



South Yorkshire Chambers of Commerce

Quarterly Policy Briefing

2022 Q3



Barnsley & Rotherham
Chamber of Commerce
Business. Always Business.



Sheffield
Chamber of
Commerce



Doncaster Chamber
Inspiring success
in business

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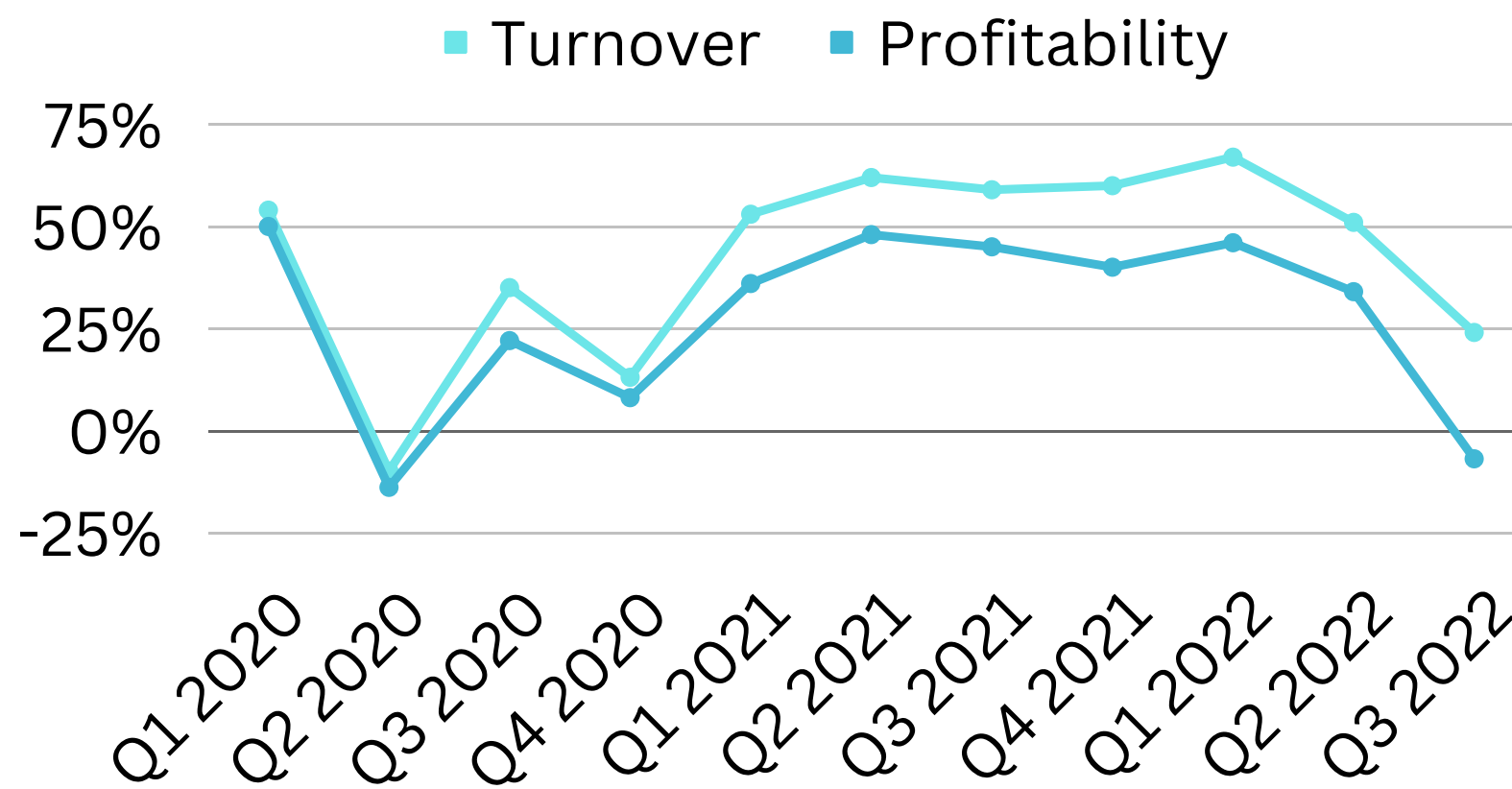
QES Highlights 2022 Q3*

TRADING CONDITIONS FOR SOUTH YORKSHIRE BUSINESSES WEAKENED SIGNIFICANTLY IN Q3 2022

The balance of firms reporting an increase in UK sales (+16%) fell to less than half that reported a year ago (+37%) while the balance reporting an increase in forward orders turned negative (-4%) for the first time in almost two years. Conditions for exporters also weakened, with more businesses reporting contractions in export sales and orders than those reporting increases (balances of -3% and -9%).

As a result, the balance of firms reporting improvements in cash flow turned negative for the first time in 1.5 years while more businesses reported that they were operating below full capacity (56%, up from 45% in Q2). Business confidence also dropped, with the balance of firms expecting an increase in turnover falling sharply on the previous two quarters (24%) and the balance expecting an increase in profitability turning negative (-7%) for the first time in over two years.

PATH OF BUSINESS CONFIDENCE IN FUTURE TURNOVER AND PROFITABILITY**



*224 responses, fieldwork 22 August - 16 September 2022

**Share of businesses that expect turnover / profitability to increase over the next 12 months minus the share that expects it to fall



QES Highlights 2022 Q3...cont

WORKFORCE GROWTH SLOWED WHILE RECRUITMENT DIFFICULTIES REMAINED ACUTE

A net balance of 20% of firms increased their workforces in Q3 – the lowest for over a year – while the balance of firms expecting to grow their workforces over the following quarter (+25%) was the lowest for 1.5 years.

Most responding firms expected workforce levels to remain the same in Q4 (62%). Of those trying to recruit, almost all (89%) experienced recruitment difficulties – similar to the previous two quarters.

INFLATION REMAINED BUSINESSES' BIGGEST WORRY, WHILE CONCERNS GREW OVER INTEREST RATES AND EXCHANGE RATES

Most responding firms (65%) were concerned about inflation, up significantly on a year ago (28%), while growing proportions reported being worried about interest rates (25%) and exchange rates (15%). Over the next quarter, most businesses expected costs to increase (66%) while more than half felt under pressure to raise their own prices due to higher labour costs (55%) and utilities costs (55%).



QES spotlight on...recruitment difficulties

REDUCED GROWTH HAS BEEN THE MOST COMMON IMPACT OF RECRUITMENT DIFFULTIES

Where businesses have experienced recruitment difficulties, the most common impact has been reduced growth (57%), followed by complaints from workers

(40%) and reduced profits (39%). To cope with these difficulties, more than half have had to change the roles and responsibilities of existing staff (58%) and their business plans/strategies (52%).

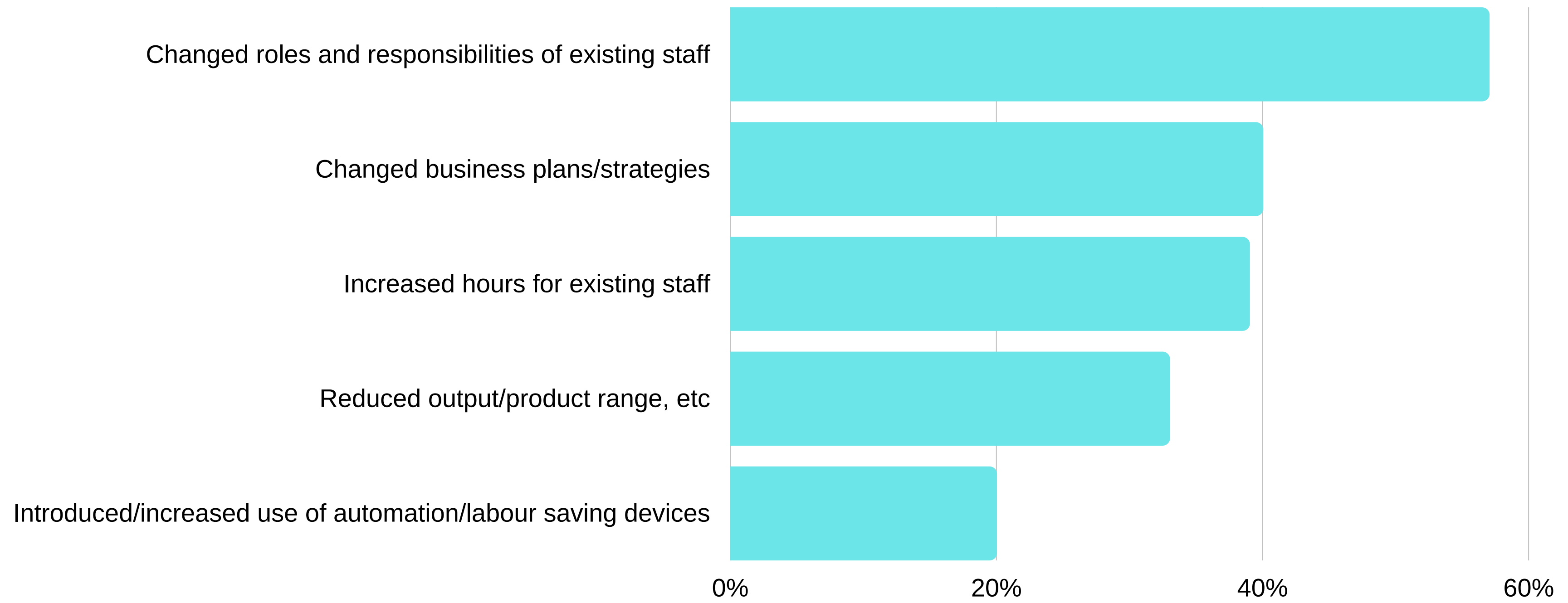
MOST BUSINESSES INCREASED SALARIES FOR NEW STARTERS OVER LAST 12 MONTHS

The majority of businesses increased salaries for new starters (64%) with 15% of recruiters increasing salaries by 10%-20%. When asked which new recruitment strategies businesses had adopted in the last 12 months, the most common responses were advertising on social media (34%), using recruitment consultants/agencies (33%) and accepting less qualified/experienced staff (28%).

MOST BUSINESSES HAVE HAD TO INCREASE SALARIES FOR NEW STARTERS

One-third of firms have experienced difficulties retaining staff over the past year (32%). To improve staff retention, most responding businesses have offered financial benefits, with 61% increasing staff salaries and 37% offering bonuses. One-third have also offered changes in conditions, e.g. flexible working (34%).

As a result of recruitment difficulties, the share of responding businesses that have...



Q3 Business policy highlights

Hot topics in the last quarter...

Peel Group announces closure of Doncaster Sheffield Airport

On September 26, Peel Group, the owners of Doncaster Sheffield Airport, announced its intention to close the airport. Unless circumstances change, the last commercial passenger flight will take off at the end of October 2022. The news followed a concerted effort from the mayors of South Yorkshire and Doncaster, business, local and national government, and other civic bodies to preserve its future as a full-service airport. Peel rejected a financial offer to cover the airport's losses until October 2023 as options for a refreshed airport offer were developed. The loss of the airport is hugely significant for the region's economy. A recent economic impact report put the airport's contribution at around £110 million per annum. South Yorkshire Chambers of Commerce continue to work with their partners, including national government, to find the most positive way forward. You can read the full reaction from Doncaster Chamber [here >>](#).

The UK Government's energy support package for business

Through its [Energy Bill Relief Scheme](#), the UK Government will provide a temporary six-month discount on wholesale gas and electricity prices for all non-domestic customers. This support will apply to fixed contracts agreed on or after 1 April 2022 as well as to deemed, variable and flexible tariffs and contracts, will apply to energy usage from 1 October 2022 to 31 March 2023, and will be automatically applied to bills. The level of price reduction for each business will vary depending on their contract type and circumstances. The Government will publish a review into the operation of the scheme in three months to inform decisions on future support after March 2023.

Q3 Business policy highlights

Hot topics in the last quarter...

Business reaction to the 23 September 'Mini Budget'

South Yorkshire's Chambers welcomed the measures to reduce business costs announced in the Government's ['Growth Plan'](#), but raised concerns about the overall impact of tax cuts and increased public sector borrowing on the UK economy. Key measures affecting business included reversing the increase in National Insurance Contributions, scrapping the planned rise in Corporation Tax, confirmation of the energy support package for business, making the enhanced (£1m) Annual Investment Allowance permanent, and the introduction of Investment Zones. The 'Mini Budget' announced that some infrastructure projects will be accelerated, with the SYMCA Supertram and several important rail connections (e.g. Northern Powerhouse Rail) starting by 2023. While welcomed, the Chambers' CEOs have asserted that the Government must stand ready to respond with further measures should economic circumstances become more challenging. See the joint statement from the South Yorkshire Chambers [here>>](#)

South Yorkshire PolicyPod: The Top Priorities for the Mayor of South Yorkshire

In August 2022, Louisa Harrison-Walker, Sheffield Chamber co-CEO, talked to the Mayor of South Yorkshire, Oliver Coppard, about his priorities for the region, based on questions from Chamber members put forward in Q2's QES. Topics covered included the future of Doncaster Sheffield airport, cuts to bus services, improvements to adult education, future proofing the region's infrastructure against the climate challenge, encouraging anchor institutions to grow their local supply chains, and addressing inflationary pressures facing business. Listen to the full episode [here >>](#)

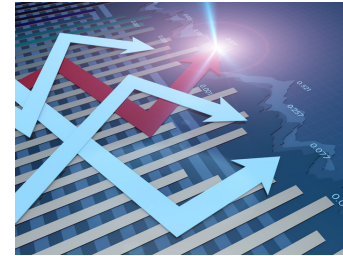
Policy and research updates from the British Chambers of Commerce



BCC welcomes the reversal of the NICs increase, the Annual Investment Allowance made permanent and plans for Investment Zones

[Learn more>>](#)

(Sept '22)



BCC Economic Outlook: Recession forecast for UK economy with three consecutive quarters of contraction between 2022 Q2 and Q4 and inflation peaking at 14%

[Learn more>>](#)

(Aug '22)



BCC proposes five-point plan to provide vital support to UK businesses:

[Learn more>>](#)

(Aug '22)



BCC welcomes relaunch of Recovery Loan Scheme to help firms struggling with high energy, staff, and supply chain costs

[Learn more>>](#)

(July '22)



BCC Trade Confidence Outlook: Export growth remains stagnant in the face of continued supply chain disruption, soaring prices, and Brexit-related red tape and compliance costs, with smaller manufacturing exporters hit the hardest

[Learn more>>](#)

(July '22)



BCC Quarterly Recruitment Outlook: BCC proposes three-point action plan to tackle record number of unfilled vacancies, including urgent reform of the Shortage Occupations List

[Learn more>>](#)

(July '22)

Ones to watch...

Hot topics for the next quarter

New Fiscal Plan to be set out on 23 November

Following September's 'Mini-Budget', the Government is set to announce further policy measures in October and early November, including changes to the planning system, business regulations, immigration, agricultural productivity, and digital infrastructure. This will be followed by a Medium-Term Fiscal Plan to be set out on 23 November with a 'full' Budget statement in Spring 2023. The announcement of the Government's timetable came as markets reacted negatively to the Mini-Budget's focus on tax cuts and increased borrowing. Alongside a sharp fall in the value of sterling, a key concern is that Growth Plan measures will drive inflation higher than the 11% peak already forecast by the Bank of England, leading to an acceleration of the pace and scale of interest rate increases. Markets are anticipating that the base rate will increase sharply, to around 6% by mid-2023.

Local authorities invited to submit expressions of interest for Investment Zones

As announced in the Mini Budget, the Government plans to set up a specific number of [Investment Zones](#) across the UK. These will offer time-limited tax reliefs over 10 years – potentially including 100% business rate relief on newly-occupied premises, zero-rate Employer NICs on new employees' salaries for at least 60% of their time and on earnings up to £50,270, and 100% first year allowance for companies' qualifying expenditure on plant and machinery assets – and planning liberalisation to drive growth and unlock housing development. Mayoral Combined Authorities, including SYMCA in South Yorkshire, have been invited to submit [expressions of interest](#) (EOIs) by noon on 14 October 2022, providing details of sites that demonstrate value for money, minimise displacement and bring forward new development. Sites successful at the EOI stage will then work with Government on their delivery plans.

Ones to watch...

Hot topics for the next quarter

Announcement of location for Great British Railways HQ

On 12 August 2022, partners from across South Yorkshire welcomed Rail Minister, Wendy Morton MP, to Doncaster as part of the national competition to be the home of the headquarters for Great British Railways. The Minister visited Doncaster's rail cluster and heard from business leaders and students on the future for the railways in the region. The Secretary of State for Transport will make a public announcement regarding the selected location later this year based on assessments of applicants' expressions of interest against the selection criteria, understanding gained from visits, and the results of the public vote.

£1.4m for 'rural prosperity' in South Yorkshire

The Government has allocated £1.4m of [Rural England Prosperity Funding](#) to SYMCA, to be invested in projects that will boost productivity and create rural job opportunities. The Rural Fund will provide capital funding to support rural businesses to develop new products and facilities that will be of wider benefit to the local economy and to support new and improved community infrastructure. The Rural Fund is a rural top-up to [UKSPF allocations](#) (of which first payments are anticipated to be made available to South Yorkshire from October 2022) and will be available from April 2023 to March 2025. The submissions window for eligible authorities is expected to be 3 October to 30 November. In terms of other local growth funding being made available to South Yorkshire, successful bids for the [Levelling Up Fund Round 2](#) should be announced in the Autumn.

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