



Quarterly Economic Survey

Quarter 4, 2013

www.hull-humber-chamber.co.uk

Overview

Fourth quarter results allude to an optimistic start for New Year

FOLLOWING the City of Culture win and the Able Marine Energy Park announcement in December, the positive atmosphere in the region was reinforced by the final Quarterly Economic Survey of 2013 which revealed 67% of firms are expecting an increase in turnover, with export orders and sales performing consistently strongly.

The research, conducted by Hull & Humber Chamber of Commerce alludes to an optimistic start to the New Year.

Export sales and orders were both very strong again this quarter, rising to their highest levels since the survey began, with 78% of companies reporting a rise in export sales, 3% up on the Quarter 3 figure and consolidating the steady increase throughout 2013.

Export orders also performed impressively, with 80% of firms reporting an increase, again reaching the highest level since the survey began and recording a 9% increase on Quarter 3.

Firms expecting their turnover to increase in the coming months hit 67%, up from 53% in Q3 and 59% in Q2, making it the best result in this category for a couple of years, with the balance figure rising by 24 points on Q3 and nine points on Q2.

More firms expected their profits to remain the same at 35% than in the previous few quarters, but the balance still managed to show a 2 point rise.

Home sales increased this quarter by 6%, with home orders increasing 10% to its highest level since the survey began, beating Quarter 2's 44% by a further 3% at 47%.

Employment prospects remained constant for 67% of firms, but the balance figure fell

back two points on Quarter 3 but is still 3% better than the figures for the first two quarters. Expected employment also fell back three points to 19, but recruitment looks positive, with 67%, nearly matching the year high of 68% in Q2, saying they are recruiting.

The types of jobs firms are trying to fill makes interesting reading, with a sharp drop in part-time jobs from 22% to 12%. Full time vacancies rose by 10% to 88% and temporary jobs rose from 45% to 62% with both figures reaching new highs, while the number of permanent jobs fell to just 38%, the lowest figure ever recorded.

Yet 46% of firms reported recruitment difficulties, up by 16% on Q3, with management and skilled manual positions proving the most difficult positions to fill.

There was more good news on the cashflow front, with its balance of 2 returning to positive territory on the back of 27% of firms reporting an increase.

There was also something of a surge in firms increasing investment in plant and machinery, up 10%, with the balance of 29 being the strongest result in this sector since 2004. Firms planning to invest in training also increased slightly, but the number of firms working at full capacity showed a slight increase from 34-35%.

Raw material costs were seen as the biggest pressure on prices, followed by pay settlements.

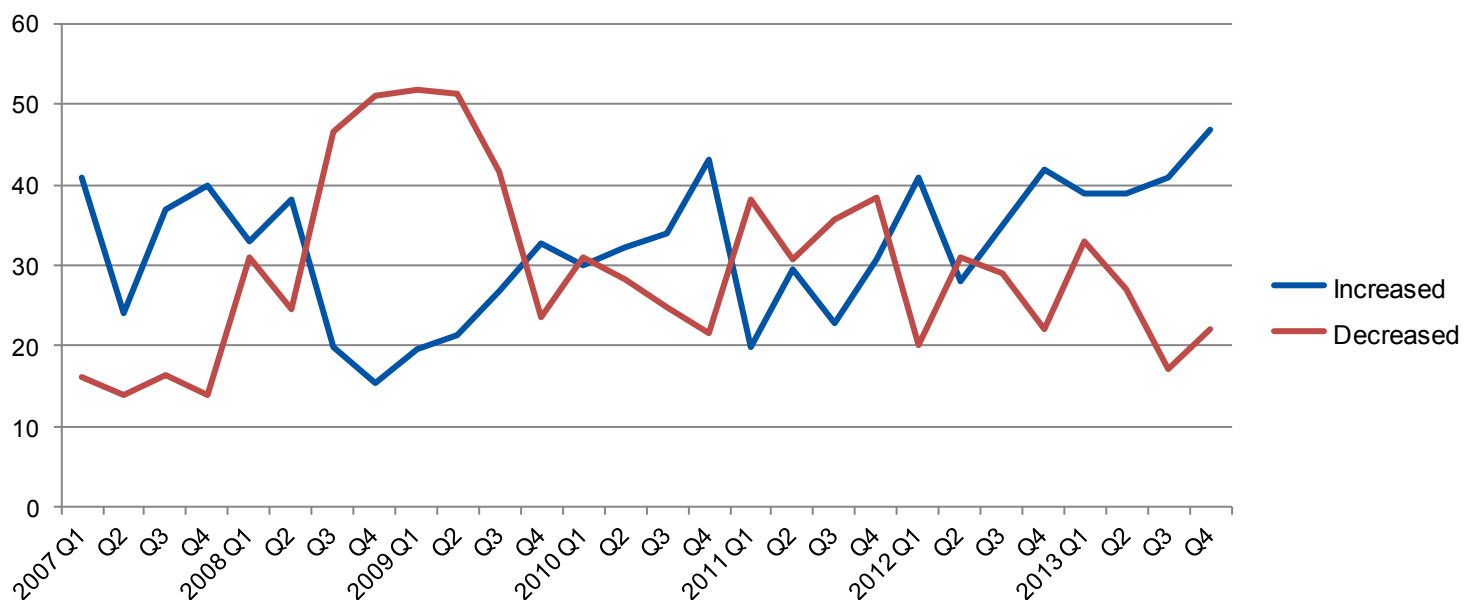
Inflation fears were leading the way in external concerns, followed by competition and tax, while interest rate worries also increased slightly, while exchange rates were now less of a concern.

Key balances

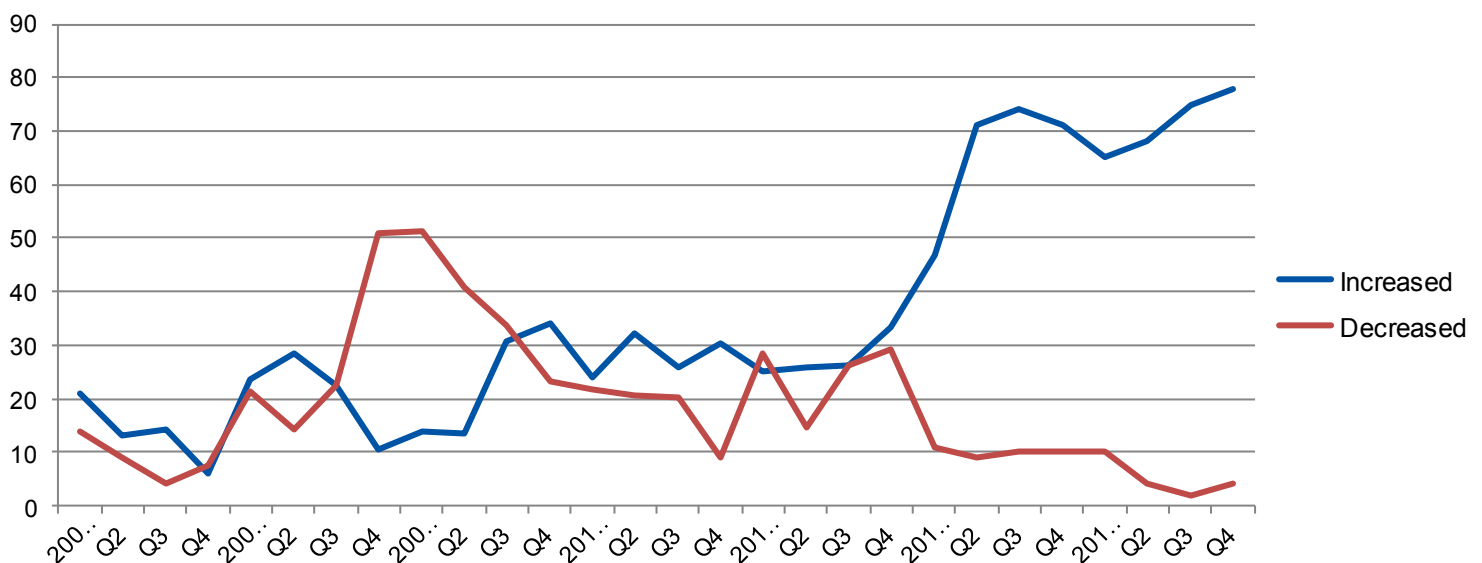
- ➔ Export sales up 3% consolidating a steady increase throughout 2013.
- ➔ 80% of firms report an increase in export orders, up 9%.
- ➔ Turnover expectations rose to 67%, up from 53% in Quarter 3.
- ➔ More firms (35%) expect profits to remain the same.
- ➔ Home sales and orders both increase by 6%
- ➔ Employment prospects remain constant for 67% of firms.
- ➔ Drop in part-time jobs from 22 to 12%.
- ➔ Full-time jobs up 10% to 88%.

Key indicators

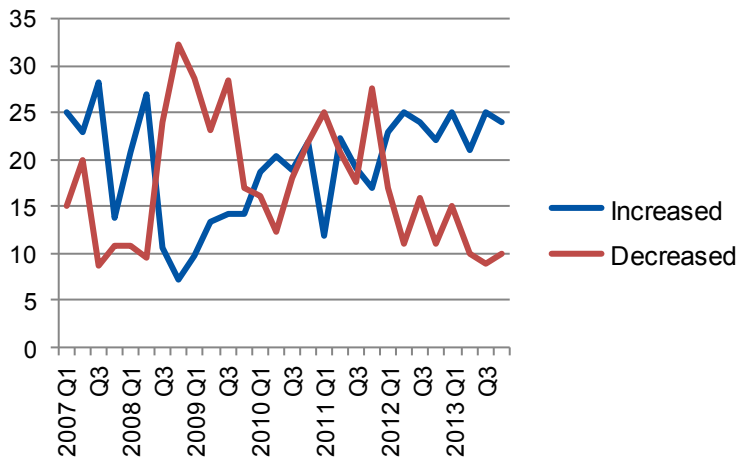
Home sales



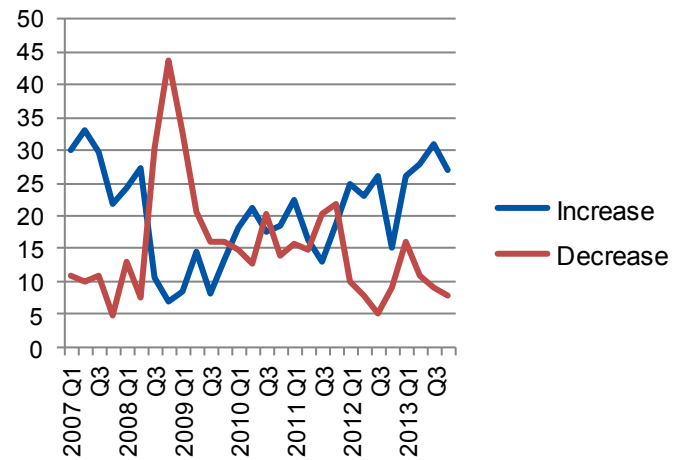
Export sales



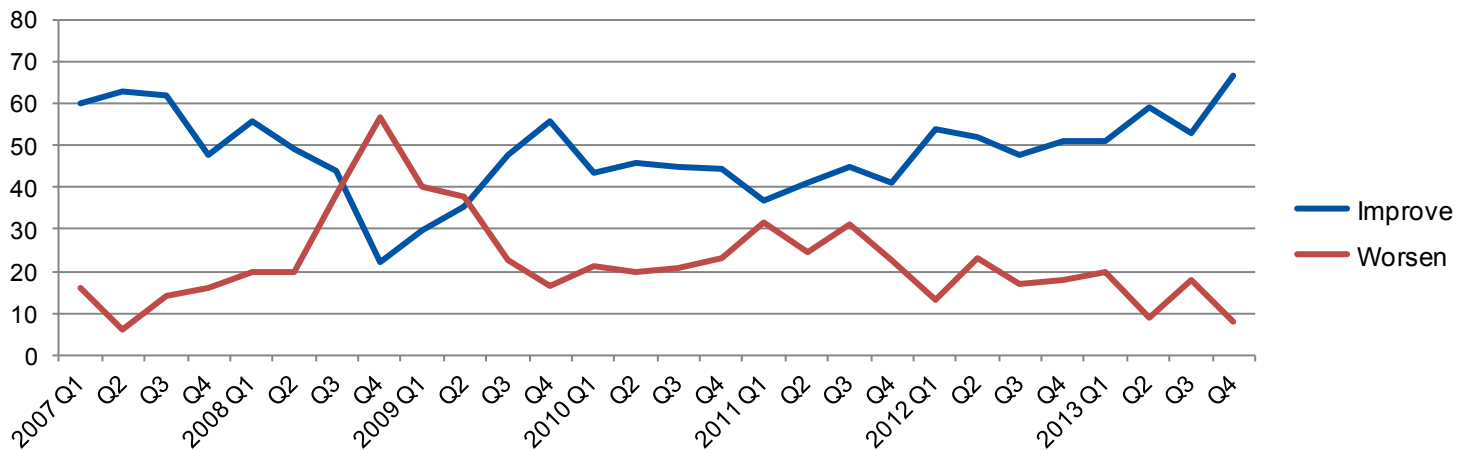
Employment



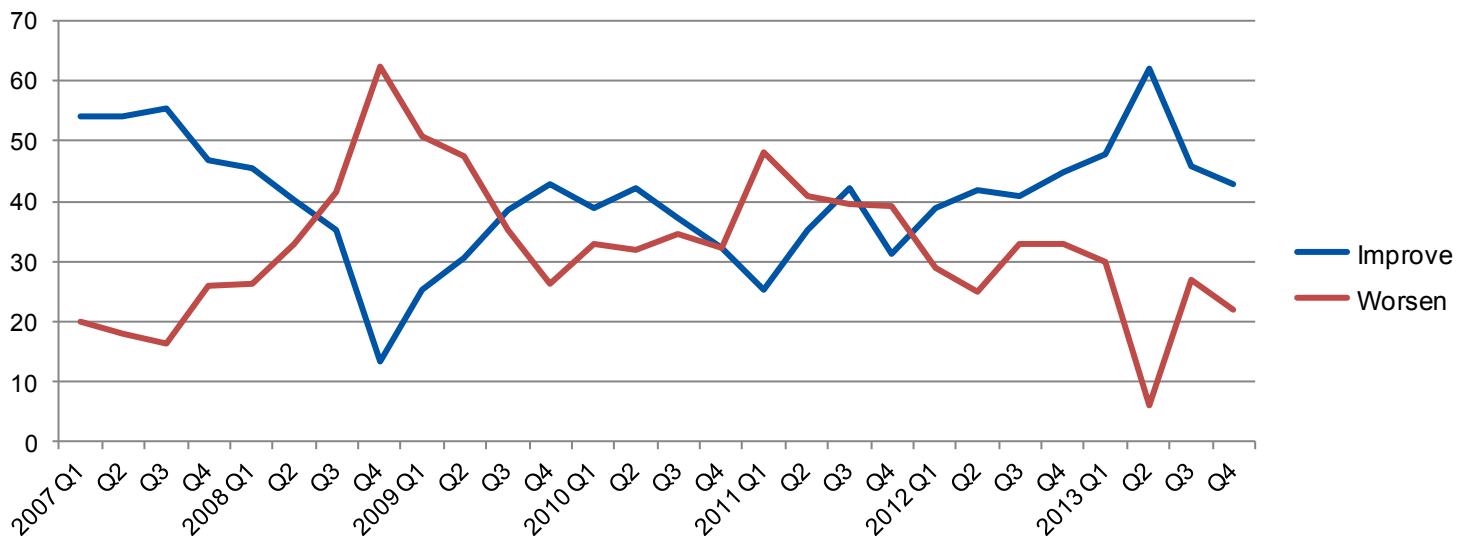
Employment expectations



Turnover expectations

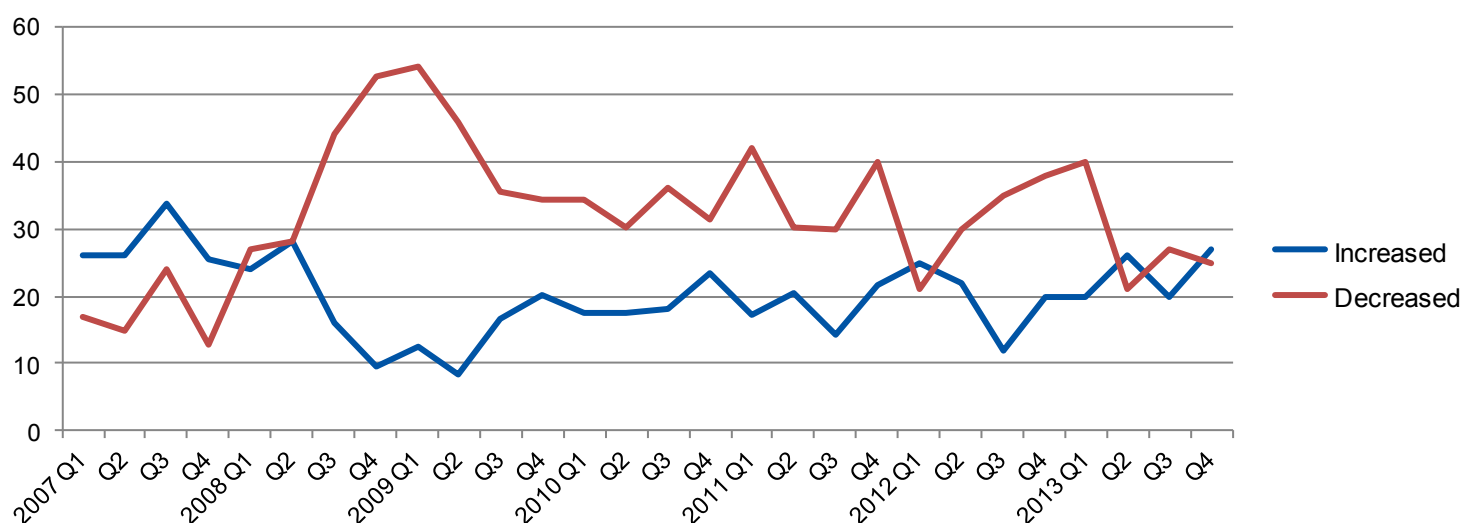


Profit expectations



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

Businesses ready to push on, but better access to finance is needed

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 provides further evidence that the UK economy is growing at a solid pace, and could even strengthen in the short term.

The Q4 survey, made up of responses from nearly 8,000 businesses, shows improvements in most areas for both the manufacturing and service sectors, and that all key balances are stronger than their long-term historical averages.

In the manufacturing sector, five key balances are at all time highs, and exports in the services sector continue to break new ground. But the recovery must be maintained, as risks persist around access to finance for firms looking to expand, and rectifying this is vital in moving our economy from being merely good to being truly great.

Key findings in the Q4 2013 Quarterly Economic Survey:

- For both manufacturing and services, all the major Q4 balances are stronger than their long-term averages, and most are higher than their 2007 pre-recession levels.
- Five key manufacturing balances are at all-time highs, allaying fears in Q3 that the growth spurt in manufacturing was temporary: domestic orders (+35%), employment (+33%), employment expectations (+31%), turnover confidence (+67%), and profitability confidence (+51%).
- Both export balances in the services sector are at record highs for the survey: export sales (+36%), and export orders

(+33%).

- In addition, the services sector employment balance rose nine points to +29%, and is now at an all-time high for the survey.
- But some concerns do exist. In manufacturing, the key balances for domestic sales and export orders fell slightly, although these are still high by historical standards.
- Manufacturing cashflow fell back from Q3, which underscores the need to promote access to finance, so businesses can expand to meet growing order books.

Commenting on the results, John Longworth, Director General of the BCC, said: "It is a fantastic to start the New Year with a very positive quarterly survey. Confidence is high and our members are resolute in their determination to take the recovery from being good to being truly great.

"Firms across the board believe they can create jobs, invest, and export. It is pleasing that the spurt in manufacturing has proven not to be a fluke, which demonstrates the dynamism of our small, high value, manufacturing sector. But businesses have major ambitions, and to be able to meet them, more support must be provided.

"Cashflow continues to be an ongoing concern, and may hold businesses back from expanding to meet the growing levels of demand. We must give companies the opportunity to get the finance they need to go out and trade the world if we are to succeed in rebalancing the economy.

Analysis

Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

With the Able Marine Energy Park finally being given the go-ahead and the people and business community of Hull celebrating winning City of Culture for 2017, we made the transition into 2014 on a high.

The results of our last Quarterly Economic Survey of 2013 also suggest a positive start for businesses in the New Year, with a relatively high proportion of firms expecting to increase their turnover this year.

Export orders and sales are also performing very strongly, rising to their highest levels since the survey began. This boost in trade is reflected by the additional business the Chamber's in-house International Trade Centre is doing, supported by its highly-skilled staff led by Pauline Wade and its five star rating from the British Chambers of Commerce.

There was a notable increase in the number of businesses expecting their turnover to increase, showing consistent improvement in the latter part of 2013.

A corresponding shift in the types of jobs firms are trying to fill will also be welcome news for the region's jobseekers, although the high unemployment in our region is still a concern.

With the economy continuing its encouragingly steady recovery, inflationary fears are raising their heads among our business leaders, as are concerns over interest rate rises, but we still believe the first of those increases to be some way off.

David Kern

Chief Economist

British Chambers of Commerce

"With most key balances in this quarter higher than their pre-recession levels in 2007, it is clear that the UK recovery is likely to continue to strengthen in the short term.

"On the basis of these results, GDP growth in Q4 could well be around 0.9%, and higher full-year growth in 2013 and 2014 could follow. The optimism around medium-term growth prospects refutes the fashionable defeatist talk in some quarters of 'secular stagnation'.

"The strong export and investment balances confirm that business is set to play a key role in rebalancing the economy. However while the overall message from this survey is positive, there are risks that should prevent complacency creeping in. The eurozone's basic problems have not yet been resolved, which could adversely impact our exporters, and inflation remains a major concern.

"This means it is vital to prevent setbacks as the economic recovery gathers pace. The MPC must continue with its forward guidance on interest rates, and remain steadfast in its plans to keep inflation low and meet the 2% target.

On its part, the Government has to work to increase the flow of lending to growing businesses through a fully-funded Business Bank, to ease the logjam of those firms striving to expand."

Results in full

		2012 2013				
		Q4	Q1	Q2	Q3	Q4
Home sales ²	Increased	42	39	39	41	47
	Constant	36	28	34	41	31
	Decreased	22	33	27	17	22
	Balance	20	6	12	24	25

Home orders ²	Increased	41	38	44	37	47
	Constant	38	38	34	41	33
	Decreased	21	23	23	22	20
	Balance	20	15	21	15	20

Export sales ²	Increased	71	65	68	75	78
	Constant	19	25	28	23	18
	Decreased	10	10	4	2	4
	Balance	61	55	64	73	74

Export orders ²	Increased	65	69	68	71	80
	Constant	23	21	28	27	16
	Decreased	12	10	4	2	4
	Balance	53	59	64	69	76

Workforce ²	Increased	22	25	21	25	24
	Constant	66	61	69	66	67
	Decreased	11	15	10	9	10
	Balance	11	10	11	16	14

Workforce expectations ³	Increase	15	28	28	31	27
	Constant	75	57	61	59	65
	Decrease	9	16	11	9	8
	Balance	6	10	17	22	19

Recruited staff ²	Yes	51	54	68	63	67
	- Part time	22	33	100	22	12
	- Full time	78	67	0	78	88
	- Temporary	41	38	19	45	62
	- Permanent	59	62	81	56	38
	No	49	46	32	38	33

Recruitment difficulties ²	Yes	32	27	49	30	46
	- Skilled manual	18	16	9	18	18
	- Management	24	23	37	15	24
	- Clerical	8	16	2	10	9
	- Unskilled/semi-skilled	14	10	0	3	9
	No	68	73	51	70	54

		2012 2013				
		Q4	Q1	Q2	Q3	Q4
Cashflow ²	Increased	20	20	26	20	27
	Constant	42	40	53	53	47
	Decreased	38	40	21	27	25
	Balance	-18	-20	5	-7	2

Investment: Plant/machinery ²	Increased	17	20	21	27	37
	Constant	63	61	77	59	55
	Decreased	19	20	1	14	8
	Balance	-2	0	20	13	29

Investment: Training ²	Increased	21	19	30	35	37
	Constant	67	64	61	57	55
	Decreased	11	17	9	8	8
	Balance	10	2	21	29	29

Turnover expectations ⁴	Improve	51	51	59	53	67
	Same	31	30	32	31	25
	Worsen	18	20	9	18	8
	Balance	33	31	50	35	59

Profit expectations ⁴	Improve	45	48	62	46	43
	Same	22	23	32	27	35
	Worsen	33	30	6	27	22
	Balance	12	18	56	19	21

Capacity utilisation ¹	Full capacity	30	28	62	34	39
	Below capacity	70	72	38	66	61

Prices ³	Increased	24	30	10	25	25
	Constant	66	59	79	61	69
	Decreased	9	11	10	14	6
	Balance	15	19	0	11	19

Price pressures ¹	Pay settlements	21	16	17	17	18
	Raw materials	30	39	0	36	25
	Finance	13	19	11	14	16
	Other overheads	53	44	19	48	51

External concerns ¹	Interest rates	14	13	8	13	16
	Exchange rates	19	19	6	16	8
	Business rates	31	29	18	22	20
	Inflation	47	44	50	44	55
	Competition	38	37	17	22	29
	Tax	26	42	10	22	31

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