
IoD Business Opinion Survey
March 2003

The Business Opinion Survey was undertaken by NOP business. The report was produced by Lisa Tilsed, Policy Unit Manager.

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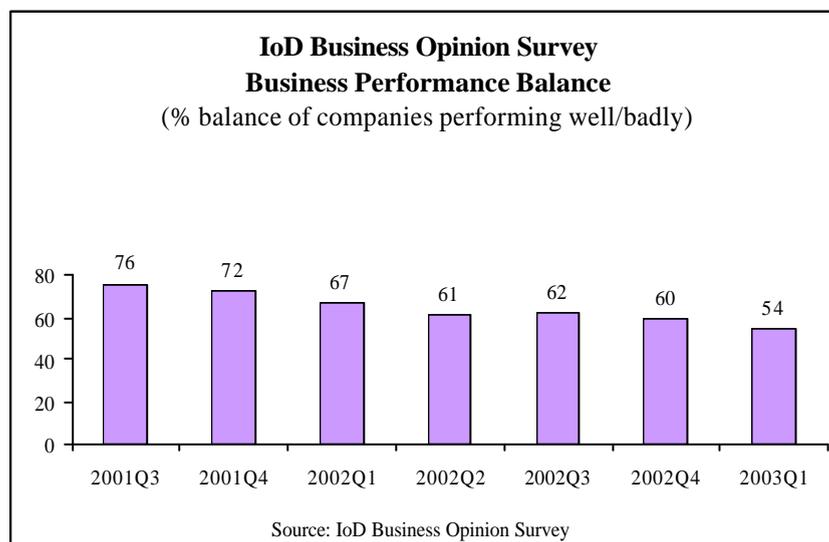
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Summary

Company performance and optimism

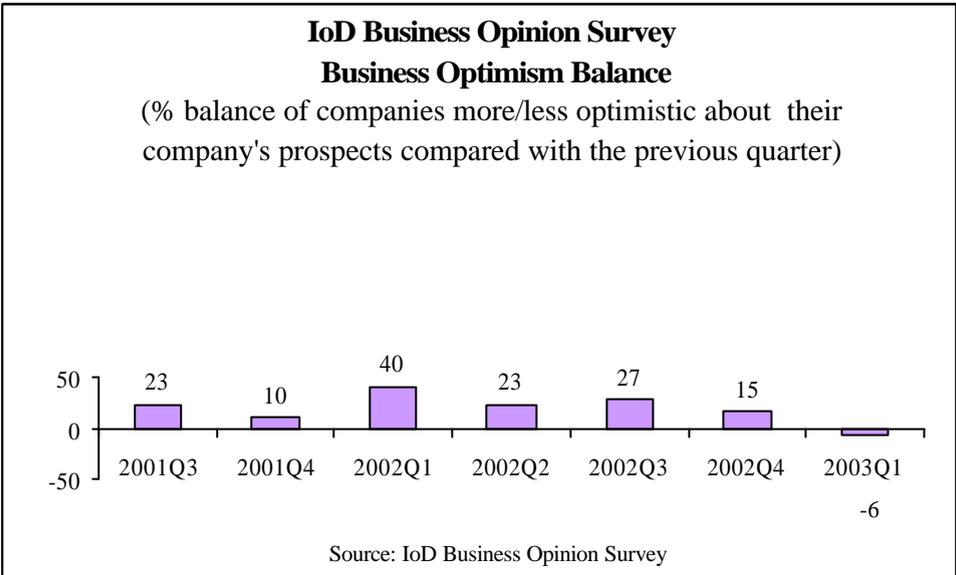
The latest Business Opinion survey reveals a further deterioration in economic performance and expectations. The balance of those companies performing well, versus those performing badly, fell to 54% in the latest survey from 60% previously. The latest figure is the lowest recorded balance since the revised survey was introduced in 1996. The overall performance balance has declined consistently over the past two years.

The company performance balance is the lowest on record



Company optimism is also very weak. The balance of those companies generally more or less optimistic about their company prospects (than they were three months ago) declined to -6% in the latest survey from 15% previously. This is the first time this balance has been negative - since the introduction of the revised survey.

The company optimism balance is negative for the first time.



Company optimism in the manufacturing sector is also at a record low of -25%.

Demand, output, employment & investment

The balance of those companies operating at full capacity, versus those who were not, declined to -27% in the latest survey from -18% previously. Capacity utilisation deteriorated sharply in the manufacturing sector where it declined from -17% to -37% in the latest survey.

The balance on total order books has deteriorated sharply. The balance of those companies reporting order books above normal, versus those reporting order books below normal, fell to -18% in the latest survey, from 2% previously. The deterioration was most apparent in the manufacturing sector where the balance on order books fell from 1% in December to -21% in the latest March survey. The latest manufacturing order books balance is the lowest on record.

The manufacturing order books balance is the lowest on record.

The export order books balance also deteriorated, but by much less than overall order books. Between December and March the export order books balance deteriorated from -2% to -5%.

For manufacturers the export order books balance deteriorated from 2% to -9% over the same period.

Both the reported and expected employment balances are the lowest on record.

The balance of those companies reporting employment up, versus those reporting employment down, stood at 1% in March compared with 12% in December - this is the lowest balance since the revised survey was introduced in 1996. The expected employment balance fell from 15% to 6% over the same period - the expected employment balance is also the lowest on record.

The reported and expected output balances are the lowest on record.

The balance of those companies reporting output up, versus those reporting output down, fell sharply to 15% in March, from 30% in December - this is the lowest balance since the revised survey was introduced in 1996. The expected output balance fell from 35% to 21% over the same period - the expected output balance is also the lowest on record.

Reported output plunged in the manufacturing sector, falling from 41% in December to 11% in March. The expected output balance in manufacturing also fell sharply, declining from 33% in December to 9% in March.

The investment outlook has deteriorated dramatically.

The investment outlook has deteriorated dramatically. The balance of those companies who are more, versus those who are less optimistic about the investment outlook, compared with three months ago, fell to -28% in March from -1% in December. In the manufacturing sector the decline was even more dramatic, collapsing from 2% to -38% over the same period.

Costs, prices and profits

Reported costs edged up in the latest survey and picked up sharply in the manufacturing sector. The balance of those companies reporting costs up, versus those reporting costs down, rose to 31% in the latest survey from 28% previously. In the manufacturing sector there was a sharp pick-up from 27% to 50% over the same period.

The expected costs balance rose from 29% to 39% whilst in manufacturing it rose from 21% to 40%.

Price pressures eased in the latest survey, particularly in manufacturing. The balance of those companies reporting an upward trend in prices, versus those reporting a downward trend, fell from 1% in December to -3% in March. In manufacturing the balance declined from -3% to -12% over the same period. The overall balance on expected prices fell from 5% to 2%, whilst in manufacturing it declined from 2% to -4%. Over the past three months the average pay award has fallen from 4.3% to 3.2%.

The combination of higher cost pressures and weaker prices is obviously impacting on profit margins. The balance of those companies reporting the trend in profits up, versus those reporting the trend to be down, fell from 9% in December to -9% in March. In manufacturing the profits balance fell from 15% to -14% over the same period.

<p>Expected profits balance has collapsed to the lowest level on record.</p>
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The expected profits balance has collapsed to the lowest figure on record - since the revised survey was introduced in 1996. The overall balance on expected profits fell from 28% in December to 4% in March. For manufacturers the balance fell from 26% to -6% over the same period.

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 3 - 14 March. 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. 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

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

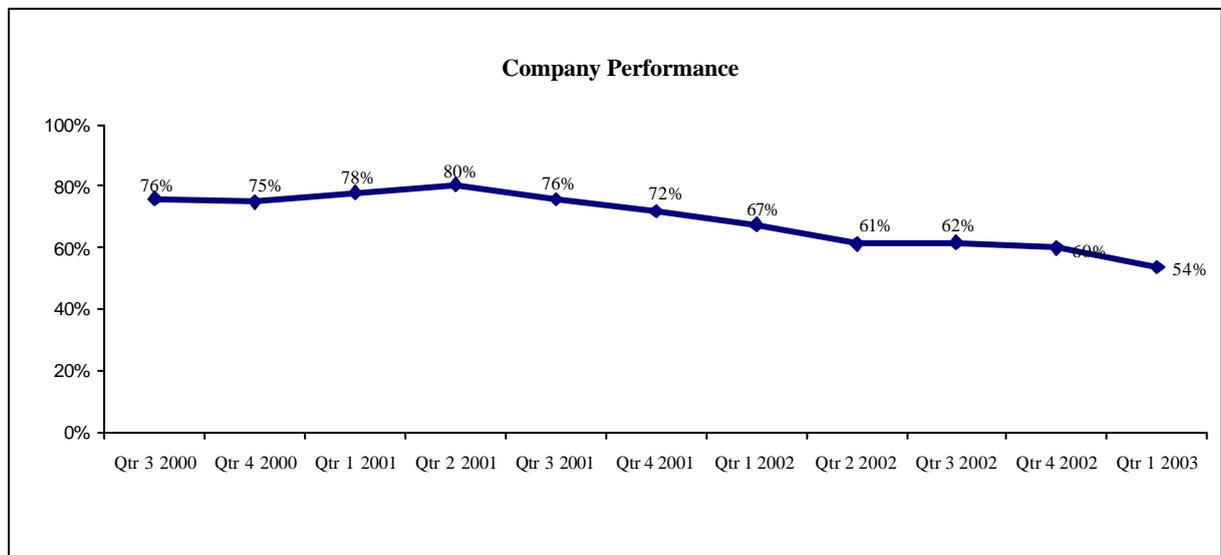
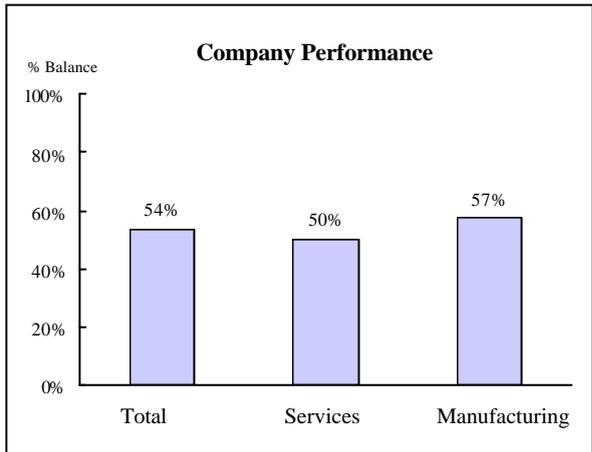
In order to give a simple, clear indication of the trend in any particular variable, the survey results are summarised throughout in terms of a positive or negative balance. The balance is computed by simply subtracting the number of respondents replying less/down/badly to a question from those replying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

Company Performance

- The balance of those companies performing well, versus those performing badly, fell to 54% in the latest survey from 60% previously. The latest figure is the lowest recorded balance since the revised survey was introduced in 1996. The overall performance balance has declined consistently over the past two years.

How well is your company performing overall?

Well	64%
Neither well nor badly	26%
Badly	10%
Balance	+54%

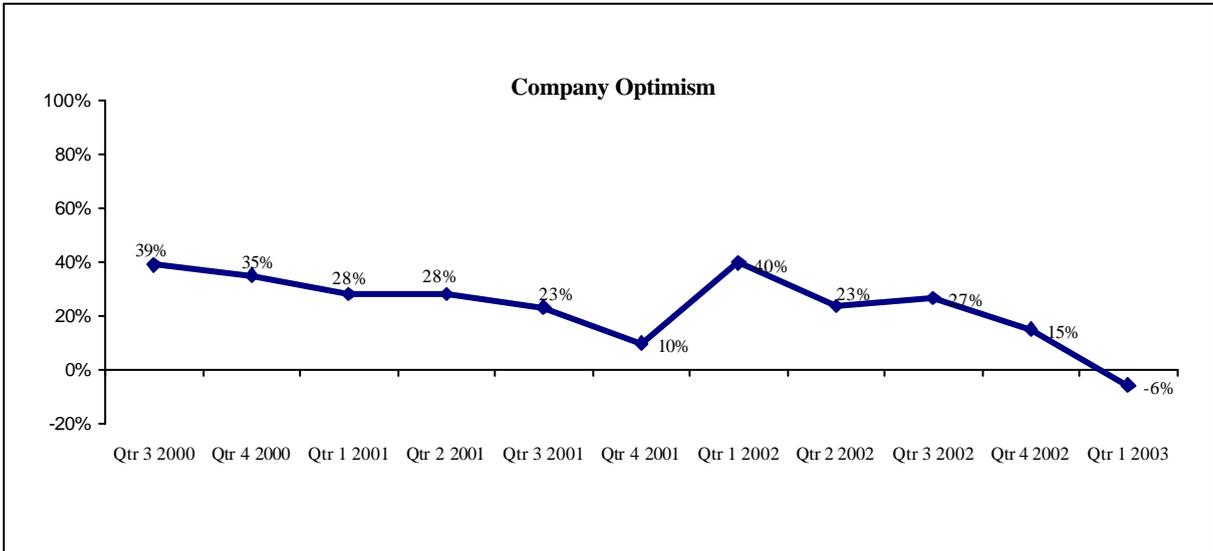
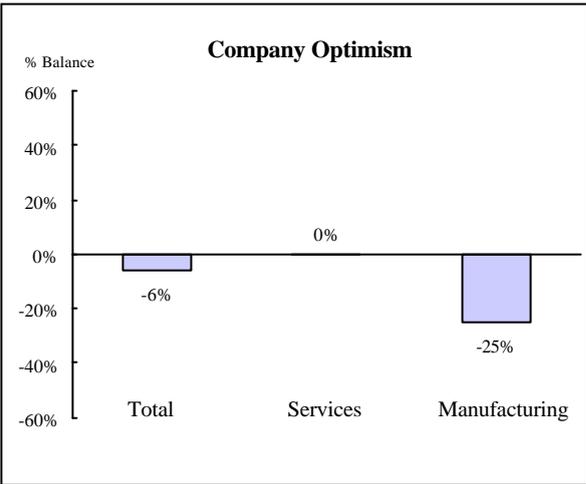


Company Optimism

- **Company optimism is also very weak. The balance of those companies generally more or less optimistic about their company prospects (than they were three months ago) declined to -6% in the latest survey from 15% previously. This is the first time the balance has been negative - since the introduction of the revised survey.**
- **Company optimism in the manufacturing sector is also at a record low of -25%.**

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

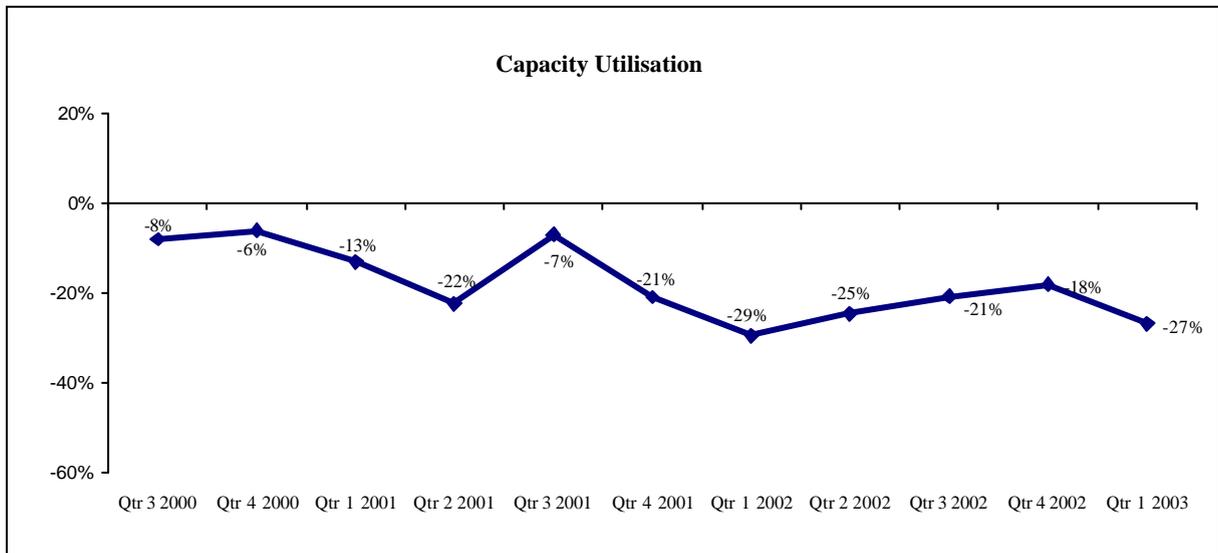
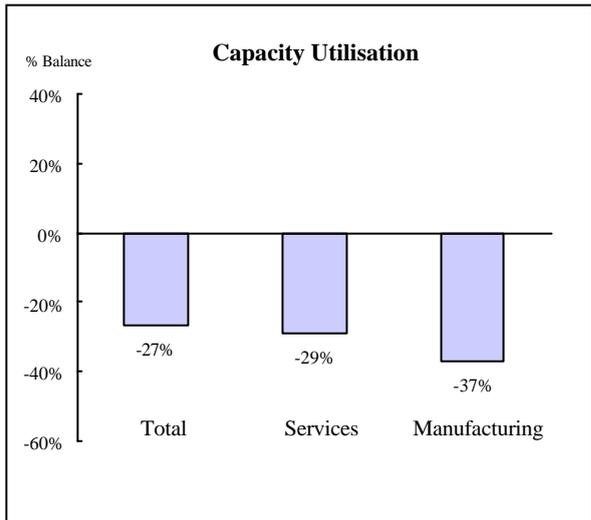
More	41%
Same	13%
Less	46%
Balance	-6%



Capacity Utilisation

- The balance of those companies operating at full capacity, versus those who were not, declined to -27% in the latest survey from -18% previously. Capacity utilisation deteriorated sharply in the manufacturing sector where it declined from -17% to -37% in the latest survey. Both measures are the lowest on record since the survey was revised in 1996.

<i>Are you currently operating at full capacity?</i>	
Yes	37%
No	63%
Balance	-27%

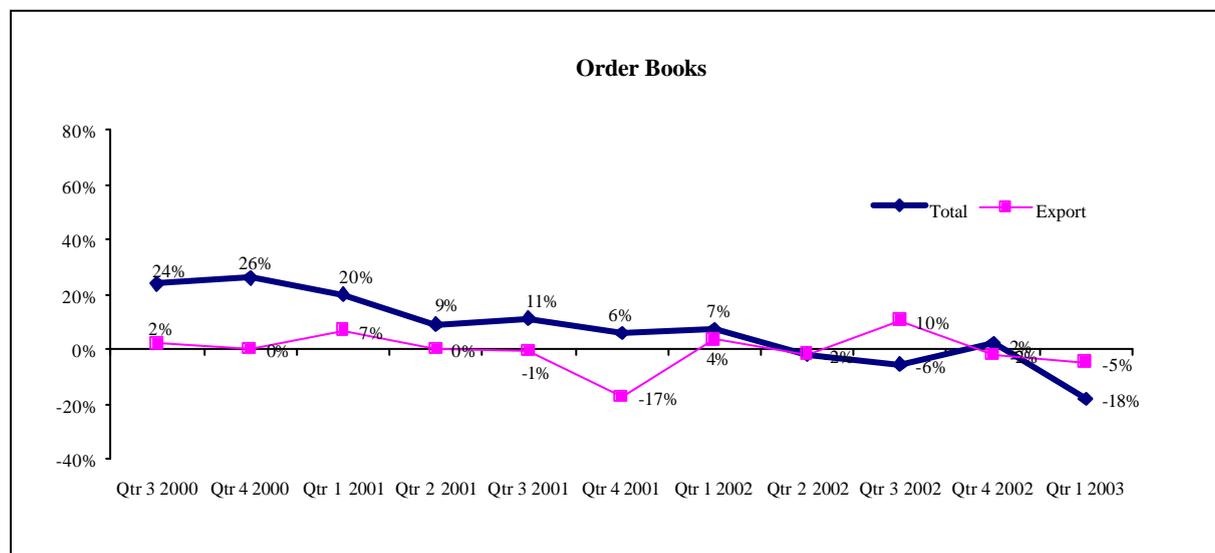
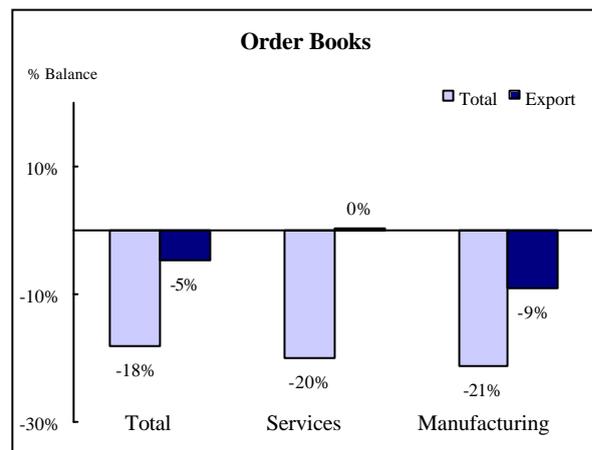


Order Books

- The balance on total order books has deteriorated sharply. The balance of those companies reporting order books above normal, versus those reporting order books below normal, fell to -18% in the latest survey, from 2% previously. The deterioration was most apparent in the manufacturing sector where the balance on order books fell from 1% in December to -21% in the latest March survey. The latest manufacturing order books balance is the lowest on record.

<i>Order books</i>	
Above normal	21%
Normal	40%
Below normal	39%
Balance	-18%
<i>Export order books</i>	
Above normal	29%
Normal	38%
Below normal	33%
Balance	-5%

- The export order books balance also deteriorated, but by much less than overall order books. Between December and March the export order books balance deteriorated from -2% to -5%. For manufacturers the export order books balance deteriorated from 2% to -9% over the same period.

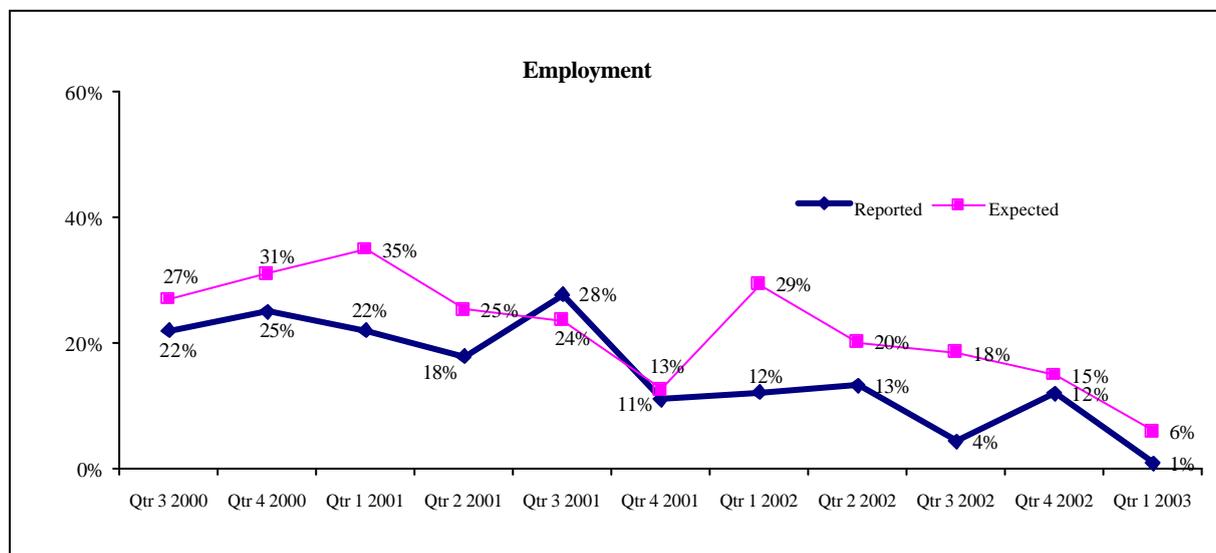
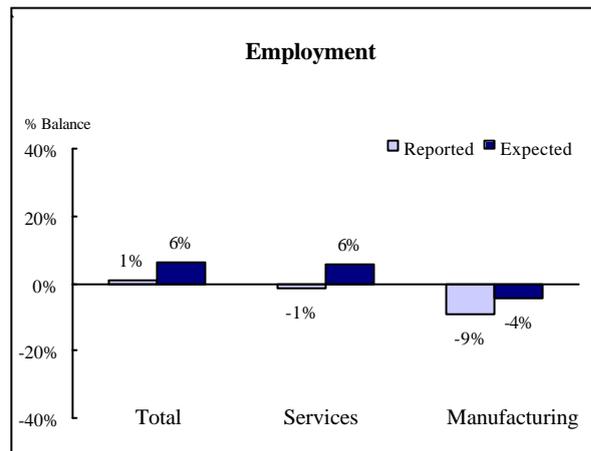


Employment

- The balance of those companies reporting employment up, versus those reporting employment down, stood at 1% in March compared with 12% in December - this is the lowest balance since the revised survey was introduced in 1996. The expected employment balance fell from 15% to 6% over the same period - the expected employment balance is also the lowest on record

Trend in Numbers Employed

	Reported	Expected
Up	23%	22%
Same	55%	62%
Down	22%	16%
Balance	+1%	+6%

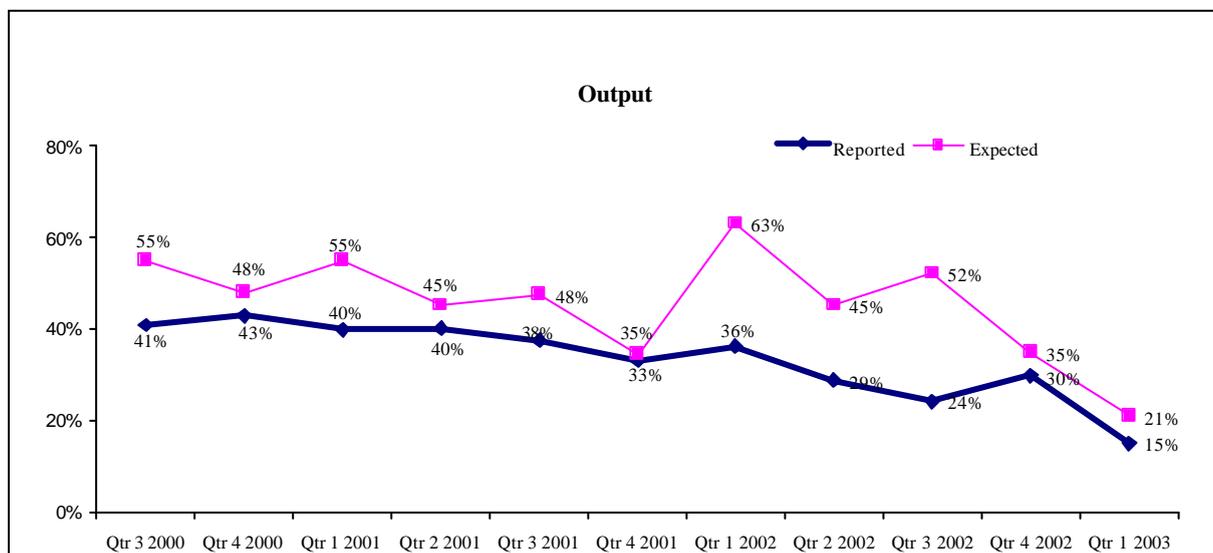
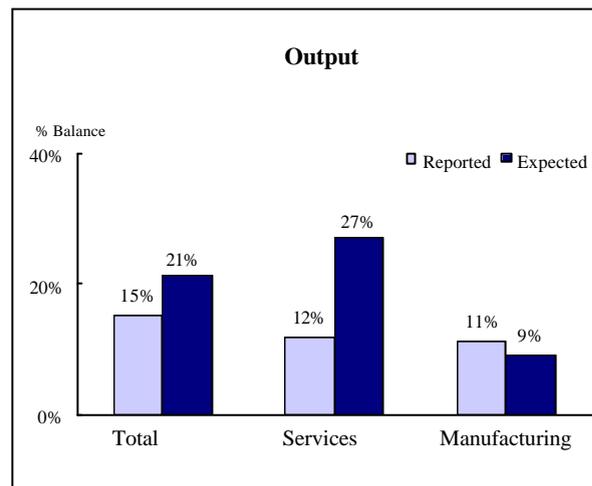


Output

- The balance of those companies reporting output up, versus those reporting output down, fell sharply to 15% in March, from 30% in December - this is the lowest balance since the revised survey was introduced in 1996. The expected output balance fell from 35% to 21% over the same period - the expected output balance is also the lowest on record.
- Reported output plunged in the manufacturing sector, falling from 41% in December to 11% in March. The expected output balance in manufacturing also fell sharply, declining from 33% in December to 9% in March.

Trend in Output

	Reported	Expected
Up	38%	42%
Same	38%	38%
Down	23%	20%
Balance	+15%	+21%

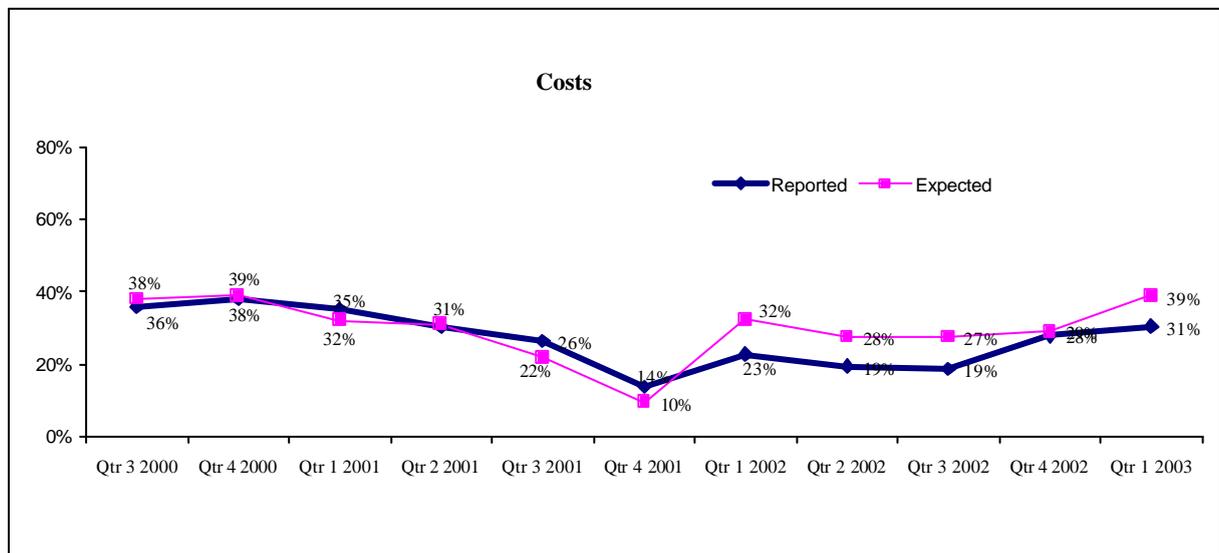
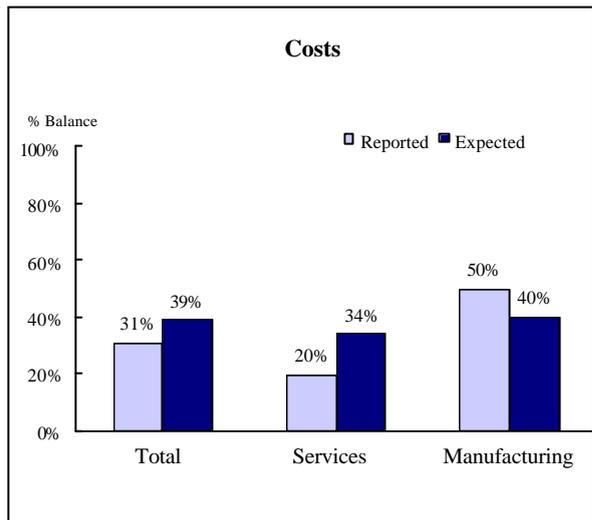


Costs

- Reported costs edged up in the latest survey and picked up sharply in the manufacturing sector. The balance of those companies reporting costs up, versus those reporting costs down, rose to 31% in the latest survey from 28% previously. In the manufacturing sector there was a sharp pick-up from 27% to 50% over the same period.
- The expected costs balance rose from 29% to 39% whilst in manufacturing it rose from 21% to 40%.

Trend in Costs

	Reported	Expected
Up	45%	50%
Same	40%	38%
Down	15%	11%
Balance	+31%	+39%

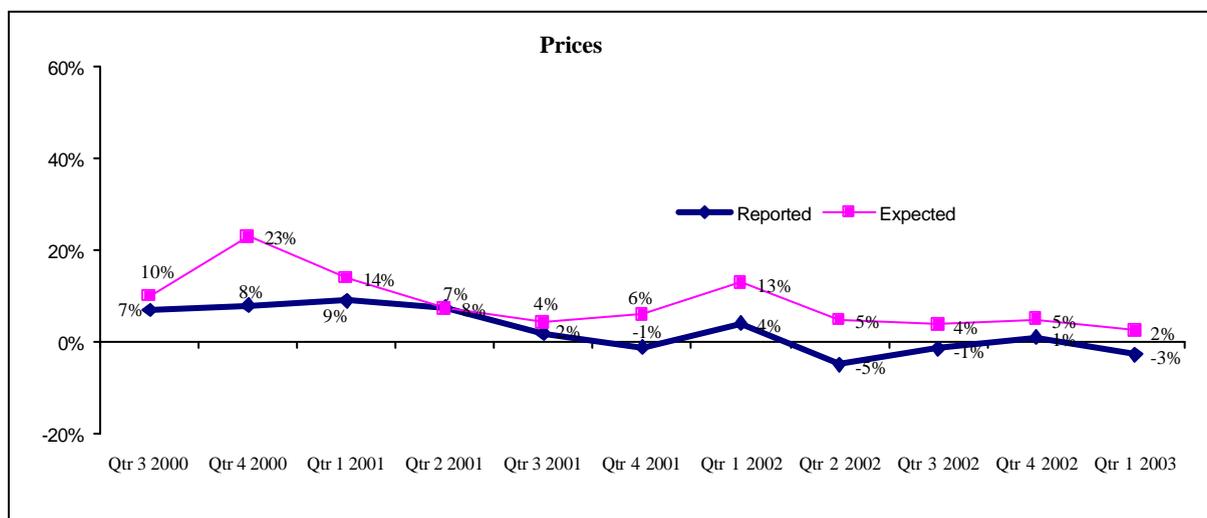
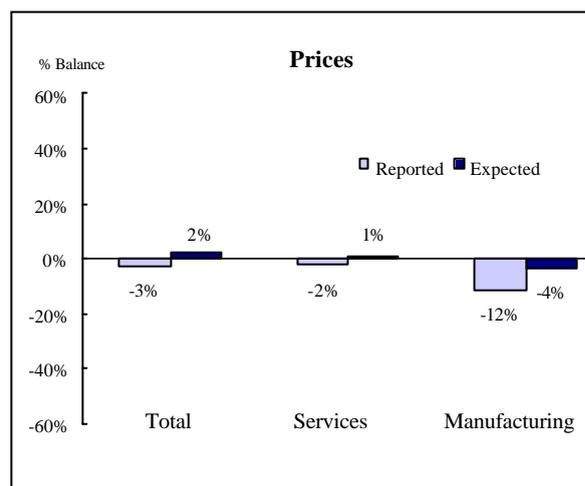


Prices

- Price pressures eased in the latest survey, particularly in manufacturing. The balance of those companies reporting an upward trend in prices, versus those reporting a downward trend, fell from 1% in December to -3% in March.
- In manufacturing the balance declined from -3% to -12% over the same period. The overall balance on expected prices fell from 5% to 2%, whilst in manufacturing it declined from 2% to -4%.

Trend in Prices

	Reported	Expected
Up	15%	16%
Same	68%	70%
Down	18%	14%
Balance	-3%	+2%

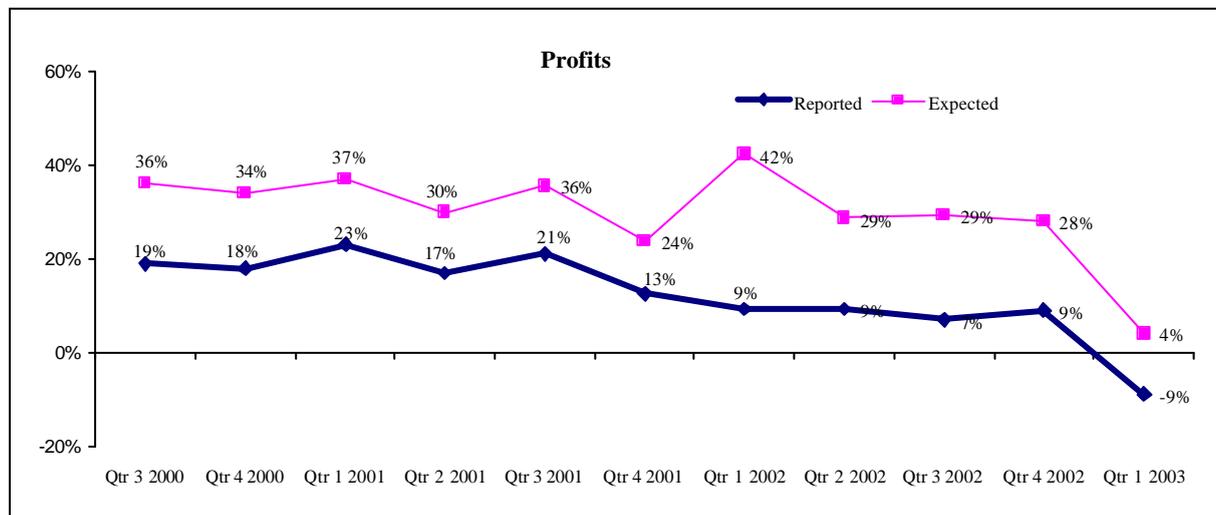
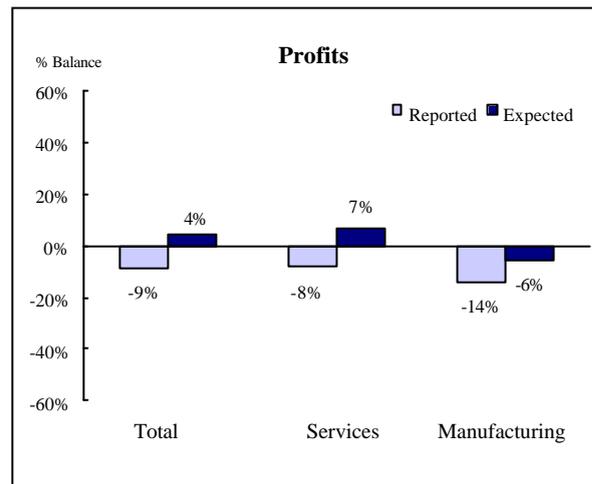


Profits

- The combination of higher cost pressures and weaker prices is obviously impacting on profit margins. The balance of those companies reporting the trend in profits up, versus those reporting the trend to be down, fell from 9% in December to -9% in March. In manufacturing the profits balance fell from 15% to -14% over the same period.
- The expected profits balance has collapsed to the lowest figure on record - since the revised survey was introduced in 1996. The overall balance on expected profits fell from 28% in December to 4% in March. For manufacturers the balance fell from 26% to -6% over the same period.

Trend in Profits

	Reported	Expected
Up	26%	31%
Same	40%	42%
Down	34%	27%
Balance	-9%	+4%



Pay

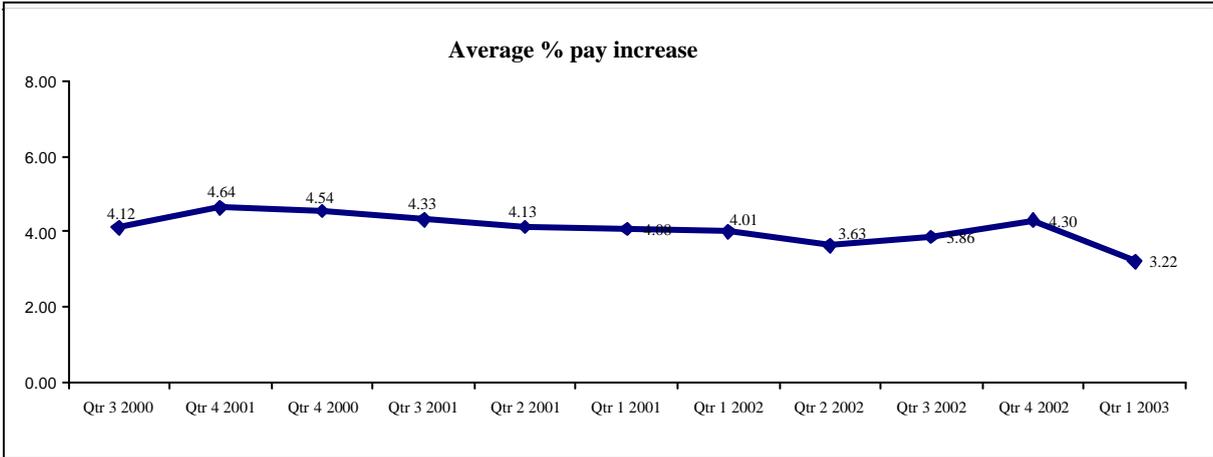
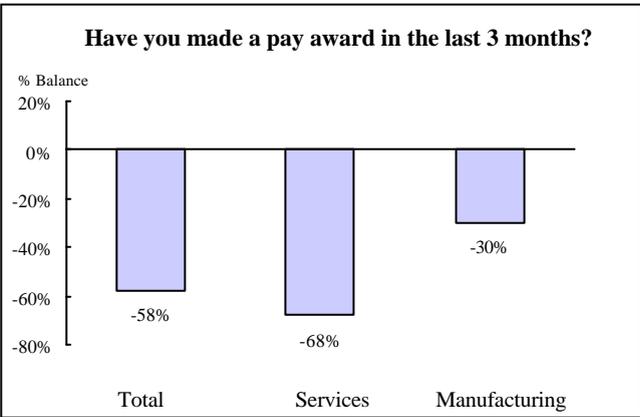
- Over the past three months the average pay award has fallen from 4.3% to 3.2%.

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

2% or less	14%
2-3%	43%
3-4%	22%
4-5%	11%
5-7.5%	7%
7.5% or more	3%

How did it compare with the previous pay award?

Higher	24%
Same	47%
Lower	29%



Investment

- The investment outlook has deteriorated dramatically. The balance of those companies who are more, versus those who are less optimistic about the investment outlook, compared with three months ago, fell to -28% in March from -1% in December. In the manufacturing sector the decline was even more dramatic, collapsing from 2% to -38% over the same period.

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

More optimistic	17%
Unchanged	38%
Less optimistic	45%
Balance	-28%

