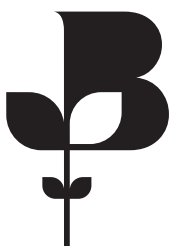




3

2024

# QUARTERLY ECONOMIC REPORT



West & North  
Yorkshire Chamber  
of Commerce

IN PARTNERSHIP WITH



Working in  
partnership  
with the





**Amanda Beresford**  
Chair

West & North Yorkshire Chamber of Commerce

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It is pleasing news to see so many businesses in our region so confident about increased profitability in coming weeks.

There is also increasing signs of confidence elsewhere, with a significant number of firms seeking to invest, particularly in capital projects.

Taking these two developments together, we could be forgiven for thinking that happier times may genuinely lie ahead.

However, while we are an optimistic people in Yorkshire, we also know that there can be no shying away from the challenges we face.

As you can see in this latest QES, concerns remain on tax, inflation and interest rates.

With a new Government installed with a healthy majority and a manifesto commitment to growth, addressing these challenges must be top of their priority list for the short and medium term.

As a Chamber we will continue to ask the right questions and receive the answers we need, putting our members' interests at the heart of everything we do and championing our economy.

Let us hope the optimism contained in this report remains consistent in months ahead and that we finally as a country get back to growth.



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

Business owners and employers know better than anybody that there is never a time when trading conditions are perfect, and this latest Quarterly Economic Survey manifests this fact clearly. Let me start with the positives. Businesses are optimistic on profits, with confidence about increased revenues at a level not seen for 12 months.

Service sector firms posted an 11-point increase in expectations on higher profits for the next three months while manufacturers also rose, this time by six points. This is hugely encouraging news and one that will gladden employers of all sizes. Similarly, appetite for investment is, in the main, moving in the right direction, particularly when it comes to capital investment. Our manufacturing sector reported a 25-point increase in investment plans while service firms also rose by 14 points.

However, with the good news, there are some areas for concern. Sales, both domestic and abroad, remain on shaky ground. While service sector firms increased their exports by an impressive 15 per cent during Q3, sales as a whole declined during the period, with order books not furnishing us with too much to get excited about.

On job creation, there was once again a mixed bag. Manufacturers are more bullish, having posted a 12-point increase in hiring rates. However, the service sector fell back by 12 points and neither sector seems optimistic about job creation over the next three months. And then there is the small matter of external pressures. Labour costs remain

the top concern for businesses, with energy costs still impacting manufacturers negatively.

The three principal matters squeezing businesses in our region are taxation, interest rates and inflation. The fieldwork was carried out when both the headline rate of interest had fallen to target levels and the Bank of England's Monetary Policy Committee cut interest rates for the first time since the pandemic, having been steadily raising them since the start of 2022. However, much as with consumers, these reductions are yet to filter through to day-to-day reality for many businesses.

As I often do, I took the opportunity to ask a couple of supplementary questions in this latest QES, this time about working from home. Overall, 22 per cent of businesses allowed unlimited working from home, just under half allowed it on a limited basis and 28 per cent did not allow it full stop.

When asked what impact this was having on their business, around 33 per cent of business reported a either positive or very positive impacts while just under 20 per cent reported negative or very negative impacts, a significant number of businesses. With many major employers, such as Amazon, beginning to row back on remote working, it will be interesting to see how the rest of the market behaves going forward.

All eyes on our Q4 report to see if the optimism on profitability proves to come to fruition.



**Shevaun Haviland**  
Director General  
British Chambers of Commerce

Our survey is a timely reminder of the real challenges businesses across our Chamber network are facing.

With speculation rife about the tax impact of this month's crucial Budget, businesses are clearly anxious. They understand the fiscal backdrop the Chancellor is facing and the need for the Government to address public finances. However, that must not be at the expense of investment and growth.

While most firms are still expecting increased turnover over the next 12 months, confidence has dipped slightly. Sales and cashflow are also being hit, with the impact on manufacturers particularly concerning.

Our message to Government is clear. Business stands ready to work in partnership to overcome challenges and help grow the economy. But an effective industrial strategy and a competitive tax landscape are essential to getting Britain booming again.



### METHODOLOGY

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

Of those businesses surveyed 46 per cent were micro, 29 per cent were small, 16 per cent were medium and 9 per cent were large. Businesses were surveyed by telephone, physical and online questionnaires and by social media polling between Monday August 19 until Friday September 13, 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

<b>0 – 9 employees</b>	<b>Micro business</b>
<b>10 – 49 employees</b>	<b>Small business</b>
<b>50 – 249 employees</b>	<b>Medium business</b>
<b>250+ employees</b>	<b>Large business</b>

### DOMESTIC SALES

After a strong second quarter, progress on domestic sales stalled during quarter three. Service sector sales remained at the same level as Q2 while manufacturing sales in the UK went into reverse, down three points.

### EXPORT SALES

Manufacturers and service sector firms witnessed contrasting fortunes when it came to export sales during Q3. Service sector sales saw their overseas market shoot up by 15 points, back to similar levels seen at the start of the year. Meanwhile, manufacturers saw an 11 per cent decline in sales abroad.

### EMPLOYMENT

Again, the service and manufacturing sectors saw differing levels of success when it came to job creation during the last three months. Manufacturers posted a 12-point increase in hiring rates, while the service sector fell back by 12 points. Going forward, neither sector seems optimistic about job creation over the next three months.

### INVESTMENT

Huge improvements have been posted in the appetite for capital investment in our region. Manufacturers reported an impressive 25-point increase in investment plans while service firms also rose by a respectable 14 points. Training investment, however, did not go as well with manufacturers, down 15 points.

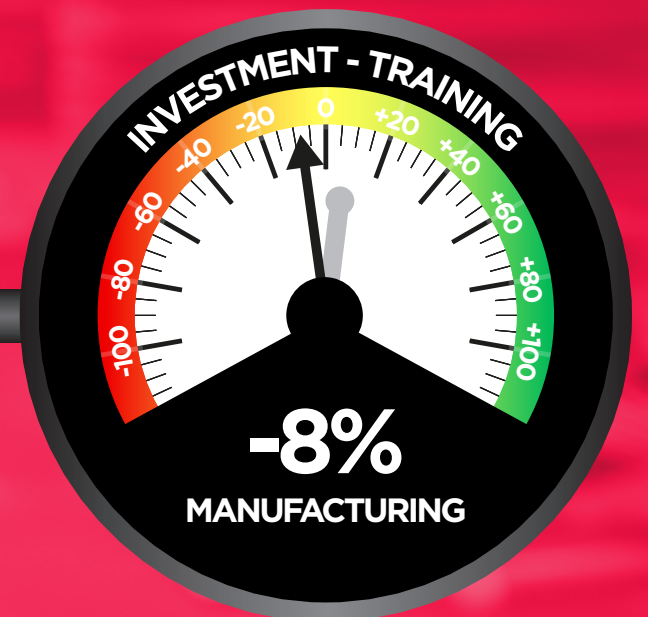
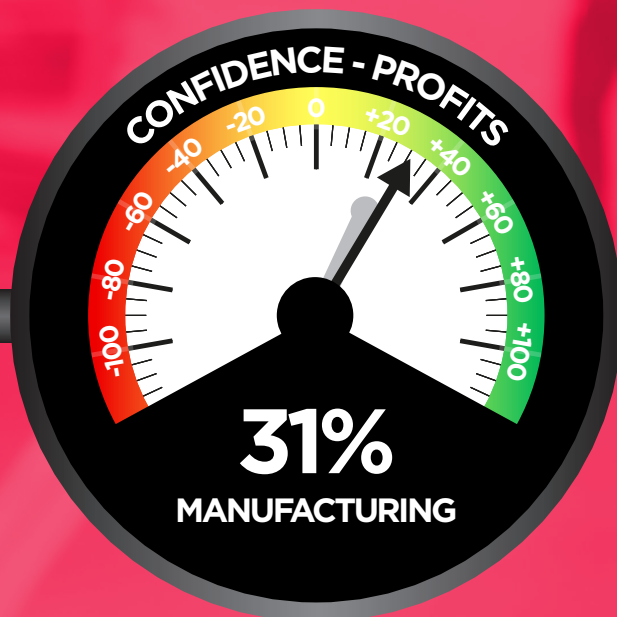
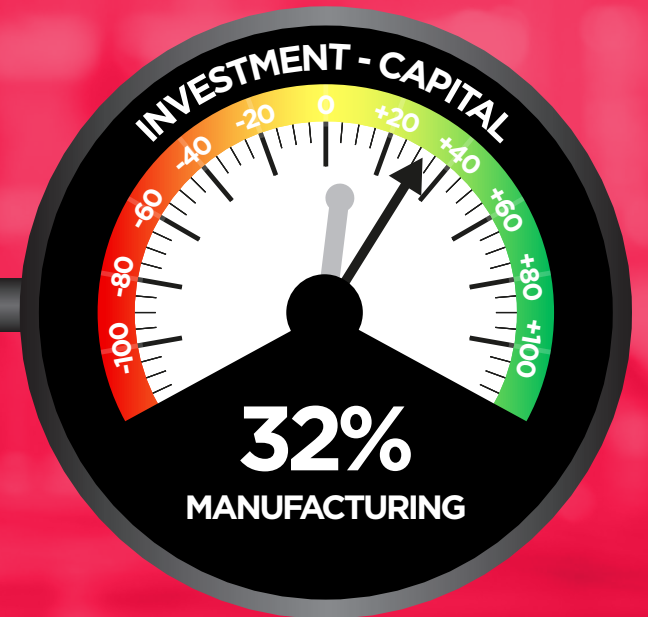
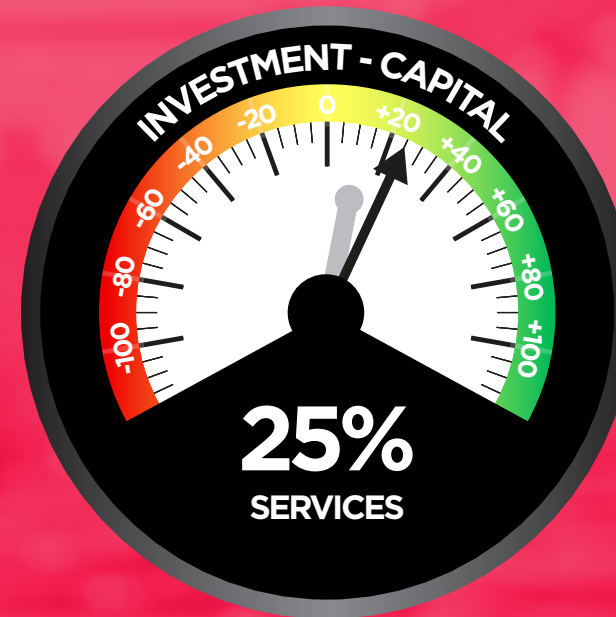
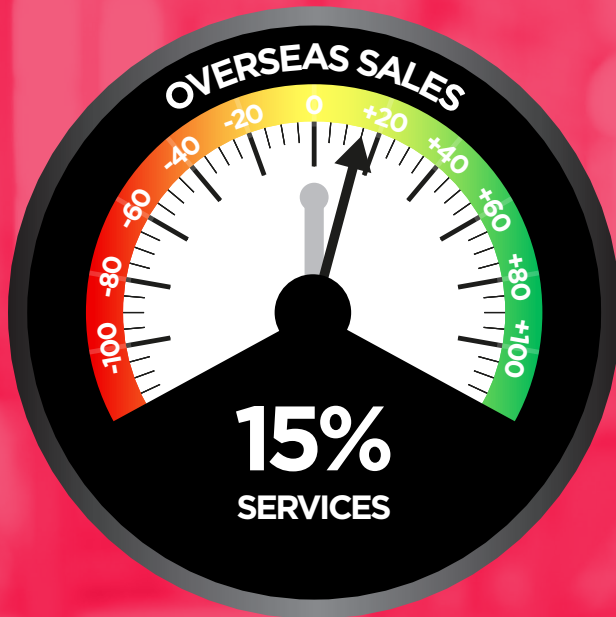
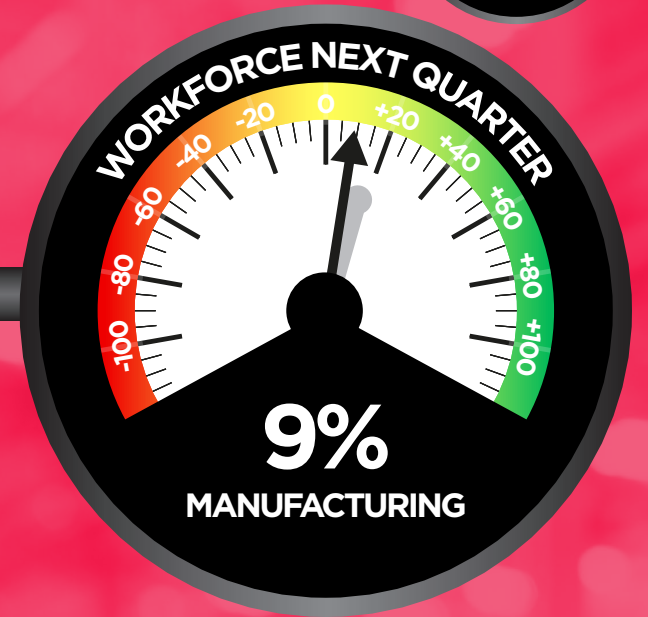
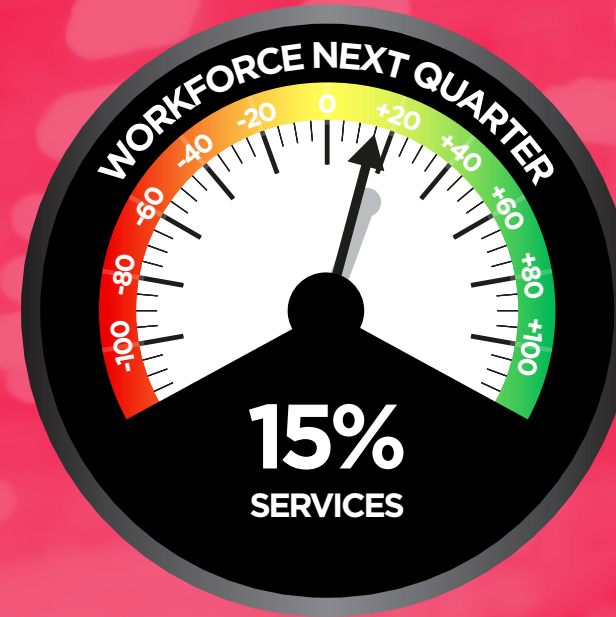
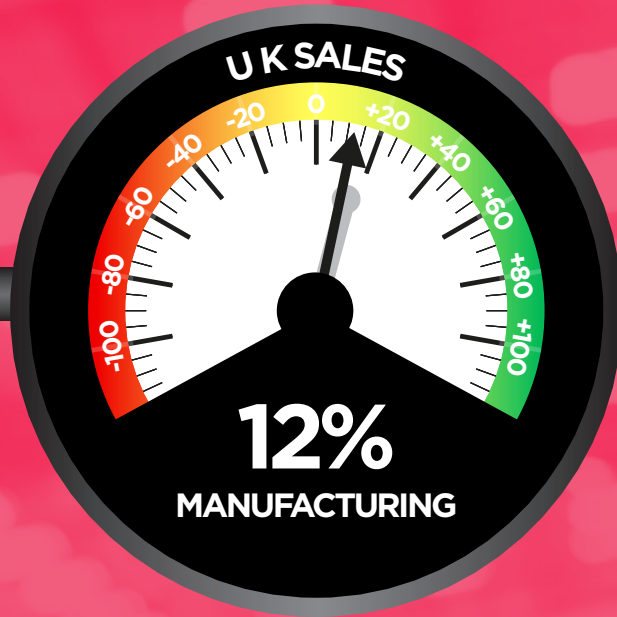
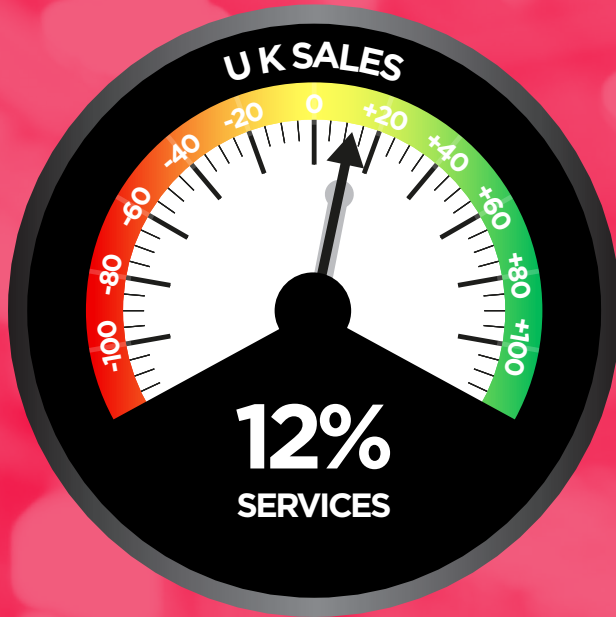
### BUSINESS CONFIDENCE

After a shaky quarter two, optimism among our region's businesses has soared, with significant increases in the level of firms expecting enhanced profitability in the next three months. Service sector firms posted an 11-point increase in expectations on higher profits while manufacturers also rose, this time by six points.

### BUSINESS COSTS AND CONCERNS

The cost of pay settlements remains the top concern for businesses of all sectors, with energy costs still impacting manufacturers negatively. The three main external pressures remain taxes, interest rates and inflation, with falls in the latter two clearly not filtering through to business's day-to-day reality.







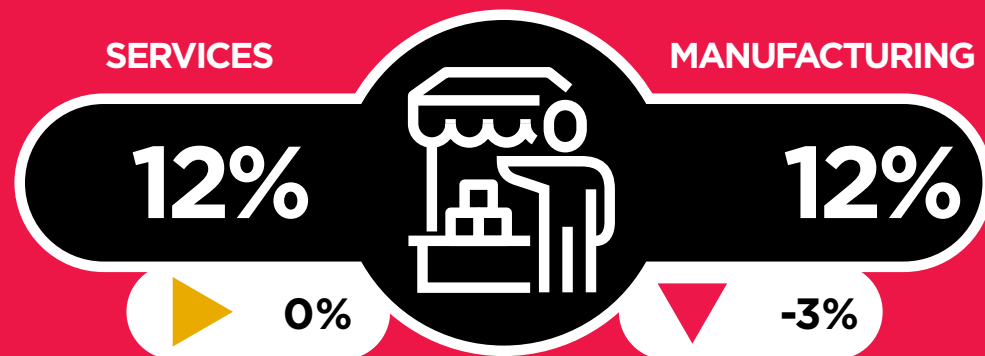
# Q

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.



UK SALES



OVERSEAS SALES

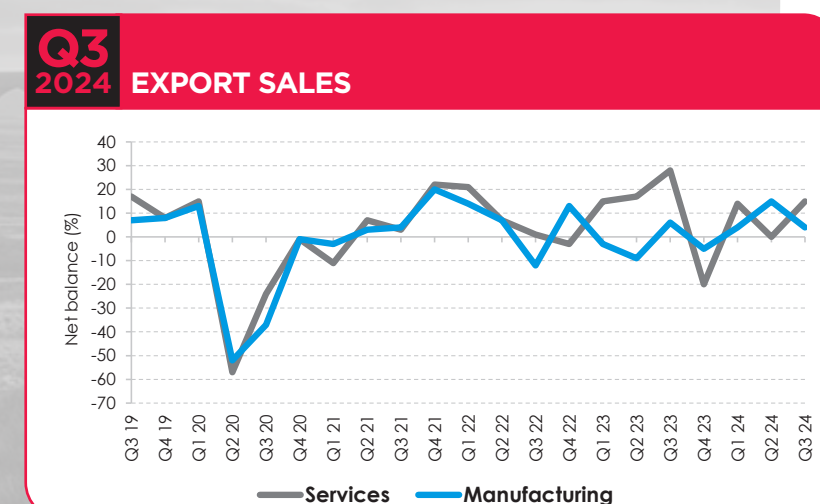
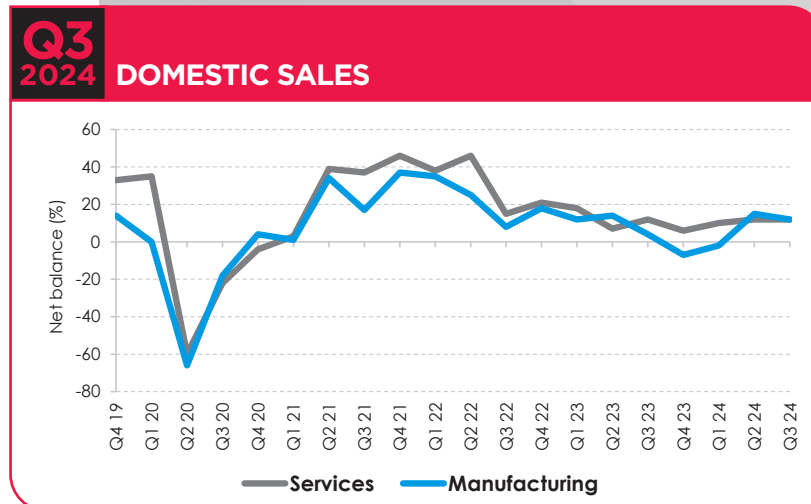


DOMESTIC SALES

A slightly disappointing set of results on domestic sales for Q3 after a strong second quarter performance. Progress on domestic sales stalled during quarter three for service sector sales who remained at the same level as in Q2.

Manufacturing sales in the UK, however, went into reverse, down by three points. They do remain at a far higher level than has been seen for much of the last 12 months.

Orderbooks do not look particularly promising either, with service sector firms up by one point and manufacturers down by 10 points on the Q2 performance.

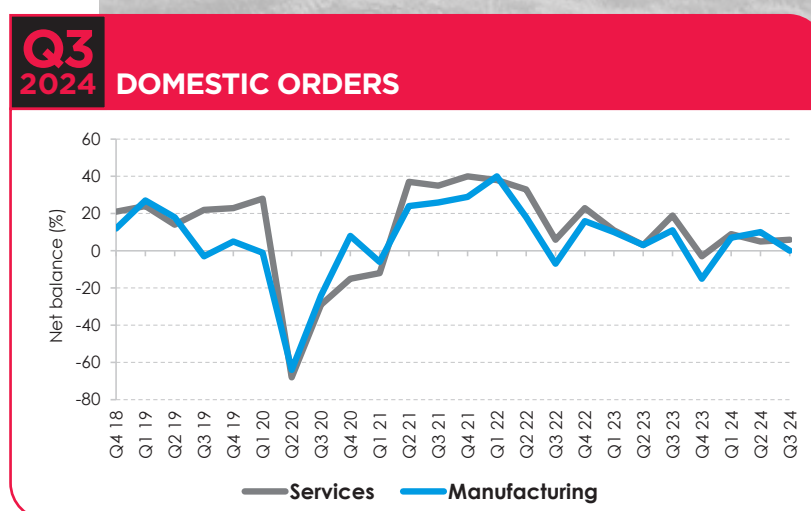


INTERNATIONAL SALES

Service sector firms saw their overseas sales soar by 15 points to their highest level in 12 months.

Sadly, the performance amid the manufacturing sector was not quite as impressive, with sales down by 11 points. Results from our QES reports over the last two years have shown an erratic set of results for manufacturers who export, perhaps reflective of the significant changes in which international trade has changed considering Brexit and conflicts across the globe.

Order books for overseas business did not look good across either sector, with manufacturing businesses in particular reporting a gloomy outlook.

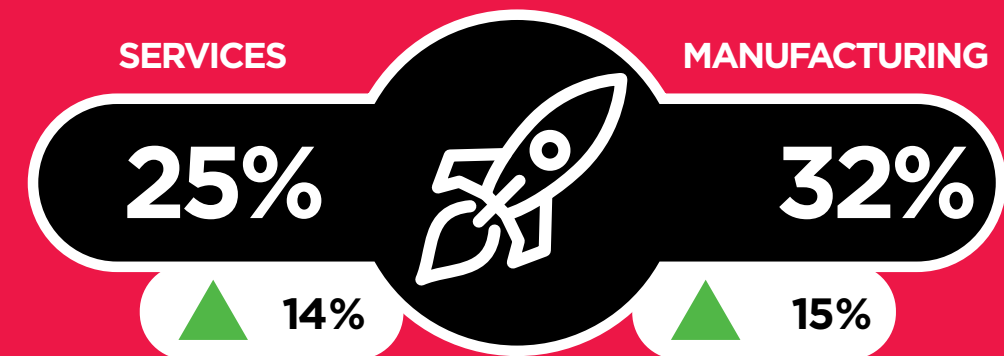




EMPLOYMENT (NEXT QUARTER)



INVESTMENT (CAPITAL)



EMPLOYMENT

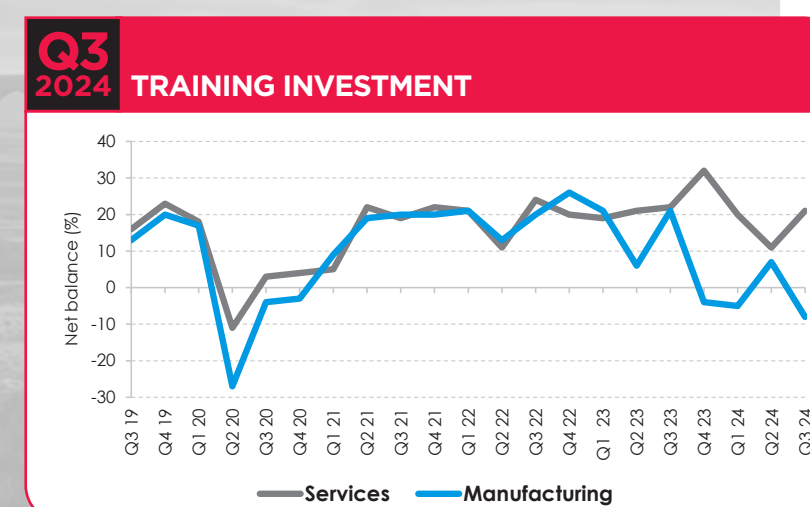
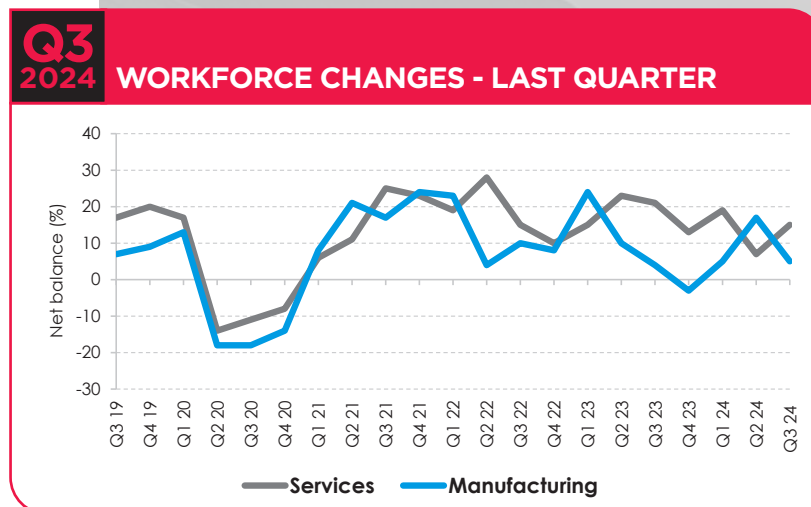
Another area in which prospects do not look too promising, with both service and manufacturing firms seeing declines in intent when it comes to hiring, down by seven and eight points respectively.

This follows a steady rise over the course of 2024 and perhaps reflects the employment market correcting itself. It may also be reflective of the substantial increase in capital investment seen across both sectors.

Hiring over the course of the preceding quarter however yielded very good news for manufacturers who posted an impressive 12-point increase.

INDUSTRY VOICE:

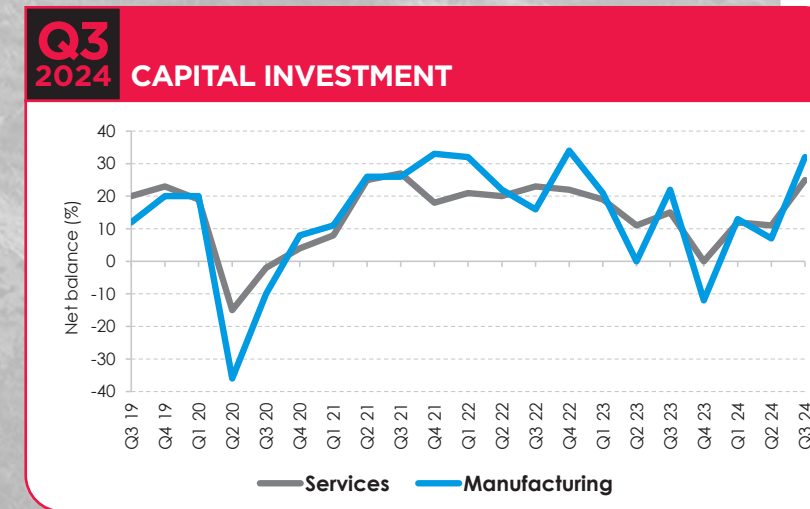
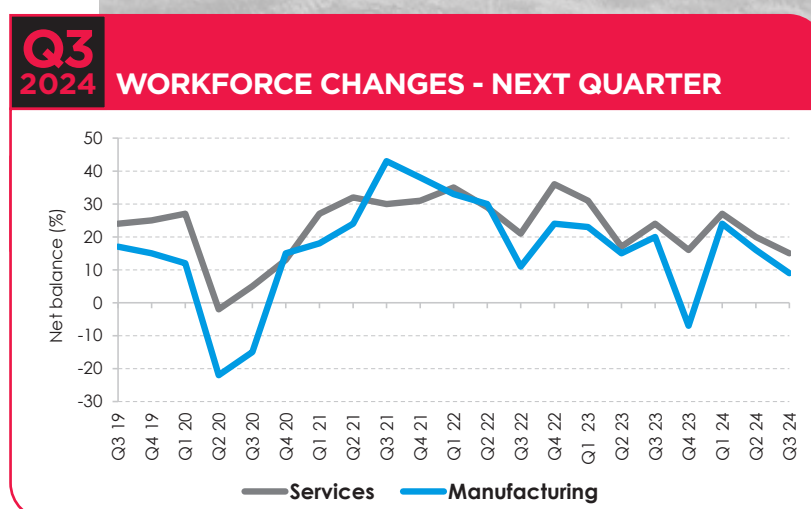
*“Recruitment is our major worry. Young people are not showing interest in entering our industry. We feel employment law is hampering recruitment.”*



INVESTMENT

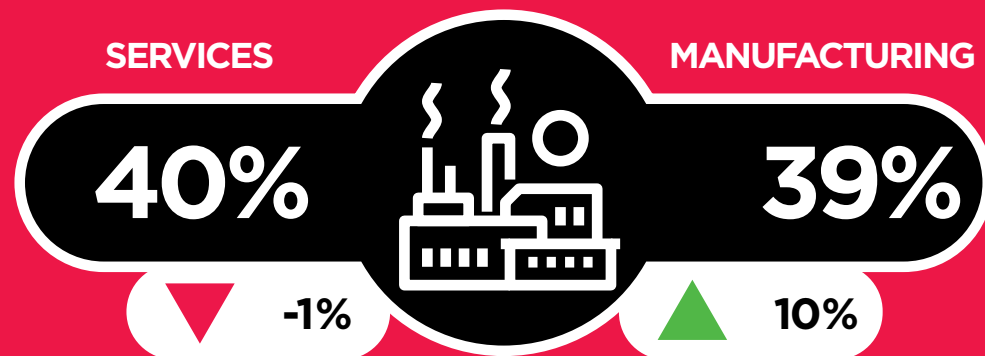
Appetite for capital investment soared during Q3 of 2024, with service sector firms showing a 14-point increase in plans for spending and manufacturers showing a 15-point increase. With inflation and interest rates beginning to decline, perhaps these figures show that pent up demand for new kit is now being realised.

The service sector also invested heavily in training for its personnel during Q3, up by 10 points on Q2. Manufacturers, however, were less inclined to spend on training, having posted a 15-point decrease.





CAPACITY (FULL)



PRICES



CAPACITY & COST PRESSURES

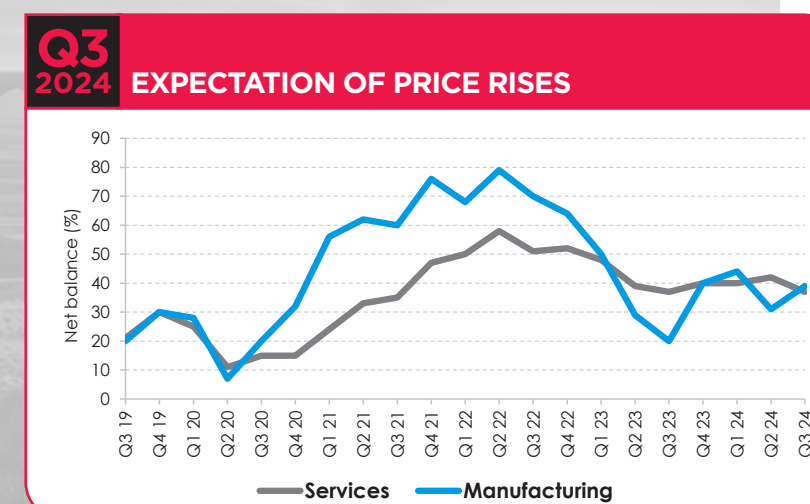
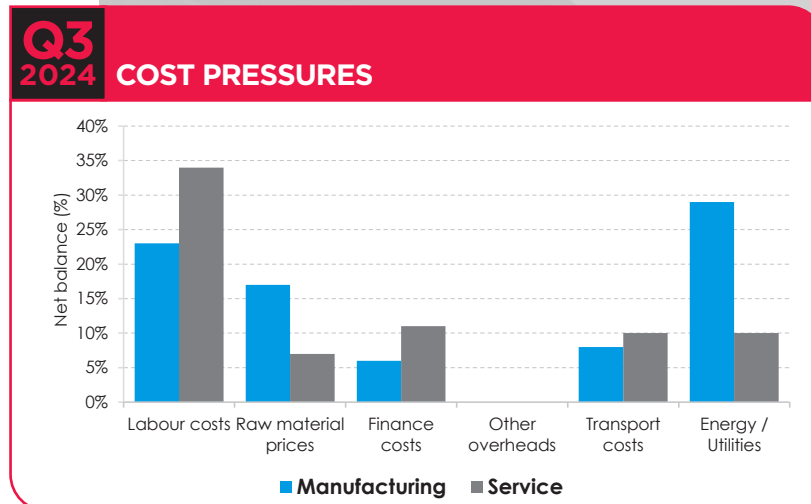
The same issues that have faced businesses for the last 12 months continue to cause problems. Pay settlements remain the top concern for businesses of all sectors, while the cost of energy still impacted manufacturers.

The top three external pressures on business are taxation, interest rates and inflation. While interest rates are finally beginning to decline and inflation is now close to target, it is clear these developments are not making much difference to the day-to-day reality of running a business.

Whether your business is involved in manufacturing or service provision, there are still more firms below capacity than at full capacity.

INDUSTRY VOICE:

*“Fear with new government that corporation tax will remain high or even increase. Energy prices to rise again, with companies paying significantly more than domestic users.”*

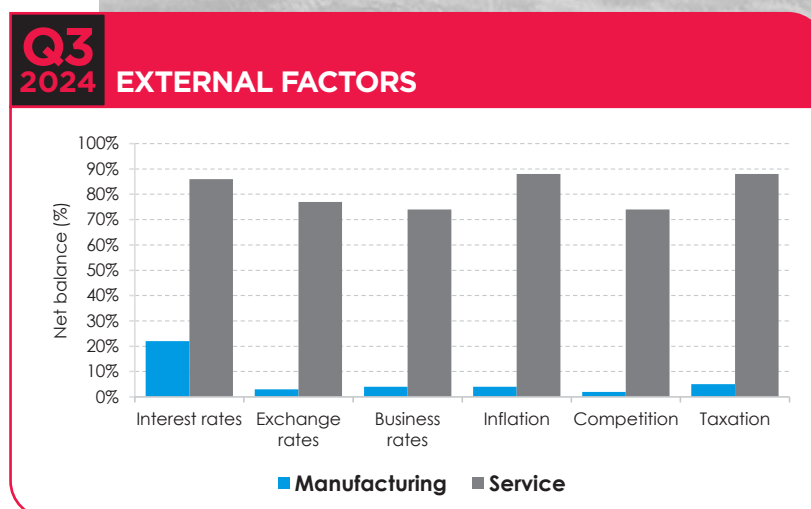


PRICES

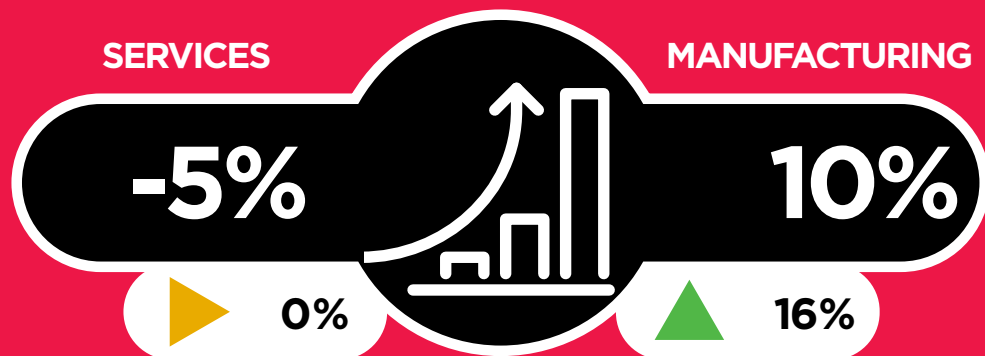
When it comes prices over the next three months, the majority of firms across both sectors expect to see no change.

The manufacturing sector saw a small increase in the expectation their prices would increase while the service sector saw a small decline.

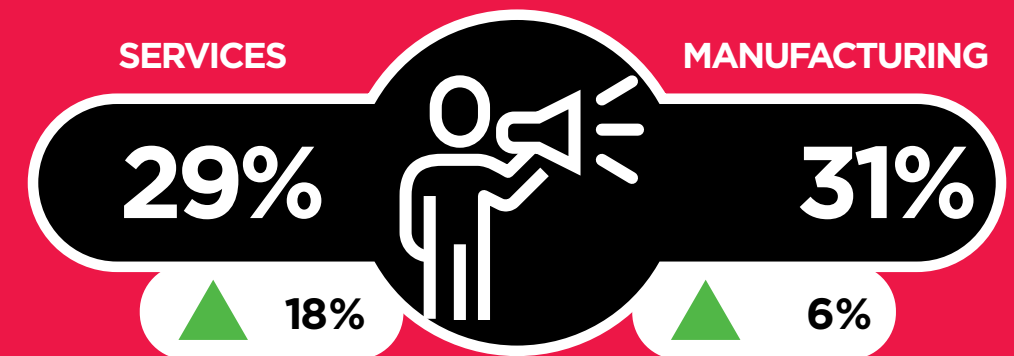
The increased demand for enhanced pay has unquestionably played a role in these numbers, with aftereffects of the cost-of-living crisis still at the back of employer's minds.



CASHFLOW



CONFIDENCE (PROFITABILITY)



CASHFLOW

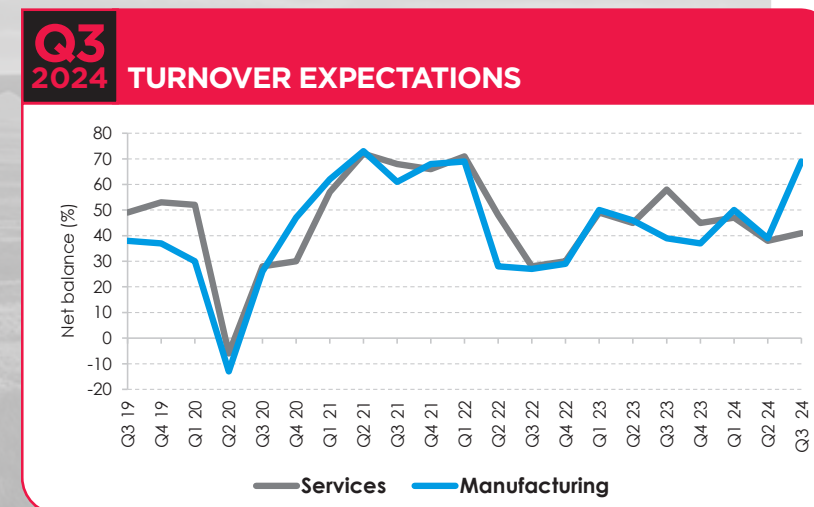
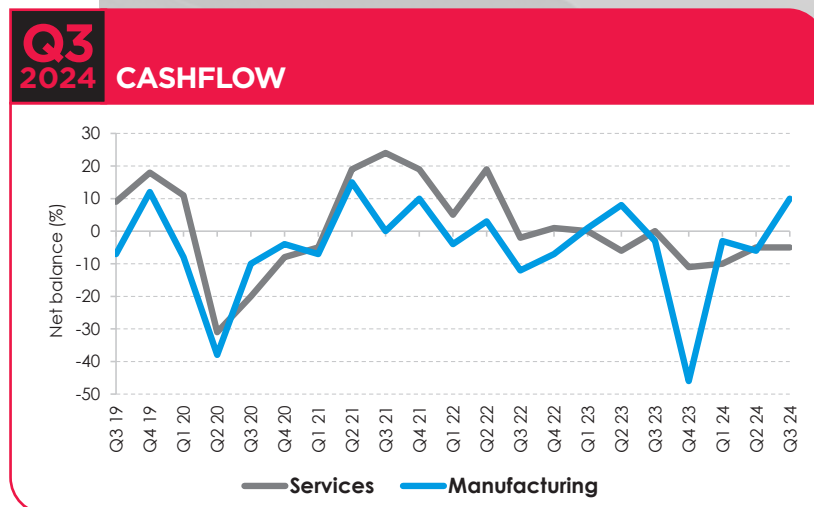
Cashflow remains a significant issue for all businesses.

Manufacturers reported an improvement in cashflow for the first time this year while service sector firms saw no change in performance since Q2.

One needs to go back two years to see cashflow overall being in positive territory.

INDUSTRY VOICE:

*"Our turnover will improve this year, but it is not improving as much as we have envisaged based on the investments we have made. Clients are questioning bills more and cashflow is impacted."*



BUSINESS CONFIDENCE

Despite the mixed bag of business sentiment seen across our region during Q3 of 2024, confidence remains high and is rising.

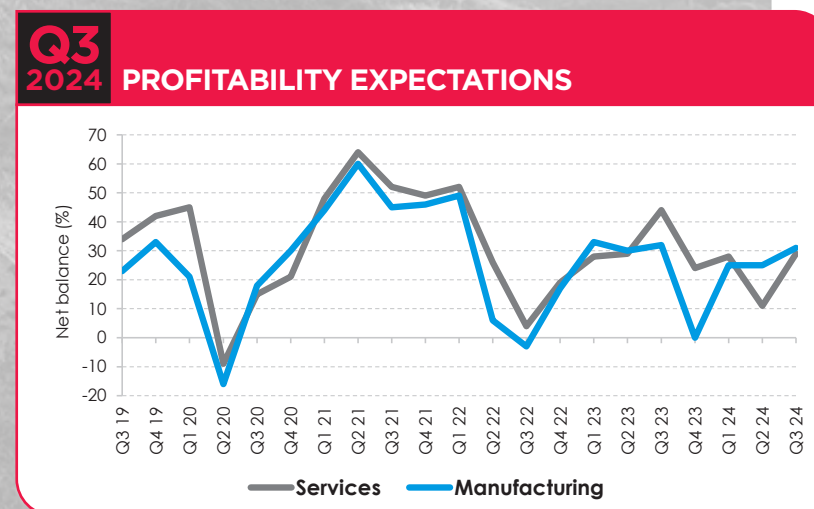
The service sector showed an 11-point increase in confidence of enhanced profitability over the next 12 months, while manufacturers also reported increased optimism, up by six points.

Confidence in profits has been inconsistent these last few years, reflective of the trading environment that has been left in the wake of the pandemic and Brexit.

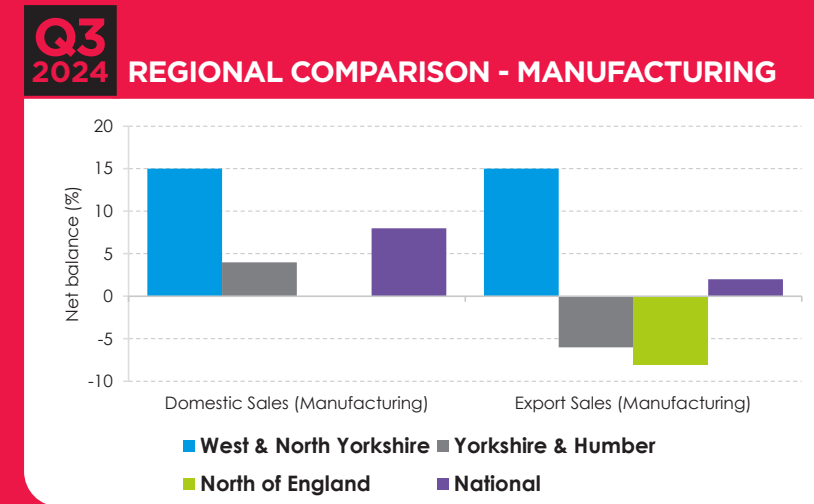
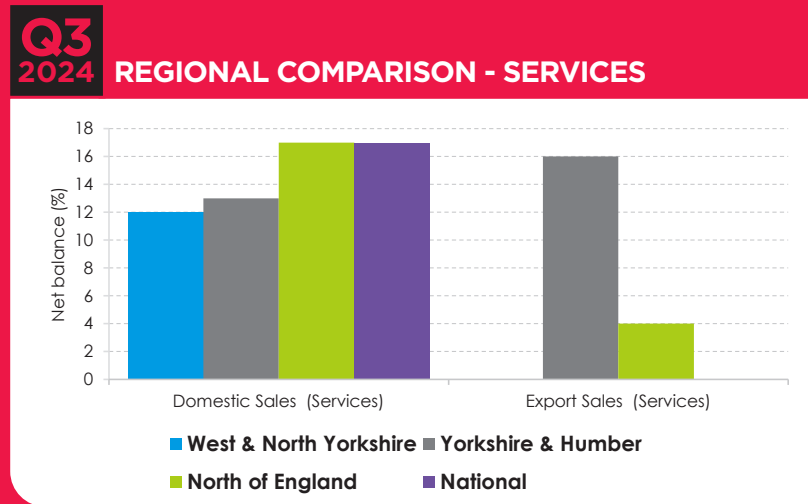
All employers will be hoping that stability finally emerges and that their confidence levels can continue to grow, rather than oscillate so frequently.

INDUSTRY VOICE:

*"There has been a sense of optimism building since last winter."*





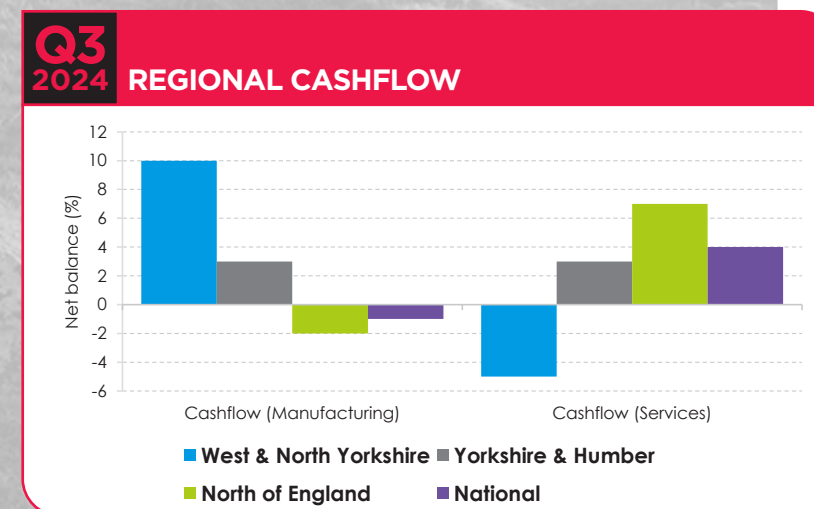
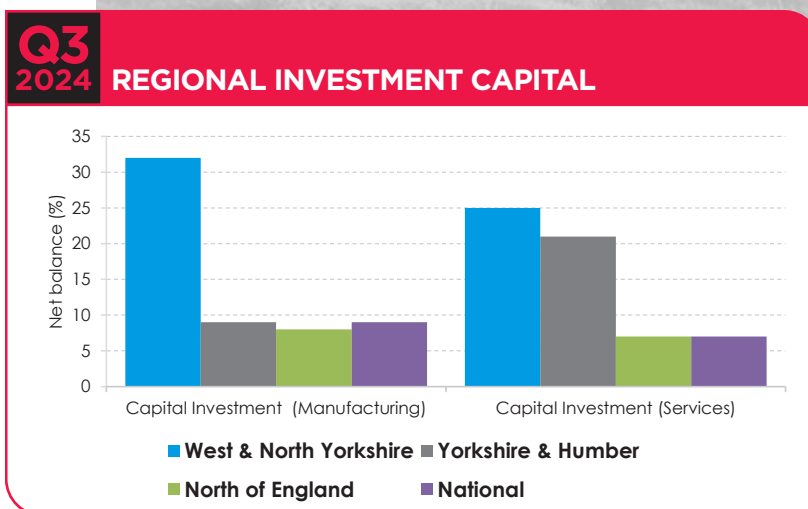
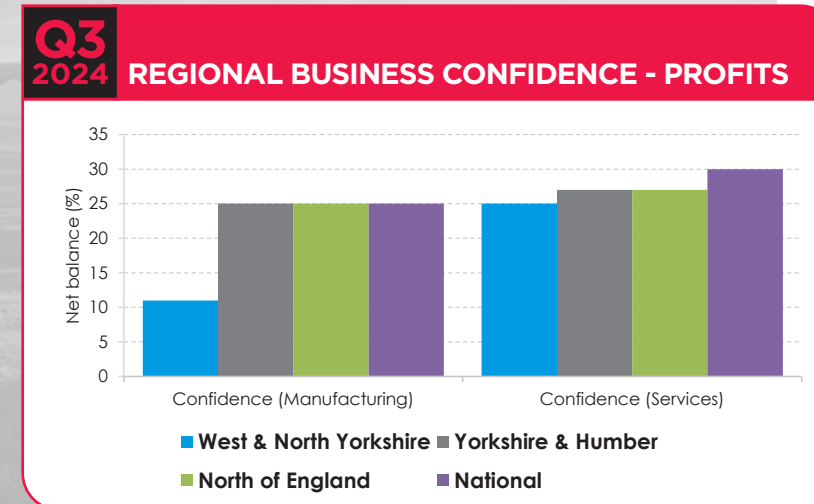
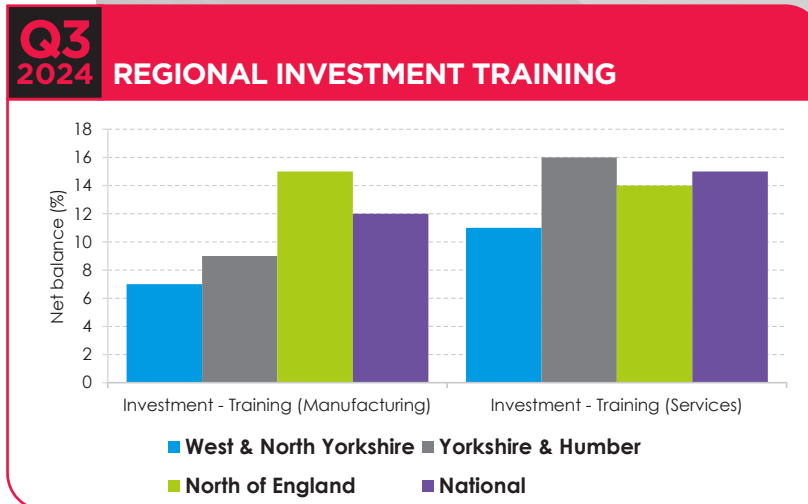


**NATIONAL AND REGIONAL COMPARISONS**

After a mixed bag for the last few quarters, it was pleasing to see our region performing well against the rest of the region.

West and North Yorkshire is significantly more optimistic on investment and its manufacturing sector performing at a far higher level than seen nationally.

Expectations on profitability remain broadly comparable with the rest of the nation.





**David Bharier**  
Head of Research  
British Chambers of Commerce

“Investment levels remain the Achilles heel of the UK economy. Despite interest rates starting to fall and inflation easing, most SMEs are still hesitant to invest. SMEs will need support to fund the skills and technologies that will help boost productivity.”

### **BUSINESS CONDITIONS STALL AS TAX ANXIETY GROWS**

Following improvements to business conditions in the first half of 2024, key indicators stalled or declined in Q3 – with manufacturing suffering the most.

- Taxation is now more of a concern than inflation for business, cited by nearly half of firms (48%).
- Business confidence has declined slightly, with 56% of firms expecting an increase in turnover in the next twelve months.
- The proportion of firms expecting to put up prices has levelled off (39%) after falls earlier in the year.
- Most firms (77%) are still not increasing levels of investment.

In the first major survey of business sentiment since the General Election, the BCC’s Quarterly Economic Survey – the UK’s largest and longest running independent business survey – shows taxation is now the main area of concern for businesses. Ahead of the Budget later this month, 48% of firms cited it as a worry (compared with 36% in Q2). Concern about inflation and interest rates continues to slowly decline.

35% of firms (compared with 38% in Q2) said they had seen an increase in domestic sales over

the previous three months, while 43% reported no change, and 21% a decrease. The production and manufacturing sector report the toughest conditions, with 27% of firms experiencing a decline in sales.

The survey was conducted after the General Election with fieldwork carried out between 19th August and 16th September 2024. The data from over 5,100 businesses across the UK (91% of whom are SMEs – fewer than 250 employees) also shows that most firms are still not increasing investment.

### **TAXATION NOW THE PRIMARY EXTERNAL CONCERN**

48% of responding firms say taxation is now more of a concern than three months ago, compared with 36% of businesses in Q2, with the professional services (53%) and construction sectors (51%) more likely to cite this.

Concern about other external issues continues to ease. 46% of firms say they are more worried about inflation compared to last quarter (49% in Q2 and 82% in Q2 2022). Concern about interest rates continues to fall, down to 29% of businesses (34% in Q2).

### **BUSINESS CONDITIONS STRUGGLING**

The percentage of respondents reporting increased domestic sales has fallen to 35%, compared to 38% in Q2. 43% reported no change and 21% of firms said they had seen a decrease in sales.

There were some sectoral differences – with 27% of firms in manufacturing and retail reporting a fall in sales in Q3. Meanwhile, 42% of marketing, media and advertising businesses said they had seen a rise.

### **BUSINESS CONFIDENCE FLATLINES**

56% of companies expect to see their turnover increase over the next 12 months – a slight decrease from 58% in Q2. 29% expect no change and 15% expect to see turnover decline.

Profitability confidence has also fallen, with 48% of businesses expecting profits to increase in the next year. That compares to 51% in Q2. 32% expect no change and 20% of respondents believe their profits will fall (compared with 17% in the previous quarter).

### **MOST FIRMS STILL NOT INCREASING INVESTMENT**

Only 23% of responding businesses say they increased investment levels (new plant, machinery or equipment bought or rented) over the last three months. That’s down from 25% of firms in Q2. 59% say investment has remained the same, 18% reported a decrease.

Considerable sectoral disparities exist, with retailers least likely to report increased investment (21%). While 30% of production and manufacturing firms say they have increased investment over the last three months.

### **EXPECTATION OF PRICE INCREASES IS LEVELLING OFF**

The proportion of firms expecting to raise prices remains the same as last quarter at 39%, after a rise earlier in the year. 58% of businesses say they expect prices to stay the same, and just 3% are expecting a decrease.

Labour costs continue to be cited as the main pressure for businesses, cited by 66% (67% in Q2). The issue is more significant for transport, logistics or storage with 76% reporting it as a challenge, and 74% of firms in construction and hospitality sectors.

David Bharier, Head of Research at the British Chambers of Commerce said: “The first half of 2024 saw better than expected economic and business confidence data. However, throughout summer, major uncertainties have mounted and now many of our indicators have flatlined or ticked down.

“On the domestic front, many businesses are increasingly anxious about the direction of economic policy, and taxation has now become their primary concern. The major escalation in the Middle East conflict will also be a significant factor.

“This month’s Budget will be a critical juncture. Businesses will need to see action on solving the investment puzzle, supporting global trade, particularly with the EU, and easing tax anxiety.”



## CONTACT US

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