



Quarterly Economic Survey

Quarter 4, 2022

www.hull-humber-chamber.co.uk

Overview

Inflation, interest rates are biggest fears

As another interest rate rise and soaring inflation continue to add to the challenges faced by businesses in the Humber, there was little in the way of good news to welcome in 2023, with high inflation continuing to be a major concern.

The Quarter 4 survey was conducted in early to mid November, with many businesses hoping for a festive boost, but the latest set of figures paint a challenging picture for firms trying to keep their heads above water amid a rising tide of economic gloom.

What the latest rise in Bank rates, and the arrival of the of the credit card bills in the first quarter of 2023 will do to the already hard pressed retail and hospitality sectors remains to be seen, but with the rising cost of living and energy crisis, things seem unlikely to improve in the coming months, as customers will be saving the pennies, instead of spending the pounds.

Research by the Hull & Humber Chamber of Commerce for Quarter 4 revealed that Home Sales decreased by a further 5 points on Quarter 3 to a balance figure of -13, while Home Orders fared slightly better, increasing slightly to -27, but remaining firmly in negative territory.

The export sector was slightly stronger this quarter, with both Sales and Orders climbing to a balance figure of -25, but again remaining in negative territory.

The number of firms looking to increase their staff dropped from 11 points in Quarter 3 to a balance figure of -8 in this quarter, but more firms said they would retain their current staffing levels.

Recruitment difficulties continue to be an issue for most firms, with management and unskilled or semi-skilled roles proving to be the most difficult to fill, closely followed by clerical positions. Finding skilled manual works was less of an issue this quarter.

Firms reported that cashflow had improved by two points, compared to the last quarter, and more firms were planning to invest in new plant and machinery in the next three months. Investment in training had also recovered from Quarter 3, improving by 32 points to a balance figure of 4.

Turnover expectations for the coming few months also improved on Quarter 3 results, but the balance figure remained in negative territory in Quarter 4.

Profit expectations for the next three months fell further this time around as firms continued to feel the economic squeeze, dropping to -55, the lowest figure of the year, while only a third of firms reported that they were working a full capacity.

More firms said they were planning to increase their prices in the next quarter, up 5 points on the last quarter to 67%, while the biggest pressures on prices this time around focused on pay settlements and raw material costs and other overheads.

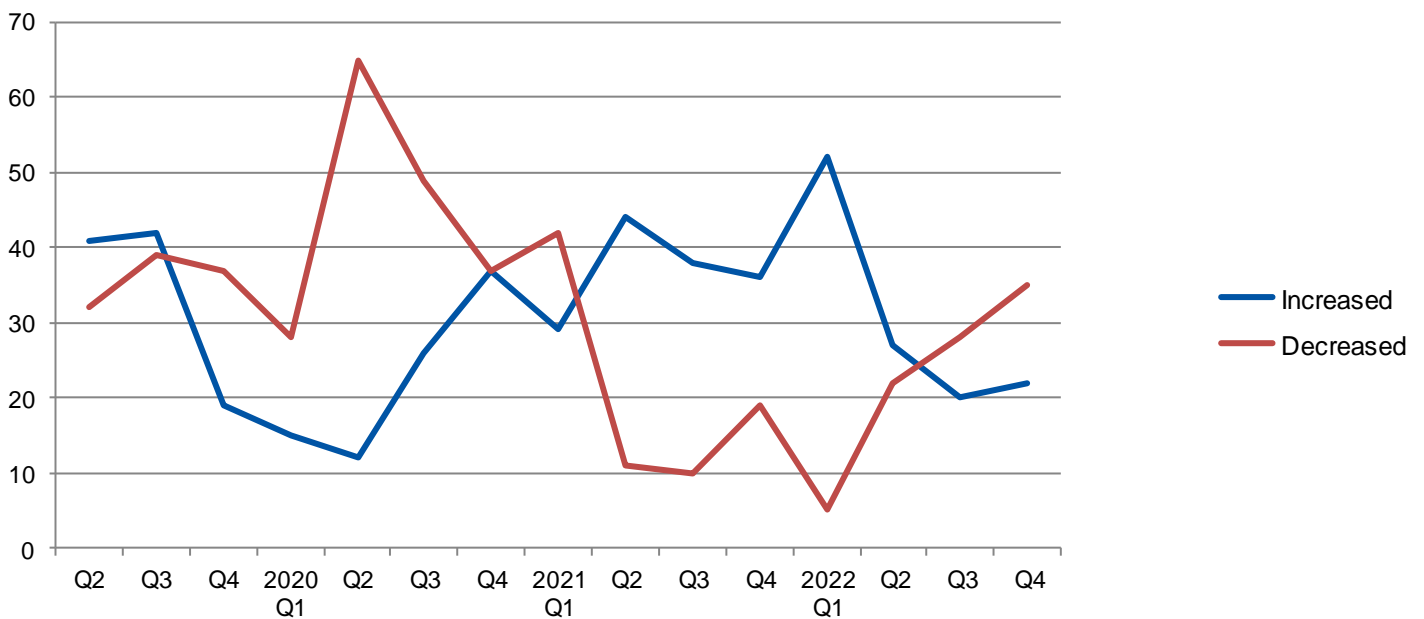
Interest rates and competition were the other biggest external concerns, while tax and exchange rates were less of an issue.

Key balances

- ➔ Home Sales were down a further five points to -13.
- ➔ Home Orders improved slightly, climbing 13 points to -27.
- ➔ Export Sales improved 32 points to -25.
- ➔ Recruitment fell 19 points to -8.
- ➔ Workforce expectations fell five points to a balance figure of 0.
- ➔ Cashflow improved slightly to a balance figure of -21.
- ➔ Investment in plant and machinery rose to -4.
- ➔ Profit expectations fell compared to the last quarter to -55.
- ➔ Prices rose by one point to 63.
- ➔ Inflation was the biggest external concern at 92%

Key indicators

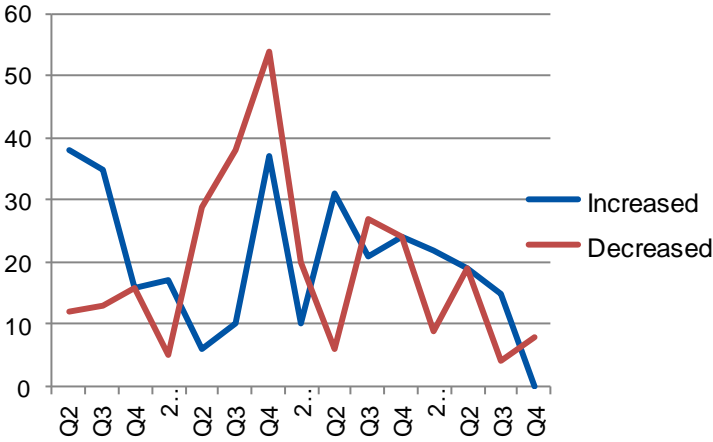
Home sales



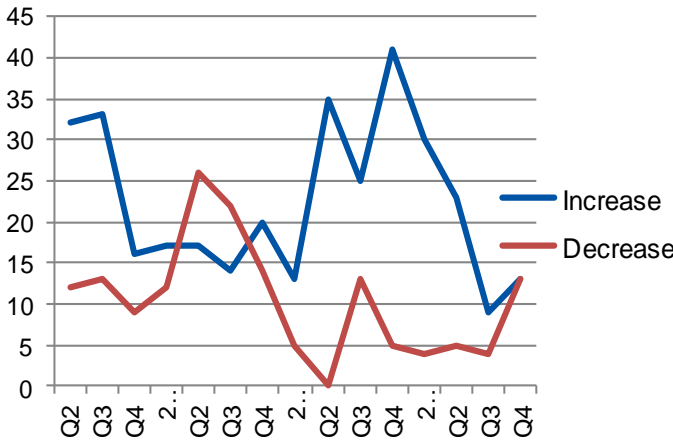
Export sales



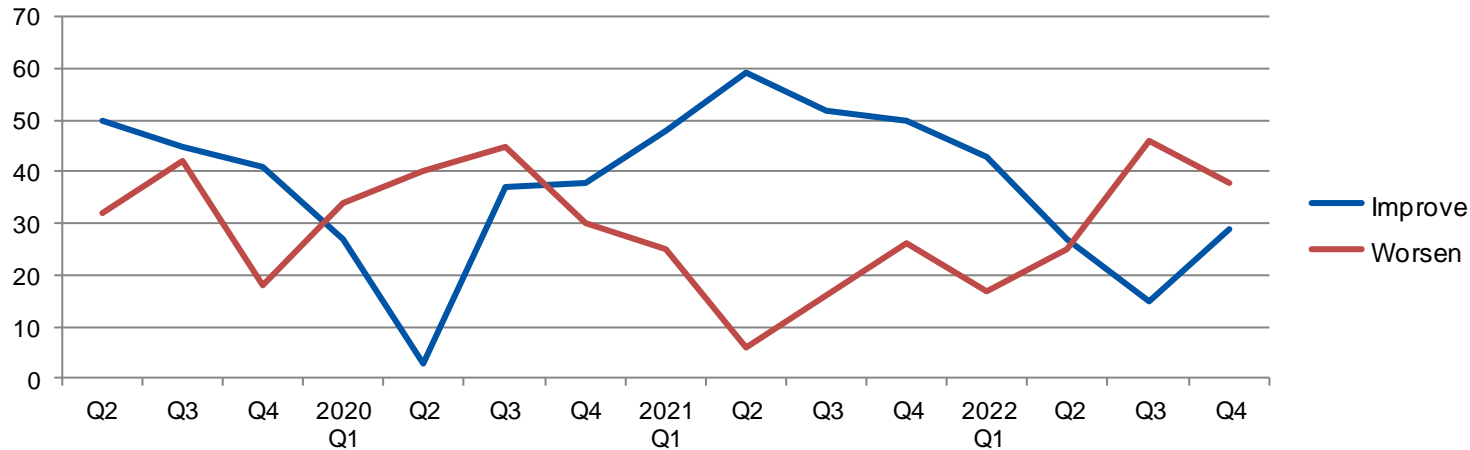
Employment



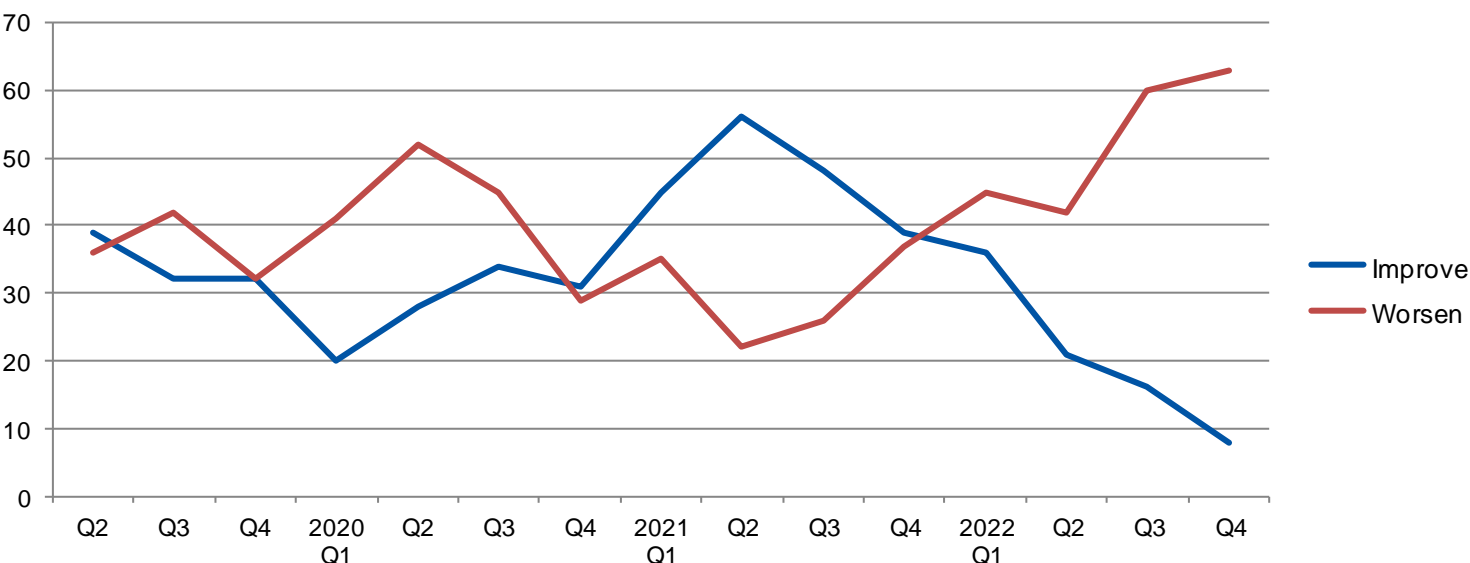
Employment expectations



Turnover expectations

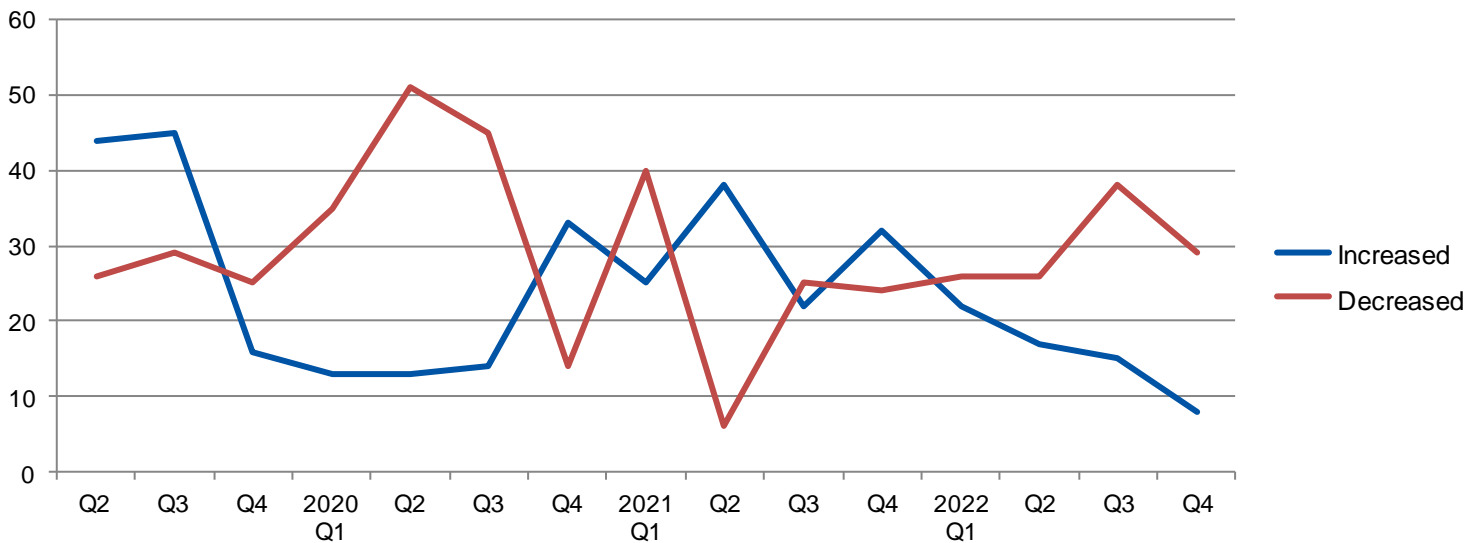


Profit expectations



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

BCC: No signs of business recovery in Q4

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 BCC's Quarterly Economic Survey (QES) for Q4 2022 shows key economic indicators have stabilised at concerning low levels, following significant declines in Q3.

The survey of over 5,600 firms – 92% of which are SMEs – reveals business confidence, conditions and sales have stabilised at low levels, while inflation remains the top external factor of concern.

The research took place between November 7 and November 30, across the period the Government's Autumn Statement was announced.

The percentage of firms reporting increased domestic sales has stabilised at the low level reported in Q3. Only 33% of firms experienced an increase in sales over the past three months, while 25% of firms reported a decrease in sales and 42% report no change.

Activity in the retail and hospitality sectors remains particularly weak. Both sectors are firmly in 'negative territory', with more firms reporting a decrease in sales than an increase over the past three months.

The hospitality sector is also struggling to operate at full capacity; three quarters (74%) of hospitality businesses reported they are operating below capacity.

More firms continued to report decreased cash flow versus increased cash flow. Only 24% of business said their cash flow has increased over the last three months, while 30% have seen it decrease.

After business confidence plummeted in Q3, firms continued to report a negative outlook for the future in Q4. Less than half (44%) of firms expect their turnover to increase over the next 12 months, while 25% expect a decrease. Those

expecting turnover to increase remains ten percentage points down from a level of 54% in Q2 2022.

Profitability confidence remains much weaker than turnover confidence and has stabilised at Covid-crisis levels. Only one in three (34%) businesses believe their profits will increase over the coming year, while 36% now expect a decrease.

Increases to business investment remain low. Only 21% of firms reported an increase to plant/equipment investment over the past three months, while 57% reported no change, and 22% reported a decrease.

Inflationary pressures remain top business concern. The percentage of firms expecting their prices to rise over the coming months (60%) remains near record highs but is showing slight signs of easing, down from 62% in Q3.

Concern about inflation also remains at record highs; 80% of firms cited inflation as a growing worry to their business. But there are also significant jumps in the percentage of firms concerned about taxation (38%) and interest rates (43%).

David Bharier, Head of Research at the British Chambers of Commerce (BCC), said: "These results provide further confirmation that business conditions deteriorated significantly in the second half of 2022.

"Business confidence remains worryingly low, with only a third of firms reporting improvements to sales, and less than a quarter reporting increased investment. The widespread economic damage caused by Covid shutdowns has been compounded by subsequent inflation, global trade crises, and new trade barriers with the EU. For many SMEs, the cost of doing business is now simply too high.

Analysis

David Hooper

External Affairs Director

Hull & Humber Chamber of Commerce

“With the news dominated by people striking for more pay to help them cope with the rising cost of living, it’s hardly surprising that inflationary pressures are the biggest concern for Humber employers in the last quarter of 2022.

“With the highest interest rates we have seen for decades, and uncertainty around energy and raw material costs, not to mention supply chains issues, it is a difficult time for any business to plan ahead with any degree of certainty.

“Perhaps the only encouraging indicators are that some firms are pushing ahead with investment plans for the future and also restarting some of their training initiatives.

“We can only hope that the Bank of England’s predictions that inflation has just about peaked, will prove to be correct in the coming months, and business can then return to more normal trading conditions”

[Click here for more information.](#)

The National View

Shevaun Haviland

British Chambers of Commerce

Responding to the findings, Director General of the British Chambers of Commerce, Shevaun Haviland, said:

“The outlook from businesses remains bleak. Now, more than ever, we need to create the right conditions for firms to invest and grow.

“Providing businesses with clarity regarding the new energy support package must be top of the Government’s agenda for the New Year, after they failed to do so before Christmas.

“We urge Government to promote business growth by investing in public infrastructure and incentivising international trade, with a particular emphasis on making the UK the global hub for green innovation.

“The Government’s New Year’s resolution should be to put business support for SMEs at the heart of its agenda and get the UK back on the road to recovery.”

Results in full

		2021					2022				
		Q4	Q1	Q2	Q3	Q4	Q4	Q1	Q2	Q3	Q4
Home sales ²	Increased	36	52	27	20	22					
	Constant	44	43	51	52	43					
	Decreased	19	5	22	28	35					
	Balance	17	47	5	-8	-13					

Home orders ²	Increased	31	47	18	10	18					
	Constant	47	37	62	40	36					
	Decreased	22	16	21	50	45					
	Balance	9	31	-3	-40	-27					

Export sales ²	Increased	44	67	25	0	25					
	Constant	33	17	17	42	25					
	Decreased	22	17	58	58	50					
	Balance	22	50	-33	-58	-25					

Export orders ²	Increased	35	50	17	0	25					
	Constant	41	33	17	33	25					
	Decreased	24	17	67	67	50					
	Balance	11	33	-50	-67	-25					

Workforce ²	Increased	24	22	19	15	0					
	Constant	53	70	63	81	92					
	Decreased	24	9	19	4	8					
	Balance	0	13	0	11	-8					

Workforce expectations ³	Increase	41	30	23	9	13					
	Constant	54	65	73	87	75					
	Decrease	5	4	5	4	13					
	Balance	36	26	18	5	0					

Recruited staff ²	Yes	58	59	64	36	58					
	- Part time	36	38	36	33	36					
	- Full time	82	92	79	78	86					
	- Temporary	5	8	21	33	21					
	- Permanent	55	46	32	100	29					
	No	42	41	36	64	42					

Recruitment difficulties ²	Yes	86	92	84	75	100					
	- Skilled manual	21	42	35	44	21					
	- Management	47	33	23	44	43					
	- Clerical	47	67	50	56	36					
	- Unskilled/semi-skilled	32	33	54	22	43					
	No	14	8	16	25	0					

		2021					2022				
		Q4	Q1	Q2	Q3	Q4	Q4	Q1	Q2	Q3	Q4
Cashflow ²	Increased	32	22	17	15	8					
	Constant	45	52	57	46	63					
	Decreased	24	26	26	38	29					
	Balance	8	-4	-9	-23	-21					

Investment: Plant/machinery ²	Increased	19	35	19	4	21					
	Constant	65	52	51	60	54					
	Decreased	16	13	30	36	25					
	Balance	3	22	-11	-32	-4					

Investment: Training ²	Increased	26	35	17	8	21					
	Constant	63	52	57	62	63					
	Decreased	11	13	26	30	17					
	Balance	15	22	-9	-28	4					

Turnover expectations ⁴	Improve	50	43	27	15	29					
	Same	24	39	48	38	33					
	Worsen	26	17	25	48	38					
	Balance	24	26	2	-31	-9					

Profit expectations ⁴	Improve	39	36	21	16	8					
	Same	24	18	37	24	29					
	Worsen	37	17	42	60	63					
	Balance	2	26	-21	-44	-55					

Capacity utilisation ¹	Full capacity	37	41	30	19	33					
	Below capacity	63	59	70	61	67					

Prices ³	Increased	61	78	73	62	67					
	Constant	37	22	27	38	29					
	Decreased	3	0	0	0	4					
	Balance	58	78	73	62	63					

Price pressures ¹	Pay settlements	42	50	67	58	68					
	Raw materials	42	55	64	50	45					
	Finance	17	25	21	23	14					
	Other overheads	75	70	45	38	45					

External concerns ¹	Interest rates	19	43	28	31	38					
	Exchange rates	24	26	16	31	21					
	Business rates	16	22	21	23	13					
	Inflation	65	96	98	85	92					
	Competition	30	26	26	27	29					
	Tax	35	35	26	15	29					

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