



making business sense



Q4 2012 ICAEW / Grant Thornton Business Confidence Monitor results

31 October 2012

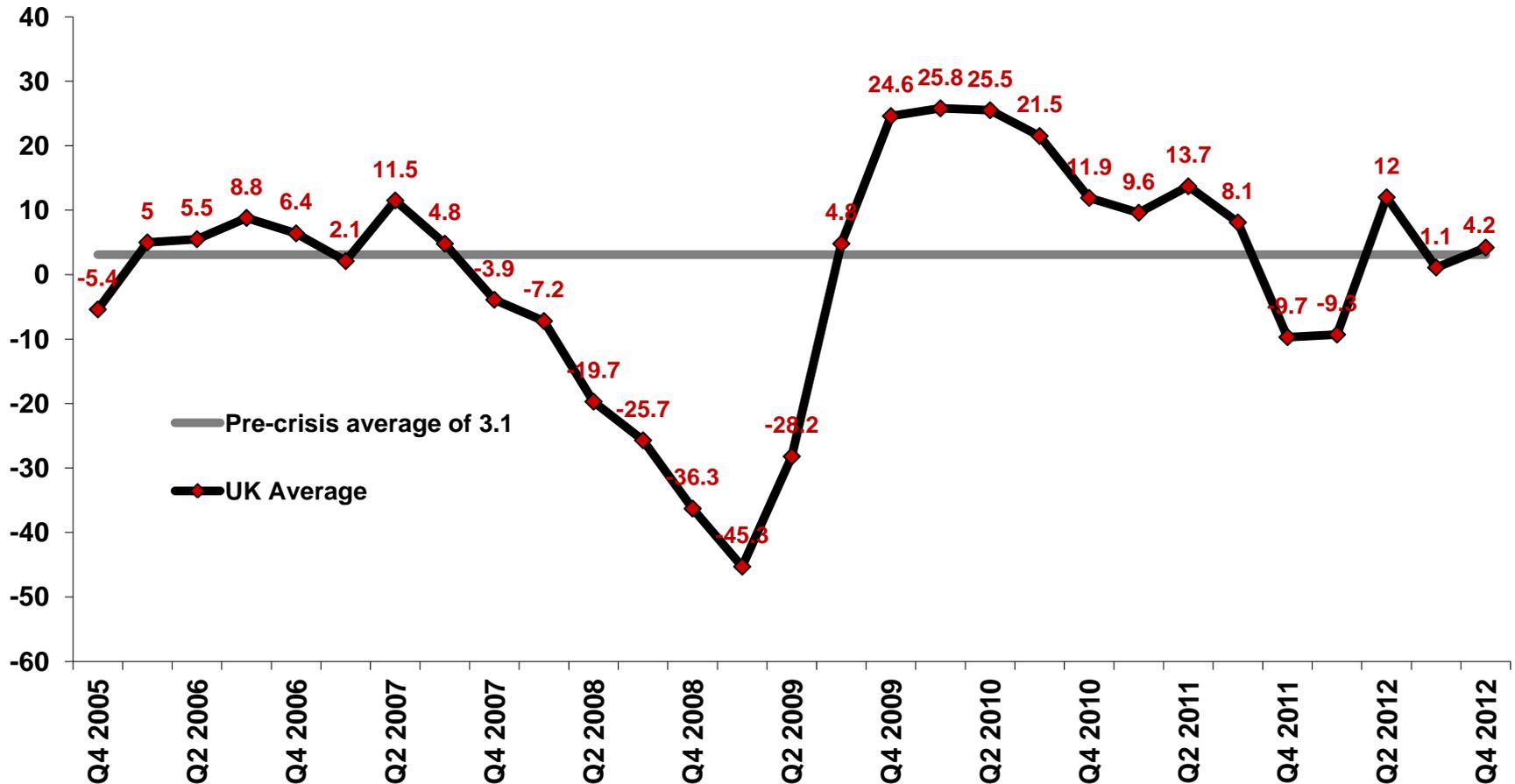
Contact: Caroline Florence

Outline

- Key findings
- Confidence index top lines
- Financial performance indicators
 - Growth indicators
 - Inflation & labour market indicators
- Regional & sector stories

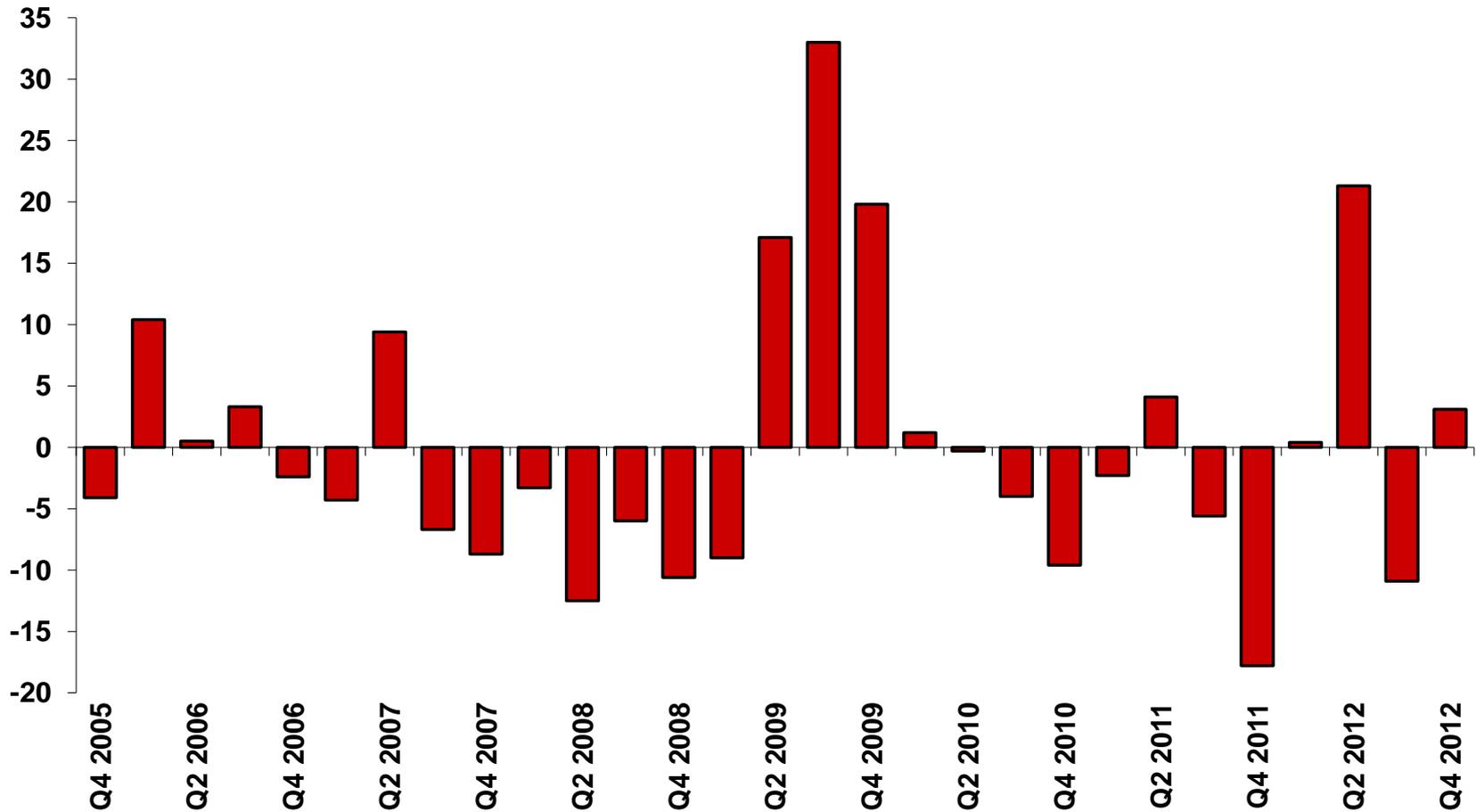
Business confidence stable in Q4 after UK exited recession in Q3

ICAEW / Grant Thornton Business Confidence Index

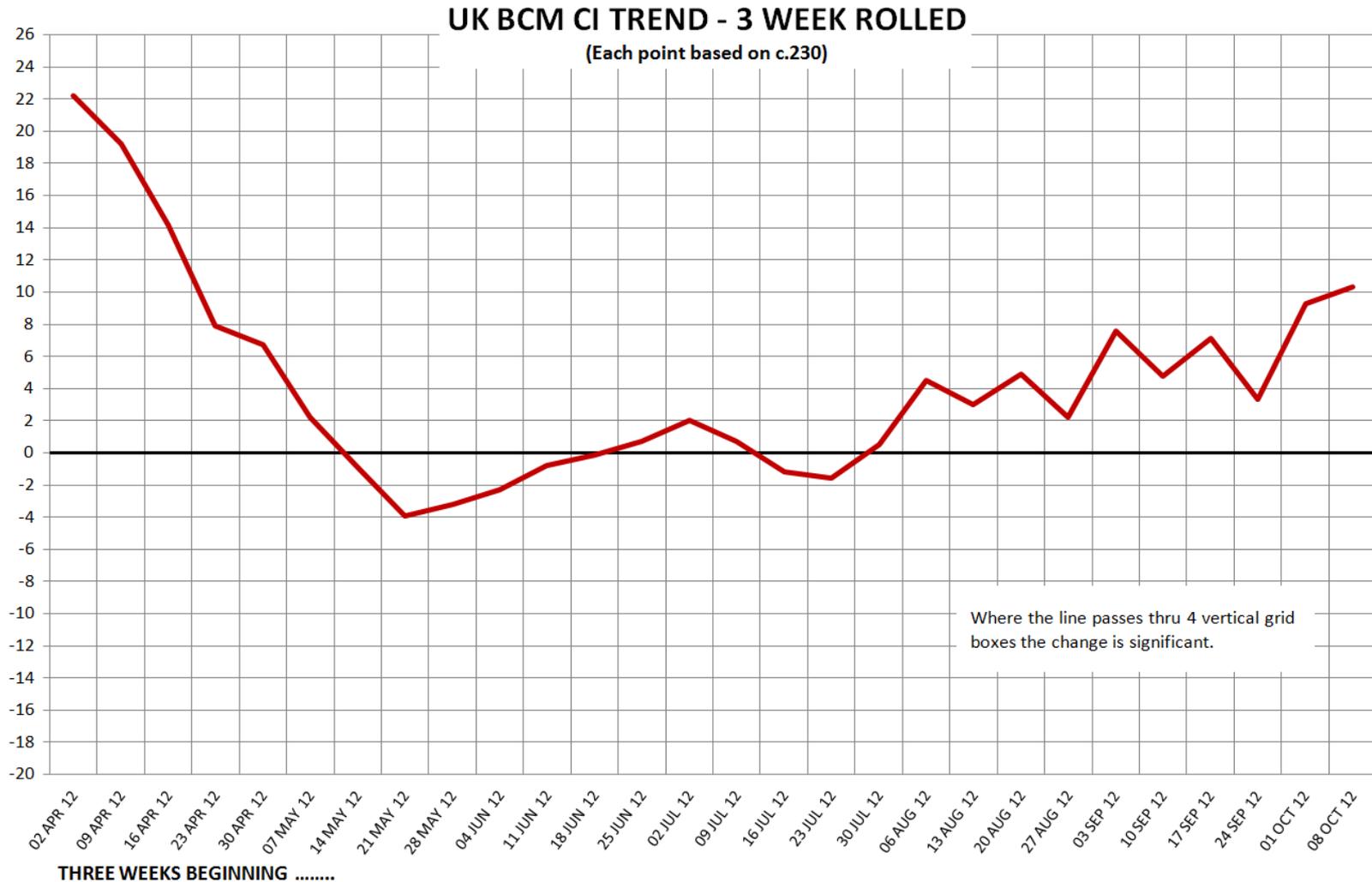


Confidence Index directionally up following sharp decline last quarter

Quarterly change to Confidence Index



Confidence has been on a trend upward path since July



UK economy expected to grow by 0.2% in Q4, which would mean zero growth for 2012 as a whole

Quarter on quarter real GDP growth, per cent

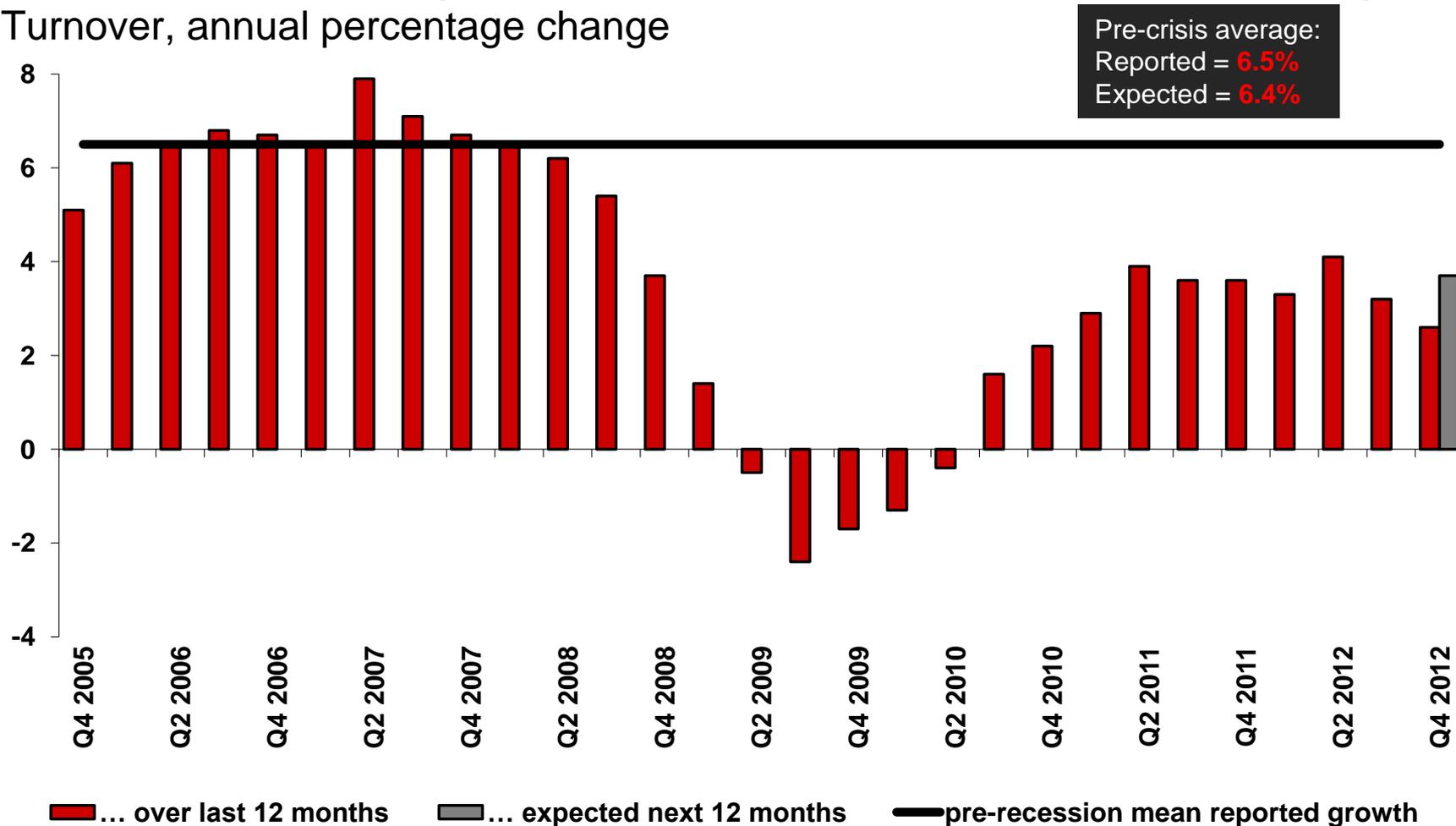


Outline

- Financial performance indicators
 - Growth indicators

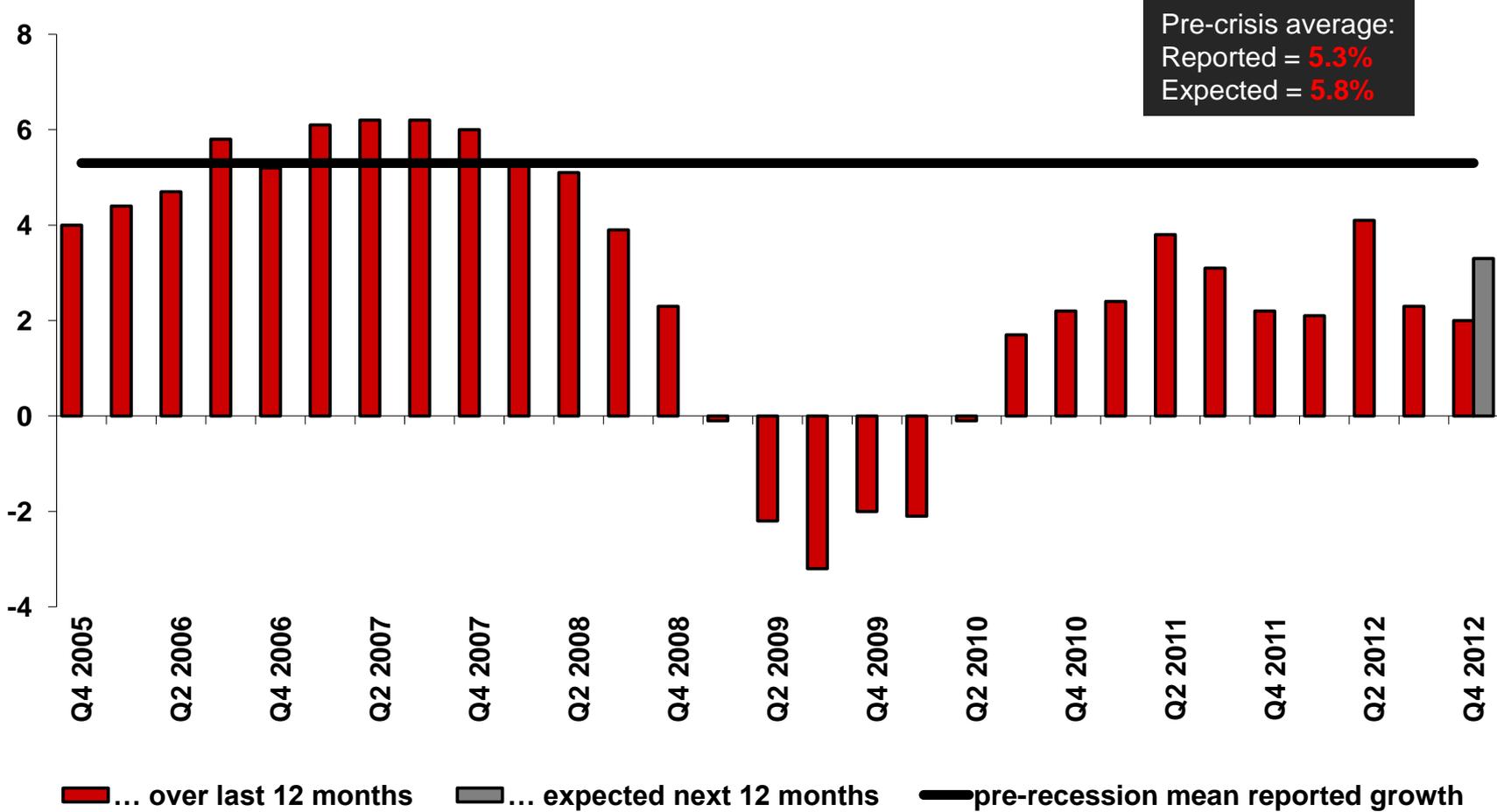
Turnover growth eases slightly though expectations stable (and still remaining much lower than the pre-crisis average)

Turnover, annual percentage change



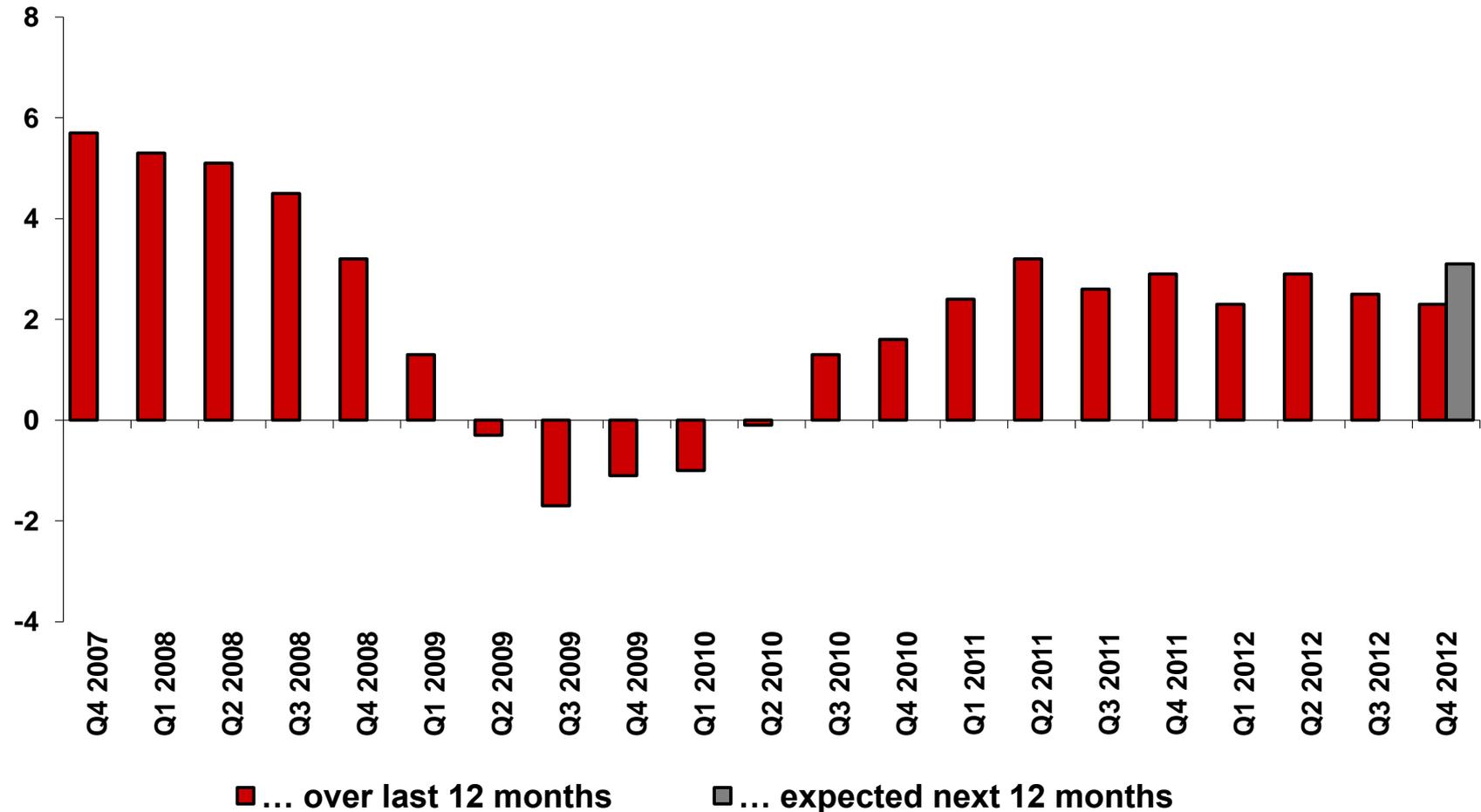
Similarly profit growth expectations are stable – and still notably lower than before the financial crisis

Gross profits, annual percentage change



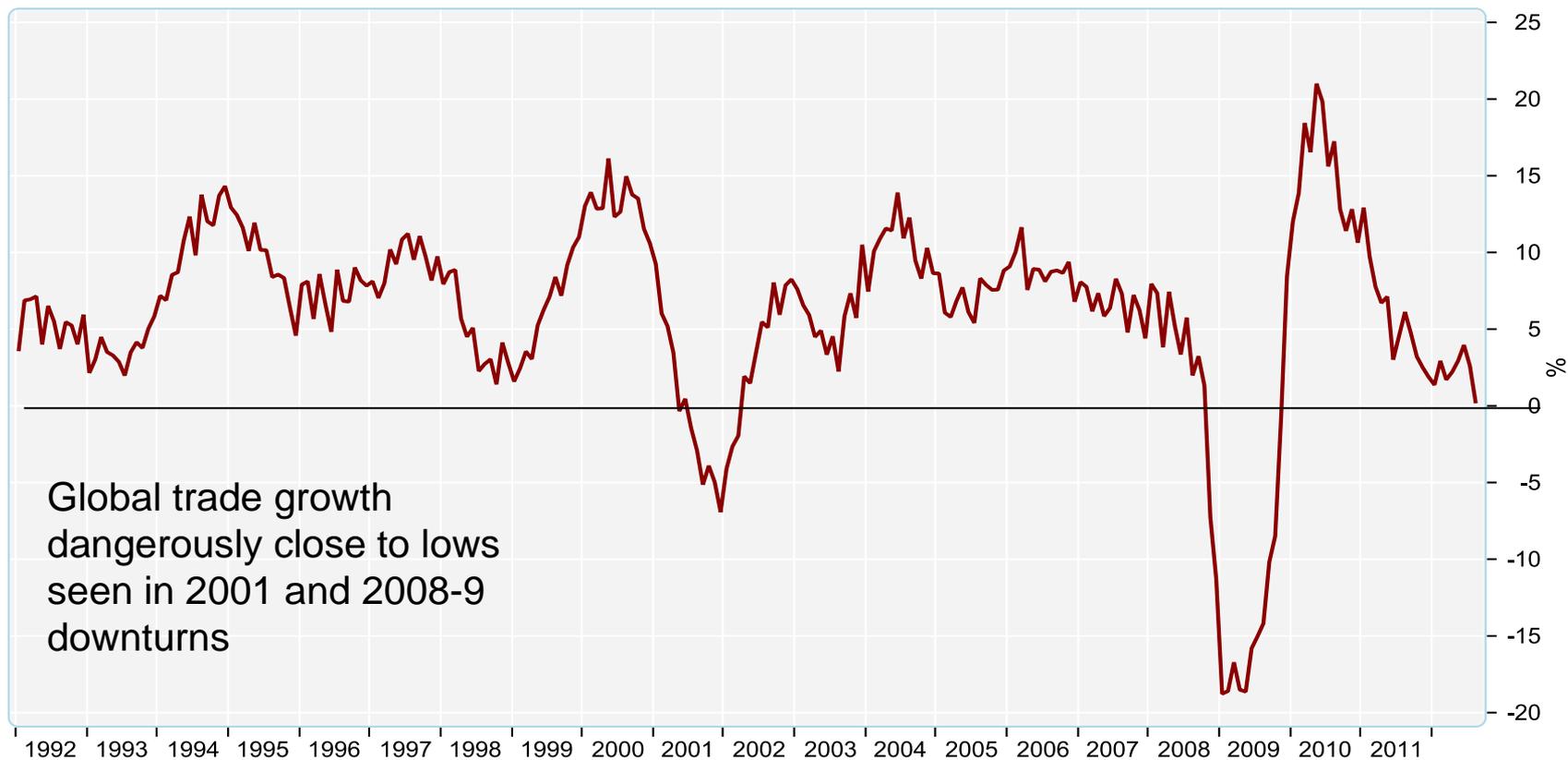
Domestic demand growth and expectations broadly flat

Domestic sales, annual percentage change



Global trade growth has collapsed as both the developed world and emerging market economies contract

World, CPB World Trade Monitor, Total, Volume, SA, Index [c.o.p. 1 year]

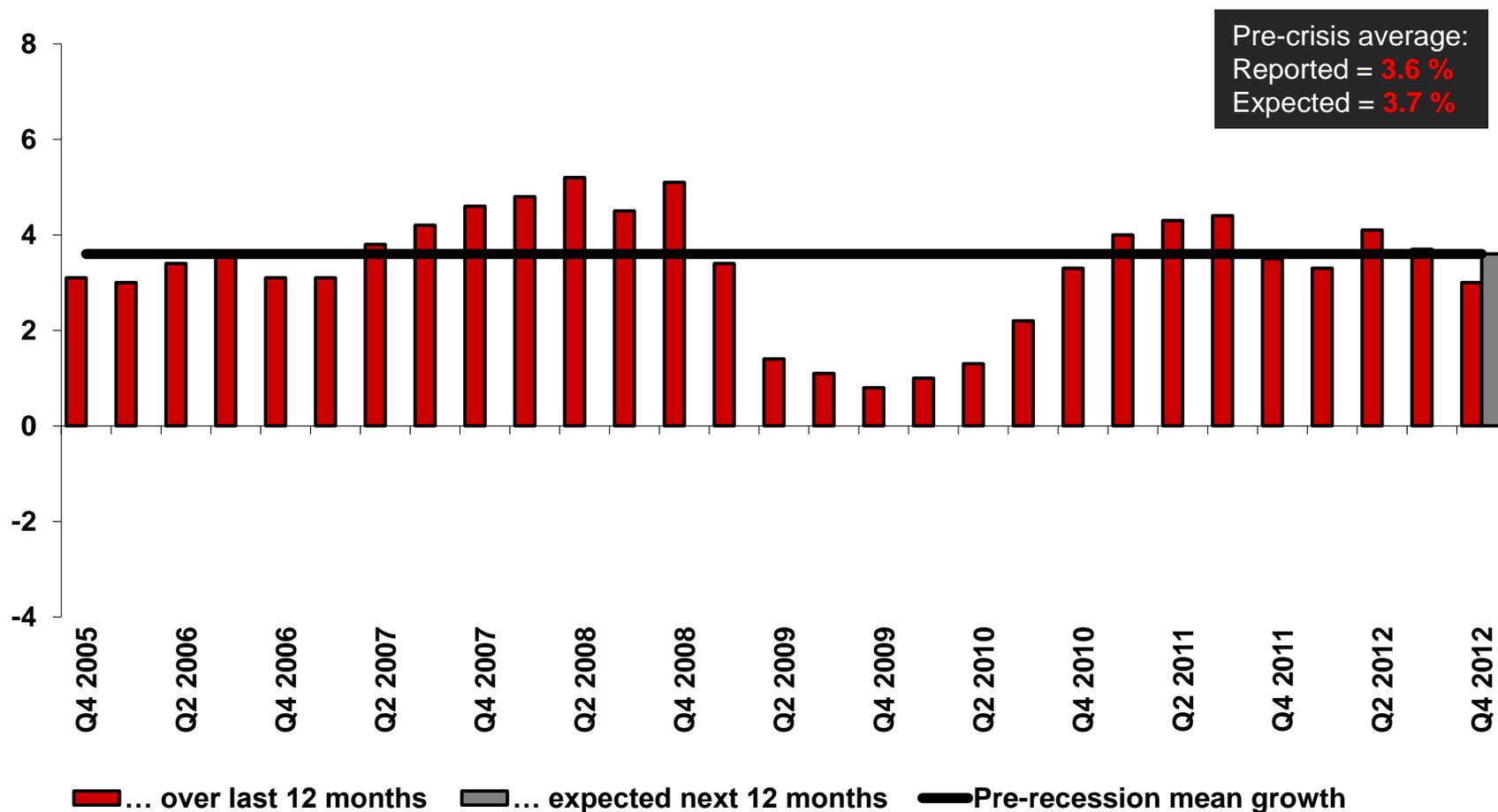


Global trade growth dangerously close to lows seen in 2001 and 2008-9 downturns

Source: **Macrobond**

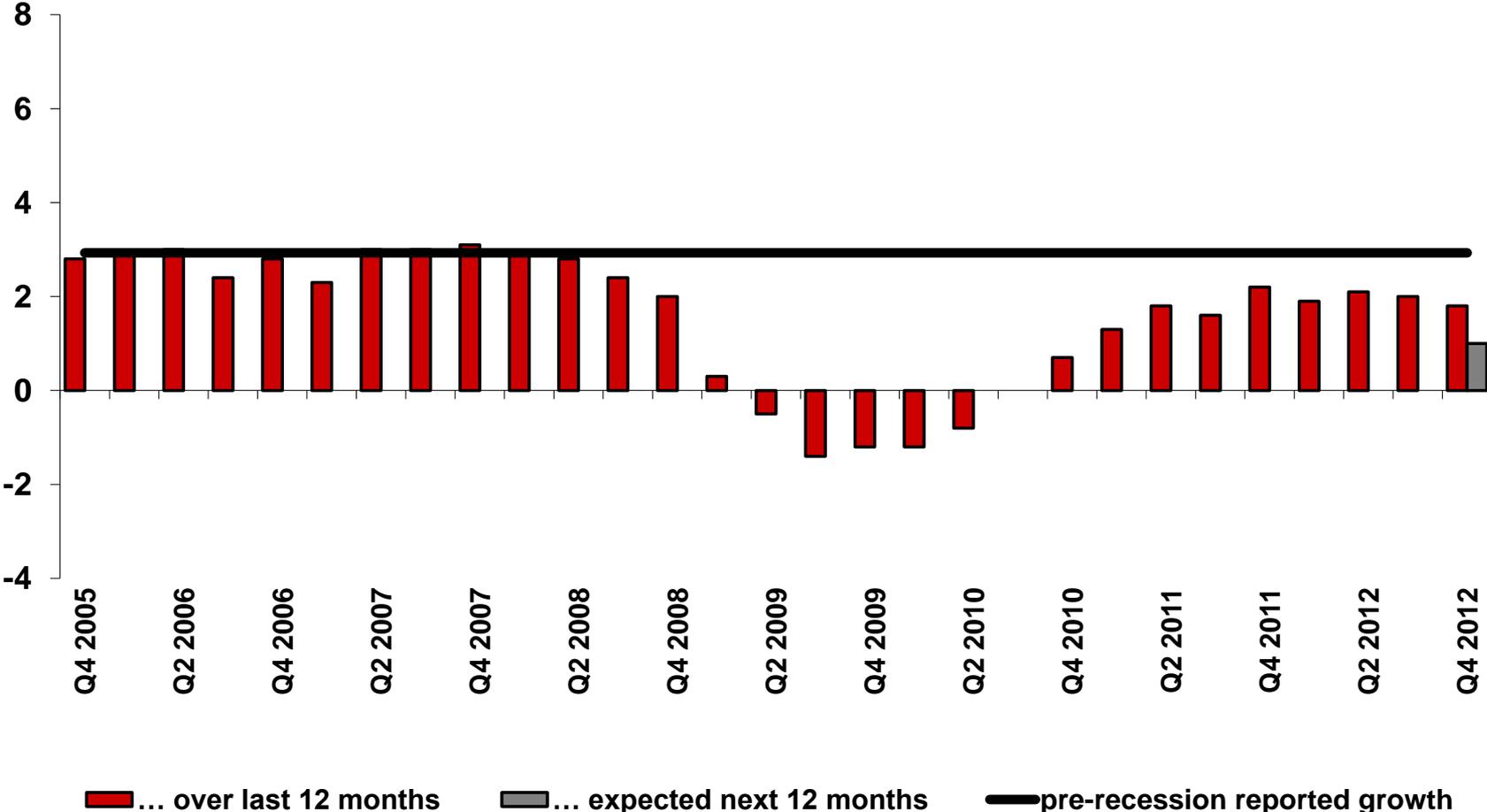
Reported export growth continues to slow on the back of weak world economic outlook

Exports, annual percentage change



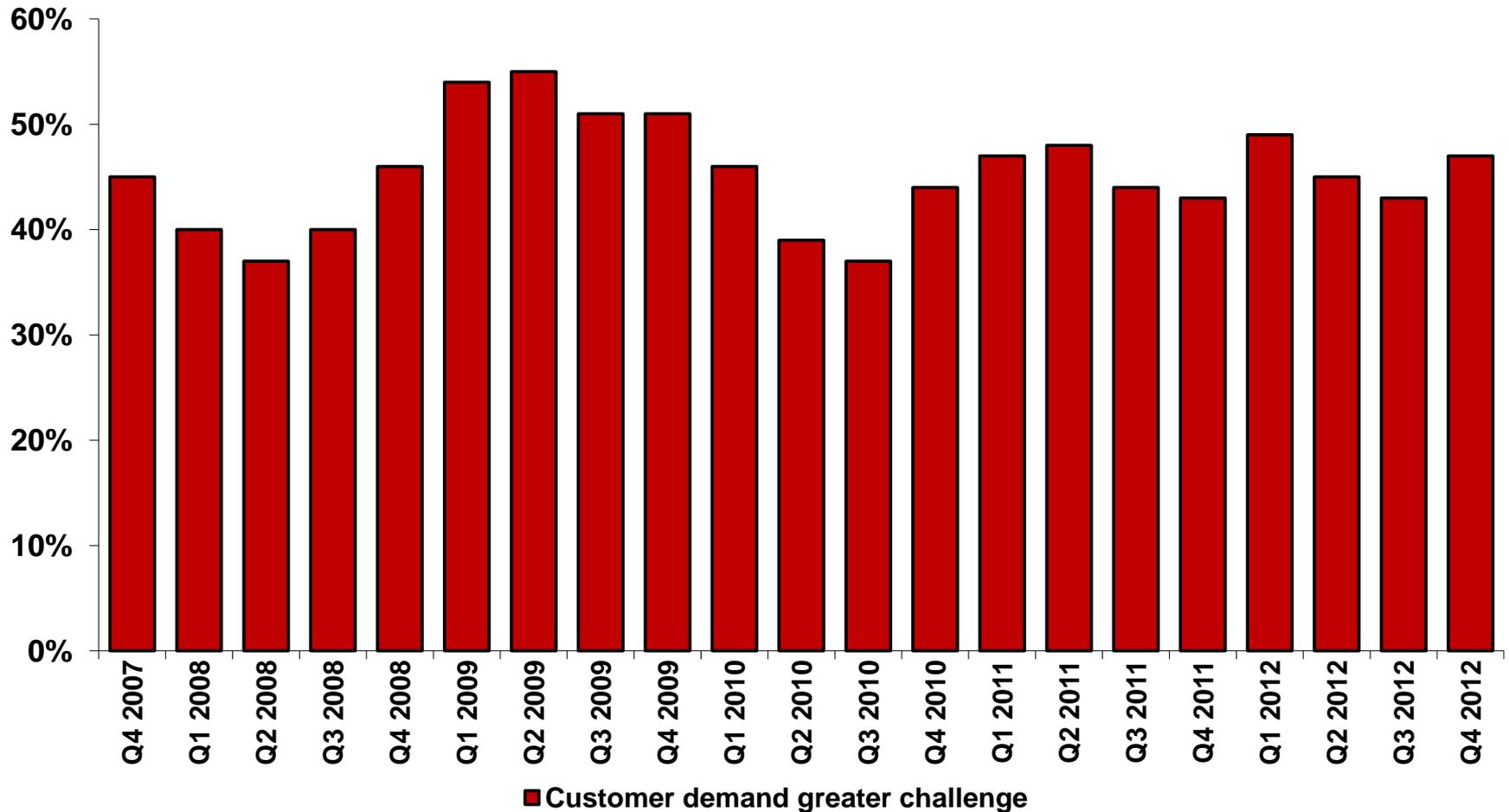
Still no sign of an investment led recovery; businesses expect investment growth to slow over the next 12 months

Capital investment, annual percentage change



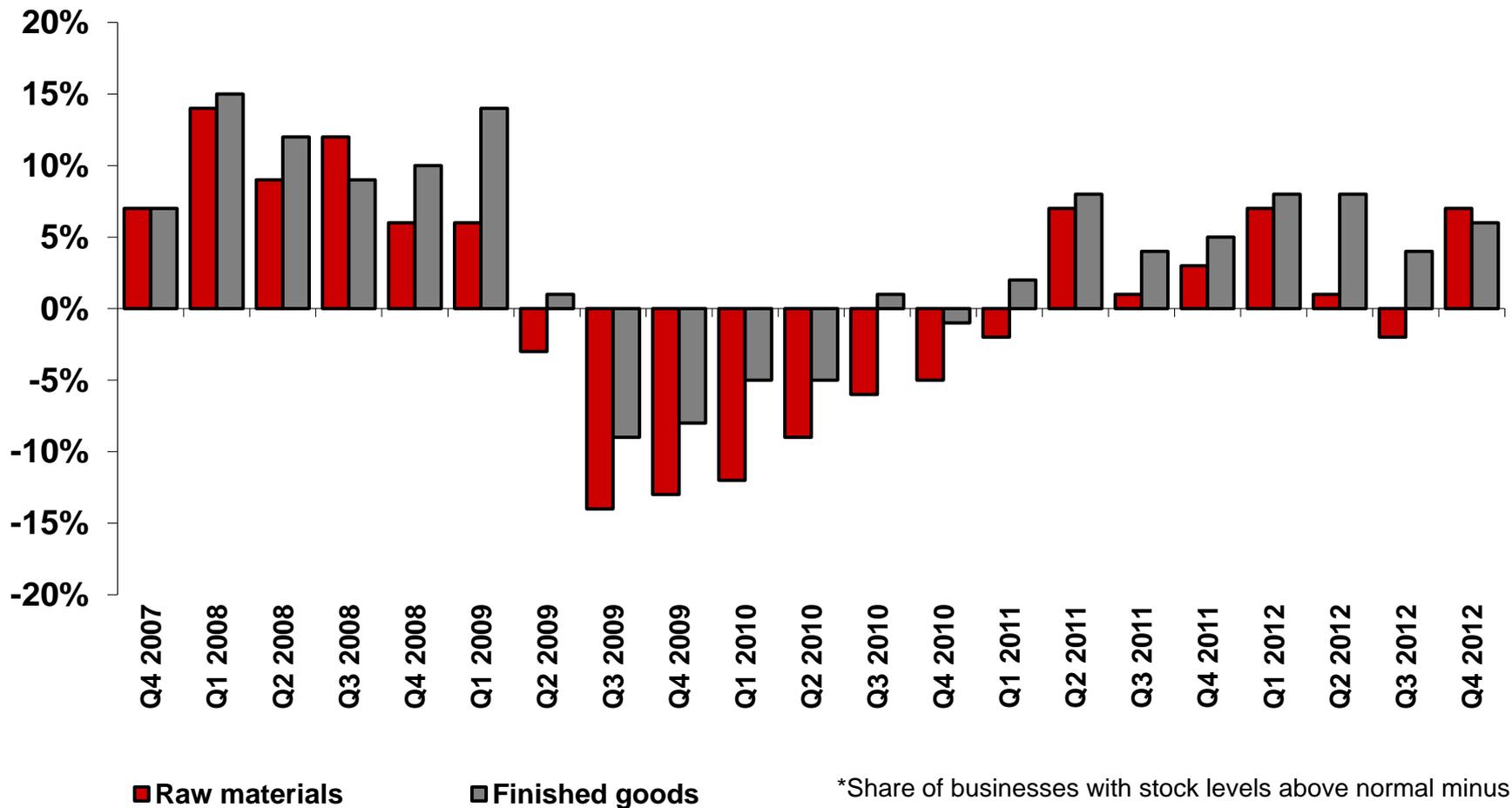
Slight uptick in the share of businesses reporting customer demand as greater challenge

Share of businesses reporting customer demand as greater challenge



Increase in share of businesses reporting raw material stocks above normal – a sign of diminishing demand?

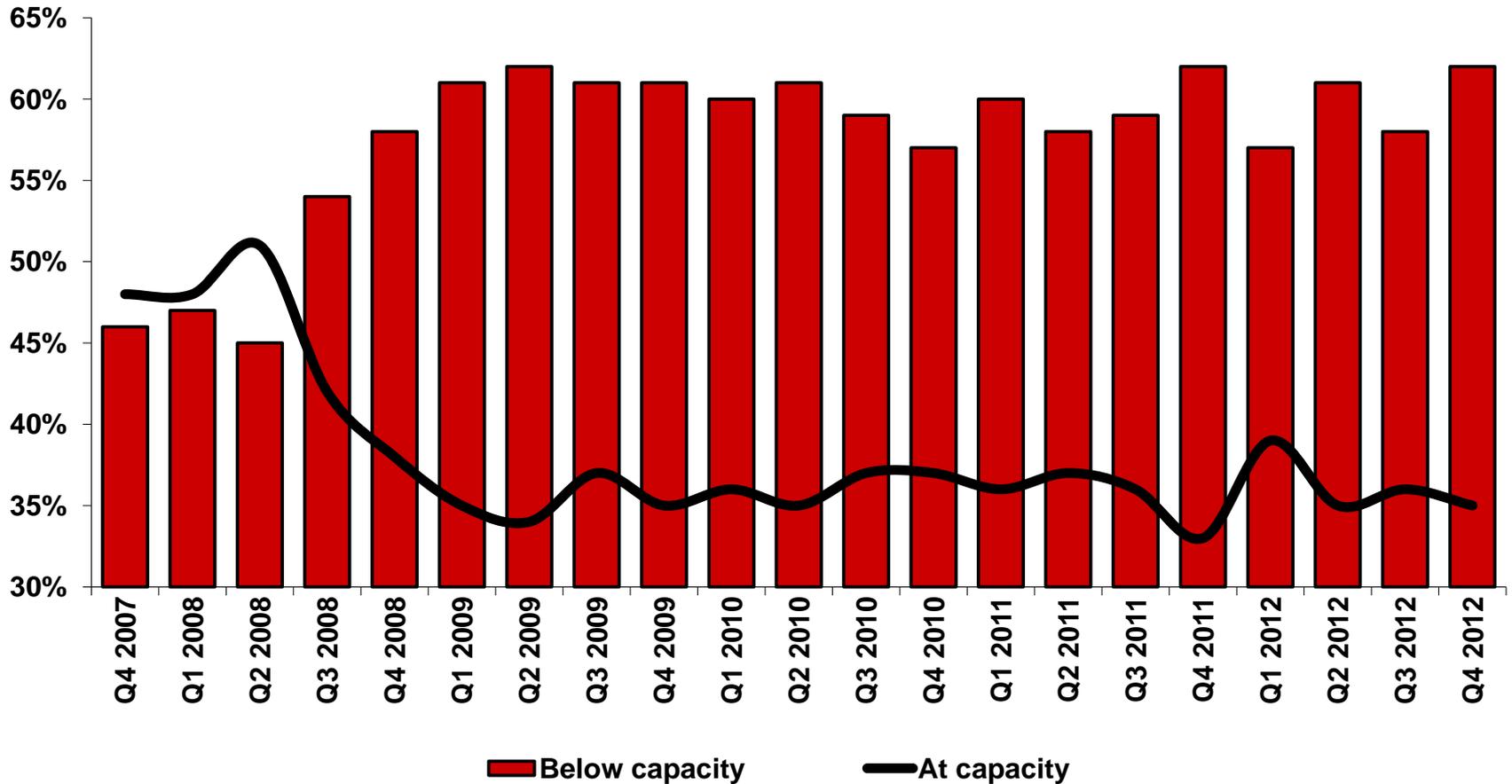
Net share* of businesses with stock levels **above normal**



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

Majority of businesses still operating below capacity

Share of businesses running at or below capacity

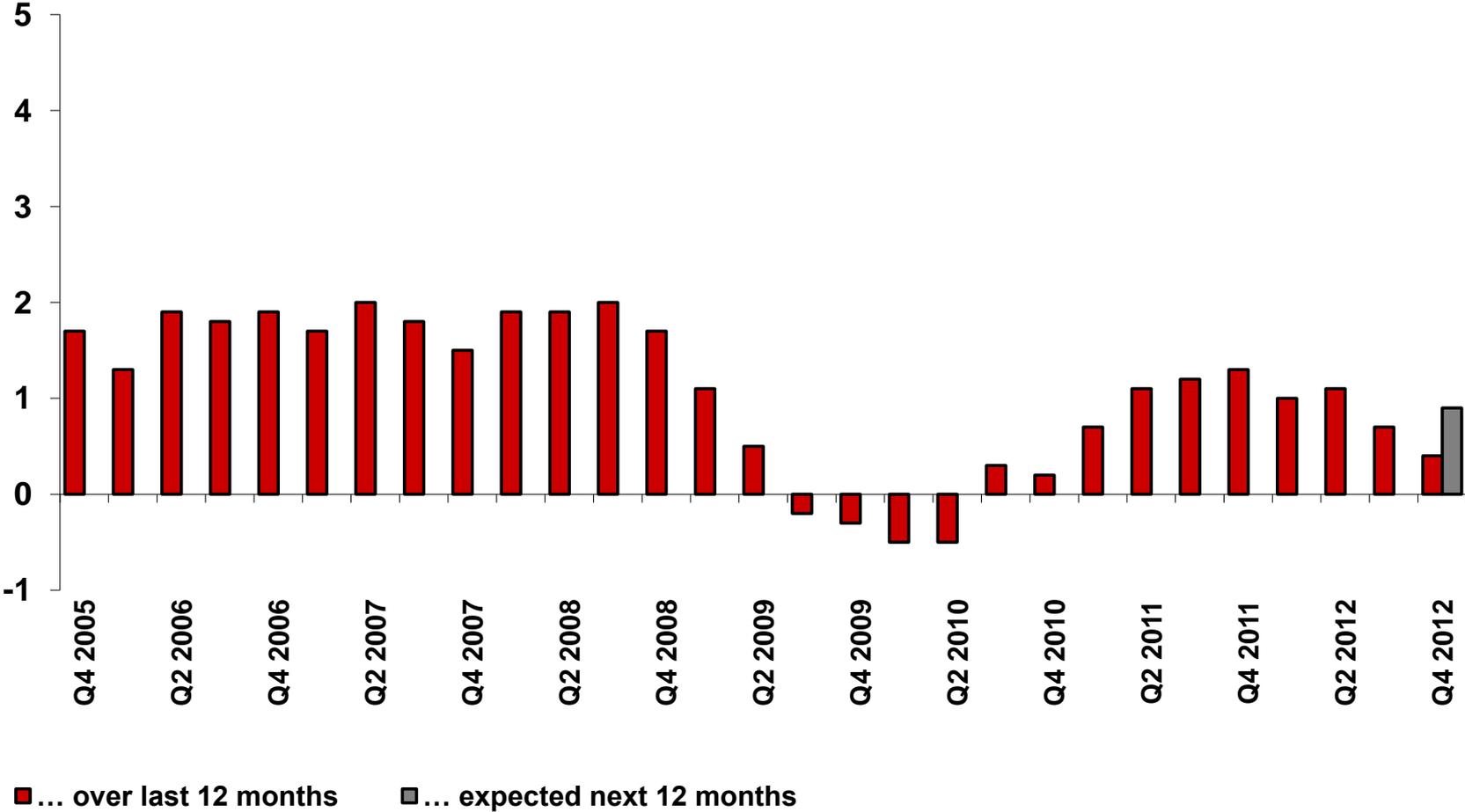


Outline

- Financial performance indicators
 - Inflation & labour market indicators

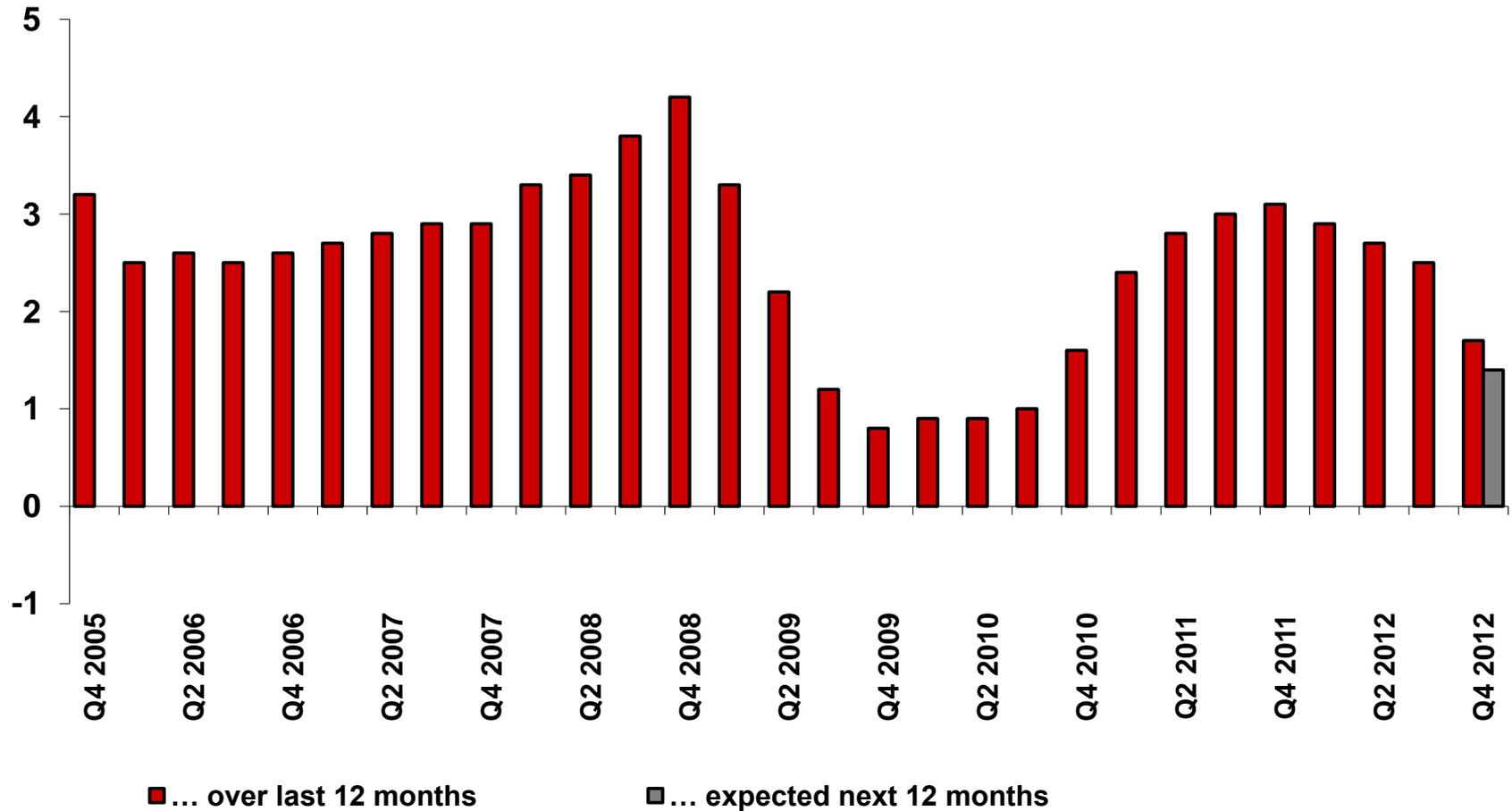
Reported price growth lowest in two years and inflation expectations stable

Prices, annual percentage change



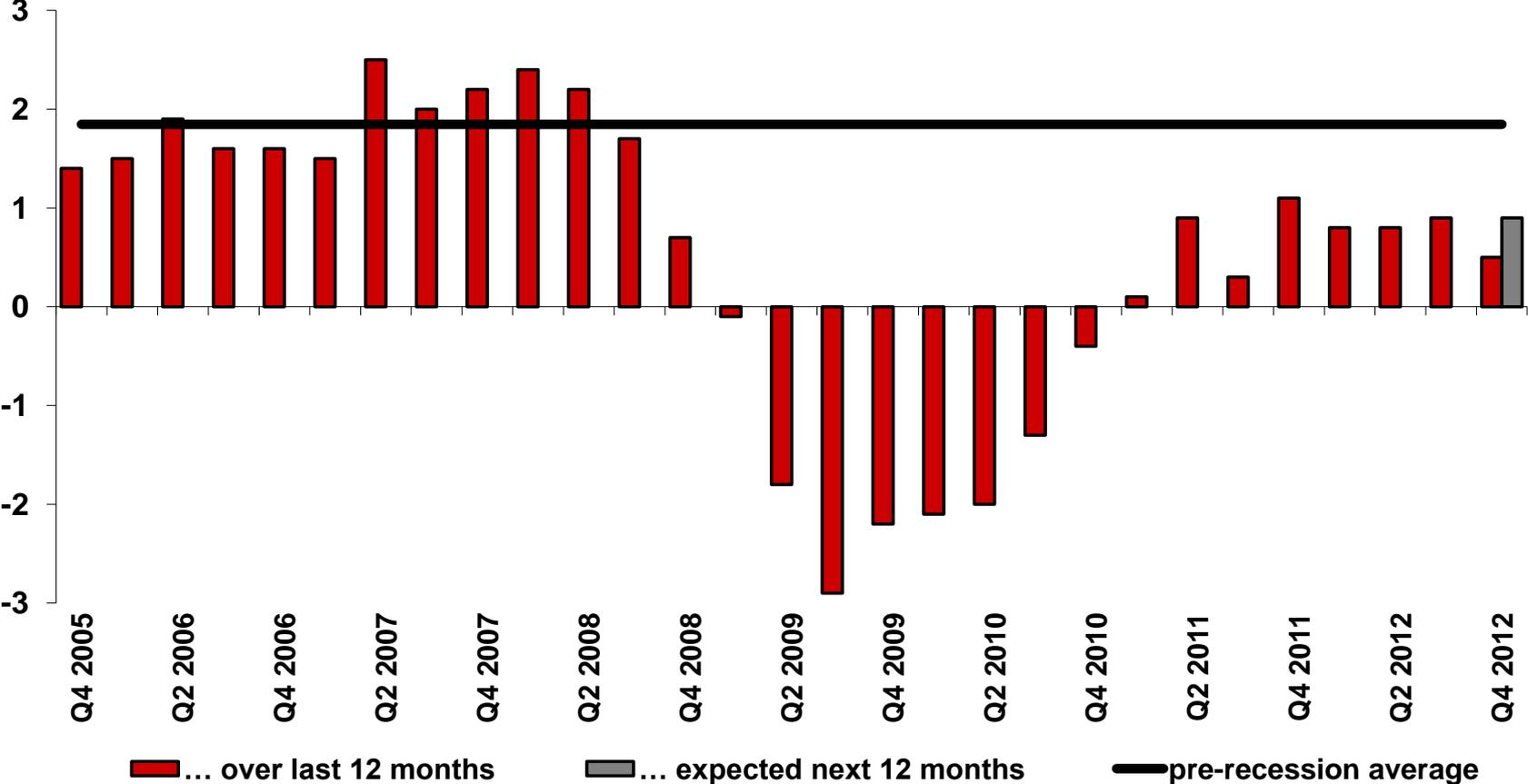
Input price inflation continues to ease

Input prices, annual percentage change



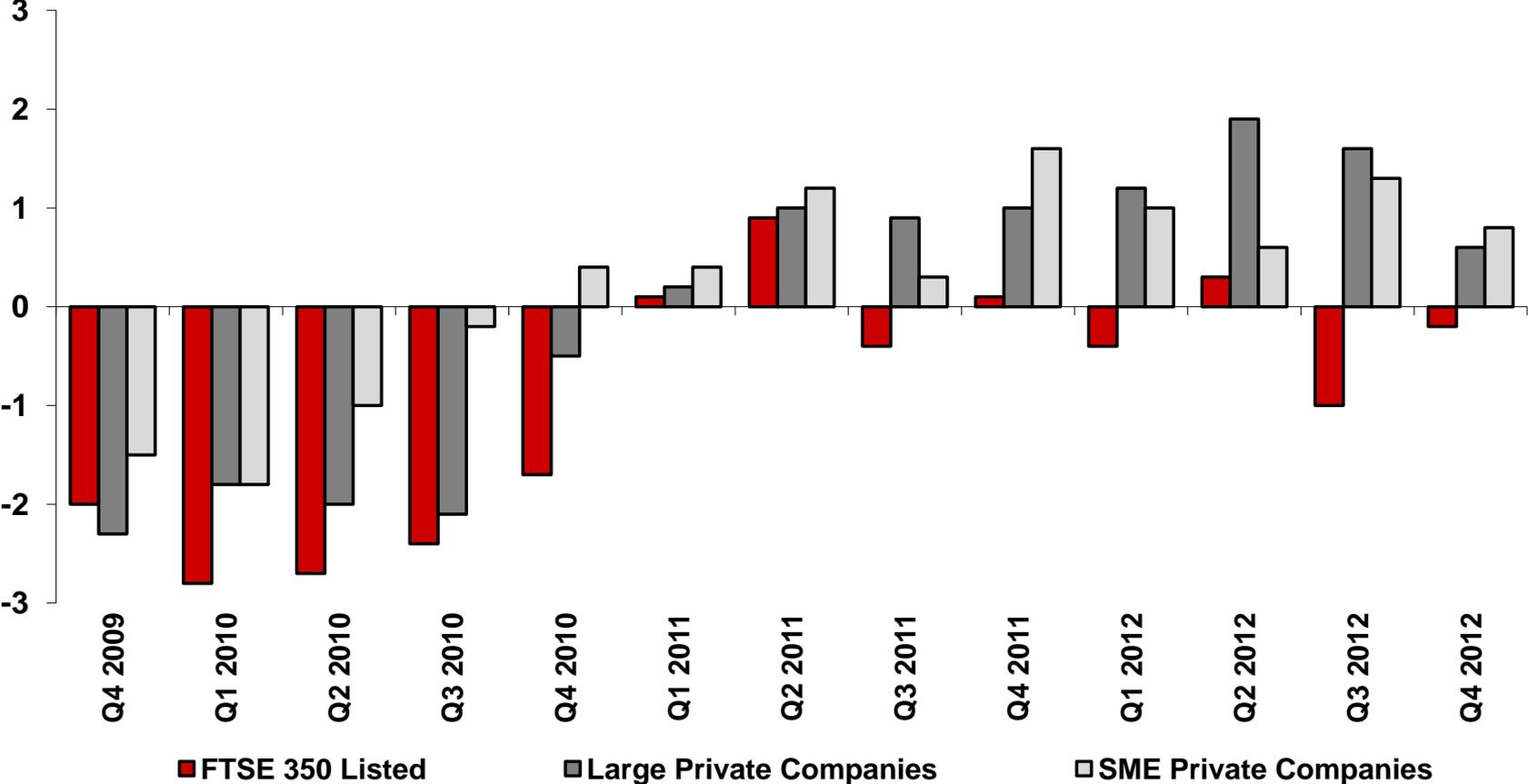
Private sector hiring growth weakens although still in positive territory

Employment, annual percentage change



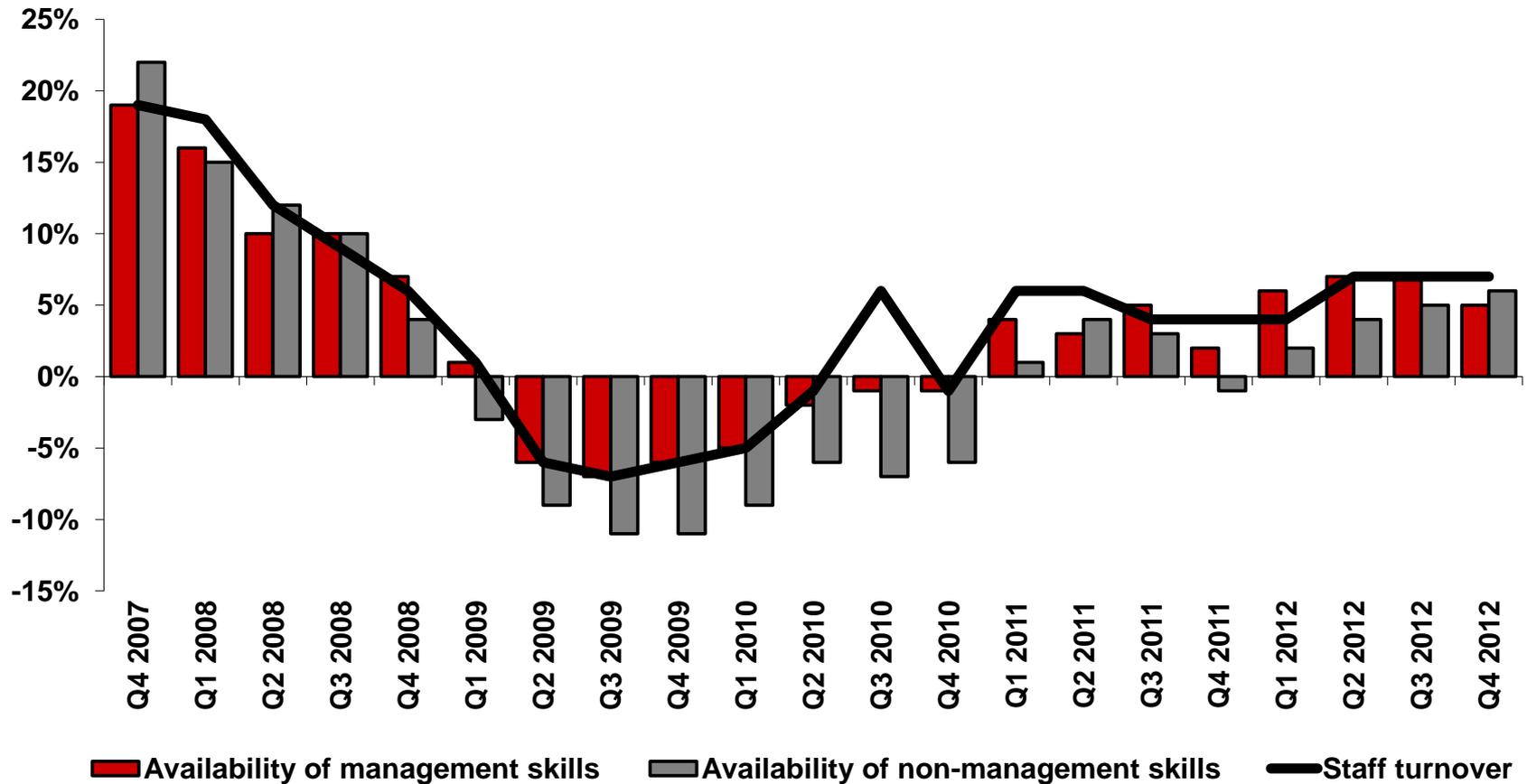
Private firms are driving employment growth while listed businesses are cutting back

Employment, annual percentage change



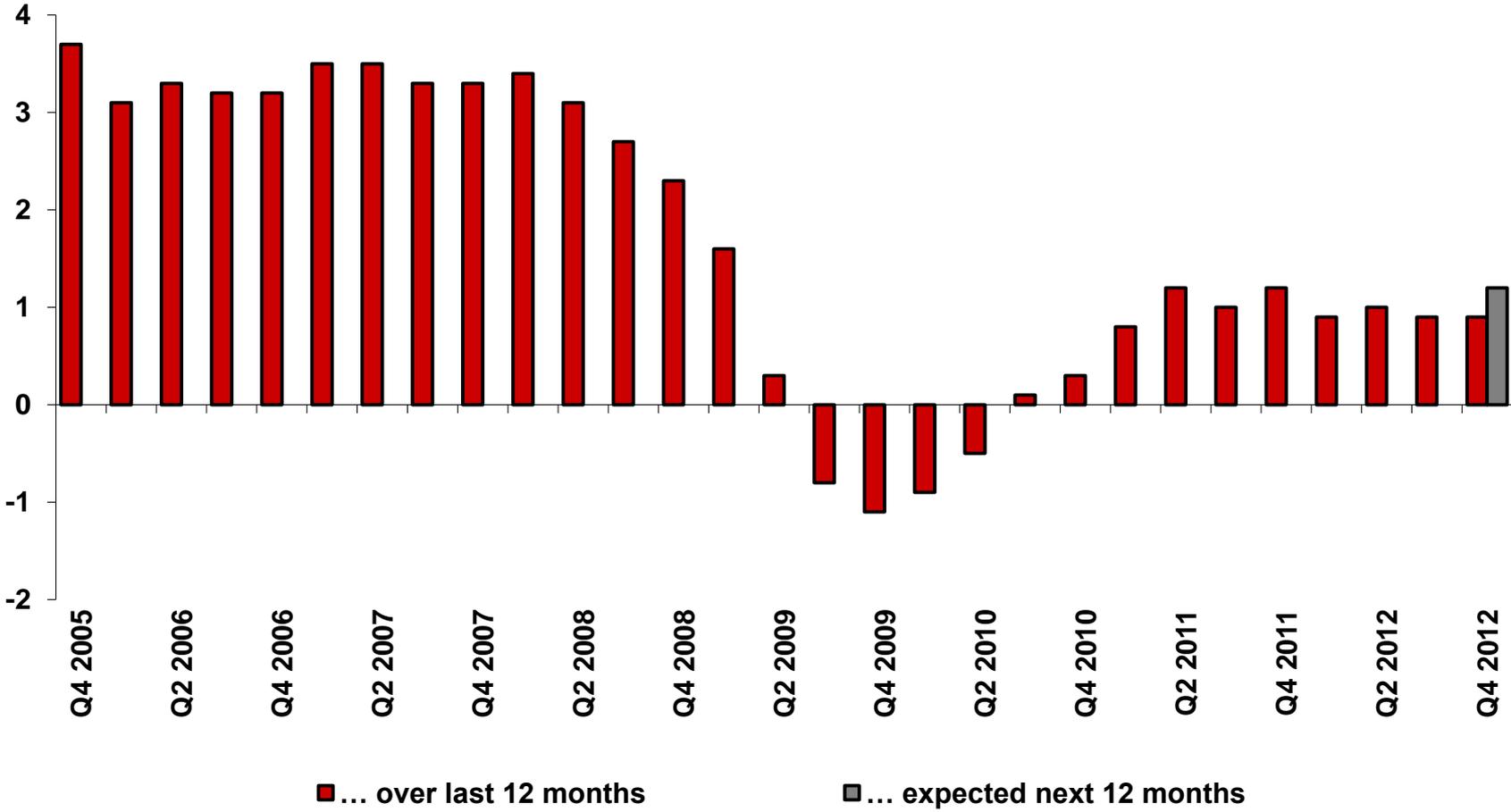
More indications that labour market is broadly stable

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



Pay growth steady at low levels – fall in inflation means real incomes now roughly flat year on year

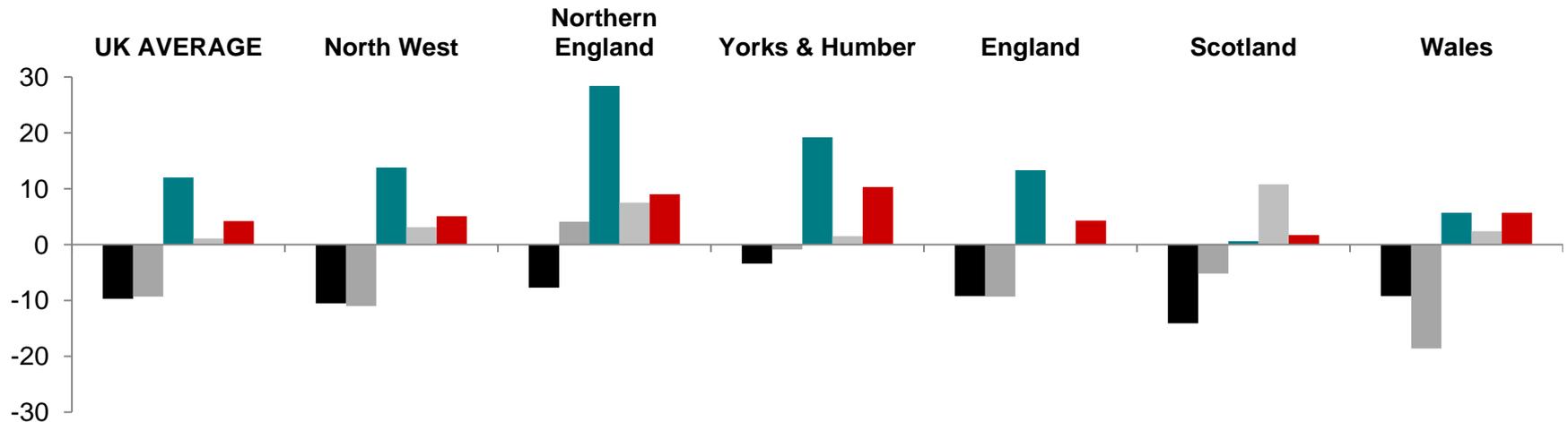
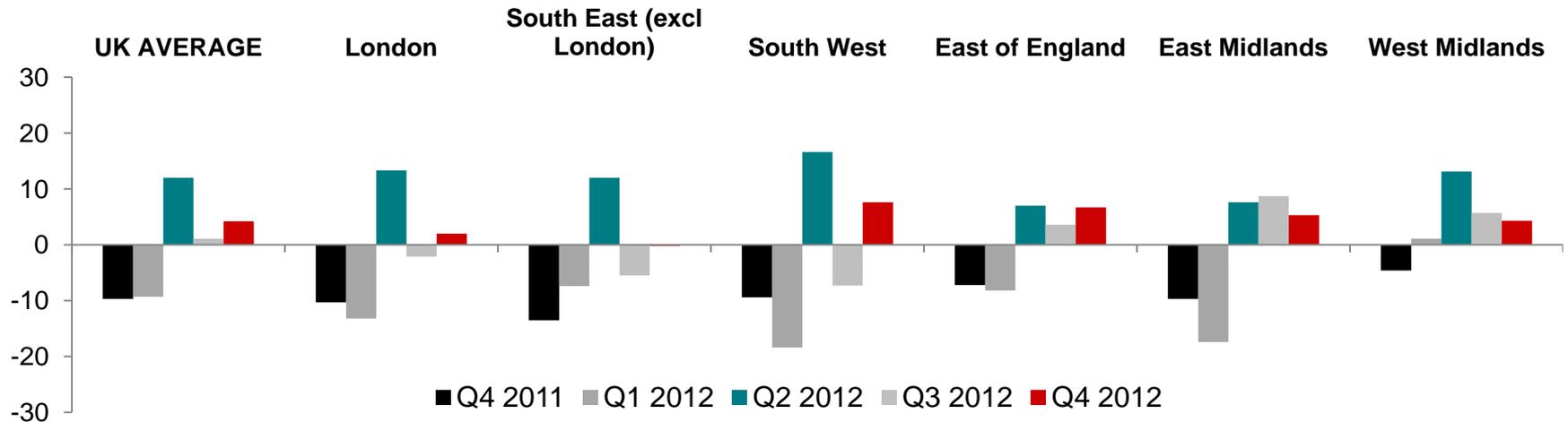
Average total salary, annual percentage change



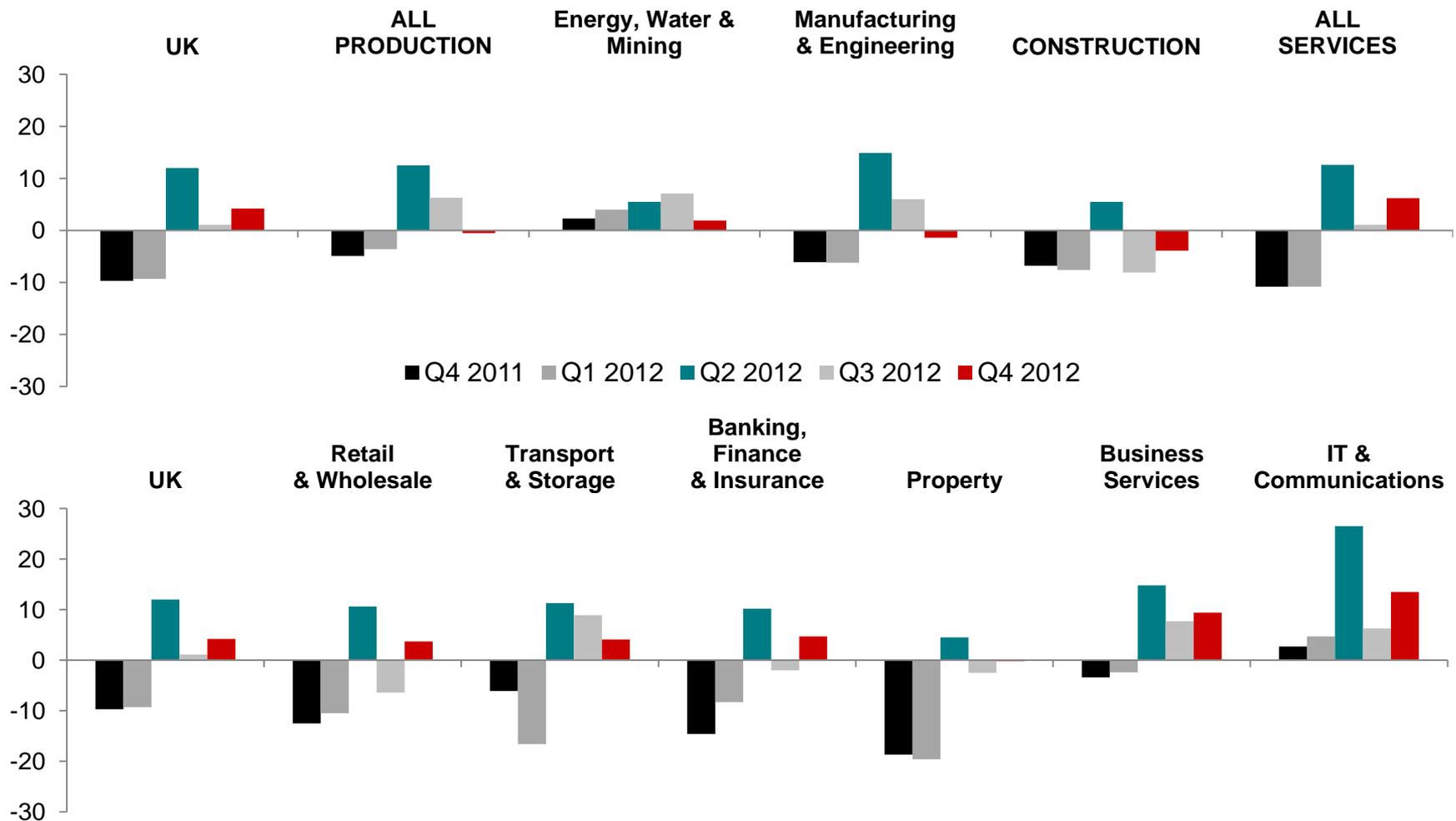
Outline

- Regional & sector stories

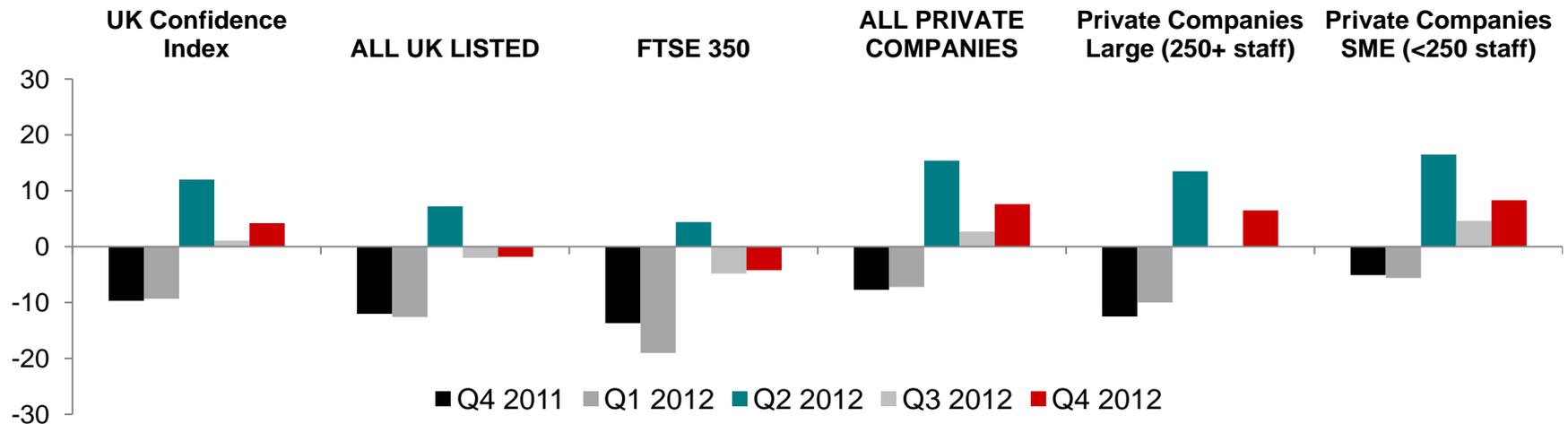
Trend of Business Confidence by Region



Trend of Business Confidence by Sector



Trend of Business Confidence by Company Type



Conclusions

- As we move into the final quarter of 2012 business confidence is stable – although short term data point to a possible slight upward trend.
- Business confidence is notably stronger than a year earlier although financial performance indicators point to weak underlying growth.
- Confidence Index points to economic growth of 0.2% in the final quarter of 2012; however after the declines seen at the start of the year, this would mean zero growth for the year as a whole.
- Export growth continues to fall back as the world economy shows further signs of cooling with global trade growth still slowing.
- There is still little sign of investment-led recovery, as businesses expect only slow increases to investment spending over next 12 months.
- Inflationary pressures continued to ease amid weak demand conditions, with price growth falling to its lowest level in two years.



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