



HULL & HUMBER
Chamber of Commerce



Quarterly Economic Survey

Quarter 1, 2015

www.hull-humber-chamber.co.uk

Overview

Home sales grow as export sector regains ground

THE first Quarterly Economic Survey of businesses in 2015 saw home sales continue their upward trajectory and an optimistic start to the year for the exports sector.

Building on the increases seen in the last quarter, the survey carried out by the Hull & Humber Chamber of Commerce saw home sales grow by another three points, with the balance figure maintaining the 10 point increase seen the last quarter.

Home orders also showed an encouraging increase, with the balance figure rising to 38 points, with more companies reporting a rise in orders and advance bookings.

After something of a dip in the last quarter of 2014, export sales and orders bounced back strongly despite concerns about the Eurozone, with Export Sales and Orders heading back towards the levels we saw throughout most of 2014, although there is still some way to go to reach those previous heights.

There was also positive news on employment, reflecting the encouraging feedback given in the State of Trade reports at the Chamber's recent Area Council meetings, with an eight point increase in the number of firms increasing their staffing levels, with fewer firms losing staff, leading to an increase in the balance figure of 12 points.

The survey said more firms are considering taking on staff in the next three months, with the balance figure rising by 11 points to 26, with 11 per cent more firms looking to recruit.

With that positive news in mind, six percent more businesses tried to recruit staff in the last three months, with a rise in full-time permanent vacancies this quarter, but with fewer part-time temporary roles on offer.

There were also fewer management positions available this quarter, with a similar figure as Q4 in 2014 for skilled manual roles. The biggest increase this time was for clerical positions, up 11 per cent, while unskilled and semi-skilled jobs saw a slight three point fall.

Cashflow remained fairly steady in the last three months, with more firms reporting a consistent picture, up from 47 points in Quarter 4 of last year, to 57 points this quarter.

There was an increase in the number of businesses planning to invest in training and plant and machinery, with the former reclaiming lost ground at the end of last year, and the latter also improving to similar levels seen at this time around a year ago.

However, more firms are working at full capacity, with a rise of 12 per cent claiming they are fully committed.

There was a nine point rise in the number of firms who said they expected their prices to remain constant, which saw the balance figure drop from 38 to 31 points, but it's still well ahead of previous quarterly results.

There was little change in turnover expectations, with the balance figure dropping two points to 41.

Profit expectations also fell slightly, as more companies predict consistent profit levels for the next 12 months, with the balance figure dropping by six points.

The New Year saw a small increase in concerns over price pressures and finances, while raw material costs and other overheads were less of a worry this time.

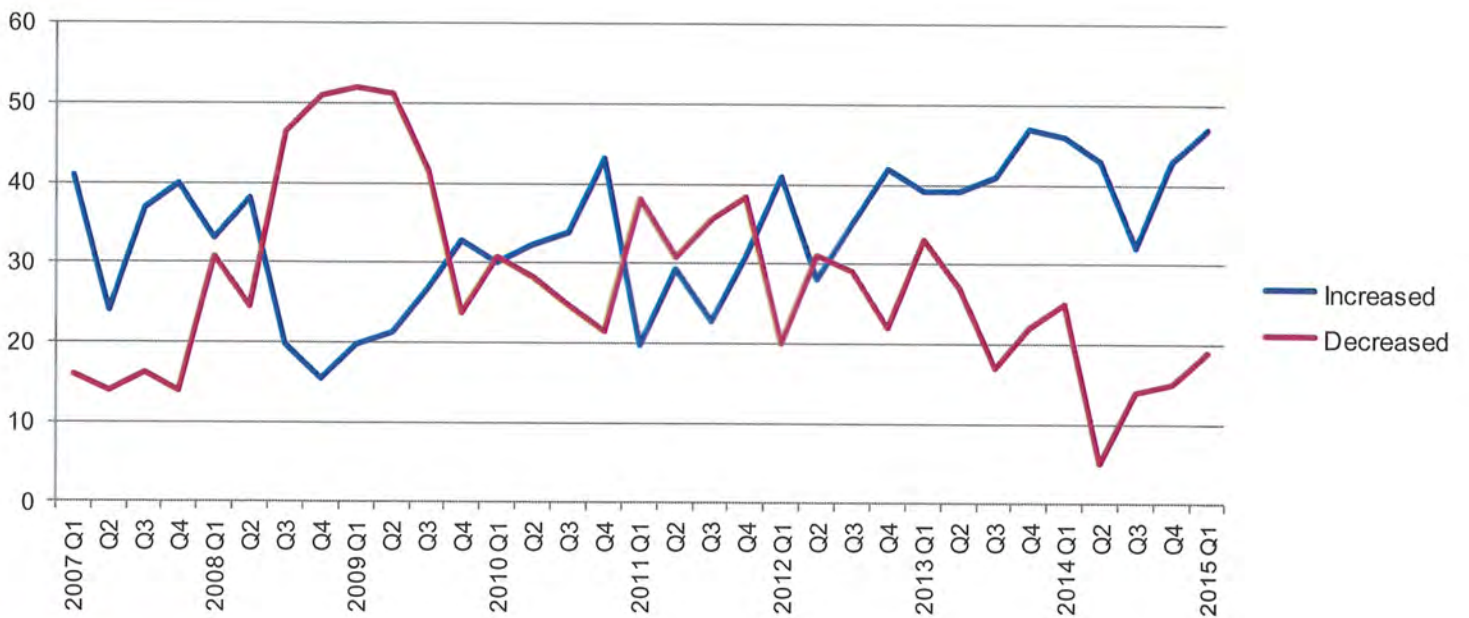
Increasing competition and inflation were the main external concerns this quarter, while business rates and exchange rates were also grabbing attention in some quarters, but interest rates and tax were less so.

Key balances

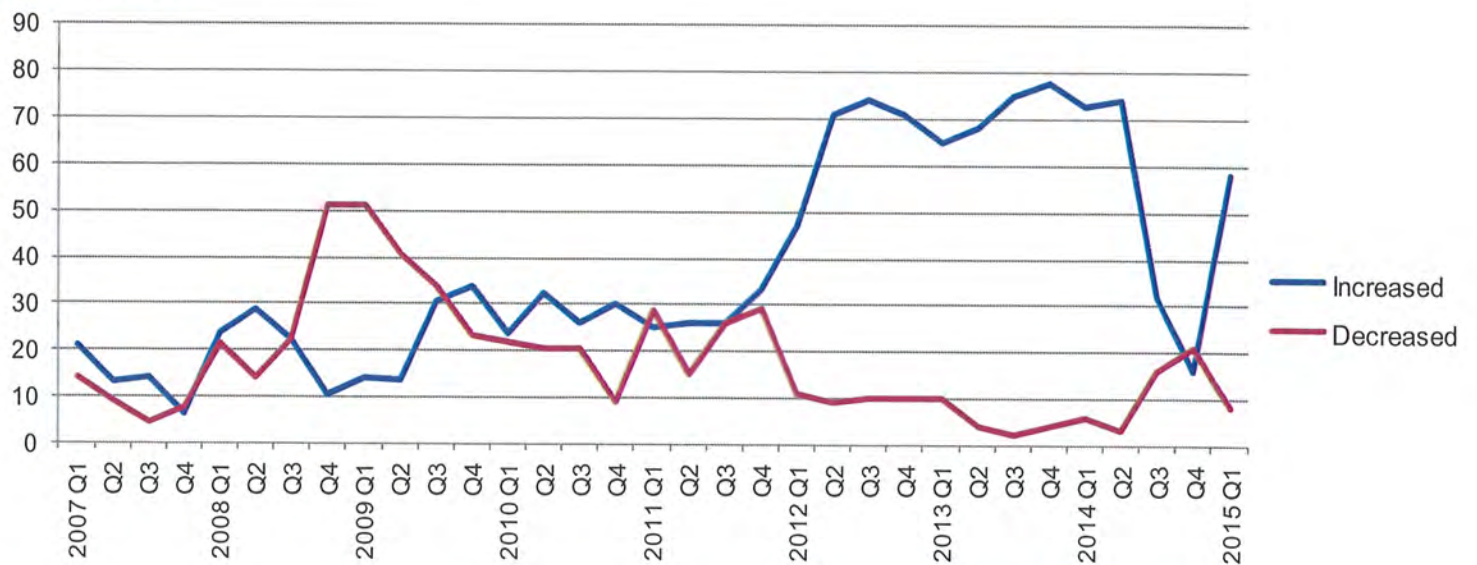
- The Home Orders balance figure rises up to 38 points.
- Export Sales balance bounces back to 50 points.
- Export Orders also return to levels last seen in 2014.
- Employment is up 12 points to 18.
- 11 per cent more firms expect to recruit in the next three months.
- 12 per cent more permanent jobs are available.
- More full time roles, fewer part-time vacancies.
- Investment in Plant and Machinery is up 26 points.
- 25% more firms to invest in training
- 16% more concerned about competition.

Key indicators

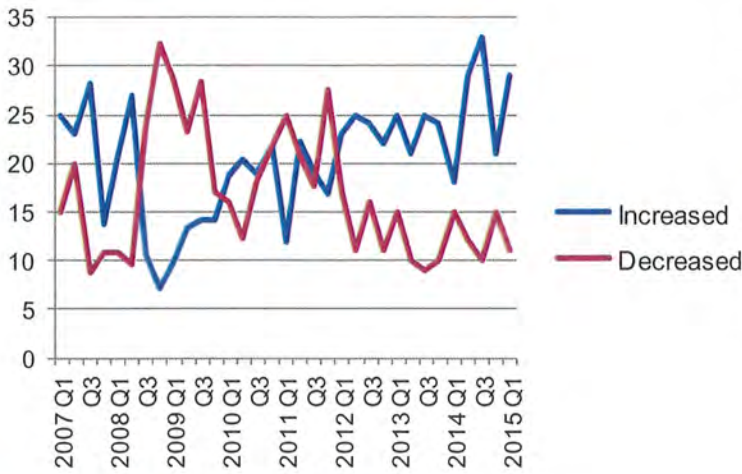
Home sales



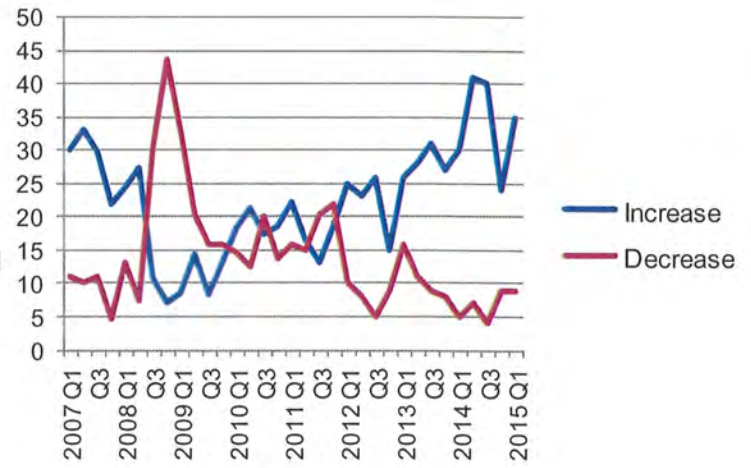
Export sales



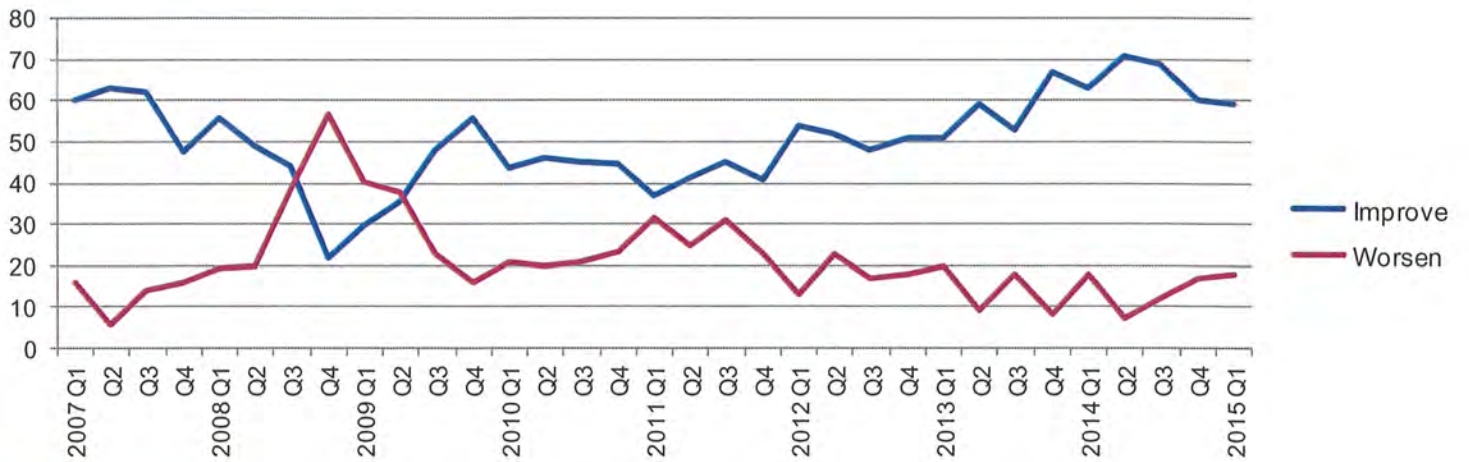
Employment



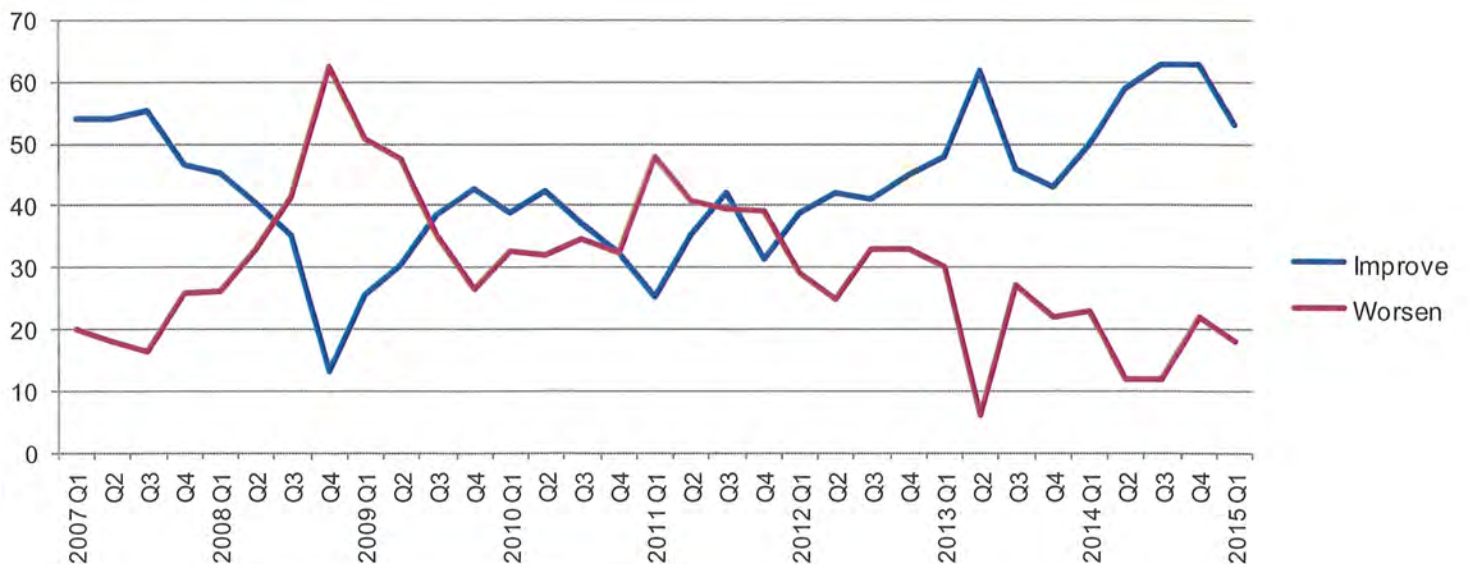
Employment expectations



Turnover expectations

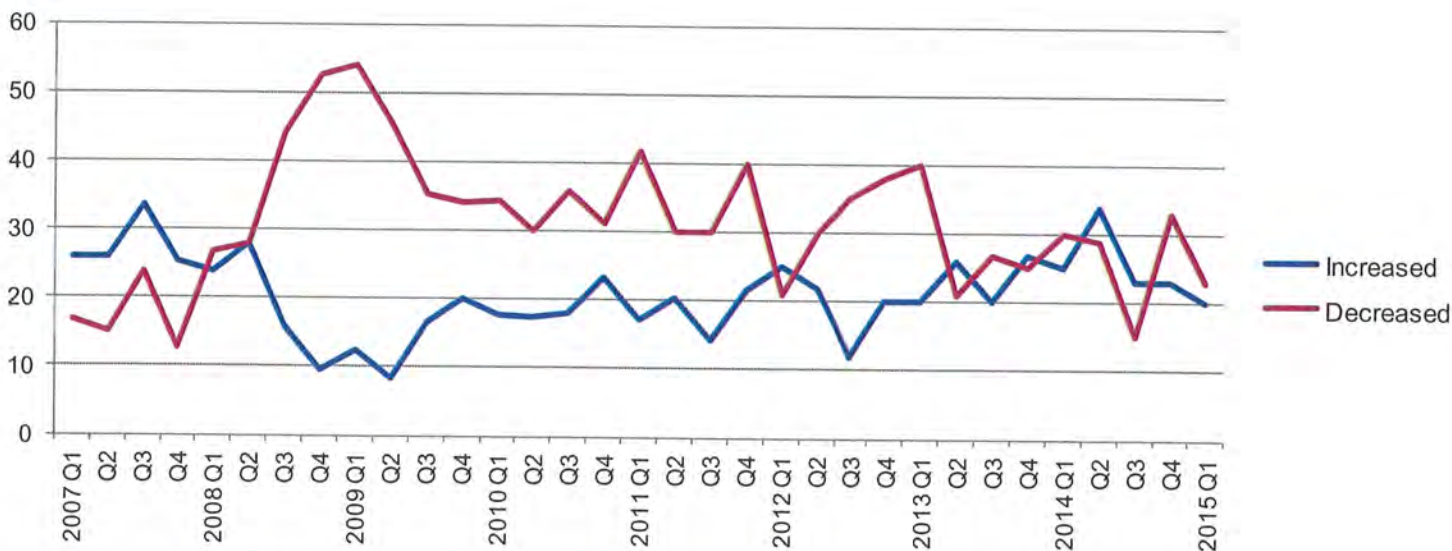


Profit expectations



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

Weaker balances, but economy growing at steady rate

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 (BCC) Quarterly Economic Survey shows that manufacturing and service firms reported slightly weaker growth for the start of 2015.

While the Q1 2015 results show weaker balances in most areas compared with Q4 2014, quarter-on-quarter trends support our view that the economy is growing at a steady rate. However, balances are lower in the key areas of export sales and investment, which are crucial to the rebalancing of our economy.

Key findings in the Q1 2015 Quarterly Economic Survey:

- After very strong increases recorded in Q4 2014, almost all the national balances for both **manufacturing and services** weakened in Q1.
- In **both sectors**, a number of key Q1 balances are now lower than their pre-recession levels in 2007.
- In **manufacturing**, domestic balances were down; **domestic sales** (+30%, down from +36% in Q4 2014,) and **domestic orders** (+27%, down from +38% in Q4 2014).
- In **services**, the domestic balances were down; **domestic sales** (+34%, down from +38% in Q4 2014) and **domestic orders** (+28%, down from +33%).
- Most **export** balances weakened in Q1 2015; **manufacturing export sales** fell 7 points to +19%, while **service export sales** fell slightly by 1 point to +21%.
- Both **manufacturing** and **service** firms have lowered their **investment intentions** for training, as well as plant and machinery.
- The only exceptions to the general pattern of quarterly falls in the Q1 balances are a small rise in the **manufacturing balance for profitability confidence** (+47%, up from +45% in Q4 2014) and an unchanged balance for **manufacturing export orders** (remaining at +23%).
- **Intentions to raise prices** have fallen sharply in **manufacturing** (+11%, down from +21% - the lowest level since Q2 2012) and are down slightly in **services** (+23%, down from +24%). This reinforces our view that inflation will remain low.

John Longworth, Director General of the BCC said: "It is not a huge surprise to see slightly weaker numbers at the start of the year, after a strong fourth quarter for many firms. Crucially, our survey demonstrates businesses remain optimistic, though they expect to grow at a slightly slower rate over the coming months.

"Our conclusions are by no means a cause for alarm, but they are a reminder that the UK still faces obstacles on the path to sustainable, long-term growth. Unless support for exports and business investment is at the heart of any future government, consumption and government spending will continue to drive an economic recovery that is unbalanced and unsustainable."

Analysis

Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

"After a slight dip towards the end of last year, it's encouraging to see the home sales and orders sectors maintaining their good progress and exports getting back on track in the Humber after a noticeable dip, despite continuing concerns about the Eurozone.

Our members at our Area Council meetings continue to be more positive about the outlook for their businesses in our State of Trade sessions.

With a slight rise in the number of businesses looking to invest in new equipment and training, it's been a positive start to 2015, but there is still some way to go yet before uncertainties surrounding the likes of the General Election are overcome".

David Kern

Chief Economist

British Chambers of Commerce

"After unusually strong results in Q4 2014, almost all the national balances weakened in Q1 2015, for both manufacturing and services. But taking the QES results for the last two quarters together probably gives a more representative picture of the business outlook.

"It is disappointing that most Q1 balances recorded quarterly falls, and some are lower than the 2007 pre-recession levels, however the balances still point to solid economic growth continuing in 2015. While the national balances of our survey reflect accurately the overall momentum in economic activity, they do not necessarily replicate quarterly GDP movements as published by the ONS. It would not be surprising if the ONS reports an upturn in GDP growth, or at least an unchanged position, in Q1 2015.

"But the UK recovery remains unbalanced - growth is still too reliant on consumer spending and the current account deficit remains unsustainable. While a healthy consumer sector is vital for the economy's wellbeing, much greater efforts are needed to increase the contributions of exports and capital investment to Britain's growth. The Q1 2015 results show falling inflationary pressures, particularly in manufacturing, and easing pressures on capacity; this reinforces our view that the MPC must maintain interest rates at their current low level, at least until early in 2016."

Results in full

		2014				2015
		Q1	Q2	Q3	Q4	Q1
Home sales ²	Increased	46	43	32	43	47
	Constant	30	52	54	41	33
	Decreased	25	5	14	15	19
	Balance	21	38	18	29	28

Home orders ²	Increased	47	36	29	31	47
	Constant	32	52	58	50	44
	Decreased	21	12	13	19	9
	Balance	26	24	16	12	38

Export sales ²	Increased	73	74	32	16	58
	Constant	22	23	53	63	33
	Decreased	6	3	18	21	8
	Balance	67	71	16	-5	50

Export orders ²	Increased	71	77	33	24	58
	Constant	25	21	44	53	33
	Decreased	4	3	22	24	8
	Balance	67	74	11	0	50

Workforce ²	Increased	18	29	33	21	29
	Constant	67	59	57	64	60
	Decreased	15	12	10	15	11
	Balance	3	17	23	6	18

Workforce expectations ³	Increase	30	41	40	24	35
	Constant	65	51	56	67	56
	Decrease	5	7	4	9	9
	Balance	25	34	36	15	26

Recruited staff ²	Yes	54	45	79	51	57
	- Part time	29	25	29	100	21
	- Full time	71	75	71	0	79
	- Temporary	45	54	54	39	27
	- Permanent	55	46	46	61	73
	No	46	55	21	49	43

Recruitment difficulties ²	Yes	38	32	49	41	42
	- Skilled manual	23	11	16	33	35
	- Management	33	28	30	50	25
	- Clerical	10	17	19	4	15
	- Unskilled/semi-skilled	13	11	14	13	10
	No	62	68	51	59	58

		2014				2015
		Q1	Q2	Q3	Q4	Q1
Cashflow ²	Increased	25	34	23	23	20
	Constant	46	37	62	44	57
	Decreased	30	29	15	33	23
	Balance	-5	5	8	-10	-3

Investment: Plant/machinery ²	Increased	32	37	34	20	35
	Constant	58	56	53	63	59
	Decreased	11	7	13	17	6
	Balance	21	30	21	3	29

Investment: Training ²	Increased	32	34	26	28	43
	Constant	54	56	68	59	54
	Decreased	14	10	6	13	3
	Balance	18	24	20	15	40

Turnover expectations ⁴	Improve	63	71	69	60	59
	Same	19	22	18	23	24
	Worsen	18	7	12	17	18
	Balance	45	64	57	43	41

Profit expectations ⁴	Improve	50	59	63	63	53
	Same	27	29	24	15	29
	Worsen	23	12	12	22	18
	Balance	27	47	51	41	35

Capacity utilisation ¹	Full capacity	35	34	35	32	44
	Below capacity	65	66	65	68	56

Prices ³	Increased	30	32	18	42	34
	Constant	67	63	80	54	63
	Decreased	4	5	2	4	3
	Balance	26	27	16	38	31

Price pressures ¹	Pay settlements	21	26	26	29	33
	Raw materials	21	24	30	23	17
	Finance	18	21	16	17	19
	Other overheads	46	43	34	46	33

External concerns ¹	Interest rates	11	14	16	10	8
	Exchange rates	19	12	18	13	19
	Business rates	12	17	12	19	22
	Inflation	44	45	44	50	64
	Competition	14	38	22	33	17
	Tax	11	19	18	19	3

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