



# UK BUSINESS CONFIDENCE MONITOR REPORT

## Q1 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 25 October 2010 – 26 January 2011, 1000 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, as well as investigating 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	%	%
<b>REGION</b>	Total >1000		
London	159	16	19
South East (excluding London)	140	14	16
South West	80	8	8
East England	85	9	10
East Midlands	70	7	7
West Midlands	75	8	8
North West	100	10	10
Northern England	70	7	3
Yorks & Humber	80	8	7
England TOTAL	859	86	88
Scotland	70	7	8
Wales	70	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
	<b>Number</b>	<b>%</b>	<b>%</b>
<b>SIZE (EMPLOYEES)</b>	Total > 1000		
Micro (<10)	107	11	12
Small (10-49)	196	20	21
Medium (50-249)	199	20	15
Large (250+)	498	50	53
<b>SECTOR</b>	Total > 1000		
Total Primary	71	7	3
Manufacturing & Engineering	159	16	16
Construction	67	7	8
Retail & Wholesale	139	14	14
Hotels & Catering	20	2	4
Transport & Storage	73	7	5
Communications	17	2	3
IT	57	6	3
Banking, Finance & Insurance	113	11	9
Property	100	10	12
Business Services	91	9	13
Other Service Activities	64	6	6
Health & Education	29	3	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	1.3
South East (excluding London)	1.7
South West	1.8
East England	1.6
East Midlands	1.9
West Midlands	1.7
North West	1.8
North East	3.7
Yorks & Humber	1.9
Scotland	1.4
Wales	3.3
UK	1.3

# DETAILED RESULTS

**TABLE 1 SUMMARY OF BUSINESS CONFIDENCE INDEX BY SECTOR**

Base: All respondents

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q1 2011	
						Change from last quarter	Difference from UK average
<b>UK AVERAGE</b>	<b>25.8</b>	<b>25.5</b>	<b>21.5</b>	<b>11.9</b>	<b>9.6</b>	<b>-2.3</b>	
<b>All Production Industries</b>	<b>27.1</b>	<b>29.9</b>	<b>33.1</b>	<b>16.9</b>	<b>10.8</b>	<b>-6.1</b>	<b>1.2</b>
Energy, Water & Mining	28.8	29.0	22.7	19.1	25.6	6.5	16.0
Manufacturing & Engineering	26.8	30.1	34.6	16.5	8.5	-8.0	-1.1
<b>Construction</b>	<b>24.0</b>	<b>14.1</b>	<b>7.6</b>	<b>6.3</b>	<b>-16.5</b>	<b>-22.8</b>	<b>-26.1</b>
<b>All Service Industries</b>	<b>25.8</b>	<b>25.8</b>	<b>20.2</b>	<b>11.2</b>	<b>11.9</b>	<b>0.7</b>	<b>2.3</b>
Banking, Finance & Insurance	32.4	32.0	21.7	26.4	18.8	-7.6	9.2
Property	19.0	24.9	25.0	8.3	2.9	-5.4	-6.7
Business Services	24.2	25.0	21.8	20.9	13.2	-7.7	3.6
Retail & Wholesale	27.6	20.8	10.8	1.7	8.1	6.4	-1.5
Transport, Storage and Communications	31.6	23.8	36.7	14.1	21.7	7.6	12.1

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

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q1 2011	
						Change from last quarter	Difference from UK average
<b>UK AVERAGE</b>	<b>25.8</b>	<b>25.5</b>	<b>21.5</b>	<b>11.9</b>	<b>9.6</b>	<b>-2.3</b>	
<b>England</b>	<b>25.5</b>	<b>25.1</b>	<b>20.1</b>	<b>10.9</b>	<b>9.7</b>	<b>-1.2</b>	<b>0.1</b>
London	28.2	28.1	25.9	17.5	20.6	3.1	11.0
South East (excluding London)	24.3	29.8	9.7	2.3	10.2	7.9	0.6
South West	19.3	14.4	22.0	12.4	-4.1	-16.5	-13.7
East England	33.3	27.6	23.9	10.6	8.3	-2.3	-1.3
East Midlands	14.0	25.3	23.8	8.2	5.1	-3.1	-4.5
West Midlands	26.7	27.7	23.0	11.6	7.8	-3.8	-1.8
North West	24.3	14.4	18.9	18.1	4.4	-13.7	-5.2
Northern England	27.2	28.0	5.5	8.8	7.8	-1.0	-1.8
Yorks & Humber	27.9	25.7	22.0	3.4	11.0	7.6	1.4
<b>Scotland</b>	<b>27.5</b>	<b>30.6</b>	<b>35.6</b>	<b>25.8</b>	<b>17.1</b>	<b>-8.7</b>	<b>7.5</b>
<b>Wales</b>	<b>28.7</b>	<b>25.6</b>	<b>22.4</b>	<b>6.3</b>	<b>-6.7</b>	<b>-13.0</b>	<b>-16.3</b>

**TABLE 3 SUMMARY OF BUSINESS CONFIDENCE INDEX BY COMPANY TYPE**

Base: All respondents

<b>UK AVERAGE</b>	<b>25.8</b>	<b>25.5</b>	<b>21.5</b>	<b>11.9</b>	<b>9.6</b>	<b>-2.3</b>	
<b>UK Listed companies</b>	<b>27.3</b>	<b>29.3</b>	<b>23.2</b>	<b>19.5</b>	<b>18.1</b>	<b>-1.4</b>	<b>8.5</b>
FTSE 350	28.3	27.5	24.0	20.0	22.2	2.2	12.6
<b>Private companies - ALL</b>	<b>25.3</b>	<b>23.5</b>	<b>19.4</b>	<b>9.8</b>	<b>8.1</b>	<b>-1.7</b>	<b>-1.5</b>
Large private companies	24.6	20.2	21.6	4.9	6.7	1.8	-2.9
Private companies - SME	25.6	25.3	18.2	12.5	9.0	-3.5	-0.6

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	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q4 2010	Q1 2011
Turnover							
Versus last 12 months	-1.3	-0.4	1.6	2.2	2.9		
Expected next 12 months	4.3	5.4	4.9	3.5	4.8	1.3	1.9
Gross profits							
Versus last 12 months	-2.1	-0.1	1.7	2.2	2.4		
Expected next 12 months	4.0	4.8	4.4	3.3	4.2	1.1	1.8
Sales (Volumes)							
Versus last 12 months	-1.7	-0.4	1.3	2.0	2.6		
Expected next 12 months	4.2	5.4	4.7	3.6	4.5	1.6	1.9
Prices							
Versus last 12 months	-0.5	-0.5	0.3	0.2	0.7		
Expected next 12 months	0.7	0.8	0.9	0.8	1.3	0.6	0.6
Input Prices							
Versus last 12 months	0.9	0.9	1.0	1.6	2.4		
Expected next 12 months	1.1	1.2	1.4	1.4	2.2	-0.2	-0.2
Average Basic Salary							
Versus last 12 months	0.4	0.4	0.7	1.1	1.2		
Expected next 12 months	1.3	1.2	1.5	1.6	1.7	0.5	0.5
Average Total Salary							
Versus last 12 months	-0.9	-0.5	0.1	0.3	0.8		
Expected next 12 months	1.4	1.4	1.5	1.4	1.5	1.1	0.7
Exports							
Versus last 12 months	1.0	1.3	2.2	3.3	4.0		
Expected next 12 months	4.1	3.8	4.3	4.3	4.6	1.0	0.6
Inputs from Abroad							
Versus last 12 months	1.1	0.9	1.5	1.7	1.5		
Expected next 12 months	1.9	2.0	2.3	2.0	2.0	0.3	0.5

**KEY:**

HIGH



LOW



TABLE 4 FINANCIAL PERFORMANCE INDICATORS (CONT'D)

Base: All respondents

						TRACTION *	
Average % Change	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q4 2010	Q1 2011
Capital Investments							
Versus last 12 months	-1.2	-0.8	0.0	0.7	1.3		
Expected next 12 months	1.8	1.3	2.0	1.6	1.9	0.9	0.6
Number of Employees							
Versus last 12 months	-2.1	-2.0	-1.3	-0.4	0.1		
Expected next 12 months	0.9	1.1	1.1	1.2	1.1	1.6	1.0
Staff Development Budget							
Versus last 12 months	-1.1	-0.8	-0.8	-0.1	0.2		
Expected next 12 months	1.1	1.2	1.2	1.2	1.4	1.3	1.2
Research and Development Budget							
Versus last 12 months	0.7	1.4	0.8	1.6	1.8		
Expected next 12 months	1.1	1.3	1.4	1.6	1.5	0	-0.3
Domestic Sales							
Versus last 12 months	-1.0	-0.1	1.3	1.6	2.4		
Expected next 12 months	4.1	4.9	4.2	3.2	4.1	1.6	1.7

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

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2010
% Greater Challenge	%	%	%	%	%
Customer demand	46	39	37	44	47
Competition in the marketplace	35	37	38	40	38
Regulatory requirements	35	37	33	33	36
Late payment from customers	33	30	27	25	26
Your access to capital	25	23	17	20	22
Tax burden	15	21	18	20	21
Bank charges	25	25	21	21	17
Transport problems	14	17	20	17	13
Your ability to expand into new areas	19	13	14	13	13
Staff turnover	7	8	13	10	12
Government support for business	6	4	7	9	11
Availability of management skills	5	7	7	8	8
Non-transport infrastructure problems *	21	9	7	5	7
Availability of nonmanagement skills	4	5	6	8	6

\* 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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