

Companies lose heart on UK economy but retain faith in their own prospects, finds key Quoted Companies Alliance survey

Publicly quoted growth companies are gloomier on prospects for the UK economy than at any time in five years – but are considerably more upbeat on their sector.

Research carried out for the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies, found market-listed SMEs had an optimism rating of 45.8 last month* – in negative territory for the first time since April 2013, in contrast to 57.5 (mean optimistic) experienced last May.

The findings are contained in the latest QCA/YouGov Sentiment Index, which has tracked the mood of businesses since 2011. Companies were most optimistic in January 2014, scoring 69.3 and remaining largely confident about the UK economy until May 2017.

Despite this dip in optimism over the economy as a whole, small to mid-sized quoted companies – most of them traded on the main London Stock Exchange, AIM or NEX Exchange – were considerably more bullish on their own prospects, with a 67.7 optimism rating, slightly down on 69.6 in May.

On job prospects, 70% of companies polled by YouGov expected the number of full-time employees in their businesses to increase over the next 12 months, against 74% in May, while 20% predicted a decrease.

When asked about intentions on raising capital over the next 12 months, only 28% of companies were considering doing so compared to 39% in May, the lowest level since the QCA began tracking small and mid-caps' capital raising intentions in 2014. Of those actually looking to raising funds to finance their growth, 60% preferred public equity funding to other means, up from 55% in May 2017 and 50% in July 2014. Most quoted companies and their advisers consider issuing shares the easiest way to raise cash.

There are nearly 2,000 small and mid-size quoted companies in the UK, representing 85% of all quoted companies. They employ approximately 1.4 million people, representing 5.5% of private sector employment.

Tim Ward, Chief Executive of the Quoted Companies Alliance, said: “We are seeing continued but cautious short-term optimism of small and mid-size quoted companies towards their own business prospects. Intentions over raising capital have fallen significantly, perhaps indicating that their pessimism about the UK economy is having a real effect on their long-term planning.”

Oliver Rowe, Director of YouGov PLC, added: “These findings echo many of our other surveys. This sector is a very important part of the economy and we are seeing that small and mid-size quoted companies are looking forward relatively favourably to the next 12 months but seem to be more cautious thereafter. It is good to see that hiring intentions have held up reasonably well.”

*where 50 is neutral and 100 very optimistic

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Notes to editors:

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.

Methodology:

The QCA/YouGov Small and Mid-Cap Sentiment Index by the Quoted Companies Alliance and YouGov is a biannual survey across the small and mid-cap quoted company sector. This is the 19th issue of the survey and is based upon 173 online interviews (109 small and mid-cap UK quoted companies and 64 advisory companies) conducted between 05/12/17 and 19/12/17. 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, but the advisory companies are not weighted in any way.