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QUARTERLY ECONOMIC REPORT

October - December 2022





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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).

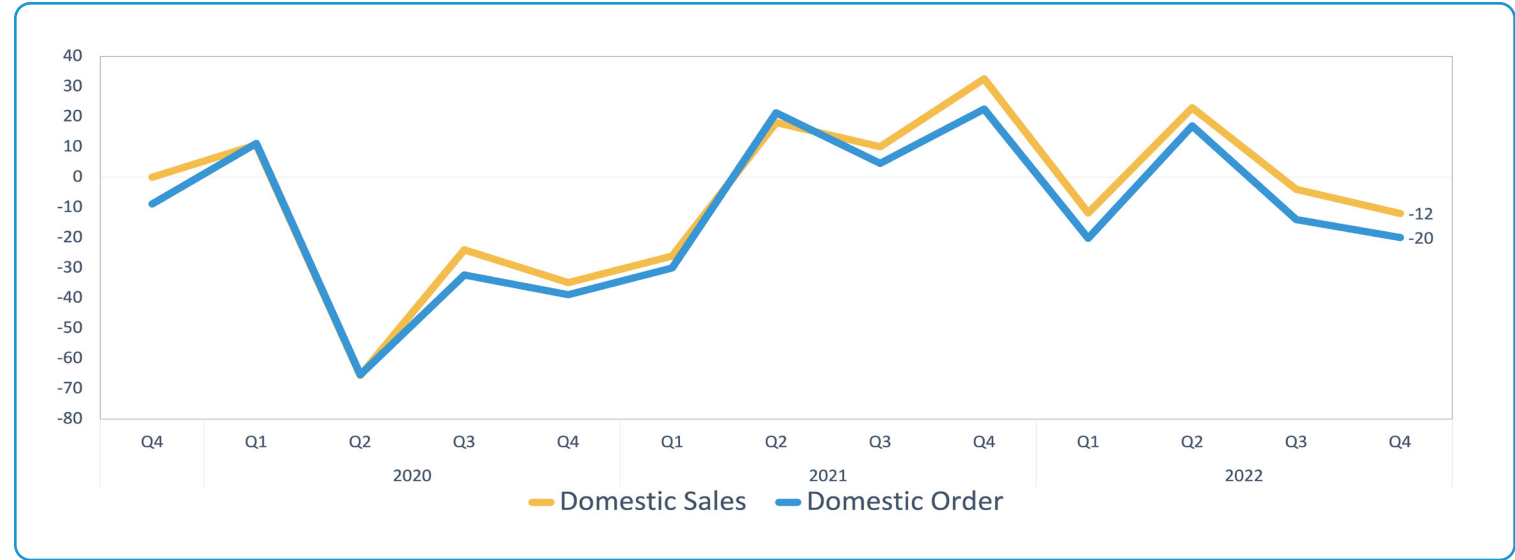
For further information: To get full data or any further clarification please contact akansha.kumar@kentinvictachamber.co.uk



DOMESTIC DEMAND



-12% is the net balance of **domestic sales** for Kent Businesses in the last quarter



The graph above shows an overall descent.

The domestic sales in Q2 2022 were at a high but since then it has taken a hit. 22% reported an increase in UK Sales, 34% reported a decrease in UK sales and the overall net balance of -12% (down from +23% in Q2 and -4% in Q3).

Only 22% of respondents overall reported an increase in domestic sales, a significant drop from Q2, where 41% reported an increase in domestic sales but a very marginal change from Q3, where 25% reported an increase in domestic sales. While more companies reported a decline in sales – swelled from 18% in Q2 2022 to 29% in Q3. Even more increase in companies reporting a decline in domestic sales to 34% this quarter.

Turning to domestic orders, the net balance also reflected the same dip as domestic sales, which shrunk from -14% to -20%.

The share of firms reporting an increase, remained almost constant, from 19% to 20% this quarter but the proportion that said that sales had dropped, also expanded, from 33% to 40% this quarter.



-20% is the net balance of **domestic orders** for Kent Businesses in the last quarter



-17%

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

EXPORT DEMAND



Export sales and orders reflect signs of recovery compared to last quarter. 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 recovered from -25% in Q3 to -17% this quarter. 17% reported an increase in export sales, 34% reported a decrease in UK sales and the overall net balance of -17% (up from -25% in Q3).

For export orders, the net balance for export orders improved from -30% to -19%, with only 19% of firms reporting an increase in orders (7% more than last quarter). And 38% reported a decrease in export orders (4% less than last quarter).



-19%

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

LABOUR MARKET



12%

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



5%

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 current rate for Great Britain which is 3.7%, as per the Kent County Council's report.

The employment levels over the last three months and employment expectations over the next three months remain similar to what was reported last quarter.

A net of 12% of firms said that the employment levels of the firm increased in the last three months (1% increase from last quarter). 23% of firms said that they expected their workforce to increase in size over the coming three months (a 3% increase from last quarter).

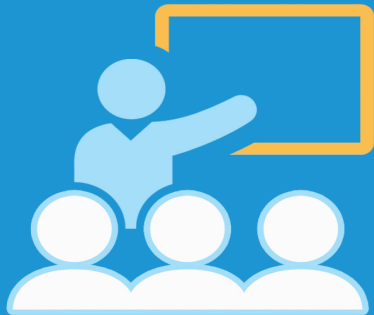
Employment expectations over the next 3 months were at 5% (a 1% drop from last quarter).

RECRUITMENT AND TRAINING



49%

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



-6%

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 49%. The manufacturing sector’s “need to hire,” still seems to drive this.

The local statistics show the percentage of firms facing recruitment difficulties remains high. 49% (or 97 companies) tried to recruit. Of those attempting to recruit, 75% said they found it difficult to recruit – not much change since the last few quarters.

Business investment in training show a strong recovery, from -13% last quarter to -6% this quarter. Still, the net reported investment plans for training over the past three months remain at a negative figure.



83%

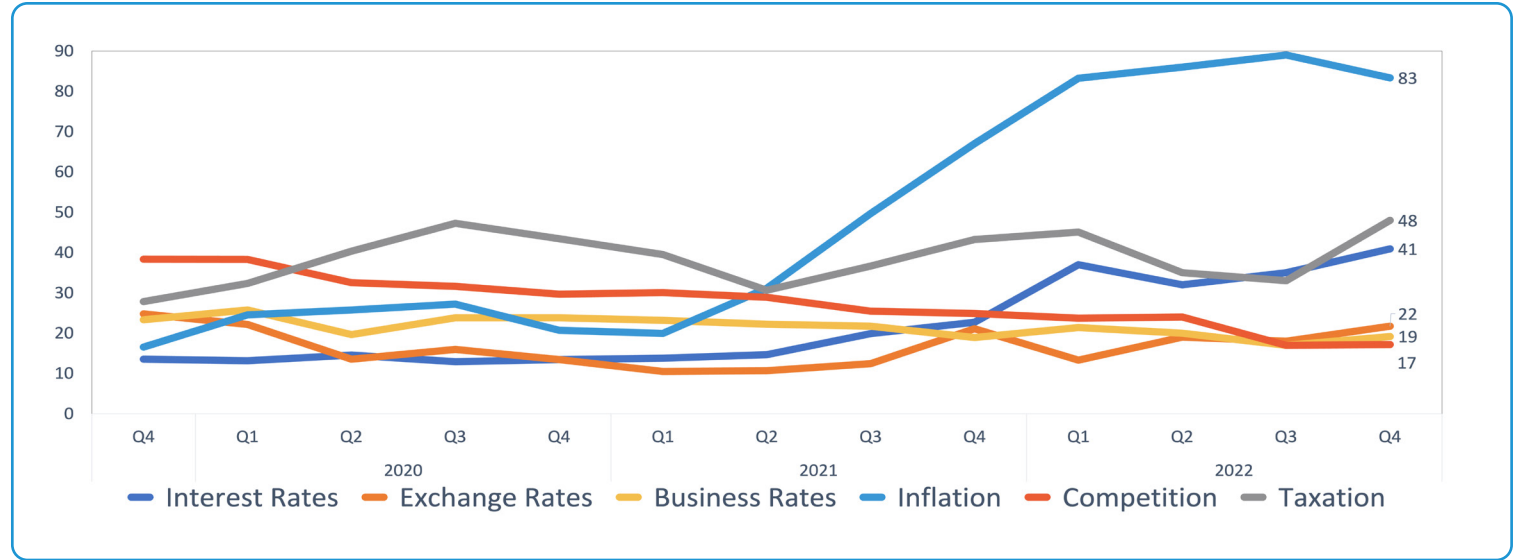
of Kent Businesses reported that **inflation** is more of a concern to business than 3 months ago



48%

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 (83%) of companies, say it is a growing concern for them. The businesses that expected an increase in their goods or service costs reflected this, saw an increase from last quarter, 72% compared to 57% last quarter. A rising proportion (48%) are also worried about taxation, nearly half of the respondents, followed by concerns about interest rates (41%).

Feedback from businesses:

“High-interest rates, business rates, inflation and the threat of high taxation hinder investments by my UK clients and therefore demand for my services. Political instability and the threat of recession in the UK mean investment in the UK from abroad is similarly adversely impacted and threatens demand for export services.”

Professional Service Business in Kent

“We are feeling very vulnerable with another uncertain winter ahead; not knowing how Covid and the cost-of-living crisis will affect people’s decisions on spending money on going away. It is unlikely that we will have enough income over the winter to cover all our costs. With inflation at its current rate, it is also impossible to manage budgets as the prices of some items keep rising each week.”

Hospitality Business in Kent



72%

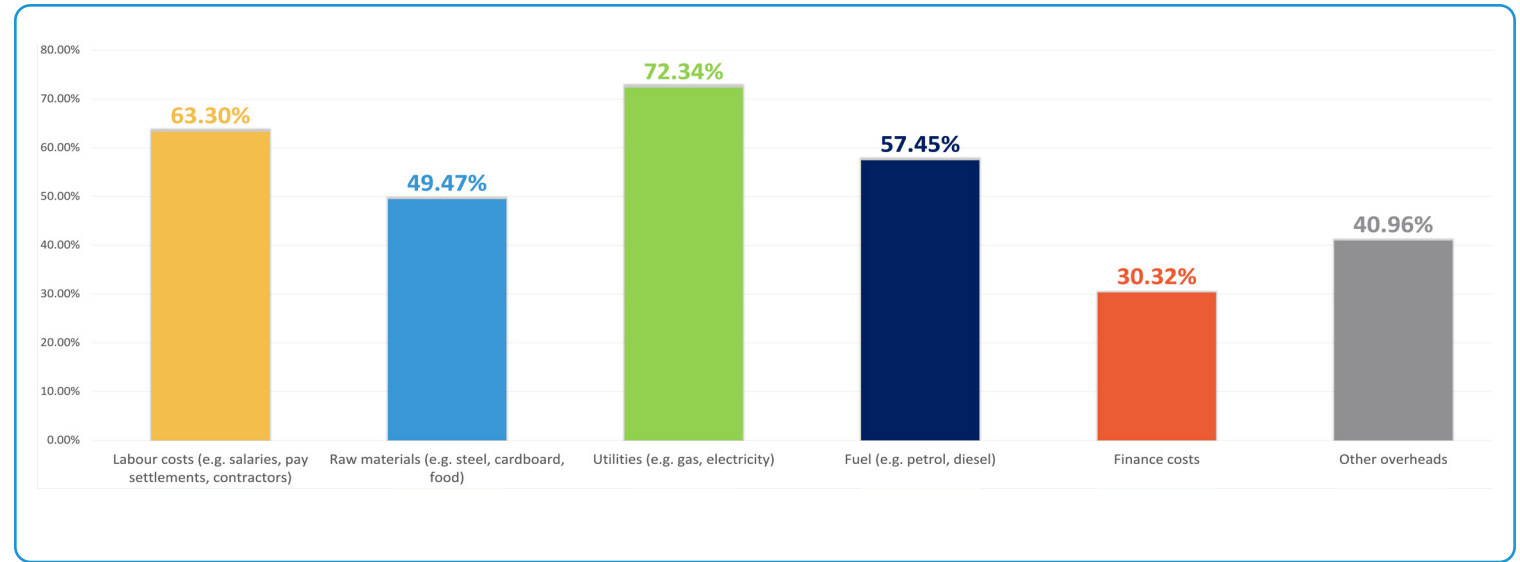
of Kent businesses reported an **increase** in their utility's costs last quarter



63%

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

BUSINESS COSTS



Utilities has the highest price pressure, followed by labour costs, then fuel costs, then raw materials costs, then finance costs and other overhead costs.

This quarter, the Business's Cost pressure from all factors remains similar to that of last quarter. Utility costs at 72% (compared to 73% last quarter). Labour costs at 63% (compared to 60% last quarter). Fuel costs at 57% (compared to 60% last quarter). Raw materials costs at 49% (compared to 55% last quarter). Finance costs at 30% (compared to 22% last quarter). Other overhead costs at 41% (compared to 38% last quarter).

Feedback from businesses:

"The price increase we are dealing with is not sustainable for much longer. I would be happy with 11.1% inflation. We are dealing with inflation at unbelievable levels. We cannot increase our prices by the same levels. The last 4 months' revenue has been less than expenses. So, this will affect profits, along with proposed tax increases. Redundancies will be at an inevitable rise."

Business in Kent

"Uncertainty is a killer, no one knows the price of electricity or gas."

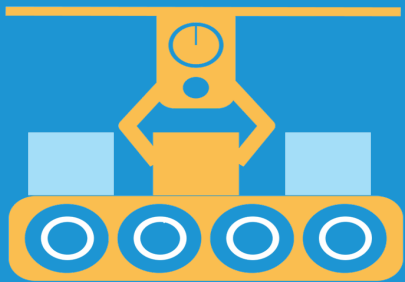
Business in Kent

CASHFLOW AND INVESTMENT



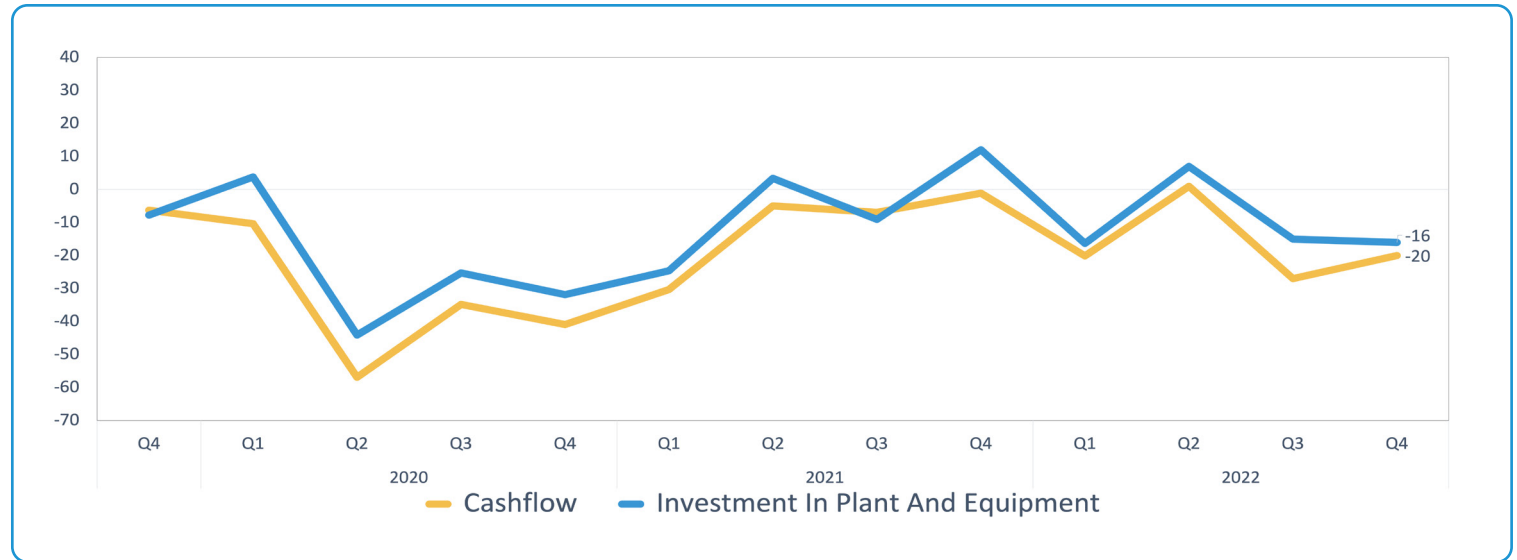
-20%

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



-16%

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



18% of businesses, say their cash flow has improved over the last 3 months (similar to 16% last quarter, significantly lower than in Q2 i.e., 29%) and 44% say it remained the same. 38% say it has worsened (a decrease from 43% in Q3). However, the negative figure of the net balance of Cashflow for Kent Businesses in the last quarter, shrank from -27% to -20% this quarter.

Like investment in training, the investment in plant and equipment also remains at a net negative but the dip has slowed down, to just an additional 1% drop (compared to a drop of -8% last quarter). Not to our surprise, firms are still not raising investment in their business. Still, half of the firms reported, remained constant with their investment in plant and equipment.

BUSINESS CONFIDENCE



-5%

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



Both the indicators of business confidence continue to fall from Q3. Indicators for business confidence have fallen further; with the net balance dropping down from -1% to -5%. The decline in turnover expectations was also mirrored by profitability expectations.

Profitability expectations for Kent's businesses reported a balance of -25% in Q4 2022, a drop from -23% in Q3 2022. Profitability confidence has dropped to an even lower level; only one in three (26%) businesses believe their profits will increase over the coming year, while half of them (51%) now expect a decrease. This is the lowest level since Q3 2020 at the height of the Covid crisis.



-25%

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

Q4 QUARTERLY ECONOMIC REPORT

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