Q4 2024

QUARTERLY ECONOMIC REPORT

West & North Yorkshire Chamber of Commerce

IN PARTNERSHIP WITH

Leeds City Region Enterprise Partnership

Working in partnership with the West Yorkshire Combined Authority

Amanda Beresford
Chair
West & North Yorkshire Chamber of Commerce

The results of the latest Quarterly Economic Survey are not quite what we wanted to start the new year with.

Business confidence declined in the final three months of the year with employers reporting declining sales, reduced hiring intent, shrinking appetite for investment and reduced forecasts for increasing profits.

Indeed, one needs to travel back the hight of the pandemic to see such poor levels of sentiment among businesses.

Although firms have become accustomed to uncertainty over the past eight years, they still do not have the stable platform upon which sustained economic growth can be achieved.

And while some of the measures outlined in the Budget will certainly have impacted some of the views expressed in this report, it cannot be blamed for it all.

Taxes are now the main issues when it comes to external pressures and labour costs are still posing headaches.

As a Chamber we will continue putting our members' interests at the heart of everything we do and championing our economy.

Let us hope optimism returns in the 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

There is no other way of stating it, the latest Quarterly Economic Survey's results are a tough read. Sales, orderbooks, investment plans and confidence in future profitability all plummeted in the final quarter of 2024. The manufacturing sector in particular, so vital to our region's economy, is looking at very challenging times.

On many measures, performance for employers had shrunk to levels not seen since the hight of the pandemic when vast swathes of our nation's economy were in stasis.

What is arguably worse is the fact that, while sentiment is tracking downward across the entire nation, the outlook and performance in our part of the world is looking worse.

So, where did it all go wrong? The QES fieldwork deals largely in numbers, but it is difficult if not impossible to draw a line from the measures announced at the Dispatch Box in the October Budget speech and the downturn in sentiment.

The increase on National Insurance Contributions for employers and the rise in the minimum wage are posing headaches for business owners of all sizes and will mean that already what are already sky-high overheads will increase further in 2025. This will naturally lead to a dismantling of investment plans, hiring intent and expectations on profitability. As the Chamber said in its communications work following the Chancellor's speech, this was a bad Budget for business.

However, it would be churlish for us to lay all the blame at the door of Number 11. Other factors, domestic and international, are likely to be at play here.

While taxation is now firmly the number one external pressure facing employers, inflation and interest rates remain high up on the agenda. Inflation ticked up slightly during the fieldwork and prices simply are not falling on almost all fronts for businesses.

The election of Donald Trump as the 47th president of the United States has prompted some unease as to whether potential tariffs could be slapped on our goods and services, although we should bear in mind the United Kingdom currently has a trade surplus with America. And the continuing strife facing the worldwide economy is not showing any signs of easing any time soon.

If Yorkshire has shown anything during this turbulent past decade is that we are a resilient and strong economy that is more than accustomed to rolling with the punches.

Our growth forecasts remain reasonably positive for the next two years, sentiments matched by other commentators. Hopefully this will filter into improved optimism in Q1 of next year.

As ever if you have any observations or comments on this report, please email me on mark.casci@wnychamber.co.uk.

Shevaun Haviland
Director General
British Chambers of Commerce

The worrying reverberations of the Budget are clear to see in our survey data. Businesses confidence has slumped in a pressure cooker of rising costs and taxes.

Firms of all shapes and sizes are telling us the national insurance hike is particularly damaging. Businesses are already cutting back on investment and say they will have to put up prices in the coming months.

The Government is rightly coming up with long-term strategies on industry, infrastructure and trade. But those plans won't help businesses struggling now.

Business stands ready to work in partnership to make the proposed Employment Rights legislation work for all, but the current plans will add further costs on firms.

To help business we need to see quick action in three specific areas. Firstly, ministers should accelerate business rate reform to create a system that incentives investment.

We also need the Government to speed up infrastructure investment, to help SMEs in supply chains across the country. Finally, it's crucial to support exports, prioritising a better trading deal with the European Union.

Without urgent Government action to ease the pain on businesses, the challenging economic landscape will get worse before it gets better.

METHODOLOGY

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

Of those businesses surveyed 36 per cent were micro, 34 per cent were small, 22 per cent were medium and 8 per cent were large.

Businesses were surveyed by telephone, physical and online questionnaires and by social media polling between Monday November 11 and Friday December 6.

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

A massive decline for the manufacturing community, down to the lowest point since the pandemic. Service sector firms posted a modest increase. Order books across both sectors are both looking poor.

EXPORT SALES

For a region with such a proud history of global trade, sales and orders are both looking dire. Service sector firms continuing to see export sales prove volatile while manufacturers have now seen three successive months of decline.

EMPLOYMENT

Hiring intent is at the lowest level since the pandemic. Manufacturers saw a 35 per centage point decline in hiring intent, while service sector firms saw a fall of 11 points. Forecasters will be hard-pressed to not join the dots between the Budget and this loss of confidence.

INVESTMENT

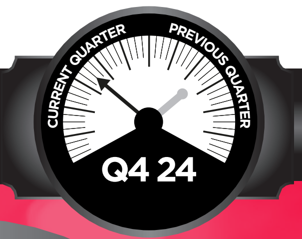
Plans for capital investment have vanished as firms grapple with yet more increases in the cost of doing business. There was some positive news however as manufacturers look to be more willing to invest in staff training.

BUSINESS CONFIDENCE

The level of firms forecasting improved profits has decline, sharply in the case of manufacturers who are down to pandemic levels of confidence.

COSTS AND CONCERNS

Taxation is top of the list for both sectors when it comes to costs and concerns. Labour costs too are cited as a pressing issue for firms. Inflation, on the rise again albeit modestly, is still causing employers of all sizes headaches.


CURRENT QUARTER
PREVIOUS QUARTER
Q4 24


U K SALES
15%
SERVICES
U K SALES
-20%
MANUFACTURING
WORKFORCE NEXT QUARTER
13%
SERVICES
WORKFORCE NEXT QUARTER
-5%
MANUFACTURING
OVERSEAS SALES
0%
SERVICES
OVERSEAS SALES
-5%
MANUFACTURING
INVESTMENT - CAPITAL
-4%
SERVICES
INVESTMENT - CAPITAL
-15%
MANUFACTURING
CONFIDENCE - PROFITS
12%
SERVICES
CONFIDENCE - PROFITS
-7%
MANUFACTURING
INVESTMENT - TRAINING
0%
SERVICES
INVESTMENT - TRAINING
0%
MANUFACTURING

Q4

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 pay 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 peopled 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

SERVICES	MANUFACTURING
15%	-20%
▲ 3%	▼ -32%

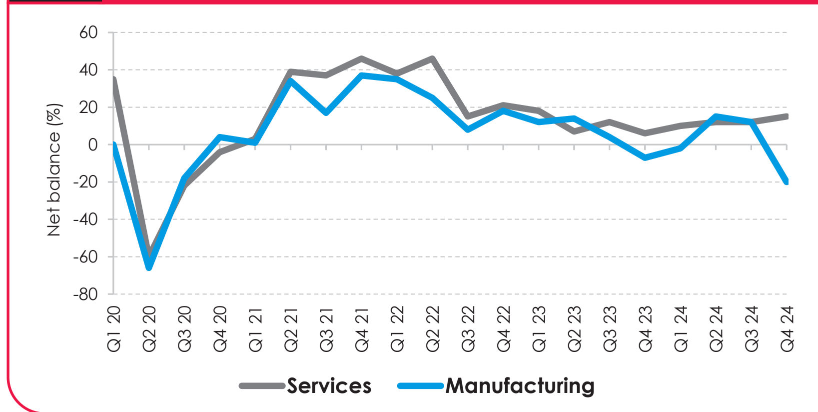
DOMESTIC SALES

After a reasonably successful period during the middle of the year, the sales performance of the region's manufacturers fell off a cliff, plunging to the lowest levels seen since the pandemic. Manufacturers saw their sales decline by an eyewatering 32 per centage points.

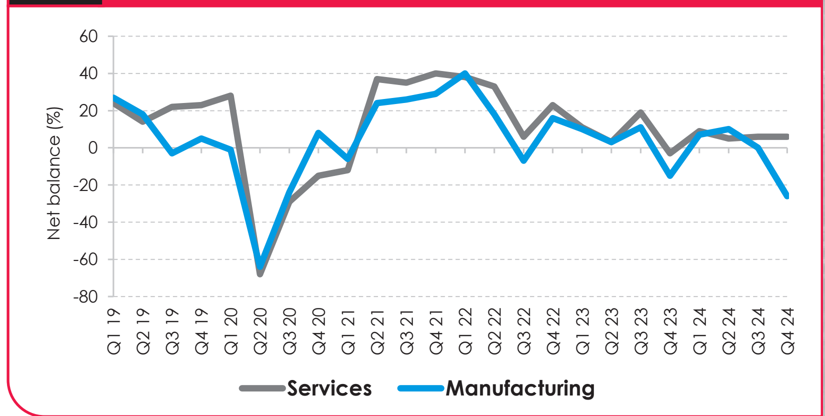
This poor performance was also seen in manufacturers' order books, which also declined markedly to their lowest levels in four years.

Conversely the service sector saw its sales performance improve, up three per centage points to its highest level in nearly two years. However, order books for the sector remain flat.

Q4 2024 DOMESTIC SALES



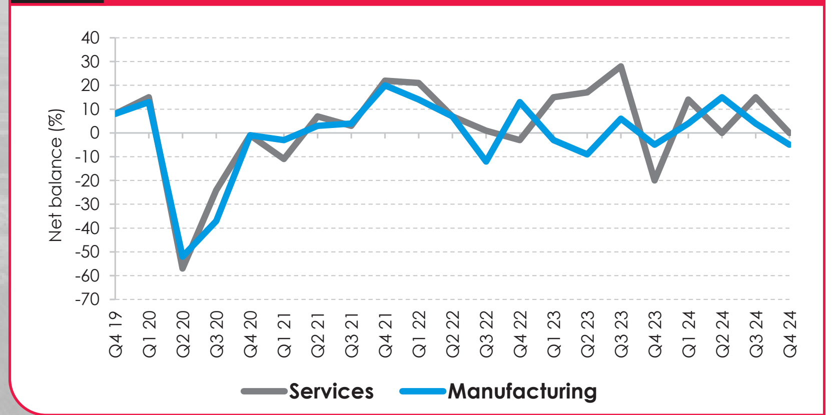
Q4 2024 DOMESTIC ORDERS



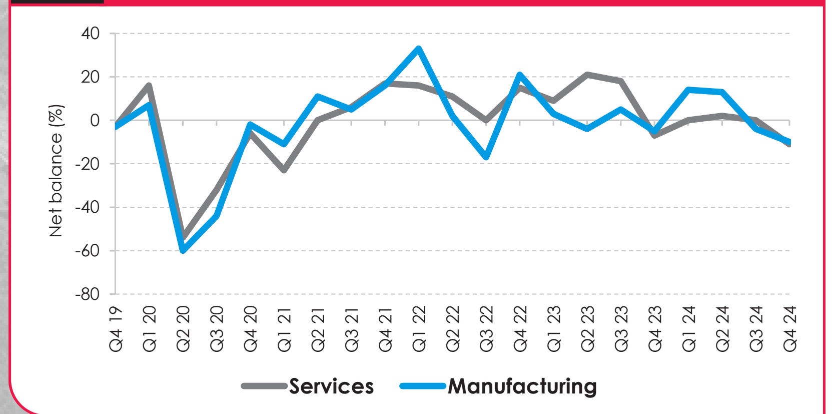
OVERSEAS SALES

SERVICES	MANUFACTURING
0%	-5%
▼ -15%	▼ -9%

Q4 2024 EXPORT SALES



Q4 2024 EXPORT ORDERS



INTERNATIONAL SALES

Both sectors saw a marked decline in their export markets during the fourth quarter of this year. The service sector saw overseas sales decline by 15 points, continuing the volatile behaviour we have seen over the last 12 months. For manufacturers, things were little better with a nine-point decline, the third successive quarter in which overseas sales have declined.

There appears to be little hope on the horizon either, with order books for both sectors continuing to decline.

For a region with such a proud history of international trade, the picture for overseas trade is worrying.

EMPLOYMENT (NEXT QUARTER)

SERVICES

13%

▼ -11%

MANUFACTURING

-5%

▼ -25%

INVESTMENT (CAPITAL)

SERVICES

-4%

▼ -29%

MANUFACTURING

-15%

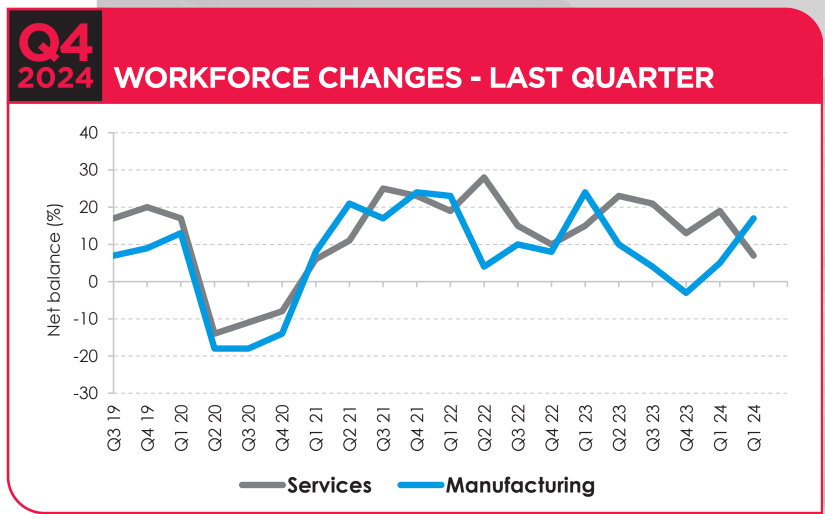
▼ -47%

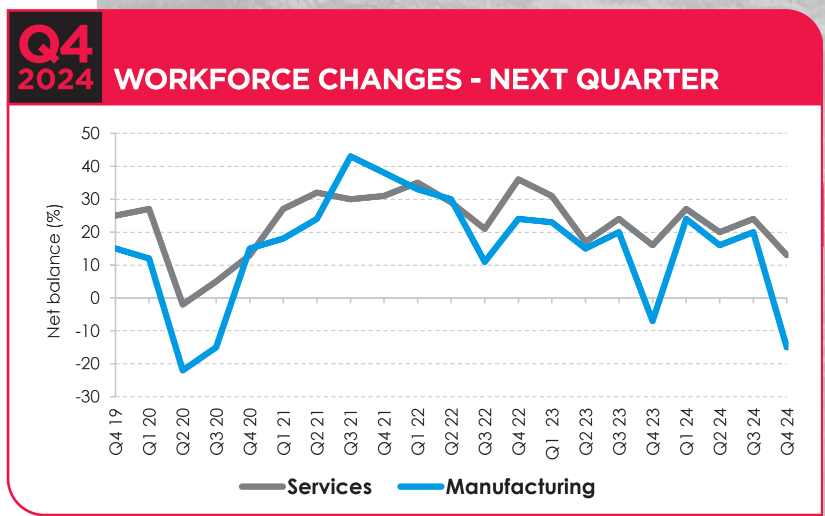
EMPLOYMENT

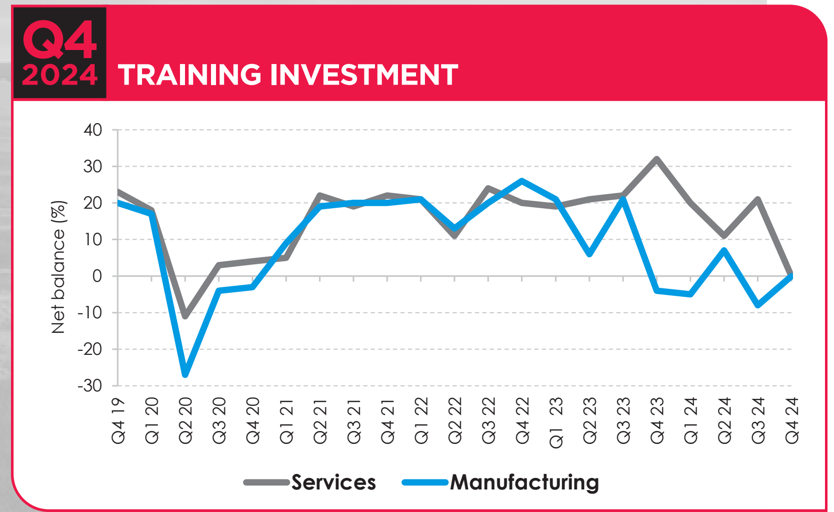
Again, one needs to go back to the pandemic to see such a gloomy set of results when it comes to hiring intent. After a largely positive few months, manufacturers saw a whopping 35 per centage point decline hiring intent, while service sector firms saw a fall of 11 points.

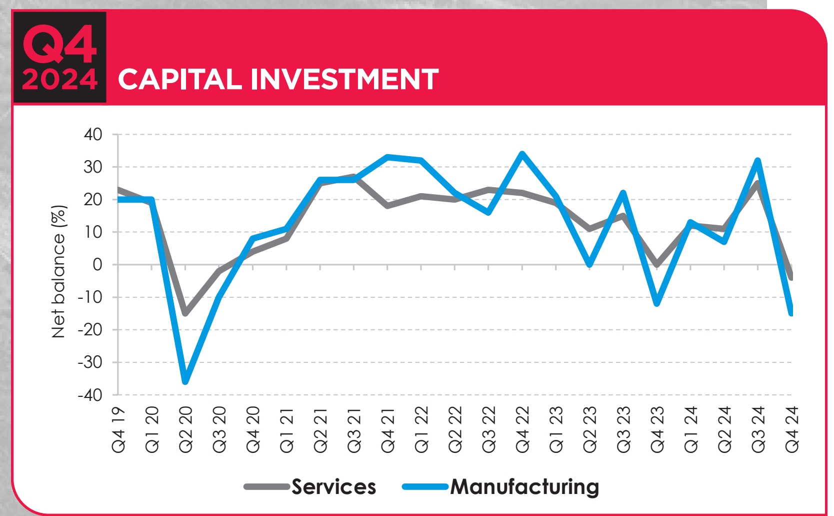
Manufacturers had been displaying quite positive sentiments regarding recruitment over the course of the year, but this has very much come to a juddering halt.

With sudden sharp rises in the cost of doing business, it seems investing in new staff is currently off the table for many employers.









INVESTMENT

Any plans employers may have been harboring for putting money capital investment look to be on hold with the sharpest decline in investment plans in four years.

The appetite for allocating money for new plant and machinery looks to have evaporated.

Once again, our manufacturing community looks to be the most acutely impacted with a huge 47-point decline in investment plans.

Service sector firms fared little better, down by 29 points.

The one ray of light is that employers in the manufacturing sector are seeing a rising appetite for training staff, perhaps indicative of the fact that hiring intent has plummeted.

CAPACITY (FULL)

SERVICES
36%
▼ -4%

MANUFACTURING
26%
▼ -13%

PRICES

SERVICES
54%
▲ 17%

MANUFACTURING
56%
▲ 17%

CAPACITY & COST PRESSURES

As will come as no surprise given how high the tax burden is in the UK, taxation comes as by far the number one external pressure issue facing firms in the region, and by some considerable distance.

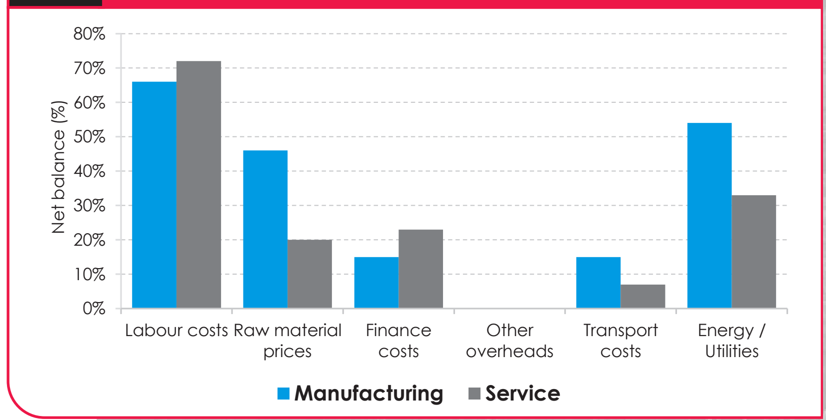
The already generationally high rates of tax were exacerbated by the hike in employee National Insurance contributions, putting tax levels for firms at eye-watering levels.

Elsewhere, labour costs top the list of cost pressures, again something which the Budget's increase in the minimum wage will have contributed to.

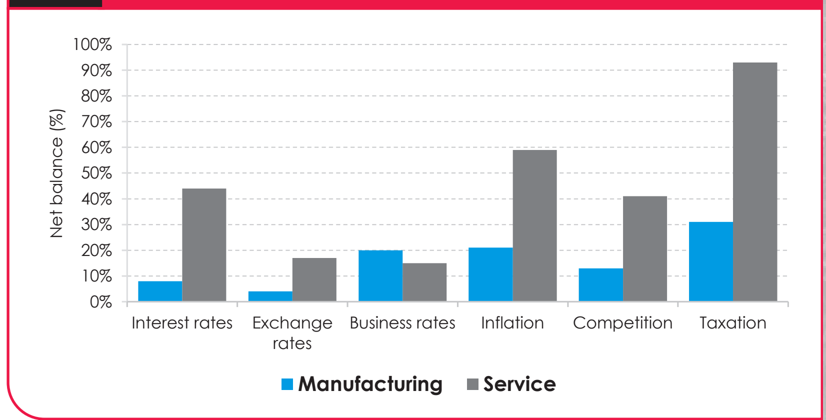
Inflation persists as an issue for firms, with prices still very high in several areas.

Worryingly, just one in four manufacturing firms report themselves to be at full capacity while just 36 per cent of service firms reporting similar.

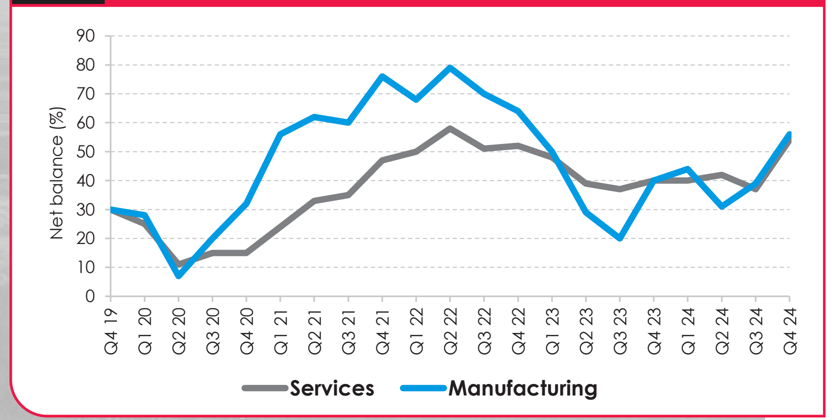
Q4 2024 COST PRESSURES



Q4 2024 EXTERNAL FACTORS



Q4 2024 EXPECTATION OF PRICE RISES



PRICES

Any positive movement on prices beginning to decline for employers which we saw over the course of 2024 disappeared during Q4.

The headline rate of inflation has increased again after months of decline and, whilst declining, interest rates remain at their highest levels for more than a decade.

The number of manufacturers anticipating price increases rose by 27 per centage points while service sector firms saw a 17 per cent increase.

CASHFLOW

SERVICES
-10%
▼ -5%

MANUFACTURING
-28%
▼ -38%

CONFIDENCE (PROFITABILITY)

SERVICES
12%
▼ -17%

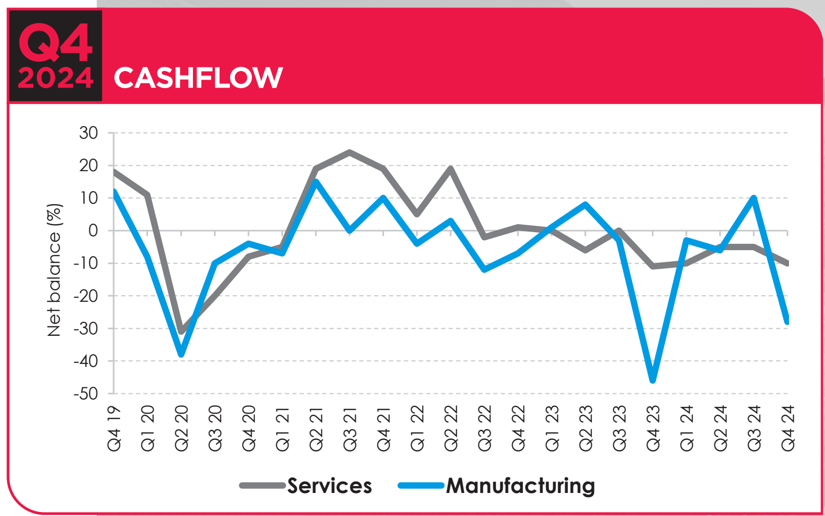
MANUFACTURING
-7%
▼ -38%

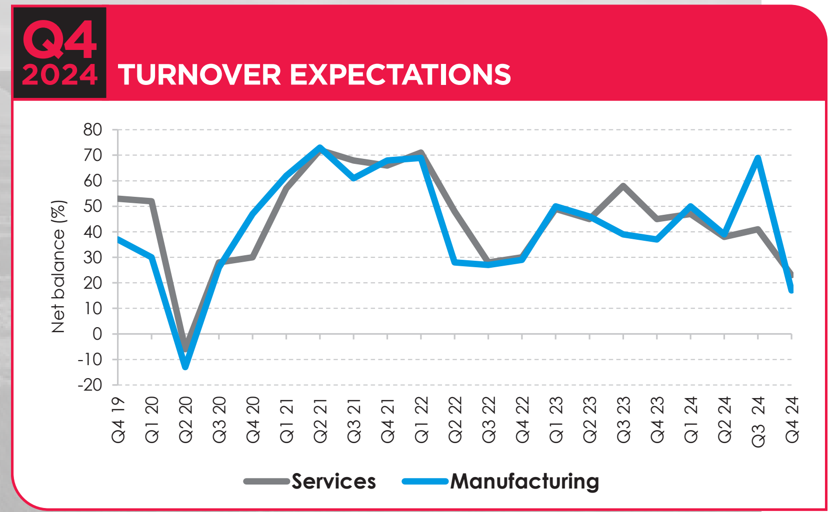
CASHFLOW
After showing signs of improvement over the summer, employers are once again suffering when it comes to cashflow.

Manufacturing, which had seen positive signs around cashflow, saw a massive 38-point decline when it came to firms reporting it as an issue, while service sector employers saw a more modest five-point drop.

The picture mirrors what occurred at the end of 2023 when both sectors reported declines in cashflow.

The speculation may well be that the uncertainty posed by the Budget and the election of Donald Trump and his plans for tariffs may well have slowed the pace of money moving around our region's businesses.



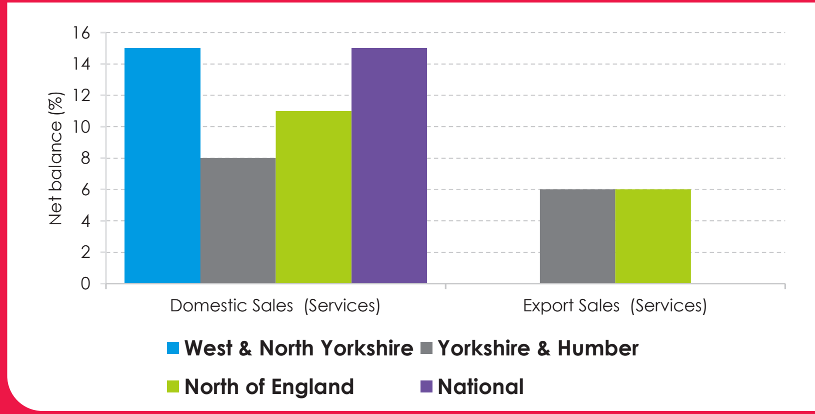


BUSINESS CONFIDENCE
After reading all the negative sentiments expressed in this report, readers will be well-expecting the news that employers have dropped their forecast for improved profits.

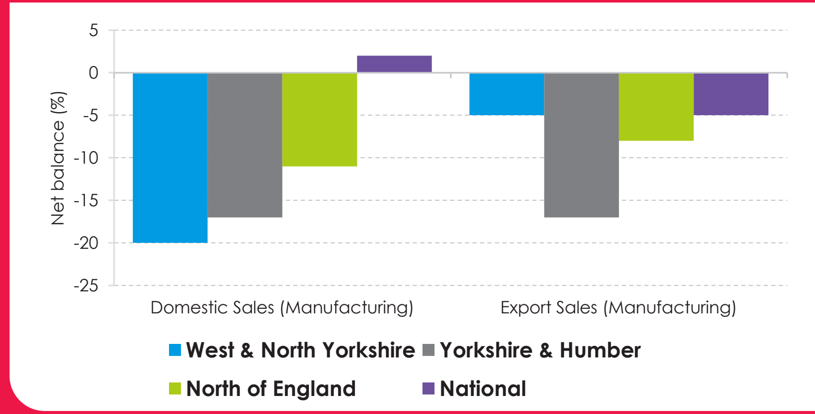
After seeing their costs increase so much following the Budget, it seems the number of firms expecting improved trading and revenues has fallen considerably, again most notably for manufacturers.

The number of manufacturers expecting improved profits plunged to its lowest level since the pandemic, down by 38 points, while the service sector saw a 17-point decline.

Q4 2024 REGIONAL COMPARISON - SERVICES



Q4 2024 REGIONAL COMPARISON - MANUFACTURING



NATIONAL AND REGIONAL COMPARISONS

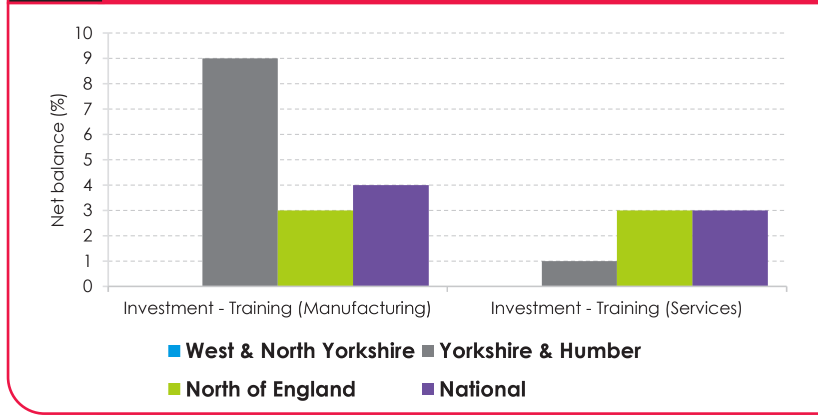
As if the QES report had not already made for some fairly grim reading, it is clear from the data that our region is lagging behind the rest of the country in a number of metrics.

Investment plans and cashflow see West & North Yorkshire appearing significantly poorer than the rest of the region, the North of England and the country as a whole. Profitability confidence in the manufacturing sector is also far worse in our region than elsewhere in Britain.

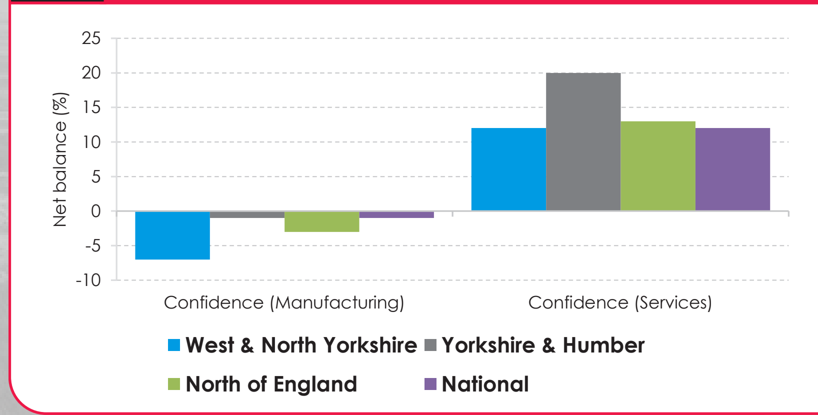
One area of positivity surrounds sales for the service sector, which is on a virtual par with the nation at large and ahead of our competitors in the north.

However, overall, our region has lost a competitive advantage nationally.

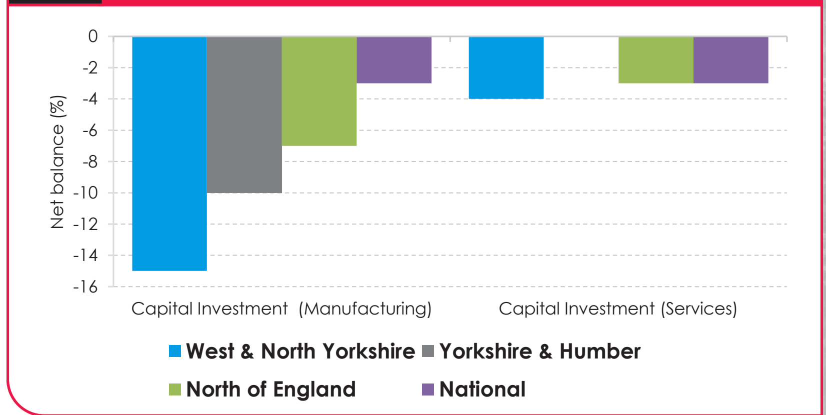
Q4 2024 REGIONAL INVESTMENT TRAINING



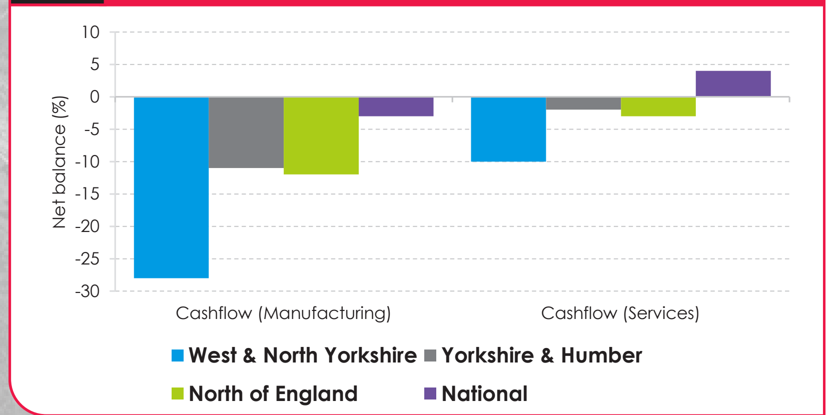
Q4 2024 REGIONAL BUSINESS CONFIDENCE - PROFITS



Q4 2024 REGIONAL INVESTMENT CAPITAL



Q4 2024 REGIONAL CASHFLOW



David Bharier
Head of Research
British Chambers of Commerce

"Faced with rising costs, our survey paints a difficult picture and shows businesses are having to make some very difficult decisions. Many tell us they expect to push up prices and cut back on investment and we expect this to lead to a low or no-growth economic climate in the coming months."

- 63% of businesses say tax, including national insurance, is now a concern, following the Chancellor's Budget – the highest level since 2017
- Business confidence has slipped to its lowest level since the aftermath of the mini-Budget in Autumn 2022
- A majority of firms (55%) now expect prices to go up in the next three months, with labour costs the biggest driver
- Only 20% of businesses have increased investment in the past three months – 24% have decreased
- Business conditions are weak, with only 24% of firms reporting increased cashflow and 30% a decrease

In the largest poll of business sentiment since October's Budget, the BCC's Quarterly Economic Survey, shows concern about tax, including national insurance, has spiked.

Following the Chancellor's autumn statement, 63% of firms cited it as a worry (compared with 48% in Q3), the highest level on record. Concern about inflation and interest rates remains at similar levels to Q3.

Business confidence has declined significantly with 49% of responding companies expecting their turnover to increase over the next twelve months (compared with 56% in Q3). Confidence levels are lowest in the retail and hospitality sectors (39% and 42% respectively).

The survey was conducted after the Budget, with the fieldwork carried out between 11th November and 9th December. The data from over 4,800 businesses across the UK (91% of whom are SMEs – fewer than 250 employees) also shows that the majority of firms are expecting to raise prices.

TAX NOW BY FAR THE TOP EXTERNAL CONCERN

Following the Budget, concern about taxation is now cited by 63% of responding firms, up from 48% in Q3. This is the highest level of tax concern since 2017, when the BCC started asking this question. The levels in certain sectors are higher, with 72% of production and manufacturing firms, and 68% of construction and engineering businesses raising tax as a concern.

Concern about inflation remains broadly similar to the previous quarter – 47% compared to 46% in Q3. Worry about interest rates has fallen slightly to 28% (29% in Q3).

BUSINESS CONFIDENCE HIT BY BUDGET MEASURES

There has been a significant drop in business confidence since the Chancellor's statement. Only 49% of firms say they expect their turnover to increase in the next twelve months, down from 56% in Q3. This is the lowest figure since the aftermath of the mini budget in late 2022. A fifth (21%) of businesses expect turnover to worsen, up from 15% in Q3, and 30% expect no change.

Profitability confidence has also been hit, 40% of firms expect profits to increase over the next year (48% in Q3), while 32% of businesses expect them to fall.

MORE BUSINESSES EXPECTING TO RAISE PRICES

Over half (55%) of responding firms say they expect to raise their prices in the next three months, compared with 39% in Q3. While 43% of businesses expect prices to stay the same, and only 2% expecting to decrease.

Labour continues to be the main cost pressure for firms – but the issue is now raised by 75% of businesses, up from 66% in Q3. The issue is most significant for the hospitality sector with 87% reporting it as a challenge, followed by 84% of firms in the transport and logistics sector.

FEWER FIRMS HAVE INCREASED INVESTMENT PLANS

Only 20% of businesses say they have increased investment plans over the last quarter, down from 23% in Q3. 24% of firms say they have cut back investment plans, a steep rise from the Q3 figure of 18%. 56% of businesses say their plans have remained the same.

The issue is more marked in certain sectors, with 42% of retail and hospitality firms reporting a scaling back of investment and 30% of manufacturers.

BUSINESS CONDITIONS STRUGGLE

The percentage of respondents reporting increased domestic sales has fallen again to 32%, compared to 35% in Q3. 42% reported no change and 26% of firms said they had seen a decrease in sales. Retailers were the most likely to have seen a fall in sales (36%) followed by manufacturers (33%).

David Bharier, Head of Research at the British Chambers of Commerce said: "This dataset is a clear signal that business sentiment has been significantly impacted following recent policy announcements, notably national insurance increases. Taxation is now by far the biggest concern, cited by 63% of businesses. Confidence has now dipped to 2022 levels, with less than half of firms expecting improved turnover over the next year and over a fifth now expecting it to worsen."

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West & North Yorkshire Chamber of Commerce

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