



Quarterly Economic Survey

Quarter 1, 2023

www.hull-humber-chamber.co.uk

Overview

More business optimism for year ahead

BUSINESSES in our region adopted a more optimistic tone in the first quarter of 2023 than we have seen for many months, according to the latest Quarterly Economic Survey results from the Hull & Humber Chamber of Commerce.

After months of soaring inflation and rising interest rates which saw businesses battening down their hatches to survive the economic storm, they now seem more prepared to stick their heads above the parapet as those storm clouds begin to lift, but it's still far from plain sailing for many!

Businesses had encouraging news on their domestic Sales and Orders, with both sectors showing an uplift in the first part of this year. Home Sales saw the balance figure climb back into positive territory, up by 26 points to 13, while Home Orders improved by 19 points, but the balance figure was still negative at -8.

In the Quarter 1 survey, a third of firms said they are expecting their turnover to improve in the next 12 months, with the balance figure rising from -9 in Quarter 4 of 2022 to 24 points in this quarter.

Profit expectations are also headed in the right direction again, but remained in negative territory, with the balance figure rising from -55 to -28 points.

Twelve per cent more of the firms which took part also said they were now working at full capacity, although 55 per cent were not.

Set amidst hopes that inflation has just about peaked, slightly fewer businesses

said they expected prices to rise in the next three months, with the balance figure dropping six per cent to 57.

However, there were still many things concerning businesses as they head into the second quarter of the year. The biggest of these were raw material costs, with more firms expressing concern than in the previous quarter. Finance was also a key concern, while pay settlements was less of an issue this quarter, as were other overheads.

Tax proved to be the biggest external concern for companies in this quarter, more businesses were concerned about interest rates and business rates, while only 64 per cent of firms saw inflation as a major worry.

Competition and exchange rates saw little change in this quarter.

The employment figures also made encouraging reading with 38 per cent of firms saying they were planning to look for new staff in the next three months, with the balance figure climbing to 33 points.

In the last quarter there was an increase in the number of firms who were looking to recruit staff, with 40 per cent of respondents looking to fill permanent positions, although 18 per cent fewer firms said they looking to fill full time roles. Fewer firms were trying to recruit for part time or temporary jobs.

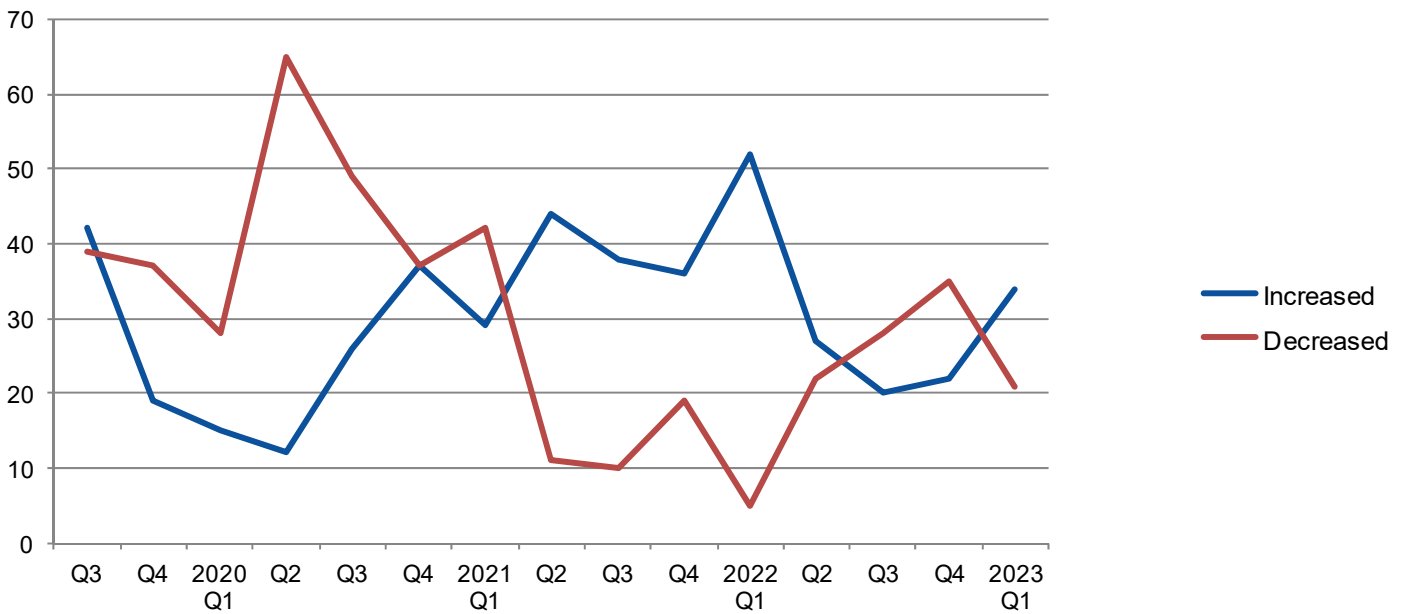
Export Sales and Orders were both less buoyant this quarter with both balance figures dropping considerably.

Key balances

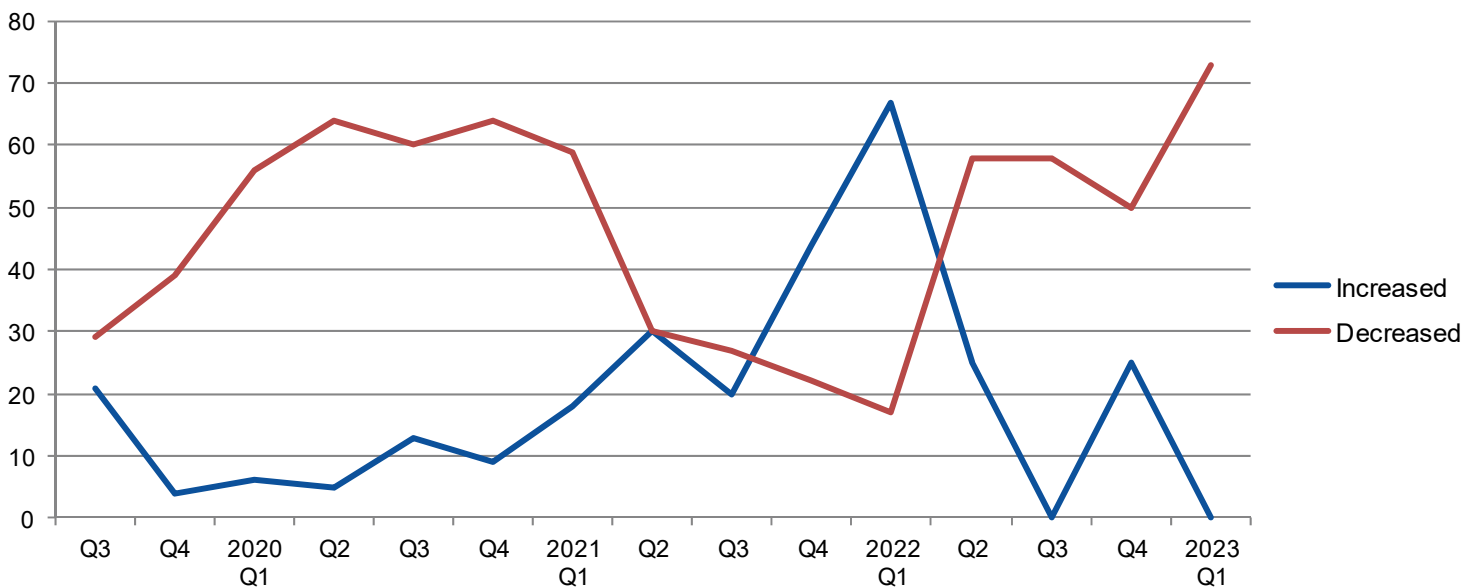
- Home Sales were up 26 points to a balance figure of 13.
- Home Orders were up 19 points to a balance figure of -8.
- Employment in the last three months improved by 13 points to 5.
- Expected employment for the next three months was up by 33 points to a balance figure of 33.
- Cashflow in the last three months was down two points at -19.
- Plans to invest in Plant and Machinery were up 19 points to a balance figure of 15.
- Companies planning to invest in training was up 1 to a balance of 5.
- Turnover expectations were up 33 points to a balance figure of 24.

Key indicators

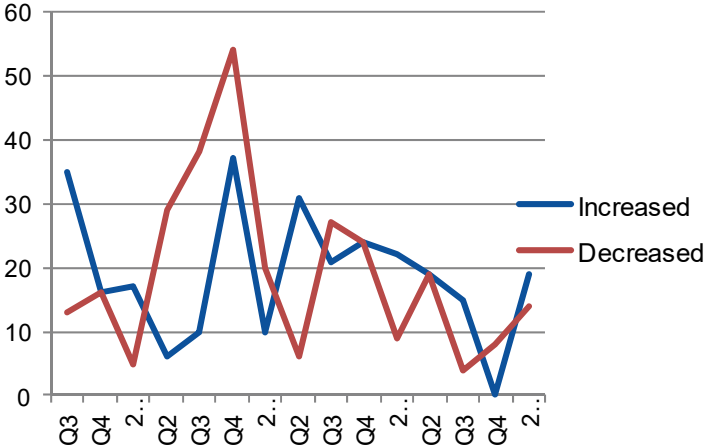
Home sales



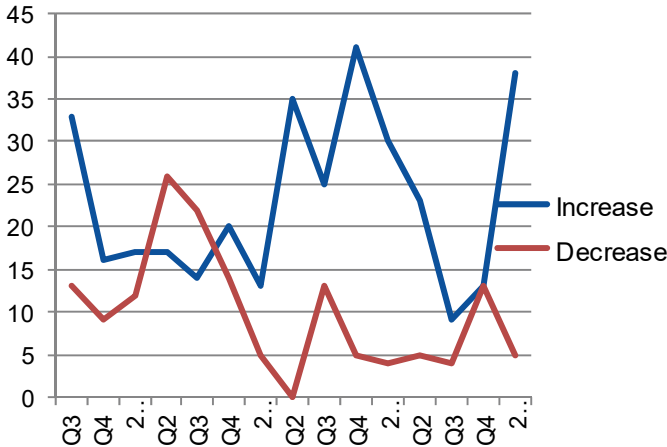
Export sales



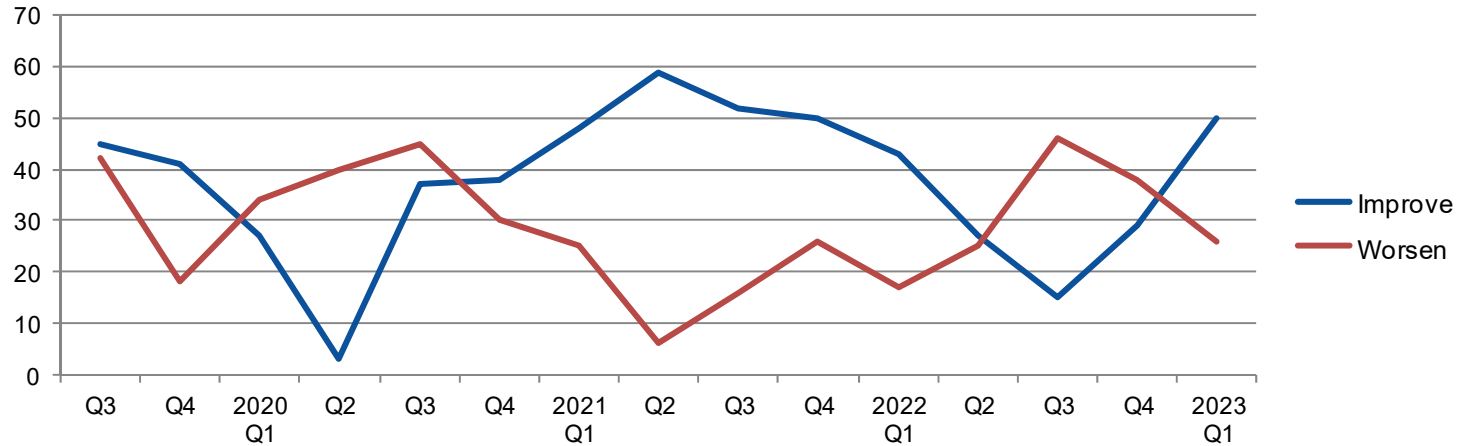
Employment



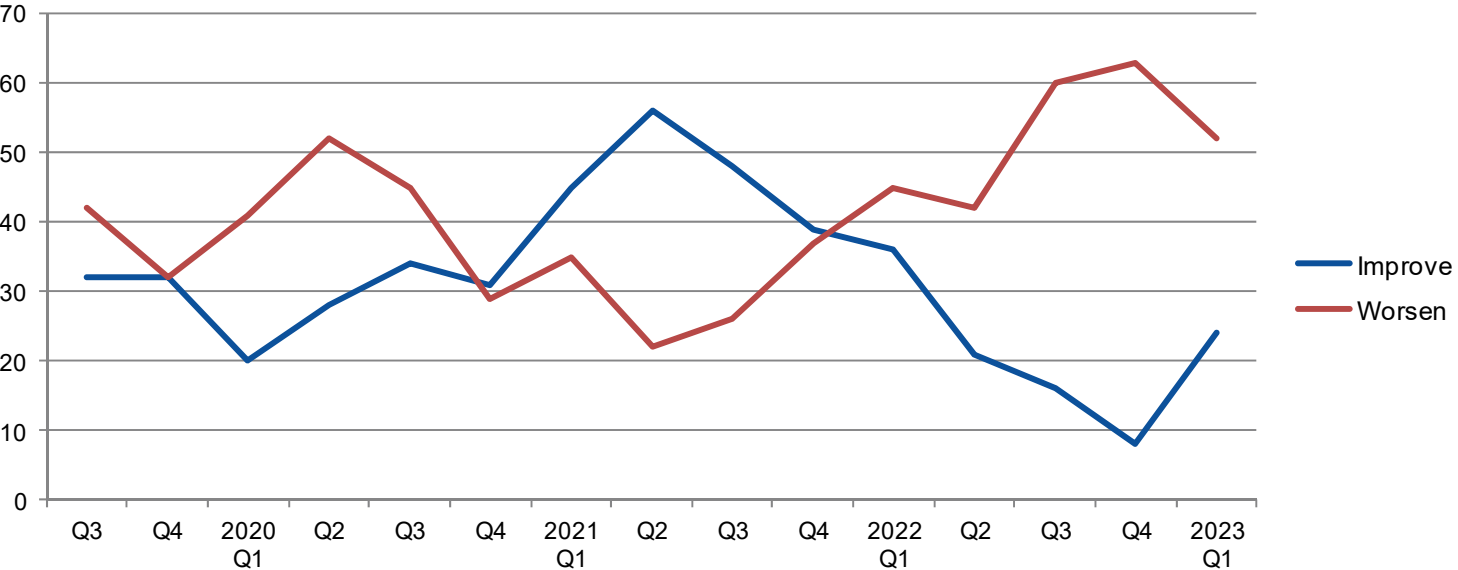
Employment expectations



Turnover expectations

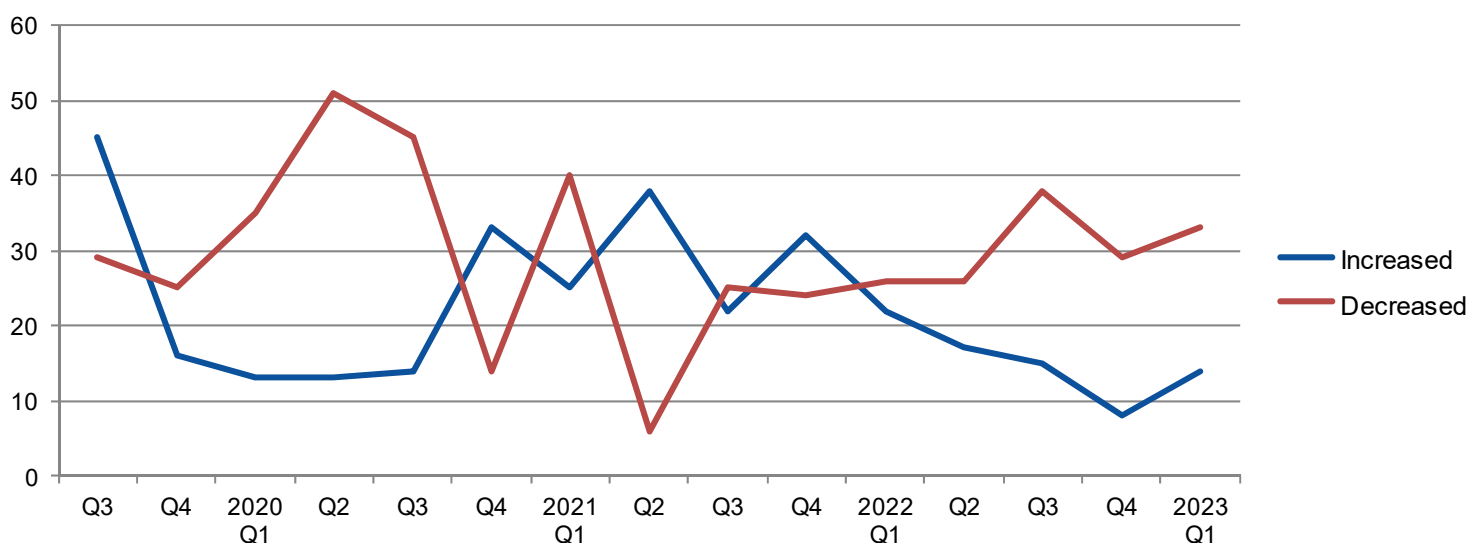


Profit expectations



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: Uptick in confidence but no sales hike

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 Q1 2023 shows that while business confidence has improved from a very weak base, most firms see no improvement to business conditions.

The survey of over 5,200 firms – 92% of whom are SMEs – reveals a sectoral division in business performance, with hospitality and retail firms consistently more likely to report worsening cash flow, investment, and turnover than other sectors.

The research took place between February 13 and March 9, before the Chancellor's Spring Budget was announced.

Growth in business activity remains weak, with retail and hospitality sectors facing most significant challenges.

The percentage of firms reporting increased domestic sales has not seen any bounce back since it fell significantly in Q3 2022. Only one in three (34%) firms experienced an increase in sales over the past three months, while 24% reported a decrease and 41% reported no change.

The retail and hospitality sectors remain particularly weak. Almost two in five (38%) retail firms experienced a decrease in sales over the past three months, with one in three (32%) hospitality businesses reporting a fall.

More businesses continue to report a decrease, rather than an increase, in cash flow, highlighting the precarious state many SMEs are still in. Only one in four (25%) businesses said their cash flow has increased over the last three months, while 30% have seen it decrease.

The hospitality and retail sectors are again facing the greatest challenges. 40% of retail firms, and almost half (47%) of hospitality businesses, reported decreased cashflow.

After a significant fall in Q3 2022, business

confidence is now on the up. After business confidence plummeted to historically low levels in the second half of 2022, there has been a marked improvement in sentiment in the first quarter of 2023.

Over half (52%) of firms believe their business turnover will increase over the next 12 months, up from 44% in Q3 2022.

While profitability confidence has also improved, it continues to remain weaker than turnover confidence. 42% of businesses now expect their profits to increase over the next year, up from 34% in Q4 2022.

There is little discernible improvement to business investment over past six years. Three quarters (75%) of respondents reported no increase to investment in plant/equipment. There has been little discernible improvement to investment over the past six years; only a quarter of firms planned to increase investment in Q1 2023, the same level as reported in Q2 2017.

Inflationary pressures continue to ease slightly, but still remain the top concern.

Following a drop last quarter, the percentage of firms expecting their prices to rise shows further signs of easing, as it fell five percentage points from 60% in Q4 2022 to 55% in Q1 2023.

The overall level of concern regarding inflation has dropped for the first time in over two years. However, at 74%, the level remains close to the historical high.

Cost pressures are varied, but labour costs and utilities come out top overall

Cost pressures vary considerable across sectors; 87% of hospitality firms reported utilities as a factor driving price increases while 86% of manufacturers cited raw materials.

Analysis

David Hooper

External Affairs Director

Hull & Humber Chamber of Commerce

“This set of survey results are the most positive we have seen for some time in terms of business optimism for the next 12 months, but there is still plenty to concern companies on the economic front.

“Cashflow is still a challenge for some, and there is little investment in staff training, although the manufacturing sector is looking more confident with more firms investing in plant and machinery in the last quarter.

“With hopes of improved turnover and profit expectations for the next 12 months, we may be entering a new period of growth, however, staffing issues are still a major concern for Humber firms, a view reinforced by the Chamber’s Area Council meetings where staffing issues are always a hot topic in our State of Trade round-ups”.

[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:

“The March Budget included several positive measures for business, including increased childcare support as well as plans for full capital expensing. However, it did not go far enough to shift the dial on growth which remains stubbornly low.

“The Government failed to tackle some of the major issues holding firms back from their potential, in particular energy costs and the tight labour market which remain top business concerns.

“The Government’s new energy support package represents a drop of 85% in the financial help available to businesses. We reiterate our calls for increased, targeted support for those firms who desperately need it.

“The energy crisis faced by firms and households are two sides of the same coin. Yet, non-domestic customers do not enjoy the same protection as households.

“To ensure competition in the business energy sector, and solve market failures, Government must also ensure Ofgem has the necessary powers to properly regulate the industry.

“While we welcomed the Government’s decision to add five new construction jobs to the Shortage Occupation List, the lack of skilled labour is having a corrosive effect on our economy. This shift to a new system cannot come fast enough and other sectors facing huge recruitment pressures, such as hospitality, must be given help.”

Results in full

		2022				2023	2022							
		Q1	Q2	Q3	Q4	Q1	Q1	Q2	Q3	Q4	Q1			
Home sales ²	Increased	52	27	20	22	34	Cashflow ²	Increased	22	17	15	8	14	
	Constant	43	51	52	43	45		Constant	52	57	46	63	52	
	Decreased	5	22	28	35	21		Decreased	26	26	38	29	33	
	Balance	47	5	-8	-13	13		Balance	-4	-9	-23	-21	-19	
Home orders ²	Increased	47	18	10	18	24	Investment: Plant/machinery ²	Increased	35	19	4	21	33	
	Constant	37	62	40	36	45		Constant	52	51	60	54	50	
	Decreased	16	21	50	45	32		Decreased	13	30	36	25	18	
	Balance	31	-3	-40	-27	-8		Balance	22	-11	-32	-4	15	
Export sales ²	Increased	67	25	0	25	0	Investment: Training ²	Increased	35	17	8	21	18	
	Constant	17	17	42	25	27		Constant	52	57	62	63	70	
	Decreased	17	58	58	50	73		Decreased	13	26	30	17	13	
	Balance	50	-33	-58	-25	-73		Balance	22	-9	-28	4	5	
Export orders ²	Increased	50	17	0	25	7	Turnover expectations ⁴	Improve	43	27	15	29	50	
	Constant	33	17	33	25	27		Same	39	48	38	33	24	
	Decreased	17	67	67	50	67		Worsen	17	25	48	38	26	
	Balance	33	-50	-67	-25	60		Balance	26	2	-31	-9	24	
Workforce ²	Increased	22	19	15	0	19	Profit expectations ⁴	Improve	36	21	16	8	24	
	Constant	70	63	81	92	67		Same	18	37	24	29	54	
	Decreased	9	19	4	8	14		Worsen	17	42	60	63	22	
	Balance	13	0	11	-8	5		Balance	26	-21	-44	-55	-28	
Workforce expectations ³	Increase	30	23	9	13	38	Capacity utilisation ¹	Full capacity	41	30	19	33	45	
	Constant	65	73	87	75	58		Below capacity	59	70	61	67	55	
	Decrease	4	5	4	13	5		Prices ³	Increased	78	73	62	67	62
	Balance	26	18	5	0	33		Constant	22	27	38	29	33	
Recruited staff ²	Yes	59	64	36	58	60	Decreased	0	0	0	4	5		
	- Part time	38	36	33	36	32	Balance	78	73	62	63	57		
	- Full time	92	79	78	86	68	Price pressures ¹	Pay settlements	50	67	58	68	34	
	- Temporary	8	21	33	21	16		Raw materials	55	64	50	45	49	
	- Permanent	46	32	100	29	40		Finance	25	21	23	14	17	
	No	41	36	64	42	40		Other overheads	70	45	38	45	39	
Recruitment difficulties ²	Yes	92	84	75	100	96	External concerns ¹	Interest rates	43	28	31	38	36	
	- Skilled manual	42	35	44	21	25		Exchange rates	26	16	31	21	21	
	- Management	33	23	44	43	54		Business rates	22	21	23	13	21	
	- Clerical	67	50	56	36	42		Inflation	96	98	85	92	64	
	- Unskilled/semi-skilled	33	54	22	43	42		Competition	26	26	27	29	28	
	No	8	16	25	0	4		Tax	35	26	15	29	46	

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

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