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.

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Findings for Q2 2018 (fieldwork late May/ early June)

Key Findings for Kent

After strong growth in Q1, many businesses consolidated their **UK Sales** – and UK forward **Orders** – though 1 in 6 continue to struggle.

Meanwhile, **Export Sales** and **Export Orders** continued volatile for some, even as 1 in 3 reported recent growth. The proportion of **members that export** reverted back up to its norm of 2 in 5 respondents.

Cashflow improved for 1 in 3, the highest proportion for more than three years. In addition to recent Sales growth this also probably reflects lower imported Inflation due to the strengthening pound.

As in Q1, as many as 2 in 5 were planning **Pricing** increases, with hardly any reporting planned **Pricing** cuts.

As in Q1, again, 3 in 5 were expecting their **Sales T/o** increase in the coming 12 months. However, only ¾ of these were **expecting their Profits** to increase – and more than 1 in 5 **expected Profits** to worsen.

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.

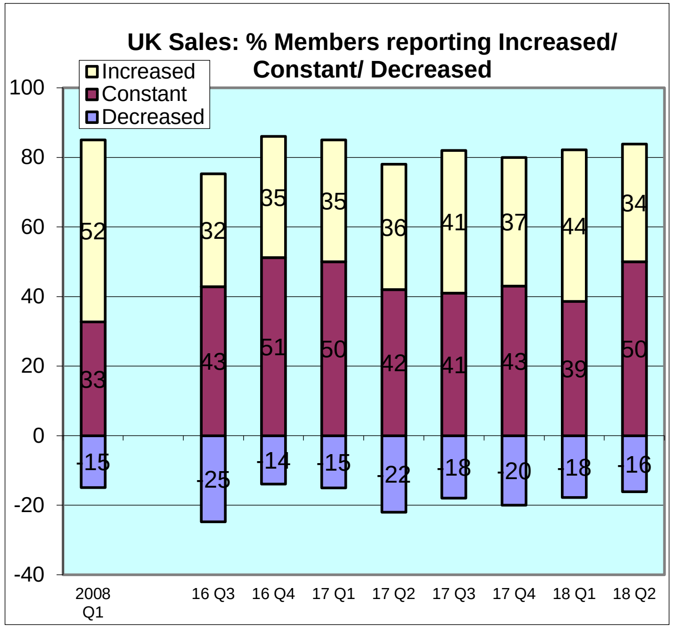
On the back of recent sales growth, **Employment** consolidated, with only 7% having shrunk their workforce, the lowest proportion since 2014. As for **Employment expectations**, only 3% were expecting their workforce to shrink in the coming 3 months, the lowest proportion for two years.

The recent recovery in **planned Training spend** continued in Q2 with 31% (the highest proportion since 2014) 'upping' their Training budget. **Plans for spending on Kit** (less flexible to deploy or to shed than Labour) also improved for 27%, the strongest for three years. Nonetheless, 1 in 6 reported cutting their planned investment in **Kit**.

In line with the UK as a whole, ¾ of respondents attempted to hire staff – the highest proportion since the 2008 crash. Paradoxically perhaps, fewer than usual (71%) reported difficulty in **finding the right skillset**. Hardest to fill are still **Professional/managerial** vacancies, with **Skilled manual/technical** not far behind.

P**ressures on Pricing** continued to ease, maybe due to the strengthening pound. Other **Concerns** were also more muted, except that Competition re-emerged as the principal **Concern**.

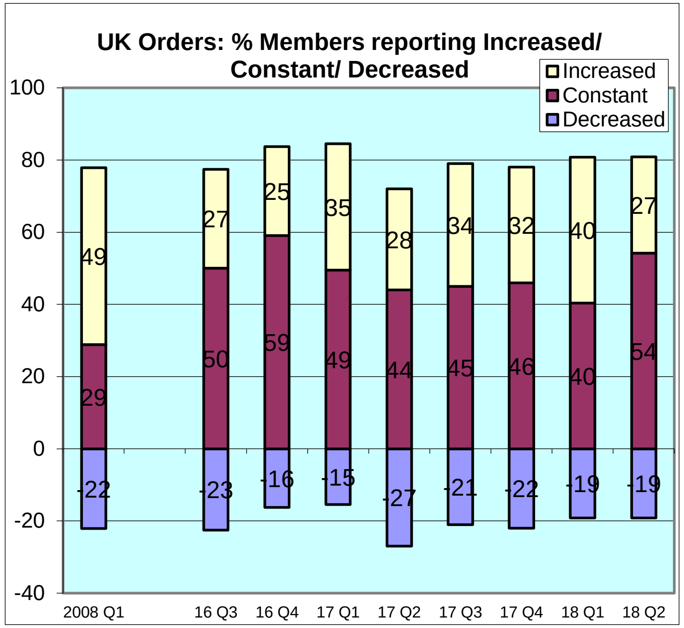
1. Recent Sales and Current Orders

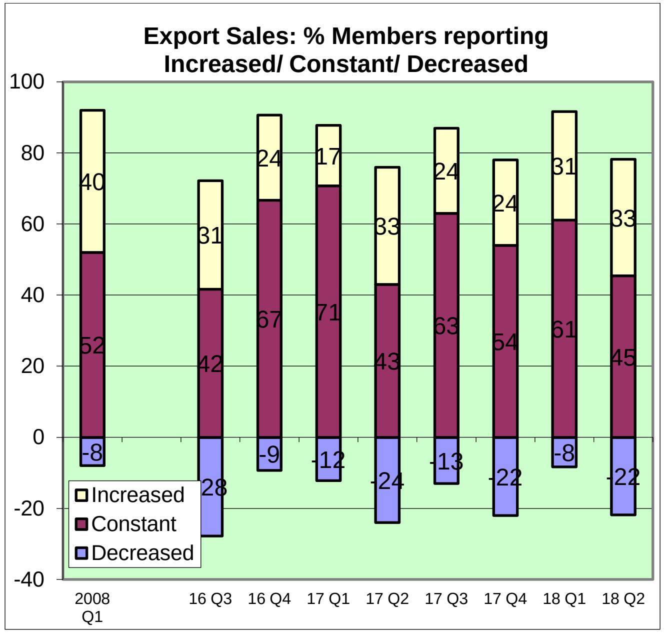


UK Sales & Orders

The picture for Q2 is largely one of consolidation, building on the UK Sales growth reported by 44% of respondents in Q1 – the highest percentage reporting growth for almost three years.

Likewise for UK forward Orders: consolidation is the watchword for Q2.

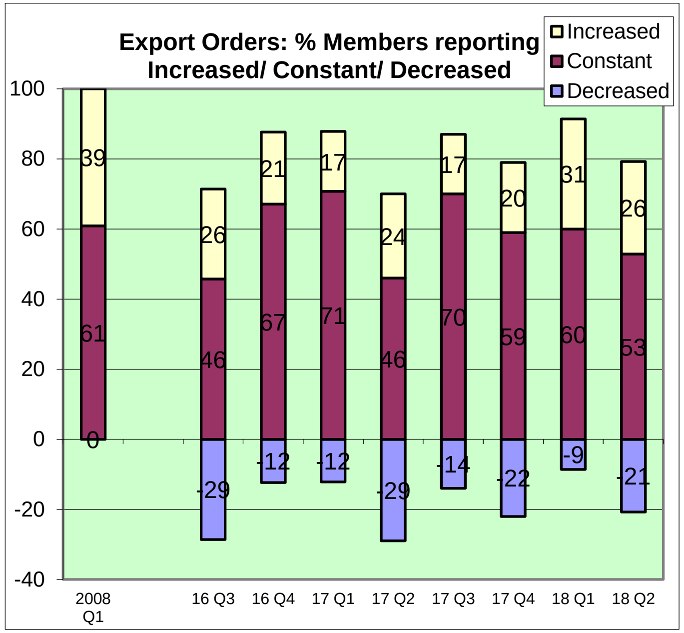




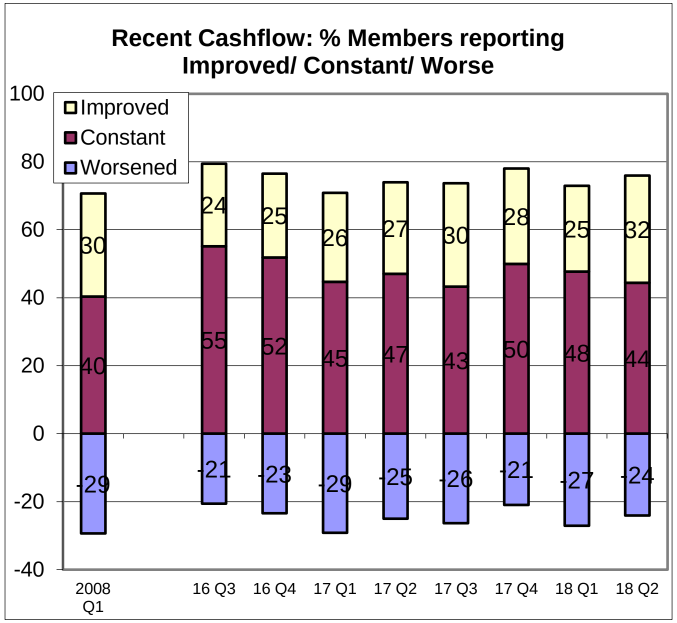
Export Sales & Orders

Exports continue volatile, for both recent Sales and forward Orders.

Even so, the percentage of respondents reporting Export growth remains encouraging: 33% reporting growth hasn't been bettered since 2014.



2. Cashflow and Prospects

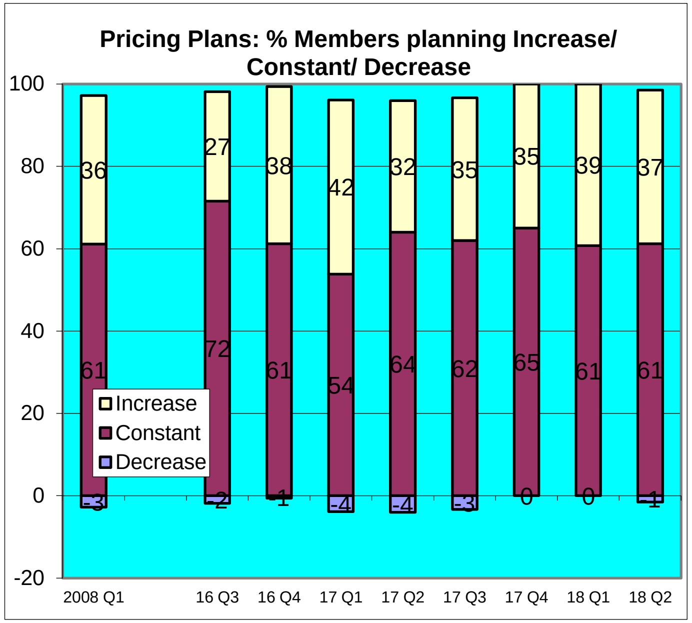


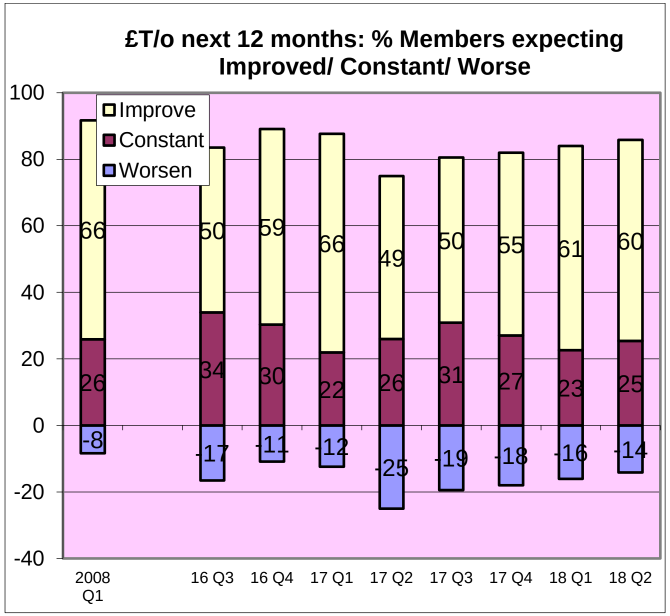
Recent Cashflow

After the slight dip in Q1, it's good to see more than 30% report improved Cashflow – for the first time since 2015. Perhaps they have been helped by sterling's gradual recovery, as well as having absorbed the hit from imported inflation?

Planned Price Increases

Unanimity continues: hardly any respondents indicated plans to cut their Prices. And, as for the past couple of years, some 2 in 5 indicated plans to increase Prices.



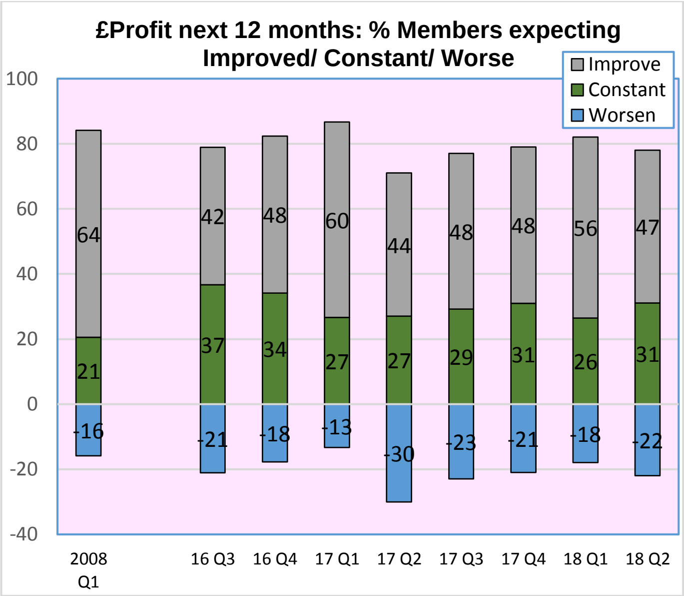


Expectations of Sales Turnover & Profits

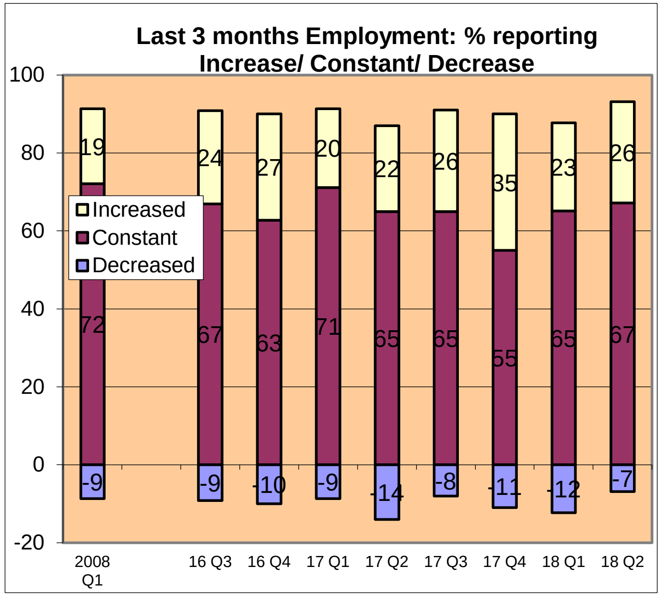
Given the ongoing input-cost Inflation and planned Price increases, it's unsurprising that 60% of respondents continue to foresee Sales Turnover rising in the next 12 months.

Profit expectations. However, are much more modest.

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.



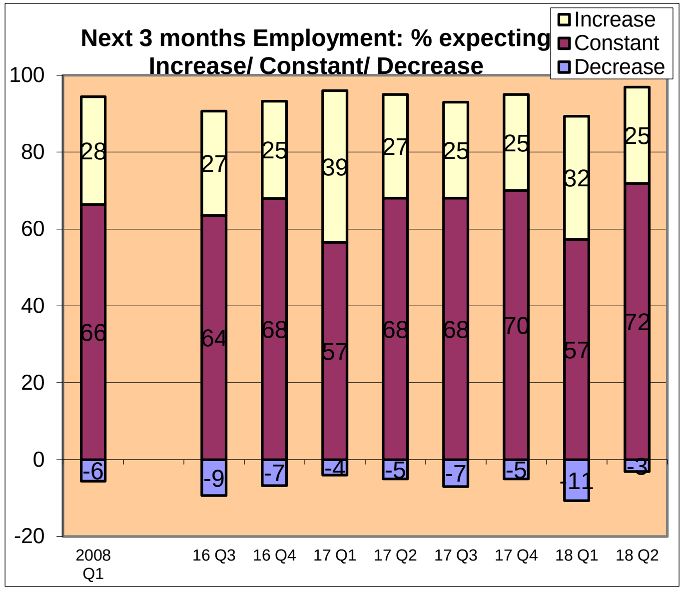
3. Investment in Staff & Kit

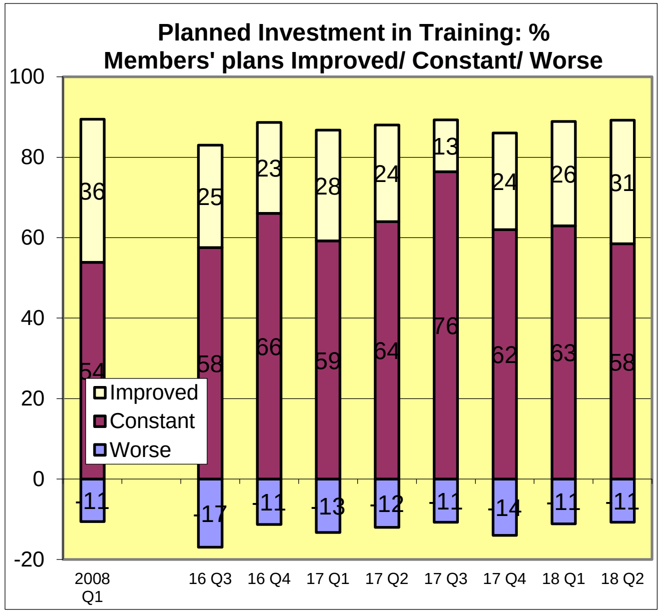


Employment: last 3 months, next 3 months

On the back of Q1 Sales growth, consolidated in Q2, it is understandable – and encouraging – to see that relatively few (7%) have shrunk their workforce, the fewest since 2014.

All the more so, in that only 3% expect to reduce their workforce in coming months – the smallest percentage for two years expecting to shrink.



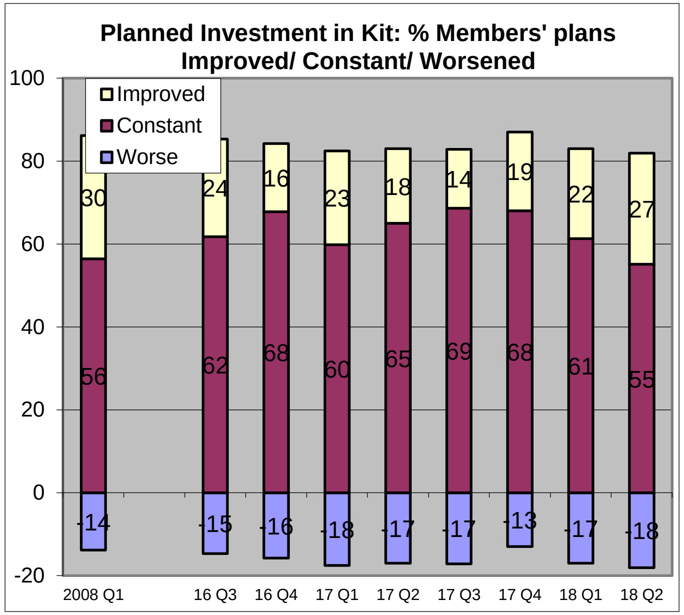


Planned Investment in Training and Kit

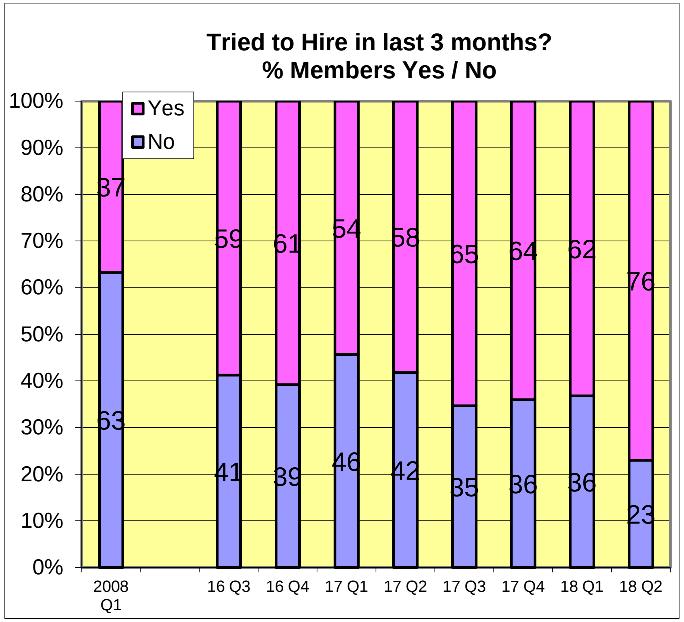
The recovery in respondents 'upping' their Training budget continues. 31% of firms raising their Training budget is the highest since 2014.

Kit – still a mixed picture: recovery continues for some, whilst caution returns for others. Even so, 27% reporting an increase in their planned spend on Kit is the highest for three years.

This makes it all the more noteworthy that 1 in 6 (18%) have cut their planned spend on Kit – renewed evidence of some polarisation between thrivers and strugglers.



4. Hiring needs



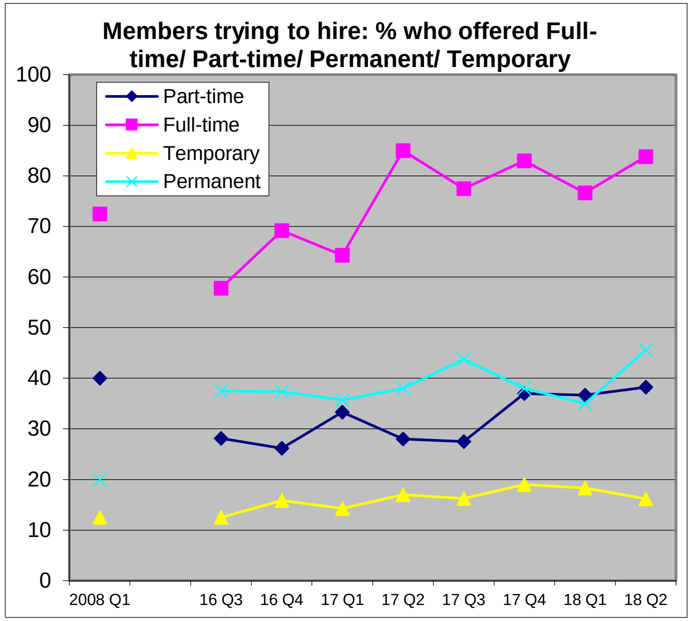
<u>Attempts to Hire in last 3 months</u>

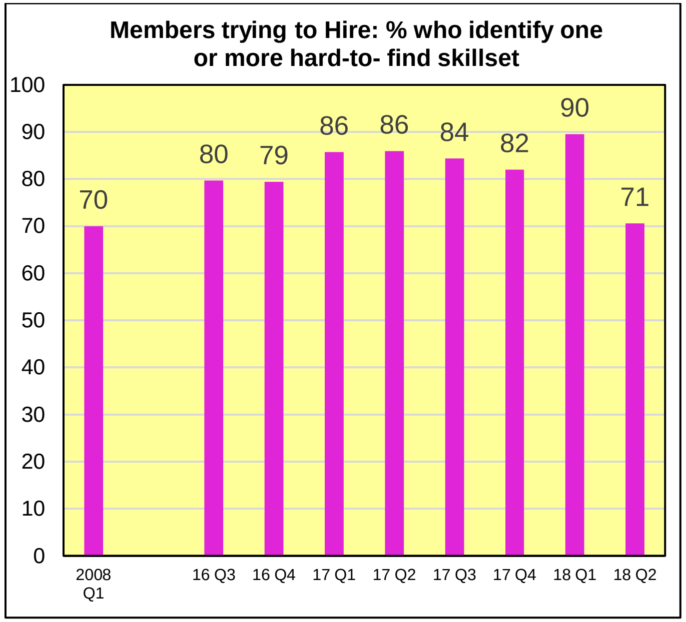
In line with the UK as a whole, in Q2 no fewer than ¾ of respondents reported trying to hire staff, the highest proportion since the 2008 crash.

<u>Job type offered in last 3 months</u>

Demand for full time staff, and especially Permanent employees picked up (see above re Employment).

The upward trend in Part-time demand may reflect increasingly cost-conscious firms taking care to pay only for the exact job they need their new hires for.



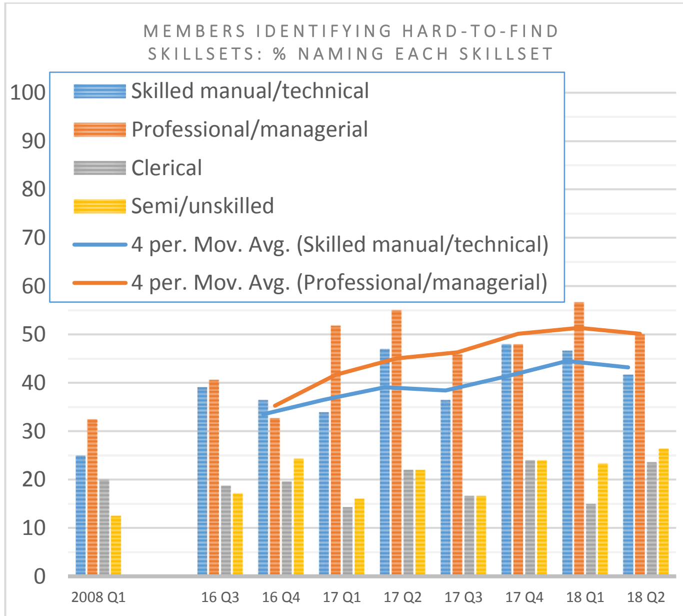


<u>Hard to find suitable staff?</u>

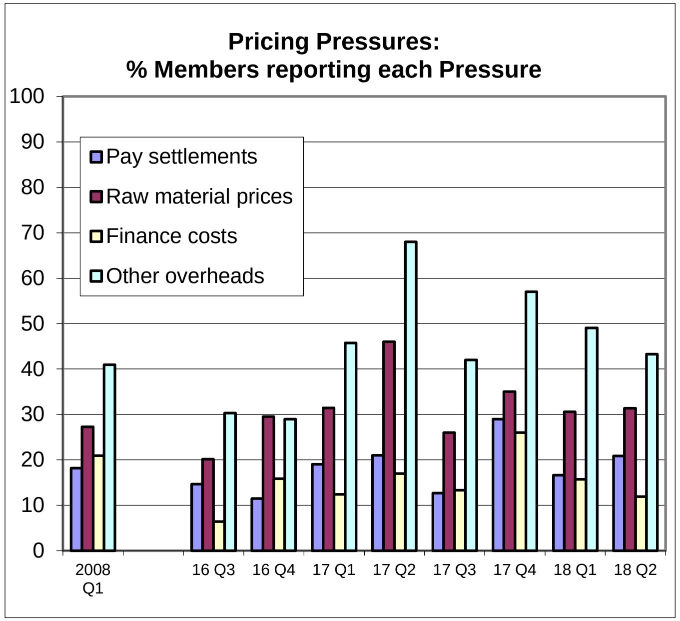
Surprising to find such a reduction in respondents struggling to fill posts – though, again, this is consistent with survey figures across the UK. Whilst this easing in skills shortage was most marked in Services it was also apparent among Manufacturers.

<u>Hard-to-find: categories sought</u> (see right)

Encouraging to see some easing in the scarcity of Skilled manual/technical and Professional/managerial skills.



5. Current Pressures

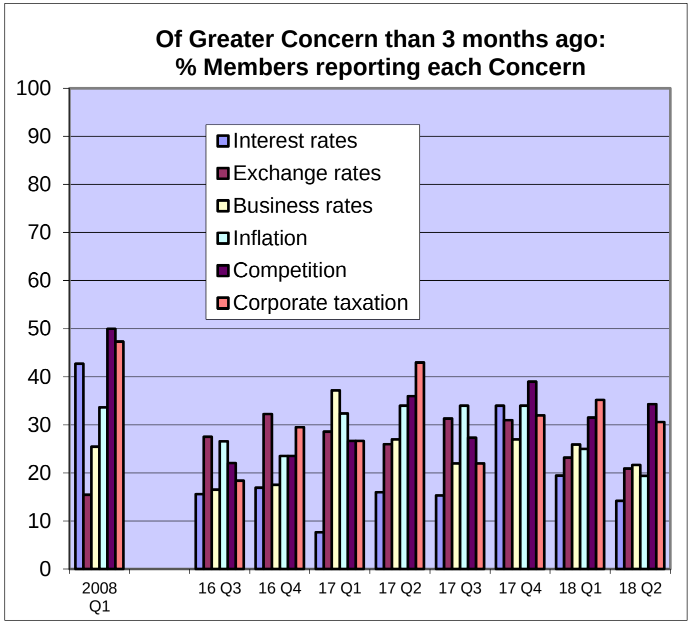


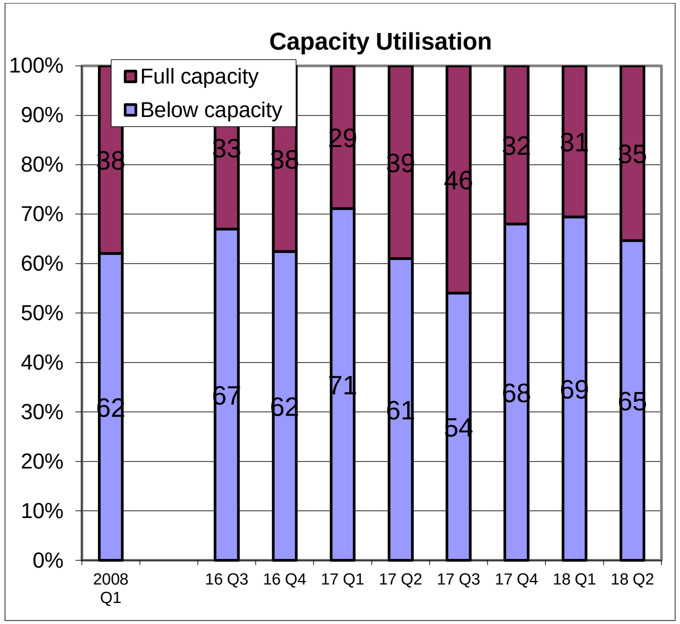
<u>Pricing Pressures</u>

Some easing of pressures. Perhaps the strengthening pound has continued to reduce the level of imported Inflation (see above re Cashflow).

<u>Issues 'Of Greater Concern'</u>

With the trading environment gradually less turbulent (Exchange rates, Inflation), Competition is once again reasserting its salience as a business concern.



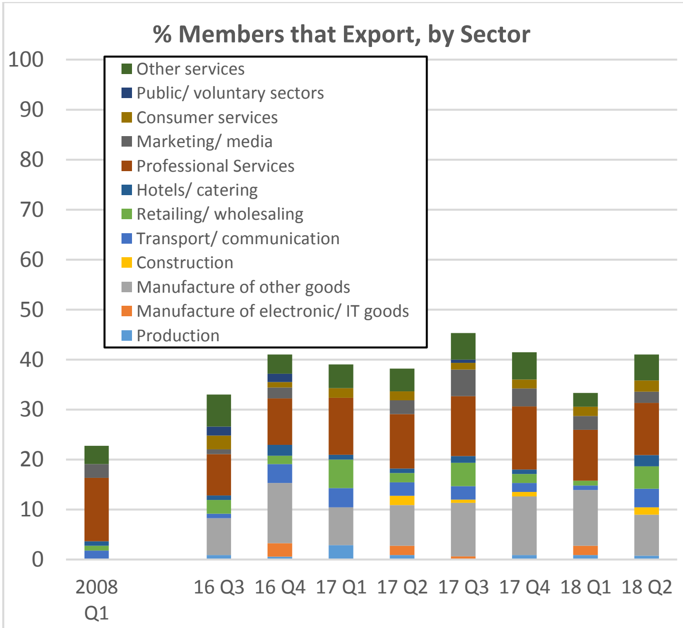


<u>Capacity Utilisation</u>

As usual, two-thirds of respondents are maintaining spare capacity to take advantage of growth in demand.

<u>Percent of Members Exporting</u>

Good to see the proportion of respondents that Export return towards its norm @ 40%.



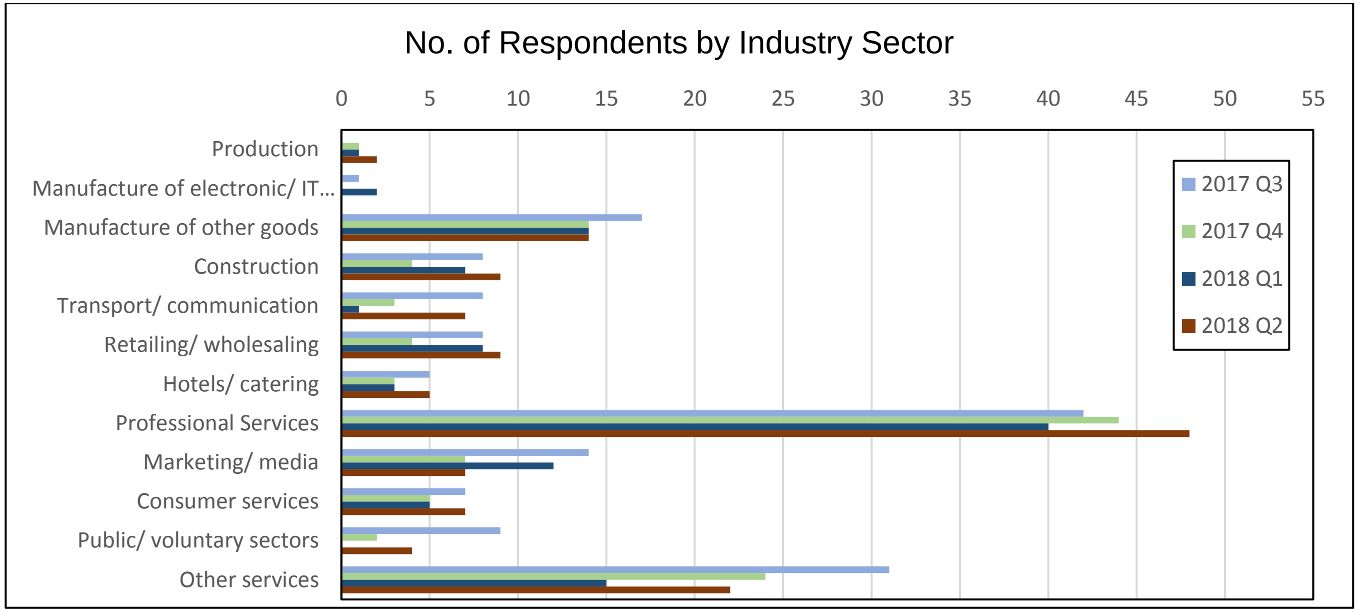
6. Respondents' composition by Industry Sector and Number of Employees

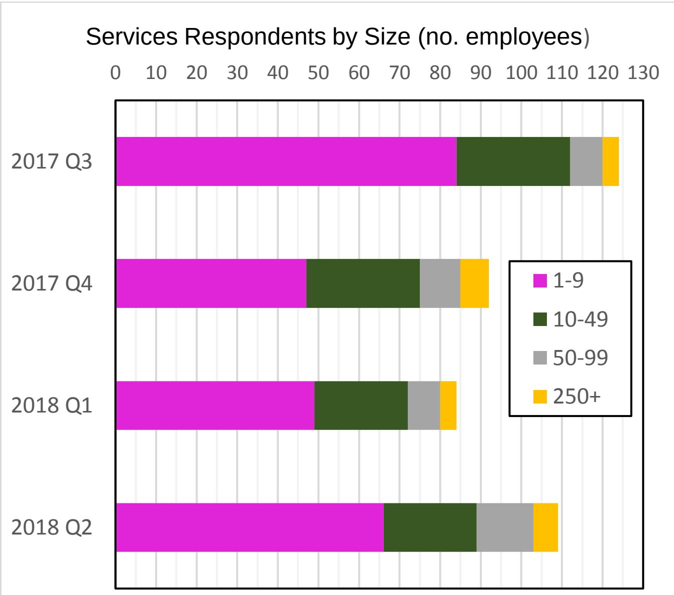
<u>Industry Sector</u>

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 Q2 2018 Kent Invicta Chamber provided 44% of Services and (coincidentally) 44% of Manufacturing responses within the total South East sample, i.e. 44% overall.





<u>Size of responding businesses, by number of Employees</u>

Historically, respondents with fewer than 20 staff have constituted around two-thirds of the total sample (<u>both</u> Services <u>and</u> 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 Q2 only c.40% of Manufacturers are shown as employing 1-9, *vs* c.60% of Services.

This update means that for now the bars in these charts are not internally consistent for either Services or Manufacturing. This inconsistency will resolve itself in 2018 Q3.