



Press release

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Subject **Boost for small and mid-cap businesses as confidence in the UK economy hits new high**

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Business confidence among small and mid-cap quoted companies has reached a two-year high, according to the latest quarterly QCA/BDO Small & Mid-Cap Sentiment Index.

The QCA/BDO Index this quarter reveals that 67% of small and mid-cap companies are optimistic about the prospects for the UK economy over the next 12 months, compared to only 8% at the same time last year. The confidence score of advisors to these companies has also climbed to a record high - from 51.8 to 61.1¹. This is the fourth consecutive quarter that the QCA/BDO Index has shown an increase in both advisors' and companies' optimism towards the UK economy, signalling that the recovery is gathering pace.

Companies' optimism about their own prospects remains high this quarter, with incremental growth from 65.4 in April to 65.5. This means that confidence is now only slightly under the report's highest ever reading of 66.1, indicating that companies feel better prepared to face the challenges ahead.

Scott Knight, Partner, BDO LLP commented: "Small and mid-cap companies have reached a turning point, and if we see these levels of optimism continue I am confident that within a year this will translate into a meaningful and sustained recovery."

Tim Ward, Chief Executive of the Quoted Companies Alliance, said: "Small and mid-cap companies are beginning to motor. The pickup in the economy appears to be translating into real-economy results, which suggests that those companies who previously expected their turnover to fall now see an improvement in their prospects. The engines of growth are on the move."

Positive sentiment around future prospects is mirrored by companies' turnover expectations. Despite the fact that the number of companies expecting turnover to increase over the next 12 months fell slightly this quarter (down 1%), the majority still expect an increase (74%). The strength of this expected turnover growth increased to an average of 12.5%, up from an average of 10.1% last quarter.

¹Scores are based on a scale between zero and 100, where the 50 mark separates pessimism from optimism.

In support of this, companies' optimism has also extended to employment intentions. More than two thirds (68%) of companies now expect to recruit staff over the next 12 months - a significant upturn from 57% in April. Advisors' views mirror this, reaching a record high, with almost three quarters (72%) expecting job growth.

Scott Knight, Partner, BDO LLP continued: "There are indications of a marked change in attitude amongst small and mid-cap companies. Directors are finally planning for expansion rather than survival and seem prepared to put money where their mouths are. Improved employment intentions alongside the steady growth in confidence are very encouraging signs."

Where an upward trend is less apparent is around the ease of raising capital. The QCA/BDO Index reveals that advisors in particular do not expect to see an improvement in the ease of raising capital. Companies believe that raising capital has become a little easier since April, but the indicators for all the sources of finance asked about remain stubbornly below the 6.0² mark that would begin to indicate that companies think it is easy to raise finance, and have lingered there since January.

Tim Ward, Chief Executive of the Quoted Companies Alliance, observed: "Despite the overall improvement in sentiment, there remains scepticism about the availability of finance. This could be a roadblock to continued growth expectations. Advisors in particular still see finance as a key obstacle and view every source of capital as difficult to access. We need to see greater access to permanent capital."

- Ends -

Methodological notes The QCA/BDO Small & Mid-Cap Sentiment Index by BDO and the Quoted Companies Alliance (QCA) is an online quarterly survey across the small and mid-cap quoted sector.

Methodology: This survey has been conducted using an online interview administered to members and associates of the QCA. The sample definition is "small and mid-cap UK quoted companies and advisory companies". The responding sample is weighted by industry to be representative of small and mid-cap UK quoted companies, as derived from London Stock Exchange data.

The report is based upon 189 online interviews (113 small mid-cap quoted companies, 76 advisory companies) with members and associates of the QCA. The survey respondents included 68% of small and mid-cap company employees in a board level position and 38% of advisors in a senior management position. It was conducted between 04 July and 17 July 2013 by research company YouGov.

Please note that not all scores in this report add up to exactly 100% due to roundings. The margin of error for the survey is +/- 8%.

Note to editors

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² Where 10 is Extremely easy and 0 is Impossible

revenues approaching £400m.

The combined fee income of all the BDO Member Firms, including the members of their exclusive alliances, was \$6.015 billion in 2012. The global network provides business advisory services in 138 countries, with almost 55,000 people working out of 1,204 offices worldwide.

BDO LLP has a clear ambition to be the firm known in the market for exceptional service delivered by empowered people. The 2011/12 Mid Market Monitor analysis - completed in April 2012 - shows that BDO has now indeed become market leader for client satisfaction - outperforming all its major competitors and the only organisation to see an improvement over the past three years.

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The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies. We campaign, we inform and we interact to help our members keep their businesses ahead. Through our activities, we ensure that our influence always creates impact for our members. For more information, please visit www.theqca.com.

YouGov is a leading opinion research agency conducting projects with consumers and opinion leaders around the world. YouGov is an independent, public limited company listed on London's AIM market, and has offices across Europe, the United States and the Middle East.

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