



# Quarterly Economic Survey

Quarter 1, 2018

[www.hull-humber-chamber.co.uk](http://www.hull-humber-chamber.co.uk)

# Overview

## Drop in sales and orders at home and abroad

THE Chamber's economic survey results for the last quarter of 2017 came on the back of the first interest rate rise in 10 years and revealed business in the Humber were feeling the pressure of a toughening market.

According to research by the Hull & Humber Chamber of Commerce, those tougher trading conditions are biting harder into the domestic and export markets during the first quarter of 2018.

The balance figures for the Home Sales and Home Orders sectors were both markedly down, 16 and 14 points respectively, dropping from 28 and 17 in Q4 of 2017 to 12 and 3 this quarter.

Export Sales and Orders were also on the slide this quarter, with Export Sales dropping 29 points and Export Orders down by 40 points, with a balance figure of -4, the first time it has dropped into negative territory since the third quarter of 2016.

The balance figure for companies' Cashflow in the past three months also dropped 16 points into negative territory, while Profit Expectations for the next quarter fell by 13 points to 14.

Turnover expectations for the next three months, perhaps unsurprisingly, were also down, with the balance figure dropping 17 points from 48 to 31, however, four per cent more companies, 38 per cent, said they were working at full capacity.

Despite the downturn demonstrated in this quarter's results, the employment

figures brought more positive news, with three per cent more companies saying they had employed someone in the last three months, while expected employment in the next three months was also in positive territory with the number of firms saying they would be looking to recruit staff rising by 14 points.

There was a slight rise in the number of firms looking to fill skilled manual roles, up three points to 33, while management, clerical and unskilled or semi-skilled roles all fell back slightly.

The number of companies planning to invest in new plant or machinery rose by two percent, however, the balance figure remained in negative territory at -8.

Fifty-eight per cent of firms expected prices to increase in the next three months, up six percent, while the balance figure fell by one point to 58.

Overheads were the biggest concern for respondents this quarter, with more than half of firms airing their concerns, while pay settlements and raw material costs were also high on the agenda.

Access to finance was less of a worry, with only a quarter of firms highlighting that as a concern, down from 37 points in the last quarter of 2017.

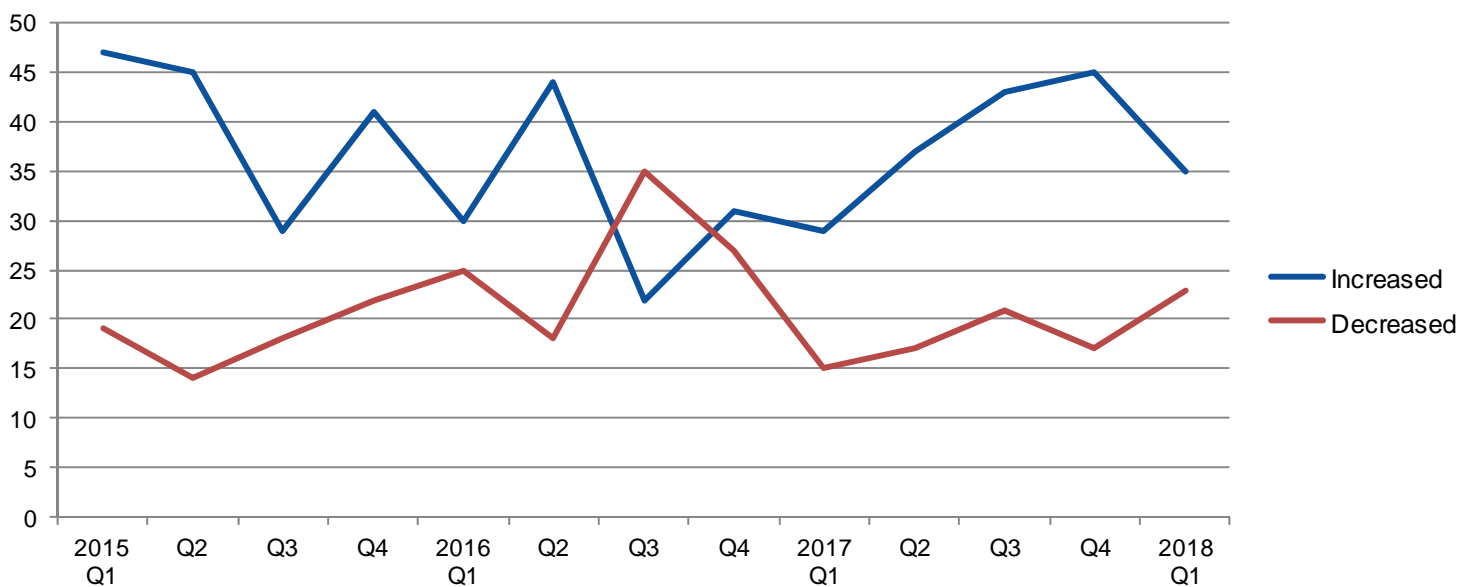
Business rate fears rose for the third consecutive quarter, this time up to 22 per cent, as did worries over tax increases, although interest and exchange rate fears were both down this time around, with competition remaining a constant concern.

### Key balances

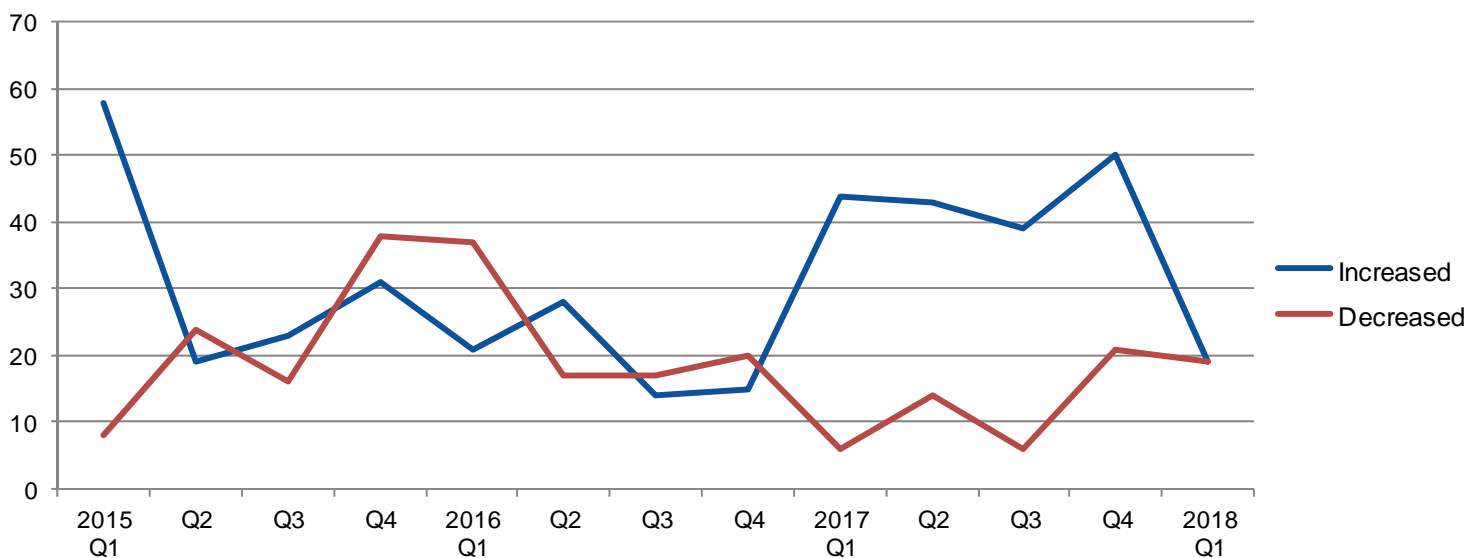
- ➔ Home Sales down 16 points to 12.
- ➔ Home Orders down 14 points to 3.
- ➔ Export Sales down 29 points to 0.
- ➔ Export Orders down 40 points to -4.
- ➔ Cashflow down 16 points to -16.
- ➔ Investment in Training down 17 points to 31.
- ➔ Profit Expectations down 9 points to 14.
- ➔ Employment up 6 points to 20.
- ➔ Expected Employment up 14 points to 24.
- ➔ Investment in new plant or machinery up 2 points to -8.
- ➔ Business rate fears up 5 points to 22.
- ➔ Inflation fears dropped 3 points to 32.

# Key indicators

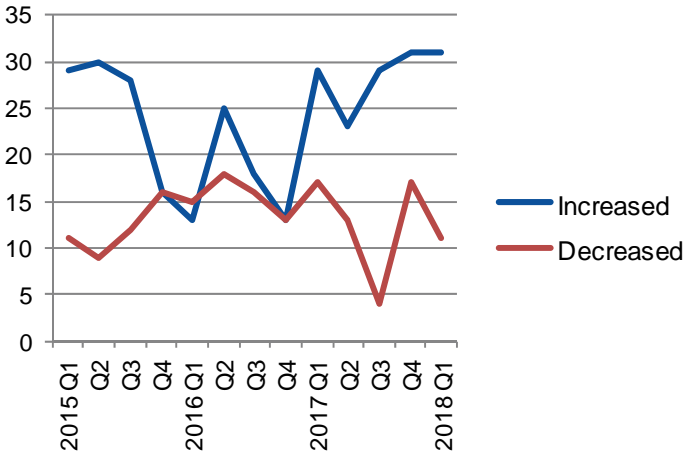
## Home sales



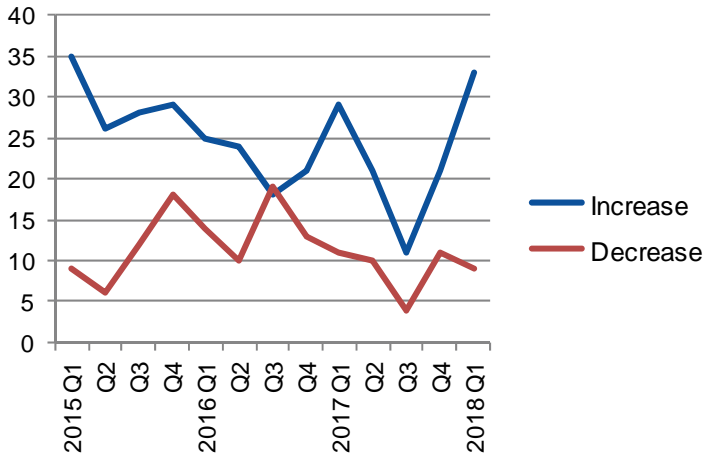
## Export sales



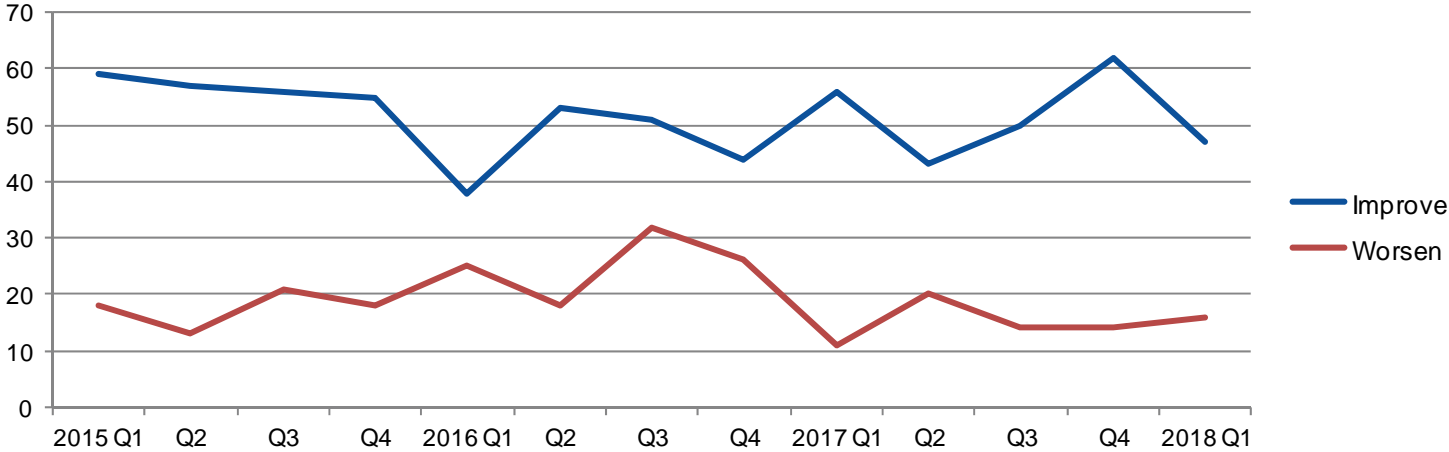
### Employment



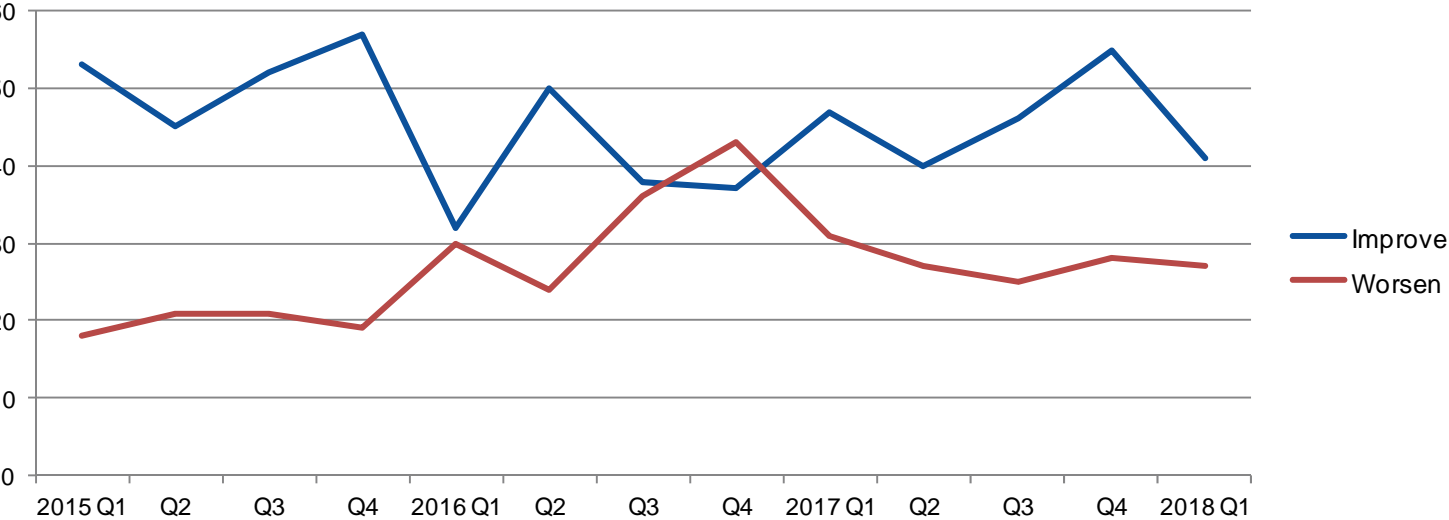
### Employment expectations



### Turnover expectations

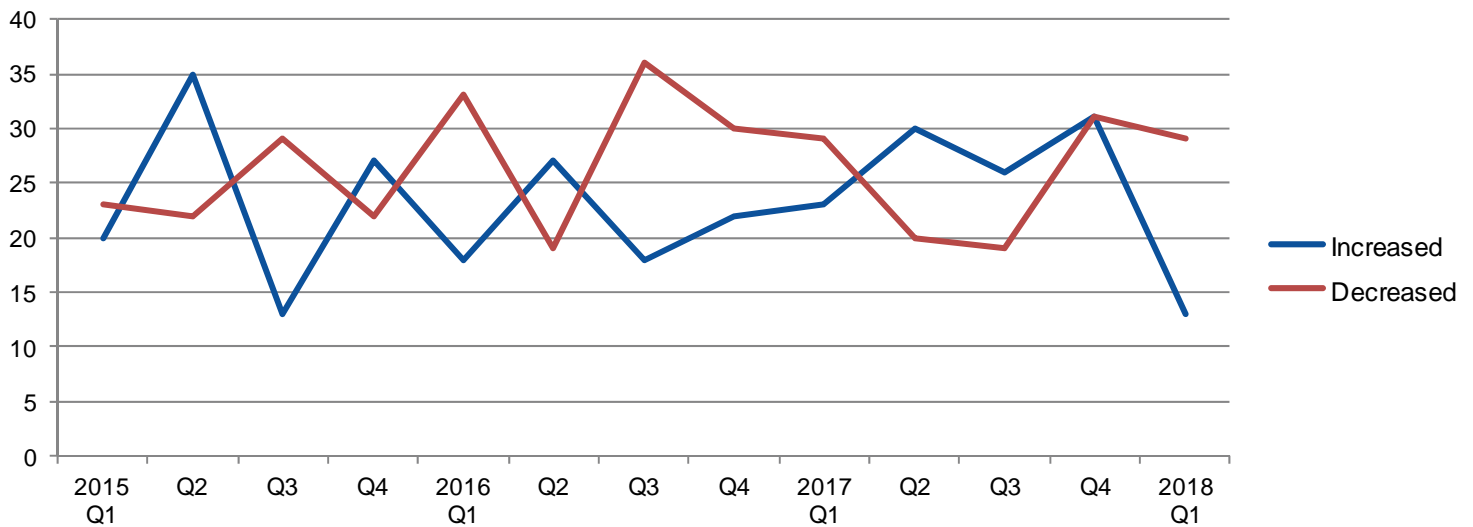


### Profit expectations



## Key indicators (continued)

### Cashflow



### About the Quarterly Economic Survey

The Hull & Humber Chamber of Commerce Quarterly Economic Survey is part of the largest and most representative survey of its kind in the UK, forming part of the British Chambers of Commerce QES.

Hull & Humber Chamber of Commerce has 2,000 member companies and affiliates of all sizes and sectors across the Humber region.

This survey is supported by regular 'state of trade' reports at Chamber Council and Area Council meetings.

The balance figures are determined by subtracting the percentage of companies reporting decreases from those reporting increases.

Separate figures for the service sector and the manufacturing sectors are available with their sum being used as an overall figure for the Humber sub-region.

#### Example

Excluding seasonal variations during the past three months, have your UK sales:

Increased	24%
Remained constant	57%
Decreased	19%

#### Possible statements

- The balance for UK sales was +5%
- 24% of companies surveyed

showed a rise in domestic sales in the previous quarter.

- Nearly 1 in 5 companies said that their UK sales had fallen in the last quarter.
- 57% of those surveyed said that their sales in the domestic market had shown no change over previous quarters.

#### More information

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# National picture

## UK's economy is treading water

### British Chambers of Commerce

The British Chambers of Commerce co-ordinates the QES on behalf of 52 accredited Chambers across the UK.

The BCC results are closely analysed by the Bank of England's Monetary Policy Committee and HM Treasury, making the QES one of the most influential business surveys in the country.

For further information on the national results go to [www.britishchambers.org.uk](http://www.britishchambers.org.uk).

**THE British Chambers of Commerce (BCC) Quarterly Economic Survey is the UK's largest and most authoritative private-sector business survey.**

Based on the responses of over 7,100 businesses, the survey shows that UK economic growth remained subdued in the first quarter of 2018, despite a strong export performance.

In the service sector, a key driver of the UK economy, the proportion of firms reporting improved export sales and orders rose slightly, although overall growth remains muted and relatively unchanged from the previous three months. Consumer-facing industries continue to report tougher trading conditions than B2B firms. In the manufacturing sector, the proportion of firms reporting improved export sales stands at its highest since Q2 2014.

However, domestic factors continue to weigh on the UK economy. Fewer firms in the manufacturing sector saw an increase in domestic orders, and the balance of firms reporting an increase in domestic sales is now at its lowest level since Q4 2016. Tighter cash flow is an increasing concern for many, and the skills shortages that have plagued businesses for the last few quarters have failed to ease significantly, with those in both sectors still struggling to recruit.

There has been a small, but welcome, uptick in business confidence – but amid a troubling domestic backdrop much more needs to be done to safeguard the future of the economy. A strong focus on fixing the fundamentals of business – reducing the upfront costs, reforming the Apprenticeship Levy, and boosting our do-

mestic physical and digital infrastructure – will go some way to removing many of the barriers which are holding back business communities across the country.

**Key findings in the Q1 2018 survey:  
Manufacturing sector:**

- The balance of firms reporting increased domestic sales fell from +23 to +17, the lowest since Q4 2016, while domestic orders fell from +18 to +16
- The balance of firms reporting increased export sales rose from +25 to +30. Export orders also rose from +20 to +28. Both balances are at their highest since Q2 2014
- The percentage of manufacturers that attempted to recruit in the last three months held fairly steady at 67% (up from 66% in the previous quarter). Of those, 69% had recruitment difficulties, down slightly from 75% in the previous quarter but still high by historical standards.

**Services sector:**

- The balance of firms reporting improved export sales rose slightly from +12 to +13 and orders from +7 to +10. Domestic sales held steady at +20, while domestic orders rose from +14 to +16
- The percentage of businesses attempting to recruit remained unchanged at 50%.
- Confidence in turnover rose from +36 to +42, as did confidence in profitability from +27 to +33 – both at the highest since Q2 2016.

# Analysis

## Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

“These figures are a matter of some concern with all the key sectors showing a decline in the Humber in the first quarter of 2018. The Chamber is sensing a rapidly toughening marketplace for our local businesses.

“The national picture with the exception of the export sector is also muted despite quite strong global trading conditions.

“With more public sector cuts and interest rate increases recently, plus added up front costs to business in the form of raw material prices, minimum wage increases, auto pension enrolment costs, business rate rises and the apprenticeship levies, the Government needs to take great care not to over-burden the capacity of our businesses to generate the growth and jobs needed to sustain economic recovery.”

## The National View

British Chambers of Commerce

“What growth we see in the UK economy is due principally to strong global trading conditions, rather than domestic demand, which remains muted. Uncertainty, recruitment difficulties and price pressures remain persistent concerns for businesses of every shape and size, even if short-term confidence levels remain resilient.

“Even with a standout performance from manufacturing exporters able to reap the benefits of lower Sterling, the UK economy as a whole is treading water, rather than powering ahead.

“The results indicate that UK GDP growth continued to underwhelm in the first quarter of 2018. Activity in the dominant services sector was muted in the quarter, with most of the key indicators remaining below their pre-EU referendum levels.

“Our findings suggest that cash flow is increasingly an issue for businesses who remain under pressure from a combination of high upfront business costs, subdued financing levels and unfair payment practices. Tightening cashflow is a key business concern as it can leave firms exposed to sudden changes in economic conditions”.

# Results in full

		2017				2018
		Q1	Q2	Q3	Q4	Q1

Home sales <sup>2</sup>			2017				2018
			Q1	Q2	Q3	Q4	Q1
Home sales <sup>2</sup>	Increased		29	37	42	45	35
	Constant		56	47	36	38	42
	Decreased		15	17	21	17	23
	<b>Balance</b>		<b>14</b>	<b>20</b>	<b>22</b>	<b>28</b>	<b>12</b>

Home orders <sup>2</sup>			2017				2018
			Q1	Q2	Q3	Q4	Q1
Home orders <sup>2</sup>	Increased		22	27	39	38	24
	Constant		59	53	39	41	55
	Decreased		19	20	21	21	21
	<b>Balance</b>		<b>3</b>	<b>7</b>	<b>18</b>	<b>17</b>	<b>3</b>

Export sales <sup>2</sup>			2017				2018
			Q1	Q2	Q3	Q4	Q1
Export sales <sup>2</sup>	Increased		44	43	39	50	19
	Constant		50	43	56	29	62
	Decreased		6	14	6	21	19
	<b>Balance</b>		<b>38</b>	<b>29</b>	<b>33</b>	<b>29</b>	<b>0</b>

Export orders <sup>2</sup>			2017				2018
			Q1	Q2	Q3	Q4	Q1
Export orders <sup>2</sup>	Increased		44	40	28	57	23
	Constant		50	53	67	21	50
	Decreased		6	7	8	21	27
	<b>Balance</b>		<b>38</b>	<b>33</b>	<b>22</b>	<b>36</b>	<b>-4</b>

Workforce <sup>2</sup>			2017				2018
			Q1	Q2	Q3	Q4	Q1
Workforce <sup>2</sup>	Increased		29	23	29	31	31
	Constant		54	63	68	52	58
	Decreased		17	13	4	17	11
	<b>Balance</b>		<b>12</b>	<b>10</b>	<b>25</b>	<b>14</b>	<b>20</b>

Workforce expectations <sup>3</sup>			2017				2018
			Q1	Q2	Q3	Q4	Q1
Workforce expectations <sup>3</sup>	Increase		29	21	11	21	33
	Constant		60	69	85	68	58
	Decrease		11	10	4	11	9
	<b>Balance</b>		<b>18</b>	<b>11</b>	<b>7</b>	<b>10</b>	<b>24</b>

Recruited staff <sup>2</sup>			2017				2018
			Q1	Q2	Q3	Q4	Q1
Recruited staff <sup>2</sup>	Yes		79	62	56	59	67
	- Part time		33	16	13	6	24
	- Full time		67	74	80	88	83
	- Temporary		42	5	27	12	14
	- Permanent		58	47	27	47	38
	No		22	38	44	41	33

Recruitment difficulties <sup>2</sup>			2017				2018
			Q1	Q2	Q3	Q4	Q1
Recruitment difficulties <sup>2</sup>	Yes		86	70	48	82	67
	- Skilled manual		54	53	8	29	33
	- Management		43	47	67	57	54
	- Clerical		7	29	33	14	8
	- Unskilled/semi-skilled		14	18	8	36	25
	No		14	30	52	18	33

		2017				2018
		Q1	Q2	Q3	Q4	Q1

Cashflow <sup>2</sup>			2017				2018
			Q1	Q2	Q3	Q4	Q1
Cashflow <sup>2</sup>	Increased		23	30	26	31	13
	Constant		49	50	56	38	58
	Decreased		29	20	19	31	29
	<b>Balance</b>		<b>-6</b>	<b>10</b>	<b>7</b>	<b>0</b>	<b>-16</b>

Investment: Plant/machinery <sup>2</sup>			2017				2018
			Q1	Q2	Q3	Q4	Q1
Investment: Plant/machinery <sup>2</sup>	Increased		11	17	15	21	12
	Constant		57	60	67	48	68
	Decreased		31	23	19	31	20
	<b>Balance</b>		<b>-20</b>	<b>-6</b>	<b>-4</b>	<b>-10</b>	<b>-8</b>

Investment: Training <sup>2</sup>			2017				2018
			Q1	Q2	Q3	Q4	Q1
Investment: Training <sup>2</sup>	Increased		14	23	11	34	16
	Constant		77	57	47	45	70
	Decreased		9	20	15	21	14
	<b>Balance</b>		<b>5</b>	<b>3</b>	<b>-4</b>	<b>13</b>	<b>2</b>

Turnover expectations <sup>4</sup>			2017				2018
			Q1	Q2	Q3	Q4	Q1
Turnover expectations <sup>4</sup>	Improve		56	43	50	62	47
	Same		33	37	36	24	38
	Worsen		11	20	14	14	16
	<b>Balance</b>		<b>45</b>	<b>23</b>	<b>36</b>	<b>48</b>	<b>31</b>

Profit expectations <sup>4</sup>			2017				2018
			Q1	Q2	Q3	Q4	Q1
Profit expectations <sup>4</sup>	Improve		47	40	46	55	41
	Same		22	33	29	17	32
	Worsen		31	27	25	28	27
	<b>Balance</b>		<b>16</b>	<b>13</b>	<b>21</b>	<b>27</b>	<b>14</b>

Capacity utilisation <sup>1</sup>			2017				2018
			Q1	Q2	Q3	Q4	Q1
Capacity utilisation <sup>1</sup>	Full capacity		39	30	46	34	38
	Below capacity		61	70	54	66	62

Prices <sup>3</sup>			2017				2018
			Q1	Q2	Q3	Q4	Q1
Prices <sup>3</sup>	Increased		53	43	39	62	58
	Constant		44	57	54	34	42
	Decreased		3	0	7	3	0
	<b>Balance</b>		<b>50</b>	<b>43</b>	<b>32</b>	<b>59</b>	<b>58</b>

Price pressures <sup>1</sup>			2017				2018
			Q1	Q2	Q3	Q4	Q1
Price pressures <sup>1</sup>	Pay settlements		36	37	28	42	38
	Raw materials		44	37	56	42	34
	Finance		14	21	17	37	25
	Other overheads		39	84	67	53	56

External concerns <sup>1</sup>			2017				2018
			Q1	Q2	Q3	Q4	Q1
External concerns <sup>1</sup>	Interest rates		3	0	0	35	24
	Exchange rates		29	39	52	43	16
	Business rates		25	14	10	17	22
	Inflation		39	46	33	35	32
	Competition		31	36	43	52	41
	Tax		17	32	19	30	35