



UK BUSINESS CONFIDENCE MONITOR REPORT

Q4 2010

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TECHNICAL INFORMATION

This research was conducted by ICAEW with assistance from centre for economics and business research (cebr) and Kudos Research.

During the period 28 July–21 October 2010, 1000 ICAEW members active in business in the UK were interviewed by telephone. The interviews typically lasted 12–15 minutes and gathered opinions on past performance and future prospects for members' businesses, as well as investigating perceived changes in impact of factors such as availability of skills, government regulation and the tax regime.

Data has been weighted to ensure the profile of the survey sample accurately represents the UK economy (by value) for company size (no. of employees), regional location and industry sector.

BUSINESS CONFIDENCE INDEX METHODOLOGY

The Business Confidence Index is calculated from the responses to the following:

'Overall, how would you describe your confidence in the economic prospects facing your business over the next 12 months, compared to the previous 12 months?'

A score was applied to each response as shown to the right, and an average score calculated.

Using this method, a Confidence Index of +100 would indicate that all survey respondents were much more confident about future prospects, while -100 would indicate that all survey respondents were much less confident about future prospects.

Further technical details on the design of the survey are available upon request.

Variable	Score
Much more confident	+100
Slightly more confident	+50
As confident	0
Slightly less confident	-50
Much less confident	-100

WEIGHTING APPROACH

Those who completed the survey (both current and historic data) were categorised by regional location, company size (no. of employees) and industry sector.

Rim weighting was applied to ensure the profile of the sample accurately represents the UK Economy. Weighting factors applied to this quarter's data are detailed below. Target weights for sector and region were derived from Office of National Statistics published data on GVA (Gross Value Added) 2006. Weights for company size are based on turnover data for start 2007 published by the Small Business Analytical Unit of the Department for Business, Innovation and Skills. (Previous quarters were weighted to most up-to-date sources available at the time which were not materially different.)

	Sample number	Profile unweighted sample	Profile weighted sample
	Number	%	%
REGION	Total > 1000		
London	160	16	19
South East (excluding London)	143	14	16
South West	78	8	8
East England	88	9	10
East Midlands	71	7	7
West Midlands	74	7	8
North West	96	10	10
Northern England	73	7	3
Yorks & Humber	81	8	7
England TOTAL	864	86	88
Scotland	69	7	8
Wales	65	7	4
Northern Ireland	2	0	0

CONT'D...

Weighted figures may not sum to 100% due to rounding

	Sample number	Profile unweighted sample	Profile weighted sample
	Number	%	%
SIZE (EMPLOYEES)	Total > 1000		
Micro (<10)	100	10	11
Small (10-49)	198	20	21
Medium (50-249)	199	20	15
Large (250+)	503	50	53
SECTOR	Total > 1000		
Total Primary	68	7	3
Manufacturing & Engineering	167	17	16
Construction	71	7	8
Retail & Wholesale	141	14	14
Hotels & Catering	9	1	4
Transport & Storage	58	6	5
Communications	23	2	3
IT	29	3	3
Banking, Finance & Insurance	113	11	9
Property	92	9	12
Business services	124	12	13
Other service activities	78	8	6
Health & Education	27	3	4

Weighted figures may not sum to 100% due to rounding

COVERAGE OF REGIONAL ECONOMIC ACTIVITY

Analysis shows the data which forms the basis of the BCM Business Confidence Index covers a significant proportion of UK economic activity both for the UK as a whole, and for the different UK regions. This assures that our data is accurately capturing the mood of UK business.

The table below shows our estimate of the proportion of economic activity which is represented by the businesses interviewed in BCM each quarter. (Further detail on the technical approach taken is available on request.)

REGION	Coverage of economic activity (Gross Value Add)
	%
London	1.0
South East (excluding London)	1.3
South West	1.4
East England	1.3
East Midlands	1.5
West Midlands	1.3
North West	1.4
North East	3.0
Yorks & Humber	1.5
Scotland	1.1
Wales	2.4
UK	1.3

DETAILED RESULTS

TABLE 1 SUMMARY OF BUSINESS CONFIDENCE INDEX BY SECTOR

Base: All respondents

	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q4 2010	
						Change from last quarter	Difference from UK average
UK AVERAGE	24.6	25.8	25.5	21.5	11.9	-9.6	
All production industries	25.7	27.1	29.9	33.1	16.9	-16.2	5.0
Energy, Water & Mining	19.2	28.8	29.0	22.7	19.1	-3.6	7.2
Manufacturing & Engineering	26.7	26.8	30.1	34.6	16.5	-18.1	4.6
Construction	8.9	24.0	14.1	7.6	6.3	-1.3	-5.6
All service industries	27.0	26.8	25.6	22.3	10.9	-11.4	-1.0
Banking, Finance & Insurance	37.6	32.4	32.0	21.7	26.4	4.7	14.5
Property	24.9	19.0	24.9	25.0	8.3	-16.7	-3.6
Business services	26.7	24.2	25.0	21.8	20.9	-0.9	9.0
Retail & Wholesale	23.2	27.6	20.8	10.8	1.7	-9.1	-10.2
Transport, storage and communications	19.0	31.6	23.8	36.7	14.1		

Q. Overall, how would you describe your confidence in the economic prospects facing your organisation over the next 12 months, compared to the previous 12 months?

See 'Technical Information' for details of how the BCM Confidence Index is calculated

TABLE 2 SUMMARY OF BUSINESS CONFIDENCE INDEX BY REGION

Base: All respondents

	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q4 2010	
						Change from last quarter	Difference from UK average
UK AVERAGE	24.6	25.8	25.5	21.5	11.9	-9.6	
England	23.8	25.5	25.1	20.1	10.9	-9.2	-1.0
London	25.6	28.2	28.1	25.9	17.5	-8.4	5.6
South East (excluding London)	24.0	24.3	29.8	9.7	2.3	-7.4	-9.6
South West	22.0	19.3	14.4	22.0	12.4	-9.6	0.5
East England	31.2	33.3	27.6	23.9	10.6	-13.3	-1.3
East Midlands	22.3	14.0	25.3	23.8	8.2	-15.6	-3.7
West Midlands	22.3	26.7	27.7	23.0	11.6	-11.4	-0.3
North West	21.9	24.3	14.4	18.9	18.1	-0.8	6.2
Northern England	28.6	27.2	28.0	5.5	8.8	3.3	-3.1
Yorks & Humber	14.4	27.9	25.7	22.0	3.4	-18.6	-8.5
Scotland	35.2	27.5	30.6	35.6	25.8	-9.8	13.9
Wales	17.7	28.7	25.6	22.4	6.3	-16.1	-5.6

TABLE 3 SUMMARY OF BUSINESS CONFIDENCE INDEX BY COMPANY SIZE

Base: All respondents

UK AVERAGE	24.6	25.8	25.5	21.5	11.9	-9.6	
UK Listed companies	26.1	27.3	29.3	23.2	19.5	-3.7	7.6
FTSE 100/250	25.2	28.3	27.5	24.0	20.0	-4.0	8.1
Private companies - ALL	24.5	25.3	23.5	19.4	9.8	-9.6	-2.1
Large private companies	24.9	24.6	20.2	21.6	4.9	-16.7	-7.0
Private companies - SME	24.3	25.6	25.3	18.2	12.5	-5.7	0.6

Q. Overall, how would you describe your confidence in the economic prospects facing your organisation over the next 12 months, compared to the previous 12 months?

See 'Technical Information' for details of how the BCM Confidence Index is calculated

TABLE 4 FINANCIAL PERFORMANCE INDICATORS

Base: All respondents

Average % Change	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	TRACTION *	
						Q3 2010	Q4 2010
Turnover							
Versus last 12 months	-1.7	-1.3	-0.4	1.6	2.2		
Expected next 12 months	4.1	4.3	5.4	4.9	3.5	3.3	1.3
Gross profits							
Versus last 12 months	-2.0	-2.1	-0.1	1.7	2.2		
Expected next 12 months	3.9	4.0	4.8	4.4	3.3	2.7	1.1
Sales (Volumes)							
Versus last 12 months	-2.1	-1.7	-0.4	1.3	2.0		
Expected next 12 months	4.0	4.2	5.4	4.7	3.6	3.4	1.6
Prices							
Versus last 12 months	-0.3	-0.5	-0.5	0.3	0.2		
Expected next 12 months	0.6	0.7	0.8	0.9	0.8	0.6	0.6
Input Prices							
Versus last 12 months	0.8	0.9	0.9	1.0	1.6		
Expected next 12 months	0.7	1.1	1.2	1.4	1.4	0.4	-0.2
Average Basic Salary							
Versus last 12 months	0.5	0.4	0.4	0.7	1.1		
Expected next 12 months	1.1	1.3	1.2	1.5	1.6	0.8	0.5
Average Total Salary							
Versus last 12 months	-1.1	-0.9	-0.5	0.1	0.3		
Expected next 12 months	1.2	1.4	1.4	1.5	1.4	1.4	1.1
Exports							
Versus last 12 months	0.8	1.0	1.3	2.2	3.3		
Expected next 12 months	3.3	4.1	3.8	4.3	4.3	2.1	1.0
Inputs from Abroad							
Versus last 12 months	0.3	1.1	0.9	1.5	1.7		
Expected next 12 months	1.9	1.9	2.0	2.3	2.0	0.8	0.3

KEY:


HIGH



LOW

TABLE 4 FINANCIAL PERFORMANCE INDICATORS (CONT'D)

Base: All respondents

Average % Change	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	TRACTION *	
						Q3 2010	Q4 2010
Capital Investments							
Versus last 12 months	-1.2	-1.2	-0.8	0.0	0.7		
Expected next 12 months	1.6	1.8	1.3	2.0	1.6	2.0	0.9
Number of Employees							
Versus last 12 months	-2.2	-2.1	-2.0	-1.3	-0.4		
Expected next 12 months	0.8	0.9	1.1	1.1	1.2	2.4	1.6
Staff Development Budget							
Versus last 12 months	-1.4	-1.1	-0.8	-0.8	-0.1		
Expected next 12 months	1.0	1.1	1.2	1.2	1.2	2.0	1.3
Research and Development Budget							
Versus last 12 months	0.6	0.7	1.4	0.8	1.6		
Expected next 12 months	1.2	1.1	1.3	1.4	1.6	0.6	0.0
Domestic Sales							
Versus last 12 months	-1.1	-1.0	-0.1	1.3	1.6		
Expected next 12 months	3.9	4.1	4.9	4.2	3.2	2.9	1.6

Q. Thinking about the last 12 months, how have each of the following changed for your organisation:

Q. Thinking about the coming 12 months, what will be the probable change for your organisation for each of the following:

* Traction = expected change next 12 months less reported change last 12 months. Positive score indicates expected positive change in growth. Negative score indicates expected negative change in growth.

KEY:



TABLE 5 FACTORS AFFECTING BUSINESS PERFORMANCE

Base: All respondents

	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010
% Greater Challenge	%	%	%	%	%
Regulatory requirements	41	41	48	42	44
Customer demand	45	37	30	21	33
Late payment from customers	36	25	35	21	39
Your access to capital	36	32	19	28	26
Competition in the marketplace	26	31	16	31	25
Tax burden	22	29	23	16	26
Bank charges	24	29	11	19	22
Transport problems	7	19	14	21	17
Your ability to expand into new areas	23	12	14	17	11
Non-transport infrastructure problems *	13	20	7	6	2
Staff turnover	10	8	7	15	4
Availability of nonmanagement skills	7	5	8	14	6
Government support for business	12	7	2	10	9
Availability of management skills	8	4	10	9	7

* e.g. postal services, communication services, etc

Q Has the impact of _____ - [FACTOR] on your organisation's performance changed, compared to 12 months ago?

Q Has _____ [FACTOR] become a greater or lesser challenge to your organisation's performance?

KEY:



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