



making business sense



Grant Thornton

An instinct for growth™

Q1 2014 ICAEW / Grant Thornton Business Confidence Monitor results

30 January 2014

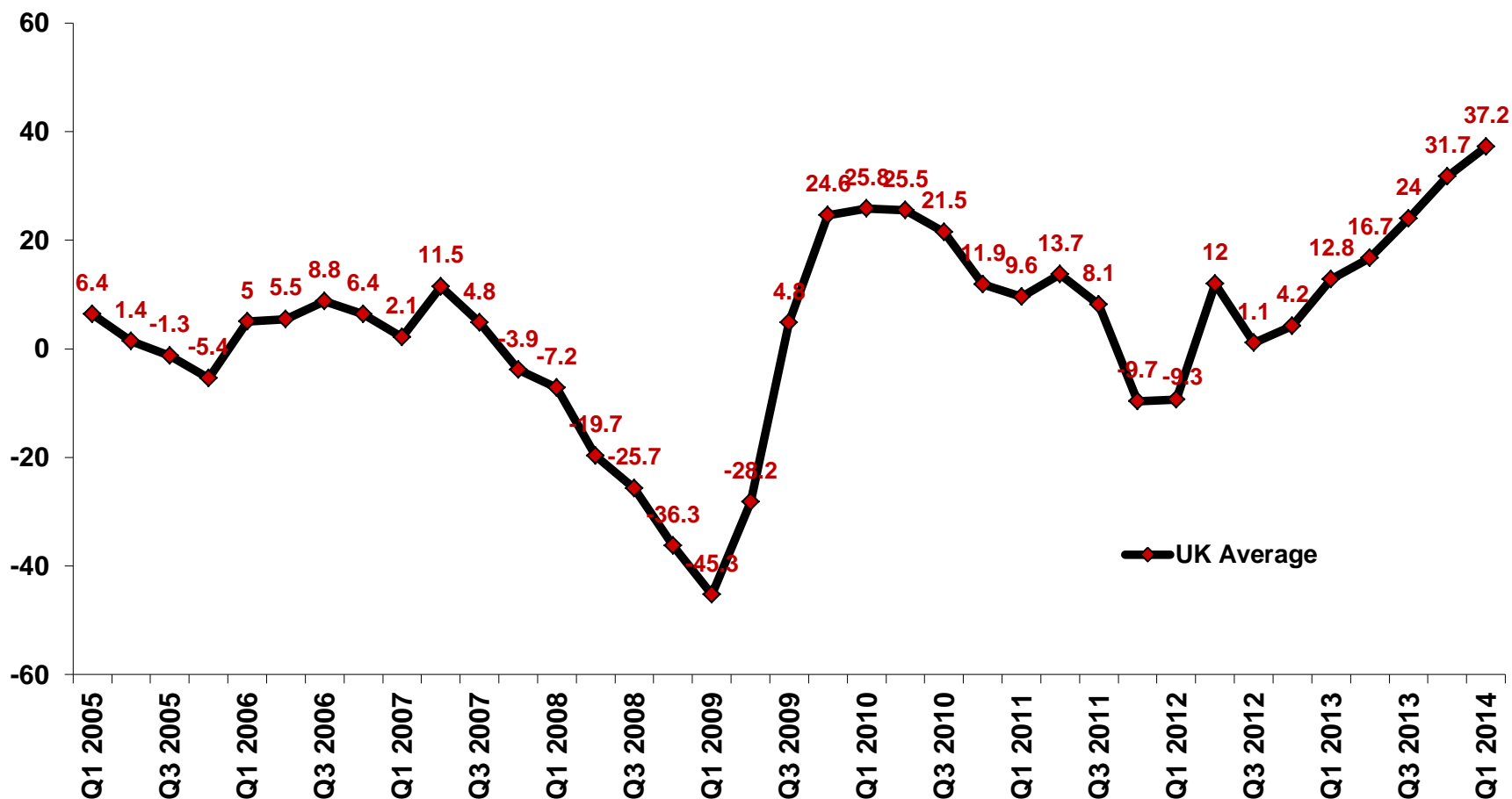
Contact: Caroline Florence

Outline

- Confidence Index top lines
- Financial performance indicators
 - Growth indicators
 - Inflation & labour market indicators
- Regional & sector stories

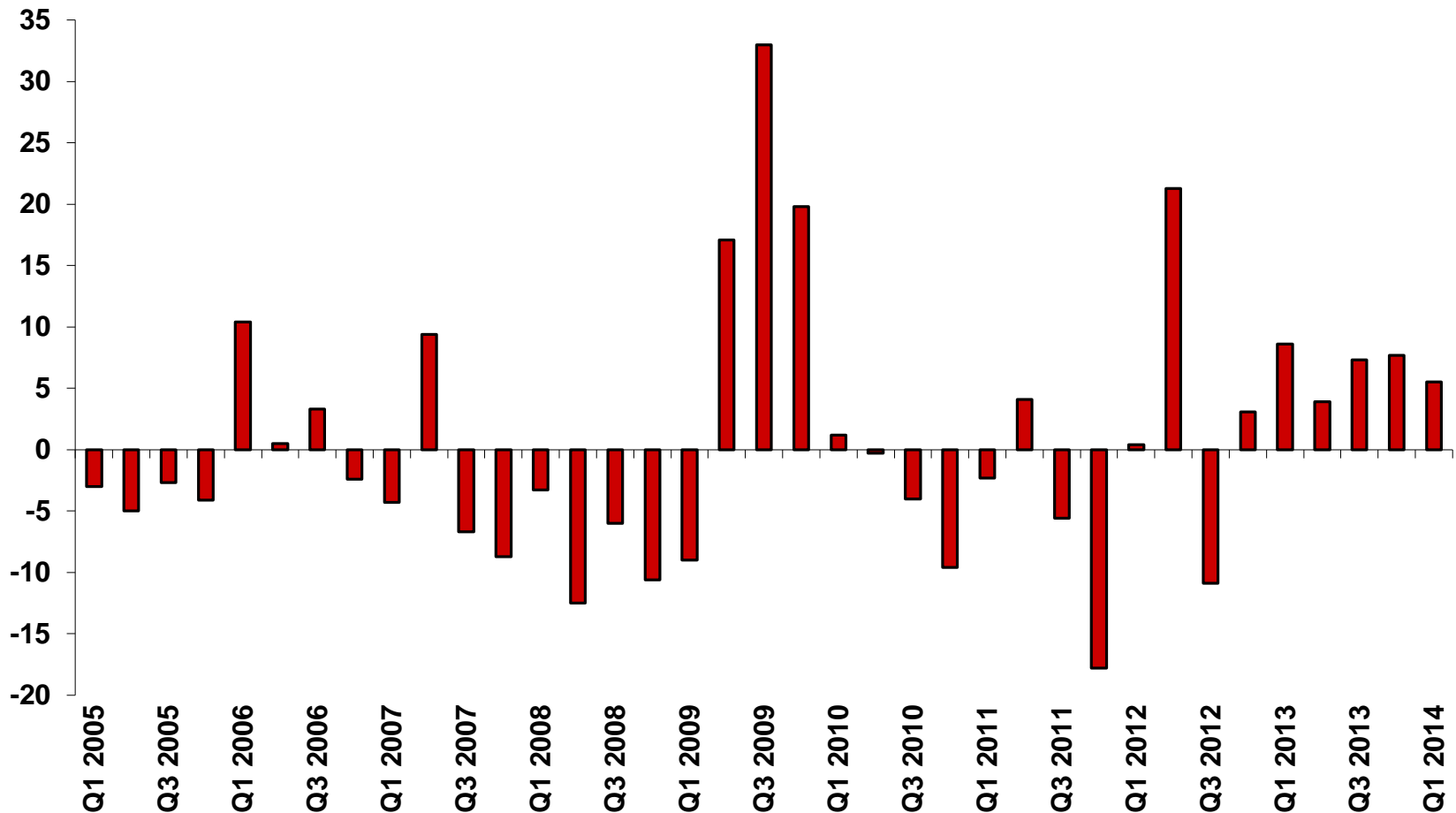
Business confidence reaches a new record high

ICAEW / Grant Thornton Business Confidence Index



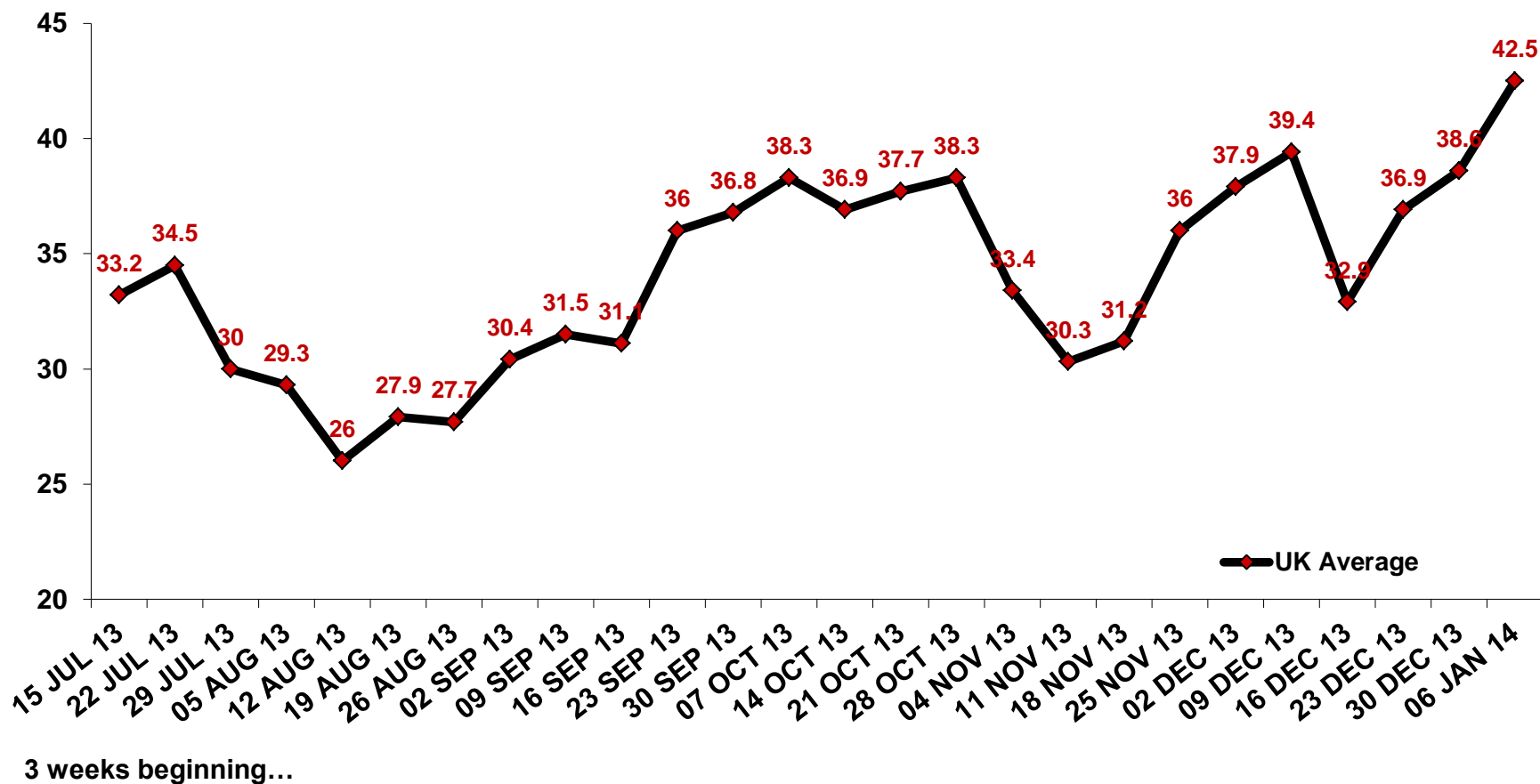
Confidence has now been rising for six consecutive quarters

Quarterly change to Confidence Index



Confidence continued to rise in the New Year

ICAEW / Grant Thornton Business Confidence Index – 3 week rolling trend



Economic growth forecast to accelerate in Q1 2014

Quarter on quarter real GDP growth, per cent

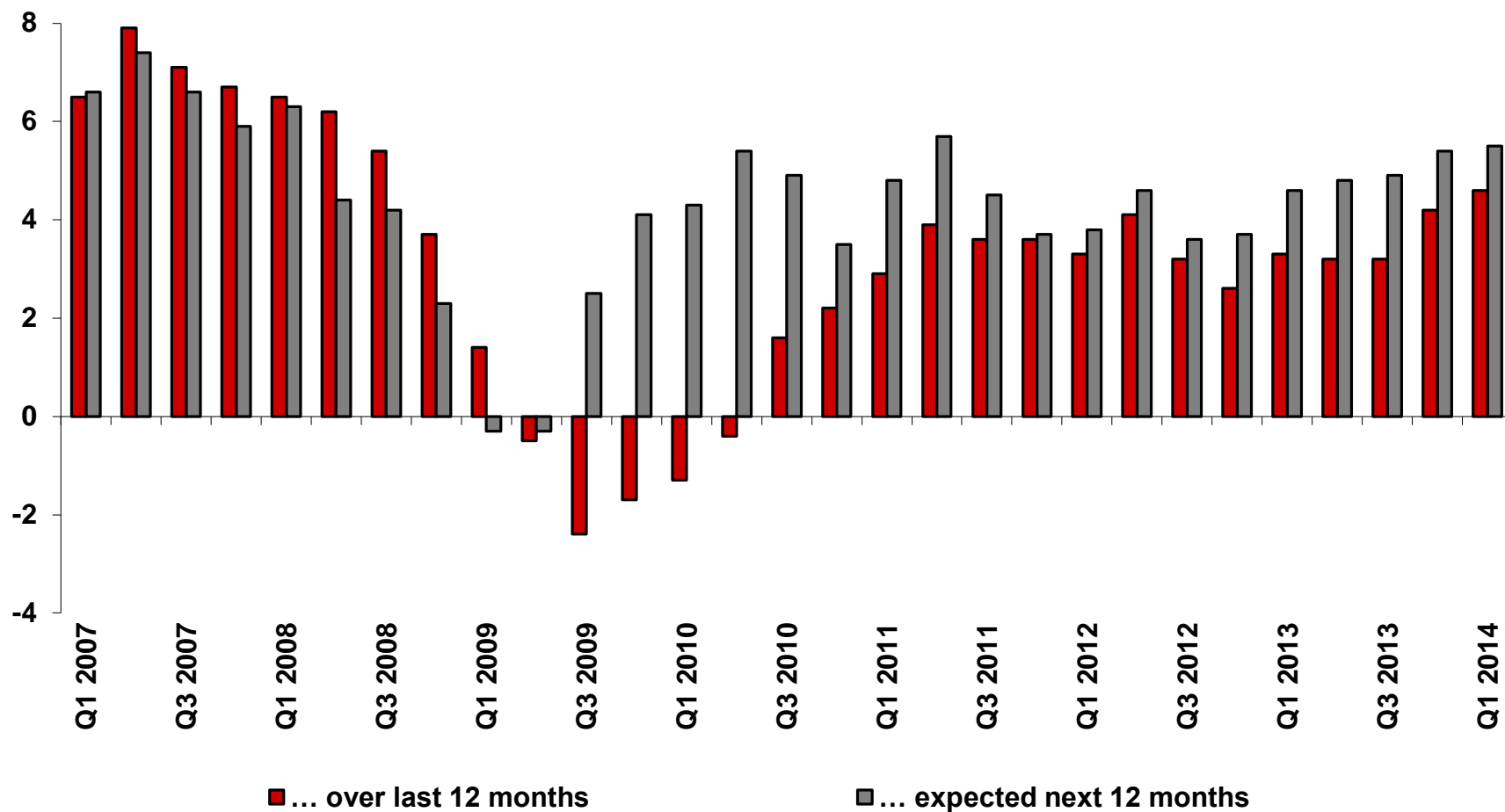


Outline

- Financial performance indicators
 - Growth indicators

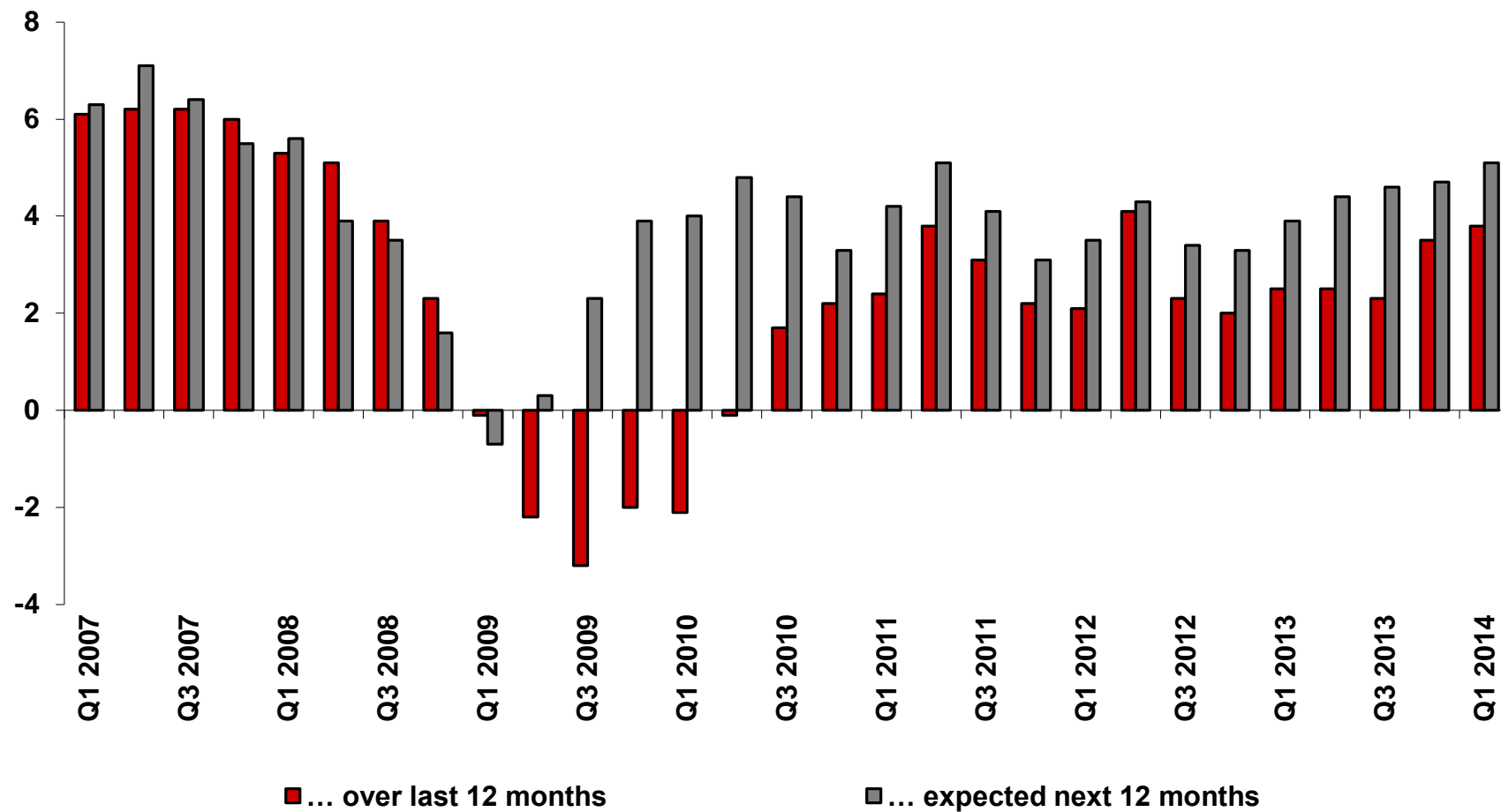
Turnover growth and expectations continue to pick up

Turnover, annual percentage change



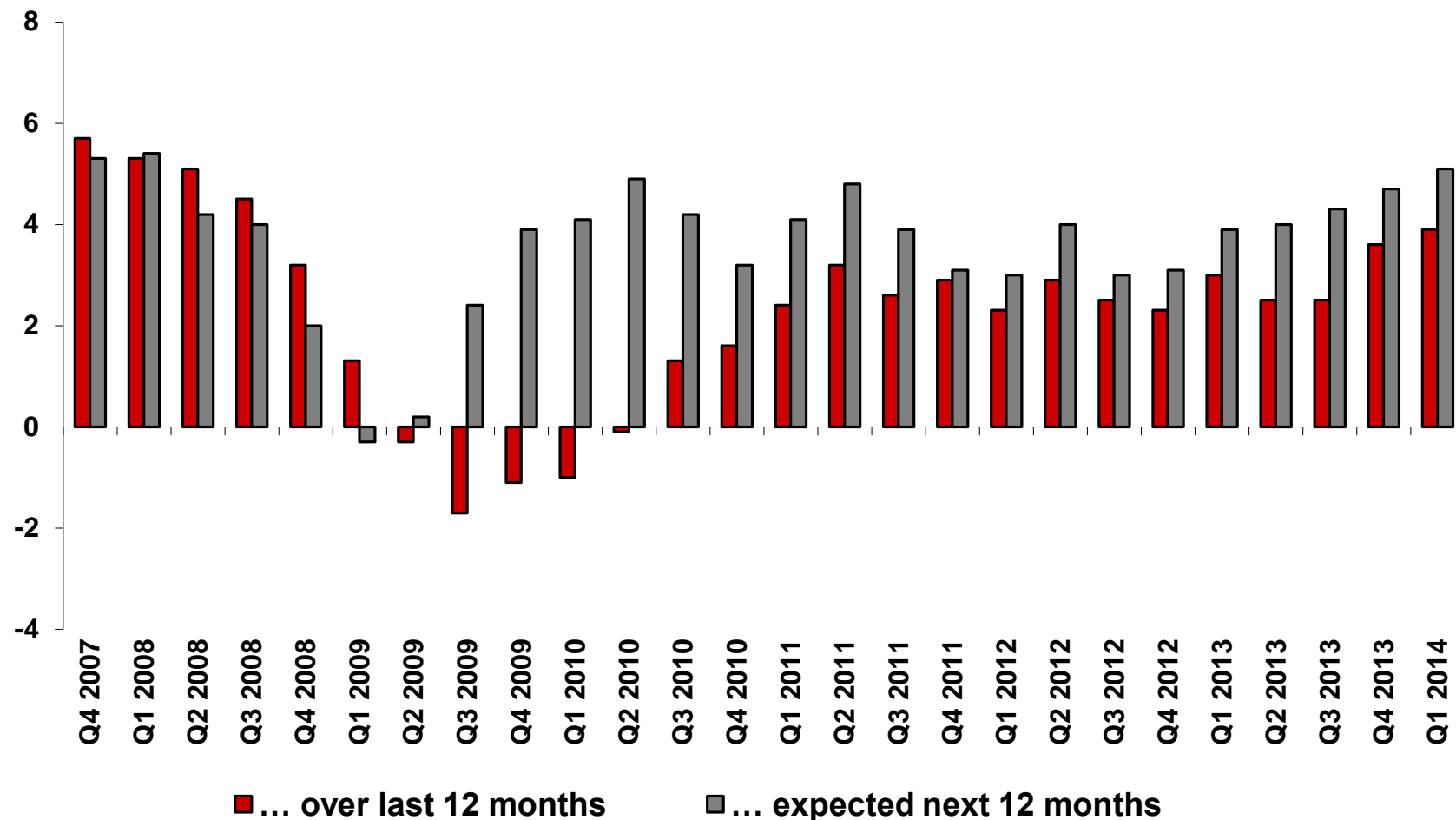
Reported and expected profit growth have also increased

Gross profits, annual percentage change



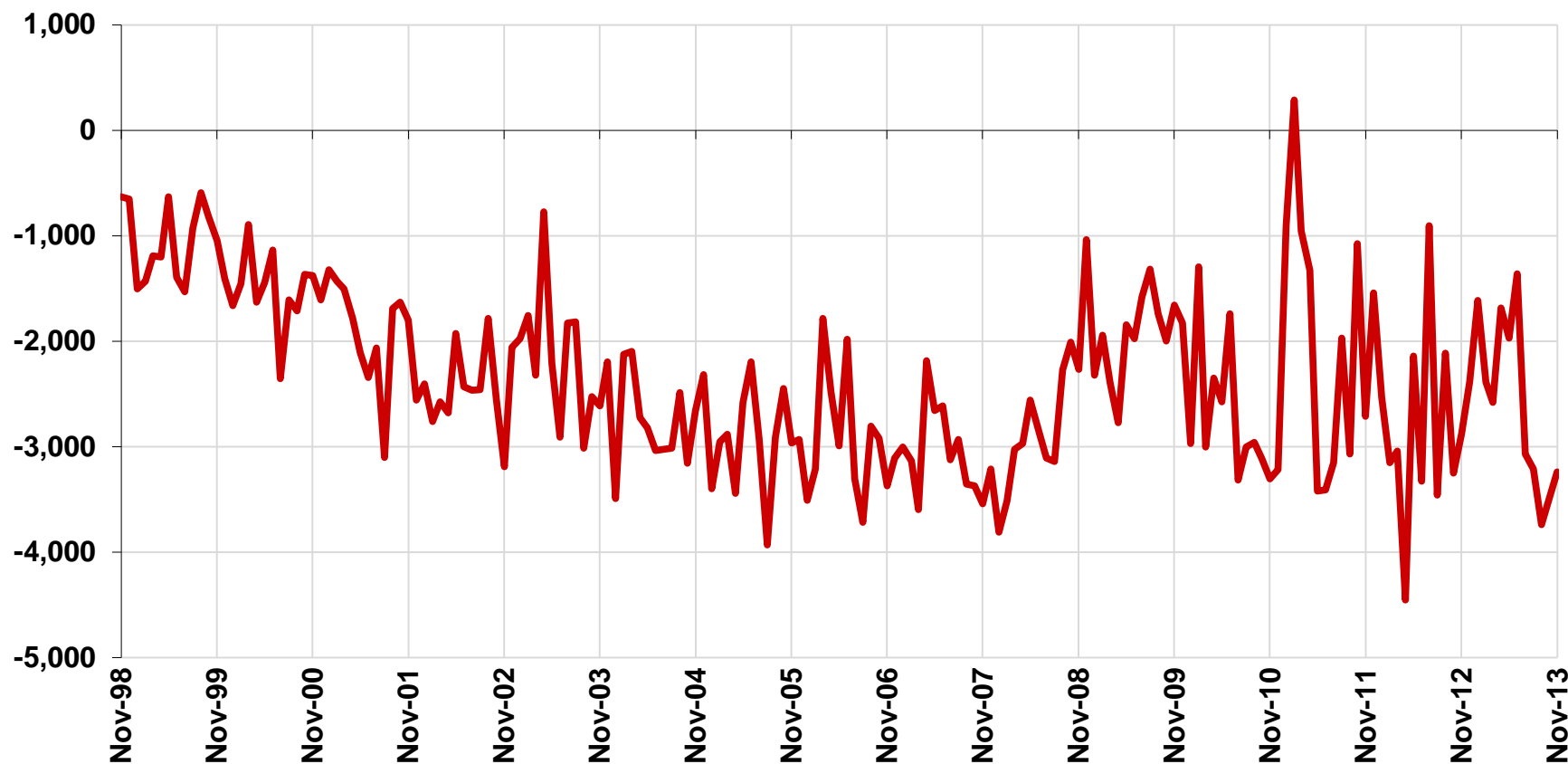
Fastest expected domestic sales growth since Q1 2008

Domestic sales, annual percentage change

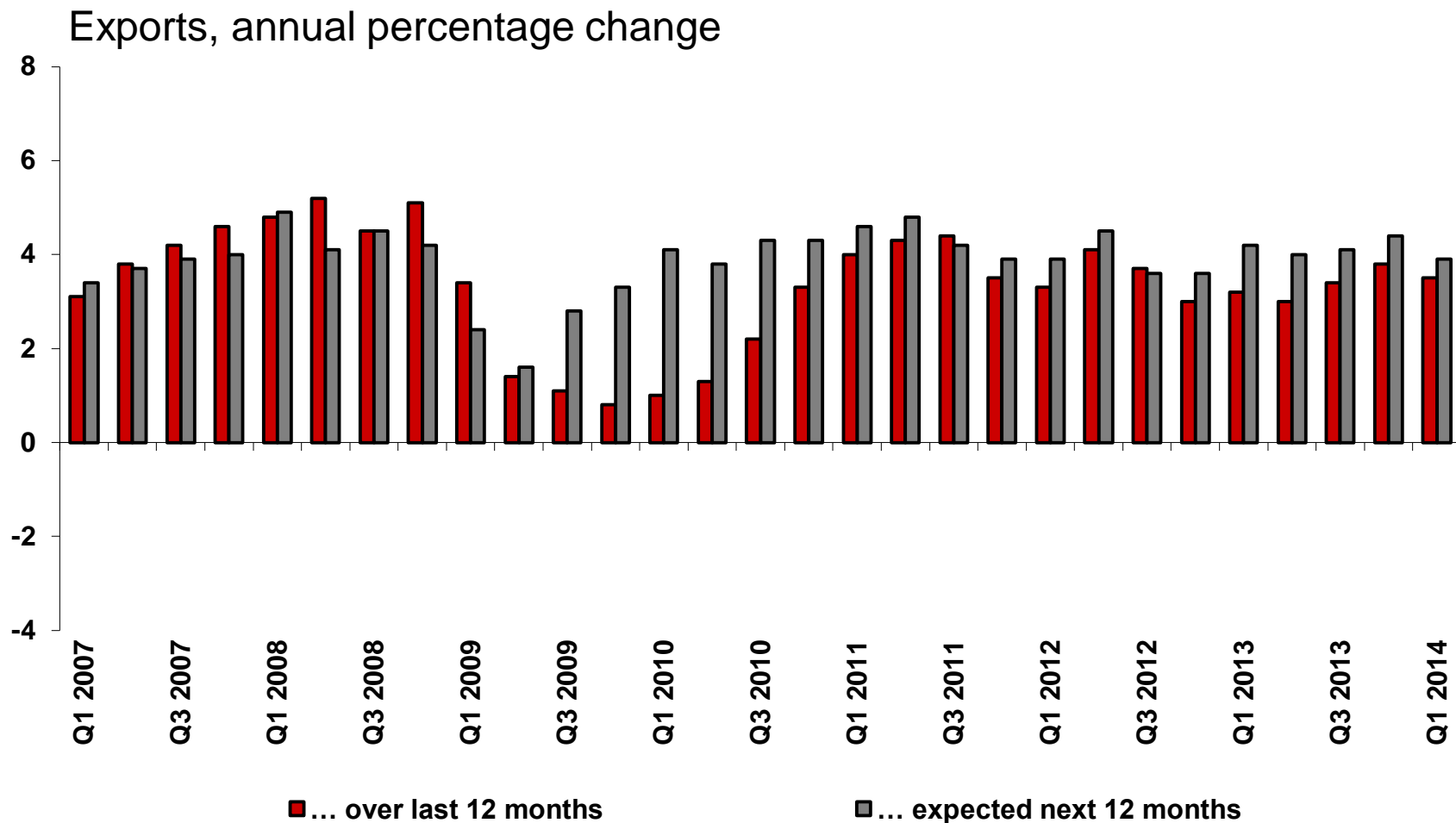


The UK's trade position is a concern

UK trade balance (exports minus imports), £ millions

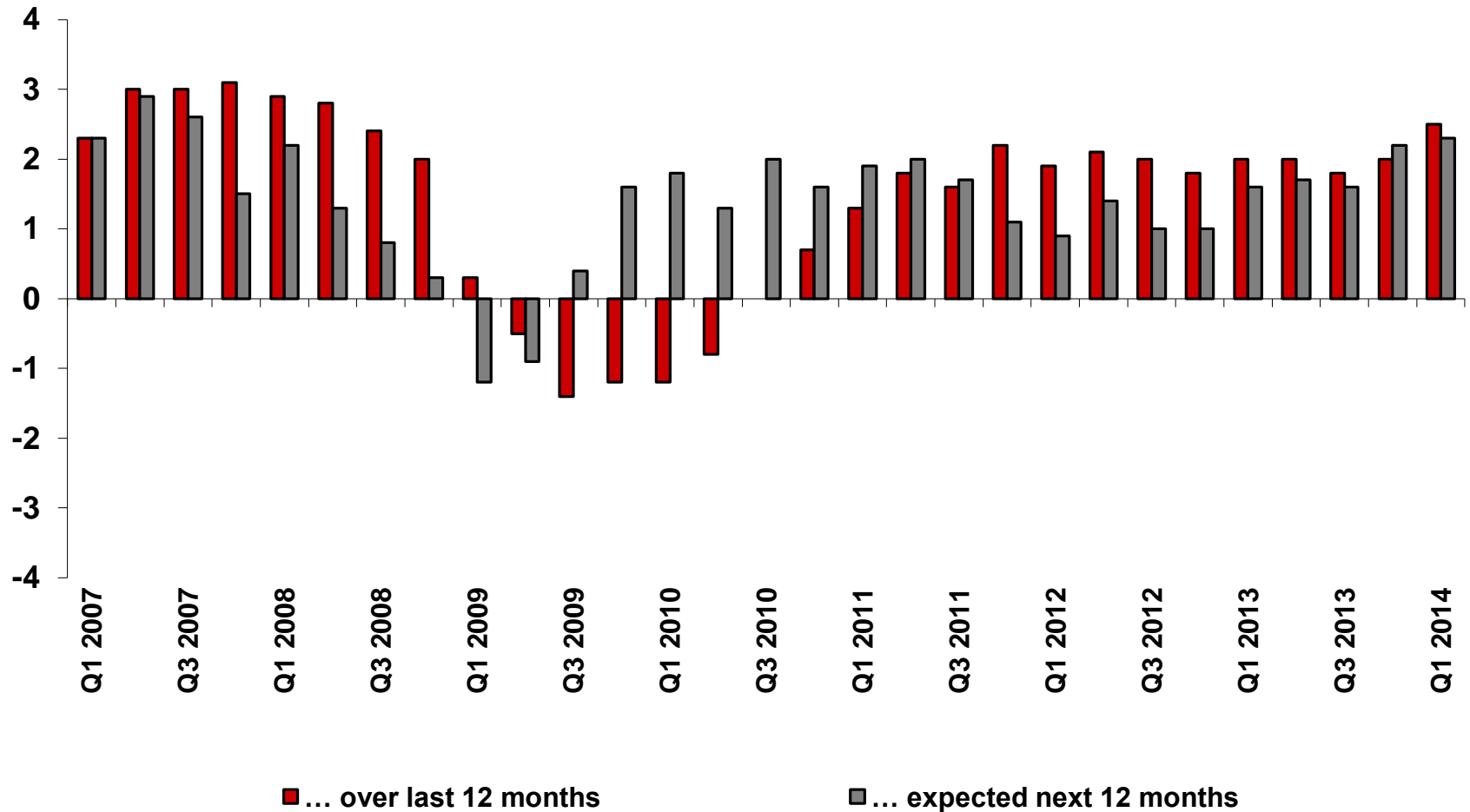


Reported and expected export growth fail to increase despite rise in business confidence



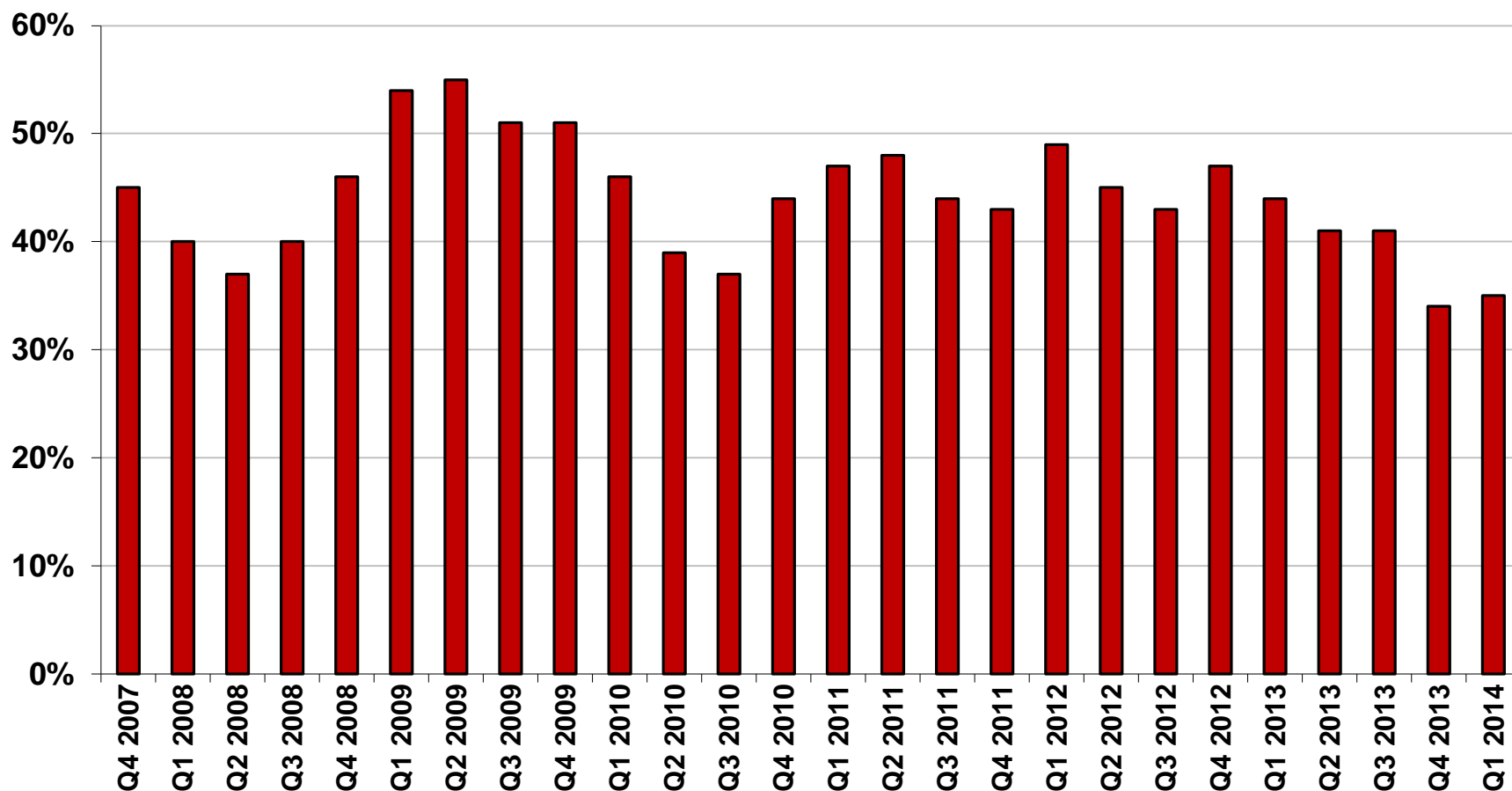
Reported and expected capital investment growth pick up

Capital investment, annual percentage change



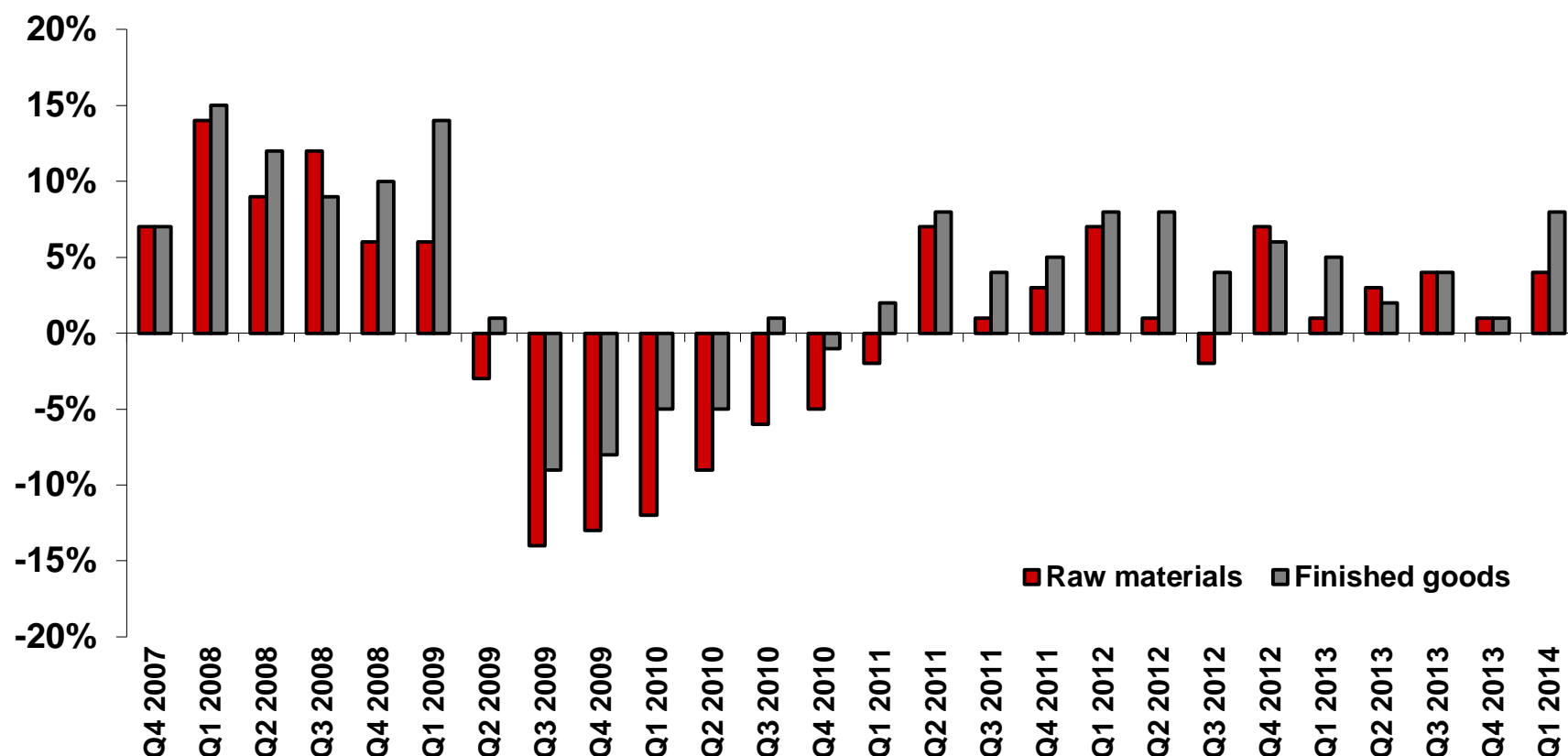
Share of businesses reporting customer demand to be a greater challenge remains relatively low

Share of businesses reporting customer demand as greater challenge



Increase in net share of businesses with stocks above normal levels

Net share* of businesses** with stock levels **above normal**

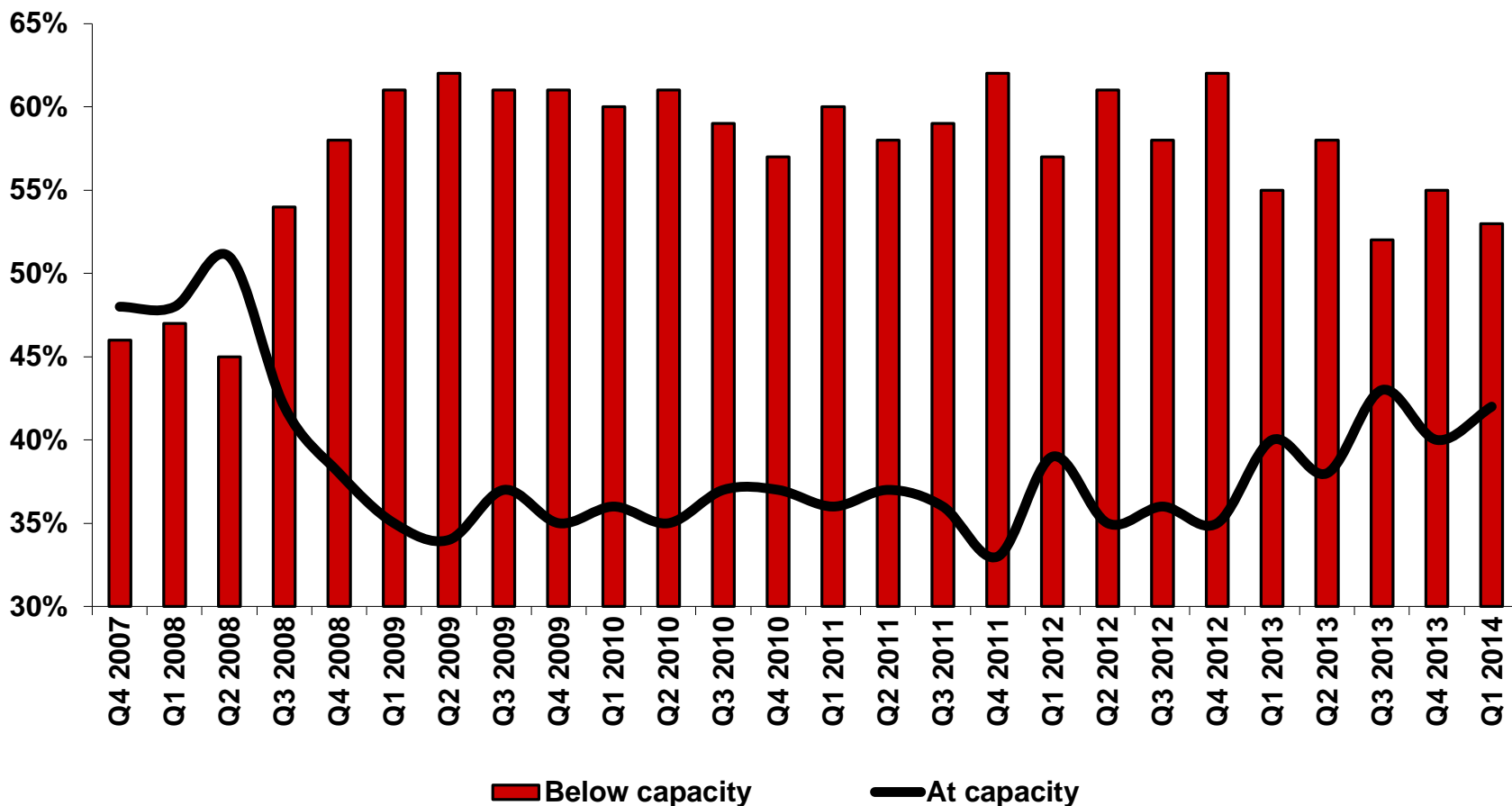


*Share of businesses with stock levels above normal minus share of businesses with stock levels below normal

** Manufacturing, Construction and Transport & Storage sectors for raw materials, Manufacturing, Construction and Retail & Wholesale sectors for finished goods

Upward trend in share of businesses operating at capacity but still over half operating below capacity

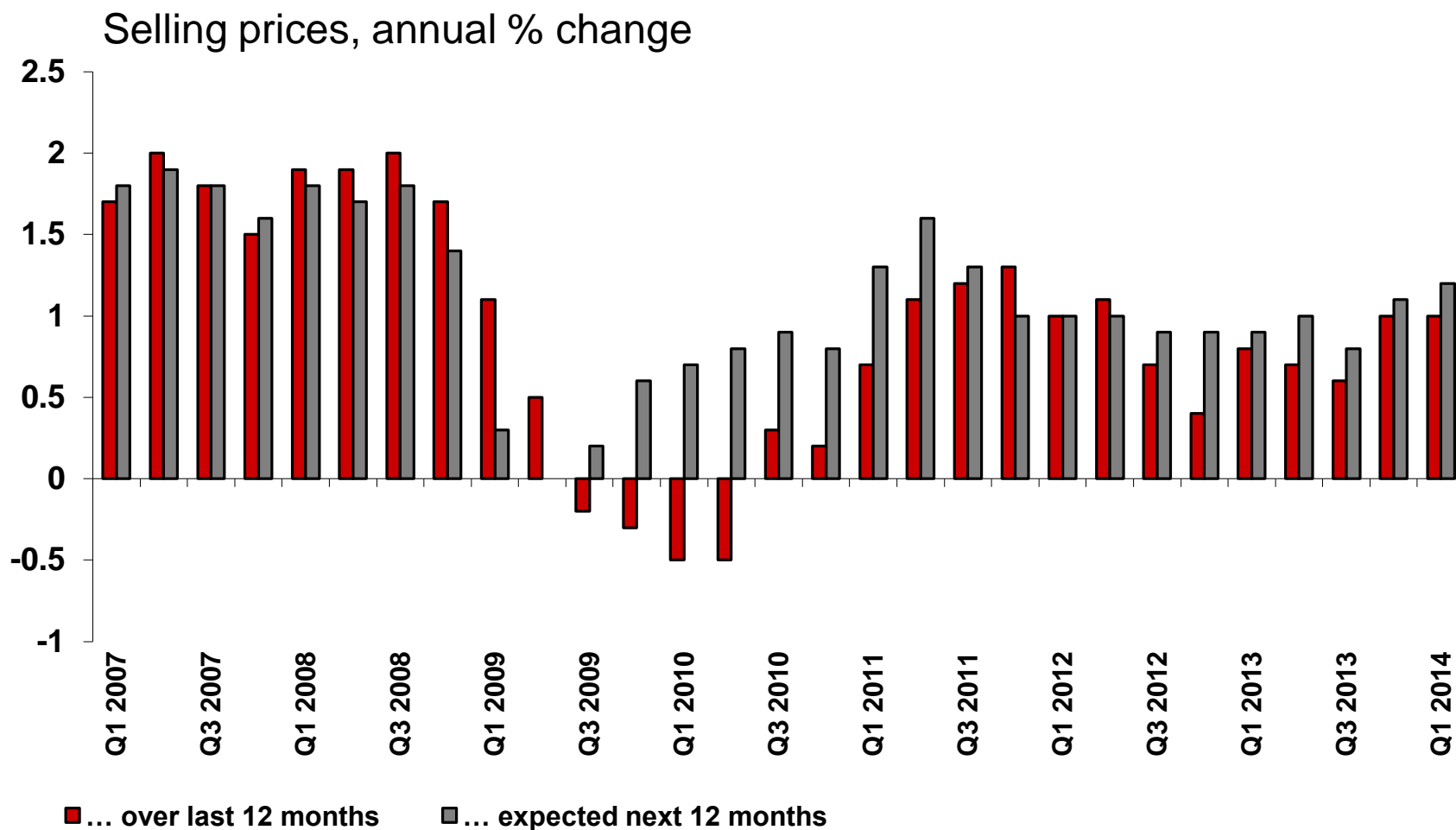
Share of businesses operating at and below capacity



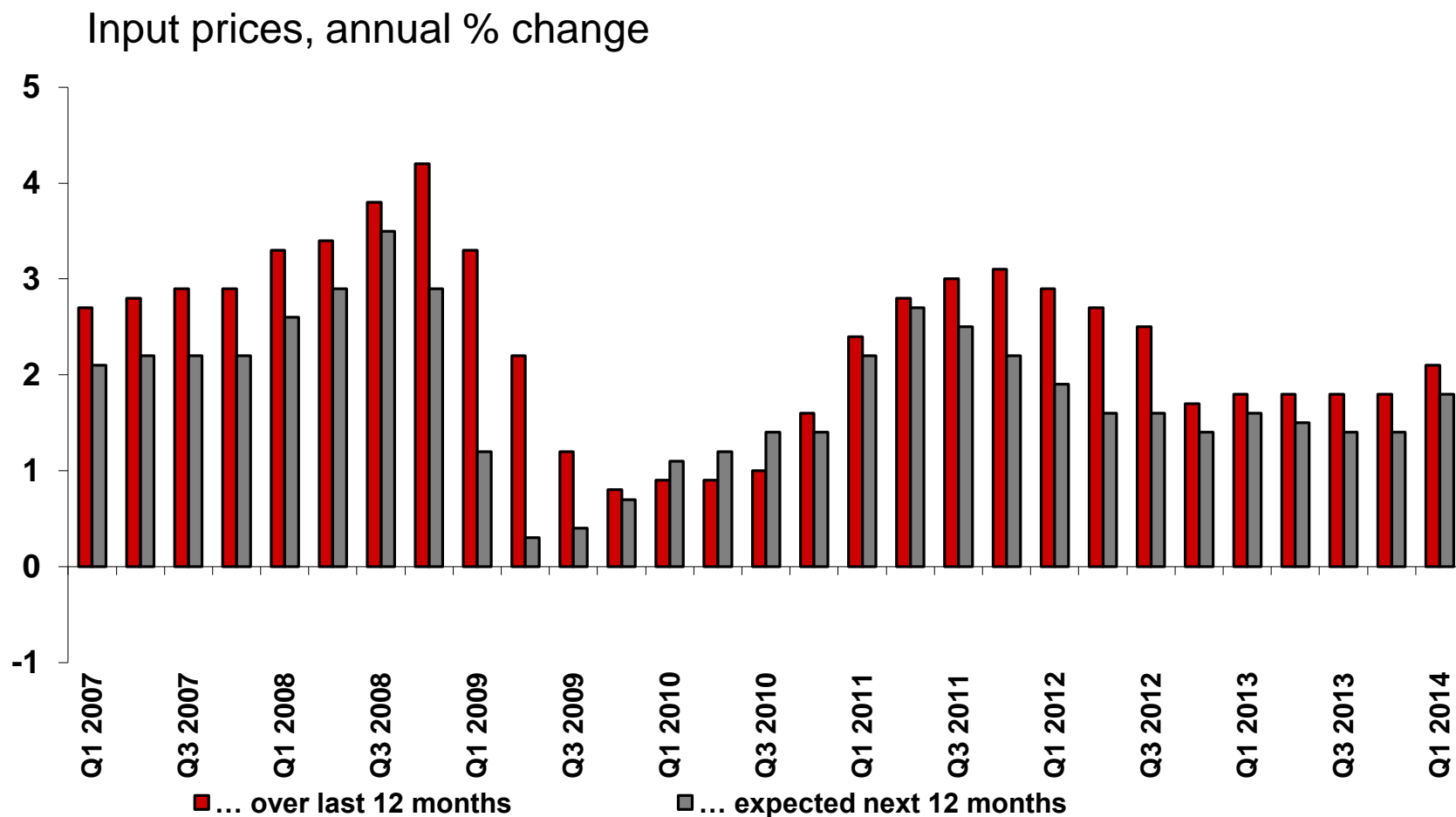
Outline

- Financial performance indicators
 - Inflation & labour market indicators

Reported selling price growth is unchanged

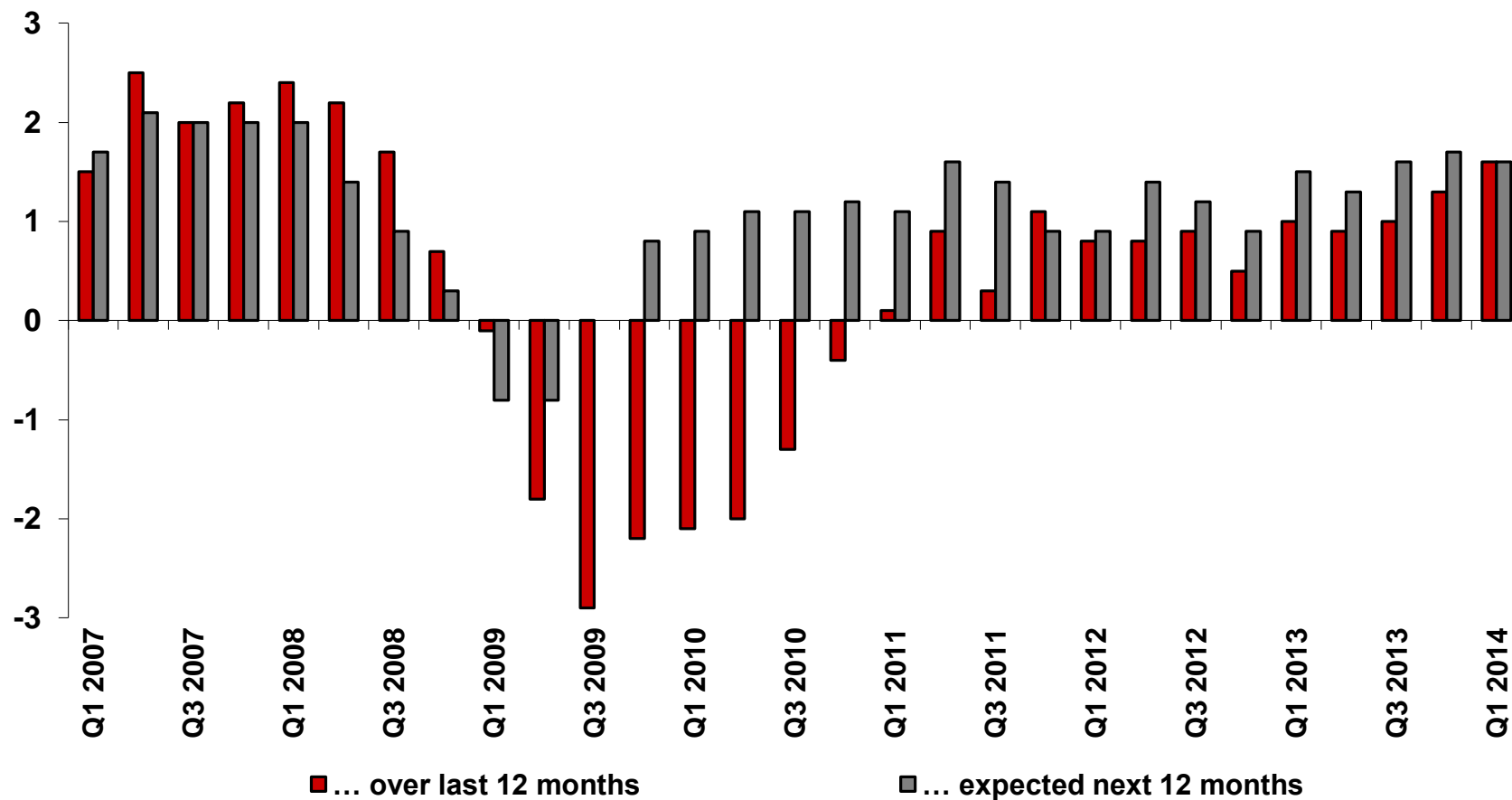


Slight uptick in reported input price growth



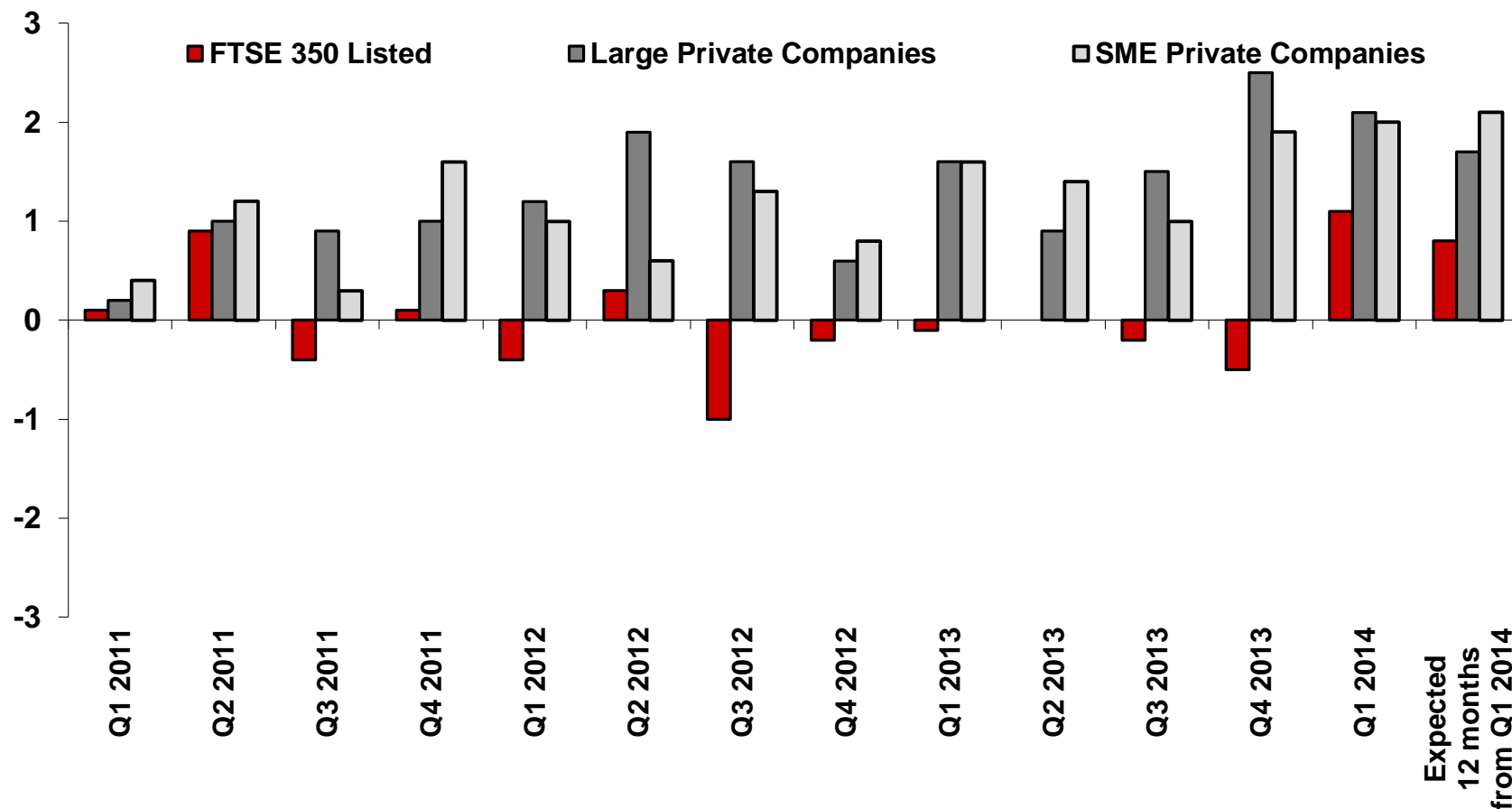
Employment growth expectations hold steady

Employment, annual percentage change



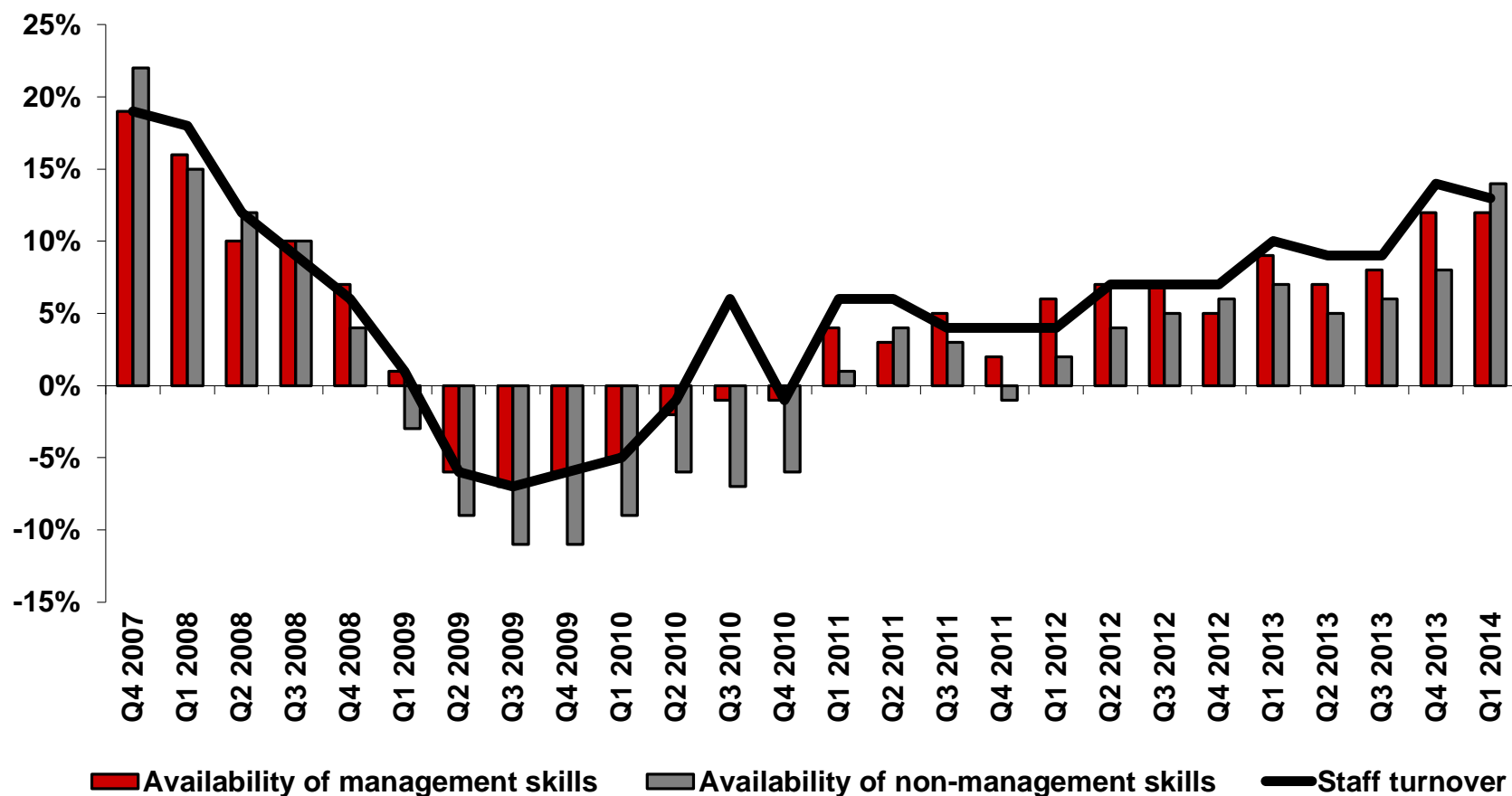
FTSE 350 companies have returned to job creation

Employment, annual percentage change



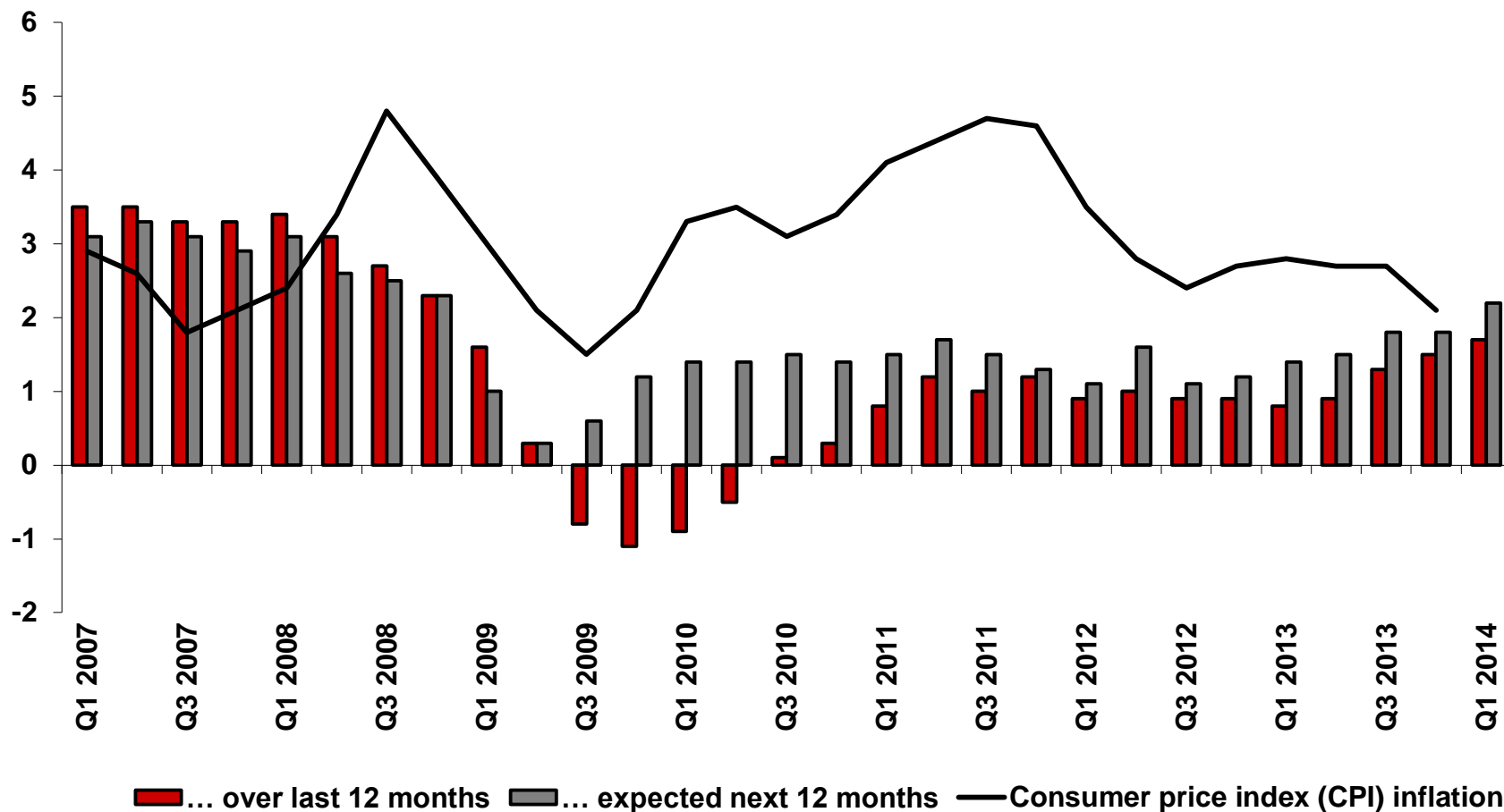
Availability of non-management skills becoming more of an issue

Net percentage balance of firms reporting factors to be a greater challenge to business performance



Salary growth expectations pick up. Pay growth could start to overtake inflation, albeit modestly

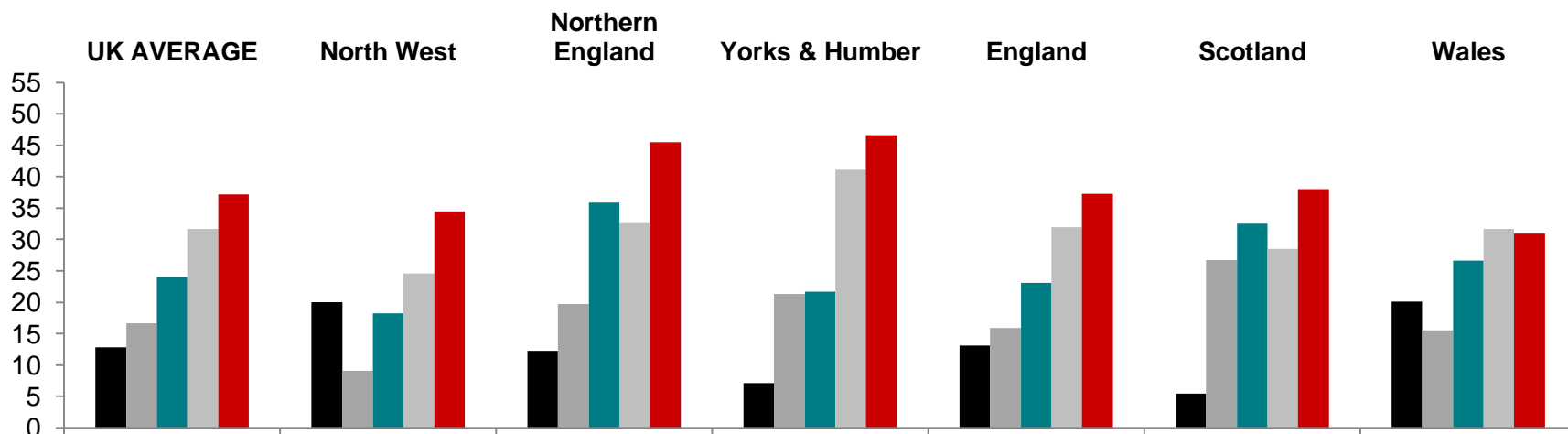
Average total salary, annual percentage change



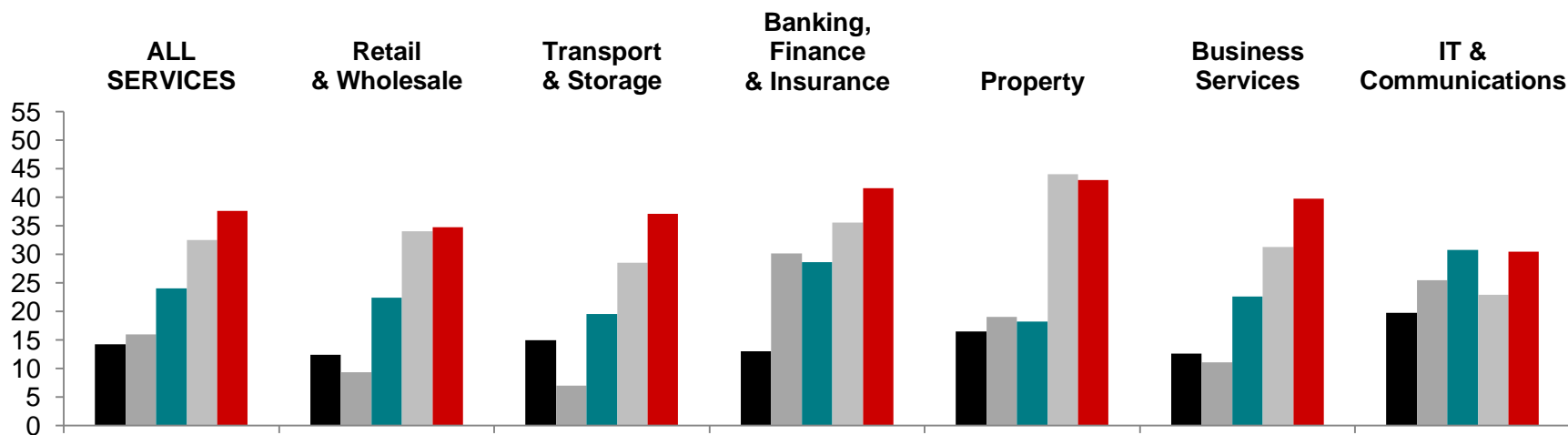
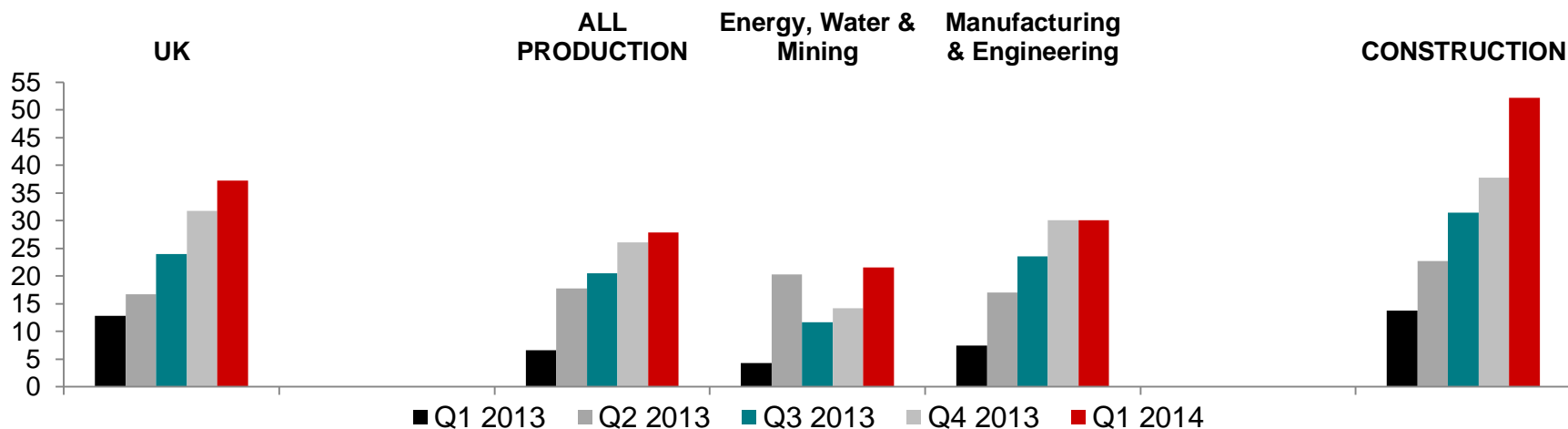
Outline

- Regional & sector stories

Trend of Business Confidence by Region

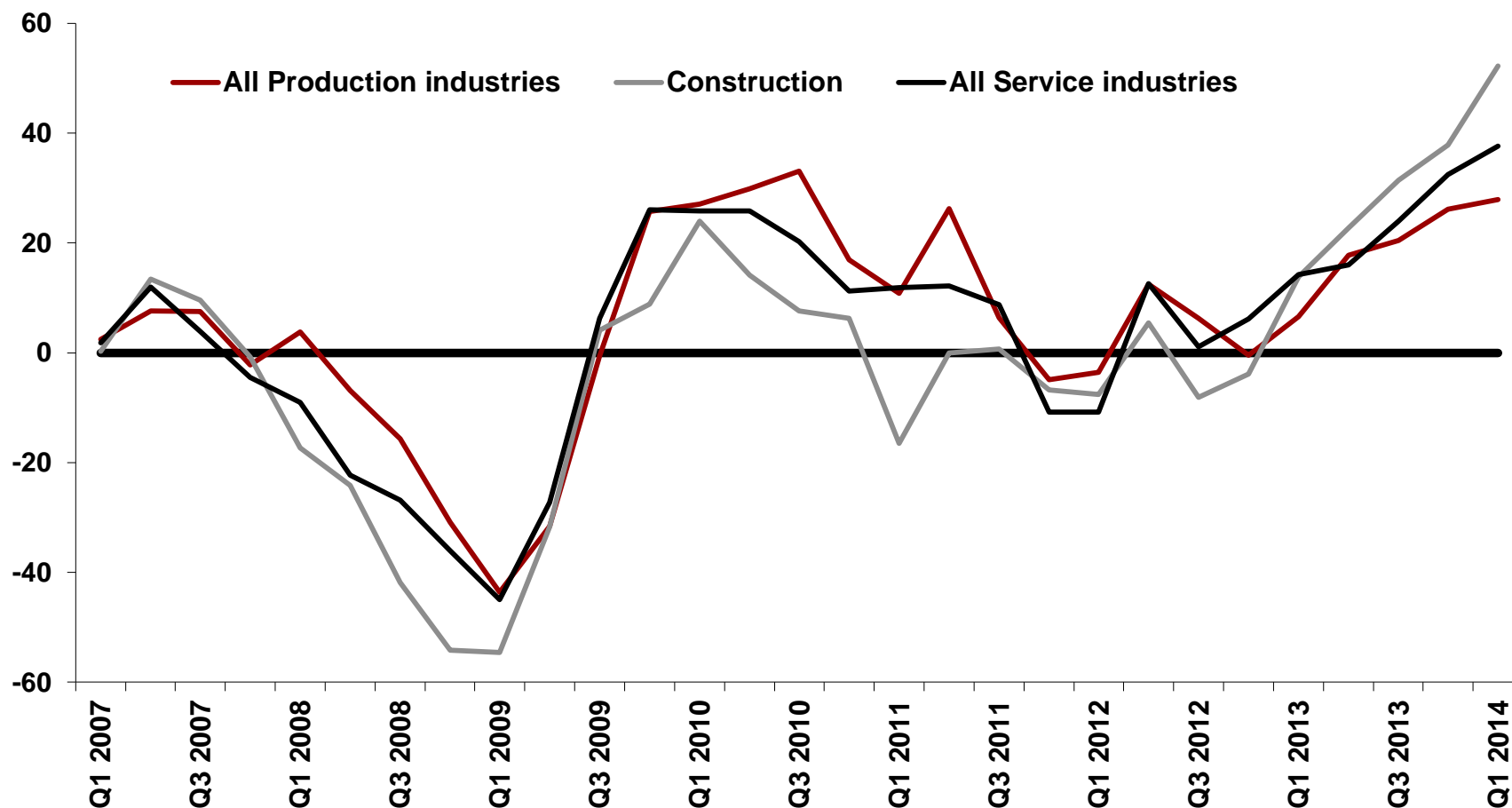


Trend of Business Confidence by Sector



Construction sector confidence shoots ahead

ICAEW / Grant Thornton Business Confidence Index, by sector



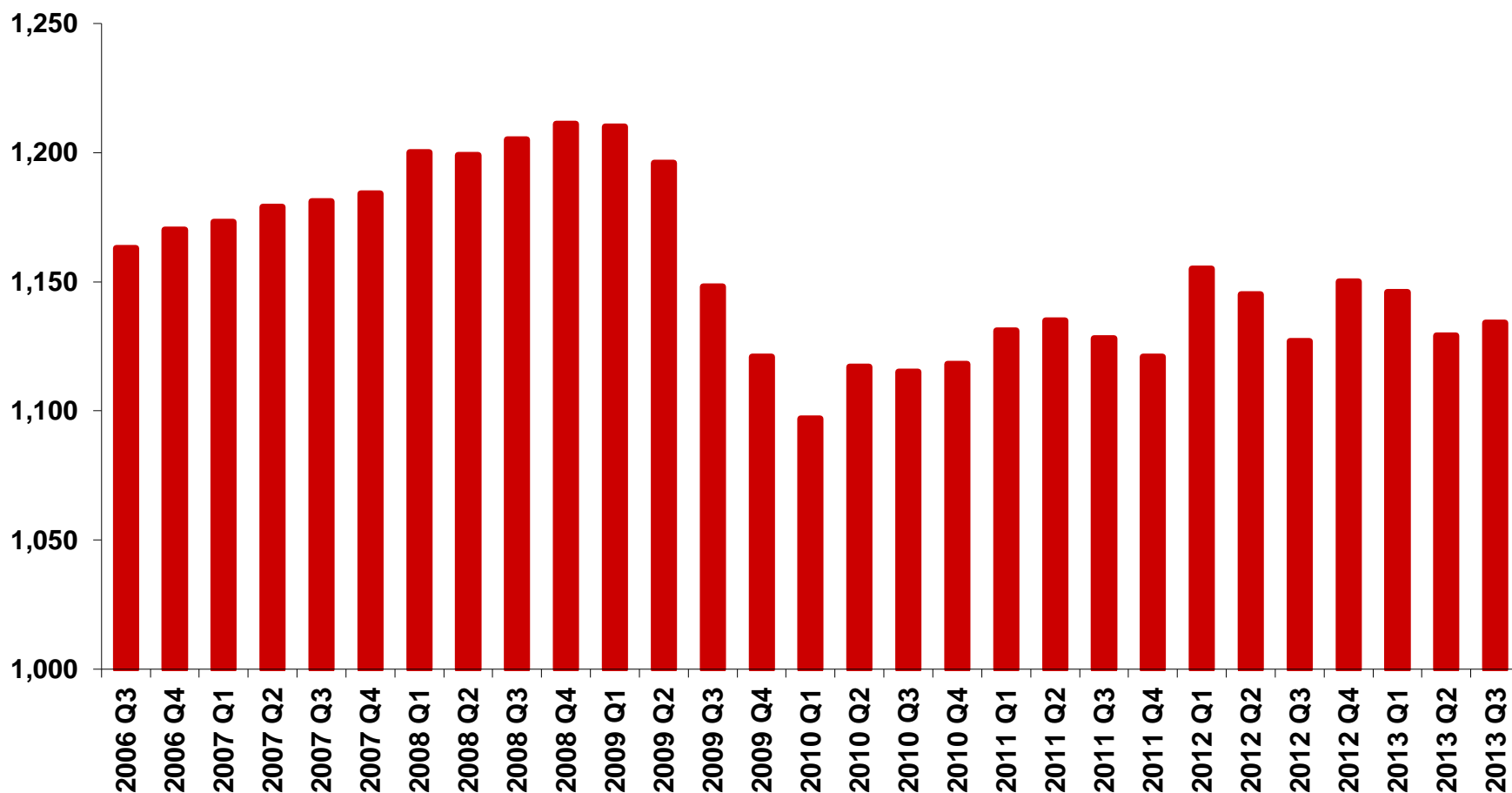
Banking, Finance & Insurance confidence at a record high...

ICAEW / Grant Thornton Business Confidence Index

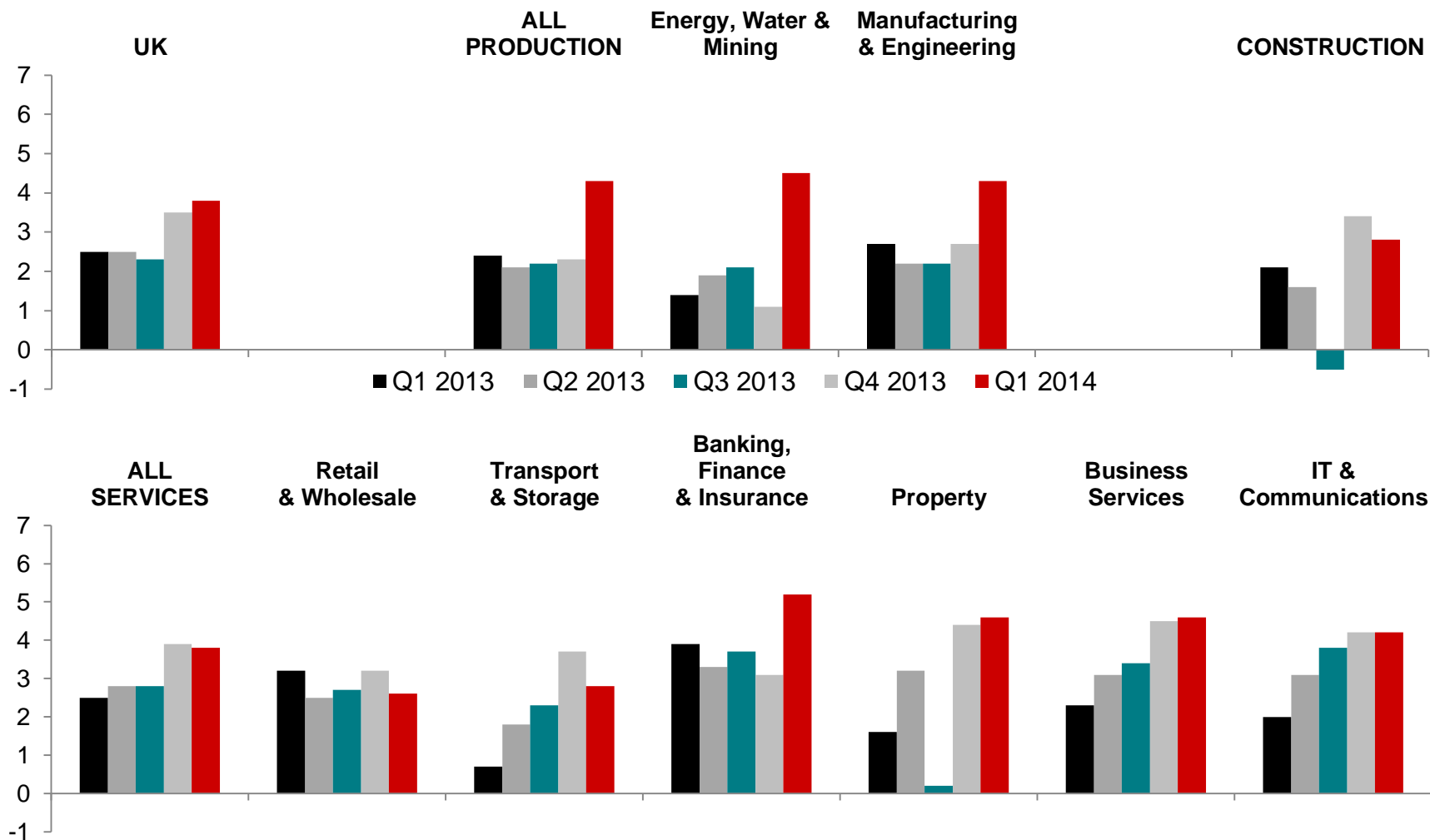


... suggesting employment in financial services should rise from current levels

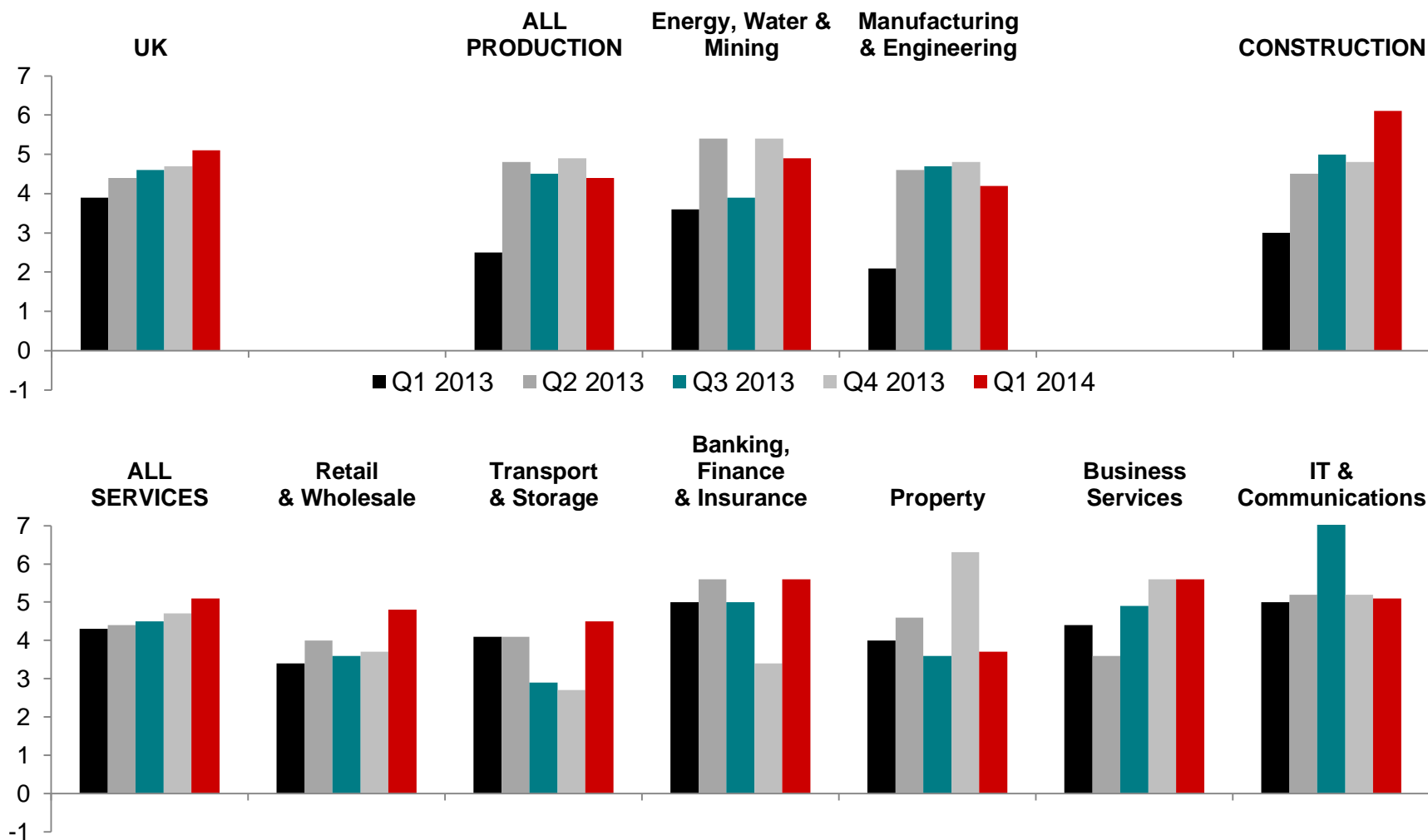
ONS workforce jobs, financial & insurance activities (thousands)



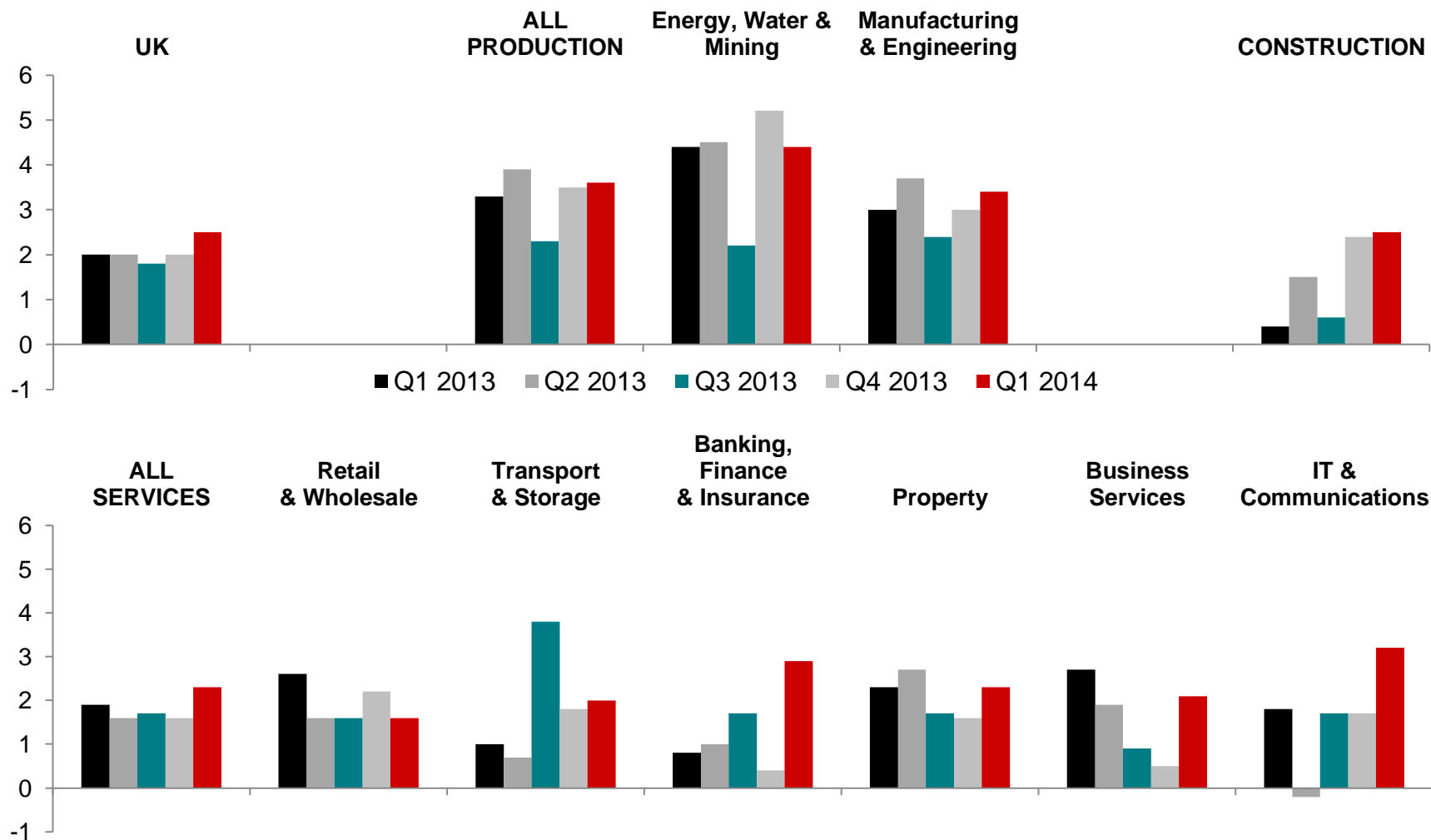
Profit growth – *last 12 months*



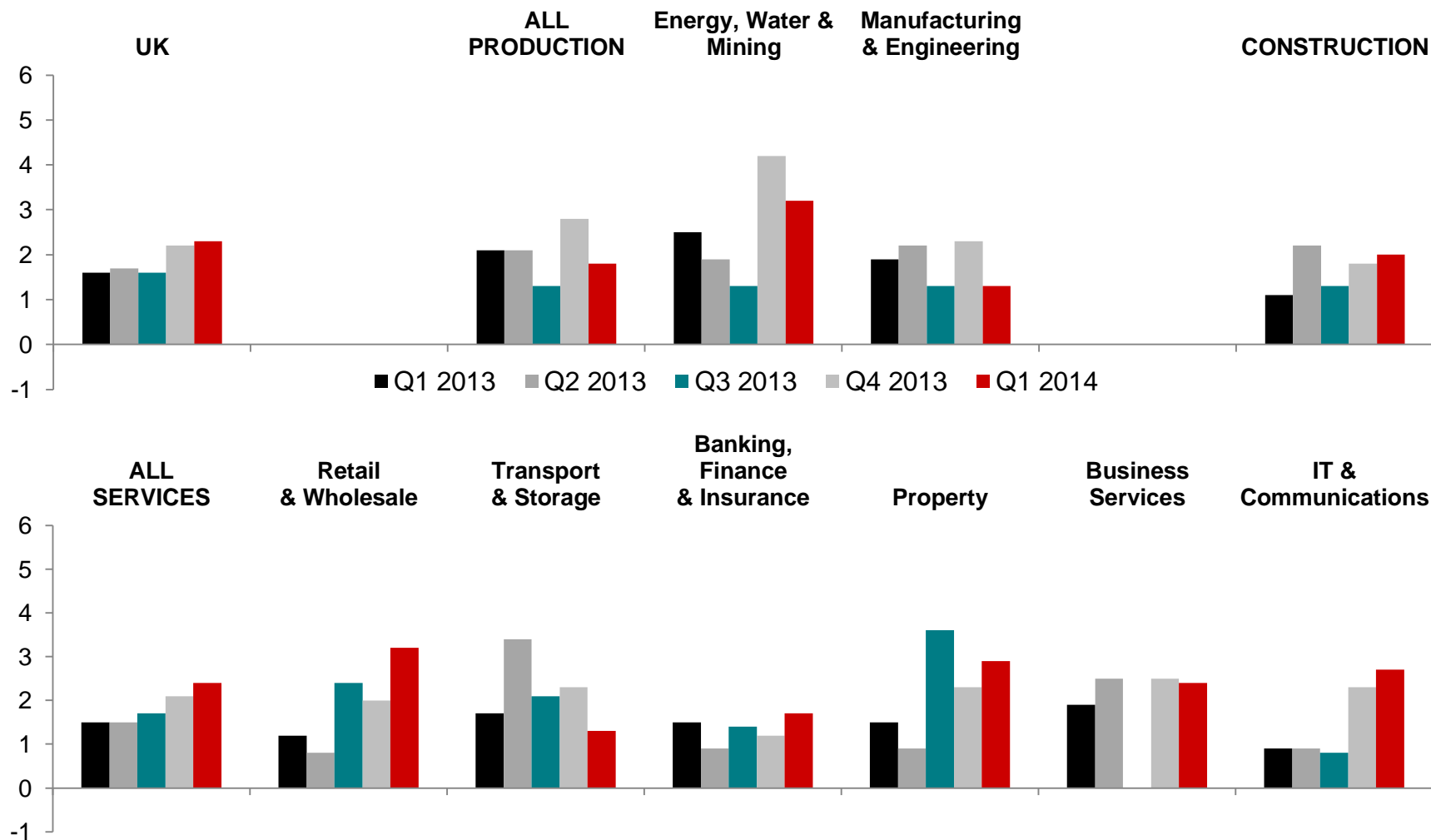
Profit growth – *next 12 months*



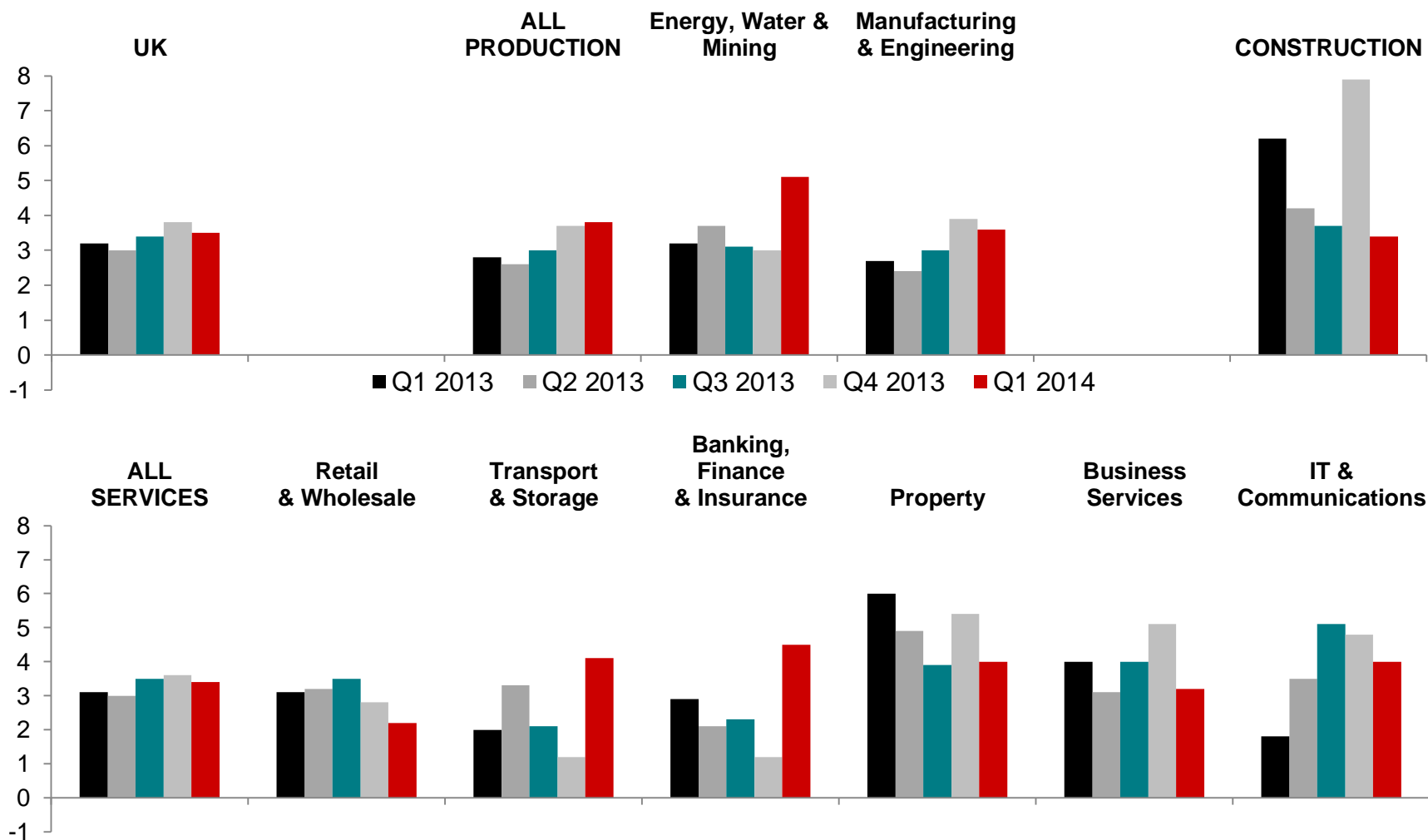
Capital investment growth – *last 12 months*



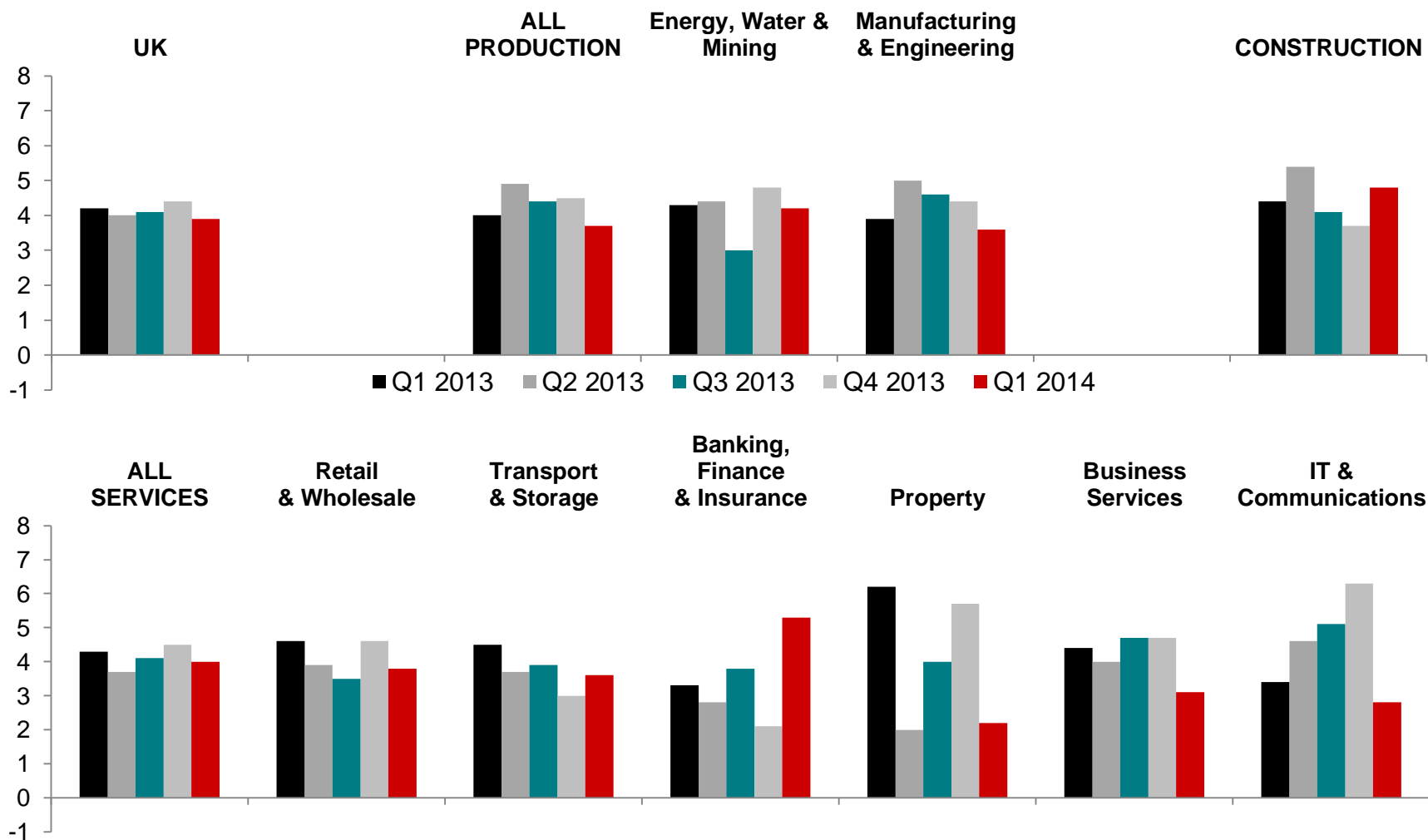
Capital investment growth – *next 12 months*



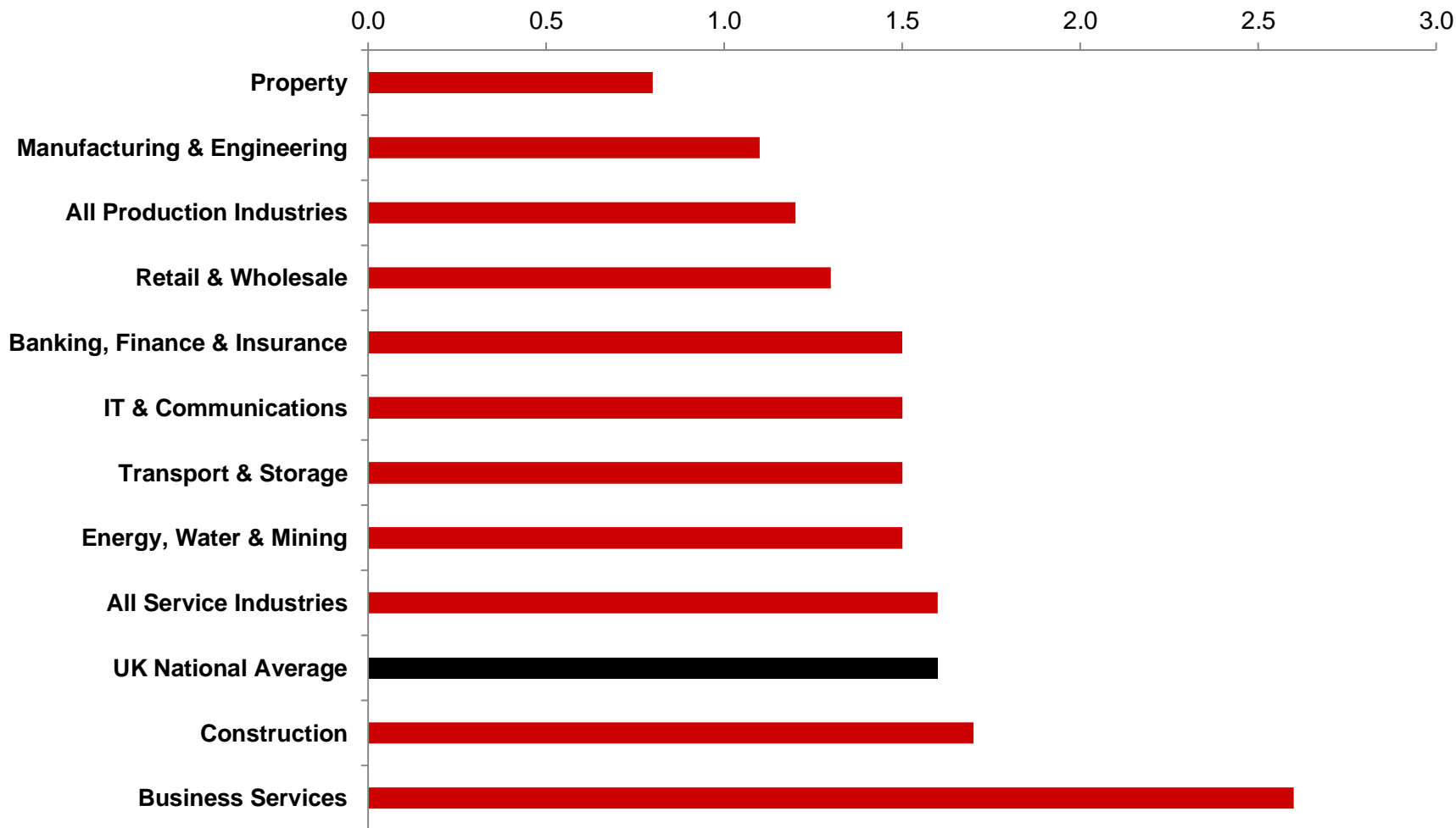
Export growth – *last 12 months*



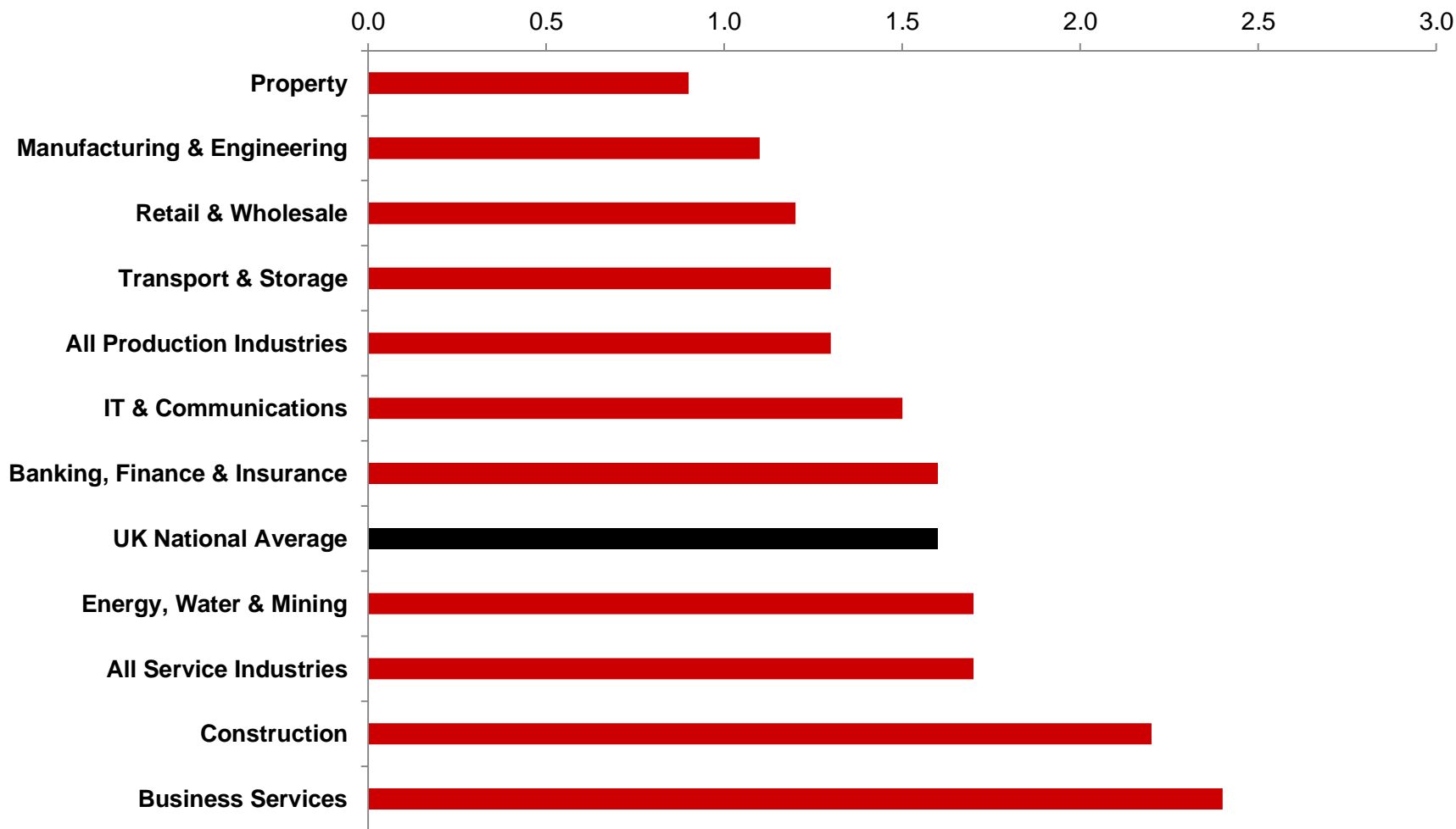
Export growth – *next 12 months*



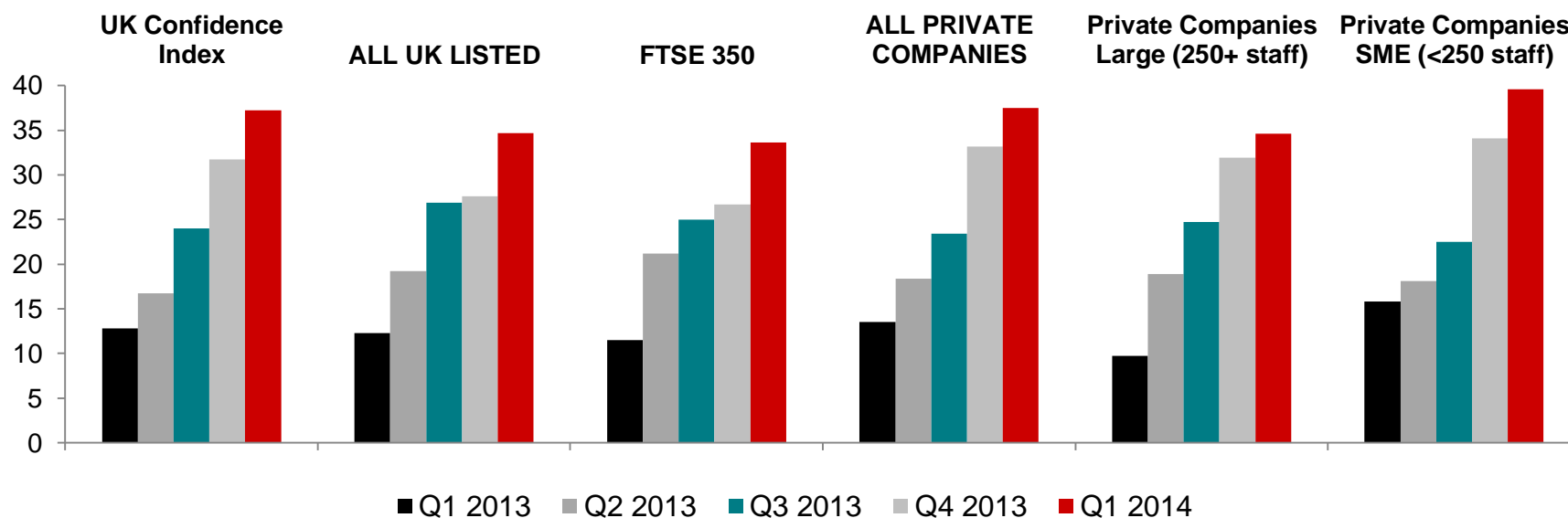
Employee growth – last 12 months



Employee growth – next 12 months



Trend of Business Confidence by Company Type



Conclusions

- Business confidence continues to rise in Q1 2014 to a new record high.
- Confidence has now increased for six consecutive quarters.
- Reported turnover and profit growth continue to pick up and businesses expect an acceleration over the next 12 months.
- Reported and expected capital investment growth are picking up.
- Reported and expected export growth have failed increase – a concern given the UK's trade position.
- Confidence has risen sharply in the Construction sector, pointing to a strong performance for the sector in 2014 - encouraging given that output in the sector remains well below its pre-financial crisis peak.
- Confidence in the Banking, Finance & Insurance sector stands at a record high, suggesting the sector is continuing to recover from the aftermath of the financial crisis.



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