

# Quarterly Survey of Small Business in Britain

*Special topic: SMEs and the British  
Business Bank*



2012

# Quarterly Survey of Small Business in Britain

2012 Q4 Vol 28 No 4

*Special topic: SMEs and the British Business Bank*

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Original design by Siân Cardy and Peter Devine

Printed by City Print

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December 2012

# Acknowledgements

The Open University Business School enterprise research team would like to thank the many owners and managers who invested time and effort in completing the survey questionnaire. Our aim in this report is to represent their views and experiences as accurately as possible, in order to provide a guide to future policy and practice.

The Business School is pleased to acknowledge the Finance and Leasing Association (FLA) who sponsored the special topic questions contained in this report and the case studies presented on our website. We also acknowledge the generous financial and organisational support provided by Barclays Bank and ACCA (Association of Chartered Certified Accountants) in sponsoring the research, analysis and publication of these quarterly reports.

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# Summary

The difficult economic climate, along with the associated negative impact on demand, is still by far the most commonly reported problem for SME owners and managers. However, though many smaller firms continue to struggle, almost one in ten of our respondents find themselves in the enviable position of having no problems to report. Overall performance is largely unchanged from the previous quarter, with a slight decline in the proportion of firms that have seen their sales improve over the same quarter in 2011. Manufacturing SMEs saw an overall decline in their sales and employment performance, while SMEs in the transport and retail sectors reported the weakest results. The East Midlands was the strongest region in terms of sales and employment but elsewhere there were fewer positive signs, as compared to the previous survey. On balance, SMEs in the UK continue to anticipate an overall improvement in sales performance over the final quarter. Firms in the £1m to £5m turnover band are most optimistic about their sales, while the smallest firms are most pessimistic. SMEs in the wholesaling sector are the most optimistic on sales, by a large margin, while manufacturing is once again the sector that anticipates continued growth in average employment. SMEs in the East Midlands do not expect their recent growth trend to continue. By contrast, many firms in London expect to see strong growth in both sales and average employment.

## *Special topic: British Business Bank*

This quarter's special topic examines the Government's proposal to create a new British Business Bank in order to provide new impetus to the market for business finance with a particular focus on SMEs. It is one of the first independent studies to report the views of SME owners and managers in relation to the proposed bank and to other potential policy developments in this area:

- The survey results suggest that there is a substantial level of support amongst SME owners and managers for the Government's proposal to create a new British Business Bank and for its ambition to give a new impetus to small business finance provision across the UK.
- Overall, almost half of the survey respondents (49%) thought that an institution of this kind was likely to help firms in their sector to increase the amount they invest in their businesses. Just under a third of respondents (29%) thought otherwise. Responses were fairly stable across firm size bands.
- The 'top three' priorities for the British Business Bank were: 1. 'Ensure that businesses have adequate access to finance during economic downturns' (64%); 2. Ensure that firms can obtain more reliable longer-term finance, such as 10 year loans (60%); 3. Provide Government support so that commercial providers can lend more easily or more cheaply (59%).
- As regards other policy interventions to promote SME investment, by far the most popular was to 'Introduce new investment-related tax breaks, incentives or subsidies' (59%). This was followed by two closely-matched interventions, to 'Promote new apprenticeships or other skills development for our workforce' (38%) and to 'Revise public procurement policies to create new opportunities for firms in our sector' (37%).
- A minority of respondents did not see any of these policies encouraging them to invest in their business. Typical explanations given by those with no intention of investing included: retrenchment in response to difficult economic conditions, the owner's proximity to retirement and being content to operate at current activity levels. For those who still wanted to invest in their businesses, the comments suggested that most were simply waiting for conditions to improve.

## Contents

|   |    |
|---|----|
| SMEs and the British Business Bank        | 4  |
| Introduction                              | 4  |
| Will the British Business Bank help?      | 6  |
| The main priorities                       | 8  |
| Other policies to promote investment      | 9  |
| Conclusions                               | 10 |
| Problems                                  | 11 |
| Business stock & activity index           | 14 |
| Performance                               | 16 |
| Performance: comparison across size bands | 19 |
| Performance: comparison across sectors    | 21 |
| Performance: comparison across regions    | 22 |
| Prospects                                 | 24 |
| Prospects: comparison across size bands   | 25 |
| Prospects: comparison across sectors      | 26 |
| Prospects: comparison across regions      | 27 |
| Entrepreneurial index                     | 29 |
| APPENDIX                                  | 30 |
| How the survey is carried out             | 30 |
| Special topics                            | 31 |
| Historical tables                         | 32 |

# The British Business Bank

This quarter's special topic examines the Government's proposal to create a new British Business Bank in order to provide new impetus to the market for business finance with a particular focus on SMEs. It is one of the first independent studies to report the views of SME owners and managers in relation to the proposed bank and to other potential policy developments in this area.

## Introduction

There has been a longstanding call for new sources of long-term finance for British businesses. While a variety of initiatives are already in place to address specific areas of finance<sup>1</sup>, the issue has attracted increasing attention since the beginning of the present economic downturn. The picture is complex, as indicated by recent results from the SME Finance Monitor, which has been investigating the availability of external finance for SMEs on a quarterly basis since 2011<sup>2</sup>. For example, in the latest (Q3 2012) Monitor, more than half (57%) of SMEs reported that they were not using any form of external finance and had no plans to do so in the immediate future. In addition, only 12% of SMEs stated an intention to seek external finance. One third of these firms (33%) were confident that the bank would agree to their request. However, confidence levels amongst SMEs applying for finance (both new money and renewals) were also noticeably lower than current success rates for applications. In addition, the Monitor points to variations in outcome for different types of firm. This is illustrated by the case of first time applicants for loans and overdrafts, typically smaller and newer businesses. Such firms were less likely to be successful than their more established counterparts that might have stronger external risk profiles and a track-record of profitable trading activity<sup>3</sup>.

The idea of creating a 'British Business Bank' (BBB) has been mooted in recent publications, several of which have drawn on international comparisons<sup>4</sup>. The details of these proposals have differed considerably in emphasis. However, a common theme is the need to provide additional impetus to the UK's existing SME finance market through an institution that would be designed to complement, rather than displace or substitute for, current providers. For example, the British Chambers of Commerce made its case for a state-backed business bank in the following terms, '[I]ts rationale for existence is to take the risks that ever-more conservative financial institutions are unwilling to take. It should provide the seed-corn and the fertiliser for Britain's enterprises of the future.'<sup>5</sup> As part of its response to the financial crisis, the UK Government commissioned an independent taskforce on non-bank lending to businesses. In its final report, published in March 2012 ('The Breedon Report'), the taskforce made several recommendations that were designed to

1 For example, Enterprise Capital Funds (ECFs) were established in 2006 as a joint public-private venture to address a perceived market weakness in the provision of equity finance to innovative SMEs. The UK Government has committed £200 million for investment into ECFs between 2011 and 2015. ([www.capitalforenterprise.gov.uk](http://www.capitalforenterprise.gov.uk)).

2 Survey results from the SME Finance Monitor are available at: <http://www.sme-finance-monitor.co.uk/>

3 These illustrative findings are drawn from the Q3 2012 SME Finance Monitor (published 28th November 2012).

4 For two recent examples, see: 'The case for a British Business Bank' (September 2012), British Chambers of Commerce. Available at: [www.britishchambers.org.uk/policy-maker/policy-reports-and-publications/the-case-for-a-british-business-bank.html](http://www.britishchambers.org.uk/policy-maker/policy-reports-and-publications/the-case-for-a-british-business-bank.html); Dolphin, T. and Nash, D. 'Investing for the future: why we need a British Investment Bank' (September 2012), Institute for Public Policy Research. Available at: [www.ippr.org/publication/55/9635/investing-for-the-future-why-we-need-a-british-investment-bank](http://www.ippr.org/publication/55/9635/investing-for-the-future-why-we-need-a-british-investment-bank)

5 British Chambers of Commerce (2012), p.3. The authors recognised that creating such an institution would be a medium-term objective. However, they saw a case for the swift implementation of the Breedon Report proposal for an 'aggregation' vehicle to securitise UK SME loans (*ibid.* p.3).

provide alternative financing channels for SMEs, including the idea of creating a new agency that could aggregate a large number of SME loans and finance them via international corporate bond markets<sup>6</sup>. The Government made a formal announcement about the new British Business Bank on 24th September 2012<sup>7</sup>. In a widely-reported speech, the Business Secretary Vince Cable set out the Government's intentions in creating this new financial institution:

*"Alongside the private sector, the bank will get the market lending to manufacturers, exporters and growth companies that so desperately need support. It will be a lasting monument to our determination to reshape finance so it can finally serve industry the way it should. Its success will not be the scale of its own direct interventions but how far it shakes up the market in business finance and helps to ease constraints for high-growth firms."*

At that time, details of the BBB's governance arrangements and day-to-day operations were still to be confirmed. However, the Business Secretary's announcement set out some of its key features:

*"The bank will operate at arms-length from Government. It will be professionally run and commercially focused. It will facilitate the provision of loans, including long-term capital, to UK firms through banks and other financial institutions. By harnessing the power of capital markets, it has the potential to transform business finance in the UK. The new institution will operate through the wholesale markets, it will not have any retail presence and will not displace or subsidise banks. Its role is to encourage the development of private sector solutions and enable the market to work properly, not compete with it."*

The official press release from the Department for Business, Innovation and Skills also stated that, 'The scale and modus operandi of the institution are still under discussion, but it could operate through alternative providers such as the new challenger banks and non-bank lenders.' While the proposal was welcomed by commentators and business organisations, including the British Chambers of Commerce, some remained sceptical<sup>8</sup>. However, while the subject has been debated in policy circles, to date there has been relatively little reliable and independent evidence on what SME owners and managers actually think about the proposed bank and its new remit to encourage additional investment in small and medium-sized firms. This report is a first step in addressing the question. The survey of more than 1,000 SME owners and managers was conducted during October and November 2012<sup>9</sup>. The special topic section addressed the following issues:

- **Do SME owners and managers think that the proposed 'British Business Bank' is likely to help firms in their industry sector to increase levels of investment in their businesses?**
- **What do SME owners and managers see as the key priorities for the proposed 'British Business Bank' if it is to benefit small and medium-sized firms?**

6 *Ibid.* pp. 21-22.

7 See: 'New business bank to support up to £10 billion of business lending' (Press Release). Department for Business, Innovation and Skills (24th September 2012). Available at: <http://news.bis.gov.uk/Press-Releases/New-business-bank-to-support-up-to-10-billion-of-business-lending-6808d.aspx>

8 For example, the financial journalist Anthony Hilton has argued that the Government could take a number of more 'mundane' steps such as removing some of the tax and regulatory constraints on alternative finance providers including leasing and asset-backed finance firms and the new generation of internet-based banks such as Funding Circle. Full article available at: [www.standard.co.uk/business/markets/starting-a-new-bank-is-not-the-answer-george-8106434.html](http://www.standard.co.uk/business/markets/starting-a-new-bank-is-not-the-answer-george-8106434.html)

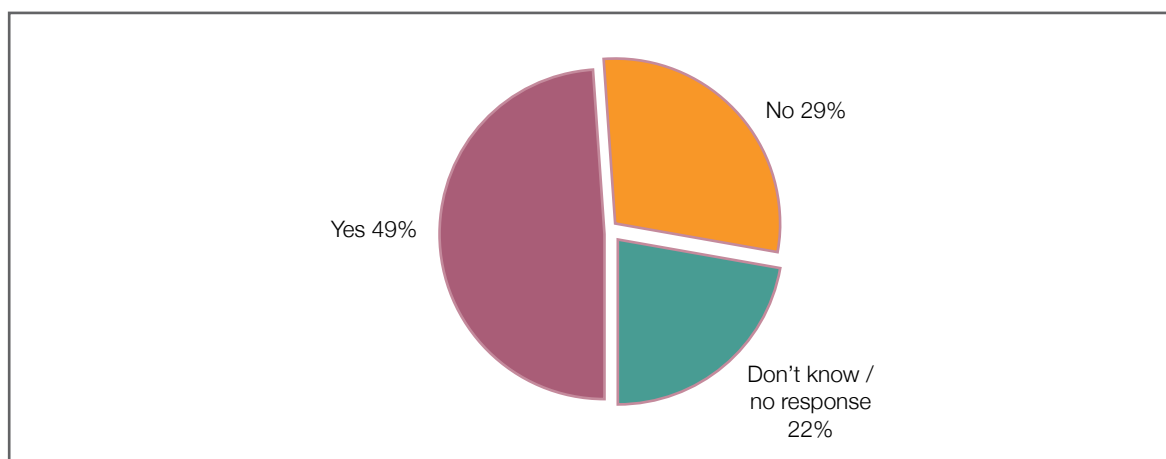
9 For details of the research methods, see: 'How the survey is carried out' (p. 30 of this report).

We also asked a broader question about the kinds of government measures that would be needed in order to encourage respondents to invest more in their own businesses. This report presents key results from these three questions, with some additional analysis by firm size, sector and region.

## Will the British Business Bank help?

Our survey indicates that there is considerable support amongst SMEs for the proposal to develop a Government-backed institution along the lines of the proposed BBB. Overall, almost half of the survey respondents (49%) thought that an institution of this kind was likely to help firms in their sector to increase the amount they invest in their businesses. Just under a third of respondents (29%) thought otherwise. The proportion reporting 'don't know / no response' appears relatively low (22%), given that the BBB was still at the proposal stage and that respondents had only been given a brief introduction to the topic (Chart 1)<sup>10</sup>.

Chart 1: Would an institution like the proposed British Business Bank be likely to help firms in your industry to increase the amount they invest in their business?

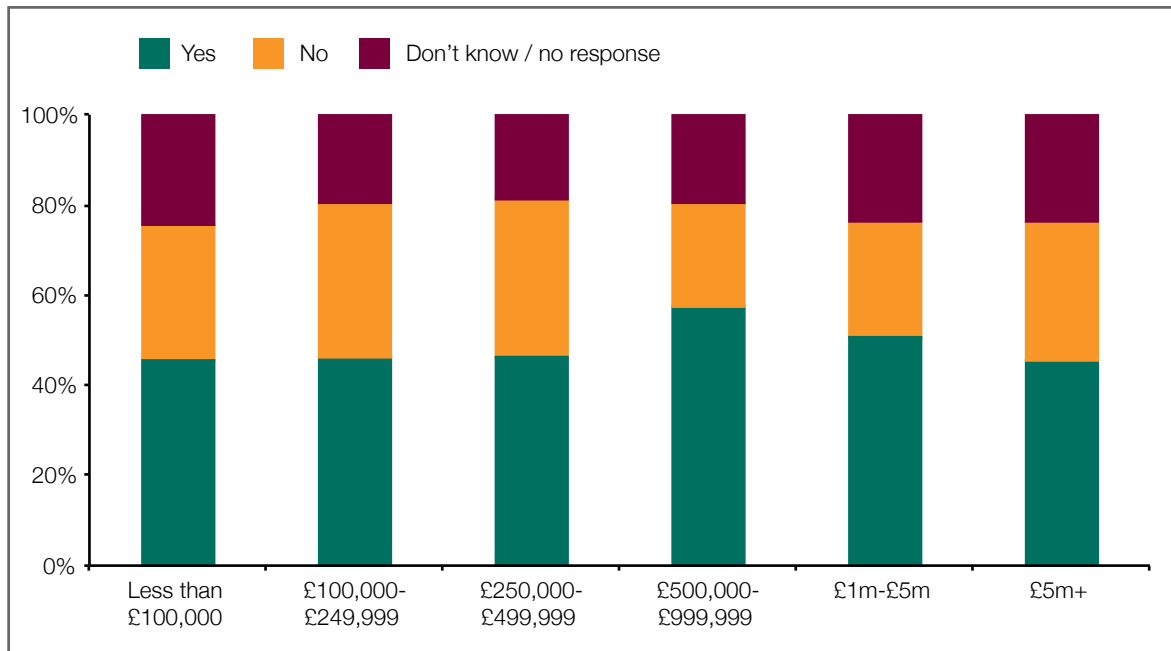


Responses to this question are fairly stable across firm size bands (Chart 2). Firms in the '£500,000 to £1million' turnover band expressed the greatest confidence in the BBB's capacity to encourage increased investment by firms in their sector with 57% responding 'Yes' to this question, followed by those in the '£1million - £5 million band' (50%). Firms in the three smallest size bands reported identical figures (46%), while those in the £5 million+ band were marginally lower (45%).

<sup>10</sup> The introductory rubric for the telephone and online questionnaires was as follows: 'In the wake of recent problems in the financial sector, the UK government is creating a new institution, sometimes described as a 'British Business Bank' to help UK firms to invest and expand. We'd like to ask you a few questions about this idea.' The full questionnaire is provided on the inside back cover of this report.



Chart 2: Would an institution like the proposed **British Business Bank** be likely to help firms in your industry to increase the amount they invest in their business? (by turnover band)



An analysis of responses by SMEs operating in different industrial sectors suggests that there are broadly similar levels of confidence in the BBB's potential to increase investment (Table 1). The lowest percentages responding 'Yes' to this question were found in Business Services (41%) and Retail (45%). These differences require further investigation but in case of Retail they may, at least in part, be a reflection of adverse trading conditions. There is also evidence of variability within some sectors. For example, the higher than average proportion of 'Yes' responses in both Construction (55%) and Transport, Storage & Communication (56%) need to be set against a relatively high proportion of 'No' responses in these sectors (33%).

Table 1: Would an institution like the proposed British Business Bank be likely to help firms in your industry to increase the amount they invest in their business? (By industrial sector)

|                                    | Yes        | No         | Don't know / no response | Sample      |
|------------------------------------|------------|------------|--------------------------|-------------|
| Agriculture, Forestry, Fisheries   | 50%        | 27%        | 23%                      | 26          |
| Business Services                  | 41%        | 36%        | 23%                      | 226         |
| Construction                       | 55%        | 33%        | 12%                      | 113         |
| Health, Education, Leisure, Other  | 47%        | 26%        | 27%                      | 161         |
| Hotels & Restaurants               | 55%        | 22%        | 23%                      | 91          |
| Manufacturing                      | 49%        | 26%        | 25%                      | 129         |
| Retail                             | 45%        | 32%        | 23%                      | 135         |
| Transport, Storage & Communication | 56%        | 33%        | 11%                      | 55          |
| Wholesale                          | 55%        | 26%        | 19%                      | 106         |
| <b>All (unweighted)</b>            | <b>49%</b> | <b>29%</b> | <b>22%</b>               | <b>1043</b> |

The regional breakdown should be treated with caution due to some small sub-sample sizes (Table 2). While it provides some evidence of regional variation in SME views about the BBB, the figures do not suggest a strong link to recent data on firm performance or prospects<sup>11</sup>. The highest levels of confidence in the BBB were reported by SMEs located in the East Midlands (59%) and Wales (58%). This lowest figures were in the North East (32%) and the East of England (39%)<sup>12</sup>.

Table 2: Would an institution like the proposed **British Business Bank** be likely to help firms in your industry to increase the amount they invest in their business? (By region)

|                         | Yes        | No         | Don't know / no response | Sample      |
|-------------------------|------------|------------|--------------------------|-------------|
| East Midlands           | 59%        | 24%        | 17%                      | 96          |
| East of England         | 39%        | 32%        | 29%                      | 59          |
| London                  | 47%        | 31%        | 22%                      | 122         |
| North East              | 32%        | 46%        | 22%                      | 37          |
| North West              | 52%        | 25%        | 23%                      | 89          |
| Northern Ireland        | 55%        | 33%        | 12%                      | 33          |
| Scotland                | 46%        | 24%        | 30%                      | 78          |
| South East              | 47%        | 29%        | 24%                      | 192         |
| South West              | 47%        | 35%        | 18%                      | 114         |
| Wales                   | 58%        | 21%        | 21%                      | 43          |
| West Midlands           | 50%        | 26%        | 24%                      | 92          |
| Yorkshire & the Humber  | 50%        | 35%        | 15%                      | 86          |
| <b>All (unweighted)</b> | <b>49%</b> | <b>29%</b> | <b>22%</b>               | <b>1043</b> |

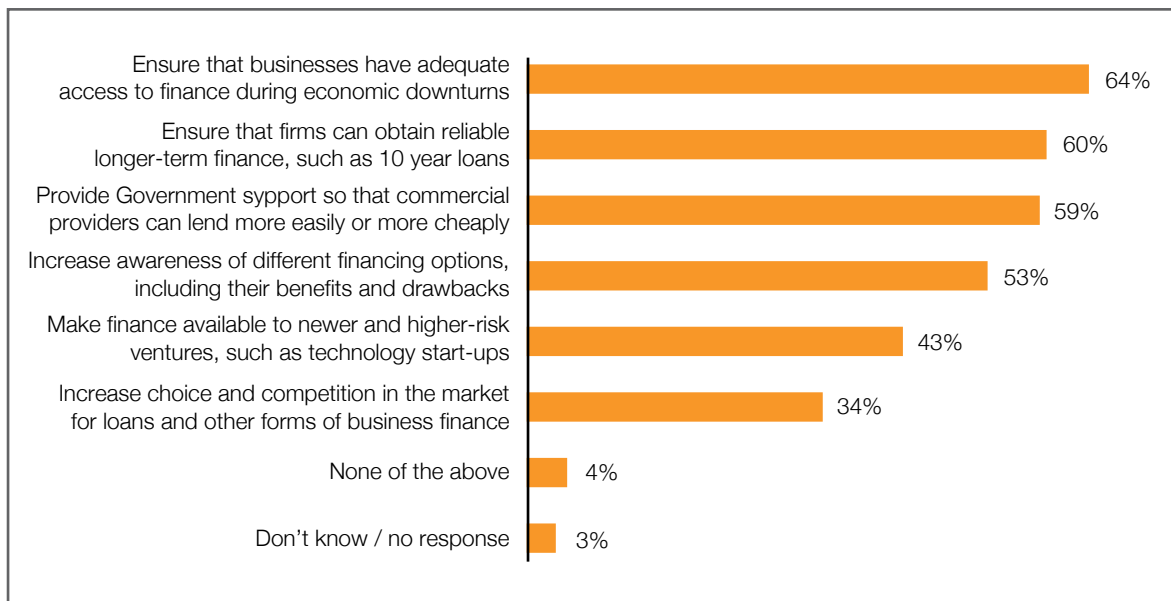
## The main priorities

We listed six potential activities for the BBB, based on previous research and debate around its proposed role in promoting increased investment in SMEs. Respondents were asked to specify which of these (if any) should be the key priorities for the new organisation if it is to benefit small and medium-sized firms (Chart 3). While respondents were able to select more than one activity, the high percentages recorded on the chart, coupled with the very low proportion of respondents selecting 'None of the above' (4%) or 'Don't know / no response' (3%), suggests that SMEs recognise the potential value of these roles. The 'top three' priorities were: 1. 'Ensure that businesses have adequate access to finance during economic downturns' (64%); 2. Ensure that firms can obtain more reliable longer-term finance, such as 10 year loans (60%); 3. Provide Government support so that commercial providers can lend more easily or more cheaply (59%). The activity: 'Increase choice and competition in the market for loans and other forms of business finance' (34%) was less commonly cited. However, it is interesting to note that despite being applicable to a relatively small proportion of SMEs, many respondents still saw this as a priority for the BBB.

11 For example, see the Performance and Prospects sections of *The Quarterly Survey of Small Business in Britain, Q3 2012*. Available at: [www.open.ac.uk/quarterly-survey](http://www.open.ac.uk/quarterly-survey).

12 In the *Quarterly Survey Q3 2012* cited above, SMEs in the North East region reported weak sales and employment performance for the (i.e. net sales balance of -21% and net employment balance of -10%). By contrast, the East of England reported a much stronger performance in the same period (i.e. net sales balance of +31% and net employment balance of +2%).

Chart 3: Key priorities for proposed British Business Bank in order to benefit SMEs



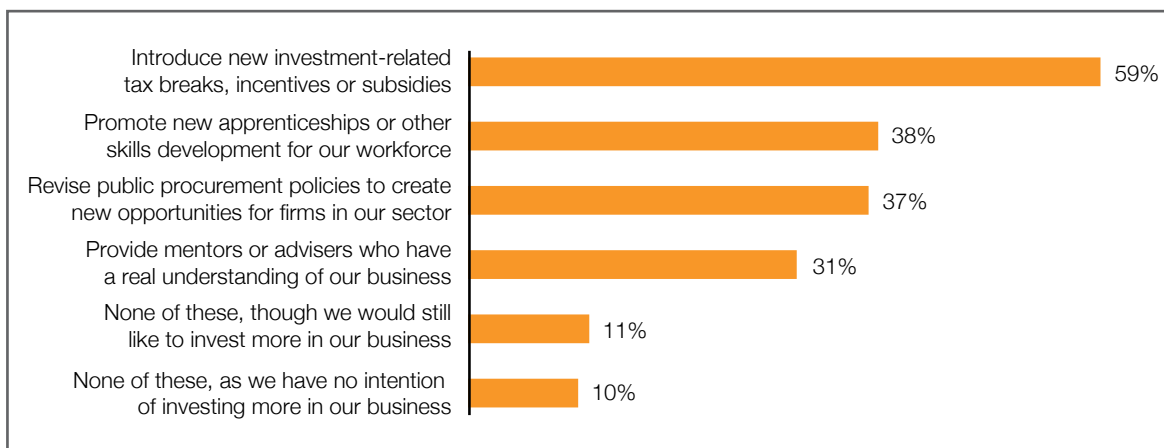
## Other policies to promote investment

We also asked respondents to indicate whether they supported a number of policy measures that are commonly identified as possible ways to encourage firm-level investment. In contrast to the earlier question about the BBB, this one was specific to the respondent's own business. By far the most popular policy intervention was to 'Introduce new investment-related tax breaks, incentives or subsidies' (59%) (Chart 4)<sup>13</sup>. This was followed by two closely-matched interventions, to 'Promote new apprenticeships or other skills development for our workforce' (38%) and to 'Revise public procurement policies to create new opportunities for firms in our sector' (37%). Policies to, 'Provide mentors or advisers who have a real understanding of our business' (31%) were also valued.

A minority of respondents did not see any of these policies encouraging them to invest in their business. These responses were probed using open questions with our online sample. Typical explanations given by those with no intention of investing in their business included retrenchment in response to difficult economic conditions, the owner's proximity to retirement and being content to operate at current activity levels. For those still wanting to invest, comments suggested that most were waiting for conditions to improve. Other policy recommendations included commonly-cited requests from smaller businesses such as: 'Make life easier to employ people'; 'Get rid of ridiculous box ticking', and demand-related calls such as: 'Expand the Construction Economy' and 'Have a real commitment to increase public spending on infrastructure projects'.

<sup>13</sup> These responses were collected before the temporary extension of First Year Capital Allowances, which was announced by the Chancellor of the Exchequer in the Autumn Statement (5 December 2012): [http://www.hm-treasury.gov.uk/as2012\\_index.htm](http://www.hm-treasury.gov.uk/as2012_index.htm). The impact of this measure remains to be seen. In a recent survey (Quarter 2, 2011), more than four in ten respondents stated that they did not understand the current tax rules for capital allowances for new business equipment, with many leaving such issues to their accountant. Most respondents also indicated that the capital allowance rules had little impact on their investment decisions.

Chart 4: Other Government policies that would encourage you to invest more in your own business



## Conclusions

Evidence presented in this report indicates that there is a substantial level of support for the Government's proposal to create a new British Business Bank and for its ambition to give a new impetus to small business finance provision across the UK. It also suggests that SME owners and managers would value the BBB's involvement in the fairly diverse range of activities that have been mooted in recent policy discussions. Our survey was conducted at a point when the BBB's detailed governance and operational arrangements were still to be confirmed. We hope that the findings presented in this report will prove helpful in the BBB's further development and contribute to a wider debate on the most effective mechanisms for encouraging additional investment in the UK's small and medium-sized firms.

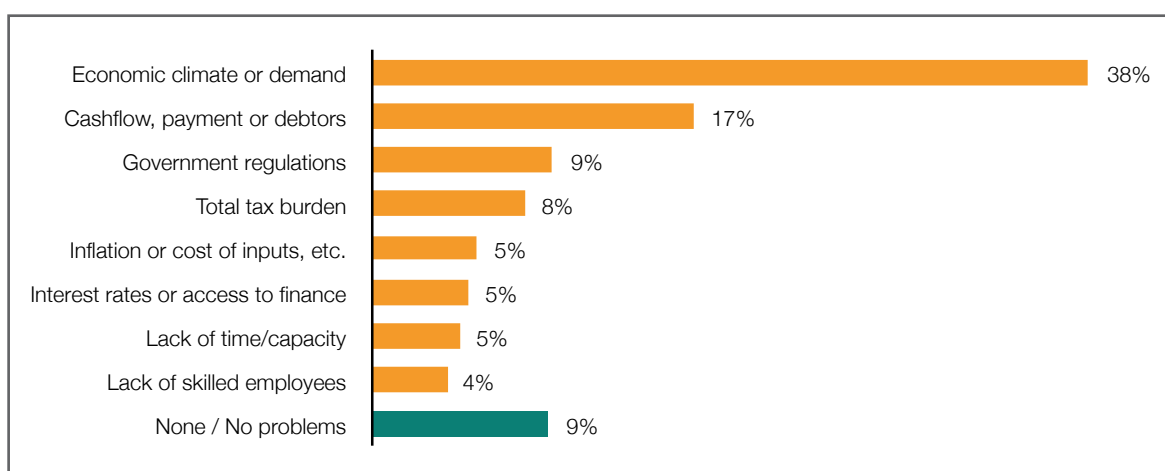
## Problems

The difficult economic climate, along with the associated negative impact on demand, is still by far the most commonly reported problem for SME owners and managers. There has been a slight increase in the percentage of firms reporting problems related to cashflow, payment and debtors, while government regulations retain third place overall. However, though many smaller firms continue to struggle, almost one in ten of our respondents find themselves in the enviable position of having no problems to report.

### Economic climate or demand

With an uncertain short-term outlook for the UK economy, the economic climate or demand remains on the top of the list of most common problems facing UK SMEs (Chart 5). The percentage of respondents reporting this as the main problem for their own business (38%) is lower than in the previous two quarters (42% in Q3 and 40% in Q2). However, this figure is still more than twice that recorded for the second ranked problem in our list. Though it tops the lists for every size and sector category in our sample, the highest proportion of respondents reporting this problem (43%) is found amongst the medium-sized firms (i.e. those in the 50-250 employee band), closely followed by some of the UK's smallest firms (i.e. those in the 1-4 employee band) (Table 4).

Chart 5: Proportion of firms indicating that each problem is the top one facing their business at the moment



## Cashflow, payments or debtors

This is the fourth successive quarter when 'cashflow, payments or debtors' has been the second most commonly reported problem (17%), a slightly higher percentage to that recorded in our previous report (14%). SMEs engaged in agriculture, forestry and fisheries (27%) and construction (26%) were most likely to report it as their main problem on this occasion.

## Government regulations

Government regulations remains the third most commonly identified 'top' problem for UK SMEs, on a percentage unchanged from the previous quarter (9%). Respondents from agriculture, forestry and fisheries (23%), health, education, leisure, other (13%) and business services (12%) most frequently report that Government regulations are currently their main business problem.

## The total tax burden

The percentage of respondents reporting that the total tax burden is the top problem facing their business has increased slightly (8% compared to 6% in the two preceding quarters). Taxation was a particular problem for firms in the hotels and restaurants sector (24%), but was less of an issue in other sectors, notably manufacturing (3%) and retail (5%).

## Inflation or cost of inputs

Inflation and the costs associated with running a SME is now in fifth place (5%) alongside the following two problems. On a regional basis, this problem was most apparent in the London area, where it was identified by almost one in ten of respondents (9%). Increased costs may also interact with other business problems, as indicated by an online respondent whose main challenge was: 'Ensuring enough profitable business in order to cover the greater costs.'

## Interest rates/access to finance and lack of time/capacity

These problems were reported by a similar proportion of firms in the previous quarter (5%). In both cases, there was very little variability in the percentages by size of firm (Table 4). On a sectoral basis, retailing SMEs reported the highest figures for interest rates / access to finance (7%), while manufacturing firms were the highest on lack of time / capacity (9%).

## Lack of skilled employees

Fewer than one in twenty firms identified this as their main business problem (4%). However, when interpreting this figure it is important to take into account the relatively low frequency of recruitment activity amongst many smaller firms. Our previous survey reports in more detail on issues related to education, training and skill development in SMEs<sup>14</sup>.

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<sup>14</sup> *Quarterly Survey of Small Business in Britain, Q3 2012. Special topic: education, training and skills development. Available at: [www.open.ac.uk/quarterly-survey](http://www.open.ac.uk/quarterly-survey)*

Table 4: Proportion indicating each problem is the top one, by number of employees

|                                     | 0   | 1-4 | 5-9 | 10-19 | 20-49 | 50-250 | All  |
|-------------------------------------|-----|-----|-----|-------|-------|--------|------|
| Economic climate or demand          | 39% | 42% | 33% | 37%   | 27 %  | 43%    | 38%  |
| Cashflow, payment or debtors        | 17% | 15% | 21% | 14%   | 26%   | 12%    | 17%  |
| Government regulations              | 12% | 9%  | 7%  | 10%   | 10%   | 9%     | 9%   |
| None / No problems                  | 14% | 6%  | 8%  | 7%    | 11%   | 12%    | 9%   |
| Total tax burden                    | 3%  | 10% | 10% | 8%    | 10%   | 6%     | 8%   |
| Inflation or cost of inputs, etc.   | 6%  | 4%  | 7%  | 6%    | 3%    | 6%     | 5%   |
| Interest rates or access to finance | 5%  | 5%  | 5%  | 7%    | 3%    | 4%     | 5%   |
| Lack of time/capacity               | 4%  | 6%  | 5%  | 5%    | 4%    | 3%     | 5%   |
| Lack of skilled employees           | 0%  | 3%  | 4%  | 5%    | 5%    | 4%     | 4%   |
| Sample size                         | 95  | 212 | 168 | 187   | 146   | 233    | 1043 |

## Business stock & activity index

Chart 6: Mainstream businesses in England and Wales, starts closures & net change, (thousands), four quarter moving averages, Source: Business Economics, Barclays

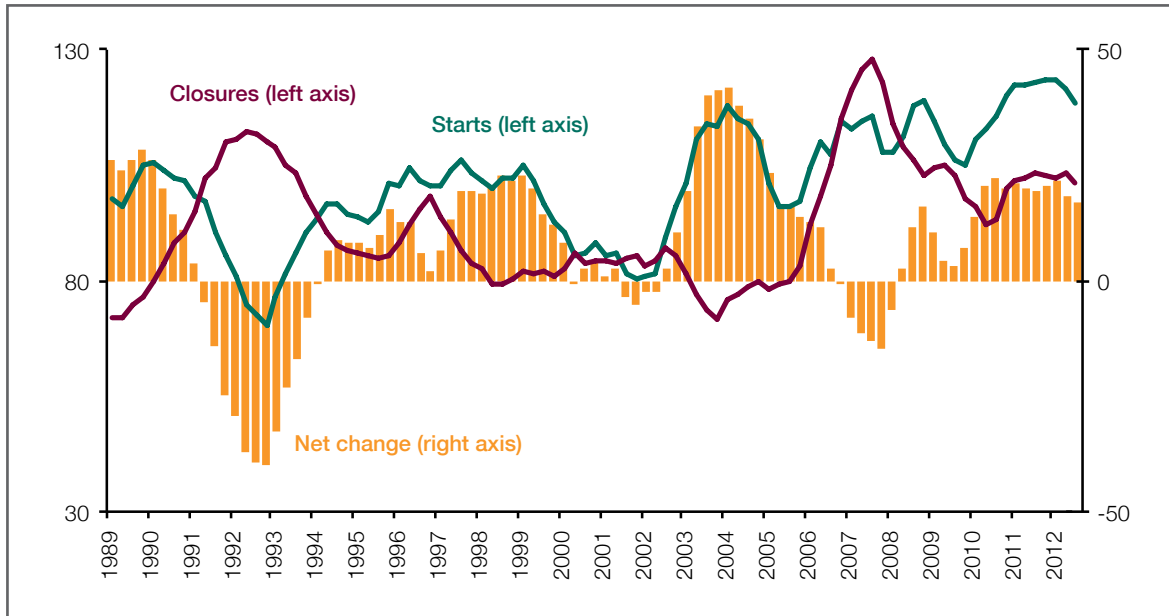


Chart 6 shows Barclays' estimates of the number of 'mainstream' businesses, based on the number of business accounts held with them and an estimate of their market share. The figures suggest that there have been net increases in the stock of businesses in every quarter for the last four years. In contrast to the recession of the early 1990s, the rate of business closures is thought to have exceeded the rate of business starts only for a relatively brief period in 2007 and early 2008.

Throughout 2012, the number of business starts has been higher than at any time since 1989. The stock of businesses has continued to grow strongly during 2012, with a slight tailing off in the final quarter. This is consistent with official figures, which have until recently been showing steady increases in self-employment. The latest ONS labour market statistics also indicate a slight reversal of this trend: it estimates that the number of self-employed people in the UK in the period August to October 2012 declined by 23,000 over the previous quarter to reach 4.20 million (n.b. seasonally adjusted figures)<sup>15</sup>.

<sup>15</sup> Labour Market Statistics, December 2012 (12th Dec 2012) Office for National Statistics. Available at: [http://www.ons.gov.uk/ons/dcp171778\\_287888.pdf](http://www.ons.gov.uk/ons/dcp171778_287888.pdf)



Chart 7: Barclays Small Business Activity Index vs GDP growth (latest quarter on corresponding quarter previous year)

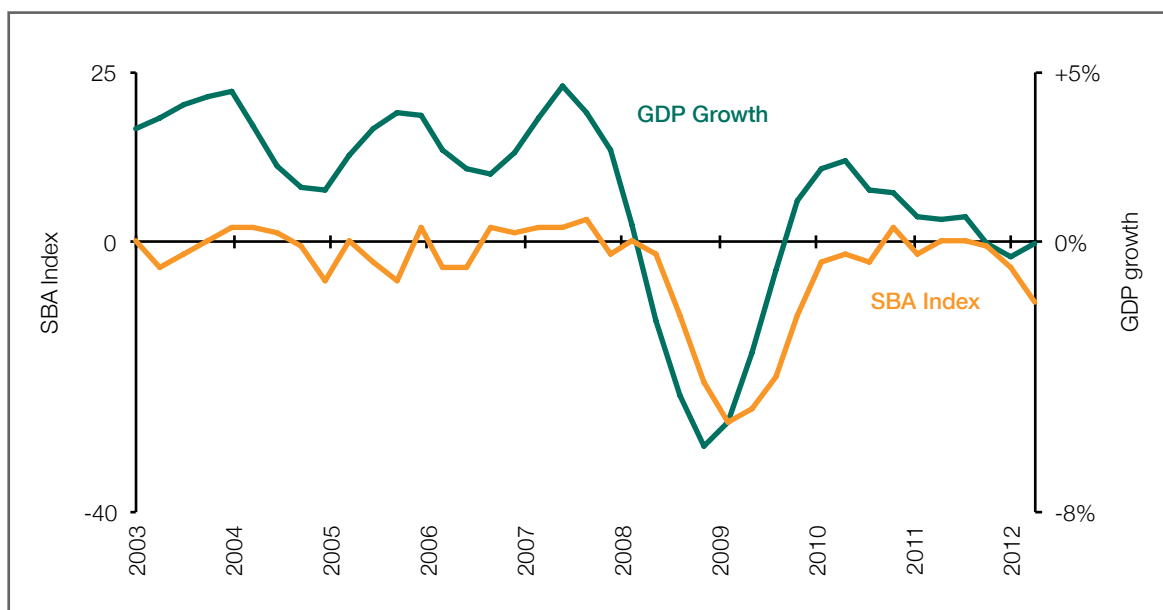


Chart 7 shows the Barclays Small Business Activity Index ('SBA Index'), derived from the banking activity of over 200,000 small firms<sup>16</sup>. The SBA Index has fallen in quarter 3, after being relatively stable since early 2010. For the third quarter of 2012, the SBA Index slipped from -4 to -9, while the change in GDP compared with the same quarter in the previous year rose from -0.5% to -0.1%.

16 Sources: SBA Index supplied courtesy of the Business Economics & Research Team, Barclays. UK GDP change data obtained from the Office for National Statistics (ONS), available at: [www.ons.gov.uk](http://www.ons.gov.uk), IHYR, GDP, quarter on quarter of previous year, CVM, Second Estimate of GDP Q3 2012 (27th November 2012). GDP estimates are revised by the ONS on a regular basis. Chart 7 includes revisions made following publication of the previous Quarterly Survey (2012 Q3) report

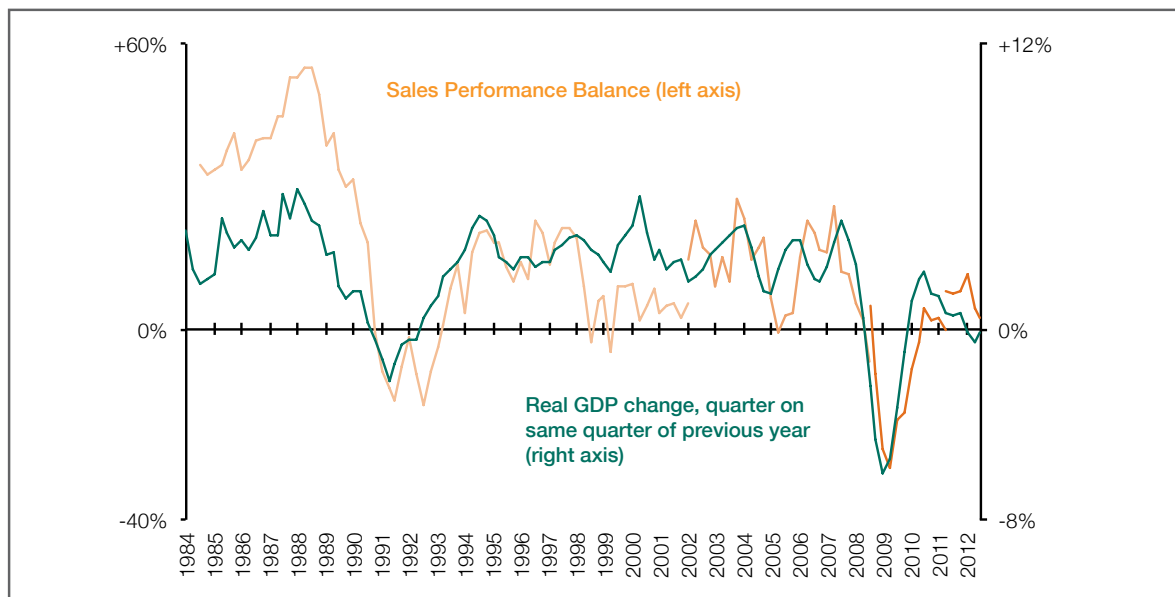
## Performance

Throughout 2012, we have reported a positive net sales balance. The overall results are largely unchanged from the previous quarter, with a slight decline in the proportion of firms that have seen their sales performance improve over the same quarter in 2011. Manufacturing SMEs saw an overall decline in their sales and employment performance, while SMEs in the transport and retail sectors reported the weakest results. The East Midlands was the strongest region in terms of sales and employment but elsewhere there were fewer positive signs, as compared to the previous survey.

### Sales performance: overview

Growth has remained elusive for the UK economy in this period. As noted in the previous section, the revised estimate for change in GDP in the third quarter of 2012 has risen slightly, from -0.5% to -0.1% (Chart 7), but this is well below the figures being reported in 2010<sup>17</sup>. SME sales performance has followed a similar path, with some evidence of variation by region and industry sector. When we compare the sales balance to those in the previous survey (Chart 8 and Table 5), there is a small reduction in the percentage of firms experiencing an increase in sales (down from 35% to 32%) while the percentage suffering a decline in sales is unchanged at 30%. This resulted in a three percentage point drop in the net sales balance, which now stands at +2% (compared to +5% in the previous report). This net sales balance is also nine points down on the strongest figure for the current year, which was recorded in the first quarter (+11%).

Chart 8: Percentage balance of respondents reporting an increase in sales over past year, compared with change in real GDP<sup>18</sup>



17 Second Estimate of GDP Q3 2012 (27th November 2012). Office for National Statistics ([www.ons.gov.uk](http://www.ons.gov.uk))

18 Enlargements and consequent changes in composition of the sample led to breaks in the series in 2002, 2008 and earlier in 2011. More details can be found in Vol 18(2), Vol 24(4) and Vol 27(3) of this survey. GDP change data is from [www.ons.gov.uk](http://www.ons.gov.uk), IHYR (pre-1988 calculated as change in YBEZ), GDP, quarter on quarter of previous year, CVM.

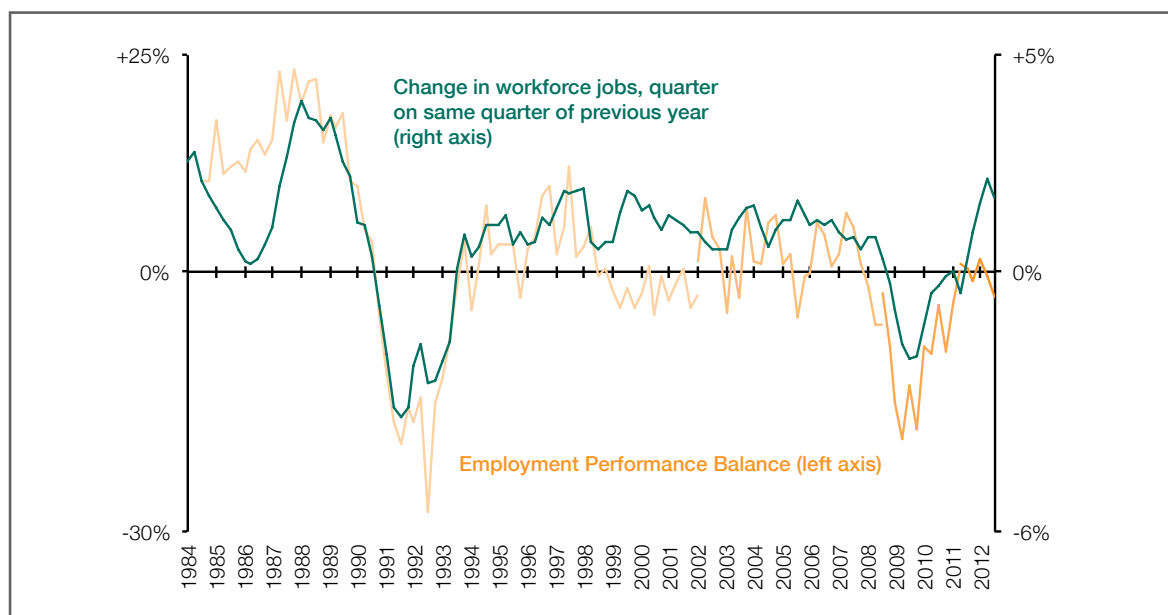
Table 5: Change over past year in sales turnover, compared with previous survey (weighted figures)

|   | Up         | Same       | Down       | Balance    |
|---|------------|------------|------------|------------|
| <b>Q4 2012 report: (comparing 2012 Q3 on 2011 Q3)</b> | <b>32%</b> | <b>38%</b> | <b>30%</b> | <b>+2%</b> |
| Q3 2012 report: (comparing 2012 Q2 on 2011 Q2)        | 35%        | 35%        | 30%        | +5%        |
| Q2 2012 report: (comparing 2012 Q1 on 2011 Q1)        | 38%        | 35%        | 27%        | +11%       |

## Employment performance: overview

There has been a reversal of the modest improvement in employment performance reported earlier in 2012. The overall net employment balance is now negative (-3%) with SMEs reporting an increase in employment (16%) now being offset by those reporting a decline (19%). This compares to a net employment balance of zero in the previous survey (Chart 9 and Table 6). As we noted in the previous report, the ONS Labour Market Statistics – a broader measure of change in workforce jobs - gives a more positive employment picture. This suggests that a gap may be opening up between the employment performance of SMEs and that of other organisations in the economy, including larger firms. A similar gap can be seen in the recessionary period of the early 1990s, albeit at a much lower base (Chart 9).

Chart 9: Percentage balance of respondents reporting an increase in employment over past year, compared with change in jobs<sup>19</sup>



<sup>19</sup> Labour Market Statistics, December 2012 (12 Dec 2012), Office for National Statistics. Available at: [http://www.ons.gov.uk/ons/dcp171778\\_287888.pdf](http://www.ons.gov.uk/ons/dcp171778_287888.pdf)

Table 6: Change over past year in employment, compared with previous survey (weighted figures)

|   | Up         | Same       | Down       | Balance    |
|---|------------|------------|------------|------------|
| <b>Q4 2012 report: (comparing 2012 Q3 on 2011 Q3)</b> | <b>16%</b> | <b>65%</b> | <b>19%</b> | <b>-3%</b> |
| Q3 2012 report: (comparing 2012 Q2 on 2011 Q2)        | 17%        | 66%        | 17%        | 0%         |
| Q2 2012 report: (comparing 2012 Q1 on 2011 Q1)        | 18%        | 65%        | 16%        | +2%        |

## Other SME Surveys

This section reviews other SME surveys that were conducted in the period covered in this report. They paint a broadly similar picture, with indications of a modest decline in business performance in the second half of 2012, coupled with mixed views about the prospects for 2013.

As we have already noted in the Business Stock and Activity Index section, the **Barclays Small Business Activity (SBA) Index**, which is derived from the banking activity of over 200,000 small firms, is down from -4 to -9 (Chart 7). This indicator is supported by three of the main surveys that report on the recent performance of small and medium-sized firms, though it is also worth noting that, as we have indicated in this report, the overall figures mask considerable variability between the experiences of individual firms. The **Federation of Small Businesses' Voice of Small Business Index**<sup>20</sup> for Quarter 4 reported that small firms' confidence levels had fallen slightly, to -5.6 in Q4 2012 (down from -4.5 in Q3). They also commented that this was still 18.8 higher than the figure recorded at the same time in the previous year (-24.5). The FSB reported 'cautious optimism' about growth prospects for 2013, but noted that this may be offset by the continuing cost pressures that small businesses were experiencing. The **British Chambers of Commerce Quarterly Economic Survey (BCC)**<sup>21</sup> reported some improvements in its key balances in the Quarter 4 report. For example, the BCC's manufacturing balance for home deliveries rose 5 points, to +8%, while its home orders balance increased 9 points, to +3%. However, while both of these Q4 domestic manufacturing balances were higher than in Q3, they remained lower than those recorded in the first two quarters of 2012. The BCC's balance of manufacturing firms planning to increase investment in plant & machinery rose by 4 points to +11%, but was still weaker than in Q1 2012. The most recent **CBI's SME Trends Survey**<sup>22</sup> reported that total new orders fell (a balance of -13%) in the three months to October 2012. This downward trend was a product of declines in domestic orders (-11%) and in export orders (-21%). The CBI survey, which was based on a sample of 362 firms, also reported modestly increases in costs (+10%), and noted that costs growth continued to outpace domestic and export price inflation.

The **English Business Survey (EBS)**<sup>23</sup> is still classed as 'experimental official statistics' and advises against comparisons across months. The survey uses balance statistics but they are not directly comparable to the other data reported in this section, or to the findings of the other SME surveys reviewed in this section. For example, it is based on individual workplaces rather than firms (though as the latest EBS quarterly statistical bulletin points out, 97% of enterprises are based on a single workplace)<sup>24</sup>. In addition, the EBS comparisons are to the preceding quarter, rather than to the equivalent quarter in the previous year, and it excludes non-registered businesses. The EBS identifies an overall decline in reported performance

20 FSB Voice of Small Business Index, Q4 2012. Available at: <http://www.fsb.org.uk/small-business-index>

21 British Chambers of Commerce Quarterly Economic Survey, Q4 2012. Available at: <http://www.britishchambers.org.uk/assets/downloads/QE5/QE5%20Q4%202012%20Summary.pdf>

22 CBI SME Trends Survey, Q3 2012. Available at: <http://www.cbi.org.uk/business-issues/economic-intelligence/economic-intelligence-content/sme-trends/>

23 English Business Survey, Q3 2012 Statistical Release (21st December 2012). Available at: <http://www.bis.gov.uk/analysis/statistics/sub-national-statistics/ebsurvey>

24 *Ibid.* p.1.

across all businesses for Quarter 3 in comparison with the previous quarter. The statistical summary states that, 'Businesses accounting for an estimated 34% of England's economy reported that output was higher in Quarter 3 2012 than in Quarter 2 2012. Thirty nine per cent of Businesses reported output as the same as the previous quarter, while 24% reported lower output, giving an overall balance of +10%. This represents a fall from the comparable balances in Quarter 2 2012 (+20%), although it is higher than the balances from Quarter 1 2012 (+4%) and Quarter 4 2011 (+9%).' While the latest EBS bulletin reports more positive outcomes than the SME surveys reviewed in this section, it also points to apparent size-related differences, with small businesses tending to report poorer performance than large and medium-sized firms. The researchers note that, 'When examining the Survey results by the size of the business [based on number of employees] a size effect was apparent whereby a greater proportion of smaller businesses (1 to 9 and 10 to 49) reported lower output, whilst a greater proportion of larger businesses (50 to 249 and 250+) reported output staying the same.'

## Performance: comparison across size bands

Smaller firms continue to report a worse performance than relatively larger firms (Charts 10 and 11). Firms in the less than £100,000 band have fared less well over this period; their negative net sales balance of -13% contrasts with one of -6% in the previous report. This survey also suggests a decline in the sales performance of some medium-sized firms. While the net sales balance for firms in the £5m+ range has recovered somewhat (+22% compared to +10% in the previous survey), firms within the £500,000 to £999,999 turnover bracket report a much lower balance (-10% compared to +11% in the previous survey).

Chart 10: Percentage balance reporting an increase in sales over past year by turnover size band

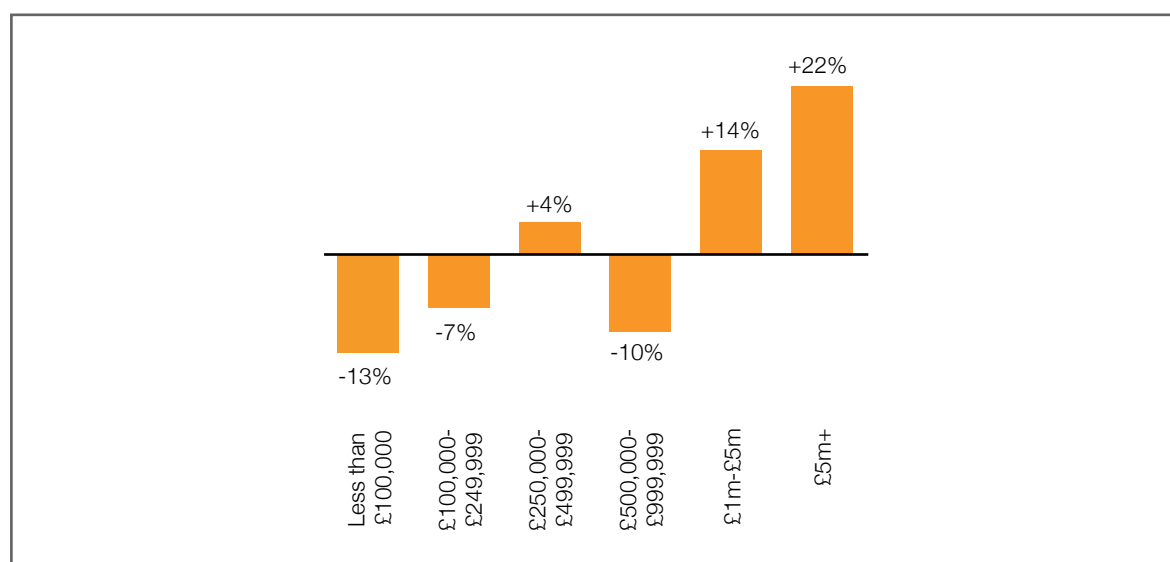
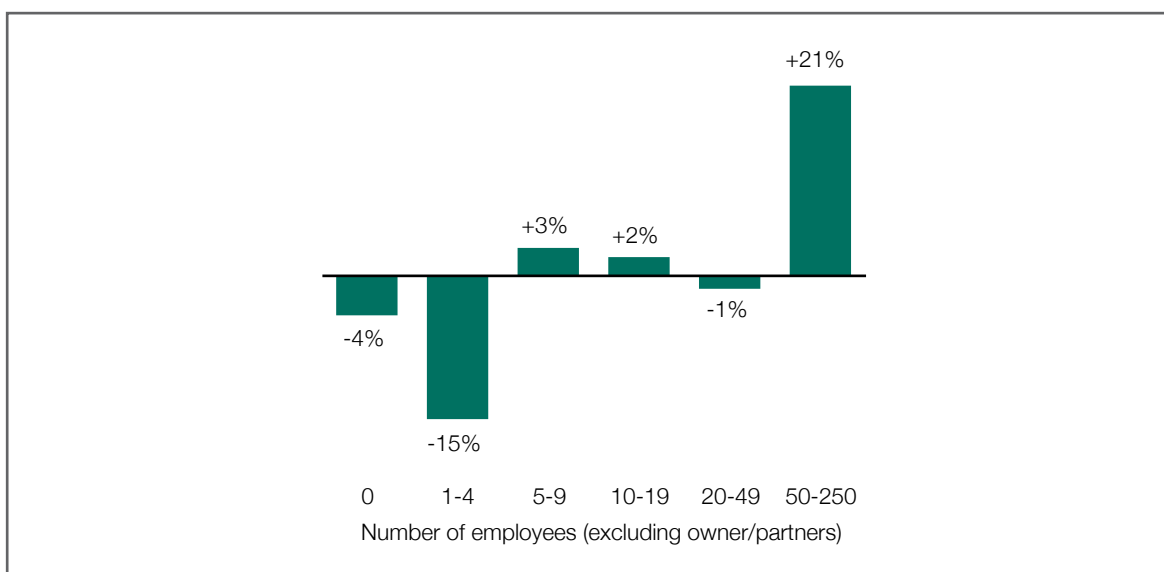


Chart 11: Percentage balance reporting an increase in sales over past year by number of employees



The size-related differences in sales performance are also reflected in employment performance (Table 7). Firms in the £100,000 to £249,999 band report the most negative employment balances, with 19% having reduced their average employment over the preceding 12 months and only 7% having increased it, creating a net balance of -12%. This is, however, a slight improvement on the previous quarter (-15%). The employment balances were positive for firms with a turnover in excess of £1million. However, the net balance figures mask considerable variability within the larger size bands. For example, while the net balance of firms in the £5m+ turnover band is slightly positive (+3%), with more than one fifth firms reporting increases in average employment (21%), a similar percentage of firms in this band (18%) reduced their average employment in this period.

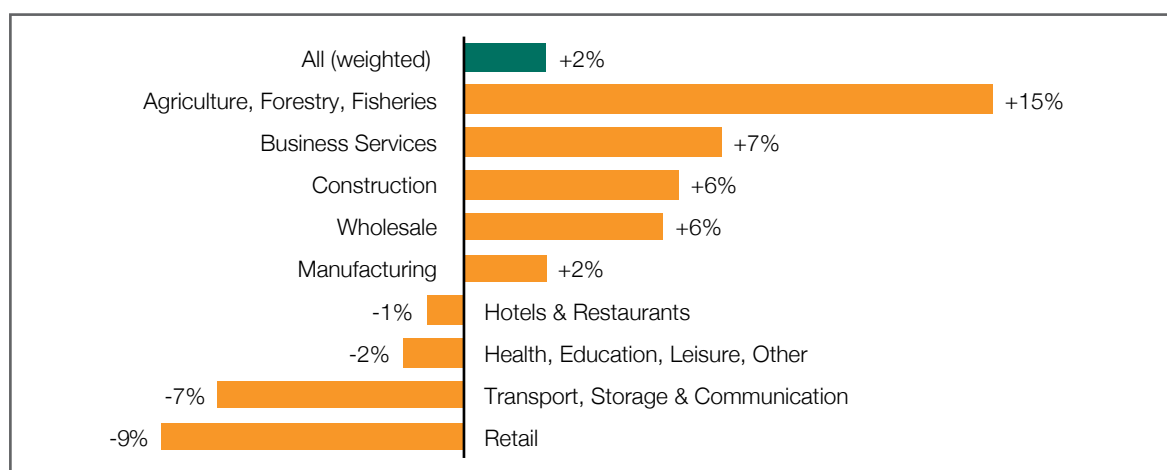
Table 7: Percentage balances for average employment over past year by turnover size band

| Average employment | Less than £100,000 | £100,000-£249,999 | £250,000-£499,999 | £500,000-£999,999 | £1m-£5m | £5m-£20m | All  |
|--------------------|--------------------|-------------------|-------------------|-------------------|---------|----------|------|
| Up                 | 7%                 | 7%                | 17%               | 13%               | 25%     | 21%      | 16%  |
| Same               | 77%                | 74%               | 67%               | 65%               | 55%     | 60%      | 66%  |
| Down               | 16%                | 19%               | 17%               | 23%               | 20%     | 18%      | 19%  |
| Net Balance        | -9%                | -12%              | 0%                | -10%              | +5%     | +3%      | -3%  |
| Sample size        | 219                | 131               | 120               | 168               | 257     | 146      | 1043 |

## Performance: comparison across sectors

There are striking differences in the sectoral breakdown as compared to those for the previous quarter (Chart 12). The results for agriculture, forestry and fisheries, which has leapt from the bottom to the top of the rankings (+15% compared to -11% in the previous report), should be treated with caution due to the relatively small size of this sub-sample<sup>25</sup>. The net sales balance for manufacturing, a much larger sector, has dropped by ten percentage points (+2% compared to +12% previously). The performance of SMEs in the retail sector also continued to decline (-9% compared to -4% previously) in advance of the key pre-Christmas trading period. The wholesale sector is also down by 8 points (+6% compared to +14% previously). However, it is important to keep these figures in context. As we noted in the last report, this indicator of sales performance has been much weaker in the recent past. For example, the net sales balance for manufacturing fell to -40% at the beginning of 2009.

Chart 12: Percentage balance of respondents reporting an increase in sales over past year, by sector



Analysis of the latest employment balances does not indicate that any sectors are performing particularly strongly in terms of job creation (Table 8).

Table 8: Change over past year in sales and employment, by sector

|                                    | Sales Turnover | Average Employment | Sample |
|------------------------------------|----------------|--------------------|--------|
| Agriculture, Forestry, Fisheries   | +15%           | +8%                | 26     |
| Manufacturing                      | +2%            | -3%                | 129    |
| Transport, Storage & Communication | -7%            | +2%                | 55     |
| Construction                       | +6%            | -15%               | 113    |
| Wholesale                          | +6%            | +3%                | 106    |
| Retail                             | -9%            | -7%                | 135    |
| Hotels & Restaurants               | -1%            | -14%               | 91     |
| Business Services                  | +7%            | +4%                | 227    |
| Health, Education, Leisure, Other  | -2%            | -4%                | 161    |
| All (weighted by sector)           | +2%            | -3%                | 1043   |

<sup>25</sup> Recent Quarterly Survey results for agriculture, forestry and fisheries, including technical issues related to sample size and findings from other research studies, are discussed in the Quarter 3 2012 report (page 25).

Manufacturing, which reported a positive employment balance in the previous quarter (+11%) is now slightly negative (-3%). Furthermore, the positive sales performance recorded by construction SMEs (+6% compared to -3% in the previous period) is not reflected in the sector's employment performance, which has declined from -3% to -15%. The hotels and restaurants sector has not maintained the recovery that we reported in the last quarter. Sales performance has fallen back (-1% compared to +6% previously), while employment performance remains weak, though slightly up on the previous report (-14% compared to -18%).

## Performance: comparison across regions

This quarter has seen considerable variability in regional SME performances, as measured by the net sales and net employment balances of our respondents. SMEs in the East Midlands have again recorded a positive net sales balance, improving on the previous quarter (+26% compared to +10% previously) (Chart 13 and Table 9). Elsewhere, there are few examples of encouraging performances, with those who stood out in last quarter's report producing much lower figures this time around. These include the East of England (-2% compared to +31% previously), West Midlands (-4% compared to +20% previously), and Yorkshire and the Humber (-5% compared to +12% previously). London also saw a strong decline in sales performance (-14% compared to +9% in the previous quarter). By contrast, there were improved results from North East (+16% compared to -21% previously) and South West (+5% compared to -14% previously). Scotland (+3% compared to -7% in the previous quarter) and Wales (+7% compared to -9% previously) experienced similar improvements in sales performance. However, the relatively small sub-sample of SMEs in Northern Ireland reported a weak sales performance in the quarter (-15%).

The picture for employment by region is broadly in line with sales performance. Respondents in the South East and South West of England, Wales and Scotland reported a combination of negative net employment balances and positive net sales balances. Northern Ireland (-30%) and Scotland (-8%) reported the weakest employment performances while the North East of England saw something of a turnaround with the most positive net employment balance (+11% compared to -10% in the previous survey) (Table 9).

Chart 13: Percentage balance of respondents reporting an increase in sales over past year, by region

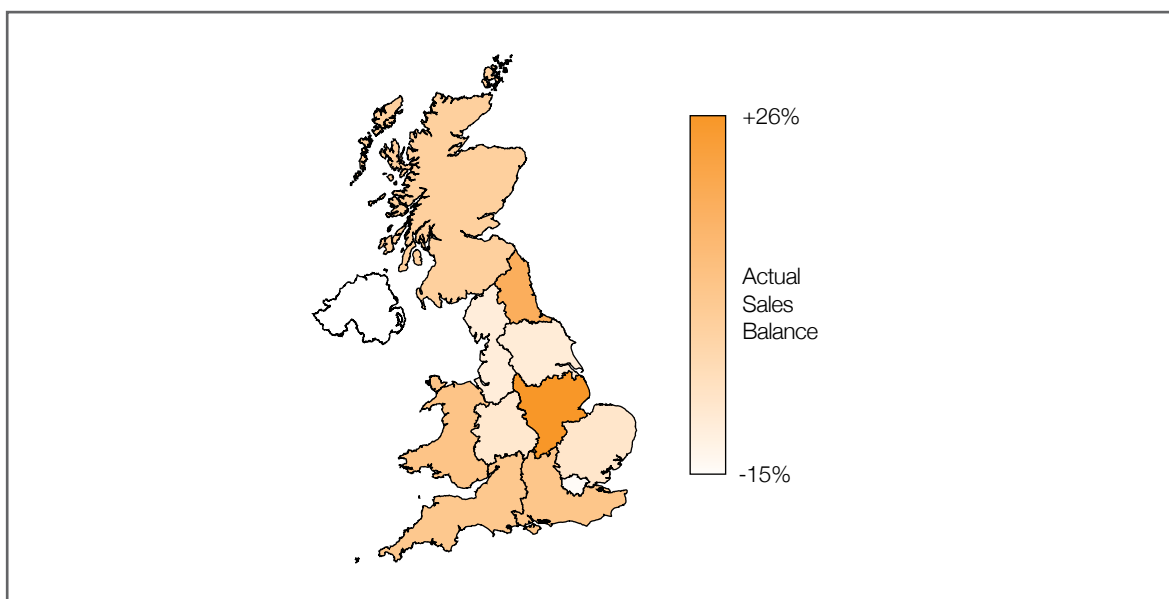




Table 9: Change over past year in sales and employment, by region

|                          | Sales Turnover | Average Employment | Sample |
|--------------------------|----------------|--------------------|--------|
| North East               | +16%           | +11%               | 37     |
| North West               | -6%            | -2%                | 89     |
| Yorkshire & the Humber   | -5%            | 0%                 | 86     |
| East Midlands            | +26%           | +8%                | 96     |
| West Midlands            | -4%            | -2%                | 92     |
| East of England          | -2%            | -7%                | 59     |
| London                   | -14%           | -7%                | 123    |
| South East               | +6%            | -4%                | 192    |
| South West               | +5%            | -5%                | 114    |
| Wales                    | +7%            | -2%                | 43     |
| Scotland                 | +3%            | -8%                | 78     |
| Northern Ireland         | -15%           | -30%               | 33     |
| All (weighted by sector) | +2%            | -3%                | 1043   |

## Prospects

On balance, SMEs in the UK continue to anticipate an overall improvement in sales performance over the final quarter, with little evidence of change in comparison to the previous quarter. Firms in the £1m to £5m turnover band are most optimistic about their sales, while the smallest firms are most pessimistic. SMEs in the wholesaling sector are the most optimistic on sales, by a large margin, while manufacturing is once again the sector that anticipates continued growth in average employment. SMEs in the East Midlands, who seem to have been proved correct when they expected that sales would recover in the third quarter, do not expect that trend to continue. By contrast, many firms in London expect to see strong growth in both sales and average employment.

SMEs' expectations regarding their sales' performance in the fourth quarter are largely unchanged, though slightly down on those recorded in the first half of the year. One third of firms (33%) expect their sales to rise in the period (unchanged from the previous report), and a quarter of firms (25%) expect them to fall (up from 23% last time). The net balance figure for both quarters is the same (+8%) as a result of rounding effects in the underlying calculations (Table 10)<sup>26</sup>.

Table 10: Expected change in sales turnover compared with same quarter last year (weighted figures)

|   | Up         | Same       | Down       | Balance    |
|---|------------|------------|------------|------------|
| <b>Q4 2012 report: (comparing 2012 Q4 on 2011 Q4)</b> | <b>33%</b> | <b>42%</b> | <b>25%</b> | <b>+8%</b> |
| Q3 2012 report: (comparing 2012 Q3 on 2011 Q3)        | 33%        | 41%        | 26%        | +8%        |
| Q2 2012 report: (comparing 2012 Q2 on 2011 Q2)        | 37%        | 39%        | 23%        | +14%       |

There is very little overall change in the figures for employment prospects for the fourth quarter, with the slightly higher proportion of firms expecting average employment to increase (16%) being offset by a similarly small increase in those expecting it to decline (15%). The resulting net balance remains slightly positive (+1%) (Table 11).

Table 11: Expected change in average employment compared with same quarter last year (weighted figures)

|   | Up         | Same       | Down       | Balance    |
|---|------------|------------|------------|------------|
| <b>Q4 2012 report: (comparing 2012 Q4 on 2011 Q4)</b> | <b>16%</b> | <b>69%</b> | <b>15%</b> | <b>+1%</b> |
| Q3 2012 report: (comparing 2012 Q3 on 2011 Q3)        | 15%        | 72%        | 13%        | +2%        |
| Q2 2012 report: (comparing 2012 Q2 on 2011 Q2)        | 16%        | 71%        | 13%        | +4%        |

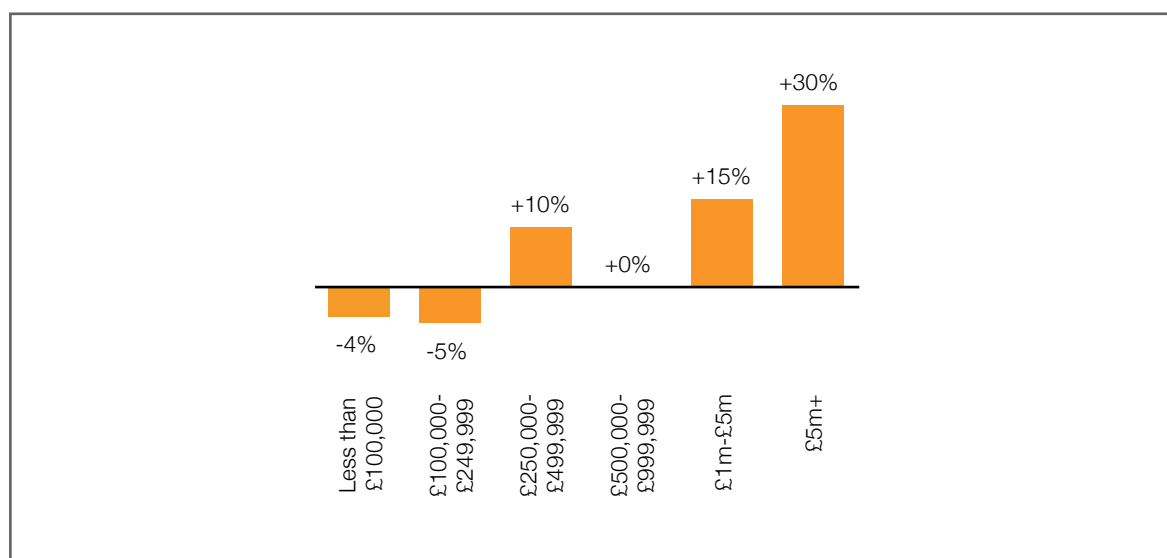
In this survey, we also asked our online respondents about their expectations for investment in the quarter. Of this smaller sub-sample (total: 156 responses), just over a half (54%) expected no change, while 19% expected to increase investment and 27% expected it to fall in the period. This produced a negative net balance for investment expectations (-8%).

<sup>26</sup> Note: the net balance figure for Q3 2012 is the result of rounding in the calculations.

## Prospects: comparison across size bands

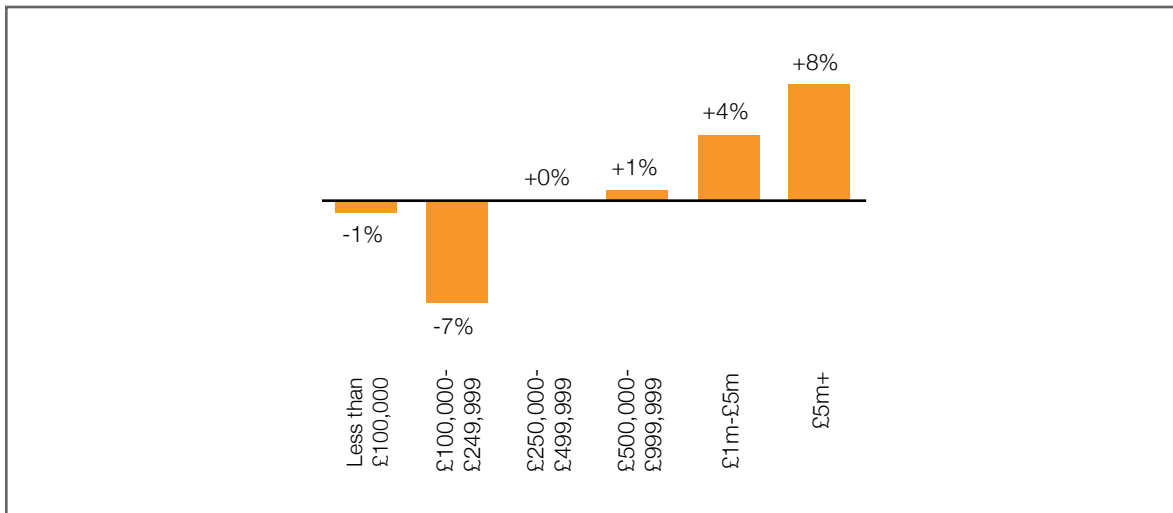
Amongst the UK's diverse SME population, medium-sized firms are much more optimistic about their prospects for sales growth in the next quarter, compared to their relatively smaller counterparts. Firms with a turnover above £5 million have strongly positive net sales balances for this period (+30%), while those in the next size band (£1 million to £5 million) also have positive balances (+15%) (Chart 14). By contrast, the smallest firms are much less optimistic, with those in the £100,000 to £249,999 and sub-£100,000 turnover bands having negative net sales balances (-5% and -4% respectively). The overall pattern for sales growth expectations is broadly in line with that seen in the Performance section in this report. However, firms in the £500,000 to £999,999 turnover band do not appear to follow the apparent size-related trend in relation to sales performance or to sales prospects; they reported a negative net sales balance (-10%) in the Performance section (Chart 10) and a zero net sales balance (0%) in this section (Chart 14).

Chart 14: Percentage balance expecting an increase in sales over past year by turnover size band



We have already noted that SME expectations regarding average employment are generally lower than those for sales turnover (Table 10 and Table 11). When the employment prospects figure is broken down by firm size, there is a clear divide between the lack of employment prospects amongst firms with an annual turnover below £500,000, and the more encouraging picture painted by other small and medium-sized firms (Chart 15). The strongest net employment balance (+8%) is reported by firms in the £5m+ turnover band (up from +2% in the previous quarter). The weakest balance is found amongst firms in the £100,000 to £249,999 band (-7%) unchanged from the previous quarter.

Chart 15: Percentage balance expecting an increase in average employment over past year by turnover size band



## Prospects: comparison across sectors

This breakdown suggests considerable differences in the sentiments expressed by SMEs in different industry sectors (Chart 16 and Table 12). While overall sales expectations are similar to those recorded in the previous report, there have been some large changes within particular sectors. For example, the net sales balance for manufacturing is up 9 percentage points at +17% (compared to +8% in the previous report) and wholesale is down 11 percentage points at +15% (compared to +26% previously). Construction sector SMEs have lost some of the optimism about sales that was expressed in the Quarter 3 report, with a 10 percentage point fall in their net sales balance (+2%). Retailing SMEs are the most pessimistic (-6%), a result that echoes their negative net balances in the Performance section of this report (Table 8). By contrast, SMEs engaged in agriculture, forestry and fisheries are much more optimistic about sales' prospects (+12% compared to -39% in the last quarter), though this improvement has not been matched in terms of their views on employment prospects in the sector (-4%).

Chart 16: Percentage balance expecting an increase in sales over past year by sector

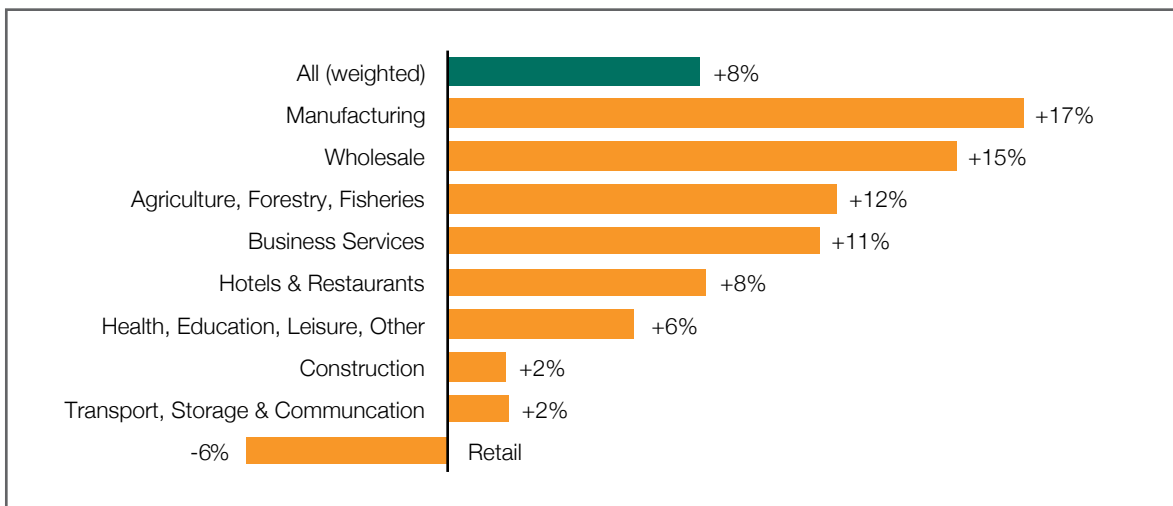


Table 12: Expected change current quarter over year in sales and employment by sector

|                                    | Sales Turnover | Average Employment | Sample |
|------------------------------------|----------------|--------------------|--------|
| Agriculture, Forestry, Fisheries   | +12%           | -4%                | 26     |
| Manufacturing                      | +17%           | +5%                | 129    |
| Transport, Storage & Communication | +2%            | -4%                | 55     |
| Construction                       | +2%            | -8%                | 113    |
| Wholesale                          | +15%           | +10%               | 106    |
| Retail                             | -6%            | -4%                | 135    |
| Hotels & Restaurants               | +8%            | -9%                | 91     |
| Business Services                  | +11%           | +8%                | 227    |
| Health, Education, Leisure, Other  | +6%            | 0%                 | 161    |
| All (weighted by sector)           | +8%            | +1%                | 1043   |

## Prospects: comparison across regions

Expectations for sales and employment vary markedly by region (Chart 17 and Table 13), with the figures sometimes, but not always, approximating to those reported in the Performance section. SMEs in the East Midlands, the North West of England, Wales and Scotland are the most optimistic about their sales prospects. However, firms in Scotland do not anticipate that higher sales will be matched by increases in average employment in the same period. Firms in London, a region that reported poor sales and employment performance in this survey (Table 9), are also somewhat pessimistic about their sales and employment prospects. The figures for Northern Ireland, while strongly negative, need to be treated with caution given the relatively small size of the relevant sub-sample.

Chart 17: Percentage balance of respondents expecting an increase in sales over current quarter by region

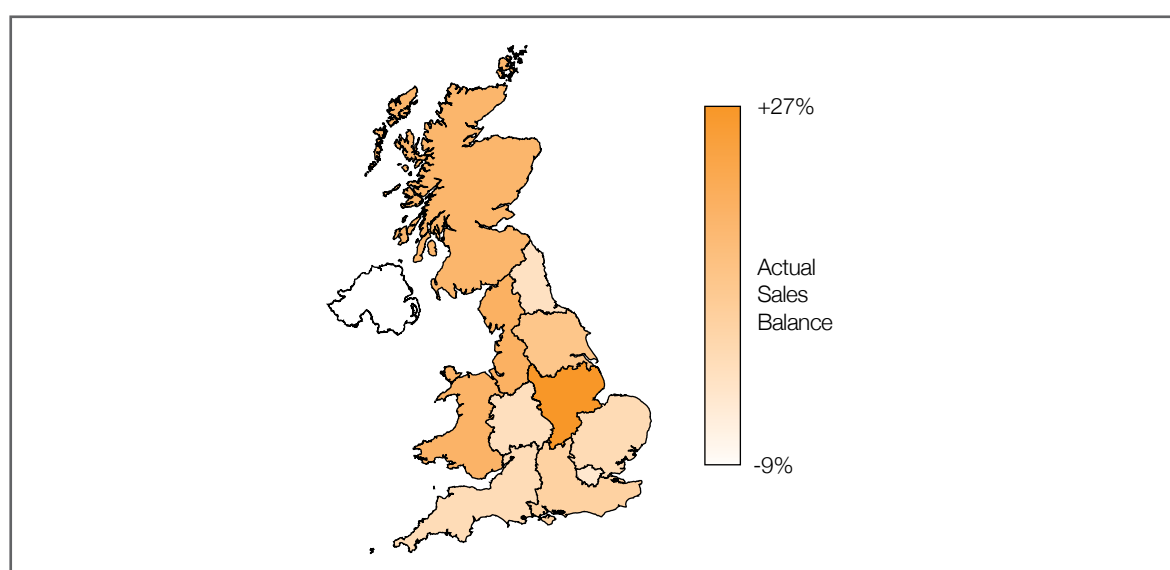


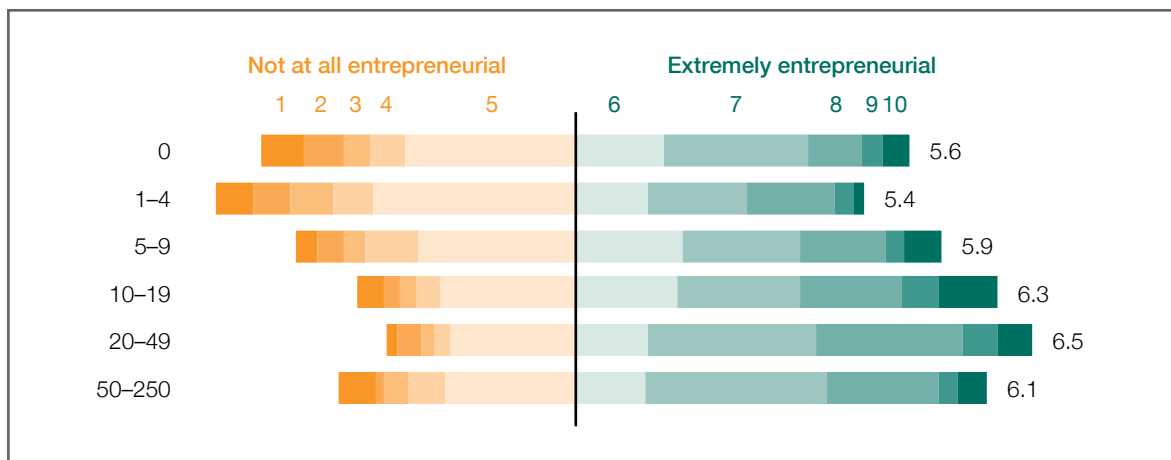
Table 13: Expected change current quarter over year in sales and employment by region

|                          | Sales Turnover | Average Employment | Sample |
|--------------------------|----------------|--------------------|--------|
| North East               | 0%             | +11%               | 37     |
| North West               | +16%           | +3%                | 89     |
| Yorkshire & the Humber   | +10%           | +5%                | 86     |
| East Midlands            | +27%           | +7%                | 96     |
| West Midlands            | +1%            | +5%                | 92     |
| East of England          | +3%            | +5%                | 59     |
| London                   | -2%            | -2%                | 123    |
| South East               | +6%            | -5%                | 192    |
| South West               | +2%            | 0%                 | 114    |
| Wales                    | +14%           | +7%                | 43     |
| Scotland                 | +13%           | -4%                | 78     |
| Northern Ireland         | -9%            | -13%               | 33     |
| All (weighted by sector) | +8%            | +1%                | 1043   |

## Entrepreneurial Index

Larger firms tend to view themselves as more entrepreneurial. These self-reported measures also vary by region and sector. The most entrepreneurial firms report the best performance over the past year and are more optimistic about prospects for the current quarter.

Chart 18: “Entrepreneurial firms are more competitive, growth-minded and innovative than other firms. Where would you put your firm on a scale of 1 to 10?”



Respondents are asked to rate their firm on an entrepreneurial scale, where 1 is not at all entrepreneurial and 10 is extremely entrepreneurial. Entrepreneurial firms are defined as being more competitive, growth-minded and innovative than other firms. Firms which rate themselves as entrepreneurial tend to be larger than their non-entrepreneurial counterparts, perhaps reflecting their stronger growth-orientation. Business owners who work on their own rate themselves as on average 5.6 on the entrepreneurial scale, while those with 50 or more employees rate themselves as 6.1 (Chart 18). These differences are relatively stable over time. For example, the equivalent figures in Quarter 1 2012 were 5.3 and 6.7. Firms which rate themselves higher on the entrepreneurial scale tend to report better sales performance and are more optimistic about their immediate prospects. In this survey firms, the ‘least entrepreneurial’ firms (those rating themselves from 1 to 3) have seen sales fall in the year to the third quarter but expect a rise in the fourth quarter compared to a year earlier (sales performance balance -5% and sales prospects balance +2%). The ‘most entrepreneurial’ firms (those rating themselves from 8 to 10) have seen sales rise and expect this to continue (sales performance balance +25% and a sales prospects balance of +22%).

## How the survey is carried out

This is the 113th survey completed since the series began in 1984. Firms that respond to the survey are drawn from a wide range of sources. They reflect the complexity and richness of business life in Britain today. It should be noted that the survey is not a panel, nor is it fully random. It continuously recruits new members to reflect the national distribution of small firms; yet it also retains long time respondents to gauge changes over time.

In this survey, our regular online respondents (owners and managers of small businesses who had previously volunteered to take part) were supplemented by telephone interviews of owners and other senior managers of small businesses, carried out by BDRC Continental<sup>27</sup>. The link to the online questionnaire was emailed to 1,232 regular respondents on 14th October and a reminder email sent to non-respondents on 13th November. In total, 158 of these regular participants responded. Telephone interviews were carried out in two waves. Between the 1st and 15th October 2012, 440 telephone interviews were carried out. Between the 5th and 12th November 2012, a further 445 firms were interviewed. The total number of responses was therefore 1,043.

The telephone respondents do not include firms with a turnover below £50,000. Few of the online respondents have more than 50 employees (97% of responses from the 50-250 employee size band are from telephone respondents). The telephone respondents include more firms established since 2006 than the regular online respondents, but also more established before 1970. There are a higher proportion of telephone respondents in health, education, leisure & other and hotels & restaurants, but lower proportions in manufacturing and business services. There are also this time slightly higher proportions in Scotland, Wales and East Midlands and a lower proportion in the South East. (n. b. where comparisons are made with 'earlier surveys', these refer to Volumes 1 to 18 of the NatWest/SBRT Quarterly Survey of Small Business in Britain).

Following the well-established practice of the CBI in its Industrial Trends Survey<sup>28</sup>, a summary statistic, the balance, is used to monitor the responses to key questions. The balance is the percentage of respondents replying 'up' minus the percentage replying 'down' (we ignore, for this purpose, the percentage replying 'same').

The key balances for the questions on performance and prospects are split by industrial sector and re-weighted according to the national sectoral SME distribution, using BIS (Department for Business, Innovation and Skills) estimates of total employment by firms with fewer than 250 employees. In earlier surveys results for previous years were re-weighted as estimates for those years became available. To avoid continuous revisions figures are now weighted by the latest figures available (currently 2010) and not revised. The aim of the weighting is to ensure that the results are as representative as possible of the business population in Britain (n.b. from 1995 to the second survey of 2011, results were weighted by the sectoral distribution of employment in firms with fewer than 50 employees. Between 1989 and 1995 results were weighted by the sectoral distribution of all VAT registered businesses and prior to 1989 they were unweighted). Other breakdowns by industrial sector, region and firm size and the tables on problems and in the special topic section use unweighted data and are not seasonally adjusted.

In tables by number of employees, we have adopted the BIS definition of a firm with no employees. This is where a self-employed sole proprietor or partners work on their own with no employees or where a limited company has a single employee director. Note that a firm with one sole proprietor and one employee is counted as a one employee firm, but a company with two employees is counted as a two employee firm.

The survey reports in each issue on changes in sales and employment and on the ranking of most important problems experienced by small firms. In addition, Barclays Bank provides its latest estimates of small business closures and starts and their Small Business Activity Index. The percentage balances for sales and employment are shown in Appendix Tables A.1 and A.2. In addition, each issue covers one or more special topics, designed to contribute to knowledge about small business in Britain.

In Quarter 2 2012, we took the opportunity to revise some of our regular questions. From that date, the 'Problems' question asks for the single most important problem, rather than the top three, and offers slightly fewer options. Our 'Performance' and 'Prospects' sections now concentrate on sales and employment; we no longer ask about changes in prices on a regular basis, though we continue to ask our online respondents about changes in investment activity. Lastly, our 'Prospects' question now asks about changes between the current quarter and the equivalent quarter last year, rather than with the previous quarter. This enables us to look at expected changes unaffected by seasonal variation and to compare more easily with actual performance.

27 BDRC Business Omnibus, further details available at: <http://www.continentalresearch.com/business-omnibus/>

28 <http://www.cbi.org.uk/business-issues/economy/business-surveys/industrial-trends-survey/>



## Special topics

- Vol 1** No 1 Some Characteristics of the Respondents  
No 2 Changes in Employment, New Business  
No 3 Part-time Employees, Computers  
No 4 Employment
- Vol 2** No 1 Finance, Representative Bodies  
No 2 Exports, The Business Expansion Scheme  
No 3 Employment, Skill Shortage  
No 4 Unincorporated Business, Expansion, Services
- Vol 3** No 1 Telephone Usage, Employment  
No 2 Most Important Problems, Characteristics  
No 3 Employment, Slow Payment Problems  
No 4 Use of Accountants
- Vol 4** No 1 Use of Solicitors  
No 2 Training  
No 3 Access to external information  
No 4 Telecommunications, Characteristics
- Vol 5** No 1 Employee Turnover  
No 2 The effects of 1992 on small firms  
No 3 Background of respondents  
No 4 Origins of new employees
- Vol 6** No 1 EC Special Directorate DG23  
No 2 Motivation and Objectives  
No 3 School-leaver Training  
No 4 School-leaver Training Problems
- Vol 7** No 1 Training and Enterprise Councils  
No 2 Use of Computers  
No 3 Business Growth Objectives, Gender of Owner  
No 4 Sources of Small Business Finance
- Vol 8** No 1 Co-operatives  
No 2 Exports  
No 3 Quality Standards (BS 5750)  
No 4 Impact of the Recession on Incomes and Prices
- Vol 9** No 1 Business Premises and the UBR  
No 2 Rented Business Premises  
No 3 Delayed Payments  
No 4 External Sources of Information
- Vol 10** No 1 The Single Market  
No 2 Pensions  
No 3 The Past Ten Years  
No 4 Minimum Wage
- Vol 11** No 1 Capacity Utilisation  
No 2 Succession and Ownership  
No 3 Staff Recruitment  
No 4 Employee Turnover and Training
- Vol 12** No 1 Compliance Costs  
No 2 IT - Communications and Computers  
No 3 Business Support Organisations  
No 4 Motivations, Objectives and Targets
- Vol 13** No 1 Employment, hours worked, satisfaction  
No 2 Incomes and Prices  
No 3 Minimum Wage  
No 4 Slow Payment
- Vol 14** No 1 VAT Compliance Costs  
No 2 Low Turnover, Advertising and Promotion  
No 3 Lack of Skills, Training and the 'New Deal'  
No 4 The euro
- Vol 15** No 1 IT, Communications and Year 2000  
No 2 Business Finance  
No 3 Government Regulations and Paperwork  
No 4 Motivations, Objectives and Targets
- Vol 16** No 1 Changes  
No 2 Slow Payment  
No 3 Government Regulations and Paperwork  
No 4 Skills Shortages and Training
- Vol 17** No 1 Employee Turnover and Retirement  
No 2 Exports and the Euro  
No 3 IT and the Internet  
No 4 Business Climate
- Vol 18** No 1 Sources of Business Information  
No 2 Business Networks and Supply Chains  
No 3 Ownership and Intentions  
No 4 Pensions and Stockmarket Slide
- Vol 19** Q1 Minimum Wage and Cost Pressures  
Q2 Government Regulations and Paperwork  
Q3 Business Finance  
Q4 ICT and the Internet
- Vol 20** Q1 Motivation, Objective, Target, Innovation  
Q2 Business Education & Training  
Q3 Government Regulations and Paperwork  
Q4 Local Community and Social Responsibility
- Vol 21** Q1 Growth and Motivation  
Q2 Business Ownership  
Q3 ICT and the Internet  
Q4 Government Regulations and Paperwork
- Vol 22** Q1 Exports  
Q2 Motivation, Target, Innovation, Entrepreneurs  
Q3 Organisations & Suppliers (Internet & Imports)  
Q4 Training, Education and Skills
- Vol 23** Q1 Business Advice and Information  
Q2 ICT and the Internet  
Q3 Business Finance  
Q4 'Credit Crunch' and Outlook
- Vol 24** Q1 Government Regulations and Paperwork  
Q2 Economic Uncertainties, Capacity & Income  
Q3 Ownership, Retirement and Succession  
Q4 Business Finance
- Vol 25** Q1 Effect of Downturn  
Q2 Motivation, Growth Targets  
Q3 Business Advice and Information  
Q4 Sources of Advice
- Vol 26** Q1 Equipment and Recovery  
Q2 ICT, Internet, Advertising  
Q3 Recession Strategies  
Q4 Environmental Issues
- Vol 27** Q1 ICT, Smartphones, Cloud Computing  
Q2 Capital Allowances  
Q3 Focus, Employment, 'Greening' Business  
Q4 Post-recession Trends
- Vol 28** Q1 Retirement, Succession & Illness  
Q2 Business Advice & Information  
Q3 Education, Training & Skills Development  
Q4 SMEs and the British Business Bank

# Historical tables

Table A1: Actual change in sales and employment, percentage balances, to Vol.28 No.1

| Survey          | Sample Size | Past Quarter Date | Actual Change, past quarter compared with same quarter last year |            |
|-----------------|-------------|-------------------|--|------------|
|                 |             |                   | Sales  | Employment |
| Vol.1 No.1a     | 3,056       | 1984/3            | +34.7%   | +10.5%     |
| Vol.1 No.1b     | 1,795       | 1984/4            | +32.6%   | +10.4%     |
| Vol.1 No.2      | 1,181       | 1985/1            | +33.4%   | +17.6%     |
| Vol.1 No.3      | 1,090       | 1985/2            | +34.4%   | +11.2%     |
| Vol.1 No.4      | 1,072       | 1985/3            | +37.4%   | +12.1%     |
| Vol.2 No.1      | 1,326       | 1985/4            | +41.4%   | +12.6%     |
| Vol.2 No.2      | 1,052       | 1986/1            | +33.6%   | +11.6%     |
| Vol.2 No.3      | 1,285       | 1986/2            | +35.5%   | +14.2%     |
| Vol.2 No.4      | 1,435       | 1986/3            | +39.7%   | +15.2%     |
| Vol.3 No.1      | 1,116       | 1986/4            | +40.0%   | +13.4%     |
| Vol.3 No.2      | 1,746       | 1987/1            | +40.2%   | +15.2%     |
| Vol.3 No.3      | 1,113       | 1987/2            | +44.7%   | +23.1%     |
| Vol.3 No.4      | 977         | 1987/3            | +44.8%   | +17.6%     |
| Vol.4 No.1      | 1,042       | 1987/4            | +52.7%   | +23.4%     |
| Vol.4 No.2      | 933         | 1988/1            | +52.7%   | +19.3%     |
| Vol.4 No.3      | 983         | 1988/2            | +55.0%   | +22.0%     |
| Vol.4 No.4      | 950         | 1988/3            | +54.9%   | +22.3%     |
| Vol.5 No.1A     | 1,523       | 1988/4            | +49.2%   | +15.1%     |
| Vol.5 No.2      | 947         | 1989/1            | +38.8%   | +18.1%     |
| Vol.5 No.3      | 2,274       | 1989/2            | +41.1%   | +16.7%     |
| Vol.5 No.4      | 795         | 1989/3            | +33.5%   | +18.3%     |
| Vol.6 No.1      | 1,091       | 1989/4            | +29.9%   | +10.5%     |
| Vol.6 No.2      | 1,384       | 1990/1            | +31.4%   | +9.9%      |
| Vol.6 No.3      | 1,043       | 1990/2            | +22.3%   | +4.8%      |
| Vol.6 No.4      | 1,312       | 1990/3            | +18.2%   | +3.5%      |
| Vol.7 No.1      | 1,239       | 1990/4            | -0.5%  | -5.1%      |
| Vol.7 No.2      | 984         | 1991/1            | -8.6%  | -11.6%     |
| Vol.7 No.3      | 1,718       | 1991/2            | -12.5%   | -17.3%     |
| Vol.7 No.4      | 835         | 1991/3            | -14.8%   | -19.9%     |
| Vol.8 No.1      | 1,684       | 1991/4            | -7.9%  | -15.6%     |
| Vol.8 No.2      | 1,359       | 1992/1            | -1.8%  | -17.2%     |
| Vol.8 No.3      | 1,527       | 1992/2            | -9.2%  | -14.6%     |
| Vol.8 No.4      | 921         | 1992/3            | -15.9%   | -27.8%     |
| Vol.9 No.1      | 1,339       | 1992/4            | -9.1%  | -15.1%     |
| Vol.9 No.2      | 1,021       | 1993/1            | -3.8%  | -12.4%     |
| Vol.9 No.3      | 1,310       | 1993/2            | +0.9%  | -7.9%      |
| Vol.9 No.4      | 1,076       | 1993/3            | +8.3%  | -1.6%      |
| Vol.10 No.1     | 1,295       | 1993/4            | +13.8%   | +3.5%      |
| Vol.10 No.2     | 861         | 1994/1            | +3.6%  | -4.3%      |
| Vol.10 No.3     | 2,327       | 1994/2            | +16.2%   | +0.8%      |
| Vol.10 No.4     | 1,046       | 1994/3            | +20.3%   | +7.6%      |
| Vol.11 No.1B    | 983         | 1994/4            | +20.6%   | +2.1%      |
| Vol.11 No.2     | 1,295       | 1995/1            | +18.2%   | +3.2%      |
| Vol.11 No.3     | 669         | 1995/2            | +18.0%   | +3.2%      |
| Vol.11 No.4     | 1,047       | 1995/3            | +13.1%   | +3.3%      |
| Vol.12 No.1     | 700         | 1995/4            | +10.0%   | -2.9%      |
| Vol.12 No.2     | 1,099       | 1996/1            | +14.2%   | +2.5%      |
| Vol.12 No.3     | 742         | 1996/2            | +10.5%   | +3.9%      |
| Vol.12 No.4     | 753         | 1996/3            | +23.1%   | +8.9%      |
| Vol.13 No.1     | 912         | 1996/4            | +20.4%   | +9.8%      |
| Vol.13 No.2     | 720         | 1997/1            | +13.6%   | +2.0%      |
| Vol.13 No.3     | 909         | 1997/2            | +18.0%   | +5.3%      |
| Vol.13 No.4     | 634         | 1997/3            | +21.5%   | +12.1%     |
| Vol.14 No.1     | 783         | 1997/4            | +21.1%   | +1.7%      |
| Vol.14 No.2     | 1,273       | 1998/1            | +19.3%   | +3.0%      |
| Vol.14 No.3     | 682         | 1998/2            | +9.0%  | +5.0%      |
| Vol.14 No.4     | 654         | 1998/3            | -2.5%  | -0.4%      |
| Vol.15 No.1     | 601         | 1998/4            | +5.9%  | +0.5%      |
| Vol.15 No.2     | 619         | 1999/1            | +6.9%  | -2.3%      |
| Vol.15 No.3     | 507         | 1999/2            | -4.9%  | -4.3%      |
| Vol.15 No.4     | 1,121       | 1999/3            | +9.2%  | -2.0%      |
| Vol.16 No.1     | 812         | 1999/4            | +9.3%  | -4.2%      |
| Vol.16 No.2     | 866         | 2000/1            | +9.6%  | -2.6%      |
| Vol.16 No.3     | 758         | 2000/2            | +2.1%  | +0.5%      |
| Vol.16 No.4     | 803         | 2000/3            | +5.0%  | -5.0%      |
| Vol.17 No.1     | 726         | 2000/4            | +8.6%  | -0.5%      |
| Vol.17 No.2     | 856         | 2001/1            | +3.2%  | -3.3%      |
| Vol.17 No.3     | 720         | 2001/2            | +4.9%  | -1.4%      |
| Vol.17 No.4     | 705         | 2001/3            | +5.3%  | +0.3%      |
| Vol.18 No.1     | 654         | 2001/4            | +2.5%  | -4.2%      |
| Vol.18 No.2 old | 675         | 2002/1            | +5.4%  | -2.7%      |
| Vol.18 No.2     | 1,168       | 2002/1            | +14.7%   | +1.2%      |
| Vol.18 No.3     | 1,078       | 2002/2            | +22.9%   | +8.5%      |
| Vol.18 No.4     | 1,074       | 2002/3            | +17.2%   | +4.1%      |
| Vol.19 No.1     | 922         | 2002/4            | +15.5%   | +2.7%      |
| Vol.19 No.2     | 851         | 2003/1            | +9.0%  | -4.7%      |
| Vol.19 No.3     | 784         | 2003/2            | +15.4%   | +1.6%      |
| Vol.19 No.4     | 687         | 2003/3            | +10.1%   | -3.0%      |
| Vol.20 No.1     | 808         | 2003/4            | +27.2%   | +7.3%      |
| Vol.20 No.2     | 739         | 2004/1            | +23.1%   | +1.3%      |
| Vol.20 No.3     | 623         | 2004/2            | +14.9%   | +0.8%      |
| Vol.20 No.4     | 711         | 2004/3            | +17.4%   | +5.8%      |
| Vol.21 No.1     | 652         | 2004/4            | +19.3%   | +6.6%      |
| Vol.21 No.2     | 675         | 2005/1            | +6.3%  | +0.9%      |
| Vol.21 No.3     | 670         | 2005/2            | -0.5%  | +2.0%      |
| Vol.21 No.4     | 620         | 2005/3            | +3.1%  | -5.1%      |
| Vol.22 No.1     | 641         | 2005/4            | +3.6%  | -0.6%      |
| Vol.22 No.2     | 638         | 2006/1            | +15.4%   | -0.1%      |
| Vol.22 No.3     | 547         | 2006/2            | +22.6%   | +5.7%      |
| Vol.22 No.4     | 538         | 2006/3            | +20.2%   | +4.3%      |
| Vol.23 No.1     | 526         | 2006/4            | +16.5%   | +0.5%      |
| Vol.23 No.2     | 528         | 2007/1            | +16.2%   | +2.0%      |
| Vol.23 No.3     | 629         | 2007/2            | +25.7%   | +6.9%      |
| Vol.23 No.4     | 528         | 2007/3            | +12.0%   | +5.0%      |
| Vol.24 No.1     | 822         | 2007/4            | +11.4%   | +1.0%      |
| Vol.24 No.2     | 711         | 2008/1            | +5.3%  | -1.6%      |
| Vol.24 No.3     | 278         | 2008/2            | +2.0%  | -6.2%      |
| Vol.24 No.4 old | 277         | 2008/3            | -6.8%  | -6.1%      |
| Vol.24 No.4     | 1,281       | 2008/3            | +4.7%  | -2.5%      |
| Vol.25 No.1     | 975         | 2008/4            | -9.1%  | -8.7%      |
| Vol.25 No.2     | 848         | 2009/1            | -25.1%   | -15.1%     |
| Vol.25 No.3     | 858         | 2009/2            | -29.1%   | -19.4%     |
| Vol.25 No.4     | 834         | 2009/3            | -19.1%   | -13.1%     |
| Vol.26 No.1     | 830         | 2009/4            | -17.5%   | -18.1%     |
| Vol.26 No.2     | 833         | 2010/1            | -8.3%  | -8.5%      |
| Vol.26 No.3     | 832         | 2010/2            | -2.9%  | -9.5%      |
| Vol.26 No.4     | 819         | 2010/3            | +4.7%  | -3.7%      |
| Vol.27 No.1     | 826         | 2010/4            | +1.7%  | -9.2%      |
| Vol.27 No.2 old | 757         | 2011/1            | +2.3%  | -3.5%      |
| Vol.27 No.3 old | 730         | 2011/2            | -0.3%  | -3.6%      |
| Vol.27 No.3C    | 1,105       | 2011/2            | +8.2%  | +1.0%      |
| Vol.27 No.4     | 1,106       | 2011/3            | +7.5%  | +0.5%      |
| Vol.28 No.1     | 1,082       | 2011/4            | +8.0%  | -1.2%      |

Table A2: Actual and expected changes in sales and employment, percentage balances, Vol.28 No.2 onwards

| Survey        | Sample Size | Past Quarter Date | Actual Change, past quarter compared with same quarter last year |            | Past Quarter Date | Expected Change, current quarter compared to past quarter |            |
|---------------|-------------|-------------------|--|------------|-------------------|---|------------|
|               |             |                   | Sales  | Employment |                   | Sales   | Employment |
| Vol. 28 No. 2 | 1,106       | 2012/1            | +11.4%   | +1.6%      | 2012/2            | +13.5%  | +3.6%      |
| Vol. 28 No. 3 | 1,086       | 2012/2            | +4.4%  | -0.5%      | 2012/3            | +7.8%   | +1.5%      |
| Vol. 28 No. 4 | 1,043       | 2012/2            | +2.3%  | -2.9%      | 2012/4            | +7.5%   | +1.3%      |

## Table A1 Notes:

a, b – The results from two surveys were published in Vol. 1 No. 1

A – From Vol. 5 No. 1, results were weighted to the sectoral distribution according to VAT statistics.

B – From Vol. 11 No. 1, results were weighted to the sectoral distribution of employment in firms with under 50 employees according to BIS statistics.

C – From Vol. 27 No. 3, results are weighted to the sectoral distribution of employment in firms with under 250 employees.

old - Changes in the sample composition in 2002, 2008 and 2011 created breaks in the series. For further details, see the published reports at the date of each break.

Table A3: Most important problem, 1984Q4 to 2002Q1

|         | Inflation | Interest Rates | Access to Finance | Lack of Skilled Employees | Total Tax Burden | Low Turnover or Lack of Business | Competition from Big Business | Govt Regs and Paperwork | High Rates of Pay | Shortage of Materials, Supplies etc. | Internal Management Difficulties | Cashflow/ Payments/ Debtors | Premises, Rents, Rates | Other | No Response | Number of Replies Analysed |
|---------|-----------|----------------|-------------------|---------------------------|------------------|----------------------------------|-------------------------------|-------------------------|-------------------|--------------------------------------|----------------------------------|-----------------------------|------------------------|-------|-------------|----------------------------|
| 1984/4  | 3.5%      | 17.1%          | -                 | 5.4%                      | 15.9%            | 15.3%                            | 12.0%                         | 12.6%                   | 4.2%              | 1.1%                                 | -                                | -                           | -                      | 10.9% | 1.4%        | 3,056                      |
| 1985/1  | 3.8%      | 19.4%          | -                 | 4.4%                      | 15.9%            | 14.5%                            | 10.0%                         | 15.7%                   | 3.4%              | 1.3%                                 | -                                | -                           | -                      | 9.5%  | 1.5%        | 1,795                      |
| 1985/2  | 5.0%      | 22.1%          | -                 | 4.3%                      | 16.1%            | 14.3%                            | 10.8%                         | 12.5%                   | 2.4%              | 1.3%                                 | -                                | -                           | -                      | 9.1%  | 1.5%        | 1,181                      |
| 1985/3  | 2.0%      | 23.6%          | -                 | 4.9%                      | 12.8%            | 13.8%                            | 11.2%                         | 13.1%                   | 3.7%              | 1.9%                                 | -                                | -                           | -                      | 8.6%  | 3.8%        | 1,090                      |
| 1985/4  | 2.2%      | 24.0%          | -                 | 5.6%                      | 16.6%            | 15.7%                            | 11.0%                         | 10.2%                   | 2.0%              | 0.9%                                 | -                                | -                           | -                      | 9.2%  | 2.0%        | 1,072                      |
| 1986/1  | 3.0%      | 21.4%          | -                 | 7.2%                      | 17.1%            | 14.4%                            | 11.7%                         | 9.6%                    | 2.0%              | 1.8%                                 | -                                | -                           | -                      | 9.9%  | 1.3%        | 1,326                      |
| 1986/2  | 1.7%      | 29.9%          | -                 | 7.3%                      | 16.3%            | 12.6%                            | 9.1%                          | 9.9%                    | 2.2%              | 1.2%                                 | -                                | -                           | -                      | 9.4%  | 0.6%        | 1,052                      |
| 1986/3  | 0.9%      | 21.3%          | -                 | 7.3%                      | 16.6%            | 17.0%                            | 11.5%                         | 7.3%                    | 1.4%              | 0.9%                                 | -                                | -                           | -                      | 13.7% | 2.0%        | 1,285                      |
| 1986/4  | 1.1%      | 25.0%          | -                 | 7.2%                      | 17.7%            | 14.7%                            | 11.8%                         | 6.8%                    | 1.3%              | 1.3%                                 | -                                | -                           | -                      | 10.0% | 3.1%        | 1,435                      |
| 1987/1  | 0.9%      | 26.4%          | -                 | 8.0%                      | 16.0%            | 13.0%                            | 12.0%                         | 7.4%                    | 1.6%              | 1.3%                                 | -                                | -                           | -                      | 9.1%  | 4.2%        | 1,166                      |
| 1987/2  | 1.0%      | 23.7%          | -                 | 9.6%                      | 17.7%            | 12.0%                            | 10.7%                         | 7.6%                    | 2.6%              | 1.5%                                 | -                                | -                           | -                      | 10.3% | 3.3%        | 1,746                      |
| 1987/3  | 1.1%      | 20.3%          | -                 | 11.8%                     | 17.9%            | 12.9%                            | 11.5%                         | 6.6%                    | 1.9%              | 2.2%                                 | -                                | -                           | -                      | 10.5% | 3.5%        | 1,113                      |
| 1987/4  | 1.1%      | 18.0%          | -                 | 11.1%                     | 21.3%            | 13.0%                            | 12.5%                         | 6.3%                    | 1.3%              | 1.3%                                 | -                                | -                           | -                      | 9.6%  | 4.5%        | 977                        |
| 1988/1  | 0.7%      | 21.6%          | -                 | 11.1%                     | 20.1%            | 9.6%                             | 11.4%                         | 6.1%                    | 2.3%              | 1.9%                                 | -                                | -                           | -                      | 14.9% | 0.3%        | 1,042                      |
| 1988/2  | 1.0%      | 19.4%          | -                 | 12.7%                     | 15.5%            | 10.2%                            | 14.4%                         | 8.0%                    | 1.8%              | 2.3%                                 | -                                | -                           | -                      | 13.7% | 1.4%        | 933                        |
| 1988/3  | 0.9%      | 17.6%          | -                 | 17.7%                     | 13.7%            | 11.3%                            | 11.4%                         | 8.3%                    | 2.4%              | 2.7%                                 | -                                | -                           | -                      | 11.4% | 2.4%        | 983                        |
| 1988/4  | 2.8%      | 25.5%          | -                 | 16.9%                     | 12.5%            | 8.7%                             | 10.4%                         | 6.0%                    | 1.3%              | 3.3%                                 | -                                | -                           | -                      | 10.6% | 1.9%        | 950                        |
| 1989/1A | 5.3%      | 23.4%          | -                 | 16.4%                     | 11.1%            | 5.7%                             | 5.9%                          | 7.2%                    | 1.4%              | 0.3%                                 | -                                | -                           | -                      | 19.0% | 4.3%        | 1,523                      |
| 1989/2  | 6.3%      | 28.4%          | -                 | 14.0%                     | 12.2%            | 7.1%                             | 5.9%                          | 5.2%                    | 1.0%              | 0.8%                                 | -                                | -                           | -                      | 14.5% | 4.7%        | 947                        |
| 1989/3  | 6.1%      | 32.9%          | -                 | 13.3%                     | 7.1%             | 13.1%                            | 6.0%                          | 5.9%                    | 1.5%              | 0.5%                                 | -                                | -                           | -                      | 12.1% | 1.6%        | 2,274                      |
| 1989/4  | 6.9%      | 39.2%          | -                 | 10.4%                     | 5.4%             | 12.9%                            | 4.7%                          | 5.1%                    | 1.1%              | 0.6%                                 | -                                | -                           | -                      | 12.2% | 1.4%        | 795                        |
| 1990/1  | 4.2%      | 31.3%          | 3.1%              | 6.7%                      | 5.3%             | 13.3%                            | -                             | 5.5%                    | 2.5%              | 0.7%                                 | 0.6%                             | 11.5%                       | 8.4%                   | 5.3%  | 1.7%        | 1,091                      |
| 1990/2  | 6.7%      | 27.9%          | 3.2%              | 7.8%                      | 2.9%             | 14.6%                            | -                             | 5.6%                    | 1.5%              | 0.3%                                 | 1.6%                             | 11.6%                       | 6.6%                   | 8.2%  | 1.4%        | 1,384                      |
| 1990/3  | 4.3%      | 29.9%          | 3.6%              | 6.4%                      | 3.7%             | 14.7%                            | 3.1%                          | 4.3%                    | 1.6%              | 0.0%                                 | 1.9%                             | 13.6%                       | 4.8%                   | 5.5%  | 2.5%        | 1,043                      |
| 1990/4  | 7.5%      | 26.6%          | 2.3%              | 5.7%                      | 4.4%             | 18.9%                            | 3.8%                          | 6.3%                    | 0.2%              | 0.3%                                 | 0.8%                             | 8.6%                        | 4.7%                   | 7.9%  | 1.9%        | 1,250                      |
| 1991/1  | 6.0%      | 29.4%          | 2.7%              | 3.4%                      | 4.2%             | 21.1%                            | 2.6%                          | 5.6%                    | 0.9%              | 0.5%                                 | 0.8%                             | 11.4%                       | 4.2%                   | 5.5%  | 1.9%        | 1,239                      |
| 1991/2  | 4.0%      | 21.2%          | 4.3%              | 2.9%                      | 5.1%             | 25.2%                            | 2.9%                          | 4.0%                    | 0.4%              | 0.4%                                 | 0.6%                             | 14.9%                       | 7.1%                   | 6.0%  | 1.0%        | 984                        |
| 1991/3  | 3.3%      | 15.0%          | 3.0%              | 2.3%                      | 4.7%             | 37.5%                            | 2.4%                          | 6.7%                    | 1.2%              | 0.3%                                 | 1.2%                             | 11.0%                       | 3.3%                   | 6.7%  | 1.5%        | 1,718                      |
| 1991/4  | 1.2%      | 7.5%           | 4.6%              | 4.5%                      | 4.1%             | 38.1%                            | 3.4%                          | 3.9%                    | 0.7%              | 0.3%                                 | 1.3%                             | 13.2%                       | 5.7%                   | 10.7% | 0.8%        | 835                        |
| 1992/1  | 2.0%      | 9.1%           | 5.2%              | 2.1%                      | 5.6%             | 36.3%                            | 3.2%                          | 5.6%                    | 0.5%              | 0.4%                                 | 1.2%                             | 15.8%                       | 4.0%                   | 7.1%  | 1.8%        | 1,684                      |
| 1992/2  | 2.2%      | 11.6%          | 4.4%              | 3.4%                      | 5.4%             | 34.3%                            | 4.5%                          | 5.3%                    | 0.4%              | 0.3%                                 | 1.1%                             | 13.4%                       | 5.0%                   | 7.4%  | 1.3%        | 1,359                      |
| 1992/3  | 1.6%      | 7.6%           | 3.9%              | 2.9%                      | 5.1%             | 43.3%                            | 2.1%                          | 8.1%                    | 0.3%              | 1.0%                                 | 0.8%                             | 13.5%                       | 3.0%                   | 5.9%  | 0.8%        | 1,527                      |
| 1992/4  | 1.0%      | 8.8%           | 3.6%              | 1.6%                      | 6.0%             | 44.3%                            | 4.0%                          | 8.0%                    | 0.5%              | 0.3%                                 | 0.2%                             | 11.5%                       | 3.0%                   | 5.2%  | 2.0%        | 921                        |
| 1993/1  | 0.6%      | 3.7%           | 3.2%              | 3.2%                      | 4.1%             | 47.7%                            | 3.0%                          | 6.2%                    | 0.3%              | 1.2%                                 | 0.6%                             | 13.1%                       | 2.9%                   | 8.4%  | 1.8%        | 1,339                      |
| 1993/2  | 0.5%      | 1.4%           | 5.4%              | 3.3%                      | 5.4%             | 43.1%                            | 4.0%                          | 7.6%                    | 0.5%              | 0.7%                                 | 1.6%                             | 14.3%                       | 2.9%                   | 7.4%  | 1.8%        | 1,021                      |
| 1993/3  | 0.4%      | 2.1%           | 5.5%              | 4.5%                      | 5.4%             | 41.2%                            | 4.2%                          | 12.6%                   | 0.3%              | 0.7%                                 | 0.9%                             | 10.9%                       | 3.7%                   | 5.9%  | 1.6%        | 1,310                      |
| 1993/4  | 1.0%      | 2.8%           | 6.9%              | 3.0%                      | 6.5%             | 36.8%                            | 4.3%                          | 10.0%                   | 0.3%              | 0.6%                                 | 2.5%                             | 15.5%                       | 3.3%                   | 4.6%  | 2.0%        | 1,076                      |
| 1994/1  | 0.6%      | 1.9%           | 5.5%              | 4.2%                      | 6.8%             | 34.1%                            | 6.9%                          | 11.0%                   | 0.1%              | 0.6%                                 | 1.1%                             | 14.4%                       | 4.1%                   | 6.9%  | 1.7%        | 1,295                      |
| 1994/2  | 1.1%      | 1.6%           | 3.8%              | 5.4%                      | 7.0%             | 35.3%                            | 5.2%                          | 13.9%                   | 0.1%              | 0.4%                                 | 1.4%                             | 14.0%                       | 3.2%                   | 6.4%  | 1.3%        | 861                        |
| 1994/3  | 0.9%      | 1.5%           | 3.6%              | 4.9%                      | 5.9%             | 37.7%                            | 5.9%                          | 9.7%                    | 0.9%              | 0.8%                                 | 2.1%                             | 13.3%                       | 3.1%                   | 7.6%  | 2.0%        | 2,327                      |
| 1994/4  | 1.1%      | 1.2%           | 4.7%              | 4.8%                      | 6.4%             | 35.7%                            | 6.3%                          | 10.4%                   | 0.1%              | 1.1%                                 | 1.6%                             | 12.9%                       | 3.8%                   | 7.6%  | 2.5%        | 1,046                      |
| 1995/1B | 0.8%      | 2.7%           | 4.0%              | 6.1%                      | 6.2%             | 37.7%                            | 6.9%                          | 6.7%                    | 0.6%              | 1.1%                                 | 3.0%                             | 12.5%                       | 2.0%                   | 7.4%  | 2.2%        | 983                        |
| 1995/2  | 1.2%      | 2.0%           | 3.4%              | 5.1%                      | 6.9%             | 36.7%                            | 6.1%                          | 8.0%                    | 0.6%              | 0.9%                                 | 2.7%                             | 12.2%                       | 3.8%                   | 9.4%  | 1.0%        | 1,295                      |
| 1995/3  | 1.1%      | 3.8%           | 4.2%              | 4.0%                      | 6.8%             | 37.6%                            | 8.8%                          | 7.1%                    | 0.5%              | 0.5%                                 | 1.1%                             | 11.4%                       | 5.9%                   | 6.8%  | 0.4%        | 669                        |
| 1995/4  | 1.1%      | 0.8%           | 3.4%              | 6.0%                      | 6.0%             | 39.1%                            | 6.3%                          | 9.1%                    | 0.7%              | 0.3%                                 | 2.4%                             | 12.0%                       | 2.8%                   | 9.3%  | 0.9%        | 1,047                      |

Table A3: Most important problem, 1984Q4 to 2002Q1 (continued)

|        | Inflation | Interest Rates | Access to Finance | Lack of Skilled Employees | Total Tax Burden | Low T/over or Lack of Business | Competition from Big Business | Govt Regs and Paperwork | High Rates of Pay | Shortage of Materials, Supplies etc. | Internal Management Difficulties | Cashflow/ Payments/ Debtors | Premises, Rents, Rates | Other | No Response | Number of Replies Analysed |
|--------|-----------|----------------|-------------------|---------------------------|------------------|--------------------------------|-------------------------------|-------------------------|-------------------|--------------------------------------|----------------------------------|-----------------------------|------------------------|-------|-------------|----------------------------|
| 1986/1 | 2.2%      | 0.6%           | 3.3%              | 4.5%                      | 6.5%             | 38.2%                          | 6.7%                          | 5.1%                    | 0.3%              | 0.7%                                 | 1.7%                             | 12.8%                       | 3.7%                   | 11.5% | 2.1%        | 700                        |
| 1986/2 | 0.4%      | 0.7%           | 2.6%              | 4.4%                      | 6.5%             | 36.6%                          | 6.1%                          | 8.8%                    | 0.4%              | 0.5%                                 | 2.6%                             | 13.1%                       | 3.4%                   | 13.1% | 1.0%        | 1,099                      |
| 1986/3 | 0.2%      | 0.7%           | 3.7%              | 6.1%                      | 6.3%             | 31.8%                          | 8.1%                          | 8.6%                    | 0.3%              | 0.5%                                 | 1.4%                             | 12.2%                       | 4.9%                   | 14.3% | 1.2%        | 742                        |
| 1986/4 | 0.6%      | 1.0%           | 2.5%              | 7.6%                      | 6.5%             | 34.6%                          | 7.5%                          | 10.3%                   | 0.4%              | 0.2%                                 | 2.5%                             | 9.5%                        | 4.2%                   | 11.6% | 1.0%        | 753                        |
| 1987/1 | 0.3%      | 1.4%           | 2.9%              | 8.2%                      | 6.6%             | 29.9%                          | 7.4%                          | 10.8%                   | 0.3%              | 0.5%                                 | 2.1%                             | 14.6%                       | 3.9%                   | 10.2% | 1.0%        | 912                        |
| 1987/2 | 0.1%      | 1.2%           | 2.0%              | 9.5%                      | 5.1%             | 31.9%                          | 7.2%                          | 10.5%                   | 1.4%              | 0.3%                                 | 2.5%                             | 11.2%                       | 3.5%                   | 12.6% | 1.1%        | 720                        |
| 1987/3 | 0.2%      | 2.7%           | 3.4%              | 8.1%                      | 8.1%             | 27.6%                          | 9.2%                          | 10.3%                   | 0.5%              | 0.5%                                 | 2.0%                             | 10.5%                       | 5.3%                   | 11.1% | 0.5%        | 909                        |
| 1987/4 | 0.7%      | 1.9%           | 2.5%              | 12.1%                     | 5.6%             | 29.4%                          | 7.0%                          | 10.9%                   | 0.6%              | 0.6%                                 | 2.5%                             | 10.3%                       | 4.9%                   | 9.7%  | 1.3%        | 634                        |
| 1988/1 | 0.2%      | 3.4%           | 1.8%              | 8.9%                      | 5.8%             | 27.7%                          | 8.1%                          | 11.8%                   | 0.9%              | 0.5%                                 | 1.6%                             | 12.1%                       | 3.4%                   | 12.6% | 1.3%        | 783                        |
| 1988/2 | 0.2%      | 3.4%           | 2.9%              | 10.1%                     | 5.0%             | 25.6%                          | 8.2%                          | 8.4%                    | 1.1%              | 0.3%                                 | 1.9%                             | 10.7%                       | 3.2%                   | 18.1% | 0.9%        | 1,273                      |
| 1988/3 | 1.8%      | 3.4%           | 2.2%              | 7.7%                      | 5.0%             | 29.3%                          | 6.3%                          | 9.6%                    | 0.8%              | 0.1%                                 | 2.6%                             | 9.7%                        | 4.9%                   | 16.0% | 0.7%        | 682                        |
| 1988/4 | 0.8%      | 6.3%           | 1.8%              | 9.7%                      | 7.1%             | 30.8%                          | 7.6%                          | 6.1%                    | 1.4%              | 0.7%                                 | 1.6%                             | 10.5%                       | 2.0%                   | 13.0% | 0.6%        | 654                        |
| 1989/1 | 0.1%      | 1.7%           | 1.9%              | 8.9%                      | 7.2%             | 31.0%                          | 5.3%                          | 11.1%                   | 1.1%              | 0.9%                                 | 1.9%                             | 8.3%                        | 4.3%                   | 15.2% | 1.1%        | 601                        |
| 1989/2 | 0.2%      | 1.0%           | 1.2%              | 8.0%                      | 6.3%             | 31.6%                          | 7.6%                          | 14.8%                   | 1.1%              | 0.1%                                 | 1.0%                             | 9.2%                        | 3.9%                   | 12.9% | 1.0%        | 619                        |
| 1989/3 | 0.1%      | 0.7%           | 2.8%              | 11.2%                     | 7.7%             | 25.3%                          | 8.0%                          | 13.6%                   | 2.1%              | 0.9%                                 | 3.3%                             | 8.2%                        | 4.4%                   | 10.2% | 1.5%        | 507                        |
| 1989/4 | 0.4%      | 0.8%           | 2.9%              | 11.4%                     | 6.1%             | 26.3%                          | 7.3%                          | 14.2%                   | 1.1%              | 0.5%                                 | 2.0%                             | 9.6%                        | 3.9%                   | 12.6% | 0.9%        | 1,121                      |
| 2000/1 | 0.3%      | 1.0%           | 1.7%              | 9.5%                      | 6.4%             | 26.2%                          | 8.7%                          | 18.6%                   | 1.4%              | 0.3%                                 | 2.2%                             | 8.8%                        | 3.7%                   | 10.4% | 0.6%        | 812                        |
| 2000/2 | 0.3%      | 1.6%           | 1.3%              | 8.7%                      | 6.7%             | 25.9%                          | 6.3%                          | 19.0%                   | 1.4%              | 1.1%                                 | 1.8%                             | 7.2%                        | 3.3%                   | 14.9% | 0.6%        | 866                        |
| 2000/3 | 0.3%      | 0.8%           | 2.2%              | 12.2%                     | 7.3%             | 26.7%                          | 6.3%                          | 12.5%                   | 1.4%              | 1.1%                                 | 2.4%                             | 9.6%                        | 2.8%                   | 12.6% | 1.9%        | 758                        |
| 2000/4 | 0.4%      | 0.7%           | 1.6%              | 7.9%                      | 7.2%             | 27.4%                          | 6.9%                          | 15.7%                   | 0.8%              | 0.9%                                 | 1.4%                             | 10.2%                       | 4.1%                   | 14.3% | 0.4%        | 803                        |
| 2001/1 | 0.1%      | 0.4%           | 2.0%              | 11.1%                     | 6.7%             | 31.4%                          | 6.3%                          | 14.4%                   | 0.8%              | 0.3%                                 | 1.9%                             | 9.2%                        | 2.8%                   | 10.9% | 1.8%        | 726                        |
| 2001/2 | 0.2%      | 0.8%           | 1.3%              | 10.8%                     | 7.9%             | 27.2%                          | 5.9%                          | 15.4%                   | 2.7%              | 0.4%                                 | 2.6%                             | 7.0%                        | 3.2%                   | 13.7% | 1.0%        | 856                        |
| 2001/3 | 0.0%      | 0.0%           | 0.7%              | 13.5%                     | 9.6%             | 30.0%                          | 6.4%                          | 13.8%                   | 0.8%              | 0.4%                                 | 1.2%                             | 7.3%                        | 3.1%                   | 12.8% | 0.5%        | 720                        |
| 2001/4 | 0.1%      | 0.0%           | 2.0%              | 11.7%                     | 6.7%             | 27.4%                          | 5.2%                          | 16.5%                   | 1.3%              | 0.5%                                 | 1.1%                             | 8.2%                        | 2.9%                   | 15.0% | 1.3%        | 705                        |
| 2002/1 | 0.3%      | 0.5%           | 1.7%              | 7.8%                      | 8.9%             | 28.5%                          | 5.1%                          | 15.2%                   | 0.7%              | 0.2%                                 | 1.0%                             | 8.4%                        | 3.4%                   | 16.8% | 1.5%        | 654                        |

Table A4: Most important problem, 2002Q2 to 2007Q4

|        | General economic climate | 'Sector-specific demand/problems | Competition | Marketing problems | Interest rates/ Access to finance | Inflation/ Cost of materials, supplies | Other costs (e.g. premises, transport) | Exchange rates | Cashflow/ Payments/ Debtors | Government regulations and paperwork | Lack of skilled employees/ High pay | Total tax burden | Lack of time/ capacity | No problems | Other (please specify) | No response | Sample |
|--------|--------------------------|----------------------------------|-------------|--------------------|-----------------------------------|--|--|----------------|-----------------------------|--------------------------------------|-------------------------------------|------------------|------------------------|-------------|------------------------|-------------|--------|
| 2002/2 | 13%                      | 7%                               | 6%          | 4%                 | 2%                                | 1%                                     | 2%                                     | 2%             | 10%                         | 14%                                  | 8%                                  | 7%               | 8%                     | 3%          | 12%                    | 1%          | 1,168  |
| 2002/3 | 13%                      | 7%                               | 7%          | 4%                 | 1%                                | 0%                                     | 1%                                     | 1%             | 11%                         | 16%                                  | 11%                                 | 6%               | 9%                     | 2%          | 11%                    | 1%          | 1,078  |
| 2002/4 | 16%                      | 7%                               | 9%          | 4%                 | 1%                                | 0%                                     | 2%                                     | 1%             | 9%                          | 15%                                  | 10%                                 | 6%               | 9%                     | 2%          | 8%                     | 2%          | 1,074  |
| 2003/1 | 20%                      | 8%                               | 9%          | 4%                 | 1%                                | 0%                                     | 1%                                     | 1%             | 9%                          | 14%                                  | 6%                                  | 7%               | 8%                     | 2%          | 9%                     | 1%          | 922    |
| 2003/2 | 21%                      | 8%                               | 7%          | 4%                 | 1%                                | 1%                                     | 1%                                     | 1%             | 11%                         | 10%                                  | 9%                                  | 6%               | 9%                     | 2%          | 8%                     | 2%          | 851    |
| 2003/3 | 18%                      | 9%                               | 6%          | 3%                 | 1%                                | 1%                                     | 1%                                     | 1%             | 6%                          | 15%                                  | 9%                                  | 9%               | 10%                    | 2%          | 7%                     | 2%          | 784    |
| 2003/4 | 13%                      | 9%                               | 8%          | 3%                 | 1%                                | 1%                                     | 1%                                     | 0%             | 7%                          | 18%                                  | 8%                                  | 8%               | 8%                     | 3%          | 9%                     | 2%          | 687    |
| 2004/1 | 11%                      | 8%                               | 9%          | 3%                 | 2%                                | 1%                                     | 2%                                     | 2%             | 11%                         | 15%                                  | 7%                                  | 9%               | 8%                     | 3%          | 8%                     | 1%          | 808    |
| 2004/2 | 9%                       | 8%                               | 8%          | 4%                 | 2%                                | 2%                                     | 1%                                     | 1%             | 8%                          | 20%                                  | 9%                                  | 8%               | 9%                     | 3%          | 8%                     | 1%          | 739    |
| 2004/3 | 10%                      | 9%                               | 8%          | 4%                 | 2%                                | 3%                                     | 3%                                     | 1%             | 10%                         | 13%                                  | 10%                                 | 7%               | 9%                     | 3%          | 7%                     | 1%          | 623    |
| 2004/4 | 11%                      | 8%                               | 7%          | 3%                 | 1%                                | 2%                                     | 1%                                     | 1%             | 8%                          | 20%                                  | 10%                                 | 8%               | 8%                     | 4%          | 8%                     | 1%          | 711    |
| 2005/1 | 9%                       | 9%                               | 8%          | 5%                 | 1%                                | 2%                                     | 2%                                     | 1%             | 7%                          | 18%                                  | 10%                                 | 11%              | 9%                     | 2%          | 5%                     | 1%          | 652    |
| 2005/2 | 13%                      | 9%                               | 8%          | 3%                 | 1%                                | 1%                                     | 1%                                     | 1%             | 8%                          | 22%                                  | 8%                                  | 7%               | 8%                     | 3%          | 5%                     | 2%          | 675    |
| 2005/3 | 16%                      | 10%                              | 6%          | 5%                 | 0%                                | 2%                                     | 2%                                     | 1%             | 8%                          | 20%                                  | 6%                                  | 5%               | 7%                     | 1%          | 6%                     | 3%          | 670    |
| 2005/4 | 20%                      | 8%                               | 6%          | 4%                 | 1%                                | 3%                                     | 1%                                     | 1%             | 8%                          | 15%                                  | 10%                                 | 9%               | 7%                     | 1%          | 5%                     | 2%          | 620    |
| 2006/1 | 18%                      | 9%                               | 7%          | 4%                 | 1%                                | 3%                                     | 1%                                     | 1%             | 9%                          | 20%                                  | 9%                                  | 9%               | 6%                     | 2%          | 4%                     | 1%          | 641    |
| 2006/2 | 11%                      | 9%                               | 6%          | 2%                 | 1%                                | 4%                                     | 2%                                     | 0%             | 9%                          | 22%                                  | 7%                                  | 8%               | 10%                    | 3%          | 6%                     | 1%          | 638    |
| 2006/3 | 12%                      | 9%                               | 7%          | 2%                 | 1%                                | 2%                                     | 1%                                     | 1%             | 9%                          | 21%                                  | 7%                                  | 10%              | 9%                     | 2%          | 4%                     | 2%          | 547    |
| 2006/4 | 10%                      | 9%                               | 8%          | 3%                 | 1%                                | 3%                                     | 1%                                     | 1%             | 7%                          | 25%                                  | 7%                                  | 8%               | 7%                     | 2%          | 7%                     | 2%          | 538    |
| 2007/1 | 9%                       | 9%                               | 8%          | 3%                 | 2%                                | 3%                                     | 2%                                     | 2%             | 9%                          | 22%                                  | 7%                                  | 8%               | 7%                     | 2%          | 5%                     | 4%          | 526    |
| 2007/2 | 11%                      | 7%                               | 9%          | 4%                 | 2%                                | 3%                                     | 1%                                     | 2%             | 6%                          | 23%                                  | 8%                                  | 7%               | 7%                     | 2%          | 6%                     | 2%          | 528    |
| 2007/3 | 10%                      | 8%                               | 9%          | 3%                 | 3%                                | 4%                                     | 2%                                     | 1%             | 7%                          | 15%                                  | 8%                                  | 7%               | 9%                     | 5%          | 7%                     | 2%          | 629    |
| 2007/4 | 15%                      | 8%                               | 9%          | 2%                 | 4%                                | 4%                                     | 1%                                     | 2%             | 5%                          | 17%                                  | 8%                                  | 8%               | 5%                     | 2%          | 8%                     | 2%          | 528    |

Table A5: Average rating of problems (1=no problem, 10=severe problem), 2008Q1 to 2008Q3

| Survey | Economic climate or demand | Competition | Interest rates or access to finance | Inflation or cost of inputs, etc. | Cashflow, payments or debtors | Government regulations | Lack of skilled employees/high pay | Total tax burden | Lack of time/capacity | Internal (management, marketing etc.) | Sample |
|--------|----------------------------|-------------|-------------------------------------|-----------------------------------|-------------------------------|------------------------|------------------------------------|------------------|-----------------------|---------------------------------------|--------|
| 2008/1 | 6.7                        | 5.0         | 4.9                                 | 6.2                               | 5.1                           | 6.6                    | 4.6                                | 6.7              | 6.1                   | -                                     | 822    |
| 2008/2 | 6.2                        | 4.7         | 4.0                                 | 5.7                               | 4.9                           | 6.2                    | 4.5                                | 6.1              | 5.6                   | -                                     | 711    |
| 2008/3 | 7.0                        | 5.1         | 4.3                                 | 6.0                               | 5.3                           | 6.5                    | 4.4                                | 6.5              | 6.0                   | 4.2                                   | 278    |

Table A6: Proportion ranking each problem in top three facing their business, 2008Q4 to 2012Q1

| Survey | Economic climate or demand | Competition | Interest rates or access to finance | Inflation or cost of inputs, etc. | Cashflow, payments or debtors | Government regulations | Lack of skilled employees/high pay | Total tax burden | Lack of time/capacity | Internal (management, marketing etc.) | Sample |
|--------|----------------------------|-------------|-------------------------------------|-----------------------------------|-------------------------------|------------------------|------------------------------------|------------------|-----------------------|---------------------------------------|--------|
| 2008/4 | 58%                        | 28%         | 19%                                 | 26%                               | 28%                           | 28%                    | 11%                                | 22%              | 15%                   | 5%                                    | 1,281  |
| 2009/1 | 55%                        | 23%         | 21%                                 | 24%                               | 36%                           | 30%                    | 7%                                 | 26%              | 14%                   | 4%                                    | 975    |
| 2009/2 | 61%                        | 26%         | 19%                                 | 22%                               | 33%                           | 31%                    | 10%                                | 24%              | 17%                   | 7%                                    | 848    |
| 2009/3 | 52%                        | 24%         | 19%                                 | 18%                               | 34%                           | 30%                    | 10%                                | 26%              | 16%                   | 6%                                    | 858    |
| 2009/4 | 57%                        | 25%         | 21%                                 | 17%                               | 35%                           | 33%                    | 10%                                | 26%              | 16%                   | 4%                                    | 834    |
| 2010/1 | 48%                        | 29%         | 17%                                 | 18%                               | 33%                           | 35%                    | 11%                                | 29%              | 14%                   | 6%                                    | 830    |
| 2010/2 | 55%                        | 28%         | 17%                                 | 20%                               | 31%                           | 31%                    | 10%                                | 26%              | 17%                   | 6%                                    | 833    |
| 2010/3 | 51%                        | 32%         | 17%                                 | 18%                               | 34%                           | 29%                    | 11%                                | 22%              | 16%                   | 5%                                    | 832    |
| 2010/4 | 51%                        | 28%         | 21%                                 | 19%                               | 33%                           | 30%                    | 10%                                | 27%              | 16%                   | 6%                                    | 819    |
| 2011/1 | 54%                        | 28%         | 17%                                 | 23%                               | 33%                           | 27%                    | 9%                                 | 25%              | 15%                   | 7%                                    | 826    |
| 2011/2 | 54%                        | 28%         | 17%                                 | 26%                               | 29%                           | 26%                    | 11%                                | 19%              | 16%                   | 7%                                    | 947    |
| 2011/3 | 55%                        | 26%         | 16%                                 | 24%                               | 25%                           | 25%                    | 8%                                 | 20%              | 13%                   | 6%                                    | 1,105  |
| 2011/4 | 63%                        | 33%         | 15%                                 | 26%                               | 26%                           | 28%                    | 10%                                | 22%              | 14%                   | 6%                                    | 1,106  |
| 2012/1 | 59%                        | 31%         | 15%                                 | 25%                               | 31%                           | 26%                    | 10%                                | 20%              | 12%                   | 5%                                    | 1,082  |

Table A7: Most important problem, 2012Q2 onwards

| Survey | Economic climate or demand | Interest rates or access to finance | Inflation or cost of inputs, etc. | Cashflow, payments or debtors | Government regulations | Lack of skilled employees | Lack of time/capacity | The total tax burden | Sample |
|--------|----------------------------|-------------------------------------|-----------------------------------|-------------------------------|------------------------|---------------------------|-----------------------|----------------------|--------|
| 2012/2 | 40%                        | 5%                                  | 8%                                | 16%                           | 10%                    | 3%                        | 6%                    | 6%                   | 1,106  |
| 2012/3 | 42%                        | 5%                                  | 6%                                | 14%                           | 9%                     | 4%                        | 5%                    | 6%                   | 1,086  |
| 2012/4 | 38%                        | 5%                                  | 5%                                | 17%                           | 9%                     | 4%                        | 5%                    | 8%                   | 1,043  |

## Quarterly Survey 2012 Q4

Please click in the appropriate circles and boxes or fill in the blanks. Your answers will remain confidential. If you have any problems with, or queries about, this form, please email us at [ubs-enterprise@open.ac.uk](mailto:ubs-enterprise@open.ac.uk) or call Julie Sullivan on 01908 655 831.

**1** What is the legal status of your business?

- Private (limited) company       Self-employed sole trader/sole proprietorship       Other  
 Partnership       PLC

**2** Including yourself, how many people work in the business including both full and part-time workers?

**3a** How many years have you been running a business?

**3b** How many years has your present business been trading?

**4** Please describe in a few words the precise nature of your business:

**5** Entrepreneurial firms are more competitive, growth-minded and innovative than other firms. Where would you put your firm on a scale of 1 to 10?

**6** Which of the following do you see as the key priorities for the proposed "British Business Bank"; if it is to benefit small and medium-sized firms?

- Increase awareness of different financing options, including their benefits and drawbacks       None of the above  
 Ensure that firms can obtain more reliable longer-term finance, such as 10 year loans       Don't know / no response  
 Make finance available to newer and higher-risk ventures, such as technology start-ups  
 Ensure that businesses have adequate access to finance during economic downturns  
 Provide Government support so that commercial providers can lend more easily or more cheaply  
 Increase choice and competition in the market for loans and other forms of business finance

**7** In your opinion, would an institution like the proposed "British Business Bank" be likely to help firms in your industry sector to increase the amount they invest in their businesses?

- Yes       No       Don't know / no response

**8a** Which of the following measures by the UK government would encourage you to invest more in your own business?

- Provide mentors or advisers who have a real understanding of our business       None of these, though we would still like to invest more in our business  
 Promote new apprenticeships or other skills development for our workforce       None of these, as we have no intention of investing more in our business  
 Introduce new investment-related tax breaks, incentives or subsidies  
 Revise public procurement policies to create new opportunities for firms in our sector

**8b** If you answered none of these, please outline any other factors that would help you to invest more in your business, or indicate why you are not intending to invest in your business

**9a** In your experience, how has the availability of alternative sources of finance for small and medium-sized firms changed over the last 12 months?

- Increased       Decreased       No change

**9b** If you expressed a view on this issue, please explain and/or give an example and / or give an example based on your experience over the last 12 months

**10** In which of the following ranges is your firm's annual turnover (excluding VAT):

- Less than £50,000       £250,000-£499,999       £5m-£10m  
 £50,000-£99,999       £500,000-£999,999       £10m-£20m  
 £100,000-£249,999       £1m-£5m       over £20m

The next three questions ask how your sales turnover, average employment and investment (in plant, equipment and premises) in the past quarter compared with the same quarter last year.

**11a** Was your sales turnover in July to September 2012 compared with July to September 2011:       Up       Same       Down

**11b** Was your average employment in July to September 2012 compared with July to September 2011:       Up       Same       Down

**11c** Was your investment in July to September 2012 compared with July to September 2011:       Up       Same       Down

The next three questions ask how you expect your sales turnover, average employment and investment (in plant, equipment and premises) will have changed in the current quarter compared with the same quarter last year.

**12a** Expected sales turnover in October to December 2012 compared with October to December 2011:       Up       Same       Down

**12b** Expected average employment in October to December 2012 compared with October to December 2011:       Up       Same       Down

**12c** Expected investment in October to December 2012 compared with October to December 2011:       Up       Same       Down

**13** Which, if any, of the following is the TOP problem facing your business at the moment?

- Economic climate or demand       Inflation or cost of inputs, etc.       Government regulations       Lack of time/capacity  
 Interest rates or access to finance       Cashflow, payments or debtors       Lack of skilled employees       Total tax burden

**14** What other major problems does your business face at the moment?

**15** Please indicate the sex of the owner(s) of the business:

- Male       Female       Joint Male/Female ownership

**16** Please enter your Business Postcode:

**17** Please enter any comments you have on the issues raised in this questionnaire:

## Quarterly Survey of Small Business in Britain

Published by  
The Open University Business School  
Michael Young Building  
Walton Hall  
Milton Keynes  
MK7 6AA

ISSN 2046-7990 (Online)  
ISSN 1756-1658 (Print)

[www.open.ac.uk/quarterly-survey](http://www.open.ac.uk/quarterly-survey)