

Lancashire Quarterly Economic Survey Report

Quarter 4 2024
(October to December)



North & Western
Lancashire
Chamber of Commerce

In partnership with
Brabners

Forewords



Robert White

Chief Executive, Brabners
Sponsors of the Lancashire Quarterly Economic Survey

The Chamber's Q4 survey marked the first since the government's inaugural budget, which outlined its plans to raise tax revenues to fund public services while also boosting investment in areas such as roads, rail, schools and hospitals. It appears clear that the business community will bear much of the cost of this approach, with rises to national insurance contributions and the minimum wage.

These increased costs were bound to affect business confidence, and this is evident in the Lancashire business community's responses to this quarter's survey.

As we know, business confidence drives investment and both fuel the economic growth we are all seeking. While the business community is generally willing to endure short-term challenges for long-term benefits, we are yet to see a clear plan for achieving this growth.

We believe policymakers, both nationally and locally, must engage with the purpose-led business community on the development of such a plan; and we remain ready, willing and able to play our part.

Devolution can also play its part and could be a key driver for the Lancashire economy. However, the survey responses to Brabners' question on devolution illustrates a growing number of businesses do not believe it will have any positive impact on their operations (13% in Q4 compared to 8% in Q3) - with the largest proportion (62%) still to be convinced either way. This highlights again the urgent need for Lancashire's local authorities to engage with businesses so we can capitalise on this once-in-a-generation opportunity.

Responses to our other survey questions perhaps show the early signs of a shift in business investment priorities - maybe in response to the budget and the higher employment costs that will follow. A growing number of Lancashire businesses (20% in Q4 compared to 14% in Q3) indicated they intended to increase investment in digital infrastructure over the next 12 months, while fewer (34% in Q4 compared to 41%) expected to invest in both digital infrastructure and skills.

Is this the first indication that businesses are increasingly turning to digital infrastructure investment to boost productivity?

Despite the above and while the business environment is challenging, we are approaching 2025 with real optimism. KPMG's latest Economic Outlook forecasts UK economic growth will double to 1.7% in 2025 and this sentiment is echoed by feedback from members of Brabners' True North Network, a growing network of purpose-led businesses, business leaders and other organisations that is committed to supporting the future of the North and to unlocking the true potential of the Northern economy.

There is also hope that 2025 is a year of stability, both in the UK and the US, and that this stability will contribute to providing the clarity and confidence the business community needs to continue creating, investing and growing. We are at the start of new political and economic cycles and, despite short term challenges, spring and summer may see brighter skies emerge in many ways.

Robert White



Babs Murphy

Chief Executive,
North & Western Lancashire Chamber of Commerce

The latest Quarterly Economic Survey results paint a sobering picture for Lancashire's business community. Confidence is at one of its lowest points in recent years, reflecting the mounting pressures businesses are facing across all sectors. The findings underline a growing sense of uncertainty, compounded by recent policy decisions and ongoing operational challenges.

Labour's recent National Insurance hike has hit businesses hard. At a time when firms are already grappling with rising costs and economic uncertainty, this additional financial burden feels like a step in the wrong direction. Employers are forced to make tough decisions, with many tightening their belts to manage cash flow and maintain operations.

Recruitment remains a critical issue, as businesses continue to struggle to find and retain the talent they need to thrive. Despite the challenges, Lancashire companies remain resourceful and committed to overcoming these barriers, but the lack of a clear, targeted strategy to address skills shortages is adding strain to an already stressed workforce.

What we see in this quarter's results is a business community doing its best to weather a storm of rising costs, labour shortages, and diminishing confidence. While many firms are holding steady, their ambitions for growth are being curtailed by external factors beyond their control.

In response to these pressures, it is no surprise that many businesses are adopting a cautious approach. Cost-cutting measures, delayed investment plans, and a focus on survival rather than expansion are recurring themes across the region. While Lancashire businesses are no strangers to resilience, it's clear that external factors are stretching even the most robust enterprises to their limits.

As a Chamber, we remain steadfast in our mission to champion the needs of our business community. Through platforms like the Quarterly Economic Survey, we will continue to ensure the voice of Lancashire businesses is heard and their concerns addressed. The resilience and determination of our members inspire us every day, and we will work tirelessly to support them through these challenging times.

Babs Murphy

About this quarter's survey

The Q4 2024 Survey was conducted by the North & Western Lancashire Chamber of Commerce; East Lancashire Chamber of Commerce East and Lancaster & Morecambe Chamber in conjunction with Brabners LLP.

- The survey collection period was from 11th November to 9th December 2024.
- Responses were received from 150 companies across Lancashire employing 21,785 people.
- From the manufacturing sector, 41 business employing 6,042 people responded to the survey.
- From the service sector, 109 businesses employing 15,743 people responded to the survey.



Methodology

QES results are generally presented as balance figures - the percentage of firms that reported an increase minus the percentage that reported a decrease. If the figure is a plus it indicates expansion of activity and if the figure is a minus it indicates contraction of activity. A figure above 0 indicates growth, while a figure below 0 indicates contraction.

For example, if 50% of firms told us their sales grew and 18% said they decreased the balance for the quarter would be +32% (an expansion).

If 32% told us their sales grew and 33% said they fell the balance would be -1% (a contraction).

Summary



Findings



Key findings

Manufacturing sector



- The balance of firms reporting increased domestic sales decreased from -14 to -40; with domestic orders balance also decreasing by five points from -17 to -25.
- The balance of firms reporting increased export sales decreased by 20 points from 2 to -18. Export sales orders also decreased from -17 to -21.
- The balance of firms reporting an increase in their workforce over the past three months decreased from 16 to -13, and employment expectations are also down from 32 to -5.
- Employment took a huge hit over the past quarter with those attempting to recruit down a massive 29 points and the next three months is even worse, down 37 points compared to the last quarter. There is a slight glimmer of hope with the number of permanent workers slightly up, as well as temporary staff. Manufacturing is still the toughest sector for recruitment, a trend which has been the same throughout 2024.
- The balance of firms reporting increased cashflow also dipped in the last quarter.
- However, the balances of manufacturers reporting planned increases in investment weakened for both plant/machinery (+4 to +10) but training dipped.
- In terms of external factors affecting manufacturing, tax, unsurprisingly tops the list, followed by inflation and business rates.

Key findings

Services sector



- The balance of firms reporting increased domestic sales went down for the second consecutive quarter from 17 to -4, while the balance reporting improved domestic orders worsened, from 17 to -11.
- Export sales rose slightly in the last three months by four points, as did export orders, buoying that of the manufacturing sector.
- Like manufacturing though, employment in the last three months took a hit, down 12 points and expectations over the next three months are also down 19 points. Services fare slightly better than manufacturing when it comes to positions of employment.
- The balance of firms reporting increased cashflow contracted further, down from -7 to -10.
- The balance of firms reporting increases in investment in equipment fell, from 3 to -11; while the balance in investment in training also dropped; from 10 to -8.
- The balance of firms expecting turnover to improve in the next 12 months decreased, from 35 to 31; meanwhile, confidence that profitability will improve over the next twelve months also decreased dramatically, from 12 to -14.

Key findings

UK sales and orders

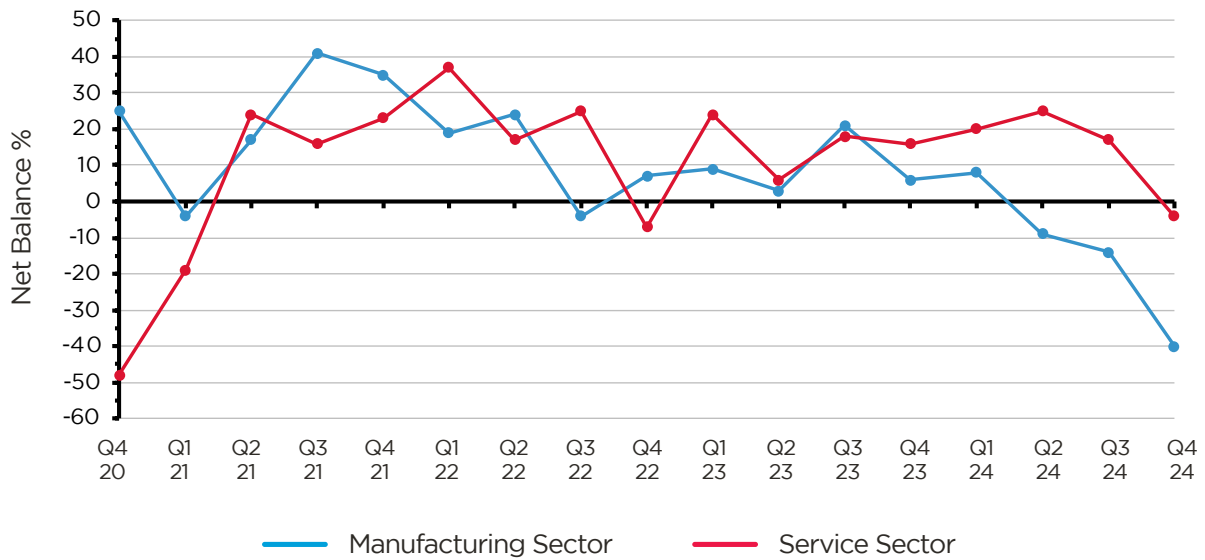


The last three months makes grim reading on the domestic front for both manufacturing and the service sector in Lancashire. Half of all manufacturing firms who responded to the Q4 survey (41 companies) reported a decrease in sales, compared to 28% of the service sector (109 companies). Orders fare only slightly better, and this seems to correlate with what is happening on the national picture.

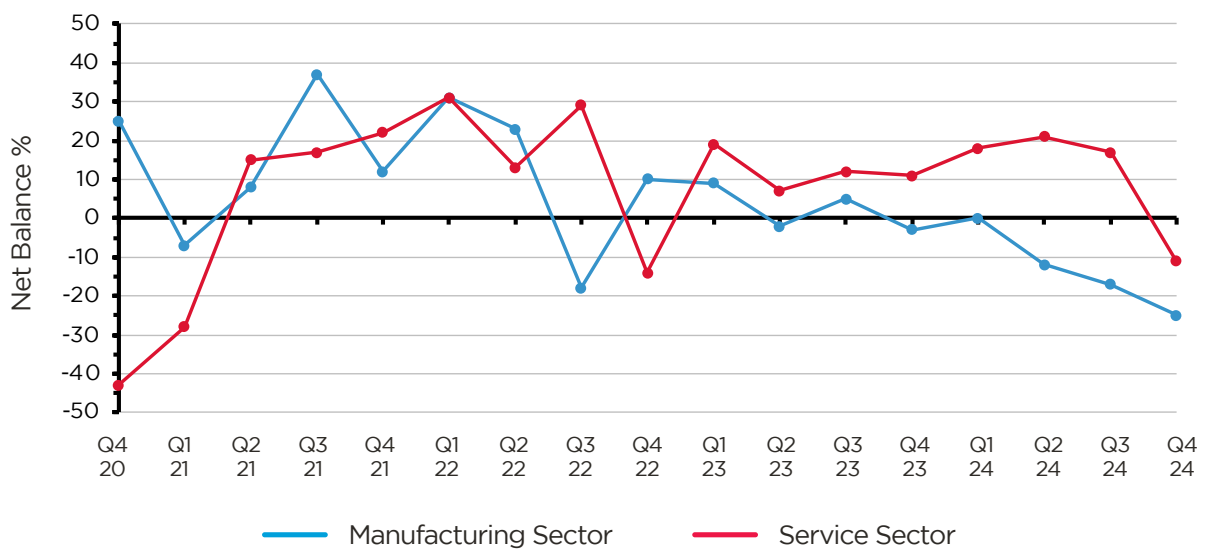
Despite a slight improvement in Q2, this is the second quarter in a row where both sectors have seen a slump and orders have tumbled to records shown just after restrictions were lifted following the Covid pandemic. Labour's Budget has done little to calm the nerves of businesses with some reporting "tax anxiety" as the main reason figures are down across the board throughout the QES.

Key findings

UK Sales



UK Orders



Key findings

Export sales and orders

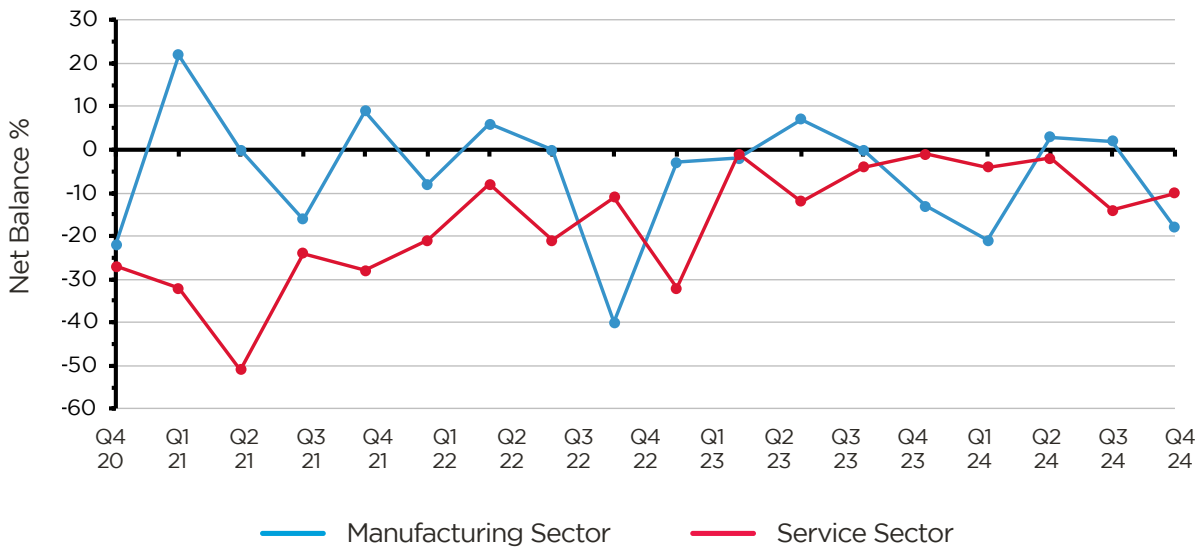


While it's been a struggle on the domestic front, internationally it has also been tough, though not quite as bad. Overseas sales have increased by just one per cent on the last quarter for both sectors and are down by three per cent for manufacturing and up by three per cent for services. That's the only good news for sales, however, with manufacturing firms reporting a 17% decrease in exports while the service sector is down by just one percentage point.

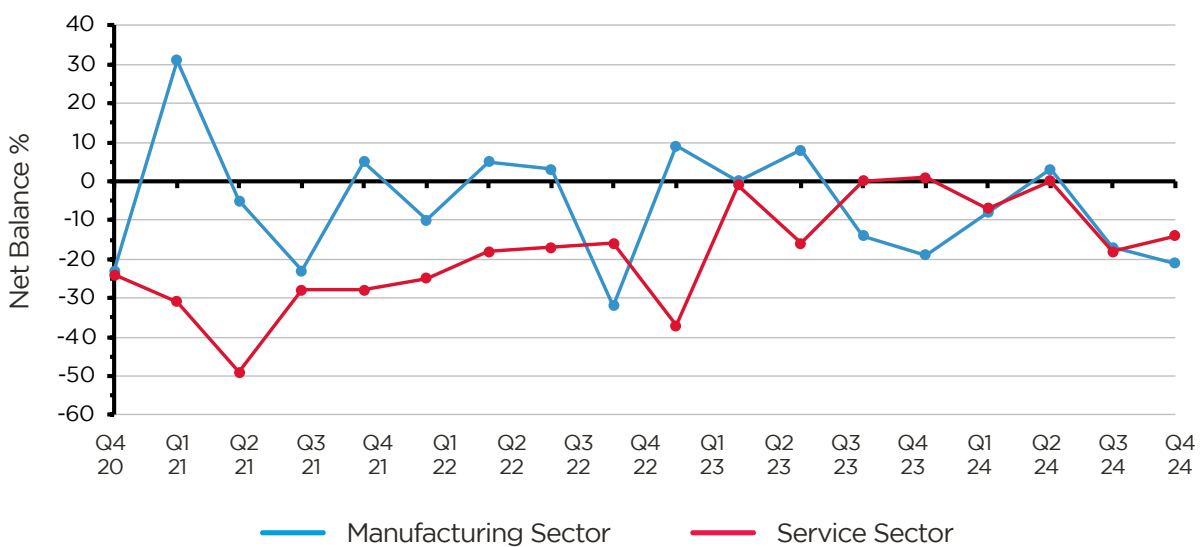
There is slightly better news when it comes to order books over the next three months. Even though both sectors are expecting a decrease in sales orders it is not as bad as the previous quarter and both sectors say their order books are remaining more constant with orders than increasing or decreasing. While these may be worrying times for exporters in Lancashire, businesses are being resilient in the face of adversity.

Key findings

Export Sales



Export Orders



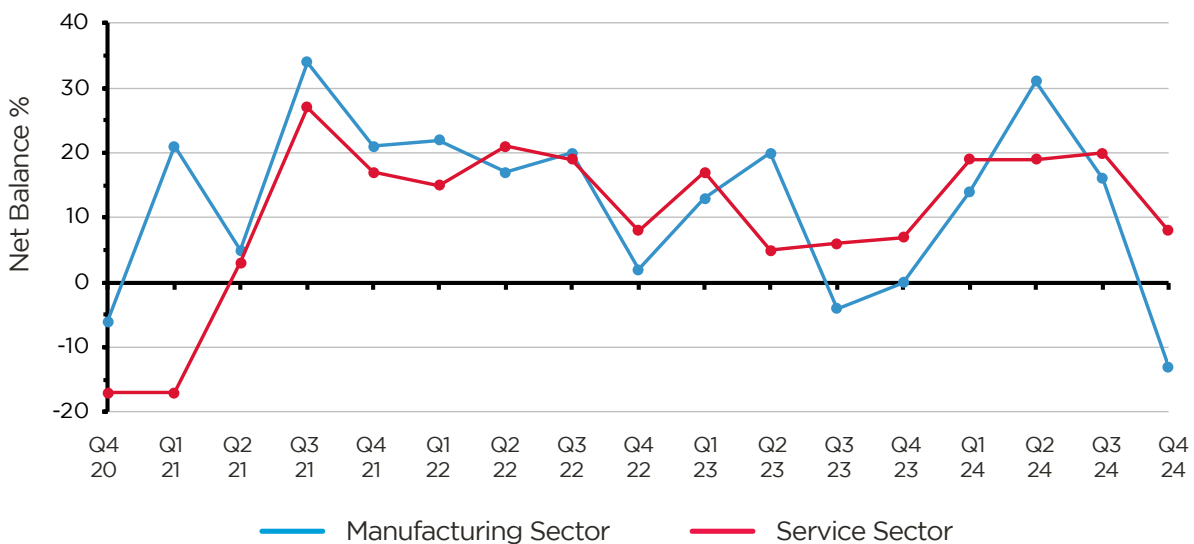
Key findings

Employment

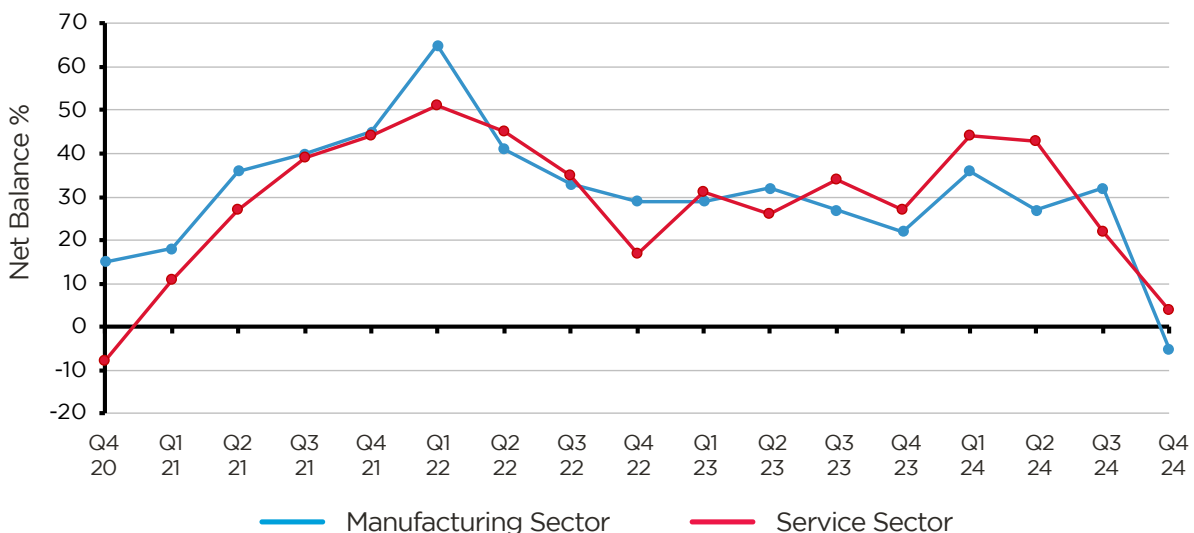
The labour market seems to have been stuck in a rut throughout 2024 with skills and upskilling the top of many a policy committee at the Chamber. This need seems to reflect the downturn in fortunes for both sectors with services faring slightly better than manufacturing. Both sectors have remained fairly constant with recruitment over the last quarter but almost a third of manufacturing companies reporting a decrease in recruitment.

Labour’s announcement of a hike in national insurance has put paid to employers bringing in more staff over the coming months with businesses being charged more for their staff – an increase many of manufacturers – almost a quarter surveyed – saying they will not be recruiting in the next quarter. In the service sector, almost a fifth of employers surveyed say they expect a decrease in employment.

Employment in the last 3 months



Employment in the next 3 months



Key findings

Recruitment

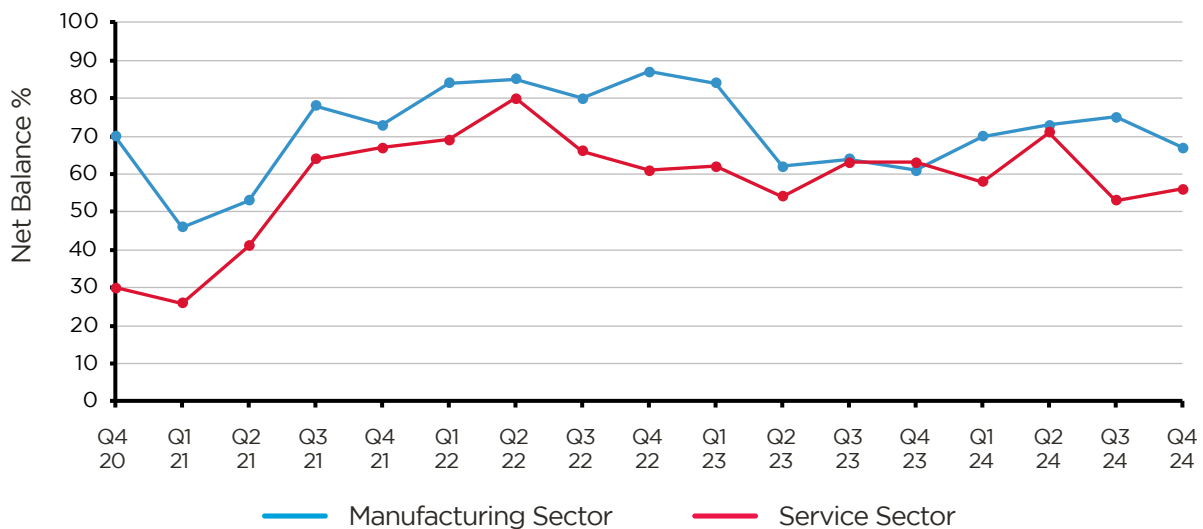
Both sectors are struggling when it comes to recruiting staff for the second consecutive quarter with services more than 100 companies reporting almost 80 per cent finding it difficult to bring people in, a rise of 16 per cent on Q3. Manufacturing fared slightly better, down just five per cent on the previous quarter.

Full-time jobs are the hardest to fill with both manufacturing and services reporting 85 per cent and 88 per cent respectively having trouble filling the positions.

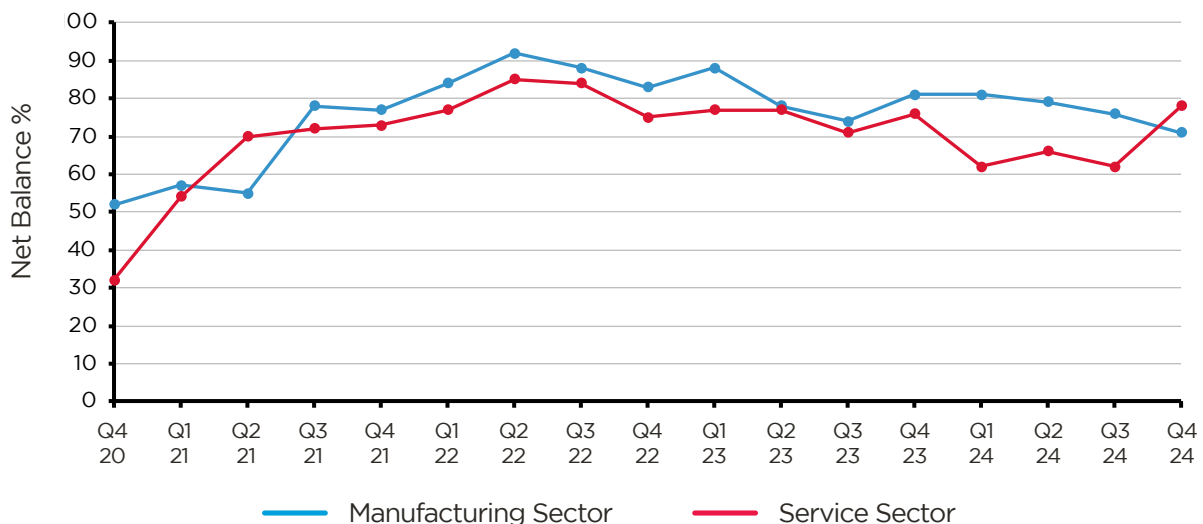
Temporary and part-time positions are having very little trouble being filled, a trend which has remained constant throughout the year and one which may continue with businesses re-evaluating their employment needs in the light of NI hikes following the Budget.

On the skills front, services have reported an upturn in unskilled and semi-skilled workers being brought in, while manufacturing reported a decrease in similar positions.

% tried to recruit in the last 3 months



Recruitment difficulties in the last 3 months



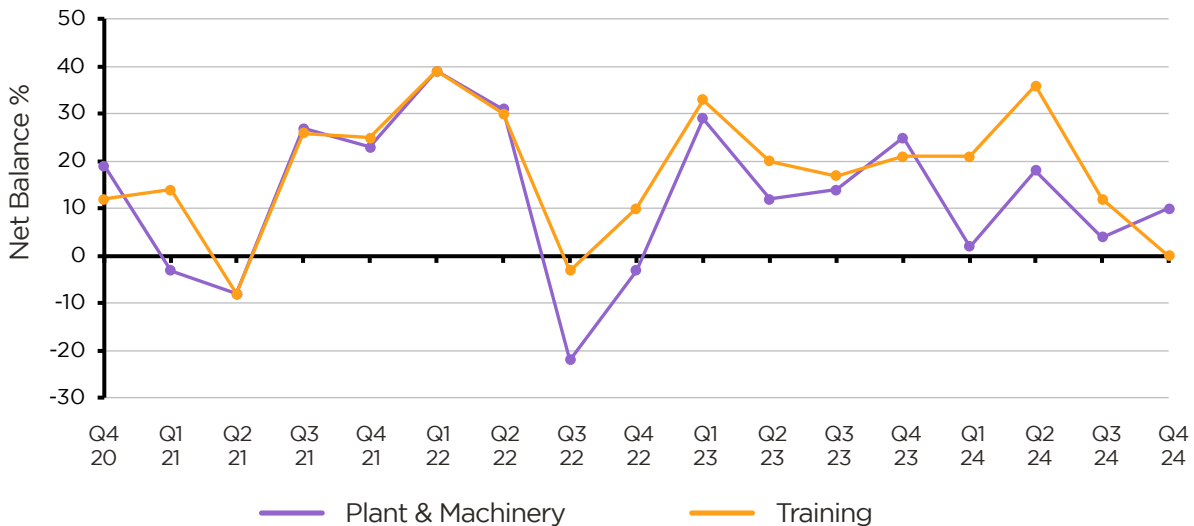
Key findings

Investment intentions

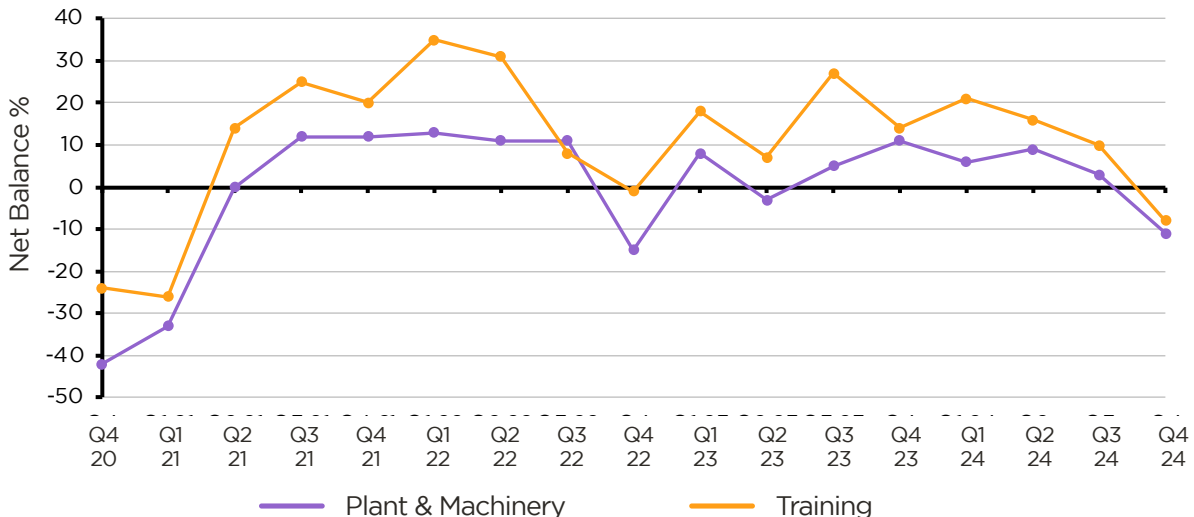
Manufacturing remains somewhat buoyant when it comes to investing in machinery with an upward trend on the last quarter. While cashflow seems to be in the shortfall, the manufacturing sector in Lancashire continues to show its resilience by investing in new technology. However, that investment is not matched when it comes to training where it has gone into minus figures following last quarters rise.

It's a different story in the services sector with investment in machinery and training both on the slide, with a third of businesses saying they have changed their plans for investment, probably due to the Budget.

Manufacturing investment plans



Service sector investment plans



Key findings

Business confidence

With a downturn in orders both domestically and internationally, problems with recruitment and “tax anxiety” and national insurance hikes looming, business confidence was always going to be an issue – and so it has come to pass.

Less than half of all companies surveyed expect an increase in turnover, while even less – 18 per cent manufacturing and 33 per cent services – expect to make a profit in the next three months. Almost half – 49 per cent in manufacturing and 47 per cent services – expect it to get worse in the first few months of 2025.

While the above makes for grim reading, the net balances really puts it into harsh reality with manufacturing dropping a massive 61 points for profitability confidence and services dropping by 26 points.

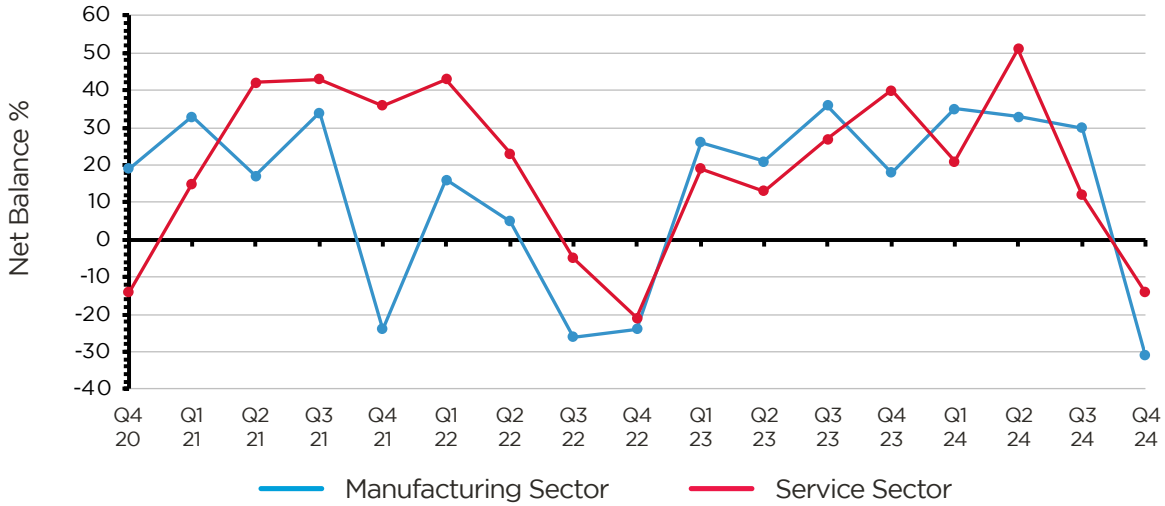
Cashflow and investment continues to be an issue for both sectors with the former continuing to fall and the latter being put on hold with NI increasing and taxes expected to rise.

Business confidence - turnover

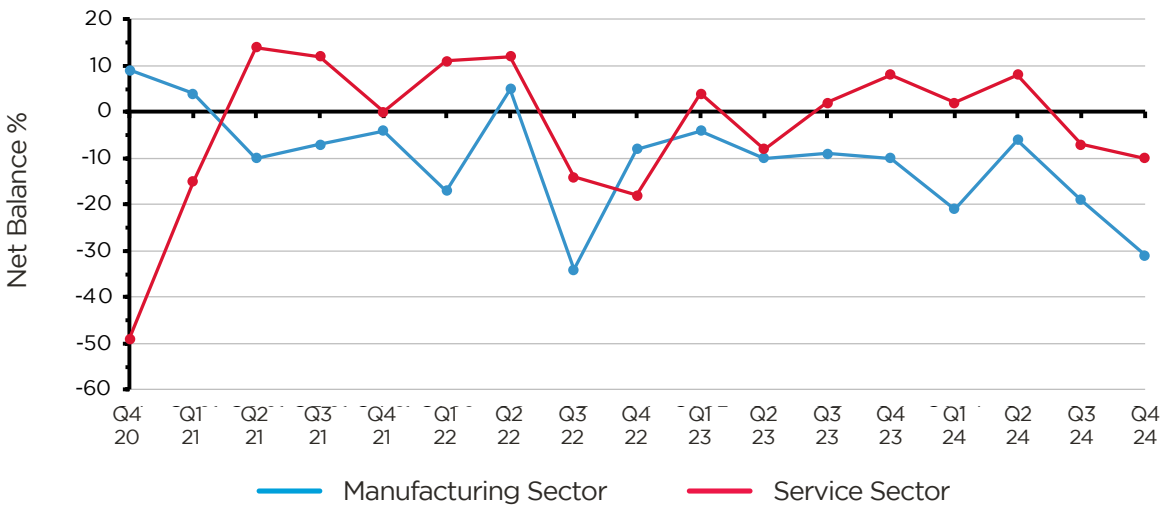


Key findings

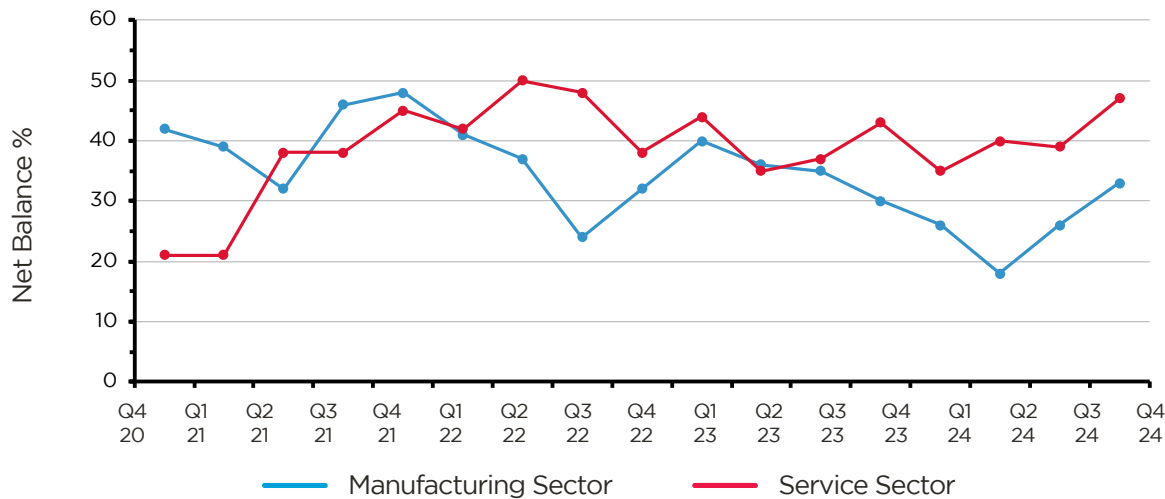
Business confidence - profitability



Business confidence - cashflow



Business confidence - capacity utilisation



Key findings

Prices

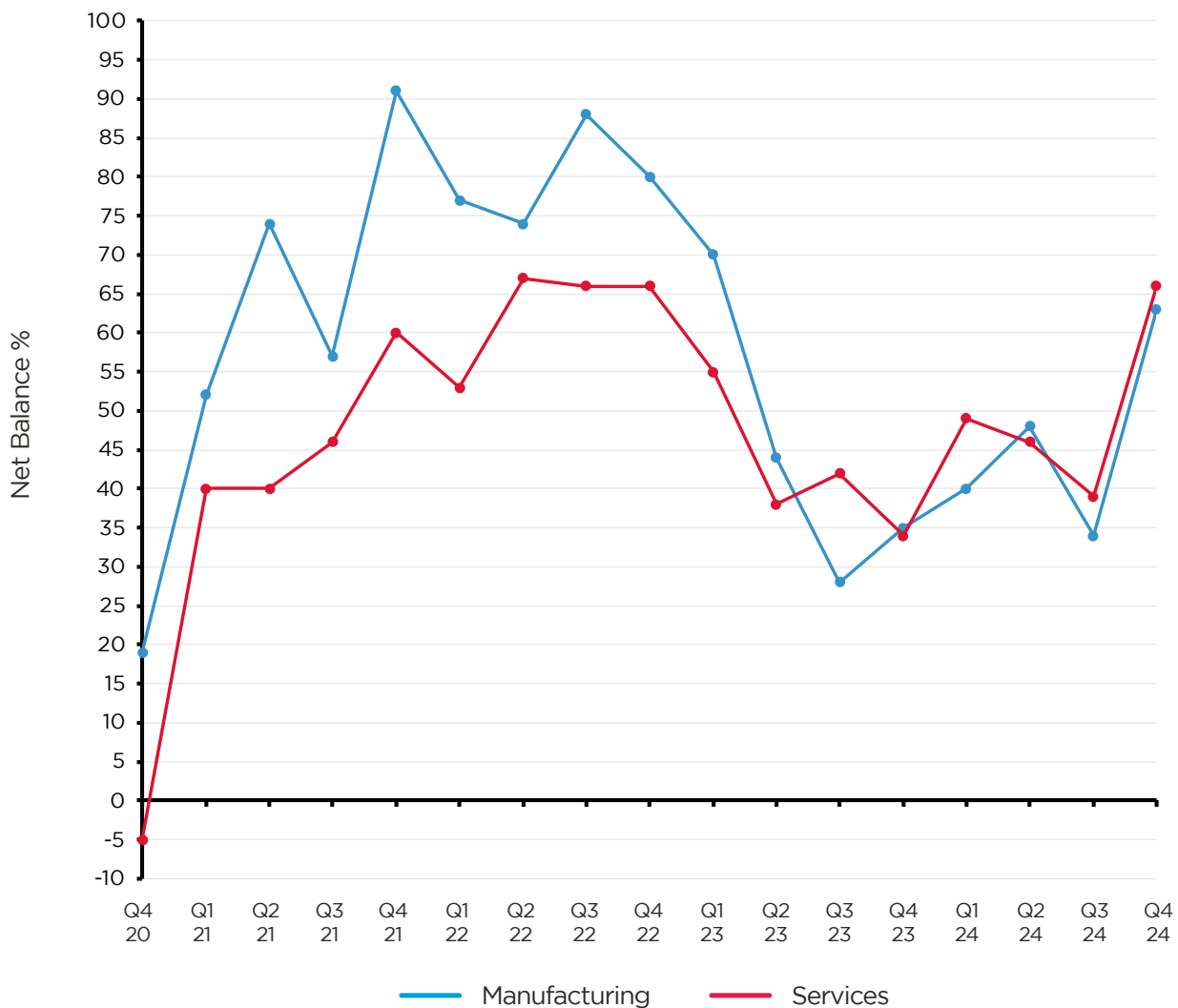
In manufacturing, the percentage balance of firms expecting their prices to rise increased by 29 points (+36%, to 65%). In the services sector, the percentage balance of firms expecting their prices to increase in the next three months also increased (+40%, to 68%). This increase is more than likely done to compensate for the rise in NI.

In terms of factors affecting the price of goods and services, 63% of manufacturers said raw material costs were a factor

behind the need to raise prices. The pressure from other overhead costs pay settlement also increased in both sectors.

There was a slight drop in fuel costs for both sectors, reflecting the national scene, while utilities rose for manufacturing more than the service sector.

Price of goods and services over next three months



Key findings

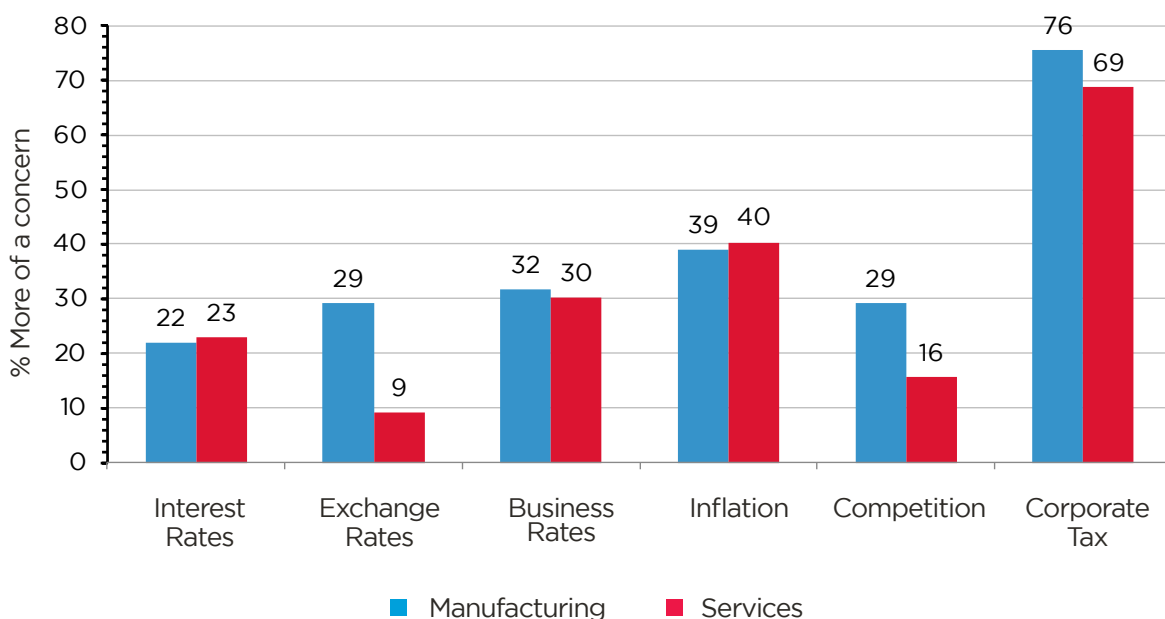
External factors | manufacturing

Tax features heavily on the minds of decision makers across the manufacturing sector with both business rates and corporation tax increasing for external factors. The former has increased by nine points over the last quarter while corporation tax concerns have increased by almost a fifth. Worries over competition have increased slightly while worries over inflation have diminished but still remain in the minds.

External factors | services

Like manufacturing, the uncertainty surrounding corporation tax remains a headache for the service sector, though competition does not seem to be much of an issue with both rising/falling by 15 per cent in responses to the latest QES. There is no change in the problems surrounding interest rates from the last quarter and a slight raise in business rates and inflation.

External Concerns



Additional Questions

As part of Brabners’ sponsorship of the Q3 2024 and Q4 2024 economic survey, we asked respondents three additional questions on the firm’s behalf about devolution, skills and investment intentions over the next 12 months.

		Q3	Q4
To what extent do you think devolution will improve conditions for business growth in Lancashire?	Strongly Agree	5.83%	3.28%
	Agree	16.50%	21.31%
	Neither agree nor disagree	69.90%	62.30%
	Disagree	3.88%	9.84%
	Strongly Disagree	3.88%	3.28%
Do you feel your workforce has the skills needed to support the growth of your business over the next three years?	Yes	66.02%	72.13%
	No	33.98%	27.87%
Are you planning on increasing investment in digital infrastructure and/or skills to grow your business in the next 12 months?	Yes to both	40.78%	34.43%
	Yes to digital infrastructure	13.59%	19.67%
	Yes to skills	16.50%	16.39%
	No to both	29.13%	29.51%



COUNT ON THE CHAMBER TO SUPPORT, GROW AND REPRESENT YOUR BUSINESS

The North & Western Lancashire Chamber of Commerce is an independent membership organisation. We support, grow and represent over 1,600 businesses in Lancashire and drive the economic wellbeing of the county.

We are part of the British Chambers of Commerce (BCC) which represents 75,000 businesses in the UK, employing over five million people. Our members range from large organisations with over 300 employees to early-stage businesses.

They count on the Chamber for a range of services including growth and development, protection, training, international trade, representation, events and networking, start-up advice, carbon reduction programmes and exclusive discounts.

We're also part of a global network of Chambers operating in all major industrial nations.

Whatever your business needs, you can count on the Chamber for support, growth and representation.

Join today and reap the benefits.

**Call our membership team today on
01772 653000 or visit our website
lancschamber.co.uk.**

Net balances

	Manufacturing		Services	
	Q3 2024	Q4 2024	Q3 2024	Q4 2024
Domestic Sales	-14	-40	17	-4
Domestic Orders	-17	-25	17	-11
Export Sales	2	-18	-14	-10
Export Orders	-17	-21	-18	-14
Employment last 3 months	16	-13	20	8
Employment next 3 months	32	-5	22	4
% Tried to recruit	75	67	53	56
% Part-time	14	0	34	32
% Full-time	92	85	91	88
% Temporary	11	15	12	10
% Permanent	39	58	48	43
% Recruitment difficulties	76	71	62	78
% Skilled manual	75	80	56	41
% Professional/Managerial	21	40	56	63
% Clerical	21	35	36	29
% Semi and unskilled	39	25	44	51
Cashflow	-19	-32	-7	-10
Investment - plant/machinery	4	10	3	-11
Investment - training	12	0	10	-8
Confidence - turnover	48	35	35	31
Confidence - profitability	30	-31	12	-14
% Full capacity	26	33	39	47
Prices	34	63	39	66
% Pay Settlements	57	88	72	73
% Raw materials	63	63	30	25
% Utilities	39	49	42	40
% Fuel	27	24	22	19
% Financial costs	14	20	15	20
% Other overheads	27	41	37	33

External Factors of more concern than 3 months ago

% Interest rates	20	22	23	23
% Exchange rates	22	29	12	9
% Business rates	22	32	27	30
% Inflation	47	39	35	40
% Competition	27	29	40	16
% Tax	45	76	54	69

Quarterly Change

Manufacturing	Services
Q4 2024	Q4 2024
-26	-21
-8	-28
-20	4
-4	4
-29	-12
-37	-19
-8	3
-14	-3
-7	-3
4	-2
19	-5
-4	16
5	-16
19	7
14	-7
-14	7
-13	-3
6	-14
-12	-18
-12	-4
-61	-26
7	8
28	27
31	1
0	-6
10	-2
-2	-3
5	5
15	-4
2	0
7	-2
9	3
-8	6
3	-25
31	14

The Lancashire Quarterly Economic Survey (QES) is brought to you by the North & Western Lancashire Chamber of Commerce, in partnership with Brabners.

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