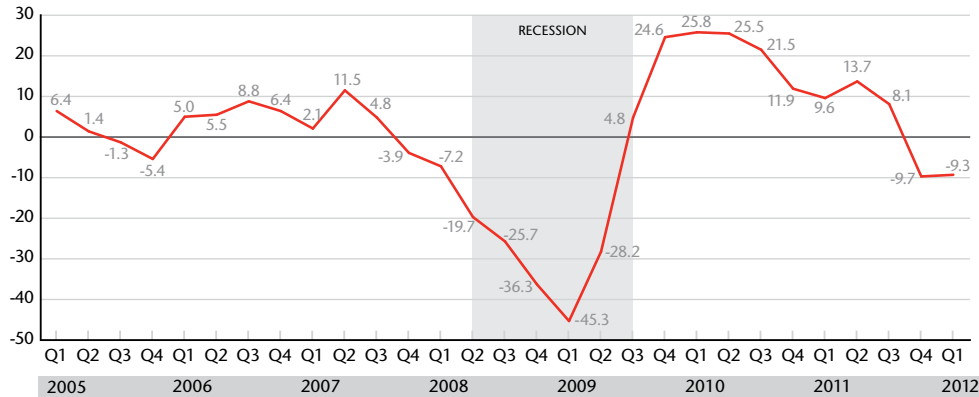


# BUSINESS CONFIDENCE IN Q1 2012

**FIG. 1 TREND OF UK BUSINESS CONFIDENCE**

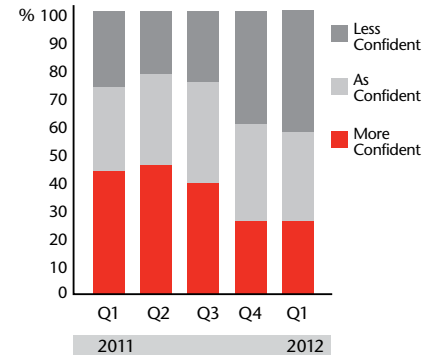


The latest ICAEW/Grant Thornton UK Business Confidence Monitor (BCM) shows business confidence remains firmly in negative territory this quarter, though it has not deteriorated further following the record drop in Q4 2011. The Confidence Index stands at -9.3 in Q1 2012, broadly unchanged from -9.7 in Q4 2011.

## CONFIDENCE INDEX UNCHANGED AND STILL FIRMLY NEGATIVE

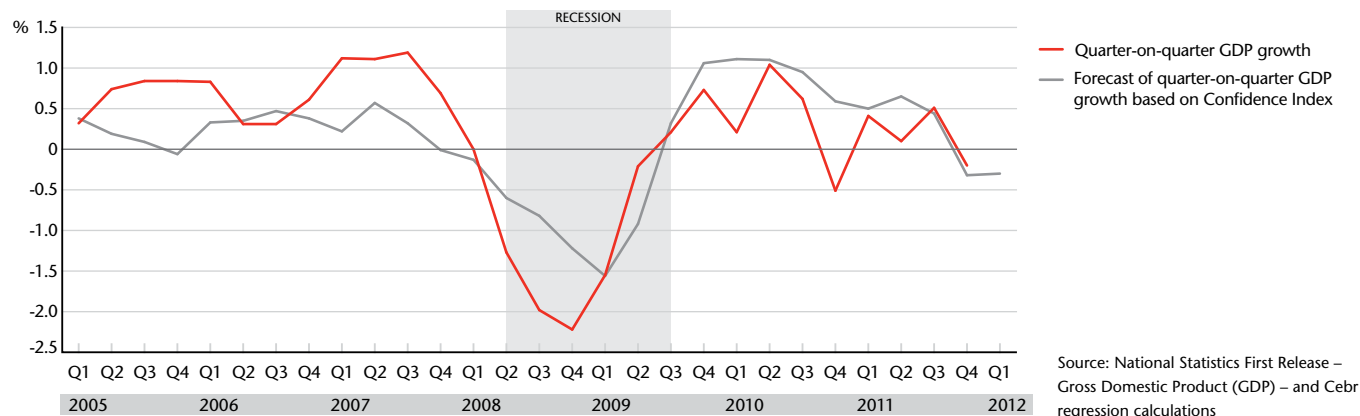
The latest findings from BCM show little change in the Confidence Index, which has steadied at -9.3 in Q1 2012 from -9.7 in Q4 2011. While this suggests that the economic outlook has not deteriorated further since the end of last year, the Index is 18.9 points lower than in Q1 2011, indicative of how global economic weakness has impacted business sentiment over the past year.

**FIG. 2 UK CONFIDENCE INDEX – DETAILED RESPONSES**



This quarter, over two fifths (42%) of businesses are less confident in their economic prospects for the coming year, compared with the last 12 months. This is the highest share since Q2 2009, when the UK was in the middle of recession. Just over a quarter (26%) of businesses are more confident about economic prospects, unchanged from last quarter and remaining at the lowest point since Q2 2009.

**FIG. 3 FORECAST OF QUARTERLY GDP GROWTH BASED ON ICAEW CONFIDENCE INDEX**



Latest official data confirm that the UK economy shrank in the final quarter of 2011, reigniting fears that the UK is experiencing a double-dip recession. Preliminary estimates from the Office for National Statistics (ONS) show the economy contracted at a quarter-on-quarter rate of 0.2% in Q4 2011, in line with the forecast in last quarter’s BCM. For 2011 as a whole the economy grew at a sluggish rate of just 0.9% – well below average growth of 3.1% seen over the years 2000–2007.

### BCM POINTS TO ANOTHER QUARTER OF NEGATIVE GROWTH

The UK economy contracted at a quarter-on-quarter rate of 0.2% in Q4 2011, down from positive growth of 0.6% in Q3 2011. Decline and stagnation in output was broad-based, with most sectors affected by the slowdown seen in the final quarter of the year. Output in the production industries fell at a quarter-on-quarter rate of 1.2%. Output in the construction sector decreased by 0.5%, while in the services sector output was unchanged compared with Q3 2011.

The Q1 2012 BCM Confidence Index points to a second consecutive quarter of contraction in GDP of 0.2%, indicating that the UK is experiencing a double-dip recession (defined as two consecutive quarters of negative growth). However, it does not point to worsening economic contraction at the start of 2012 compared to the end of last year, suggesting that if we are in a double-dip recession, it is likely to be relatively mild.