



# Quarterly Economic Survey

Quarter 1, 2014

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

# Overview

## Q1 results reveal management and skilled manual jobs are hardest to fill

WITH the announcement at the end of March that Siemens is finally committing to the Humber region for the long-term, the employment and recruitment figures in the latest Quarterly Economic Survey make interesting reading.

The long-awaited announcement was welcomed across the area and will undoubtedly provide a boost in both direct jobs (around 1,000), in addition to stimulating work for the multitude of supply chain companies which are set to benefit and this in turn will provide a ripple effect into the wider economy of the Humber region.

On the jobs front, the latest research conducted by Hull & Humber Chamber of Commerce, reveals that 33% of firms who responded to the survey reported difficulties in filling management vacancies and a further 23% had difficulties filling skilled manual positions, although the trend seen in the last quarter's results of the availability of more full time permanent positions being advertised, seems to be continuing, which is clearly positive news.

The balance figure for expected employment in the next three months rose six points, to 25 compared to the last quarter of 2013.

In the last few surveys, imports and exports have performed very strongly, but in the last quarter, this now appears to have steadied somewhat, with a slight drop compared to the last two quarters, yet despite this, the sector is still performing strongly when compared to 2012 and the early part of 2013.

Unusually, both balance figures are the same at 67, having dropped by varying increments, but remain broadly similar to the

figures reported in the previous year's surveys.

Similarly, home sales and orders also reported broadly similar figures to previous quarters, showing a level of stability and predictability. The home sales balance figure fell back four points to 21, while the home orders figure went in the opposite direction, rising by six points to 26.

The prices balance has risen steadily and consistently over the last four quarters, and shows a seven point increase this time around.

Pay settlements, raw material costs and other overheads are the biggest concerns for businesses this quarter, while the top external concerns are inflation, exchange rates, business rates and competition.

Only 35% of firms say they are working at full capacity, that's 4% fewer than in the last quarter's results, and a marked difference from the 62% figure from the second quarter of last year.

More firms expected their cashflow to decrease in the next three months, but those firms expecting it to remain constant was only 1% down on the last quarter at 46%.

Firms expecting to invest in plant and machinery equipment also saw a slight decline in this survey, with the balance figure dropping by eight points to 21. However, the number of firms expecting their investment to remain constant was fairly consistent with the last two quarters, at 58%, a 3% improvement on the last set of results.

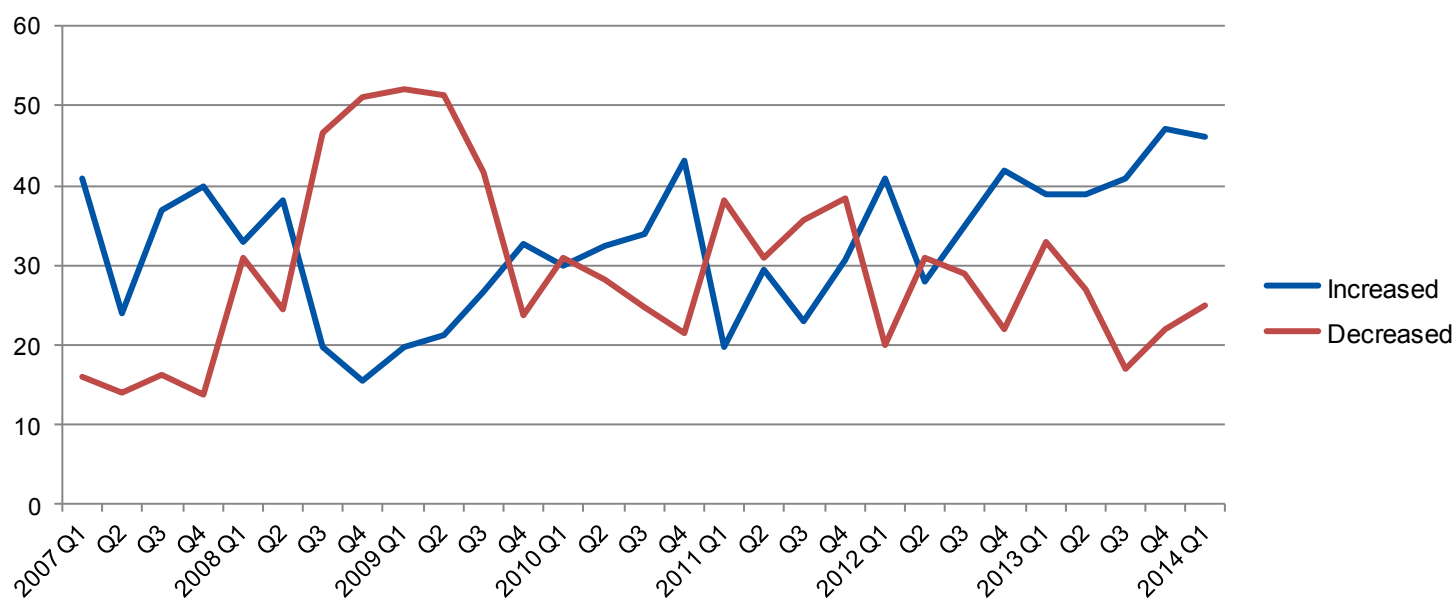
Investment in training also took something of a hit, with the balance figure dropping eight points when compared to the previous quarter, but at 21, is still substantially better than the figure of 13 in Quarter 3 of last year.

### Key balances

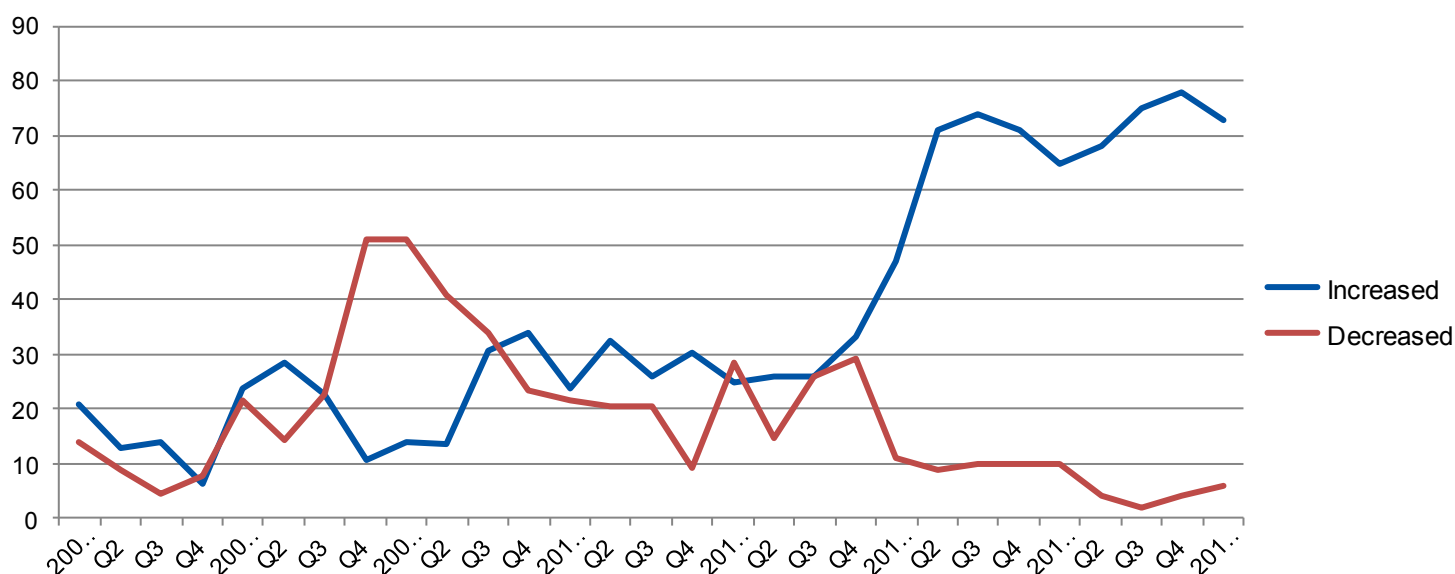
- ➔ Home sales dropped 4 points to a balance of 21.
- ➔ Home orders rose by 6 points to 25.
- ➔ Export sales and orders both dropped slightly to a balance of 67.
- ➔ The Employment balance fell back 11 points from 14 to 3.
- ➔ Expected employment was up 6 points to 25
- ➔ 54% of firms have tried to recruit new staff.
- ➔ Only 35% of firms are working at full capacity.
- ➔ Turnover expectations fell back by 14 points to 45.
- ➔ 19% of firms are concerned about exchange rates.

# Key indicators

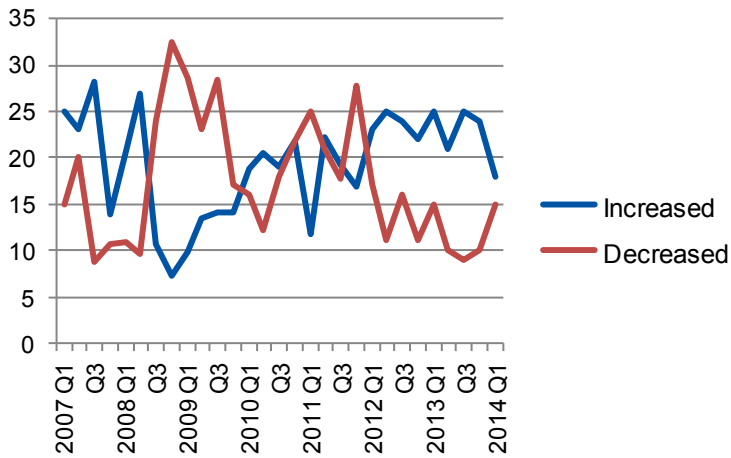
## Home sales



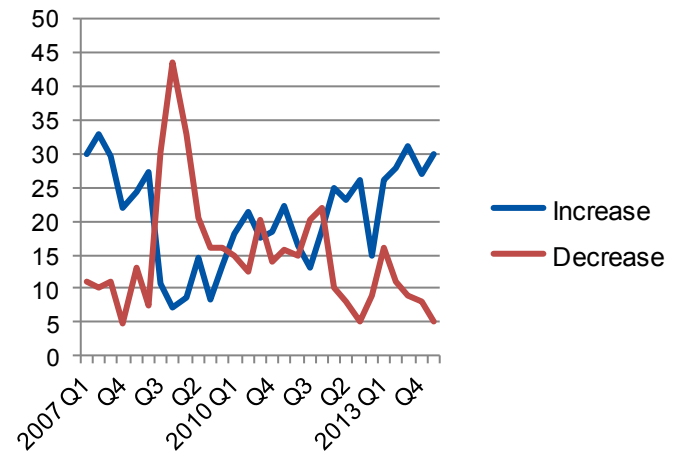
## Export sales



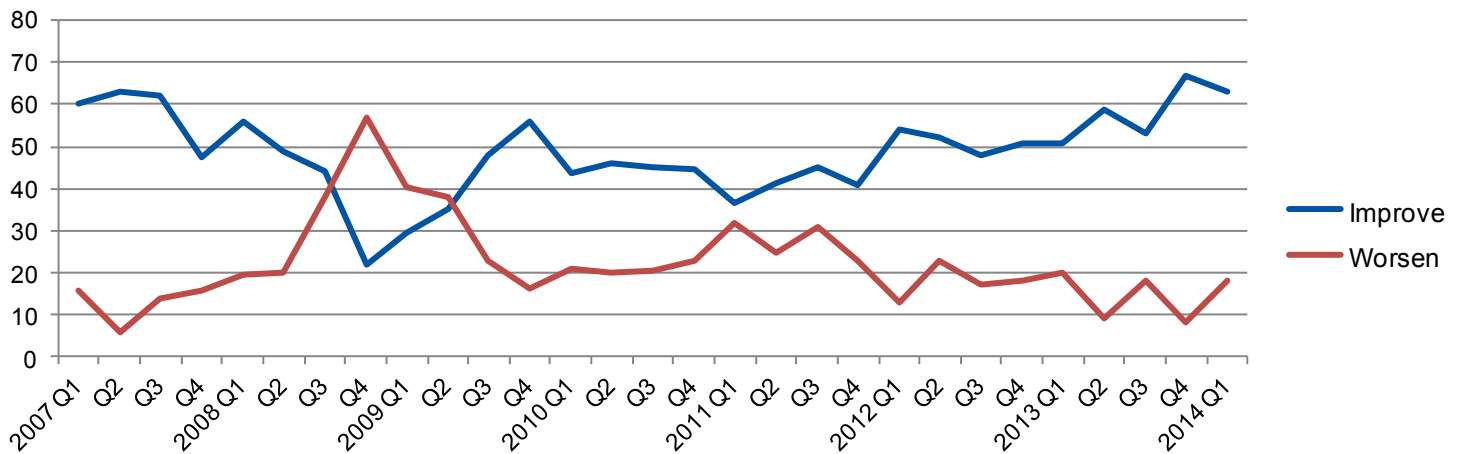
## Employment



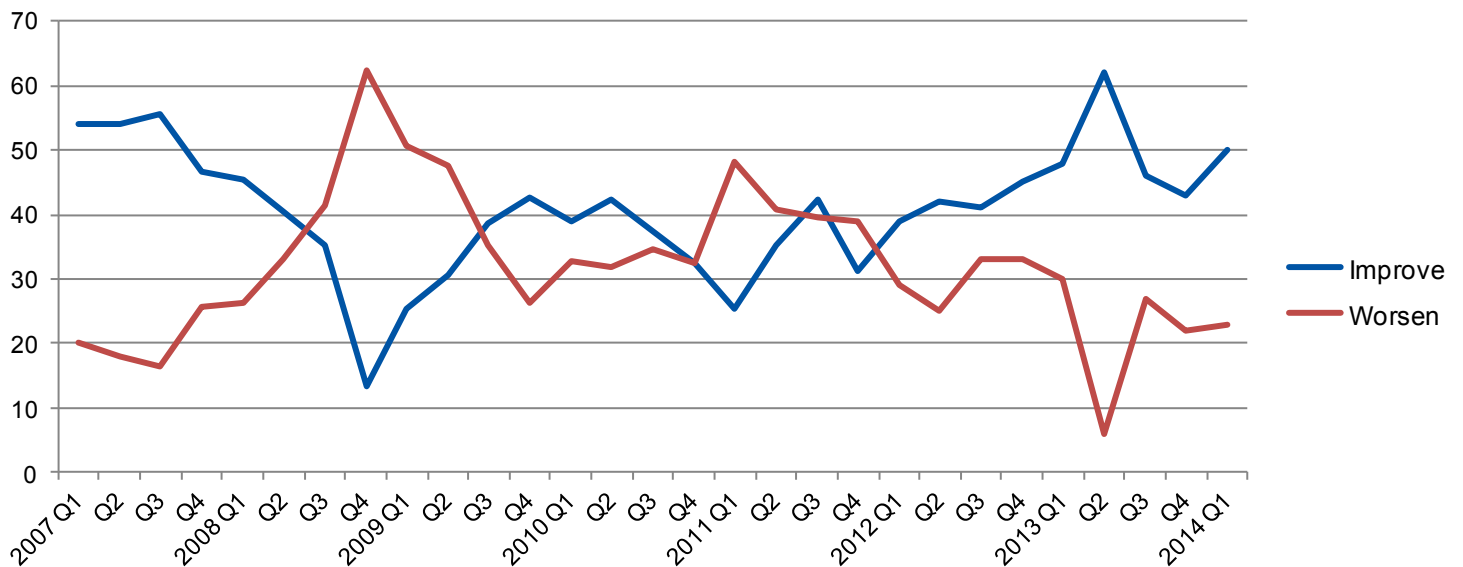
## Employment expectations



## Turnover expectations

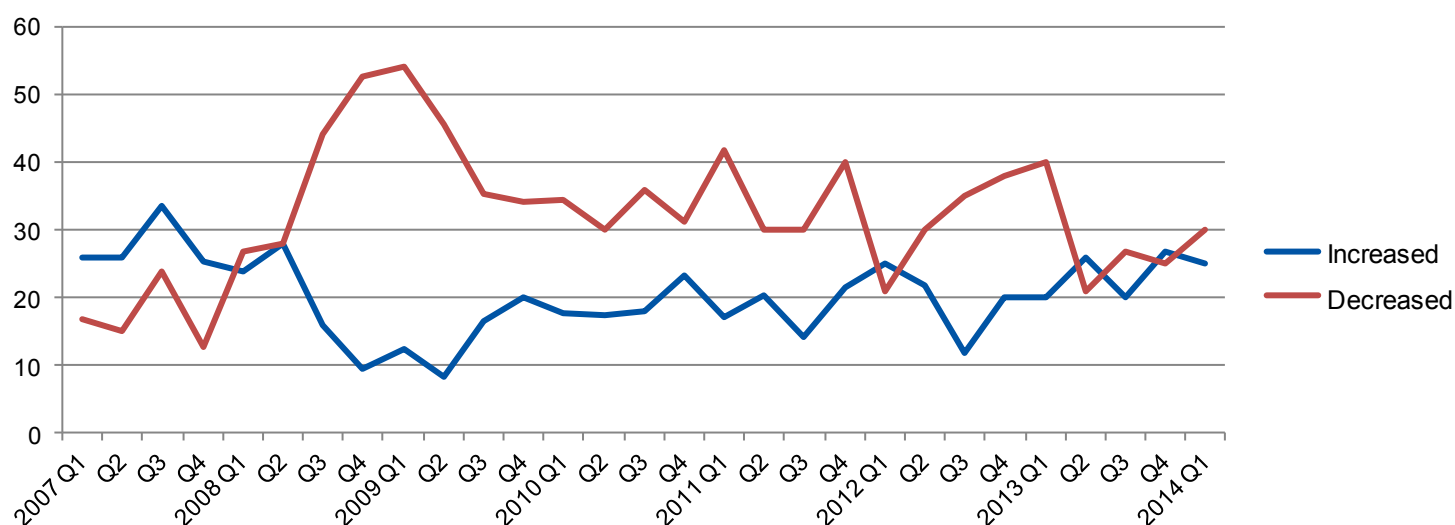


## Profit expectations



## 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

## BCC survey results show service sector exports reach a new all-time high

### 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](http://www.britishchambers.org.uk).

THE British Chambers of Commerce's Quarterly Economic Survey provides further evidence that the UK economy is continuing to grow.

Published during Export Week, the results show that both export orders and sales in services are at new all time highs, and many key manufacturing balances are also at record levels, showing that growth is strengthening in the short-term.

However, the BCC believes that the recovery must become more balanced in the months ahead as it is still too reliant on consumer spending. Access to finance remains a critical issue for businesses as they look to expand and meet growing order books, and rectifying this is vital if we are to transform our economy from being merely good, to being truly great.

### Key findings in the Q1 2014 Quarterly Economic Survey:

- For both manufacturing and services, all the major Q1 balances are stronger than their long-term averages, and most are higher than their 2007 pre-recession levels.
- Both export balances in the services sector rose in Q1, surpassing their Q4 all-time highs: export sales (+38%) and export orders (+39%).
- Six key manufacturing balances are at all-time highs. This continues a trend seen over the last three quarters where an initial spurt in manufacturing has developed into consistent growth: domestic sales (+38%), domestic orders (+42%), employment expectations (+40%), investment in plant and machinery (+37%), investment in training (+33%), and turnover confidence (+67%).
- Almost all the key balances in the services

sector remain above their 2007 pre-recession levels.

- Concerns still exist. There was a significant drop in the employment balance in the services sector (down 13 to +16%).
- While recent falls in inflation have dampened the concerns of firms, it remains the biggest concern for both manufacturers and service-based companies.

### Commenting on the results, John Longworth, Director General of the BCC said:

"It is great to see another positive story as we enter the 25<sup>th</sup> year of our survey. Confidence is high and our members are determined to continue driving the recovery. We are brilliant at services and very successful at exporting our knowledge-based industries all over the world. This includes everything from accountancy and marketing through to literature and the IT sector.

"In addition, our dynamic, high-value manufacturing sector is once again confounding expectations, and going from strength to strength. But UK firms are ambitious, and more support is needed if we are to place the recovery on a sustainable, broader footing in the medium-term.

"We have witnessed many false dawns during the recovery, and external shocks still loom on the horizon. Given that over the next year or so we face political change at home and abroad, long-term policies that support our businesses as they look to grow and invest are crucial.

"Access to finance and export support also remain vital if we are to secure a truly great economic recovery. Only by repairing our broken business finance system will viable, growing firms gain access to the capital that will allow them to invest in their staff and machinery, and enter new markets."



# Analysis

## Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

*"After a final flourish at the end of last year, the survey results for the first quarter of this year seem to paint a picture of "steady as she goes".*

*"With no dramatic changes in any particular area, the Chamber feels that the steady climb out of recession is continuing, and the fact that it appears to be progressing at a steadier pace is perhaps a good thing, as quite often, more companies tend to struggle with cashflow coming out of a recession than they doing going into one.*

*"The Q1 survey indicates that recruiting candidates for managerial posts is proving to be quite difficult in this area, and skilled manual vacancies are also proving problematic, which is something of a concern, especially when you consider the need for engineers to meet the demand that the Siemens' investment in the Humber region is expected to lead to."*

## David Kern

Chief Economist

British Chambers of Commerce

*"The results of our survey suggest that growth is strengthening in the short-term, and support our recent forecasts that the economic recovery is moving at a solid pace. But challenges persist and despite this progress, the recovery is not yet secure.*

*"UK growth is still reliant on consumer spending, driven by a resurgent housing market and a declining savings ratio. Given that UK personal debt levels are too high and need to fall, it will be hard to maintain growth levels in the medium-term without significant structural changes to our economy. Our current account deficit is the largest in the G7 and will pose long-term risks unless it is tackled.*

*"Investment and exports must play a larger contribution to our economic future, or else there is a risk that our recovery could stall.*

*"Businesses need a stable environment to plan ahead and invest. So while this period of low inflation and low interest rates cannot last forever, every effort must be made to sustain it for as long as possible."*

## Results in full

		2013				2014
		Q1	Q2	Q3	Q4	Q1
Home sales <sup>2</sup>	Increased	39	39	41	47	46
	Constant	28	34	41	31	30
	Decreased	33	27	17	22	25
	<b>Balance</b>	<b>6</b>	<b>12</b>	<b>24</b>	<b>25</b>	<b>21</b>

Home orders <sup>2</sup>	Increased	38	44	37	47	47
	Constant	38	34	41	33	32
	Decreased	23	23	22	20	21
	<b>Balance</b>	<b>15</b>	<b>21</b>	<b>15</b>	<b>20</b>	<b>26</b>

Export sales <sup>2</sup>	Increased	65	68	75	78	73
	Constant	25	28	23	18	22
	Decreased	10	4	2	4	6
	<b>Balance</b>	<b>55</b>	<b>64</b>	<b>73</b>	<b>74</b>	<b>67</b>

Export orders <sup>2</sup>	Increased	69	68	71	80	71
	Constant	21	28	27	16	25
	Decreased	10	4	2	4	4
	<b>Balance</b>	<b>59</b>	<b>64</b>	<b>69</b>	<b>76</b>	<b>67</b>

Workforce <sup>2</sup>	Increased	25	21	25	24	18
	Constant	61	69	66	67	67
	Decreased	15	10	9	10	15
	<b>Balance</b>	<b>10</b>	<b>11</b>	<b>16</b>	<b>14</b>	<b>3</b>

Workforce ex- pectations <sup>3</sup>	Increase	28	28	31	27	30
	Constant	57	61	59	65	65
	Decrease	16	11	9	8	5
	<b>Balance</b>	<b>10</b>	<b>17</b>	<b>22</b>	<b>19</b>	<b>25</b>

Recruited staff <sup>2</sup>	<b>Yes</b>	<b>54</b>	<b>68</b>	<b>63</b>	<b>67</b>	<b>54</b>
	- Part time	33	100	22	12	29
	- Full time	67	0	78	88	71
	- Temporary	38	19	45	62	45
	- Permanent	62	81	56	38	55
	<b>No</b>	<b>46</b>	<b>32</b>	<b>38</b>	<b>33</b>	<b>46</b>

Recruitment difficulties <sup>2</sup>	<b>Yes</b>	<b>27</b>	<b>49</b>	<b>30</b>	<b>46</b>	<b>38</b>
	- Skilled manual	16	9	18	18	23
	- Management	23	37	15	24	33
	- Clerical	16	2	10	9	10
	- Unskilled/semi-skilled	10	0	3	9	13
	<b>No</b>	<b>73</b>	<b>51</b>	<b>70</b>	<b>54</b>	<b>62</b>

		2013				2014
		Q1	Q2	Q3	Q4	Q1
Cashflow <sup>2</sup>	Increased	20	26	20	27	25
	Constant	40	53	53	47	46
	Decreased	40	21	27	25	30
	<b>Balance</b>	<b>-20</b>	<b>5</b>	<b>-7</b>	<b>2</b>	<b>-5</b>

Investment: Plant/machinery <sup>2</sup>	Increased	20	21	27	37	32
	Constant	61	77	59	55	58
	Decreased	20	1	14	8	11
	<b>Balance</b>	<b>0</b>	<b>20</b>	<b>13</b>	<b>29</b>	<b>21</b>

Investment: Training <sup>2</sup>	Increased	19	30	35	37	32
	Constant	64	61	57	55	54
	Decreased	17	9	8	8	14
	<b>Balance</b>	<b>2</b>	<b>21</b>	<b>29</b>	<b>29</b>	<b>18</b>

Turnover expectations <sup>4</sup>	Improve	51	59	53	67	63
	Same	30	32	31	25	19
	Worsen	20	9	18	8	18
	<b>Balance</b>	<b>31</b>	<b>50</b>	<b>35</b>	<b>59</b>	<b>45</b>

Profit expectations <sup>4</sup>	Improve	48	62	46	43	50
	Same	23	32	27	35	27
	Worsen	30	6	27	22	23
	<b>Balance</b>	<b>18</b>	<b>56</b>	<b>19</b>	<b>21</b>	<b>27</b>

Capacity utilisation <sup>1</sup>	Full capacity	28	62	34	39	35
	Below capacity	72	38	66	61	65

Prices <sup>3</sup>	Increased	30	10	25	25	30
	Constant	59	79	61	69	67
	Decreased	11	10	14	6	4
	<b>Balance</b>	<b>19</b>	<b>0</b>	<b>11</b>	<b>19</b>	<b>26</b>

Price pressures <sup>1</sup>	Pay settlements	16	17	17	18	21
	Raw materials	39	0	36	25	21
	Finance	19	11	14	16	18
	Other overheads	44	19	48	51	46

External concerns <sup>1</sup>	Interest rates	13	8	13	16	11
	Exchange rates	19	6	16	8	19
	Business rates	29	18	22	20	12
	Inflation	44	50	44	55	44
	Competition	37	17	22	29	14
	Tax	42	10	22	31	11

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