



2024

QUARTERLY ECONOMIC REPORT



Amanda Beresford
Chair

West & North Yorkshire Chamber of Commerce

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Times remain uncertain and we can see this in the findings of the latest Quarterly Economic Survey from West & North Yorkshire Chamber of Commerce.

There are some positive findings in there. It is encouraging to see sales improving for our region's firms, most notably for manufacturing businesses who are seeing increased activity, both at home and abroad. As a region with such a proud exporting pedigree, this is something to be celebrated.

However, it is clear that many businesses are continuing to face significant challenges that are making investment in staff and infrastructure often very challenging.

Office for National Statistics figures show inflation may be falling but this is not proving to be the day-by-day reality for many businesses who still cite increasing costs as their primary obstacle.

Nevertheless, although the level of firms expecting to grow their profits in the short term has declined slightly, still more than 70 per cent of enterprises expect to see their profits either increase or stabilise in the months ahead.

As a Chamber we will continue to work tirelessly to campaign for and champion our world class business community and stand ready to offer whatever support our members require of us.

Here's hoping that cost pressures begin to ease soon so our region's businesses can get back to doing what they do best and begin to develop growing confidence to invest and grow.



Mark Casci
Head of Policy and Representation
West & North Yorkshire Chamber of Commerce

As you will see in the pages ahead, there is a veritable mixed bag of results in our latest Quarterly Economic Survey.

Expectations on profitability and revenue creation are declining across both manufacturing and service sector firms.

Similarly, appetite for taking on new staff and investing in either training or capital projects is waning as firms battle with a triple whammy of inflation, interest rates and taxation.

That is not of course to say there is no optimism in this latest QES. There is, particularly in manufacturing.

UK sales are in rude health, particularly for manufacturers, who also saw their overseas sales increase. Manufacturers also saw an increase in job creation in the second quarter of this year.

Meanwhile, labour costs are the chief cost pressure for firms who are still grappling with having had to hand staff significant pay increases in order to desperately try and keep pace with the cost-of-living crisis.

As ever, context is everything. Yes, expectations on increased profitability are down, but 41 per cent of firms surveyed still expect to improve profitability in the coming weeks while 30 per cent expect profitability to remain stable.

The summer was home to a European Championships tournament, and an upcoming Olympic Games, events which traditionally boost economic activity. However, the political uncertainty caused by the snap parliamentary elections in France, coupled with the increasing prospects of a second presidency for Donald Trump, will be at the back of many businesses minds when making decisions.

As I said when I launched the West & North Yorkshire Chamber of Commerce's priority list for the region's economy, the chief thing that businesses in this region and nationally need is the culture and environment in which to invest and grow.

Without economic growth, there is no solution to the social challenges this country faces and whomever is at the heart of government must make this their undimming priority, not for the next few months but for the next few years.

As ever, please do leave me your feedback on this latest Quarterly Economic Survey. You can reach me on mark.casci@wnychamber.co.uk.



Shevaun Haviland
Director General
British Chambers of Commerce

It's really encouraging to see positive shoots of recovery from businesses across the UK.

Confidence has been improving among companies in recent months. Our data show the tangible impact of that positivity, as businesses report improved sales and cashflow. But investment levels remain an area of concern.

Our message to the new government is clear. We need a long-term economic plan that has the green transition at its heart, with a workforce fit for the future, living in thriving local places and powered by businesses that are globally facing and digitally enabled.

Business stands ready to work in partnership with government to capitalise on the positive signs our data is showing.



METHODOLOGY

The respondents of business owner/senior manager/director/partner status. Forty three per cent of this sample were actively trading internationally, a larger figure than seen in the Quarter One 2024 study.

Of those businesses surveyed 41 per cent were micro, 28 per cent were small, 20 per cent were medium and 11 per cent were large.

Businesses were surveyed by telephone or online questionnaire between Monday May 13 until Friday June 7 2024.

Net balance figures referred to throughout this report and represented in the graphs are determined by subtracting the percentage of companies reporting decreases in a factor from the percentage of companies reporting increases.

The Chambers that conducted the survey are:

- West and North Yorkshire Chamber of Commerce (which covers Bradford, Leeds, City of York and all of the North Yorkshire Districts).
- Mid Yorkshire Chamber of Commerce (which covers Wakefield, Calderdale and Kirklees).

BUSINESS SIZE CLASSIFICATION

Throughout the document we refer to the European standard definition of company size as follows

0 – 9 employees	Micro business
10 – 49 employees	Small business
50 – 249 employees	Medium business
250+ employees	Large business

DOMESTIC SALES

One of the real success stories of the latest QES is the continued growth in UK sales. Manufacturers built on their previous growth trajectory by growing sales by 17 per cent while service sector firms grew by two per cent.

EXPORT SALES

Manufacturers posted another quarter of growth growing overseas sales by 11 per cent. Service sector firms fell backwards by 14 points, but order books look more positive.

EMPLOYMENT

Service sector firms saw their growth in the last six months fall back with a 12 point decline in hiring over the last six months. Meanwhile, manufacturers saw their hiring soar during the previous quarter. Hiring intent across the two sectors continues to look flat.

INVESTMENT

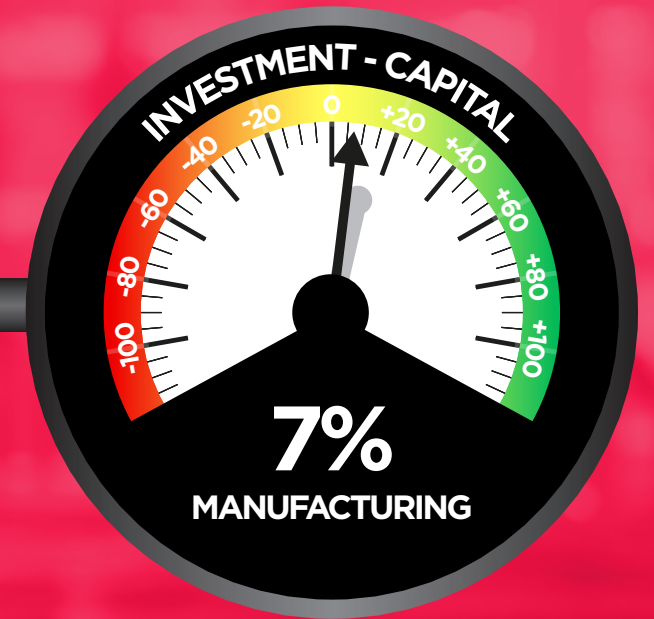
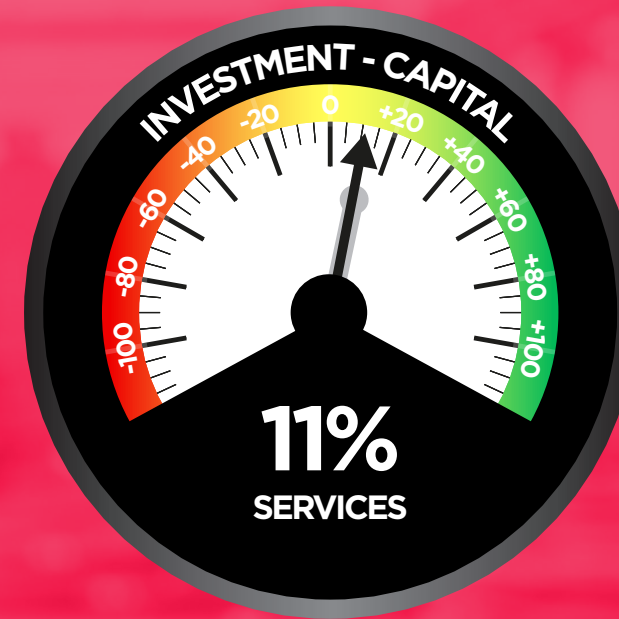
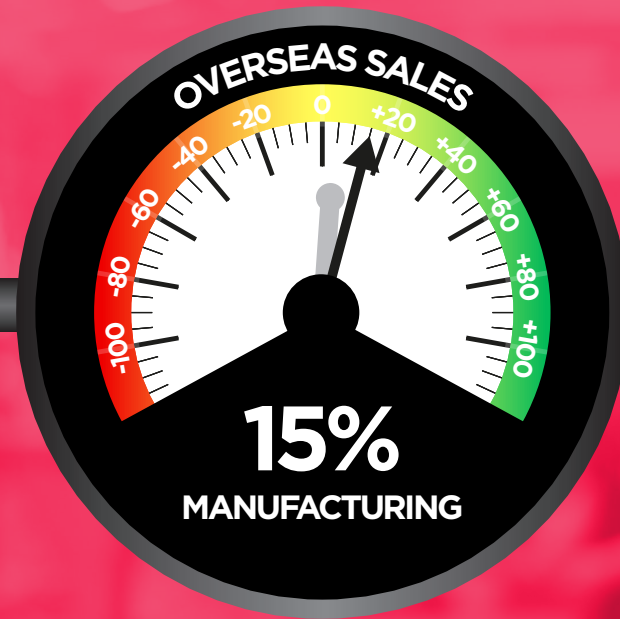
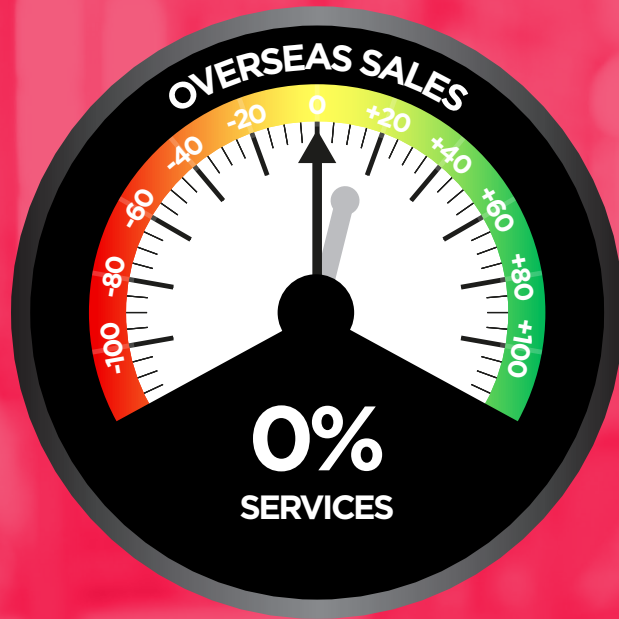
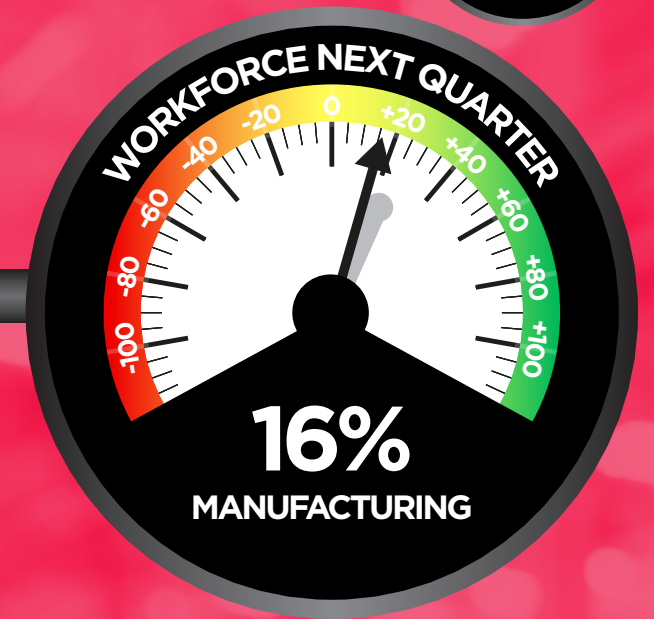
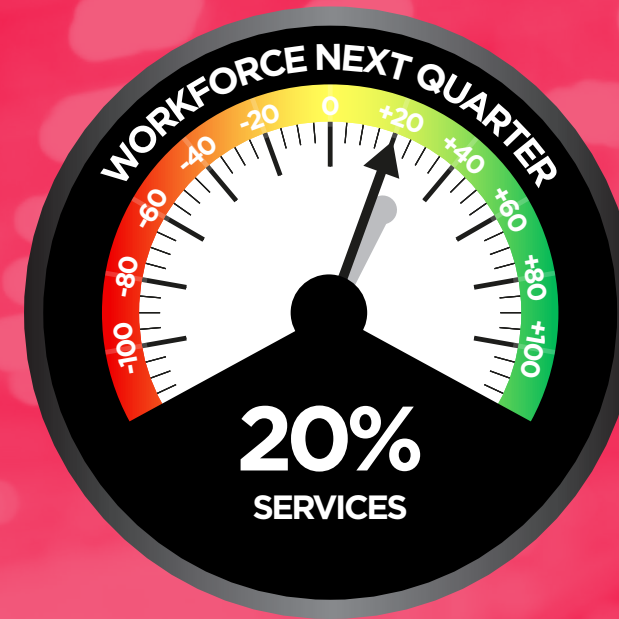
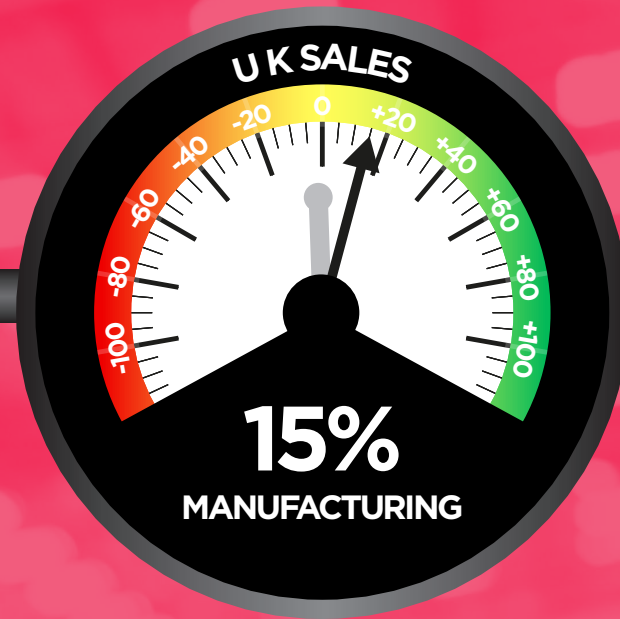
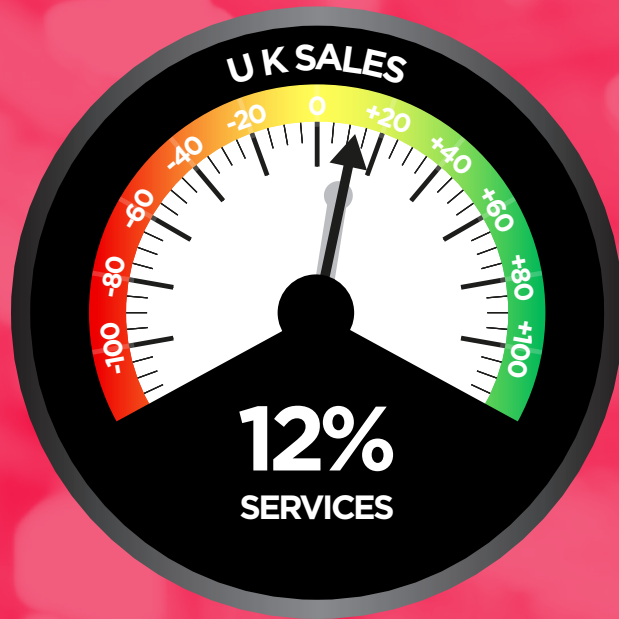
Manufacturing firms are increasing the amount of time they are spending on staff training. However, the appetite for capital investment has waned across both sectors, albeit only marginally for service sector businesses.

BUSINESS CONFIDENCE

The optimism seen at the start of the year has begun to roll back with firms revising down their expectations on revenues. The number of firms expecting to grow their profits flatlined for manufacturing and declined for service sector firms for the first time in six months.

BUSINESS COSTS AND CONCERNS

Inflation and interest rates remain the most pressing external concerns facing businesses while the cost of labour remains the chief price pressure.



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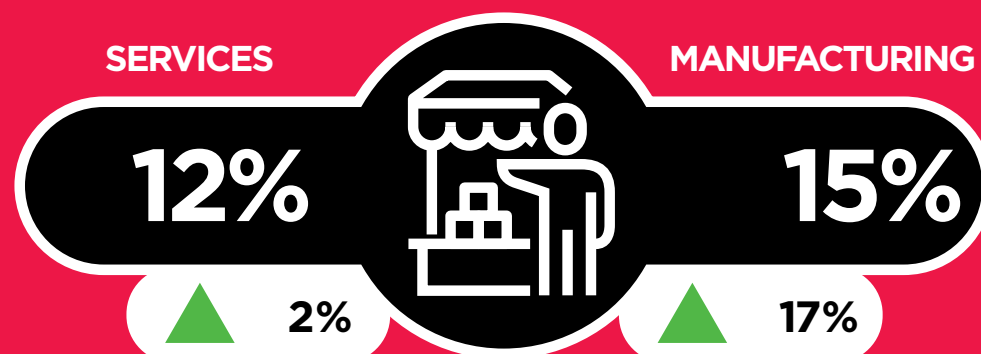
The service sector accounts for around 80% of businesses in West & North Yorkshire and contributes significantly to employment and the economy. The sector has significant clusters including professional and financial services, banking, legal, digital and creative across the region. Retail and tourism also play a leading role in parts of our region. This survey includes results from all sub-sectors.

Manufacturing (including construction, utilities and primary industries) represents approximately 19% of the companies in West & North Yorkshire region. Manufacturing is still a major employer in our region with over 130,000 people employed here. Analysis of sub-sectors shows that the region has above-average representation in more advanced sectors such as chemicals and chemical production, medical technology, electrical equipment and machinery. Survey results include responses from across all major sub-sectors. The sample used in this survey includes a high proportion of manufacturing exporters.

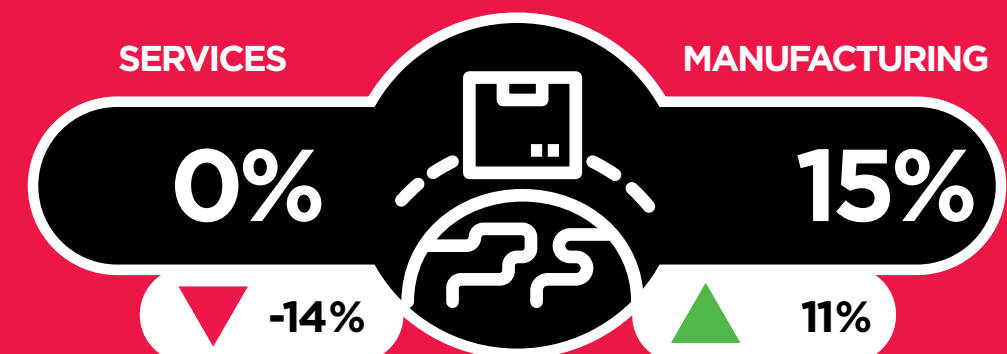
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UK SALES



OVERSEAS SALES

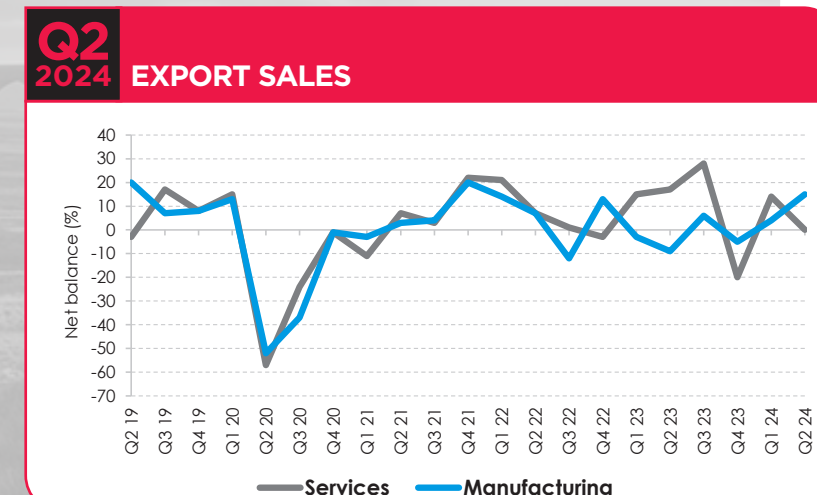
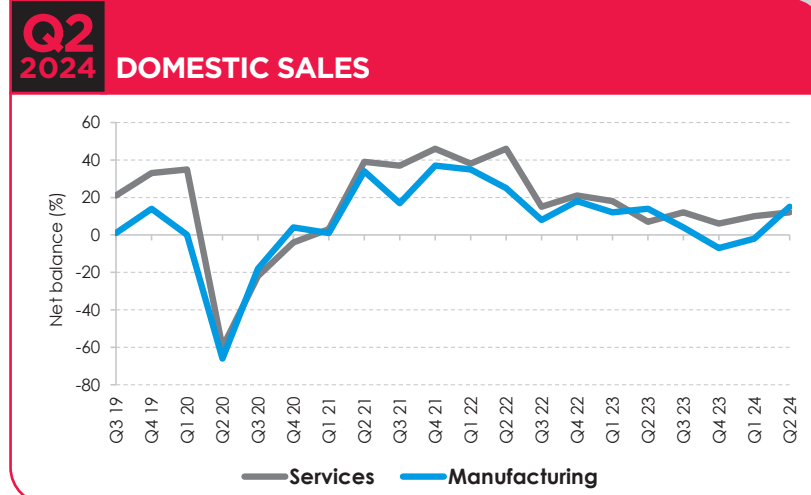


DOMESTIC SALES

Domestic sales for manufacturers are now at the highest level since end of 2022, having risen an impressive 17 points since the quarter one survey. Producers also saw their order books head in the right direction, up by three points.

Service sector firms posted an improving picture too on UK sales, up by two per cent. Order books contracted slightly, having grown for the previous two quarters.

Overall, 42 per cent of manufacturers and 34 per cent of service sector firms improved their sales during the second quarter of this year.

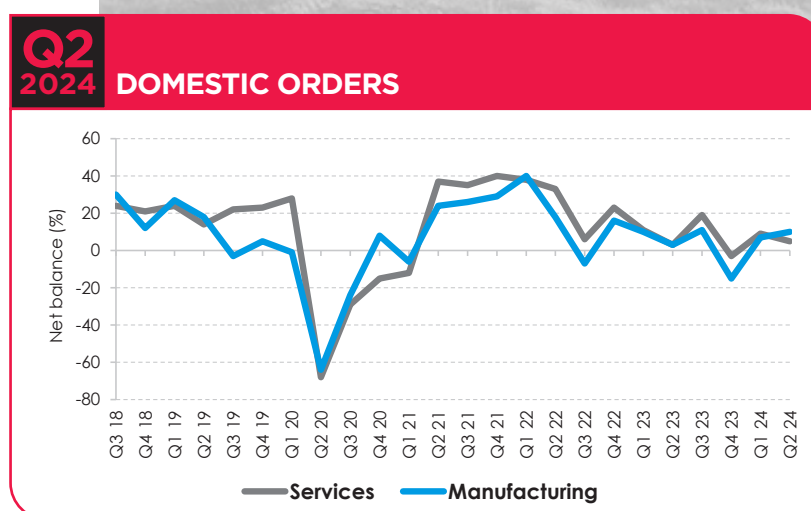


INTERNATIONAL SALES

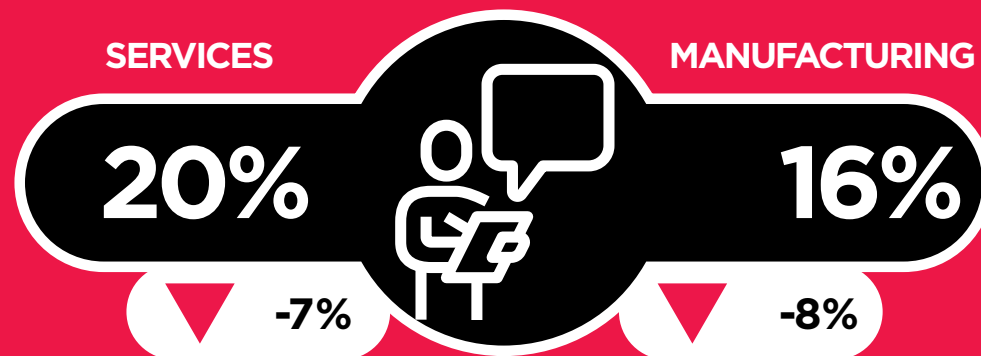
Exports from Yorkshire manufacturers grew by 11 points, the highest rate of growth seen since the last quarter of 2021. Service sector firms, however, saw their sales plunge by 14 points.

Order books for overseas sales did grow for the service sector, up two points – the third successive quarter in which they rose. For manufacturers there was a small decline in orders of just one per cent.

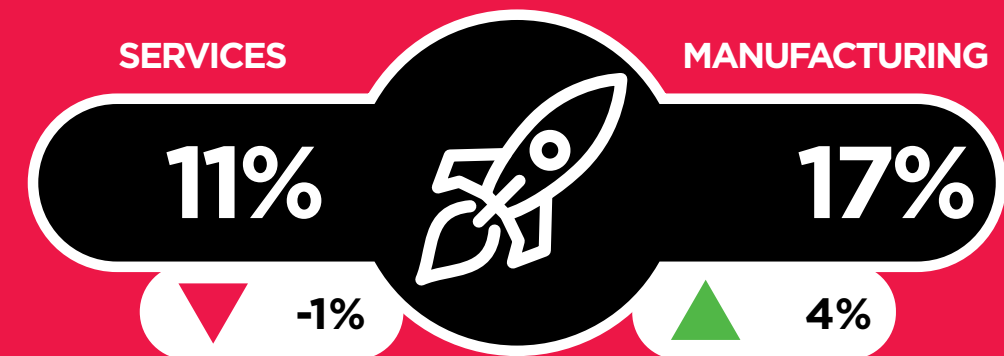
Overall, 28 per cent of firms across both sectors boosted their overseas sales while 29 per cent saw an increase in orders from abroad.



EMPLOYMENT (NEXT QUARTER)



INVESTMENT (CAPITAL)



EMPLOYMENT

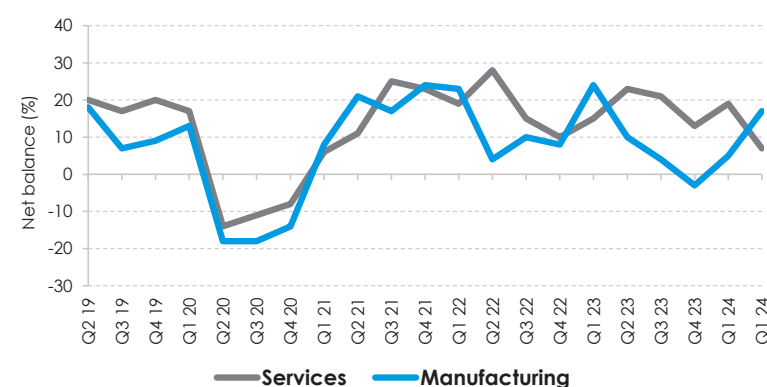
While just over one in four employers in our region are looking to increase their headcount over the next three months, the growth in businesses looking to boost their staff is beginning to slow.

Hiring intent is down seven percentage points for service firms and eight per cent for manufacturers.

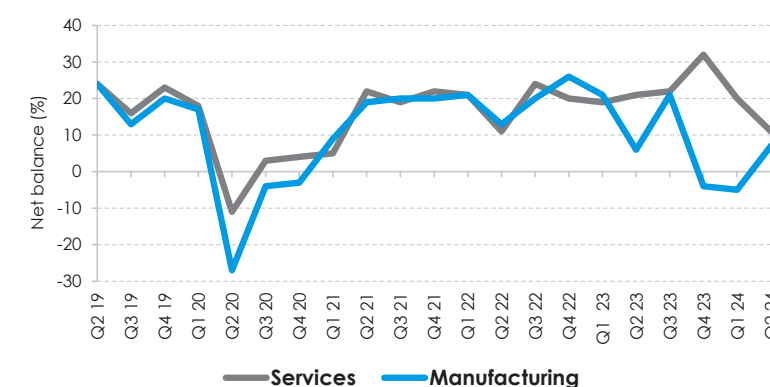
Labour costs remain the chief cost burden for businesses in our region and, as successive QES reports have shown, enthusiasm for taking on more staff oscillates a great deal as firms deal with a turbulent trading environment.

There was some good news in the manufacturing sector where there was a 12 per cent boost in the numbers of employers looking to grow their headcount.

Q2 2024 WORKFORCE CHANGES - LAST QUARTER



Q2 2024 TRAINING INVESTMENT



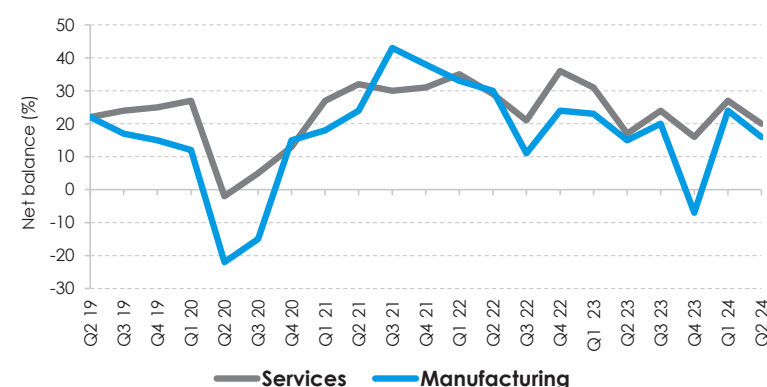
INVESTMENT

Manufacturers saw a healthy 12 per cent increase in the desire to train existing staff members, the highest it has been for nearly a year. However, service sector firms saw a 9 per cent decrease in firms looking to upskill their workforces.

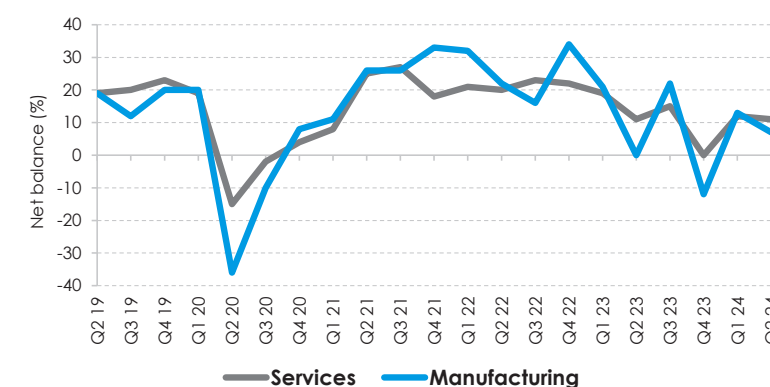
Capital investment fared worse with a six per cent decline in the volume of manufacturing firms looking to buy in new plant or machinery. For service sector firms there was a more modest reduction of one per cent.

In total, 24 per cent of firms across both sectors are looking to make capital investments while 22 per cent have been looking at investing in training their staff.

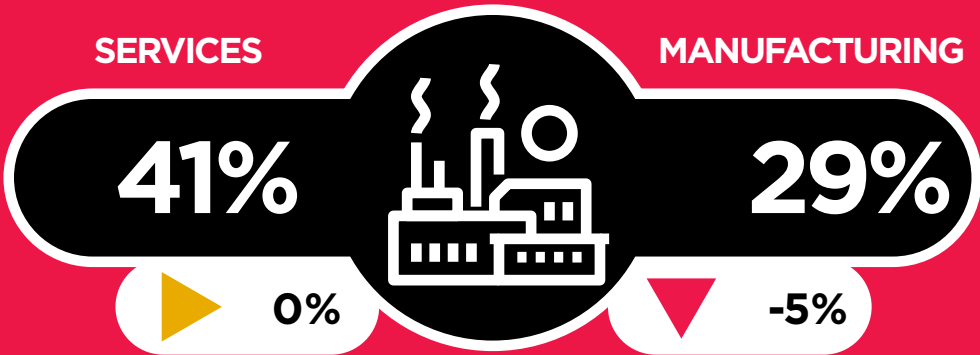
Q2 2024 WORKFORCE CHANGES - NEXT QUARTER



Q2 2024 CAPITAL INVESTMENT



CAPACITY (FULL)



PRICES

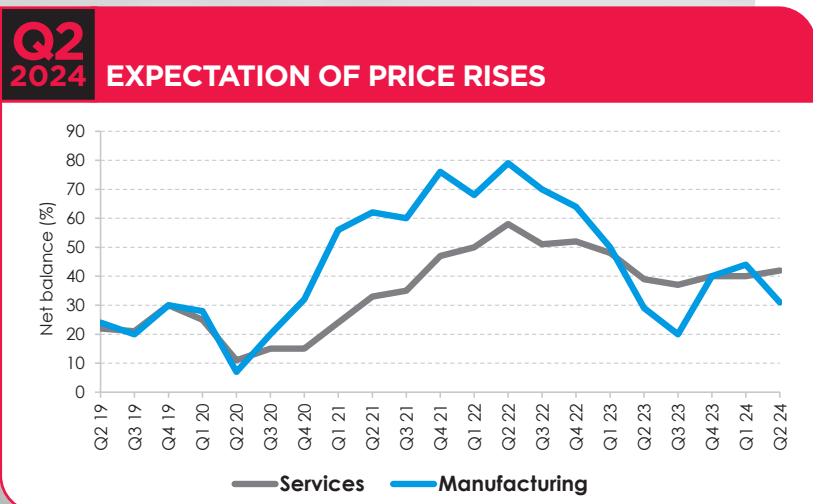
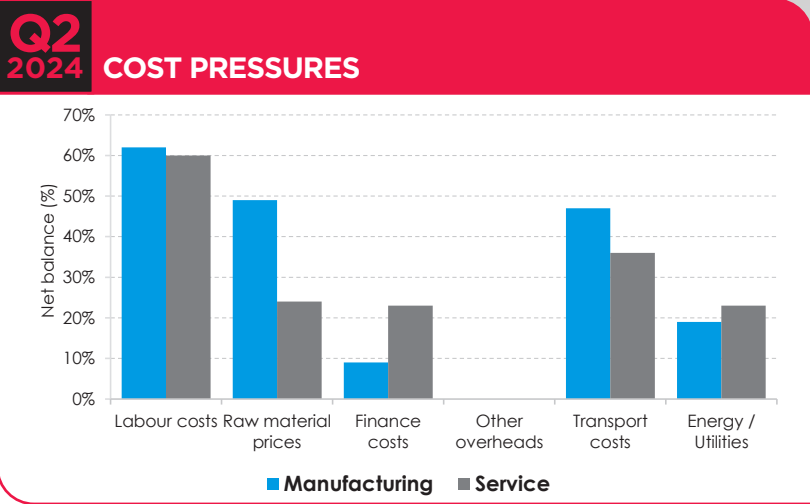


CAPACITY & COST PRESSURES
Despite the headline rate of inflation having declined in recent months from the highs of late 2022, they remain the chief external cost pressure being faced by businesses. It is clear from employers in our region that reductions in the rate of increasing overheads is not something being experienced on the day-to-day basis.

Behind inflation, interest rates and taxation are the next most pressing issues being faced.

When it comes to price pressures, the cost of labour remains the biggest issue. The cost-of-living crisis has led many employers to enact substantial pay increases, something which is proving burdensome, particularly for manufacturers. Elsewhere, the cost of raw materials and transport were cited as inhibitors.

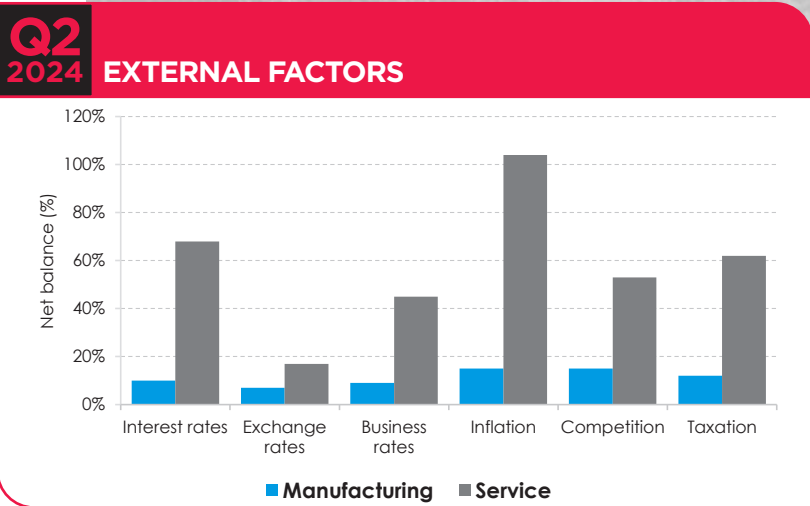
Elsewhere, only 29 per cent of manufacturers reported themselves as being at full capacity, a value that rose to 41 per cent of service sector firms.



PRICES
Inflation, interest rates and taxation are the three headed beast that is presenting the region's business community with the most difficulties.

Just two per cent of service sector firms and six per cent of manufacturers anticipate costs reducing in the coming weeks.

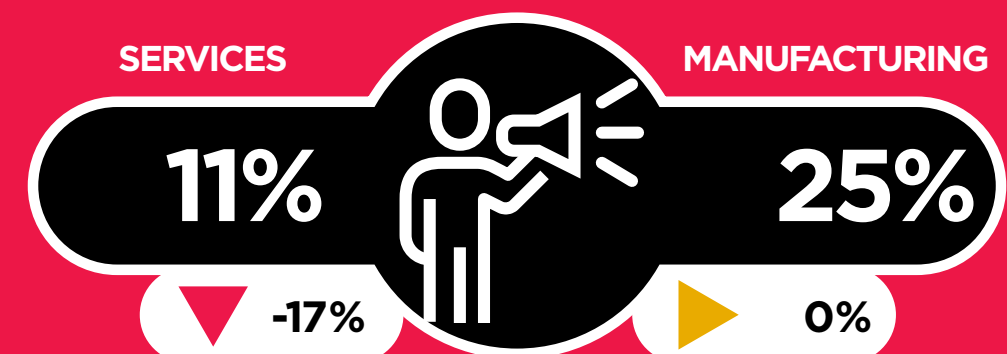
Overall, 42 per cent of businesses across all sectors expect prices to increase and 55 per cent predict they will remain at the same level.



CASHFLOW



CONFIDENCE (PROFITABILITY)



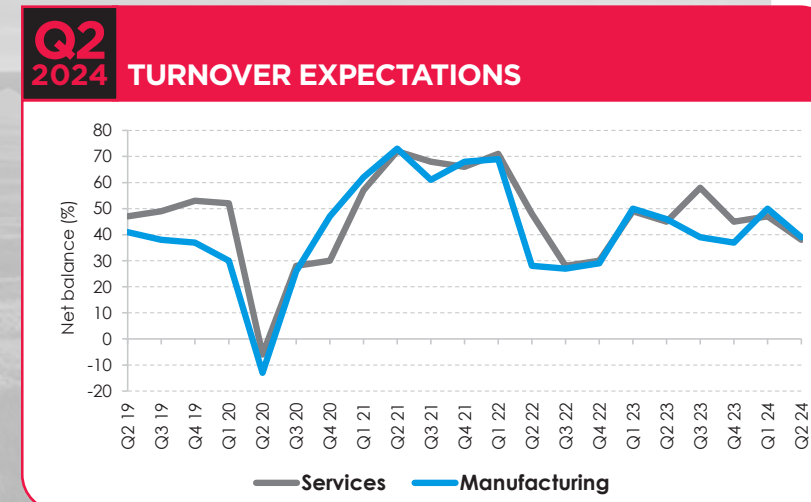
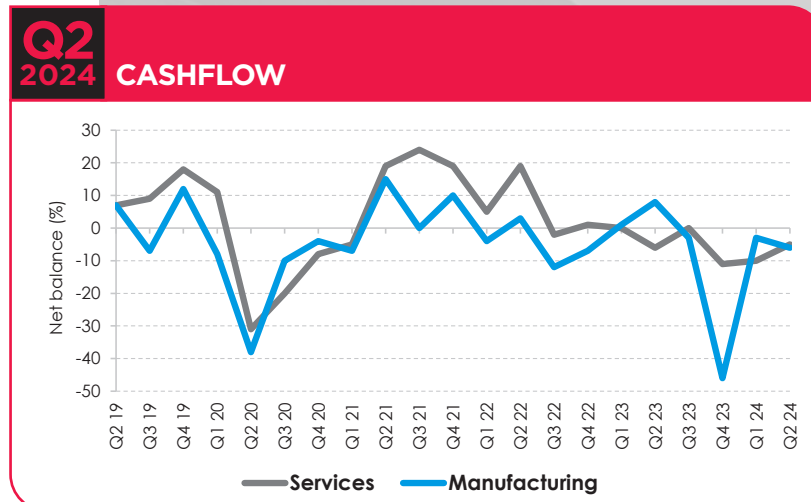
CASHFLOW

Cashflow remains a stubborn problem for businesses across all sectors, with 26 per cent of service firms and 31 per cent of manufacturers reporting decreases.

Cashflow has now been in negative territory for both sectors for three consecutive quarters.

INDUSTRY VOICE:

"Enquiries have been slower, really hard to get people onto my courses particularly individuals paying as opposed to organisations."

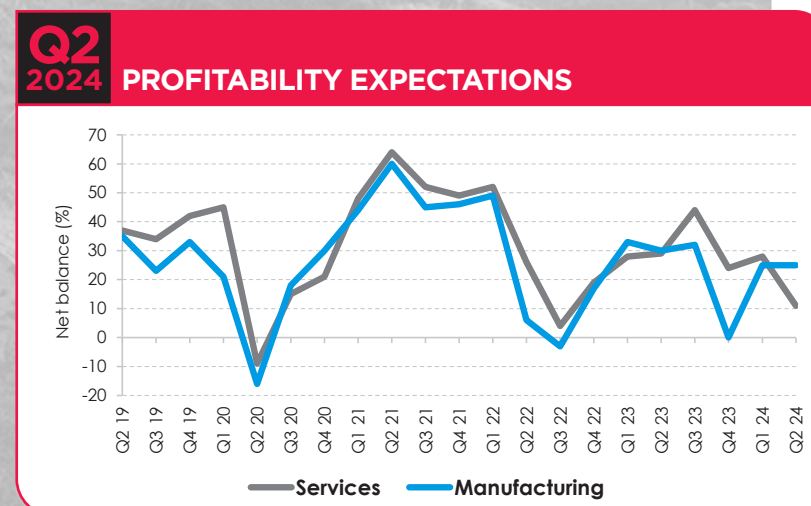


BUSINESS CONFIDENCE

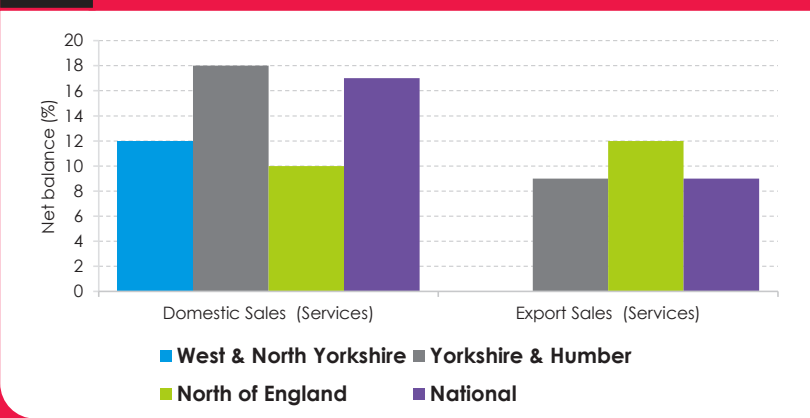
After an optimistic six months, expectations on growing profits is either flatlining or decreasing, the numbers this quarter tell us. Service sector firms predicting an increase in profits in the coming three months fell by 17 points while the level of manufacturing businesses expecting higher profits remained on level pegging with Q1 of the year.

Expectations on turnover also went into reverse for both sectors.

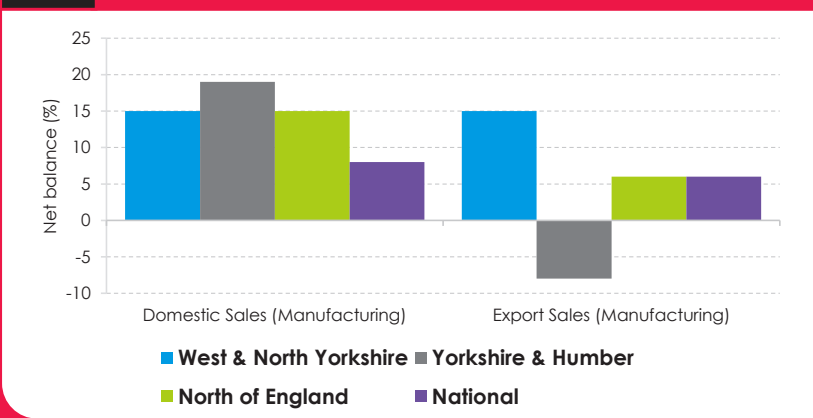
Still, overall, 41 per cent of firms expect to improve profitability in the coming weeks, while 28 per cent expect to see them decrease.



Q2 2024 REGIONAL COMPARISON - SERVICES



Q2 2024 REGIONAL COMPARISON - MANUFACTURING



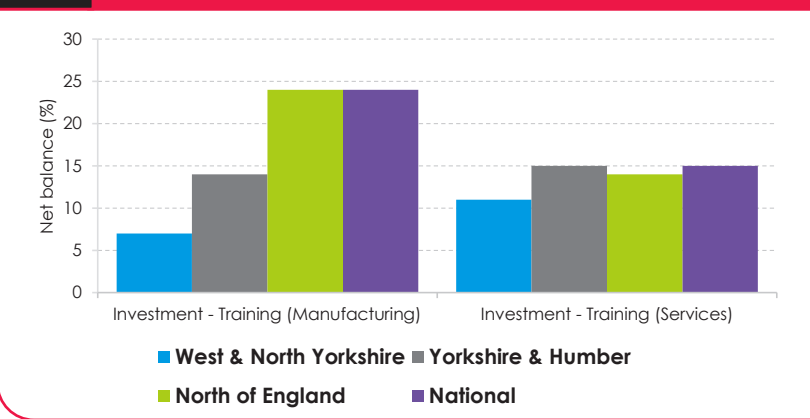
NATIONAL AND REGIONAL COMPARISONS

Disappointingly, our region is lagging behind on several key fronts, most notably on confidence around profitability, where we are showing weaker levels of optimism than either the rest of the north of England or the nation as a whole.

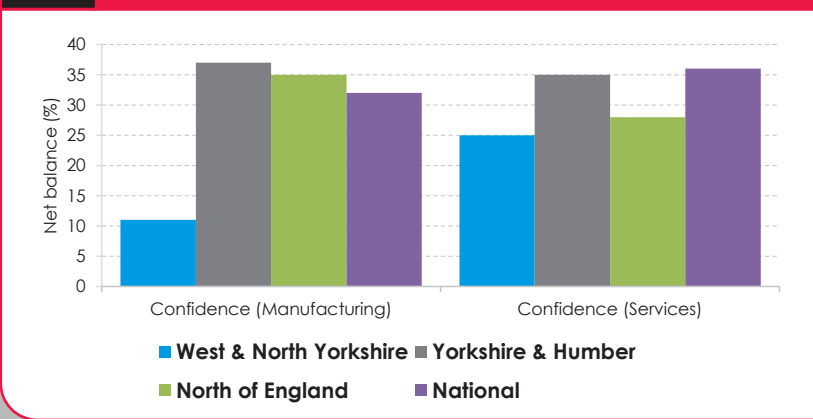
Manufacturers in the region can be proud of their performance in Q2 which has outstripped the rest of Britain in the export market.

Cashflow remains a serious concern for businesses in our region.

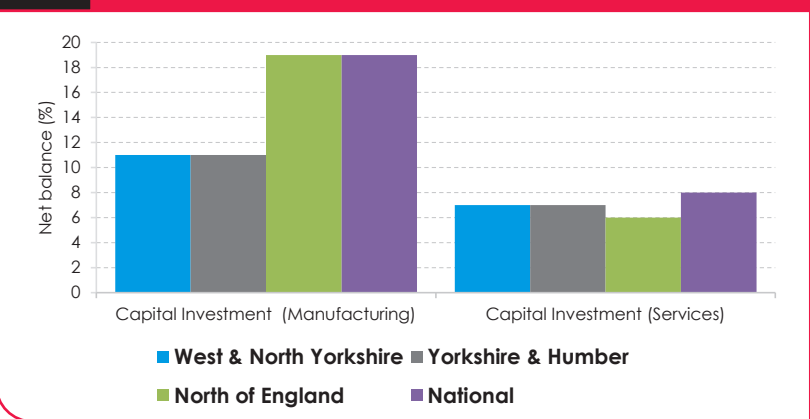
Q2 2024 REGIONAL INVESTMENT TRAINING



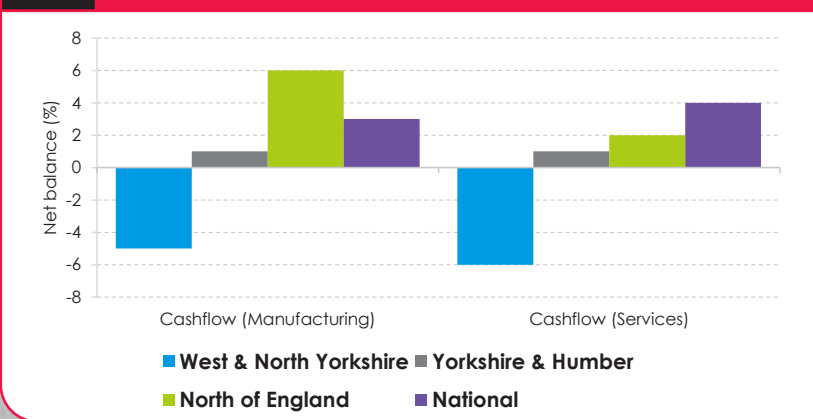
Q2 2024 REGIONAL BUSINESS CONFIDENCE - PROFITS



Q2 2024 REGIONAL INVESTMENT CAPITAL



Q2 2024 REGIONAL CASHFLOW





David Bharier
Head of Research
British Chambers of Commerce

“The new Government should capitalise on the confidence momentum and focus on addressing skills shortages, trade barriers, and unlocking the potential of AI and green innovation.”

BUSINESS CONFIDENCE SLIGHTLY IMPROVED, ALBEIT FROM A VERY LOW BASE

- 38% of firms (compared with 36% in Q1) said they had seen an increase in domestic sales over the previous three months, while 43% reported no change, and 20% a decrease.
- After a static picture in Q1, business confidence has increased slightly in Q2. 58% of firms say they are expecting an increase in turnover over the next year compared with 56% in Q1. 29% expect no change and only 13% expect a decrease.
- With inflation easing to target – the data also reveals that fewer firms (39% compared to 46% in Q1) expect to hike their own prices in the coming months.

The survey, which was conducted between 13th May and 10th June, of nearly 5,000 firms across the UK (91% of whom are SMEs - fewer than 250 employees) - also reveals that despite improved trading conditions most firms are still not increasing investment.

IMPROVEMENT IN OVERALL BUSINESS CONDITIONS

The percentage of respondents reporting increased domestic sales rose to 38%, compared with 36% in Q1. 43% of firms said sales had remained constant and 20% reported a decrease.

There were some sectoral differences - 37% of manufacturers and 40% of business-to-business service companies (such as legal and finance) reporting a boost in sales. By contrast, only 33% business to consumer firms (such as hospitality and retail) saw an increase.

There has been an uptick in firms experiencing an increase in cash flow, rising to 28% compared with 26% in Q1. 47% report no change in cash flow, while 24% report a decrease.

BUSINESS CONFIDENCE HAS INCREASED

58% of firms expect to see their turnover increase over the next 12 months – an increase from 56% in Q1. 29% expect no change and only 13% expect to see turnover decline.

Profitability confidence has also increased, with 51% of companies expecting profits to increase in the next year. That compares to 48% in Q1. 32% expect no change and 17% of respondents believe their profits will fall.

FEWER FIRMS EXPECTING TO INCREASE PRICES

As inflation continues to ease, fewer firms are now expecting to put up their prices. 39% of respondents say they are expecting to raise the cost of their goods or services in the next three months, compared with 46% in Q1. 59% think their prices will stay the same, and just 2% are expecting a decrease.

Labour costs continue to be cited as the main cost pressure across all businesses. 67% of responding firms say they are under pressure to raise prices because of this (68% in Q1). Some sectors are feeling this pressure more than others, with 77% of hospitality firms and 76% of construction or engineering firms citing it as a key driver.

CONCERN ABOUT EXTERNAL FACTORS CONTINUES TO DECLINE

While inflation remains the biggest external worry among businesses, the level of concern has fallen significantly. Around half (49%) of firms say they are more concerned about inflation than in the last quarter (58% in Q1). That's returning to levels of concern last seen in 2021 and significantly below the 84% reported in Q2 2022, at the peak of the inflation crisis.

39% of respondents say they are concerned about competition, and 36% tax. With an interest rate cut likely in the coming months – the percentage of firms raising the cost of borrowing as an issue remains at roughly the same level - 34% in Q2 compared with 35% in Q1.

MOST FIRMS STILL NOT INCREASING INVESTMENT

Despite the boost in business confidence and conditions, investment levels continue to struggle. Most firms say they haven't increased the amount of new plant, machinery and equipment they've bought or rented. Only 25%

reported an increase in investment, compared with 24% in Q1. 61% said levels had remained the same, 14% reported a decrease.

There are large sectoral disparities in investment levels. 42% of transport and logistics firms say they have increased investment levels, while the figure for retail companies was just 19%.

David Bharier, Head of Research at the British Chambers of Commerce said: “The latest results from our QES show that both business conditions and business confidence have improved, albeit from a relatively low base. The last four years have seen SMEs deal with one crisis after the other, from Covid lockdowns to supply chain breakdowns and new trade barriers with the EU. As some of these crises have ebbed, more SMEs are regaining confidence and reporting increased sales and cash flow.

“The data also show that concern about inflation among businesses has dropped to levels last seen in 2021 as fewer firms expect to raise prices. A Bank rate cut later this year will help bring down borrowing costs.

“However, investment levels remain a long-term concern and significant sectoral divergences remain, as sectors such as hospitality and retail continue to report far tougher trading conditions.

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