



# Quarterly Economic Survey

Quarter 2, 2016

[www.hull-humber-chamber.co.uk](http://www.hull-humber-chamber.co.uk)

# Overview

## Quarter two sees reversal of downward trend

THE Chamber's Quarterly Economic Survey results saw a reversal of the downward trend witnessed in the first quarter of the year, and an improvement in Quarter 4's results for 2015 in some key areas.

Leading the charge this time was the exports sector, with both imports and exports showing strong increases, closely followed by home sales and orders sectors which also showed strong improvements.

The balance figure for export sales changed from -16 in Quarter 1 of this year, to +11 in Quarter 2, a turnaround of 27 points, while the balance figure for Export orders also made a strong recovery, rising from -26 in Quarter 1 to regain positive territory at +6, a strong increase of 32 points.

The balance figure for Home sales also made a strong increase, rising from +5 in Quarter 1 to +26 in Quarter 2, up 21 points, while Home orders saw a more modest rise from +7 to +12 points, thanks to nine per cent more firms reporting an increase in sales.

There was more good news in the employment sector, with 12% more firms reporting that they had recruited new staff in the last quarter, which saw the balance figure rise by nine points, back into positive territory at +9.

Those firms planning a recruitment drive in the next three months remained steady when compared to the last few quarters' results, but did see a modest rise in the balance figure of three per cent.

Of those firms which responded to the survey, 70% said they had recruited staff. There was a rise in those companies trying to fill full time positions of nine per cent, while

those trying to fill part-time roles was down by 11 per cent.

There were more temporary jobs on offer this time around, up by 11 per cent, and fewer permanent positions on offer, down markedly dropping by 19 per cent.

Difficulties in recruiting the right staff is still an issue in the Humber, with 56 per cent, an increase of 12% on the last quarter, reporting difficulties. Of those, part-time and permanent positions were easier to fill, but full time and temporary jobs were proving to be more challenging. Management positions proved easier to fill this quarter, but Clerical positions were more challenging, while skilled and semi-skilled roles saw little change.

In the last quarter, 27 per cent of firms report that their cashflow was up, and there was also a five point increase in the those reporting consistency, and plans to invest were also on the up, with 10 per cent more firms more firms putting plans in place, a move which saw the balance figure increase by 19 points.

Staff training plans also saw an increase, the balance figure rising by 19 points on the back of six per cent more firms putting plans in place.

There were also rising profit expectations for the next three month, with 12 per cent more firms expecting to see an increase, pushing the balance figure up by 24 points, perhaps reflecting that more firms were working at full capacity this quarter than in the previous one.

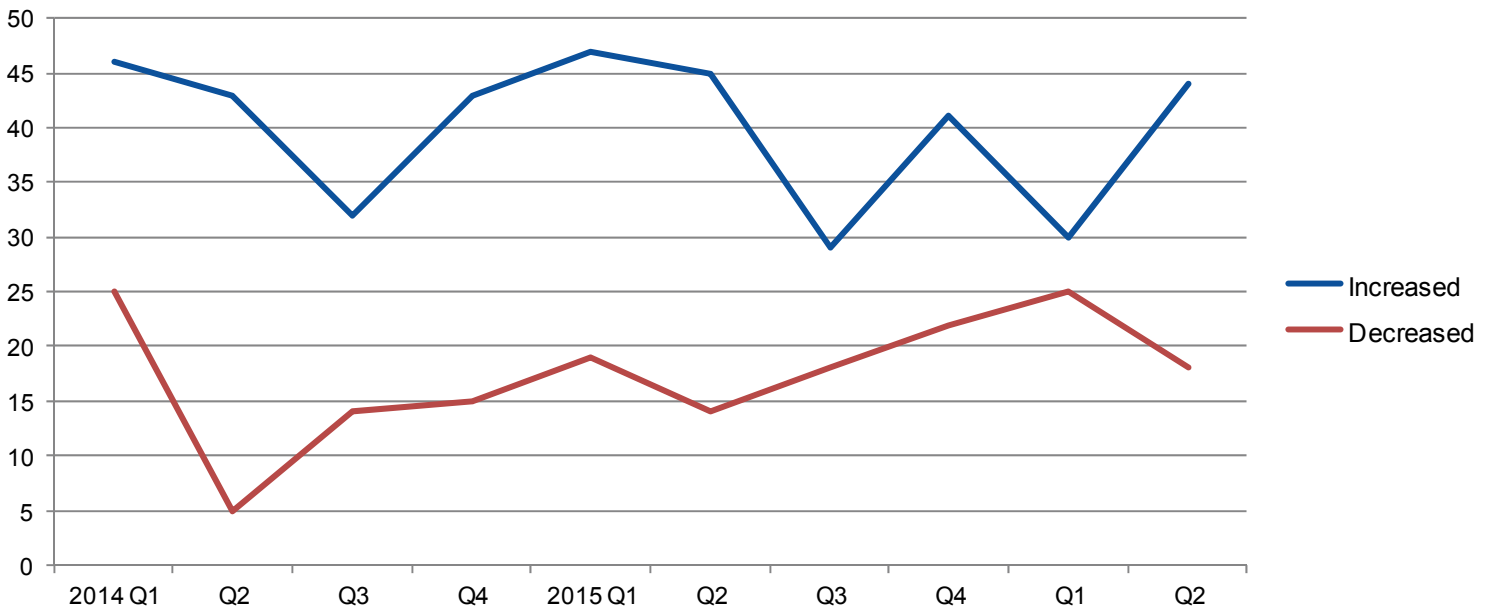
The biggest price pressure was raw material costs and business finance, while concerns over interest rates, exchange rates, business rates and inflation and tax were all up.

### Key balances

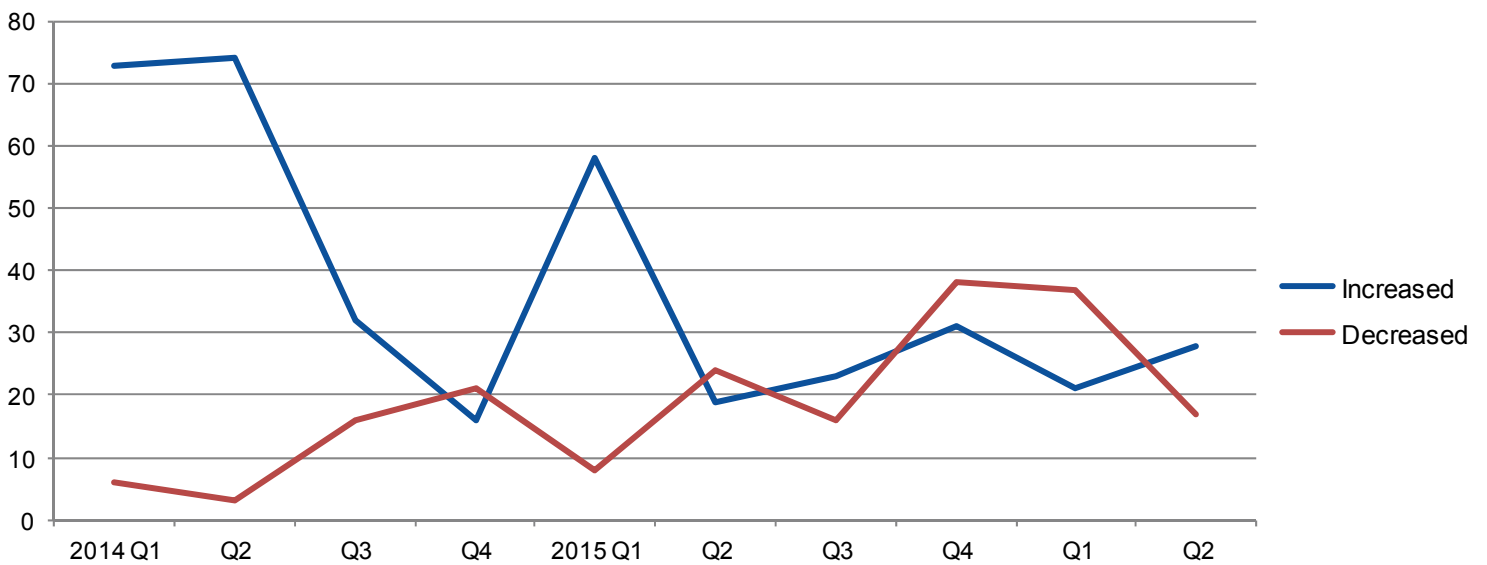
- ➔ Home sales balance rose to 26, up 21 points.
- ➔ Home orders balance rose to 12, up five points.
- ➔ Export sales was 11, up 27 points.
- ➔ Export orders rose to six, up 32 points.
- ➔ Employment was 7, up nine points.
- ➔ Recruitment rose to 70, up 12 points.
- ➔ The Cashflow balance rose to eight points, up 23 on last time.
- ➔ Investment plans was to seven points, up 19 on the last quarter.
- ➔ Turnover expectations rose to 35 points.
- ➔ Profit expectations rose to 26 points.
- ➔ The prices balance fell back one point to 15.

# Key indicators

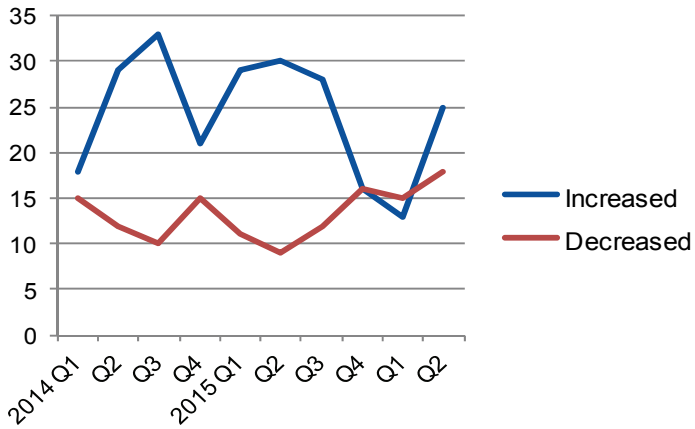
## Home sales



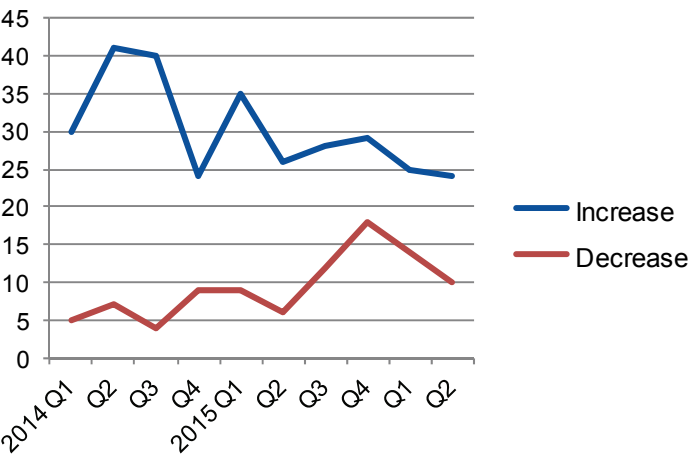
## Export sales



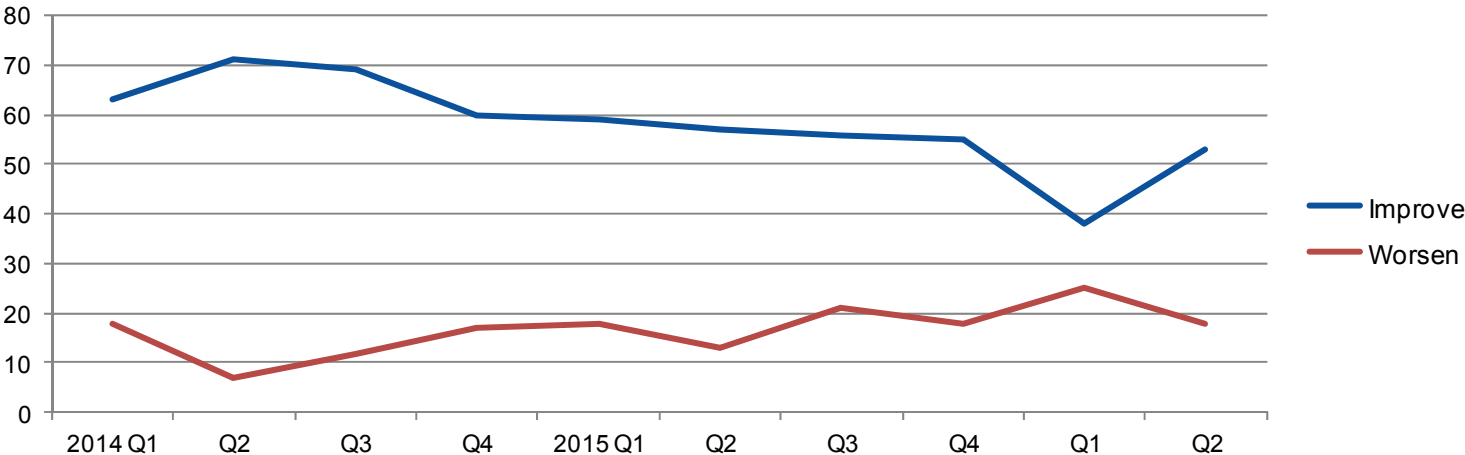
### Employment



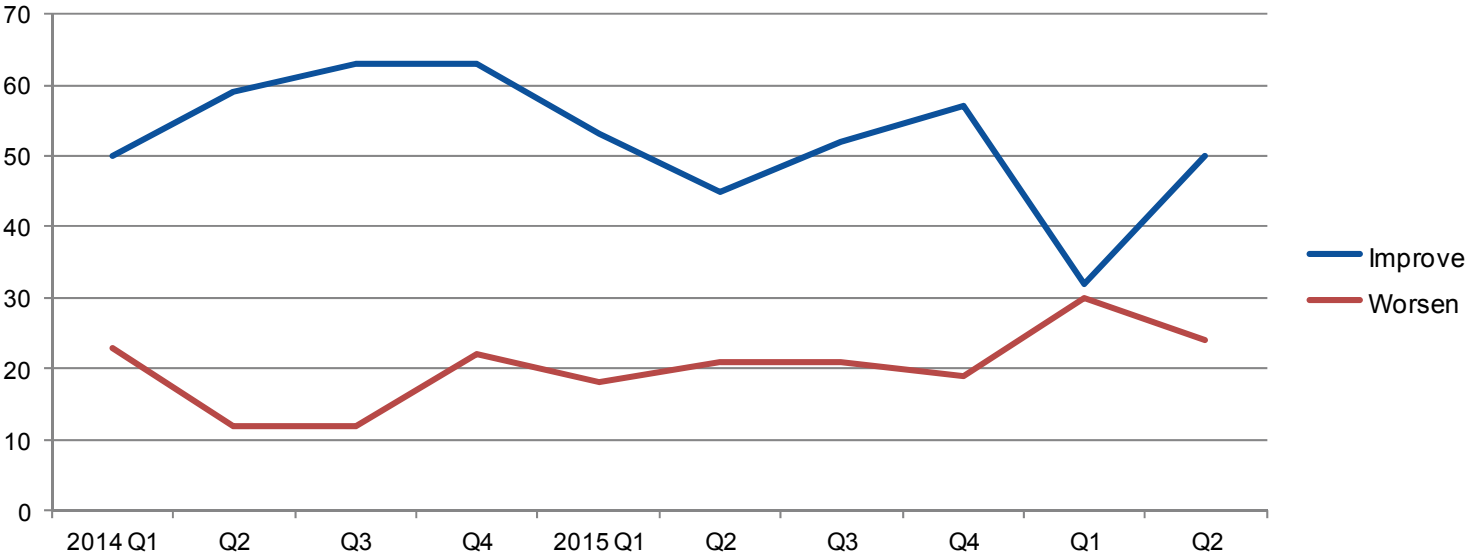
### Employment expectations



### Turnover expectations

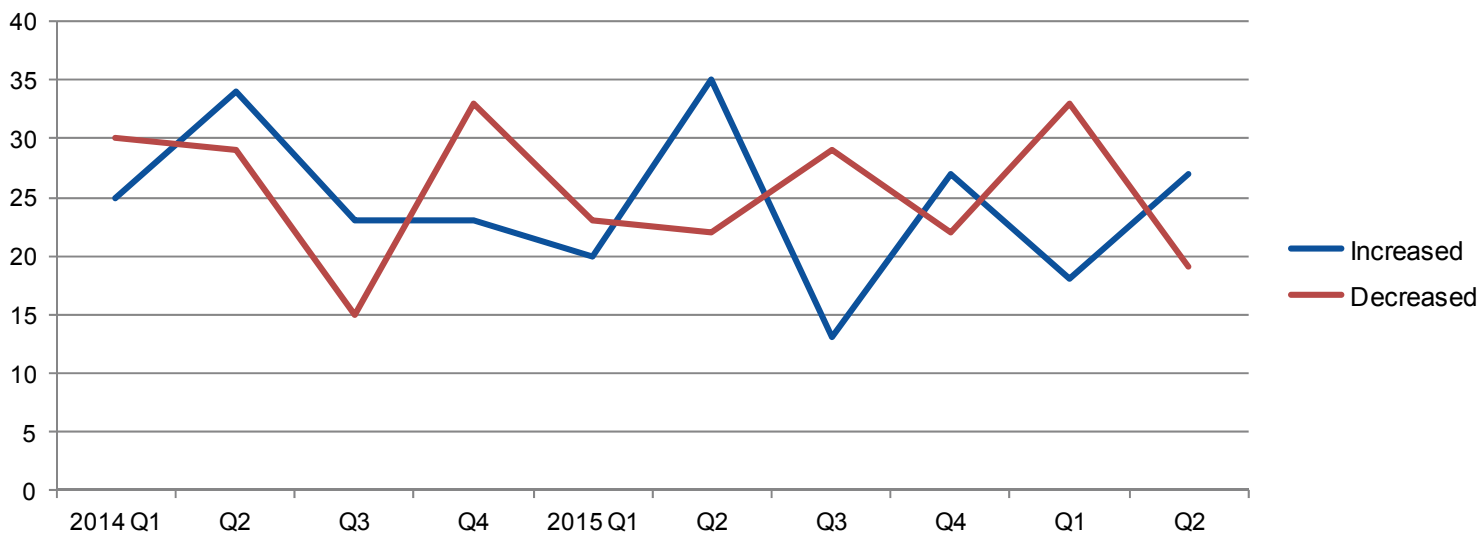


### Profit expectations



## 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 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

## Sub-par UK economic growth even prior to EU Referendum

### 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](http://www.britishchambers.org.uk).

THE British Chambers of Commerce (BCC) Quarterly Economic Survey – Britain's largest and most authoritative private sector business survey, based on **over 8,200 responses** from firms in Q2 2016 – suggests that UK economic growth was uninspiring in the run-up to the EU Referendum.

The survey – the biggest snapshot of how the UK economy was performing just before the Referendum – shows that several key indicators remained static, or at a low ebb. Our services sector – the UK's main driver of economic growth – saw domestic and overseas sales fall, and manufacturing sales remained at a historically low ebb. On the basis of our data we do not expect official data to record an improvement in UK GDP for Q2.

The results suggest that even before the uncertainty caused by the Referendum result, uninspiring growth rates would have required action to shore up business confidence and promote investment. The BCC calls on Government to get on with big domestic decisions that underpin investment and business confidence, such as direct investment in the transport, energy, housing and digital schemes that can have a major impact on communities, supply chains, jobs and productivity.

#### Key findings in the Q2 2016 survey:

- Overall, the figures for both the services and manufacturing sectors indicate continued low levels of growth, however, in they remained fairly static across many indicators, and slackened in others
- In the manufacturing sector, the balance of firms reporting improved export sales rose

slightly to a percentage balance of +9 from +8 – although fewer firms reported an increase in advance orders (+5, down from +8 in Q1)

- However there has been practically no change in the number of firms reporting growth in their workforce over the last quarter in the manufacturing sector (+12, down from +13)
- The balance of manufacturers reporting improved cash flow fell three points to +4, and is now at the lowest level since Q2 2013
- Fewer manufacturers are looking to invest in training – down 8 points to +19, the lowest since Q1 2013
- In the services sector, the percentage of companies struggling to recruit fell slightly to 64, down from the 18-year high of 68
- Fewer services companies reported an increase in export sales and orders (+11 and +13, down from +13 and +16 respectively)
- Fewer firms reported improvements in domestic sales and orders in the last quarter. For manufacturing, the balance of firms reporting an increase in orders fell four points to +9, while in services this fell slightly by one point to +20.
- The balance of manufacturers confident that turnover would improve fell from +44 to +40 – the lowest level since Q3 2012. The balance of service firms confident that turnover would improve remained unchanged at +44 – and remains low by historical standards.
- Pressure to increase pay rose slightly for services (30, up from 27) but fell for manufacturing firms (27, down from 33).

# Analysis

## Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

*"Keep calm and carry on . . . that's our best advice at the moment following the dramatic decision by the British people to leave the EU.*

*"This quarter's figures provided just before the Referendum result are more positive for the Humber than those of Quarter 1, but there are now numerous issues on the political front which are obviously causing some uncertainty.*

*"Following the historic vote on June 23rd, this uncertainty has to be added to the business mix, but little is going to change overnight.*

*"The fall of the Pound will help many local exporters which could and should build on the steady progress noted in the last quarter as they explore new opportunities which will emerge through the fall in Sterling.*

*The Humber is fortunate that businesses have performed well in the last three months, but we must ensure going forward we are well placed to secure our share of public investment, be that through Devolution and the Northern Powerhouse, or through private sector investment in Renewables and our Energy Estuary".*

## Adam Marshall

British Chambers of Commerce

*"Even before the EU Referendum, both business confidence and economic growth were softening in many parts of the UK. Our latest survey results, captured just before the vote, suggest that many businesses have been operating in something of a holding pattern for some time.*

*"It is categorically too early to say what impact the Referendum decision has had on most firms across the UK, as we have as yet had only anecdotal evidence from those facing challenges, those holding steady, and those seizing new opportunities. The impact of the Referendum will require many businesses to take decisions whose impacts will take time to show up on the bottom line.*

*"Yet it is not too early for us to say what business wants to see: stability in markets, clarity in politics, and action on the issues that matter for growth. At a time of transition, all the businesses BCC speaks to want Westminster to lead by example - by making bold decisions to progress key infrastructure and construction projects, by guaranteeing that EU workers can stay in British firms, and by seeking the best possible future terms of trade for the UK.*

*"Business confidence would be buoyed by strong and clear leadership, both on the timeline for EU negotiations and on the big decisions unrelated to our future relationship with the EU."*

# Results in full

		2015		2016		
		Q2	Q3	Q4	Q1	Q2

Home sales <sup>2</sup>			2015		2016		
			Q2	Q3	Q4	Q1	Q2
Increased			45	29	41	30	44
Constant			41	53	38	46	38
Decreased			14	18	22	25	18
<b>Balance</b>			<b>31</b>	<b>11</b>	<b>19</b>	<b>5</b>	<b>26</b>

Home orders <sup>2</sup>			2015		2016		
			Q2	Q3	Q4	Q1	Q2
Increased			37	28	30	27	36
Constant			45	53	54	53	40
Decreased			18	22	16	20	24
<b>Balance</b>			<b>19</b>	<b>4</b>	<b>14</b>	<b>7</b>	<b>12</b>

Export sales <sup>2</sup>			2015		2016		
			Q2	Q3	Q4	Q1	Q2
Increased			19	23	31	21	28
Constant			57	61	31	42	56
Decreased			24	16	38	37	17
<b>Balance</b>			<b>-5</b>	<b>7</b>	<b>-7</b>	<b>-16</b>	<b>11</b>

Export orders <sup>2</sup>			2015		2016		
			Q2	Q3	Q4	Q1	Q2
Increased			18	21	23	11	20
Constant			59	59	46	53	66
Decreased			23	21	31	37	14
<b>Balance</b>			<b>-5</b>	<b>0</b>	<b>-8</b>	<b>-16</b>	<b>6</b>

Workforce <sup>2</sup>			2015		2016		
			Q2	Q3	Q4	Q1	Q2
Increased			30	28	16	11	25
Constant			61	60	68	53	58
Decreased			9	12	16	37	18
<b>Balance</b>			<b>21</b>	<b>16</b>	<b>0</b>	<b>-26</b>	<b>7</b>

Workforce expectations <sup>3</sup>			2015		2016		
			Q2	Q3	Q4	Q1	Q2
Increase			26	28	29	13	24
Constant			69	60	53	72	66
Decrease			6	12	18	15	10
<b>Balance</b>			<b>20</b>	<b>16</b>	<b>11</b>	<b>-2</b>	<b>14</b>

Recruited staff <sup>2</sup>			2015		2016		
			Q2	Q3	Q4	Q1	Q2
<b>Yes</b>			<b>61</b>	<b>67</b>	<b>54</b>	<b>58</b>	<b>70</b>
- Part time			20	21	24	33	22
- Full time			80	79	76	67	78
- Temporary			29	31	25	38	57
- Permanent			71	69	75	62	43
<b>No</b>			<b>39</b>	<b>33</b>	<b>46</b>	<b>54</b>	<b>30</b>

Recruitment difficulties <sup>2</sup>			2015		2016		
			Q2	Q3	Q4	Q1	Q2
<b>Yes</b>			<b>64</b>	<b>61</b>	<b>54</b>	<b>48</b>	<b>56</b>
- Skilled manual			26	28	30	26	27
- Management			58	40	45	40	30
- Clerical			26	16	20	9	20
- Unskilled/semi-skilled			19	18	10	20	21
<b>No</b>			<b>36</b>	<b>39</b>	<b>46</b>	<b>48</b>	<b>44</b>

		2015		2016		
		Q2	Q3	Q4	Q1	Q2

Cashflow <sup>2</sup>			2015		2016		
			Q2	Q3	Q4	Q1	Q2
Increased			36	13	27	18	27
Constant			43	57	51	49	54
Decreased			22	29	22	33	19
<b>Balance</b>			<b>13</b>	<b>-16</b>	<b>5</b>	<b>-15</b>	<b>8</b>

Investment: Plant/machinery <sup>2</sup>			2015		2016		
			Q2	Q3	Q4	Q1	Q2
Increased			33	29	30	17	27
Constant			56	58	49	53	53
Decreased			10	13	22	29	20
<b>Balance</b>			<b>23</b>	<b>16</b>	<b>8</b>	<b>-12</b>	<b>7</b>

Investment: Training <sup>2</sup>			2015		2016		
			Q2	Q3	Q4	Q1	Q2
Increased			31	29	17	19	25
Constant			51	60	64	53	60
Decreased			18	11	19	28	15
<b>Balance</b>			<b>13</b>	<b>18</b>	<b>-2</b>	<b>-9</b>	<b>10</b>

Turnover expectations <sup>4</sup>			2015		2016		
			Q2	Q3	Q4	Q1	Q2
Improve			57	56	55	38	53
Same			30	23	26	38	30
Worsen			13	21	18	30	18
<b>Balance</b>			<b>44</b>	<b>35</b>	<b>37</b>	<b>2</b>	<b>35</b>

Profit expectations <sup>4</sup>			2015		2016		
			Q2	Q3	Q4	Q1	Q2
Improve			45	52	57	32	50
Same			34	27	24	38	26
Worsen			21	21	19	30	24
<b>Balance</b>			<b>24</b>	<b>31</b>	<b>38</b>	<b>2</b>	<b>26</b>

Capacity utilisation <sup>1</sup>			2015		2016		
			Q2	Q3	Q4	Q1	Q2
Full capacity			52	32	34	22	36
Below capacity			48	68	66	78	64

Prices <sup>3</sup>			2015		2016		
			Q2	Q3	Q4	Q1	Q2
Increased			24	21	29	28	23
Constant			69	69	63	60	70
Decreased			7	10	8	12	6
<b>Balance</b>			<b>17</b>	<b>11</b>	<b>21</b>	<b>16</b>	<b>15</b>

Price pressures <sup>1</sup>			2015		2016		
			Q2	Q3	Q4	Q1	Q2
Pay settlements			15	21	16	31	22
Raw materials			22	8	16	16	21
Finance			19	4	6	13	15
Other overheads			39	37	29	36	33

External concerns <sup>1</sup>			2015		2016		
			Q2	Q3	Q4	Q1	Q2
Interest rates			9	14	8	10	14
Exchange rates			20	13	11	21	22
Business rates			17	15	11	18	20
Inflation			44	46	45	38	46
Competition			13	23	18	33	26
Tax			4	4	3	3	16

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