

Business Confidence

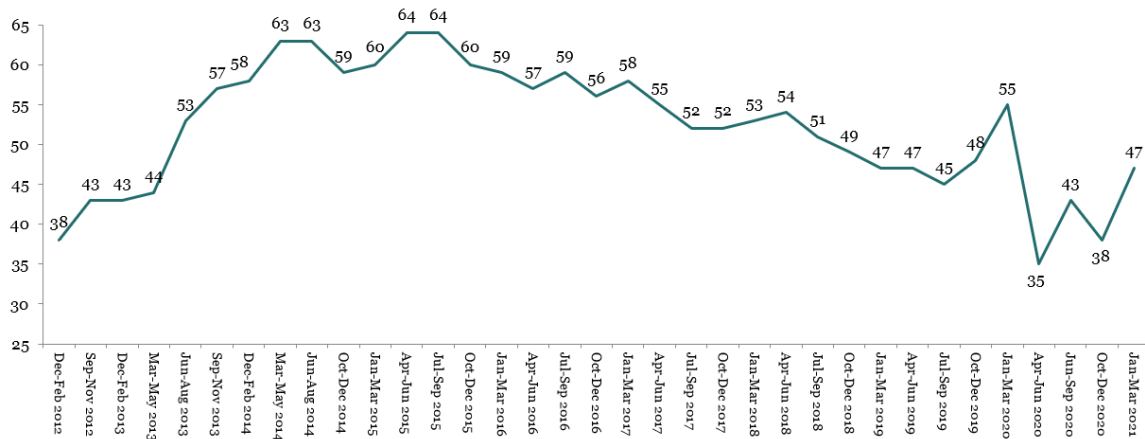
11th May 2021

Business Confidence increases significantly with the successful vaccine rollout and a clear roadmap out of lockdown.

The effect of Covid on the **Savanta Business Confidence Index** is clear to see. Confidence had rallied at Q1 2020 following the general election, plummeted with the onset of Covid-19 at Q2, crept back up at Q3, but fell again at Q4 with the introduction of new lockdowns.

Now with the success of the UK vaccine rollout and a roadmap out of lockdown giving businesses sight of a return to near normal, confidence is back up to the pre-2019 election level.

MarketVue Business Confidence Index from Savanta (2012 to 2021)



2 Base: All

Savanta:

Larger businesses with annual sales above £1m are one of the most confident groups with a confidence index of 49, a significant increase in score of 10 points compared to Q4 2020, though still some 11 points lower than the pre-COVID Q1 2020 index of 60.

The confidence index among smaller established businesses, who represent most enterprises by number, is at 48 with the index having also increased significantly by 10 points on Q4 2020. It remains 7 points lower than Q1 2020.

New start-ups are least confident with a confidence index of 45. This represents a 6 point rise in confidence over Q4 2020, but this increase is not significant. It also remains 7 points lower than Q1 2020.

In terms of geographic location, confidence increased significantly across all 6 regions.

The South East is now the most confident region with a score of 50, representing an 11 point increase on Q4 2020, 6 points below the Q1 2020 score.

The North/North West and London are the next most optimistic regions with indices of 48, an 8 point increase for the North and an 11 point increase for London on Q4 2020, but 9 and 6 points behind Q1 2020.

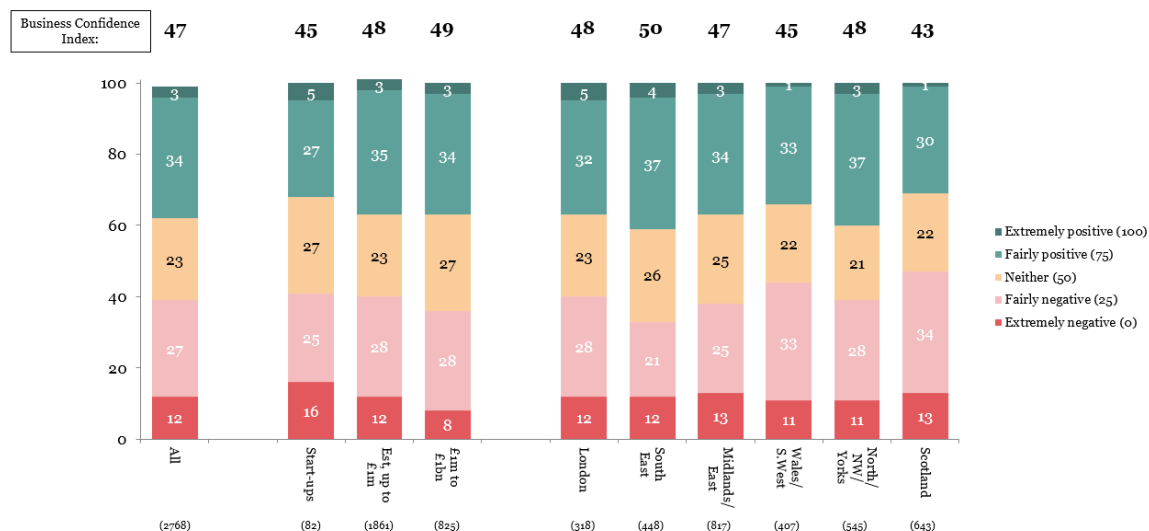
The Midlands/East is the next most optimistic region with a score of 47 at Q1 2021, an increase in score of 10 points over Q4 to Q1 2021 but still 10 points behind Q1 2020.

In Wales/South West the score increased 5 points on Q4 2020 to 45 (the smallest increase), 9 points behind Q1 2020.

Scotland remains the least confident area with a confidence index score of 43 this quarter, but this represents a 10 point increase in confidence index over Q4 2020. Score is only 6 points behind Q1 2020.

An index of less than 50 means, perhaps unsurprisingly, more businesses are pessimistic rather than optimistic about the current state of the economy.

How do you feel about the current health of the UK Economy?



Industry sector continues to be a stronger differentiator of sentiment than region, both in terms of the size of the quarterly shifts within a given sector and the degree of variation from one sector to another.

At Q1 2021 confidence rose across all industry sectors and significantly so across all sectors bar Agriculture and Construction.

The biggest increase in score occurred in Education, up 17 points from Q4 to Q1 and now higher than the pre covid Q1 2020 score of 53.

Confidence is highest in the Education (55), Wholesale (51) and Construction sectors (51). Confidence in the Wholesale sector is up 11 points from Q4 2020 whilst Construction confidence is up 6 points.

In terms of age of business owners, confidence levels are higher amongst the older age groups this quarter – those aged up to 34 score 39 (up 1 point) whilst those aged 35-64 score 47 (up 10 points) and 65+ score 49 (up 11 points). All scores remain below the Q1 2020 indexes (-13, -8 and -6 points respectively).

Commenting on the findings Sue Lewis, Director at Savanta, said *“The impact of Covid-19 on business confidence is clear to see. Alongside the successful vaccine rollout and more clarity on the roadmap out of lockdown, confidence has increased significantly at Q1 2021. It’s perhaps no coincidence that confidence amongst the older age groups outstrips confidence amongst the under 35s who wait patiently for vaccination. It will be interesting to see whether confidence levels rise again at Q2 and Q3, when businesses plan for, and then experience, opening up.”*

Quarter 1 findings are from Savanta’s **MarketVue Business Confidence** programme (formerly the Charterhouse Business Confidence Survey), conducted among 2,768 British businesses from start-ups to companies with £1bn turnover, surveyed from 4th January to 29th March 2021. Indices are mean scores based on a scale of ‘extremely positive’ (100), ‘fairly positive’ (75), ‘neither positive nor negative’ (50), ‘fairly negative’ (25) and ‘extremely negative’ (0).

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