Quarterly Economic Survey: Kent Invicta Chamber

Introduction

Kent Invicta is one of six Chambers in the South East that are accredited by British Chambers of Commerce. It regularly contributes about 30% 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 actual questionnaire, honed over many years to gather a wealth of information, takes only about 3 minutes for a business Proprietor/ MD/ CEO to complete.

The latest findings are shown below, mostly using bar charts (which allow detailed comparison to reveal trends over time) in five groups:

1. Recent Sales and Current Orders
2. Cashflow and Prospects
3. Investment in Staff & Kit
4. Hiring Needs
5. Current Pressures.

Most questions in the Survey ask if things are better, constant, or worse. Accordingly, the top section of each bar shows the % of respondents whose results improved (or increased); the middle section shows the % with constant results; and the bottom shows the % for whom results worsened.

To give a visual 'steer' on the buoyancy (or otherwise) of the economy, the % for whom results have worsened is shown as a negative figure. This makes it easy to spot (a) the volatility trend for struggling businesses, (b) the steadiness (or otherwise) of the percentage reporting constant results and (c) the trend for more (or fewer) reporting improvement.

These charts show findings for the past two years (8 Quarters); also a benchmark – findings for Q1 2008, after the UK bail-out of Northern Rock but before the failure of US banks Bear Stearns and Lehmann Brothers.

In addition, a sixth set of charts shows the number and make-up of respondents in terms of Industry Sector, and size (number of Employees). Tables of figures for the 12 industry classifications (4 Manufacturing and 8 Services) are also available on request.

The QES findings offer not just a benchmark for your own business but, much more useful, some information/ insights to help you focus time, cash and energy fruitfully on growing your own business profits. Any queries, feel free to get in touch.

Nick Rowell, nick@tpbs.co.uk, tel 01622 753 568.

Findings for Q3 2017 (fieldwork late August/ early September)

Response rates in Q3 continued a bit low across the South East (Brexit) but in Kent Invicta Chamber we 'upped' our Services response rate and overall contributed 40% of the whole SE total.

Key Local Findings

UK Sales: more than 2 in 5 respondents reported UK Sales growth. Forward **UK Orders** also recovered somewhat.

Export Sales likewise continued their rather patchy recovery, though with forward **Export Orders** more muted. Good news: as many as 45% of Q3 respondents exported, the highest for 3 years.

For a year now, the number of respondents reporting Improved **Cashflow** has been creeping up from a historic low of 1 in 4 respondents, and in Q3 reached 30%. Yet 1 in 4 still tell us their **Cashflow** is worsening.

Confidence continues low: barely half of respondents **expect Sales T/o** to improve in the next 12 months; and 1 in 5 still expect it to fall. **Expectations of Profit** are even more muted.

NB Historically these 12-month expectations have always been higher than the Sales and Profits actually achieved. They show a trend in confidence levels, not outcomes.

After a fairly optimistic start to 2017, **Employment** has become cautious. Though slightly more firms tried to hire in Q3 than in Q2, nevertheless the number of vacancies offered reduced in all four job types (Full/Part-time, Permanent/Temp). E.g. only 58% sought Full-timers in Q3 *vs* 85% in Q2.

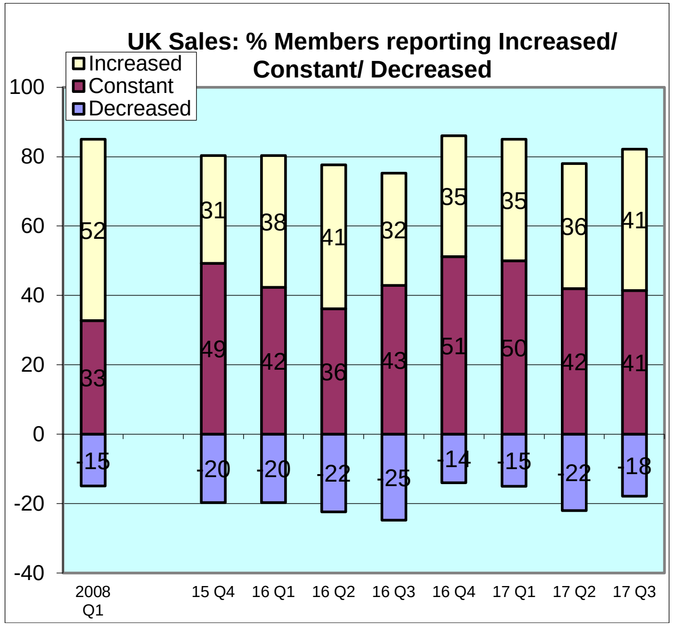
Plans for **investment in Training** and **Kit**, which had shown a bias in favour of Training since the Brexit vote, were the most cautious on record for Kent: only 13% of respondents had 'upped' their planned Training spend (14% for planned spend on Kit).

Skills shortages: With employers more cautious in hiring, slightly fewer reported difficulty in finding suitable applicants. Even so, as many as 46% reported **professional/managerial** posts hard to fill.

A further 46% reported working at **Full capacity**, the highest on record for Kent – probably the result of long-accumulating Brexit-fuelled caution.

Q2 had seen a spike in cost pressures, especially from Pay settlements; in Q3 these pressures fell back somewhat towards historical patterns. Unsurprisingly, **Inflation** was the most-cited pressure of concern.

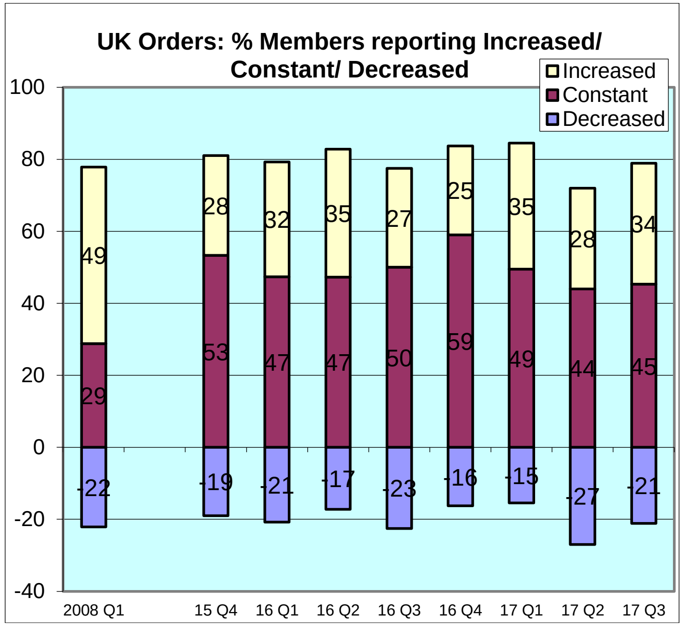
1. Recent Sales and Current Orders

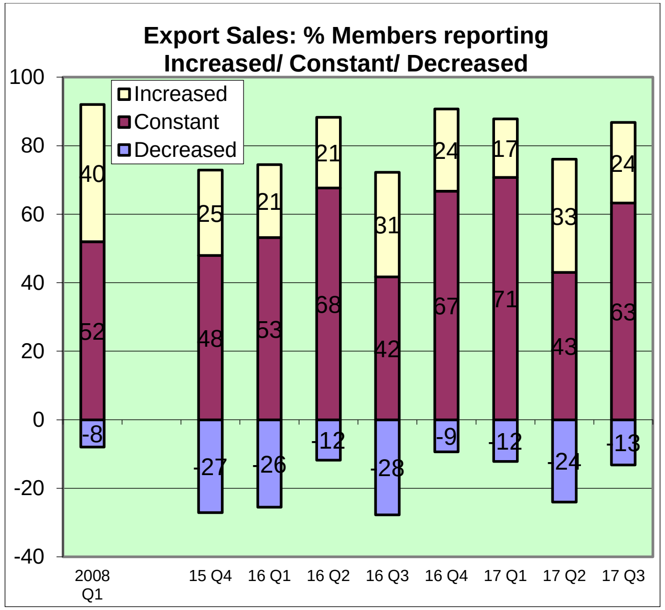


<u>UK Sales & Orders</u>

The Q3 survey shows two encouraging results: as many as 41% of respondents reported an increase in UK Sales, the best for over a year; and the proportion of 'strugglers' reporting decreased UK Sales dropped from 22% in Q2 to 18% in Q3.

Equally encouraging, UK forward Orders show a similar pattern.

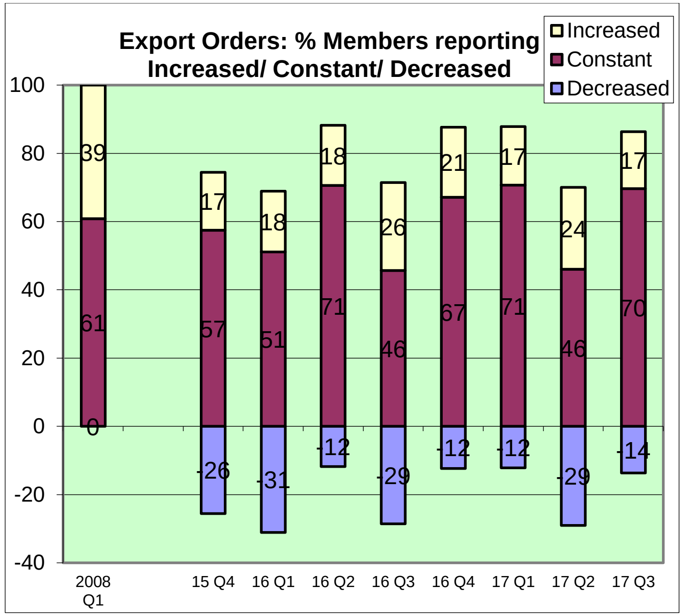




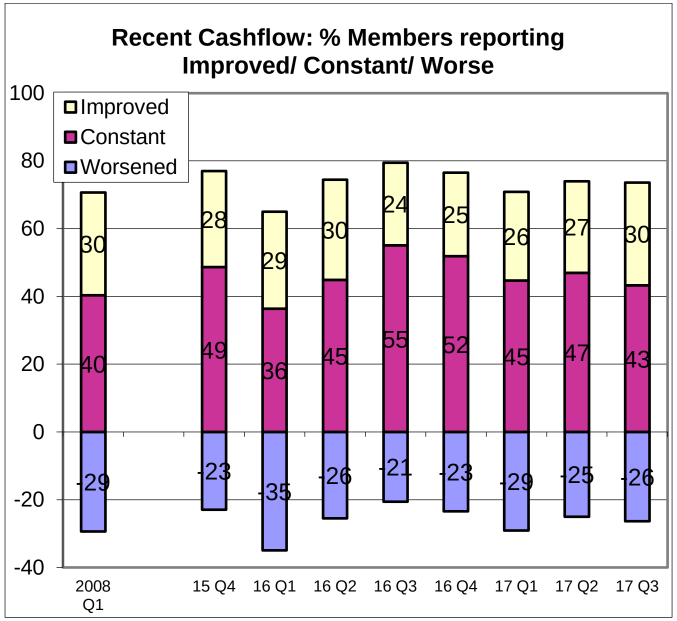
<u>Export Sales & Orders</u>

The 'big picture' for Exports is broadly one of consolidation – in both recent Sales and forward Orders.

Sterling's weakness continues to make UK products and services more affordable abroad, and @ 13% barely 1 in 8 reported decreasing Exports in Q3.



2. Cashflow and Prospects



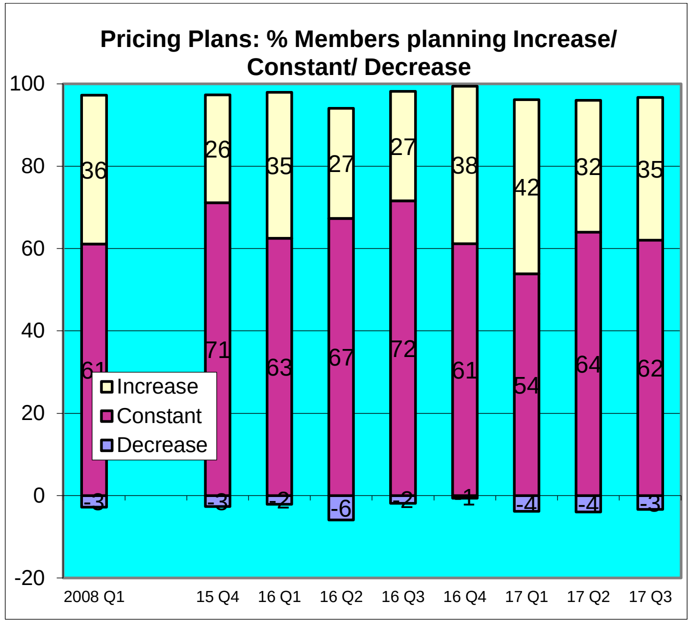
Recent Cashflow

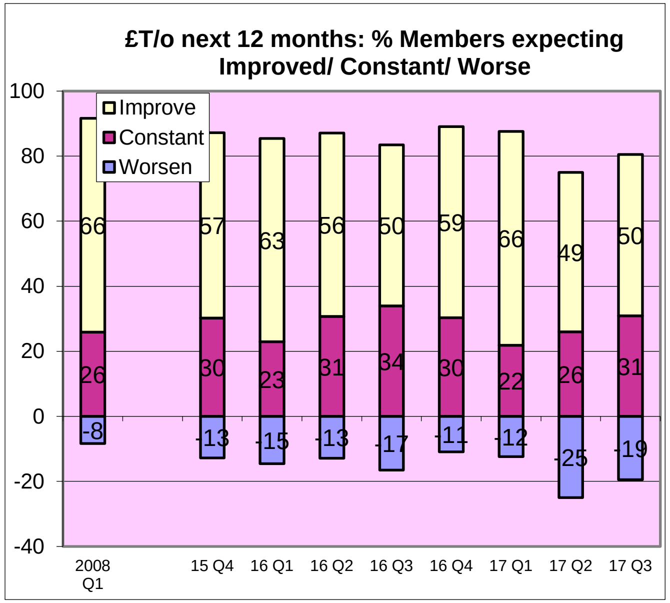
For the past year we have seen gradual improvement in the numbers reporting better Cashflow: 30% in Q3 is encouraging.

At the same time, however, we continue to see 1 in 4 with worsening Cashflow, possibly burdened by Brexit pressures including inflation costs that are under-recovered.

Planned Price Increases

With inflation rising, more than one-third of businesses are planning to raise their prices.



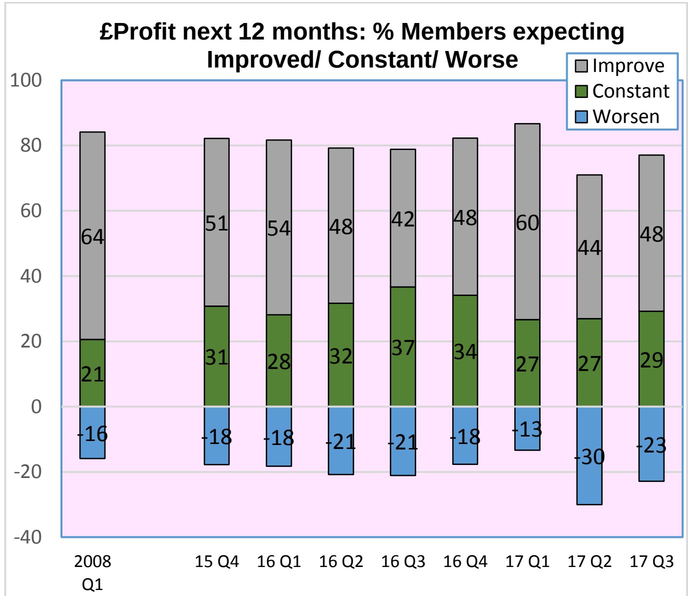


Expectations of Sales Turnover & Profits

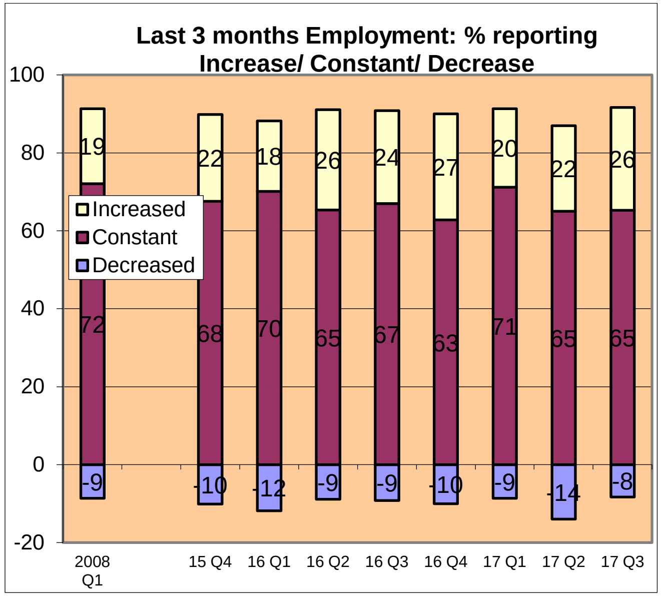
The relative pessimism in Q2 gave way in Q3 to less gloom: whilst those expecting Sales T/o to rise in the coming 12 months are still barely half the total respondents, those expecting it to worsen recovered from 25% in Q2 (an all-time record) to 19% (still too high).

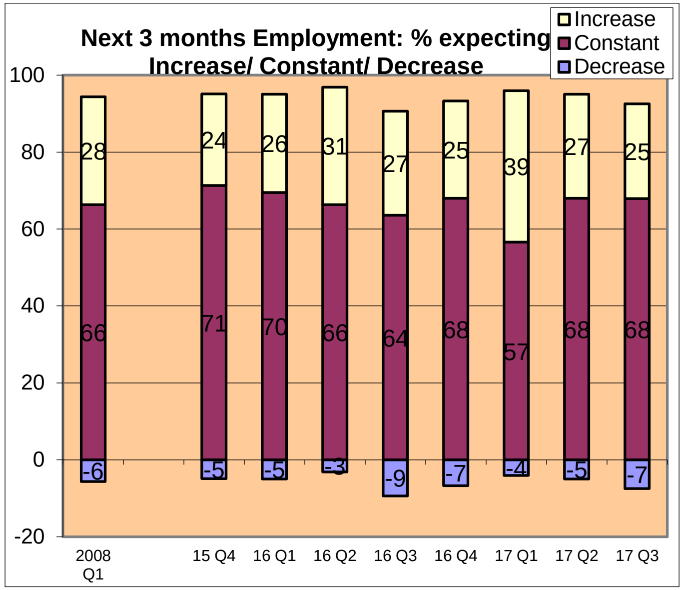
Meanwhile, Profitability expectations have followed a similar pattern to Sales T/o, but rather more cautious.

NB Historically these 12-month expectations have always been higher than the Sales and Profits actually achieved. They show a trend in confidence levels, not outcomes.



3. Investment in Staff & Kit

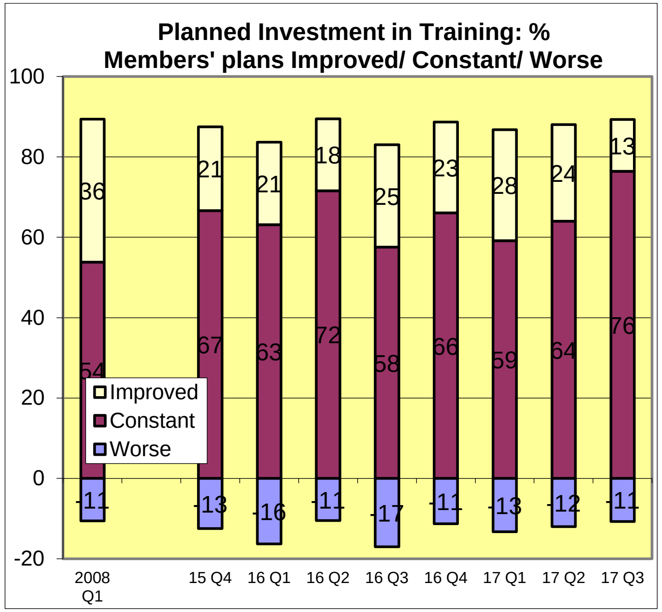


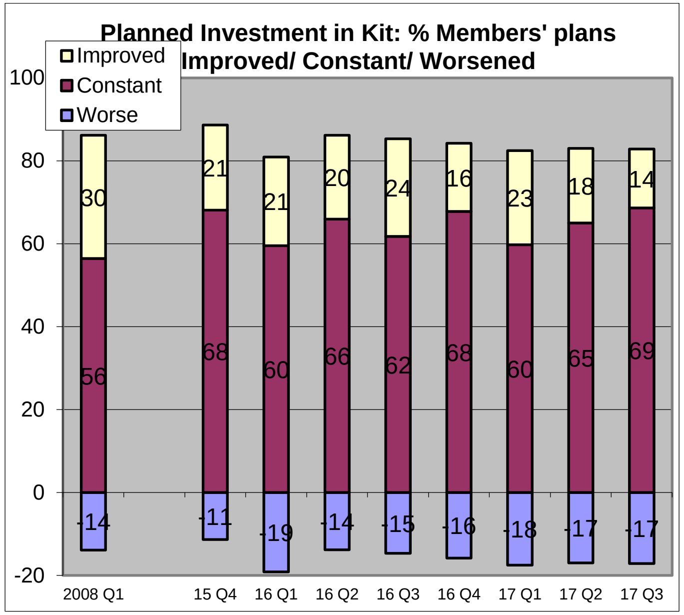


Employment: last 3 months, next 3 months

After a weak start to 2017, recent Employment figures returned in Q3 towards their historical norms.

Of greater concern, however, is the caution displayed by respondents: Employment Expectations have been weakening since their 'high' at the start of 2017.





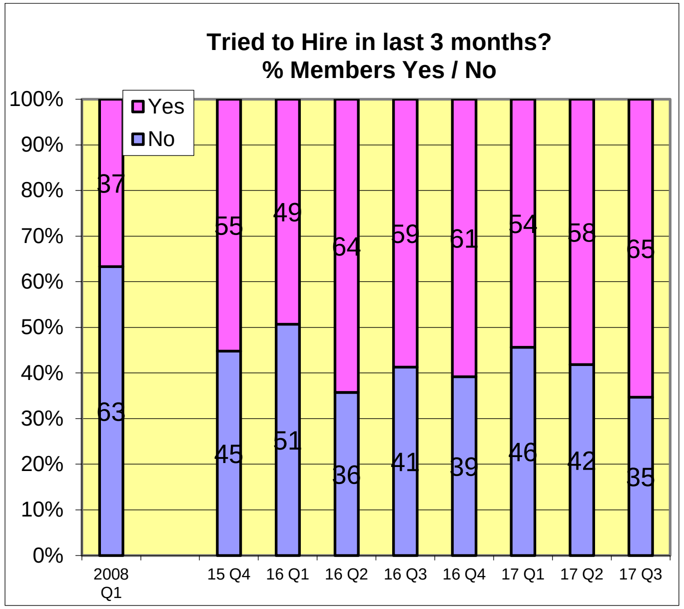
Planned Investment in Training and Kit

With the prospects for a smooth Brexit diminishing, the proportion of respondents looking to increase their planned investment in both Training and Kit has worsened since the start of 2017.

The Q3 figures of 13% (Training) and 14% (Kit) for Kent businesses 'upping' their investment plans are the lowest on record.

Whilst caution in capital expenditure may be normal in the current business climate, this degree of reticence in Training plans appears cautious in the extreme.

4. Hiring needs

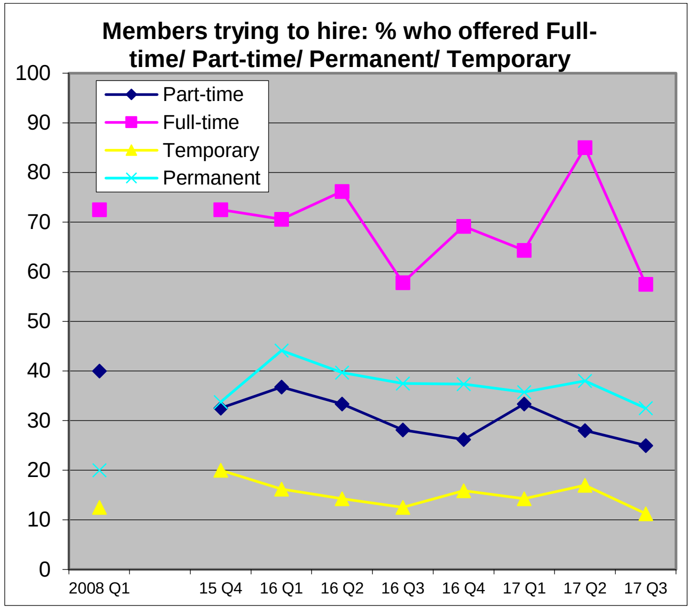


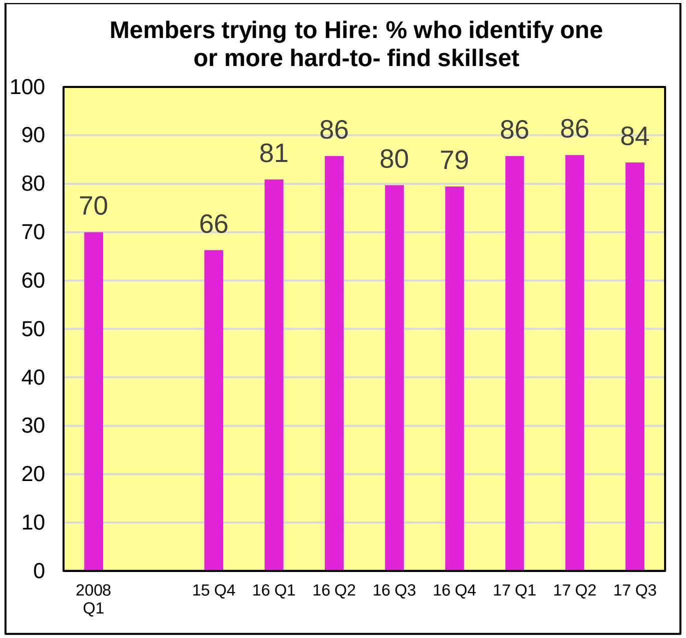
Attempts to Hire in last 3 months

Adjusting to the 'new normal' of Brexit uncertainty, the proportion of businesses trying to hire new staff has been rising since Q1, and in Q3 reached 1 in 3.

Job type offered in last 3 months

However, the total number of vacancies reduced across all job types: more firms may have gone out to hire, but their hiring ambitions were more modest than previously. In particular, the growth trend in Full-time vacancies since 2016 Q3 fell back sharply.



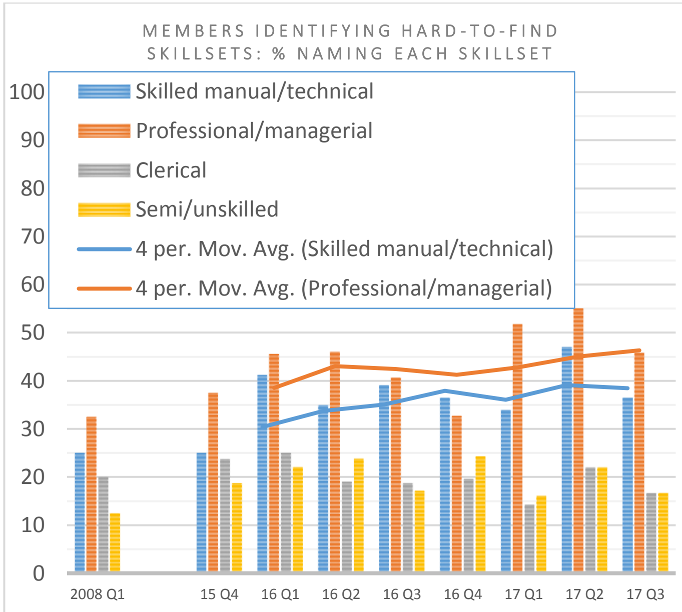


Hard to find suitable staff?

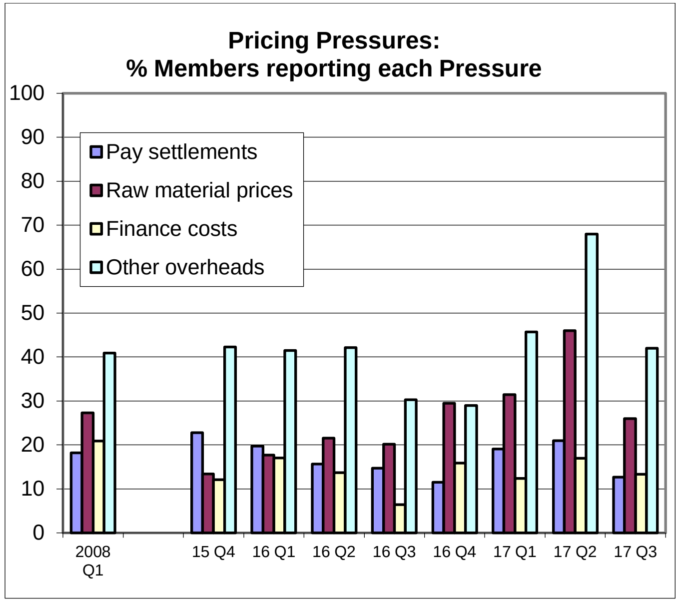
Among the respondents trying to hire, the difficulty in finding suitable staff eased slightly in Q3.

Hard-to-find: categories sought (see right)

All skill categories appeared less scarce in Q3, though Professional/managerial jobs continued to be the hardest to fill.



5. Current Pressures

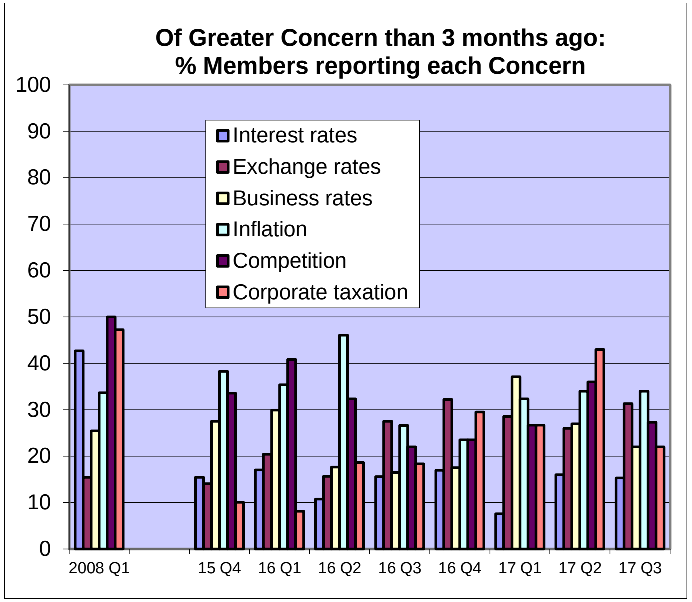


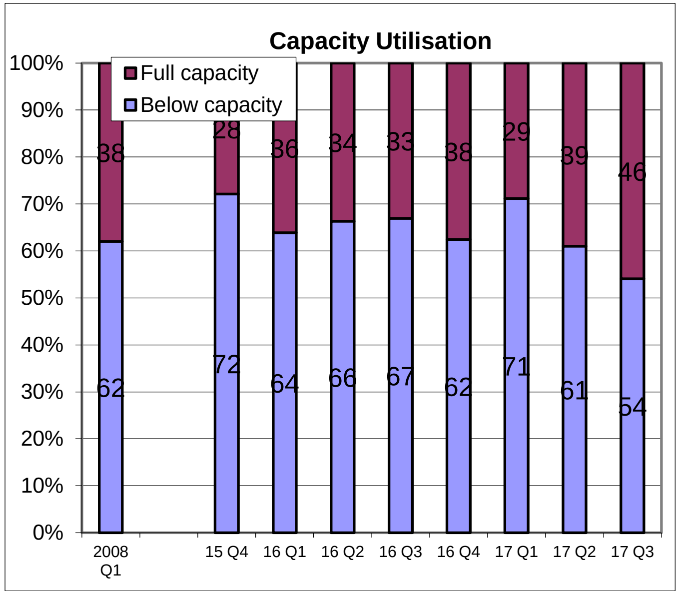
Pricing Pressures

The Q2 spike in pressure from Pay settlements and Raw materials prices eased in Q3, back towards the pattern in Q1, but still near historical highs.

Issues 'Of Greater Concern'

Unsurprisingly, Inflation tops the list of concerns, with Exchange rates a close second.





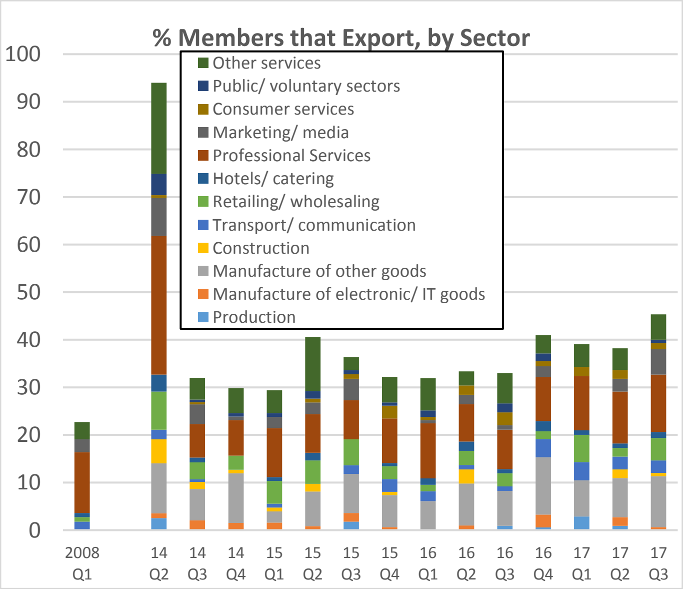
Capacity Utilisation

As firms have cut back capacity to adjust to their lowered business expectations (see above), the proportion working at Full capacity has been rising all this year. The Q3 figure of 45% is the highest on record for Kent.

Percent of Members Exporting

At last, the pattern elsewhere in the UK of more businesses Exporting is starting to show in Kent's Quarterly Economic Survey.

NB close analysis (not shown here) suggests that 1 in 30 respondents don't sell in the UK at all, but only export.



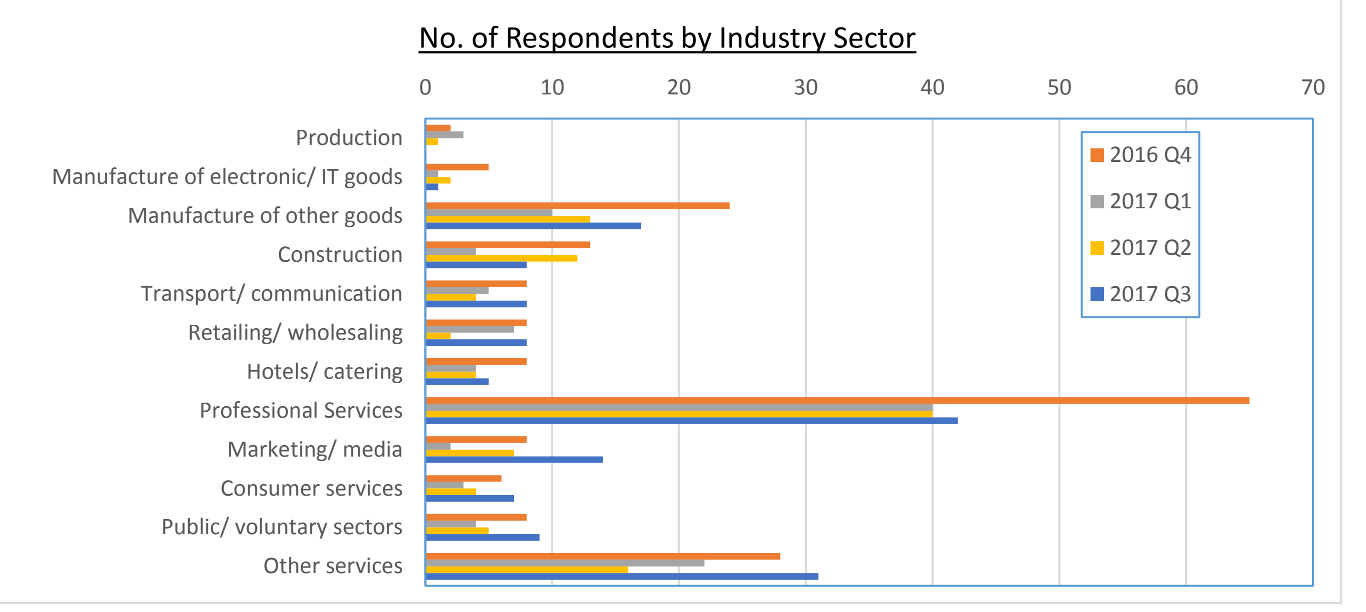
6. Respondents' composition by Industry Sector and Number of Employees

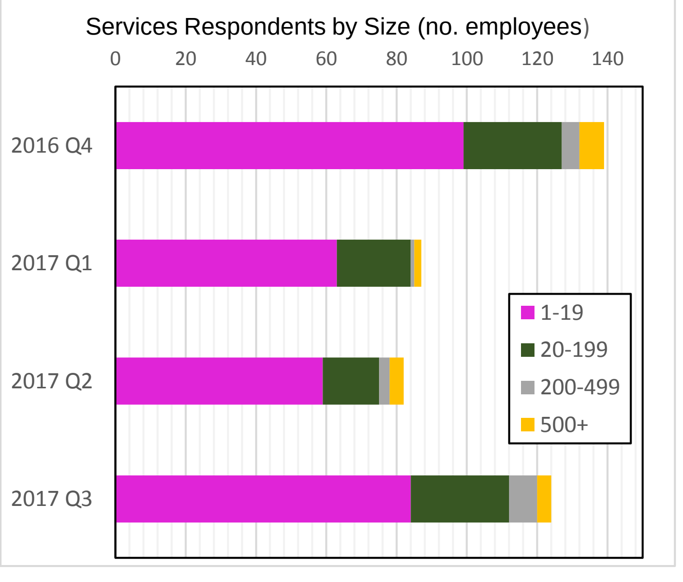
Industry Sector

The first four categories (Production, Manufacture of electronic/IT goods, Manufacture of other goods, Construction) constitute the "Manufacturing" sector.

The others form the broad "Services" sector. Within this, Professional Services is the largest single category. The Other Services category has grown in recent years and is thought to include many IT service firms and Internet businesses, including online exporters.

In Q3 2017 Kent Invicta Chamber provided 42% of Services and 33% of Manufacturing responses within the total South East sample, amounting to 40% overall.





Size of responding businesses, by number of Employees

The bulk of respondents (around 70%) continue to be those with fewer than 20 employees.

In Q3 2017 the respondents' ratio of Services to Manufacturing was around 5:1 (124 Services to 26 Manufacturing).