



Quarterly Economic Survey

Quarter 2, 2022

www.hull-humber-chamber.co.uk

Overview

Difficult trading conditions pressure firms

A CHALLENGING Quarter 2 for the Humber economy saw most indicators in retreat as energy costs, inflation and interest rates all continued to rise.

Research by the Hull & Humber Chamber of Commerce highlighted difficult trading conditions across the board, with Home Sales and Orders and the export sectors all taking a pounding, with concerns over rising interest rates, pay settlements and raw material costs all contributing to a challenging business environment.

Home Sales were down 42 points to 5, while Home Orders also tumbled to , dropping 34 points to -3.

Export Sales tumbled 83 points to -50, while Export Orders mirrored the fall, dropping the same amount.

Employment in the last three months was also down, dropping 13 points to a balance figure of 0, while Employment Expectations for the next three months also dropped, but less dramatically, losing just 5 points as some businesses continue to struggle with recruiting staff, particularly in the hospitality sector.

Unsurprisingly, Cashflow in the last three months was also affected, dropping a further five points to -9, after a 60 point tumble in the first Quarter's results.

Only 27 per cent of firms expect turnover to improve in the next quarter, while 25 per cent of firms expect it to decrease further, leaving a balance figure of 2, which represents a big drop from the

figures seen in the last year of surveys.

The number of companies saying there were working at full capacity dropped by more than 25%, from 36% in the first quarter, to just 21% in this quarter, showing again the pressures local businesses are facing.

More than 70% of firms indicated that they are expecting to increase their prices in the next three months as the costs of raw materials and transportation costs rise, and for the second quarter in a row, no businesses said they were planning to reduce their pricing, but the balance figure was slightly down on that of Quarter 2 at 73 points.

With inflation predicted to peak at around 11% that was the biggest External Concern for Humber businesses, while competition and tax were also highlighted as issues. Business rates dropped a point, while fears over Interest Rates and Exchange Rates were also down slightly this time around.

The biggest pressure on prices this quarter was pay settlements, up 17 percent as employees seek larger pay rises in the face of rising costs across the board. Raw material costs were also highlighted, rising nine points higher than in the previous survey.

Concerns over the cost of finance were about the same as reported in the last survey, dropping just four points to a figure of 21%.

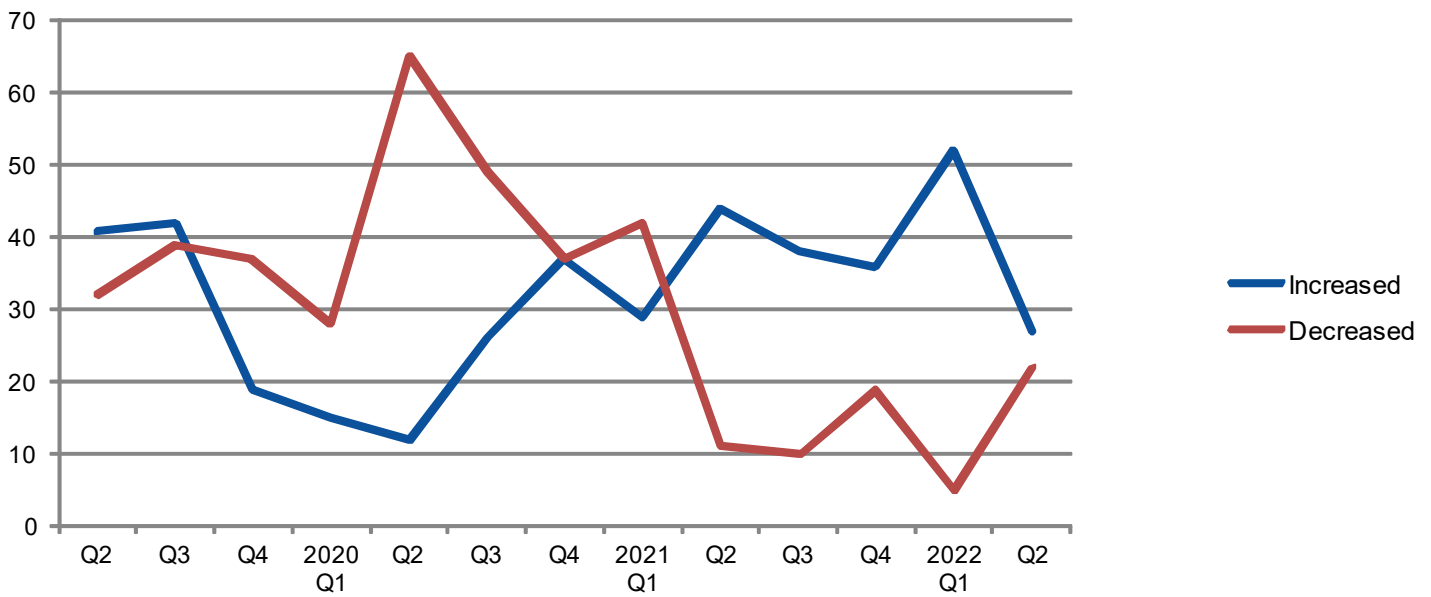
Investment in training fell to -9 points.

Key balances

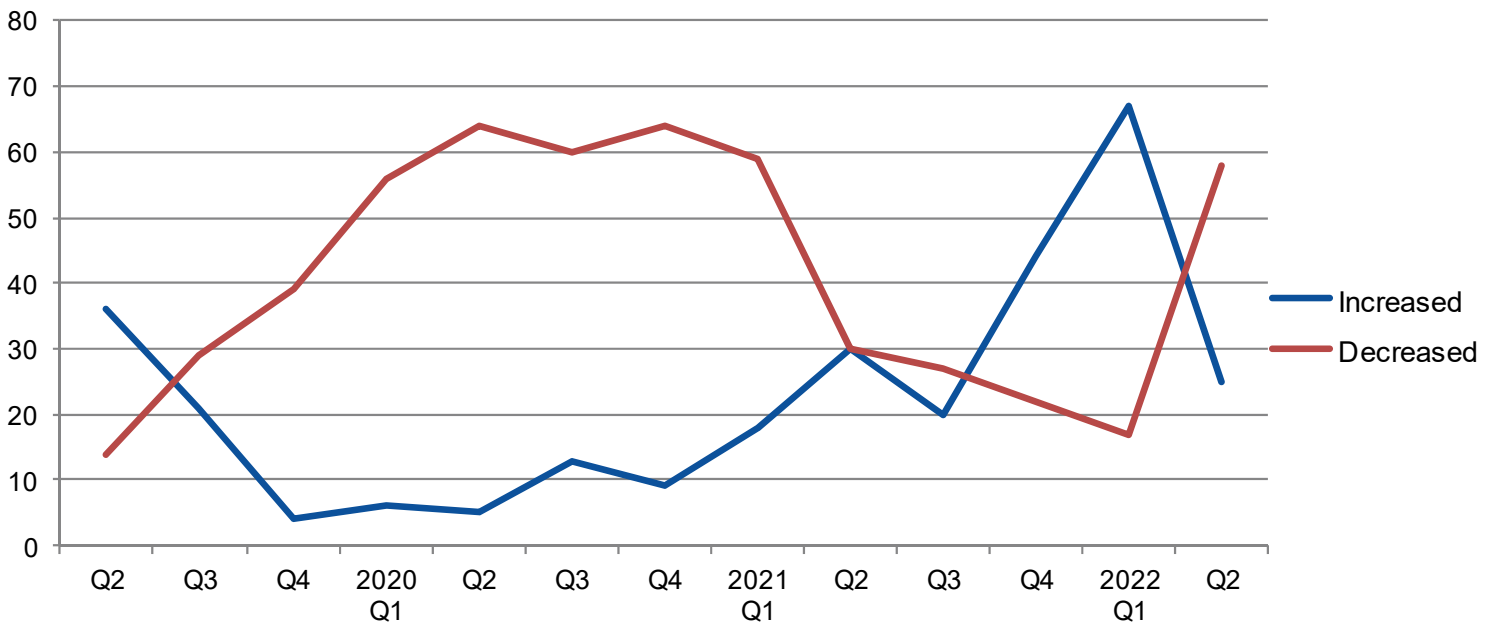
- ➔ Home Sales were down 42 points to 5.
- ➔ Home Orders were down 34 points to -3.
- ➔ Export Sales were down 83 points to -50.
- ➔ Export Orders were down 83 points to -50.
- ➔ Employment was down 13 points to 0.
- ➔ Expected Employment was down 8 points to 18.
- ➔ Cashflow in the last 3 months was down 5 points to -9.
- ➔ Investment in plant was down 33 points to -11.
- ➔ Turnover expectations were down 24 points to 2.
- ➔ Profit expectations was down 12 to -21.
- ➔ Prices down 5 to 73.

Key indicators

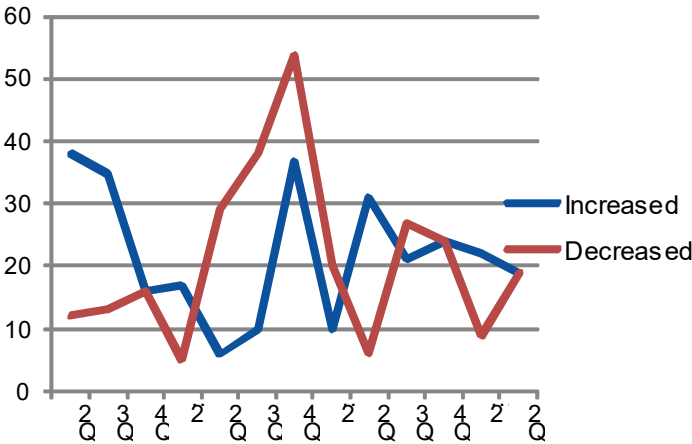
Home sales



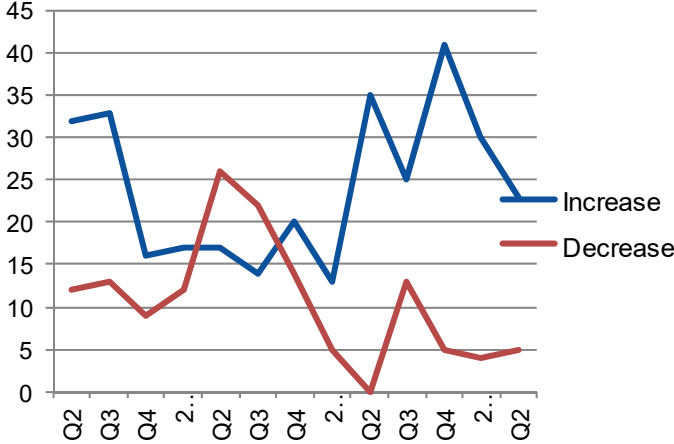
Export sales



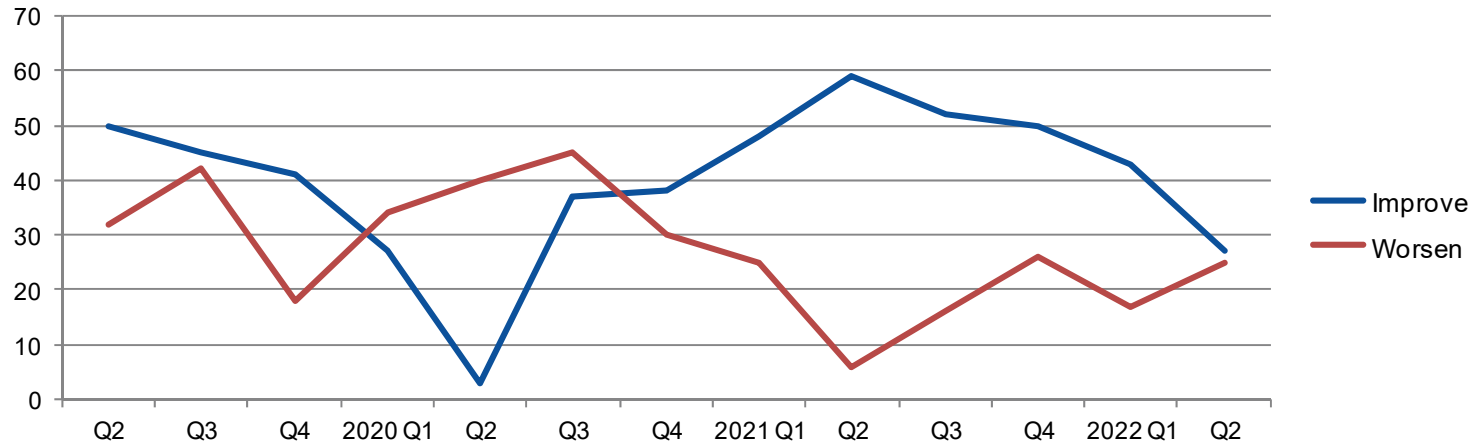
Employment



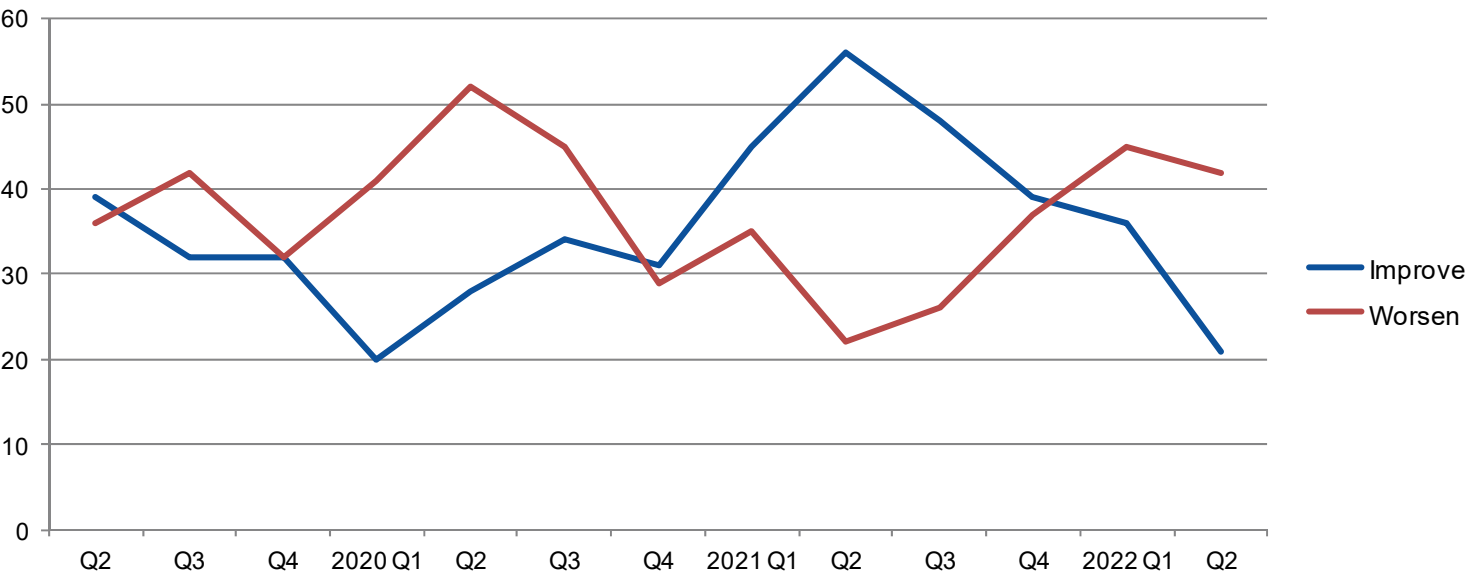
Employment expectations



Turnover expectations

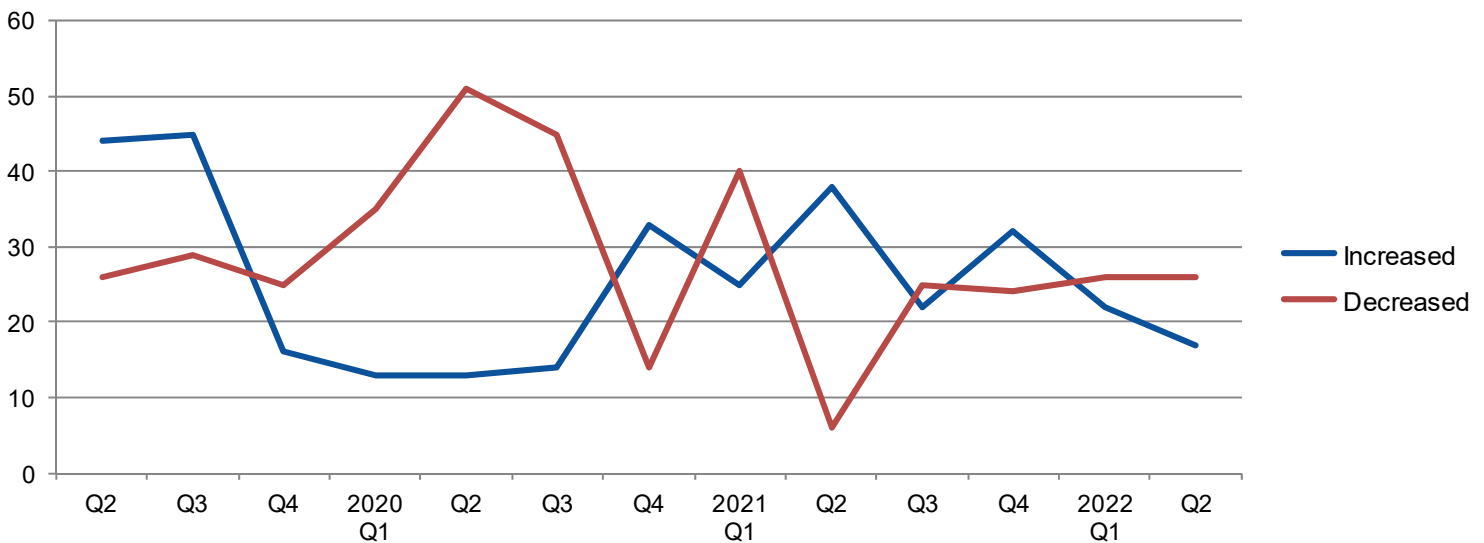


Profit expectations



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

BCC: Economic indicators ‘are flashing red’

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 BCC’s Quarterly Economic Survey (QES) for Q2 2022 – the UK’s largest independent survey of business sentiment and a leading indicator of UK GDP growth – shows key economic indicators flashing red.

The survey of over 5,700 firms revealed a weakening in the proportion of firms reporting increased domestic sales, investment intentions, and longer-term turnover confidence.

Indicators for turnover and profitability confidence, as well as investment, all worsened from their Q1 positions. Firms expecting an increase in turnover over in the next twelve months dropped from 63% to 54%, this is the lowest figure since Q4 2020 when much of the UK was under some form of lockdown.

Confidence in profitability also took a significant knock with 43% predicting an increase, down from 50% in Q1. More than a quarter (28%) are now predicting a decrease in profits.

Unsurprisingly, this declining confidence in business performance has affected firms’ plans to increase investment, with 3 in 4 (75%) saying they have no plans to do so (up from 73% in Q1).

This metric has remained largely unchanged since Q2 2021.

Inflationary pressures continue to exceed record highs. 65% of firms now expect their prices to rise in the next three months, up from 62% in Q1, a record high and a 23-percentage-point rise on a year ago. Only 1% overall expect a decrease in their prices.

Expected price rises are being felt most acutely in the retail and wholesale sector, and construction and engineering sector, both at 78%, with production and manufacturing only slightly behind at 77%.

When measured as a net balance (the percent-

age of respondents reporting an increase minus those reporting a decrease), price expectations are now the highest since records began for this indicator in 1997 for both the manufacturing (+76%) and services sectors (+56%).

When firms were asked which factors were driving price rises, 67% cited utility bills, 66% labour costs, 56% fuel and 53% raw materials.

The percentage citing interest rates as a concern also rose for the third quarter running; 1 in 3 (33%) reported interest rates as a concern, up from 32% in Q1.

In the services sector, the balance of firms reporting increased domestic sales stood at +24%, compared to +21% in Q1. In the manufacturing sector, the balance of firms reporting increased domestic sales fell to +19% in Q2, the lowest level since Q1 2021.

David Bharier, Head of Research at the British Chambers of Commerce (BCC), said: “This quarter’s survey results clearly point to a weakening economic outlook amid unprecedented cost pressures and falling business confidence. Domestic demand continues to show buoyancy, with almost half of respondents reporting increased domestic sales in the quarter.

“However, indicators for structural business conditions such as investment, and cash flow, are showing no sign of improvement for most firms.

“Inflation remains the top concern, with our survey measures going beyond anything we’ve seen before in the history of the data.

“Businesses face an unprecedented convergence of cost pressures, with the main drivers coming from raw materials, fuel, utilities, taxes, and labour. The continuing supply chain crisis, exacerbated by conflict in Ukraine and lockdowns in China, has further compounded this.

Analysis

David Hooper

External Affairs Director

Hull & Humber Chamber of Commerce

“These results for Quarter 2 of 2022 clearly demonstrate that Humber businesses are facing pressure from almost every direction as energy costs, inflation, interest rates and staffing issues all continue to test our business leaders.

“These issues all add up to very difficult trading conditions across the board which is hitting business confidence as firms cut back in investment for the future as they try to cope with rising costs and soaring inflation.

“High energy, petrol and diesel prices are all adding to the cost base for businesses and with supply chains still being affected by lockdowns in China and the war in Ukraine, these challenges aren’t unlikely to subside for a while yet, so further help from the Government would be timely.”

[Click here for more information.](#)

The National View

Shevaun Haviland

British Chambers of Commerce

Director General of the British Chambers of Commerce, Shevaun Haviland, said: “The red lights on our economic dashboard are starting to flash. Nearly every single indicator has seen a deterioration since our last survey in March.

“Business confidence has taken a significant hit and fears over inflation and cost pressures are at new record highs.

“But it is not too late for the Government to take action to help businesses through these challenging times and put the economy on a more stable footing.

“A cut in VAT on energy bills to 5%, and other steps to relieve the tax burden on firms to encourage investment are crucial.

“Better infrastructure, a plan to address labour shortages and a unified long-term economic strategy to give businesses more certainty are also needed.

“The Government must swiftly demonstrate that it is on the side of business if confidence to invest is to be restored.

“Only then will we be able to return some momentum to the economy and find a pathway through the current difficulties.”

Results in full

		2021			2022	
		Q2	Q3	Q4	Q1	Q2

		2021			2022	
		Q2	Q3	Q4	Q1	Q2

Home sales ²	Increased	44	38	36	52	27
	Constant	44	52	44	43	51
	Decreased	11	10	19	5	22
	Balance	33	28	17	47	5

Cashflow ²	Increased	38	22	32	22	17
	Constant	56	53	45	52	57
	Decreased	6	25	24	26	26
	Balance	32	-3	8	-4	-9

Home orders ²	Increased	50	38	31	47	18
	Constant	39	48	47	37	62
	Decreased	11	14	22	16	21
	Balance	39	24	9	31	-3

Investment: Plant/machinery ²	Increased	17	17	19	35	19
	Constant	73	70	65	52	51
	Decreased	10	13	16	13	30
	Balance	7	4	3	22	-11

Export sales ²	Increased	30	20	44	67	25
	Constant	40	53	33	17	17
	Decreased	30	27	22	17	58
	Balance	0	-7	22	50	-33

Investment: Training ²	Increased	25	19	26	35	17
	Constant	63	74	63	52	57
	Decreased	13	6	11	13	26
	Balance	12	13	15	22	-9

Export orders ²	Increased	30	20	35	50	17
	Constant	40	53	41	33	17
	Decreased	30	27	24	17	67
	Balance	0	-7	11	33	-50

Turnover expectations ⁴	Improve	59	52	50	43	27
	Same	34	32	24	39	48
	Worsen	6	16	26	17	25
	Balance	53	36	24	26	2

Workforce ²	Increased	31	21	24	22	19
	Constant	63	52	53	70	63
	Decreased	6	27	24	9	19
	Balance	25	-6	0	13	0

Profit expectations ⁴	Improve	56	48	39	36	21
	Same	22	26	24	18	37
	Worsen	22	26	37	17	42
	Balance	34	22	2	26	-21

Workforce expectations ³	Increase	35	25	41	30	23
	Constant	65	63	54	65	73
	Decrease	0	13	5	4	5
	Balance	35	12	36	26	18

Capacity utilisation ¹	Full capacity	38	36	37	41	30
	Below capacity	63	64	63	59	70

Recruited staff ²	Yes	63	55	58	59	64
	- Part time	28	35	36	38	36
	- Full time	72	94	82	92	79
	- Temporary	11	6	5	8	21
	- Permanent	56	59	55	46	32
	No	37	45	42	41	36

Prices ³	Increased	56	59	61	78	73
	Constant	41	38	37	22	27
	Decreased	3	3	3	0	0
	Balance	53	56	58	78	73

Recruitment difficulties ²	Yes	76	94	86	92	84
	- Skilled manual	46	41	21	42	35
	- Management	46	47	47	33	23
	- Clerical	23	41	47	67	50
	- Unskilled/semi-skilled	62	41	32	33	54
	No	24	6	14	8	16

Price pressures ¹	Pay settlements	26	37	42	50	67
	Raw materials	48	48	42	55	64
	Finance	13	15	17	25	21
	Other overheads	61	67	75	70	45

External concerns ¹	Interest rates	3	10	19	43	28
	Exchange rates	21	20	24	26	16
	Business rates	10	17	16	22	21
	Inflation	34	57	65	96	98
	Competition	48	40	30	26	26
	Tax	41	40	35	35	26

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