



Quarterly Economic Survey

Quarter 3, 2019

www.hull-humber-chamber.co.uk

Overview

Most sectors cool as the 'B' debate hots up

WITH continuing uncertainty around the "B" word, perhaps it is no surprise that in the third quarter of the year, Humber businesses were concerned about exchange rates, interest rates and inflation, all of which showed marked increases.

According to research by the Hull & Humber Chamber of Commerce, concerns over business rates were also higher than in the second quarter, however concerns over tax issues remained stable this quarter, but were still up nine points over the first period of this year.

On the Home front, those firms reporting an increase in Home Sales rose by one point, while Home Orders rose by four points, although the balance figure for Home Sales dropped six points overall.

Export Sales and Export Orders were both down this quarter, with Export Orders showing the biggest drop compared to Q2.

Employment also dropped slightly in the last three months with fewer firms reporting that they were recruiting staff.

For the next three months, recruitment looks fairly static, with the same balance figure of 20 as we saw for the second quarter, but both of those figures were down 9 points on the first quarter of 2019.

Looking at the type of roles firms were seeking to fill, the only increase was for

unskilled or semi-skilled positions, but the good news is that these were for permanent positions, while part-time and temporary positions were both down.

In the last three months, business reported that their cashflow was fairly consistent, with a drop in the balance figure of just two points, compared to last quarter.

In more positive news, four percent more firms said they would invest in plant or machinery, but on the training front, fewer firms said they would invest in training their staff, with the balance figure dropping six points to six.

Turnover and profit expectations for the next 12 months were also taking a hit, with the balance figure for turnover expectations dropping by 15 points to three.

Profit expectations dropped into negative territory with a balance figure of -10 representing a 13 point drop on the second quarter.

The number of firms reporting that were working at full capacity also fell back by three percent on the last quarter.

The biggest pressure on prices reported related to finance with eight per cent more firms expressing concerns, while pay settlements were less of a concern this time around.

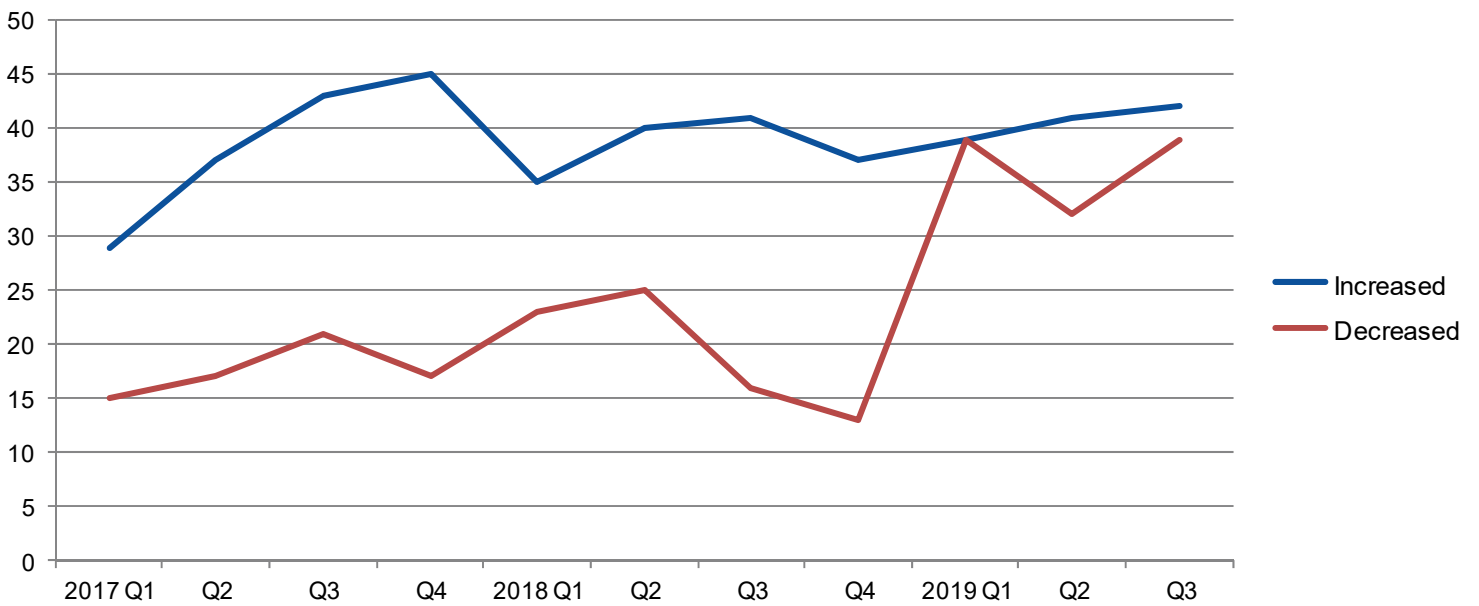
The figures for raw material costs and other overheads were similar to the figures reported for Quarter 2.

Key balances

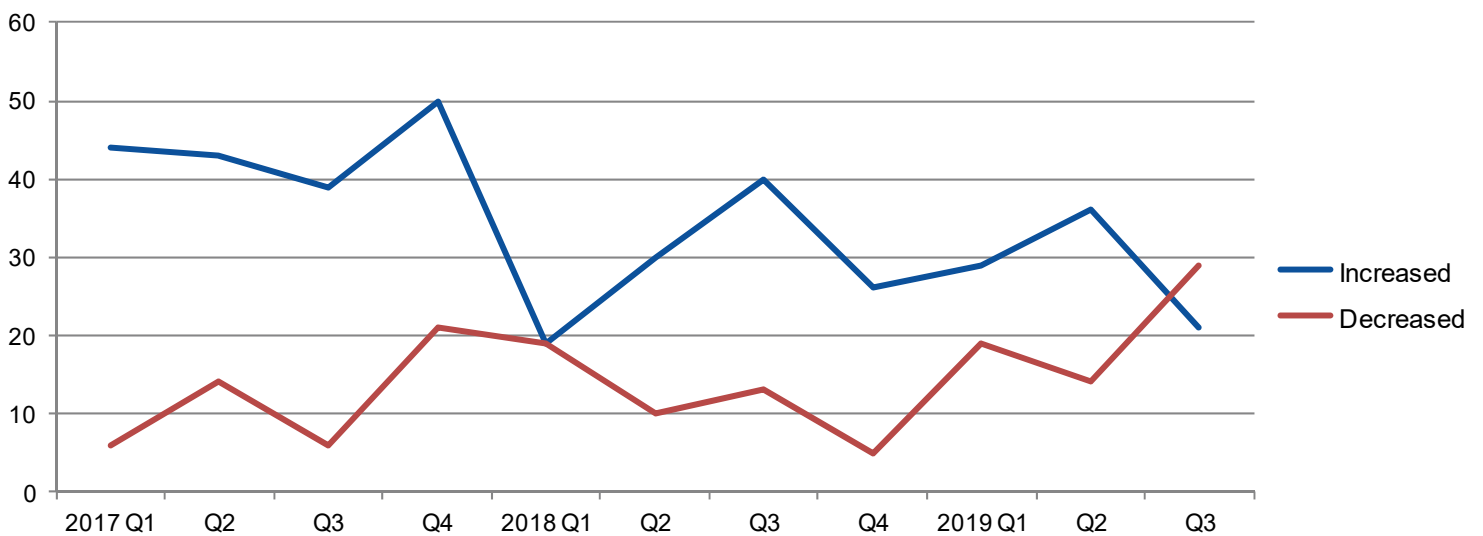
- ➔ Home sales down six points to a balance figure of three.
- ➔ Home orders held steady, with a balance figure of -3.
- ➔ The balance figure for employment in the last three months fell four points.
- ➔ Cashflow in the last three months was down two points to -2.
- ➔ Plans to invest in Plant and Machinery in the next three months rose slightly—up four points.
- ➔ Firms planning to invest in staff training were down six points.
- ➔ Turnover expectations fell sharply from 18 points in Q2 to 3.
- ➔ Export sales down 30.
- ➔ The balance figure for prices rose 20 points to 29.

Key indicators

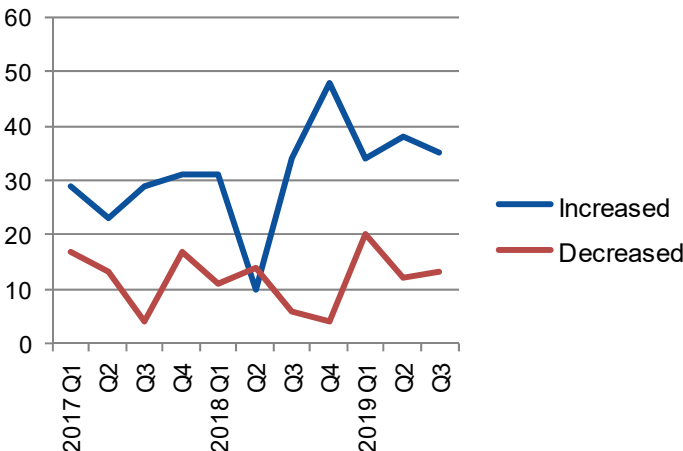
Home sales



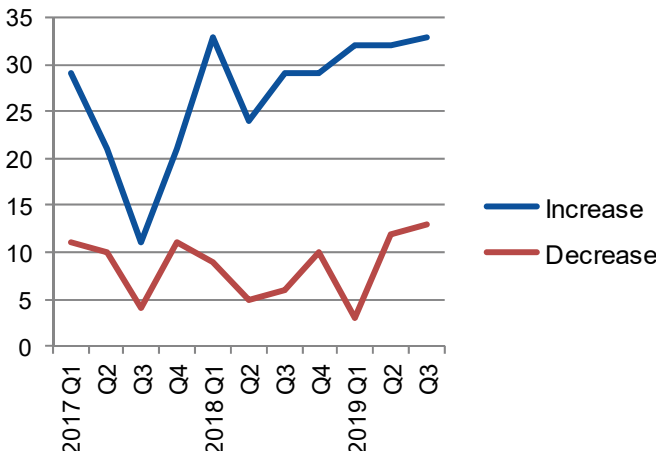
Export sales



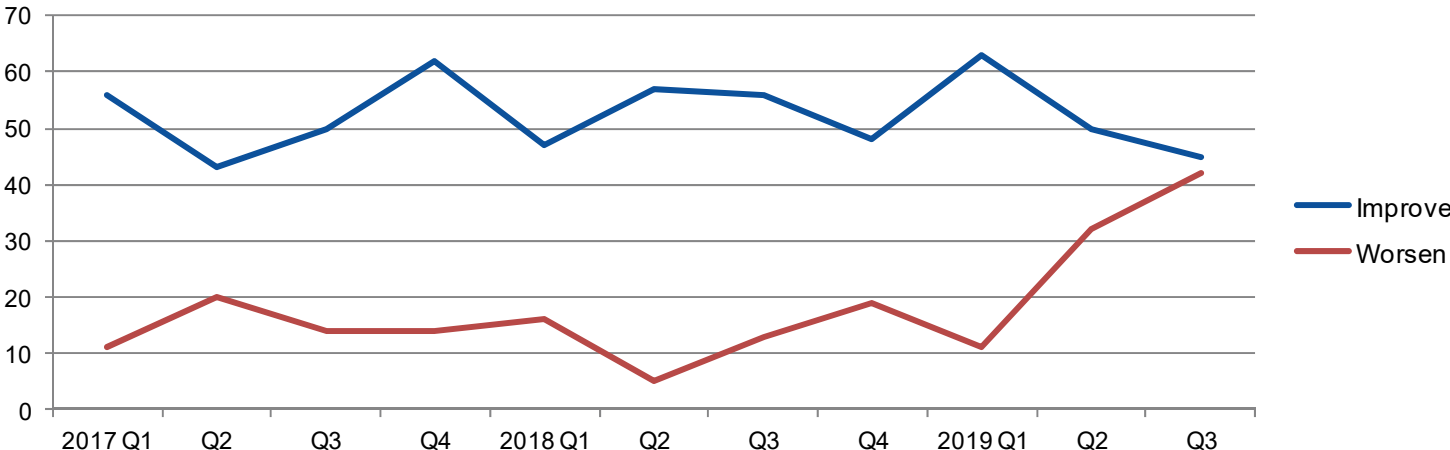
Employment



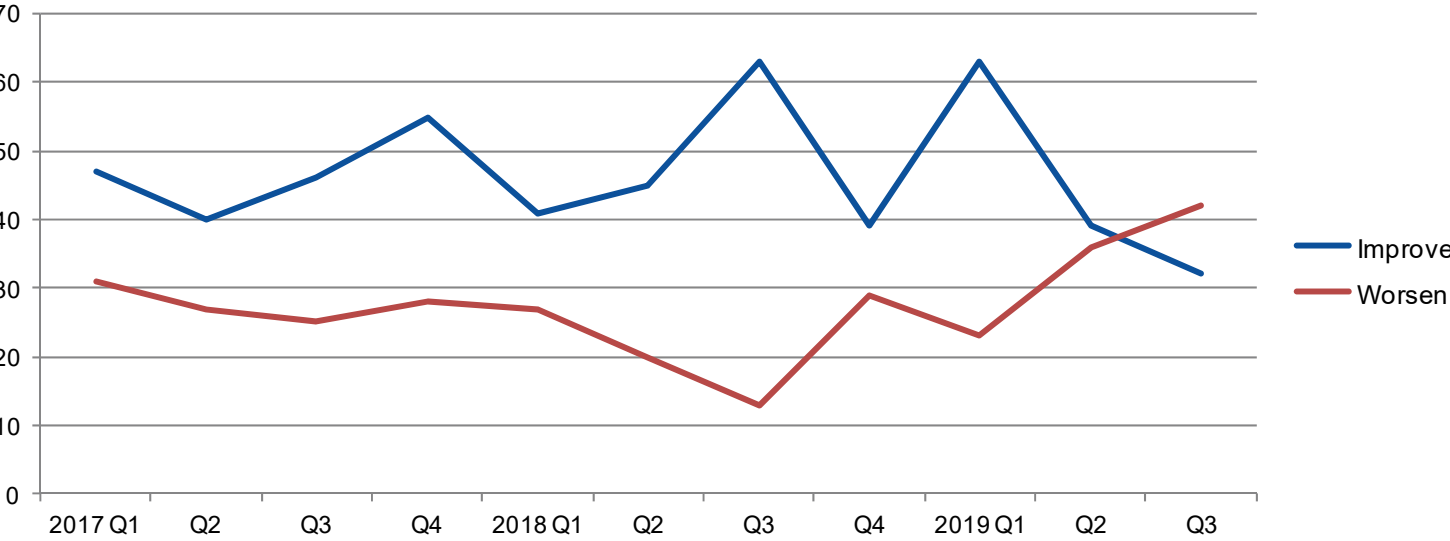
Employment expectations



Turnover expectations

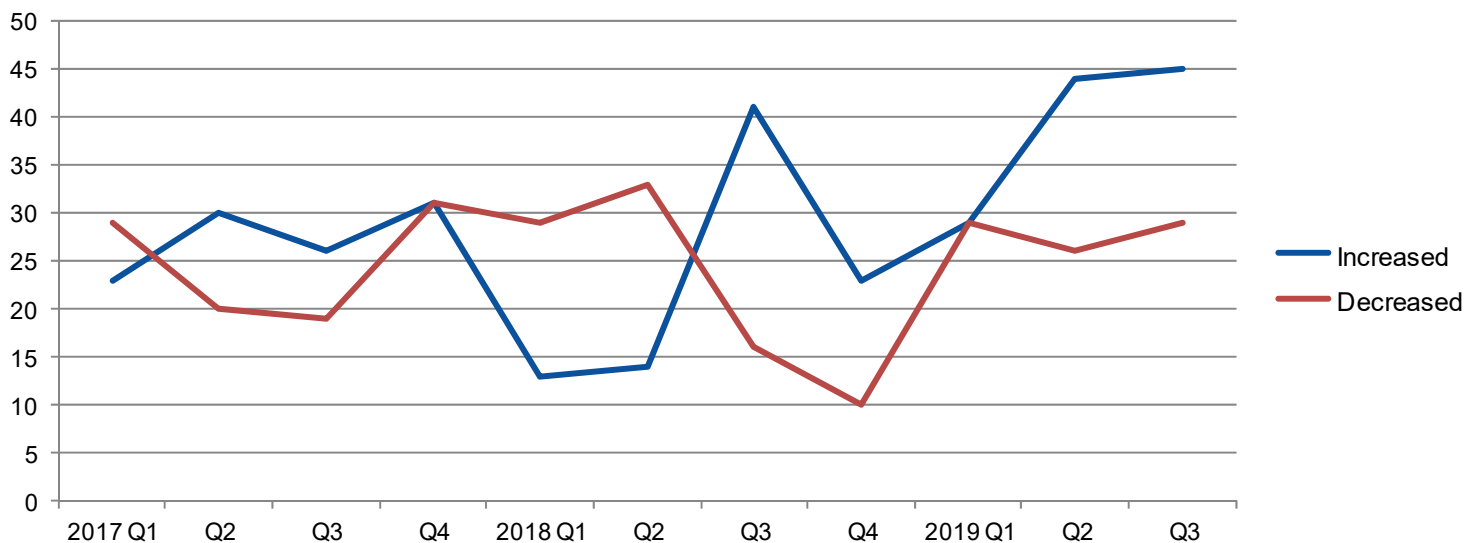


Profit expectations



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

Economy weakens as manufacturing slump continues

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 – *now in its thirtieth year as the largest UK private sector survey of business sentiment and a leading indicator of UK GDP growth* – found that UK economic conditions weakened in the third quarter amid a significant deterioration in manufacturing sector activity.

The latest results of the survey of 6,600 UK firms that employ roughly 1.2 million people, point to an economy sagging under the weight of relentless uncertainty, another looming Brexit deadline, and deteriorating global economic conditions amid heightened trade tensions.

In the manufacturing sector, there was a marked downward shift in many indicators in the third quarter.

The balance of firms reporting increased domestic sales was at its weakest since Q4 2011 and domestic orders entered negative territory for the first time in seven years – indicating more businesses saw a decrease than increase.

The balance of firms reporting increased export sales dropped to its lowest level since Q4 2015 and the balance for export orders went negative and stood at its lowest level since Q3 2009.

The balance of firms in the manufacturing sector that increased investment in training dipped to its lowest level since Q1 2010. Indicators for business confidence in

turnover and profitability among manufacturers dropped to an eight-year low.

The dominant services sector saw a decrease in the balance of firms reporting increased domestic sales and orders, and export orders. The balance of firms confident in turnover and profitability improvements also fell in the quarter, as did the balance for investment in training.

Manufacturers reported that their cashflow position – a key indicator of the financial health of a business – has deteriorated. In the services sector, cashflow held steady, but remains low by historical standards.

Responding to the alarming findings, the BCC is imploring Westminster to take urgent action to incentivise investment and to cut the high up-front cost of doing business in the UK.

Reacting to the results, a British Chambers of Commerce spokesman said: "This is a reality check, not scaremongering or politicking. These are some of the worst figures we've seen in a decade – and jobs, businesses, and the future success of our communities are on the line.

"Behind each of these statistics sit thousands of real businesses all over the UK, who are feeling the cold harsh winds of Brexit uncertainty and global trade turbulence right now.

Analysis

Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

“Looking at this quarter’s figures, it is clear the economy is still struggling in the face of uncertainty and therefore the Chamber continues to call for an early resolution to Brexit.

“We think business and the electorate feel the sooner this Brexit saga is brought to a conclusion the better so that the Government is allowed to move on and run the country properly.

“We welcome the idea of a new Queen’s Speech and the chance to move forward with greater clarity for the national and local business community.”

The National View

British Chambers of Commerce

“Our findings point to a worrying drop-off in UK economic activity, with unrelenting uncertainty over Brexit and a notable slowing in global growth prospects dragging down almost all the key indicators in the quarter.

“The manufacturing sector continues to toil under the weight of diminishing cashflow, weakening global demand and disrupted supply chains, and the data indicates that the sector was a drag on UK GDP growth in the quarter.

Although the slowdown in a number of the key service sector indicators was relatively modest, slowing activity in the sector is a concern given its dominant share of overall UK economic output.

A stuttering services sector coupled with a worrying downturn in manufacturing activity indicates that any bounce back in UK GDP growth from the contraction in the second quarter is likely to be underwhelming at best.

“Looking forward, weakening orders, confidence and investment intentions suggest that unless action is taken the UK’s current weak growth trajectory could drift markedly lower over the near term.”

Results in full

		2018		2019		
		Q3	Q4	Q1	Q2	Q3

Home sales ²	Increased	41	37	39	41	42
	Constant	44	50	21	26	19
	Decreased	16	13	39	32	38
	Balance	25	24	0	9	3

Home orders ²	Increased	41	23	39	28	32
	Constant	47	53	30	41	32
	Decreased	13	23	30	31	35
	Balance	28	0	9	-3	-3

Export sales ²	Increased	40	26	29	36	21
	Constant	47	68	52	50	50
	Decreased	13	5	19	14	29
	Balance	27	21	10	22	-8

Export orders ²	Increased	38	26	29	36	8
	Constant	62	58	52	50	62
	Decreased	0	16	19	14	31
	Balance	38	10	10	22	-22

Workforce ²	Increased	34	48	34	38	35
	Constant	59	48	46	50	52
	Decreased	6	4	20	12	13
	Balance	28	44	14	26	22

Workforce expectations ³	Increase	29	29	32	32	33
	Constant	65	61	65	56	53
	Decrease	6	10	3	12	13
	Balance	23	19	29	20	20

Recruited staff ²	Yes	63	68	56	62	48
	- Part time	20	19	26	38	33
	- Full time	75	90	79	81	67
	- Temporary	45	24	26	19	13
	- Permanent	35	38	58	38	67
	No	37	22	44	38	52

Recruitment difficulties ²	Yes	90	90	90	75	67
	- Skilled manual	50	26	26	67	40
	- Management	44	58	79	67	40
	- Clerical	28	26	26	33	30
	- Unskilled/semi-skilled	22	47	58	22	30
	No	10	10	10	25	33

		2018		2019		
		Q3	Q4	Q1	Q2	Q3

Cashflow ²	Increased	41	23	29	44	45
	Constant	44	68	43	29	26
	Decreased	16	10	29	26	29
	Balance	25	13	0	18	16

Investment: Plant/machinery ²	Increased	37	20	29	19	30
	Constant	53	60	44	55	37
	Decreased	10	20	26	26	33
	Balance	27	0	3	-7	-3

Investment: Training ²	Increased	39	42	43	25	35
	Constant	55	45	37	63	35
	Decreased	6	13	20	13	29
	Balance	33	29	23	12	6

Turnover expectations ⁴	Improve	56	48	63	50	45
	Same	31	32	26	18	13
	Worsen	13	19	11	32	42
	Balance	43	29	52	18	2

Profit expectations ⁴	Improve	63	39	63	39	32
	Same	25	32	14	24	26
	Worsen	13	29	23	36	42
	Balance	50	10	40	3	-10

Capacity utilisation ¹	Full capacity	41	29	26	45	42
	Below capacity	59	71	74	55	58

Prices ³	Increased	42	45	53	21	35
	Constant	58	52	44	68	58
	Decreased	0	3	3	12	6
	Balance	42	42	50	9	29

Price pressures ¹	Pay settlements	35	40	42	40	24
	Raw materials	53	44	33	40	41
	Finance	18	24	25	16	24
	Other overheads	65	60	71	60	59

External concerns ¹	Interest rates	15	13	13	8	32
	Exchange rates	27	32	39	31	39
	Business rates	19	13	23	23	32
	Inflation	12	45	35	19	39
	Competition	42	48	61	54	39
	Tax	12	19	23	31	32