

## 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 more than 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](mailto:nick@tpbs.co.uk), tel 01622 753 568.

### Findings for Q3 2018 (fieldwork late August/ early September)

#### Key Findings for Kent

Given the ongoing Brexit uncertainty, it's encouraging to see **UK Sales** and **UK forward Orders** mainly consolidating and with some growth.

Meanwhile, **Export Sales** and **Export Orders** continued volatile for some.

**Cashflow** continued its pattern of improvement so far this year. Only 19% reported worsening Cashflow in Q3, the healthiest figure for three years.

Members' **Pricing** has been steadying all this year, as the shock of imported inflation gets absorbed and the pound gradually recovers.

Even so, **expectations of Sales T/o** were the lowest for a year and a half, with **Profit expectations** even less bullish.

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.

Both **recent Employment** and **Employment expectations** were steady. Such consolidation at a time of healthy sales may well indicate caution due to Brexit uncertainty, not just the usual ongoing difficulty in finding appropriately skilled staff.

The recent recovery in Q2 in **planned Training spend** fell back to its previous cautious level – even more so, the **planned spending on Kit** (less flexible to deploy or to shed than Labour). This implies a likelihood of near-stagnant productivity levels, just as across the UK as a whole.

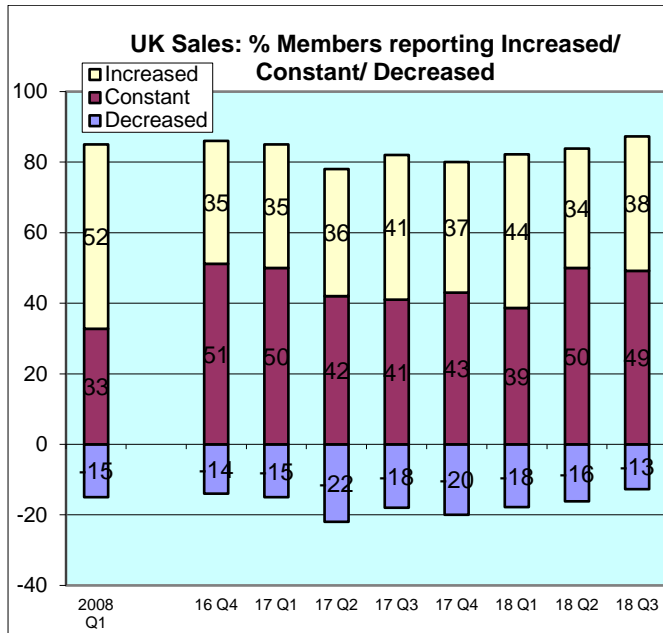
Caution is also apparent in the proportion of respondents trying to hire staff – only 57%, the lowest since 2014. This weak demand for new hires still left 8 in 10 reporting **hard-to-find skillsets**, especially **Professional/managerial** and **Skilled manual/technical**.

**Pressures on Pricing** continued to ease, maybe due to the strengthening pound. Even so, Inflation re-emerged as '**of greater Concern**'.

#### The South East: the Bigger Picture

If caution is the watchword for Kent Invicta Chamber respondents, this appears to be even more true for the rest of the South East. In Q3 Kent contributed fully 66% of the Services responses for the South East (58% of the total including Manufacturers), and in our experience a low response rate is the surest indicator of business uncertainty.

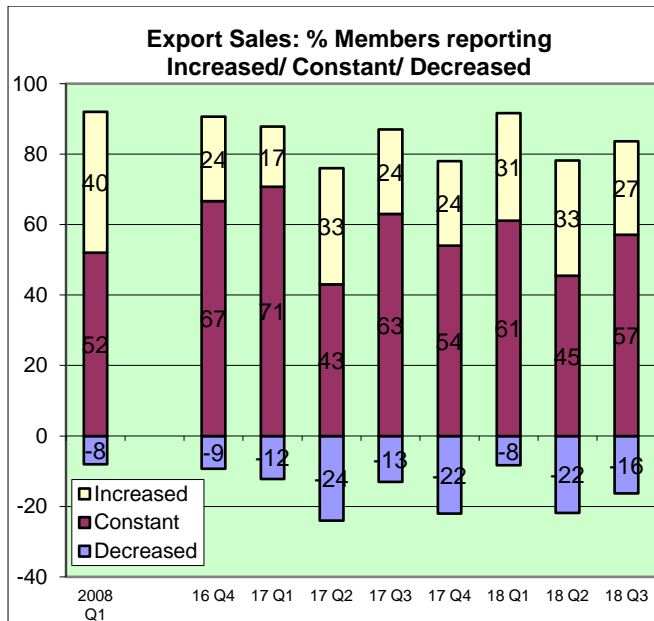
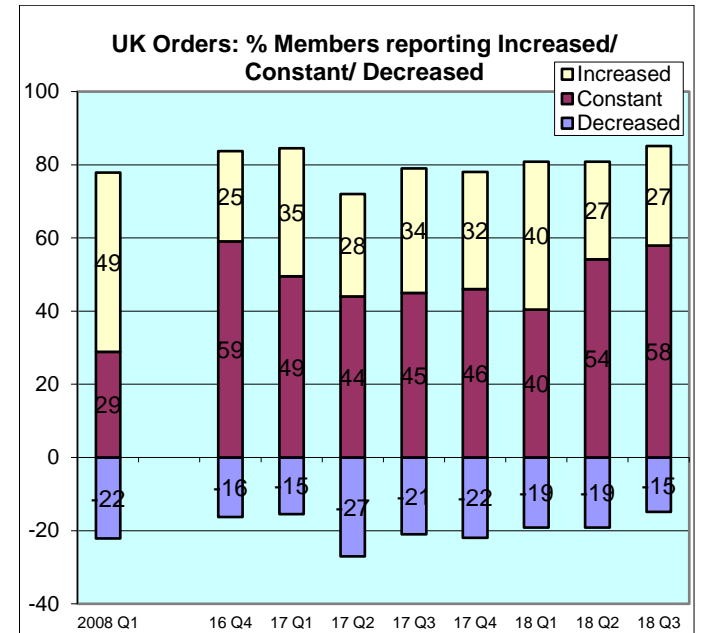
## 1. Recent Sales and Current Orders



### UK Sales & Orders

The picture for Q3 is mainly one of consolidation with some growth in UK Sales. The figure of only 13% reporting a decrease is welcome.

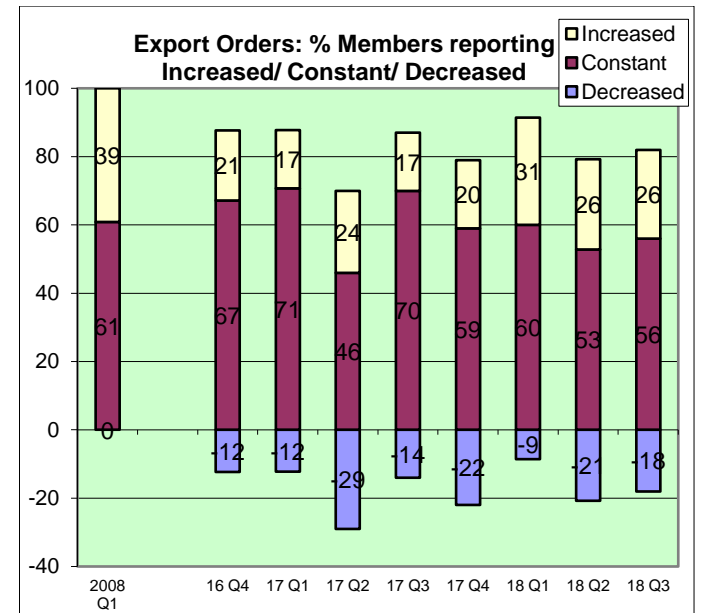
Likewise for UK forward Orders: consolidation continues to be the watchword, going forward.



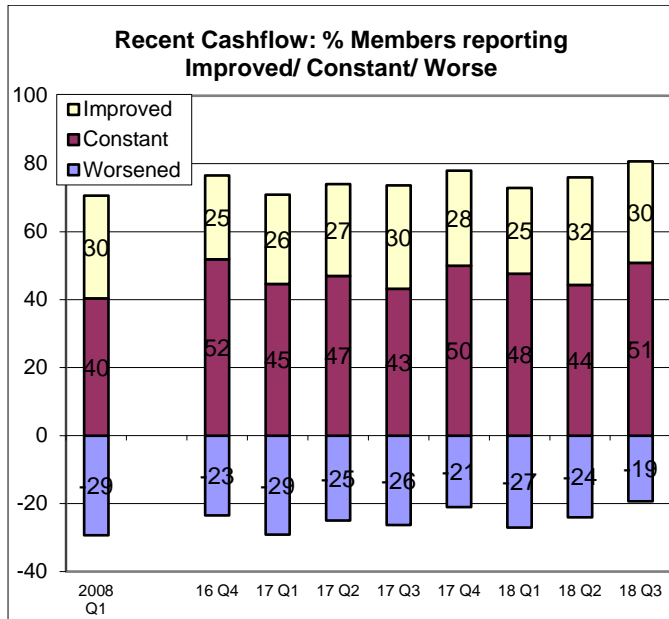
### Export Sales & Orders

Export figures continue volatile, especially for Manufacturers (detail not shown here), for both recent Sales and forward Orders.

Whilst volatility may be due in part to a small-ish sample (48 Exporters), it is also likely to reflect overseas markets' response to Brexit and the fluctuating pound.



## 2. Cashflow and Prospects

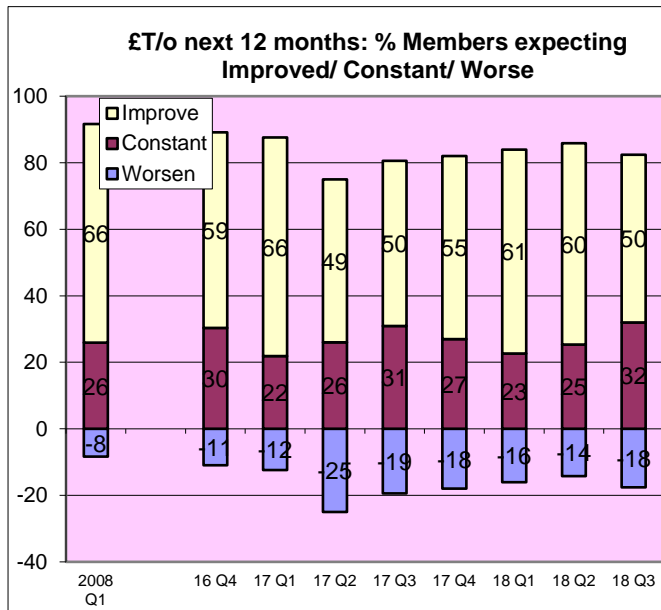


### Recent Cashflow

Reported Cashflow continues steady overall, though weaker for Manufacturers (details not shown here). Perhaps sterling's gradual recovery has allowed Services to absorb the hit from imported inflation – whilst at the same time delaying overseas Export customers from paying up.

### Planned Price Increases

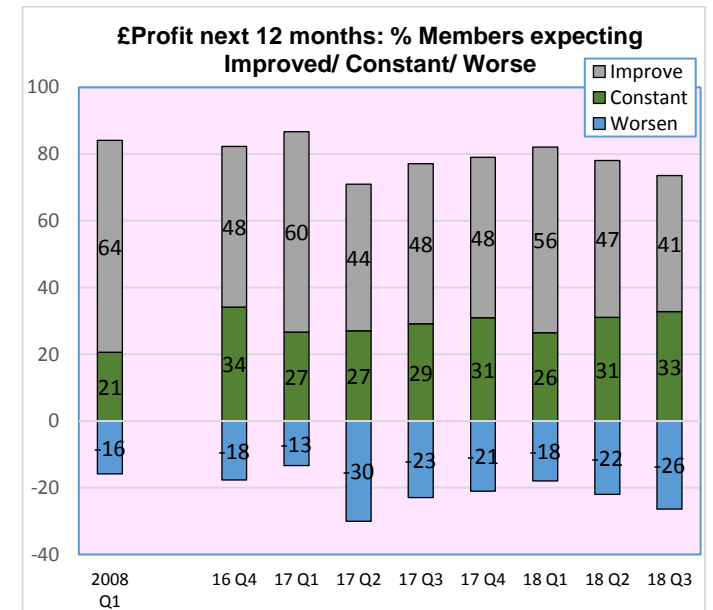
The trend for steady consolidation in 2018 to date, with very little price-reduction, suggests members and their (UK) customers have been adjusting to Brexit pressures.



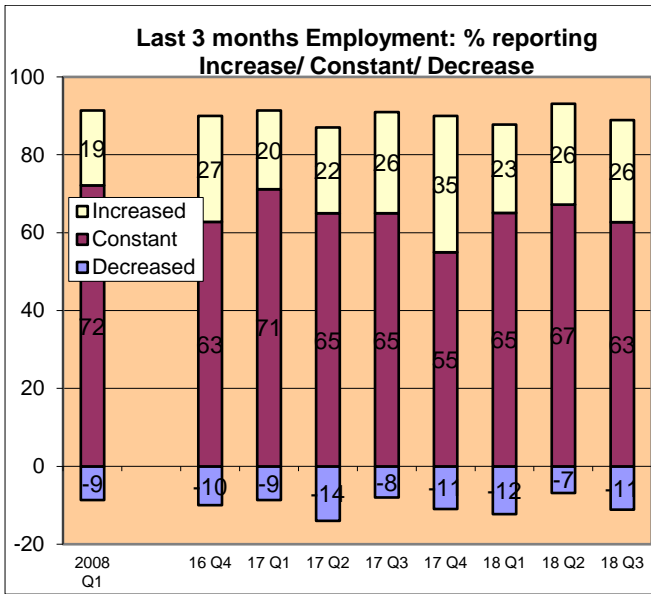
### Expectations of Sales Turnover & Profits

These expectations are amongst the most cautious we've seen in the past year and a half, especially the Profit expectations.

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.



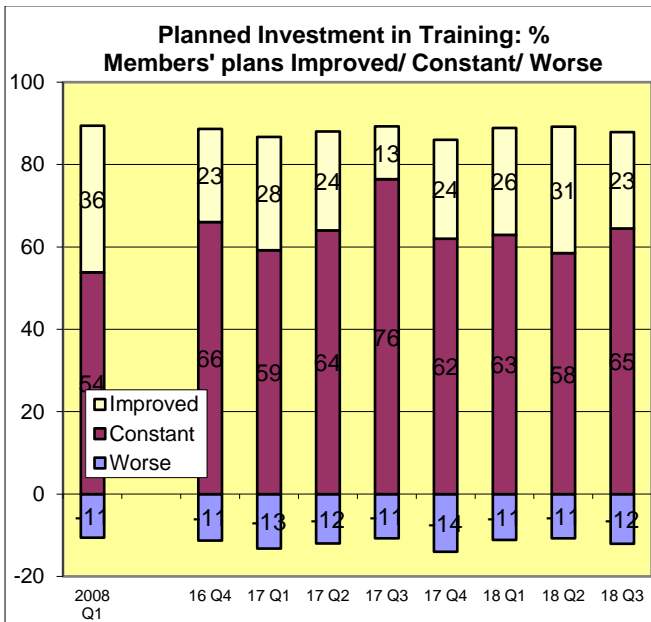
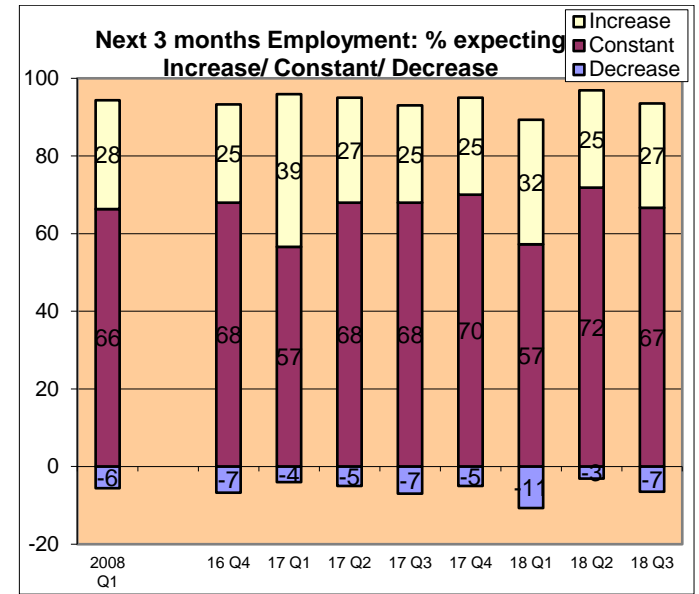
### 3. Investment in Staff & Kit



#### Employment: last 3 months, next 3 months

In spite of the healthy Sales and Orders (see above), the rate of hiring hasn't increased. This indicates respondents' caution.

Employment expectations, likewise, continue mostly cautious.

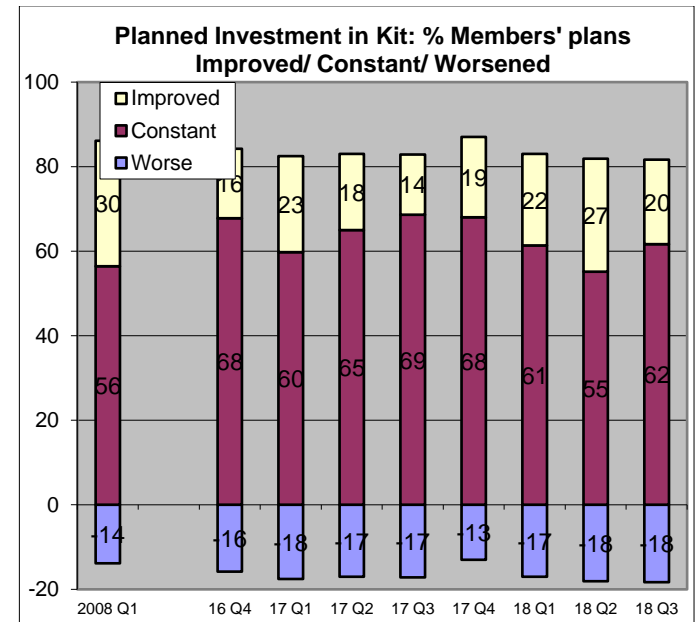


#### Planned Investment in Training and Kit

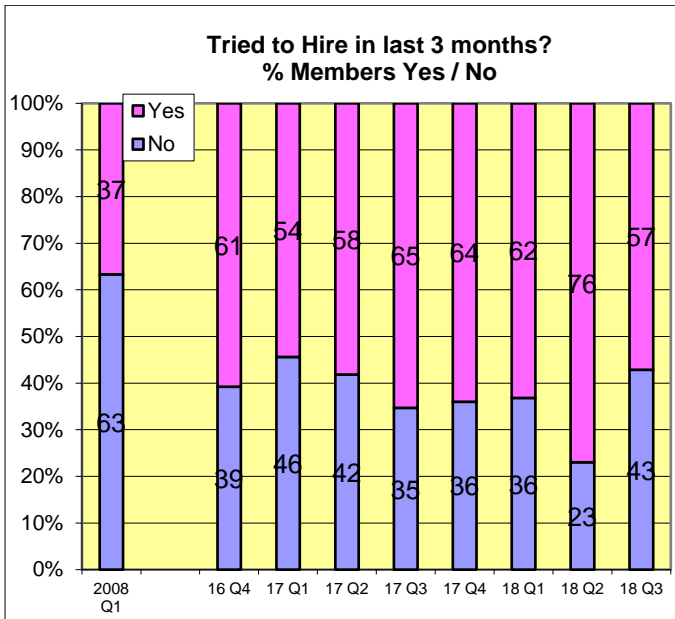
Following the Q2 optimism of 31% of respondents 'upping' their planned investment in Training, caution has returned.

As for Investment in Kit, caution is even more evident.

This caution in investing in human or technical resources that could improve productivity suggests respondents are content for now in their level of performance. It remains to be seen what, if anything, could stimulate more effort to improve – for example, what kind of Brexit deal is capable of shifting this pattern?



## 4. Hiring needs

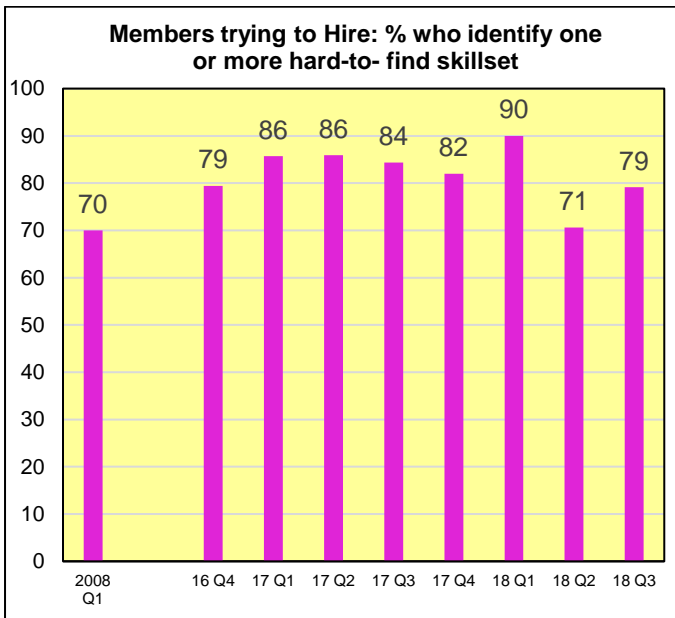
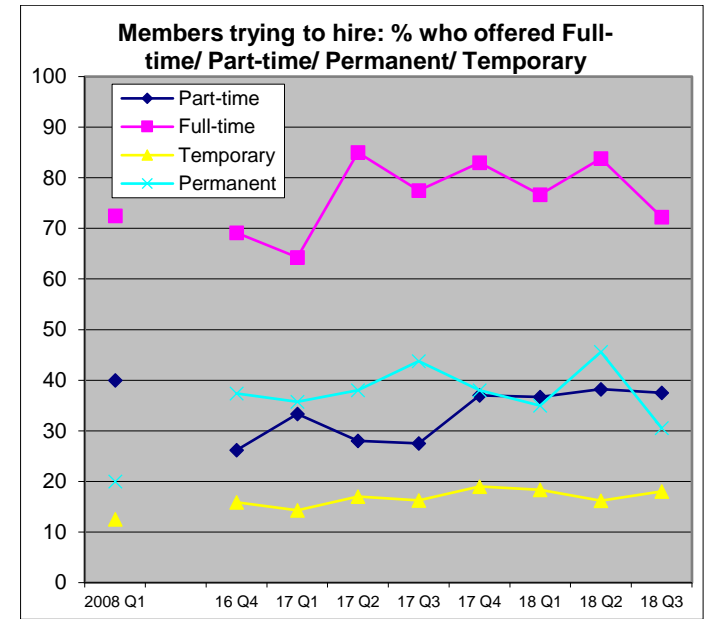


### Attempts to Hire in last 3 months

In Q3 only 57% tried to grow their workforce, the lowest for four years. Caution again.

### Job type offered in last 3 months

The dip in demand for Full-time and Permanent staff is further evidence of respondents' caution in the light of Brexit uncertainty.

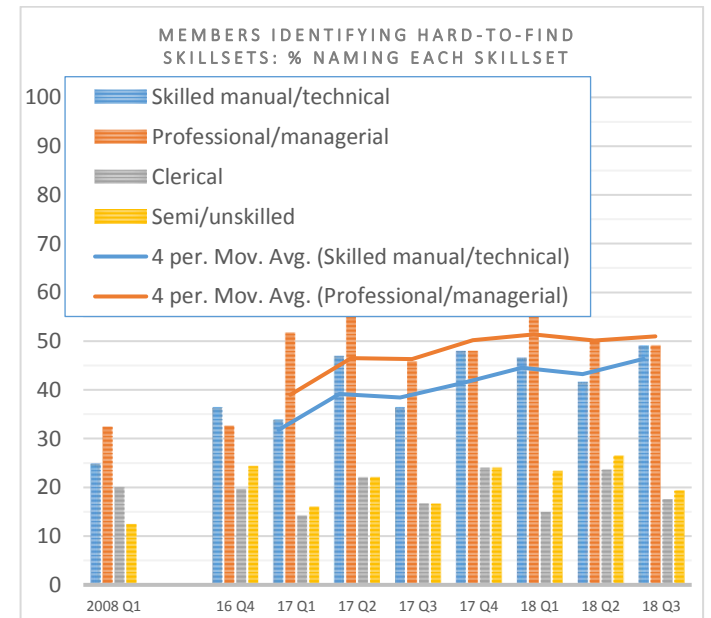


### Hard to find suitable staff?

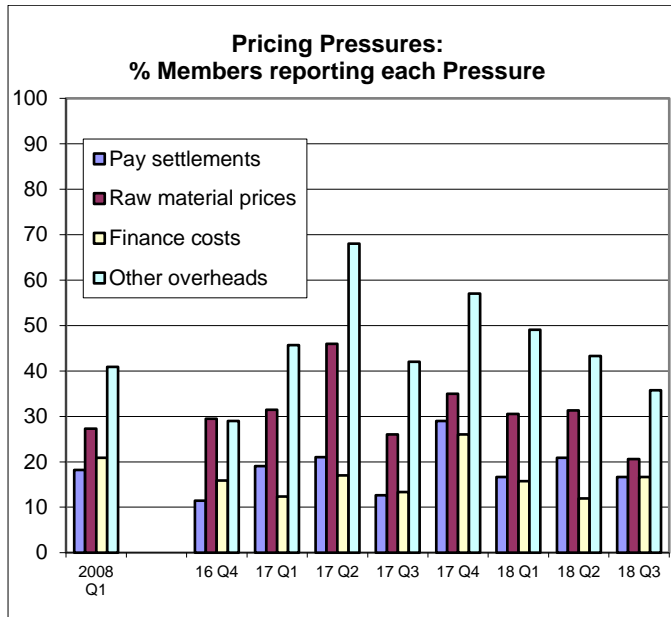
Back to 'normal': some 8 in 10 respondents report difficulty in finding appropriately-skilled applicants.

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

As usual, about half of those trying to hire report shortages of Skilled manual/technical and Professional/managerial staff.



## 5. Current Pressures

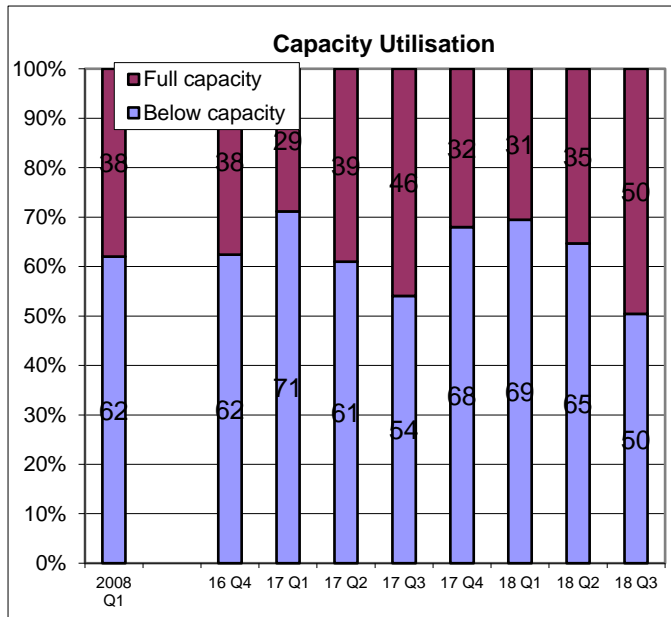
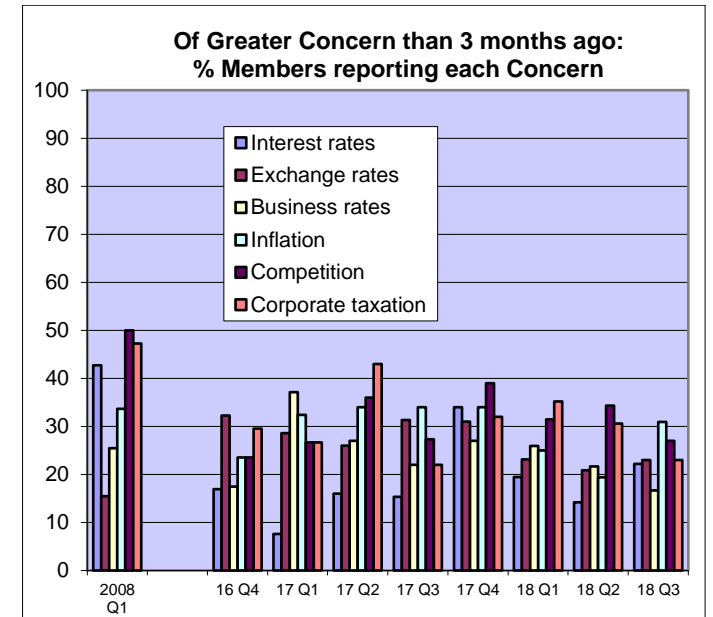


### Pricing Pressures

Probably due to the pound's gradual recovery, pressure has continued to ease as regards both raw materials and general overheads.

### Issues 'Of Greater Concern'

Even so, inflation re-emerges as the biggest concern.



### Capacity Utilisation

Brexit uncertainty/ caution again: only half of respondents are maintaining spare capacity to take advantage of any growth in demand that may materialise.

### Percent of Members Exporting

It's good to see that, despite Brexit uncertainty, the proportion of respondents that Export is still around its norm @ 40%.



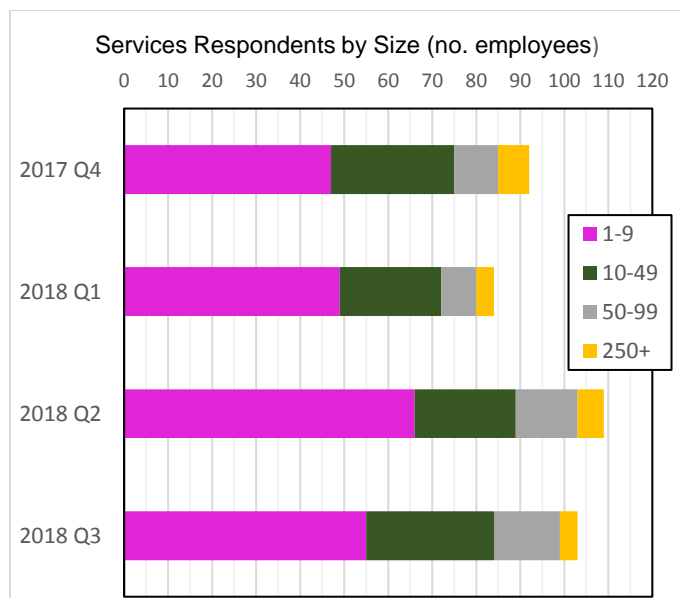
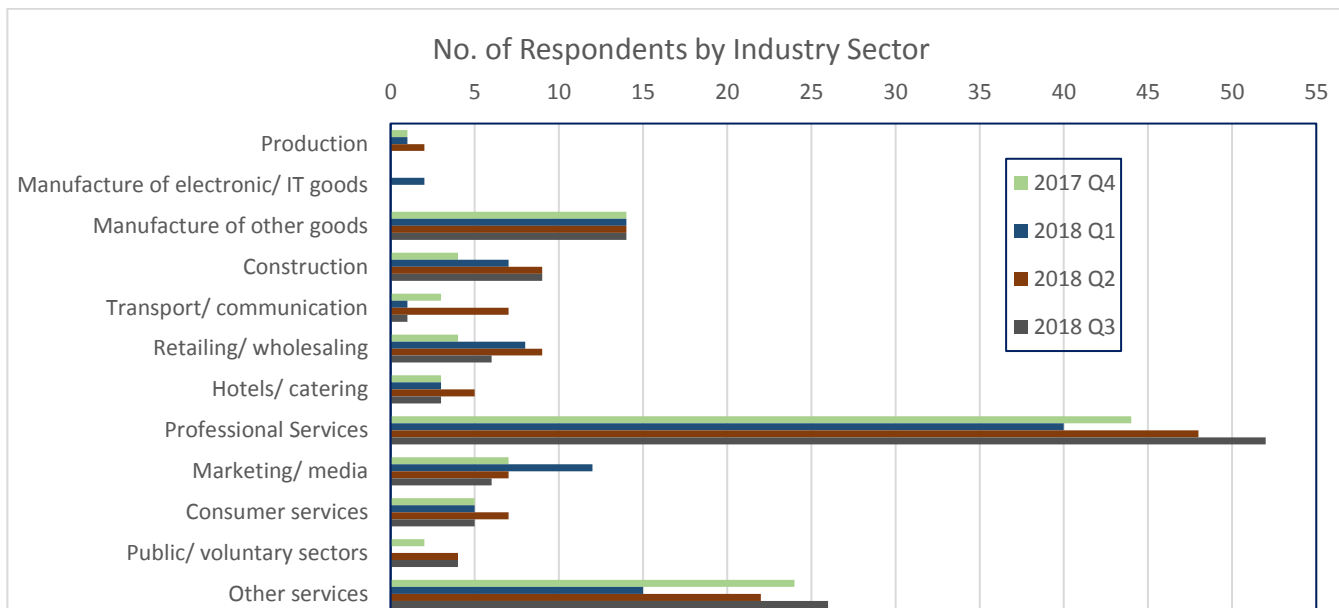
## 6. Respondents' composition by Industry Sector and Number of Employees

### 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 2018 Kent Invicta Chamber provided 66% of Services responses and 56% of Manufacturing responses within the total South East sample, amounting to 58% overall.



### Size of responding businesses, by number of Employees

For some reason, more micro-businesses than usual responded to the survey in Q2, among Services and Manufacturers alike.

In Q3 the proportions reverted more or less to trend, with micro-business still more than half of Services respondents – but barely a quarter of Manufacturers (NB fewer than 25 Manufacturers is a small sample).

