



# Quarterly Economic Survey

Quarter 2, 2018

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

# Overview

## Humber firms cautiously positive in Quarter 2

THE Chamber's economic survey results for the second quarter of 2018 reveals a general steadying of nerves in the domestic markets, while the export sector has recovered some its lost ground in the last six months.

Research by the Hull & Humber Chamber of Commerce shows that domestic sales increased slightly, with the balance figure rising by three points, while the domestic orders figures also increased slightly.

The international sector has fared better this quarter, with export sales recovering to the levels of quarter four in 2017, with export orders also returning to positive territory.

Employment in the last three months was less buoyant in quarter two, with 76 per cent of firms saying their staffing levels remained constant, with only 10 per cent of companies having tried to recruit new staff.

It's a similar story for the next quarter too, with 71 per cent of firms expecting their staffing levels to remain the same, with only 24 per cent expecting to recruit new people, down from 33 per cent in quarter one.

Of those who did try to recruit, there was a slight increase in the number of firms looking to fill full-time permanent positions, although part-time and temporary roles were also up, but by a smaller amount.

Fewer firms were trying to recruit for managerial roles, but skilled manual jobs,

clerical and unskilled or semi-skilled roles all saw an increase in demand, contributing to the lowest employment figures the region has seen for some years.

Cashflow was feeling the squeeze, with the balance figure falling by three per cent to 19.

Investment in plant and machinery was up slightly, with the balance figure increasing by two points, but remaining in negative territory at -6.

The number of businesses looking to invest in training was on the up this quarter, with the balance figure increasing by 13 points to 15.

Turnover and profit expectations were also showing signs of optimism for the next three months, with the number of companies reporting they expected to see their turnover increase rising by 21 points to a balance of 52.

Expectations for rising profits in the next three months were more measured, with a rise in the balance figure of 11 points over the previous quarter.

Fewer companies were working at full capacity, and fewer companies were expecting to increase their prices, compared to the last quarter.

The biggest price pressures were pay settlements, followed by raw material costs and access to finance.

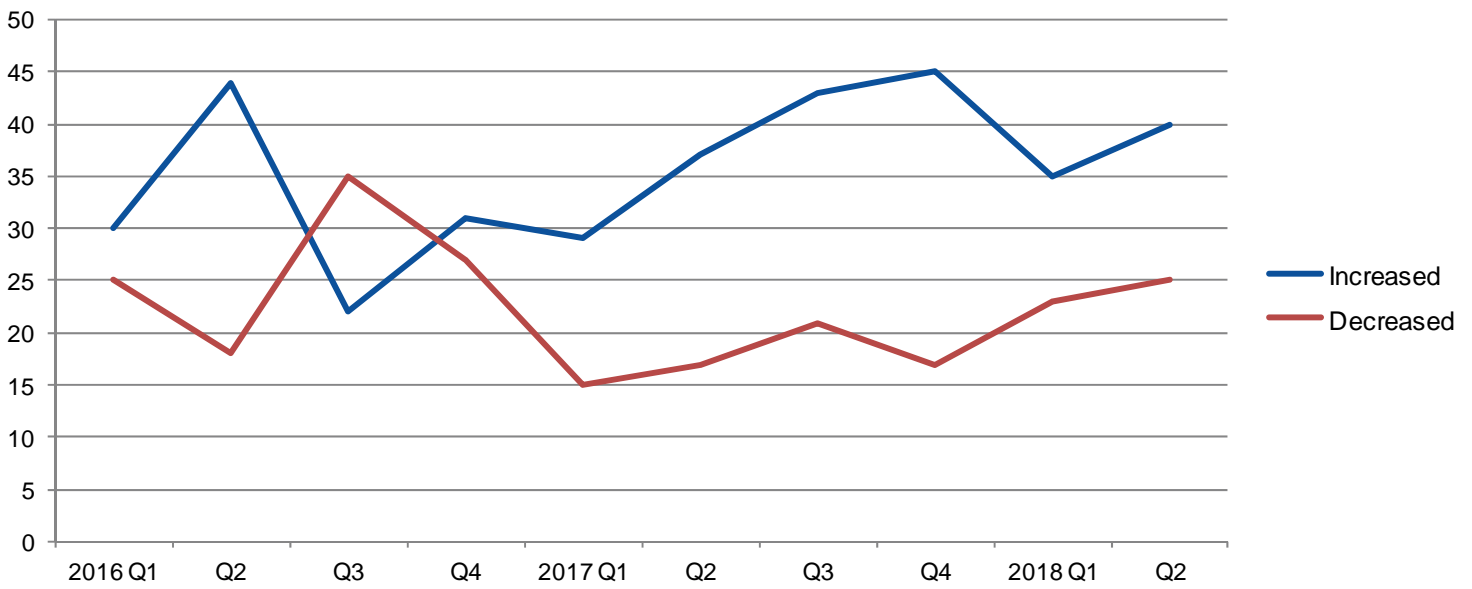
Exchange rates and competition were the biggest concerns in the second quarter, followed by business rates.

### Key balances

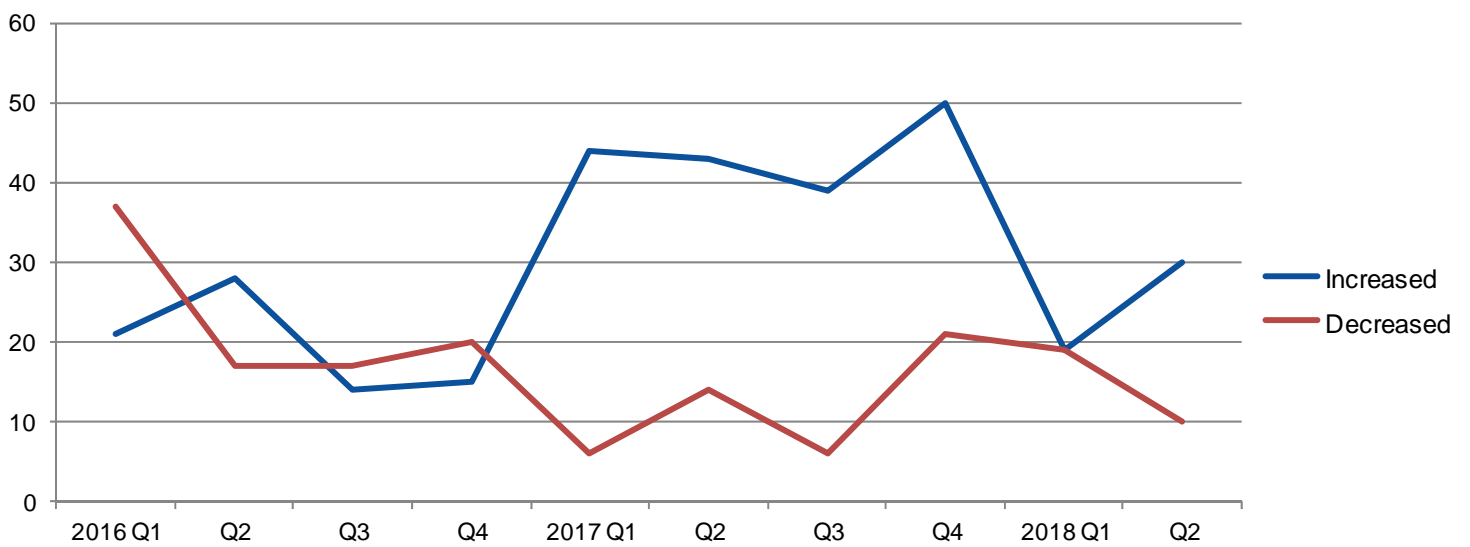
- ➔ Home Sales up 3 points to 15.
- ➔ Home Orders up 17 points to 20.
- ➔ Export Sales up 20 points to 20.
- ➔ Export Orders up 24 points to 20.
- ➔ Cashflow in the last three months was down 3 points to -19.
- ➔ Plant and Machinery up two points to +6.
- ➔ Investment in Training up 13 points to 15.
- ➔ Turnover expectations rose by 21 points to 52.
- ➔ Profit expectations rose 11 points to 25.
- ➔ The Prices balance dropped six points to -6.
- ➔ Fears over pay rises increased to 63.
- ➔ Exchange rate fears up 37.

# Key indicators

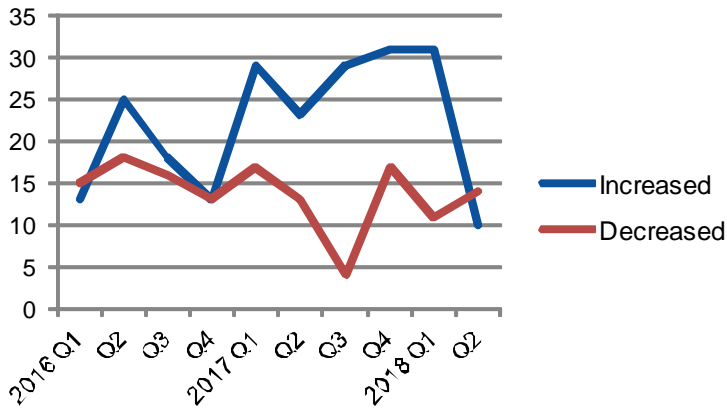
## Home sales



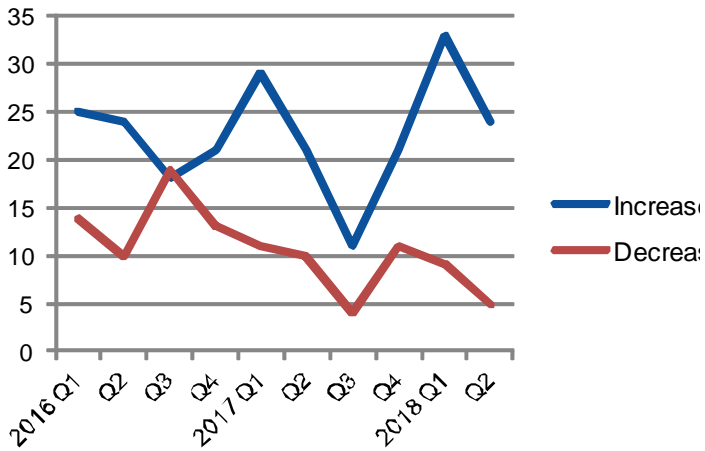
## Export sales



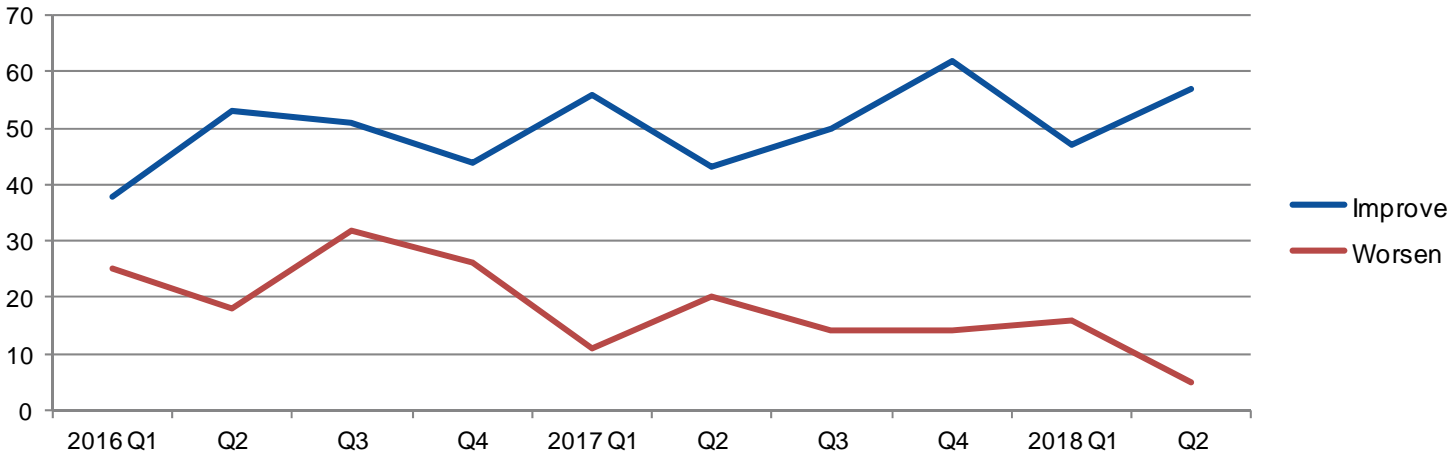
### Employment



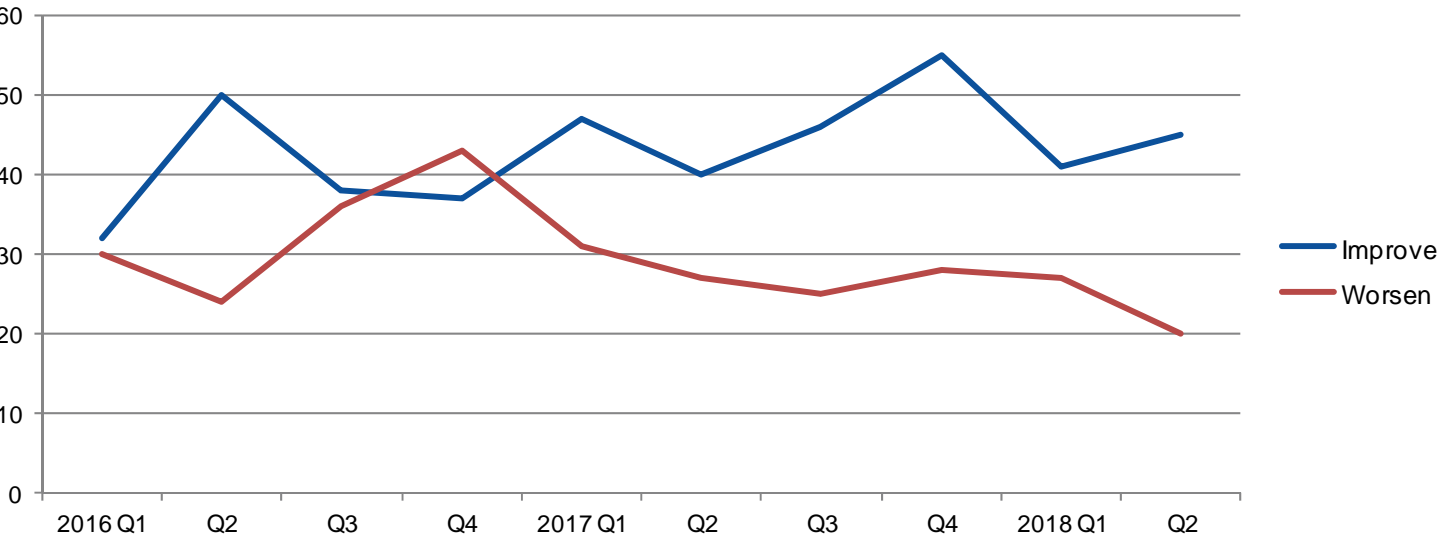
### Employment expectations



### Turnover expectations

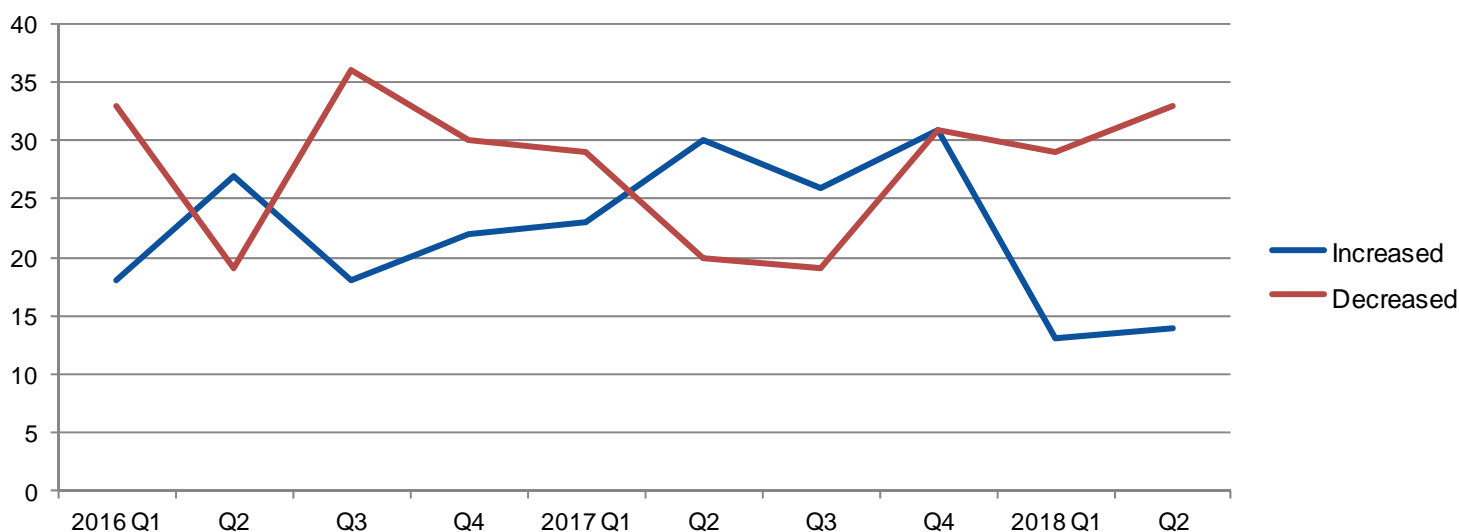


### Profit expectations



## 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

For more information please contact:  
 David Hooper  
 Tel: 01482 324976  
 d.hooper@hull-humber-chamber.co.uk  
 34-38 Beverley Road, Hull,  
 HU3 1YE.

# National picture

## Tougher trading conditions, sluggish growth

### British Chambers of Commerce

The British Chambers of Commerce co-ordinates the QES on behalf of 53 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, the UK's largest and most authoritative private-sector business survey, is based on the responses of over 6,000 businesses.

The survey suggests that UK economic conditions remain sluggish, despite a modest improvement in activity in the second quarter of 2018.

In the dominant service sector, consumer-facing industries, such as hospitality and retail, continue to report tougher trading conditions. Cashflow and investment intentions are falling significantly for retailers in particular as consumer spending, a key driver of UK growth, continues to remain subdued.

In the manufacturing sector, the balance of firms reporting improved domestic sales rose in the quarter, and the balance of firms reporting improved orders increased to the highest level since Q1 2015. However, the size of the sector means that its contribution to UK growth remains limited. The balance of manufacturers reporting improved export sales and orders eased in the second quarter, suggesting that slowing global economic growth is forcing firms to look domestically for sales.

A number of the key forward looking indicators, if sustained, point to a subdued out-

look. The number of businesses reporting that they are intending to invest fell in the quarter, and business confidence for both sectors also fell. The biggest concern for businesses, however, continues to be the difficulties they face when trying to access skills, with the percentage of firms reporting problems rising again.

All this shows the economy is in a holding pattern, with annual economic growth this year set to be the lowest since the financial crisis. Much more needs to be done to put the UK economy on a surer footing.

A BCC spokesman said: "Amid growing international uncertainty, from escalating trade disputes to oil price rises, the UK economy continues to grow at a sluggish rate. Brexit is a key factor – but long-standing structural issues are also holding companies' growth back.

"The availability of skilled staff remains the biggest issue that firms face. Unless the government gets a handle on the disarray in the training and apprenticeship system and sets out a clear immigration policy that enables firms to cover vacancies, the economic potential of many areas across the UK will continue to be held back.

"Business needs clarity on Brexit, and a strong domestic agenda "

# Analysis

## Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

“After the stark results in the first quarter of the year, this latest set of figures redresses the balance somewhat and strikes a more cautiously optimistic tone.

“It is good to see the export sector in the Humber recovering to a more even position and a slight uplift in the home markets is also welcome.

“Expectations of increased turnover and profit augurs well as the year progresses although these are somewhat offset by fears over increased pay rises, exchange rate concerns and a dip in cashflow”.

## The National View

British Chambers of Commerce

“Our latest survey indicates that UK economic conditions remain subdued. While the modest pick-up in domestic activity points to a slight rebound in growth from a weak first quarter, there remains little evidence in the current data to suggest a sustained upturn in the UK’s economic growth prospects.

“Activity in the key services sector remains moderate, with most of the main indicators still below their pre-EU referendum levels. While still high by historic standards, the easing in export sales in the manufacturing sector points to a tightening in trading conditions. With growth in key markets moderating and the impact of the post-EU referendum slump in sterling dissipating, the improvement in the UK’s trade position in Q1 may well be short lived.

“The latest results also indicate that cost pressures eased markedly in the quarter, suggesting that inflation will drift downwards over the near term. Significantly, there remains very little evidence that above target inflation is translating to stronger pay settlements, with weak productivity and the high upfront cost of doing business continuing to limit the extent wages are able to rise.

“Against this backdrop, the Bank of England’s recent rhetoric around raising interest rates continues to look ill-judged. With the UK economy seemingly stuck on a low growth path and inflation easing, it would be prudent for the MPC to provide greater monetary stability rather than undermining the UK’s growth prospects further.”

# Results in full

2018				
Q2	Q3	Q4	Q1	Q2

Home sales <sup>2</sup>	2018				
	Q2	Q3	Q4	Q1	Q2
Increased	37	42	45	35	40
Constant	47	36	38	42	35
Decreased	17	21	17	23	25
<b>Balance</b>	<b>20</b>	<b>22</b>	<b>28</b>	<b>12</b>	<b>15</b>

Home orders <sup>2</sup>	2018				
	Q2	Q3	Q4	Q1	Q2
Increased	27	39	38	24	35
Constant	53	39	41	55	50
Decreased	20	21	21	21	15
<b>Balance</b>	<b>7</b>	<b>18</b>	<b>17</b>	<b>3</b>	<b>20</b>

Export sales <sup>2</sup>	2018				
	Q2	Q3	Q4	Q1	Q2
Increased	43	39	50	19	30
Constant	43	56	29	62	60
Decreased	14	6	21	19	10
<b>Balance</b>	<b>29</b>	<b>33</b>	<b>29</b>	<b>0</b>	<b>20</b>

Export orders <sup>2</sup>	2018				
	Q2	Q3	Q4	Q1	Q2
Increased	40	28	57	23	30
Constant	53	67	21	50	60
Decreased	7	8	21	27	10
<b>Balance</b>	<b>33</b>	<b>22</b>	<b>36</b>	<b>-4</b>	<b>20</b>

Workforce <sup>2</sup>	2018				
	Q2	Q3	Q4	Q1	Q2
Increased	23	29	31	31	10
Constant	63	68	52	58	76
Decreased	13	4	17	11	14
<b>Balance</b>	<b>10</b>	<b>25</b>	<b>14</b>	<b>20</b>	<b>-4</b>

Workforce expectations <sup>3</sup>	2018				
	Q2	Q3	Q4	Q1	Q2
Increase	21	11	21	33	24
Constant	69	85	68	58	71
Decrease	10	4	11	9	5
<b>Balance</b>	<b>11</b>	<b>7</b>	<b>10</b>	<b>24</b>	<b>19</b>

Recruited staff <sup>2</sup>	2018				
	Q2	Q3	Q4	Q1	Q2
<b>Yes</b>	<b>62</b>	<b>56</b>	<b>59</b>	<b>67</b>	<b>57</b>
- Part time	16	13	6	24	25
- Full time	74	80	88	83	88
- Temporary	5	27	12	14	25
- Permanent	47	27	47	38	63
<b>No</b>	<b>38</b>	<b>44</b>	<b>41</b>	<b>33</b>	<b>43</b>

Recruitment difficulties <sup>2</sup>	2018				
	Q2	Q3	Q4	Q1	Q2
<b>Yes</b>	<b>70</b>	<b>48</b>	<b>82</b>	<b>67</b>	<b>58</b>
- Skilled manual	53	8	29	33	43
- Management	47	67	57	54	43
- Clerical	29	33	14	8	29
- Unskilled/semi-skilled	18	8	36	25	29
<b>No</b>	<b>30</b>	<b>52</b>	<b>18</b>	<b>33</b>	<b>42</b>

2018					
Q2	Q3	Q4	Q1	Q2	

Cashflow <sup>2</sup>	2018				
	Q2	Q3	Q4	Q1	Q2
Increased	30	26	31	13	14
Constant	50	56	38	58	52
Decreased	20	19	31	29	33
<b>Balance</b>	<b>10</b>	<b>7</b>	<b>0</b>	<b>-16</b>	<b>-19</b>

Investment: Plant/machinery <sup>2</sup>	2018				
	Q2	Q3	Q4	Q1	Q2
Increased	17	15	21	12	18
Constant	60	67	48	68	59
Decreased	23	19	31	20	24
<b>Balance</b>	<b>-6</b>	<b>-4</b>	<b>-10</b>	<b>-8</b>	<b>15</b>

Investment: Training <sup>2</sup>	2018				
	Q2	Q3	Q4	Q1	Q2
Increased	23	11	34	16	57
Constant	57	47	45	70	38
Decreased	20	15	21	14	5
<b>Balance</b>	<b>3</b>	<b>-4</b>	<b>13</b>	<b>2</b>	<b>52</b>

Turnover expectations <sup>4</sup>	2018				
	Q2	Q3	Q4	Q1	Q2
Improve	43	50	62	47	45
Same	37	36	24	38	35
Worsen	20	14	14	16	20
<b>Balance</b>	<b>23</b>	<b>36</b>	<b>48</b>	<b>31</b>	<b>52</b>

Profit expectations <sup>4</sup>	2018				
	Q2	Q3	Q4	Q1	Q2
Improve	40	46	55	41	45
Same	33	29	17	32	35
Worsen	27	25	28	27	20
<b>Balance</b>	<b>13</b>	<b>21</b>	<b>27</b>	<b>14</b>	<b>25</b>

Capacity utilisation <sup>1</sup>	2018				
	Q2	Q3	Q4	Q1	Q2
Full capacity	30	46	34	38	29
Below capacity	70	54	66	62	71

Prices <sup>3</sup>	2018				
	Q2	Q3	Q4	Q1	Q2
Increased	43	39	62	58	52
Constant	57	54	34	42	48
Decreased	0	7	3	0	0
<b>Balance</b>	<b>43</b>	<b>32</b>	<b>59</b>	<b>58</b>	<b>52</b>

Price pressures <sup>1</sup>	2018				
	Q2	Q3	Q4	Q1	Q2
Pay settlements	37	28	42	38	63
Raw materials	37	56	42	34	25
Finance	21	17	37	25	31
Other overheads	84	67	53	56	56

External concerns <sup>1</sup>	2018				
	Q2	Q3	Q4	Q1	Q2
Interest rates	0	0	35	24	24
Exchange rates	39	52	43	16	53
Business rates	14	10	17	22	29
Inflation	46	33	35	32	12
Competition	36	43	52	41	59
Tax	32	19	30	35	24