



Quarterly Economic Survey

Quarter 2, 2020

www.hull-humber-chamber.co.uk

Overview

'Times Like These' pile pressure on economy

THIS is the Chamber's first Quarterly Economic Survey since Covid-19 put the world on pause back in March, and while the domestic market took a big hit, the export sector fared rather better, and the results show there is some optimism for the year ahead, despite three months of enforced lockdown.

The Quarter 2 survey was conducted between May 18 and June 8 while most people were under orders to stay at home, online shopping became the new normal for many, and the doors of the leisure industry were firmly closed.

In "Times Like These", unsurprisingly, the domestic market took a tumble with Homes Sales and Home Orders both showing big falls, with the former down 40 points and the latter recording a 37-point drop.

Our exporters fared somewhat better, with the sales and orders figures only dropping a comparatively modest nine points, with many people involved in that industry considered to be essential workers.

With many business closed, maybe it's no surprise that Cashflow in the last three months was also down to its lowest level in the last two years, with the balance figure dropping a further 16 points to -38.

Employment in the last three months was also down sharply, with more firms decreasing their staffing levels with the balance figure dropping from 12 points in the first quarter of the year to -23 this time around.

Recruitment in the last three months was largely on hold, with 81% of firms reporting that they hadn't tried to hire new staff, and it didn't look much brighter for jobseekers in the next three months, with fewer firms thinking of taking on new members of staff, the balance figure dropping 14 points to -9.

Of those businesses which did attempt to recruit staff, skilled manual workers were the most difficult to find, while management roles, clerical staff and unskilled workers were in notably less demand this quarter.

Looking ahead, fewer firms were planning to invest in plant and machinery in the next three months, and there was a big drop in the number of businesses investing in training with the balance figure dropping 37 points into negative territory.

Prices also fell sharply, with far fewer firms expecting their prices to stay the same and a notable increase in the number of businesses expecting to see their prices fall, tumbling from 63 points in Quarter 1, to -4, giving a balance figure of -67.

Looking at the next 12 months, while turnover expectations were down 30 points, at -37, profit expectations were a bit more optimistic, with the balance figure only dropping three points to -24.

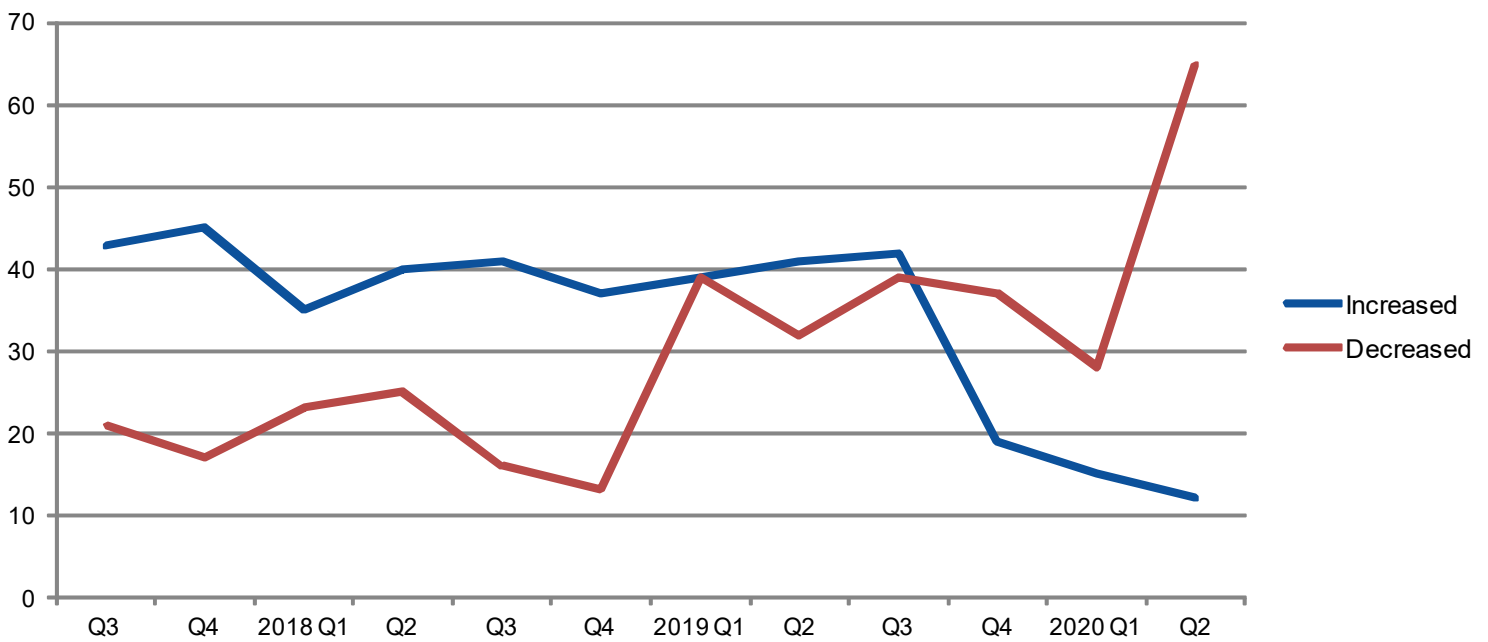
The biggest price pressures on firms in Quarter 2 raw material costs and other overheads, while inflation and tax with the biggest external concerns.

Key balances

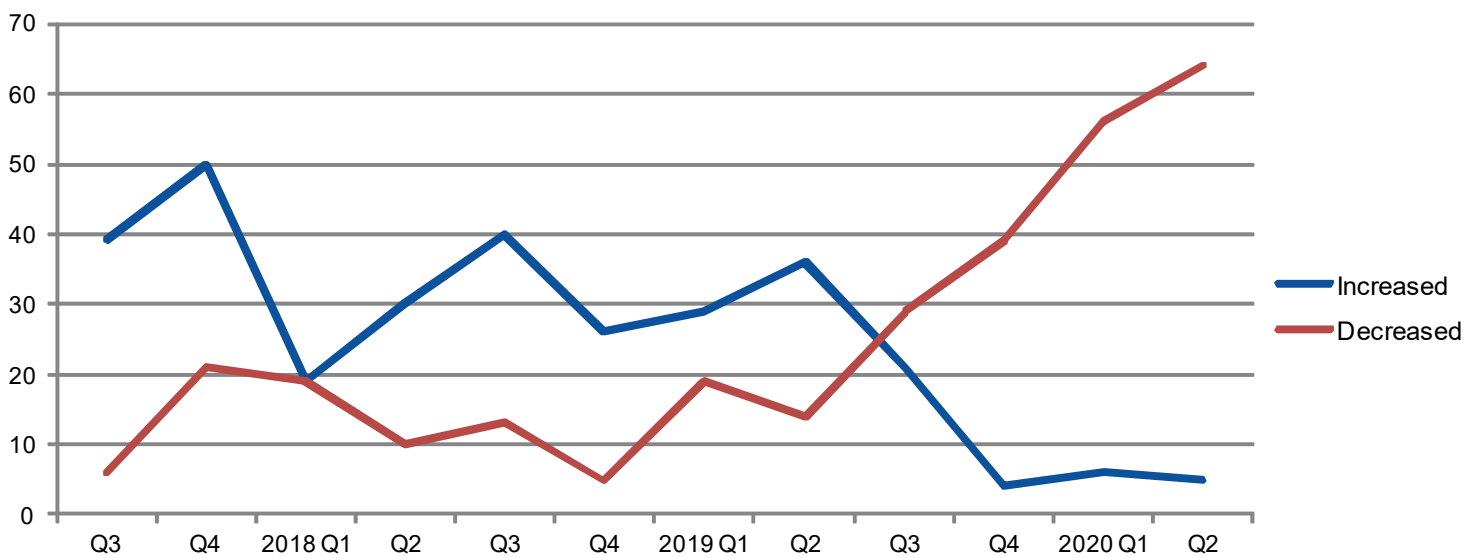
- ➔ Home sales down 40 points to -50.
- ➔ Home orders down 37 points to -60.
- ➔ Export sales down 9 points to -59.
- ➔ Export Orders down 9 points to -59.
- ➔ Employment down 35 points to -23.
- ➔ Expected employment down 14 points to -9.
- ➔ Cashflow in the last three months down 16 points to -38.
- ➔ Investment in training down 37 points to -37.
- ➔ Turnover expectations for the next 12 months down 30 points to -37.
- ➔ Profit expectations for the next 12 months down 3 points to -24.
- ➔ Prices for the next 3 months down 67 points.

Key indicators

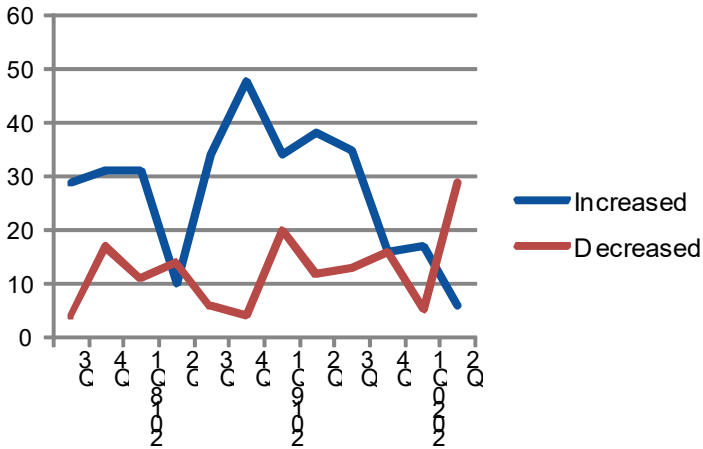
Home sales



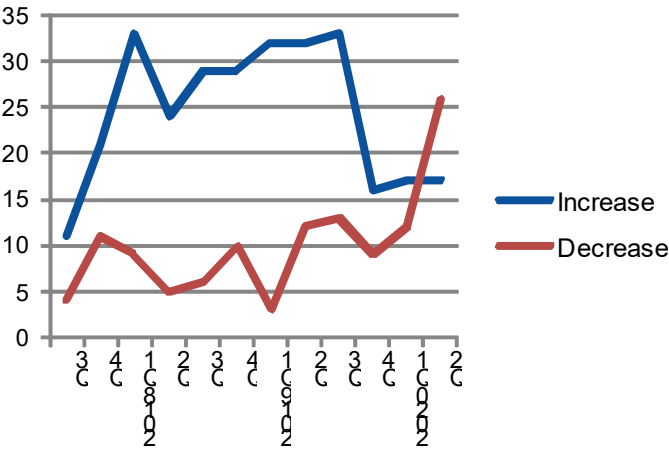
Export sales



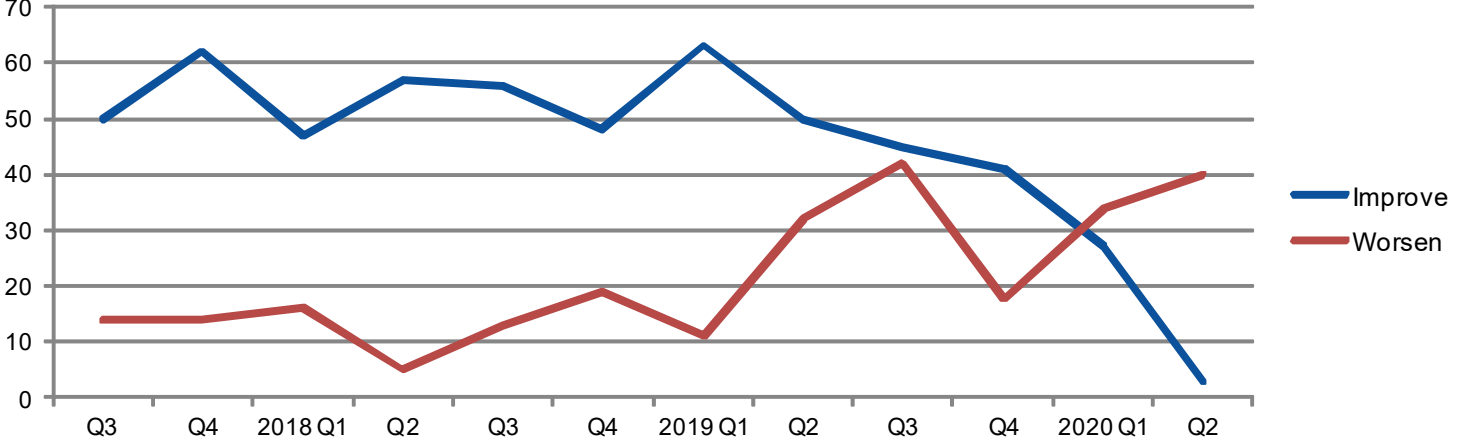
Employment



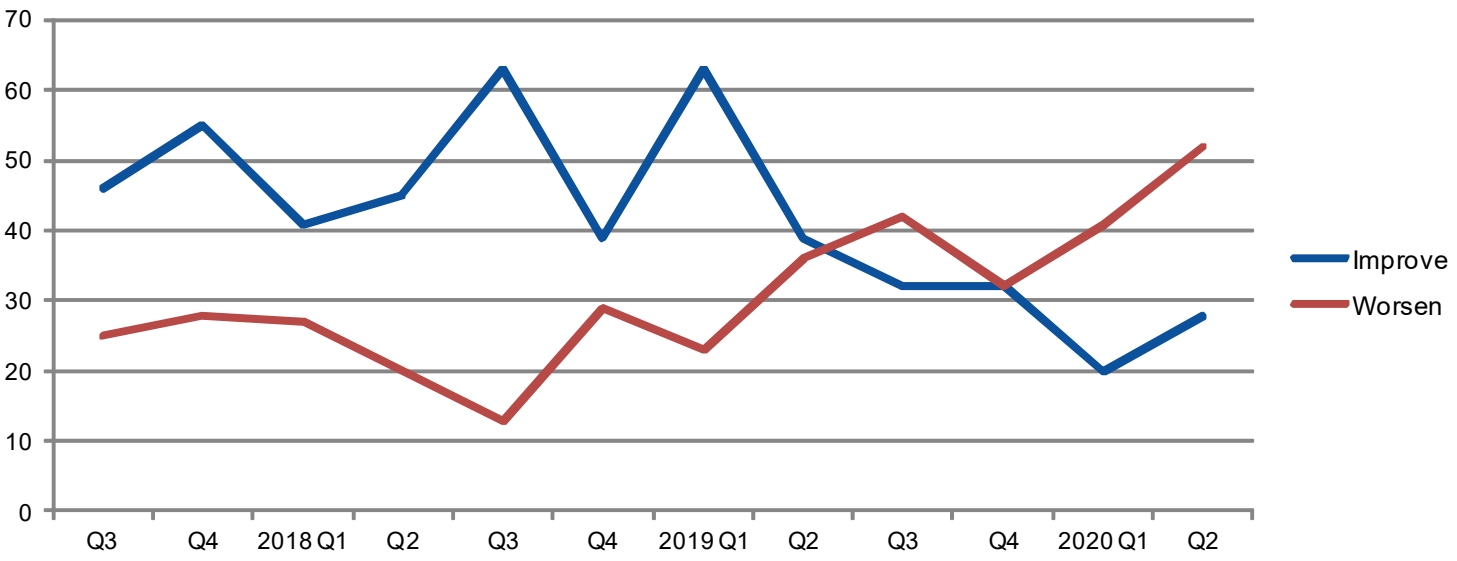
Employment expectations



Turnover expectations

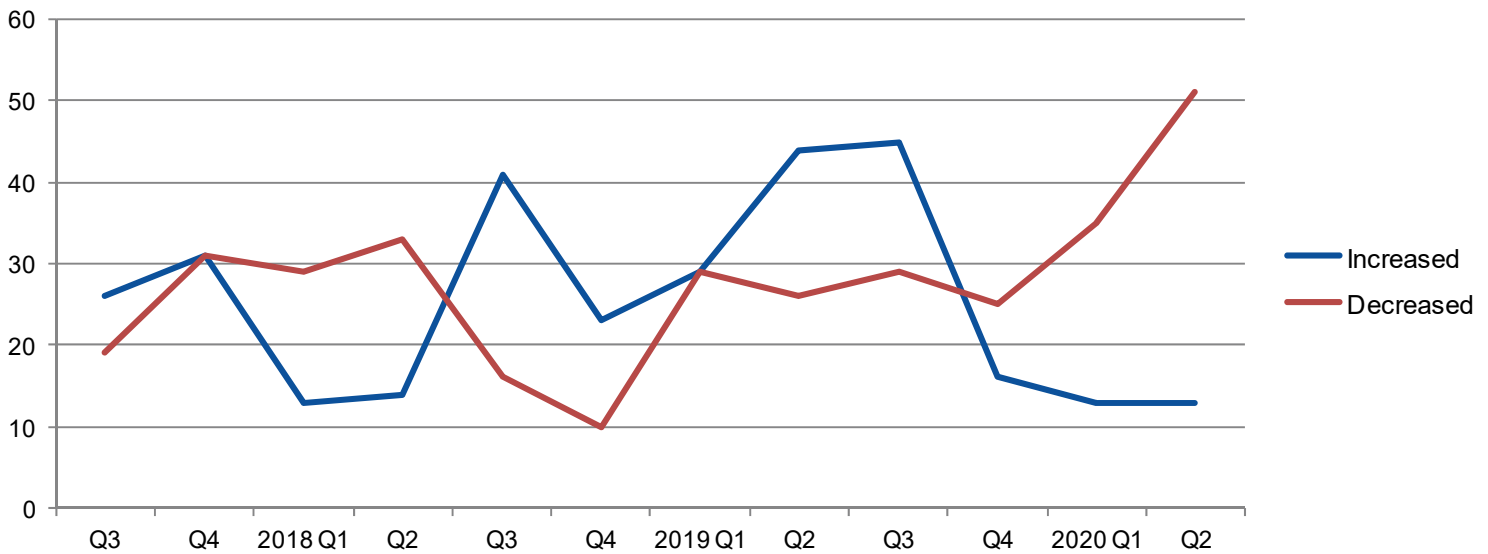


Profit expectations



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 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

For more information please contact:
 David Hooper
 Tel: 01482 324976
 d.hooper@hull-humber-chamber.co.uk
 34-38 Beverley Road, Hull,
 HU3 1YE.

National picture

Plea to Sunak for recovery roadmap after historic setback

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 has called for "swift, substantial and immediate action" to bolster the economy, as its Quarterly Economic Survey (QES), the UK's biggest independent survey of business sentiment and a leading indicator of UK GDP growth, found that UK economic conditions deteriorated at an unprecedented rate in the second quarter of 2020.

Key findings:

- Eleven of the 14 key service sector QES indicators fall to their lowest level in the survey's 31-year history
- The percentage balance of firms reporting increased domestic and export sales is now substantially lower than the worst quarter of the 2008-09 recession
- Indicators for longer-term business performance drop to record lows as BCC sets out measures needed to begin UK's economic recovery

The results of the bellwether survey of 7,700 firms, employing over 580,000 people across the UK, illustrates the full impact of the coronavirus pandemic on the UK economy in the second quarter of 2020.

Historic setback

The service sector saw 11 of the 14 key indicators, including sales, orders and cashflow, drop to their lowest levels on record.

- The balance of service firms reporting increased domestic sales dropped a record 80 points from Q1 2020 and is now 28 points lower than the worst quarter during the 2008-09 recession
- The balance of service firms reporting increased export sales dropped a record

55 points (to -55%) and is now 42 points lower than the worst quarter during 2008-09 downturn

- The balance of service firms confident that turnover will improve over the next year decreased from +38% in Q1 to -36% in Q2

Business-to-consumer (B2C) service sector firms such as retail, leisure and hospitality, were consistently more likely to report decreases across key indicators than business-to-business (B2B) service sector firms.

In the manufacturing sector, nine of the 14 key indicators measuring activity in the sector dropped to its lowest level on record.

Looking ahead

Hopes of a swift economic recovery could be dashed, as forward-looking indicators – orders and investment intentions – dropped to record lows for both services firms and manufacturers. Business confidence dropped to its lowest level on record among services firms and declined to its lowest level since Q1 2009 for manufacturers.

Our latest survey highlights the extraordinary contraction in UK economic activity in the second quarter as the coronavirus closed large parts of the economy. The vast majority of indicators dropped to historic lows, with declines far exceeding those seen at the height of the global financial crisis.

"With lockdown restrictions steadily easing, the second quarter is likely to prove to be the low point for the UK economy.

"However, the collapse in forward looking indicators of activity suggests that unless action is taken, the prospect of a swift and sustained recovery may prove too optimistic."

Analysis

Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

“The Covid-19 crisis has clearly had a profound effect on the Humber economy with our city and town centres taking the brunt of the lockdown.

“While we hope the Government will do its bit to reboot our economic confidence, every one of us can play our part by supporting our local businesses and traders, be they a little corner coffee shop, a fish man in his van, or a multi-national manufacturer or supplier.

“If we buy local and support our own business communities, we can all help each other to get our businesses and our economy back on its feet as quickly as possible and minimise the pain of job losses and redundancies which many fear as the furlough scheme is wound down in the next few weeks.

“Our message is buy local, support our local traders, and let's all help to rebuild the Humber's economy”.

The National View

British Chambers of Commerce

“Our results demonstrate the need for swift and substantial action. The Government has one chance to jump-start the economy and business confidence over the coming weeks – and they must take it.

“Business communities across the UK want to see a clearer, bolder roadmap to recovery that helps them restart, rebuild and renew. The UK cannot meander its way back to success in this era of uncertainty.

“The only way to rekindle business and consumer confidence is to demonstrate an absolute and unshakeable focus on boosting the economy over the coming months.”

Results in full

		2019		2020		
		Q2	Q3	Q4	Q1	Q"2
Home sales ²	Increased	41	42	19	15	12
	Constant	26	19	44	58	24
	Decreased	32	38	37	28	65
	Balance	9	3	-18	-13	-53

Home orders ²	Increased	28	32	17	11	7
	Constant	41	32	39	54	25
	Decreased	31	35	44	34	67
	Balance	-3	-3	-27	-23	60

Export sales ²	Increased	36	21	4	6	5
	Constant	50	50	57	39	32
	Decreased	14	29	39	56	64
	Balance	22	-8	-35	-50	-59

Export orders ²	Increased	36	8	9	6	5
	Constant	50	62	55	39	32
	Decreased	14	31	36	56	64
	Balance	22	-22	-27	50	-59

Workforce ²	Increased	38	35	16	17	6
	Constant	50	52	68	78	65
	Decreased	12	13	16	5	29
	Balance	26	22	0	12	-23

Workforce expectations ³	Increase	32	33	16	17	17
	Constant	56	53	74	71	57
	Decrease	12	13	9	12	26
	Balance	20	20	7	5	-9

Recruited staff ²	Yes	62	48	51	44	19
	- Part time	38	33	19	25	14
	- Full time	81	67	81	88	71
	- Temporary	19	13	14	13	21
	- Permanent	38	67	33	50	29
	No	38	52	49	56	81

Recruitment difficulties ²	Yes	75	67	73	61	62
	- Skilled manual	67	40	27	18	44
	- Management	67	40	47	45	22
	- Clerical	33	30	27	27	0
	- Unskilled/semi-skilled	22	30	27	45	44
	No	25	33	27	39	38

		2019		2020		
		Q2	Q3	Q4	Q1	Q2
Cashflow ²	Increased	44	45	16	13	13
	Constant	29	26	59	53	36
	Decreased	26	29	25	35	51
	Balance	18	16	-9	-22	-38

Investment: Plant/machinery ²	Increased	19	30	13	8	12
	Constant	55	37	56	62	40
	Decreased	26	33	31	30	49
	Balance	-7	-3	-18	-22	-37

Investment: Training ²	Increased	25	35	21	23	12
	Constant	63	35	64	54	40
	Decreased	13	29	14	23	49
	Balance	12	6	7	0	-37

Turnover expectations ⁴	Improve	50	45	41	27	3
	Same	18	13	41	39	57
	Worsen	32	42	18	34	40
	Balance	18	2	23	-7	-37

Profit expectations ⁴	Improve	39	32	32	20	28
	Same	24	26	36	39	20
	Worsen	36	42	32	41	52
	Balance	3	-10	0	-21	-24

Capacity utilisation ¹	Full capacity	45	42	30	28	24
	Below capacity	55	58	70	73	76

Prices ³	Increased	21	35	47	68	17
	Constant	68	58	47	28	61
	Decreased	12	6	7	5	21
	Balance	9	29	40	63	-4

Price pressures ¹	Pay settlements	40	24	34	37	11
	Raw materials	40	41	19	30	34
	Finance	16	24	19	37	1874
	Other overheads	60	59	88	53	

External concerns ¹	Interest rates	8	32	14	16	9
	Exchange rates	31	39	31	25	24
	Business rates	23	32	37	31	29
	Inflation	19	39	23	28	29
	Competition	54	39	37	44	40
	Tax	31	32	37	34	44