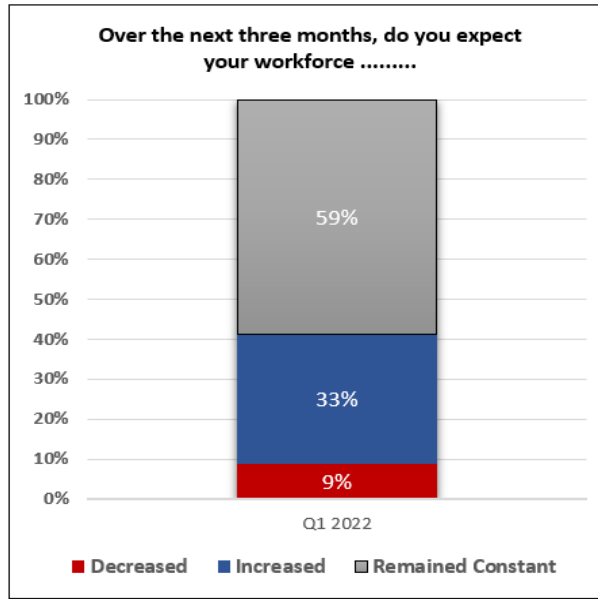
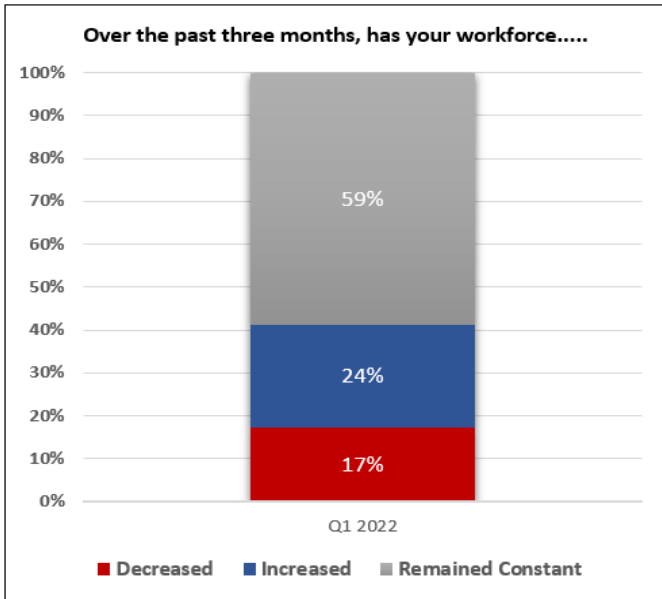
The **consumer service and professional services** remained stable.

OVERSEAS SALES & ORDER BOOK

50% of firms reported their overseas sales to remain constant.

The percentage of firms reporting an increase of 24% of their order pipeline, are yet to make up the lost territory seen since COVID-19 began.

RECRUITMENT & EMPLOYMENT

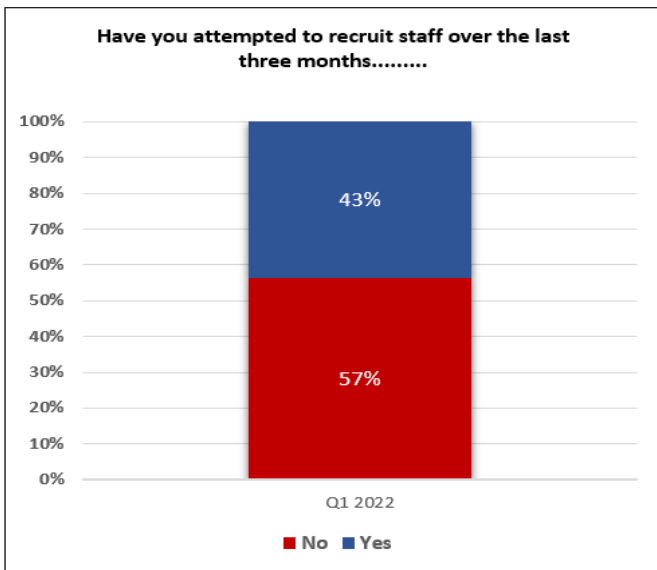


Around a 1/3rd of firms expect to see an increase in their workforce over the next three months, however expressed with caution.

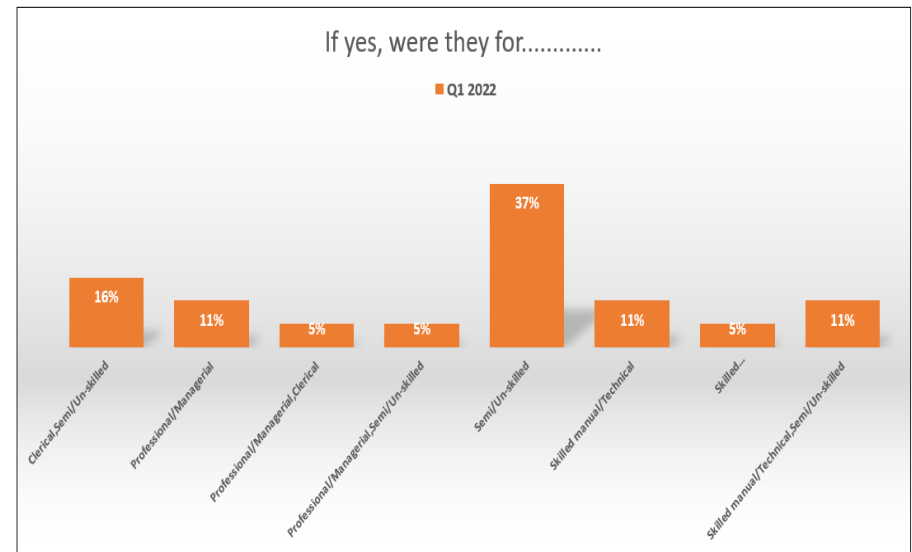
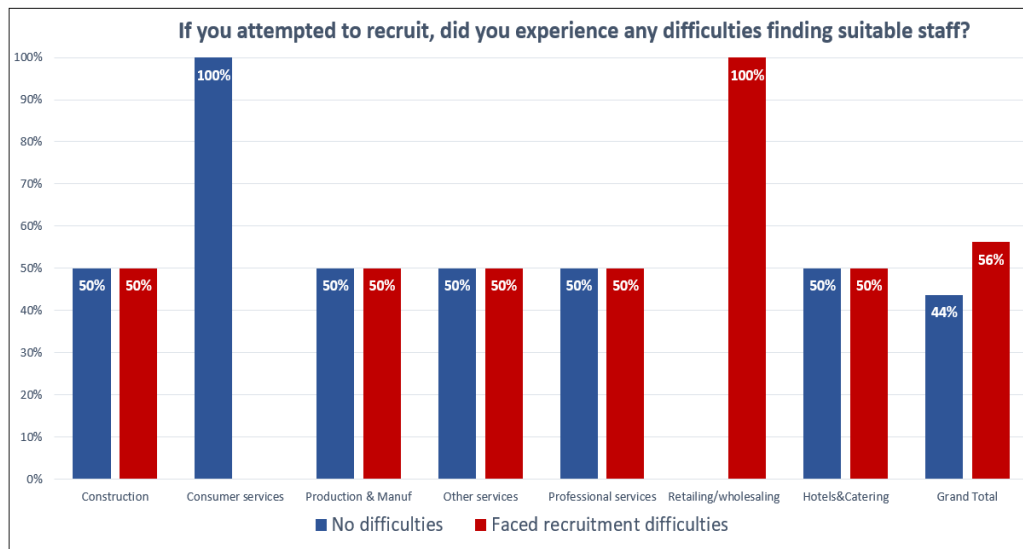
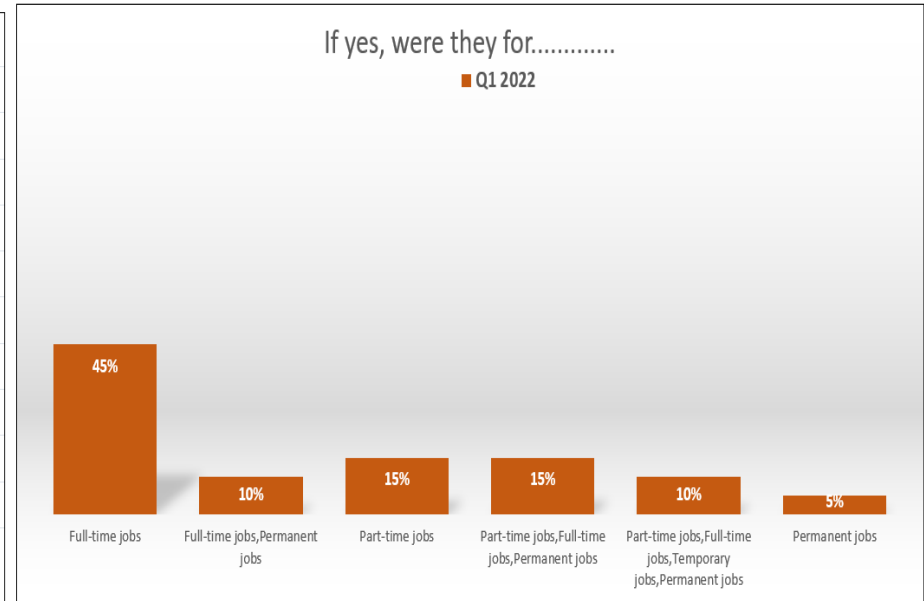
The **hotel and catering industry** sector followed by **construction** and **manufacturing** have attempted to recruit in the last three months, in **main for full time jobs**.

The **consumer service** followed by **professional services** is least likely to recruit, perhaps showing a good retention of staff

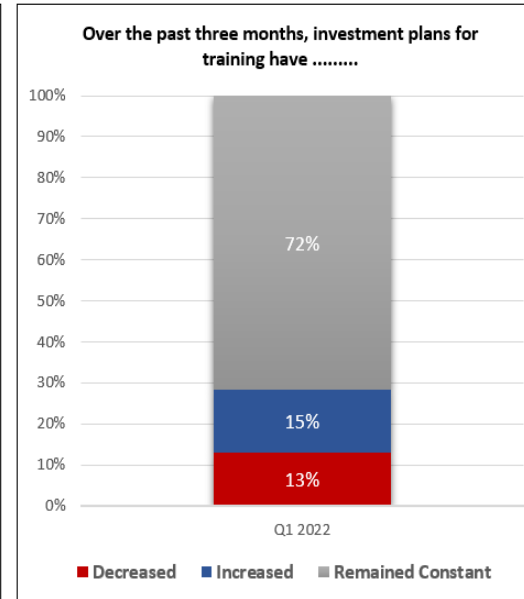
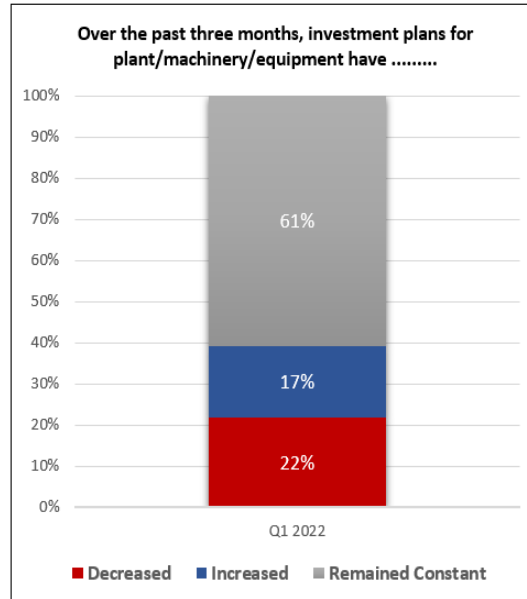
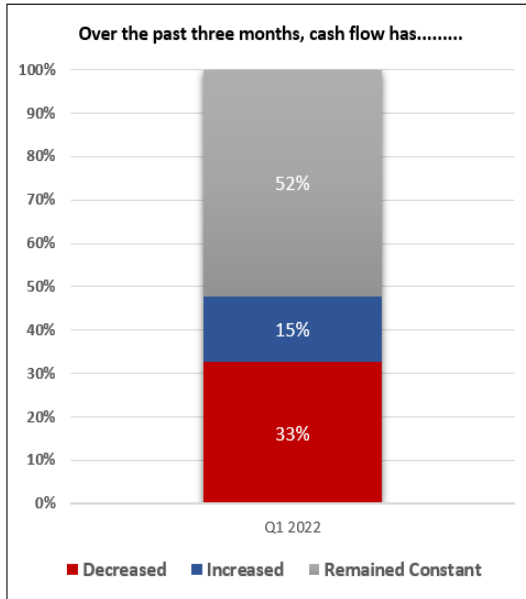
The vast majority of firms attempting to recruit over the last three months faced difficulties, in main **securing semi/unskilled labour**.



RECRUITMENT & EMPLOYMENT



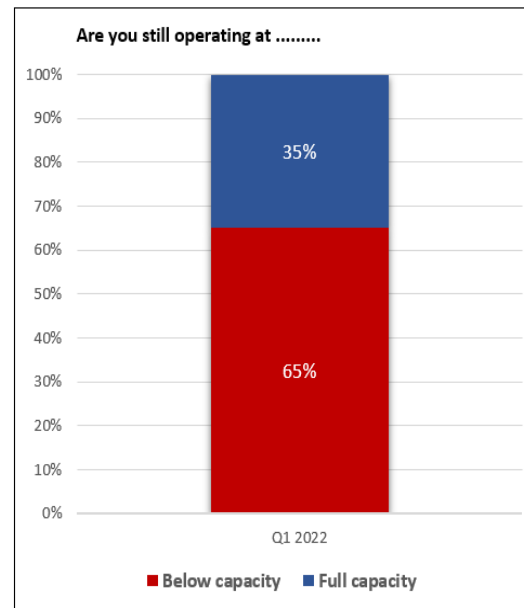
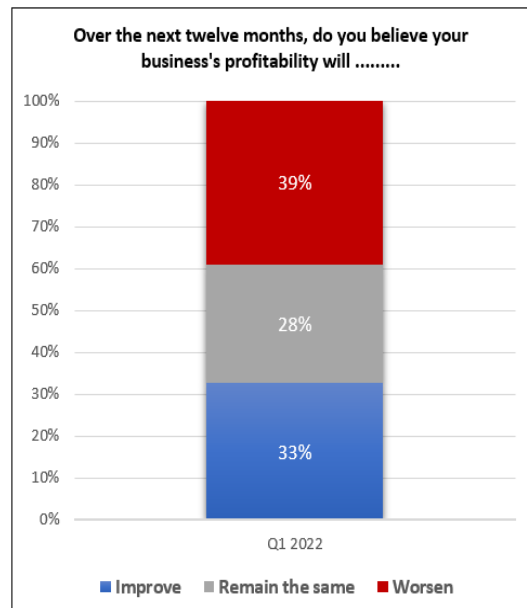
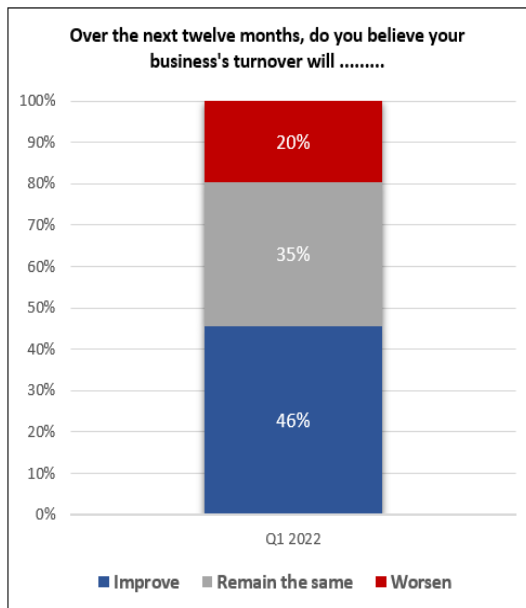
INVESTMENT & CONDITIONS



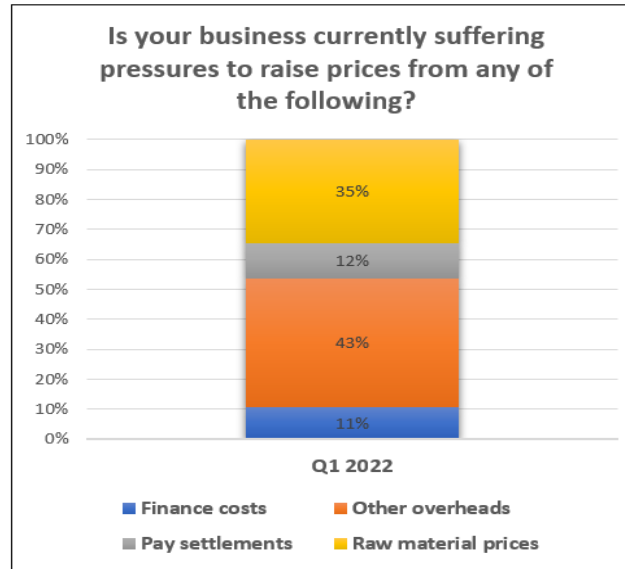
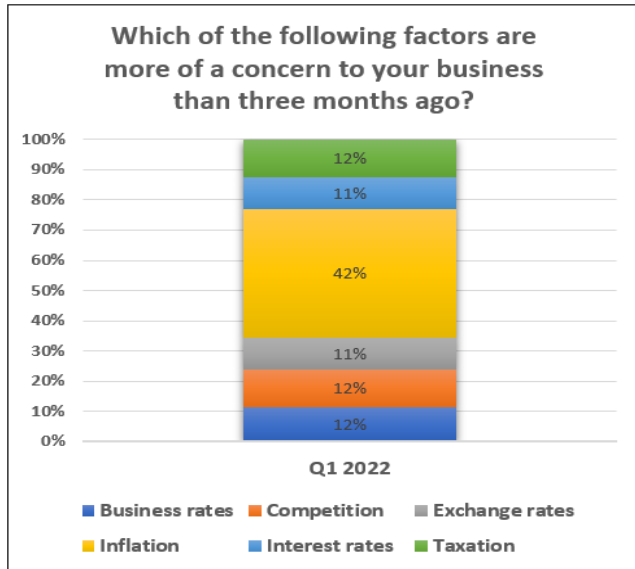
46% of firms believe their turnover will increase in the next twelve months, however, only 33% believe their profitability will improve!

Approx., 1 in 3 firms report their cash flow has decreased over the last three months with a large proportion of investment plans put on hold.

65% of firms believe they are operating below capacity, awaiting to fulfil their order pipeline in uncertain market conditions.



INFLATION



42% of firms cite **INFLATION** as more of a concern to their business than three months ago.

The Essex Chambers of Commerce have been in dialogue with members expressing serious concerns of the growing cost of doing business.

Rising inflation and fuel prices is really starting to put pressure on businesses from SME's to multinationals across Essex.

Industry leaders have observed increases throughout the supply chain including rising raw material costs and commodity prices, labour shortages, increasing shipping and HGV driver costs, national minimum wage increases and new types of taxation

Manufacturers and retailers/wholesalers are by far most likely to report raw materials as the driver of cost pressures, while professional services are likely to cite a blend of pressures.

OPEN UNPROMPTED COMMENTS

Energy Costs: *"Our biggest headache right now is rising electricity costs"* – **Hospitality and Leisure firm**

"Electricity prices have gone through the roof" – **Hospitality and Leisure firm**

Inflation: *"Our inflation on the goods and services that we purchase is a lot higher than the national reports that one reads in the media."* -
Other Services Firm

Wages: *"The current inflationary pressure on the economy, has meant that as a business we are trying to keep staff on board by having to increase salaries despite the difficulties in raising and increasing revenues. Due to Brexit, some contracts have been lost as some companies rather have their contracts provided by EU base businesses. As a result, we expect this year to reduce our turnover by 7%-10%, but still having to increase costs via salary, rates and purchases"* – **Professional Services Firm**

"We have chosen to increase salaries to try and keep existing staff in post and happy, knowing that recruitment situation worse than ever, and the expected difficulty of training a new person when everyone is preferring to continue working from home" – **Professional Services Firm**

"Everyone wants more wages BUT no one wants to pay for it. The costs of utilities, fuel and labour are going through the roof, its madness" –
Other Services Firm

Recruitment: *"Recruitment has become impossible, everything is set to rise, the cost of employing people and the red tape is becoming unbearable"* – **Other Services Firm.**

OPEN UNPROMPTED COMMENTS

EU Trade: *"Our business has been affected by Brexit and the increased cost of purchased from EU and also transport charge from EU to UK"* - **Business Support Service Firm**

"Some suppliers have only quoted EXW prices rather than CPT because of Brexit issues" - **Business Support Service Firm**

"Shipping prices continue to remain artificially high. this is crippling our profitability and that of many other businesses" – **Wholesale of other machinery and equipment**

"Brexit has led to an increase in paperwork and costs due to extra duty charges. It has also meant exports to EU are 'standing still'"- **Manufacturer of Other Goods Firm**

Supply Chain: *"The customs situation does not seem to be improving, we have customers who have stopped purchasing from the U.K. period. We also have hauliers who will not collect from the UK and any order to Europe now takes significantly longer to process and deal with and is therefore less profitable"* - **Manufacturer of electronic or IT goods.**

"As an exporter our main problems are getting space on vessels and the cost of sea freight globally, these have dramatically increased in the last 12 months restricting the markets that we can sell to" - **Other Services Firm**

"Export demand has remained high, however, most of our shipping costs have increased and transportation on some routes has been unreliable and slow, leaving customers waiting a long time for their goods. Overseas customers are finding exchange rates difficult" - **Other Services Firm**

Global: *"World news is affecting business. Weddings sales are currently down too"* - **Tourism/hotels/catering Firm**