



UK BUSINESS CONFIDENCE MONITOR REPORT

Q4 2011

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TECHNICAL INFORMATION

This research was conducted by ICAEW with assistance from centre for economics and business research (cebr) and Kudos Research.

During the period 3 August – 27 October 2011, 1,001 ICAEW members active in business in the UK were interviewed by telephone. The interviews typically lasted 12–15 minutes and gathered opinions on past performance and future prospects for members’ businesses, and investigated perceived changes in impact of factors such as availability of skills, government regulation and the tax regime.

Data has been weighted to ensure the profile of the survey sample accurately represents the UK economy (by value) for company size (no. of employees), regional location and industry sector.

BUSINESS CONFIDENCE INDEX METHODOLOGY

The Business Confidence Index is calculated from the responses to the following:

‘Overall, how would you describe your confidence in the economic prospects facing your business over the next 12 months, compared to the previous 12 months?’

A score was applied to each response as shown to the right, and an average score calculated.

Using this method, a Confidence Index of +100 would indicate that all survey respondents were much more confident about future prospects, while -100 would indicate that all survey respondents were much less confident about future prospects.

Further technical details on the design of the survey are available upon request.

Variable	Score
Much more confident	+100
Slightly more confident	+50
As confident	0
Slightly less confident	-50
Much less confident	-100

WEIGHTING APPROACH

Those who completed the survey (both current and historic data) were categorised by regional location, company size (no. of employees) and industry sector.

Rim weighting was applied to ensure the profile of the sample accurately represents the UK Economy. Weighting factors applied to this quarter’s data are detailed below. Target weights for sector and region were derived from Office of National Statistics published data on GVA (Gross Value Added) 2006. Weights for company size are based on turnover data for start 2007 published by the Small Business Analytical Unit of the Department for Business, Innovation and Skills. (Previous quarters were weighted to most up-to-date sources available at the time which were not materially different.)

	Sample number	Profile unweighted sample	Profile weighted sample
	Number	%	%
REGION	Total ▶1001		
London	164	16	19
South East (excluding London)	140	14	16
South West	82	8	8
East England	86	9	10
East Midlands	70	7	7
West Midlands	77	8	8
North West	101	10	10
Northern England	69	7	3
Yorks & Humber	82	8	7
England TOTAL	871	87	88
Scotland	63	6	8
Wales	66	7	4
Northern Ireland	1	0	0

CONT'D...

Weighted figures may not sum to 100% due to rounding

	Sample number	Profile unweighted sample	Profile weighted sample
	Number	%	%
SIZE (EMPLOYEES)	Total ▶ 1001		
Micro (<10)	104	10	11
Small (10-49)	205	20	21
Medium (50-249)	210	21	15
Large (250+)	482	48	53
SECTOR	Total ▶ 1001		
Total Primary	77	8	3
Manufacturing & Engineering	152	15	16
Construction	75	7	8
Retail & Wholesale	132	13	14
Hotels & Catering	25	2	3
Transport & Storage	69	7	5
Communications	34	3	3
IT	47	5	3
Banking, Finance & Insurance	111	11	9
Property	81	8	12
Business Services	101	10	13
Other Service Activities	49	5	6
Health & Education	48	5	4

Weighted figures may not sum to 100% due to rounding

COVERAGE OF REGIONAL ECONOMIC ACTIVITY

Analysis shows the data which forms the basis of the BCM Business Confidence Index covers a significant proportion of UK economic activity both for the UK as a whole, and for the different UK regions. This assures that our data is accurately capturing the mood of UK business.

The table below shows our estimate of the proportion of economic activity which is represented by the businesses interviewed in BCM each quarter. (Further detail on the technical approach taken is available on request.)

REGION	Coverage of economic activity (Gross Value Add)
	%
London	1.1
South East (excluding London)	1.3
South West	1.4
East England	1.3
East Midlands	1.5
West Midlands	1.4
North West	1.4
North East	2.9
Yorks & Humber	1.6
Scotland	1.0
Wales	2.5
UK	1.2

DETAILED RESULTS

TABLE 1 SUMMARY OF BUSINESS CONFIDENCE INDEX BY SECTOR

Base: All respondents

	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q4 2011	
						Change from last quarter	Difference from UK average
UK AVERAGE	11.9	9.6	13.7	8.1	-9.7	-17.8	
All Production industries	16.9	10.8	26.3	6.4	-4.9	-11.3	4.8
Energy, Water & Mining	19.1	25.6	11.7	15.8	2.3	-13.5	12.0
Manufacturing & Engineering	16.5	8.5	28.6	5.0	-6.1	-11.1	3.6
Construction	6.3	-16.5	0.0	0.7	-6.8	-7.5	2.9
All Service industries	11.2	11.9	12.2	8.8	-10.8	-19.6	-1.1
Retail & Wholesale	1.7	8.1	-1.0	-0.7	-12.5	-11.8	-2.8
Transport & Storage	7.6	16.3	17.3	16.3	-6.1	-22.4	3.6
Banking, Finance & Insurance	26.4	18.8	16.6	12.0	-14.6	-26.6	-4.9
Property	8.3	2.9	24.5	8.3	-18.7	-27.0	-9.0
Business services	20.9	13.2	10.4	18.5	-3.4	-21.9	6.3

Q. Overall, how would you describe your confidence in the economic prospects facing your organisation over the next 12 months, compared to the previous 12 months?

See 'Technical Information' for details of how the BCM Confidence Index is calculated

TABLE 2 SUMMARY OF BUSINESS CONFIDENCE INDEX BY REGION

Base: All respondents

	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q4 2011	
						Change from last quarter	Difference from UK average
UK AVERAGE	11.9	9.6	13.7	8.1	-9.7	-17.8	
England	10.9	9.7	14.1	6.7	-9.2	-15.9	0.5
London	17.5	20.6	15.2	8.9	-10.3	-19.2	-0.6
South East (excl London)	2.3	10.2	8.4	10.6	-13.5	-24.1	-3.8
South West	12.4	-4.1	5.4	4.4	-9.4	-13.8	0.3
East England	10.6	8.3	12.9	-3.5	-7.2	-3.7	2.5
East Midlands	8.2	5.1	12.2	8.2	-9.7	-17.9	0.0
West Midlands	11.6	7.8	26.6	7.6	-4.6	-12.2	5.1
North West	18.1	4.4	11.2	6.4	-10.5	-16.9	-0.8
Northern England	8.8	7.8	16.9	4.4	-7.7	-12.1	2.0
Yorks & Humber	3.4	11.0	24.9	8.2	-3.4	-11.6	6.3
Scotland	25.8	17.1	13.3	17.6	-14.1	-31.7	-4.4
Wales	6.3	-6.7	4.6	16.5	-9.2	-25.7	0.5

TABLE 3 SUMMARY OF BUSINESS CONFIDENCE INDEX BY COMPANY TYPE

Base: All respondents

UK AVERAGE	11.9	9.6	13.7	8.1	-9.7	-17.8	
UK Listed companies	19.5	18.1	16.9	8.1	-12.0	-20.1	-2.3
FTSE 100/250	20.0	22.2	10.9	5.3	-13.7	-19.0	-4.0
UK Private companies – ALL	9.8	8.1	11.7	9.2	-7.7	-16.9	2.0
Large private companies	4.9	6.7	5.1	5.6	-12.5	-18.1	-2.8
Private companies – SME	12.5	9.0	15.1	11.4	-5.1	-16.5	4.6

Q. Overall, how would you describe your confidence in the economic prospects facing your organisation over the next 12 months, compared to the previous 12 months?

See 'Technical Information' for details of how the BCM Confidence Index is calculated

TABLE 4 FINANCIAL PERFORMANCE INDICATORS

Base: All respondents

Base: All respondents						TRACTION *	
Average % Change	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q3 2011	Q4 2011
Turnover							
Versus last 12 months	2.2	2.9	3.9	3.6	3.6		
Expected next 12 months	3.5	4.8	5.7	4.5	3.7	0.9	0.1
Gross profits							
Versus last 12 months	2.2	2.4	3.8	3.1	2.2		
Expected next 12 months	3.3	4.2	5.1	4.1	3.1	1.0	0.9
Sales (Volumes)							
Versus last 12 months	2.0	2.6	3.5	2.7	3.2		
Expected next 12 months	3.6	4.5	5.3	4.3	3.4	1.6	0.2
Prices							
Versus last 12 months	0.2	0.7	1.1	1.2	1.3		
Expected next 12 months	0.8	1.3	1.6	1.3	1.0	0.1	-0.3
Input Prices							
Versus last 12 months	1.6	2.4	2.8	3.0	3.1		
Expected next 12 months	1.4	2.2	2.7	2.5	2.2	-0.5	-0.9
Average Basic Salary							
Versus last 12 months	1.1	1.2	1.5	1.6	1.6		
Expected next 12 months	1.6	1.7	1.9	1.7	1.8	0.1	0.2
Average Total Salary							
Versus last 12 months	0.3	0.8	1.2	1.0	1.2		
Expected next 12 months	1.4	1.5	1.7	1.5	1.3	0.5	0.1
Exports							
Versus last 12 months	3.3	4.0	4.3	4.4	3.5		
Expected next 12 months	4.3	4.6	4.8	4.2	3.9	-0.2	0.4
Inputs from Abroad							
Versus last 12 months	1.7	1.5	2.7	2.4	2.1		
Expected next 12 months	2.0	2.0	2.2	1.9	1.8	-0.5	-0.3

KEY:

HIGH



LOW

TABLE 4 FINANCIAL PERFORMANCE INDICATORS (CONT'D)

Base: All respondents

Base: All respondents

						TRACTION *	
Average % Change	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q3 2011	Q4 2011
Capital Investments							
Versus last 12 months	0.7	1.3	1.8	1.6	2.2		
Expected next 12 months	1.6	1.9	2.0	1.7	1.1	0.1	-1.1
Number of Employees							
Versus last 12 months	-0.4	0.1	0.9	0.3	1.1		
Expected next 12 months	1.2	1.1	1.6	1.4	0.9	1.1	-0.2
Staff Development Budget							
Versus last 12 months	-0.1	0.2	0.8	0.7	0.8		
Expected next 12 months	1.2	1.4	1.4	1.0	1.0	0.3	0.2
Research and Development Budget							
Versus last 12 months	1.6	1.8	2.3	1.9	1.9		
Expected next 12 months	1.6	1.5	1.7	1.4	1.3	-0.5	-0.6
Domestic Sales							
Versus last 12 months	1.6	2.4	3.2	2.6	2.9		
Expected next 12 months	3.2	4.1	4.8	3.9	3.1	1.3	0.2

Q. Thinking about the last 12 months, how have each of the following changed for your organisation:

Q. Thinking about the coming 12 months, what will be the probable change for your organisation for each of the following:

* Traction = expected change next 12 months less reported change last 12 months. Positive score indicates expected positive change in growth. Negative score indicates expected negative change in growth.

KEY:



HIGH



LOW

TABLE 5 FACTORS AFFECTING BUSINESS PERFORMANCE

Base: All respondents

	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
% Greater Challenge	%	%	%	%	%
Customer demand	44	47	48	44	43
Regulatory requirements	33	36	35	40	39
Competition in the marketplace	40	38	39	42	38
Late payment from customers	25	26	27	24	26
Tax burden	20	21	21	25	22
Your access to capital	20	22	16	19	18
Transport problems	17	13	18	22	18
Bank charges	21	17	17	15	17
Staff turnover	10	12	11	10	11
Your ability to expand into new areas	13	13	12	14	11
Availability of management skills	8	8	6	10	8
Availability of nonmanagement skills	8	6	8	9	8
Government support for business	9	11	10	13	8
Non-transport infrastructure problems *	5	7	6	7	4

* e.g. postal services, communication services, etc

Q Has the impact of _____ - [FACTOR] on your organisation's performance changed, compared to 12 months ago?

Q Has _____ [FACTOR] become a greater or lesser challenge to your organisation's performance?

KEY:



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