



UK BUSINESS CONFIDENCE MONITOR REPORT

Q2 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 1 February – 21 April 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	%	%
REGION	Total >1000		
London	160	16	19
South East (excluding London)	140	14	16
South West	79	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
	Number	%	%
SIZE (EMPLOYEES)	Total > 1000		
Micro (<10)	93	9	10
Small (10-49)	202	20	22
Medium (50-249)	203	20	15
Large (250+)	502	50	53
SECTOR	Total > 1000		
Total Primary	69	7	3
Manufacturing & Engineering	163	16	16
Construction	78	8	8
Retail & Wholesale	140	14	14
Hotels & Catering	24	2	4
Transport & Storage	66	7	5
Communications	21	2	3
IT	45	5	3
Banking, Finance & Insurance	111	11	9
Property	88	9	12
Business Services	108	11	13
Other Service Activities	54	5	6
Health & Education	33	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)	1.6
South West	1.7
East England	1.6
East Midlands	1.9
West Midlands	1.7
North West	1.8
North East	3.6
Yorks & Humber	1.9
Scotland	1.4
Wales	3.3
UK	1.2

DETAILED RESULTS

TABLE 1 SUMMARY OF BUSINESS CONFIDENCE INDEX BY SECTOR

Base: All respondents

	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q2 2011	
						Change from last quarter	Difference from UK average
UK AVERAGE	25.5	21.5	11.9	9.6	13.7	4.1	
All Production Industries	29.9	33.1	16.9	10.8	26.3	15.5	12.6
Energy, Water & Mining	29.0	22.7	19.1	25.6	11.7	-13.9	-2.0
Manufacturing & Engineering	30.1	34.6	16.5	8.5	28.6	20.1	14.9
Construction	14.1	7.6	6.3	-16.5	0.0	16.5	-13.7
All Service Industries	25.8	20.2	11.2	11.9	12.2	0.3	-1.5
Banking, Finance & Insurance	20.8	10.8	1.7	8.1	-1.0	-9.1	-14.7
Property	23.4	29.0	7.6	16.3	17.3	1.0	3.6
Business Services	32.0	21.7	26.4	18.8	16.6	-2.2	2.9
Retail & Wholesale	24.9	25.0	8.3	2.9	24.5	21.6	10.8
Transport, Storage and Communications	25.0	21.8	20.9	13.2	10.4	-2.8	-3.3

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

	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q2 2011	
						Change from last quarter	Difference from UK average
UK AVERAGE	25.5	21.5	11.9	9.6	13.7	4.1	
England	25.1	20.1	10.9	9.7	14.1	4.4	0.4
London	28.1	25.9	17.5	20.6	15.2	-5.4	1.5
South East (excluding London)	29.8	9.7	2.3	10.2	8.4	-1.8	-5.3
South West	14.4	22.0	12.4	-4.1	5.4	9.5	-8.3
East England	27.6	23.9	10.6	8.3	12.9	4.6	-0.8
East Midlands	25.3	23.8	8.2	5.1	12.2	7.1	-1.5
West Midlands	27.7	23.0	11.6	7.8	26.6	18.8	12.9
North West	14.4	18.9	18.1	4.4	11.2	6.8	-2.5
Northern England	28.0	5.5	8.8	7.8	16.9	9.1	3.2
Yorks & Humber	25.7	22.0	3.4	11.0	24.9	13.9	11.2
Scotland	30.6	35.6	25.8	17.1	13.3	-3.8	-0.4
Wales	25.6	22.4	6.3	-6.7	4.6	11.3	-9.1

TABLE 3 SUMMARY OF BUSINESS CONFIDENCE INDEX BY COMPANY TYPE

Base: All respondents

UK AVERAGE	25.5	21.5	11.9	9.6	13.7	4.1	
UK Listed companies	29.3	23.2	19.5	18.1	16.9	-1.2	3.2
FTSE 350	27.5	24.0	20.0	22.2	10.9	-11.3	-2.8
Private companies - ALL	23.5	19.4	9.8	8.1	11.7	3.6	-2.0
Large private companies	20.2	21.6	4.9	6.7	5.1	-1.6	-8.6
Private companies - SME	25.3	18.2	12.5	9.0	15.1	6.1	1.4

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	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q1 2011	Q2 2011
Turnover							
Versus last 12 months	-0.4	1.6	2.2	2.9	3.9		
Expected next 12 months	5.4	4.9	3.5	4.8	5.7	1.9	1.8
Gross profits							
Versus last 12 months	-0.1	1.7	2.2	2.4	3.8		
Expected next 12 months	4.8	4.4	3.3	4.2	5.1	1.8	1.3
Sales (Volumes)							
Versus last 12 months	-0.4	1.3	2.0	2.6	3.5		
Expected next 12 months	5.4	4.7	3.6	4.5	5.3	1.9	1.8
Prices							
Versus last 12 months	-0.5	0.3	0.2	0.7	1.1		
Expected next 12 months	0.8	0.9	0.8	1.3	1.6	0.6	0.5
Input Prices							
Versus last 12 months	0.9	1.0	1.6	2.4	2.8		
Expected next 12 months	1.2	1.4	1.4	2.2	2.7	-0.2	-0.1
Average Basic Salary							
Versus last 12 months	0.4	0.7	1.1	1.2	1.5		
Expected next 12 months	1.2	1.5	1.6	1.7	1.9	0.5	0.4
Average Total Salary							
Versus last 12 months	-0.5	0.1	0.3	0.8	1.2		
Expected next 12 months	1.4	1.5	1.4	1.5	1.7	0.7	0.5
Exports							
Versus last 12 months	1.3	2.2	3.3	4.0	4.3		
Expected next 12 months	3.8	4.3	4.3	4.6	4.8	0.6	0.5
Inputs from Abroad							
Versus last 12 months	0.9	1.5	1.7	1.5	2.7		
Expected next 12 months	2.0	2.3	2.0	2.0	2.2	0.5	-0.5

KEY:

HIGH



LOW

TABLE 4 FINANCIAL PERFORMANCE INDICATORS (CONT'D)

Base: All respondents

Base: All respondents

						TRACTION *	
Average % Change	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q1 2011	Q2 2011
Capital Investments							
Versus last 12 months	-0.8	0.0	0.7	1.3	1.8		
Expected next 12 months	1.3	2.0	1.6	1.9	2.0	0.6	0.2
Number of Employees							
Versus last 12 months	-2.0	-1.3	-0.4	0.1	0.9		
Expected next 12 months	1.1	1.1	1.2	1.1	1.6	1.0	0.7
Staff Development Budget							
Versus last 12 months	-0.8	-0.8	-0.1	0.2	0.8		
Expected next 12 months	1.2	1.2	1.2	1.4	1.4	1.2	0.6
Research and Development Budget							
Versus last 12 months	1.4	0.8	1.6	1.8	2.3		
Expected next 12 months	1.3	1.4	1.6	1.5	1.7	-0.3	-0.6
Domestic Sales							
Versus last 12 months	-0.1	1.3	1.6	2.4	3.2		
Expected next 12 months	4.9	4.2	3.2	4.1	4.8	1.7	1.6

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

	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011
% Greater Challenge	%	%	%	%	%
Customer demand	39	37	44	47	48
Competition in the marketplace	37	38	40	38	39
Regulatory requirements	37	33	33	36	35
Late payment from customers	30	27	25	26	27
Tax burden	21	18	20	21	21
Transport problems	17	20	17	13	18
Bank charges	25	21	21	17	17
Your access to capital	23	17	20	22	16
Your ability to expand into new areas	13	14	13	13	12
Staff turnover	8	13	10	12	11
Government support for business	4	7	9	11	10
Availability of nonmanagement skills	5	6	8	6	8
Availability of management skills	7	7	8	8	6
Non-transport infrastructure problems *	9	7	5	7	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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