



Quarterly Economic Survey

Quarter 1, 2013

www.hull-humber-chamber.co.uk

Overview

First quarter sees rise in profits and recruitment optimism

THERE was an encouraging rise in the number of firms expecting their profits to increase during the first quarter of 2013, which, combined with 54% of firms recruiting new staff, an increase of 3% on the previous quarter, suggests a generally positive start to the year for the Humber region.

Exports continue to remain high, although down slightly on the previous quarter, recent research from the Hull & Humber Chamber of Commerce reveals.

Export Orders rose to 59% (up 7%), while Export Sales dipped slightly to a balance of 55% (down 6%).

There was a further increase in the number of businesses recruiting in Quarter 1 compared to the end of last year, up 3% to 54%, although employment balances fell back slightly this quarter to 10%, having shown a 3% increase in the previous quarter. The Employment expectations balance is also on 10%, a 4% rise over the previous quarter, which is positive news for the jobs market, with more companies looking to take on staff.

A decrease of 5% to 27% was observed for businesses experiencing difficulties in recruitment. The main difficulties reported were by businesses seeking management staff (23%), followed by Skilled/Manual staff (16%) and clerical staff, also on 16%.

Some key business confidence indicators saw decreases in Quarter 1.

Cashflow was down by 2%, going further into negative figures, to -20%. A fall was also seen in investment in training, down 8% to 2%. Investment in plant and machinery recovered marginally, rising by 2%.

In Quarter 1 of this year, the UK Sales balance dipped from 20% at the end of last year to just 6%. Home orders have also seen a decrease to a balance of 15%, a drop of 5%.

More businesses are expecting to increase their prices over the forthcoming quarter, with 30% reporting that they will be increasing prices, up 6% on the previous quarter.

Other overheads continue to be the main price pressure for businesses at 44%, although that figure has dropped back a bit on the last quarter (down 9%).

Concerns over the cost of Raw Materials rose 9% to 39% and continue to be the second largest price pressure. Pay settlements fell back to 16%, but Finance rose 6% to 19%.

External concerns for businesses were focused on inflation which was the main worry for 44% of firms, a drop of 3% on the previous quarter.

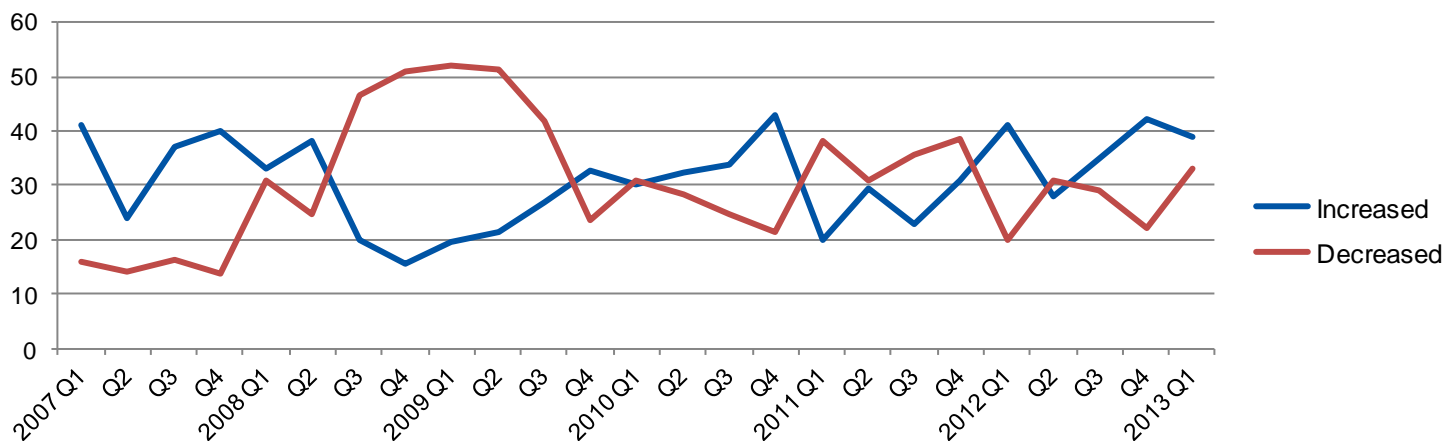
Tax issues were also a major worry so close to the Budget for 42% of firms, a sharp rise from 26% in the previous quarter. Competition saw a decrease of 1%, to 37%, followed by Business Rates, which dropped to 29%, a decrease of 2%.

Key balances

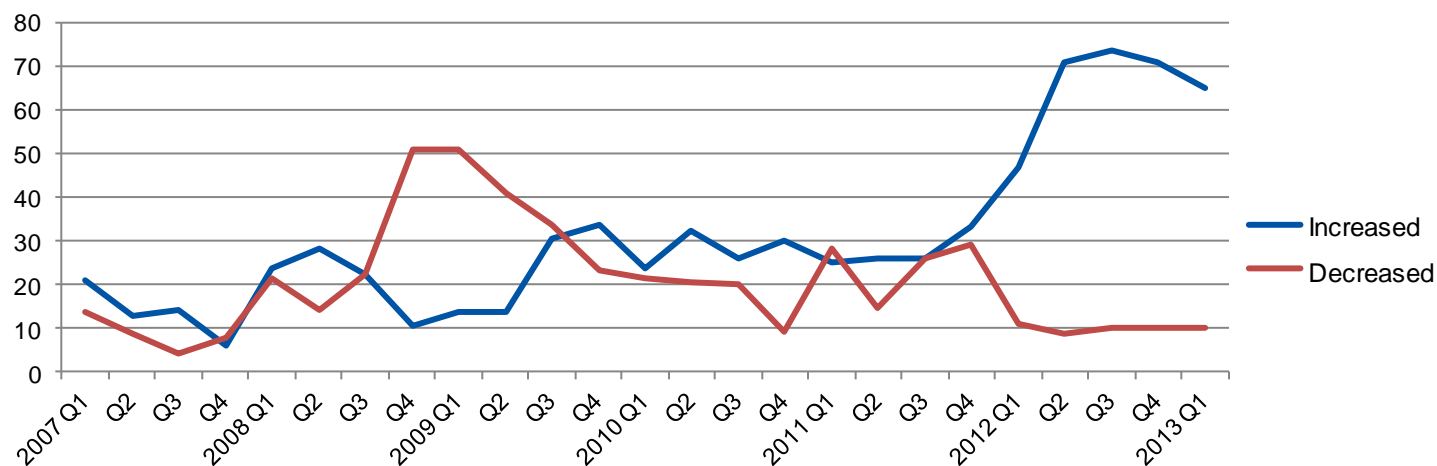
- The balance for domestic sales decreased 14 points to 6, and domestic orders fell 5 points to 15%.
- Export sales dropped 6 points to 55. Export orders increased 6 points to 59.
- Employment fell 1 point to 10, and expected rose 4 points to 10.
- Expectations for turnover decreased by 2 points to 31, and for profit increased by 6 points to 18.
- Investment plans increased 2 points to 0 for plant but decreased 8 points to 2 for training.

Key indicators

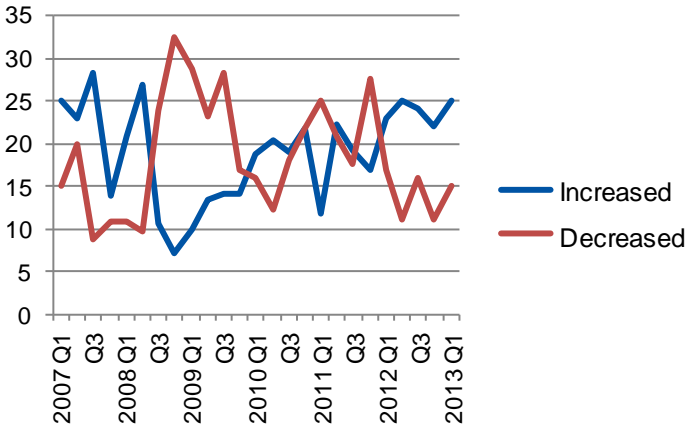
Home sales



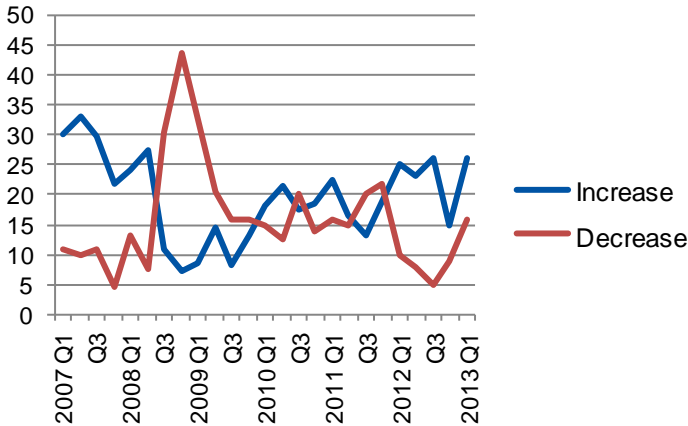
Export sales



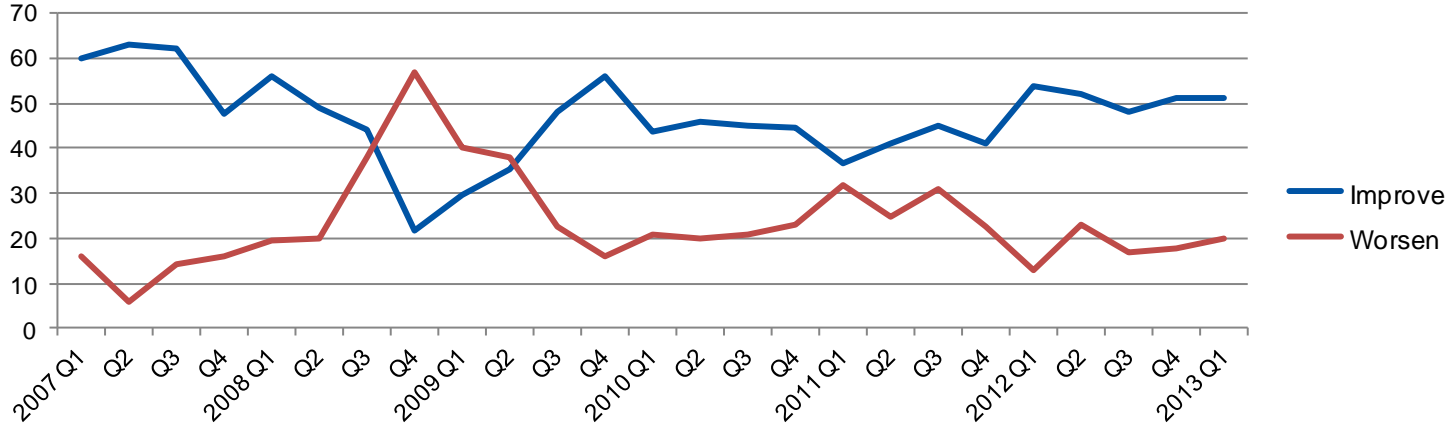
Employment



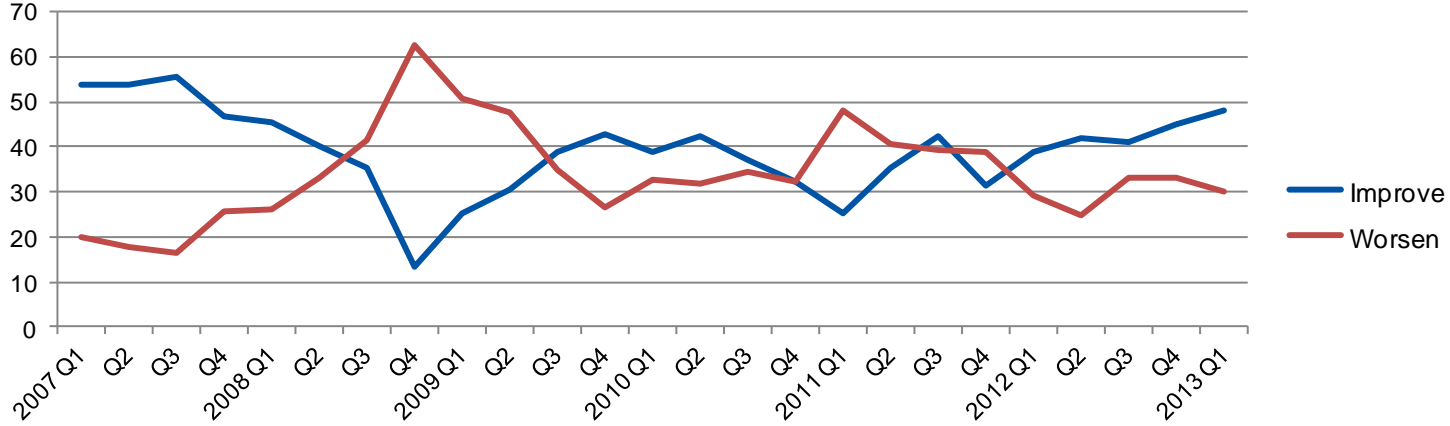
Employment expectations



Turnover expectations

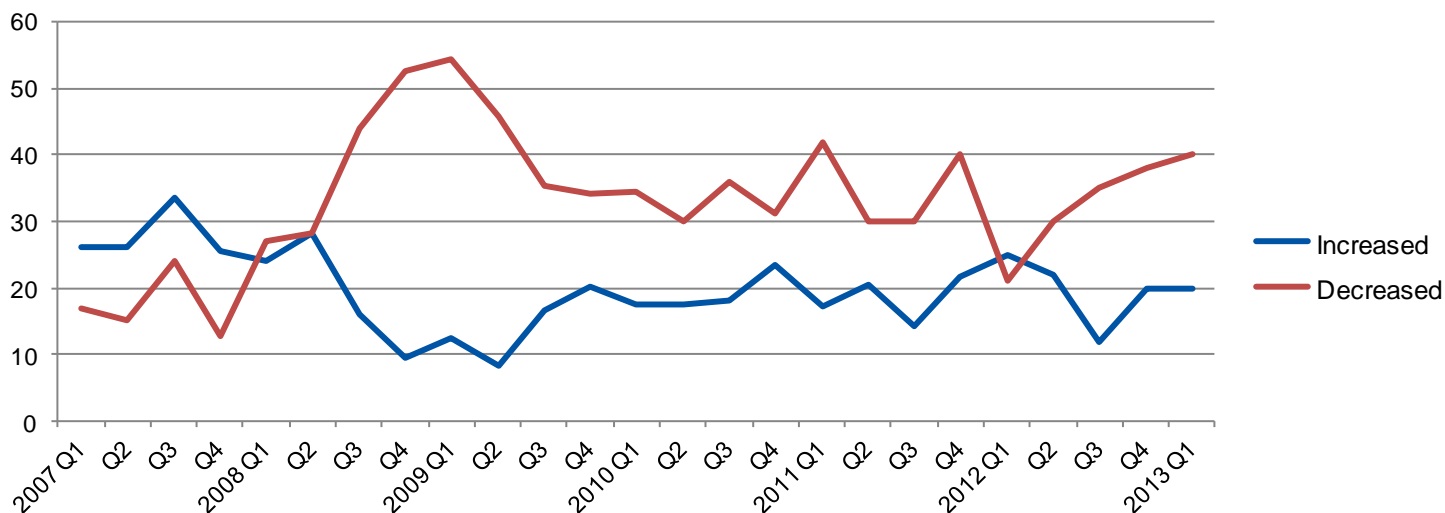


Profit expectations



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 1,400 member companies of all sizes and sectors from 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

For more information please contact:

Dr Ian Kelly
 Tel: 01482 324976
 i.kelly@hull-humber-chamber.co.uk
 34-38 Beverley Road, Hull, HU3 1YE

National picture

Economy improves with strong exports, but growth will remain subdued

British Chambers of Commerce

The British Chambers of Commerce co-ordinates the QES on behalf of 55 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 results from the British Chambers of Commerce's first Quarterly Economic Survey of the year shows the economy has made progress, but still has some mountains to climb before it is fully back on track.

The national picture largely reflects the results seen in the Humber region, with exports performing well, but our area seems to be out-performing the national results in terms of recruitment with firms taking on new staff, or expecting to do so in the coming months, both increasing while nationally, employment balances weakened.

The new survey, made up of responses from more than 7,000 businesses, shows that most key balances in both the manufacturing and service sectors strengthened in the first quarter of 2013.

Export balances in services are particularly strong, with deliveries and orders near the all time high in 1994. Business confidence has increased further, with all balances much stronger than their average levels in the midst of the recession in 2008 – 2009.

Manufacturing turnover confidence rose 3 points to +44%, and by 2 points in services to +40%. Profitability confidence increased by 3 points in manufacturing to +33%, the highest it's been since Q4 of 2007, but was unchanged for services at +22%.

The Q1 cashflow balances, though still relatively weak, are now in positive territory for both sectors. Cashflow for manufacturing firms edged down 1 point to +2%, while improving in the service sector by 7 points to +6%.

Despite these welcome improvements, most indicators are still below their pre-recession levels seen in 2007. It is disappointing that employment balances weakened overall in the first quarter.

The findings suggest the economic outlook will improve gradually, and that growth will be positive but subdued this year.

The results also demonstrate resilience among UK businesses, many of which are confident and looking to invest and increase exports this year.

Investment intentions rose slightly overall in the first quarter. The balance of manufacturing firms looking to increase investment in plant and machinery rose three points to reach +14% - the best level since Q1 2012. In services, this balance increased by 4 points to reach +9% - the best level since Q4 2007.

Overall, the Q1 results support our view that the economy will record positive but subdued growth in 2013.

Commenting on the survey, the BCC's Director General, John Longworth, said: "Although the progress seen in the first quarter of this year is modest, it is progress nonetheless. Business confidence has increased further, and it is really encouraging to see export orders and deliveries near to their record high levels in services.

"This showcases the determination and ambition of our businesses here in the UK, despite continued pressures both at home and abroad. But the fact remains that the economy is still not strong enough."

Analysis

Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

“Despite some high profile job losses announced last year, this is a more positive set of profit expectations and recruitment ambitions.

“After a concerning Quarter 3 and flat Quarter 4 in 2012, we are pleased to see that local business confidence is climbing again and now that the Government has put forward its Energy Bill, we are increasingly hopeful that more inward investment in our area will steadily emerge during 2013.”

David Kern

Chief Economist

British Chambers of Commerce

“The improvement seen in most key balances in Q1 supports our view that UK output continued to grow in the early months of 2013. The survey reinforces our assessment that recent GDP figures published by the ONS have exaggerated the weakness of the UK economy and the volatility in output.

“If an announcement of negative growth in Q1 is misleadingly described as a triple-dip recession, confidence will again be damaged unnecessarily. While the results do confirm that the UK’s economic performance is inadequate, they also show areas of strength.

“The surge in the service sector’s export balances suggests that pessimism over UK exports is unjustified. However, the UK is increasingly becoming a largely service sector economy, and developing the export potential of the service sector is critical to our future long-term prosperity.

“We need a two-pronged strategy that combines a commitment to cutting the deficit, with a relentless drive to boost growth and the economy’s productive potential”.

Results in full

		2012				2013
		Q1	Q2	Q3	Q4	Q1
Home sales ²	Increased	41	28	35	42	39
	Constant	39	41	36	36	28
	Decreased	20	31	29	22	33
	Balance	21	-3	6	20	6
Home orders ²	Increased	30	31	31	41	38
	Constant	49	41	40	38	38
	Decreased	21	28	29	21	23
	Balance	9	3	2	20	15
Export sales ²	Increased	47	71	74	71	65
	Constant	42	21	16	19	25
	Decreased	11	9	10	10	10
	Balance	36	62	64	61	55
Export orders ²	Increased	47	68	68	65	69
	Constant	37	25	17	23	21
	Decreased	16	7	14	12	10
	Balance	31	61	54	53	59
Workforce ²	Increased	23	25	24	22	25
	Constant	60	63	59	66	61
	Decreased	17	11	16	11	15
	Balance	6	14	8	11	10
Workforce expectations ³	Increase	25	23	26	15	28
	Constant	65	70	69	75	57
	Decrease	10	8	5	9	16
	Balance	15	15	21	6	10
Recruited staff ²	Yes	48	47	47	51	54
	- Part time	30	31	23	22	33
	- Full time	70	69	77	78	67
	- Temporary	14	50	48	41	38
	- Permanent	86	50	52	59	62
	No	52	53	53	49	46
Recruitment difficulties ²	Yes	52	25	31	32	27
	- Skilled manual	12	17	18	18	16
	- Management	24	14	12	24	23
	- Clerical	16	8	3	8	16
	- Unskilled/semi-skilled	16	11	15	14	10
	No	48	75	69	68	73
Cashflow ²	Increased	25	22	12	20	20
	Constant	54	48	53	42	40
	Decreased	21	30	35	38	40
	Balance	4	-8	-23	-18	-20
Investment: Plant/machinery ²	Increased	25	32	24	17	20
	Constant	57	54	57	63	61
	Decreased	18	14	19	19	20
	Balance	7	18	5	-2	0
Investment: Training ²	Increased	25	24	23	21	19
	Constant	59	59	59	67	64
	Decreased	16	16	19	11	17
	Balance	9	8	4	10	2
Turnover expectations ⁴	Improve	54	52	48	51	51
	Same	33	25	35	31	30
	Worsen	13	23	17	18	20
	Balance	41	29	31	33	31
Profit expectations ⁴	Improve	39	42	41	45	48
	Same	31	33	25	22	23
	Worsen	29	25	33	33	30
	Balance	10	17	8	12	18
Capacity utilisation ¹	Full capacity	26	37	23	30	28
	Below capacity	74	63	77	70	72
Prices ³	Increased	17	23	32	24	30
	Constant	75	71	64	66	59
	Decreased	8	6	4	9	11
	Balance	9	17	28	15	19
Price pressures ¹	Pay settlements	17	22	21	21	16
	Raw materials	35	25	36	30	39
	Finance	17	18	23	13	19
	Other overheads	54	54	49	53	44
External concerns ¹	Interest rates	17	15	21	14	13
	Exchange rates	19	22	15	19	19
	Business rates	31	32	27	31	29
	Inflation	50	47	51	47	44
	Competition	25	29	32	38	37
	Tax	27	29	32	26	42

Key: 1 = Current; 2 = Past 3 months; 3 = Next 3 months; 4 = Next 12 months