

Doncaster Chamber

Quarterly Economic Survey:

Q2 2009

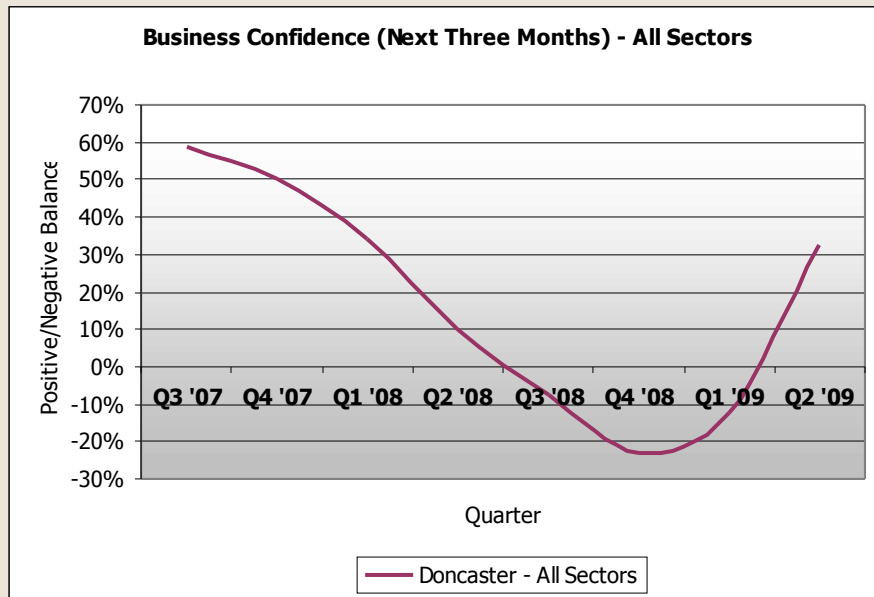


Doncaster Chamber – Quarterly Economic Survey – Quarter Two 2009

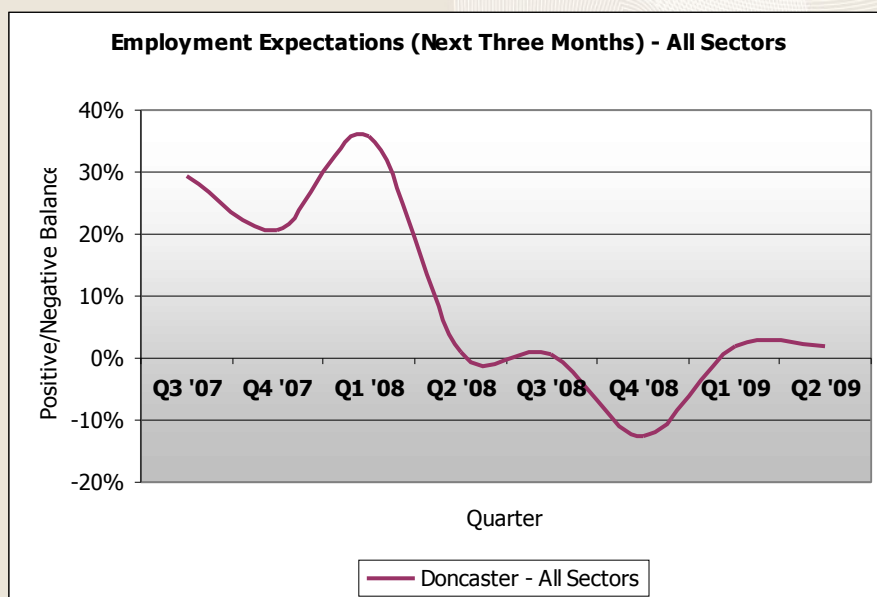
At A Glance

Business confidence in Doncaster has increased significantly in the last three months, suggesting that a large number of businesses are becoming increasingly optimistic about an easing of the recession. Other key performance indicators indicate that the economic climate is improving in Doncaster, with the town repeatedly returning more positive results than UK averages.

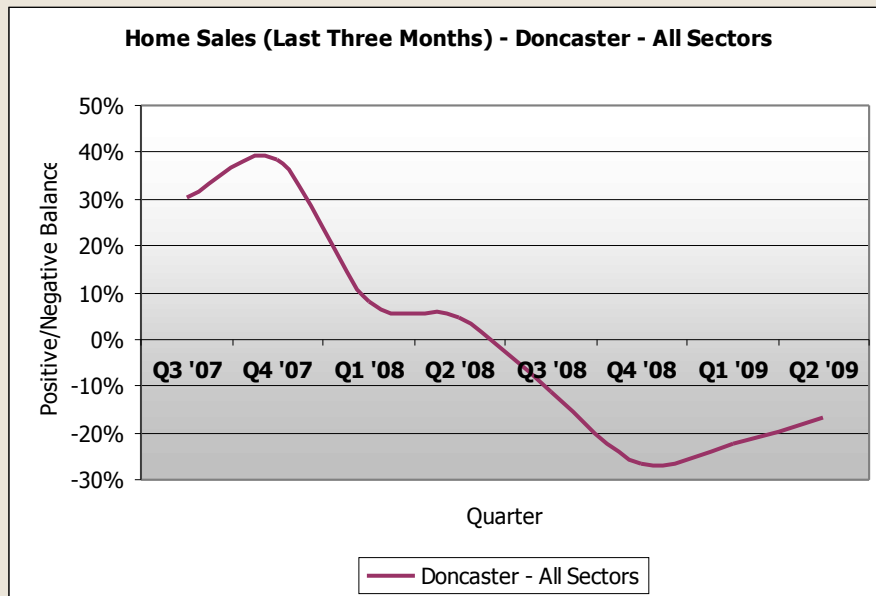
The following charts provide an overview of the critical balances in the Doncaster economy.



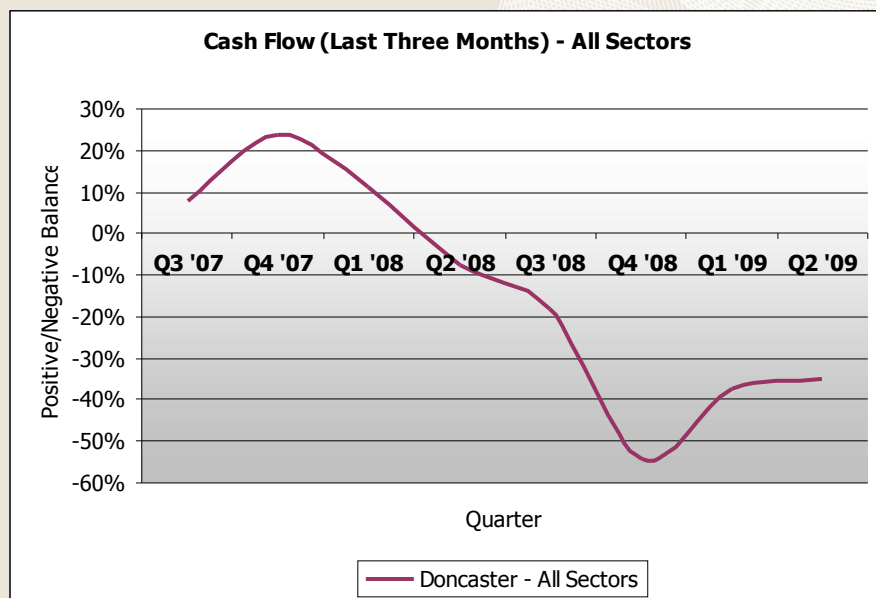
Business confidence has continued to grow and at a remarkable pace and is now reflecting a positive balance of +33%; the first time that business confidence has shown a positive balance since Q1 2008.



The number of businesses making redundancies has reduced slightly for the second quarter in a row, however businesses are still cautious about taking on new recruits - the balance remains comparatively similar to the last quarter at +2%.






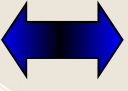




House sales in Doncaster remain weak, with the balance sitting at -19% and large numbers of businesses still reporting a decrease in sales; however things have improved for the second quarter in a row suggesting a modest recovery.



Cash flow remains a problem with the balance of businesses reporting an improvement/worsening of cash flow at -35%. This is a 2% improvement on the last quarter and again indicative of a slight recovery; yet it does suggest that Doncaster remains an economy comparatively starved of cash.

Comparables: Previous Year/Previous Quarter

The subsequent data evidences economic comparables between Q1 09 and Q2 08. The figures indicate the balance of businesses reporting an improvement/worsening in relation to Home Sales, Cash flow and Employment Expectations and Business Confidence. The UK is still deep in recession, but the comparison between this quarter and the second quarter of 2008 shows some encouraging signs, not least an increase in business confidence, but also in employment expectations.

	Q2 – '08	Q2 – '09		Q1 – '09	Q2 – '09	
Business Confidence	+10%	+33%		-12%	+33%	
Employment Expectations	+1%	+2%		+2%	+2%	
Home Sales	+4%	-17%		-22%	-17%	
Cash Flow	-8%	-35%		-37%	-35%	

Key Points

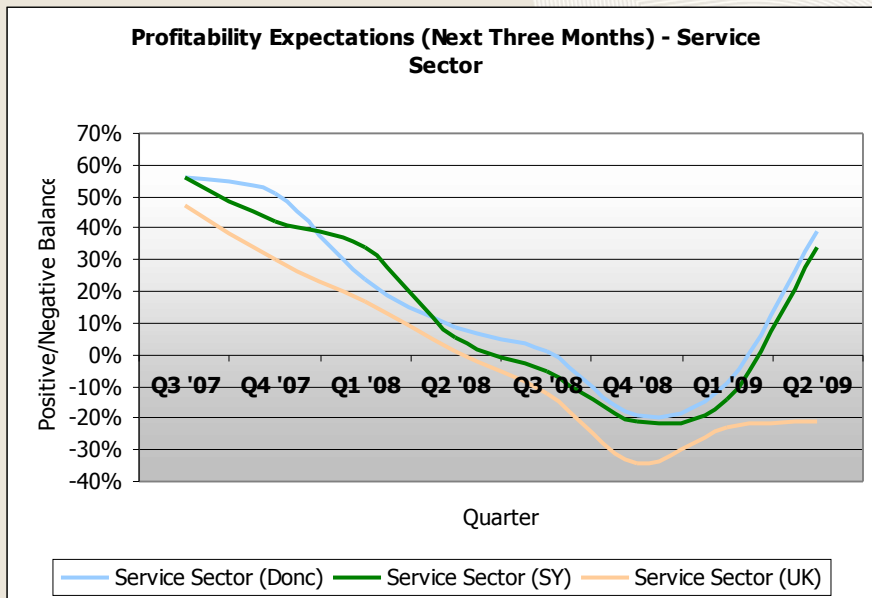
Key points arising from this Quarterly Economic Survey:

- There are reasons to be cautiously optimistic about the Doncaster economy. Business confidence (the expectation for profitability to improve/worsen) in the borough has improved dramatically, moving from -12% to +33% in the last three months, returning to a level not seen since Q1 '08; this compares well alongside national averages. Other key indicators such as sales, employment and cash flow are less encouraging, yet they do appear to have levelled.
- The balance of businesses recording an improvement/worsening in home sales has moved from -23% to -17%, evidencing a continuing upward trend over the last six months and again giving cause to be optimistic. However, Q2 08 showed a positive balance of 4%, suggesting the continued depth of the recession.
- The cash-flow statistics suggest a slight improvement (a movement from -37% to -35%), yet continue to illustrate the prominence of the issue for local firms.
- Employment expectations have remained stable over the last three months with the balance of those questioned expecting to recruit/lose staff at +2% for the second successive quarter.
- The previous quarter showed an upturn in investment plans in terms of both plant/machinery and also training. This has proved to be an anomaly, as Doncaster has now fallen behind the national average in a number of instances. This is particularly true of the manufacturing sector.

Doncaster Chamber – Quarterly Economic Survey – Sector By Sector

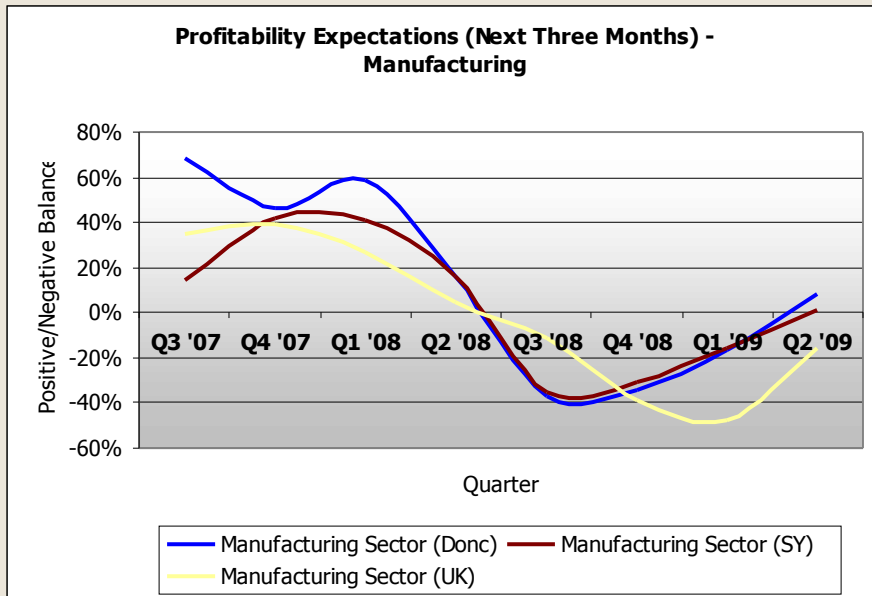
Business Confidence – Service Sector

Businesses confidence in the service sector has risen dramatically over the last quarter with the balance of businesses expecting profitability to improve/worsen over the next three moving from -9% to +39%. It must be noted that this reflects a similar rise in the South Yorkshire area as a whole, yet the data also shows that the service sector in Doncaster is fairing better than the national average by staggering 60%. The balance of businesses expecting turnover to increase in the next three months has also grown again with it now sitting at +42% compared with +11% in the previous quarter and -8% in the quarter prior to that.



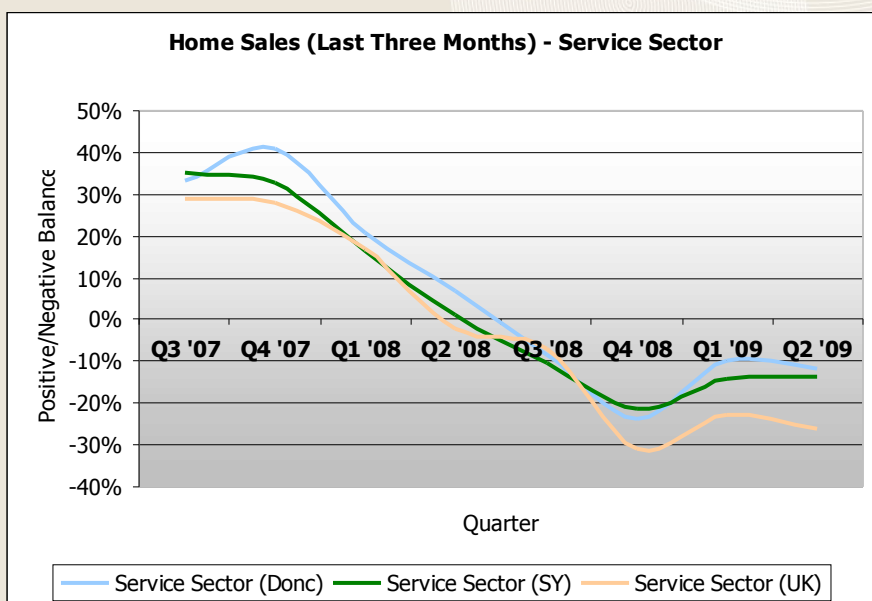
Business Confidence – Manufacturing Sector

Business confidence in the manufacturing sector has also continued to rise, returning to levels not seen since Q2 '08. The balance of businesses expecting profitability to improve/worsen has moved from -17% in the previous quarter to +8% now. Nationally, confidence in the manufacturing sector has also started to return but at a much slower pace than in Doncaster and South Yorkshire; the balance of expectations for turnover to improve/worsen have gone from -13% to +20% again showing an increase in confidence.

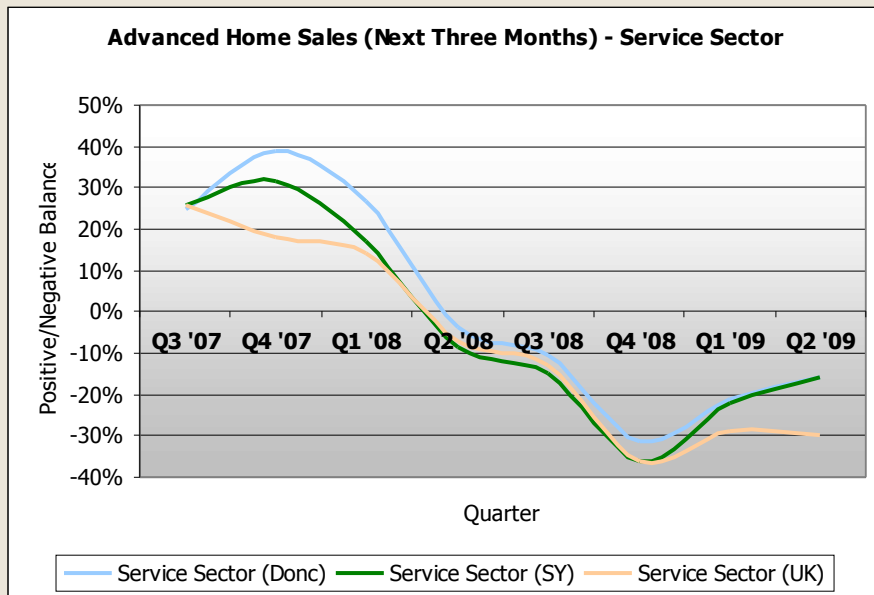


Home Sales – Service Sector

In the last three months, the balance of home sales improving/worsening has remained comparatively flat suggesting that improvements in confidence are yet to show a return on the bottom line. In the last quarter, home sales have dropped in the service sector by 2%. This trend almost identically mirrors national results.

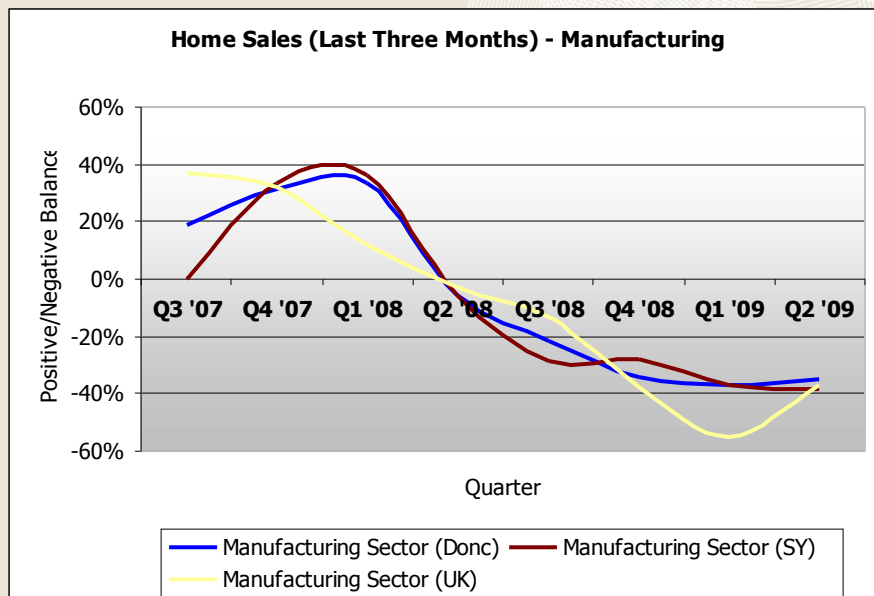


The balance for advanced sales sits at -16% compared to -21% three months ago and -4% a year ago; again Doncaster is slightly outperforming the national average.

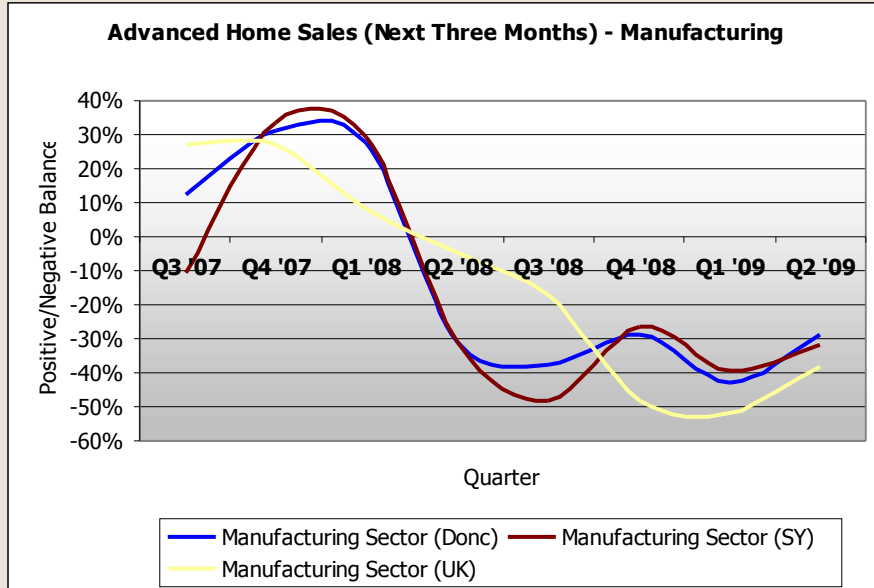


UK Sales – Manufacturing Sector

Home sales for local manufacturers seem to have levelled slightly with the balance improving by 2% over the last quarter to -35% compared with -37% in the previous quarter. Nationally, manufacturing has made more significant strides forward with UK and Doncaster balances now being broadly the same.

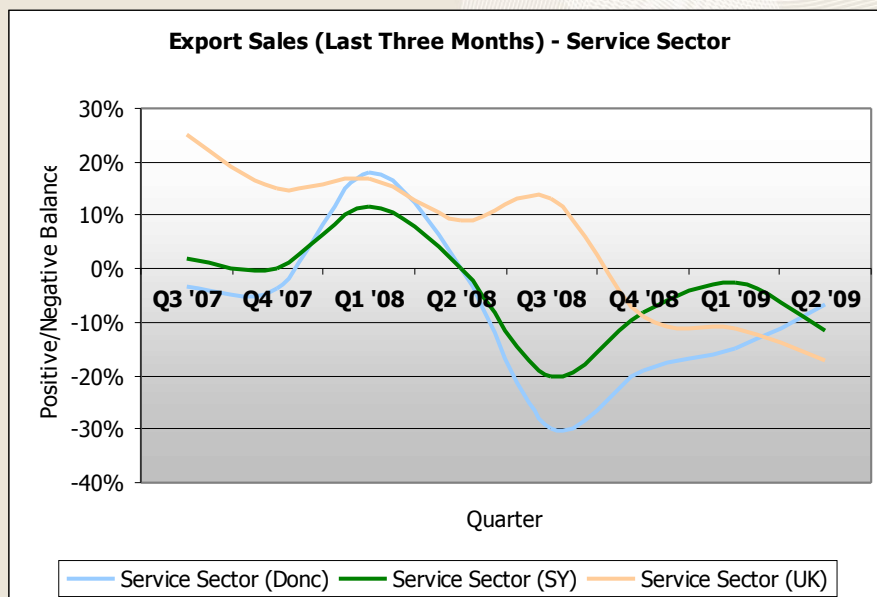


Advanced orders for home sales in the manufacturing sector have improved slightly over the last quarter with the balance moving from -43% to -29%; this demonstrates the ferocity of the downturn for local manufacturers but it is noteworthy that the sector continues to fair better in Doncaster than the national average.

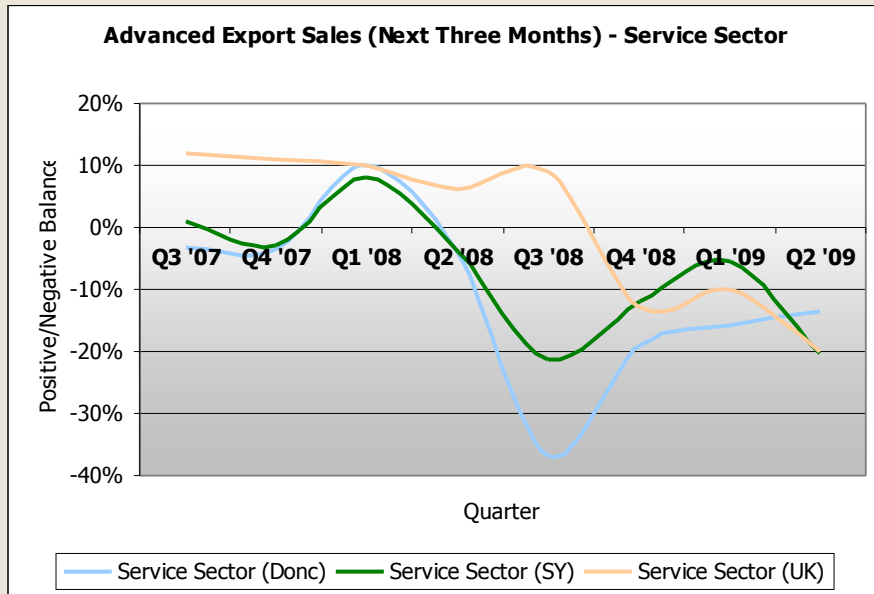


Export Sales – Service Sector

Q1 09 suggested a modest improvement in export sales; that seems now to have been established as a trend, as for the second quarter in a row, the overall balance of exports sales improving/worsening increased, this time from -15% to -7%.

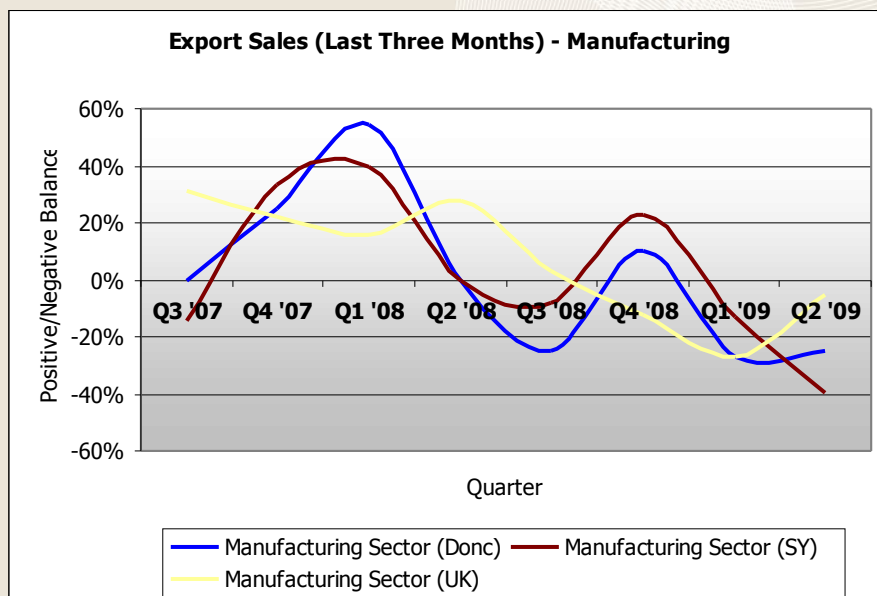


Advanced export sales in the service sector showed a modest improvement over the last quarter, with the balance moving from -16% to -14%; this compares with a decline in national balances from -10% to -20%.

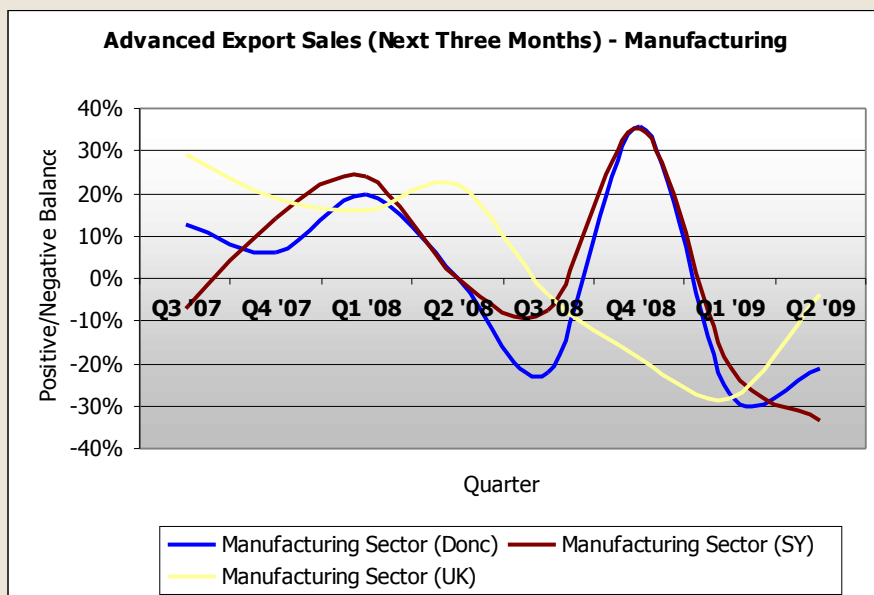


Export Sales – Manufacturing Sector

Export sales for Doncaster manufacturers have recovered marginally, increasing from -27% to -25%. Doncaster and South Yorkshire have now fallen behind national trends, suggesting a requirement for local manufacturing businesses to be given more international trade support.

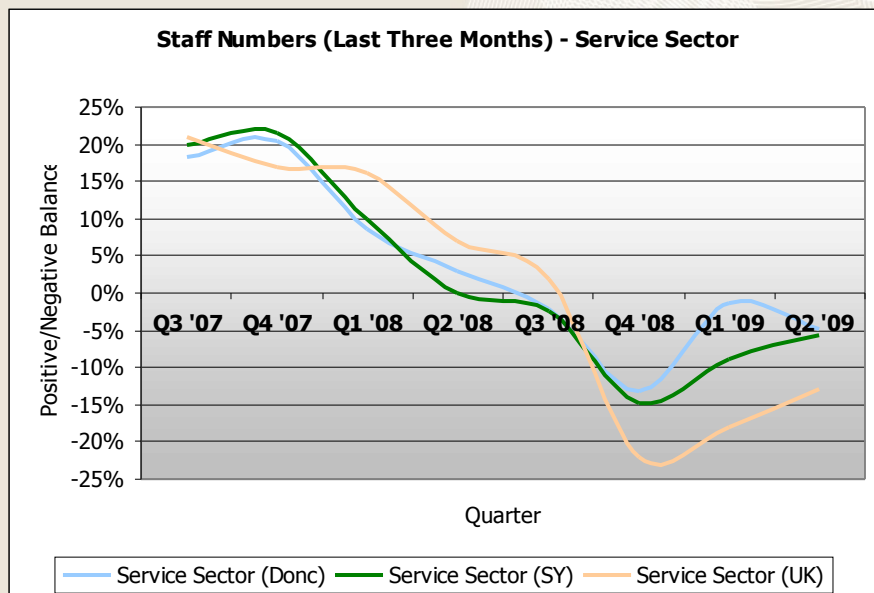


Advanced export sales portray a similar improvement (from -27% to -21%), yet again falling behind national trends.

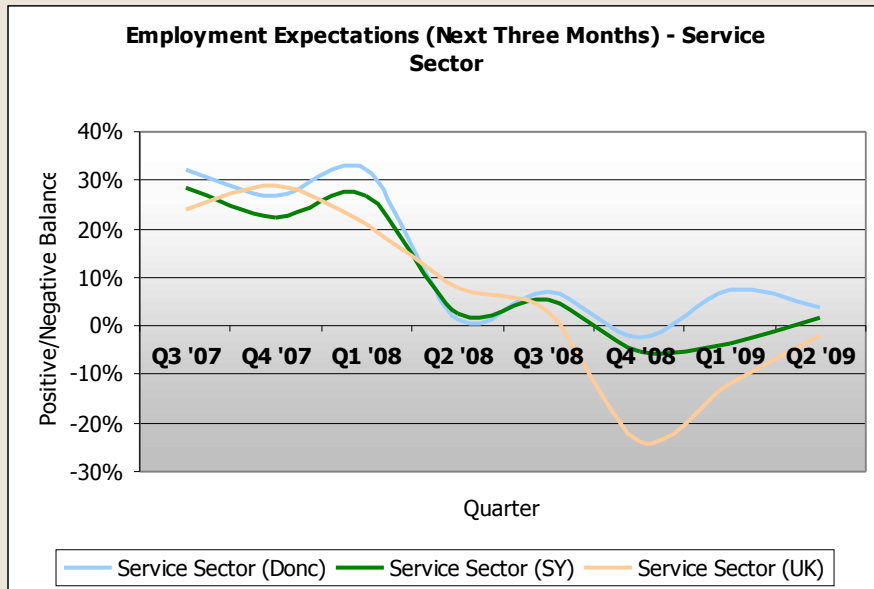


Employment – Service Sector

Balances for employment in the service sector have dropped slightly in the last three months from -1% to -5%; this contrasts with improvements both sub regionally and nationally. It must be considered however, that the figures still compare well to national levels.

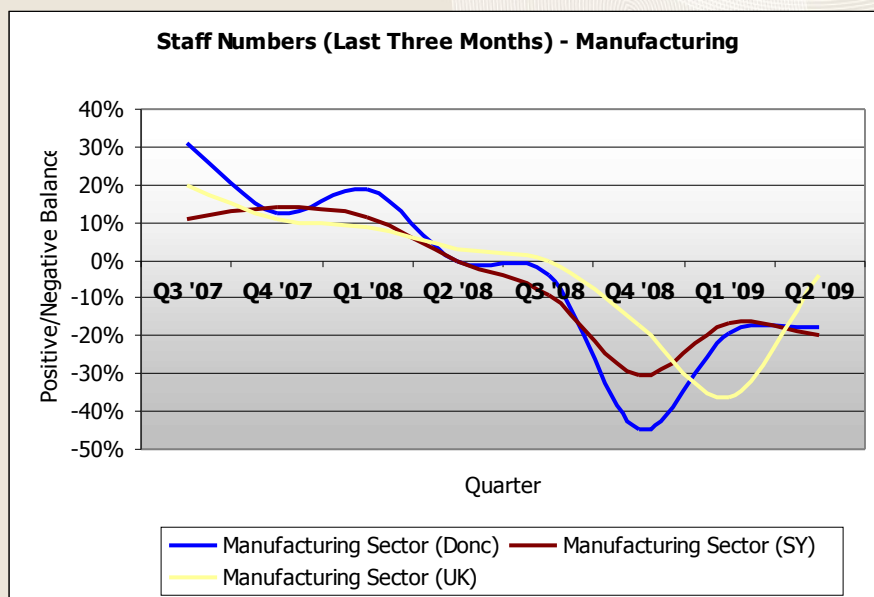


The figures for employment expectations have also dipped slightly but, combined with the figures for profitability expectations, give reason to be mildly optimistic. The data also indicates that the service sector in Doncaster may be able to re-employ people quicker than the national average, though this gap is now closing.

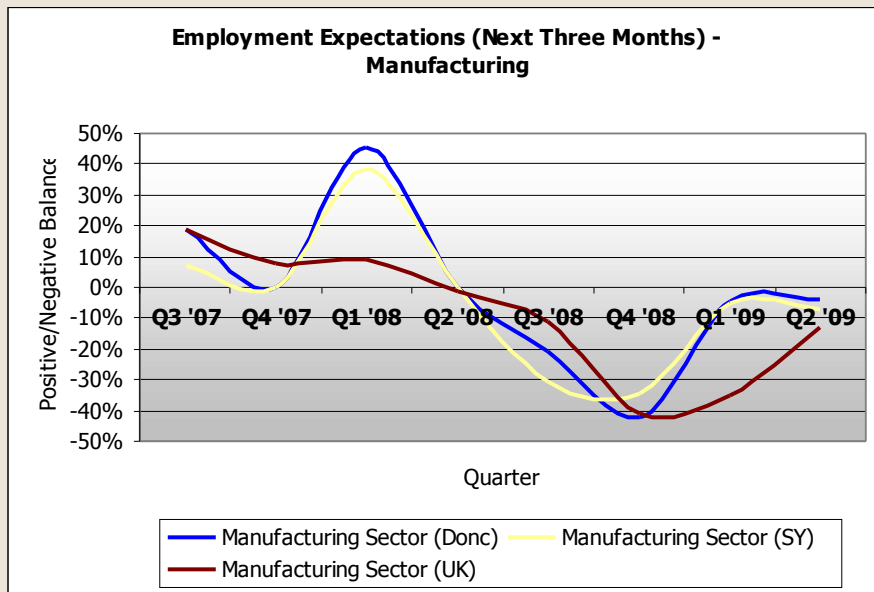


Employment – Manufacturing Sector

The balance of manufacturing businesses in Doncaster employing/losing staff over the last three months sits at -18% compared to -19% three months ago and -45% six months ago. This shows that recovery has slowed somewhat in the last three months, particularly when compared with national averages which show a more substantial improvement in employment terms.



These results are echoed in terms of employment expectations in the manufacturing sector which have remained comparatively flat over the last three months; again Doncaster is fairing better than the national average.

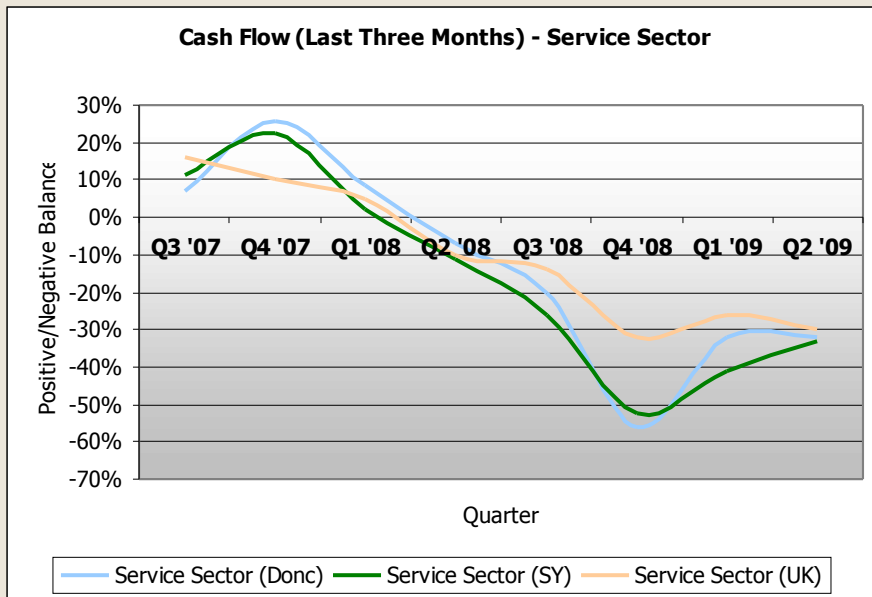


Employment – The Bigger Picture

Over the last three months, only 18% of businesses have tried to recruit staff with 82% not doing so; these figures show a comparatively sharp reduction from the last quarter when 30% of businesses reported attempts to recruit staff. Of those that did try to recruit staff 63% were for full-time positions and 37% were for part-time; this demonstrates a 14% rise in the number of businesses recruiting part time staff compared to this time last year. 70% of positions being recruited are for permanent posts and 30% for temporary positions. There has been a 6% reduction in the number of permanent positions being appointed in the last three months. Of those businesses that did recruit staff, only 28% reported difficulties in doing so. Where there were difficulties, they related to the following sectors: Skilled Manual/Technical (30%), Professional/Managerial (61%), Clerical (9%), Semi/Unskilled (18%).

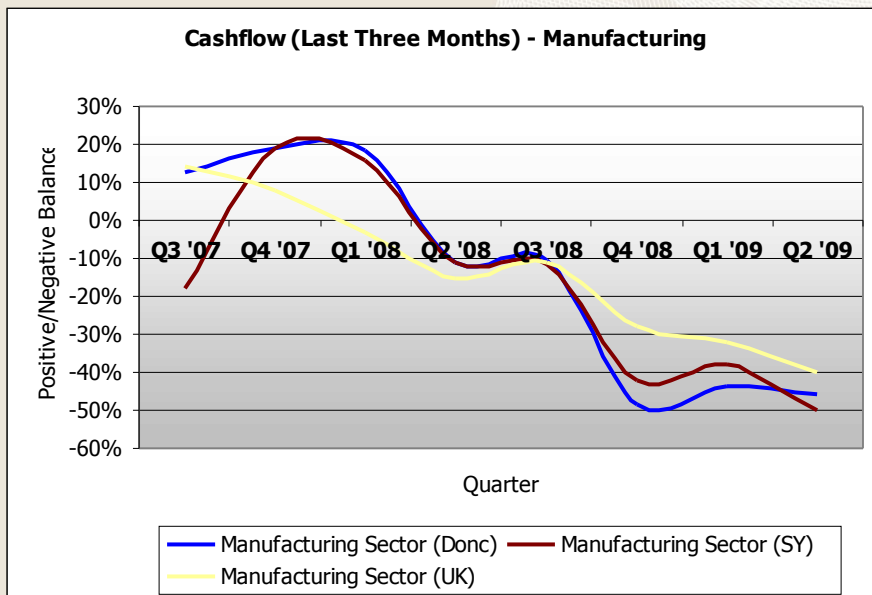


In the last three months, the balance of cash flow improving/worsening for businesses operating in the service sector in Doncaster has remained fairly constant at -32%.



Cash Flow – Manufacturing

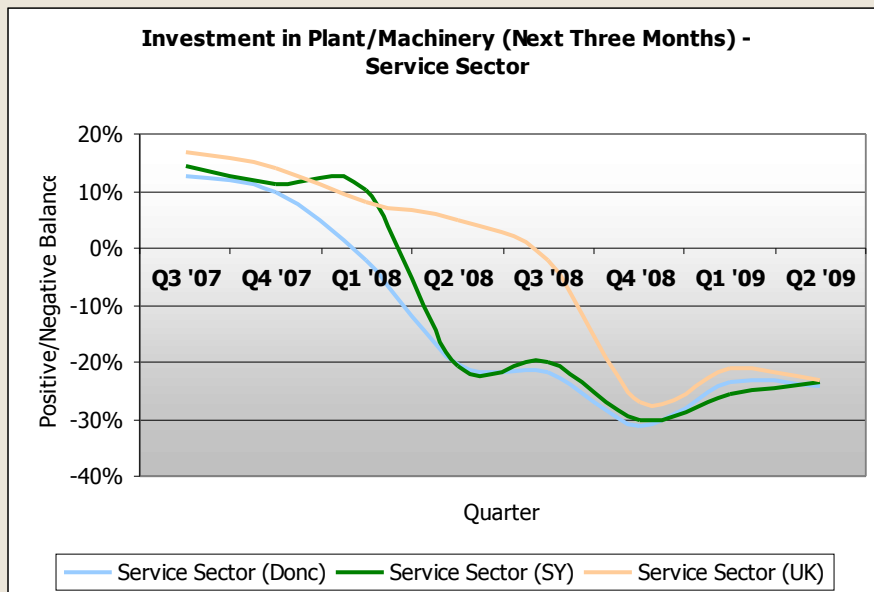
Manufacturing businesses in Doncaster are still experiencing severe cash flow problems; the balance remains at -46% - significant, as it suggests the situation has not worsened.



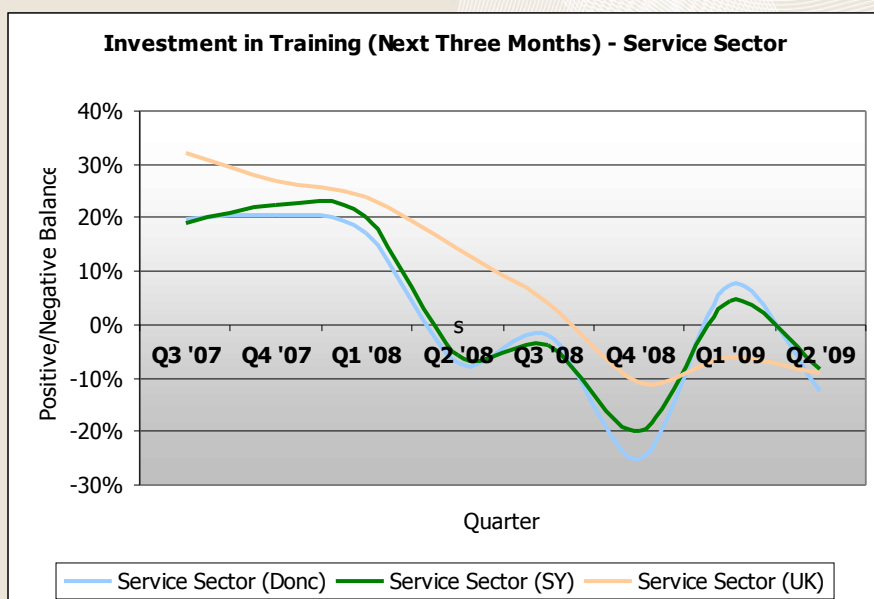
Investment – Service Sector

Inspiring
success in
business

In the last three months, investment in plant/machinery in the service sector has remained constant with the balance still sitting at -24%. Local, sub-regional and national results all reflect a very similar trend suggesting that businesses are still reluctant to make substantial investments.

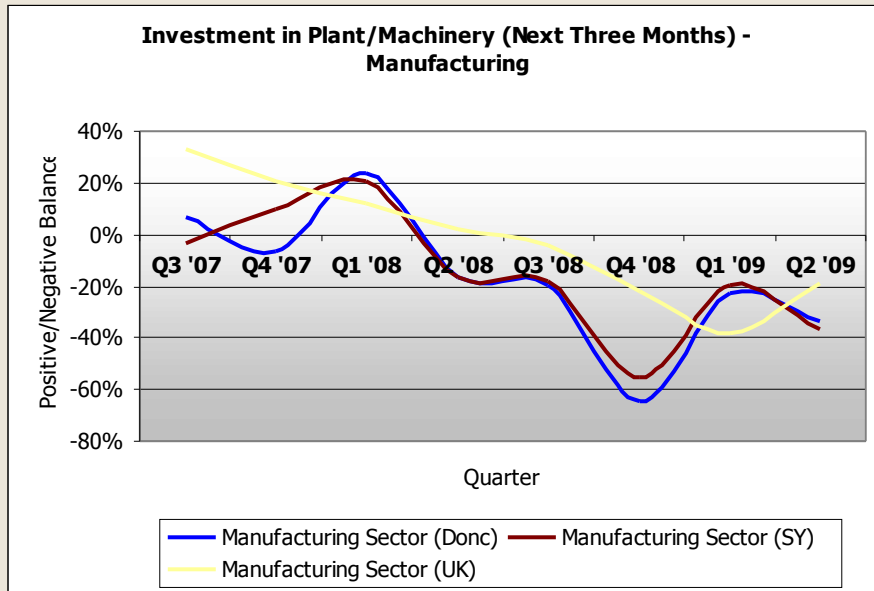


Investment in training in the service sector has fallen again, suggesting that the rise in the previous quarter was in-fact an anomaly. The balance now sits at -13% compared to +7% only three months ago. This is still an improvement compared to six months previous, when the balance sat at -25%. The skills agenda remains the top priority for Doncaster's economic competitiveness and it is imperative that the below trend is reversed if Doncaster is to make a good recovery from the recession – the Chamber's Business and Skills Survey lays out a strategy for doing this.

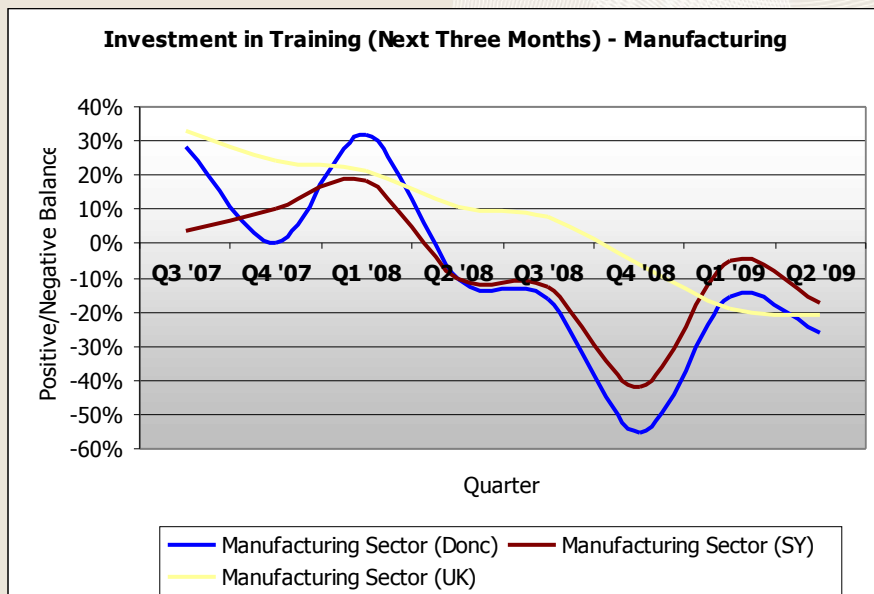


Investment – Manufacturing Sector

Investment in plant/machinery in the manufacturing sector has fallen in the last three months to -33% - a clear demonstration of the impact of poor cash-flow on businesses' ability and/or willingness to invest. The figures for national manufacturing investment seem to suggest that the sector in Doncaster is less resilient.



As with investment in plant/machinery, investment in training has dipped slightly in the last three months in the manufacturing sector. The balance of businesses increasing/decreasing their investment in training has now been negative for over fifteen months – reinforcing the notion that training is the first budget business chooses to cut during a recession.



Capacity – All Sectors

24% of businesses are operating at full capacity with 76% operating below capacity, this is a 3% reduction compared to three months ago and a sharp contrast to this time last year when 50% of companies were operating at capacity.

Prices – All Sectors

The balance of businesses expecting their prices to go up/down in the next three months is now -3%, a stark contrast with twelve months ago, when 45% of businesses expected to put their prices up.

Businesses are currently experiencing the following price pressures: Pay Settlements (9%), Raw Material Prices (21%), Finance Costs (10%), and Other Overheads (21%).

External Pressures – All Sectors

Businesses were asked to identify what external factors were of concern to them, 20% cited Interest Rates, 12% cited Exchange Rates, 16% cited Business Rates, 40% cited Inflation, 29% cited Competition and 20% cited Corporate Taxation as their areas for concern.

Methodology/Background

The Quarterly Economic Survey was distributed to all businesses in Chamber membership with 353 members, 29%, 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.

For further information on the Quarterly Economic Survey please contact Daniel Fell, Head of Policy, on 01302 640113 or dfell@doncaster-chamber.co.uk.