



# Quarterly Economic Survey

Quarter 1, 2022

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

# Overview

## Rising costs turn up heat on businesses

THE Quarter 1 results for 2022 saw Humber business fairing slightly better than they had towards the end of 2021, but rising costs and their affect on profits were clearly a growing concern?

Research by the Hull & Humber Chamber of Commerce revealed that pressure on prices was a major concern for business as rising interest rates to combat inflation, increasing raw material costs, pay settlements and finance costs were all adding up to a fairly torrid time for firms, as the war in Ukraine may yet add more challenges to the business environment.

The Governor of the Bank of England, Andrew Bailey, will certainly have a lot to discuss when he joins us on Friday, April 8, at the Mercure Hull Grange Park Hotel to talk to Humber businesses.

The economic survey's Quarter 1 results showed that Home Sales and Home Orders were doing better than in the previous quarter, with Home Sales showing the strongest climb, up 30 points, while Home Orders were up 12 points.

The export sector was also up, with Export Sales rising 28 points in the last three months, with Export Orders also up, by a strong 22 points.

Employment in the last three months also bounced back strongly in the first quarter, with a balance figure climbing back into positive territory with an increase of 61 points to +13.

Cashflow in the last three months was

also a major concern for businesses, with the balance figure dropping by a huge 60 points to -4.

Perhaps unsurprisingly firm's Profit Expectations for the next 12 months also fared badly in Quarter 1, dropping 11 points to -9.

The survey also confirms that widely predicted price rises are also on the way with 78 percent of firms saying they are expecting to have to increase their prices in the next 12 months. The balance figure rose 20 points.

Only 59% of firms reported working at full capacity

Looking at the next three months, the expected employment figure dropped by 10 points, from 36 points in the last quarter of 2021 to a balance figure of 26 for the first quarter of this year.

The number of firms which are still investing in training rose to seven points to a balance figure of 22.

Despite the prevalent gloom and concern, firms were continuing to invest in training their staff in the last quarter, with the balance figure rising by 7 points to 22.

Access to finance was more of an issue last quarter too, with more 8% more firms airing their concerns.

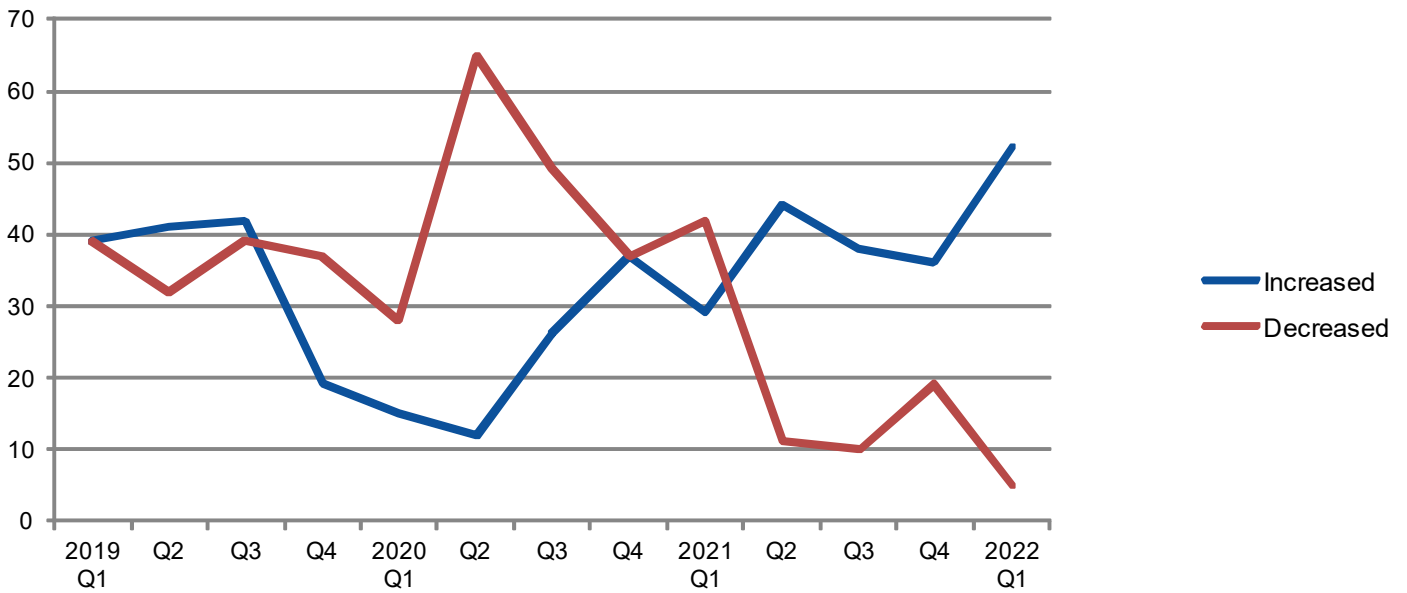
Exchange rates, however, were less of a concern this time around, with only 2% more firms citing this as an issue, 6% of firms raised increasing business rates as a worry.

### Key balances

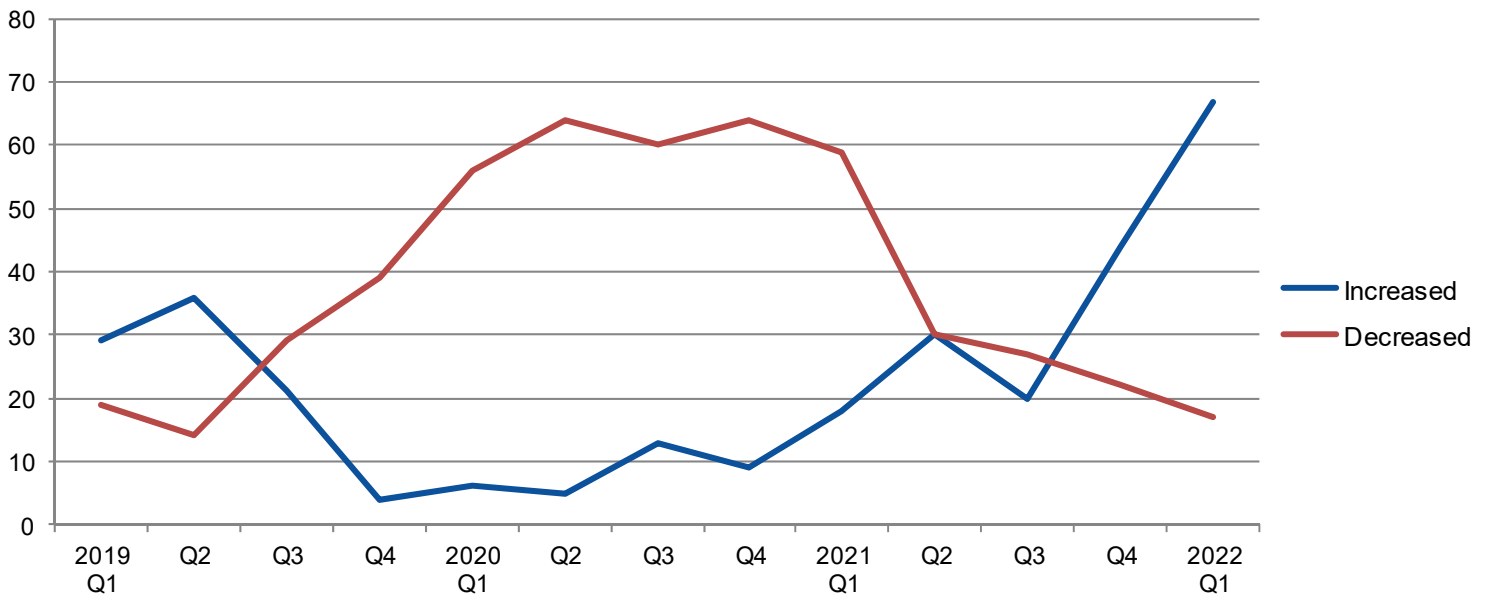
- ➔ Home Sales was up 30 points to 47.
- ➔ Home Orders was up 12 points to 31.
- ➔ Export Sales was up 28 points to 50.
- ➔ Export Orders was up 22 points to 33.
- ➔ Employment in the last three months was up 61 points to 13.
- ➔ Expected employment for the next three months rose by 10 points to 26.
- ➔ Cashflow in the last three months was down 60 points to -4.
- ➔ Investment in Plant and Machinery was up 19 points to 22.
- ➔ Turnover Expectations were up 2 points to 26.
- ➔ Profit Expectations were down 11 points to -9.

# Key indicators

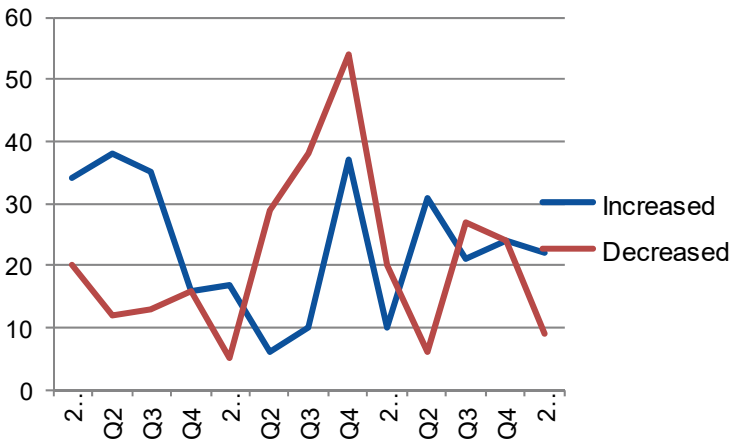
## Home sales



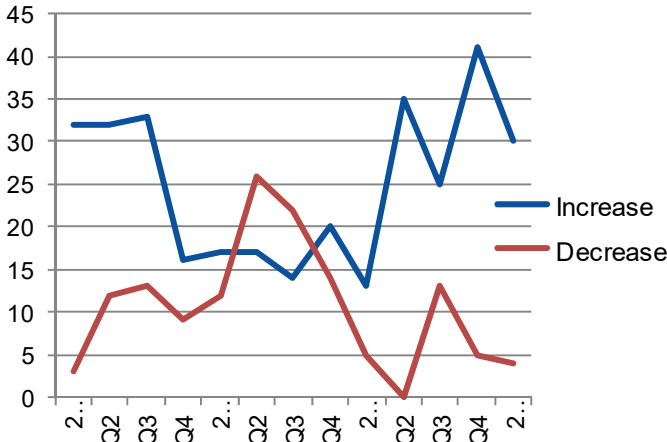
## Export sales



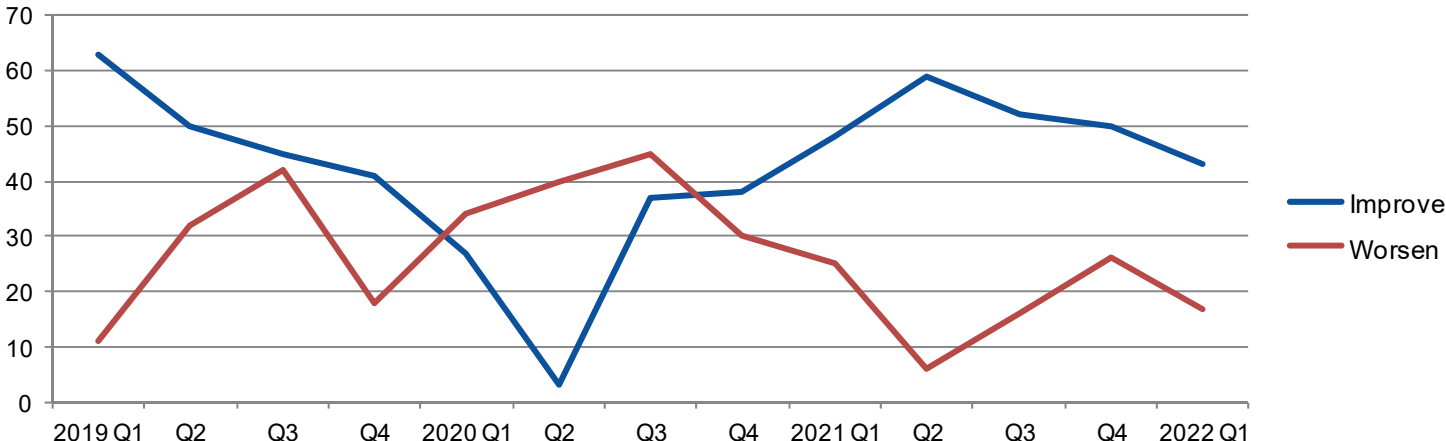
### Employment



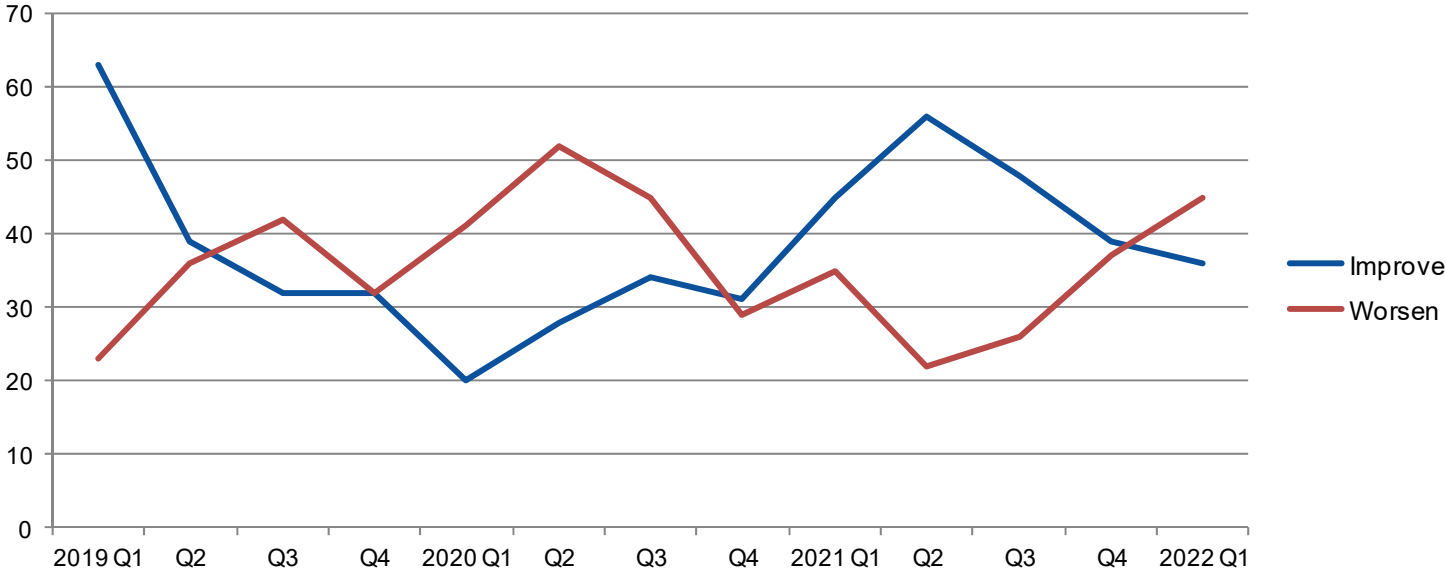
### Employment expectations



### Turnover expectations

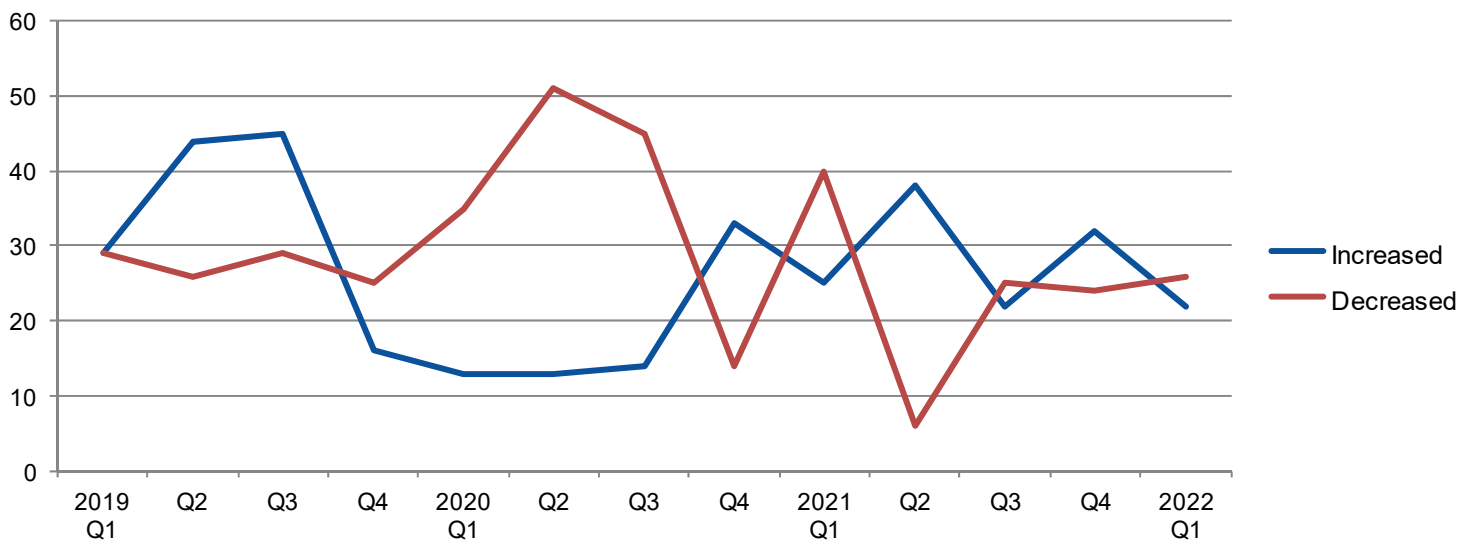


### Profit expectations



## 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

## Inflationary pressures hit unprecedented highs

### 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 BCC's Quarterly Economic Survey (QES) for Q1 2022 – the UK's largest independent survey of business sentiment and a leading indicator of UK GDP growth – shows inflationary pressures on firms reaching levels never previously recorded in its 33-year history.

The survey of over 5,600 firms also revealed a continuing stagnation in the proportion of firms reporting increased domestic sales and investment, while cashflow weakened slightly in Q1.

42% of respondents overall reported increased domestic sales in Q1, down from 45% in Q4. 18% reported a decrease, up from 16% the previous quarter.

In the services sector, the balance of firms reporting increased domestic sales dropped to +21% in Q4, from +26% in Q4.

In the manufacturing sector, the balance of firms reporting increased domestic sales was +24% in Q4, up from +22 in Q4.

62% of firms expect their prices to rise in the next three months, which is another record high figure for this metric and an increase from 58% in Q4. Only 1% overall expect a decrease in their prices.

For production & manufacturing firms, this rises to 75% and stands at 75% for retailers and wholesalers, 70% for construction firms, and 72% for transport and distribution firms. These are also the highest on record.

When firms were asked what pressures they were facing to raise prices, from a list of factors, 92% of manufacturers cited raw materials, 56% cited other overheads (the majority of respondents comments related to energy costs and transport costs), 34% cited pay settlements, and 19% cited finance costs.

When asked what was more of a concern to their business than three months ago, 77% of

firms cited inflation which was the highest on record and a rise from 66% in Q4.

The percentage citing interest rates as a concern also rose in the quarter. Nearly 1 in 3 (32%) reported interest rates as a concern, up from 27% in Q4.

Indicators for both cash flow and investment have shown no sign of recovery since the start of the Covid-19 shutdown.

For firms overall, 28% reported an increase to cash flow, a drop from 31% in Q4. 26% reported a decrease, up from 23% in Q4.

Investment in plant, machinery, or equipment continued to stagnate, with 27% overall reporting an increase, while 58% reported no change, and 15% a decline. This metric remains largely unchanged since Q2 2021.

Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said: "Our latest survey points to a solid first quarter for the UK economy, as the release of pent-up demand following the end of Plan B restrictions and reduced consumer concerns over Omicron helped support activity in the quarter.

"However, our figures also highlight the significant headwinds facing the UK economy.

"Historically high price pressures suggests that the current inflationary surge will escalate significantly in the coming months. The reversal of the hospitality VAT cut, the higher energy price cap and soaring energy and commodity prices amid Russia's invasion of Ukraine, should lift inflation well above 8% in the near term.

"Russia's invasion of Ukraine has raised the risk of a renewed economic downturn by aggravating the financial squeeze on businesses and households and disrupting the supply of commodities to key sectors of the UK economy."

# Analysis

## David Hooper

External Affairs Director

Hull & Humber Chamber of Commerce

“These results for Quarter 1 of 2022 are quite stark and demonstrate that businesses are facing pressure from almost every direction.

Research by the Hull & Humber Chamber of Commerce reveals that pressure on prices is a major concern for business as rising interest rates, inflation, increasing raw material costs, pay settlements and finance costs were all adding up to a fairly torrid time for firms, as the war in Ukraine may yet add more challenges to the local business environment.

The Governor of the Bank of England, Andrew Bailey, will certainly have a lot to discuss when he joins us on Friday, April 8, at the Mercure Hull Grange Park Hotel to discuss the economy and the Bank’s policies with Humber business leaders.

[Click here for more information.](#)

## The National View

British Chambers of Commerce

Director General of the British Chambers of Commerce, Shevaun Haviland, said: “Our latest survey lays bare the huge financial stress that firms across the country are under.

“The level of inflationary pressures has soared to record levels and we are now truly in uncharted territory. Firms cite cost increases coming at them from all angles, ranging from energy bills to raw material prices and the imminent rise in National Insurance.

“We need to be absolutely clear: this cost of doing business crisis is squeezing firms’ finances, driving further increases in prices and directly fuelling the cost-of-living crisis.

“The Spring Statement was a missed opportunity to ensure business have greater resilience to weather the uncertain and volatile times ahead.

“The Government must provide urgent financial support, through the expansion of the energy bills rebate scheme, to include small firms and energy intensive businesses, and must introduce an SME energy price cap to protect smaller firms from some of the price increases.

“We also urge the Treasury to rethink and postpone the damaging National Insurance increase. A failure to act now will leave businesses with no option but to continue to raise prices - leading to more difficult months to come for both firms and households.”

# Results in full

		2021				2022
		Q1	Q2	Q3	Q4	Q1
Home sales <sup>2</sup>	Increased	29	44	38	36	52
	Constant	29	44	52	44	43
	Decreased	42	11	10	19	5
	<b>Balance</b>	<b>-13</b>	<b>33</b>	<b>28</b>	<b>17</b>	<b>47</b>

Home orders <sup>2</sup>	Increased	19	50	38	31	47
	Constant	38	39	48	47	37
	Decreased	43	11	14	22	16
	<b>Balance</b>	<b>-24</b>	<b>39</b>	<b>24</b>	<b>9</b>	<b>31</b>

Export sales <sup>2</sup>	Increased	18	30	20	44	67
	Constant	23	40	53	33	17
	Decreased	59	30	27	22	17
	<b>Balance</b>	<b>-41</b>	<b>0</b>	<b>-7</b>	<b>22</b>	<b>50</b>

Export orders <sup>2</sup>	Increased	19	30	20	35	50
	Constant	24	40	53	41	33
	Decreased	57	30	27	24	17
	<b>Balance</b>	<b>-38</b>	<b>0</b>	<b>-7</b>	<b>11</b>	<b>33</b>

Workforce <sup>2</sup>	Increased	10	31	21	24	22
	Constant	70	63	52	53	70
	Decreased	20	6	27	24	9
	<b>Balance</b>	<b>-10</b>	<b>25</b>	<b>-6</b>	<b>0</b>	<b>13</b>

Workforce expectations <sup>3</sup>	Increase	13	35	25	41	30
	Constant	82	65	63	54	65
	Decrease	5	0	13	5	4
	<b>Balance</b>	<b>8</b>	<b>35</b>	<b>12</b>	<b>36</b>	<b>26</b>

Recruited staff <sup>2</sup>	<b>Yes</b>	<b>30</b>	<b>63</b>	<b>55</b>	<b>58</b>	<b>59</b>
	- Part time	17	28	35	36	38
	- Full time	67	72	94	82	92
	- Temporary	50	11	6	5	8
	- Permanent	42	56	59	55	46
	<b>No</b>	<b>70</b>	<b>37</b>	<b>45</b>	<b>42</b>	<b>41</b>

Recruitment difficulties <sup>2</sup>	<b>Yes</b>	<b>58</b>	<b>76</b>	<b>94</b>	<b>86</b>	<b>92</b>
	- Skilled manual	57	46	41	21	42
	- Management	43	46	47	47	33
	- Clerical	43	23	41	47	67
	- Unskilled/semi-skilled	43	62	41	32	33
	<b>No</b>	<b>42</b>	<b>24</b>	<b>6</b>	<b>14</b>	<b>8</b>

		2021				2022
		Q1	Q2	Q3	Q4	Q1
Cashflow <sup>2</sup>	Increased	25	38	22	32	22
	Constant	35	56	53	45	52
	Decreased	40	6	25	24	26
	<b>Balance</b>	<b>-15</b>	<b>32</b>	<b>-3</b>	<b>8</b>	<b>-4</b>

Investment: Plant/machinery <sup>2</sup>	Increased	8	17	17	19	35
	Constant	57	73	70	65	52
	Decreased	35	10	13	16	13
	<b>Balance</b>	<b>-27</b>	<b>7</b>	<b>4</b>	<b>3</b>	<b>22</b>

Investment: Training <sup>2</sup>	Increased	13	25	19	26	35
	Constant	56	63	74	63	52
	Decreased	31	13	6	11	13
	<b>Balance</b>	<b>-18</b>	<b>12</b>	<b>13</b>	<b>15</b>	<b>22</b>

Turnover expectations <sup>4</sup>	Improve	48	59	52	50	43
	Same	28	34	32	24	39
	Worsen	25	6	16	26	17
	<b>Balance</b>	<b>23</b>	<b>53</b>	<b>36</b>	<b>24</b>	<b>26</b>

Profit expectations <sup>4</sup>	Improve	45	56	48	39	36
	Same	20	22	26	24	18
	Worsen	35	22	26	37	17
	<b>Balance</b>	<b>10</b>	<b>34</b>	<b>22</b>	<b>2</b>	<b>26</b>

Capacity utilisation <sup>1</sup>	Full capacity	18	38	36	37	41
	Below capacity	83	63	64	63	59

Prices <sup>3</sup>	Increased	48	56	59	61	78
	Constant	43	41	38	37	22
	Decreased	10	3	3	3	0
	<b>Balance</b>	<b>38</b>	<b>53</b>	<b>56</b>	<b>58</b>	<b>78</b>

Price pressures <sup>1</sup>	Pay settlements	7	26	37	42	50
	Raw materials	46	48	48	42	55
	Finance	21	13	15	17	25
	Other overheads	64	61	67	75	70

External concerns <sup>1</sup>	Interest rates	3	3	10	19	43
	Exchange rates	22	21	20	24	26
	Business rates	16	10	17	16	22
	Inflation	25	34	57	65	96
	Competition	34	48	40	30	26
	Tax	56	41	40	35	35

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

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