The QES for Q1 2020 suggests that UK economic conditions were relatively subdued before the unprecedented economic storm caused by the Covid-19 outbreak took hold. The services sector saw domestic activity improve but indicators for export activity weakened and remain at their lowest level since 2011.

Domestic and export activity in the manufacturing sector remained underwhelming. With the pause button being pressed on large parts of the UK economy, a historically significant weakening in economic output in Q2 is expected.

Suren Thiru Head of Economics, British Chambers of Commerce
The survey of over 6,200 firms, employing more than 1.2m people, found that while investment and confidence began to gradually improve in Q1, shorter term indicators around cash flow showed prolonged underlying weakness, even before the full impacts of the Covid-19 crisis became clear.

<table>
<thead>
<tr>
<th>Prices</th>
<th>Investment</th>
<th>Cash Flow</th>
<th>Confidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>+33%</td>
<td>+16%</td>
<td>-6%</td>
<td>+34%</td>
</tr>
<tr>
<td>+28%</td>
<td>+15%</td>
<td>+3%</td>
<td>+38%</td>
</tr>
</tbody>
</table>

- **Prices**: 
  - 33% of manufacturers expect their prices to increase, down from +35% in Q4 2019
  - 28% of service firms expect their prices to increase, down from +29% in Q4 2019

- **Investment**: 
  - 16% of manufacturers increased investment in training in Q1 2020, up from +11% in Q4 2019
  - 15% of service firms increased investment in training in Q1 2020, up from +11% in Q4 2019

- **Cash Flow**: 
  - 6% of manufacturers reported improved cash flow in Q1 2020, down from +1% in Q4 2019
  - 3% of service firms reported improved cash flow in Q1 2020, up from +2% in Q4 2019

- **Confidence**: 
  - 34% of manufacturers are confident turnover will increase in the next 12 months, up from +27% in Q4 2019
  - 38% of service firms are confident turnover will increase in the next 12 months, up from +32% in Q4 2019

**Firms facing pressures to raise prices due to the following factors:**

<table>
<thead>
<tr>
<th>Pay settlements</th>
<th>Raw materials</th>
<th>Financial costs</th>
<th>Other overheads</th>
</tr>
</thead>
<tbody>
<tr>
<td>13%</td>
<td>28%</td>
<td>12%</td>
<td>30%</td>
</tr>
<tr>
<td>70%</td>
<td>12%</td>
<td>22%</td>
<td>50%</td>
</tr>
</tbody>
</table>

**Balance of firms increasing investment in training**

**Balance of firms reporting improved cash flow**

**UK GDP growth and QES balance of firms confident their turnover will increase**
In Q1 2020, the balance of manufacturers reporting increased cash flow fell back into negative territory and stood at -6%, the second lowest level since 2011. In the services sector, the balance of firms reporting increased cash flow remained weak at +3%. Many firms cited the onset of the Covid-19 crisis as a key impact on business performance.

The below chart shows the geographical breakdown of the balance of firms reporting increased cash flow.

“We are being affected significantly by the coronavirus, not receiving goods from China since the middle of January”

**Small manufacturer** in Norfolk

“Our products are manufactured in China. Due to coronavirus, the office and factory in China is not functioning because of transport being stopped.”

**Manufacturer** in Mid-Yorkshire

“Just as confidence to invest seemed to be recovering, and there were positive indicators for increasing future turnover, along came coronavirus.”

**Transport firm** in Inverness

“The slightly gloomier outlook for the next 12 months is the result of coronavirus which is already having an impact on events we are working on in mainland Europe for clients.”

**Small marketing firm** in Hampshire
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).