

## 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 (9 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.

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### Findings for Q4 2017 (fieldwork late November/ early December)

Response rates in Q4 continued low across the South East, possibly due to ongoing Brexit uncertainty.

#### Key Local Findings

Although we regularly see 1 in 5 respondents with decreasing **UK Sales**, in Q4 almost twice as many reported **UK Sales** growth. Forward **UK Orders**, however, weakened slightly.

The proportion of respondents who Export continues just above 40% (79% of Manufacturers, 36% of Services). However, **Export Sales** and forward **Export Orders** continue volatile especially among Manufacturers.

For a year now, the number of respondents reporting Improved **Cashflow** has been creeping up from a historic low of 1 in 4 respondents. Even more encouraging, the proportion with worsening **Cashflow** recovered from 26% in Q3 to 21% in Q4. Probably members are adjusting successfully to the weak pound by passing on their imported cost-inflation.

**Confidence** continues muted: the modest increase in respondents **expecting improved Sales T/o** in the next 12 months (Q3 50%, Q4 55%) probably just reflects their intention of recovering cost-inflation by raising prices; especially as the proportion **expecting improved Profits** remains stuck @ 48%.

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.

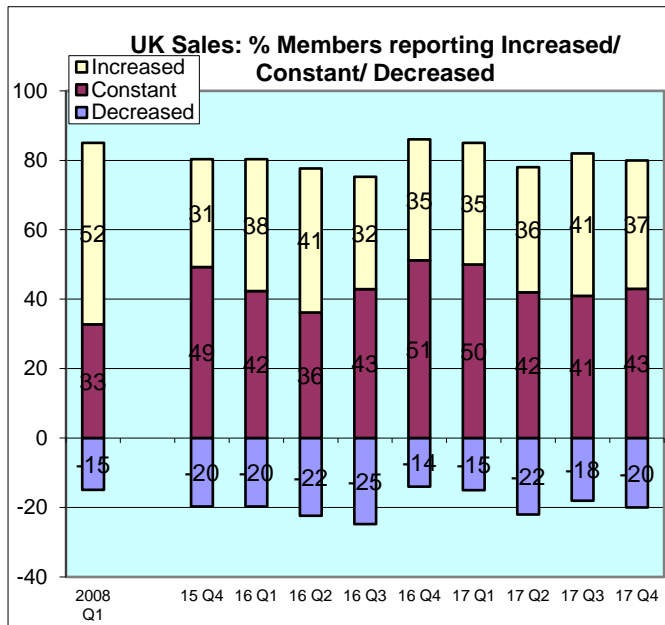
**Employment** grew in Q4, with 35% of respondents increasing their workforce. **Employment expectations**, meanwhile, were constant.

Plans for **investment in Training and Kit**, which have shown a bias in favour of Training since the Brexit vote (from Q3 2016 onwards), recovered from their 'low' in Q3 2017. In Q4, 1 in 4 had upped their planned Training spend, and 1 in 5 had upped their planned spend on Kit.

More than 8 out of 10 continue to report **difficulty in hiring the right skillset**. In Q4, 48% struggled to find Professional/managerial and Skilled manual/technical, whilst 24% struggled for Clerical and Semi-skilled staff.

Cost-inflation was the main **Pressure on Pricing**, especially **Raw Materials** (on 69% of Manufacturers). **Competition** was cited as 'of greater concern' by almost 40% of respondents: maybe cost-inflation is pressing them to compete on price rather than on quality/differentiation.

## 1. Recent Sales and Current Orders

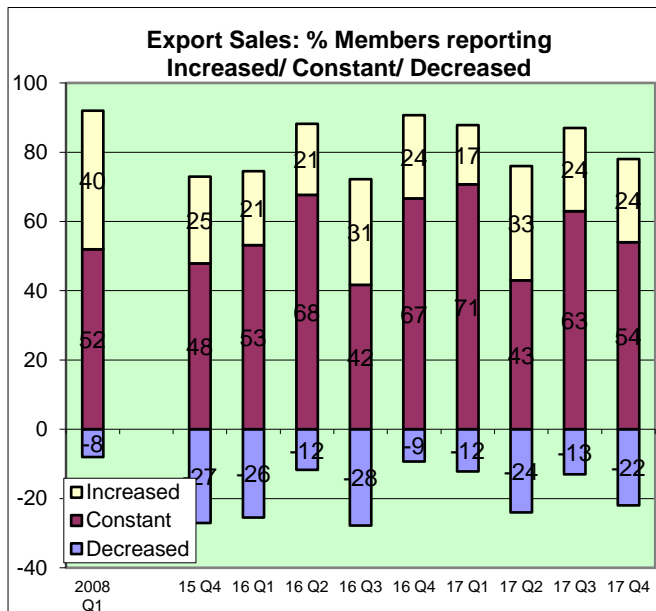
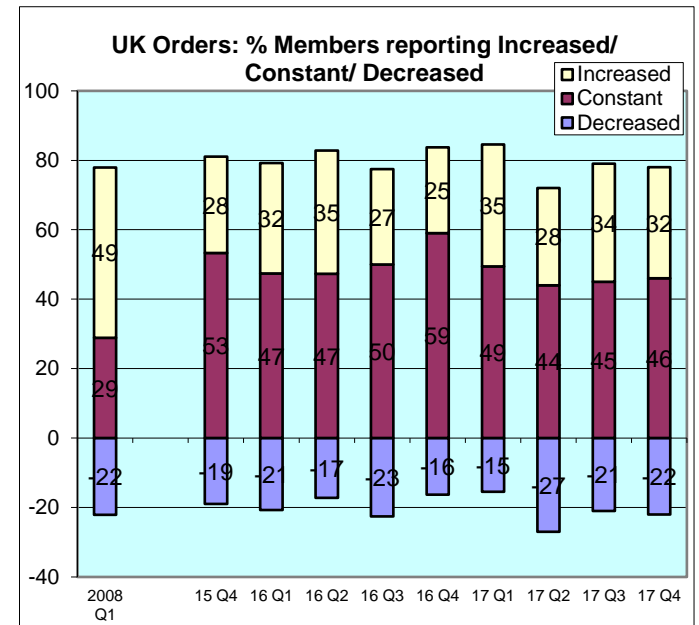


### UK Sales & Orders

Since the buoyancy of last winter, we've gone back to 2 in 10 firms reporting weaker UK Sales and forward Orders. This possibly reflects mounting uncertainties over Brexit as well as imported Inflation due to the weak pound.

However, those enjoying UK Sales increase continue to substantially outnumber those struggling with decrease (ratio 37%:20%), which indicates continuing overall growth.

UK forward Orders show a similar pattern, albeit at a lower ratio (32%:22%).

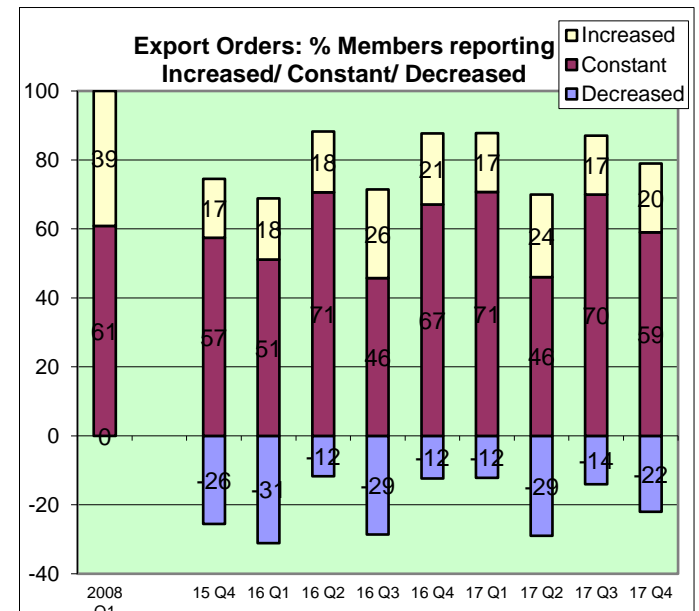


### Export Sales & Orders

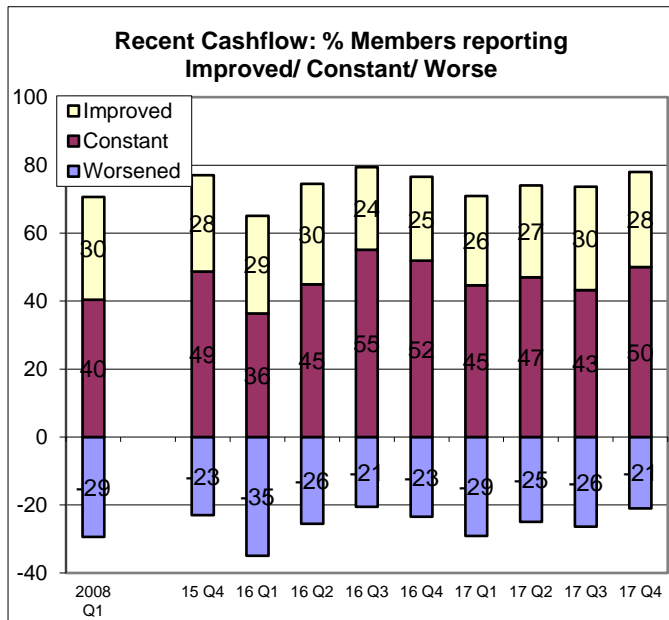
Whilst 24% of respondents continue to report increased Export Sales in Q4, there is still a good deal of volatility especially among the strugglers (9% → 12% → 24% → 13% → 22%).

Closer analysis (not shown here) indicates this volatility in Exports is especially marked among Manufacturers, not only in Kent but across the South East.

Forward Orders for Exports show similar volatility.



## 2. Cashflow and Prospects

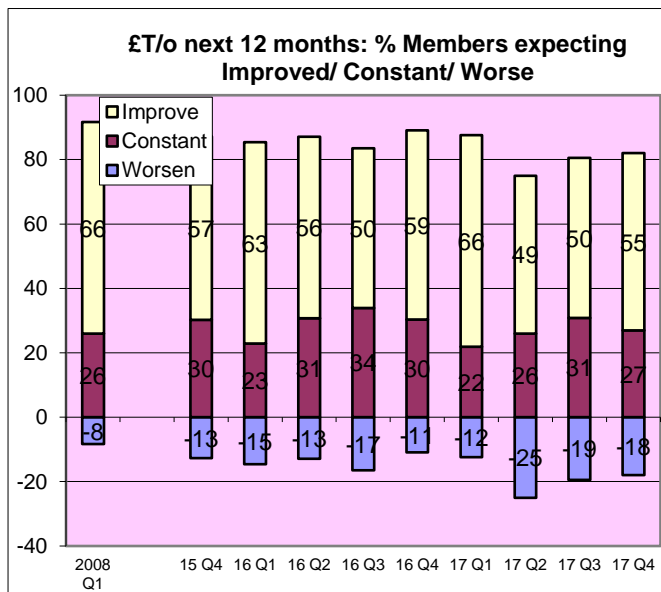
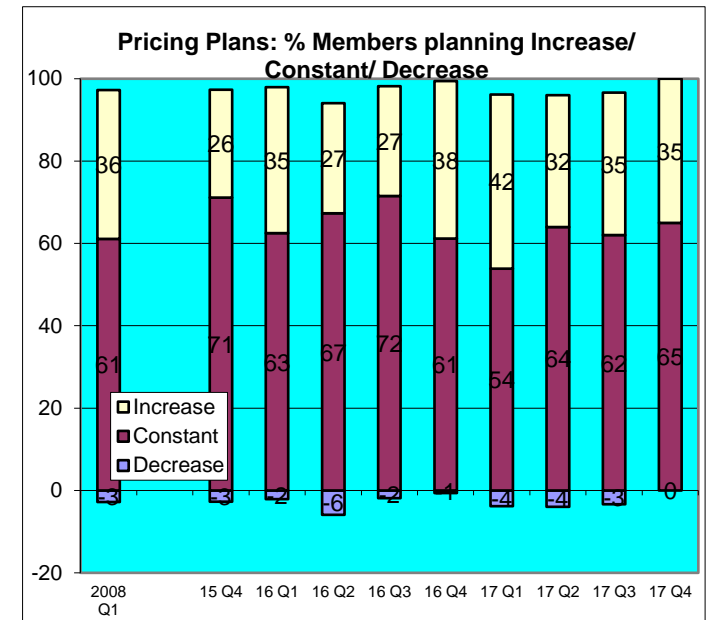


### Recent Cashflow

It's good to see fewer firms struggling with weaker Cashflow (21% compared with 26% in Q3). Many are probably adjusting better to the impact on cost inflation of the weaker pound.

### Planned Price Increases

Unsurprisingly, no respondents indicated any plans to cut their Prices; and, as in Q3, as many as 1 in 3 indicated plans to raise their Prices.

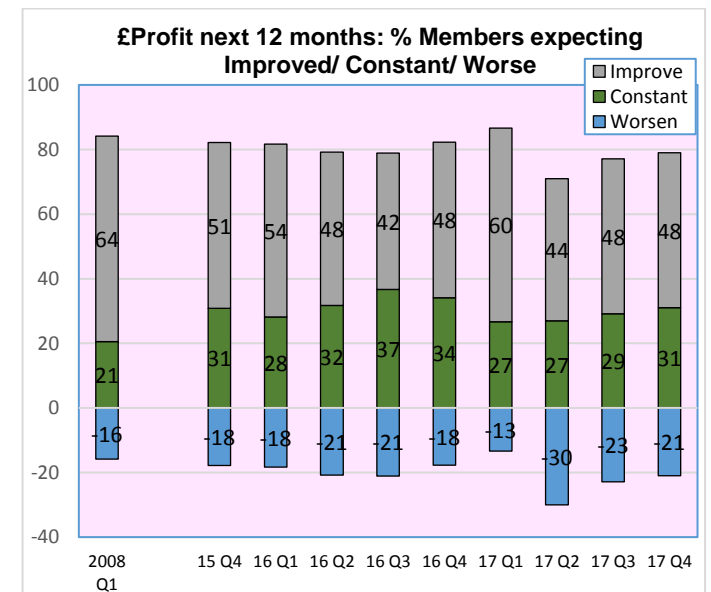


### Expectations of Sales Turnover & Profits

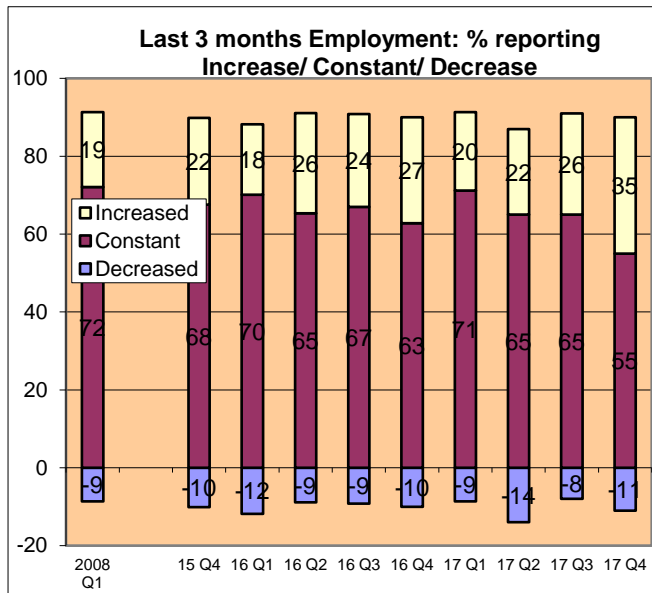
Given the ongoing input-cost Inflation and planned Price increases, it's unsurprising that over half of respondents foresee Sales Turnover rising in the next 12 months...

... At the same time, cost pressures mean that fewer than half our respondents anticipate a rise in Profits over the same period. Except for an upward blip in 2017 Q1 this relative pessimism has been a near-constant since 2016 Q2 (the run-up to Brexit referendum).

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.



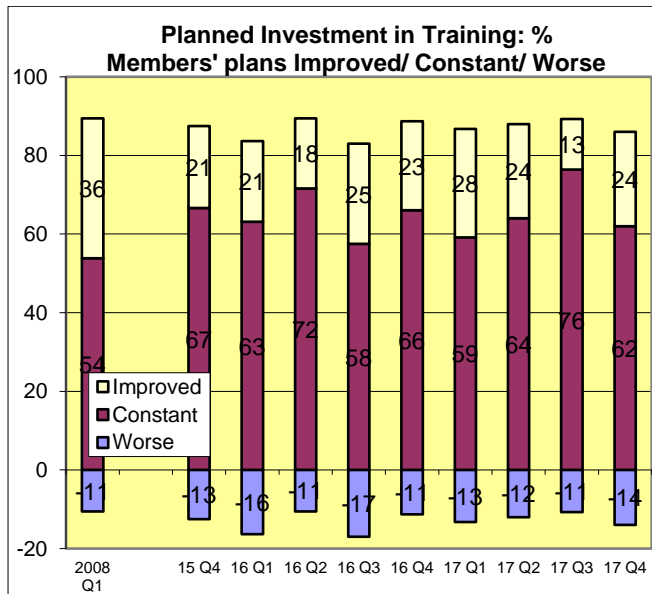
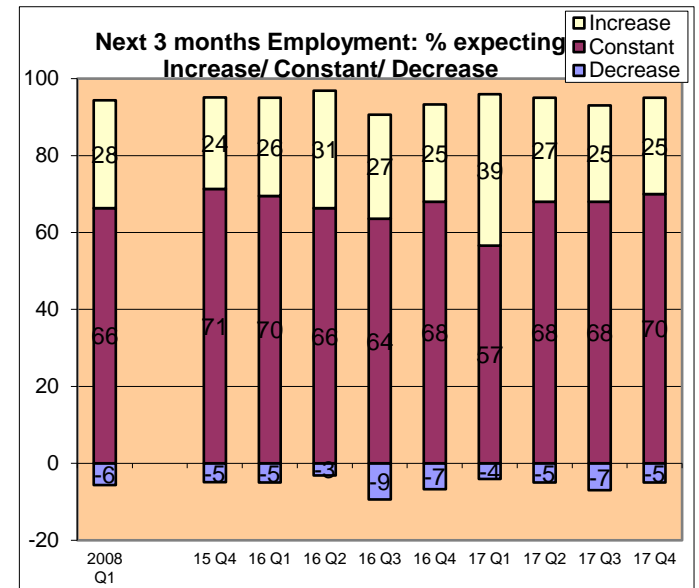
### 3. Investment in Staff & Kit



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

As many as 1 in 3 respondents increased their workforce in Q4, presumably encouraged by the modest uplift in UK and Export Sales in Q3. Anecdotally, many of us noticed overstaffing in retail and hospitality sectors in the month before Christmas.

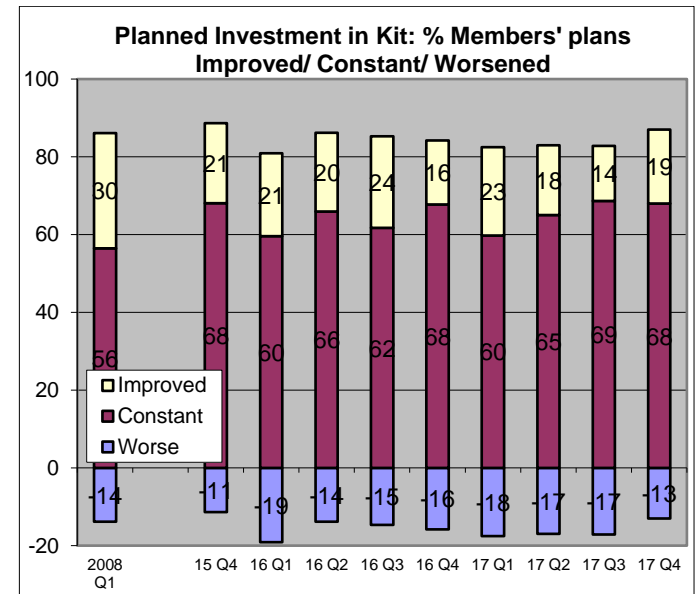
Meanwhile Employment Expectations remained constant.



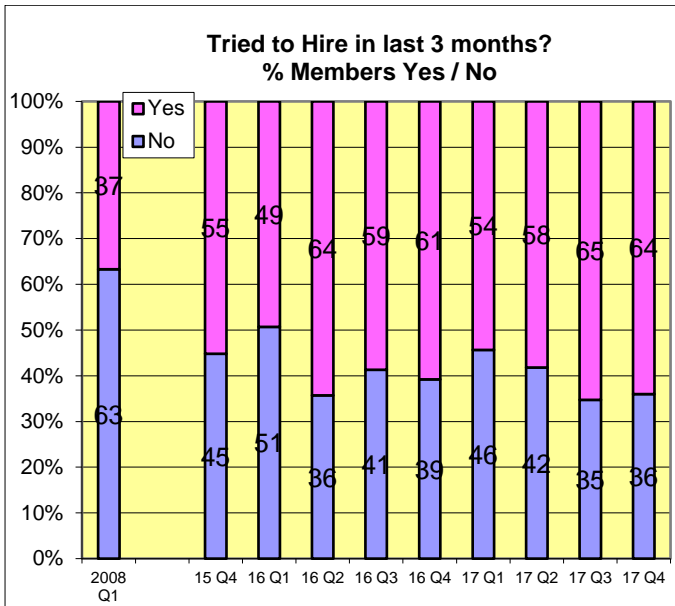
#### Planned Investment in Training and Kit

After the very cautious Q3 figures of 13% (Training) and 14% (Kit) for Kent businesses 'upping' their investment plans, it is heartening to see a substantial recovery in Q4's investment plans. The recovery in planned Investment in Training from Q3 to Q4 (24% 'upping' their spend) may reflect the new recruits' induction and training needs – but is, in any case, a positive sign.

Likewise, the increase from 14% to 19% planning to 'up' their Kit spend is also heartening.



## 4. Hiring needs

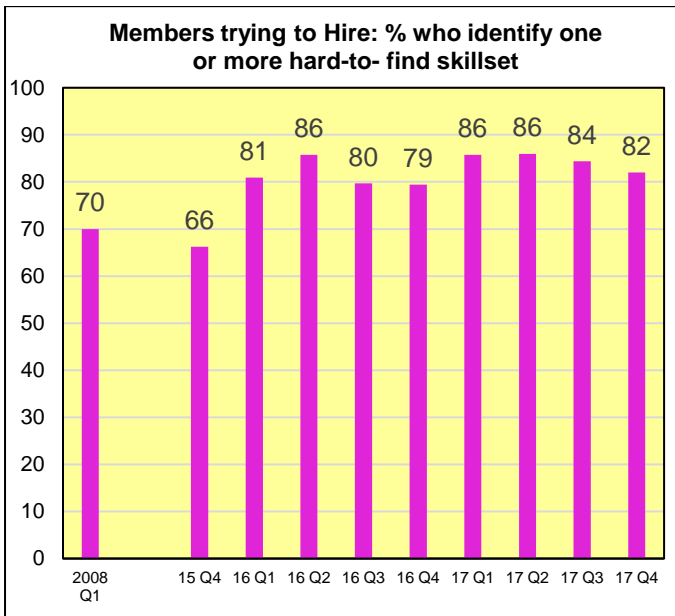
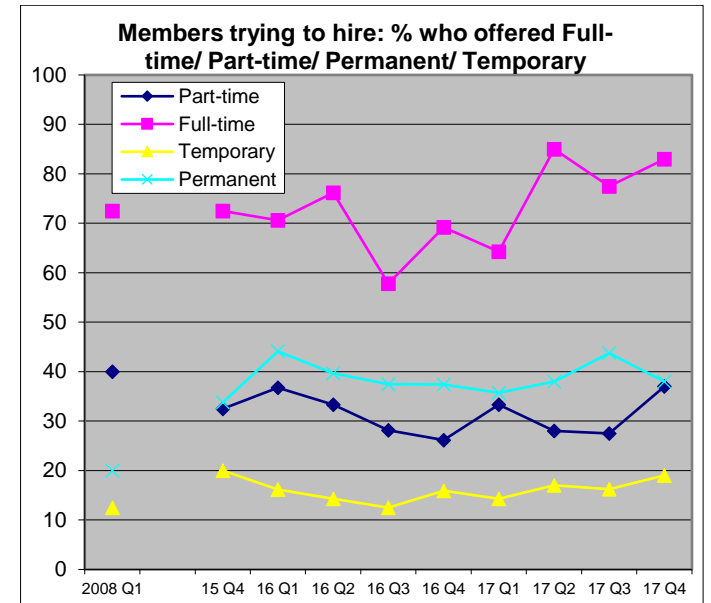


### Attempts to Hire in last 3 months

With 2 in 3 firms trying to hire in Q4 as well as in Q3, perhaps we are seeing a return to growth.

### Job type offered in last 3 months

The increase in Part-time vacancies, and reduction in Permanent ones, may reflect pre-Christmas hiring. Full-time and Temporary vacancies also show the modest increase that one would expect in Kent's modestly growing economy.

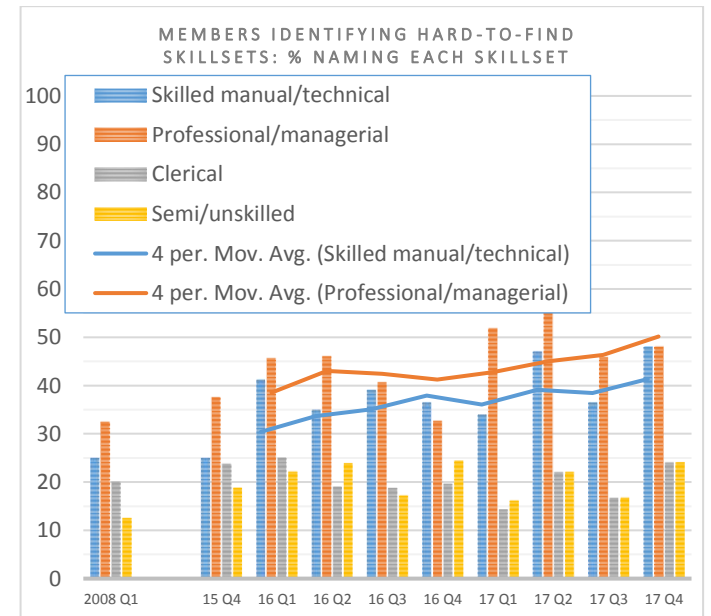


### Hard to find suitable staff?

More than 8 in 10 continue to report difficulty in finding suitable staff. In the past two Quarters this difficulty appears to have eased slightly.

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

Professional/managerial and Skilled manual/technical jobs were reported as hard to fill by 48% of respondents – twice as many as reported difficulty filling Clerical and Semi-skilled vacancies.





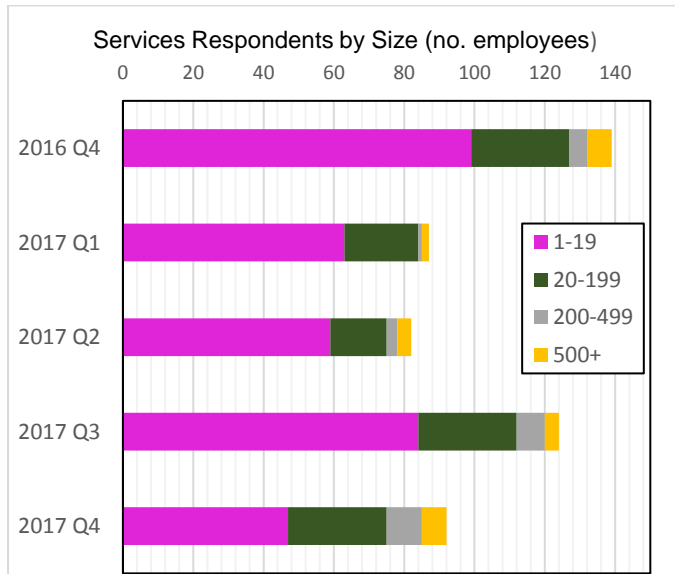
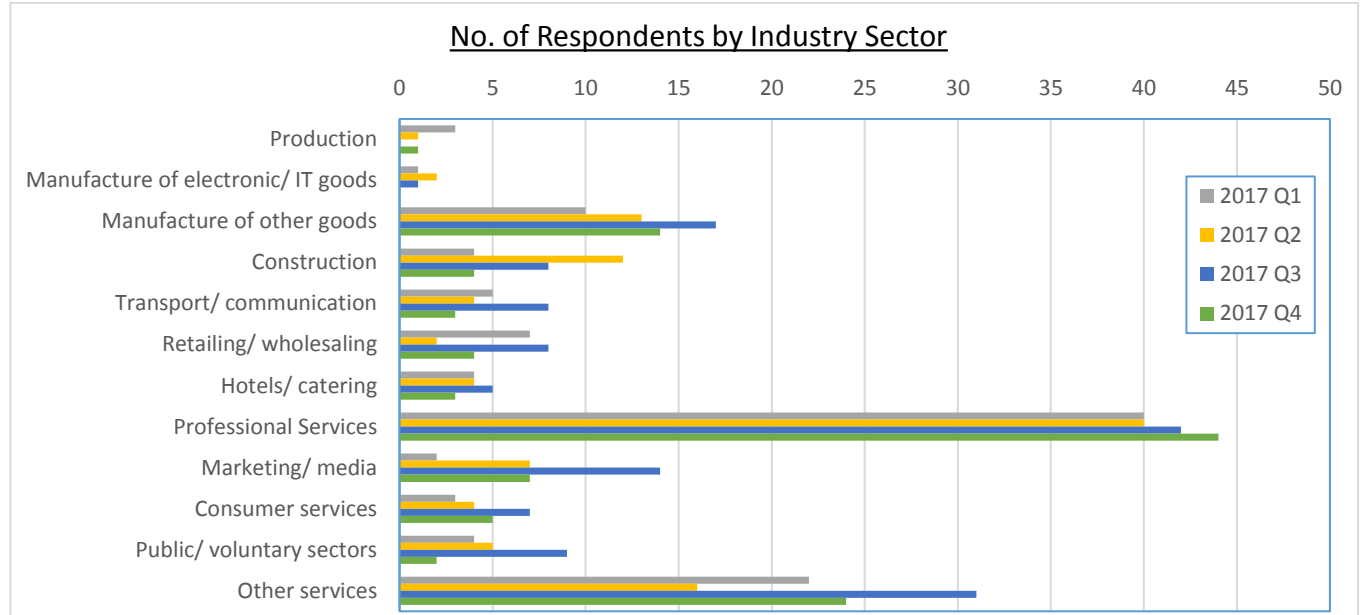
## 6. Respondents' composition by Industry Sector and Number of Employees

### 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 Q4 2017 Kent Invicta Chamber provided 37% of Services and 29% of Manufacturing responses within the total South East sample, amounting to 35% overall.



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

Historically, respondents with fewer than 20 staff have constituted around two-thirds of the total sample (both Services and Manufacturers).

In Q4 British Chambers of Commerce changed to the HMRC size bands of 1-9, 10-49, 50-249, 250+. This good update means that for now the bars in these charts for both Services and Manufacturing aren't fully comparable. The inconsistency will resolve itself within a year. Patience, please!

