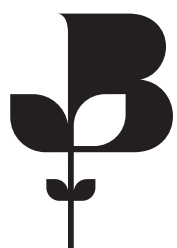




**2022**

# QUARTERLY ECONOMIC REPORT



Mid Yorkshire  
Chamber of Commerce

IN PARTNERSHIP WITH



Working in  
partnership  
with the





**Martin Hathaway**  
Managing Director  
Mid-Yorkshire Chamber of Commerce

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Welcome to the Q2 Quarterly Economic Report 2022.

I am pleased to see the B2B domestic sales growth progressing this quarter. It's a positive sign for the months ahead as our recovery is very much still underway.

It is concerning that our manufacturing sales appear to have slowed. Yorkshire, a historically proud manufacturing region, has the tools, skills and ambition to be at the forefront of British and global manufacturing.

But it is crucial that we see greater Government support and levelling up action to truly propel our region to the heights that we have the talent to reach.

Our region, as well as the nation as a whole, is still experiencing difficulty recruiting. While it is fantastic news for individuals that they have a choice about where they want to work and the careers they pursue, this is often leaving firms with gaps to fill, potentially having to outsource work, increasing the strain on the already stretched purse strings.

With fuel prices and the overall cost of living on the rise, companies need a full, productive team behind them to weather the storm.

I would like to thank all those who took part in the Quarterly Economic Survey. Your contributions are incredibly valuable and help us campaign for accurate, appropriate and relevant support across Halifax, Huddersfield and Wakefield.

If you'd like to share further insight or discuss what these results mean for you, please contact [getconnected@mycci.co.uk](mailto:getconnected@mycci.co.uk).



**Mark Roberts**  
Chair  
Leeds City Region Enterprise Partnership

This quarter's survey results provide cause for concern for businesses across the UK and West Yorkshire. A number of factors are at play, weakening the supply-side of the economy: recruitment challenges, rising input prices and the impacts from the War in Ukraine all pose threats to local businesses. Whilst these supply headwinds and pricing volatility make for challenging times, there remains strong demand for goods and services, both domestically and internationally.

Whilst international markets remained relatively challenging across the region, there is evidence of recovery post-Covid, with export sales and orders continuing to rise, albeit at a slower rate than during the previous quarter. There is some evidence of a negative impact following on from the UK's exit from the European Union, with exporting manufacturers reporting some difficulties in trading with member states.

Inflation is the greatest challenge currently facing the majority of businesses. With CPI rising to 9.1% in the past month, and forecasts suggesting a peak above 10% in late 2022, it is likely that this issue will persist in at least the short to medium term. This is something that businesses within the region are all too aware of, with business concerns around inflation reaching a 30-year high.

Linked to this is the increase in input prices that are currently impacting both services and manufacturing firms alike. Producer input prices

rose by 22.1% in the twelve months to May 2022, the highest producer input price inflation since records began in 1985. This is being driven largely by fuel and metal prices, hitting the manufacturing sector particularly hard.

Recruitment has remained challenging, particularly in the manufacturing sector, where vacancies at the UK level have reached their highest levels in 20 years. 77% of manufacturing firms, and 58% of service firms, report having experienced recruitment difficulties within the last three months. It is, however, worth noting that the number of payrolled employees in West Yorkshire is 3% higher than pre-pandemic levels.

Sales growth in both the manufacturing and service sectors have been greater in West and North Yorkshire than the pan-Northern and national figures domestically, and service exports have performed strongly when compared to England as a whole. This provides West and North Yorkshire with a key opportunity to lead the way to economic recovery for the nation.

Businesses can access support through the LEP's Business Support Service by calling the helpline on 0113 348 1818, or by emailing [businesssupport@the-lep.com](mailto:businesssupport@the-lep.com)



**Robin Tuddenham**  
Chief Executive  
Calderdale Council

We understand that the cost of living crisis is a worrying time for local businesses and residents. Supporting our local economy to ensure we have sustainable towns remains one of our key priorities. This is about maintaining our range of longstanding support and advice to individual businesses, plus our wider work as a place to build thriving, independent retail, diverse local businesses and a rich cultural and artistic life that harnesses Calderdale's heritage and landscape.

Calderdale has strong, distinctive market towns, which are well-established with kind, resilient, talented and enterprising people and businesses at their heart. We are investing in our towns at an unprecedented level to revitalise them and build on their success. This includes the Brighouse and Todmorden Town Deals, which will see the multi-million-pound plans to boost the towns submitted to Government over the next two months.

We recognise the recruitment challenges that local businesses are facing. We are addressing this in a number of ways, such as through our Employment Hub. This free service helps people into employment and supports businesses to recruit the right talent. The new UK Shared Prosperity Fund will support high-quality skills training, and employment, pay and productivity growth. This will support our commitment to strong and resilient towns and the reduction of inequalities.



**Denise Jeffery**  
Leader  
Wakefield Council

This report rightly highlights that businesses are facing more difficult times, and also that the cost of living crisis is impacting on spending and consumer behaviour. It is vital that business, councils and other partners work together to get us all through these challenges.

We in Wakefield will continue to attract investment and look to grow and support both businesses and jobs, as well as seek to help those in difficulty. We need resilient local economies that work for everyone, and our shared aim should be to deliver and sustain those, both locally and across our wider region.



**Jacqui Gedman**  
Chief Executive  
Kirklees Council

The economic outlook highlighted in this quarter's survey reflect the complex and inter-related issues that have been reported previously – significant rises in energy, transport and raw materials costs and other inflationary pressures; recruitment challenges and supply chain disruption. The terrible war in Ukraine continues to cast a large shadow over the global economy.

Unlike previous quarters, the survey points to some evidence of falling business confidence and demand, which is clearly a concern. It will be important to monitor these trends over the coming months. Encouragingly, the Council's business team continues to support a number of local SMEs that are seeking to invest in their long-term growth and strengthen their presence in the area.

Whilst the Council has no influence over the wider macro-economic factors highlighted in the report, there are two key areas where we are supporting local business resilience:

- extending business rate relief for the 2021/22 financial year to those sectors which have not previously benefitted from Government rate relief schemes
- working with local businesses to support local recruitment and upskill their workforce through our Works Better and Apprenticeships for All programmes.

Alongside key partners like the Mid Yorkshire Chamber, we'll continue to work with local businesses to support their resilience and growth over the coming months."



### METHODOLOGY

This quarter there were 272 respondents of business owner / senior manager / director / partner status. 53% of the sample was actively trading internationally. Businesses were surveyed by telephone or by online questionnaire between the periods 16th May and 13th June 2022.

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

### DOMESTIC SALES

Manufacturers report a slowing in the pace of growth this quarter, in part we attribute this to supply challenges but with extreme volatility around costs and pricing some of this may be down to projects being paused. Elsewhere the services sector overall saw a growth in net balance driven by B2B services.

### EXPORT SALES

Export net balances fell across the board with manufacturing and services reporting a slowing in the pace of growth.

### EMPLOYMENT

Job vacancies across the country remain at record highs but recruitment also remains challenging with over three quarters of manufacturers reporting difficulties in the last quarter. Head counts continue to rise within the services sector with all subsectors reporting recruitment activity. 58% of service sector reported difficulties recruiting however.

### INVESTMENT

Training and capital investment slowed in the last quarter across all sectors as strong inflationary headwinds slow the pace of growth and companies look to retain cash in their business.

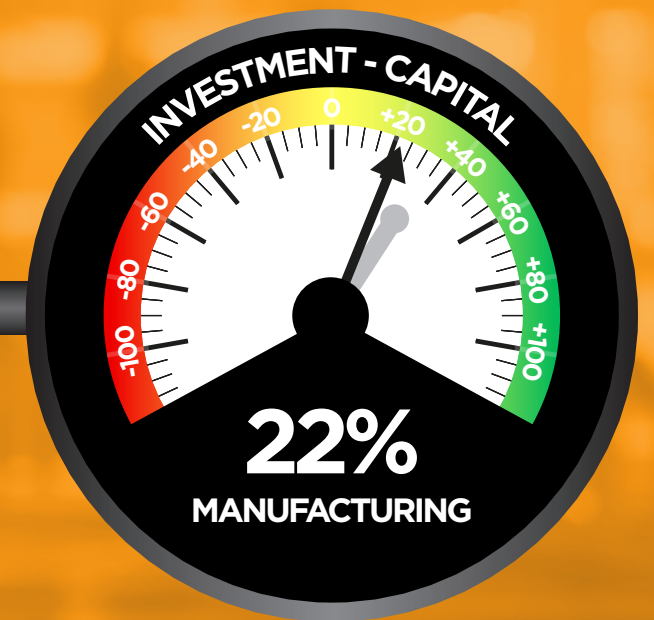
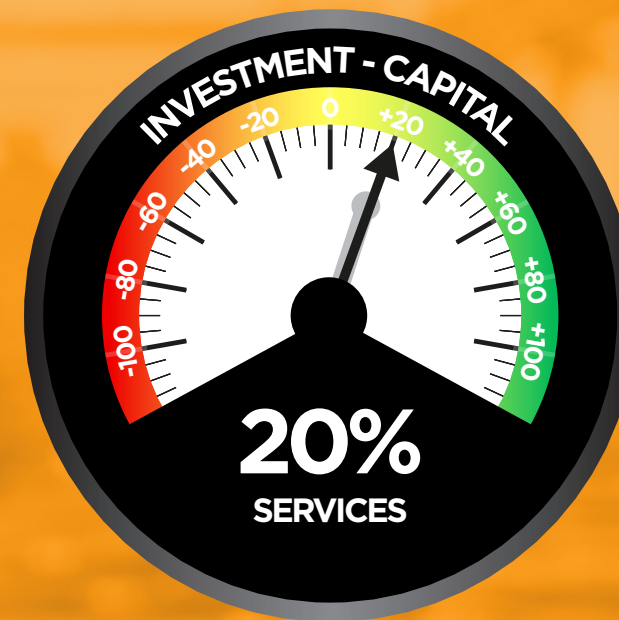
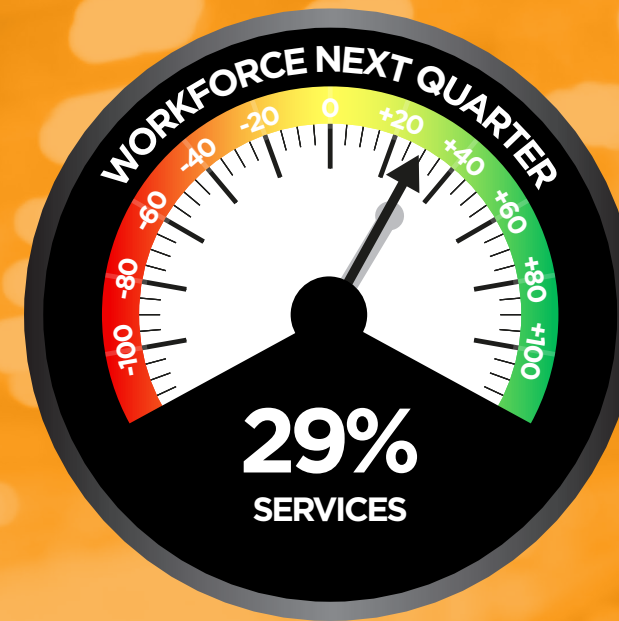
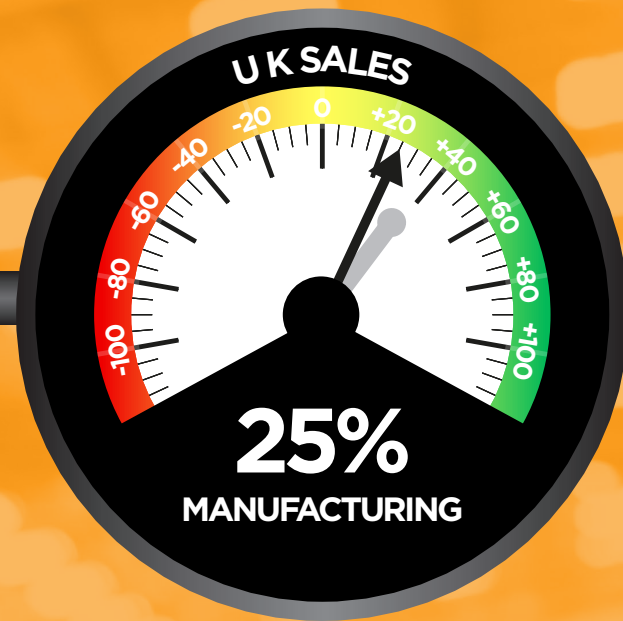
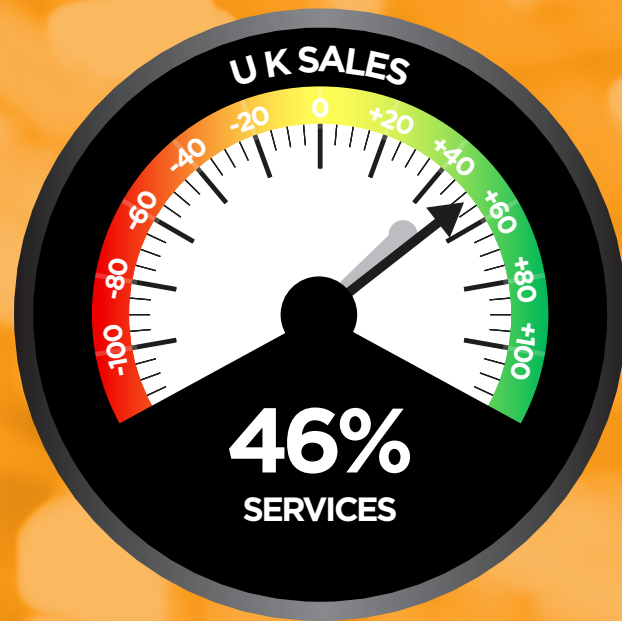
### BUSINESS CONFIDENCE

Firms report significant drops in confidence over the last quarter as turnover and profitability expectations slow dramatically. Driven by inflationary pressures, labour costs, energy and also additional tax burdens as rises in employer national insurance take effect.

### BUSINESS COSTS AND CONCERNS

Spiralling energy and fuel costs and significant inflationary pressures remain the top concerns for businesses. This is strongly reflected in expectations to increase prices, our measure for which has reached a new record high for the third time in 12 months.







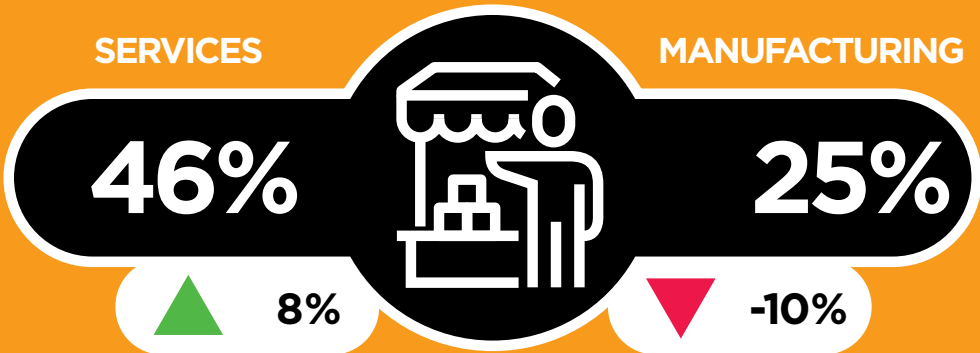


The service sector accounts for around 80% of businesses in West & North Yorkshire and contributes significantly to employment and the economy. The sector has significant clusters including professional and financial services, banking, legal, digital and creative across the region. Retail and tourism also play a leading role in parts of our region. This survey includes results from all sub-sectors.

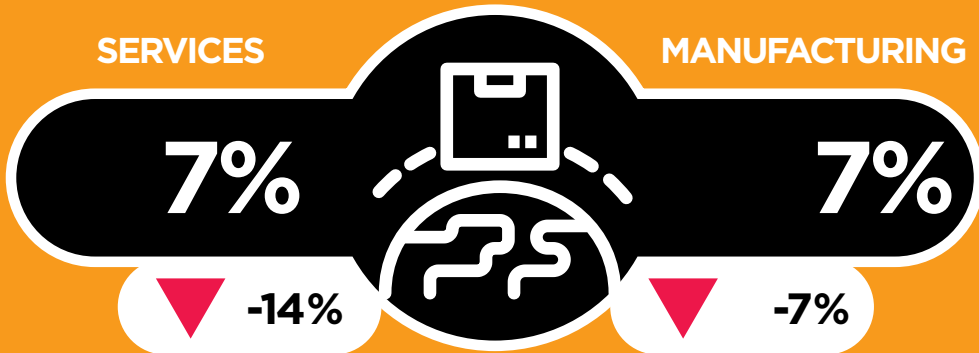
Manufacturing (including construction, utilities and primary industries) represents approximately 19% of the companies in West & North Yorkshire region. Manufacturing is still a major employer in our region with over 130,000 people employed here. Analysis of sub-sectors shows that the region has above-average 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



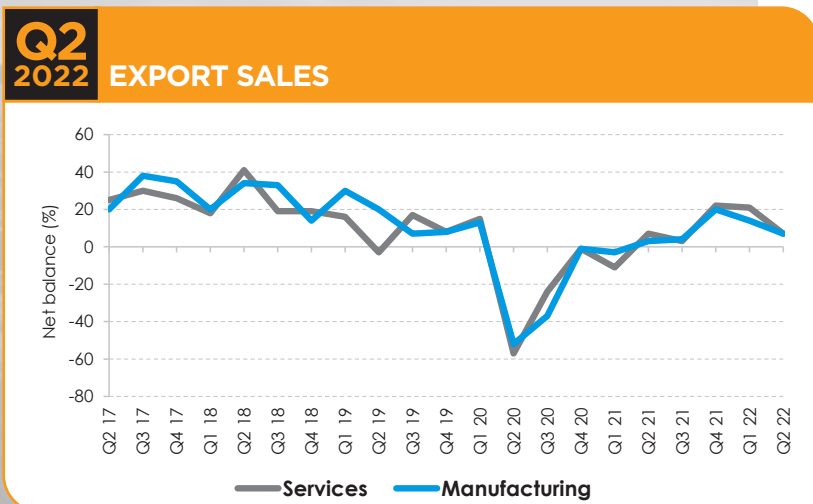
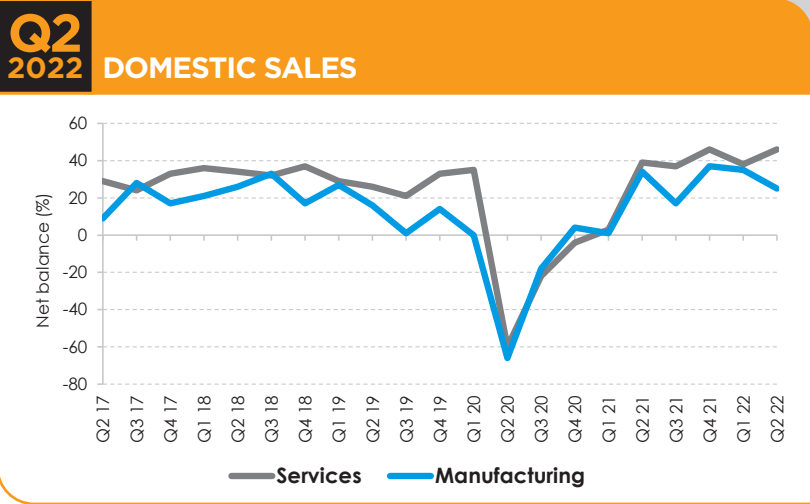
OVERSEAS SALES



DOMESTIC SALES

The number of service sector firms reporting increased domestic sales was up 8% in the last quarter, overall a 12 year peak. However there are some sharp divergences between B2C services where net balance fell a point to +37% from Q1. In comparison B2B service firms saw a net balance rise of 18% to +56%. It is likely we are starting to see fall out from the cost of living crisis as consumers hold back on spending?

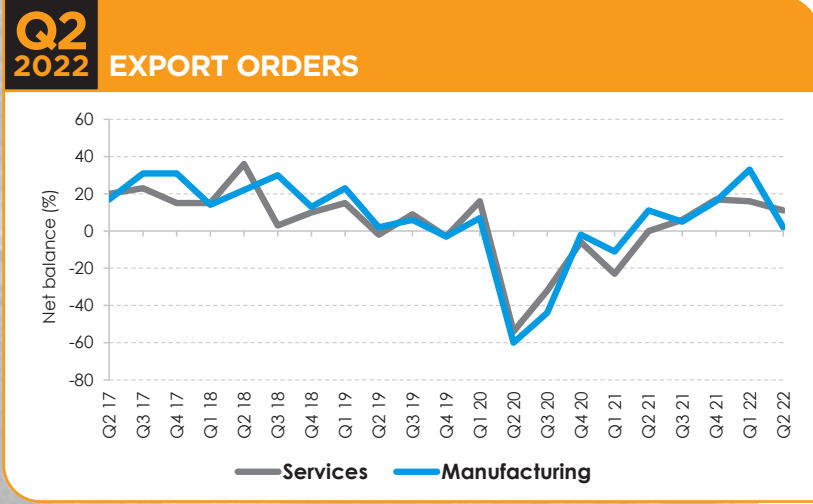
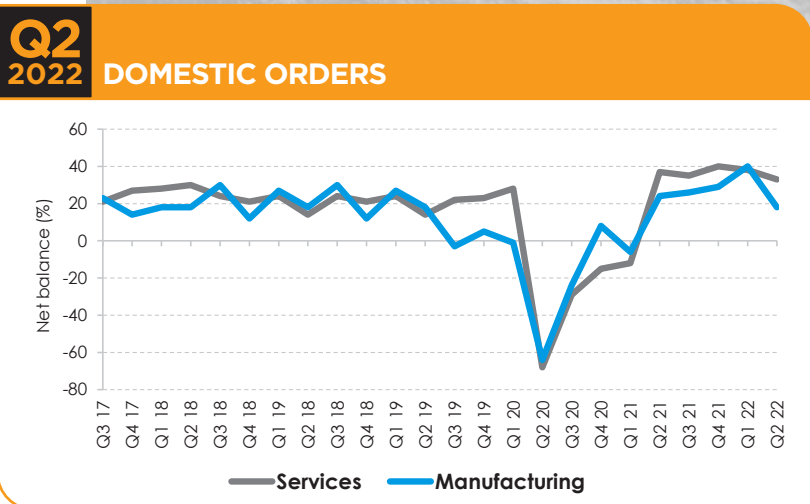
Manufacturers, however, reported more troubling results as growth in domestic sales appears to have slowed. We attribute this to a mix of slowing demand as customers pause decision making until market and supply chain volatility smooths out and also to difficulties in companies simply being able to price products with any degree of certainty and accuracy that they will make a profit. The pace of growth in forward orders also slowed in the last quarter.



INTERNATIONAL SALES

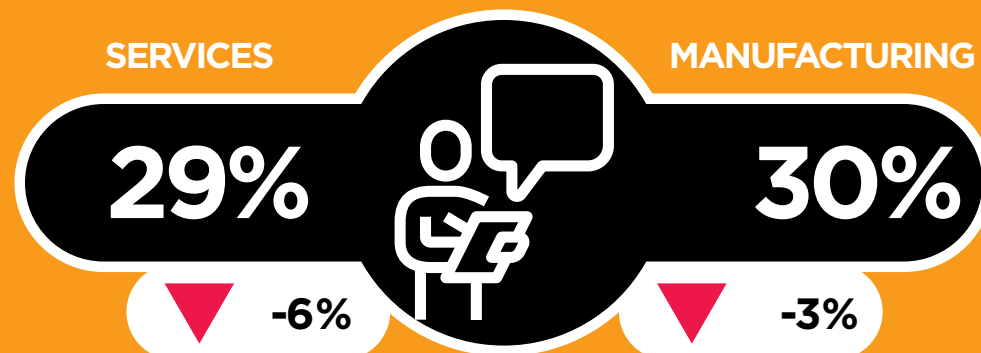
International markets continue to prove challenging for our regional exporters with firms reporting a further slowing in the pace of growth. Exporting manufacturers report ongoing challenges moving goods into the EU.

Problems moving goods into and out of China is also raised by many following the country's strict response to Covid. The Chamber's trade documents services did record increases in May following a very slow April; the number of documents processed was also higher than at the same point in May 2020 and 2021.

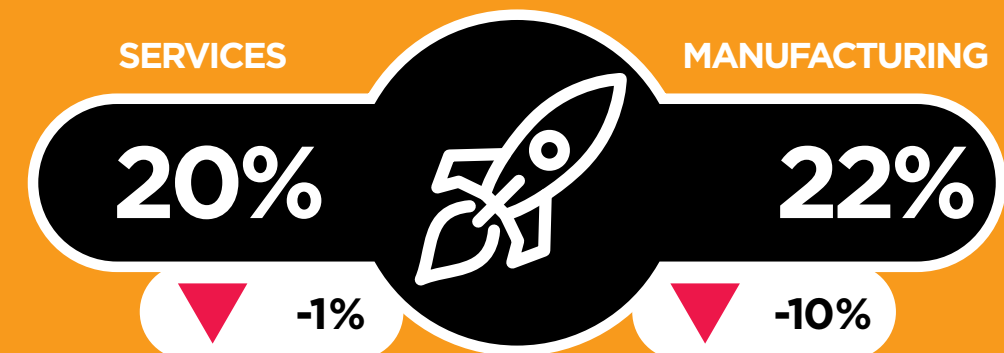




## EMPLOYMENT (NEXT QUARTER)



## INVESTMENT (CAPITAL)



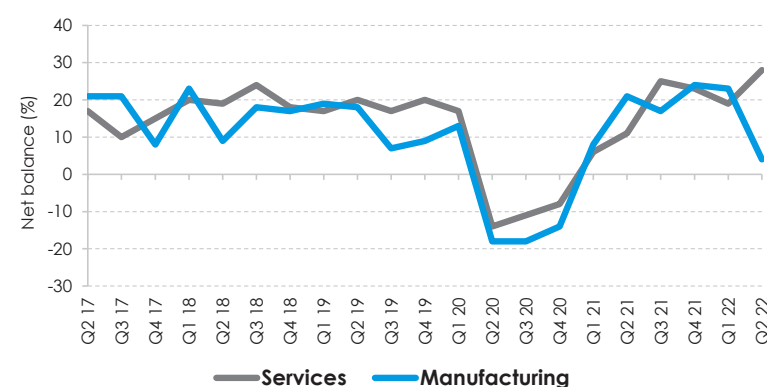
## EMPLOYMENT

Recruitment challenges persist across the region in particular for manufacturers with 77% reporting difficulties hiring in the last quarter. Manufacturing job vacancies remain high across the UK for the moment at around 95,000 (it's highest in 20 years), but with more challenging economic conditions might we start to see recruitment activity slowing over the next quarter?

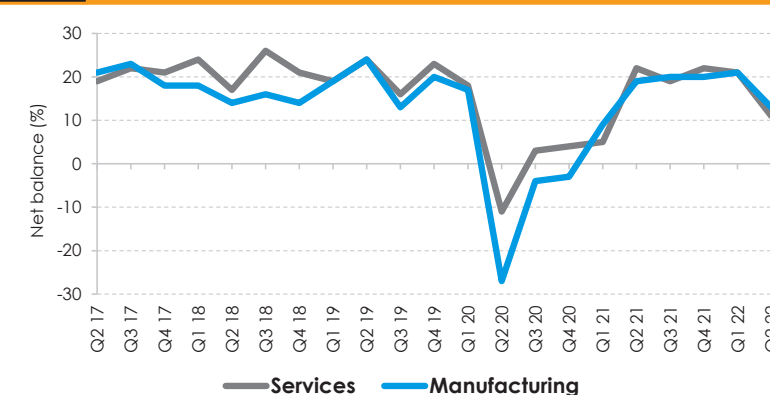
Service sector firms are more likely to have increased head count in the last quarter and look set to continue this trend into the next three months also. Vacancies within hospitality and professional services along with health care and retail are very high across the region and there appears to be challenges recruiting across all skill levels once more.

In attempting to retain and recruit staff firms have seen real upwards pressures to increase salaries. The British Chambers of Commerce Annual Workforce Survey from April 2022 suggested the average rate of increase overall was around 6.5% with larger firms and B2B services firms likely to be offering more than 7.2%

## Q2 2022 WORKFORCE CHANGES - LAST QUARTER



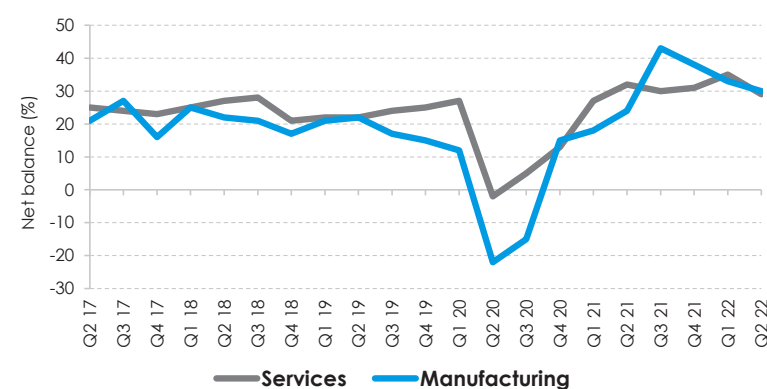
## Q2 2022 TRAINING INVESTMENT



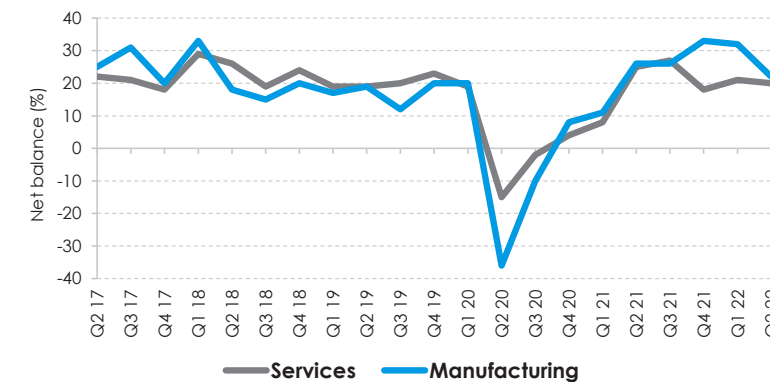
## INVESTMENT

With uncertainty proving to be a challenge to many manufacturers this quarter sees a slowing in the number of firms looking to invest in capital programmes with 30% of firms saying that increased cost pressures are forcing them to pause capital investment. The service sector has been less impacted although there are still 1 in 5 saying they would be pausing capital investment for the time being. Across all sectors overall net balance remains positive meaning more firms are investing than not. Growth in the pace of investment for training also slowed in the last quarter.

## Q2 2022 WORKFORCE CHANGES - NEXT QUARTER



## Q2 2022 CAPITAL INVESTMENT



CAPACITY (FULL)



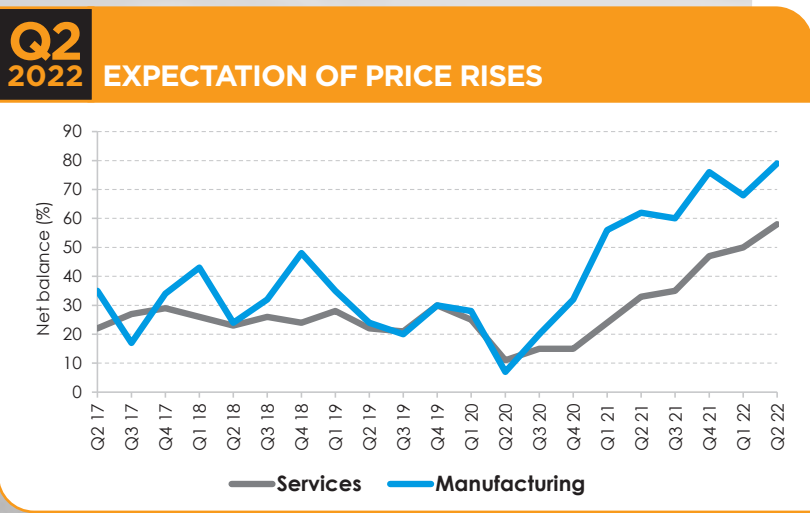
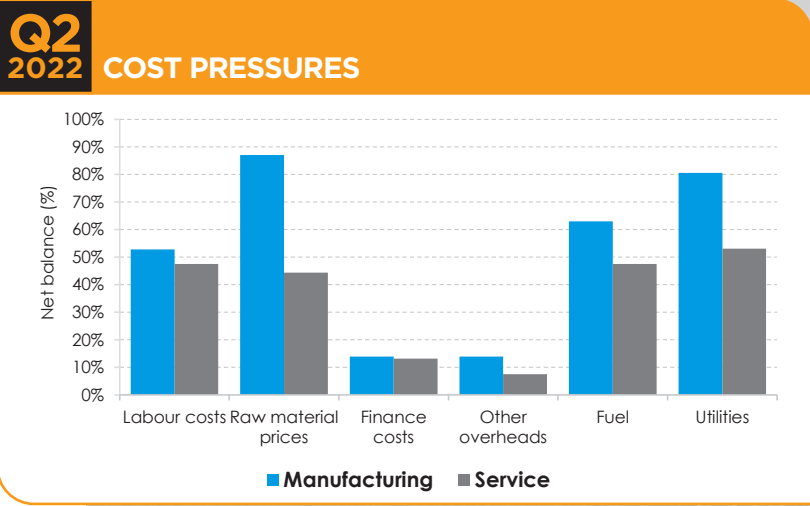
PRICES



COST PRESSURES, EXTERNAL FACTORS

Concerns over the cost of raw materials remain at their highest reported levels for manufacturers and continue to add pressure on profitability. Fuel and utilities are stand factors also as petrol, diesel and gas prices all hit record levels.

Inflationary pressures are reflected across all industry sectors in this quarter's report with concerns once again at their highest level in 30 years.

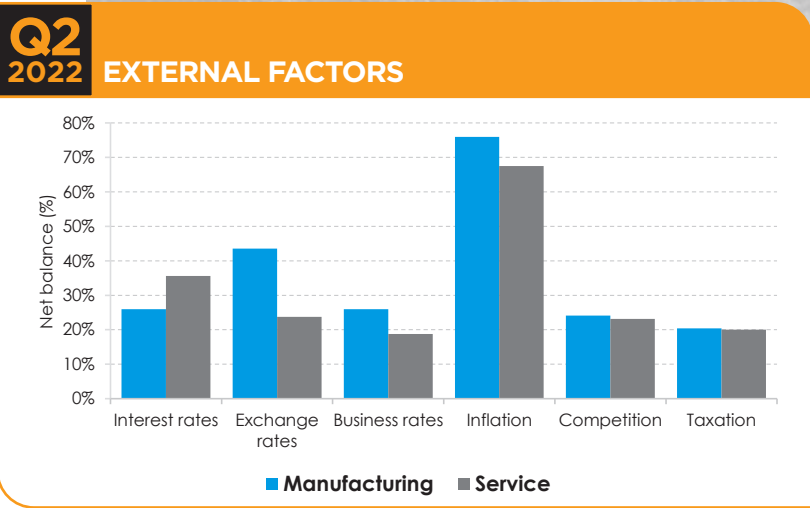


EXPECTATION OF PRICE INCREASES

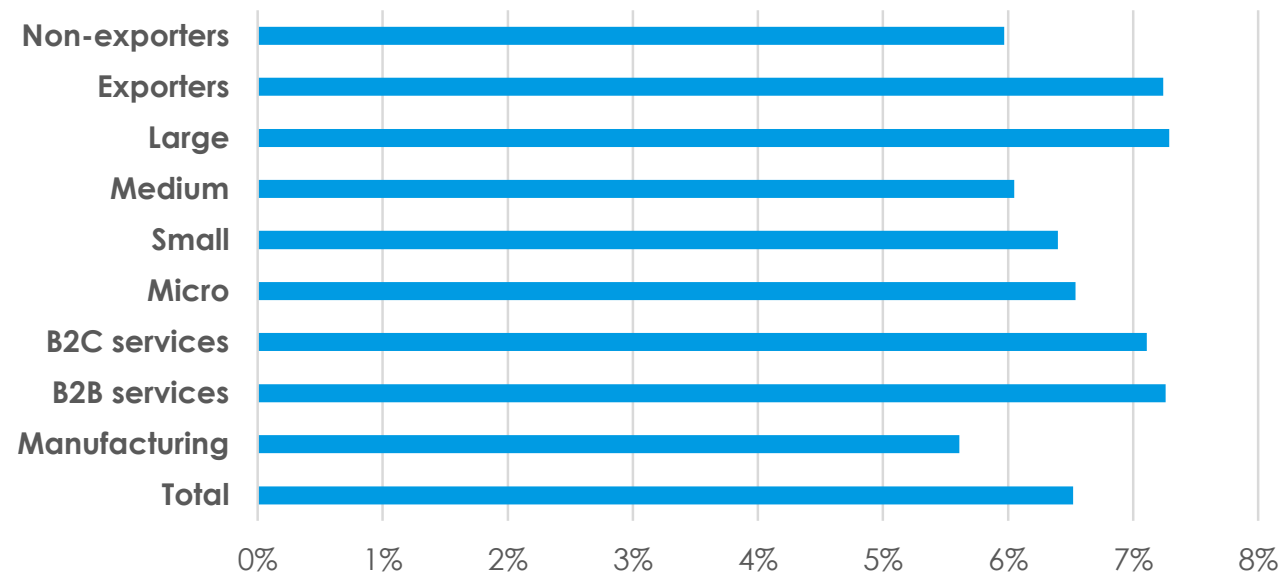
Our quarterly measure of pricing expectations hit its highest level in 32 years this quarter (surpassing the two previous highest points which were Q2 and Q4 2021), companies are having to pass on rising costs in ever greater numbers.

CAPACITY

	Full capacity	Below capacity
Service	56%	44%
Manufacturing	42%	58%



## MEAN AVERAGE EXPECTED WAGE INCREASES OVER NEXT 12 MONTHS



Source: British Chambers of Commerce - Annual Workforce Survey (April 2022)

## INFLATIONARY PRESSURES HITTING BUSINESSES

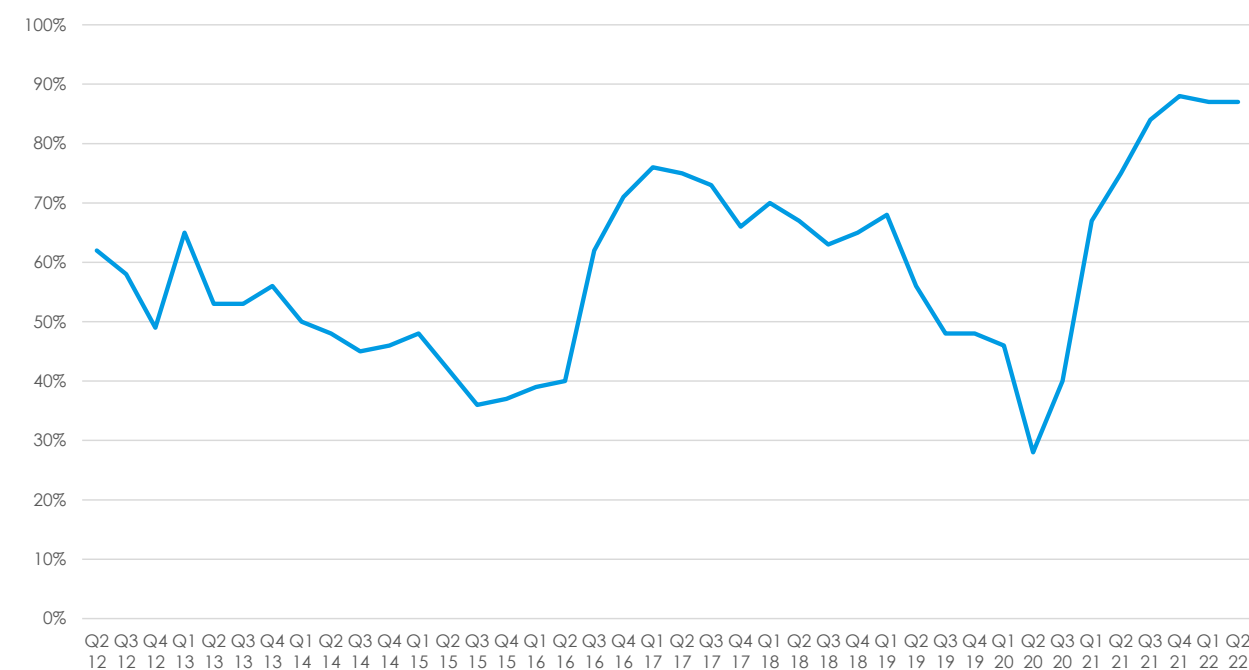
The impact of inflation shines through this quarter's report with companies reporting pressure from energy, raw materials, shipping costs and labour / recruitment.

In attempting to retain and recruit staff firms have seen real upwards pressures to increase salaries. The British Chambers of Commerce Annual Workforce Survey from April 2022 suggested the average rate of increase overall was around 6.5% with larger firms and B2B services firms likely to be offering more than 7.2%

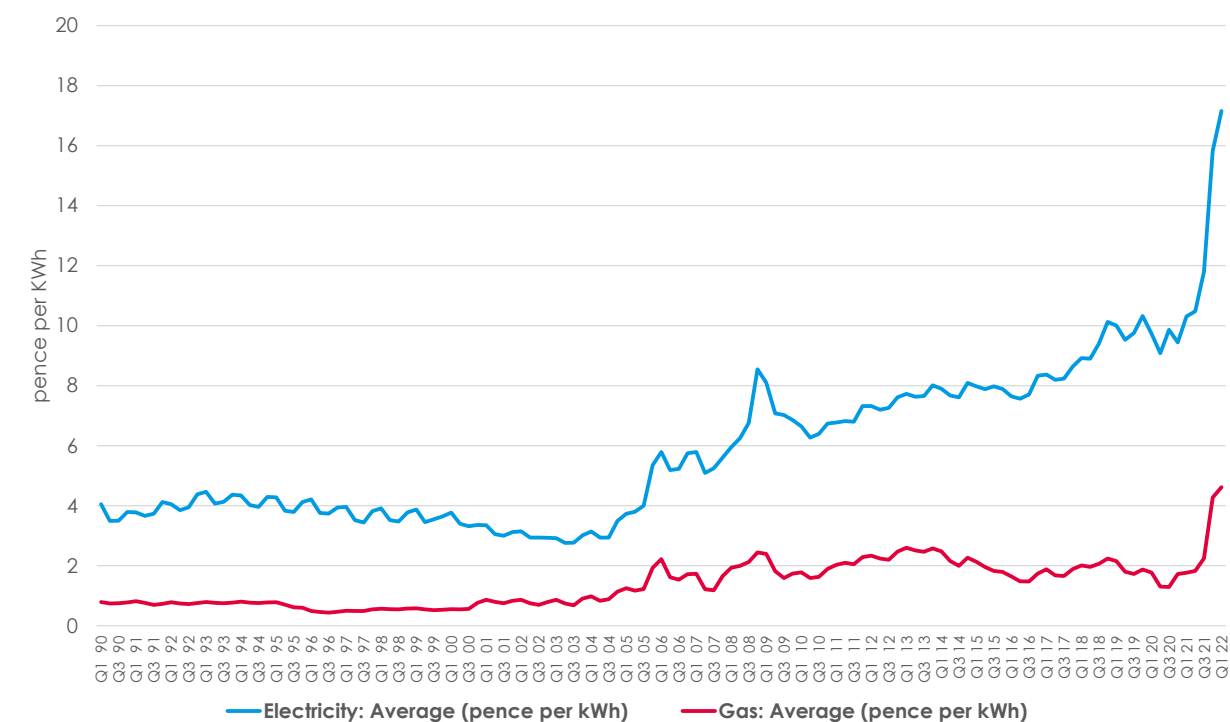
Concerns over the cost of raw materials now stands at its highest level in a decade, and is significantly higher than its previous spike following the EU referendum and subsequent surge in stockpiling.

Manufacturers are also more exposed to increasing energy costs with the average rise in electricity up 66% since Q1 21 and gas prices up an unsustainable 162% in that same period.

## MANUFACTURERS - CONCERNS OVER RAW MATERIAL PRICES SHARE OF FIRMS



## ENERGY PRICES



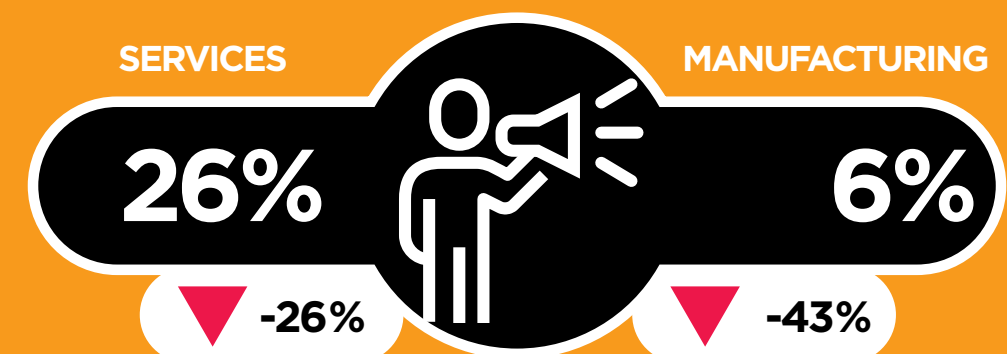
Source: ONS - Prices of fuels purchased by manufacturing industry in Great Britain (Jun 2022)



## CASHFLOW

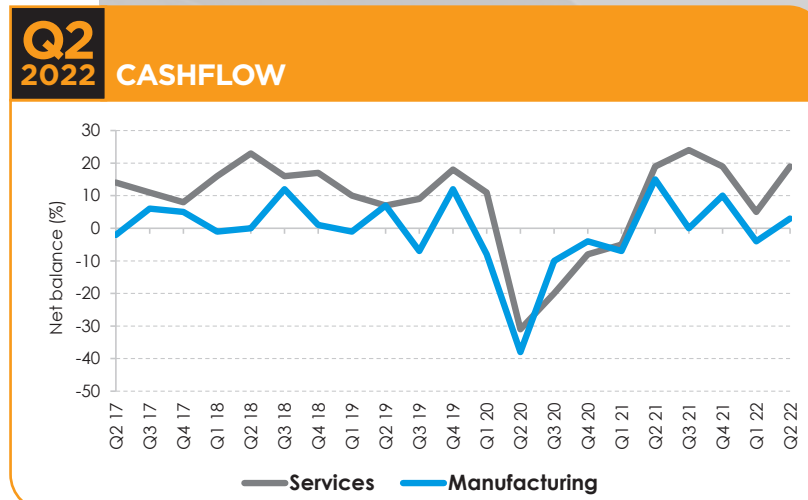


## CONFIDENCE (PROFITABILITY)

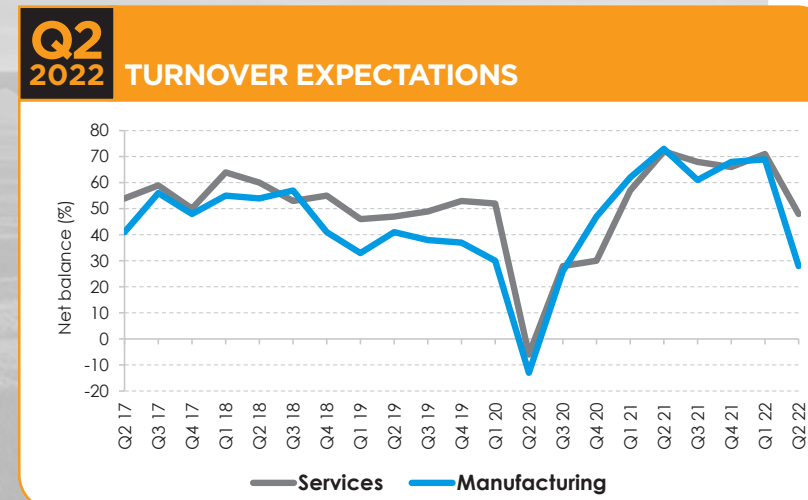


## CASHFLOW

As the economy hardens companies are looking to manage cash reserves in anticipation.

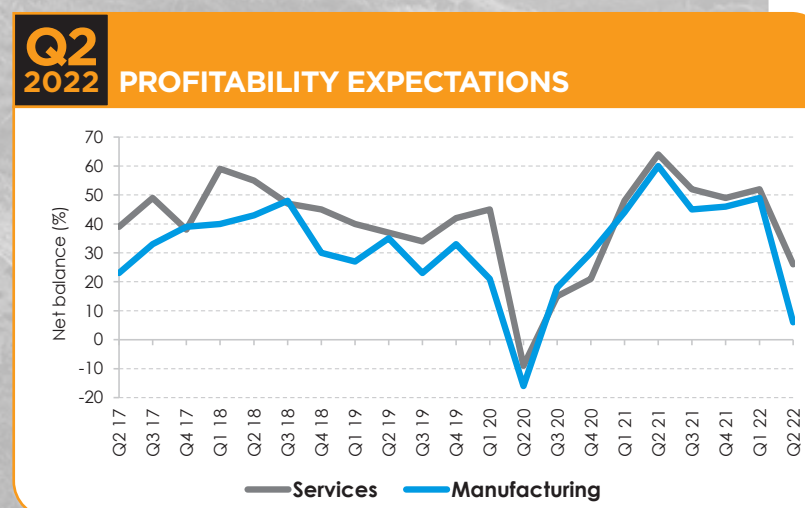


Cashflow	Net balance
Business 2 Consumer	7%
Business 2 Business	29%
Manufacturing	3%



## BUSINESS CONFIDENCE

With unprecedented uncertainty from supply chain disruption, tax increases, spiralling inflation and the ability to deliver products and services it is probably no surprise that many firms are predicting this will impact on trade and profitability over the next 12 months





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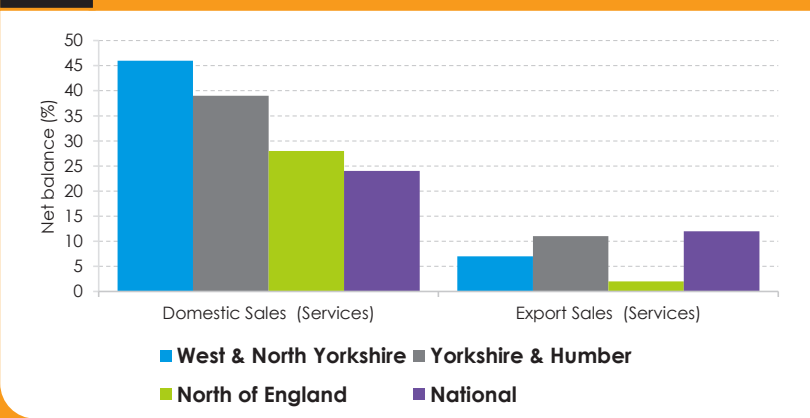
The British Chambers of Commerce Quarterly Economic Survey (QES) is the largest and most representative independent business survey of its kind in the UK. Each quarter over 6,000 businesses complete the QES, making it the largest business survey in the UK.

The QES is the first economic indicator of the quarter, published in advance of official figures and other private surveys, and it consistently mirrors trends in official data. For this reason, the survey is closely watched by policy-makers such as the Treasury, the Bank of England, the Office for Budget Responsibility, the EU Commission and the International Monetary Fund.

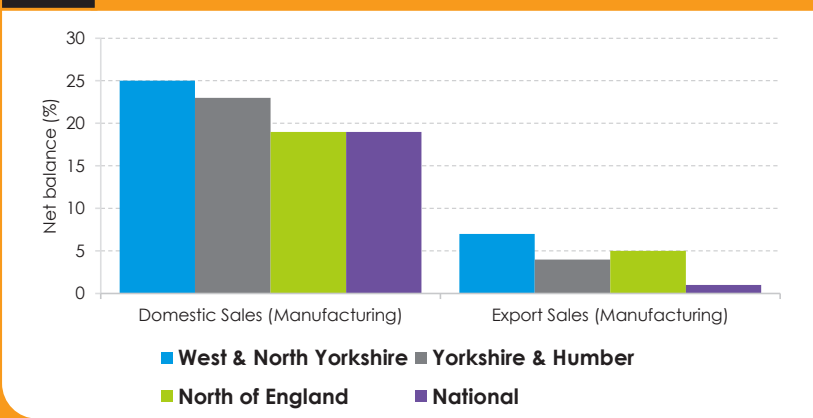




Q2 2022 REGIONAL COMPARISON - SERVICES



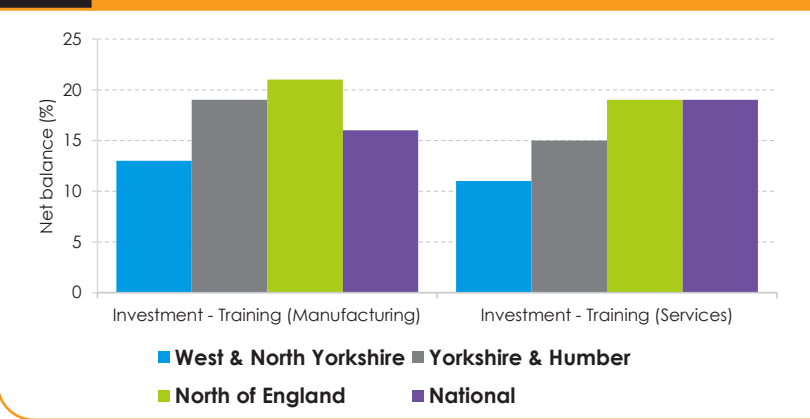
Q2 2022 REGIONAL COMPARISON - MANUFACTURING



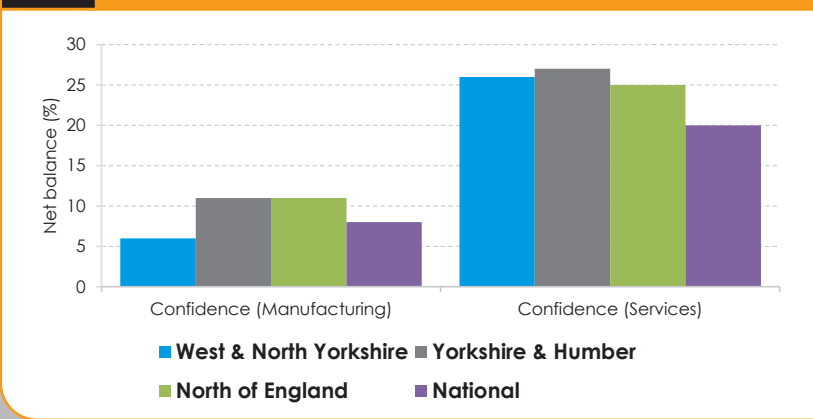
NATIONAL AND REGIONAL COMPARISONS

Overall our region appears to be fairing a little better than the rest of the North and nationally on domestic sales activities. Elsewhere we are following the national trends on training investment and cashflow, with the majority of manufacturers reporting decreasing cash flow. Yorkshire businesses also appear to be a little more confident about future profits compare to the nation as a whole.

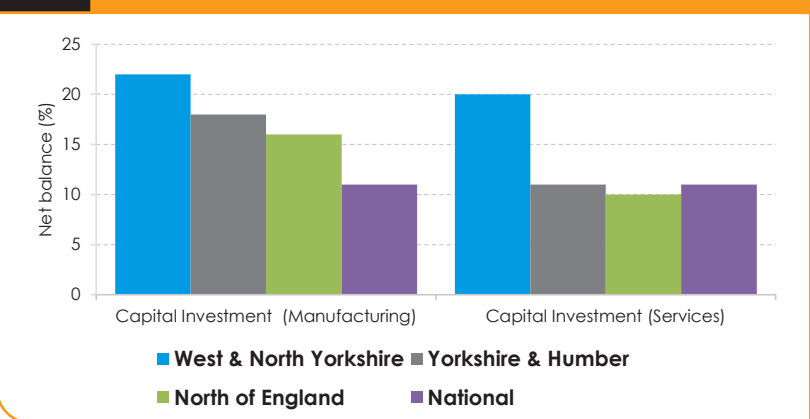
Q2 2022 REGIONAL INVESTMENT TRAINING



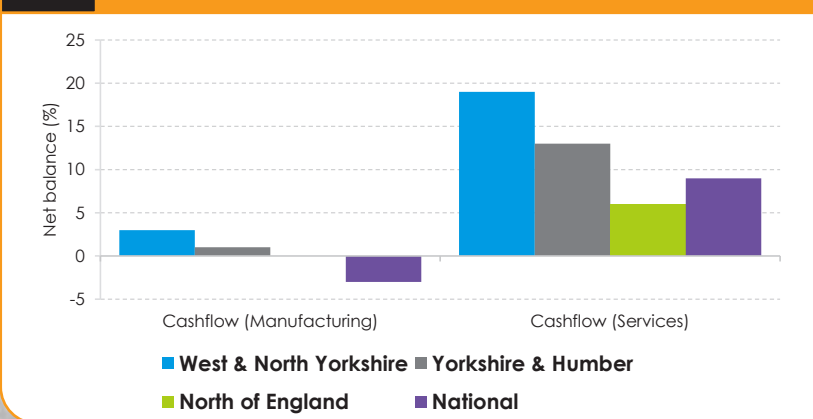
Q2 2022 REGIONAL BUSINESS CONFIDENCE - PROFITS



Q2 2022 REGIONAL INVESTMENT CAPITAL



Q2 2022 REGIONAL CASHFLOW







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

“The red lights on our economic dashboard are starting to flash. Nearly every single indicator has seen a deterioration since our last survey in March.”

- Measures for inflation are at the highest levels on record with 2 in 3 (65%) firms expecting to raise prices and no sign this is levelling off
- More than 4 in 5 (82%) cite inflation as a growing concern for their business, also an historical high
- Three quarters (75%) of firms report no increase to investment in plant/equipment

The BCC's Quarterly Economic Survey (QES) for Q2 2022 – the UK's largest independent survey of business sentiment and a leading indicator of UK GDP growth – shows key economic indicators flashing red.

The survey of over 5,700 firms revealed a weakening in the proportion of firms reporting increased domestic sales, investment intentions, and longer-term turnover confidence.

#### **MEASURES FOR INVESTMENT AND LONGER-TERM BUSINESS CONFIDENCE HAVE SLIPPED BACK**

Indicators for turnover and profitability confidence, as well as investment, all worsened from their Q1 positions. Firms expecting an increase in turnover over the next twelve months dropped from 63% to 54%, this is the lowest figure since Q4 2020 when much of the UK was under some form of lockdown.

Confidence in profitability also took a significant knock with 43% predicting an increase, down from 50% in Q1. More than a quarter (28%) are now predicting a decrease in profits.

Unsurprisingly, this declining confidence in business performance has affected firms' plans to increase investment, with 3 in 4 (75%) saying they have no plans to do so (up from 73% in Q1).

This metric has remained largely unchanged since Q2 2021.

#### **INFLATIONARY PRESSURES CONTINUE TO EXCEED RECORD HIGHS**

65% of firms now expect their prices to rise in the next three months, up from 62% in Q1, a record high and a 23-percentage-point rise on a year ago. Only 1% overall expect a decrease in their prices.

Expected price rises are being felt most acutely in the retail and wholesale sector, and construction

and engineering sector, both at 78%, with production and manufacturing only slightly behind at 77%.

When measured as a net balance (the percentage of respondents reporting an increase minus those reporting a decrease), price expectations are now the highest since records began for this indicator in 1997 for both the manufacturing (+76%) and services sectors (+56%).

When firms were asked which factors were driving price rises, 67% cited utility bills, 66% labour costs, 56% fuel and 53% raw materials.

In the three sectors worse affected (Retail & Wholesale, Construction & Engineering, Manufacturing & Production) all three cited raw materials as the biggest factor.

When asked what external factors were more of a concern to their business than three months ago, 82% of firms cited inflation. This is the highest on record and a rise from 77% in Q1 (the previous record).

The percentage citing interest rates as a concern also rose for the third quarter running; 1 in 3 (33%) reported interest rates as a concern, up from 32% in Q1.

#### **BUSINESS ACTIVITY REMAINS BUOYANT BUT ON DOWNWARD TREND**

41% of respondents overall reported increased domestic sales in Q2, down from 42% in Q1, and the third consecutive quarterly fall. 18% reported a decrease, the same as the previous quarter.

In the services sector, the balance of firms reporting increased domestic sales stood at +24%, compared to +21% in Q1. In the manufacturing sector, the balance of firms reporting increased domestic sales fell to +19% in Q2, the lowest level since Q1 2021.



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

David Bharier, Head of Research at the British Chambers of Commerce (BCC), said:

“This quarter’s survey results clearly point to a weakening economic outlook amid unprecedented cost pressures and falling business confidence.

“Domestic demand continues to show buoyancy, with almost half of respondents reporting increased domestic sales in the quarter.

“However, indicators for structural business conditions such as investment, and cash flow, are showing no sign of improvement for most firms.

“Inflation remains by far and away the top concern, with our survey measures going beyond anything we’ve seen before in the history of the data.

“Businesses face an unprecedented convergence of cost pressures, with the main drivers coming from raw materials, fuel, utilities, taxes, and labour. The continuing supply chain crisis, exacerbated by conflict in Ukraine and lockdowns in China, has further compounded this.

“Some sectors are far more impacted than others. Manufacturers, retailers, and hospitality firms have been sounding the alarm on inflation for 18 months.

“Against this backdrop, it is no surprise that business confidence for the months ahead is waning as we enter a period of heightened economic uncertainty.”

Responding to the findings, Director General of the British Chambers of Commerce, Shevaun Haviland, said:

“The red lights on our economic dashboard are starting to flash. Nearly every single indicator has seen a deterioration since our last survey in March.

“Business confidence has taken a significant hit and fears over inflation and cost pressures are at new record highs.

“But it is not too late for the Government to take action to help businesses through these challenging times and put the economy on a more stable footing.

“A cut in VAT on energy bills to 5%, and other steps to relieve the tax burden on firms to encourage investment are crucial.

“Better infrastructure, a plan to address labour shortages and a unified long-term economic strategy to give businesses more certainty are also needed.

“The Government must swiftly demonstrate that it is on the side of business if confidence to invest is to be restored.

“Only then will we be able to return some momentum to the economy and find a pathway through the current difficulties.”

**“The stand out feature this quarter is spiralling inflation, which is having a huge impact on profit expectations and business confidence.”**

**Martin Hathaway**  
Managing Director  
Mid-Yorkshire Chamber of Commerce



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