

## Quarterly Economic Survey: Kent Invicta Chamber

### Introduction

Kent Invicta is one of six Chambers in the South East that are accredited by British Chambers of Commerce. It regularly contributes about 30% of the South East's responses to the Quarterly Economic Survey, the largest UK survey of its kind, which is administered on behalf of the BCC by every accredited Chamber. The actual questionnaire, honed over many years to gather a wealth of information, takes only about 3 minutes for a business Proprietor/ MD/ CEO to complete.

The latest findings are shown below, mostly using bar charts (which allow detailed comparison to reveal trends over time) in five groups:

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

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

To give a visual 'steer' on the buoyancy (or otherwise) of the economy, the % for whom results have worsened is shown as a negative figure. This makes it easy to spot (a) the volatility trend for struggling businesses, (b) the steadiness (or otherwise) of the percentage reporting constant results and (c) the trend for more (or fewer) reporting improvement.

These charts show findings for the past two years (8 Quarters); also a benchmark – findings for Q1 2008, after the UK bail-out of Northern Rock but before the failure of US banks Bear Stearns and Lehmann Brothers.

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

The QES findings offer not just a benchmark for your own business but, much more useful, some information/ insights to help you focus time, cash and energy fruitfully on growing your own business profits. Any queries, feel free to get in touch.

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### Findings for Quarter 1 2017 (fieldwork: late Feb/ early March)

Probably due to Brexit uncertainty Q1 saw fewer responses than usual across the South East. Especially Manufacturers', of which Kent provided 45%. Our charts show business performance as a whole, so below we've added comparative Manufacturing vs Services comment as appropriate.

#### Key Local Findings

Among our respondents as a whole, the trend of **UK Sales** consolidated. **UK Orders**, meanwhile, strengthened especially for Services.

**Export Sales** show muted growth. **Export Orders** strengthened for Manufacturers, but not for Services.

**Cashflow** was constant for less than half of respondents. As in Q3 and Q4 2016, only 1 in 4 reported improving Cashflow, the lowest for 3½ years. Probably input inflation has been leading to under-recovery of costs.

**Confidence**, as revealed by members' expectations of **£Turnover** and **Profit** in the next 12 months, strengthened slightly towards their historic trend. However, inflation makes some growth more apparent than real.

**Employment** growth slowed in Q1, but **Employment expectations** strengthened, albeit 75% of the Manufacturing vacancies were for Temps.

Plans for **Investment** in **Training** strengthened, in line with the next 3 months' Employment expectations. Plans for **Investment** in **Kit** also strengthened, albeit from a low base.

**Skills shortages** continue. The "new normal" of at least 8 in 10 would-be-hirers struggling to find the right people is becoming entrenched. Professional/managerial jobs as usual were hardest to fill.

Only 29% reported working at **Full Capacity** (34% of Services, 6% of Manufacturers – but Manufacturers clearly anticipate uplift in Q2).

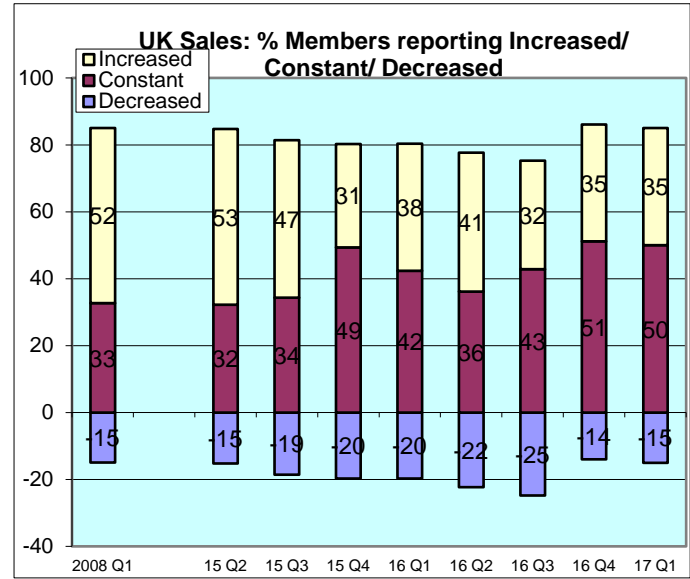
**Business Rates** took over as the most frequently mentioned concern (by 37%). **Inflation**, **Overheads** and **Raw Materials** were not far behind.

#### The South East: the Bigger Picture

Sales of Services grew more in Kent than the rest of the South East, but Manufacturers fared slightly worse – except for Export Orders. Slightly more Kent firms reported working at below capacity. Business rates and corporate taxation troubled other SE businesses slightly more than Kent.

NB These latter differences aren't necessarily trends; they may fluctuate.

# 1. Recent Sales and Current Orders

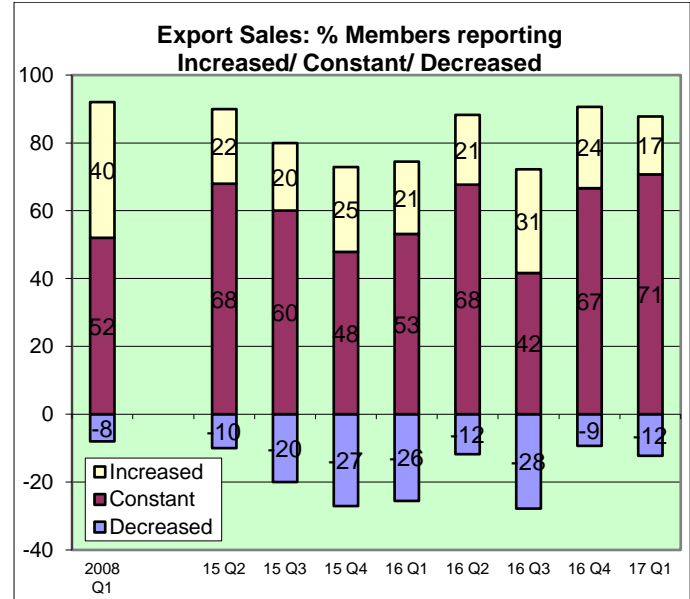
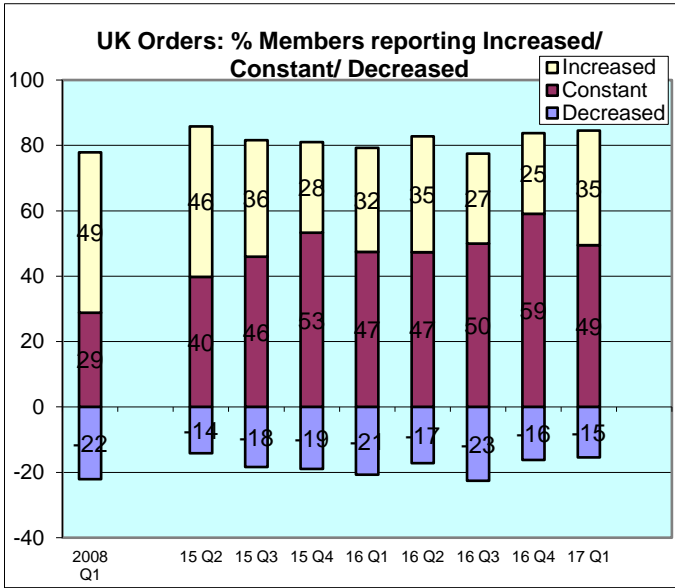


## UK Sales & Orders

Across our Kent Invicta Chamber respondents as a whole, the UK Sales improvement in Q4 2016 lasted through Q1 2017.

Detailed comparison of Manufacturers with Services (not shown here) shows that Services fared better: in fact, in Q1 more Manufacturers reported a decrease than increase in UK Sales.

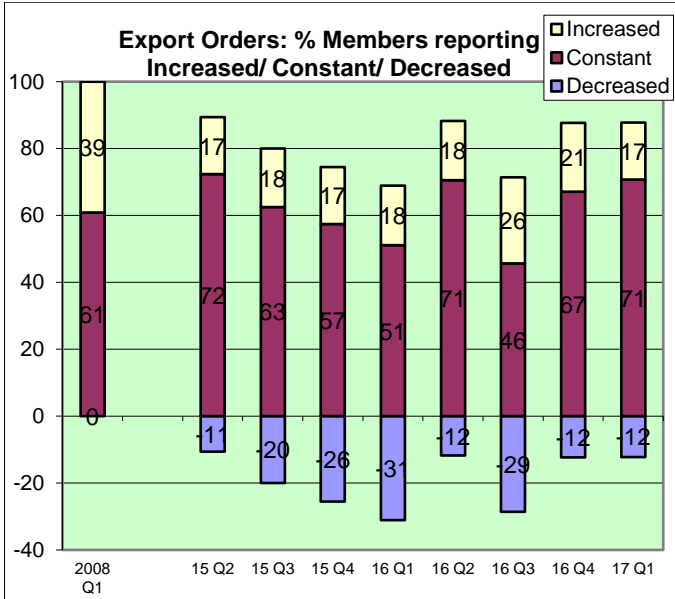
Meanwhile, UK forward Orders for the next 3 months show a significant uplift: 35% reported an increase vs 25 % in the previous Quarter, mainly in Services.



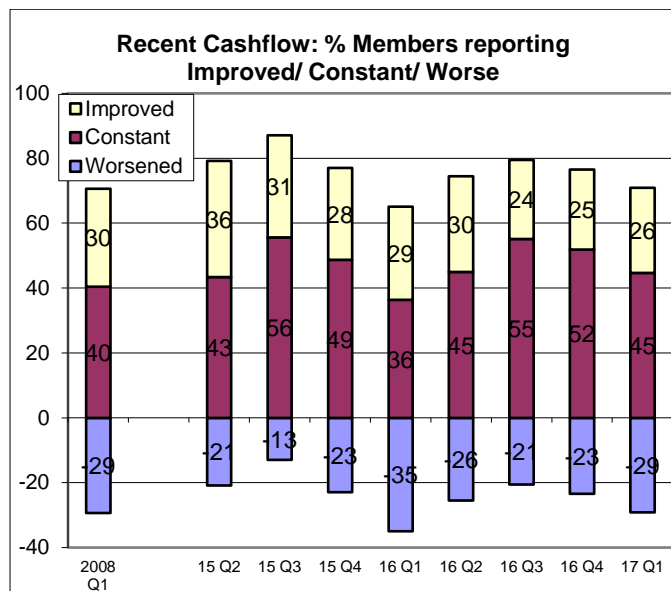
## Export Sales & Orders

Surprisingly, despite the weak pound making UK goods and services more affordable abroad, only 1 in 6 (17%) reported an increase in Export Sales; likewise, only 17% reported an increase in forward Export Orders.

Detailed analysis (not shown here) reveals that Manufacturers fared better than Services in forward Export Orders: among exporters, 36% of Manufacturers increased orders vs 10% of Services.



## 2. Cashflow and Prospects

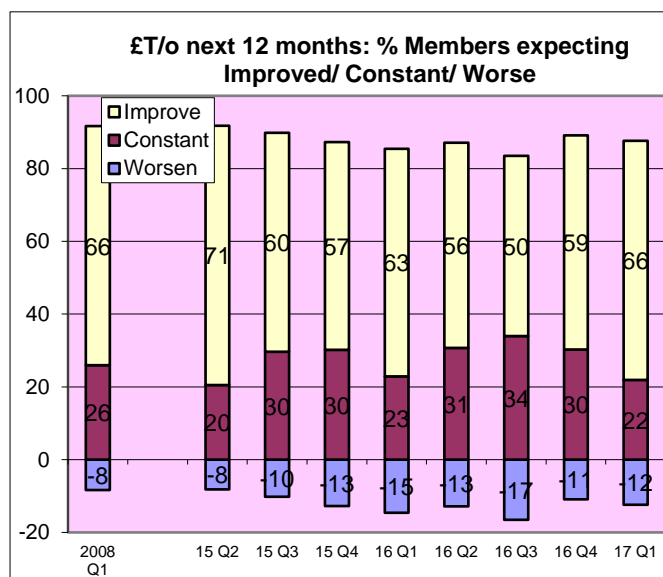
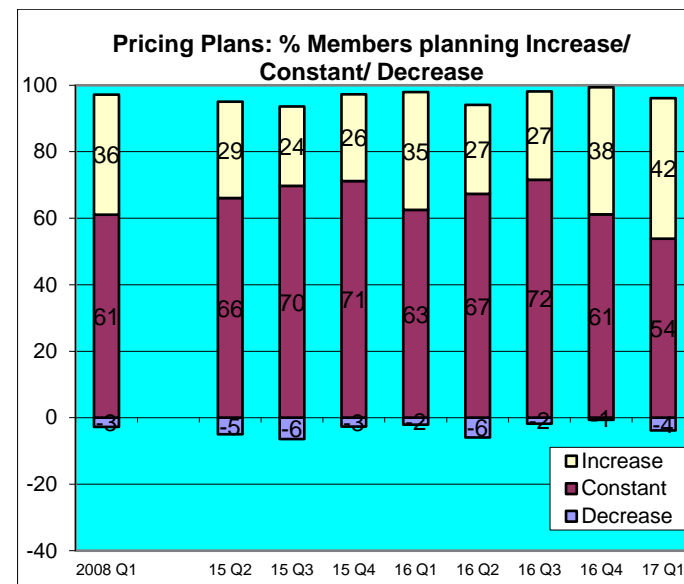


### Recent Cashflow

Throughout the last three Quarters only 1 in 4 businesses have reported improving Cashflow – the lowest for 3½ years (only the 5 previous Quarters are shown here). However, much of this sluggishness in Cashflow is likely to be stemming from businesses under-recovering their costs due to input inflation, likely to ease off now according to the Bank of England.

### Planned Price Increases

Unsurprisingly, 4 in 10 expect to raise prices. In fact the figure of 42% is the highest for nearly seven years.

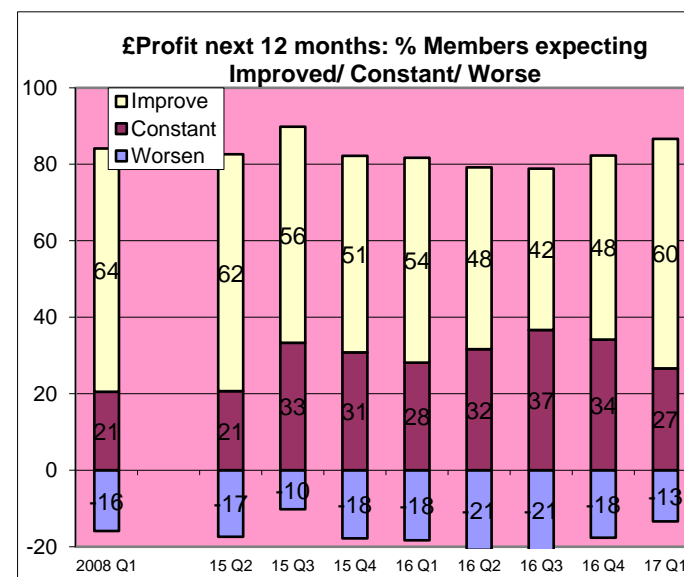


### Expectations of Sales Turnover & Profits

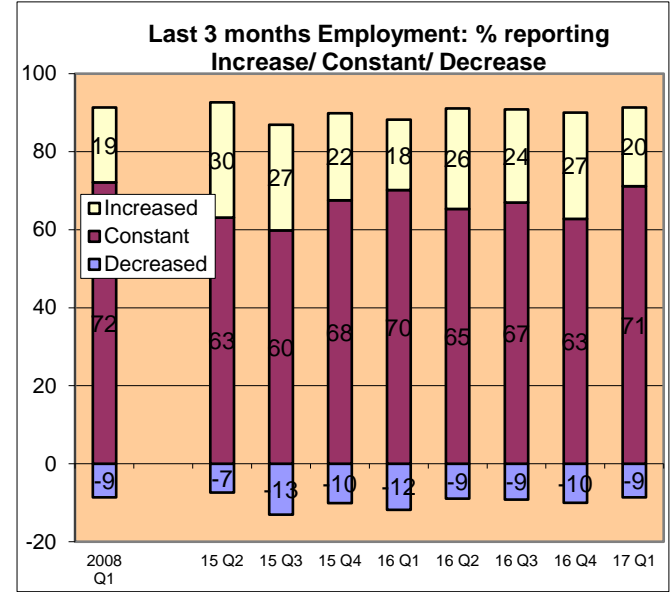
Turnover expectations may be reverting towards their traditional pattern, with 66% expecting their sales income to increase, but with inflation on the rise it's unclear how much of this will amount to real-terms growth.

Likewise, profit expectations show some corresponding improvement, but they too may include some built-in inflation.

Historically these 12-month expectations have always been higher than the Sales and Profits actually achieved. They show a trend in confidence levels, not outcomes.



3. Investment in Staff & Kit

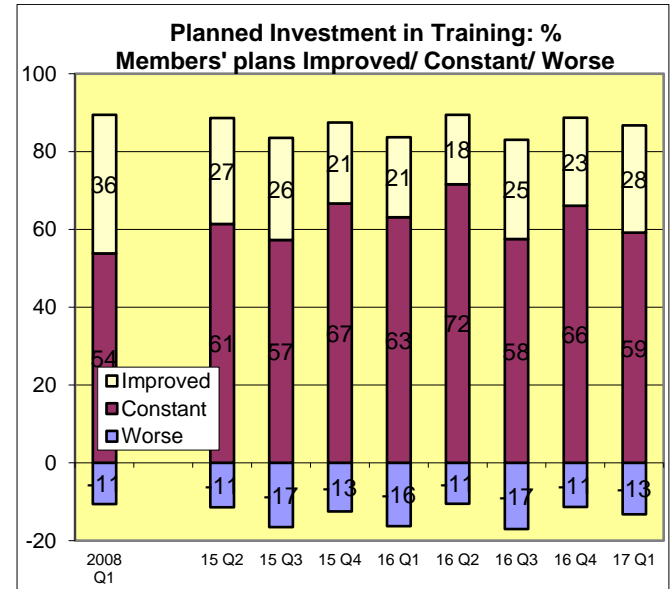
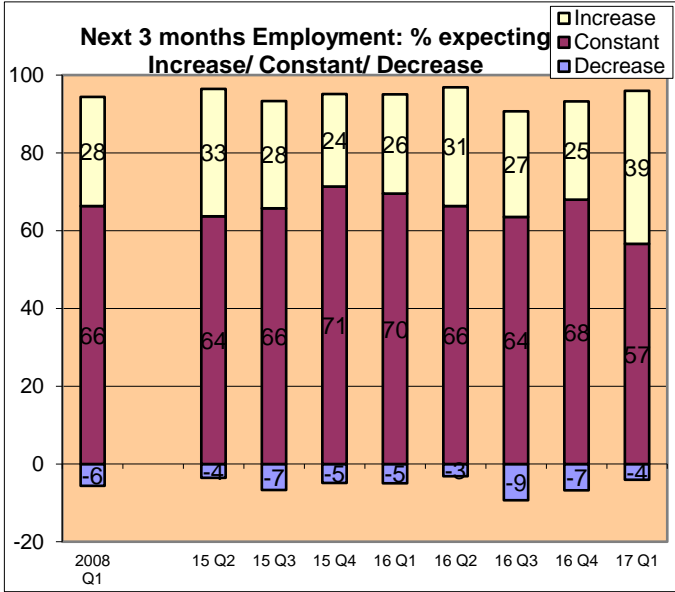


Employment: last 3 months, next 3 months

Employment growth slowed in Q1, with only 1 in 5 (20%) reporting they had grown their workforce. In fact, among Manufacturers more shrank their workforce than grew it.

In contrast, no Manufacturers expected to shrink their workforce in the next 3 months – though the majority were looking to hire full-time Temporary not Permanent staff (detail not shown here). That’s volatility for you.

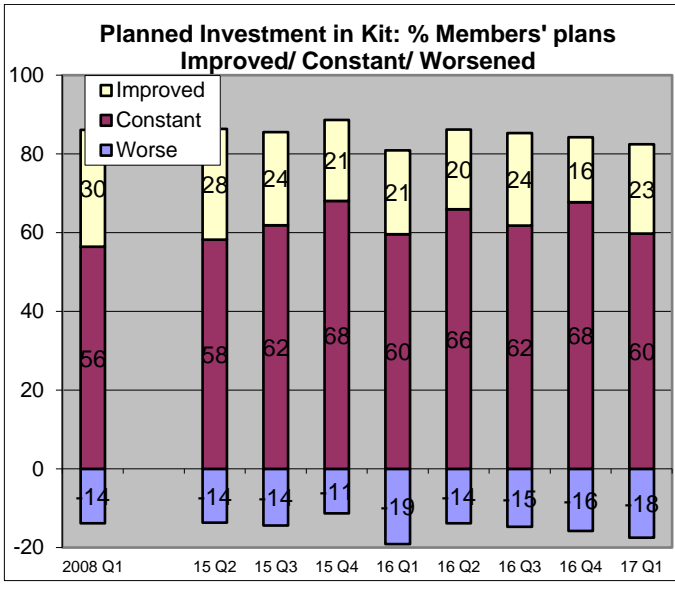
Overall, the figure of 39% expecting to increase their workforce shows the strongest employment expectations we have for Kent since before 2008.



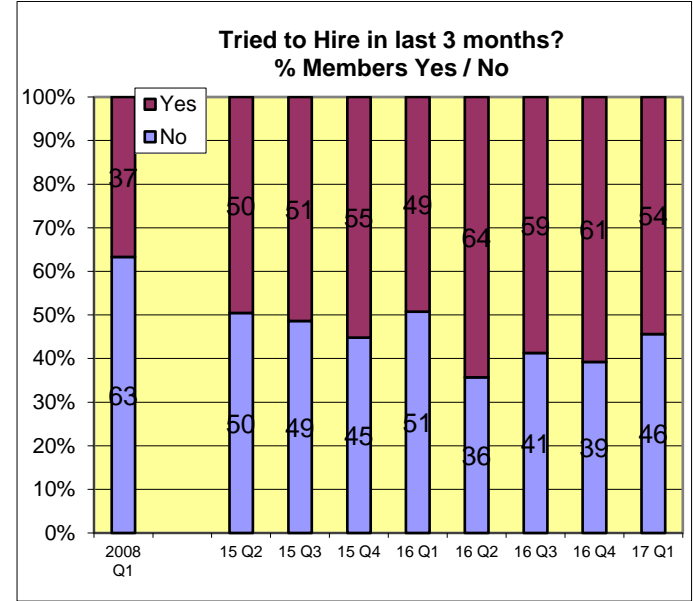
Planned Investment in Training and Kit

In Q1 plans for investment in Training continued their recovery: with twice as many planning to spend more as to spend less.

Planned investment in Equipment also improved, but from a lower base – in uncertain times labour’s greater flexibility makes it a less stressful investment to contemplate.



4. Hiring needs

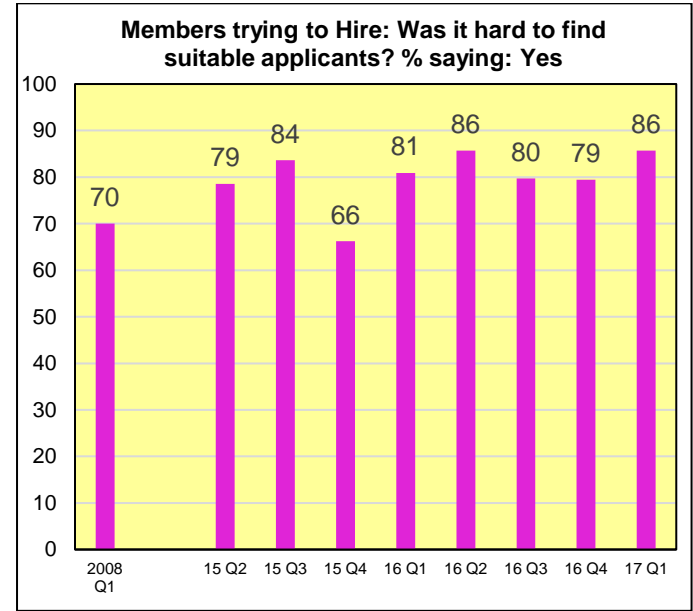
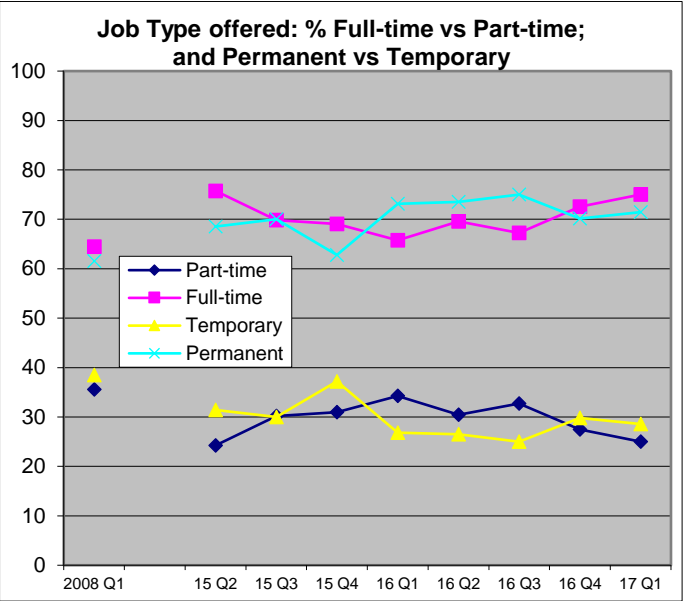


Attempts to Hire in last 3 months

Hiring weakened in Q1 especially among Manufacturers (detail not shown here).

Job type offered in last 3 months

Among the businesses that did try to hire, ¾ of vacancies were Full-time. However (in detail not shown here) whilst Permanent vacancies totalled 79% for Services they totalled only 25% for Manufacturers, ie 75% of Manufacturers’ vacancies were for Temporary employees.

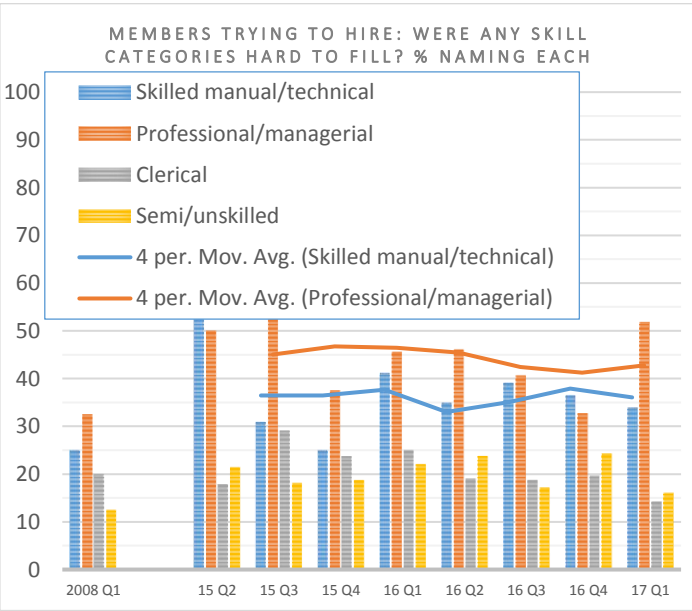


Hard to find suitable staff?

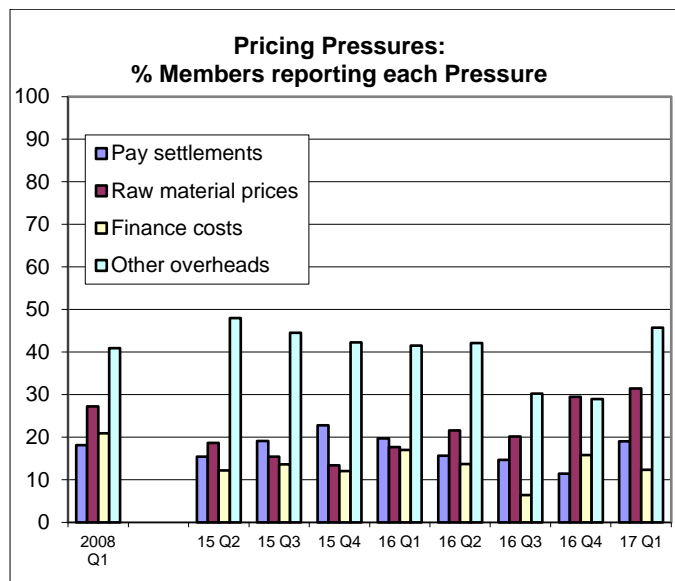
Finding suitable job applicants to hire is as hard as ever. The “new normal” is for at least 8 in 10 would-be-hirers to struggle.

Hard-to-find: categories sought (see right)

As usual, professional/managerial vacancies were hardest to fill in Q1, reported by over half of would-be-hirers.



## 5. Current Pressures

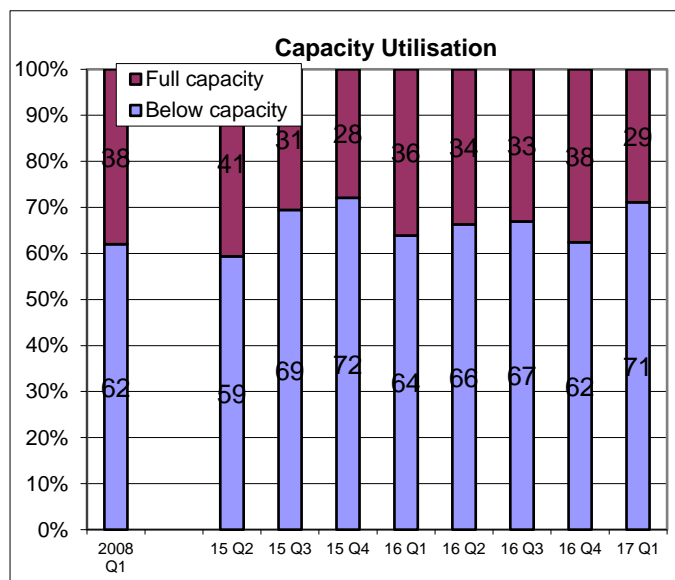


## Pricing Pressures

In Q1 Overheads were again the dominant pressure to raise prices. Detail not shown here shows this was especially true in Retailing/wholesaling and Hotels/catering. These have a high proportion of low-wage employees – who for a year now have benefited from increases in the new minimum living wage

## Issues 'Of Greater Concern'

Trends changed in Q1: top concern was business rates (to raise local taxes); next came inflation and exchange rates.

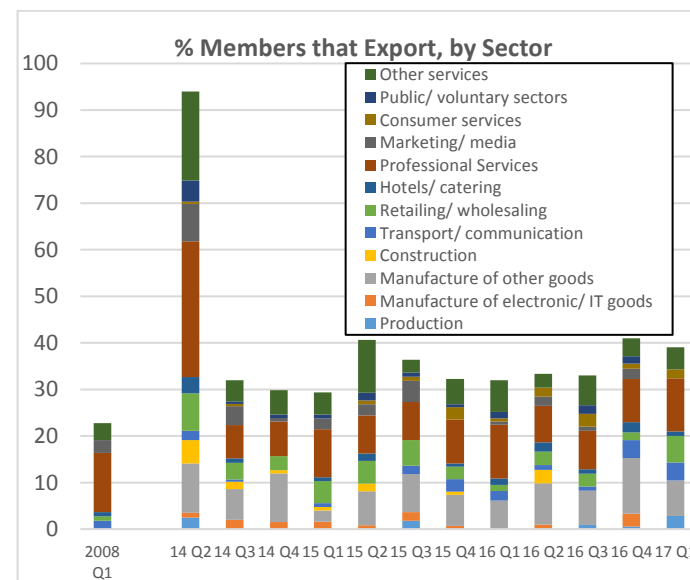
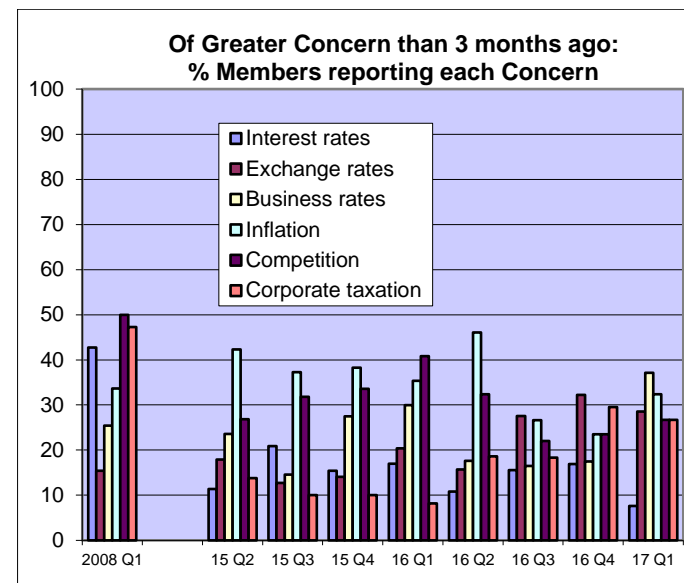


### Capacity Utilisation

In Q1 only 3 in 10 were working at Full Capacity (37% of Services and 20% of Manufacturers - detail not shown here).

### Percent of Members Exporting

39% of Q1 respondents exported vs 41% in Q4 2016, broadly flat. Manufacturers continued more dependent on exporting than Services.



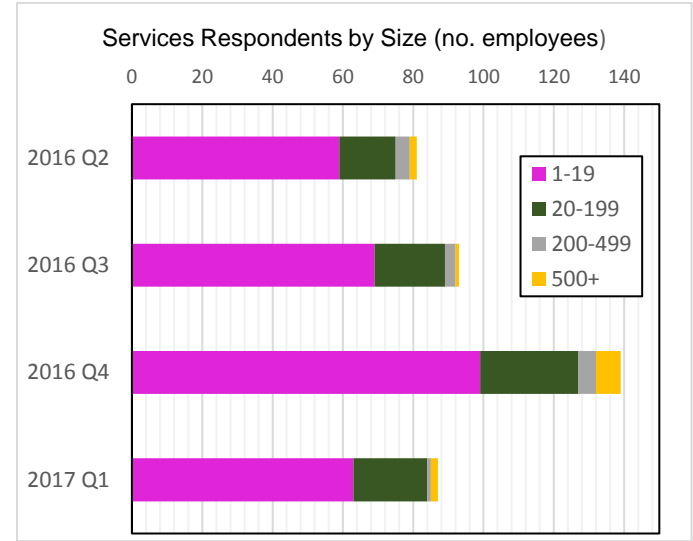
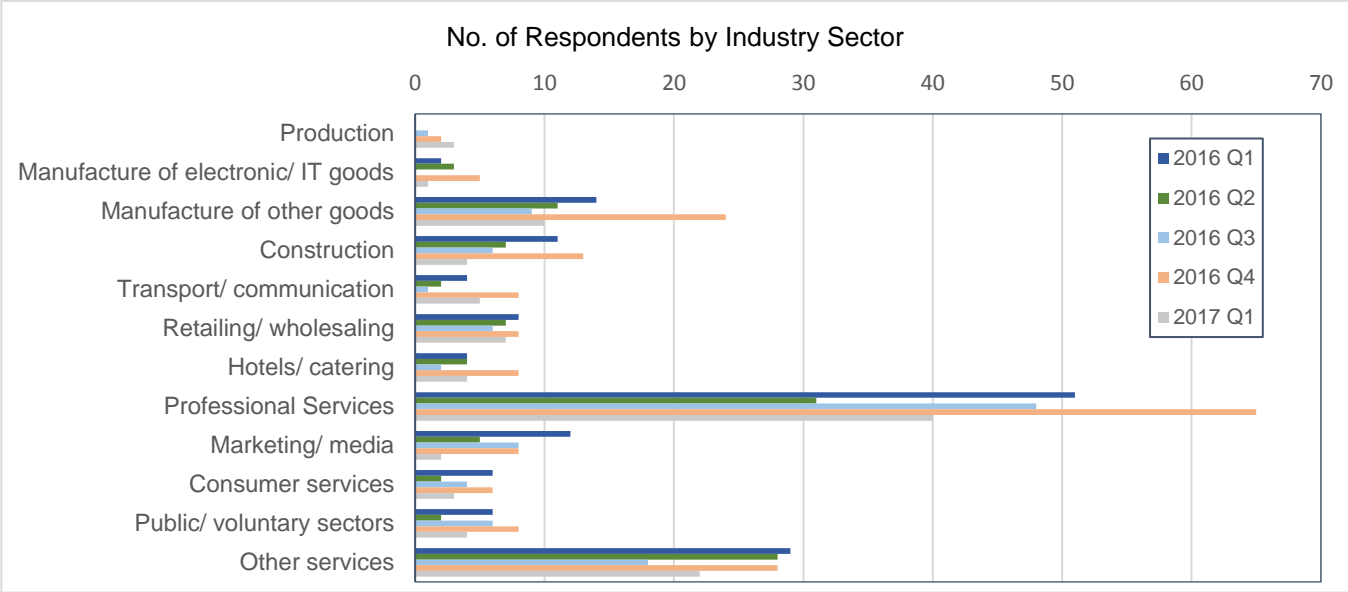
6. Respondents’ composition by Industry Sector and Number of Employees

Industry Sector

The first four categories (Production, Manufacture of electronic/IT goods, Manufacture of other goods, Construction) constitute the “Manufacturing” sector.

The others form the broad “Services” sector. Within this, Professional Services is the largest single category. The Other Services category has grown in recent years and is thought to include many IT service firms and Internet businesses, including online exporters.

In Q1 2017 Kent Invicta Chamber provided 33% of Services and 45% of Manufacturing responses within the total South East sample.



Size of responding businesses, by number of Employees

The bulk of respondents (70%-75%) continue to be those with 1-19 employees, broadly in line with Chamber membership as a whole.

In Q1 2017 the respondents’ ratio of Services to Manufacturing was around 9:2 (87 Services to 18 Manufacturing), slightly fewer Manufacturers than usual.

