



# Q1 2015 ICAEW / Grant Thornton Business Confidence Monitor results

January 2015

Contact: Caroline Florence

# Outline

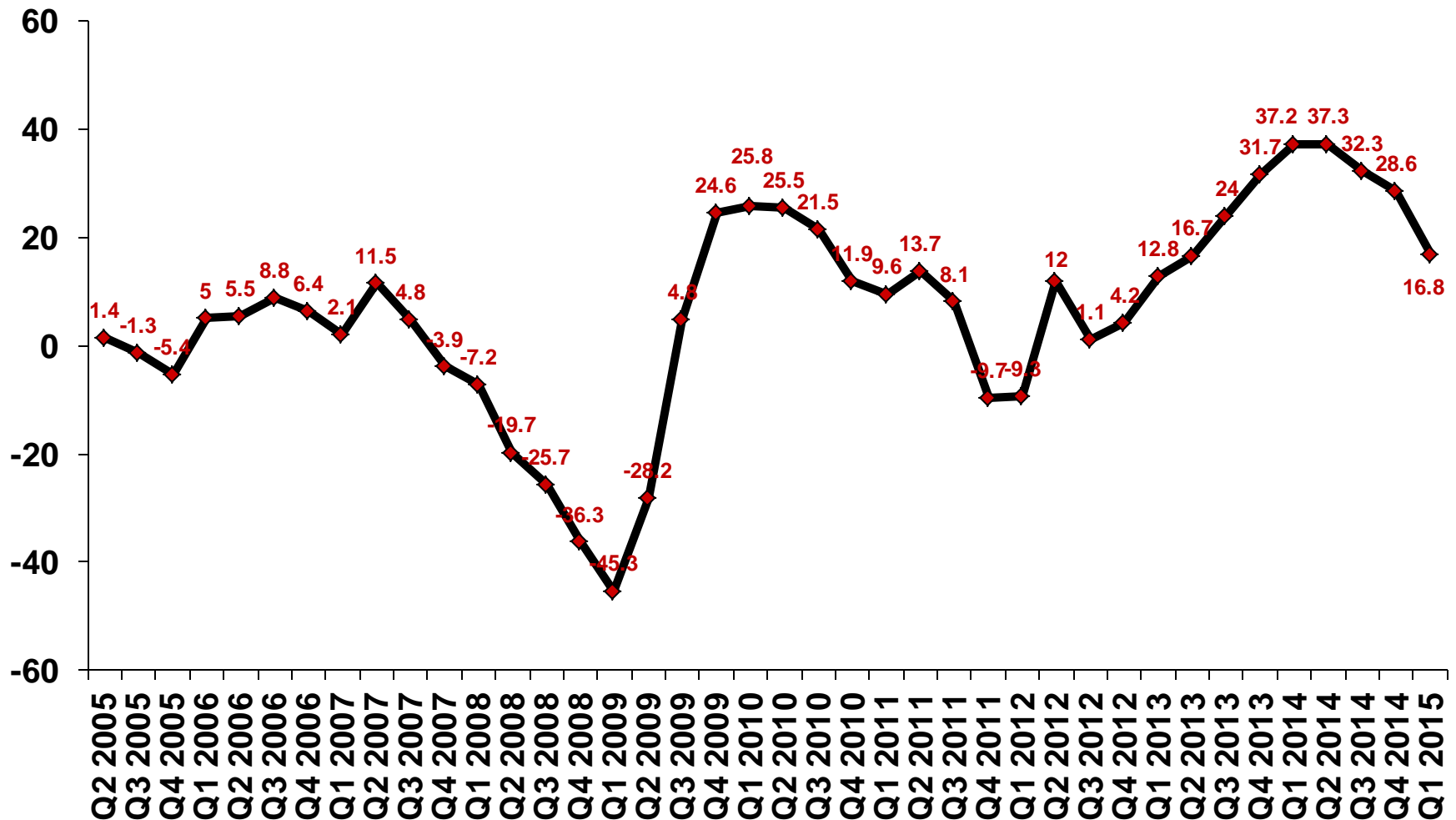
- Confidence Index top lines
  - Financial performance indicators
    - Growth indicators
    - Inflation & labour market indicators
  - Regional & sector stories
-

# Outline

- Confidence Index top lines

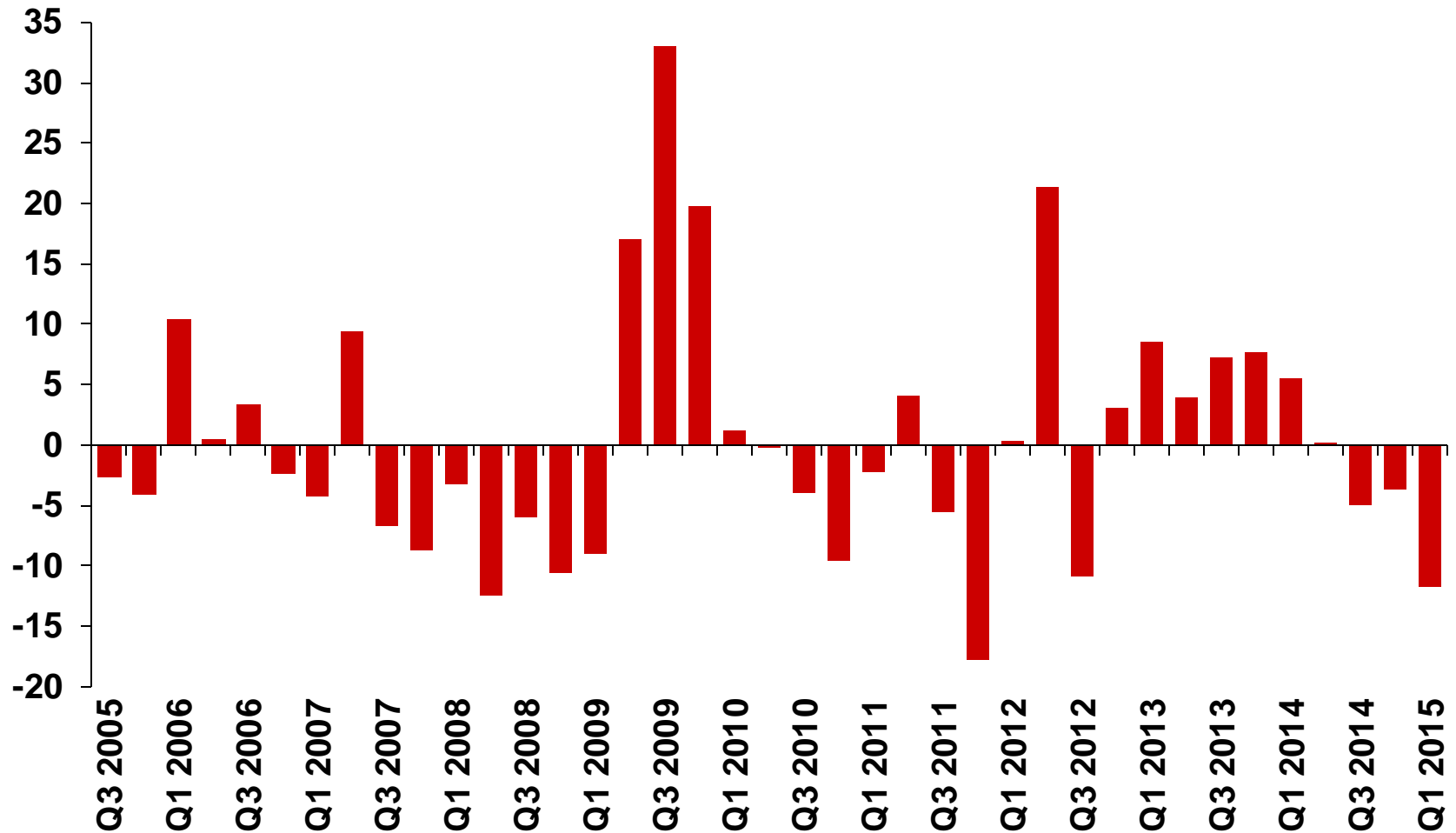
# Confidence falls back, but businesses still optimistic about coming year

ICAEW / Grant Thornton UK Business Confidence Index



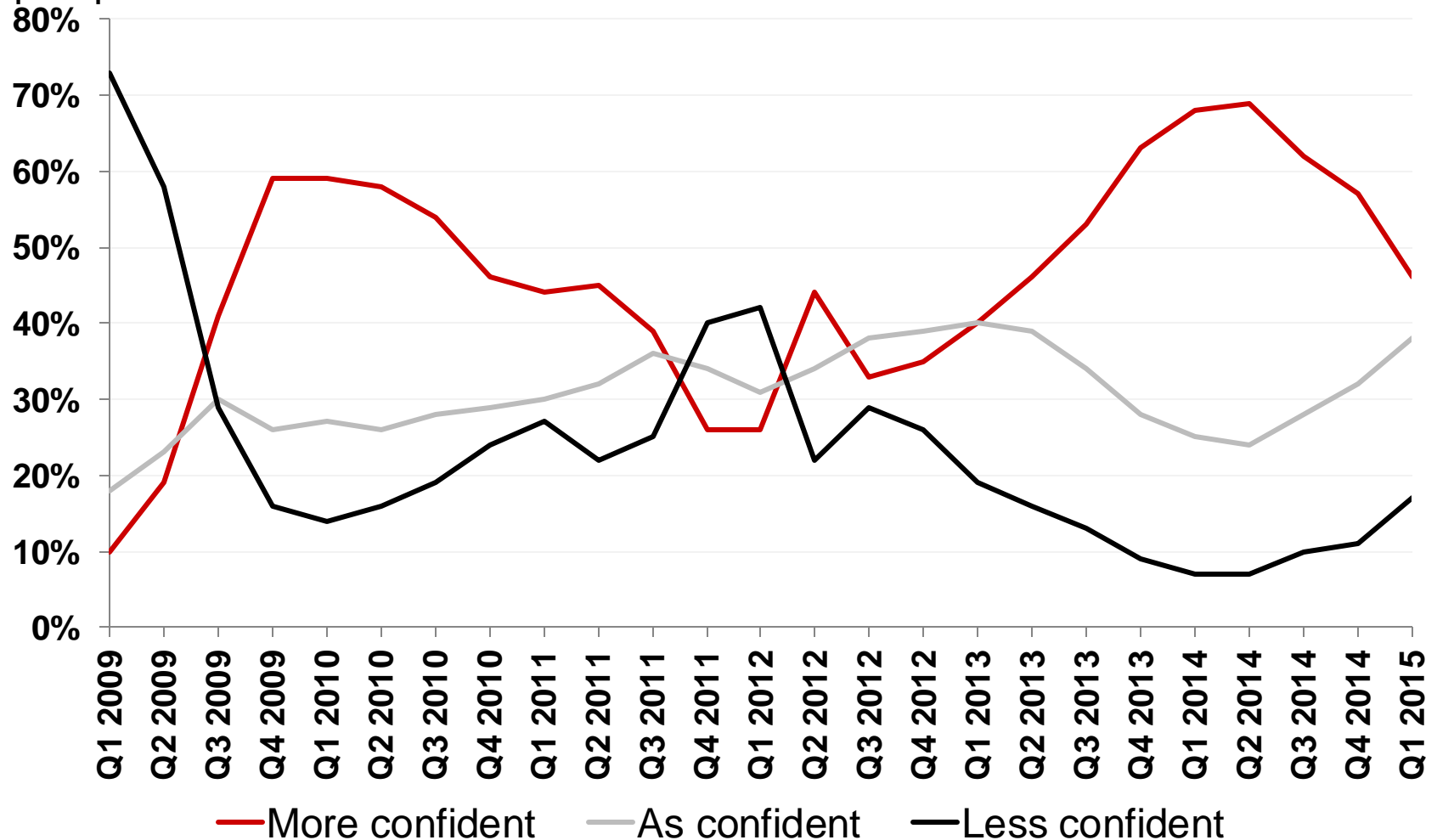
# Confidence has declined for three consecutive quarters

Quarterly change to Confidence Index



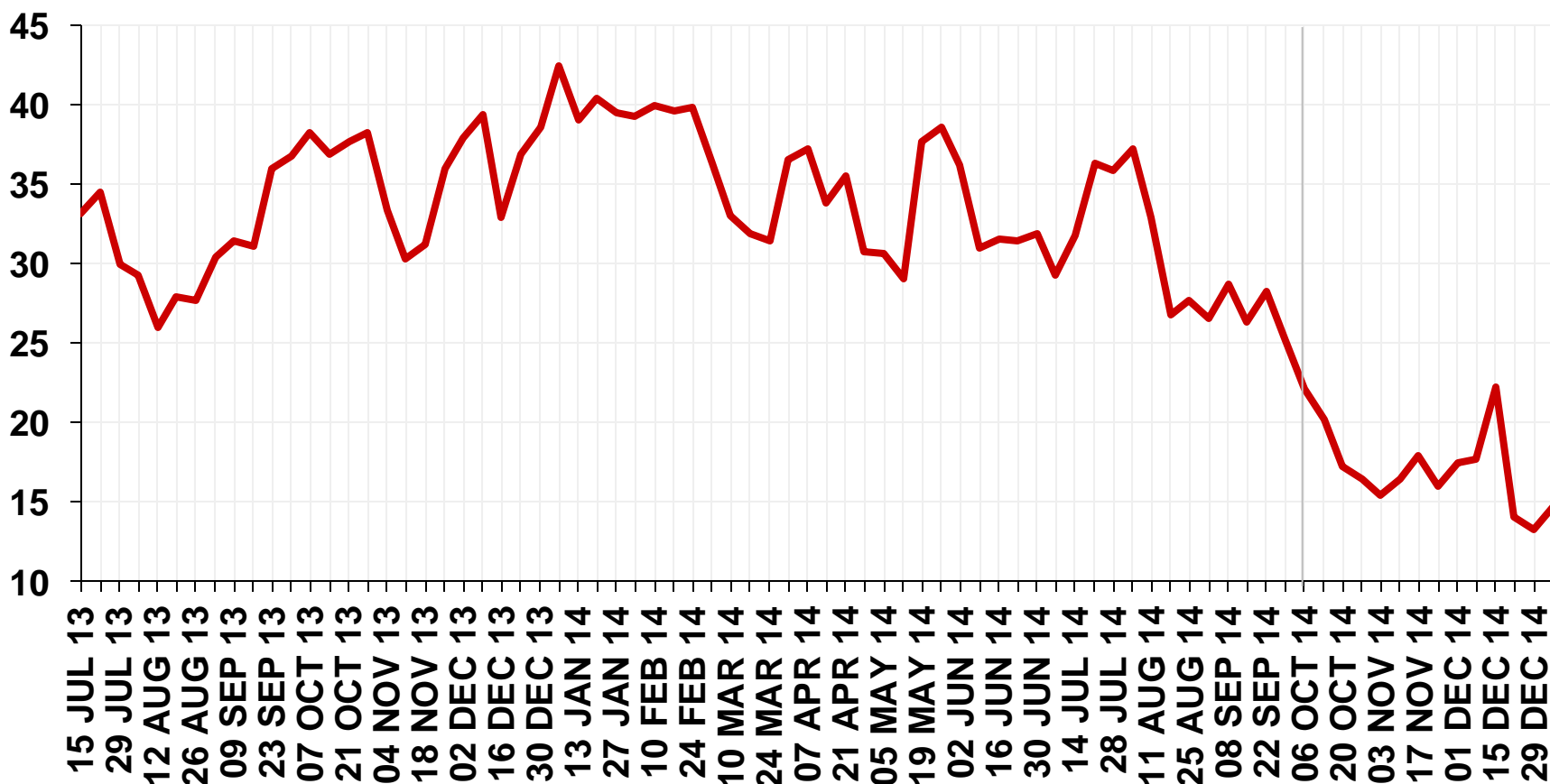
# Falling confidence largely due to firms expecting business conditions to stabilise

Proportion of respondents that are more, less and as confident in economic prospects over the next 12 months



# Confidence fairly stable over past three months

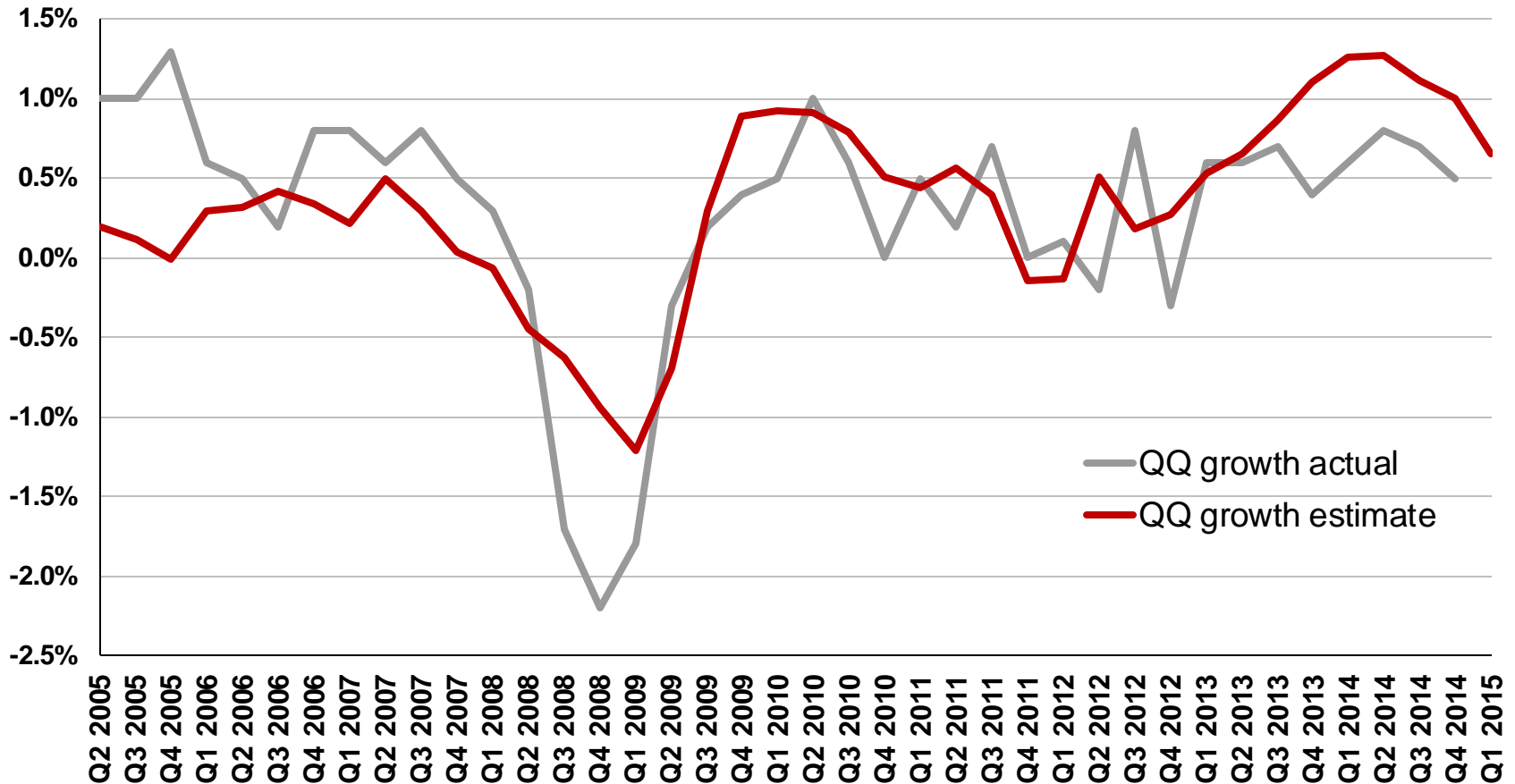
ICAEW / Grant Thornton Business Confidence Index, three week rolling trend



Three weeks beginning...

# Economic growth projected to slow in Q1 2015

Quarter on quarter real GDP growth, per cent



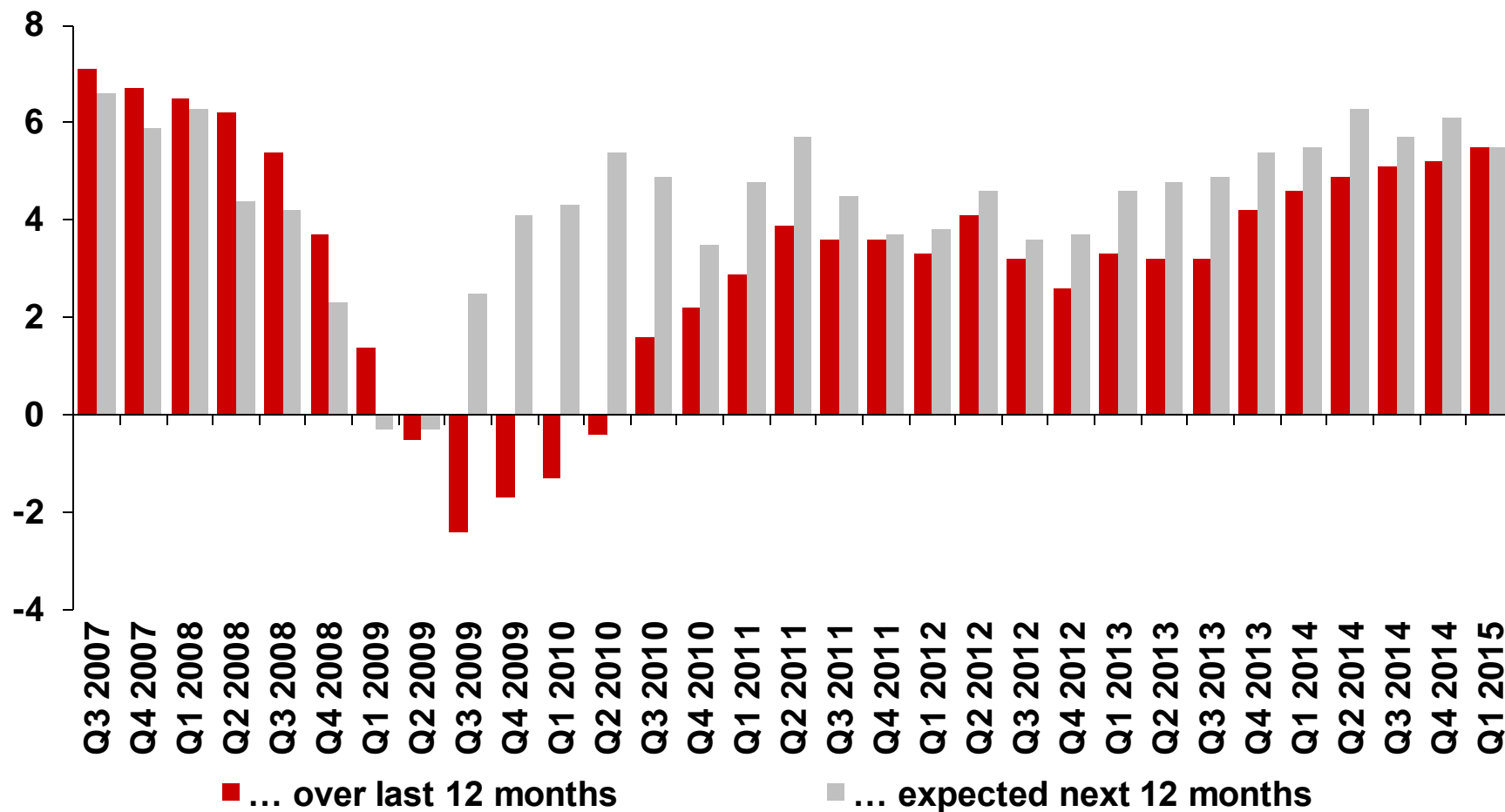


# Outline

- Financial performance indicators
    - Growth indicators
-

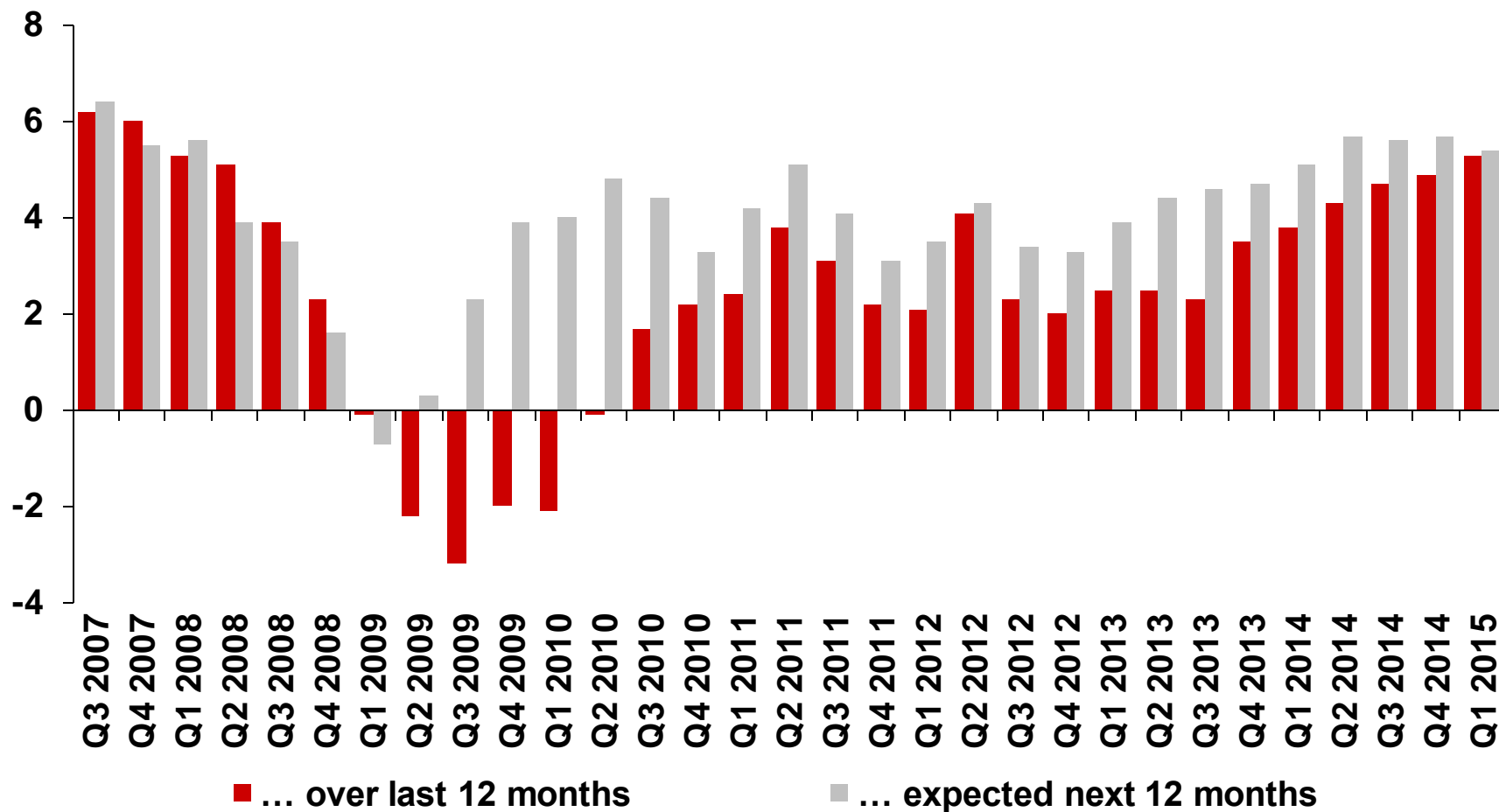
# Turnover growth projected to plateau over next year

Turnover, annual percentage change



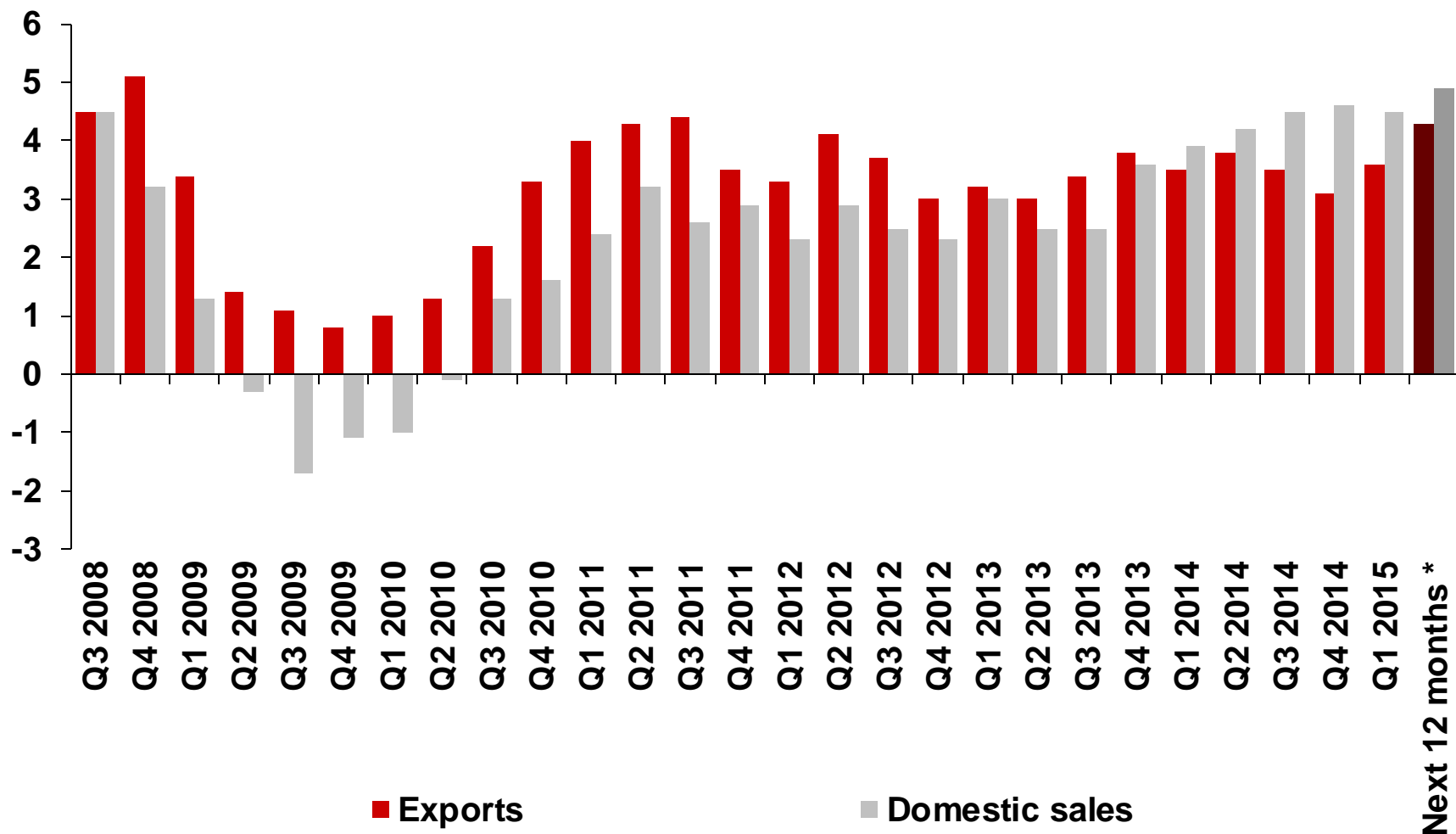
# Profit growth expected to stabilise

Gross profits, annual percentage change



# Faster export growth is anticipated but domestic sales lead the way

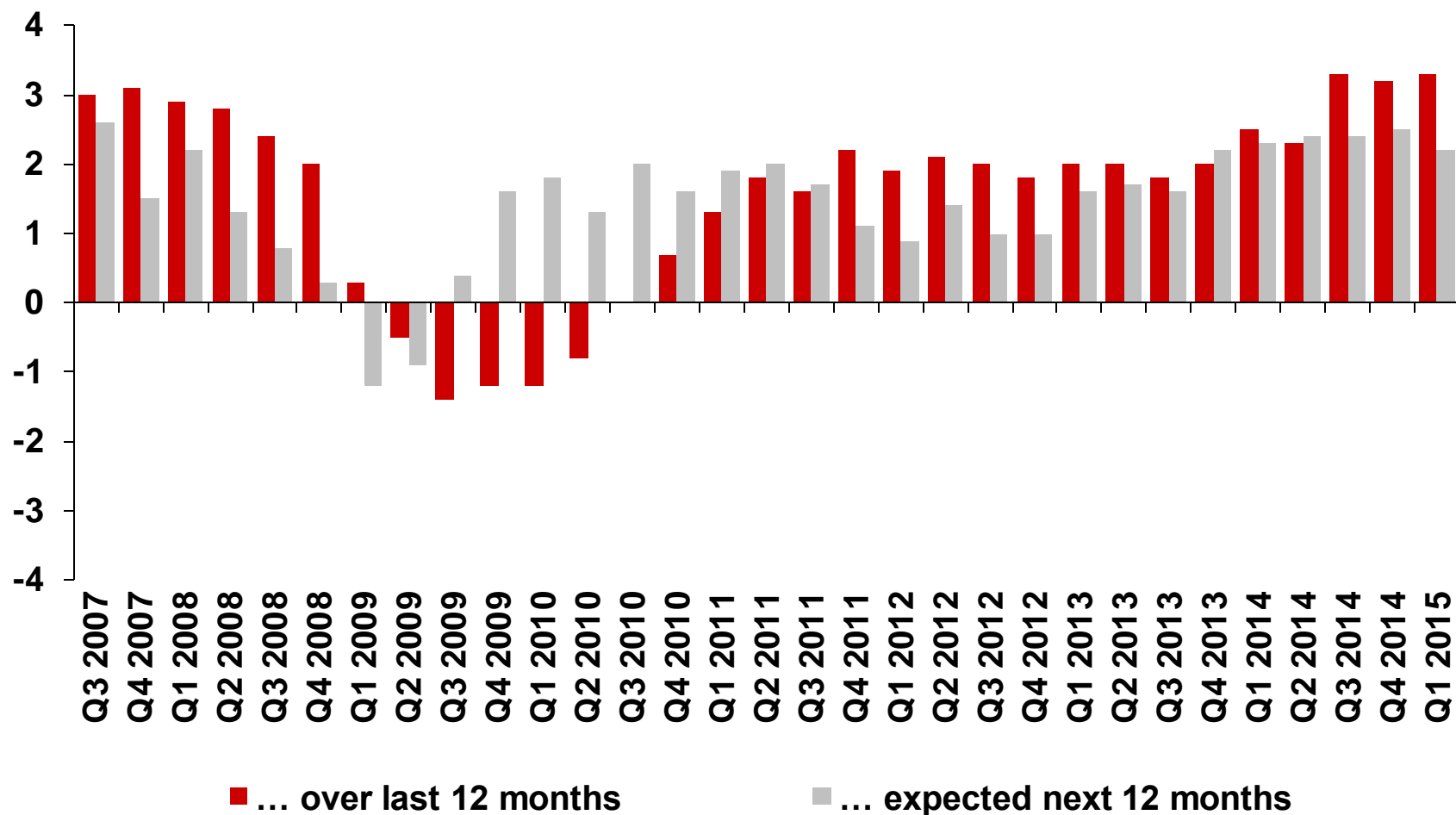
Exports and domestic sales, annual percentage change



\* expectation

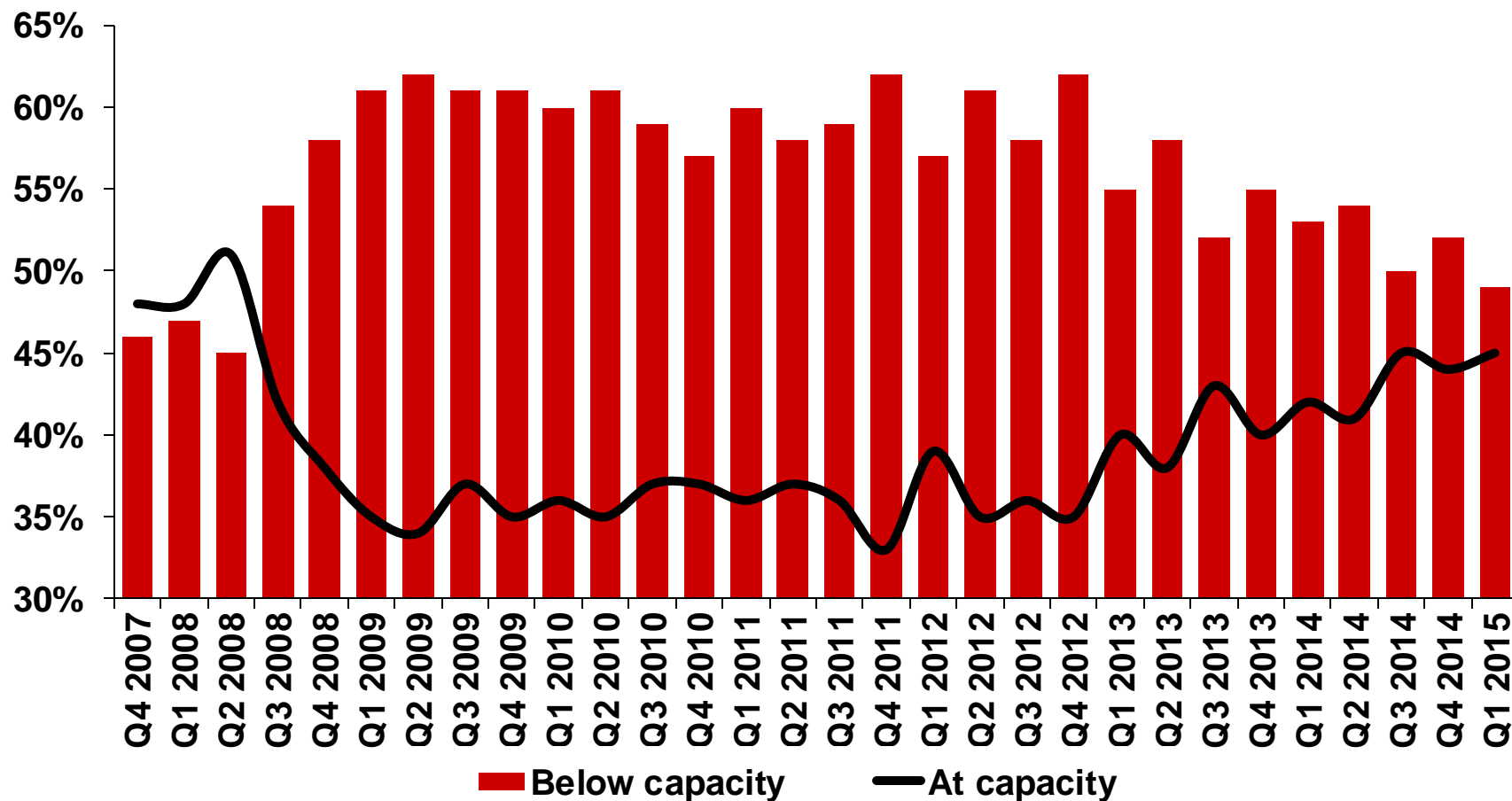
# The last three quarters have been the strongest for capital investment growth since late 2007

Capital investment, annual percentage change



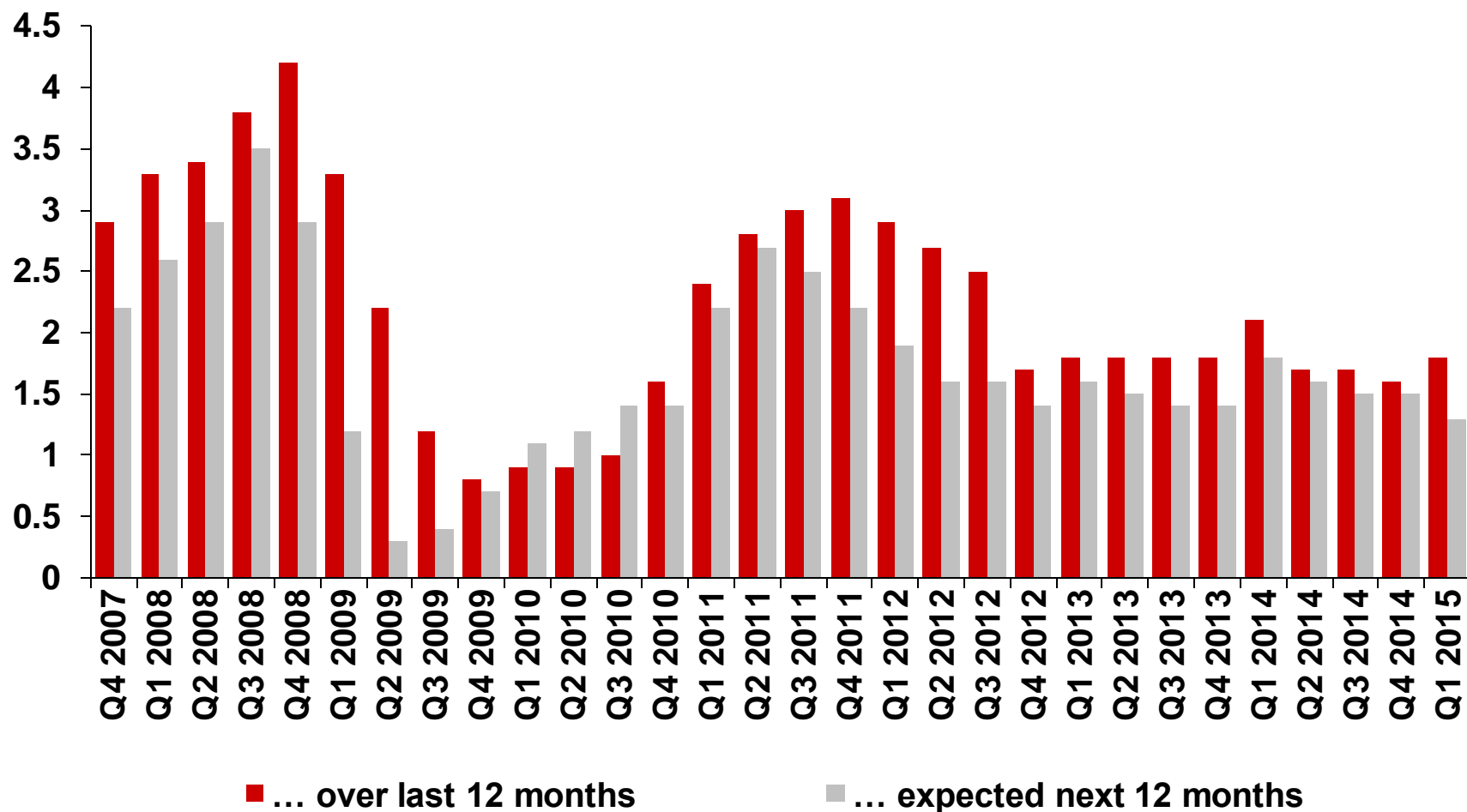
# Spare capacity continues to slowly fall back, but remains above pre crisis levels

Share of businesses operating at and below capacity



# Input price growth expected to slow ahead, in line with general easing of inflationary environment

Input prices, annual percentage change



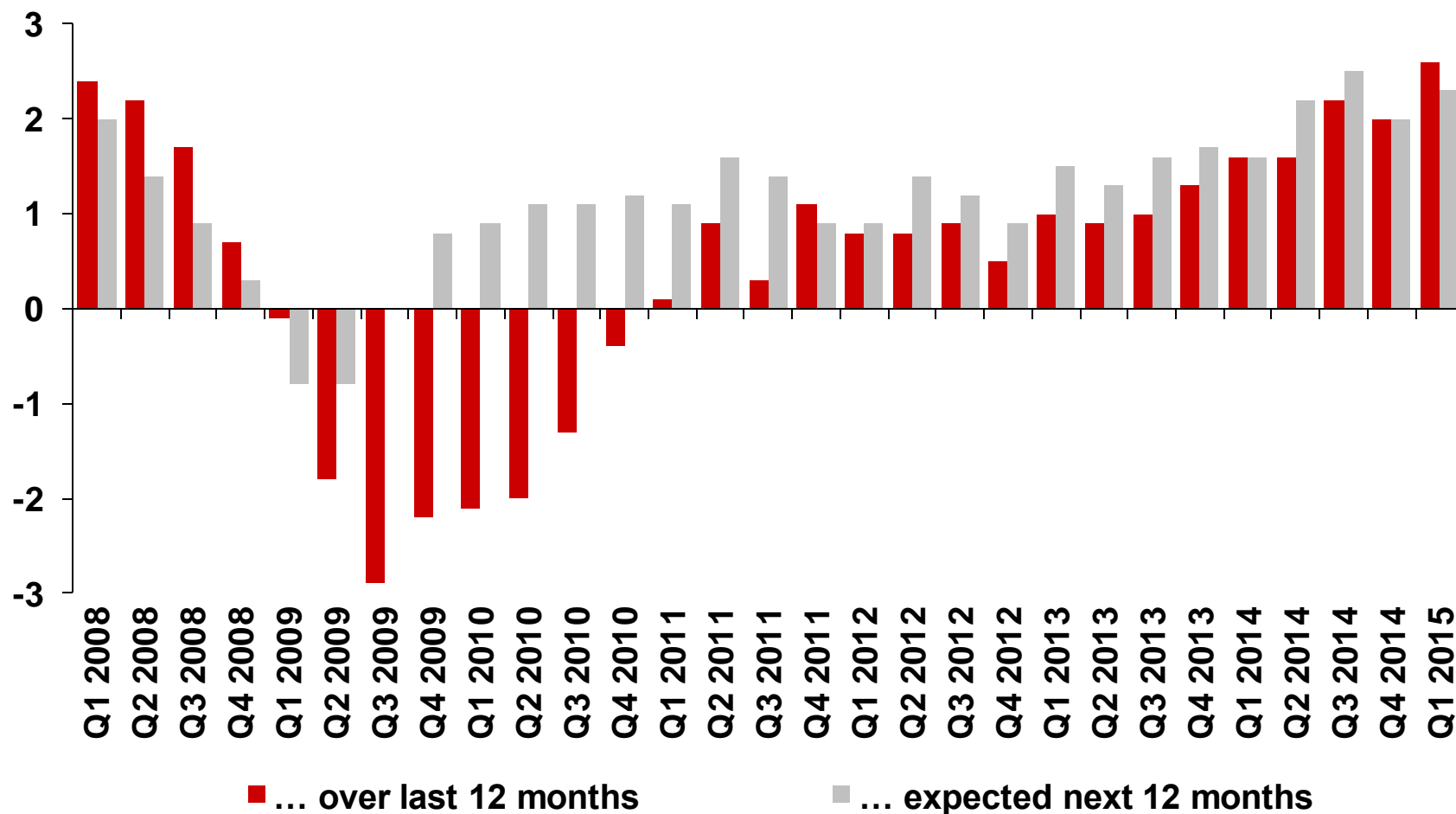
# Outline

- Financial performance indicators
    - Inflation & labour market indicators
-



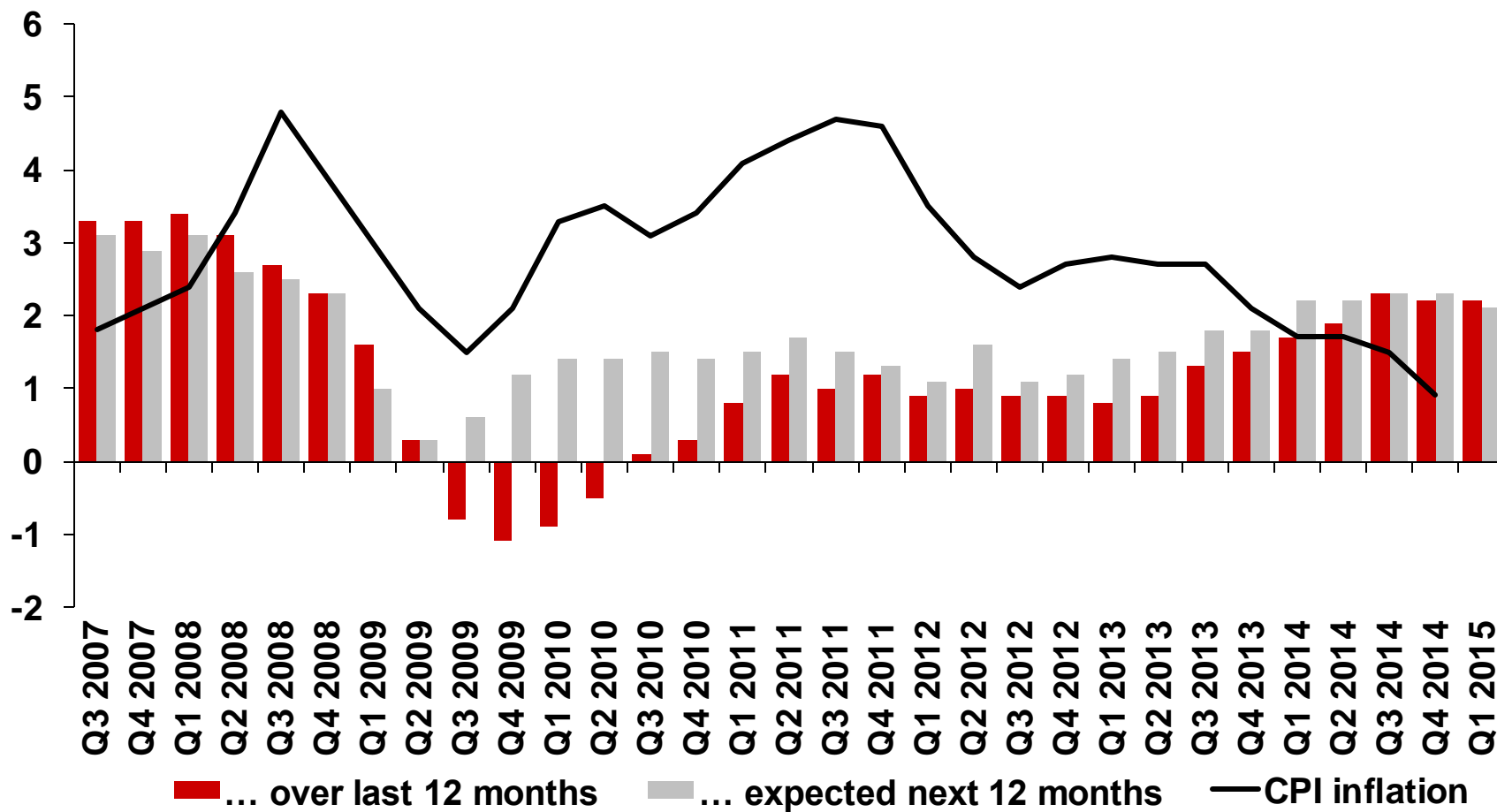
# Employment growth may have peaked

Employee numbers, annual percentage change



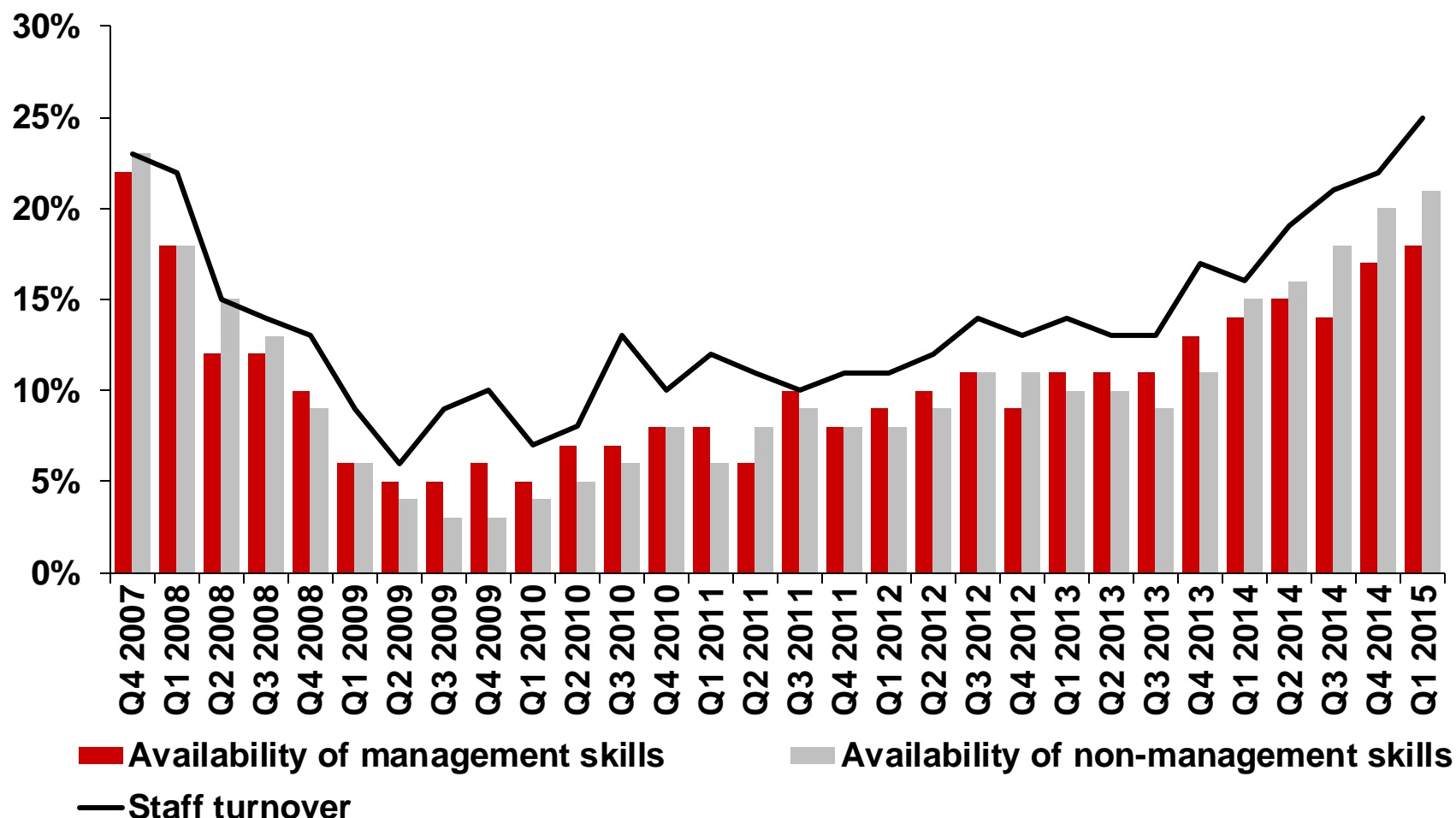
# Salary growth holds steady but now comfortably above inflation

Average total salary, annual percentage change



# Staff turnover and skills becoming more of an issue as unemployment falls back

Balance of companies reporting factors to be a greater challenge to business performance now than a year ago

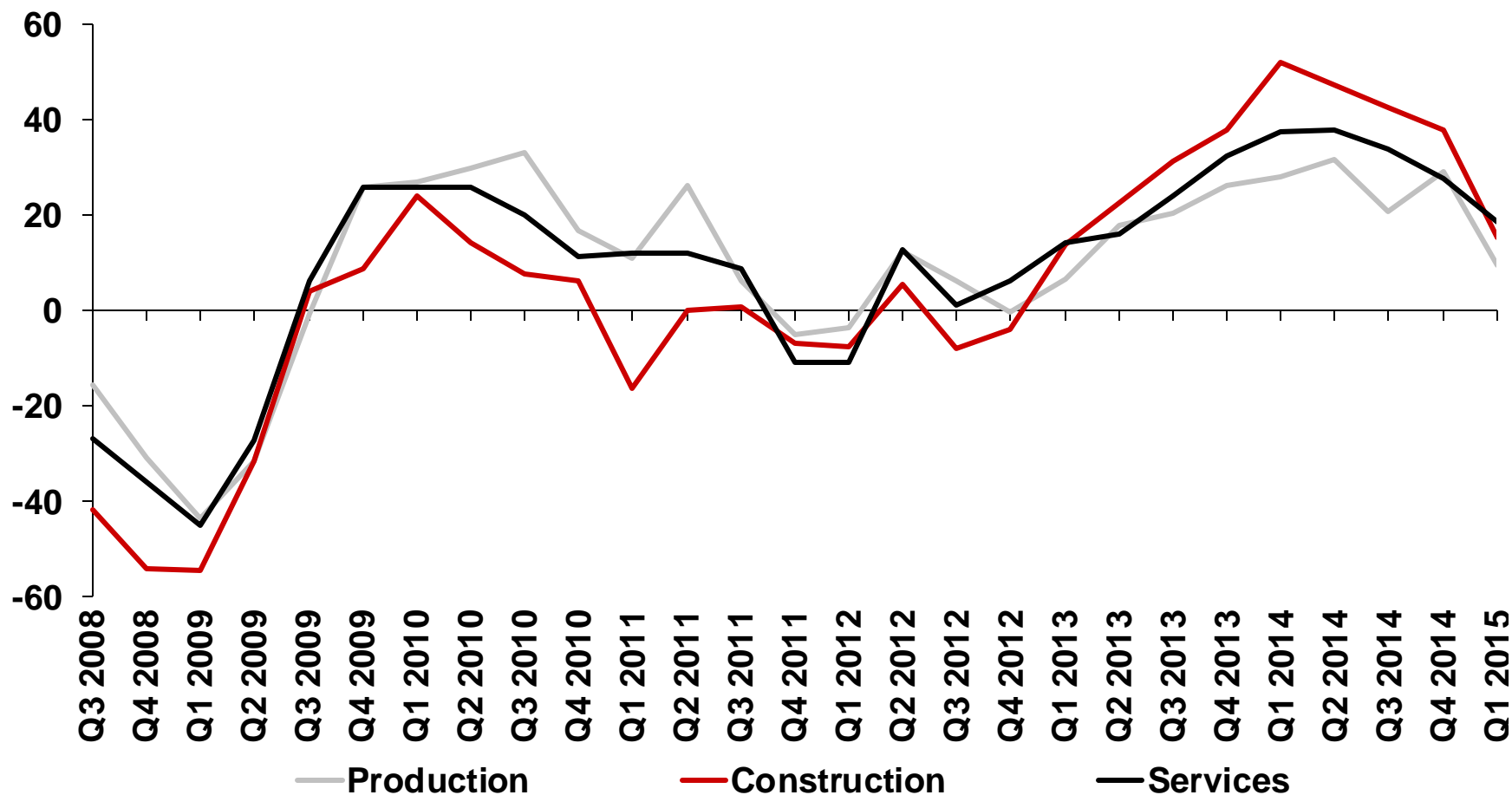


# Outline

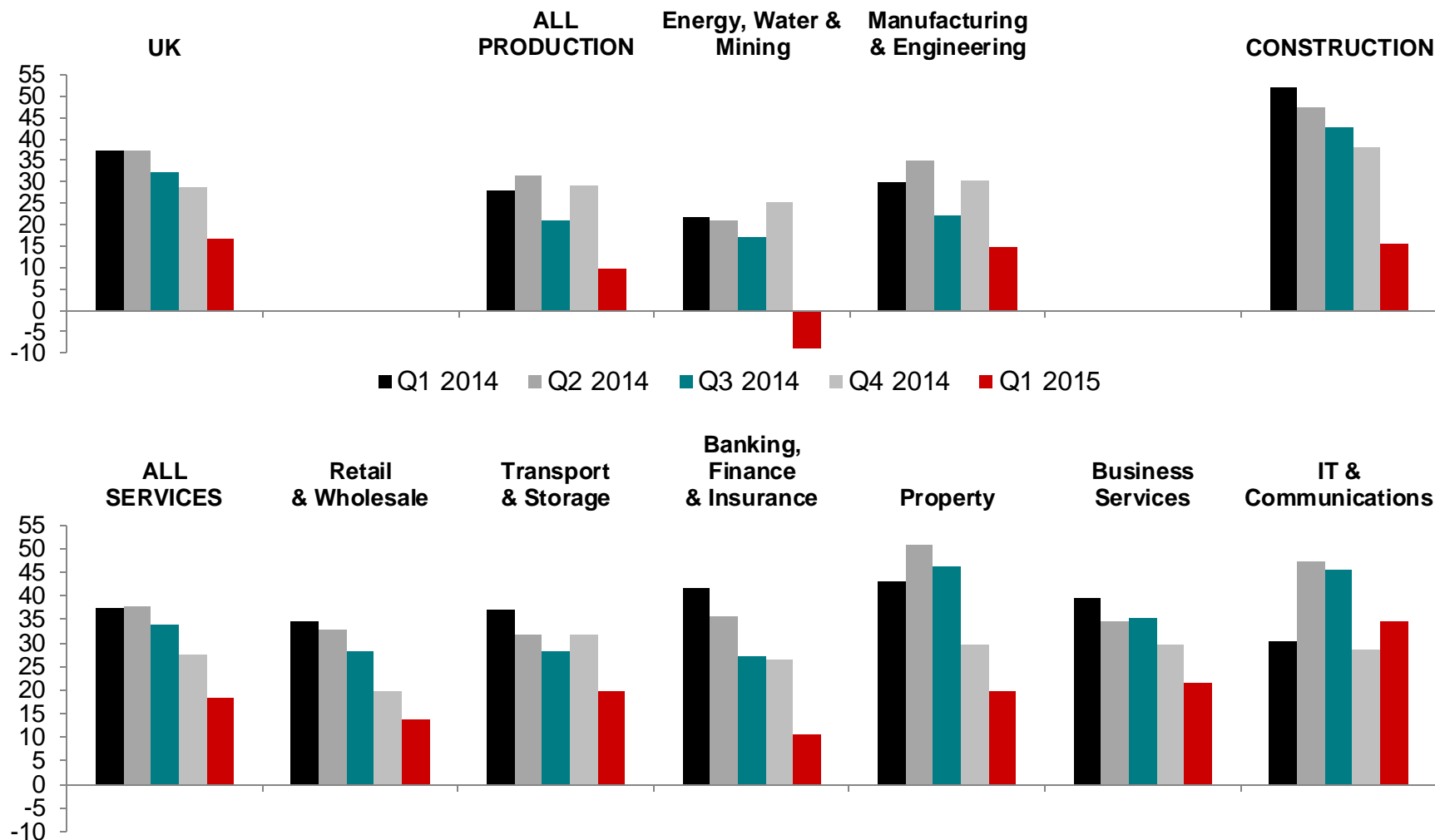
- Regional & sector stories
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# Declines in Confidence Index driven by businesses across the economy

ICAEW / Grant Thornton Business Confidence Index

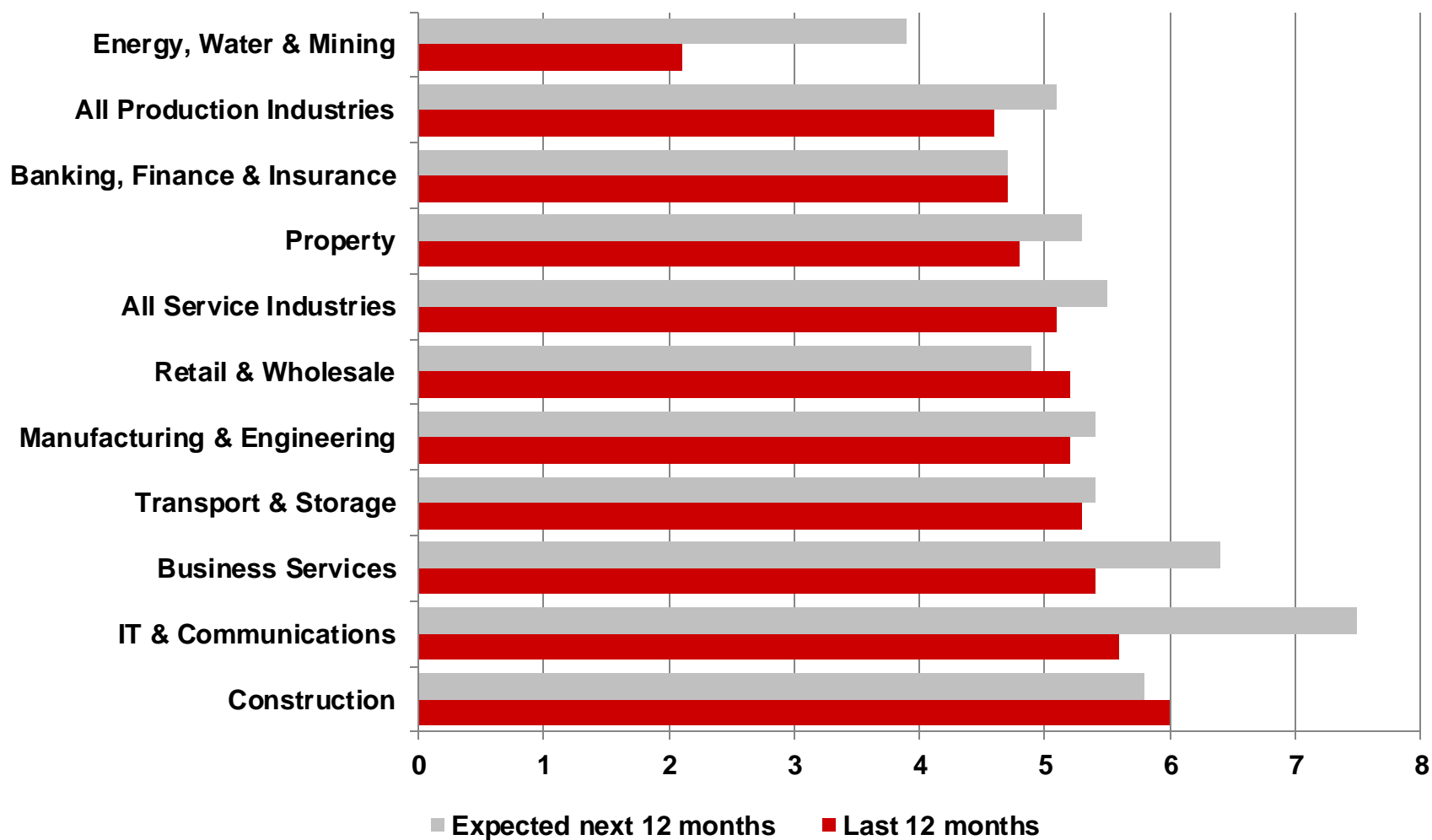


# IT & Communications sector bucking trend with a small increase in confidence this quarter



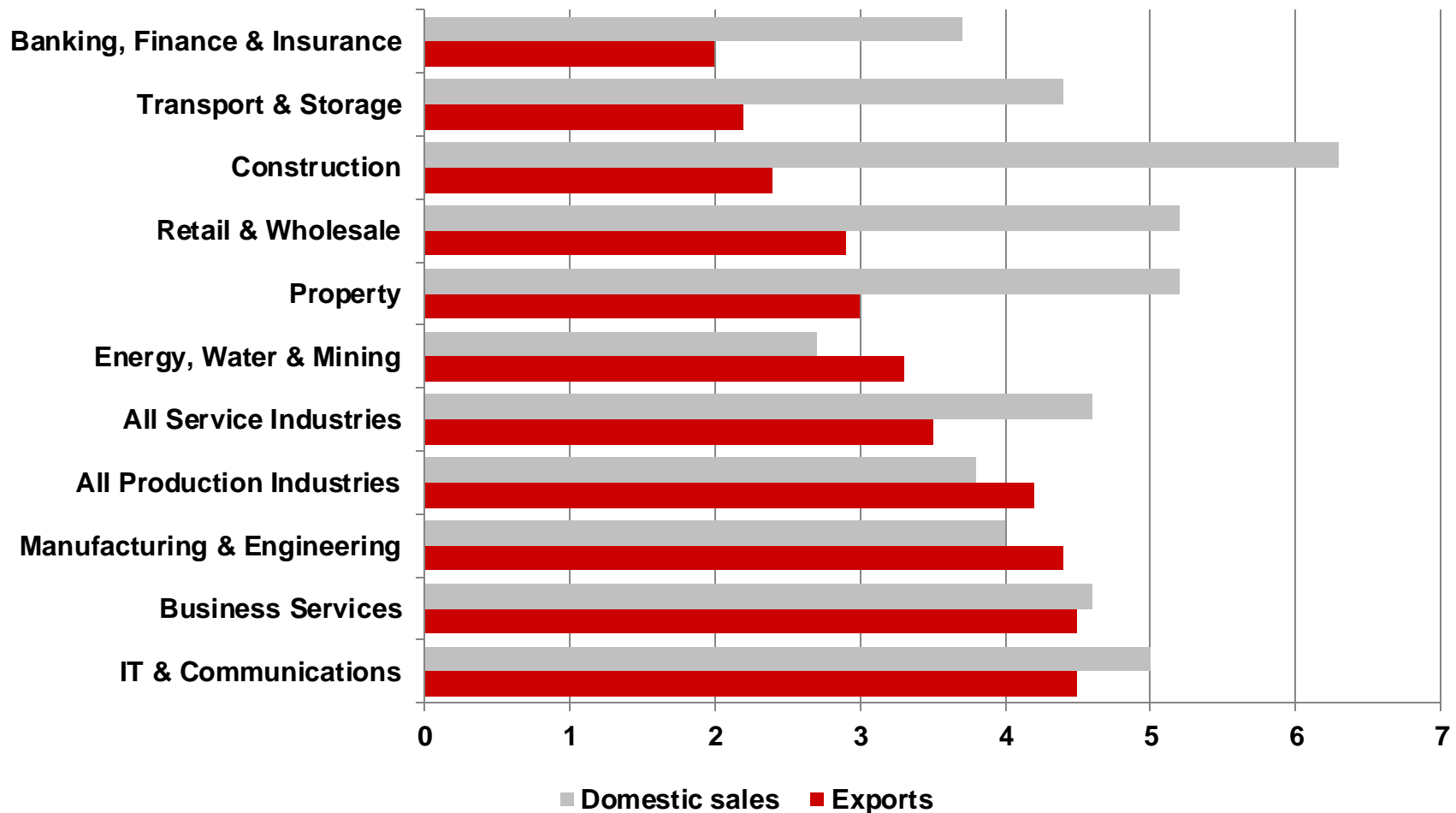
# Construction, IT and Business Services companies continue to drive UK sales growth

Change in sales volumes over 12 months



# Tech sector and business service firms also leading on export growth

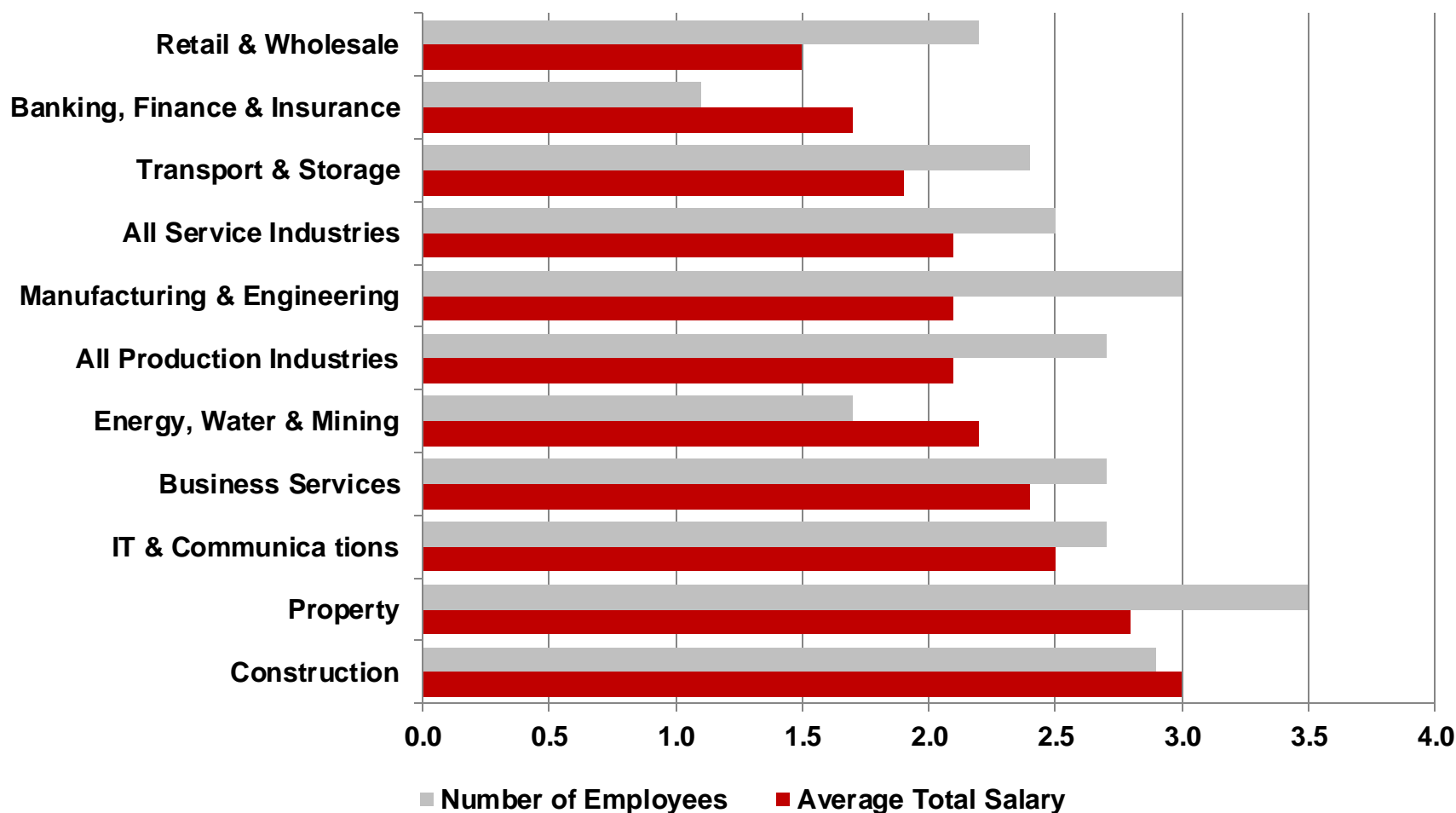
Change in indicator over the last 12 months





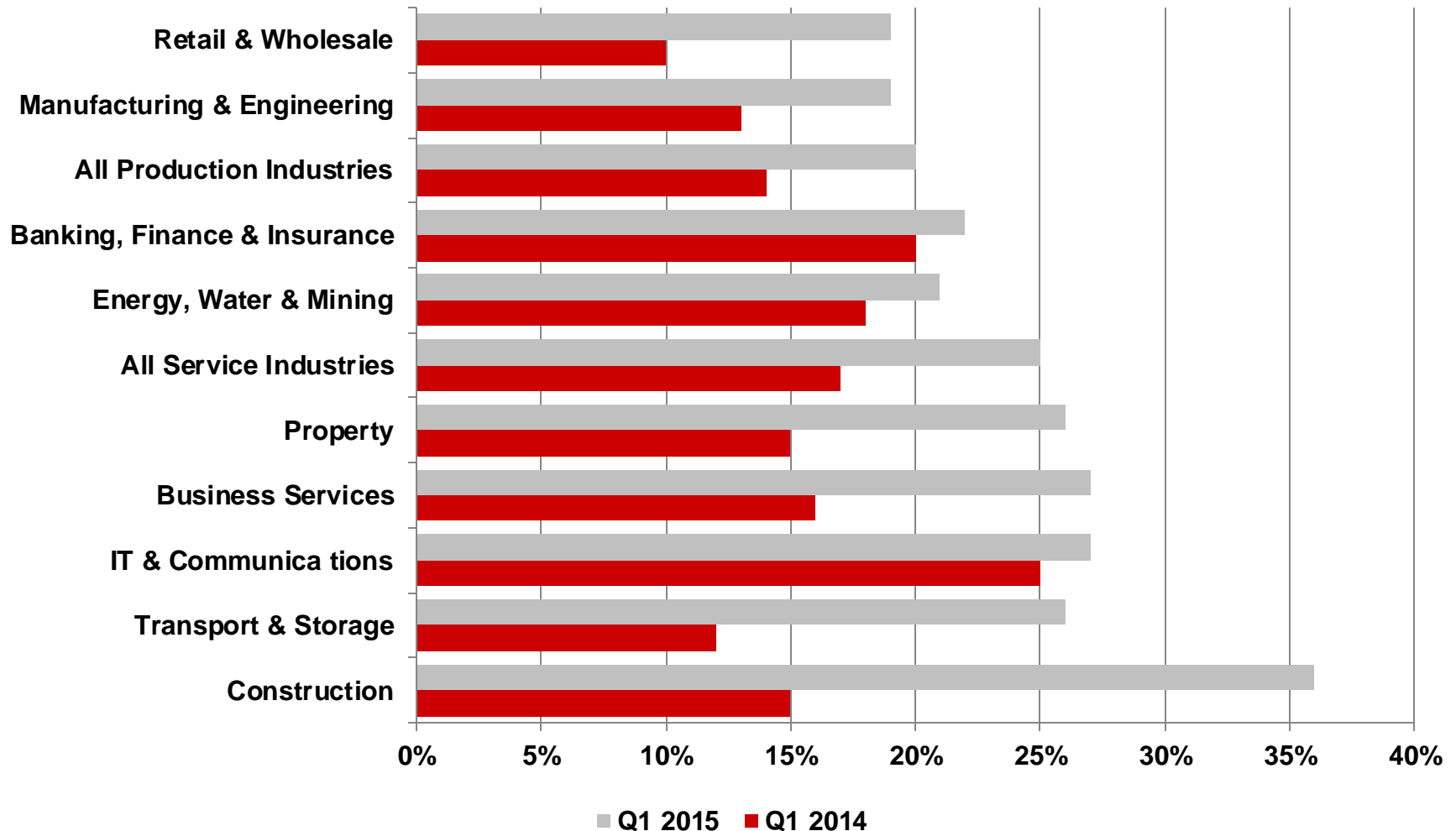
# Construction firms reporting the strongest pay growth, while the Banking sector continues to report slowest job creation

Change in indicator over the last 12 months



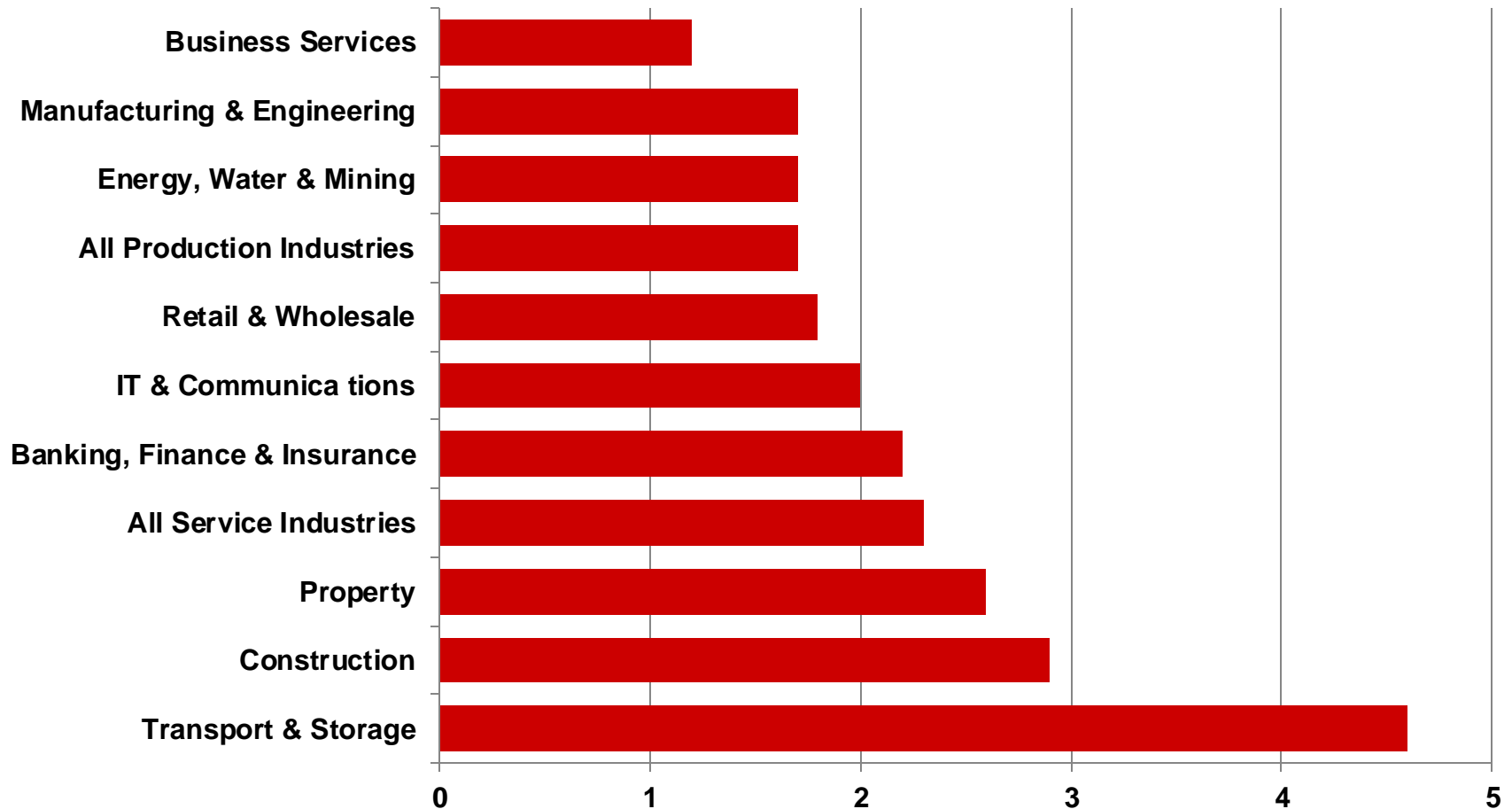
# More construction firms report staff turnover as a challenge than other sectors – further highlighting strength of sector

Proportion of businesses reporting that the availability of staff turnover is more of a challenge now than a year before



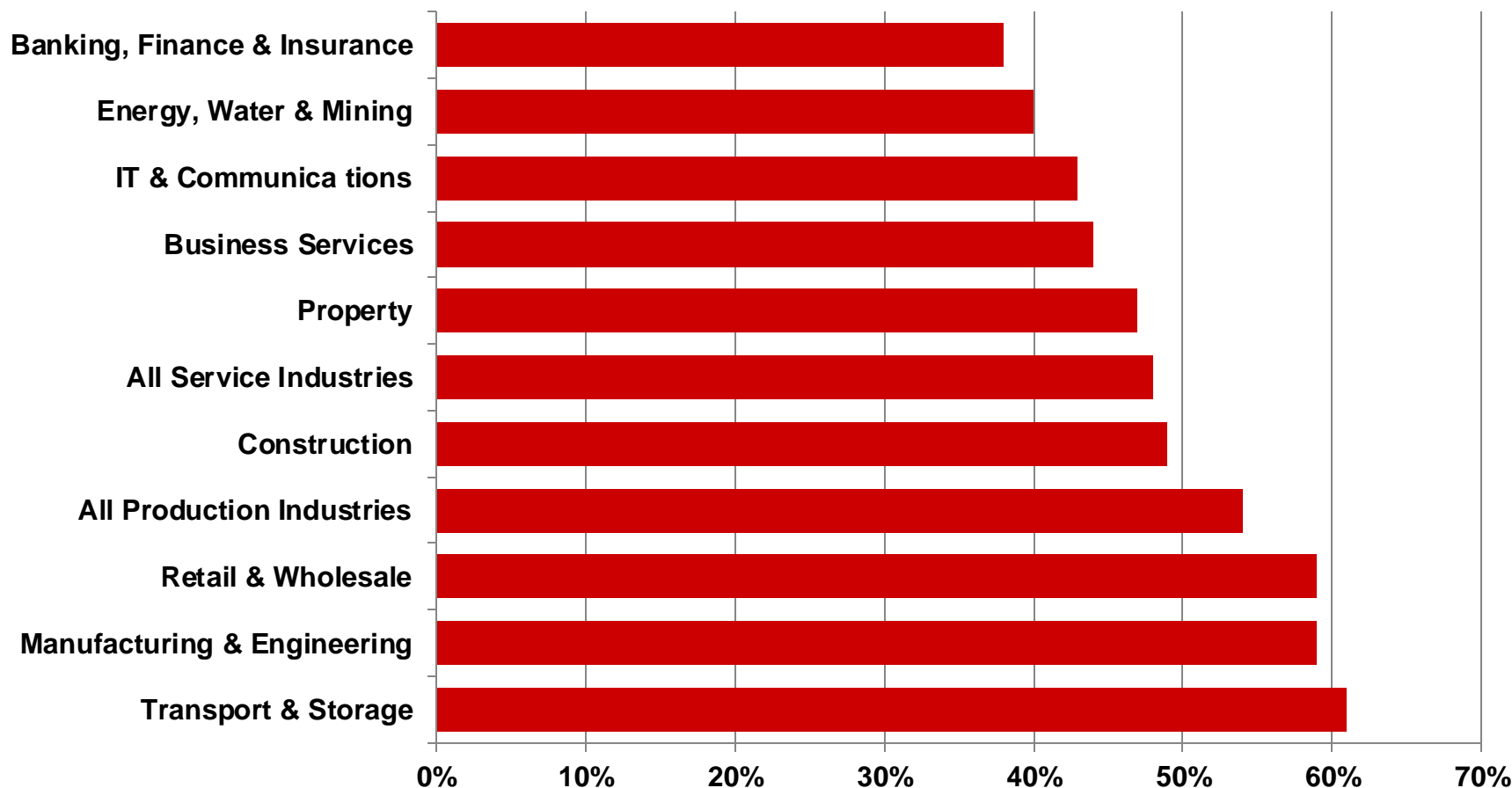
# Logistics companies planning some of the strongest capital investment growth

Capital investment growth expected over next 12 months

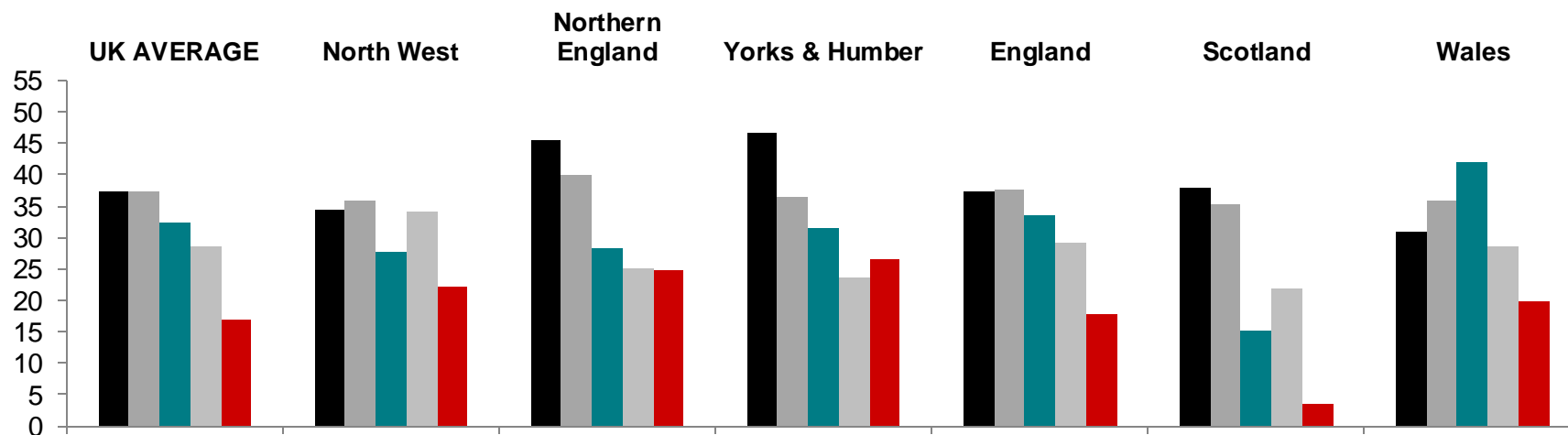
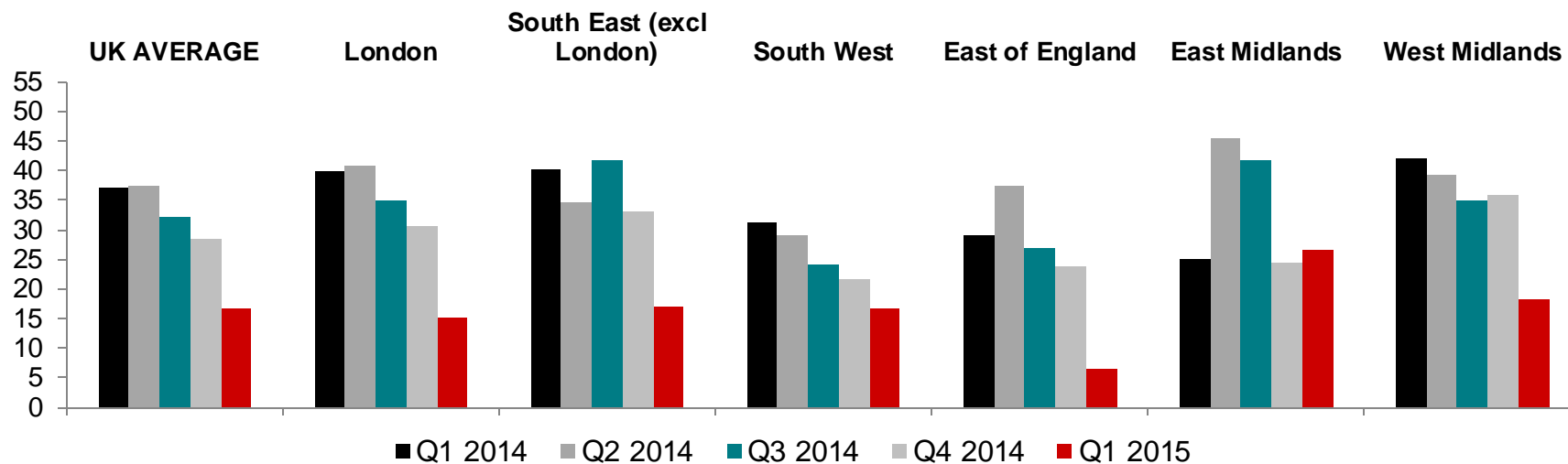


# Manufacturing and distribution firms are still operating with capacity to spare

Proportion of businesses operating below capacity

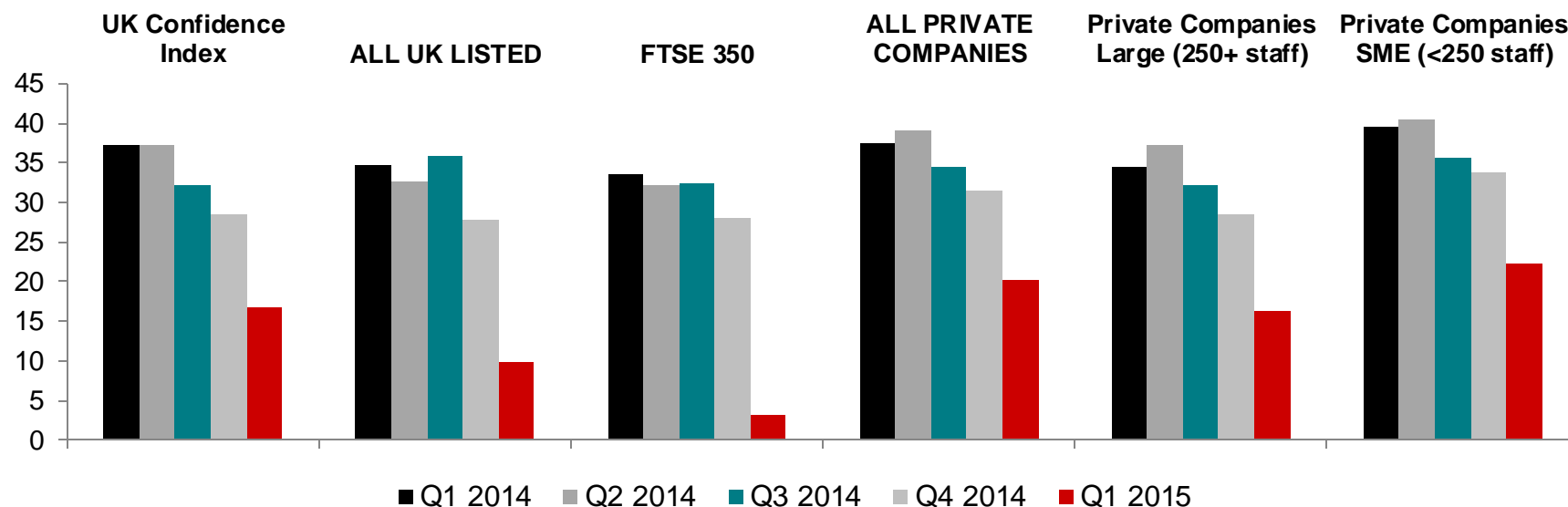


# Confidence decline halts in some parts of Northern England



# FTSE350 listed firms see the sharpest decline in confidence

ICAEW / Grant Thornton Business Confidence Index by organisation type



# Conclusions

- Business confidence has now fallen back for three quarters, but remains in positive territory and likely reflects a stabilising of the trading environment.
- Growth in turnover and profits appears to have levelled off following an upward trend over the past two years.
- Capital investment growth has picked up notably during the past three quarters, helping to drive economic expansion.
- Salary growth has stabilised at levels below that seen before the financial crisis. However, inflation has dropped significantly, allowing wages to rise in real terms.
- There are further signs of labour market tightening, as staff turnover has now become a challenge for a greater proportion of firms than in 2007, before unemployment started rising.
- Spare capacity levels continue to diminish, although more than half of companies in the manufacturing and distribution sectors report still report operating with capacity to spare.



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