



Quarterly Economic Survey

Quarter 3, 2022

www.hull-humber-chamber.co.uk

Overview

Confidence drops as challenges persist

WITH interest rates at a 30-year high, inflation predicted to climb still further before it peaks, supply chain issues and a cost of living crisis hitting consumer confidence, the Quarter 3 figures clearly reflect the trepidation felt by Humber businesses of a tough winter to come.

Research by the Hull & Humber Chamber of Commerce highlighted a drop in business confidence across all sectors, with concerns about rising interest rates and inflation again proving to be a major worry with still no end in sight to the economic turmoil.

Domestic Sales were down 13 points to a balance figure of -8, while Domestic Orders dropped even further, down by 37 points to a balance figure of -40.

The export sector was also down this quarter with Export Sales dropping a further 25 points into negative territory to -50, while Export Orders dropped a further 17 points to a low balance figure of -67.

One of the few bright spots in Quarter 3 was a slight rise in the Employment figure, which was up 11 points on the previous quarter, reflecting the summer trading period, however expected employment for the next few months was down 13 points on the last quarter to a balance figure of 5.

More firms reported concerns around Cashflow, with the balance figure dropping a further 14 points on last quarter to -23.

Turnover expectations also fell back

noticeably, dropping 33 points and into negative territory with a balance figure of -31, indicating that businesses are expecting a slowdown continuing slowdown in trade as we head into the autumn.

Similarly, Profit Expectation was also in the doldrums in Quarter 3, with fewer firms expecting to see a rise in profits. The balance figure dropped 23 points to -44.

Only 36 per cent of respondents said they had tried to recruit staff in the last three months, but of those who had, most were trying to fill permanent positions within their businesses, although there was also an increase in the number of firms looking for temporary staff.

The biggest challenges for firms this quarter was filling clerical roles, although there was also a demand for skilled manual workers and management roles.

Perhaps unsurprisingly, only 19% of firms said they were working at full capacity this quarter.

More firms were concerned about their ability to access finance, although fears over raw material costs were down slightly, as were worries over pay settlements.

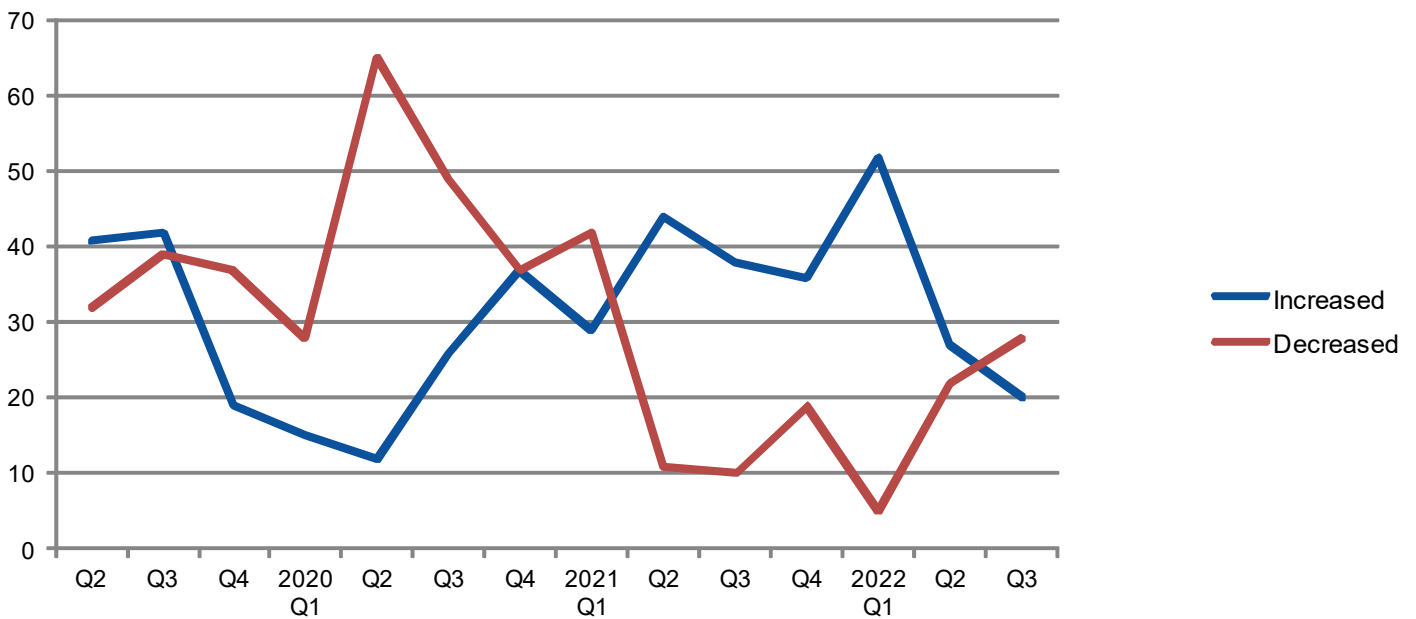
Exchange rates were an increasing worry for some, which as we move into quarter four following the Government's mini budget and with the pound struggling against the dollar, may increase in the coming months during what continues to be a turbulent time for the markets.

Key balances

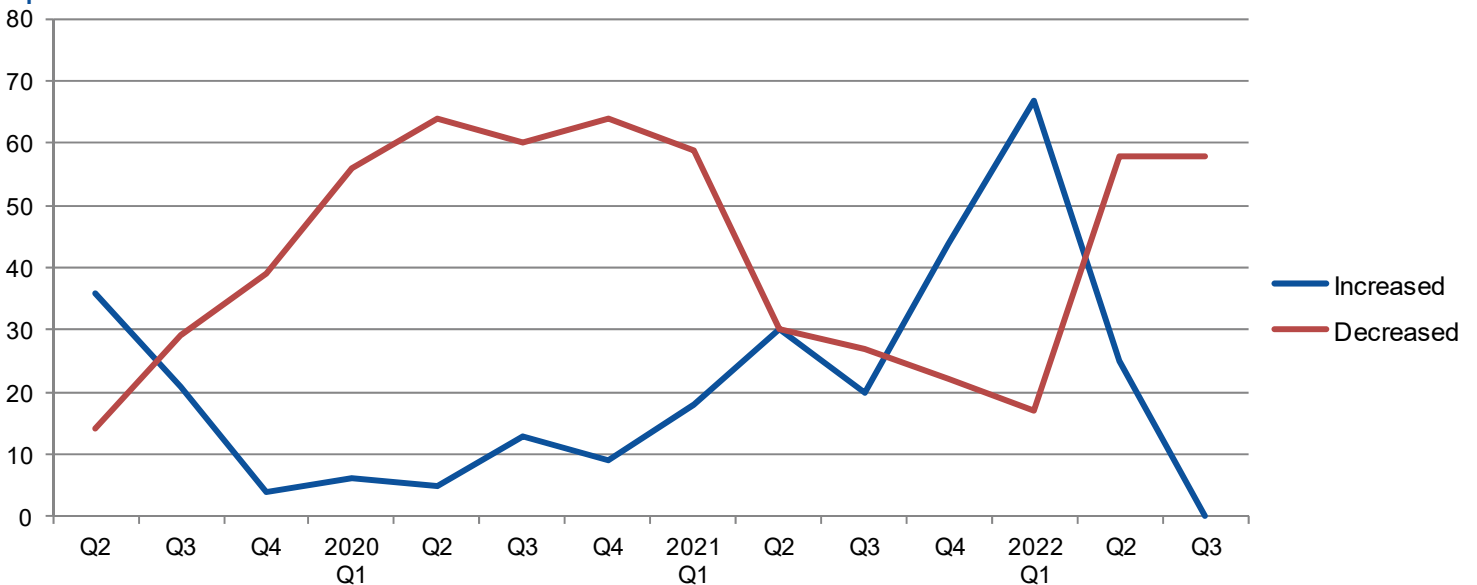
- ➔ Home Sales were down 13 points to -8.
- ➔ Home Orders were down 37 points to -37.
- ➔ Export Sales were down 25 points to -58.
- ➔ Employment was up 11 points to 11.
- ➔ Expected Employment was down 13 points to 5.
- ➔ Only 36% of firms had tried to recruit staff.
- ➔ Cashflow was down 14 points to -23.
- ➔ Investment was down 21 points to -32.
- ➔ Training was down 19 points to -28.
- ➔ Turnover Expectations were down 33 points to -31.
- ➔ Profit Expectations were down 23 points to -44.

Key indicators

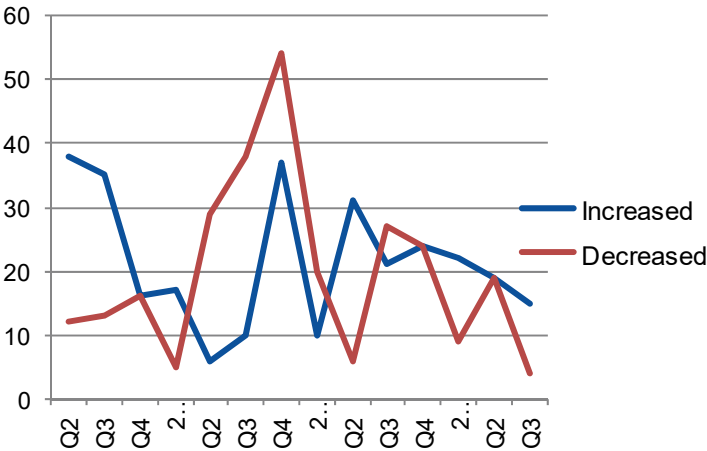
Home sales



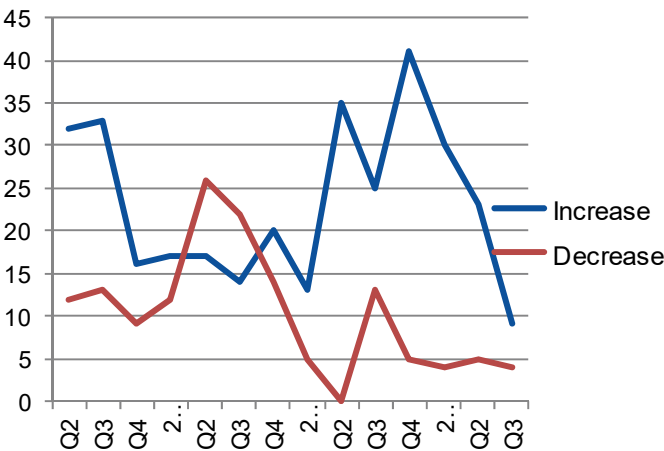
Export sales



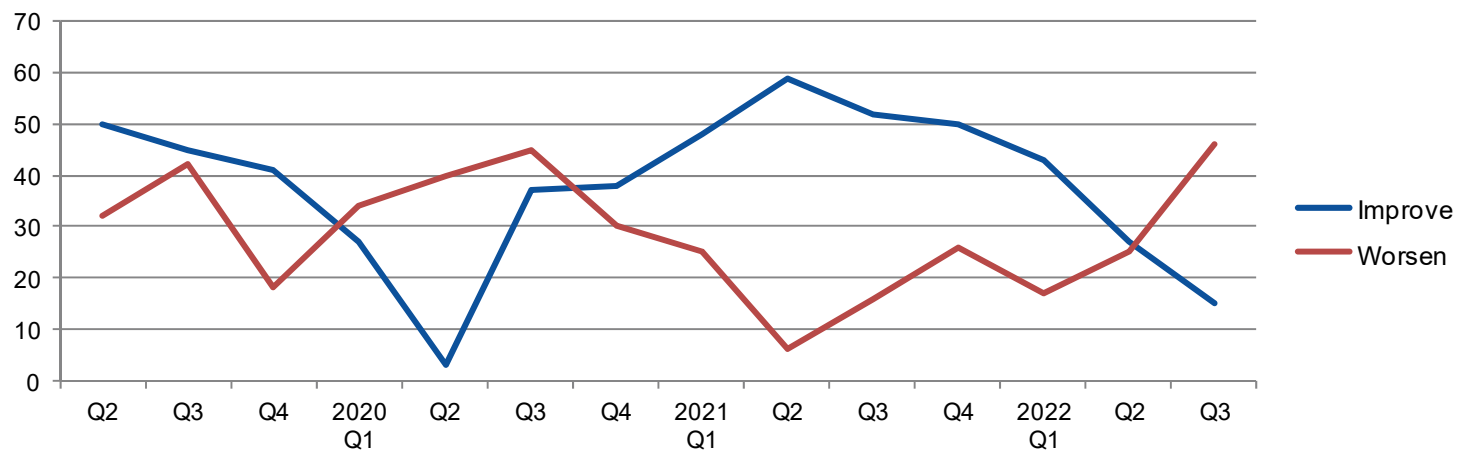
Employment



Employment expectations



Turnover expectations

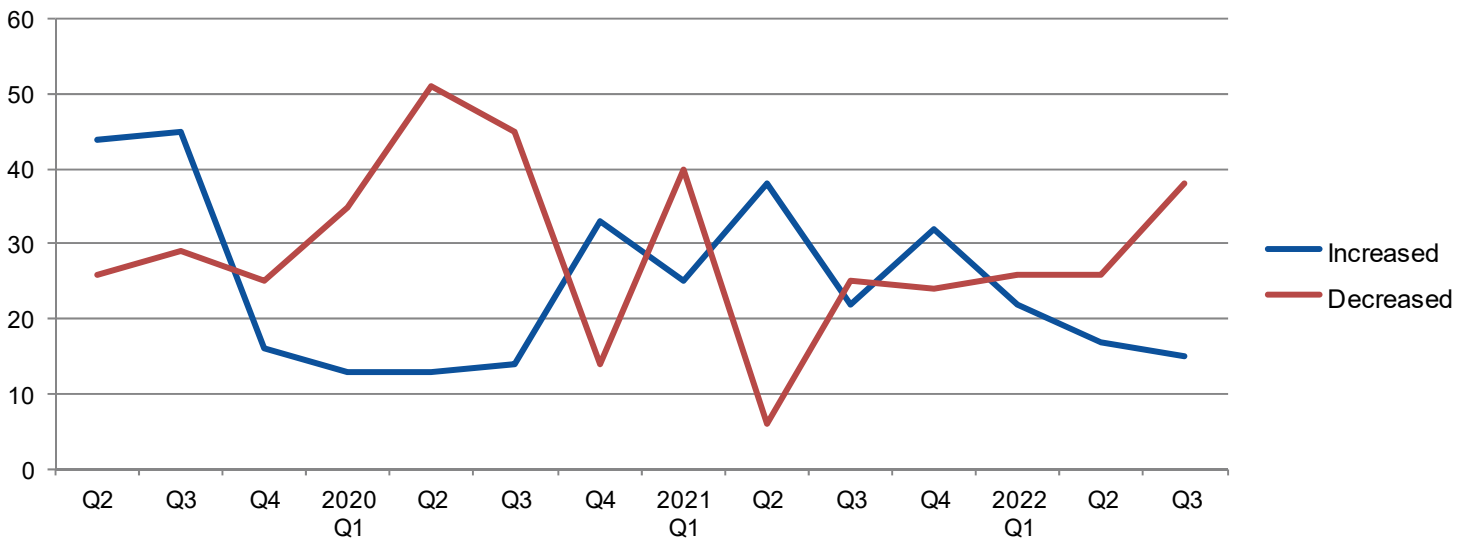


Profit expectations



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: Business confidence in significant fall

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 Q3 2022 shows a significant decline of key economic indicators, with weakening structural business conditions and confidence a cause for concern.

The QES is the UK's largest independent survey of business sentiment and a leading indicator of UK GDP growth. The survey took place between August 22 and September 16, prior to the Government's energy support package for firms and the mini-budget announcement.

The survey of over 5,200 firms – 92% of whom are SMEs – reveals there have been significant declines for indicators of business sales, cash-flow, and profit expectations.

All indicators of business conditions and confidence have fallen significantly from Q2 positions.

More businesses are now seeing their cash-flow decreasing, instead of increasing. One in three (32%) firms reported reduced cashflow over the last three months, while 23% reported an increase.

Indicators for business confidence have plummeted; less than half (44%) of firms expect their turnover to increase over the next 12 months, while 25% expect a decrease. Those expecting an increase is down ten percentage points from 54% in Q2.

Profitability confidence has dropped to an even lower level; only one in three (33%) businesses believe their profits will increase over the coming year, while 39% now expect a decrease. This is the lowest level since Q4 2020 at the height of the Covid crisis.

Unsurprisingly, firms are not upping investment in their business. Only 22% reported an increase to plant/equipment investment in the past three months, while 57% reported no change, and 22%

reported a decrease.

Business activity is taking a hit, with fewer firms reporting increased sales.

Only 33% of firms reported an increase in domestic sales over the past three months, a sharp decline from the Q2 level of 41%. 24% of firms reported a decrease in sales.

The outlook is particularly bleak for the retail and wholesale sector. The sector is now in its second quarter of negative territory; with far more businesses reporting a decrease in sales rather than an increase. 25% of retail firms reported an increase in domestic sales, while 39% reported a decrease.

Alongside the retail and wholesale sector, other sectors are also struggling; almost three-quarters (71%) of hospitality businesses reported they are operating below capacity.

Inflationary pressures are showing no signs of letting up.

The percentage of firms expecting their prices to rise over the coming months (62%) remains close to last quarter's record high. 84% of firms also cite inflation as a growing concern to their business – by far the highest level on record. A rising proportion (37%) are also worried about interest rates.

David Bharier, Head of Research at the British Chambers of Commerce (BCC), said: "This quarter's results point to a significant decline in business confidence, with a clear shift downwards in many of the key indicators we track. Every sector has seen a falling proportion of firms reporting increased domestic sales, with the retail and wholesale sector particularly affected.

"Diminishing sales coupled with soaring inflation is a toxic mix, and many firms are no longer looking to the future with optimism".

Analysis

David Hooper

External Affairs Director

Hull & Humber Chamber of Commerce

“Business confidence has taken a nosedive in the last quarter, with rising interest rates, inflation and energy prices piling on the pressure.

“However, it should be noted that this survey was carried out before the Government’s mini-budget, but it’s effect is unlikely to fundamentally change business sentiment going into the autumn.

Most sectors have been under considerable pressure in the last three months, and the survey shows there is little optimism for any improvement in the coming months, with turnover and profit expectations both well down on the previous quarter.

Hopefully the energy cap for businesses will help a bit, but inflation is still a major concern as firms attempt to plan for what still looks like a challenging future”.

[Click here for more information.](#)

The National View

Shevaun Haviland

British Chambers of Commerce

Responding to the findings, Director General of the British Chambers of Commerce, Shevaun Haviland, said:

“This survey was concluded before the Government’s energy price package for businesses and the mini-budget.

However, our findings paint a worrying picture of the state of affairs at many UK firms. Almost every key business indicator is trending downwards – sounding alarm bells across all sectors and regions.

“Sales and cashflow are down, firms are operating below capacity, and the number of businesses expecting to see their profits increase is falling.

“Unsurprisingly, inflation remains the top external factor of concern for businesses. Some firms are telling us that they have been forced to cancel otherwise viable projects, due to soaring costs.

“In addition to the long-term structural challenges facing businesses, events over the last few weeks will have added to firms’ worries. The current volatility in the financial and currency markets must be speedily addressed to return stability to the economy and give business some certainty to plan”.

Results in full

		2021		2022		
		Q3	Q4	Q1	Q2	Q3
Home sales ²	Increased	38	36	52	27	20
	Constant	52	44	43	51	52
	Decreased	10	19	5	22	28
	Balance	28	17	47	5	-8

Home orders ²	Increased	38	31	47	18	10
	Constant	48	47	37	62	40
	Decreased	14	22	16	21	50
	Balance	24	9	31	-3	-40

Export sales ²	Increased	20	44	67	25	0
	Constant	53	33	17	17	42
	Decreased	27	22	17	58	58
	Balance	-7	22	50	-33	-58

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

Workforce ²	Increased	21	24	22	19	15
	Constant	52	53	70	63	81
	Decreased	27	24	9	19	4
	Balance	-6	0	13	0	11

Workforce expectations ³	Increase	25	41	30	23	9
	Constant	63	54	65	73	87
	Decrease	13	5	4	5	4
	Balance	12	36	26	18	5

Recruited staff ²	Yes	55	58	59	64	36
	- Part time	35	36	38	36	33
	- Full time	94	82	92	79	78
	- Temporary	6	5	8	21	33
	- Permanent	59	55	46	32	100
	No	45	42	41	36	64

Recruitment difficulties ²	Yes	94	86	92	84	75
	- Skilled manual	41	21	42	35	44
	- Management	47	47	33	23	44
	- Clerical	41	47	67	50	56
	- Unskilled/semi-skilled	41	32	33	54	22
	No	6	14	8	16	25

		2021		2022		
		Q3	Q4	Q1	Q2	Q3
Cashflow ²	Increased	22	32	22	17	15
	Constant	53	45	52	57	46
	Decreased	25	24	26	26	38
	Balance	-3	8	-4	-9	-23

Investment: Plant/machinery ²	Increased	17	19	35	19	4
	Constant	70	65	52	51	60
	Decreased	13	16	13	30	36
	Balance	4	3	22	-11	-32

Investment: Training ²	Increased	19	26	35	17	8
	Constant	74	63	52	57	62
	Decreased	6	11	13	26	30
	Balance	13	15	22	-9	-28

Turnover expectations ⁴	Improve	52	50	43	27	15
	Same	32	24	39	48	38
	Worsen	16	26	17	25	48
	Balance	36	24	26	2	-31

Profit expectations ⁴	Improve	48	39	36	21	16
	Same	26	24	18	37	24
	Worsen	26	37	17	42	60
	Balance	22	2	26	-21	-44

Capacity utilisation ¹	Full capacity	36	37	41	30	19
	Below capacity	64	63	59	70	61

Prices ³	Increased	59	61	78	73	62
	Constant	38	37	22	27	38
	Decreased	3	3	0	0	0
	Balance	56	58	78	73	62

Price pressures ¹	Pay settlements	37	42	50	67	58
	Raw materials	48	42	55	64	50
	Finance	15	17	25	21	23
	Other overheads	67	75	70	45	38

External concerns ¹	Interest rates	10	19	43	28	31
	Exchange rates	20	24	26	16	31
	Business rates	17	16	22	21	23
	Inflation	57	65	96	98	85
	Competition	40	30	26	26	27
	Tax	40	35	35	26	15

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