

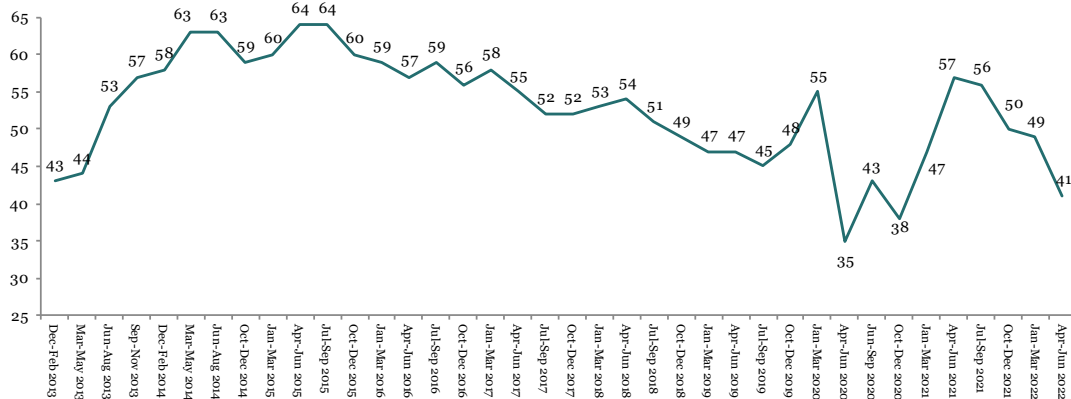
Business Confidence

11th August 2022

Confidence falls significantly as costs rise and inflation bites

The **Savanta Business Confidence Index** saw a significant decline this quarter from 49 in Q1 2022 to 41 in Q2 2022 with supply chain issues, rising raw material, energy and labour costs, and all whilst inflation and the cost-of-living crisis bites.

MarketVue Business Confidence Index from Savanta (2013 to 2022)



2 BC1 How do you feel about the current health of the UK economy?
Base: All

Savanta

Larger businesses with annual sales above £1m are one of the most confident groups with a confidence index of 45, yet this represents a significant decrease in score of 9 points compared to Q1 2022.

The confidence index among smaller established businesses, who represent most enterprises by number, is at 41 with the index having fallen significantly by 8 points on Q1 2022.

New start-ups have a confidence index of 42. This represents a decrease in confidence of 4 points compared to Q1 2022. This is the only non-significant change.

In terms of geographic location, confidence fell significantly in all regions.

The Midlands/East is again one of the most optimistic regions with an index of 43, but this represents an 8-point decrease in confidence since Q1 2021.

This wave London joined this region as most confident with a confidence index of 43, a decrease in confidence of 6p on Q1 2022.

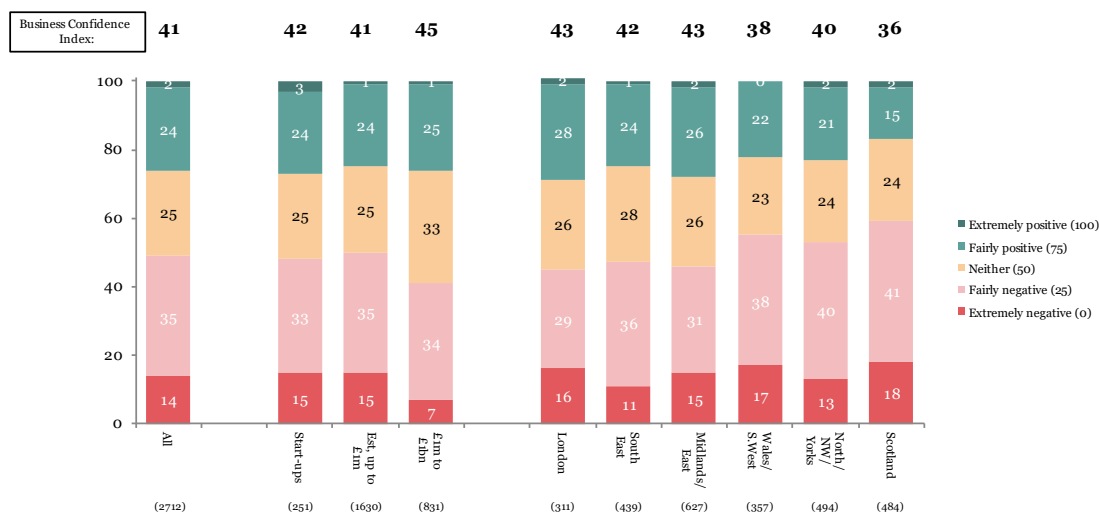
Confidence in the South East was the next highest with an index of 42, 6p down on Q1 2022.

With the lowest English confidence indexes, the North/North West at 40 and Wales/South West at 38 also report the largest fall in confidence with a 10p decrease in index compare to Q1 2022.

Scotland remains the least confident area with a confidence index of 36, experiencing a 7p fall in score compared to last quarter.

An index of less than 50 means, perhaps unsurprisingly, more businesses are pessimistic rather than optimistic about the current state of the economy.

How do you feel about the current health of the UK Economy?



3 Base: All

Savanta

Industry sector continues to be a stronger differentiator of sentiment than region, both in terms of the size of the quarterly shifts within a given sector and the degree of variation from one sector to another.

At Q2 2022, only one sector reported no change in confidence index (Education) whilst all other sectors report a significant decrease in confidence.

Confidence is highest in the Education sector (46) with score flat on Q1 2022.

The Construction industry was the next most confident sector with an index of 45 but a 10-point fall in confidence since Q1 2022.

The accommodation sector (43), Production industry (42) and Business Services (41) had the next highest confidence and some of the smallest levels of fall in confidence compared to Q1 2011 (-5p, -8p and -7p respectively).

The Agricultural sector was the next most confident sector with an index of 40, but a fall in score of -11 since the first quarter of the year.

Wholesale and Other Services both have confidence indices of 39. Whilst for those in the other services sector confidence fell by only 2 points, the confidence index for those in the Wholesale sector fell 11 points on Q1 2022.

The least confident sector is the Transport sector with a confidence index of 37 and experiencing the greatest fall in confidence over the quarters – a decrease of 14 points, no doubt linked to fuel prices.

In terms of age of business owners, confidence decreased for all age groups but only significantly so amongst the over 65s. This group is the most confident.

Those aged up to 34 score 40 (down 1 point), those aged 35-64 score 40 (down 8 points) and those aged 65+ score 42 (down 10 points and a significant fall).

Commenting on the findings Sue Lewis, Senior Director at Savanta, said

“It’s not surprising to see business confidence fall this quarter amidst supply chain issues, rising raw material, energy and labour costs, and as inflation and the cost-of-living crisis starts affecting consumer confidence and buying behaviour. With predictions of inflation at new heights of 13% and the UK entering recession in Q4, if not earlier, we fully expect confidence to fall again in Q3.”

Quarter 2 findings are from Savanta’s **MarketVue Business Confidence** programme (formerly the Charterhouse Business Confidence Survey), conducted among 2712 GB businesses from start-ups to companies with £1bn turnover, surveyed from 31st March 2022 - 16th June 2022. Indices are mean scores based on a scale of ‘extremely positive’ (100), ‘fairly positive’ (75), ‘neither positive nor negative’ (50), ‘fairly negative’ (25) and ‘extremely negative’ (0).

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