

SENTIMENT SOURS AMONG SMES FOLLOWING BREXIT VOTE

Smaller manufacturers saw a modest rise in output amidst stable orders and strong employment growth in the quarter to July. However, business optimism deteriorated at the fastest pace since January 2009 and investment plans were scaled back following the referendum result. Output is expected to be stable next quarter, while domestic orders are expected to fall moderately – the weakest expectations since July 2009. But export orders are expected to rise over the quarter ahead and competitiveness in both EU and non-EU markets was reported to have improved slightly for the first time since 2013, with further competitiveness gains expected.

Sentiment regarding the general business situation fell at the quickest pace since January 2009, whilst **export optimism** for the year ahead rose at a more moderate pace than in the previous quarter.

New domestic orders were little changed over the three months to July, but firms expect them to drop sharply over the coming quarter.

New export orders continued to decline at the same rate as the previous quarter, marking two years of decline, but respondents anticipate an improvement in the three months to September.

But the proportion of firms reporting **political or economic conditions abroad** as a factor likely to limit export orders over the next quarter climbed to a record high.

Output rose modestly over the past quarter, though fell short of expectations for a more pronounced pick-up in production. Over the coming quarter, SME manufacturers anticipate that they will keep their output levels stable.

Stocks of finished goods were unchanged over the past three months, whereas there was a marked increase in the amount of raw materials held by our panel and a small rise in stocks of work in progress.

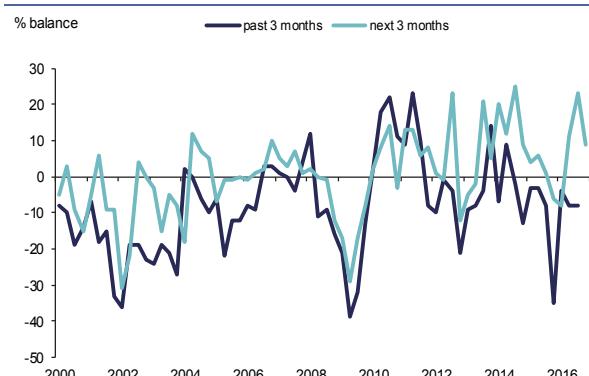
Numbers employed grew briskly again in the three months to July, but firms expect to keep headcount stable over the coming quarter.

Domestic output prices were little changed following four quarters of mild deflation, while **export prices** were similarly stable following over a year of strong price cutting. Both domestic and export prices are expected to be little changed over the quarter ahead.

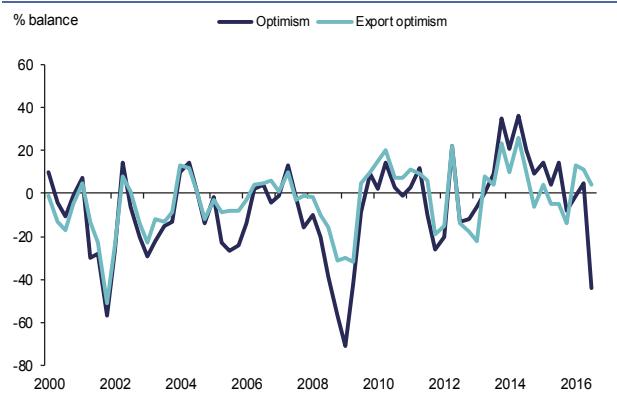
Q7a—volume of domestic new orders



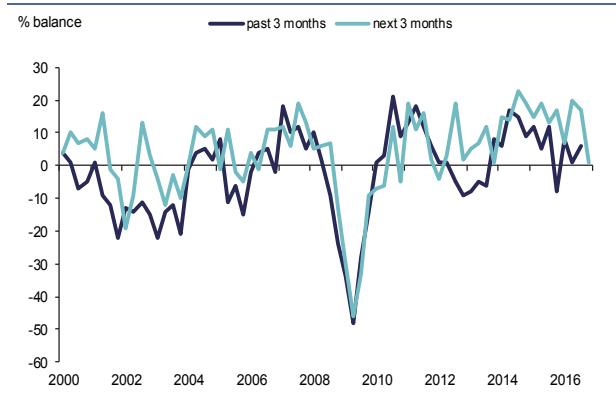
Q7b—volume of new export orders



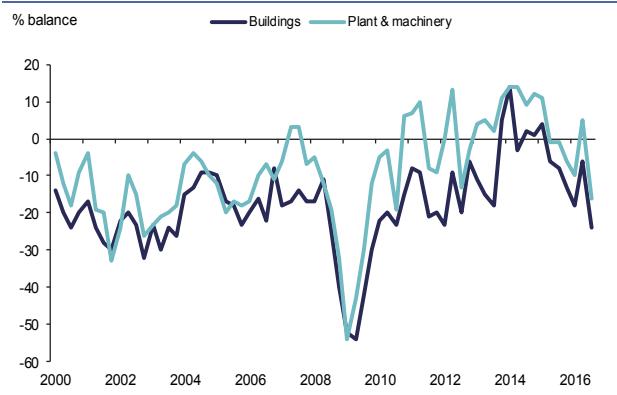
Q1 & 2—total & export optimism



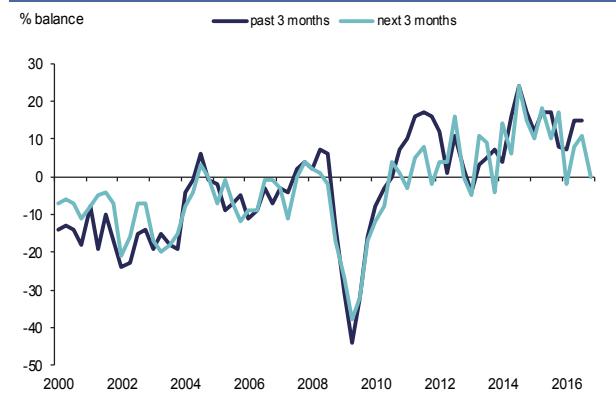
Q8—volume of output



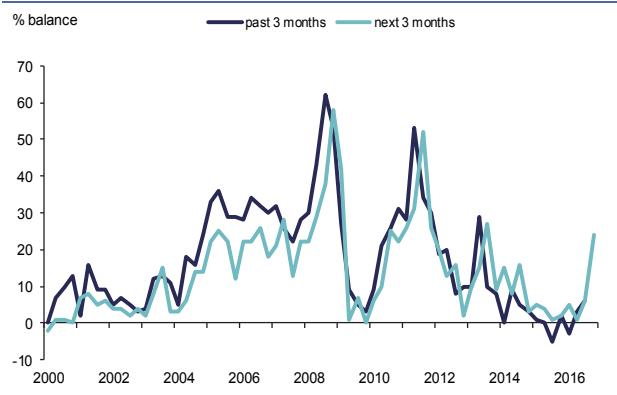
Q3a & 3b—investment intentions (for the year ahead)



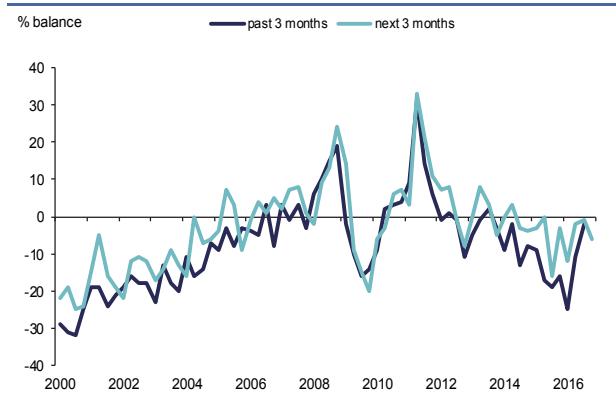
Q6—numbers employed



Q11—average unit costs



Q12b—average export prices



RESULTS — TOTAL TRADE

Total trade		2016					
		Apr	Jul	Oct	Jan	Apr	Jul
1	Optimism re business situation						
	SME (0-499 employees)	+4	+14	-8	-1	+5	-44
	Small (0-199 employees)	+4	+12	-8	-5	+5	-43
	Medium (200-499 employees)	+6	+22	-6	+12	+2	-50
3	Twelve month forecast of capital expenditure compared with previous twelve months on:						
	a. buildings						
	SME	-6	-8	-13	-18	-6	-24
	Small	-7	-5	-13	-14	-6	-21
	Medium	-2	-16	-10	-31	-6	-37
	b. plant and machinery						
	SME	-1	-1	-6	-10	+5	-16
	Small	-3	-1	-7	-8	-2	-14
	Medium	+5	+2	-3	-16	+28	-21
4	Firms working below capacity *						
	SME	49	60	57	54	53	58
	Small	49	60	60	58	56	60
	Medium	49	60	46	42	44	52
6	Numbers employed						
	SME	- past 3 months	+17	+17	+8	+7	+15
		- next 3 months	+10	+17	-2	+8	+11
	Small	- past 3 months	+14	+13	+7	+5	+15
		- next 3 months	+10	+12	-3	+4	+12
	Medium	- past 3 months	+30	+33	+9	+12	+18
		- next 3 months	+10	+35	+1	+18	+10
7	Volume of total new orders						
	SME	- past 3 months	+5	+3	-11	-3	+5
		- next 3 months	+13	+12	+4	+15	+10
	Small	- past 3 months	+3	+2	-13	-10	+6
		- next 3 months	+14	+12	0	+11	+12
	Medium	- past 3 months	+13	+10	-4	+20	+3
		- next 3 months	+7	+14	+18	+28	+2
7a	Volume of domestic orders						
	SME	- past 3 months	+7	+8	-11	-2	+5
		- next 3 months	+15	+15	+3	+14	+7
	Small	- past 3 months	+4	+7	-10	-7	+4
		- next 3 months	+16	+15	0	+9	+9
	Medium	- past 3 months	+18	+12	-11	+15	+9
		- next 3 months	+11	+17	+13	+30	-1

RESULTS — TOTAL TRADE

Total trade (contd)		2016					
		Apr	Jul	Oct	Jan	Apr	Jul
8	Volume of output						
SME	- past 3 months	+5	+12	-8	+8	+1	+6
	- next 3 months	+13	+17	+7	+20	+17	+1
Small	- past 3 months	+4	+8	-9	+1	-2	+1
	- next 3 months	+16	+13	+5	+15	+13	0
Medium	- past 3 months	+9	+30	-4	+28	+11	+29
	- next 3 months	+5	+35	+14	+38	+34	+2
9a	Volume of domestic deliveries						
SME	- past 3 months	+8	+12	-8	+2	-3	+5
	- next 3 months	+16	+15	0	+16	+12	-3
Small	- past 3 months	+6	+9	-8	0	-4	0
	- next 3 months	+15	+11	-2	+11	+14	-2
Medium	- past 3 months	+19	+21	-6	+11	+1	+24
	- next 3 months	+17	+30	+9	+31	+8	-5
10a	Stocks of raw materials						
SME	- past 3 months	+8	+12	+2	+3	-1	+8
	- next 3 months	-3	+6	-2	+3	+8	-4
Small	- past 3 months	+11	+10	+2	-2	-2	+6
	- next 3 months	0	+6	0	-3	+10	-5
Medium	- past 3 months	-1	+19	-1	+18	+2	+17
	- next 3 months	-12	+3	-9	+21	+1	-4
10b	Stocks of work in progress						
SME	- past 3 months	+4	+9	-4	-2	-4	+4
	- next 3 months	-7	+10	-3	-5	+8	-4
Small	- past 3 months	+5	+6	-6	-4	-5	+4
	- next 3 months	-4	+11	-3	-8	+7	-4
Medium	- past 3 months	+1	+21	+4	+4	-3	+7
	- next 3 months	-15	+6	-2	+5	+11	-4
10c	Stocks of finished goods						
SME	- past 3 months	+1	+9	-5	+1	-3	0
	- next 3 months	-4	+7	-1	+6	+11	-3
Small	- past 3 months	+3	+11	-6	0	0	+1
	- next 3 months	-2	+10	0	+9	+10	-2
Medium	- past 3 months	-10	+1	-2	+1	-13	-4
	- next 3 months	-10	-5	-4	-5	+14	-7
11	Average unit costs						
SME	- past 3 months	0	-5	+2	-3	+3	+6
	- next 3 months	+1	+2	+5	+1	+6	+24
Small	- past 3 months	+3	-1	-1	-1	+4	+8
	- next 3 months	+3	+2	+1	+6	+5	+24
Medium	- past 3 months	-11	-20	+12	-9	-1	-6
	- next 3 months	-5	-1	+18	-16	+8	+27
12a	Average domestic prices						
SME	- past 3 months	+1	-2	-6	-12	-4	+3
	- next 3 months	+3	+1	-4	-1	0	+2
Small	- past 3 months	0	-6	-7	-10	-1	+6
	- next 3 months	+4	+1	-4	+2	+2	+6
Medium	- past 3 months	+4	+11	-3	-17	-12	-7
	- next 3 months	-2	+4	-2	-11	-5	-11

RESULTS — TOTAL TRADE

Total trade (contd)		2016					
		Apr	Jul	Oct	Jan	Apr	Jul
14	Three month forecast of factors likely to limit output *						
	Orders or sales						
	SME	72	69	73	77	73	70
	Small	72	71	78	78	76	71
	Medium	71	62	53	75	64	62
	Skilled labour						
	SME	14	22	19	17	23	20
	Small	13	22	19	18	25	20
	Medium	18	21	20	14	16	16
	Other labour						
	SME	2	2	3	1	4	3
	Small	2	2	2	1	4	3
	Medium	4	5	8	2	3	5
	Plant capacity						
	SME	12	11	11	10	11	11
	Small	11	9	10	9	12	10
	Medium	14	19	18	14	10	12
	Credit or finance						
	SME	5	2	4	4	3	3
	Small	5	2	5	5	4	4
	Medium	4	0	0	0	0	2
	Materials/components						
	SME	5	4	2	3	7	7
	Small	5	4	2	3	5	5
	Medium	6	5	3	4	12	17
	Other						
	SME	1	3	1	3	3	5
	Small	1	3	1	1	1	5
	Medium	1	5	4	8	10	7
16a	Firms with present capacity at least adequate to meet expected demand *						
	SME	89	88	92	94	92	92
	Small	92	91	92	94	91	94
	Medium	79	79	92	94	95	88
16b	Reasons for expected capital expenditure authorisations *						
	Expand capacity						
	SME	36	32	30	38	32	31
	Small	33	29	28	32	31	29
	Medium	49	47	37	57	35	36
	Increase efficiency						
	SME	60	55	49	54	53	50
	Small	57	52	45	50	45	44
	Medium	68	64	63	66	84	79
	Replacement						
	SME	54	53	50	46	56	48
	Small	54	52	52	46	53	46
	Medium	52	56	42	44	65	58

RESULTS — TOTAL TRADE

Total trade (contd)		2016					
		Apr	Jul	Oct	Jan	Apr	Jul
	Other						
	SME	4	4	6	4	4	7
	Small	2	4	4	4	3	7
	Medium	9	5	13	5	7	5
16c	Twelve month forecast of factors likely to limit capital expenditure authorisations *						
	Inadequate net return						
	SME	28	31	30	29	27	25
	Small	28	29	30	24	23	25
	Medium	31	39	31	47	40	25
	Internal finance shortage						
	SME	13	15	13	19	14	12
	Small	11	14	13	20	14	11
	Medium	17	17	12	18	11	14
	Inability to raise external finance						
	SME	6	5	3	7	6	5
	Small	5	4	3	6	5	5
	Medium	10	8	3	10	10	5
	Cost of finance						
	SME	4	2	2	2	2	3
	Small	3	2	3	2	2	2
	Medium	8	3	0	1	1	4
	Uncertainty about demand						
	SME	50	52	55	57	47	51
	Small	51	53	55	58	47	52
	Medium	43	49	52	53	47	48
	Labour shortage						
	SME	12	10	11	12	8	10
	Small	10	9	9	13	8	9
	Medium	16	14	19	10	11	12
	Other						
	SME	6	5	5	5	6	8
	Small	6	4	6	4	4	5
	Medium	4	8	4	6	13	18
17	Twelve month forecast of expenditure authorisations compared with previous twelve months on:						
	a. product and process innovation						
	SME	+16	+11	+1	+12	+9	+7
	Small	+14	+4	0	+9	+4	+6
	Medium	+25	+36	+4	+24	+27	+8
	b. training and retraining						
	SME	+20	+16	+11	+25	+26	+8
	Small	+19	+12	+9	+22	+23	+7
	Medium	+24	+35	+18	+35	+38	+15

RESULTS — EXPORT TRADE

Export trade		2016					
		Apr	Jul	Oct	Jan	Apr	Jul
2	Optimism re export prospects for year ahead						
SME		-5	-5	-14	+13	+11	+4
Small		-6	-14	-18	+18	+10	+5
Medium		-2	+27	+3	-3	+17	0
7b	Volume of export orders						
SME	- past 3 months	-3	-8	-35	-4	-8	-8
	- next 3 months	+1	-6	-8	+11	+23	+9
Small	- past 3 months	-7	-10	-38	-3	-11	-5
	- next 3 months	+3	-13	-16	+17	+19	+8
Medium	- past 3 months	+12	-1	-24	-6	+4	-18
	- next 3 months	-4	+18	+26	-6	+35	+13
9b	Volume of export deliveries						
SME	- past 3 months	-6	-2	-31	+2	-6	-7
	- next 3 months	0	-2	-11	+13	+13	-3
Small	- past 3 months	-7	-10	-35	-1	-10	-9
	- next 3 months	0	-12	-19	+17	+5	-8
Medium	- past 3 months	-2	+27	-13	+10	+7	+4
	- next 3 months	-2	+37	+25	+2	+42	+18
12b	Average export prices						
SME	- past 3 months	-17	-19	-16	-25	-11	-2
	- next 3 months	-16	-3	-12	-2	-1	-6
Small	- past 3 months	-22	-23	-12	-26	-8	-1
	- next 3 months	-17	-3	-9	-1	0	-8
Medium	- past 3 months	-1	-3	-32	-24	-22	-9
	- next 3 months	-14	-5	-23	-8	-3	0
15	Three month forecast of factors likely to limit export orders *						
Prices							
SME		59	49	52	43	45	42
Small		62	47	55	41	48	44
Medium		45	56	40	46	34	33
Delivery dates							
SME		7	7	6	7	5	7
Small		8	7	4	8	6	8
Medium		3	10	13	6	2	2
Credit or finance							
SME		5	4	8	3	3	3
Small		4	5	7	4	4	3
Medium		8	0	12	0	0	2
Quota and licence							
SME		2	7	4	3	3	2
Small		3	4	2	0	2	1
Medium		1	20	13	12	5	5

RESULTS — EXPORT TRADE

	2016					
	Apr	Jul	Oct	Jan	Apr	Jul
Political/economic conditions abroad						
SME	15	36	21	31	32	49
Small	14	37	22	31	35	52
Medium	19	36	19	30	24	40
Other						
SME	15	10	10	10	11	11
Small	18	11	7	6	7	8
Medium	3	7	26	20	24	26

Figures marked thus (*) are weighted percentages of respondents. All other figures are percentage balances, ie the difference between those replying 'more', 'up', 'above normal' or 'more adequate' and those replying 'less', 'down', 'below normal' or 'less than adequate'.

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Kevin Monahan
CBI publication sales
Cannon Place
78 Cannon Street
London EC4N 6HN

DL: +44 (0) 207 395 8270
DF: +44 (0) 207 497 3646
E: kevin.monahan@cbi.org.uk

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If you wish to take part in a survey – or for more information on any CBI surveys – please contact:

Nicola Grimwood
CBI survey management group
Cannon Place
78 Cannon Street
London EC4N 6HN

DL: +44 (0) 207 395 8081
DF: +44 (0) 207 836 5856
E: nicola.grimwood@cbi.org.uk