



Quarterly Economic Survey

Quarter 1, 2017

www.hull-humber-chamber.co.uk

Overview

International trade leads way in first quarter

INTERNATIONAL trade saw the biggest turn-around in fortunes in the first quarter of 2017 with both sales and orders showing improvements.

The number of companies reporting an increase in sales jumped 29% over the last quarter which in turn saw the balance figure jump from -5 in quarter four of 2016, to 38 points this time around, a change of 43 points.

Similarly, firms reporting a rise in Export Orders jumped by a third, with the balance figure showing a change of 33 points compared to the last quarter.

Home sales also performed strongly in the first quarter, with the balance figure rising by 10 points to 14, while Home Orders fell back slightly, with the number of firms reporting an increase in orders dropping by five points. However, the balance figure only fell by two points.

There was also encouraging news on the employment front, with 29 per cent of firms reporting an increase in their workforce over the last three months, up 16% on the last quarter, with the balance figure for this sector rising by 12 points.

Firms planning to increase their staffing levels over the next three months was also up, rising by 8%, with the balance figure rising by 10 points to 18.

More firms have recruited staff in the last three months too, however there were fewer permanent positions on offer and slightly fewer full time roles. The survey also showed a rise in part-time temporary jobs.

Pointing to the well-documented skills shortage in the Humber, there was an increase in the number of firms reporting

difficulties in recruiting suitable staff this quarter.

Cashflow in the last three months seems to have held its ground, with the balance figure improving by just two points compared to the previous quarter.

There was a drop in the number of firms planning to invest in new plant, machinery, or equipment, with the balance figure dropping five points to -20, however, there was more positive news on the training front, with more firms planning to invest in staff training (up 6 points) which saw the balance figure recover strongly from negative territory in the last survey at -17 to 5 points this time around, a swing of 23 points.

Looking at the year ahead, 12% more firms are expecting their turnover to increase and there was a similar rise in the number of firms who expected to see a rise in their profits in the next 12 months.

There was a slight increase (4%) in firms reporting that they are working at full capacity, while there appears to be good news on the prices front, with a stable picture.

Raw material costs and pay settlements were causing the greatest pressure on prices, while business rates and competition were the main focus of external concerns, with inflation and exchange rates also proving to be a concern to businesses in our region.

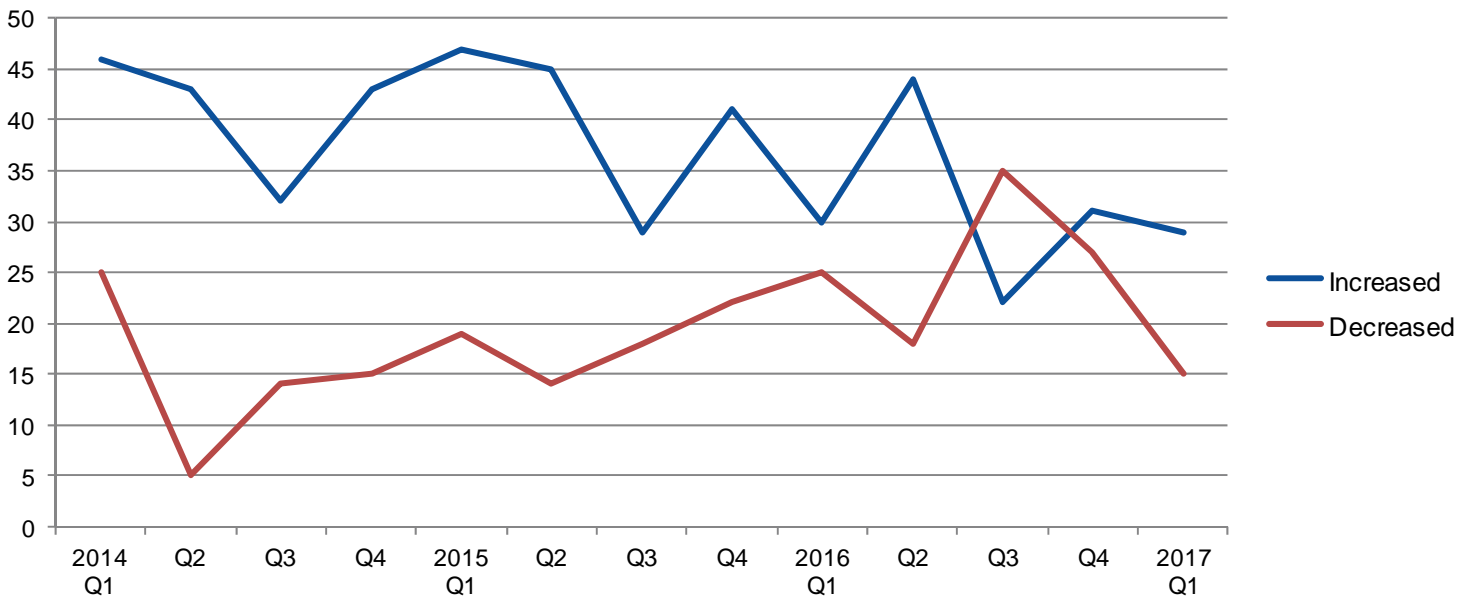
Access to finance was slightly easier this time around, although there was a slight increase in the number of companies highlighting concerns on the cost of other overheads.

Key balances

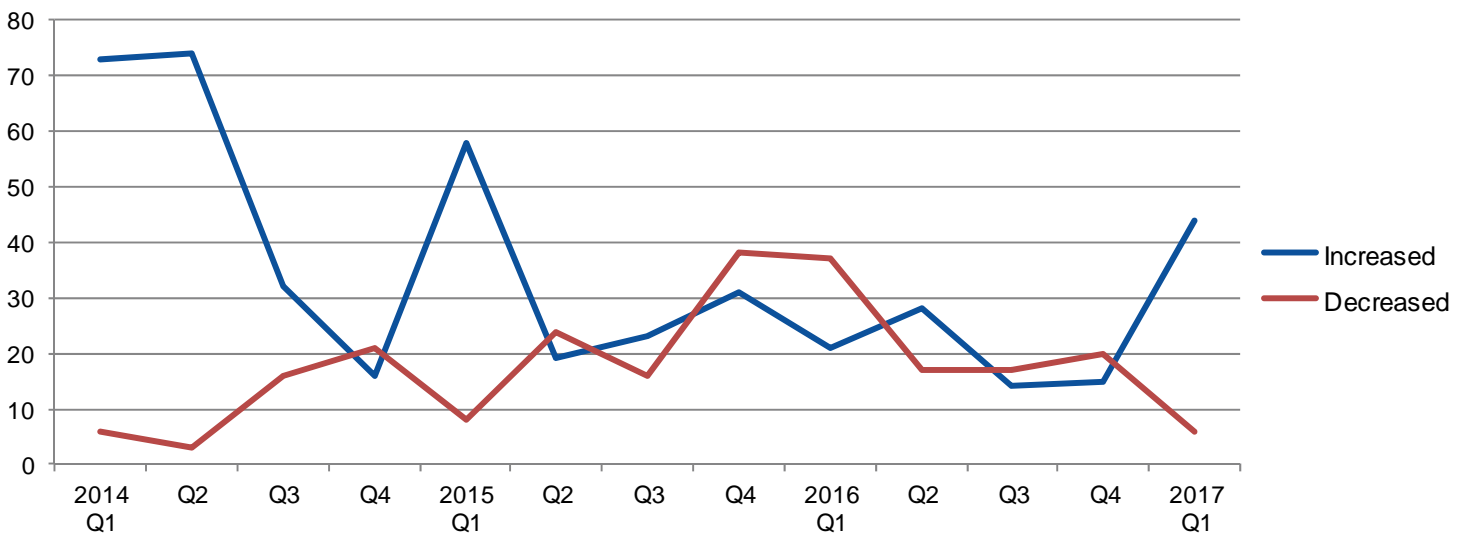
- Home sales balance rose 10 points to 14.
- Home orders dropped two points to 3.
- Export sales rose 43 points to 38.
- Export orders were up 33 points at 38.
- Employment was up 12 points to 12.
- Expected employment rose 10 points to 18.
- The cashflow balance was up 2 points to -6.
- Plant and machinery investment dropped 5 points to -20.
- Training climbed back into positive territory with a balance of 23.
- Turnover expectations also rose, up 27 points to 45.
- Profit expectations were also up—to 22.

Key indicators

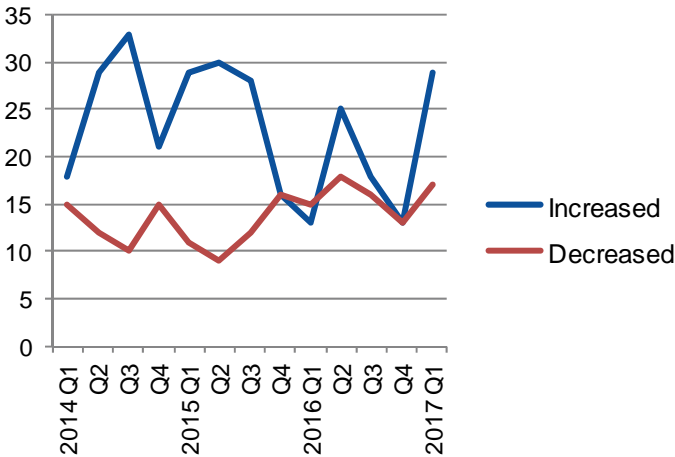
Home sales



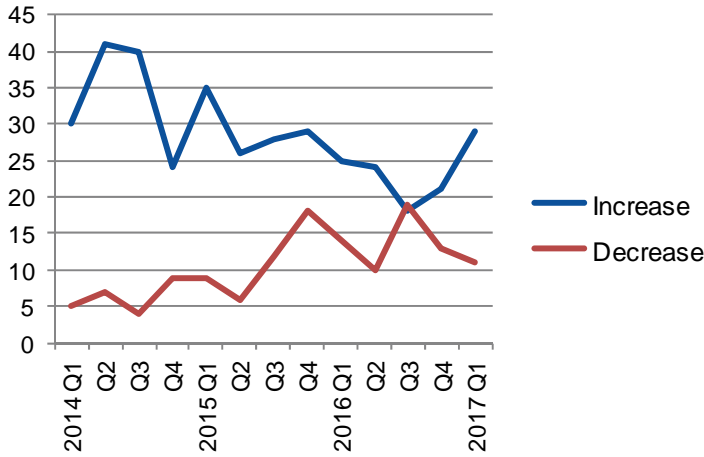
Export sales



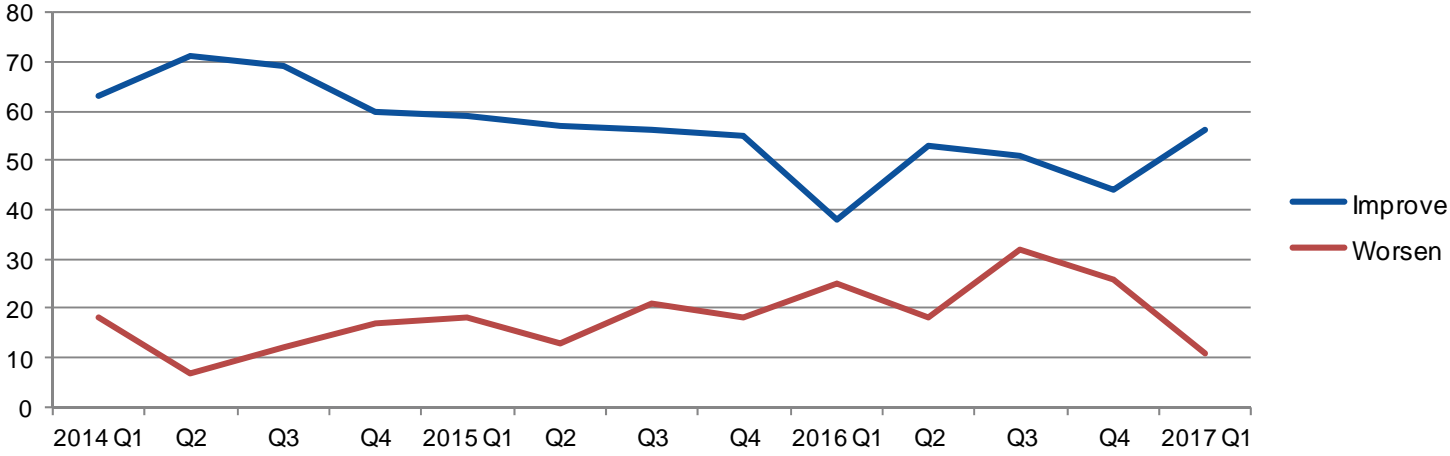
Employment



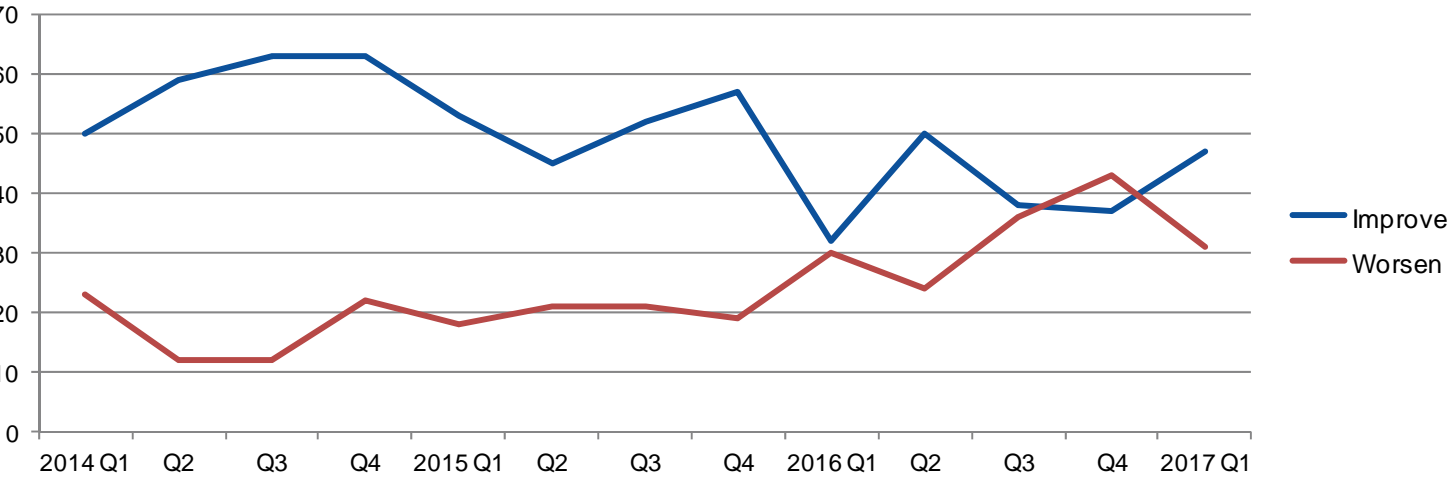
Employment expectations



Turnover expectations

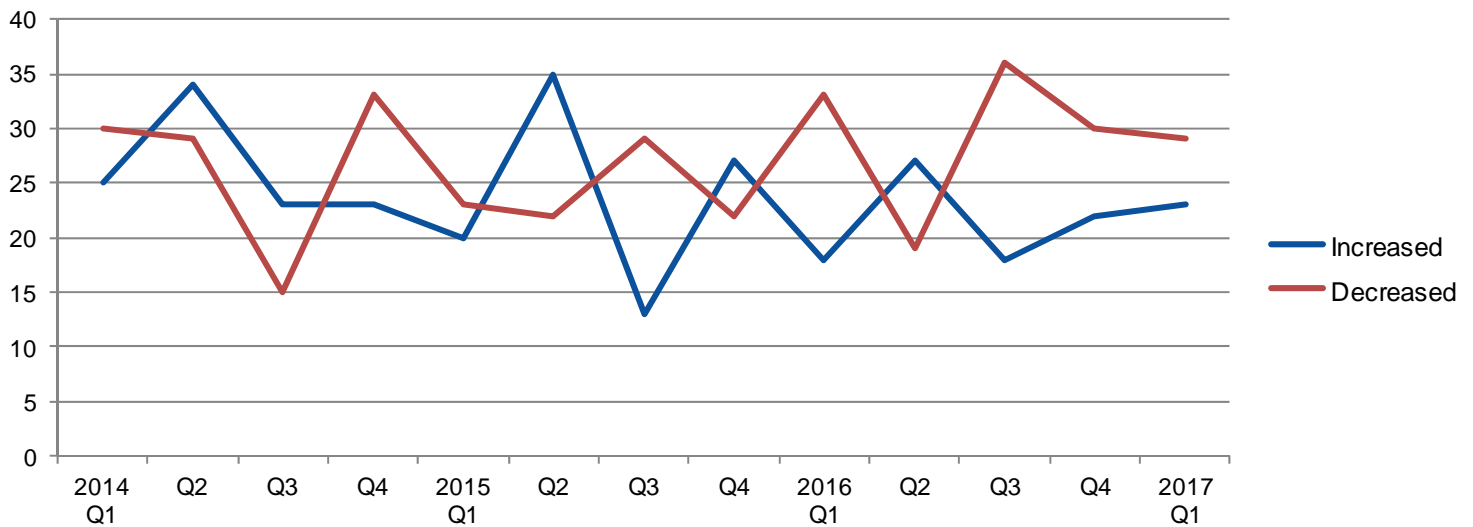


Profit expectations



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

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

Solid economic growth, but inflation remains a key risk

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.

THE British Chambers of Commerce (BCC) Quarterly Economic Survey is the UK's largest and most authoritative private sector business survey and is based on the responses of over 7,300 businesses in Q1 2017.

The results show the manufacturing and services sector are reporting solid growth, with both experiencing increases in domestic and export sales since previous quarter.

The survey shows the manufacturing sector performing strongly in the first quarter of the year, particularly in the exports market, with the number of firms reporting improved sales and orders higher than in previous quarters. However, the rising cost of overheads and raw materials are presenting as a risk to medium term growth.

Although the performance of the services sector has not returned to historic trend levels, it is improving from its decline in the two quarters immediately following the EU referendum.

The results of the survey found that businesses are continuing to feel inflationary pressures. The percentage of manufacturers reporting raw materials as the key driver of increased prices is at the highest since Q4 2011, and in both sectors a significant proportion of firms anticipate having to raise their own prices over the next three months.

The findings indicate that while confidence in turnover and profitability is improving, investment intentions remain low.

More businesses have increased their employment expectations, although both

sectors are being hampered by recruitment difficulties.

Key findings in the Q1 2017 survey:

- Overall, the figures for both sectors indicate continued expansion. While the services sector has not yet returned to historic trend levels, it is moving towards it
- The percentage balance of manufacturing firms expecting the price of their goods to increase over the next three months remains at historic highs, despite falling slightly from last quarter from +52% to +47%. In the services sector, the balance of firms expecting prices to rise increased from +30% to +32%
- 76% of manufacturers report an increase in the price of raw materials, while this held steady for services at 17%. 38% of manufacturers report an increase in the cost of other overheads (up from 23%), while 28% of services did (up from 24%)
- In the manufacturing sector, the balance for firms reporting increased domestic sales rose from +15% to +20%, and orders rose from +7% to +16%. The balance of firms reporting improved export sales rose from +16% to +26%, and the balance of export orders was up from +13% to +22%
- In the services sector, the balance of firms reporting improved domestic sales rose from +15% to +22%, and orders from +13% to +19%. Exports remained broadly steady, with the balance for sales rising from +8% to +10%, and export orders falling slightly from +6% to +5%.

Analysis

Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

“Businesses in the Humber are determined to use the benefits of offshore renewables growth and Hull City of Culture 2017 to make the Humber the “power” in the Northern Powerhouse.

“So it is pleasing to see international trade making good progress in the Humber in the first quarter of 2017, as businesses simply get on with what they do best.

“The domestic market is a little quieter, but with recruitment performing well, and turnover and profit expectations adopting a positive stance, 2017 has got off to a solid start.

“We hope the local economy’s good progress in Q1 continues in the coming months and helps to create more jobs and prosperity”.

The National View

British Chambers of Commerce

“Our latest survey suggests that the UK economy put in a solid performance in the first quarter of the year, with businesses remaining resilient.

“The services sector continues to rebound from its initial shock in the months immediately after the EU referendum, and while growth has not yet returned to historic levels, it remains a key driver of the UK economy.

“Manufacturers’ export sales are at their highest levels in recent years, with the decline in Sterling and an improving outlook for the global economy helping a number of firms who export. However, if the sector is to sustain this growth in the long-term, there must be action on the difficulties facing it, including chronic underinvestment in the UK’s infrastructure and shortages in the labour market.

“Inflation is a key risk to the UK’s growth prospects, with businesses having to manage rising costs and the pressure to raise their prices. If higher inflation squeezes consumer spending as we expect, the current strength in business activity may not be enough to prevent a period of more muted economic growth.”

Results in full

		2016				2017
		Q1	Q2	Q3	Q4	Q1

Home sales ²			2016				2017
			Q1	Q2	Q3	Q4	Q1
Home sales ²	Increased		30	44	22	31	29
	Constant		46	38	44	42	56
	Decreased		25	18	35	27	15
	Balance		5	26	-13	4	14

Home orders ²			2016				2017
			Q1	Q2	Q3	Q4	Q1
Home orders ²	Increased		27	36	20	27	22
	Constant		53	40	45	51	59
	Decreased		20	24	35	22	19
	Balance		7	12	-15	5	3

Export sales ²			2016				2017
			Q1	Q2	Q3	Q4	Q1
Export sales ²	Increased		21	28	14	15	44
	Constant		42	56	69	65	50
	Decreased		37	17	17	20	6
	Balance		-16	11	-3	-5	38

Export orders ²			2016				2017
			Q1	Q2	Q3	Q4	Q1
Export orders ²	Increased		11	20	14	20	44
	Constant		53	66	66	65	50
	Decreased		37	14	21	15	6
	Balance		-16	6	-7	5	38

Workforce ²			2016				2017
			Q1	Q2	Q3	Q4	Q1
Workforce ²	Increased		11	25	18	13	29
	Constant		53	58	67	74	54
	Decreased		37	18	16	13	17
	Balance		-26	7	2	0	12

Workforce expectations ³			2016				2017
			Q1	Q2	Q3	Q4	Q1
Workforce expectations ³	Increase		13	24	18	21	29
	Constant		72	66	63	65	60
	Decrease		15	10	19	13	11
	Balance		-2	14	-1	8	18

Recruited staff ²			2016				2017
			Q1	Q2	Q3	Q4	Q1
Recruited staff ²	Yes		58	70	59	66	79
	- Part time		33	22	24	30	33
	- Full time		67	78	76	70	67
	- Temporary		38	57	35	22	42
	- Permanent		62	43	65	78	58
	No		54	30	41	44	22

Recruitment difficulties ²			2016				2017
			Q1	Q2	Q3	Q4	Q1
Recruitment difficulties ²	Yes		48	56	49	60	56
	- Skilled manual		26	27	31	31	54
	- Management		40	30	38	38	43
	- Clerical		9	20	6	14	7
	- Unskilled/semi-skilled		20	21	28	14	14
	No		48	44	51	40	14

		2016				2017
		Q1	Q2	Q3	Q4	Q1

Cashflow ²			2016				2017
			Q1	Q2	Q3	Q4	Q1
Cashflow ²	Increased		18	27	18	22	23
	Constant		49	54	45	48	49
	Decreased		33	19	36	30	29
	Balance		-15	8	-18	-8	-6

Investment: Plant/machinery ²			2016				2017
			Q1	Q2	Q3	Q4	Q1
Investment: Plant/machinery ²	Increased		17	27	20	13	11
	Constant		53	53	48	60	57
	Decreased		29	20	32	28	31
	Balance		-12	7	-12	-15	-20

Investment: Training ²			2016				2017
			Q1	Q2	Q3	Q4	Q1
Investment: Training ²	Increased		19	25	14	8	14
	Constant		53	60	68	67	77
	Decreased		28	15	18	25	9
	Balance		-9	10	-4	-17	5

Turnover expectations ⁴			2016				2017
			Q1	Q2	Q3	Q4	Q1
Turnover expectations ⁴	Improve		38	53	51	44	56
	Same		38	30	18	30	33
	Worsen		30	18	32	25	11
	Balance		2	35	19	18	45

Profit expectations ⁴			2016				2017
			Q1	Q2	Q3	Q4	Q1
Profit expectations ⁴	Improve		32	50	38	37	47
	Same		38	26	27	20	22
	Worsen		30	24	36	43	31
	Balance		2	26	2	-6	16

Capacity utilisation ¹			2016				2017
			Q1	Q2	Q3	Q4	Q1
Capacity utilisation ¹	Full capacity		22	36	23	35	39
	Below capacity		78	64	77	65	61

Prices ³			2016				2017
			Q1	Q2	Q3	Q4	Q1
Prices ³	Increased		28	23	46	55	53
	Constant		60	70	44	41	44
	Decreased		12	6	11	4	3
	Balance		16	15	35	51	50

Price pressures ¹			2016				2017
			Q1	Q2	Q3	Q4	Q1
Price pressures ¹	Pay settlements		31	22	23	25	36
	Raw materials		16	21	26	20	44
	Finance		13	15	9	15	14
	Other overheads		36	33	33	36	39

External concerns ¹			2016				2017
			Q1	Q2	Q3	Q4	Q1
External concerns ¹	Interest rates		10	14	9	13	3
	Exchange rates		21	22	53	32	29
	Business rates		18	20	14	8	25
	Inflation		38	46	28	34	39
	Competition		33	26	18	17	31
	Tax		3	16	25	25	17

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