



making business sense



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Q1 2013 ICAEW / Grant Thornton Business Confidence Monitor results

28 January 2013

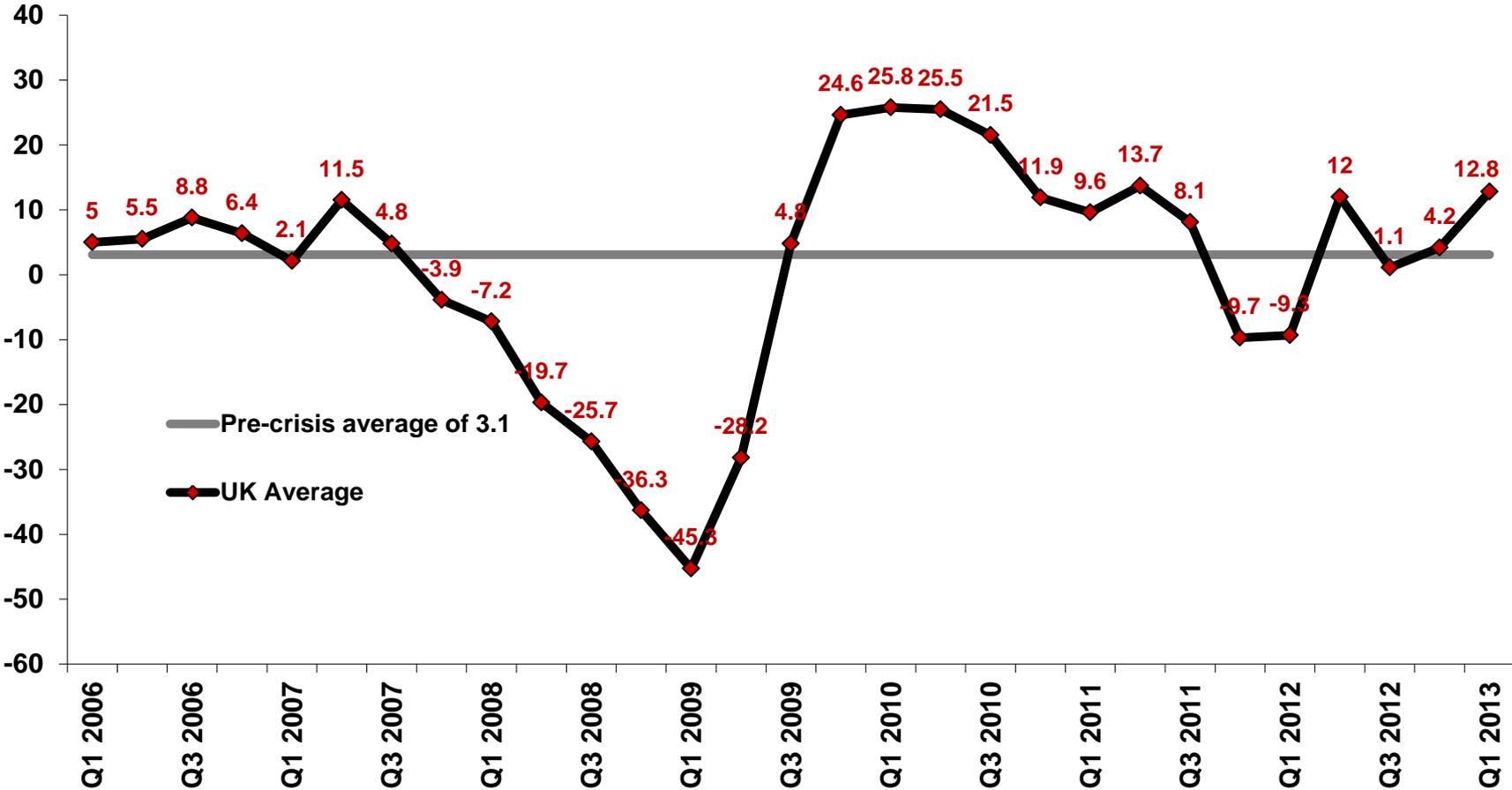
Contact: Caroline Florence

Outline

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

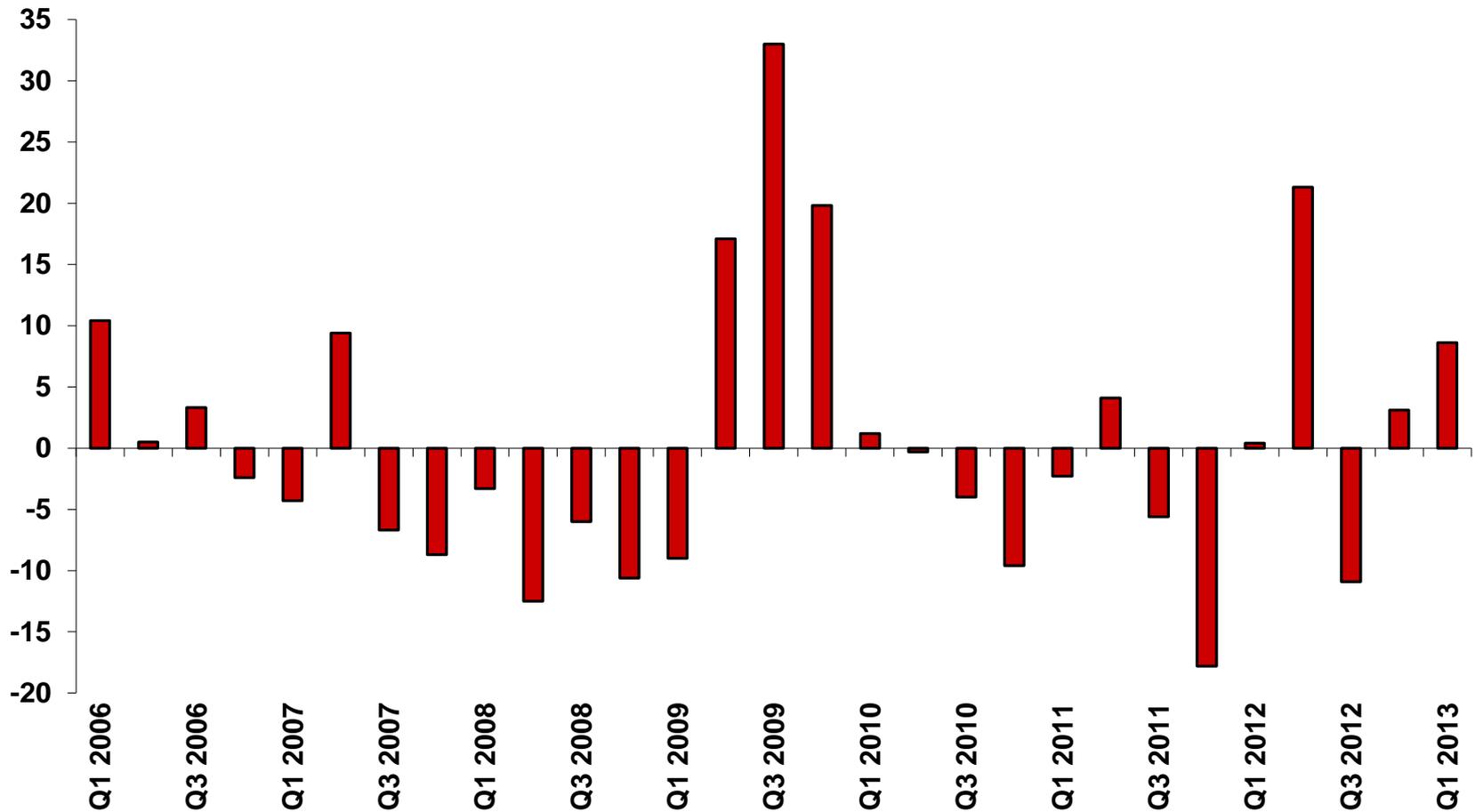
Business confidence reaches its highest level since Q2 2011

ICAEW / Grant Thornton Business Confidence Index

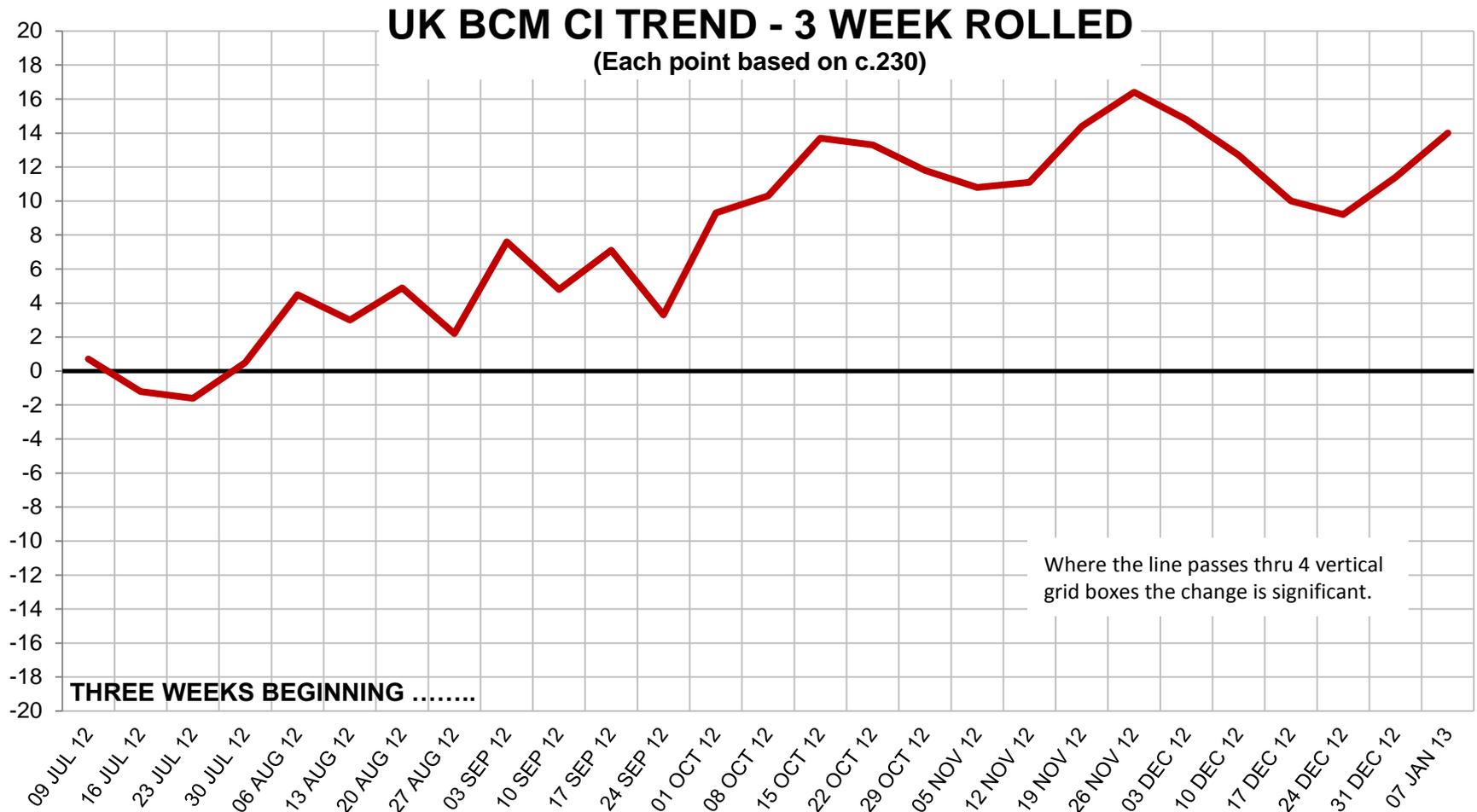


Business confidence has increased now for two consecutive quarters

Quarterly change to Confidence Index

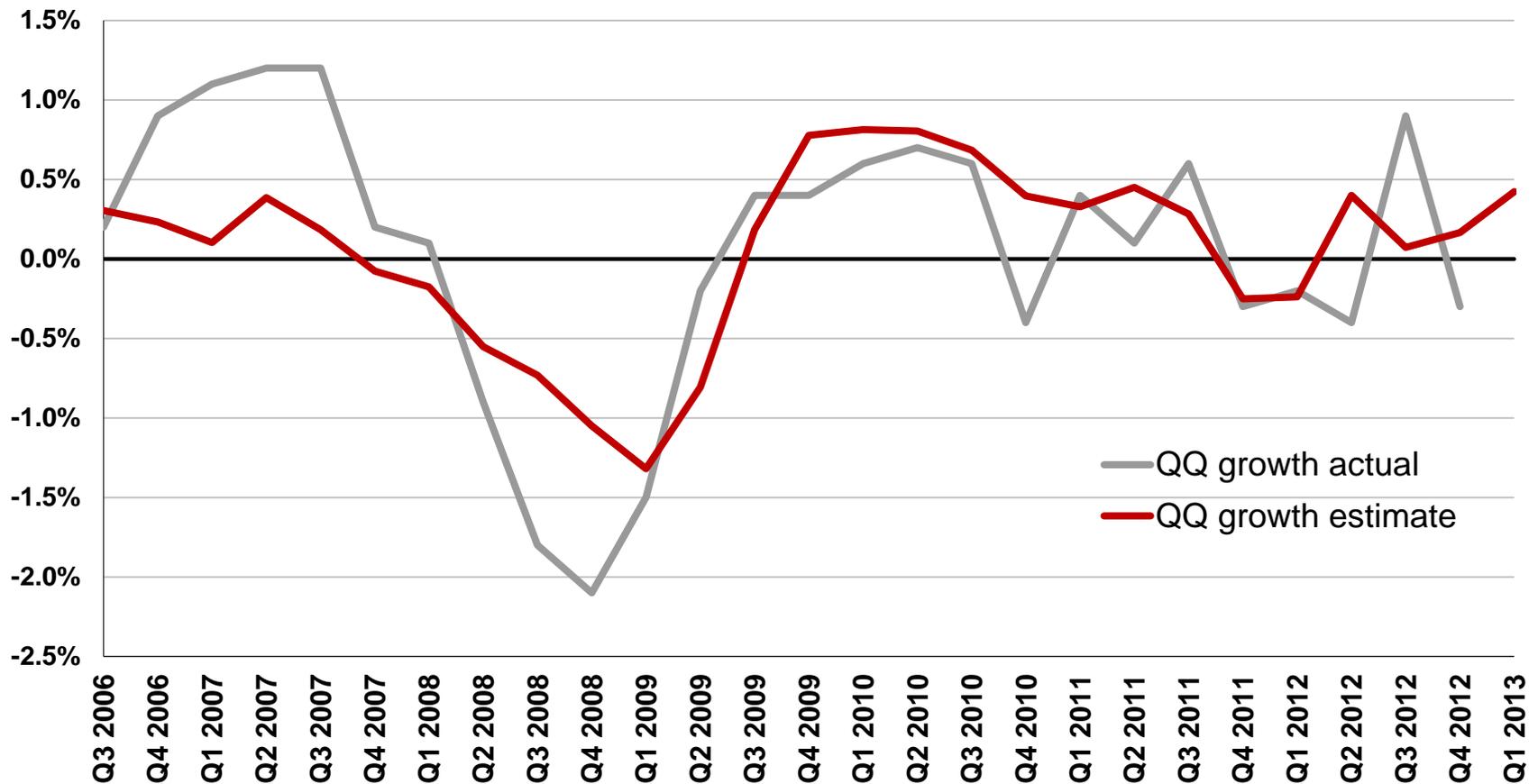


Confidence picked up again in January following a decline in December



UK economy expected to grow by 0.4% in Q1, meaning a triple-dip recession is avoided

Quarter on quarter real GDP growth, per cent

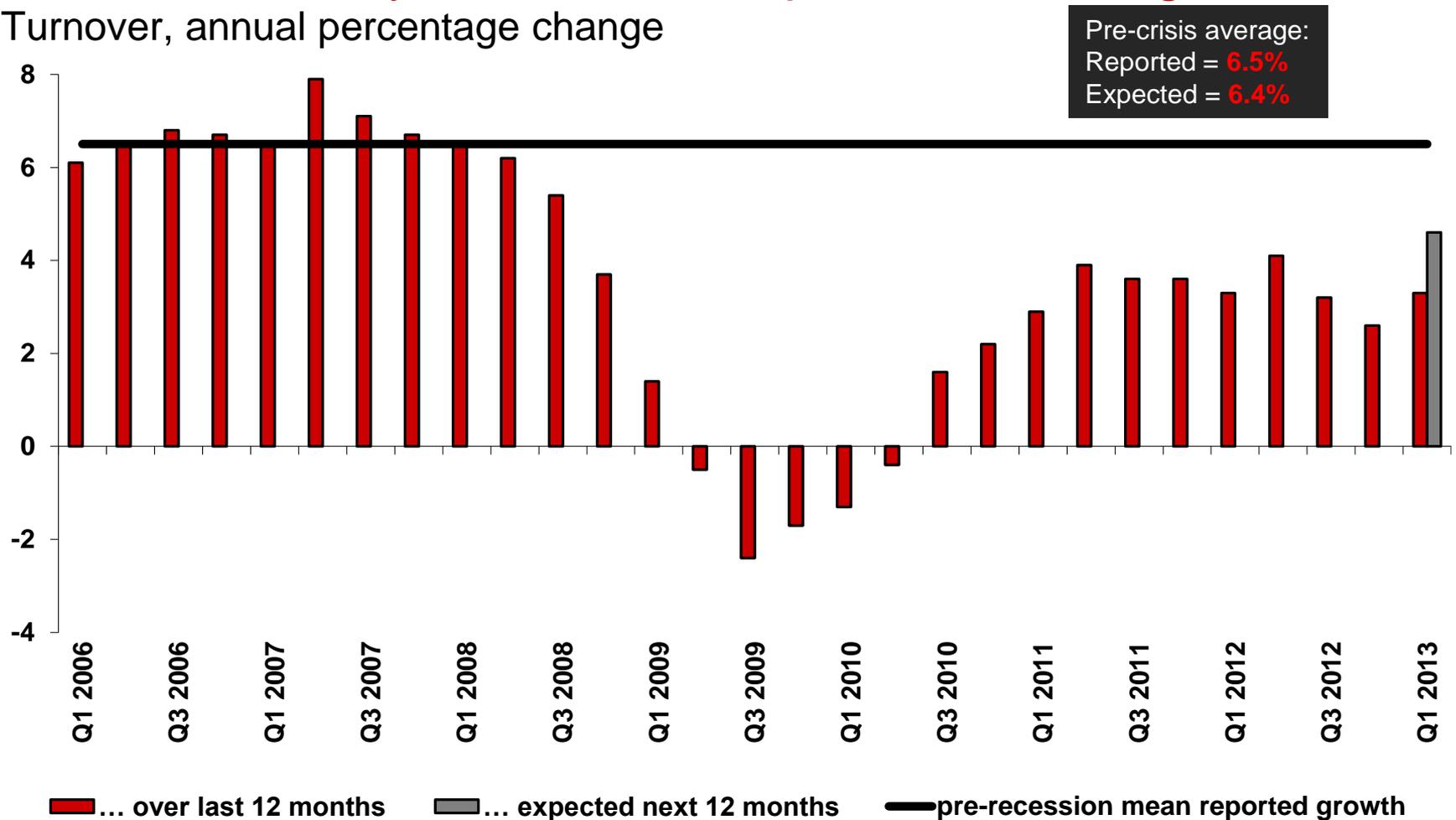


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- Financial performance indicators
 - Growth indicators

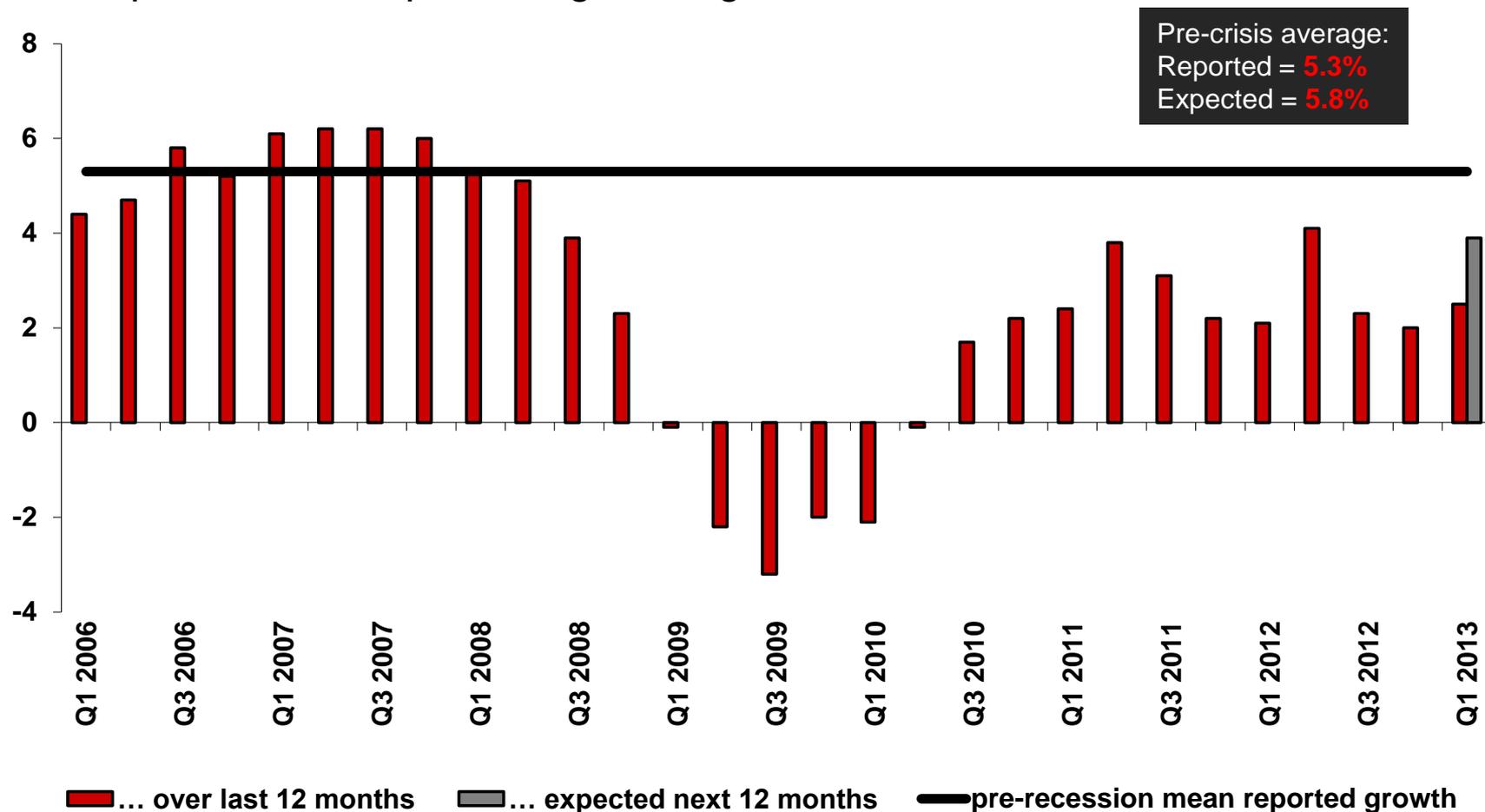
Turnover growth and expectations improve, though remained notably lower than the pre-crisis average

Turnover, annual percentage change



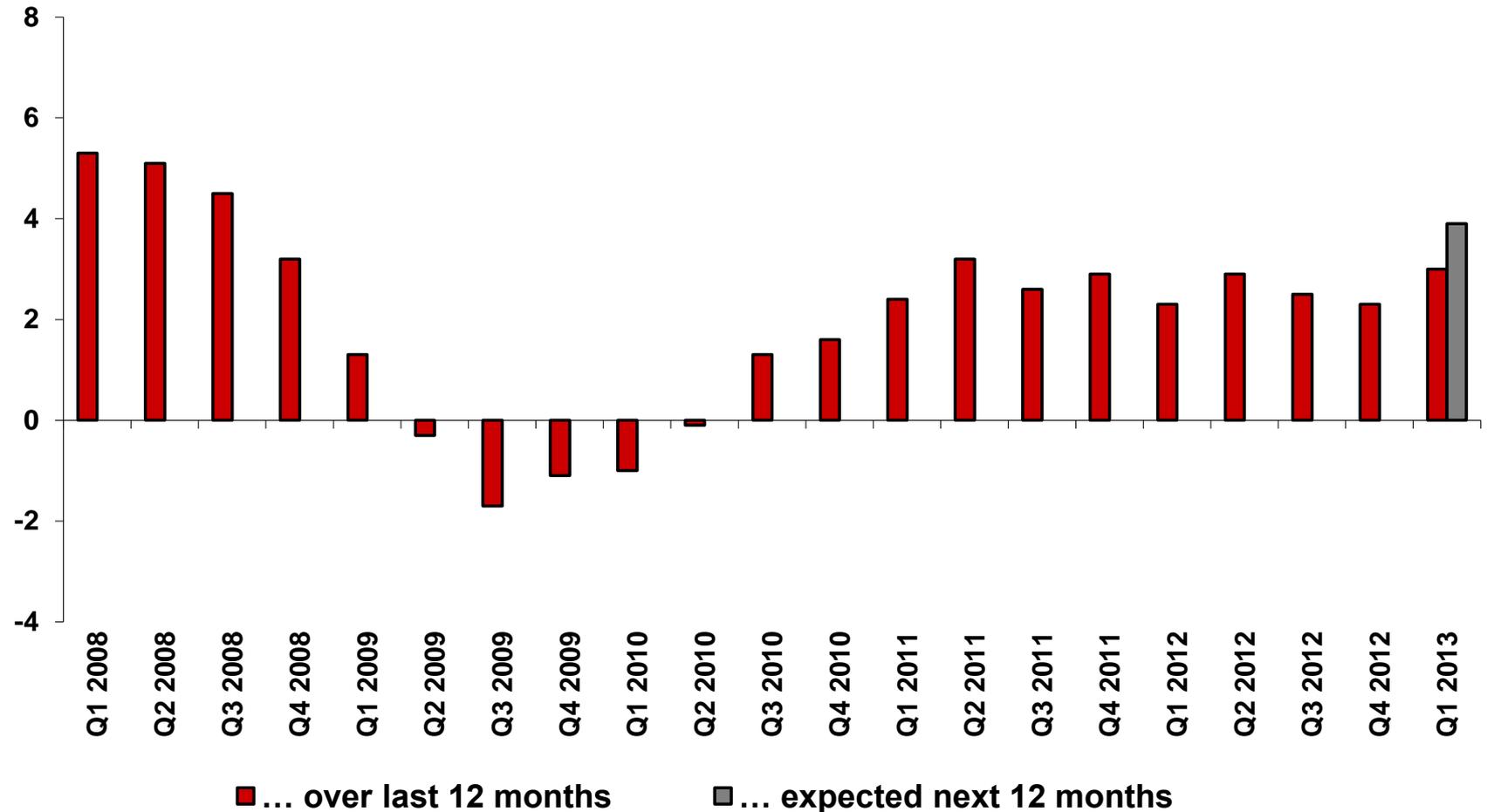
Profit growth and expectations have improved slightly too – though again remain below the pre-crisis average

Gross profits, annual percentage change



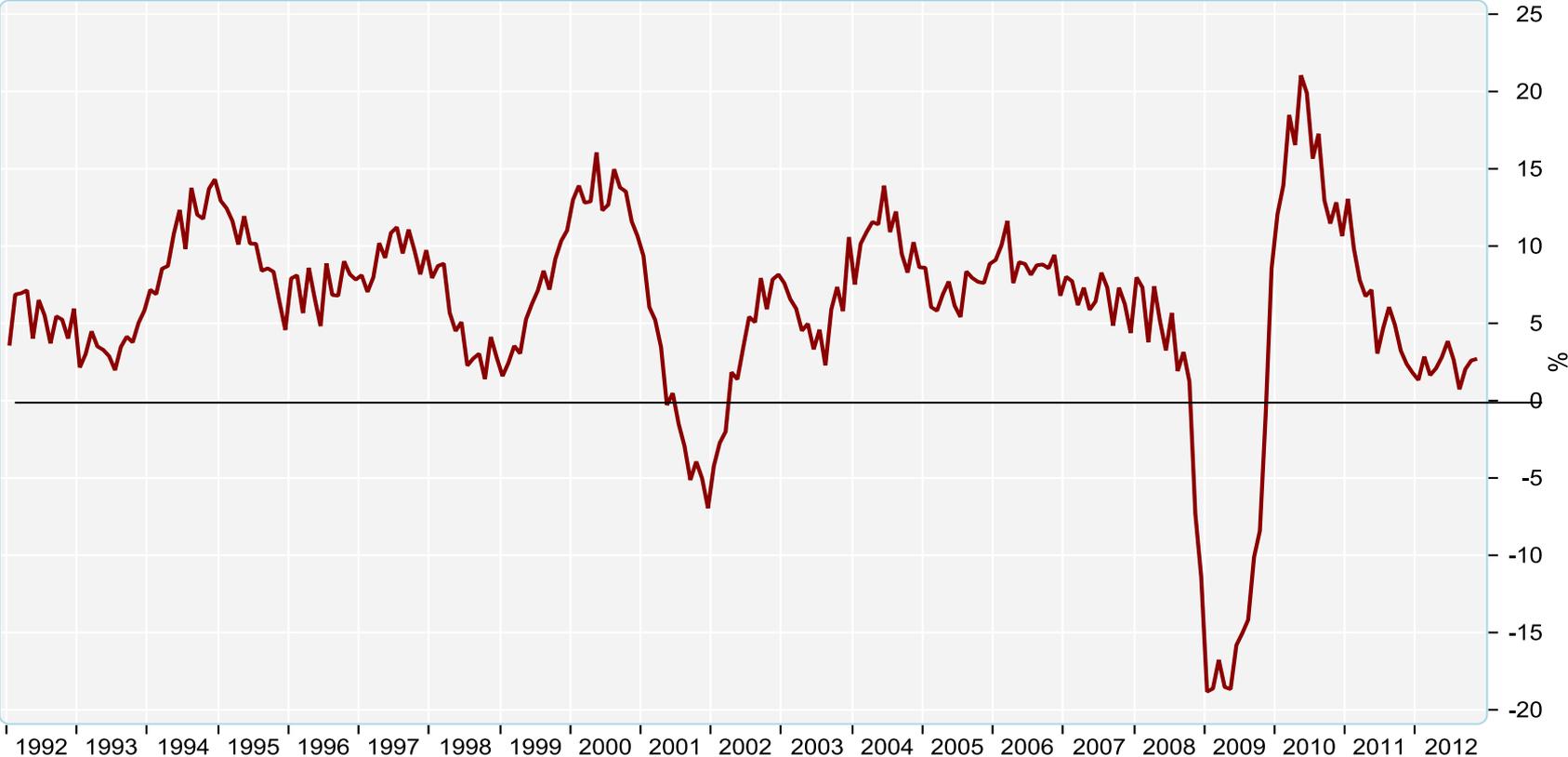
Domestic demand growth expectations pick up

Domestic sales, annual percentage change



Global trade growth remains weak although downward momentum seems to have been arrested

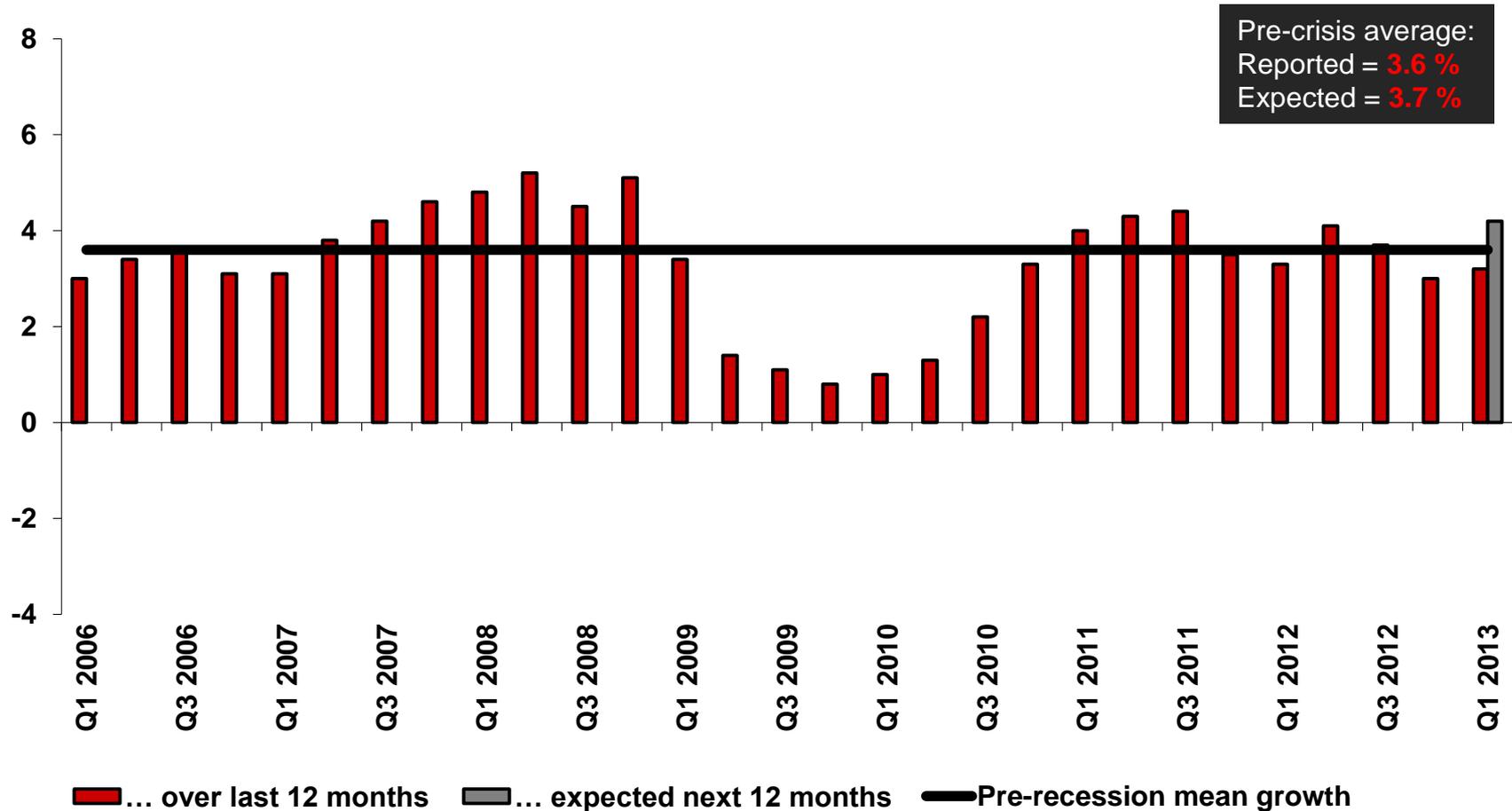
World, CPB World Trade Monitor, Total, Volume, SA, Index [c.o.p. 1 year]



Source: **Macrobond**

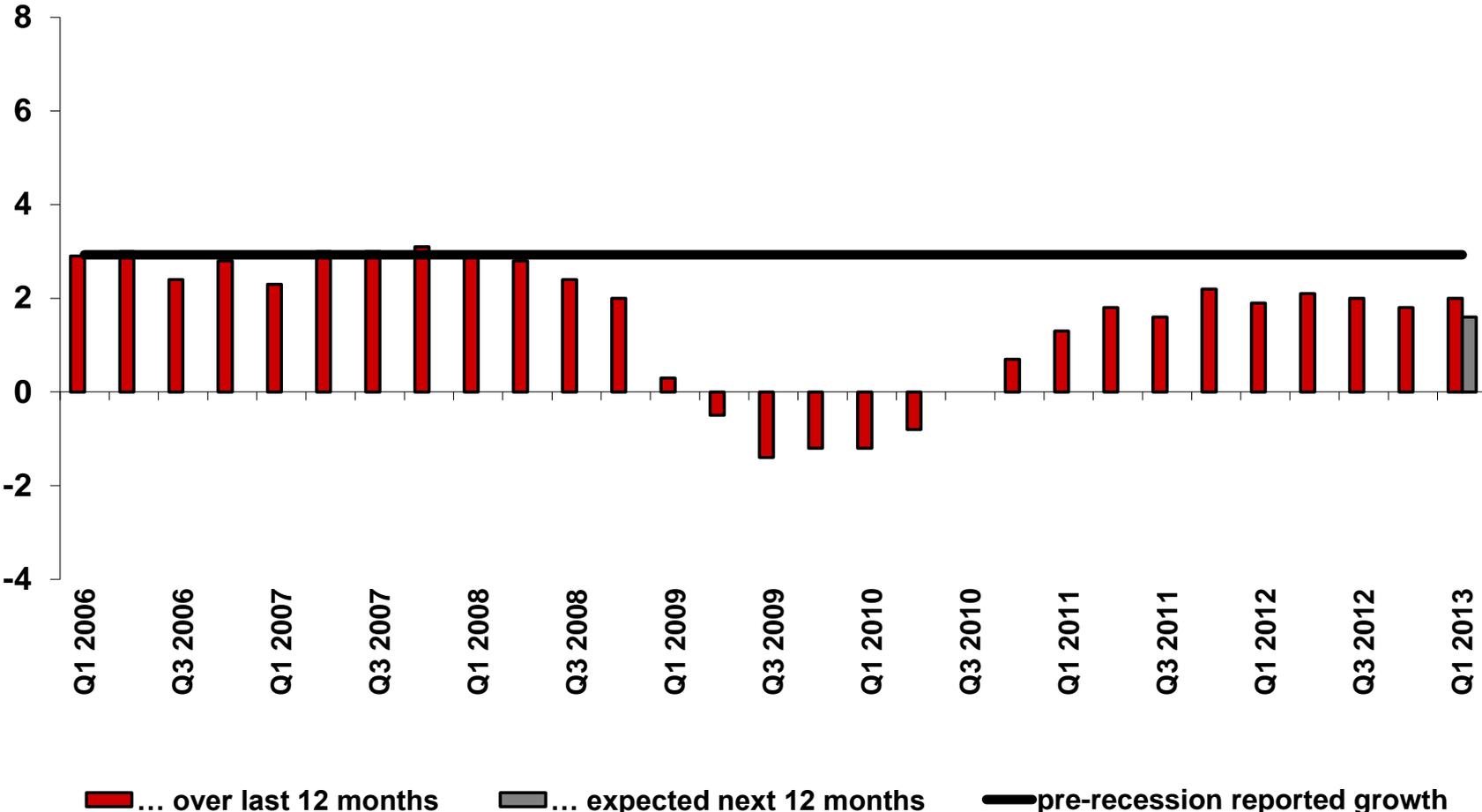
Export growth expectations pick up at start of 2013, offering hope for the much awaited export-led recovery

Exports, annual percentage change



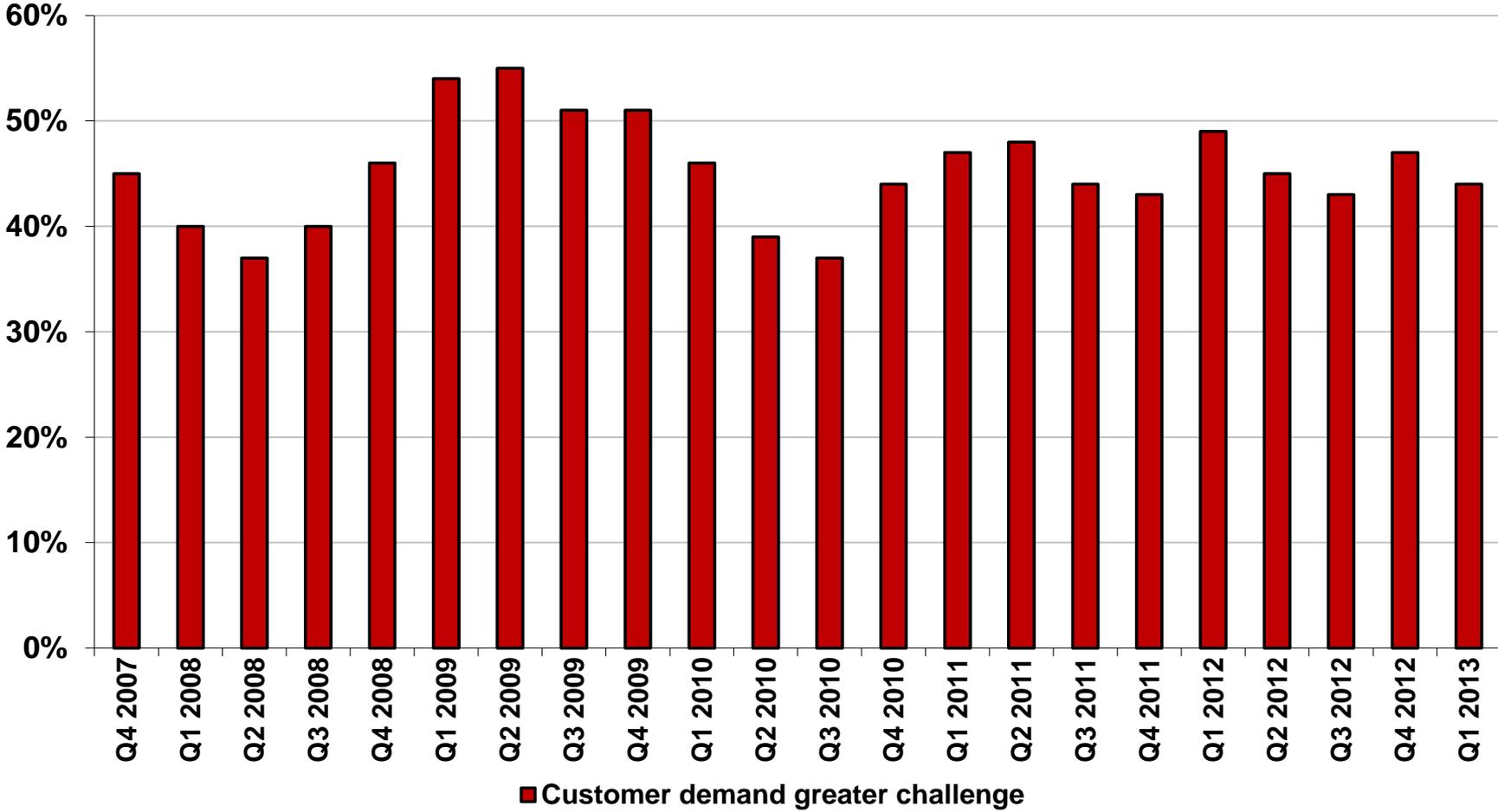
Concern that investment growth expectations remain modest – and still below OBR forecast

Capital investment, annual percentage change



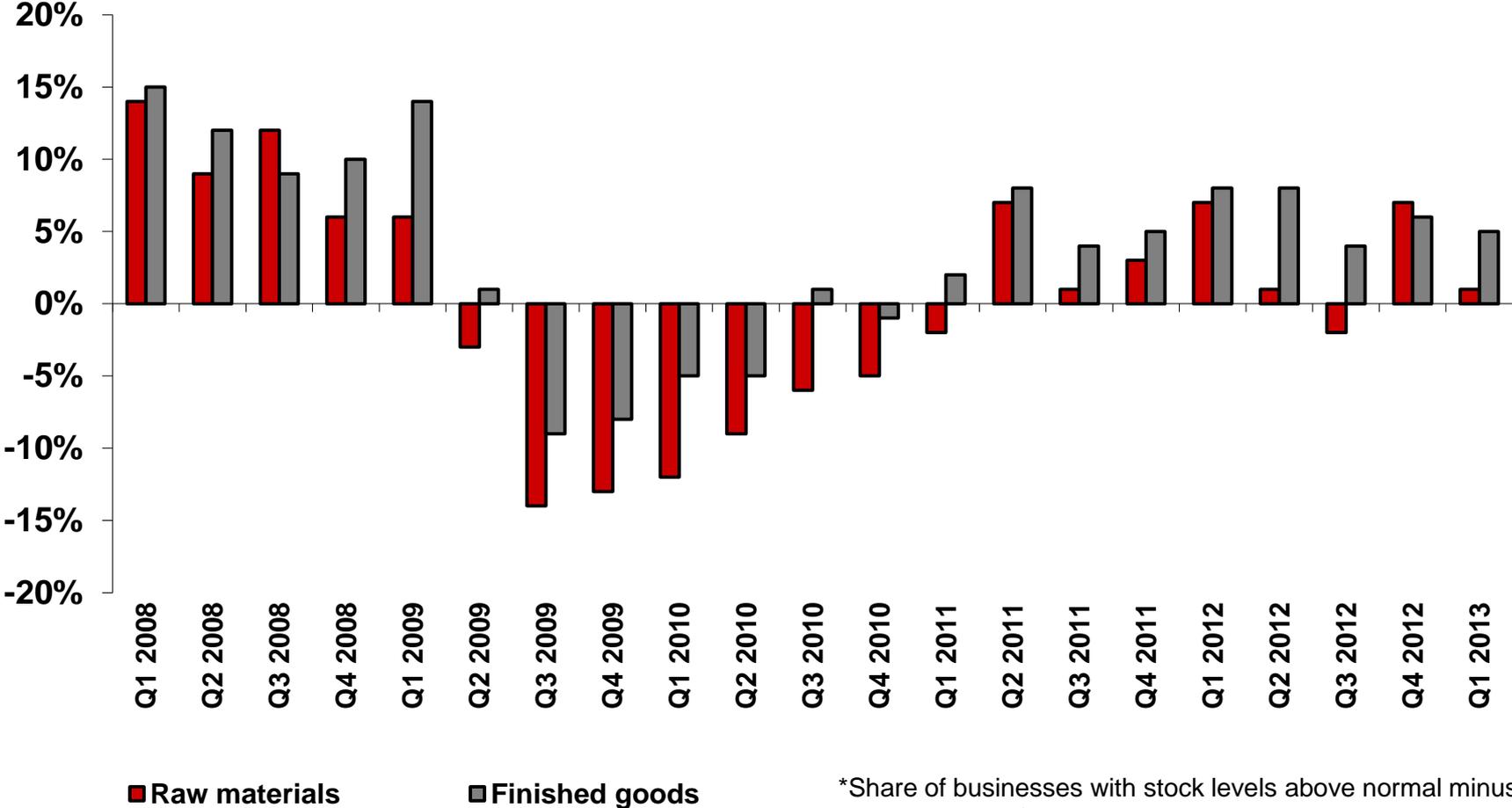
Slight fall in the share of businesses reporting customer demand as greater challenge

Share of businesses reporting customer demand as greater challenge



Decrease in net share of businesses reporting raw material stocks above normal – suggests less excess supply

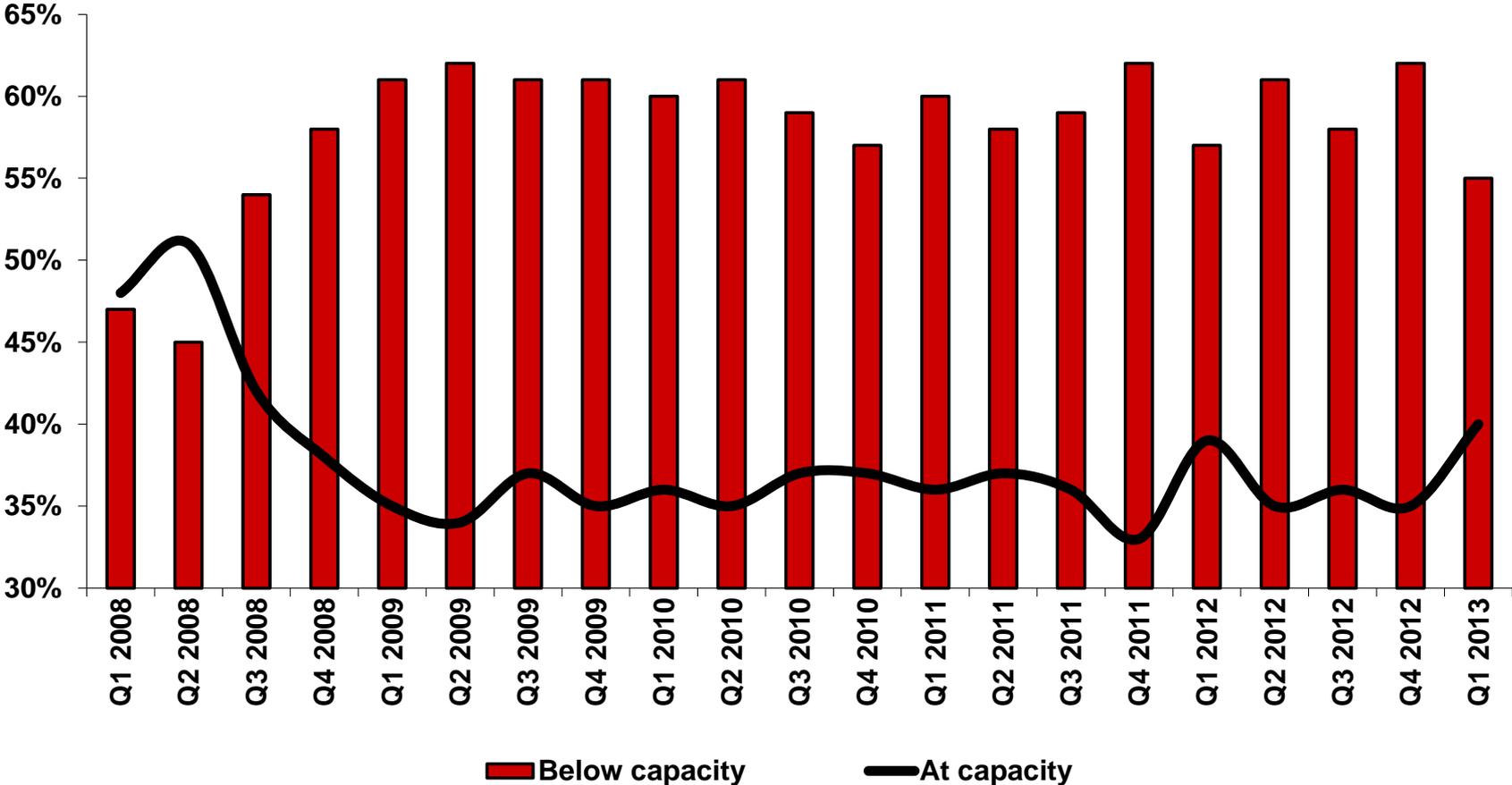
Net share* of businesses with stock levels **above normal**



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

Sharp decline in share of businesses operating below capacity – lowest share since Q3 2008

Share of businesses running at or below capacity

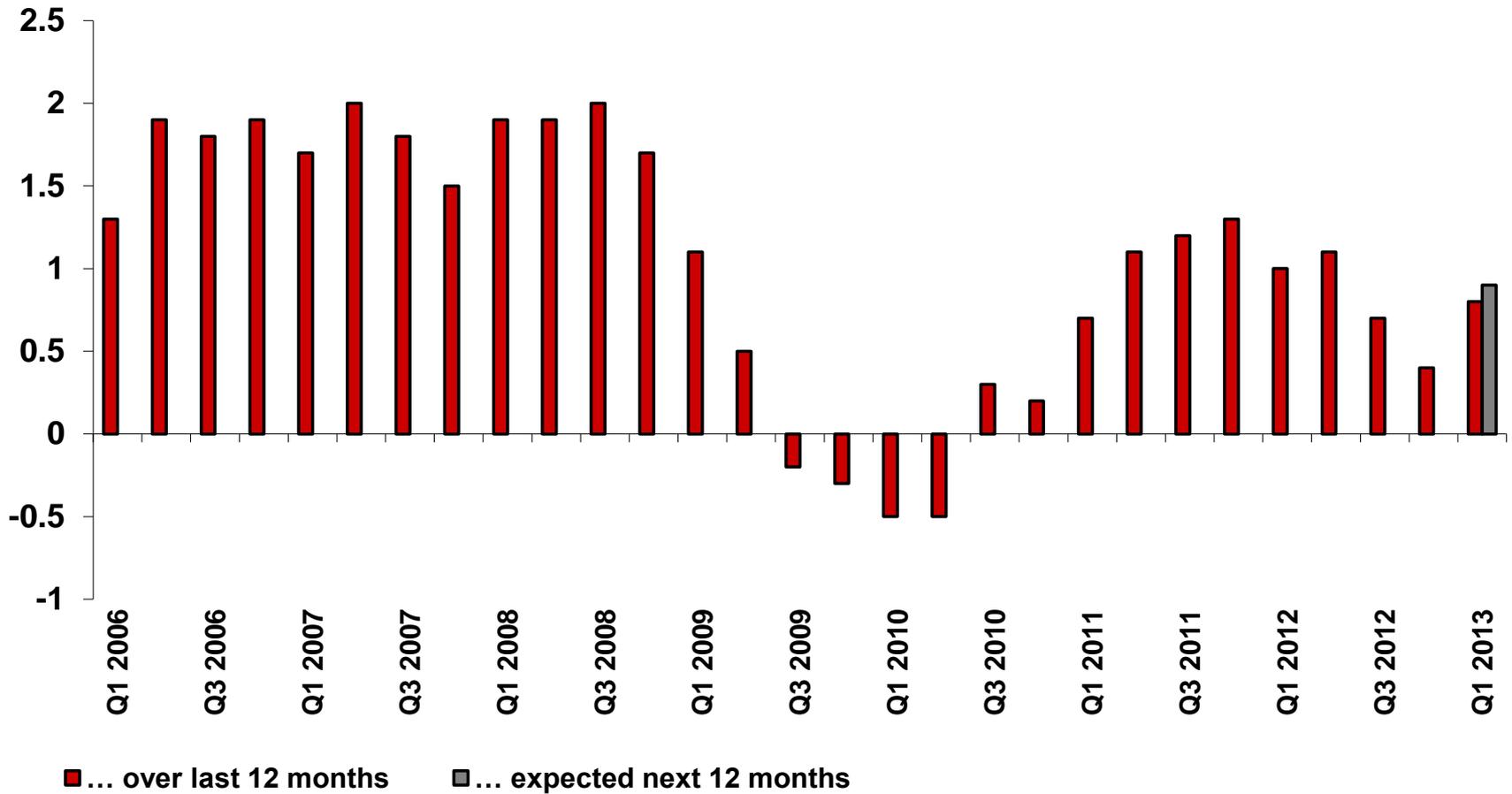


Outline

- Financial performance indicators
 - Inflation & labour market indicators

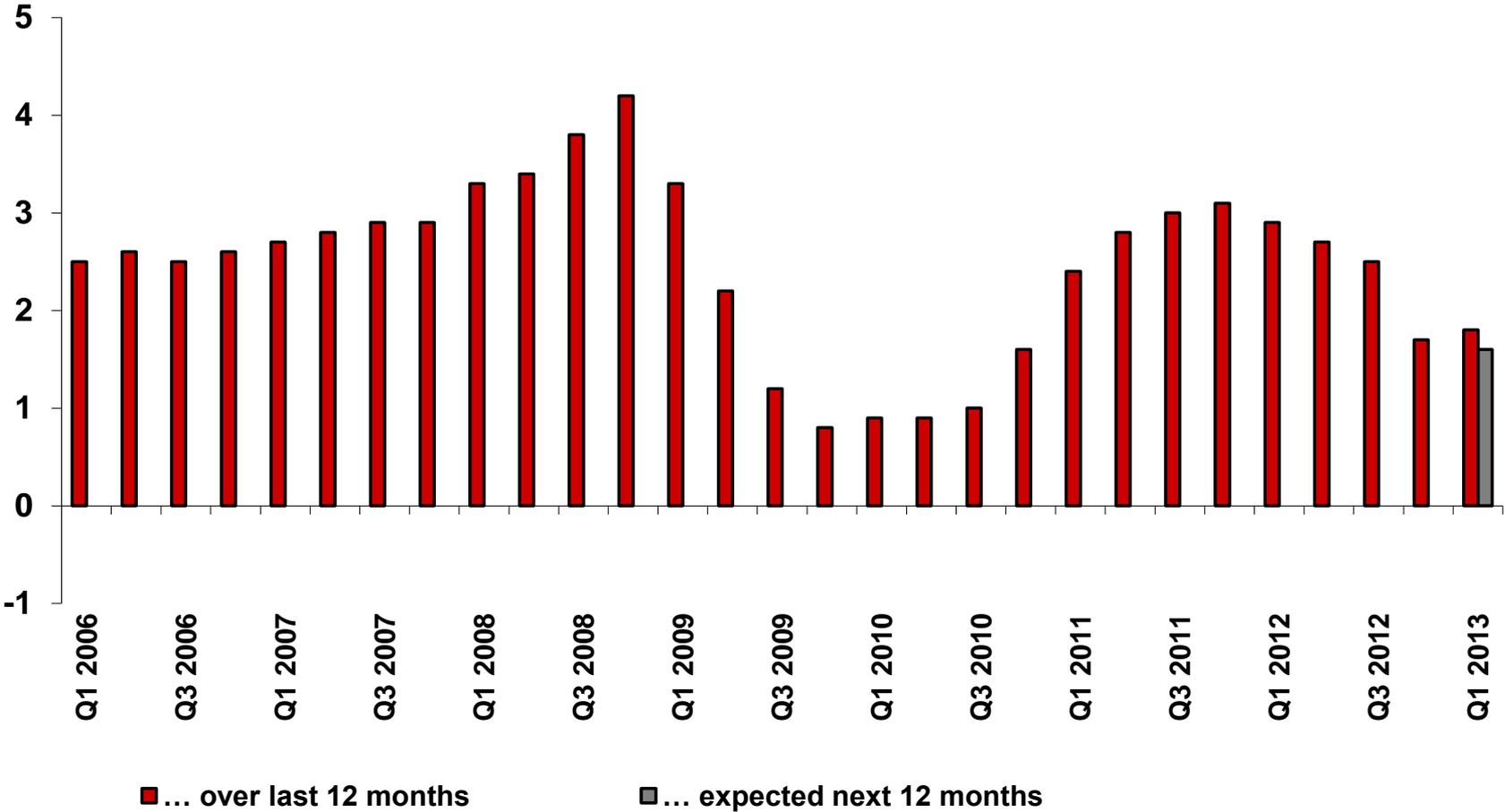
Inflation expectations remain stable

Prices, annual percentage change



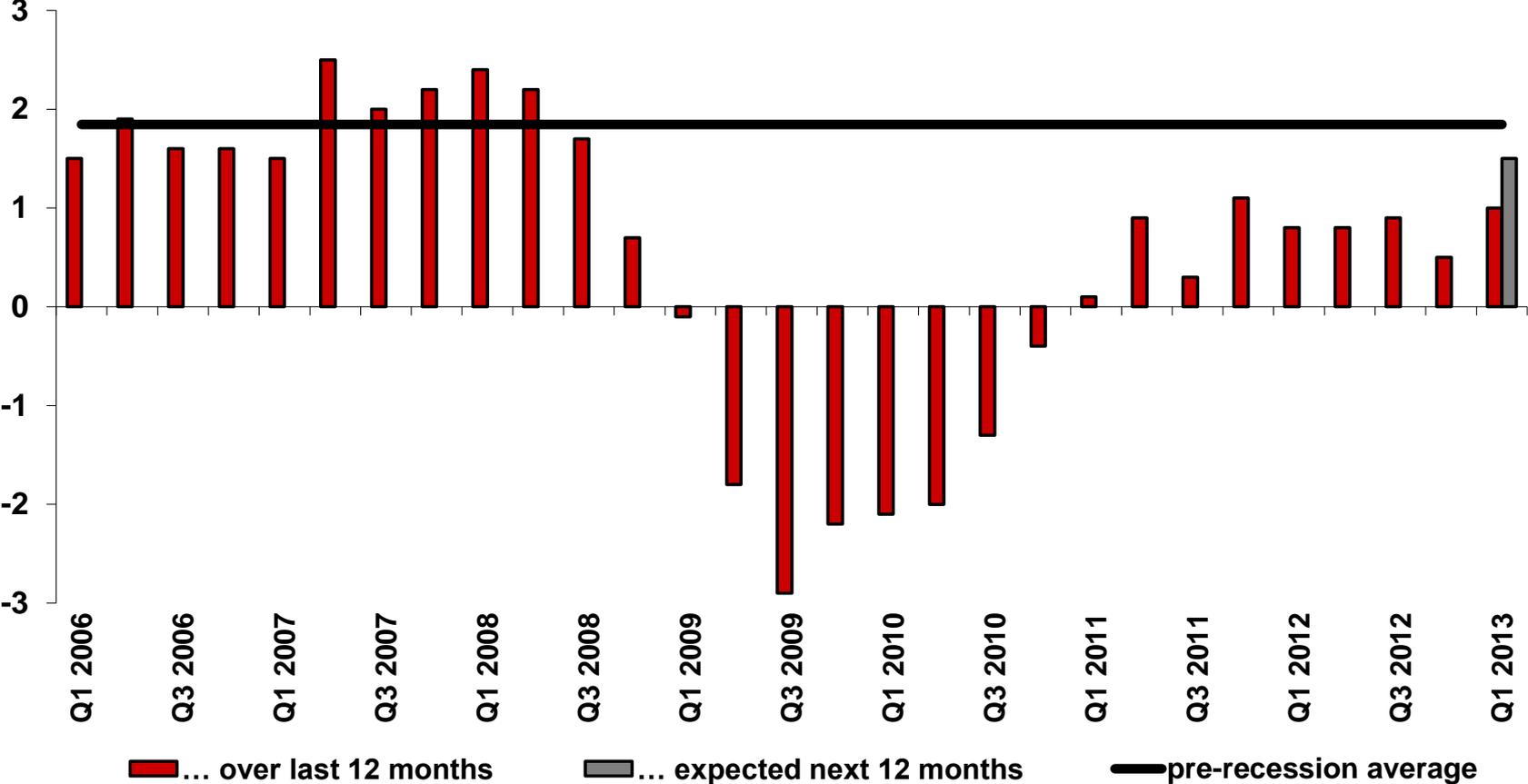
Input price inflation stable and expected to hold steady at current levels

Input prices, annual percentage change



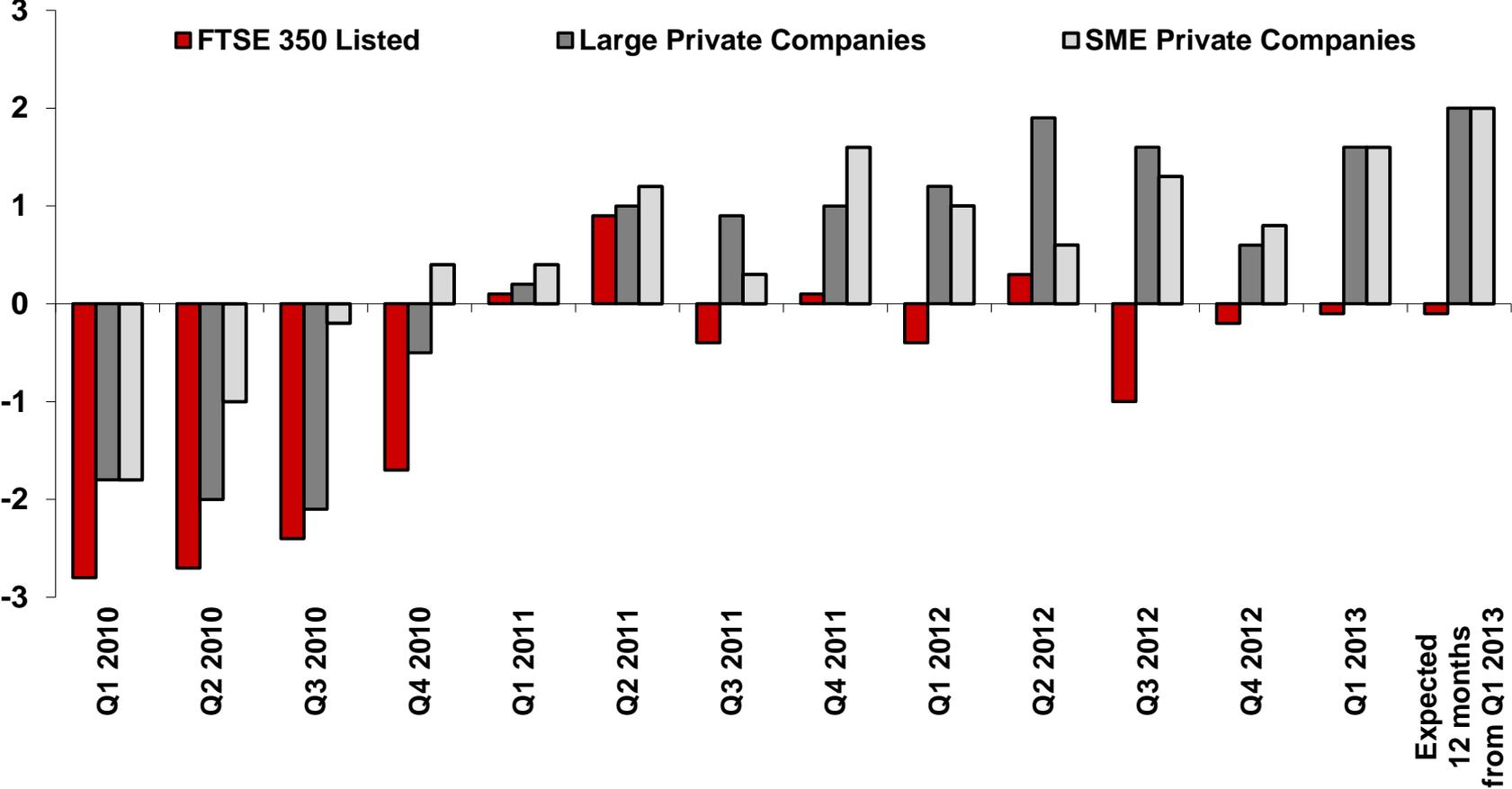
Encouragement from labour market as private sector hiring growth rises, as do hiring expectations

Employment, annual percentage change



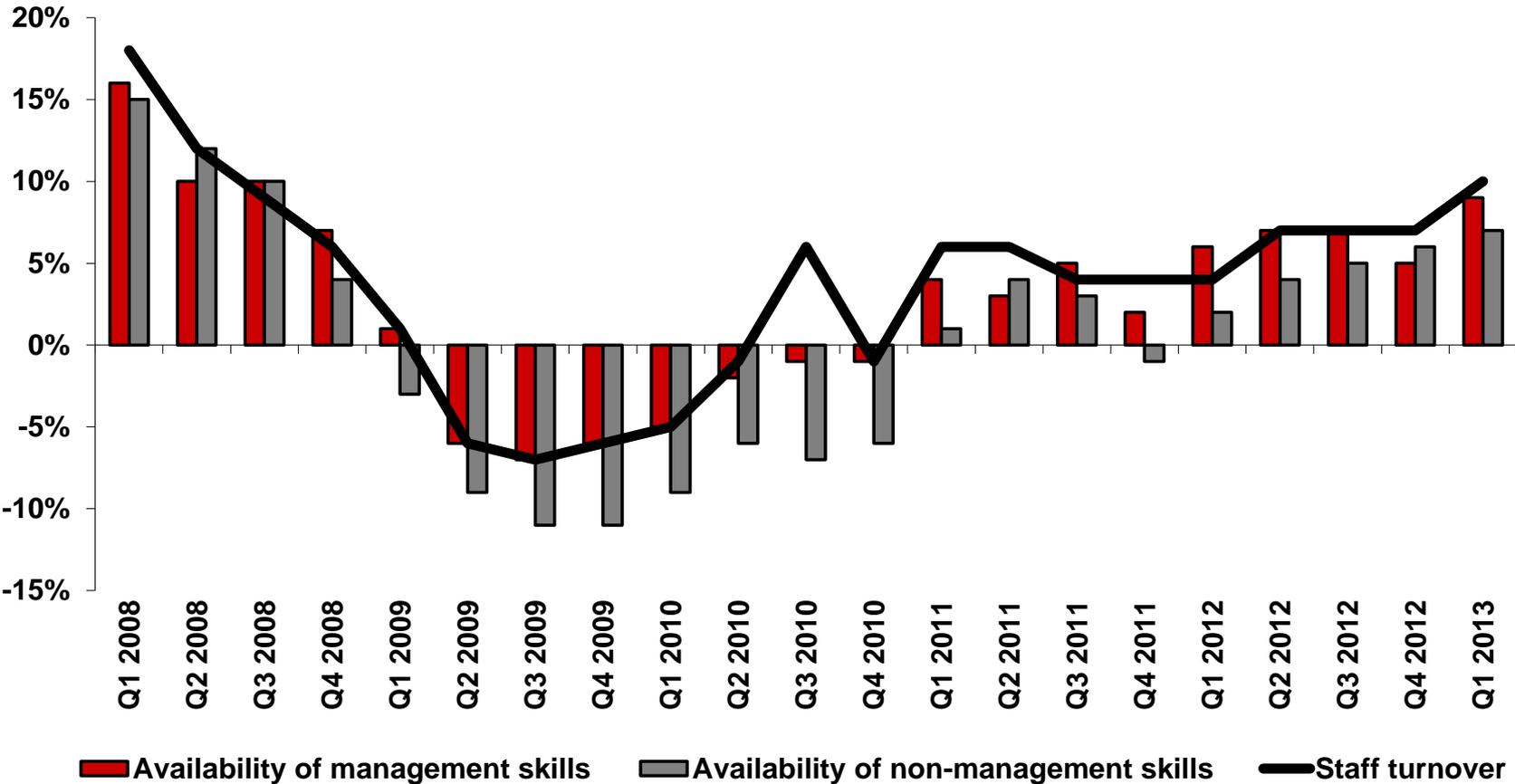
Privately owned firms drive employment growth as listed businesses continue to cut back

Employment, annual percentage change



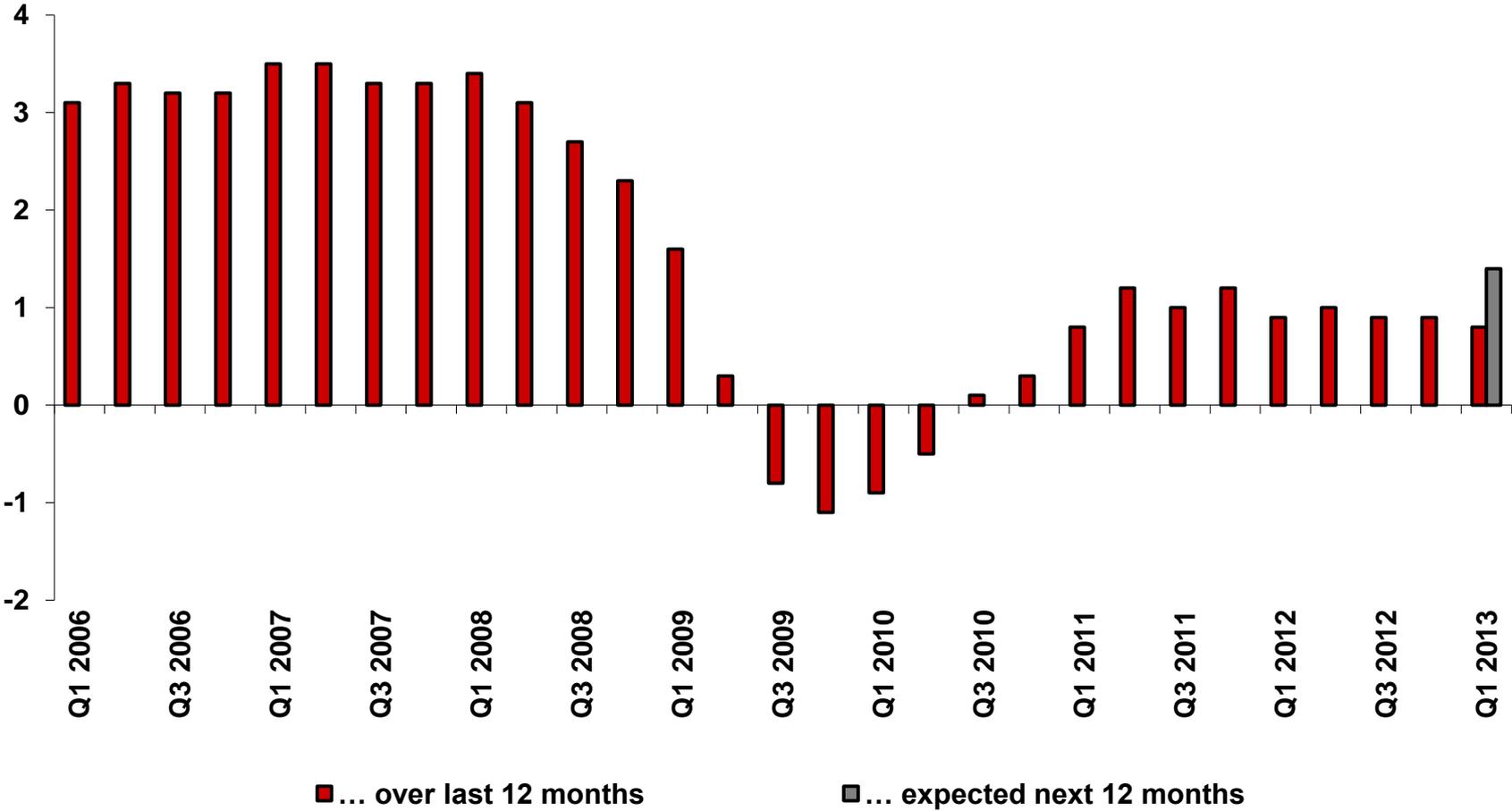
Staff turnover presents a challenge to business performance for a greater number of companies

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



Pay growth remains extremely weak and not expected to return to pre-crisis levels any time soon

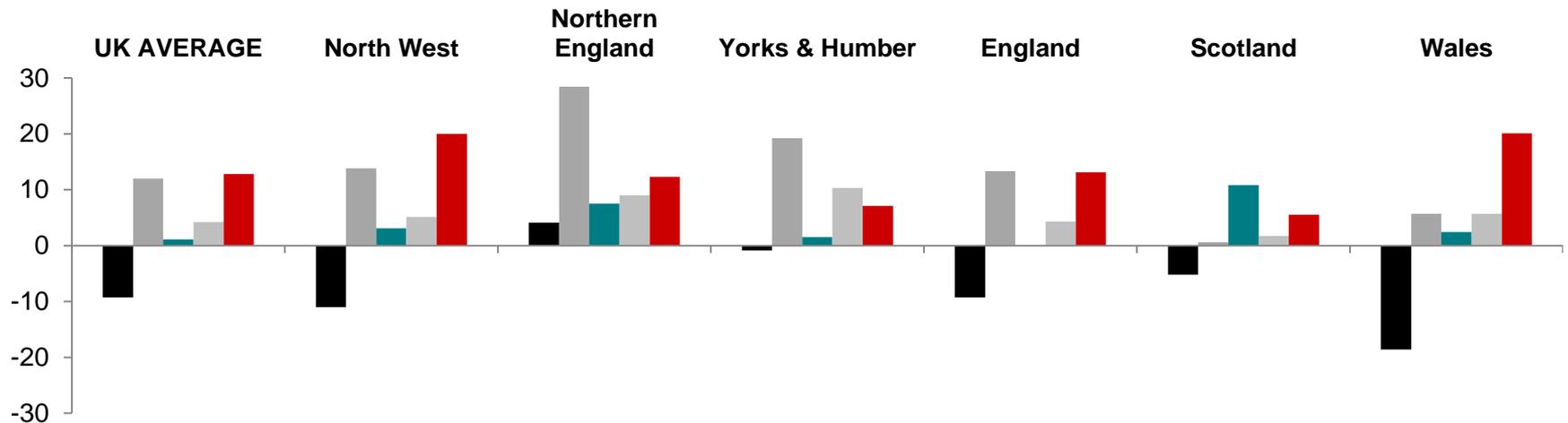
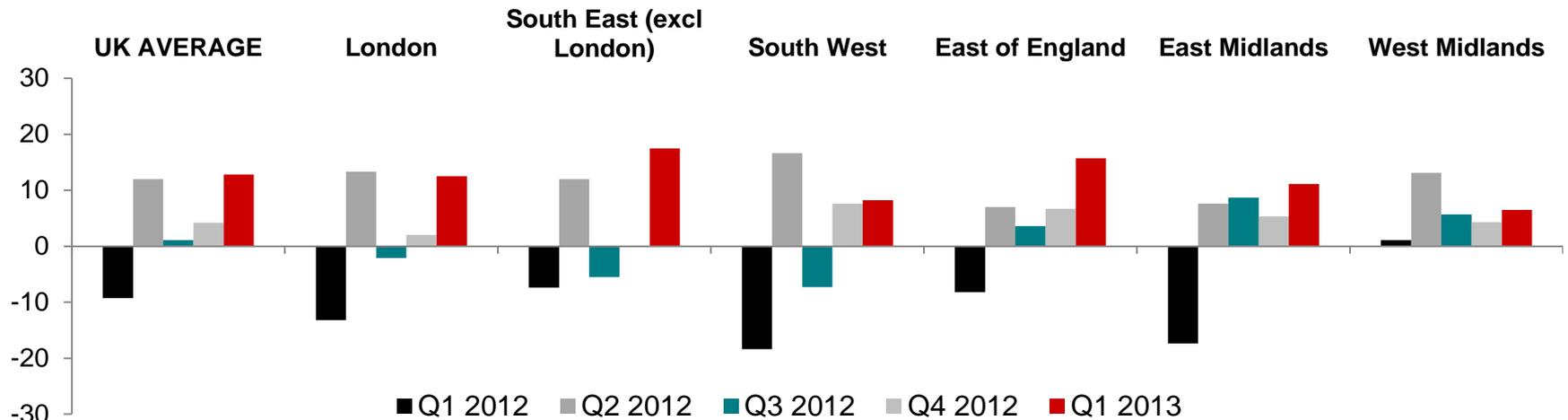
Average total salary, annual percentage change



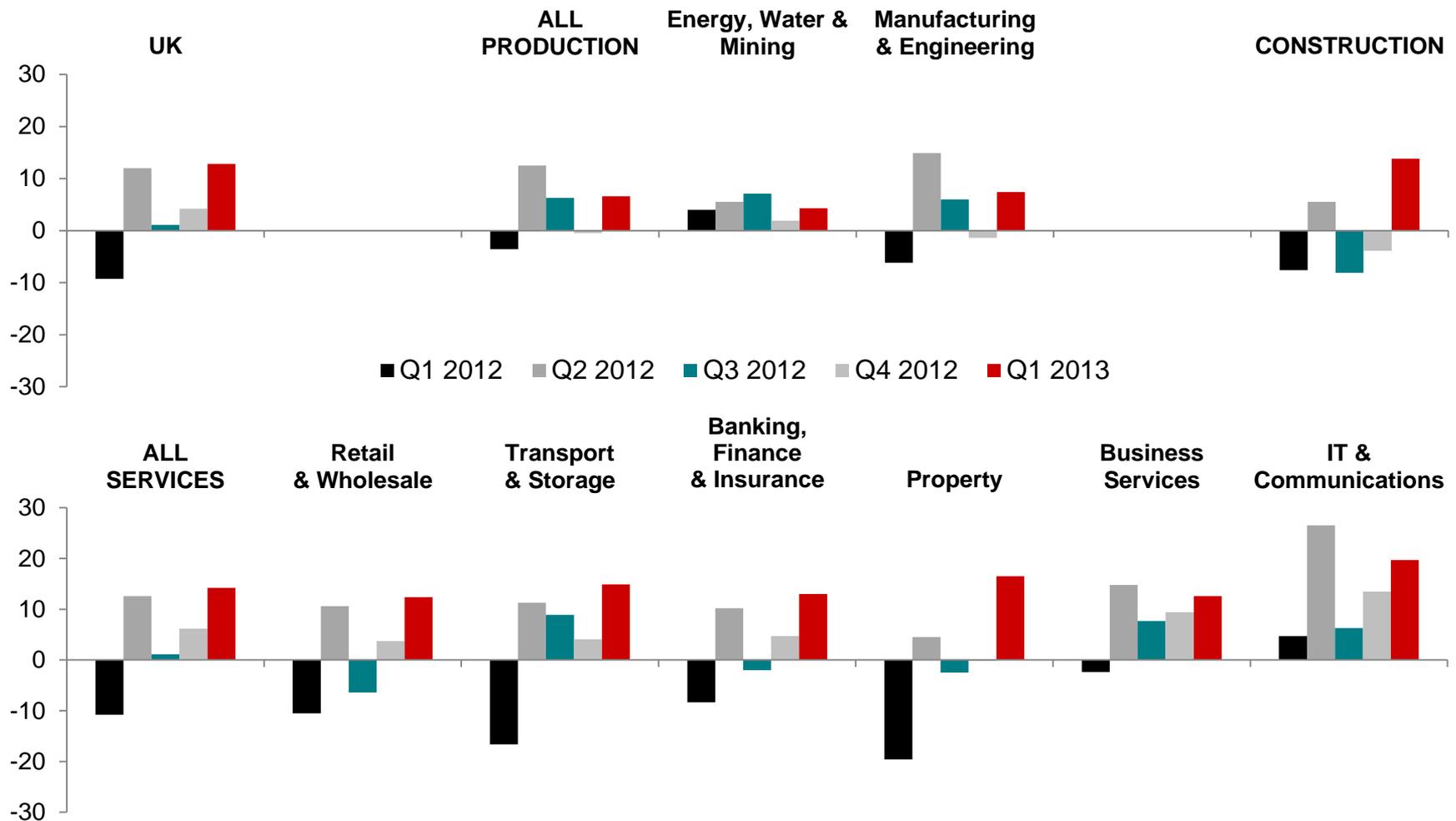
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- Regional & sector stories

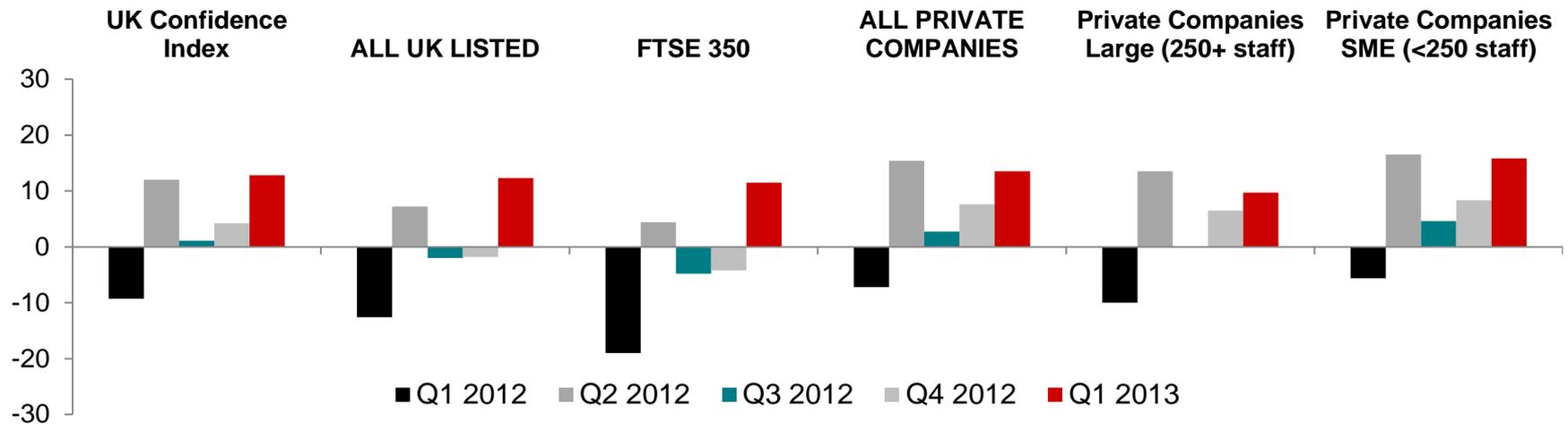
Trend of Business Confidence by Region



Trend of Business Confidence by Sector



Trend of Business Confidence by Company Type



Conclusions

- As we move into 2013, business confidence is now well into positive territory, providing cautious optimism for 2013.
- The Confidence Index points to economic growth of 0.4% in the first quarter of 2013, allowing the UK to avoid a triple-dip recession.
- Despite current slow growth in world trade, businesses expect export performance to pick up over the coming year.
- Inflationary pressure remained stable in Q1 2013, with input price growth standing around its lowest point for over two years.
- More promising signs from the labour market as hiring increases alongside unemployment dropping to 7.7% although pay growth is still very weak.
- However, there is little sign of an investment-led recovery, as businesses are expecting only slow increases to investment spending in the next 12 months.



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