



# Q4 2015 ICAEW / Grant Thornton Business Confidence Monitor results

October 2015

# Outline

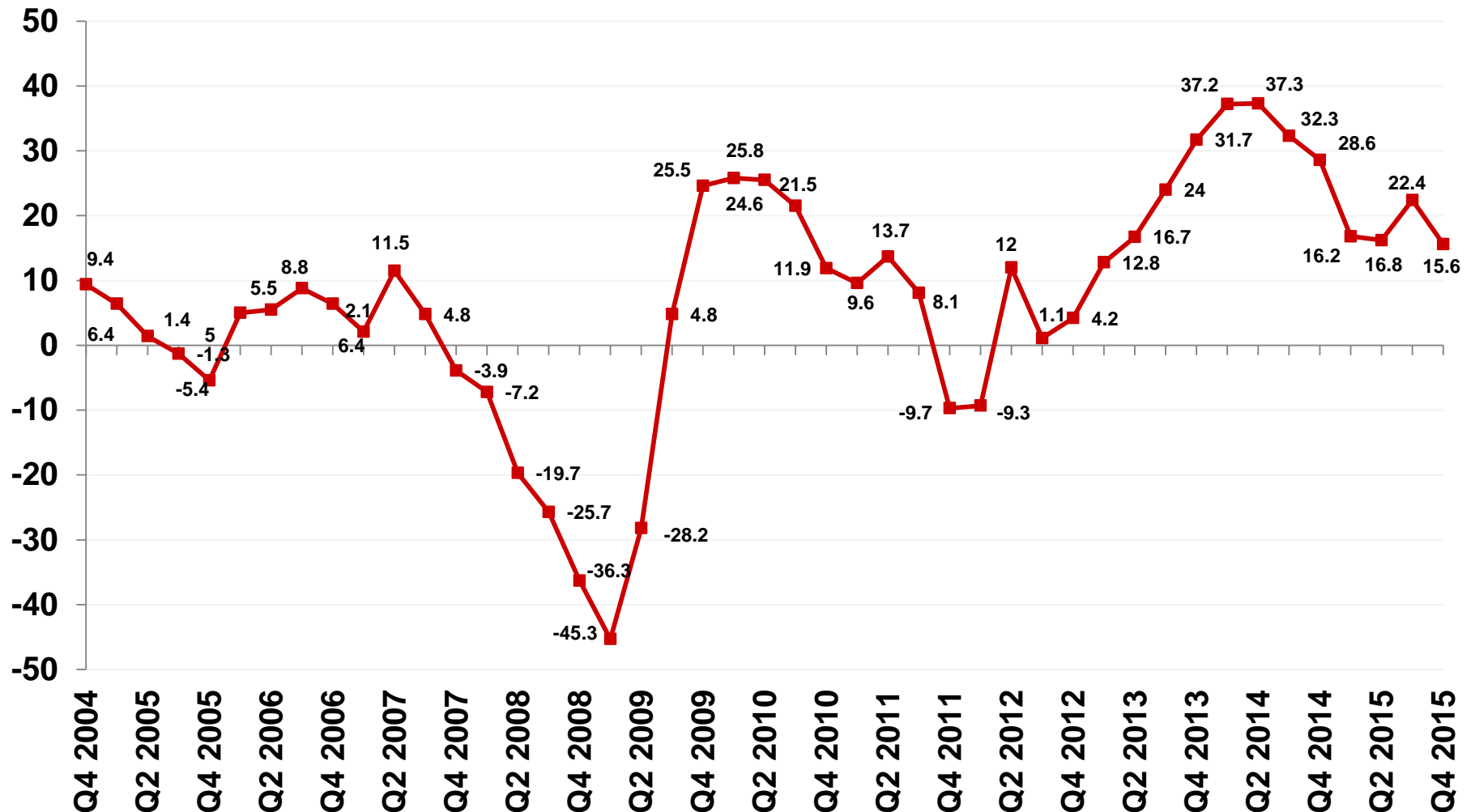
- Confidence Index top lines
  - Financial performance indicators
    - Growth indicators
    - Inflation & labour market indicators
  - Regional & sector stories
-

# Outline

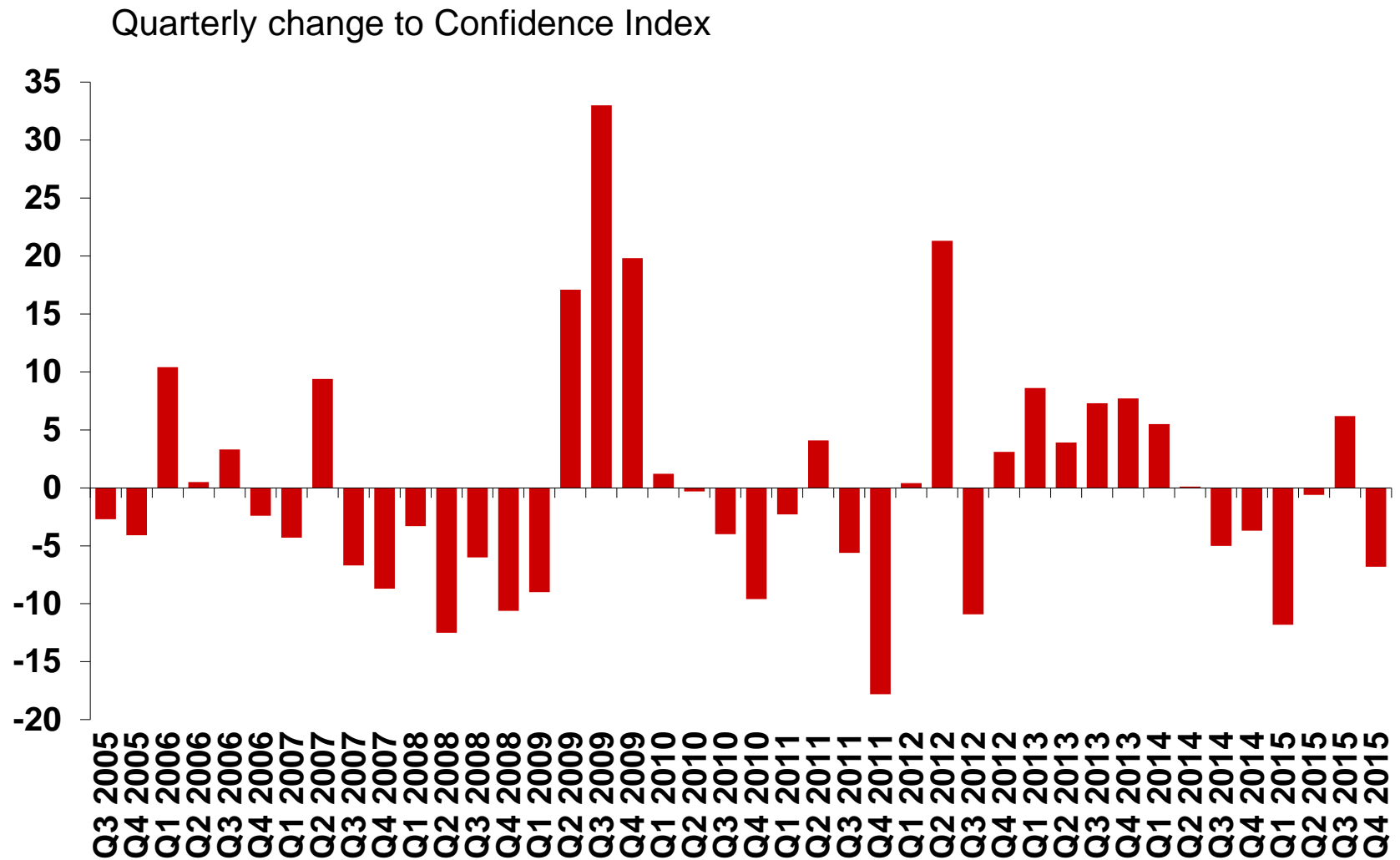
- Confidence Index top lines

# Confidence falls back again, although remains firmly in positive territory

ICAEW / Grant Thornton UK Business Confidence Index

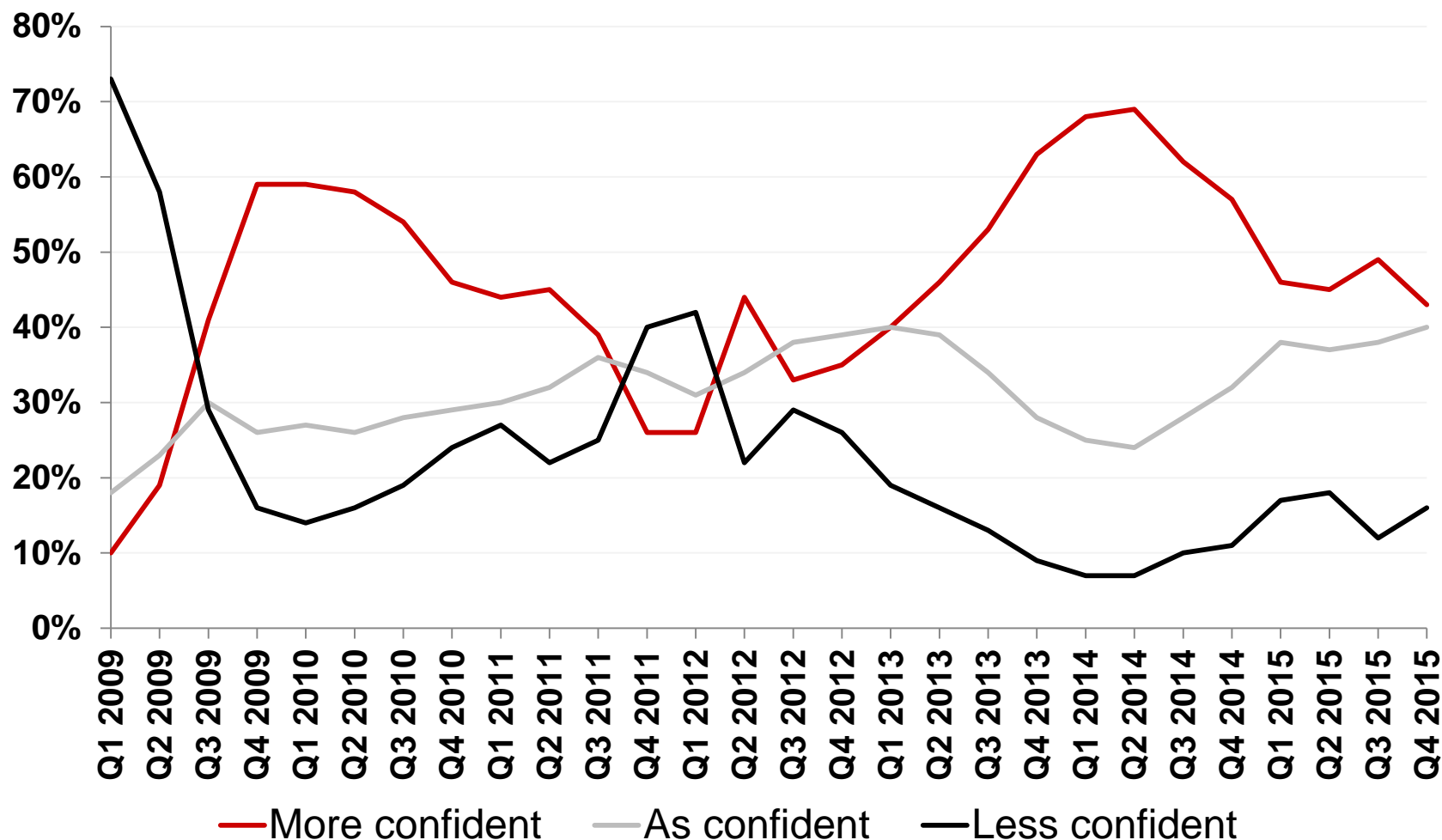


# Confidence back in quarter-on-quarter decline



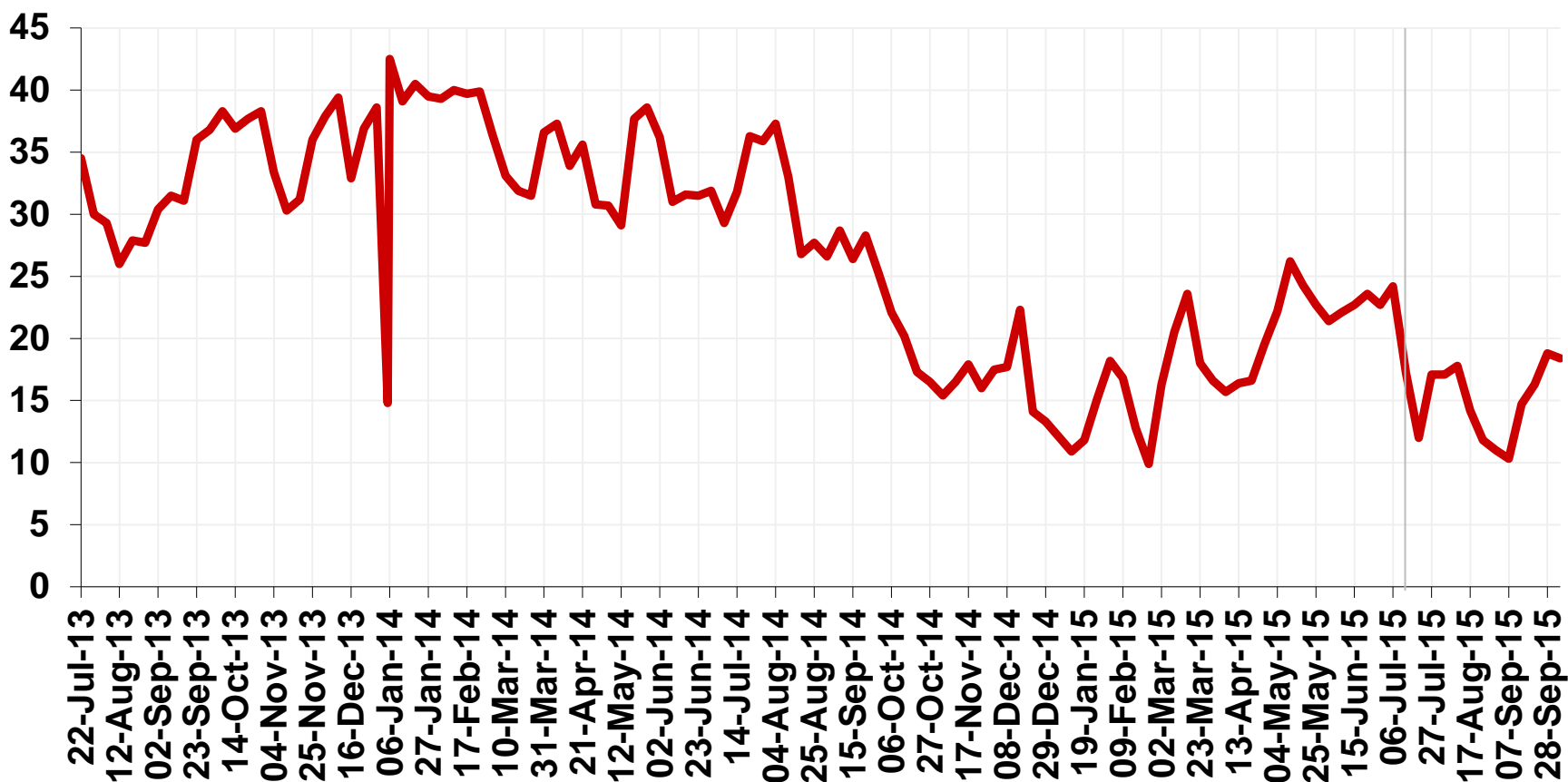
# Fewer firms are 'more confident' in prospects than a year ago

Proportion of respondents that are more, less and as confident in economic prospects over the next 12 months as the past 12



# Confidence falls back after post-election bounce

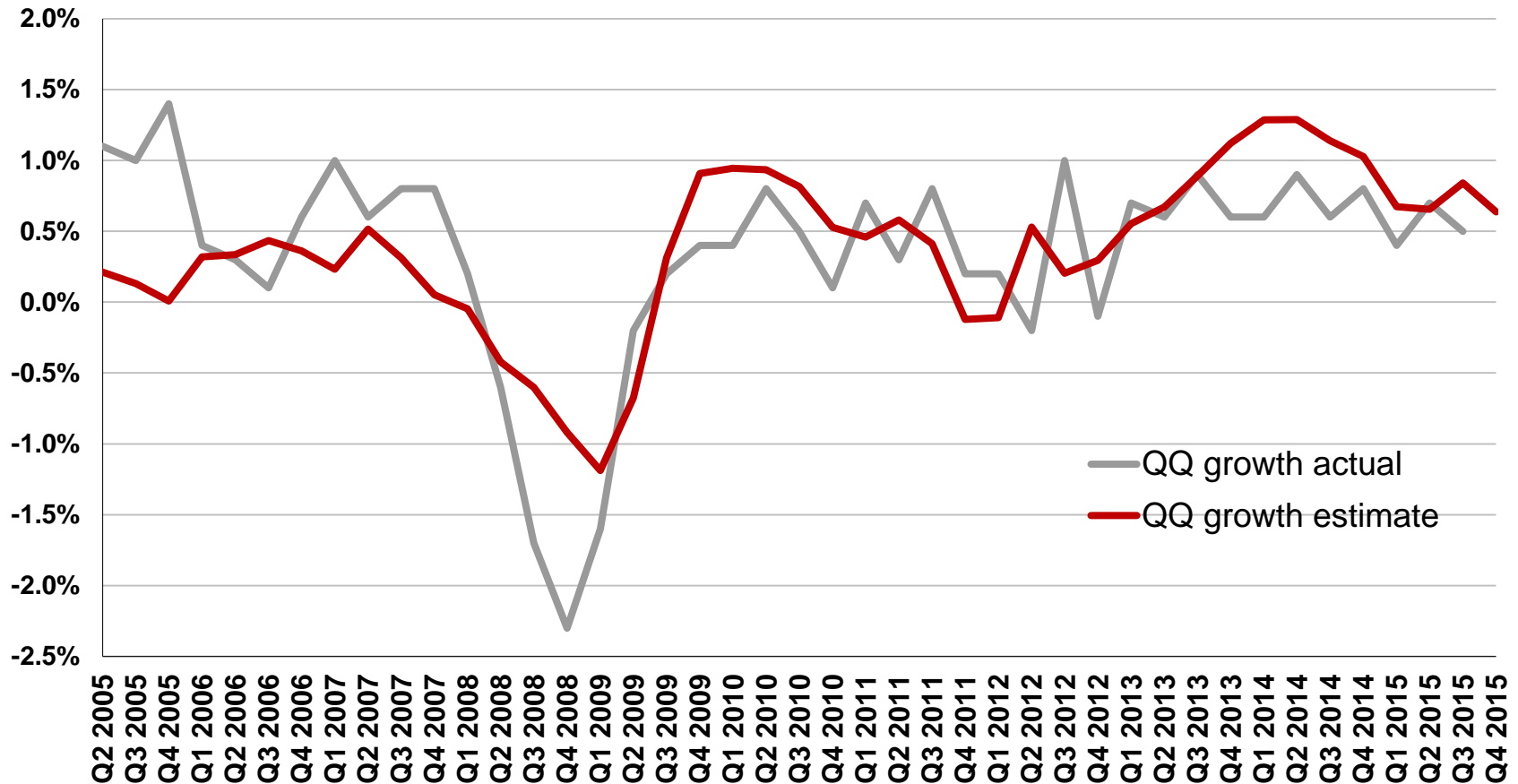
ICAEW / Grant Thornton Business Confidence Index, three week rolling trend



Three weeks beginning...

# Growth over 2015 as a whole looking solid, though weaker than 2014's stellar performance

Quarter on quarter real GDP growth, per cent



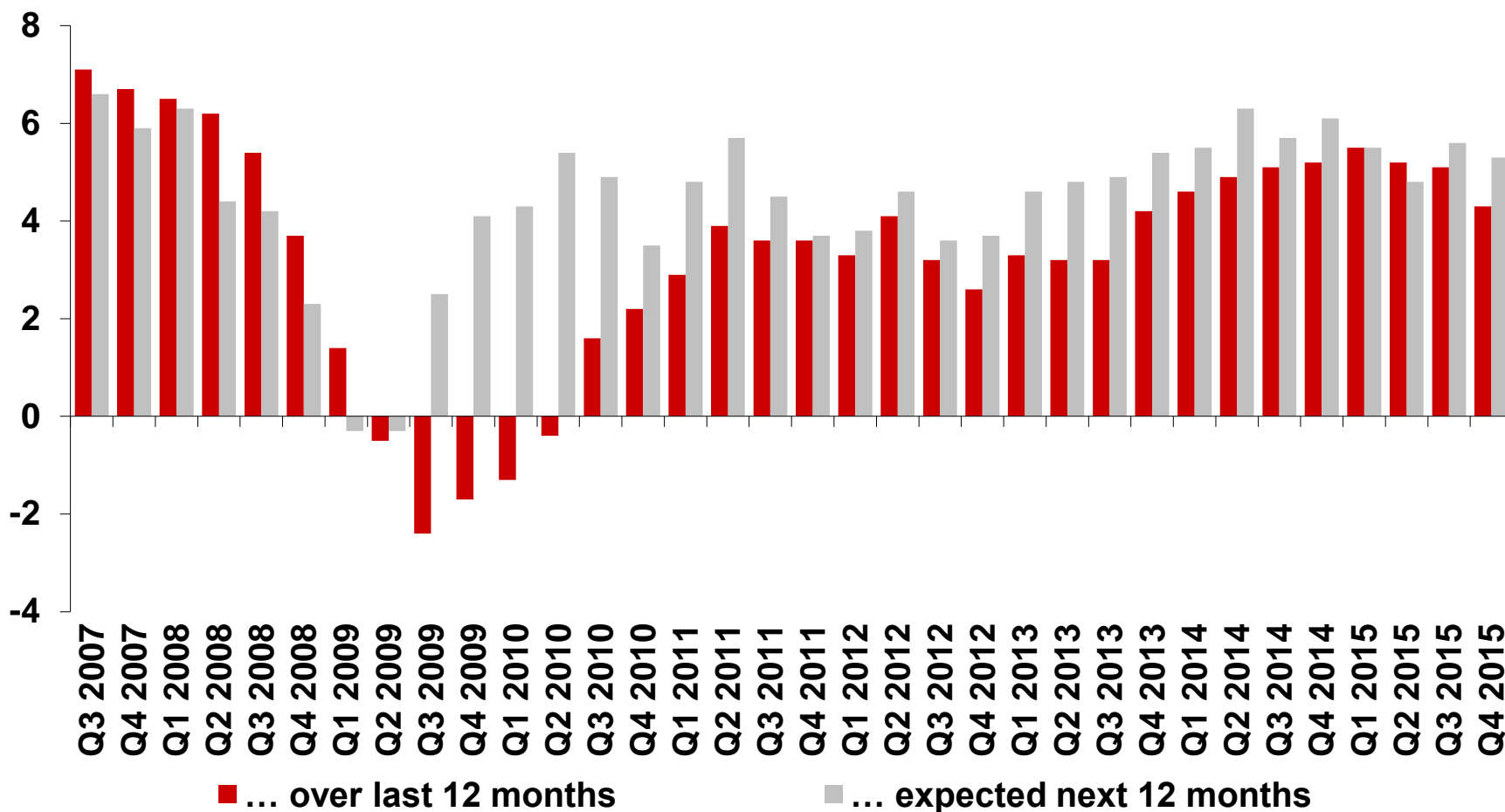


# Outline

- Financial performance indicators
    - Growth indicators
-

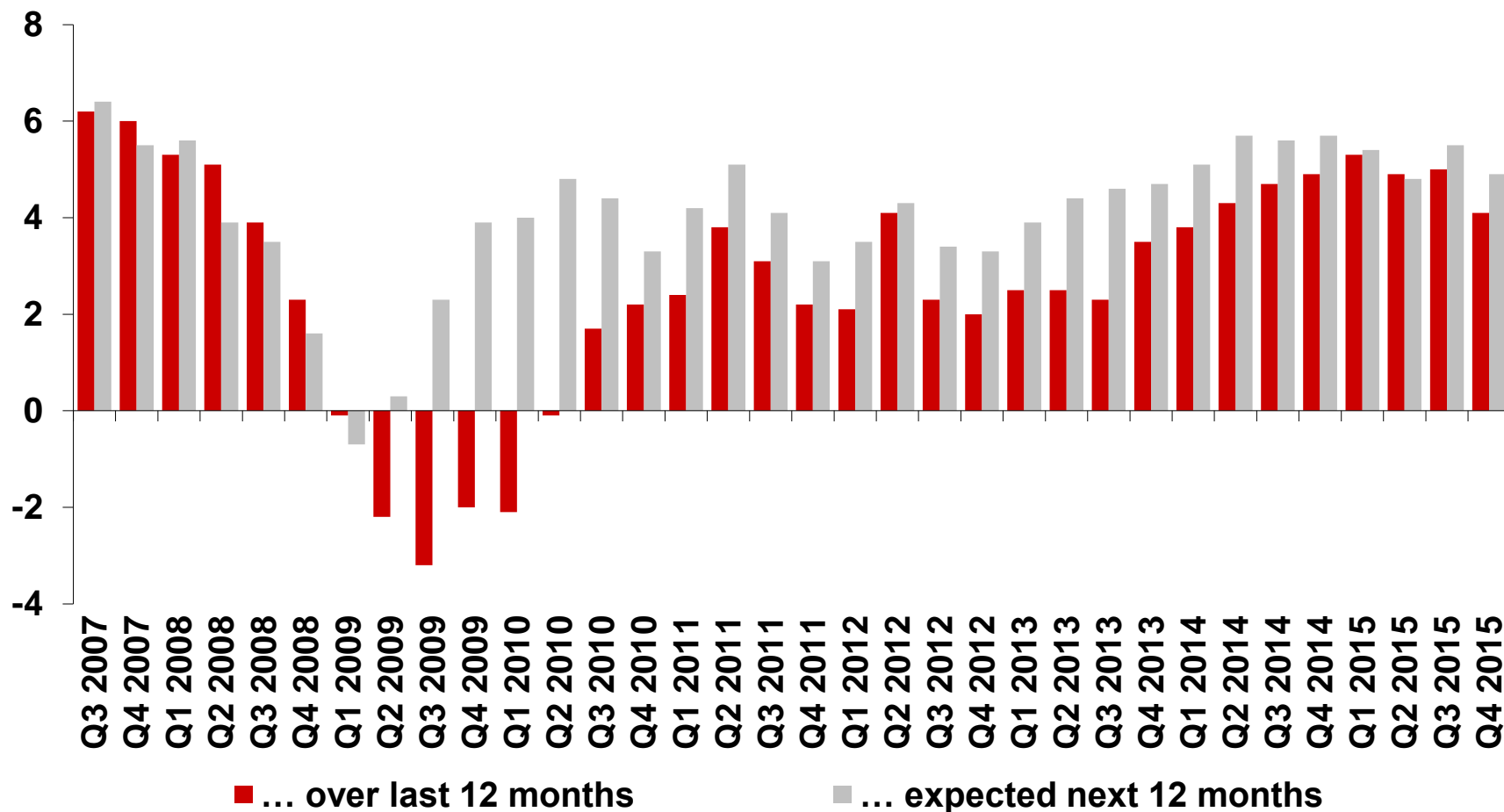
# Turnover growth now falling back, although outlook is brighter

Turnover, annual percentage change



# Growth in profits also slowing, although businesses expect a boost over the next 12 months

Gross profits, annual percentage change



# Export growth weak this quarter, but higher demand expected ahead both at home and overseas

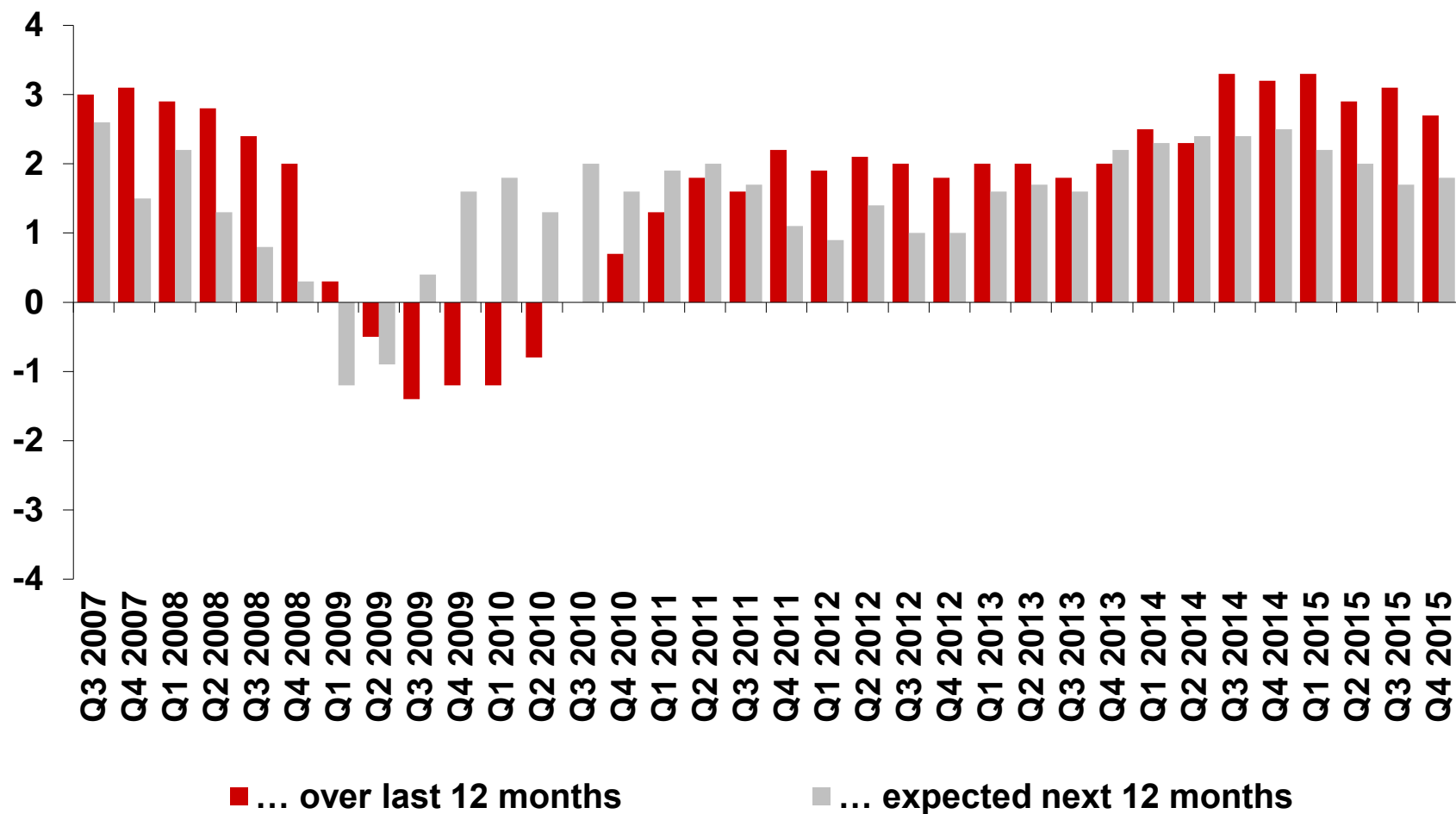
Exports and domestic sales, annual percentage change



\* expectation

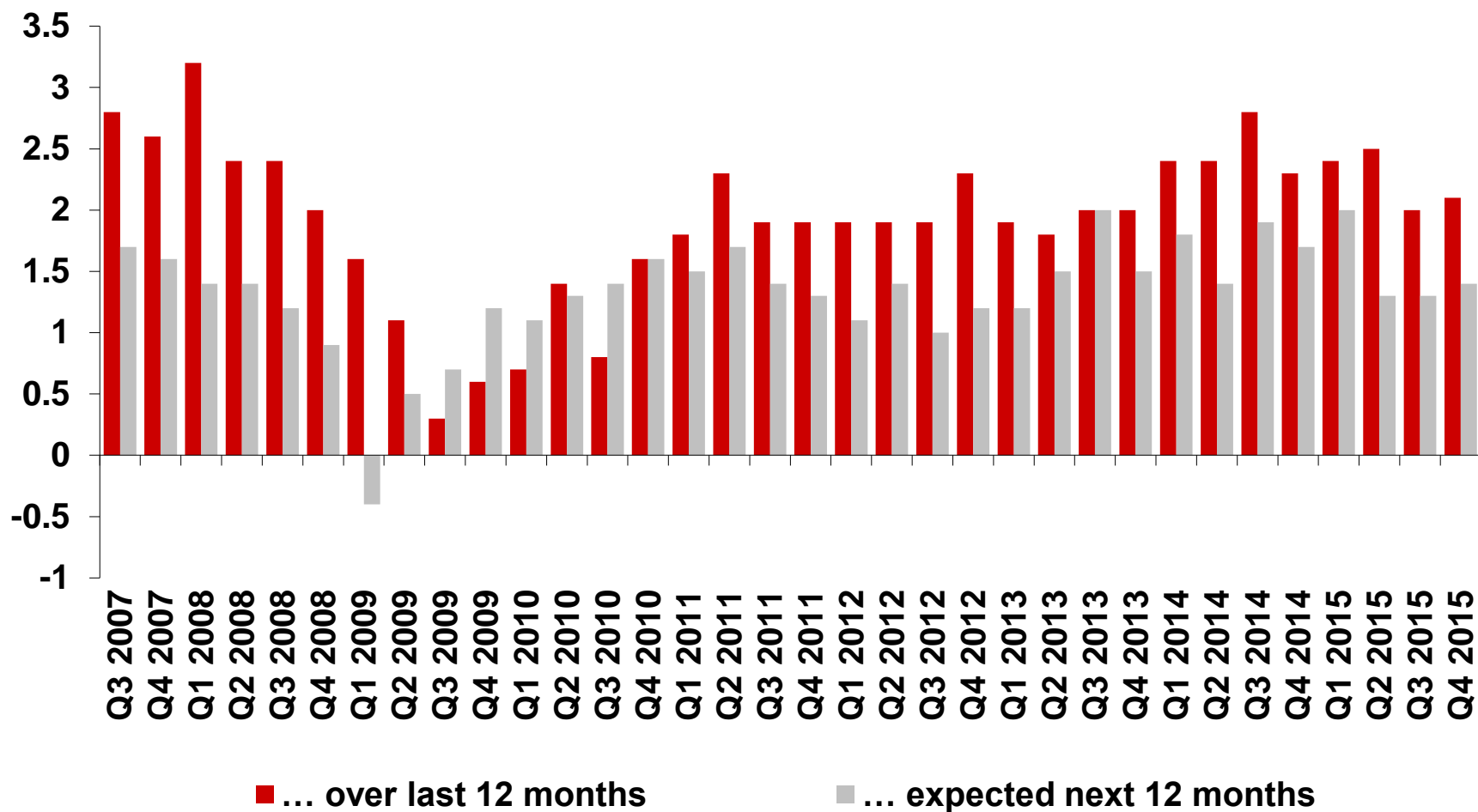
# Capital investment continues to slowly fall, and expected to slow further ahead

Capital investment, annual percentage change



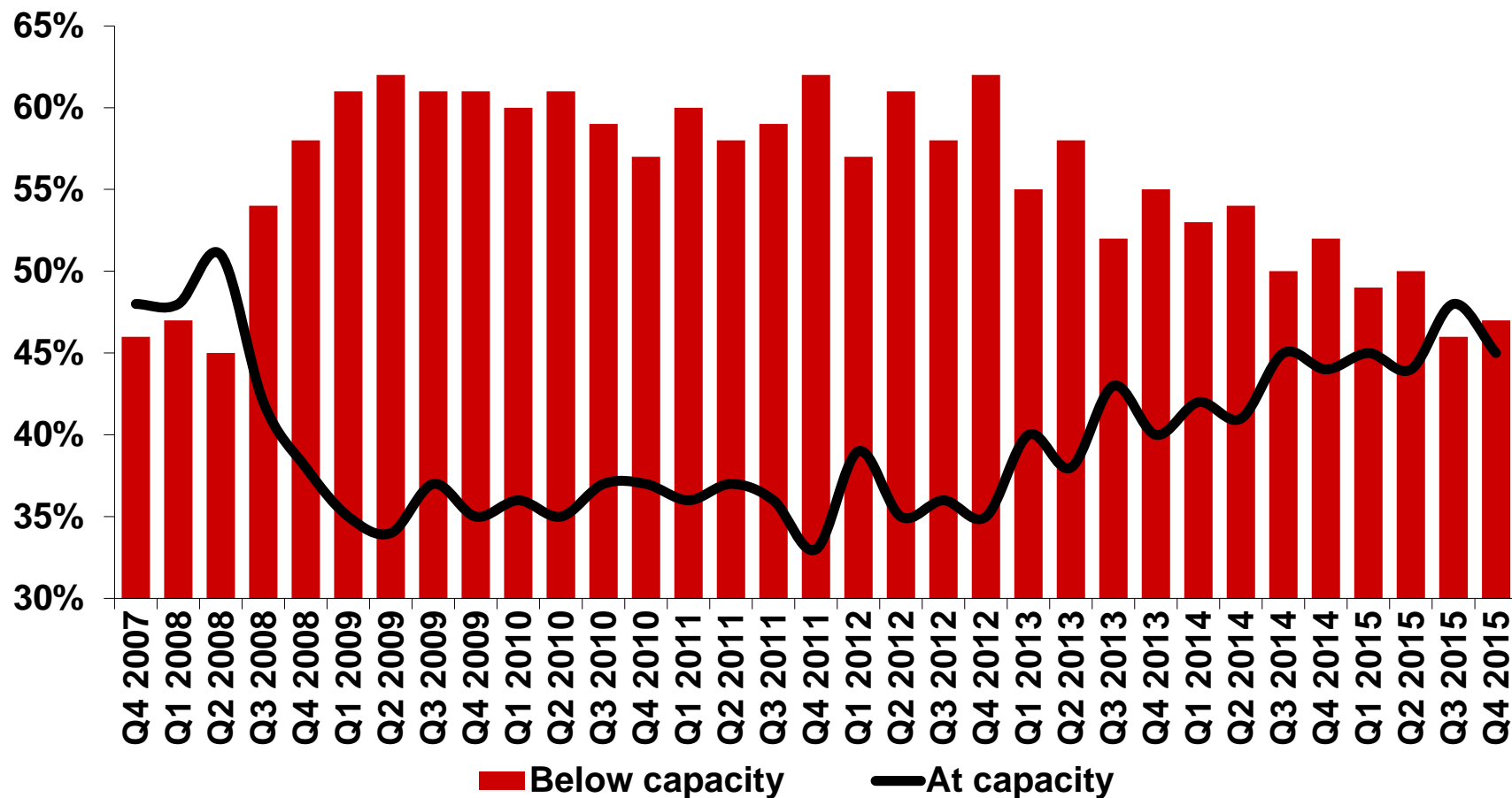
# R&D budget growth slower than pre-crisis and expected to fall further

Research and development budgets, annual percentage change



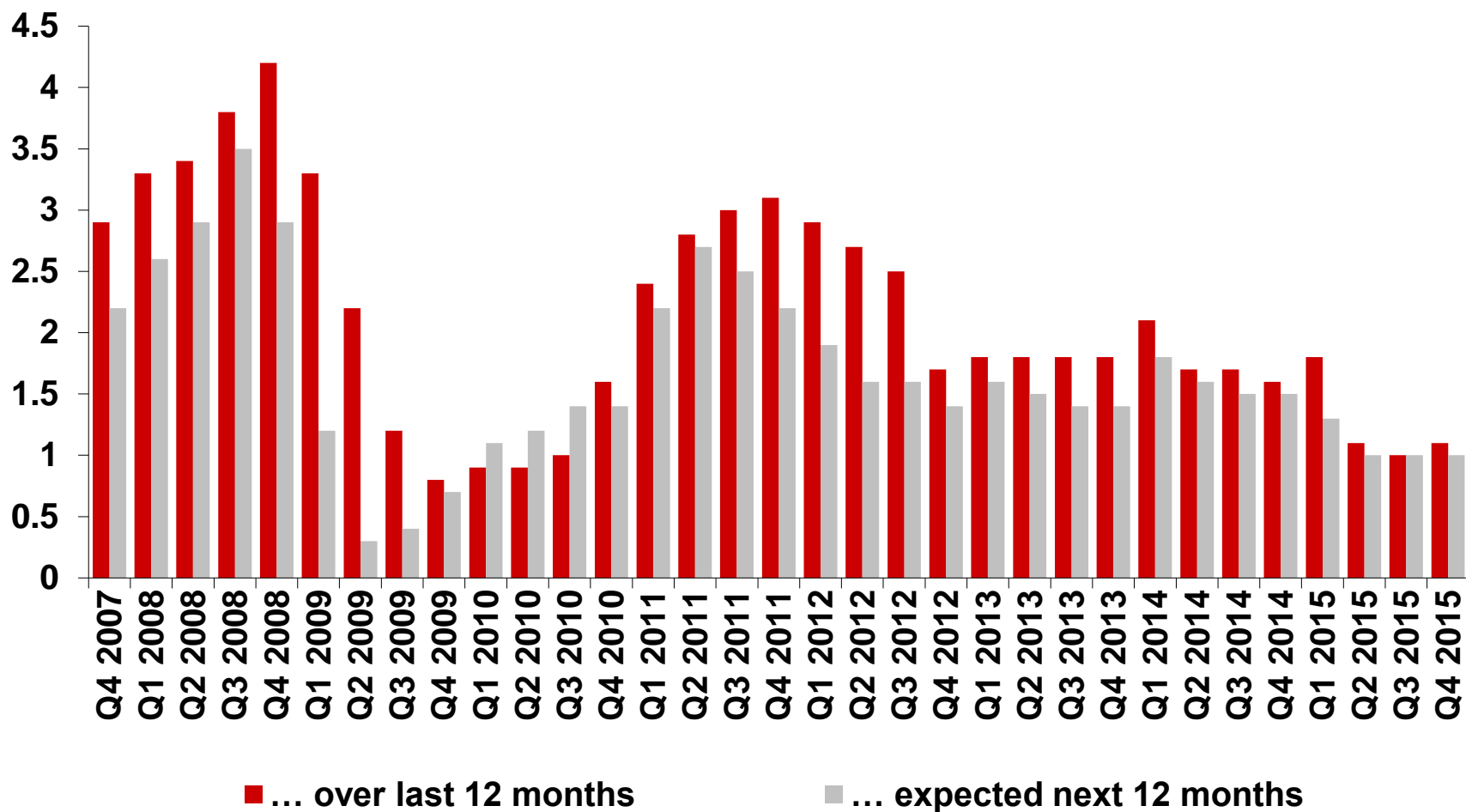
# Spare capacity still shrinking year on year

Share of businesses operating at and below capacity



# No real sign of uptick in cost inflation emerging yet

Input prices, annual percentage change



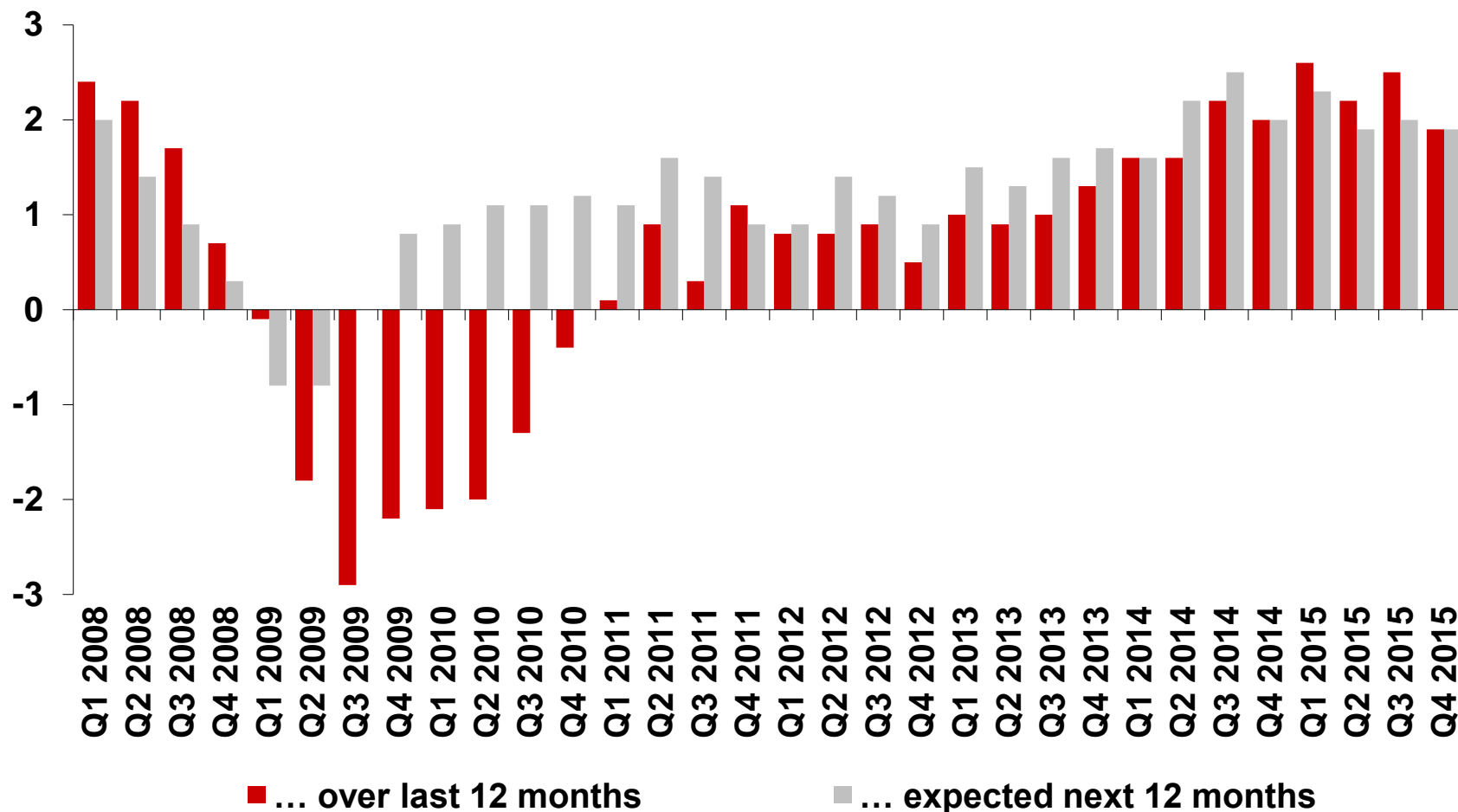


# Outline

- Financial performance indicators
    - Inflation & labour market indicators
-

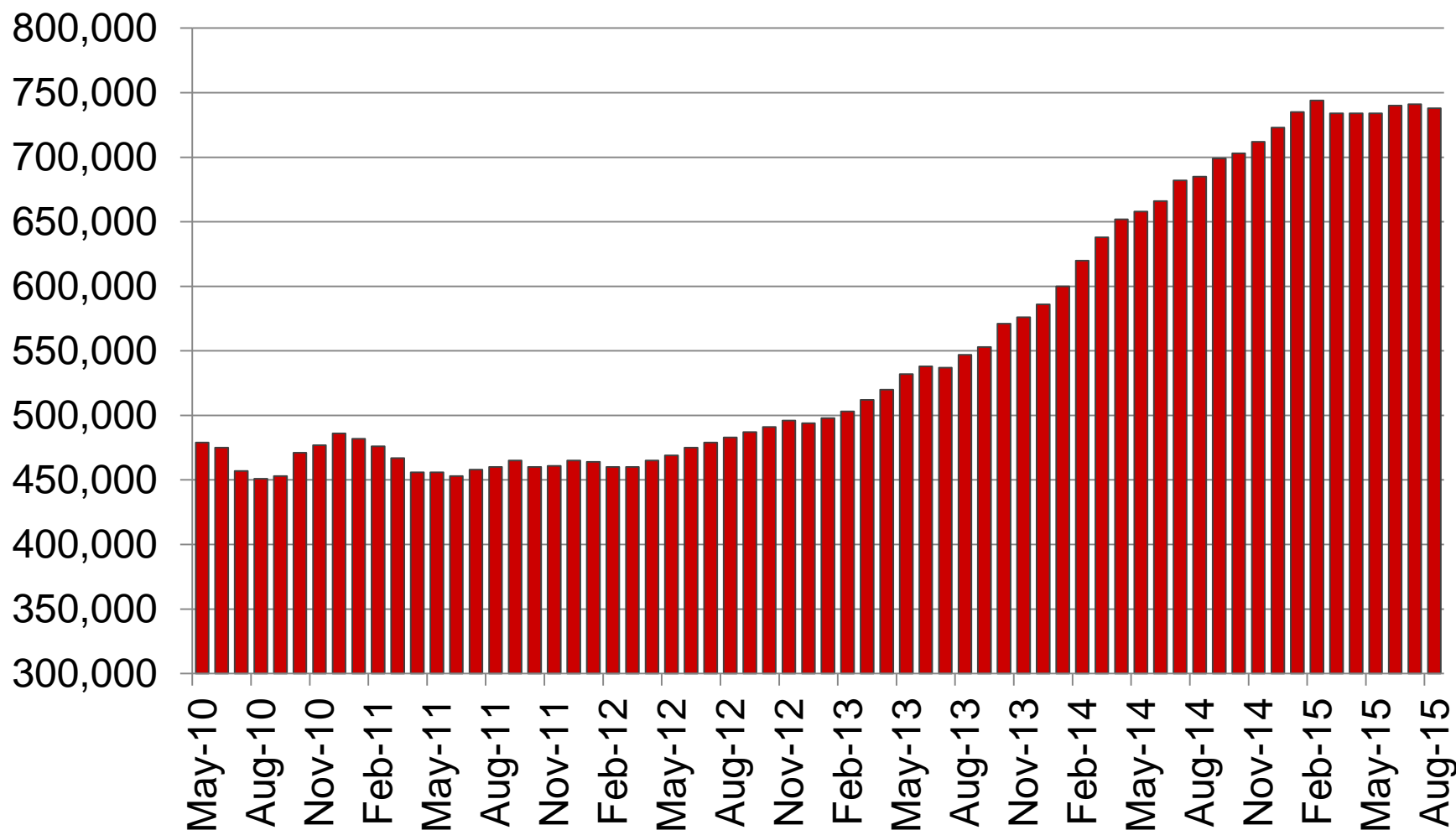
# Employment growth is expected to stabilise at buoyant levels

Employee numbers, annual percentage change



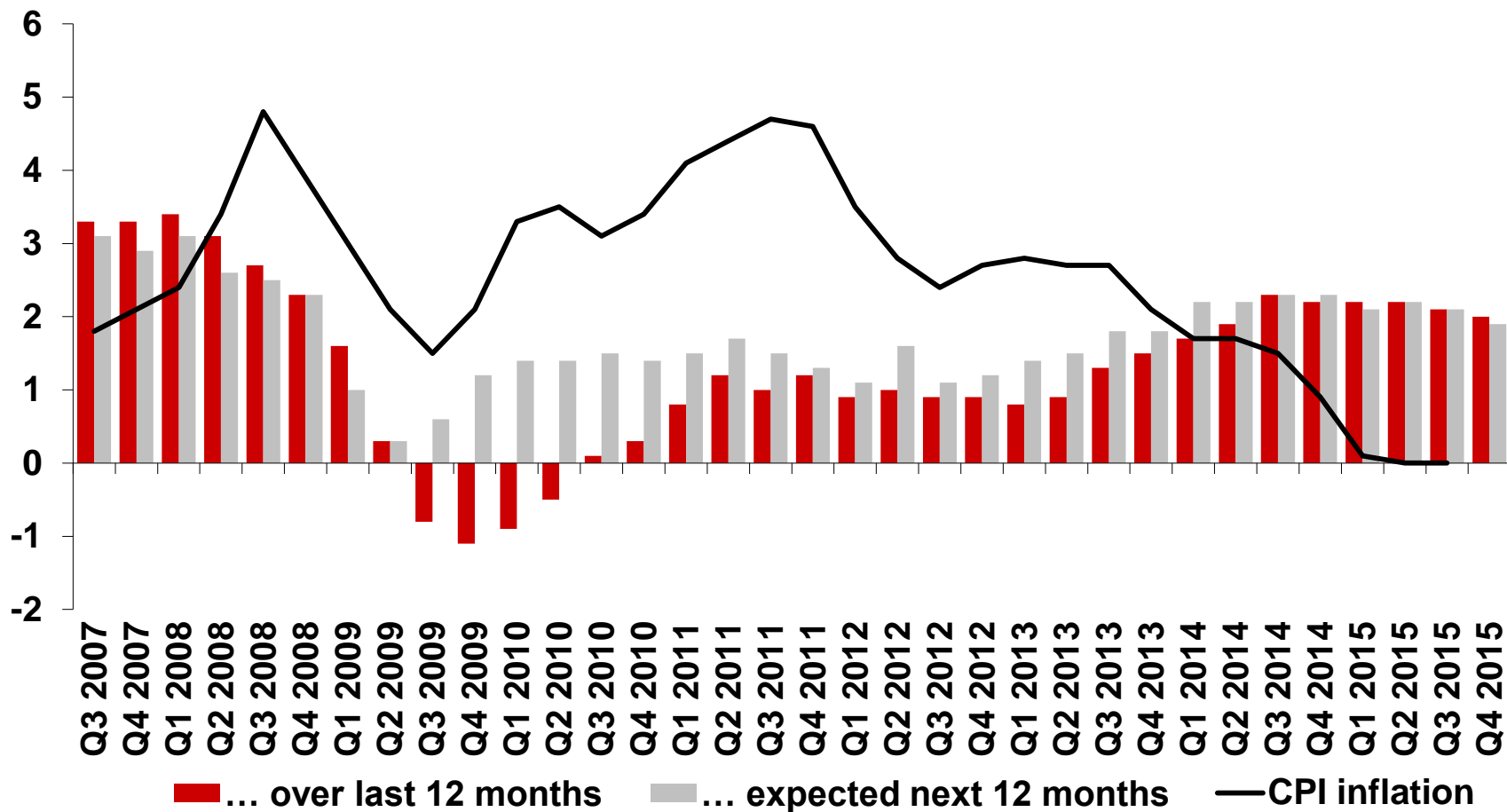
This is reflected in job vacancy data, which has held steady in recent quarters

Total vacancies, UK, ONS data



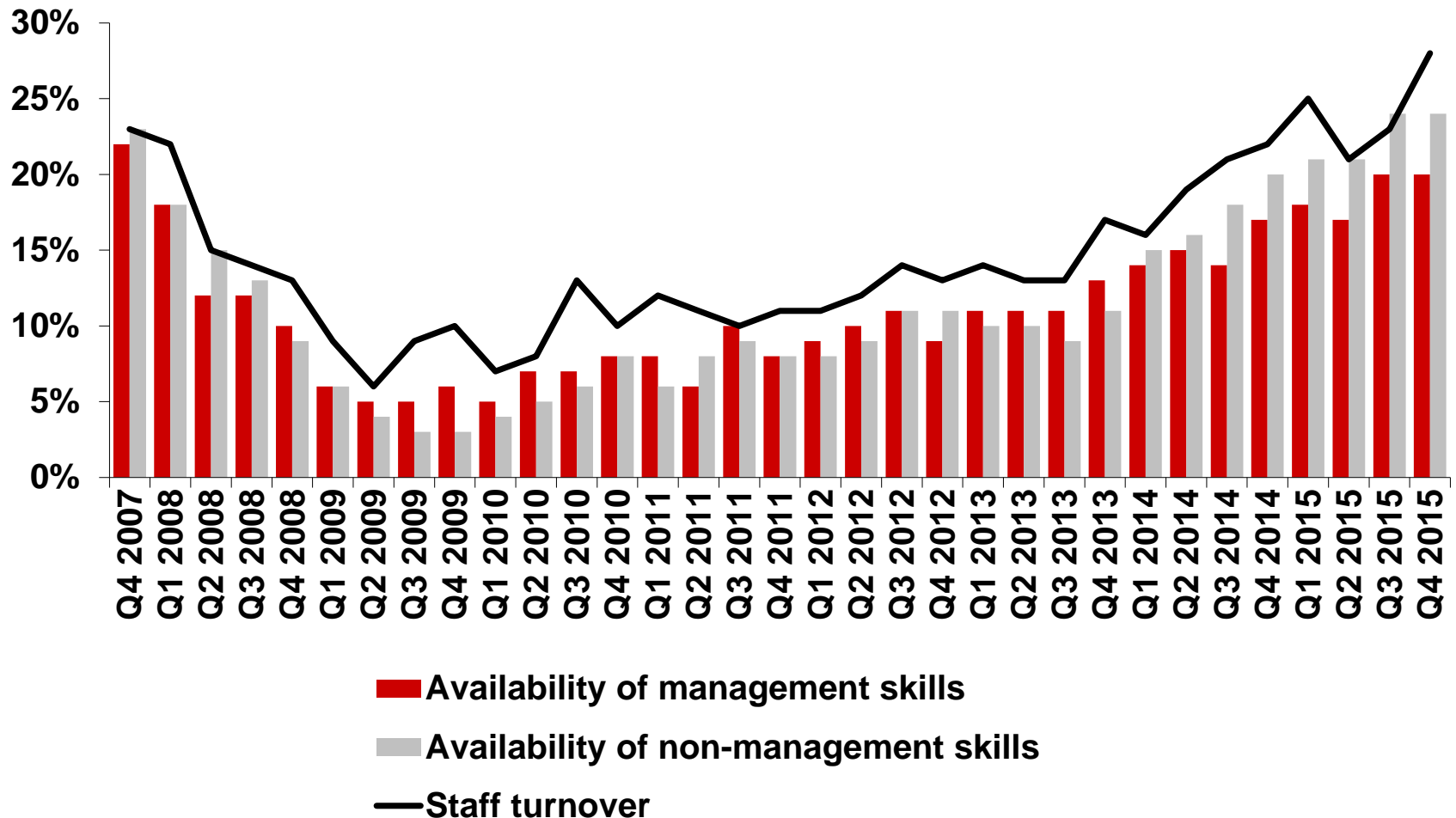
# 'No-flation' continues to boost spending power, although firms show some signs of slowing salary growth

Average total salary, annual percentage change



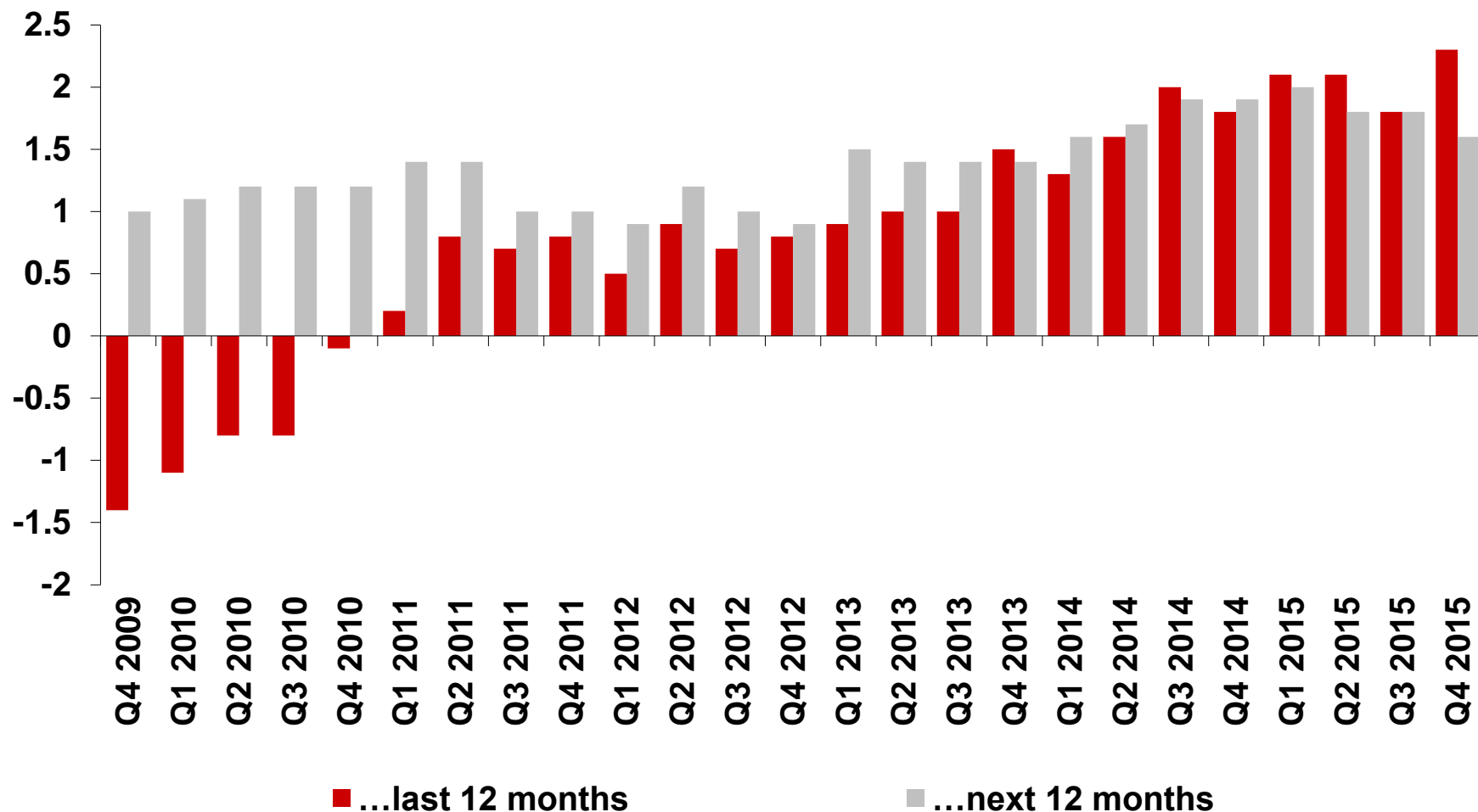
# Staff turnover becoming a greater issue as unemployment rate drops back to near pre-crisis levels

Balance of companies reporting factors to be a greater challenge to business performance now than a year ago



# Growth in staff development budgets expected to slow, a trend that may not help emerging skills shortages

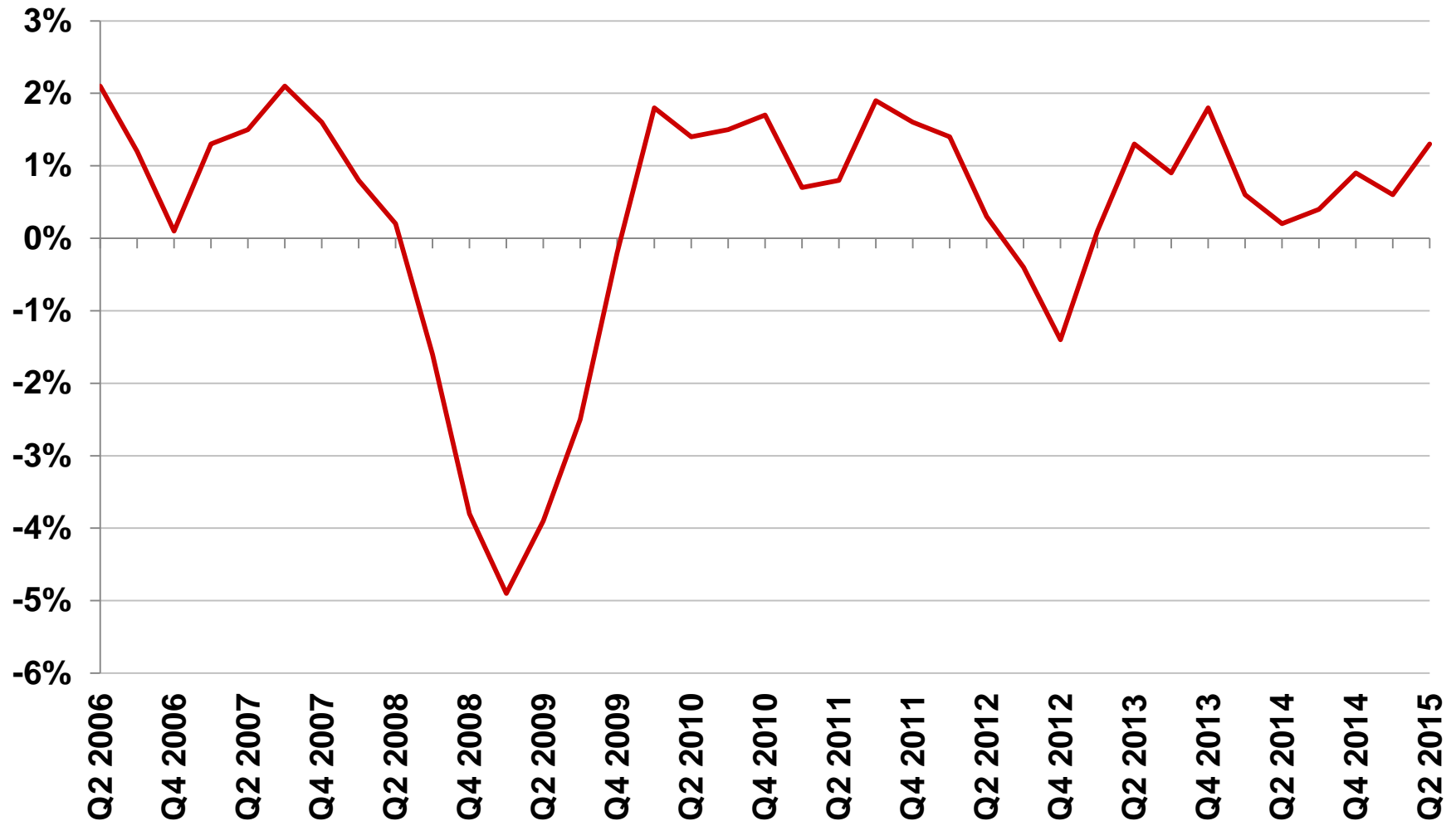
Staff development budgets, annual percentage change



\* expectation

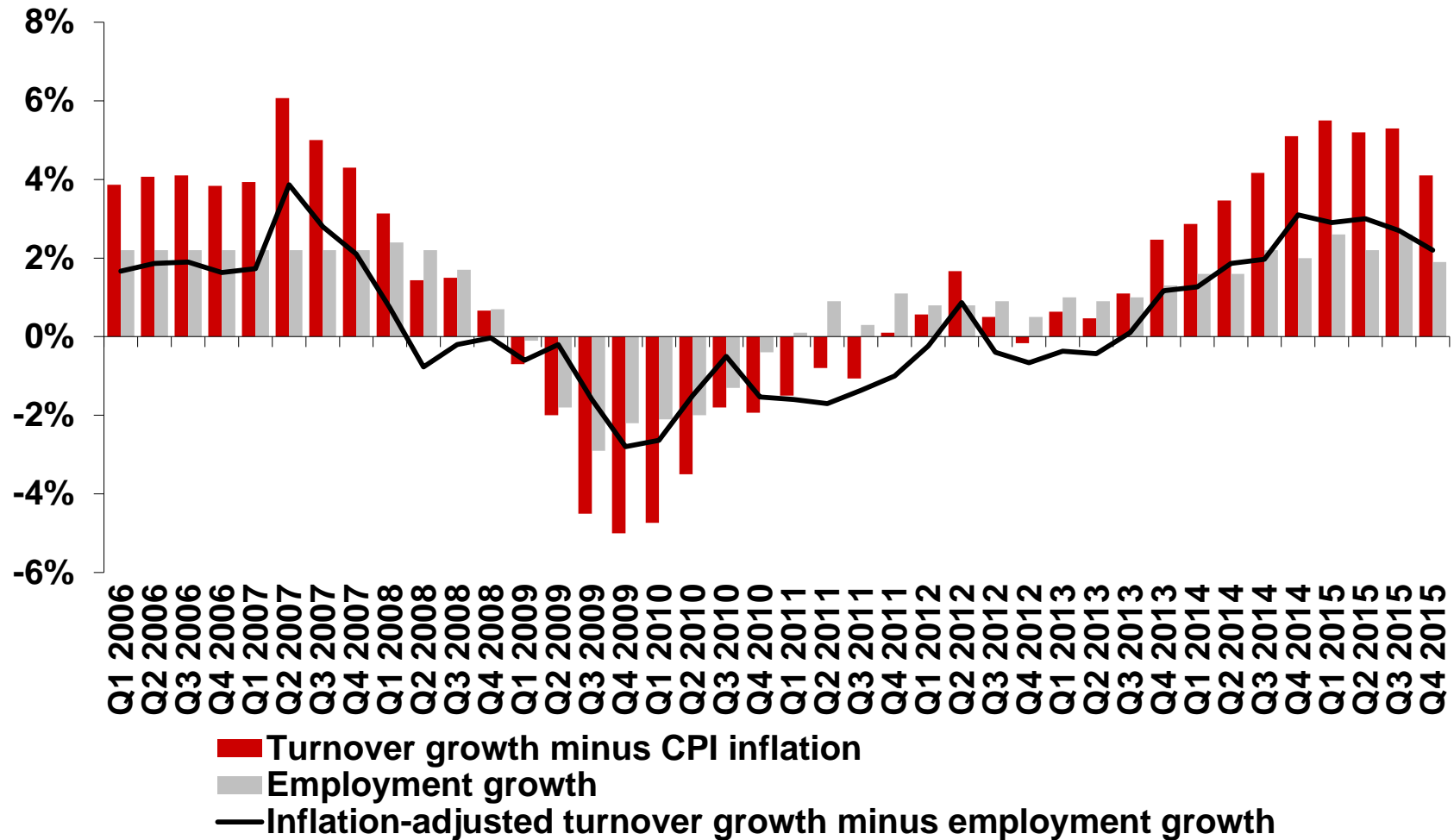
# Overall UK productivity growth has accelerated recently

Year-on-year growth in output per employee, ONS figures



## However, BCM data suggest this trend may be short-lived

A rough measure of productivity (inflation-adjusted turnover per employee)  
based on BCM figures



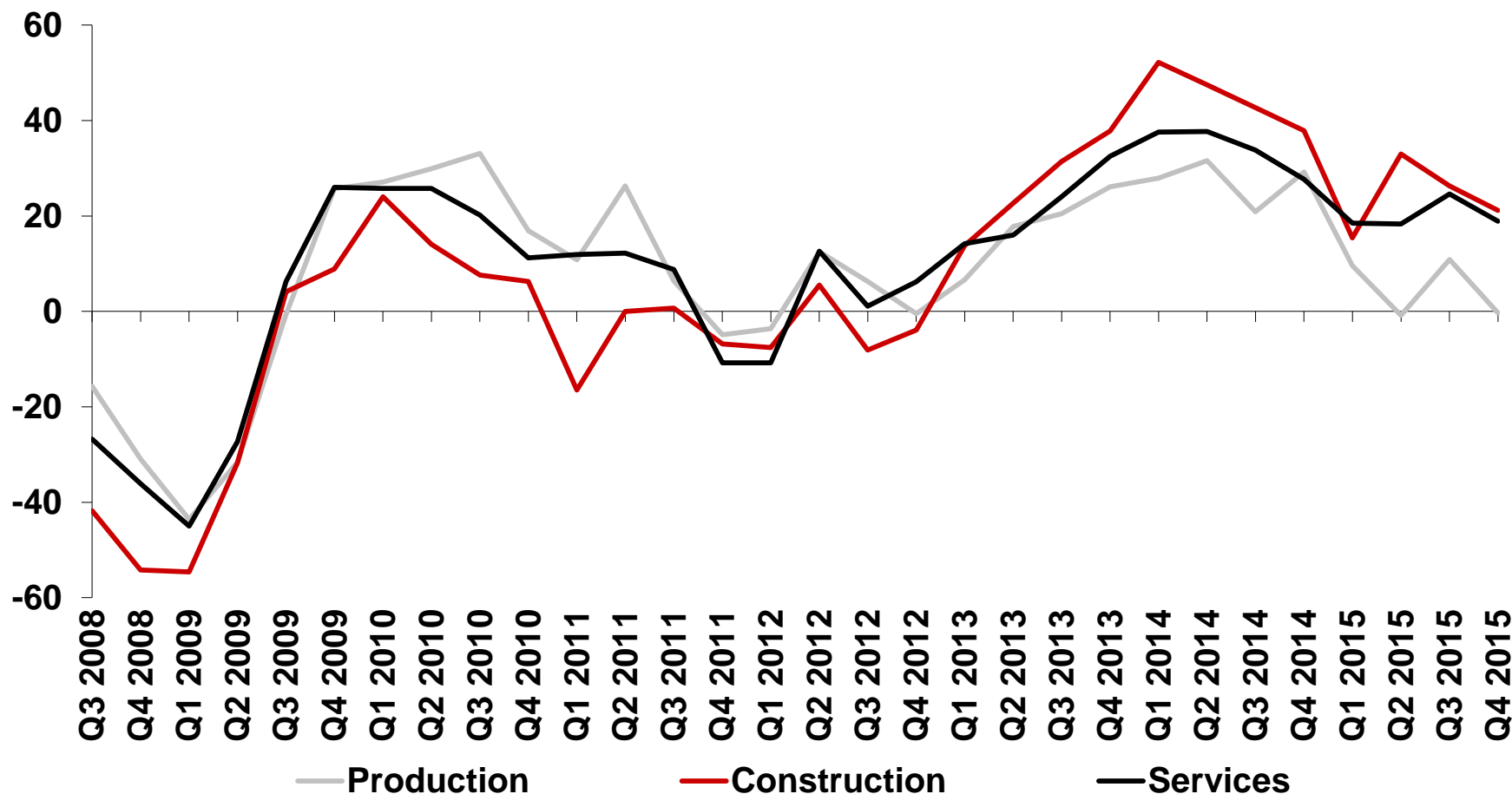


# Outline

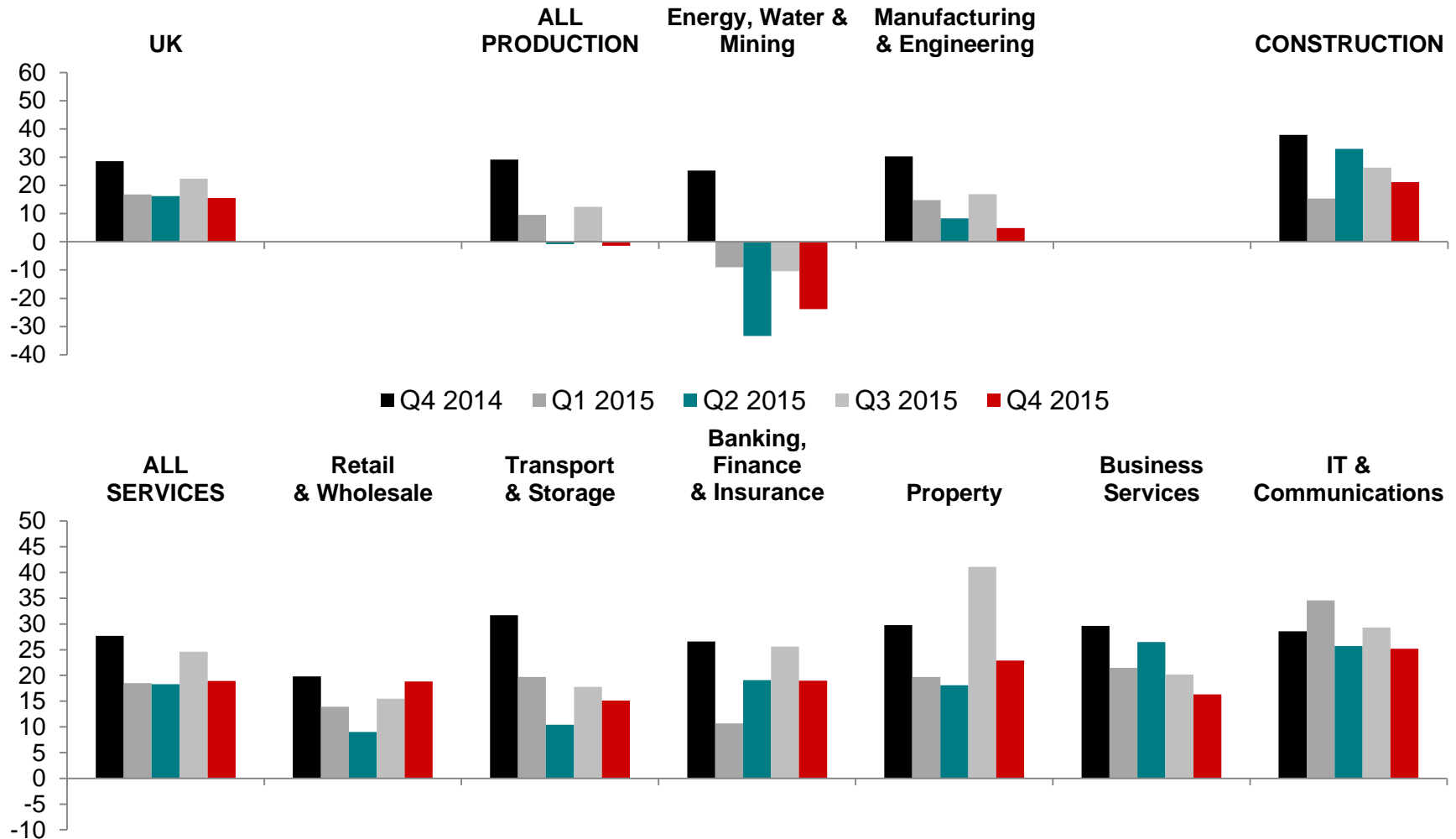
- Regional & sector stories
-

# Confidence slides across the economy, but particularly in the production sector

ICAEW / Grant Thornton Business Confidence Index

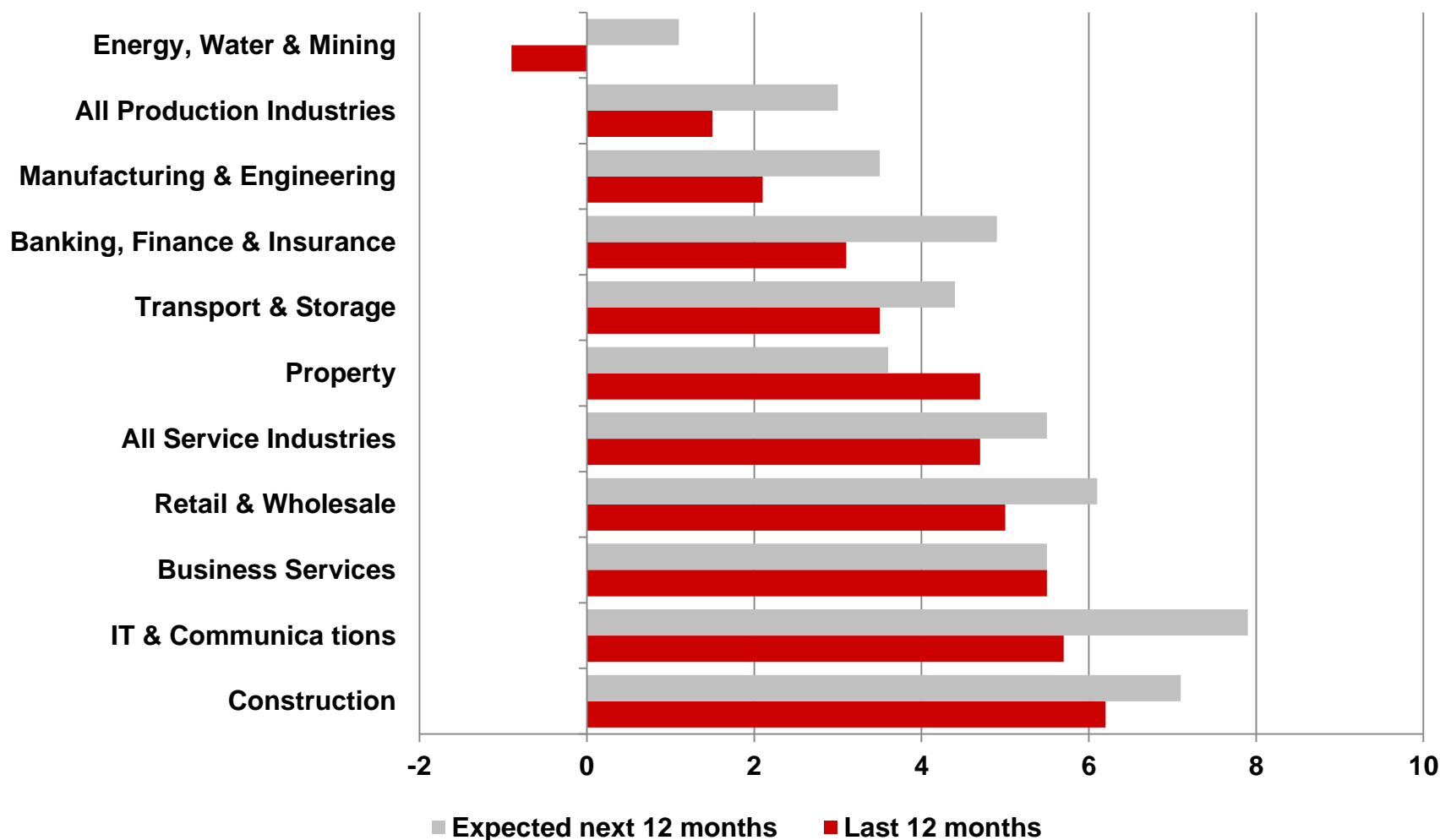


# Confidence slipping back almost everywhere, except among retailers and wholesalers



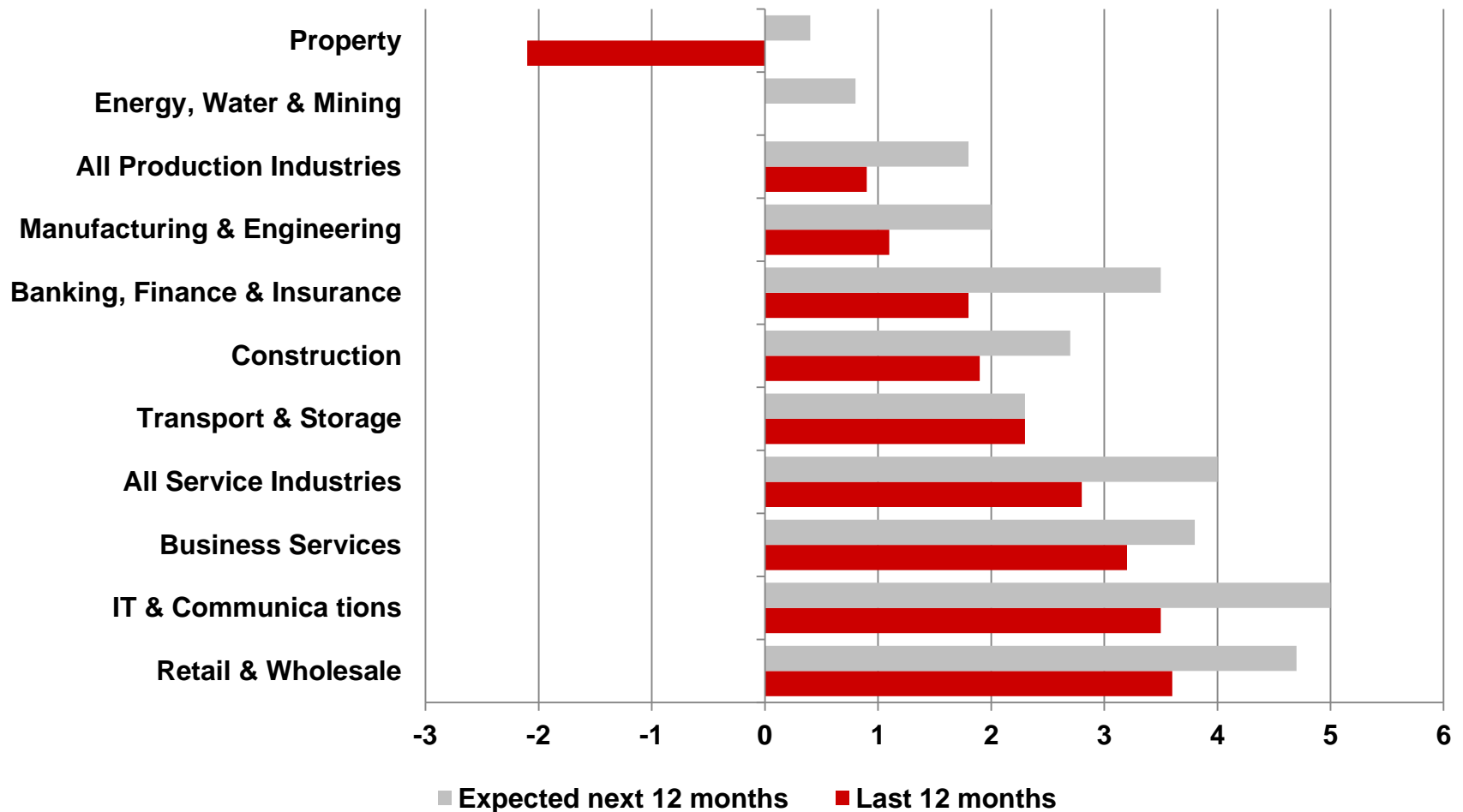
# Construction and IT sectors seeing fastest growth and expecting to expand the most quickly in the next year

Change in sales volumes over 12 months



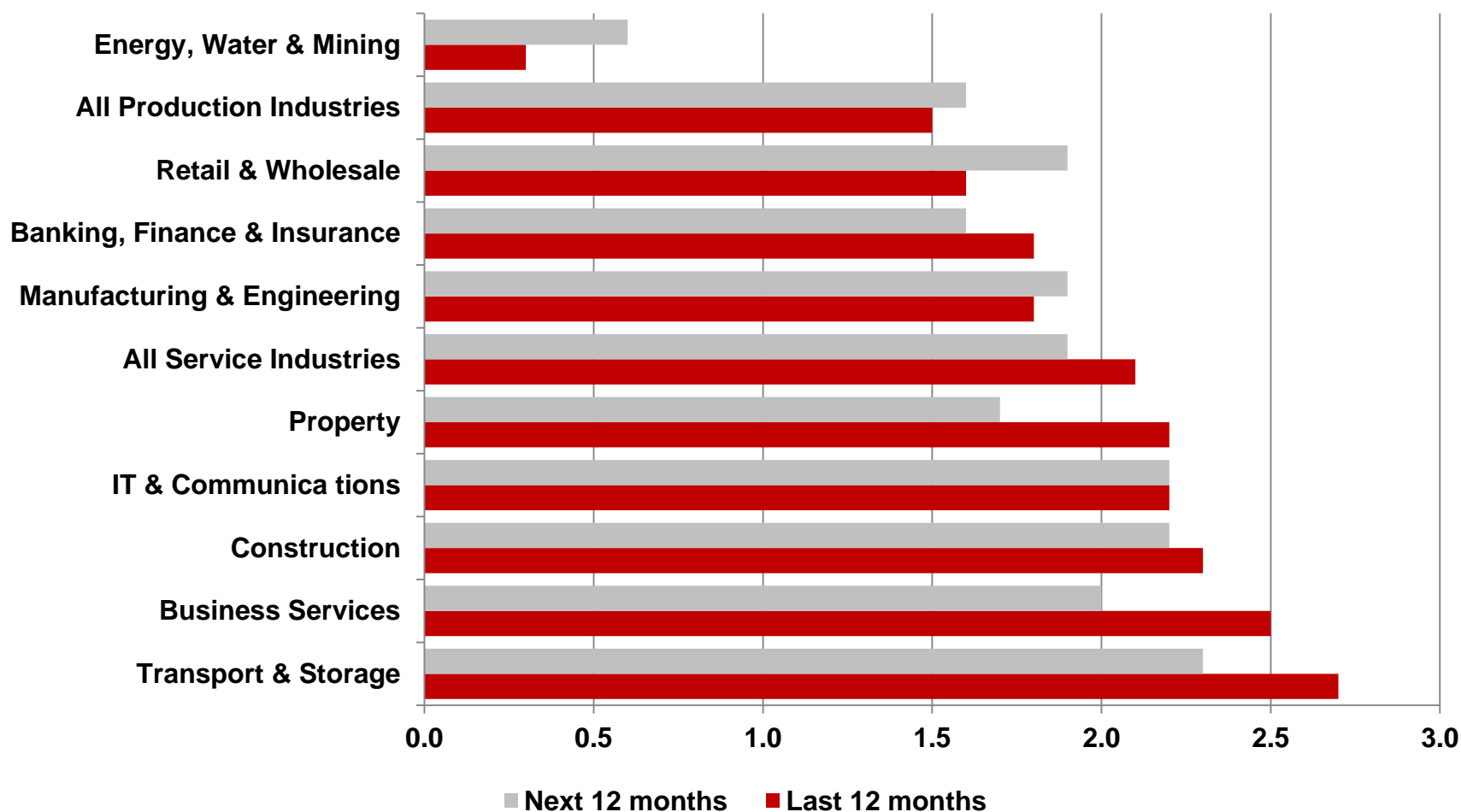
# Retailers seeing an uptick in export performance and confident about the next year

Change in exports over 12 months



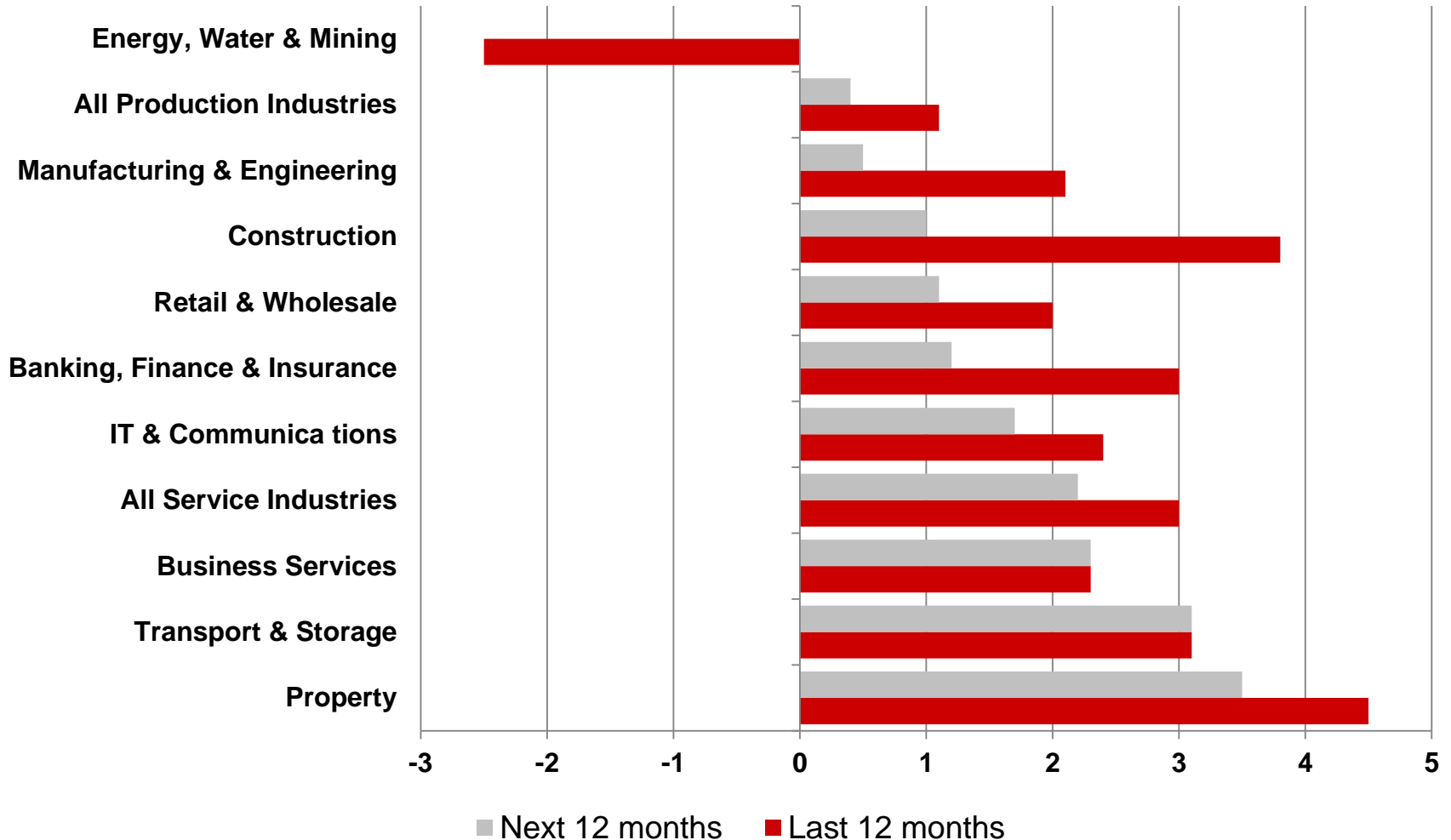
# Salary expectations for the next year lower than last 12 months across most sectors

Change in average total salary over 12 months



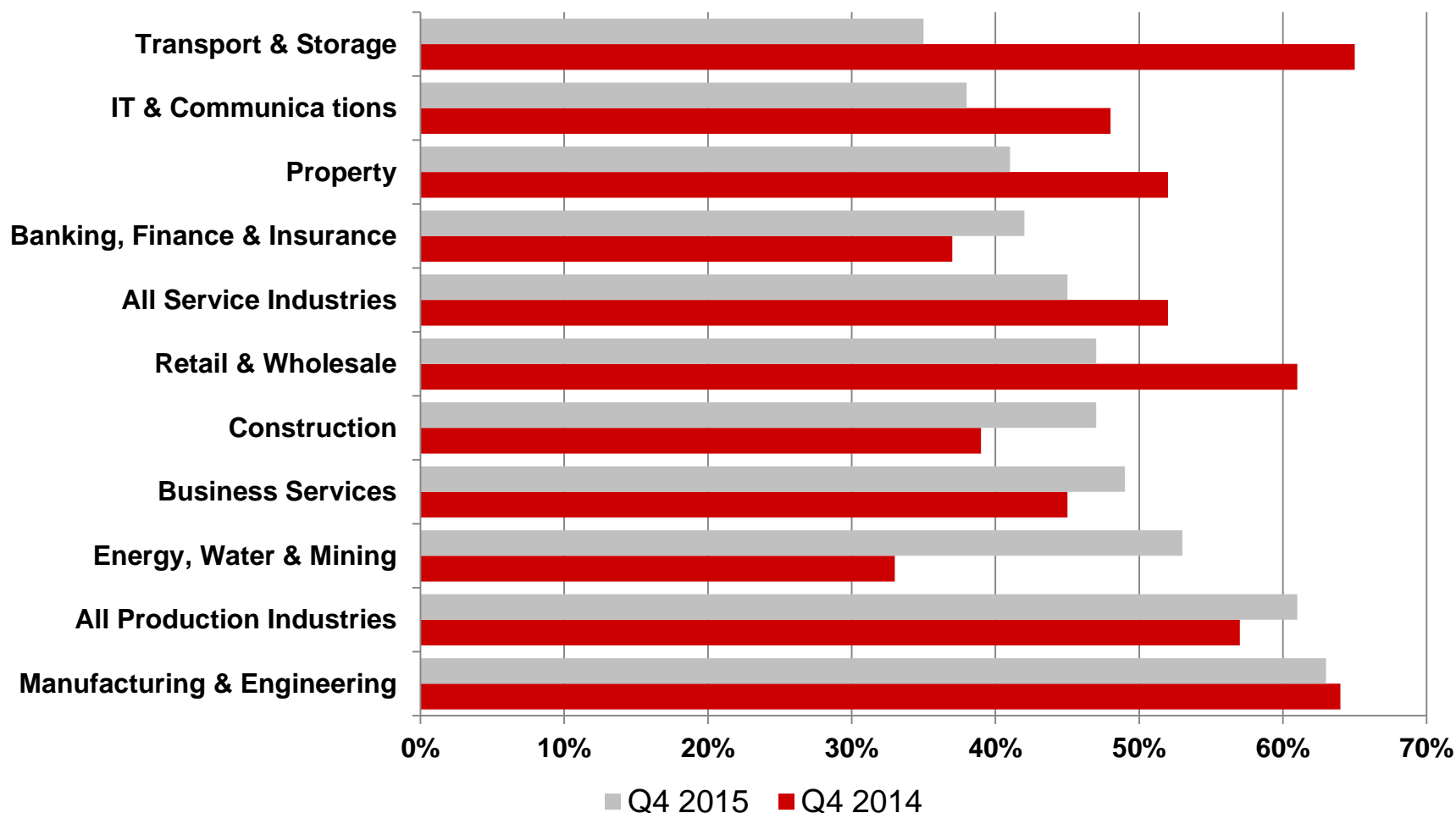
# Property and logistics sectors expecting the strongest growth in capital investment in year ahead

Capital investment growth expected over next 12 months



# Spare capacity halves over past year in Transport & Storage industry

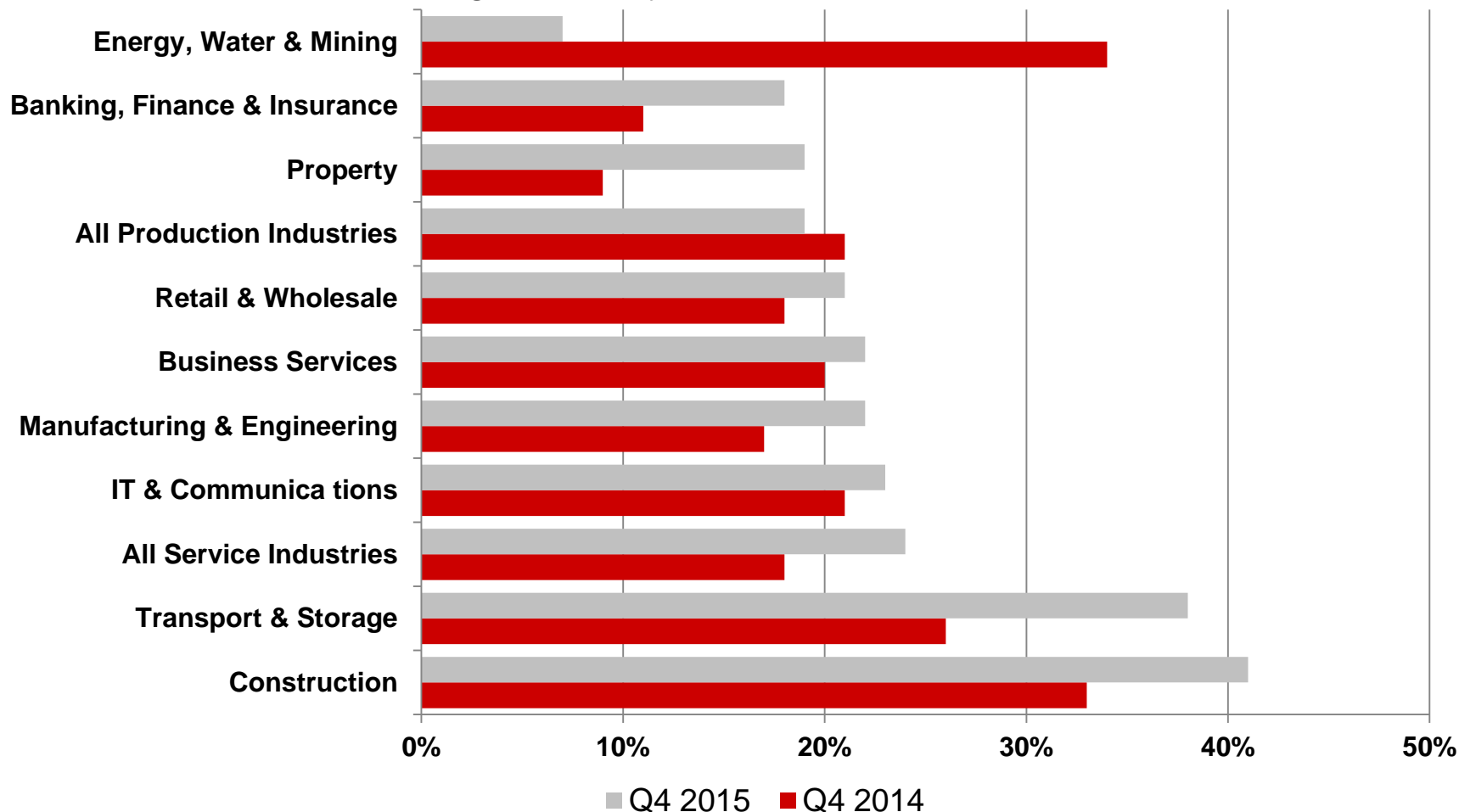
Proportion of businesses operating below capacity



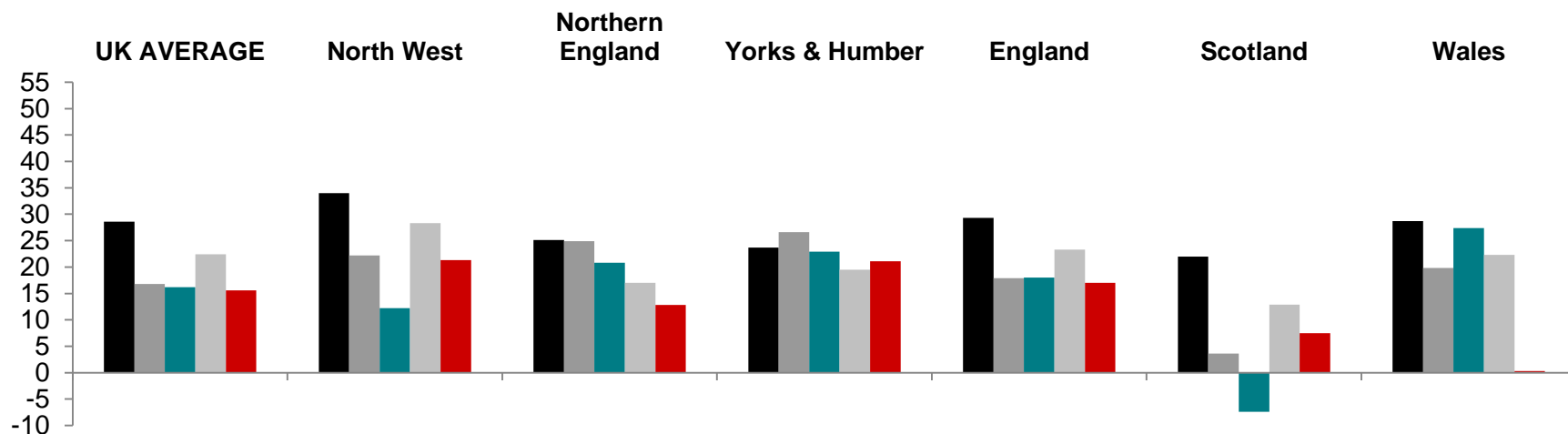
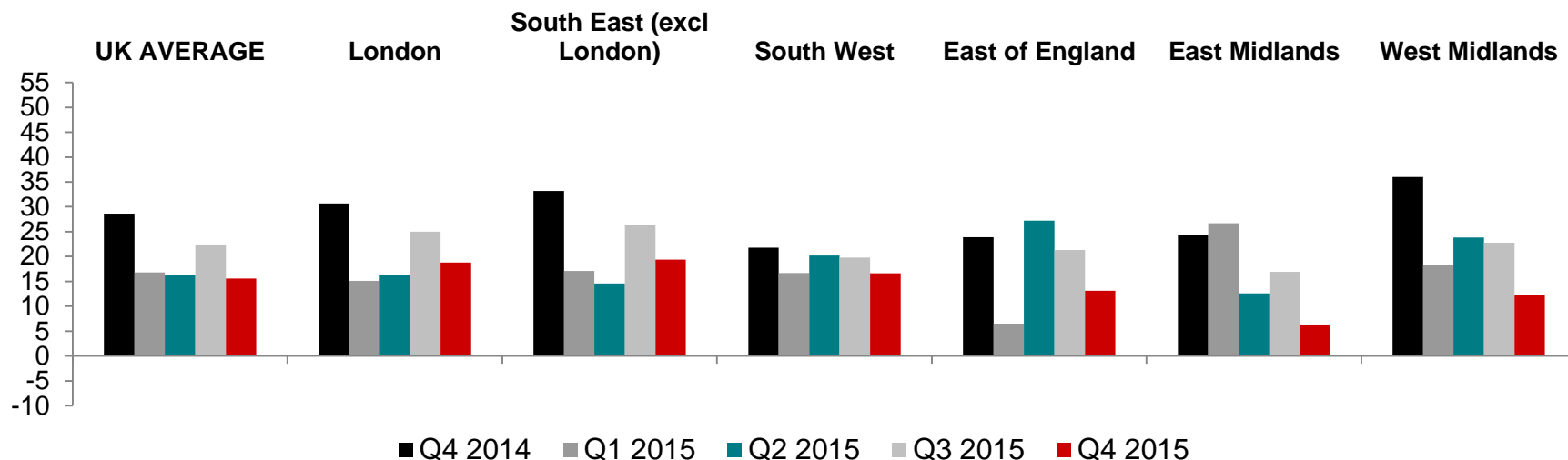


# Skills shortages are building up in Transport & Storage sector as a result, as well as among construction firms

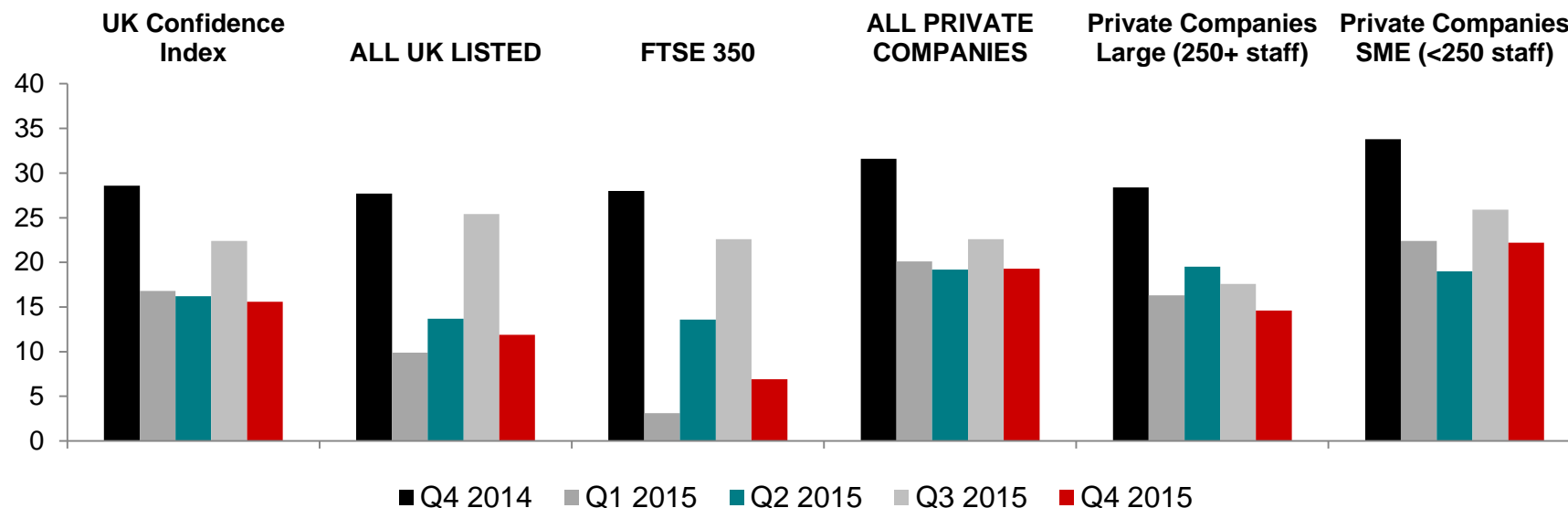
Proportion of businesses reporting that the availability of non-management skills is more of a challenge than a year before



# Confidence falls back further in Northern England and the Midlands; holds up stronger in the South of England



# Confidence falling back among FTSE 350 firms, but holding generally fast among privately owned companies



# Conclusions

- Business confidence sank again this quarter and is down on a year ago, but remains well into positive territory.
  - Turnover and gross profit growth has been slowing, although firms expect faster increases ahead.
  - Employment growth looks to be steadying at buoyant levels of close to 2.0%.
  - As the labour market recovery continues, skills shortages appear to be worsening, particularly in construction and logistics.
  - Wage growth has slowed only marginally, and with continued 'no-flation', these increases are adding significantly to household spending power.
  - Confidence rising in the retail & wholesale sector, but sliding back almost everywhere else.
  - The South of England continues to see optimism levels holding firm, but Northern England and the Midlands are experiencing a confidence decline.
-



A world leader  
of the accountancy  
and finance profession