

South Yorkshire Chambers of Commerce

Quarterly Policy Briefing

2023 Q1



Barnsley & Rotherham
Chamber of Commerce
Business. Always Business.



Sheffield
Chamber of
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Doncaster Chamber
Inspiring success
in business

In this briefing...

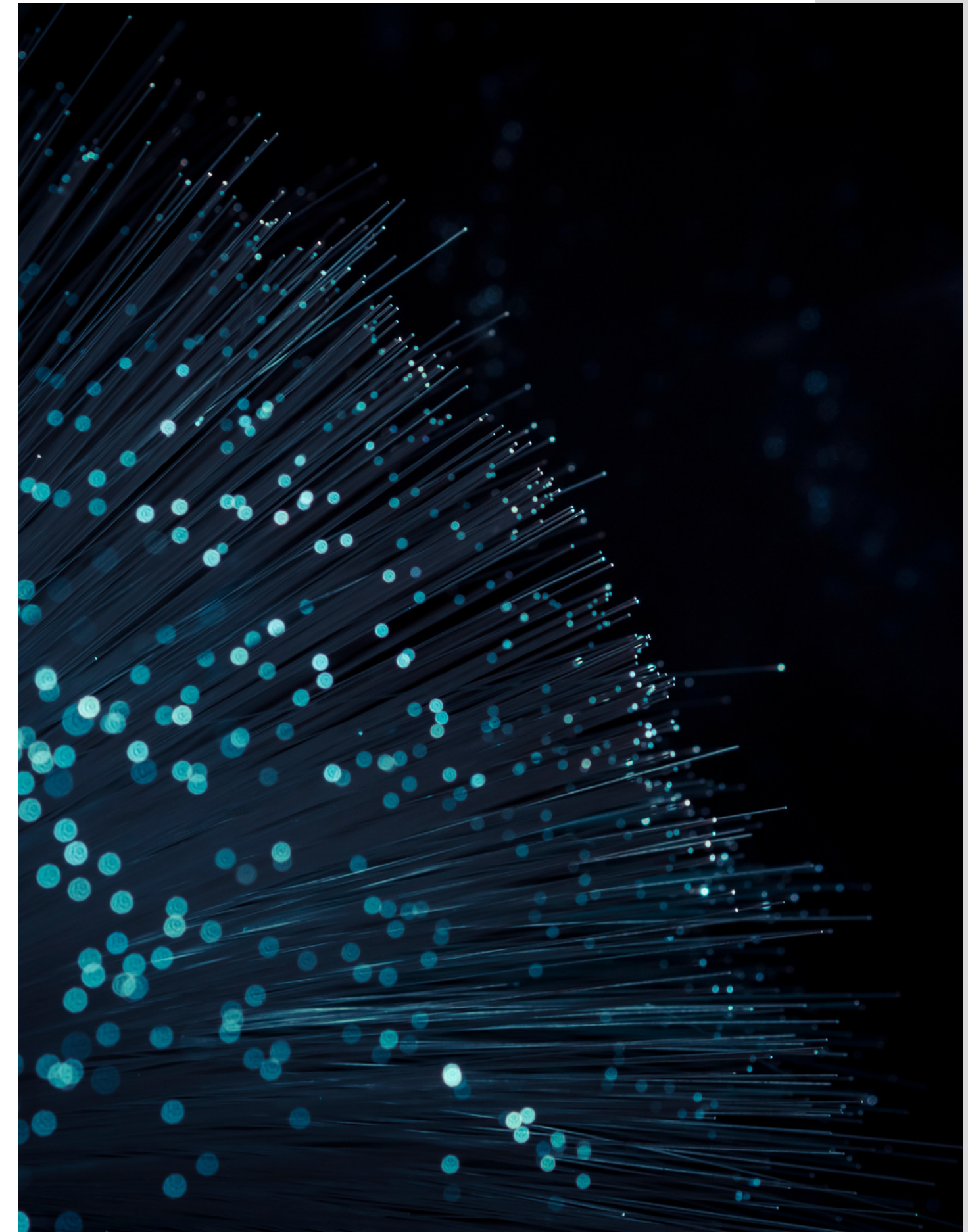
03 2023 Q1 South Yorkshire Quarterly Economic Survey: what you need to know

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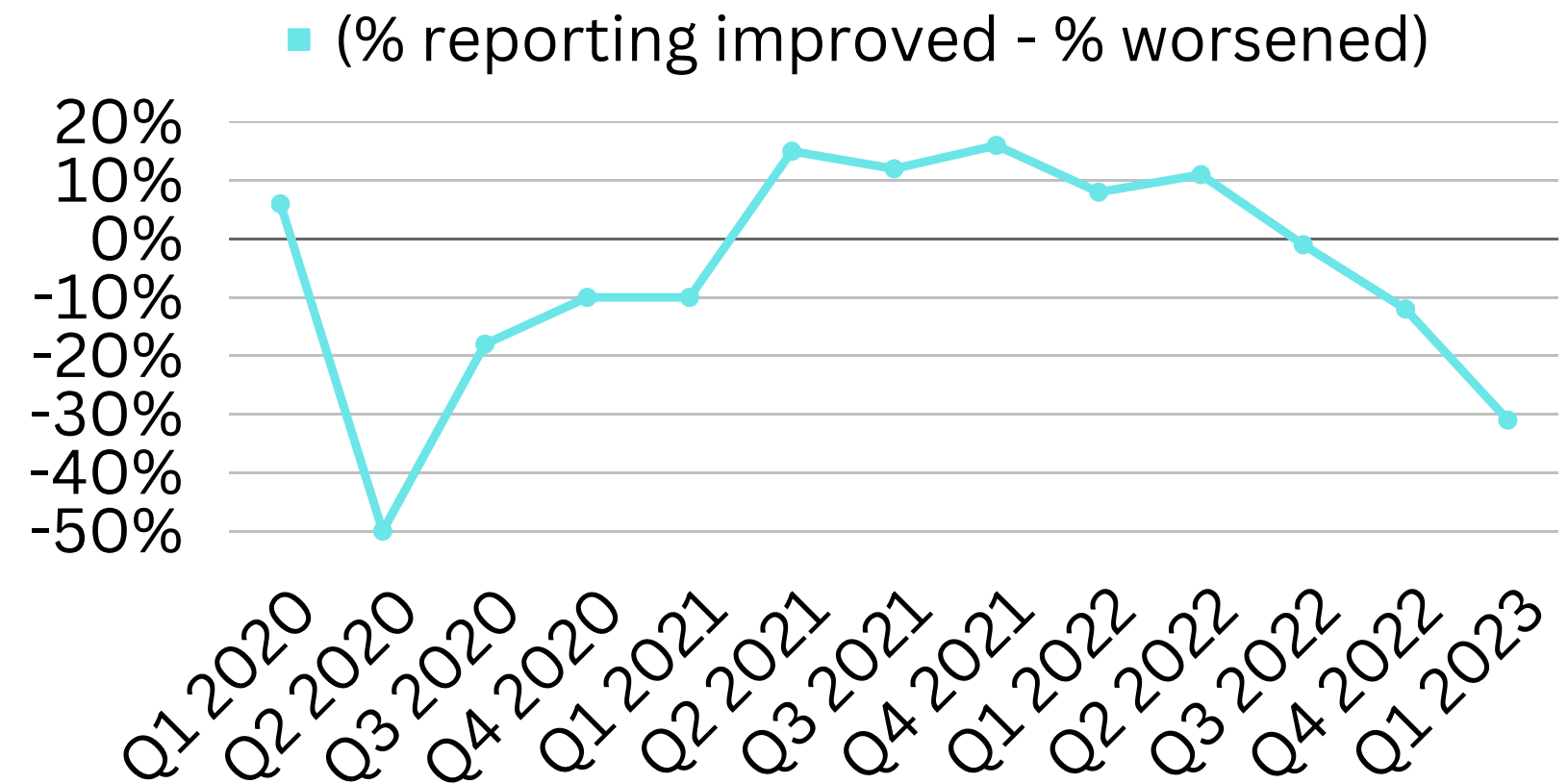
QES Highlights 2023 Q1*

SOUTH YORKSHIRE FIRMS CONTINUED TO FACE CHALLENGING ECONOMIC CONDITIONS AT THE START OF THIS YEAR

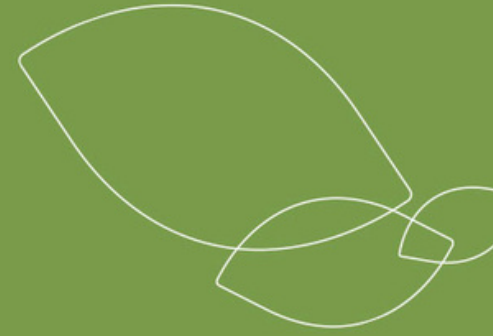
Several indicators suggest continued weakness in South Yorkshire's economy in Q1 2023. Domestic and export sales growth weakened for the fourth consecutive quarter, with both contracting. The outlook for domestic and export orders also remained weak with businesses reporting a fall in forward orders for the third successive quarter. As a result, the share of firms operating at full

capacity fell to 38% - the lowest rate since Q2 2020 – at the start of the COVID-19 pandemic. With sales contracting and inflation impacting on profitability, cashflow positions deteriorated further – with a net balance of -31% of firms reporting improved cashflow, i.e. indicating contraction – the weakest level since Q2 2020. Weak financial circumstances impacted on investment, with investment intentions for plant and machinery declining for the first time in two years and investment intentions for training remain weak.

CASHFLOW - NET BALANCE OF FIRMS REPORTING IMPROVEMENT



77 responses, fieldwork 13 February - 9 March 2023



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QES Highlights 2023 Q1 (continued)

INFLATION REMAINED BUSINESSES' BIGGEST CONCERN

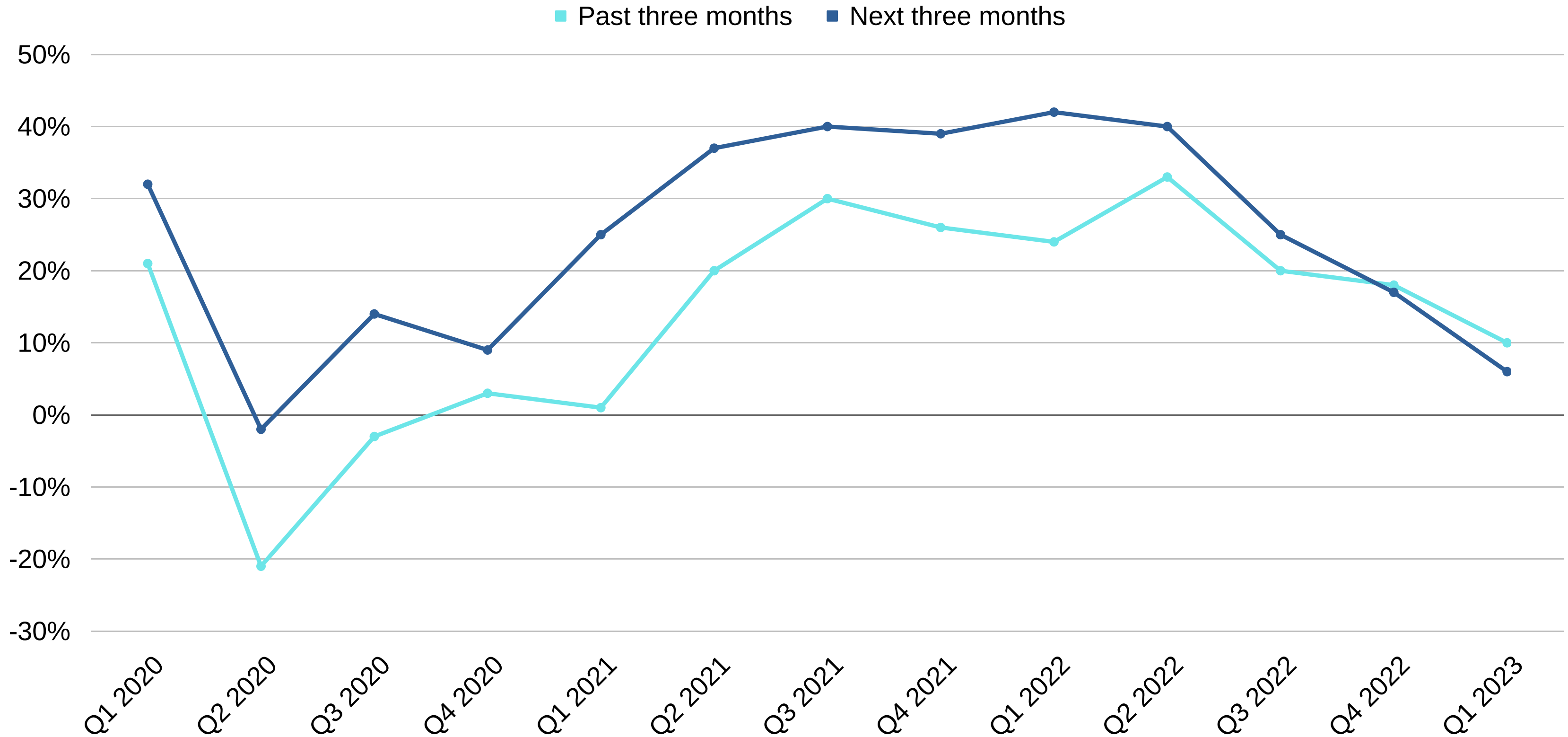
There are indications that the rate of inflation may be slowing with fewer firms expecting to increase their prices over the next three months (59%, down from 69% the previous quarter) and more firms expecting to maintain prices at current levels (41%, up from 29%).

No respondents expected to cut their prices. Pressure to raise prices continued to be driven by labour and utilities costs and inflation remained respondents' biggest concern, with 60% being more concerned about this than three months ago (down slightly from 61% in the previous quarter)

WORKFORCE GROWTH WAS AT ITS WEAKEST FOR TWO YEARS

The balance of firms reporting an increase in their labour force remained positive (a net balance of +10%), but workforce growth was at its weakest level for two years. The majority of respondents experienced no change in their workforce levels in Q1 (68%), with one-in-five (21%) growing their workforces and one-in-ten (11%) reducing staffing levels. Where respondents had tried to recruit, the majority (83%) experienced recruitment difficulties, although this was down on the previous quarter (90%). Recruitment difficulties eased for lower skilled workers (clerical and unskilled/semi-skilled workers) but increased - and were most acute for - highly-skilled workers. Marginal employment growth was forecast for Q2, with +6% of respondents expecting to grow their workforces – the weakest rate since Q4 2020.

Net balance of respondents reporting actual / expected growth in their workforces





South Yorkshire
Quarterly Economic Survey

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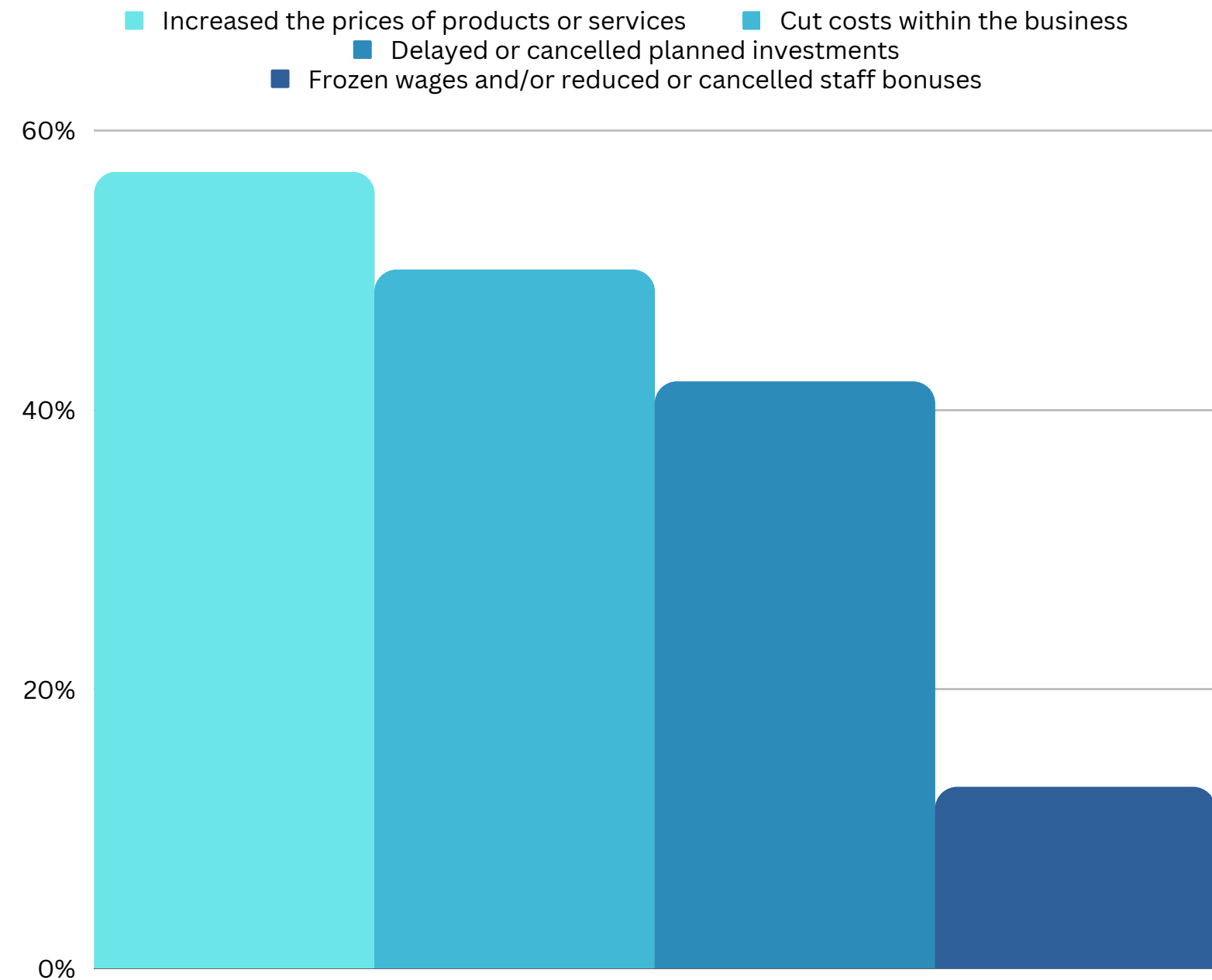
QES spotlight on...business costs

BUSINESSES ARE MOST LIKELY TO HAVE INCREASED THEIR PRICES OR CUT THEIR COSTS IN RESPONSE TO INCREASED PRICE PRESSURES

In response to inflationary pressures, at least half of respondents had increased their prices (57%) or cut their costs (50%) over the past six months. Less than half had delayed or cancelled planned investments (42%). Few had frozen wages and/or reduced/cancelled staff bonuses

(13%) – which is unsurprising given QES results highlighting strong competition for labour faced by businesses over the past year along with labour costs continually being reported as businesses' biggest price pressure.

IN THE LAST 6 MONTHS, BUSINESSES HAVE..





QES spotlight on...business costs (continued)

ALMOST TWICE AS MANY BUSINESSES EXPECT TO INCREASE THEIR PRICES THAN NOT OVER THE NEXT SIX MONTHS

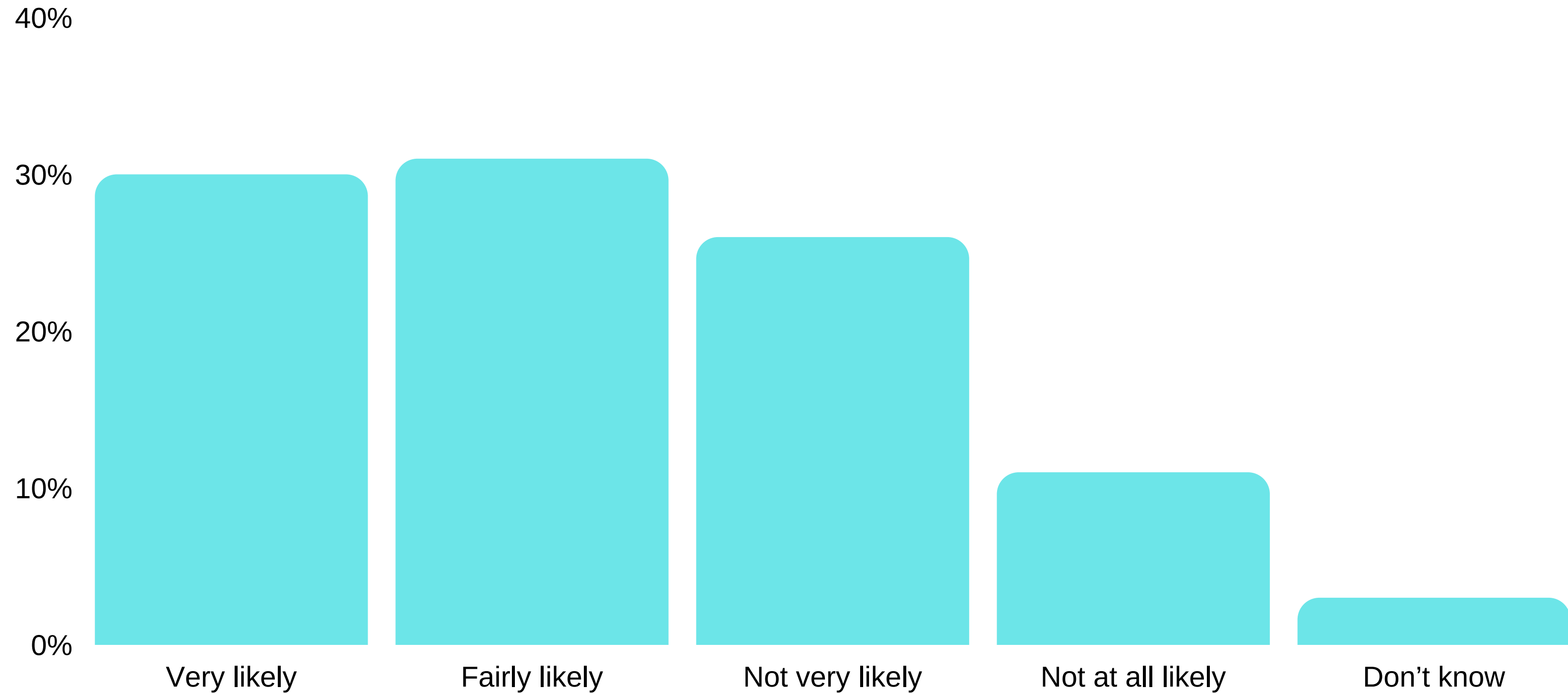
When asked how likely respondents were to increase their prices over the next six months, 61% reported that this would be likely (30% very likely and 31% fairly likely)

(compared to 36% suggesting that this would be unlikely (11% not all likely and 26% not very likely).

THE MAJORITY OF BUSINESSES EXPECT THEIR BUSINESS RATES TO INCREASE OR REMAIN THE SAME IN THE NEW TAX YEAR

From 1 April 2023, many businesses will be facing new business rates bills, following new valuations of their properties. When asked for their business rates predictions for 2023/24, 37% expected their business rates to increase (5% to increase a lot and 32% to increase somewhat) while a similar proportion (38%) expected their rates to remain the same. Just 1% expected their rates to decrease, while almost one quarter (23%) were unsure of the changes. Click [here](#) to find out more about the future rateable value of your commercial property, [here](#) to calculate your business rates from April 2023, and [here](#) to find out more about the Government's business rates support package.

Over the next 6 months, how likely is your business to raise its prices?



Q1 Business policy highlights

Hot topics in the last quarter...

Business reaction to the Spring Budget

Following the Spring Budget announcements on 15 March 2023, the British Chambers of Commerce welcomed measures to help working parents with childcare costs, to address worker shortages by adding new construction occupations to the Shortage Occupation List, and plans for full capital expensing, which will allow all investment expenditure to be set against revenue for tax purposes for the next three years. However, the BCC stressed that such measures to boost investment could be futile when businesses are fighting to survive and struggling to pay their energy bills from April. 'We included seven energy recommendations in [our budget submission](#), but not one of these has been acted upon today.' The BCC was also critical of the lack of reform to business rates, which it has repeatedly called for, and a lack of measures to support exporters and boost UK international trade. Read the BCC's reaction in full [here](#).

South Yorkshire Digital Skills Survey – your views needed

Intensive consultations are currently taking place with businesses to better understand their digital skills needs, in the form of events, diagnostic interviews and a digital skills survey. The insights gleaned from this will be used to inform the development of a Local Skills Improvement Plan for South Yorkshire, led by the region's Chambers of Commerce. By responding to the survey, businesses will help us to focus on the digital skills that will make a difference to them, now and in the future. With firm commitment from the region's universities, colleges and local authorities to heed its results, survey responses will also help to improve training provision and education curriculums across the region, so that they better meet the needs of employers. To complete the survey, please follow this [link](#) – which will be live until 7 April. For those who want to be more extensively consulted, there will be an invitation at the end of the survey to take part in a 1:1 interview to enable us to get even more detailed insights about businesses' reliance on digital skills and what needs to change in regards to training provision.

Q1 Business policy highlights

Hot topics in the last quarter (continued)...

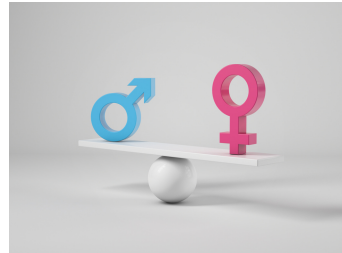
Reaction to the Great British Railways HQ Decision

Unfortunately, despite meeting all of the government's specified criteria, it was announced on 21 March 2023 that Doncaster had not been selected as the new home of Great British Railways (GBR), which was instead awarded to Derby. Expressing his disappointment at the decision, chief executive of Doncaster Chamber of Commerce, Dan Fell, asked local and regional partners – including business groups – to reflect on the process and ask what they might have done better. '...we need to forensically understand why...[because] our region did fight hard for this and put significant resources into the campaign.' He also encouraged organisations to look ahead to other upcoming opportunities, such as 'campaigning for the establishment of a second University Technical College in Doncaster...lobbying for a new hospital, and looking for other ways to drive growth in our region,' as well as persisting in the ongoing fight for Doncaster Sheffield Airport. 'If the government is truly serious about its commitment to levelling up, then backing these key projects would be a good way to compensate for overlooking South Yorkshire [with GBR].'

Mission Zero – recommendations to back businesses to 'go green'

The Government published [Mission Zero](#), the report of the Independent Review of Net Zero, chaired by Rt Hon Chris Skidmore MP, in January 2023. Key recommendations relating to business included reviewing incentives for investment in decarbonisation, including via the tax system and capital allowances, launching a 'Help to Grow Green campaign' offering information and vouchers to help SMEs plan and invest in the energy transition. [The British Chambers of Commerce welcomed the report](#), but stressed that measures needed to go further. '...the report acknowledges pressures on SMEs to move to Net Zero, but more ambitious tax incentives than those proposed, and additional funding support, will be required...'

Policy and research updates from the British Chambers of Commerce



BCC launches three-year gender equity campaign based on stark research findings. [Learn more >>](#)
(Mar '23)



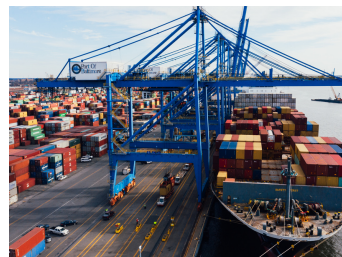
Business action on Net Zero held back by lack of understanding. [Learn more >>](#)
(Feb '23)



BCC Economic Forecast: Economy to shrink in 2023 before rebounding. [Learn more >>](#)
(Mar '23)



Quarterly Recruitment Outlook: Highest level of recruitment difficulties on record. [Learn more >>](#)
(Feb '23)



What lies ahead – challenges for UK trade in 2023. [Learn more >>](#)
(Feb '23)



Without addressing energy and exports, the UK's economic growth will continue to be stunted. [Learn more >>](#)
(Jan '23)

Ones to watch...

Hot topics for the next quarter

Submission of South Yorkshire's Local Skills and Improvement Plan

The South Yorkshire Local Skills Improvement Plan (LSIP) – led by Doncaster Chamber of Commerce – is a three-year plan that aims to ensure that businesses in the region have the skills they need to take full advantage of digital technology. We are currently reviewing all of the evidence available on digital skills needs in South Yorkshire which, as above, includes a business survey and diagnostic interviews. The information gathered will be used to develop the LSIP, which will subsequently inform the region's Skills Strategy and commissioning decisions as well as enable training providers to respond to the needs of the region's businesses. The full LSIP will be submitted to the Secretary of State by 31 May 2023. For more information about the LSIP process, please email southyorkshirelsip@doncaster-chamber.co.uk.



Doncaster invited to form Levelling Up partnership

Doncaster has been announced as one of 20 local authority areas invited to form a Levelling Up Partnership. Levelling Up Partnerships will research the city's unique challenges and opportunities and identify actions to support economic regeneration. A total of £400m is being made available across the 20 areas. Other 'Levelling Up' announcements within the Spring Budget included £20m of unallocated departmental funding being awarded to the Rotherham 'Principal Areas of Growth' project.

Ones to watch...

Hot topics for the next quarter

Energy Bill Relief Scheme to be scaled back from April 2023

The government has confirmed that it will scale back its energy bill support for businesses. Under the successor scheme businesses and public sector organisations will get a discount on wholesale prices rather than costs being capped as under the current scheme, which will end on 31 March 2023. Eligible non-domestic customers will now receive a unit discount of up to £6.97/MWh to their gas bill and a unit discount of up to £19.61/MWh to their electricity bill. [Heavy energy-using sectors](#) will get a larger discount. Research by the BCC has shown that almost half (47%) of businesses believe that paying energy bills will be difficult when the current business support package ends. The [BCC has urged government to extend Ofgem's powers to guarantee businesses access to competitive fixed rate contracts](#), to bring forward ambitious plans to enable more renewable and sustainable energy production across the UK, and to support businesses to drive down energy consumption through energy efficiency measures.

South Yorkshire invited to develop new Investment Zone proposal

The Spring Budget detailed plans to create 12 new Investment Zones across the UK, including in South Yorkshire. These aim to create new business clusters and must be aligned with one or more of the five sectors of digital and tech, life sciences, creative industries, green industries, and advanced manufacturing. The zones are to receive total funding of £80m over five years, split between investment spend and tax incentives (including reliefs on Stamp Duty Land Tax, enhanced capital allowances, employer NICs relief and business rates relief) and covering up to 600 hectares across up to three sites. The South Yorkshire Mayoral Combined Authority has been invited to develop plans for the zone with funding expected to commence in 2024/25.

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