



1

QUARTERLY ECONOMIC REPORT

January - March 2024



KENT & MEDWAY BUSINESSES: CHALLENGES REMAIN, BUT POSITIVE SIGNS EMERGE

While inflationary pressures and recruitment difficulties persist, Kent & Medway businesses see reasons for optimism. Trade is improving, with both domestic and export demand showing positive momentum. Notably, domestic orders are positive for the first time since Q2 2022. The mix of inflationary pressure is changing with competition pressure increasing and monetary pressures still a major factor but reducing.

One concern is the mixed picture within manufacturing, which is experiencing challenges in both domestic and export sales. The Chamber through its Kent & Medway Manufacturing Focus Group (KMFG) and other initiatives remains committed to actively support this vital sector.

Employment expectations are recovering after a recent dip, and recruitment remains strong. However, businesses still face significant challenges filling open positions. We are committed to supporting this area by our work on skills needs of regional employers and through our work with stakeholders.

As your Chamber of Commerce for Kent & Medway we remain committed to representing the views of local businesses and to raise the issues that are most important to you with local, regional and national stakeholders, so please share your views with us by taking part in future quarterly economic surveys.



Tudor Price
Chief Executive, Kent Invicta Chamber of Commerce

**WHERE
BUSINESS
BELONGS**
BE IN GOOD COMPANY

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.

For further information: To get full data or any further clarification please contact Lucy Druessne - lucy@kentinvictachamber.co.uk



TUDOR PRICE
Chief Executive

Kent Invicta Chamber of Commerce



GET INVOLVED





21% is the net balance of **domestic sales** for Kent Businesses in the last quarter



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

DOMESTIC DEMAND



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

Since the drop in domestic sales from Q2 2022 it has shown consistent improvement over the past 3 quarters.

The improvements have taken a further hike since last quarter. 41% of businesses reported an increase in UK Sales and 20% of businesses reported a decrease also in UK sales, the overall net balance of 21% (up from 6% in Q4 2023).

There is a sectorial split, this net positive figure is driven down by one sector i.e., manufacturing.

This quarter the net balance of domestic sales for manufacturing accounted for 2% compared to the net balance for the service sector, which is 26%, a huge gap.

Turning to domestic orders, the net balance of domestic orders also reflected a similar improvement to domestic sales, going up to 13% from -3%.

35% of businesses reported an increase in UK Orders, 22% of businesses reported a decrease in UK Orders and the overall net balance of 13% (improved from -3% Q4 2023). Overall, there is a drastic and consistent improvement in overall business conditions.



7% is the net balance of **export sales** for Kent Businesses in the last quarter



1% is the net balance of **export orders** for Kent Businesses in the last quarter

EXPORT DEMAND



Like domestic demand, export demand showed similar momentum. Export sales continued to improve slightly, and export orders also showed improvement, consistent with the last quarter where export orders improved as well. Finally, making its way to a positive net balance figure which was last seen in Q4 2018.

The net balance for export sales moves to 7%, significantly better than last quarter i.e. -15%. 24% reported an increase in export sales, 17% reported a decrease in export sales and an overall net balance of 7%.

This negative figure is driven by the manufacturing sector, as this quarter the net export sales for the manufacturing sector was at 1% compared to 9% last quarter for the service sector. The situation is quite the opposite to last quarter for the two sectors this quarter as last quarter these negative figures were influenced by the service sector.

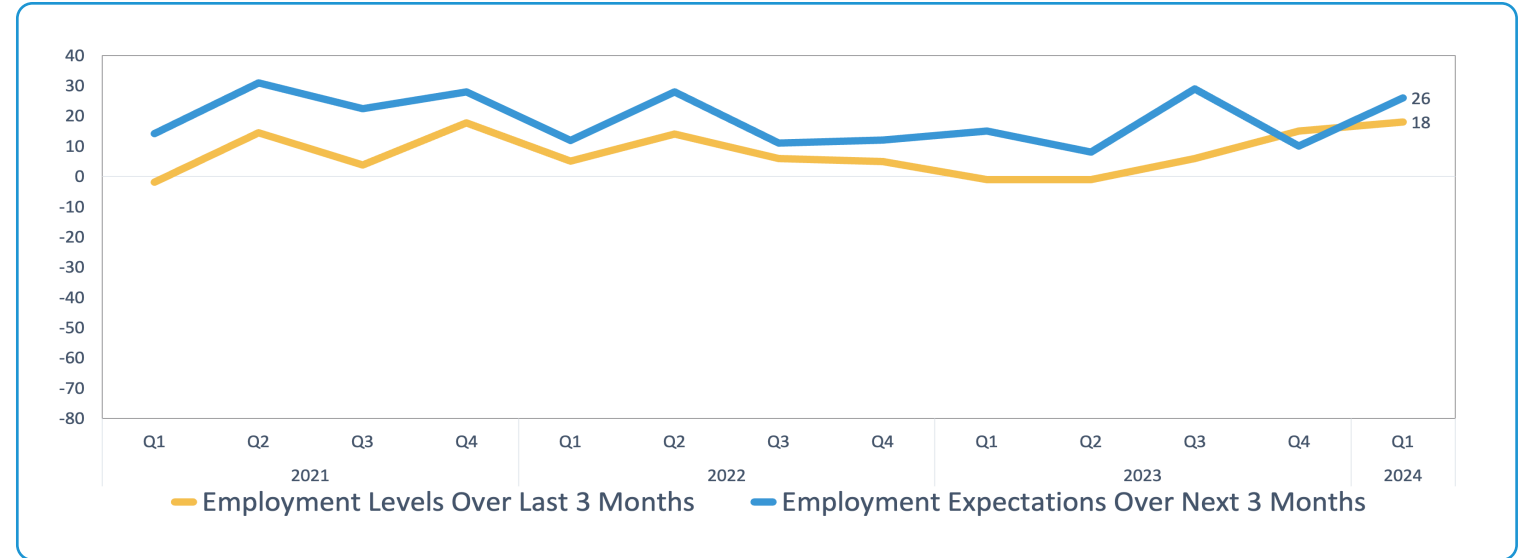
For export orders, the net balance for export orders has shown improvements from last quarter -12% to 1%. 20% of firms reported an increase in export orders, 19% reported a decrease in export orders and the overall net balance of 1%. This net negative is mostly driven by the manufacturing sector, as last quarter the manufacturing sector's new export orders were -10% compared to the service sector's 6%.

LABOUR MARKET



26%

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



The unemployment rate in Kent currently is 3.5%. The labour market shows some signs of recovery. The reported employment levels over the last three months increased but only slightly whereas the reported employment expectations show significant improvements.

30% of firms said that the employment levels of the firm increased slightly in the last three months from last quarter, recovering from the drop net of 15% to 18% now. 34% 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 from 10% to 26% last quarter.



18%

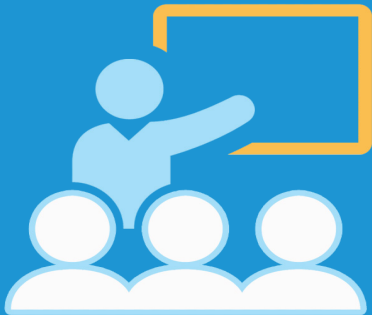
is the net balance of **Employment Levels** for Kent Businesses in the last quarter

RECRUITMENT AND TRAINING



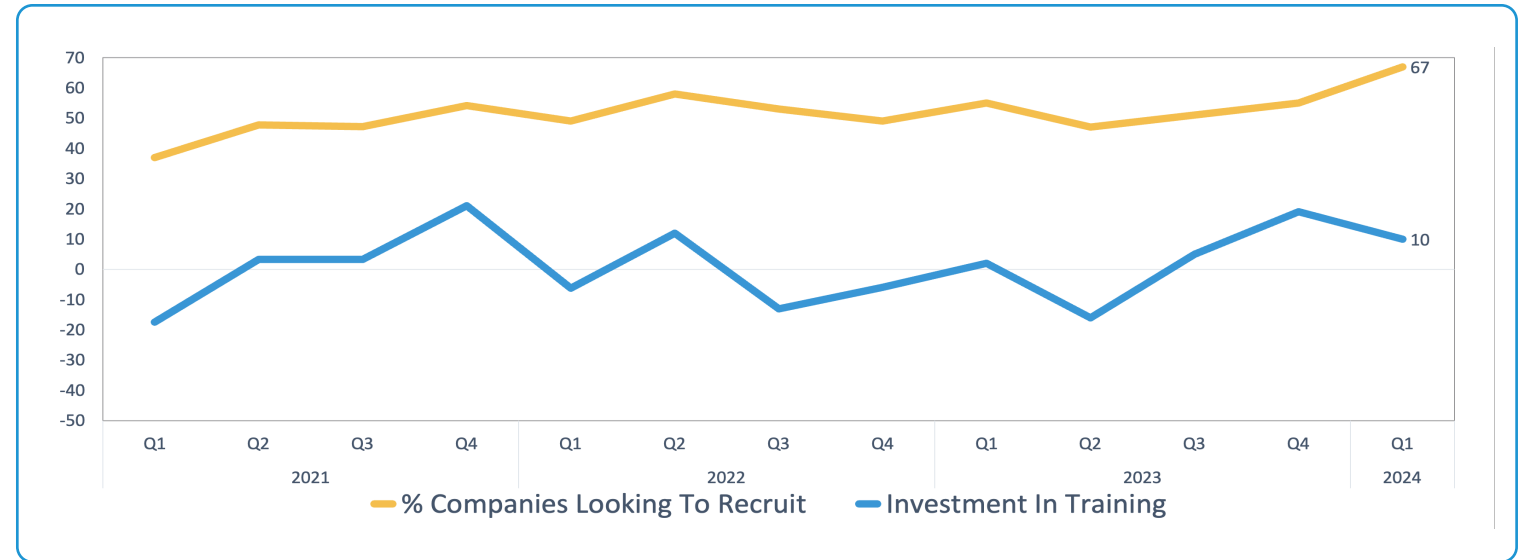
67%

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



10%

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 67%. Out of which 77% faced difficulty in recruiting. A similar sentiment was shared in all sectors.

Business investment in training has again taken a hit this quarter. From 19% last quarter to 10% this quarter. This hit is similar over the sectors.

“Recruitment and retention at competitive salaries is really difficult and we face out matched competition for skilled competent labour.”

Professional Services businesses in Kent

“Recruitment has been a major issue due to cost of recruiters, trying to retain staff and also find the right staff for roles with experience and longevity. The housing market is starting to pick up now so residential and commercial property work is picking up.”

Professional Services businesses in Kent



55%

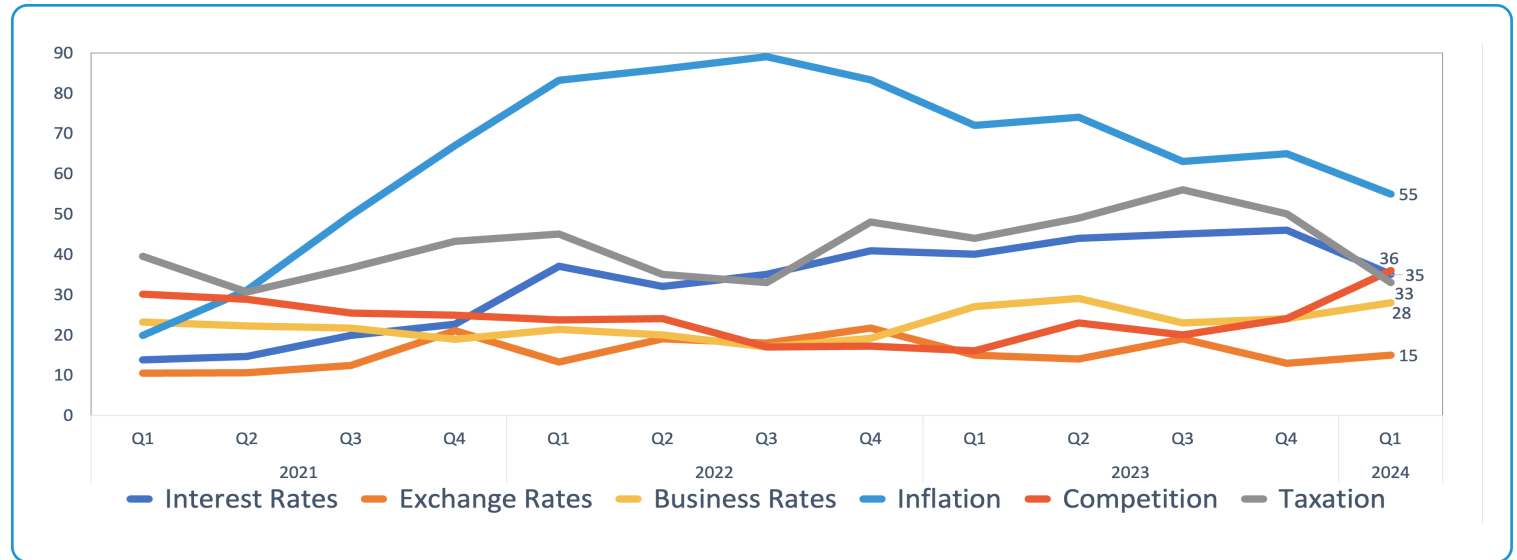
of Kent Businesses reported that **inflation** is more of a concern to business than 3 months ago



36%

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, remaining higher than any other concern. Measures for inflation remain high, 66% of firms say it is a growing concern for them. 46% of businesses expect an increase in their goods or services costs.

A rising proportion (36%) are also worried about exchange rate, following this 35% of the respondents are concerns about interest rates. More and more businesses continue to increase their concerns about business rate and competition as well.

“Having just received our revised 24-25 business rates charges, this will have a negative impact on our profit, and sales as the products we make will either be sold at less of a profit, or become more expensive to our customers who in turn may purchase from our overseas competitors.”

Manufacturing Business in Kent

“We are seeing a down turn in consumer/client confidence, constant price increases from suppliers, increased wage costs, and a 94% in our business rateable value”

Retail or Wholesale Businesses in Kent

“Government have announced that Dual cab pickups will be treated as cars for tax purposes from 1/7/24. We were about to invest in 5 of these vehicles and are now concerned about the ramifications of this change.”

Construction Businesses in Kent



43%

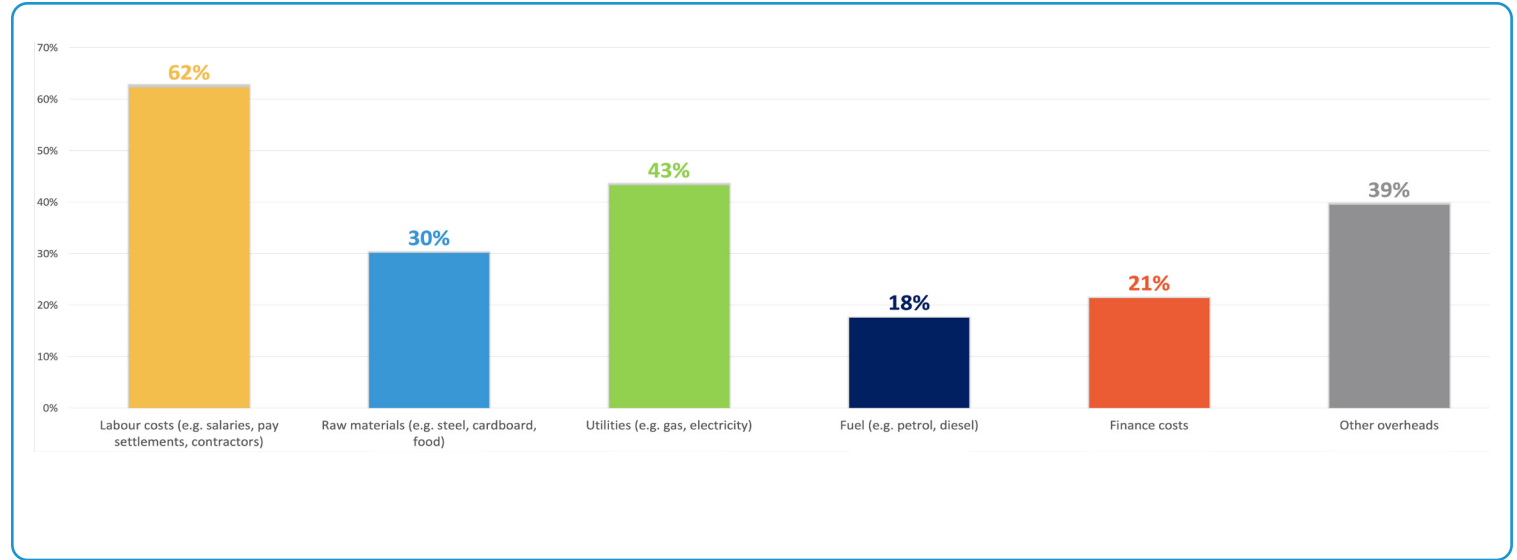
of Kent businesses reported an **increase** in their utility's costs last quarter



62%

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.

All have slightly reduced from last quarter.

- Labour cost at 62% (decreased from 76% last quarter).
- Utility costs at 43% (decreased from 54% last quarter). Other overhead costs at 39% (decreased from 41% last quarter).
- Raw materials cost 30% (increased from 25% last quarter).
- Finance costs at 21% (decreased from 29% last quarter).
- Fuel costs at 18% (decreased from 28% last quarter).

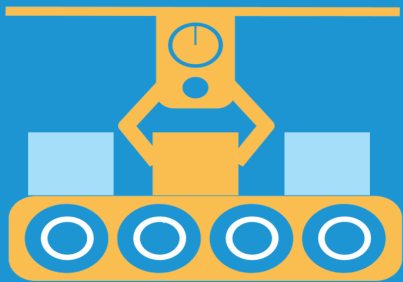
Overall, the pressure from all these factors stayed similar, with marginally decreased pressure apart from an increase in raw materials.

CASHFLOW AND INVESTMENT



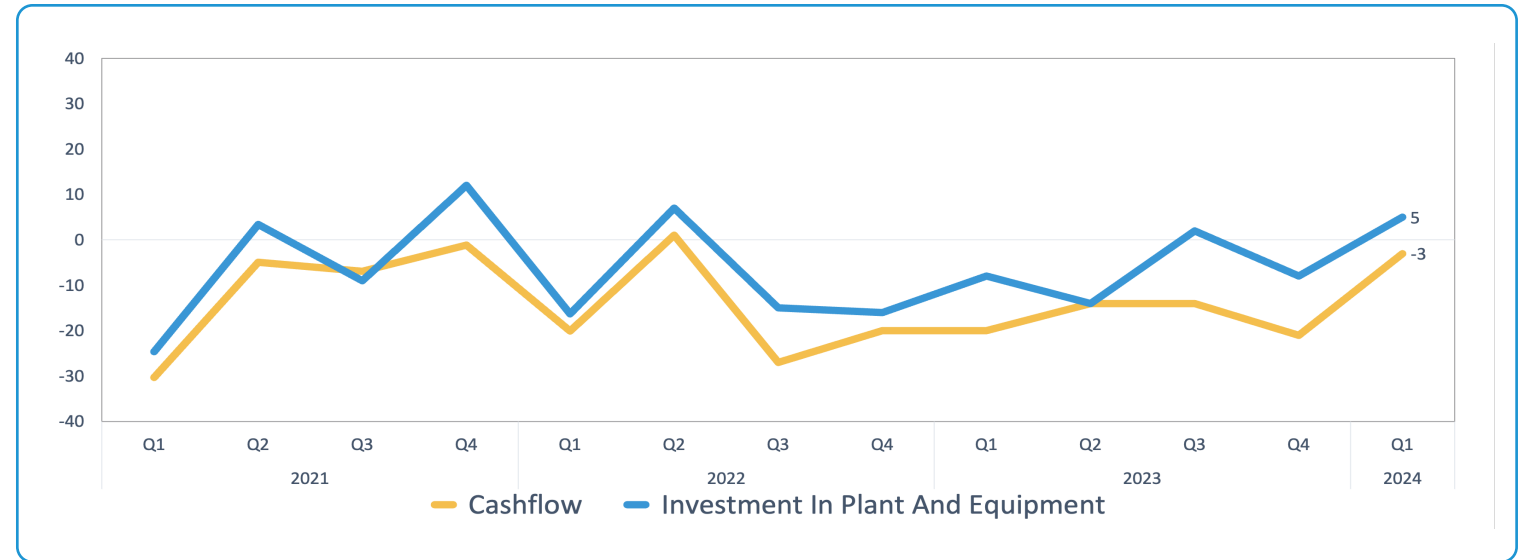
5%

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



-3%

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



Cash flow in the past three months show improvement.

28% say their cash flow has improved over the last 3 months, 41% say it remained the same and 31% 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, 1%. The negative figure of the net balance of Cashflow for Kent Businesses in the last quarter continued to show signs of stagnancy, however it moved up to -3% in the last quarter.

Unlike investment in training, the investment in plant and equipment also shows an increase after last quarter's dip, from -8% in Q4 2023 improved to 5% this quarter. Firms are still hesitant but raising investment in their business slightly.

82% of the firms reported either remained constant or increased investment in plant and equipment.

BUSINESS CONFIDENCE



46%

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



A rise in business confidence is in line with the national sentiment. After a dip in Q2 2023, business confidence is at an all-time high since Q4 2021.

Both the indicators of business confidence showed significant falls in Q2 2023, and this quarter consistently showed recovery since those dips. The net balance of businesses' profitability expectation in the next year increased from 14% to 28%. 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 31% compared to the manufacturing sector at 15%.

The increase in profitability expectations was also mirrored by improved turnover expectations. Turnover expectations for Kent's businesses reported a balance of 46%, an increase from 32% last quarter.



28%

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

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USEFUL LINKS

Register your interest to participate in a future QES survey: www.kentinvictachamber.co.uk/qes
Local Skills Improvement Plan (LSIP): www.kentemployersskillsplan.org
Kent & Medway Growth Hub: www.kentandmedwaygrowthhub.org.uk

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