



QUARTERLY ECONOMIC REPORT

July - September 2023





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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



0%

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



-9%

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

DOMESTIC DEMAND



The graph shows an improvement in both domestic sales and domestic orders.

Since the drop in domestic sales from Q2 2022, it has, for the first time, reflected a non-negative figure. Showing a balance at 0%. After the stagnancy last quarter, this quarter observed improvements. 27% of businesses reported an increase in UK Sales and 27% of businesses reported a decrease also in UK sales, the overall net balance of 0% (down from -7% in Q2 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 for -20% compared to the net balance for the service sector which is 6%, a huge gap.

Turning to domestic orders, the net balance of domestic orders also reflected a similar improvement as domestic sales, going up to -9% from -13%.

20% of businesses reported an increase in UK Orders, 30% of businesses reported a decrease in UK Orders and the overall net balance of -9% (improved from -13% Q2 2023). Overall, still an improvement in overall business conditions.



-18%

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



-18%

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

EXPORT DEMAND



While domestic demand showed some improvement, export demand showed mixed momentum. Export sales improved slightly whereas export orders worsened, opposite of the movement last quarter. Still not making its way to a positive net balance figure (which was last seen in Q4 2018).

The net balance for export sales remains at the low of -18%, similar to last quarter. Only 14% reported an increase in export sales, 32% reported a decrease in export sales and the overall net balance of -18%. This negative figure is also driven by the service sector, as this quarter the net export sales for the service sector were at -16% compared to 0% last quarter for the manufacturing sector. The situation has flipped for the two sectors this quarter as last quarter these negative figures were influenced by manufacturing and not the service sector.

For export orders, the net balance has dropped again losing any improvements made last quarter -7% to -18%. 14% of firms reported an increase in export orders, 32% reported a decrease in export orders and the overall net balance of -18%. This net negative is mostly driven by the manufacturing sector, as last quarter manufacturing sector's new export orders were -33% compared to the service sector's -10%.



29%

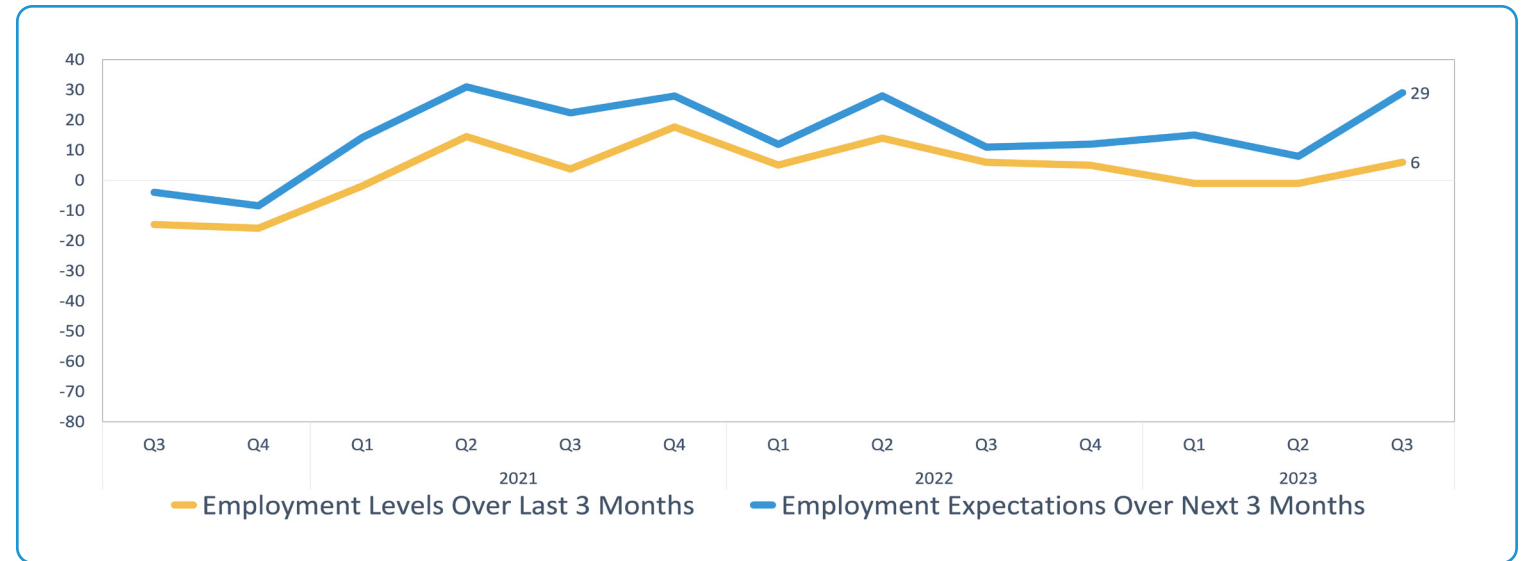
is the net balance of **Employment Expectation** for Kent Businesses in coming quarter



6%

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

LABOUR MARKET



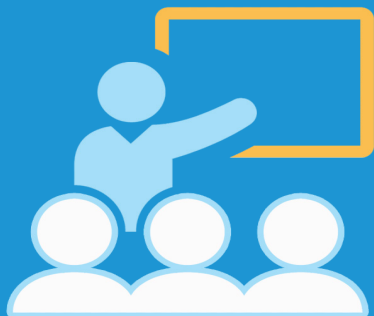
The unemployment rate in Kent currently is 3.7%. The labour market remains tight. The reported employment levels over the last three months increased significantly whereas the reported employment expectations also increased but only slightly for over the next three months.

19% of firms said that the employment levels of the firm increased in the last three months, a good increase from last quarter, recovering from the net drop of -1% to 6% now. 32% of firms said that they expected their workforce to increase in size over the coming three months. Employment expectations over the next 3 months were increased to 29% from 8% last quarter.



51%

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



5%

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

RECRUITMENT AND TRAINING



The firms who have attempted to recruit staff over the past 3 months are at 51%. Out of which 71% faced difficulty in recruiting, better than last quarter when 91% of firms were facing difficulty recruiting. A similar sentiment was shared in all sectors.

Business investment in training is back on a recovery track after the hit last quarter. From -16% last quarter to 5% this quarter. This improvement is mainly driven by the service sector, as the net business investment in training in the past three months for the service sector was 6% compared to the manufacturing sector's net which was 0%.

"It has been very difficult to recruit good managerial staff in the past 3 months, with several having more than one job offer due to shortages in the market. This has resulted in higher salaries and increased holiday needing to be offered, and this is hard to recover where prices are set on longer-term contracts."

Professional Services businesses in Kent

"The biggest issue for our business is recruiting good new staff and retaining the good staff that we have. This is in spite of increasing wages and offering other employee benefits. Flexible working requests are also hampering our industry (manufacturing), which generally requires staff onsite full-time, 5 days per week."

Businesses in Kent



63%

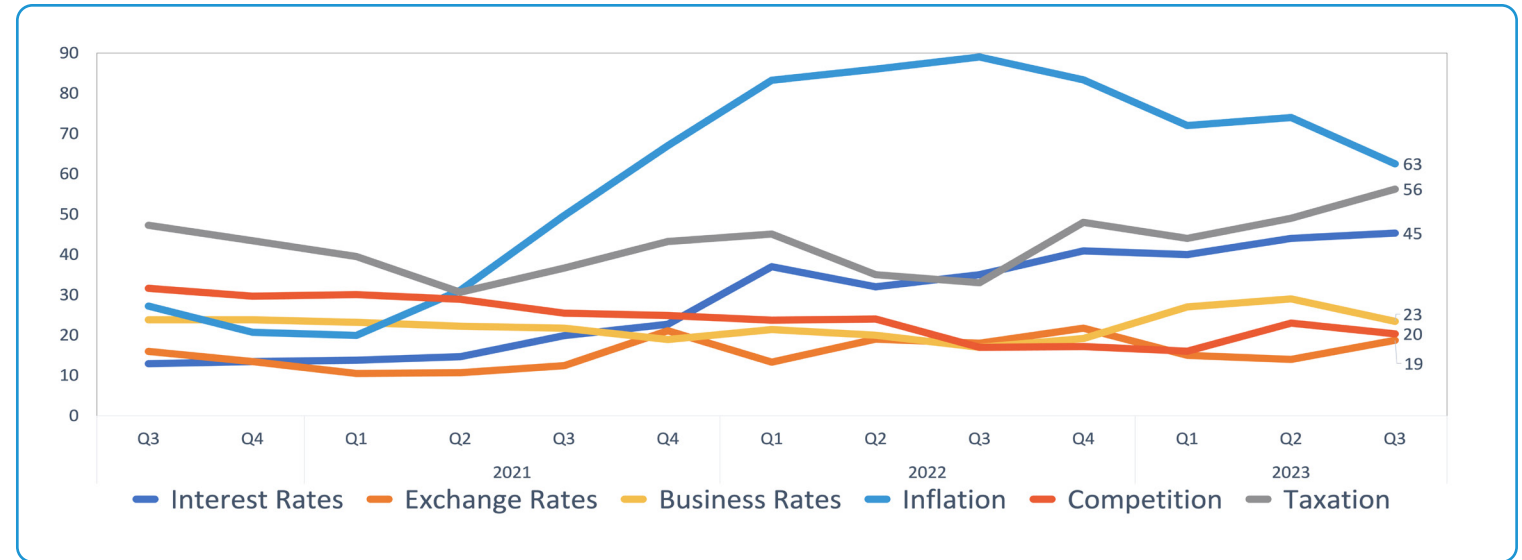
of Kent Businesses reported that **inflation** is more of a concern to business than 3 months ago



56%

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

INFLATIONARY PRESSURES



Inflation concerns continue to reduce, still remaining higher than any other concern. Measures for inflation remain still high, 63% of firms say it is a growing concern for them. 47% of businesses expect an increase in their goods or services costs.

A rising proportion (56%) are also worried about taxation, nearly half of the respondents, these leading concerns were also followed by concerns about interest rates (45%). More and more businesses continue to increase their concerns about tax and interest rates.

"The sudden increase in interest rates combined with mixed messages from the BoE has created a sense of foreboding about what might be to come over the next few quarters as the impact of higher rates really bites."

Professional Services businesses in Kent

"Stealth taxes such as ULEZ are affecting adversely affecting business confidence. This results in deferral or cancellation of innovation lead projects with the consequence that activities invoking IP services are depressed."

Professional Services businesses in Kent



57%

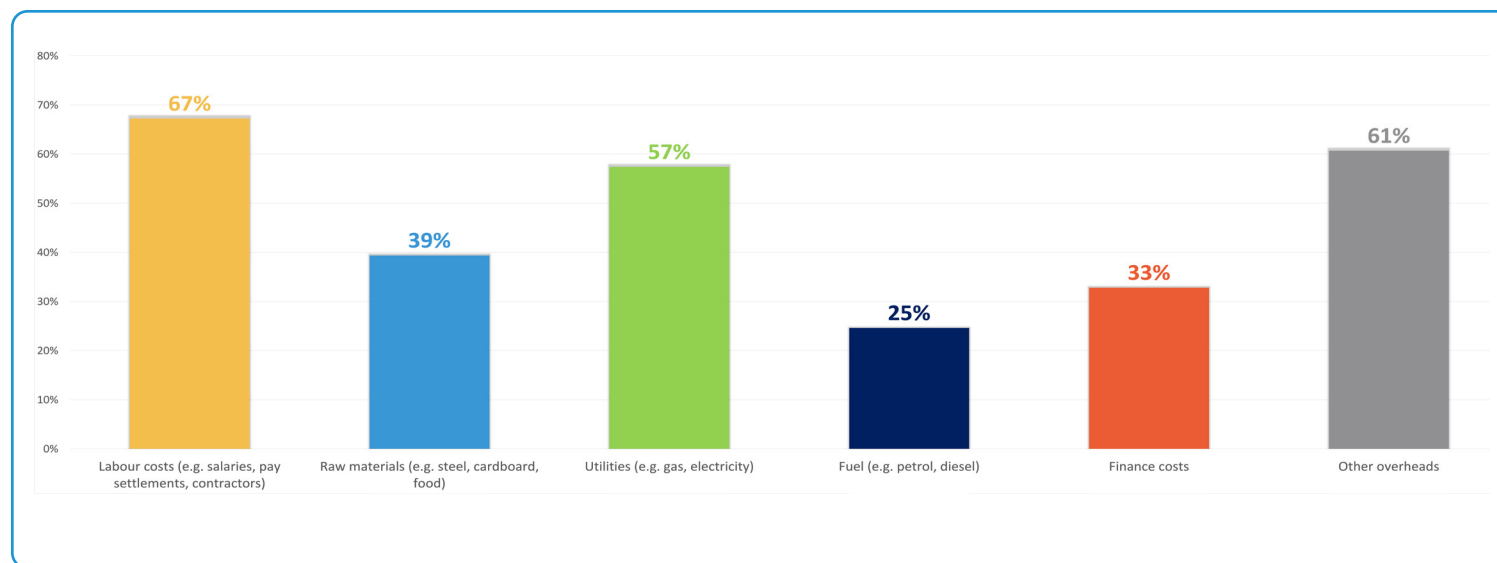
of Kent businesses reported an **increase** in their utility's costs last quarter



67%

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

BUSINESS COSTS



Consistent with last quarter, labour costs, other overheads and utilities remain the main price pressure. Then raw materials costs, then finance costs and then fuel costs.

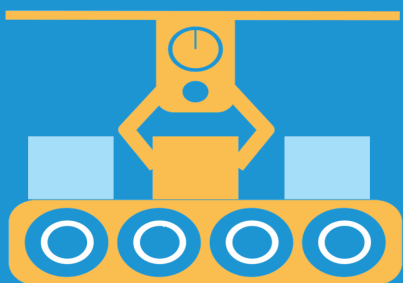
This quarter the top Business's Cost Pressure from all factors remains similar to that of last quarter.

Utility costs at 57% (decreased from 68% last quarter). Labour costs at 67% (increased from 58% last quarter). Other overhead costs at 61% (increased from 43% last quarter). Raw materials cost 39% (increased from 35% last quarter). Finance costs at 33% (increased from 29% last quarter). Fuel costs at 25% (increased from 22% last quarter). Only utility costs decreased, and the rest all increased.

Overall the pressure from all these factors stayed similar, with marginal increased pressure.

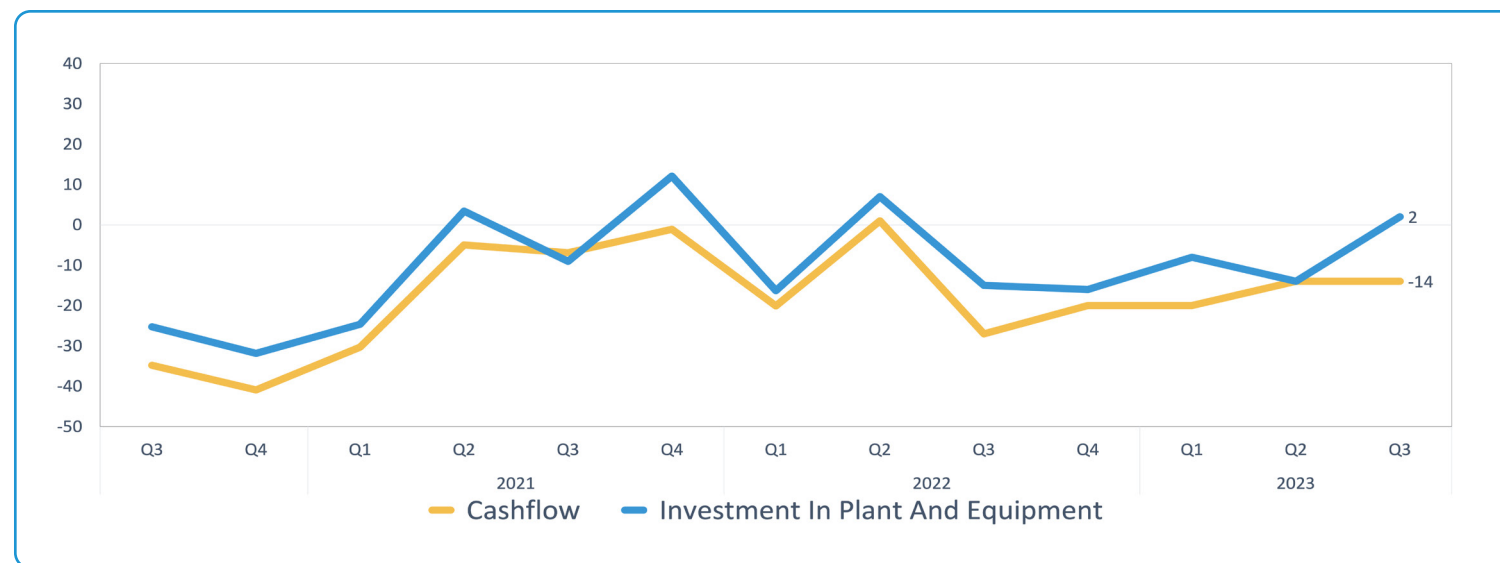


-14% is the net balance of **Cashflow** for Kent Businesses in the last quarter



2% is the net balance of **Investment in Plant and Equipment** for Kent Businesses in the last quarter

CASHFLOW AND INVESTMENT



Cash flow in the past three months remained constant.

16% say their cash flow has improved over the last 3 months, 54% say it remained the same and 30% say it has worsened. This is a split in manufacturing and service sector outcomes, the net cash flow movement of the manufacturing sector is 7% whereas for the service sector, it is much worse, -19%. The negative figure of the net balance of Cashflow for Kent Businesses in the last quarter continued to show signs of stagnancy last quarter, it remained at -14% in the last quarter.

Like investment in training, the investment in plant and equipment also shows an increase after last quarter's improvement, from -14% in Q2 2023 improved to 2% this quarter. Firms are still hesitant but raising investment in their business slightly. 66% of the firms reported remained constant investment in plant and equipment.



24%

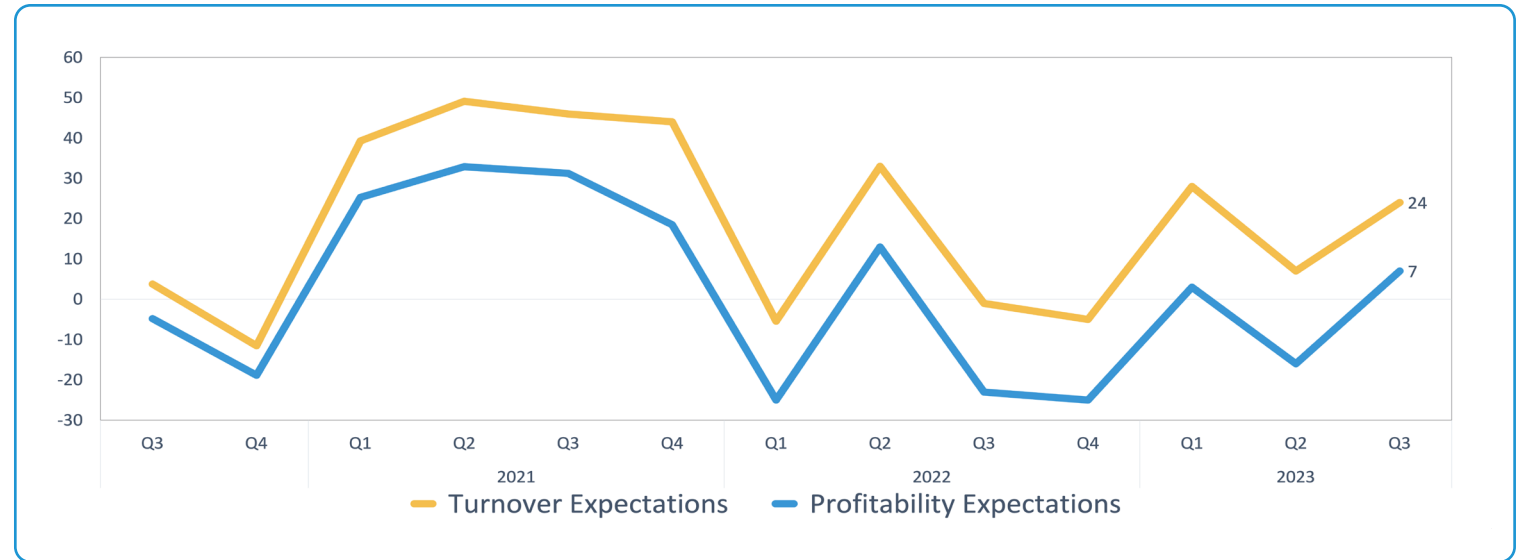
is the net balance of Kent Businesses who expect their **turnover** to improve



7%

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

BUSINESS CONFIDENCE



A rise in business confidence is in line with the national sentiment. After a dip in Q2 2023, business confidence has now risen again.

Both the indicators of business confidence showed significant falls in Q2 2023 and this quarter has almost recovered those dips. The net balance of businesses' profitability expectation in the next year increased from -16% to 24%. Improved profitability expectations, 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 9% compared to the manufacturing sector at 0%.

The increase in profitability expectations was also mirrored by improved turnover expectations. Turnover expectations for Kent's businesses reported a balance of 24%, an increase from 7% last quarter.

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