



ICAEW BUSINESS CONFIDENCE MONITOR Q4 2011

UK BUSINESS CONFIDENCE HAS COLLAPSED

ICAEW's latest statistics on business confidence show that confidence has collapsed, and the economy is expected to contract by 0.2% in the last quarter of 2011.

Key findings:

- UK business confidence is at its lowest levels since the depths of the recession in 2009.
- Confidence has declined across all sectors and all regions.
- Capital investment growth expected to drop to its lowest level since 2009.
- Over 60% of UK companies are operating below capacity.
- Inflation expected to fall back in 2012.

Full report: icaew.com/bcm

Commenting on the findings, ICAEW's chief executive Michael Izza said:



"In the first nine months of the year, businesses have played their part in supporting economic growth. Many are proud of their success against a backdrop of a very slow and protracted recovery. Yet they are becoming increasingly worried about the immediate outlook and the risk of a double dip recession. They are looking to Government which now needs to take urgent steps to restore business confidence, and show that it understands the need to rapidly change the mood music that the business community clearly feels."

*"We want small businesses to drive recovery, so they need all the support they can get. That's why ICAEW has launched our **Business Advice Service**, to give SMEs the advice they need to secure finance, grow and create jobs."*

About the Business Advice Service

Small businesses are the engine of the UK economy. Yet their size means they often lack the financial expertise needed to get off the ground, raise finance, create jobs and grow. Launched in September, ICAEW's Business Advice Service is intended to boost the prospects for a private sector-driven recovery by offering a helping hand to SMEs across the country.

This new ICAEW initiative will play a vital role in the business support landscape, offering a free advice session with a qualified ICAEW Chartered Accountant to SMEs in over 2,800 locations in the UK. Advice can be given on issues from securing bank and other finance, exporting, debt management or meeting regulatory and tax requirements.

Businesses can find their nearest office at businessadviceservice.com.

Further detail

GDP expected to fall in Q4 2011

The sharp drop in confidence among businesses implies that the economy is likely to contract by 0.2% in the final quarter of 2011. As such, growth for 2011 would come in at 0.9%, compared to the OBR projection of 1.7% in March of this year.

Decline in confidence across all sectors and all regions

Business confidence across all sectors has declined. Only one sector, energy, water & mining, is in positive territory. The property sector is the least confident, followed by banking, finance and insurance. Financial services have seen the sharpest decline in the past 12 months as the eurozone crisis drags on. All UK regions are now negative with marked weakening in confidence in London, the South East and Scotland.

Financial performance indicators also weak

Expected turnover and profit growth have both fallen back (3.7% and 3.1% respectively). In addition, the number of new employees is only expected to increase by 0.9%, as companies are nervous about taking on new staff. With the employment market weakening, job creation among the private sector is unlikely going to be strong enough to offset rising public sector job losses. Reported and expected export growth has also been revised downwards as turbulence continues in key export markets.

Inflation expected to fall

One positive note is that the BCM supports the Bank of England's view that inflation will fall back in 2012. Substantial spare capacity remains and businesses expect input prices to ease and pay growth to remain contained. This will not help salary growth though in 2012 and household income will continue to feel squeezed, especially with no real pay increases in the past two years.

About the Business Confidence Monitor

Every three months, ICAEW produces one of the largest and most comprehensive reviews of UK business confidence. The Business Confidence Monitor (BCM) is a credible predictor of GDP and economic change, and surveys 1,000 ICAEW Chartered Accountants working in industry and commerce. It tests opinions on past performance and future prospects for members' businesses, as well as investigating perceived changes in impact of factors such as availability of skills, government regulation and the tax regime.

ICAEW

ICAEW is a professional membership organisation, supporting over 136,000 chartered accountants around the world. Our members work in and advise businesses of every size and sector, with nearly 50,000 members in business in UK, many in small businesses.

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