



# Quarterly Economic Survey

Quarter 3, 2018

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

# Overview

## Humber businesses bucking national trend

THE Chamber's economic survey results for the third quarter of 2018 reveal a slight uplift in the domestic and export sectors, but recruitment difficulties are still an issue for our businesses.

Research by the Hull & Humber Chamber of Commerce shows that domestic sales and orders both increased slightly, with the balance figure for Home Sales rising 10 points to 25 and Home Orders rising by eight points to 28.

The export sector also showed a slight increase, reflecting perhaps our busy Humber ports, with Export Sales rising by seven points to 27 and export orders rising by 18 points to 38.

A third more firms than in the second quarter of the year said they had tried to recruit staff in Quarter 3, while fewer firms said they were planning to recruit staff in the next three months in the run up to Christmas, with only four per cent of companies looking for extra staff.

Of those who did recruit staff, 45 per cent of firms said they were for temporary positions, with fewer full time roles than in the last quarter too, down to 75 points.

Only 35 per cent of firms were looking for permanent staff and 20 per cent (8 points less than in the previous quarter) were looking for part time employees. Overall the sector was down by six points.

However recruitment difficulties are still an issue in the Humber, with more firms saying they were having issues sourcing staff with relevant skills. Skilled manual

workers were the hardest to find, followed by management and clerical staff.

Cashflow was up on the last quarter, with a balance figure of 25, and despite the uncertainty, some businesses were still looking to invest in new plant and machinery, with 12 per cent more businesses looking to spend on new equipment.

The same couldn't be said for training however, with a nine point drop in the number of firms planning to invest in training their staff in the next three months.

Turnover expectations also took a hit, dropping by nine points this quarter to 43, down from 52 in quarter two. However, profit expectations rose slightly to a balance figure of 50 points.

Almost 60 per cent of firms now say they are working below their capacity.

A majority of firms, 58 per cent, said they expect to see their prices remaining steady in the next three months, with fewer firms expecting to see an increase, however, the balance figure dropped by 10 points to 42.

Raw material costs were the biggest pressure on prices for businesses, followed by pay settlements and other overheads.

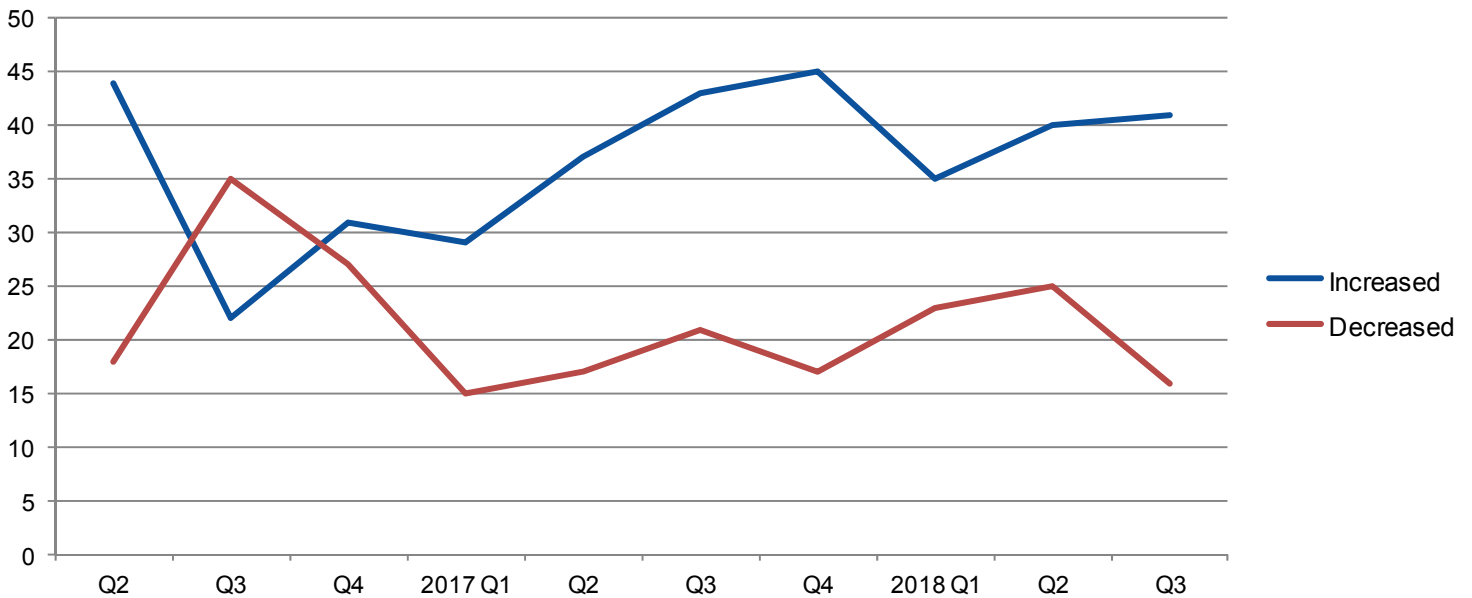
Competition, exchange rates, business rates and interest rates were all external concerns for companies, while business rates and tax were less of an issue this time around.

### Key balances

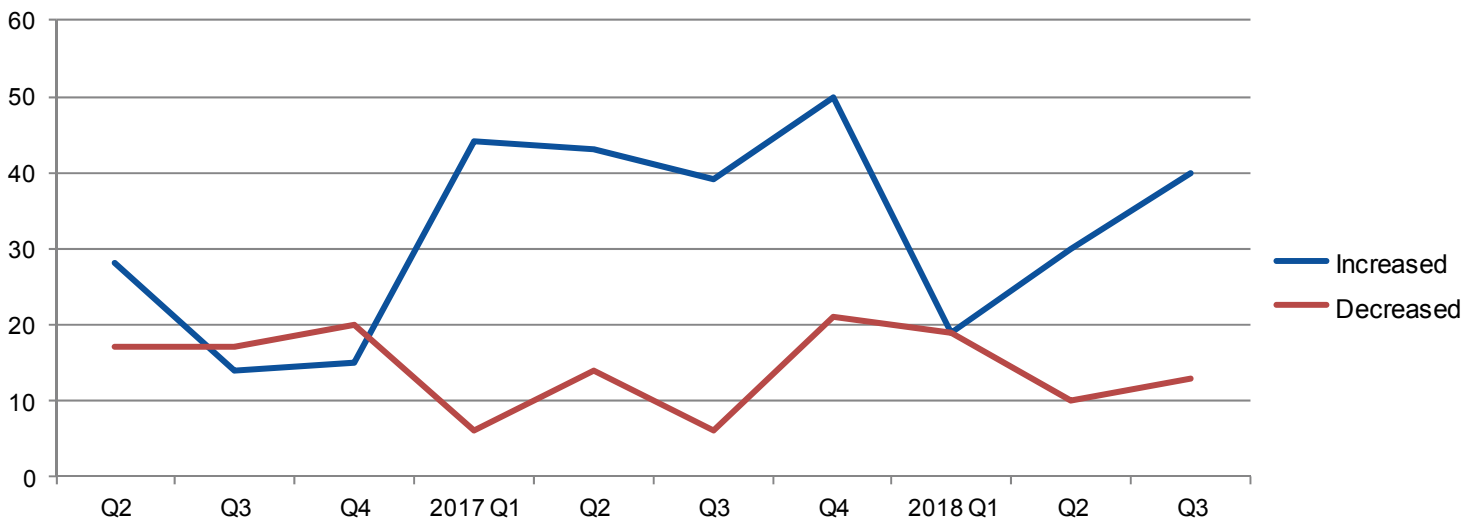
- ➔ Home Sales up 10 points to 25.
- ➔ Home Orders were up 8 points to 28.
- ➔ Export sales rose by 7 points to 27.
- ➔ Export Orders were also up - 8 points to 38.
- ➔ Four per cent more firms were expecting to increase the staff numbers in the next three months.
- ➔ Few firms had recruited staff in the third quarter of the year.
- ➔ Managerial and skilled manual jobs were still the hardest to fill.
- ➔ Turnover expectations were down 9 points to 43.
- ➔ Profit expectations were up 25 points to 50.
- ➔ Only 40 per cent of businesses were at capacity.

# Key indicators

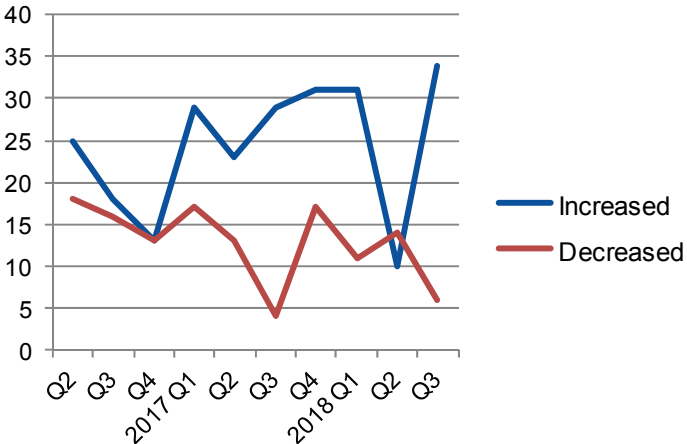
## Home sales



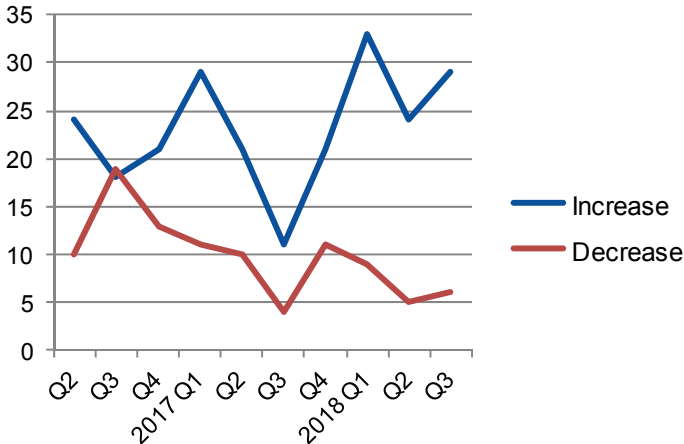
## Export sales



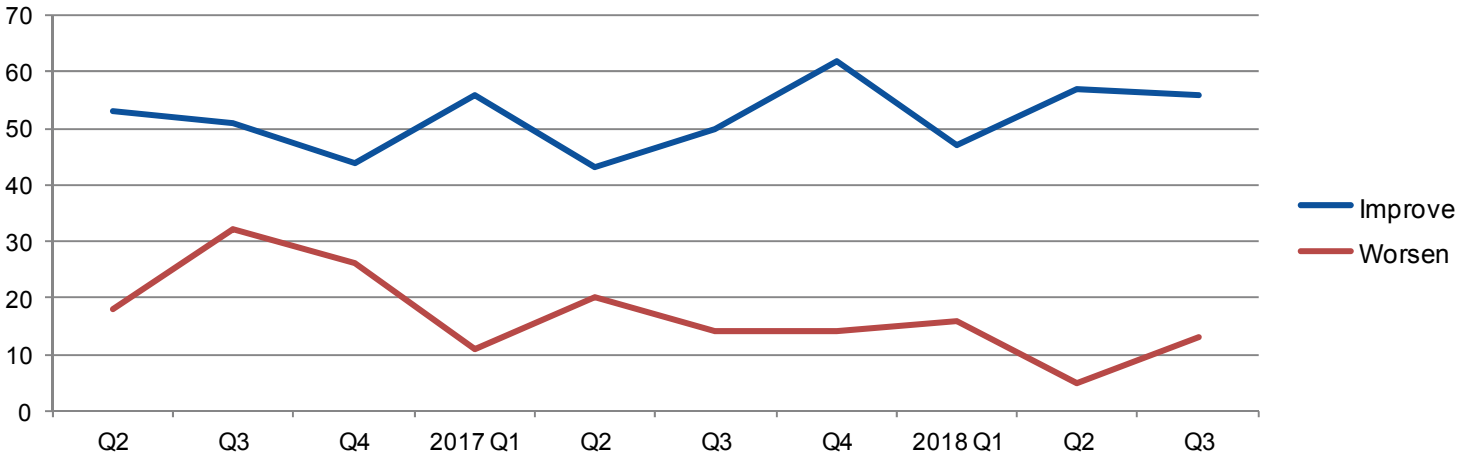
### Employment



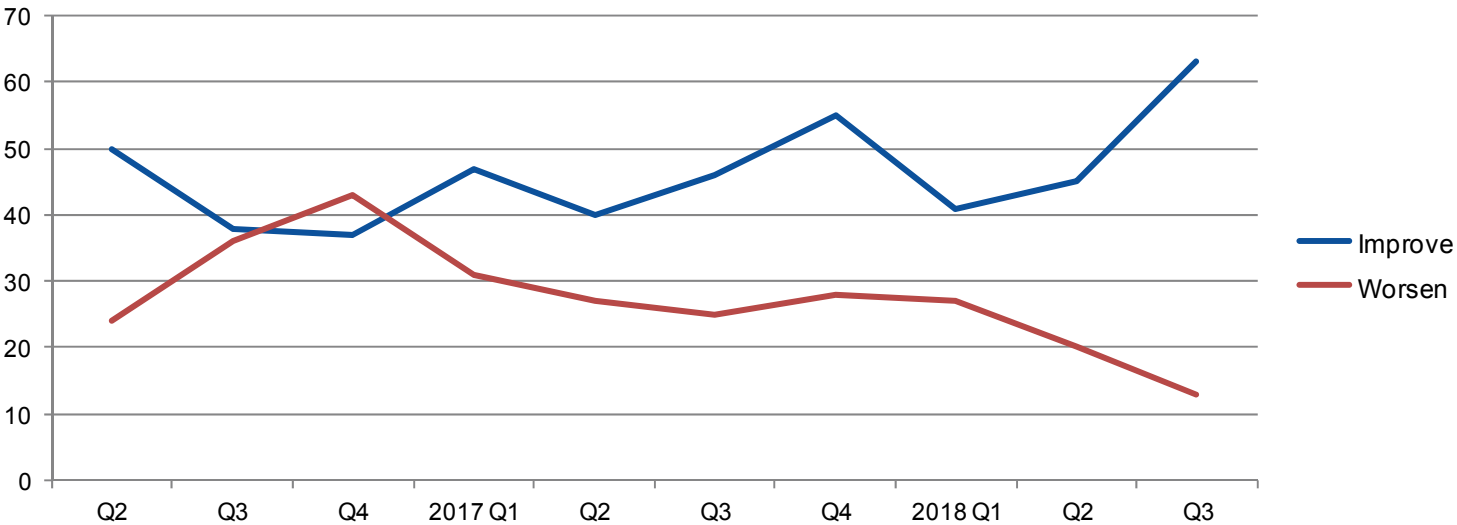
### Employment expectations



### Turnover expectations

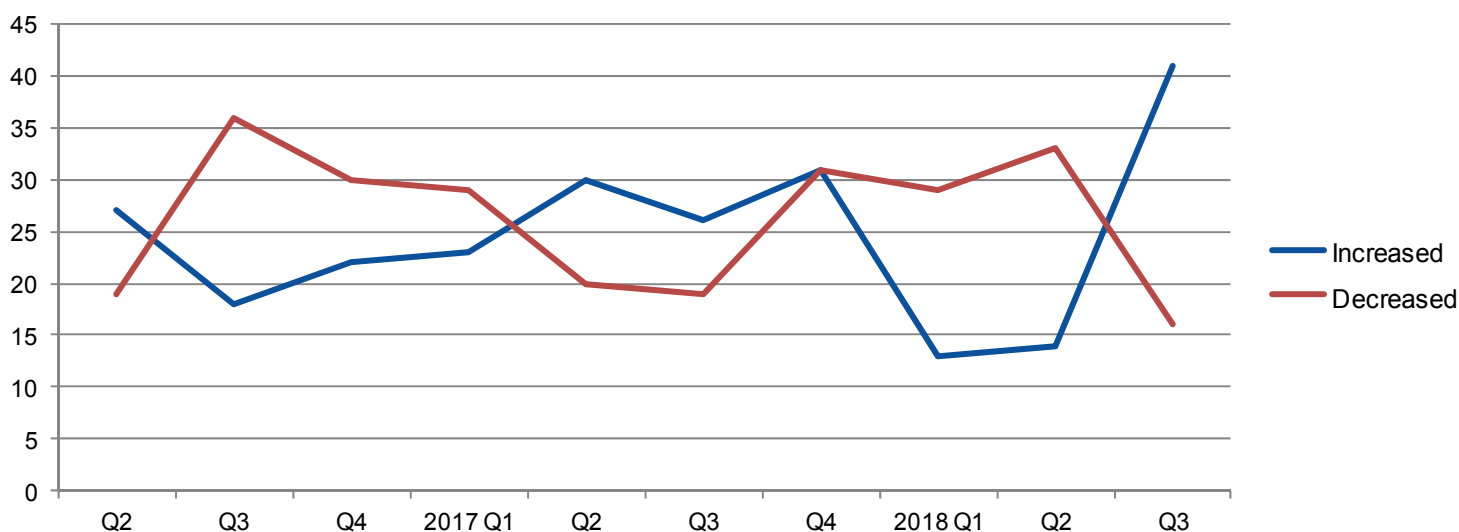


### Profit expectations



## 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

## Uncertainty bites as UK economy is stuck in rut

### 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 is the UK's largest and most authoritative private-sector business survey and is based on the responses of around 6,000 businesses.

The national survey shows little to be cheerful about as growth flatlines and business confidence weakens.

#### Key findings:

- **Percentage of services firms attempting to recruit is at its lowest level for 25 years**
- **Of those services firms recruiting, difficulties rose to a record high**
- **Exports sales and orders are at their lowest level since the EU Referendum in Q2 2016**

The results come as all signs suggest that this year's annual economic growth is set to be the lowest since the financial crisis. The slowdown in exports in the manufacturing sector, and many services firms seemingly giving up trying to hire new staff, should be cause for concern, warns BCC.

Ahead of the UK's departure from the EU, the leading business organisation urges the Government to use this month's Budget

to deliver bold action to boost investment and confidence. The survey has revealed that the percentage of services firms attempting to recruit is at its lowest level for 25 years, and of the firms in the sector that did try and recruit, the percentage experiencing difficulties rose to an all time high, since the survey began in 1989.

Also, in the services sector, the percentage of firms reporting an increase in domestic and export sales and orders eased slightly in the quarter.

Meanwhile in the manufacturing sector, the balance of firms reporting an increase in export sales and orders fell to their lowest in two years. The balance of manufacturers expecting their prices to increase also rose, with 81% citing the cost of raw materials as the driver of cost increases, the highest for seven years.

Uncertainty over future trading conditions is continuing to act as a brake on business investment in both the manufacturing and services sectors. The balance of firms who looked to invest in either plant and machinery or training fell in both sectors to their lowest level in a year. Business confidence in turnover and profitability also weakened.

# Analysis

## Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

“It is good to see our Humber economy is faring slightly better than the national picture, however there are still clear concerns for businesses as they try to plan for the future.

“We are hoping that the Chancellor will make some positive gestures in the Budget to help reassure business that the Government is supporting our endeavours through investment in transport infrastructure and regeneration.

“Our survey shows that two-thirds of businesses are working below capacity in our region, and that has to be a concern for the local economy, but this is balanced off by some positive indicators which reveal that while things are tough out there, home sales and orders and the export sector are holding their own which creates some room for optimism”.

## The National View

British Chambers of Commerce

These results suggest that the current period of below average GDP growth continued into the third quarter of 2018.

Activity in the services sector slackened in Q3 with the key indicators of domestic and international activity softening in the quarter. That said, the services sector is still likely to have been the main driver of third quarter growth.

The manufacturing sector remains a weak spot for the UK economy, with export activity slowing sharply in the quarter. Brexit uncertainty and the increasing cost of imported raw materials is weighing on the UK's external position – further evidence that the persistent weakness in Sterling is doing more harm than good. As a consequence, net trade is likely to have contributed precious little to UK GDP growth in Q3.

The sharp deterioration of the share of firms attempting to recruit is a concern and reflects both persistent hiring difficulties and heightened economic uncertainty - which if sustained could materially weaken jobs growth.

Against this backdrop, the Bank of England's recent decision to raise interest rates continues to look like a misstep. With economic conditions subdued and continued Brexit uncertainty, there should be a greater emphasis on providing increased monetary stability alongside a marked fiscal loosening to lift the UK out of its current low growth trajectory.

# Results in full

2018				
Q3	Q4	Q1	Q2	Q3

Home sales <sup>2</sup>		2018				
		Q3	Q4	Q1	Q2	Q3
	Increased	42	45	35	40	41
	Constant	36	38	42	35	44
	Decreased	21	17	23	25	16
	<b>Balance</b>	<b>22</b>	<b>28</b>	<b>12</b>	<b>15</b>	<b>25</b>

Home orders <sup>2</sup>		2018				
		Q3	Q4	Q1	Q2	Q3
	Increased	39	38	24	35	41
	Constant	39	41	55	50	47
	Decreased	21	21	21	15	13
	<b>Balance</b>	<b>18</b>	<b>17</b>	<b>3</b>	<b>20</b>	<b>28</b>

Export sales <sup>2</sup>		2018				
		Q3	Q4	Q1	Q2	Q3
	Increased	39	50	19	30	40
	Constant	56	29	62	60	47
	Decreased	6	21	19	10	13
	<b>Balance</b>	<b>33</b>	<b>29</b>	<b>0</b>	<b>20</b>	<b>27</b>

Export orders <sup>2</sup>		2018				
		Q3	Q4	Q1	Q2	Q3
	Increased	28	57	23	30	38
	Constant	67	21	50	60	62
	Decreased	8	21	27	10	0
	<b>Balance</b>	<b>22</b>	<b>36</b>	<b>-4</b>	<b>20</b>	<b>38</b>

Workforce <sup>2</sup>		2018				
		Q3	Q4	Q1	Q2	Q3
	Increased	29	31	31	10	34
	Constant	68	52	58	76	59
	Decreased	4	17	11	14	6
	<b>Balance</b>	<b>25</b>	<b>14</b>	<b>20</b>	<b>-4</b>	<b>28</b>

Workforce expectations <sup>3</sup>		2018				
		Q3	Q4	Q1	Q2	Q3
	Increase	11	21	33	24	29
	Constant	85	68	58	71	65
	Decrease	4	11	9	5	6
	<b>Balance</b>	<b>7</b>	<b>10</b>	<b>24</b>	<b>19</b>	<b>23</b>

Recruited staff <sup>2</sup>		2018				
		Q3	Q4	Q1	Q2	Q3
	<b>Yes</b>	<b>56</b>	<b>59</b>	<b>67</b>	<b>57</b>	<b>63</b>
	- Part time	13	6	24	25	20
	- Full time	80	88	83	88	75
	- Temporary	27	12	14	25	45
	- Permanent	27	47	38	63	35
	<b>No</b>	<b>44</b>	<b>41</b>	<b>33</b>	<b>43</b>	<b>37</b>

Recruitment difficulties <sup>2</sup>		2018				
		Q3	Q4	Q1	Q2	Q3
	<b>Yes</b>	<b>48</b>	<b>82</b>	<b>67</b>	<b>58</b>	<b>90</b>
	- Skilled manual	8	29	33	43	50
	- Management	67	57	54	43	44
	- Clerical	33	14	8	29	28
	- Unskilled/semi-skilled	8	36	25	29	22
	<b>No</b>	<b>52</b>	<b>18</b>	<b>33</b>	<b>42</b>	<b>10</b>

2018					
Q3	Q4	Q1	Q2	Q3	

Cashflow <sup>2</sup>		2018				
		Q3	Q4	Q1	Q2	Q3
	Increased	26	31	13	14	41
	Constant	56	38	58	52	44
	Decreased	19	31	29	33	16
	<b>Balance</b>	<b>7</b>	<b>0</b>	<b>-16</b>	<b>-19</b>	<b>25</b>

Investment: Plant/machinery <sup>2</sup>		2018				
		Q3	Q4	Q1	Q2	Q3
	Increased	15	21	12	18	37
	Constant	67	48	68	59	53
	Decreased	19	31	20	24	10
	<b>Balance</b>	<b>-4</b>	<b>-10</b>	<b>-8</b>	<b>15</b>	<b>27</b>

Investment: Training <sup>2</sup>		2018				
		Q3	Q4	Q1	Q2	Q3
	Increased	11	34	16	57	39
	Constant	47	45	70	38	55
	Decreased	15	21	14	5	6
	<b>Balance</b>	<b>-4</b>	<b>13</b>	<b>2</b>	<b>52</b>	<b>33</b>

Turnover expectations <sup>4</sup>		2018				
		Q3	Q4	Q1	Q2	Q3
	Improve	50	62	47	45	56
	Same	36	24	38	35	31
	Worsen	14	14	16	20	13
	<b>Balance</b>	<b>36</b>	<b>48</b>	<b>31</b>	<b>52</b>	<b>43</b>

Profit expectations <sup>4</sup>		2018				
		Q3	Q4	Q1	Q2	Q3
	Improve	46	55	41	45	63
	Same	29	17	32	35	25
	Worsen	25	28	27	20	13
	<b>Balance</b>	<b>21</b>	<b>27</b>	<b>14</b>	<b>25</b>	<b>50</b>

Capacity utilisation <sup>1</sup>		2018				
		Q3	Q4	Q1	Q2	Q3
	Full capacity	46	34	38	29	41
	Below capacity	54	66	62	71	59

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

Price pressures <sup>1</sup>		2018				
		Q3	Q4	Q1	Q2	Q3
	Pay settlements	28	42	38	63	35
	Raw materials	56	42	34	25	53
	Finance	17	37	25	31	18
	Other overheads	67	53	56	56	65

External concerns <sup>1</sup>		2018				
		Q3	Q4	Q1	Q2	Q3
	Interest rates	0	35	24	24	15
	Exchange rates	52	43	16	53	27
	Business rates	10	17	22	29	19
	Inflation	33	35	32	12	12
	Competition	43	52	41	59	42
	Tax	19	30	35	24	12