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IoD Business Opinion Survey  
June 2002

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The Business Opinion Survey was undertaken by NOP Business. The publication was produced by Nina Wilkins.

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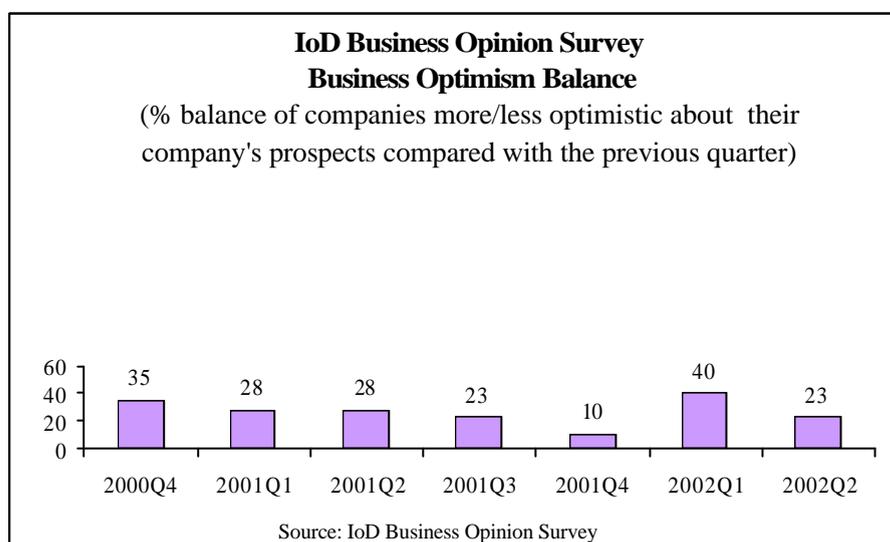
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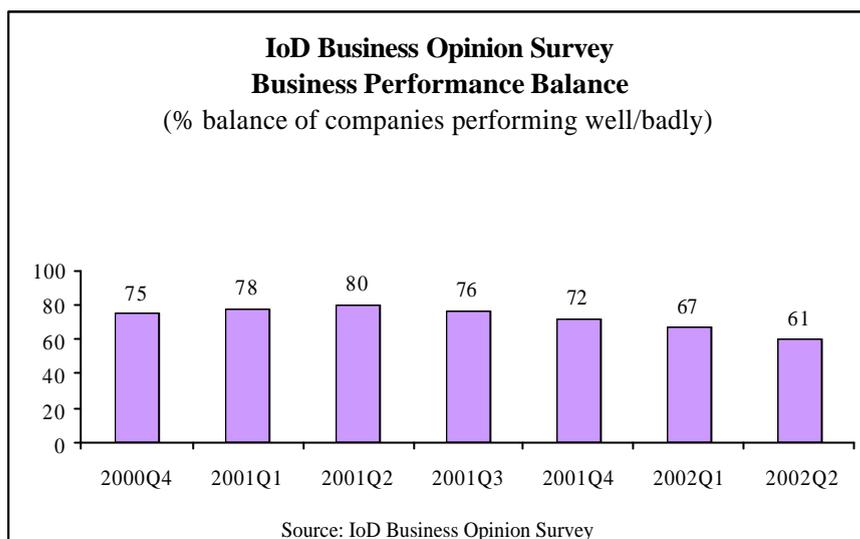
## Summary

### Company optimism and performance

Company optimism weakened in the latest survey. The balance of those companies generally more, versus less optimistic about their company's prospects, fell to 23% in the latest survey. In the previous survey this balance had jumped to 40%, having fallen to just 10% in the final quarter of last year. The balance has now returned to the levels seen before September 11th.



Company performance has continued the steady decline witnessed over the past year. The balance of those companies performing well, versus those performing badly, slipped to 61% in the latest survey, compared with 67% previously. Over the past year - see chart below - the company performance balance has declined from 80%. Unsurprisingly, the sectoral breakdown shows that the company performance balance is lower in manufacturing (51%).



## Demand, output & employment

The balance of those companies operating at full capacity, versus those who are not, rose slightly to -25% in the latest survey, from -29% previously.

Over recent years the balance on export orders has consistently hovered around a zero or negative balance, whilst the total order books balance has been stronger. The balance on total order books declined from 7% to -2% in the latest survey. The balance on export order books declined from 4% to -2% over the same period.

The reported employment balance has been flat over the past nine months. The balance of those companies reporting employment up, versus those reporting employment down, stood at 13% in the latest survey.

The expected employment balance fell to 20% in the latest survey, from 29% previously. Again, however, this series seems to have overshot in a downward and then upward direction in the wake of September 11th. The latest balance is still below the levels seen a year ago.

The balance of those companies reporting output up, versus those reporting output down, fell to 29% in the latest survey, compared with a balance of 36% previously.

The expected output balance fell from 63% to 45% in the latest survey. This balance is now back to the levels seen in the third quarter of last year, before it fell to 35% in the final quarter of last year and spiked upwards to 63% in the first quarter of this year.

## Profits and investment

The balance of those companies reporting the trend in profits up, versus those reporting the trend to be down, was unchanged at 9% in the latest survey. The profit balance over the past six months is noticeably below the levels of recent years. In contrast, the expected profit balance (29%) is now closer to the levels of recent years, having fallen and then jumped back up again, in the wake of September 11th.

The latest survey incorporates a new question on investment - 'within your own organisation, compared to the position three months ago, would you say the outlook for investment is: more

optimistic, unchanged or less optimistic? A balance of 12% of companies were more versus less optimistic about the investment outlook.

## Costs, prices and pay

The balance of those companies reporting costs up, versus those reporting costs down, fell slightly to 19% in the latest survey, from 23% previously. The balance of those companies expecting costs to go up, versus those expecting them to come down, also fell slightly to 28% in the latest survey, from 32% previously.

Price pressures weakened in the latest survey. The balance of those companies reporting an upward trend in prices, versus those reporting a downward trend, fell to -5% in the latest survey, from 4% previously. The expected prices trend also weakened, falling from 13% to 5% in the latest survey.

In the latest survey the average pay increase has fallen to 3.6% from 4% in the previously. Since the final quarter of last year the average award has fallen by a full percentage point.

More than two-thirds of pay awards were at 4% or below.

# Survey Method

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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 21 May - 5 June. The sample was randomly drawn from the IoD membership database and was 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. For simplicity, different types of firms are referred to as follows:

**Size**

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

**Sectors**

- Manufacturing
- Services Incl Govt, Education, Health & Personal Services

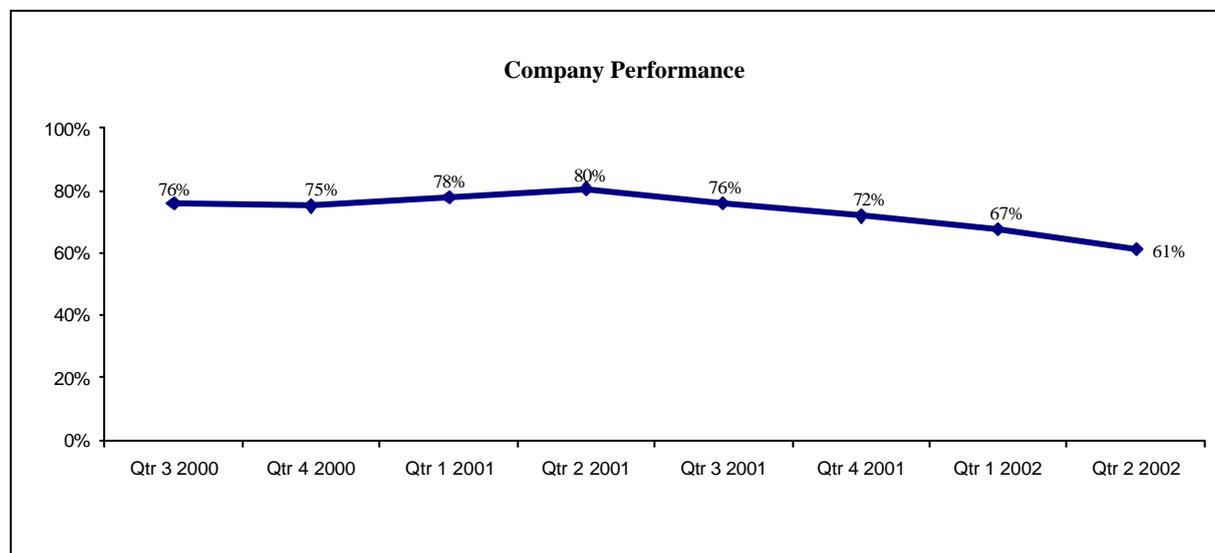
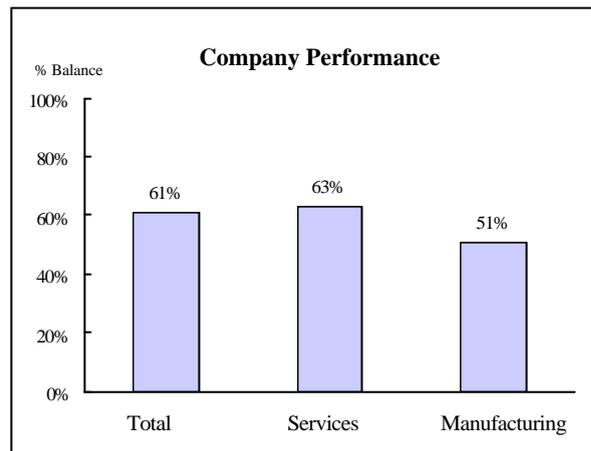
In order to give a simple, clear indication of the trend in any particular variable, the survey results are summarised throughout in terms of a positive or negative balance. The balance is computed by simply subtracting the percentage of respondents replying less/down/badly to a question from those replying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

# Company Performance

- The balance of those companies performing well, versus those performing badly, slipped to 61% in the latest survey, compared with 67% previously.
- Over the past year - see chart below - the company performance balance has declined from 80%.
- Unsurprisingly, the sectoral breakdown shows that the company performance balance is lower in manufacturing (51%).

*How well is your company performing overall?*

Well	70%
Neither well nor badly	20%
Badly	9%
Balance	+61
-	

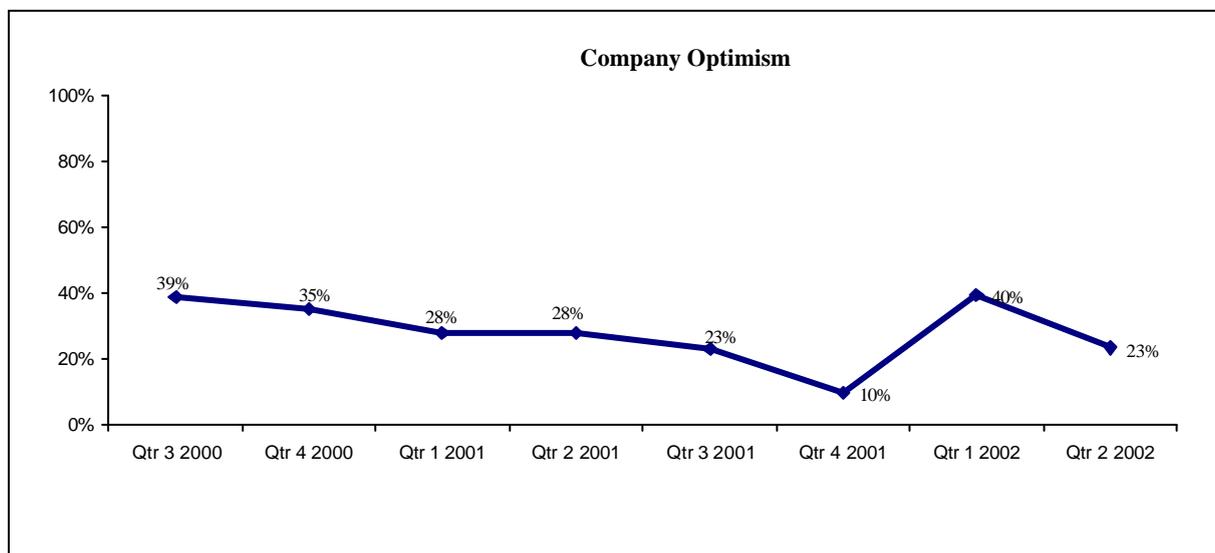
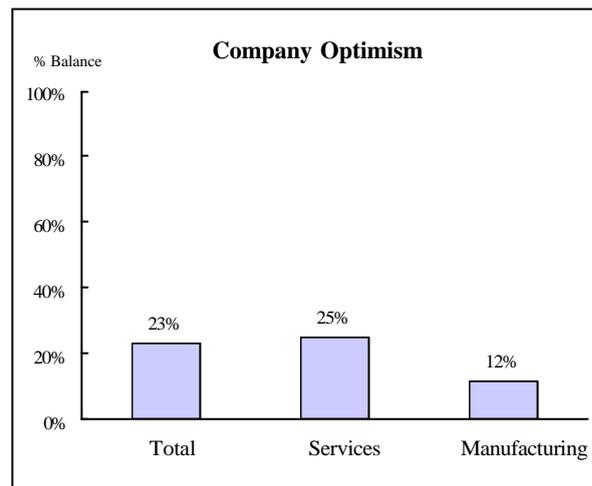


## Company Optimism

- The balance of those companies generally more, versus less optimistic about their company's prospects fell to 23% in the latest survey. In the previous survey this balance had jumped to 40%, having fallen to just 10% in the final quarter of last year. The balance has now returned to the levels seen before September 11th.

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

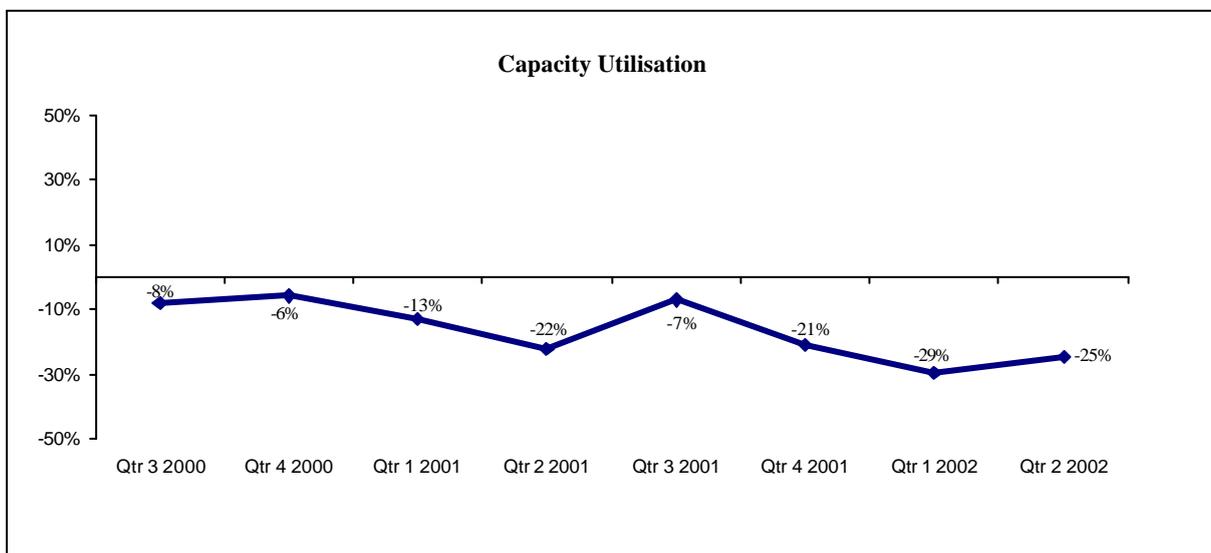
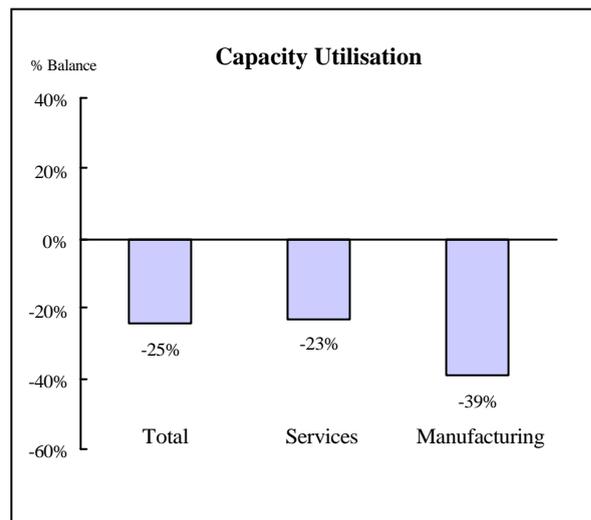
More	52%
Same	20%
Less	28%
Balance	+23



# Capacity Utilisation

- The balance of those companies operating at full capacity, versus those who are not, rose slightly to -25% in the latest survey, from -29% previously.

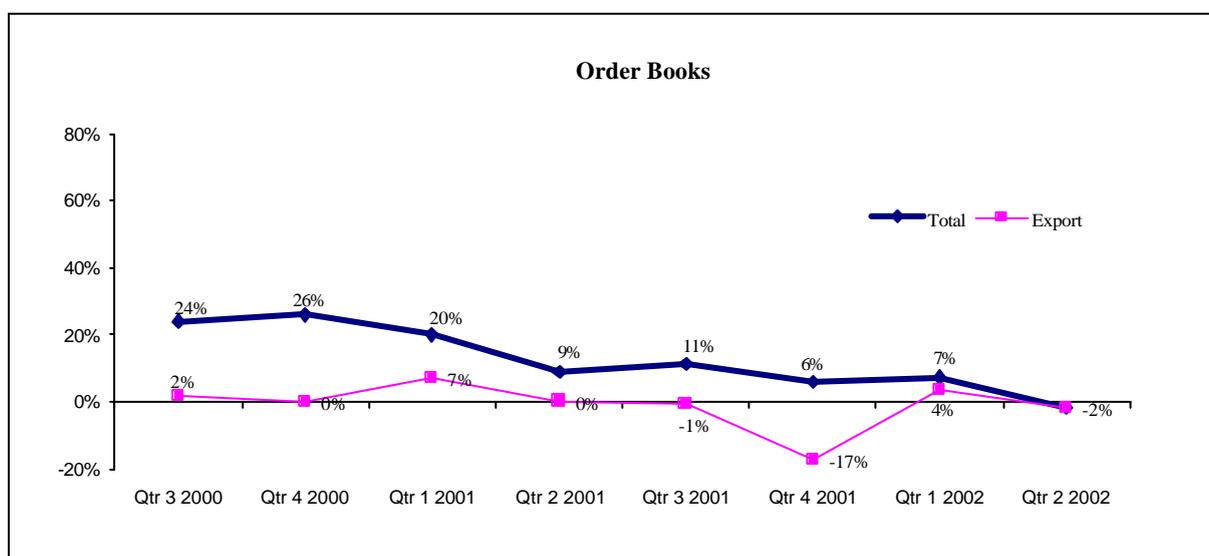
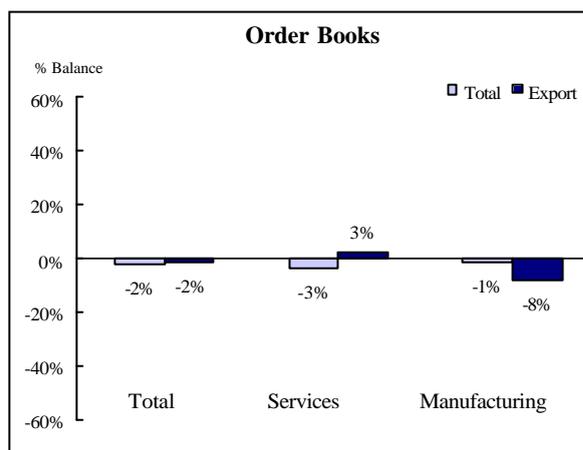
<i>Are you currently operating at full capacity?</i>	
Yes	38%
No	62%
Balance	-25



## Order Books

- The balance on total order books declined from 7% to -2% in the latest survey. The balance on export order books declined from 4% to -2% over the same period. Over recent years the balance on export orders has consistently hovered around a zero or negative balance, whilst the total order books balance has been stronger.
- The chart below suggests a clear downward trend in total order books.

<i>Order books</i>	
Above normal	28%
Normal	43%
Below normal	29%
Balance	-2
<i>Export order books</i>	
Above normal	33%
Normal	33%
Below normal	34%
Balance	-2

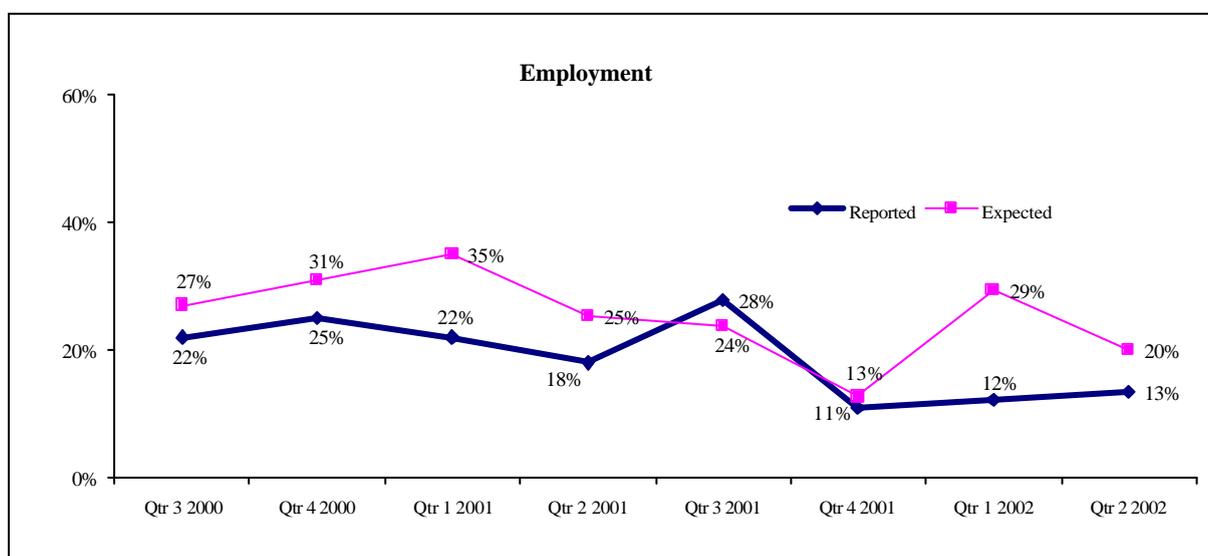
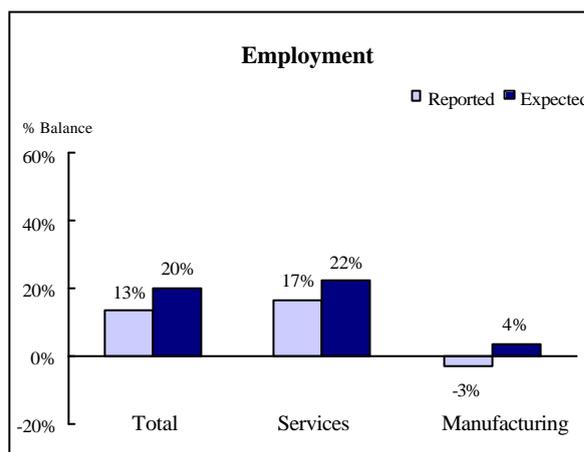


# Employment

- The balance of those companies reporting employment up, versus those reporting employment down, stood at 13% in the latest survey. The reported employment balance has been flat over the past three quarters.
- The reported employment balance for manufacturers, was also flat, at -3% in the latest survey.
- The expected employment balance fell to 20% in the latest survey, from 29% previously. Again, however, this series seems to have overshot in the downward and then upward direction in the wake of September 11th. The latest balance is still below the levels seen a year ago.

*Trend in Numbers Employed*

	Reported	Expected
Up	32%	35%
Same	50%	51%
Down	18%	15%
Balance	+13	+20

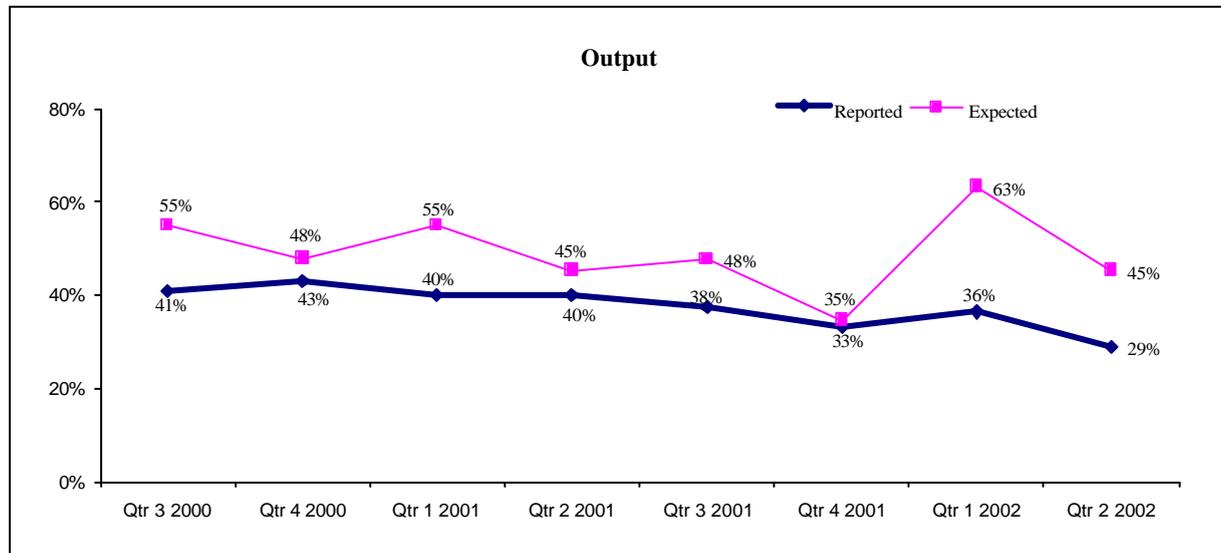
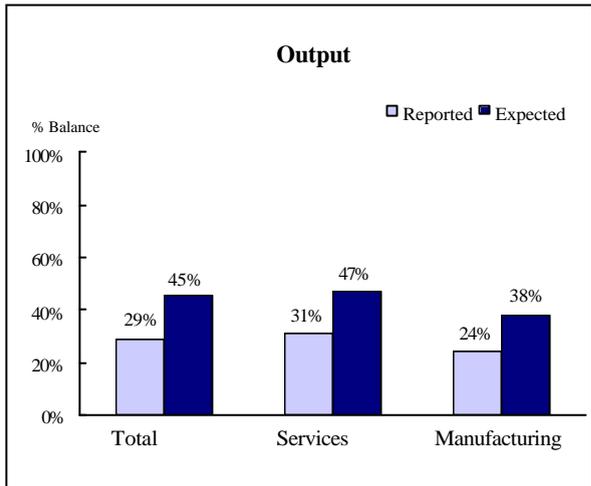


# Output

- The balance of those companies reporting output up, versus those reporting output down, fell to 29% in the latest survey, compared with a balance of 36% previously.
- The expected output balance fell from 63% to 45% in the latest survey. This balance is now back to the levels seen in the third quarter of last year, before it fell to 35% in the final quarter of last year and spiked upwards to 63% in the first quarter of this year.

*Trend in Output*

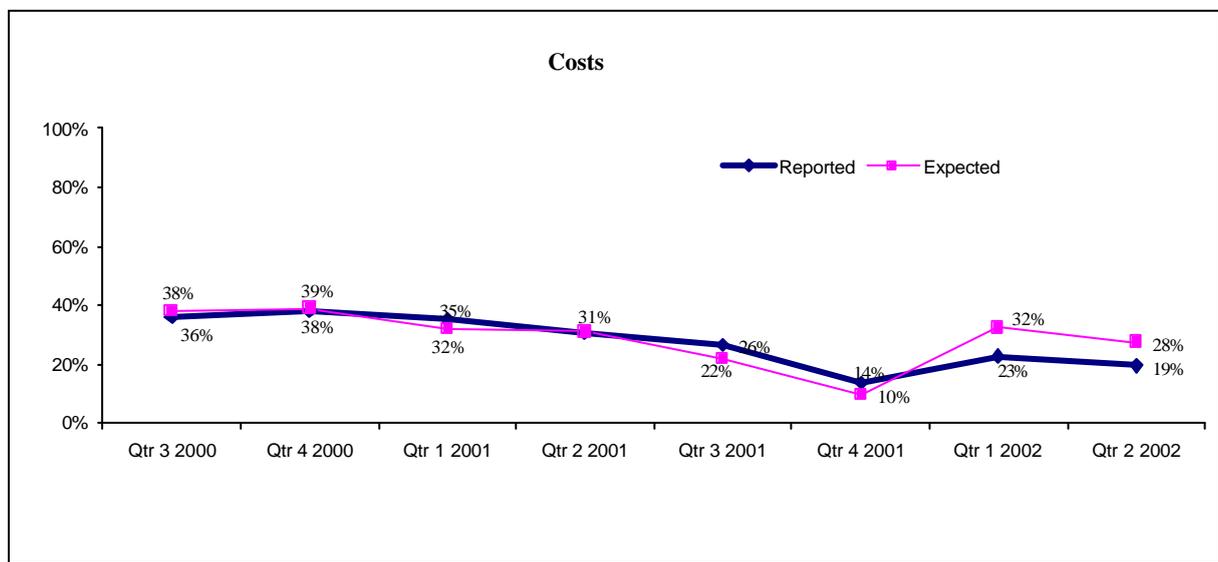
	Reported	Expected
Up	49%	56%
Same	31%	33%
Down	20%	11%
Balance	+29	+45



# Costs

- The balance of those companies reporting costs up, versus those reporting costs down, fell slightly to 19% in the latest survey, from 23% previously.
- The balance of those companies expecting costs to go up, versus those expecting them to come down, also fell slightly to 28% in the latest survey, from 32% previously.

	Reported	Expected
Up	38%	41%
Same	43%	45%
Down	19%	13%
Balance	+19	+28

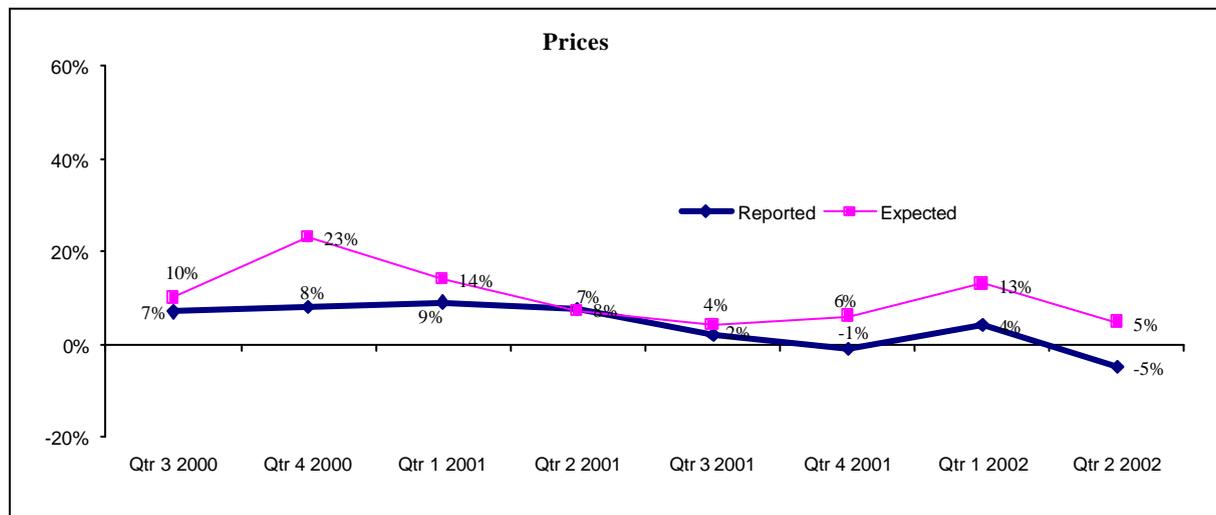
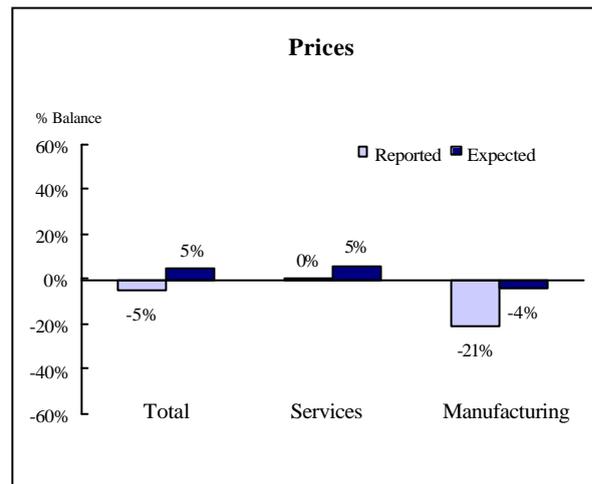


# Prices

- Price pressures weakened in the latest survey. The balance of those companies reporting an upward trend in prices, versus those reporting a downward trend, fell to -5% in the latest survey, from 4% previously.
- The expected prices trend also weakened, falling from 13% to 5% in the latest survey.

*Trend in Prices*

	Reported	Expected
Up	11%	16%
Same	72%	73%
Down	16%	11%
Balance	-5	+5

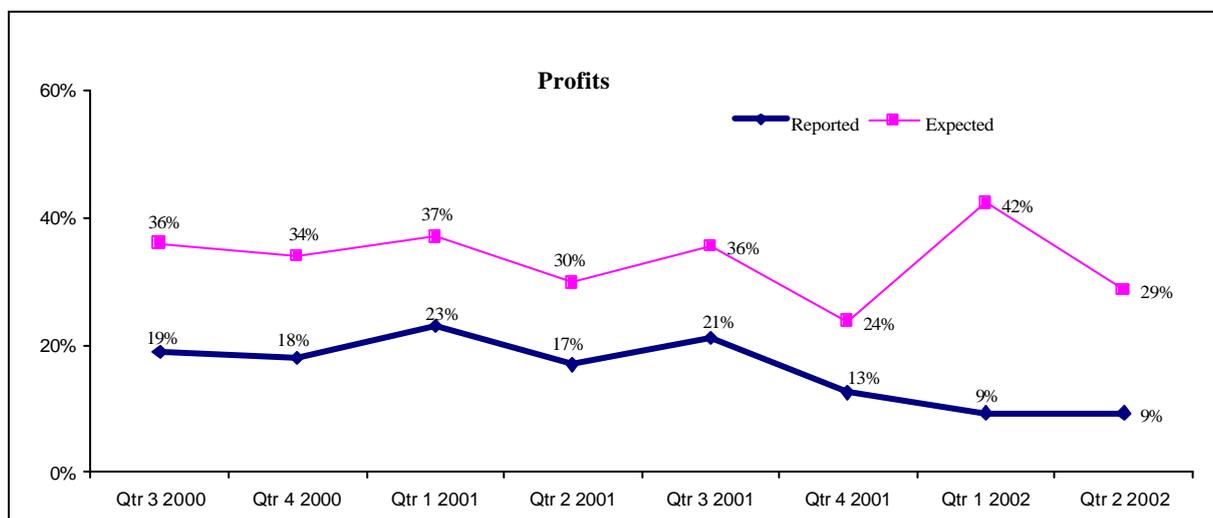
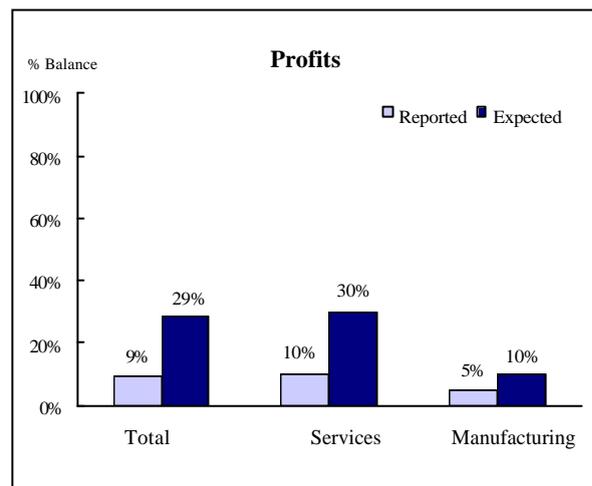


# Profits

- The balance of those companies reporting the trend in profits up, versus those reporting the trend to be down, was unchanged at 9% in the latest survey. The profits balance over the past six months is noticeably below the levels of recent years.
- In contrast, the expected profits balance (29%) is now closer to the levels of recent years, having fallen and then jumped back up again in the wake of September 11th.

*Trend in Profits*

	Reported	Expected
Up	34%	45%
Same	40%	38%
Down	25%	17%
Balance	+9	+29



# Pay

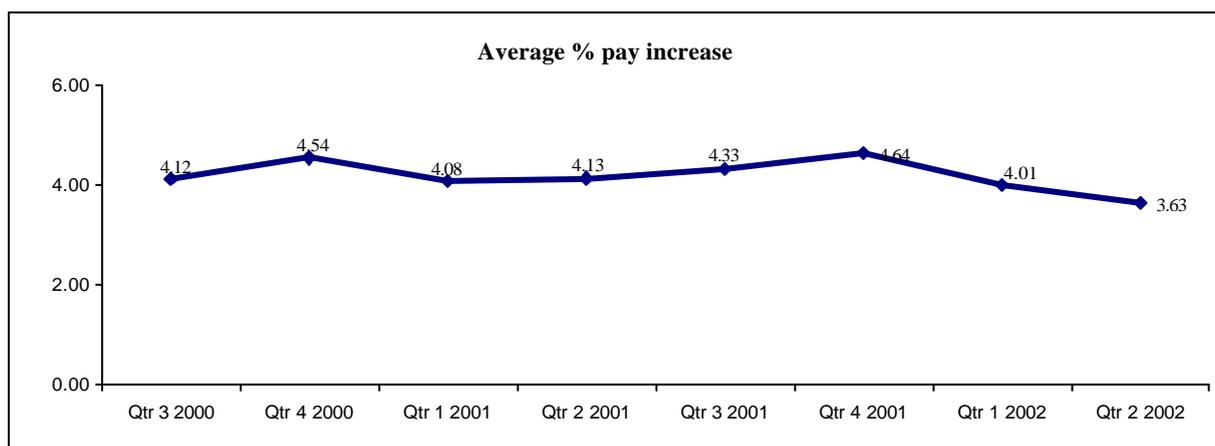
- In the latest survey the average pay increase has fallen to 3.6% from 4% in the previously. Since the final quarter of last year the average award has fallen by a full percentage point.
- More than two-thirds of pay awards were at 4% or below.

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

2% or less	13%
2-3%	36%
3-4%	19%
4-5%	15%
5-7.5%	9%
7.5% or more	8%

*How did it compare with the previous pay award?*

Higher	22%
Same	40%
Lower	38%

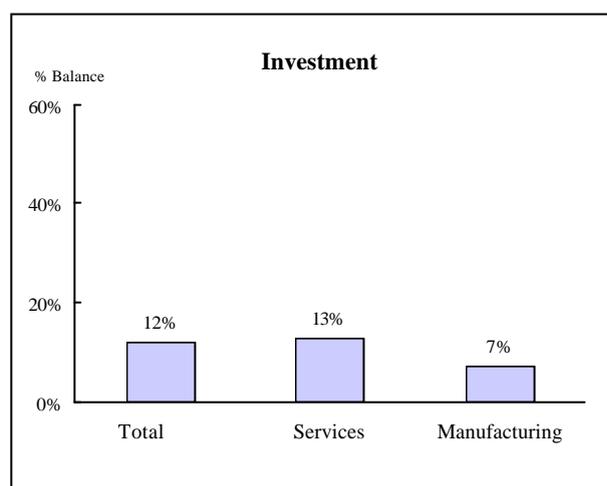


# Investment

- The latest survey incorporates a new question on investment - within your own organisation, compared to the position three months ago, would you say the outlook for investment is: more optimistic, unchanged or less optimistic?
- A balance of 12% of companies were more versus less optimistic about the investment outlook.

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

More optimistic	37%
Unchanged	38%
Less optimistic	25%
Balance	+12



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Investment  
Capital Spending, R&D, Training

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Costs, Prices, Pay

Outlook  
**IoD Forecast**

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