



# Quarterly Economic Survey

Quarter 4, 2019

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

# Overview

## Economy subdued, but hints of optimism

THE Humber's economy in the last quarter of 2019 continued in a similar vein to the rest of the year, with businesses showing little pre-election optimism, although the outlook for the coming 12 months does now seem to be much brighter.

According to research by the Hull & Humber Chamber of Commerce, Home Sales and Orders both fell further into negative territory in Quarter 4. The balance figure for Home sales fell 21 points compared to quarter three, to -18, while Home Orders fell a further 24 points to a balance figure of -27.

Export Sales and Orders also tumbled further into negative territory, with Export Sales dropping 27 points to a balance figure of -35, while Export Orders dropped another four points to -27, the lowest level seen since Q3 of 2018.

The Labour Force in the last three months dropped notably, falling from a balance figure of 22 in Quarter 3 to 0 in Quarter 4, its lowest figure since Quarter 2 of 2018.

There was little cause for optimism on the jobs front either, with only seven per cent of firms reporting an intention to recruit staff in the next three months. This compares to 20 per cent of firms looking for more staff in the previous two quarters.

Finding the right calibre of staff is still an issue for 73 per cent of respondents who told us that management roles were the most challenging to fill.

Looking at the type of jobs firms were recruiting for, the survey shows there was a drop in permanent positions in the last quarter, down to 33% from 67% in Quarter 3. On the plus side, firms were looking to fill management positions with most roles being full time.

Cash flow had tightened towards the end of the year, with the balance figure dropping 25 per cent on Quarter 3 and into negative territory at -9.

Firms planning to invest in plant or machinery also dropped further into negative territory, falling another 15 points to -18, but the number of firms planning to invest in training in the next three months did show a slight increase, rising just one percentage point to 7.

Looking at the next 12 months, there were hints of optimism, with the number of firms expecting to see an increase in their turnover rising by 20 points to +23, while the number of firms which expect to see a rise in their profits in the next 12 months climbed 10 points to a balance figure of 0.

The biggest price pressures reported by businesses this quarter related to pay settlements and the cost of other overheads, while the cost of raw materials was less of a concern.

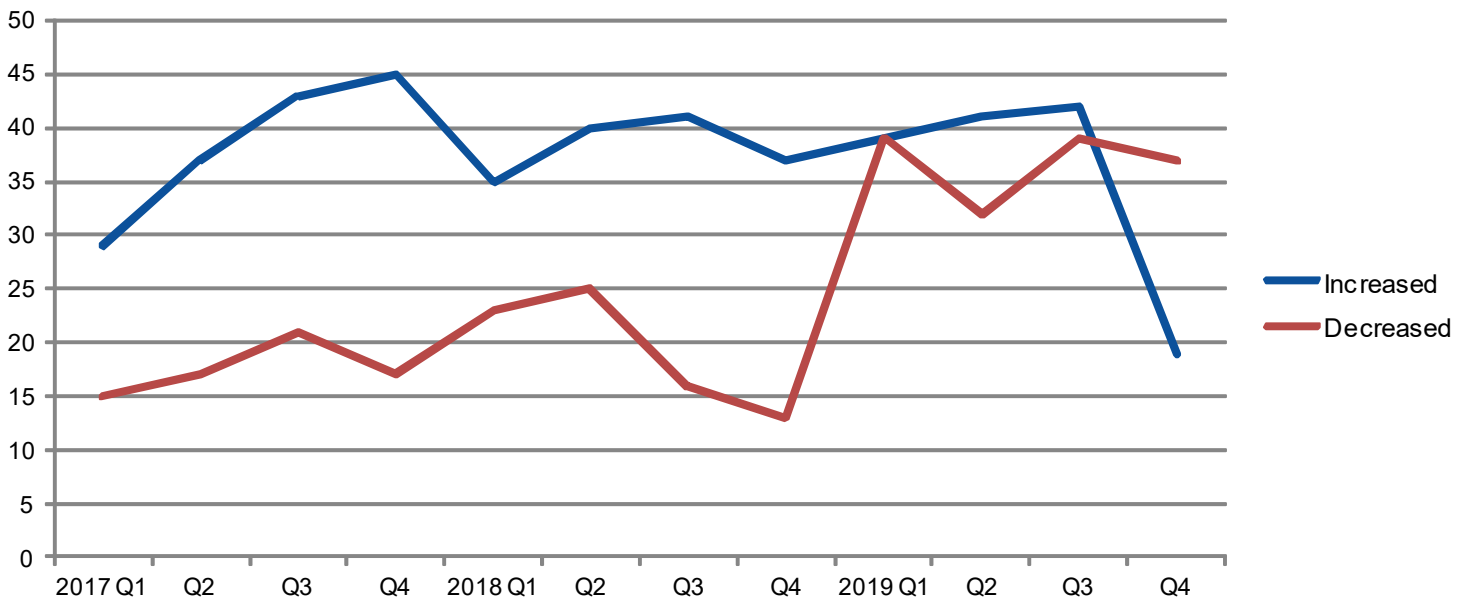
The biggest external concerns in Quarter 4 were tax and business rates, while interest rates and inflation were less worrying for Humber businesses in the months ahead.

### Key balances

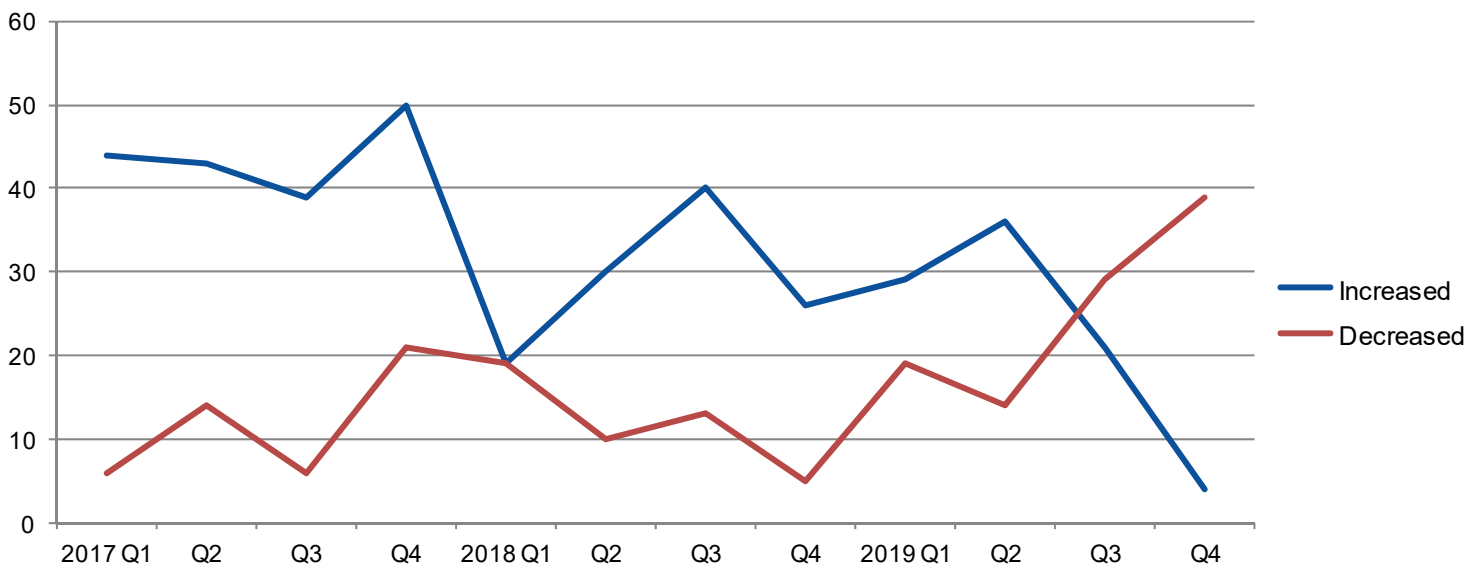
- ➔ Home sales down 21 points to a balance figure of -18.
- ➔ Home orders fall 24 points to -27.
- ➔ Export Sales drop 27 points to -35.
- ➔ Export Orders drop 4 points to -27.
- ➔ Employment in the last three months drops 22 points to 0.
- ➔ Expected Employment drops 13 points to 7.
- ➔ Cash flow in the last three months drops 25 points to -9.
- ➔ Plant and Machinery investment plans were down 15 points to -18.
- ➔ Turnover expectations in the next 12 months were up 20 points to 23.
- ➔ Profit expectations for the next 12 months also rose 10 points to 0.

# Key indicators

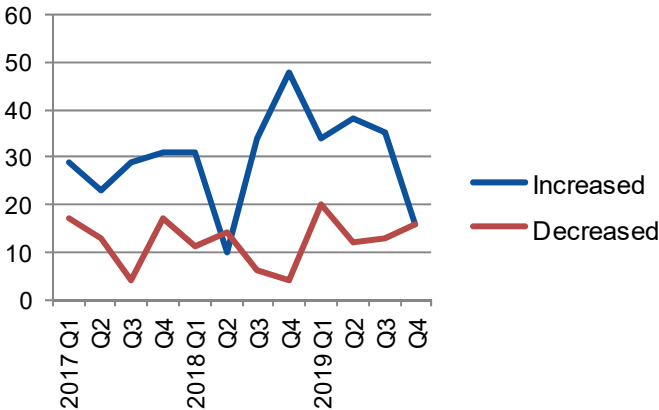
## Home sales



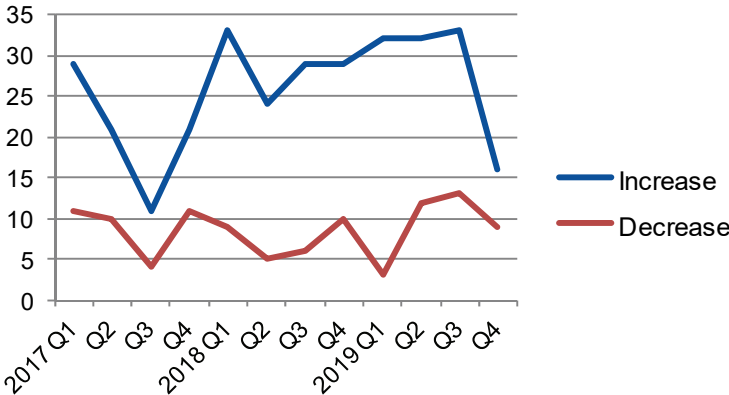
## Export sales



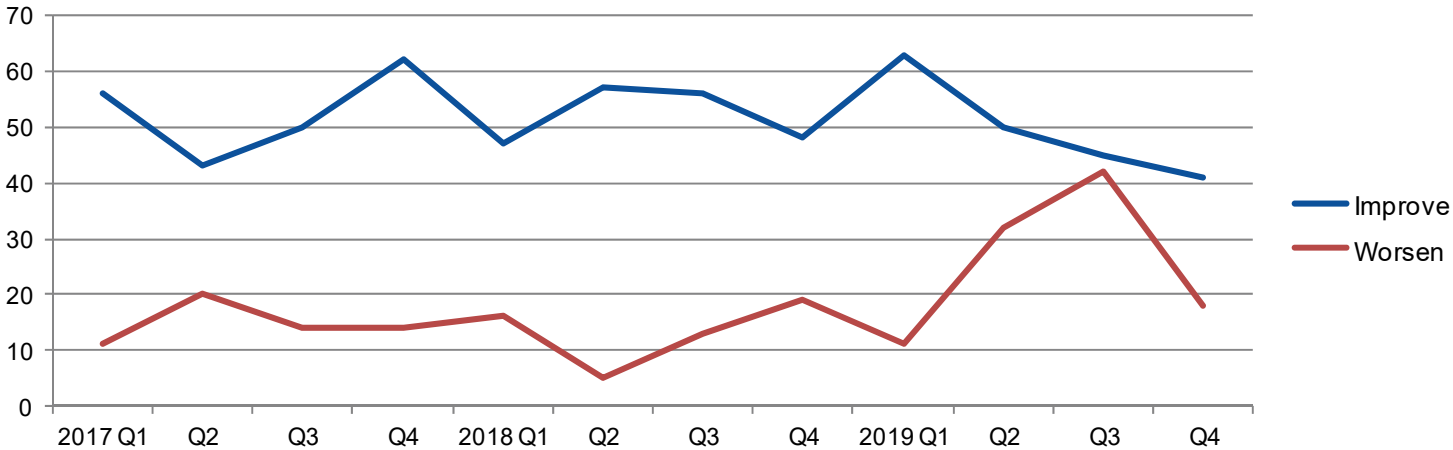
### Employment



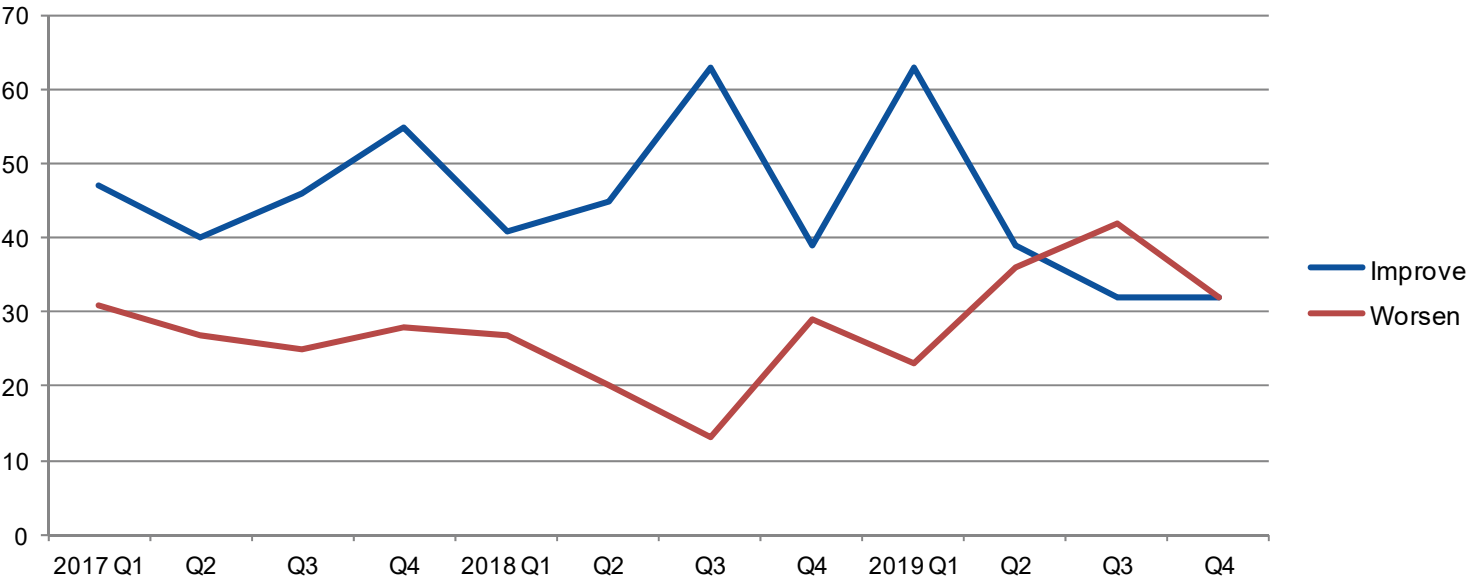
### Employment expectations



### Turnover expectations

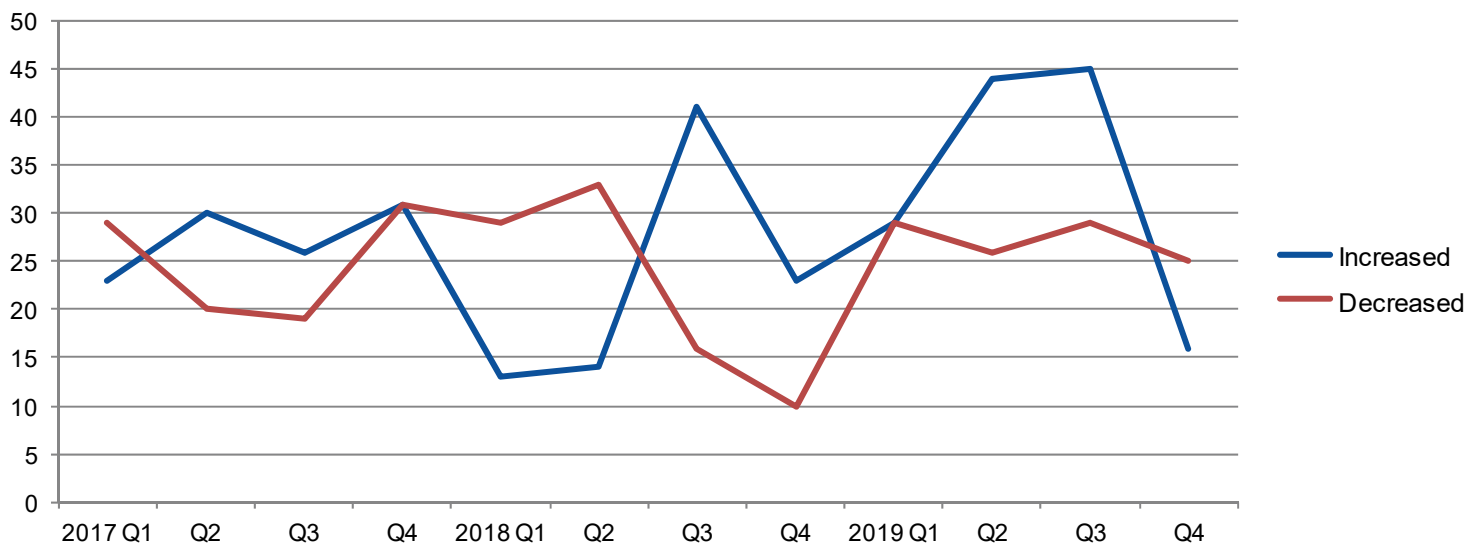


### Profit expectations



## 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 over 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 economy stagnating as service sector slows

### 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 revealed that the UK ended 2019 in stagnation, amid long term uncertainty, rising business costs and a slowing global economy.

The latest results of the survey – which is the largest of its kind in the UK and a leading indicator of GDP growth - found protracted weakness across most indicators of economic health in the final quarter of 2019.

Service sector indicators worsened and remained well below their historic average. Indicators for manufacturing and export orders were also negative for two consecutive quarters for the first time in around a decade.

Manufacturers planning to invest in plant and machinery were at an eight-year low.

The service sector, which accounts for almost 80% of UK economic output, saw all its key indicators worsen compared to Q3 2019. These indicators remain well below their historic average.

The balance of manufacturers reporting a rise in domestic and export sales improved slightly. However, the balance of manufacturers reporting increased export and domestic orders has now been negative for two consecutive quarters. This is the first time this has happened since 2009 and 2011 respectively.

Investment intentions remain weak by historic standards – the balance of firms in the manufacturing sector that plan to increase investment in plant and machinery dropped to its lowest level since Q4 2011.

Cashflow – a key indicator of the health of businesses – improved slightly from its lowest level in eight years but remains very weak across both manufacturing and service sectors.

Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said: "The UK economy limped through the final quarter of 2019.

"The fourth quarter was characterised by a broad-based slowdown in the dominant services sector with all key indicators weakening in the quarter, amid sluggish household expenditure and crippling cost pressures.

"Despite some improvements, indicators in the manufacturing sector remain very weak by historic standards, and with indicators for domestic and export orders continuing to contract, the near-term outlook for the sector remains challenging.

"A faltering service sector together with listless manufacturing activity points to a downbeat outturn for UK GDP growth in the fourth quarter of 2019".

# Analysis

## Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

“The last quarter of 2019 was subdued as we have seen for most of the year, however with the uncertainty of Brexit and a General Election behind us, it is encouraging to see Humber businesses showing signs of optimism for 2020 with improving turnover and profit expectations.

“The clear Brexit mandate given to the Government at the General Election now allows the Prime Minister Boris Johnson to promote confidence and deliver on his promises of additional investment in the North.

“In the Humber region we look forward to the new opportunities this may bring, especially on improving transport infrastructure, developing our excellent international trade links and most of all, maximising our world leading role in renewable energy.”

## The National View

British Chambers of Commerce

“The end of political deadlock at Westminster must also bring action to renew business confidence and tackle the prolonged stagnation that’s affecting so much of the UK economy. The government must use its newfound majority to take big decisions to stimulate growth.

“If ministers take action to reduce up-front costs, move key infrastructure projects forward, and to help businesses on training, they’ll be rewarded with increased investment.

“However, they also must move quickly over the coming weeks to ensure that Brexit is done right. A clear future trading relationship with the EU is also crucial to many firms’ future investment and growth prospects.”



# Results in full

		2018		2019		
		Q4	Q1	Q2	Q3	Q4

Home sales <sup>2</sup>			2018		2019		
			Q4	Q1	Q2	Q3	Q4
Increased			37	39	41	42	19
Constant			50	21	26	19	44
Decreased			13	39	32	38	37
<b>Balance</b>			<b>24</b>	<b>0</b>	<b>9</b>	<b>3</b>	<b>-18</b>

Home orders <sup>2</sup>			2018		2019		
			Q4	Q1	Q2	Q3	Q4
Increased			23	39	28	32	17
Constant			53	30	41	32	39
Decreased			23	30	31	35	44
<b>Balance</b>			<b>0</b>	<b>9</b>	<b>-3</b>	<b>-3</b>	<b>-27</b>

Export sales <sup>2</sup>			2018		2019		
			Q4	Q1	Q2	Q3	Q4
Increased			26	29	36	21	4
Constant			68	52	50	50	57
Decreased			5	19	14	29	39
<b>Balance</b>			<b>21</b>	<b>10</b>	<b>22</b>	<b>-8</b>	<b>-35</b>

Export orders <sup>2</sup>			2018		2019		
			Q4	Q1	Q2	Q3	Q4
Increased			26	29	36	8	9
Constant			58	52	50	62	55
Decreased			16	19	14	31	36
<b>Balance</b>			<b>10</b>	<b>10</b>	<b>22</b>	<b>-22</b>	<b>-27</b>

Workforce <sup>2</sup>			2018		2019		
			Q4	Q1	Q2	Q3	Q4
Increased			48	34	38	35	16
Constant			48	46	50	52	68
Decreased			4	20	12	13	16
<b>Balance</b>			<b>44</b>	<b>14</b>	<b>26</b>	<b>22</b>	<b>0</b>

Workforce expectations <sup>3</sup>			2018		2019		
			Q4	Q1	Q2	Q3	Q4
Increase			29	32	32	33	16
Constant			61	65	56	53	74
Decrease			10	3	12	13	9
<b>Balance</b>			<b>19</b>	<b>29</b>	<b>20</b>	<b>20</b>	<b>7</b>

Recruited staff <sup>2</sup>			2018		2019		
			Q4	Q1	Q2	Q3	Q4
Yes			68	56	62	48	51
- Part time			19	26	38	33	19
- Full time			90	79	81	67	81
- Temporary			24	26	19	13	14
- Permanent			38	58	38	67	33
No			22	44	38	52	49

Recruitment difficulties <sup>2</sup>			2018		2019		
			Q4	Q1	Q2	Q3	Q4
Yes			90	90	75	67	73
- Skilled manual			26	26	67	40	27
- Management			58	79	67	40	47
- Clerical			26	26	33	30	27
- Unskilled/semi-skilled			47	58	22	30	27
No			10	10	25	33	27

		2018		2019		
		Q4	Q1	Q2	Q3	Q4

Cashflow <sup>2</sup>			2018		2019		
			Q4	Q1	Q2	Q3	Q4
Increased			23	29	44	45	16
Constant			68	43	29	26	59
Decreased			10	29	26	29	25
<b>Balance</b>			<b>13</b>	<b>0</b>	<b>18</b>	<b>16</b>	<b>-9</b>

Investment: Plant/machinery <sup>2</sup>			2018		2019		
			Q4	Q1	Q2	Q3	Q4
Increased			20	29	19	30	13
Constant			60	44	55	37	56
Decreased			20	26	26	33	31
<b>Balance</b>			<b>0</b>	<b>3</b>	<b>-7</b>	<b>-3</b>	<b>-18</b>

Investment: Training <sup>2</sup>			2018		2019		
			Q4	Q1	Q2	Q3	Q4
Increased			42	43	25	35	21
Constant			45	37	63	35	64
Decreased			13	20	13	29	14
<b>Balance</b>			<b>29</b>	<b>23</b>	<b>12</b>	<b>6</b>	<b>7</b>

Turnover expectations <sup>4</sup>			2018		2019		
			Q4	Q1	Q2	Q3	Q4
Improve			48	63	50	45	41
Same			32	26	18	13	41
Worsen			19	11	32	42	18
<b>Balance</b>			<b>29</b>	<b>52</b>	<b>18</b>	<b>2</b>	<b>23</b>

Profit expectations <sup>4</sup>			2018		2019		
			Q4	Q1	Q2	Q3	Q4
Improve			39	63	39	32	32
Same			32	14	24	26	36
Worsen			29	23	36	42	32
<b>Balance</b>			<b>10</b>	<b>40</b>	<b>3</b>	<b>-10</b>	<b>0</b>

Capacity utilisation <sup>1</sup>			2018		2019		
			Q4	Q1	Q2	Q3	Q4
Full capacity			29	26	45	42	30
Below capacity			71	74	55	58	70

Prices <sup>3</sup>			2018		2019		
			Q4	Q1	Q2	Q3	Q4
Increased			45	53	21	35	47
Constant			52	44	68	58	47
Decreased			3	3	12	6	7
<b>Balance</b>			<b>42</b>	<b>50</b>	<b>9</b>	<b>29</b>	<b>40</b>

Price pressures <sup>1</sup>			2018		2019		
			Q4	Q1	Q2	Q3	Q4
Pay settlements			40	42	40	24	34
Raw materials			44	33	40	41	19
Finance			24	25	16	24	19
Other overheads			60	71	60	59	88

External concerns <sup>1</sup>			2018		2019		
			Q4	Q1	Q2	Q3	Q4
Interest rates			13	13	8	32	14
Exchange rates			32	39	31	39	31
Business rates			13	23	23	32	37
Inflation			45	35	19	39	23
Competition			48	61	54	39	37
Tax			19	23	31	32	37