



Quarterly Economic Survey

Quarter 2, 2019

www.hull-humber-chamber.co.uk

Overview

Turnover, profits drop as exports do better

THE Chamber's economic survey results for the second quarter of 2019 have shown a modest recovery in foreign trade, while the home markets remain subdued and businesses are concerned about raw material costs, competition and tax.

The Hull & Humber Chamber of Commerce's research also showed profit expectations took a tumble but business are expecting their prices to stay the same, suggesting they are absorbing an increase in raw material costs, the increasing price of which is reported to be a growing concern.

On the plus side, interest rates and the rate of inflation were less of a worry this quarter, but other overheads were proving to be a continuing challenge.

In the last three months cashflow had improved somewhat, with the balance figure rising to 18 points, staying in positive territory after six months in the doldrums.

However, the number of businesses planning to invest in training dropped by just over half when compared to the last two quarters.

Similarly the number of firms which are planning to invest in plant and machinery in the next three months also fell further into negative territory, dropping 10 points on the last quarter to -7, the lowest it has been for a year.

Domestic sales recovered slightly, up by nine points on the last quarter with a balance figure of nine, but this is still

some way below the figures reported in quarters three and four of last year, which recorded balance figures of 24 and 25 respectively.

Home orders meanwhile fell back into negative territory with a balance figure of -3 this time, compared to nine in quarter two and zero in quarter 4 of 2018, so there is little confidence in this sector.

On the exports side, export sales rose by 12 points to a balance figure of 22, with export orders mirroring those figures, suggesting businesses in the Humber are just getting on with business for the time being.

The balance figure for employment in the last three months was also up this time around, almost double the figure reported in the first quarter of the year, but employment prospects for the next three months weren't quite as rosy, with the balance figure dropping by nine points to 20.

Of the those businesses which said they had tried to recruit staff this quarter, Skilled Manual and Management positions were once again the most difficult to fill, and by some margin, reflecting the skills shortage we face in the Humber.

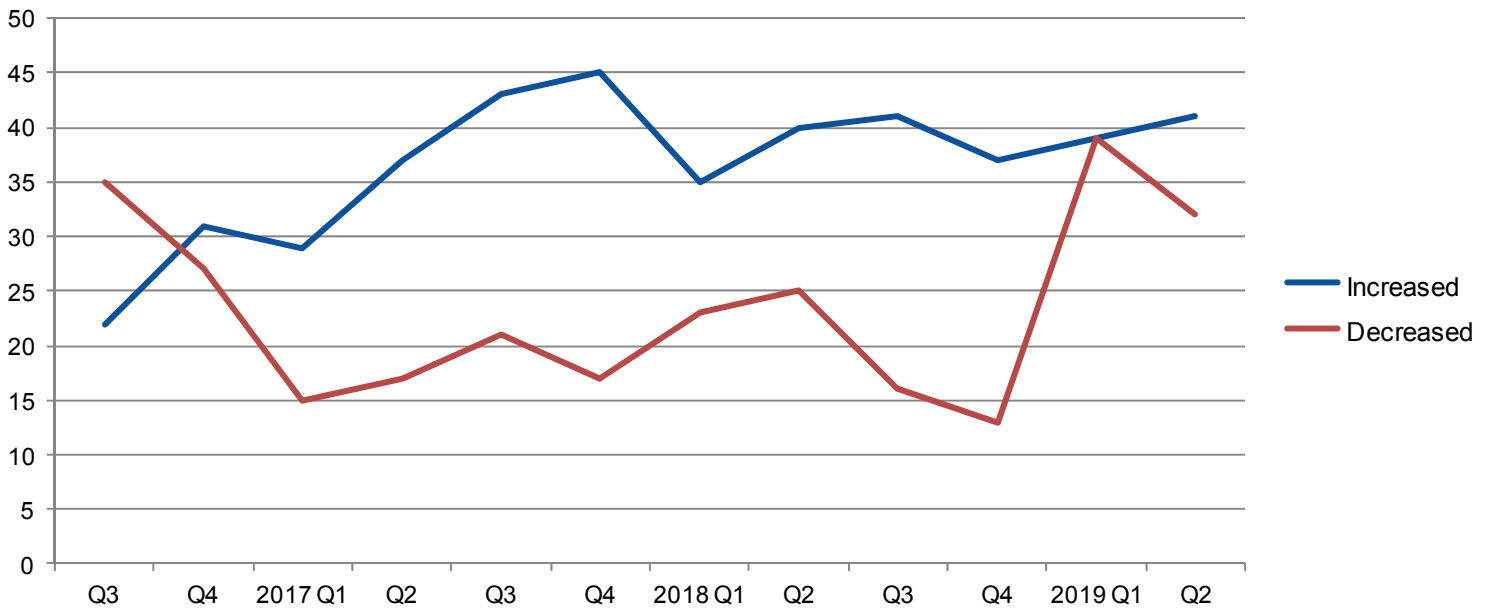
Fewer than half of the companies which responded (45%) said they were working at full capacity which suggests there is plenty of uncertainty and slack in the market which it now seems is unlikely to be resolved before the end of October at the earliest.

Key balances

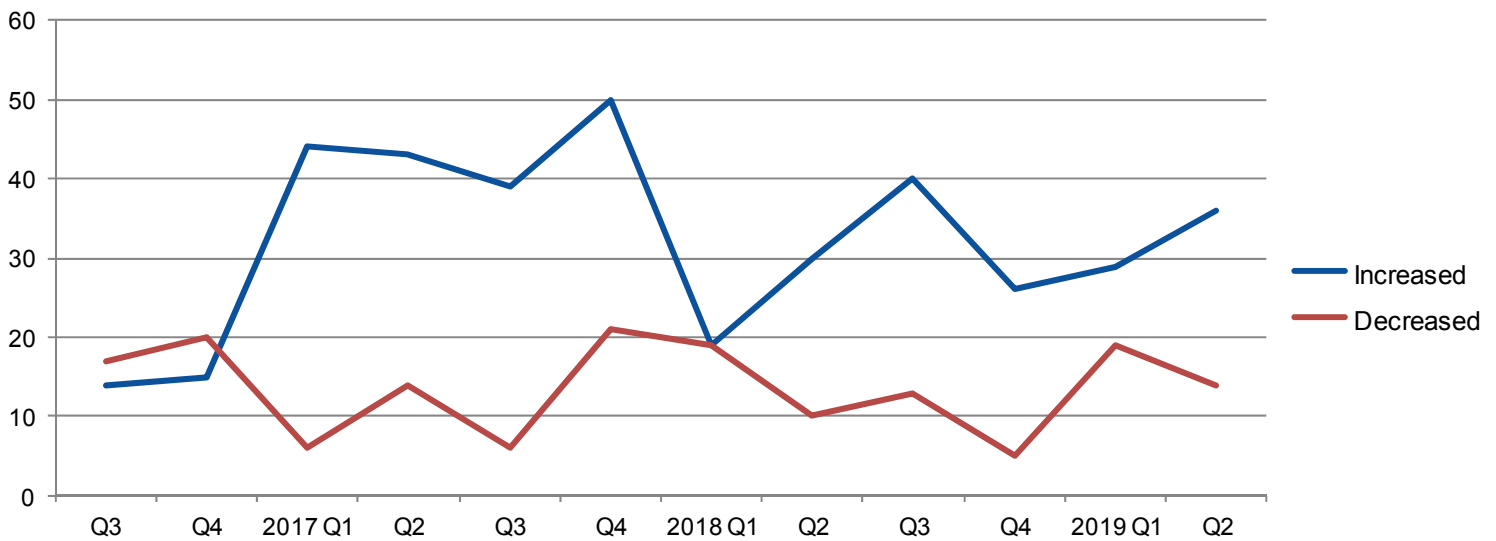
- ➔ Home sales down 9 points to a balance figure of 9.
- ➔ Home orders down 12 points to -3.
- ➔ Export Sales were down 12 points to 22.
- ➔ Export orders were up 12 points to 22.
- ➔ Expected employment was down 9 points 20.
- ➔ 62% of firms told us they had tried to recruit new staff.
- ➔ Cashflow was up 18 points.
- ➔ Training plans were down 11 points to 12.
- ➔ Turnover expectations were down 34 points to 18.
- ➔ Profit expectations were down 37 points to 3.
- ➔ Prices fell by 41 points to 9.

Key indicators

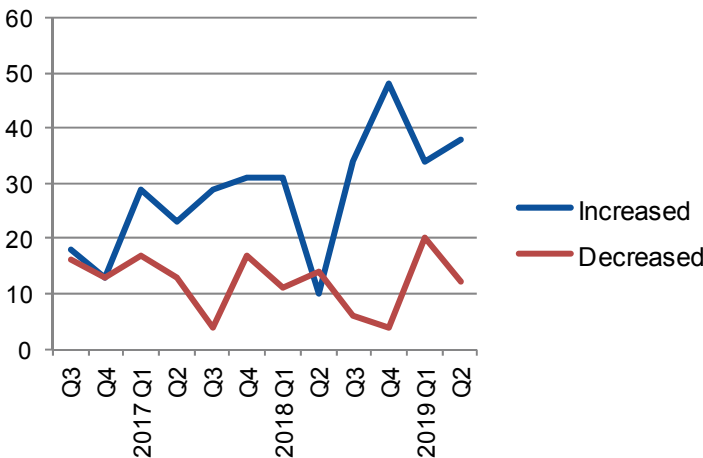
Home sales



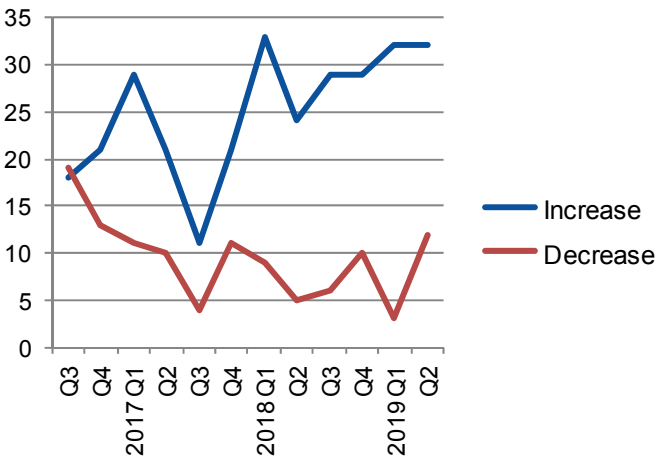
Export sales



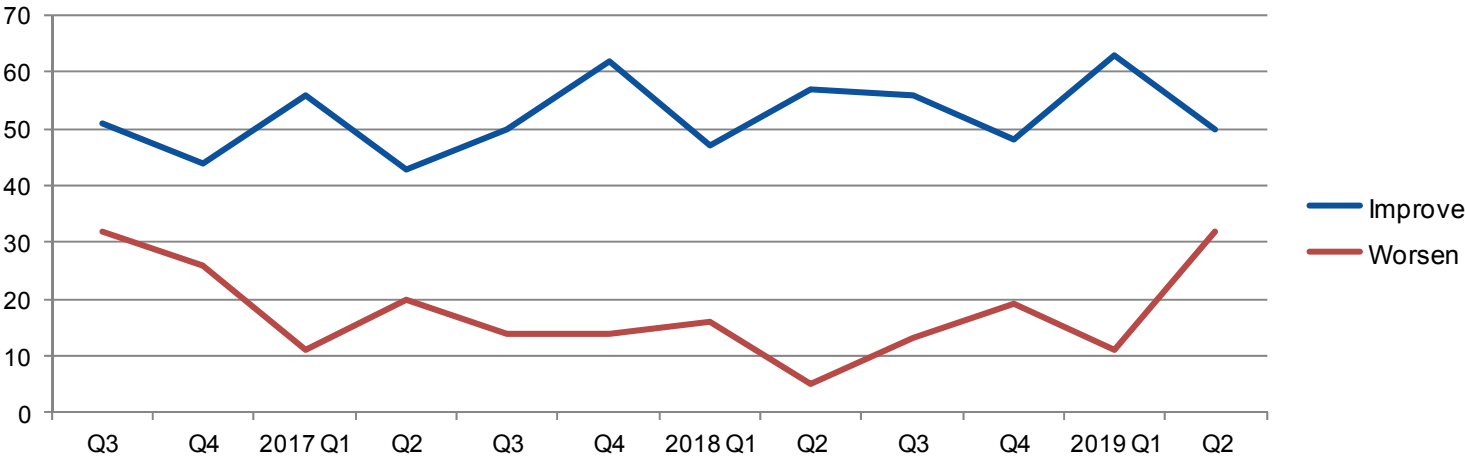
Employment



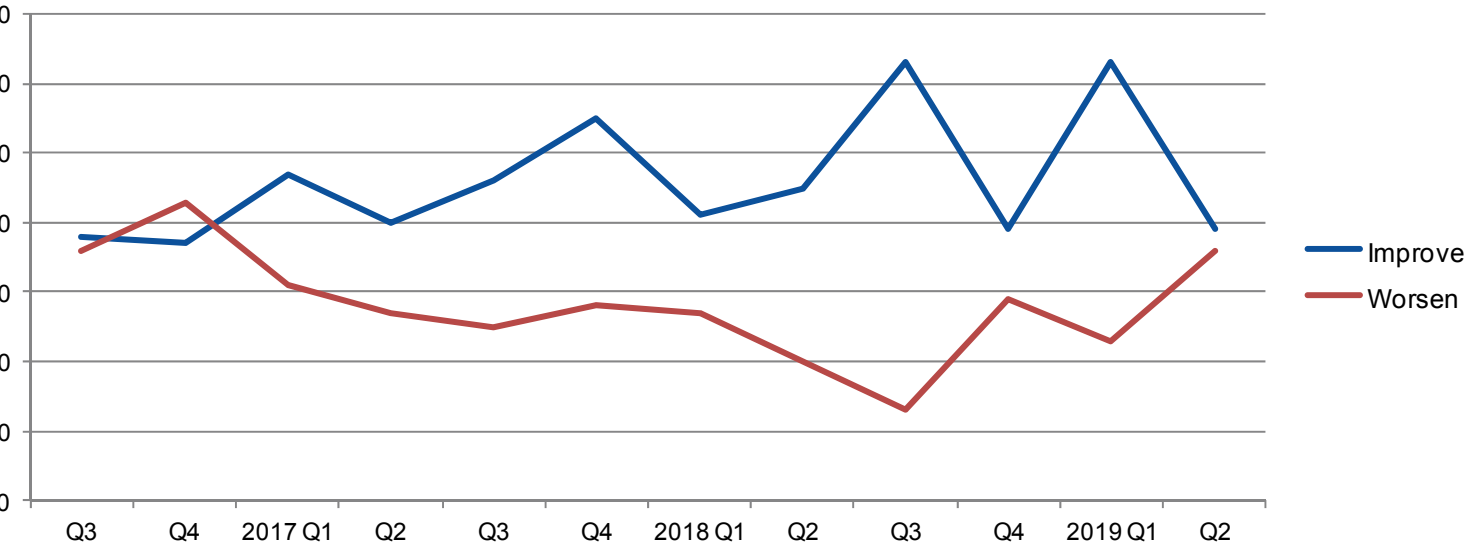
Employment expectations



Turnover expectations

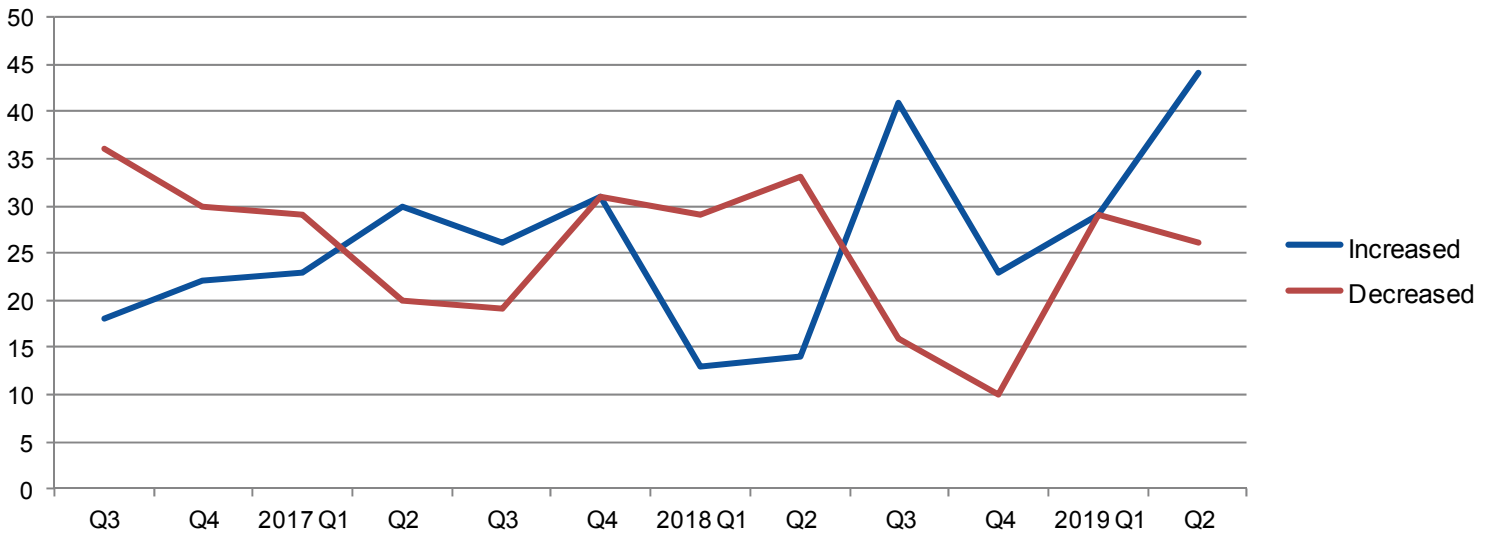


Profit expectations



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

Tough trading conditions affecting UK economy

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, remained stagnant in the second quarter of 2019.

The latest results from the survey of over 6,800 businesses – employing around 1.2-million people – points to the impact that relentless Brexit uncertainty, rising business costs and tougher global trading conditions are having on the UK economy, with service sector output subdued and indicators of manufacturing activity deteriorating.

In the manufacturing sector, the balance of firms reporting growth in domestic sales fell for the third successive quarter and is now at its weakest since Q2 2016. The balance of firms reporting an increase in export sales also dipped to a three-year low. The balance of firms reporting an increase in domestic orders was at its weakest since Q4 2012, while the corresponding balance for export orders was at its lowest in four years.

The services sector saw a slight increase in the balance of companies reporting higher domestic sales and orders, as well as export sales and orders. However, the uptick in activity was not enough to outweigh the significant drop in these indicators in the first quarter ahead of the original Brexit deadline in March and so all remain very weak by historical standards.

The balance of firms expecting prices to rise has fallen to its lowest level in three years across

both sectors, with the majority anticipating no change in their prices. Although the balance of firms reporting improved cash flow picked up in the quarter, it remains low by historic standards, which is concerning as cashflow is a key indicator of financial health.

With growth in the UK economy subdued, and the evidence suggesting that business investment and decision-making are in limbo ahead of the October 31st Brexit deadline, the focus must be on avoiding a messy and disorderly exit from the EU.

Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said: "These results indicate that underlying economic conditions remain downbeat, with intensifying uncertainty over Brexit, rising costs of doing business in the UK and a sluggish global economy combining to suppress key drivers of growth.

"The manufacturing sector endured a challenging quarter with the downward pressure from the running down of excess stock, tougher global trading conditions and rising upfront costs driving a deterioration in a number of the key indicators. While there was a modest recovery in service sector activity, the improvement was insufficient to negate the significant slowdown recorded in the previous quarter and so, together with a weakening in manufacturing sector output, points to minimal GDP growth."

Analysis

Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

“It was good to see cashflow improve and some relief for the import and export sectors in the second quarter of 2019, but it is clear the rest of the economy is struggling to make much headway.

“The uncertainty facing businesses and the economy is now causing all sorts of problems and we need to see a resolution to Brexit, one way or the other, as well as an early spending review and a “Budget for business” to restore investment along with wider momentum and confidence”.

The National View

British Chambers of Commerce

“Over the last three months, the Brexit ‘pressure valve’ has loosened a little for some firms, but the overall picture is still one of an economy in stasis. Many businesses and investors will continue to put off major decisions through the summer, hoping for a breakthrough in the Westminster impasse before the Brexit deadline on October 31st.

“The next Prime Minister must take swift and tangible steps to inject momentum and confidence into the UK economy. Businesses want to see concrete and deliverable plans to tackle barriers to growth.

“To boost and incentivise investment, our business communities are looking for a bold growth agenda here at home. The next government must hit the ground running.”

Results in full

		2018			2019	
		Q2	Q3	Q4	Q1	Q2

Home sales ²			2018			2019	
			Q2	Q3	Q4	Q1	Q2
Increased			40	41	37	39	41
Constant			35	44	50	21	26
Decreased			25	16	13	39	32
Balance			15	25	24	0	9

Home orders ²			2018			2019	
			Q2	Q3	Q4	Q1	Q2
Increased			35	41	23	39	28
Constant			50	47	53	30	41
Decreased			15	13	23	30	31
Balance			20	28	0	9	-3

Export sales ²			2018			2019	
			Q2	Q3	Q4	Q1	Q2
Increased			30	40	26	29	36
Constant			60	47	68	52	50
Decreased			10	13	5	19	14
Balance			20	27	21	10	22

Export orders ²			2018			2019	
			Q2	Q3	Q4	Q1	Q2
Increased			30	38	26	29	36
Constant			60	62	58	52	50
Decreased			10	0	16	19	14
Balance			20	38	10	10	22

Workforce ²			2018			2019	
			Q2	Q3	Q4	Q1	Q2
Increased			10	34	48	34	38
Constant			76	59	48	46	50
Decreased			14	6	4	20	12
Balance			-4	28	44	14	26

Workforce expectations ³			2018			2019	
			Q2	Q3	Q4	Q1	Q2
Increase			24	29	29	32	32
Constant			71	65	61	65	56
Decrease			5	6	10	3	12
Balance			19	23	19	29	20

Recruited staff ²			2018			2019	
			Q2	Q3	Q4	Q1	Q2
Yes			57	63	68	56	62
- Part time			25	20	19	26	38
- Full time			88	75	90	79	81
- Temporary			25	45	24	26	19
- Permanent			63	35	38	58	38
No			43	37	22	44	38

Recruitment difficulties ²			2018			2019	
			Q2	Q3	Q4	Q1	Q2
Yes			58	90	90	90	75
- Skilled manual			43	50	26	26	67
- Management			43	44	58	79	67
- Clerical			29	28	26	26	33
- Unskilled/semi-skilled			29	22	47	58	22
No			42	10	10	10	25

		2018			2019	
		Q2	Q3	Q4	Q1	Q2

Cashflow ²			2018			2019	
			Q2	Q3	Q4	Q1	Q2
Increased			14	41	23	29	44
Constant			52	44	68	43	29
Decreased			33	16	10	29	26
Balance			-19	25	13	0	18

Investment: Plant/machinery ²			2018			2019	
			Q2	Q3	Q4	Q1	Q2
Increased			18	37	20	29	19
Constant			59	53	60	44	55
Decreased			24	10	20	26	26
Balance			15	27	0	3	-7

Investment: Training ²			2018			2019	
			Q2	Q3	Q4	Q1	Q2
Increased			57	39	42	43	25
Constant			38	55	45	37	63
Decreased			5	6	13	20	13
Balance			52	33	29	23	12

Turnover expectations ⁴			2018			2019	
			Q2	Q3	Q4	Q1	Q2
Improve			45	56	48	63	50
Same			35	31	32	26	18
Worsen			20	13	19	11	32
Balance			52	43	29	52	18

Profit expectations ⁴			2018			2019	
			Q2	Q3	Q4	Q1	Q2
Improve			45	63	39	63	39
Same			35	25	32	14	24
Worsen			20	13	29	23	36
Balance			25	50	10	40	3

Capacity utilisation ¹			2018			2019	
			Q2	Q3	Q4	Q1	Q2
Full capacity			29	41	29	26	45
Below capacity			71	59	71	74	55

Prices ³			2018			2019	
			Q2	Q3	Q4	Q1	Q2
Increased			52	42	45	53	21
Constant			48	58	52	44	68
Decreased			0	0	3	3	12
Balance			52	42	42	50	9

Price pressures ¹			2018			2019	
			Q2	Q3	Q4	Q1	Q2
Pay settlements			63	35	40	42	40
Raw materials			25	53	44	33	40
Finance			31	18	24	25	16
Other overheads			56	65	60	71	60

External concerns ¹			2018			2019	
			Q2	Q3	Q4	Q1	Q2
Interest rates			24	15	13	13	8
Exchange rates			53	27	32	39	31
Business rates			29	19	13	23	23
Inflation			12	12	45	35	19
Competition			59	42	48	61	54
Tax			24	12	19	23	31