



Greater Birmingham  
Chambers  
of Commerce



BIRMINGHAM CITY  
University

# Quarterly Business Report



Q1 | 2022

Connect. Support. Grow.



**Henrietta Brealey**

**Chief Executive  
Greater Birmingham  
Chambers of Commerce**

With national restrictions easing and the Birmingham 2022 Commonwealth Games on the horizon, business optimism appears resilient across Greater Birmingham – despite the uncertainty generated by Russia's invasion of Ukraine. As data from our latest Quarterly Business Report reveals, domestic sales are strong and export sales have held up compared to the previous quarter. Looking ahead, while there was a slight reduction in the turnover balance score this quarter, overall business confidence in improving turnover and profitability remains positive. On this note, at the beginning of March it was great to see over 1,200 members of the business community gather in person at the Greater Birmingham Chambers of Commerce's (GBCC) Annual Dinner and Awards for the first time in three years, to celebrate business excellence.

With the relaxing of Covid-19 measures towards the end of February and the removal of free testing and workplace safety guidance due to take place on 1st April, many in the Greater Birmingham business community are determining what a new 'business as usual' looks like. This is particularly clear when reviewing recruitment levels for the start of the year, with a rise in the proportion of firms looking to recruit but a welcome drop in those experiencing recruitment difficulties (although overall recruitment difficulties continue to be high). It is clear that a shift has happened terms of working arrangements and expectations, and that the job market has become much livelier after a period of uncertainty for employers and employees alike.



**Professor Julian Beer**

**Deputy Vice-Chancellor  
Birmingham City University**

The Q2 survey coincided with the lifting of the remaining Covid restrictions in England. This followed positive statements from the Bank of England toward the end of last year that economic activity had returned to pre-pandemic levels. These grounds for optimism continue to be reflected through the survey in levels of business confidence. However, despite the semblance of normality, many businesses are still maintaining a cautious approach with voluntary working arrangements and social-distancing measures still in place

In terms of the data, two thirds of survey respondents (66%) anticipated that turnover will improve over the next twelve months. However, at 55%, confidence in improved profitability over the same period was more tempered. The domestic market remained positive, with over half of respondents (54%) indicating that their UK sales, custom and bookings had increased over the last three months, with a similar proportion (52%) indicating that forward orders and bookings had also increased.

For the second quarter running inflation was the most frequently reported external factor causing concern among businesses, cited by one in three respondents (33%). Perhaps unsurprisingly, one in two respondents (50%) also anticipated cost increases over the next three months, a concern most pronounced amongst manufacturing businesses.

Whilst a majority of businesses in both the service sectors (60%) and manufacturing (88%) are actively trying to recruit, over two-thirds experienced difficulties in trying to do so. This is likely to remain a concern across the regional business base as overall unemployment continues to decline, attributed to ongoing post-pandemic labour market recovery.

## About the Quarterly Business Report

The Greater Birmingham Chambers of Commerce's Quarterly Business Report offers an up-to-date snapshot of the performance of the Greater Birmingham business community. It is the most comprehensive regular report of its kind in the city-region. Underpinning our report is data gathered from quarterly surveys on key indicators such as sales, exports, investment intentions, Brexit and the workforce. The Greater Birmingham Quarterly Business Report launched in 2016, succeeding the previous Quarterly Economic Survey Report.

The Chamber surveys businesses across the Greater Birmingham area, which includes Birmingham, Solihull, Sutton Coldfield, Lichfield & Tamworth, Cannock Chase and Burton-on-Trent. Balance figures are determined according to business responses to the indicators: an increase (multiplied by 1), remain constant (multiplied by 0.5), decrease (multiplied by 0). 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.

## DOMESTIC DEMAND

Levels of domestic demand have remained constant this quarter, with a figure of 72. This continues to be the largest on file since digital records began in 1997.

54% of firms reported an increase in UK sales, which is the same as in Q4 of 2021. The manufacturing sector saw a large increase in the balance score this quarter, up 11 points from last quarter with a score of 76. This can largely be attributed to an increased proportion of firms reporting a rise in domestic sales over the last three months (58% compared to 44% in Q4 2021). In contrast, service firms saw a two-point decrease in balance score, dropping from 74 last quarter to 72.

Domestic orders this quarter across the board have seen a two-point increase, now with a balance score of 71. In this case, both manufacturing and service sectors saw an increase in balance score- up seven points for manufacturers (75) and two points for services (70).

According to the monthly estimate from the Office for National Statistics, the UK's GDP bounced back at the start of 2022, increasing by 0.8% since December 2021, and is now 0.8% above its pre-coronavirus level (February 2020). Services are now 1.3% above pre-pandemic level, while construction is 1.4% above and production is 2.0% below. The Government released its much-anticipated Levelling Up White Paper in February which sets out a framework to raise productivity levels across the country and address regional disparities. As a Chamber, we will continue to work with local and national stakeholders to help local businesses understand how they can tangibly benefit and be impacted by this emerging strategy.



### DOMESTIC SALES

Balance  
■ 0 Points

▲ 54%    = 35%    ▼ 10%

### DOMESTIC ORDERS

Balance  
▲ 2 Points

▲ 52%    = 38%    ▼ 10%

## PRICE PRESSURES & EXTERNAL FACTORS



The price index balance score has dropped by one point in Q1, now dipping below the highest figure on record which was reported last quarter.

50% of firms reported that they expect their prices to increase over the next three months, which is the same as last quarter. However, as 3% of firms anticipate lowering their costs over the next quarter, this has brought the balance score down by one point to 74. The balance score has dropped significantly for manufacturers this quarter, down nine points to 80. While this is still exceptionally high compared to previous years, there has been a drop from 77% expecting to increase prices in Q4 2021 to 63% this quarter. Service firms, on the other hand, saw a two-point increase in the price index balance score this time around to 72.

The balance score for cash flow has dropped to 54 this quarter, three points down from Q4 2021. When looking at the different sectors, there has been a one-point drop for manufacturers (48) and a five-point decrease for services (55). This is due to only 16% of manufacturers and 34% of service firms reporting an increase.

Once again, 33% of respondents reported that inflation was more of a concern to them now than it was last quarter, joining Q3 2020 and Q4 2021 in being the highest on record. This is also reflected in the national figures, with the Consumer Prices Index rising to 4.9% in the 12 months to January 2022 (up 0.1% in the 12 months to December 2021). The largest upward contributions to this rate are reported to be from housing and household services, and transport (principally from motor fuels and second-hand cars). Concerns around interest rates are also the highest they have been since Q3 2014 at 17%. In light of this, it is clear that the Bank of England will need to strike a fine balance in a bid to contain inflation without constraining economic growth.

### CASH FLOW

Balance  
▼ 3 Points

▲ 31%    = 45%    ▼ 23%

### EXTERNAL FACTORS

INFLATION	33%
BUSINESS RATES	10%
INTEREST RATES	17%
COMPETITION	15%
EXCHANGE RATES	8%
TAXATION	16%

## EXPORT DEMAND

Export sales have improved for service firms this quarter but dropped for manufacturers.

The overall balance score across both sectors this quarter has fallen by two points to 59. This is due to a drop in the proportion of firms reporting an increase in export sales (from 37% in Q4 2021 to 32% this quarter) and an increase in those reporting that sales had remained constant (from 48% in Q4 2021 to 54% in Q1). For services, the balance score increased by seven points to 65. This is due to a five-point rise in the proportion of businesses reporting an increase in exports to 38% and a drop in those experiencing a decrease (from 17% to 8%). The balance score for manufacturers fell to 48 due to only 20% of firms reporting an increase in export sales (compared to 41% last quarter).

In terms of advance export orders, this figure is beginning to rise again, with the balance score across the board rising two points this quarter to 62. In this case, it is manufacturers who have seen a significant increase in the balance score, up 11 points to 75. This is due to a 10% upsurge in those whose orders have increased over the past quarter- up to 56%.

To put this into a national perspective, according to the ONS total exports of goods (excluding precious metals) decreased by 8.7% in January 2022. This was driven by a 20.7% decrease in exports to EU countries while exports to non-EU countries increased by 4.2%. It is possible that this is affected by firms having to adjust to new HMRC Brexit customs requirements which came into force on 1st January 2022. Further information about these changes and how GBCC can help businesses to navigate them can be found on the Chamber's website.



### EXPORT SALES

Balance  
▼ 2 Points

▲ 32%	= 54%	▼ 14%
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### EXPORT ORDERS

Balance  
▲ 2 Points

▲ 34%	= 55%	▼ 10%
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## WORKFORCE & RECRUITMENT



The proportion of businesses attempting to recruit has increased to 65% this quarter, and 69% experienced difficulties.

The balance score for workforce this quarter is 66, a two-point increase compared to Q4 2021. This is significant growth compared to 2020, when only of 18% of firms on average across the year reported an increase in staff numbers.

There is also an increase in firms across both sectors who are expecting their workforce to grow over the next three months, with the balance score for this increasing by one point to 74. Half of firms expected to increase their workforce, and this was consistent across both services and manufacturing.

National data estimates the UK employment rate to be 75.5% as of February 2022- 0.2% higher than the previous quarter (June-August 2021). The number of job vacancies continued to rise to a new record of 1.32million in December 2021 to February 2022, with half of industry sectors showing record highs. The largest increase in vacancy numbers for this quarter was in wholesale and retail trade; repair of motor vehicles and motorcycles (16,800), human health and social work (15,400) and professional, scientific and technical activities (14,500). On a regional level, the West Midlands job market is continuing its gradual recovery – with unemployment falling by 0.2 per cent and employment rising by 0.3 per cent.

### WORKFORCE

Balance  
▲ 2 Points

▲ 40%	= 52%	▼ 8%
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**65%**

OF FIRMS ATTEMPTED  
TO RECRUIT

OF WHICH

**69%**

FACED RECRUITMENT  
DIFFICULTIES



Investment in capital expenditure has fallen by four balance points this quarter to 53, while investment in training has stayed consistent at 61.

The balance score for investment in capital expenditure has fallen this quarter from 57 in Q4 2021 to 53 due to only 22% of firms reporting an increase in this area. This quarter has seen a one-point decrease among manufacturing firms (from 58 to 57) and a five-point decrease within the service sector from 57 to 52. In terms of investment in training, 44% of manufacturing firms reported an increase in this area compared to 33% of service organisations.

The turnover balance score remains very healthy despite a minor fall in the balance score of four points to a figure of 78. 66% of businesses in the two sectors combined expect their turnover to go up over the next 12 months - down from the 71% registered in the last quarter - which led to the overall drop in the balance score. Profitability expectations in Q1 for those surveyed have remained constant this quarter at a balance score of 72. This increased to 76 for manufacturers (compared to 68 last quarter) and fell to 71 for service firms (from 74).



CAPEX		
Balance ▼ 4 Points		
▲ 22%	= 62%	▼ 16%

TURNOVER		
Balance ▼ 4 Points		
▲ 66%	= 24%	▼ 9%



Raj Kandola  
Head of Policy  
Greater Birmingham Chambers  
of Commerce

Chamber Comment

Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
51%	43%	25%	33%	40%	54%	59%	76%	71%

Table A: Proportion of services firms experiencing recruitment difficulties from Q1 2020 to Q1 2022

Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
76%	55%	33%	43%	34%	50%	72%	76%	59%

Table B: Proportion of manufacturing firms experiencing recruitment difficulties from Q1 2020 to Q1 2022

As the tables show, it has been a turbulent time across both the manufacturing and services sectors in terms of recruitment difficulties since the start of 2020. It is encouraging that we are starting to see a decline in this area this quarter, especially for manufacturing firms who at many points throughout the past two years have experienced more difficulties around recruitment than the services sector. However, this quarter we seem to be seeing a mirror of Q3 2021, with services firms starting to experience these issues more acutely. This is particularly apparent for professional or managerial roles, which 36% of Greater Birmingham businesses reported were difficult to fill this quarter.

The Great Resignation has taken hold across the globe over the last year or so, but it is clear from the latest labour market statistics that this is now sweeping the UK too, with both the number of job vacancies and the number of job-to-job moves hitting record highs in the tail-end of last year. This is due to high demand as a result of a record number of vacancies and little supply, which has been affected by Brexit and people leaving the workforce. Within this context, retention of staff has become even more vital - it is a topic we covered in depth during our latest Growth Through People campaign. The campaign exists to provide local businesses advice and guidance on how to get the best out of their workforce as we emerge from the pandemic - full details can be found on our website.



## About GBCC

The Greater Birmingham Chambers of Commerce is a membership-led, business support organisation that has acted as the voice of local businesses since 1813. Today, we continue to connect, support and grow local businesses.

We are one of the largest Chambers in the country, with 2,500 member companies covering six geographic areas across the region (Birmingham, Burton, Chase, Lichfield and Tamworth, Solihull and Sutton Coldfield) and four themed divisions (Asian Business Chamber of Commerce, Future Faces, the Transatlantic Chamber of Commerce and the Commonwealth Chamber of Commerce).

Members range from young professionals to SMEs and large, high-profile organisations, including 35 Chamber Patrons comprising companies such as RSM UK, HS2 and The NEC Group.

## About Birmingham City University

Birmingham City University is a dynamic, business-engaged institution. As a substantial employer with over 2,000 staff and through the provision of graduate talent, research and knowledge transfer, we contribute around £180 million to Birmingham's gross domestic product (GDP).

The university works with in excess of 5,000 businesses, regionally, nationally and internationally, with our courses informed by Industry Advisory Boards, where information about business needs are reviewed and skills challenges are discussed. In 2015 we launched Advantage, the business growth service from Birmingham City University enabling organisations and individuals to get connected with knowledge, skills and money in business, innovation and enterprise.

We have extensive sector linkages providing detailed intelligence and input into future innovation, driving thinking around smart specialisation, the creative economy, advanced manufacturing and health-related life sciences. Through our work with partners such as the GBS LEP, WMCA, Science City, and Creative City Partnership, we take a lead on cross innovation, design and climate change. Innovation is at the core of our work. Working in partnership is at the core of our approach to business.

## Join the Conversation

Join the conversation by following at @grbhamchambers and using #GBCCQBR



## Quarterly Business Report

If you have any further questions on the report, please contact Beth Clewes on 0121 274 3265 or [b.clewes@birmingham-chamber.com](mailto:b.clewes@birmingham-chamber.com). For more information, go to [www.birmingham-chamber.com](http://www.birmingham-chamber.com)

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