

Q2

QUARTERLY ECONOMIC REPORT

April - June 2023





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Chief Executive

Kent Invicta Chamber of Commerce

ABOUT THE QUARTERLY ECONOMIC SURVEY (QES)

Kent Invicta is one of six Chambers in the South East that are accredited by the British Chambers of Commerce (BCC). It regularly contributes to 30%-50% 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 questionnaire, honed over many years to gather a wealth of information, takes only about 3 minutes for a business Proprietor / Managing Director / Chief Executive, to complete.

METHODOLOGY

The QES asks businesses if they have seen an increase, decrease, or no change in a range of metrics such as domestic sales, cash flow, labour market, recruitment, business confidence, and investment. The QES results are often presented as balance figures - the percentage of firms that reported an increase minus the percentage that reported a decrease. The arrow figures represent the percentage point change in the balance on the previous quarter. Implied that if the figure is above 0, there has been an overall expansion of that activity and if the figure is below 0, there has been an overall contraction of that activity.

For example, if 50% of firms told us their sales increased and 18% said their sales decrease, then the balance for the quarter would be +32% (an overall expansion). If 32% told us their sales increased and 33% said their sales decreased, the balanced would be -1% (an overall contraction).

For further information: To get full data or any further clarification please contact akansha.kumar@kentinvictachamber.co.uk



DOMESTIC DEMAND



-7%

is the net balance of **domestic sales** for Kent Businesses in the last quarter



The graph above shows no change from the last quarter.

Since the drop in domestic sales in Q2 in 2022 (when it was at a high), since then, the hit has still not been recovered yet. There were signs of slight improvements last quarter but then this quarter it remained stagnant. 28% of businesses reported an increase in UK Sales, 35% of businesses reported a decrease in UK sales and the overall net balance of -7% (down from -6% in Q1 2023). There is a sectorial split, this net negative figure is driven significantly by one sector i.e., manufacturing. This quarter the net balance of domestic sales for manufacturing accounted to -27% compared to last quarter's -15%, that's a big negative drop.

Turning to domestic orders, the net balance of domestic orders also reflected the same stagnancy as domestic sales, same at -13%. 24% of businesses reported an increase in UK Orders, 37% of businesses reported a decrease in UK Orders and the overall net balance of -13% (same as Q1 2023). Overall still no improvement in overall business conditions.



-13%

is the net balance of **domestic orders** for Kent Businesses in the last quarter



-7%

is the net balance of **export sales** for Kent Businesses in the last quarter

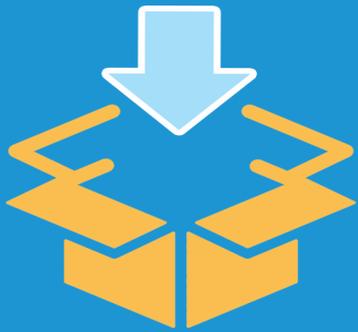
EXPORT DEMAND



While domestic demand remained constant, export demand showed movement. Export sales has worsen whereas export orders have improved. Still not making its way to a positive net balance figure (which was last seen in Q4 2018).

The net balance for export sales dropped back to -19%, losing any recovery shown in the last quarter. Only 10% reported an increase in export sales, 29% reported a decrease in export sales and the overall net balance of -19%. This negative figure is also driven by the manufacturing sector, as this quarter the net export sales for the manufacturing sector were at -18% compared to 0% last quarter.

For export orders, the net balance for export orders continues to show improvement from -15% to -7. 16% of firms reported an increase in export orders, 23% reported a decrease in export orders and the overall net balance of -7%. This net negative is mostly driven by the service sector, as last quarter service sector's new export orders were -5% but this quarter increased to -18%.



-19%

is the net balance of **export orders** for Kent Businesses in the last quarter

LABOUR MARKET



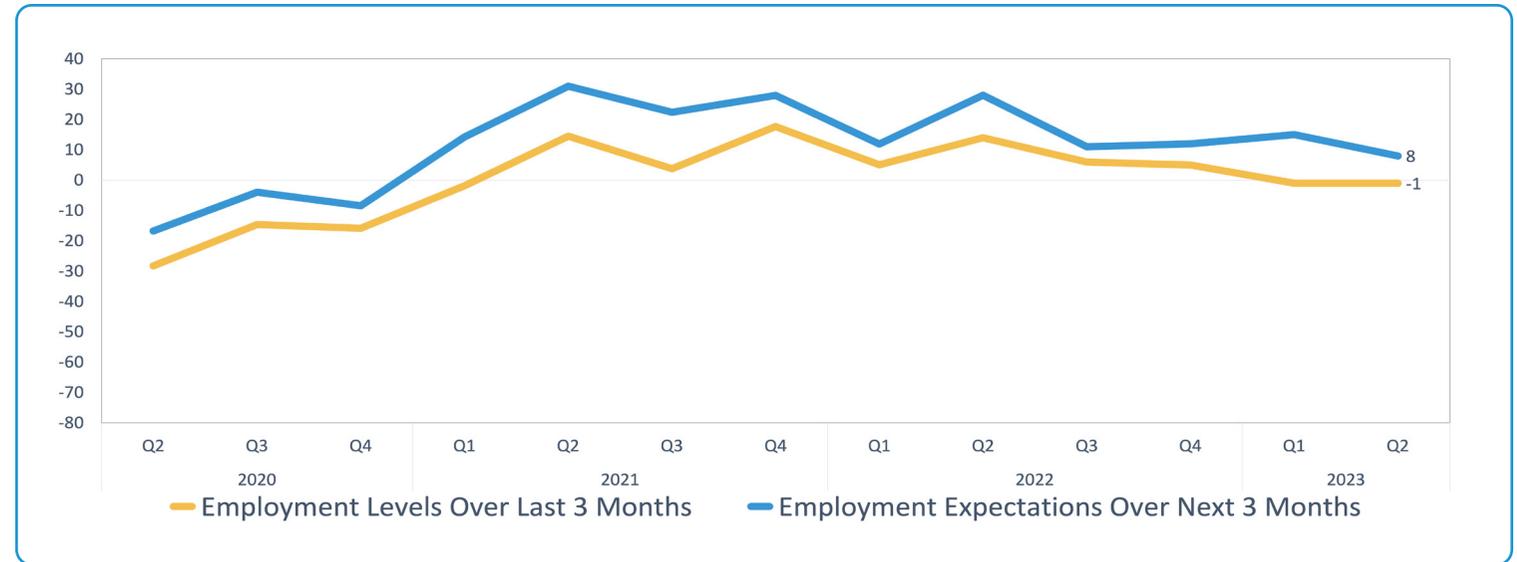
8%

is the net balance of **Employment Expectation** for Kent Businesses in coming quarter



-1%

is the net balance of **Employment Levels** for Kent Businesses in the last quarter



The unemployment rate in Kent currently is 3.3%. The labour market remains tight. The reported employment levels over the last three months remained the same whereas the reported employment expectations dropped over the next three months.

19% of firms said that the employment levels of the firm increased in the last three months, continuing to make a net drop to -1%. 20% of firms said that they expected their workforce to increase in size over the coming three months (a 5% decrease from last quarter). Employment expectations over the next 3 months were decreased to 8%.

RECRUITMENT AND TRAINING



47%

of Kent businesses reported that they had looked to **recruit** in the last quarter



-16%

is the net balance of **Investment in Training** for Kent Businesses in the last quarter.



The companies who have attempted to recruit staff over the past 3 months are at 47%. Out of which 95% faced difficulty in recruiting. A similar sentiment was shared in all sectors.

Business investment in training takes a hit after showing recovery in the last two consecutive quarters. From 2% last quarter to -16% this quarter. This decrease is mainly driven by the service sector, as the net business investment in training in the past three months for the service sector is -21% compared to the manufacturing sector's net which was just -4%.

"It is very difficult to attract and retain staff for certain types of white-collar skilled roles in energy. We have also had a large increase in insurance premiums with some insurers not wanting to issue policies in the energy sector."

Professional Services businesses in Kent



74%

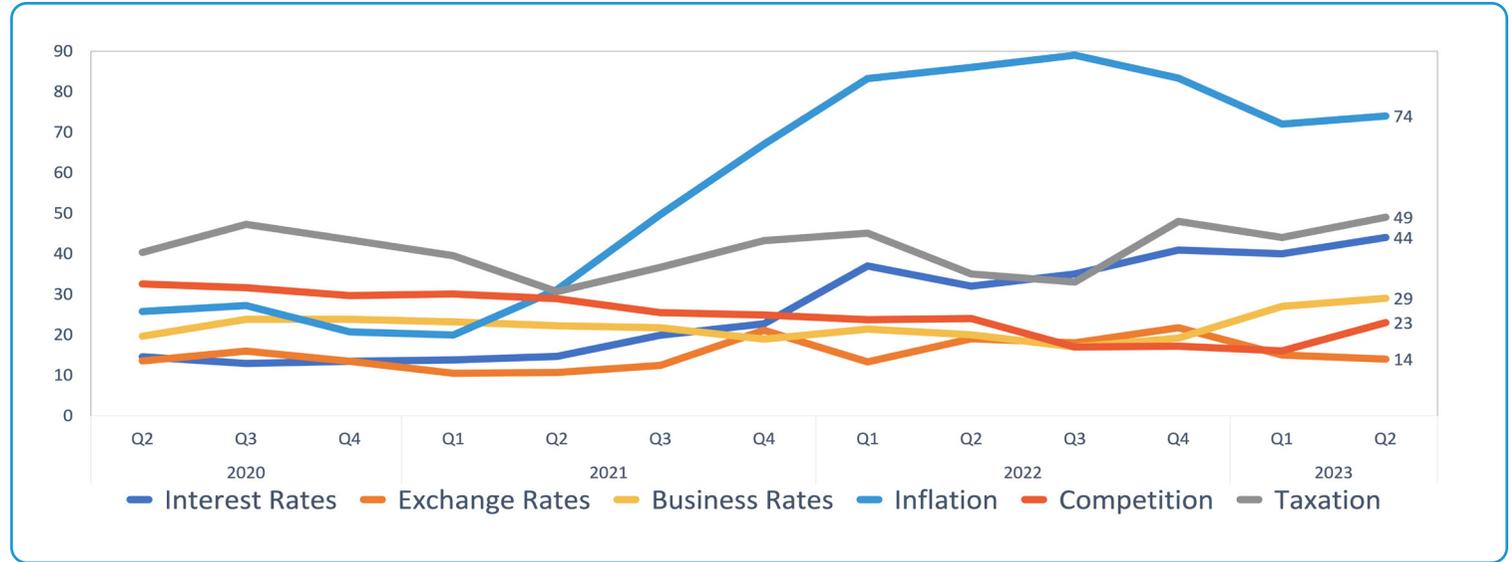
of Kent Businesses reported that **inflation** is more of a concern to business than 3 months ago



49%

of Kent Businesses reported that **corporate tax** is more of a concern to business than 3 months ago

INFLATIONARY PRESSURES



After the constant dip in inflation for two continuous quarters, we see a marginal increase again. Measures for inflation remain at record highs, 74% of firms (2% more since last quarter) say it is a growing concern for them.

52% of businesses expect an increase in their goods or services costs. A rising proportion (49%) are also worried about taxation, nearly half of the respondents, these leading concerns were also followed by concerns about interest rates (44%). However, the peak has passed in Q3 of 2022.

“Small businesses are trapped into 20% VAT rising food costs and extortionate energy bills, I have been bullied into a 2-year contract with energy suppliers so even if prices fall, my bills will not, we’re £600 pcm now over £3k.”

Small Kent business in the hospitality

“85% of our Business is Export to the USA. We are experiencing high levels of REFUSED FIS WorldPay Transactions resulting in a high-volume loss of Business. FIS Worldpay is not functioning correctly as an Online Payment Provider. We have complained to them, but they offer little assistance and poor advice.”

Small Kent retail or wholesale business

“Brexit - Still no help from the government, getting charge taxes and radiometric tests on goods being returned to Europe with no hope of recovering losses.”

Small business in Kent



68%

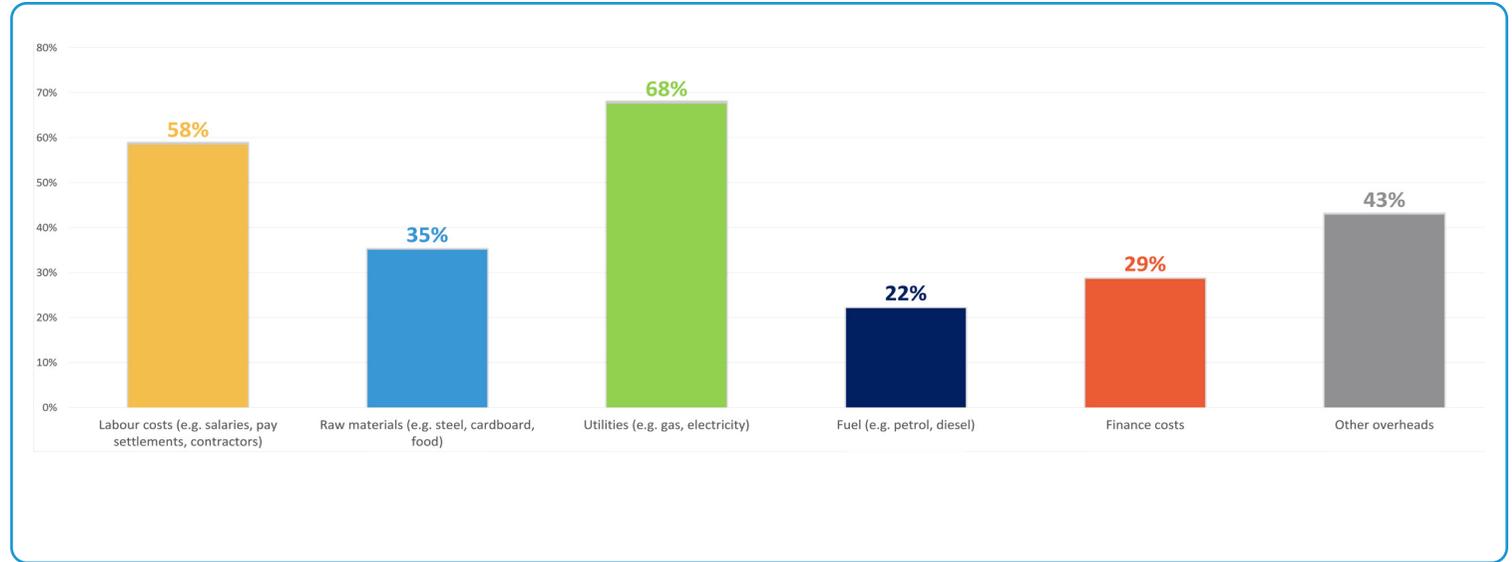
of Kent businesses reported an **increase** in their utility's costs last quarter



58%

of Kent businesses reported an **increase** in their labour costs

BUSINESS COSTS



Consistent with last quarter, Utilities has the highest price pressure, followed by labour costs, other overheads, raw material costs, finance costs and then fuel costs.

This quarter the top Business's Cost pressure from all factors remains similar to that of last quarter, on a positive note some of the costs shrank.

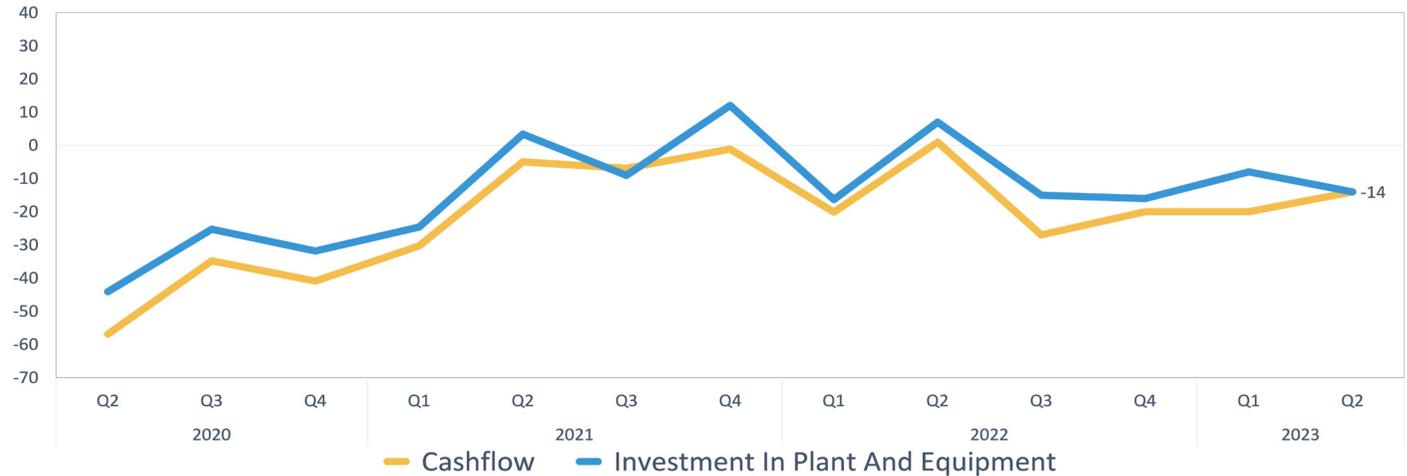
- Utility costs at 68% (increased from 66% last quarter)
- Labour costs at 58% (shrank from 63% last quarter)
- Other overhead costs at 43% (increased from 36% last quarter)
- Raw materials cost 35% (shrank from 45% last quarter)
- Finance costs at 29% (similar to 28% last quarter)
- Fuel costs at 22% (shrank from 38% last quarter)
- Overall the pressure from all these factors have reduced or stayed constant, with marginally any increased pressure

CASHFLOW AND INVESTMENT



-14%

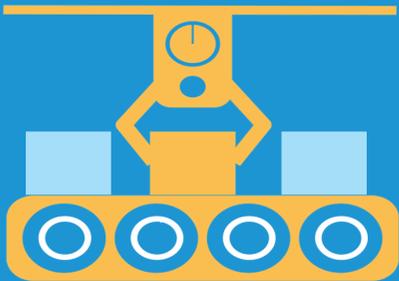
is the net balance of **Cashflow** for Kent Businesses in the last quarter



Cash flow in the past three months seems to improve.

22% say their cash flow has improved over the last 3 months, 42% say it remained the same and 46% say it has worsened. This is a split in manufacturing and service sector outcomes, the net cash flow movement of the manufacturing sector is -21% whereas for the service sector, it is much better, -11%. The negative figure of the net balance of Cashflow for Kent Businesses in the last quarter continue to show signs of correction last quarter, it improved from -20% to -14% in the last quarter.

Like investment in training, the investment in plant and equipment also shows a drop after last quarter's improvement, from -8% in Q1 2023 worsened to -14% this quarter. Not to our surprise, firms are still hesitant in raising investment in their business. Still, 60% of the firms reported remained constant investment in plant and equipment.



-14%

is the net balance of **Investment in Plant and Equipment** for Kent Businesses in the last quarter

“Over the last 16 years, we have only ever had 1 or 2 clients a year go over 90 days for payments. Our accounts currently record over 50% of our clients are over 60 days on payment (we have a 30-day credit limit). This is impacting our cash flow severely.”

Construction Business in Kent

BUSINESS CONFIDENCE



7%

is the net balance of Kent Businesses who expect their **turnover** to improve



-16%

is the net balance of Kent Businesses who expect their **profitability** to improve



A fall in business confidence on a contrary to the national sentiment. After recovery in Q1 2023, business confidence has now fallen back again.

Both the indicators of business confidence show significant falls from Q1 2023. The net balance of businesses' profitability expectation in the next year dropped from 3% to -16%. Improved profitability expectations have dropped, but we can see that it is driven mainly by one of the sectors i.e., the service sector. The net profitability expectations for businesses in the service sector were at -20% compared to the manufacturing sector at -8%.

The drop in profitability expectations was also mirrored by improved turnover expectations. Turnover expectations for Kent's businesses reported a balance of 7%, a drop from 28% in Q1 2023.

"In the past 3 months, our sales have decreased to the same period last year. Reduced footfall and spending due to the current economic climate."

Small Kent retail or wholesale business

"Business has decreased in the last 3 months for the same period last year. We believe this is due to the current economic climate in the UK. We have not seen our business improve since pre-pandemic."

Small Kent retail or wholesale business

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