



# Quarterly Economic Survey

Quarter 1, 2019

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

# Overview

## Humber slowdown reflecting uncertainty

THE Chamber's economic survey results for the first quarter of 2019 have revealed a sharp slowdown in the Humber in the first quarter of the year, reflecting the national QES results.

Research by the Hull & Humber Chamber of Commerce showed most of the key sectors were in decline and in a less favourable position than in the last quarter of 2018.

Home Sales and Home Orders were both down, the balance figure for Home Sales by 24 points on Q4 of 2018, and Home Sales down eight points on the same period.

Export sales also took a big hit, dropping a further 11 points this quarter, no doubt reflecting the uncertainty over Brexit, however, Export Orders held their own with a balance figure of 10, the same as for the last quarter.

The number of firms recruiting staff also dropped markedly, down 30 points compared to the last set of figures, however expected employment for the next three months looked a bit brighter, with 10 per cent more firms saying they were planning to look for new staff.

Of the 56 per cent of firms who did try to recruit new staff in the last six months, the majority were for full-time permanent jobs, while part-time or temporary roles were in less demand.

The number of management positions being filled, and clerical vacancies were

both down, while there was a slight increase in skilled manual jobs.

The balance figure for cash flow in the last three months was also down, dropping 13 points on the last quarter,

By contrast, businesses planning to invest in new plant and machinery in the next six months saw a slight increase of three per cent.

More businesses also expected to see an increase in turnover in the next 12 months, with the balance figure rising 23 points to 52.

Profit expectations were similarly in positive territory, up by 30 points to a balance figure of 40, which is still some way behind the 50 point figure of Quarter 3 in Quarter 3 of 2018, and more firms expected to see their prices increase in the coming months, up 8 points to a balance figure of 50.

The number of firms claiming to be working to full capacity fell further this quarter, down a further three points to 26.

The key external concerns this quarter were exchange rates and increasing competition, while interest rates and tax issues were less concerning. Raw material costs were also less of an issue.

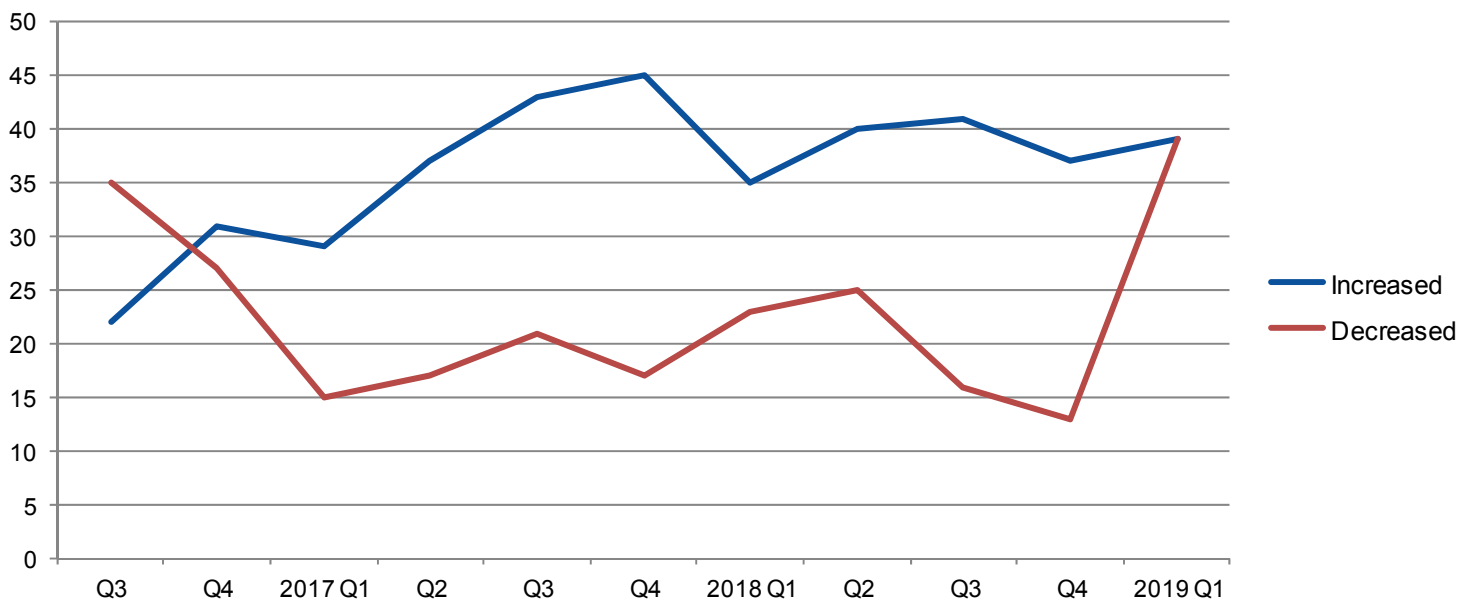
The main pressures on prices were pay settlements, finance and other overheads, while interest rates and inflation were less of a worry for businesses this quarter.

### Key balances

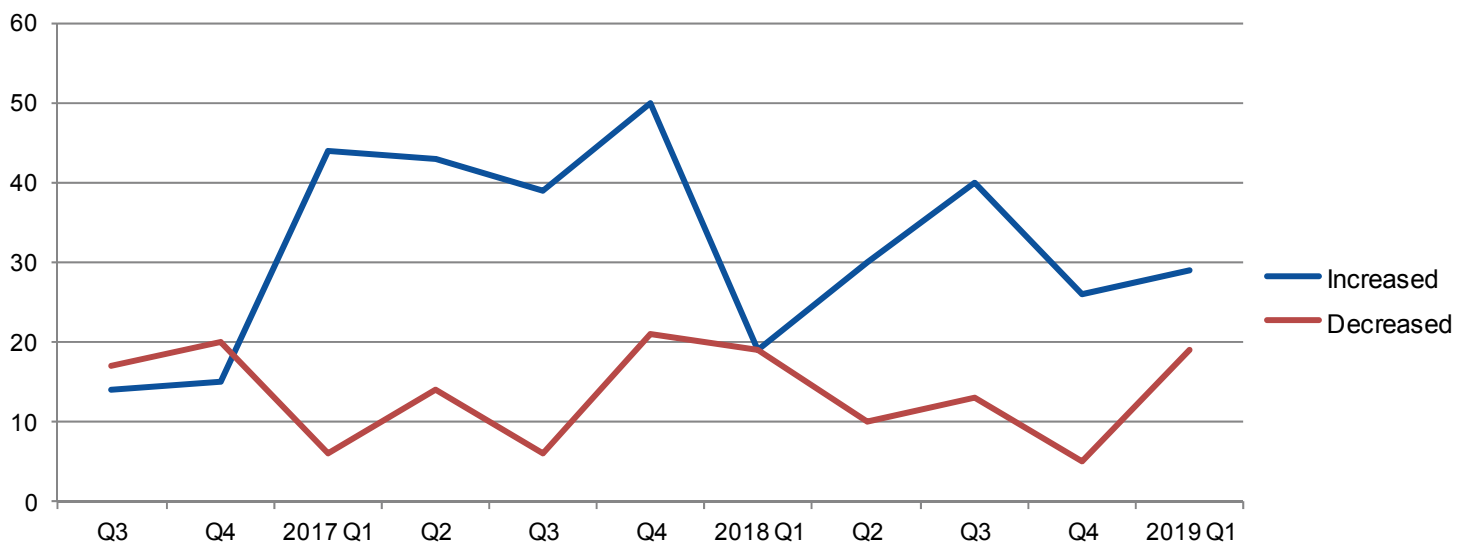
- ➔ Home sales down 24 points to a balance figure of 0.
- ➔ Home Orders up nine points to 9.
- ➔ Export Sales down 11 points.
- ➔ Export orders remained static this quarter on 10.
- ➔ Employment down 30 points to 14.
- ➔ Expected employment rose by 10 points to 20.
- ➔ Casflow in the last three months was down by 13 points.
- ➔ More firms were expecting to see a rise in prices in the next three months, up 8.
- ➔ Investment in Training in the next three months was down 6 points.
- ➔ Investment in plant and machinery was up slightly by 3 points.

# Key indicators

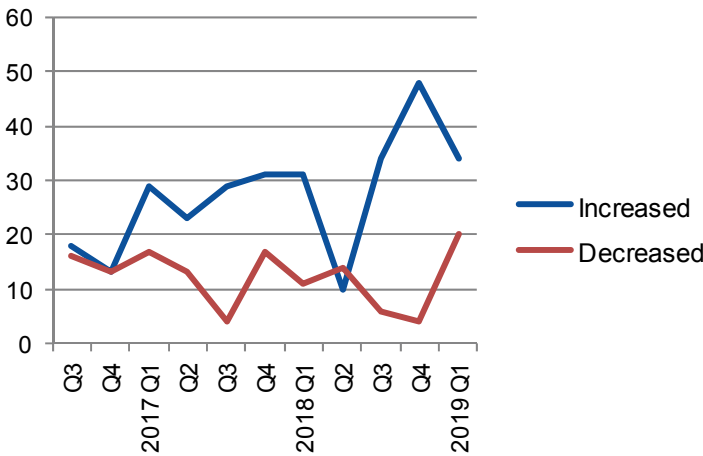
## Home sales



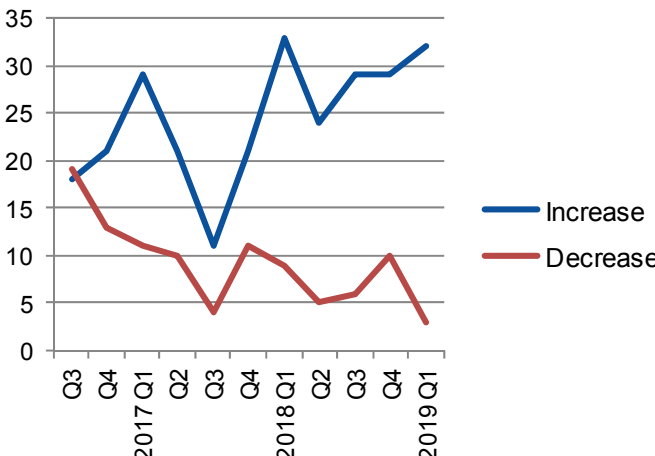
## Export sales



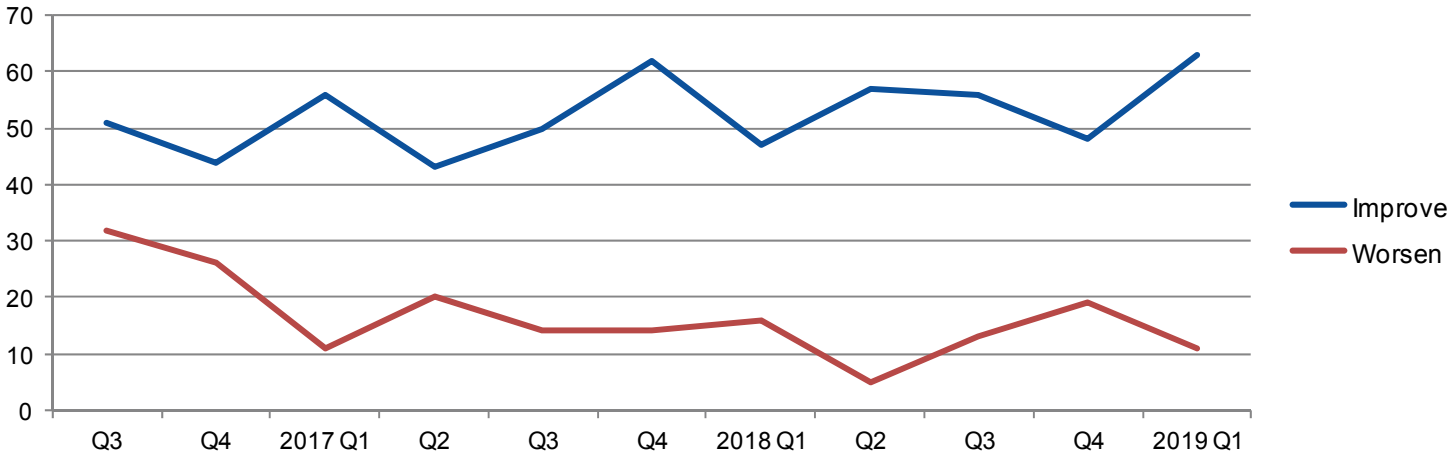
### Employment



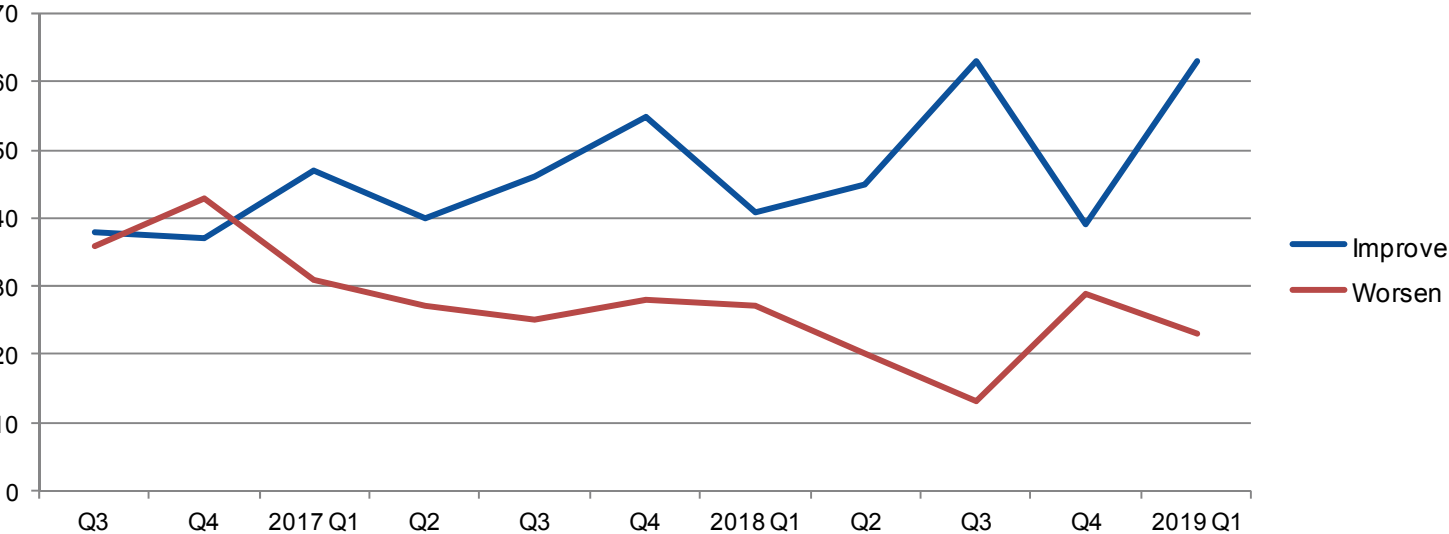
### Employment expectations



### Turnover expectations

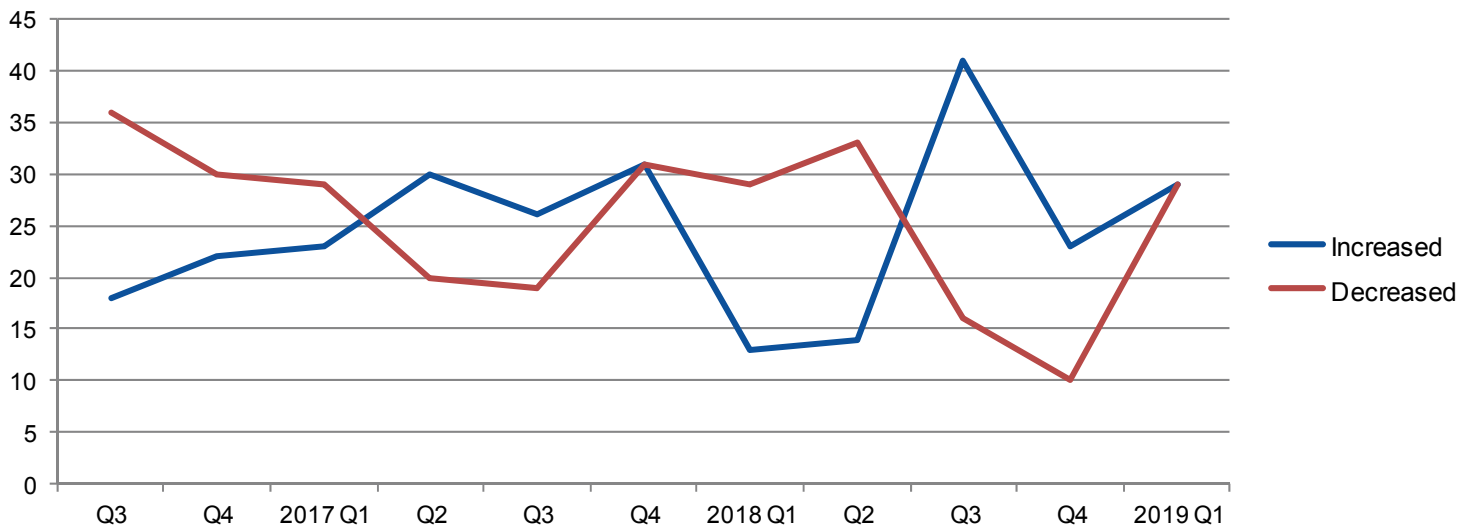


### Profit expectations



## 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 ‘hitting economic brakes’ amid uncertainty

### 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’s quarterly economic survey – the UK’s largest private sector survey of business sentiment and a leading indicator of UK GDP growth – revealed that key indicators of UK economic health weakened considerably in the first quarter of 2019.

Against a backdrop of a slowing global economy, escalating Brexit uncertainty, and rises in business costs as the UK enters a new tax year, the latest results from the survey of over 7,000 businesses – employing around one-million people – reflect a deterioration in many gauges of the UK’s economic strength.

In the services sector, the percentage balance of firms reporting an increase in export sales stood at zero, its weakest level since 2009 and the orders balance turned negative (more firms reporting that orders have decreased than those reporting an increase) for the first time in eight years. The balance of firms reporting improved domestic sales and orders also weakened in the quarter.

Among manufacturers, the percentage of firms reporting an increase in domestic and export sales and orders dropped back to their 2016 levels.

The balance of firms reporting improved cashflow – a key indicator of business health

– and which has been declining over recent years, has now gone into negative territory for the first time since 2012.

The lack of clarity over the UK’s future relationship with the EU is continuing to weigh on investment intentions in both the manufacturing and services sectors. The balance of firms who looked to invest in either plant and machinery or training dropped in both sectors to their lowest level in eight years. Business confidence in profitability and turnover also deteriorated sharply in the quarter.

The leading business groups have been calling for an end to the relentless uncertainty, which as the latest results from the long-standing business survey highlight, has damaged the confidence and investment plans of business communities.

To kickstart strong growth in the economy, government must return its attention and energy to removing barriers to growth in the domestic environment.

Ill-timed increases in business costs – including compliance with Making Tax Digital, higher business rates for some firms, increased employer pension contribution requirements, and more – are also raising costs pressures for companies across the UK at a time when government should be looking to reduce burdens.

# Analysis

## Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

“We can’t be too surprised to see the Humber economy being affected by the political uncertainty we are seeing nationally.

“It is now time for our politicians to deliver on their referendum and manifesto commitments on Brexit so we can put the issue behind us and move on”.

## The National View

British Chambers of Commerce

“Our latest survey suggests that UK growth nearly ground to a halt in the first quarter of 2019, with increasing anxiety over Brexit and weakening global economic conditions driving a significant deterioration in almost all the key indicators in the quarter.

“The services sector suffered the more substantial loss of momentum in the first quarter with both domestic and international activity slowing sharply in the quarter. The manufacturing sector continues to struggle amid tougher global and domestic trading conditions and rising cost pressures.

“The marked decline in the export indicators in both sectors suggests that net trade is likely to have been a drag on UK GDP growth in Q1. The deterioration in cash flow is concerning as it can leave firms more vulnerable to external shocks, including disruptions to supply chains.

“The forward-looking indicators are disappointingly downbeat with weakening orders, confidence and investment intentions pointing to precious little growth over the coming quarters, unless substantial action is taken.”



# Results in full

		2018				2019
		Q1	Q2	Q3	Q4	Q1

Home sales <sup>2</sup>			2018				2019
			Q1	Q2	Q3	Q4	Q1
Home sales <sup>2</sup>	Increased		35	40	41	37	39
	Constant		42	35	44	50	21
	Decreased		23	25	16	13	39
	<b>Balance</b>		<b>12</b>	<b>15</b>	<b>25</b>	<b>24</b>	<b>0</b>

Home orders <sup>2</sup>			2018				2019
			Q1	Q2	Q3	Q4	Q1
Home orders <sup>2</sup>	Increased		24	35	41	23	39
	Constant		55	50	47	53	30
	Decreased		21	15	13	23	30
	<b>Balance</b>		<b>3</b>	<b>20</b>	<b>28</b>	<b>0</b>	<b>9</b>

Export sales <sup>2</sup>			2018				2019
			Q1	Q2	Q3	Q4	Q1
Export sales <sup>2</sup>	Increased		19	30	40	26	29
	Constant		62	60	47	68	52
	Decreased		19	10	13	5	19
	<b>Balance</b>		<b>0</b>	<b>20</b>	<b>27</b>	<b>21</b>	<b>10</b>

Export orders <sup>2</sup>			2018				2019
			Q1	Q2	Q3	Q4	Q1
Export orders <sup>2</sup>	Increased		23	30	38	26	29
	Constant		50	60	62	58	52
	Decreased		27	10	0	16	19
	<b>Balance</b>		<b>-4</b>	<b>20</b>	<b>38</b>	<b>10</b>	<b>10</b>

Workforce <sup>2</sup>			2018				2019
			Q1	Q2	Q3	Q4	Q1
Workforce <sup>2</sup>	Increased		31	10	34	48	34
	Constant		58	76	59	48	46
	Decreased		11	14	6	4	20
	<b>Balance</b>		<b>20</b>	<b>-4</b>	<b>28</b>	<b>44</b>	<b>14</b>

Workforce expectations <sup>3</sup>			2018				2019
			Q1	Q2	Q3	Q4	Q1
Workforce expectations <sup>3</sup>	Increase		33	24	29	29	32
	Constant		58	71	65	61	65
	Decrease		9	5	6	10	3
	<b>Balance</b>		<b>24</b>	<b>19</b>	<b>23</b>	<b>19</b>	<b>29</b>

Recruited staff <sup>2</sup>			2018				2019
			Q1	Q2	Q3	Q4	Q1
Recruited staff <sup>2</sup>	Yes		67	57	63	68	56
	- Part time		24	25	20	19	26
	- Full time		83	88	75	90	79
	- Temporary		14	25	45	24	26
	- Permanent		38	63	35	38	58
	No		33	43	37	22	44

Recruitment difficulties <sup>2</sup>			2018				2019
			Q1	Q2	Q3	Q4	Q1
Recruitment difficulties <sup>2</sup>	Yes		67	58	90	90	90
	- Skilled manual		33	43	50	26	26
	- Management		54	43	44	58	79
	- Clerical		8	29	28	26	26
	- Unskilled/semi-skilled		25	29	22	47	58
	No		33	42	10	10	10

		2018				2019
		Q1	Q2	Q3	Q4	Q1

Cashflow <sup>2</sup>			2018				2019
			Q1	Q2	Q3	Q4	Q1
Cashflow <sup>2</sup>	Increased		13	14	41	23	29
	Constant		58	52	44	68	43
	Decreased		29	33	16	10	29
	<b>Balance</b>		<b>-16</b>	<b>-19</b>	<b>25</b>	<b>13</b>	<b>0</b>

Investment: Plant/machinery <sup>2</sup>			2018				2019
			Q1	Q2	Q3	Q4	Q1
Investment: Plant/machinery <sup>2</sup>	Increased		12	18	37	20	29
	Constant		68	59	53	60	44
	Decreased		20	24	10	20	26
	<b>Balance</b>		<b>-8</b>	<b>15</b>	<b>27</b>	<b>0</b>	<b>3</b>

Investment: Training <sup>2</sup>			2018				2019
			Q1	Q2	Q3	Q4	Q1
Investment: Training <sup>2</sup>	Increased		16	57	39	42	43
	Constant		70	38	55	45	37
	Decreased		14	5	6	13	20
	<b>Balance</b>		<b>2</b>	<b>52</b>	<b>33</b>	<b>29</b>	<b>23</b>

Turnover expectations <sup>4</sup>			2018				2019
			Q1	Q2	Q3	Q4	Q1
Turnover expectations <sup>4</sup>	Improve		47	45	56	48	63
	Same		38	35	31	32	26
	Worsen		16	20	13	19	11
	<b>Balance</b>		<b>31</b>	<b>52</b>	<b>43</b>	<b>29</b>	<b>52</b>

Profit expectations <sup>4</sup>			2018				2019
			Q1	Q2	Q3	Q4	Q1
Profit expectations <sup>4</sup>	Improve		41	45	63	39	63
	Same		32	35	25	32	14
	Worsen		27	20	13	29	23
	<b>Balance</b>		<b>14</b>	<b>25</b>	<b>50</b>	<b>10</b>	<b>40</b>

Capacity utilisation <sup>1</sup>			2018				2019
			Q1	Q2	Q3	Q4	Q1
Capacity utilisation <sup>1</sup>	Full capacity		38	29	41	29	26
	Below capacity		62	71	59	71	74

Prices <sup>3</sup>			2018				2019
			Q1	Q2	Q3	Q4	Q1
Prices <sup>3</sup>	Increased		58	52	42	45	53
	Constant		42	48	58	52	44
	Decreased		0	0	0	3	3
	<b>Balance</b>		<b>58</b>	<b>52</b>	<b>42</b>	<b>42</b>	<b>50</b>

Price pressures <sup>1</sup>			2018				2019
			Q1	Q2	Q3	Q4	Q1
Price pressures <sup>1</sup>	Pay settlements		38	63	35	40	42
	Raw materials		34	25	53	44	33
	Finance		25	31	18	24	25
	Other overheads		56	56	65	60	71

External concerns <sup>1</sup>			2018				2019
			Q1	Q2	Q3	Q4	Q1
External concerns <sup>1</sup>	Interest rates		24	24	15	13	13
	Exchange rates		16	53	27	32	39
	Business rates		22	29	19	13	23
	Inflation		32	12	12	45	35
	Competition		41	59	42	48	61
	Tax		35	24	12	19	23