



# UK BUSINESS CONFIDENCE MONITOR REPORT

## Q1 2010

### Appendices and Tables

#### TECHNICAL INFORMATION

Business confidence index methodology  
Weighting approach  
Coverage of regional economic activity

#### DETAILED RESULTS

Table 1: Summary of business confidence index by sector  
Table 2: Summary of business confidence index by region  
Table 3: Summary of business confidence index by company size  
Table 4: Financial performance indicators  
Table 5: Factors affecting business performance

# TECHNICAL INFORMATION

This research was conducted by The Institute of Chartered Accountants in England and Wales (ICAEW) with assistance from centre for economic and business research (cebr) and Kudos Research.

During the period 28 October 2009–21 January 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	%	%
<b>REGION</b>	Total ▶1000		
London	159	16	19
South East (excl London)	140	14	16
South West	80	8	8
East England	86	9	10
East Midlands	70	7	7
West Midlands	75	8	8
North West	99	10	10
Northern England	70	7	3
Yorks & Humber	80	8	7
Scotland	70	7	8
Wales	70	7	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
	<b>Number</b>	<b>%</b>	<b>%</b>
<b>SIZE (EMPLOYEES)</b>	Total ► 1000		
Micro (<10)	99	10	12
Small (10-49)	192	19	21
Medium (50-249)	224	22	15
Large (250+)	485	49	53
<b>SECTOR</b>	Total ► 1000		
Total Primary	73	7	3
Manufacturing & Engineering	161	16	16
Construction	70	7	8
Retail & Wholesale	139	14	14
Hotels & Catering	32	3	4
Transport & Storage	61	6	5
Communications	29	3	3
IT	36	4	3
Banking, Finance & Insurance	113	11	9
Property	95	10	12
Business services	112	11	13
Other service activities	54	5	6
Health & Education	25	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	2.9
Yorks & Humber	1.5
Scotland	1.1
Wales	2.6
UK	1.3

# DETAILED RESULTS

**TABLE 1 SUMMARY OF BUSINESS CONFIDENCE INDEX BY SECTOR**

Base: All respondents

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q1 2010	
						Change from last quarter	Difference from UK average
<b>UK AVERAGE</b>	<b>-45.3</b>	<b>-28.2</b>	<b>4.8</b>	<b>24.6</b>	<b>25.8</b>	<b>1.2</b>	
Primary	-35.4	-26.5	0.1	19.1	26.7	7.6	0.9
Manufacturing & Engineering	-45.0	-31.5	-1.1	26.7	26.8	0.1	1.0
Construction	-54.6	-31.7	4.1	8.9	24.0	15.1	-1.8
Retail & Wholesale	-52.2	-21.8	7.9	23.2	27.6	4.4	1.8
Hotels & Catering *†	-54.4	-48.7	-5.3	31.5	33.8	2.3	8.0
Transport & Storage	-52.6	-36.2	-3.2	12.8	27.2	14.4	1.4
IT *†	-31.5	-32.5	18.5	37.7	27.4	-10.3	1.6
Banking, Finance & Insurance	-46.0	-16.0	15.9	37.6	32.4	-5.2	6.6
Property	-58.1	-20.0	11.7	24.9	19.0	-5.9	-6.8
Business Services	-36.8	-31.3	0.8	26.7	24.2	-2.5	-1.6
Other Service Activities *	-50.2	-31.4	7.1	16.1	15.7	-0.4	-10.1
Health & Education *†	-32.1	-29.8	-12.2	24.1	24.0	-0.1	-1.8

\* = Q4 2009 - Low base size.      † = Q1 2010 - Low base size.

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

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q1 2010	
						Change from last quarter	Difference from UK average
<b>UK AVERAGE</b>	<b>-45.3</b>	<b>-28.2</b>	<b>4.8</b>	<b>24.6</b>	<b>25.8</b>	<b>1.2</b>	
London	-52.5	-36.2	-1.1	25.6	28.2	2.6	2.4
South East (excl London)	-38.7	-30.0	-0.6	24.0	24.3	0.3	-1.5
South West	-42.6	-26.2	13.1	22.0	19.3	-2.7	-6.5
East England	-38.4	-31.9	7.6	31.2	33.3	2.1	7.5
East Midlands	-56.6	-24.1	3.5	22.3	14.0	-8.3	-11.8
West Midlands	-57.0	-19.7	-0.5	22.3	26.7	4.4	0.9
North West	-41.6	-23.4	7.1	21.9	24.3	2.4	-1.5
Northern England	-42.0	-38.8	11.6	28.6	27.2	-1.4	1.4
Yorks & Humber	-42.9	-34.1	-0.1	14.4	27.9	13.5	2.1
Scotland	-38.5	-7.8	15.9	35.2	27.5	-7.7	1.7
Wales	-50.1	-37.5	16.9	17.7	28.7	11.0	2.9

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

Base: All respondents

<b>UK AVERAGE</b>	<b>-45.3</b>	<b>-28.2</b>	<b>4.8</b>	<b>24.6</b>	<b>25.8</b>	<b>1.2</b>	
Micro (<10)	-36.1	-22.3	-3.7	21.2	22.4	1.2	-3.4
Small (10-49)	-37.4	-30.9	12.8	30.2	30.1	-0.1	4.3
Medium (50-249)	-45.2	-24.2	9.0	23.8	21.6	-2.2	-4.2
Large (250+)	-50.3	-29.9	2.1	24.0	26.1	2.1	0.3
SME (up to 249)	-39.7	-26.2	7.8	25.2	25.5	0.3	-0.3
Micro & Small (up to 49)	-36.9	-27.3	7.3	25.9	27.3	1.4	1.5
Very large (1000+)	-51.6	-30.7	3.1	23.7	26.1	2.4	0.3

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	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q4 2009	Q1 2010
Turnover							
Versus last 12 months	1.4	-0.5	-2.4	-1.7	-1.3		
Expected next 12 months	-0.3	-0.3	2.5	4.1	4.3	5.8	5.6
Gross profits							
Versus last 12 months	-0.1	-2.2	-3.2	-2.0	-2.1		
Expected next 12 months	-0.7	0.3	2.3	3.9	4.0	5.9	6.1
Sales (Volumes)							
Versus last 12 months	1.3	-0.9	-2.6	-2.1	-1.7		
Expected next 12 months	-0.3	-0.2	2.3	4.0	4.2	6.1	5.9
Prices							
Versus last 12 months	1.1	0.5	-0.2	-0.3	-0.5		
Expected next 12 months	0.3	*	0.2	0.6	0.7	0.9	1.2
Input Prices							
Versus last 12 months	3.3	2.2	1.2	0.8	0.9		
Expected next 12 months	1.2	0.3	0.4	0.7	1.1	-0.1	0.2
Average Basic Salary							
Versus last 12 months	2.4	1.7	0.7	0.5	0.4		
Expected next 12 months	1.5	0.8	0.8	1.1	1.3	0.6	0.9
Average Total Salary							
Versus last 12 months	1.6	0.3	-0.8	-1.1	-0.9		
Expected next 12 months	1.0	0.3	0.6	1.2	1.4	2.3	2.3
Exports							
Versus last 12 months	3.4	1.4	1.1	0.8	1.0		
Expected next 12 months	2.4	1.6	2.8	3.3	4.1	2.5	3.1
Inputs from Abroad							
Versus last 12 months	1.5	1.6	0.4	0.3	1.1		
Expected next 12 months	0.6	0.3	1.2	1.9	1.9	1.6	0.8

**KEY:**

HIGH



LOW



TABLE 4 FINANCIAL PERFORMANCE INDICATORS (CONT'D)

Base: All respondents

Base: All respondents

						TRACTION *	
Average % Change	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q4 2009	Q1 2010
Capital Investments							
Versus last 12 months	0.3	-0.5	-1.4	-1.2	-1.2		
Expected next 12 months	-1.2	-0.9	0.4	1.6	1.8	2.8	3.0
Number of Employees							
Versus last 12 months	-0.1	-1.8	-2.9	-2.2	-2.1		
Expected next 12 months	-0.8	-0.8	*	0.8	0.9	3.0	3.0
Staff Development Budget							
Versus last 12 months	*	-0.9	-1.5	-1.4	-1.1		
Expected next 12 months	-0.6	-0.3	0.4	1.0	1.1	2.4	2.2
Research and Development Budget							
Versus last 12 months	1.6	1.1	0.3	0.6	0.7		
Expected next 12 months	-0.4	0.5	0.7	1.2	1.1	0.6	0.4
Domestic Sales							
Versus last 12 months	1.3	-0.3	-1.7	-1.1	-1.0		
Expected next 12 months	-0.3	0.2	2.4	3.9	4.1	5	5.1

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

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
% Greater Challenge	%	%	%	%	%
Customer demand	54	55	51	51	46
Competition in the marketplace	35	32	38	40	35
Regulatory requirements	33	32	30	35	35
Late payment from customers	37	43	41	37	33
Bank charges	18	21	22	25	25
Your access to capital	35	34	37	32	25
Non-transport infrastructure problems *	4	4	3	13	21
Your ability to expand into new areas	23	26	21	21	19
Tax burden	13	13	19	18	15
Transport problems	12	7	8	9	14
Staff turnover	9	6	9	10	7
Government support for business	6	6	6	6	6
Availability of management skills	6	5	5	6	5
Availability of nonmanagement skills	6	4	3	3	4

\* 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:**



LOWEST

HIGHEST



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**Because of us, people can do business with confidence.**

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