



Quarterly Economic Survey

Quarter 4, 2018

www.hull-humber-chamber.co.uk

Overview

Humber firms feeling economic pressures

THE Chamber's economic survey results for the fourth quarter of 2018 show that business in the Humber is facing a toughening economic environment.

Research by the Hull & Humber Chamber of Commerce for the last quarter of 2018 revealed a drop in Export Sales and Orders, Home Orders, investment and training, although employment in the last months rose slightly.

Perhaps more worryingly, turnover and profit expectations for the next three months were also well down.

Home Sales finished the year on something of a high, dropping only one point on the Quarter three figure of 25. Home Orders, however, fell by 28 points to a balance figure of zero, having held relatively steady in Quarter 2 and 3.

Export Sales fell slightly, from 27 points in Q3 to 21 in Q4, a six-point difference, but Export Orders fared rather worse, dropping by 28 points from Quarter three to a balance figure of 10.

Employment in the last three months actually rose by 16 points on Q3 to a balance figure of 44 with 10 per cent more firms recruiting staff in the latter part of the year. Sixty-eight per cent of respondents said they had tried to recruit staff in this quarter, with more companies trying to fill full-time positions and permanent jobs. Part-time positions fell slightly, while the number of temporary jobs on offer almost halved compared to Q3.

The number of companies looking to fill management posts and unskilled or semi-skilled roles were both up, while skilled manual and clerical positions fell towards the end of the year.

Employment expectations for the next three months were down slightly, falling by 4 points to 19.

Investment in Plant and Machinery fell by 27 points last quarter to a balance figure of zero, but this was still an improvement on previous quarters earlier in the year which had been in negative territory.

Investment in training fell four points to a balance figure of 29, four points down on last quarter's figure, but still well above the figures for the first six months of the year.

After a strong second and third quarter, turnover expectations dived 14 points this quarter to 29, and profit expectations also took a tumble, dropping 40 points to a balance figure of 10.

Around 70 per cent of firms tell us that they are working below capacity, although prices seem to be holding steady with a balance figure of 42, the same as in the last quarter.

Pay settlements, raw material costs and other overheads are putting pressure on prices, while competition is the biggest external concern, followed by inflation and exchange rates.

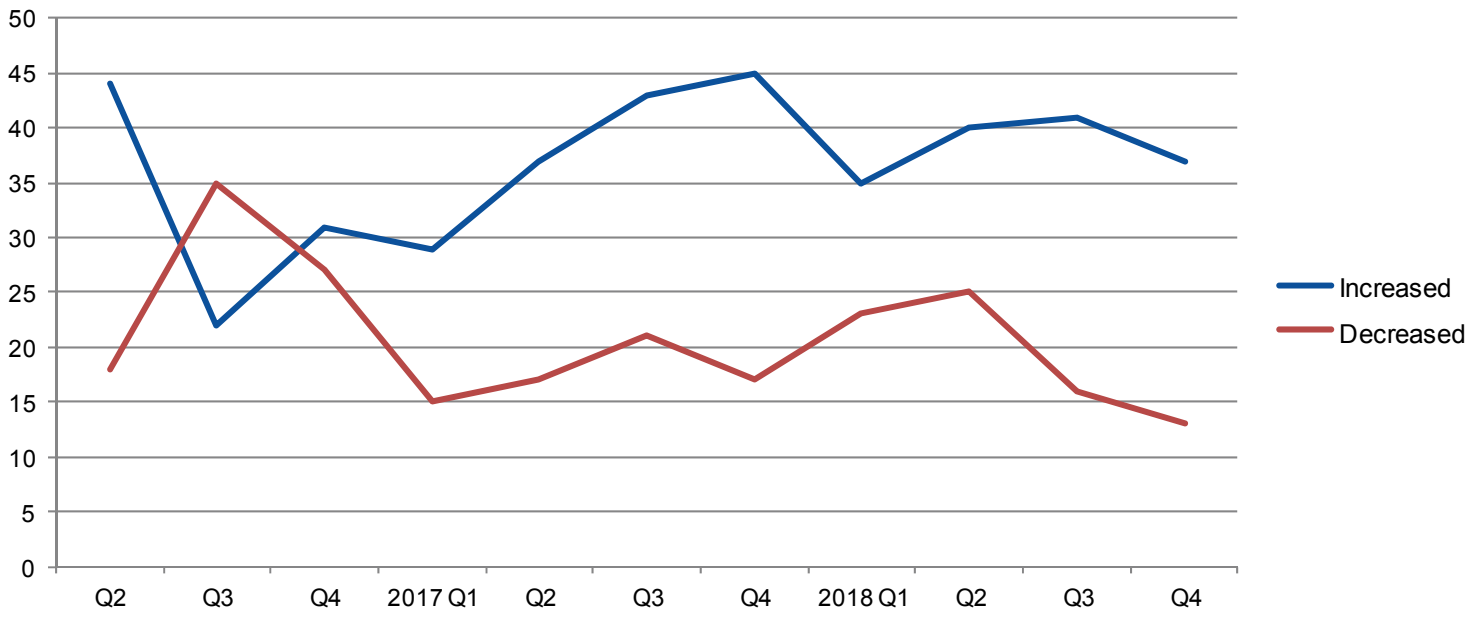
Interest rates and tax were less of a concern in this quarter's survey.

Key balances

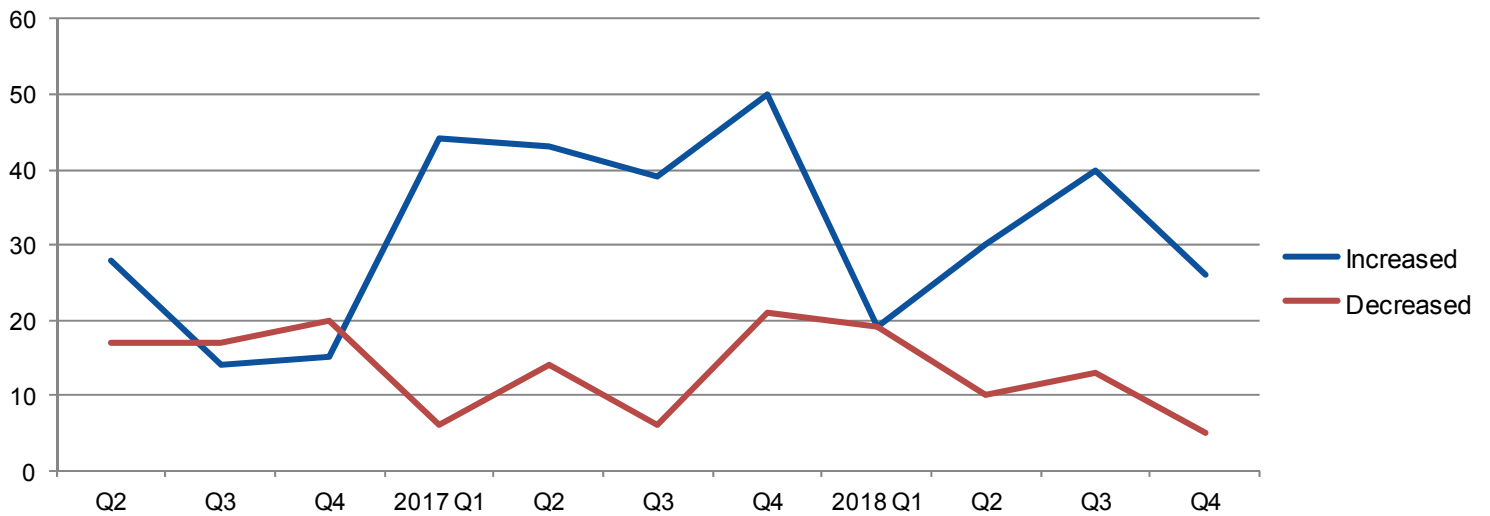
- ➔ Turnover expectations were down 14 points to 29.
- ➔ Profit expectations were down 40 points to 10.
- ➔ Home Sales down one point to 24.
- ➔ Home Orders down 28 points to 0.
- ➔ Export Sales down six points to 21.
- ➔ Export Orders down 28 points to 10.
- ➔ Employment up 16 points to 44.
- ➔ Expected Employment down four points to 19.
- ➔ Cashflow was down 12 points to 13.
- ➔ Investment in plant and machine fell by 27 points.
- ➔ Investment in training was down four points to 29.

Key indicators

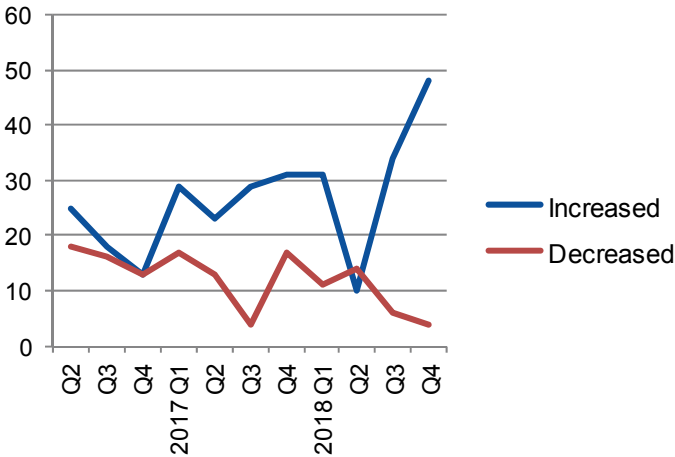
Home sales



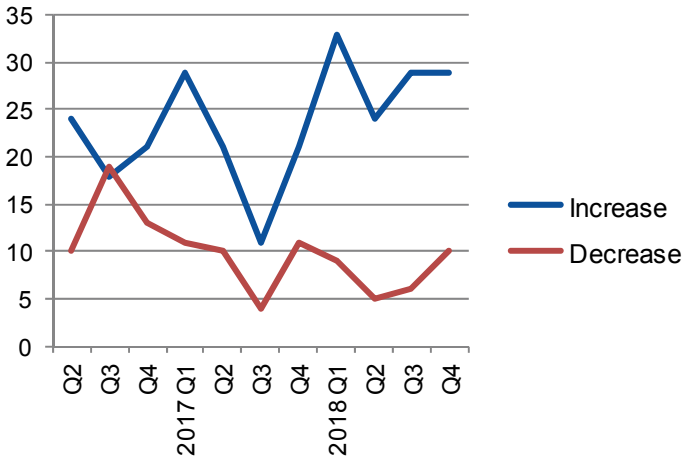
Export sales



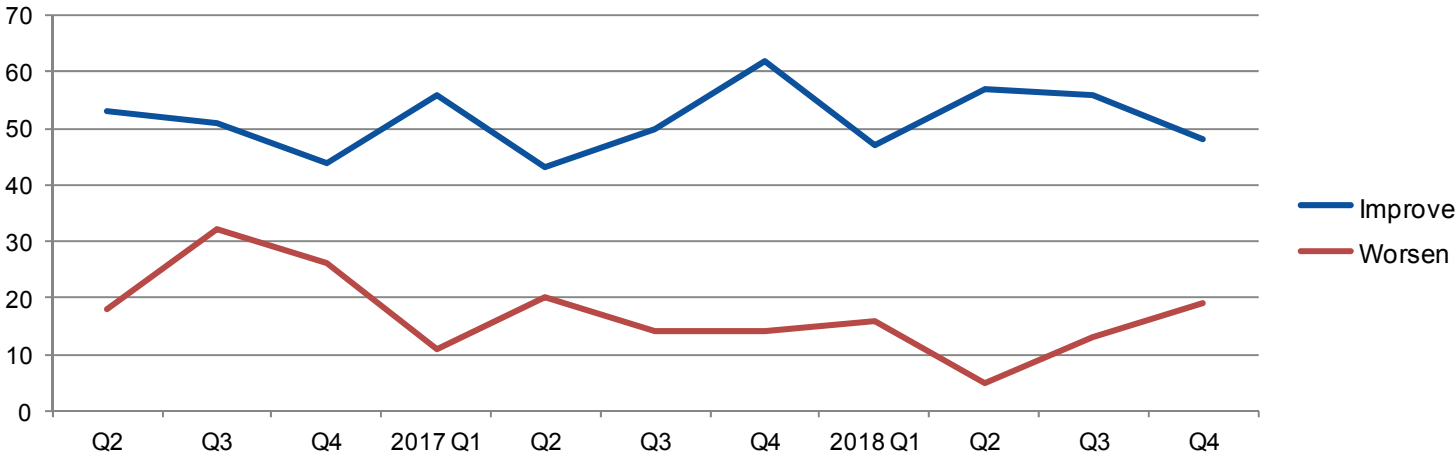
Employment



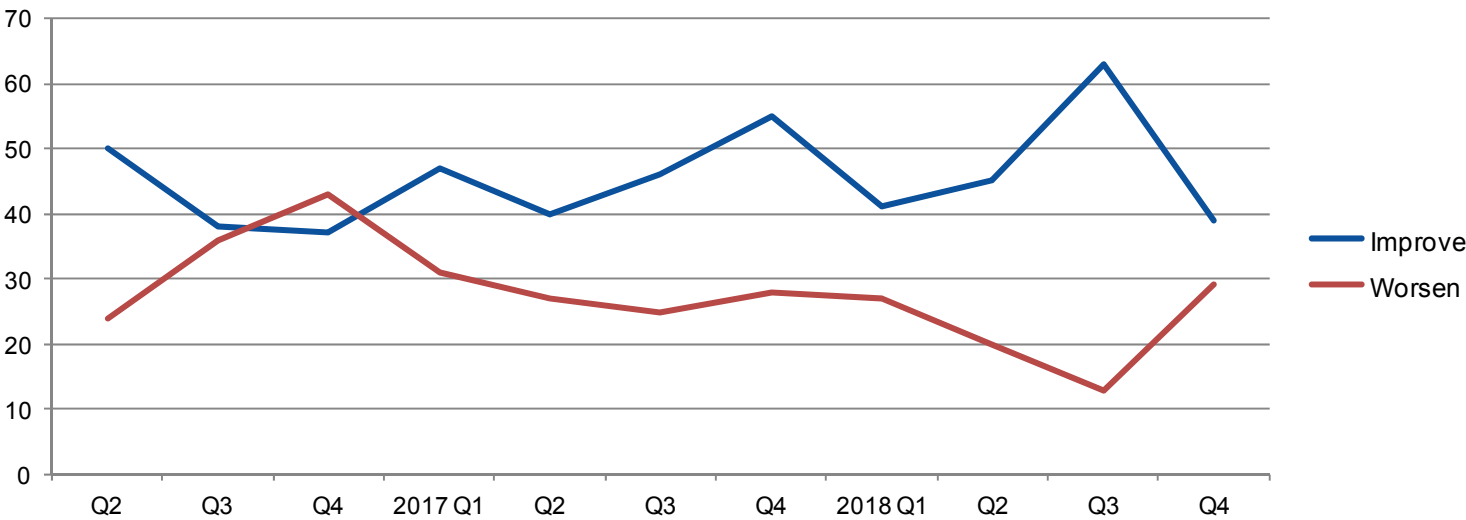
Employment expectations



Turnover expectations

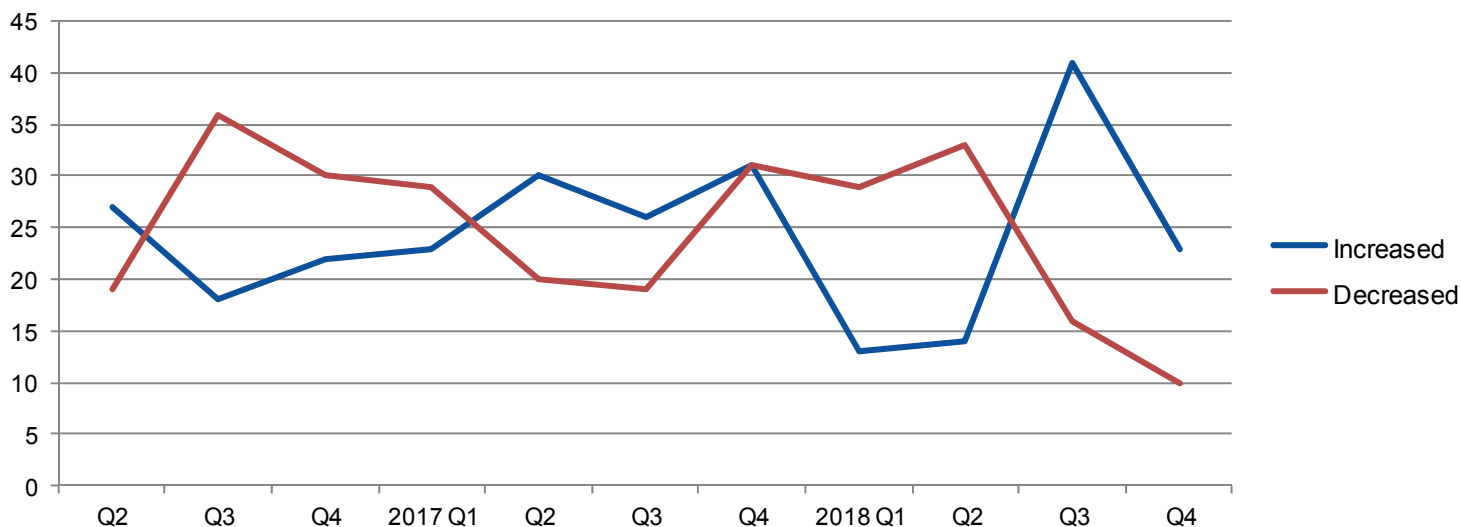


Profit expectations



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

Big squeeze from recruitment, prices, cash flow

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.

THE British Chambers of Commerce's quarterly economic survey – the UK's largest private sector survey of business sentiment and a leading indicator of UK GDP growth – revealed that the UK economy ended 2018 stuck in a weak holding pattern, with stagnating levels of growth and business confidence as a result of heightened Brexit uncertainty and other economic pressures.

The results of the survey of 6,000 firms – employing over one-million people across the UK – underline the impact that the current levels of uncertainty are having on a stalling economy as growth in domestic sales and orders reduced, recruitment difficulties stand near record highs and price pressures persist.

In the services sector, a key driver of UK economic growth, the percentage of firms reporting an increase in domestic sales and orders weakened to their lowest level in two years. Domestic activity among UK manufacturers also moderated in the quarter.

The findings highlight the extent to which labour shortages have risen in the UK as four-fifths (81%) of manufacturers that tried to recruit report difficulties in finding the right staff – the joint highest level since the survey began in 1989. In the services sector, the level (70%) hovers close to the record high recorded in the previous quarter (72%).

The survey results indicate an increase in price pressures facing firms. The percentage of manufacturers expecting to raise prices is

at its highest in a year, almost three times higher than its pre-EU referendum average.

Key findings in the Q4 2018 survey:

- The balance of firms reporting increased domestic sales fell three points to +21, while those reporting improved domestic orders also fell from +20 to +16.
- The balance of firms reporting improved export sales rose by a point from +19 to +20, while the balance of those reporting improved export orders rose from +14 to +18.
- The balance of firms expecting to raise prices in the next three months stands at +43, up from +38 in Q3
- The percentage of firms attempting to recruit remain unchanged at 67%. Of those, 81% reported recruitment difficulties – the joint highest figure on record.
- The balance of firms confident that turnover and profitability would increase in the next 12 months fell, from +44 to +41 for turnover and +29 to +27 for profitability.
- The balance of firms reporting increased domestic sales fell from +22 to +18, the lowest since Q4 2016. Those reporting improved domestic orders fell from +17 to +14, the joint lowest in two years.
- The balance of firms reporting improved export sales remain unchanged, while those reporting improved export orders fell from +12 to +9.

Analysis

Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

“These results clearly show that the Humber economy is feeling a degree of pressure as we head into the first months of 2019.

“Most of the key balances have recorded a drop in the last quarter of 2018, but there is still scope to be optimistic as employment in the region rose in the last three months and expected employment for the first three months of 2019 is only down slightly on the last quarter and is the same as the figure for the second quarter of 2018.

“There are the usual concerns about the ability of firms to recruit the right staff for the vacancies, particularly for senior positions, but it is encouraging to see that many of these vacancies are for full-time positions, and that figure rose in this survey.

“Although turnover and profit expectations are down this quarter, it is good to see that the number of companies investing in training is holding its own”.

The National View

British Chambers of Commerce

“Our latest survey suggests that UK economic conditions were worryingly subdued in the final quarter of 2018, with a number of key indicators continuing to weaken under the weight of persistent Brexit uncertainty and rising cost pressures.

“Domestic activity in the dominant services sector weakened for the second successive quarter, with consumer-facing firms particularly downbeat amid subdued household spending levels and tightening cashflow. The manufacturing sector had an underwhelming three months, with significant cost pressures and moderating global demand weighing on activity in the sector.

“The marked increase in cost pressures for businesses in the quarter suggests that inflation will be higher over the near term, with the continued weakness in sterling maintaining the upward trend on the cost of imported raw materials. However, with our results also showing that price pressures from wage settlements remain relatively muted, there continues to be sufficient scope to keep interest rates on hold in 2019, particularly given the significant economic and political turbulence.”

Results in full

		2018				
		Q4	Q1	Q2	Q3	Q4

Home sales ²			2018				
			Q4	Q1	Q2	Q3	Q4
Increased			45	35	40	41	37
Constant			38	42	35	44	50
Decreased			17	23	25	16	13
Balance			28	12	15	25	24

Home orders ²			2018				
			Q4	Q1	Q2	Q3	Q4
Increased			38	24	35	41	23
Constant			41	55	50	47	53
Decreased			21	21	15	13	23
Balance			17	3	20	28	0

Export sales ²			2018				
			Q4	Q1	Q2	Q3	Q4
Increased			50	19	30	40	26
Constant			29	62	60	47	68
Decreased			21	19	10	13	5
Balance			29	0	20	27	21

Export orders ²			2018				
			Q4	Q1	Q2	Q3	Q4
Increased			57	23	30	38	26
Constant			21	50	60	62	58
Decreased			21	27	10	0	16
Balance			36	-4	20	38	10

Workforce ²			2018				
			Q4	Q1	Q2	Q3	Q4
Increased			31	31	10	34	48
Constant			52	58	76	59	48
Decreased			17	11	14	6	4
Balance			14	20	-4	28	44

Workforce expectations ³			2018				
			Q4	Q1	Q2	Q3	Q4
Increase			21	33	24	29	29
Constant			68	58	71	65	61
Decrease			11	9	5	6	10
Balance			10	24	19	23	19

Recruited staff ²			2018				
			Q4	Q1	Q2	Q3	Q4
Yes			59	67	57	63	68
- Part time			6	24	25	20	19
- Full time			88	83	88	75	90
- Temporary			12	14	25	45	24
- Permanent			47	38	63	35	38
No			41	33	43	37	22

Recruitment difficulties ²			2018				
			Q4	Q1	Q2	Q3	Q4
Yes			82	67	58	90	90
- Skilled manual			29	33	43	50	26
- Management			57	54	43	44	58
- Clerical			14	8	29	28	26
- Unskilled/semi-skilled			36	25	29	22	47
No			18	33	42	10	10

		2018				
		Q4	Q1	Q2	Q3	Q4

Cashflow ²			2018				
			Q4	Q1	Q2	Q3	Q4
Increased			31	13	14	41	23
Constant			38	58	52	44	68
Decreased			31	29	33	16	10
Balance			0	-16	-19	25	13

Investment: Plant/machinery ²			2018				
			Q4	Q1	Q2	Q3	Q4
Increased			21	12	18	37	20
Constant			48	68	59	53	60
Decreased			31	20	24	10	20
Balance			-10	-8	15	27	0

Investment: Training ²			2018				
			Q4	Q1	Q2	Q3	Q4
Increased			34	16	57	39	42
Constant			45	70	38	55	45
Decreased			21	14	5	6	13
Balance			13	2	52	33	29

Turnover expectations ⁴			2018				
			Q4	Q1	Q2	Q3	Q4
Improve			62	47	45	56	48
Same			24	38	35	31	32
Worsen			14	16	20	13	19
Balance			48	31	52	43	29

Profit expectations ⁴			2018				
			Q4	Q1	Q2	Q3	Q4
Improve			55	41	45	63	39
Same			17	32	35	25	32
Worsen			28	27	20	13	29
Balance			27	14	25	50	10

Capacity utilisation ¹			2018				
			Q4	Q1	Q2	Q3	Q4
Full capacity			34	38	29	41	29
Below capacity			66	62	71	59	71

Prices ³			2018				
			Q4	Q1	Q2	Q3	Q4
Increased			62	58	52	42	45
Constant			34	42	48	58	52
Decreased			3	0	0	0	3
Balance			59	58	52	42	42

Price pressures ¹			2018				
			Q4	Q1	Q2	Q3	Q4
Pay settlements			42	38	63	35	40
Raw materials			42	34	25	53	44
Finance			37	25	31	18	24
Other overheads			53	56	56	65	60

External concerns ¹			2018				
			Q4	Q1	Q2	Q3	Q4
Interest rates			35	24	24	15	13
Exchange rates			43	16	53	27	32
Business rates			17	22	29	19	13
Inflation			35	32	12	12	45
Competition			52	41	59	42	48
Tax			30	35	24	12	19