



Quarterly Economic Survey

Quarter 1, 2024

www.hull-humber-chamber.co.uk

Overview

Few bright spots as challenges persist

WITH a continuing lack of clarity on possible interest rate cuts, businesses are still hoping for positive news, but since this report was compiled, both house prices and energy prices have dropped, raising hopes that we will soon see a cut.

Our latest survey, conducted between 12th February and 12th March, revealed that Home Sales dropped further this quarter, dropping another 10 points to -36, while Home Orders fared slightly better, dropping five points to -42.

Exports continued their steady recovery this quarter with the balance figure for Export Sales increasing by 12 points, but remaining in negative territory at -38.

Export Orders did slightly better still, increasing by 15 points to -31.

However, Employment took a tumble, with the number of firms saying they had tried to recruit staff in the last three months dropping by 18 points to -22.

Expected Employment for the next three months increased slightly, up by two points to 9.

More firms reported that they had tried to recruit staff in the last three months, up by 10 points from 49 to 59%. Most of those who had tried to recruit were hoping to fill full-time positions, with more of those positions being for permanent roles this quarter.

There was a slight decrease in the number of firms looking to recruit part-time staff, down two points to 27.

The number of temporary jobs also increased by 1 point, up to 91.

Fewer firms reported difficulties in recruiting the right kind of staff, down by 5 points to 77. The kind of roles firms were trying to fill varies, but the biggest jump this quarter was Unskilled and Semi-Skilled jobs which were up 13 points at 30.

Management positions also saw a sizeable increase, up 16 points to a balance figure of 60 this quarter.

Cashflow in the last three months was a on the up, but still in negative territory with the balance figure improving to -19.

Investment in Plant and Machinery was also down considerably, dropping 18 points to -22. Investment in training was also down, dropping another 7 points to a balance of -14.

Profit Expectations for the next 12 months were also down by three points to a balance figure of -14, but in better news, Turnover Expectations saw a healthy increase, clinging by 8 points to a balance figure of 14.

More firms expected to see their prices rise in the coming months, too, with the balance figure rising by two points to +2.

Only 23% of firms said they were working at full capacity this quarter, indicating that the business is still in the doldrums, to some degree.

Raw material and finance costs were both down this quarter, while pay settlements and other overheads all increased marginally.

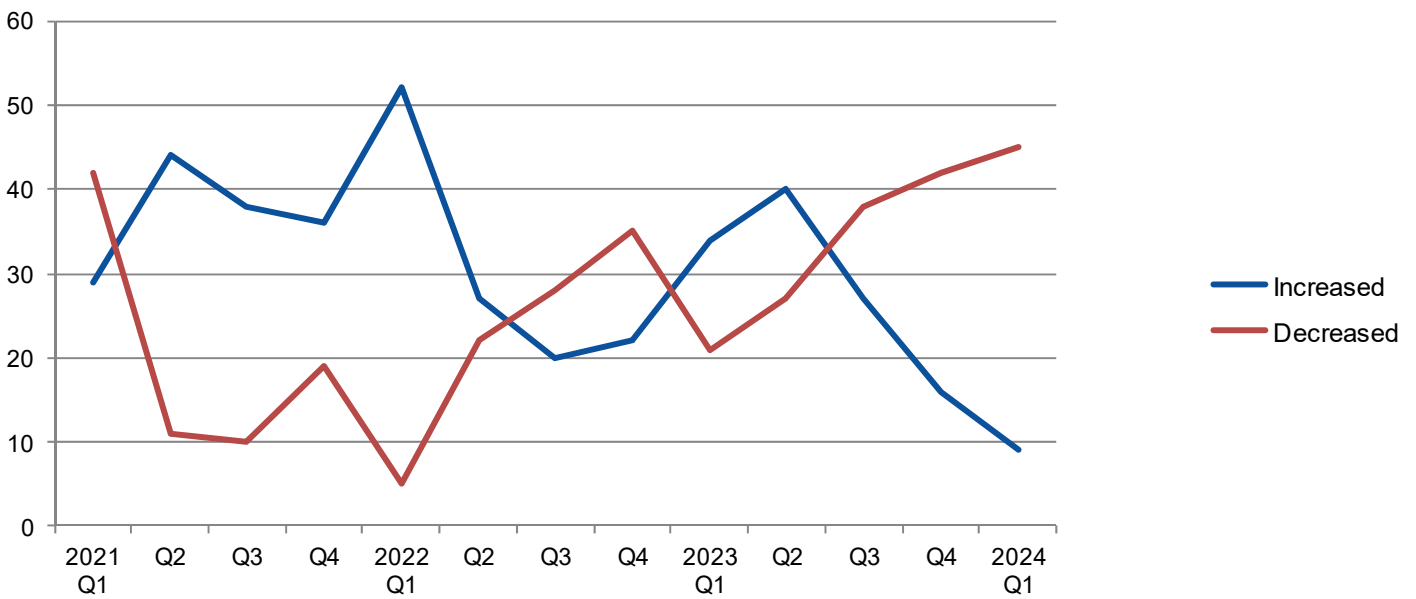
The biggest external concerns were Competition and Inflation this quarter, although interest rates were still a worry.

Key balances

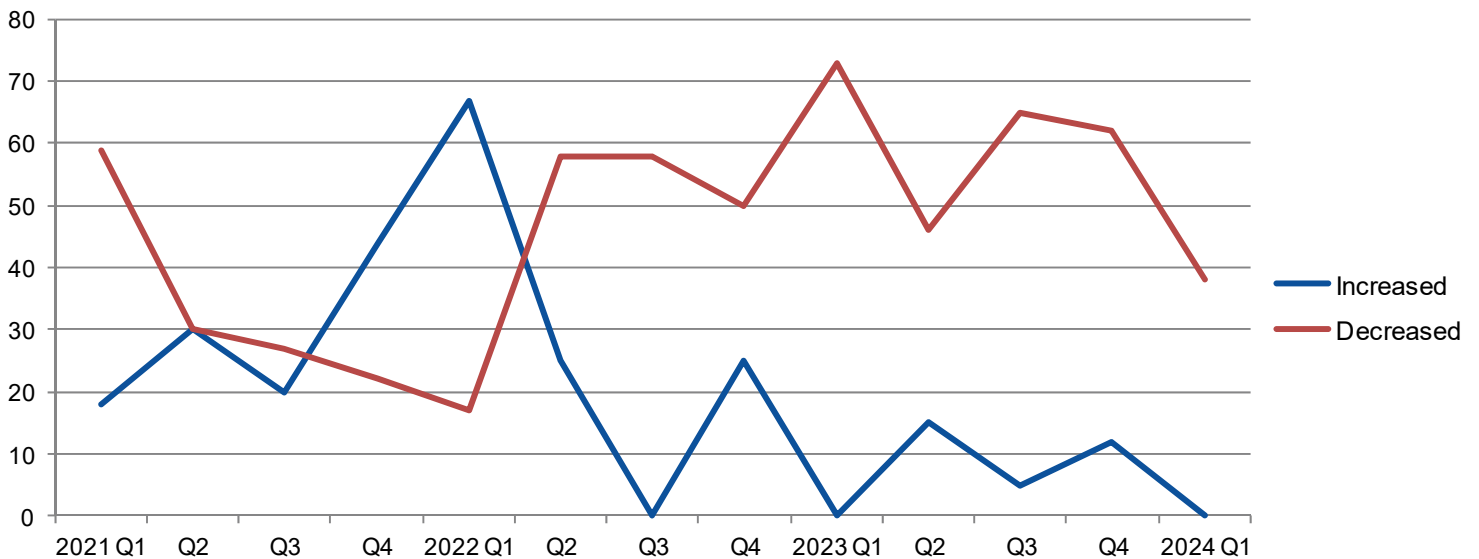
- ➔ Home Sales were down 10 points at -36.
- ➔ Home Orders were down five points at -42.
- ➔ Exports sales were up 12 points at +12.
- ➔ Export orders were up 15 points at -31.
- ➔ Employment was down 18 points to -22.
- ➔ Expected employment was up two points at 9.
- ➔ Cashflow was down 5 points at -5.
- ➔ Plant and Machinery was down 18 points to -22.
- ➔ Turnover expectations were up 8 points to 14.
- ➔ Profit expectations were down 3 points to -14.
- ➔ Prices were up two points at 59.

Key indicators

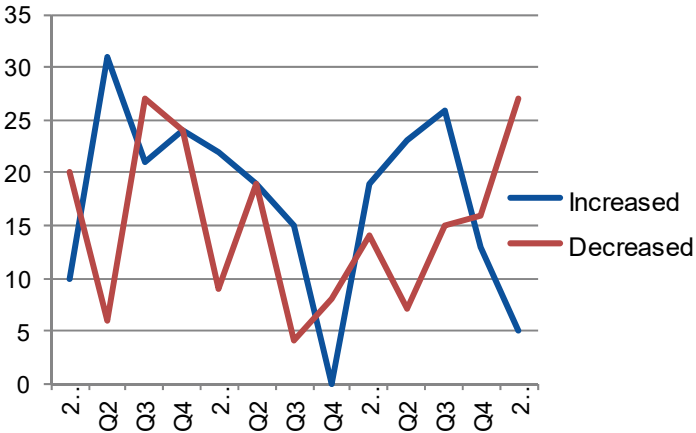
Home sales



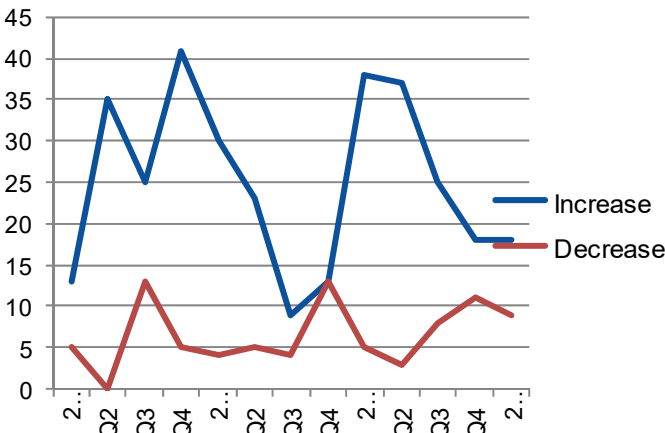
Export sales



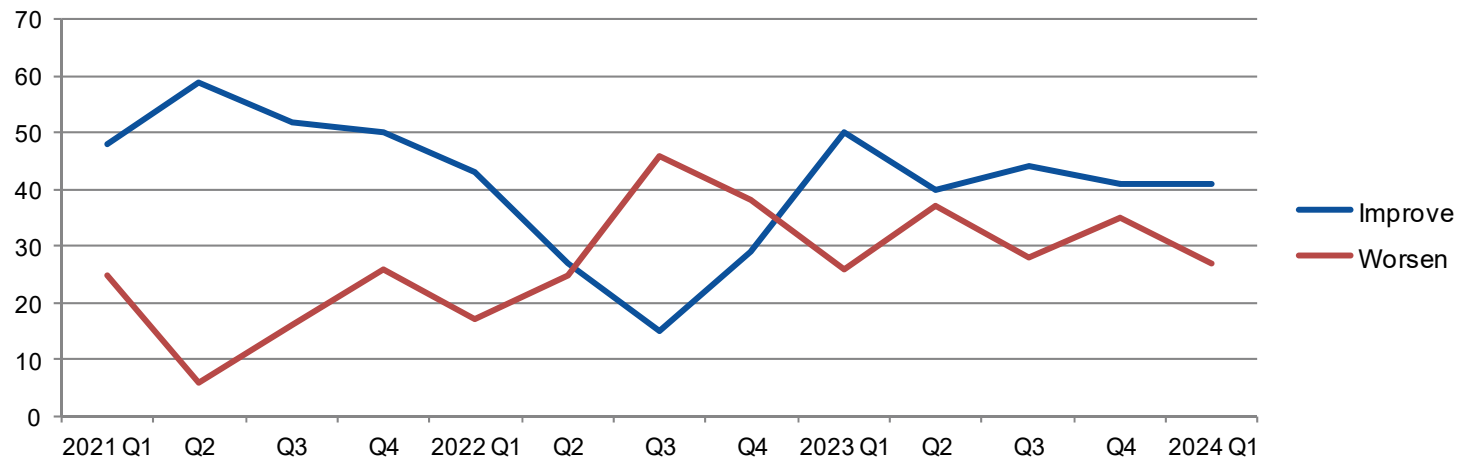
Employment



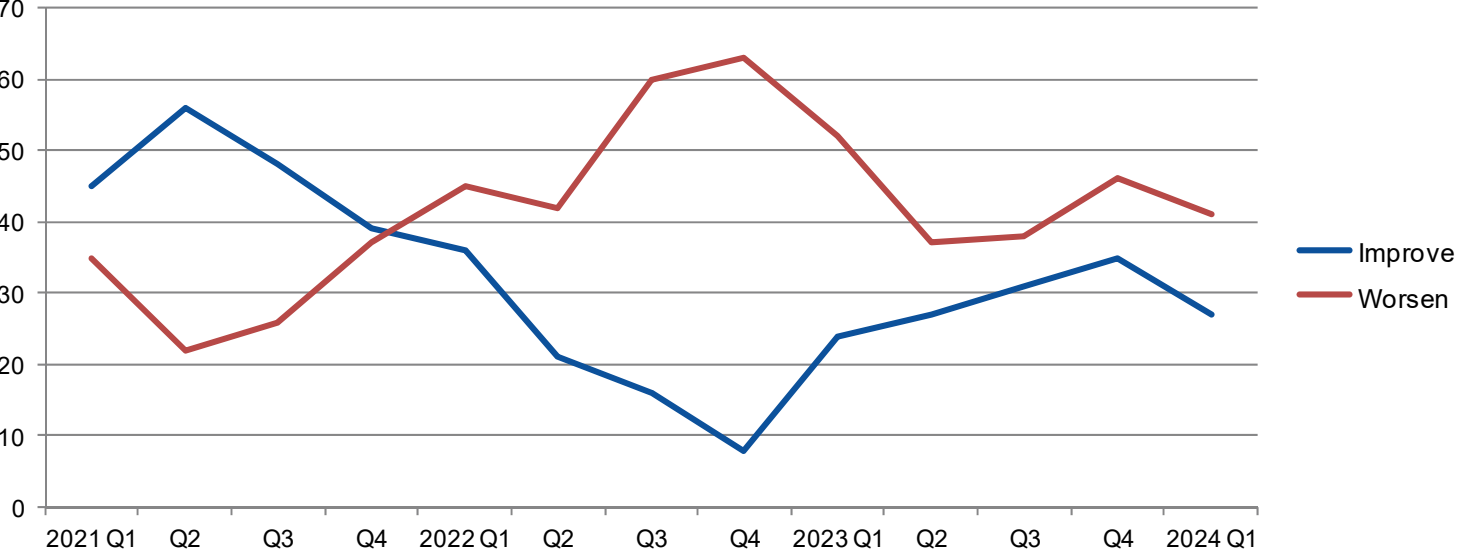
Employment expectations



Turnover expectations

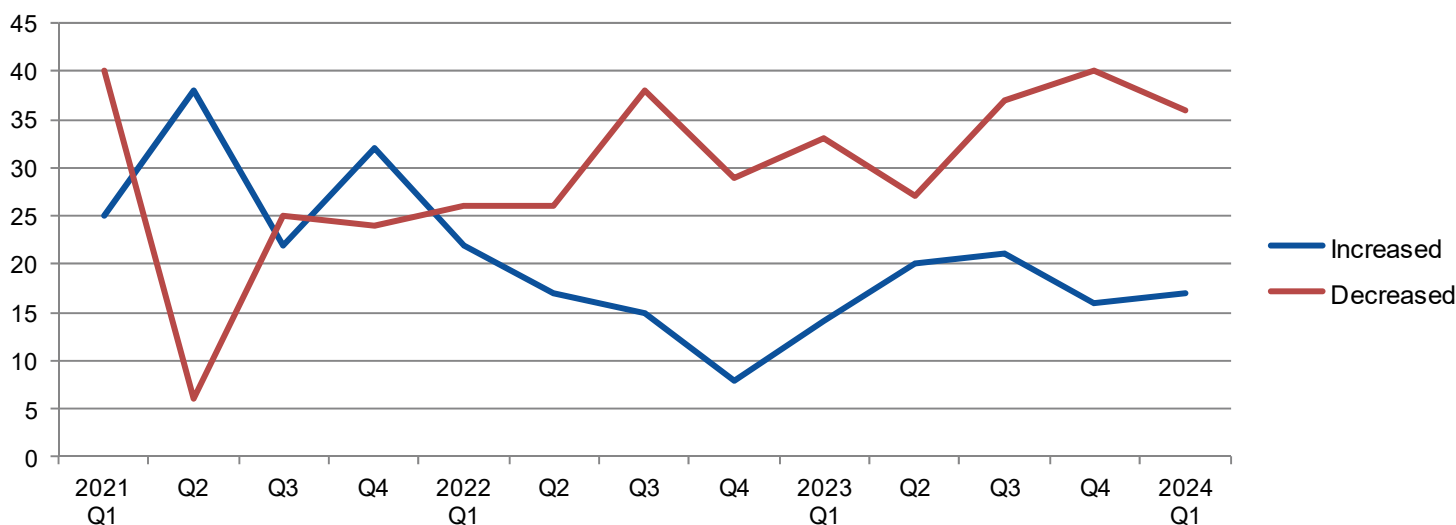


Profit expectations



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

Businesses treading water on investments

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 – the UK's largest and longest-running independent business survey – shows most firms reporting no improvement in investment levels, sales or cash-flow in the first quarter of 2024.

After a slight rise in Q4, levels of business confidence have remained static. For the second quarter in a row, 56% of businesses say they are expecting an increase in turnover.

With inflation likely to remain volatile over the coming months – the data also reveals that more firms expect hikes in their own prices, with staffing costs being the main pressure.

The survey, conducted between 12 February and 12 March, of over 4,800 firms across the UK – 92% of whom are SMEs (fewer than 250 employees) – also reveals business performance across different sectors varies considerably.

The percentage of respondents reporting increased domestic sales stayed at 36%, the same level as Q4. Likewise for the second quarter in a row, 22% reported a decrease and 42% said sales had remained constant.

But there were significant sectoral differences. 44% of professional service firms said they had seen a boost in sales, whereas only 27% of logistic companies and 29% of retailers did.

56% firms expect to see their turnover increase over the next 12 months – the same as Q4 2023. Only 14% of respondents are expecting to see their financial situation worsen in the year ahead, 29% expect things to remain the same.

Profitability confidence has remained static, with 48% of companies saying they expect profits to increase in the next year. That compares to 47% in Q4. 21% believe profits will fall.

Economic headwinds continue to impact heavily on business investment. The majority of firms say they haven't increased the amount of new plant, machinery and equipment they've bought or rented. Only 24% reported an increase in investment (the same as Q4), while 60% said levels had remained the same, 16% reported a decrease.

There are large sectoral disparities in investment levels. 28% of hospitality sector firms say they have decreased investment, while 30% of manufacturing businesses have increased investment.

Although inflation has slowed significantly in recent months, almost half of firms are expecting the price of their goods or services to rise. 46% are predicting an increase (compared with 47% in Q4), 51% think prices will stay the same, and just 3% are anticipating a decrease.

Labour costs are cited as the main cost pressure across all businesses. For the second quarter running, 68% of responding firms say they are under pressure to raise prices because of staffing costs. Some sectors are feeling this pressure more than others, 77% of hospitality firms and 76% of manufacturers citing it as a key driver.

While inflation remains firms' biggest concern, business worries about interest rates continue to gradually fall. 35% of businesses say they are concerned about the cost of borrowing, compared with 39% in Q4. These figures remain high compared with the pre-Covid trend.

David Bharier, Head of Research at the British Chambers of Commerce said: "The latest results provide further evidence that the UK economy is trapped in a low to no growth state. Although business confidence remains buoyant at the start of the year, most SMEs are not reporting improvement to business conditions".

Analysis

David Hooper

External Affairs Director

Hull & Humber Chamber of Commerce

“Raw material and finance costs were both down slightly this quarter, but there doesn’t seem to be much respite for businesses from the challenging trading conditions which continue to test many local firms.

“Exports improved marginally, but home sales and orders struggled again this quarter and there seems to be little appetite for firms to invest in training or new equipment, as many continue to focus on making ends meet.

“Looking ahead, most firms expect to see their prices rise in the coming months and more firms are worried about competition and inflation, so any help the Bank of England might be able to offer by way of an interest rate cut soon, will no doubt, be welcomed.”

[Click here for more information.](#)

The National View

Shevaun Haviland

British Chambers of Commerce

“Our results are a timely reminder of the challenges businesses are facing across the UK.

“We desperately need to see SMEs investing again. Government moves on rate relief, planning reform and full expensing are welcome - but they haven’t yet shifted the dial.

“The recent rise in the national living wage is good news for millions of employees. But it comes at a time when labour costs pressures for business are already very high. Firms need room to breathe as they strive to pay staff fairly.

“In this election year it’s vital that politicians remain laser focused on helping businesses invest, develop and grow. We encourage all parties to study our findings and understand the reality for SMEs in communities up and down the country”.

Results in full

		2023				2024
		Q1	Q2	Q3	Q4	Q1
Home sales ²	Increased	34	40	27	16	9
	Constant	45	33	35	42	45
	Decreased	21	27	38	42	45
	Balance	13	13	-11	-26	-36

Home orders ²	Increased	24	33	31	20	10
	Constant	45	37	25	23	38
	Decreased	32	30	44	57	52
	Balance	-8	3	-13	-37	-42

Export sales ²	Increased	0	15	5	12	0
	Constant	27	38	30	27	62
	Decreased	73	46	65	62	38
	Balance	-73	-31	-60	-50	-38

Export orders ²	Increased	7	8	5	8	15
	Constant	27	27	32	28	38
	Decreased	67	62	63	64	46
	Balance	60	-54	-58	-56	-31

Workforce ²	Increased	19	23	26	13	5
	Constant	67	70	59	71	68
	Decreased	14	7	15	16	27
	Balance	5	16	11	-3	-22

Workforce expectations ³	Increase	38	37	25	18	18
	Constant	58	60	67	71	73
	Decrease	5	3	8	11	9
	Balance	33	34	17	7	9

Recruited staff ²	Yes	60	53	59	49	59
	- Part time	32	25	26	29	27
	- Full time	68	81	83	90	91
	- Temporary	16	6	9	14	18
	- Permanent	40	38	35	29	36
	No	40	47	41	51	41

Recruitment difficulties ²	Yes	96	94	84	82	77
	- Skilled manual	25	33	43	39	40
	- Management	54	67	48	44	60
	- Clerical	42	33	38	39	10
	- Unskilled/semi-skilled	42	7	10	17	0
	No	4	6	16	18	23

		2023				2024
		Q1	Q2	Q3	Q4	Q1
Cashflow ²	Increased	14	20	21	16	17
	Constant	52	53	42	44	43
	Decreased	33	27	37	40	36
	Balance	-19	-7	-16	-24	-19

Investment: Plant/machinery ²	Increased	33	27	30	24	14
	Constant	50	43	41	49	50
	Decreased	18	30	30	27	36
	Balance	15	-3	0	-3	-22

Investment: Training ²	Increased	18	23	24	16	9
	Constant	70	57	51	61	68
	Decreased	13	20	24	23	23
	Balance	5	3	0	-7	-14

Turnover expectations ⁴	Improve	50	40	44	41	41
	Same	24	23	28	24	32
	Worsen	26	37	28	35	41
	Balance	24	3	16	6	-14

24

Profit expectations ⁴	Improve	24	27	31	35	27
	Same	54	23	31	20	32
	Worsen	22	37	38	46	41
	Balance	-28	-10	-7	-11	-14

Capacity utilisation ¹	Full capacity	45	37	33	30	23
	Below capacity	55	63	67	70	77

Prices ³	Increased	62	38	47	61	59
	Constant	33	55	50	35	36
	Decreased	5	7	3	4	5
	Balance	57	31	44	57	59

Price pressures ¹	Pay settlements	34	79	61	74	75
	Raw materials	49	38	42	50	45
	Finance	17	14	24	31	20
	Other overheads	39	41	34	36	35

External concerns ¹	Interest rates	36	41	35	37	30
	Exchange rates	21	28	19	24	20
	Business rates	21	31	30	24	30
	Inflation	64	62	65	61	45
	Competition	28	28	43	51	35
	Tax	46	52	43	41	40

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

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