
IoD Business Opinion Survey
September 2001

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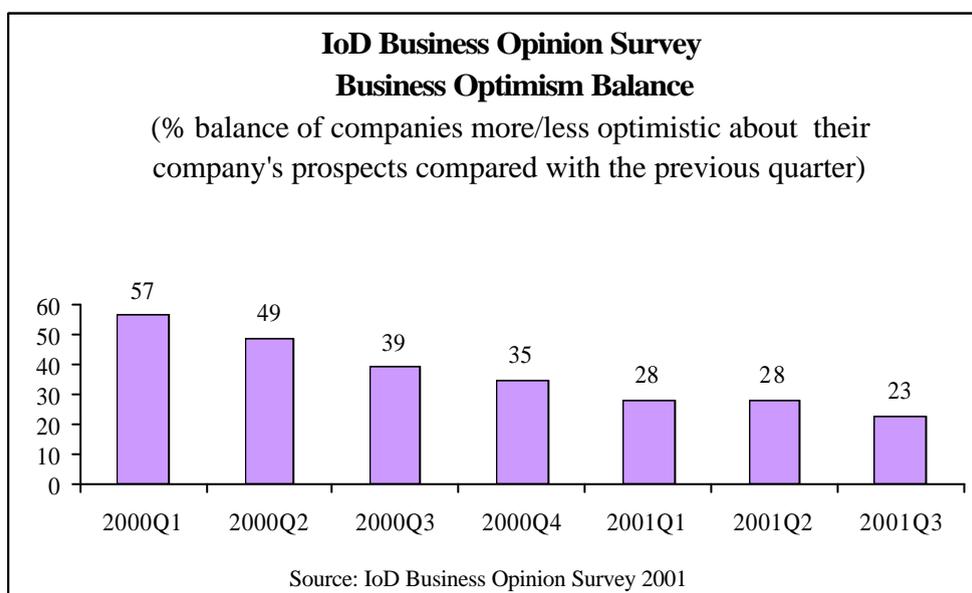
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Summary

Demand, output and profits

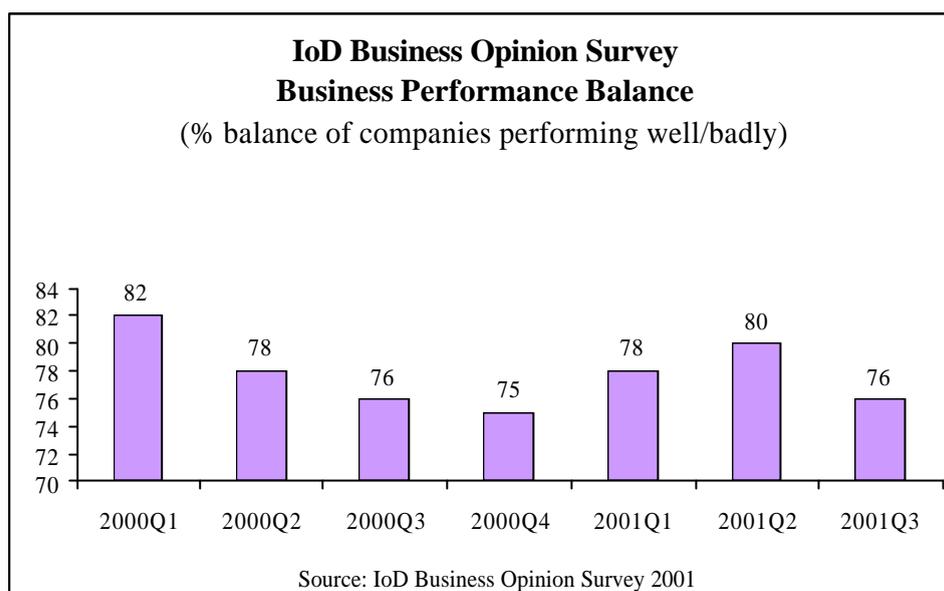
The latest Business Opinion Survey was undertaken both before and after the tragic events in America. Unfortunately it was not possible to split the sample into before and after groups owing to sample size difficulties. Consequently, we would expect actual expectations to be gloomier than indicated by the survey results. But we cannot be sure of this. For those companies who are domestically orientated, the post 11th September reductions in interest rates may have provided a stimulus.



Company optimism has slipped in the latest Business Opinion Survey, compared with previously. The latest survey results show a balance of 23% of company directors who were more, rather than less optimistic about their company's prospects, compared with three months ago. In the previous June survey the balance was 28%.

Company optimism is weakest in the manufacturing sector, with a balance of 16% compared with 19% previously.

The latest survey results resume the downward trend exhibited throughout 2000 and early 2001.



Company performance levels were slightly weaker in the latest Business Opinion Survey. The latest survey shows that the balance of those companies performing well, versus those performing badly, stood at 76%. In the previous survey the performance balance measured 80%. The performance balance has been essentially flat over the past 18 months.

The performance balance is weakest in the distribution (65%) sector and strongest in the business and financial services (78%) sector. The differences in performances between sectors have narrowed significantly in the latest survey.

The balance on capacity utilisation improved sharply to -7% in the latest Business Opinion Survey. In December 2000 the capacity utilisation had risen to -6%, its highest level for three years, but in March 2001, the balance fell back to -13% and slipped further to -22% in the June survey.

The improvement in capacity utilisation was most notable in manufacturing where it jumped from -42% to -4% in the latest survey.

The balance on order books was broadly flat at 11% in the latest Business Opinion Survey. The balance on export order books was also flat in the latest survey.

Compared with the previous survey, the reported employment balance moved higher to 28% from 18% previously, while the expected employment balance was flat at 24%.

The balance of those company directors reporting output up, versus those reporting it down, was broadly unchanged at 38% in the latest survey compared with 40% previously. This balance has been essentially flat over the past year.

The balances on both reported profits and profit expectations have improved in the latest survey. The balance of company directors reporting profits up, versus those reporting profits down, rose to 21% from 17% in the June survey.

The balance of those company directors expecting profits to be up, versus those expecting them to be down, edged higher to 36% from 30% in June.

In the manufacturing sector the profit expectations balance rose strongly to 25% in the latest survey, compared with 12% previously.

Costs, prices and pay

The balances on both reported and expected costs have moved lower than in the previous survey. The balance of those company directors reporting costs up, versus those reporting costs down, slipped to 26% in the latest survey from 31% previously.

The balance of those company directors expecting costs to be up, versus those expecting them to be down, fell significantly from 31% to 22% in the latest survey

The balance of those company directors reporting prices up, versus those reporting them down, stood at 2% in the latest survey, compared with 8% in the June 2001 survey.

The balance of those company directors expecting prices to be up versus those expecting them to be down, stood at +4% in the latest survey compared with +7% previously.

The balance of those company directors reporting a higher company pay award - compared with the previous pay award - versus those reporting a lower pay award, fell to 20% in the latest survey, from 25% in June.

In the latest survey the average pay settlement was slightly higher at 4.3%. This compares to a figure of 4.1% in June.

In the latest survey the average pay settlement was lowest in manufacturing at 3.9% and highest in the 'other' sector at 4.7%.

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 28 August - 12 September 2001. 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

Manufacturing	
Distribution	
Others including construction/mining/transport	“Others (including construction)”
Government/Educational/Medical/Personal services	“Non-business services”
Business/Finance/Professional services	“Business services”

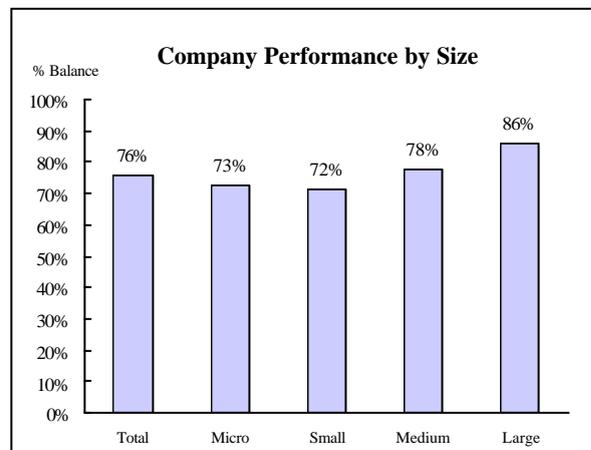
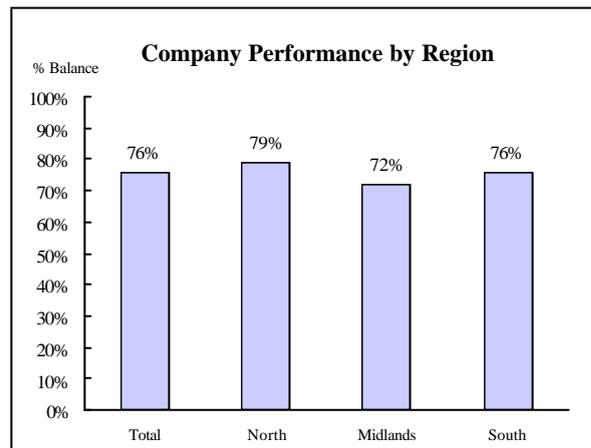
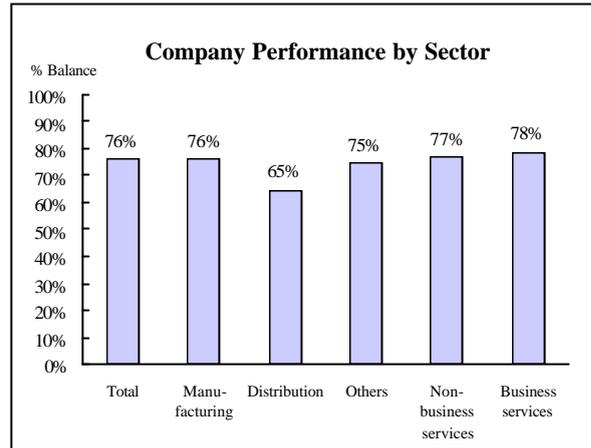
In order to give a simple, clear indication of the trend in any particular variable, the survey results are summarised throughout in terms of a positive or negative balance. The balance is computed by simply subtracting the number of respondents replying less/down/badly to a question from those replying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

Survey Results

Company Performance

<i>How well is your company performing overall?</i>	
Well	83%
Neither well nor badly	10%
Badly	7%
Balance	+76

- Company performance levels were slightly weaker in the latest Business Opinion Survey. The latest survey shows that the balance of those companies performing well, versus those performing badly, stood at 76%. In the previous survey the performance balance measured 80%. The performance balance has been essentially flat over the past 18 months.
- The performance balance is weakest in the distribution (65%) sector and strongest in the business services (78%) sector. The differences in performances between sectors have narrowed significantly in the latest survey.

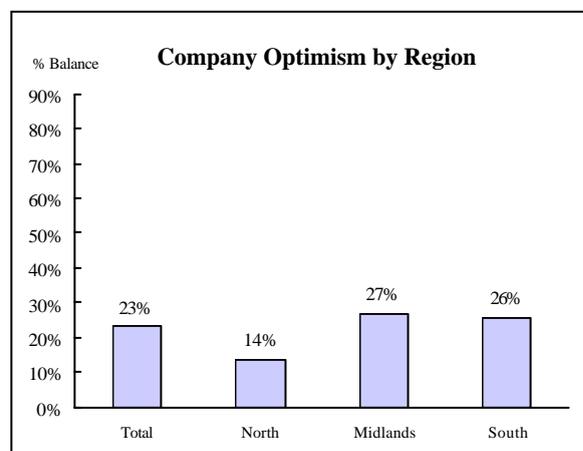
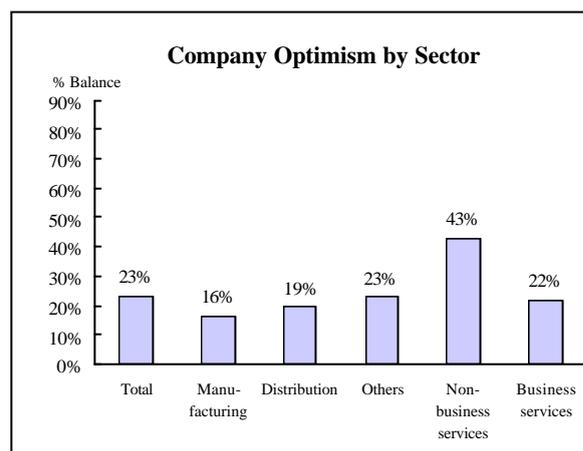


Company Optimism

- Company optimism has slipped in the latest Business Opinion Survey, compared with previously.
- The latest survey results show a balance of 23% of company directors who were more, rather than less optimistic about their company's prospects, compared with three months ago. In the previous June survey the balance was 28%.
- Company optimism is weakest in the manufacturing sector, with a balance of 16% compared with 19% previously.
- The latest survey results resume the downward trend exhibited throughout 2000 and early 2001. In the December 2000 survey the overall optimism balance measured 35%, in September 2000 it stood at 39%, in June 2000 it was 49% and in March 2000 it was 57%.

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

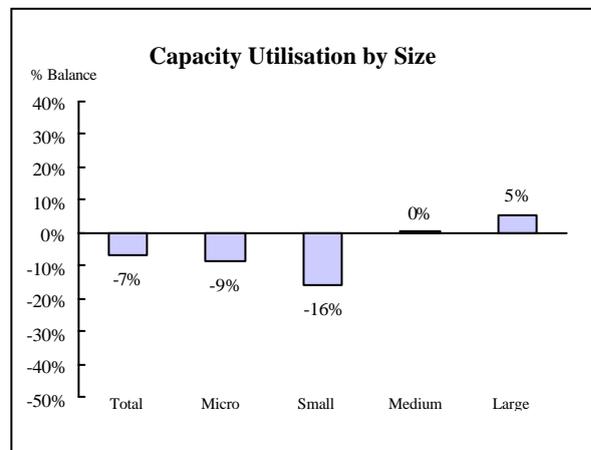
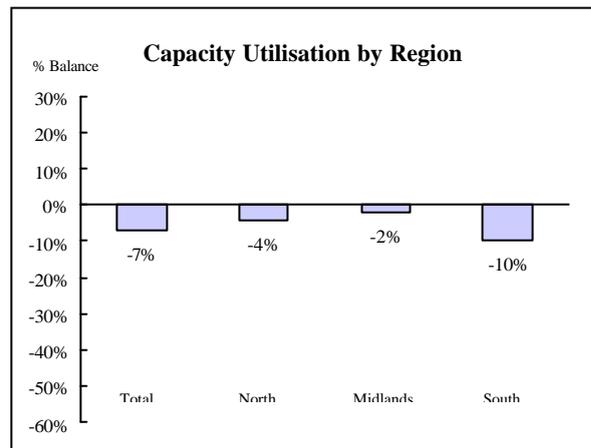
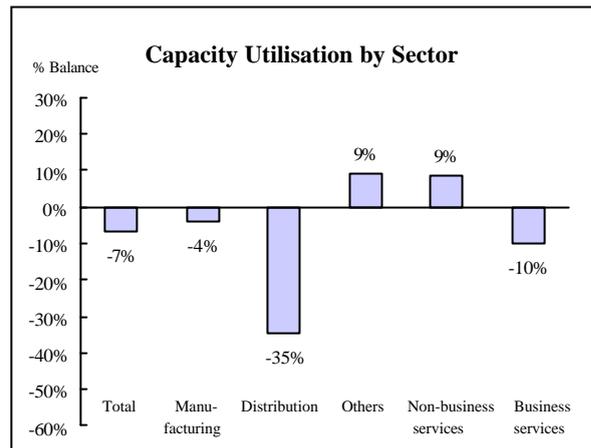
More	47%
Same	30%
Less	23%
Balance	+23



Capacity Utilisation

<i>Are you currently operating at full capacity?</i>	
Yes	46%
No	54%
Balance	-7

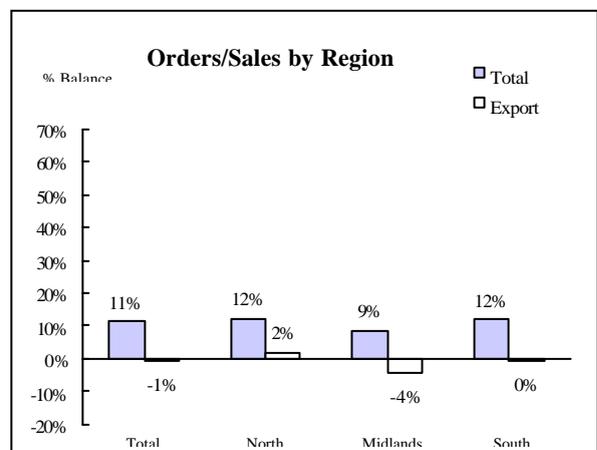
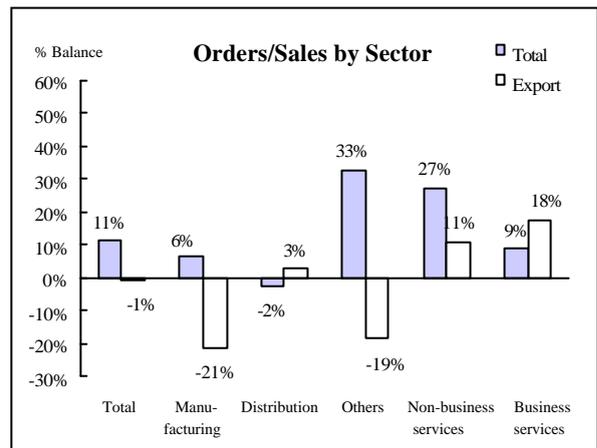
- The balance on capacity utilisation improved sharply to -7% in the latest Business Opinion Survey. In December 2000 the capacity utilisation had risen to -6%, its highest level for three years, but in March 2001, the balance fell back to -13% and slipped further to -22% in the June survey.
- The improvement in capacity utilisation was most notable in manufacturing where it jumped from -42% to -4% in the latest survey.



Order Books

- The balance on order books was broadly flat in the latest Business Opinion Survey. The latest balance of those company directors reporting above normal order books, compared with those reporting below normal order books, stood at 11% in the latest June survey. In the previous survey this balance stood at 9%.
- The balance on export order books was also flat in the latest survey. The latest September survey shows that the balance of company directors expecting above normal export order books, versus those expecting below normal export order books, stood at -1%.

<i>Order books</i>	
Above normal	32%
Normal	42%
Below normal	21%
Balance	+11
<i>Export order books</i>	
Above normal	13%
Normal	17%
Below normal	13%
Balance	-1

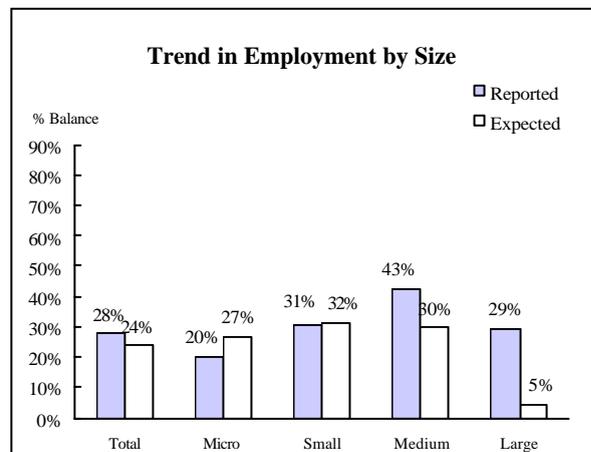
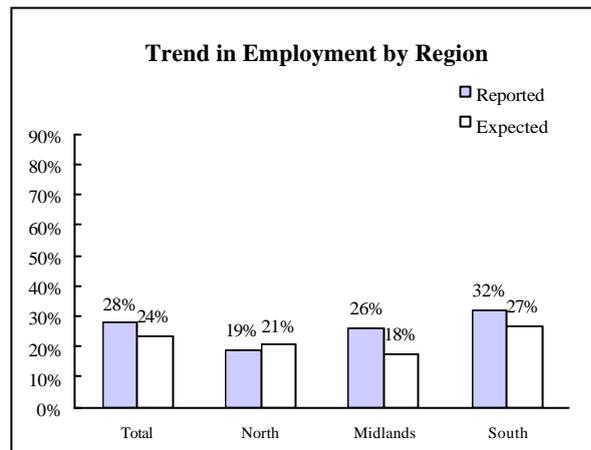
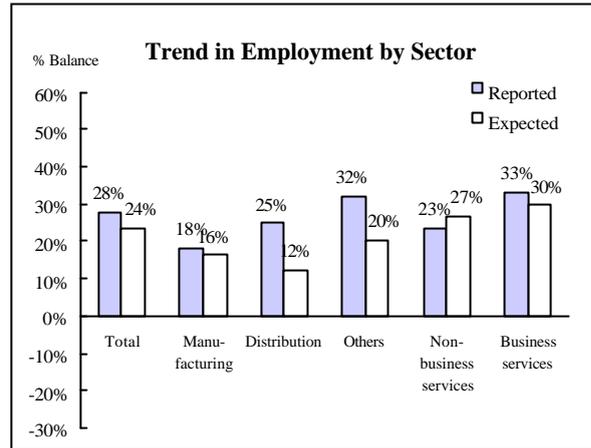


Employment

Trend in Numbers Employed

	Reported	Expected
Up	41%	35%
Same	46%	53%
Down	13%	12%
Balance	+28	+24

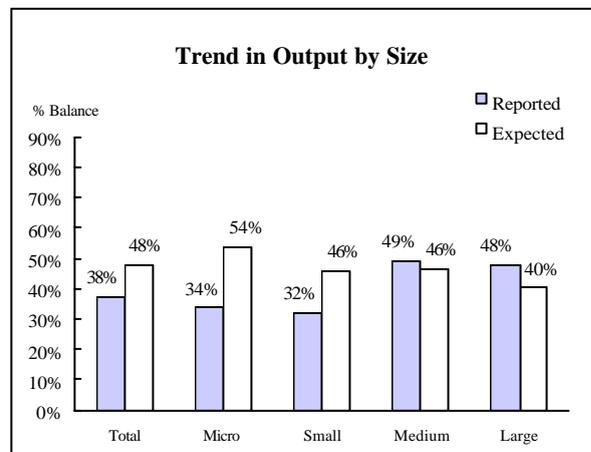
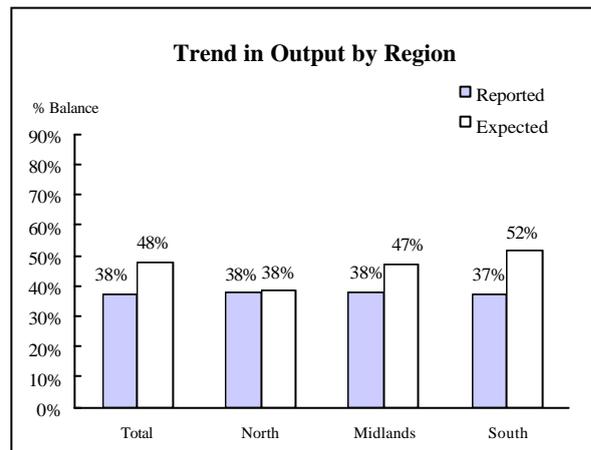
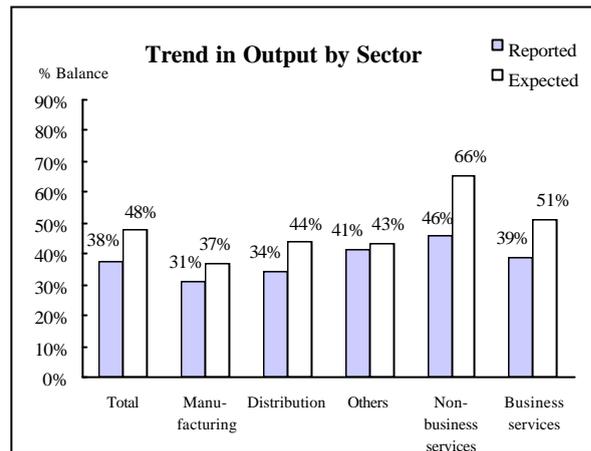
- Compared with the previous survey, the reported employment balance edged higher, while the expected employment balance was flat. In the latest survey the balance of those company directors reporting employment numbers up, versus reporting employment numbers down, stood at 28%, compared with 18% previously. The reported balance in the manufacturing sector improved markedly from -7% to +18% in the latest survey.
- In the latest survey the balance of those company directors expecting employment to increase, versus those expecting it to decrease, was flat at 24% compared with 25% previously.



Output

<i>Trend in Output</i>		
	Reported	Expected
Up	48%	57%
Same	36%	33%
Down	12%	9%
Balance	+38	+48

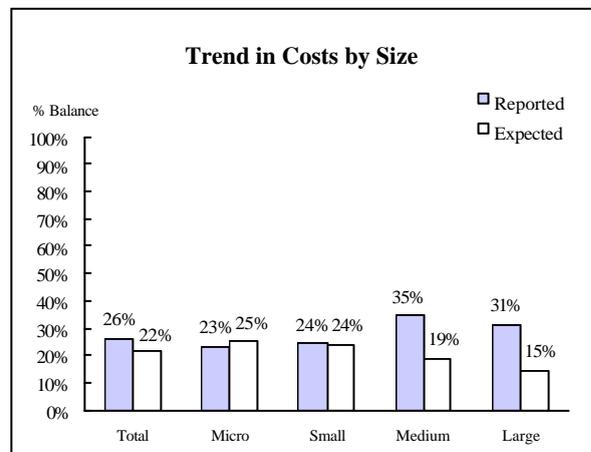
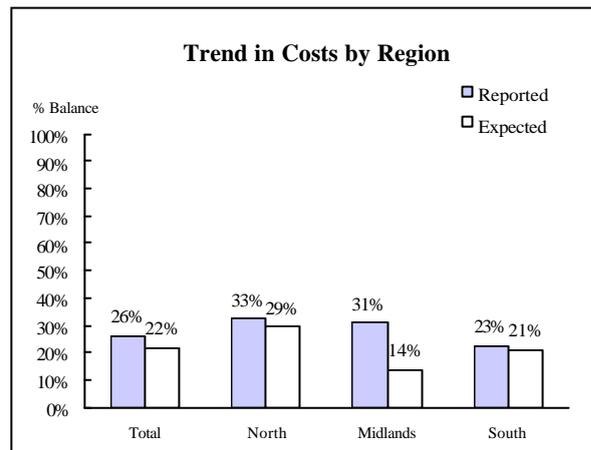
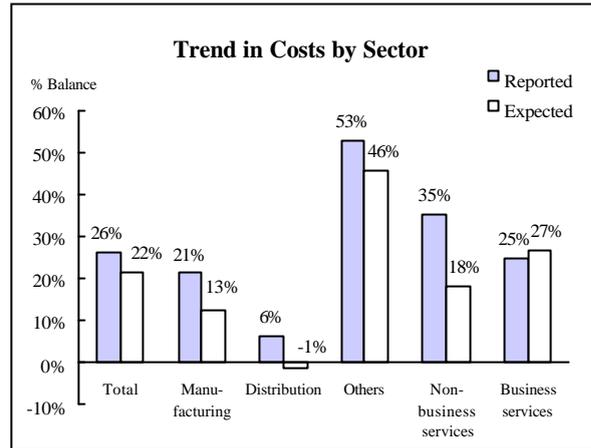
- The balance of those company directors reporting output up, versus those reporting it down, was broadly unchanged at 38% in the latest survey compared with 40% previously. This balance has been essentially flat over the past year.
- The reported output balance for manufacturers has moved higher to 31% in the latest survey, compared with 25% previously.
- The balance of those company directors expecting output to be up, versus those expecting it to be down, stood at 48% in the latest survey, up from 45% previously.



Costs

<i>Trend in Costs</i>		
	Reported	Expected
Up	40%	36%
Same	46%	50%
Down	14%	14%
Balance	+26	+22

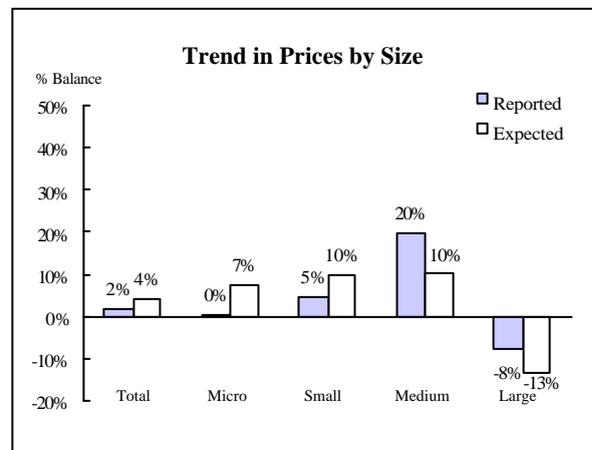
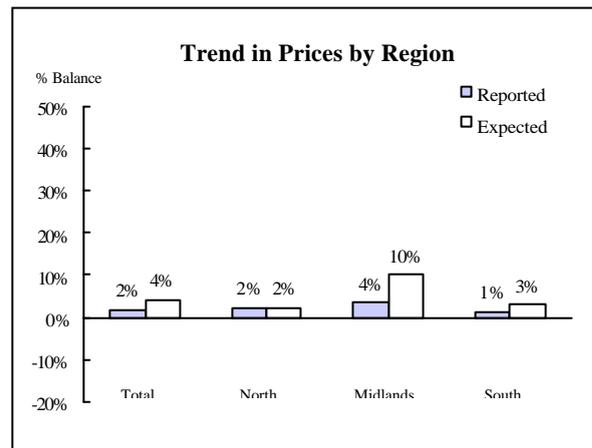
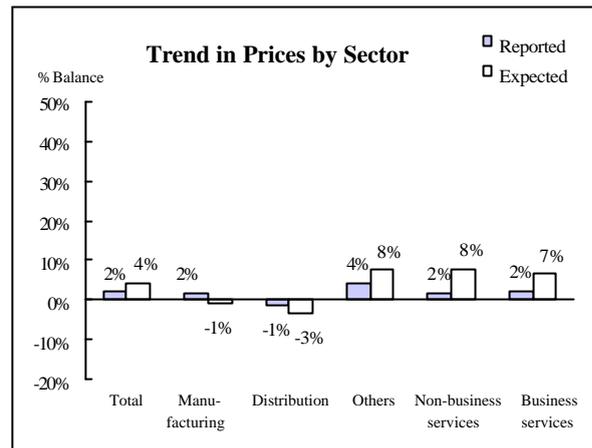
- The balances on both reported and expected costs have moved lower than in the previous survey. The balance of those company directors reporting costs up, versus those reporting costs down, slipped to 26% in the latest survey from 31% previously.
- The balance of those company directors expecting costs to be up, versus those expecting them to be down, fell significantly from 31% to 22% in the latest survey.



Prices

	Reported	Expected
Up	14%	15%
Same	73%	73%
Down	12%	11%
Balance	+2	+4

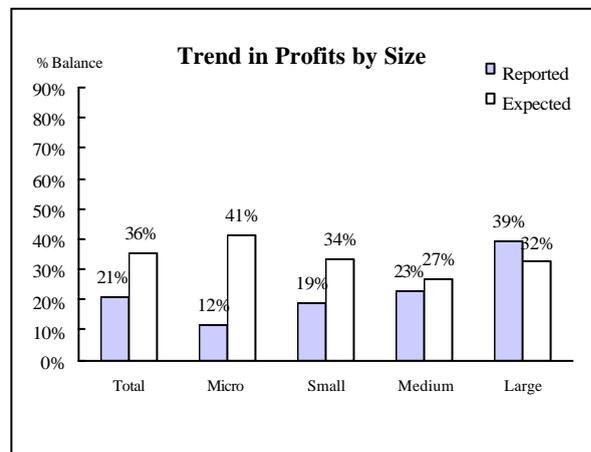
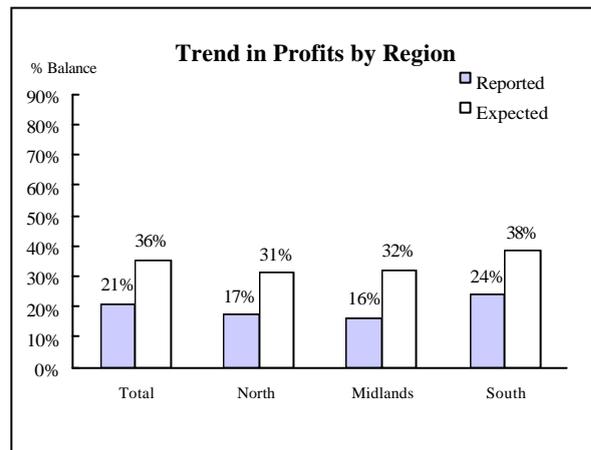
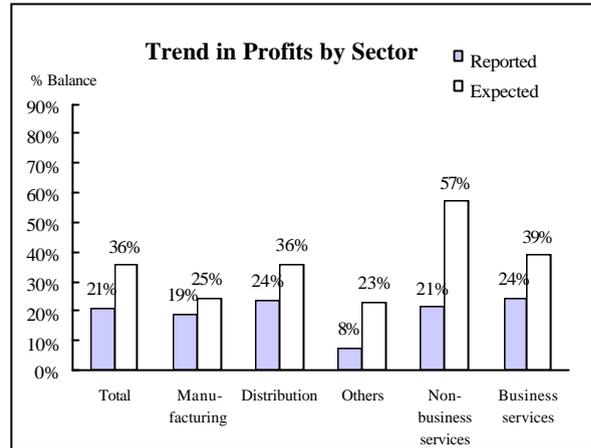
- The balance of those company directors reporting prices up, versus those reporting them down, stood at 2% in the latest survey, compared with 8% in the June 2001 survey.
- The balance of those company directors expecting prices to be up versus those expecting them to be down, stood at +4% in the latest survey compared with +7% previously.



Profits

	Reported	Expected
Up	40%	48%
Same	41%	40%
Down	19%	12%
Balance	+21	+36

- The balances on both reported profits and profit expectations have improved in the latest survey. The balance of company directors reporting profits up, versus those reporting profits down, rose to 21% from 17% in the June survey.
- The balance of those company directors expecting profits to be up, versus those expecting them to be down, edged higher to 36% from 30% in June.
- In the manufacturing sector the profit expectations balance rose strongly to 25% in the latest survey, compared with 12% previously.

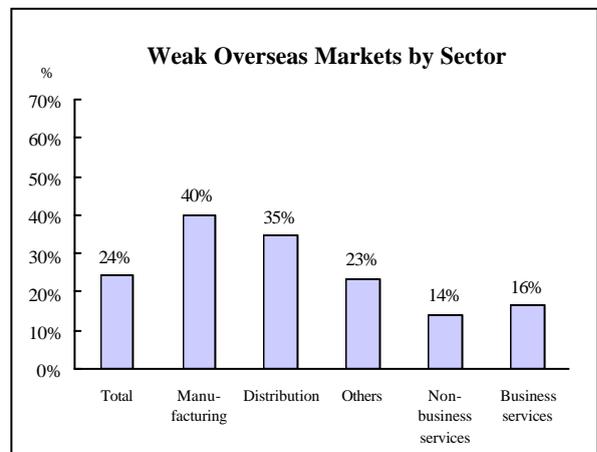
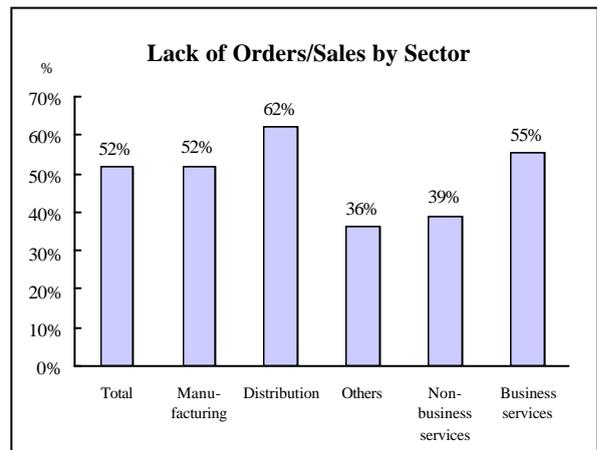
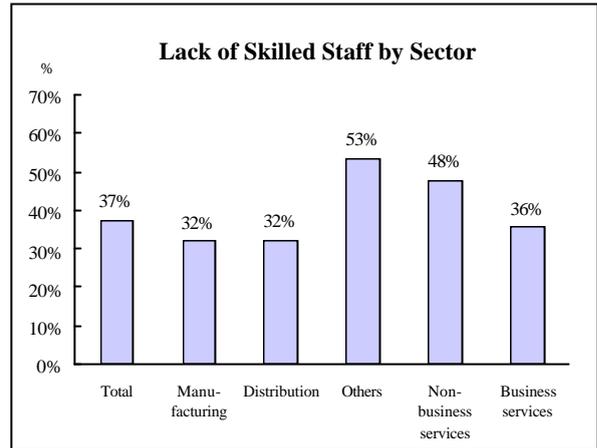


Factors limiting output

What factors are likely to limit output over the next three months?

Lack of orders/sales	52%
Lack of skilled staff	37%
Weak overseas markets	24%
Other staffing problems	17%
Credit or finance	14%
Plant capacity	11%
Lack of materials or components	9%

- In the latest survey lack of orders/sales and a lack of skilled staff remain the primary constraints on output. In the latest survey 52% of company directors cite a lack of orders/sales, compared with 49% in the previous survey. The proportion of company directors stating that a lack of skilled staff constrained output, fell to 37% in the latest survey, compared with 42% previously.



Pay

- The balance of those company directors reporting a higher company pay award - compared with the previous pay award - versus those reporting a lower pay award, fell to 20% in the latest survey, from 25% in June.
- In the latest survey the average pay settlement was slightly higher at 4.3%. This compares to a figure of 4.1% in June.
- In the latest survey the average pay settlement was lowest in manufacturing at 3.9% and highest in the 'other' sector at 4.7%.

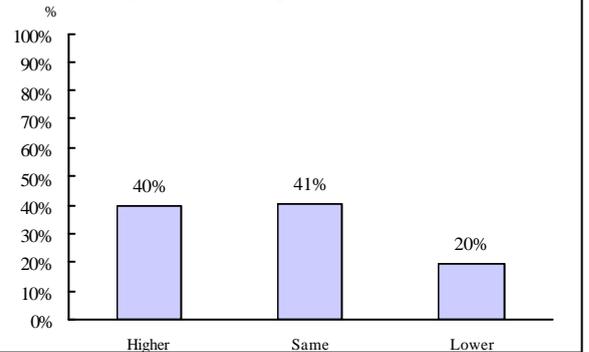
If you made a pay award in the last 3 months, what was the average percentage increase?

2% or less	6%
2-3%	23%
3-4%	25%
4-5%	20%
5-7.5%	12%
7.5% or more	14%

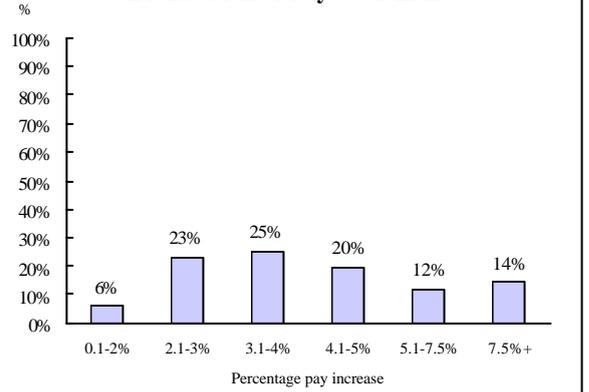
How did it compare with the previous pay award?

Higher	40%
Same	40%
Lower	19%
Balance	+20

Current Pay Award Compared to Previous Pay Award



Distribution of Pay Settlements



Investment

- Investment intentions in buildings are broadly flat compared with the previous survey.
- Investment intentions in plant, machinery and equipment are also broadly flat quarter on quarter.
- Investment intentions in product and process innovation/R&D are flat compared with the previous survey.
- Investment intentions in training have edged higher in the latest survey, with 51% of company directors reporting plans for more investment in training, compared with 46% in the previous survey.

Do you plan to invest more, the same, or less in the following areas over the next twelve months than you did in the previous twelve months?

Buildings

More	30%
Same	18%
Less	14%
None in either period	38%

Plant, machinery and equipment

More	45%
Same	31%
Less	18%
None in either period	7%

Product and process innovation/R&D

More	39%
Same	28%
Less	8%
None in either period	25%

Training

More	51%
Same	38%
Less	5%
None in either period	7%

UK Economic Update: Recent Developments and Prospects

Economic outlook

Over the past 18 months two shocks have impacted on the UK and world economies:

1. The global fall-out from the collapse in share prices on Wall Street, particularly associated with the TMT sector.
2. The economic impact of the terrible events on 11th September 2001.

The IoD has argued for some time, that in response to the first shock, the UK economy was heading for a soft landing over the 2001-2002 period. Before discussing the impact of the second shock, we will examine the performance of companies and consumers in the UK prior to the terrorist attacks. The evidence shows that whilst the corporate sector was undoubtedly weakening, with recessionary forces in the manufacturing sector beginning to spread to parts of the service sector, the consumer sector remained robust. We then proceed to explain why the economic outlook is now much weaker than before the attacks.

Companies

In 2001Q2 GDP rose by 0.4% (q-q) and by 2.3% (y-y). However, the headline rate of growth disguised very considerable differences across various sectors of the economy. Manufacturing output fell sharply by 2% (q-q) and by 1.4% (y-y). The Engineering Employers Federation (EEF) has reported that the current manufacturing recession is likely to be worse than that in the early 1990s. The EEF expect 150,000 manufacturing job losses this year with a further 164,000 in 2002.

In contrast, services output rose by 0.9% (q-q) and by 3.7% (y-y). Within this total, the leading service sectors were transport and communications, which rose by 6.1% (y-y) and business services and finance which rose by 4.6% (y-y). The end result has been that overall domestic demand was up by 2.9% (y-y) in 2001Q2.

Business investment also held up remarkably well, rising by 2.5% (q-q) and 4% (y-y) in 2001Q2. Gross fixed capital formation rose by 2.1% (q-q) and 4% (y-y) in 2001Q2. Part of the explanation of this performance is the stability in profitability, as recorded by net rates of return. Net rates of return for private non-financial corporations averaged 13% over the 1996-2000 period, with a range of 12.7% to 13%. In the manufacturing sector net rates of return fell from a peak of 11.9% in 1997 to 8.7% in 2000. In the service sector net rates of return declined from a peak of 16.3% in 1998 to 14.1% in 2000.

Latest data for the second quarter of this year show overall net rates of return for private non-financial corporations were 12%, down from 12.6% in the first quarter - and still higher than the rates of return achieved during the mid 1990s. In the services sector net rates of return fell from 13.8% to 12.4% between the first and second quarters of this year. This takes the rate of return back to levels

last seen in 1992-1993, in the first year of economic recovery. However, this series can be volatile - between the second and third quarters of 1997 it declined by 3% points.

Overall therefore we can see that margins were being squeezed in the first half of 2001, but not dramatically. However, even without the events of 11th September, all the signs were that the UK economy would be somewhat weaker in the second half of 2001.

Consumers

Second quarter National Accounts show that household consumption remained robust, rising by 4.2% (y-y) and by 1.3% (q-q) in the second quarter. There was no sign of increased precautionary saving by households - the savings ratio fell from 5.1% in 2001Q1 to 4.9% in 2001Q2. Over the past two years the savings ratio has operated within a narrow band between 4.1% and 5.4%.

Consumer wealth has been hit by the falling stock market. Estimates by Citigroup (reported in the Financial Times, 26th September 2001) show that net household wealth, including shares, bonds, pension funds and houses has dropped by 7.3% since September 2000 - the steepest drop since official records were first collected in the 1960s. Allowing for inflation, the real value of wealth has fallen by 9.7% - the sharpest fall since 1975. However, the news is not all bad. The value of wealth held in houses and land rose by 11.5% over the past year. In addition, total household wealth is still relatively high. Total wealth is now almost 6.4 times annual household income. This is down from a peak of 7.2 a year ago, but it is also higher than in any year prior to 1998.

The Bank of England estimates that housing equity withdrawal has risen to 2.9% of total disposable income - the highest rate since 1991. However, this proportion is still well below the 8.1% rate achieved during the late 1980s boom.

In combination with low inflation and low interest rates, this could mean that consumption won't be as adversely affected as in the wake of previous falls in wealth in 1974-1975 and 1990-1992. The Nationwide has estimated that interest rates would need to rise by 7.5% points for the burden of mortgages to match the early 1990s peak - a somewhat unlikely prospect.

The latest Nationwide house price index for September showed the biggest one month rise in 2001 - up 2.8% (m-m) and 14.6% (y-y). The Halifax reported house prices were flat month-on-month and up 8.3% (y-y) in September.

But all the signs now are that house prices have come off the boil, particularly in the South-East, whereas a 'ripple-effect' may still be moving northwards across the country. London prices are likely to be more adversely affected than the rest of the country by the events of 11th September. Latest Nationwide statistics show annual house price inflation in the North-East jumped from 1% to 13% between the second and third quarter. The North-West and Yorkshire & Humberside recorded annual price inflation of 14% and 11.6% respectively in the third quarter. South-East prices were up by 10.9% over the same period.

Demand for big ticket items was also strong in the second quarter. Car sales were up by 11.5% (y-y) in real terms, expenditure on other durables was up by 12.4% (y-y) and clothing & footwear expenditure rose by 11% (y-y).

More recent retail sales data for August shows that sales in the latest three month period were up by 1.4% on the previous three month period and by 6.3% (y-y). Household goods were up by 7.8% (y-y) and textiles and clothing by 10.9% (y-y). The latest CBI Distributive Trades Survey - 70% responded after the terrorist attacks - shows that despite the terrorist attacks, in the US, UK retail sales volumes increased at their fastest rate since October 1996. Firm earnings growth, low mortgage rates, low unemployment and high employment has meant that for those in work, the economic outlook has looked good.

According to the Council of Mortgage Lenders low mortgage rates helped to push home loans to a record £16.7 billion in August. The British Banking Association has stated (reported on 20th September but covering August) that, *"fears over the direction of the economy seemed to have little influence on individual demand for borrowing in August. Mortgage lending continued to grow apace, with lenders' expectations of slowing growth not yet materialising. Consumer credit growth appeared more stable, however, with card borrowing remaining subdued"*.

The Minutes of the September Monetary Policy Committee show that household M4 money growth was strong in July, rising by 9% - the highest rate since 1991. Growth in divisia money was also strong.

The latest claimant count of unemployment for August showed a very small decline to 945,600 - an unemployment rate of 3.1%. The latest ILO unemployment measure shows unemployment flat at 1,491,000 - an unemployment rate of 5%.

The FTSE 100 index has also bounced back from its immediate fall in the aftermath of the terrorist attacks and by mid-October stood at around 5,000.

At the present time financial markets remain relatively confident that both very weak growth and a recession in the UK can be avoided - we would attribute this view to the potential for a monetary and fiscal policy stimulus. UK interest rates were reduced to 4.5% in early October - the lowest nominal rate since 1964. At the present time the economy will be supported by the lagged effect of previous interest rate cuts, and the expectation of further cuts to come.

It is also the case that as yet, any stimulus from increased public spending has been moderate. In 2001Q2 government expenditure rose by 0.7% (q-q) and 1.8% (y-y). However, estimates by the Institute for Fiscal Studies (reported in The Financial Times, 24th August 2001) suggest that if all departmental underspend from previous years was spent this financial year, cash spending could rise 10%, suggesting real terms growth rate of more than 7%.

The all items RPI index stood at 2.1% (y-y) in August. RPIX stood at 2.6% (y-y). In contrast to the low interest rate and inflation environment at present, the recessions of recent decades have been associated with very high interest rates. In the early 1980s, the inflation threat meant that interest rates had to be kept at 17% whilst the economy contracted. In the early 1990s ERM membership ensured interest rates stayed at 15% while the economy contracted and the housing market sank.

How has the economic environment changed?

Following the terrorist attacks the uncertainties have increased considerably. There is an obvious possibility that the economic environment was very significantly weakened by the events of 11th September. As a result, the picture portrayed by the economic statistics over the past 3-4 months may now be redundant.

The IoD's concern is that six economic developments may combine to undermine the economic outlook:

1. A sharp deterioration in corporate profitability undermines business confidence and investment. History teaches that downturns in profitability can be deep. Between the end of 1989 and the trough of early 1993, net rates of return declined from 17.6% to 10.4%.
2. A larger than expected labour shake-out spikes the unemployment rate upwards and undermines consumer confidence.
3. The potential monetary policy stimulus is weakened by the nature of the current downturn - interest rate cuts have the effect of pushing on a string.

4. The potential fiscal policy stimulus is delayed because of departmental underspend and expectations of tax increases as a result of deterioration in the public finances.
5. The housing market levels off nationally and house prices begin to decline in the South East - with resulting negative wealth effects from both housing and equity markets.
6. The US economy experiences a longer and deeper recession than the short and shallow recession presently expected by financial markets.

The latest September MORI survey of consumer confidence (economic optimism index, % balance of those respondents who believe the economic situation will improve/deteriorate) has fallen to its lowest level since the early 1980s. However, the consumer confidence indices are by no means all one way. The GfK survey - which split its sample into pre and post 11th September - displayed little effect on household optimism from the attacks. The October Gallup survey of UK consumer confidence (the % of households believing their financial situation will improve over the next year, less those expecting it to deteriorate) showed the feel good factor at -8%, down from +4% in the previous survey. For Gallup's wider question on the outlook for the UK economy over the next year, pessimists outnumbered optimists by 38% points. In August pessimists had outnumbered optimists by 9% points.

The latest NTC report on jobs in October, states that salaries are rising at their slowest rate in the four year history of this particular survey question. NTC also report that press job advertising is falling at its fastest pace in 10 years. The latest Purchasing Manager's Survey pointed towards a contraction in the services sector for the first time since February 1999. Moreover, overall employment figures disguise the fact that the market for private sector jobs is weakening as public sector demand for employees is picking up.

The IoD's latest economic forecasts, shown below, predict a sharp weakening in GDP growth over the 2001-2002 period. We are not predicting there will be a recession, but many unanswered questions at the present time give rise to concern:

- What impact will the attacks have on spreading the existing manufacturing recession into the service sector?
- Will the growth in public expenditure be sufficient to ensure a soft landing?
- Unemployment is very low, are we now likely to see a significant labour shake-out? How much might unemployment rise, and how soon?
- Will the uncertainties created by the terrorist attacks move the savings ratio upwards?
- Will continued gains in housing wealth offset the negative effects of stock market losses?
- How widespread will be the impact of profit downgrades and the slowdown in net rates of return?
- Are we being too negative? Could there be an October 1987 scenario whereby consumer and corporate confidence bounces back very quickly, whilst deep interest cuts then have the effect of over stimulating the economy?

The uncertainties translate into significant differences in potential GDP growth. At the present time the economic uncertainties are such that it is very difficult to argue with certainty how the unanswered questions will impact on the economy over the coming months.

A simple numerical example illustrates the sensitivity. If quarter-on-quarter GDP growth was 0.3% in 2001Q3, 0.2% in 2001Q4, 0.1% in 2002Q1, 0.2% in 2002Q2, 0.3% in 2002Q3 and 0.4% in 2002Q4, GDP growth would be just over 2% in 2001 and just under 1% in 2002. However, a different scenario with quarter-on-quarter GDP growth of 0.5% in the second half of 2001, followed by an acceleration in quarter-on-quarter GDP growth from 0.5% in 2002Q1 to 0.8% in 2002Q4, results in GDP growth of 2.3% next year.

IoD Economic Forecasts - September 2001

Indicator	2001	2002
GDP	1.9	1.6
Household consumption	2.5	1.8
Government expenditure	3.5	4.0
Fixed investment	2.0	1.6
RPIX (yr-on-yr, end Q4)	2.2	2.1
Unemployment (average, millions, end Q4)	1.1	1.3
Unemployment (average, %, end Q4)	3.8	4.5
Base rate (% , end Q4)	4.25	4.25

Costs, prices and pay

The balances on both reported and expected costs have moved lower than in the previous survey. The balance of those company directors reporting costs up, versus those reporting costs down, slipped to 26% in the latest survey from 31% previously.

The balance of those company directors expecting costs to be up, versus those expecting them to be down, fell significantly from 31% to 22% in the latest survey

The balance of those company directors reporting prices up, versus those reporting them down, stood at 2% in the latest survey, compared with 8% in the June 2001 survey.

The balance of those company directors expecting prices to be up versus those expecting them to be down, stood at +4% in the latest survey compared with +7% previously.

The balance of those company directors reporting a higher company pay award - compared with the previous pay award - versus those reporting a lower pay award, fell to 20% in the latest survey, from 25% in June.

In the latest survey the average pay settlement was slightly higher at 4.3%. This compares to a figure of 4.1% in June.

In the latest survey the average pay settlement was lowest in manufacturing at 3.9% and highest in the 'other' sector at 4.7%.