



# Quarterly Economic Survey

Quarter 1, 2021

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

# Overview

## Lockdown bites hard, but brighter outlook

THE first quarter of the year has been a tough one for firms in the Humber, but the outlook for the coming months seems brighter as the economy opens up again, a freshly vaccinated population ventures out for the first time in months and gets us back to business.

The results of the Chamber's Quarter Four survey at the end of last year looked more promising after a difficult Quarter 3 and reflected a more positive business mood in the Humber, but as Lockdown 3.0 was announced on January 4th any progress made was put on hold again.

Quarter 1 of 2021 saw the nation back in lockdown and all non essential shops and retail were closed for the duration, only being allowed to reopen gradually towards the end of April.

The Quarter 1 survey, therefore, was taken under lockdown conditions in February and March, so we are hopeful that the unlocking of the economy will trigger a strong bounceback for many businesses, as widely predicted by the Bank of England's economic forecast.

As businesses grappled with the after effects of Brexit in the Humber, Export Sales remained in negative territory, but did do slightly better than in the previous quarter, as did Export Orders, however both balance figures remained firmly negative.

Home Sales and Home Orders both fell back, with Home Sales dropping 13 points and Home Orders dropping a further 18 points, to -13 and -24 respectively.

Perhaps it is no surprise that employment opportunities were also on the back foot with many businesses in survival mode. Only 10% were looking to increase their staffing levels, but 70% said they were holding steady, with the balance figure improving slightly from the previous quarter to -10.

Prospects for the next three months remain subdued, with only 13% of firms looking to increase their staffing levels.

Businesses said their Cashflow in the past three months had dropped, with a 34 point drop to -18, and investment in plant and machinery was also down on the previous quarter, dropping from a balance figure of -12 to -27 this time around.

Training was also hit during the lockdown period with a drop in the balance figure of 24, taking it from +6 to -18.

On a brighter note, turnover expectations for the coming months were up, rising by 15 points to +23, with profit expectations also showing an increase of 8 points to 10.

However, only 18 per cent of firms said they were working at full capacity this quarter.

More firms expected to see their costs rise, with the balance figure rising by 15 points to 38.

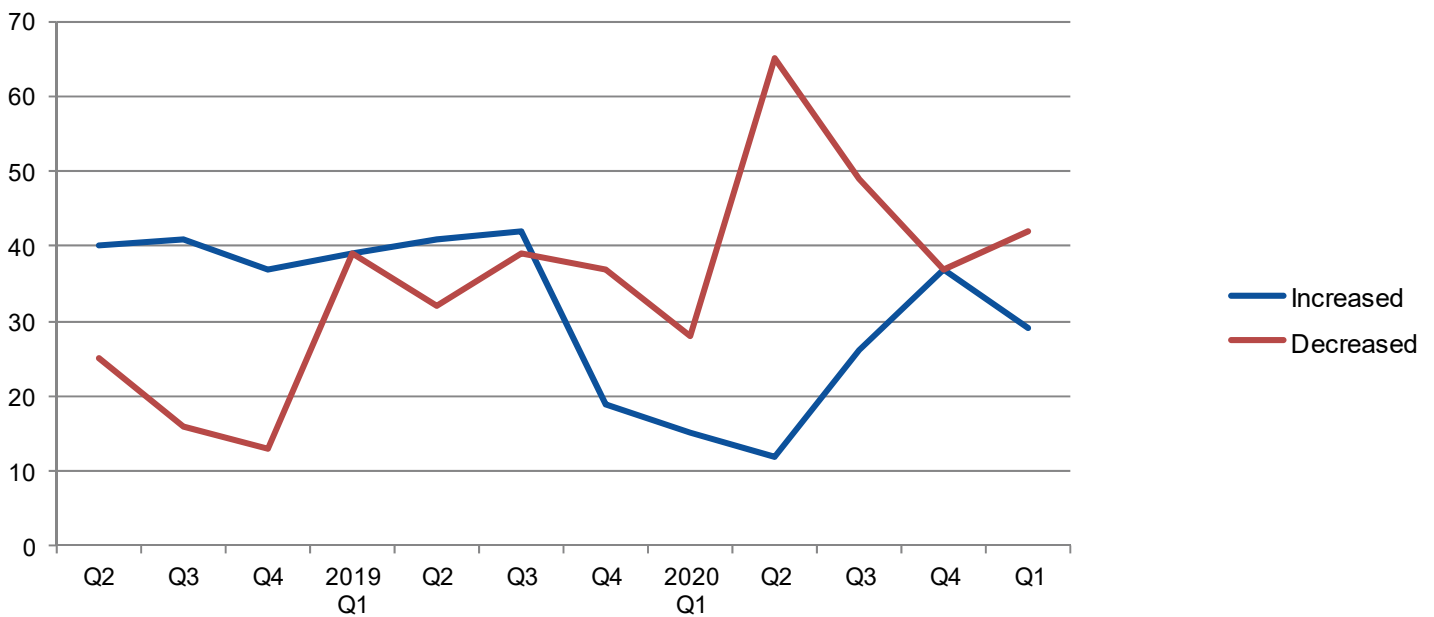
Raw material costs, finance and overheads were the biggest pressures on businesses this quarter, while Competition, Inflation and Tax were the biggest external concerns.

### Key balances

- ➔ Home sales down 13 points to -13.
- ➔ Home orders down 18 points to -24.
- ➔ Export Sales up 14 points to -41.
- ➔ Export Orders up 12 points to -38.
- ➔ Employment up 7 points to -10.
- ➔ Expected employment up 2 points at 8.
- ➔ Cashflow down 34 points to -14.
- ➔ Investment down 15 points to -27.
- ➔ Investment in training down 24 points to -18.
- ➔ Profit expectations up 8 points to 10.
- ➔ Prices up 15 points to 38.
- ➔ Skilled manual roles hardest to fill this quarter.

# Key indicators

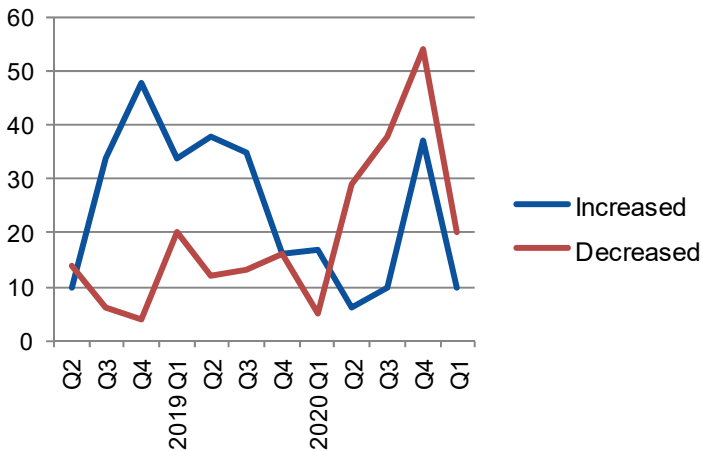
## Home sales



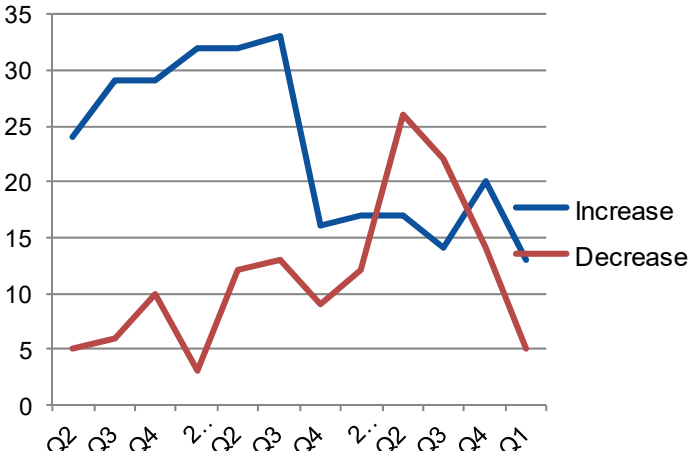
## Export sales



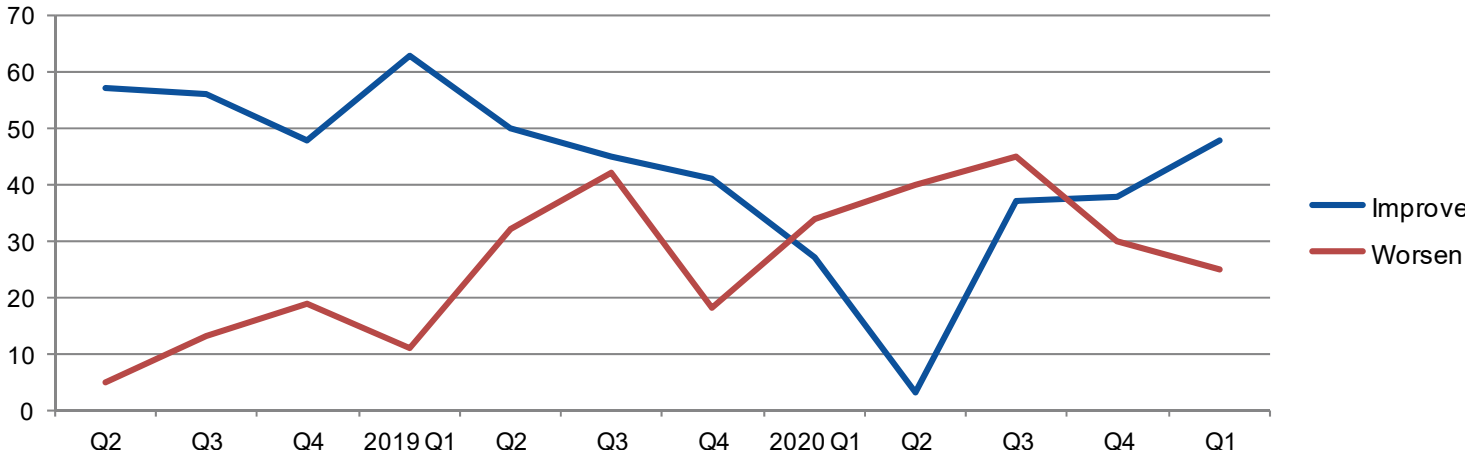
### Employment



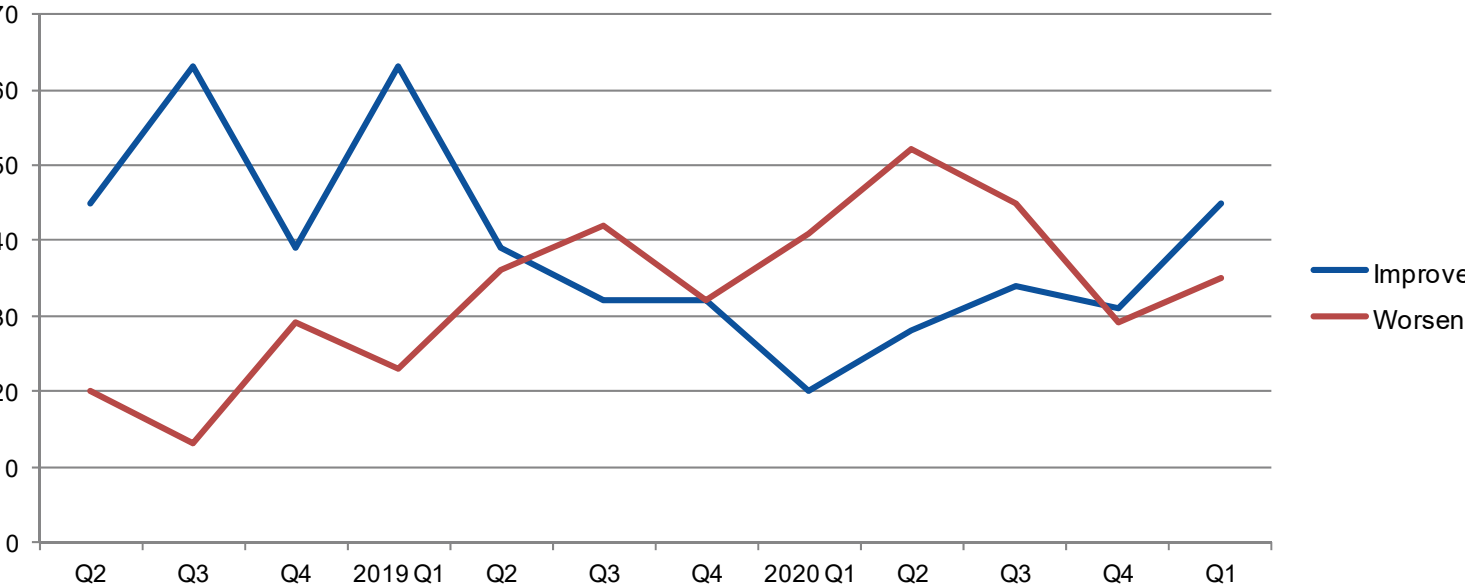
### Employment expectations



### Turnover expectations

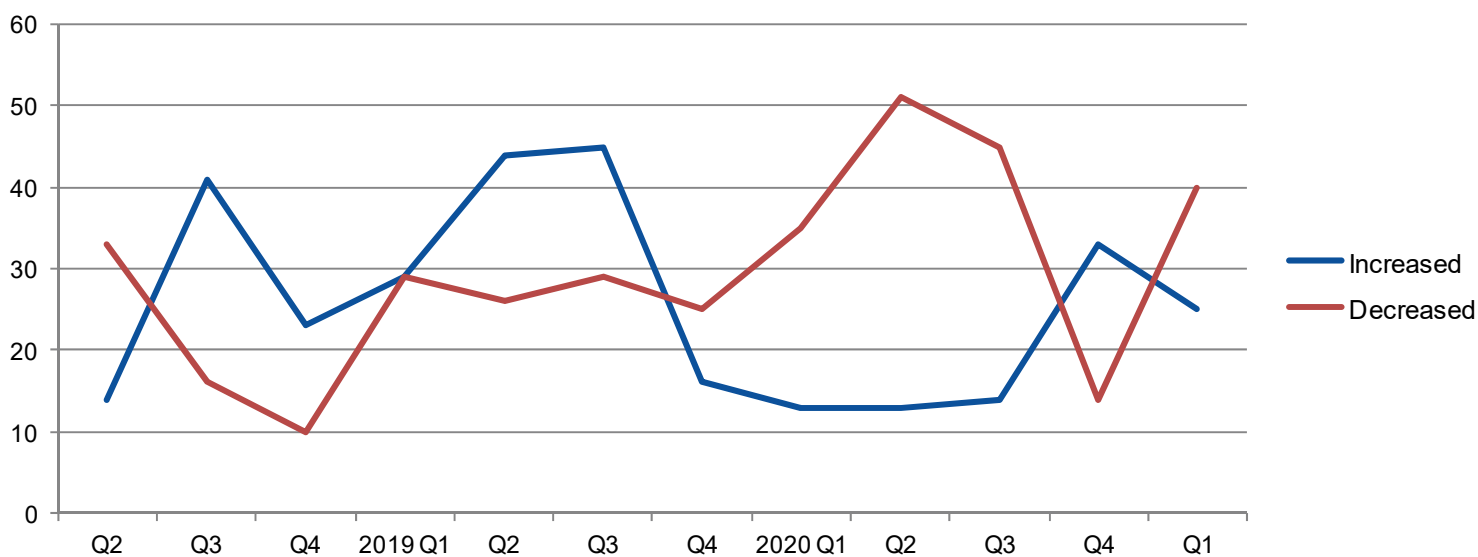


### Profit expectations



## 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

## More firms seeing a route out of Covid crisis

### 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 historically poor in the first quarter of 2021 as the third lockdown severely limited activity.

However, the bellwether survey of 6,103 firms, who employ almost a million people across the UK, revealed that business confidence has been boosted in the first three months of 2021 amid the strong vaccine roll-out and the government's roadmap providing some ability for companies to forward plan.

#### Key findings:

- All the key indicators for immediate business conditions remained in negative territory and well below pre-pandemic levels in Q1
- 83% of hospitality and catering firms reported decreased domestic sales in Q1
- 55% of businesses expect turnover to grow over the next 12 months, back to pre-pandemic levels

#### Business activity

Overall, indicators of immediate business conditions remained troubling in Q1, with some deterioration from Q4 2020 and all key indicators still well below pre-Covid 19 levels.

40% of firms reported a decrease in domestic sales in Q1, 32% reported no change, and 28% reported an increase.

Business to consumer (B2C) firms saw the largest falls in domestic sales in the quarter. 83% of hospitality and catering firms reported decreases in Q1, higher compared to 79% in Q4, but lower than in Q2 2020 (94%).

Sectors with more scope to continue their operations through the pandemic, including shifting to remote working, saw some improvement, albeit not close to pre-pandemic levels. 35% of both Professional Services and Marketing & Media firms reported increased sales in Q1.

In the manufacturing sector, the balance of firms reporting increased domestic sales increased to -6% in Q1 2021, up from -9% in Q4 2020.

#### Cash flow

Cash flow continued to deteriorate for 41% of firms in Q1. 20% of firms reported an improvement in cash flow, 39% reported no change. Levels are broadly unchanged from Q4, which itself showed little improvement from Q3 following the historic lows in Q2 2020.

Cash flow indicators continue to worsen most severely for hotels & catering firms. 8 in 10 (81%) of these firms reported a decrease in cashflow in Q1, up from 77% the previous quarter, with only 7% reporting an increase.

#### Investment

Just under a third of firms (30%) continue to report decreased investment in plant, machinery and equipment. This is a small improvement from Q4.

#### Confidence

55% of firms overall said they expected their turnover to increase over the next 12 months, the highest since Q1 2020 (the last pre-pandemic quarter) and an increase from 40% in Q4. 22% expected it to decrease, a decrease from 34% in the previous quarter, and 23% expected no change.

# Analysis

## Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

“It is encouraging to see some signs of optimism in the Humber as we emerge from the UK’s third lockdown.

“It has been a tough start to the year for many businesses, but we are looking forward now as the economy begins to reboot for a stronger second quarter.

“The vaccination programme in the UK has been a tremendous success, and as we come out of lockdown, the innovative businesses we have here in the Humber will once again drive us forward.

“With lots of inward investment and exciting plans for renewable energy, carbon capture and our newly-bestowed Freeport status, the Humber is better placed than most to bounce back strongly and prosper again.

“The Chamber is also providing improved support for its members with five new advice lines included in our membership package covering HR, H&S, Legal, Tax and VAT issues.

“These are employer focused services backed up by unlimited access to experienced advisors and access to a library of 800 documents and templates for things like employment issues, furlough, redundancy or H&S requirements around Covid-19, risk assessments, H&S policies etc.

[Click here for more information.](#)

## The National View

British Chambers of Commerce

“Our findings demonstrate that businesses are beginning to see optimism emerge from the lowest point of the crisis however much remains to be done to ensure that optimism is borne out into prosperity, and many businesses still face a fight for survival in the coming months.”

“The damage wrought to trading conditions by repeated lockdowns and issues at the border will not be repaired by renewed confidence alone. The Government must recognise the compounded impact that the combination of the pandemic and Brexit related issues have had on firms up and down the country.”

“The hope for growth represented in our findings is contingent upon the Government continuing to hit its target dates for re-opening the economy, successfully rolling out the coronavirus vaccines and providing ongoing support to businesses which have suffered throughout the crisis. Particular emphasis must be placed on those sectors which face continued uncertainty about when they will be able to fully trade again.”

“Businesses are desperate to play their part in the recovery from the pandemic, and the Government must provide them with the security and certainty that they need to do just that. These first quarter findings show there is a glimmer of hope that the start of rebuilding and renewal for the UK is within reach, though there is no room for inaction or overconfidence”.

# Results in full

		2020				2021	2020					2021		
		Q1	Q2	Q3	Q4	Q1	Q1	Q2	Q3	Q4	Q1			
Home sales <sup>2</sup>	Increased	15	12	26	13	29	Cashflow <sup>2</sup>	Increased	13	13	14	33	25	
	Constant	58	24	25	26	29		Constant	53	36	41	53	35	
	Decreased	28	65	49	37	42		Decreased	35	51	45	14	40	
	<b>Balance</b>	<b>-13</b>	<b>-53</b>	<b>-23</b>	<b>0</b>	<b>-13</b>		<b>Balance</b>	<b>-22</b>	<b>-38</b>	<b>-31</b>	<b>19</b>	<b>-15</b>	
Home orders <sup>2</sup>	Increased	11	7	19	36	19	Investment: Plant/machinery <sup>2</sup>	Increased	8	12	15	26	8	
	Constant	54	25	37	21	38		Constant	62	40	44	35	57	
	Decreased	34	67	44	42	43		Decreased	30	49	41	38	35	
	<b>Balance</b>	<b>-23</b>	<b>60</b>	<b>-25</b>	<b>-6</b>	<b>-24</b>		<b>Balance</b>	<b>-22</b>	<b>-37</b>	<b>-26</b>	<b>-12</b>	<b>-27</b>	
Export sales <sup>2</sup>	Increased	6	5	13	9	18	Investment: Training <sup>2</sup>	Increased	23	12	9	32	13	
	Constant	39	32	27	27	23		Constant	54	40	65	41	56	
	Decreased	56	64	60	64	59		Decreased	23	49	26	26	31	
	<b>Balance</b>	<b>-50</b>	<b>-59</b>	<b>-47</b>	<b>-55</b>	<b>-41</b>		<b>Balance</b>	<b>0</b>	<b>-37</b>	<b>-17</b>	<b>6</b>	<b>-18</b>	
Export orders <sup>2</sup>	Increased	6	5	13	17	19	Turnover expectations <sup>4</sup>	Improve	27	3	37	38	48	
	Constant	39	32	27	17	24		Same	39	57	18	32	28	
	Decreased	56	64	60	67	57		Worsen	34	40	45	30	25	
	<b>Balance</b>	<b>50</b>	<b>-59</b>	<b>-47</b>	<b>-50</b>	<b>-38</b>		<b>Balance</b>	<b>-7</b>	<b>-37</b>	<b>-8</b>	<b>8</b>	<b>23</b>	
Workforce <sup>2</sup>	Increased	17	6	10	37	10	Profit expectations <sup>4</sup>	Improve	20	28	34	31	45	
	Constant	78	65	53	16	70		Same	39	20	21	40	20	
	Decreased	5	29	38	54	20		Worsen	41	52	45	29	35	
	<b>Balance</b>	<b>12</b>	<b>-23</b>	<b>-28</b>	<b>-17</b>	<b>-10</b>		<b>Balance</b>	<b>-21</b>	<b>-24</b>	<b>-11</b>	<b>2</b>	<b>10</b>	
Workforce expectations <sup>3</sup>	Increase	17	17	14	20	13	Capacity utilisation <sup>1</sup>	Full capacity	28	24	27	38	18	
	Constant	71	57	64	66	82		Below capacity	73	76	73	62	83	
	Decrease	12	26	22	14	5		Prices <sup>3</sup>	Increased	68	17	20	34	48
	<b>Balance</b>	<b>5</b>	<b>-9</b>	<b>-8</b>	<b>6</b>	<b>8</b>			Constant	28	61	59	54	43
Recruited staff <sup>2</sup>	<b>Yes</b>	<b>44</b>	<b>19</b>	<b>32</b>	<b>57</b>	<b>30</b>	Decreased		5	21	21	11	10	
	- Part time	25	14	23	15	17	<b>Balance</b>		<b>63</b>	<b>-4</b>	<b>-1</b>	<b>23</b>	<b>38</b>	
	- Full time	88	71	73	70	67	Price pressures <sup>1</sup>	Pay settlements	37	11	18	21	7	
	- Temporary	13	21	23	20	50		Raw materials	30	34	32	32	46	
	- Permanent	50	29	27	15	42		Finance	37	18	21	5	21	
	<b>No</b>	<b>56</b>	<b>81</b>	<b>68</b>	<b>43</b>	<b>70</b>		Other overheads	53	74	71	84	64	
Recruitment difficulties <sup>2</sup>	<b>Yes</b>	<b>61</b>	<b>62</b>	<b>78</b>	<b>71</b>	<b>58</b>	External concerns <sup>1</sup>	Interest rates	16	9	13	7	3	
	- Skilled manual	18	44	28	40	57		Exchange rates	25	24	34	17	22	
	- Management	45	22	50	40	43		Business rates	31	29	25	27	16	
	- Clerical	27	0	11	20	43		Inflation	28	29	25	27	25	
	- Unskilled/semi-skilled	45	44	22	27	43		Competition	44	40	57	40	34	
	<b>No</b>	<b>39</b>	<b>38</b>	<b>22</b>	<b>29</b>	<b>42</b>		Tax	34	44	43	63	56	

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