

Doncaster Chamber

Quarterly Economic Survey

Q4 2009



Commentary

Sales in Doncaster have improved in the last three months giving the most encouraging sign yet of economic recovery in the borough. However, business confidence has dipped indicating that local businesses remain extremely cautious about the future with more and more companies believing that a v-shaped recovery is unlikely.

The key points arising out of the Quarterly Economic Survey are:

- Business confidence (the expectation for profitability to improve/worsen) in the borough has slipped back from +54% to +45% after rocketing over the last six months. Doncaster businesses are still significantly more confident than region and national averages indicating that there are still encouraging signs for the local economy; the service sector remains more bullish than the manufacturing sector.
- The balance of businesses recording an improvement/worsening in home sales has improved again and now sits at +26%, this is the highest it has been for two years and the most concrete indication yet of improved economic conditions in the borough.
- Encouragingly cash flow in Doncaster has improved and, at +8%, is in positive territory for the first time since Q1 2008. There is however a big discrepancy between the service and manufacturing sectors with local manufacturing businesses still seemingly starved of cash.
- The balance of businesses expecting to increase/reduce staff numbers over the next three months now sits at +15%; this is consistent with the previous quarter and is perhaps indicative of growing stability in the labour market.
- Export results are very encouraging with +26% of exporters reporting an upturn in actual sales and +23% reporting an increase in advance orders.

The sales figures cited above give reason to be satisfied about increasing economic stability in Doncaster. Pre-recession Doncaster has the seventh fastest growing economy in the UK and we need to return to that growth quickly if economic regeneration is to continue apace.

Business confidence has however stalled and this will be no doubt due to nervousness about the after effects of the recession or indeed a second wave. Economies such as Doncaster, which are heavily reliant on the public sector spending, will continue to feel the pinch over the coming years as salary freezes and spending cuts kick in. It is therefore imperative that partners continue to deliver excellent work around inward investment in Doncaster and continually tip the economy towards a private sector balance.

The export figures are very encouraging and it is evident that more and more businesses are waking up to overseas opportunities and recognising that they may need to look further afield to be globally competitive in years to come. However, far too few Doncaster businesses are exporting – Chamber figures suggest around only 10% of all Doncaster firms trade overseas – and more needs to be done to encourage international trade in Doncaster.

We are now in the run up to the General Election and it is important that all parties consider the needs of the business community and that any budgetary decisions do not disproportionately impact on businesses – politicians must think business first.

For further information on the Quarterly Economic Survey please contact me on 01302 640113 or dfell@doncaster-chamber.co.uk.

Daniel Fell, Head of Policy



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Doncaster Chamber – Quarterly Economic Survey – Quarter Three 2009

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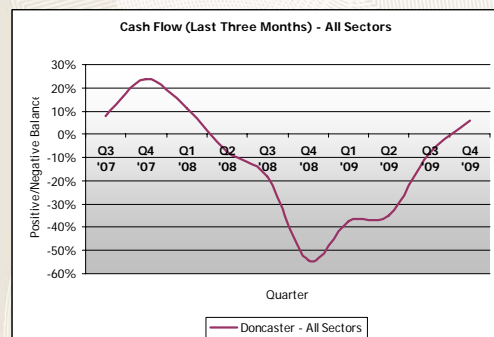
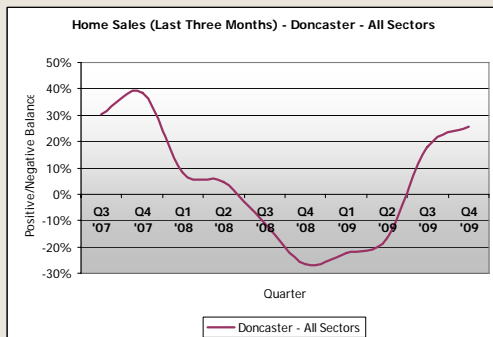
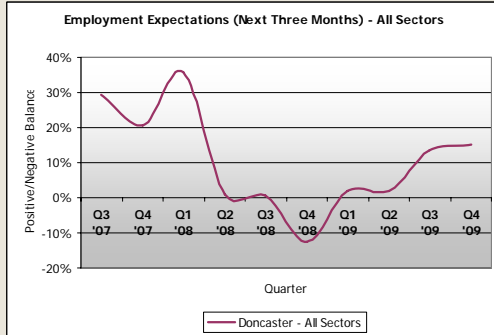
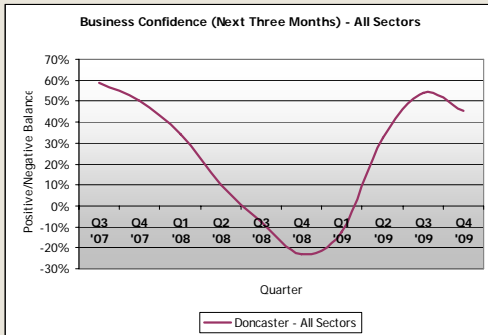
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Doncaster Chamber – Quarterly Economic Survey – Quarter Three 2009

At A Glance

Most key indicators are showing that the economic climate is still improving for Doncaster businesses with an increasing number of firms reporting increased sales. Confidence has however dipped from the previous quarter, as businesses increasingly recognise that a 'v-shaped' recovery is unlikely.

The following charts provide an overview of the critical balances in the Doncaster economy.



Business Confidence

Business confidence in Doncaster has dipped from +54% to +45%; this is the first time confidence has gone down in Doncaster for over a year, the town is however still significantly ahead of national trends.

Employment

Businesses are increasingly taking staff on with the balance now sitting at +11%, up 7% from the previous quarter; employment expectations remain comparatively optimistic with +15% of businesses expecting to take staff on over the next quarter.

Home Sales

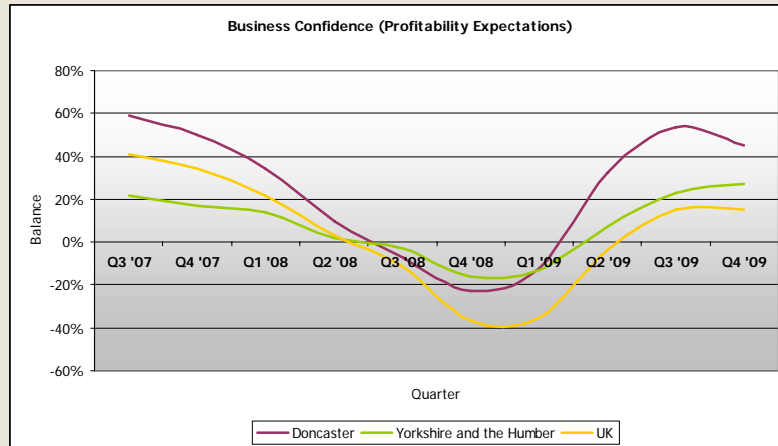
Home sales in Doncaster have improved slightly in the last quarter following significant growth in Q3 '09. The balance of homes sales now sits at +26%. Sales have improved in both the manufacturing and service sectors with both being well above national averages.

Cash Flow

Cash flow remains a problem for a large number of Doncaster businesses but is, however, in positive territory for the first time since Q1 '08 at +6%.

Regional and National Comparisons

The below chart indicates business confidence levels, the best barometer of the economic climate locally, regionally and nationally.



Comparables: Year on Year, Quarter on Quarter

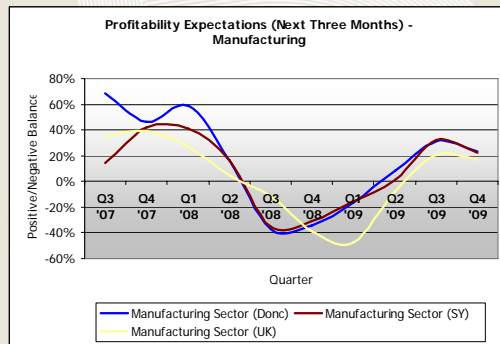
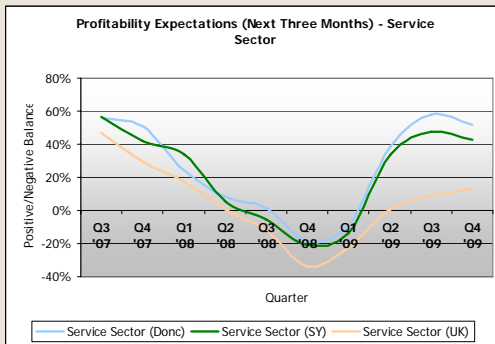
The subsequent data evidences economic comparables between Q3 '09 and Q4 '09 and also between Q4 '08 and Q4 '09. The figures indicate the balance of businesses reporting an improvement/worsening in relation to Home Sales, Cash Flow, Employment Expectations and Business Confidence. The UK is still in recession; however, the comparison between this quarter and the fourth quarter of 2008, a low point for Doncaster's economy, shows some encouraging trends and signs of a fragile recovery despite the dip in business confidence.

	Q4 - '08	Q4 - '09		Q3 - '09	Q4 - '09	
Business Confidence	-23%	+45%	↑	+54%	+45%	↓
Employment Expectations	-13%	+15%	↑	+14%	+15%	↑
Home Sales	-26%	+26%	↑	+18%	+26%	↑
Cash Flow	-54%	+6%	↑	-8%	+6%	↑

Business Confidence

Businesses confidence in the service sector has dipped slightly having risen very dramatically in Q2 '09 and again in Q3 '09; it does however still sit at a healthy +45%. Nationally confidence in the service sector has continued to grow, however it remains some 38% lower than in Doncaster. The balance of businesses expecting turnover to increase in the next three months has also dipped now sitting at +61% compared with +74% in the previous quarter and +30% nationally.

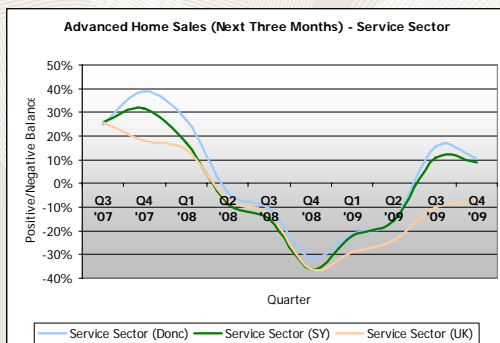
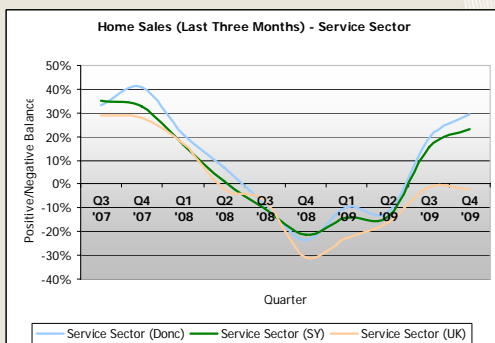
Business confidence in Doncaster's manufacturing sector has also dropped slightly, this has mirrored national trends. The balance of businesses expecting profitability to improve/worsen has moved from +32% to +24; this does however compare favourably with this time last year when confidence in Doncaster's manufacturing sector was at -34%; the balance of expectations for turnover to improve/worsen is at +50% compared to +53% in the previous quarter and low point of -19% this time last year.



UK Sales – Service Sector

Homes sales in the service sector have continued to increase and now sit at +29% compared to +19% in the previous quarter. Nationally results are steady but still significantly below performance in Doncaster.

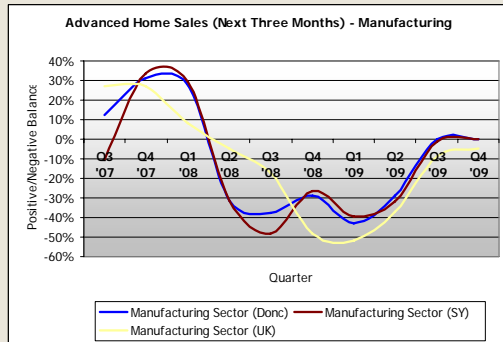
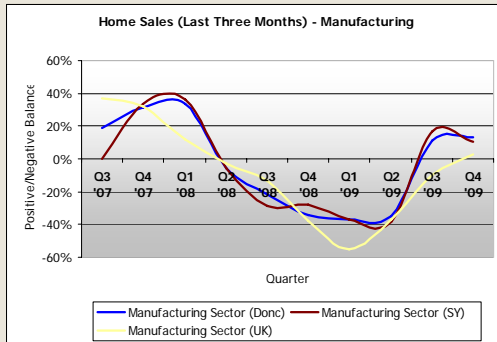
The balance for advanced sales has dipped to +11% perhaps helping to explain a slight reduction in business confidence this quarter. Doncaster's service sector is however currently outperforming sub regional and national averages.



UK Sales – Manufacturing Sector

Home sales for local manufacturers are consistent with the last quarter with the balance sitting at +13%. The gap between Doncaster and UK performance has been closed with the national balance now sitting at -2%.

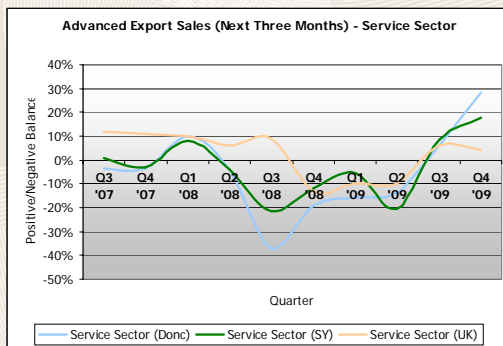
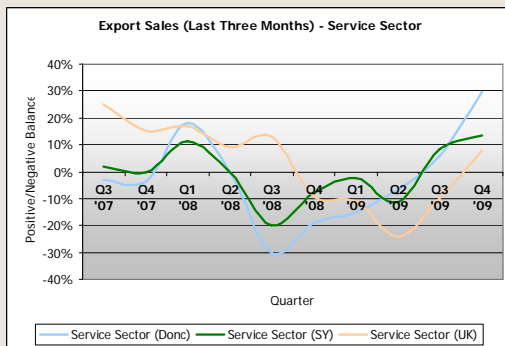
Advanced orders for home sales in the manufacturing sector have remained constant in this quarter indicating that markets are stabilising. The picture in Doncaster and South Yorkshire is marginally better than national averages.



Export Sales – Service Sector

Export sales in Doncaster's service sector have grown for the sixth successive quarter with the last three months showing significant growth; balances are now at +30% compared to +6% in the previous quarter. Nationally the balance is sitting at +8%.

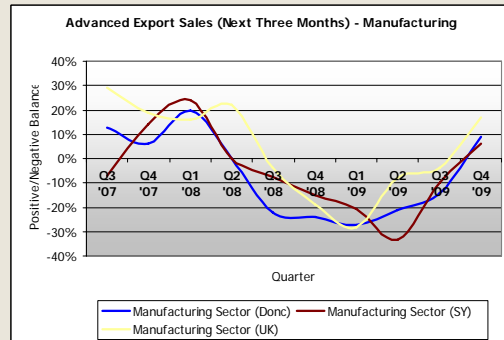
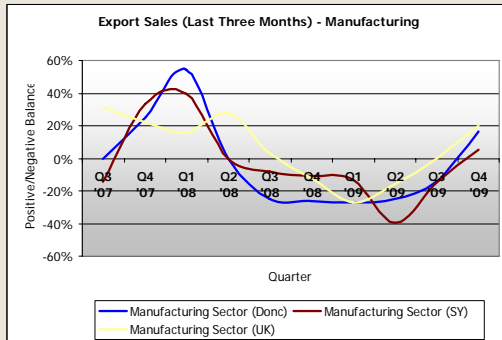
Advanced export sales in the service sector have also improved dramatically with the balance shifting from +6% in the previous quarter to +29%. Nationally advance sales within the service sector have dropped from +6% to +4%.



Export Sales – Manufacturing Sector

Export sales for Doncaster manufacturers have also improved significantly moving from -14% in the previous quarter to +17% significantly closing the previously recorded gap between local and national averages; there remains, however, a significant need to push export opportunities to local businesses in the manufacturing sector.

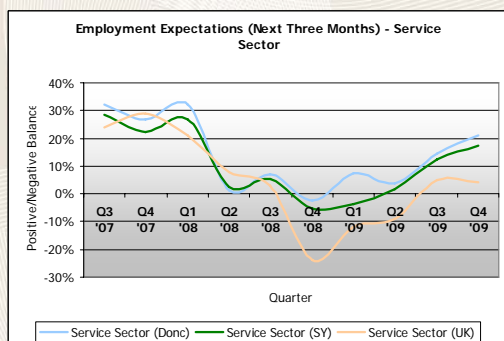
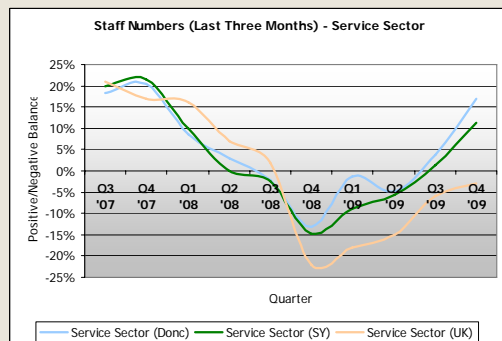
Advanced export sales have similarly improved from -14% to +9%, this is still somewhat behind the national average which sits at +17%.



Employment – Service Sector

Balances for employment in the service sector in Doncaster are still growing steadily. Balances in the last quarter have grown from +4% to +17%. National trends are showing a similar improvement but remain in negative territory at -3%.

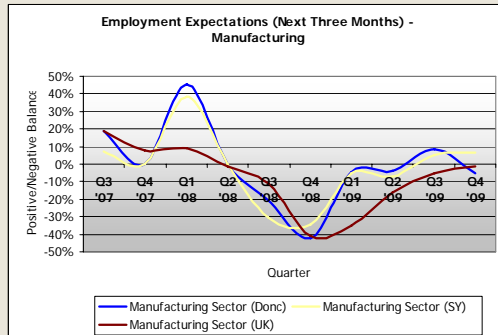
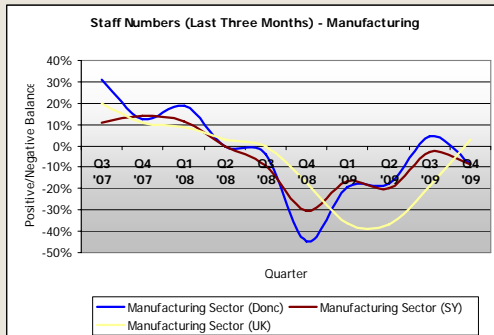
The figures for employment expectations remain similarly upbeat with the balance growing for the fourth successive quarter and now sitting at +21%. Nationally employment expectations in the service sector have remained consistent.



Employment – Manufacturing Sector

The balance of manufacturing businesses in Doncaster employing/losing staff over the last three months has dropped in the last quarter has dropped by 14% in the last quarter to -8% this compares with a national improvement of 22%; this is the first time that national figures have been better than local performance since Q4 '08.

These results are echoed in terms of employment expectations with the Doncaster balance slipping from 9% to -5%; nationally there has been a small improvement.



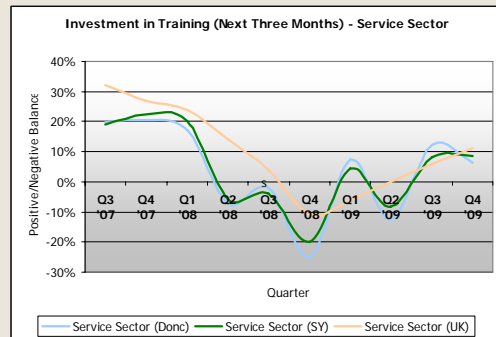
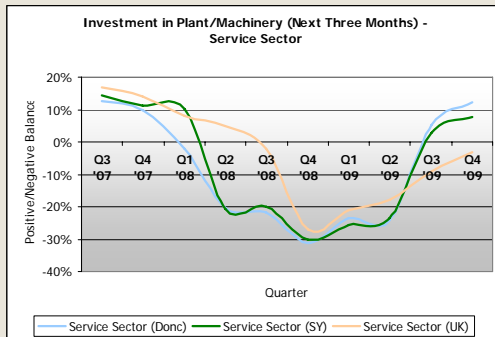
Employment – The Bigger Picture

Over the last three months, 32% of businesses have tried to recruit staff with 68% not doing so; this compares with 29% of business trying to recruit staff in the previous quarter. Of those that did try to recruit staff 68% were for full-time positions and 32% were for part-time; these figures are broadly consistent with results in the last quarter and also this time last year with a slight growth in the number of full time positions. Only 45% of those posts recruited however have been for permanent positions, a significant drop from 60% in the previous quarter and 75% this time last year. Of those businesses that did recruit staff only 21% reported difficulties in doing so; this contrasts with results two years ago when 61% of businesses were reporting recruitment difficulties. Where there were difficulties, they related to the following sectors: Skilled Manual/Technical (36%), Professional/Managerial (24%), Clerical (12%), Semi/Unskilled (24%).

Investment – Service Sector

In the last three months, investment in plant/machinery in the service sector has continued to grow as a spirit of cautious optimism prevails; the balance now sits at +12% compared to -3% nationally.

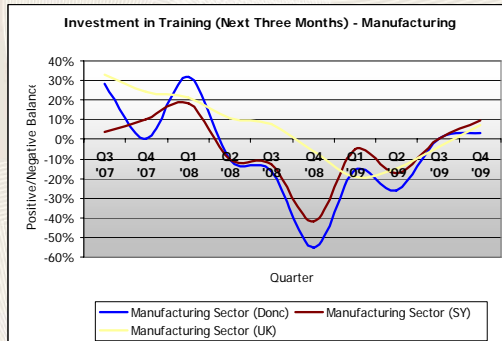
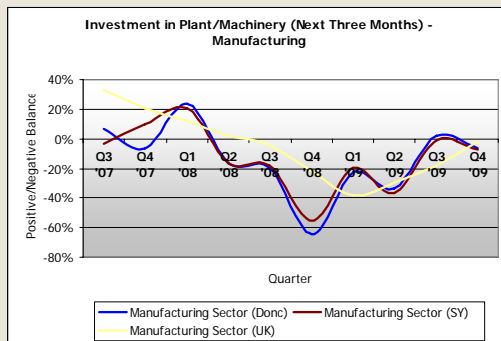
Having grown significantly in the previous quarter investment in training in the service sector has slipped back again to +6%; nationally the balance is +11%.



Investment – Manufacturing Sector

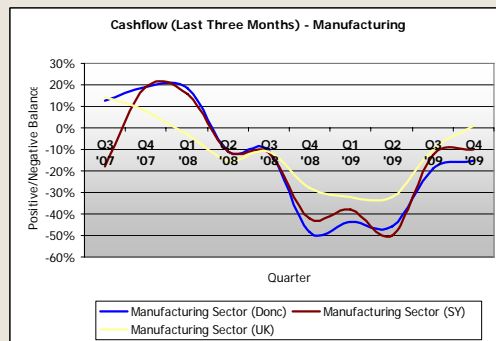
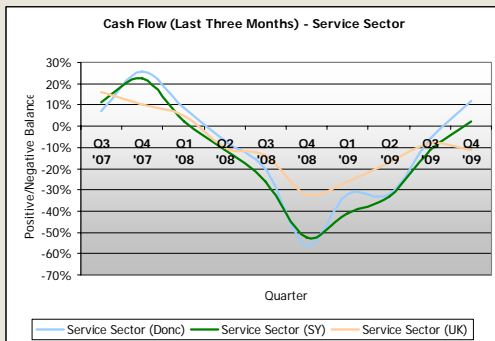
Investment in plant/machinery in the manufacturing sector has fallen in the last quarter to -6% from +2%, again indicating the fragility of any recovery and business confidence. Over the last twelve to eighteen months manufacturing in the sub region has proven to be comparatively resilient compared with national trends; over the last quarter or so this gap has either been reduced or reversed in a number of areas.

Investment in training has however continued to grow in a modest fashion with the balance now sitting at +3% in Doncaster; again this is below national averages.



Cash Flow

In the last three months, the balance of cash flow improving/worsening for businesses has shifted from -6% to +6%, this is the first time that this critical indicator has been in positive territory since Q1 2008. The service sector in Doncaster is outperforming national averages by 23% whereas the manufacturing sector in Doncaster is 16% behind national averages at -15% thus demonstrating that a number of Doncaster businesses are still evidently struggling in this regard.



Capacity – All Sectors

30% of businesses are operating at full capacity with 70% operating below capacity, this is a 4% decrease compared to three months ago.

Prices – All Sectors

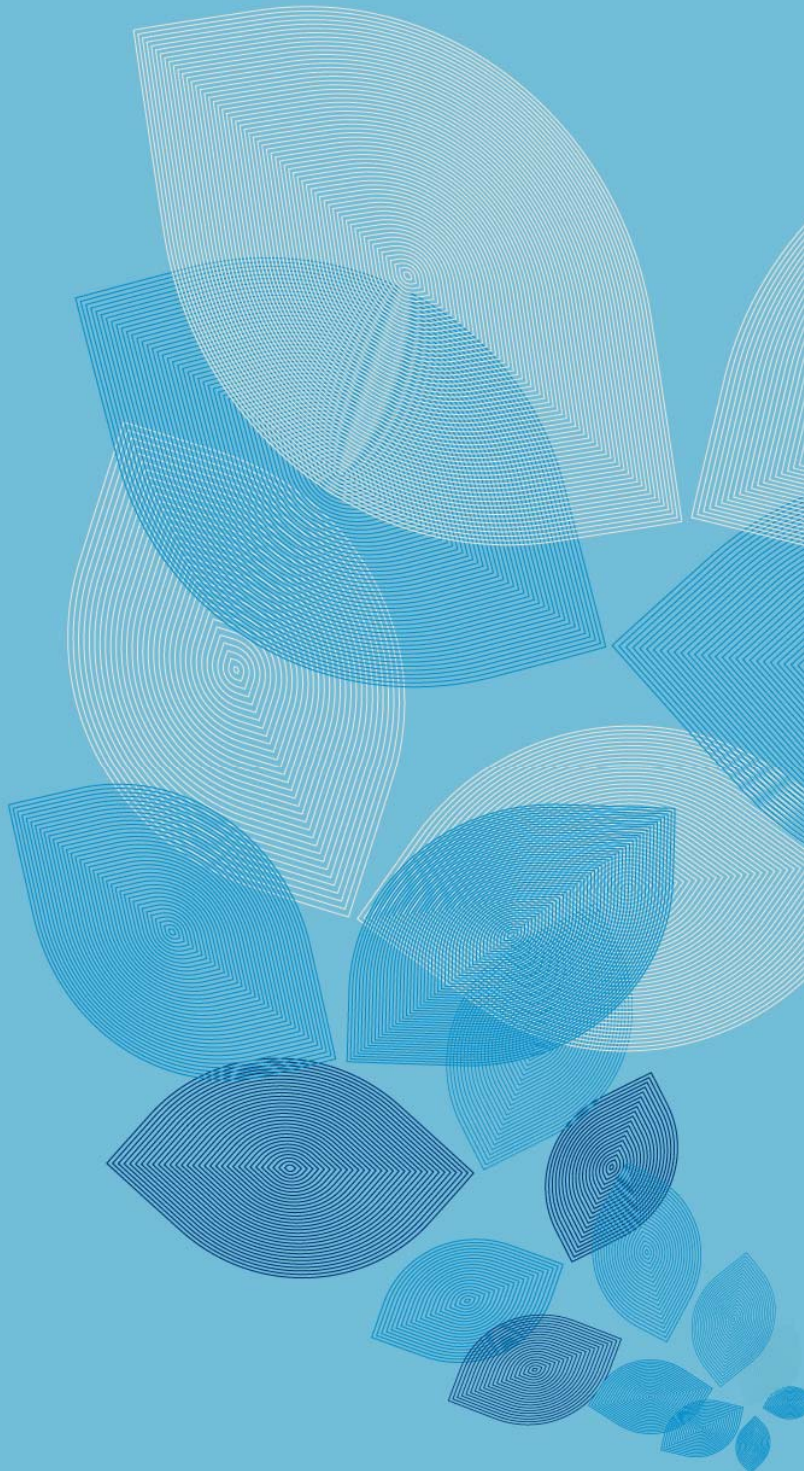
The balance of businesses expecting their prices to go up/down in the next three months is now at +20% compared with -3% six months previously. Businesses are currently experiencing the following price pressures: Pay Settlements (11%), Raw Material Prices (24%), Finance Costs (17%), and Other Overheads (30%), these are all consistent with the previous quarter.

External Pressures – All Sectors

Businesses were asked to identify what external factors were of concern to them, 25% cited Interest Rates, 12% cited Exchange Rates, 16% cited Business Rates, 40% cited Inflation, 40% cited Competition and 22% cited Corporate Taxation as their areas for concern.

Methodology/Background

The Quarterly Economic Survey was distributed to all businesses in Chamber membership with 178 members, 15%, responding. The results are compiled through the British Chamber network and used by the Treasury Committee of the Bank of England to help determine interest rates. Consequently the results of the survey are of key importance to all members.



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