

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 Q1 2018 (fieldwork late February/ early March)

Key Local Findings

A good start to 2018. In Q1 more respondents reported an increase in **UK Sales** – and UK forward **Orders** – than for 2½ years.

Respondents likewise reported better **Export Sales** and **Export Orders**, in spite of the strengthening pound. However, the proportion of members that export fell – from 41% to 33%. Nonetheless, it's good if our members are successfully competing not on price but quality.

After an improvement in **Cashflow** in Q4, in Q1 more respondents reported worse **Cashflow** than better – for only the second time in the past two years. Maybe this is not so much due to under-recovery of imported Inflation as Competition (which topped the list of pricing pressures in Q4). This may have kept members pricing cautiously.

In Q1 as many as 2 in 5 were planning **Pricing** increases, with none reporting planned cuts.

In the past 12 months the proportion expecting **higher Sales T/o** has grown from 5 in 10 to 6 in 10. **Expected Profits** show the same positive **Confidence** – rather surprising, given the subdued Cashflow.

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.

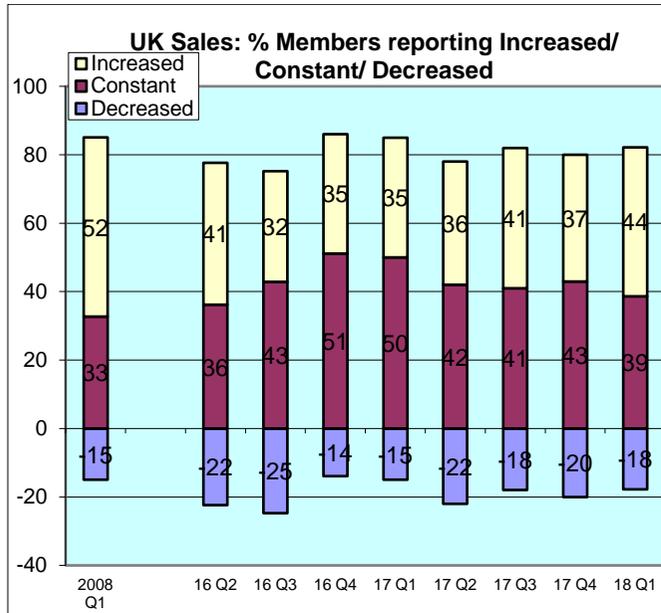
Recent employment remained subdued, perhaps in the wake of the subdued Sales the previous Quarter. **Employment expectations**, meanwhile, were mixed: 1 in 3 expected to grow their workforce in the next three months, whilst 1 in 10 expected to shrink it – suggesting renewed polarisation.

The recent recovery in **planned Training spend** continued in Q1. **Plans for spending on Kit** (less flexible to deploy or to shed than Labour) also improved for some, but not others.

As many as 90% of those who tried to hire staff reported **difficulty in finding the right skillset** – the highest figure on record in Kent. For over a year now, half our members have struggled to fill **Professional/ managerial** vacancies, with **Skilled manual/technical** not far behind.

Fewer respondents reported **pressures on Pricing**, perhaps due to the strengthening pound. Other **concerns** were also more muted, with Corporate taxation topping the list.

1. Recent Sales and Current Orders

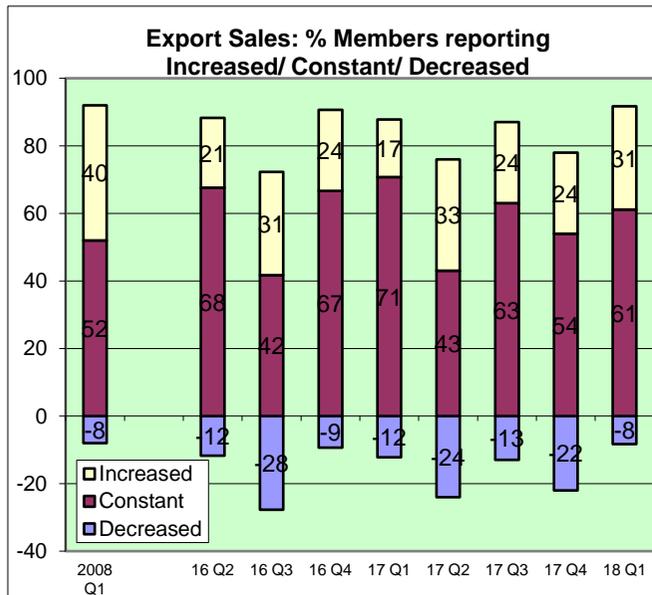
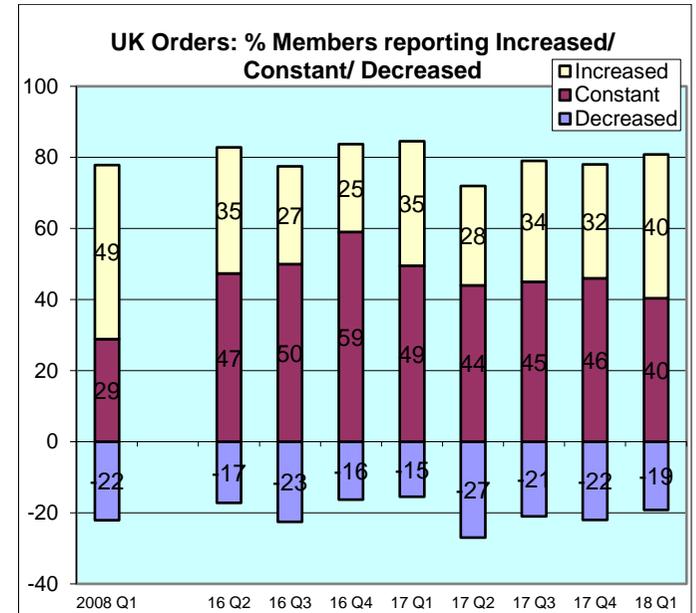


UK Sales & Orders

Marked improvement – for some. The Q1 figure of 44% reporting increased UK Sales is the highest for 2½ years, since 2015 Q3.

Likewise for UK forward Orders: 40% is the highest since 2015 Q2.

Yet almost 1 in 5 continue to report decreased UK Sales/Orders. Whilst there will always be thrivers and strugglers, this tendency towards greater polarisation has become a feature of our post-crash economy.

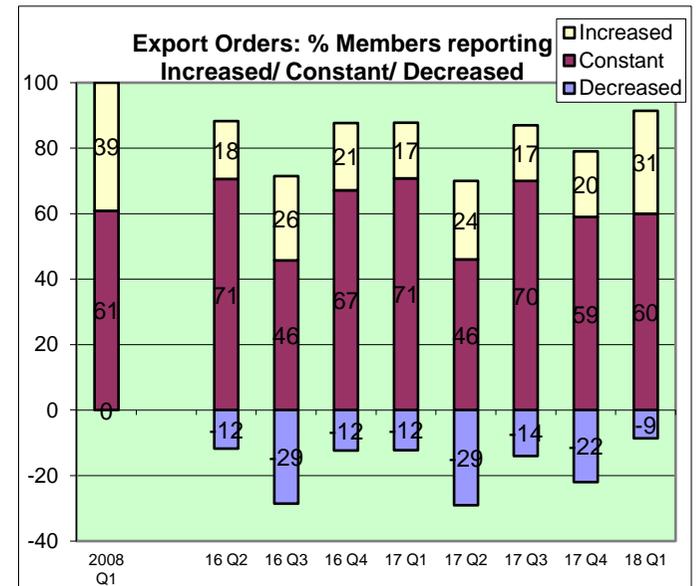


Export Sales & Orders

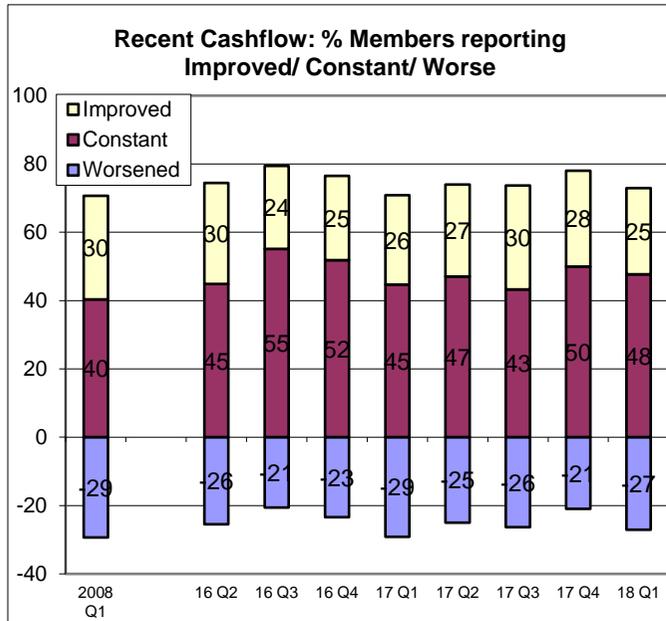
As with UK business, a marked improvement for some.

However, whilst 31% of respondents continue to report increased Export Sales and Orders in Q1, there is still a good deal of volatility especially among the strugglers (9% → 12% → 24% → 13% → 22% → 8%).

NB Big fall in number of Exporters: 41% of respondents in Q4, 33% in Q1. See chart of Members Exporting (below). Did some of the Q4 strugglers give up?



2. Cashflow and Prospects

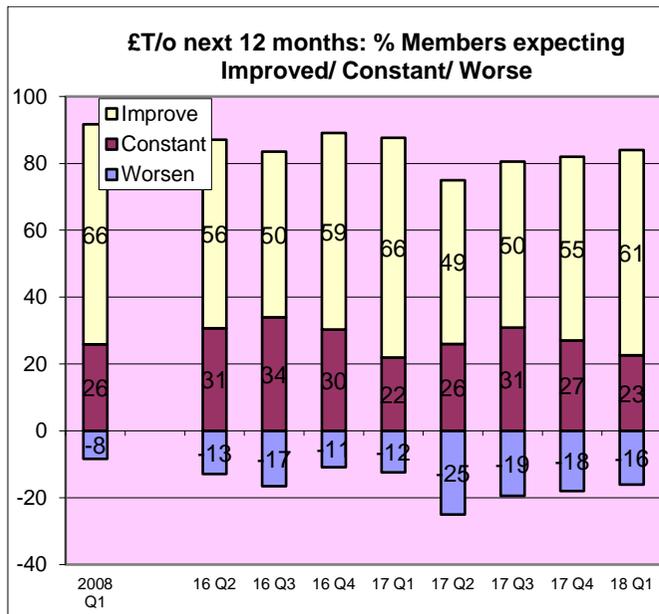
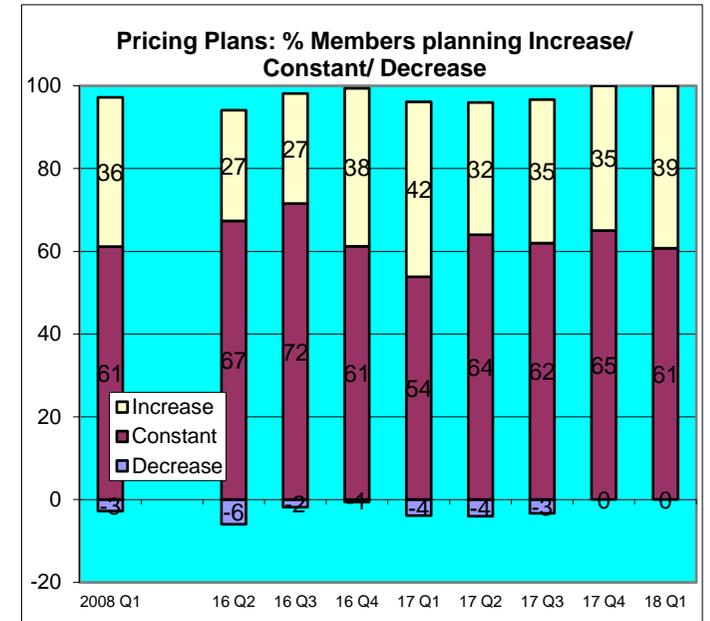


Recent Cashflow

After the improvement in Q4 2017, it's a surprise to see more firms report worse than improved Cashflow. Maybe hit by unpriced-in cost increases?

Planned Price Increases

Unanimity continues: no respondents indicated any plans to cut their Prices. And, as in Q4 2017, as many as 2 in 5 indicated plans to increase their Prices.

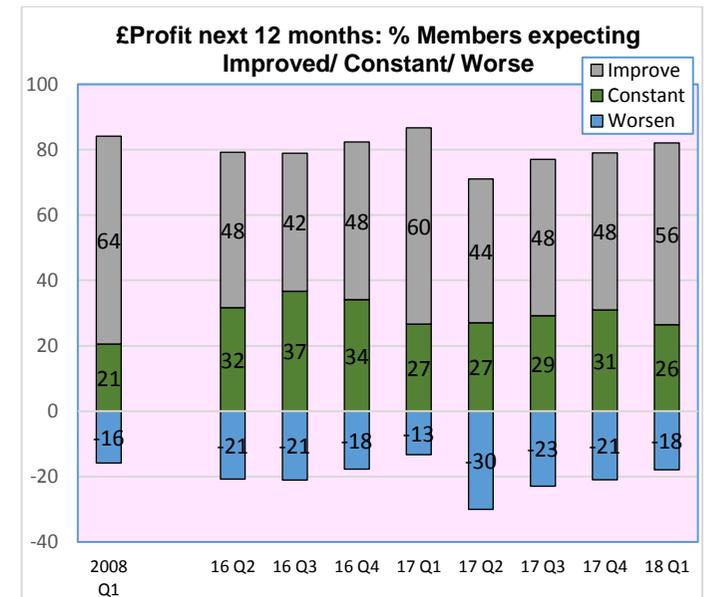


Expectations of Sales Turnover & Profits

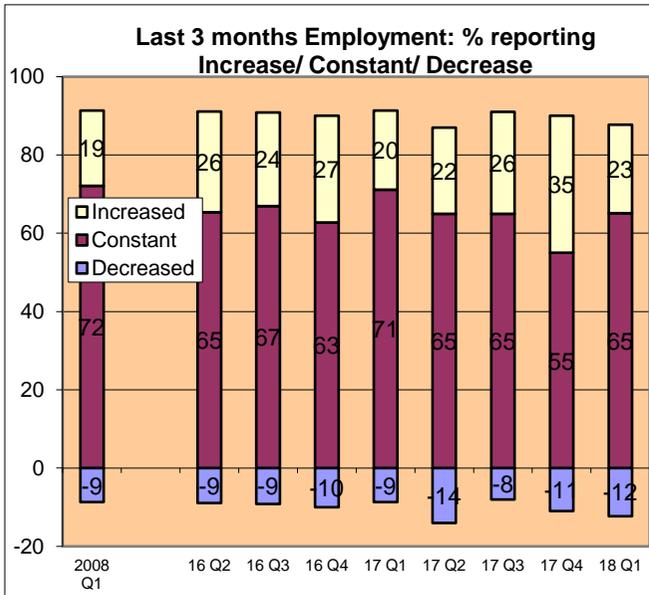
Given the ongoing input-cost Inflation and planned Price increases, it's unsurprising that over 60% of respondents foresee Sales Turnover rising in the next 12 months.

However, what is a surprise given the subdued Cashflow (see above), is that over half are anticipating better profits. Are we again seeing some polarisation between thrivers and strugglers?

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.



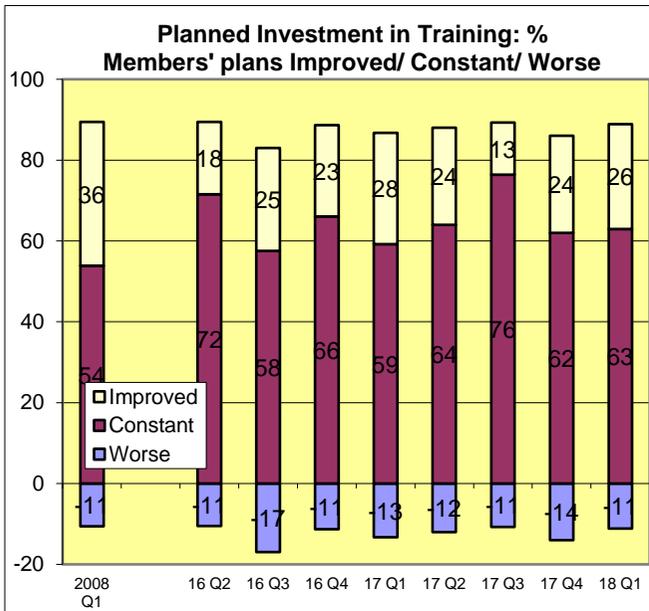
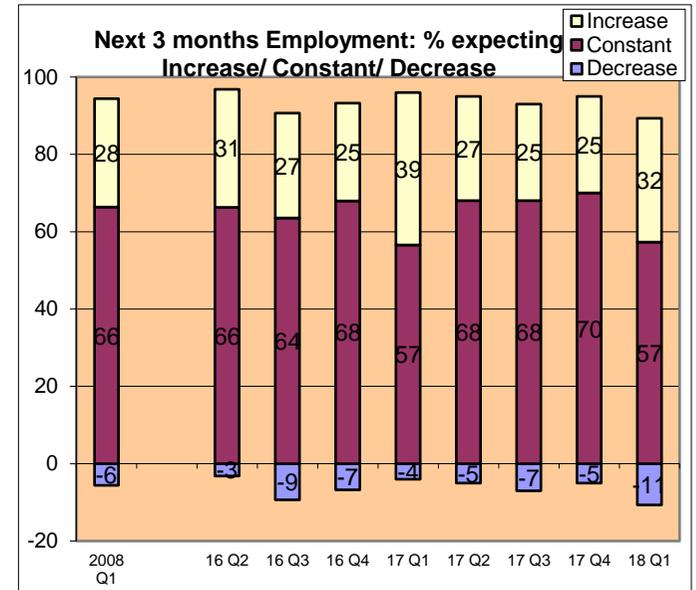
3. Investment in Staff & Kit



Employment: last 3 months, next 3 months

Subdued – maybe on the back of rather subdued Sales and Orders in Q4 2017?

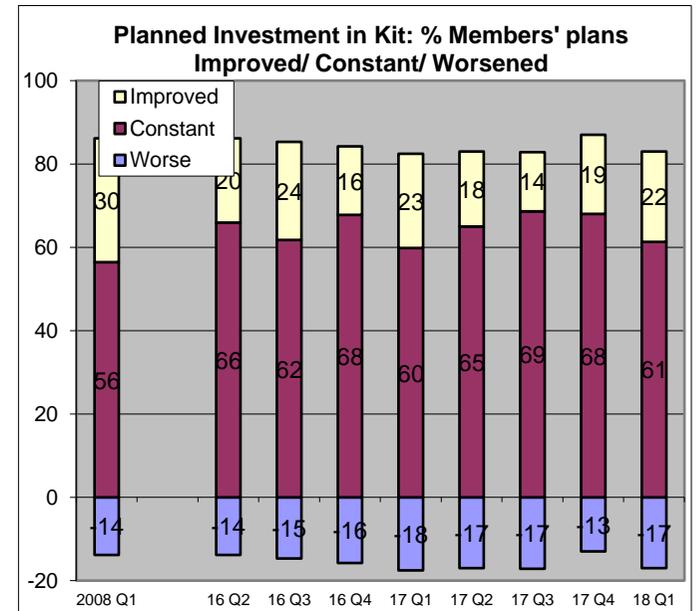
Meanwhile Employment Expectations are mixed: nearly 1 in 3 expect to grow their workforce, whilst more than 1 in 10 expect to shrink it.



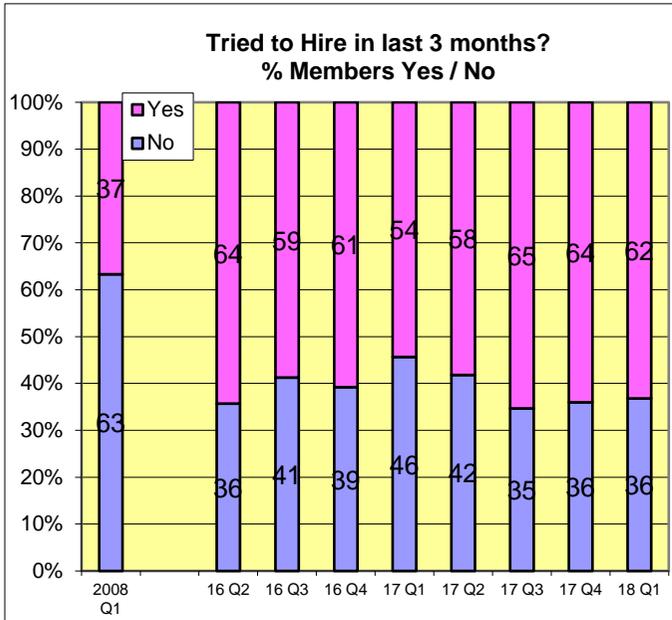
Planned Investment in Training and Kit

Training – recovery continues.

Kit – mixed. Recovery continues for some, whilst caution returns for others.



4. Hiring needs

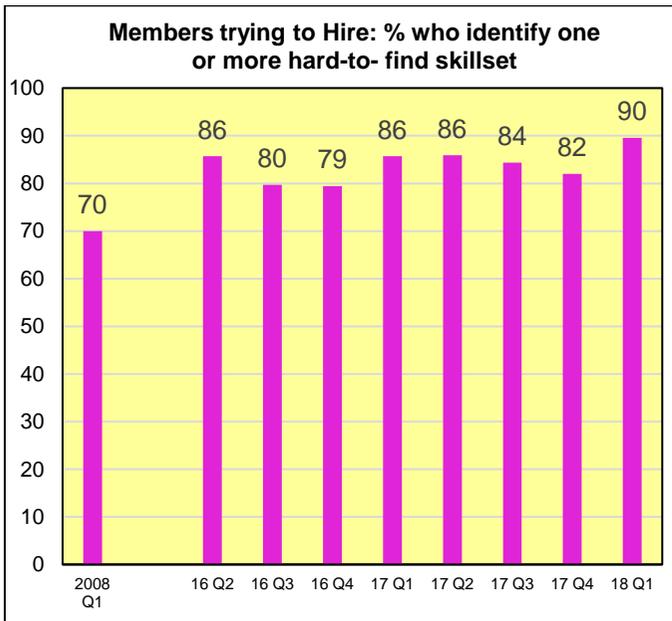
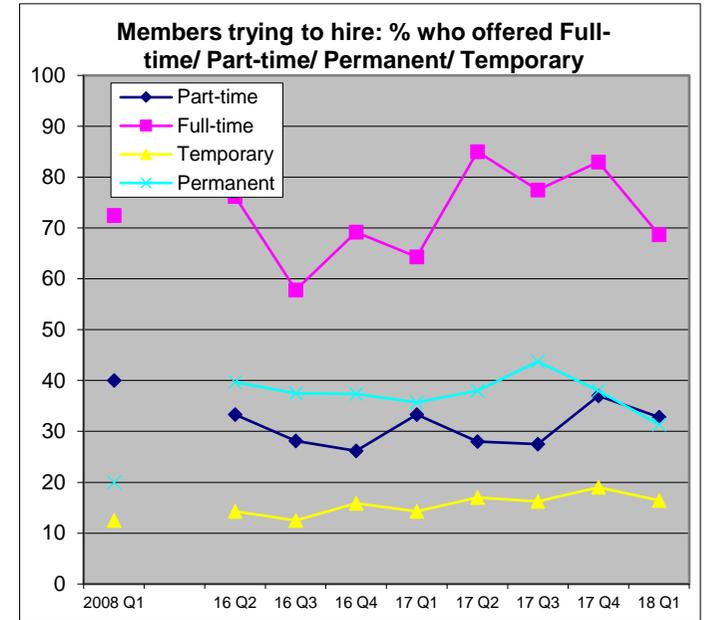


Attempts to Hire in last 3 months

Gradual decline in those attempting to hire staff. Even so, demand for the right skillsets remains strong, with more than 3 in 5 still searching.

Job type offered in last 3 months

The steady-ish proportion that did try to hire, offered fewer jobs overall in every category.

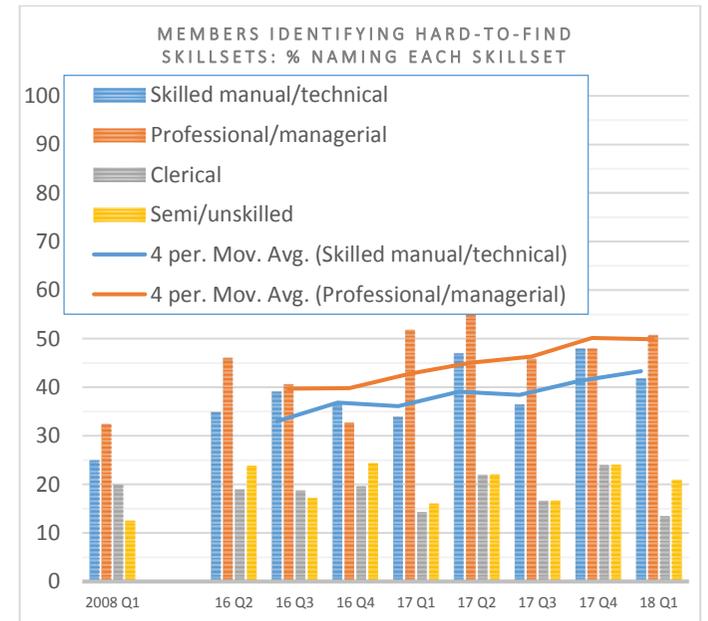


Hard to find suitable staff?

Kent's (and Britain's) much-reported skills shortage continues, with a record 90% of those that tried to hire struggling to find the right people.

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

As before. Half our members are struggling to fill Professional/managerial vacancies, with Skilled manual/technical shortages almost as great.



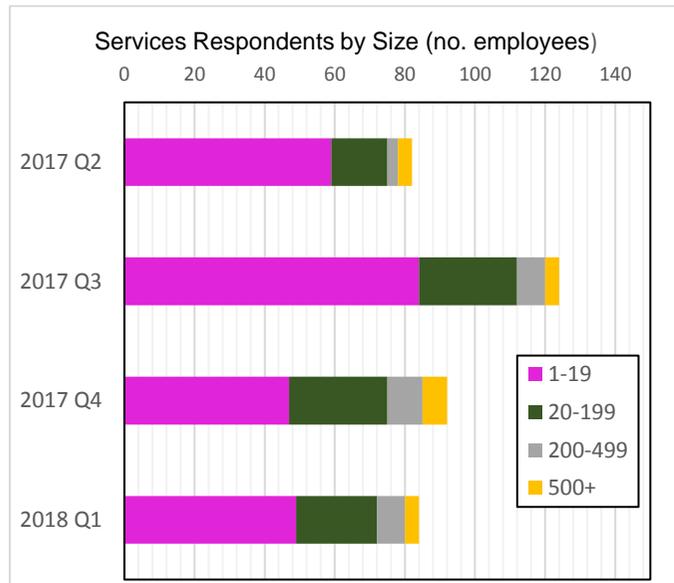
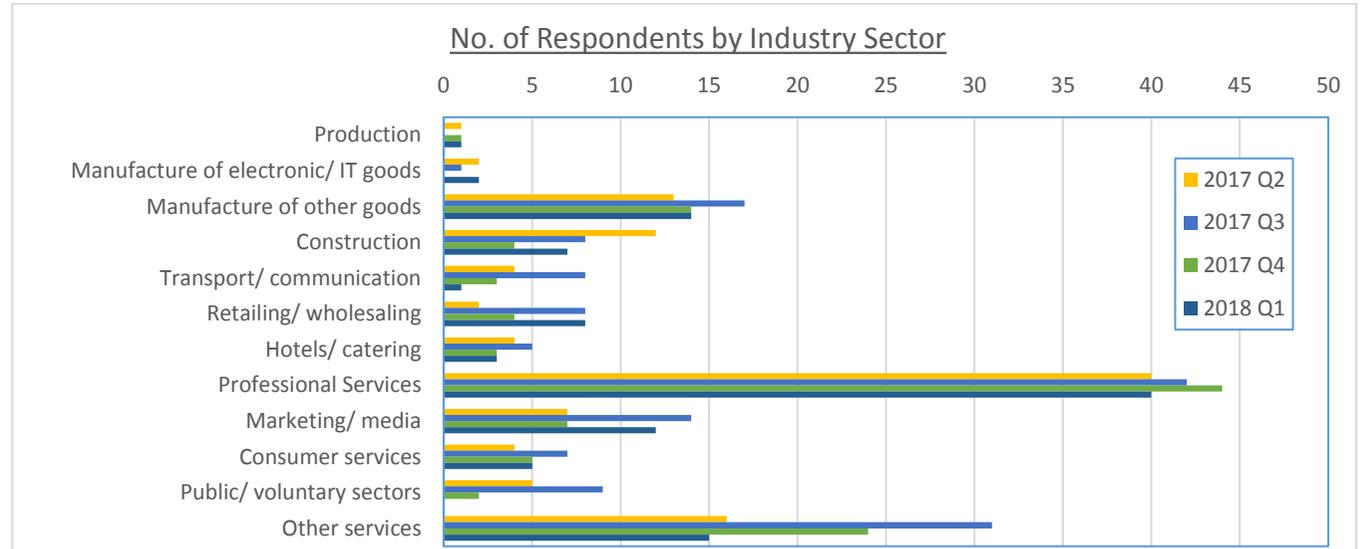
6. Respondents' composition by Industry Sector and Number of Employees

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 2018 Kent Invicta Chamber provided 28% of Services and 30% of Manufacturing responses within the total South East sample, amounting to 29% 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).

Between Q3 and Q4 British Chambers of Commerce changed to the HMRC size bands of 1-9, 10-49, 50-249, 250+. So, in Q1 only c.25% of Manufacturers are shown as employing 1-9, vs c.60% of Services.

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 six months. Patience, please!

