

Press Release

Embargoed until 00:01hrs
Monday 10 May 2004

Business optimism at highest level since 2000

UK business confidence is at a four-year high, figures released today by the Institute of Directors (IoD) reveal. In its latest Business Opinion Survey the IoD reports its members' optimism, performance, profits, prices and employment levels are all on the way up.

The survey, covering the second quarter of 2004, show the balance of those directors more, rather than less optimistic about their company's prospects, rose to 46% in the latest survey from 38% previously.

Graeme Leach, Chief Economist at the IoD, said:

"Business optimism and performance continue to improve and this should feed through into continued employment growth. Around half our members expect employment in their company will increase this year. Only 9% of our members foresee employment in their company falling. As the labour market tightens, upward pressure on wages will be offset to a varying degree by rising productivity, thereby maintaining profitability. The Business Opinion Survey shows a balance of 39% of companies stating the trend in profits is up."

The survey also shows company performance is at its highest level since the end of 2001. The balance of those companies performing well, versus those performing badly, rose to 71% in the latest survey from 62% previously.

The balance of those companies reporting prices up (over the past three months) versus those reporting them down, stood at 6% in the latest survey compared with 7% in the previous survey. Around two-thirds of respondents reported no change.

Looking forward, the survey suggested some increase in price pressures with 34% of companies reporting price rises over the coming year would be higher than last year. While, 14% of companies reported that price rises this year would be lower than last year. Around half the companies reported price increases would be about the same.

Graeme Leach, said:

"The implications for interest rates are clear. If the tighter labour market does trigger higher wage growth, the Bank of England will have further reason to raise interest rates."

Ends
7.5.04 No.247

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Notes to editors

1. The main survey results are attached. Copies of the full survey are available from the IoD Press Office on 020 7451 3264, press@iod.com
2. The IoD (Institute of Directors) was founded in 1903 and obtained a Royal Charter in 1906. The IoD is a non-party political organisation with upwards of 54,000 members in the United Kingdom. Membership includes directors from right across the business spectrum - from media to manufacturing, e-business to the public and voluntary sectors. Members include CEOs of large corporations as well as entrepreneurial directors of start-up companies.
3. The IoD offers a wide range of business services which include business centre facilities (including six regional centres), conferences, networking events, issues-led guides and literature as well as information services and free access to a comprehensive business library and enquiry service. The IoD places great emphasis on director development and has established a certified qualification for directors - Chartered Director - as well as running specific board-level and director-level training and individual career mentoring programmes.
4. In addition, the IoD provides an effective voice to represent the interests of its members to government and key opinion-formers at the highest levels. These include ministers, constituency MPs, Select Committee members and senior civil servants. IoD policies and views are actively promoted to the national, regional and trade media.
5. For further information, visit our website: www.iod.com

Table of main survey results attached below:

IoD Business Opinion Survey – Main results

BOS question	Summer 2002	Autumn 2002	Winter 2002	Spring 2003	Summer 2003	Autumn 2003	Winter 2003	Spring 2004
Company performance	61	62	60	53	56	53	62	71
- of which manufacturing	51	58	58	57	39	52	71	66
Company optimism	23	27	15	-6	23	35	38	46
- of which manufacturing	12	28	22	-25	15	25	31	42
Capacity utilisation	-25	-21	-18	-27	-28	-30	-26	-24
- of which manufacturing	-39	-14	-17	-37	-30	-32	-17	-28

Reported prices	-5	-1	1	-3	-3	-5	7	6
Profits	29	29	28	4	18	34	27	39
Investment intentions	12	2	-1	-28	3	18	26	25