
IoD Business Opinion Survey
September 2002

The Business Opinion Survey was undertaken by NOP business. The publication was produced by Lisa Tilsed.

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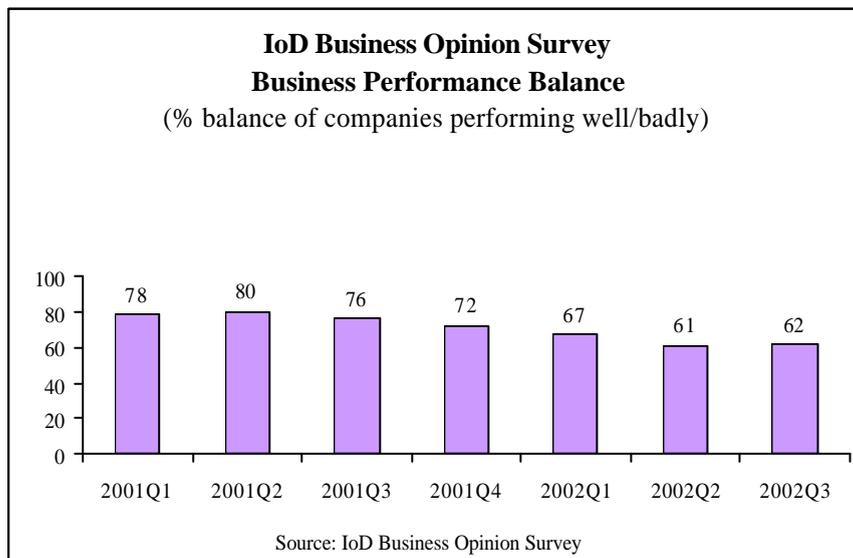
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Summary

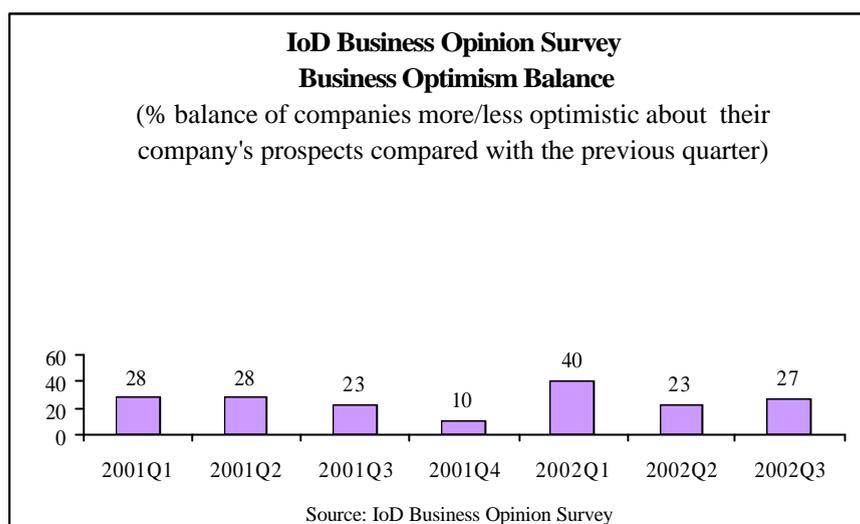
Company performance and optimism

Overall company performance was flat in the latest survey whilst company optimism edged a little higher. The balance of those companies performing well, versus those performing badly, was virtually unchanged at 62% in the latest survey. In June this balance stood at 61%. The performance balance remains well down on the levels seen in 2000 and 2001 - which averaged 77% over this period.

Company performance in manufacturing improved in the latest survey. The performance balance in manufacturing rose to 58% in September compared with 51% previously. The balance is back to the level seen in March this year.



The balance of those companies more, versus less, optimistic about their company's prospects, rose to 27% in September from 23% in June. The improvement in optimism was driven by the manufacturing sector where the balance rose to 28% in September from 12% in June.



Demand, output, employment & investment

The balance of those companies operating at full capacity, versus those who were not, improved slightly from -25% in June to -21% in September. As with company optimism, the improvement in capacity utilisation was driven by the manufacturing sector where the balance jumped from -39% in June to -14% in September.

The balance on total order books slipped from -2% in June to -6% in September. For manufacturing, the balance fell from -1% to -7% between June and September. The export order books balance rose from -2% in June to 10% in September. This improvement was also seen in the manufacturing sector, where the balance rose from -8% to 6% over the same period.

The balance of those companies reporting employment up, versus those reporting employment down, stood at 4% in September, down from 13% in June.

The balance of those companies reporting output up, versus those reporting output down, fell to 24% in September from 29% in June. Over the same period, the reported output balance in manufacturing moved upwards from 24% to 31%. The balance on expected output rose from 45% to 52% in the latest survey. For manufacturers the expected output balance rose from 38% to 52% over the same period.

Costs, prices and profits

The balance of those companies reporting costs up, versus those reporting costs down, was unchanged at 19% in the latest survey. The expected costs balance was also flat, standing at 27% in September compared with 28% in June.

Price pressures increased slightly in the latest survey. The balance of those companies reporting an upward trend in prices, versus those reporting a downward trend, rose from -5% to -1% between June and September.

Manufacturers remains in a deflationary environment, with the reported prices balance slipping from -21% to -23% between June and September. The overall balance on expected prices stood at 4% in September compared with 5% previously. For manufacturers the expected prices balance deteriorated from -4% to -9%.

The balance of those companies reporting the trend in profits up, versus those reporting the trend to be down, dipped slightly from 9% to 7% between June and September. For manufacturers the reported profits balance edged higher from 5% to 8% over the same period. The overall balance on expected profits was unchanged at 29% in September. However, the expected profits balance in manufacturing rose from 10% to 24% between June and September.

In the latest survey the average pay increase rose to 3.9%, compared with 3.6% in June. In manufacturing the average pay award stood at 3.2%, compared with 3.1% in June.

Survey Method

The IoD Business Opinion Survey is designed to provide an up-to-date indication of current trends within the UK economy. The survey is carried out on behalf of the IoD by NOP Business and is conducted every three months by telephone.

The results presented in this summary are based on interviews with 500 members of the IoD carried out between 27 August - 9 September 2002. The sample was randomly drawn from the IoD membership database and is structured so as to be representative in terms of company size, industrial sector and region. A detailed breakdown of the sample structure is provided in the data tables. The Sectors mentioned in the report are as follows:

Size

1 - 20 employees	“Micro”
21 - 100 employees	“Small”
101 - 200 employees	“Medium”
201+ employees	“Large”

Sectors

Total -	All Sectors
Manufacturing -	Manufacturing companies
Services -	Including Business & Professional services, Financial services, Distribution & Govt, Education, Health & Personal services

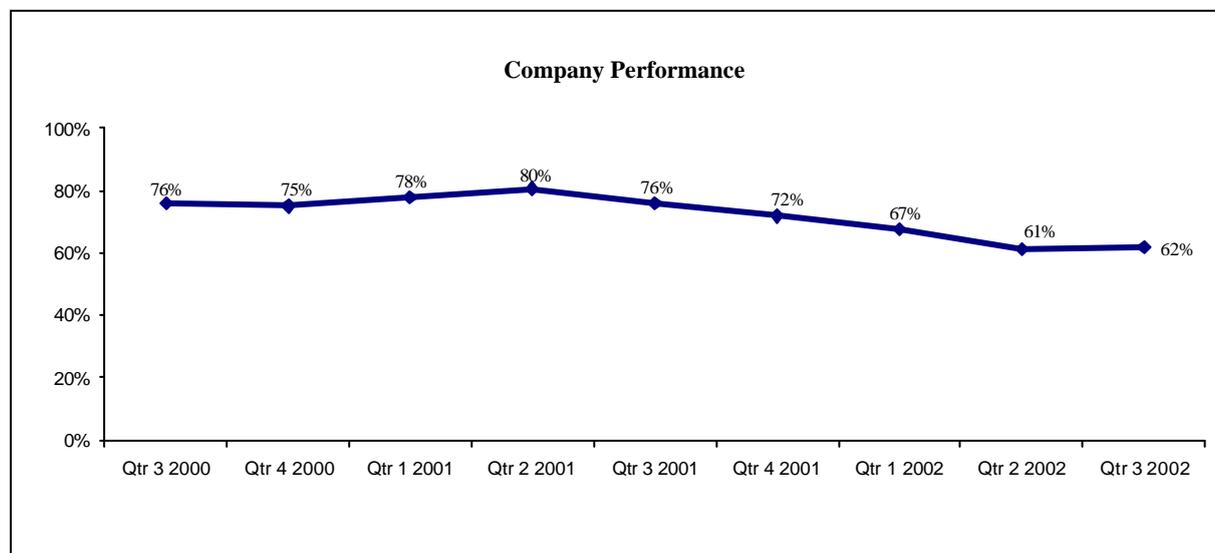
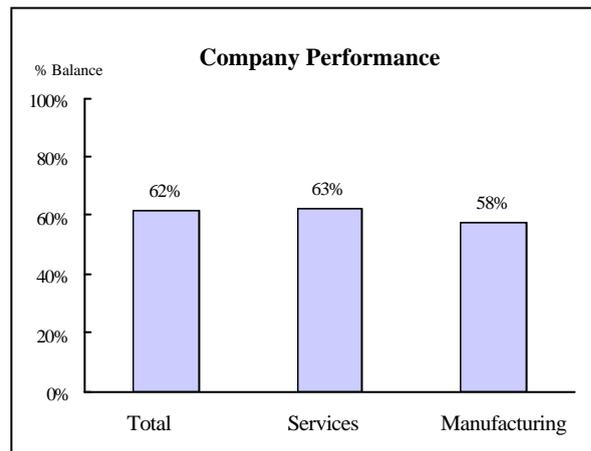
In order to give a simple, clear indication of the trend in any particular variable, the survey results are summarised throughout in terms of a positive or negative balance. The balance is computed by simply subtracting the number of respondents replying less/down/badly to a question from those replying up/more/well to give a single number.

Company Performance

- The balance of those companies performing well, versus those performing badly, was virtually unchanged at 62% in the latest survey. In June this balance stood at 61%.
- The performance balance remains well down on the levels seen in 2000 and 2001 - which averaged 77% over this period.
- Company performance in manufacturing improved in the latest survey. The performance balance in manufacturing rose to 58% in September compared with 51% previously. The balance is back to the level seen in March this year.

How well is your company performing overall?

Well	69%
Neither well nor badly	23%
Badly	8%
Balance	+62

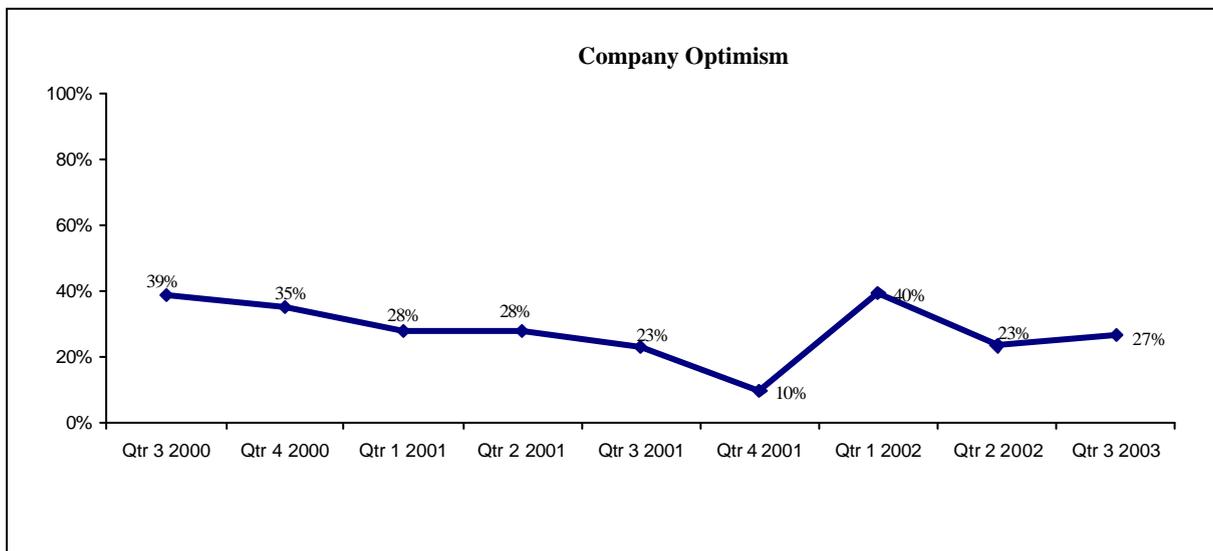
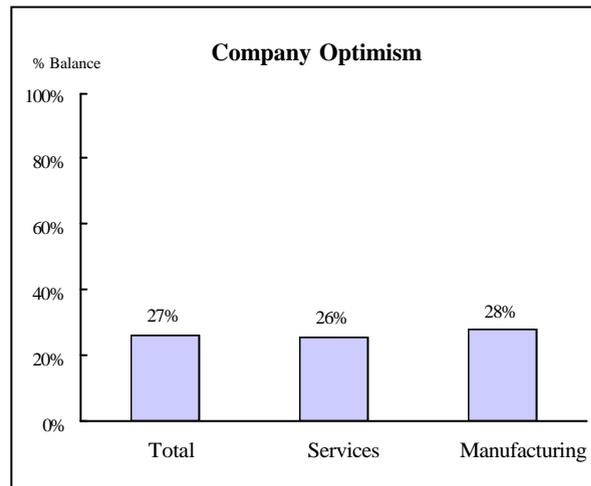


Company Optimism

- The balance of those companies more, versus less, optimistic about their company's prospects, rose to 27% in September from 23% in June.
- The improvement in optimism was driven by the manufacturing sector where the balance rose to 28% in September from 12% in June.

Are you generally more or less optimistic than you were three months ago about your company's prospects?

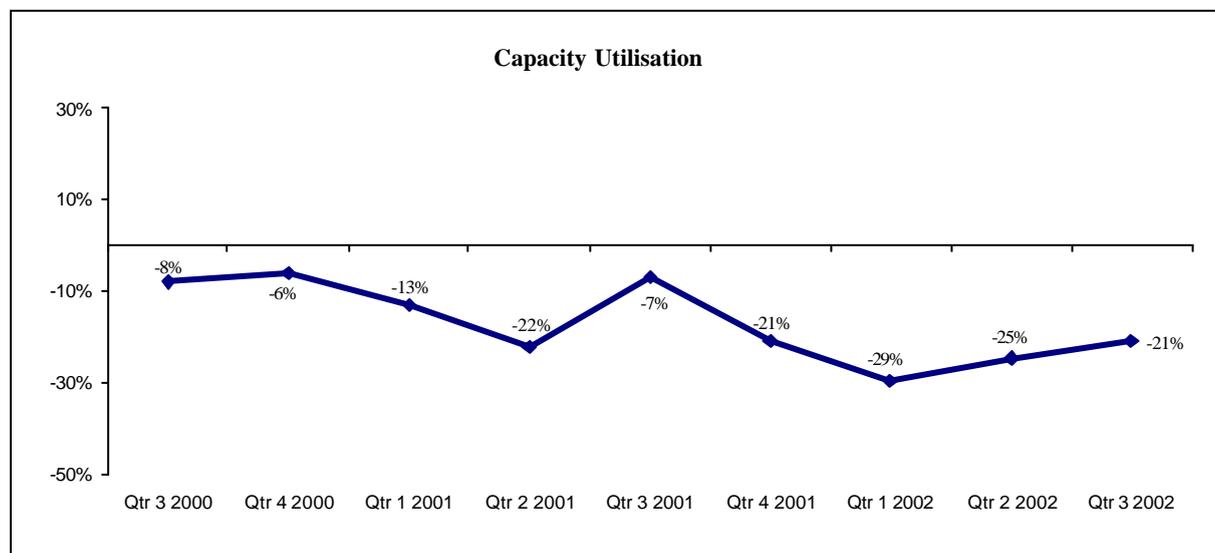
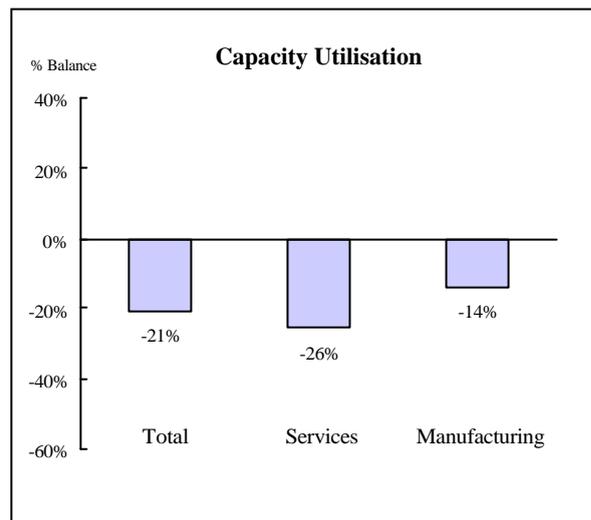
More	52%
Same	22%
Less	26%
Balance	+27



Capacity Utilisation

- The balance of those companies operating at full capacity, versus those who were not, improved slightly from -25% in June to -21% in September.
- As with company optimism, the improvement in capacity utilisation was driven by the manufacturing sector where the balance jumped from -39% in June to -14% in September.

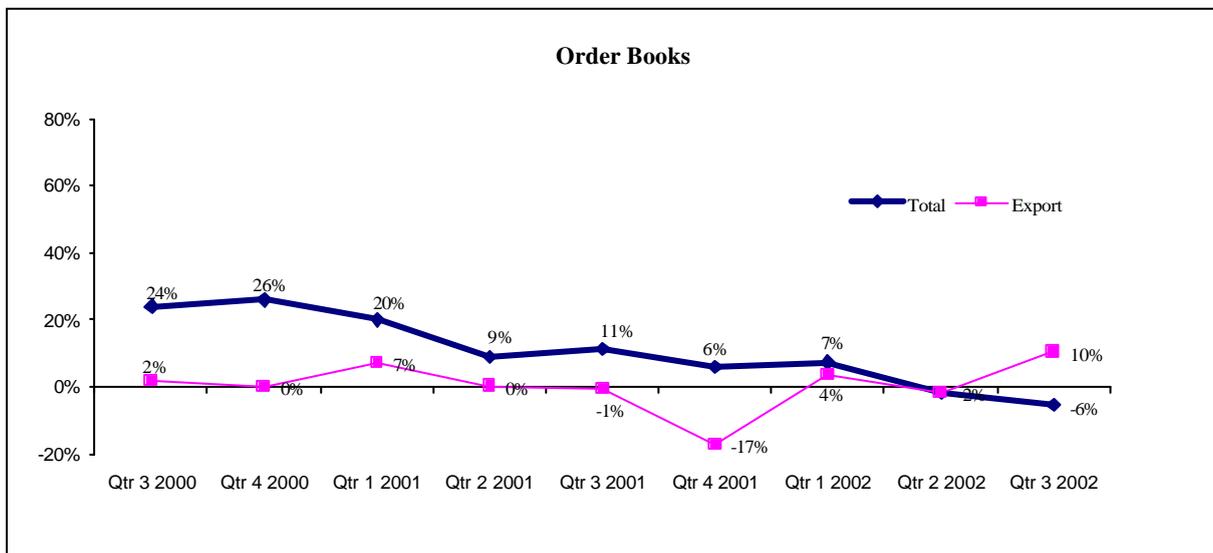
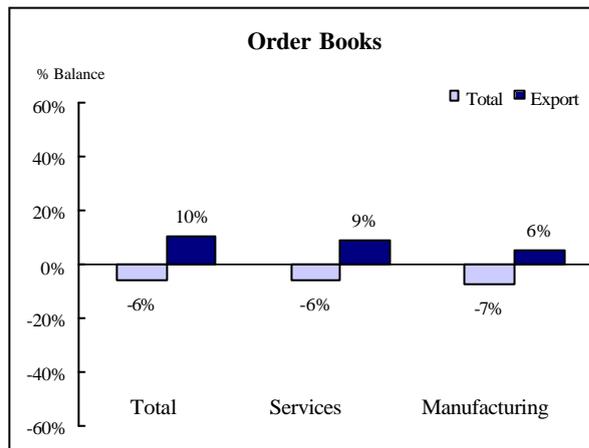
<i>Are you currently operating at full capacity?</i>	
Yes	40%
No	60%
Balance	-21



Order Books

- The balance on total order books slipped from -2% in June to -6% in September.
- For manufacturing, the balance fell from -1% to -7% between June and September.
- The balance on export order books rose from -2% in June to 10% in September. This improvement was also seen in the manufacturing sector, where the balance rose from -8% to 6% over the same period.

<i>Order books</i>	
Above normal	24%
Normal	46%
Below normal	30%
Balance	-6
<i>Export order books</i>	
Above normal	37%
Normal	36%
Below normal	27%
Balance	+10



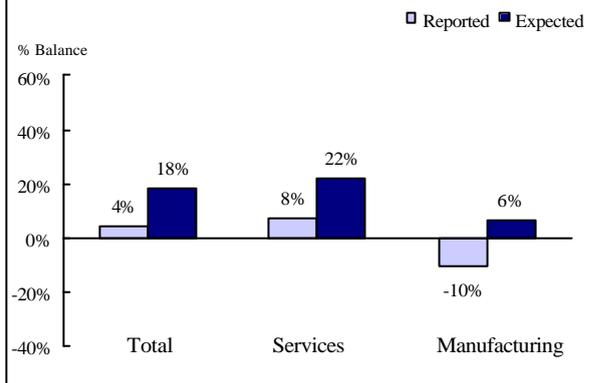
Employment

- The balance of those companies reporting employment up, versus those reporting employment down, stood at 4% in September, down from 13% in June.
- The reported employment balance also deteriorated in manufacturing, from -3% to -10% over the same period.
- The expected employment balance virtually unchanged, standing at 18% in September, compared with 20% in June. In manufacturing the expected employment balance was virtually flat, rising from 4% in June to 6% in September.

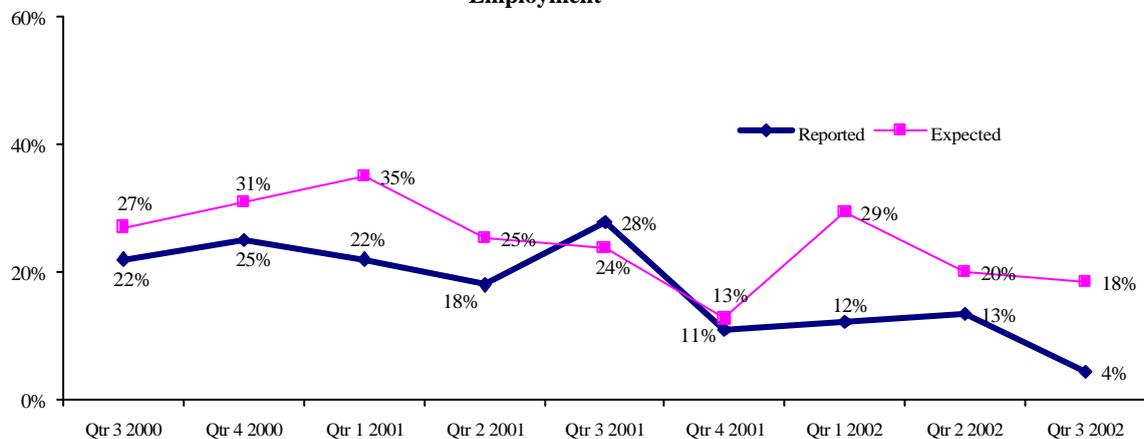
Trend in Numbers Employed

	Reported	Expected
Up	27%	32%
Same	49%	54%
Down	23%	14%
Balance	+4	+18

Employment



Employment

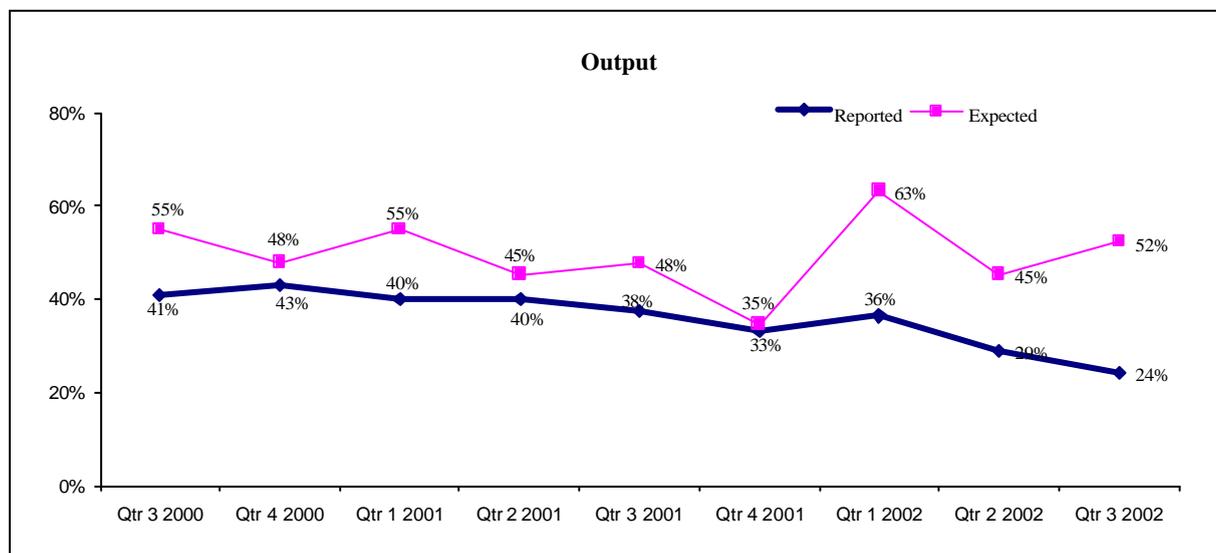
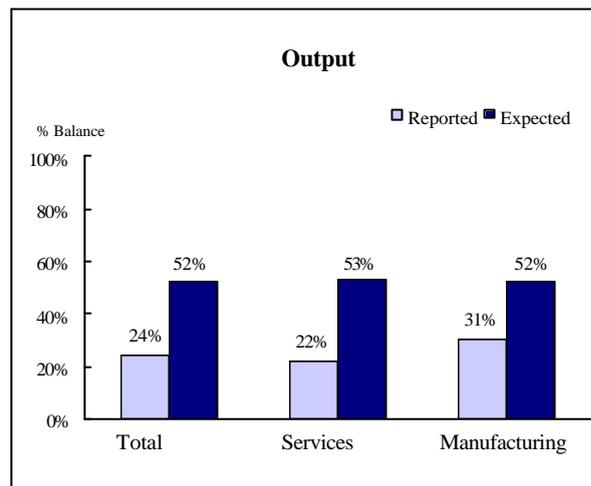


Output

- The balance of those companies reporting output up, versus those reporting output down, fell to 24% in September from 29% in June.
- Over the same period, the reported output balance in manufacturing moved upwards from 24% to 31%.
- The balance on expected output rose from 45% to 52% in the latest survey. For manufacturers the expected output balance rose from 38% to 52% over the same period.

Trend in Output

	Reported	Expected
Up	44%	61%
Same	36%	31%
Down	20%	9%
Balance	+24	+52

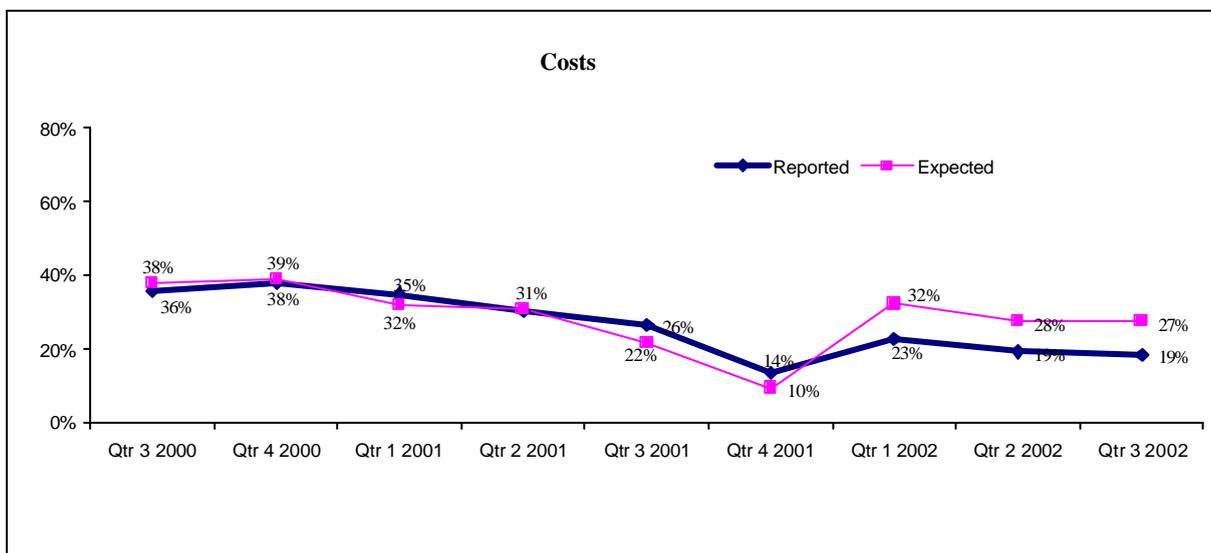
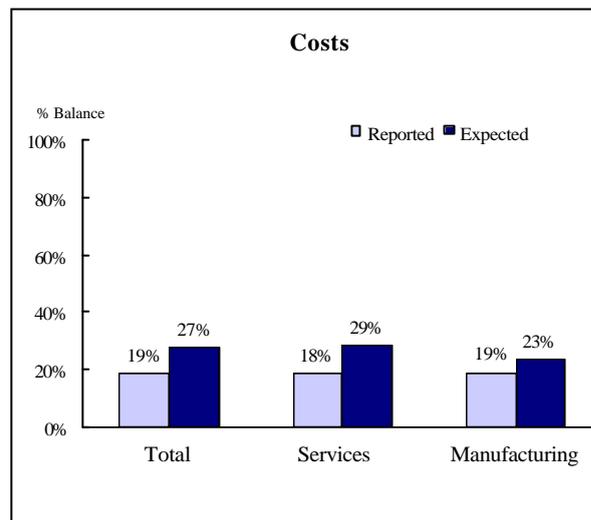


Costs

- The balance of those companies reporting costs up, versus those reporting costs down, was unchanged at 19% in the latest survey.
- For manufacturers the balance edged slightly higher from 16% to 19% between June and September.
- The expected costs balance was also flat, standing at 27% in September compared with 28% in June. For manufacturers the expected costs balance fell marginally from 25% to 23% over the same period.

Trend in Costs

	Reported	Expected
Up	39%	40%
Same	41%	47%
Down	20%	13%
Balance	+19	+27

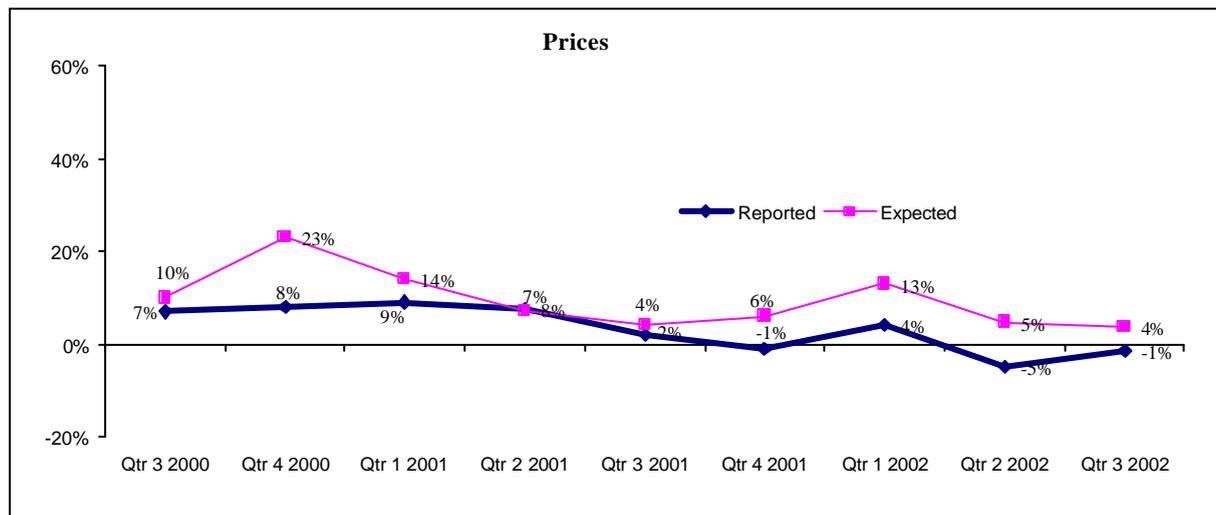
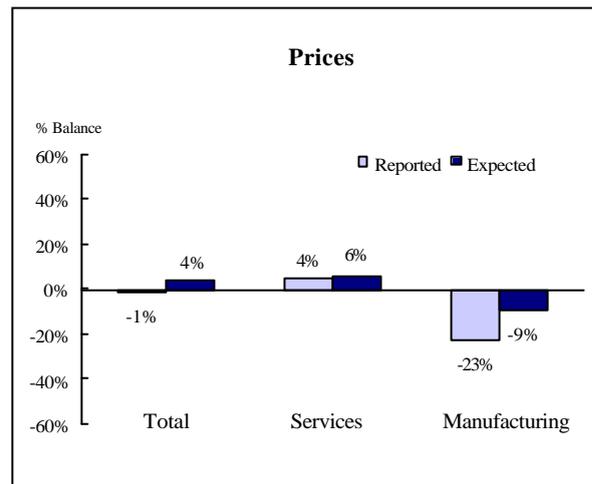


Prices

- Price pressures increased slightly in the latest survey. The balance of those companies reporting an upward trend in prices, versus those reporting a downward trend, rose from -5% to -1% between June and September.
- Manufacturers remain in a deflationary environment, with the reported prices balance slipping from -21% to -23% between June and September.
- The overall balance on expected prices stood at 4% in September compared with 5% previously. For manufacturers the expected prices balance deteriorated from -4% to -9%.

Trend in Prices

	Reported	Expected
Up	14%	15%
Same	71%	73%
Down	15%	11%
Balance	-1	+4

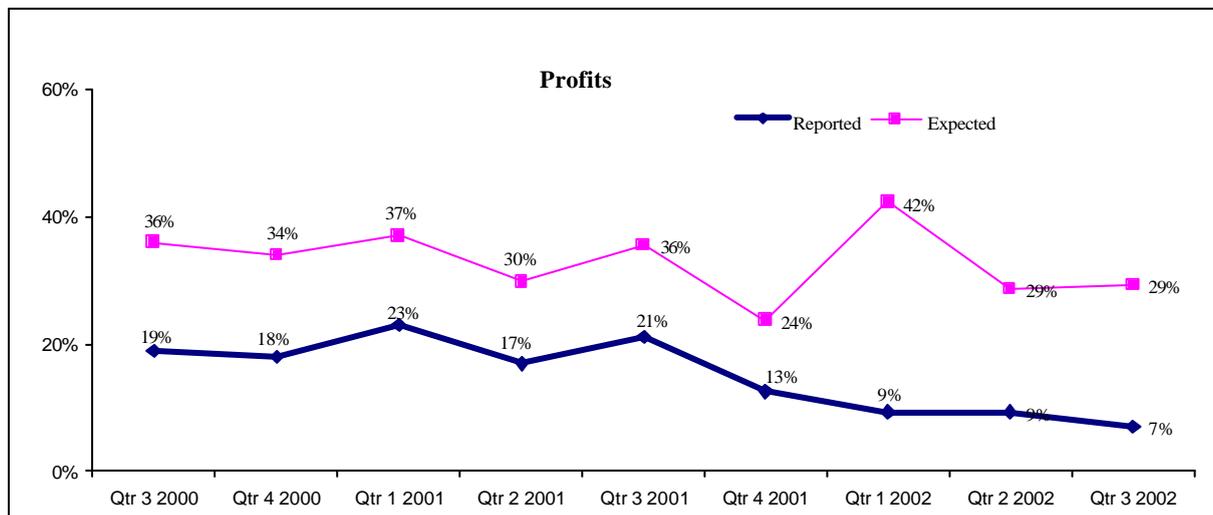
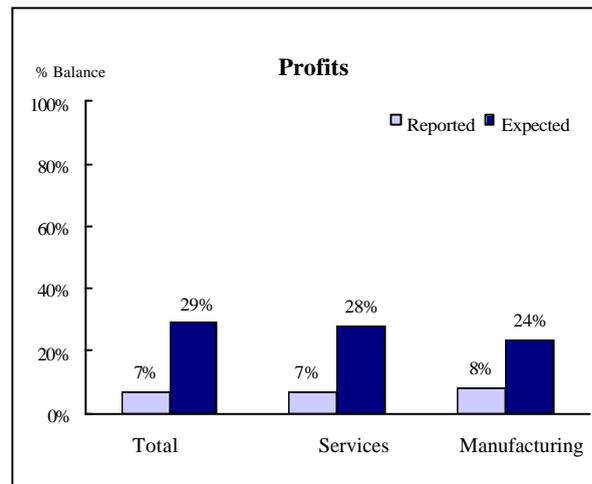


Profits

- The balance of those companies reporting the trend in profits up, versus those reporting the trend to be down, dipped slightly from 9% to 7% between June and September. For manufacturers the reported profits balance edged higher from 5% to 8% over the same period.
- The overall balance on expected profits was unchanged at 29% in September. However, the expected profits balance in manufacturing rose from 10% to 24% between June and September.

Trend in Profits

	Reported	Expected
Up	31%	42%
Same	46%	44%
Down	23%	13%
Balance	+7	+29



- In the latest survey the average pay increase rose to 3.9%, compared with 3.6% in June. In manufacturing the average pay award stood at 3.2%, compared with 3.1% in June.

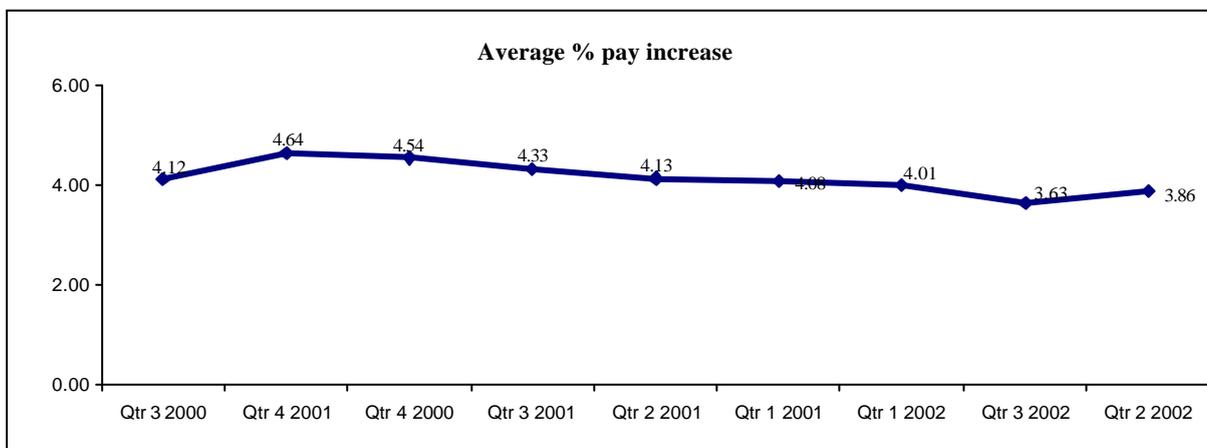
Pay

If you made a pay award in the last 3 months, what was the average percentage increase?

2% or less	6%
2-3%	29%
3-4%	31%
4-5%	17%
5-7.5%	11%
7.5% or more	7%

How did it compare with the previous pay award?

Higher	21%
Same	47%
Lower	32%

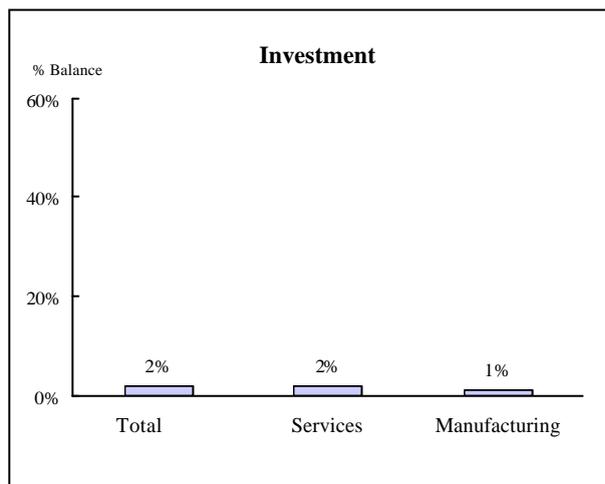


Investment

- In the latest survey the average pay increase rose to 3.9%, compared with 3.6% in June. In manufacturing the average pay award stood at 3.2%, compared with 3.1% in June.

Within your own organisation compared to the position three months ago, would you say the outlook for investment is?

More optimistic	27%
Unchanged	48%
Less optimistic	25%
Balance	+2



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