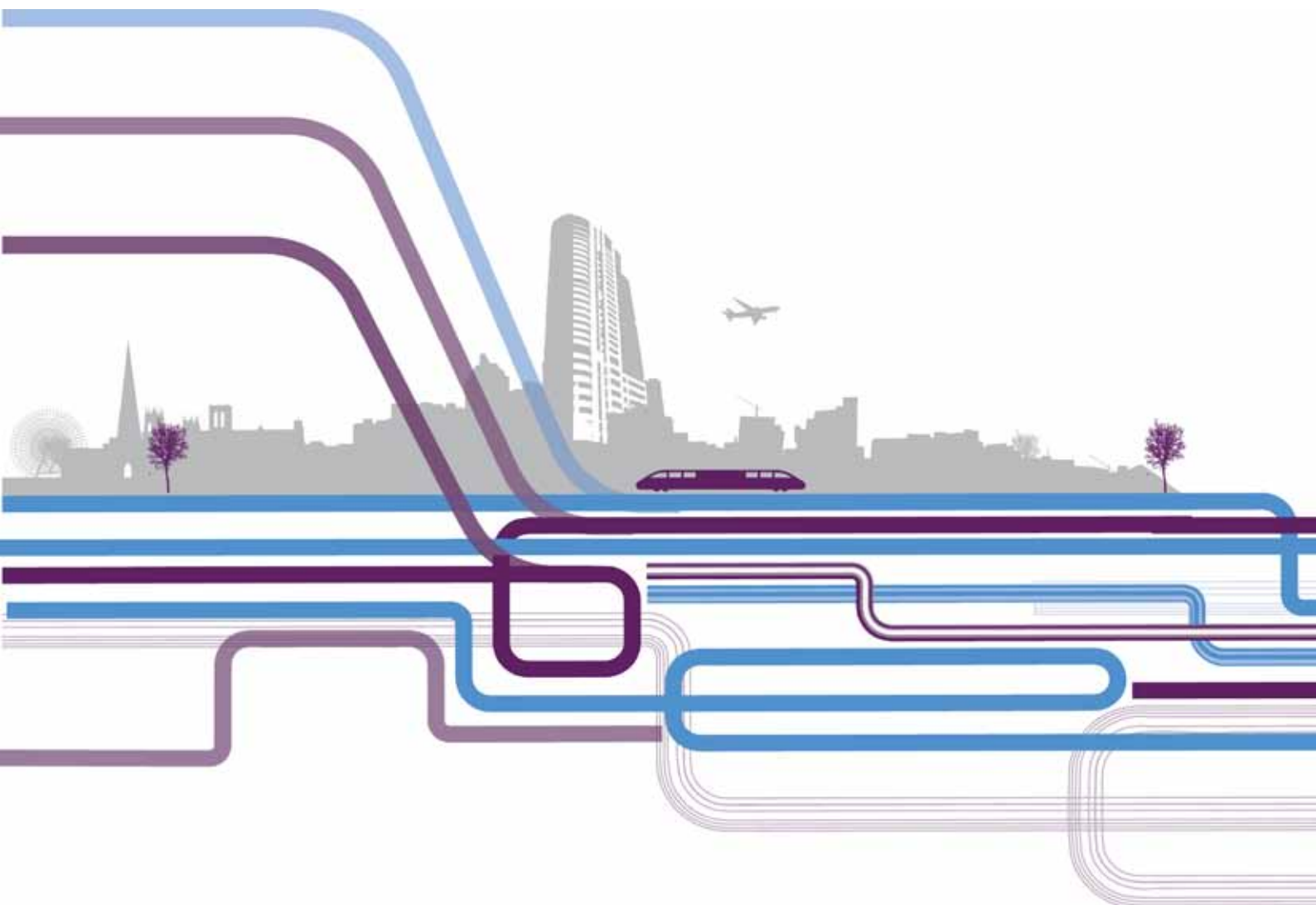


# Quarterly Economic Survey

Leeds, York and North Yorkshire  
Quarter 4 2010





## Information about the QES

The Leeds, York and North Yorkshire Chamber of Commerce Quarterly Economic Survey (QES) is the largest and most representative independent business survey of its kind in the region. Businesses are questioned on a wide range of issues, including: home sales and orders, export sales and orders, employment prospects, investment, recruitment difficulties, cashflow, confidence and price pressures.


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 the national economy. For this reason, the survey is closely watched by policymakers such as the Treasury, the Bank of England and the new Office of Budget Responsibility.

## Researched and written by

Ian Williams, Director of Policy at Leeds,  
York and North Yorkshire Chamber

Hayley Johnson, PR and  
Communications Executive at Leeds,  
York and North Yorkshire Chamber

## The Charts

- The charts in the next few pages plot how sections of the economy (sales, investment, employment levels, etc) have been performing over successive quarters
  - Respondents report whether activity levels in each area had increased, decreased or remained constant on the previous quarter
  - Statistics refer to the 'net balance', obtained by subtracting % of companies reporting a decrease from % reporting an increase
  - Above zero denotes overall growth, but at a different rate (up or down) on previous quarters; below zero mark means a contraction.
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## Introduction

The Q4 2010 results are mixed. The manufacturing sector produced positive results, particularly in regards to domestic sales/orders and the export market. However, these results were dampened by the service sector, which reported a decline in Home Sales/Orders and Export Orders. Encouragingly, business confidence for both sectors remains in positive territory.

While economic recovery remains on track, the results suggest that the rate of growth has declined for the second consecutive quarter. Overall, results for 2010 have shown a significant increase in comparison to 2009, however, the fluctuation in the balances highlights the fragility of the local economy and business environment.

Ian Williams, director of policy at the Chamber, says:

“This quarter’s results show some encouraging signs for the year ahead, particularly within the manufacturing sector. However, there have also been some disappointing results, particularly in regards to the service sector and overall business confidence.

“There is concern over the pace of economic growth in 2011 and, clearly, Yorkshire is not immune. Both Government and businesses must remain vigilant to ensure that sustainable recovery continues and growth is not hampered by poor decision making.

“The next 12 months will be a challenge for businesses across Leeds, York and North Yorkshire, as we are still to witness the effect of the austerity measures and the VAT increase. It is vital that Government strikes the delicate balance between cutting the deficit and encouraging business growth”.

### Report Summary: Manufacturing

- Domestic Orders and Sales are at their highest level for three years
- Improvements in the export market continue
- Business confidence for the year ahead remains positive
- There is an increase in the number of manufacturers that took on new staff; however there is a drop in the number of businesses attempting to recruit

### Report Summary: Service

- Drop in Home Orders, Sales and Export Orders
- Business confidence falters, although remains in positive territory
- Increase in capital investment plans and investment levels in training
- The number of businesses increasing their workforce increased and the balance now sits in positive territory



# Q4 2010 Results

## The Domestic Market

This quarter's results were extremely encouraging for the manufacturers in Leeds, York and North Yorkshire. The sector recorded its highest level in Home Orders and Sales for three years; a year-on-year increase of 31% in Home Sales and 54% increase in Home Orders. While, these results are encouraging, they follow a turbulent year of results and next quarter's results will be the real test as to whether sector growth is sustainable.

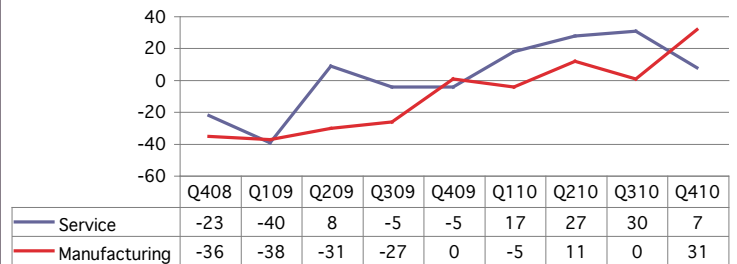
The Domestic market was less favorable for the service sector, which reported a decline in both Home Sales and Home Orders of 23% and 21%, respectively. The decline in Home Sales follows three consecutive quarters of growth. Encouragingly, both balances remain much higher than the levels seen during the recession, although lower than those recorded in 2007.

## The Export Market

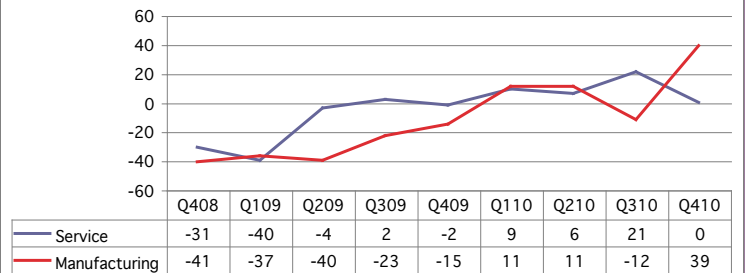
Like in the domestic market, manufacturers reported a positive boost in Export Sales and Export Orders. Levels for both balances are at their highest since the start of the recession and follow sixth consecutive quarters of growth.

The Service Sector reported an increase in Export Sales of +14%, following last quarter's slight decline. Export orders within the sector fell -20%, following two consecutive quarters of growth. Disappointingly, both balances sit at lower levels in comparison to the fourth quarter of 2009; particularly in Export Orders, which witnesses a year-on-year fall of -31%.

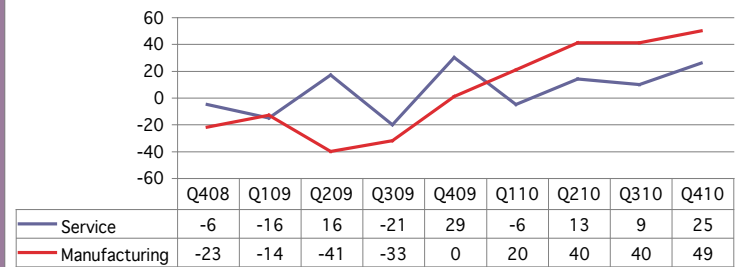
Home Sales



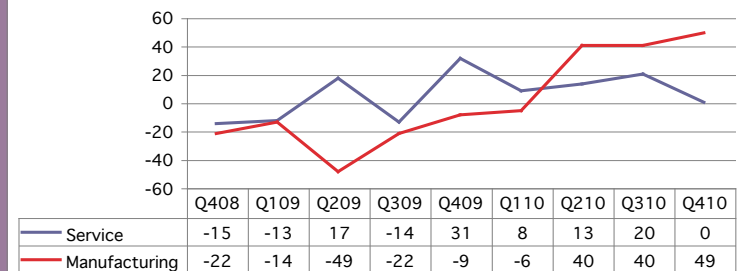
Home Orders



Export Sales



Export Orders



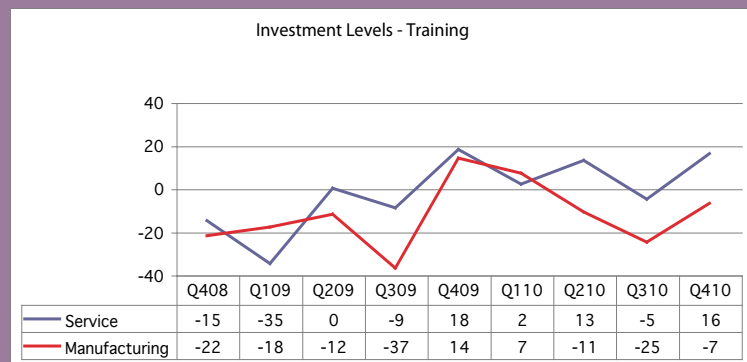
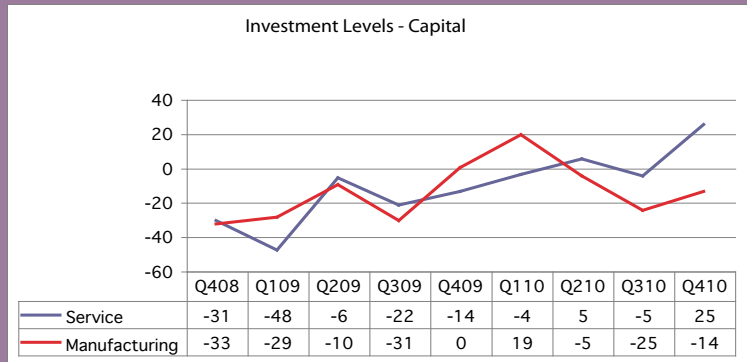
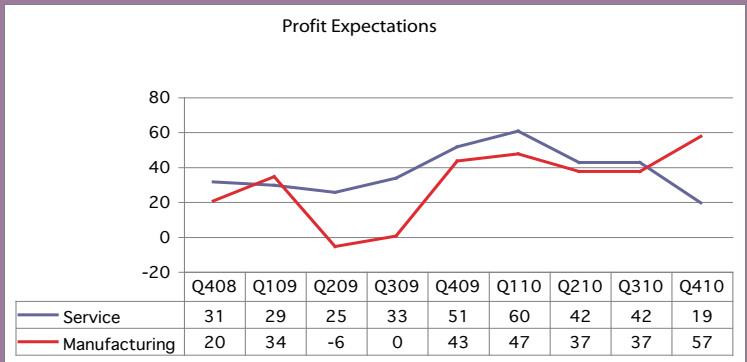
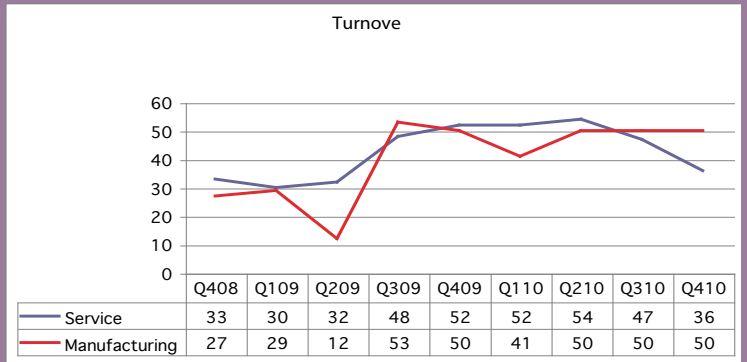
# Q4 2010 Results

## Business Confidence and Investment

Business confidence for both sectors remains in positive territory, although the service sector's Turnover and Profit expectations for the next 12 months fell -11% and -23%, respectively. Both levels are lower than the fourth quarter of 2009, recording a year-on-year decline of -16% for Turnover and -32% for Profit Expectations.

Turnover Expectations remained fairly constant for the manufacturing sector throughout 2010. There has been no year-on-year change of the balance and the only change in levels was in Q1 2010 when levels fell -9%, but then increased to the previous level the next quarter. Profit Expectations for the manufacturing sector increased +20% since the recession began.

Both manufacturers and the service sector reported increases in their Capital Investment Plans and Investment Levels for Training. The increase in Investment Levels for Training reverses last quarter's falls, however, both balances remain lower than in the fourth quarter of 2009. Both increases in the manufacturing sector are the first since late 2009.



## Q4 2010 Results

### Employment

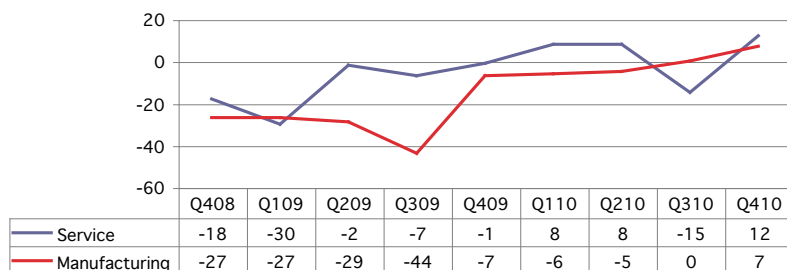
Both manufacturers and the service sector report an increase in the size of their workforce in the last three months, with the manufacturing sector seeing continual increases since late 2009. However, Q4 2010 is the first time that the balance has reached positive territory since Q2 2008. The increase for the service sector takes the balance to the highest level since the start of 2008.

However, these positive results look unlikely to continue, as manufacturers report a decline in the number of businesses attempting to recruit or planning to take on additional staff next quarter. The survey also reveals that 90% of manufacturers are currently operating below full capacity.

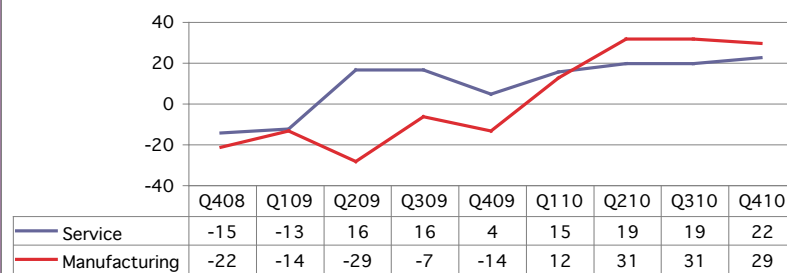
The service sector records a marginal increase in the number of businesses attempting to recruit and those looking to take on new employees next quarter. Around 70% of business in the service sector operating full capacity.

Service sector businesses reported a 7% increase in recruitment difficulties, whereas, manufacturers reported a 3rd consecutive quarter of decline.

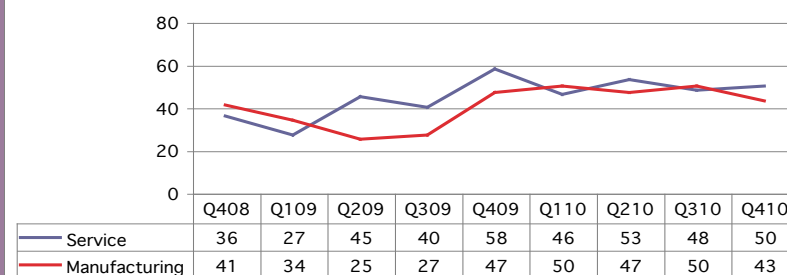
Employment Last QTR



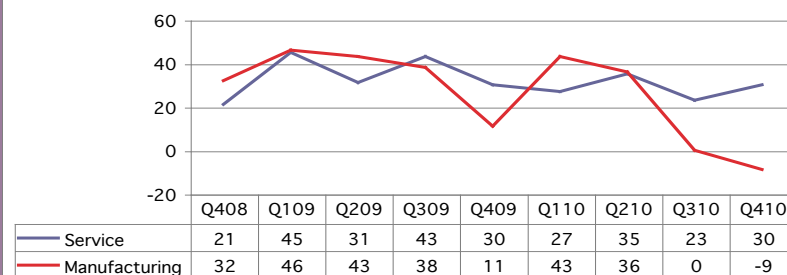
Employment Next QTR



Attempting to Recruit



Recruitment Difficulties





the  
chamber  
Leeds, York and North Yorkshire

**Leeds Office**

White Rose House  
28a York Place  
Leeds  
LS1 2EZ

Tel: 0113 247 0000

**York Office**

Innovation Centre  
York Science Park  
Innovation Way  
York YO10 5DG

Tel: 01904 567 838

[www.yourchamber.org.uk](http://www.yourchamber.org.uk)