



Quarterly Economic Survey

Quarter 4, 2023

www.hull-humber-chamber.co.uk

Overview

Businesses face economic headwinds

WITH the Bank of England interest rate having been held at 5.25% three times by the Monetary Policy Committee, some lenders stole a march on the Bank by cutting their own lending rates.

Halifax led the charge in early January, lopping up to one percentage point off some of its deals, with HSBC quickly following suit in cutting its rates to customers.

However, the economic outlook in the Humber wasn't quite as rosy as the latest set of figures from the Quarter 4 research conducted by the Hull & Humber Chamber of Commerce for its Quarterly Economic Survey showed a drop in most sectors.

The fieldwork for the survey which was conducted in November revealed a sizeable drop in Home Sales and Home Orders, with the balance figure for Home Sales dropping 15 points to -26, while Home Orders took an even bigger hit, dropping 24 points to -37.

Exports recovered slightly, with Home Orders climbing 10 points but remaining well in negative territory with a balance figure of -50. Export Orders only improved by two percentage points, climbing to -56 from -58 in Quarter 3.

With Christmas on the horizon, the traditional boom was slow to materialise with the employment figures showing little sign of a festive boost, with the number of firms expecting to recruit new staff down by 10 points to 7. Employment in the last three months was also down by 14 points to a balance figure of -3.

The number of firms reporting pressure on prices was also on the rise in Quarter 3, with 13 percent more firms saying they were expecting to see their prices rise in the coming months.

The key pressures on prices were pay settlements, up 13 points to 74, and raw material costs, which rose by eight points to 50. Finance wasn't far behind with seven per cent more firms saying they were concerned about finance costs, and Other Overheads accounted for a further two per cent rise.

The biggest external concern reported this quarter was competition, as businesses kept as fine an edge as possible on their products and services, with eight per cent more firms saying they expected an increase in activity from their rivals.

Interest rates and Exchange rates were also causing greater concern, with the former up two points and the latter up five points.

With the interest rates being held, and a larger than expected drop in inflation, those pressures dropped back slightly, as did concerns over tax and business rates.

Turnover and Profit expectations were also in the doldrums, with the Quarter 4 figure dropping 10 points to a balance figure of 6 for the former, while Profit expectations dropped a further four points into negative territory at -11.

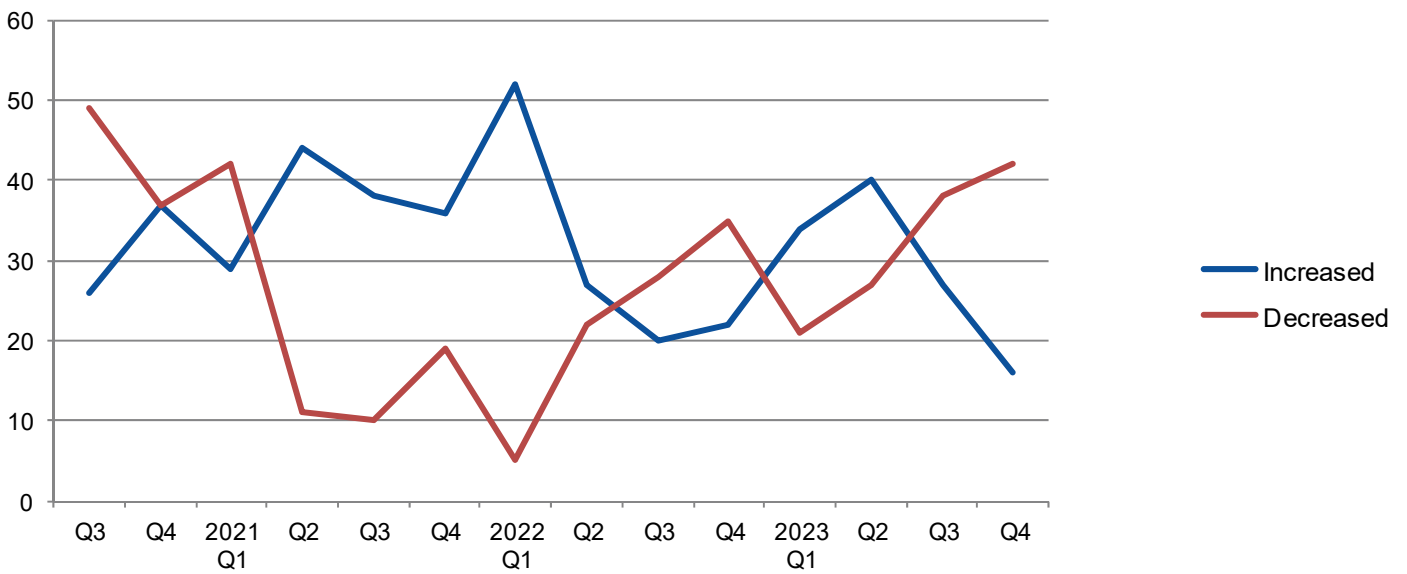
Cashflow in the past three months also fell, with the balance figure dropping eight points to -24.

Key balances

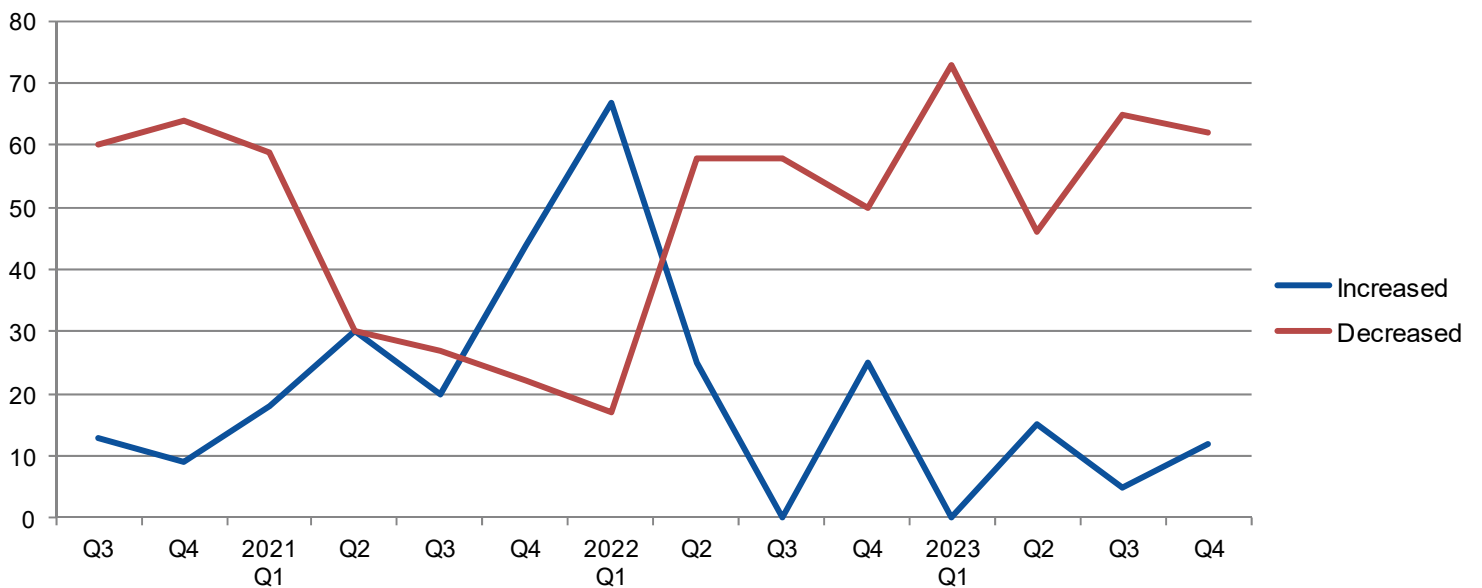
- ➔ Home Sales were down 15 points to -26.
- ➔ Home Orders were down 24 points to -37.
- ➔ Export Orders were up 10 points to -50.
- ➔ Export Orders were up 2 points at -56.
- ➔ Expected Employment was also down 10 points to 7.
- ➔ Cashflow in the last three months was down 8 points to -24.
- ➔ Investment in Plant and Machinery was down 3 points to -3.
- ➔ Investment in Training was down 7 points to -7.
- ➔ Turnover expectations were down 10 points to 6.
- ➔ Profit Expectations were down 4 points to -11.

Key indicators

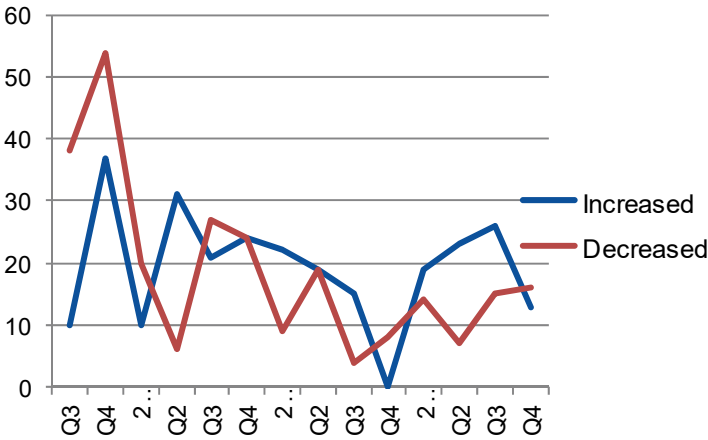
Home sales



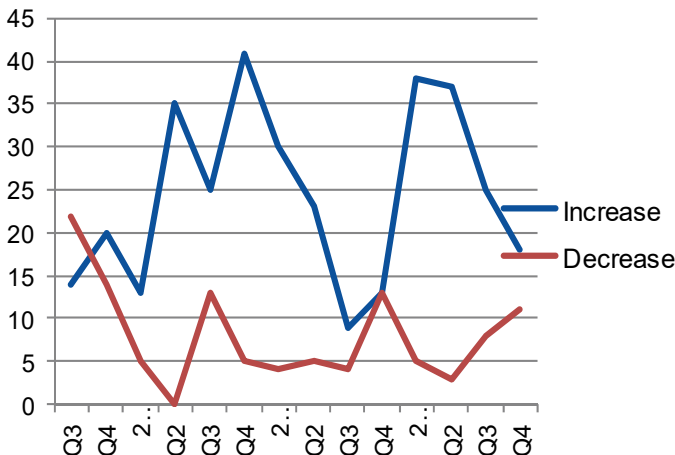
Export sales



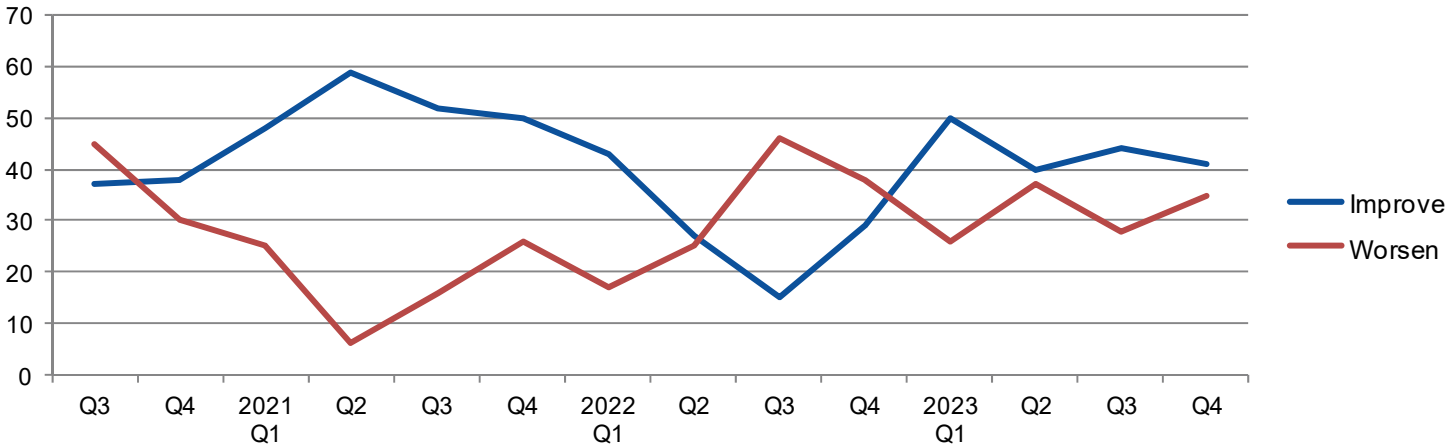
Employment



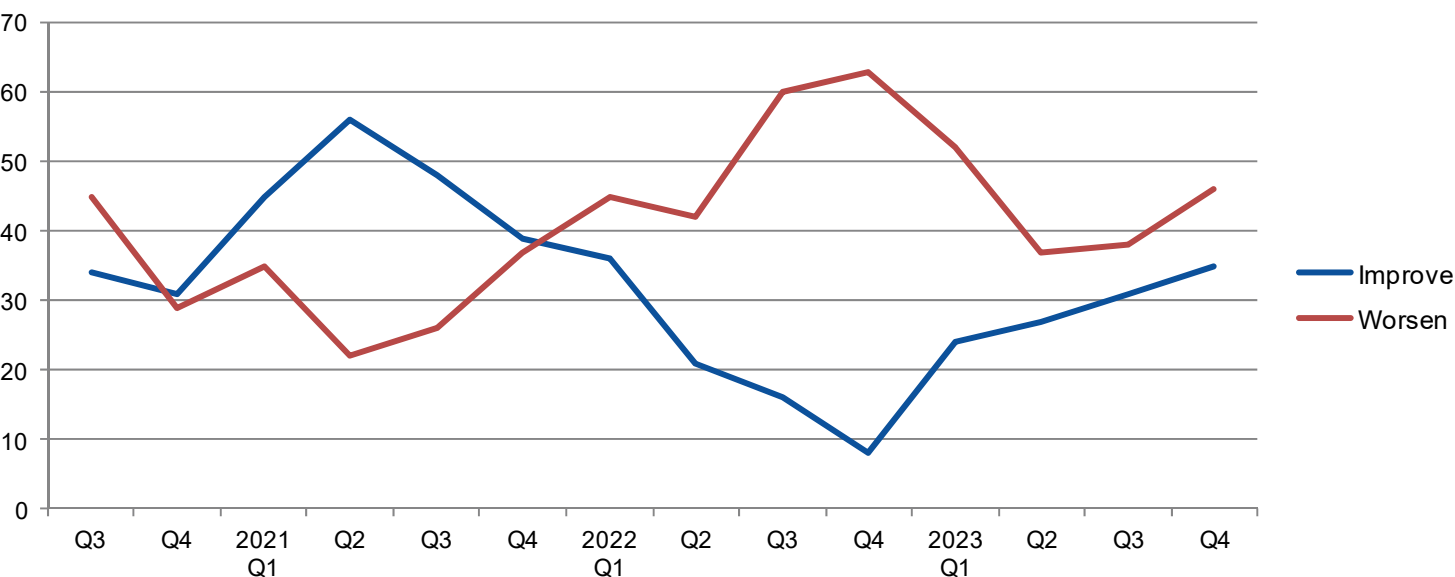
Employment expectations



Turnover expectations

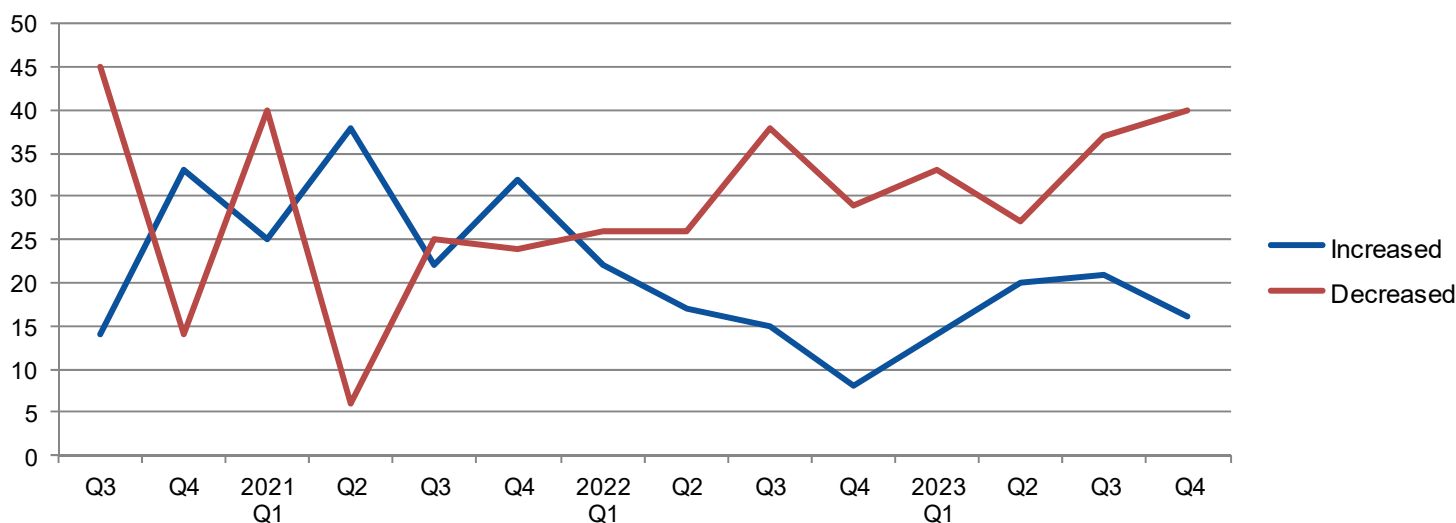


Profit expectations



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

Confidence boost fails to revive investment

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 – the UK's largest and longest-running independent business survey – shows a small rise in business confidence in the final quarter of 2023.

The percentage of firms expecting an increase in turnover over the next year (56%) has risen to the highest level since Q1 2022 when Covid restrictions were lifted. The data also reveals that more firms expect price hikes, ending the downward trend of the last two years.

The survey, conducted in November, of over 5,000 firms across the UK – 91% of whom are SMEs (fewer than 250 employees) – also reveals business performance across different sectors varies considerably.

The percentage of respondents reporting increased domestic sales rose to 36%, compared with 35% in Q3. Meanwhile, 22% reported a decrease and 42% said sales remained constant.

There were significant sectoral differences. 46% of consumer services firms said they had seen a boost in sales, whereas 35% of hospitality companies and 28% of retailers saw a decrease.

The percentage of firms expecting to see their turnover increase over the next 12 months increased to 56%, from 53% in Q3. Only 15% of respondents are expecting to see their financial situation worsen in the year ahead, 29% expect things to remain the same.

Profitability confidence also improved, with 47% of companies saying they expect profits to increase in the next year. That compares to 45% in Q3. 21% of respondents believe their profits will fall.

Despite inflation continuing to ease, more firms are expecting their prices to rise, compared with the last quarter. 47% of respondents are predicting an increase (compared with 41% in Q3), 49%

think prices will stay the same, and just 4% are anticipating a decrease.

While inflation remains firms' biggest concern (58%), a recent trend in rising worries over interest rates has eased. 39% of businesses say they are concerned about the cost of borrowing, compared with 41% in Q2 and 45% in Q3. Challenging economic conditions continue to impact heavily on business investment. Overall, the percentage of respondents reporting an increase to investment in plant/equipment has increased only slightly from 23% in Q3 to 24% in Q4. 58% of businesses said investment had remained the same, 19% reported a decrease.

There are large sectoral disparities in investment levels. 32% of hospitality sector firms say they have decreased investment, and only 19% have increased. Meanwhile, in the transport and logistics sector, 36% of respondents reported a rise in investment – only 18% a decrease.

David Bharier, Head of Research at the British Chambers of Commerce said: "The latest QES results show steadily growing confidence among UK SMEs, particularly compared to this time last year, when the UK was beset by a significant energy price shock and political instability.

"However, while it's likely the UK will avoid a technical recession, these results provide more evidence of a very low growth climate as most SMEs continue to report no improvement to sales, cash flow, or investment.

"The data also reveal the disproportionate impacts of economic shocks on different types of businesses. Manufacturers, for example, are more likely to be exposed to the trade barriers established with Europe, while many firms in the retail and hospitality sector are reporting recessionary conditions."

Analysis

David Hooper

External Affairs Director

Hull & Humber Chamber of Commerce

“The last quarter of the year left businesses with much to think about for 2024 as most sectors took a fall as confidence failed to return, despite inflation appearing to level out and begin to drop.

“Business confidence was low among Humber businesses, with many expecting turnover and profit to fall in the early part of the New Year.

“Only 30 per cent of firms said they were working at full capacity, with many expecting to see their prices increase in response to higher raw material costs and pay claims by staff, with the drop in inflation still to feed into the local economy,

“Recruitment was also down, as was training and investment, so businesses are still very much consolidating or treading water to see what a New Year and potential change of Government will bring in 2024.”

[Click here for more information.](#)

The National View

Shevaun Haviland

British Chambers of Commerce

“Our data shows business confidence is growing, but real challenges remain in the coming year.

“Worries about interest rates and inflation remain at historically high levels, despite a slight easing of concern.

“The recruitment challenges many firms are facing underlines our calls for a skills plan from Government alongside an affordable immigration system.

“Investment continues to be the Achilles' heel for business. The Chancellor's decision in his Autumn Statement to make full expensing permanent was very welcome. 2023 needs to be the year when companies are given further assistance to invest.

“In the noisy election year ahead, it is crucial politicians remain focused on growing the economy and helping businesses thrive.”

Results in full

		2022 2023				
		Q4	Q1	Q2	Q3	Q4
Home sales ²	Increased	22	34	40	27	16
	Constant	43	45	33	35	42
	Decreased	35	21	27	38	42
	Balance	-13	13	13	-11	-26

Home orders ²	Increased	18	24	33	31	20
	Constant	36	45	37	25	23
	Decreased	45	32	30	44	57
	Balance	-27	-8	3	-13	-37

Export sales ²	Increased	25	0	15	5	12
	Constant	25	27	38	30	27
	Decreased	50	73	46	65	62
	Balance	-25	-73	-31	-60	-50

Export orders ²	Increased	25	7	8	5	8
	Constant	25	27	27	32	28
	Decreased	50	67	62	63	64
	Balance	-25	60	-54	-58	-56

Workforce ²	Increased	0	19	23	26	13
	Constant	92	67	70	59	71
	Decreased	8	14	7	15	16
	Balance	-8	5	16	11	-3

Workforce expectations ³	Increase	13	38	37	25	18
	Constant	75	58	60	67	71
	Decrease	13	5	3	8	11
	Balance	0	33	34	17	7

Recruited staff ²	Yes	58	60	53	59	49
	- Part time	36	32	25	26	29
	- Full time	86	68	81	83	90
	- Temporary	21	16	6	9	14
	- Permanent	29	40	38	35	29
	No	42	40	47	41	51

Recruitment difficulties ²	Yes	100	96	94	84	82
	- Skilled manual	21	25	33	43	39
	- Management	43	54	67	48	44
	- Clerical	36	42	33	38	39
	- Unskilled/semi-skilled	43	42	7	10	17
	No	0	4	6	16	18

		2022 2023				
		Q4	Q1	Q2	Q3	Q4
Cashflow ²	Increased	8	14	20	21	16
	Constant	63	52	53	42	44
	Decreased	29	33	27	37	40
	Balance	-21	-19	-7	-16	-24

Investment: Plant/machinery ²	Increased	21	33	27	30	24
	Constant	54	50	43	41	49
	Decreased	25	18	30	30	27
	Balance	-4	15	-3	0	-3

Investment: Training ²	Increased	21	18	23	24	16
	Constant	63	70	57	51	61
	Decreased	17	13	20	24	23
	Balance	4	5	3	0	-7

Turnover expectations ⁴	Improve	29	50	40	44	41
	Same	33	24	23	28	24
	Worsen	38	26	37	28	35
	Balance	-9	24	3	16	6

24

Profit expectations ⁴	Improve	8	24	27	31	35
	Same	29	54	23	31	20
	Worsen	63	22	37	38	46
	Balance	-55	-28	-10	-7	-11

Capacity utilisation ¹	Full capacity	33	45	37	33	30
	Below capacity	67	55	63	67	70

Prices ³	Increased	67	62	38	47	61
	Constant	29	33	55	50	35
	Decreased	4	5	7	3	4
	Balance	63	57	31	44	57

Price pressures ¹	Pay settlements	68	34	79	61	74
	Raw materials	45	49	38	42	50
	Finance	14	17	14	24	31
	Other overheads	45	39	41	34	36

External concerns ¹	Interest rates	38	36	41	35	37
	Exchange rates	21	21	28	19	24
	Business rates	13	21	31	30	24
	Inflation	92	64	62	65	61
	Competition	29	28	28	43	51
	Tax	29	46	52	43	41

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