

making business sense



Grant Thornton

An instinct for growth™

Q4 2013 ICAEW / Grant Thornton Business Confidence Monitor results

28 October 2013

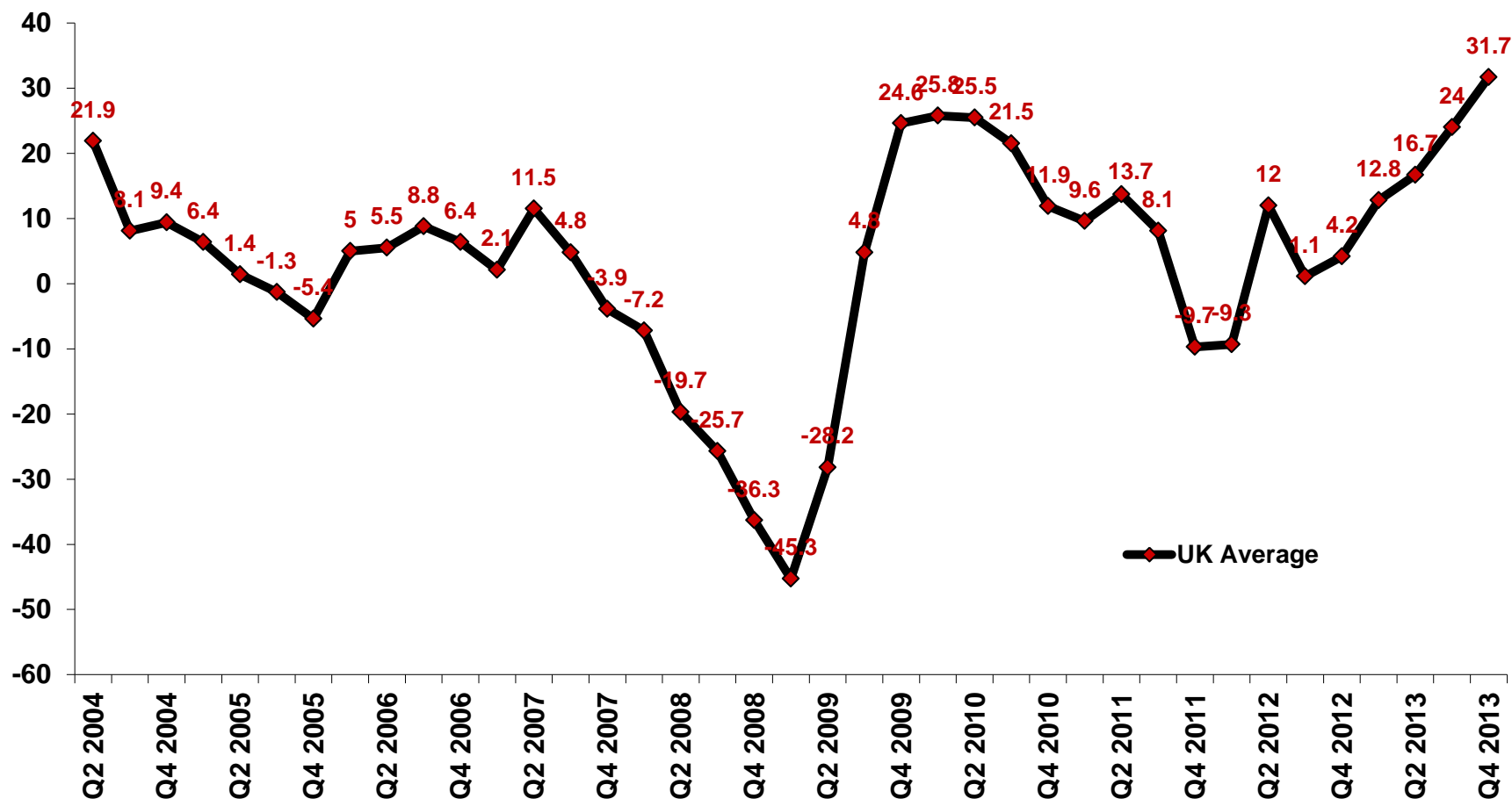
Contact: Caroline Florence

Outline

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

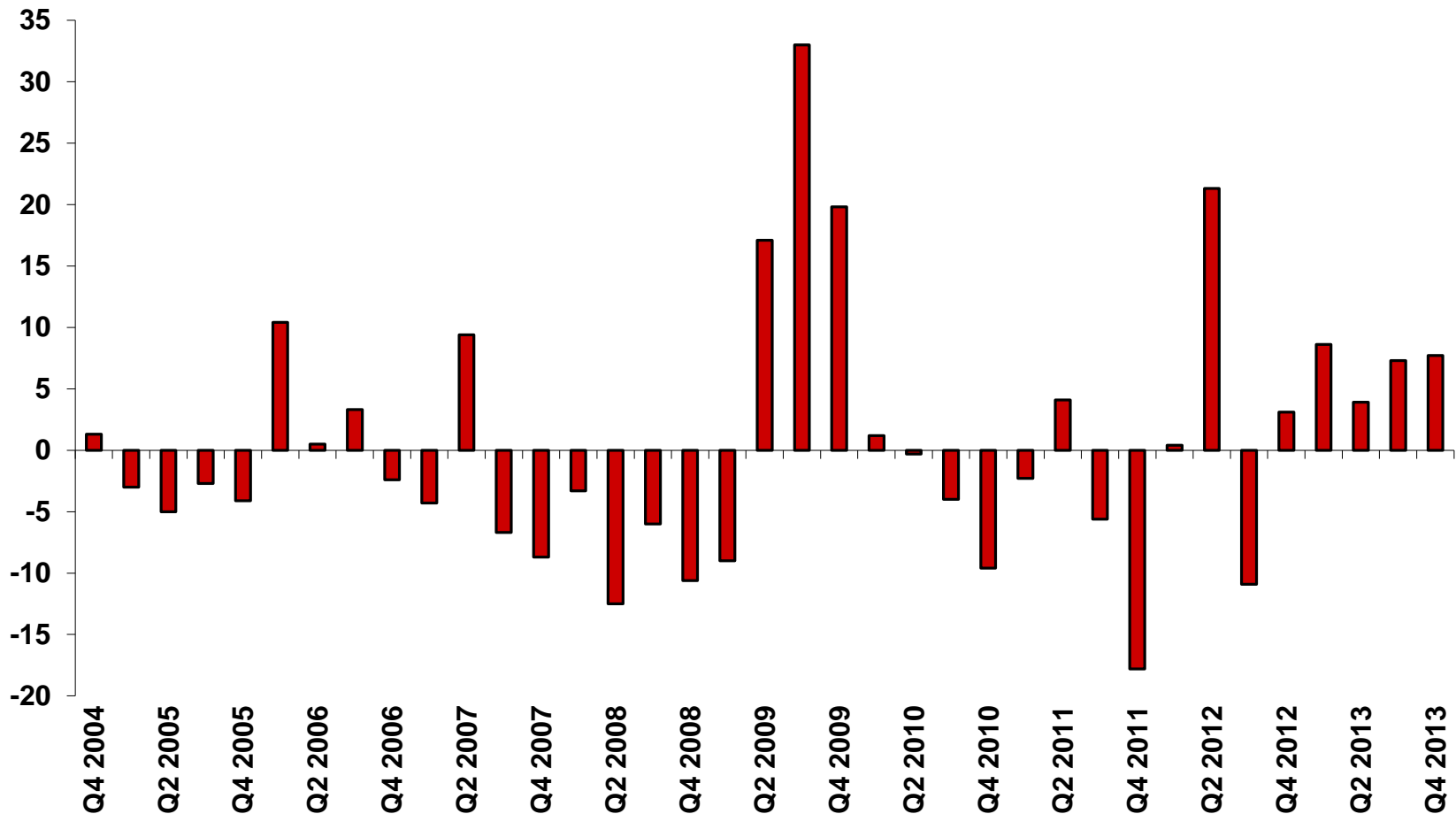
Business confidence continues to climb

ICAEW / Grant Thornton Business Confidence Index

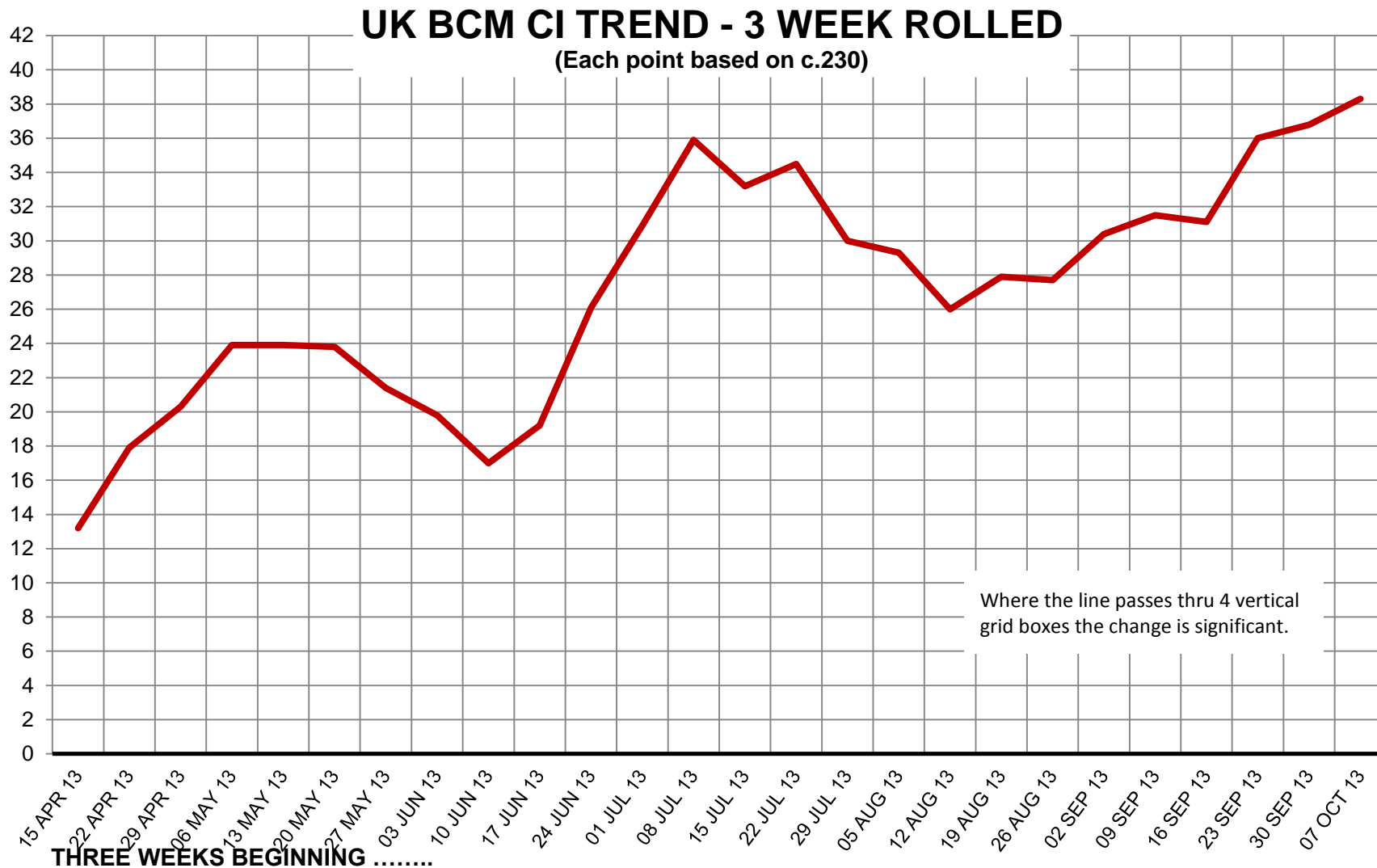


Confidence has now been rising for five consecutive quarters

Quarterly change to Confidence Index

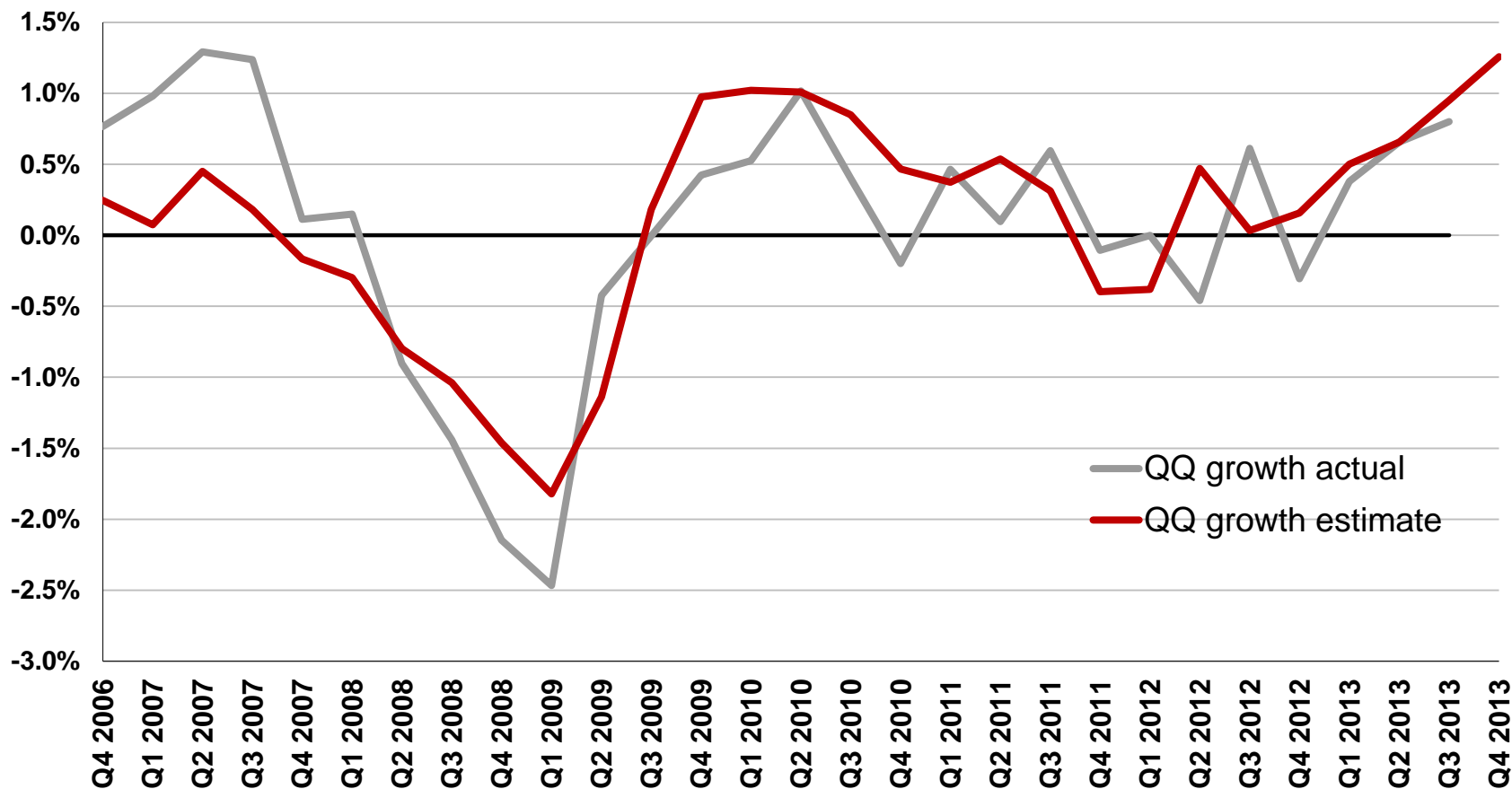


Confidence has been increasing since August



Economic growth expected to accelerate again in Q4 2013 – expanding by 1.3%

Quarter on quarter real GDP growth, per cent

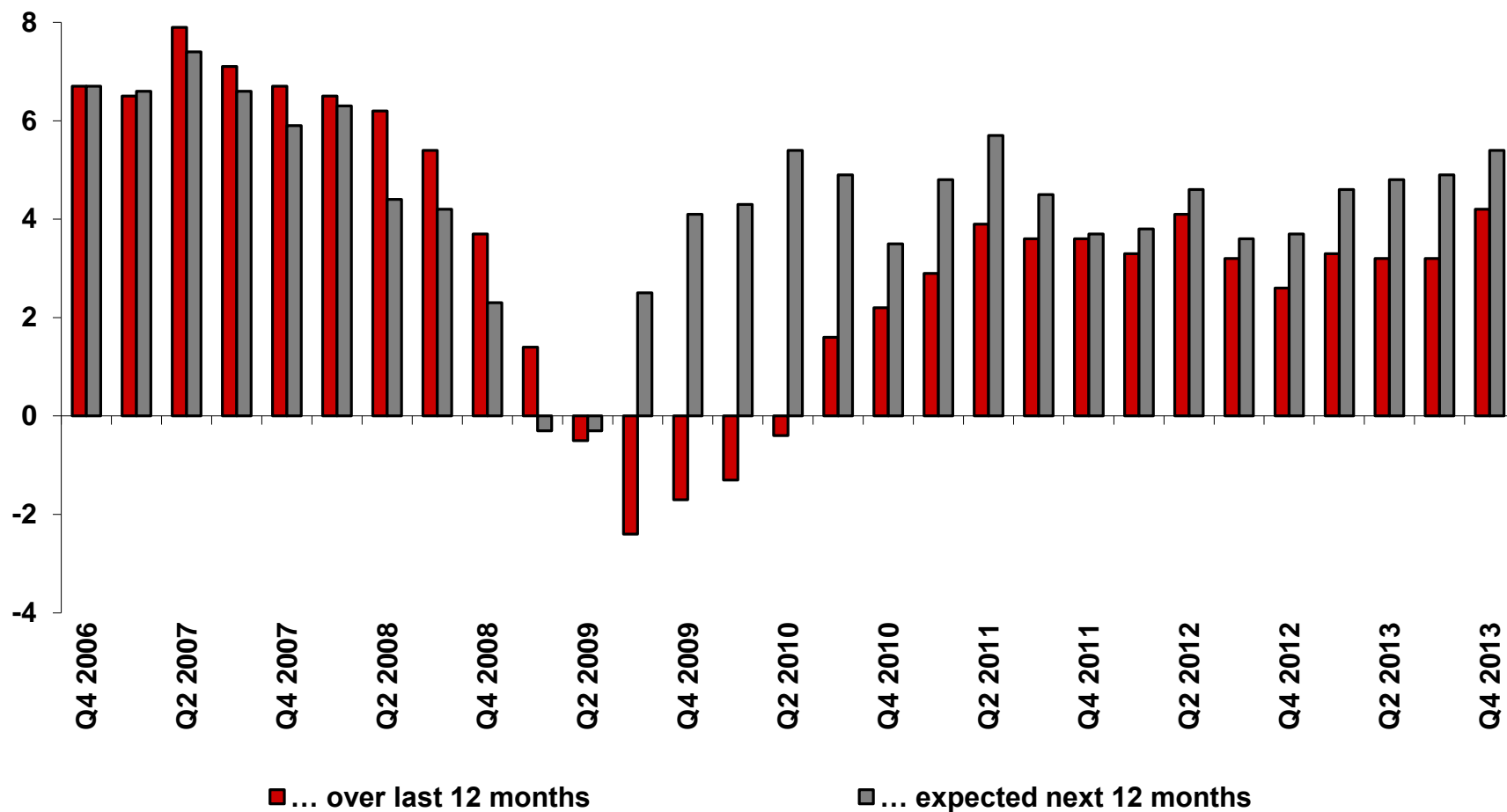


Outline

- Financial performance indicators
 - Growth indicators

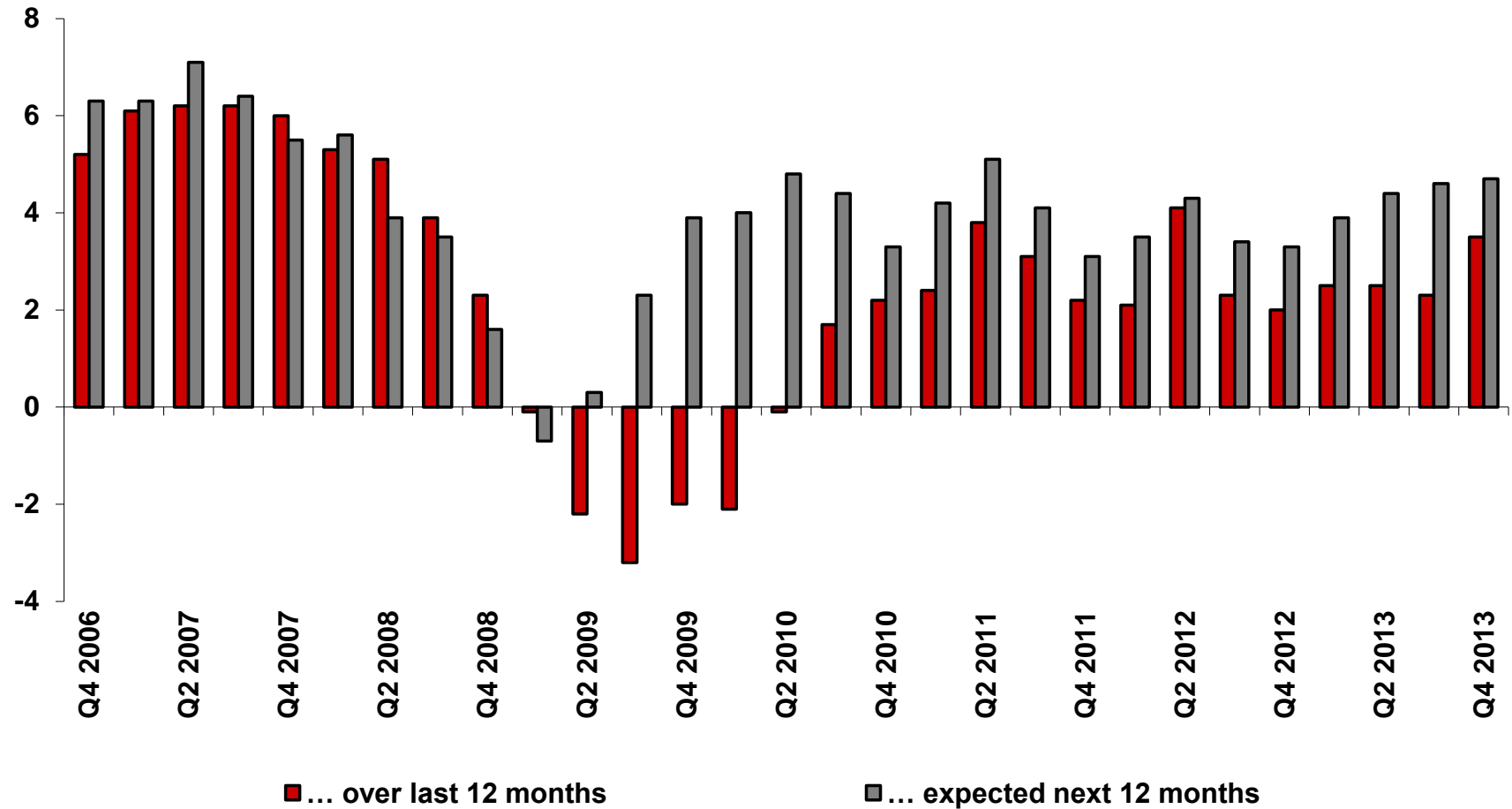
Reported turnover growth and expectations pick up

Turnover, annual percentage change



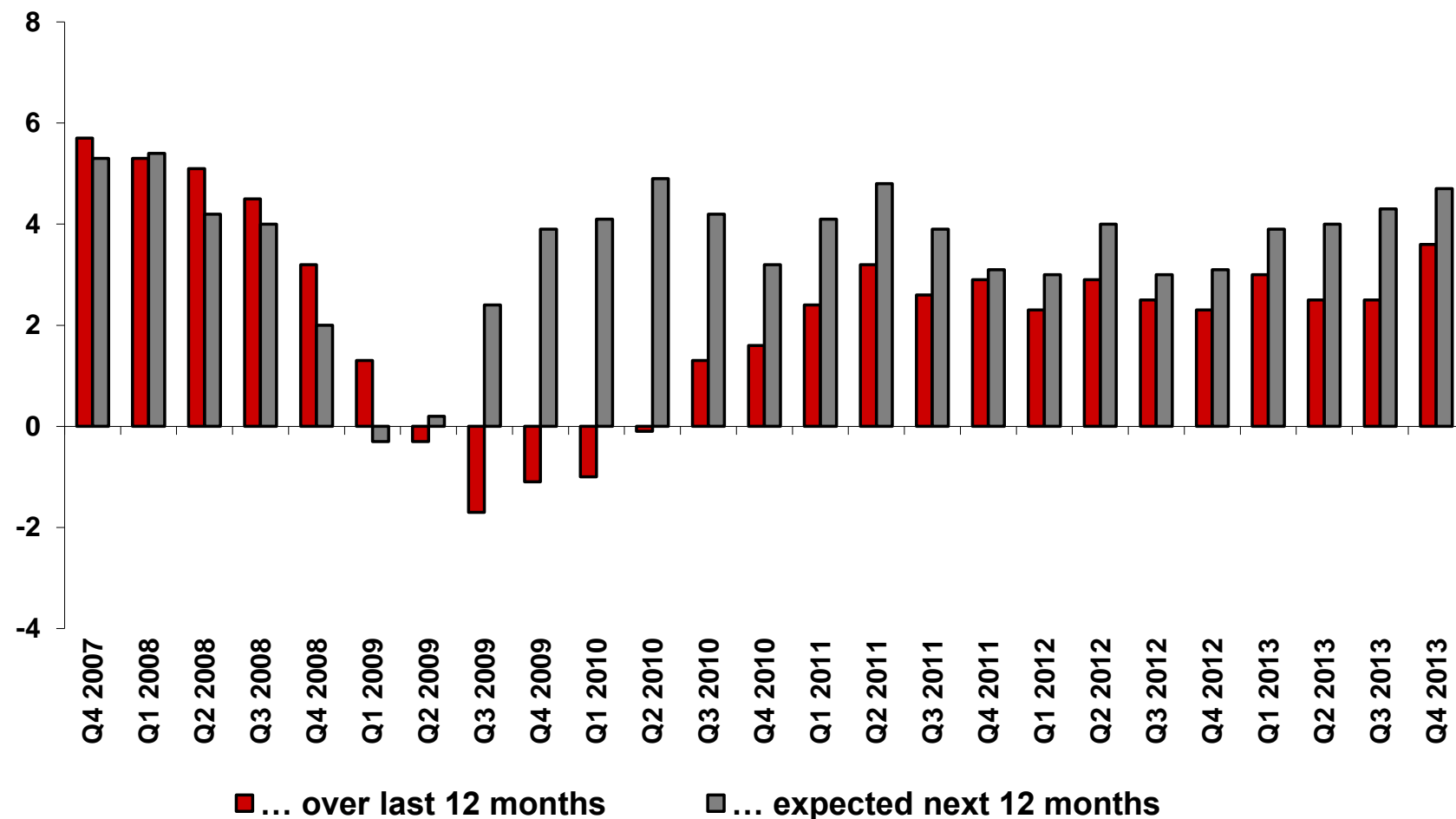
Reported profit growth has also increased this quarter

Gross profits, annual percentage change



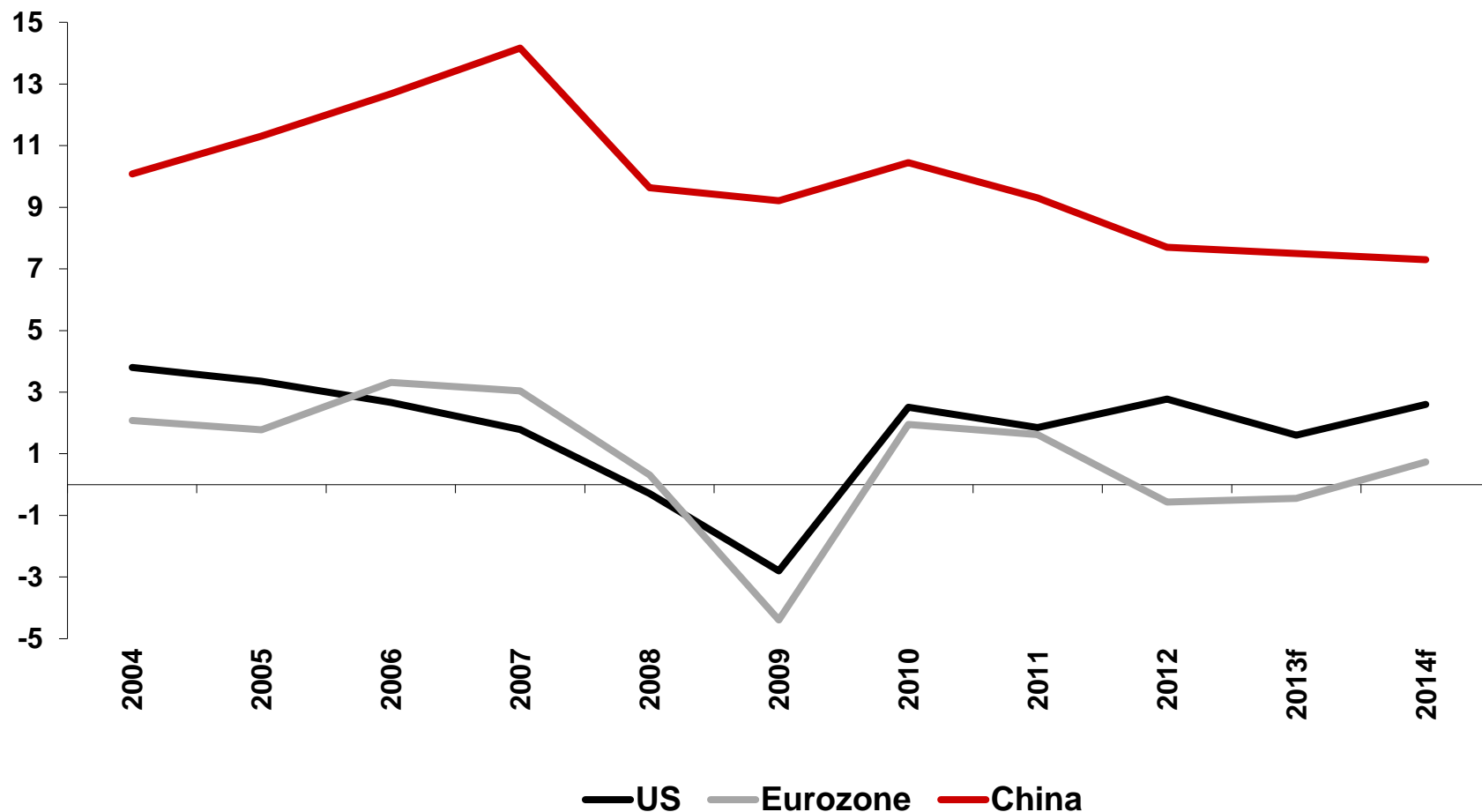
Expected domestic sales growth has increased for five consecutive quarters

Domestic sales, annual percentage change

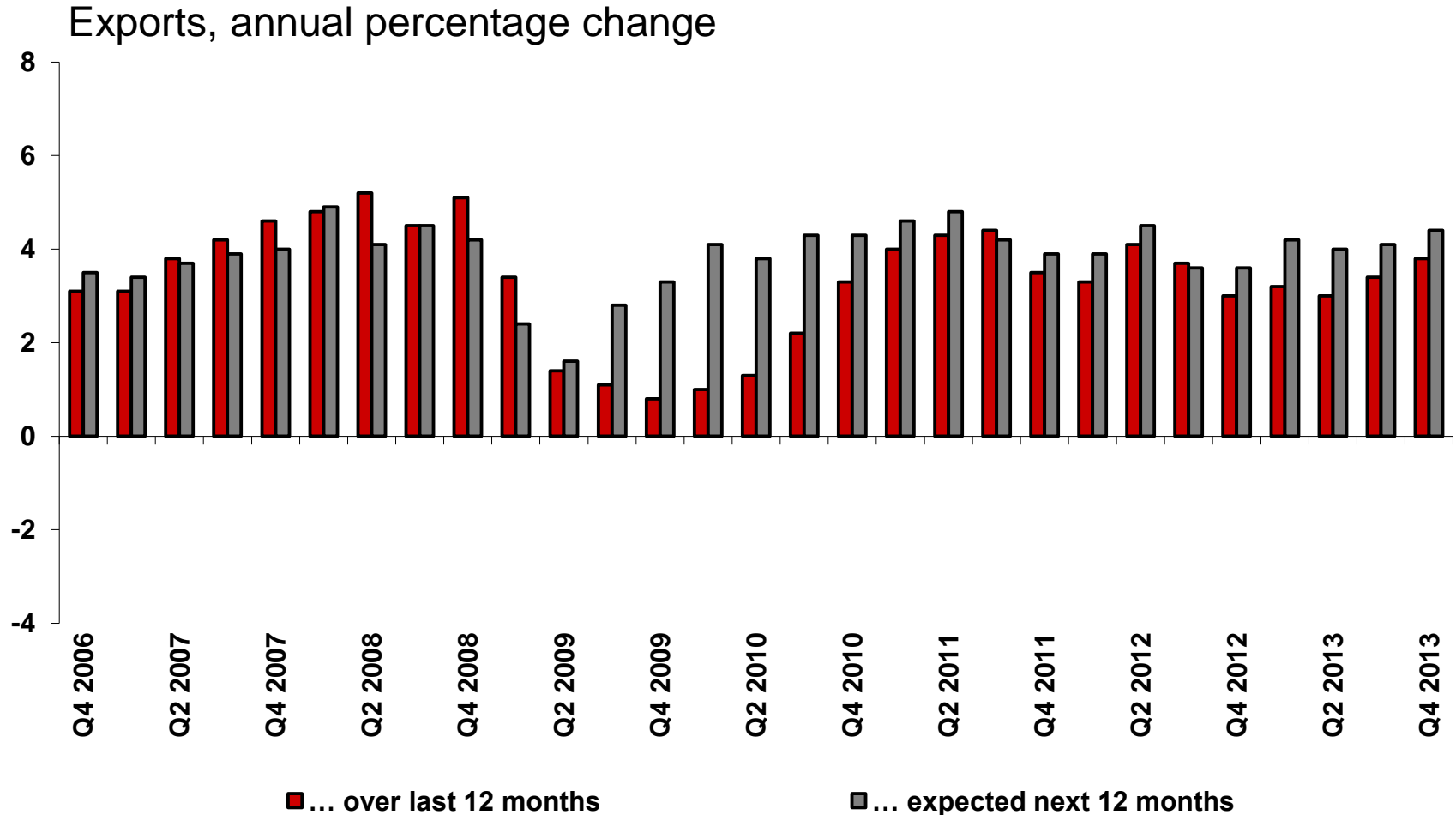


Next year should see a relatively favourable environment for UK exporters

Annual real GDP growth. Cebr forecasts for 2013 and 2014

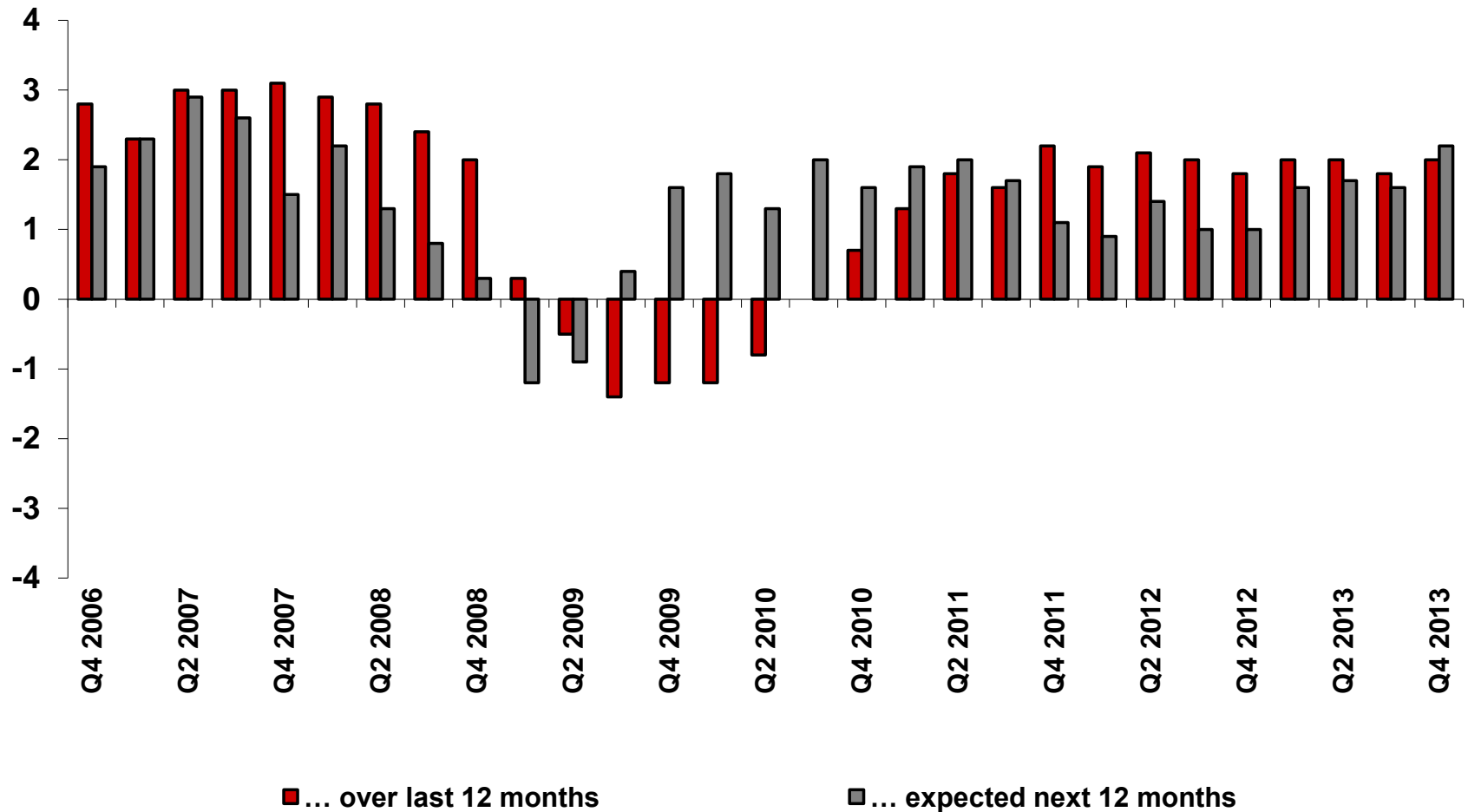


Reported export growth has increased for two consecutive quarters



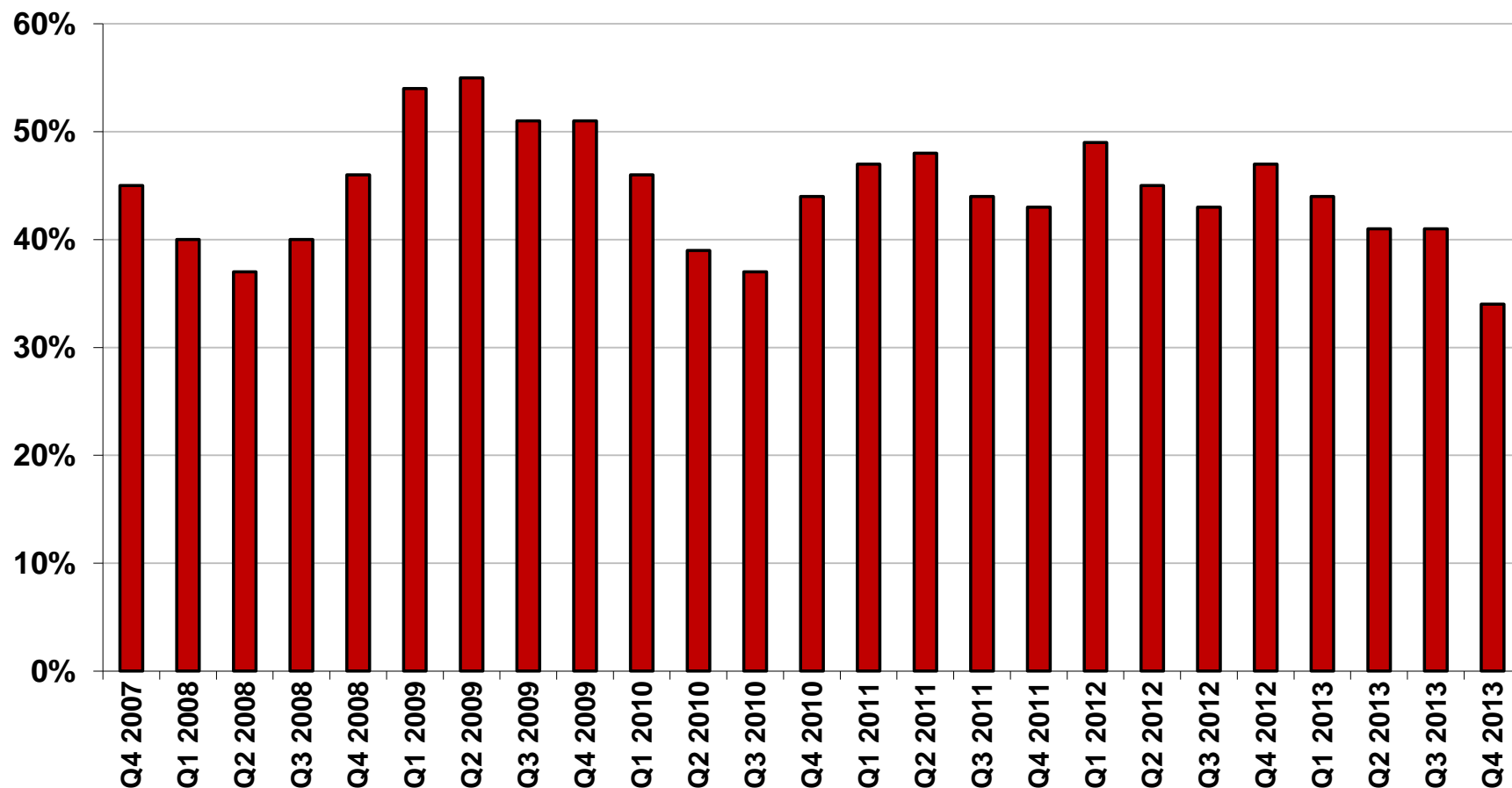
Signs starting to emerge that businesses are becoming more willing to invest

Capital investment, annual percentage change



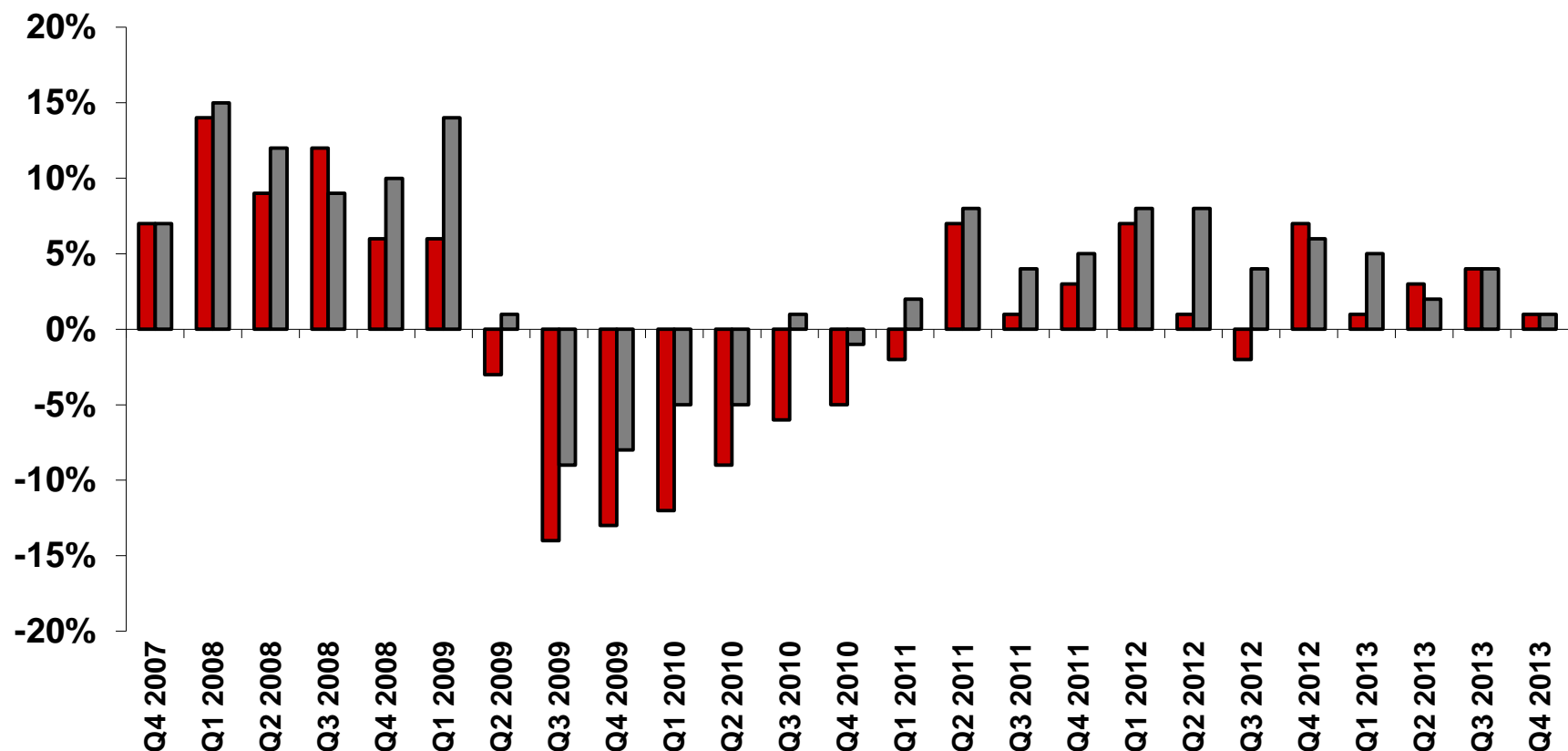
Sharp fall in the share of businesses reporting customer demand to be a greater challenge

Share of businesses reporting customer demand as greater challenge



Decline in net share of businesses with stocks above normal levels

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



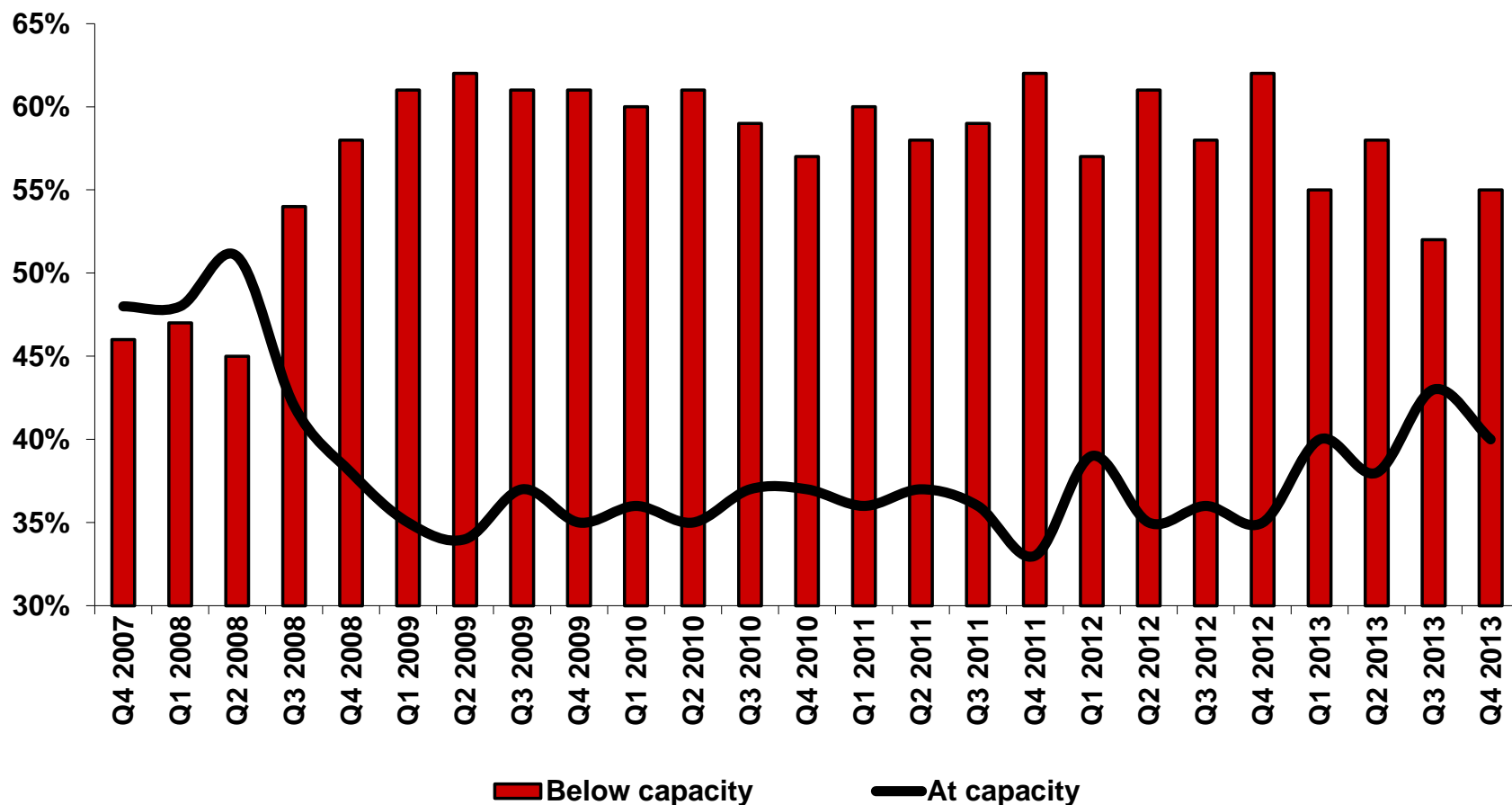
■ Raw materials ■ Finished goods

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

** Manufacturing, Construction, Transport & Storage

Still signs of spare capacity in the economy

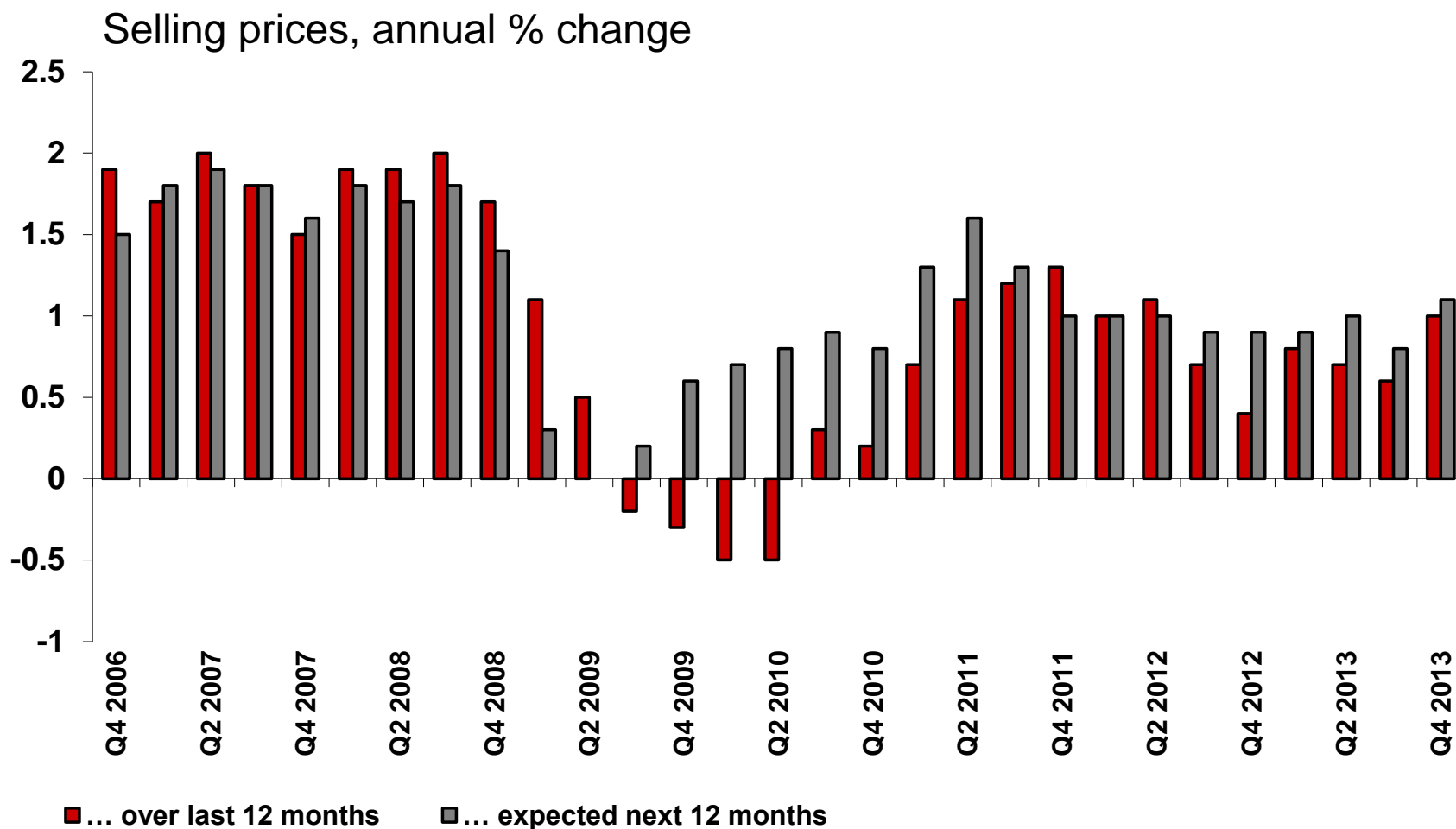
Share of businesses operating at and below capacity



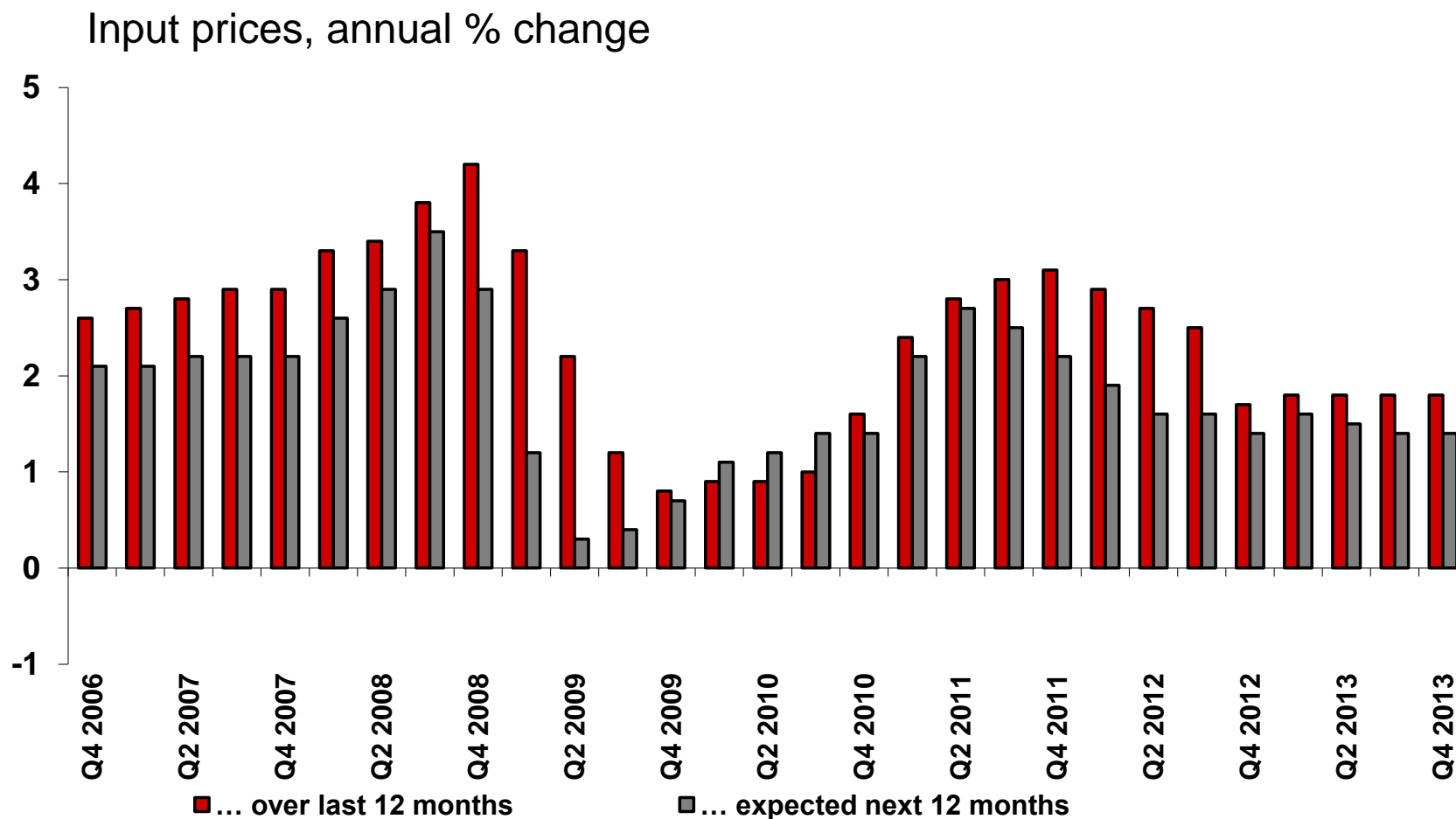
Outline

- Financial performance indicators
 - Inflation & labour market indicators

Uptick in selling price increases but growth remains below pre-crisis norms

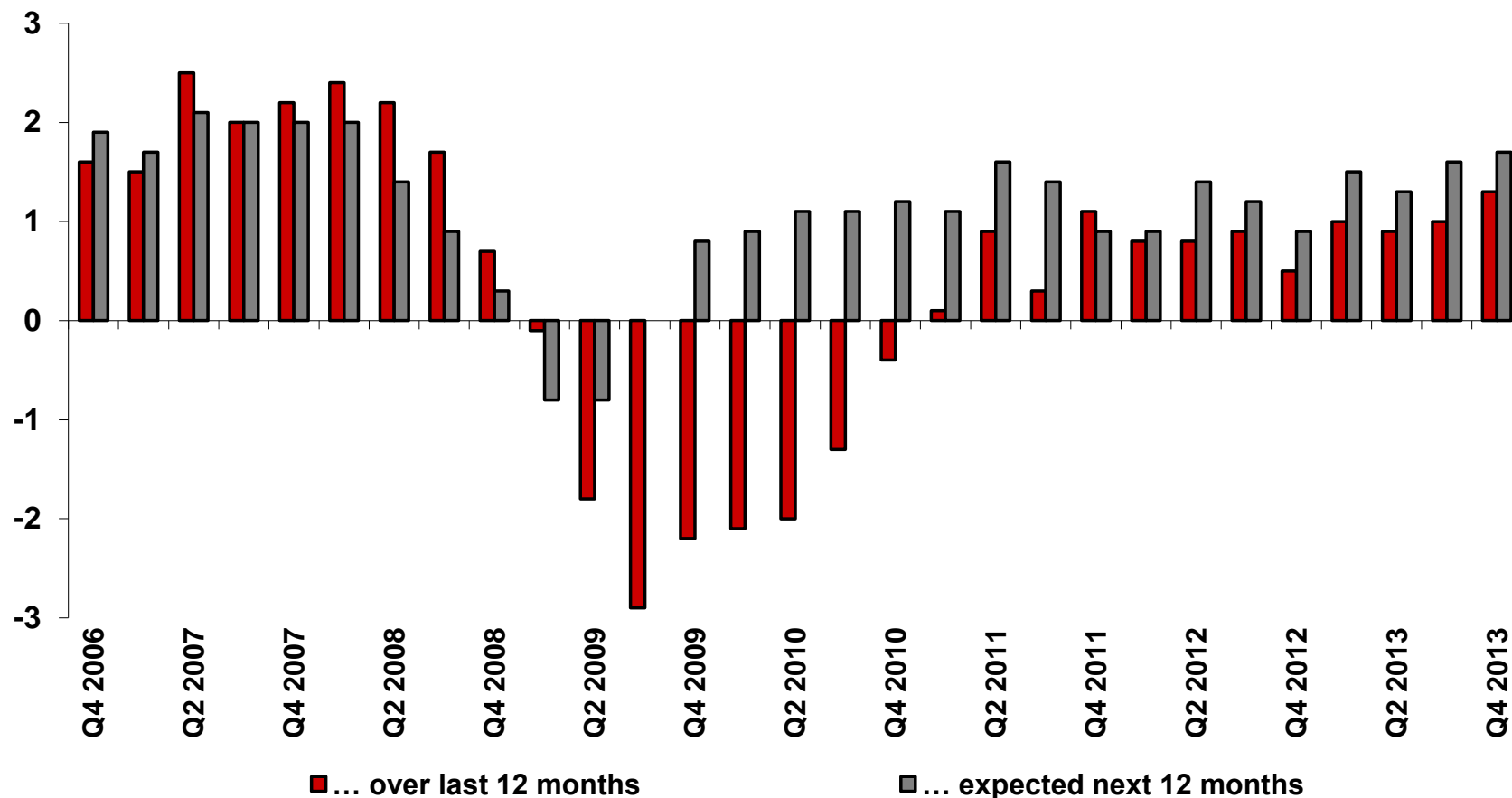


Input price inflation continues to hold steady



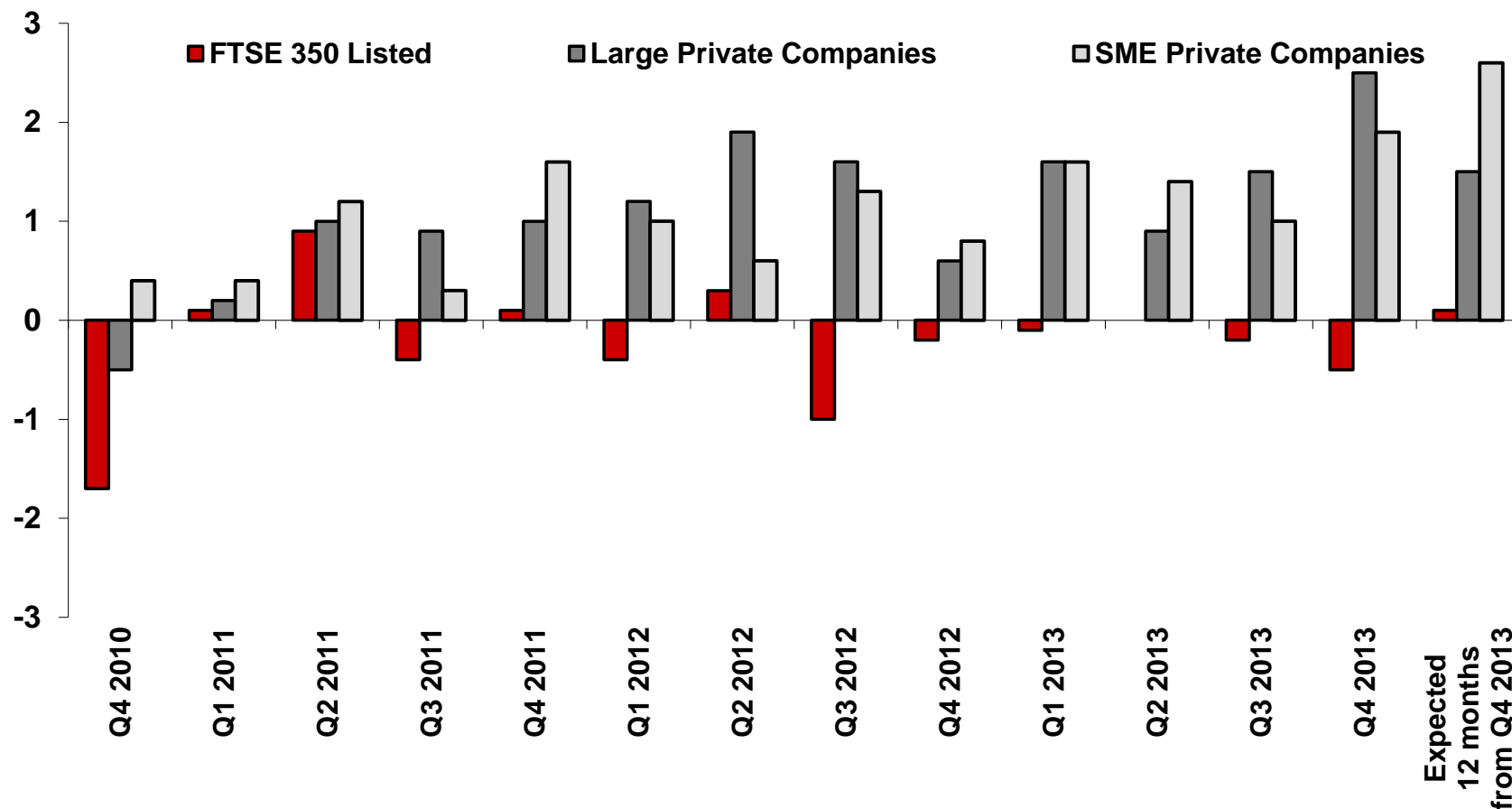
Employment growth rising and expected to pick up further

Employment, annual percentage change



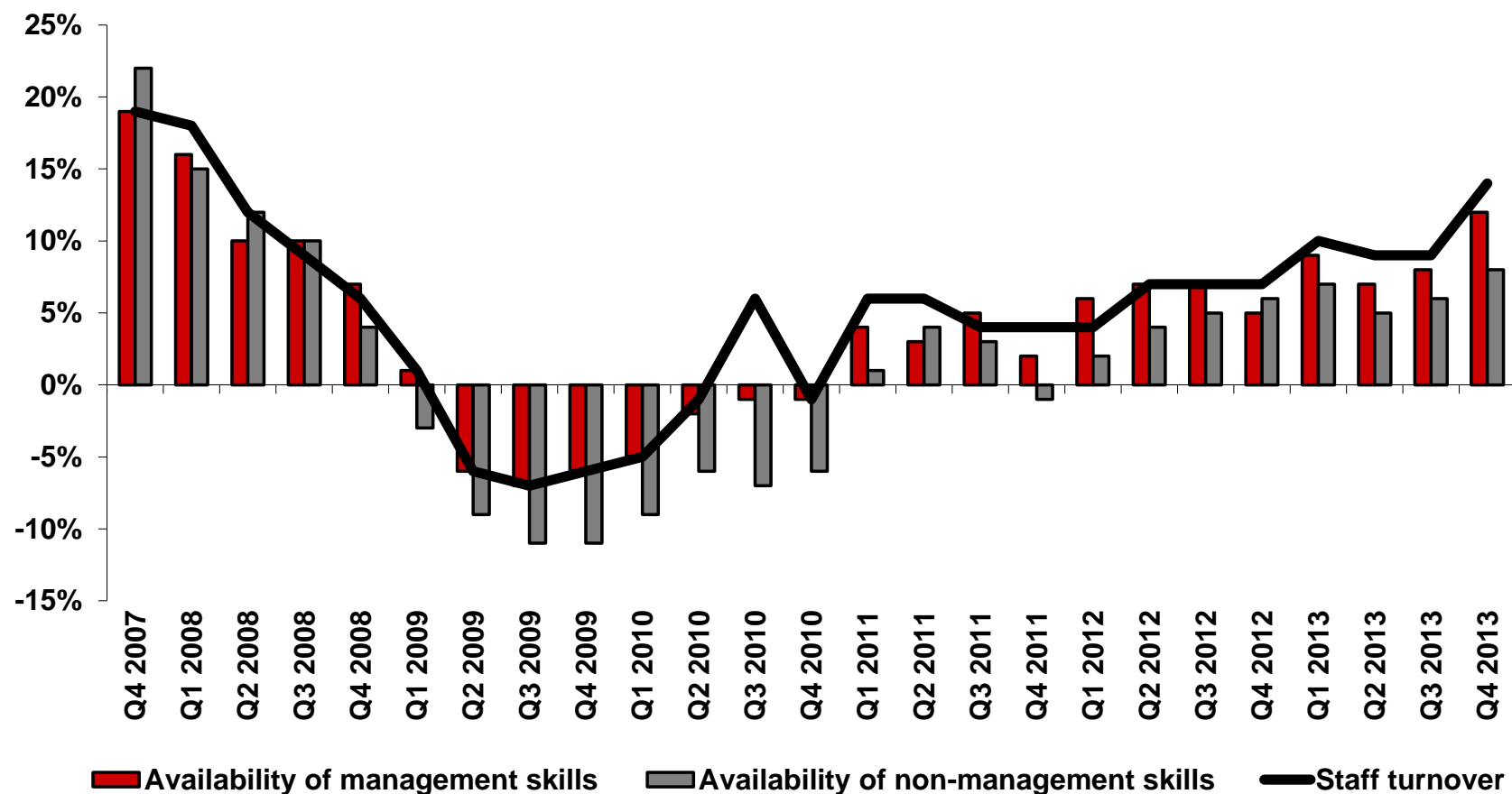
FTSE 350 companies expected to stop shedding jobs

Employment, annual percentage change



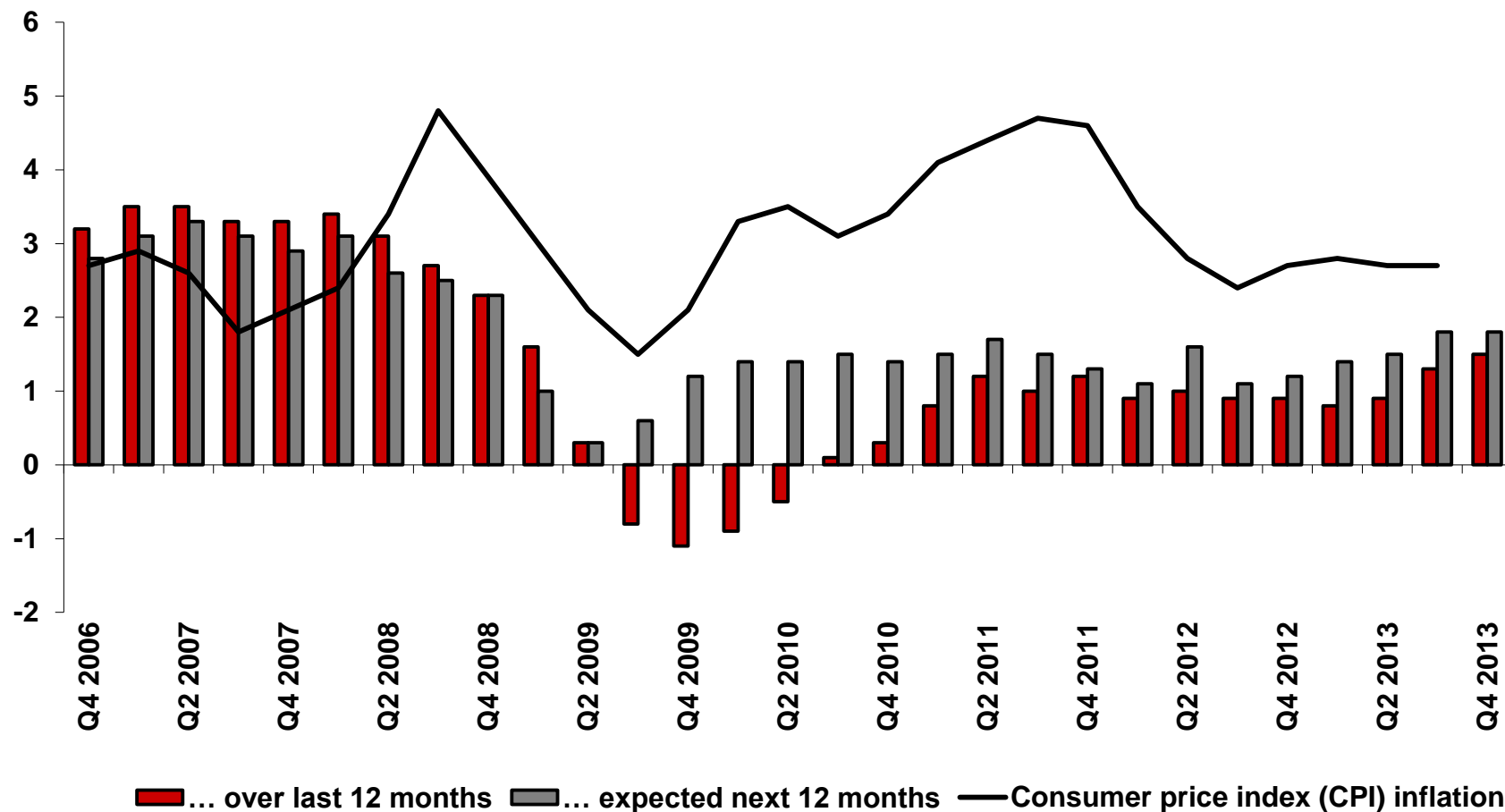
Staff turnover and skill availability becoming more of an issue as the economy recovers

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



Salary growth remains weak and below consumer price inflation

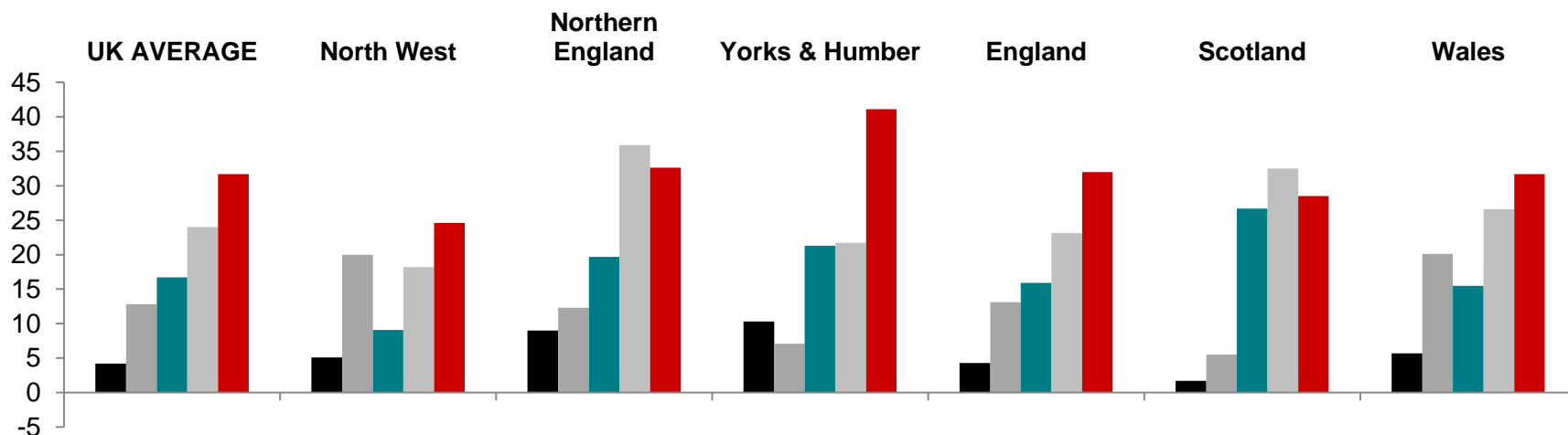
Average total salary, annual percentage change



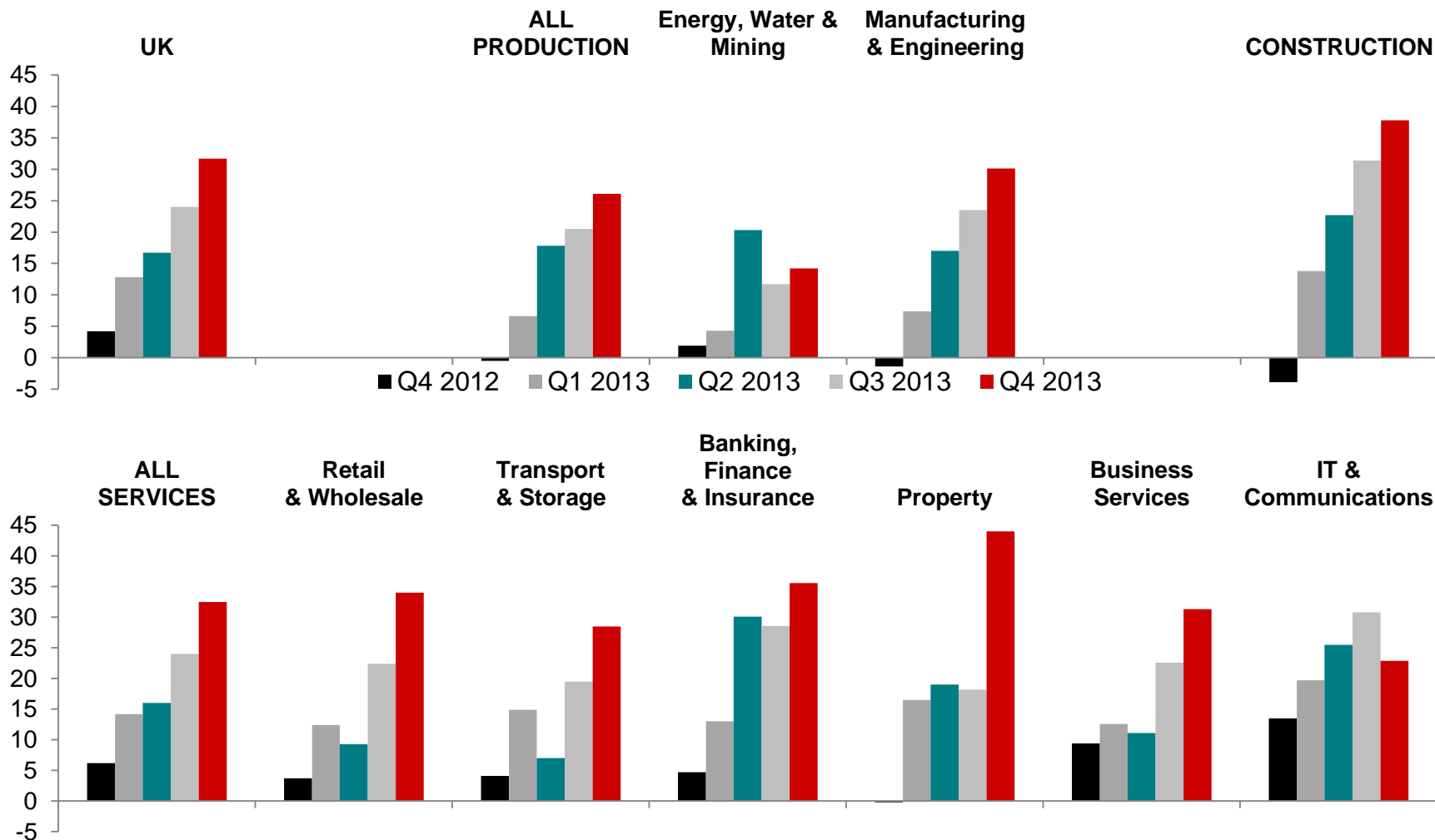
Outline

- Regional & sector stories

Trend of Business Confidence by Region

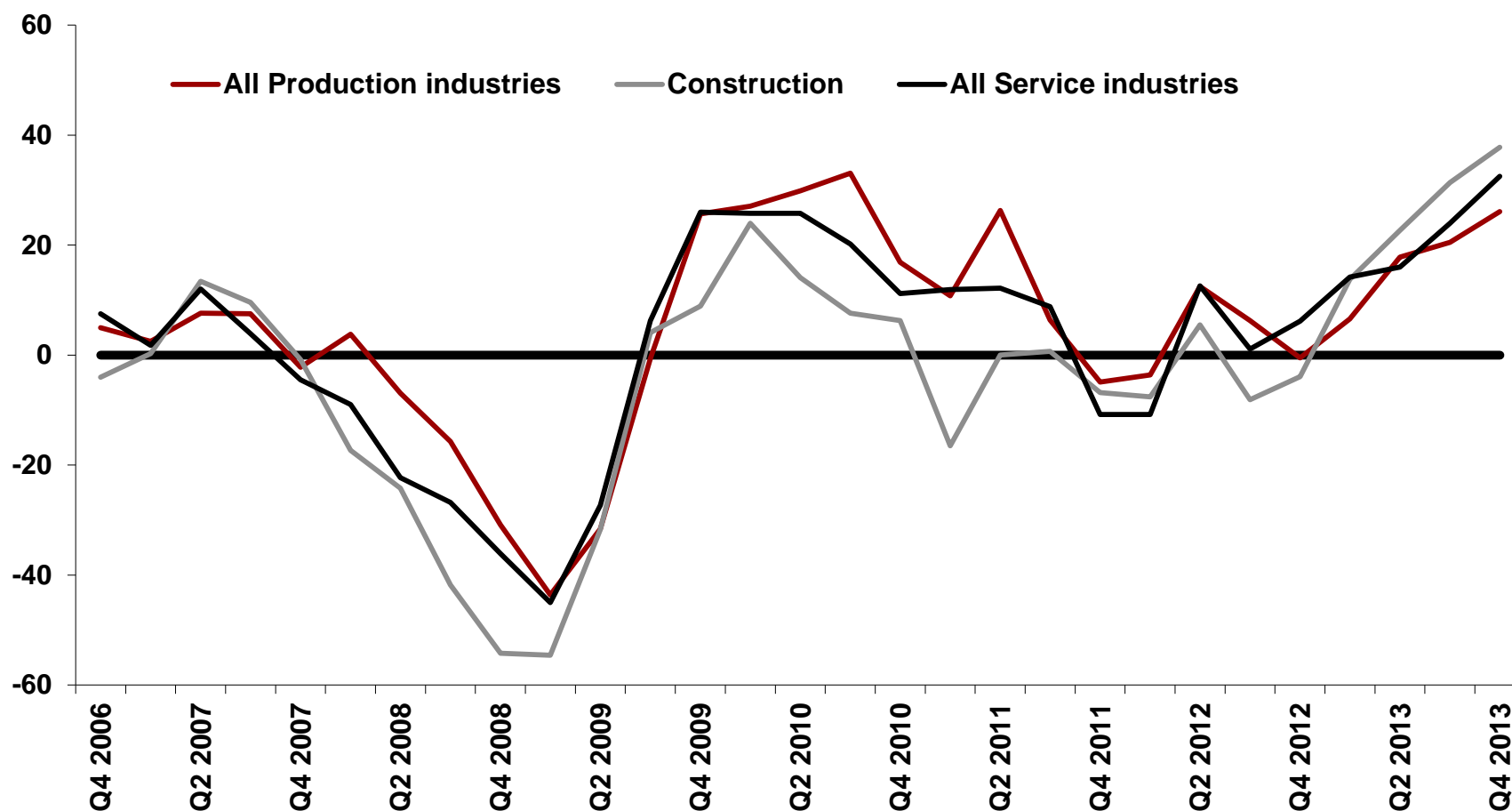


Trend of Business Confidence by Sector

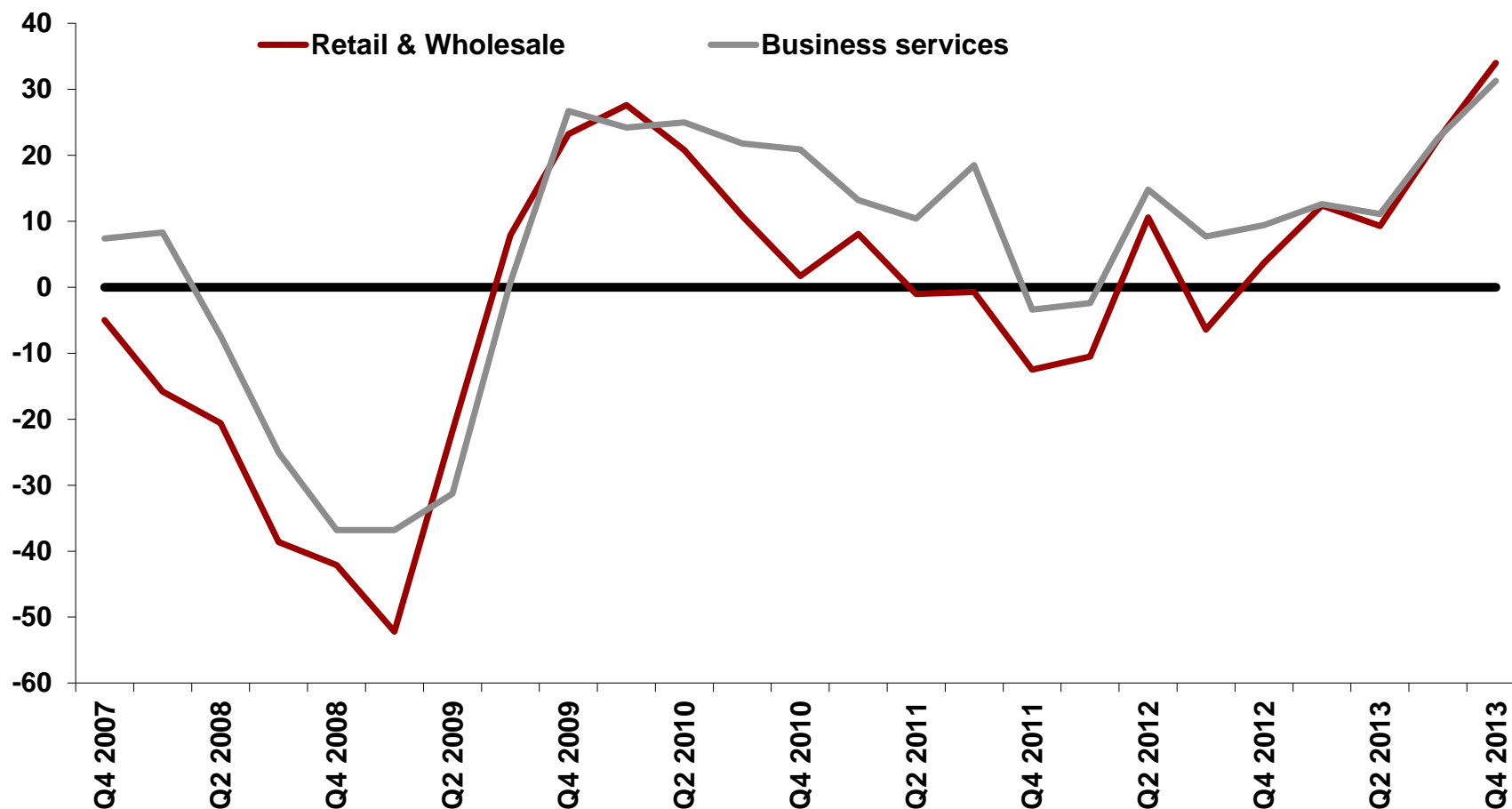


A broad-based recovery

ICAEW / Grant Thornton Business Confidence Index – construction sector

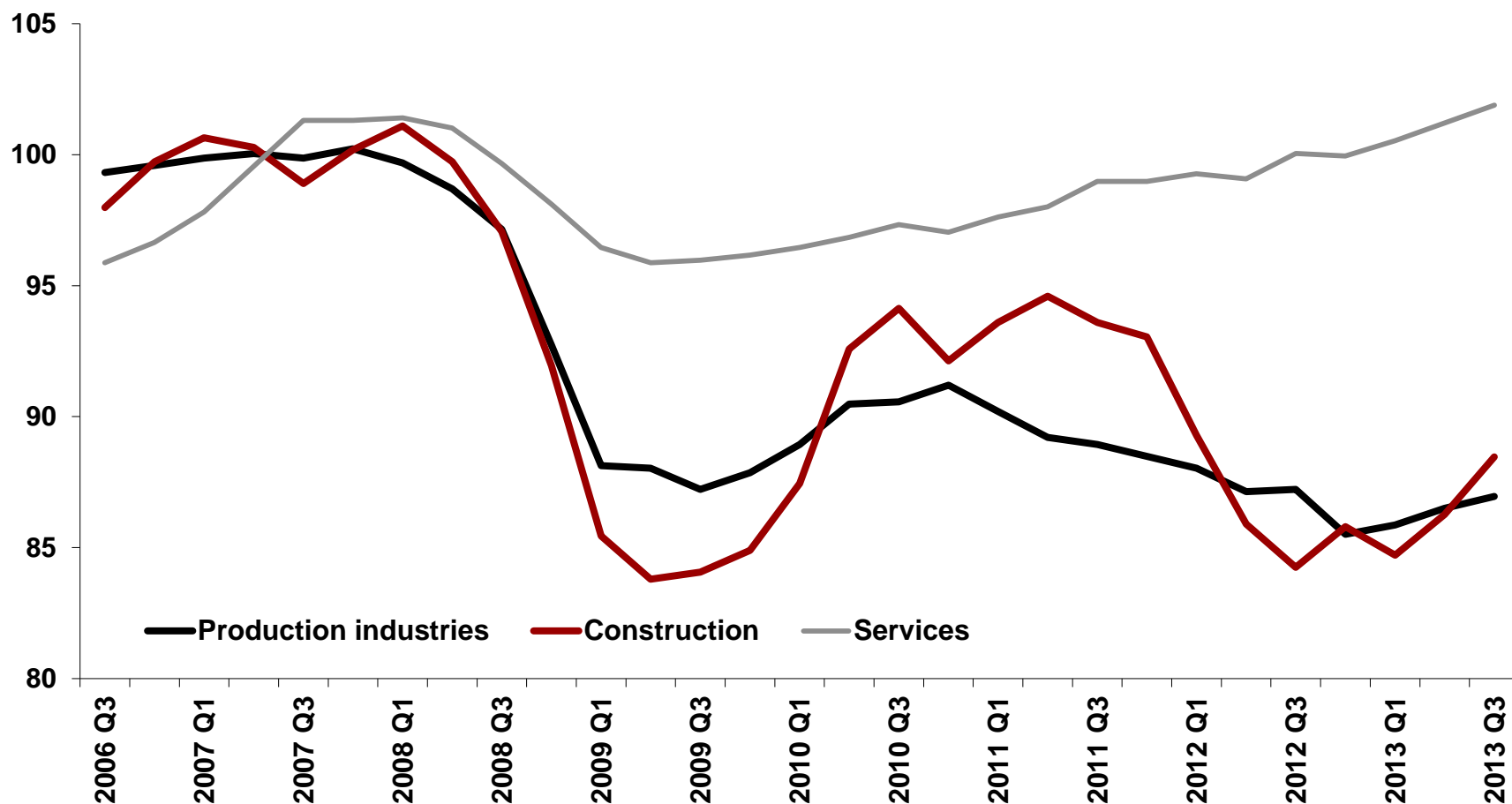


Confidence of retail & wholesale firms now keeping pace with business services

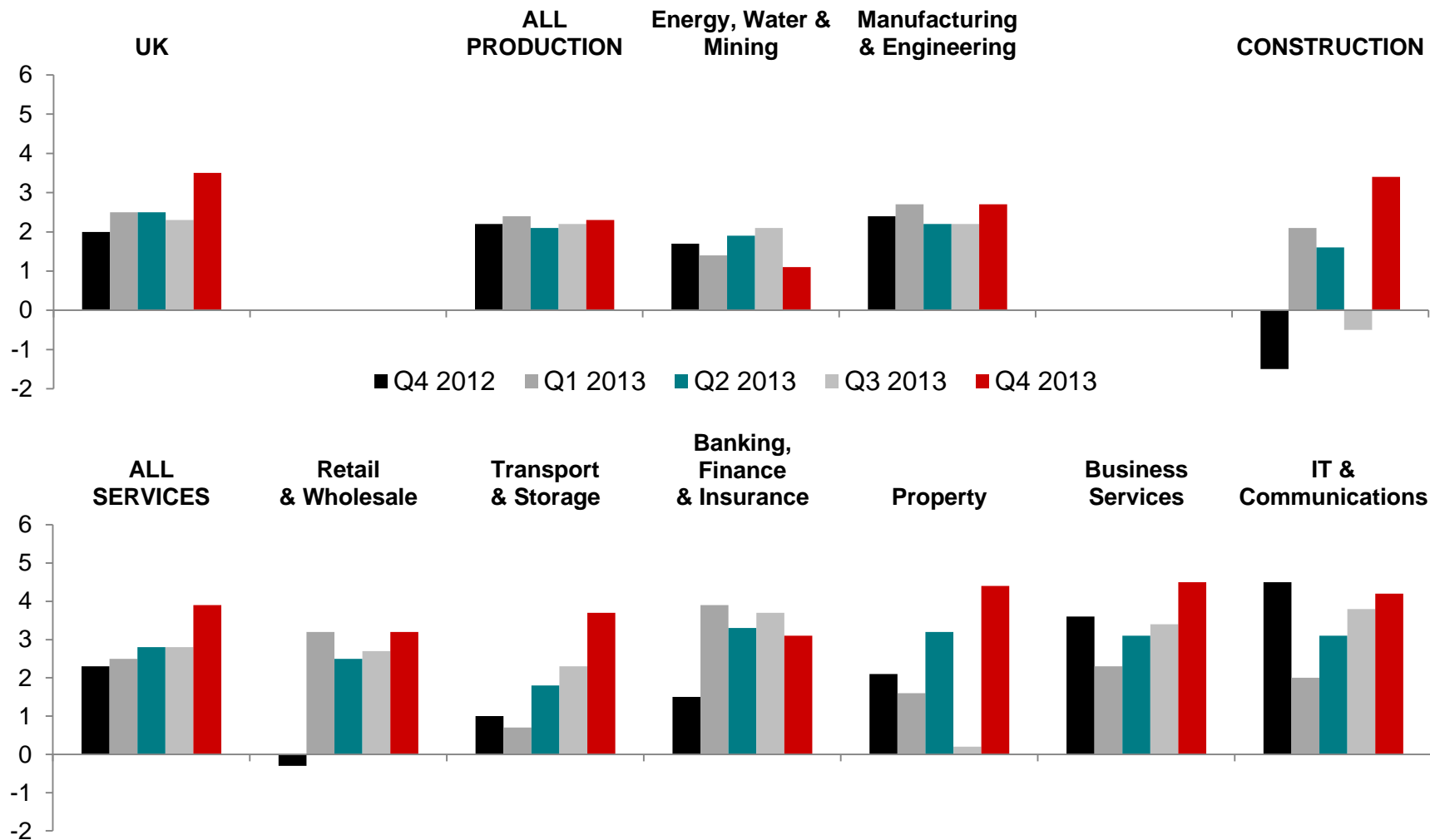


Services sector output is now past its pre-crisis peak

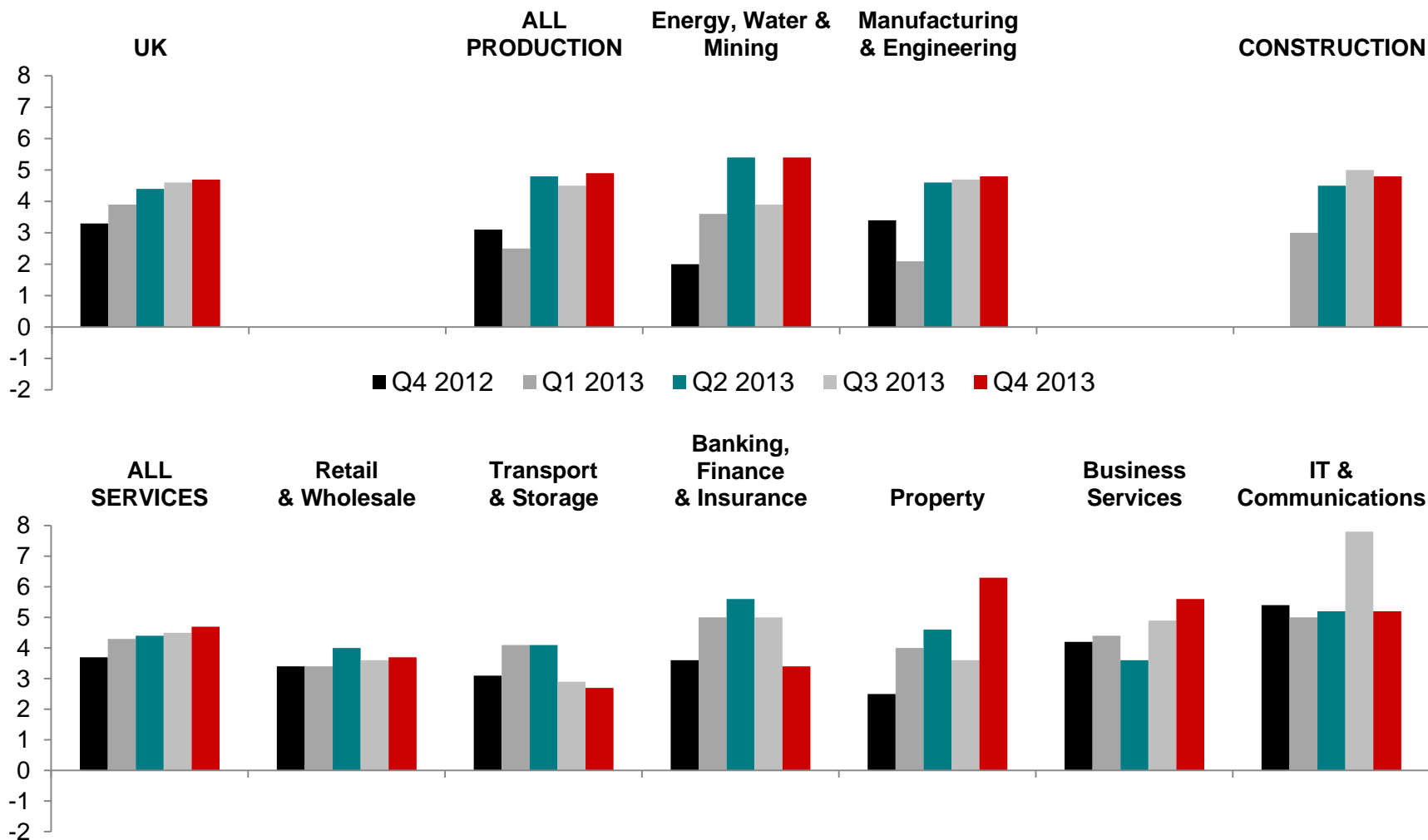
ONS index of economic output, by sector, 2007 = 100



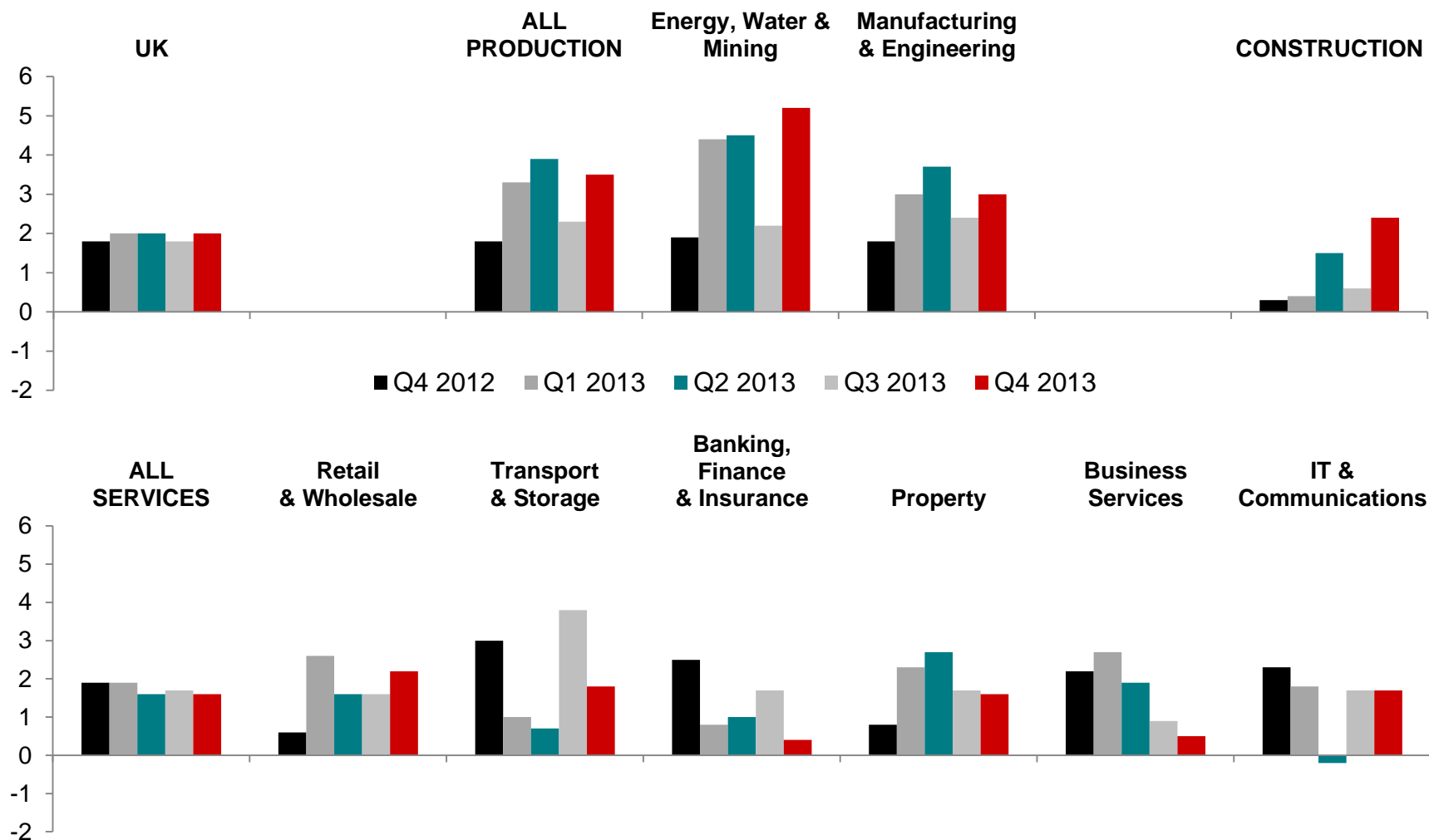
Profit growth – *last 12 months*



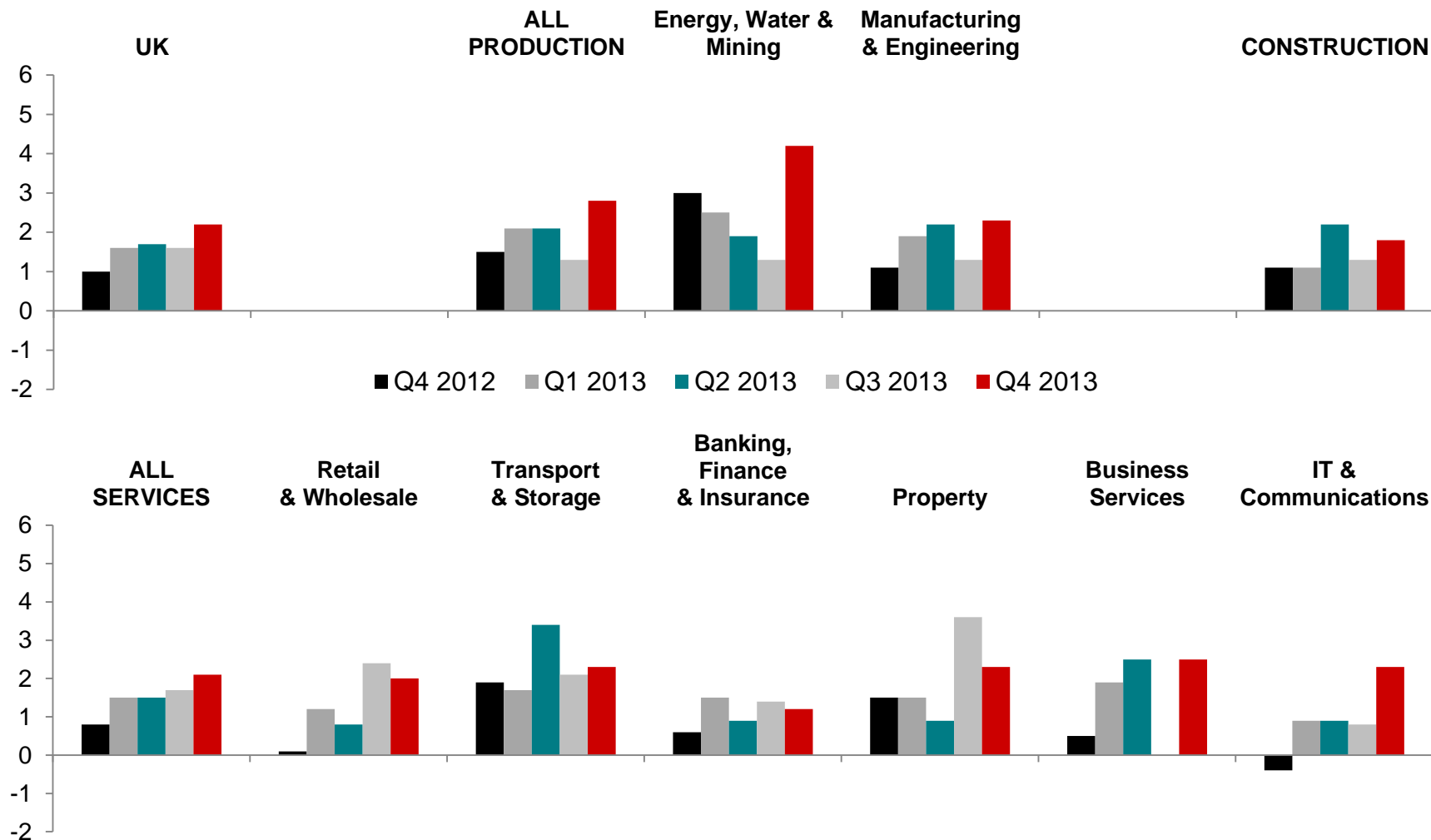
Profit growth – *next 12 months*



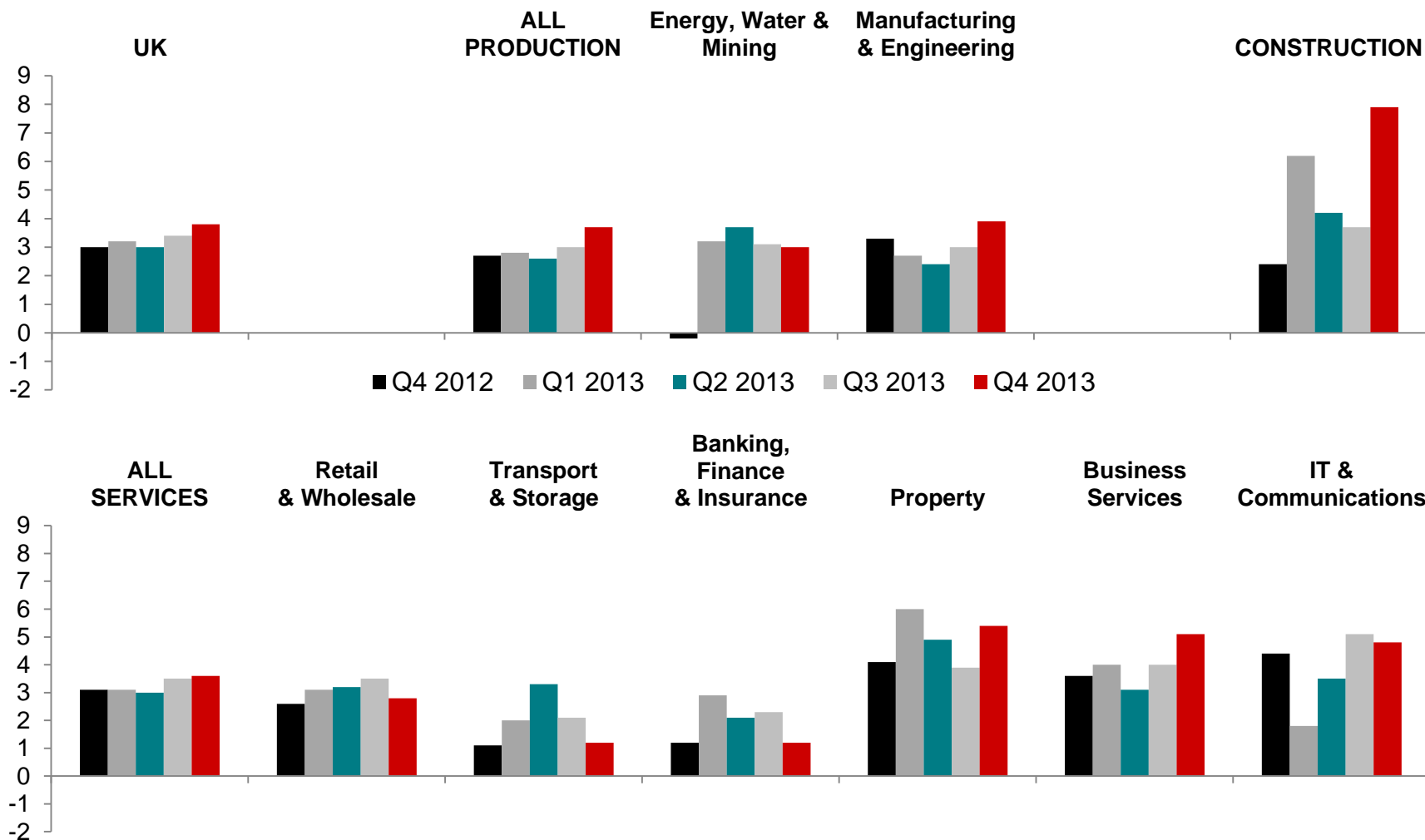
Capital investment growth – *last 12 months*



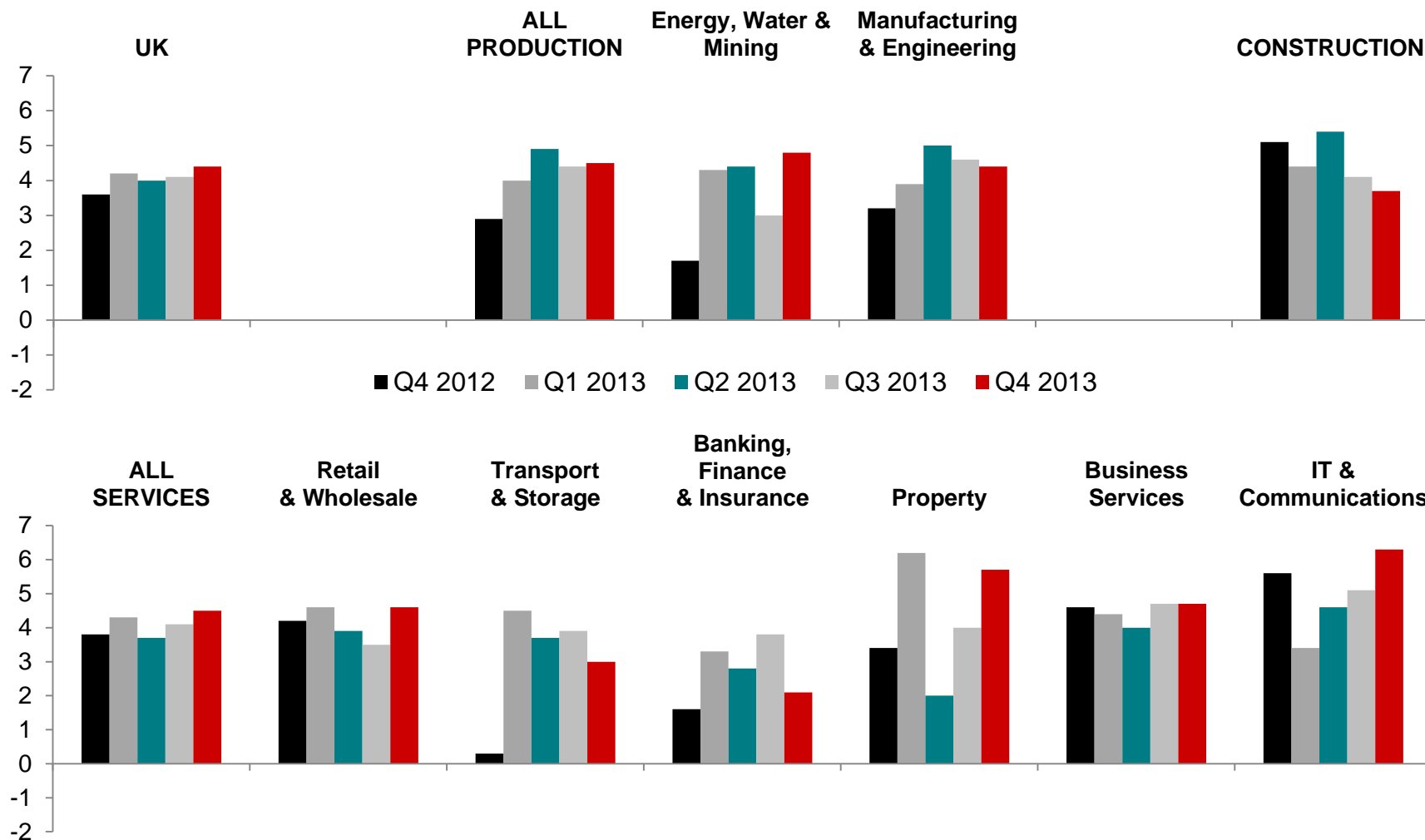
Capital investment growth – *next 12 months*



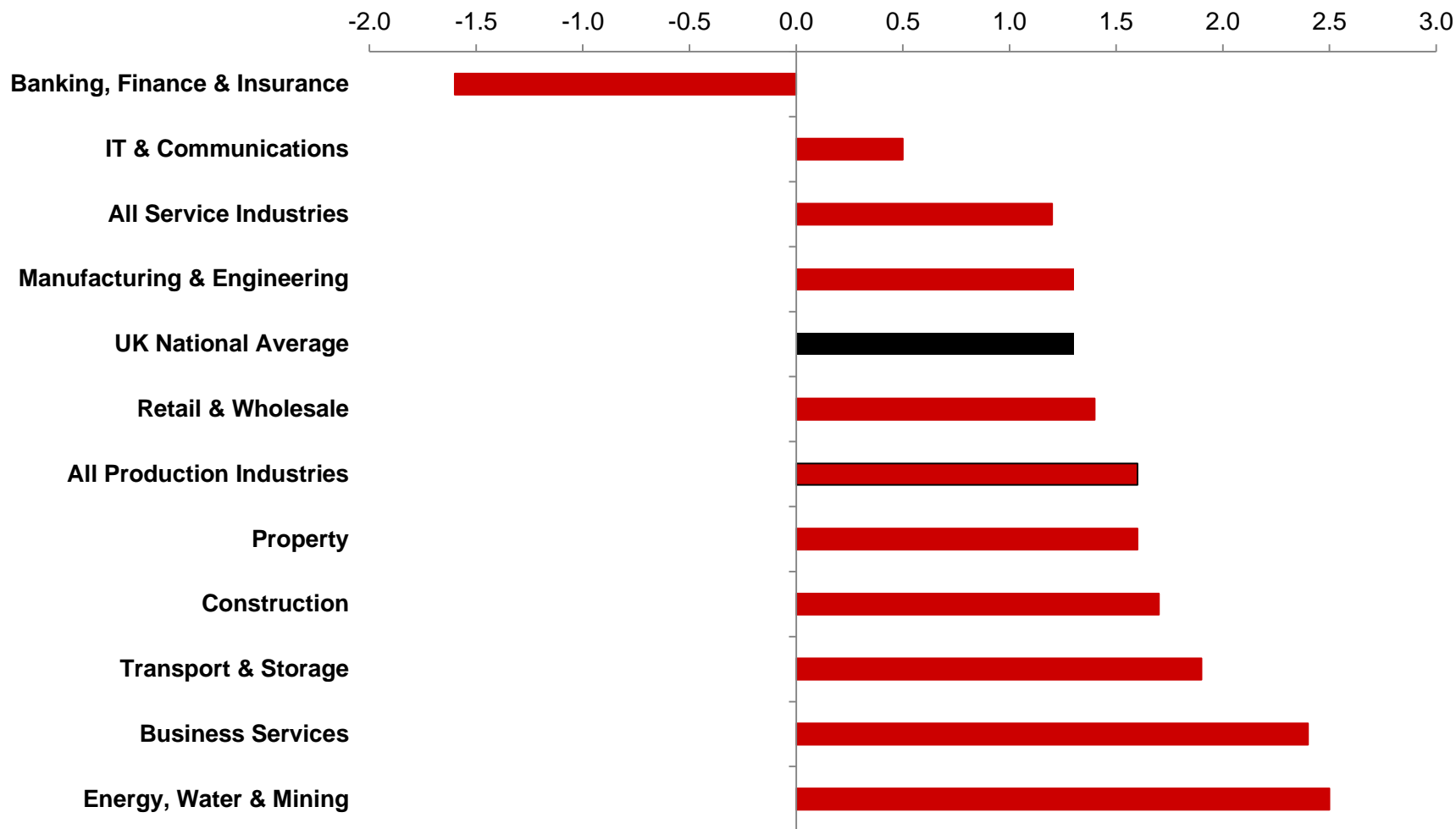
Export growth – *last 12 months*



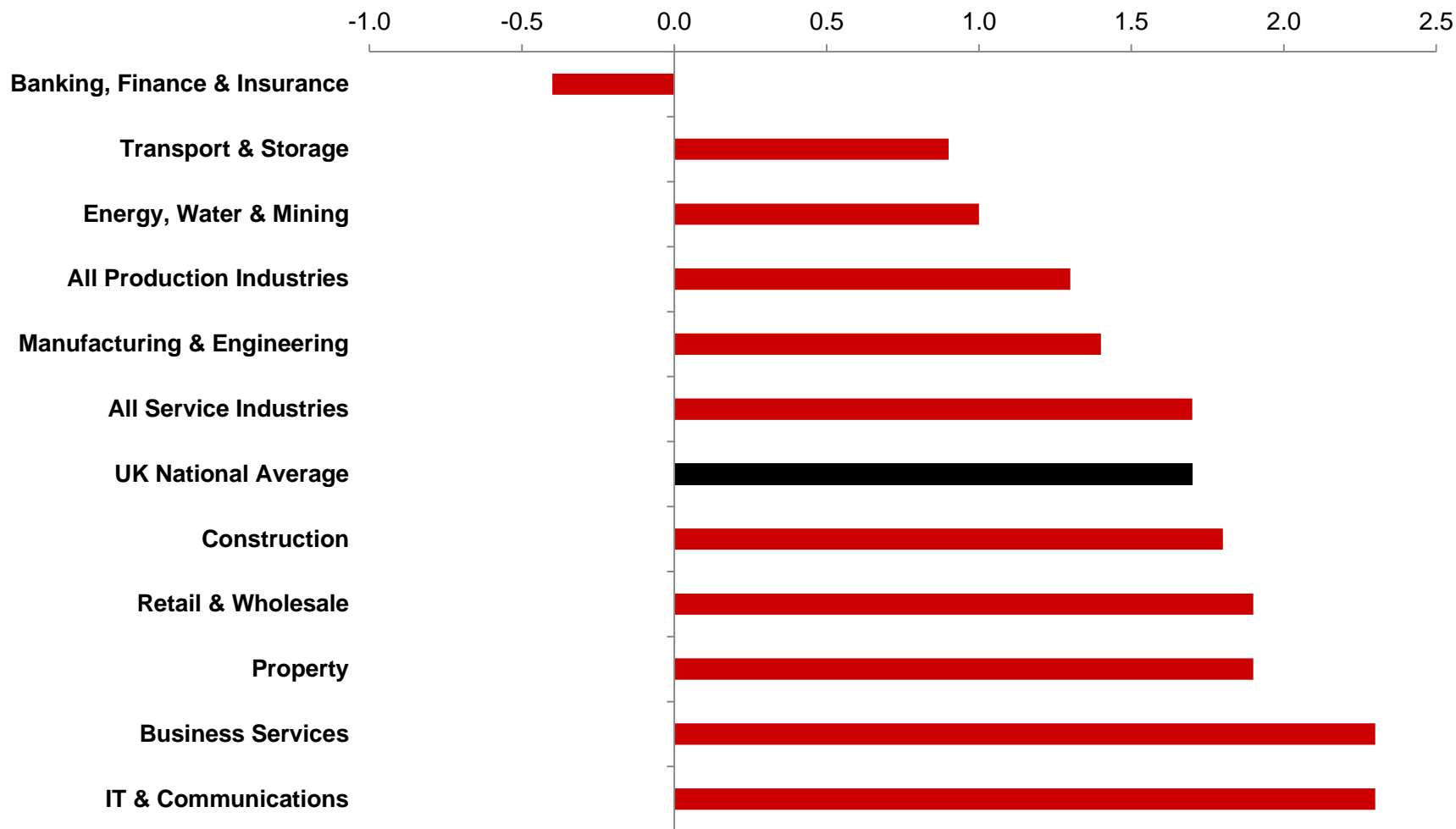
Export growth – *next 12 months*



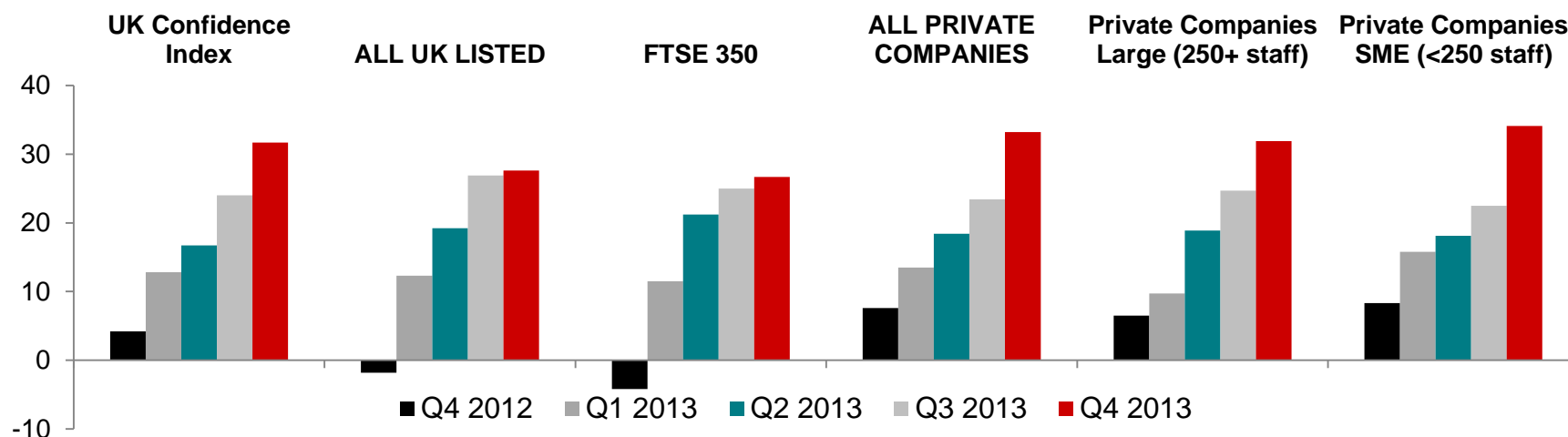
Employee growth – last 12 months



Employee growth – next 12 months



Trend of Business Confidence by Company Type



Conclusions

- Business confidence continued to rise in Q4 2013, suggesting that the economic recovery is gaining further momentum.
- Confidence has now increased for five consecutive quarters.
- Financial performance indicators such as reported turnover and profit growth have picked up and are expected to grow faster over the next 12 months.
- Tentative signs are emerging that businesses are becoming more inclined to invest.
- Pay restraint remains the order of the day, with expected growth in employee earnings standing below current rates of consumer price inflation.
- Confidence has increased across all three main broad industry sectors – Construction, Production Industries and Services.



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