

2ND QUARTER 2011



BRITISH CHAMBERS OF COMMERCE
**QUARTERLY
ECONOMIC
SURVEY**



British
Chambers of
Commerce

About us

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 92,000 businesses who together employ more than 4.8 million employees, the British Chambers of Commerce is The Ultimate Business Network. 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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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 2nd quarter 2012 received over 6,500 business responses, collectively employing over 900,000 people. The respondents cover the entire United Kingdom, and were surveyed by postal and online questionnaires over the period 23 May to 15 June.

In the manufacturing sector 1,652 firms, employing approximately 116,000 people, responded. 978 (59%) of manufacturing respondents were exporters. In the service sector 4,945 businesses with approximately 800,000 employees responded. Of the service sector participants, 1,564 (32%) were exporters. While the majority of respondents employ fewer than 500 people, the sample included 149 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	6,597
Manufacturing Firms	1,652 (25% of total)
Services Firms	4,945 (75% of total)
Number of Exporters	2,542
Manufacturing Exporters	978
Services Exporters	1,564



Summary

2nd Quarter 2011

The Q2 2011 results are mixed. Given the difficult economic background, and the special factors that reduced the number days worked in Q2, the results are positive overall. More key balances improved than worsened in Q2, in both manufacturing and services. But the results signal a weak and fragile recovery, with the economy still facing many risks. In manufacturing, there were improvements in the balances for home deliveries, employment expectations, investment, and confidence. But the home orders balance fell, and the manufacturing export balances, though still satisfactory, declined. In services, the domestic, employment, and export delivery balances recorded modest improvements in Q2. But many service balances remain weak by historical standards. The service investment balances fell, and the confidence balances were stagnant or marginally down. The Q2 cashflow balances improved, but remained negative for both manufacturing and services, signalling continued financial strains. Price pressures are still relatively high, but fell in Q2 in both manufacturing and services.

Domestic Market

The Q2 domestic results are mixed but positive overall. The manufacturing balance for home sales rose 10 points, to +18%, still weaker than in Q4 and Q2 2010; the manufacturing home orders balance fell two points, to +9%, worse since Q1 2010. The service home deliveries balance rose four points, to +10%; the service home orders balance also rose four points to +9%. The Q2 balance for home deliveries remains weaker for services than for manufacturing; but the home orders balances are equal for both sectors.

Export Market

The Q2 export balances worsened for manufacturing and mixed for services. The manufacturing export sales balance fell four points, to +26%. The manufacturing export orders balance also fell four points, to +22%. Both manufacturing balances remain satisfactory. The service export sales balance rose three points, to +18%, lower than in Q4 2010, but higher than any other balance since Q3 2007. The service export orders balance was unchanged, at +16%, highest equal since Q1 2007. The Q2 export balances remain stronger for manufacturing than for services. For both

sectors, the export balances remain stronger than the home balances.

Employment

The Q2 employment balance was unchanged for manufacturing, and edged up for services. Employment expectations improved for both sectors. The manufacturing employment balance stayed at +15%, weakest equal since Q4 2009 but still much stronger than during the recession. The manufacturing employment expectations balance rose six points, to +15%, the strongest since Q3 2007. The service employment balance rose one point, to +5%, the strongest since Q2 2008, but still a weak level. The service employment expectations balance rose two points, to +12%, best since Q1 2008 but still mediocre.

Investment

The Q2 investment balances improved for manufacturing and fell for services. The balance of manufacturing firms planning to increase investment in plant & machinery rose 10 points to +16%, lower than in Q4 2010, but higher than any other balance since Q4 2007. Manufacturers' intentions to

invest in training edged up one point, to +10%. The balance of service firms planning to raise investment in plant & machinery fell by one point, to +2%, a weak level. Service intentions to invest in training fell four points, to +8%.

Business Confidence

The Q2 confidence balances improved for manufacturing and are mixed for services. Manufacturers' turnover confidence balance rose 12 points, to +40. Manufacturers' profitability confidence also improved 12 points, to +22%. Both manufacturing balances were still weaker than in the three quarters prior to Q1 2011. The service sector's turnover confidence balance fell one point, to +30%. Service profitability confidence stayed unchanged, at +10%, a disappointingly weak level.

Capacity Utilisation and Cashflow

Capacity utilisation rose slightly, for both manufacturing and services. The balance of manufacturing firms operating at full capacity edged up by one point, to 34%. In services, the balance of firms operating at full capacity rose two points, to 38%. The cashflow balances improved in Q2, but are still in negative territory for both sectors. The manufacturing cashflow balance rose three points, to -1%. Services cashflow rose four points, to -6%.

Prices

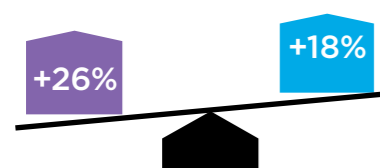
Expectations to raise prices, though still relatively high, have fallen in both sectors. The balance of manufacturing firms reporting pressure to increase prices fell 2 points, to +38%. The balance of service firms expecting to raise prices fell six points, to +27%.

Economic Climate

The Q2 QES results continue to highlight the fragility of the UK recovery, as the Government is implementing more forcefully its tough deficit-cutting programme. Given the difficult economic background, and the special factors reducing the number of days worked in Q2, the results are positive overall. But the economy is facing serious risks, and there is no room for complacency. The results support our assessment that GDP growth remained in positive territory in Q2.

But the recovery is still weak and there are worrying signs that the rebalancing of the economy towards net exports is not yet sufficiently forceful. The international background has become more uncertain, and worrying signs that global growth is set to slow will add to the challenges facing UK exporters. British business continues to support the deficit-cutting programme and rejects calls for a change in the strategy. But the Government must implement more vigorously growth-enhancing policies that will enable private sector firms to create jobs and drive recovery. On its part, the MPC must postpone premature interest rate increases that may worsen risks of a setback.

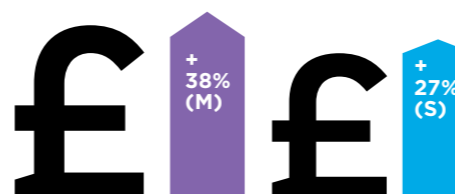
The Q2 export sales balance remained weaker for services than for manufacturing, but the gap has narrowed.



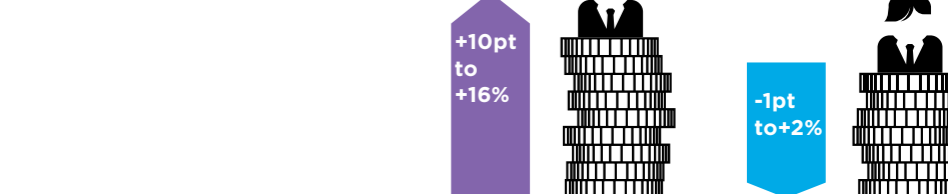
Employment expectation balances improved for both manufacturing and services.



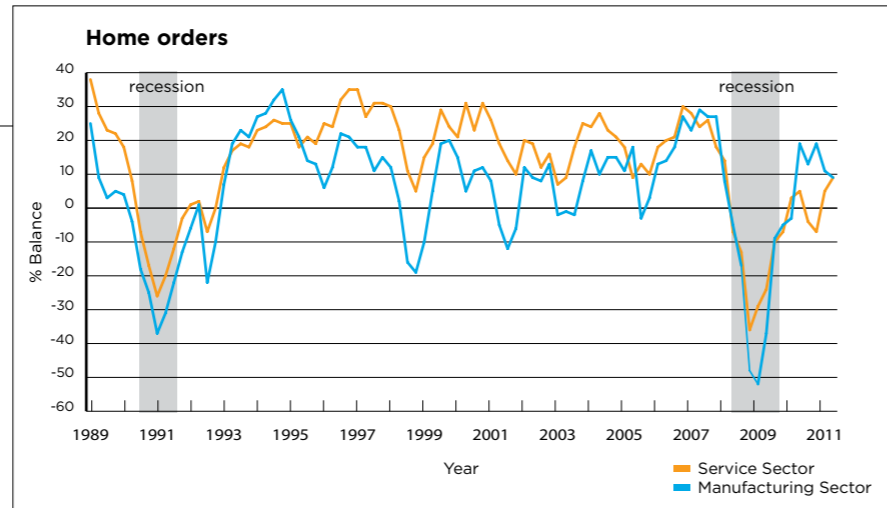
Expectations to raise prices are slightly down, but still above the series average in both sectors.



Investment in plant and machinery balances improved for manufacturing and fell slightly for services.



Home orders and sales



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

Mixed results are broadly positive, but highlight risks.

The National Perspective

The Q2 2011 domestic results are mixed. Given the difficult economic background, and the special factors that reduced the number days worked in Q2, the results are positive overall, but they highlight risks. The manufacturing balances recorded divergent movements in Q1, with an increase in deliveries and a small fall in orders. The manufacturing recovery is facing obstacles. In the service sector, both domestic balances improved, but they remain relatively weak by pre-recession standards.

The manufacturing sector's balance for home deliveries rose from +8% in Q1 to +18% in Q2. But Q2 home deliveries are still weaker than the balances recorded in Q4 2010 and Q2 2010. The balance for manufacturers' home orders fell from +11% in Q1 to +9% in Q2, worse level since Q1 2010 but still higher than during the recession. Micro manufacturing firms have recorded the weakest Q2 home balances, for both deliveries and orders.

The home sales balances increased by 10pts in the manufacturing industry to reach +18%

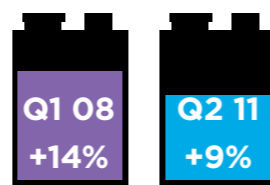


The service sector balance for home deliveries rose from +6% in Q1 to +10% in Q2, the strongest level since Q2 2010. The balance for service home orders improved from +5% in Q1 to +9% in Q2, the strongest level since Q1 2008. In absolute terms, the Q2 domestic balance for home deliveries remains weaker for services than for manufacturing; but the balances for home orders are equal in Q2 for both sectors. Micro service firms have recorded the weakest Q2 home balances, for both deliveries and orders.

The Regional Perspective

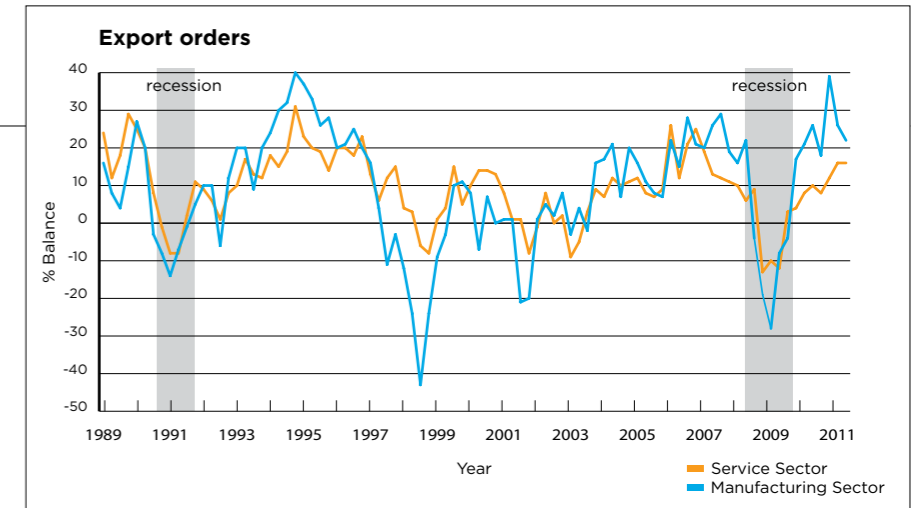
The Q2 manufacturing balances for home deliveries were in negative territory in two regions, one region was at 0%, while nine regions were in positive territory. In the case of home orders, four regions were in negative territory in Q2, one region was at 0%, while seven regions were in positive territory. Comparing the manufacturing sector's domestic performance across the various regions, the weakest Q2 net balances for home sales were in the South East and East of England, both at -3%; the weakest manufacturing balance for home orders was in the South West, at -47%. At the other extreme, the best Q2 manufacturing balances were in the North East, at +64% for home sales and at +62% for home orders.

The service sector home orders balance was at its strongest level since Q1 2008



The Q2 service sector's net balances for home deliveries were in negative territory in one region, while eleven regions were in positive territory. In the case of home orders, two regions were in negative territory in Q2, while ten regions were in positive territory. Comparing the service sector's domestic performance across the various regions, the weakest Q2 net balances were in Scotland, at -27% for home sales, and at -31% for home orders. At the other extreme, the best Q2 service balance for home deliveries was in Wales, at +22%; the best Q2 service balance for home orders was in the South West, at +28%

Export orders and sales



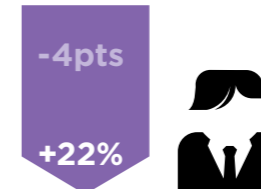
Q Excluding seasonal variation, export sales (export orders) over the past 3 months are:
Up/Same/Down

Manufacturers see weakening of export balances, but they remain strong.

The National Perspective

The manufacturing export balances, for both deliveries and orders, worsened for a second quarter in a row in Q2 2011; but in absolute terms, they still remain at satisfactory levels. The net manufacturing balance for export sales fell from +30% in Q1 to +26% in Q2. The manufacturing balance for export orders declined from +26% in Q1 to +22% in Q2. The manufacturing sector's export balances remain stronger than the manufacturing home balances; they are also stronger than the service export balances.

In the manufacturing sector the balance for export orders fell from +26% to +22%.



The service export balances recorded mixed movements in Q2 2011, with deliveries improving and orders unchanged. The service export sales balance rose by three points in Q2, to +18%; this was lower than in Q4 2010, but higher than any other balance since Q3 2007. The service export orders balance was unchanged, at +16%, highest equal since Q1 2007. Both service export balances remain much stronger than the service home balances. Micro service firms have recorded the weakest Q2 export balances.

The Regional Perspective

The Q2 manufacturing sector's net balances for export deliveries were in negative territory in two regions, while ten regions were in positive territory. In the case of export orders, three regions were in negative territory in Q2, while nine regions were in positive territory. Comparing manufacturing export performance across the various regions, the weakest Q1 net balances were in Wales for export deliveries, at -8%, and in Eastern for export orders, at -17%. At the other extreme, the strongest Q2 manufacturing balances were in the North East, at +72% for export sales, and at +74% for export orders.

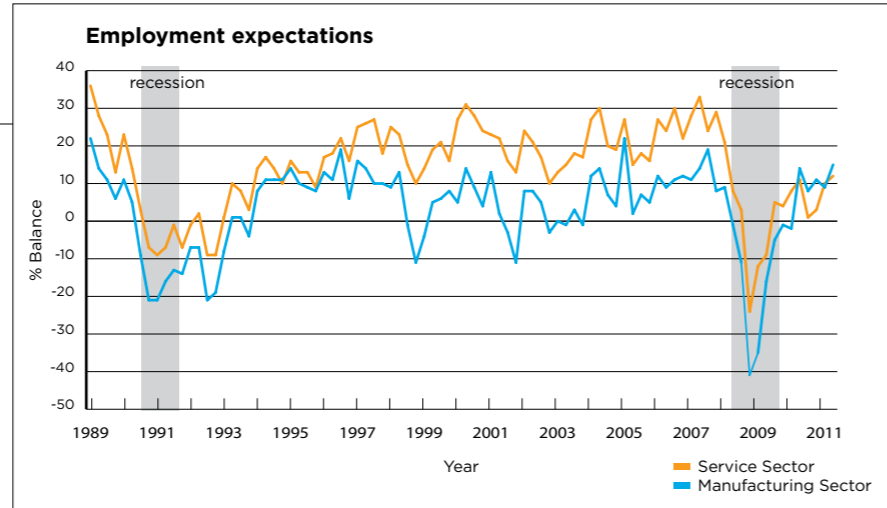
The Q2 service sector balance for export deliveries was in negative territory in one region, three regions were at 0%, while eight regions were in positive territory. In the case of export orders, ten regions were in positive territory in Q2, while two regions were at 0%. Comparing service sector export performance across the various regions, the weakest Q2 balances were in the West Midlands for export sales, at -6%, and in Scotland and the South West (both at 0%) for export orders. At the other extreme, the strongest Q2 service balances were in the South East for export deliveries, at +31%, and in London and the South East (both at +23%) for export orders.

In the service sector the balance for export sales increased from +15% to +18%.



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



Employment expectations in both sectors showed the strongest results since before the recession began.

The National Perspective

Overall, there was improvement in both sectors. In the manufacturing sector balances were above series averages, whereas in the service sector they are below series averages.

In the manufacturing sector the backwards looking employment balance did not change on the quarter, remaining at +15%. The employment expectations balance improved by six points to reach +15% - the strongest result since the third quarter of 2007. Both balances have now been positive for five consecutive quarters.

The service sector employment over the last three months balance was +5%, the strongest level since Q2 2008. The employment expectations balance rose for the third consecutive quarter to reach +12%, the strongest result since Q1 2008.

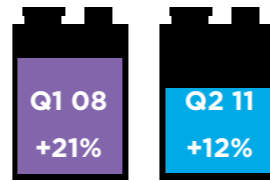
Employment expectations in the manufacturing sector rose six points on the quarter, to reach +15%.



The Regional Perspective

In the manufacturing sector on the employment over the last three months balance four regions were above or equal to the national total: The North East (+53%), Yorkshire and the Humber (+27%), West Midlands (+28%). Both Wales (-24%) and the South West (-3%) were regions where negative balances were recorded.

Employment expectations in the service sector were at their highest since Q1 08.



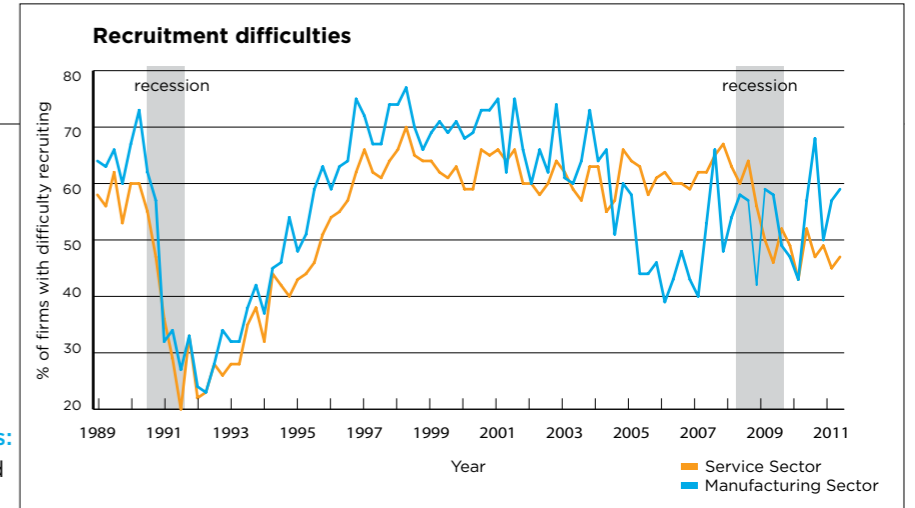
For the expectations balance, the North East recorded the strongest balance (+47%), with the second strongest being Scotland, recording +26%. Wales saw the only negative balance (-19%).

In the service sector only two regions recorded a negative balance on the employment over the last three months question, Scotland at -26% and the East of England at -1%. However, only four regions recorded double digit positive results: The North East (+10%), East Midlands (+13%), South West (+13%) and London (+14%).

Only Scotland (-14%) recorded a negative balance on the employment expectations question. Of the positive results, London recorded the strongest, at +20%. The second strongest result was witnessed in the North East (+18%).

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



Recruitment difficulties rise, with firms attempting to take on more part-time and permanent staff.

The National Perspective

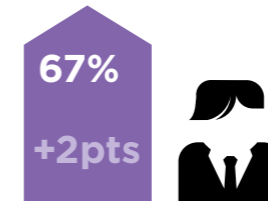
In the manufacturing sector the proportion of firms trying to recruit rose to 67%, the second consecutive quarterly rise. The percentage of firms reporting recruiting for part-time jobs rose by three percentage points on the quarter to reach 20%. There was also a jump in the proportion of firms recruiting for permanent jobs, rising from 42% in Q1 2011 to 52% in Q2.

Recruitment difficulties also rose within the sector, from 57% to 59% on the quarter. It was the "skilled, manual and technical" category where most difficulty was found. 32% of firms reported difficulty recruiting staff in this area. The "professional and managerial" category was second on the list with 19% of firms reporting difficulties.

The service sector picture was very similar to that of manufacturing. 59% of firms had tried to recruit and there had been an increase in the proportion of firms recruiting for part time staff (from 33% to 37%) and for permanent staff (from 58% to 60%).

Recruitment difficulties rose to 47%, with difficulties for the "professional and managerial" category of workers having the most pronounced difficulties at 27%.

In the manufacturing sector the percentage of firms that had attempted to recruit in the previous three months rose from 65% to 67% on the quarter



The Regional Perspective

Within the manufacturing sector the highest proportion of firms trying to recruit could be seen in the North East (94%) and in Wales (95%). On this basis, it is not surprising that Wales saw the biggest proportion of recruitment difficulties (81%), with the North East recording the second strongest number (67%). Three regions had below 50% of firms trying to recruit: Northern Ireland (48%), South East (40%) and London (43%).

Of those that had tried to recruit, Northern Ireland had the biggest proportion (97%) trying to recruit full-time employees. No other region recorded a result above 90%. Difficulties recruiting in the "skilled manual" category were most pronounced in the North East (68%) and Wales (55%).

In the services sector Wales (72%) and London (70%) showed the highest proportion of firms trying to recruit. By way of contrast, Scotland had the lowest proportion of firms trying to recruit (24%). Despite London firms trying to recruit, their difficulties were relatively low (37%). Apart from Wales (96%), the North East had the most difficulties recruiting the right staff (67%).

Wales (51%) was the region which had the most difficult finding staff in the "Professional and Managerial" category. Scotland (17%) was the region with the least difficulty within this category.

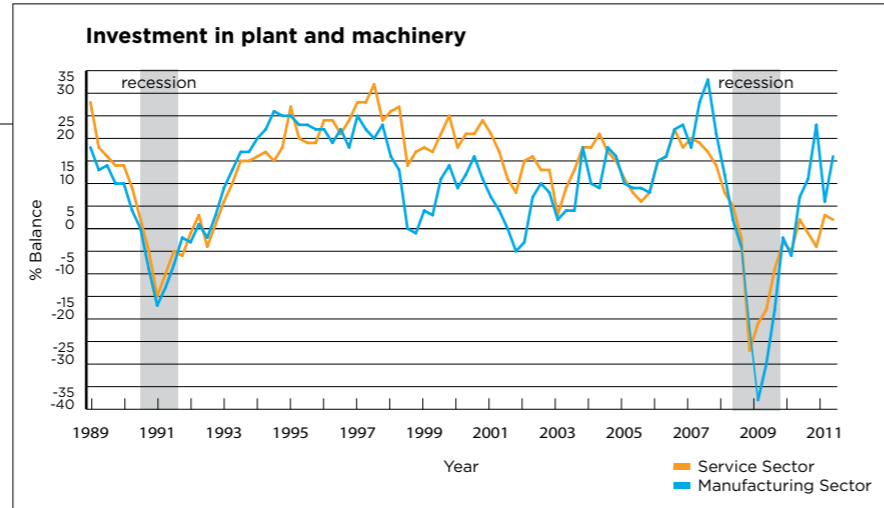
59% of manufacturing firms that had tried to recruit had difficulties, up two percentage points on the quarter.



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



Investment intentions move in opposite directions on the quarter: Manufacturing improves and the service sector weakens.

The National Perspective

Both investment balances improved on the quarter in the manufacturing sector, making up some of the losses witnessed in Q1 2011. The plant and machinery balance rose ten percentage points to reach +16%. While this is not as strong a result as in Q4 2010 (+23%), it is still the second strongest result since Q1 2008. The training investment balance rose by one percentage point to +10%. The training balance has been positive for seven consecutive quarters.

Within the services sector both investment balance dropped marginally. The investment in plant and machinery balance fell one percentage point to +2%. While weak, this is the first time positive balances have been recorded consecutively since the first two quarters of 2008. The investment in training balance fell four percentage points to +8%. Despite the weakening of this, it is still the second strongest result recorded since the beginning of 2010.

The investment in training balance for service sector companies fell to +8%, from +12% in the previous quarter.



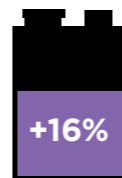
The Regional Perspective

In the manufacturing sector the plant and machinery balance saw both Wales (-2%) and Northern Ireland (-4%) in mild negative territory. The strongest results were witnessed in the North East (+34%) and in London (+35%).

On the investment in training balances, manufacturers in Scotland (-7%), the East of England (-9%) and the South East (-6%) were all in single digit negative territory. Of the other regions, the North East (+31%), Yorkshire and Humber (+19%), West Midlands (+23%), Wales (+36%) and South West (+19%) were all in double digit positive territory.

In the service sector four regions - Scotland (-22%), North East (-5%), Northern Ireland (-2%) and London (-10%) - had negative balances. Wales returned a result of +28%. All other regions had balances in the range +4% to +15%.

Manufacturing firms saw a ten point increase for their investment in plant and machinery balance to reach +16%.

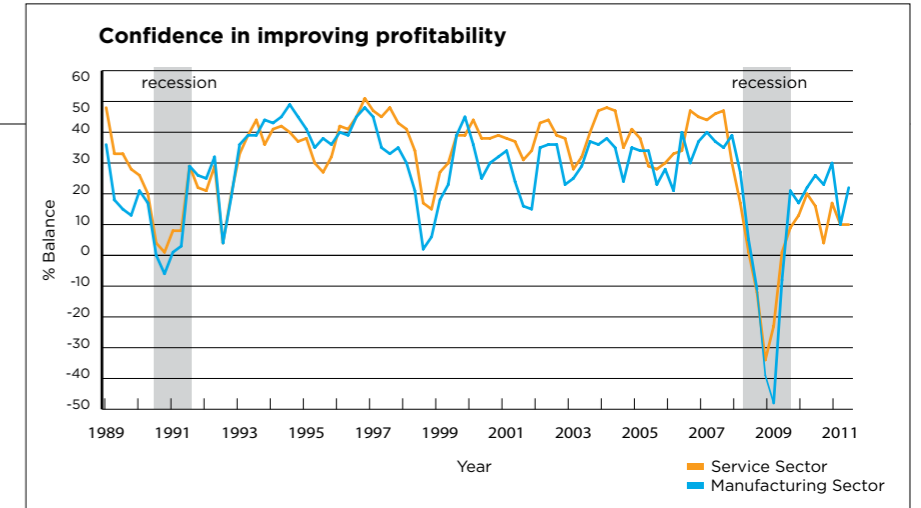


Only Scotland (-4%) recorded a negative balance for the investment in training balance. The strongest result was found in the South West (+17%). All other regions held a range of values between these two results.

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

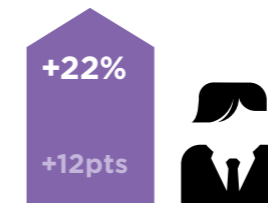


Manufacturing confidence improves, but service sector confidence declines.

The National Perspective

The confidence balances recorded mixed movements in Q2, improving for manufacturing but were stagnant or marginally down for services. The confidence balance that manufacturing turnover will improve in the next 12 months rose from +28% in Q1 to +40% in Q2, but was still weaker than the balances recorded in the three quarters prior to Q1 2011. The confidence balance that manufacturing profitability will improve in the next 12 months rose from +10% in Q1 to +22% in Q2, but was also weaker than the balances recorded in the in the three quarters prior to Q1. In spite of the welcome Q2 improvement, the manufacturing confidence balances are still inadequate. Micro manufacturing firms recorded the weakest Q2 confidence balances, for both turnover and profitability.

Manufacturers saw an increase in the balance of firms expecting profitability improvements, from +10% to +22%



The Regional Perspective

The manufacturing sector's Q2 net balances for turnover confidence were in positive territory in eleven regions, while one regional balance was negative. In the case of profitability confidence, eight regions were in positive territory in Q2, while four regional balances were negative. Comparing manufacturing confidence across the various regions, the weakest Q2 balances were in Wales, at -18% for turnover confidence, and at -30% for profitability confidence. At the other extreme, the strongest Q2 manufacturing balances were in the North East, at +82% for turnover confidence, and at +75% for profitability confidence.

Confidence in turnover improvements fell marginally for service sector firms, from +31% to +30%.



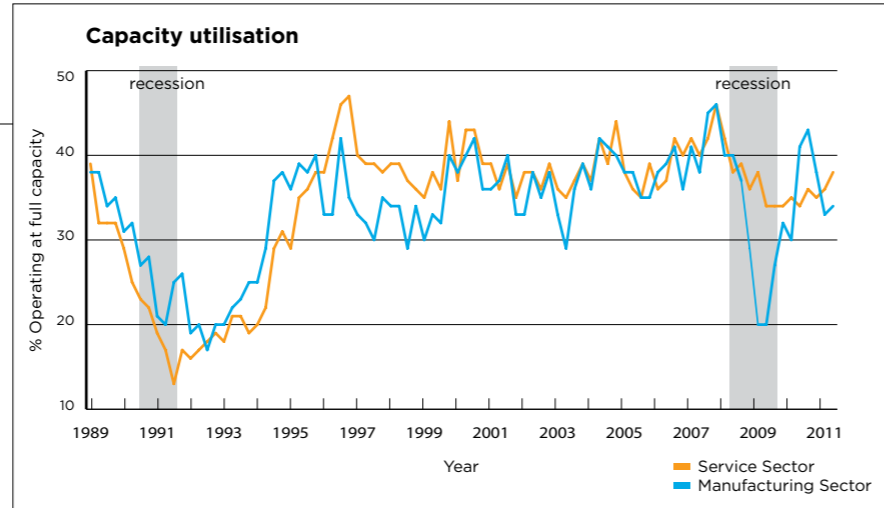
In the service sector, the Q2 balances for turnover confidence were in positive territory in eleven regions, while one region was in negative territory. In the case of profitability confidence, ten regions were in positive territory in Q2, while two regional balances were negative. Comparing service sector confidence across the regions, the weakest Q2 balances were in Scotland, at -39% for turnover confidence, and at -39% for profitability confidence. At the other extreme, the best Q1 service balances were in Yorkshire and the Humber at +45% for turnover confidence, and at +33% for profitability confidence.

The service sector's confidence balances were stagnant or marginally down in Q2 2011, and they remain inadequate for this stage of the recovery. The confidence balance that service turnover will improve in the next 12 months fell marginally, from +31% in Q1 to +30% in Q2. The confidence balance that service profitability will improve in the next 12 months stayed unchanged in Q2, at +10%, a disappointingly weak level.

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



Capacity figures remain relatively high by historical standards.

CAPACITY UTILISATION The National Perspective

The level of spare capacity that firms have is a crucial question for the Bank of England. The results for the last few quarters suggest that capacity is running at similar levels to the series average.

In the manufacturing sector the proportion of firms running at full capacity increased by one percentage point to 34%. This figure was down at 20% during the first six months of 2009. The series average is 33%.

In the service sector there was a very similar picture. The proportion of firms operating at full capacity stood at 38%, up from 36% on the previous quarter. This capacity figure has not diverted to any great degree from the long run average over the course of the downturn.

The Regional Perspective

Manufacturers in Scotland (64%), Yorkshire and the Humber (47%) and the East of England (44%) reported capacity utilisation figures above 40%. The North East (11%) had the smallest proportion of firms operating at full capacity.

In the service sector the North East (24%) also recorded the lowest result. For the other regions the range of results was between 34% and 45%, With the East Midlands being at the bottom of that range and London being at the top.

Within the service sector the results operated in a much tighter range (from 29% to 47%). At the bottom of that range was the North East, and at the top of this range is Yorkshire and the Humber.

Cashflow indicator is persistently weak, with both figures in negative territory.

CASHFLOW The National Perspective

Squeezed cashflow positions have been the business story of the recession. There are few signs of improvement.

In the manufacturing industry the balance improved to -1% from -4% in Q1 2011. There have only been three positive balances recorded on this factor since the beginning of 2008, and even then only one of those positive figures was in double figures. While the negative numbers are nowhere near the depths that they were at the height of the recession, they still indicate big difficulties in firms' cashflow positions.

The service sector position is much the same, with a marginal improvement on the quarter, but still negative - rising from -10% to -6%. While recording a balance of 0% in Q4 2010, there has not been a positive balance recorded on this factor since Q1 2008.

The Regional Perspective

Five regions returned results which showed manufacturers deep in negative territory on the cashflow balances: Scotland (-17%), North West (-11%), Wales (-50%), South West (-10%) and London (-18%). Only the North East (+34%) and Yorkshire and the Humber (+30%) recorded double digit positive figures.

Within the service sector only two regions recorded positive balances: Yorkshire and the Humber (+3%) and the West Midlands (+5%). From the remaining parts of the UK, it was the devolved nations of Scotland (-18%), Northern Ireland (-19%) and Wales (-17%) that recorded the weakest balances, deep in negative territory.

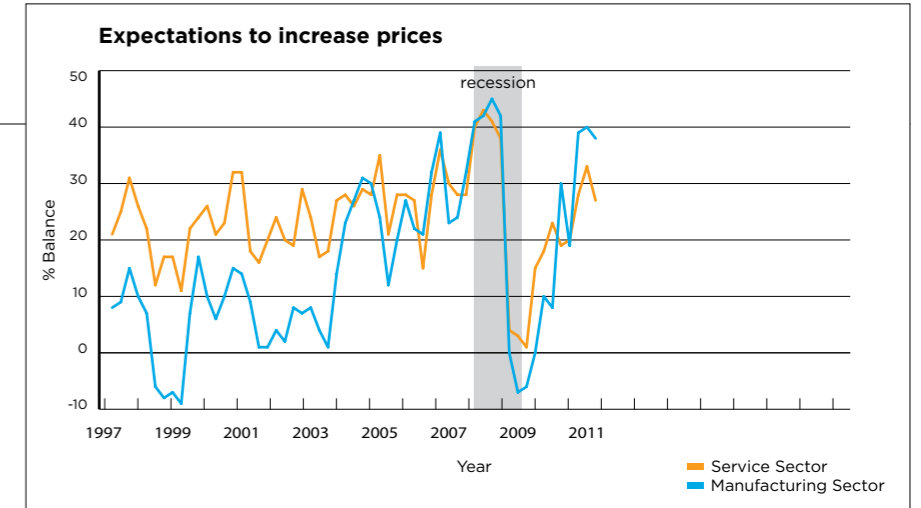
Service sector firms recorded a cashflow balance of -6%. This result has not been positive since Q1 2008.



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



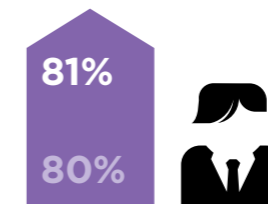
Raw materials prices add to price pressures, but pay settlements remain subdued.

The National Perspective

Expectations of increasing prices remained high for manufacturers. While the balance actually decreased by two percentage points from +40% to +38%, this is still well above the series average. The biggest pressure to raise prices undoubtedly came from raw materials prices, with 81% of firms stating that this was a concern. Pressures from pay settlements and financial costs remained subdued.

The expectations to increase prices balance in the services sector fell six points on the quarter to reach +27%. This is still slightly above the series average. Crucially, there seemed little pressure on prices from pay settlements, with only 18% of firms reporting that it was adding to the pressure to raise prices.

The percentage of manufacturing firms reporting raw materials adding to price pressures rose to 81%, from 80%.



The Regional Perspective

Expectations of increasing prices was most pronounced for manufacturers in the East of England (+66%), Yorkshire and the Humber (+51%), North East (+48%) and Scotland (+46%). The North West (+25%) and the South East (+20%) were at the opposite end of the scale. Pressures resulting from raw materials prices saw a figure of 91% recorded in both the North East and Wales. The pressure seemed least acute in the South East (54%). No other region recorded a result below 70%.

In the services sector, Scotland (+45%) saw the highest balance of those expecting to increase prices. Wales (+37%) had the second highest balance. The North East (+8%) recorded the weakest balance, but interestingly saw the greatest pressure to raise prices at 44%. The next highest figure was seen in Northern Ireland (36%). The least pressure was seen in Scotland (11%).

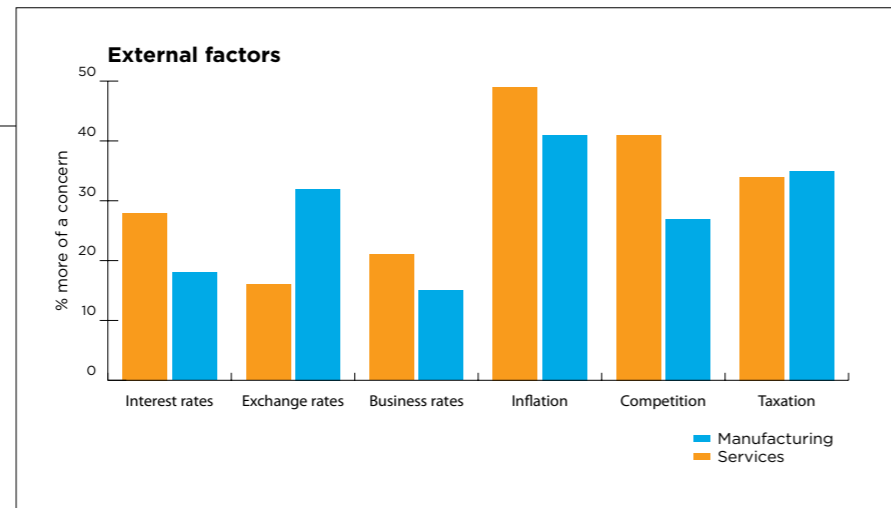
Service sector firms are not reporting strong pressure on prices from pay settlements, with only 18% stating that it adding to rising price expectations.



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



Inflation still the biggest area of concern for both manufacturing and service sector firms.

Manufacturing

Manufacturing concerns recorded mixed movements at the national level in Q2, either staying unchanged or easing. Inflation worries fell markedly, from 51% to 41%, and remained manufacturers' biggest area of anxiety; small firms (51%) signalled the highest concern. Corporate taxation concerns stayed unchanged, at 35%; micro firms, at 46%, signalled the highest level. Competition worries fell from 34% to 27%; micro firms (43%) expressed the biggest concern. Exchange rate concerns stayed unchanged, at 32%; medium firms (40%) expressed the biggest concern. Interest rates concerns stayed unchanged, at 18%; micro firms (26%) signalled the highest level. Business rate worries fell from 19% to 15%; micro firms, at 29%, signalled the highest level.

Services

Services: Service sector concerns recorded divergent movements at the national level in Q2, but anxiety levels fell in most areas. Inflation worries fell marginally, from 50% to 49% and, as with manufacturing, remained the biggest area of anxiety for service firms; medium firms (65%) signalled the highest level. Corporate taxation worries fell from 39% to 34%; medium firms (38%) signalled the highest concern. Competition worries rose from 37% to 41%; medium firms (45%) signalled the highest level. Interest rate concerns fell from 32% to 28%; medium firms (40%) signalled the highest levels. Exchange rate worries fell from 19% to 16%; small firms (19%) signalled the highest concern. Service firms are much more concerned than manufacturers over interest rates, but are less concerned over exchange rates. Business rate worries fell from 24% to 21%; small firms (28%) signalled the highest level.

	Manufacturing				Services			
	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11
% Interest rates	29	22	18	18	35	29	32	28
% Exchange rates	36	35	32	32	17	17	19	16
% Business rates	27	24	19	15	26	23	24	21
% Inflation	52	49	51	41	47	46	50	49
% Competition	43	37	34	27	40	40	37	41
% Tax	43	40	35	35	37	34	39	34

National Totals

Number of employees	Manufacturing											
	1-19		20-199		200-499		500+		All (Unweighted)		All (weighted)	
	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11
Domestic sales	4	-2	14	17	-6	15	9	27	10	9	8	18
Domestic orders	5	-8	15	8	-8	6	19	18	12	0	11	9
Export sales	29	26	30	16	23	44	23	16	35	23	30	26
Export orders	18	20	32	11	15	36	23	20	29	18	26	22
Employment last 3 months	6	5	13	17	11	17	23	17	9	8	15	15
Employment next 3 months	11	2	14	19	0	19	7	9	12	13	9	15
% Tried to recruit	37	45	62	65	92	70	54	66	55	59	65	67
% Part-time	34	30	19	23	16	25	9	13	18	22	17	20
% Full-time	84	87	84	79	77	77	53	51	84	80	73	72
% Temporary	60	59	38	42	33	24	26	30	68	43	34	34
% Permanent	49	52	55	58	29	62	28	33	34	59	42	52
% Skilled manual	40	43	36	39	45	30	19	29	36	36	31	32
% Professional/managerial	19	15	24	17	41	19	14	28	27	18	23	19
% Clerical	5	6	7	13	3	10	9	14	6	18	7	14
% Semi and unskilled	16	17	13	12	9	10	6	5	13	12	10	10
% Recruitment difficulties	48	49	59	63	75	38	30	45	58	58	57	59
Cashflow	-14	-16	-9	-4	4	-3	4	16	-10	-6	-4	-1
Investment - plant/machinery	-1	-11	10	17	-5	21	12	24	3	7	6	16
Investment - training	3	-8	9	7	3	17	7	11	6	-1	9	10
Confidence - turnover	26	12	32	39	14	50	23	29	31	33	28	40
Confidence - profitability	10	3	14	18	6	48	20	24	12	14	10	22
% Full capacity	40	39	39	41	23	35	25	23	39	38	33	34
Prices	42	34	41	31	46	50	32	34	40	33	40	38
% Pay settlements	18	18	29	23	13	32	14	18	21	20	19	22
% Raw materials	91	88	76	77	80	79	60	64	86	86	80	81
% Financial costs	26	22	28	32	20	28	9	11	24	24	18	20
% Other overheads	60	52	45	39	40	33	23	37	54	48	42	41
Number of companies	717	760	730	770	59	79	44	43	1550	1652		
Number of employees	5965	6094	41068	43817	14869	20949	106716	45675	168618	116535		
Number of exports	386	380	457	508	46	59	26	31	915	978		

National Totals

Number of employees	Services											
	1-19		20-199		200-499		500+		All (Unweighted)		All (weighted)	
	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11
Domestic sales	-1	3	8	8	-5	18	21	17	3	7	6	10
Domestic orders	-3	-2	9	5	-9	20	13	19	2	3	5	9
Export sales	11	9	11	10	12	42	26	26	12	15	15	18
Export orders	4	7	15	14	35	51	20	20	9	11	16	16
Employment last 3 months	-1	2	4	7	15	4	3	9	-1	0	4	5
Employment next 3 months	8	8	11	15	16	24	5	5	6	6	10	12
% Tried to recruit	29	30	64	68	79	69	71	67	41	42	58	59
% Part-time	40	42	36	39	36	45	32	43	37	40	33	37
% Full-time	61	61	67	66	64	56	69	62	63	62	69	65
% Temporary	51	47	45	43	49	51	44	44	45	44	42	42
% Permanent	51	54	57	60	49	49	49	52	53	54	58	60
% Skilled manual	16	16	13	19	13	11	9	16	14	16	13	16
% Professional/managerial	21	22	22	27	19	41	26	28	21	26	21	27
% Clerical	15	11	11	12	8	21	10	12	14	12	12	13
% Semi and unskilled	8	7	10	12	12	17	6	7	8	9	9	10
% Recruitment difficulties	50	47	45	51	37	51	40	42	48	47	45	47
Cashflow	-17	-13	-13	-6	-10	-7	5	-2	-14	-7	-10	-6
Investment - plant/machinery	-5	-5	6	4	4	6	12	11	-2	-3	3	2
Investment - training	0	3	9	10	30	7	28	17	2	4	12	8
Confidence - turnover	27	27	35	32	26	32	38	30	27	27	31	30
Confidence - profitability	9	12	18	11	-5	4	8	6	11	13	10	10
% Full capacity	31	31	37	39	53	39	37	50	33	35	36	38
Prices	35	26	32	24	39	24	24	35	35	28	33	27
% Pay settlements	13	12	27	24	27	9	27	20	19	17	23	18
% Raw materials	34	32	37	38	44	41	43	24	36	34	38	34
% Financial costs	24	22	27	26	16	28	20	18	24	23	23	23
% Other overheads	47	44	53	48	44	43	48	46	47	45	49	46
Number of companies	3031	3391	1136	1308	131	140	95	106	4393	4945		
Number of employees	16268	18012	62366	74574	35882	35030	403186	693694	517702	821310		
Number of exports	817	844	388	473	38	61	43	42	1378	1564		

Regional Disaggregation

	Manufacturing												
	SC	NE	NW	YH	EM	WM	W	NI	EA	SE	SW	L	Nat
Domestic sales	46	64	7	39	10	38	9	3	-3	-3	0	3	18
Domestic orders	23	62	-2	21	14	34	22	0	11	-8	-47	-12	9
Export sales	30	72	34	42	16	38	-8	11	-5	2	12	21	26
Export orders	19	74	30	41	18	30	29	11	-17	-2	-1	14	22
Employment last 3 months	15	53	5	27	14	28	-24	11	9	13	-3	2	15
Employment next 3 months	26	47	18	20	11	4	-19	8	19	12	5	23	15
% Tried to recruit	59	94	69	71	60	66	95	48	79	40	66	43	67
% Part-time	0	20	11	62	30	17	11	3	12	11	15	7	20
% Full-time	0	81	89	38	70	83	89	97	88	59	56	66	72
% Temporary	0	50	46	38	41	41	21	40	52	14	45	11	34
% Permanent	0	43	54	62	59	59	47	33	48	37	55	48	52
% Skilled manual	24	68	38	28	34	32	55	31	48	22	15	12	32
% Professional/managerial	15	58	16	6	25	24	15	18	33	3	39	15	19
% Clerical	6	108	28	4	9	1	13	0	24	3	1	0	14
% Semi and unskilled	21	5	18	4	13	6	15	8	21	4	5	4	10
% Recruitment difficulties	49	67	62	36	45	57	81	45	64	33	59	28	59
Cashflow	-17	34	-11	30	2	6	-50	0	5	4	-10	-18	-1
Investment - plant/machinery	14	34	10	22	21	20	-2	-4	11	9	10	35	16
Investment - training	-7	31	7	19	8	23	36	6	-9	-6	19	4	10
Confidence - turnover	35	82	34	77	26	55	-18	26	36	19	14	43	40
Confidence - profitability	-12	75	13	70	17	37	-30	-4	-6	6	36	29	22
% Full capacity	64	11	33	47	30	27	21	31	44	21	28	19	34
Prices	46	48	25	51	33	30	41	26	66	20	35	31	38
% Pay settlements	26	27	17	26	15	18	32	38	31	14	15	13	22
% Raw materials	86	91	75	81	75	73	91	84	74	54	83	48	81
% Financial costs	14	39	20	6	14	19	25	29	26	14	19	19	20
% Other overheads	50	43	48	44	29	32	37	55	38	21	48	19	41

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	12	17	14	10	22	3	6	18	20	12	10
Domestic orders	-31	8	8	11	18	11	27	-7	2	10	28	13	9
Export sales	0	0	23	22	4	-6	0	5	18	31	25	25	18
Export orders	0	11	17	16	8	18	9	1	8	23	0	23	16
Employment last 3 months	-26	10	1	9	13	9	5	2	-1	6	13	14	5
Employment next 3 months	-14	18	6	12	13	9	17	13	15	16	17	20	12
% Tried to recruit	24	51	56	58	63	58	72	52	62	60	68	70	59
% Part-time	0	35	30	60	45	36	19	28	32	38	40	29	37
% Full-time	0	65	70	40	55	64	81	72	68	62	60	71	65
% Temporary	0	39	36	36	41	39	43	59	40	39	41	46	42
% Permanent	0	61	64	64	59	61	57	41	60	61	59	54	60
% Skilled manual	0	40	17	13	18	23	33	16	24	13	17	11	16
% Professional/managerial	17	38	20	20	33	26	51	21	28	23	36	27	27
% Clerical	0	9	36	8	16	8	29	5	15	15	16	4	13
% Semi and unskilled	0	5	11	7	12	14	41	7	9	9	14	8	10
% Recruitment difficulties	10	67	59	40	36	47	96	44	58	45	63	37	47
Cashflow	-18	-4	-2	3	-3	5	-17	-19	-7	-13	-3	-3	-6
Investment - plant/machinery	-22	-5	4	6	5	10	28	-2	15	14	9	-10	2
Investment - training	-4	6	8	10	12	15	13	7	9	12	17	3	8
Confidence - turnover	-39	21	28	45	41	38	43	21	36	40	37	37	30
Confidence - profitability	-39	15	17	33	20	31	1	6	21	-3	16	16	10
% Full capacity	0	24	35	38	34	41	39	35	35	40	34	45	38
Prices	45	8	33	23	32	17	37	10	35	19	12	32	27
% Pay settlements	11	44	19	13	17	19	21	25	21	18	19	15	18
% Raw materials	62	58	27	23	35	36	42	36	31	24	26	29	34
% Financial costs	22	41	19	13	15	21	20	16	21	24	19	30	23
% Other overheads	27	64	49	38	32	41	57	47	55	51	49	44	46

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	
	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11
Domestic sales	-1	27	5	46	-54	-39	-38	-27
Domestic orders	6	9	15	23	-40	-43	-25	-31
Export sales	17	12	15	30				
Export orders	23	5	29	19				
Employment last 3 months	7	12	13	15	-21	-26	-18	-26
Employment next 3 months	3	13	10	26	-18	-25	-18	-14
% Tried to recruit	26	45	43	59	27	22	37	24
% Part-time								
% Full-time								
% Temporary								
% Permanent								
% Skilled manual	33	31	18	24	7	0	4	0
% Professional/managerial	11	15	5	15	21	17	13	17
% Clerical	0	12	0	6	0	0	0	0
% Semi and unskilled	11	4	10	21	14	0	9	0
% Recruitment difficulties	44	54	34	49	36	17	23	10
Cashflow	-9	-7	-2	-17	-29	-27	-15	-18
Investment - plant/machinery	-9	-2	-17	14	-21	-38	-12	-22
Investment - training	-2	10	7	-7	-4	-5	1	-4
Confidence - turnover	9	14	28	35	-23	-46	-3	-39
Confidence - profitability	-19	-10	-13	-12	-47	-50	-27	-39
% Full capacity	56	67	64	64	0	0	0	0
Prices	43	41	54	46	77	60	61	45
% Pay settlements	27	24	16	26	25	14	28	11
% Raw materials	86	84	90	86	81	74	64	62
% Financial costs	11	16	3	14	25	30	18	22
% Other overheads	44	50	33	50	19	28	16	27
Number of companies	70	58			52	57		
Number of employees	7452	6722			1898	2025		
Number of exports	46	43			0	0		

“ One of the challenges facing the Scottish economy is the need for the private sector to create new jobs to replace those being lost in the public sector. With the Scottish Government having deferred much of last year’s spending cuts into this year, it is crucial that our private sector economy begins to pick up in the second half of 2011.

It is clear that manufacturing is continuing to perform well and that employment opportunities in this sector are increasing. This underlines the need to keep our exports competitive and for the Bank of England to continue with its low interest rate policy. Our service sector still appears to be experiencing subdued performance, possibly as a result of the continued pressures on consumer confidence and demand. ”

Liz Cameron, Chief Executive, Scottish Chambers of Commerce

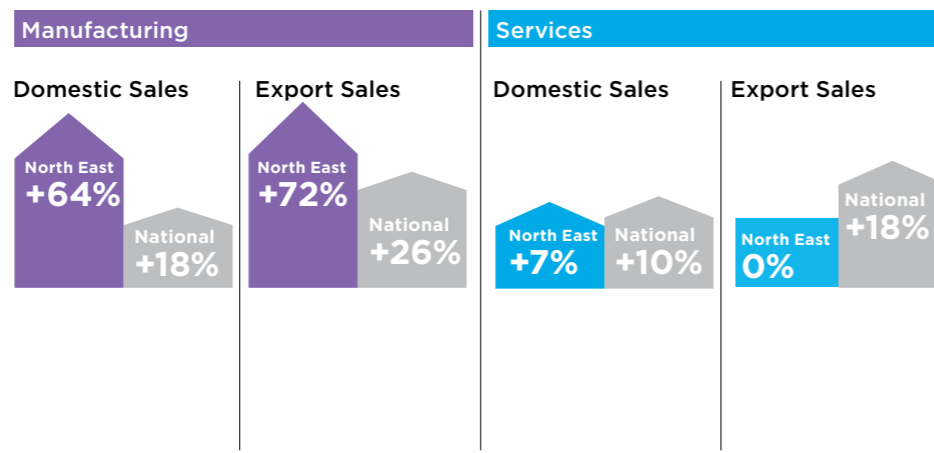


North East

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11
Domestic sales	29	31	31	64	15	-6	16	7
Domestic orders	39	23	36	62	12	-5	14	8
Export sales	38	22	14	72	-1	1	-1	0
Export orders	31	30	13	74	-1	4	-1	11
Employment last 3 months	33	38	37	53	-11	-1	-8	10
Employment next 3 months	24	19	8	47	14	11	13	18
% Tried to recruit	61	81	46	94	51	44	67	51
% Part-time	18	29	25	20	35	33	38	35
% Full-time	82	71	52	81	65	67	78	65
% Temporary	100	50	30	50	40	36	42	39
% Permanent	0	50	28	43	60	64	74	61
% Skilled manual	18	52	8	68	29	34	25	40
% Professional/managerial	18	24	25	58	25	38	35	38
% Clerical	0	138	0	108	14	11	11	9
% Semi and unskilled	18	14	6	5	5	8	4	5
% Recruitment difficulties	45	48	36	67	52	66	58	67
Cashflow	0	11	-4	34	-18	-18	-14	-4
Investment - plant/machinery	6	11	23	34	-9	-6	-9	-5
Investment - training	11	3	24	31	-4	3	-5	6
Confidence - turnover	56	51	17	82	28	16	21	21
Confidence - profitability	56	30	37	75	12	13	-9	15
% Full capacity	11	24	4	11	33	26	29	24
Prices	53	22	20	48	27	4	21	8
% Pay settlements	38	49	15	27	42	33	42	44
% Raw materials	81	80	51	91	52	51	67	58
% Financial costs	38	54	14	39	51	42	47	41
% Other overheads	71	66	25	43	63	63	73	64
Number of companies	21	41			117	132		
Number of employees	1029	3285			4830	6889		
Number of exports	14	29			16	31		

Manufacturers continue to perform strongly and it is welcome to see many firms taking on more staff to fulfil increasing orders. Exporters in particular continue to flourish, but we need to see an upturn in other sectors to bolster growth. The service sector is generally flat, with those companies with a concentration of public sector customers having a difficult time, while construction remains challenging. Also, announcements of significant job losses at Northern Rock and Tata Steel have impacted in Tyneside and Teesside recently.

James Ramsbotham, Chief Executive, North East Chamber of Commerce



North West

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11
Domestic sales	3	4	16	7	-2	4	3	12
Domestic orders	4	-1	13	-2	-6	0	1	8
Export sales	21	13	53	34	8	11	12	23
Export orders	13	15	31	30	2	9	5	17
Employment last 3 months	5	10	11	5	1	4	-1	1
Employment next 3 months	9	12	8	18	4	12	-1	6
% Tried to recruit	43	51	62	69	35	42	54	56
% Part-time	20	15	17	11	36	28	37	30
% Full-time	80	85	83	89	64	72	63	70
% Temporary	44	44	48	46	30	33	31	36
% Permanent	56	56	52	54	70	67	69	64
% Skilled manual	38	47	30	38	20	19	19	17
% Professional/managerial	14	16	19	16	18	19	17	20
% Clerical	17	22	17	28	32	34	34	36
% Semi and unskilled	15	17	15	18	16	12	14	11
% Recruitment difficulties	62	66	51	62	60	60	59	59
Cashflow	-24	-13	-11	-11	-20	-12	-15	-2
Investment - plant/machinery	0	6	1	10	-4	3	-4	4
Investment - training	6	8	10	7	3	7	2	8
Confidence - turnover	25	27	22	34	20	29	13	28
Confidence - profitability	2	7	1	13	3	13	2	17
% Full capacity	28	29	32	33	29	33	31	35
Prices	43	33	32	25	36	27	35	33
% Pay settlements	17	18	18	17	13	13	18	19
% Raw materials	77	76	79	75	32	26	35	27
% Financial costs	19	18	21	20	23	18	23	19
% Other overheads	46	43	48	48	48	47	47	49
Number of companies	391	355			982	1030		
Number of employees	80937	25346			177417	273970		
Number of exports	213	198			253	297		

The latest quarterly survey from Liverpool Chamber of Commerce demonstrates clearly how local manufacturers are being squeezed by rising materials prices which they are unable to pass on. Over 70% of manufacturing businesses responding to the survey listed inflation as a key concern, whilst there was a sharp fall in the proportion of businesses expecting to be able to raise their own prices.

Unsurprisingly, the proportion of manufacturers expecting to see an improvement in profits over the next 12 months has fallen to its lowest level for two years. At the same time recruitment is slowing and expected to continue slowing.

Brian McCann, Chair, Liverpool Chamber Finance Committee and Managing Director of Vanguard Corporate Finance



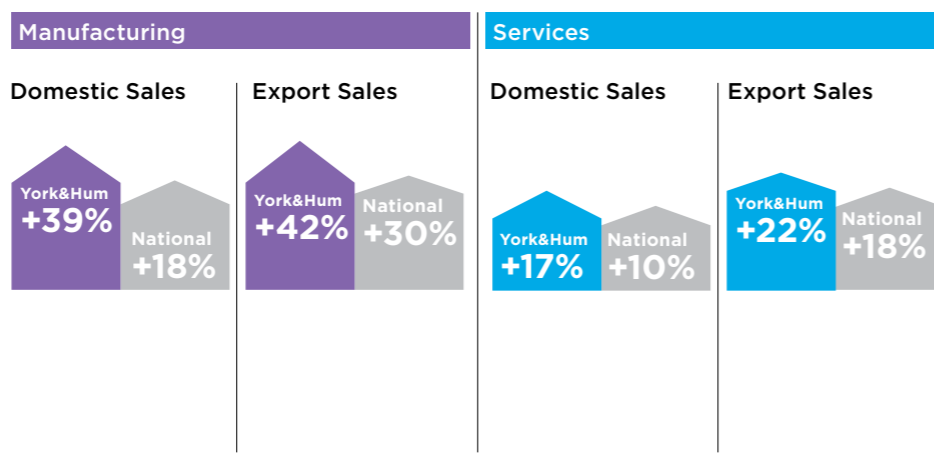
Yorkshire & the Humber

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11
Domestic sales	7	21	20	39	9	14	15	17
Domestic orders	11	18	10	21	2	6	8	11
Export sales	33	31	33	42	10	18	17	22
Export orders	30	29	26	41	13	13	26	16
Employment last 3 months	8	16	20	27	1	8	5	9
Employment next 3 months	6	17	5	20	14	13	13	12
% Tried to recruit	54	47	78	71	39	38	63	58
% Part-time	14	60	15	62	30	59	31	60
% Full-time	86	40	85	38	70	41	69	40
% Temporary	42	43	46	38	36	35	36	36
% Permanent	58	57	54	62	64	65	64	64
% Skilled manual	32	32	29	28	19	14	19	13
% Professional/managerial	20	12	26	6	24	17	22	20
% Clerical	8	7	4	4	15	8	13	8
% Semi and unskilled	14	7	7	4	8	8	10	7
% Recruitment difficulties	56	48	50	36	57	42	54	40
Cashflow	-15	-1	-19	30	-9	-1	-3	3
Investment - plant/machinery	7	12	11	22	0	1	1	6
Investment - training	9	6	14	19	2	5	4	10
Confidence - turnover	33	51	52	77	33	43	26	45
Confidence - profitability	13	36	10	70	19	33	12	33
% Full capacity	41	43	31	47	41	37	47	38
Prices	31	31	47	51	25	20	37	23
% Pay settlements	23	19	20	26	14	12	15	13
% Raw materials	71	73	78	81	20	21	23	23
% Financial costs	16	13	15	6	14	14	13	13
% Other overheads	37	40	36	44	44	39	49	38
Number of companies	200	248			603	1119		
Number of employees	30617	12927			31876	145254		
Number of exports	112	144			121	259		

Exporting businesses continue to report good results. However, with around only 30% of businesses in our region selling internationally, I am concerned that there is too much dependency on a fragile UK market and businesses aren't capitalising on the opportunities in foreign countries.

Manufacturers continue to perform well and this quarter's results suggest that the sector's success is translating into job creation and investment in equipment. Inflation and the price of raw materials are still significant issues and businesses owners and managers will be looking at how they can adapt their processes to ensure that mounting cost pressures have minimum impact upon their growth.

Gary Williamson, Chief Executive, Leeds, York and North Yorkshire Chamber of Commerce

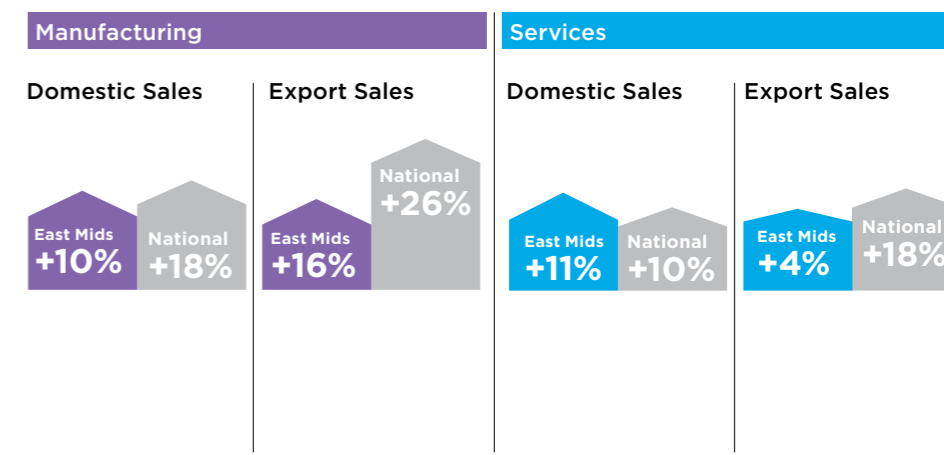


East Midlands

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11
Domestic sales	11	25	14	10	13	13	23	14
Domestic orders	10	11	10	14	7	10	14	18
Export sales	26	22	39	16	11	0	7	4
Export orders	30	16	35	18	4	-3	-17	8
Employment last 3 months	10	11	16	14	5	7	5	13
Employment next 3 months	9	14	18	11	12	11	8	13
% Tried to recruit	42	45	66	60	37	39	59	63
% Part-time	31	29	26	30	33	46	35	45
% Full-time	69	71	74	70	67	54	65	55
% Temporary	100	43	39	41	43	41	43	41
% Permanent	0	57	38	59	57	59	57	59
% Skilled manual	31	36	22	34	19	15	15	18
% Professional/managerial	21	19	20	25	18	28	19	33
% Clerical	7	11	3	9	9	13	6	16
% Semi and unskilled	13	14	13	13	11	12	9	12
% Recruitment difficulties	46	50	41	45	37	39	33	36
Cashflow	-7	-1	23	2	-8	-6	-3	-3
Investment - plant/machinery	3	7	13	21	3	2	5	5
Investment - training	4	8	11	8	5	7	14	12
Confidence - turnover	30	33	29	26	33	35	20	41
Confidence - profitability	17	15	32	17	17	20	-1	20
% Full capacity	27	39	20	30	33	32	36	34
Prices	47	40	37	33	30	24	42	32
% Pay settlements	18	21	10	15	14	13	22	17
% Raw materials	80	81	70	75	32	30	37	35
% Financial costs	21	17	19	14	16	15	17	15
% Other overheads	39	35	20	29	39	35	35	32
Number of companies	238	254			643	630		
Number of employees	13187	14646			24740	28362		
Number of exports	156	153			209	214		

The main change in the regional economy over the last quarter has been a reduction in export sales and orders as the political instability in Arabic countries and the after effects of the Japanese earthquake and tsunami continue to affect a number of firms. Small and medium sized businesses continue to remain positive about creating new jobs but these could potentially be offset by public sector cutbacks; job losses as a result of Bombardier being unsuccessful in securing a £1.4bn Thameslink contract and significant changes announced by other large regional businesses.

John Dowson, Head of Policy and Representation, Derbyshire and Nottinghamshire Chamber of Commerce



West Midlands

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11
Domestic sales	21	25	30	38	17	12	19	10
Domestic orders	22	21	28	34	19	9	20	11
Export sales	24	26	39	38	27	-26	20	-6
Export orders	21	18	25	30	14	19	8	18
Employment last 3 months	14	18	32	28	11	8	18	9
Employment next 3 months	15	15	12	4	14	13	11	9
% Tried to recruit	45	49	59	66	33	37	51	58
% Part-time	16	16	17	17	31	36	31	36
% Full-time	84	84	83	83	69	64	69	64
% Temporary	100	39	40	41	37	39	41	39
% Permanent	0	61	60	59	63	61	59	61
% Skilled manual	42	40	41	32	25	21	26	23
% Professional/managerial	20	16	28	24	18	23	18	26
% Clerical	4	2	14	1	10	10	8	8
% Semi and unskilled	14	9	16	6	6	13	5	14
% Recruitment difficulties	59	52	58	57	45	46	45	47
Cashflow	-5	-2	1	6	2	-2	6	5
Investment - plant/machinery	11	13	26	20	10	5	14	10
Investment - training	13	7	19	23	7	10	19	15
Confidence - turnover	52	49	57	55	50	40	47	38
Confidence - profitability	37	36	48	37	45	33	45	31
% Full capacity	29	30	31	27	43	35	39	41
Prices	36	32	32	30	24	19	20	17
% Pay settlements	14	18	22	18	12	14	22	19
% Raw materials	80	82	81	73	32	33	35	36
% Financial costs	18	18	14	19	19	24	18	21
% Other overheads	39	36	31	32	41	44	45	41
Number of companies	225	274			512	546		
Number of employees	11367	18529			20204	122303		
Number of exports	133	164			112	100		

Wales

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11
Domestic sales	9	-8	-25	9	12	8	25	22
Domestic orders	4	-8	5	22	8	9	10	27
Export sales	40	7	-12	-8	21	5	33	0
Export orders	21	19	9	29	20	13	30	9
Employment last 3 months	15	13	-3	-24	3	5	8	5
Employment next 3 months	4	-1	4	-19	13	12	13	17
% Tried to recruit	73	76	94	95	64	62	78	72
% Part-time	22	23	10	11	30	28	40	19
% Full-time	78	77	90	89	70	72	78	81
% Temporary	56	43	25	21	48	46	68	43
% Permanent	44	57	21	47	52	54	46	57
% Skilled manual	55	49	24	55	20	25	14	33
% Professional/managerial	18	26	11	15	40	47	36	51
% Clerical	16	21	10	13	23	21	31	29
% Semi and unskilled	36	32	18	15	18	15	25	41
% Recruitment difficulties	77	79	36	81	58	70	65	96
Cashflow	-9	-31	-23	-50	-6	-10	2	-17
Investment - plant/machinery	6	-11	6	-2	6	9	3	28
Investment - training	13	3	8	36	13	17	22	13
Confidence - turnover	23	17	-35	-18	32	29	49	43
Confidence - profitability	1	-7	-47	-30	21	15	32	1
% Full capacity	30	23	13	21	29	32	44	39
Prices	34	21	27	41	26	22	32	37
% Pay settlements	23	22	33	32	16	16	17	21
% Raw materials	75	79	91	91	26	24	34	42
% Financial costs	23	29	12	25	31	26	24	20
% Other overheads	46	54	23	37	52	53	39	57
Number of companies	69	72			200	207		
Number of employees	3142	3803			11964	5552		
Number of exports	30	28			38	37		

“ The survey backs up what we hear anecdotally. There is no doubt that there are companies on our patch which are thriving and that is good news.

The figures also highlight that there are many businesses out there which are surviving through what are still difficult economic circumstances but don't see an opportunity to try to invest or expand at the moment.

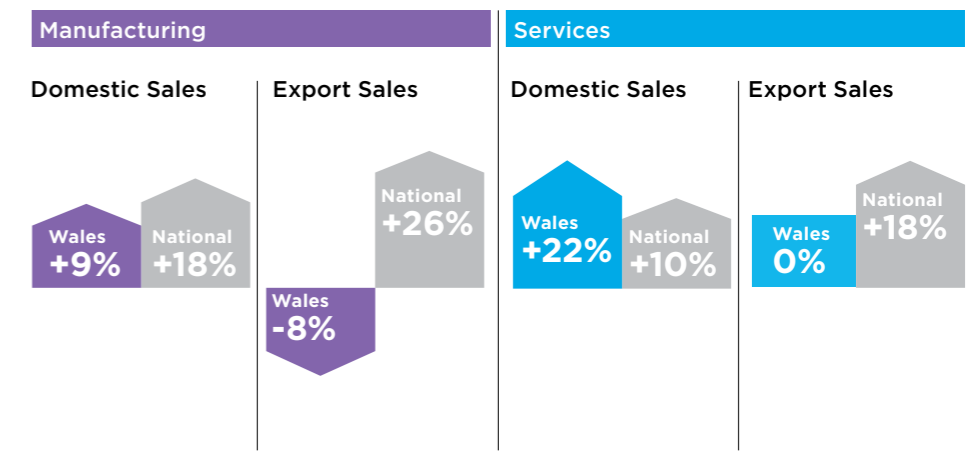
Also, the survey shows the fact that there are still problems in recruiting staff and that is something we are pressing home to Government both in terms of the skills shortage and also in the reduction of red tape on companies who want to employ staff. ”



Angela Tellyn, Partnership Manager, Coventry & Warwickshire Chamber of Commerce

“ This quarter has seen a disappointing slowdown in the sales and export growth that we had been seeing in previous quarters and optimism has stalled amongst the community here. With the increased law making abilities of the Welsh Government following the referendum on May 5th, we had hoped that this would translate into increased optimism amongst businesses in the region but sadly this has not been the case. Inflation is a major concern and raw materials prices are continuing to be a major problem for manufacturers in the area. ”

Graham Morgan, Director, South Wales Chamber of Commerce



Eastern

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11
Domestic sales	18	10	-1	-3	24	7	24	6
Domestic orders	16	4	-3	11	19	4	19	2
Export sales	22	28	20	-5	11	14	15	18
Export orders	25	9	18	-17	14	3	31	8
Employment last 3 months	-2	8	11	9	11	0	9	-1
Employment next 3 months	10	8	1	19	14	13	6	15
% Tried to recruit	42	56	64	79	43	40	60	62
% Part-time	13	17	7	12	39	32	38	32
% Full-time	88	83	93	88	61	68	62	68
% Temporary	40	53	51	52	46	41	47	40
% Permanent	60	47	49	48	54	59	53	60
% Skilled manual	42	47	50	48	12	15	16	24
% Professional/managerial	19	24	34	33	27	23	31	28
% Clerical	16	13	29	24	5	17	3	15
% Semi and unskilled	12	9	23	21	6	8	5	9
% Recruitment difficulties	60	67	61	64	45	54	49	58
Cashflow	-6	-1	-26	5	-4	-6	-6	-7
Investment - plant/machinery	13	3	5	11	3	3	6	15
Investment - training	3	-13	-7	-9	11	4	9	9
Confidence - turnover	40	23	23	36	41	38	35	36
Confidence - profitability	13	-9	-16	-6	26	23	23	21
% Full capacity	45	34	53	44	34	32	42	35
Prices	45	43	55	66	34	29	34	35
% Pay settlements	23	24	31	31	15	14	23	21
% Raw materials	85	79	87	74	26	24	31	31
% Financial costs	22	16	33	26	19	18	21	21
% Other overheads	51	45	44	38	48	52	49	55
Number of companies	105	80			313	274		
Number of employees	7589	14772			32217	16391		
Number of exports	65	54			95	66		

“ Business confidence was boosted this quarter with the news that Norfolk had been successful in its bid for funding to bring superfast broadband to rural areas. The project will enable Norfolk businesses to compete on a national level and will assist in creating jobs and moving the local economy forward. A bid for an Enterprise Zone for the Great Yarmouth/Waveney area will also bring the opportunity for regional growth to both the manufacturing and service sectors, with the possibility of creating up to 2,000 jobs. ”

Caroline Williams, Chief Executive, Norfolk Chamber of Commerce



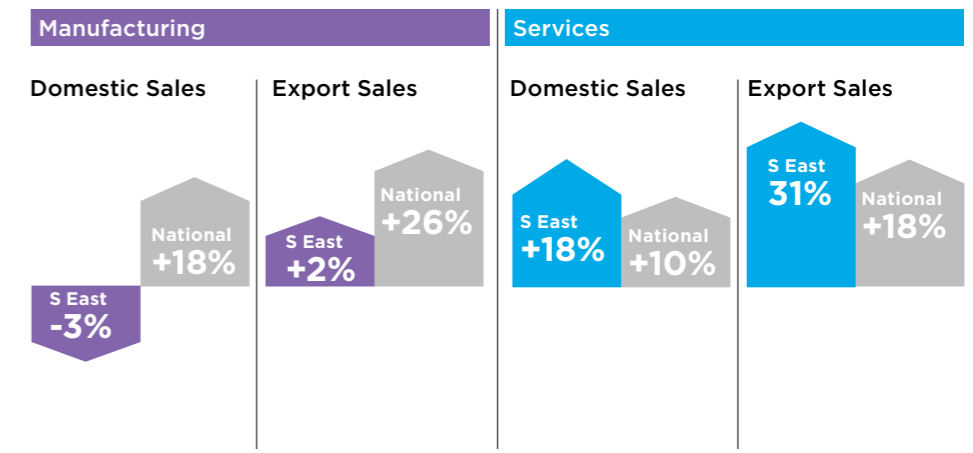
South East

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11
Domestic sales	2	-5	-5	-3	3	12	8	18
Domestic orders	-1	-19	-8	-8	1	5	5	10
Export sales	7	3	6	2	20	23	14	31
Export orders	16	-3	12	-2	17	13	14	23
Employment last 3 months	0	9	2	13	2	5	6	6
Employment next 3 months	8	12	14	12	16	15	19	16
% Tried to recruit	52	56	49	40	47	44	67	60
% Part-time	14	21	8	11	39	37	39	38
% Full-time	86	79	62	59	61	63	61	62
% Temporary	28	29	12	14	39	42	39	39
% Permanent	72	71	39	37	61	58	61	61
% Skilled manual	39	36	28	22	13	16	13	13
% Professional/managerial	23	6	21	3	18	17	18	23
% Clerical	0	6	0	3	8	10	10	15
% Semi and unskilled	9	9	5	4	12	9	11	9
% Recruitment difficulties	66	61	51	33	49	45	46	45
Cashflow	-21	2	0	4	-17	-9	-11	-13
Investment - plant/machinery	2	10	4	9	0	0	10	14
Investment - training	7	-5	3	-6	0	4	17	12
Confidence - turnover	22	27	10	19	31	37	36	40
Confidence - profitability	1	8	-1	6	6	7	6	-3
% Full capacity	33	32	27	21	28	33	33	40
Prices	39	33	28	20	32	22	32	19
% Pay settlements	20	13	11	14	19	17	28	18
% Raw materials	80	83	44	54	32	28	31	24
% Financial costs	27	20	12	14	20	21	17	24
% Other overheads	56	37	37	21	55	51	57	51
Number of companies	86	60			398	296		
Number of employees	3091	2546			16835	11645		
Number of exports	46	32			119	84		

“ Evidence in the South East suggests that in the last quarter some of the key indicators have either remained constant or improved slightly compared with the previous quarter. ”

Growth in 2011 will be driven by business and financial service sector and a continuing recovery in manufacturing. A key risk still is that rising prices in commodities might hold back the recovery. As ever, we continue to expect the economic recovery to be bumpy, as much uncertainty surrounds the impact of government spending cuts and tax changes on household spending in the UK.

Mark Froud, Chief Executive, Sussex Enterprise



South West

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11
Domestic sales	4	-10	-24	0	15	21	23	20
Domestic orders	11	-17	-7	-47	10	21	18	28
Export sales	4	9	35	12	-6	18	0	25
Export orders	7	0	35	-1	-11	15	-4	0
Employment last 3 months	12	-8	12	-3	6	13	11	13
Employment next 3 months	8	10	-22	5	9	13	21	17
% Tried to recruit	40	46	74	66	31	50	50	68
% Part-time	6	18	4	15	39	38	32	40
% Full-time	94	82	72	56	61	62	68	60
% Temporary	50	60	56	45	24	38	19	41
% Permanent	50	40	44	55	76	62	69	59
% Skilled manual	58	32	65	15	17	19	14	17
% Professional/managerial	42	18	37	39	36	35	30	36
% Clerical	5	5	4	1	19	13	13	16
% Semi and unskilled	5	9	4	5	10	10	10	14
% Recruitment difficulties	79	68	74	59	69	60	59	63
Cashflow	-18	-21	-38	-10	-17	-6	-4	-3
Investment - plant/machinery	-6	-8	-25	10	-4	5	6	9
Investment - training	-10	-10	-26	19	7	9	22	17
Confidence - turnover	39	17	9	14	39	36	35	37
Confidence - profitability	4	-6	-13	36	17	18	18	16
% Full capacity	41	28	35	28	35	36	46	34
Prices	33	31	19	35	26	22	14	12
% Pay settlements	16	11	22	15	13	16	19	19
% Raw materials	80	65	93	83	21	24	33	26
% Financial costs	22	20	34	19	18	21	20	19
% Other overheads	53	39	75	48	51	48	46	49
Number of companies	51	54			207	179		
Number of employees	3118	2477			8616	25899		
Number of exports	27	22			84	44		

“ The South West’s manufacturers and services businesses experienced mixed fortunes this past quarter. While the service sector appeared to be on a par with most of the reported national results, the performance of the productive industries was extremely disappointing compared to many of their regional counterparts. In particular, the pressure on prices of rising raw materials costs for manufacturers is plain to see.

On a positive note, among the businesses polled it seems that wage settlements do not seem to be exacerbating inflationary pressures. All in all, the results do point towards growth, but the path to sustainable recovery is clearly paved with many obstacles still to overcome.



London

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11
Domestic sales	0	-9	-9	3	-2	6	-1	12
Domestic orders	13	-10	-2	-12	-2	3	0	13
Export sales	18	24	8	21	8	15	22	25
Export orders	13	21	2	14	8	8	38	23
Employment last 3 months	-11	5	-21	2	0	8	6	14
Employment next 3 months	22	16	4	23	7	17	15	20
% Tried to recruit	39	48	41	43	39	45	59	70
% Part-time	38	17	34	7	35	27	28	29
% Full-time	63	83	39	66	65	73	72	71
% Temporary	100	33	11	11	54	45	53	46
% Permanent	0	67	0	48	46	55	47	54
% Skilled manual	29	17	25	12	5	15	2	11
% Professional/managerial	43	25	36	15	19	32	18	27
% Clerical	0	0	0	0	12	5	7	4
% Semi and unskilled	0	8	0	4	5	10	3	8
% Recruitment difficulties	43	42	36	28	35	45	28	37
Cashflow	0	-22	11	-18	-20	-9	-19	-3
Investment - plant/machinery	-6	8	-13	35	1	1	9	-10
Investment - training	0	-12	3	4	6	6	16	3
Confidence - turnover	22	32	4	43	34	40	46	37
Confidence - profitability	6	20	-9	29	17	23	19	16
% Full capacity	33	32	19	19	25	32	29	45
Prices	50	44	42	31	30	21	29	32
% Pay settlements	11	12	10	13	18	14	23	15
% Raw materials	78	76	55	48	27	28	35	29
% Financial costs	17	16	9	19	36	27	35	30
% Other overheads	67	32	51	19	54	39	57	44
Number of companies	18	25			112	132		
Number of employees	737	1247			151445	155607		
Number of exports	17	21			77	89		

“ This quarter’s figures paint a mixed picture of the London economy. On a positive note, recruitment markedly increased among London’s firms and there was a welcome rise in full-time and permanent jobs. This represents good news for the Coalition Government as public sector job cuts begin to take effect. Unfortunately, there have not been the rises in orders and sales that we would have hoped for and, perhaps because many firms are still struggling with cashflow, investment plans are still way below pre-recession levels.

Looking ahead, with export markets continuing to outperform the domestic market, and the eyes of the world beginning to turn on the capital in advance of the 2012 Olympic Games, there are certainly grounds for optimism that significant growth opportunities exist.



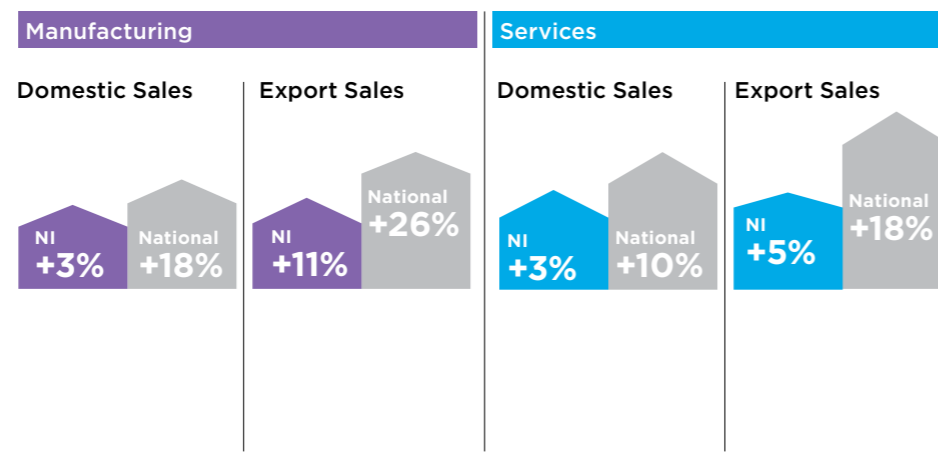
Northern Ireland

	Manufacturing				Services			
	Unweighted		Weighted		Unweighted		Weighted	
	1Q 11	2Q 11	1Q 11	2Q 11	1Q 11	2Q 11	1Q 10	2Q 11
Domestic sales	-1	-4	12	3	-3	-5	-7	3
Domestic orders	3	-10	27	0	-3	-10	-1	-7
Export sales	36	10	48	11	13	3	15	5
Export orders	28	9	44	11	12	1	23	1
Employment last 3 months	14	-3	37	11	3	-3	2	2
Employment next 3 months	14	0	19	8	14	8	5	13
% Tried to recruit	51	41	67	48	41	39	54	52
% Part-time	5	5	11	3	16	27	0	28
% Full-time	95	95	90	97	84	73	0	72
% Temporary	36	53	30	40	55	60	0	59
% Permanent	64	47	43	33	45	40	0	41
% Skilled manual	17	21	26	31	12	14	10	16
% Professional/managerial	22	23	16	18	31	23	28	21
% Clerical	3	0	2	0	7	5	6	5
% Semi and unskilled	6	13	5	8	5	6	5	7
% Recruitment difficulties	36	43	38	45	44	42	39	44
Cashflow	-9	-6	9	0	-13	-23	-12	-19
Investment - plant/machinery	8	-8	20	-4	-10	-10	-8	-2
Investment - training	16	-2	25	6	5	1	11	7
Confidence - turnover	31	8	49	26	24	18	17	21
Confidence - profitability	11	-15	35	-4	14	1	3	6
% Full capacity	37	34	28	31	33	31	43	35
Prices	31	13	49	26	12	15	11	10
% Pay settlements	24	25	17	38	16	17	17	25
% Raw materials	76	81	83	84	35	33	36	36
% Financial costs	16	28	23	29	22	21	21	16
% Other overheads	42	51	41	55	47	47	48	47
Number of companies	76	131			254	343		
Number of employees	6352	10235			35660	27413		
Number of exports	56	90			101	129		

While both the service sector and the manufacturing sector show signs of growth on key factors such as employment and exports, the indications are that growth is very sluggish. Manufacturers in particular are under pressure from rising raw materials costs.

It is vital that growth enhancing initiatives are given support. A reduced rate of Corporation Tax is the single biggest opportunity in a generation to rebalance the Northern Ireland economy by growing the private sector, attracting inward investment and creating long term, sustainable, well paid high quality jobs.

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



Further inquiries

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

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