



# Quarterly Economic Survey

Quarter 2, 2014

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

# Overview

## Jobs, turnover and profit expectations on the up in Humber region

EMPLOYMENT and turnover are the leading lights in the second Quarterly Economic Survey of 2014.

While the changes aren't dramatic, the research carried out by the Hull & Humber Chamber of Commerce does reinforce the air of optimism coming through from business leaders at the Chamber's regional area council meetings in recent months, no doubt boosted by the wave of business successes the Humber region is currently enjoying.

The number of firms reporting a stable workforce rose by 11 points to 29 per cent, while the number reporting a decrease in their staffing levels fell slightly, with the balance figure rising by 14 points to 17, the highest it's been since the third quarter of last year.

Firms expecting to increase their workforce also rose, up 11 points to 41 per cent, the highest it's been for some time, with the balance also reaching a recent high at 34, up 9%.

Recruitment was fairly evenly split this quarter, with 75% of vacancies being for full-time posts, a slight rise on last quarter, but still below the figures for the last two quarters of 2013.

There are more temporary jobs than permanent, with a 54/46% split, with 28 firms reporting difficulties filling management positions with a further 17 finding it hard to find the right clerical staff.

As a further indication of a steadily improving economic picture, 71% of firms said they were expecting their turnover to improve, with only 7% saying they expected it to drop, giving a balance figure of 64, which is 19 points up on the first quarter of this year and the highest it's been for some time.

Profit expectations have also shown a sharp increase, with the balance figure

climbing 20 points on the first quarter's results and is again the strongest balance figure we have seen for some months.

Interestingly however, only 34% of firms said they were working at full capacity, so there is still potential for many companies to take on more work without having to increase their workforce.

The number of firms planning to invest in training is fairly consistent with previous months, with the balance figure rising by 9 points this quarter, but more firms are considering investing in plant and machinery, with the balance figure up 9 points on the last quarter, at 30.

Exports, which have led the way in the last few surveys, seem to have found their level, but are still slightly ahead of the last quarter. Export sales are up 4 points with a balance of 71 and export orders are up 7 points on the first quarter with a balance of 74, but that is still two points down on the last quarter of 2013.

Home sales balance figure has risen by 17 points to 38, due to fewer companies reporting a decrease, while home orders dropped two points on Quarter 1, but is still four points up on Quarter 4 of 2013.

Prices remained fairly constant this time around, showing a one point increase in the balance figure, while the biggest external concerns centre on inflation and tax. Notably concerns over competition have risen very sharply following a drop last quarter, from 14 to 38 points.

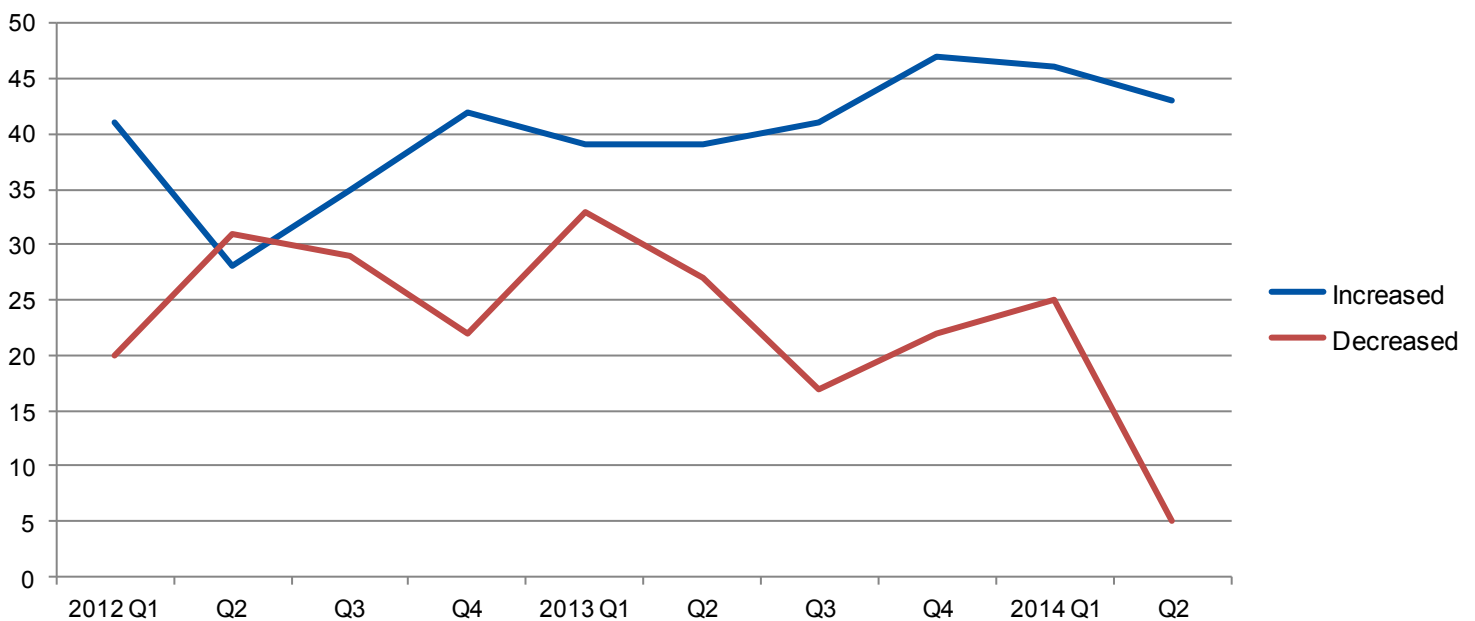
More firms are considering investing in new plant and machinery, with a nine point increase on the last quarter's figure which puts it one point ahead of the result for the last quarter of 2013, showing a consistent rise over the last year.

### Key balances

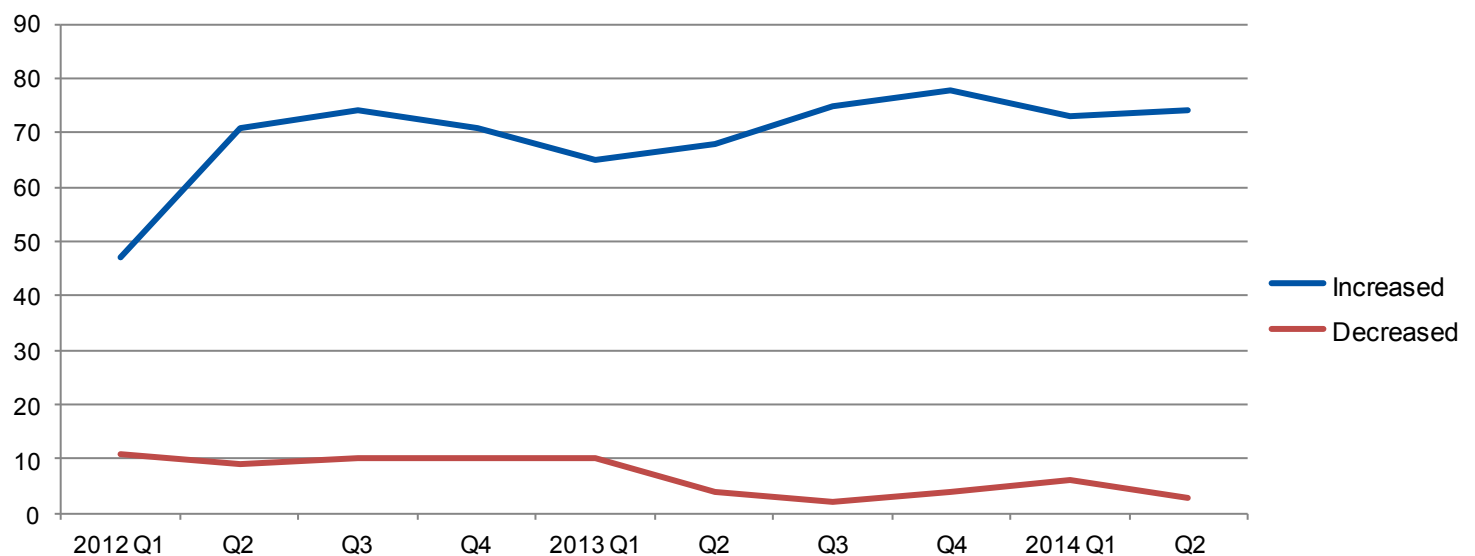
- ➔ Home sales balance bounces back from a dip last quarter to 38, up 17 points
- ➔ Export sales and orders both show slight increases
- ➔ 29% of firms say they have increased their workforce in the last three months
- ➔ Export sales and orders have both made small gains, up 4 and 7 points respectively
- ➔ Turnover expectations are up 19 points on the last quarter
- ➔ Profit expectations are also up sharply, rising by 20 points
- ➔ The number of companies planning to invest in plant and equipment is up 9 points at 30

# Key indicators

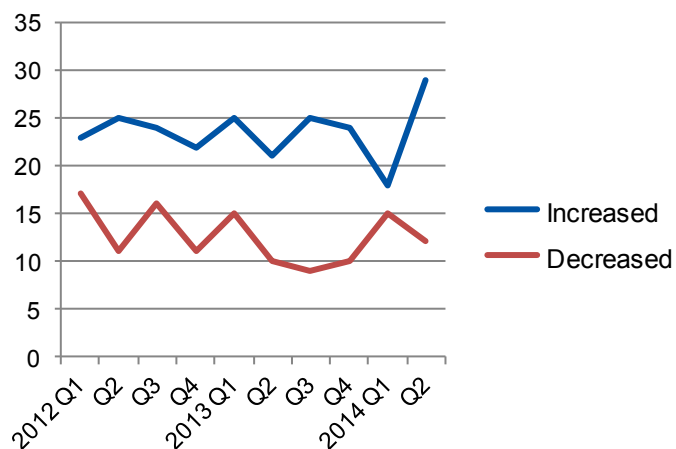
## Home sales



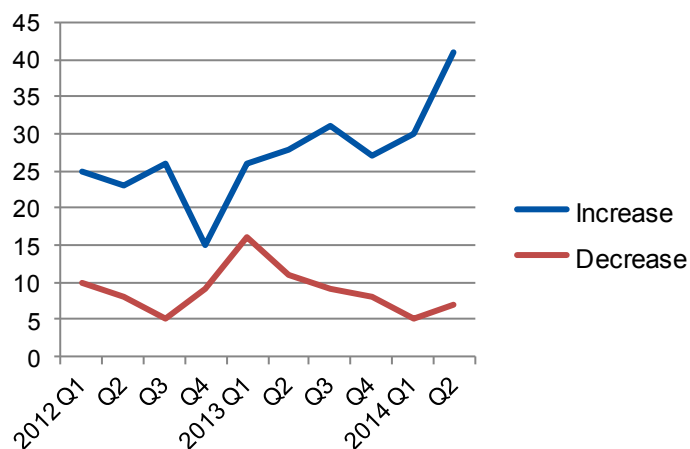
## Export sales



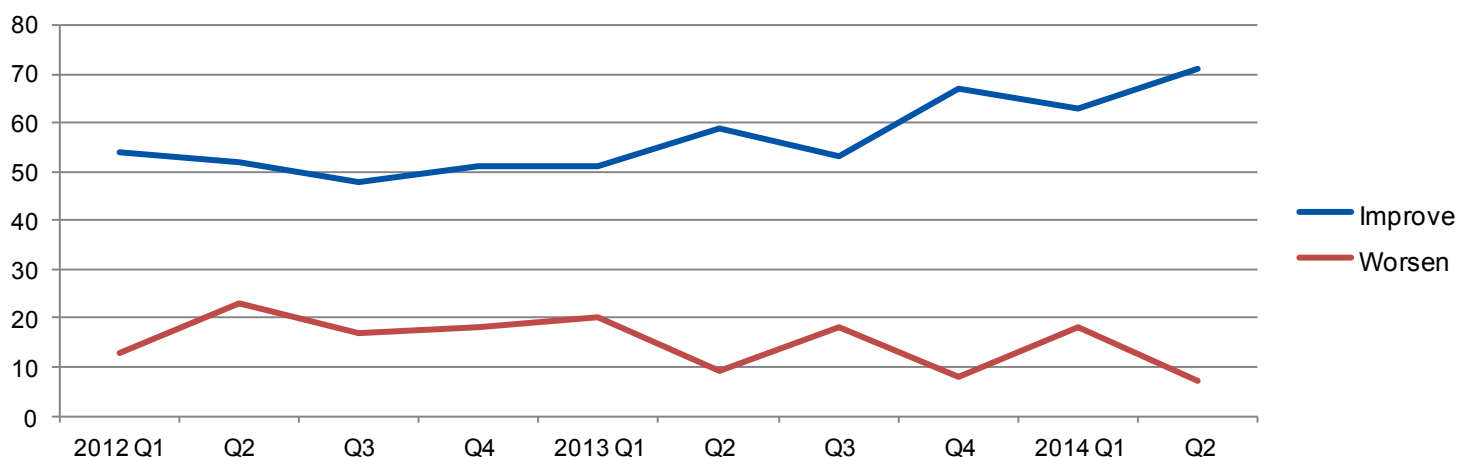
## Employment



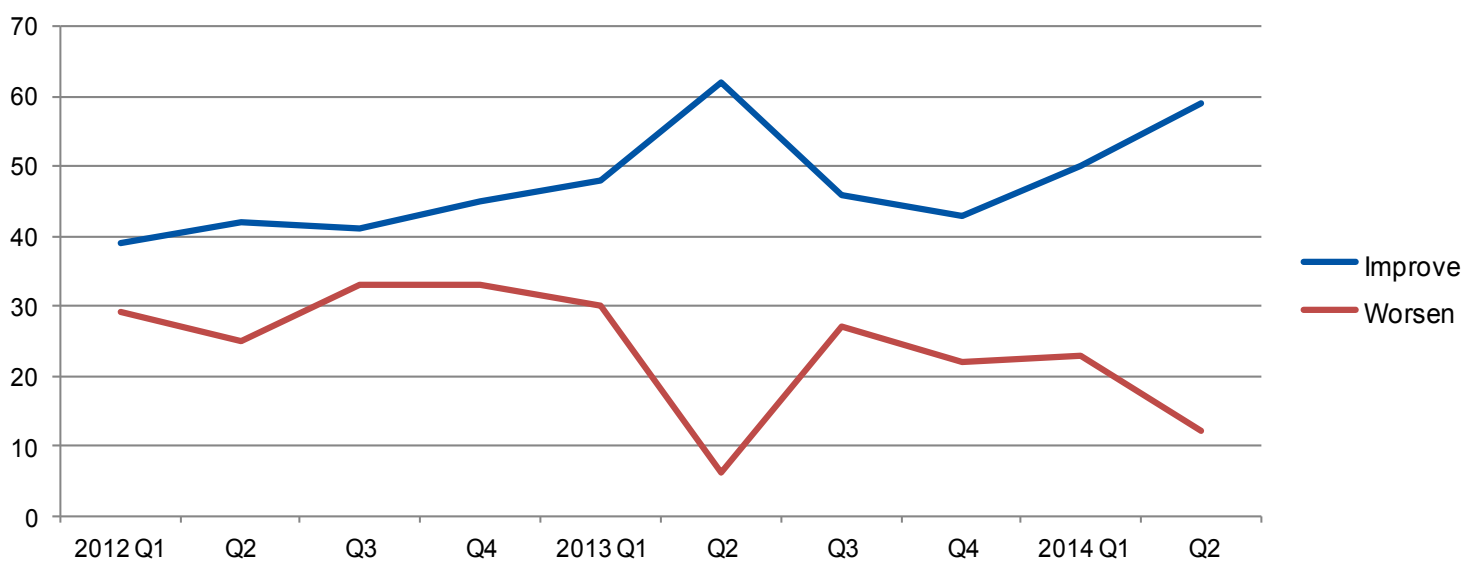
## Employment expectations



## Turnover expectations

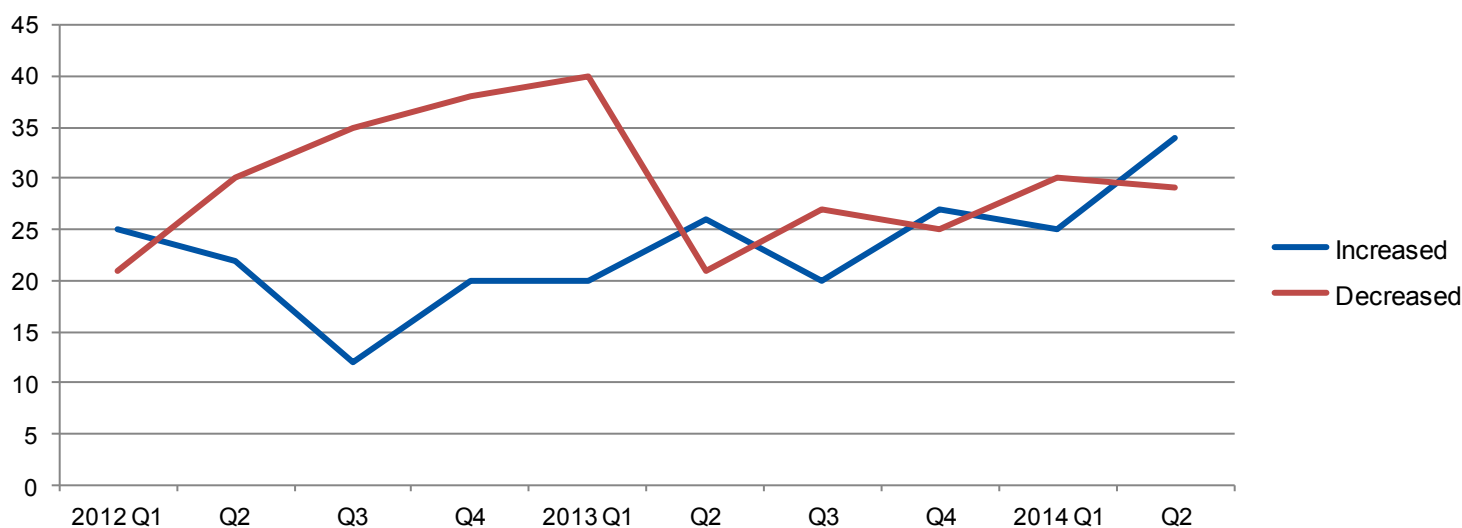


## Profit expectations



## 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 (BCC) has today published its Quarterly Economic Survey for Q2 2014.

The results, made up of responses from 7,000 UK businesses, show that the economy is still strong and moving in the right direction, with many key balances higher than they were before the recession.

Many of the balances for manufacturing and services are slightly down on the quarter, but this is following the unexpected surge seen in the first quarter of the year.

BCC Director General, John Longworth, says moderate declines of the pace of growth are 'unsurprising' given that the economy 'jolted forward' in the first quarter of the year. He applauds UK businesses for their continued 'dedication, confidence and resilience' but urges the Bank of England not to act prematurely on raising interest rates as this could 'limit the growth ambitions among the very firms we are counting on to drive the recovery'.

### Key findings in the Q2 2014 Quarterly Economic Survey:

- In **manufacturing**, three balances were at their all-time highs in Q2 2014: **domestic sales** (+42%), **profitability confidence** (+51%) and **capacity utilisation** (46%), showing that the manufacturing sector is continuing to strengthen – but this compares with six manufacturing balances at their all-time highs in Q1.
- In **services**, there were no balances at their all-time highs in Q2, compared

with two service balances at their all-time highs in Q1 (export sales and orders).

- All the **export and investment** balances fell in Q2, for both manufacturing and services.
- Despite these falls, Q2 **export balances** and most **investment balances** are still above their average 2007 pre-recession levels.
- Concerns around **interest rate rises** were higher in Q2 than in Q1: 18% of manufacturing businesses expressed concern about interest rate increases in Q2 compared with 16% in Q1, and the figure among service sector businesses rose to 22% compared with 18% last quarter.
- In both manufacturing and services, **cashflow balances** improved in Q2 (services up two points to +17% and manufacturing four points to +17%).
- The survey results show that for both manufacturing and services **intentions to raise prices** eased (services down 10 points to +19% and manufacturing down seven points to +17%), and **wage pressures** weakened (services down five points to 18% and manufacturing down six points to 22%).

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

"These are strong results that show the recovery is moving forward. Our members continue to do themselves proud by showing dedication, confidence and resilience."



# Analysis

## Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

*"It's encouraging to see that what our business leaders are telling us at the Chamber's area council meetings is being reflected in this latest set of solid economic survey results.*

*"Home orders have increased while exports seem to have calmed a little after enjoying a strong run in the last six months or so. With many firms recruiting and an excellent improvement in profitability, it seems our economic recovery is still heading in the right direction.*

*"More good news also comes from the fact that the number of companies looking to invest in plant and machinery has shown a strong increase, and this is helped by recent Government announcements of an extra £103-million to be spent in the region on flood defences and growth opportunities."*

## David Kern

Chief Economist

British Chambers of Commerce

"Although most key balances for Q2 are lower than the very strong figures seen in the first quarter, they remain high by historical standards. In our recent economic forecast, we predicted that quarterly GDP growth for Q2 would be 0.8%, with full-year growth of 3.1%. However, these results mean that risks of a downgrade have increased.

"The Q2 falls in all the export and investment balances act as a timely warning that although growth is stable, challenges facing our economic recovery still remain. Rises in Sterling are making UK exports more expensive. Uncertainties around early interest rate increases are adding to the difficulties, and our excessively large current account deficit poses potential risks.

"UK growth cannot permanently rely on rising consumer spending, which is driven by a buoyant housing market, and on excessive household debt. Unless investment and net exports make bigger contributions to growth, the recovery could stall.

"Both the Government and the MPC must make every effort to stimulate enterprise and wealth creation. On its part, the MPC must restore clarity to its forward guidance and reassure business that from next year they will face only gradual rather than sudden change.

"With inflation well below target and earnings still rising by less than one per cent per year, the risks to the recovery from raising rates prematurely are much greater than the risks of waiting a little longer."

## Results in full

		2013		2014		
		Q2	Q3	Q4	Q1	Q2
Home sales <sup>2</sup>	Increased	39	41	47	46	43
	Constant	34	41	31	30	52
	Decreased	27	17	22	25	5
	<b>Balance</b>	<b>12</b>	<b>24</b>	<b>25</b>	<b>21</b>	<b>38</b>

Home orders <sup>2</sup>	Increased	44	37	47	47	36
	Constant	34	41	33	32	52
	Decreased	23	22	20	21	12
	<b>Balance</b>	<b>21</b>	<b>15</b>	<b>20</b>	<b>26</b>	<b>24</b>

Export sales <sup>2</sup>	Increased	68	75	78	73	74
	Constant	28	23	18	22	23
	Decreased	4	2	4	6	3
	<b>Balance</b>	<b>64</b>	<b>73</b>	<b>74</b>	<b>67</b>	<b>71</b>

Export orders <sup>2</sup>	Increased	68	71	80	71	77
	Constant	28	27	16	25	21
	Decreased	4	2	4	4	3
	<b>Balance</b>	<b>64</b>	<b>69</b>	<b>76</b>	<b>67</b>	<b>74</b>

Workforce <sup>2</sup>	Increased	21	25	24	18	29
	Constant	69	66	67	67	59
	Decreased	10	9	10	15	12
	<b>Balance</b>	<b>11</b>	<b>16</b>	<b>14</b>	<b>3</b>	<b>17</b>

Workforce expectations <sup>3</sup>	Increase	28	31	27	30	41
	Constant	61	59	65	65	51
	Decrease	11	9	8	5	7
	<b>Balance</b>	<b>17</b>	<b>22</b>	<b>19</b>	<b>25</b>	<b>34</b>

Recruited staff <sup>2</sup>	<b>Yes</b>	<b>68</b>	<b>63</b>	<b>67</b>	<b>54</b>	<b>45</b>
	- Part time	100	22	12	29	25
	- Full time	0	78	88	71	75
	- Temporary	19	45	62	45	54
	- Permanent	81	56	38	55	46
	<b>No</b>	<b>32</b>	<b>38</b>	<b>33</b>	<b>46</b>	<b>55</b>

Recruitment difficulties <sup>2</sup>	<b>Yes</b>	<b>49</b>	<b>30</b>	<b>46</b>	<b>38</b>	<b>32</b>
	- Skilled manual	9	18	18	23	11
	- Management	37	15	24	33	28
	- Clerical	2	10	9	10	17
	- Unskilled/semi-skilled	0	3	9	13	11
	<b>No</b>	<b>51</b>	<b>70</b>	<b>54</b>	<b>62</b>	<b>68</b>

		2013		2014		
		Q2	Q3	Q4	Q1	Q2
Cashflow <sup>2</sup>	Increased	26	20	27	25	34
	Constant	53	53	47	46	37
	Decreased	21	27	25	30	29
	<b>Balance</b>	<b>5</b>	<b>-7</b>	<b>2</b>	<b>-5</b>	<b>5</b>

Investment: Plant/machinery <sup>2</sup>	Increased	21	27	37	32	37
	Constant	77	59	55	58	56
	Decreased	1	14	8	11	7
	<b>Balance</b>	<b>20</b>	<b>13</b>	<b>29</b>	<b>21</b>	<b>30</b>

Investment: Training <sup>2</sup>	Increased	30	35	37	32	34
	Constant	61	57	55	54	56
	Decreased	9	8	8	14	10
	<b>Balance</b>	<b>21</b>	<b>29</b>	<b>29</b>	<b>18</b>	<b>24</b>

Turnover expectations <sup>4</sup>	Improve	59	53	67	63	71
	Same	32	31	25	19	22
	Worsen	9	18	8	18	7
	<b>Balance</b>	<b>50</b>	<b>35</b>	<b>59</b>	<b>45</b>	<b>64</b>

Profit expectations <sup>4</sup>	Improve	62	46	43	50	59
	Same	32	27	35	27	29
	Worsen	6	27	22	23	12
	<b>Balance</b>	<b>56</b>	<b>19</b>	<b>21</b>	<b>27</b>	<b>47</b>

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

Prices <sup>3</sup>	Increased	10	25	25	30	32
	Constant	79	61	69	67	63
	Decreased	10	14	6	4	5
	<b>Balance</b>	<b>0</b>	<b>11</b>	<b>19</b>	<b>26</b>	<b>27</b>

Price pressures <sup>1</sup>	Pay settlements	17	17	18	21	26
	Raw materials	0	36	25	21	24
	Finance	11	14	16	18	21
	Other overheads	19	48	51	46	43

External concerns <sup>1</sup>	Interest rates	8	13	16	11	14
	Exchange rates	6	16	8	19	12
	Business rates	18	22	20	12	17
	Inflation	50	44	55	44	45
	Competition	17	22	29	14	38
	Tax	10	22	31	11	19

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