

Quarterly Economic Survey: Kent Invicta Chamber

Introduction

Kent Invicta is one of nine Chambers in the South East that are accredited by British Chambers of Commerce. The Quarterly Economic Survey run by BCC, the largest UK survey of its kind, is administered by every accredited Chamber. The questionnaire, honed over many years to gather a wealth of information, takes only about 3 minutes for a business Proprietor/ MD/ CEO to complete. Kent Invicta respondents regularly contribute some 20%-30% of the total QES survey data for the South East.

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 who reported better (or Increased) results; 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 12 months (4 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 performance 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 Q3 2013

Executive Summary

After a poor start to 2013, UK Sales have strengthened throughout the year to date, especially for Manufacturers. The polarisation between thrivers and strugglers, noted in some previous QES findings, appears less acute: only 15% saw their UK Sales decrease in Q3, whilst as many as 4 out of 10 businesses continued to enjoy growth.

Export trends remain strong: three-quarters of Exporters continue to report rising Sales, and forward Orders. With over 9 out of 10 respondents exporting, Kent would appear to be rebalancing towards an export-led recovery, as many have hoped.

Looking ahead 12 months, confidence in Sales Turnover, and even Profits, remains buoyant for 6 out of 10 respondents.

At the same time, however, Cashflow remains a problem. It worsened for almost one-third of respondents, especially Manufacturers and small Service businesses (possibly struggling to get paid). Despite over 40% of respondents' mounting concern about Inflation, fewer than 30% were planning to raise Prices. This cautious approach may be partly due to increasing concern about Competition, expressed by more than 30%. Profitable trading is still a challenge for many.

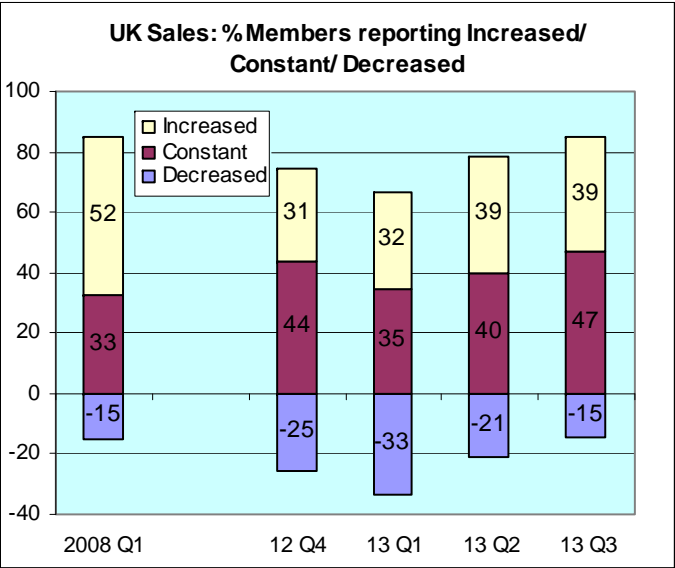
45% of firms sought to hire new staff, following the capacity-building of Q2 (69% hiring new staff). Over one-third had upped their planned investment in Training; and over one-quarter their planned spend on Kit.

As for Jobs, the trend for a shift from Part-time to Full-time, and from Temporary to Permanent, grew further in Q3. Some of the more skilled jobs of technicians and managers proved hard to fill.

Inflation is still the main pressure on Pricing, identified by over 40% of respondents as noted above: over half of Manufacturers mentioning Raw Material prices. Evidently sterling's depreciation this year, whilst helpful to Exports, is causing problems especially in Manufacturing.

Our respondents totalled 122 in Q3: 19 Manufacturing and 103 Services, mainly Professional and "Other" services, which are thought to include a number of Internet businesses. Such sample sizes give a good indication of trends over time, but it is wise not to rely heavily on the findings for one particular Quarter.

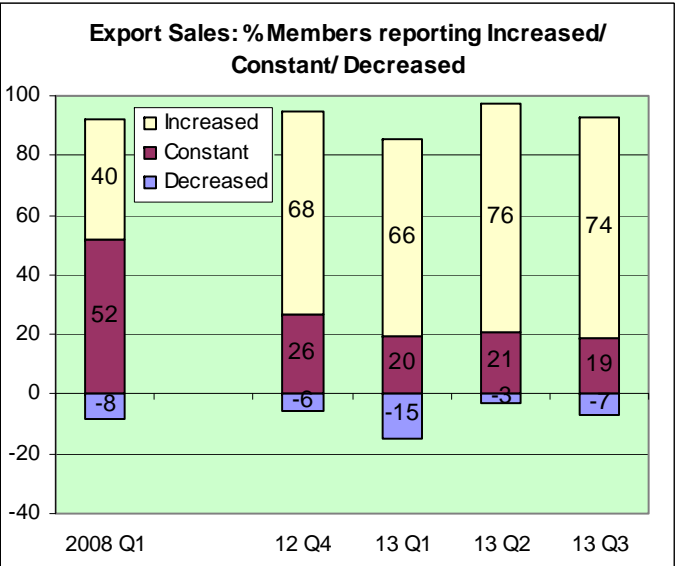
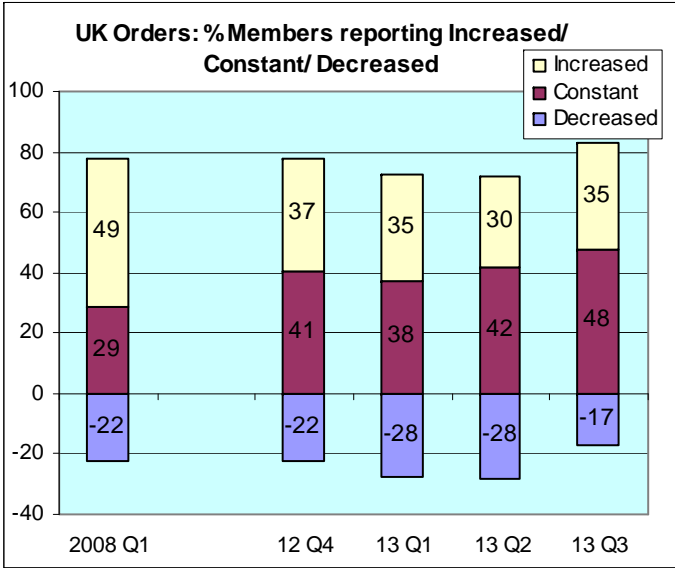
1. Recent Sales and Current Orders



UK Sales & Orders

Q3 saw a consolidation of the improvement in UK Sales from the low of Q1, with 4 in 10 respondents reporting growth. The strength of UK Orders was also encouraging.

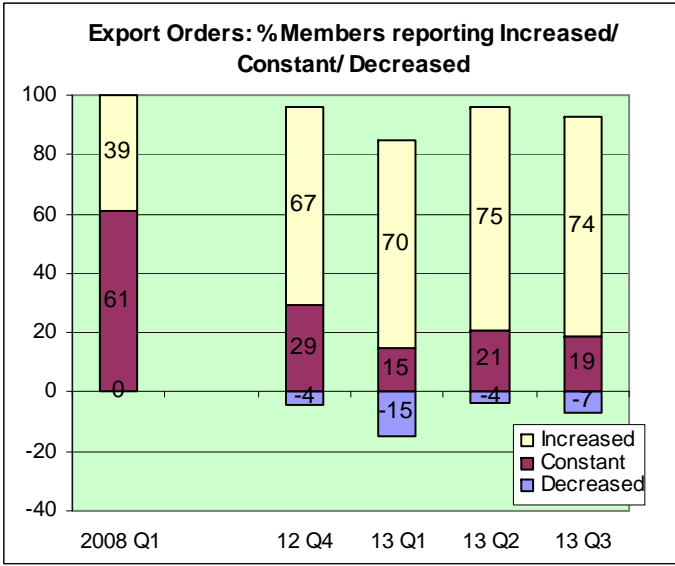
Detailed comparison of the findings for Services and Manufacturing reveals that, whereas in past years Service businesses have in general fared better than Manufacturers, in all three Quarters so far in 2013 this trend has reversed. (In Q2 and Q3 all but one Manufacturing respondents were Exporters.)



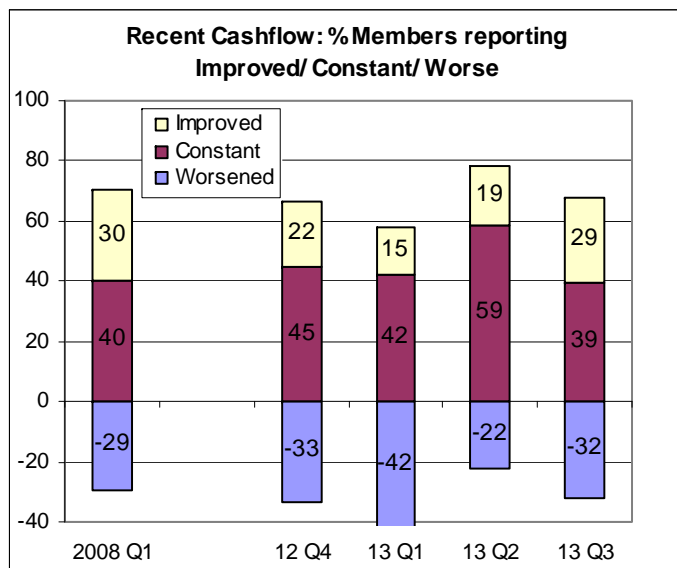
Export Sales & Orders

With so many Exporters reporting growth in the past year, it was inevitable that not all could expect demand to keep rising quarter after quarter. That said, the demand for UK Exports is evidently continuing to grow in many sectors, with forward Orders as strong as recent Sales.

As noted in previous Quarters, a good deal of our members' export demand is evidently arising outside the eurozone.



2. Cashflow and Prospects

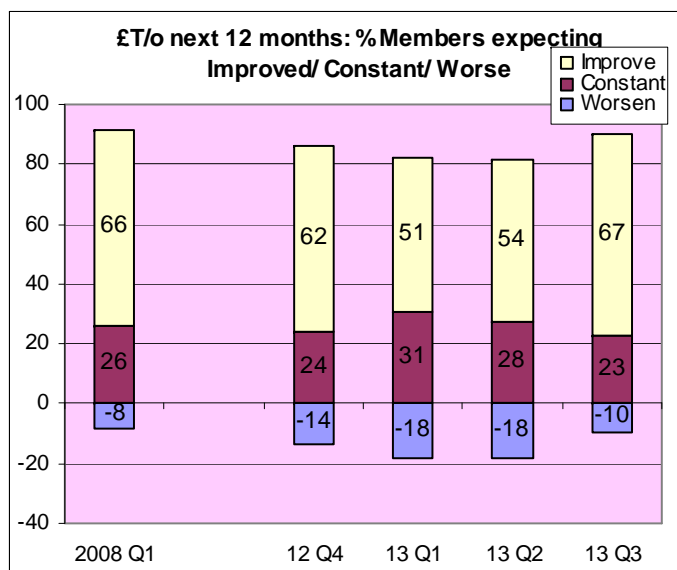
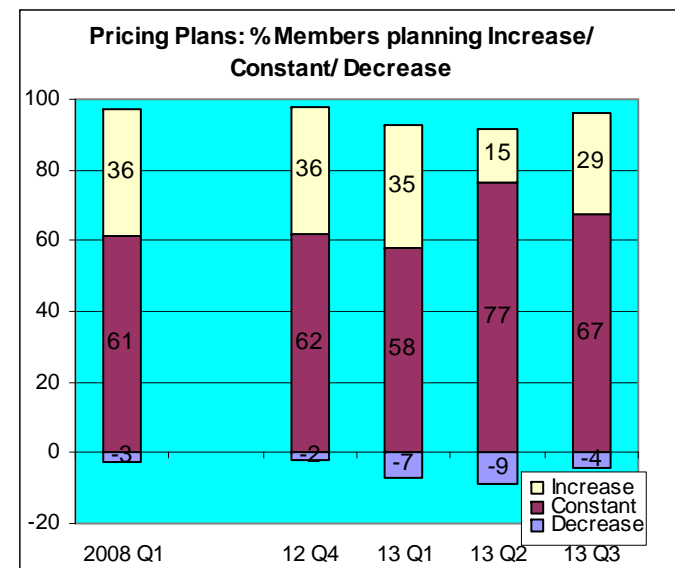


Recent Cashflow

Negative Cashflow has been a persistent problem ever since the credit crunch began in 2007. The fact that this problem afflicted 32% of both Services and Manufacturers in Q3 of how vulnerable our economy still is, despite the many success stories.

Planned Price Increases

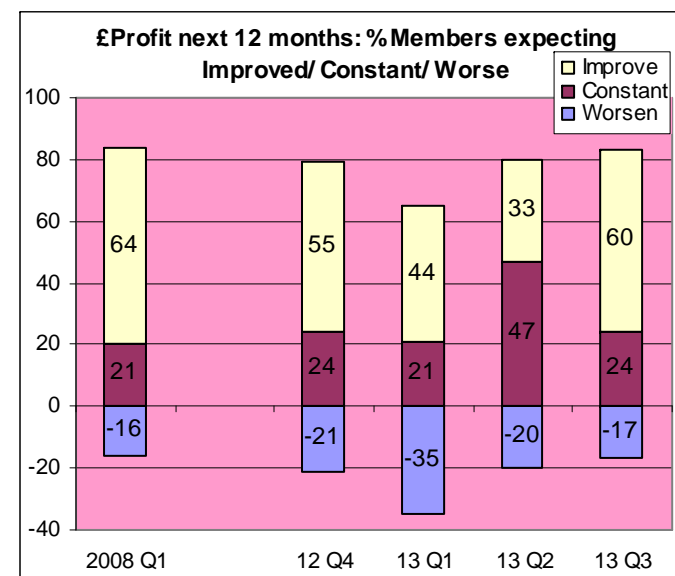
Faced with persistent inflation especially for imported goods and materials, for two-thirds of firms to be delaying price increases is testimony to their resourcefulness.



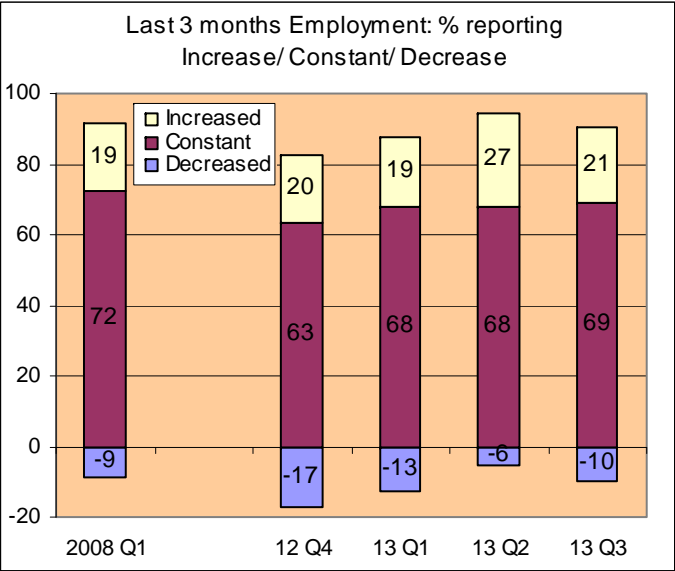
Expectations of Sales Turnover & Profits

For two-thirds of firms to expect Sales growth in the next 12 months is the most positive outlook since the crunch. Even more encouraging is the prospect of 6 in 10 anticipating growth in Profits – thanks in large measure, perhaps, to Exports?

There is nonetheless still a significant minority who expect their Profits to worsen.



3. Investment in Staff & Kit

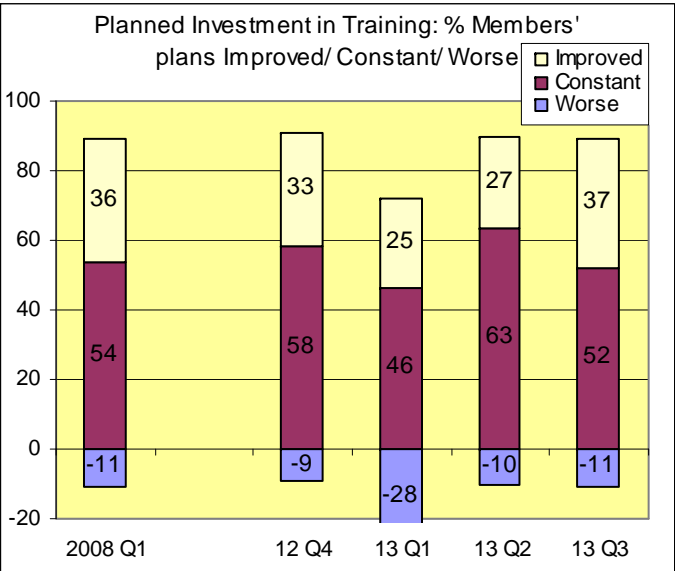
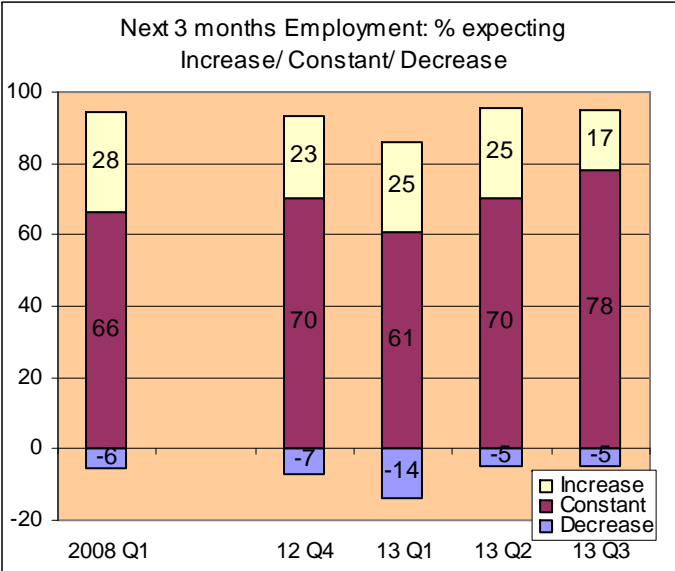


Employment: last 3 months, next 3 months

With employment – and expectations of employment – slightly weaker, maybe the Cashflow problems identified above are still acting as a deterrent to hiring. Even some of the 25% of respondents who in Q2 were expecting to hire in Q3 appear to have scaled back their growth plans.

But it's good to see, for the second quarter running, only 5% expecting to shed staff.

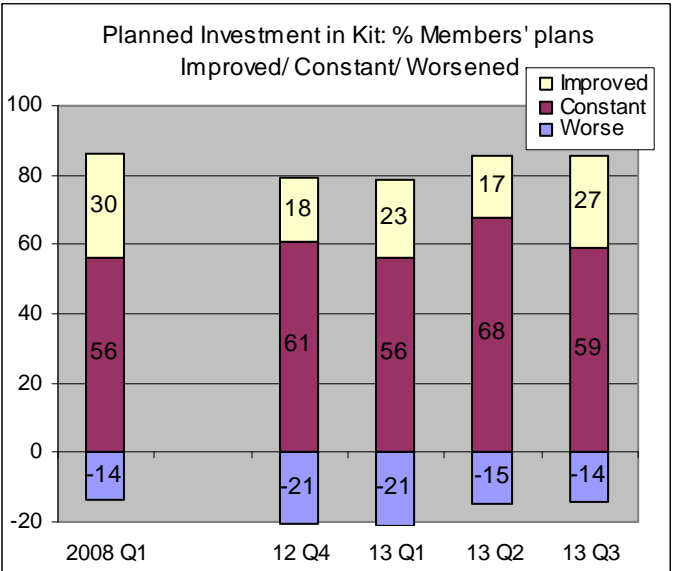
Detailed comparison shows many more Manufacturers hiring than Service businesses.



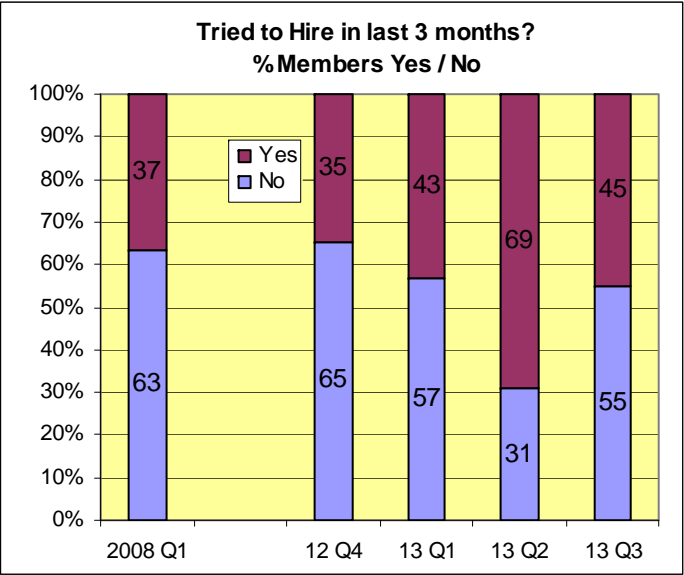
Planned Investment in Training and Kit

In spite of the weak Cashflow reported by some, it is evident that a significant minority are to ploughing their Profits back into the capability of both Workforce and Kit.

Most, however, remain conservative, especially when it comes to Kit.



4. Hiring needs

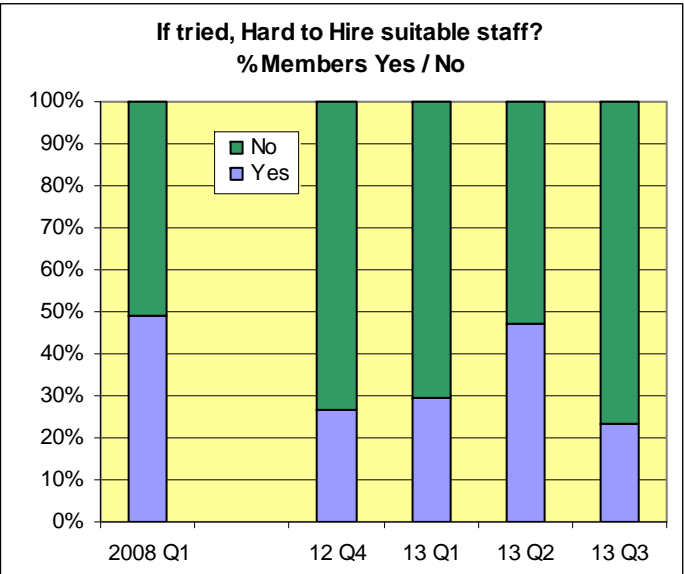
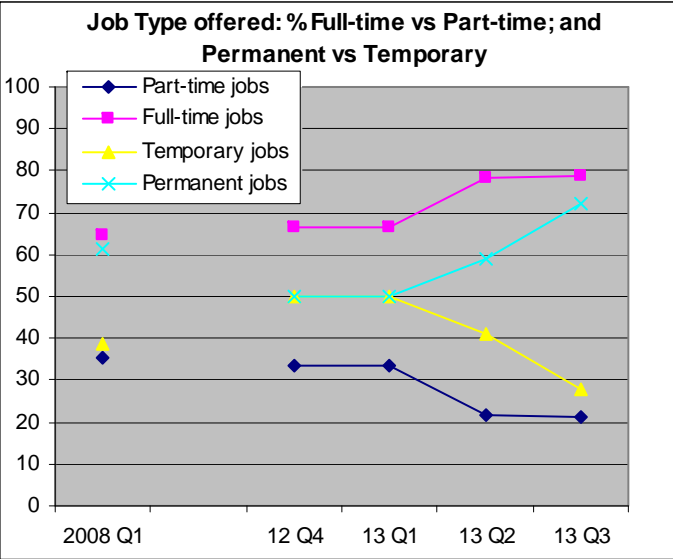


Tried to Hire in last 3 months

Whilst the proportion of firms looking to grow their workforce dropped back again from the 7 in 10 reported in Q2, at almost half the respondents it remains encouragingly high.

Job type offered

Perhaps the most encouraging signs of recovery in Kent is that, whilst the jobs growth of Q2 hasn't been repeated, the swing back towards Permanent, Full-time jobs is continuing.

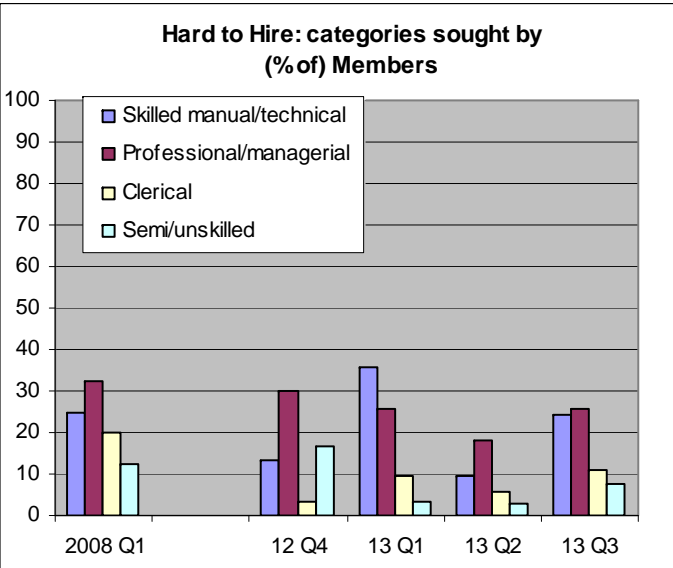


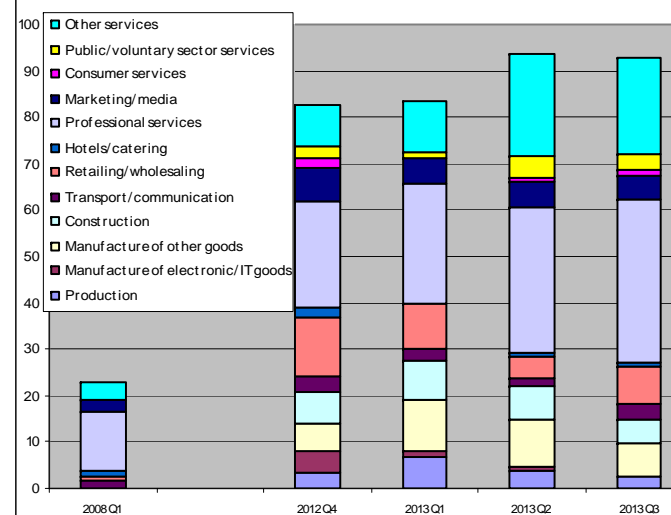
Hard to Hire suitable staff?

Not much difficulty hiring suitable staff in Q3.

Hard to Hire: categories sought

Nonetheless, 20% - 30% still experience problems finding the right technically skilled and/or professional staff, for whom time and investment are required to develop capability.





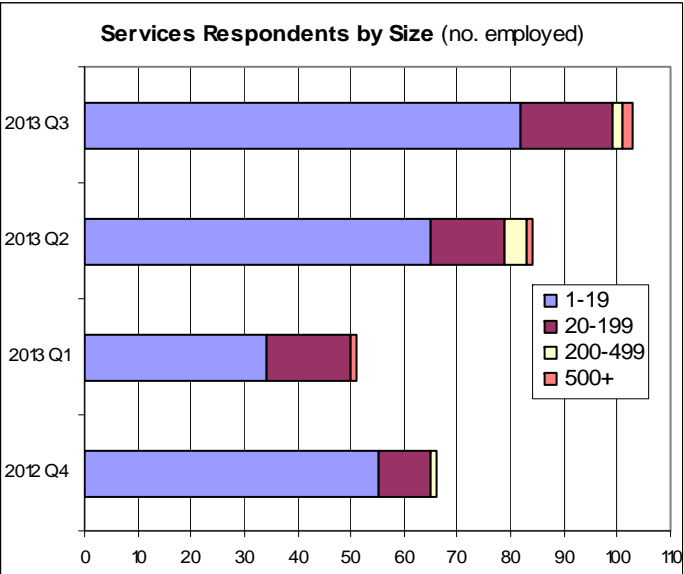
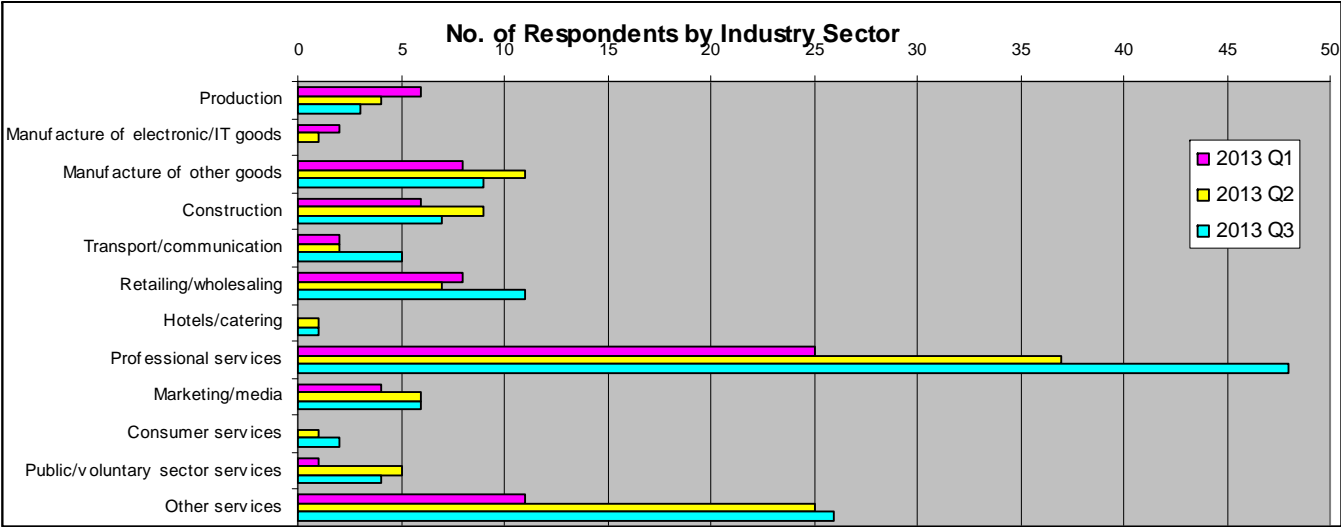
6. Respondents' composition by Industry Sector and Number of Employees

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 a good many IT service firms as well as Internet businesses, including online exporters.

In Q3 2013 Kent Invicta Chamber provided 22% of Services and 25% of Manufacturing responses within the total South East sample.



Size of responding businesses by no. Employed

The bulk of respondents (c.80%) continue to be those with 1-19 employees. This is in line with Chamber membership as a whole.

The respondents' ratio of Services to Manufacturing is around 5:1 (103 Services to 19 Manufacturing in Q3).

