

Quarterly Economic Survey findings: Q4 2011

Summary

The charts below show, in addition to the past year's Quarterly Economic Survey findings, two bench-mark Quarters. These are: Q1 2008, during the calm period after the credit crunch began but before any major banks had failed; and Q4 2010, when the UK recovery first stalled (GDP fell by 0.5%).

These Q4 2011 results show Kent's economy gradually strengthening despite the eurozone problems. There is, however, evident polarisation with about ¼ struggling while up to one-third prosper. Overall, other Chambers' QES results indicate that whilst Kent's Export activity is fragile, our members continue to report domestic Sales stronger than the rest of the South East, which in turn outperforms the rest of the UK as a whole. The only exception to this is Manufacturing, heavily dependent on Exports. As in Q3 2011, Kent Invicta Chamber members account for 18% of all South East Chambers' responses.

If there is one improvement to government policy that these findings should stimulate, it is urgent action to increase the sources of sensibly-priced credit to viable businesses. The second is increased support for Exporters, to reduce the risks attached to 'pushing the boat out'. Accordingly, both are major initiatives being pursued by British Chambers of Commerce in lobbying ministers and Whitehall.

Introduction: How to read the bar charts

It is best to read the notes in this document in conjunction with the Q4 findings shown in five sets of bar charts (below):

1. Recent Sales and Current Orders
2. Prospects and Viability
3. Investment in Staff & Kit
4. Hiring Needs
5. Current Pressures.

In addition, a sixth set of charts shows the number and make-up of respondents in terms of Industry Sector and size (Employees). Tables of figures for the 12 industry classifications (4 Manufacturing and 8 Services) are also available on request.

Most questions in the Survey ask if things are better, constant, or worse. Accordingly, the top section of each bar shows the % of respondents who reported better (or Increased) results; the middle section shows the % with Constant results; and the bottom shows those for whom results worsened.

1. Recent Sales and Current Orders

(a) UK Sales & Orders. In the left-hand chart below, you can see that 37% of the Chamber members responding said that over the previous 3 months their UK Sales had increased. Another 42% said UK Sales had remained constant; whilst 21% said they had decreased, shown as *minus* 21% to give a visual indicator of economic buoyancy. Looking back over the previous four Quarters you can see that, after the dire Q4 2010 in which those with decreased Sales (31%) exceeded those whose sales increased (26%), some buoyancy has been returning: domestic Sales in Q4 2011 were the strongest for well over a year.

Meanwhile, forward Orders in the UK grew more modestly in Quarter 4 than in Quarter 3. Whilst three-quarters of members report steady or improving forward Orders, there is still a worrying pattern of 25% or so whose Orders are down.

(b) Export Sales & Orders. The Greek bail-out began to provoke real concern in Summer 2011, so it's not surprising that members' Export recovery started to fade at that time. The growing proportion of those with falling Export Sales (20% in Q4) probably also reflects sterling's 6% appreciation against the euro during the autumn. So it's hardly surprising that Export Orders fared even worse than Export Sales. This weakness in EU demand looks set to continue; exporters may do well to concentrate on Germany and the Netherlands in Europe, and globally further afield, for some time to come.

2. Prospects and Viability

- (a) Sales Turnover Expectations for next 12 months. Strengthening: in fact, it is marketing/Media and Professional Services that show the most confidence, in addition to Other Services (probably boosted by Internet activity).
- (b) Profit Expectations for next 12 months. Profit expectations are stronger than for well over a year. Even so, at least ¼ expect Profits to fall during 2012.
- (c) Recent Cashflow. As for the past 3 years, Cashflow remains a big issue for small and medium-sized enterprises (SMEs). Whilst almost ¼ regularly report Cashflow improvement, about one-third regularly say it is worsening.
- (d) Planned Price Increases. In a further indication of confidence, only 5% are planning Price cuts – whilst 25% plan to charge more.

3. Investment in Staff and Kit

- (a) Employment – last 3 months. Steady for most: in fact, fewer than 10% have cut back their workforce.
- (b) Employment – next 3 months. Mostly steady going forward – though more than 1 in 5 expect to hire new staff, in line with Sales/Profit confidence.
- (c) Planned Investment in Training. About ¼ are raising their planned Training spend, whilst almost 1 in 5 expect to cut it – evidence of the polarisation noted above.
- (d) Planned Investment in Kit. As with Training, planned investment in Kit is largely steady. The polarisation is less marked: Kit is, perhaps, a less salient issue for most of our (Service-biased) membership.

4. Hiring Needs

- (a) Tried to Hire in last 3 months? Only some 2 in 5 had tried to expand their workforce.
- (b) Job type offered. Twice as many offered full-time jobs as part-time; likewise, twice as many permanent as temporary.
- (c) Hard to Hire suitable staff? Only about 1 in 4 found difficulty filling their vacancies.
- (d) Hard to Hire: categories sought. Professional/managerial jobs, offered by 1 in 5 of respondents, were as usual the hardest to fill.

5. Current Pressures

- (a) Pricing Pressures. Results show more Chamber members struggling than in Q1 2008 (included as a pre-recession benchmark), with Overheads and Raw materials the chief pressure.
- (b) Of Greater Concern than 3 months ago. Inflation tops the poll for the first time in almost 3 years. Moreover, Taxation has been a major concern throughout 2011, ie since the 2½% VAT hike to 20%.
- (c) Capacity Utilisation. Meanwhile, only ¼ of respondents are operating at full capacity, down from one-third earlier in 2011.

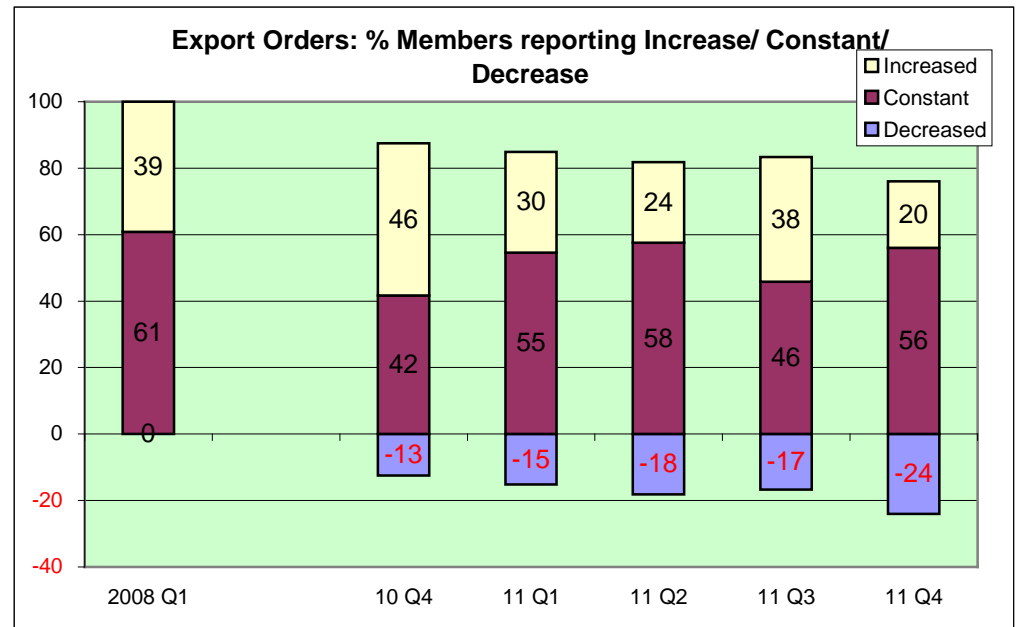
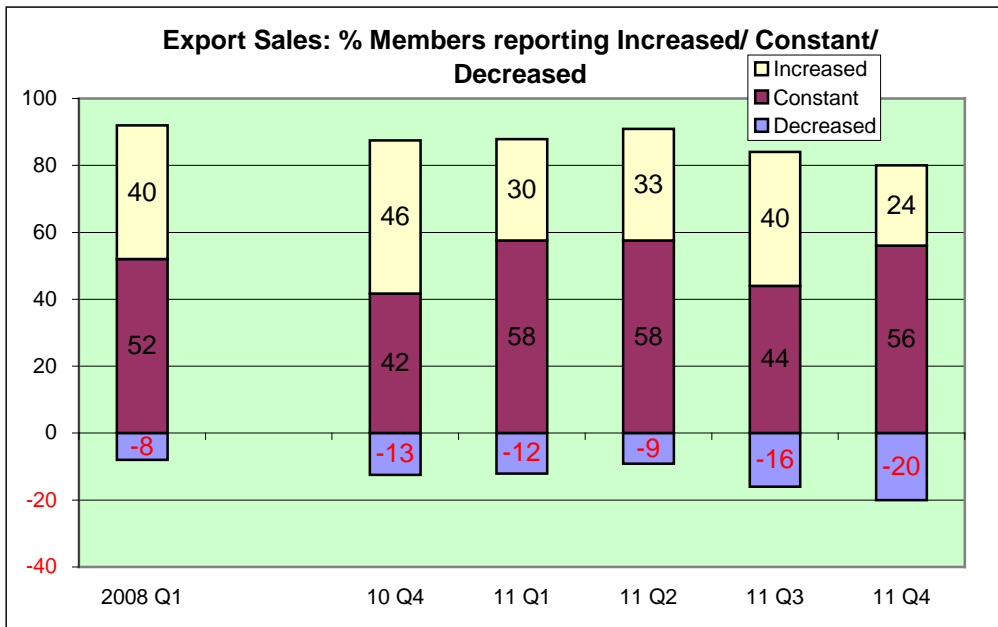
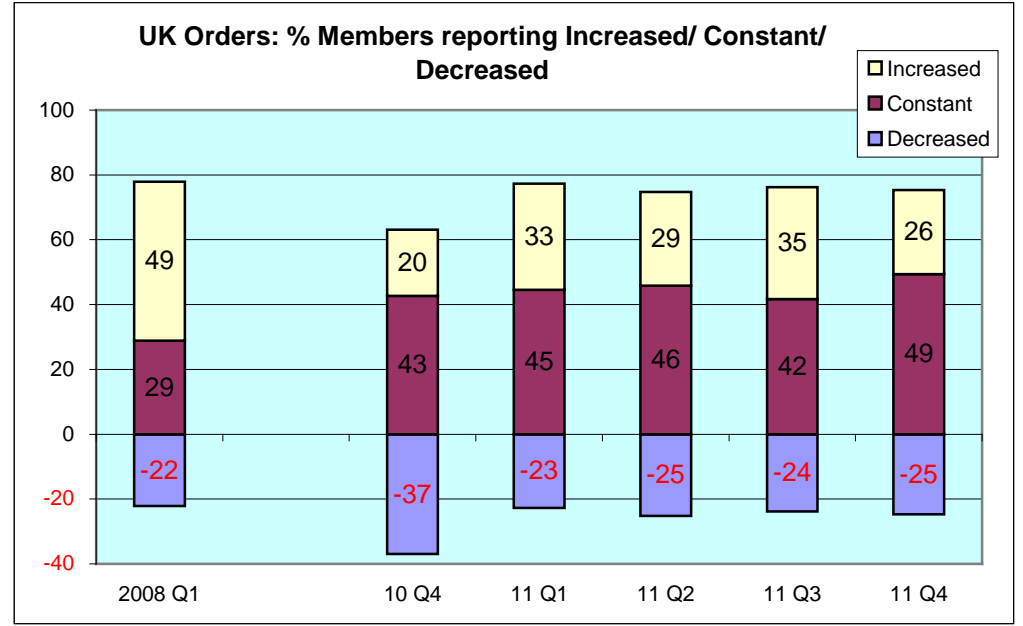
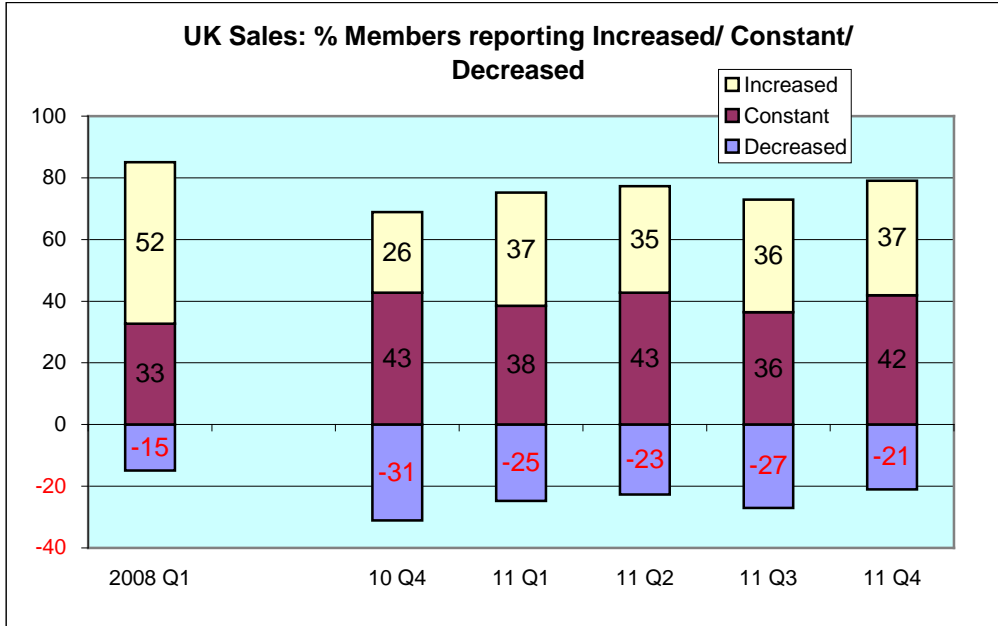
Presenting survey results is always a balancing act. Too much information – and people drown in the data; too little – and they glean nothing of value. As we innovate in presenting to you the findings of the British Chambers of Commerce Quarterly Economic Survey, please let us know how we're doing. Have we told you enough to read and interpret the charts for yourself? Do the comments make sense? Don't hesitate to tell us, and raise any queries.

Nick Rowell

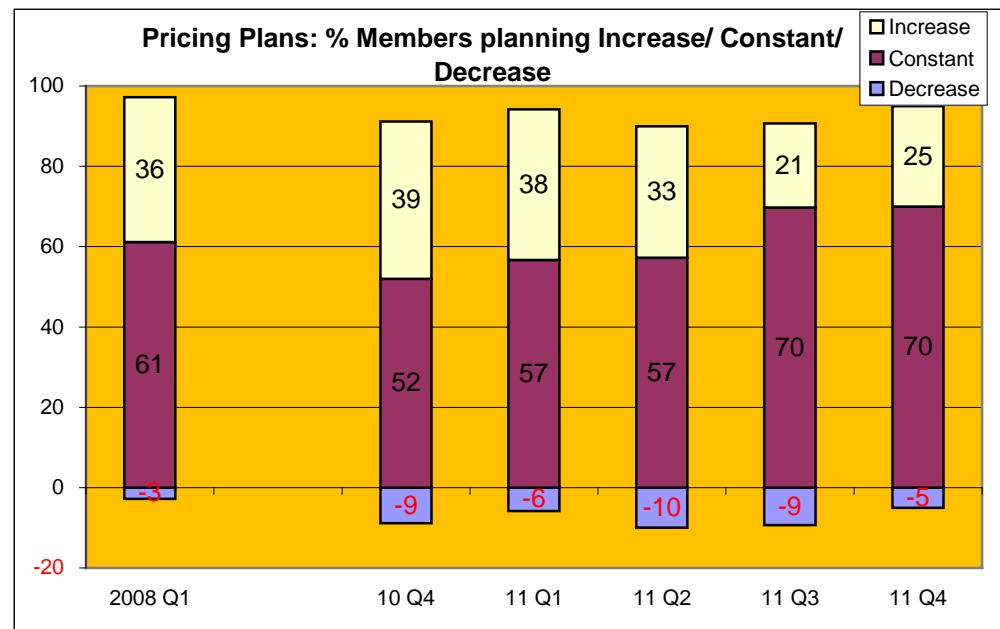
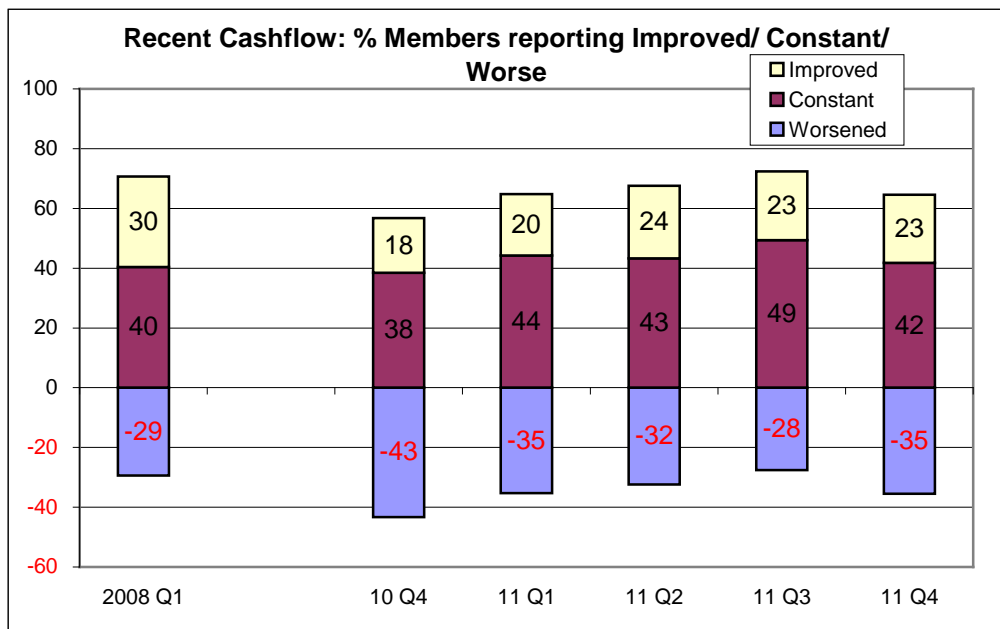
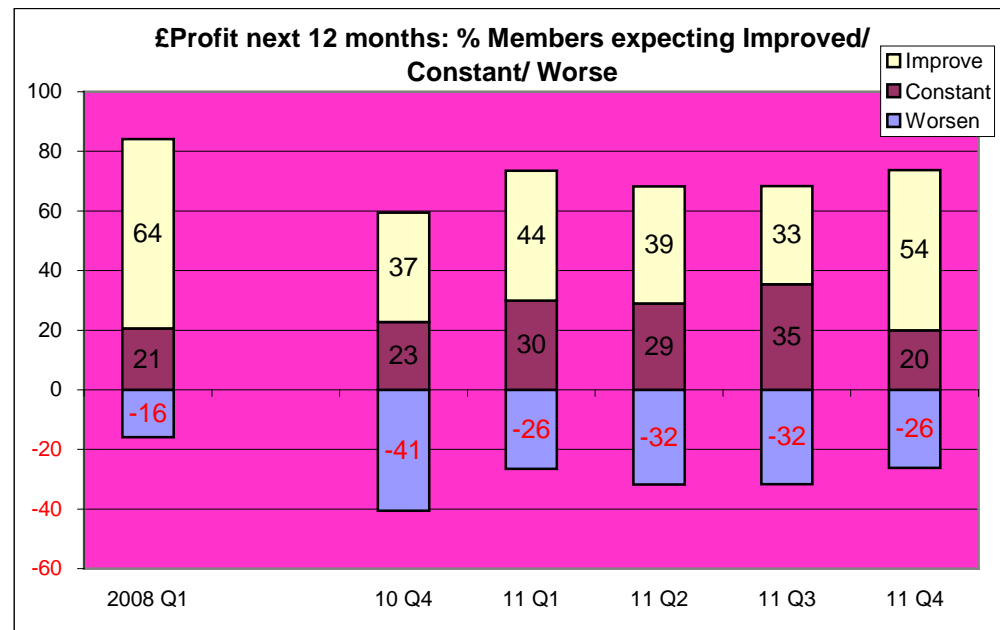
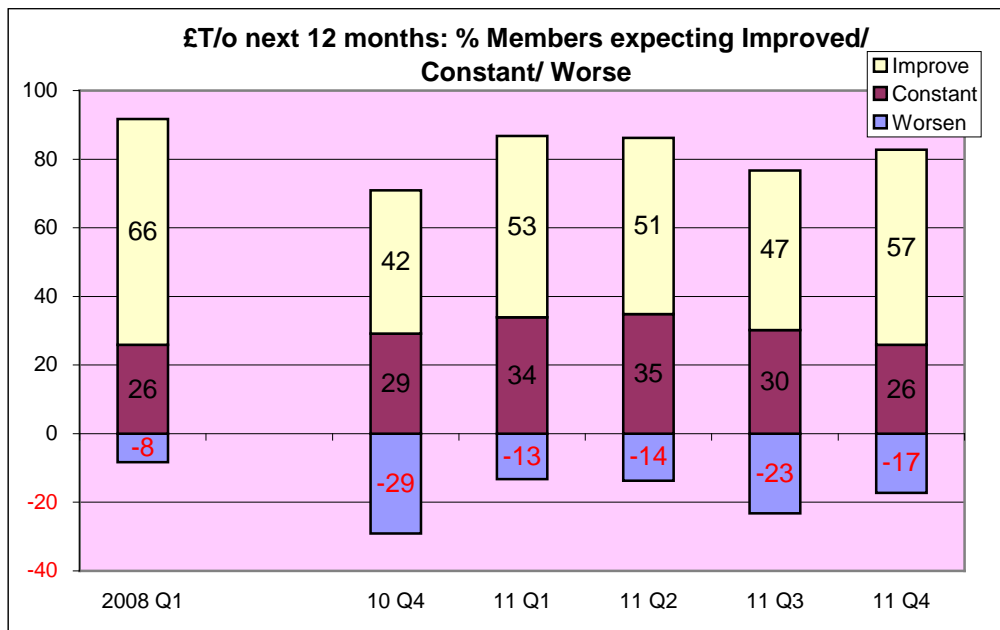
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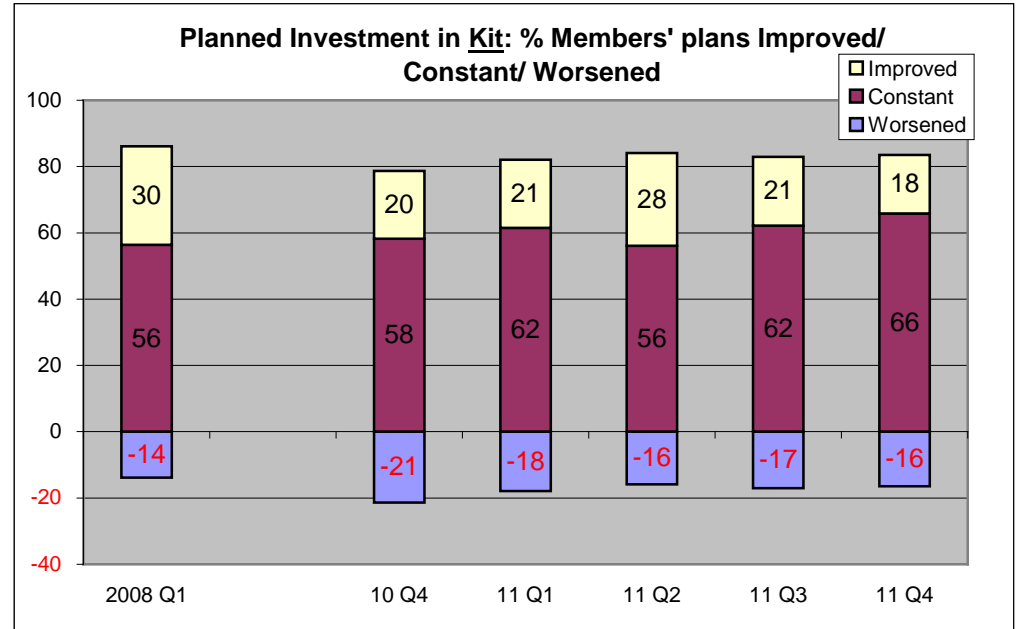
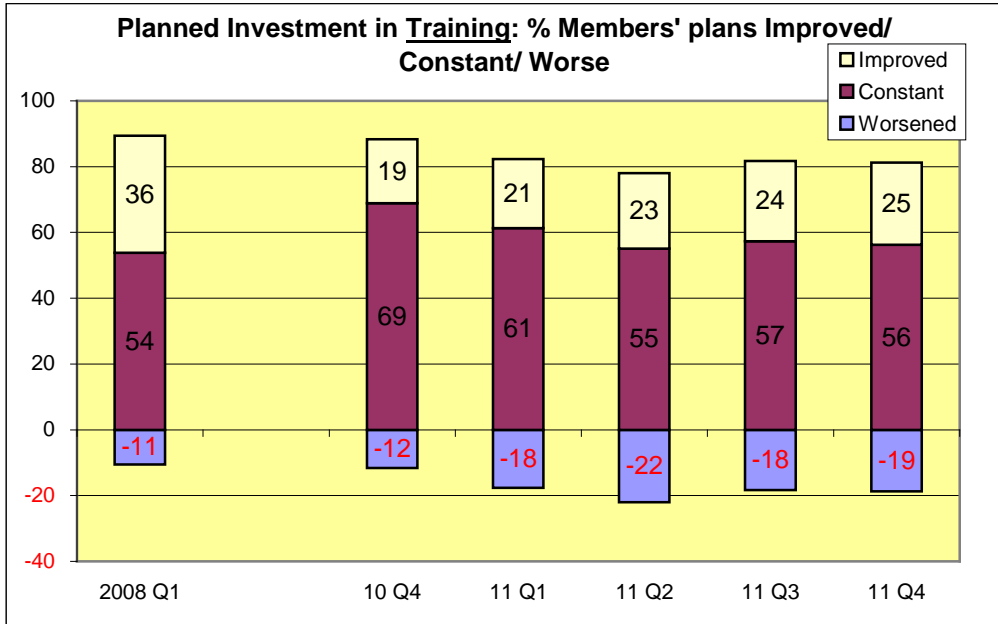
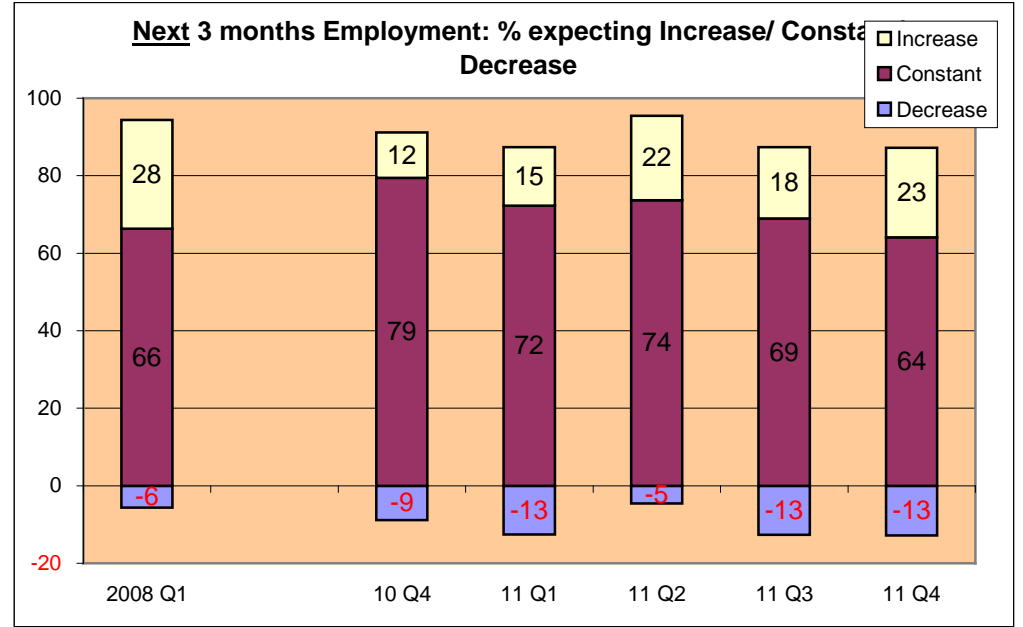
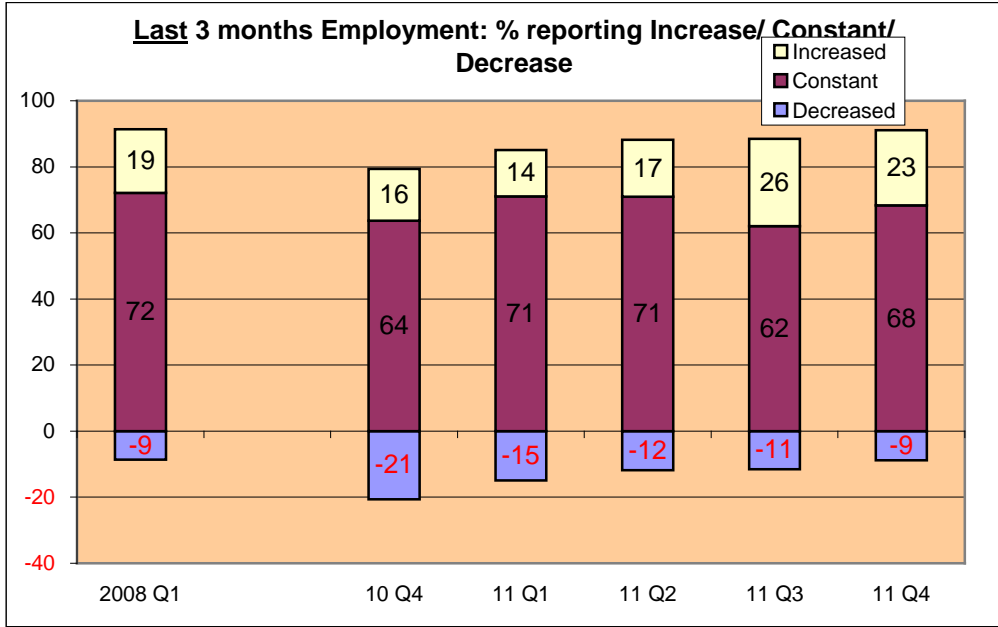
1. Recent Sales and Current Orders



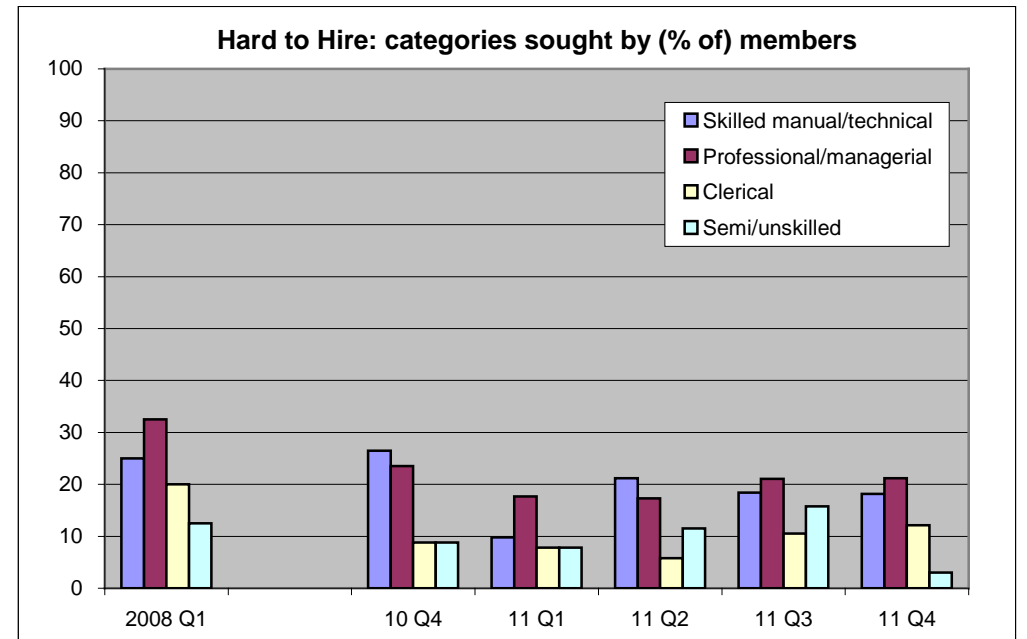
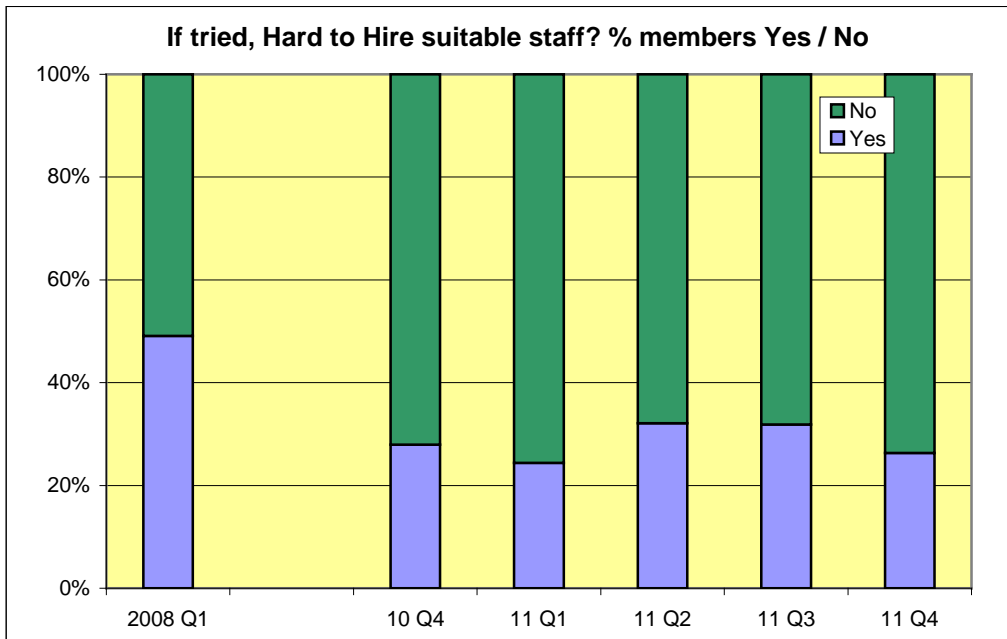
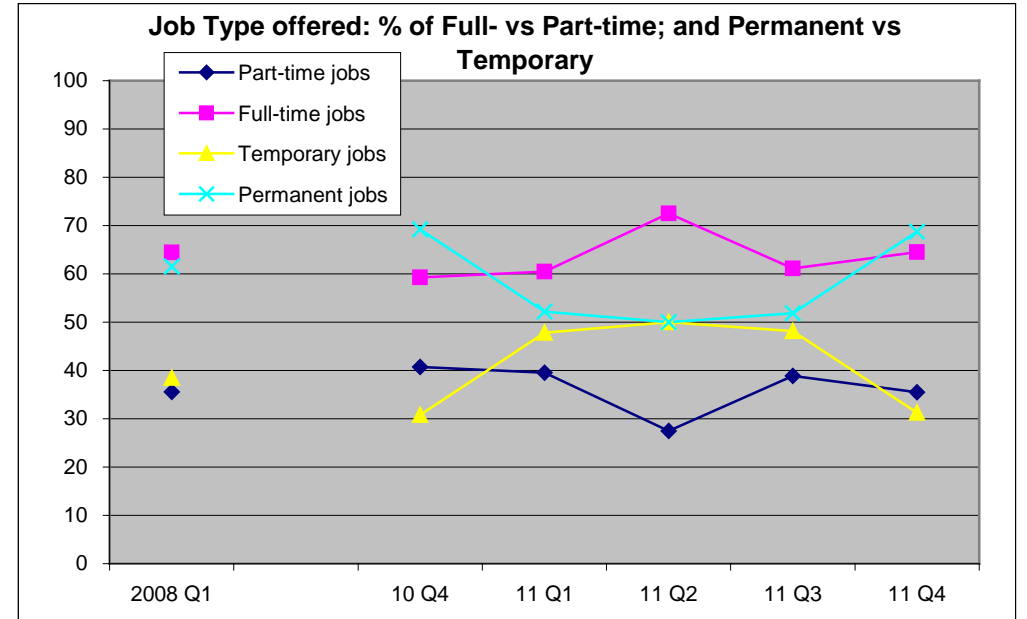
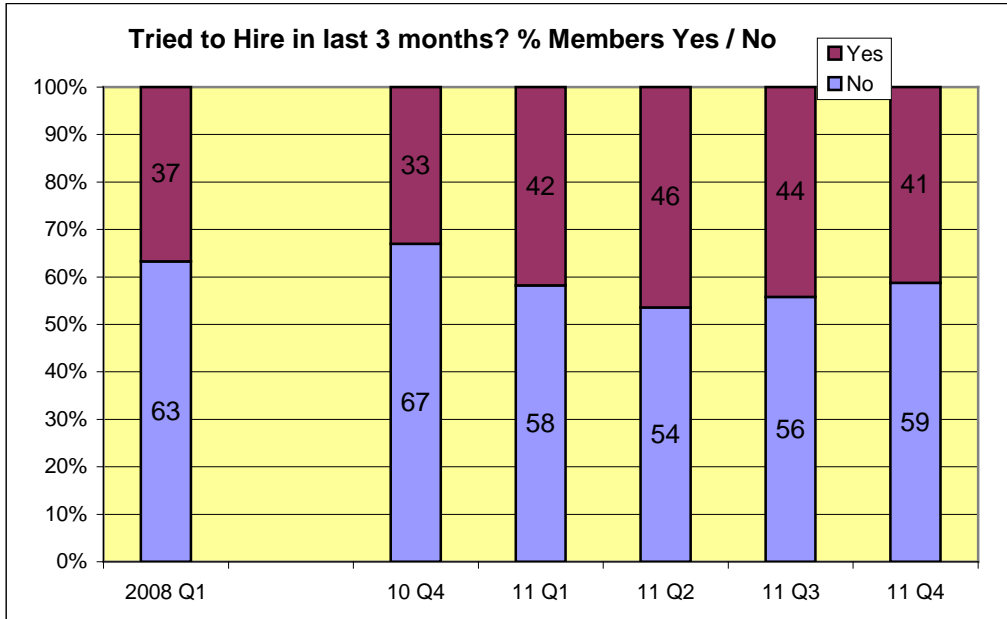
2. Prospects and Viability



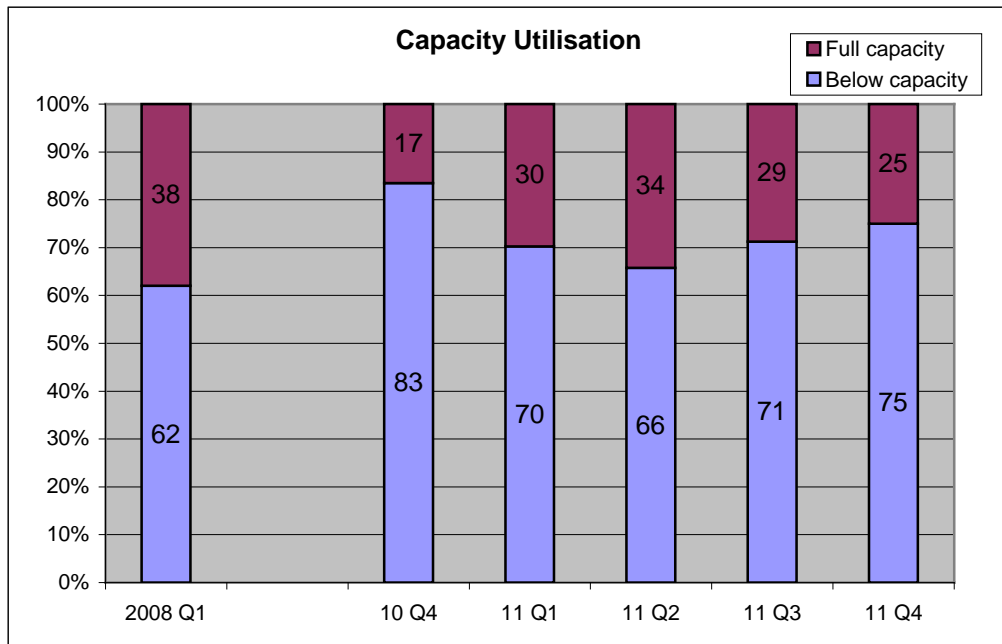
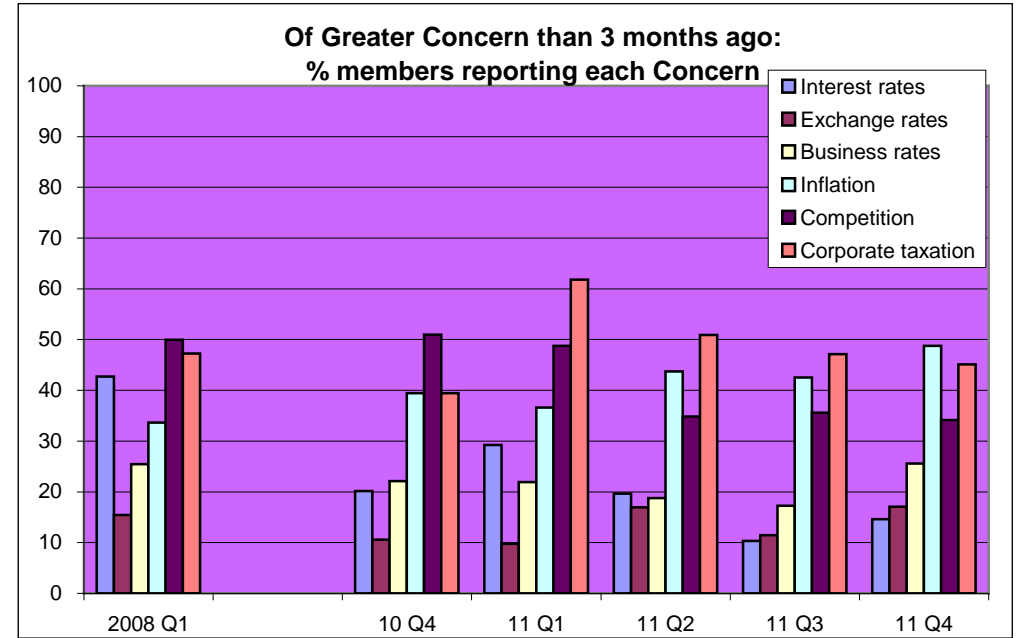
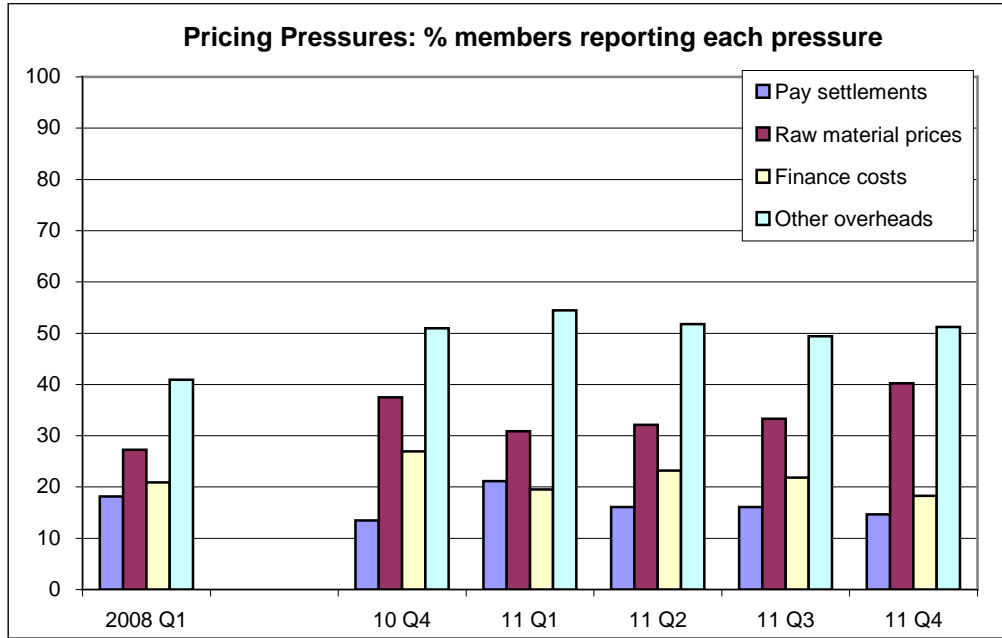
3. Investment in Staff & Kit



4. Hiring needs



5. Current Pressures



6. Respondents' composition by Industry Sector and Number of Employees

