

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 Q4 2018 (fieldwork late November/ early December)

Key Findings for Kent

In much of Kent's Business-to-Business sector, the previous half-year's growth in **UK Sales** and **UK forward Orders** continued in Q4: overall, 42% reported an increase. However this positive position was partly offset by weak Business-to-Consumer results: overall, 24% reported a decrease.

Meanwhile, **Export Sales** and **Export Orders** held up well.

Cashflow continued steady for most – though worse for as many as 50% in Retailing/Wholesaling, part of the Business-to-Consumer (B2C) sector.

A majority of respondents (60%) were planning to hold **Pricing** steady. At the same time, some in sectors vulnerable to imported Inflation, such as Manufacturing and Retailing/Wholesaling, planned to raise their prices.

Expectations of Sales T/o remained cautious. **Profit expectations** were a bit higher than in Q3.

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 increased modestly in Q4 on the back of improved UK Sales, see above. **Employment expectations** going forward, however, remained cautious.

Despite good UK Sales growth, **planned Training spend** remained only steady. Meanwhile, **planned spending on Kit** polarised somewhat: 1 in 4 had raised their budget for Kit but 1 in 5 had cut theirs.

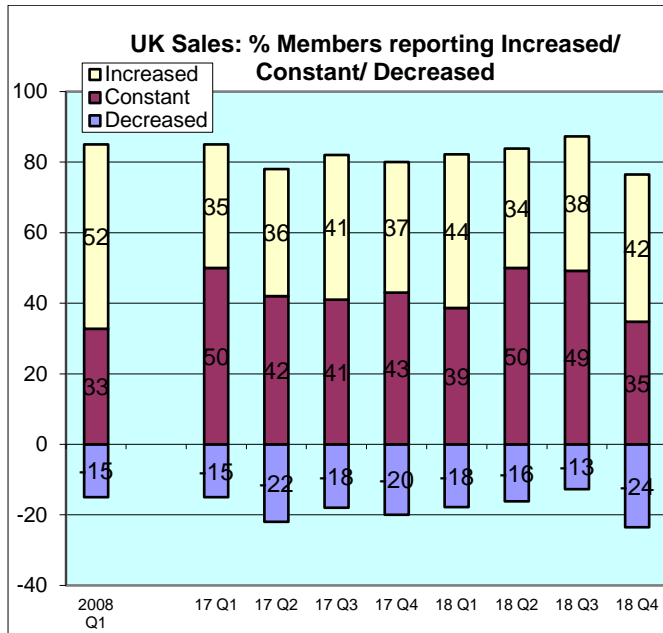
As in Q3, fewer than 6 in 10 **tried to hire staff**, probably due to Brexit uncertainty. Even so, 86% of these reported **hard-to-find skillsets**, mainly **Professional/managerial** and **Skilled manual/technical**.

Whilst **pressures on Pricing** continued from Overheads and Raw Materials, Corporation Tax overtook Inflation as '**of greater Concern**'.

The Bigger Picture: The South East & Whole UK

UK domestic Sales grew not just in Kent but across the South East – unlike the UK as a whole, where Services were especially weak. Kent's severe recruitment difficulties persisted across the SE and the whole UK. Pressures on Pricing were weaker in Kent than in the SE and whole UK, but so was confidence in Sales t/o and Profit. Arguably Kent is a relatively settled trading community, and hence less volatile.

1. Recent Sales and Current Orders

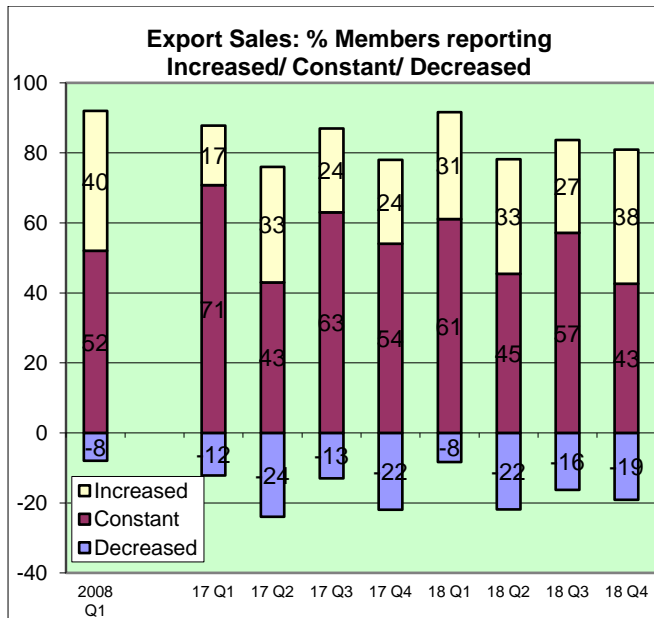
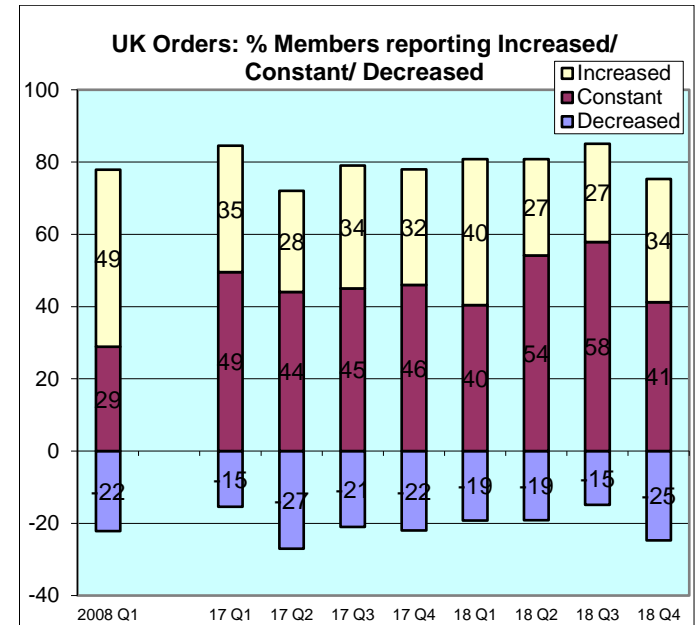


UK Sales & Orders

42% of respondents reported growth in Q4 UK Sales, only the third reading above 40% since the Brexit vote in June 2016.

This positive picture contrasts, however, with the 24% reporting UK Sales decrease – the worst figure for more than two years. Detailed analysis (not included here) shows this polarisation mainly reflects weakness in the Business-to-Consumer (B2C) sectors Retailing/Wholesaling and Hotels/Catering.

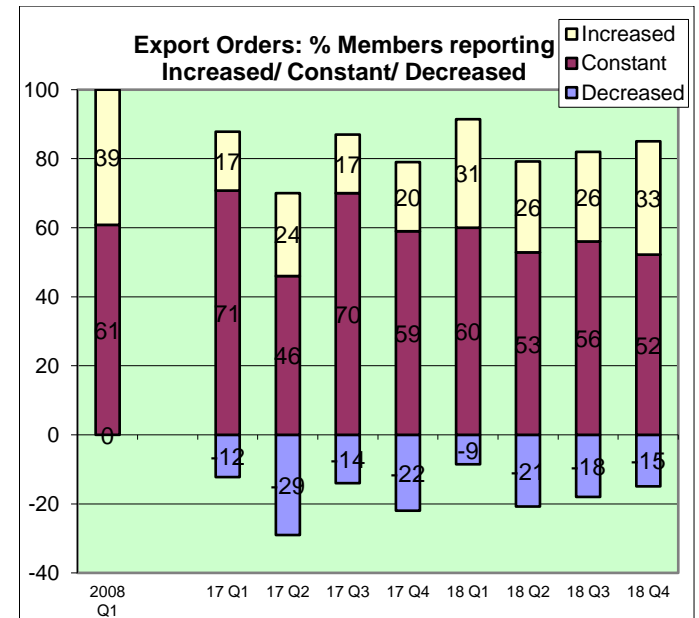
UK Forward Orders show a similar overall pattern: one-third reported growth, but one-quarter reported a decrease. This B2C weakness is widely thought to reflect households' nervousness over Brexit.



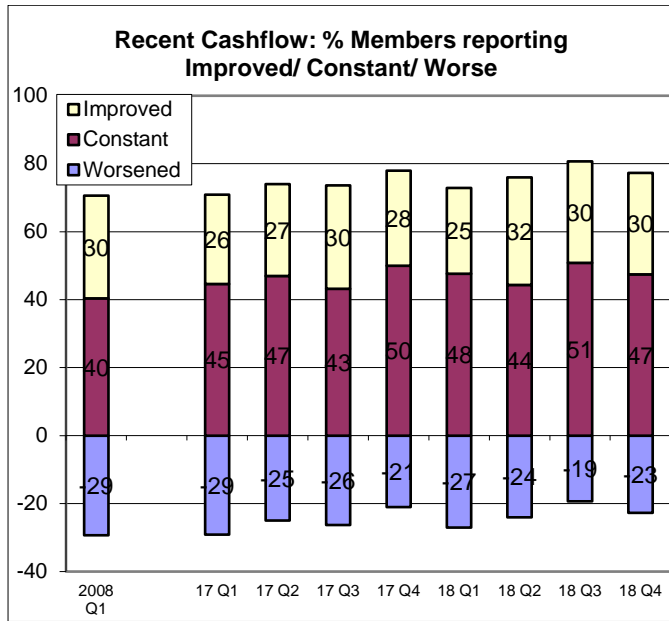
Export Sales & Orders

As with the UK domestic market, more respondents than usual reported growth in Export Sales, and also in Export Orders.

Our Exporters are favoured by the weak pound – and, in contrast to the UK domestic market, our exporters in Retailing/Wholesaling all reported growth in the previous 3 months' *Export Sales* (analysis not shown here).



2. Cashflow and Prospects

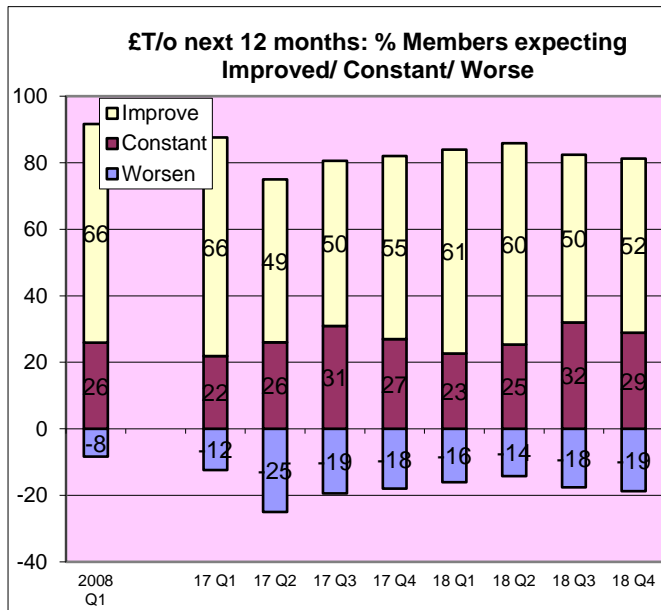
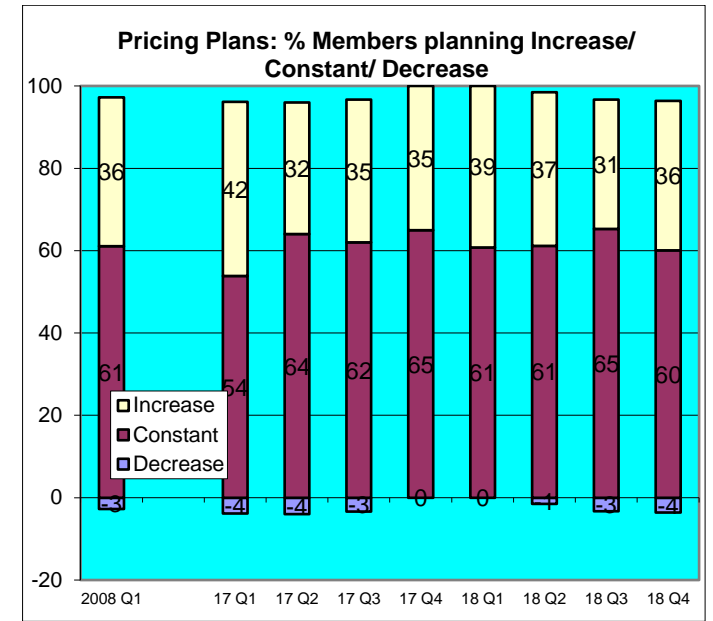


Recent Cashflow

Reported Cashflow continued steady for most respondents in Q4. Some Retailing/Wholesaling firms, however, reported their Cashflow worsening (details not shown here).

Planned Price Increases

A majority of respondents (60%) were planning to hold their prices steady. However, many in Manufacturing, as well as Retailing/Wholesaling, were planning price increases (details not shown here). See also below re price pressures from Overheads and Raw Materials.

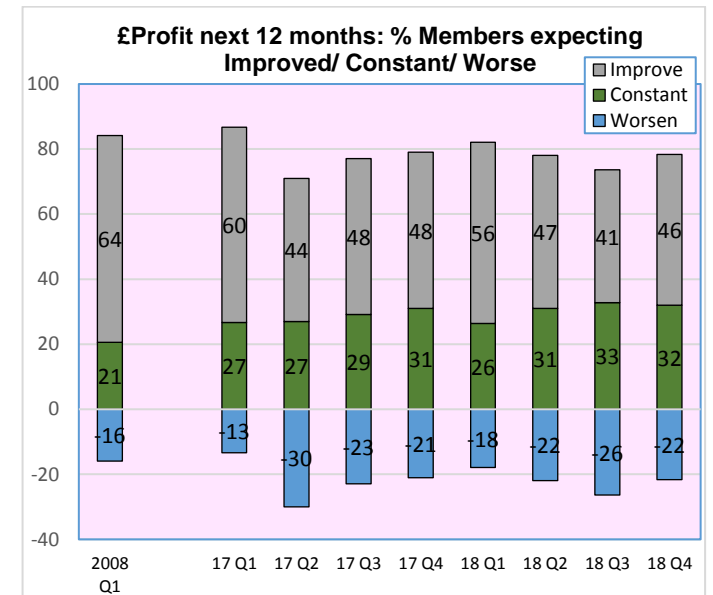


Expectations of Sales Turnover & Profits

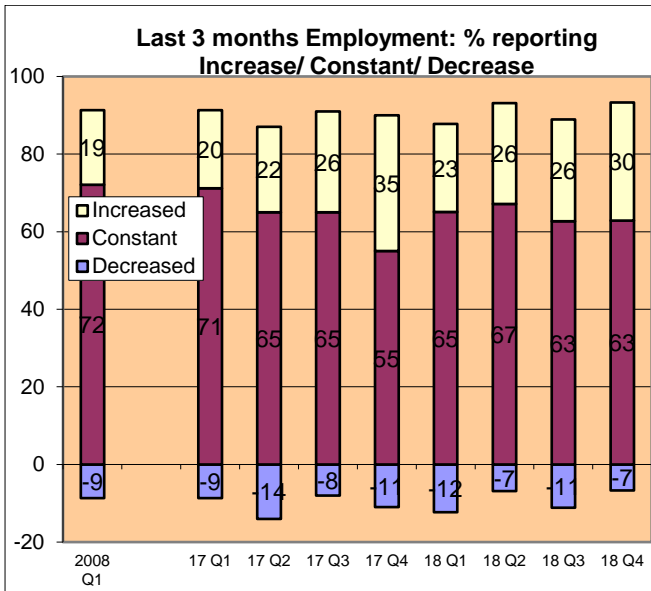
The Sales T/o expectations continue to be amongst the most cautious we've seen in the past year and a half.

Profit expectations, meanwhile, are a bit more mixed, indicating 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.



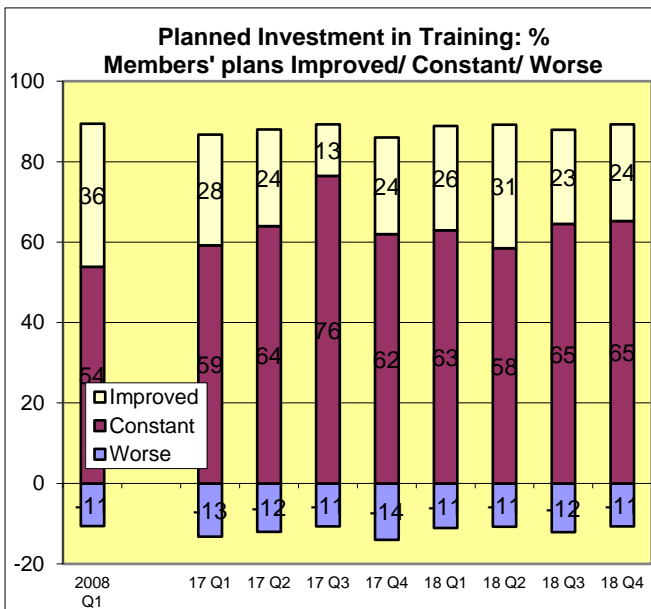
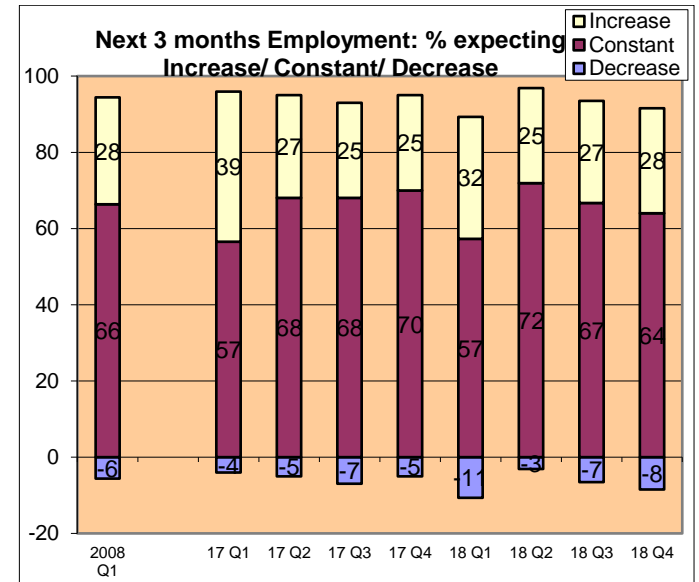
3. Investment in Staff & Kit



Employment: last 3 months, next 3 months

With some 4 in 10 respondents reporting Sales growth in Q4 (see above), hiring had strengthened a little. Hiring expectations, meanwhile, remained cautious.

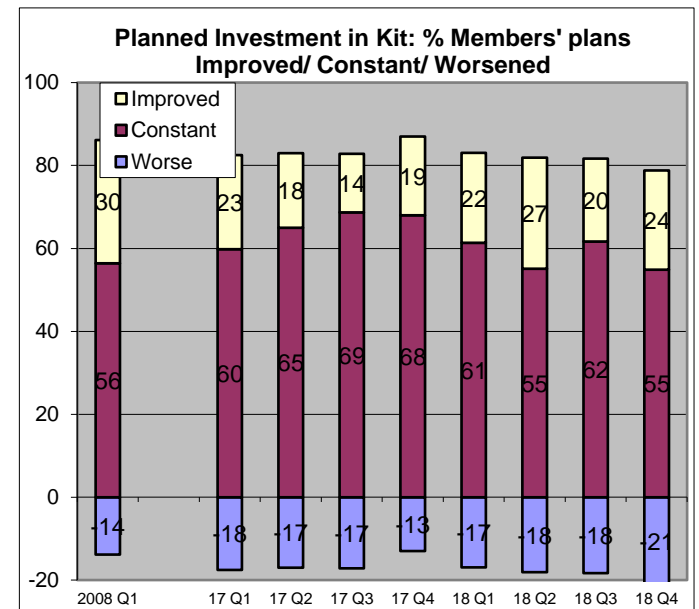
Employer caution shows most clearly in that, as in Q3, as many as 50% of respondents reported working at Full Capacity (see below).



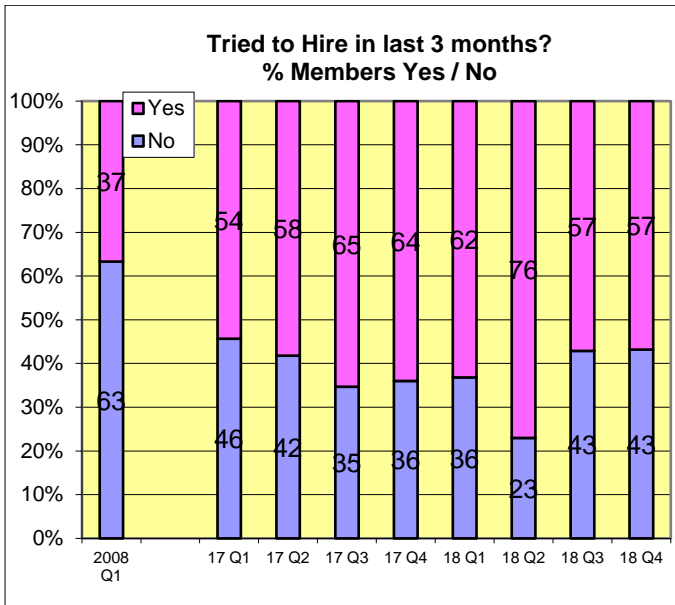
Planned Investment in Training and Kit

Despite the UK Sales growth, planned investment in Training remained steady. This probably reflects caution in anticipation of Brexit.

Planned Investment in Kit tended to polarise, with 1 in 4 'upping' their planned spend but with 1 in 5 cutting theirs.



4. Hiring needs

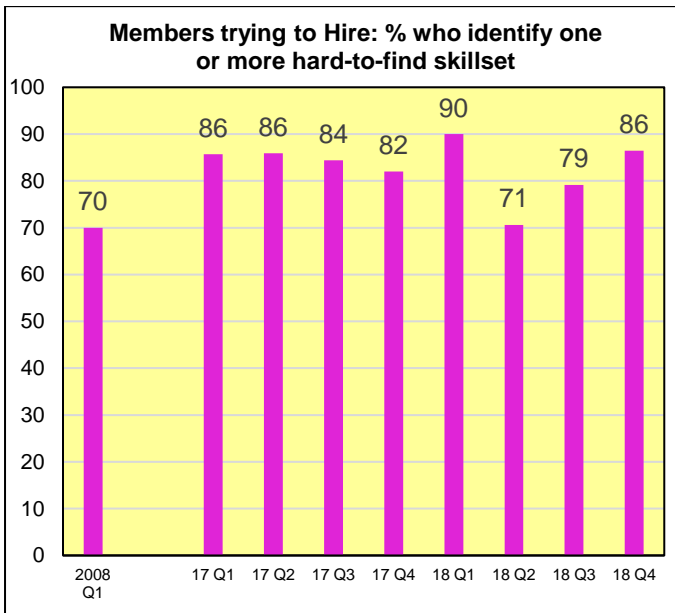
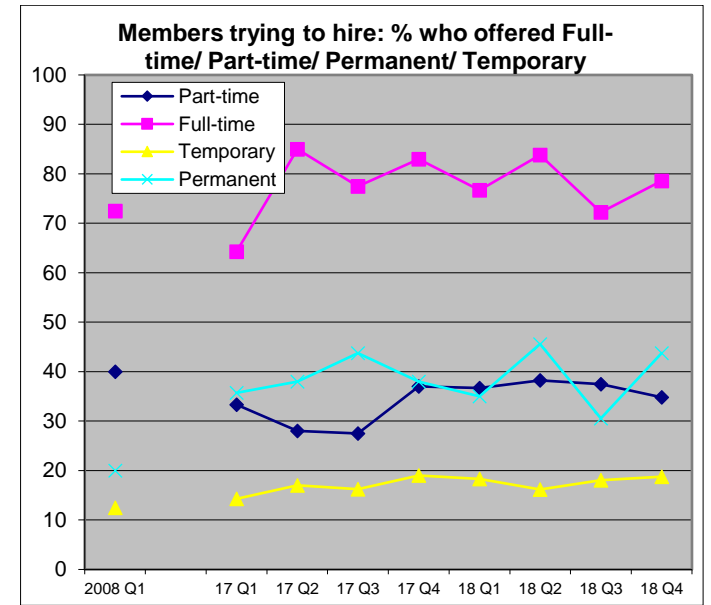


Attempts to Hire in last 3 months

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

Job type offered in last 3 months

Not much pattern in the job-status on offer, except for the long-term growth in demand for Temps.

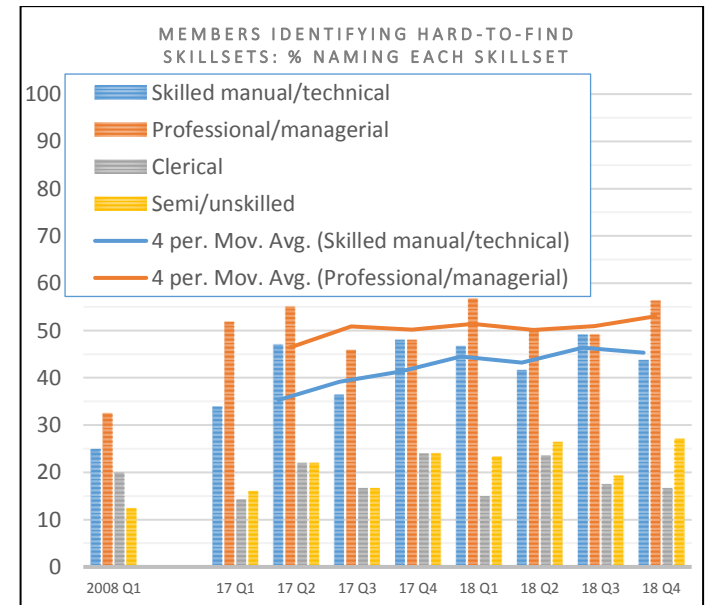


Hard to find suitable staff?

The fact that fewer employers than usual tried to hire in Q3 and Q4 hasn't resulted in making it easier to find the right skillsets.

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.



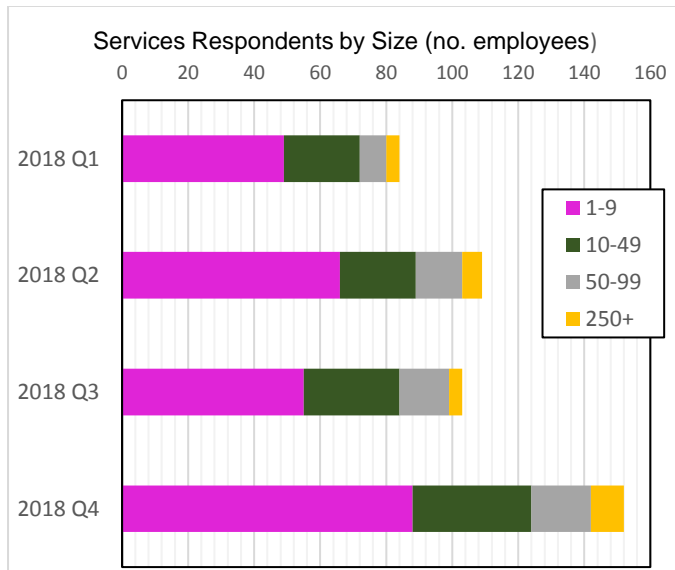
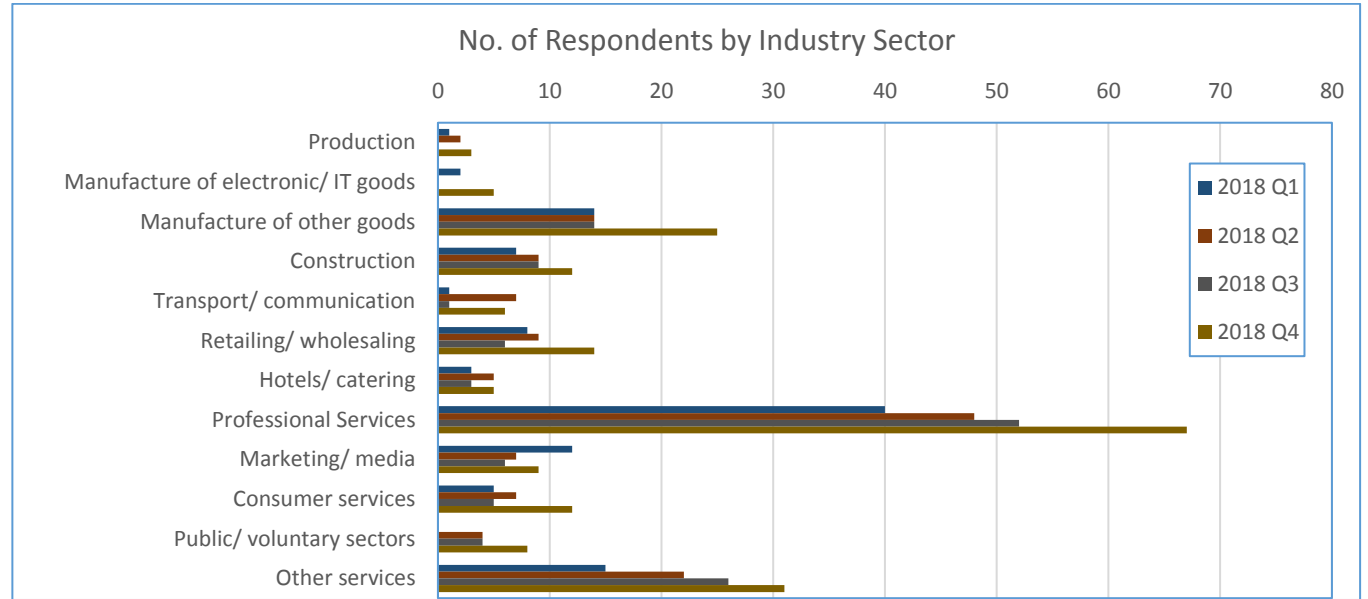
6. Respondents' composition by Industry Sector and Number of Employees

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 2018 Kent Invicta Chamber provided 44% of Services responses and 53% of Manufacturing responses within the total South East sample, amounting to 45% overall.



Size of responding businesses, by number of Employees

More micro-businesses than usual responded to the survey in Q4, among Services and especially Manufacturers.

This is largely in line with Chamber membership.

