



North East England  
Chamber of Commerce

# Quarterly Economic Survey

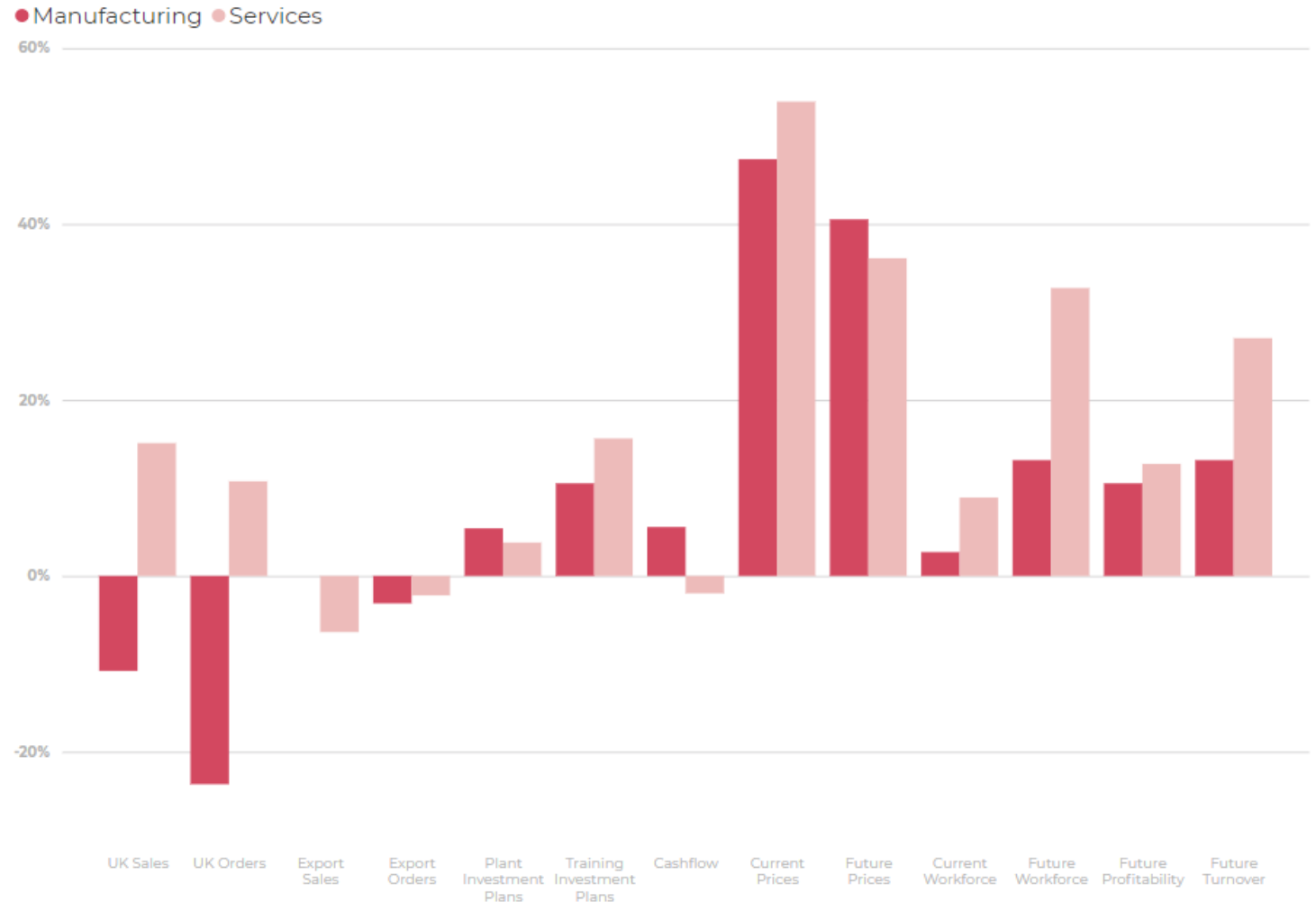
NORTH EAST ENGLAND CHAMBER OF COMMERCE

Q2 2023

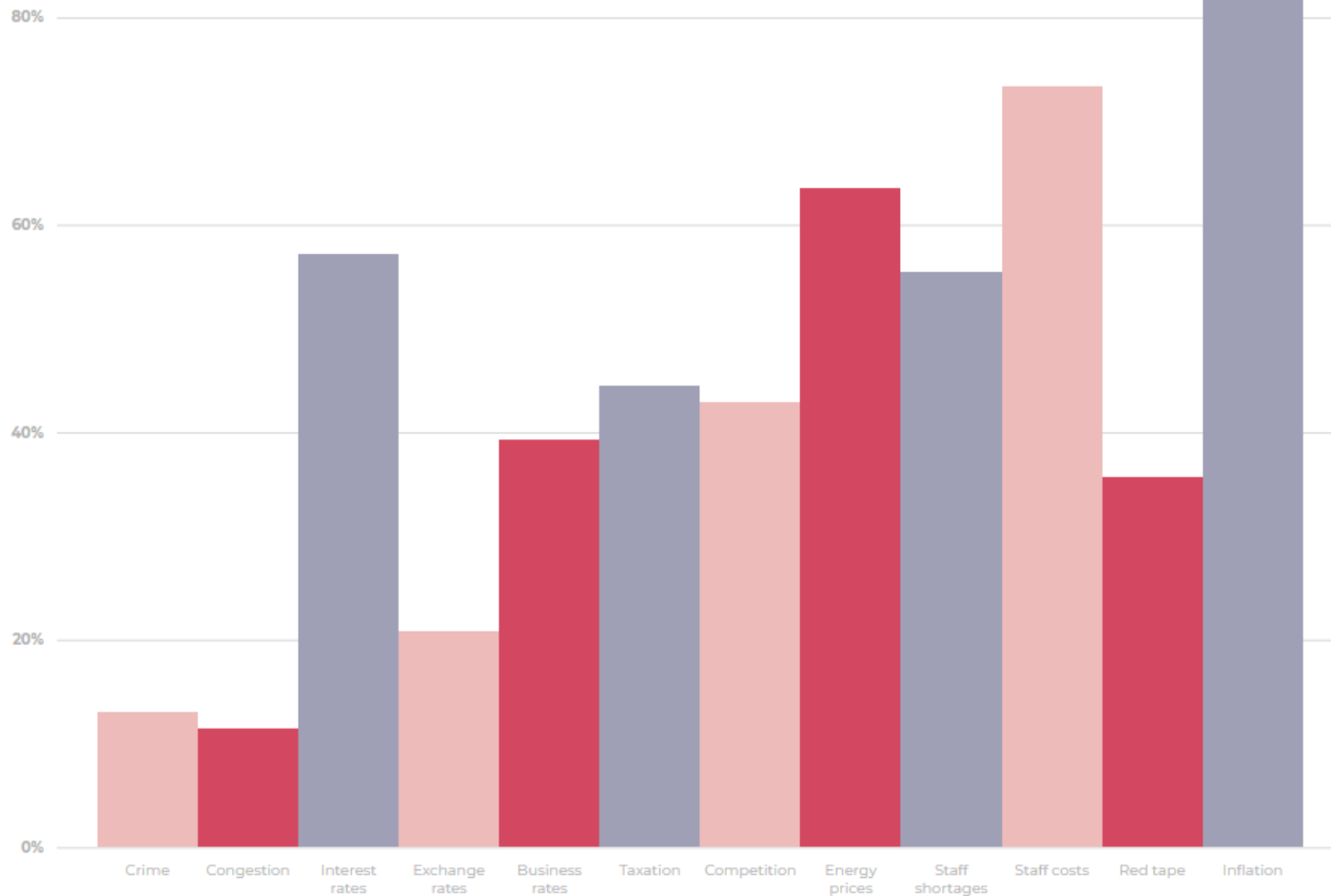
[thomas.lonsdale@neechamber.co.uk](mailto:thomas.lonsdale@neechamber.co.uk)

# HEADLINES

- Business confidence has declined this quarter, although concerns are still generally on a downward trajectory throughout the last year
- Cashflow has improved to its strongest level since Q3 2019 although is still depressed.
- Price pressures have increased in all indicators since last quarter except for fuel



# CONCERNS



- Concerns around inflation are up from last quarter although are still on a downward trajectory for the year
- Concerns around interest rates have also risen, now to the fourth highest concern
- Staff costs are now the second biggest concern, having been stable throughout the year
- The proportion of organisations concerned about energy has dropped notably

# CONCERNS HAVE RISEN THIS QUARTER IN MOST INDICATORS

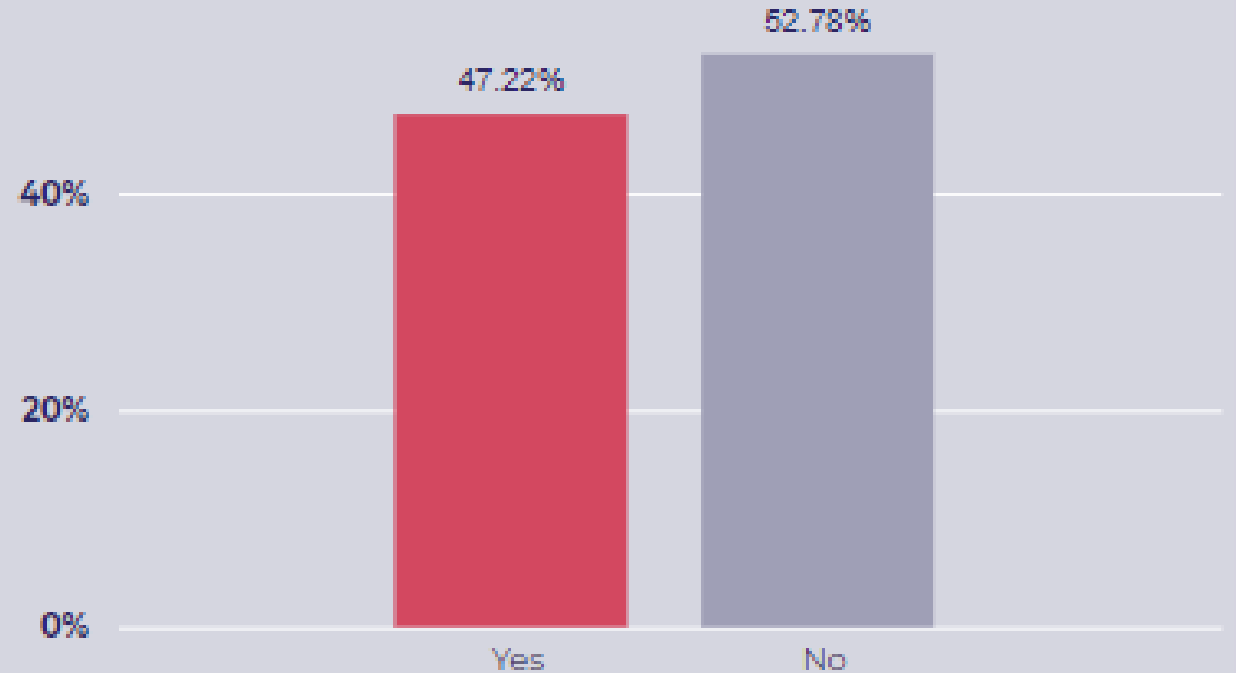
INDICATOR	All Companies	Change On Last Quarter	Change On Last Year	Manufacturing	Services
Inflation	84.3%	10.6%	-11.7%	84.2%	84.3%
Staff costs	73.9%	6.1%	-1.1%	68.6%	75.7%
Energy prices	64.0%	-7.2%	-28.2%	56.8%	66.7%
Interest rates	57.6%	13.1%	0.1%	45.7%	61.9%
Staff shortages	55.9%	7.0%	-9.7%	45.7%	59.4%
Taxation	44.9%	6.1%	-6.2%	50.0%	43.0%
Competition	42.4%	14.4%	2.0%	51.4%	38.9%
Business rates	39.6%	2.2%	4.7%	50.0%	35.7%
Red tape	36.0%	5.8%	-0.0%	45.7%	32.2%
Exchange rates	21.0%	-5.6%	-6.1%	38.9%	13.6%
Crime	13.1%	0.2%	1.5%	9.1%	14.6%
Congestion	11.6%	-4.2%	-5.5%	12.5%	11.2%

- Results suggest that persistently high inflation and continued recruitment challenges have knocked business confidence
- Top concerns are inflation, staff costs and energy prices
- Concerns about energy costs have continued to decline

# RECRUITMENT DIFFICULTIES ARE IMPACTING CAPACITY

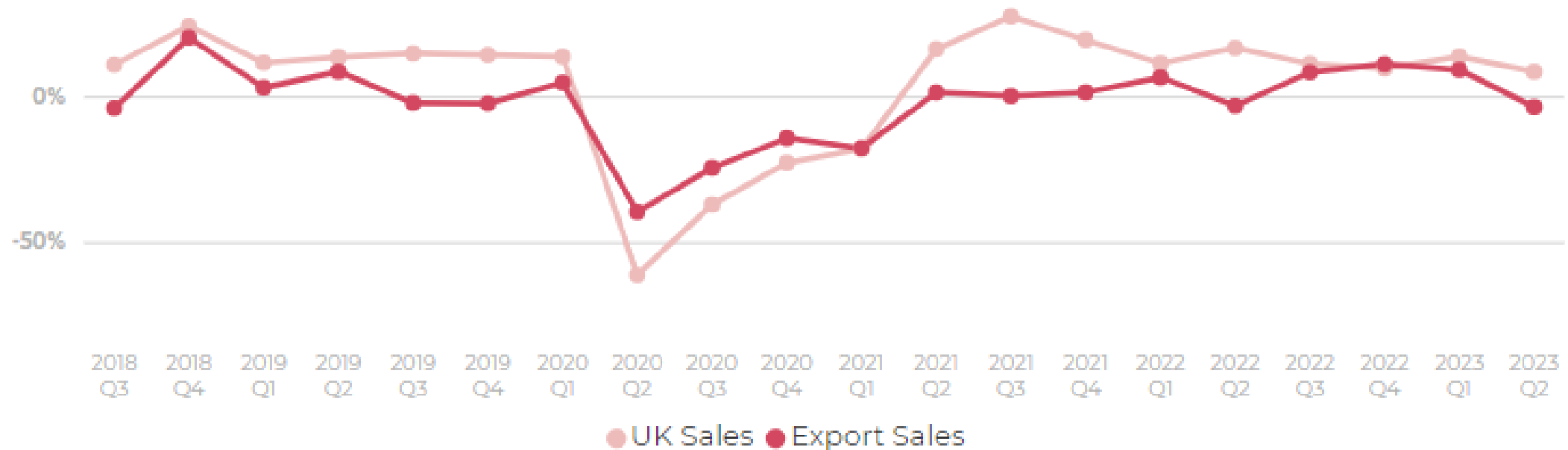
- Recruitment difficulties have increased across all job types this quarter and tightness in the labour market continues to be challenging for respondents
- The percentage of organisations working at full capacity has only seen marginal recovery since last quarter
- Despite these constrictions in growth, investment plans have either increased (training and energy efficiency) or stabilised (plant)

## Operating At Full Capacity



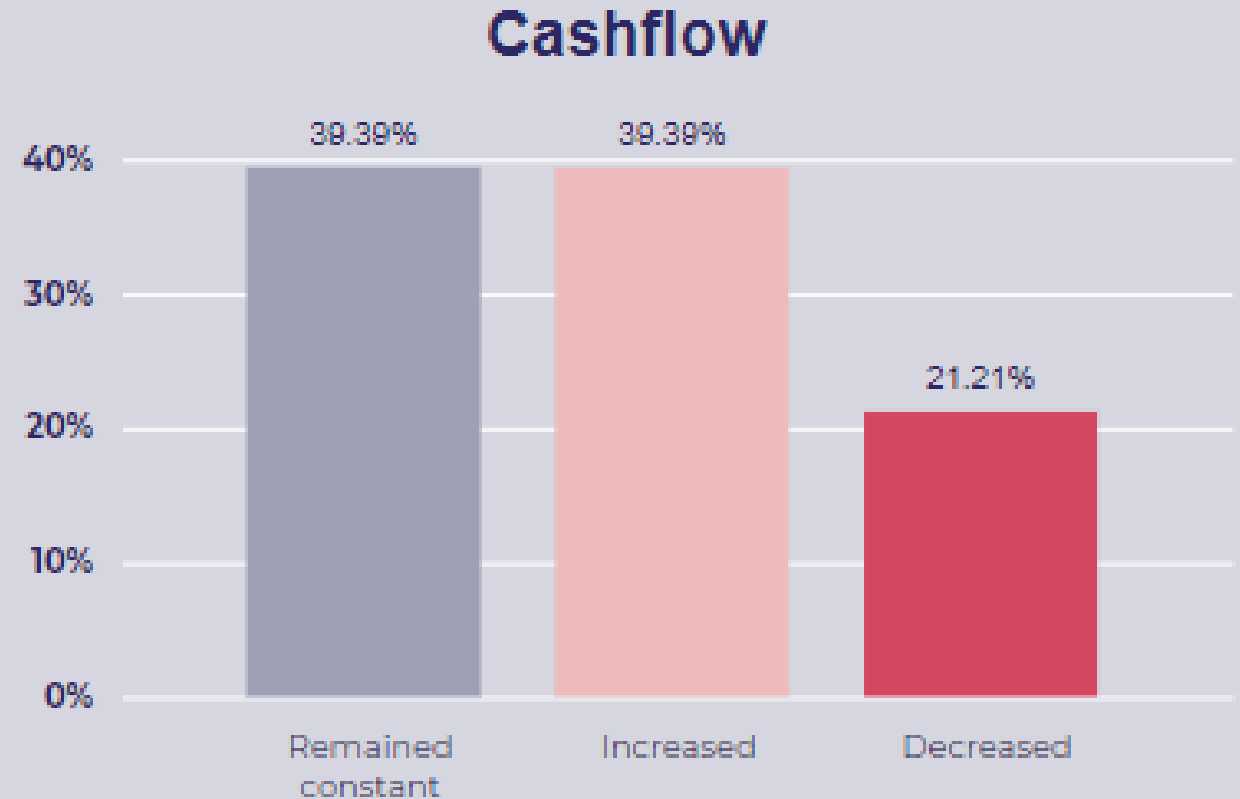
# SALES AND FUTURE PROFITABILITY

- This decrease in confidence has impacted future profitability and future turnover indicators
- Sentiment around both domestic and international trading has also declined
- UK sales and orders indicators have dropped -5.0% and -7.9% respectively since last quarter. Export sales and orders indicators have dropped -12.8% and -9.0% since last quarter



# DESPITE PRICE PRESSURES, CASHFLOW HAS IMPROVED

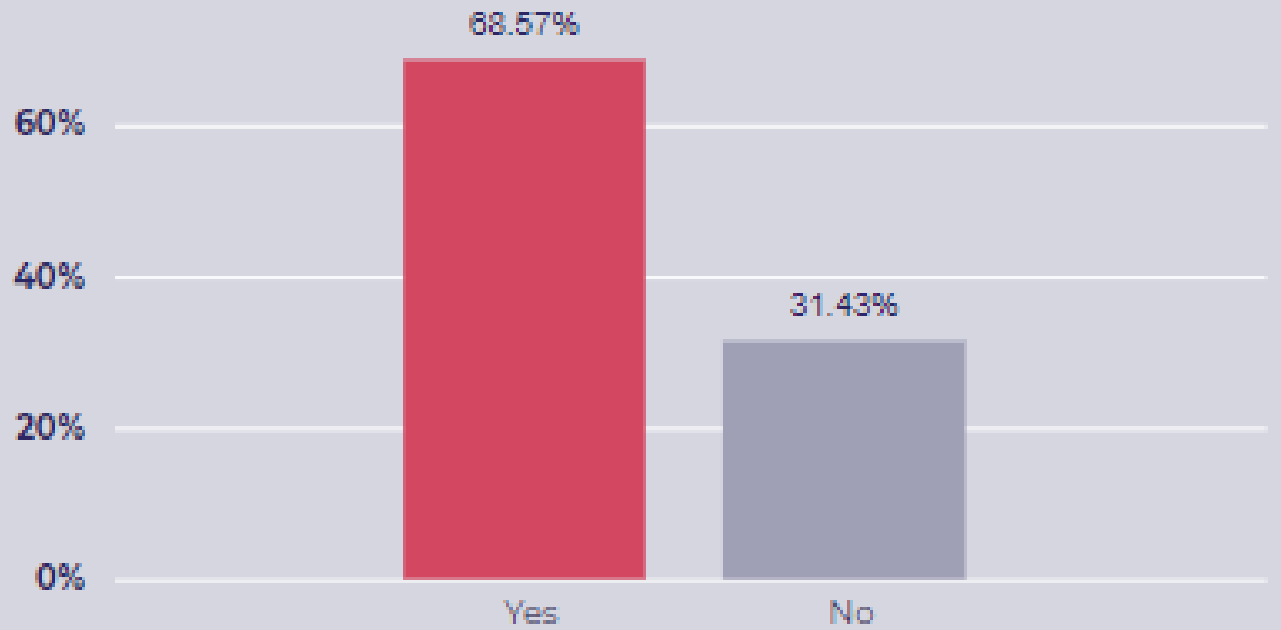
- Price pressures have increased in all indicators since last quarter except for fuel
- Labour costs are the most significant price pressure for services firms, while raw material is the most significant price pressure for manufacturing firms
- Despite these increased price pressures, cashflow has improved to its strongest level since Q3 2019. It has stood firmly in negative territory since then (-7.6% last quarter) and has recovered this quarter to 0.0%.



# MORE FIRMS CONTINUE TO INVEST IN ENERGY EFFICIENCY

- The trend towards increased investment in energy efficient equipment and measures has continued from last quarter
- The proportion of respondents investing in new, more energy efficient equipment has increased to 59% this quarter, from 51% in Q1
- Nearly 70% of organisations are trying to reduce their expenditure on energy

## Trying To Reduce Expenditure On Energy







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# Get in touch

**Thomas Lonsdale**

**Knowledge and Research Executive**

thomas.lonsdale@neechamber.co.uk