



Quarterly Economic Survey

Quarter 2, 2021

www.hull-humber-chamber.co.uk

Overview

Q2's sharp U-turn in business confidence

FOLLOWING a tough quarter one for firms in the Humber, the second quarter of 2021 has seen a marked turnaround in fortunes with all the indicators returning to positive territory.

Research by the Hull & Humber Chamber of Commerce clearly shows that that business confidence is returning as the end of the pandemic lockdown restrictions takes effect.

Although the fieldwork for this survey was conducted before the lifting of restrictions was further delayed by the Government until July 19, Humber businesses are clearly "getting on with the job" of getting the UK plc moving again.

Home sales and orders both saw a huge turnaround from where they were in the first quarter, with the Home Sales balance figure improving by 46 points, while the order books did even better, with its balance figure rising by an impressive 63 points.

It was a similar picture in the export sector, with Export Sales rising by 41 points and Export Orders rising by 38 points.

Employment figures in the last three months also improved with the balance figure up by 35 points. The outlook for the next three months is just as positive, with more firms saying they expect to increase their workforce in the next three months, the balance figure rising by 27 points to 35.

The number of firms recruiting staff doubled, when compared to the previous quarter, with 63% of firms saying that they

tried to recruit staff. There was an increase in full-time and part-time posts alike, with a strong increase in permanent jobs, along with a sizeable drop in the number of temporary jobs available.

Unskilled and semi-skilled jobs was where most vacancies were to be found, with fewer clerical jobs available in Quarter 2. Management roles were fairly static, while skilled manual vacancies saw a drop from their previous figure.

In the last three months, many firms reported better cashflow, with the balance figure rising from -15 in Quarter 1, to 32 points in Quarter 2, a swing of 47 points.

Investment in Plant and Machinery and Training also saw a considerable turnaround, with 34% more firms saying they had plans to invest, while training also rose by 30 points when compared to the previous quarter, putting the sector back into positive territory for the first time in more than a year.

Looking ahead to the next 12 months, there was a large increase in the number of firms who expect to see their turnover increase, with the balance figure rising by 30 points to a balance figure of 53.

Profit expectations also made good gains, with 24% more firms saying they expected to see higher profits in the next year, although rising prices was a concern for many.

The biggest external concerns this time around were Inflation, Business Rates and Competition, while rising Raw Material costs were also a worry.

Key balances

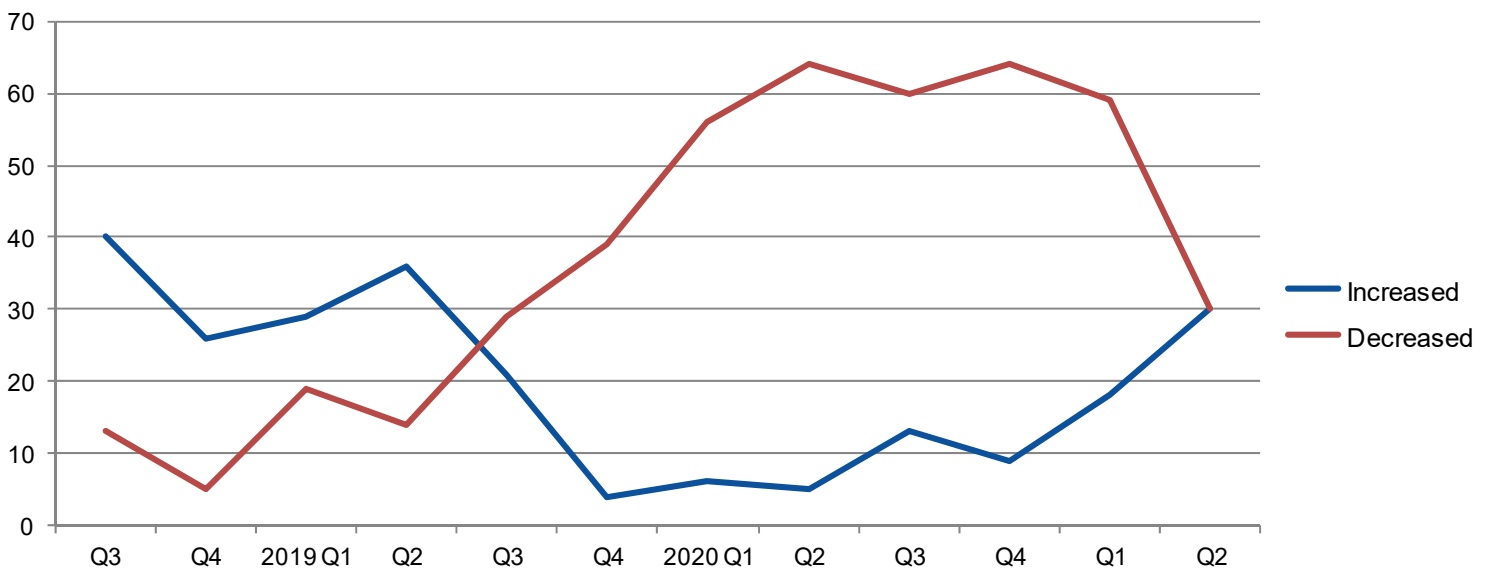
- ➔ Home sales was up 46 points to 46.
- ➔ Home orders was up 63 to 39.
- ➔ Export sales rose 41 to 0.
- ➔ Export orders rose 38 to 0.
- ➔ Employment in the last three months recovered by 35 points to 25.
- ➔ Expected employment in the next three months rose 27 points to 35.
- ➔ Cashflow improved 47 points to 32.
- ➔ Investment in Plant and Machinery rose 34 points to 7.
- ➔ Training investment rose 30 points to 12.
- ➔ Turnover expectations for the next 12 months rose 30 points to 53.
- ➔ Profit hopes were up 24.

Key indicators

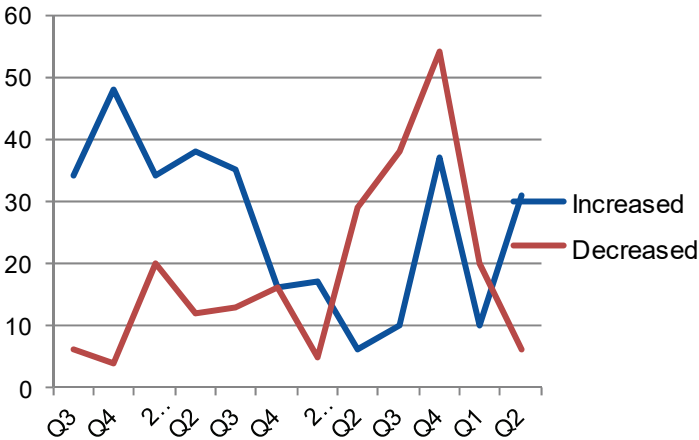
Home sales



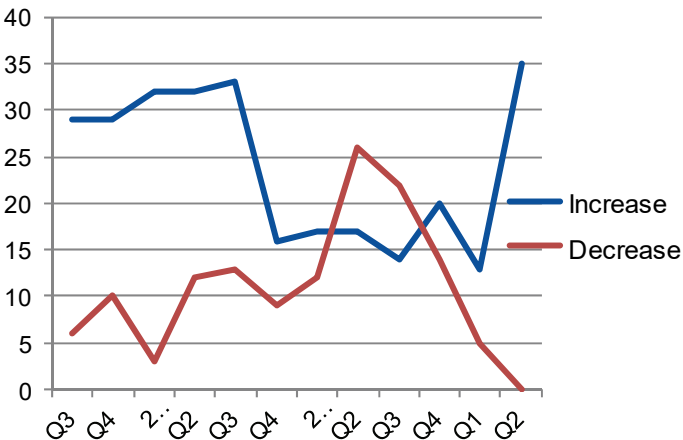
Export sales



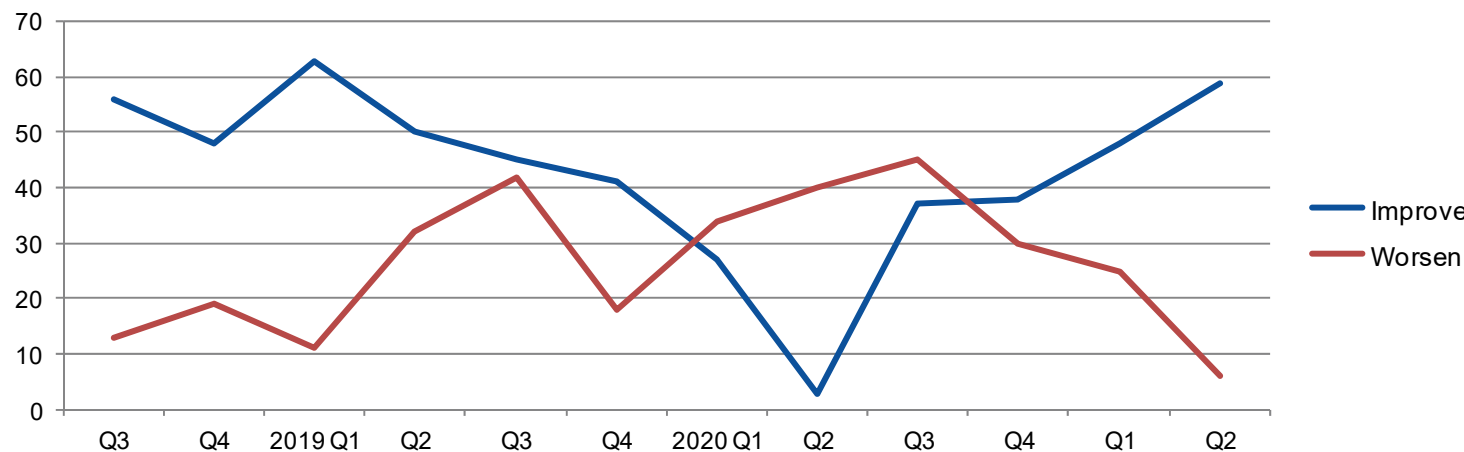
Employment



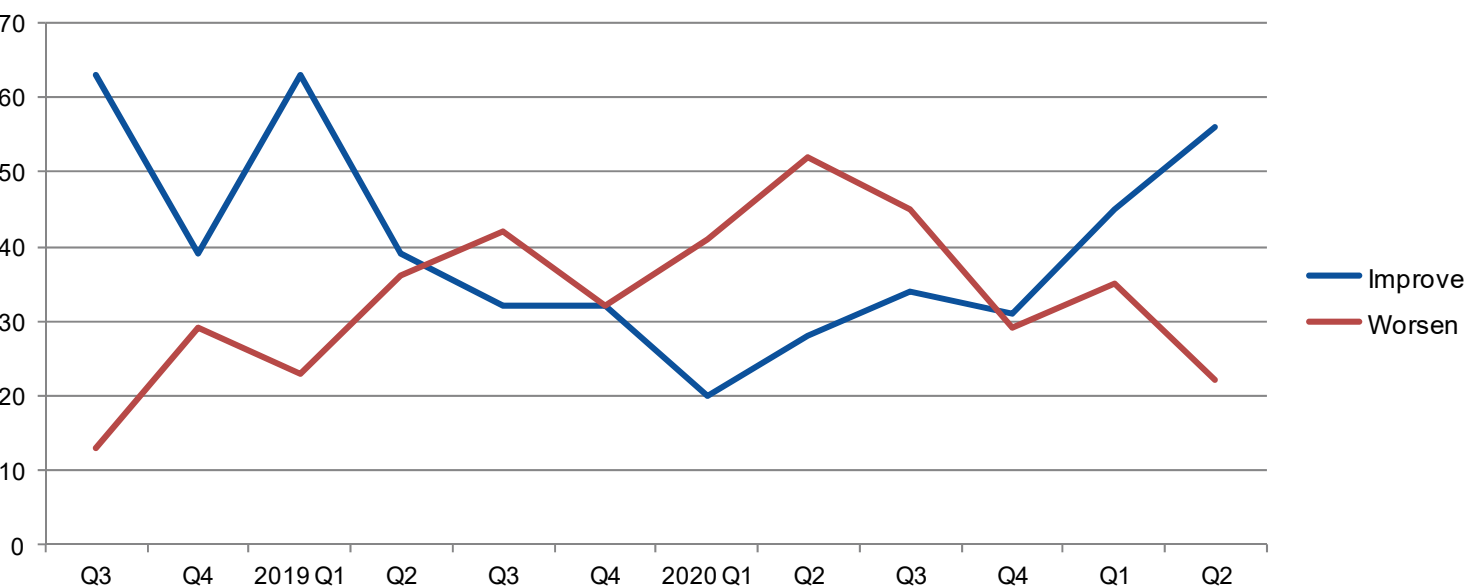
Employment expectations



Turnover expectations

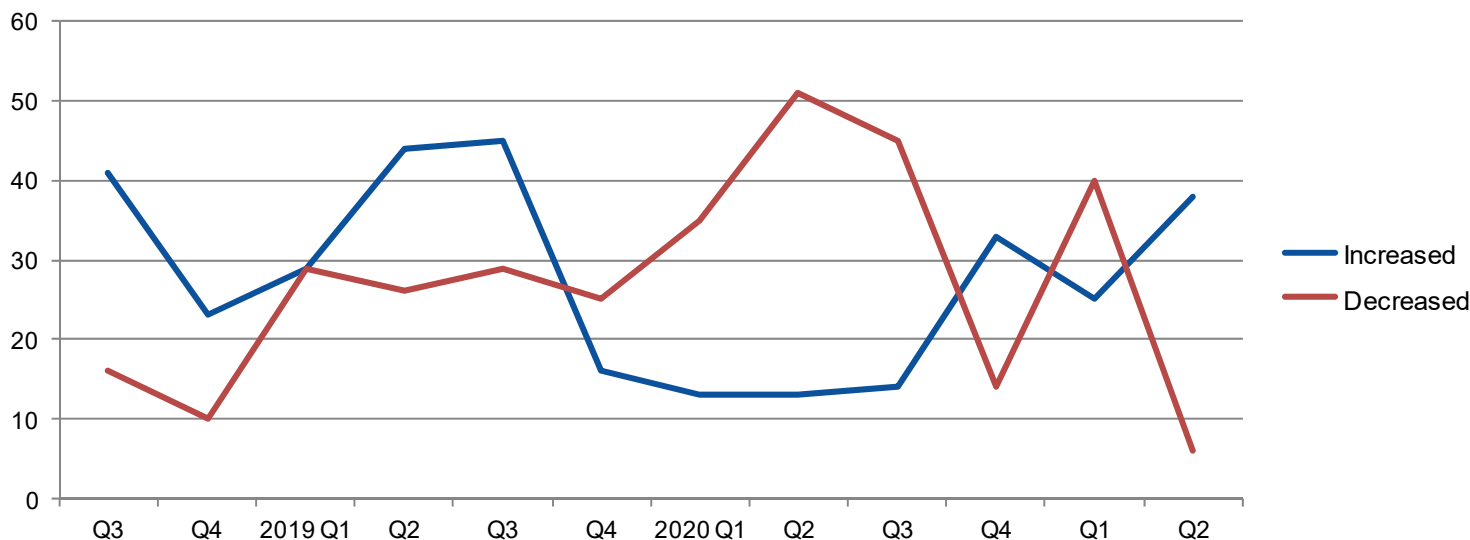


Profit expectations



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

Huge improvement, but inflation ‘a concern’

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's Quarterly Economic Survey (QES) – the UK's largest independent survey of business sentiment and a leading indicator of UK GDP growth, found a marked improvement in business conditions in Q2 as Covid-19 restrictions eased.

The survey of over 5,800 firms showed that some key indicators, such as domestic sales and business confidence, displayed significant rises, as more firms reported improved conditions, with some indicators returning to pre-pandemic levels as Covid restrictions have eased. However, it also showed steep rises in the number of firms, particularly manufacturers, expecting to raise prices, and in businesses citing inflation as a cause of concern.

Key findings:

- Balance of firms reporting increased domestic sales at six-year high for manufacturers and at three-year high for services firms.
- Balance of firms expecting their turnover to increase at six-year high.
- Balance of manufacturers expecting to increase their prices at highest level in the history of the QES dataset starting in 1989.

Overall, indicators of immediate business conditions show improvements in Q2, with clear rises in activity from Q1 and multiple indicators reaching pre-pandemic levels.

44% of firms overall reported an increase in domestic sales in Q2, rising from 28% in Q1 and indicating the first significant rise in this

metric since the initial rebound from the first lockdown in Q2 2020. 20% reported a decrease, compared to 40% in Q1, while 35% reported no change.

Within the service sector, firms who have continued their operations more steadily through the pandemic, saw further improvement. Marketing and media, at 52%, had the highest proportion of firms reporting increased domestic sales in Q2, followed by professional services (46%), up for both from 35% in Q1. The proportion reporting decreases in Q2 was 16%, down from 33% and 29% respectively in the last quarter.

Consumer services (35%) had the smallest proportion of firms reporting increased domestic sales in Q2 (up from 19% in Q1), followed by hotels and catering at 38% (up significantly from 7% in Q1).

In the services sector generally, the balance of firms reporting increased domestic sales increased to +20% in Q2, up from -18% in Q1. This is the highest level since Q3 2018.

In the manufacturing sector, the balance of firms reporting increased domestic sales increased to +28% in Q2, up from -6% in Q1. This is the highest level since Q1 2015.

65% of firms overall said they expected their turnover to increase over the next 12 months, an increase from 55% in Q1. 11% expected it to decrease, compared to 22% reporting a decrease in Q1.

All sectors have seen a rise in the level expecting turnover to increase when compared with the previous quarter. Marketing & media firms and professional service firms and are most likely to expect an increase in turnover with 70% and 66% respectively expecting turnover to increase.

Analysis

David Hooper

External Affairs Manager

Hull & Humber Chamber of Commerce

“The turnaround in business fortunes in the Humber in Quarter 2 has been quite dramatic, and while we welcome that good news and brighter outlook, it is clear there are underlying concerns about rising raw material costs and inflation.

“However, as we move towards the end of the Furlough Scheme and the lifting of lockdown restrictions on July 19th, we hope to see our retail and hospitality sectors in particular rebound strongly as workers gradually return to the market place and fill roles we know some businesses are currently having difficulties recruiting for.

“While the Quarter 2 indicators are good, the Humber’s economy is still fragile in some areas, with underlying concerns and uncertainty, so a steady hand on the tiller is needed across the board, with the hope that the summer season sees us set fair for the future!”

[Click here for more information.](#)

The National View

British Chambers of Commerce

“Our latest survey points to a striking rebound in underlying economic conditions in the second quarter.

“The UK economy is in a sweet spot right now with the rapid vaccine rollout, the release of pent-up demand as restrictions eased and ongoing government support driving a strong revival in indicators of activity in the quarter.

“The rebound in services activity was distinctly two-paced, with business services providers recording the biggest gains in the quarter while consumer-focused services firms, where the remaining restrictions most limit activity, saw the smallest improvements. Manufacturers enjoyed a notably strong three months, despite ongoing supply chain disruption.

“The historic uptick in price expectations suggests that inflation will drift markedly higher over the near term. However, with our results also showing little evidence that higher inflation is becoming embedded in higher pay settlements, the MPC should have sufficient scope to tolerate a marked period of above target inflation.

“The upturn in forward-looking indicators points to a summer economic rebound. However, the second quarter may be the high point for the UK economy with momentum likely to fade somewhat later this year when government support ends and the transient boost from the economy reopening dissipates.”

Results in full

		2020		2021		
		Q2	Q3	Q4	Q1	Q2
Home sales ²	Increased	12	26	13	29	44
	Constant	24	25	26	29	44
	Decreased	65	49	37	42	11
	Balance	-53	-23	0	-13	33

Home orders ²	Increased	7	19	36	19	50
	Constant	25	37	21	38	39
	Decreased	67	44	42	43	11
	Balance	60	-25	-6	-24	39

Export sales ²	Increased	5	13	9	18	30
	Constant	32	27	27	23	40
	Decreased	64	60	64	59	30
	Balance	-59	-47	-55	-41	0

Export orders ²	Increased	5	13	17	19	30
	Constant	32	27	17	24	40
	Decreased	64	60	67	57	30
	Balance	-59	-47	-50	-38	0

Workforce ²	Increased	6	10	37	10	31
	Constant	65	53	16	70	63
	Decreased	29	38	54	20	6
	Balance	-23	-28	-17	-10	25

Workforce expectations ³	Increase	17	14	20	13	35
	Constant	57	64	66	82	65
	Decrease	26	22	14	5	0
	Balance	-9	-8	6	8	35

Recruited staff ²	Yes	19	32	57	30	63
	- Part time	14	23	15	17	28
	- Full time	71	73	70	67	72
	- Temporary	21	23	20	50	11
	- Permanent	29	27	15	42	56
	No	81	68	43	70	37

Recruitment difficulties ²	Yes	62	78	71	58	76
	- Skilled manual	44	28	40	57	46
	- Management	22	50	40	43	46
	- Clerical	0	11	20	43	23
	- Unskilled/semi-skilled	44	22	27	43	62
	No	38	22	29	42	24

		2020		2021		
		Q2	Q3	Q4	Q1	Q2
Cashflow ²	Increased	13	14	33	25	38
	Constant	36	41	53	35	56
	Decreased	51	45	14	40	6
	Balance	-38	-31	19	-15	32

Investment: Plant/machinery ²	Increased	12	15	26	8	17
	Constant	40	44	35	57	73
	Decreased	49	41	38	35	10
	Balance	-37	-26	-12	-27	7

Investment: Training ²	Increased	12	9	32	13	25
	Constant	40	65	41	56	63
	Decreased	49	26	26	31	13
	Balance	-37	-17	6	-18	12

Turnover expectations ⁴	Improve	3	37	38	48	59
	Same	57	18	32	28	34
	Worsen	40	45	30	25	6
	Balance	-37	-8	8	23	53

Profit expectations ⁴	Improve	28	34	31	45	56
	Same	20	21	40	20	22
	Worsen	52	45	29	35	22
	Balance	-24	-11	2	10	34

Capacity utilisation ¹	Full capacity	24	27	38	18	38
	Below capacity	76	73	62	83	63

Prices ³	Increased	17	20	34	48	56
	Constant	61	59	54	43	41
	Decreased	21	21	11	10	3
	Balance	-4	-1	23	38	53

Price pressures ¹	Pay settlements	11	18	21	7	26
	Raw materials	34	32	32	46	48
	Finance	18	21	5	21	13
	Other overheads	74	71	84	64	61

External concerns ¹	Interest rates	9	13	7	3	3
	Exchange rates	24	34	17	22	21
	Business rates	29	25	27	16	10
	Inflation	29	25	27	25	34
	Competition	40	57	40	34	48
	Tax	44	43	63	56	41

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

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