

VISTAGE

UK SME Confidence Index

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In this latest quarterly measure of the economic confidence and perceptions of SME business leaders here in the UK we show results alongside our Q2 findings as a comparison for discussion and interest. Roger Martin-Fagg, our Economist-in-Residence, also shares his thoughts on these findings in light of the wider UK economic landscape.

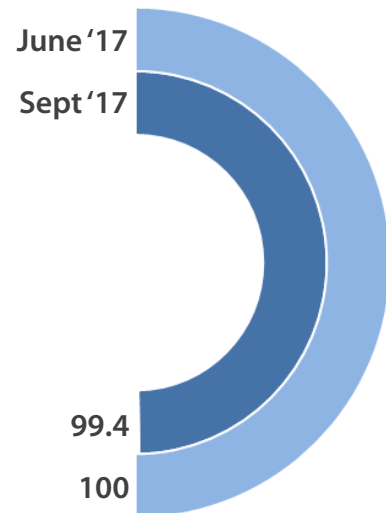
It is interesting to note that Brexit is mainly having a negative impact on business confidence. In other areas, such as recruiting and retaining talent, Brexit is currently having minimal impact.

Over three quarters (78%) of those surveyed reported that Brexit has currently had no effect on them being able to recruit the best people for their organisation. 80% also stated that it hasn't impacted on retaining talent either. This certainly supports the frequently stated opinion by commentators that uncertainty is the main current issue caused by Brexit (although this isn't to imply that individual members haven't had major impacts such as due to the exchange rate change).

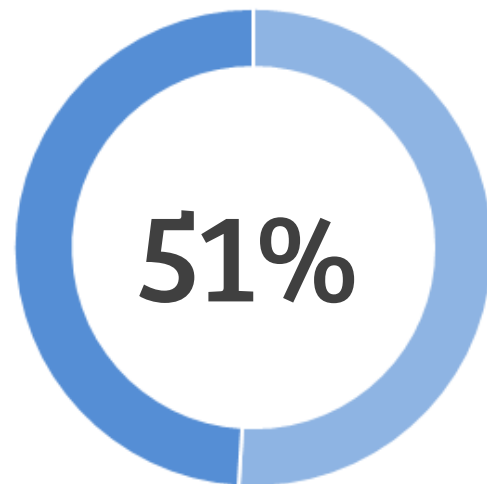
The overall confidence index of UK SMEs has dropped slightly by 0.6 points over the last 3 months, with a slight uplift in current and expected economic conditions offset by a slight reduction in the likelihood to increase headcount or make other fixed investments.

Confidence by Vistage members to increase their own revenues and profits remains strong.

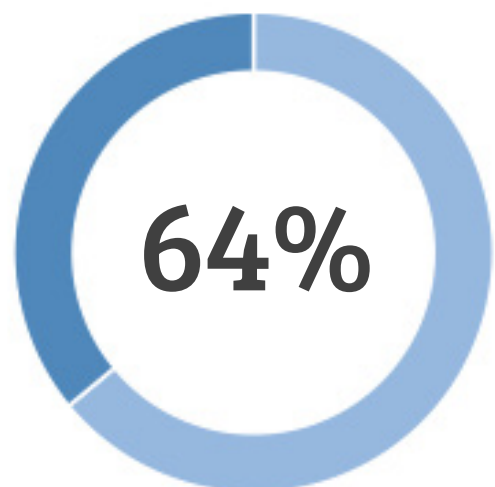
UK Key Highlights



The Vistage UK Confidence Index dropped 0.6 points across Q2 2017



51% plan to increase employee numbers over the next 12 month, compared to 55% of those surveyed in June



64% report that Brexit has negatively impacted their confidence in the economy

“Overall **SME business leaders are more optimistic** than the finance directors of larger companies.”



Roger Martin-Fagg

Vistage UK, Economist-in-Residence

Some thoughts on the latest Confidence Index...

The response of members is in line with the big picture. In July the **value of retail sales rose 4.1% and the volume was up 1.3%**. This is growth, albeit the rate of growth is slowing as incomes fail to keep up with inflation.

The response shows a slight decline in confidence but no major shift in planned expenditures.

Overall **SME business leaders are more optimistic than the finance directors of larger companies**. Deloitte's July CFO Survey¹ reported that **UK CFOs see Brexit as the biggest risk facing their businesses** and are responding by cutting costs. But a stronger global economy and a weak pound are a boon for exporters. The CBI reported² that **export orders for manufacturers are close to a 20-year high**.

The UK National Association of Estate Agents reported that in July³ only **3% of UK properties sold above their asking price and 80% sold below their asking price**. This shows the property market is at last beginning to adjust to reality.

On the near horizon we need to watch how the members of the MPC at the Bank of England respond to recent data. We expected an **interest rate increase for this October, it has now been held, however a rise will be coming**.

Meanwhile the media will continue to mislead with sensational, selective reporting.

1. <https://www2.deloitte.com/uk/en/pages/finance/articles/deloitte-cfo-survey.html>

2. <http://www.cbi.org.uk/news/export-order-books-improve-markedly/>

3. <http://www.naea.co.uk/media/1046220/naea-housing-report-july-2017.pdf>

Roger Martin-Fagg is an economist turned strategist. He has been external examiner to Bath University, worked with the Bank of England, three of the major UK clearing banks, advised a major London recording studio for 15 years, and regularly talks to SME business leaders in the UK and Europe about economic trends. He is a visiting fellow to Ashridge, Warwick and Henley business schools. He also speaks at conferences around the world on the economic outlook and its impact on business.

About the Survey

Statistics based on 332 UK respondents, all leaders of small and medium sized organisations. Vistage Research curates subject matter from the Vistage community and collaborates with top thought leaders to create unique content. Vistage Research provides the data and expert perspectives to help SME business leaders make better decisions.

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	Question	Answer	Sept '17 %	June '17 %	
Q1	Compared with a year ago, have overall economic conditions improved, remained the same, or worsened?	Improved	14%	14%	-
		Remained about the same	49%	46%	↑
		Worsened	36%	39%	↓
		Don't Know/No opinion	1%	2%	↓
Q2	During the next 12 months, do you expect overall economic conditions will be better, about the same, or worse than now?	Better	8%	8%	-
		About the same	44%	41%	↑
		Worse	46%	50%	↓
		Don't Know/No opinion	2%	1%	↑
Q3	Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	41%	41%	-
		Remain the same	39%	44%	↓
		Decrease	16%	13%	↑
		Don't Know/No opinion	4%	2%	↑
Q4	Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	70%	70%	-
		Remain the same	21%	21%	-
		Decrease	8%	8%	-
		Don't Know/No opinion	1%	1%	-
Q5	Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	54%	51%	↑
		Remain the same	29%	31%	↓
		Worsen	17%	16%	↑
		Don't Know/No opinion	0%	1%	↓
Q6	Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase	44%	48%	↓
		About the same	48%	46%	↑
		Decrease	7%	5%	↑
		Don't Know/No opinion	1%	1%	-
Q7	Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?	Increase	51%	55%	↓
		Remain the same	36%	34%	↑
		Decrease	13%	10%	↑
		Don't Know/No opinion	0%	0%	-
Q8	When do you plan to increase your firm's total number of employees over the next 12 months?	Within the next 1 - 3 months	6%	13%	↓
		In 4 - 6 months time	7%	9%	↓
		In 7 - 9 months time	9%	5%	↑
		In 10 - 12 months time	7%	4%	↑
		Steadily throughout next 12 months	28%	33%	↓
I do not intend to increase my total number of employees in the next 12 months	43%	36%	↑		

UK members were also asked:

Q9 Has there been any impact to your business in these areas as a result of Brexit?

	Positive Impact	No Change	Negative Impact	Not Applicable
Recruiting the best people	3%	78%	12%	7%
Retaining the best people	3%	80%	11%	6%
New opportunities outside the EU	11%	52%	3%	36%
New opportunities inside the EU	8%	51%	12%	29%
Exports	14%	45%	6%	35%
Imports	2%	38%	32%	27%
Planned business growth	9%	61%	25%	5%
Planned business investments	7%	65%	23%	5%
Confidence in the economy	4%	30%	64%	2%

Q10 Compared with a year ago, how has hiring experienced/qualified candidates changed?

Much easier	1%
A little easier	8%
Same	49%
A little more difficult	26%
Much more difficult	13%
Not applicable	3%

Q11 Compared with a year ago, how has retaining good employees changed?

Much easier	1%
A little easier	8%
Same	61%
A little more difficult	26%
Much more difficult	3%
Not applicable	1%

Q12 What have you done to improve employee retention?

Increased wages	49%
Added benefits	51%
Slowed growth	3%
Stepped up training	66%
Introduced retention bonuses	14%
Other incentives	31%

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Private advisory groups for MDs,
executives and business owners.