



# UK BUSINESS CONFIDENCE MONITOR REPORT

## Q3 2011 EAST OF ENGLAND



# DETERIORATING OUTLOOK CONTINUES



## GROWTH STABILISES IN THE EAST OF ENGLAND

Firms in the East of England report a stabilisation in the growth of key financial indicators. Turnover growth of 2.9% year on year is reported this quarter, a similar rate as was recorded for the 12 months to Q1 2011. Annual growth for gross profits and sales volumes is reported at 2.2% and 1.7% respectively, also broadly in line with the rate of growth seen to the first quarter of the year. Growth has generally strengthened since the final quarter of 2009, when firms in the region reported contractions in turnover, gross profits and sales.

Meanwhile, robust annual export growth has been achieved by firms in the East of England – 6.4% in the 12 months to Q3 compared to 4.4% across the UK economy as a whole. Export growth has been strengthening in the region since Q4 2009 and firms forecast a further 5.3% expansion in exports over the coming 12 months.

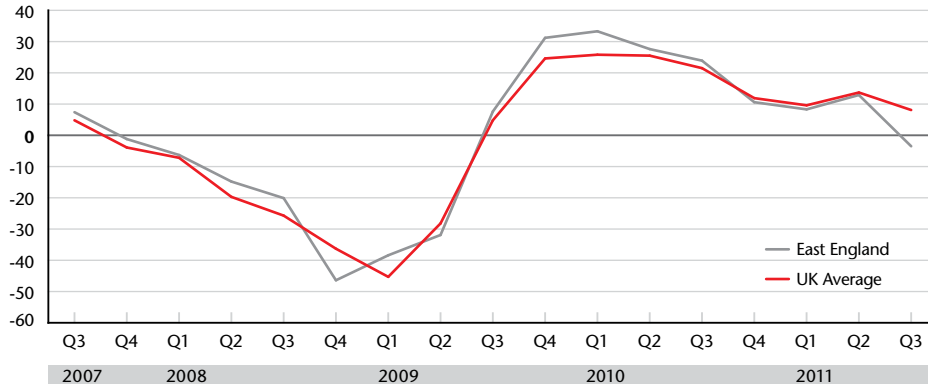
## R&D BUDGET EXPANSION CONTINUES

Firms in the East of England report their research and development budgets grew by 2.3% over the past 12 months. Firms in the region have reported increasing their annual investment in research and development at a faster rate this year than was recorded in 2009 and 2010. Technology and research firms are important to the regional economy, and encouraging news comes from PneumaCare, a medical imaging research company in Cambridge, which recently raised £2 million in funding from various Cambridge investment groups.

The Greater Cambridge Greater Peterborough (GCGP) Local Enterprise Partnership (LEP), which will largely replace the East of England Development Agency closing in 2013, was granted £220,000 start-up funding in July to support its work this year. The LEP's objective is to play a central role in undertaking activities to drive local growth and create jobs, with GCGP's ultimate aim to double economic output in the region by 2015.

In the Q3 2011 *ICAEW/Grant Thornton UK Business Confidence Monitor* (BCM), 85 senior business professionals in the East of England were interviewed and record a **Confidence Index score of -3.5**. The reading this quarter continues the general decline in confidence seen in the region over the last six quarters, from the post-recession high of 33.3 in Q1 2010.

**FIG. 1 BCM CONFIDENCE INDEX TREND IN THE EAST OF ENGLAND**



**FIG. 2 Q3 2011 – THE EAST OF ENGLAND AVERAGE % CHANGE IN...**



## LABOUR MARKET CONDITIONS MIXED

This quarter, firms in the East of England report total salaries have risen by 1.8% on average over the last 12 months. The rate of growth in salaries has been following a general upward trend in the region since Q3 2010. While this quarter's reported increase in average salaries is lower than levels typically seen pre-recession and far below the headline rate of inflation, it is above the UK average of 1% annual salary growth, suggesting that consumers in the East of England may be facing a slower erosion in disposable incomes than the typical Briton.

This is reflected by the latest official labour data, which confirms the East of England labour market as remaining one of the strongest in the country. The region has the highest employment rate at 75.2% – compared to the UK average of 70.7% – and the second lowest unemployment rate at 6.5%, behind the South East's 5.7%.

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