



QUARTERLY ECONOMIC REPORT

August - September 2026





TUDOR PRICE
Chief Executive
Kent Invicta Chamber of Commerce



GET INVOLVED



Resilience Returns, But Cost Pressures Remain

The third quarter of 2026 presents a more positive picture for Kent and Medway businesses. Domestic sales, export performance, recruitment activity and business confidence have all improved compared with the previous quarter, suggesting that many firms are beginning to see more favourable trading conditions after a challenging start to the year. Cashflow has also strengthened, providing some encouragement for businesses looking ahead to the final months of 2026.

However, the recovery is far from complete. Rising labour, utility and fuel costs continue to place significant pressure on businesses, with inflation and taxation remaining among the biggest concerns for employers across the county. While confidence has improved, investment intentions remain subdued, demonstrating that many firms are still taking a cautious approach to growth.

This quarter's survey also introduces a new section on Artificial Intelligence (AI). The results show that four in five businesses are either already using AI or exploring its potential, highlighting the growing importance of technology in supporting productivity, efficiency and future competitiveness.

As always, I would like to thank every business that has taken the time to complete the survey. Your insight provides valuable evidence that helps the Chamber represent the interests of businesses across Kent and Medway and ensures that the voice of business continues to be heard by policymakers and decision-makers.

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 Druesne - lucy@kentinvictachamber.co.uk

Take a look at the national Quarterly Economic Survey:

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



3%

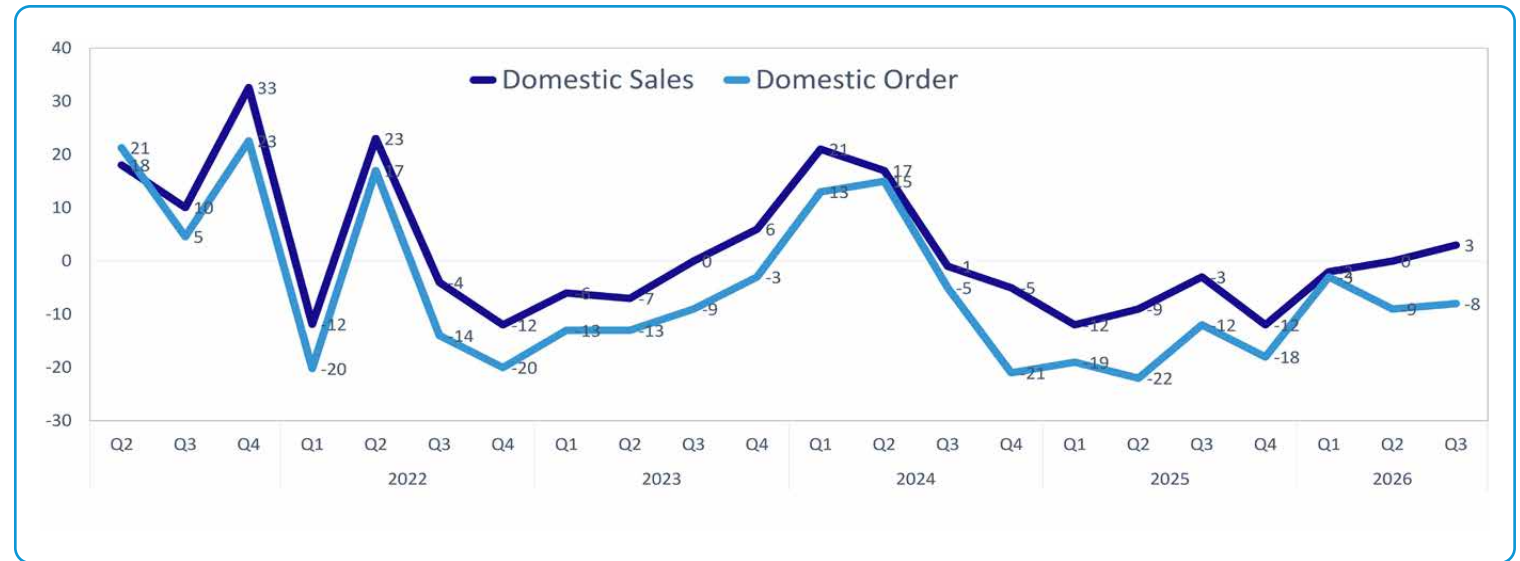
net balance for
domestic sales
among Kent
businesses



-8%

net balance for
domestic orders
among Kent
businesses

DOMESTIC DEMAND



There has been a further improvement in domestic demand among Kent businesses this quarter, driven by stronger sales performance. The net balance for domestic sales increased from 0% to 3%, continuing the gradual recovery seen over recent quarters.

Overall, 32% of businesses reported an increase in UK sales, compared with 29% reporting a decrease, resulting in a net balance of 3%. Domestic orders were more mixed. While 30% of businesses reported an increase in orders, 38% reported a decrease, resulting in a net balance of -8%.

The manufacturing sector produced a particularly strong performance, with sales reaching a positive net balance of 3% and domestic orders improving significantly to 27%, up 32% on the previous quarter. This is encouraging given the challenges faced by manufacturers over the past year.

The picture was less positive in the service sector. Domestic orders fell sharply to -20%, down 17% from last quarter, while domestic sales returned a net balance of -7%, down 11%.

Overall, domestic sales continued to improve during the quarter, although the fall in domestic orders, particularly within the service sector, suggests businesses remain cautious about future demand. While current trading conditions appear to have strengthened, confidence in sustained growth remains mixed.

"Domestic trading environment is very difficult."

Marketing, media, advertising, or communications sector business



19% net balance for export sales



-5% net balance for export orders

EXPORT DEMAND



Export performance improved significantly during the quarter, representing one of the strongest areas of recovery in this survey.

The net balance for export sales rose to 19%, an increase of 38% compared with the previous quarter and continuing an upward trend seen over the last four quarters.

Export orders also improved considerably, recovering from -23% last quarter to -5% this quarter. Overall, 17% of businesses reported an increase in export orders, while 22% reported a decrease.

The manufacturing sector showed a substantial recovery compared with Q2, improving by 57%. While export performance remains modest by historical standards, the sector appears to have recovered from the particularly weak conditions reported last quarter.

Service sector export performance remains subdued, with export orders remaining negative at -17%, unchanged from the previous quarter.

While export sales and orders remain below historical highs, the quarter saw a significant recovery from Q2, particularly within the manufacturing sector. The findings suggest that some of the severe pressures experienced earlier in the year may be easing, although overall export activity remains subdued compared with pre-pandemic levels.

"A very optimistic sign for the future is that exporters are still wanting to invest in training to keep their staff up to date with changing requirements."

Professional services business

LABOUR MARKET



12% net balance for employment expectations



8% net balance for employment levels



Kent's unemployment rate currently stands at 3.4%.

Labour market conditions improved during the quarter, with both employment levels and recruitment activity increasing. The net balance for employment levels rose to 8%, while employment expectations increased to 12%, continuing the positive trend seen since Q2.

Overall, 23% of businesses reported increasing their workforce during the past three months, while 15% reported a reduction in staffing levels. Looking ahead, 23% of businesses expect to increase employee numbers over the next three months, while 11% expect to reduce their workforce.

Manufacturing reported particularly strong employment growth, with a net balance of 27%. The service sector also remained positive, although employment growth softened slightly compared with last quarter.

Recruitment demand continues to outpace overall employment growth, suggesting that some recruitment activity is still focused on replacing staff rather than supporting significant business expansion. Businesses continue to report challenges in attracting suitable candidates and addressing skills shortages.

"Recruiting technical staff is really difficult as we can only offer part-time or freelance and can't pay at the expected rates. Recruiting graduates hasn't been successful as they often lack skills, meaning that they cost us more because they need to be trained and can't be fully productive in the time we have to work with them."

Transport, logistics and storage business



68%

of businesses attempted to **recruit** during the quarter



0%

net balance for **investment in training**

RECRUITMENT AND TRAINING



Recruitment activity continued to strengthen during the quarter, with 68% of businesses reporting that they had attempted to recruit staff during the previous three months, up from 61% last quarter.

The manufacturing sector reported recruitment activity of 70%, while the service sector rose significantly to 94%, reflecting continued demand for labour across the local economy.

Investment in training also improved, rising from a net balance of -8% last quarter to 0% this quarter. Although this represents a welcome improvement, it suggests that businesses are broadly maintaining training investment rather than significantly increasing it.

The service sector reported a net balance of -2%, while manufacturing businesses recorded a positive net balance of 7%.

While investment in training has improved this quarter, businesses remain cautious. The findings suggest organisations are maintaining existing training commitments rather than making significant new investments, reflecting ongoing pressure on costs and profitability.

"Government policy is drastically increasing employment costs, especially for the young, which prevents recruitment other than for experienced staff. Reducing profitability as a result of government policy prevents investment."

Professional services sector business



63%

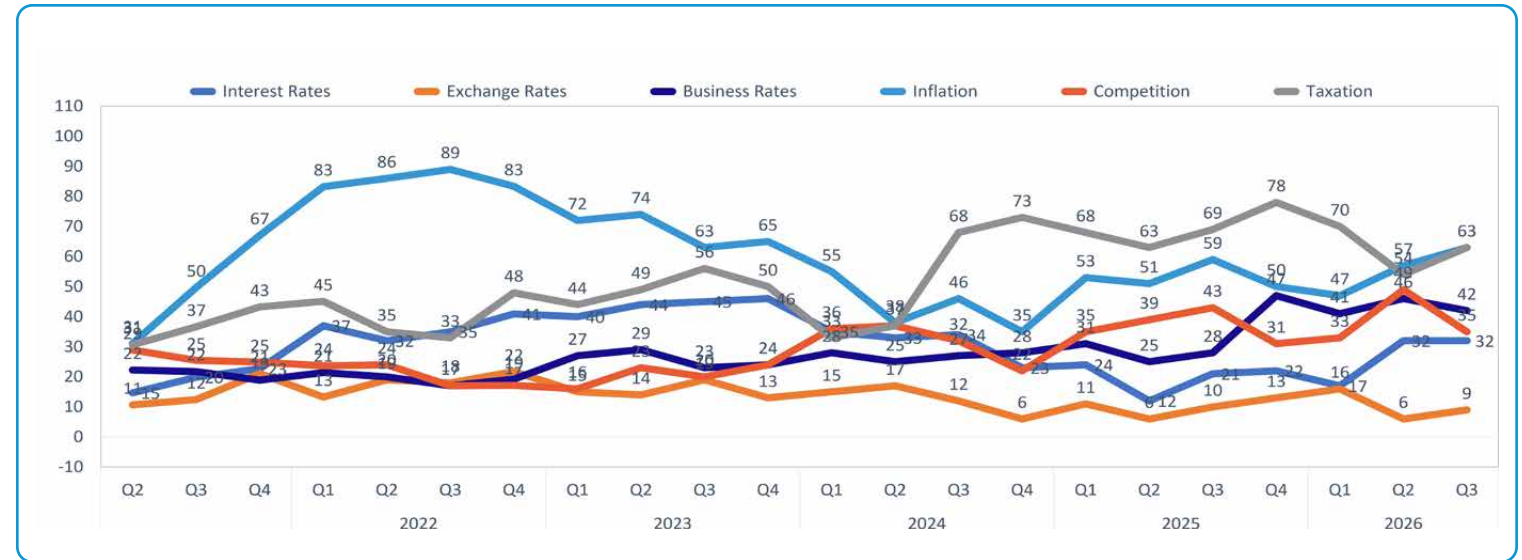
of Kent businesses reported that **inflation** is a greater concern than it was three months ago.



63%

of Kent businesses reported that **taxation** is a greater concern than it was three months ago.

INFLATIONARY PRESSURES



Inflationary pressures remain a significant concern for businesses across Kent, despite improvements in several economic indicators elsewhere in the survey.

Inflation concern increased again this quarter, with 63% of businesses identifying it as a growing issue, up from 57% last quarter. Concern around taxation also rose, with 63% of businesses highlighting it as a key challenge compared with 54% previously.

Interest rate concerns remained unchanged at 32%, while concern over competition eased from 49% to 35%. Business rates also became slightly less concerning, falling from 46% to 42%.

Exchange rates remained the lowest area of concern, although the proportion identifying them as an issue increased slightly from 6% to 9%.

Despite improvements in confidence and trading conditions, inflation and taxation remain the dominant concerns for Kent businesses. Rising costs continue to influence recruitment, investment and growth decisions across many sectors.

"The National Living Wage increases over the last two years have affected us considerably and means we have to look at our overall headcount on a regular basis."

Public sector, education, health, social work or voluntary sector business



57%

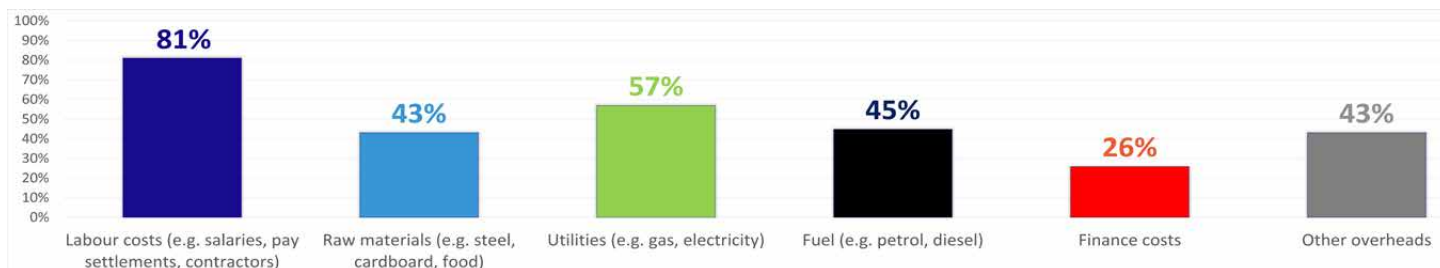
of Kent businesses reported an **increase** in their overheads



81%

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

BUSINESS COSTS



Business costs continued to rise during the quarter, with labour, utilities and fuel emerging as the most significant pressures on businesses.

The proportion of businesses reporting increased labour costs rose sharply from 72% to 81%, making it the biggest cost concern in the survey.

Utility costs increased significantly, rising from 38% last quarter to 57% this quarter. Fuel costs also saw a substantial increase, rising from 15% to 45%, potentially reflecting ongoing geopolitical uncertainty and higher energy prices.

Raw material costs remained unchanged at 40%, while finance costs increased marginally to 26%.

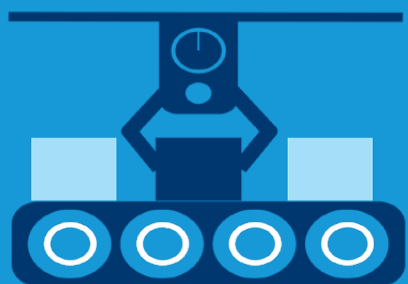
The sharp increase in labour, utility and fuel costs suggests that operating cost pressures intensified during the quarter. While businesses reported improvements in confidence and demand elsewhere in the survey, these rising costs continue to place significant pressure on margins and profitability.

"Definite decrease in customer expenditure. It is clear they lack confidence in spending on luxury services. Corporate bookings are down. Fuel costs are having an impact both on the business and customer footfall."

Service sector business



-4% net balance of **Cashflow** for Kent Businesses in the last quarter



-13% net balance of **Investment in Plant and Equipment** for Kent Businesses in the last quarter

CASHFLOW AND INVESTMENT



Cashflow conditions improved considerably during the quarter.

The net balance for cashflow improved from -17% last quarter to -4%, representing one of the strongest improvements seen across the survey.

Overall, 27% of businesses reported improved cashflow, while 31% reported worsening cashflow and 42% reported no change.

Despite stronger cashflow performance, investment remains subdued. Just 7% of businesses increased spending on plant and equipment, while 73% maintained existing investment levels and 20% reduced investment.

Cashflow conditions improved significantly during the quarter, but this improvement has yet to translate into greater capital investment. Most businesses continue to adopt a cautious approach towards spending amid ongoing economic uncertainty.

"It is difficult to invest in the business with the current economic uncertainty and no indication when the economy will see real growth."

Professional services sector business



27%

net balance of Kent
Businesses who
expect their
turnover to improve



3%

net balance of Kent
Businesses who
expect their
profitability to improve

BUSINESS CONFIDENCE



Business confidence strengthened significantly during the quarter following the dip reported in Q2.

Profitability expectations improved dramatically, rising from -20% to 3%, while turnover expectations increased from 10% to 27%.

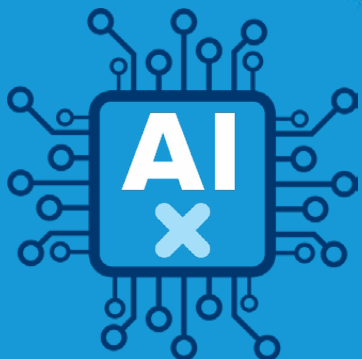
Overall, 45% of businesses expect turnover to increase during the coming quarter, compared with just 18% expecting a decline.

Manufacturing businesses remain less optimistic about profitability than service businesses, returning a net balance of -13% compared with 8% for the service sector. However, turnover expectations remain positive across both sectors.

Business confidence has recovered strongly this quarter, with businesses becoming significantly more optimistic about both turnover and profitability. While cost pressures remain elevated, the findings suggest firms are beginning to see improving trading conditions and greater opportunities for growth heading into the final quarter of the year.

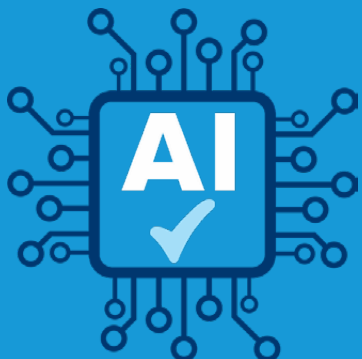
"Cost of living is increasing, more pressure on small businesses and their cash flow."

Retail sector business



20%

of Kent Businesses
have **no plans**
whatsoever, to use
AI

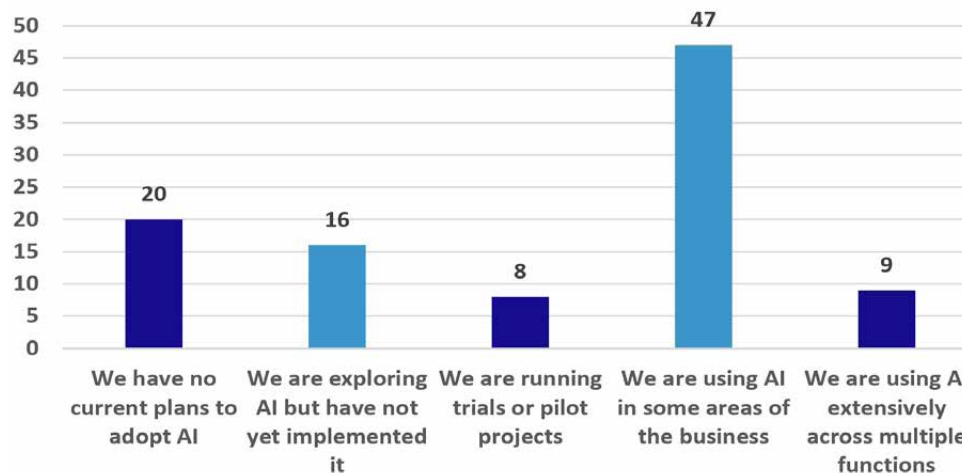


47%

of Kent Businesses
are **already using**
AI in some areas of
their operations

AI ADOPTION

Describe your businesses current usage of AI (%)



For the first time, the Quarterly Economic Survey explored how businesses across Kent are adopting Artificial Intelligence.

The results show that AI adoption is becoming increasingly common. Four in five respondents reported either using AI today or exploring its future use, while just 20% said they have no plans to adopt the technology.

Nearly half of businesses (47%) are already using AI in some areas of their operations, while 16% are running trials or pilot projects. A further 8% are actively exploring opportunities but have yet to implement AI.

Only 9% of businesses reported using AI extensively, suggesting that while adoption is growing, many organisations remain at an early stage of implementation.

Most businesses are adopting AI in some fashion or are exploring its potential. For those not currently considering AI, this may reflect the nature of their business, concerns around ethics or governance, or simply a lack of awareness of the opportunities available. As AI capability continues to develop, education and skills programmes such as the Chamber's AI Academy may help businesses better understand where AI can add value and how it can be implemented responsibly.

Overall, the findings suggest that AI adoption is moving from experimentation towards practical business application. However, businesses remain at different stages of maturity, with many still assessing where the technology can deliver the greatest value.

"AI has made small business enjoyable again, alleviated pressure, facilitated progress and provided new capabilities."

Marketing, media, advertising, or communications sector business

Q3 QUARTERLY ECONOMIC REPORT

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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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