



QUARTERLY ECONOMIC REPORT

April - June 2024





TUDOR PRICE

Chief Executive

Kent Invicta Chamber of Commerce



GET INVOLVED



KENT & MEDWAY BUSINESSES: POSITIVE OUTLOOK IN A CHALLENGING CLIMATE

This quarter businesses remain positive about their turnover and profitability expectation despite a slowing down or slight decrease in progress of domestic and export demand compared to Q1 2024. The positive to note is that Manufacturing seems to be picking up a little on domestic demand, but export remains stagnant.

The pressures felt by business remain high, with inflation impact reducing significantly but remaining the main concern together with the impact of corporate taxation and competition increasing.

The cost of doing business remains a major issue for businesses, with price pressures felt by businesses around labour and utilities costs in particular. These issues, raised by our members and reflected in the QES data, are some of the key issues that the Chamber, through the British Chamber of Commerce, has been putting forward at Westminster with many elements being adopted within the new government's manifesto. www.britishchambers.org.uk/policy-campaigns

As our political landscape changes and new policies are put in place it remains essential that as your Chamber of Commerce for Kent & Medway we remain committed to representing the views of local businesses and to raise the issues that are most important to you with local, regional and national stakeholders, so please share your views with us by taking part in future quarterly economic surveys.

Tudor Price

Chief Executive, Kent Invicta Chamber of Commerce

**WHERE
BUSINESS
BELONGS**
BE IN GOOD COMPANY

ABOUT THE QUARTERLY ECONOMIC SURVEY (QES)

Kent Invicta is one of six Chambers in the South East that are accredited by the British Chambers of Commerce (BCC). It regularly contributes to 30%-50% 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 questionnaire, honed over many years to gather a wealth of information, takes only about 3 minutes for a business Proprietor / Managing Director / Chief Executive, to complete.

For further information: To get full data or any further clarification please contact Lucy Druesne - lucy@kentinvictachamber.co.uk

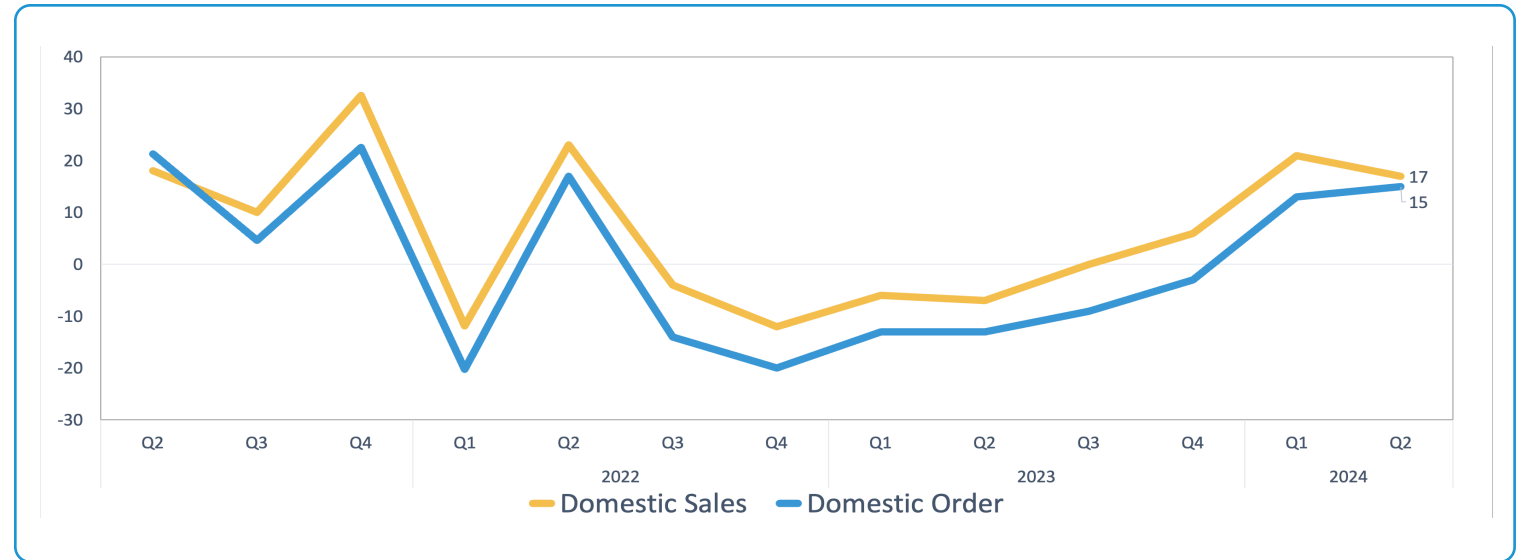


17% is the net balance of **domestic sales** for Kent Businesses in the last quarter



15% is the net balance of **domestic orders** for Kent Businesses in the last quarter

DOMESTIC DEMAND



The graph indicates an improvement in domestic orders and a decline in domestic sales. After a steady recovery since the drop in Q2 2022, this quarter shows a slight decline in domestic sales. Despite this, 37% of businesses reported an increase in UK sales, while 20% reported a decrease, resulting in a net balance of 17%, down 3% from Q1 2024.

The service sector's performance has dragged the overall figure down, with a net balance of domestic sales at 12%, compared to 29% for the manufacturing sector. In contrast, domestic orders have continued to rise, reaching a net balance of 15%. Specifically, 36% of businesses reported an increase in UK orders, while 21% reported a decrease, with the overall net balance improving from 13% in Q1 2024.



0%

is the net balance of **export sales** for Kent Businesses in the last quarter



-4%

is the net balance of **export orders** for Kent Businesses in the last quarter

EXPORT DEMAND



Like domestic demand, export demand showed similar momentum. Export sales show a slight decline, and exports go stagnant with almost a similar reflection to last quarter, although not entering a negative figure to be reported.

The net balance for export sales is now -4%, a slight decline from last quarter's net balance of 0%. In detail, 25% of firms reported an increase in export sales, 29% reported a decrease, resulting in an overall net balance of -4%. This negative figure is driven primarily by the manufacturing sector, which posted a net export sales balance of -16% this quarter compared to 6% for the service sector. This contrasts with the last quarter, where the service sector influenced the negative figures more significantly.

For export orders, the net balance is stagnant with a change of 0% from 1% last quarter. Specifically, 24% of firms reported an increase in export orders, at the same time 24% reported a decrease as well, leading to a balanced net figure. This figure isn't to our surprise driven by any specific sector. The manufacturing and service sectors show a net zero figure. In contrast to the last quarter where overall manufacturing only showed a higher negative net figure.



35%

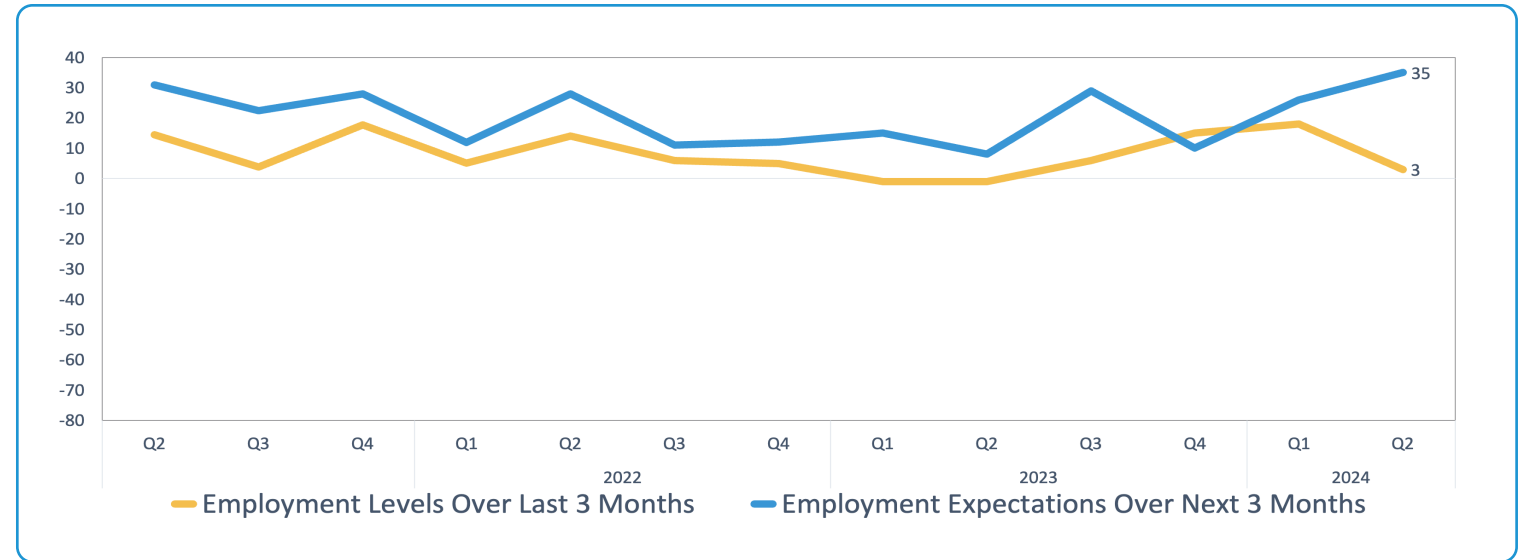
is the net balance of **Employment Expectation** for Kent Businesses in coming quarter



3%

is the net balance of **Employment Levels** for Kent Businesses in the last quarter

LABOUR MARKET



The unemployment rate in Kent currently is 3.7%. The labour market shows some signs of recovery. The reported employment levels over the last three months decreased whereas the reported employment expectations show significant improvements.

16% of firms said that the employment levels of the firm increased slightly in the last three months from last quarter, dropping to a net of 3% from 18% last quarter.

On a contrary 28% of firms said that they expected their workforce to increase in size over the coming three months. Employment expectations over the next 3 months were increased from 26% to 35%.

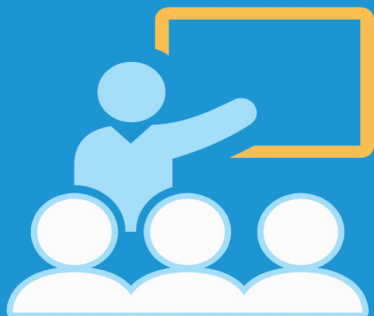
"Cost of labour has gone up enormously and we are not able to recover it via price increases"

Hospitality, catering, or tourism business in Kent



51%

of Kent businesses reported that they had looked to **recruit** in the last quarter



5%

is the net balance of **Investment in Training** for Kent Businesses in the last quarter.

RECRUITMENT AND TRAINING



The firms who have attempted to recruit staff over the past 3 months are at 51%. Out of which 92% said they faced difficulty in recruiting, compared to 77% only last quarter. A similar sentiment was shared in all sectors.

Business investment in training has again taken a hit this quarter. From 10% last quarter to 5% this quarter. Continuous decline since last two quarters. This hit is similar over the sectors.



38%

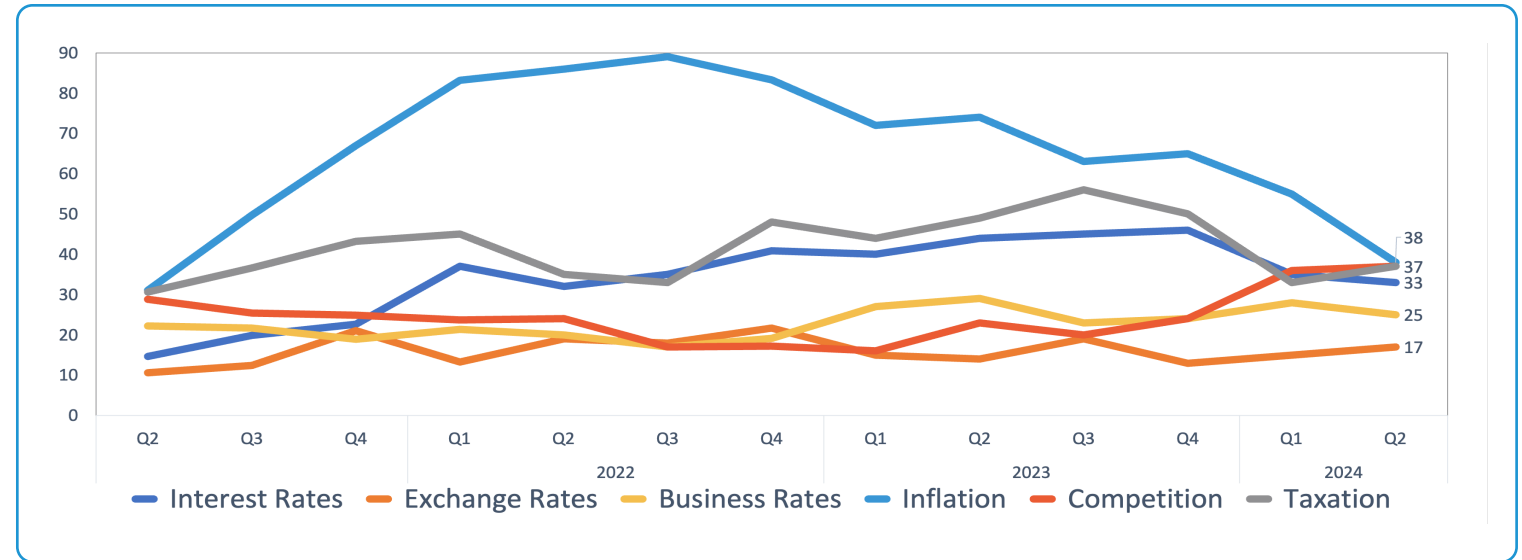
of Kent Businesses reported that **inflation** is more of a concern to business than 3 months ago



37%

of Kent Businesses reported that **corporate tax** is more of a concern to business than 3 months ago

INFLATIONARY PRESSURES



Inflation concerns continue to reduce, remaining higher than any other concern. Measures for inflation remain still high. 38% of firms say it is a growing concern for them. 38% of businesses expect an increase in their goods or services costs. A rising proportion (37%) are also worried about competition and taxations, following this 33% of the respondents are concerns about interest rates. Concerns about business rate drop a bit and lastly exchange rate concerns also rise.

"Business rates across our three businesses remain the single largest factor affecting our planning for the future. With the imminent Labour government and their obsession with putting more taxation pressure on business the removal of the rates relief scheme for the hospitality and leisure sector will result in higher prices for this sector to survive."

Hospitality, catering, or tourism business in Kent

"Three months ago, we felt certain that central bank base rates would have been cut by down. The short-term outlook remains positive, but the longer rates remain elevated the greater the risk of that outlook deteriorating."

Professional services in Kent



40%

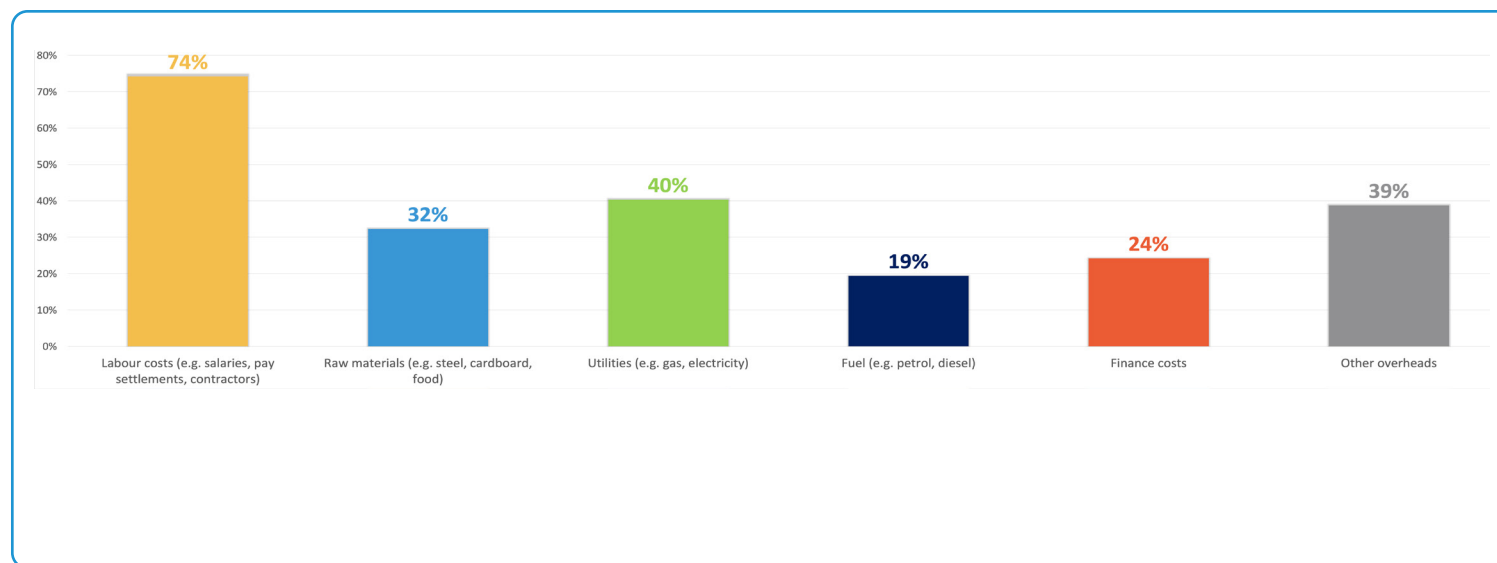
of Kent businesses reported an **increase** in their utility's costs last quarter



74%

of Kent businesses reported an **increase** in their labour costs

BUSINESS COSTS



Consistent with last quarter, labour costs, other overheads and utilities remain the main price pressure. Then raw materials costs, followed by finance costs and then fuel costs.

Most costs have slightly increased from last quarter. Labour cost at 74% (increased from 62% last quarter). Utility costs at 40% (slight decrease from 43% last quarter). Other overhead costs at 39% (same as last quarter). Raw materials cost 32% (increased from 30% last quarter). Finance costs at 24% (increased from 21% last quarter). Fuel costs at 19% (increased from 18% last quarter). Overall, the pressure from all these factors increased slightly, with marginally decreased pressure from utilities.

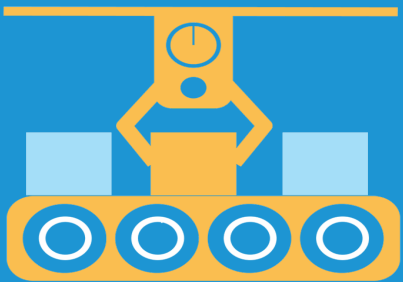
"The increase in minimum wage levels has put increasing pressure on the need to raise prices, in a market that is not willing to pay more. We are experiencing more late payments than ever before."

Professional services in Kent



0%

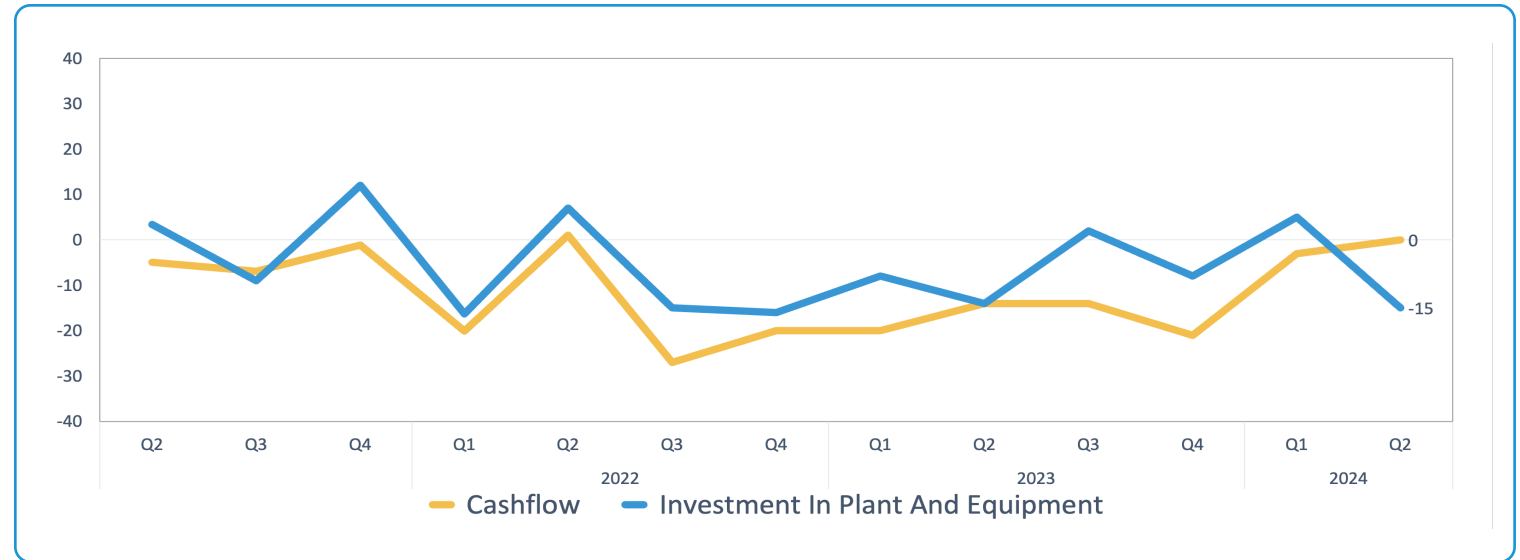
is the net balance of **Cashflow** for Kent Businesses in the last quarter



-15%

is the net balance of **Investment in Plant and Equipment** for Kent Businesses in the last quarter

CASHFLOW AND INVESTMENT



Cash flow in the past three months continues to show improvement.

29% say their cash flow has improved over the last 3 months, 43% say it remained the same and 29% say it has worsened. This is consistent sentiment in manufacturing and service sector outcomes, the net cash flow movement of the manufacturing sector is 0% and the same for service sector. The further incline of the net balance of Cashflow for Kent Businesses in the last quarter shows signs of recovery.

Consistent with investment in training, the investment in plant and equipment also shows a decline, from 5% in Q1 2024 dropped to -15% this quarter. Firms have further condensed their investment plans. 93% of the firms reported either remained constant or decreased investment in plant and equipment.

"Impossible to cash flow."

Other manufacturing business in Kent



46%

is the net balance of Kent Businesses who expect their **turnover** to improve



24%

is the net balance of Kent Businesses who expect their **profitability** to improve

BUSINESS CONFIDENCE



Business confidence remains the same as last quarter with no signs of improvement. After a dip in Q2 2023, business confidence has reached almost a state of stagnancy.

Both the indicators of business confidence showed significant falls in Q2 2023, till last quarter where there were signs of recovery, coming to a halt this quarter.

The net balance of businesses' profitability expectation in the next year decreased from 28% to 26%, a marginal fall. This fall in profitability expectations, we can see is driven mainly by one of the sectors i.e., the manufacturing sector. The net profitability expectations for businesses in the manufacturing sector was at -14% compared to the service sector at 41%.

Turnover expectations stayed at a constant of 46%.

"Lack of consumer confidence affects the hospitality sector."

Hospitality, catering, or tourism business in Kent

Q2 QUARTERLY ECONOMIC REPORT

January - March 2024

CONTACT US

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USEFUL LINKS

Register your interest to participate in a future QES survey: www.kentinvictachamber.co.uk/qes
Local Skills Improvement Plan (LSIP): www.kentemployersskillsplan.org
Kent & Medway Growth Hub: www.kentandmedwaygrowthhub.org.uk

GET INVOLVED

