



making business sense



Q2 2012 ICAEW / Grant Thornton Business Confidence Monitor results

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Outline

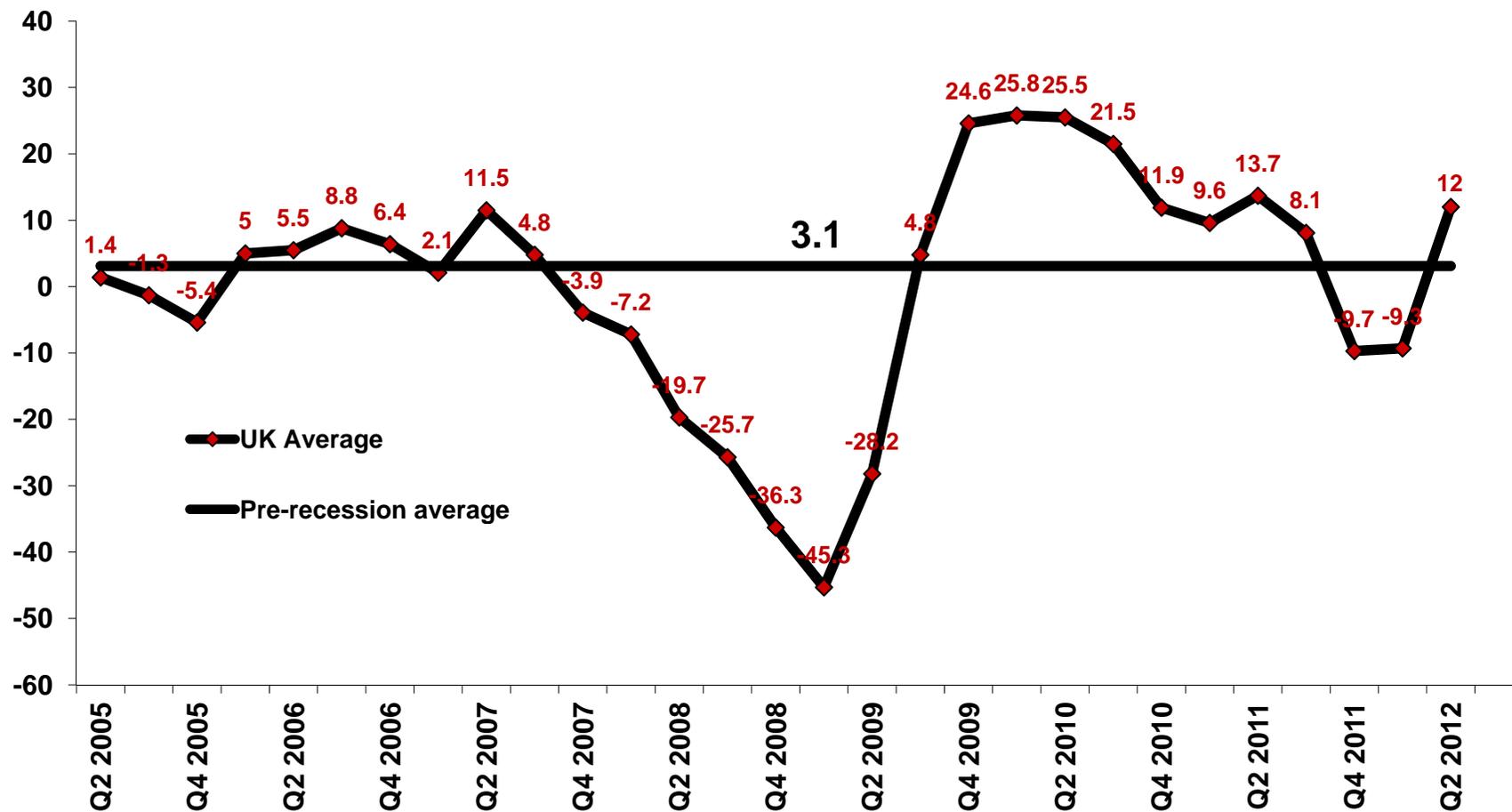
- Key findings
- Confidence index top lines
- Financial performance indicators
 - Growth indicators
 - Inflation & labour market indicators
- Regional & sector trends

Key Findings

- Strong rebound in confidence suggests return to growth in Q2
 - All regions and sectors positive for first time since 2010
- Confidence backed by improvement in financial performance indicators including profits, turnover & exports
- Capital investment and headcount growth also show improvement but still lag pre-recession levels
- Inflationary pressures seem to be easing but input price pressure still a concern
- BCM provides support for the view that the UK's zigzag economic performance will continue
- Key big picture finding is that three in five firms are still operating below capacity four years after the 2008-9 recession

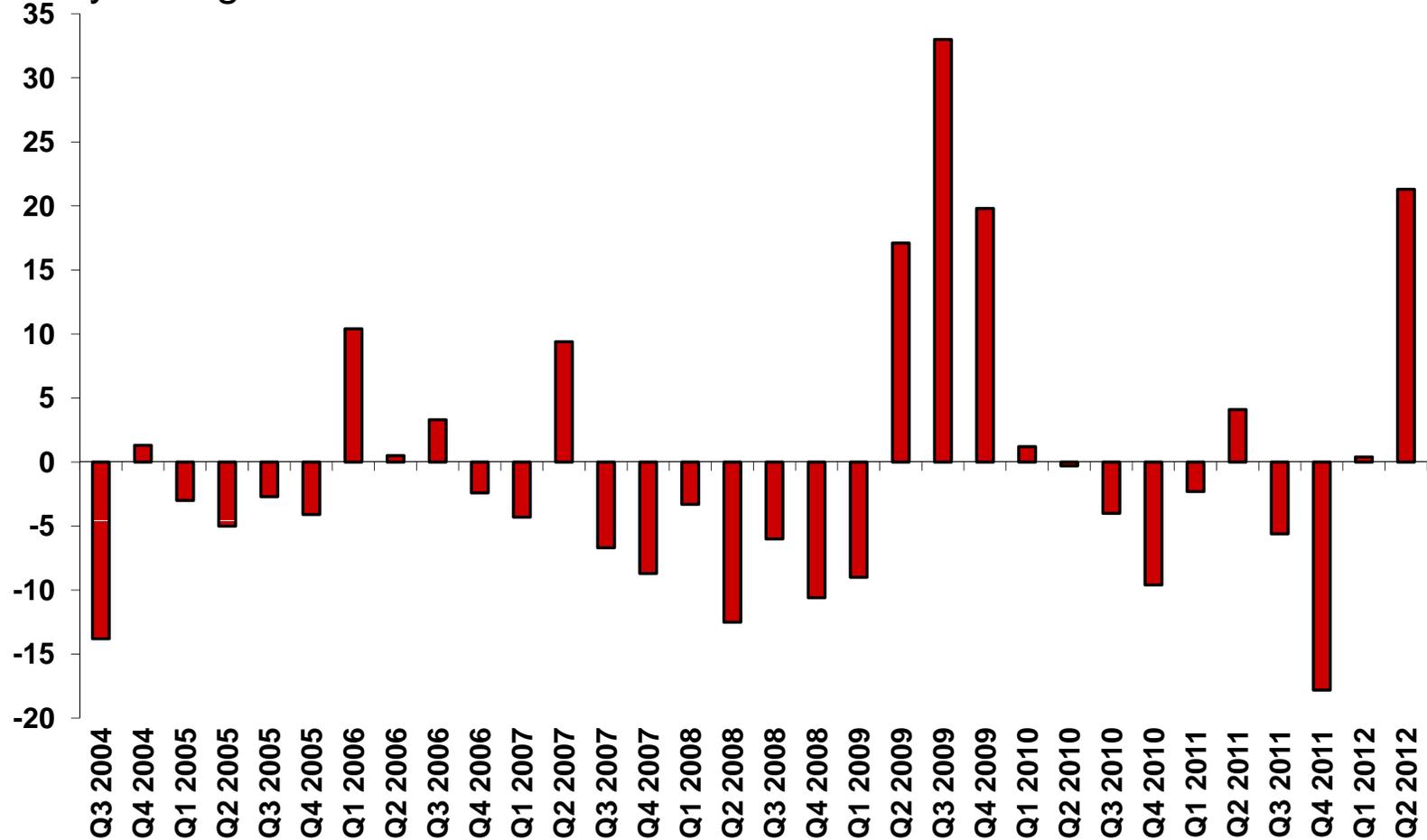
Confidence Index returns to positive territory & highest level since Q2 2011

ICAEW / Grant Thornton Business Confidence Index



Despite technical recession strongest quarterly gain in confidence since Q3 2009

Quarterly change in ICAEW / Grant Thornton Business Confidence Index

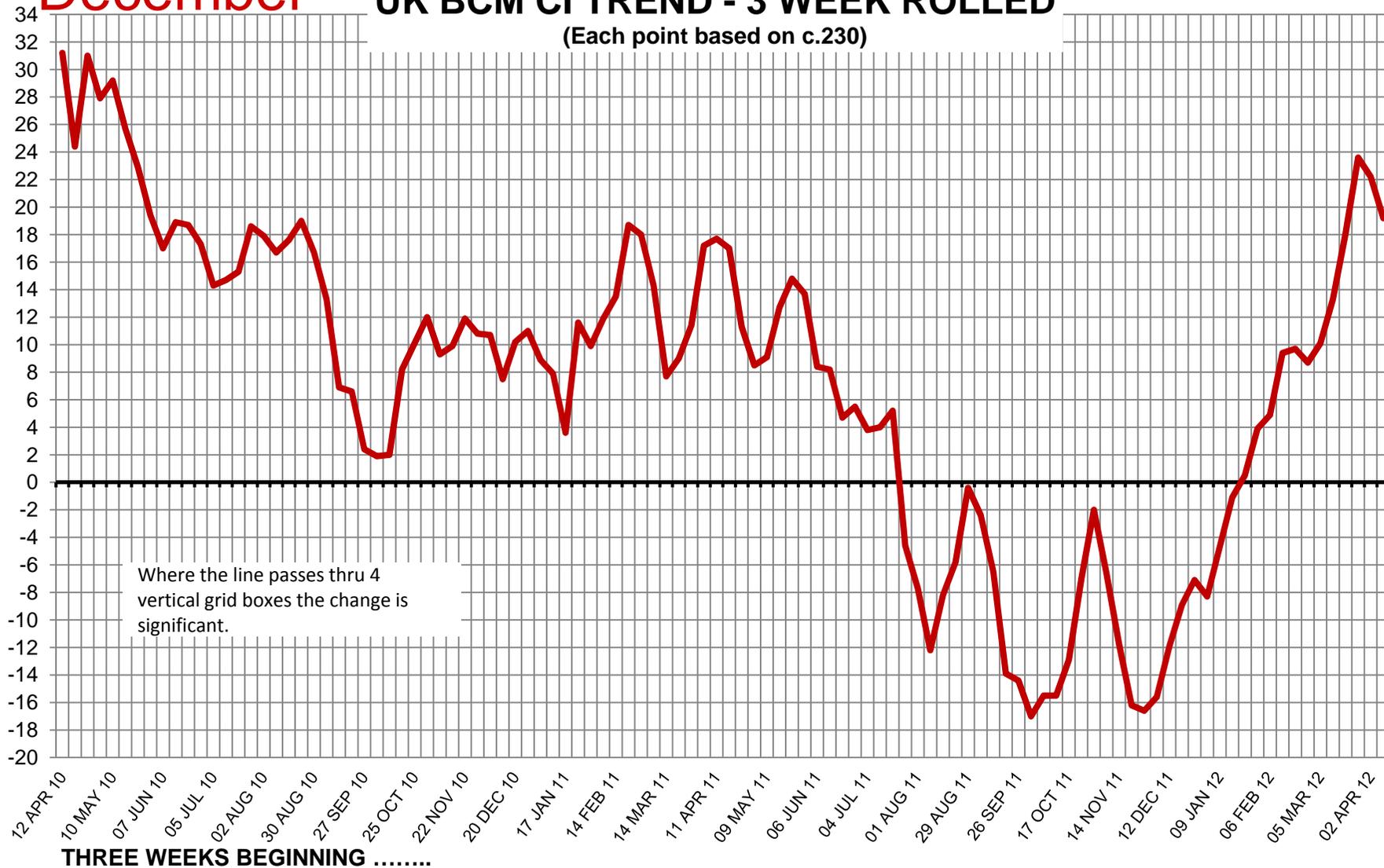


Shorter term trend shows improvement since

December

UK BCM CI TREND - 3 WEEK ROLLED

(Each point based on c.230)

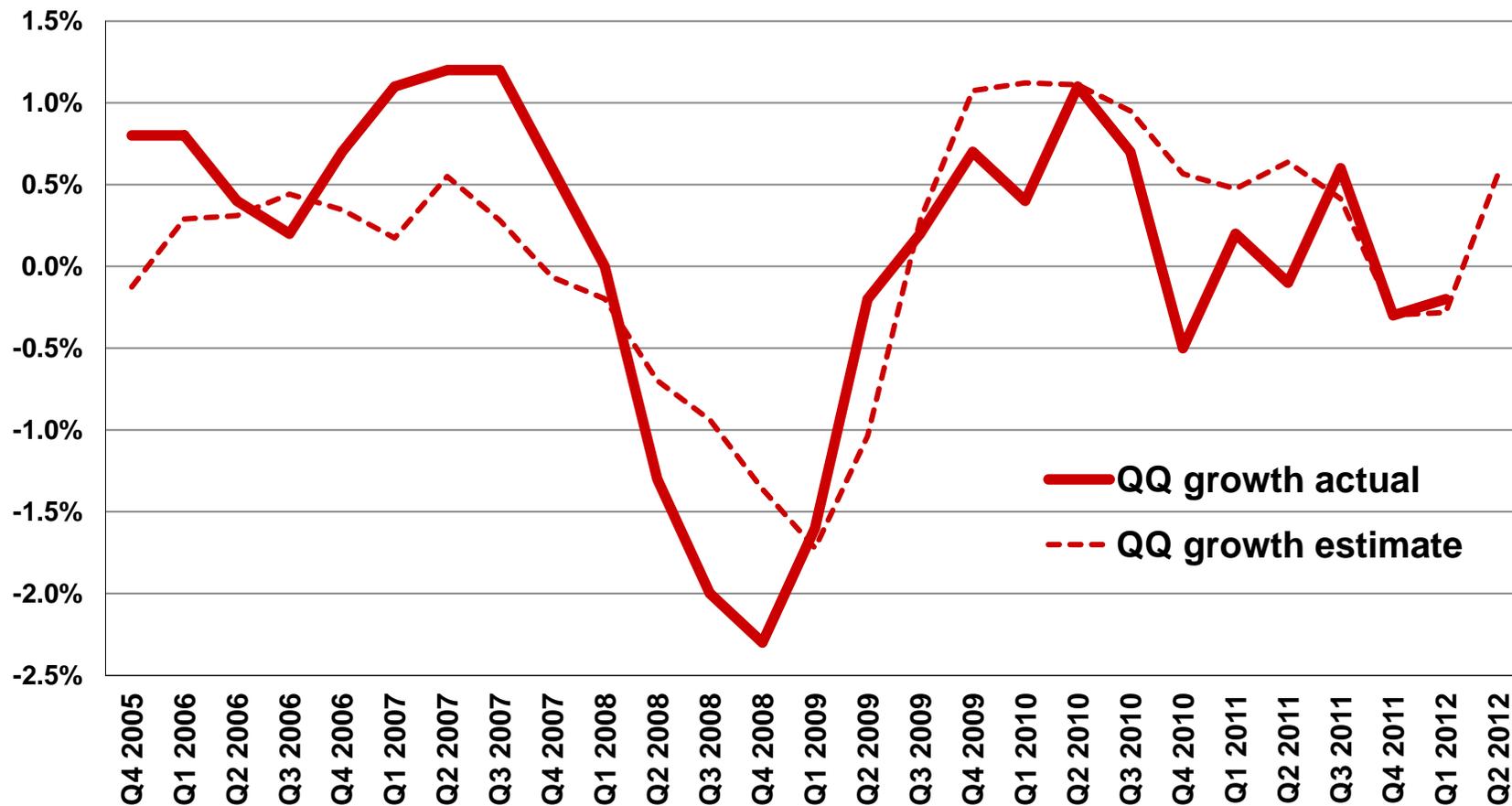


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Negative Q1 2012 growth was in line with estimates implied by the BCM but uptick in confidence suggests growth to return in Q2 as 'zigzag recovery' continues

Quarter on quarter real GDP growth, per cent



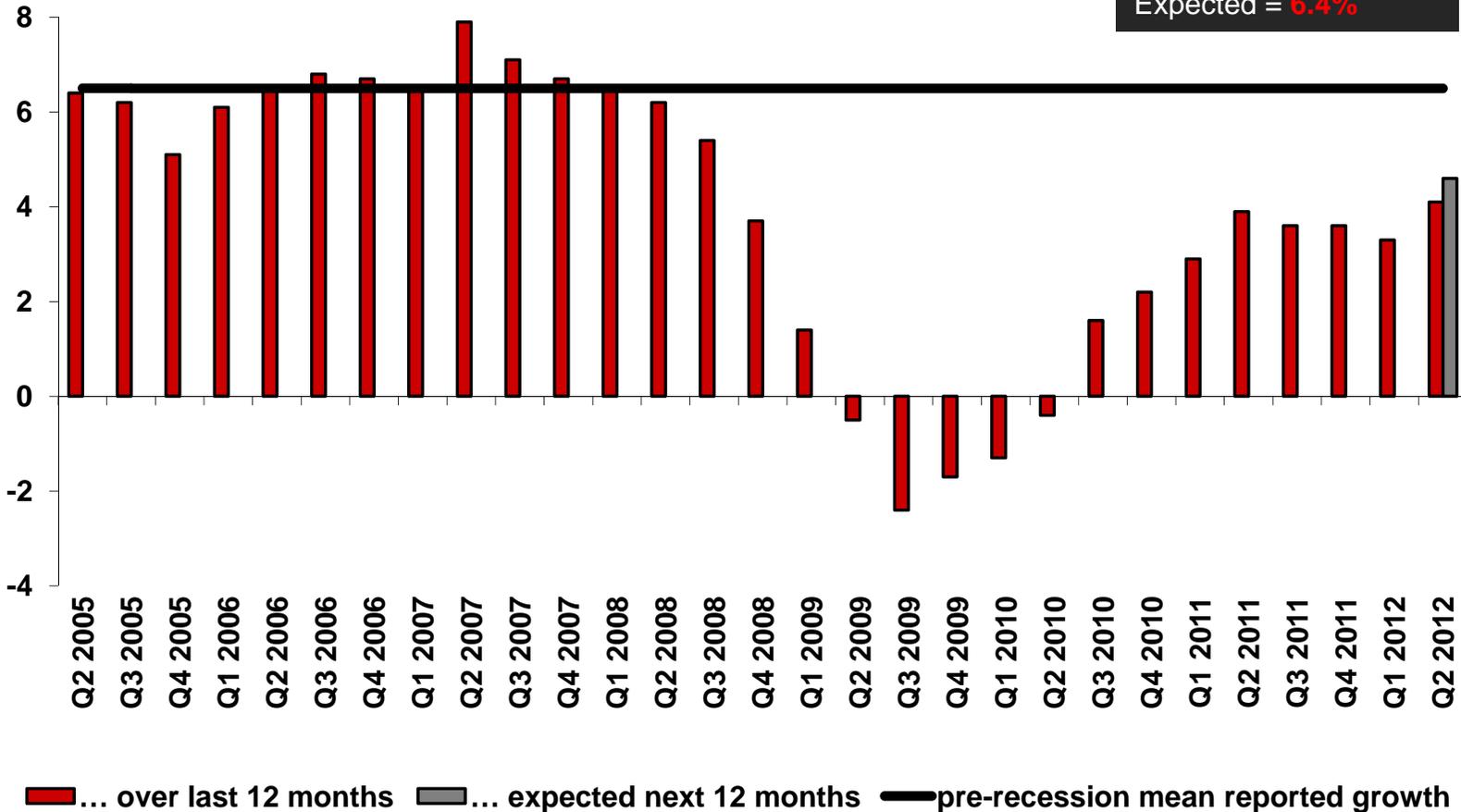
Outline

- Financial performance indicators
 - Growth indicators

Turnover growth and expectations both ticked up in the last quarter but continue to remain below pre-recession levels

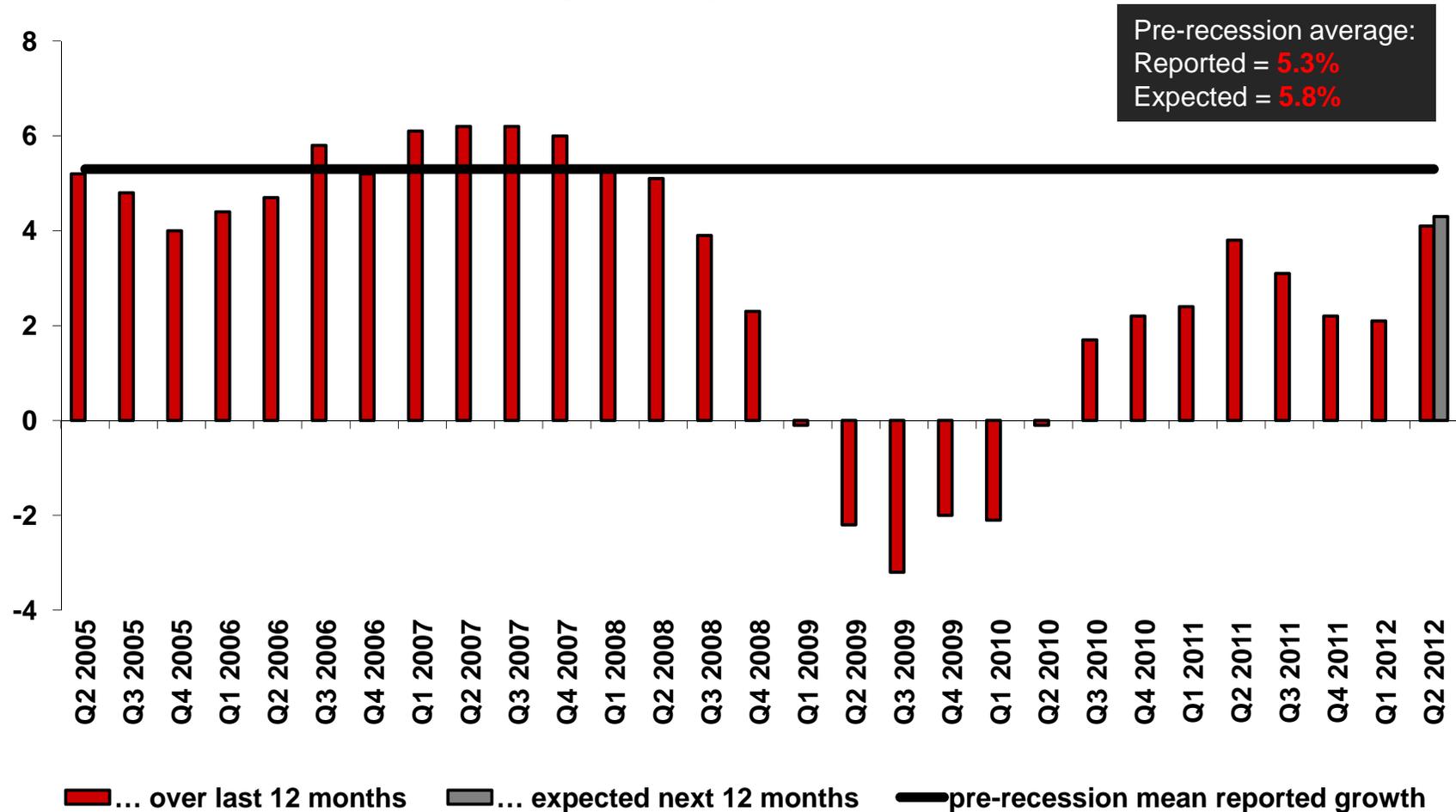
Turnover, annual percentage change

Pre-recession average:
Reported = 6.5%
Expected = 6.4%



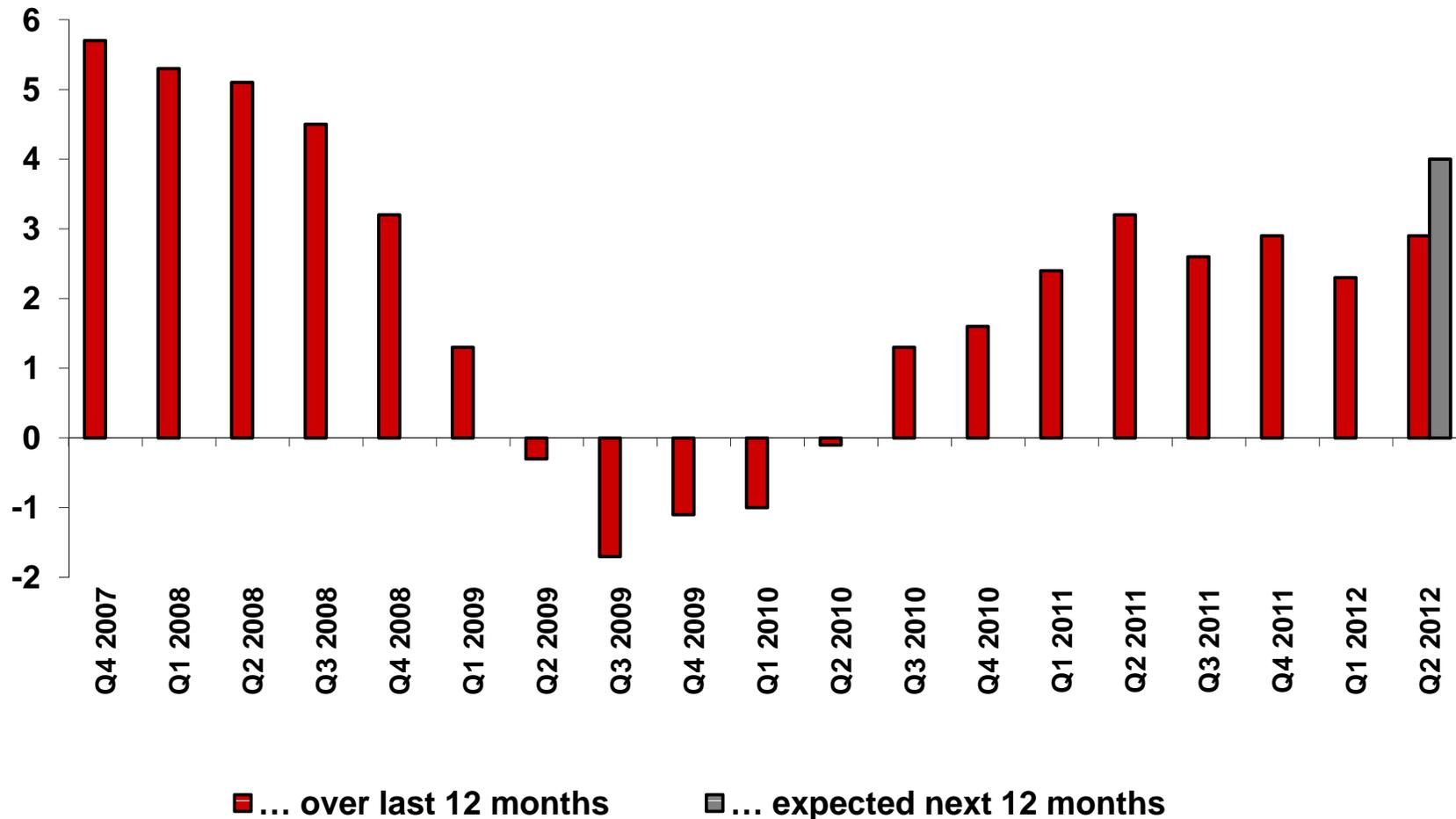
Reported profit growth at highest level since Q2 2008 and expected growth rises for second successive quarter

Gross profits, annual percentage change



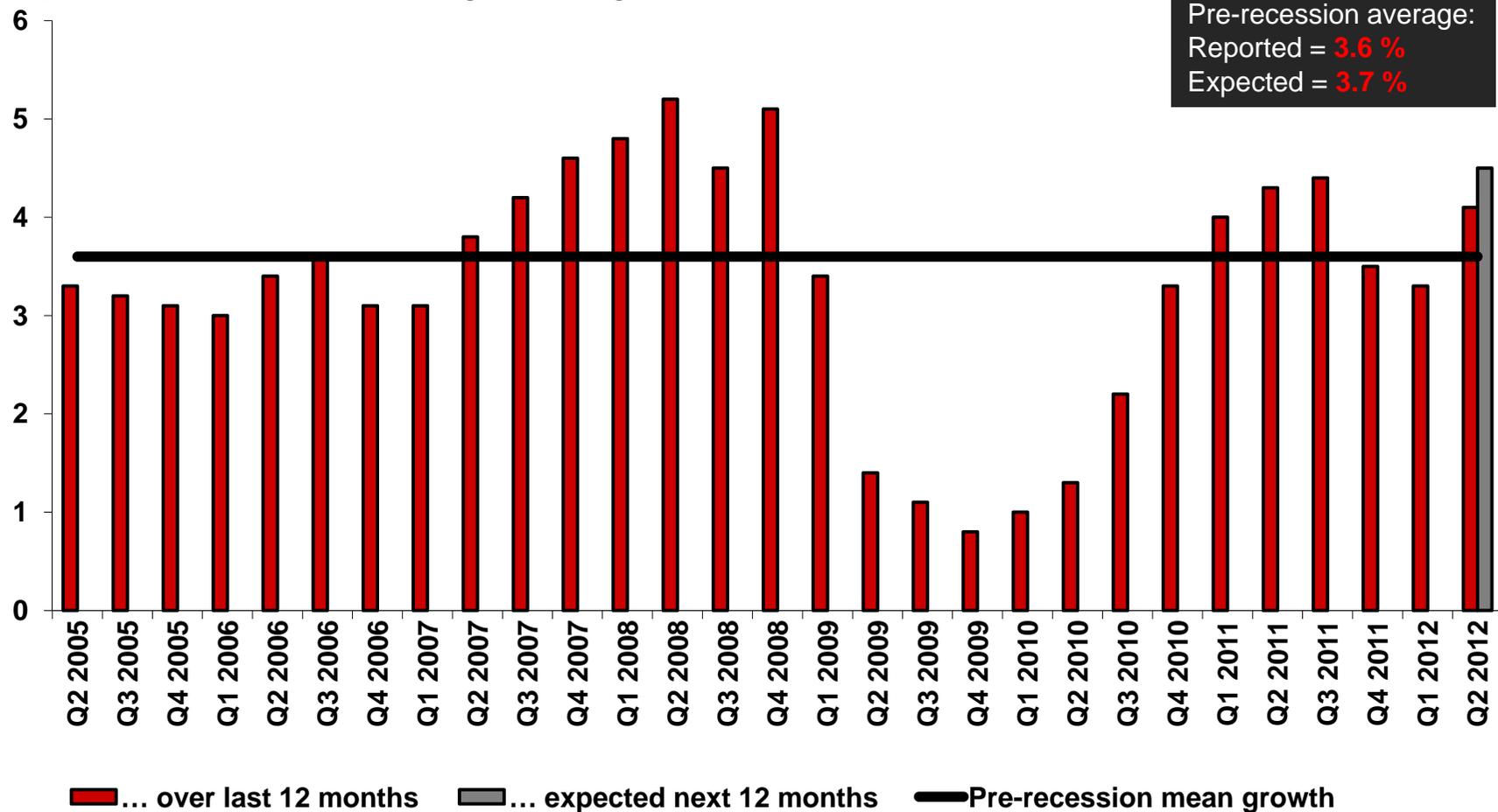
Domestic demand growth strengthens to break downward trend in expectations

Domestic sales, annual percentage change



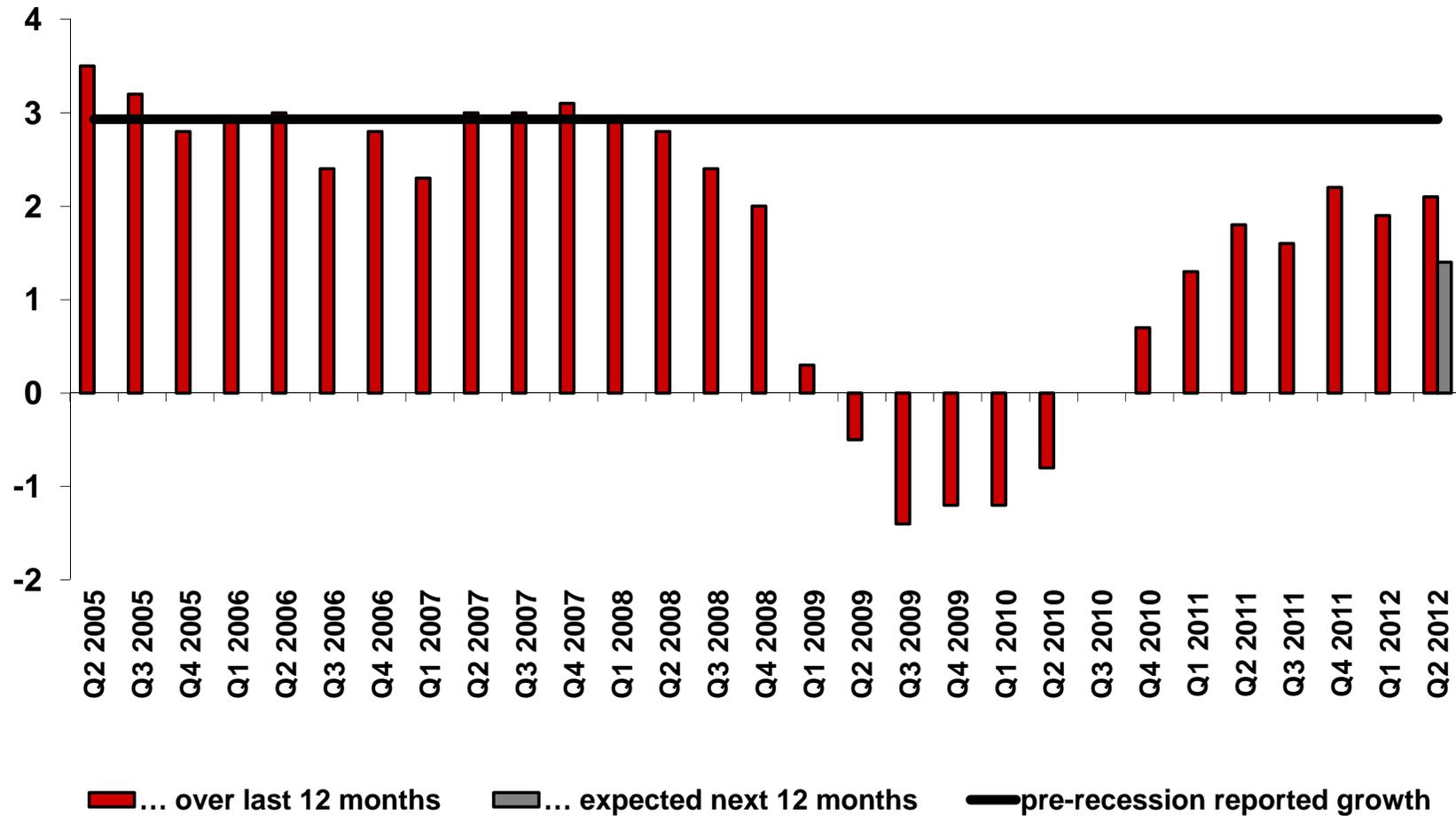
Reported export growth picks up & growth expectations at strongest since Q2 2011

Exports, annual percentage change



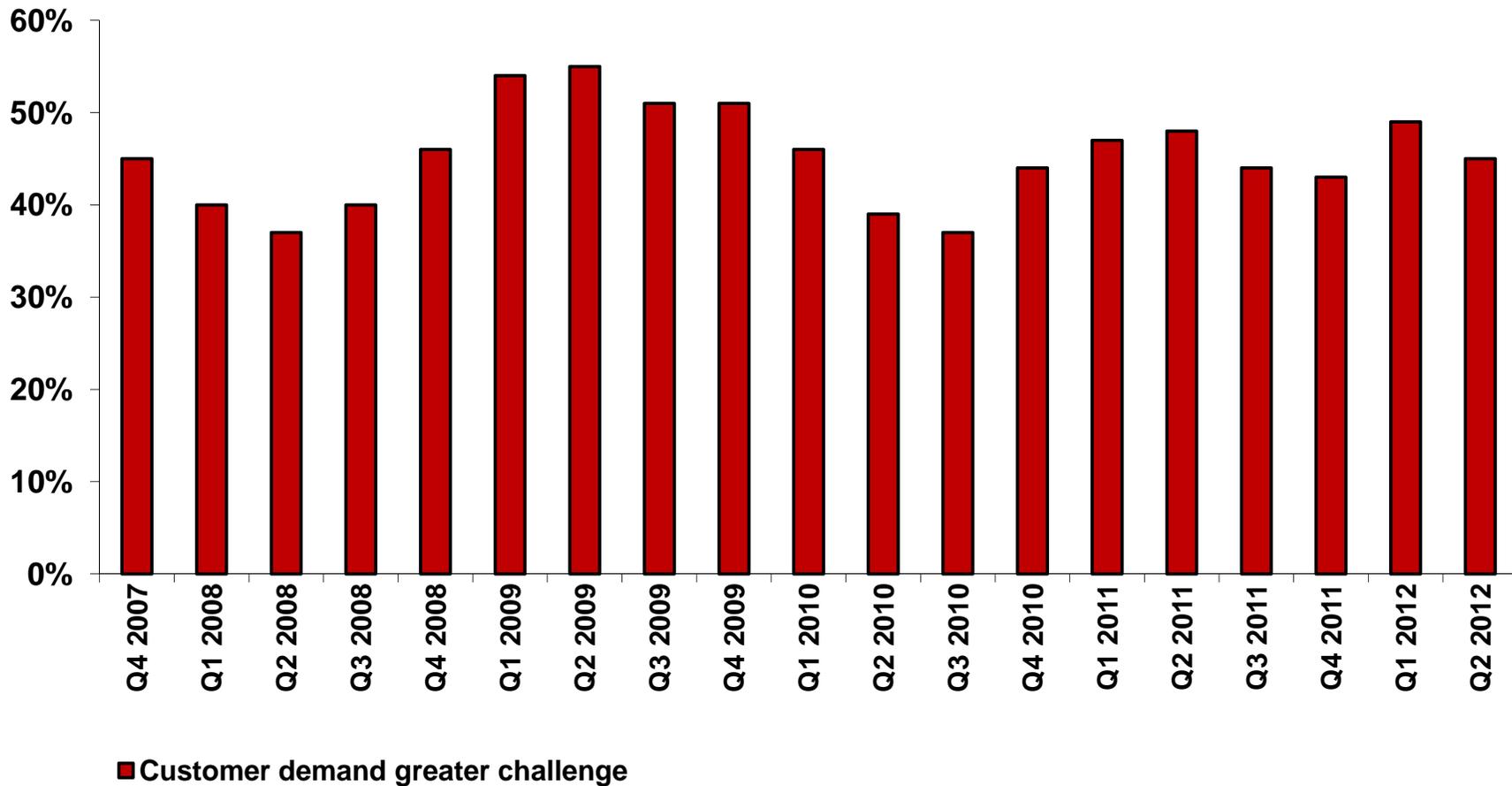
Capital investment growth stable and expected growth still low

Capital investment, annual percentage change



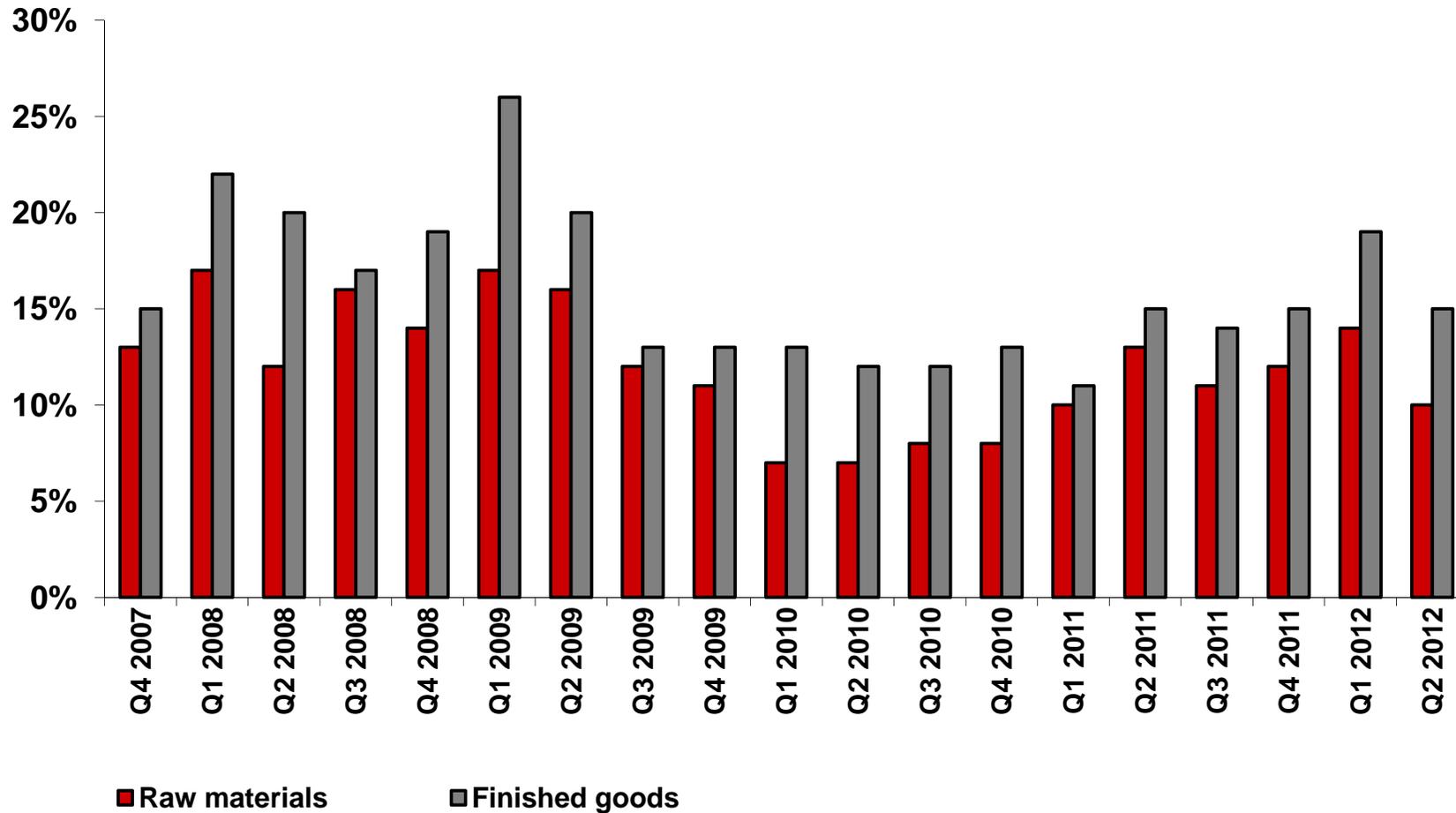
Share of businesses reporting customer demand as greater challenge than a year ago moderates slightly

Share of businesses reporting customer demand as greater challenge



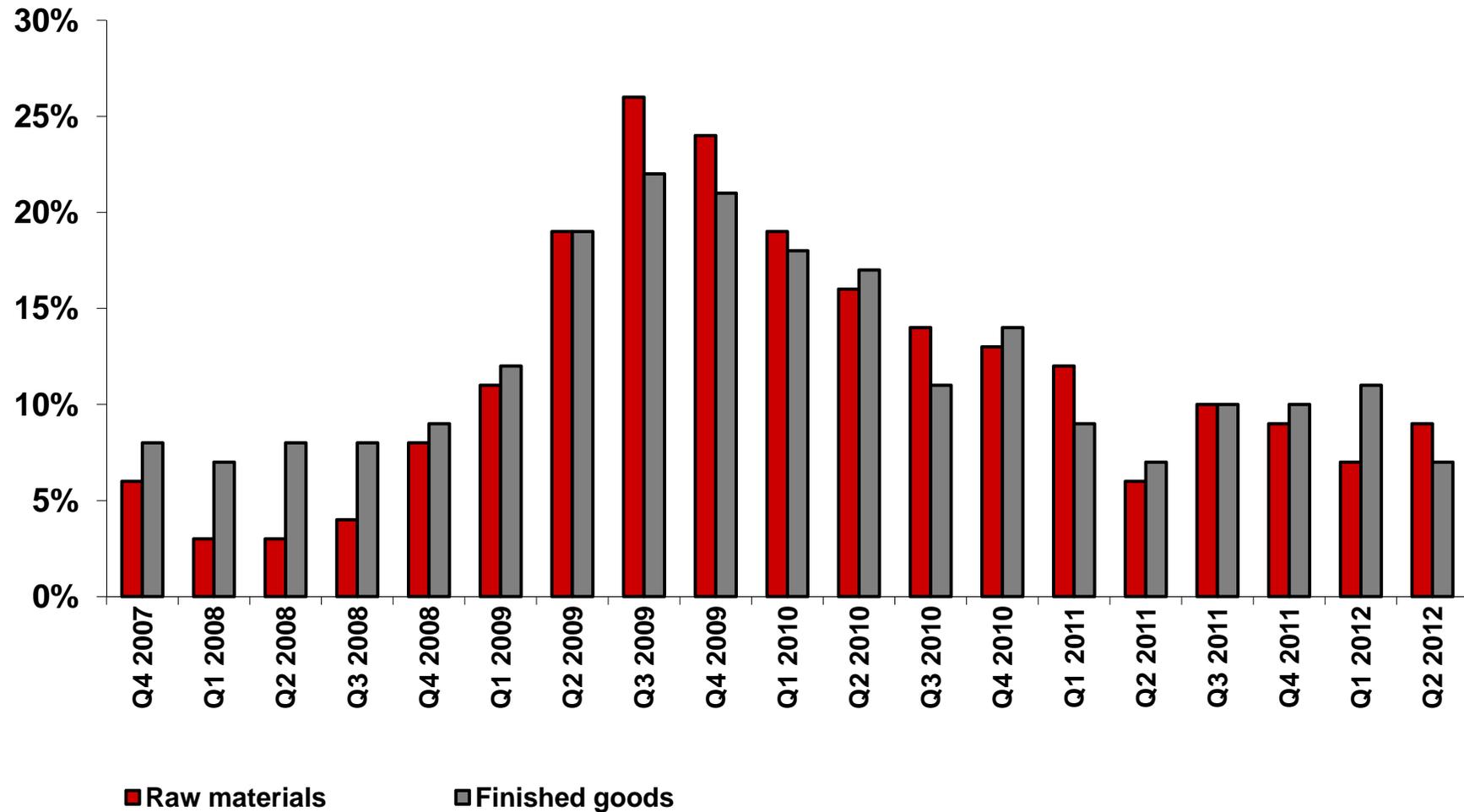
Excess stock falls back in Q2 2012

Share of businesses with stock levels **above normal**



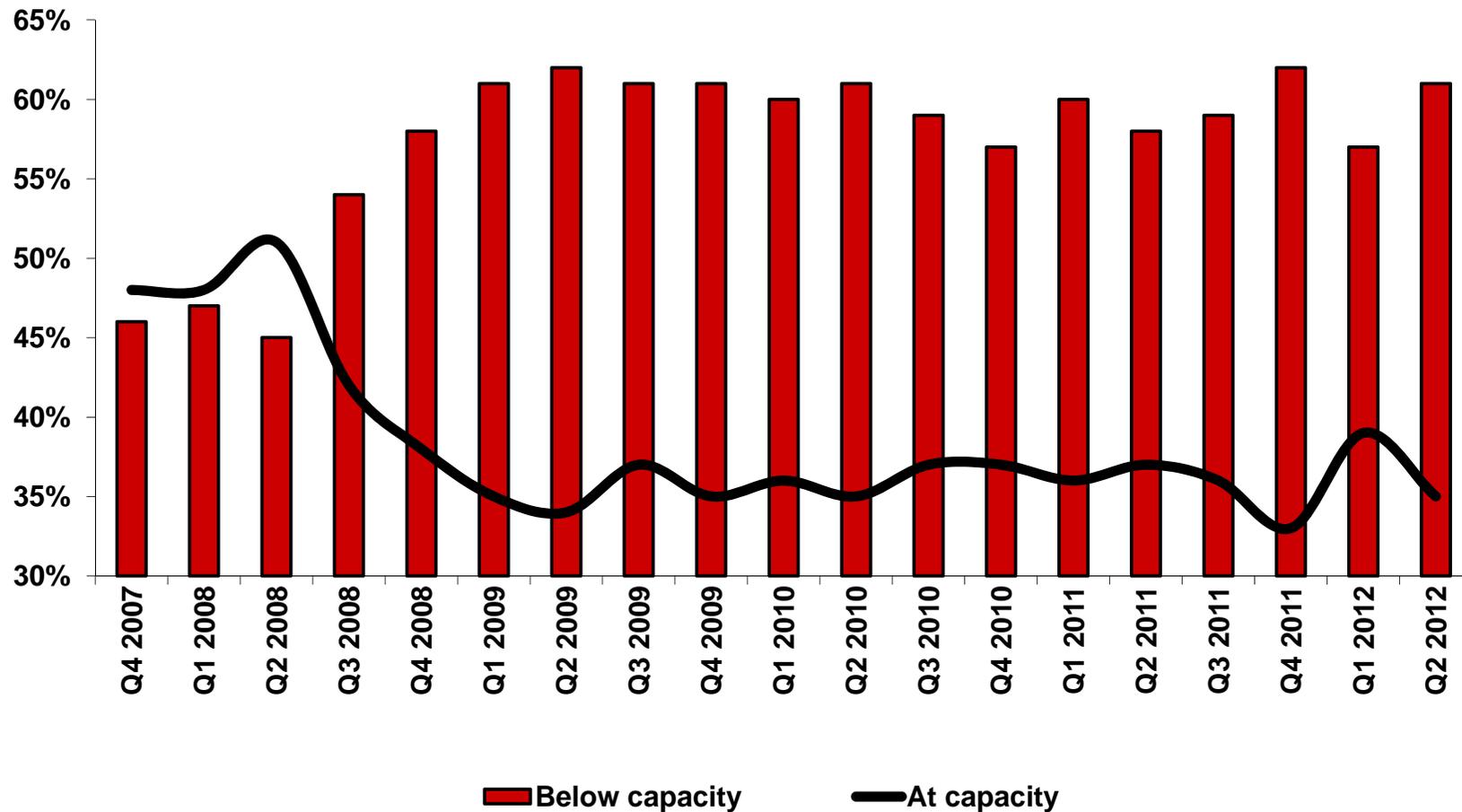
Stock levels appear to have stabilised

Share of businesses with stock levels **below normal**



Over three in five businesses operating below capacity in a remarkably consistent trend over the last four years

Share of businesses running at or below capacity

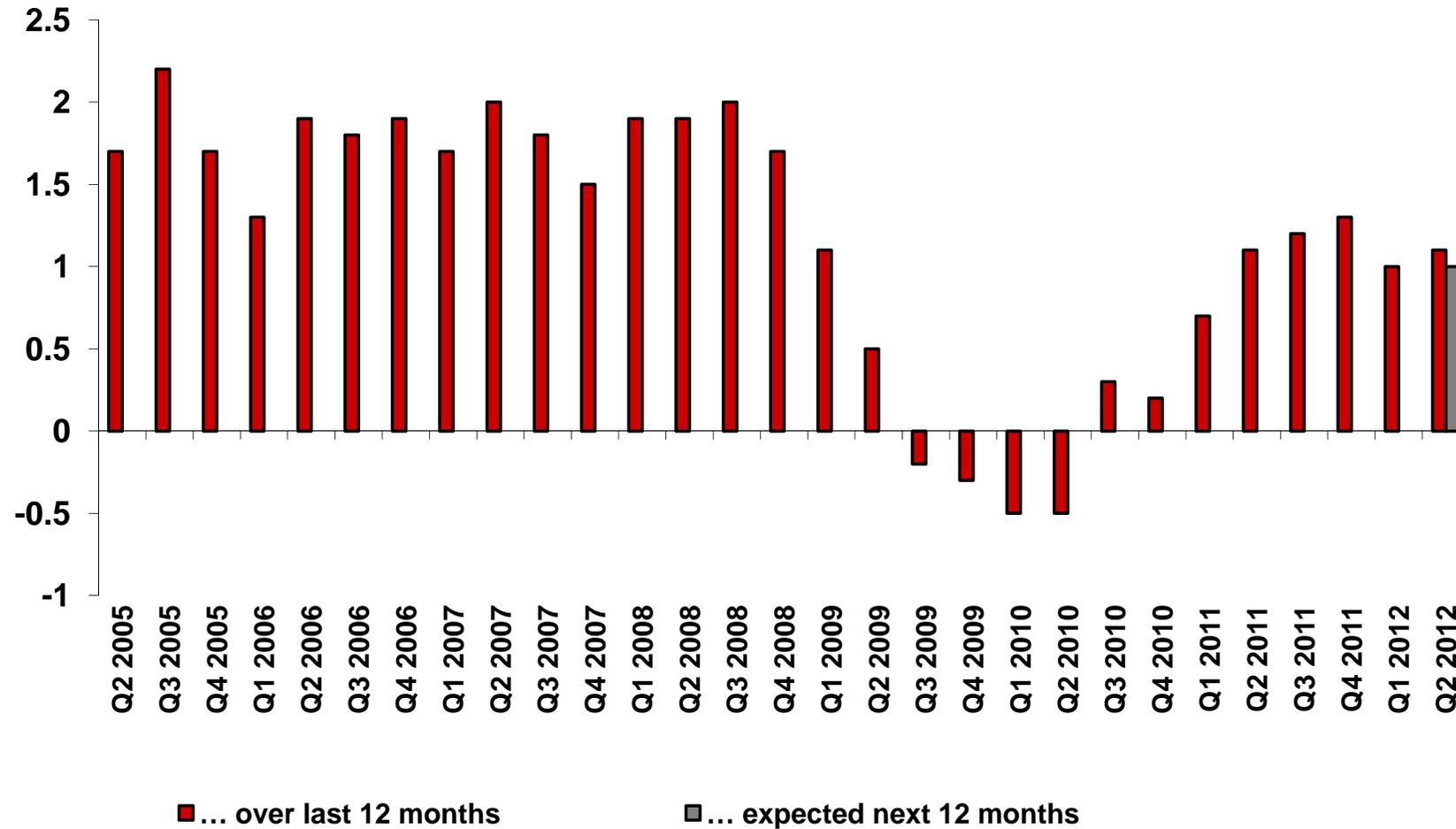


Outline

- Financial performance indicators
 - Inflation & labour market indicators

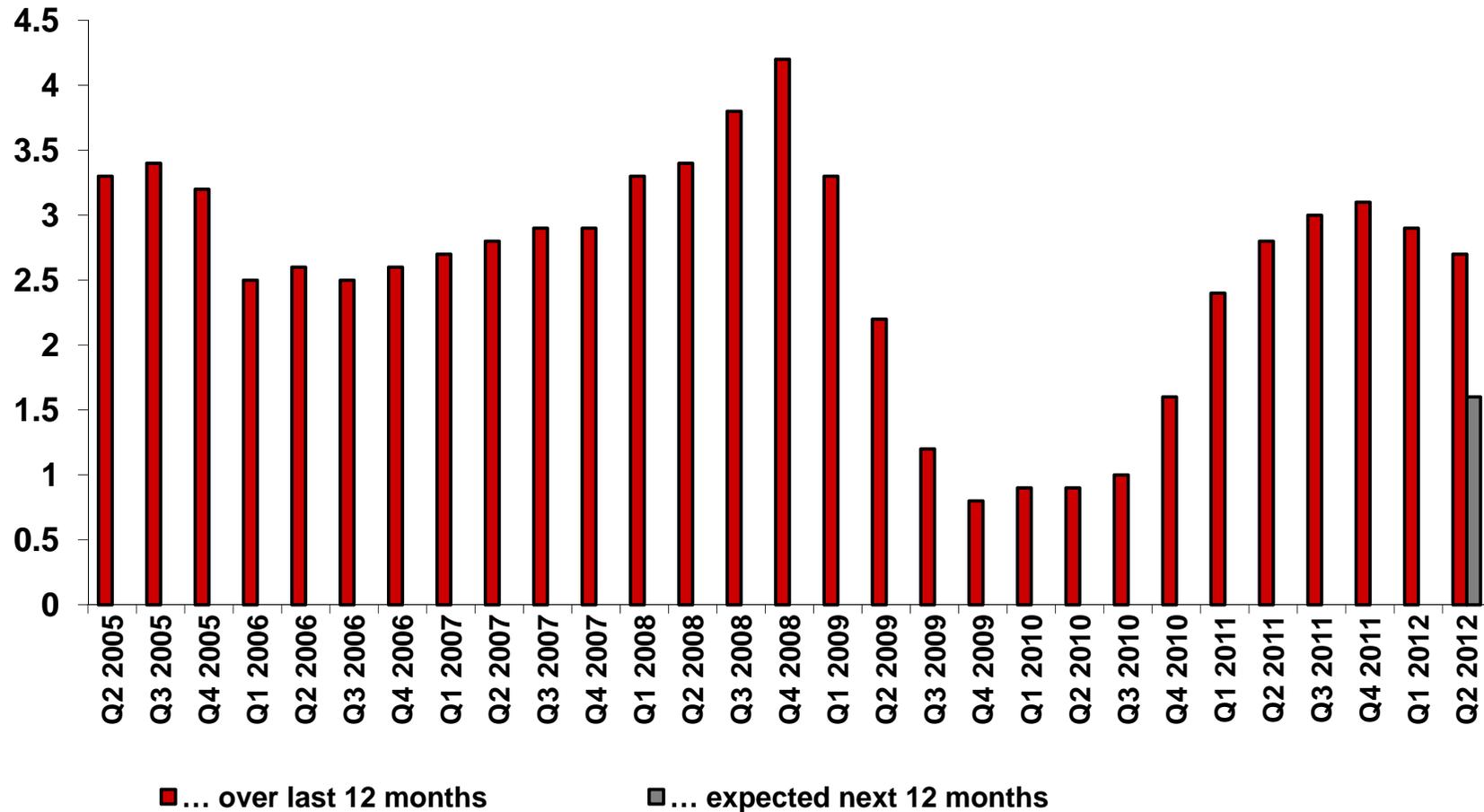
Price growth largely stable

Prices, annual percentage change



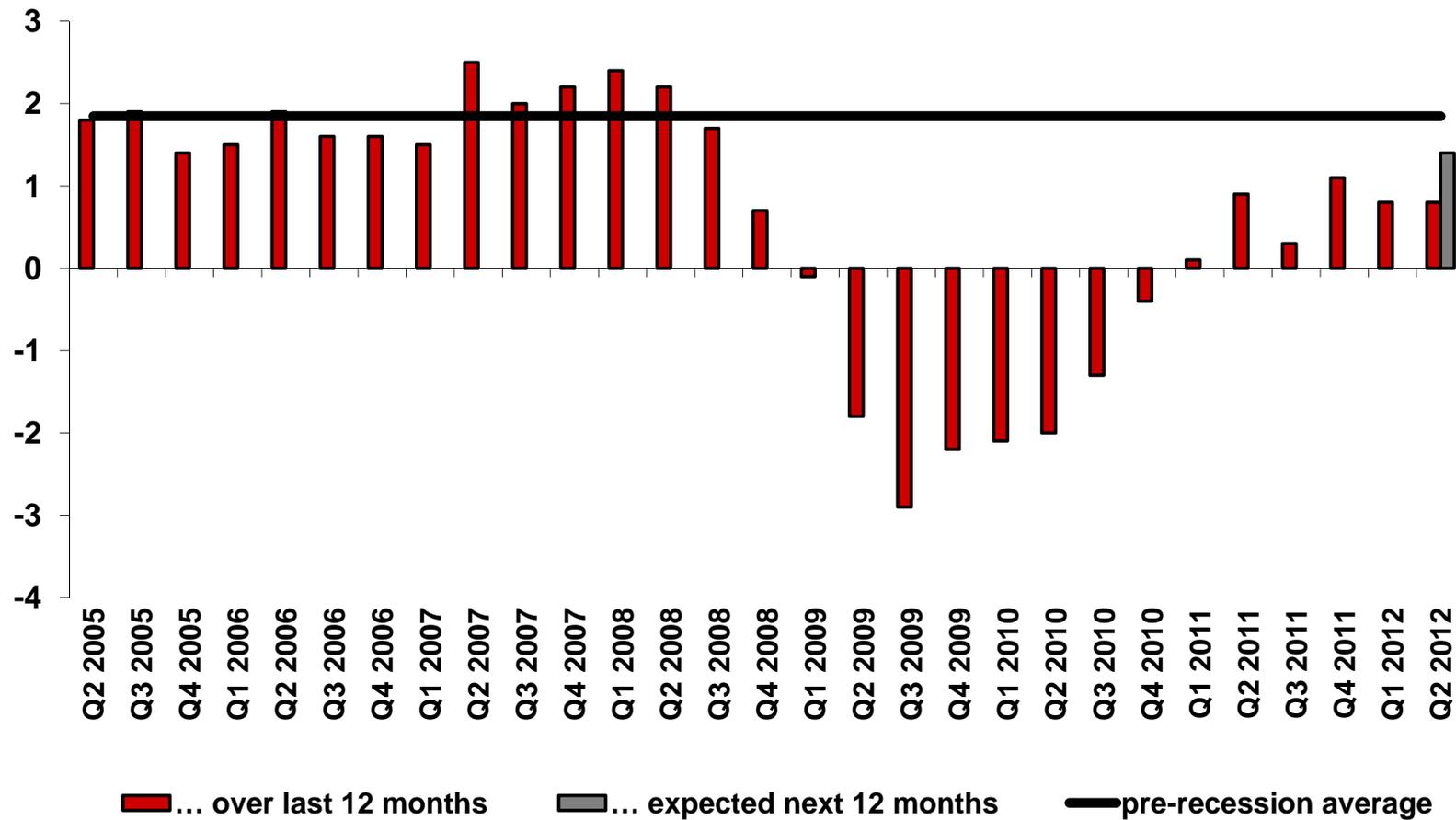
Input price inflation remains relatively high but expectations on downward trend

Input prices, annual percentage change

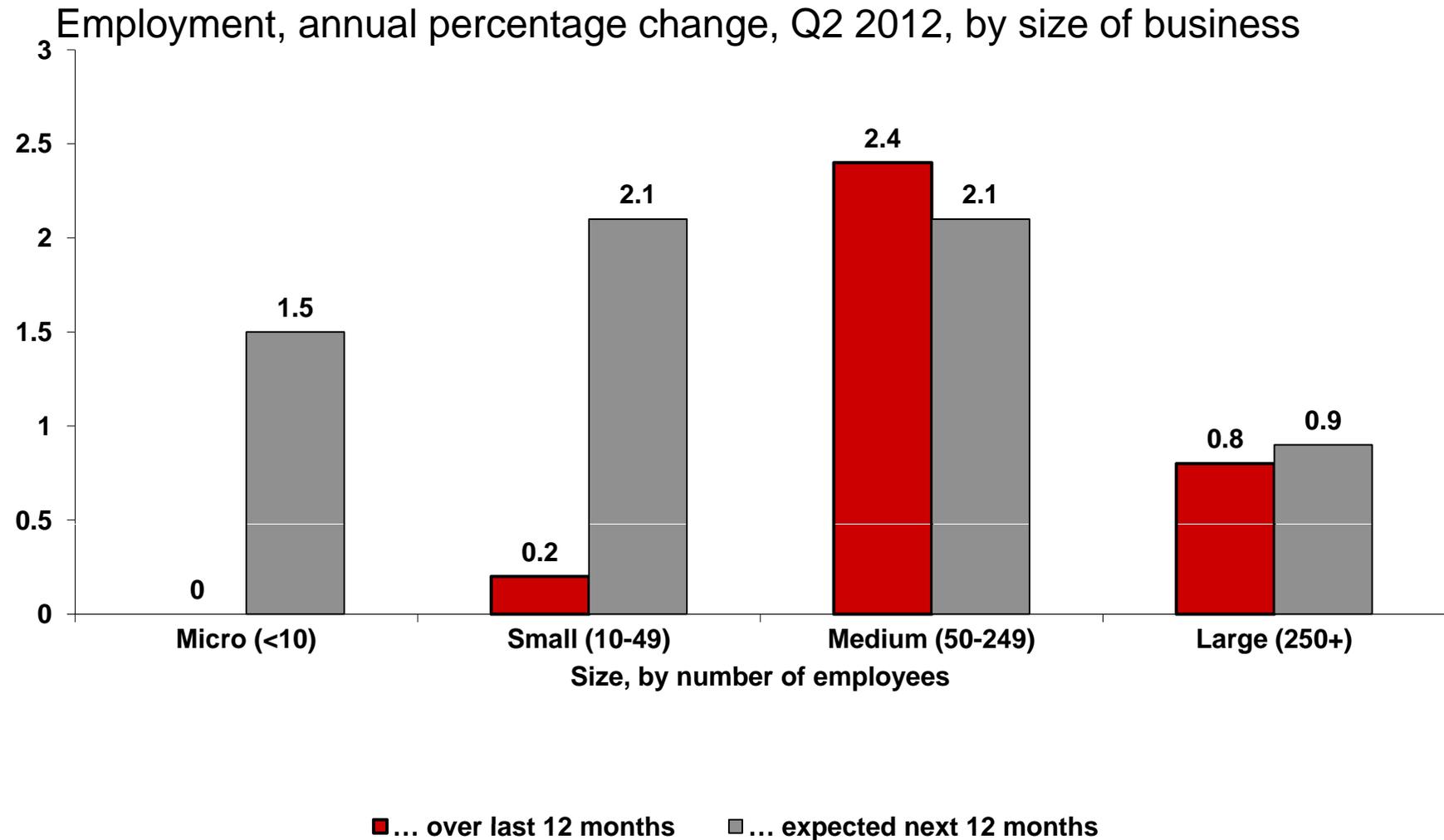


Job creation in the private sector labour market remains modest – but hiring expectations strengthen

Employment, annual percentage change

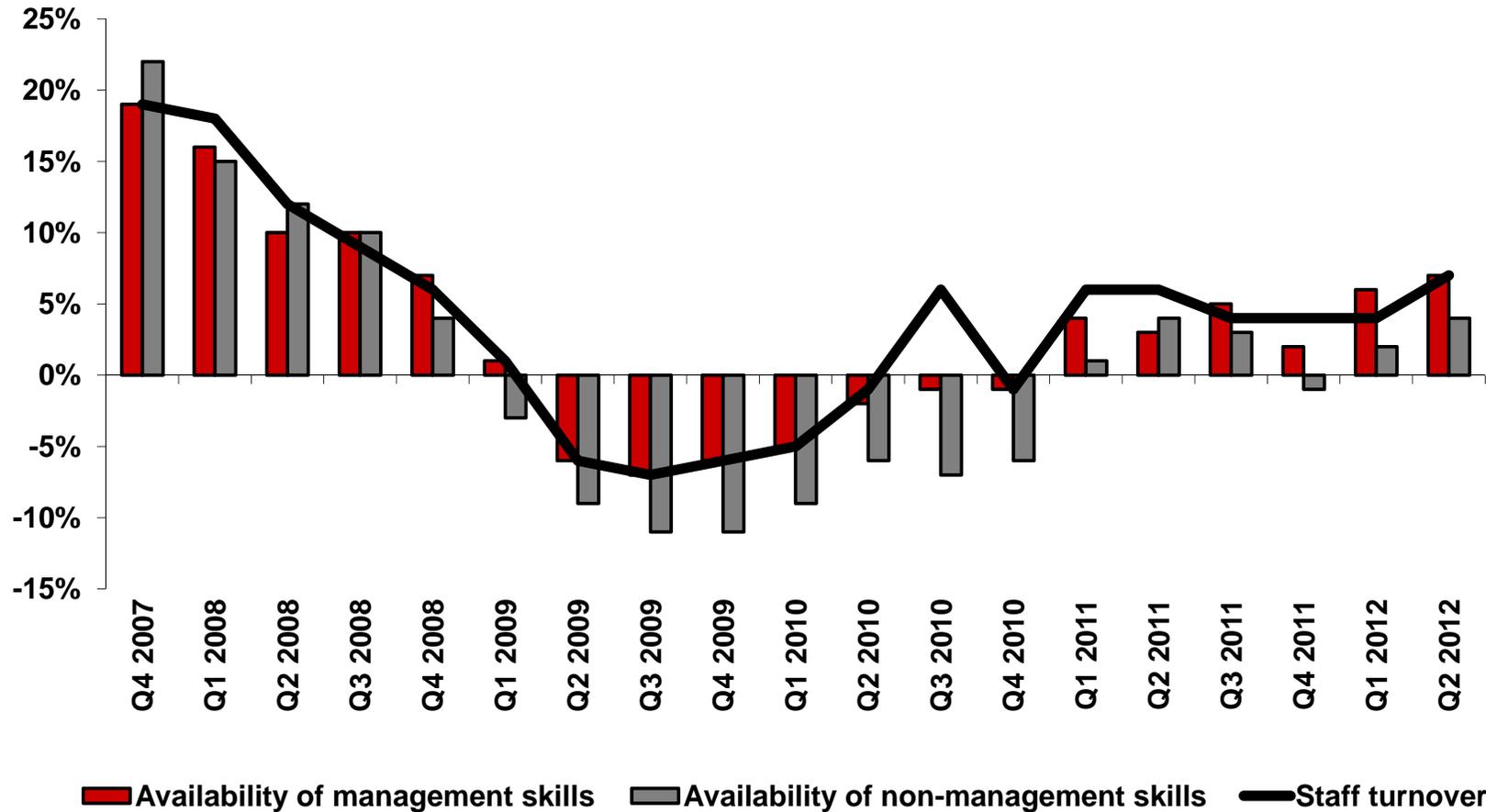


Average employment growth highest among medium-sized firms



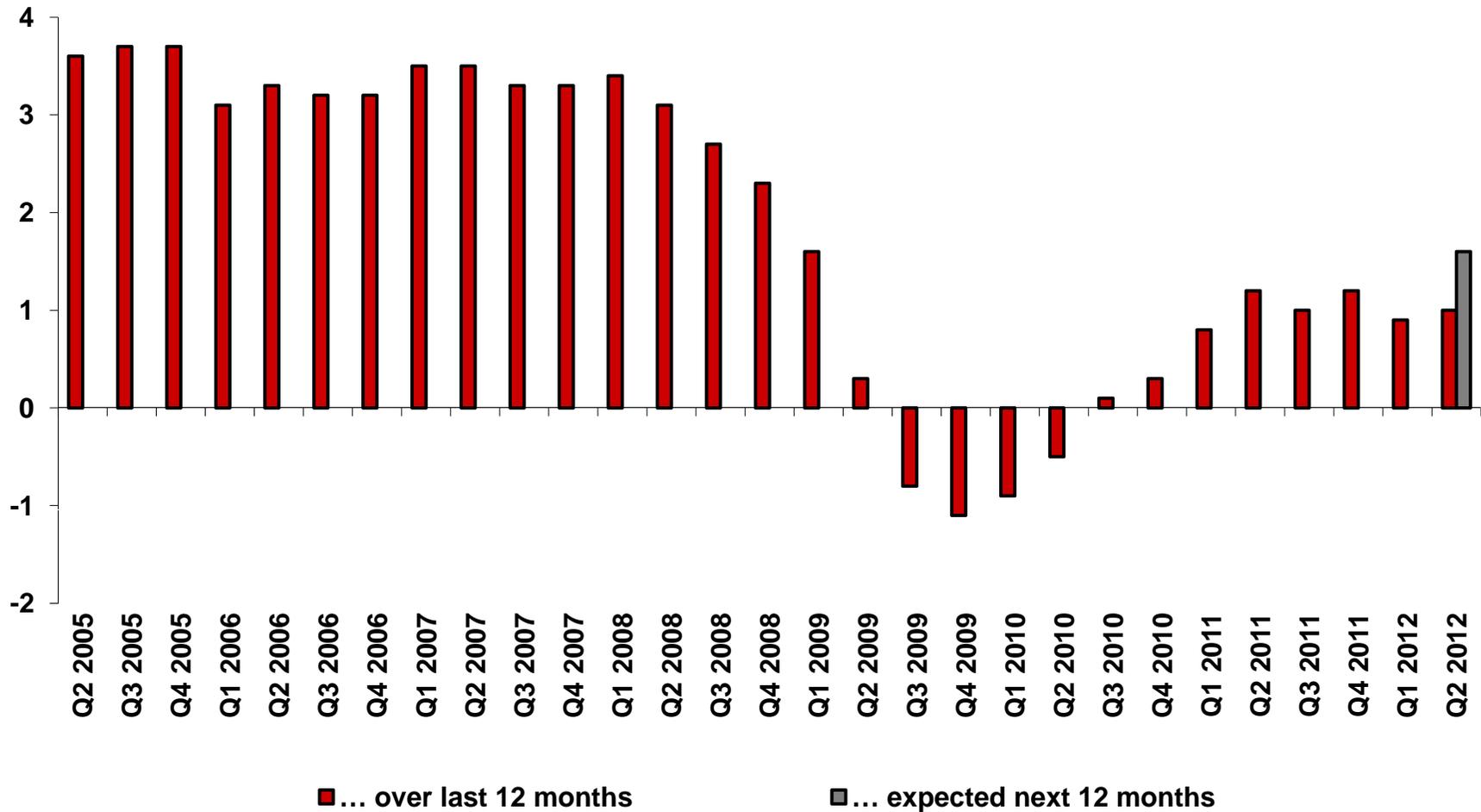
Slight uptick in selection of indicators suggests modest improvement in labour market

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



Salary growth expectations break out of downward trend, although reported growth remains weak

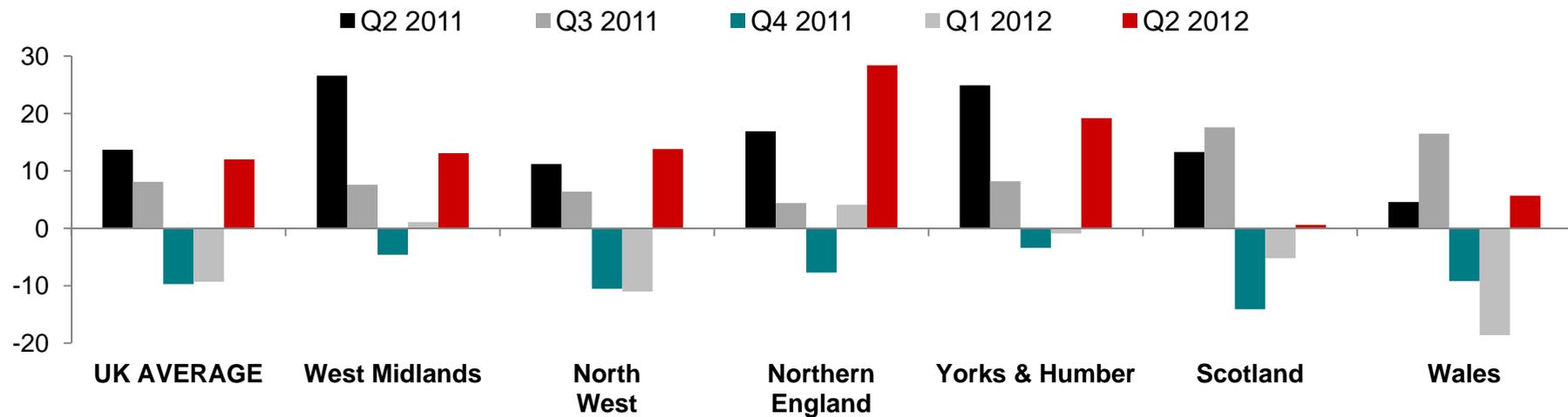
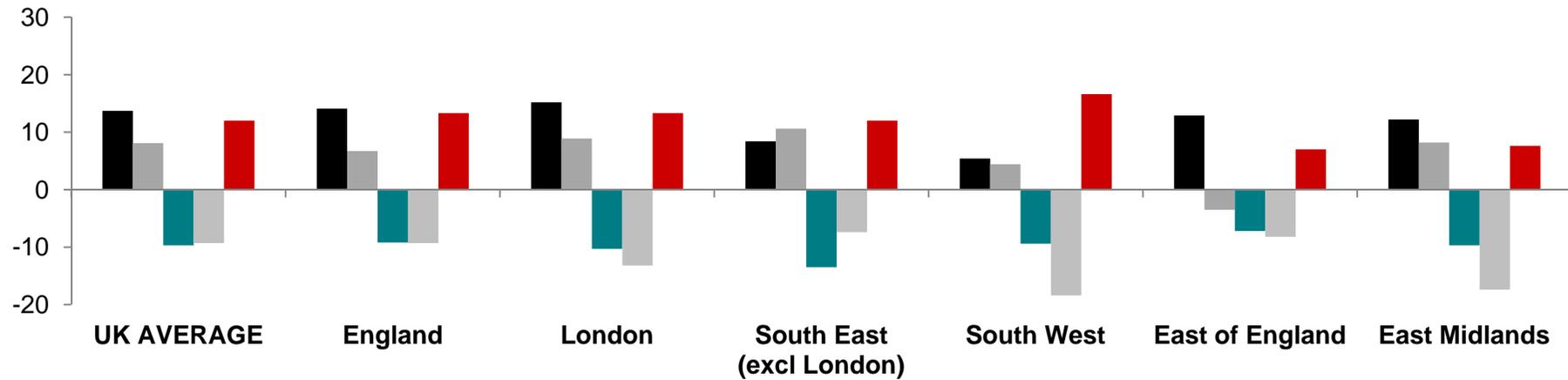
Average total salary, annual percentage change



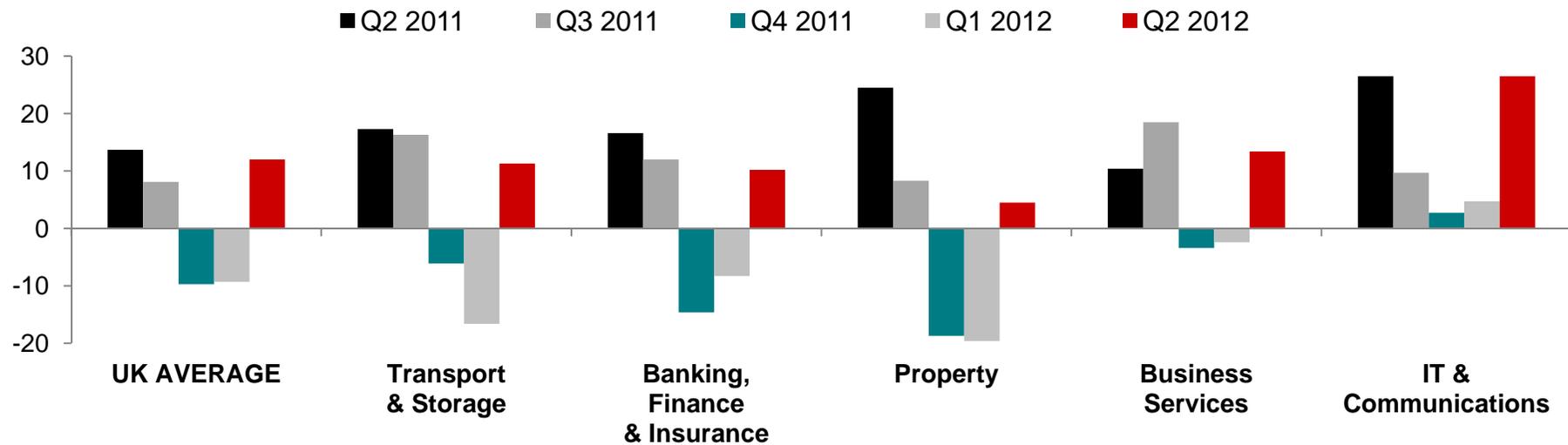
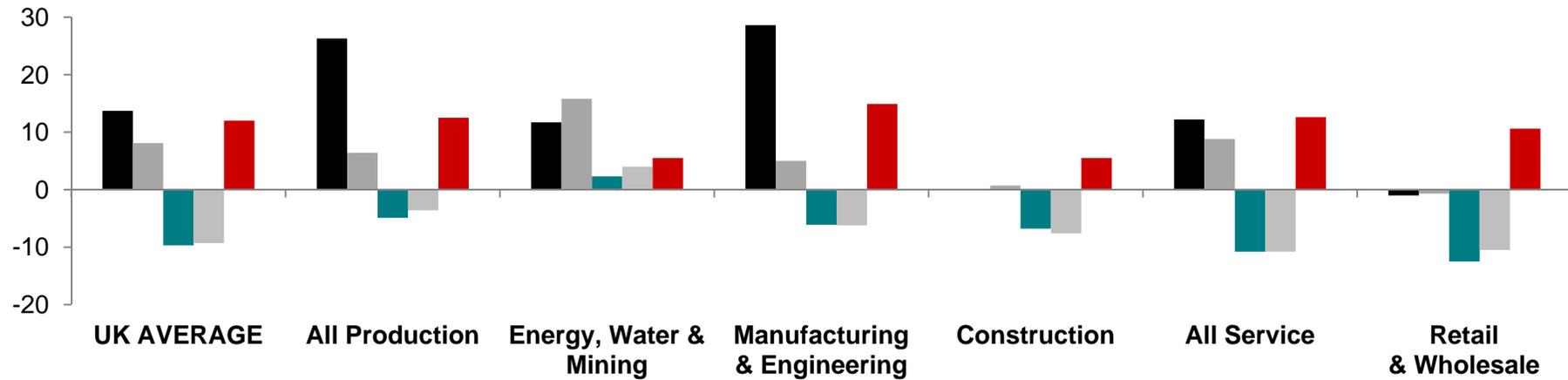
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- Regional & sector trends

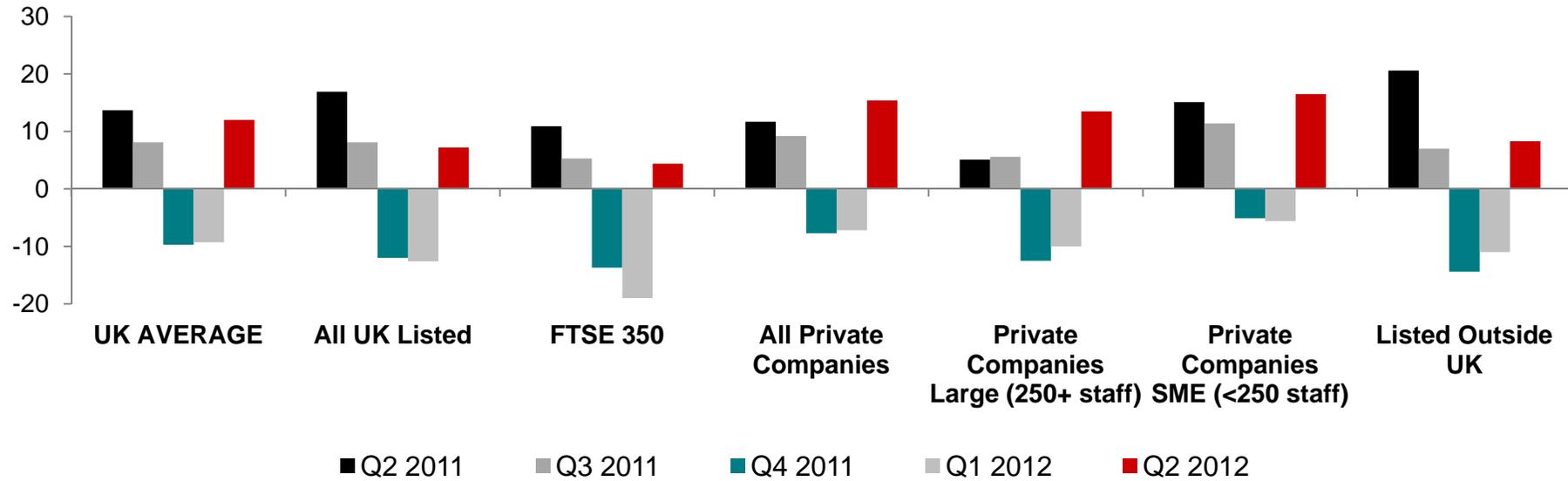
Trend of Business Confidence by Region



Trend of Business Confidence by Industry



Trend of Business Confidence by Status





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