



Quarterly Economic Survey

Quarter 2, 2013

www.hull-humber-chamber.co.uk

Overview

Second quarter figures show Humber region's recovery is strengthening

THE local recovery in the Humber region is gathering pace! That is the clear picture from the results of the Hull & Humber Chamber of Commerce's second Quarterly Economic Survey of the year.

Sales orders, training, turnover and profit expectations have all shown sharp increases, while exports continue to perform very well, with export sales and orders both climbing steadily over the last six months.

The number of companies reporting that they are working at full capacity has also more than doubled, with 62% of firms saying they're now working flat out — the highest figure recorded since 2001.

Training has increased by 19 points on the previous quarter, and with 21% of firms saying they are investing in training which is the strongest figure since the second quarter of 2007.

Turnover expectations are also showing a marked increase, with a 19% rise in the first quarter of the year, with the figures having held steady at that level for most of 2012, which clearly shows businesses are getting busier as confidence improves.

With profit expectations also showing a big jump, up 38 points on the last quarter, which in turn was up 6 points on the final quarter of 2012, firms are demonstrating a renewed confidence.

Cashflow has also shown a marked improvement, returning to positive territory for the first time in a year, representing a 25% reported increase.

On the home front, sales have doubled compared to the first quarter of the year, up 6%, but are still eight points adrift of last year's final quarter.

Home orders are also holding steady, maintaining their recovery after spending the entirety of last year in negative territory.

The employment figures in the Humber region also make interesting reading this quarter, with 68% of firms saying they are planning to recruit new staff

However, nearly all of the vacancies were for part-time staff, although 81% of those were for permanent positions. Filling management and technical positions is still proving challenging, with 46% of companies reporting difficulties in these areas.

Prices have remained stable in the last quarter, as have concerns over pay settlements, but more companies are also worried about a rise in inflation.

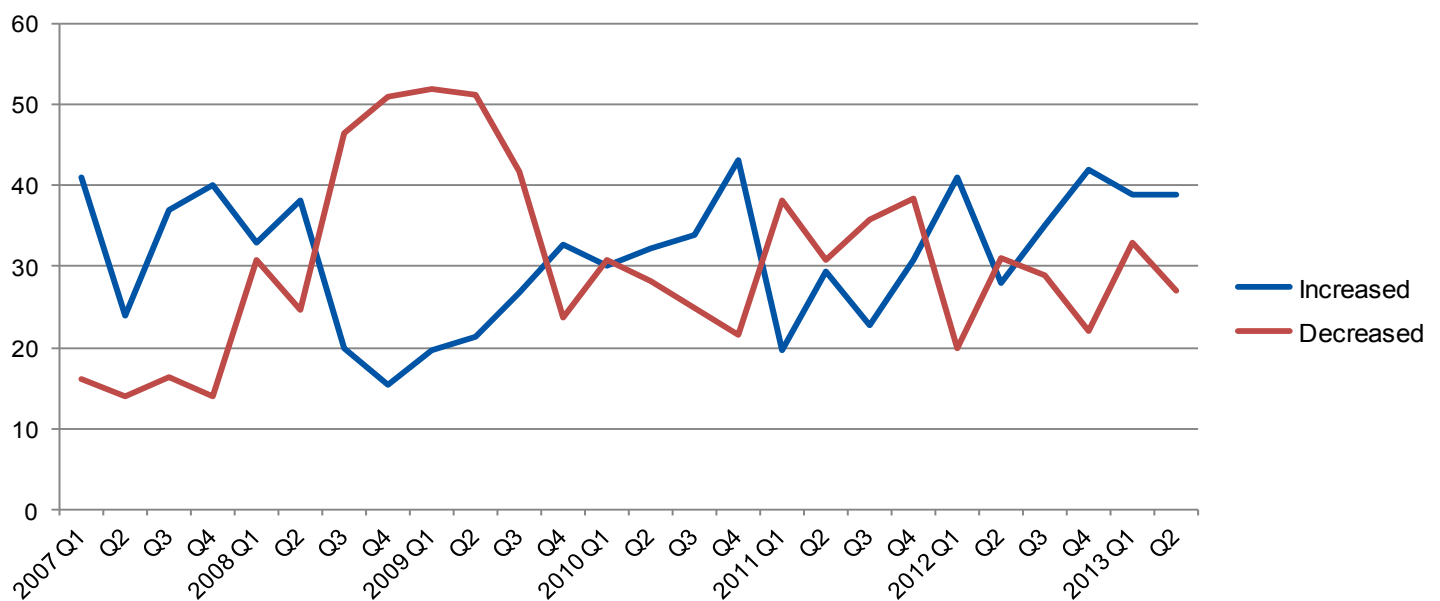
Conversely, interest rate fears have dropped by more than half and concerns over competition have also shown a sharp drop, down by 20 points on the previous quarter and are now at the lowest point for more than a year.

Key balances

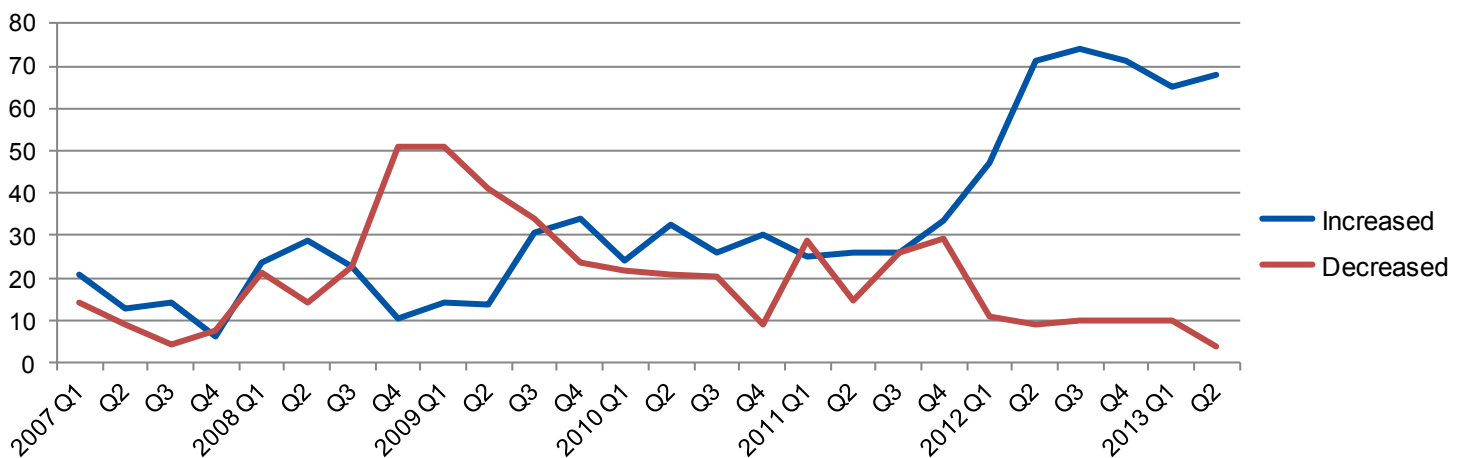
- ➔ 62% of firms expect profits to increase — a rise of 38% on the last quarter.
- ➔ Export sales rose 9 points to 64. Export orders also increased 5 points.
- ➔ Cash flow rose 25 points, from -20 to 5.
- ➔ Expectations for turnover increased by 19 points to 50, and for profit from 18 points to 56.
- ➔ 62% of firms say they are working at full capacity
- ➔ Recruitment rose 14 points from 54 to 68.
- ➔ Training investment plans rose 19 points to 21.

Key indicators

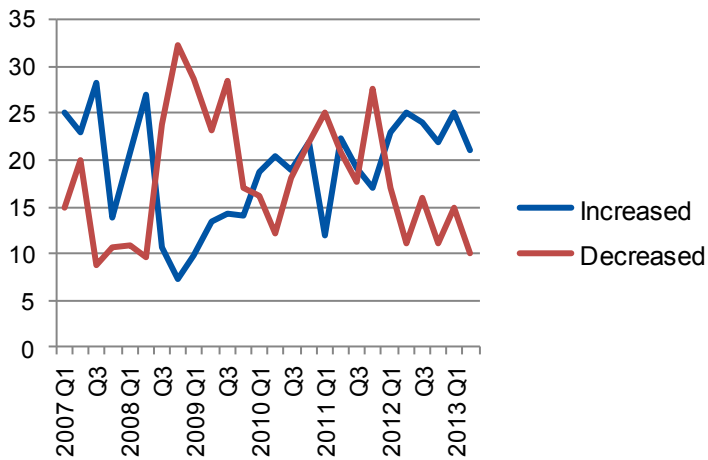
Home sales



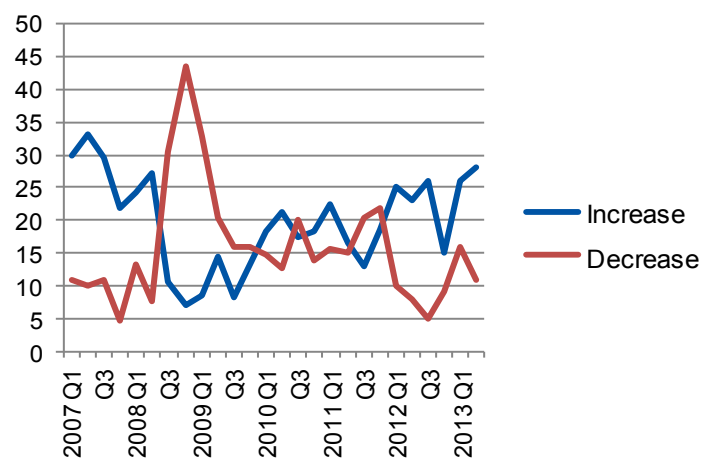
Export sales



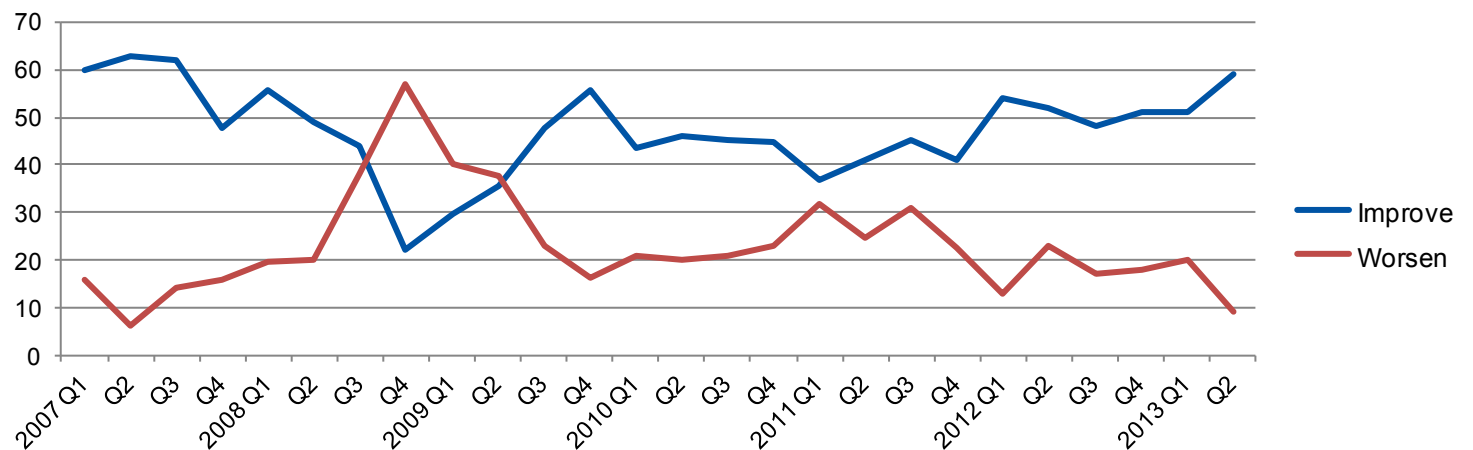
Employment



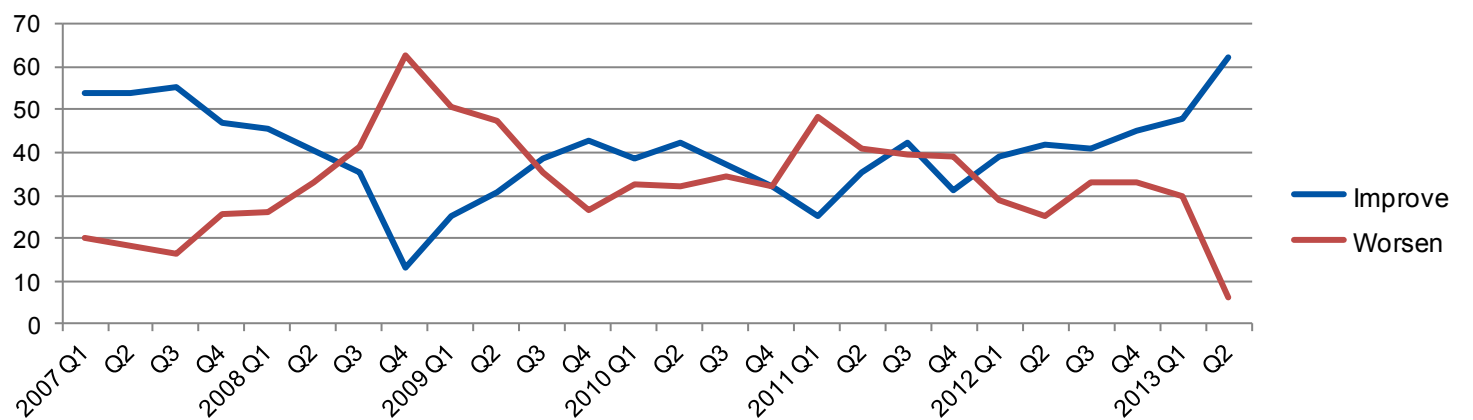
Employment expectations



Turnover expectations

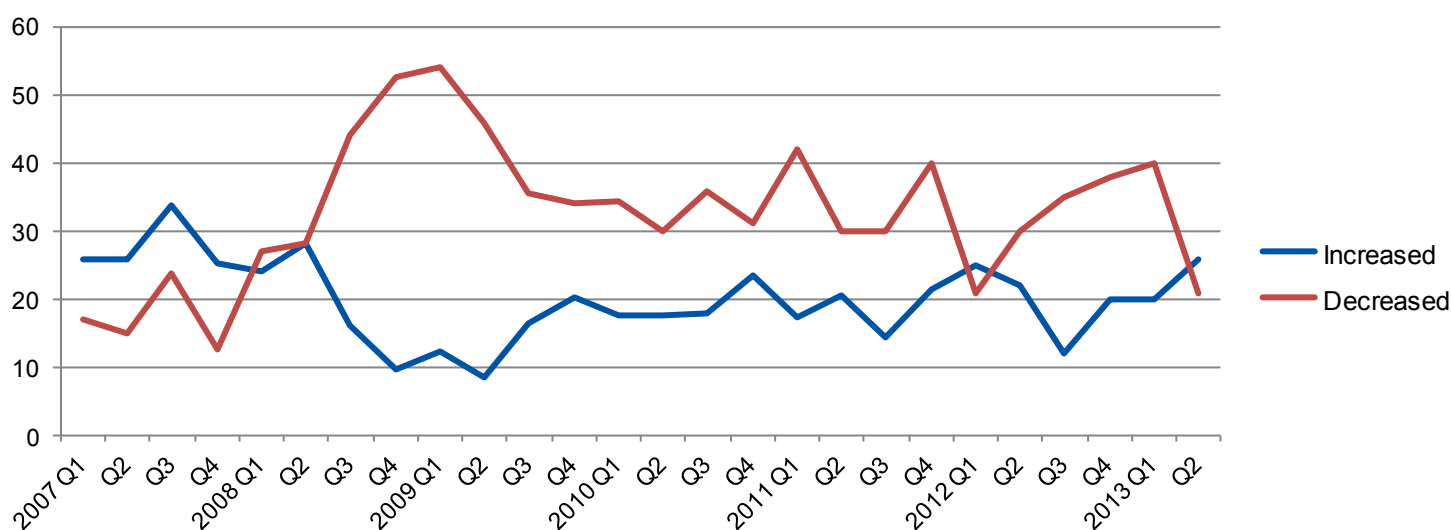


Profit expectations



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 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

Economic recovery is gathering strength, but the risks still remain

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 British Chambers of Commerce's Quarterly Economic Survey (QES) released shows the economy has made further progress, but that there are still some risks at home and abroad that could derail the recovery.

The survey, made up of responses from over 7,400 businesses, shows that most key balances strengthened in Q2 of this year compared with the previous quarter.

The export balances remain strong, with the services export deliveries balance reaching its highest level (+36%) since our survey began. It is encouraging to see employment balances rise, after they fell in the previous quarter.

Despite these welcome improvements, most indicators remain below their 2007 pre-recession levels, and it is disappointing that cashflow remains weak, while service investment balances fell in the quarter.

The findings suggest the economy will continue to strengthen gradually over the next year, with growth slowly improving. The results also demonstrate resilience among UK businesses, who continue to feel confident and are looking to invest and increase exports this year.

For both manufacturing and services, most key domestic balances are stronger in Q2 than in Q1, but in both sectors remain below pre-recession levels seen in 2007.

Export balances remain strong: service deliveries rose three points to +36% (the highest since the survey started in 1989) while orders rose three points to +29% (the highest since 1994).

Employment balances rose in Q2, following their Q1 decline. In manufacturing, the balance improved from +11% in Q1 to +19% in Q2; in services, it improved from +6% to +15%.

Business confidence has again increased. Manufacturing confidence that turnover will improve rose seven points to +51%; service sector confidence rose six points to +46%. Profitability confidence rose from +33% to +39% for manufacturing, and from +22% to +34% in services.

Pressure to raise prices continued to ease in Q2. In manufacturing, this fell by five points to +12%, with many citing reduced pressures from raw materials.

Cashflow balances are weak in both sectors. While manufacturing increased two points to +4%, the services sector recorded a five point drop and now sits at +1%.

Overall, the Q2 results support our view that the economy will gradually strengthen over the next year, but challenges remain.

John Longworth, Director General of the BCC, said: "Despite gloomy media headlines in recent months, our economic survey shows increased business confidence. UK firms are determined to make progress.

"It is incredibly encouraging to see export deliveries reach record levels, and the upturn in employment balances is reassuring in spite of the risks at home and abroad.

"British firms are doing their utmost to drive recovery. The sheer strength of our export balances shows that companies have untapped potential to expand."

Analysis

Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

"It is encouraging to see such a positive set of results from the second quarter's survey but there are still some concerns.

"The export figures are strong and are continuing to perform very well, with sales and orders both climbing steadily over the last six months, reflected by the increase in the number of documents our International Trade Centre is processing.

"With sales orders, training, turnover and profit expectations all showing increases there's a lot to be positive about, but we need to keep an eye on our domestic inflation which has increased again."

David Kern

Chief Economist

British Chambers of Commerce

"The improvement in most key balances in our Q2 survey supports our view that the UK upturn is slowly strengthening.

"The recent revisions to historic GDP data show that previous fears of a double dip were misguided. If recent progress is sustained, we could even see quarterly GDP growth of 0.6% in Q2 2013.

"The remarkable export balances show that the service sector is capable of increasing its trade surplus over time and can work to reduce our overall trade deficit. Developing the export potential of this sector is critical to long-term prosperity.

"However serious risks remain for the economy at home and abroad. Domestic inflation has increased again, and this risks worsening the squeeze on businesses and consumers.

Looking abroad, with the US planning to reduce its stimulus and continued problems with the eurozone, our exporters continue to face difficulties in selling their wares overseas.

"To support UK firms, the MPC must avoid steps, such as adding to QE, which could trigger a further rise in inflation.

"At the same time, the MPC should also strive to keep interest rates low to encourage businesses to invest.

"The government should also play a role by giving greater support to exporters, and providing access to finance for dynamic, viable businesses."

Results in full

		2012			2013	
		Q2	Q3	Q4	Q1	Q2
Home sales ²	Increased	28	35	42	39	39
	Constant	41	36	36	28	34
	Decreased	31	29	22	33	27
	Balance	-3	6	20	6	12

Home orders ²	Increased	31	31	41	38	44
	Constant	41	40	38	38	34
	Decreased	28	29	21	23	23
	Balance	3	2	20	15	21

Export sales ²	Increased	71	74	71	65	68
	Constant	21	16	19	25	28
	Decreased	9	10	10	10	4
	Balance	62	64	61	55	64

Export orders ²	Increased	68	68	65	69	68
	Constant	25	17	23	21	28
	Decreased	7	14	12	10	4
	Balance	61	54	53	59	64

Workforce ²	Increased	25	24	22	25	21
	Constant	63	59	66	61	69
	Decreased	11	16	11	15	10
	Balance	14	8	11	10	11

Workforce expectations ³	Increase	23	26	15	28	28
	Constant	70	69	75	57	61
	Decrease	8	5	9	16	11
	Balance	15	21	6	10	17

Recruited staff ²	Yes	47	47	51	54	68
	- Part time	31	23	22	33	100
	- Full time	69	77	78	67	0
	- Temporary	50	48	41	38	19
	- Permanent	50	52	59	62	81
	No	53	53	49	46	32

Recruitment difficulties ²	Yes	25	31	32	27	49
	- Skilled manual	17	18	18	16	9
	- Management	14	12	24	23	37
	- Clerical	8	3	8	16	2
	- Unskilled/semi-skilled	11	15	14	10	0
	No	75	69	68	73	51

		2012			2013	
		Q2	Q3	Q4	Q1	Q2
Cashflow ²	Increased	22	12	20	20	26
	Constant	48	53	42	40	53
	Decreased	30	35	38	40	21
	Balance	-8	-23	-18	-20	5

Investment: Plant/machinery ²	Increased	32	24	17	20	21
	Constant	54	57	63	61	77
	Decreased	14	19	19	20	1
	Balance	18	5	-2	0	20

Investment: Training ²	Increased	24	23	21	19	30
	Constant	59	59	67	64	61
	Decreased	16	19	11	17	9
	Balance	8	4	10	2	21

Turnover expectations ⁴	Improve	52	48	51	51	59
	Same	25	35	31	30	32
	Worsen	23	17	18	20	9
	Balance	29	31	33	31	50

Profit expectations ⁴	Improve	42	41	45	48	62
	Same	33	25	22	23	32
	Worsen	25	33	33	30	6
	Balance	17	8	12	18	56

Capacity utilisation ¹	Full capacity	37	23	30	28	62
	Below capacity	63	77	70	72	38

Prices ³	Increased	23	32	24	30	10
	Constant	71	64	66	59	79
	Decreased	6	4	9	11	10
	Balance	17	28	15	19	0

Price pressures ¹	Pay settlements	22	21	21	16	17
	Raw materials	25	36	30	39	0
	Finance	18	23	13	19	11
	Other overheads	54	49	53	44	19

External concerns ¹	Interest rates	15	21	14	13	8
	Exchange rates	22	15	19	19	6
	Business rates	32	27	31	29	18
	Inflation	47	51	47	44	50
	Competition	29	32	38	37	17
	Tax	29	32	26	42	10

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