



Late payments causing more damage says new Business Confidence Monitor

Friday 2 August 2019

UNDER EMBARGO UNTIL MONDAY 5 AUGUST 00:01 HRS

ICAEW is urging Boris Johnson's new government to help businesses by dealing with challenges flagged up in its latest ICAEW Business Confidence Monitor™ (BCM). One of the most widespread issues found is a rising proportion of businesses which report late payment as an increasing challenge for their performance compared to a year ago.

According to the latest BCM, late payments from customers are a greater challenge than a year ago for one in five businesses (20%). Six out of nine sectors (Property, Business Services, Manufacturing & Engineering, Construction, Retail & Wholesale, and Banking, Finance & Insurance) are experiencing this as a growing issue, while nearly a quarter (24%) of SMEs are also reporting this.

Regulatory requirements and customer demand also continue to grow as rising problems, with around two fifths of businesses reporting these as increasing challenges.

Michael Izza, ICAEW Chief Executive, said:

“The Prime Minister has promised Brexit by 31 October and the overriding priority of his government must be to get a good deal. More than anything else that will give business the stability it is crying out for.

“However, this feedback from our members, who advise businesses in every sector and level of the economy, reminds us that they face other challenges as well, many of which have little to do with Brexit – such as late payments and the regulatory burden. Robust Government action on these issues could make a real difference to the business environment, especially for SMEs, and would help to restore confidence and momentum. That would go some way to unlocking the economy and ensuring it is in the best shape to face the challenges and opportunities of life outside the European Union.”

Other key findings from ICAEW's BCM include:

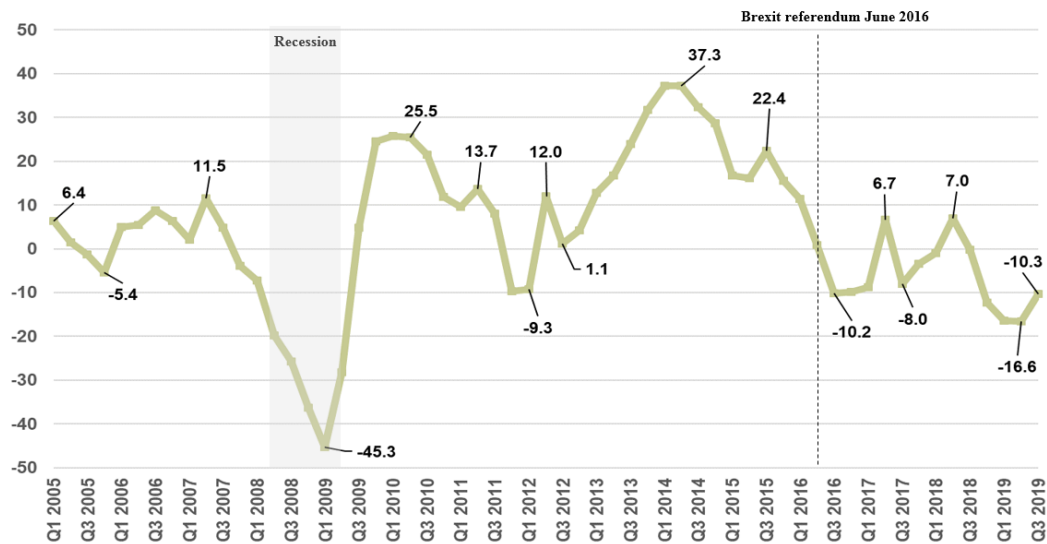
- **Business confidence is still negative**

Confidence is still negative this quarter at -10.3, though higher than in Q2 2019 when it was -16.6. However, whereas in Q2 confidence trended upwards, within Q3 it has trended downwards, impacted by events such as British Steel's insolvency and the announcement

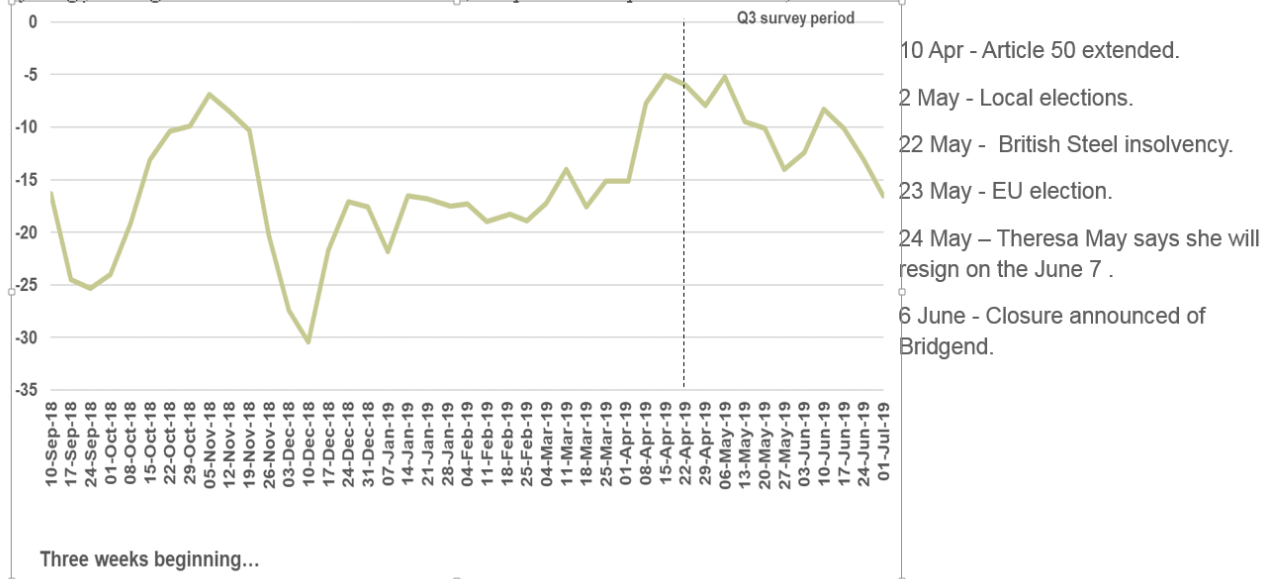
of the closure of Ford's Bridgend plant, as well as evidence of a global slowdown and international political anxieties, particularly with regard to Iran. The downward trend has reversed gains that were seen after the extension of Article 50 in April this year, and confidence is now almost at the same level as it was in the quarter after the Brexit vote in 2016.

Confidence is at almost exactly the same level as after the referendum: negative, but higher than in the previous quarter.

ICAEW Business Confidence Index



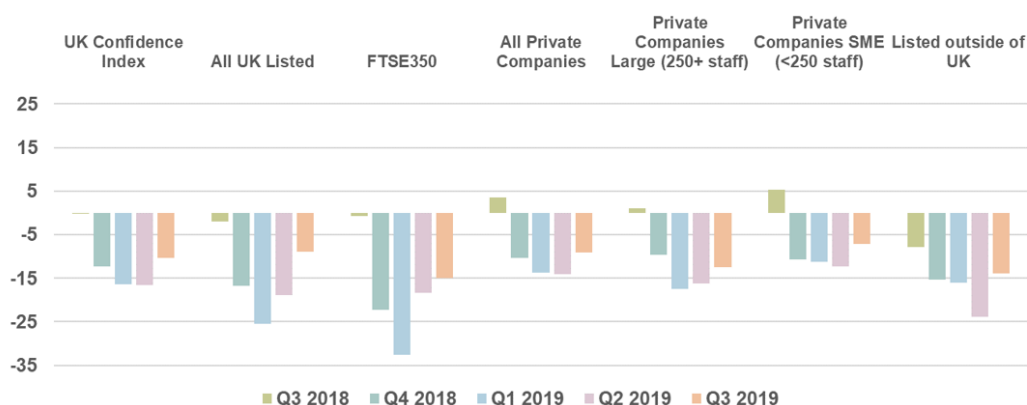
ICAEW Business Confidence Index (How would you describe your confidence in the economic prospects facing your organisation over the next 12 months, compared to the previous months?)



Business confidence is negative in every sector, but particularly in Retail & Wholesale, Property, and Transport & Storage. Confidence among SMEs is not as negative as of FTSE 350 and foreign-quoted companies, as larger businesses may be more exposed to external factors such as trade wars and protectionism.

SME confidence is not as negative as that of FTSE 350 and foreign-quoted companies.

ICAEW Business Confidence Index (How would you describe your confidence in the economic prospects facing your organisation over the next 12 months, compared to the previous months?)



UK = All UK Listed + All Private + Listed outside UK + sole traders & others

All UK listed = FTSE 350 + Other FTSE listed + AIM & other UK listed

All UK private = Private Company Large + Private company SME

- **GDP growth is likely to be very weak in the second and third quarters of 2019**

The BCM's Confidence index suggests that the UK could see growth of only 0.1% in Q2 and 0.2% in Q3. There was a boost in Q1, as businesses increased their stocks in preparation for a 'No Deal' Brexit on 31 March, but GDP growth in the rest of 2019 looks likely to be subdued. This combined with very low (negative) confidence points to weak growth in Q2 and Q3.

Going forward, recent announcements of future increases in government spending and possible tax cuts may improve both consumer and business confidence. However, there are no plans for these to be implemented immediately. Meanwhile, there is now another Brexit deadline looming, creating the possibility of a 'No Deal' exit at the end October—or a general election, or even both. Uncertainty therefore seems likely to continue for some time.

Read the Business Confidence in full: [icaew.com/bcm](https://www.icaew.com/bcm)

Media Enquiries:

Contact details: Jude Obi, ICAEW press office on 020 7920 8553 or email jude.obi@icaew.com

Notes to Editors:

About ICAEW Business Confidence Monitor™

1. The Business Confidence Monitor (BCM) survey began in 2003.

2. 1,000 Chartered Accountants responded to a telephone survey between 22 April 2019 – 19 July 2019. Businesses were categorised in terms of size (no. of employees), region and industry sector. Regional classification used was ONS Government Office Regions.
6. The BCM survey covers over 1% of economic activity both for the UK as a whole and for different UK regions. This assures our data captures accurately the mood of UK senior business professionals.
7. Business Confidence Index methodology – The Business Confidence Index is calculated from the responses to the following:

“Overall, how would you describe your confidence in the economic prospects facing your business over the next 12 months, compared to the previous 12 months?”

A score was applied to each response as shown below, and an average score calculated:

Variable	Score
Much more confident	+100
Slightly more confident	+50
As confident	0
Slightly less confident	-50
Much less confident	-100

Using this method, a Confidence Index of +100 would indicate that all survey respondents were much more confident about future prospects, while -100 would indicate that all survey respondents were much less confident about future prospects.

8. Oxford Economics one of the world’s foremost advisory firms, providing analysis on 200 countries, 100 industries and 7,000 cities and local economies. Their analytical tools provide an unparalleled ability to forecast economic trends and their economic, social and business impact. Headquartered in Oxford, England, with regional centres in London, New York, and Singapore and offices around the world, they employ one of the world’s largest teams of macroeconomists and thought leadership specialists.

About ICAEW

There are over 1.8m chartered accountants and students around the world – talented, ethical and committed professionals who use their expertise to ensure we have a successful and sustainable future.

Over 181,500 of these are ICAEW Chartered Accountants and students. We train, develop and support each one of them so that they have the knowledge and values to help build local and global economies that are sustainable, accountable and fair.

We’ve been at the heart of the accountancy profession since we were founded in 1880 to ensure trust in business. We share our knowledge and insight with governments, regulators and business leaders worldwide as we believe accountancy is a force for positive economic change across the world