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QUARTERLY ECONOMIC REPORT

January - March 2023





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



-6% is the net balance of **domestic sales** for Kent Businesses in the last quarter



The graph above shows an overall improvement from the last quarter.

The domestic sales in Q2 2022 were at a high but since then it took a hit. Up until this quarter we had not seen any bounce back since it fell significantly in Q3 2022. 25% of businesses reported an increase in UK Sales, 31% of businesses reported a decrease in UK sales and the overall net balance of -6% (up from -12% in Q4 2022).

Turning to domestic orders, the net balance of domestic orders also reflected the same improvement as domestic sales, from -20% to -13%. 21% of businesses reported an increase in UK Orders, 33% of businesses reported a decrease in UK Orders and the overall net balance of -13% (up from -20% in Q4 2022).

More businesses continued to report a decrease rather than an increase in domestic demand. Looking at the sectoral split of these responses. Manufacturing sector businesses experienced a domestic demand decrease furthermore than any other sector. 41% of manufacturing businesses said domestic sales decreased and 47% of them said domestic orders decreased.



-13% is the net balance of **domestic orders** for Kent Businesses in the last quarter



-11%

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



-15%

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

EXPORT DEMAND



Keeping consistent with last quarter's recovery, this quarter's export sales and export orders continue to recover. 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 -17% in Q4 to -11% this quarter. 23% reported an increase in export sales, 34% reported a decrease in UK sales and the overall net balance of -11%.

For export orders, the net balance for export orders improved from -19% to -15%. 21% of firms reported an increase in export orders, 36% reported a decrease in export orders and the overall net balance of -15%.

Manufacturing sector businesses and service sector businesses experienced a discrepancy between their export demands. Manufacturing sector businesses reported a 0% export demand whereas service sector businesses reported a -16.66% export demand.

LABOUR MARKET



15%

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



The unemployment rate in Kent currently is 3.3%. The reported employment levels over the last three months dropped whereas the reported employment expectations over the next three months increased.

16% of companies said that the employment levels of their business increased in the last three months, still a net drop to -1%. 25% of companies said that they expected their workforce to increase in size over the coming three months (a 2% increase from last quarter). Employment expectations over the next 3 months were at 15%.



-1%

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

RECRUITMENT AND TRAINING



55%

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



2%

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 55%. The manufacturing sector’s ‘need to hire’ seems to drive this more, compared to the service sector’s ‘need to hire’.

The local statistics show the percentage of companies facing recruitment difficulties remains high. 55% of companies tried to recruit, and of those attempting to recruit, 91% said they found it difficult to recruit.

Business investment in training continues to show a strong recovery, from -6% last quarter to 2% this quarter.

Feedback from businesses

“Recruiting staff remains difficult.”

Professional Services businesses in Kent



72%

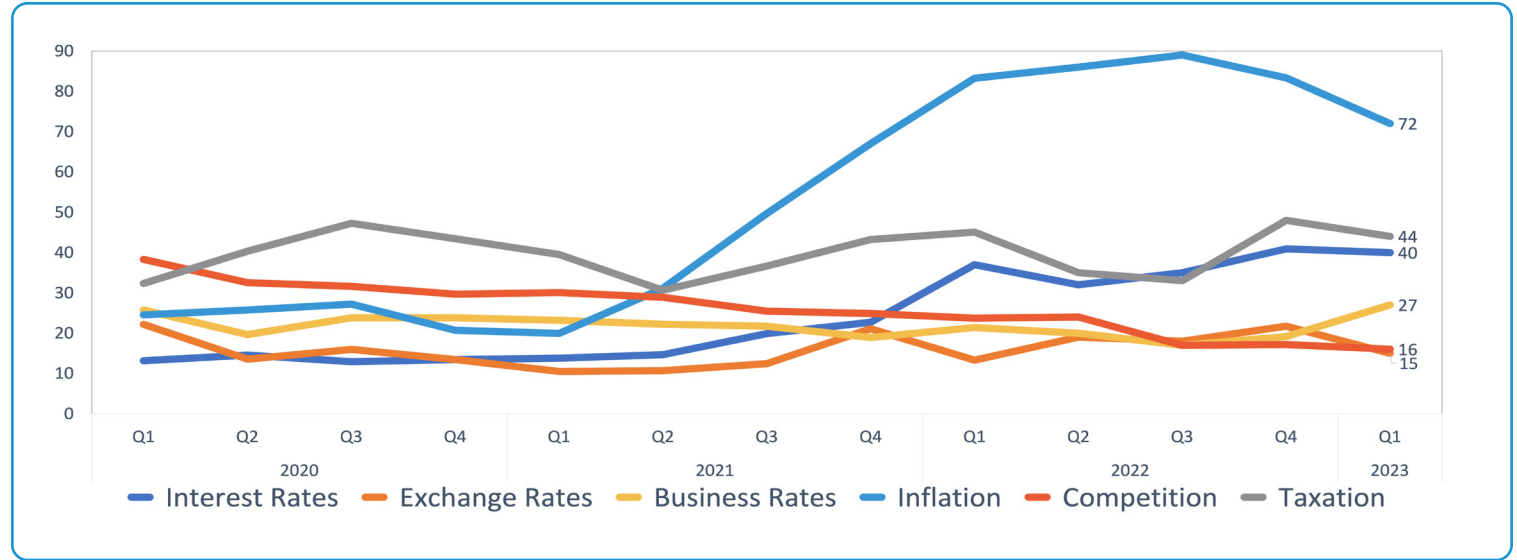
of Kent Businesses reported that **inflation** is more of a concern to business than 3 months ago



44%

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 since Q1 2022, 72% of firms say it is a growing concern for them. 54% of businesses expect an increase in their goods or service costs. A rising proportion (44%) are also worried about taxation, nearly half of the respondents had concerns about interest rates (40%).

Feedback from businesses

“My business is finding funding for SME’s with the recent hikes in interest rates, inflation and economic climate due to the Ukraine situation it is almost impossible to find good funders not wishing to take advantage.”

Professional services business in Kent

BUSINESS COSTS



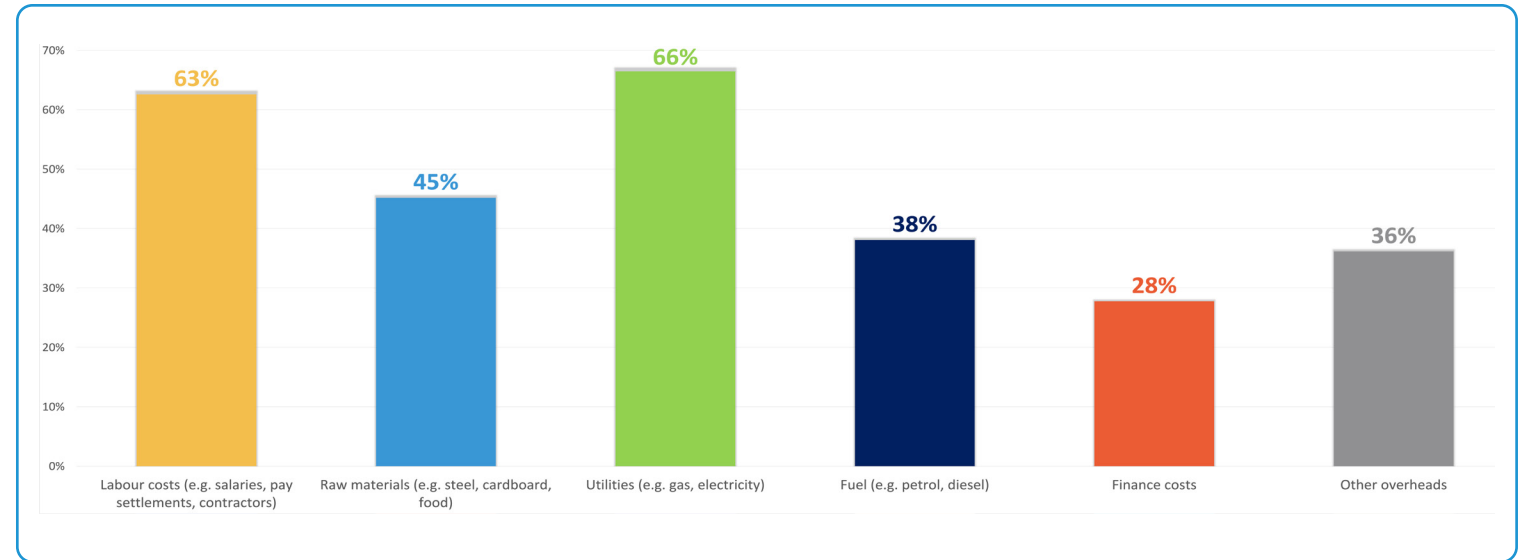
66%

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



63%

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



Utilities is the highest price pressure, followed by labour costs, raw materials costs, fuel costs, overhead costs and then finance costs in that order.

This quarter, the business's cost pressure from all factors remains similar to that of last quarter, only concerns from fuel went down. Utility costs at 66% (compared to 72% last quarter). Labour costs at 63% (consistent with last quarter). Raw materials cost 45% (compared to 49% last quarter). Fuel costs at 38% (compared to 57% last quarter). Other overhead costs at 36% (compared to 41% last quarter). Finance costs at 28% (compared to 30% last quarter). Overall the pressure from all these factors has reduced or stayed constant, with no increased pressure.

Feedback from businesses

"Issues such as rising costs of fuel and basic materials are forcing me to raise my prices. I am hopeful that this year will improve."

Consumer services business in Kent

"Consumers still holding onto their money with the energy price hikes and the general increase in the cost of living."

Manufacturing business in Kent

CASHFLOW AND INVESTMENT



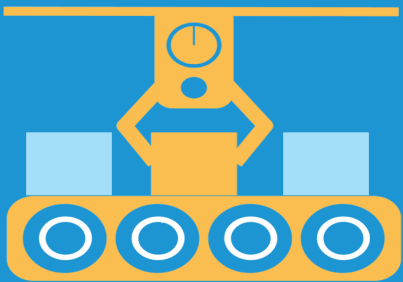
-20%

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



Cash flow in the past three months seems to be constant. 20% say their cash flow has improved over the last 3 months, 41% say it remained the same and 40% say it has worsened. However, the negative figure of the net balance of Cashflow for Kent Businesses in the last quarter didn't shrink further after it shrank from -27% to -20% in the last few quarters.

Like investment in training, the investment in plant and equipment also shows a slight recovery, from -16% in Q1 2022 improved to -8% this quarter. Not to our surprise, companies are still hesitant in raising investment in their business. Still, half of the businesses reported remained constant investment in plant and equipment.



-8%

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

BUSINESS CONFIDENCE



28%

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



3%

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



A leap in business confidence. After a significant fall in Q4 2022, business confidence is now on the up.

Both the indicators of business confidence show significant recovery from Q1 2022. The net balance of businesses profitability expectation in the next year improved from -5% to 3%. The progress in profitability expectations was also mirrored by turnover expectations.

Turnover expectations for Kent's businesses reported a balance of 28%, a jump from -5% in Q4 2022. Turnover confidence has improved by five folds; 48% of businesses believe their profits will increase over the coming year, while only 20% expect a decrease. This is the highest level since Q2 2022.

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