



Quarterly Economic Survey

Quarter 4, 2020

www.hull-humber-chamber.co.uk

Overview

Third lockdown set to hit progress in Q4

JUST as the Humber economy was getting back onto its feet, the Government announced another national lockdown on January 4th, which put many businesses under renewed pressure, not just to make ends meet, but in some cases, simply to survive the next few months.

However, with the vaccine programme gathering pace, and a new package of Government support measures announced by Chancellor of the Exchequer Rishi Sunak, there was at least some light at the end of what has seemed like a very long tunnel.

Research by the Hull & Humber Chamber of Commerce in Quarter 4, the survey being conducted between November 2nd and 23rd, revealed the domestic market was making a recovery, with Home Sales increasing with the balance figure rising by 23 points.

Home Orders were also on the up, with the balance figure rising by 19 points to a balance figure of -6.

Export Sales dropped slightly as the Brexit negotiations edged towards a climax, with the balance figure falling a further 8 points to -55, while Export Orders also dropped slightly, with the balance figure falling three points to -50.

Employment prospects improved slightly in the last three months with more firms taking on staff, the balance figure rising by 11 points, while the outlook for the next three months looked more positive, with the balance figure climbing

back into positive territory at 6 points, an increase of 14.

Recruitment in the last three months was also up with more firms looking to take on staff, a trend that was set to continue into the first quarter of 2021, but with the new lockdown, that may now change.

Full-time and temporary jobs were mostly available, while some part-time and temporary positions were also available.

Skilled manual and management positions were the most difficult roles to find suitable candidates for this quarter.

There was a sharp increase in the number of firms reporting an increase in cashflow in the last three months, with the balance figure rising by 50 points to 19.

Investment plans were also being looked at again, with 14% more firms considering investing in new equipment.

Training investment was also up, with a 23 point rise in those companies looking to train their staff.

In a sign of optimism, turnover and profit expectations both showed expected increases in the next 12 months, although more firms expected to see their prices increase, with the balance figure rising by 24 points to 23.

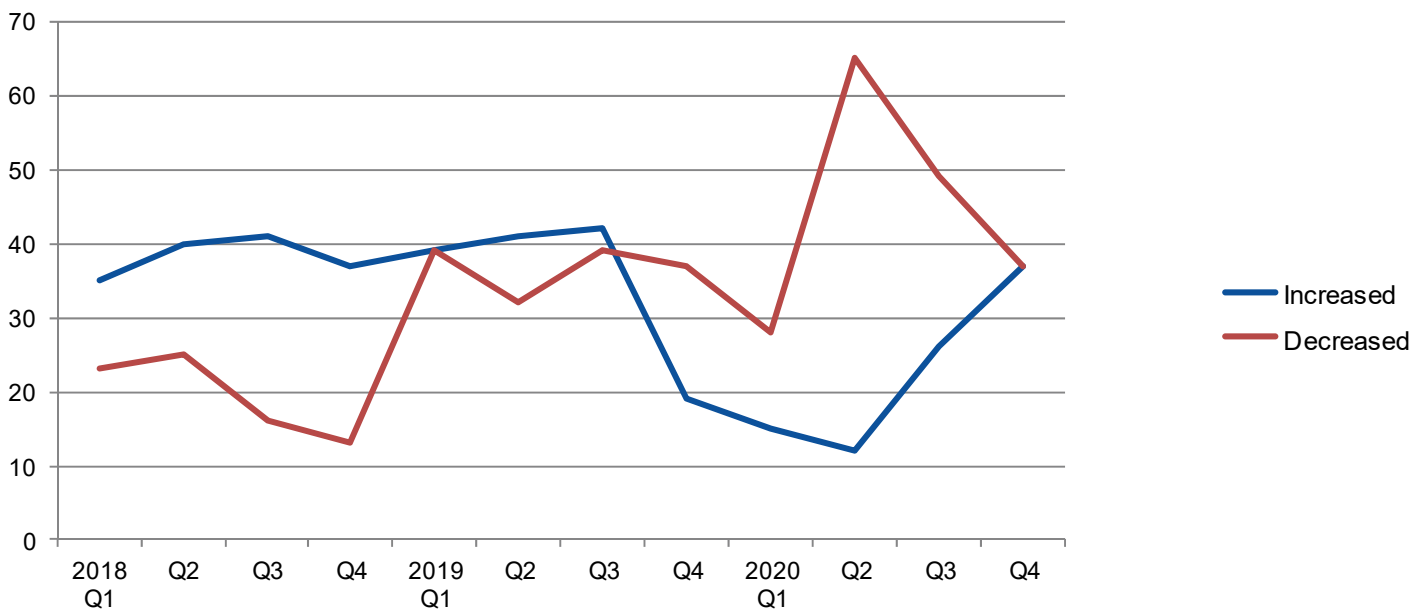
Overheads and finance were the biggest price pressures this quarter, while competition and tax were the biggest external concerns.

Key balances

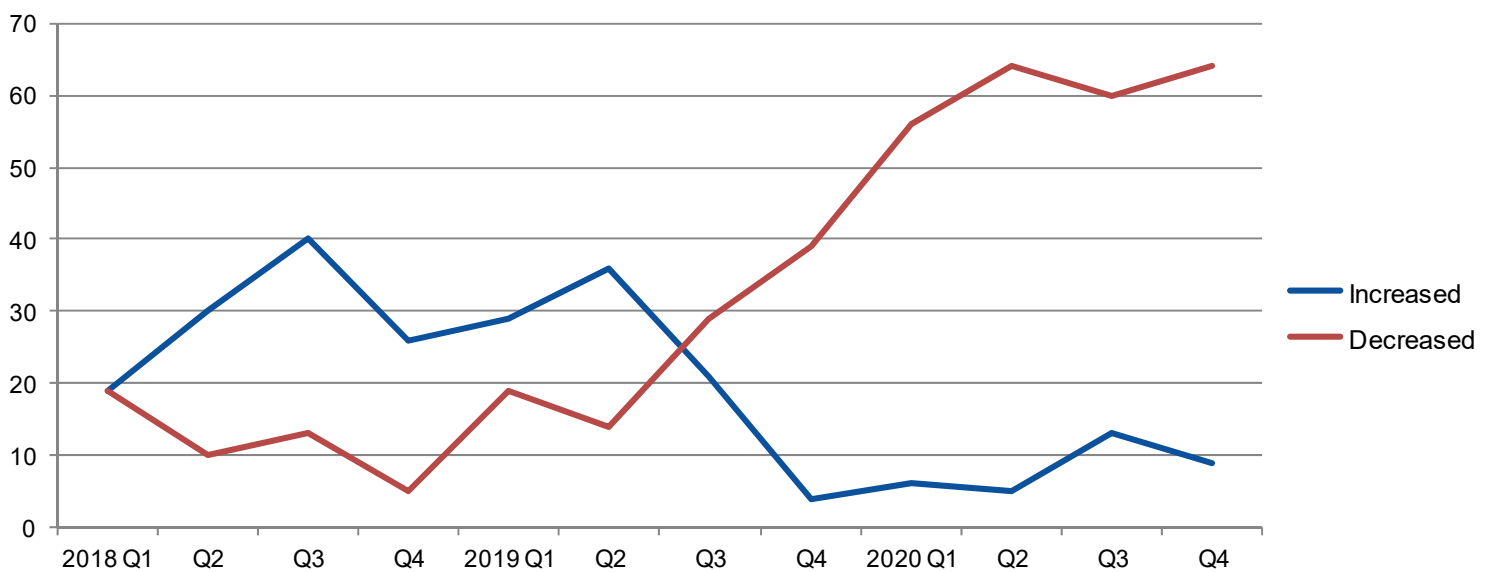
- ➔ Home sales up 13 points to +23.
- ➔ Home orders up 19 points to -6.
- ➔ Export Sales down 8 points to -55.
- ➔ Export Orders down 3 points to -50.
- ➔ Employment up 11 points to -17.
- ➔ Expected Employment up 14 points to 6.
- ➔ Cashflow up 50 points to 19.
- ➔ Plant and machinery up 14 points to -12.
- ➔ Training plans up 23 points to 6.
- ➔ Turnover expectations up 16 points to 8.
- ➔ Profit expectations up 13 points to 2.
- ➔ Prices up 24 points to 23.

Key indicators

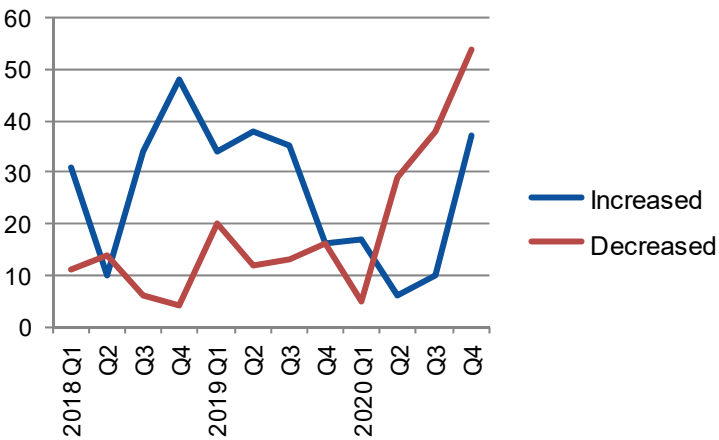
Home sales



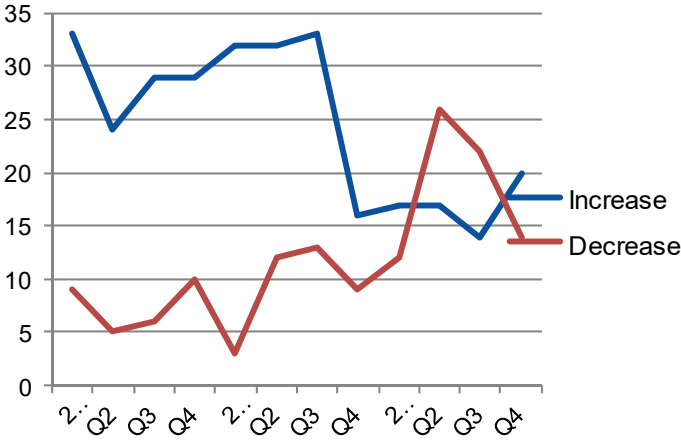
Export sales



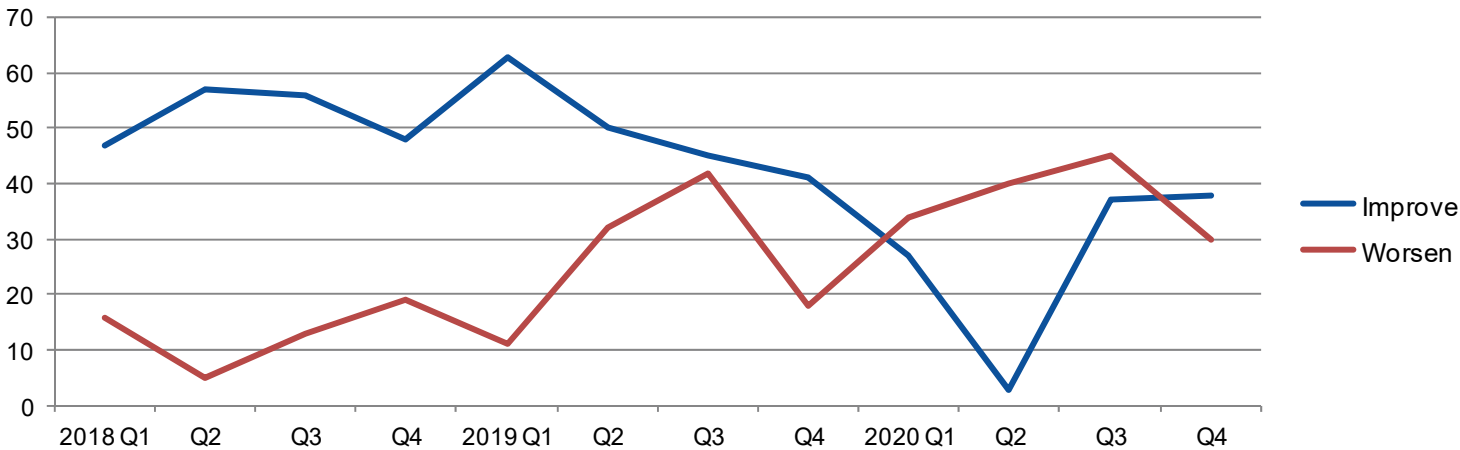
Employment



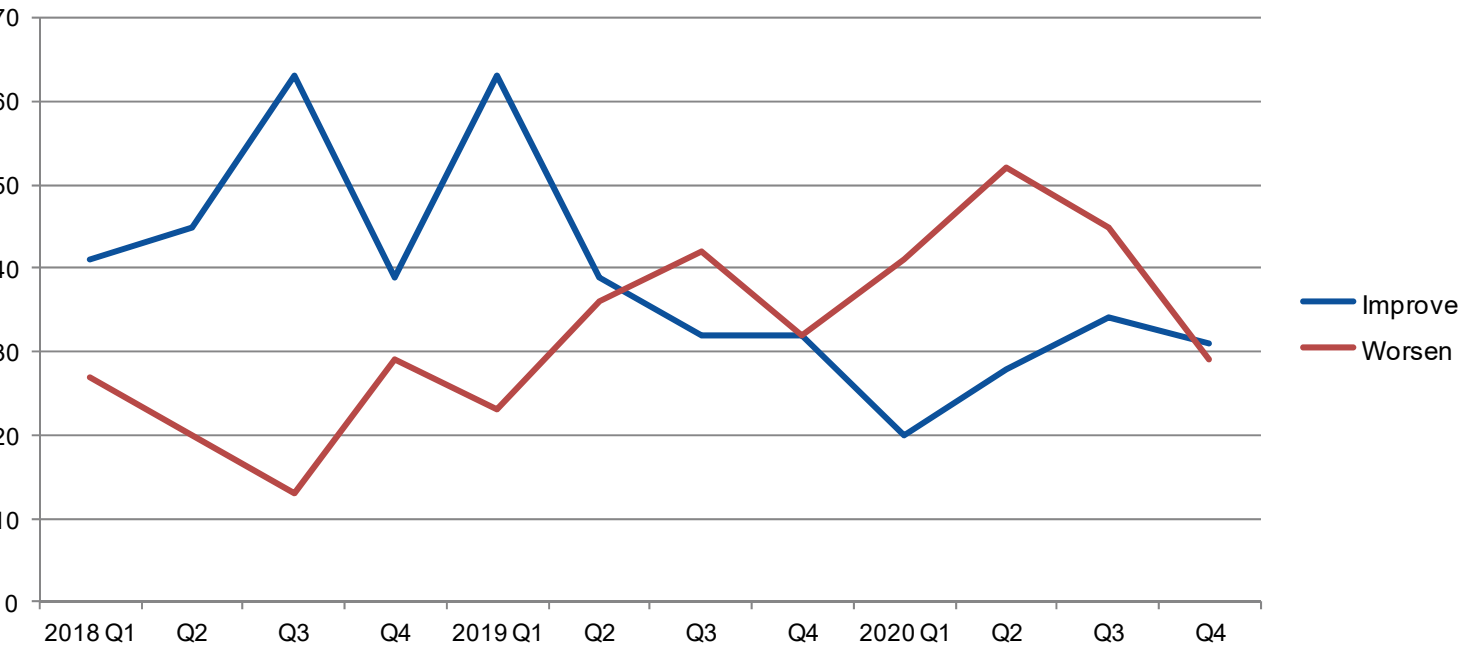
Employment expectations



Turnover expectations

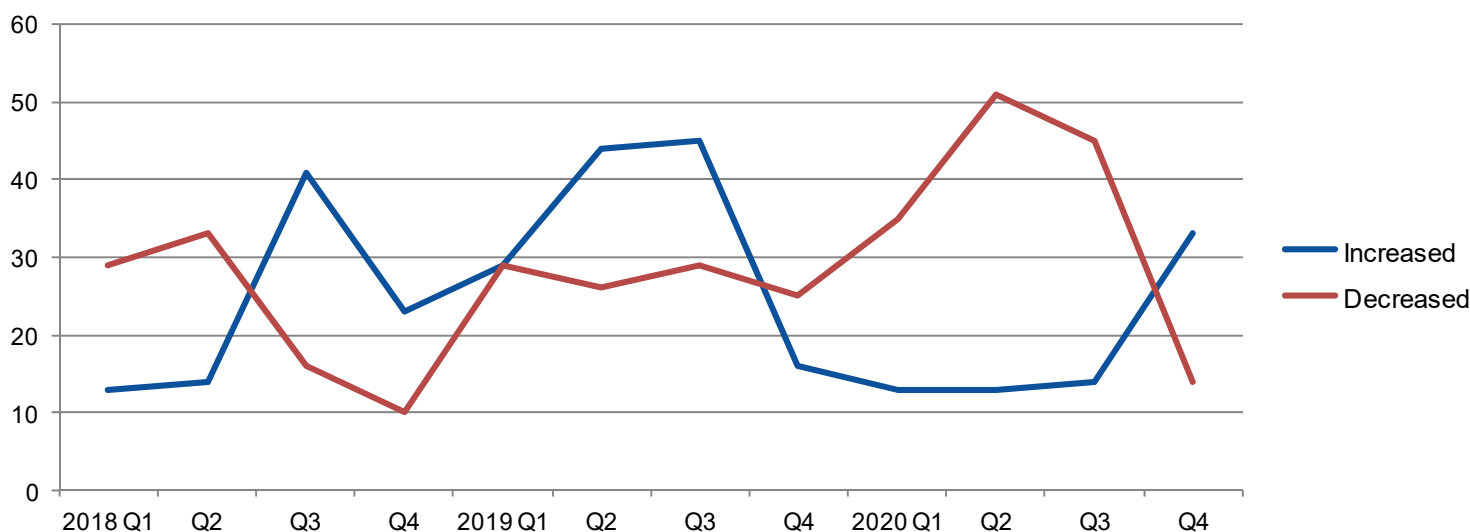


Profit expectations



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

Business conditions are weak for most firms

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 British Chambers of Commerce's Quarterly Economic Survey (QES) – the UK's largest independent survey of business sentiment and a leading indicator of UK GDP growth – found that business conditions remained weak in the fourth quarter as the second lockdown squeezed activity.

The bellwethersurvey of 6,203 firms, which employ nearly a million people across the UK, revealed that there was no fundamental improvement in the key indicators in Q4 and they remain well below pre-crisis levels. 95% of respondents were SMEs.

Key findings:

- Following the sharpest decline in the history of the QES in Q2 2020, all the key indicators in Q4 remained substantially worse than pre-pandemic levels
- 79% of hotels and catering firms reported a decrease in domestic sales in Q4, worsening from 66% in Q3
- Cash flow, a key indicator of business health, continued to deteriorate for 43% of firms overall. For hotels and catering firms, 77% report a decrease.

Overall, indicators remained weak in Q4, with only moderate improvement compared to Q3 and still well below the pre-Covid 19 trend.

- Nearly half of firms (43%) reported decreases in domestic sales, broadly unchanged from 46% in Q3
- 26% of firms reported an increase in domestic sales. 30% reported no change

- 45% of firms reported a decrease in domestic orders, while 33% report no change, and 22% report an increase
- 38% of firms reported decreases in export sales, down slightly from 45% in Q3 but still substantially worse than pre-pandemic levels, where only around 20% of firms reported a decrease
- Nearly a quarter (22%) of firms reported increases in export sales, up from 16% in Q3

Business to consumer (B2C) firms saw the largest falls in domestic sales in the quarter. Over three quarters (79%) of respondents in the hospitality and catering sectors reported decreases, compared to 66% in Q3. It is moving back toward Q2 levels (94%), underlining the impact that lockdowns and forced closures have had on demand.

However, the survey revealed that sectors which have continued their operations through the pandemic, and/or shifted their operating models to remote working, also have a higher proportion of firms reporting decreased sales. For instance, 53% of transport and distribution firms, and 44% of marketing/media firms reported decreases in sales, well above pre-pandemic levels of 29% and 23% reporting decreases in Q1 2020, respectively.

In the manufacturing sector, the balance of firms reporting increased domestic sales increased to -9% in Q4 2020, up from -15% in Q3 2020. The balance of firms reporting increased export sales increased to -8% from -26% in Q3.

Analysis

Dr Ian Kelly

Chief Executive

Hull & Humber Chamber of Commerce

“It is most unfortunate that the UK has had to go back into lockdown in the first quarter just as our local economy appears to have been rebooting for 2021.

“This is undoubtedly going to be a difficult few months for businesses of all shapes and sizes, and especially those grappling with the changes brought about by Brexit.

“The Chamber’s International Trade Director and her team are offering support for them and they can be contacted by emailing help@globalhumber.co.uk

“We are pleased to see the Chancellor has been quick to provide support for businesses which will be grateful for it and will rely on it to keep going.

“With the mass vaccination programme now underway, we can only hope that this will be the last lockdown we will have to endure before we can all get back to some kind of normality and doing what we’re good at — building our businesses and growing the Humber’s economy!”

The National View

British Chambers of Commerce

“Our findings demonstrate that businesses across the UK face a difficult and uncertain year ahead in 2021. The announcement of another major lockdown across all four nations of the UK will compound the gloom for many.

“As we start 2021, governments across the UK should be pulling out all the stops to ensure support for businesses is commensurate with the restrictions in place. Both the pandemic and government restrictions continue to hit firms hard, and many are grappling with a difficult period of adjustment to new trading conditions following the end of the Brexit transition period.

“The current drip-feed approach to business support measures is too short term and leaves businesses unable to plan. Ministers must set out, now, what additional steps they will take to underpin business cash flow and help viable firms preserve livelihoods until a full reopening of the economy is possible. They should be boosting confidence by extending tax holidays and key support schemes that are due to expire over the coming weeks.

“As we look to the future, our findings demonstrate that big investment incentives are also needed. Prosperity and success depend on businesses, both domestic and international, having the confidence to invest here in the UK for the long term.

Results in full

		2019		2020		
		Q4	Q1	Q2	Q3	Q4

Home sales ²			2019		2020		
			Q4	Q1	Q2	Q3	Q4
Increased			19	15	12	26	13
Constant			44	58	24	25	26
Decreased			37	28	65	49	37
Balance			-18	-13	-53	-23	0

Home orders ²			2019		2020		
			Q4	Q1	Q2	Q3	Q4
Increased			17	11	7	19	36
Constant			39	54	25	37	21
Decreased			44	34	67	44	42
Balance			-27	-23	60	-25	-6

Export sales ²			2019		2020		
			Q4	Q1	Q2	Q3	Q4
Increased			4	6	5	13	9
Constant			57	39	32	27	27
Decreased			39	56	64	60	64
Balance			-35	-50	-59	-47	-55

Export orders ²			2019		2020		
			Q4	Q1	Q2	Q3	Q4
Increased			9	6	5	13	17
Constant			55	39	32	27	17
Decreased			36	56	64	60	67
Balance			-27	50	-59	-47	-50

Workforce ²			2019		2020		
			Q4	Q1	Q2	Q3	Q4
Increased			16	17	6	10	37
Constant			68	78	65	53	16
Decreased			16	5	29	38	54
Balance			0	12	-23	-28	-17

Workforce expectations ³			2019		2020		
			Q4	Q1	Q2	Q3	Q4
Increase			16	17	17	14	20
Constant			74	71	57	64	66
Decrease			9	12	26	22	14
Balance			7	5	-9	-8	6

Recruited staff ²			2019		2020		
			Q4	Q1	Q2	Q3	Q4
Yes			51	44	19	32	57
- Part time			19	25	14	23	15
- Full time			81	88	71	73	70
- Temporary			14	13	21	23	20
- Permanent			33	50	29	27	15
No			49	56	81	68	43

Recruitment difficulties ²			2019		2020		
			Q4	Q1	Q2	Q3	Q4
Yes			73	61	62	78	71
- Skilled manual			27	18	44	28	40
- Management			47	45	22	50	40
- Clerical			27	27	0	11	20
- Unskilled/semi-skilled			27	45	44	22	27
No			27	39	38	22	29

		2019		2020		
		Q4	Q1	Q2	Q3	Q4

Cashflow ²			2019		2020		
			Q4	Q1	Q2	Q3	Q4
Increased			16	13	13	14	33
Constant			59	53	36	41	53
Decreased			25	35	51	45	14
Balance			-9	-22	-38	-31	19

Investment: Plant/machinery ²			2019		2020		
			Q4	Q1	Q2	Q3	Q4
Increased			13	8	12	15	26
Constant			56	62	40	44	35
Decreased			31	30	49	41	38
Balance			-18	-22	-37	-26	-12

Investment: Training ²			2019		2020		
			Q4	Q1	Q2	Q3	Q4
Increased			21	23	12	9	32
Constant			64	54	40	65	41
Decreased			14	23	49	26	26
Balance			7	0	-37	-17	6

Turnover expectations ⁴			2019		2020		
			Q4	Q1	Q2	Q3	Q4
Improve			41	27	3	37	38
Same			41	39	57	18	32
Worsen			18	34	40	45	30
Balance			23	-7	-37	-8	8

Profit expectations ⁴			2019		2020		
			Q4	Q1	Q2	Q3	Q4
Improve			32	20	28	34	31
Same			36	39	20	21	40
Worsen			32	41	52	45	29
Balance			0	-21	-24	-11	2

Capacity utilisation ¹			2019		2020		
			Q4	Q1	Q2	Q3	Q4
Full capacity			30	28	24	27	38
Below capacity			70	73	76	73	62

Prices ³			2019		2020		
			Q4	Q1	Q2	Q3	Q4
Increased			47	68	17	20	34
Constant			47	28	61	59	54
Decreased			7	5	21	21	11
Balance			40	63	-4	-1	23

Price pressures ¹			2019		2020		
			Q4	Q1	Q2	Q3	Q4
Pay settlements			34	37	11	18	21
Raw materials			19	30	34	32	32
Finance			19	37	18	21	5
Other overheads			88	53	74	71	84

External concerns ¹			2019		2020		
			Q4	Q1	Q2	Q3	Q4
Interest rates			14	16	9	13	7
Exchange rates			31	25	24	34	17
Business rates			37	31	29	25	27
Inflation			23	28	29	25	27
Competition			37	44	40	57	40
Tax			37	34	44	43	63

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