



# 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<br>number | Profile<br>unweighted<br>sample | Profile<br>weighted<br>sample |
|------------------------------|------------------|---------------------------------|-------------------------------|
|                              | <b>Number</b>    | <b>%</b>                        | <b>%</b>                      |
| <b>SIZE (EMPLOYEES)</b>      | 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                            |
| <b>SECTOR</b>                | 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<br>(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 |
| <b>UK AVERAGE</b>                | <b>4.2</b>  | <b>12.8</b> | <b>16.7</b> | <b>24.0</b> | <b>31.7</b> | <b>7.7</b>               |                            |
| <b>All Production Industries</b> | <b>-0.5</b> | <b>6.6</b>  | <b>17.8</b> | <b>20.5</b> | <b>26.1</b> | <b>5.6</b>               | <b>-5.6</b>                |
| 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                       |
| <b>Construction</b>              | <b>-3.9</b> | <b>13.8</b> | <b>22.7</b> | <b>31.4</b> | <b>37.8</b> | <b>6.4</b>               | <b>6.1</b>                 |
| <b>All Service Industries</b>    | <b>6.2</b>  | <b>14.2</b> | <b>16.0</b> | <b>24.0</b> | <b>32.5</b> | <b>8.5</b>               | <b>0.8</b>                 |
| 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 |
| <b>UK AVERAGE</b>        | <b>4.2</b> | <b>12.8</b> | <b>16.7</b> | <b>24.0</b> | <b>31.7</b> | <b>7.7</b>               |                            |
| <b>England</b>           | <b>4.3</b> | <b>13.1</b> | <b>15.9</b> | <b>23.1</b> | <b>32.0</b> | <b>8.9</b>               | <b>0.3</b>                 |
| 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                        |
| <b>Scotland</b>          | <b>1.7</b> | <b>5.5</b>  | <b>26.7</b> | <b>32.5</b> | <b>28.5</b> | <b>-4.0</b>              | <b>-3.2</b>                |
| <b>Wales</b>             | <b>5.7</b> | <b>20.1</b> | <b>15.5</b> | <b>26.6</b> | <b>31.7</b> | <b>5.1</b>               | <b>0.0</b>                 |

**TABLE 3 SUMMARY OF BUSINESS CONFIDENCE INDEX BY COMPANY TYPE**

Base: All respondents

|                              |             |             |             |             |             |            |             |
|------------------------------|-------------|-------------|-------------|-------------|-------------|------------|-------------|
| <b>UK AVERAGE</b>            | <b>4.2</b>  | <b>12.8</b> | <b>16.7</b> | <b>24.0</b> | <b>31.7</b> | <b>7.7</b> |             |
| <b>All UK Listed</b>         | <b>-1.8</b> | <b>12.3</b> | <b>19.2</b> | <b>26.9</b> | <b>27.6</b> | <b>0.7</b> | <b>-4.1</b> |
| FTSE 350                     | -4.2        | 11.5        | 21.2        | 25.0        | 26.7        | 1.7        | -5.0        |
| <b>All Private Companies</b> | <b>7.6</b>  | <b>13.5</b> | <b>18.4</b> | <b>23.4</b> | <b>33.2</b> | <b>9.8</b> | <b>1.5</b>  |
| 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

| Base: All respondents   |         |         |         |         |         | TRACTION * |          |
|-------------------------|---------|---------|---------|---------|---------|------------|----------|
| Average % Change        | Q4 2012 | Q1 2013 | Q2 2013 | Q3 2013 | Q4 2013 | 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

|                                 |         |         |         |         |         | TRACTION * |         |
|---------------------------------|---------|---------|---------|---------|---------|------------|---------|
| Average % Change                | Q4 2012 | Q1 2013 | Q2 2013 | Q3 2013 | Q4 2013 | 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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