



UK BUSINESS CONFIDENCE MONITOR REPORT

Q3 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 May – 29 July 2011, 1,002 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 ▶ 1002		
London	160	16	19
South East (excluding London)	140	14	16
South West	80	8	8
East England	85	8	10
East Midlands	70	7	7
West Midlands	75	7	8
North West	100	10	10
Northern England	70	7	3
Yorks & Humber	80	8	7
England TOTAL	860	86	88
Scotland	70	7	8
Wales	71	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 > 1002		
Micro (<10)	104	10	12
Small (10-49)	197	20	20
Medium (50-249)	216	22	15
Large (250+)	485	48	53
SECTOR	Total > 1002		
Total Primary	72	7	3
Manufacturing & Engineering	157	16	16
Construction	67	7	8
Retail & Wholesale	139	14	14
Hotels & Catering	32	3	3
Transport & Storage	76	8	5
Communications	11	1	3
IT	37	4	3
Banking, Finance & Insurance	112	11	9
Property	95	9	12
Business Services	112	11	13
Other Service Activities	59	6	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	1.2
South East (excluding London)	1.6
South West	1.7
East England	1.6
East Midlands	1.8
West Midlands	1.6
North West	1.7
North East	3.5
Yorks & Humber	1.8
Scotland	1.4
Wales	3.2
UK	1.2

DETAILED RESULTS

TABLE 1 SUMMARY OF BUSINESS CONFIDENCE INDEX BY SECTOR

Base: All respondents

	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q3 2011	
						Change from last quarter	Difference from UK average
UK AVERAGE	21.5	11.9	9.6	13.7	8.1	-5.6	
All Production industries	33.1	16.9	10.8	26.3	6.4	-19.9	-1.7
Energy, Water & Mining	22.7	19.1	25.6	11.7	15.8	4.1	7.7
Manufacturing & Engineering	34.6	16.5	8.5	28.6	5.0	-23.6	-3.1
Construction	7.6	6.3	-16.5	0.0	0.7	0.7	-7.4
All Service industries	20.2	11.2	11.9	12.2	8.8	-3.4	0.7
Retail & Wholesale	10.8	1.7	8.1	-1.0	-0.7	0.3	-8.8
Transport & Storage	29.0	7.6	16.3	17.3	16.3	-1.0	8.2
Banking, Finance & Insurance	21.7	26.4	18.8	16.6	12.0	-4.6	3.9
Property	25.0	8.3	2.9	24.5	8.3	-16.2	0.2
Business services	21.8	20.9	13.2	10.4	18.5	8.1	10.4

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 2 SUMMARY OF BUSINESS CONFIDENCE INDEX BY REGION

Base: All respondents

	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q3 2011	
						Change from last quarter	Difference from UK average
UK AVERAGE	21.5	11.9	9.6	13.7	8.1	-5.6	
England	20.1	10.9	9.7	14.1	6.7	-7.4	-1.4
London	25.9	17.5	20.6	15.2	8.9	-6.3	0.8
South East (excl London)	9.7	2.3	10.2	8.4	10.6	2.2	2.5
South West	22.0	12.4	-4.1	5.4	4.4	-1.0	-3.7
East England	23.9	10.6	8.3	12.9	-3.5	-16.4	-11.6
East Midlands	23.8	8.2	5.1	12.2	8.2	-4.0	0.1
West Midlands	23.0	11.6	7.8	26.6	7.6	-19.0	-0.5
North West	18.9	18.1	4.4	11.2	6.4	-4.8	-1.7
Northern England	5.5	8.8	7.8	16.9	4.4	-12.5	-3.7
Yorks & Humber	22.0	3.4	11.0	24.9	8.2	-16.7	0.1
Scotland	35.6	25.8	17.1	13.3	17.6	4.3	9.5
Wales	22.4	6.3	-6.7	4.6	16.5	11.9	8.4

TABLE 3 SUMMARY OF BUSINESS CONFIDENCE INDEX BY COMPANY TYPE

Base: All respondents

UK AVERAGE	21.5	11.9	9.6	13.7	8.1	-5.6	
UK Listed companies	23.2	19.5	18.1	16.9	8.1	-8.8	0.0
FTSE 100/250	24.0	20.0	22.2	10.9	5.3	-5.6	-2.8
UK Private companies – ALL	19.4	9.8	8.1	11.7	9.2	-2.5	1.1
Large private companies	21.6	4.9	6.7	5.1	5.6	0.5	-2.5
Private companies – SME	18.2	12.5	9.0	15.1	11.4	-3.7	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 4 FINANCIAL PERFORMANCE INDICATORS

Base: All respondents

Average % Change	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	TRACTION *	
						Q2 2011	Q3 2011
Turnover							
Versus last 12 months	1.6	2.2	2.9	3.9	3.6		
Expected next 12 months	4.9	3.5	4.8	5.7	4.5	1.8	0.9
Gross profits							
Versus last 12 months	1.7	2.2	2.4	3.8	3.1		
Expected next 12 months	4.4	3.3	4.2	5.1	4.1	1.3	1
Sales (Volumes)							
Versus last 12 months	1.3	2.0	2.6	3.5	2.7		
Expected next 12 months	4.7	3.6	4.5	5.3	4.3	1.8	1.6
Prices							
Versus last 12 months	0.3	0.2	0.7	1.1	1.2		
Expected next 12 months	0.9	0.8	1.3	1.6	1.3	0.5	0.1
Input Prices							
Versus last 12 months	1.0	1.6	2.4	2.8	3.0		
Expected next 12 months	1.4	1.4	2.2	2.7	2.5	-0.1	-0.5
Average Basic Salary							
Versus last 12 months	0.7	1.1	1.2	1.5	1.6		
Expected next 12 months	1.5	1.6	1.7	1.9	1.7	0.4	0.1
Average Total Salary							
Versus last 12 months	0.1	0.3	0.8	1.2	1.0		
Expected next 12 months	1.5	1.4	1.5	1.7	1.5	0.5	0.5
Exports							
Versus last 12 months	2.2	3.3	4.0	4.3	4.4		
Expected next 12 months	4.3	4.3	4.6	4.8	4.2	0.5	-0.2
Inputs from Abroad							
Versus last 12 months	1.5	1.7	1.5	2.7	2.4		
Expected next 12 months	2.3	2.0	2.0	2.2	1.9	-0.5	-0.5

KEY:

HIGH



LOW

TABLE 4 FINANCIAL PERFORMANCE INDICATORS (CONT'D)

Base: All respondents

Average % Change	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	TRACTION *	
						Q2 2011	Q3 2011
Capital Investments							
Versus last 12 months	0.0	0.7	1.3	1.8	1.6		
Expected next 12 months	2.0	1.6	1.9	2.0	1.7	0.2	0.1
Number of Employees							
Versus last 12 months	-1.3	-0.4	0.1	0.9	0.3		
Expected next 12 months	1.1	1.2	1.1	1.6	1.4	0.7	1.1
Staff Development Budget							
Versus last 12 months	-0.8	-0.1	0.2	0.8	0.7		
Expected next 12 months	1.2	1.2	1.4	1.4	1.0	0.6	0.3
Research and Development Budget							
Versus last 12 months	0.8	1.6	1.8	2.3	1.9		
Expected next 12 months	1.4	1.6	1.5	1.7	1.4	-0.6	-0.5
Domestic Sales							
Versus last 12 months	1.3	1.6	2.4	3.2	2.6		
Expected next 12 months	4.2	3.2	4.1	4.8	3.9	1.6	1.3

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

	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
% Greater Challenge	%	%	%	%	%
Customer demand	37	44	47	48	44
Competition in the marketplace	38	40	38	39	42
Regulatory requirements	33	33	36	35	40
Tax burden	18	20	21	21	25
Late payment from customers	27	25	26	27	24
Transport problems	20	17	13	18	22
Your access to capital	17	20	22	16	19
Bank charges	21	21	17	17	15
Your ability to expand into new areas	14	13	13	12	14
Government support for business	7	9	11	10	13
Availability of management skills	7	8	8	6	10
Staff turnover	13	10	12	11	10
Availability of nonmanagement skills	6	8	6	8	9
Non-transport infrastructure problems *	7	5	7	6	7

* 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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