



Quarterly Economic Survey

Quarter 3, 2023

www.hull-humber-chamber.co.uk

Overview

Inflation bites, businesses feel pressure

MOST of the key economic indicators took a tumble in Quarter 3 according to the latest Quarterly Economic Survey research conducted by the Hull & Humber Chamber of Commerce.

The fieldwork for the Quarter 3 survey was conducted before the Bank of England decided to hold interest rates in a split decision by the Monetary Policy Committee, with the Governor of the Bank, Andrew Bailey, who met Chamber business leaders in Hull last year, reported to have swung the decision with his casting vote.

The cautious tone struck by Humber businesses in Quarter 2, followed by a further interest rate rise, has had a visible impact on business confidence among Humber firms.

In the last three months, Home Sales dropped 24 points to a balance figure of -11, while Home Orders fared slightly better, dropping 16 points to a balance figure of -13.

Export Sales also took a hit, dropping a further 29 points into negative territory to a balance figure of -60, while Export Orders fared slightly better, dropping four points to a balance figure of -58.

Employment in the last three months also dropped slightly, down five points to 11, while, compared to Quarter 2, Expected Employment in the next three months dropped by half to a balance figure of 17.

In the last three months, 59% of firms said they had tried to recruit staff, with

most looking to fill full-time permanent positions, but businesses were also trying to recruit for part-time and temporary roles as well.

Of those firms trying to recruit staff, 84% highlighted that they experienced difficulties. Skilled manual roles proved to be the most difficult to recruit for, while management positions were slightly easier to fill this time, with 19% fewer firms reporting difficulties. Clerical and unskilled and semi-skilled jobs were all more difficult to fill in Q3.

Firms reported cashflow in the last three months was more challenge, with nine per cent more firms reporting concerns, taking the balance figure down to -16 from -7 last quarter.

However, Turnover expectations for the next 12 months was more positive, with 13 per cent more firms saying they expected to see an improvement, taking the balance figure up to 16 points.

Profit expectations also improved slightly, with the balance figure rising by three points but remaining in negative territory at -7.

Only 33 per cent of firms reported that they were working at full capacity this quarter.

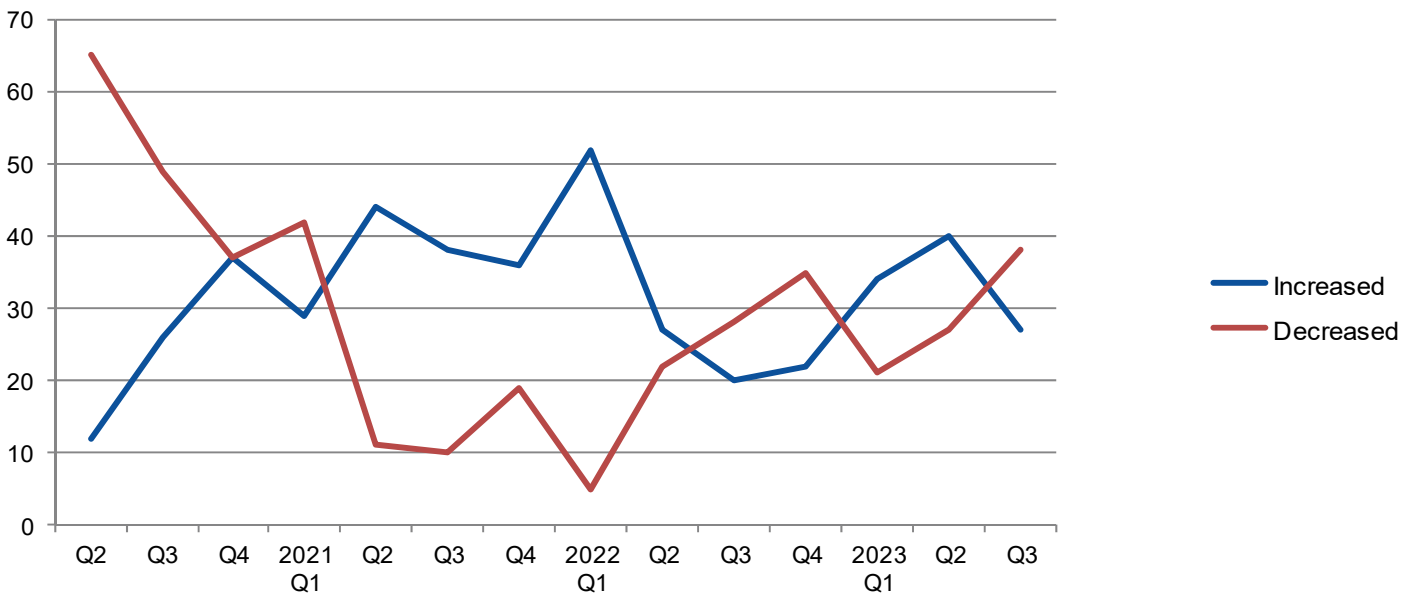
In the next three months, prices were expected to rise, according to Humber business, with the biggest pressures on prices being finance costs and other overheads, while inflation, competition and tax were the biggest external concerns in this survey.

Key balances

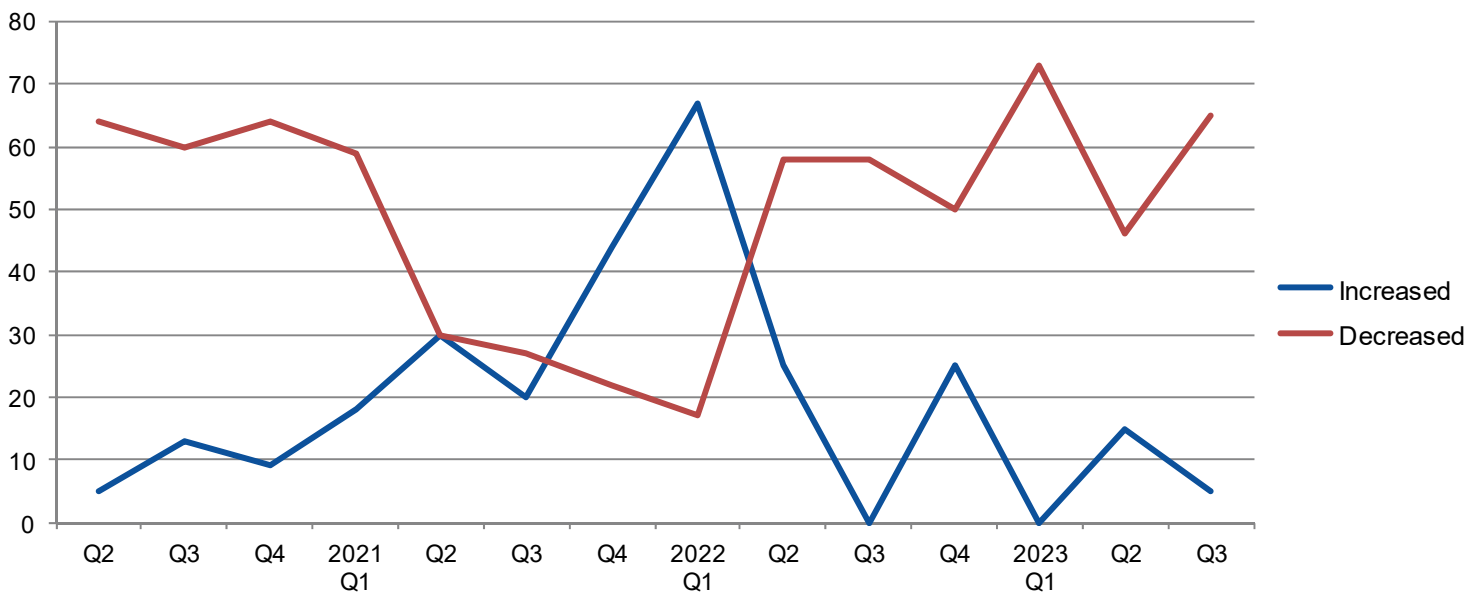
- ➔ Home Sales were down 24 points to a balance figure of -11.
- ➔ Home Orders were down 16 points to a balance figure of -13.
- ➔ Export Sales were down 29 points to -60.
- ➔ Export Orders were down 4 points to -58.
- ➔ Expected Employment was down 17 points to 17.
- ➔ Cashflow in the last three months was down 9 points to -16.
- ➔ Plant and machinery rose 3 points to 0.
- ➔ Training dropped three points to 0.
- ➔ Turnover Expectations rose 13 points to 16 this quarter..
- ➔ Profit expectations rose 3 points to -7.

Key indicators

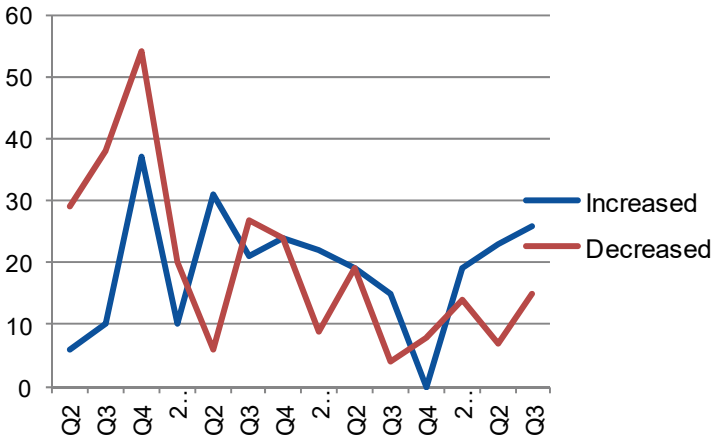
Home sales



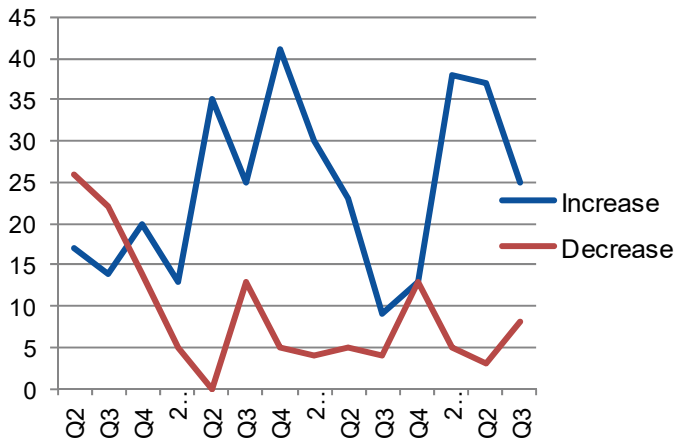
Export sales



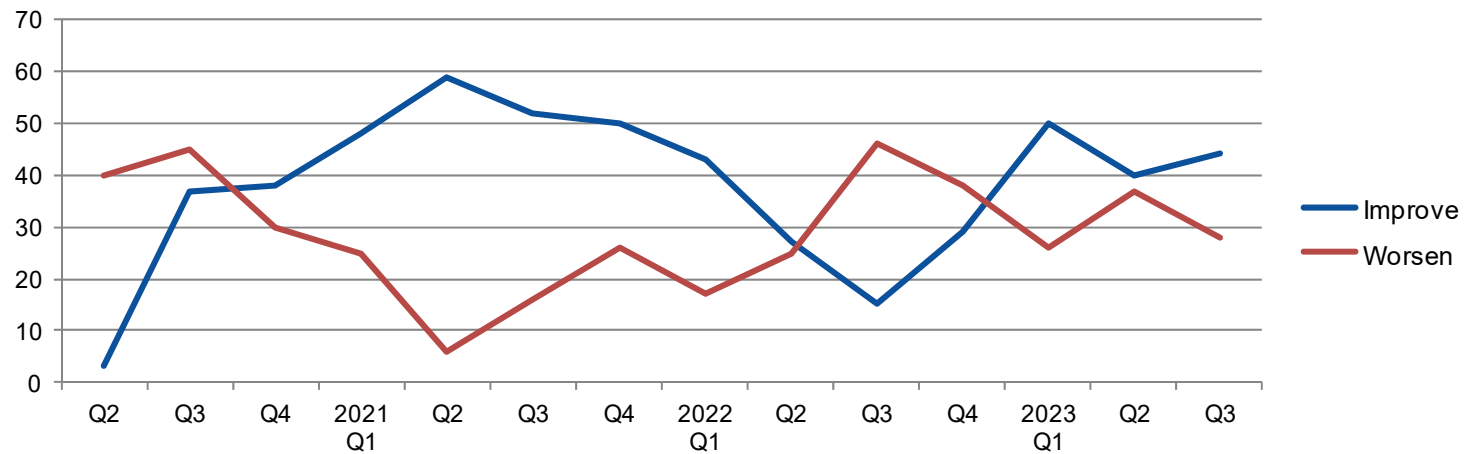
Employment



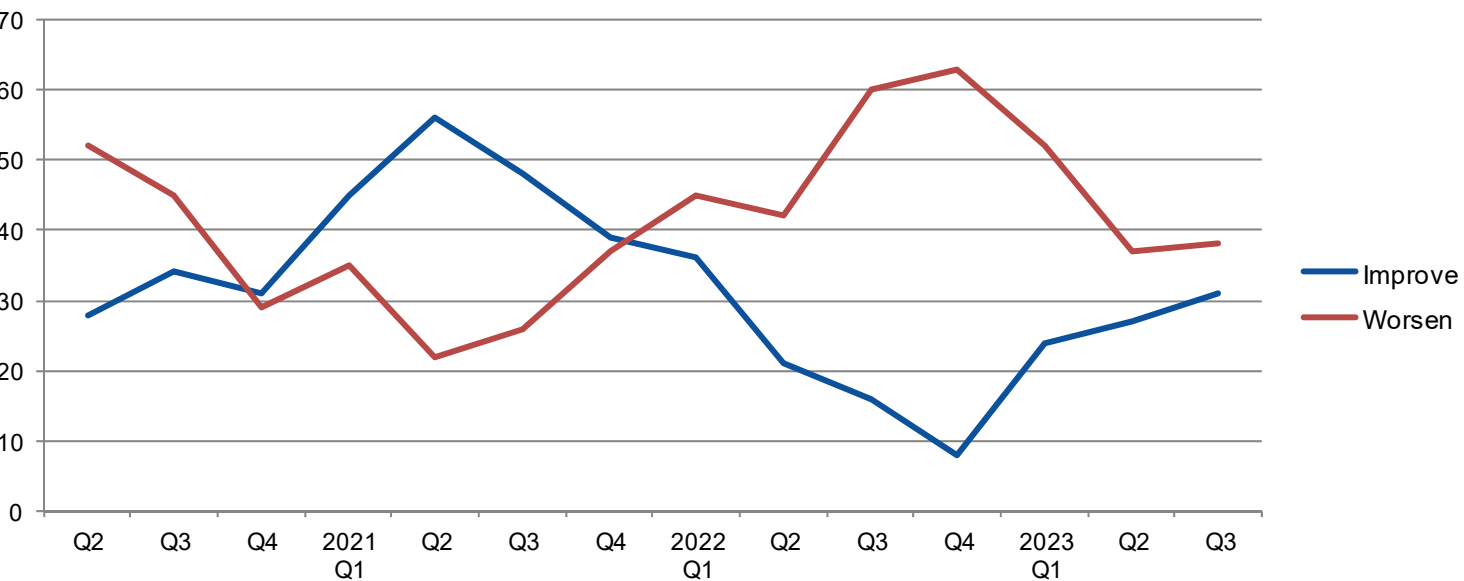
Employment expectations



Turnover expectations

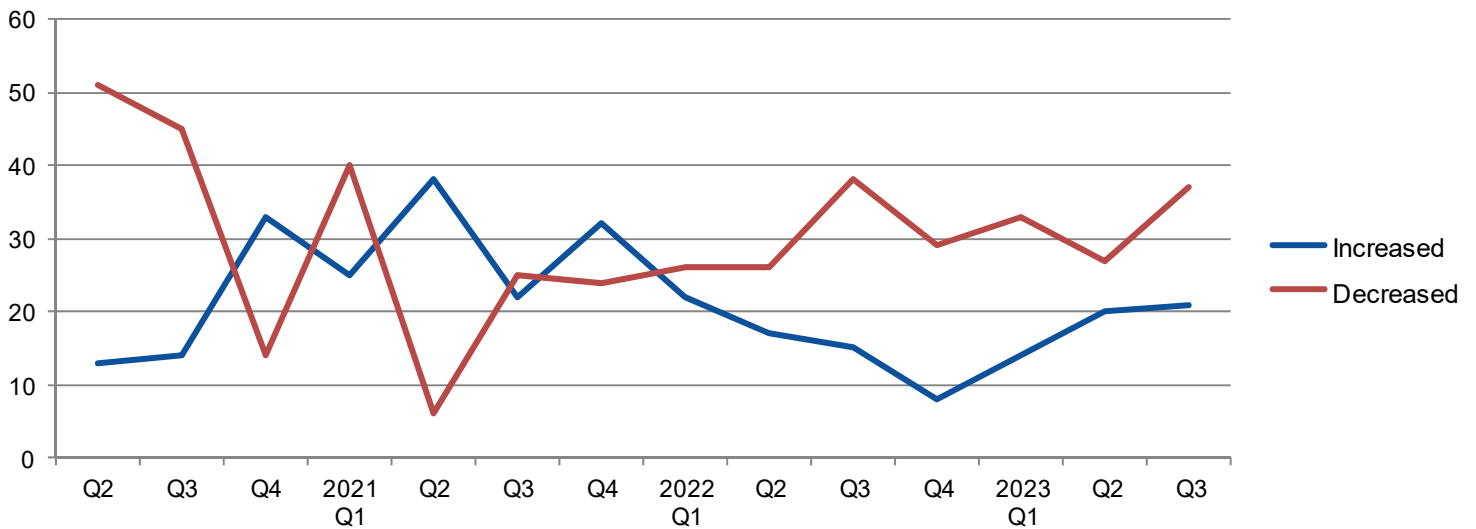


Profit expectations



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

Investment flatlining as interest rates rise

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 Q3 2023 shows that the percentage of firms expecting to raise prices in the next three months has fallen for the fifth consecutive quarter.

The data also reveals that for the second quarter running the main factor for increasing costs is coming from wages.

The survey by the BCC's Insights Unit of over 5,000 firms – 91% of whom are SMEs – also reveals business performance across different sectors varies considerably. The research took place between 21 August and 14 September before the Bank of England decided to hold the interest rate at 5.25%.

The percentage of all firms reporting increased domestic sales remained unchanged from Q2 at 35%. Meanwhile 23% reported a decrease and 42% reported no change. But the services sector saw a larger bump with 36% seeing an increase, diverging from manufacturers, where 29% saw an increase.

For cashflow, more businesses saw an improvement rather than a decline – a reversal of the situation in Q1 and Q2. But the changes remain small, as 28% of businesses said their cash flow has improved over the last three months (26% in Q2), while 26% have seen it decline (29% in Q2).

After a rocky end to 2022, business confidence bounced back and has now stabilised.

The percentage of firms expecting to see their turnover increase over the next 12 months stood at 53% for Q3, broadly similar to Q1 (52%) and Q2 (54%) but up significantly from Q3 and Q4 in 2022 (both 44%). Only 16% expect a decrease in the next twelve months.

Profitability confidence also remains stable at 45%, up from 44% in Q2, although it continues to

remain weaker than turnover confidence. 23% expect a decrease in the next twelve months.

This recovery in confidence in 2023 is yet to feed into increased business investment.

The percentage of respondents reporting an increase to investment in plant/equipment remains stuck at 23%, while 59% reported no change and 18% saw a decrease.

Over the last six years the number of firms increasing investment has dropped as low as 9%, at the start of the pandemic, but it has never gone higher than 28% (Q1 2018). The hospitality sector remains under pressure with 33% reporting a decrease in investment, and 22% an increase.

Inflationary pressures continue to ease but remain the top concern.

The percentage of firms expecting their prices to rise fell for the fifth consecutive quarter. Two-fifths of firms (41%) now expect to put up prices in the next three months. This is down from an historic high of 65% in Q2 of 2022, indicating inflationary pressures are continuing to ease.

While inflation remains firms' biggest concern, the level has dropped for the third quarter running, with 65% of firms worried compared to 69% in Q2. However there has been a corresponding 4 percentage point rise in businesses worried about interest rates, up from 41% in Q2 to 45% in Q3.

Labour costs are now the number one cost pressure for businesses.

Concerns around wage costs was the biggest pressure for most firms for the second quarter running, although the percentage worried has dropped from 68% in Q2 to 66% in Q3. However, worries about utility prices fell even further from 63% to 59%, creating clear water with wage costs as the number one issue.

Analysis

David Hooper

External Affairs Director

Hull & Humber Chamber of Commerce

“The more positive sentiment we saw in the first quarter of the year seems to have evaporated in Quarter 3 as the economic conditions bite into business confidence.

“The clear note of caution we saw in Quarter 2 has now translated into falling orders, tighter cashflow, rising prices and higher finance costs.

“Businesses in the Humber are increasingly concerned about inflation, finance and raw material costs which all put pressure on businesses facing fewer orders and increased competition, as highlighted by 43% of firms this quarter, compared to 28% of firms in the previous six months.

“The Bank of England told Humber business leaders at our recent Chamber Council meeting that it hoped inflation had now peaked as the Bank paused the successive increases in the interest rates we’ve seen in recent months.

“Businesses around the Humber will be hoping that continues to be the case as inflation gradually recedes, but getting to the Government’s 2% target means there is still a long way to go and possibly more pain to come.”

[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:

“Our research shows that business confidence has stabilised at much healthier levels following a rocky end to 2022. But the economic warning lights are still flashing.

“Firms are increasingly worried about interest rates, and while inflation concerns are falling, persistent wage pressures show we need a greater focus on relieving the UK’s tight labour market.

“With manufacturing lagging behind services, and low rates of investment across the board, especially in the hospitality sector, it is clear more needs to be done to spur growth.”

Results in full

		2022		2023		
		Q3	Q4	Q1	Q2	Q3
Home sales ²	Increased	20	22	34	40	27
	Constant	52	43	45	33	35
	Decreased	28	35	21	27	38
	Balance	-8	-13	13	13	-11
Home orders ²	Increased	10	18	24	33	31
	Constant	40	36	45	37	25
	Decreased	50	45	32	30	44
	Balance	-40	-27	-8	3	-13
Export sales ²	Increased	0	25	0	15	5
	Constant	42	25	27	38	30
	Decreased	58	50	73	46	65
	Balance	-58	-25	-73	-31	-60
Export orders ²	Increased	0	25	7	8	5
	Constant	33	25	27	27	32
	Decreased	67	50	67	62	63
	Balance	-67	-25	60	-54	-58
Workforce ²	Increased	15	0	19	23	26
	Constant	81	92	67	70	59
	Decreased	4	8	14	7	15
	Balance	11	-8	5	16	11
Workforce expectations ³	Increase	9	13	38	37	25
	Constant	87	75	58	60	67
	Decrease	4	13	5	3	8
	Balance	5	0	33	34	17
Recruited staff ²	Yes	36	58	60	53	59
	- Part time	33	36	32	25	26
	- Full time	78	86	68	81	83
	- Temporary	33	21	16	6	9
	- Permanent	100	29	40	38	35
	No	64	42	40	47	41
Recruitment difficulties ²	Yes	75	100	96	94	84
	- Skilled manual	44	21	25	33	43
	- Management	44	43	54	67	48
	- Clerical	56	36	42	33	38
	- Unskilled/semi-skilled	22	43	42	7	10
	No	25	0	4	6	16
Cashflow ²	Increased	15	8	14	20	21
	Constant	46	63	52	53	42
	Decreased	38	29	33	27	37
	Balance	-23	-21	-19	-7	-16
Investment: Plant/machinery ²	Increased	4	21	33	27	30
	Constant	60	54	50	43	41
	Decreased	36	25	18	30	30
	Balance	-32	-4	15	-3	0
Investment: Training ²	Increased	8	21	18	23	24
	Constant	62	63	70	57	51
	Decreased	30	17	13	20	24
	Balance	-28	4	5	3	0
Turnover expectations ⁴	Improve	15	29	50	40	44
	Same	38	33	24	23	28
	Worsen	48	38	26	37	28
	Balance	-31	-9	24	3	16
Profit expectations ⁴	Improve	16	8	24	27	31
	Same	24	29	54	23	31
	Worsen	60	63	22	37	38
	Balance	-44	-55	-28	-10	-7
Capacity utilisation ¹	Full capacity	19	33	45	37	33
	Below capacity	61	67	55	63	67
Prices ³	Increased	62	67	62	38	47
	Constant	38	29	33	55	50
	Decreased	0	4	5	7	3
	Balance	62	63	57	31	44
Price pressures ¹	Pay settlements	58	68	34	79	61
	Raw materials	50	45	49	38	42
	Finance	23	14	17	14	24
	Other overheads	38	45	39	41	34
External concerns ¹	Interest rates	31	38	36	41	35
	Exchange rates	31	21	21	28	19
	Business rates	23	13	21	31	30
	Inflation	85	92	64	62	65
	Competition	27	29	28	28	43
	Tax	15	29	46	52	43

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