



making business sense



# Q4 2011 ICAEW / Grant Thornton Business Confidence Monitor results

9 November 2011

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# Outline

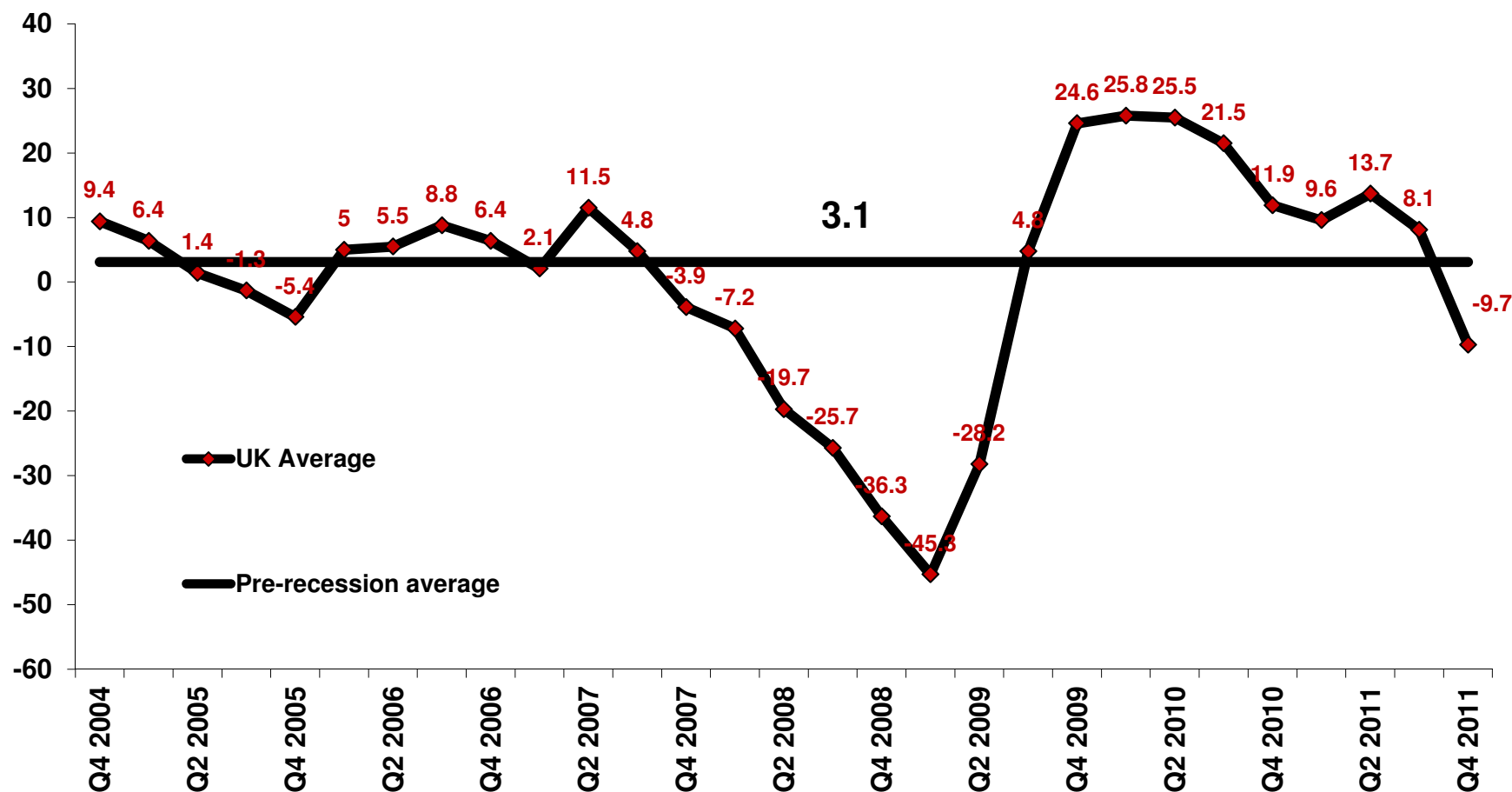
- Confidence index top lines
- Financial performance indicators
  - Growth indicators
  - Inflation & labour market indicators
- Regional & sector stories

# Outline

- Confidence index top lines

# Confidence Index slumps to lowest since recession

ICAEW / Grant Thornton Business Confidence Index

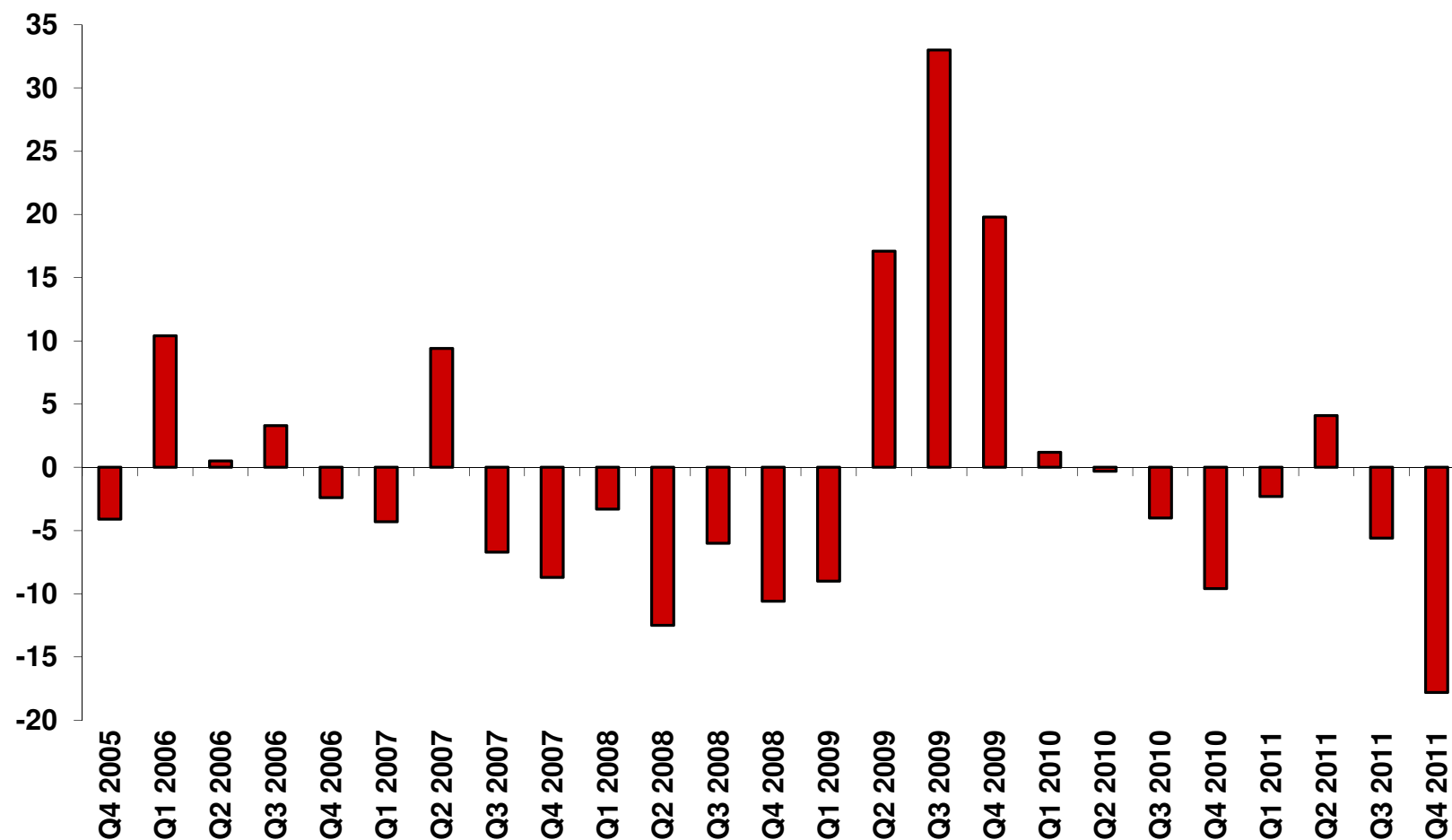


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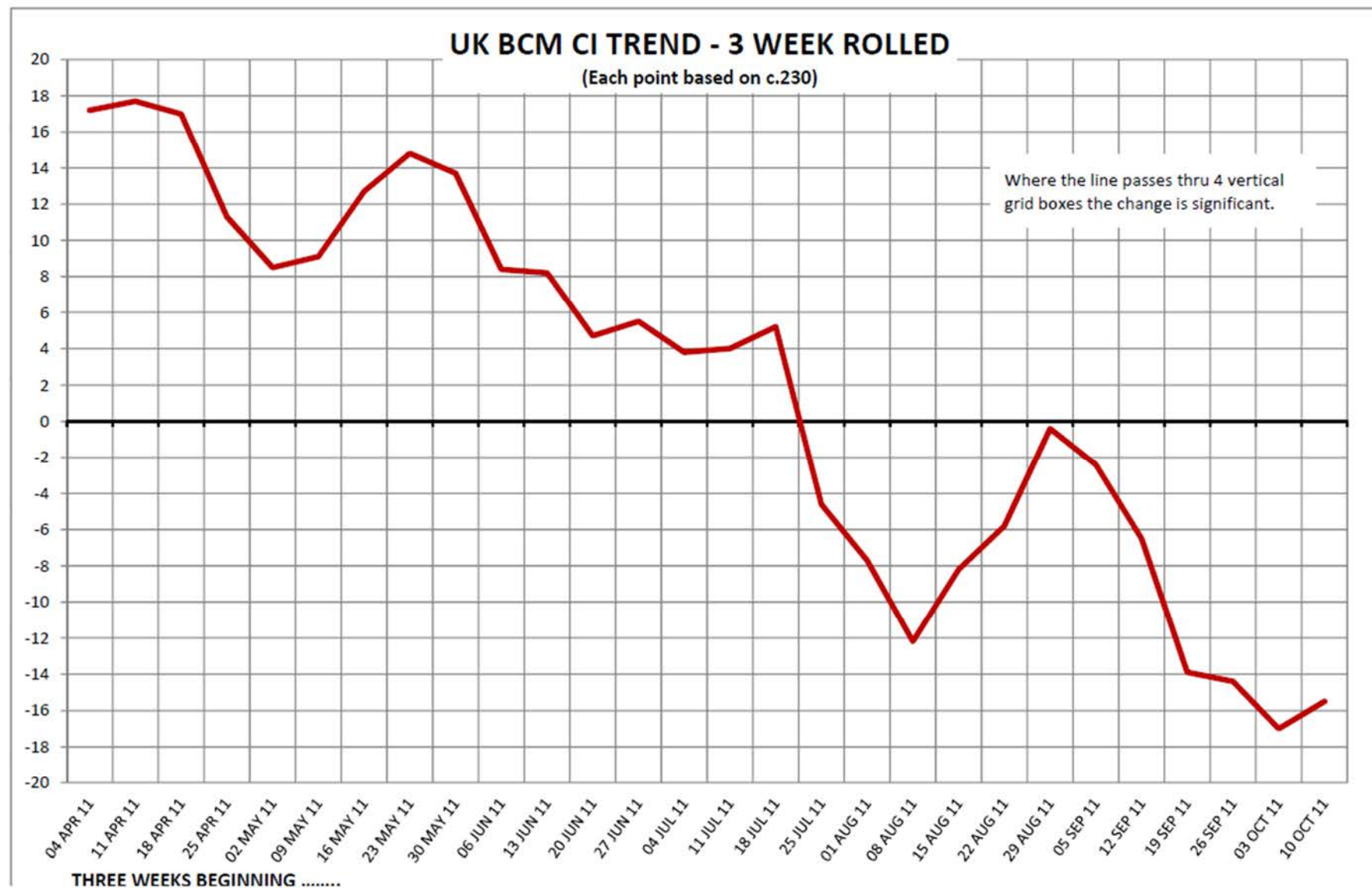
# A record quarter-on-quarter decline

Quarterly change in ICAEW / Grant Thornton Business Confidence Index



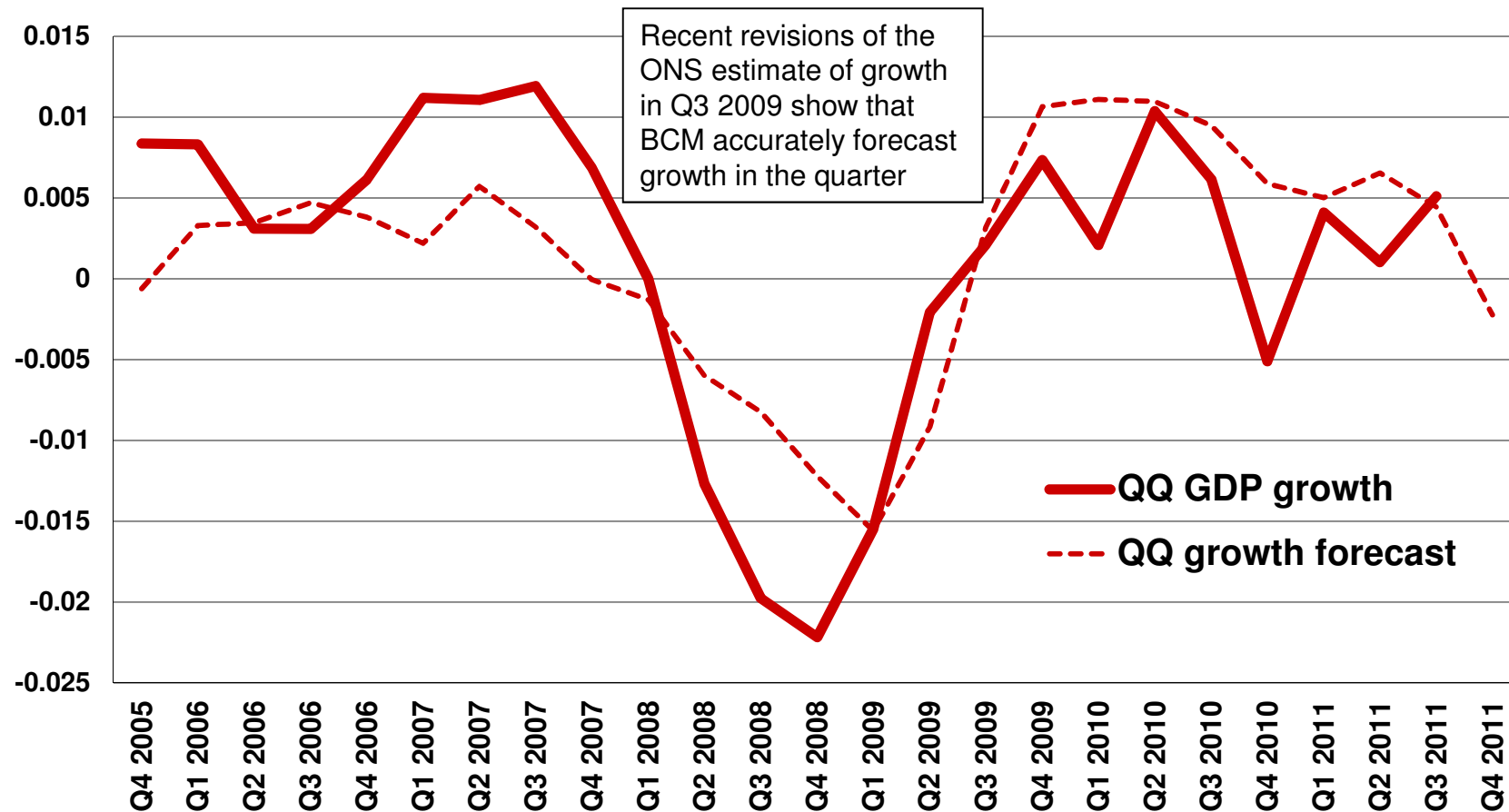
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## So what does this mean for growth? BCM implies contraction in Q4

Quarter on quarter real GDP growth, percent



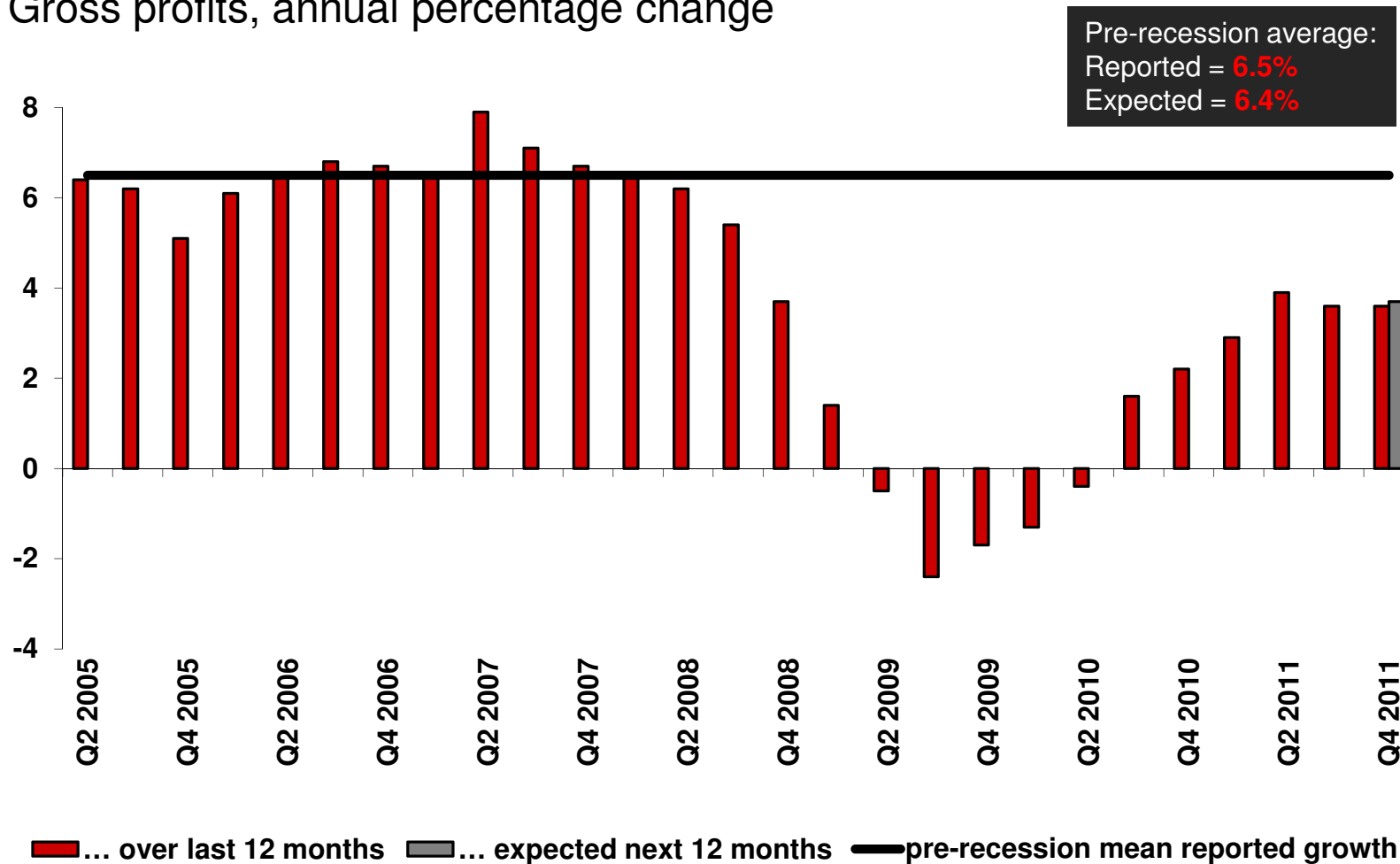
# Outline

- Financial performance indicators
  - Growth indicators



# Expected turnover growth drops to less than three fifths pre-recession level

Gross profits, annual percentage change



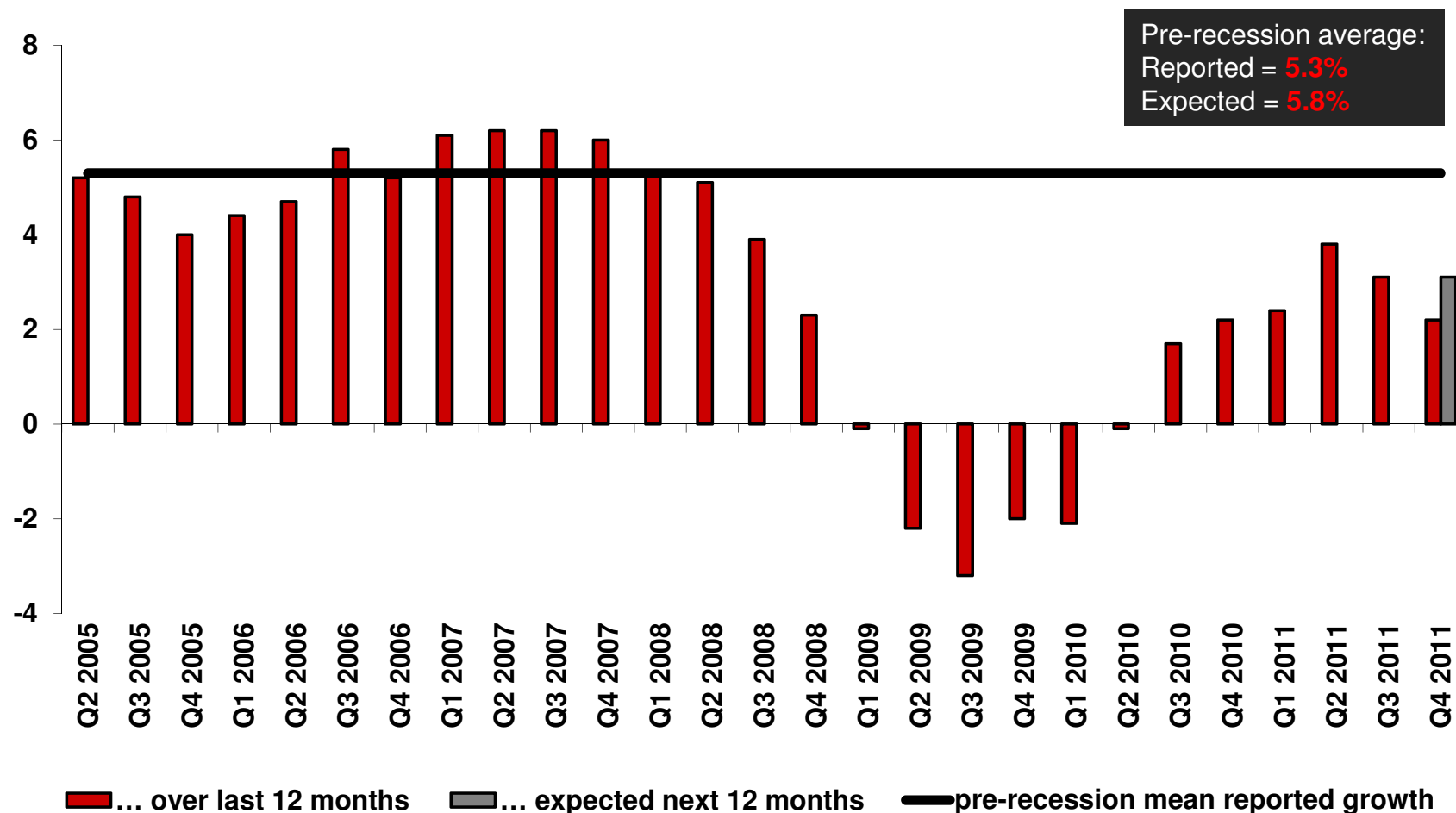
Base: All

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# Profit growth falls back; expectations lowest since Q3 2009

Gross profits, annual percentage change



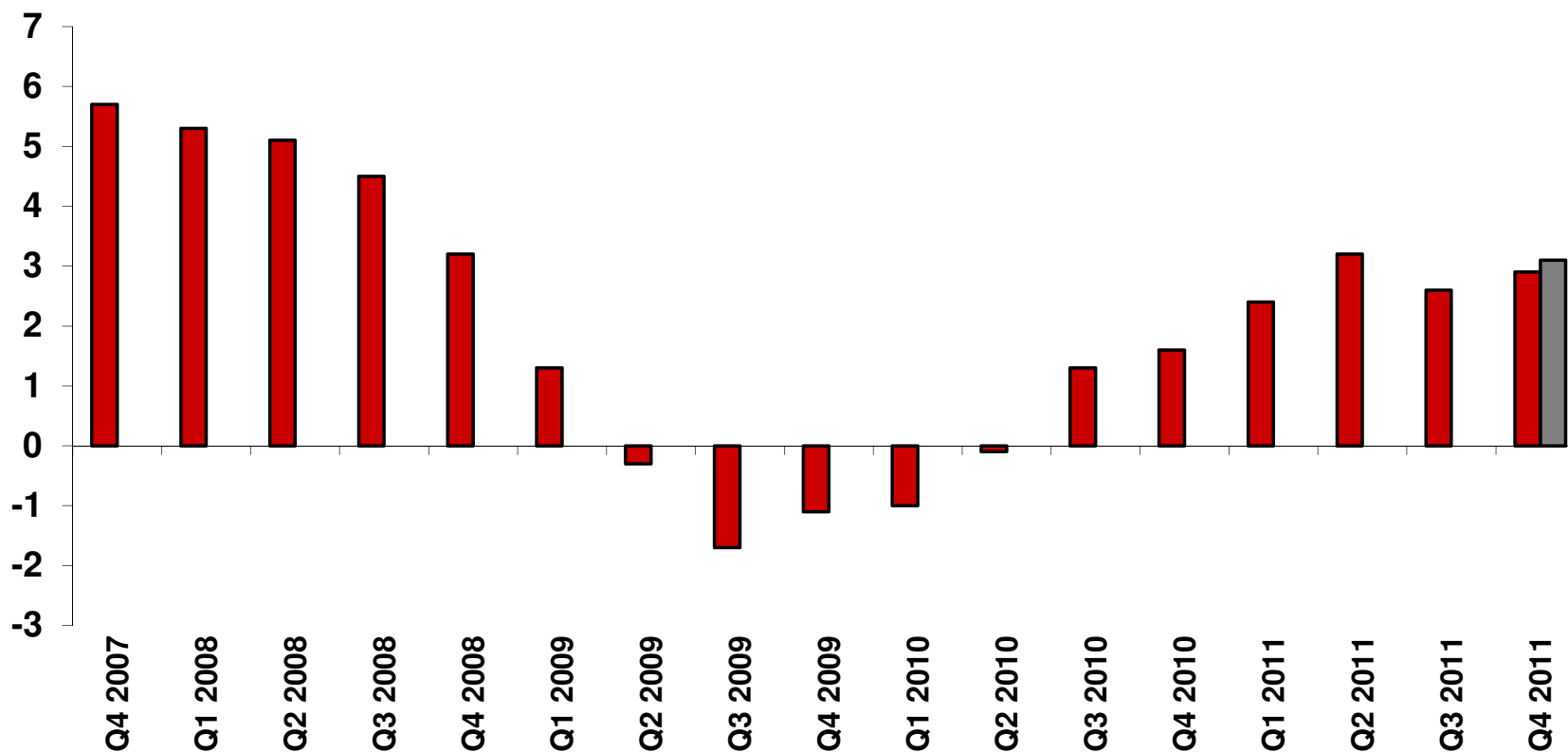
Base: All

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# Domestic demand growth still relatively weak; consumers have been badly squeezed in 2011

Domestic sales, annual percentage change



Base: All

■ ... over last 12 months

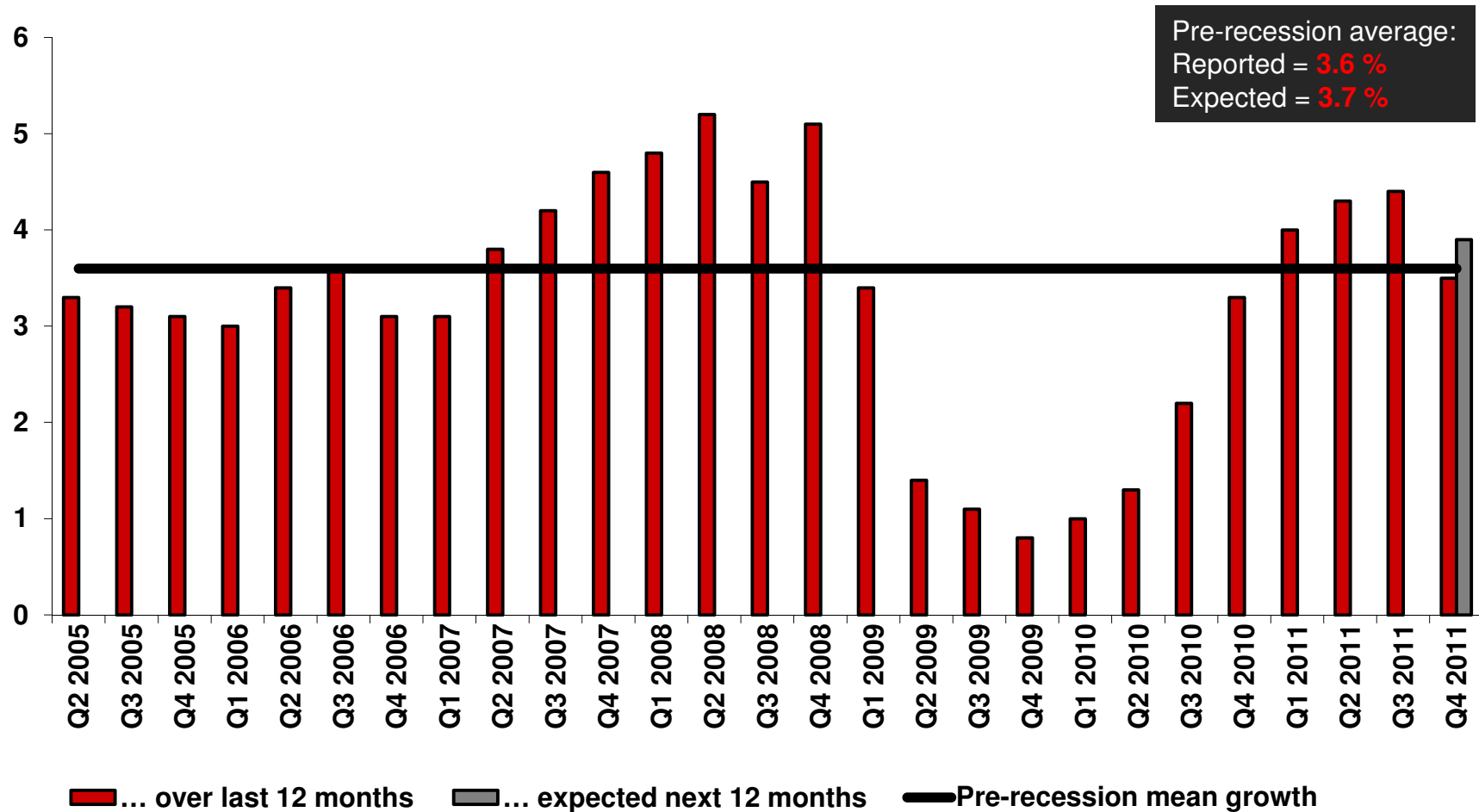
■ ... expected next 12 months

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# Export growth stalls

Exports, annual percentage change



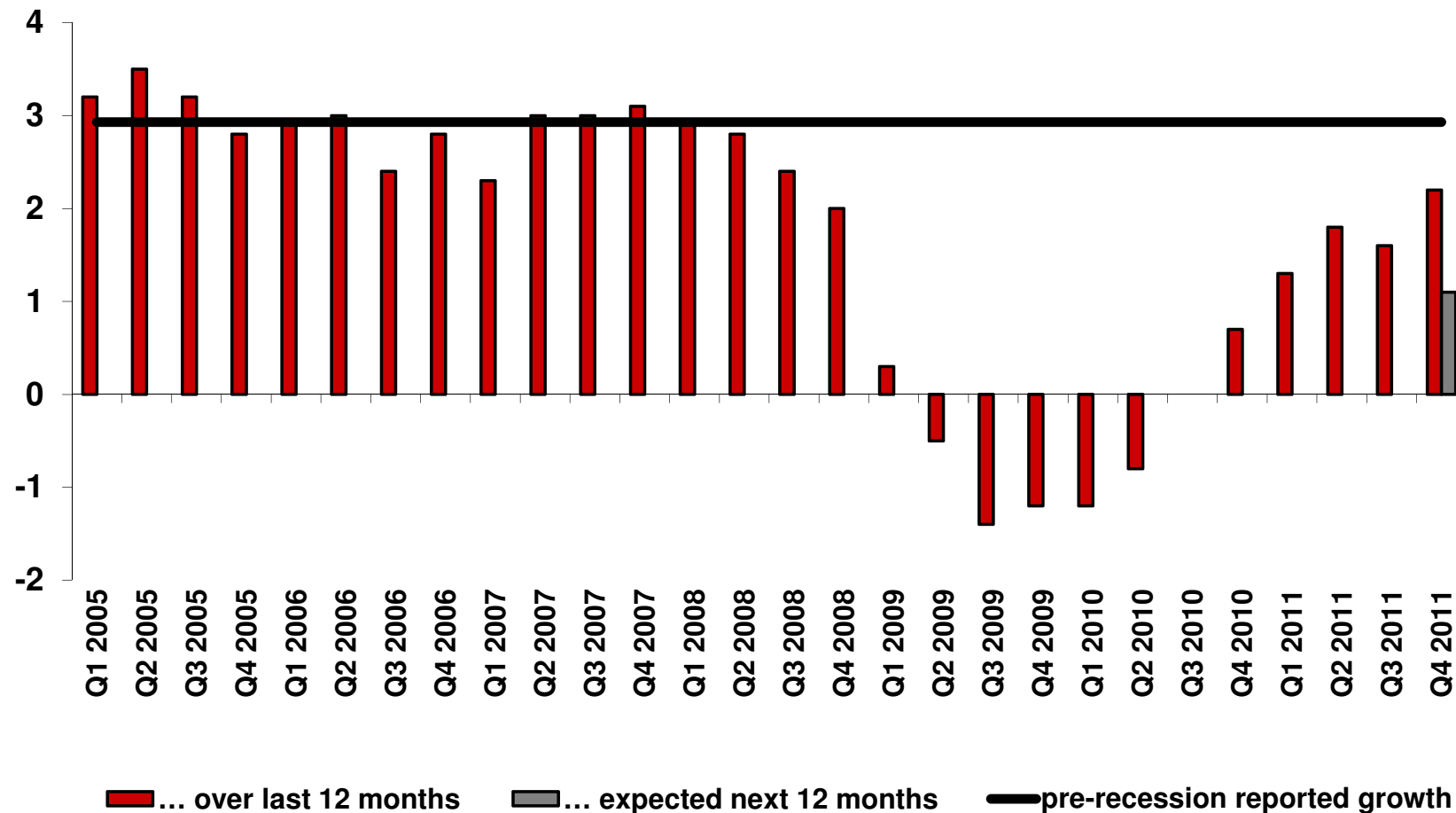
Base: All

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# Stronger reported investment growth but expectations fall back sharply

Capital investment, annual percentage change



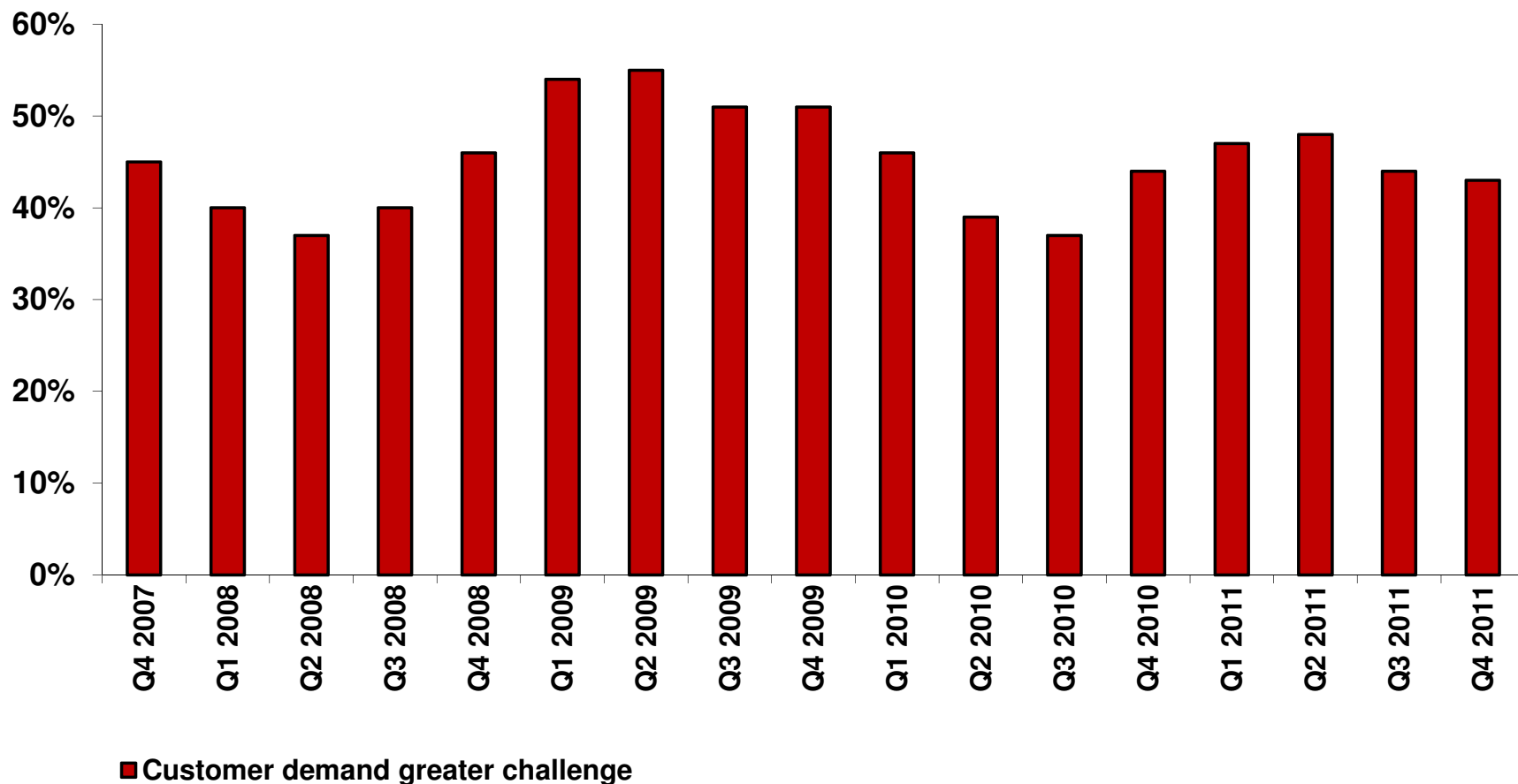
Base: All

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## Over two fifths of businesses still reporting customer demand as greater challenge

Share of businesses reporting customer demand as greater challenge



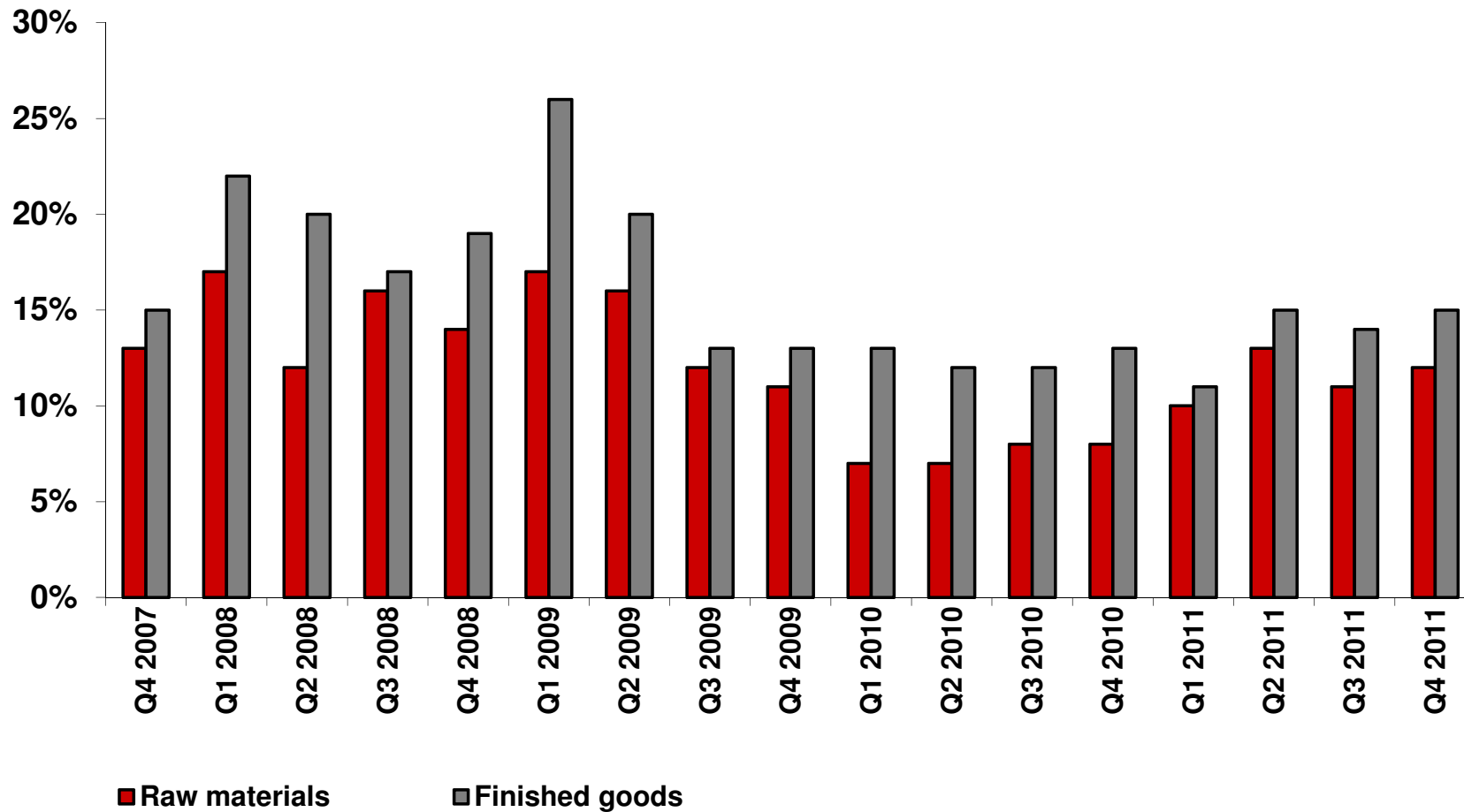
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## Only marginal uptick in share of businesses with stock levels above normal

Share of businesses with stock levels **above normal**



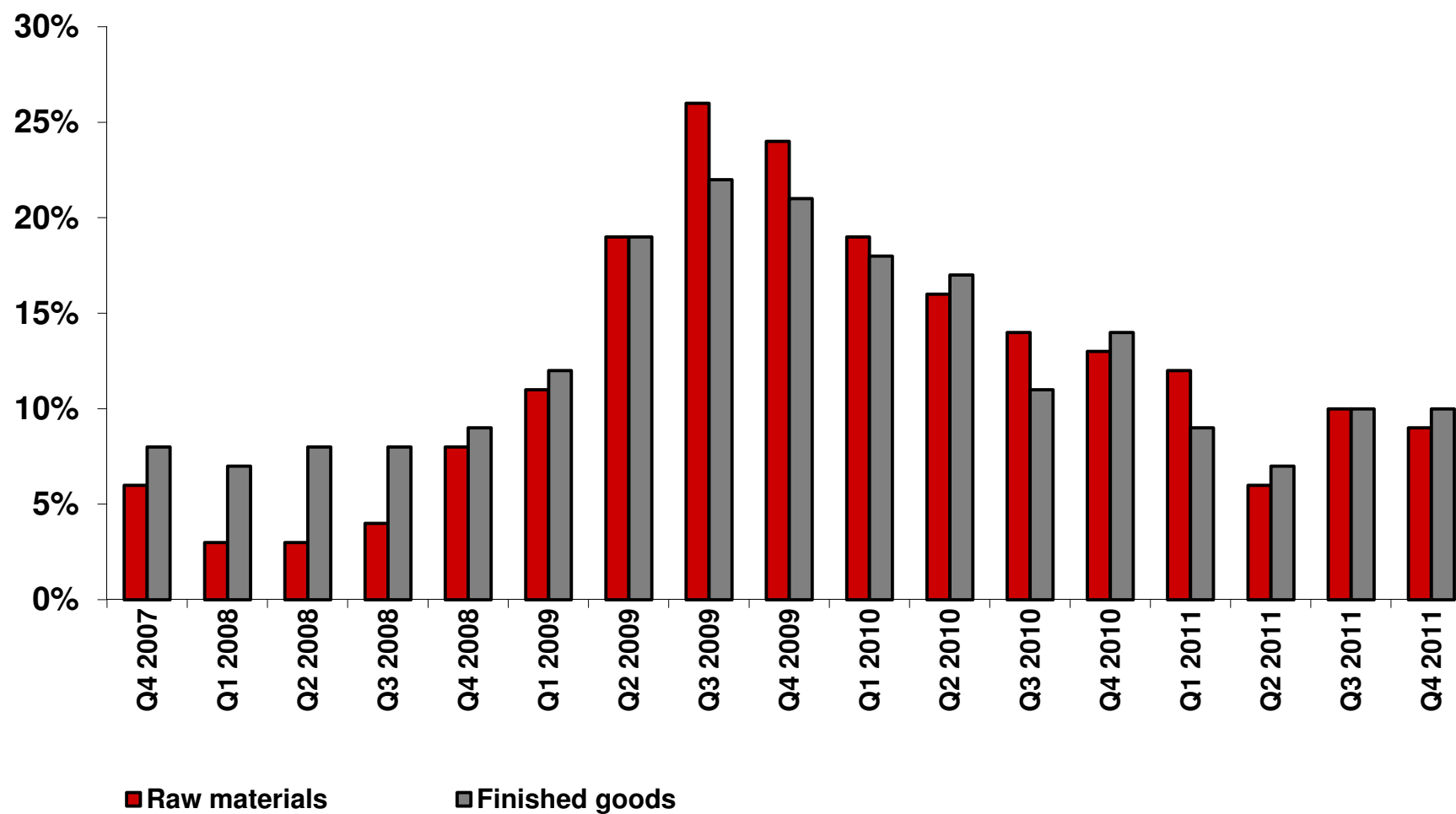
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## So no firm sign of another inventory cycle yet

Share of businesses with stock levels **below normal**



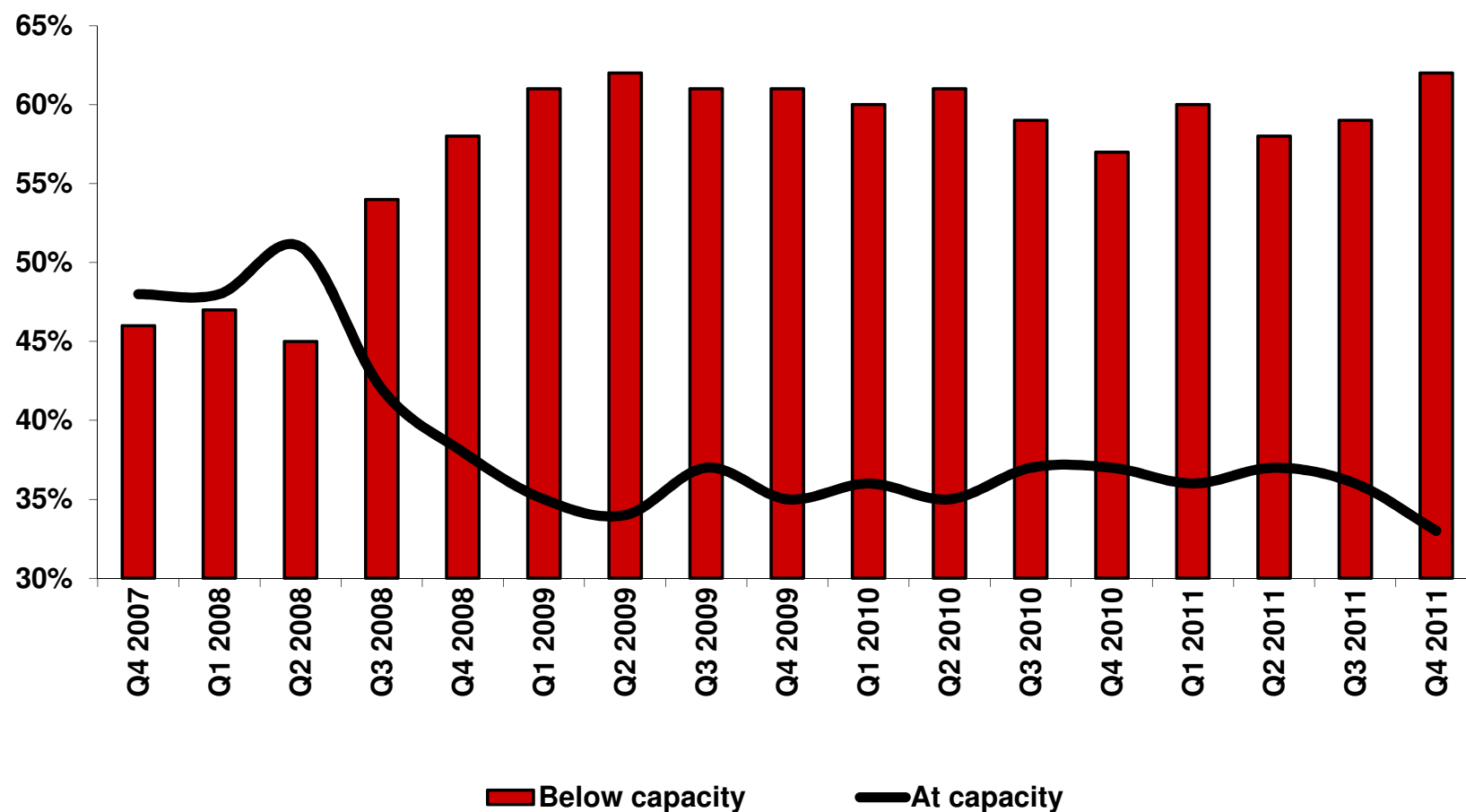
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# More businesses running below capacity amid lacklustre growth

Share of businesses running at or below capacity



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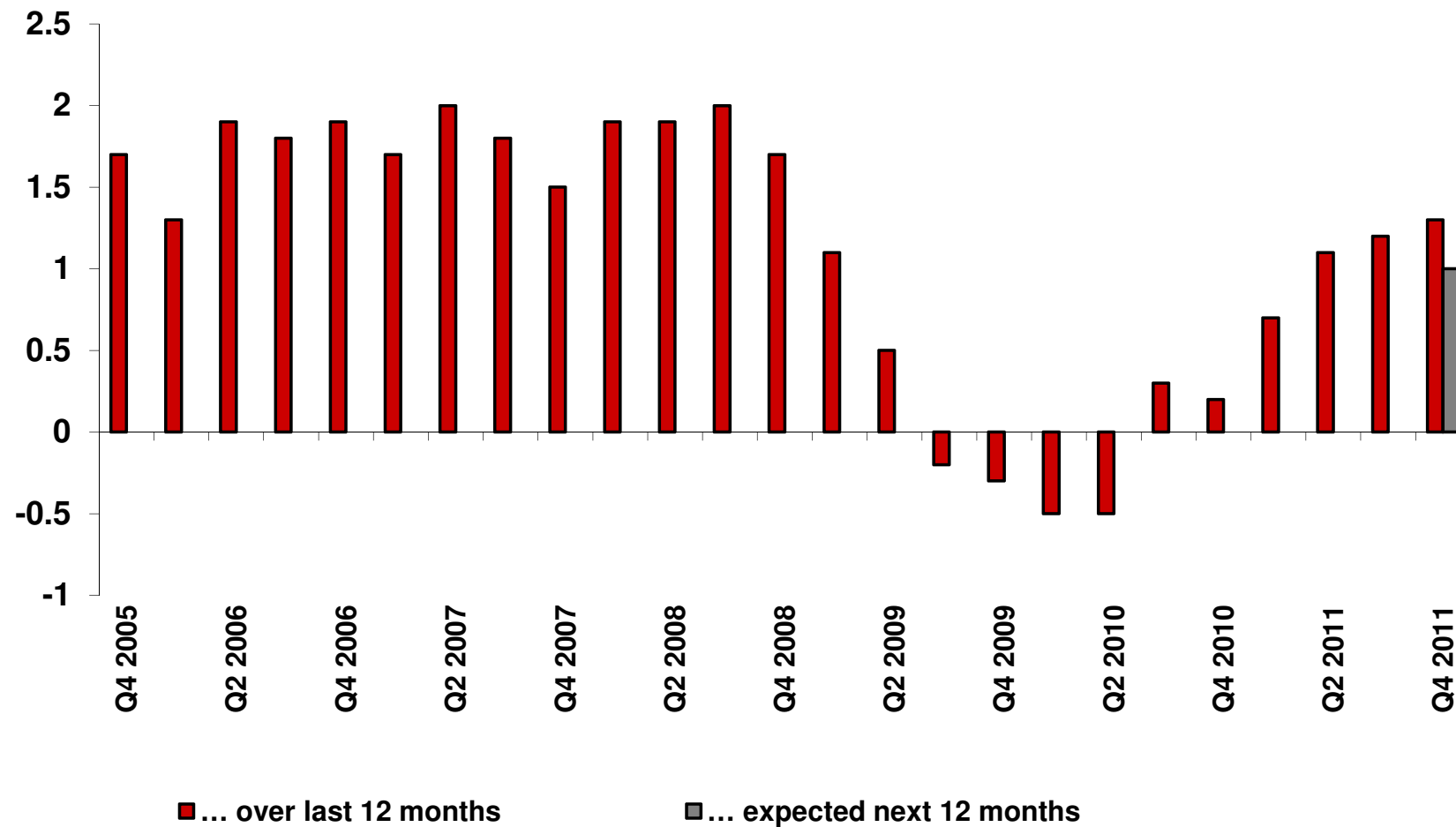
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# Outline

- Financial performance indicators
  - Inflation & labour market indicators

## Price growth expected to fall

Prices, annual percentage change



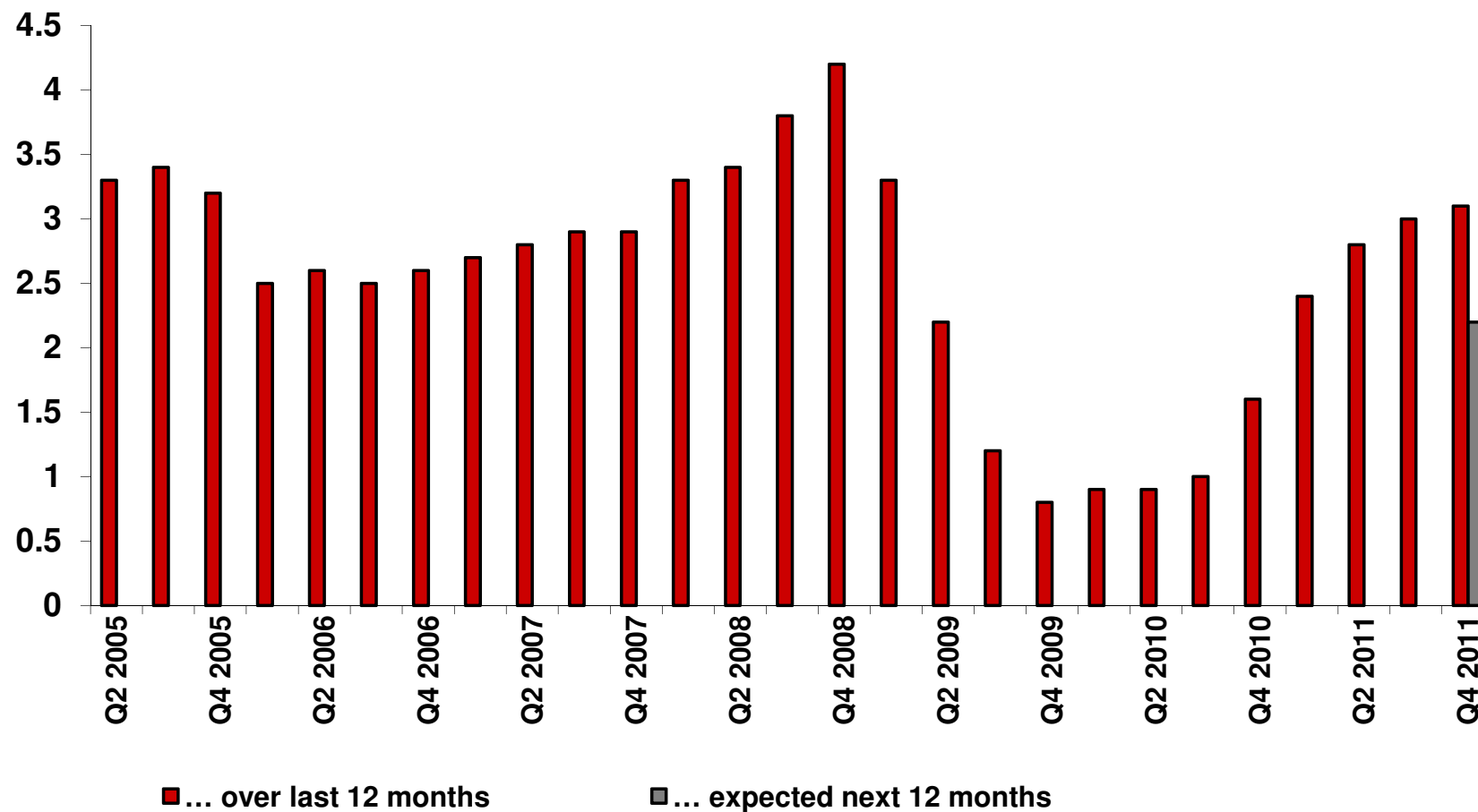
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# Input price inflation likely to have peaked

Input prices, annual percentage change



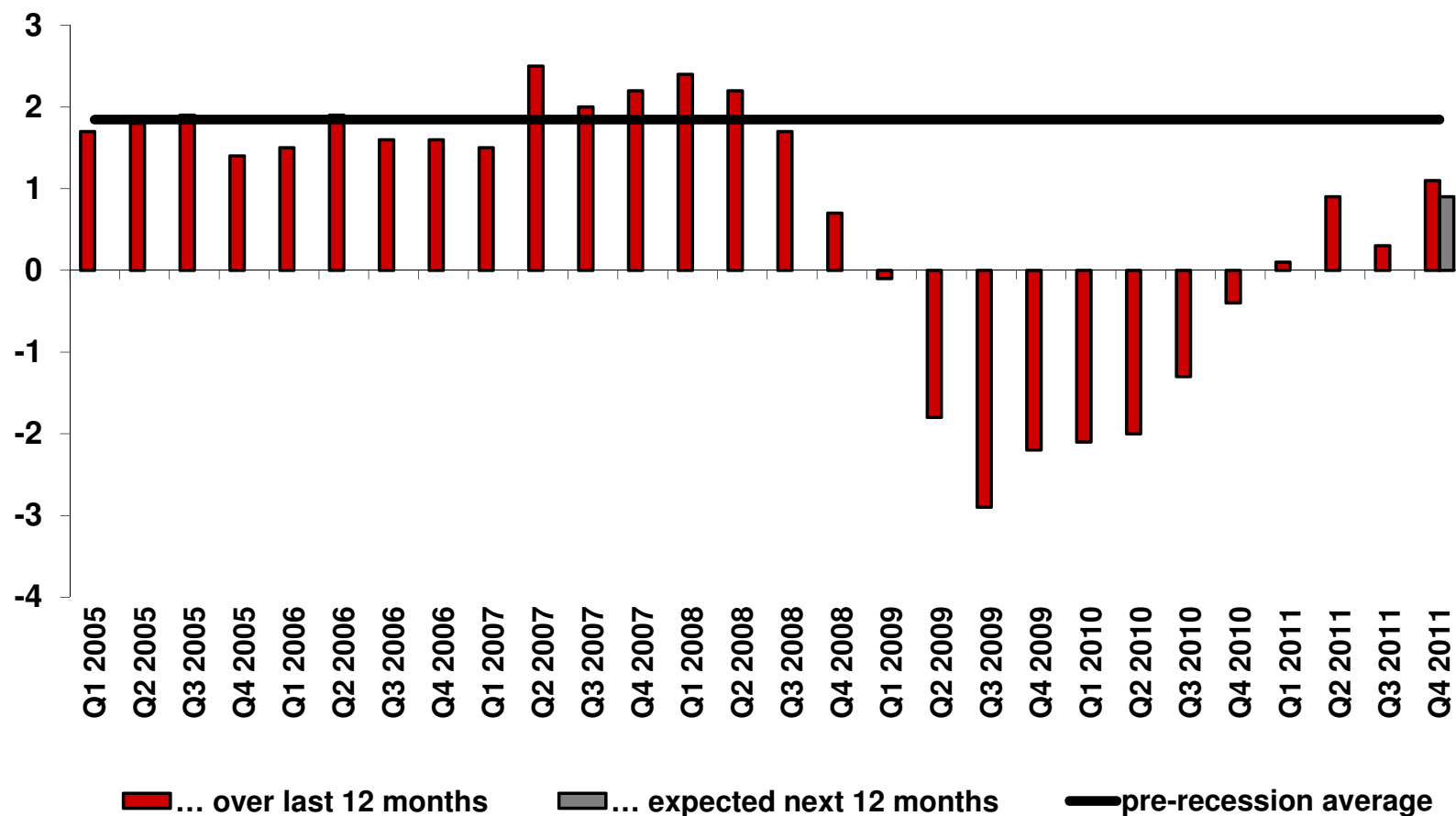
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# Reported employment growth strongest since 2008 but expectations weaken

Employment, annual percentage change



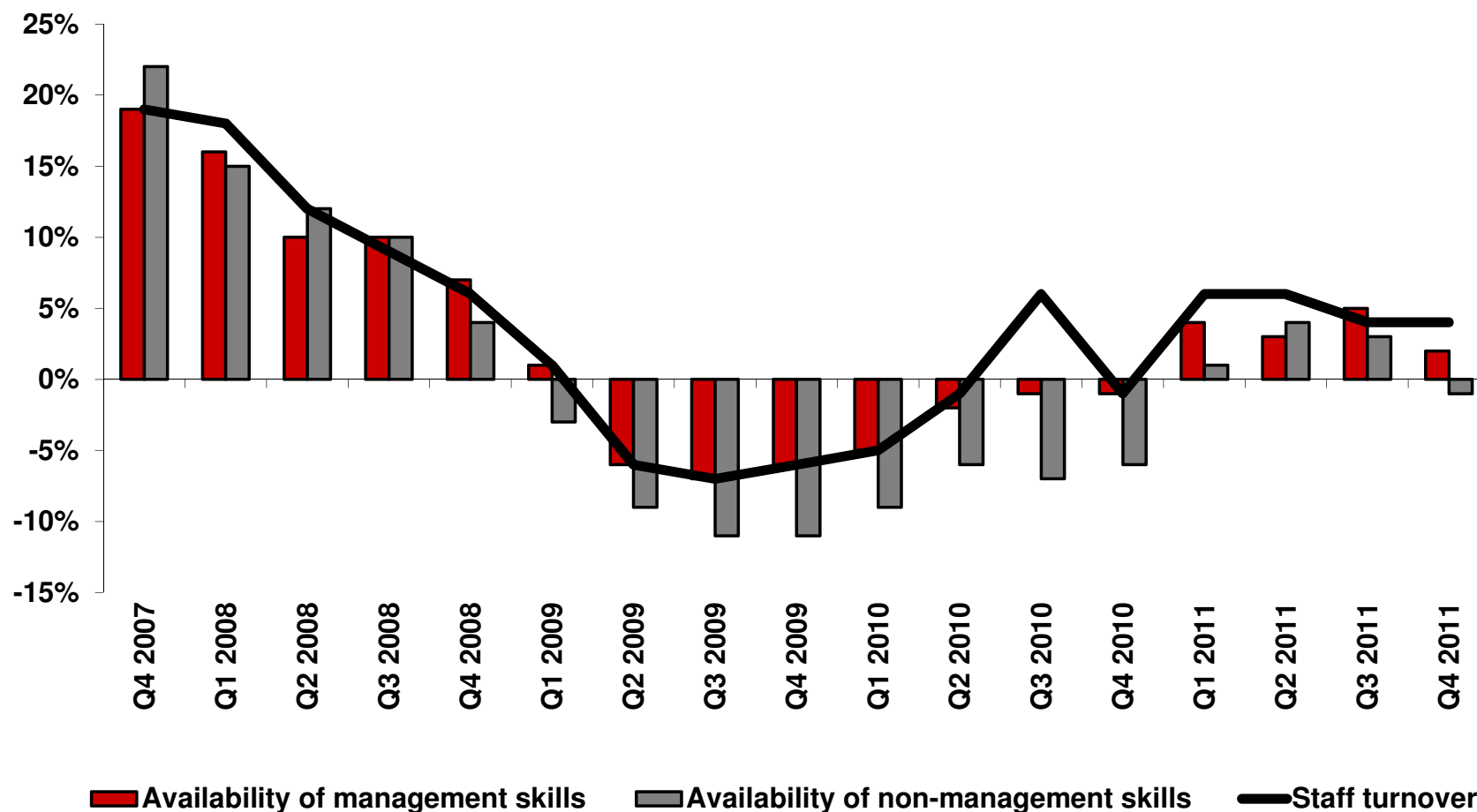
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## Labour market still slack

Net percentage balance of firms reporting factors to be a greater challenge to business performance



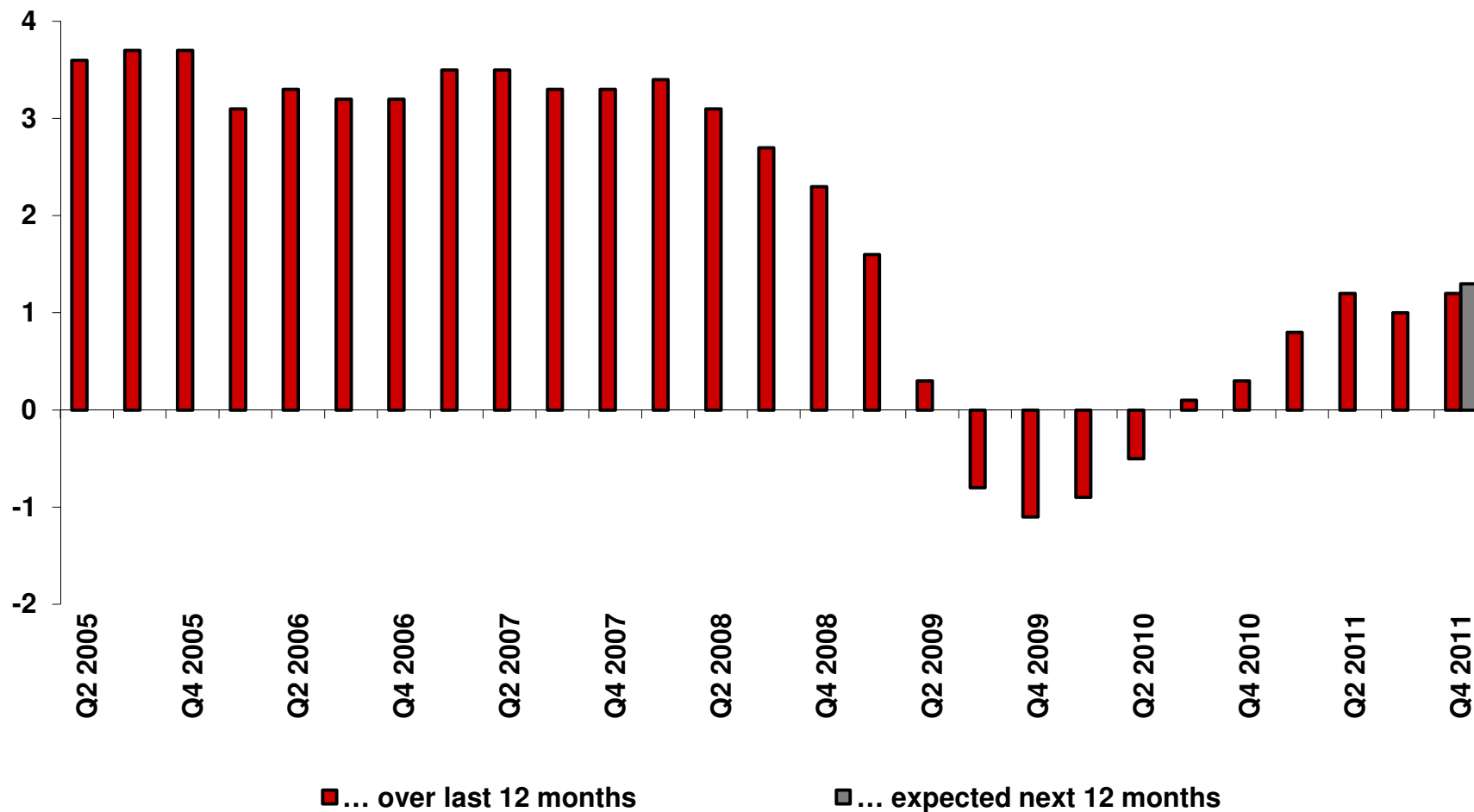
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## So salary growth still very low

Average total salary, annual percentage change



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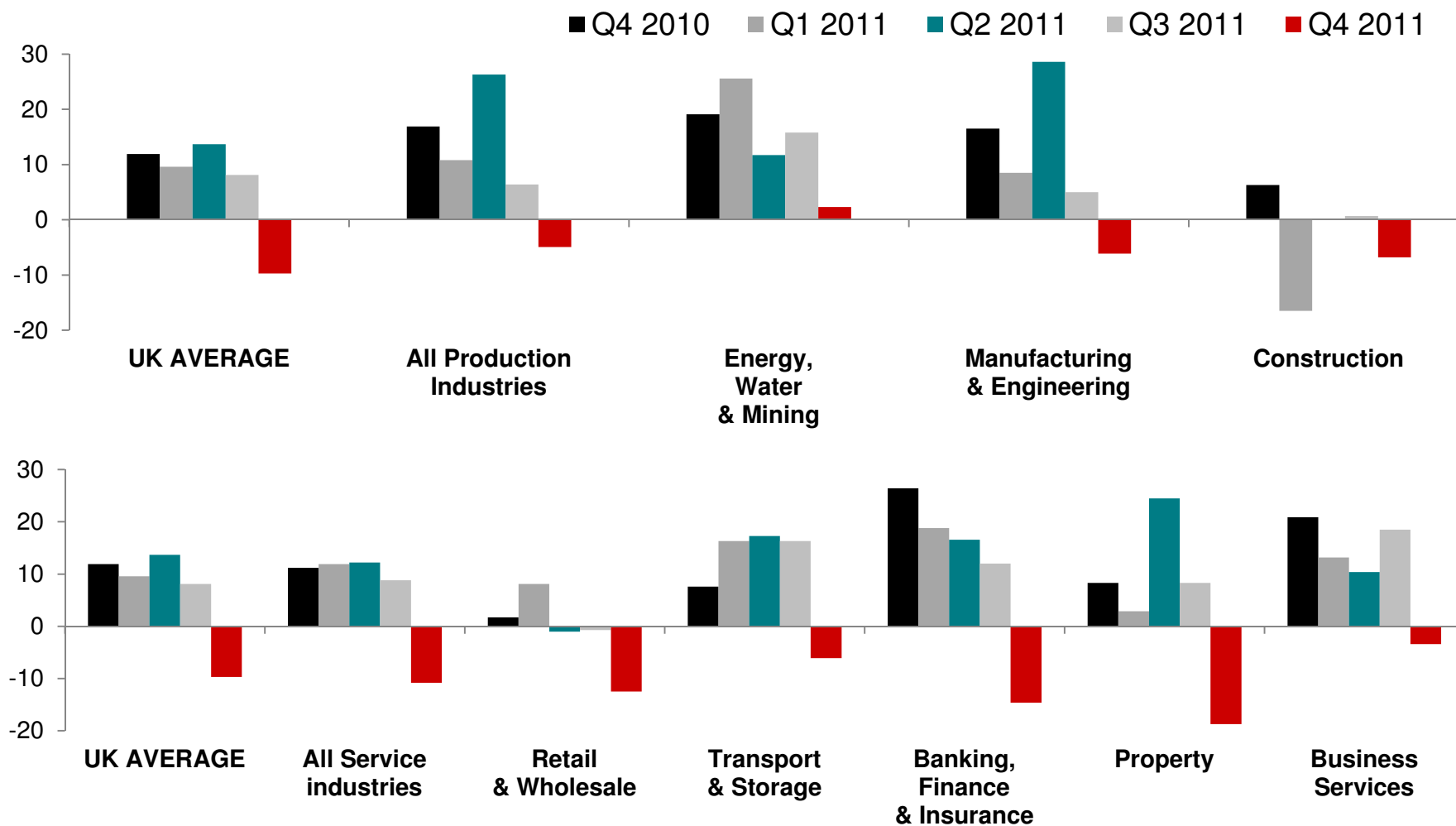
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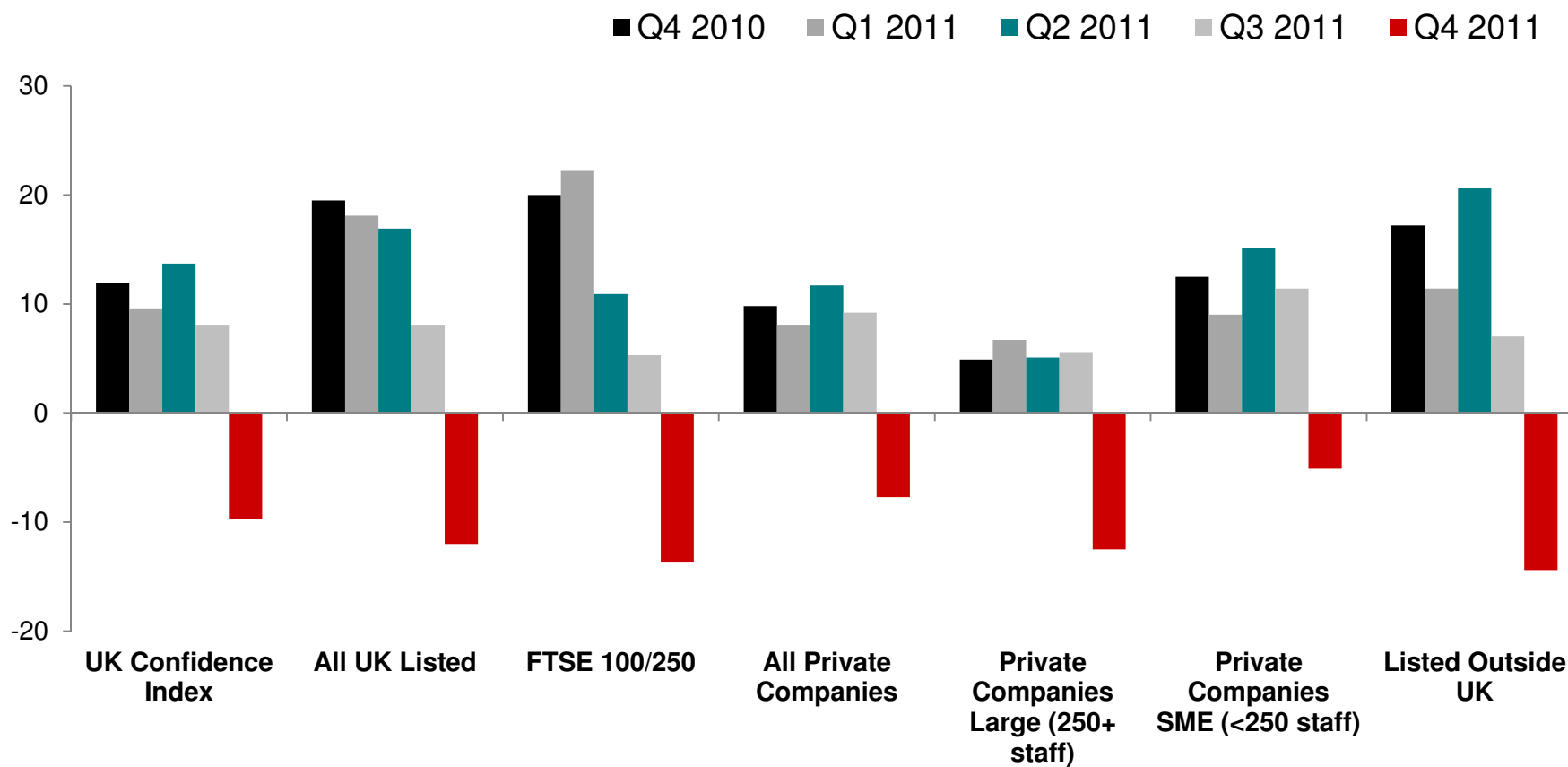
# Business Confidence by Region



# Business Confidence by Industry Sector



# Business Confidence by Company Type



# Conclusions

- Largest quarterly decline in Confidence Index on record
- Confidence Index points to contraction in Q4
- Broad based decline across regions & sectors; sharp decline in service sector
- Financial performance indicators weaken across the board
- Notable hit to export growth expectations
- Labour market weakness likely to go on
- Inflation likely to drop off sharply in 2012
- Overall, support for MPC view of the world: economy may well be contracting; inflation to drop – more policy stimulus needed



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