

# ECONOMIC

QUARTER 1  
2022

# SURVEY



North East England  
Chamber of Commerce

IN ASSOCIATION WITH



**Durham**  
University  
Business School

# FOREWORD

The results of this survey paint a clear picture of businesses doing their best to recover and grow in the face of continued difficult circumstances.

As we marked two years since the first national lockdown, we in the business community had no time to pause for reflection. The incomprehensible challenges of the pandemic have given way to a crisis in the cost of living and the cost of doing business, and midway through the survey period we saw the start of the geopolitical and humanitarian crisis that is Russia's invasion of Ukraine.

The survey figures themselves contain some cause for positivity.

Workforce, sales, exports and investment indicators are all in positive territory, suggesting growth in the region's economy, and a strong proportion of respondents had attempted to recruit into full-time, permanent positions in the last three months.

But there is also a huge and growing concern for costs, with the top five perceived issues for businesses now all cost-related, including a massive nine in ten respondents worried about both inflation and energy prices.

With the Chancellor's Spring Statement failing to bring anything like the action required to head off these concerns, the future remains uncertain. What I do have confidence in, however, is the resilience and ingenuity of our region's businesses. I have no doubt in their ability to adapt, grow and thrive, whatever the prevailing economic weather.

**Lesley Moody MBE**  
**Chamber President**





## OVERVIEW

It was a pleasure to work with the Chamber on this quarter's economic survey, to draw out some of the key issues businesses and their staff are facing in these seemingly neverending uncertain times.

The findings show the importance of the value of employees, and how they remain critical to organisational success, but that recently, finding the right person for the right role can be really difficult.

The pandemic continues to have an impact, with businesses debating whether they have the confidence to grow their teams, but perhaps more crucially about the impact it has had on individuals' progression and development. Discussions have highlighted how much more difficult it has been for some to pick up essential basic skills of social interaction, customer service or resilience to difficult workplace situations.

One of my current areas of research is linked to the concept of Good Work, and what was really heartening to find was – although they might not use the term – many businesses are employing elements of Good Work to create an attractive and rewarding environment for their staff. Continuing to follow these elements, and doing so more formally and proactively will be an important tool for businesses when they look to ride out the difficult times ahead.

**Professor Jo McBride**  
**Durham University Business School**

# KEY INDICATORS

	BALANCE (ALL COMPANIES)	CHANGE ON LAST QUARTER	CHANGE ON LAST YEAR	MANUFACTURING	SERVICE
UK sales	11.3	-8.0 ▼	29.5 ▲	8.0	13.0
UK orders	8.7	-13.3 ▼	29.4 ▲	6.3	10.0
Export sales	6.4	5.1 ▲	24.3 ▲	14.6	0.0
Export orders	2.2	2.2 ▲	23.1 ▲	9.8	-3.8
Plant investment plans	17.8	5.2 ▲	20.5 ▲	14.0	20.3
Training investment plans	20.0	7.6 ▲	19.5 ▲	16.0	22.2
Cashflow	-12.0	-2.8 ▼	6.8 ▲	-18.8	-8.5
Prices	18.8	-6.7 ▼	24.3 ▲	13.7	21.4
Current workforce	48.6	13.9 ▲	59.7 ▲	64.7	40.0
Future workforce	37.7	-1.1 ▼	14.3 ▲	37.3	37.9
Future	21.2	2 ▲	0.4 ▲	14.0	25.0
Future turnover	41.8	-11.5 ▼	8.6 ▲	38.0	43.8

The Economic Survey is carried out by the North East England Chamber of Commerce. This survey was conducted during February and March 2022 and is based on responses from 172 businesses.

It is worth noting that the number of businesses providing responses in the All Companies analysis is not necessarily equal to the sum of those providing responses for the two broad sectors, as not all respondents provide details of the industry in which they operate. Where data analysis involves more than two variables, and where three or less companies have provided information, data has been withdrawn from the survey in order to protect the anonymity of companies, and to provide accurate analysis.

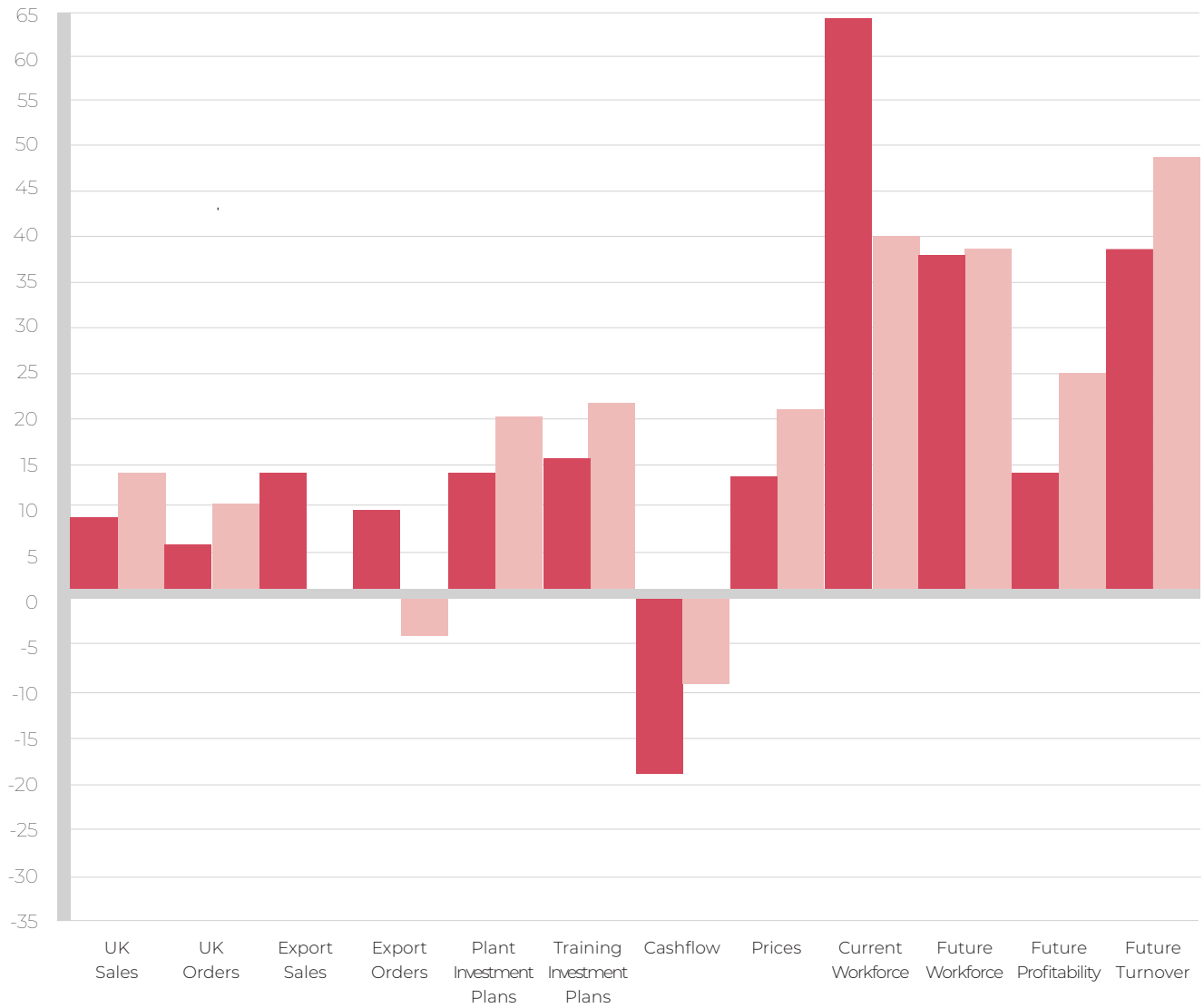
### **Methodology**

Most of the questions in the survey ask whether companies have experienced an increase, decrease or no change in respect of a given performance indicator, such as UK Sales.

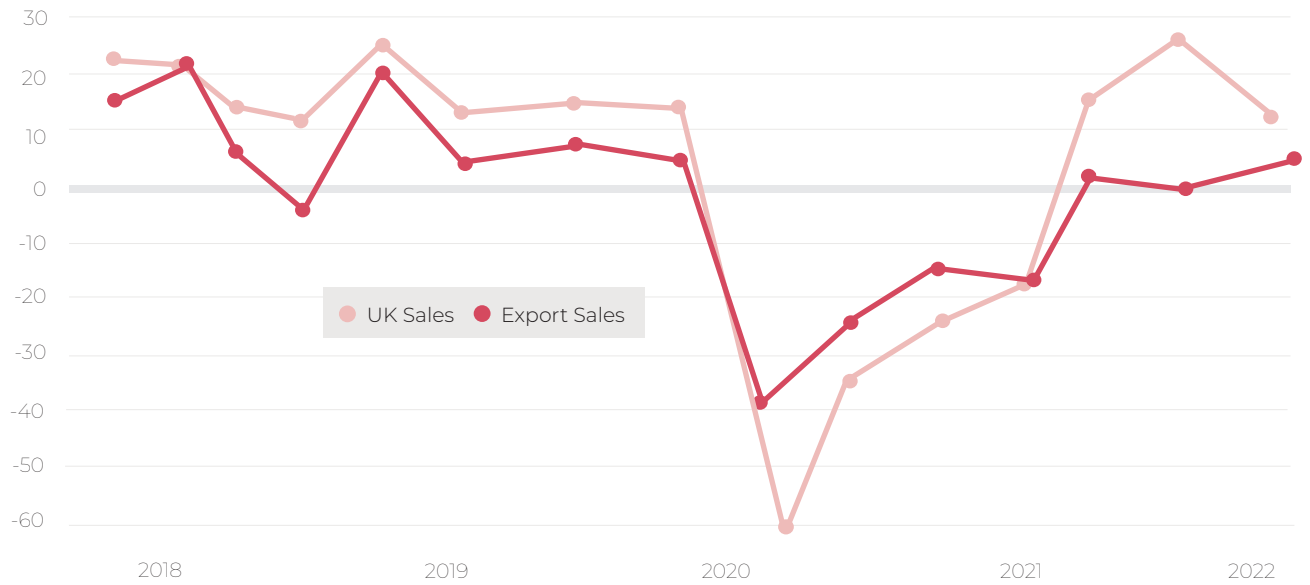
The balances are calculated as the percentage of respondents reporting an increase (e.g. in UK Sales) minus the percentage reporting a decrease. A positive balance indicates growth in respect of a particular indicator, whilst a negative balance reflects contraction. This methodology is standard practice in surveys of this type.

# KEY INDICATORS

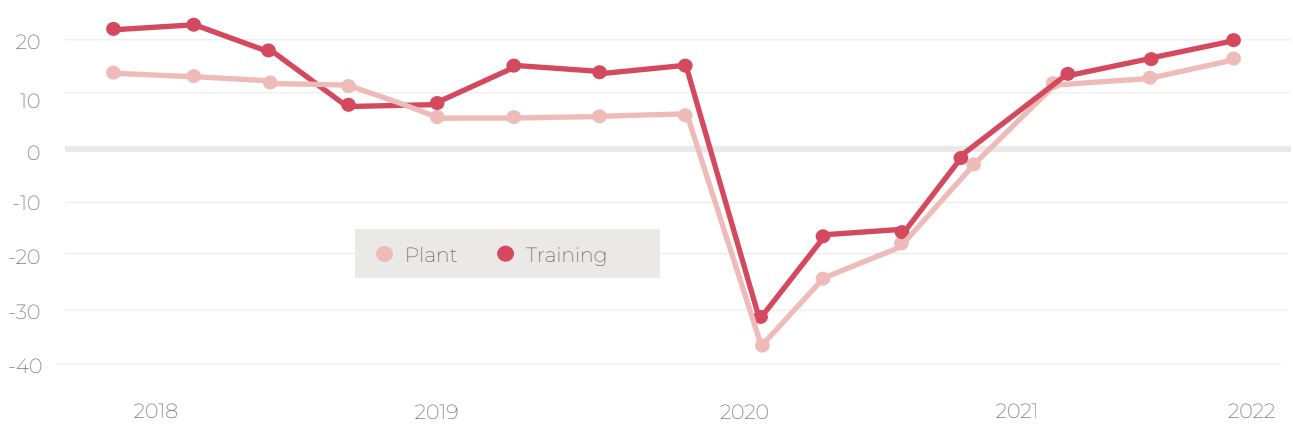
● Manufacturing ● Service



## FIVE YEAR TREND - SALES



## FIVE YEAR TREND - INVESTMENT



## FIVE YEAR TREND - WORKFORCE



# Businesses are beginning to feel the effect of a tightening labour market and rising cost pressures.

## Capacity

- The proportion of businesses operating at full capacity (50.7%), is below the level recorded last quarter (52.7%) but above Q1 2021 (33.3%).
- For context, the last pre-pandemic quarter (Q4 2019) recorded a level of 31.3%.

## Recruitment

- 64.5% of respondents attempted to recruit full-time staff in Q1, an increase on levels recorded last quarter (59.7%), showing a continued upward trend across the last 12 months from the levels recorded in Q1 2021 (46.7%).
- A smaller proportion attempted to recruit part-time staff (33.1%), down slightly on last quarter (36.6%) and close to the level recorded in Q1 last year (31.7%).
- 56.3% of respondents attempted to recruit permanent staff, a slight increase on figures recorded last quarter (53.0%) and a significant increase on Q1 last year (40.5%).
- Fewer businesses attempted to recruit temporary staff (26.7%) than last quarter (29.6%), but more than Q1 last year (22.7%).

## Price pressures

- Price pressures arising from pay settlements (42.6%) were up on last quarter (30.7%) and above the values recorded last year (15.5%).
- The proportion of members facing price pressures from raw materials (68.1%) increased on the levels recorded last quarter (55.8%) and the same period last year (38.6%).
- Price pressures as a result of finance costs (47.1%) were increased on the figures last quarter (26.3%), and up on Q1 2021 (24.0%).
- 77.5% of businesses experienced price pressures arising from other overheads, representing an increase on last quarter (66.2%) and last year (48.3%).

## Key factors

- The most commonly cited factors surrounding businesses success related to strong demand in respondents' sectors, the value of good business practices in retaining clients, and the growth of export markets.
- The lifting of Covid restrictions and greater degree of certainty as a result was also cited, along with funding and investment either directly into businesses or into the wider regional economy.
- Many businesses also cite the importance of their team, dedication, loyalty and their skillsets in as an enabler of success.

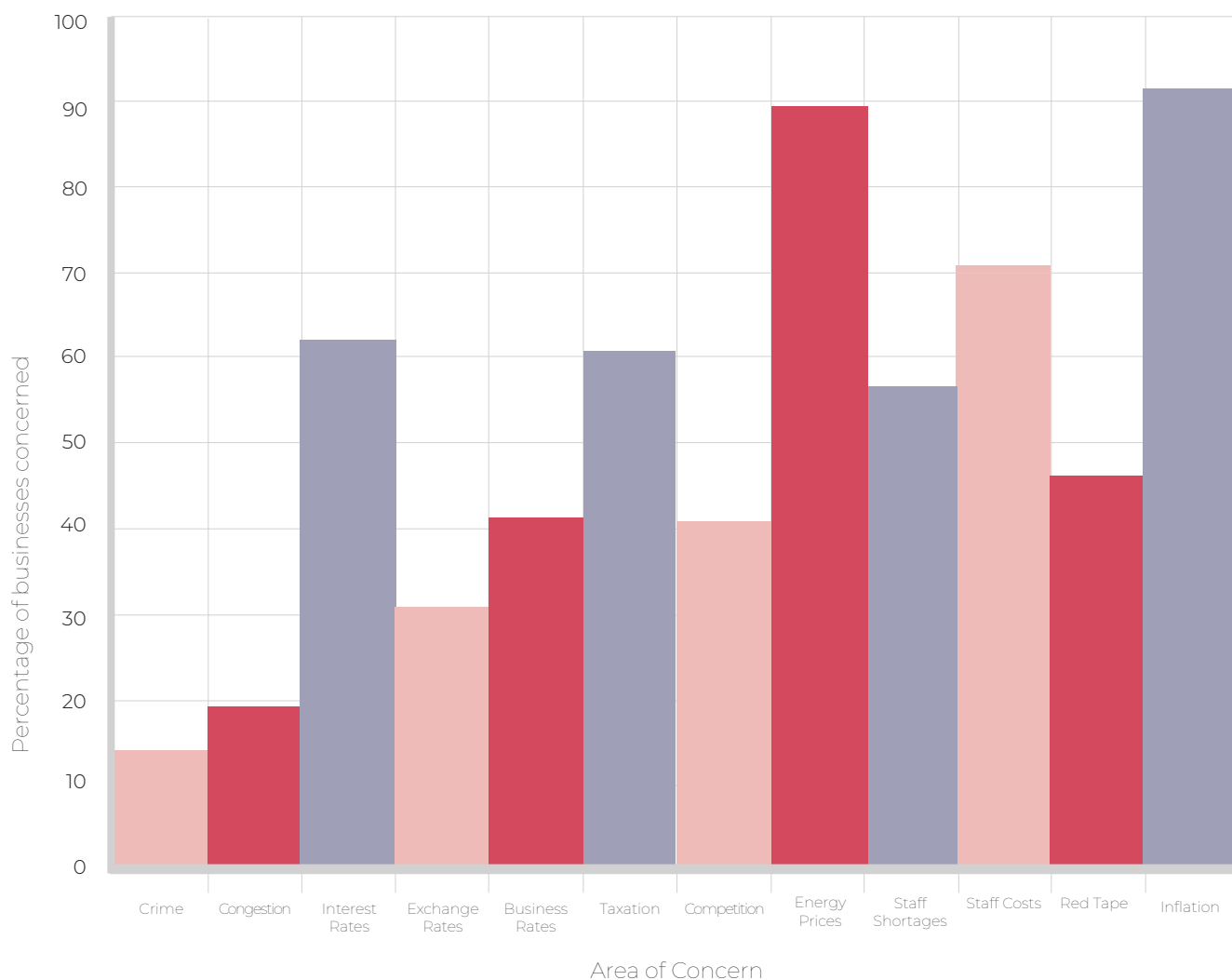
## Barriers

The main barriers to business success this quarter were considered to be:

- Staff shortages, including several respondents concerned about their ageing workforces
- Cost increases, cashflow concerns and the impact of inflation – several businesses mentioned export costs and shipping in particular
- Uncertainty over the economy, the continued disruption resulting from Brexit and the broader geopolitical situation (NB/ Russia's invasion of Ukraine occurred midway through the survey period)
- The impact of uneven demand or increased competition.



The top five concerns are now all cost related, and overall levels of concern have grown across all indicators.



Perception scores reflect whether issues affecting members and their business activity are of greater concern now compared to last quarter. The scores above represent the proportion of respondents who indicated they were more concerned about these issues.

The top three indicators from Q4 2021 continue as the top three concerns for Q1 2022, but with the proportion of businesses showing concern increasing in each case.

91.3% of businesses are concerned about inflation (up from 82% in Q4 2021), 89.3% are concerned about energy prices (up from 81%) and 71.0% are concerned about staff costs (up from 60%). These concerns have been joined by concerns about interest rates, which has jumped from 7th (41% of businesses) last quarter to 4th (62.2%) this quarter.

Every single indicator of concern has grown since last quarter, with the exception of red tape where levels of concern remained essentially constant.

# RECRUITMENT, RETENTION

With skills shortages a key barrier to success and staff costs a key concern, this quarter's survey asked additional questions on the actions being taken by respondents to recruit and retain the right people.

This chart shows the number of respondents whose businesses had taken the following actions.

Implementing or promoting flexible working	72
Investing in training and development	88
Adjusting or improving pay	89
Adjusting or improving non-pay benefits	53
Focusing on health and wellbeing in the workplace	75
Focusing on providing an inclusive workplace	49
Looking at different methods of recruitment (e.g. using apprenticeships for the first time)	50
Focusing on environmental impact and sustainability	54
Connecting with your local community (e.g. through volunteering opportunities)	42

The results showed two clear tiers of activity, with adjusting or improving pay (89), investing in training and development (88), focusing on health and wellbeing (75) and implementing or promoting flexible working (72), favoured by 20-30 more respondents than the other options.

# BUSINESS VIEWS WITH DURHAM UNIVERSITY BUSINESS

In a first for our economic survey, we have worked with our Quarterly Economic Survey associate sponsors Durham University Business School and introduce a more qualitative approach in evaluating the topics above.

This took the form of a virtual roundtable on Tuesday 29th March, hosted by Prof Jo McBride, Professor of Work and Employment Relations within the Business School's Department of Management and Marketing.

The discussion included participants from the digital, culture, logistics, public transport and consultancy sectors, with organisations of a variety of sizes and individuals in a variety of roles.

The participants were given a broad overview of the quantitative findings of the survey, and presented with the top four actioned responses to recruitment and retention - adjusting or improving pay, investing in training and development, focusing on health and wellbeing and implementing or promoting flexible working.

**“We want to invest in people, but the confidence is so fragile, we’ve got customers saying ‘yes, no, yes, no, yes no’ when they come to buy from us”**

**- Roundtable participant**

Given the sectors represented, some organisations had an incredibly challenging past two years, while others had enjoyed huge opportunities for growth as a result of changing marketplaces. All emphasised the value of having the right people for their business and expressed frustrations and difficulties in dependably finding those people. They all recognised the four elements above as reflecting what their own organisations implemented and actioned when recruiting, retaining and developing their teams.

A common theme in the discussion revolved around skills and the lack of what was referred to as “The Basics”, although in practice this encompassed a broad range of non-technical skills – for example everything from customer service through to confidence in a working environment to resilience in the face of challenging situations.

Flexible or hybrid working (although this was often termed ‘remote working’, without clear differentiation) was seen through dual lenses – first, as a real benefit that many businesses were now confident offering this as part of (at least some of) their roles and therefore as a crucial tool in recruitment and retention; second, as an outside threat or increased competition as other organisations were able to offer more flexibility or where competitors from other regions could look to poach local talent.

Confidence played a big role in recruitment decisions, with several participants stating that, although they desired to be hiring into full-time permanent positions (something the overall economic survey is suggesting many businesses in the region are doing), uncertainty over future demand (something reflected in future orders and future profitability indicators in our survey) meant they were holding back. Instead, they felt they needed to use more open informal relationships with contractors and freelancers to deliver work, often on a longer term 'partnership' basis than a purely transactional one. Interestingly, this was seen as more conducive to a positive organisational culture than having a permanent part-time employee working remotely in another region, for example.

**“Some of the workforce who are up here, who want to work remotely, are now able to apply to work in jobs in other places who can afford to pay more”**

**- Roundtable participant**

This externalising of team and culture may be a natural part modern working, but this sits at odds with another topic raised – one of the impact of job insecurity and uncertainty (especially at early career stages) and the impact this has on an individual's development and progression.

One thing that wasn't discussed directly during the session was the concept of 'Good Work', yet each of the elements included in the Recruitment, Retention section of the survey and this report represents an element of Good Work as a broad concept.

**“In lockdown we were a business that was extremely busy, and our staff really stepped up. In terms of customer service, we've excelled. I'm incredibly proud.”**

**- Roundtable participant**

However, the discussions did suggest that an embedding of the concept within business support practices, business strategic thinking, and as part of constructive dialogue with employees, could have a real impact in the recruitment and retention of talent in the region.

This is where the work of Professor McBride links into the results of our Quarterly Economic Survey.

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