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QUARTERLY ECONOMIC REPORT

February - March 2026



Signs of stability, but rising pressures keep business confidence cautious.

The first quarter of 2026 shows early signs of stability for Kent and Medway businesses following the challenges reported at the end of 2025. Domestic demand has strengthened, with UK sales improving from a net balance of -12 to -2, and orders rising from -18 to -3. Manufacturing continues to outperform services, but both sectors are showing areas of resilience.

Export performance has also edged upward, with export sales and orders improving to -4%, marking the fourth consecutive quarter of gradual recovery. Recruitment activity has picked up strongly, with nearly half of firms attempting to hire, and investment in training has rebounded from a net -21% to -2%. Cost pressures have eased in several key areas, though many businesses continue to face tight margins as rising wage levels and competitive pressures persist.

Confidence has improved noticeably this quarter. Turnover expectations are now firmly positive at +18%, and while profitability remains negative at -11%, this represents a significant uplift from the previous quarter. Manufacturing confidence in particular remains strong, reflecting renewed optimism across parts of the sector.

It is important to note that the majority of responses captured in this survey were gathered prior to the escalation of the conflict involving Iran. While the results point to early signs of stabilisation and improving confidence, the situation in the Middle East is likely to introduce further economic pressures and uncertainty in the months ahead. Rising energy costs, supply chain disruption and increased volatility in global markets may yet weigh on business sentiment and performance, reinforcing the need for continued resilience and close monitoring of the trading environment.

These findings reflect a business community that has shown considerable resilience in navigating a prolonged period of economic challenge. While the months ahead are likely to bring renewed uncertainty and additional pressures arising from global events, we hope that this same resilience, adaptability and determination will help Kent and Medway businesses weather this new period of turmoil. We welcome continued feedback and insight from businesses across the county, and encourage organisations to share their experiences and perspectives with our policy team at policy@kentinvictachamber.co.uk, helping to ensure the voice of business continues to be heard where it matters most.



Tudor Price
Chief Executive, Kent Invicta Chamber of Commerce

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BUSINESS
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www.britishchambers.org.uk/insights-unit/quarterly-economic-survey



TUDOR PRICE

Chief Executive

Kent Invicta Chamber of Commerce



GET INVOLVED



DOMESTIC DEMAND



-2%

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



There has been an improvement in domestic demand among businesses responding to the survey this quarter. The net balance between firms reporting increased sales and those reporting a decline has risen from -12 to -2.

Overall, 27% of businesses reported an increase in UK sales, while 29% saw sales fall, resulting in a net balance of -2%, an improvement of 10% compared with last quarter.

Domestic orders have risen for 24% of businesses, a similar figure to last quarter but declined for 27%, a rise of 15% from last quarter, resulting in a net balance of -3%.

The Manufacturing sector has a 20% net figure rise for sales and a net 12% figure for orders which are up from last month.

The service sector has returned negative figures for both sales and orders this quarter. It showed a -15% drop in sales and -13% in orders which are similar figures for last quarter, though the -13% figure was up 5% from last quarter.

It should be noted that this quarter's return went out before the impact of the current issues in the Middle East so it will be interesting to compare this to next quarter's return.

"We are fairly busy at the moment, this is down to several local competitors closing down, a sad indictment of the economy. We have found average order value to have decreased as customers are more cautious, but total number of order has never been higher. I feel the economic outlook is grim and we are facing increased competition."
Manufacturing Sector Business



-3%

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

EXPORT DEMAND



-4%

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



The net balance for export sales is -4% for this quarter, which continues the increase from the prior three quarters, and is up by 4% from last quarter.

19% of firms reported an increase in export sales, which is down from 42% last quarter, and 23% reported a decrease.

The Manufacturing Sector showed 14% net figure, with 21% this quarter reporting a drop and 36% reporting growth. Service sector growth was down from last quarter's figure of -8% with a net -25% drop in sales with, alarmingly, no service businesses reporting an increase in sales.

For export orders, the net balance is up, from -8% last quarter to -4% this quarter. 20% of firms reported an increase in export orders, at the same time 24% reported a decrease as well, with 56% recording no change. Both Manufacturing (-10%) and the Service Sector (-17%) show net negative figures.

It will be interesting to see the impact of the issues in the Middle East next quarter on these figures.



-4%

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

"Trading with the USA is more complex with new tariffs and a volatile exchange rate!"

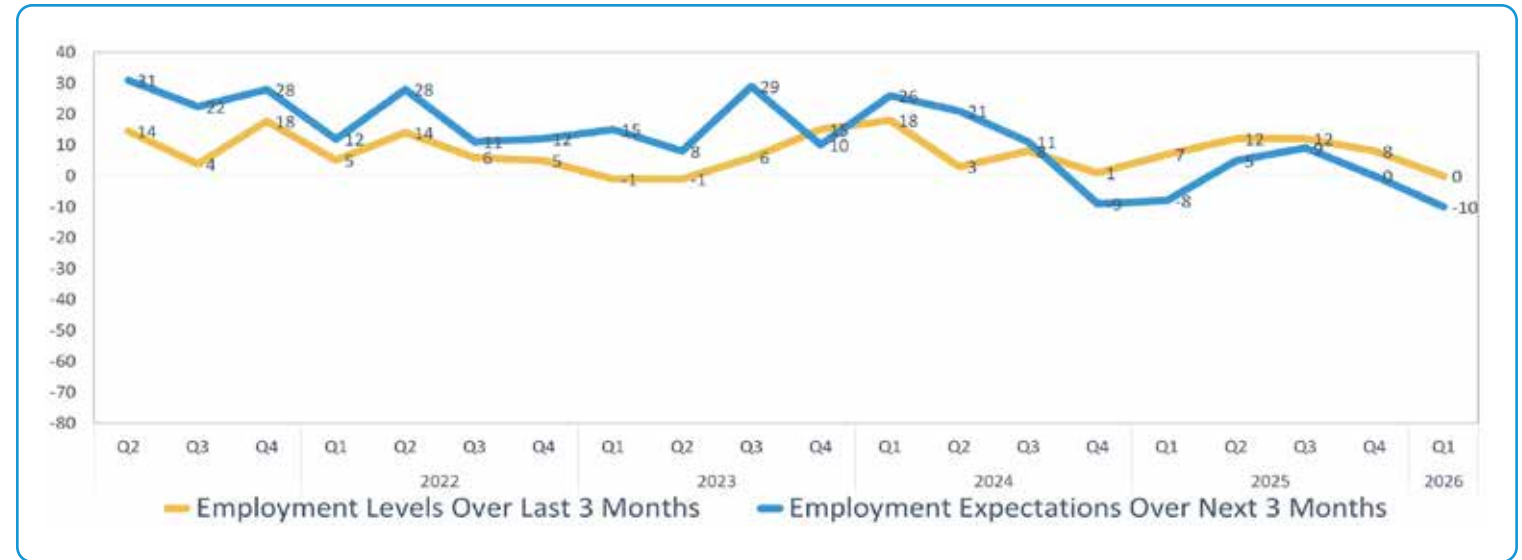
Manufacturing Sector Business

LABOUR MARKET



-10%

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



The unemployment rate in Kent currently is 3.4%.

The reported employment levels over the last three months dropped from last quarter to 0% this quarter and reported employment expectations show a -10% net figure down by 10% from last month representing a continuation of the drop last quarter.

17% of firms said that the employment levels of the firm increased in the last three months, down 5% from last quarter, with 17% reporting a decrease, which is up 3% from last quarter.

24% of firms said that they expected their workforce to increase in size over the coming three months, a rise of 8% from last quarter, and 14% of respondents reported an expected fall. It will be notable to see how these figures will be changed by the cost increase from the issues in the Middle East.

The Manufacturing sector showed positive growth in both employment and expectations for the next 3 months with a net 4% and 18% of Manufacturers for both areas of interest reporting growth in numbers.

This is a different story for Service sector businesses with a net 0% showing growth in employment and 4% expecting to employ more people in the next quarter, whilst positive it's not showing the same growth as manufacturing.

"Tax is killing us no help when trying to hire people to grow, constant set backs like suppliers just in reprice for no reason price gouging is out of control and the government is letting us down"

Construction Sector Business



0%

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

RECRUITMENT AND TRAINING



49%

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 firms who are looking to recruit staff increased by 17% from last quarter with a net figure of 49%.

The Service sector showed a higher level of recruitment within the last three months than last quarter, with 42% of businesses responding positively. This is compared to 60% of Manufacturing businesses. Manufacturing recruitment is comparable to returns from last quarter.

Business investment in training has increased also this quarter, from -21% net last quarter to -2% net this quarter. The Service sector showed net figures of -5%, up from -30% last quarter. Manufacturing businesses returned a 44% net figure with 28% of businesses both increasing and 24% decreasing investment and 48% remaining constant over the past three months.

This drop in training funds within companies has been a persistent issue for more than 2 years now. It will be interesting if rising costs, due to the Middle East situation, impact this further, as early signs has indicated.

“The survey makes it difficult to convey our own situation, but the main issue is that all of the increased costs are coming straight off the bottom line and therefore stealing the money for future investment, there is also strong reason to buy equipment rather than staff with the new living wage being so high, equipment purchased over 7 years represents better value.”

Manufacturing Sector Business



47%

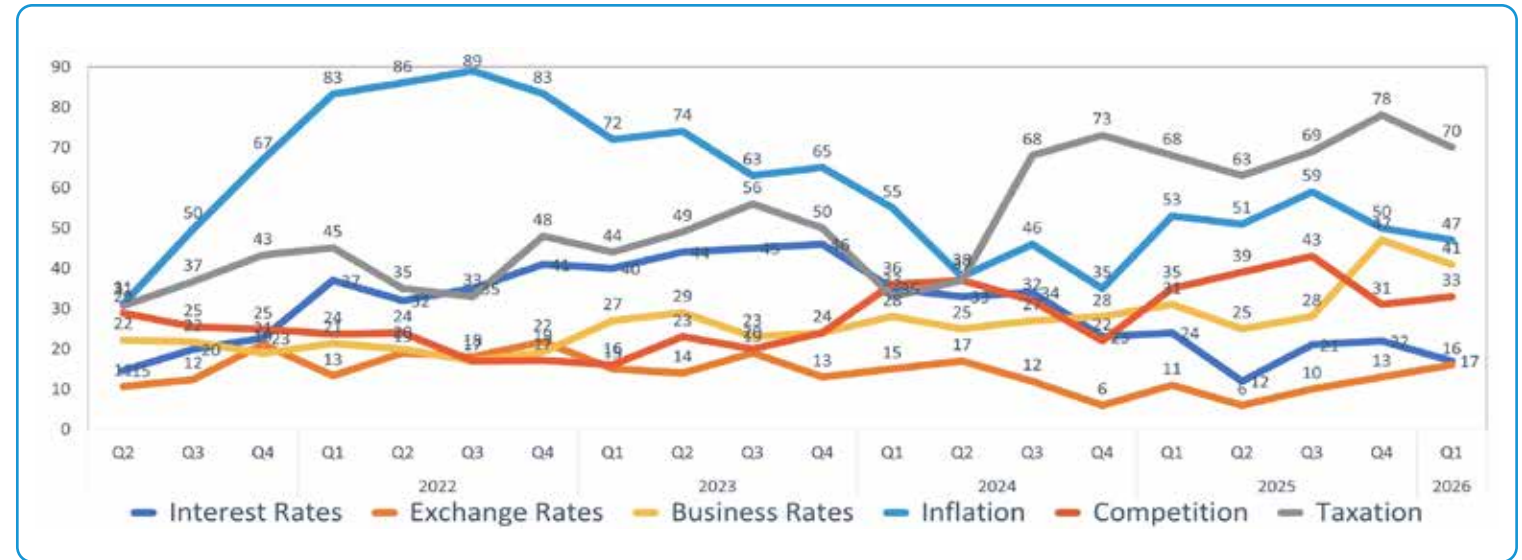
of Kent Businesses reported that **inflation** is more of a concern to business than 3 months ago



70%

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

INFLATIONARY PRESSURES



All inflationary pressures reported by businesses have eased compared with last quarter, with the exception of competition, which is now a growing concern.

Concerns around inflation have fallen slightly, with a 3% decrease in the proportion of businesses citing it as an issue. Tax remains a major pressure, but even this has reduced with 70% of firms now listing Tax as a concern, down from 78% previously.

It is worth noting that last quarter’s responses were collected before the Budget announcement.

Worries about interest rates have also softened. This quarter, 17% of businesses expressed concern, down from 22% last quarter. Competition is the only inflationary factor showing increased pressure. The proportion of firms reporting it as an issue has risen from 31% to 33%.

Concerns around business rates have also eased, falling from 47% of respondents to 41%. Next quarter’s survey will reflect feedback following the revaluation of business rates, which may highlight new issues for businesses.

Exchange rates remain the area of least concern, with just 17% of respondents citing them as a pressure. However, this is up from 13% last quarter and may be an area to watch.

“Noticeable that Corporate clients are spending less on recognition and team building events plus economy is having a major negative effect on general expenditure. Inflation hitting us along with continual tax rises.”

Hospitality / Catering / Tourism Sector Business

BUSINESS COSTS



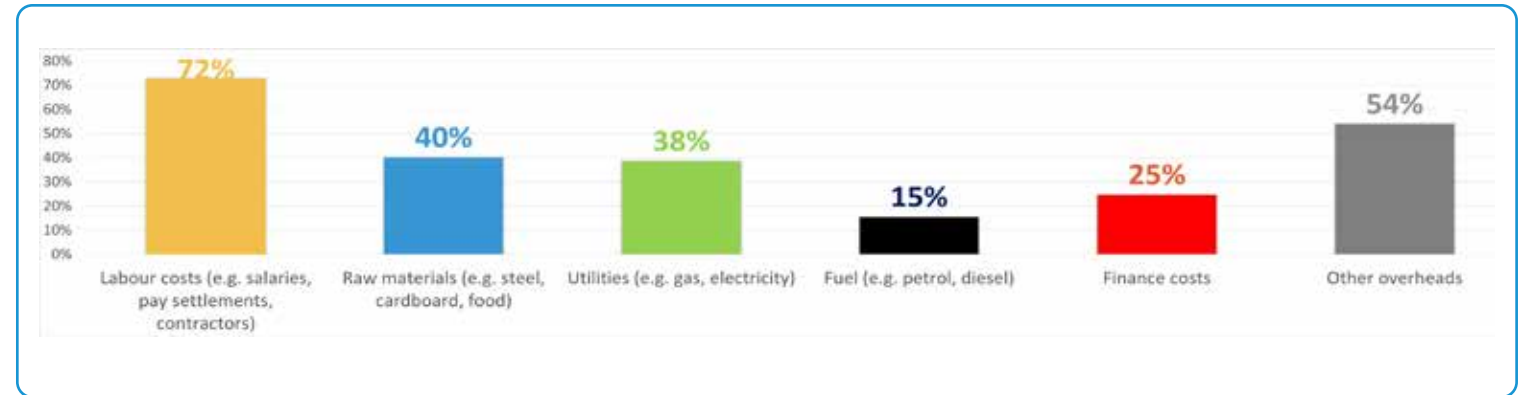
54%

of Kent businesses reported an **increase** in their overheads



72%

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



A slight difference can be noted from the last five quarters, when labour costs, utilities remain and other overheads the main price pressure, as utility costs have been superseded by raw materials costs. Finance cost is the next in terms of price increases. The lowest cost concern is fuel costs. It is not hard to imagine that the above chart will read very differently next quarter when costs from the Middle East will have impacted businesses.

The number of businesses reporting Labour cost as an increased cost was 72%, which was down from 81% last quarter. This is likely to be similar next month due to the Minimum wage increase.

Other overhead costs are down 2% from last quarter, with 54% businesses showing concerns within this area.

Companies reporting Raw materials as a cost concern decreased from 44% last quarter to 40% this quarter.

Utility costs were reported by 38% of businesses as an increased cost, down 34% from last quarter.

Finance costs were up 6% from last quarter with 25% of businesses reporting this as increasing.

Fuel costs were reported by 29% fewer businesses than last quarter as being an issue with 15% respondents citing this.

"We are fairly busy at the moment, this is down to several local competitors closing down, a sad indictment of the economy. We have found average order value to have decreased as customers are more cautious, but total number of order has never been higher. I feel the economic outlook is grim and we are facing increased competition from home and abroad."

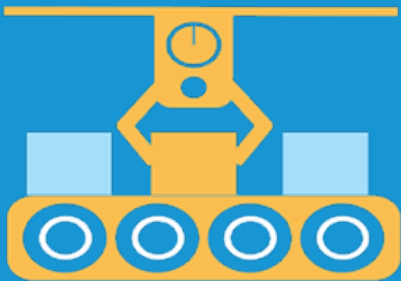
Manufacturing Sector Business

CASHFLOW AND INVESTMENT



-17%

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



-10%

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



Cash flow in the past three months has fallen from last quarter, with the net figure of businesses reporting lower cashflow rising from -36% to -17%.

19% say their cash flow has improved over the last 3 months. 45% say it remained the same and 36% say it has worsened.

The Service sector reported 14% improved cashflow, 45% stating that it remained the same and 41% saying it had worsened.

The Manufacturing sector had 28% of businesses increase cashflow, with 44% stating it remained the same and 28% reporting it had also worsened.

20% of respondents increased their outlay on equipment and machinery, with 50% saying it remained the same as last quarter and 30% saying it has decreased.

Investment trends across both sectors were broadly aligned. Among Manufacturing firms, 29% reported increasing their investment, compared with 15% of businesses in the Service sector. At the same time, 29% of Manufacturers and 30% of Service sector firms indicated that their investment levels had decreased.

“More customers are asking for lines of credit rather than paying proforma, and more credit card payments are being taken rather than paying BACs for those who are proforma.”

Retail Sector Business

BUSINESS CONFIDENCE



18%

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



Business confidence has risen after a brief drop in Q4 2025.

The net balance of businesses' profitability expectation in the next year increased slightly from -24 to -11. This is an area that will probably go down next quarter with rate and minimum wage rises, along with the Middle East conflict.

As with last quarter the profitability expectation of Manufacturing businesses (4% net) was far lower than the Service sector (-19% net), though the Service sector is up compared to its own figures last quarter.

41% of respondents reporting an expectation of turnover increase for their business and 23% expecting a decrease (19% net) an increase from last quarter. It's notable that turnover is up but profitability doesn't reflect this turnover rise due to increased costs.

The Manufacturing sector reported higher levels of businesses expecting their Turnover to increase, with 64% expecting it to rise, with an overall net turnover growth expectation at 56% net, with 29% Service sector businesses expecting an increase, with 31% expecting a decrease with an overall net percentage of service businesses being -2%.



-11%

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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