



QUARTERLY ECONOMIC REPORT

July - September 2022





JO JAMES OBE

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



-4% is the net balance of **domestic sales** for Kent Businesses in the last quarter



The national statistics remain buoyant but show a downward trend, compared to that at a local level the domestic sales which show a much stronger downward trend.

The domestic sales in Q4 2021 were at an all time high since Covid-19 hit. Since then, there was a dip which was recovered last quarter, but this quarter reflected a drastic dip, worse than before.

The net balance (the percentage of firms noting an increase minus the percentage noting a decrease) shrunk from 23% to -4%. Only 25% of respondents overall reported an increase to domestic sales, a significant drop from Q2, where 41% reported an increase to domestic sales. While more companies reported a decline in sales – swelled from 18% in Q2 2022 to 29% this quarter.

Turning to domestic orders, the net balance also reflected a drastic dip, same as domestic sales, which shrunk from 17% to -14%. There was a fall in the share of firms reporting an increase in orders (from 37% to -14%), while the proportion that said sales had dropped also expanded (from 20% to 33%).



-14% is the net balance of **domestic orders** for Kent Businesses in the last quarter

EXPORT DEMAND



-25%

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



As with domestic demand, export demand reflects the same sentiment. The graph shows a decrease in Q3 2022, which is still not making its way to a positive net balance figure (which was last seen in only Q4 2018).

The net balance for export sales dropped from -6% to -25% in Q3:

15% of firms said sales had increased over the previous three months, which is a slight drop from 21% in Q1 2022. But the proportion of companies reporting a decline in export sales shot up significantly (40% in Q3 2022). This strong decrease has a major influence from the manufacturing sector.

For export orders, the net balance for export orders fell from -3% to -30%, with only 13% of firms reporting an increase in orders.



-30%

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

LABOUR MARKET



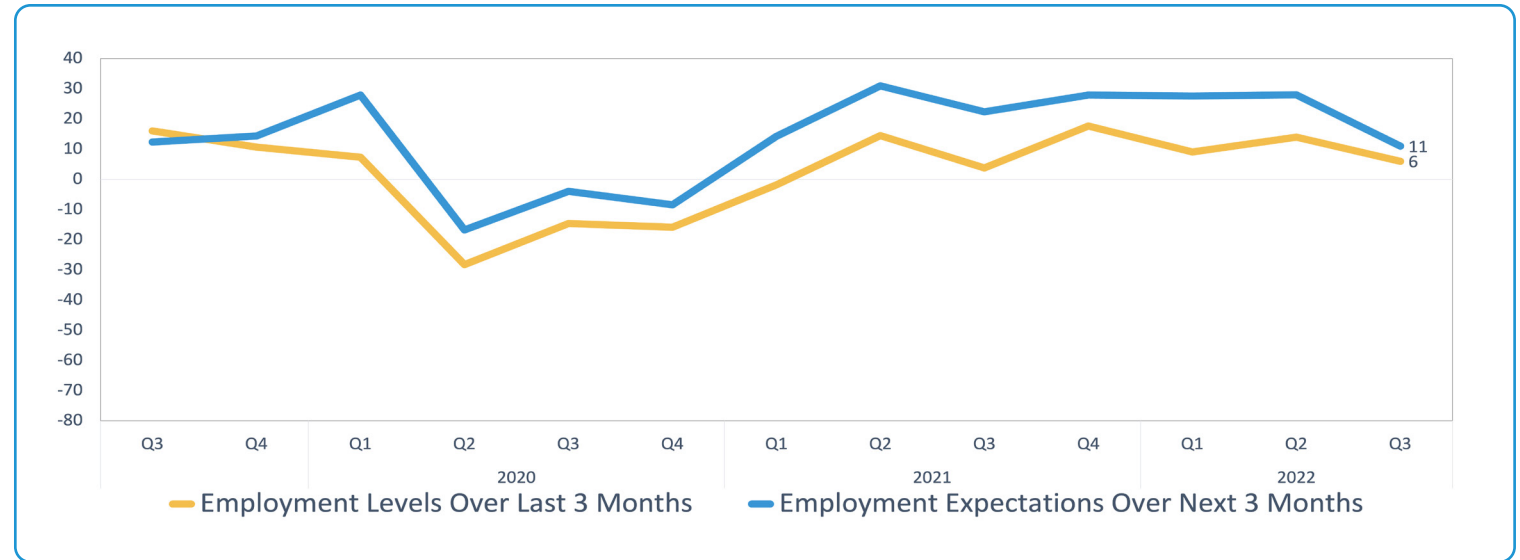
11%

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



6%

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



The unemployment rate in Kent is 3.2%. This is below the rate for Great Britain which is set at 3.7% which refers to the Kent County Council's report. However, the net balance of employment level over the last three months that recovered in Q2 has now dropped back to Q1's dip. The proportion of firms who said their workforce levels had increased over the previous quarter dropped from 28% to 20%, while the share who said their workforce had shrunk stayed constant at 14%.

The firms who reported an increase in their workforce was mainly driven by the manufacturing sector where 29% of these companies reported increase in workforce in the past 3 months.

The net balance for employment expectations remained constant in Q3 2022 at 11%. Breaking the stable pattern for the past three consecutive quarters. There is a significant drop in the expectations of companies to hire.

Only 20% of firms said that they expected their workforce to increase in size over the coming three months (a dip of 14% from the last quarter), reflecting instability. There is also a disparity in the business sector's sentiment when it comes to this: 28% of manufacturing businesses expect their workforce to grow whereas only 17% of business services expect this growth.

RECRUITMENT AND TRAINING



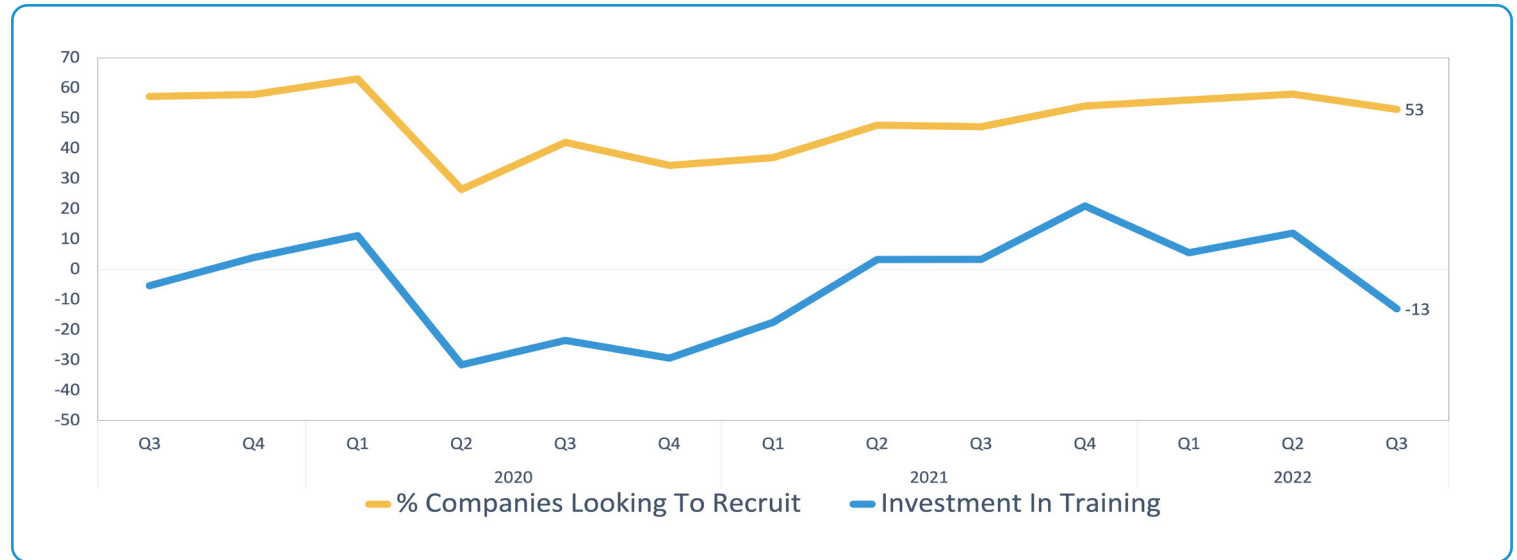
53%

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



-13%

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



The firms who have attempted to recruit staff over the past 3 months is at 53%. This was driven by the manufacturing sector who were slightly more active this quarter in terms of hiring (62% said they had looked to recruit).

Reflecting on the national results, the local statistics also show the percentage of firms facing recruitment difficulties remains at a record high. Of those attempting to recruit, 79% said they found it difficult to recruit – no change since last quarter.

The manufacturing sector reported significantly higher difficulties in recruiting. Out of the manufacturing companies looking to recruit, 96% found it difficult to recruit.

Business investment in training has dropped down to -13%. We have not seen such figures since the Q1 of 2021 (which was -17). This is the first time since Q1 2021 that the reported investment plans for training over the past three months has gone to a negative figure.

“Investment is a problem for us, we are stuck and cannot expand the business due to lack of skilled labour available in the UK.”



89%

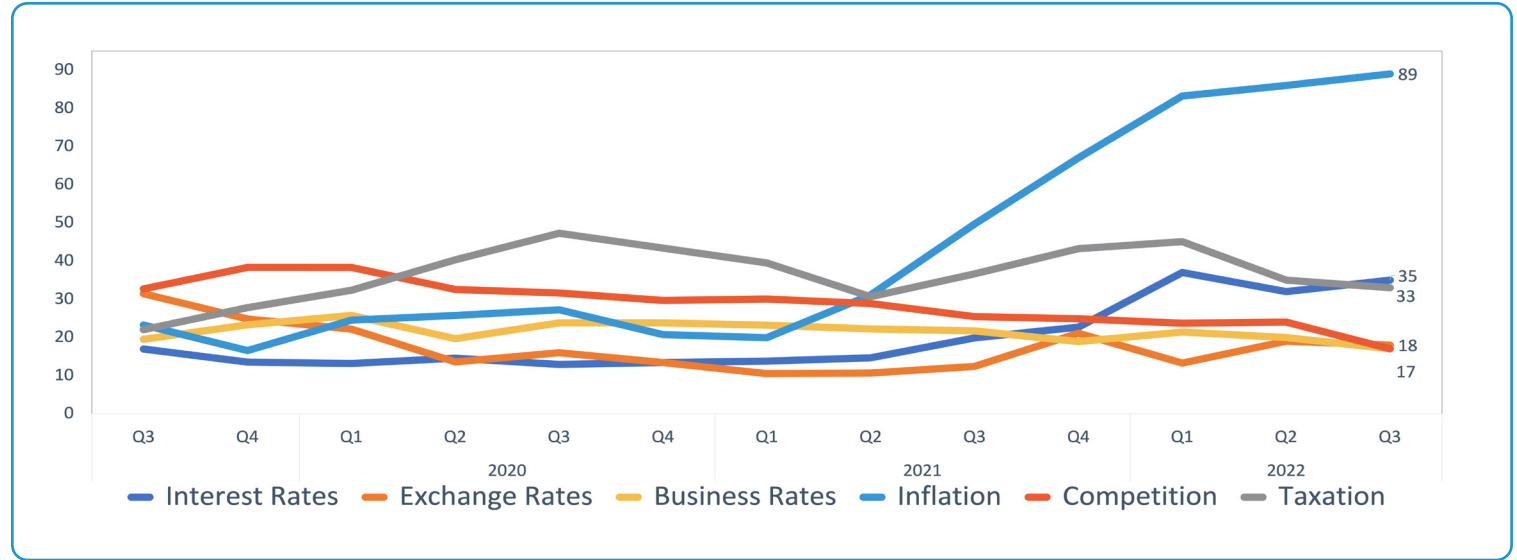
of Kent Businesses reported that **inflation** is more of a concern to business than 3 months ago



35%

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

INFLATIONARY PRESSURES



Measures for inflation remain at record highs as more than four in five (89%) of firms say it is a growing concern for them. The business's expected increase in costs, however saw a slight dip from last quarter, 57% from 67%.

More than half of businesses reported that over the next 3 months, they expect the price of goods/services to increase which reflects on the inflation concerns. As measured as a percentage balance, the manufacturing sector stand at 61%, slightly higher from the service sector at 56%. A rising proportion (35%) are also worried about interest rates, nearly one in three.

“Whilst understanding the multiple pressures - tackling and controlling inflation must be the top priority - failure to do this will just prolong the agony and do greater long-term damage to the economy. We all need to tighten our belts where we can, support local businesses, retain our skilled staff and accept for a short while things could be tough.”

Profession services business in Kent

“Inflation needs to be brought under control. Pay demands are fuelling rising inflation and need to be controlled but the cost-of-living crisis is not helping to control increases as people demand more pay. War in Ukraine is obviously not helping matters...”

Construction business in Kent



73%

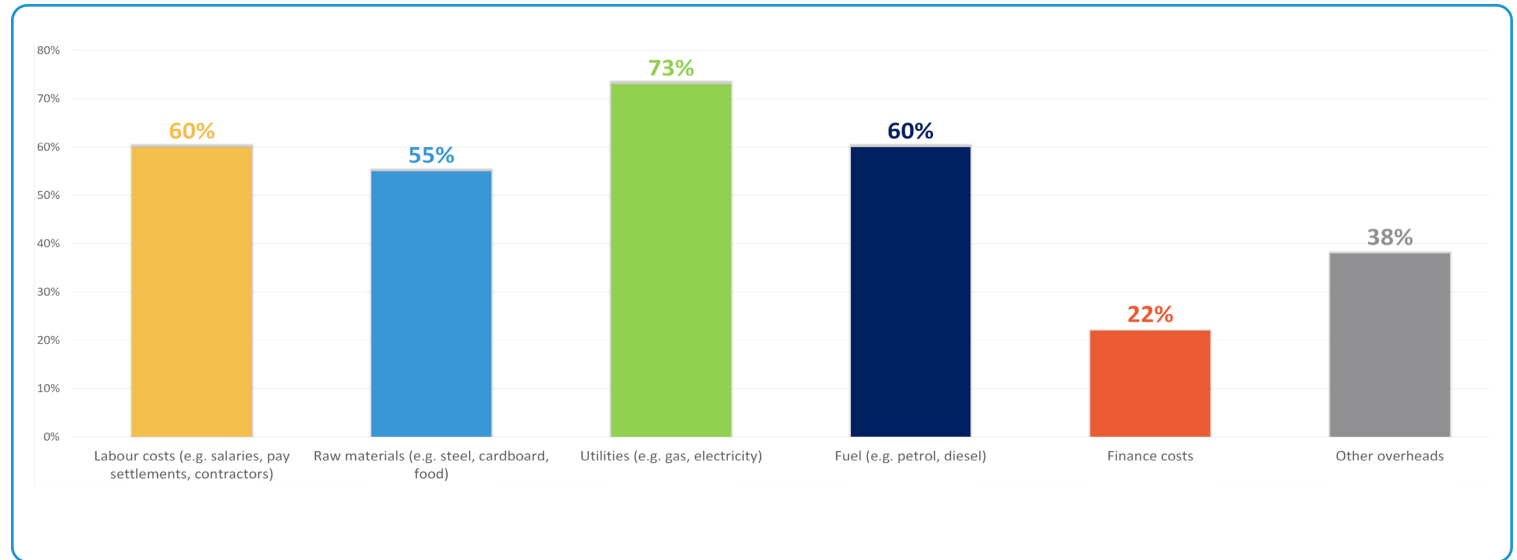
of Kent businesses reported an **increase** in their utility's costs last quarter



60%

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

BUSINESS COSTS



This quarter, the business cost pressure from all other factors apart from Utilities remain somewhat similar. Utilities cost jumped to 73% this quarter compared to 63% last quarter. Both manufacturing and service sector reported intensifying pressure from utilities cost.

Labour costs (e.g. salaries, pay settlements, contractors) costs continued to remain at similar levels, 60%, after the sharply increase last quarter (62% in Q2, jump from 32% in Q1). Both manufacturing and service sector reported intensifying pressure to raise wage offerings, manufacturing however way more than service at 90%.

Cost pressure from fuel also is at 60%. Both manufacturing and the service sectors reported intensifying pressure from fuel cost. Raw material costs continued to remain at similar levels which is 55%.

80% of manufacturing firms reported price pressure from raw material over the previous three.

Following this, finance costs at 22% and other overheads costs at 38%. The highest reading for utilities, labour costs and fuel and raw materials.

"We have been informed of rising prices from suppliers for CO2, huge increases in electricity costs and massive increases in raw materials costs. All linked to rising gas prices."

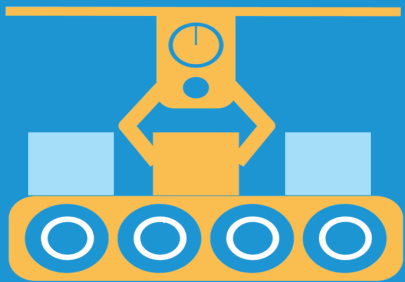
Manufacturing business in Kent

CASHFLOW AND INVESTMENT



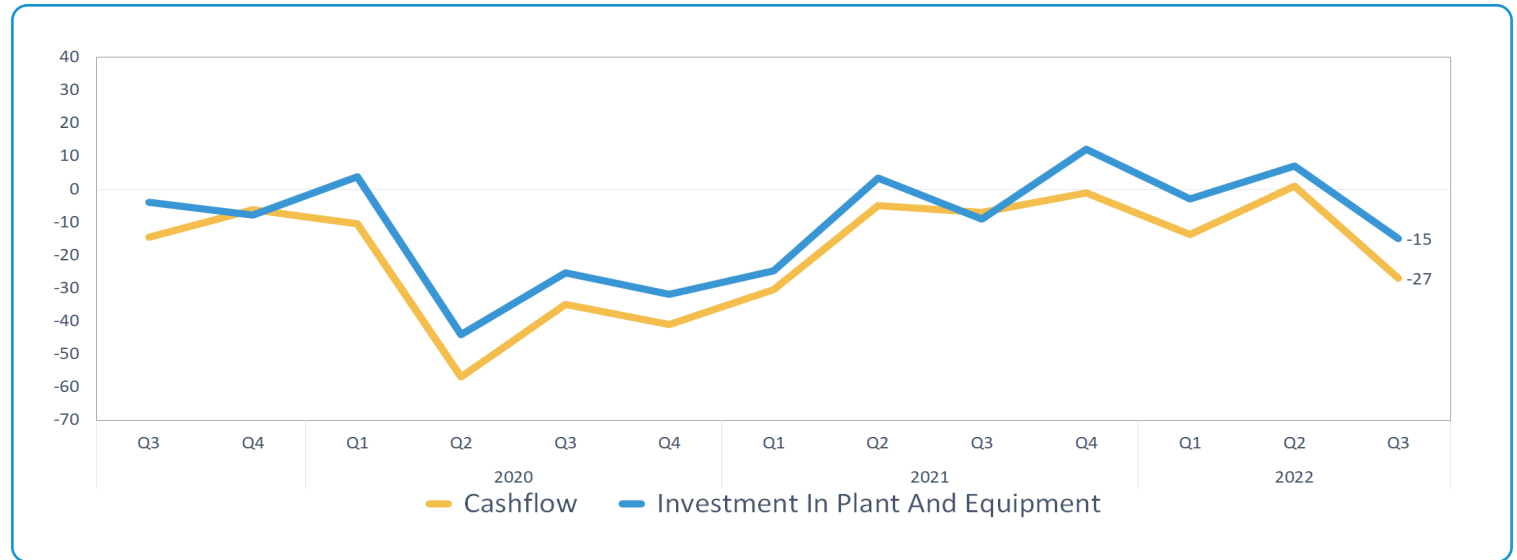
-27%

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



-15%

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



More businesses are now seeing their cashflow decreasing, instead of increasing. Two in five (43%) firms reported reduced cashflow over the last three months, while 16% reported an increase. Cashflow net balance again dropped back to negative since the rise last quarter. A swooping dip from 1% to -27%. Almost as bad as what was reported back in Q1 2021. This has been pulled down significantly by the response from manufacturing, as only 7% said cashflow increased over the past 3 months, 11% lower than service sector's response.

The proportion of companies who said cashflow had decreased had stayed consistent in both the sectors at 43%. This is a marginal jump from the percentage of companies who reported a decrease in cash flow over the past 3 months, which was just 25%.

Like investment in training, the investment in plant and equipment also reported a dip after positive movements last quarter.

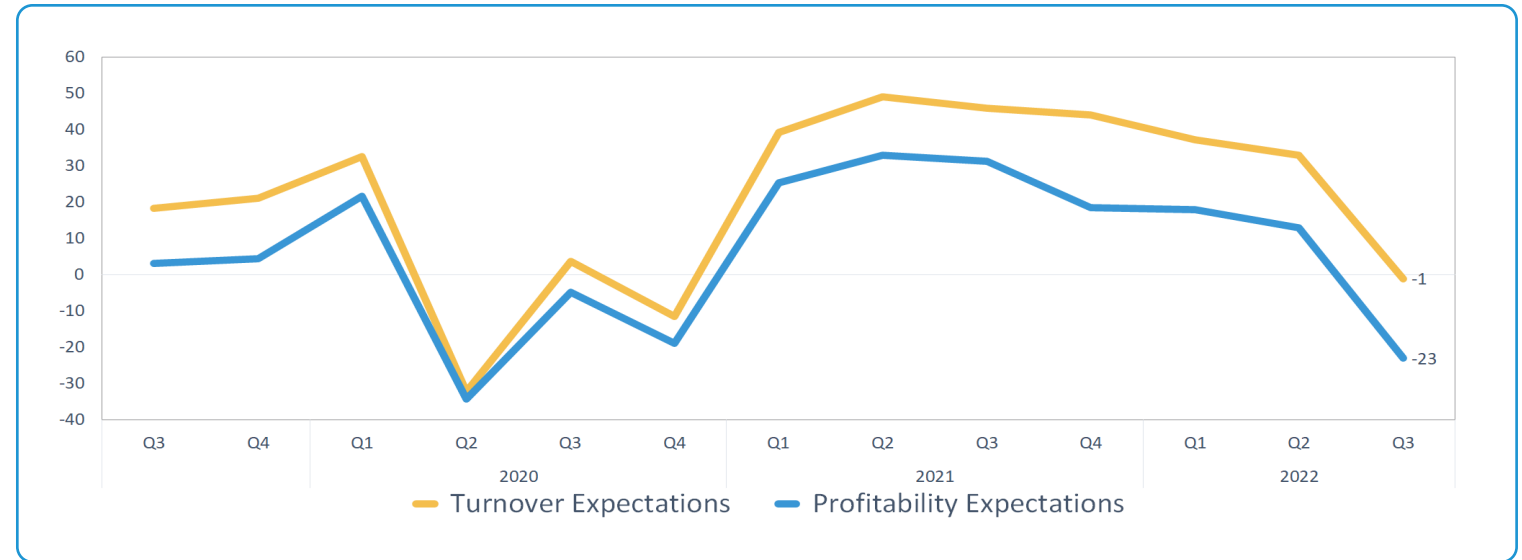
Not to our surprise, firms are not upping investment in their business. Investment in plant and machinery fell back to -15% from 7%. Still three quarters (68%) of firms reported, remained constant or increase to investment in plant and equipment. There is an even split planning of investment in plant and machinery in manufacturing and the service sector.

BUSINESS CONFIDENCE



-1%

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



All indicators of business confidence have fallen significantly from Q2 positions.

Indicators for business confidence have plummeted; with the net balance dropped down from 33% to -1%. Consistent with that, there was a drop in the share of firms who thought their turnover would increase (36%, fell by -17%), with the share who felt turnover would worsen, had also increased (37% in Q3 2022, compared to 20% in Q2 2022).

The decline in the turnover expectations was also mirrored by profitability expectations. Profitability expectations for Kent's businesses reported a balance of -23% in Q3 2022, drop from 13% in Q2 2022. Profitability confidence has dropped to an even lower level; only one in three (29%) businesses believe their profits will increase over the coming year, while half or them (52%) now expect a decrease. This is the lowest level since Q2 2020 at the height of the Covid crisis.



-23%

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

Q3

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