HULL & HUMBER
Chamber of Commerce

Quarterly Economic Survey

Quarter 2, 2024

www.hull-humber-chamber.co.uk

Overview

Gloomy outlook for turnover and profit

THE construction industry is widely seen as a bellwether of the UK economy, and with a new Government and Chancellor determined to get Britain building again by overhauling the planning system and bringing back housing targets, perhaps the economy will again grab onto the coat tails of the building industry to boost our economic fortunes.

Judging by the latest set of figures from the Chamber's Quarter Two Economic Survey results, the fieldwork for which was conducted before the General Election on July 4th, the Humber economy could certainly do with a boost!

Despite a slight improvement in domestic and international business, firms retained a downbeat trading outlook for the coming months, with turnover and profit expectations both dropping significantly.

Only 27 per cent of firms thought their turnover would improve in the coming months, with 40 per cent expecting it to worsen, which saw the balance figure drop by 27 points to –13 this quarter.

The balance figure for Profit Expectations tumbled by a similar figure, dropping 23 points to –37, that sector's lowest figure since Quarter 4 of 2022.

Four per cent more firms reported that they were working at fully capacity this quarter, while fewer firms thought they would have to increase their prices, down nine points on the last quarter's results, to a balance figure of 50.

Cashflow improved slightly in the previous three months up by two points to –17, but still firmly in negative territory.

There was slightly better news with Home Sales and Home Orders, with both sectors showing an improvement on the first quarter of the year.

The balance figure for Home Sales was up 8 points to –28, while for Home Orders it improved by four points to –38.

The export sector did better in Quarter Two also, with Export Sales showing an increase of 12 points on the balance figure with seven per cent more firms reporting an increase in sales, while Export Orders didn't fare quite so well with the balance figure dropping by three points to –34, which is only marginally down on the Quarter 1 figure.

Employment improved slightly, the balance figure rising from zero in Q1 to 22 this time around, and there was good news for future employment too, with the balance figure rising by five points to 14.

The number of firms trying to fill full time positions was down by 27 points, to 64, but the number of permanent vacancies was up by 21 points to 57. Temporary jobs vacancies were also up by 11 points to 29, while part-time positions were also up slightly, with a two point increase to 29.

Yet, despite the largely better figures, more firms were reporting recruitment difficulties, up on the previous quarter from 77 to 86 per cent.

The biggest external concerns for firms in Quarter 2 were again business rates, competition and tax, while interest rates, while also up, were less of an issue this time round.

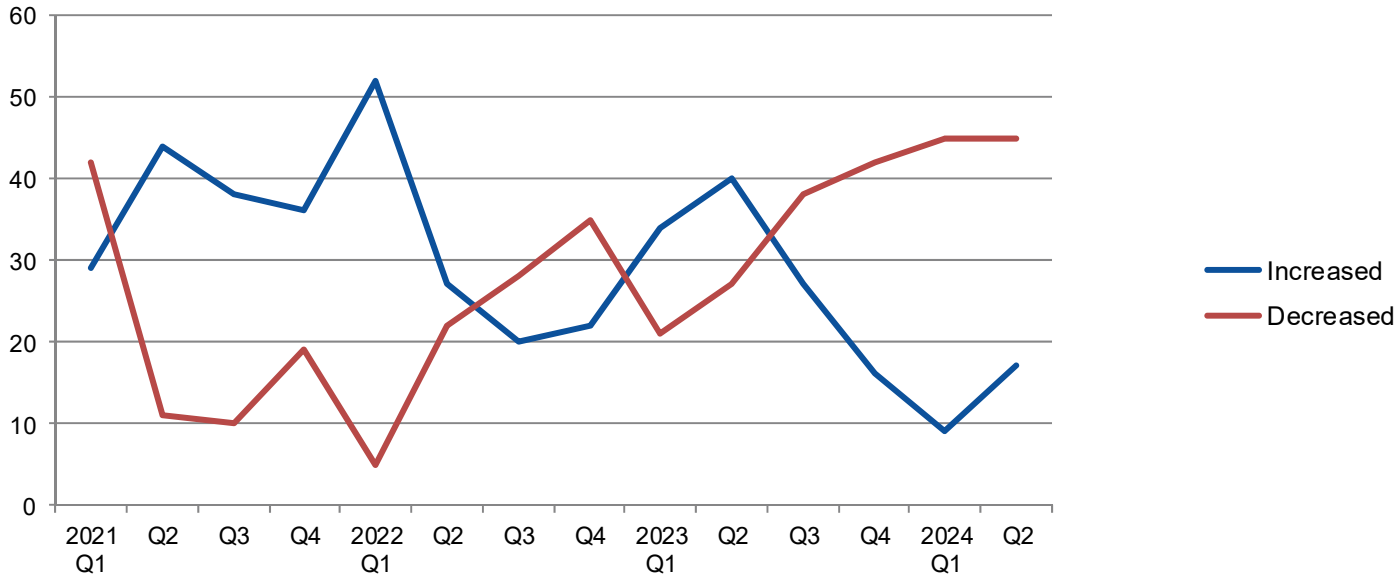
Concerns over raw material costs and pay settlements were down this quarter, but finance costs were still a worry.

Key balances

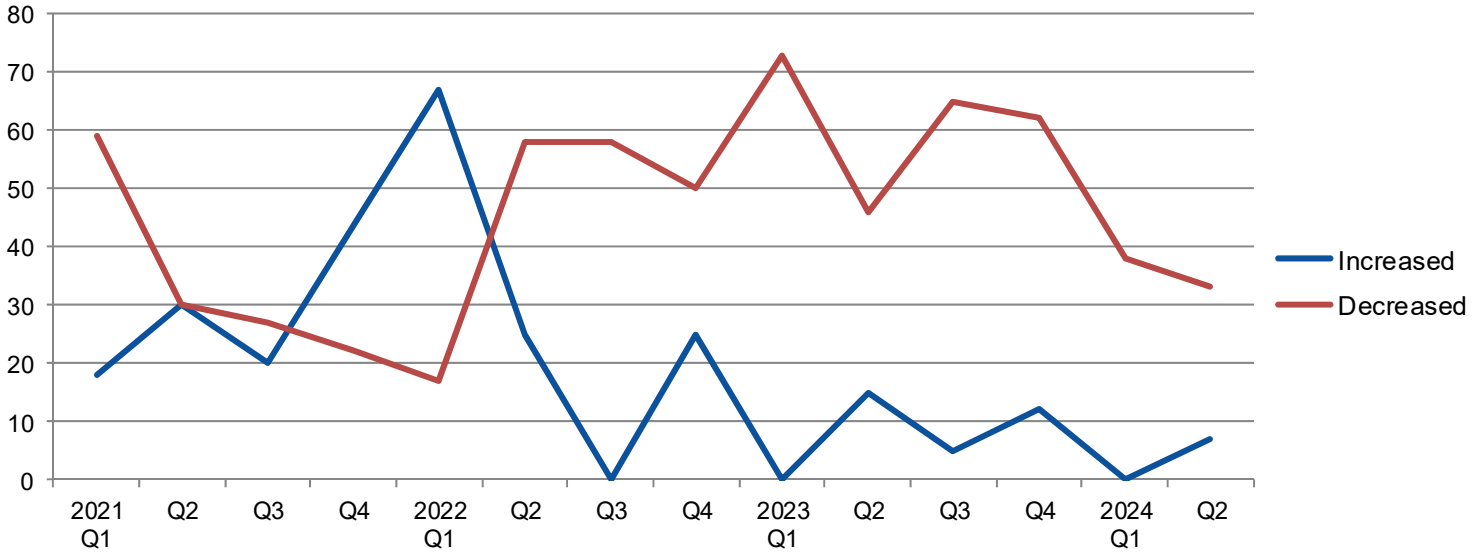
- Home Sales were up 8 points to –28.
- Home orders were up 4 points to –38.
- Export Sales were up 12 points to –26.
- Export Orders down three points to –34.
- Employment was up 22 points to a balance figure of 0.
- Expected Employment was up 5 points to 14.
- Turnover Expectations were down 27 points to –13.
- Profit Expectations were down23 points to –37.
- Prices were down 9 points to 50.
- Cashflow in the past three months was up two points to –17.
- 27% of firms were working to full capacity.

Key indicators

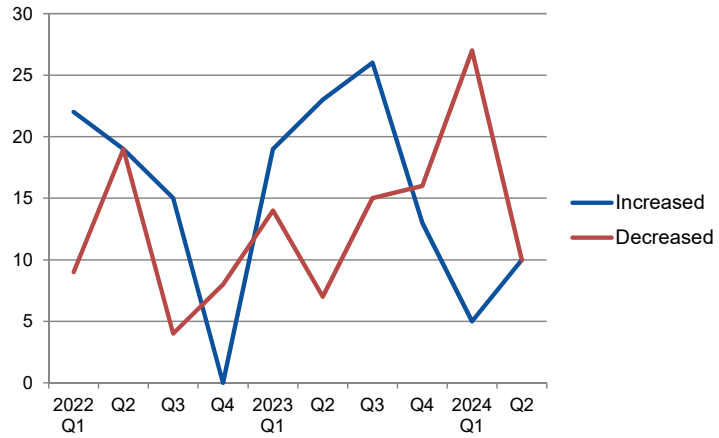
Home sales



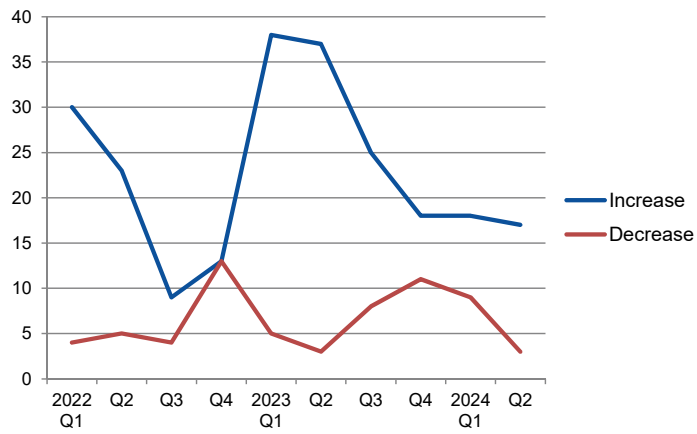
Export sales



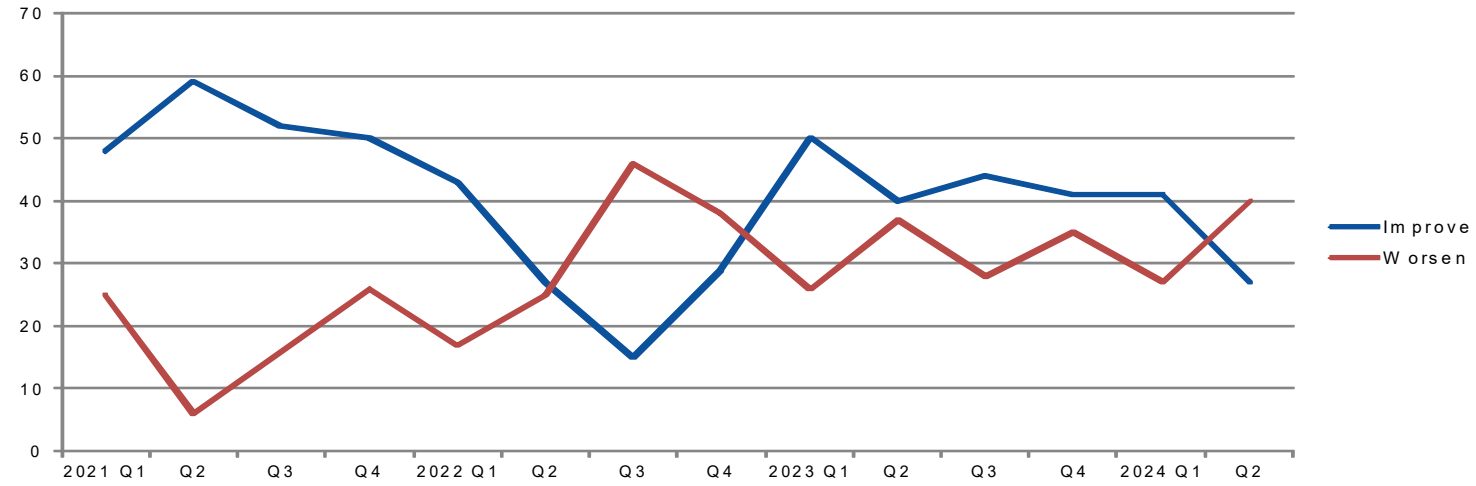
Employment



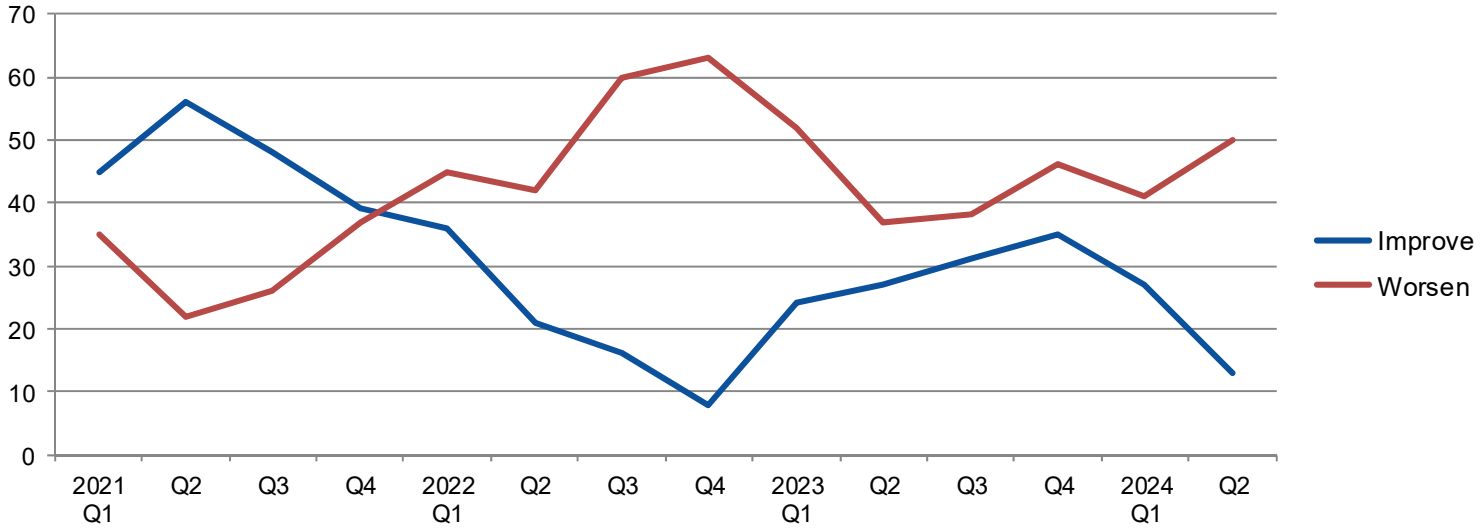
Employment expectations



Turnover expectations

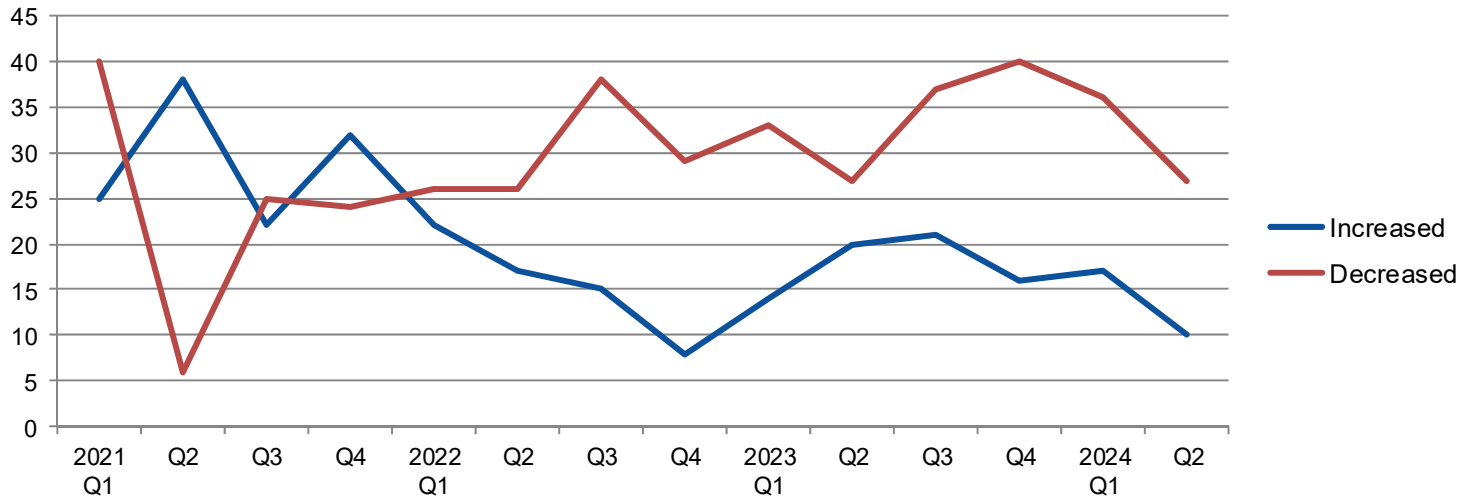


Profit expectations



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

National business confidence on up in Q2

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 measures of business confidence and business conditions slightly improved in Q2 2024, albeit from a very low base.

38% of firms (compared with 36% in Q1) said they had seen an increase in domestic sales over the previous three months, while 43% reported no change, and 20% a decrease.

After a static picture in Q1, business confidence has increased slightly in Q2. 58% of firms say they are expecting an increase in turnover over the next year compared with 56% in Q1. 29% expect no change and only 13% expect a decrease.

With inflation easing to target – the data also reveals that fewer firms (39% compared to 46% in Q1) expect to hike their own prices in the coming months.

The survey, which was conducted between 13th May and 10th June, of nearly 5,000 firms across the UK (91% of whom are SMEs - fewer than 250 employees) - also reveals that despite improved trading conditions most firms are still not increasing investment.

The percentage of respondents reporting increased domestic sales rose to 38%, compared with 36% in Q1. 43% of firms said sales had remained constant and 20% reported a decrease.

There were some sectoral differences - 37% of manufacturers and 40% of business-to-business service companies (such as legal and finance) reporting a boost in sales. By contrast, only 33% business to consumer firms (such as hospitality and retail) saw an increase.

There has been an uptick in firms experiencing an increase in cash flow, rising to 28% compared with 26% in Q1. 47% report no change in cash flow, while 24% report a decrease.

58% of firms expect to see their turnover increase over the next 12 months – an increase from 56% in Q1. 29% expect no change and only 13% expect to see turnover decline.

Profitability confidence has also increased, with 51% of companies expecting profits to increase in the next year. That compares to 48% in Q1. 32% expect no change and 17% of respondents believe their profits will fall.

As inflation continues to ease, fewer firms are now expecting to put up their prices. 39% of respondents say they are expecting to raise the cost of their goods or services in the next three months, compared with 46% in Q1. 59% think their prices will stay the same, and just 2% are expecting a decrease.

Labour costs continue to be cited as the main cost pressure across all businesses. 67% of responding firms say they are under pressure to raise prices because of this (68% in Q1). Some sectors are feeling this pressure more than others, with 77% of hospitality firms and 76% of construction or engineering firms citing it as a key driver.

While inflation remains the biggest external worry among businesses, the level of concern has fallen significantly. Around half (49%) of firms say they are more concerned about inflation than in the last quarter (58% in Q1). That's returning to levels of concern last seen in 2021 and significantly below the 84% reported in Q2 2022, at the peak of the inflation crisis.

39% of respondents say they are concerned about competition, and 36% tax. With an interest rate cut likely in the coming months – the percentage of firms raising the cost of borrowing as an issue remains at roughly the same level - 34% in Q2 compared with 35% in Q1.

Analysis

David Hooper

External Affairs Director
Hull & Humber Chamber of Commerce

"While we have seen some improvement in some sectors like domestic sales and orders and exports, businesses in the Humber are still clearly cautious about the future.

"Turnover and profit expectations for the coming months are well down, which is also reflected in the investment plans for the future with things like new machinery, plant or training.

"While inflation has come down which has eased concerns over raw materials and finance costs, businesses are concerned about business rates and tax - perhaps a reflection on the uncertainty of a potential change of Government in the run-up to the General Election.

"Employment plans were another bright spot for firms looking ahead, but much will depend on how the new Government's policies shape up and whether they instil much-needed confidence and stability into directors' thinking."

Click here for more information.

The National View

Shevaun Haviland
British Chambers of Commerce

"It's really encouraging to see positive shoots of recovery from businesses across the UK.

"Confidence has been improving among companies in recent months. Our data shows the tangible impact of that positivity, as businesses report improved sales and cashflow. But investment levels remain an area of concern.

"Our message to the new Government is clear. We need a long-term economic plan that has the green transition at its heart, with a workforce fit for the future, living in thriving local places and powered by businesses that are globally facing and digitally enabled.

"Business stands ready to work in partnership with Government to capitalise on the positive signs our data is showing."

Results in full

		2024				
		Q2	Q3	Q4	Q1	Q2
Home sales [2]	Increased	40	27	16	9	17
	Constant	33	35	42	45	38
	Decreased	27	38	42	45	45
	Balance	**13**	**-11**	**-26**	**-36**	**-28**
Home orders [2]	Increased	33	31	20	10	14
	Constant	37	25	23	38	34
	Decreased	30	44	57	52	52
	Balance	**3**	**-13**	**-37**	**-42**	**-38**
Export sales [2]	Increased	15	5	12	0	7
	Constant	38	30	27	62	60
	Decreased	46	65	62	38	33
	Balance	**-31**	**-60**	**-50**	**-38**	**-26**
Export orders [2]	Increased	8	5	8	15	13
	Constant	27	32	28	38	40
	Decreased	62	63	64	46	47
	Balance	**-54**	**-58**	**-56**	**-31**	**-34**
Workforce [2]	Increased	23	26	13	5	10
	Constant	70	59	71	68	80
	Decreased	7	15	16	27	10
	Balance	**16**	**11**	**-3**	**-22**	**0**
Workforce expectations [3]	Increase	37	25	18	18	17
	Constant	60	67	71	73	79
	Decrease	3	8	11	9	3
	Balance	**34**	**17**	**7**	**9**	**14**
Recruited staff [2]	**Yes**	**53**	**59**	**49**	**59**	**48**
	- Part time	25	26	29	27	29
	- Full time	81	83	90	91	64
	- Temporary	6	9	14	18	29
	- Permanent	38	35	29	36	57
	No	**47**	**41**	**51**	**41**	**52**
Recruitment difficulties [2]	**Yes**	**94**	**84**	**82**	**77**	**66**
	- Skilled manual	33	43	39	40	25
	- Management	67	48	44	60	50
	- Clerical	33	38	39	10	17
	- Unskilled/semi-skilled	7	10	17	0	33
	No	**6**	**16**	**18**	**23**	**14**

		2024				
		Q2	Q3	Q4	Q1	Q2
Cashflow [2]	Increased	20	21	16	17	10
	Constant	53	42	44	43	63
	Decreased	27	37	40	36	27
	Balance	**-7**	**-16**	**-24**	**-19**	**-17**
Investment: Plant/ machinery [2]	Increased	27	30	24	14	14
	Constant	43	41	49	50	54
	Decreased	30	30	27	36	32
	Balance	**-3**	**0**	**-3**	**-22**	**-18**
Investment: Training [2]	Increased	23	24	16	9	10
	Constant	57	51	61	68	67
	Decreased	20	24	23	23	23
	Balance	**3**	**0**	**-7**	**-14**	**-13**
Turnover expectations [4]	Improve	40	44	41	41	27
	Same	23	28	24	32	33
	Worsen	37	28	35	41	40
	Balance	**3**	**16**	**6**	**-14**	**-13**
Profit expectations [4]	Improve	27	31	35	27	13
	Same	23	31	20	32	37
	Worsen	37	38	46	41	50
	Balance	**-10**	**-7**	**-11**	**-14**	**-37**
Capacity utilisation [1]	Full capacity	37	33	30	23	27
	Below capacity	63	67	70	77	73
Prices [3]	Increased	38	47	61	59	50
	Constant	55	50	35	36	50
	Decreased	7	3	4	5	0
	Balance	**31**	**44**	**57**	**59**	**50**
Price pressures [1]	Pay settlements	79	61	74	75	67
	Raw materials	38	42	50	45	37
	Finance	14	24	31	20	22
	Other overheads	41	34	36	35	41
External concerns [1]	Interest rates	41	35	37	30	36
	Exchange rates	28	19	24	20	20
	Business rates	31	30	24	30	40
	Inflation	62	65	61	45	28
	Competition	28	43	51	35	40
	Tax	52	43	41	40	56

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