

4th QUARTER 2012



BRITISH CHAMBERS OF COMMERCE  
**QUARTERLY  
ECONOMIC  
SURVEY**

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## About us

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The British Chambers of Commerce is the national body for a powerful and influential Network of Accredited Chambers of Commerce across the UK, a Network that directly serves not only its member businesses, but the wider business community. Representing 104,000 businesses who together employ 5 million employees, the British Chambers of Commerce is the voice of the 'real economy'. Every Chamber sits at the very heart of its local community working with businesses to grow and develop by sharing opportunities, knowledge and know-how. No other organisation makes such a difference to business as the British Chambers of Commerce.

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## Contents

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Introduction	1
Methodology	1
Summary 4th Quarter 2012	2
Home Orders and Sales	4
Export Orders and Sales	5
Employment	6
Recruitment Difficulties	7
Investment	8
Business Confidence	9
Capacity Utilisation and Cashflow	10
Prices	11
External Factors	12
National Totals - Manufacturing	13
National Totals - Services	14
Regional Totals - Manufacturing	15
Regional Totals - Services	16
Scotland	17
North East	18
North West	19
Yorkshire and the Humber	20
East Midlands	21
West Midlands	22
Wales	23
East of England	24
South East	25
South West	26
London	27
Northern Ireland	28
Further Inquiries	29

## Introduction

**This Quarterly Economic Survey brings together, for the purposes of region-by-region comparison, results obtained from surveys carried out within the nations and regions of Britain by individual Chambers of Commerce.**

Those wishing to obtain a more detailed survey of economic conditions in a particular nation or region as perceived by individual businesses are invited to contact the representatives listed on the closing page of this survey.

While the figures conveyed in this summary derive from the Chambers' respective enquiries, the interpretation is the responsibility of the British Chambers of Commerce, and should not be regarded as necessarily representing the view of any contributing Chamber.

NB: Balance figures, referred to throughout this report, are determined by subtracting the percentage of companies reporting decreases in a factor from the percentage of companies reporting increases.

## Methodology

The British Chambers of Commerce Quarterly Economic Survey for the 4th quarter 2012 received over 7,500 business responses. The respondents cover the entire United Kingdom, and were surveyed by postal and online questionnaires over the period 12 November to 5 December.

In the manufacturing sector 2,127 firms, employing approximately 350,000 people, responded. 1,373 (65%) of manufacturing respondents were exporters. In the service sector 5,535 businesses with approximately 600,000 employees responded. Of the service sector participants, 2,377 (43%) were exporters. While the majority of respondents employ fewer than 500 people, the sample included large businesses.

Total responses are weighted according to the actual distribution of companies by size within each region, and each region is similarly weighted within the national aggregates to ensure that the sample provides a truly representative picture of UK commerce and industry.

The survey is the largest and most representative of its kind in the UK.

Number of responses	7,662
Manufacturing Firms	2,127 (28% of total)
Services Firms	5,535 (72% of total)
Number of Exporters	3,750
Manufacturing Exporters	1,373 (65% of manufacturers)
Services Exporters	2,377 (43% of services firms)



# Summary

## 4th Quarter 2012

The Q4 2012 results show welcome progress compared with Q3. But many balances are still weak by historical standards. The economy is facing major challenges. But the results reveal resilience amongst UK businesses, coupled with rising confidence that the outlook will improve. For both manufacturing and services, almost all the key Q4 balances are stronger than in Q3. But, for both sectors, the domestic balances remain well below their pre-recession levels in 2007. The export balances are also below their 2007 levels for manufacturing, but are higher than in 2007 for services. The investment balances strengthened in Q4, but are still inadequate. The cashflow balances, though higher, are weak; and service cashflow is still negative. Confidence is still weak by historical standards, particularly in services. But the marked increase in confidence in Q4, in both sectors, reinforces our view that the economy will recover slowly in 2013. Plans to raise prices are higher, notably in manufacturing; but it is questionable if these price intentions can be realised in the face of weak demand. Inflation remains a major concern for businesses in both sectors.

### Domestic Market

The domestic balances improved in Q4, but all are still relatively weak by historical standards. Though higher than in the 2008-09 recession, the Q4 domestic balances are lower than their long-term historical averages, and are well below their 2007 pre-recession levels. In manufacturing, the balance for home deliveries rose 5 points, to +8%, while the home orders balance increased 9 points, to +3%. Both Q4 domestic manufacturing balances, though higher than in Q3, were lower than in the first two quarters of 2012. The service home deliveries balance rose 10 points in Q4, to +11%, the best level since Q2 2010. The service home orders balance increased 9 points, to +7%, best equal level since Q2 2011. For both sales and orders, the service domestic balances are stronger than the equivalent manufacturing balances.

### Export Market

Most national export balances improved slightly in Q4; but the manufacturing balance for export deliveries remained the same as in Q3, at +13%. The manufacturing balance for export orders rose 3 points, to +11%. The service export deliveries balance rose 5 points, to +24%, best equal level

since Q3 2007. The service export orders balance rose 3 points, to +18%. The service export balances are satisfactory by historical standards, and are now higher than their average pre-recession levels in 2007. But the manufacturing export balances are still inadequate.

### Employment

Most national employment balances rose in Q4, but one balance, service employment over the past quarter, remained unchanged. The manufacturing employment balance rose 4 points, to +15%, still weaker than in the first two quarters of 2012. The balance for manufacturing employment expectations rose 13 points, to +14%, still weaker than in Q1 2012. The service employment balance was unchanged, at +9%. The service employment expectations balance edged up 3 points, to +12%. The service balances remain disappointingly weak by historical standards.

### Investment

The national investment balances rose in Q4, but they are relatively weak by historical standards, notably for services. The balance of manufacturing firms planning to increase

The domestic sales balance rose for both **manufacturing** (+8%) and **services** (+11%)



Export orders increased in **both sectors**



investment in plant & machinery rose 4 points, to +11%, still weaker than in Q1 2012. Manufacturing intentions to invest in training rose 6 points, to +20%. The balance of service firms planning to increase investment in plant & machinery rose 2 points, to +5%. Service sector intentions to invest in training rose 4 points, to +14%.

#### Business Confidence

The national confidence balances rose markedly in Q4, and are much stronger than in the 2008-09 recession; but balances are relatively weak by historical standards, particularly for services, and well below their average pre-recession levels in 2007. Manufacturers' turnover confidence balance rose 9 points in Q4, to +41%. Manufacturers' profitability confidence balance increased 12 points, to +30%, equal to the highest level since Q4 2007. The service sector's turnover confidence balance rose 10 points in Q4, to +38%, the best level since Q1 2008. Service profitability confidence

increased 8 points, to +22%, the best level since Q4 2007.

#### Capacity Utilisation and Cashflow

The share of manufacturing firms operating at full capacity fell 5 percentage points, to 39%. In services, the share of firms operating at full capacity was unchanged, at 36%. The cashflow balances improved, but are weak and the service balance is still negative. The manufacturing cashflow balance rose 7 points, to +3%. Services cashflow increased 3 points, to -1%.

#### Prices

Intentions to raise prices strengthened in both sectors. The balance of manufacturing firms reporting pressure to increase prices surged 21 points, to +36%, the highest since Q2 2011. The balance of service firms expecting to raise prices increased 5 points, to +21%, the highest since Q1 2012.

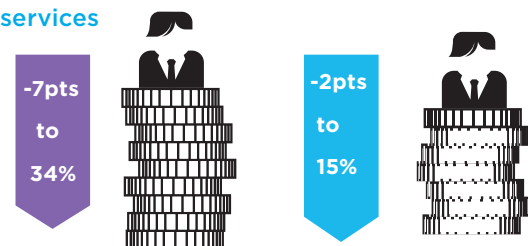
## Economic Climate

The Q4 2012 results support our doubts over the official ONS GDP figures. The contrast between weak output and robust jobs growth implies declines in productivity that are questionable. Our survey, which signals stronger GDP growth than the ONS in the first half of 2012, but a weaker rebound in Q3, gives a better picture of the true position. In interpreting the differences, it is important to note that our members give a smaller weight than the ONS to distortions resulting from the Diamond Jubilee or ticket sales for the Olympics. Fears that the economy has returned to negative growth in Q4 2012 are not supported by our survey. We expect modest recovery in 2013, but it is clear that UK growth is inadequate and must be boosted. This reinforces the case for a two-pronged strategy that combines firm adherence to cutting the fiscal deficit, with effective policies aimed at enabling the private sector to drive recovery and create jobs. The economic environment will remain challenging, with a prolonged period of below-trend growth. But British businesses remain resilient, and growth will gradually improve in the next few years.

The balance of **manufacturing** firms reporting an increase in domestic orders rose

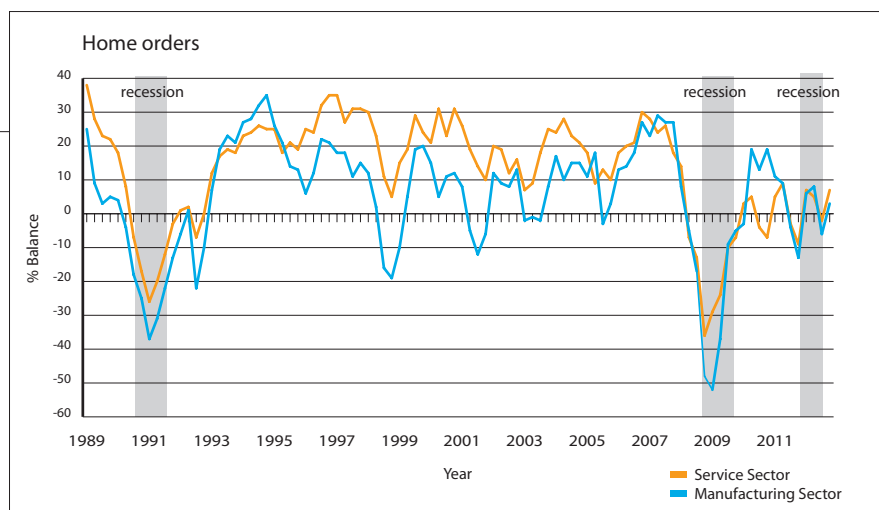


The percentage of firms reporting exchange rate concerns fell in both sectors: **manufacturing** down to 34% and **services** down to 15%



# Home orders and sales

Q Excluding seasonal variation, domestic sales (domestic orders) over the past 3 months are:  
Up/Same/Down



## All domestic balances increase for both manufacturing and services

### The National Perspective

The Q4 2012 national domestic balances show an improvement compared with Q3 2012, for both manufacturing and services. But all the balances are still relatively weak by historical standards. For both sectors, the forward-looking balances for home orders are lower than the delivery balances. All the domestic balances are now positive, and are higher than their average levels in the recession of 2008-09. But the home balances are lower than their long-term historical averages, and are well below their average pre-recession levels in 2007.

The manufacturing sector's net balance for domestic deliveries rose from +3% in Q3 to +8% in Q4. The net balance for manufacturers' home orders rose from -6% in Q3 to +3% in Q4 and moved back into positive territory. Both Q4 domestic manufacturing balances, though higher than in Q3, were lower than in the first two quarters of 2012. Micro

**Manufacturers home orders balance rose nine points to +3%**



manufacturers recorded the weakest Q4 net balance for domestic deliveries, and medium-sized firms registered the worst balance for home orders.

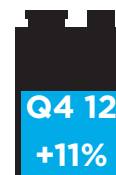
The service sector's balance for home deliveries rose from +1% in Q3 to +11% in Q4, the best level since Q2 2010. The net balance for service home orders rose from -2% in Q3 to +7% in Q4, equal to the best level since Q2 2011. For both sales and orders, the service domestic balances are stronger than the equivalent manufacturing balances. Micro service firms recorded the weakest Q4 balances, for both home deliveries and home orders.

### The Regional Perspective

The Q4 manufacturing balances for home deliveries were in negative territory in two regions, while ten regions were in positive territory. In the case of home orders, four regions were in negative territory in Q4, while eight regions were in positive territory. Comparing the manufacturing sector's domestic performance across the various regions, the weakest Q4 net balances were in the North East, at -22% for home sales and at -33% for home orders.

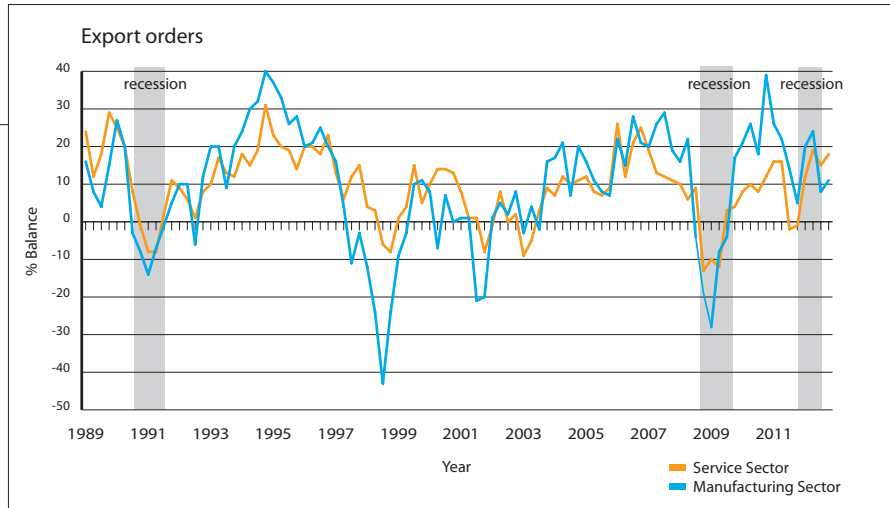
The Q4 service sector's net balance for home deliveries was in negative territory in one region, while eleven regions were in positive territory. In the case of home orders, two regions

**Service sector home deliveries balance rose by ten points for the quarter to +11%**



were in negative territory in Q4, while ten regions were in positive territory. Comparing the service sector's domestic performance across the various regions, the weakest Q4 net balances were in Scotland, at -27% for home sales and at -21% for home orders.

# Export orders and sales



Q Excluding seasonal variation, export sales (export orders) over the past 3 months are: Up/Same/Down

## Service sector balances record slight rise

### The National Perspective

Most national export balances improved slightly in Q4 2012, but one manufacturing balance remained unchanged. The service export balances are satisfactory by historical standards. But the manufacturing export balances are well below their average pre-recession levels in 2007; they are still inadequate, given the challenge of rebalancing the economy towards net exports. For both manufacturing and services, the export balances are stronger than the equivalent domestic balances.

The net balance for manufacturing export deliveries was +13% in Q4, the same as in Q3. The manufacturing balance for export orders rose from +8% in Q3 to +11% in Q4. Both

Manufacturers export deliveries was unchanged at +13%



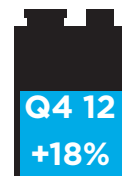
Q4 export balances were lower than in the first two quarters of 2012. The manufacturing sector's export balances remain weaker than the service export balances. Medium-sized manufacturing firms recorded the weakest Q4 export balances, for both deliveries and orders.

Both service export balances increased in Q4. The service export deliveries balance rose by 5 points in Q4, to +24%, best equal level since Q3 2007. The service export orders balance increased by 3 points in Q4, to +18%. Both service export balances are now higher than their average pre-recession levels in 2007. Medium-sized and large service sector firms recorded the weakest Q4 export balances for export deliveries; medium-sized firms recorded the weakest Q4 balance for export orders.

### The Regional Perspective

The Q4 2012 manufacturing sector's net balances for export deliveries were in negative territory in five regions, while seven regions were in positive territory. In the case of export orders, we find the same pattern: five regions were in negative territory, while seven regions recorded positive balances. Comparing manufacturing export performance across the various regions, the weakest Q4 net balances were in the North East, at -30% for export sales, and at -21% for export orders. At the other extreme, the strongest Q4 manufacturing export balances were in the South East, at +49% for export deliveries, and at +49% for export orders.

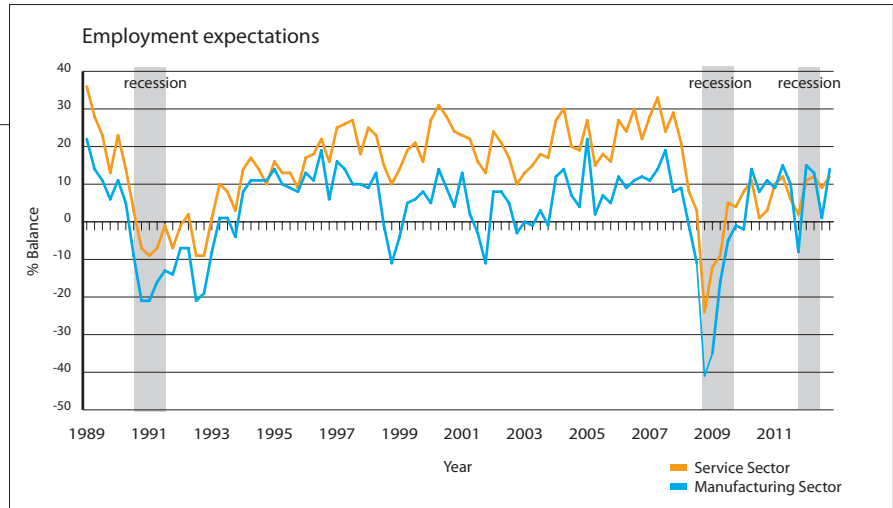
Service sector export orders balance increased to +18% in Q4 from +15% in Q3



The Q4 2012 service sector balance for export deliveries was in negative territory in one region; one region was at 0%, while ten regions were in positive territory. In the case of service export orders, two regions were at 0% in Q4, while ten regions were in positive territory. Comparing service sector export performance across the various regions, the weakest Q4 balance for export sales was in Northern Ireland, at -1%; and in Scotland and the South West for export orders, both at 0%. At the other extreme, the strongest Q4 service balances were in the Eastern region, at +67% for export deliveries, and at +67% for export orders.

# Employment

Q Over the past 3 months your workforce has: **Increased/Remained Constant/Decreased**  
 Q What changes do you expect to your workforce over the next 3 months: **Increase/Remained Constant/Decrease**



## Broad improvement in the employment balances for both the service sector and manufacturers

### The National Perspective

The balance for employment in the manufacturing sector improved over the last three months to reach +15% in Q4 2012, from +11 in the previous quarter. Although this remains marginally below the balance of +16% recorded over the first two quarters of 2012, the balance for Q4 2012 is nearly three times the balance at the same point in 2011 (+6%).

The employment expectations balance bounced back in the final quarter of 2012, from +1% in Q3 2012 to +14% in Q4 2012. This followed a significant decline between Q2 and Q3 when the balance declined from +13% to +1%.

The backward-looking employment balance for the services sector remained unchanged at +9%. This is still up significantly on the Q4 2011 reading of +2. The employment expectations balance improved, from +9% to +12%.

The employment expectations balance for the manufacturing sector rose by 13 points to +14% in Q4 12



### The Regional Perspective

Regionally, the balance for employment in the manufacturing sector was positive in ten out of twelve UK regions. The balance is currently strongest in the East of England (+50%), followed by the South East (+35%) and the South West (+30%). In contrast, the West Midlands (-14%) and Wales (-3%) recorded the only negative balances. Similarly, the strongest employment expectations balance was also recorded for the East of England (+49%), while the West Midlands (-2%), Wales (-6%) and Northern Ireland (-10%) recorded negative balances.

Within the service sector, the employment balance was strongest in the South West (+24%) and weakest in Scotland (-16%). Scotland (+18%) recorded the only negative employment expectations balance. In contrast, the strongest result was recorded in the South West (+30%).

The service sector backward looking employment balance was unchanged at +9%





# Recruitment difficulties

Q Have you attempted to recruit staff over the past 3 months: Yes/No

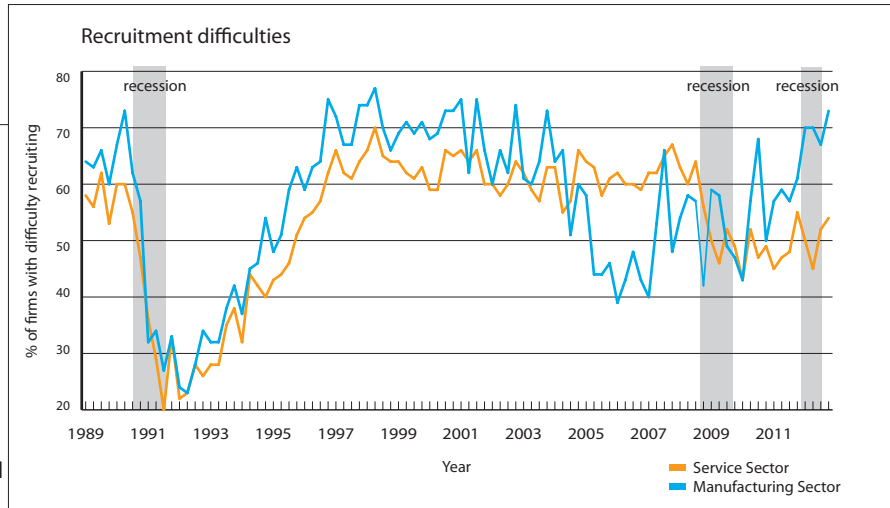
Q If yes, were they for:

a) Part-time jobs/Full-time jobs

b) Temporary jobs/Permanent Jobs

Q Did you experience any difficulties finding suitable staff? Yes/No

Q If yes, for which of the following categories: Skilled manual and technical/Professional and managerial/Clerical/Un- and semi-skilled



## Attempts to recruit decline for both services and manufacturing

### The National Perspective

The percentage of manufacturing firms that tried to recruit new staff fell from 70% to 63%, the second successive quarterly fall. The proportion of firms that tried to recruit full-time staff dropped to 71%, the lowest percentage since Q3 2011. In contrast, 21% of manufacturing firms tried to recruit part-time staff, the highest proportion since Q2 2006. The percentage of manufacturing firms that experienced difficulties when recruiting rose by six percentage points to 73%, the highest proportion since Q4 2003.

The proportion of businesses in the services sector that tried to recruit declined over the last three months, from 61% in Q3 2012 to 56% in Q4 2012. This was driven by a decline in the share of service-sector firms that tried to recruit full-time staff. There was a slight increase in the percentage of firms who tried to recruit part-time staff from 36% in Q3 2012 to 38% in Q4 2012. The percentage of services firms that experienced recruitment difficulties also rose slightly, from 52% in Q3 2012 to 54% in Q4 2012.

### The Regional Perspective

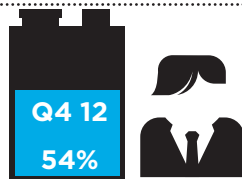
The North East (80%) had the highest percentage of manufacturing firms that tried to recruit over the past three months. They were followed by the East of England (74%) and the North West (70%). In contrast, Wales, at 38%, had the lowest figure, less than half the proportion for the North East.

Within manufacturing, the North East (49%) had the highest percentage of firms that attempted to recruit the professional and managerial staff, followed by the East Midlands (46%) and the South West (31%).

In the services sector, the East of England (66%) recorded the highest percentage of firms that tried to recruit in the quarter, followed by the East Midlands, the South West (both 64%) and the North East (62%). Scotland had the smallest proportion with less than a third (32%) of firms looking to add new staff, followed by Wales (42%).

Most firms in the service sector in Wales (96%) encountered difficulties when trying to recruit new staff. At the other end of the scale, businesses in Scotland (38%) found the fewest problems.

The percentage of firms in the service sector that experienced recruitment difficulties rose 2pts



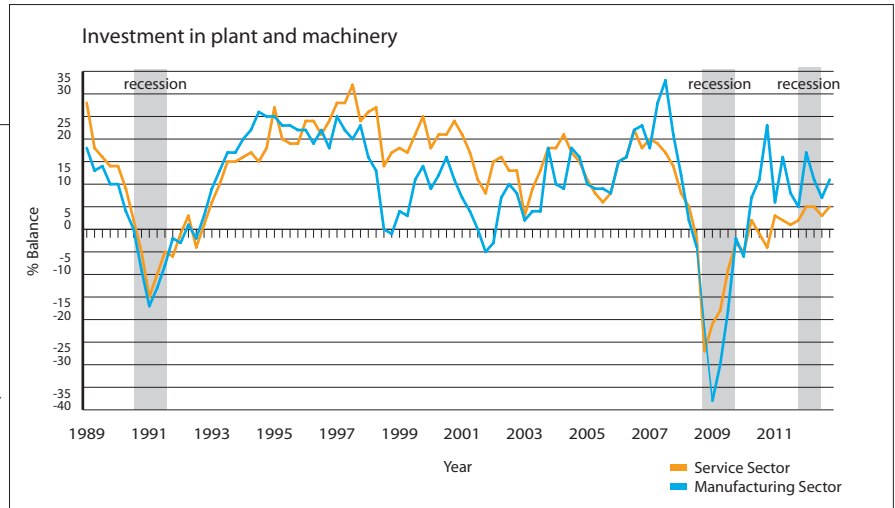
The percentage of manufacturing firms tried to recruit staff fell by 7pts



# Investment

**Q Over the past 3 months, what changes have you made to your investment plans:**

- a) For Plant and Machinery: Revised upwards/ Revised downwards/No change
- b) For Training: Revised upwards/Revised downwards/No change



## Both sectors show simultaneous upward movements in investment

### The National Perspective

The investment balances for both manufacturing and services moved upwards in Q4 2012. In the manufacturing sector the investment in plant and machinery balance increased from +7% in Q3 2012 to +11% in Q4 2012. The investment in training balance moved upwards to +20%, from +14% in Q3 2012. This is the strongest result since Q1 2008.

The service sector also showed improvement with upward movements in both indicators. The investment in plant and machinery balance increased to +5% from +3% in the previous quarter and the investment in training balance increased to +14% from +10%. The index for the investment in training balance was last seen at this level in Q2 2008. But both services balances remain relatively weak, with both on average 25 points below their peaks last seen in Q3 1997.

**The manufacturing sector balance for plant and machinery investment rose four points to +11%**



### The Regional Perspective

In the manufacturing sector the investment in plant and machinery balance showed Wales the only region to record a negative balance (-6%). The East Midlands and Northern Ireland followed from Wales, recording weak balances, both at (+2%). The strongest results were recorded in the North East (+27%) followed by the South West (+26%). The investment in training balance was lowest for Scotland (-8%) and highest for London (+46%).

In the services sector Scotland was the only region to record a negative balance for the investment in plant and machinery balance (-37%), with the national balance currently at a low level of +5%. The strongest positive balance was recorded in the East of England at +25%. The investment in training indicator recorded positive balances for all regions, with the strongest result at +24% for the East of England and the lowest balance seen in Scotland (+1%).

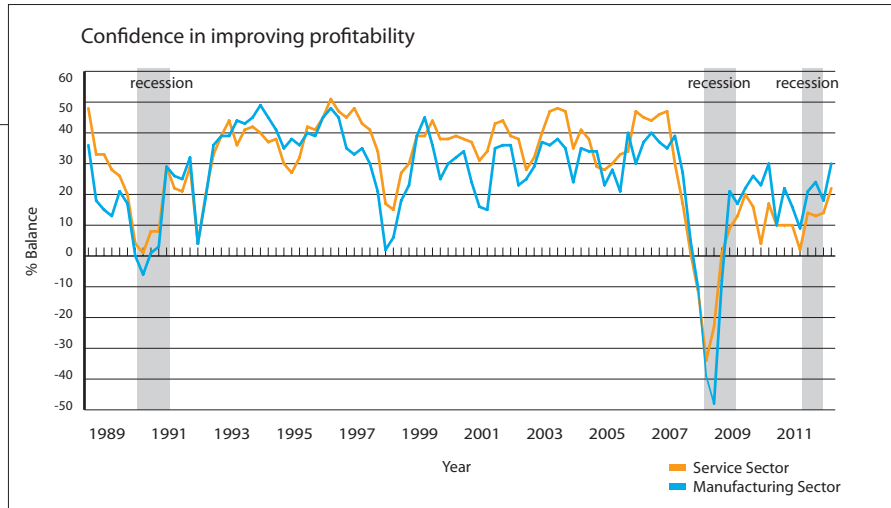
**The Q3 service sector balance for training increased four points to +14%**



# Business confidence

Q Do you believe that over the next 12 months:

- a) Turnover will: Improve/Remain the same/ Worsen
- b) Profitability will: Improve/Remain the same/Worsen



## Confidence improves significantly for both sectors

### The National Perspective

In Q4 2012, the national confidence balances recorded marked increases, for both manufacturing and services. The Q4 confidence balances remained much stronger than their average levels in the recession of 2008-09, but the service balances were still relatively weak by long-term historical standards. All the Q4 confidence balances remain below their average pre-recession levels in 2007.

The confidence balance that manufacturing turnover will improve in the next 12 months increased from +32% in Q3 to +41% in Q4, but was still weaker than in Q1 2012. The confidence balance that manufacturing profitability will improve in the next 12 months rose from +18% in Q3 to +30% in Q4, the equal-highest level since Q4 2007. Small manufacturing firms recorded the weakest Q4

**Service sector confidence in profitability increases rose by eight points to +22%**



balance for turnover confidence, and micro manufacturing firms recorded the weakest Q4 balance for profitability confidence.

The confidence balance that service sector turnover will improve in the next 12 months rose from +28% in Q3 to +38% in Q4, the best level since Q1 2008. The confidence balance that service sector profitability will improve in the next 12 months rose from +14% in Q3 to +22% in Q4, best level since Q4 2007. Large service firms recorded the weakest Q4 confidence balances for both turnover and profitability.

### The Regional Perspective

The manufacturing sector's Q4 2012 net balances for turnover confidence were in positive territory in all twelve regions. In the case of profitability confidence, we find the same pattern, with all twelve regions recording positive balances. Comparing manufacturing confidence across the various UK regions, the weakest Q4 confidence balances for turnover were in Scotland and the North East, both at +13%; and in Scotland for profitability, at +3%. At the other extreme, the strongest Q4 manufacturing confidence balances were in the Eastern region, at +74% for turnover, and at +67% for profitability.

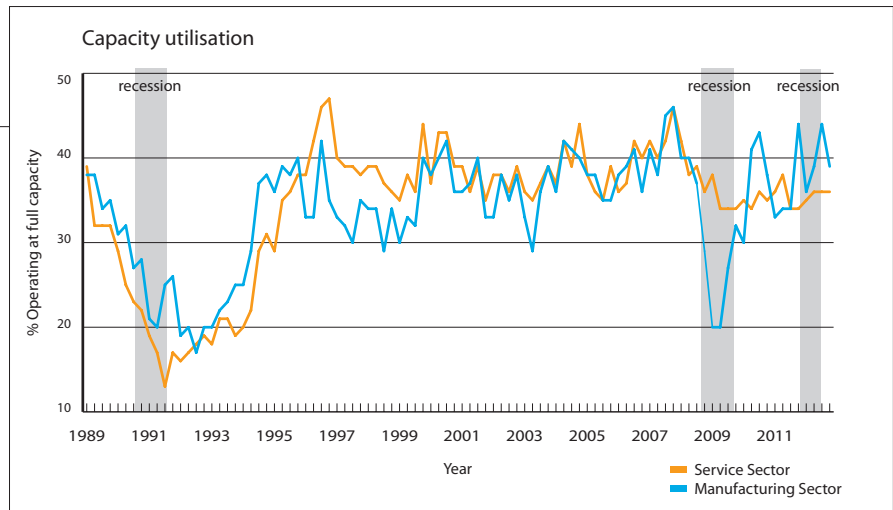
**Manufacturers' confidence in turnover improvements rose from +32% to +41% for Q4 2012**



In the service sector, the Q4 2012 balances for turnover confidence were in positive territory in eleven regions, while the balance for Scotland was negative. In the case of profitability confidence, we find the same pattern: eleven regions were in positive territory in Q3, while the balance for Scotland was negative. Comparing service sector results across the UK, the weakest Q4 confidence balances were in Scotland, at -17% for turnover, and at -31% for profitability. At the other extreme, the strongest Q3 service sector balances were in the South West, at +63% for turnover confidence, and at +49% for profitability confidence.

# Capacity utilisation and cashflow

**Q Are you currently operating:**  
**At full capacity/Below full capacity**  
**Q During the last 3 months how**  
**has your cashflow changed:**  
**Improved/Same/Worsened**



## Manufacturing firms decrease capacity utilisation but no change for services

### CAPACITY UTILISATION

#### The National Perspective

In the manufacturing sector the capacity utilisation result decreased by five percentage points, from 44% in Q3 2012 to 39% in Q4 2012. It now stands seven percentage points below its peak in Q4 2007.

In the services sector the percentage of firms stating that they were operating at full capacity remained unchanged for three consecutive quarters at 36%. The percentage of firms stating that they were operating at full capacity has averaged 36% for the last two years.

#### The Regional Perspective

In the manufacturing sector the highest proportion of firms reporting that they were operating at full capacity was recorded in Scotland (74%) exceeding the national average of 39%, followed by London (46%) and South East (43%). The region with the lowest capacity utilisation figure was Wales (21%).

In the services sector the two regions reporting the highest capacity utilisation figure were Yorkshire and the Humber (45%) and the West Midlands (45%).

**The manufacturing sector capacity result fell five percentage points on the quarter to 39%**



## Cashflow balances for both sectors made up lost ground on the previous quarter

### CASHFLOW

#### The National Perspective

In the manufacturing sector the cashflow balance moved back into positive territory increasing by seven points to reach +3%. The last quarter was the only negative balance recorded for cashflow this year. Nevertheless, the balance remains weak and this balance is now 15 points below its peak last seen in 2006 Q4.

**The service sector cashflow balance rose by three points to -1% in Q4 2012**



In the service sector the cashflow balance rose by three points, reaching -1%. This is somewhat of an improvement with the balance averaging -3% for the year of 2012. This balance has not been positive since the third quarter of 2008, with 0% the highest balance achieved since in Q4 2010.

#### The Regional Perspective

In the manufacturing sector the South East (42%), Scotland (10%), South West (6%), London (5%), Yorkshire and Humber (1%) and the East of England (1%) were the regions recording positive cashflow balances. Of the remaining regions, the North East (-17%) recorded the lowest result.

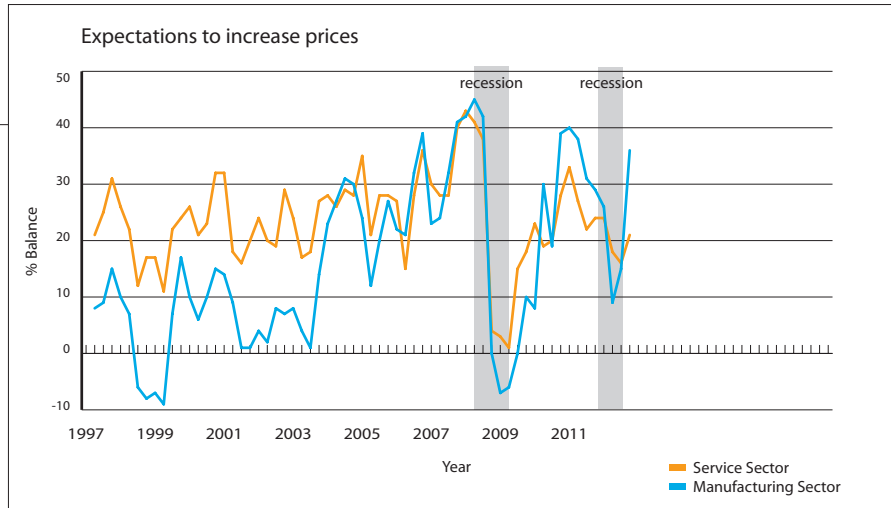
In the services sector, Wales (-12%), the South East (-9%), London (-8%), North East (-7%), Northern Ireland (-5%) and Scotland (-4%) all recorded negative results. Of those in positive territory the East of England (+16%) returned the strongest result.

# Prices

Q Over the next 3 months, do you expect the price of your goods/services to: Increase/Remain the same/Decrease

Q Is your business currently suffering pressures to raise prices from any of the following:

Pay settlements/Raw material prices/  
Finance costs/Other overheads



## Expectations of price rises increased for both manufacturing and services

### The National Perspective

There was a significant increase in the prices balance figure in Q4 for both manufacturing and services firms. For manufacturing the price balance was up 21 points to +36%. This is the highest figure since Q2 2011 and is average by historical standards. Of the factors identified as contributing to price pressures there was an increase to 64% in the share reporting increased raw materials costs. However, there was a slight fall in the share of manufacturing firms that identified pay settlements (down one point to 22%) and other overheads (down one point to 42%). The financial costs figure remained unchanged at 20%.

For the service sector the prices balance increased from +16% in Q3 2012 to +21% in 2012 Q4. While this is the highest figure since Q1 2012 it is still low by historical standards. The only time the figure has been consistently lower was during the 2008 /2009 recession. All the factors identified as contributing to price pressures saw an increase with pay settlements (up five percentage points to 23%), raw material prices (up percentage five points to 32%), finance costs (up two percentage points to 20%) and other overheads (up seven percentage points to 45%).

64% of manufacturers reported that raw materials are contributing to price rises



### The Regional Perspective

In the manufacturing sector the South East (+68%) and the Eastern Region (+68%) recorded the highest price balance figures. This was the second quarter in a row that the South East had the highest figure. The third-highest figure was in London (+53%). The North East was the only region to record a negative balance (-9%). The next lowest was Scotland (+17%). Raw material prices were identified across all regions as the factor contributing mostly to price pressures. The highest figures were in Northern Ireland (76%) and the Eastern Region (71%). The lowest figure was in the South West (44%).

In the services sector the Scotland price balance figure continued to be higher than elsewhere. However, this was the second quarter in a row that the figure fell (down nine percentage points to +32%). The balance for Scotland was followed by the Eastern Region (+30%) and the East Midlands (+27%). No region had a negative balance but just like in manufacturing the lowest figure was recorded in the North East (+9%). Throughout all regions raw materials and other overheads were identified as the main contributing factors to price rises.

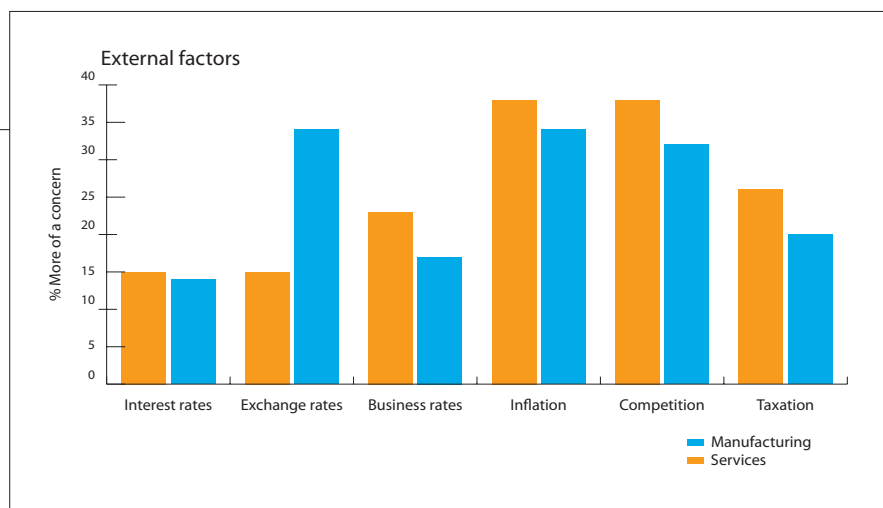
In the services sector the price balance increased from +16% to +21%



## External factors

Q Please indicate which of the following factors are more of a concern to your business than 3 months ago:

Interest Rates/Exchange Rates/  
Business Rates/Inflation/Competition/Tax



## Exchange rates worries fall for both manufacturing and service firms

### Manufacturing

Manufacturing firms, at the national level, recorded divergent movements in their anxiety levels in Q4; but declines exceeded increases. Exchange rate worries fell markedly, from 41% to 34%, but remained manufacturers' biggest equal area of anxiety along with inflation; medium-sized firms (51%) expressed the highest concern. Inflation worries fell from 40% to 34%, but was still manufacturers' other biggest equal area of anxiety; small firms (40%) signalled the highest concern. Competition worries eased from 36% to 32%; micro firms (45%) expressed the biggest concern. Corporate taxation concerns were unchanged, at 20%; micro firms, at 34%, signalled the highest level. Business rate worries eased from 19% to 17%; micro firms, at 28%, signalled the highest level. Interest rates concerns increased from 11% to 14%; micro firms (20%) signalled the highest level.

### Services

Service sector firms, at the national level, also recorded divergent movements in their anxiety levels in Q4. Inflation worries eased marginally in Q4, from 39% to 38%, but remained the biggest equal area of anxiety for service firms; large firms (42%) signalled the highest level. Competition worries rose from 35% to 38%, and was the other biggest equal area of anxiety for service firms; small service firms (40%) signalled the highest level. Corporate taxation worries rose from 21% to 26%; large firms (32%) signalled the highest concern. Business rate worries increased from 20% to 23%; small firms (27%) signalled the highest level. Interest rates concerns edged up from 14% to 15%; large firms (19%) signalled the highest level. Exchange rate worries eased from 17% to 15%; medium sized firms (20%) signalled the highest concern. Service firms are much less concerned than manufacturers over exchange rates.

	Manufacturing				Services			
	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12
% Interest rates	16	14	11	14	15	14	14	15
% Exchange rates	36	30	41	34	16	15	17	15
% Business rates	24	24	19	17	20	23	20	23
% Inflation	40	37	40	34	37	37	39	38
% Competition	39	40	36	32	37	40	35	38
% Tax	30	29	20	20	24	26	21	26

## National Totals

Number of Employees	Manufacturing											
	1-19		20-199		200-499		500+		All (Unweighted)		All (weighted)	
	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12
Domestic sales	-8	-3	0	2	10	0	3	25	-1	-2	3	8
Domestic orders	-21	-3	-2	2	-11	-13	-9	19	-3	-3	-6	3
Export sales	13	18	12	16	4	-5	16	22	18	14	13	13
Export orders	8	14	5	9	-11	-9	15	28	14	11	8	11
Employment last 3 months	2	5	18	15	10	15	8	22	5	5	11	15
Employment next 3 months	12	11	13	10	7	17	-16	23	6	7	1	14
% Tried to recruit	41	36	63	62	77	81	77	56	57	51	70	63
% Part-time	23	38	14	24	15	16	9	14	19	26	16	21
% Full-time	95	79	88	78	76	77	64	52	83	77	78	71
% Temporary	58	45	38	38	48	35	29	24	61	58	38	33
% Permanent	57	73	64	64	43	45	37	41	56	54	52	56
% Skilled manual	41	44	39	34	49	33	37	25	41	37	39	32
% Professional/managerial	18	23	26	20	18	28	24	18	26	20	22	19
% Clerical	9	33	14	12	10	7	14	12	13	15	13	13
% Semi and unskilled	19	18	13	12	15	8	9	15	14	11	13	12
% Recruitment difficulties	57	74	66	71	58	62	56	54	66	78	67	73
Cashflow	-16	-9	-8	-1	7	5	-4	19	-6	-11	-4	3
Investment - plant/machinery	1	13	12	9	10	3	-1	26	7	6	7	11
Investment - training	9	16	15	16	14	16	18	34	10	12	14	20
Confidence - turnover	30	37	32	33	39	45	26	45	30	37	32	41
Confidence - profitability	15	23	20	28	17	40	18	25	18	21	18	30
% Full capacity	36	34	34	36	40	43	54	45	35	33	44	39
Prices	20	22	21	32	14	40	15	43	15	27	15	36
% Pay settlements	16	16	18	26	18	19	33	21	18	20	23	22
% Raw materials	79	70	58	61	65	77	45	42	63	69	61	64
% Financial costs	21	17	28	24	14	12	23	29	19	19	20	20
% Other overheads	45	46	39	46	39	36	41	32	45	44	43	42
Number of companies	999	1028	840	901	113	104	56	59	2008	2092		
Number of employees	7206	10197	47479	51535	32468	28131	138127	267852	225280	357715		
Number of exports	603	572	602	638	99	86	51	46	1355	1342		

## National Totals

Number of Employees	Services											
	1-19		20-199		200-499		500+		All (Unweighted)		All (weighted)	
	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12
Domestic sales	0	5	2	14	-7	7	8	17	-2	6	1	11
Domestic orders	-6	0	2	8	-2	1	-1	22	-6	2	-2	7
Export sales	24	22	22	26	-7	19	24	19	24	22	19	24
Export orders	20	20	21	24	-3	13	18	18	19	20	15	18
Employment last 3 months	7	5	15	11	26	3	-5	13	6	5	9	9
Employment next 3 months	10	12	16	18	10	-4	1	11	6	11	9	12
% Tried to recruit	32	30	69	64	70	67	71	58	42	41	61	56
% Part-time	40	45	34	41	48	39	48	48	39	42	36	38
% Full-time	62	58	69	62	53	63	54	54	63	60	65	63
% Temporary	52	49	39	41	44	44	51	47	46	45	43	40
% Permanent	48	53	61	62	56	56	48	49	52	54	58	60
% Skilled manual	22	18	19	20	16	14	13	16	20	17	18	17
% Professional/managerial	22	28	26	27	26	38	33	31	23	29	26	29
% Clerical	15	15	19	15	12	7	15	6	20	14	17	12
% Semi and unskilled	12	13	12	13	16	5	10	28	12	12	12	14
% Recruitment difficulties	57	61	51	52	45	45	46	58	54	54	52	54
Cashflow	-13	-7	-4	2	10	-8	0	2	-8	-4	-4	-1
Investment - plant/machinery	-3	-2	4	6	4	8	8	9	-1	1	3	5
Investment - training	5	9	15	16	18	28	1	6	8	11	10	14
Confidence - turnover	27	34	36	44	16	45	21	27	26	36	28	38
Confidence - profitability	15	21	16	29	20	22	6	7	13	24	14	22
% Full capacity	31	31	38	39	27	34	52	39	33	33	36	36
Prices	17	23	18	22	17	17	11	22	17	20	16	21
% Pay settlements	12	13	21	26	21	26	23	39	15	15	18	23
% Raw materials	23	29	29	32	32	29	21	40	27	29	27	32
% Financial costs	18	18	21	23	11	17	15	24	20	18	18	20
% Other overheads	40	43	40	45	26	41	42	52	39	43	38	45
Number of companies	3897	3660	1381	1485	177	159	130	127	5585	5431		
Number of employees	20715	21205	75113	82254	47131	45979	758475	440558		589996		
Number of exports	1608	1432	637	644	90	75	63	63	2430	2296		



## Regional Disaggregation

	Manufacturing												
	SC	NE	NW	YH	EM	WM	W	NI	EA	SE	SW	L	Nat
Domestic sales	15	-22	5	18	6	-13	10	1	56	13	7	16	8
Domestic orders	13	-33	3	20	-4	-16	-32	2	55	3	4	27	3
Export sales	14	-30	-7	30	-9	-14	-7	12	35	49	23	32	13
Export orders	11	-21	-2	15	-8	-19	-11	6	40	49	46	15	11
Employment last 3 months	5	18	7	13	18	-14	-3	14	50	35	30	8	15
Employment next 3 months	5	20	7	11	9	-2	-6	-10	49	41	27	10	14
% Tried to recruit	66	80	70	62	50	58	38	43	74	51	49	61	63
% Part-time		18	10	75	27	8	14	23	10	15	12	11	21
% Full-time		82	90	25	73	92	54	77	90	55	35	90	71
% Temporary		39	34	36	45	38	17	37	30	22	42	27	33
% Permanent		61	66	64	55	62	29	63	70	29	29	74	56
% Skilled manual	25	62	43	17	26	41	10	43	72	17	21	29	32
% Professional/managerial	12	49	16	10	46	12	28	19	25	6	31	14	19
% Clerical	4	3	41	2	19	12	15	5	5	5	4	21	13
% Semi and unskilled	4	13	10	4	18	16	24	12	33	6	4	8	12
% Recruitment difficulties	53	236	75	47	66	49	55	50	84	27	52	35	73
Cashflow	10	-17	-1	1	-15	-5	-16	-14	1	42	6	5	3
Investment - plant/machinery	9	27	9	22	2	16	-6	2	11	4	26	10	11
Investment - training	-8	6	22	17	7	9	15	19	40	33	17	46	20
Confidence - turnover	13	13	34	52	36	27	27	22	74	55	38	59	41
Confidence - profitability	3	8	18	46	9	13	26	14	67	58	18	36	30
% Full capacity	74	35	28	40	29	23	21	32	24	43	28	46	39
Prices	17	-9	19	22	29	26	31	33	68	68	23	53	36
% Pay settlements	29	43	24	14	14	24	11	31	44	11	12	13	22
% Raw materials	63	68	60	53	62	54	54	76	71	55	44	58	64
% Financial costs	7	26	18	12	13	13	22	20	15	46	18	2	20
% Other overheads	47	77	31	27	30	35	29	52	49	39	24	34	42

### Key

SC	Scotland
NE	North East
NW	North West
YH	Yorkshire and the Humber
EM	East Midlands
WM	West Midlands
W	Wales
NI	Northern Ireland
EA	Eastern
SE	South East
SW	South West
L	London
Nat	National

## Regional Disaggregation

	Services												
	SC	NE	NW	YH	EM	WM	W	NI	EA	SE	SW	L	Nat
Domestic sales	-27	7	14	22	10	21	21	12	33	11	26	6	11
Domestic orders	-21	7	7	19	5	20	6	2	24	12	27	-4	7
Export sales	0	13	14	36	23	16	10	-1	67	36	33	13	24
Export orders	0	8	9	34	21	8	6	3	67	44	0	3	18
Employment last 3 months	-16	15	12	21	13	15	8	11	18	11	24	-2	9
Employment next 3 months	-18	13	13	15	11	7	9	10	19	11	30	18	12
% Tried to recruit	32	62	59	60	64	57	42	48	66	60	64	54	56
% Part-time		41	31	61	45	35	33	27	36	32	49	31	38
% Full-time		59	69	39	55	65	67	73	64	68	51	69	63
% Temporary		40	34	38	36	34	23	43	34	40	60	44	40
% Permanent		60	66	62	64	66	60	57	66	60	40	56	60
% Skilled manual	11	40	22	14	16	22	22	15	18	18	17	12	17
% Professional/managerial	6	38	28	16	26	18	61	25	32	25	33	42	29
% Clerical	20	18	27	6	11	11	17	5	15	10	9	6	12
% Semi and unskilled	16	18	18	11	17	10	26	3	8	30	10	2	14
% Recruitment difficulties	38	58	61	42	45	39	96	39	59	69	49	50	54
Cashflow	-4	-7	1	6	2	8	-12	-5	16	-9	12	-8	-1
Investment - plant/machinery	-37	14	8	12	16	13	8	3	25	3	18	4	5
Investment - training	1	14	15	22	19	13	10	9	24	11	12	18	14
Confidence - turnover	-17	33	33	50	39	44	42	27	52	34	63	46	38
Confidence - profitability	-31	26	29	37	20	39	29	14	28	11	49	26	22
% Full capacity		37	35	45	31	45	44	39	37	35	34	26	36
Prices	32	9	17	18	27	17	21	20	30	25	18	20	21
% Pay settlements	25	16	15	14	20	20	18	22	25	32	18	31	23
% Raw materials	57	37	23	25	33	24	35	31	20	37	21	27	32
% Financial costs	21	23	16	13	24	13	15	21	12	29	13	26	20
% Other overheads	16	44	46	35	39	40	27	56	46	62	40	52	45

### Key

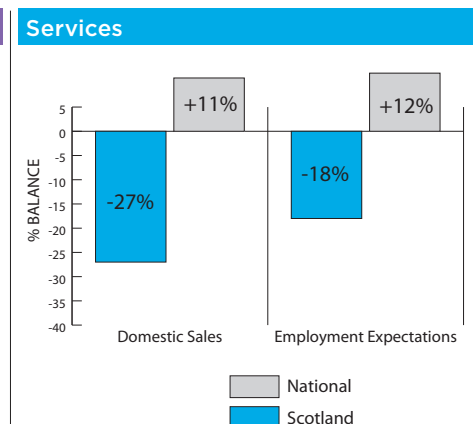
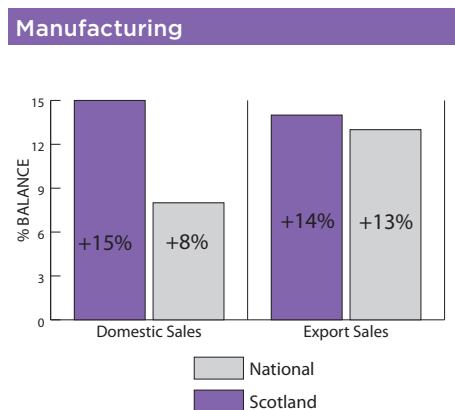
SC	Scotland
NE	North East
NW	North West
YH	Yorkshire and the Humber
EM	East Midlands
WM	West Midlands
W	Wales
NI	Northern Ireland
EA	Eastern
SE	South East
SW	South West
L	London
Nat	National

# Scotland

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12
Domestic sales	-9	1	3	15	-37	-32	-35	-27
Domestic orders	-19	-1	2	13	-32	-28	-26	-21
Export Sales	-8	2	-6	14				
Export orders	-18	-7	-13	11				
Employment last 3 months	-5	4	3	5	-5	-14	-5	-16
Employment next 3 months	-13	11	-16	5	-13	-21	-15	-18
% Tried to recruit	38	46	59	66	27	35	25	32
% Part-time								
% Full-time								
% Temporary								
% Permanent								
% Skilled manual	30	24	31	25	16	13	13	11
% Professional/managerial	17	12	20	12	11	9	8	6
% Clerical	7	6	4	4	32	26	21	20
% Semi and unskilled	10	6	6	4	5	22	4	16
% Recruitment difficulties	60	53	59	53	16	48	13	38
Cashflow	-21	-10	-9	10	-19	-13	-7	-4
Investment - plant/machinery	-3	6	-2	9	-46	-48	-39	-37
Investment - training	-1	-1	14	-8	5	-3	9	1
Confidence - turnover	1	11	17	13	-33	-26	-20	-17
Confidence - profitability	-9	3	-8	3	-44	-41	-26	-31
% Full capacity	71	70	77	74				
Prices	19	27	26	17	52	45	41	32
% Pay settlements	22	28	33	29	22	27	18	25
% Raw materials	56	66	38	63	60	68	51	57
% Financial costs	13	14	7	7	19	27	15	21
% Other overheads	35	49	33	47	23	20	18	16
Number of companies	78	74			73	66		
Number of employees	10822	8877			2363	2770		
Number of exports	51	56			0	0		

While there was an improvement in the key indicators over the last three months - especially in the manufacturing sector - the state of the Scottish economy remains fragile with little or no boost from the recent uplift seen in the UK economy from the Olympics. Lack of domestic demand and weak export performance will continue to effect confidence levels among Scottish manufacturers. However, the manufacturing sector has shown resilience in the past five years. This further highlights the need for the Scottish and UK Governments to focus their efforts on supporting business growth and opening up new opportunities through capital investment and favourable procurement processes.

**Liz Cameron, Chief Executive, Scottish Chambers of Commerce**

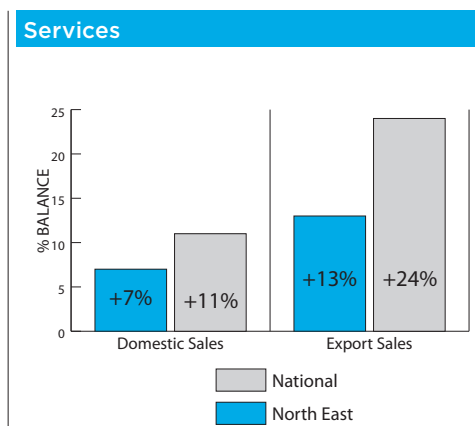
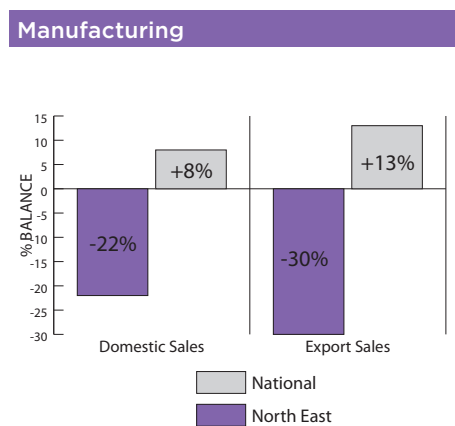


# North East

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12
Domestic sales	0	-16	8	-22	5	5	10	7
Domestic orders	-4	-24	-7	-33	2	1	8	7
Export sales	3	-14	11	-30	4	11	11	13
Export orders	-2	-14	5	-21	-3	2	-2	8
Employment last 3 months	8	7	21	18	12	14	11	15
Employment next 3 months	-1	23	2	20	11	12	11	13
% Tried to recruit	61	63	84	80	57	55	67	62
% Part-time	21	19	23	18	37	36	46	41
% Full-time	79	81	95	82	63	64	70	59
% Temporary	100	100	35	39	41	35	49	40
% Permanent	0	0	65	61	59	65	67	60
% Skilled manual	49	59	50	62	31	36	28	40
% Professional/managerial	33	46	40	49	31	35	31	38
% Clerical	4	5	5	3	13	18	10	18
% Semi and unskilled	13	13	17	13	11	15	9	18
% Recruitment difficulties	58	303	55	236	56	56	52	58
Cashflow	-15	-12	0	-17	-21	-12	-14	-7
Investment - plant/machinery	-3	16	14	27	-6	7	-2	14
Investment - training	0	5	27	6	1	12	4	14
Confidence - turnover	38	26	39	13	29	32	31	33
Confidence - profitability	18	19	9	8	14	23	13	26
% Full capacity	20	19	42	35	37	38	42	37
Prices	1	3	-15	-9	5	7	5	9
% Pay settlements	31	28	37	43	17	18	22	16
% Raw materials	60	69	34	68	26	36	28	37
% Financial costs	35	22	16	26	25	26	25	23
% Other overheads	60	63	44	77	44	48	41	44
Number of companies	78	65			254	235		
Number of employees	9309	9685			30229	30072		
Number of exports	59	50			63	58		

“ A mixed picture emerged from the results in the North East for Q4 2012. But what was particularly encouraging was the improvement in the export balances for service firms, Unsurprisingly service sector firms are now much more confident about their future prospects over the coming year. However, the key manufacturing sector indicator declined and this is a concern. Despite these falls the manufacturing employment indicators were stable which reflect broader trends, showing this sector is still confident after two very strong years previously. Further good news from Nissan in the quarter illustrates North East manufacturing enjoying good health overall. ”

**Ross Smith, Director of Policy, North East Chamber of Commerce**



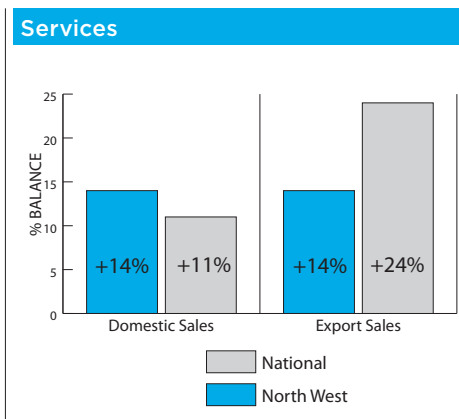
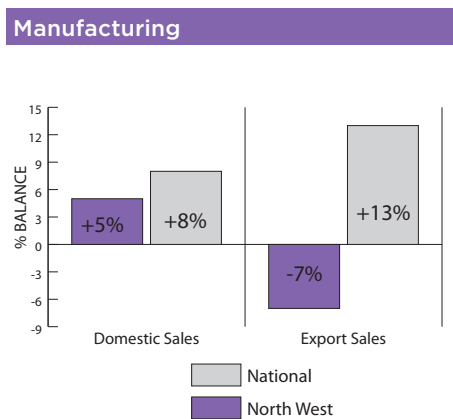
## North West

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12
Domestic sales	2	6	10	5	6	15	5	14
Domestic orders	-5	2	9	3	0	8	0	7
Export sales	6	8	16	-7	-1	12	4	14
Export orders	3	2	19	-2	-6	6	-2	9
Employment last 3 months	8	11	0	7	9	9	6	12
Employment next 3 months	9	12	-1	7	14	15	7	13
% Tried to recruit	49	52	71	70	45	42	63	59
% Part-time	14	17	15	10	34	30	33	31
% Full-time	86	83	85	90	66	70	67	69
% Temporary	41	40	42	34	38	33	39	34
% Permanent	59	60	58	66	62	67	61	66
% Skilled manual	44	44	38	43	18	24	17	22
% Professional/managerial	16	16	20	16	25	27	23	28
% Clerical	21	27	24	41	27	27	32	27
% Semi and unskilled	14	18	12	10	15	18	17	18
% Recruitment difficulties	62	68	55	75	59	61	61	61
Cashflow	-12	-3	2	-1	-6	0	-2	1
Investment - plant/machinery	11	13	14	9	6	4	7	8
Investment - training	11	17	13	22	12	13	13	15
Confidence - turnover	27	34	33	34	29	34	27	33
Confidence - profitability	13	20	23	18	18	25	14	29
% Full capacity	31	32	35	28	33	34	34	35
Prices	15	25	12	19	16	20	15	17
% Pay settlements	14	17	18	24	13	15	16	15
% Raw materials	58	55	50	60	22	23	25	23
% Financial costs	17	17	15	18	17	18	18	16
% Other overheads	43	38	42	31	44	45	43	46
Number of companies	461	488			1231	1103		
Number of employees	92655	82750			97322	138921		
Number of exports	259	268			392	391		

“ Tough austerity measures, further public sector spending cuts and continued weakness in the Eurozone continue to affect our members. Recovery towards the end of 2012 was slow and we predict that this will not change substantially as we enter 2013. We expect to see continued, albeit gradual, improvement in employment figures however our export markets remain volatile. A surge in inflation early in the New Year would not be welcome if we are relying on domestic sales orders for growth. Inevitably, some sectors will fare better than others. Some of our manufacturing businesses are already reporting healthy order books, technology businesses should be helped by the growing range of funding options being made available and there are also early signs of some recovery in construction. However, those businesses reliant on consumer spending continue to face significant uncertainty.

”

**Brian McCann, Board Member of Liverpool Chamber of Commerce**

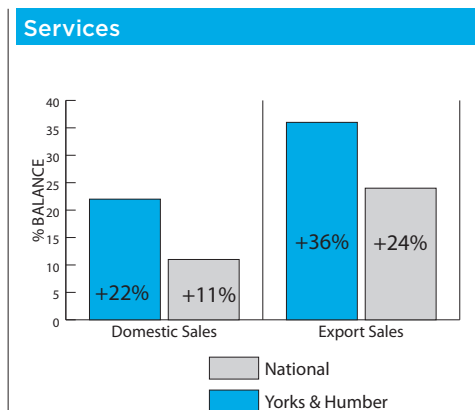
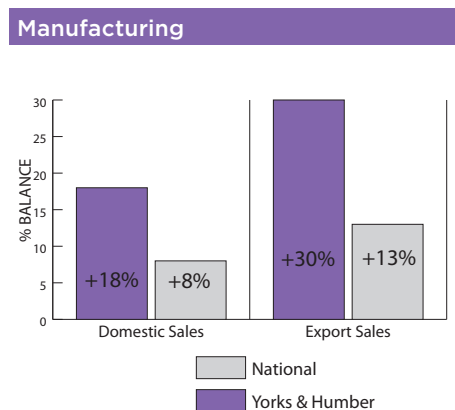


# Yorkshire & the Humber

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12
Domestic sales	4	13	-8	18	15	18	24	22
Domestic orders	0	10	-3	20	11	17	18	19
Export sales	9	16	4	30	25	26	27	36
Export orders	7	7	-3	15	22	22	27	34
Employment last 3 months	10	10	10	13	13	14	25	21
Employment next 3 months	11	6	7	11	17	15	29	15
% Tried to recruit	40	43	55	62	38	38	62	60
% Part-time	19	80	21	75	31	61	32	61
% Full-time	81	20	79	25	69	39	68	39
% Temporary	40	31	42	36	41	36	40	38
% Permanent	60	69	58	64	59	64	60	62
% Skilled manual	28	15	35	17	13	13	13	14
% Professional/managerial	16	7	27	10	19	17	23	16
% Clerical	5	4	4	2	9	6	10	6
% Semi and unskilled	6	7	6	4	9	10	10	11
% Recruitment difficulties	57	50	56	47	51	42	53	42
Cashflow	-6	4	-14	1	-1	1	12	6
Investment - plant/machinery	17	17	32	22	19	9	24	12
Investment - training	14	15	18	17	16	13	23	22
Confidence - turnover	40	45	30	52	48	52	49	50
Confidence - profitability	27	37	21	46	39	40	40	37
% Full capacity	40	35	46	40	39	40	46	45
Prices	21	25	8	22	16	16	12	18
% Pay settlements	12	17	15	14	10	11	12	14
% Raw materials	58	49	62	53	23	21	21	25
% Financial costs	15	16	16	12	12	11	11	13
% Other overheads	30	32	29	27	30	32	29	35
Number of companies	293	351			1212	1070		
Number of employees	24367	175798			103273	78400		
Number of exports	183	238			362	349		

There is plenty to be encouraged about from the Yorkshire & the Humber results in this quarter. The region has outperformed the national results in most of the key indicators. And while there has been a slight decline in the domestic balances for the service sector, the improvement in the export balances has more than made up for it. However, there is no room for complacency, we have seen the fragility of the regional economy influenced by that most ethereal of factors, business confidence. Businesses take a long term view and need to have the confidence to know that investments in capital, training and staff recruitment will be rewarded with profits; the Government must not compromise long term stability to meet short term political ends

**Mark Goldstone, Head of Business Representation & Policy, Leeds, York & North Yorkshire Chamber of Commerce**



## East Midlands

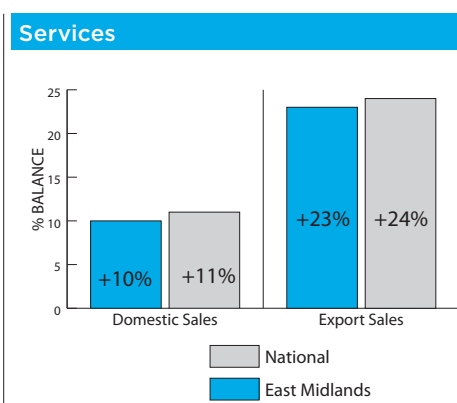
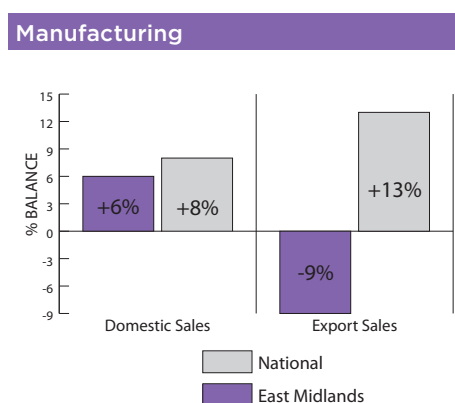
	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12
Domestic sales	3	2	-4	6	2	12	11	10
Domestic orders	-1	0	-10	-4	-2	5	8	5
Export sales	7	6	-9	-9	23	27	37	23
Export orders	5	8	-12	-8	24	21	39	21
Employment last 3 months	10	4	17	18	10	8	18	13
Employment next 3 months	11	5	7	9	15	11	26	11
% Tried to recruit	46	39	58	50	47	40	70	64
% Part-time	30	29	30	27	34	42	34	45
% Full-time	70	71	70	73	66	58	66	55
% Temporary	100	100	48	45	43	35	41	36
% Permanent	58	32	52	55	57	65	59	64
% Skilled manual	43	45	56	26	21	21	21	16
% Professional/managerial	20	26	15	46	29	24	31	26
% Clerical	8	9	12	19	14	12	13	11
% Semi and unskilled	13	10	9	18	15	14	15	17
% Recruitment difficulties	49	61	46	66	52	50	50	45
Cashflow	-9	-14	-8	-15	-10	-5	-2	2
Investment - plant/machinery	6	8	8	2	3	9	7	16
Investment - training	8	4	11	7	8	14	10	19
Confidence - turnover	39	36	45	36	38	40	42	39
Confidence - profitability	22	18	22	9	22	25	24	20
% Full capacity	27	28	21	29	30	30	35	31
Prices	25	26	11	29	18	28	20	27
% Pay settlements	12	17	8	14	11	14	17	20
% Raw materials	66	67	60	62	25	31	27	33
% Financial costs	17	14	11	13	16	18	18	24
% Other overheads	33	38	24	30	40	41	37	39
Number of companies	292	299			625	586		
Number of employees	16567	11740			37962	20973		
Number of exports	194	182			331	240		

“ Despite improvements in domestic sales and orders, growth in the East Midlands remains subdued in the last quarter of 2012. Exporters’ sales and orders are largely unchanged but there is a move towards increasing exports outside of the Eurozone.

There are improvements in manufacturing orders and investment intentions are slightly improved. It is too early to determine any impacts from the Autumn statement with regard to infrastructure and the new temporary capital allowance.

”

**George Cowcher, Chief Executive,  
Derbyshire and Nottinghamshire  
Chamber of Commerce**



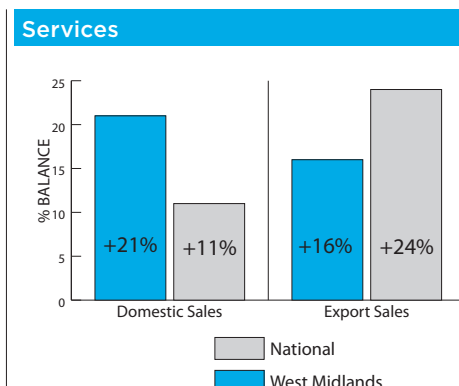
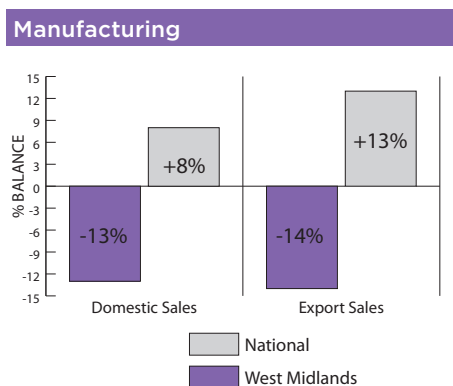
## West Midlands

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12
Domestic sales	9	0	16	-13	16	20	16	21
Domestic orders	2	-1	-2	-16	12	15	15	20
Export sales	24	2	17	-14	21	21	20	16
Export orders	14	2	12	-19	21	17	20	8
Employment last 3 months	11	10	8	-14	16	15	15	15
Employment next 3 months	14	6	21	-2	16	12	21	7
% Tried to recruit	54	44	70	58	46	41	69	57
% Part-time	12	12	8	8	32	32	33	35
% Full-time	88	88	92	92	68	68	67	65
% Temporary	100	100	35	38	30	30	30	34
% Permanent	62	51	65	62	70	70	70	66
% Skilled manual	43	35	46	41	16	17	15	22
% Professional/managerial	16	15	17	12	22	17	21	18
% Clerical	3	8	2	12	10	8	9	11
% Semi and unskilled	11	14	16	16	7	9	6	10
% Recruitment difficulties	56	46	62	49	45	38	41	39
Cashflow	-2	-9	4	-5	-1	5	-1	8
Investment - plant/machinery	18	14	14	16	13	11	13	13
Investment - training	22	13	29	9	-5	13	6	13
Confidence - turnover	28	38	28	27	26	52	26	44
Confidence - profitability	18	30	10	13	18	46	16	39
% Full capacity	34	31	33	23	33	37	35	45
Prices	15	28	21	26	-5	18	4	17
% Pay settlements	14	20	28	24	10	10	18	20
% Raw materials	64	62	70	54	20	24	24	24
% Financial costs	17	12	29	13	18	11	20	13
% Other overheads	36	37	51	35	32	35	39	40
Number of companies	270	256			614	654		
Number of employees	15795	28869			39898	42897		
Number of exports	184	170			196	168		

“ There was a clear distinction between the manufacturing and services sector results for the West Midlands this quarter. While the manufacturing results were generally weaker than in Q3, most of the service sector results showed a significant improvement. This was particularly noticeable in the domestic market. The two key manufacturing indicators are now in negative territory but for services they increased and are firmly in positive territory.

Overall the results were mixed and show just how vital it is that the government introduces more measures to help business growth. There was much in the recent Autumn Statement that we would welcome, not least the fuel duty announcement. But there is more then can do and we will be urging them to go further throughout 2013.

**Jane Gratton, Deputy Chief Executive, North Staffordshire Chamber of Commerce**



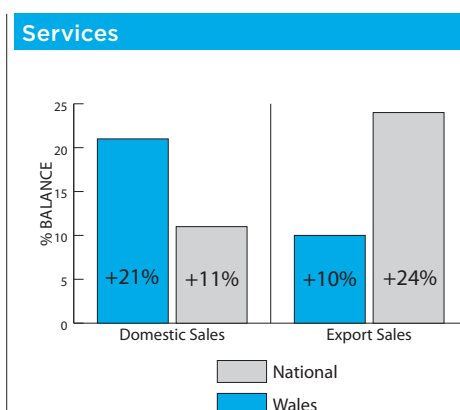
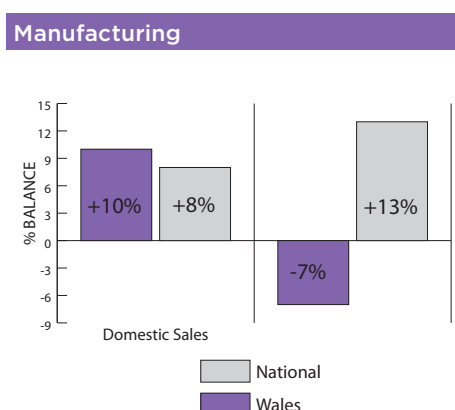


# Wales

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12
Domestic sales	7	4	13	10	1	11	6	21
Domestic orders	-6	-4	11	-32	-6	4	-1	6
Export sales	8	13	12	-7	12	16	8	10
Export orders	8	14	12	-11	10	15	7	6
Employment last 3 months	19	18	30	-3	14	9	9	8
Employment next 3 months	10	21	23	-6	12	15	18	9
% Tried to recruit	59	51	54	38	45	42	58	42
% Part-time	8	31	3	14	35	30	47	33
% Full-time	93	69	65	54	65	70	71	67
% Temporary	53	44	33	17	34	34	36	23
% Permanent	47	56	35	29	66	66	78	60
% Skilled manual	50	21	39	10	35	29	31	22
% Professional/managerial	38	54	29	28	44	53	48	61
% Clerical	21	32	24	15	30	23	29	17
% Semi and unskilled	38	35	36	24	37	27	43	26
% Recruitment difficulties	95	95	67	55	101	95	93	96
Cashflow	-7	-7	-7	-16	-8	-3	9	-12
Investment - plant/machinery	8	1	15	-6	5	12	4	8
Investment - training	-3	13	7	15	7	16	15	10
Confidence - turnover	35	44	27	27	26	42	32	42
Confidence - profitability	24	31	21	26	12	28	12	29
% Full capacity	38	35	32	21	32	41	44	44
Prices	10	17	6	31	11	20	2	21
% Pay settlements	24	12	26	11	16	14	23	18
% Raw materials	73	33	49	54	26	25	25	35
% Financial costs	23	15	13	22	19	12	17	15
% Other overheads	26	30	25	29	33	25	28	27
Number of companies	74	135			247	385		
Number of employees	2968	4713			13024	10818		
Number of exports	38	48			41	102		

“ The results for Wales were generally encouraging this quarter. Measures announced in the Chancellor’s Autumn Statement, including an extra £227m for the Welsh government to spend on infrastructure, will help the economy along the road to recovery. The industrial activity suggests that the economic outlook in the production industries of the Welsh economy is cautiously positive. We see the need for even greater interaction and joint working between Public Sector, Private sector and academia as critical to generating momentum in Wales and the Chamber of Commerce remains ready, willing and able to provide appropriate facilitation on all aspects of the Welsh economy. ”

**Graham Morgan, Director, South Wales Chamber of Commerce**



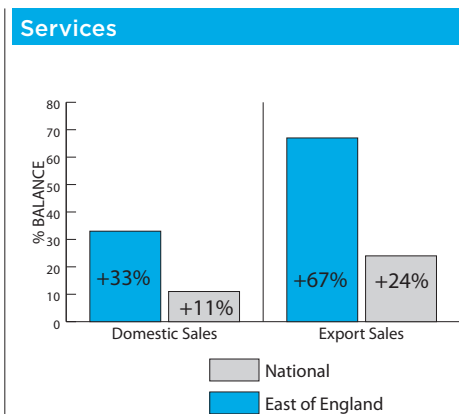
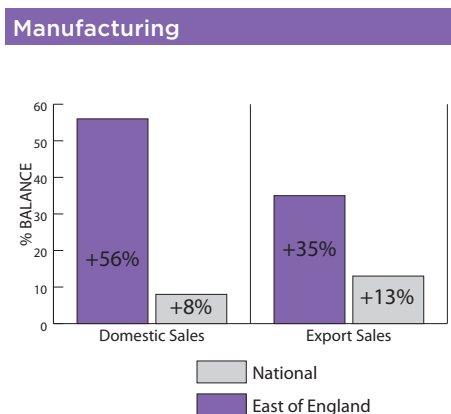
## East of England

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12
Domestic sales	0	20	9	56	10	29	7	33
Domestic orders	1	19	18	55	10	21	11	24
Export sales	25	38	14	35	64	64	65	67
Export orders	24	46	13	40	60	65	62	67
Employment last 3 months	11	3	32	50	16	19	12	18
Employment next 3 months	13	14	27	49	20	28	24	19
% Tried to recruit	53	49	73	74	50	48	68	66
% Part-time	27	11	28	10	33	37	32	36
% Full-time	73	89	72	90	67	63	68	64
% Temporary	19	39	26	30	36	34	36	34
% Permanent	81	61	74	70	64	66	64	66
% Skilled manual	34	46	22	72	20	22	19	18
% Professional/managerial	21	27	12	25	28	28	33	32
% Clerical	11	11	4	5	17	19	19	15
% Semi and unskilled	11	11	19	33	12	13	11	8
% Recruitment difficulties	64	70	59	84	64	61	67	59
Cashflow	-14	-5	0	1	-7	11	-9	16
Investment - plant/machinery	2	19	12	11	13	20	12	25
Investment - training	4	8	11	40	17	23	12	24
Confidence - turnover	27	40	32	74	37	55	43	52
Confidence - profitability	6	31	26	67	21	35	20	28
% Full capacity	34	26	40	24	32	34	34	37
Prices	18	41	15	68	21	27	24	30
% Pay settlements	10	26	5	44	14	18	16	25
% Raw materials	62	65	64	71	23	19	26	20
% Financial costs	16	21	24	15	18	17	18	12
% Other overheads	40	42	32	49	42	44	47	46
Number of companies	90	81			277	288		
Number of employees	12913	4588			45101	20782		
Number of exports	84	68			226	220		

“ Norfolk businesses are working in an increasingly difficult market place with raw material costs being identified as one of the key challenges to many businesses. Export orders have slowed recently, but Norfolk exporters remain positive about future growth, despite the continued concerns over the crisis in the Eurozone.

Businesses in both the manufacturing and the service sectors are also showing reluctance to invest in new machinery and to create new jobs when their customers are demonstrating real caution in their buying patterns. Overall there is a quiet determination within the Norfolk business community to develop their businesses, which will in turn help the Norfolk economy to grow.

**Caroline Williams, CEO, Norfolk Chamber of Commerce**

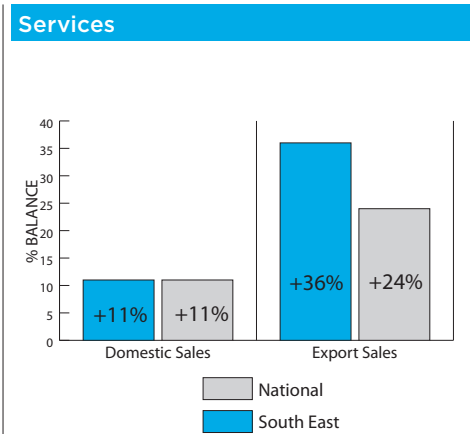
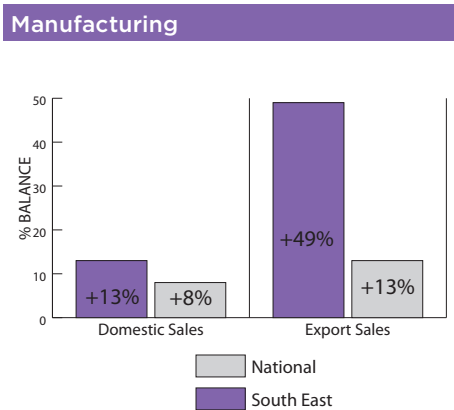


# South East

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12
Domestic sales	-4	-12	-1	13	11	6	4	11
Domestic orders	-3	-15	-6	3	2	1	-3	12
Export sales	21	49	21	49	53	47	46	36
Export orders	18	48	11	49	51	46	46	44
Employment last 3 months	3	-1	19	35	10	6	7	11
Employment next 3 months	11	3	0	41	10	10	3	11
% Tried to recruit	49	39	74	51	45	46	72	60
% Part-time	23	28	14	15	40	31	41	32
% Full-time	77	72	56	55	60	69	59	68
% Temporary	38	42	38	22	46	43	47	40
% Permanent	62	58	32	29	54	57	53	60
% Skilled manual	55	34	40	17	27	18	26	18
% Professional/managerial	27	10	16	6	24	28	26	25
% Clerical	11	7	6	5	14	12	15	10
% Semi and unskilled	11	14	6	6	19	20	21	30
% Recruitment difficulties	76	55	53	27	63	66	63	69
Cashflow	-9	-12	0	42	-10	-10	-7	-9
Investment - plant/machinery	-3	-9	-4	4	4	0	16	3
Investment - training	7	0	11	33	9	14	5	11
Confidence - turnover	11	38	42	55	37	35	41	34
Confidence - profitability	3	25	19	58	23	18	28	11
% Full capacity	28	22	55	43	30	29	34	35
Prices	20	37	30	68	21	22	13	25
% Pay settlements	11	12	11	11	13	16	21	32
% Raw materials	52	66	42	55	19	28	25	37
% Financial costs	21	28	20	46	18	22	23	29
% Other overheads	43	51	36	39	44	55	47	62
Number of companies	123	76			316	276		
Number of employees	7170	2952			10386	9463		
Number of exports	95	63			237	208		

It is encouraging that the overall picture for manufacturing has improved over the past quarter with the increasing strength of employment expectations, export deliveries and orders among the highlights, albeit from a relatively weak level. It is also welcome that the services sector continues to prove resilient with the majority of indicators pointing towards a growing sector over the last three months.

However, with the outlook for both the UK and global economy uncertain, the Government must do more to facilitate growth and aid those looking to export. Businesses in the South East continue to be disappointed on the lack of progress on the vital issue of airport capacity.



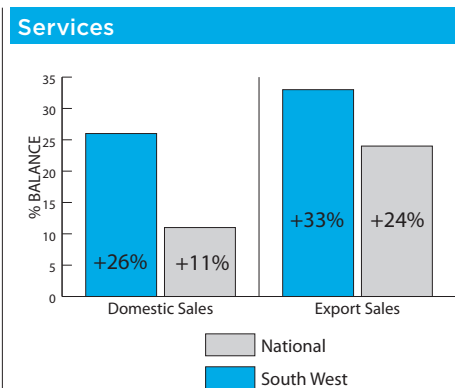
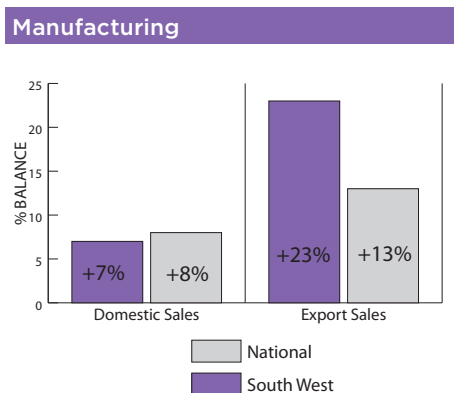
**Jo James, Chief Executive, Kent Invicta Chamber of Commerce**

## South West

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12
Domestic sales	4	7	17	7	3	22	4	26
Domestic orders	5	-1	-31	4	2	15	1	27
Export sales	28	36	36	23	24	19	26	33
Export orders	27	29	19	46	21	16	26	0
Employment last 3 months	18	29	-19	30	14	16	12	24
Employment next 3 months	13	21	-25	27	13	21	12	30
% Tried to recruit	33	59	68	49	48	43	66	64
% Part-time	13	36	3	12	37	51	35	49
% Full-time	88	64	73	35	63	49	65	51
% Temporary	63	63	45	42	45	61	43	60
% Permanent	38	37	31	29	55	39	57	40
% Skilled manual	29	28	42	21	19	15	20	17
% Professional/managerial	24	30	43	31	28	32	29	33
% Clerical	14	9	8	4	23	10	24	9
% Semi and unskilled	10	9	5	4	17	8	16	10
% Recruitment difficulties	48	58	52	52	67	50	69	49
Cashflow	0	2	19	6	-7	4	-3	12
Investment - plant/machinery	6	17	-13	26	1	7	14	18
Investment - training	6	12	8	17	1	7	8	12
Confidence - turnover	50	43	42	38	36	53	33	63
Confidence - profitability	26	19	16	18	21	44	15	49
% Full capacity	35	39	37	28	32	35	35	34
Prices	18	27	15	23	21	21	18	18
% Pay settlements	15	20	11	12	8	12	15	18
% Raw materials	56	59	54	44	21	19	23	21
% Financial costs	8	19	6	18	16	13	18	13
% Other overheads	39	41	27	24	45	44	48	40
Number of companies	71	103			253	312		
Number of employees	13588	8289			14412	18571		
Number of exports	47	67			131	140		

The latest set of survey results show a steady improvement in terms of business confidence and perceptions of the UK economy. There are signs that the South West is making a positive contribution to growth and the UK economy but needs to do much better on exporting and quicker than current signs would suggest.

Overall the outlook for 2013 looks positive with companies expecting turnover and profitability to improve and the prospects for exporting looking better. There is still much more that the government could do to stimulate demand and improve the availability of finance for businesses that want to grow. Many firms across the South West are doing well, but we need action from government to build on that whilst also providing the right kind of support to those firms that are still struggling.

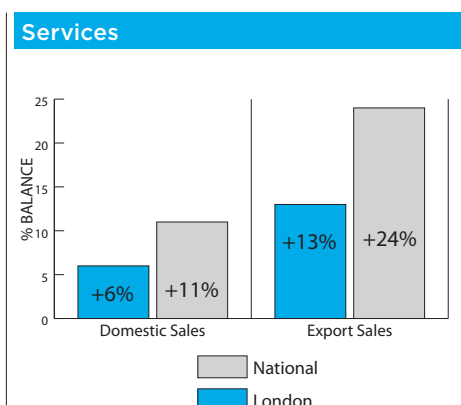
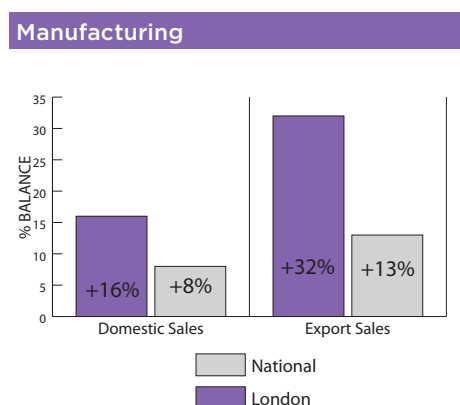


# London

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	2Q 12	3Q 12	2Q 12	3Q 12	2Q 12	3Q 12	2Q 12	3Q 12
Domestic sales	-32	21	-21	16	-12	3	-10	6
Domestic orders	-41	33	-22	27	-18	-2	-14	-4
Export sales	14	44	16	32	5	9	-7	13
Export orders	-4	21	2	15	2	5	-13	3
Employment last 3 months	16	4	21	8	5	-3	8	-2
Employment next 3 months	16	11	-16	10	9	22	4	18
% Tried to recruit	52	36	68	61	41	38	57	54
% Part-time	15	10	12	11	35	33	37	31
% Full-time	85	90	88	90	65	67	63	69
% Temporary	40	33	15	27	53	43	47	44
% Permanent	60	67	55	74	47	57	53	56
% Skilled manual	25	20	18	29	17	11	13	12
% Professional/managerial	25	20	18	14	26	38	28	42
% Clerical	25	10	44	21	13	9	11	6
% Semi and unskilled	19	10	15	8	4	2	3	2
% Recruitment difficulties	69	30	75	35	43	48	39	50
Cashflow	-13	4	-31	5	-13	-6	-10	-8
Investment - plant/machinery	29	14	1	10	-6	2	-10	4
Investment - training	13	25	8	46	10	15	11	18
Confidence - turnover	39	46	0	59	31	46	17	46
Confidence - profitability	29	46	47	36	22	25	6	26
% Full capacity	16	26	40	46	30	25	33	26
Prices	26	32	11	53	11	17	16	20
% Pay settlements	16	11	42	13	21	23	21	31
% Raw materials	61	75	67	58	18	25	19	27
% Financial costs	16	4	37	2	25	26	17	26
% Other overheads	55	46	68	34	40	51	34	52
Number of companies	31	28			131	150		
Number of employees	2615	7983			268296	195497		
Number of exports	28	27			99	114		

“ These figures show that the London economy has ended the year in a stronger position than it began 2012, something that was far from guaranteed 12 months ago. Domestic sales and orders are now in positive territory for the first time in six quarters, while export sales have reached their highest point since Q2 2007 – a tentative sign that the capital’s firms are beginning to trade off the back of this summer’s Olympic and Paralympic Games. This improved performance has led to a welcome rise in business confidence, but some causes for concern remain. Most notably, firms are experiencing added cost pressures at present, particularly from their energy bills which, when coupled with other global trends, have the potential to reverse the recent falls in inflation that have been providing welcome relief to the London economy. ”

**Iain Smith, Public Affairs Manager,  
London Chamber of Commerce and  
Industry**

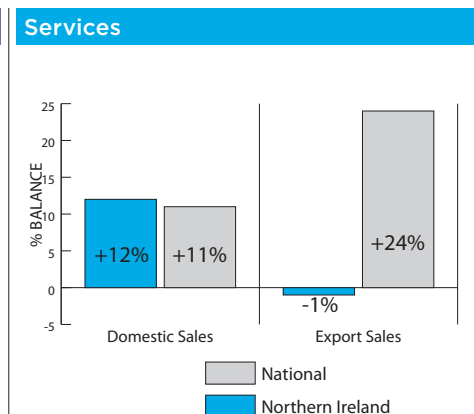


# Northern Ireland

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	EQ 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12	3Q 12	4Q 12
Domestic sales	-19	-18	-5	1	-1	4	7	12
Domestic orders	-24	-17	-14	2	-6	-3	1	2
Export sales	3	-2	10	12	0	1	5	-1
Export orders	1	-6	16	6	-1	1	5	3
Employment last 3 months	-3	-2	-8	14	4	6	4	11
Employment next 3 months	1	-12	-4	-10	11	8	7	10
% Tried to recruit	37	32	40	43	38	36	51	48
% Part-time	21	19	19	23	30	24	0	27
% Full-time	79	81	65	77	70	76	0	73
% Temporary	56	43	48	37	51	54	0	43
% Permanent	44	57	36	63	49	46	0	57
% Skilled manual	30	40	23	43	13	17	19	15
% Professional/managerial	15	14	15	19	23	26	27	25
% Clerical	6	2	9	5	10	6	12	5
% Semi and unskilled	15	9	14	12	9	4	7	3
% Recruitment difficulties	48	49	41	50	45	42	52	39
Cashflow	-22	-20	-3	-14	-8	-8	-4	-5
Investment - plant/machinery	-14	1	-4	2	0	-1	5	3
Investment - training	-7	3	-4	19	7	5	7	9
Confidence - turnover	4	18	12	22	20	21	21	27
Confidence - profitability	-7	-3	-3	14	8	12	5	14
% Full capacity	26	28	15	32	31	35	30	39
Prices	2	15	4	33	9	14	18	20
% Pay settlements	21	23	26	31	13	14	17	22
% Raw materials	75	72	77	76	28	26	34	31
% Financial costs	29	17	22	20	20	17	19	21
% Other overheads	46	50	45	52	46	51	49	56
Number of companies	147	136			352	306		
Number of employees	16511	11471			56438	20832		
Number of exports	133	105			300	174		

“ The results for this quarter were encouraging for Northern Ireland with most of the key indicators showing an improvement since the Q3 results were published. This was especially the case in the domestic balances for both manufacturing and services. Unlike the last quarter none of the balances reported a negative figure. The improvement in the confidence indicators was also good to see. However, unfortunately there isn't an improvement across all indicators. The most worrying result is the weakening in the export orders and deliveries figures for both manufacturing and services.

There were some good measures in the recent Autumn Statement that should help businesses in Northern Ireland. But yet again the Chancellor failed to make an announcement on Northern Ireland and corporation tax. We will continue to push for the devolution of tax-setting powers and we hope the uncertainty will end soon.



**Ann McGregor, Chief Executive,  
Northern Ireland Chamber of  
Commerce**

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## Further inquiries

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This report has been prepared by the British Chambers of Commerce. Further information about any of the regional surveys may be obtained from the following:

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### **North East**

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### **North West**

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### **Yorkshire & the Humber**

Co-ordination /Contributing Chambers Tom Nolan(BCC) Barnsley & Rotherham, Bradford, Doncaster, Sheffield, Hull & Humber, Leeds, York & North Yorkshire, and Mid Yorkshire Chambers

### **East Midlands**

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### **West Midlands**

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### **Wales**

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### **Eastern**

Co-ordination Contributing Chambers Tom Nolan (BCC) Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk Chambers

### **South East**

Co-ordination Contributing Chambers Tom Nolan (BCC) Kent Invicta, Portsmouth, Surrey, Sussex, Isle of Wight, Channel, Milton Keynes and Thames Valley Chambers

### **South West**

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### **London**

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