



UK BUSINESS CONFIDENCE MONITOR REPORT

Q4 2013

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TECHNICAL INFORMATION

The ICAEW/Grant Thornton UK Business Confidence Monitor (BCM) is conducted by ICAEW with assistance from Centre for Economics and Business Research (Cebr) and Kudos Research.

Reports are based on data drawn from a continuous research programme consisting of approximately 4,000 telephone interviews each year with ICAEW members working in industry and commerce. The interviews typically last 12–15 minutes and gather opinions on past performance and future prospects for members' businesses and investigate perceived changes in the impact of factors such as availability of skills, government regulation and the tax regime.

Each quarter the latest 1,000 interviews are aggregated to produce the new quarterly dataset which measures the current views of members. The current dataset is based on interviewing conducted during the period 30 July – 30 October 2013.

Data are weighted to ensure the profile of each quarter's 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 interviewed in the survey are categorised by regional location, company size (no. of employees) and industry sector.

Rim weighting has been applied to ensure the profile of each quarter's sample accurately represents the UK economy. Weighting factors applied to this quarter's data are detailed below. Target weights for sector and region are derived from Office of National Statistics published data on GVA (Gross Value Added) 2009. Weights for company size are based on turnover data for start 2011 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 ▶ 1,000		
London	175	18	20
South East (excl London)	142	14	16
South West	77	8	8
East of England	89	9	10
East Midlands	73	7	6
West Midlands	78	8	8
North West	103	10	10
Northern England	74	7	3
Yorks & Humber	75	8	7
England TOTAL	886	89	88
Scotland	59	6	9
Wales	54	5	4
Northern Ireland	1	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 ▶ 1,000		
Micro (<10)	130	13	13
Small (10-49)	194	19	17
Medium (50-249)	229	23	15
Large (250+)	447	45	55
SECTOR	Total ▶ 1,000		
Agriculture & fisheries	19	2	1
Energy, Water & Mining	50	5	4
Manufacturing & Engineering	130	13	12
Construction	66	7	9
Retail & Wholesale	121	12	13
Transport & Storage	66	7	6
IT & Communications	81	8	8
Banking, Finance & Insurance	141	14	12
Property	66	7	9
Business Services	128	13	15
Consumer Service Activities*	132	13	12

Weighted figures may not sum to 100% due to rounding

* = Hotels & Catering, Health & Education and Other Service Activities

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	1.1
South East (excluding London)	1.3
South West	1.3
East of England	1.4
East Midlands	1.6
West Midlands	1.4
North West	1.5
Northern England	3.1
Yorks & Humber	1.5
Scotland	1.0
Wales	2.0
UK	1.2

DETAILED RESULTS

TABLE 1 SUMMARY OF BUSINESS CONFIDENCE INDEX BY SECTOR

Base: All respondents

	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q4 2013	
						Change from last quarter	Difference from UK average
UK AVERAGE	4.2	12.8	16.7	24.0	31.7	7.7	
All Production Industries	-0.5	6.6	17.8	20.5	26.1	5.6	-5.6
Energy, Water & Mining	1.9	4.3	20.3	11.7	14.2	2.5	-17.5
Manufacturing & Engineering	-1.4	7.4	17.0	23.5	30.1	6.6	-1.6
Construction	-3.9	13.8	22.7	31.4	37.8	6.4	6.1
All Service Industries	6.2	14.2	16.0	24.0	32.5	8.5	0.8
Retail & Wholesale	3.7	12.4	9.3	22.4	34.0	11.6	2.3
Transport & Storage	4.1	14.9	7.0	19.5	28.5	9.0	-3.2
IT & Communications	13.5	19.7	25.5	30.8	22.9	-7.9	-8.8
Banking, Finance & Insurance	4.7	13.0	30.1	28.6	35.6	7.0	3.9
Property	-0.2	16.5	19.0	18.2	44.0	25.8	12.3
Business Services	9.4	12.6	11.1	22.6	31.3	8.7	-0.4

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 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q4 2013	
						Change from last quarter	Difference from UK average
UK AVERAGE	4.2	12.8	16.7	24.0	31.7	7.7	
England	4.3	13.1	15.9	23.1	32.0	8.9	0.3
London	2.0	12.5	19.9	27.2	30.5	3.3	-1.2
South East (excl London)	-0.2	17.5	15.4	23.9	35.9	12.0	4.2
South West	7.6	8.2	15.0	21.7	38.8	17.1	7.1
East of England	6.7	15.7	15.6	20.1	25.9	5.8	-5.8
East Midlands	5.3	11.1	15.6	25.6	37.7	12.1	6.0
West Midlands	4.3	6.5	10.4	16.1	23.7	7.6	-8.0
North West	5.1	20.0	9.1	18.2	24.6	6.4	-7.1
Northern England	9.0	12.3	19.7	35.9	32.6	-3.3	0.9
Yorks & Humber	10.3	7.1	21.3	21.7	41.1	19.4	9.4
Scotland	1.7	5.5	26.7	32.5	28.5	-4.0	-3.2
Wales	5.7	20.1	15.5	26.6	31.7	5.1	0.0

TABLE 3 SUMMARY OF BUSINESS CONFIDENCE INDEX BY COMPANY TYPE

Base: All respondents

UK AVERAGE	4.2	12.8	16.7	24.0	31.7	7.7	
All UK Listed	-1.8	12.3	19.2	26.9	27.6	0.7	-4.1
FTSE 350	-4.2	11.5	21.2	25.0	26.7	1.7	-5.0
All Private Companies	7.6	13.5	18.4	23.4	33.2	9.8	1.5
Private Companies – Large	6.5	9.7	18.9	24.7	31.9	7.2	0.2
Private Companies – SME	8.3	15.8	18.1	22.5	34.1	11.6	2.4

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 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	TRACTION *	
						Q3 2013	Q43 2013
Turnover							
Versus last 12 months	2.6	3.3	3.2	3.2	4.2		
Expected next 12 months	3.7	4.6	4.8	4.9	5.4	1.7	1.2
Gross Profits							
Versus last 12 months	2.0	2.5	2.5	2.3	3.5		
Expected next 12 months	3.3	3.9	4.4	4.6	4.7	2.3	1.2
Sales (Volumes)							
Versus last 12 months	2.6	3.1	2.7	2.9	4.1		
Expected next 12 months	3.6	4.5	4.7	4.8	5.1	1.9	1.0
Prices							
Versus last 12 months	0.4	0.8	0.7	0.6	1.0		
Expected next 12 months	0.9	0.9	1.0	0.8	1.1	0.2	0.1
Input Prices							
Versus last 12 months	1.7	1.8	1.8	1.8	1.8		
Expected next 12 months	1.4	1.6	1.5	1.4	1.4	-0.4	-0.4
Average Basic Salary							
Versus last 12 months	1.6	1.6	1.6	1.7	1.7		
Expected next 12 months	1.6	1.7	1.6	1.7	1.9	0.0	0.2
Average Total Salary							
Versus last 12 months	0.9	0.8	0.9	1.3	1.5		
Expected next 12 months	1.2	1.4	1.5	1.8	1.8	0.5	0.3
Exports							
Versus last 12 months	3.0	3.2	3.0	3.4	3.8		
Expected next 12 months	3.6	4.2	4.0	4.1	4.4	0.7	0.6
Inputs from Abroad							
Versus last 12 months	1.5	2.0	1.7	1.3	1.8		
Expected next 12 months	1.8	1.9	2.0	1.8	1.5	0.5	-0.3

KEY:


HIGH



LOW

TABLE 4 FINANCIAL PERFORMANCE INDICATORS (CONT'D)

Base: All respondents

Average % Change	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	TRACTION *	
						Q3 2013	Q4 2013
Capital Investments							
Versus last 12 months	1.8	2.0	2.0	1.8	2.0		
Expected next 12 months	1.0	1.6	1.7	1.6	2.2	-0.2	0.2
Number of Employees							
Versus last 12 months	0.5	1.0	0.9	1.0	1.3		
Expected next 12 months	0.9	1.5	1.3	1.6	1.7	0.6	0.4
Staff Development Budget							
Versus last 12 months	0.8	0.9	1.0	1.0	1.5		
Expected next 12 months	0.9	1.5	1.4	1.4	1.4	0.4	-0.1
Research and Development Budget							
Versus last 12 months	2.3	1.9	1.8	2.0	2.0		
Expected next 12 months	1.2	1.2	1.5	2.0	1.5	0.0	-0.5
Domestic Sales							
Versus last 12 months	2.3	3.0	2.5	2.5	3.6		
Expected next 12 months	3.1	3.9	4.0	4.3	4.7	1.8	1.1

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:



HIGH



LOW

TABLE 5 FACTORS AFFECTING BUSINESS PERFORMANCE

Base: All respondents

	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
% Greater Challenge	%	%	%	%	%
Competition in the marketplace	43	43	41	45	42
Regulatory requirements	40	38	41	41	41
Customer demand	47	44	41	41	34
Late payment from customers	27	22	22	24	21
Staff turnover	13	14	13	13	17
Availability of management skills	9	11	11	11	13
Your access to capital	20	17	16	13	13
Your ability to expand into new areas	17	15	11	16	12
Tax burden	15	14	14	12	12
Availability of non-management skills	11	10	10	9	11
Bank charges	15	11	10	12	11
Transport problems	13	12	12	9	8
Non-transport infrastructure problems*	7	7	5	6	6
Government support for business	8	10	7	7	6

* 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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