



# Quarterly Economic Survey

Quarter 3, 2020

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

# Overview

## Q3 sees Humber trade begin to grow again

THE Humber economy began to grow again in the third quarter of the year as the region emerged from the national lockdown brought on by the Coronavirus pandemic

This is the Hull & Humber Chamber of Commerce's second Quarterly Economic Survey since the virus struck in March, with the fieldwork having been conducted during the last week of August and the first two weeks of September.

During the national lockdown, reflected in the Quarter 2 survey results, the key indicators all took a big hit, but these Quarter 3 results have revealed a more positive mood in the local business community, with signs of a cautious recovery becoming apparent as businesses adjust to the "new normal".

Home Sales and Home Orders in the last three months both improved markedly, but remained in negative territory and were still below the first quarter figures, despite Home Sales improving by 30 points and Home Orders by 35 points.

Export Sales and Export Orders also both improved, but remained subdued, with both sectors in the last three months improving by 12 points, but remaining in negative territory on -47 points.

Fewer firms reported cashflow problems in the last three months, with the balance figure rising 7 points to -31.

More firms were planning to invest in plant and machinery too, with the balance figure up 11 points to -26.

Turnover expectations for the next 12

months were up by 29 points to -28, an improvement on the last quarter's figure of -37.

Profit expectations for the next year also recovered somewhat, improving by 13 points to -11, but only 27% of firms said they were working at full capacity.

More firms expected prices to increase in the next three months, while the biggest pressures on prices were expected to be pay settlements and finance costs. Raw material costs and other overheads were both down slightly on the last quarter.

With many workers still on the Government's furlough scheme, employment worsened only by five points to a balance figure of -28, while expected employment for the next three months improved by one point to -8.

However, with the furlough scheme coming to an end in October, things could look quite different in Quarter 4.

The number of firms reporting recruitment difficulties was also up on the last quarter, with 13% more firms saying they had difficulties finding the right staff with part-time vacancies proving the most difficult to fill.

Management roles were the most difficult to recruit for, followed by unskilled or semi-skilled jobs.

The biggest external concerns facing businesses this quarter were fears over competition, up 17% and exchange rates, up 4% at 13%.

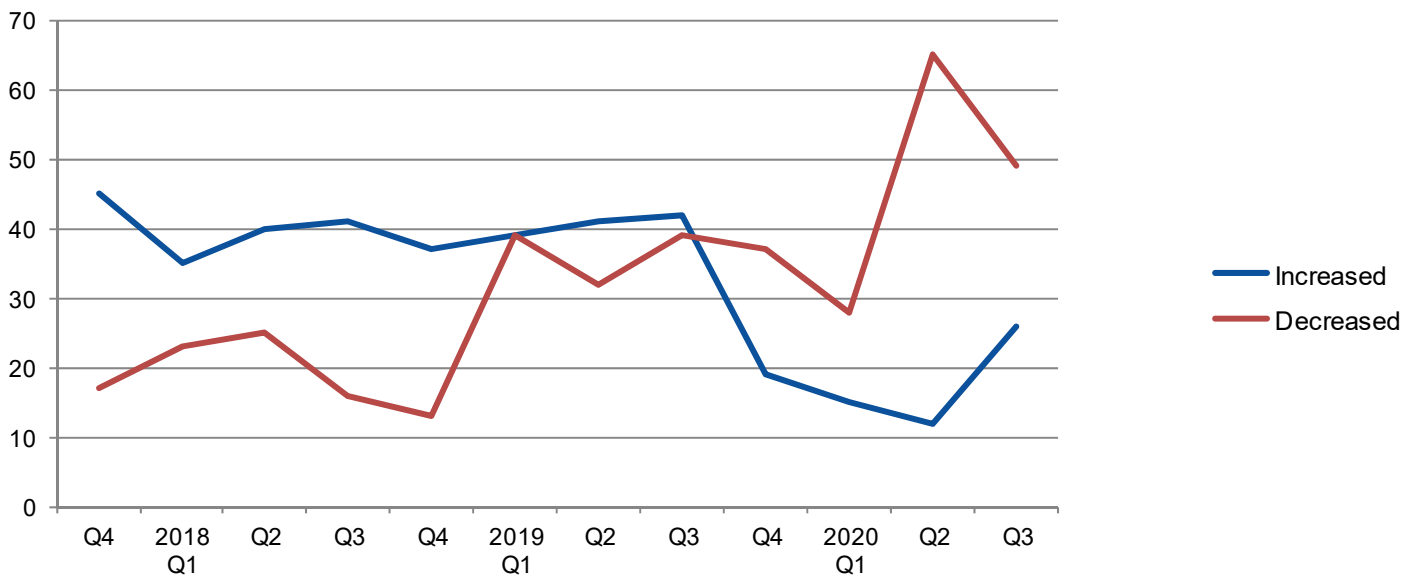
Business rates, inflation and tax issues were less of a worry in this quarter.

### Key balances

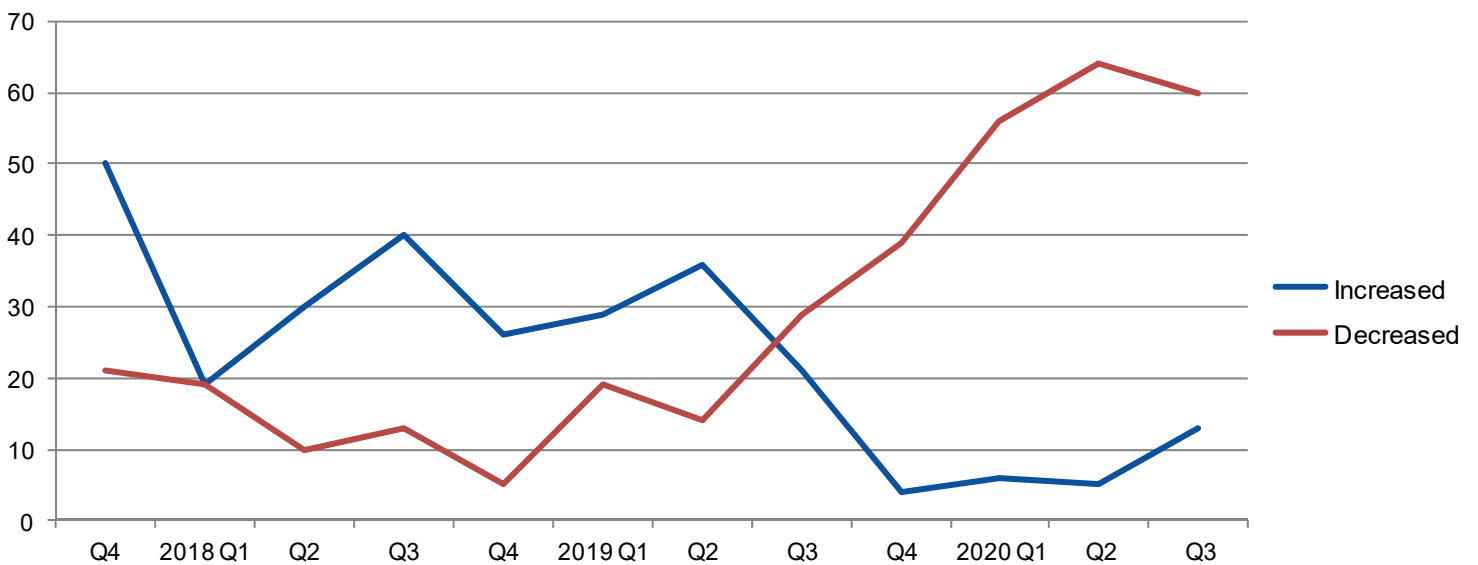
- ➔ Home sales up 30 points at +30
- ➔ Home Orders up 35 points to -25
- ➔ Export Sales up 12 points to -47.
- ➔ Export Orders up 12 points to -47.
- ➔ Employment in the last three months down 5 points to -28.
- ➔ Expected employment in the next three months up 1 to -8.
- ➔ Cashflow in the last three months up 7 points to -31.
- ➔ Investment plans up 11 points to -26.
- ➔ Turnover expectations up 29 points to -8.
- ➔ Profit expectations up 13 points to -11.
- ➔ Prices up three points to -1.

# Key indicators

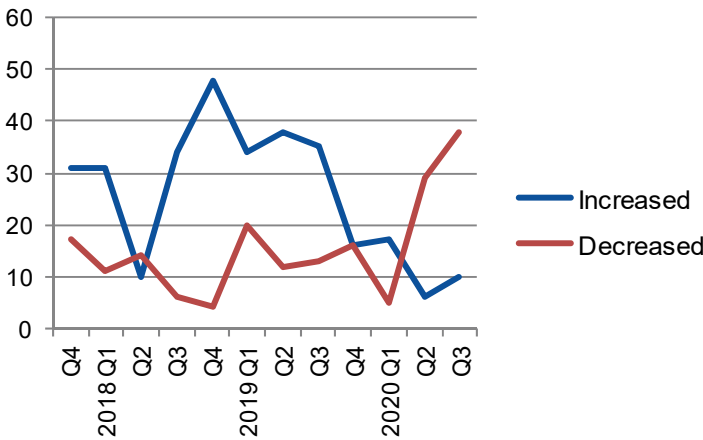
## Home sales



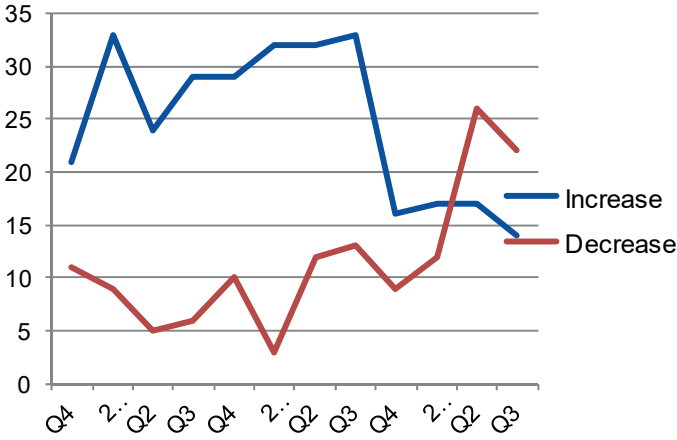
## Export sales



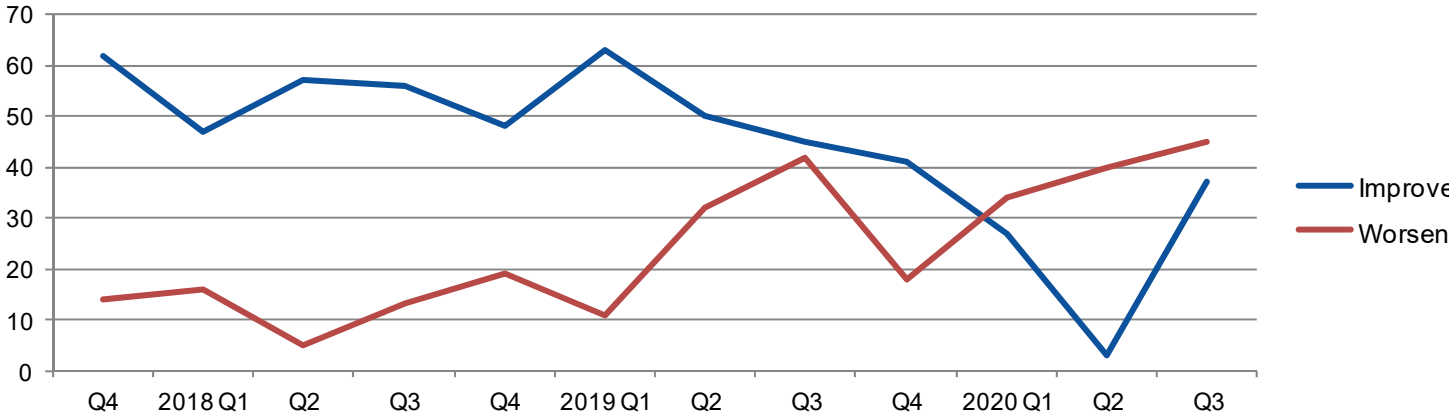
### Employment



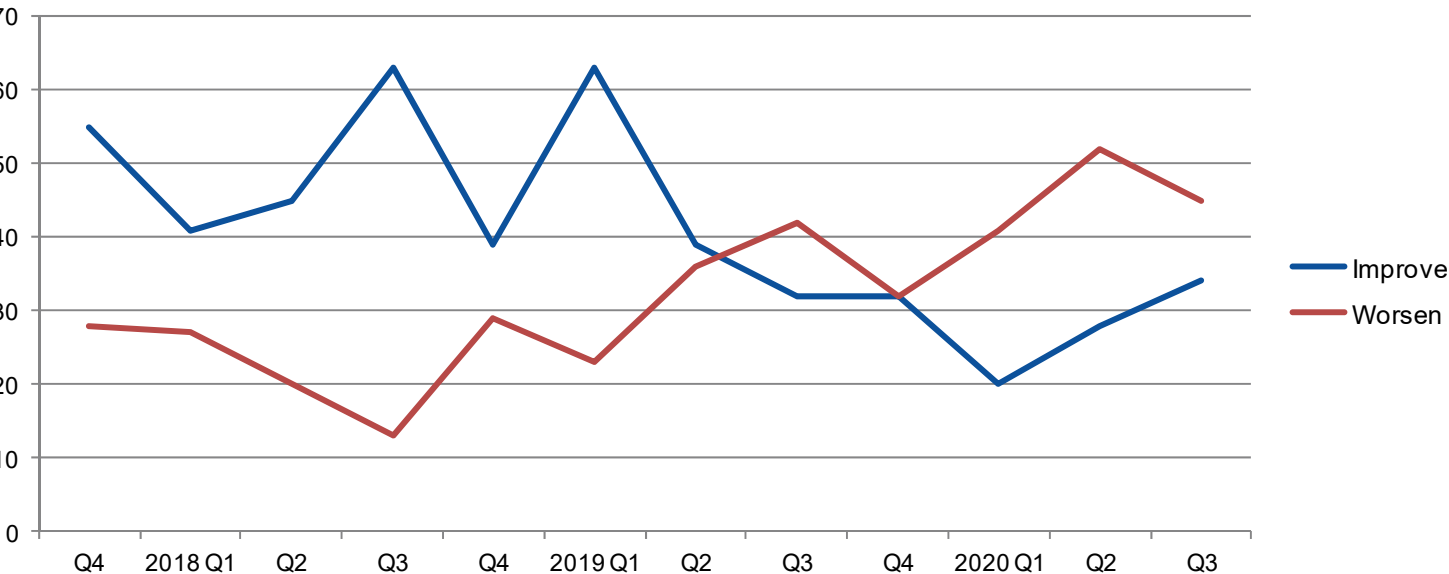
### Employment expectations



### Turnover expectations

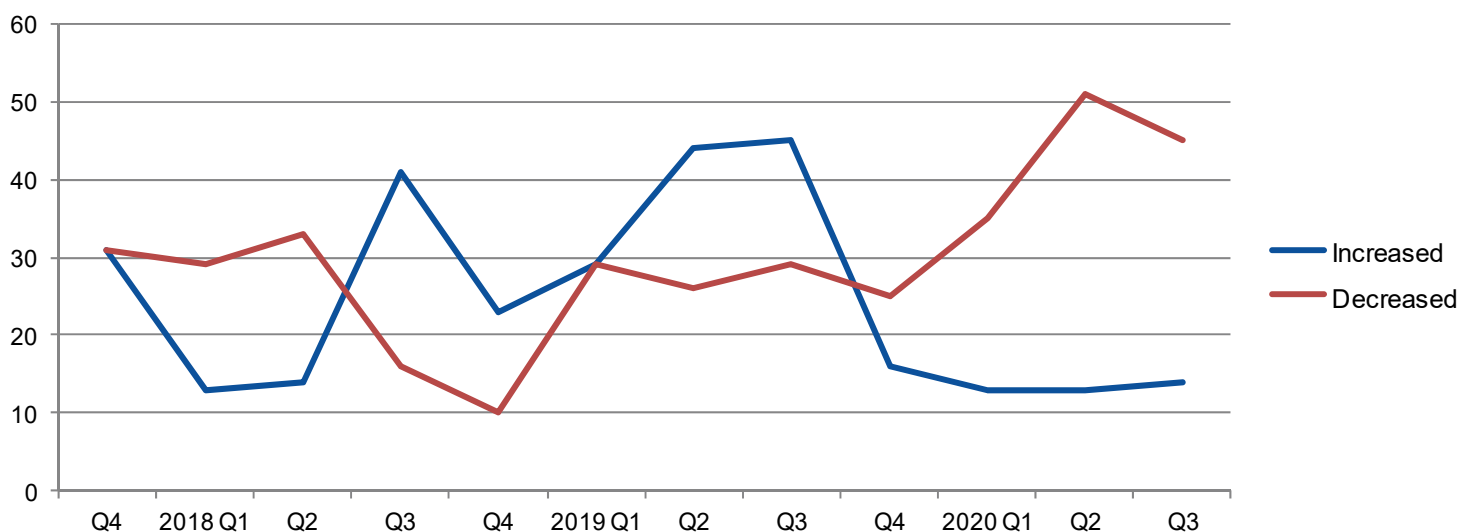


### Profit expectations



## 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

## Nearly half of firms report UK sales decrease

### 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 (QES) – the UK's largest independent survey of business sentiment and a leading indicator of UK GDP growth – found that business conditions remained weak in the third quarter of 2020 despite much of the economy reopening.

The bellwether survey of 6,410 firms, employing over 580,000 people across the UK, revealed that, while key indicators have improved from historic lows in Q2, they remain significantly lower than before the pandemic struck.

Business to consumer firms, including hospitality, fared worst.

#### Key findings:

- Almost half (46%) of firms reported a decrease in domestic sales, while just 27% reported an increase on the previous quarter
- Two-thirds (66%) of respondents in hospitality and catering saw decreases in sales and bookings
- Indicators, including cash flow, remain at levels comparable to the 2008-09 recession for firms in the services sector

#### Business conditions

Overall, while this quarter has seen an improvement compared to the unprecedented percentage of firms reporting decreases in domestic and export sales in Q2, the major-

ity of firms continue to report decreases or no change in sales in Q3.

Business to consumer (B2C) firms, particularly those from the hospitality and catering sectors, saw the weakest performance, with two-thirds (66%) of respondents in hospitality and catering reporting decreases in sales and bookings in the last three months.

#### Cash flow

Cash flow, a key indicator of business health, continued to deteriorate for almost half of firms. In Q3, 21% of firms reported an improvement in cash flow, 34% reported no change and 45% reported a deterioration. In Q2, 11% of firms reported an improvement, 25% no change, and 64% a deterioration.

#### Investment and confidence

Over a third of firms (37%) continue to report decreased investment in plant, machinery and equipment, highlighting longer-term concerns for the economy as many businesses look to downsize.

#### Looking ahead

Despite improvements in some indicators compared to Q2, business conditions remain close to historic lows.

The rise in Coronavirus cases from 7 September, the subsequent introduction of new national restrictions and tightening local restrictions paint a concerning picture for business conditions in Q4.

# Analysis

## Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

“It is encouraging to see early signs of the Humber economy coming out of its enforced hibernation, but we are in no doubt there are still many challenges to be faced as the Covid-19 crisis looks set to continue for several more months.

“We are concerned that the end of the furlough scheme may lead to a spike in redundancies, and welcome the extra support for businesses that was recently announced.

“We are also pleased to see the Prime Minister’s focus on jobs for young people with the Kickstart Scheme and a promised increase in apprenticeships which our own Chamber Training company will play its part in delivering.

“While there are many positives, our local businesses still face major challenges in the months ahead, so we would again urge people to buy locally wherever they can and support our traders as they work their way through the next few months and support the Humber’s economy”.

## The National View

British Chambers of Commerce

“Our latest survey indicates that underlying economic conditions remained exceptionally weak in the third quarter. While the declines in indicators of activity slowed as the UK economy gradually reopened, they remain well short of pre-pandemic levels with little sign of a swift ‘V’-shaped recovery.

“The manufacturing sector recorded the strongest improvements in the quarter, while consumer-focused services firms, where social distancing restricts activity, saw more limited gains. The persistent weakness in cash flow is concerning as it leaves firms more vulnerable to external shocks, including further restrictions.

“While the Government’s Winter Economy Plan may provide a short-term boost, with restrictions tightening and the economic scarring already caused by the pandemic starting to crystallise, the resulting gains in economic output are likely to fade over the coming months.”



# Results in full

		2019		2020		
		Q3	Q4	Q1	Q2	Q3
Home sales <sup>2</sup>	Increased	42	19	15	12	26
	Constant	19	44	58	24	25
	Decreased	38	37	28	65	49
	<b>Balance</b>	<b>3</b>	<b>-18</b>	<b>-13</b>	<b>-53</b>	<b>-23</b>

Home orders <sup>2</sup>	Increased	32	17	11	7	19
	Constant	32	39	54	25	37
	Decreased	35	44	34	67	44
	<b>Balance</b>	<b>-3</b>	<b>-27</b>	<b>-23</b>	<b>60</b>	<b>-25</b>

Export sales <sup>2</sup>	Increased	21	4	6	5	13
	Constant	50	57	39	32	27
	Decreased	29	39	56	64	60
	<b>Balance</b>	<b>-8</b>	<b>-35</b>	<b>-50</b>	<b>-59</b>	<b>-47</b>

Export orders <sup>2</sup>	Increased	8	9	6	5	13
	Constant	62	55	39	32	27
	Decreased	31	36	56	64	60
	<b>Balance</b>	<b>-22</b>	<b>-27</b>	<b>50</b>	<b>-59</b>	<b>-47</b>

Workforce <sup>2</sup>	Increased	35	16	17	6	10
	Constant	52	68	78	65	53
	Decreased	13	16	5	29	38
	<b>Balance</b>	<b>22</b>	<b>0</b>	<b>12</b>	<b>-23</b>	<b>-28</b>

Workforce expectations <sup>3</sup>	Increase	33	16	17	17	14
	Constant	53	74	71	57	64
	Decrease	13	9	12	26	22
	<b>Balance</b>	<b>20</b>	<b>7</b>	<b>5</b>	<b>-9</b>	<b>-8</b>

Recruited staff <sup>2</sup>	<b>Yes</b>	<b>48</b>	<b>51</b>	<b>44</b>	<b>19</b>	<b>32</b>
	- Part time	33	19	25	14	23
	- Full time	67	81	88	71	73
	- Temporary	13	14	13	21	23
	- Permanent	67	33	50	29	27
	<b>No</b>	<b>52</b>	<b>49</b>	<b>56</b>	<b>81</b>	<b>68</b>

Recruitment difficulties <sup>2</sup>	<b>Yes</b>	<b>67</b>	<b>73</b>	<b>61</b>	<b>62</b>	<b>78</b>
	- Skilled manual	40	27	18	44	28
	- Management	40	47	45	22	50
	- Clerical	30	27	27	0	11
	- Unskilled/semi-skilled	30	27	45	44	22
	<b>No</b>	<b>33</b>	<b>27</b>	<b>39</b>	<b>38</b>	<b>22</b>

		2019		2020		
		Q3	Q4	Q1	Q2	Q3
Cashflow <sup>2</sup>	Increased	45	16	13	13	14
	Constant	26	59	53	36	41
	Decreased	29	25	35	51	45
	<b>Balance</b>	<b>16</b>	<b>-9</b>	<b>-22</b>	<b>-38</b>	<b>-31</b>

Investment: Plant/machinery <sup>2</sup>	Increased	30	13	8	12	15
	Constant	37	56	62	40	44
	Decreased	33	31	30	49	41
	<b>Balance</b>	<b>-3</b>	<b>-18</b>	<b>-22</b>	<b>-37</b>	<b>-26</b>

Investment: Training <sup>2</sup>	Increased	35	21	23	12	9
	Constant	35	64	54	40	65
	Decreased	29	14	23	49	26
	<b>Balance</b>	<b>6</b>	<b>7</b>	<b>0</b>	<b>-37</b>	<b>-17</b>

Turnover expectations <sup>4</sup>	Improve	45	41	27	3	37
	Same	13	41	39	57	18
	Worsen	42	18	34	40	45
	<b>Balance</b>	<b>2</b>	<b>23</b>	<b>-7</b>	<b>-37</b>	<b>-8</b>

Profit expectations <sup>4</sup>	Improve	32	32	20	28	34
	Same	26	36	39	20	21
	Worsen	42	32	41	52	45
	<b>Balance</b>	<b>-10</b>	<b>0</b>	<b>-21</b>	<b>-24</b>	<b>-11</b>

Capacity utilisation <sup>1</sup>	Full capacity	42	30	28	24	27
	Below capacity	58	70	73	76	73

Prices <sup>3</sup>	Increased	35	47	68	17	20
	Constant	58	47	28	61	59
	Decreased	6	7	5	21	21
	<b>Balance</b>	<b>29</b>	<b>40</b>	<b>63</b>	<b>-4</b>	<b>-1</b>

Price pressures <sup>1</sup>	Pay settlements	24	34	37	11	18
	Raw materials	41	19	30	34	32
	Finance	24	19	37	18	21
	Other overheads	59	88	53	74	71

External concerns <sup>1</sup>	Interest rates	32	14	16	9	13
	Exchange rates	39	31	25	24	34
	Business rates	32	37	31	29	25
	Inflation	39	23	28	29	25
	Competition	39	37	44	40	57
	Tax	32	37	34	44	43

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