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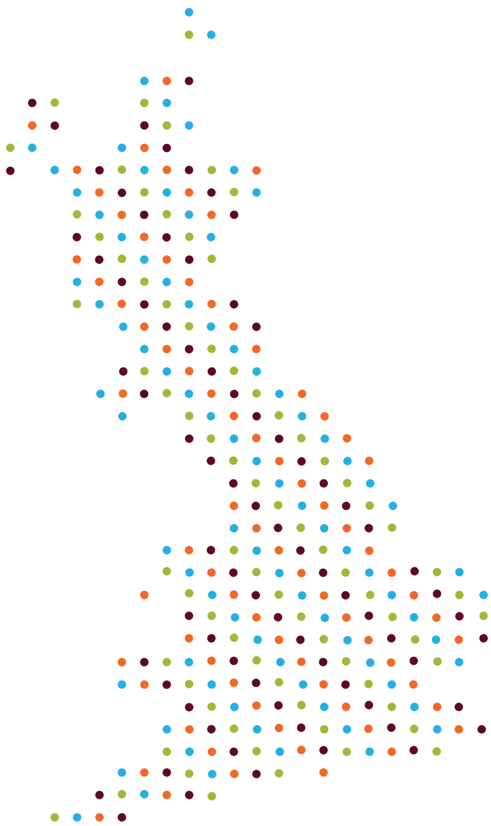
Quarterly Survey of Small Business in Britain

Special topic: capital allowances



Quarterly Survey of Small Business in Britain

2011 Q2 Vol 27 No 2

Special topic - capital allowances

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Summary

Recovery in the small firm sector remains stalled though manufacturers have continued to see net sales increase. Expectations for the current quarter are lower than at this time last year. Prospects for construction firms look particularly gloomy, with as many expecting sales to fall as rise. Firms in the East Midlands had the best performance over the past year but are least optimistic about the current quarter. Inflationary pressures are increasing and moving up the ranking of problems facing small business. There are still more small firms shedding jobs than recruiting. Although most small firms are trying to cut costs, many leave complex matters like capital allowances to their accountant and do not understand the rules themselves. Small firm owners would prefer simpler capital allowance rules, but most do not see the current system as having a significant impact on their current investment decisions.

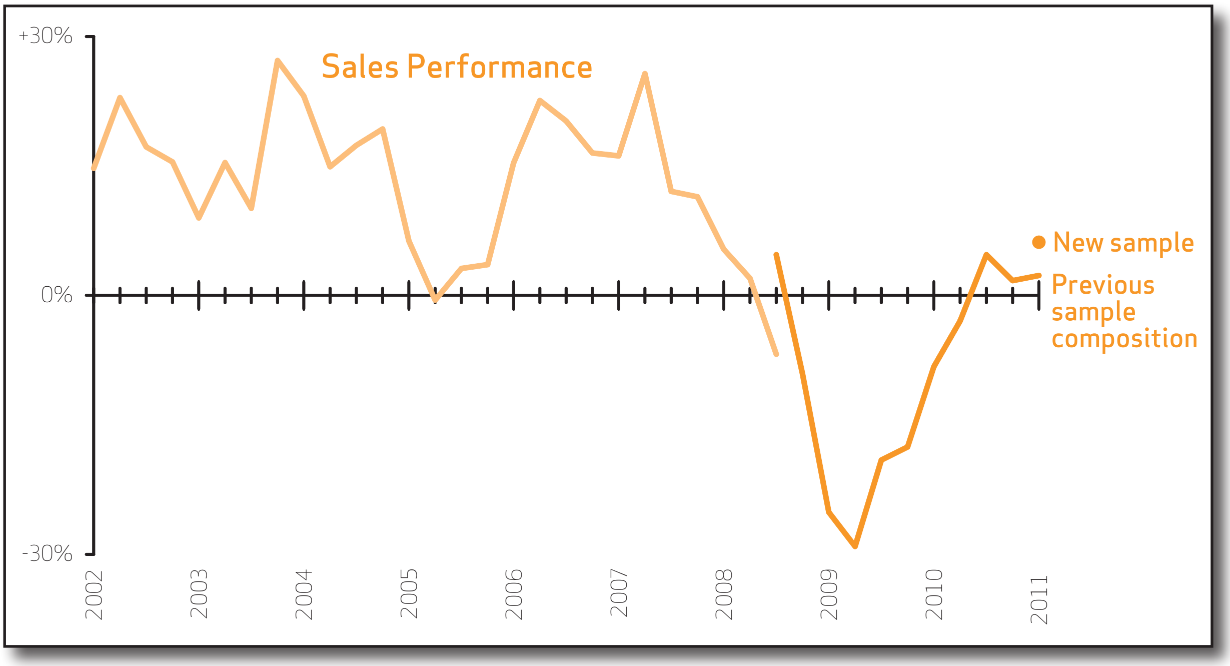
- The small firms' sales balance has improved only marginally, after dipping in the previous survey. Sales expectations for the current quarter are up, but this may well be a seasonal effect. The expected sales balance is lower than at this point in 2010.
- For the third survey in a row, retailers, construction firms and hotels & restaurants report falling sales while all the other sectors report rising sales. Small retailers in particular report extremely poor sales.
- Construction firms expect, on balance, no change in sales during the second quarter but the other sectors are hopeful of some improvement, even if only a seasonal boost. Transport firms are most optimistic, followed by hotels & restaurants and manufacturers.
- Small firms in the East Midlands of England report the best sales performance over the past year, but are the least optimistic about their prospects for the current quarter. Those in Wales report the worst sales performance and yet are most optimistic about the immediate future.
- Most small firms did not change the number of people they employed or the amount they invested over the past year, neither did they expect the situation to change during the following quarter. Those making cuts, or expecting to do so, are almost matched by those recruiting or investing more.
- The net balance of firms increasing their average selling prices over the past year continued to rise, in part due to this year's higher VAT rate. An increased proportion of firms report that inflation and the cost of inputs is a top three problem for them. Overall, though, the economic climate still remains by far the top business problem.
- More than four in ten owners of small businesses indicate that they do not understand the current tax rules for capital allowances for new business equipment. Many leave such issues to their accountant.
- Of those which do have knowledge of the rules, almost four times as many think the rules are 'complicated' as think they are 'clear.'
- Even the very smallest firms, which should be able to simply claim all of their investment in equipment as a deduction against income in the same year under the Annual Investment Allowance, think that the capital allowance rules are too complicated.
- Firms that see the capital allowance rules as 'clear' or 'acceptable' are a little more likely to have increased their investment compared to those that see them as 'complicated.'
- Despite this, most firms suggest that the capital allowance rules have little impact on their investment decisions.

Contents

Performance

Recovery in the small business sector has stalled over the past two quarters. Small firms are still shedding jobs, while inflationary pressures continue to increase. For the fourth survey in a row, retailers, small construction firms and hotels & restaurants are the most negative, while the resurgence in manufacturing continues. Sales have again increased most in the East Midlands, but the regional divide is less pronounced than it was.

Chart 1: Percentage balance of respondents reporting an increase in sales over past year (weighted figures)[1]

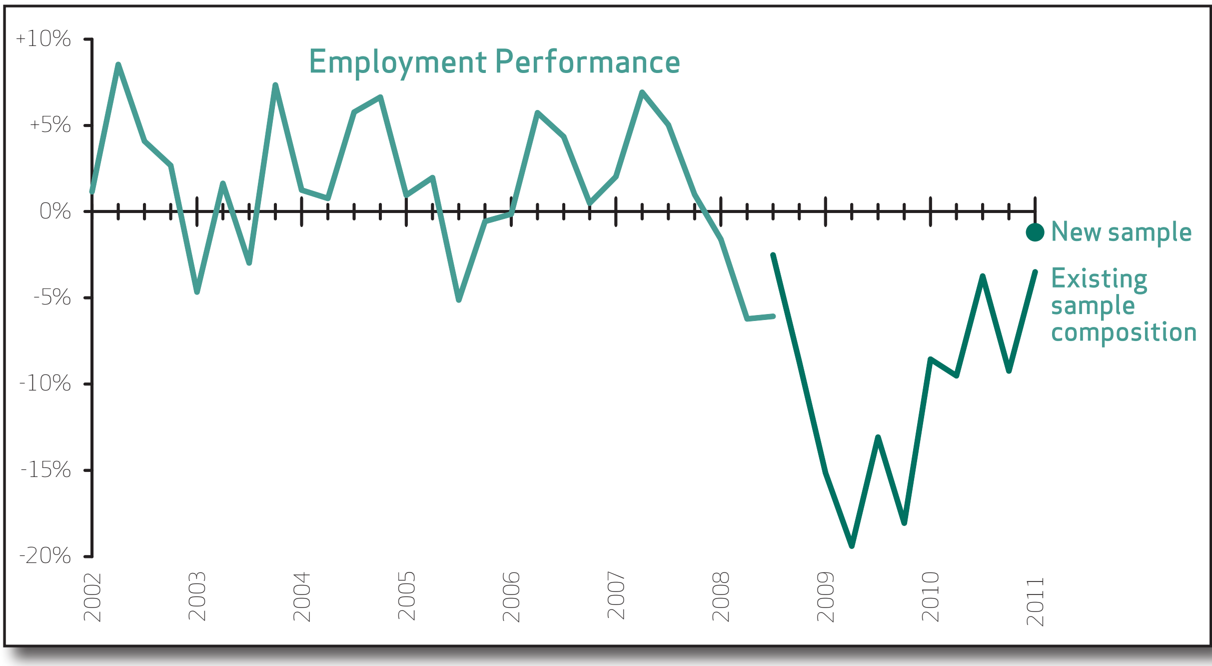


Just over a third (36%) of firms report that their sales turnover was higher in the first quarter of 2011 than it was in the first quarter of 2010, while 30% report that their sales were lower, giving a balance of +6% reporting an increase (Table 1).

The sales balance is, however, a little higher in this survey than it would have been, due to the fact that the sample of responding firms has been enlarged to include more medium-sized firms (i.e. those with a turnover between £1m and £5m, but fewer than 250 employees)[2]. These firms are somewhat more positive than the rest (which would have had a balance of +2%, Chart 1). Chart 1 shows that since mid-2009, the balance of Britain's small firms reporting increased sales had risen for five surveys in a row, finally becoming positive again for the third quarter of 2010. In the previous survey, however, the improvement was checked and the balance fell, albeit remaining positive at +2%. This time, the balance for the comparable sample of small firms (excluding the new medium-sized firms) has increased only fractionally (solid line in Chart 1), suggesting little real improvement in performance.

1. Enlargements and consequent changes in composition of the sample led to partial breaks in the series in late 2008 and in the current report. More details in "Quarterly Survey of Small Business in Britain, Vol 24 No 4, 2008 Q4" and in the Appendix of this survey.
2. Details on the change in sample composition can be found in the "How the survey is carried out" section of the Appendix to this report.

Chart 2: Percentage balance of respondents reporting an increase in employment over past year (weighted figures)



Official GDP figures for the UK economy[3] were released after this survey was complete and paint a similar picture (note Chart 8). These show that while GDP grew in the first quarter of 2011 it only made up the ground lost in the final quarter of 2010. Annual growth recovered a little, from +1.5% in the year to the final quarter of 2010 to +1.8% in the year to the first quarter of 2011, but remains well below the +2.5% to the third quarter of 2010.

It is still the case that most small firms have not changed their number of employees over the past year (over two-thirds, 67% in this survey, Table 1). The balance of firms changing employment therefore represents the performance of a relatively small number of firms and, as Chart 2 shows, has been more erratic than the sales balance over the past few years. In this survey, 16% of small firms have recruited extra employees over the past year while 17% have cut the numbers they employ, giving a balance of -1% (Table 1). Excluding the new respondents gives a slightly lower -3% (Chart 2). The balance is not as poor as the -9% in the previous survey, but there are still more small firms cutting than increasing employment.

Those firms which have increased the amount which they investment in plant, equipment and premises over the past year are almost exactly matched by those which cut it, giving a balance of 0% (Table 1). This is an improvement on the -3% in the previous survey.

Continuing inflationary pressures are reflected in the fifth successive increase in the balance of small firms increasing their average selling prices over the year, from +11% to +18% (Table 1), the highest balance since the end of 2008. This may, though include the effect of the increase in the rate of VAT at the beginning of the year.

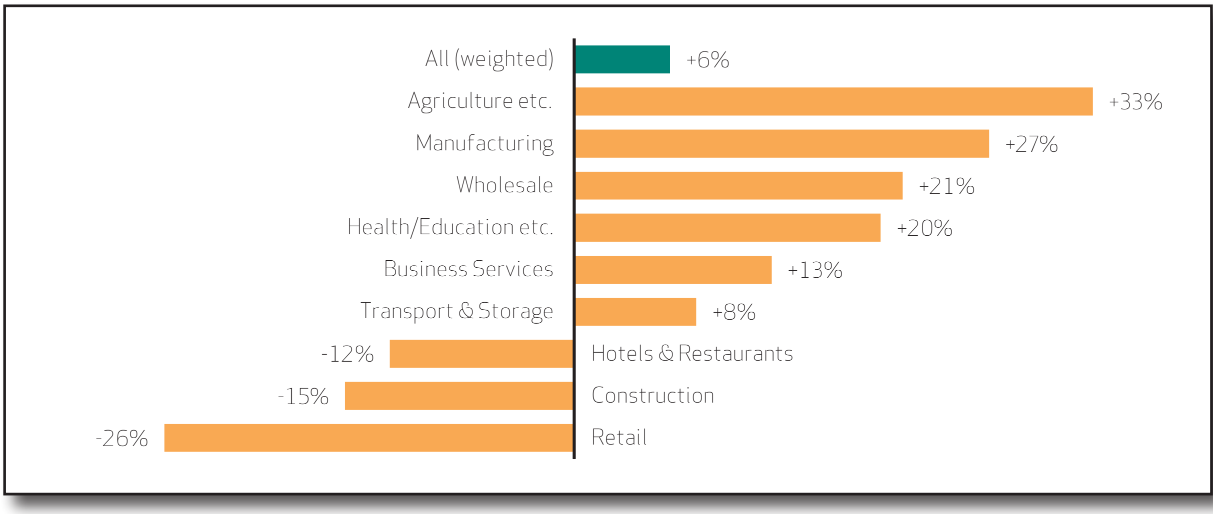
Table 1: Change over past year in sales, employment, investment and selling prices (new series, weighted figures)

Change over past year (2011Q1 on 2010Q1) in:	Up	Same	Down	Balance
Sales Turnover	36%	34%	30%	+6%
Average Employment	16%	67%	17%	-1%
Investment	19%	62%	19%	-0%
Selling prices	33%	52%	15%	+18%

3. "Second estimate of Gross Domestic Product, 1st quarter 2011", Statistical Bulletin, 25 May 2011, Office for National Statistics (www.ons.gov.uk), Time Series Data, YBEZ, Gross Domestic Product index: CVM: seasonally adjusted.

Performance: Comparison Across Sectors

Chart 3: Percentage balance of respondents reporting an increase in sales over past year by sector



For some time, there has been a pronounced split in the fortunes of different small business sectors and this continues to be the case. For the third survey in a row, retail, construction and hotels & restaurants have reported falling sales in the past year, while the remaining sectors have reported increases in sales[1] (Chart 3).

UK household expenditure remains depressed and this continues to cause considerable suffering to small retailers. The net sales balance over the year reported by small retailers has now been negative for fifteen surveys in a row, just shy of the record sixteen surveys in the aftermath of the early-1990s recession. This trend has continued. The sales balance has fallen from -7% in the previous survey to -26% now. This is the sharpest fall in the sectors surveyed and is the lowest balance for retailing since the -30% at the end of 1992[2]. The employment balance of -12% shows that they are also still cutting jobs while the investment balance of -18% is the worst of the sectors surveyed. The balance of small retailers increasing their average selling prices is up just marginally, from +20% to +23%, but other sectors under less pressure are now increasing prices at a faster rate (Table 2).

Small construction firms are the next most negative, with the balance reporting an increase in sales falling from -3% to -15%[3] (Chart 3). This is, though, not as bad as in 2009 when the construction balance twice hit a record low of -54%. Official figures[4] also show a sharp fall of -4.0% in gross value added for the economy-wide construction sector in the first quarter of 2011, though it remains well above the level of a year earlier. Small construction firms in this survey have now reported falling sales for almost three years. Table 2 shows that small construction firms are now those most often cutting employment, with a balance of -19%. For the fourth survey in a row, construction is the only sector where more small firms cut than increased their prices over the past year (Table 2). Many small construction firms seem to be forced to cut profit margins even further in an attempt to win scarce business.

In the previous survey, small hotels & restaurants reported the worst sales performance by some margin. This time the balance is much improved, though it remains strongly negative, up from -31% to -12% (Chart 3). Last time the balances cutting employment and investment were also the worst of the sectors surveyed but both of these have eased. There are still very few hotels & restaurants (3%) recruiting extra

1. These firms were also the three most negative in the survey before that, making them the worst performing for a whole year, but in that survey there were also some other sectors reporting falling sales.
2. And if the rather more positive medium-sized firms added to the sample this survey were excluded, the sales balance for retailing would be at a record low of -31%.
3. There are actually even fewer construction firms (24%) than retailers (25%) reporting an increase in sales, but retailers (51%) have more often than construction firms (39%) seen sales fall.
4. "Second estimate of Gross Domestic Product, 1st quarter 2011", Statistical Bulletin, 25 May 2011, www.ons.gov.uk.

Table 2: Change over past year in sales, employment, investment and selling prices by sector

	Sales Turnover	Average Employment	Investment	Selling Prices	Sample
Agriculture, Forestry, Fisheries	+33%	+17%	+33%	+46%	24
Manufacturing	+27%	+4%	+4%	+26%	135
Transport & Storage	+8%	0%	-10%	+33%	51
Construction	-15%	-19%	-16%	-16%	122
Wholesale	+21%	+3%	+9%	+41%	90
Retail	-26%	-12%	-18%	+23%	129
Hotels & Restaurants	-12%	-14%	-2%	+36%	59
Business Services	+13%	+7%	+6%	+13%	205
Health/Education/Leisure/Other	+20%	+5%	+6%	+21%	132
All (weighted by sector)	+6%	-1%	-0%	+18%	947

staff, but the employment balance of -14% is not quite as low as the -28% in the previous survey. The balance increasing investment is up from -17% to -2%.

While retailing, construction and hotels & restaurants continue to suffer badly, other sectors have been recovering relatively well. The balance of small business service firms reporting an increase in sales reached a record low of -29% at the beginning of 2009 but has shown a stuttering recovery since then. This time the balance has increased from +7% to +13% (Chart 3), the highest since the beginning of 2008. In the previous survey there were more small business service firms cutting than increasing staff (-6%). This time, however, the employment balance has become positive again (+7%, Table 2). Business service firms do not, however, seem to be taking advantage of improving fortunes to boost profit margins. The balance increasing selling prices (+13%, Table 2) is actually a little lower than in the previous survey (+15%), the only sector other than construction where this is the case.

Fortunes for health/education/leisure & other personal services have been similar to those for business services. They also reached a record low in early 2009 and have also shown a somewhat erratic improvement since then. The sales balance for these firms is now up from +5% to +20% (Chart 3). As for business services, this is the highest in three years.

Although small retailers are struggling, the balance of small wholesalers with increased sales is up from +9% to +21%, the highest since early 2008. The employment balance has also improved markedly and small wholesalers are one of the sectors increasing investment. Wholesaling is the sector where the greatest proportion (54%) of small firms have increased their average selling prices. This carries the potential threat of future retail price rises when the consequences work their way through the supply chain[5].

Two years ago, small manufacturers reported worse sales performance than all other sectors, with a record low sales balance of -40%. However, the balance has improved in seven out of the eight surveys since then (with just a slight hesitation in mid-2010). Manufacturers are now amongst the most positive small firms. Almost half (47%) report increased sales turnover over the past year and little more than a fifth (21%) report that sales were down. The resulting balance of +27% is the best since mid-2007. Official figures[4] also indicate that manufacturing has been the best performing sector in the economy as a whole in the year to the first quarter. In contrast to the previous survey, small manufacturing firms have also, on balance, increased employment and investment over the past year.

The small agricultural firms taking part in our survey report the most positive balances for sales, employment, investment and prices over the past year. However, our sample of agricultural firms is relatively small and so these results may not be representative of firms in the sector as a whole.

5. There are, though, also 13% of wholesalers which have cut prices. This means that the balance increasing prices is slightly higher in agriculture, where only 8% have cut prices. For wholesale stockists of imported goods, price increases may reflect the weakness of sterling against the euro.

Performance: Comparison Across Size Bands

Chart 4: Percentage balance reporting an increase in sales over past year by turnover size band

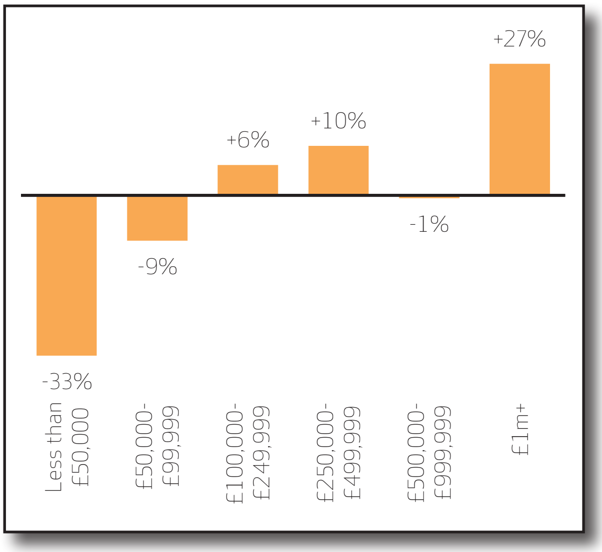
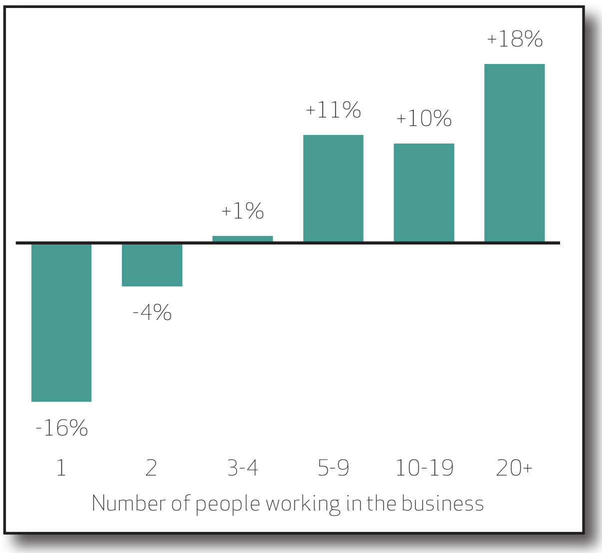


Chart 5: Percentage balance reporting an increase in sales by number of people working in business



As is generally the case, the very smallest firms have continued to perform less well than their relatively larger counterparts.

Chart 4 shows that firms with a turnover below £50,000 have performed least well, a balance of -33% showing that a majority have seen sales fall in the year to the first quarter of 2011. In contrast, a balance of +27% of those with a turnover of £1m or more have seen sales rise. As noted, the addition to our sample of more of these better-performing medium-sized firms with a turnover greater than £1m has introduced a slight discontinuity to the series of historical balances.

The firms with a turnover of greater than £1m are the only ones which have, on balance, recruited extra employees over the past year.

Chart 5 shows an even clearer picture when size of firm is measured by number of employees. Apart from a slight dip for those with between 10 and 19 workers, sales performance over the past year increases as number of employees increases. Firms with 10 or more employees have, on balance, recruited extra staff over the year while smaller firms have more often cut their workforce. Those with 5 or more employees have increased investment while the very smallest have cut investment.

Although the oldest firms taking part in our survey are, on average, larger than the youngest there is no clear relationship between age of firm and sales performance over the past year.

Performance: Comparison Across Regions

Small firms in the East Midlands report the best sales performance (Table 3 and Chart 6), as they have done for the whole of the past year. However, the variation between these and firms in other regions is far less than in the previous survey.

A balance of +14% of firms in the East Midlands report that their sales were higher in the first quarter of 2011 than in the first quarter of 2010. While this is the fourth survey in a row that they have been most positive, the balance is much lower than the +35% in the previous survey and is closely followed by that for firms in the North East (+13%) and South East (+12%) of England.

Even though small firms in Wales report the worst sales performance over the year (-14%, the only negative balance), this is, along with the South East, one of only two regions where more small firms recruited extra staff than cut their workforce over the past year (Table 3).

After a poor final quarter of 2010, probably due in part to the very poor weather, sales performance for Scottish small firms has recovered somewhat and they remain those most often investing (Table 3).

Chart 6: Percentage balance of respondents reporting an increase in sales over past year - by region

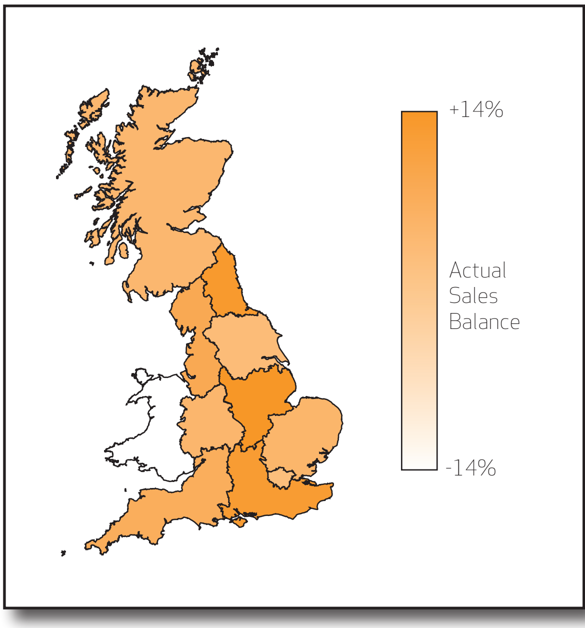
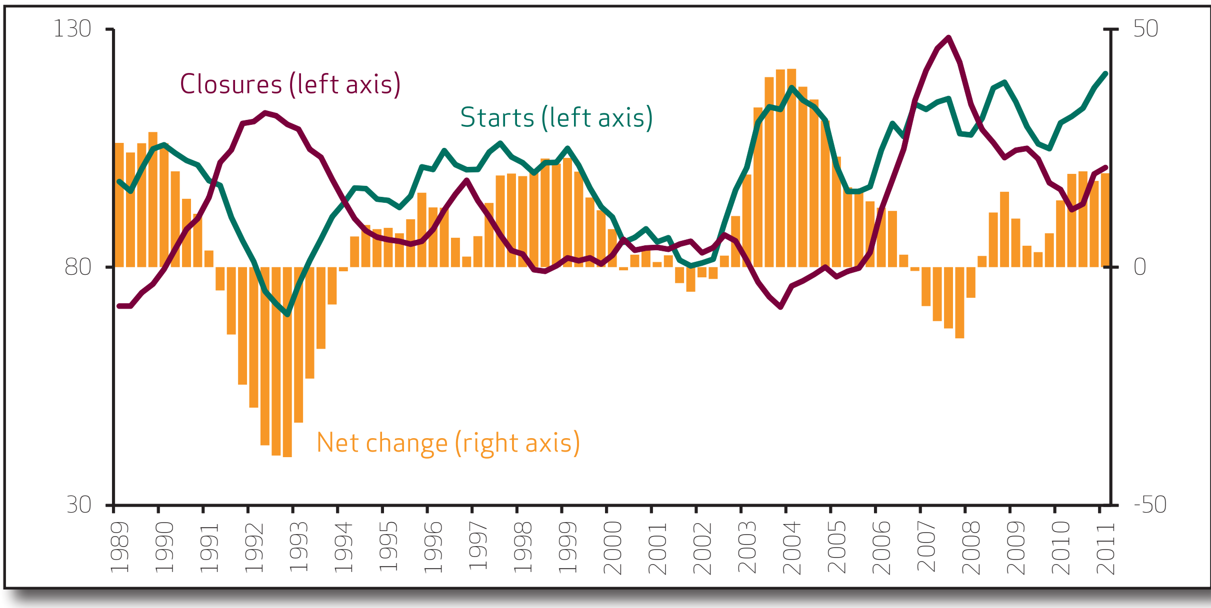


Table 3: Change over past year in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling Prices	Sample
North East	+13%	0%	-19%	+32%	31
North West	+8%	-8%	+5%	+12%	86
Yorkshire & the Humber	+3%	0%	0%	+33%	66
East Midlands	+14%	0%	-5%	+19%	73
West Midlands	+5%	-3%	-14%	+31%	64
East of England	+5%	-4%	-2%	+19%	83
London	+2%	-4%	-2%	+6%	125
South East	+12%	+5%	+2%	+23%	195
South West	+7%	0%	+2%	+23%	104
Wales	-14%	+3%	-6%	0%	36
Scotland	+4%	-6%	+15%	+28%	71
All (weighted by sector)	+6%	-1%	-0%	+18%	947

Business Stock & Activity Index

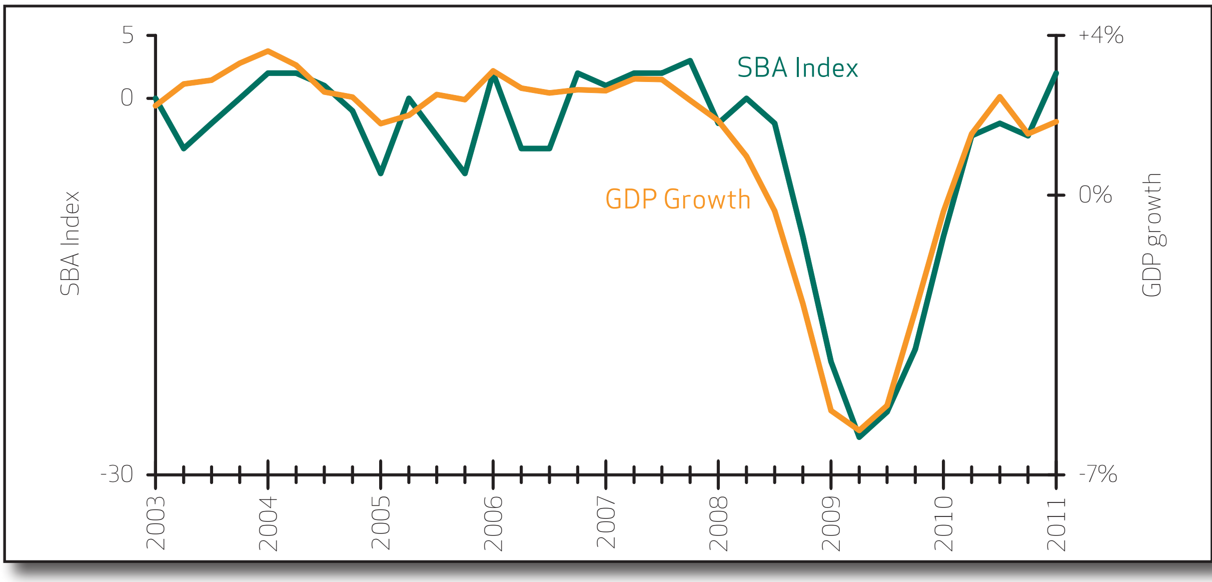
Chart 7: Mainstream businesses in England and Wales, starts closures & net change, Thousands, four quarter moving averages, Source: Business Economics, Barclays Business



Barclays estimates of the number of business starts and closures suggest that the stock of the total number of "mainstream" businesses has continued to increase at a strong pace, despite the faltering economic recovery. The number of business closures has increased during the past quarter, but the number of business starts has increased even more.

Chart 8 shows the Barclays Small Business Activity Index, derived from the banking activity of over 200,000 small firms. The SBA Index shows a rather bigger improvement in the first quarter of 2011 than the performance balances in this report and than official figures for the change in GDP over the past year. The SBA Index is positive for the first time in three years, while GDP growth is up only a little, from +1.4% to +1.8%.

Chart 8: Barclays Small Business Activity Index vs GDP growth (latest quarter on corresponding quarter previous year)

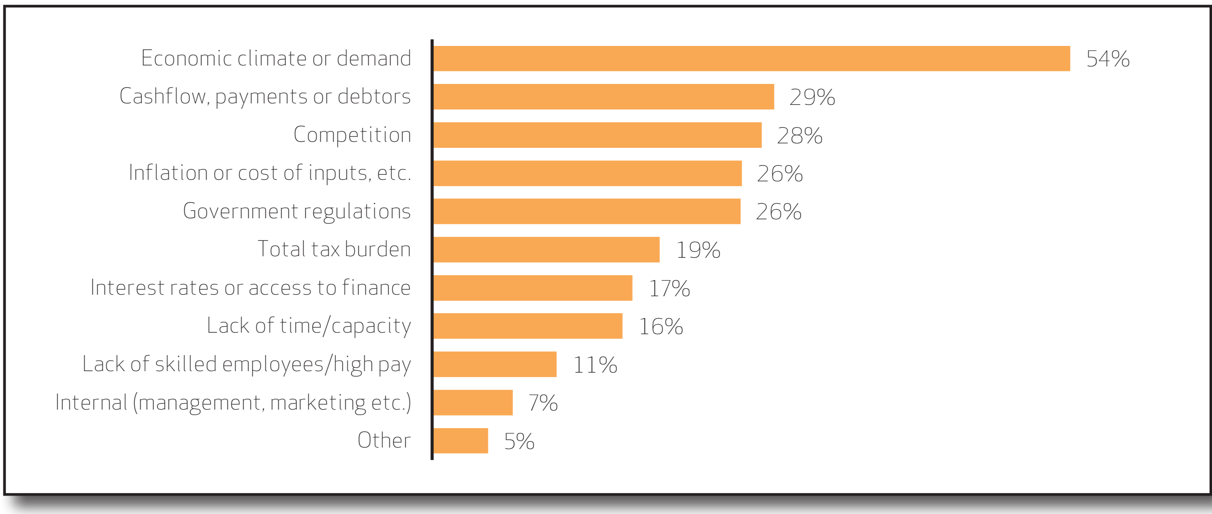


Source: SBA Index, Business Economics & Research Team, Barclays Business.
GDP, change between quarter and corresponding quarter of previous year, "Second estimate of Gross Domestic Product, 1st quarter 2011", Statistical Bulletin, 25 May 2011, Office for National Statistics (www.ons.gov.uk), Time Series Data, YBEZ.

Problems

The economic climate continues to extend its lead at the head of the list of small business problems, while inflation and the cost of inputs moves further up the ranking of problems.

Chart 9: Proportion of firms indicating that each problem is in the top three facing their business at the moment



Small firms were asked to indicate which of a list of problems were the top three facing their business at the moment.

Economic climate or demand

'Economic climate or demand' remains the most important problem facing Britain's small firms (Chart 9). The proportion indicating that this is one of the top three problems facing their business is unchanged from the previous survey, at 54% (a little lower than its record high of 61% in mid-2009). However, because the proportion selecting the next most common problem is down, the margin by which the economic climate dominates is even greater than in the previous survey.

The economic climate is the top-ranked problem for firms of all sizes, whether measured by turnover or by employees (Table 4, overleaf), for those in all regions and for the most entrepreneurial as much as the least entrepreneurial. Even though some sectors report better sales performance than others, the economic climate is the most common business problem in every business sector. Only in agriculture, where as many are troubled by government regulations, does any other issue come close.

Cashflow, payments or debtors

Alongside lack of demand, the related issue of 'cashflow, late payments and debtors' has been the second-ranked problem in our survey for some time. In this survey, however, the proportion indicating that this is one of the top three problems facing their business has dipped from 33% to 29% (Chart 9), the first time it has been below 30% in two and a half years.

Cashflow problems seem to have eased for many small hotels & restaurants (down from 44% last time to 20%), but remain pressing for manufacturers (36%) and construction firms (35%).

Competition

The proportion of small firms reporting that 'competition' is a top-three problem for them is unchanged at 28% and third place in the rankings in Chart 9. Small construction firms, many of which seem to be cutting prices in an attempt to win business, have a particular problem with competition at the moment (37% report that it is a top-three problem).

Table 4: Proportion putting each problem in their top three, by number of people working in the business

	1	2	3-4	5-9	10-19	20+	All
Economic climate or demand	61%	52%	53%	51%	53%	57%	54%
Cashflow, payments or debtors	27%	25%	31%	36%	27%	27%	29%
Competition	29%	30%	29%	22%	31%	29%	28%
Inflation or cost of inputs, etc.	30%	27%	28%	27%	26%	23%	26%
Government regulations	20%	25%	27%	25%	30%	27%	26%
Total tax burden	21%	24%	24%	21%	18%	14%	19%
Interest rates or access to finance	15%	21%	19%	16%	16%	16%	17%
Lack of time/capacity	14%	20%	15%	18%	17%	13%	16%
Lack of skilled employees/high pay	4%	7%	9%	16%	10%	12%	11%
Internal (management, marketing etc.)	4%	4%	7%	7%	9%	8%	7%
Sample	99	113	139	200	158	236	947

Inflation or cost of inputs

The proportion of small firms indicating that 'inflation or the cost of inputs etc.' is one of their top three problems has increased only modestly, from 23% to 26%, but this is enough to move it up into fourth place in the rankings in Chart 9. The percentage for this question has increased for three surveys in a row as inflationary pressures have been building over the past year. The current level is the highest in two and a half years. Small retailers (38%) most often indicate a problem with input costs, reflecting the increased prices from wholesalers over the past year. These small shopkeepers are, though, under great pressure due to lack of household demand and so seem to be cutting profit margins rather than passing on all of the price rises to consumers. Table 4 shows that the very smallest firms seem to be suffering more from the effects of rising prices than their relatively larger counterparts, who may have a little more scope for passing on price increases.

Government regulations

Now in fifth place in the ranking of problems, though only fractionally behind inflation, on 26% is 'government regulations'. This is the lowest proportion citing this problem in the two and a half years that the question has been structured in its current form. The proportion has slipped from a peak of 35% at the beginning of 2010 as other issues have become more pressing. Table 4 shows that sole traders have less of a problem with regulation than those firms with a sizeable workforce.

As has generally been the case, agricultural firms more often than the rest (38%) indicate a problem with regulations.

Total tax burden

Despite the increase in the rate of VAT this year, the proportion of small firms which report that the 'total tax burden' is a top-three problem has slipped from 25% in the previous survey to only 19% now (Chart 9), the lowest since the question was first asked in this way, in late 2008. Firms with 10 or more employees (Table 4) and those with a turnover of £500,000 or more seem to have less of a problem with the tax burden than do the very smallest firms. This may reflect the extra cut in the main rate of Corporation Tax announced in the March 2011 budget.

Interest rates/access to finance

The proportion of small firms reporting that 'interest rates or access to finance' is a top-three problem remains at 17% (Chart 9). The Bank of England again kept rates on hold at their historic low while questionnaires were being completed, despite increases in the rate of inflation.

Lack of capacity & employees

While over half of small firms have a problem with a 'lack of demand', others are struggling to keep up, sometimes perhaps because they have cut capacity so much during the recession. Some 16% now have a top-three problem with a 'lack of time or capacity' and 11% with a 'lack of skilled employees'.

Other

Other problems mentioned by respondents included fuel costs and reduced government expenditure.

Special Topic: Capital Allowances

A majority of small firm owners do not understand the current tax rules for capital allowances and leave these issues to their accountant. This is bound to limit the effectiveness of the tax system in encouraging investment. Some evidence from those who find the rules clear suggests that the system encourages purchase rather than leasing of new equipment.

Understanding of current rules

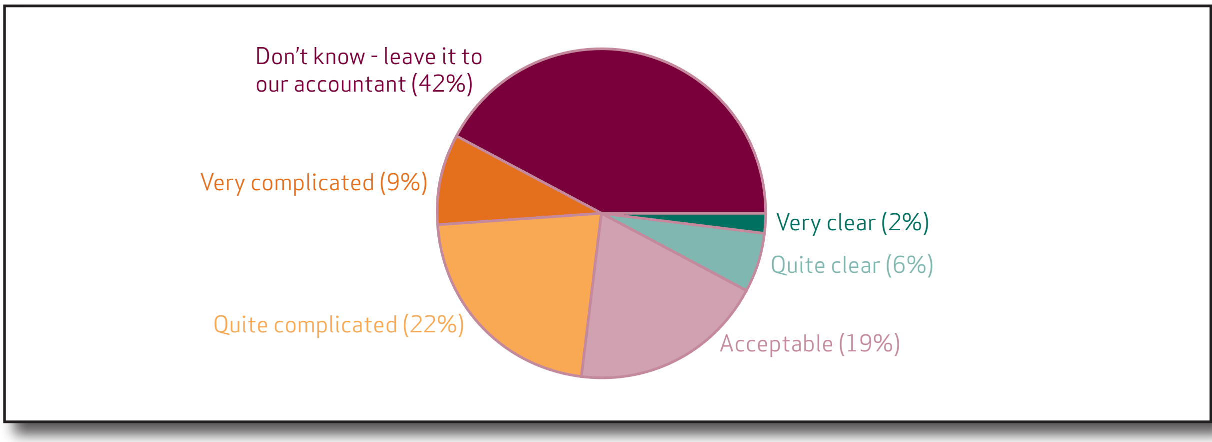
Chart 10 shows that 42% of small businesses indicate that they do not understand the current tax rules for capital allowances for new business equipment and that they leave these issues to their accountant.

Of those small business owners which do have an opinion on the complexity of the tax rules, more think that they are complicated than that they are clear. Chart 10 shows that 9% believe the rules are 'very complicated' and 22% that they are 'quite complicated', compared with only 2% that they are 'very clear' and 6% 'quite clear'. Some 19%, though, think that the current rules are 'acceptable'.

The capital allowance rules can seem quite bewildering on first examination. The HMRC web-site redirects business owners to the Business Link web-site[1] for guidance on allowances. This introduces the plethora of allowance terminology, including 'writing-down allowances', 'main pool', 'special rate pool', 'short-life assets', 'research and development allowances' and 'enhanced capital allowances'. The HMRC Capital Allowances Manual stretches to around 170 separate web pages.

However, most of this legislation is currently irrelevant to small firms. Since April 2008, businesses have been able to claim an Annual Investment Allowance (AIA). For the 2010/11 tax year, the intention is that firms which have spent less than £100,000 on equipment for their business can simply offset the whole amount against their taxable profits for that year[2].

Chart 10: "Which of the following best describes the current tax rules for capital allowances for new business equipment?"



1. http://www.businesslink.gov.uk
2. In practice, of course, there are some exceptions, including cars, and complications regarding different accounting periods.

Table 5: View on current tax rules for capital allowances by turnover size band

Turnover size band:	Less than £50,000	£50,000 - 99,999	£100,000 - 249,999	£250,000 - 499,999	£500,000 - 999,999	£1m+	All
Very complicated	4%	6%	14%	9%	11%	6%	9%
Quite complicated	19%	22%	16%	25%	21%	25%	22%
Acceptable	26%	20%	14%	17%	17%	24%	19%
Quite clear	0%	6%	4%	7%	5%	7%	6%
Very clear	0%	1%	1%	1%	4%	3%	2%
Don't know – leave it to our accountant	52%	44%	50%	42%	43%	35%	42%
Sample	27	201	159	146	170	242	947

More than two-thirds of UK businesses have a turnover below £100,000[3] and so are almost certainly investing less than this limit[4]. It is therefore somewhat surprising that the Annual Investment Allowance scheme is not given more prominence in the official guidance to the capital allowance system. It seems likely that many small firms are unaware of this intended simplification. While some leave the details of claiming for investment expenditure to their accountant, those lacking such professional support may well be missing out[5].

Table 5 shows that the firms taking part in our survey with a turnover below £50,000 - who would definitely qualify for the Annual Investment Allowance - are the most likely to report that they do not have a view on the capital allowances system and leave it to their accountant. The relatively larger firms, with a turnover of £1m or more, are most familiar with the capital allowances system.

From April 2012, the Annual Investment Allowance is due to be cut to £25,000, potentially bringing more small and medium-sized firms back within the realm of the more complicated capital allowances system.

Table 6 shows that manufacturers - probably those which invest the most in equipment - are those which least often

Table 6: View on current tax rules for capital allowances by sector

	Agriculture	Manufacturing	Transport	Construction	Wholesale	Retail	Hotels & Restaurants	Business Services	Other Services	All
Very complicated	0%	7%	8%	10%	3%	9%	8%	10%	12%	9%
Quite complicated	21%	29%	25%	23%	17%	19%	20%	22%	17%	22%
Acceptable	25%	24%	20%	22%	21%	19%	12%	17%	17%	19%
Quite clear	0%	7%	12%	4%	4%	5%	8%	7%	4%	6%
Very clear	17%	0%	0%	2%	0%	1%	5%	2%	2%	2%
Leave it to our accountant	38%	33%	35%	39%	54%	46%	46%	41%	48%	42%
Sample	24	135	51	122	90	129	59	205	132	947

3. "Business Population Estimates For The UK And Regions 2010", BIS, http://stats.bis.gov.uk/ed/bpe, reports 4.5 million UK enterprises. "UK Business: Activity, Size and Location – 2010", ONS, indicates 1.2 million with a turnover above £100,000. (http://www.statistics.gov.uk/downloads/theme_commerce/PA1003_2010/ukbusiness2010.pdf).

4. Though a few may make large investments on an occasional basis.

5. "SME Use of External Accountancy Services", Andrew McCann and Colin Gray, Open University Business School, Milton Keynes, April 2010, found that around a quarter of SMEs, rising to 38% of those with a turnover below £50,000, do not use an external accountant.

Table 7: View on current tax rules for capital allowances by entrepreneurial scale

Entrepreneurial scale:	1-3	4-5	6-7	8-10	All
Very complicated	4%	9%	11%	8%	9%
Quite complicated	19%	18%	23%	25%	22%
Acceptable	14%	17%	22%	22%	19%
Quite clear	5%	5%	8%	5%	6%
Very clear	0%	1%	1%	4%	2%
Don't know – leave it to our accountant	57%	50%	35%	36%	42%
Sample	118	302	281	246	947

leave capital allowances issues to their accountant. However, these, with the best personal knowledge of the capital allowances system, are also the ones that most often view the system as 'complicated.'

The more entrepreneurial firms, which tend to be larger and probably more often make significant investments, seem to take more of an active interest in the capital allowances system. Table 7 shows that little more than a third of those rating themselves as 6 or higher on the entrepreneurial scale leave matters regarding capital allowances to their accountant, compared with well over half of those firms rating themselves as 5 or below.

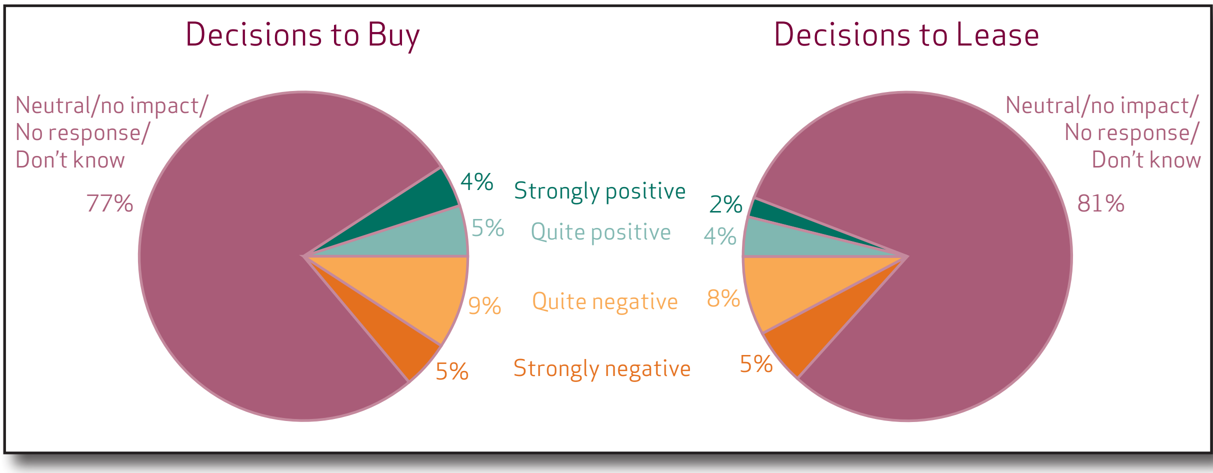
There is some evidence that those firms which find the capital allowance rules complicated have invested less over the past year. However, it is not clear whether this is because complicated rules are a disincentive to investment or because those who have invested discover that the rules are clearer than they might have thought. Table 8 shows that small firms owners who believe that the capital allowance rules are 'complicated' have more often cut than increased investment over the past year. In contrast, those who believe that the rules are 'acceptable' or 'clear' have, on balance, increased the amount which they invest[6]. Those firms which leave capital allowance matters to their accountant have also more often increased than cut investment.

Table 8: Change in investment over past year - by view on current tax rules for capital allowances

Investment over past year:	Up	Same	Down	Sample	Balance
Very complicated	13%	63%	24%	83	-11%
Quite complicated	15%	57%	28%	205	-13%
Acceptable	21%	61%	18%	183	+3%
Quite clear	20%	63%	18%	56	+2%
Very clear	33%	44%	22%	18	+11%
Don't know - leave it to our accountant	20%	65%	15%	402	+5%

6. The balance is particularly high, +11% for those which believe the investment rules are 'very clear.' However, it should be noted that there is only a small sample of 18 of these firms and so the result may not be particularly representative.

Chart 11: Impact of capital allowance rules on decisions to buy and lease new equipment for the business



Impact on investment decisions

Most small firms report that the capital allowance rules are neutral or have no effect on their decisions to buy or lease new equipment for their business[7]. When they do have an effect, it is a little more often negative than positive. However, a positive balance of those which believe the current rules are clear indicate that they encourage them to buy (rather than lease) new equipment for their business.

Chart 11 shows that 77% of small firms indicate that the capital allowance system has no significant effect on their decisions to buy new equipment for their business. Even more, 81% indicate that the system does not affect their decisions to lease new equipment.

Overall, 9% of small firms indicate that capital allowance rules encourage them to buy new equipment for their business. However, rather more, 14% indicate that the rules have a negative effect on their decisions (Chart 11).

The net effect on decisions to lease new equipment is slightly more negative. Only 6% say that the capital allowance rules encourage them to lease new equipment, while 13% say that they discourage leasing (Chart 11).

Table 9, overleaf, shows, however, that for small firms which find the capital allowance rules 'quite clear' or 'very clear', a positive balance indicate that they find that the rules encourage them to buy new equipment for their business. This may indicate that some firms are put off investing by the complexity of the rules themselves, rather than by the financial implications of the system.

Table 10, however, shows that the firms which believe the rules are 'very clear' think, on balance, that they discourage the leasing of new business equipment. One respondent explicitly mentioned this:

> *"We know the tax legislation. Therefore we do not lease equipment in order to get the AIA that are currently available"*

Among firms which regard the capital allowance rules as 'quite clear', those which think they have a positive effect on leasing decisions are exactly matched by those which think that they have a negative effect.

7. Online respondents were asked to select between the options: 'strongly negative', 'quite negative', 'neutral/no impact', 'quite positive' and 'strongly positive'. For the decisions to buy, 76% of online respondents indicated 'neutral/no impact' while just 2% did not respond. Telephone respondents were read the same list of options, but in addition those who specifically said that they 'don't know' or 'leave it to our accountant' were coded as such. Only 47% of telephone respondents were recorded as 'neutral/no impact' with a further 31% recorded as 'don't know - leave it to our accountant'. In the Charts and Tables, responses recorded as 'neutral/no impact', 'don't know - leave it to our accountant' and non-responses have been combined.

Table 9: Impact of capital allowance rules on decisions to buy new equipment - by view on current rules

Impact on decisions to buy	Very complicated	Quite complicated	Acceptable	Quite clear	Very clear	Leave it to accountant	All
Strongly positive	8%	2%	5%	7%	28%	2%	4%
Quite positive	5%	7%	5%	11%	11%	2%	5%
Neutral/no impact	61%	69%	71%	70%	39%	90%	77%
Quite negative	12%	17%	15%	7%	6%	3%	9%
Strongly negative	13%	4%	3%	5%	17%	3%	5%
Sample	83	205	183	56	18	400	947
Balance	-12%	-12%	-7%	+5%	+17%	-2%	-5%

Suggestions for change

Online respondents were asked what changes to the current tax or accounting rules might encourage them to either purchase or lease new business equipment.

Many had no opinion or noted that they invest very little, some just invested in new computers (which they noted become obsolete very quickly) and office equipment, and so the issues were not important to them. Others stressed that business needs rather than tax incentives were the important factor:

"We purchase what we need when we need it, the tax status of this is irrelevant and always has been."

While another noted:

"My decision to invest in new equipment was based on company needs, however, the timing was based on tax considerations."

A number of businesses did suggest that more clarity in the capital allowance rules and the taxation system generally would help them.

In terms of concrete suggestions of changes to the rules, bigger allowances and particularly 100% allowances in the first year were the most common. However, as one respondent noted:

"It's difficult to imagine any possible changes when 100% relief is available for most businesses on their capital expenditure."

Table 10: Impact of capital allowance rules on decisions to lease new equipment - by view on current rules

Impact on decisions to lease	Very complicated	Quite complicated	Acceptable	Quite clear	Very clear	Leave it to accountant	All
Strongly positive	7%	1%	1%	7%	11%	1%	2%
Quite positive	6%	7%	2%	7%	6%	3%	4%
Neutral/no impact	60%	73%	81%	71%	61%	91%	81%
Quite negative	14%	15%	12%	5%	0%	2%	8%
Strongly negative	12%	4%	4%	9%	22%	4%	5%
Sample	83	205	183	56	18	400	947
Balance	-13%	-11%	-13%	0%	-6%	-2%	-7%

One business did, however, suggest that incentives to investment could be given above the actual cost of the asset. There is a precedent for this, as Investment Allowances in the 1950s and 1960s did mean that businesses could receive allowances over the period of ownership of more than the asset had actually cost[8].

On specific suggestions, one respondent made a point particularly relevant to the way that the tax system only encourages businesses which are already profitable to invest:

> *"Transferable AIA - to be able to offset capital cost against profit in any future period (once) rather than just the year of expenditure."*

This would help new businesses and those investing in equipment which may not generate profits for some years.

Another specific request was to:

> *"Do away with the 50% restriction on VAT recovery on leased vehicles."*

Others are struggling to be able to afford to invest at all at the moment, with cashflow being a particular problem. There were some suggestions that the best way to encourage businesses to invest was a better economic climate or reduced corporation or income tax. One asked for:

> *"Minimal or no tax on retained profits as this is the cash lifeline to growth."*

One put it more strongly:

> *"Government attempts to influence business behaviour by micro-managing details of taxation policy is irrelevant to the small business sector. We don't have the specialist investment departments to take note or advantage of them, or the investment budgets to exploit them. On the other hand the total tax burden across capital, corporation and employment taxes on the small business sector is huge. We pay more to the government in employment taxes than we generate in net profit each year. The business owners are running a business primarily as a benefit exercise for employees and the government, getting a far lower benefit from their efforts for themselves. This has to be addressed if government wants to create a high growth economy."*

Promoting 'Green' equipment

Online respondents were also asked what the government could do to encourage them to select more environmentally-friendly options when making decisions to lease or purchase new business equipment.

Some small firms remarked that they and other businesses already choose the most environmentally-friendly route when purchasing new business equipment. However, others do believe that there is a need for government to provide incentives to promote 'green' investment.

Many suggested general financial incentives or tax allowances,:

> *"Offer 100% first year allowances provided this was significantly more advantageous than available for less environmentally friendly equipment."*

This highlights a potential issue with the Annual Investment Allowance (AIA) scheme. While the scheme aims to make things simpler for small firms, it does also mean that incentives such as enhanced capital allowances to encourage investment in energy-saving equipment will often be irrelevant to the smallest firms as they are already able to offset the full cost of any investment, whether energy-saving or not. Some respondents suggested more generous allowances, e.g. doubling the AIA to 200% for environmentally-friendly equipment.

Some thought that grants might be necessary to encourage them to invest in 'green' alternatives, while others suggested cutting VAT on such equipment.

Rather than offering tax incentives, others suggested that carbon taxes should be applied either to machinery or the whole production process (though some were concerned that the focus on carbon missed some other important environmental impacts).

Suggested non-financial measures included mandating better information on power consumption and running costs for equipment or enforcing environmental standards that all equipment has to meet.

Other small firms suggested that government should work directly with suppliers of environmentally-friendly equipment to reduce its cost, rather than trying to work through the capital allowances system, which this survey shows is poorly understood by small business. As one put it:

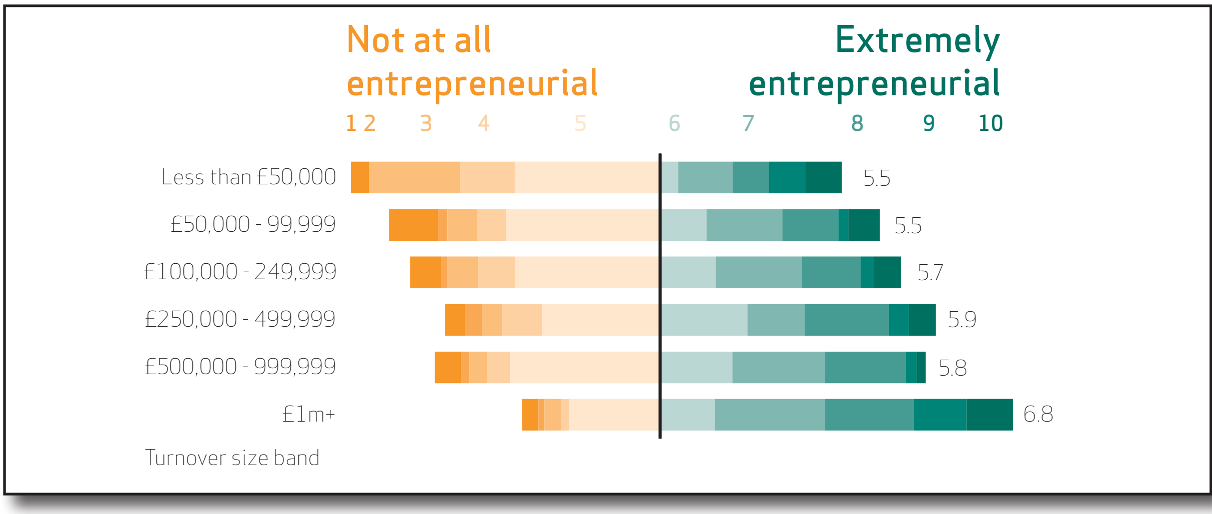
> *"Efficient, cost-effective operation is what matters - ie the Government must work with the equipment originators, not the business user"*

8. "CA10040 - Introduction: History of capital allowances", in "HMRC Capital Allowances Manual", http://www.hmrc.gov.uk/manuals/camanual/ca10040.htm

Entrepreneurial Index

Larger firms view themselves as more entrepreneurial. The most entrepreneurial report the best performance over the past year and are more optimistic about prospects for the current quarter.

Chart 12: "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 firms 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. Chart 12 shows that those with a turnover of £50,000 or less rate their business on average 5.5 on the entrepreneurial scale. Those with a turnover of more than £1m rate themselves on average at 6.8. Firms with more employees also generally rate themselves as more entrepreneurial than those with fewer.

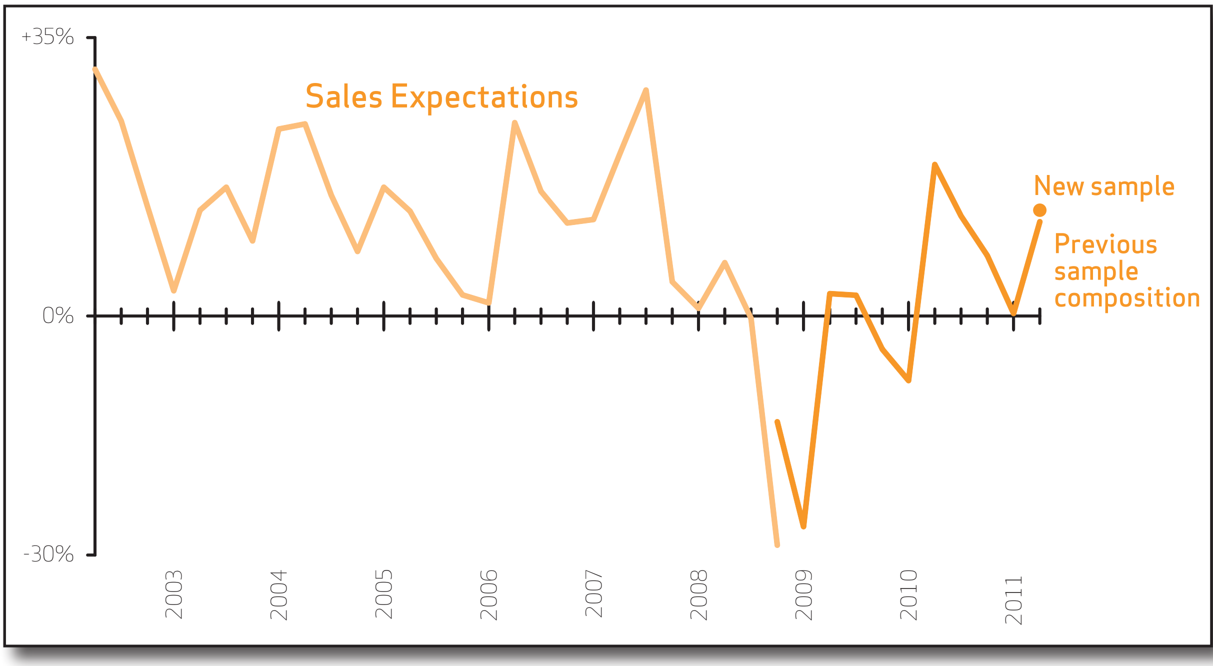
In this survey, small firms in London rate themselves as more entrepreneurial (6.6) than their counterparts elsewhere. Those in the North West of England rate themselves as least entrepreneurial (5.5). In this survey, owners of agricultural firms and those in transport & storage rate themselves as most entrepreneurial (both 6.2), while those in construction have the lowest entrepreneurial self-rating (5.4).

Firms which rate themselves higher on the entrepreneurial scale report better sales, employment and investment performance over the past year and are more optimistic about their immediate prospects. The sales and employment performance balances are negative for those rating themselves as 5 or lower and positive for those rating themselves as 6 or higher on the entrepreneurial scale. Those rating themselves as 3 or lower expect their sales to fall during the current quarter while the more entrepreneurial expect their sales to increase.

Prospects

Small firms expect some improvement in sales during the second quarter of the year, though less than in 2010. Transport firms are suddenly more optimistic, hotels & restaurants expect a seasonal boost and manufacturers remain fairly hopeful. Employment expectations are for little overall change. Inflationary pressures remain.

Chart 13: Percentage balance of respondents expecting an increase in sales (weighted figures)[1]



Some 36% of small firms expect their sales to be higher in the second quarter of 2011 than in the first quarter, while 23% expect them to be lower, giving a net balance of +13% expecting an increase[1] (Table 11). This is an improvement on the previous survey (Chart 13), when the one-third of small firms expecting their sales to be higher were almost matched by one third expecting them to be lower - giving a balance just fractionally above zero. However, the balance almost always rises at this time of year - it has done in 24 of the 26 years that this survey has been running. While better than it might have been, the 13 percentage point increase in the balance in this survey is less than half that at the same point in 2009 and 2010. The expected sales balance now is markedly lower than the +19% at this time last year.

The vast majority of Britain's small firms (79%) do not expect to change the numbers they employ during the second quarter of 2011 (Table 11). For those which do expect a change, those which expect to recruit extra staff just outnumber those expecting to reduce headcount, giving a balance of +1%. This balance has been affected by the positive intentions

1. Details on the change in sample composition can be found in the "How the survey is carried out" section of the Appendix to this report.

2. In the case of this balance, the change in sample composition affects the results only slightly. The balance on the basis of the previous sample composition would be just marginally lower, at +12%.

Chart 14: Percentage balance of respondents expecting an increase in employment (weighted figures)

of the extra medium-sized firms added to the sample in this survey[1]. Excluding these, the balance would be -1%. In either case, the balance is a considerable improvement on the -5% in the previous survey, but remains well below the +4% at this time last year (Chart 14). As with the sales balance, it is encouraging that the employment balance has not fallen, but the improvement is less than would be hoped for at this time of year if the engine of economic recovery was firing on all cylinders.

The balance of small firms expecting to increase investment during the current quarter is also improved and in this case is a little better than at this time last year. Out of all firms taking part in this survey, those which expect to increase investment just outnumber those expecting to cut it, by +1% (Table 11)[3].

The balance of small firms expecting to increase their average selling prices during the current quarter showed a sharp rise in the previous survey, from +6% to +18%, attributed at least in part to the increase in the rate of VAT. In this survey the balance has fallen back a little, to +14%[4], but this remains higher than the +11% of a year ago, showing that inflationary pressures are expected to continue.

Table 11: Expected change over past year in sales, employment, investment and selling prices (weighted figures)

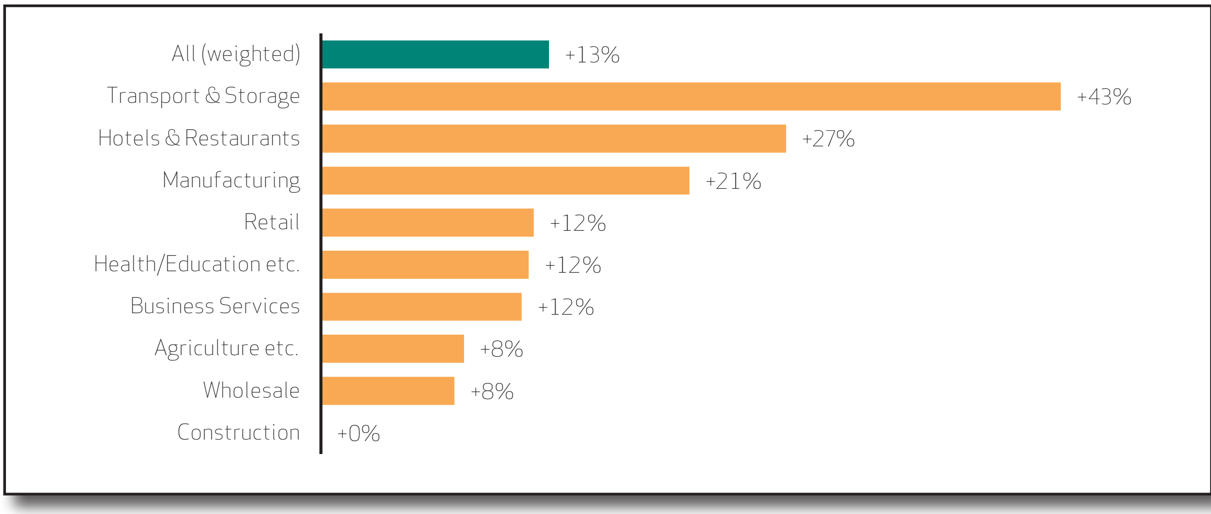
Expected change over current quarter (2011Q2 on 2011Q1) in:	Up	Same	Down	Balance
Sales Turnover	36%	42%	23%	+13%
Average Employment	11%	79%	10%	+1%
Investment	16%	68%	15%	+1%
Selling prices	23%	67%	9%	+14%

3. Excluding the newly-added medium sized firms, the balance would be just negative, at -1%, but still slightly better than the -3% in the previous survey and the -2% at this time last year.

4. The balance for the previous sample composition would be just fractionally higher, at +15%.

Prospects: Comparison Across Sectors

Chart 15: Percentage balance of respondents expecting an increase in sales over current quarter by sector



In the previous survey, five sectors reported negative expected sales balances. This time, there are no sectors where more small firms expect their sales to fall during the current quarter than expect them to rise. However, six of the sectors are less optimistic than they were at this time last year and only three are more optimistic than they were then.

The sector where the greatest balance of small firms expect their sales turnover to be higher in the second quarter of 2011 than it was in the first quarter is transport & storage, where the balance has jumped to +43% (Chart 15). Official figures[1] also suggest a sharp upturn in fortunes in this sector. The gross value added of the transport, storage & communications sector in the economy as a whole rose by a whole 3.0% in the first quarter of 2011, after a fall of 1.7% in the fourth quarter. This was almost three times as much of an increase as the next best-performing sector in the economy as a whole, manufacturing, which only posted a 1.1% rise. The small transport firms in this survey now seem to be benefiting from this improvement in the sector as a whole, with increased optimism for the second quarter. It should be noted, though, that the expected sales balance for this sector does tend to vary quite widely. It was higher (+57%) in mid-2007 and was at a record low of -42% at the beginning of 2009.

Hotels & restaurants is one of the most seasonal sectors in the survey. It is almost always the sector most often expecting sales to fall in the first quarter of a year and in all but one of the past 22 years the balance has subsequently risen for the second quarter. This year is no exception, with the expected sales balance for small hotels & restaurants increasing from -22% (the lowest in the previous survey) to +27% now[2], making them the second-most positive (Chart 15). Hotels & restaurants are those most likely to expect to recruit extra employees during the second quarter (Table 12), though some of these are likely to be temporary seasonal jobs. They are also joint most likely (along with health/education/leisure and other personal services) to expect to increase investment (Table 12).

Compared to the other sectors, small manufacturers have reported relatively good sales performance over the past year and they appear to expect this to continue, at least in the short term. The balance expecting their sales to increase during the current quarter is down a little, from +23% in the previous survey (when this was the most optimistic sector) to +21%. However, it remains higher than that for most other sectors (Chart 23). Small manufacturers do, though, now more often expect to cut than increase the amount that they invest in plant, premises and equipment (Table 12).

The remaining sectors are markedly less optimistic about their immediate prospects than are the top three (Chart 15).

1. "Second estimate of Gross Domestic Product, 1st quarter 2011", Statistical Bulletin, 25 May 2011, www.ons.gov.uk.

2. The balance is a little higher than the +25% at this time last year and the +27% in 2009. However, this is one of the few sectors where the addition of more medium-sized firms to the sample has affected the balance significantly. Excluding these, the balance would be +14%.

Table 12: Expected change over current quarter in sales, employment, investment and selling prices by sector

	Sales Turnover	Average Employment	Investment	Selling Prices	Sample
Agriculture, Forestry, Fisheries	+8%	-21%	-17%	+33%	24
Manufacturing	+21%	+7%	-5%	+15%	135
Transport & Storage	+43%	+4%	+2%	+12%	51
Construction	0%	-7%	-7%	-10%	122
Wholesale	+8%	+3%	+2%	+28%	90
Retail	+12%	-3%	-8%	+20%	129
Hotels & Restaurants	+27%	+10%	+8%	+27%	59
Business Services	+12%	+5%	+4%	+16%	205
Health/Education/Leisure/Other	+12%	-2%	+8%	+14%	132
All (weighted by sector)	+13%	+1%	+1%	+14%	947

Small retailers are more positive about their sales prospects for the second quarter (+12%, Table 12) than they were about the first (-11%), but it would be a great shock if they were not. The balance has risen at this time of year in all but one of the past 22 years. The +12% now is well below the +21% at this point last year and +23% in 2009, reflecting their poor performance over the past year and continuing concerns over weak consumer spending. The +20% balance of retailers expecting to increase their average selling prices during the second quarter of 2011 is markedly lower than the +39% in the previous survey, though that high balance may have been at least in part due to the increase in the rate of VAT.

In the previous survey there was a surprise drop in the expected sales balance for small firms in the health/education/leisure & other personal services sector. In this survey, the balance has recovered most of the lost ground, up from 0% to +12%. This is, though, a little below the +16% at this time last year. There are still more small firms in this sector expecting to cut than increase employment, but these firms are now, along with hotels & restaurants, those with the highest balance expecting to increase investment during the current quarter (Table 12).

The expected sales balance for small business service firms is practically unchanged from the previous survey, at +12%. These firms have sustained their optimism during recovery from recession, with the balance remaining positive for the past nine surveys. They also remain modestly positive about prospects for employment and investment within their firms (Table 12).

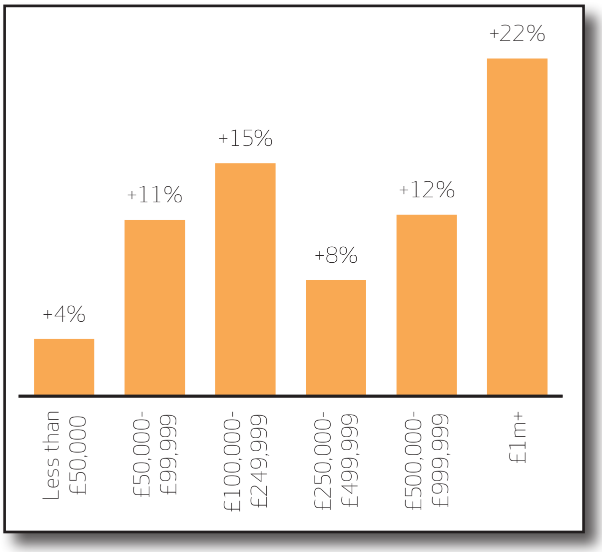
The small firms agricultural firms in our survey are more positive (+8%) about their sales prospects for the second quarter of 2011 than they were about the first (-10%). This is, however, the sector where the greatest proportion of small firms expect to cut the numbers they employ and the amount they invest (Table 12).

Small wholesalers show more of a dip in optimism than the other sectors, but even so remain positive, with the balance down from +11% last time to +8% now. Last time they expected cuts in employment and investment but this time they are positive on both these measures (Table 12).

The small construction firms which expect their sales to fall in the second quarter of 2011 are exactly matched by those which expect an increase, giving a zero balance (Chart 15). While this is lower than the other sectors, it is an improvement on the -8% in the previous survey. These firms, though, still expect, on balance, to cut employment and investment. In the previous survey, more small construction firms expected to increase than cut their average selling prices. However, it seems that they anticipate that they are again going to have to cut their profit margins, with 20% expecting to cut their prices in the second quarter and only 10% expecting to raise them, giving a balance of -10% (Table 12).

Prospects: Comparison Across Size Bands

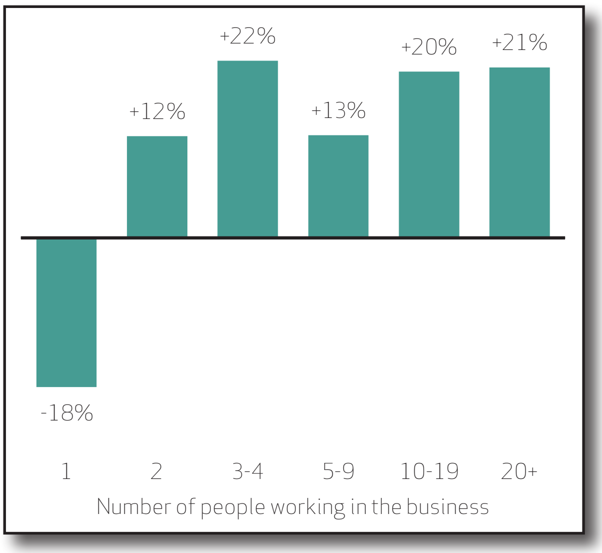
Chart 16: Percentage balance expecting an increase in sales over current quarter by turnover size band



The very smallest firms (with a turnover of less than £50,000) are least optimistic about increasing their turnover further during the second quarter of 2011. Those medium-sized firms with a turnover of £1m or more are the most optimistic about their sales prospects (Chart 16).

When measured by workforce size, Chart 17 shows that those firms where the owner works on their own expect, on balance, their sales to fall during the second quarter. Firms with employees, however, more often expect that they will sell more in the second quarter of the year than they did in the first. Only firms with 5 or more employees expect, on balance, to invest more in the second quarter than in the first and only those with 10 or more employees expect to recruit extra staff.

Chart 17: Percentage balance expecting an increase in sales by number of people working in the business



Prospects: Comparison Across Regions

Regional expectations suggest a rebalancing of small business fortunes is imminent. Small firms in the East Midlands of England report the best sales performance over the past year, but are the least optimistic about their prospects for the current quarter. Conversely, those in Wales report the poorest performance and yet are most optimistic about a resurgence during the second quarter of 2011.

Small firms in all regions of Britain expect, on balance, that their sales will be higher in the second quarter of 2011 than they were in the first (Table 13). Those in the East Midlands are marginally less optimistic than they were in the previous survey, but everywhere else optimism has increased. Small firms in Yorkshire & the Humber have the highest balance expecting to increase employment while only those in Scotland, London and the South East of England expect, on balance, to invest more in the second quarter than they did in the first (Table 13).

Chart 18: Percentage balance of respondents expecting an increase in sales over current quarter - by region

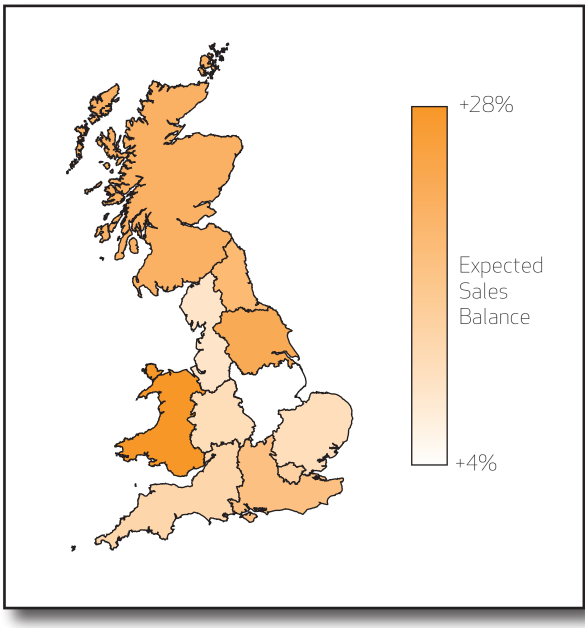


Table 13: Expected change over current quarter in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling Prices	Sample
North East	+19%	-3%	-10%	+19%	31
North West	+9%	-6%	-10%	+3%	86
Yorkshire & the Humber	+23%	+8%	-2%	+18%	66
East Midlands	+4%	+5%	0%	+4%	73
West Midlands	+11%	0%	-3%	+22%	64
East of England	+11%	-6%	-7%	+18%	83
London	+14%	-3%	+4%	+10%	125
South East	+17%	+7%	+8%	+18%	195
South West	+13%	+4%	-2%	+16%	104
Wales	+28%	0%	-17%	+8%	36
Scotland	+21%	+6%	+13%	+24%	71
All (weighted by sector)	+13%	+1%	+1%	+14%	947

APPENDIX

How the survey is carried out

This is the 107th 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[1].

Telephone interviews were carried out in two waves. The second wave was carried out with a revised sampling frame, which now includes medium-sized firms with a turnover of between £1m and £5m and fewer than 250 employees. This brings the characteristics of the sample of telephone respondents more closely into line with the regular online respondents.

For purposes of comparison, the key balances in the report have been calculated both including and excluding these newly-added firms. Where there is a significant difference between the results including and excluding the new respondents, this is highlighted in the text. The newly-added telephone respondents tend to be on average older than the rest of the sample, are more often engaged in transport & storage or wholesale, and are more often based in London, the East Midlands, East of England or Wales. These firms tend to view themselves as more entrepreneurial and report rather better sales performance than the rest of the sample.

The link to the full online questionnaire was emailed to 1,041 regular respondents from 12th April 2011 and a reminder email sent to non-respondents from 3rd May 2011. In total, 208 of these regular participants responded.

Between the 4th and 8th April 2011, 291 telephone interviews were carried out with firms with a turnover between £50,000 and £1m. Between the 9th and 18th May 2011, a further 258 firms with a turnover between £50,000 and £1m and 190 firms with a turnover above £1m were interviewed.

The total number of responses was therefore 947.

As noted, the telephone respondents did not include firms with a turnover below £50,000 and only the second wave included those with a turnover above £1m. The telephone respondents include more firms established since 2000 than the regular online respondents, but also more established before 1970. In this survey, there are a higher proportion of telephone respondents in health/education & other personal services, transport & storage and hotels & restaurants, but lower proportions in manufacturing and business services. There are also slightly higher proportions in Wales and London and a lower proportion in the East of England.

Note that 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**, 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 small firm distribution, using BIS (Department for Business, Innovation and Skills) estimates of total employment by firms with fewer than 50 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. (Between 1989 and 1995 results were weighted by the sectoral distribution of all VAT-registered businesses and prior to 1989 they were unweighted.)

Please note, however, that 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.

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

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

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

Historical Tables

Table A1: Actual and expected change, percentage balances

Survey	Sample Size	Past Quarter Date	Actual Change, past quarter compared with same quarter last year				Expected Change, next quarter compared to past quarter			
			Sales	Employment	Investment	Prices	Sales	Employment	Investment	Prices
Vol.1 No.1a	3,056	1984/3	+34.7%	+10.5%	-	-	+21.2%	+3.3%	-	-
Vol.1 No.1b	1,795	1984/4	+32.6%	+10.4%	-	-	+9.5%	+0.9%	-	-
Vol.1 No.2	1,181	1985/1	+33.4%	+17.6%	-	-	+16.9%	+9.5%	-	-
Vol.1 No.3	1,090	1985/2	+34.4%	+11.2%	-	-	+31.4%	+5.3%	-	-
Vol.1 No.4	1,072	1985/3	+37.4%	+12.1%	-	-	+26.2%	+5.3%	-	-
Vol.2 No.1	1,326	1985/4	+41.4%	+12.6%	-	-	+9.8%	+5.3%	-	-
Vol.2 No.2	1,052	1986/1	+33.6%	+11.6%	-	-	+31.1%	+5.6%	-	-
Vol.2 No.3	1,285	1986/2	+35.5%	+14.2%	-	-	+29.6%	+11.9%	-	-
Vol.2 No.4	1,435	1986/3	+39.7%	+15.2%	-	-	+22.3%	+6.0%	-	-
Vol.3 No.1	1,116	1986/4	+40.0%	+13.4%	-	-	+17.0%	+4.6%	-	-
Vol.3 No.2	1,746	1987/1	+40.2%	+15.2%	-	-	+39.7%	+15.1%	-	-
Vol.3 No.3	1,113	1987/2	+44.7%	+23.1%	-	-	+36.8%	+13.2%	-	-
Vol.3 No.4	977	1987/3	+44.8%	+17.6%	-	-	+28.8%	+10.0%	-	-
Vol.4 No.1	1,042	1987/4	+52.7%	+23.4%	-	-	+31.4%	+10.5%	-	-
Vol.4 No.2	933	1988/1	+52.7%	+19.3%	-	-	+46.7%	+15.3%	-	-
Vol.4 No.3	983	1988/2	+55.0%	+22.0%	-	-	+47.9%	+19.1%	-	-
Vol.4 No.4	950	1988/3	+54.9%	+22.3%	-	-	+34.4%	+13.3%	-	-
Vol.5 No.1A	1,523	1988/4	+49.2%	+15.1%	-	-	+25.6%	+5.7%	-	-
Vol.5 No.2	947	1989/1	+38.8%	+18.1%	-	-	+18.6%	+5.6%	-	-
Vol.5 No.3	2,274	1989/2	+41.1%	+16.7%	-	-	+30.8%	+10.4%	-	-
Vol.5 No.4	795	1989/3	+33.5%	+18.3%	-	-	+20.2%	+7.4%	-	-
Vol.6 No.1	1,091	1989/4	+29.9%	+10.5%	-	-	+10.6%	+0.9%	-	-
Vol.6 No.2	1,384	1990/1	+31.4%	+9.9%	-	-	+24.4%	+3.5%	-	-
Vol.6 No.3	1,043	1990/2	+22.3%	+4.8%	-	-	+14.7%	+0.9%	-	-
Vol.6 No.4	1,312	1990/3	+18.2%	+3.5%	-	-	+3.6%	-4.1%	-	-
Vol.7 No.1	1,239	1990/4	-0.5%	-5.1%	-	-	-16.0%	-14.4%	-	-
Vol.7 No.2	984	1991/1	-8.6%	-11.6%	-12.7%	-	+12.3%	-7.6%	-15.0%	-
Vol.7 No.3	1,718	1991/2	-12.5%	-17.3%	-20.0%	-	-5.2%	-11.5%	-20.6%	-
Vol.7 No.4	835	1991/3	-14.8%	-19.9%	-15.0%	-	-1.0%	-17.5%	-15.1%	-
Vol.8 No.1	1,684	1991/4	-7.9%	-15.6%	-20.5%	-	-9.4%	-16.9%	-13.3%	-
Vol.8 No.2	1,359	1992/1	-1.8%	-17.2%	-13.9%	-	+19.5%	-5.5%	-6.8%	-
Vol.8 No.3	1,527	1992/2	-9.2%	-14.6%	-18.7%	-	+4.2%	-5.9%	-11.8%	-
Vol.8 No.4	921	1992/3	-15.9%	-27.8%	-32.7%	-	-6.2%	-17.7%	-24.1%	-
Vol.9 No.1	1,339	1992/4	-9.1%	-15.1%	-21.0%	-	-4.0%	-10.7%	-13.1%	-
Vol.9 No.2	1,021	1993/1	-3.8%	-12.4%	-11.3%	-	+23.5%	+0.7%	-0.8%	-
Vol.9 No.3	1,310	1993/2	+0.9%	-7.9%	-7.4%	-	+19.1%	+4.3%	-0.5%	-
Vol.9 No.4	1,076	1993/3	+8.3%	-1.6%	-7.0%	-	+14.7%	-3.4%	-4.5%	-
Vol.10 No.1	1,295	1993/4	+13.8%	+3.5%	-3.3%	-	+15.1%	-0.2%	+3.3%	-
Vol.10 No.2	861	1994/1	+3.6%	-4.3%	-3.8%	-	+23.0%	-1.1%	+3.7%	-
Vol.10 No.3	2,327	1994/2	+16.2%	+0.8%	-3.3%	-	+18.4%	+1.6%	-2.2%	-
Vol.10 No.4	1,046	1994/3	+20.3%	+7.6%	+0.6%	-	+14.6%	-0.2%	+1.9%	-
Vol.11 No.1B	983	1994/4	+20.6%	+2.1%	+4.1%	-	+17.2%	+3.7%	+2.4%	-
Vol.11 No.2	1,295	1995/1	+18.2%	+3.2%	+1.4%	-	+27.8%	+5.7%	+5.0%	-
Vol.11 No.3	669	1995/2	+18.0%	+3.2%	+1.1%	-	+18.6%	+4.3%	-1.5%	-
Vol.11 No.4	1,047	1995/3	+13.1%	+3.3%	+3.1%	-	+14.0%	-1.9%	-2.1%	-
Vol.12 No.1	700	1995/4	+10.0%	-2.9%	+1.9%	-	+2.6%	-6.7%	-5.2%	-
Vol.12 No.2	1,099	1996/1	+14.2%	+2.5%	+1.0%	-	+20.7%	+1.9%	-2.8%	-
Vol.12 No.3	742	1996/2	+10.5%	+3.9%	+5.1%	-	+16.1%	+3.3%	-2.7%	-
Vol.12 No.4	753	1996/3	+23.1%	+8.9%	+7.2%	-	+24.3%	+5.1%	+6.1%	-
Vol.13 No.1	912	1996/4	+20.4%	+9.8%	+10.9%	-	+17.4%	+4.8%	+7.2%	-
Vol.13 No.2	720	1997/1	+13.6%	+2.0%	+9.9%	-	+27.7%	+8.6%	+7.0%	-
Vol.13 No.3	909	1997/2	+18.0%	+5.3%	+5.2%	-	+22.2%	+7.3%	+2.4%	-
Vol.13 No.4	634	1997/3	+21.5%	+12.1%	+10.7%	-	+24.1%	+3.9%	+3.8%	-
Vol.14 No.1	783	1997/4	+21.1%	+1.7%	+10.4%	-	+12.8%	-0.7%	+3.9%	-
Vol.14 No.2	1,273	1998/1	+19.3%	+3.0%	+12.4%	-	+21.3%	+3.9%	+2.2%	-
Vol.14 No.3	682	1998/2	+9.0%	+5.0%	+5.0%	-	+10.3%	+5.6%	+2.0%	-
Vol.14 No.4	654	1998/3	-2.5%	-0.4%	+4.6%	+10.0%	+3.0%	-2.9%	-8.0%	+0.5%
Vol.15 No.1	601	1998/4	+5.9%	+0.5%	+2.8%	+9.3%	-5.0%	-2.9%	-5.7%	+5.6%
Vol.15 No.2	619	1999/1	+6.9%	-2.3%	+3.4%	+15.7%	+20.8%	+4.4%	+1.3%	+14.6%
Vol.15 No.3	507	1999/2	-4.9%	-4.3%	-2.7%	+8.5%	+6.8%	+0.1%	-5.0%	+4.8%
Vol.15 No.4	1,121	1999/3	+9.2%	-2.0%	+2.5%	+13.7%	+11.4%	-0.7%	+0.1%	+5.8%

continued ...

Table A1: Actual and expected change, percentage balances (continued)

Survey	Sample Size	Past Quarter Date	Actual Change, past quarter compared with same quarter last year				Expected Change, next quarter compared to past quarter			
			Sales	Employment	Investment	Prices	Sales	Employment	Investment	Prices
Vol.16 No.1	812	1999/4	+9.3%	-4.2%	+1.8%	+16.0%	+6.4%	-2.5%	+1.9%	+15.2%
Vol.16 No.2	866	2000/1	+9.6%	-2.6%	+2.2%	+16.9%	+22.6%	+5.4%	+2.8%	+14.0%
Vol.16 No.3	758	2000/2	+2.1%	+0.5%	-1.5%	+17.0%	+11.7%	+3.0%	-1.2%	+9.2%
Vol.16 No.4	803	2000/3	+5.0%	-5.0%	+3.1%	+15.3%	+6.3%	-2.7%	-0.7%	+12.4%
Vol.17 No.1	726	2000/4	+8.6%	-0.5%	+4.3%	+16.7%	+3.7%	+0.5%	+3.7%	+16.3%
Vol.17 No.2	856	2001/1	+3.2%	-3.3%	+1.9%	+18.7%	+12.1%	+1.7%	-2.8%	+16.2%
Vol.17 No.3	720	2001/2	+4.9%	-1.4%	+3.1%	+22.4%	+9.5%	+1.2%	-2.2%	+14.2%
Vol.17 No.4	705	2001/3	+5.3%	+0.3%	+3.9%	+18.2%	+3.7%	-2.9%	-5.4%	+6.2%
Vol.18 No.1	654	2001/4	+2.5%	-4.2%	-3.0%	+13.6%	-2.3%	-2.0%	-7.1%	+10.0%
Vol.18 No.2 old	675	2002/1	+5.4%	-2.7%	-2.7%	+14.6%	+20.0%	+5.8%	+2.3%	+11.9%
Vol.18 No.2	1,168	2002/1	+14.7%	+1.2%	+1.4%	+13.1%	+31.0%	+8.1%	+4.2%	+14.3%
Vol.18 No.3	1,078	2002/2	+22.9%	+8.5%	+7.0%	+22.6%	+24.5%	+10.7%	+5.9%	+15.2%
Vol.18 No.4	1,074	2002/3	+17.2%	+4.1%	+0.1%	+16.8%	+13.7%	-1.2%	-4.0%	+7.9%
Vol.19 No.1	922	2002/4	+15.5%	+2.7%	-5.8%	+19.5%	+3.2%	-6.2%	-10.9%	+11.4%
Vol.19 No.2	851	2003/1	+9.0%	-4.7%	-10.7%	+17.2%	+13.3%	+2.4%	-3.9%	+11.3%
Vol.19 No.3	784	2003/2	+15.4%	+1.6%	+5.8%	+24.6%	+16.2%	+6.5%	+0.6%	+10.9%
Vol.19 No.4	687	2003/3	+10.1%	-3.0%	+2.7%	+23.8%	+9.5%	-2.7%	-3.4%	+12.3%
Vol.20 No.1	808	2003/4	+27.2%	+7.3%	+15.0%	+22.3%	+23.5%	+2.8%	+8.9%	+17.0%
Vol.20 No.2	739	2004/1	+23.1%	+1.3%	+7.2%	+27.0%	+24.2%	+5.6%	+5.5%	+18.8%
Vol.20 No.3	623	2004/2	+14.9%	+0.8%	-1.4%	+23.8%	+15.2%	+2.0%	-0.8%	+12.0%
Vol.20 No.4	711	2004/3	+17.4%	+5.8%	+7.3%	+23.1%	+8.1%	-0.2%	+2.7%	+10.7%
Vol.21 No.1	652	2004/4	+19.3%	+6.6%	+7.5%	+26.7%	+16.2%	+7.1%	+3.0%	+21.7%
Vol.21 No.2	675	2005/1	+6.3%	+0.9%	+3.5%	+26.0%	+13.2%	+2.1%	-3.3%	+15.1%
Vol.21 No.3	670	2005/2	-0.5%	+2.0%	+2.3%	+23.0%	+7.3%	+3.5%	-1.7%	+12.0%
Vol.21 No.4	620	2005/3	+3.1%	-5.1%	+4.1%	+19.0%	+2.7%	-4.3%	-5.0%	+4.8%
Vol.22 No.1	641	2005/4	+3.6%	-0.6%	+0.1%	+24.2%	+1.7%	-1.9%	+0.2%	+13.3%
Vol.22 No.2	638	2006/1	+15.4%	-0.1%	+6.8%	+23.8%	+24.3%	+4.9%	-0.4%	+18.4%
Vol.22 No.3	547	2006/2	+22.6%	+5.7%	+3.0%	+29.4%	+15.7%	+6.8%	+0.9%	+17.7%
Vol.22 No.4	538	2006/3	+20.2%	+4.3%	+11.6%	+31.4%	+11.7%	-3.3%	-0.6%	+9.9%
Vol.23 No.1	526	2006/4	+16.5%	+0.5%	+5.1%	+30.8%	+12.2%	+1.4%	+0.9%	+27.0%
Vol.23 No.2	528	2007/1	+16.2%	+2.0%	+6.5%	+34.9%	+20.4%	+7.4%	+3.2%	+20.6%
Vol.23 No.3	629	2007/2	+25.7%	+6.9%	+14.1%	+33.1%	+28.4%	+10.5%	+6.3%	+19.4%
Vol.23 No.4	528	2007/3	+12.0%	+5.0%	+7.2%	+28.7%	+4.3%	-3.9%	-2.2%	+11.3%
Vol.24 No.1	822	2007/4	+11.4%	+1.0%	+8.4%	+28.6%	+1.0%	-2.1%	-2.1%	+19.4%
Vol.24 No.2	711	2008/1	+5.3%	-1.6%	+4.0%	+33.3%	+6.7%	-0.9%	-5.2%	+21.1%
Vol.24 No.3	278	2008/2	+2.0%	-6.2%	-1.9%	+19.7%	-0.2%	+0.7%	-21.7%	+5.5%
Vol.24 No.4 old	277	2008/3	-6.8%	-6.1%	-0.2%	+29.0%	-28.8%	-15.0%	-20.5%	-2.3%
Vol.24 No.4	1,281	2008/3	+4.7%	-2.5%	+1.8%	+23.6%	-13.3%	-11.9%	-13.7%	+0.6%
Vol.25 No.1	975	2008/4	-9.1%	-8.7%	-7.3%	+10.8%	-26.4%	-14.8%	-20.0%	-1.0%
Vol.25 No.2	848	2009/1	-25.1%	-15.1%	-12.1%	+6.2%	+2.8%	-8.7%	-8.7%	+1.9%
Vol.25 No.3	858	2009/2	-29.1%	-19.4%	-15.2%	+7.0%	+2.6%	-5.2%	-9.7%	+2.3%
Vol.25 No.4	834	2009/3	-19.1%	-13.1%	-15.2%	-0.7%	-4.1%	-6.1%	-7.1%	-0.6%
Vol.26 No.1	830	2009/4	-17.5%	-18.1%	-10.9%	-2.2%	-8.1%	-8.0%	-9.8%	+6.8%
Vol.26 No.2	833	2010/1	-8.3%	-8.5%	-9.4%	+5.0%	+19.0%	+4.0%	-1.5%	+11.0%
Vol.26 No.3	832	2010/2	-2.9%	-9.5%	-7.5%	+5.6%	+12.6%	+0.5%	-3.7%	+8.1%
Vol.26 No.4	819	2010/3	+4.7%	-3.7%	-0.9%	+8.3%	+7.6%	+0.2%	-5.4%	+5.7%
Vol.27 No.1	826	2010/4	+1.7%	-9.2%	-2.9%	+11.4%	+0.3%	-5.4%	-2.5%	+17.8%
Vol.27 No.2 old	757	2011/1	+2.3%	-3.5%	-0.6%	+18.6%	+11.9%	-1.4%	-1.2%	+14.5%
Vol.27 No.2	947	2011/1	+6.1%	-1.2%	-0.2%	+17.7%	+13.3%	+0.7%	+0.6%	+14.0%

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 are weighted to the sectoral distribution of employment in firms with under 50 employees according to BIS statistics.

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

Table A2: Most important problem, historical series

	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
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 A2: Most important problem, historical series (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
1996/1	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
1996/2	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
1996/3	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
1996/4	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
1997/1	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
1997/2	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
1997/3	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
1997/4	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
1998/1	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
1998/2	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
1998/3	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
1998/4	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
1999/1	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
1999/2	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
1999/3	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
1999/4	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 A3: 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%	7%	4%	1%	1%	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%	7%	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%	1%	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 A4: Average rating of problems (1=no problem, 10=severe problem), 2008Q1 onwards

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 A5: Proportion ranking each problem in top three facing their business, 2008Q4 onwards

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%	1281
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

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

Quarterly Survey 2011Q2

Please circle the appropriate numbers 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 oubs-enterprise@open.ac.uk or call Julie Sullivan on 01908 655 831.

1a Employment: Including yourself, how many people work in the business including both full and part-time workers? ☐

1b If your business is not a limited company, how many of these people are self-employed proprietors or partners? ☐

2a How many years have you been running a business? ☐

2b How many years has your present business been trading? ☐

3 Please describe in a few words the precise nature of your business: ☐

4 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 (where 1=not at all entrepreneurial to 10=extremely entrepreneurial)? ☐

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5 Which of the following best describes the current tax rules for capital allowances for new business equipment?

- ❍ Very complicated
- ❍ Quite complicated
- ❍ Acceptable
- ❍ Quite clear
- ❍ Very clear
- ❍ Don't know – leave it to our accountant

6a What is the impact of capital allowances rules on decisions to buy new equipment for your business?

❍ Strongly negative ❍ Quite negative ❍ Neutral/no impact ❍ Quite positive ❍ Strongly positive

6a What is the impact of capital allowances rules on decisions to lease new equipment for your business?

❍ Strongly negative ❍ Quite negative ❍ Neutral/no impact ❍ Quite positive ❍ Strongly positive

7 What changes to the current tax or accounting rules might encourage you to either purchase or lease new business equipment?

☐

8 When making decisions to lease or purchase new business equipment, what could the Government do to persuade you to select more environmentally-friendly options (e.g. machinery that delivers lower carbon emissions)?

☐

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

❍ Less than £50,000 ❍ £100,000-£249,999 ❍ £500,000-£999,999 ❍ Over £5.6m
❍ £50,000-£99,999 ❍ £250,000-£499,999 ❍ £1m-£5.6m

The next four questions ask how your sales turnover, average employment, investment (in plant, equipment and premises) and average selling prices in the past quarter compared with the same period in 2010.

10a Was your sales turnover in January to March 2011 compared with January to March 2010: ❍ Up ❍ Same ❍ Down

10b Was your average employment (Jan-Mar 2011 vs Jan-Mar 2010): ❍ Up ❍ Same ❍ Down

10c Was your investment in plant, equipment and premises (Jan-Mar 2011 vs Jan-Mar 2010): ❍ Up ❍ Same ❍ Down

10d Were your average selling prices (Jan-Mar 2011 vs Jan-Mar 2010): ❍ Up ❍ Same ❍ Down

The next four questions ask how you expect your sales turnover, average employment, investment (in plant, equipment and premises) and average selling prices will have changed in the current quarter compared with the past quarter.

11a Expected sales turnover in April-June 2011 compared with January to March 2011: ❍ Up ❍ Same ❍ Down

11b Expected average employment (Apr-Jun 2011 vs Jan-Mar 2011): ❍ Up ❍ Same ❍ Down

11c Expected investment in plant, equipment and premises (Apr-Jun 2011 vs Jan-Mar 2011): ❍ Up ❍ Same ❍ Down

11d Expected average selling prices (Apr-Jun 2011 vs Jan-Mar 2011): ❍ Up ❍ Same ❍ Down

12 Please indicate (1, 2, 3) the TOP THREE of the following possible problems facing your business:

a. Economic climate or demand ____
b. Competition ____
c. Interest rates or access to finance ____
d. Inflation or cost of inputs, etc. ____
e. Cashflow, payments or debtors ____
f. Government regulations ____
g. Lack of skilled employees/high pay ____
h. Total tax burden ____
i. Lack of time/capacity ____
j. Internal (management, marketing etc.) ____
k. Other ____
(please specify ____________________)

13 Please indicate the sex of the owner(s) of the business:

❍ Male ❍ Female ❍ Joint Male/Female ownership

14 Please enter your Business Postcode: ☐

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

☐

Thank you for completing this confidential survey questionnaire.
Please now click on the SUBMIT button below

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