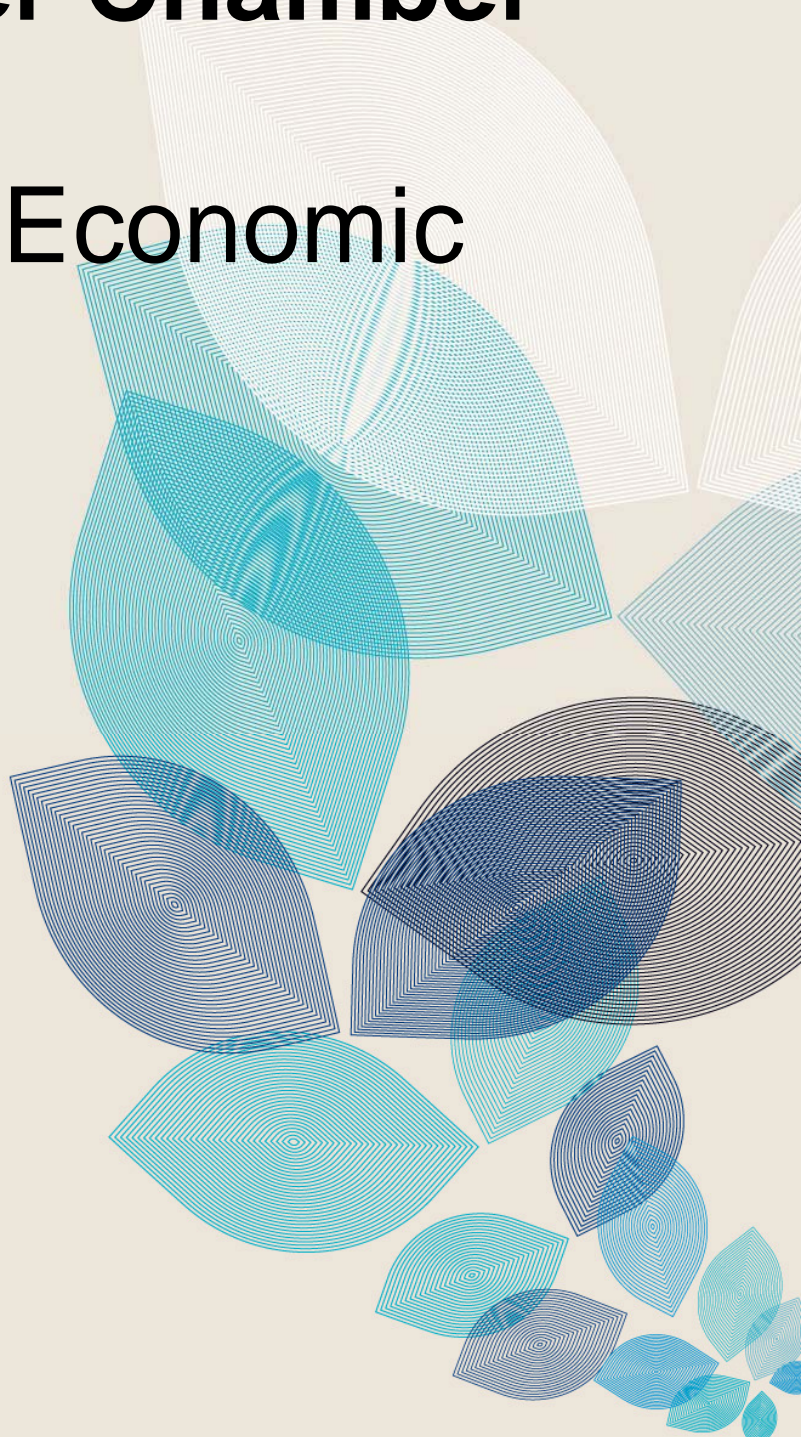


# Doncaster Chamber

## Quarterly Economic Survey

Q3 2009



Inspiring  
success in  
business

## Commentary

The findings from this survey have given us a number of reasons to be quietly confident about Doncaster's economy. Doncaster is a town that has been at a tipping point for a number of years, it is now time for the borough to go beyond that tipping point and to be one of the first towns out of traps as we look towards economic recovery.

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

- Business confidence (the expectation for profitability to improve/worsen) in the borough has again improved moving from +33% to +54% a balance not seen since Q4 '07. The service sector is 26% more confident than the manufacturing sector; however, in most other indices the manufacturing industry is showing noticeable improvements.
- The balance of businesses recording an improvement/worsening in home sales has improved dramatically moving from -17% to +18% thus demonstrating that recent improvements in confidence are now showing a cash return to Doncaster businesses. This is the first positive balance since Q2 '08.
- The cash flow statistics remain in negative territory at -8%, however they have now shown an improvement for the fourth successive quarter and it is anticipated, if sales continue to improve, that cash flow might start to show a positive return in the next three to six months. However, a lack of cash in the local economy remains a critical problem.
- Employment expectations have improved after six months of stability. The balance of businesses expecting to increase/reduce staff numbers now sits at +14%.
- Investment plans for plant/machinery (+5%) and also for staff development and training (+10%) have improved suggesting that Doncaster businesses are starting to gear up for economic recovery.

Eighteen months ago, research showed that Doncaster would be comparatively resilient to the recession and that it would be well placed to recover quickly. The findings of this survey bear that research out and I sincerely hope that Doncaster businesses can start to flex their muscles as the upturn beckons.

It is however important not to get carried away. There are still a number of challenges facing Doncaster's economy, including a significant £830m productivity gap, and the signs of recovery demonstrated by this survey are still incredibly fragile. Similarly, the national and international picture remains finely balanced and it is unlikely that we will see a v-shaped recovery.

The downturn still casts a long shadow over Doncaster, however most of the key indicators, such as confidence and sales, are at their highest point since Q1 '08. It is also very encouraging to see that the manufacturing sector, which will be a key driver of jobs in Doncaster over the next five years, is also starting to show signs of improvement with companies again starting to invest in their future.

For further information on the Quarterly Economic Survey please contact me on 01302 640113 or [dfell@doncaster-chamber.co.uk](mailto:dfell@doncaster-chamber.co.uk).

**Daniel Fell, Head of Policy**

## Doncaster Chamber – Quarterly Economic Survey – Quarter Three 2009

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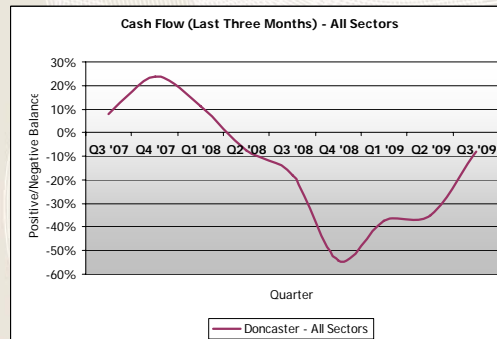
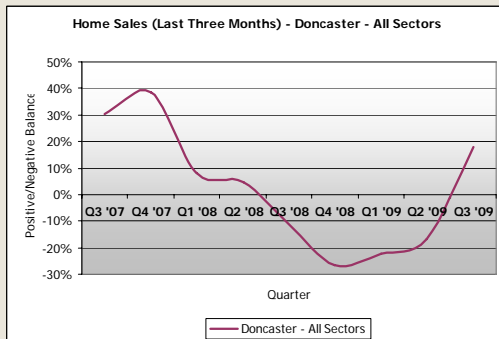
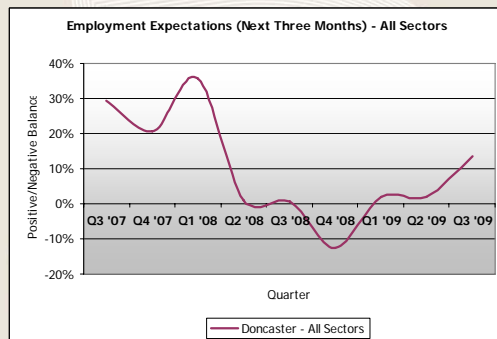
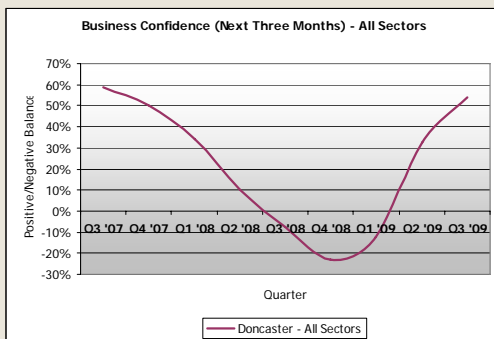
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## Doncaster Chamber – Quarterly Economic Survey – Quarter Three 2009

### At A Glance

Most key indicators are showing that the economic climate is improving for Doncaster businesses with an increasing number of firms becoming more confident that the recession is easing. For the first time this time since Q2 '08 the balance of home sales is in positive territory at +18%. Business confidence has also continued to rise and is now sitting at levels last seen in 2007.

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



### Business Confidence

Business confidence has continued to grow and is now reflecting a positive balance of +54%, this is a 21% improvement on the previous quarter.

### Employment

For the first time since Q2 '08 more businesses have taken on staff in the last three months than have let employees go. Employment expectations are also positive with +14% of businesses expecting to recruit in the next three months.

## Home Sales

Home sales in Doncaster have improved significantly, reflecting increasing in business confidence over the last six months. The balance of home sales sits at +18% which is the first time it has been in positive territory since Q2 '08. Sales have improved in both the manufacturing and service sectors with both being well above national averages.

## Cash Flow

Cash flow however remains a problem with the balance of businesses still sitting in negative territory at -8%. The figure has however steadily improved over the last year and if the trend in sales reported above continues this figure might hit positive territory in the next six months.

## Comparables: Year on Year, Quarter on Quarter

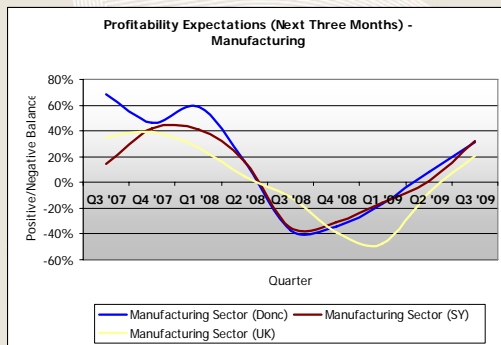
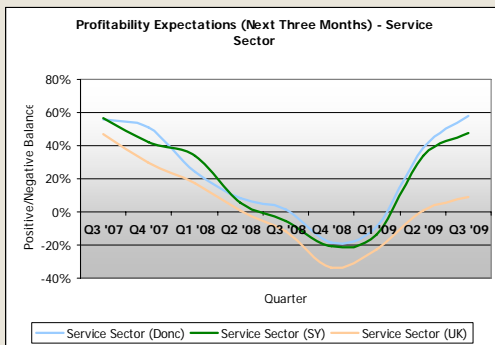
The subsequent data evidences economic comparables between Q2 '09 and Q3 '09 and also between Q3 '08 and Q3 '09. The figures indicate the balance of businesses reporting an improvement/worsening in relation to Home Sales, Cash Flow, Employment Expectations and Business Confidence. The UK is still in recession; however, the comparison between this quarter and the third quarter of 2008 shows some encouraging trends and signs of a fragile recovery.

	Q3 - '08	Q3 - '09		Q2 - '09	Q3 - '09	
<b>Business Confidence</b>	-7%	+54%	↑	+33%	+54%	↑
<b>Employment Expectations</b>	+1%	+14%	↑	+2%	+14%	↑
<b>Home Sales</b>	-11%	+18%	↑	-17%	+18%	↑
<b>Cash Flow</b>	-18%	-8%	↑	-35%	-8%	↑

## Business Confidence

Businesses confidence in the service sector has continued to rise over the last quarter having risen very dramatically in Q2 '09. The number of businesses in the service sector expecting profitability to increase over the next three months has also increased nationally but at a far slower pace than in Doncaster. The balance of businesses expecting turnover to increase in the next three months has also grown with it now sitting at +74%.

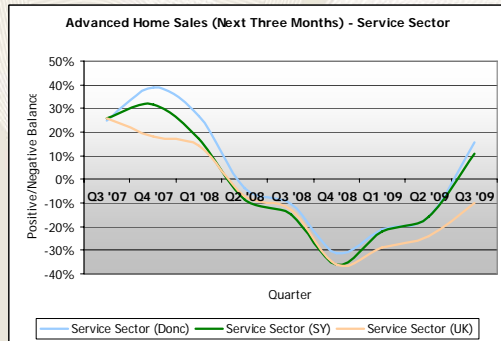
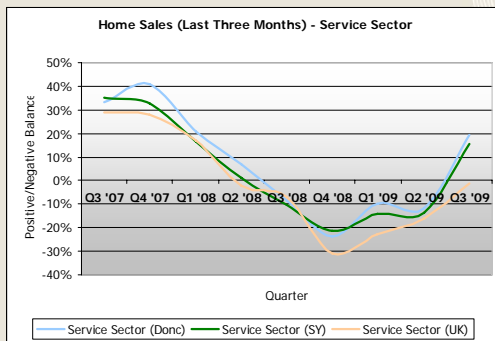
Business confidence in the manufacturing sector has also continued to rise, though at a steadier pace than the service sector and more in keeping with national trends. The balance of businesses expecting profitability to improve/worsen has moved from -8% in the previous quarter to +32% now. This is dramatic turnaround from this time last year when confidence was sitting at -37% in the manufacturing sector; the balance of expectations for turnover to improve/worsen is at +53% compared to -18% this time last year.



## UK Sales – Service Sector

Homes sales in the service sector are in positive territory for the first time since Q2 '08. Over the last three months sales in the service sector have improved by 31% and are now sitting at a balance of +19%. Nationally results have shown a positive trend for the last nine months but are yet to enter positive territory.

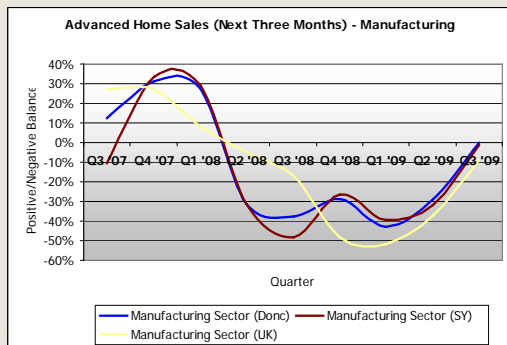
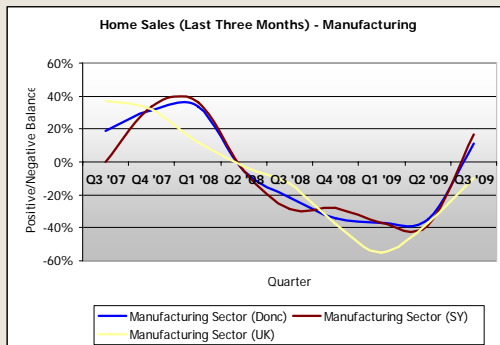
The balance for advanced sales sits at 16% compared to -16% only three months previously and -21% in the quarter prior to that; this again shows that actual sales are starting to follow recent improvements in business confidence. Doncaster's service sector is currently outperforming sub regional and national averages.



## UK Sales – Manufacturing Sector

Home sales for local and sub-regional manufacturers have improved significantly in the last three months with balances now sitting in positive territory for the first time since Q1 '08 at +11%. The picture nationally is also encouraging with balances showing a 27% improvement across the UK.

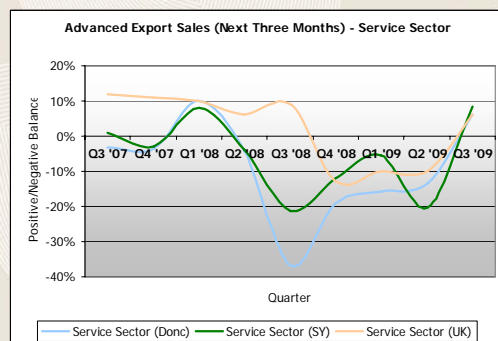
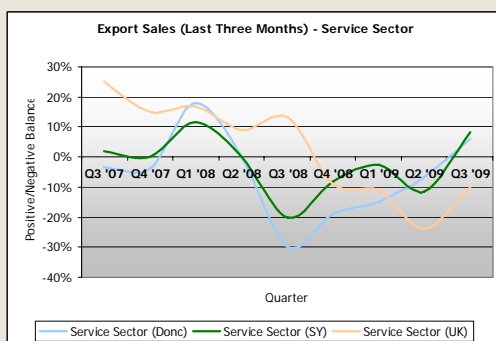
Advanced orders for home sales in the manufacturing sector have again improved but at a slower pace than home deliveries, perhaps reflecting the fragility of any recovery in the sector. The picture in Doncaster and South Yorkshire is marginally better than national averages.



## Export Sales – Service Sector

Export sales in Doncaster's service sector have grown for the fifth successive quarter showing a sustained recovery with balances now showing in positive territory (+16%). Nationally the balance is sitting at -10%.

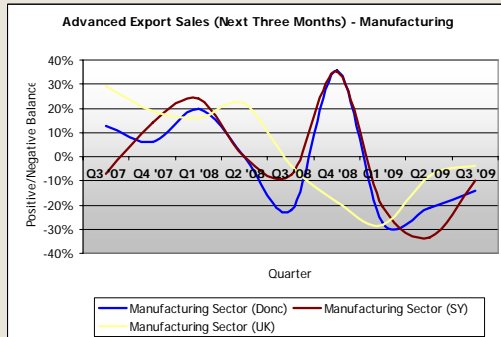
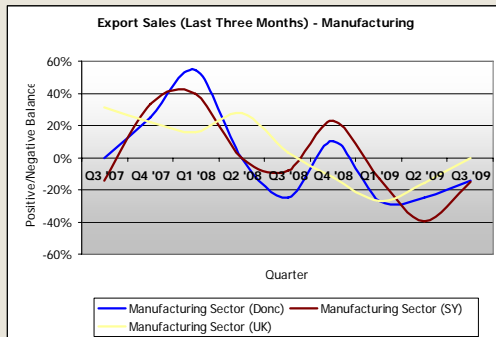
Advanced export sales in the service sector have also improved in the last quarter with the balance now sitting at +6% in Doncaster compared to -14% and -16% in the quarter prior to that. Local, sub-regional and national trends are all showing a similar balance which contrasts with this time last year when local returns fell dramatically behind national averages.



## Export Sales – Manufacturing Sector

Export sales for Doncaster manufacturers have recovered slightly moving to -14% compared to -25% in the previous quarter. Doncaster and South Yorkshire continue to lag behind national trends suggesting an increasing need for international trade to be promoted locally and for more support to be given to local manufacturers in this respect.

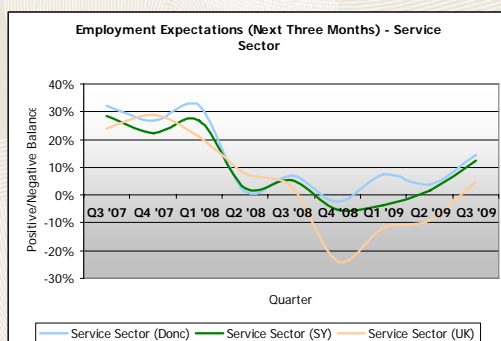
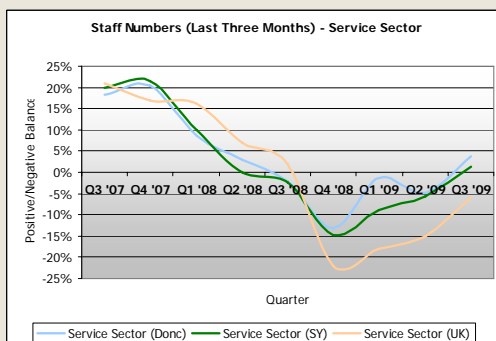
Advanced export sales are showing a modest improvement moving from a balance of -21% to -14%; however, local and sub regional performance is again falling slightly behind national averages.



## Employment – Service Sector

Balances for employment in the service sector in Doncaster are now in positive territory for the first time since Q2 '08 with a return of +4%. National trends are showing a similar improvement but remain in negative territory at -6%.

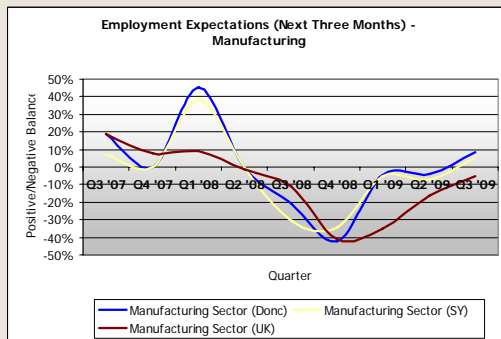
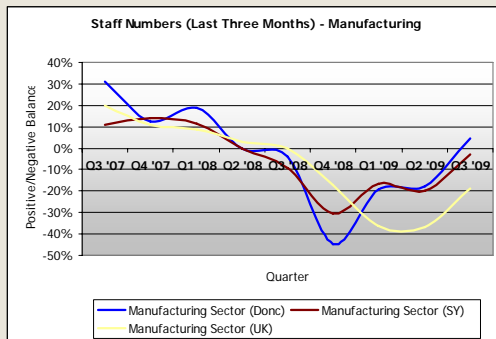
The figures for employment expectations have improved slightly in the last quarter and now sit at +15% compared to +4% in the last quarter. National trends are again improving but at a slightly slower rate than in Doncaster and South Yorkshire.



## Employment – Manufacturing Sector

The balance of manufacturing businesses in Doncaster employing/losing staff over the last three months has improved by 27% compared to the previous quarter and now sits at +5%; this is the first time it has been in positive territory since Q1 '08. The positive trend is encouraging as a recent skills survey by the Chamber has shown that the manufacturing sector is likely to be Doncaster's biggest employer over the next four years.

These results are echoed in terms of employment expectations. There has been a 13% improvement in Doncaster over the last quarter. Local and national trends are broadly similar.



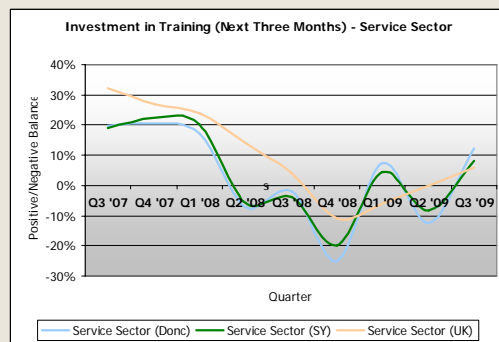
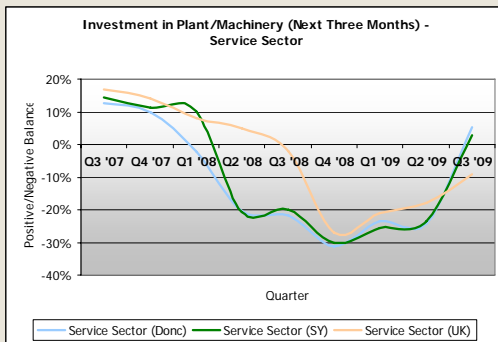
## Employment – The Bigger Picture

Over the last three months, 29% of businesses have tried to recruit staff with 71% not doing so; this compares with 18% of business trying to recruit staff in the previous quarter. Of those that did try to recruit staff 64% were for full-time positions and 36% were for part-time; these figures are consistent with results in the last quarter and also this time last year. 60% of positions being recruited are for permanent posts and 40% for temporary positions. There has been a 10% reduction in the number of permanent positions being appointed in the last three months. Of those businesses that did recruit staff, 40% reported difficulties in doing so; this contrasts with results two years ago when 62% of businesses were reporting recruitment difficulties. Where there were difficulties, they related to the following sectors: Skilled Manual/Technical (38%), Professional/Managerial (33%), Clerical (28%), Semi/Unskilled (21%).

## Investment – Service Sector

In the last three months, investment in plant/machinery in the service sector has seen a dramatic upturn with balances sitting in positive territory for the first time since Q4 '07, thus suggesting that local businesses are starting to set themselves up in readiness for the upturn. UK balances have also improved but not to the extent that they have in Doncaster.

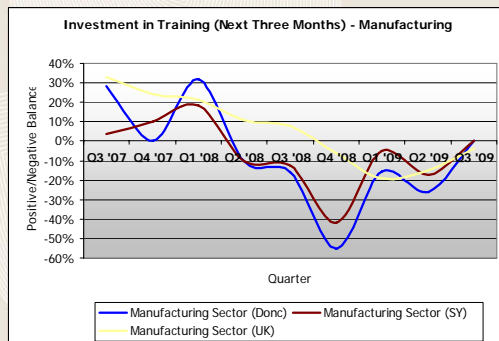
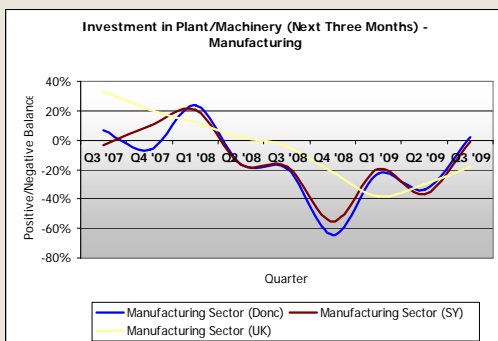
Investment in training in the service sector has also risen which is very encouraging. The balance now sits at +12%, the highest it has been since Q1 '08. Local, sub-regional and national results are all demonstrating similar trends.



## Investment – Manufacturing Sector

Investment in plant/machinery in the manufacturing sector has improved over the last quarter and is just creeping into positive territory, +2%, for the first time since Q1 '08, again suggesting that local businesses are starting to prepare for the upturn. National figures have also shown a modest improvement.

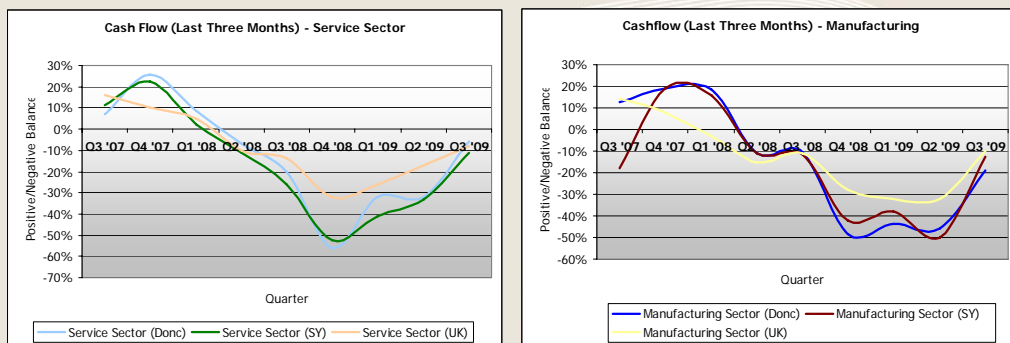
As with investment in plant/machinery, investment in training has improved slightly in the last three months in the manufacturing sector. The balance of businesses increasing/decreasing their investment in training is now at its highest since Q1 '08.



## Cash Flow

In the last three months, the balance of cash flow improving/worsening for businesses has shifted from -32% to -6% showing a steady improvement over the last three quarters. However, it is evident that cash flow problems are still affecting a significant number of Doncaster businesses; nonetheless, the figure has steadily improved since the Q4 '08 low point and if the positive trend in sales continues this figure might hit positive territory in the next six months.

Manufacturing businesses in Doncaster are still experiencing severe cash flow problems though the problem seems to have eased over the last three months with balances moving from -46% to -19%. The UK picture is slightly better than the local results with the balance sitting at -10%.



## Capacity – All Sectors

34% of businesses are operating at full capacity with 66% operating below capacity, this is a 10% increase compared to three months ago; two years previously 63% of Doncaster businesses were at capacity.

## Prices – All Sectors

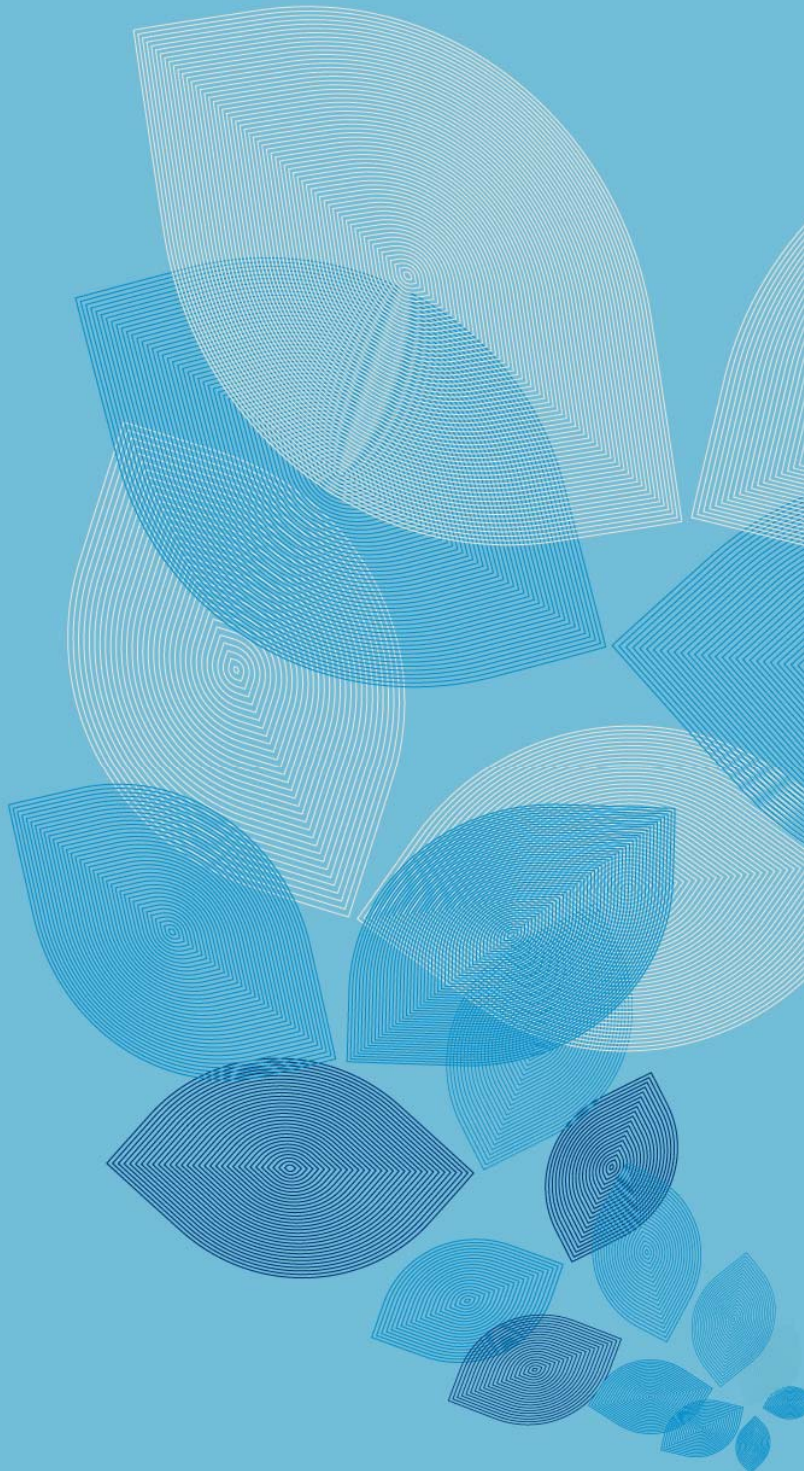
The balance of businesses expecting their prices to go up/down in the next three months is now at +21% compared with -3% in the previous quarter. Businesses are currently experiencing the following price pressures: Pay Settlements (8%), Raw Material Prices (26%), Finance Costs (16%), and Other Overheads (28%).

## External Pressures – All Sectors

Businesses were asked to identify what external factors were of concern to them, 20% cited Interest Rates, 11% cited Exchange Rates, 22% cited Business Rates, 37% cited Inflation, 35% 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 271 members, 22%, 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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