



UK BUSINESS CONFIDENCE MONITOR REPORT

Q2 2012

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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 1 February – 26 April 2012.

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	170	17	20
South East (excluding London)	140	14	16
South West	75	8	8
East of England	85	9	10
East Midlands	70	7	6
West Midlands	75	8	8
North West	100	10	10
Northern England	70	7	3
Yorks & Humber	70	7	7
England TOTAL	855	86	88
Scotland	74	7	9
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
	Number	%	%
SIZE (EMPLOYEES)	Total ▶ 1,000		
Micro (<10)	109	11	12
Small (10-49)	168	17	18
Medium (50-249)	254	25	15
Large (250+)	469	47	55
SECTOR	Total ▶ 1,000		
Agriculture & fisheries	16	2	1
Energy, Water & Mining	69	7	4
Manufacturing & Engineering	128	13	12
Construction	69	7	9
Retail & Wholesale	135	14	13
Transport & Storage	47	5	6
IT & Communications	79	8	8
Banking, Finance & Insurance	117	12	12
Property	89	9	9
Business Services	135	14	15
Consumer Service Activities*	116	12	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	1.0
South East (excluding London)	1.3
South West	1.3
East of England	1.3
East Midlands	1.4
West Midlands	1.3
North West	1.4
Northern England	2.8
Yorks & Humber	1.5
Scotland	1.1
Wales	2.5
UK	1.2

DETAILED RESULTS

TABLE 1 SUMMARY OF BUSINESS CONFIDENCE INDEX BY SECTOR

Base: All respondents

	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q2 2012	
						Change from last quarter	Difference from UK average
UK AVERAGE	13.7	8.1	-9.7	-9.3	12.0	21.3	
All Production industries	26.3	6.4	-4.9	-3.6	12.5	16.1	0.5
Energy, Water & Mining	11.7	15.8	2.3	4.0	5.5	1.5	-6.5
Manufacturing & Engineering	28.6	5.0	-6.1	-6.2	14.9	21.1	2.9
Construction	0.0	0.7	-6.8	-7.6	5.5	13.1	-6.5
All Service industries	12.2	8.8	-10.8	-10.8	12.6	23.4	0.6
Retail & Wholesale	-1.0	-0.7	-12.5	-10.5	10.6	21.1	-1.4
Transport & Storage	17.3	16.3	-6.1	-16.6	11.3	27.9	-0.7
IT & Communications	26.5	9.7	2.7	4.7	26.5	21.8	14.5
Banking, Finance & Insurance	16.6	12.0	-14.6	-8.3	10.2	18.5	-1.8
Property	24.5	8.3	-18.7	-19.6	4.5	24.1	-7.5
Business Services	10.4	18.5	-3.4	-2.4	14.8	17.2	2.8

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

	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q2 2012	
						Change from last quarter	Difference from UK average
UK AVERAGE	13.7	8.1	-9.7	-9.3	12.0	21.3	
England	14.1	6.7	-9.2	-9.3	13.3	22.6	1.3
London	15.2	8.9	-10.3	-13.2	13.3	26.5	1.3
South East (excl London)	8.4	10.6	-13.5	-7.4	12.0	19.4	0.0
South West	5.4	4.4	-9.4	-18.4	16.6	35.0	4.6
East of England	12.9	-3.5	-7.2	-8.2	7.0	15.2	-5.0
East Midlands	12.2	8.2	-9.7	-17.4	7.6	25.0	-4.4
West Midlands	26.6	7.6	-4.6	1.1	13.1	12.0	1.1
North West	11.2	6.4	-10.5	-11.0	13.8	24.8	1.8
Northern England	16.9	4.4	-7.7	4.1	28.4	24.3	16.4
Yorks & Humber	24.9	8.2	-3.4	-0.9	19.2	20.1	7.2
Scotland	13.3	17.6	-14.1	-5.2	0.6	5.8	-11.4
Wales	4.6	16.5	-9.2	-18.6	5.7	24.3	-6.3

TABLE 3 SUMMARY OF BUSINESS CONFIDENCE INDEX BY COMPANY TYPE

Base: All respondents

UK AVERAGE	13.7	8.1	-9.7	-9.3	12.0	21.3	
All UK Listed	16.9	8.1	-12.0	-12.6	7.2	19.8	-4.8
FTSE 350	10.9	5.3	-13.7	-19.0	4.4	23.4	-7.6
All Private Companies	11.7	9.2	-7.7	-7.2	15.4	22.6	3.4
Private Companies – Large	5.1	5.6	-12.5	-10.0	13.5	23.5	1.5
Private Companies – SME	15.1	11.4	-5.1	-5.6	16.5	22.1	4.5

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	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q1 2012	Q2 2012
Turnover							
Versus last 12 months	3.9	3.6	3.6	3.3	4.1		
Expected next 12 months	5.7	4.5	3.7	3.8	4.6	0.5	0.5
Gross profits							
Versus last 12 months	3.8	3.1	2.2	2.1	4.1		
Expected next 12 months	5.1	4.1	3.1	3.5	4.3	1.4	0.2
Sales (Volumes)							
Versus last 12 months	3.5	2.7	3.2	2.7	3.9		
Expected next 12 months	5.3	4.3	3.4	3.6	4.4	0.9	0.5
Prices							
Versus last 12 months	1.1	1.2	1.3	1.0	1.1		
Expected next 12 months	1.6	1.3	1.0	1.0	1.0	0.0	-0.1
Input Prices							
Versus last 12 months	2.8	3.0	3.1	2.9	2.7		
Expected next 12 months	2.7	2.5	2.2	1.9	1.6	-1.0	-1.1
Average Basic Salary							
Versus last 12 months	1.5	1.6	1.6	1.6	1.7		
Expected next 12 months	1.9	1.7	1.8	1.6	1.7	0.0	0.0
Average Total Salary							
Versus last 12 months	1.2	1.0	1.2	0.9	1.0		
Expected next 12 months	1.7	1.5	1.3	1.1	1.6	0.2	0.6
Exports							
Versus last 12 months	4.3	4.4	3.5	3.3	4.1		
Expected next 12 months	4.8	4.2	3.9	3.9	4.5	0.6	0.4
Inputs from Abroad							
Versus last 12 months	2.7	2.4	2.1	2.2	2.4		
Expected next 12 months	2.2	1.9	1.8	2.0	2.3	-0.2	-0.1

KEY:


HIGH



LOW

TABLE 4 FINANCIAL PERFORMANCE INDICATORS (CONT'D)

Base: All respondents

Base: All respondents

						TRACTION *	
Average % Change	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q1 2012	Q2 2012
Capital Investments							
Versus last 12 months	1.8	1.6	2.2	1.9	2.1		
Expected next 12 months	2.0	1.7	1.1	0.9	1.4	-1.0	-0.7
Number of Employees							
Versus last 12 months	0.9	0.3	1.1	0.8	0.8		
Expected next 12 months	1.6	1.4	0.9	0.9	1.4	0.1	0.6
Staff Development Budget							
Versus last 12 months	0.8	0.7	0.8	0.5	0.9		
Expected next 12 months	1.4	1.0	1.0	0.9	1.2	0.4	0.3
Research and Development Budget							
Versus last 12 months	2.3	1.9	1.9	1.9	1.9		
Expected next 12 months	1.7	1.4	1.3	1.1	1.4	-0.8	-0.5
Domestic Sales							
Versus last 12 months	3.2	2.6	2.9	2.3	2.9		
Expected next 12 months	4.8	3.9	3.1	3.0	4.0	0.7	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

	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
% Greater Challenge	%	%	%	%	%
Customer demand	48	44	43	49	45
Competition in the marketplace	39	42	38	41	43
Regulatory requirements	35	40	39	35	39
Late payment from customers	27	24	26	28	24
Your access to capital	16	19	18	19	23
Bank charges	17	15	17	13	16
Your ability to expand into new areas	12	14	11	14	16
Tax burden	21	25	22	18	16
Transport problems	18	22	18	10	14
Staff turnover	11	10	11	11	12
Availability of management skills	6	10	8	9	10
Government support for business	10	13	8	8	10
Availability of non-management skills	8	9	8	8	9
Non-transport infrastructure problems*	6	7	4	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:



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