

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 35% 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.

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Findings for Q1 2019 (fieldwork late February/ early March)

Key Findings for Kent

In Q1, just as in Q4 2018, almost a quarter of businesses reported a decrease in **UK Sales** – and barely a quarter reported an increase. This weakening demand extended also into **UK forward Orders**: 31% reported a decrease whilst only 20% reported an increase. Respondents' free-style comments identified Brexit uncertainty as the source of this weakening.

This decrease-to-increase ratio of 3:2 was evident also in **Export Sales**. **Export Orders** also weakened, but less sharply. Anecdotally, we hear Brexit may be leading some foreign customers to seek non-UK suppliers.

In Q1, as many as 28% reported worse **Cashflow** whilst only 24% reported improvement – the weakest performance for six years.

Pricing: As many as 45% of respondents were planning to raise prices.

Expectations of Sales T/o for the next 12 months were the lowest for two years. **Profit expectations**, meanwhile, weakened slightly more.

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.

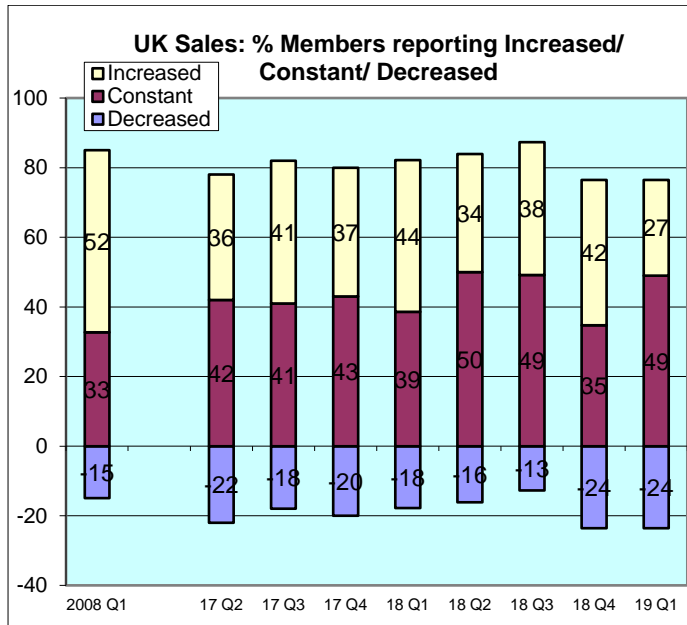
Employment: only 17% of firms reported an increase in their workforce, compared with 30% in the previous Quarter. Looking ahead, meanwhile, **Employment expectations** weakened, but not so sharply.

On the back of weak demand and low hiring, only 1 in 6 firms were upping their **planned Training spend**, whilst another 1 in 6 were cutting theirs. Meanwhile, **planned spending on Kit** was also up for only 1 in 6, whilst more than 1 in 5 were cutting theirs. Anecdotally, we hear many are hoarding whatever cash they have, against possible storms ahead.

Surprisingly given that only 17% reported increasing their workforce, as many as usual (56%) **tried to hire staff**. Their non-success is probably due to continuing **hard-to-find skillsets**. As usual more than 8 in 10 reported struggling to fill vacancies, especially **Professional/managerial** (identified by 54%) and **Skilled manual/technical** (41%). The only work-status for which demand rose was **Part-timers** – to minimise costs?

Among **pressures on Pricing**, Raw Material costs were heavy for most Manufacturers, with Overheads mentioned by more than 4 in 10. With demand so weak, Competition topped the list of '**of greater Concern**'.

1. Recent Sales and Current Orders

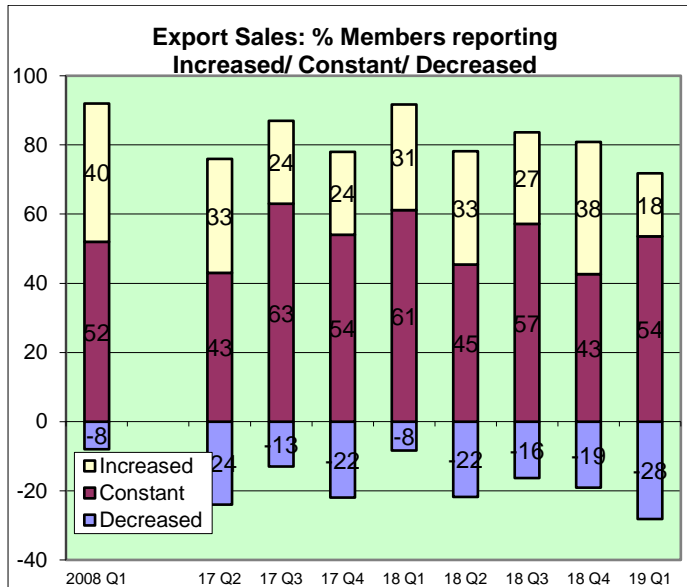
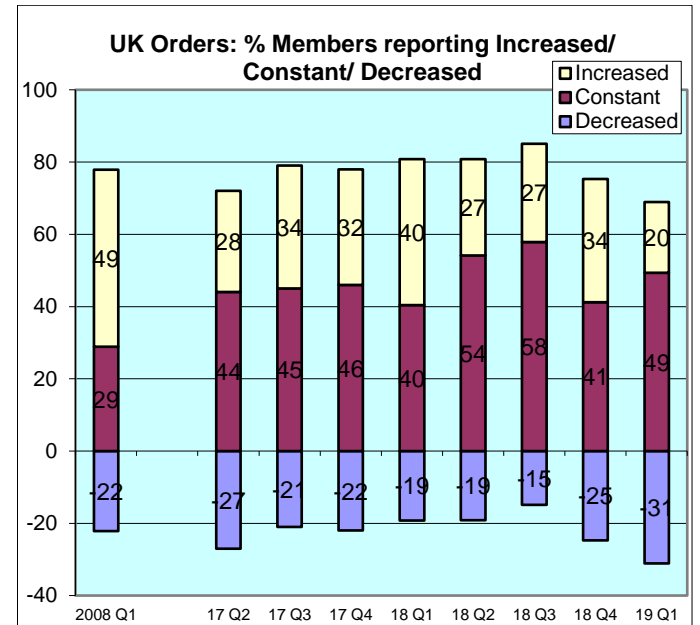


UK Sales & Orders

For the second Quarter running, an unusually big percentage (24%) of respondents reported a Decrease in UK Sales; the weakest on record is 27%. Even more stark is that barely one-quarter reported Increase, the weakest since 2010.

UK Forward Orders, meanwhile, fell for almost one-third (31%) and grew for only 20%, the weakest performance since 2012.

Respondents' free-style comments at the end of the QES questionnaire identify Brexit uncertainty as the main drag on performance.

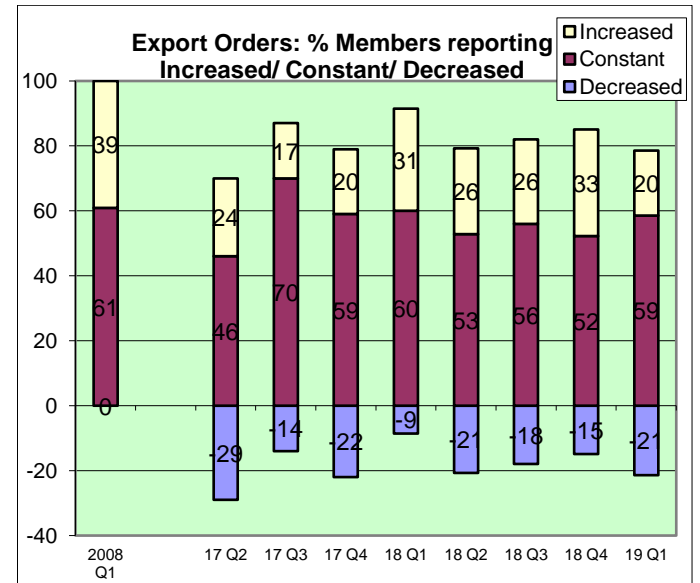


Export Sales & Orders

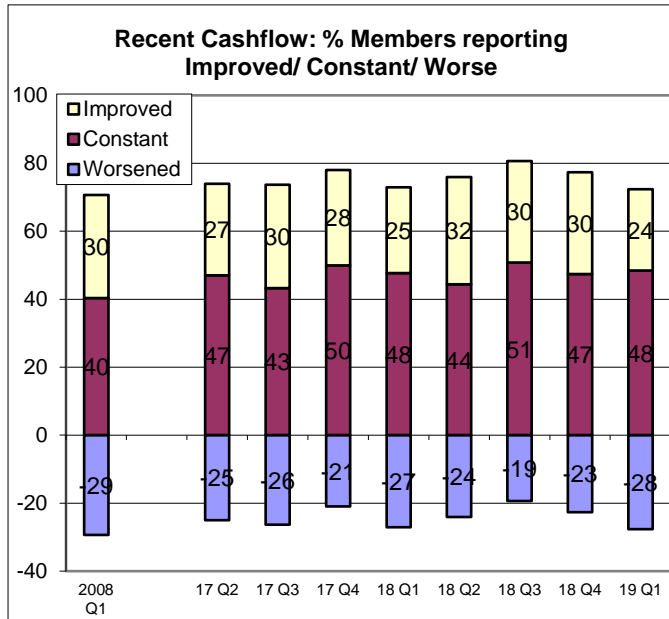
Despite the falling pound as Britain's Brexit process descended into worsening confusion, Export Sales weakened: those reporting Decrease outnumbered those reporting Increase by 3:2. These are the worst figures since 2010.

Forward Orders for Exports also weakened, but not so sharply.

Anecdotally, we hear that nervousness about future trading terms is leading some Export customers to seek out alternative (non-UK) suppliers.



2. Cashflow and Prospects

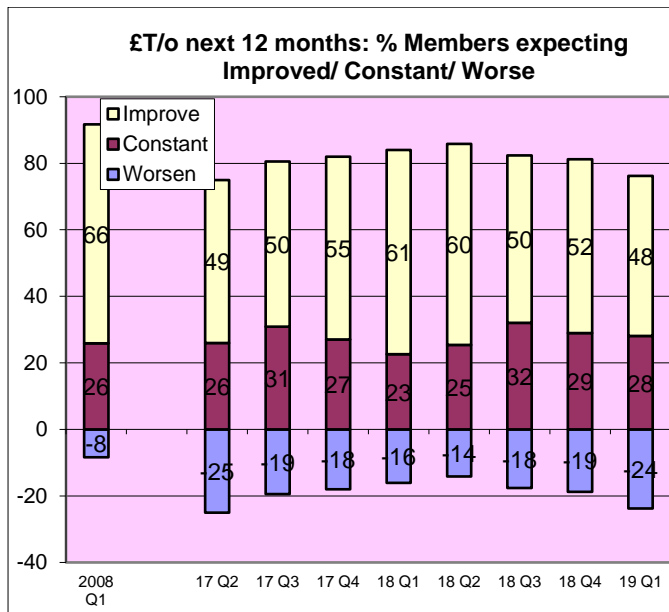
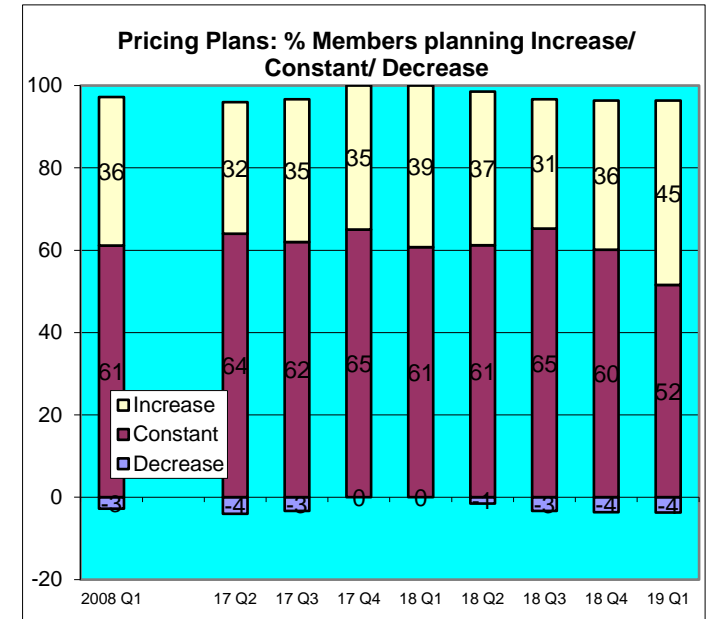


Recent Cashflow

In Q1, reported Cashflow worsened for 28% whilst improving for only 24%, the weakest performance for six years.

Planned Price Increases

The big uplift in those planning to increase prices is likely to be stemming from rising (imported) inflation due to the falling pound.

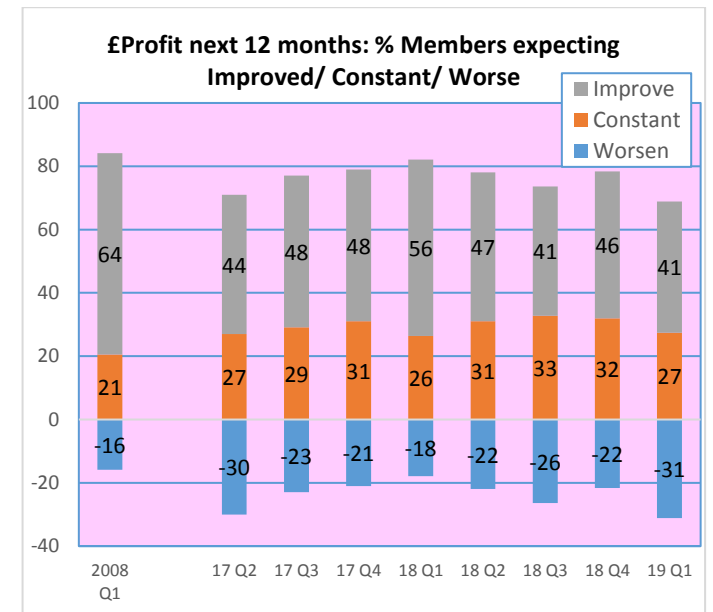


Expectations of Sales Turnover & Profits

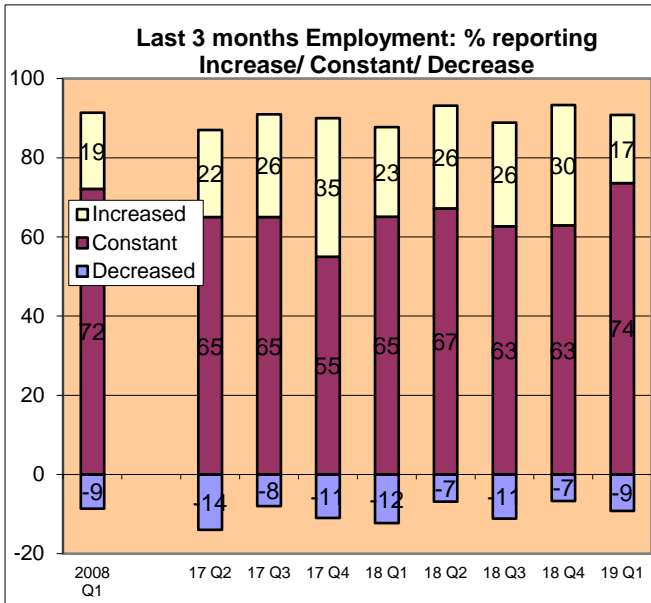
Confidence in Sales T/o growth is the weakest for a couple of years.

Confidence in Profits, meanwhile, fell slightly further.

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

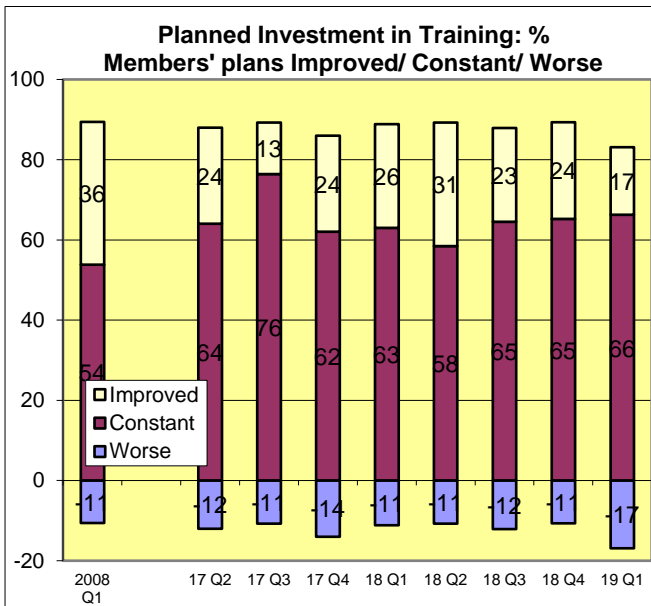
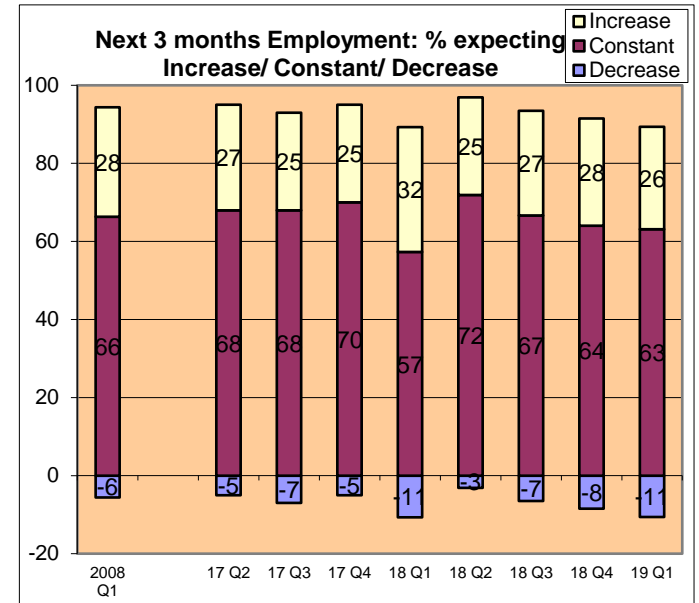


Employment: last 3 months, next 3 months

Overall, only 17% of respondents grew their workforce in Q1. (Meanwhile, almost two-thirds reported working Below Capacity, see chart below.)

At the same time, as many as 26% expected to grow in the next 3 months – mainly in the Hotels/Catering and Public/Voluntary sectors (detail not shown here).

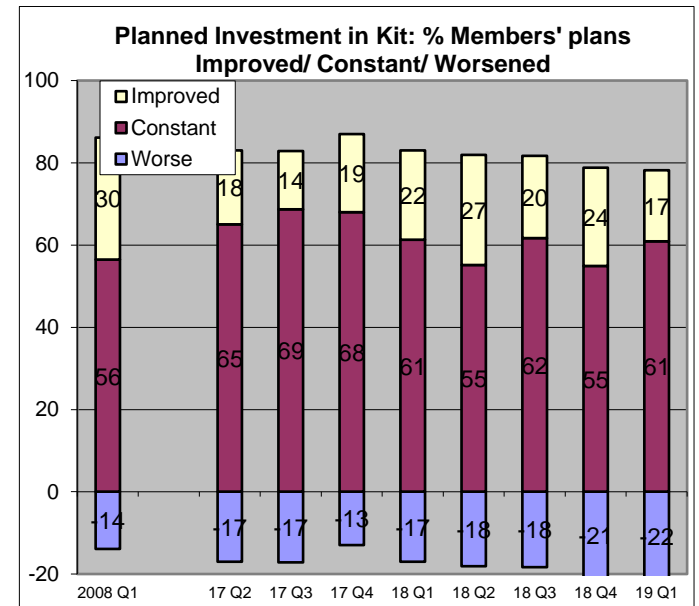
Employer caution shows most clearly in that through the previous 6 months (2018 Q3 & Q4), as many as 50% of firms reported working at Full Capacity, see chart below.



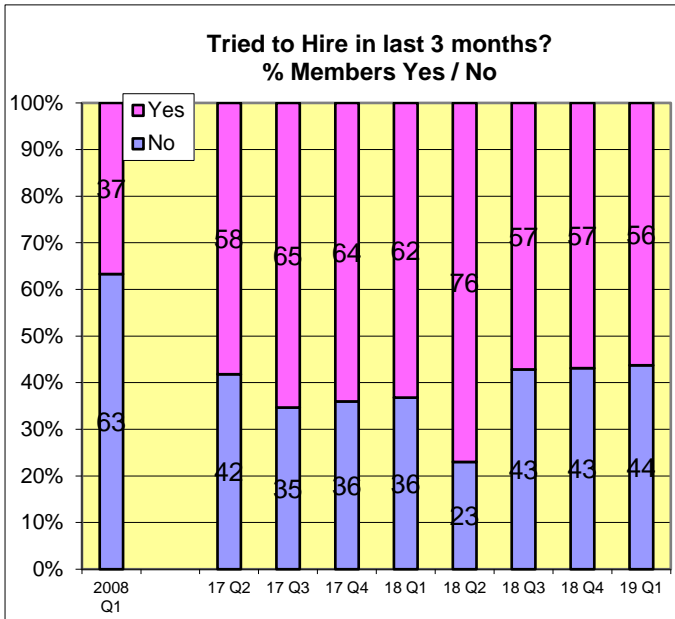
Planned Investment in Training and Kit

Anecdotally, only the most tailored and specific training was still in demand in Q1. This probably reflects not just Brexit but also the low hiring rate, hence the 17% cutting their Training budget as well as only 17% increasing theirs.

Meanwhile, as in 2018 Q4, more than 1 in 5 reported a cut in their capital budgeting for Kit (it's six years since our members last reported such retrenchment). Anecdotally, some say they're hanging onto Cash as a hedge against troubles ahead.



4. Hiring needs

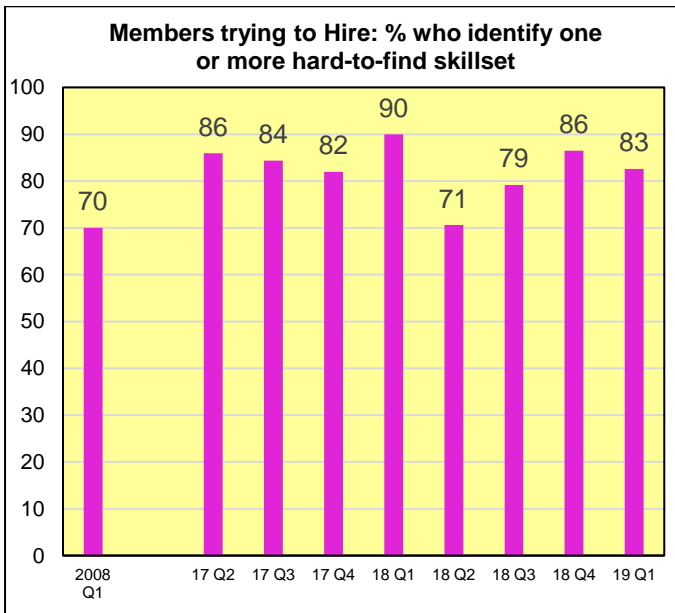
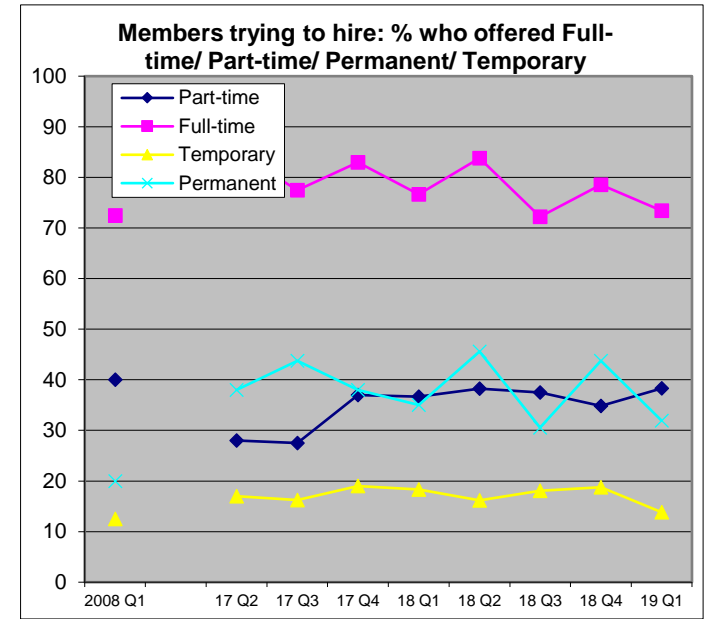


Attempts to Hire in last 3 months

Surprisingly given that only 17% reported increasing their workforce (see chart above) as many as usual (56%) reported trying to fill vacancies. Likeliest explanation is the unrelieved shortage of the desired skillsets, see below.

Job type offered in last 3 months

Less surprisingly, the only work-status category for which demand rose was Part-time, presumably to minimise workforce outgoings. To minimise operating costs?

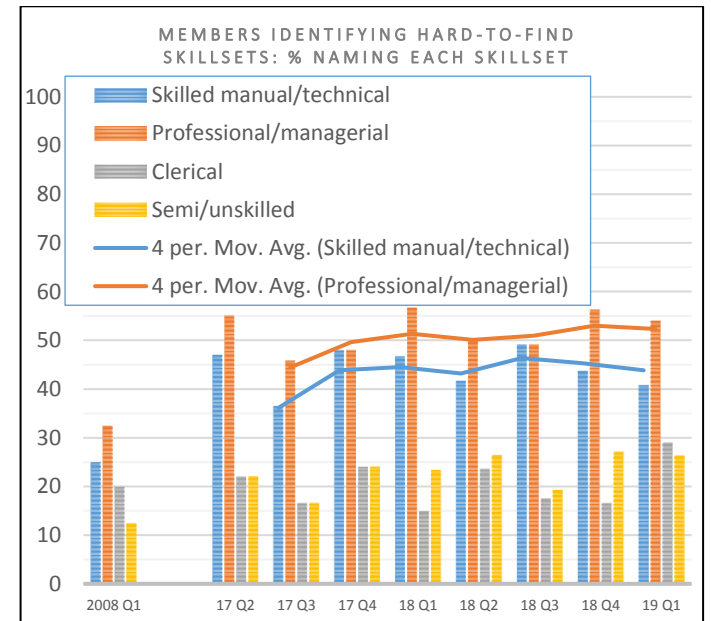


Hard to find suitable staff?

The right skillsets are as hard to find as ever.

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

As usual, more than half of those trying to hire reported shortages of Professional/ Managerial staff, with almost as many struggling to fill Skilled manual/technical vacancies.



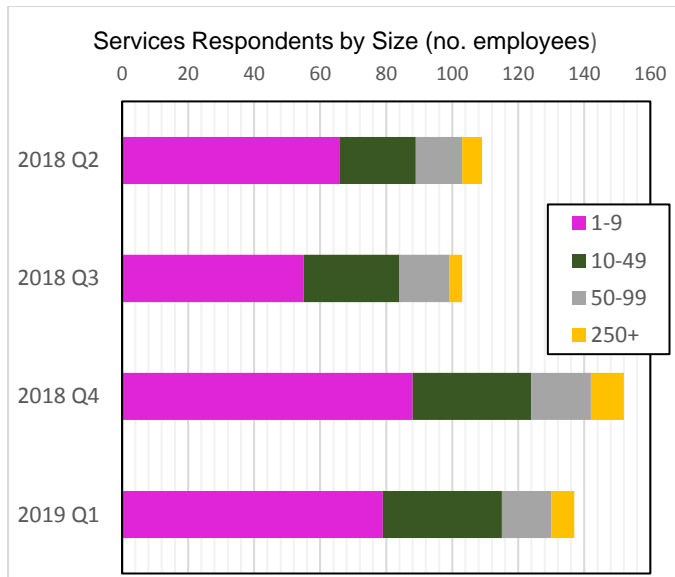
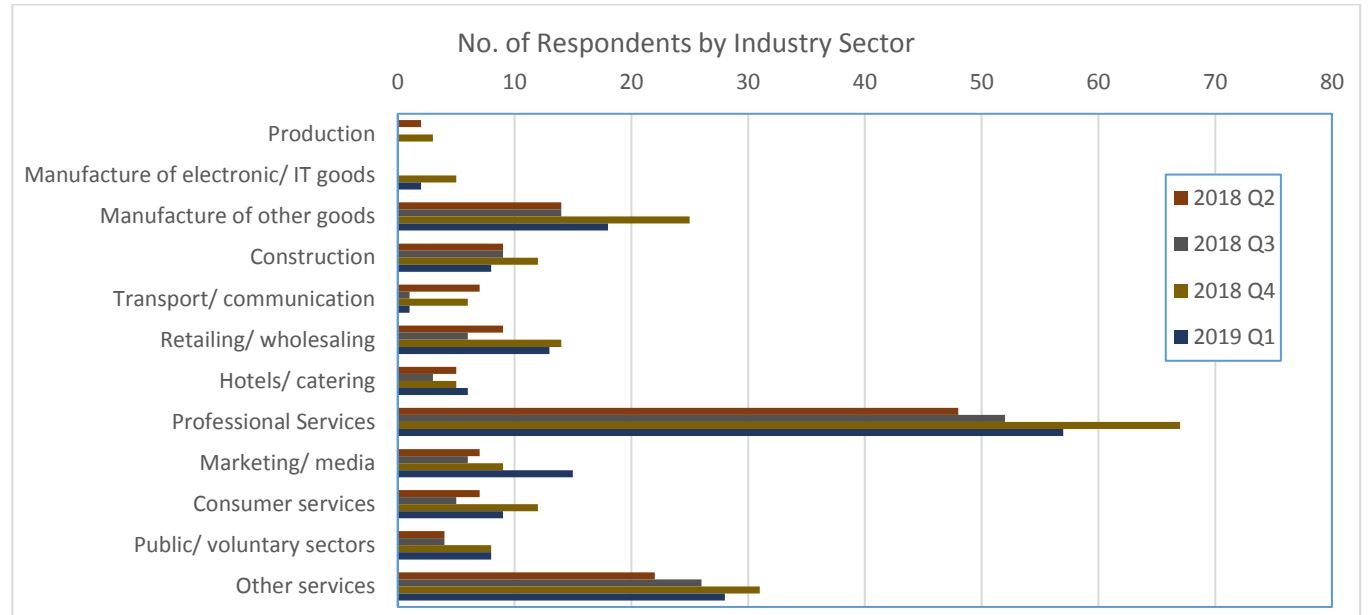
6. Respondents' composition by Industry Sector and Number of Employees

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 Q1 2019 Kent Invicta Chamber provided 42% among both Services and Manufacturing of the responses within the total South East sample,



Size of responding businesses, by number of Employees

As usual the bulk of Q1 respondents (more than 80%) employ fewer than 50 staff.

This is largely in line with Chamber membership.

