



# Quarterly Economic Survey

Quarter 4, 2021

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

# Overview

## Humber firms fear inflationary pressures

THE Quarter 3 results saw Humber business pull back from the enthusiasm seen as we came out of lockdown in mid 2021, but as we moved towards the end of the year and facing new challenges around Covid-19, how were companies coping?

Research by the Hull & Humber Chamber of Commerce has revealed that while the domestic scene was still challenging, imports and exports had improved slightly.

However, there was increasing concern about the outlook for 2022, with external concerns focused around rising interest rates, inflation and competition.

Pressure on prices were also on the up, with the biggest concerns among firms being increasing overheads.

As the cost of living increases pay settlements were a greater concern in this survey's results for employers, and more businesses said they were concerned about accessing finance, but the cost of raw materials was less of a concern in this quarter.

Home Sales were down 11 points to 17, while Home Orders also dropped this quarter, down 15 points to 9 points.

Exporters were having a slightly better quarter and businesses became more used to the new trading arrangements, with the Export Sales balance figure up 29 points and back in positive territory, while the balance figure for Export Orders also returned to positive territory at 11 points, a rise of 18 points.

Employment in the last three months was fairly steady with a balance figure of 0, while the number of firms expecting to hire new staff in the next three months rose from 24 points to 36.

Full-time permanent jobs were the most difficult to find suitable candidates for, with managerial and clerical roles proving to be the most difficult to fill. There was less demand for part-time or temporary employees this quarter.

More businesses were looking to invest in training which was up two points to 15, while investment in Plant and Machinery dropped slightly.

Turnover and profit expectations for the coming months were also well down this quarter, with turnover expectations dropping by 12 points to 24.

Profit Expectations also took a tumble, dropping by 20 points down to a balance figure of 2 as the more difficult market conditions continued to take their toll on Humber businesses.

Cashflow, however, fared slightly better, rising by 11 points to a balance figure of 8 points.

With only 37 per cent of firms reporting that they were working at full capacity, it was a clear signal that many businesses are just ticking over at the moment and hoping for a better 2022.

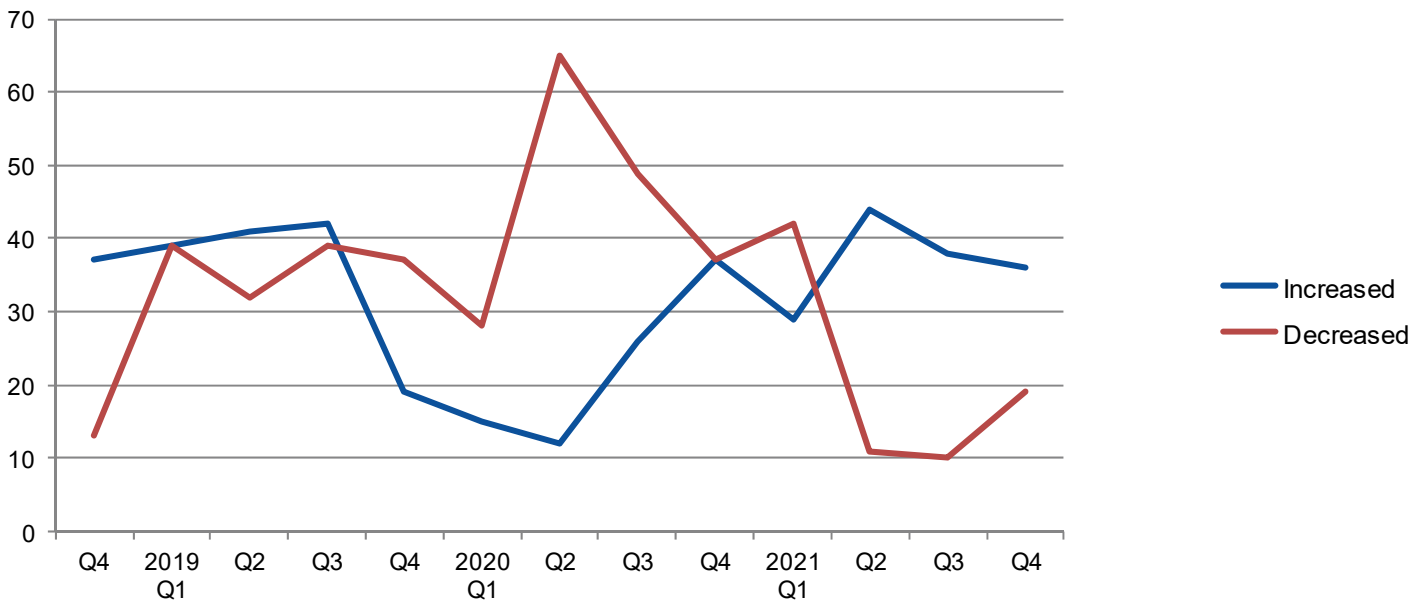
As the New Year unfolds, it is apparent businesses are facing many challenges and are concerned about the inflationary pressures as costs rise across the board.

### Key balances

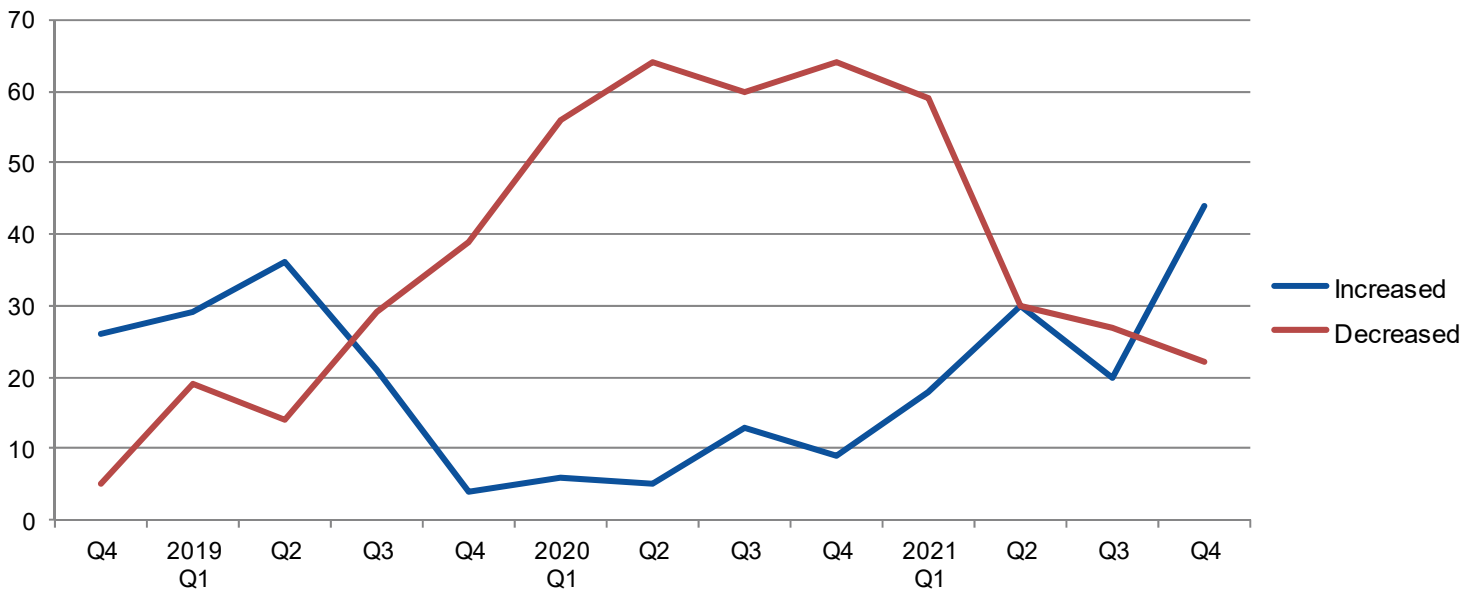
- ➔ Home Sales was down 11 points to 17.
- ➔ Home Orders was down 15 points to 9.
- ➔ Export Sales were up 29 points to 22.
- ➔ Export Orders were up 18 points to 11.
- ➔ Employment was static with a balance figure of zero.
- ➔ Expected employment was up 24 points to 36.
- ➔ Cashflow was up 11 points to 8.
- ➔ Investment was down 1 point to 3.
- ➔ Training was up two points to 15.
- ➔ Turnover Expectations were down 12 points to 24.
- ➔ Profit expectations were down 20 points to 2.

# Key indicators

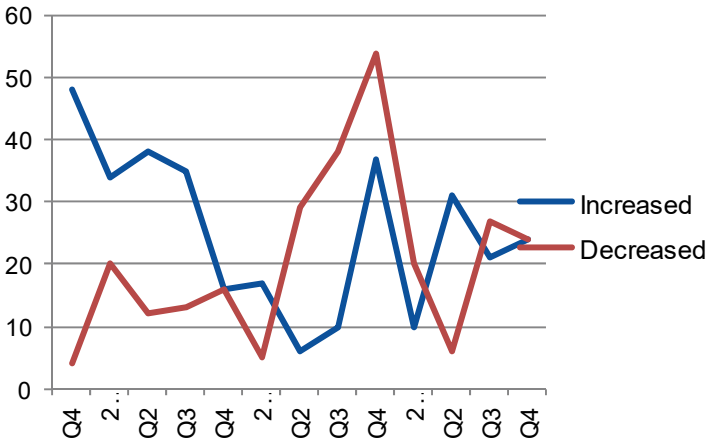
## Home sales



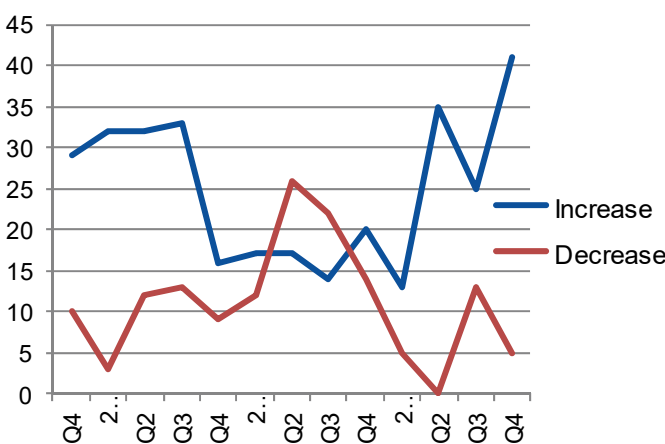
## Export sales



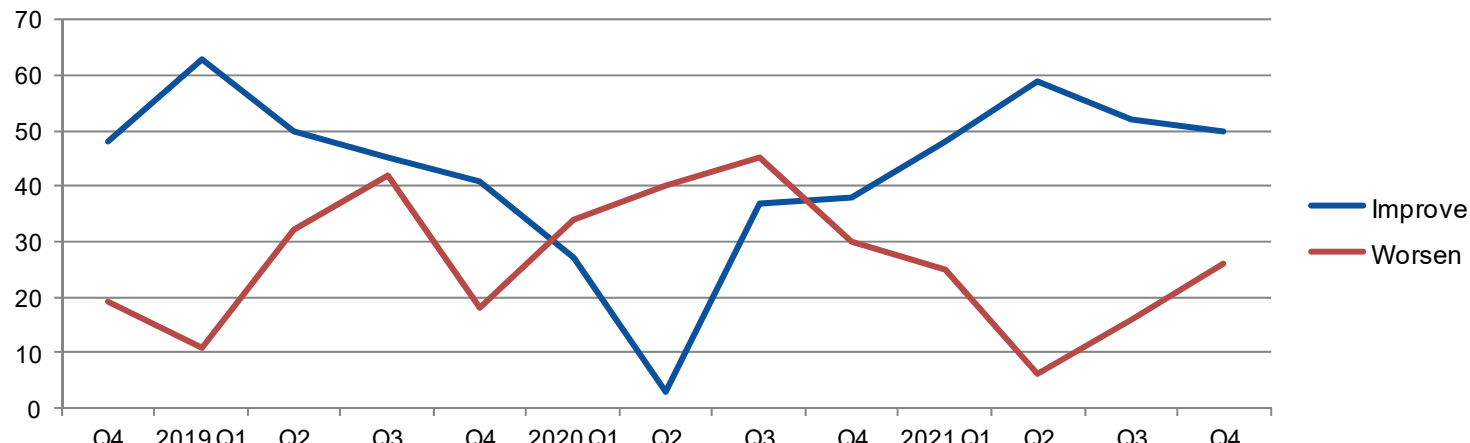
### Employment



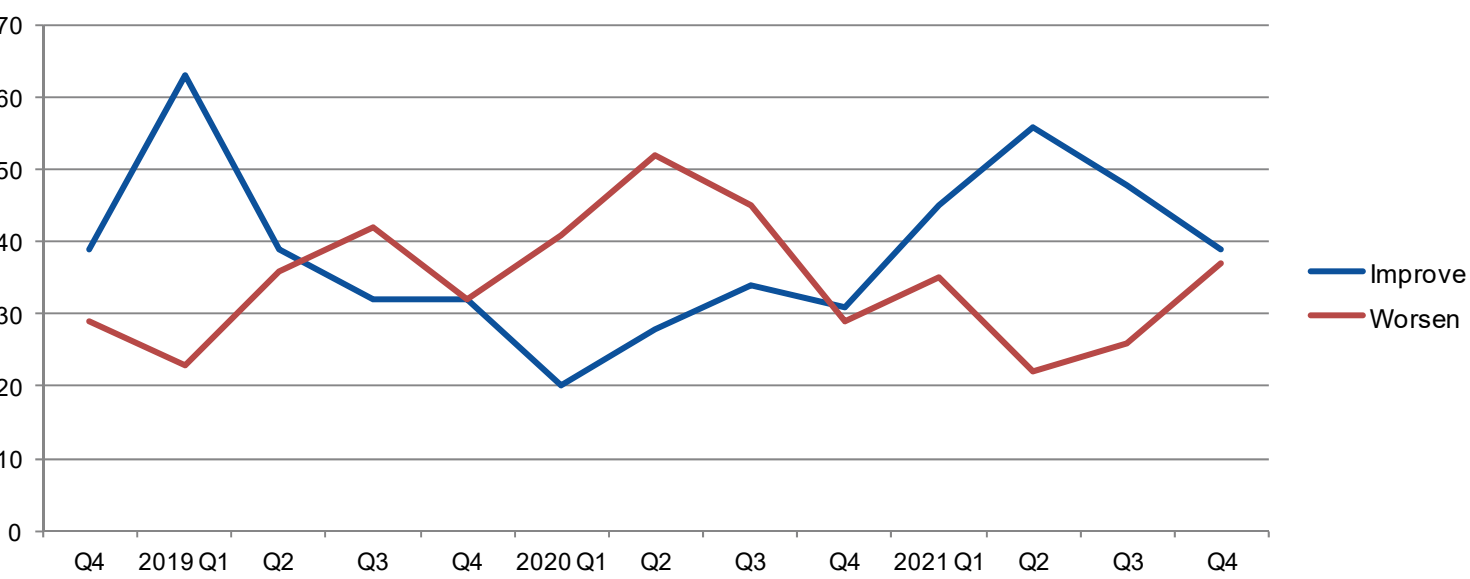
### Employment expectations



### Turnover expectations

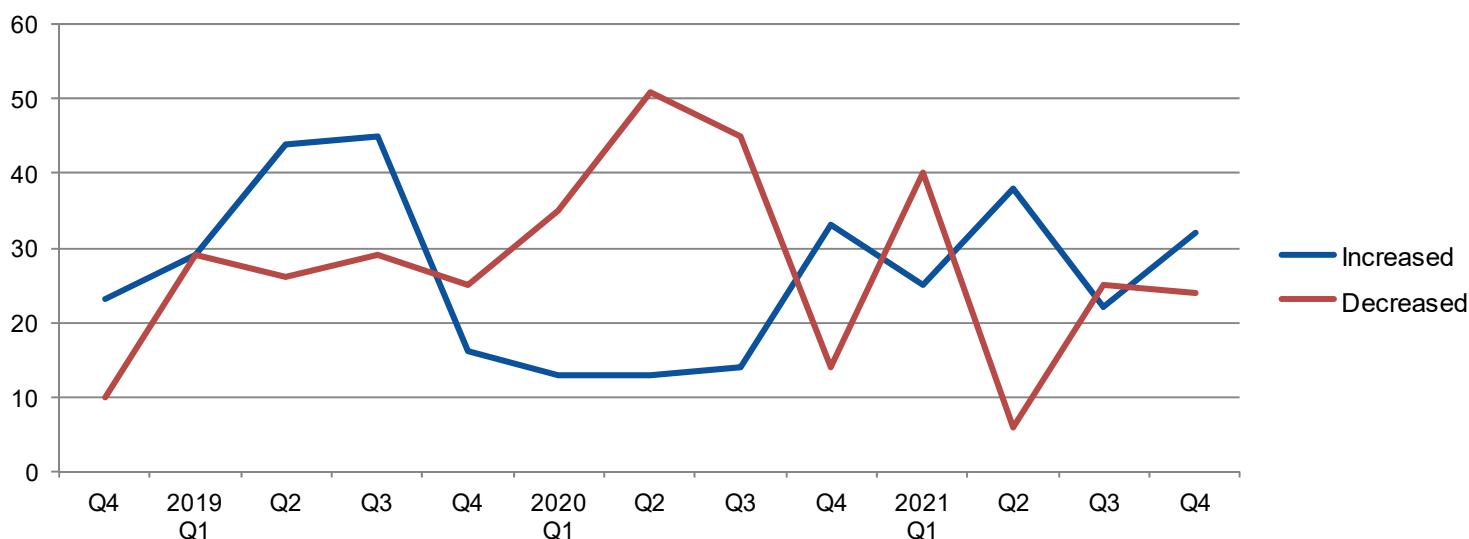


### Profit expectations



## 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

## Recovery weakening as inflation worries soar

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

THE BCC's Quarterly Economic Survey (QES) – the UK's largest independent survey of business sentiment and a leading indicator of UK GDP growth – has shown that the recovery stalled in the fourth quarter, with firms facing unprecedented inflationary pressures.

The survey of almost 5,500 firms showed that some indicators also revealed a continued stagnation in the proportion of firms reporting improved cashflow and increased investment. Inflation is the top issue for firms, while a rise in the interest rate was also a cause for concern for many.

45% of respondents overall reported increased domestic sales in Q4, down from 47% in Q3. 16% reported a decrease, unchanged from Q3.

In the services sector, the balance of firms reporting increased domestic sales dropped to +26% in Q4, from +31% in Q3.

In the manufacturing sector, the balance of firms reporting increased domestic sales was +22% in Q4, down from +28 in Q3.

Prior to the surge in Omicron infections, hotels and catering had been most likely to report increased domestic sales (55%). This represented the beginning of a potential recovery as the sector was also the most likely to report decreased sales throughout the rest of the pandemic.

94% reported decreased sales and cash flow at the start of the pandemic in Q2 2020. Worryingly, a similar decline is now possible in the face of the Omicron variant and the implementation of Plan B which led to new restrictions for some.

58% of firms expect their prices to increase in the next three months, the highest on record. Only 1% expected a decrease.

The percentage expecting an increase rises dramatically to 77% for production and manufacturing firms, 74% for retailers and wholesalers,

72% for construction firms, and 69% for transport and distribution firms. These are the highest on record.

When asked whether firms were facing pressures to raise prices from the following factors, 94% of manufacturers cited raw materials, 49% cited other overheads, 30% cited pay settlements, and 13% cited finance costs.

When asked what was more of a concern to their business than three months ago, 66% of firms overall cited inflation (compared to 52% in Q3 and 25% in Q4 2020), the highest on record. For production and manufacturing firms, this rises to 75%.

Concerns over higher interest rates rise sharply. The percentage citing interest rates as a concern rose in the quarter. 1 in 4 firms (27%) reported interest rates as a concern, up from 19% in Q3.

The percentage mentioning interest rates as worry among manufacturers stood at 28% in Q4, the highest seen since the metric was first collected in Q4 2009 and up from 21% in Q3.

The percentage citing interest rates a concern among service sector firms stood at 29% in Q4, the highest seen since Q3 2014 and up from 22% in Q3.

For firms overall, 31% reported an increase to cash flow, while 46% reported no change and 23% reported a decrease.

Given these figures were reported before the full impact of Omicron and the introduction of Plan B, this metric is a cause for concern, as some firms are struggling to recover from large scale losses incurred since the start of the pandemic.

Investment in plant, machinery, or equipment also continued to flatline in Q4, with 29% overall reporting an increase, while 60% reported no change.

# Analysis

## David Hooper

External Affairs Director

Hull & Humber Chamber of Commerce

“These results for Quarter 4 of 2021 clearly demonstrate the concerns felt by Humber businesses as inflationary pressures take a firm hold.

High fuel prices, rising energy prices, and the first increase in the interest rate for 10 years all add to the burden of business already struggling to recover from the pandemic.

The New Year is certainly going to be a challenging one for many, as they struggle to plan ahead with the added uncertainty around the continuing Covid-19 crisis which is currently leading to staff absences and sickness.

“Hopefully, as we move towards Spring, things may begin to improve on at least some of these fronts”.

[Click here for more information.](#)

## The National View

British Chambers of Commerce

“Our latest survey suggests that UK’s economic recovery slowed in the final quarter of 2021 as mounting headwinds increasingly limited the key indicators of activity.

“The persistent weakness in cash flow is troubling because it leaves businesses more exposed to the economic impact of Omicron, rising inflation and potential further restrictions.

“The record rise in price pressures suggests that a substantial inflationary surge is likely in the coming months. Rising raw material costs, higher energy prices and the reversal of the VAT reduction for hospitality are likely to push inflation above 6% by April.

“The notable uptick in concerns over higher interest rates underscores the need for the Bank of England to proceed with caution on further rate rises to avoid undermining confidence and an already fragile recovery.

“The UK economy is starting 2022 facing some key challenges. The renewed reluctance among consumers to spend and staff shortages triggered by the Omicron variant and Plan B may mean that UK GDP falls in the near term, particularly if more restrictions are needed.

“Rising inflation is likely to weaken the UK’s growth prospects this year by eroding consumers’ spending power and squeezing firms’ profit margins and ability to invest.”

# Results in full

		2021				
		Q4	Q1	Q2	Q3	Q4
Home sales <sup>2</sup>	Increased	13	29	44	38	36
	Constant	26	29	44	52	44
	Decreased	37	42	11	10	19
	<b>Balance</b>	<b>0</b>	<b>-13</b>	<b>33</b>	<b>28</b>	<b>17</b>

Home orders <sup>2</sup>	Increased	36	19	50	38	31
	Constant	21	38	39	48	47
	Decreased	42	43	11	14	22
	<b>Balance</b>	<b>-6</b>	<b>-24</b>	<b>39</b>	<b>24</b>	<b>9</b>

Export sales <sup>2</sup>	Increased	9	18	30	20	44
	Constant	27	23	40	53	33
	Decreased	64	59	30	27	22
	<b>Balance</b>	<b>-55</b>	<b>-41</b>	<b>0</b>	<b>-7</b>	<b>22</b>

Export orders <sup>2</sup>	Increased	17	19	30	20	35
	Constant	17	24	40	53	41
	Decreased	67	57	30	27	24
	<b>Balance</b>	<b>-50</b>	<b>-38</b>	<b>0</b>	<b>-7</b>	<b>11</b>

Workforce <sup>2</sup>	Increased	37	10	31	21	24
	Constant	16	70	63	52	53
	Decreased	54	20	6	27	24
	<b>Balance</b>	<b>-17</b>	<b>-10</b>	<b>25</b>	<b>-6</b>	<b>0</b>

Workforce expectations <sup>3</sup>	Increase	20	13	35	25	41
	Constant	66	82	65	63	54
	Decrease	14	5	0	13	5
	<b>Balance</b>	<b>6</b>	<b>8</b>	<b>35</b>	<b>12</b>	<b>36</b>

Recruited staff <sup>2</sup>	<b>Yes</b>	<b>57</b>	<b>30</b>	<b>63</b>	<b>55</b>	<b>58</b>
	- Part time	15	17	28	35	36
	- Full time	70	67	72	94	82
	- Temporary	20	50	11	6	5
	- Permanent	15	42	56	59	55
	<b>No</b>	<b>43</b>	<b>70</b>	<b>37</b>	<b>45</b>	<b>42</b>

Recruitment difficulties <sup>2</sup>	<b>Yes</b>	<b>71</b>	<b>58</b>	<b>76</b>	<b>94</b>	<b>86</b>
	- Skilled manual	40	57	46	41	21
	- Management	40	43	46	47	47
	- Clerical	20	43	23	41	47
	- Unskilled/semi-skilled	27	43	62	41	32
	<b>No</b>	<b>29</b>	<b>42</b>	<b>24</b>	<b>6</b>	<b>14</b>

		2021				
		Q4	Q1	Q2	Q3	Q4
Cashflow <sup>2</sup>	Increased	33	25	38	22	32
	Constant	53	35	56	53	45
	Decreased	14	40	6	25	24
	<b>Balance</b>	<b>19</b>	<b>-15</b>	<b>32</b>	<b>-3</b>	<b>8</b>

Investment: Plant/machinery <sup>2</sup>	Increased	26	8	17	17	19
	Constant	35	57	73	70	65
	Decreased	38	35	10	13	16
	<b>Balance</b>	<b>-12</b>	<b>-27</b>	<b>7</b>	<b>4</b>	<b>3</b>

Investment: Training <sup>2</sup>	Increased	32	13	25	19	26
	Constant	41	56	63	74	63
	Decreased	26	31	13	6	11
	<b>Balance</b>	<b>6</b>	<b>-18</b>	<b>12</b>	<b>13</b>	<b>15</b>

Turnover expectations <sup>4</sup>	Improve	38	48	59	52	50
	Same	32	28	34	32	24
	Worsen	30	25	6	16	26
	<b>Balance</b>	<b>8</b>	<b>23</b>	<b>53</b>	<b>36</b>	<b>24</b>

Profit expectations <sup>4</sup>	Improve	31	45	56	48	39
	Same	40	20	22	26	24
	Worsen	29	35	22	26	37
	<b>Balance</b>	<b>2</b>	<b>10</b>	<b>34</b>	<b>22</b>	<b>2</b>

Capacity utilisation <sup>1</sup>	Full capacity	38	18	38	36	37
	Below capacity	62	83	63	64	63

Prices <sup>3</sup>	Increased	34	48	56	59	61
	Constant	54	43	41	38	37
	Decreased	11	10	3	3	3
	<b>Balance</b>	<b>23</b>	<b>38</b>	<b>53</b>	<b>56</b>	<b>58</b>

Price pressures <sup>1</sup>	Pay settlements	21	7	26	37	42
	Raw materials	32	46	48	48	42
	Finance	5	21	13	15	17
	Other overheads	84	64	61	67	75

External concerns <sup>1</sup>	Interest rates	7	3	3	10	19
	Exchange rates	17	22	21	20	24
	Business rates	27	16	10	17	16
	Inflation	27	25	34	57	65
	Competition	40	34	48	40	30
	Tax	63	56	41	40	35

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