HULL & HUMBER
Chamber of Commerce

Quarterly Economic Survey

Quarter 4, 2024

www.hull-humber-chamber.co.uk

Overview

Rising costs fear for Humber firms

WITH inflation falling in the third quarter of 2024 and with hints from the Governor of the Bank of England, Andrew Bailey, when he joined Chamber business leaders for lunch in North East Lincolnshire at the beginning of October, hopes were high of a further cut in interest rates in December.

However, with the economy slowing down and inflation on the rise again, those hopes were dashed with the Bank of England's Monetary Policy Committee voting to hold interest rates at 4.75%.

And with the realities of the Chancellor's first tax raising Budget starting to hit home, there is much unrest in the business community about higher overheads which will show themselves more clearly in the results for the first quarter of 2025.

The results for Quarter Four were not pretty, after a hint of optimism in Quarter Three, most balances returned to negative territory, with the business outlook appearing to be challenging, at best.

Home Sales fell back to Quarter Two levels, with a balance figure of –14, while Home Orders did worse, with its balance figure dropping to –24, thanks to 62 per cent of firms saying they had seen a decrease.

The export sector fared slightly better, with Export Sales dropping just eight points to –67 and Export Orders increasing slightly, but only to a balance figure of –67.

The number of firms who said their workforce had decreased in the last three months was up with the balance figure dropping to –16, while the number of firms looking to take on new staff in the next three months tumbled sharply to a balance figure of –34, although just over half the respondents reported trying to recruit staff in the last three months.

Of those, there were 29% fewer full time positions when compared to Quarter 3, and 21% temporary roles, with permanent jobs showing a nine point increase and part time roles increasing by eight points.

A high 79% of those surveyed said they had encountered difficulties recruiting the right kind of staff, with management roles being the most difficult to fill, while skilled manual, clerical and unskilled or semi-skilled jobs all showing an average drop of seven per cent.

After something of a recovery in Q3, Cashflow was again challenging in the Q4 survey, with 20% more firms saying it had dropped in the last three months.

Turnover expectations for the next 12 months also dropped markedly dropping 14 points to a balance figure of –7.

Profit expectations for the next 12 months told a similar story, with the balance figure dropping 16 points to –39.

And only eight per cent of firms said they operating at full capacity, 27 percent of businesses saying they are planning to increase their prices in the next three months.

The biggest pressures on prices were pay settlements, which had risen by 26 points to 84, while the biggest external concerns were business rates and tax fears, while competition dropped by 14 points and inflation fears dropped by nine points.

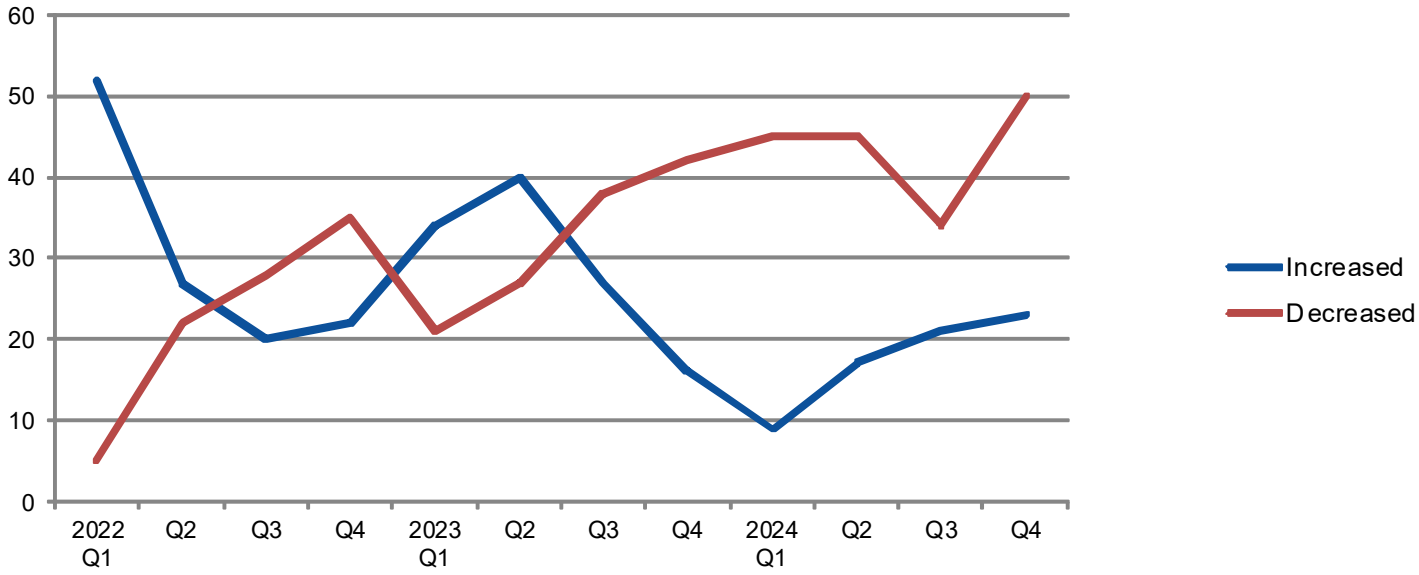
Business rate concerns were on the rise again, up by six percentage points.

Key balances

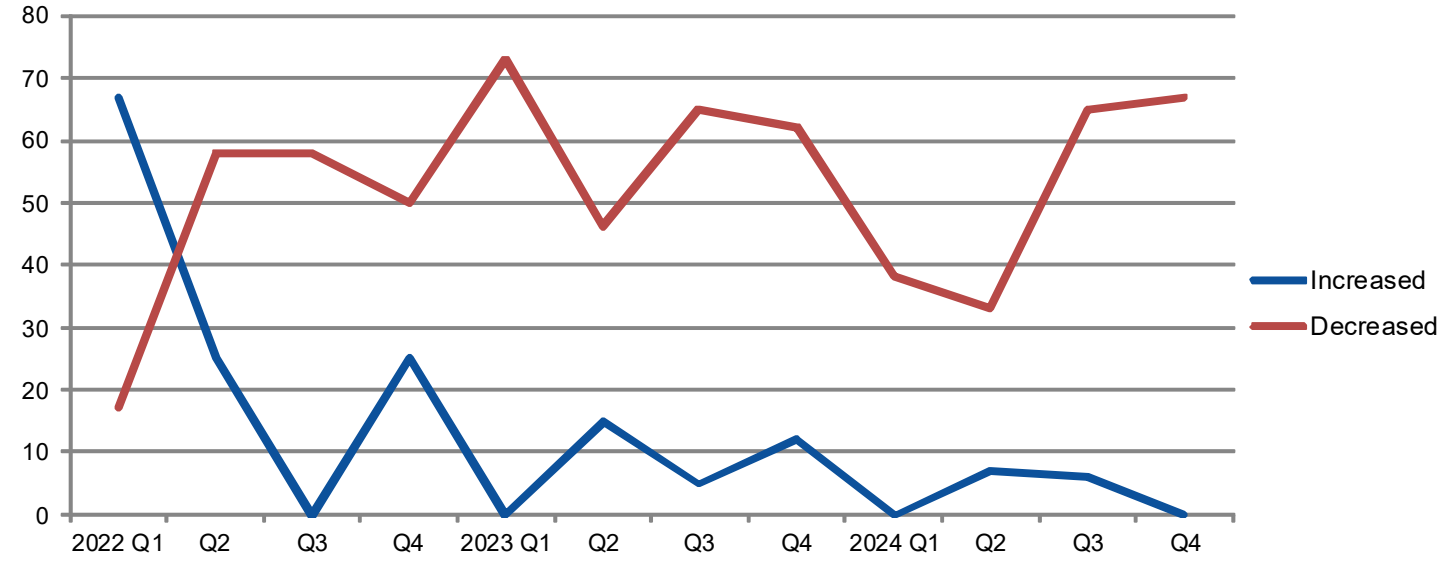
- Home Sales were down 14 points to –14.
- Home Orders were down 24 points to –43.
- Export Sales were down 8 points to –67.
- Export Orders were up 4 points to –67.
- Employment was down 16 points to –18.
- Expected Employment was down 34 points to –8.
- Cashflow for the past three months was down 20 points to –33.
- Plant & Machinery investment was down 49 points to –41.
- Investment in training was down 28 points to –18.
- Turnover expectations were down 14 points to –7.
- Profit expectations were down 16 points to –39.

Key indicators

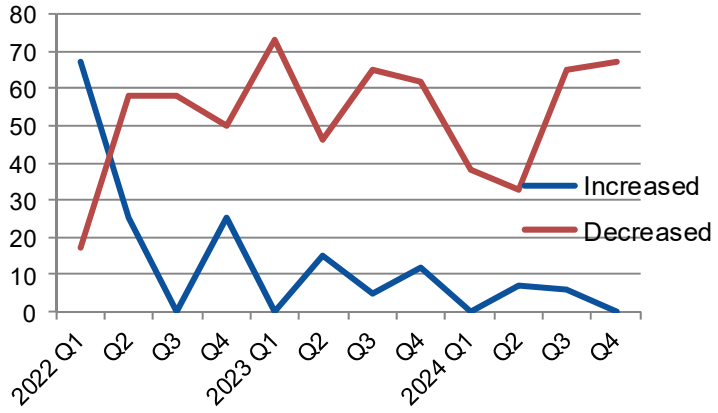
Home sales



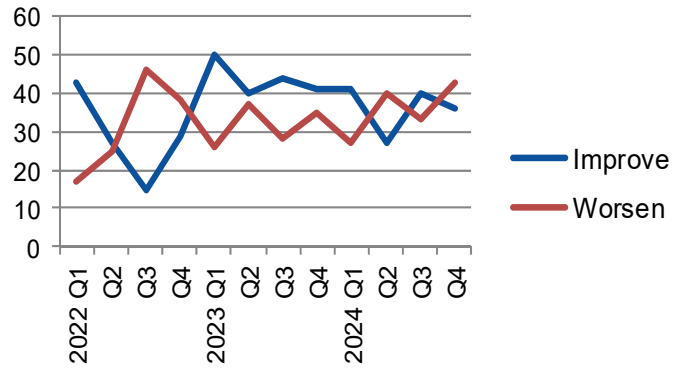
Export sales



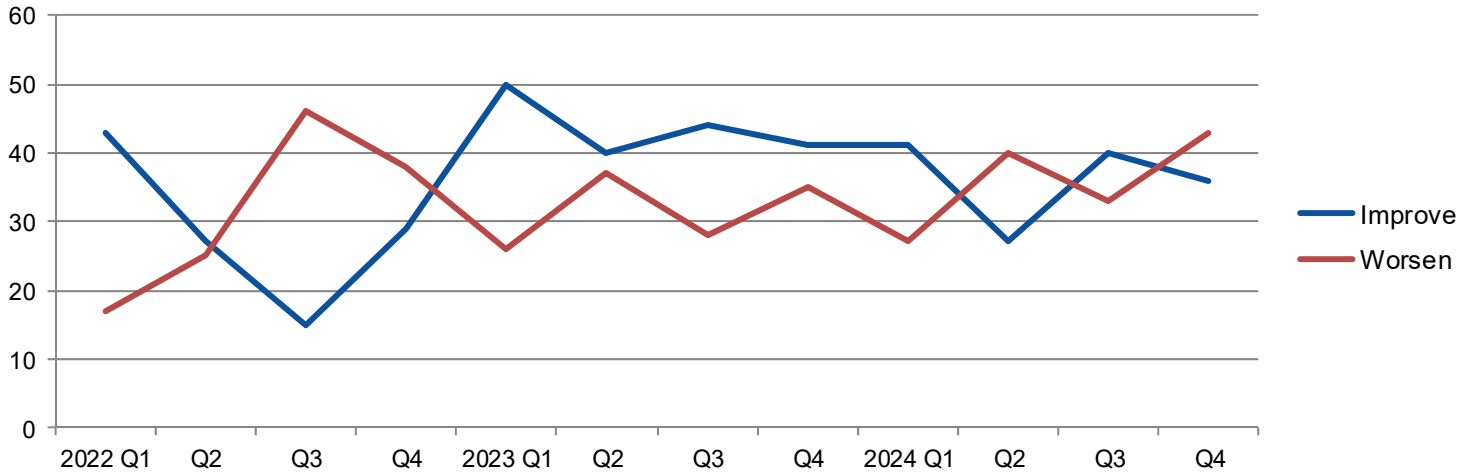
Employment



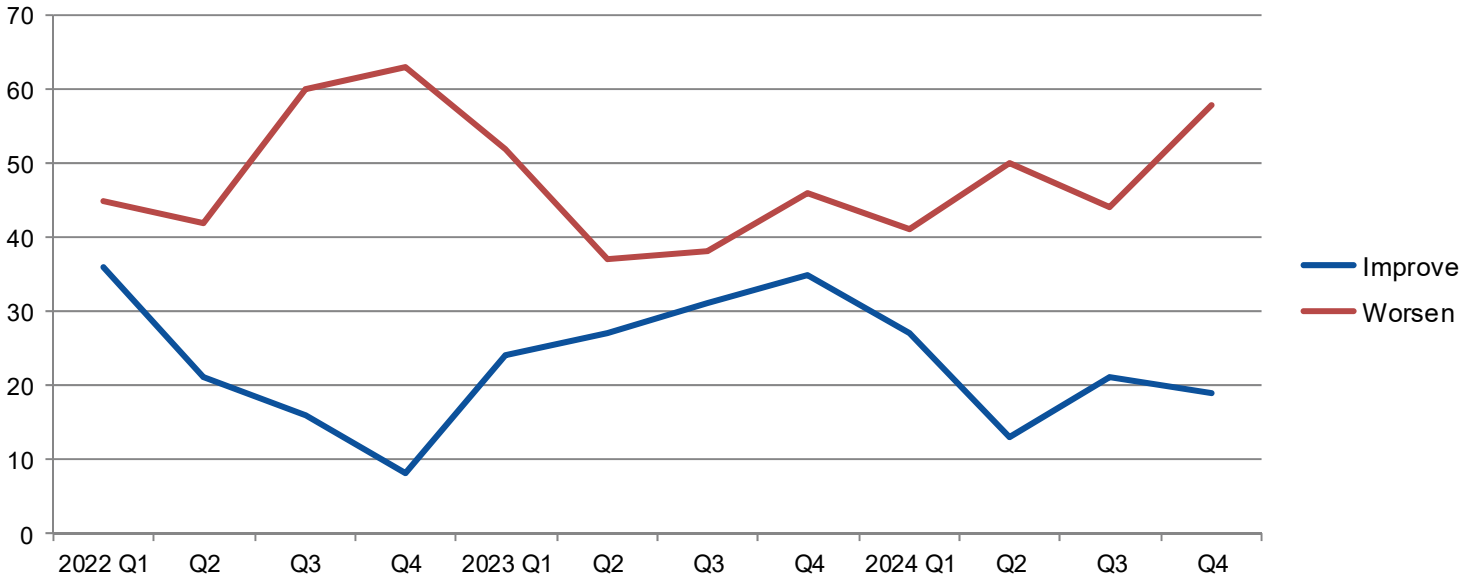
Employment expectations



Turnover expectations

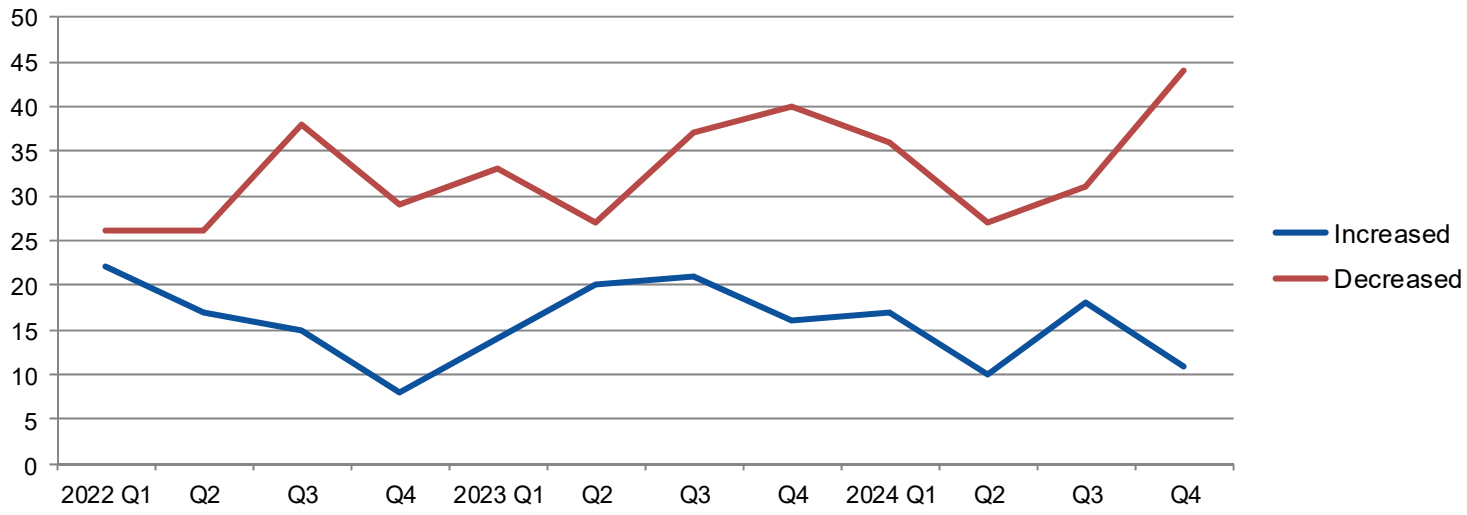


Profit expectations



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

For more information please contact:
David Hooper
Tel: 01482 324976
d.hooper@hull-humber-chamber.co.uk
34-38 Beverley Road, Hull,
HU3 1YE.

National picture

Budget tax hike hits business confidence

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.

IN the largest poll of business sentiment since October's Budget, the BCC's Quarterly Economic Survey, shows concern about tax, including national insurance, has spiked.

Following the Chancellor's autumn statement, 63% of firms cited it as a worry (compared with 48% in Q3), the highest level on record. Concern about inflation and interest rates remains at similar levels to Q3.

Business confidence has declined significantly with 49% of responding companies expecting their turnover to increase over the next 12 months (compared with 56% in Q3). Confidence levels are lowest in the retail and hospitality sectors (39% and 42% respectively).

The survey was conducted after the Budget, with the fieldwork carried out between 11th November and 9th December. The data from over 4,800 businesses across the UK (91% of whom are SMEs – fewer than 250 employees) also shows that the majority of firms are expecting to raise prices.

Following the Budget, concern about taxation is now cited by 63% of responding firms, up from 48% in Q3. This is the highest level of tax concern since 2017, when the BCC started asking this question. The levels in certain sectors are higher, with 72% of production and manufacturing firms, and 68% of construction and engineering businesses raising tax as a concern.

Concern about inflation remains broadly similar to the previous quarter – 47% compared to 46% in Q3. Worry about interest rates has fallen slightly to 28% (29% in Q3).

There has been a significant drop in business confidence since the Chancellor's statement. Only 49% of firms say they expect their turnover to increase in the next 12 months, down from 56% in Q3. This is the lowest figure since the aftermath of the mini budget in late 2022. A fifth (21%) of businesses expect turnover to worsen, up from 15% in Q3, and 30% expect no change.

Profitability confidence has also been hit, 40% of firms expect profits to increase over the next year (48% in Q3), while 32% of businesses expect them to fall.

Over half (55%) of responding firms say they expect to raise their prices in the next three months, compared with 39% in Q3. While 43% of businesses expect prices to stay the same, and only 2% expecting to decrease.

Labour continues to be the main cost pressure for firms – but the issue is now raised by 75% of businesses, up from 66% in Q3. The issue is most significant for the hospitality sector with 87% reporting it as a challenge, followed by 84% of firms in the transport and logistics sector.

Only 20% of businesses say they have increased investment plans over the last quarter, down from 23% in Q3. 24% of firms say they have cut back investment plans, a steep rise from the Q3 figure of 18%. 56% of businesses say their plans remained the same. The issue is more marked in certain sectors, 42% of retail and hospitality firms and 30% of manufacturers reporting a scaling back of investment.

The percentage of respondents reporting increased domestic sales has fallen again to 32%, compared to 35% in Q3. 42% reported no change and 26% of firms said they had seen a decrease in sales.

Analysis

Ian Kelly

Chamber Chief Executive
Hull & Humber Chamber of Commerce

"The Quarter three figures showed a slightly improved picture with many indicators showing something of a bounce back, but our Quarter 4 results have seen the majority of those gains go into reverse.

It is clear that increased costs caused by higher overheads and a substantial increase in the cost of employing staff thanks to Rachel Reeves' first Budget are weighing heavily on the minds of business leaders across the Humber region.

Most firms say they are now planning to increase their prices in the coming months, while at the same time cutting investment in training and equipment.

Cashflow and profit expectations are also down as firms look for ways to reduce the impact of higher overheads in the midst of a tightening economy, not helped of course, by the Bank of England's decision in December to delay a further cut in interest rates which had been hinted at by the Governor of the Bank of England, Andrew Bailey, when he met with senior Chamber Business Leaders at a private lunch in Grimsby in October.

Click here for more information.

The National View

Shevaun Haviland
British Chambers of Commerce

"The worrying reverberations of the Budget are clear to see in our survey data. Businesses confidence has slumped in a pressure cooker of rising costs and taxes.

"Firms of all shapes and sizes are telling us the national insurance hike is particularly damaging. Businesses are already cutting back on investment and say they will have to put up prices in the coming months.

"The Government is rightly coming up with long-term strategies on industry, infrastructure and trade. But those plans won't help businesses struggling now.

"To help business we need to see quick action in three specific areas. Firstly, Ministers should accelerate business rate reform to create a system that incentivises investment.

"We also need the Government to speed up infrastructure investment, to help SMEs in supply chains across the country. Finally, it's crucial to support exports, prioritising a better trading deal with the European Union.

"Without urgent Government action to ease the pain on businesses, the challenging economic landscape will get worse before it gets better."

Results in full

		2024				
		Q4	Q1	Q2	Q3	Q4
Home sales [2]	Increased	16	9	17	21	23
	Constant	42	45	38	45	27
	Decreased	42	45	45	34	50
	Balance	**-26**	**-36**	**-28**	**-13**	**-27**
Home orders [2]	Increased	20	10	14	24	19
	Constant	23	38	34	32	19
	Decreased	57	52	52	43	62
	Balance	**-37**	**-42**	**-38**	**-19**	**-43**
Export sales [2]	Increased	12	0	7	6	0
	Constant	27	62	60	29	33
	Decreased	62	38	33	65	67
	Balance	**-50**	**-38**	**-26**	**-59**	**-67**
Export orders [2]	Increased	8	15	13	0	0
	Constant	28	38	40	29	33
	Decreased	64	46	47	71	67
	Balance	**-56**	**-31**	**-34**	**-71**	**-67**
Workforce [2]	Increased	13	5	10	13	7
	Constant	71	68	80	73	68
	Decreased	16	27	10	15	25
	Balance	**-3**	**-22**	**0**	**-2**	**-18**
Workforce expectations [3]	Increase	18	18	17	37	23
	Constant	71	73	79	53	46
	Decrease	11	9	3	11	31
	Balance	**7**	**9**	**14**	**26**	**-8**
Recruited staff [2]	**Yes**	**49**	**59**	**48**	**63**	**52**
	- Part time	29	27	29	25	33
	- Full time	90	91	64	79	50
	- Temporary	14	18	29	46	25
	- Permanent	29	36	57	33	42
	No	**51**	**41**	**52**	**38**	**48**
Recruitment difficulties [2]	**Yes**	**82**	**77**	**66**	**72**	**52**
	- Skilled manual	39	40	25	44	33
	- Management	44	60	50	39	50
	- Clerical	39	10	17	33	25
	- Unskilled/semi-skilled	17	0	33	33	42
	No	**18**	**23**	**14**	**28**	**48**

		2024				
		Q4	Q1	Q2	Q3	Q4
Cashflow [2]	Increased	16	17	10	18	11
	Constant	44	43	63	51	44
	Decreased	40	36	27	31	44
	Balance	**-24**	**-19**	**-17**	**-13**	**-33**
Investment: Plant/ machinery [2]	Increased	24	14	14	25	7
	Constant	49	50	54	58	44
	Decreased	27	36	32	17	48
	Balance	**-3**	**-22**	**-18**	**8**	**-41**
Investment: Training [2]	Increased	16	9	10	26	19
	Constant	61	68	67	58	44
	Decreased	23	23	23	16	48
	Balance	**-7**	**-14**	**-13**	**10**	**-41**
Turnover expectations [4]	Improve	41	41	27	40	36
	Same	24	32	33	28	21
	Worsen	35	41	40	33	43
	Balance	**6**	**-14**	**-13**	**7**	**-7**
Profit expectations [4]	Improve	35	27	13	21	19
	Same	20	32	37	36	23
	Worsen	46	41	50	44	58
	Balance	**-11**	**-14**	**-37**	**-23**	**-39**
Capacity utilisation [1]	Full capacity	30	23	27	26	8
	Below capacity	70	77	73	74	92
Prices [3]	Increased	61	59	50	40	67
	Constant	35	36	50	58	26
	Decreased	4	5	0	3	7
	Balance	**57**	**59**	**50**	**37**	**60**
Price pressures [1]	Pay settlements	74	75	67	58	84
	Raw materials	50	45	37	42	44
	Finance	31	20	22	33	36
	Other overheads	36	35	41	27	28
External concerns [1]	Interest rates	37	30	36	36	11
	Exchange rates	24	20	20	15	7
	Business rates	24	30	40	24	30
	Inflation	61	45	28	45	37
	Competition	51	35	40	42	56
	Tax	41	40	56	48	59

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