



Quarterly Economic Survey

Quarter 3, 2013

www.hull-humber-chamber.co.uk

Overview

Employment and exports lead the way for region in third quarter of 2013

EMPLOYMENT and exports are the headline acts in the Hull & Humber Chamber of Commerce's economic survey for the third quarter of 2013.

Reinforcing the positive picture painted by the second quarter's results, 25% of firms increased their workforce in the last three months and importantly, fewer firms reduced their staffing levels. This is the second successive quarter which has shown an improving picture.

Further encouraging news comes from more than 30% of firms surveyed which say they are expecting to recruit in the next three months, with 63% having tried to increase their workforce in the last three months.

There has also been a sharp change in the last quarter on the types of vacancies, with 78% of available positions being full time and more than half of those (56%) being permanent jobs, which is good news for the region.

While fewer firms are reporting difficulties in finding the right calibre of staff, skilled manual workers are currently the hardest to find for 18% of companies, with another 15% of firms having trouble finding suitable management staff.

The number of companies investing in training has risen for the third quarter in a row, with the balance for the last three months up 6% this time around.

With 75% of firms reporting an increase in export sales and only 2%

reporting a decline, the balance figure again rose 9 points this quarter, matching the same increase in the second quarter.

There was further good news on export orders, with over 70% of firms reporting an increase. This, combined with an increase in the number of firms reporting an increase in their order books, means there has been a 5% rise in the balance figures since the last quarter of 2012.

The home market hasn't been quite so buoyant, but home sales balance has still doubled for the second quarter in a row, with 41% of firms reporting an increase in sales.

The balance figure for home orders fell back slightly to 15%, a drop of 6 points.

Turnover and profit expectations were down in this quarter, with fewer firms working at full capacity, although two-thirds of companies expected price pressures to remain at fairly constant levels.

The biggest external concerns were reported to be interest and exchange rates, which have returned to previous levels after dropping in the previous quarter.

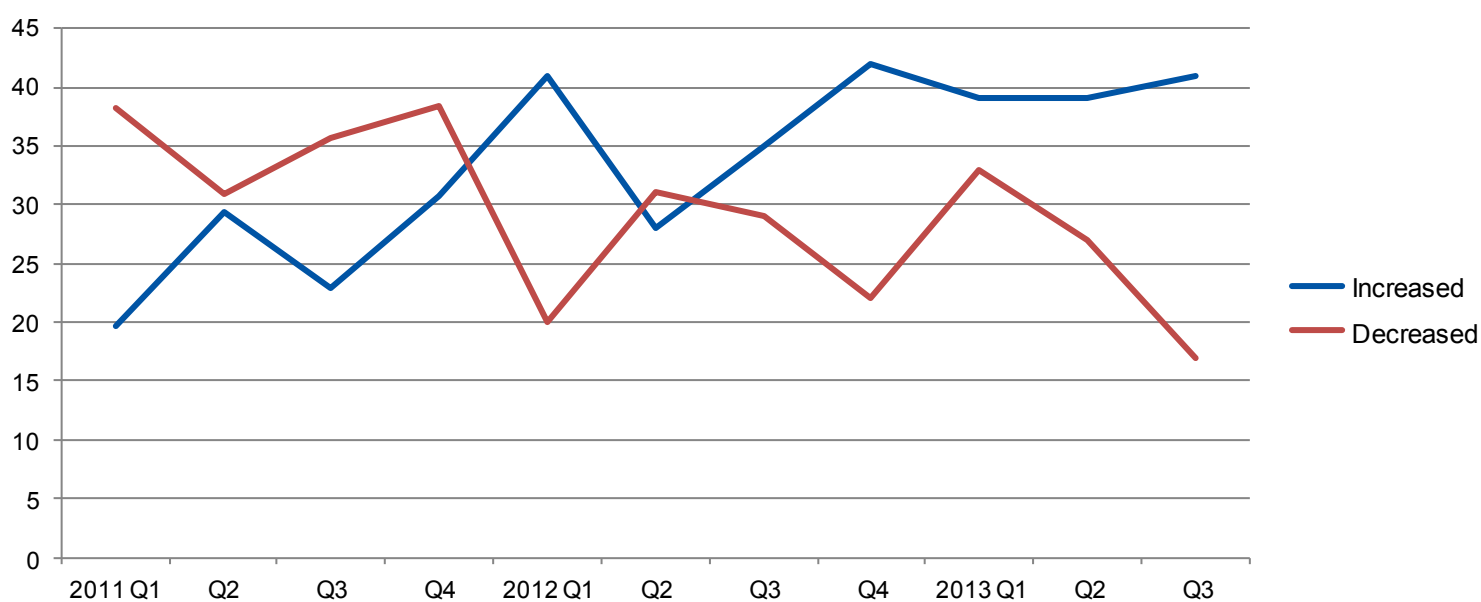
And while 6% more firms say they are planning to invest in plant and machinery, the balance figure has dropped 7 points on the last quarter, due to more firms trimming their investment plans.

Key balances

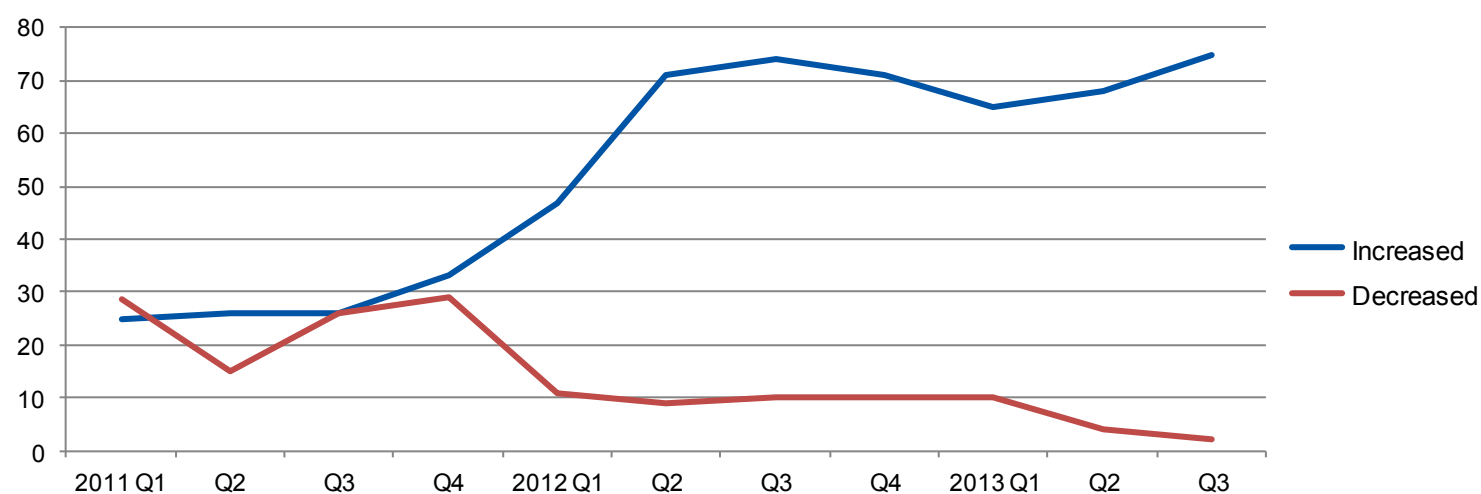
- ➔ Employment in the last three months is up 5 points
- ➔ Expected employment in the next three months is also up 5 points
- ➔ 63% of firms have tried to recruit staff
- ➔ Firms finding difficulty in recruiting skilled manual staff is up by 9 points
- ➔ Export sales up increase by 9 points
- ➔ Export orders increase by 5 points
- ➔ Home sales doubled for second quarter in a row.
- ➔ Home orders fell back by 6 points.
- ➔ Investment in training is up for third quarter in row with a 6 point rise.

Key indicators

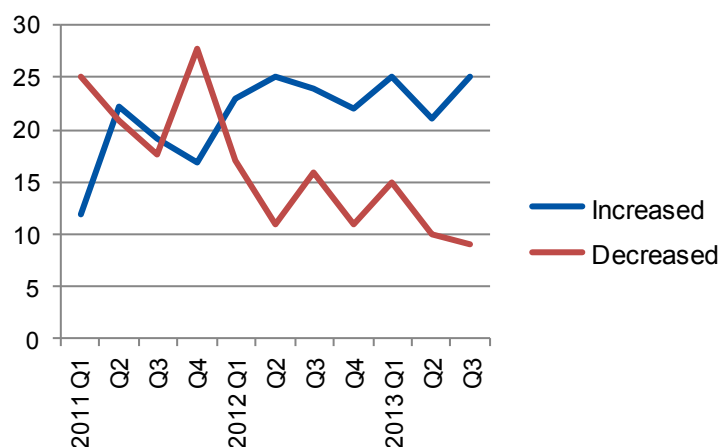
Home sales



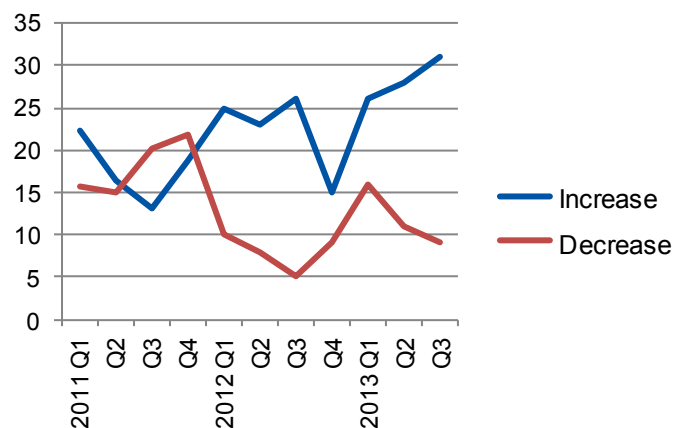
Export sales



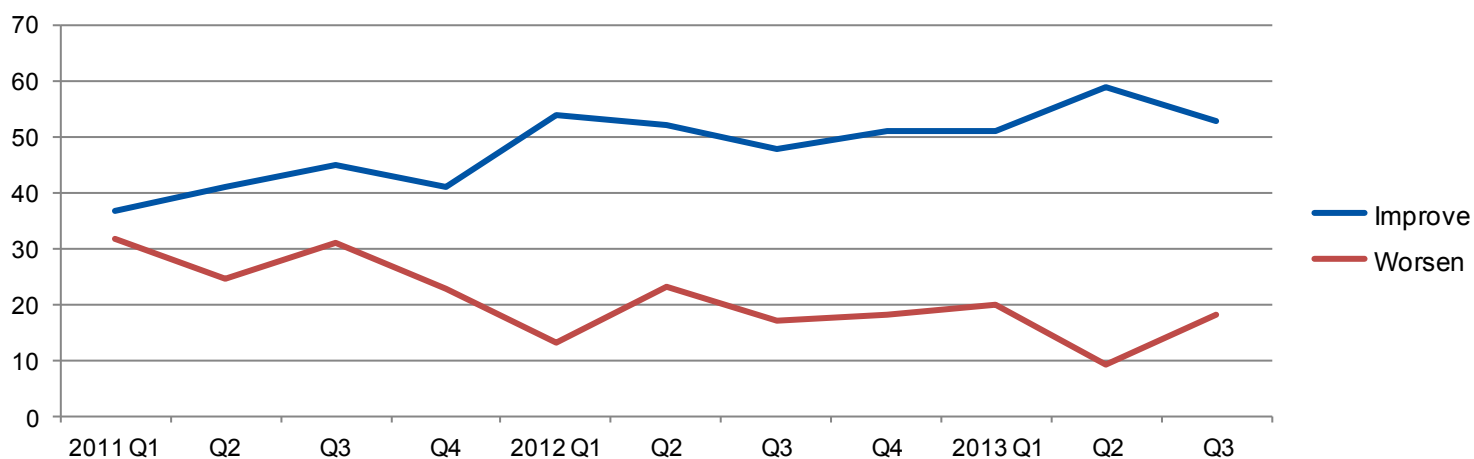
Employment



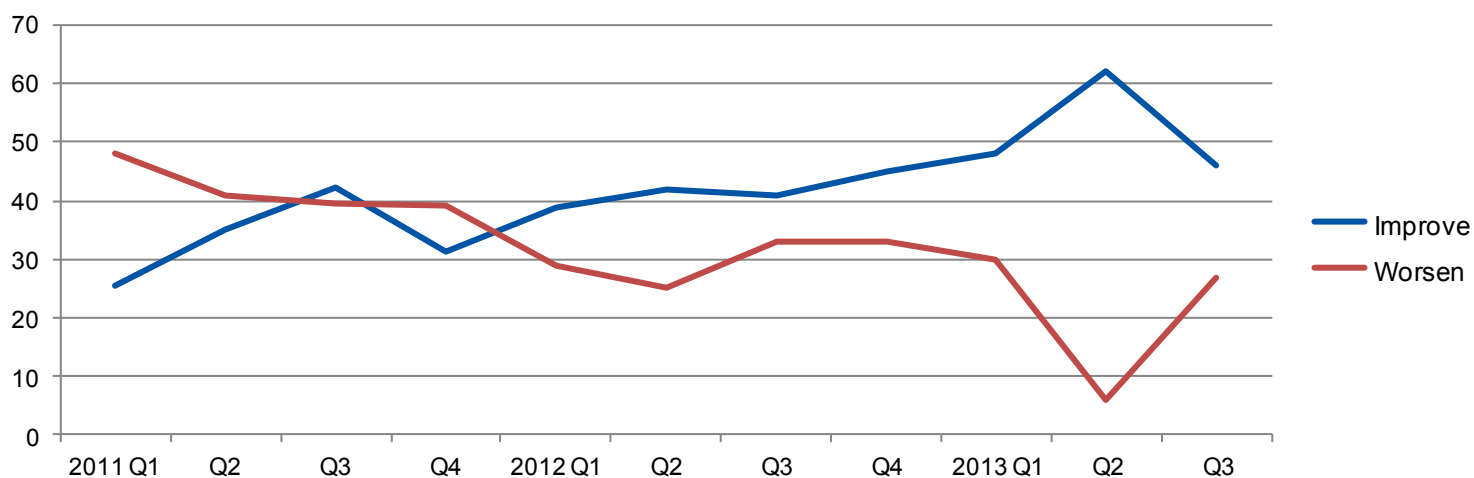
Employment expectations



Turnover expectations

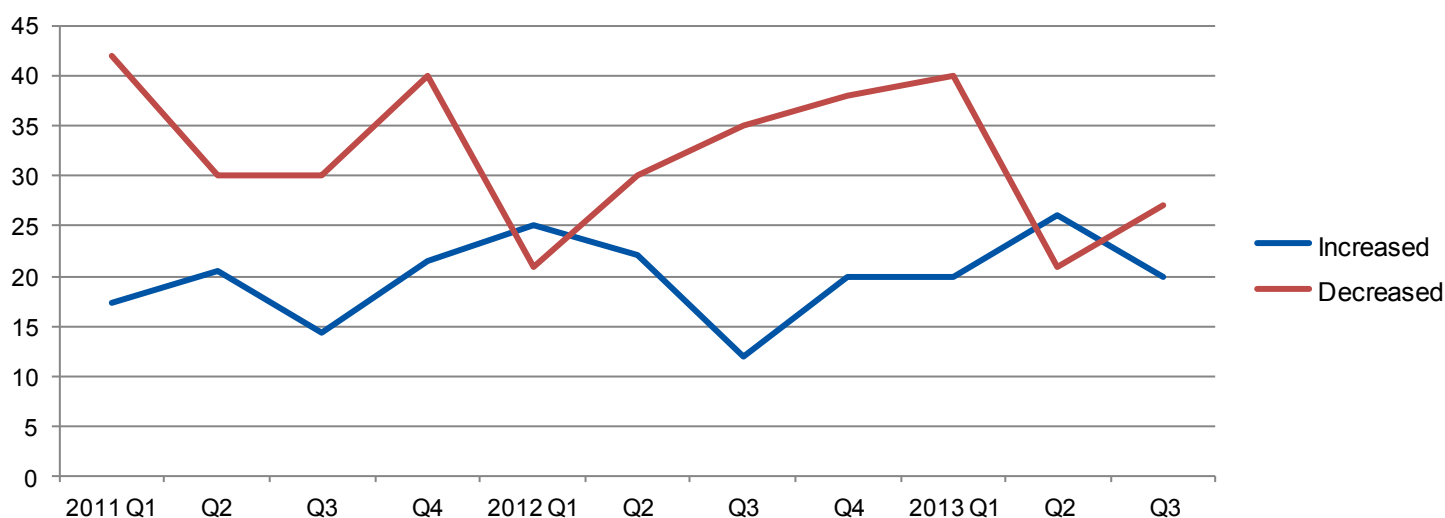


Profit expectations



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

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National picture

Manufacturing spurt and strong service sector boost growth

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) provides further evidence that the UK economy is healing.

The Q3 survey, made up of responses from more than 7,400 businesses, shows improvements in most key areas for both manufacturing and services compared with Q2, with many balances now stronger than their long-term historical averages.

In the manufacturing sector, six key balances are at all-time highs, and the service sector continues to improve.

We are pleased confidence in the manufacturing sector has fuelled a temporary growth spurt, but it is too early to declare the recovery is secure – especially given risks at home and abroad that still remain.

Several key manufacturing balances are at all-time highs: Home deliveries (+38%); employment (+32%); employment expectations (+29%); cashflow (+22%); turnover confidence (+66%) and operating at full capacity (+46%).

Employment rose in the services sector to +20%, and is at its best level since 2007.

Business confidence in turnover and profitability remains high. In both manufacturing (+66% and +46% respectively) and services (+58% and +39%) these figures are all above pre-recession levels.

But there are some concerns. Investment in plant and machinery in the manufacturing sector fell, and is lower than in 2007, despite the full capacity balance being at a record high.

Several key services balances are still lower than pre-recession levels, even

though they improved this quarter: employment expectations (+26%), cashflow (+12%), both investment balances (+17% for machinery, +24% for training), and profitability confidence (+39%).

Both export balances in the service sector (sales and orders) fell slightly but remain at historically high levels.

Pressure to raise prices increased in Q3. In manufacturing, this rose 12 points to +27%, and in services, the balance increased 11 points to +23%. Raw material costs were given as one of the main factors.

Commenting on the results, John Longworth, Director General of the BCC, said: "We have long-championed the idea that businesses up and down the country have remained confident about their abilities to grow. Even more firms now believe they can increase their turnover and sales, and hire more staff, which is a testament to their hard-work, creativity and ambition.

"It is fantastic to see our small yet dynamic manufacturing sector doing so well, with our results suggesting a recent growth spurt. However, we need to ensure that this does not become an aberration, but rather the norm, particularly when the economic recovery is still facing external risks.

"Investment is still a concern, and if we are to have a high productivity, high skill, high wage economy then this needs to improve. We have seen many false dawns in recent years and if we are to create the 'land of opportunity for all' that the Prime Minister spoke about at the Conservative Party Conference we need swift delivery of promises made".

Analysis

Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

"These third quarter results are another strong performance from the Humber region's businesses.

"It's good to see that our exporters are continuing to thrive, having improved their performance quarter on quarter with sales and orders continuing to climb, and continuing to keep the Chamber's International Trade Centre busy.

"The employment figures are also encouraging, but this area, of course, still has serious long-term unemployment issues to address despite 25% of firms in the Humber region taking on new staff in the last three months.

"We are still hopeful for substantial growth in the renewables sector and we need to make sure that our workforce is ready to step up and take advantage of these new opportunities as and when they arise.

"However, with some evidence of a drop in turnover and profit expectations, fewer companies working at full capacity and with concerns about interest and exchange rates, we still need to keep a watching brief on the progress our economy is making – it is not boom times yet".

David Kern

Chief Economist

British Chambers of Commerce

"It's clear that the UK upturn is gathering momentum, with most key balances in this quarter higher than their pre-recession levels in 2007.

"On the basis of these results, GDP growth in Q3 could well be around 0.9-1.0%, with our full-year forecasts for 2013 and 2014 likely to be revised up further. However these strong results must not lull us into a false sense of security.

"Growth will continue, but it is likely to slow slightly following this recent spurt. External shocks from the US shutdown, possible debt default and tapering, and continued risks elsewhere in the world could all impact on our fragile recovery.

"At home, the impact of reducing the deficit, fixing the banking system, and the relentless squeeze on living standards will inevitably act as a constraint on growth in the next few years.

"All this means that it is vital to sustain the recovery and avoid setbacks. The MPC must continue its forward guidance on interest rates, and must work to bring inflation down without increasing its QE programme.

"On its part, the Government must switch policy priorities towards measures to boost growth such as infrastructure investment, cutting business rates and taxes, promoting exports, and boosting the flow of lending to growing businesses through a fully-funded Business Bank."

Results in full

		2012		2013		
		Q3	Q4	Q1	Q2	Q3
Home sales ²	Increased	35	42	39	39	41
	Constant	36	36	28	34	41
	Decreased	29	22	33	27	17
	Balance	6	20	6	12	24

Home orders ²	Increased	31	41	38	44	37
	Constant	40	38	38	34	41
	Decreased	29	21	23	23	22
	Balance	2	20	15	21	15

Export sales ²	Increased	74	71	65	68	75
	Constant	16	19	25	28	23
	Decreased	10	10	10	4	2
	Balance	64	61	55	64	73

Export orders ²	Increased	68	65	69	68	71
	Constant	17	23	21	28	27
	Decreased	14	12	10	4	2
	Balance	54	53	59	64	69

Workforce ²	Increased	24	22	25	21	25
	Constant	59	66	61	69	66
	Decreased	16	11	15	10	9
	Balance	8	11	10	11	16

Workforce expectations ³	Increase	26	15	28	28	31
	Constant	69	75	57	61	59
	Decrease	5	9	16	11	9
	Balance	21	6	10	17	22

Recruited staff ²	Yes	47	51	54	68	63
	- Part time	23	22	33	100	22
	- Full time	77	78	67	0	78
	- Temporary	48	41	38	19	45
	- Permanent	52	59	62	81	56
	No	53	49	46	32	38

Recruitment difficulties ²	Yes	31	32	27	49	30
	- Skilled manual	18	18	16	9	18
	- Management	12	24	23	37	15
	- Clerical	3	8	16	2	10
	- Unskilled/semi-skilled	15	14	10	0	3
	No	69	68	73	51	70

		2012		2013		
		Q3	Q4	Q1	Q2	Q3
Cashflow ²	Increased	12	20	20	26	20
	Constant	53	42	40	53	53
	Decreased	35	38	40	21	27
	Balance	-23	-18	-20	5	-7

Investment: Plant/machinery ²	Increased	24	17	20	21	27
	Constant	57	63	61	77	59
	Decreased	19	19	20	1	14
	Balance	5	-2	0	20	13

Investment: Training ²	Increased	23	21	19	30	35
	Constant	59	67	64	61	57
	Decreased	19	11	17	9	8
	Balance	4	10	2	21	29

Turnover expectations ⁴	Improve	48	51	51	59	53
	Same	35	31	30	32	31
	Worsen	17	18	20	9	18
	Balance	31	33	31	50	35

Profit expectations ⁴	Improve	41	45	48	62	46
	Same	25	22	23	32	27
	Worsen	33	33	30	6	27
	Balance	8	12	18	56	19

Capacity utilisation ¹	Full capacity	23	30	28	62	34
	Below capacity	77	70	72	38	66

Prices ³	Increased	32	24	30	10	25
	Constant	64	66	59	79	61
	Decreased	4	9	11	10	14
	Balance	28	15	19	0	11

Price pressures ¹	Pay settlements	21	21	16	17	17
	Raw materials	36	30	39	0	36
	Finance	23	13	19	11	14
	Other overheads	49	53	44	19	48

External concerns ¹	Interest rates	21	14	13	8	13
	Exchange rates	15	19	19	6	16
	Business rates	27	31	29	18	22
	Inflation	51	47	44	50	44
	Competition	32	38	37	17	22
	Tax	32	26	42	10	22

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