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Quarterly Survey of Small Business in Britain

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SUMMARY

Although new firm starts marginally exceeded closures by the last quarter of 2008, small business sales performance has continued to fall and short-term confidence has plummeted. The smallest firms and those in London have suffered the most, but pessimism is now universal. The economic climate is easily the most common small business problem and cashflow/debtors has jumped up into second place. Small firms are often financed solely by the owner. On balance, small firms are net creditors, owed more by their customers than they owe to their suppliers.

- The balance of small firms reporting an increase in sales peaked over a year ago and has continued to fall fairly steadily since then, confirming other UK indicators that warn of worsening economic conditions.
- Small retailers in particular, and other consumer-related sectors, have continued to suffer over the past year, along with construction firms.
- The balance of small firms cutting employment appeared to have bottomed out, and new starts marginally exceeded closures, by the last quarter of 2008.
- In the previous survey, investment intentions plunged, warning of evaporating medium-term confidence. This time, short-term confidence has crashed.
- Small firms in every sector, region and of every size now, on balance, expect their sales to fall. However, firms rating themselves highly on the entrepreneurial scale expect, on balance, their sales to increase during the current quarter but even these expect to cut employment and investment.
- Although they eased six months ago, price pressures have not gone away, with more reporting price hikes than cuts over the past year. Looking forward, however, almost as many expect to cut prices as increase them.
- The economic climate is by far the top-ranked business problem, with cashflow, payments and debtors an increasing issue.
- Small firms do not tend to fund their business with trade credit. Half of them are owed more by their customers than they owe to suppliers. Little more than a fifth are net debtors.
- Relatively few small firms have external equity and of those which do, family and friends are the important investors. Practically none of the very smallest firms have ‘professional’ external equity (venture capitalists, business angels, etc.), rising to around a quarter of the medium-sized firms with over 50 employees.
- Around half of all small firms have no loans. Of those which do, bank overdrafts are most common, followed by bank term loans.
- Asset finance - hire purchase and leasing - together are the next most popular source of loan finance and are more common than bank term loans in firms with more than 10 employees.
- After increasing rapidly over the past five years or so, the use of credit card finance seems to have levelled off.
- Worsening economic conditions mean that more small firms have needed extra capital over the past year to manage cashflow or bad debts than to fund growth, though many have still continued to invest.

Contents

Performance

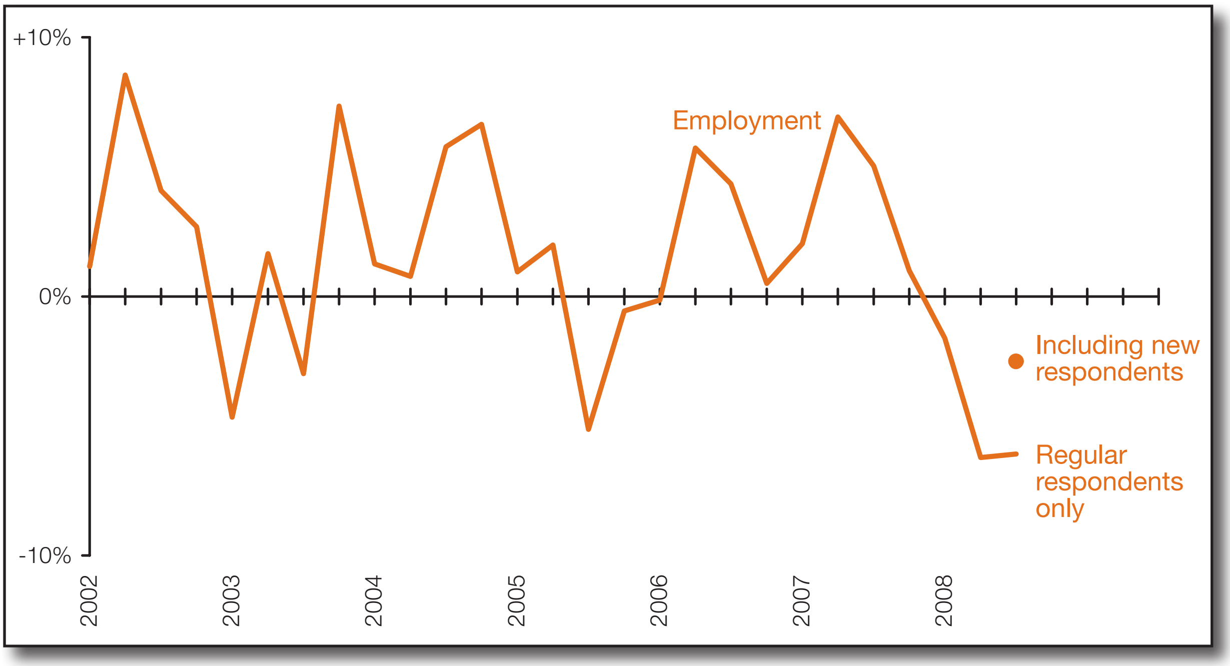
Small firm sales performance has continued to fall. The employment balance remains negative but appears to have bottomed out. Sales remain negative for small construction firms and consumer-related sectors (retailers, wholesalers and travel firms). Sole-traders and small two-person firms are particularly negative whereas sales for medium sized firms (more than 50 employees) are holding up well. However, inflationary pressures have not disappeared with strong positive balances on selling prices in agriculture, hotels, restaurants and manufacturing. There is a very clear regional divide with small firms in London the most negative, contrasting with the strong sales and investment balances in the North East.

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

The balance of small firms in our survey reporting an increase in their sales over the past year peaked in the middle of 2007, giving advance warning of worsening economic conditions. Since then, the balance has fallen for five surveys in a row. In this survey, our regular respondents have continued to become more negative, with more of these firms reporting a fall in sales over the past year than reporting an increase (a balance of -7%, Chart 1).

This picture has, of course, been confirmed by official figures released since questionnaires for this survey were completed, confirming that the UK economy is in recession.

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



In this survey, our regular online respondents have been boosted by a telephone survey of a structured national sample of new respondents (see Appendix). The new respondents are less negative about their recent sales performance than our regular respondents, giving a balance of +6% for the enlarged sample as a whole (Table 1)[1].

Table 1 shows that more small firms cut the numbers they employ over the past year than recruited new staff (an overall balance of -3%). The only small measure of comfort on this front is that the balance for the regular respondents has bottomed out (at -6%, fractionally higher than in the previous survey), as shown in Chart 2.

The balance of regular respondents reporting an increase in investment (0%) and an increase in average selling prices (+29%) over the past year are both a little higher than in the previous survey, though still lower than six months ago. Table 1 shows that, including both regular and new respondents, some 18% of small firms report that they invested more in the third quarter of 2008 than in the same period in 2007, while slightly fewer, 16%, invested less. Far more (39%) raised their average selling prices than cut them (15%), giving a balance of +24% and indicating that the recession has not done away with inflation.

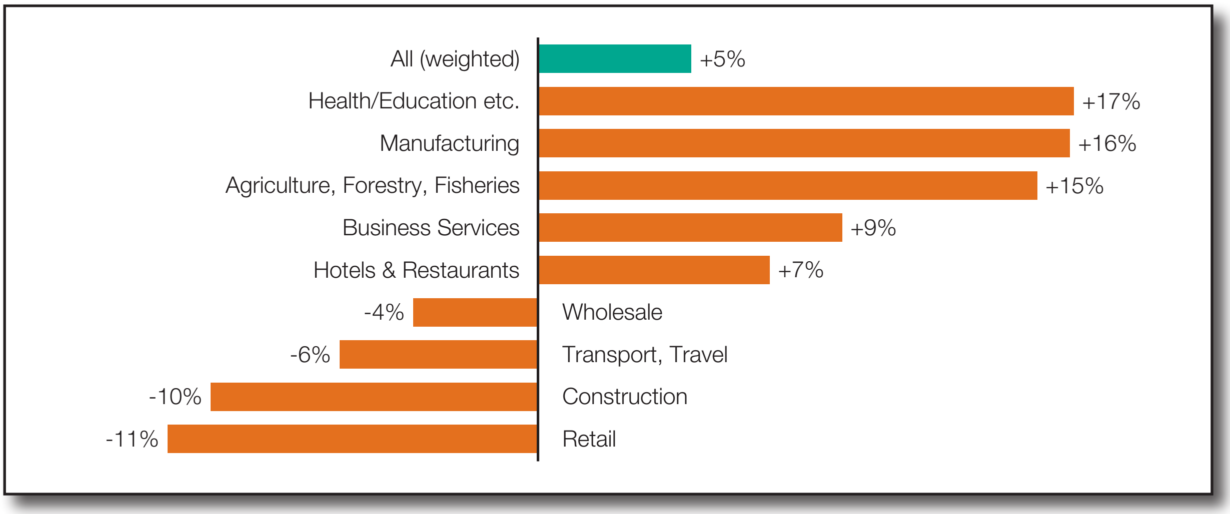
Table 1: Change over past year in sales, employment, investment and selling prices (weighted figures)

Change over past year (2008Q3 on 2007Q3) in:	Up	Down	Same	Balance
Sales Turnover	38%	33%	29%	+5%
Average Employment	15%	18%	67%	-3%
Investment	18%	16%	66%	+2%
Selling prices	39%	15%	46%	+24%

1. This appears to be due to a combination of factors, including more young firms among the new telephone respondents and fewer of the very smallest, who tend to be more pessimistic. For analysing recent changes in this transition period, Charts 1 and 2 show the results for the regular online respondents only.

Performance: Comparison Across Sectors

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



For the past two years, retailing has been one of the two most negative small business sectors in our surveys and this time is no exception. While approaching one-third (32%) of small retailers report that their sales were higher in the third quarter of 2008 than in the third quarter of 2007, some 44% report that their sales were down. The resulting balance of -11% reporting an increase is the lowest of the sectors surveyed (Chart 3, Table 2)[2]. More small retailers have shed employees over the year than have recruited new staff (though over three-quarters have not changed the numbers they employ) and the 15% which have increased investment are matched by those which have cut it (Table 2).

Further up the supply chain, the previous survey found that small wholesalers had reported rather better sales than the highly negative results the quarter before and falls in the balances for other sectors made them the most positive sector. However, it was noted that their performance remained at a relatively low level in historic terms and that their negative balance for investment did not imply much confidence about the medium-term. As expected, the sales balance in this survey is negative again[3] and they have, on balance, cut employment and investment. Also, far fewer than in the previous survey have managed to increase their average selling prices.

The modest recovery in fortunes reported by small construction firms in the previous survey also appears to have been transitory. In this survey, only 28% report an increase in sales (the lowest of the sectors), while 38% report that sales fell. Over one-quarter of small construction firms have cut the numbers they employ over the past year, the balance of -12% the most negative of all the sectors. They are also among the sectors which have most often cut investment (along with agriculture) and prices (along with wholesalers).

2. Excluding new respondents, comparison of results from our regular respondents shows that the balance for these is even more negative than in the previous survey.
3. Again, looking at just ‘regular respondents’, this is the sector showing the greatest fall in the sales balance since the previous survey.

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	+15%	-5%	-6%	+43%	65
Manufacturing	+16%	+0%	+6%	+36%	183
Transport, Travel	-6%	-4%	-2%	+12%	49
Construction	-10%	-12%	-4%	+7%	119
Wholesale	-4%	-6%	-2%	+15%	130
Retail	-11%	-6%	+0%	+31%	254
Hotels & Restaurants	+7%	+0%	+6%	+40%	84
Business Services	+9%	+4%	-0%	+14%	288
Health/Education/Leisure/Other	+17%	-2%	+10%	+33%	109
All (weighted by sector)	+5%	-3%	+2%	+24%	1 281

One of few sectors to report better performance than in the previous survey is hotels & restaurants (including public houses and cafes)[4]. It was noted in the previous survey that, while their sales performance then remained weak, the most positive balances on investment and prices over the past year and expected sales for the coming quarter suggested some modest sales improvements were likely and this has been borne out.

Small business service firms also report marginally better performance than in the previous survey and this is the only sector where more have recruited extra staff over the past year than have cut the numbers they employ (Table 2).

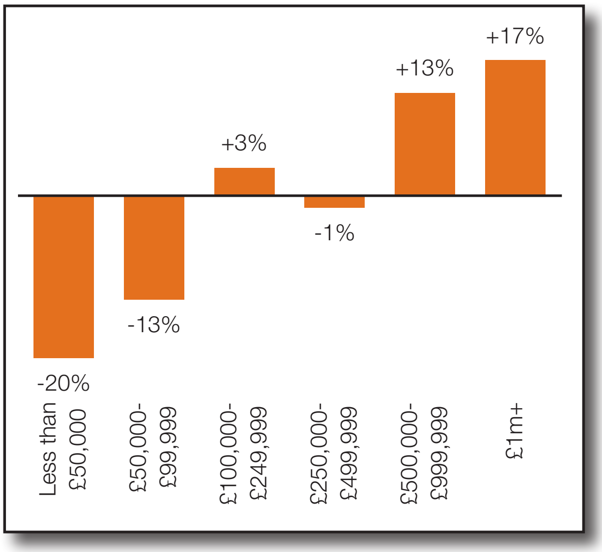
Overall, 45% of small manufacturers taking part in the survey report that their sales are up, while 29% report that they are down, giving a balance of +16%, the second-most positive of the sectors surveyed[5] (Chart 3). Manufacturing is also one of the few sectors which has not, on balance, cut employment over the year and where a positive balance has increased investment (Table 2).

The most positive sector in terms of both sales performance[6] and investment in this survey is health/education/leisure and other personal services (Chart 3, Table 2). Despite this, slightly more of these firms (12%) cut employment over the year than recruited new staff (10%).

4. The balance for regular online respondents is up from -5% to 0%.
5. This is, however, largely down to even poorer performance in other sectors. On a like-for-like basis, the balance for regular online respondent manufacturers is actually down from 0% in the previous survey to -2%. However, the balances for most other sectors have fallen even more sharply. The most positive sales balance for the regular respondents, the +2% for business services, is not much higher than the -2% for manufacturers. The new telephone respondent manufacturers are, on average, a little larger than the regular respondents, seeming to explain why the balance is positive for the enlarged sample as a whole (the following section shows that the smallest firms are the most negative).
6. It should be noted that the balance for regular online respondents fell from +11% to 0%, putting the sector in joint second place for regular respondents only.

Performance: Comparison Across Size Bands

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



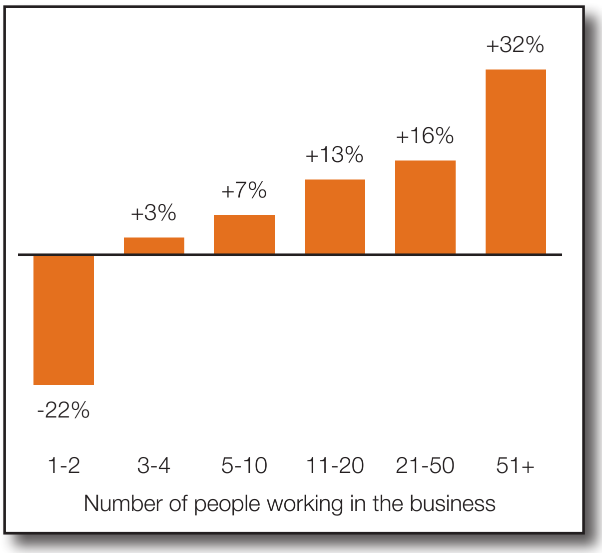
Charts 4 and 5 show, as has generally been the case, that the smallest firms, whether measured by turnover or by employment, have least often managed to increase their sales over the past year.

Those with a turnover below £100,000 have, on balance seen their sales fall over the year, while those with a turnover of half a million or more have far more often seen sales rise.

The picture is even clearer in Chart 5, analysed by number of people working in the business. As the number of employees increases, so does the likelihood that the firm has managed to increase sales. One- and two-person firms have, on balance, seen their sales fall over the year.

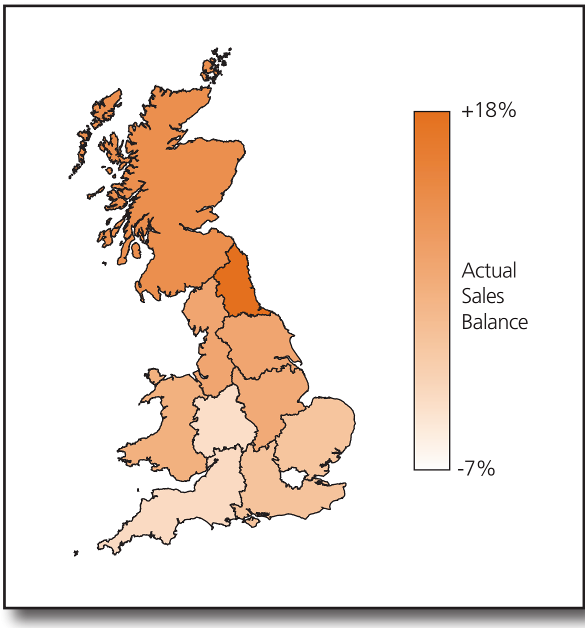
The balances of firms increasing employment and investment show similar patterns. Those with 20 or fewer employees have, on balance, cut the numbers they employ over the past year and those with fewer than 5 employees have cut investment.

Chart 5: Percentage balance reporting an increase in sales over past year by number of employees



Performance: Comparison Across Regions

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



The financial crisis in the City of London may well have contributed to the clearest north-south divide for some time in Chart 6 and Table 3. London is the region where most small firms have seen their sales fall over the past year (a balance of -7%, Table 3). Small firms here and in the South East, South West, East of England and the West Midlands report poorer performance than their counterparts in Wales, the East Midlands, Yorkshire & Humberside and the North West. In turn, these are less positive than those in the North East of England and Scotland (Chart 6).

Small firms in London have also most often cut employment, though it is those in the East Midlands and East of England which have most often cut investment.

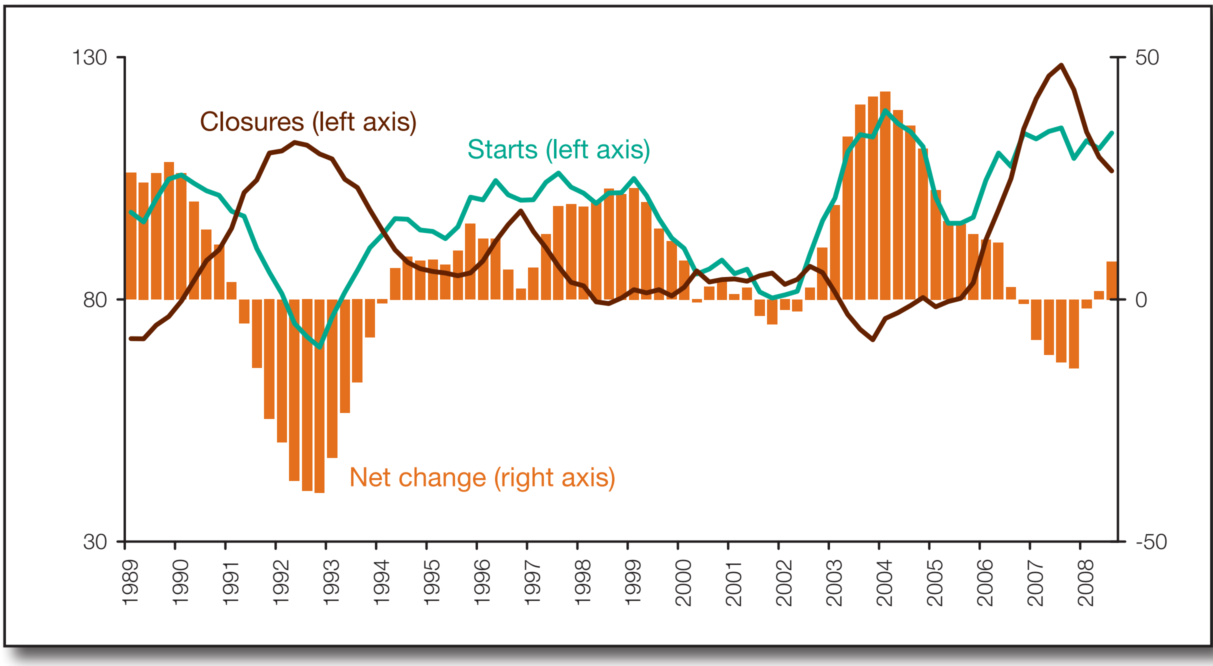
Table 3: Change over past year in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling Prices	Sample
North East	+18%	-6%	+12%	+27%	49
North West	+8%	+1%	+1%	+27%	113
Yorkshire & the Humber	+8%	-2%	+1%	+31%	103
East Midlands	+7%	+0%	-8%	+12%	86
West Midlands	-2%	-8%	-2%	+33%	103
East of England	+2%	+0%	-8%	+13%	86
London	-7%	-9%	+1%	+15%	150
South East	+3%	-1%	+5%	+24%	301
South West	-1%	+0%	-1%	+32%	145
Wales	+6%	+2%	+0%	+33%	52
Scotland	+12%	-4%	+8%	+32%	91

Business Stock

Figures supplied by Barclays Bank show that after falling through 2007, the stock of businesses in England and Wales rose a little to the third quarter of 2008.

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



The figures in Chart 7 for 'mainstream' businesses (those with a bank account) in England and Wales are supplied by the SME Team of Barclays Bank. They are constructed by grossing up the numbers of new businesses opening a Barclays bank account with estimates of Barclays' market share (Barclays supports over 1 in 5 all start ups in England and Wales).

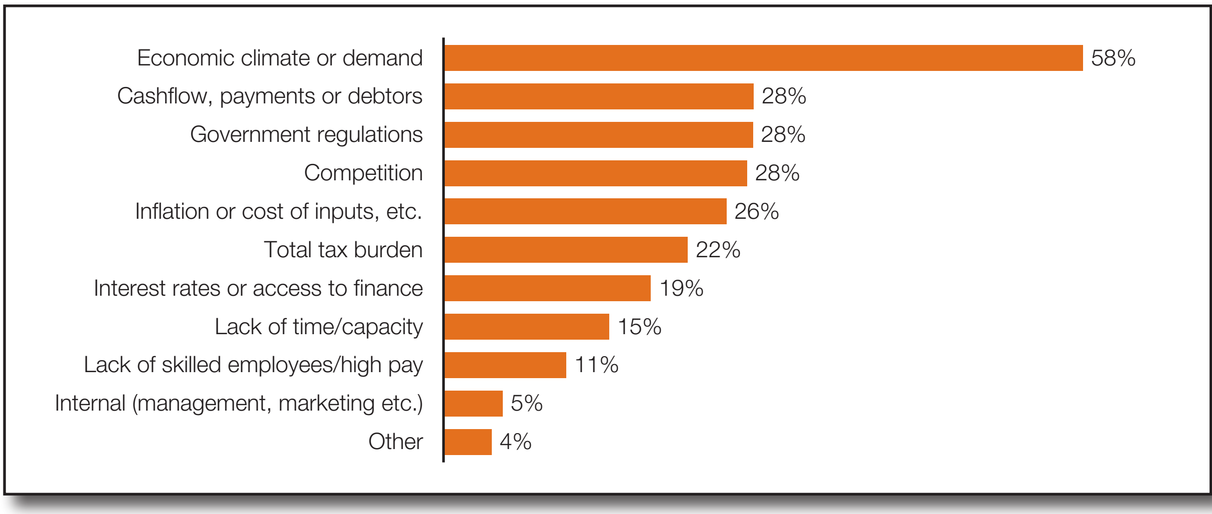
Chart 7 shows that the number of business closures started to increase sharply in 2006. This will partly be an inevitable consequence of the high numbers of new businesses formed in earlier years (as a high proportion of new businesses fail relatively quickly). However, during 2007 the closure rate rose even higher than the start-up rate has ever been. New business start-ups remained on an upward trend during 2005 and 2006, but the closure rate surpassed this towards the end of 2006, leading to a drop in the total number of businesses in England and Wales throughout 2007.

The closure rate peaked in 2007 and has since fallen. Provisional figures suggest that the closure rate fell below the start-up rate in mid-2008, meaning a modest increase in the business stock to the third quarter of 2008. It is expected, however, that the economic crisis will have impacted on business formation and closures in the final quarter.

Problems

The economic climate is, by a large margin, the biggest problem facing Britain's small firms. It is the top-ranked problem for firms of all sizes, sectors and in every region. Cashflow, payments & debtors has also risen up the rankings of problems.

Chart 8: 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

It is no great surprise that 'the economic climate or demand' is by a large margin the biggest problem facing Britain's small firms at the moment. Well over half (58%) indicate that this is one of their top three problems (Chart 8). This is the top-ranked problem for firms in all sectors, but particularly for small wholesalers (67%), manufacturers (62%) and business service firms (62%).

Firms in Scotland less often than those in England and Wales indicate that the economic climate is a problem, but even there 53% put it in their top-three problems. Those whose turnover fell over the past year unsurprisingly most often blame the economic climate (64%).

As in the previous survey, firms with a turnover above £100,000 slightly more often than the very smallest rank the economic climate as a top-three problem, even though they less often report falling turnover.

Cashflow, payments or debtors

In our previous survey (which asked respondents to score the seriousness of problems), cashflow, payments or debtors was only ranked as the sixth most important problem.

In this survey, 28% of respondents indicate that cashflow, payments or debtors is one of their top three problems. This means it has jumped up the rankings into second place (Chart 8).

The following section shows that small firms are generally owed more by their customers than they owe to their suppliers.

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

	1-2	3-4	5-10	11-20	21-50	51+
Economic climate or demand	59%	63%	56%	58%	55%	62%
Cashflow, payments or debtors	26%	28%	29%	32%	32%	29%
Government regulations	30%	23%	31%	33%	20%	32%
Competition	27%	25%	26%	30%	29%	32%
Inflation or cost of inputs, etc.	25%	27%	27%	23%	34%	22%
Total tax burden	23%	21%	27%	23%	15%	12%
Interest rates or access to finance	13%	20%	23%	19%	25%	16%
Lack of time/capacity	18%	15%	17%	14%	11%	9%
Lack of skilled employees/high pay	5%	9%	14%	12%	16%	17%
Internal (management, marketing etc.)	3%	4%	7%	4%	7%	9%
Sample	297	201	325	171	137	117

Government regulations

Until overtaken by concerns about the economic climate, government regulations was for many years the top-ranked small business problem.

Agricultural firms in particular (48%) indicate that this is a problem for them, only just behind the 49% suffering from the economic climate.

Competition

Retailers in particular (34%) complain that competition is one of their top three problems. Overall, this is a problem for 28%, the same proportion as cashflow and regulations.

Firms with more than 10 employees seem a little more likely than their smaller counterparts to be suffering problems with competition (Table 4).

Inflation or cost of inputs

Although the economic crisis has led commentators to worry about deflation, inflation or the cost of inputs remains a top-three problem for 26% of all small firms and for 42% of those in agriculture, 35% of those in wholesale and 33% of hotels & restaurants.

Total tax burden

The total tax burden is ranked as less of a problem than in the previous survey (22% overall). This seems to be more of a severe problem for firms with over 20 employees (Table 4).

Interest rates/access to finance

The Bank of England Official Bank Rate stood at 4.5 per cent when the first interviews for this survey were carried out, but it was cut to 3.0 per cent within days and again to 2.0 per cent during the second wave of telephone interviews. Since the survey was completed rates have been cut to an historic low of 1.5 per cent. The amount of lending has, however, remained restricted.

Overall, 19% (but 21% of those with a turnover above £250,000) say that interest rates or access to finance is a problem for them. The following section looks at the issue of business finance in more detail.

Lack of time/capacity

Many of the microfirms with 10 or fewer employees have reported poor sales performance over the past year and expect the worst over the current quarter. Nevertheless, as in the previous survey, more microfirms than the larger small and medium-sized firms are suffering from a lack of time or capacity. Table 4 shows that 18% of those with 1 or 2 employees say this is a top-three problem, compared with only 9% of those medium-sized firms (over 50 employees).

Lack of skilled employees/high pay

In contrast, relatively larger firms more often have problems finding skilled employees. This is a top-three issue for 17% of those with 50+ employees (Table 4).

Lack of capacity or of employees or internal difficulties are, however, far less often problems than the economic climate.

Business Finance

The equity in small firms comes predominantly from the owner of the business and retained earnings. Over half have no loans other than those from the owner or directors. For those which do have 'external' loans, bank finance dominates. Small firms are usually owed more by their customers than they owe to suppliers.

Table 5: "At present, are you owed more by your customers than you owe to your suppliers?", compared with earlier surveys

	1999 Q2	2003 Q3	2007 Q3	2008 Q4
YES, customers owe more	64%	62%	56%	50%
NO, owe more to suppliers	19%	23%	17%	21%
Have no debtors/creditors or in balance	16%	13%	25%	27%
Don't know/No response	1%	1%	2%	3%
Sample	619	784	629	728
Net Balance owing to suppliers	-45%	-39%	-38%	-29%

Trade credit

Small firms are overall net creditors and do not tend to fund their businesses using trade credit. Table 5 shows that every time we have asked about this, far more have reported that their customers owe more to them than they owe to their suppliers[7]. They appear to be helping to finance larger firms rather than the other way around.

Table 6 shows that the very smallest firms far more often than the relatively larger have no debtors/creditors or they are in balance. For those with 11 or more employees, over half are owed more money by customers than they owe to suppliers. Even for those with only 1 or 2 employees, twice as many are, on balance, owed money than are in debt to suppliers.

Table 6: "At present, are you owed more by your customers than you owe to your suppliers?", by number of people working in the business

	1-2	3-4	5-10	11-20	21-50	51+	All
YES, customers owe more	41%	45%	49%	54%	58%	62%	50%
NO, owe more to suppliers	20%	20%	22%	19%	23%	23%	21%
Have no debtors/creditors or in balance	38%	34%	26%	25%	16%	8%	27%
Don't know (not prompted)	1%	1%	2%	2%	3%	7%	3%
Sample	142	115	207	108	79	60	728
Net Balance owing to suppliers	-20%	-25%	-27%	-34%	-35%	-38%	-29%

7. Telephone respondents to the current survey less often (41%) than respondents from our regular database (63%) report their customers owe them more. The balance of -43% for regular respondents is close to that in earlier years.

Chart 9: Balance of firms which owe more to their suppliers than they owe to their customers - by sector

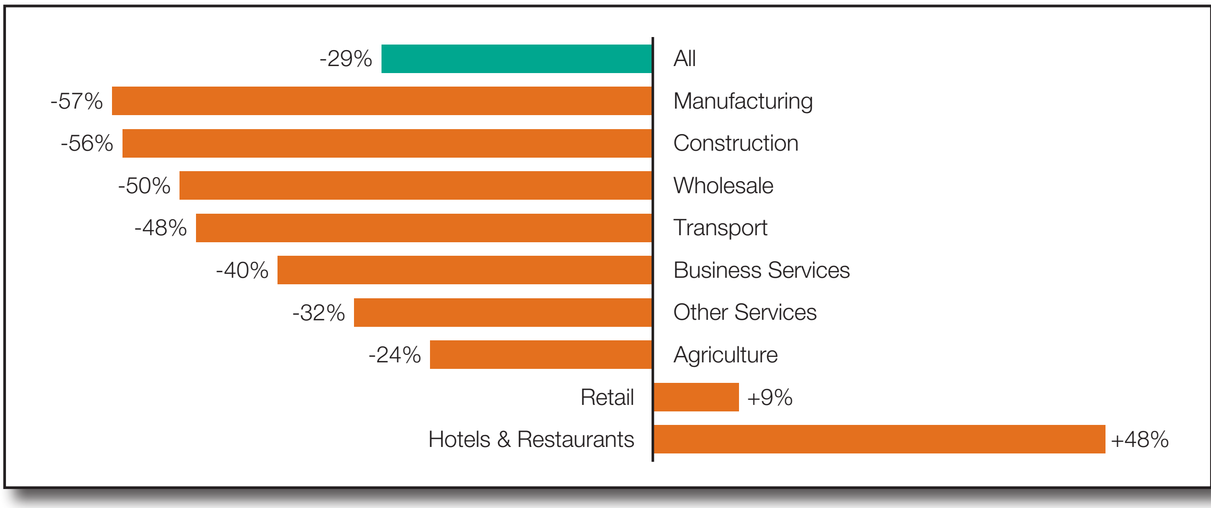


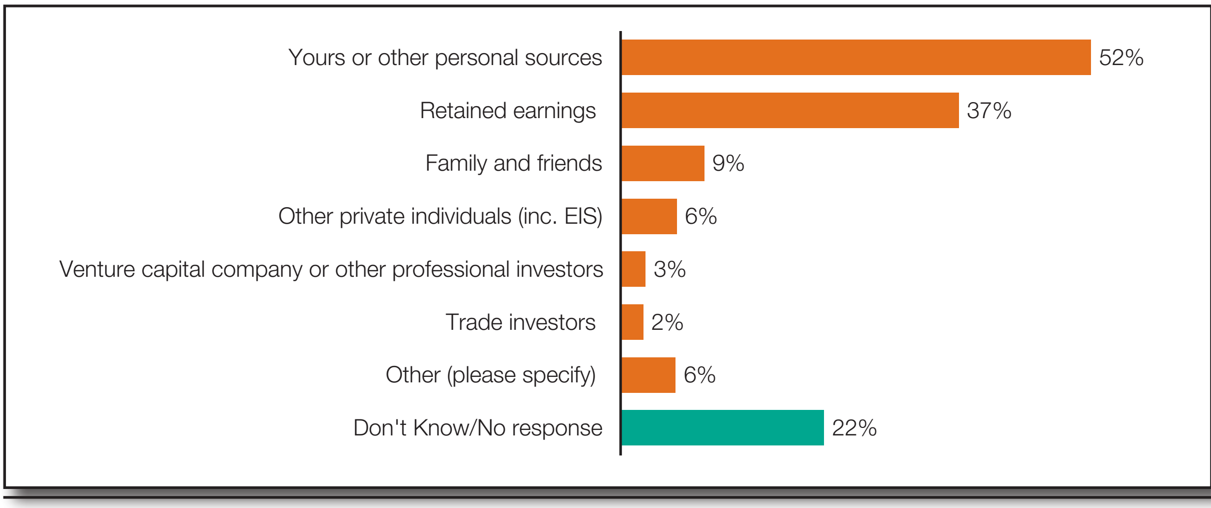
Table 6 shows that among our respondents the larger the firm the more often they are, on balance, owed money by their customers. However, this pattern does not appear to extend to their relations with large firms. Even the largest businesses taking part in our survey are still small firms, with little market power. It is well-established that large firms take longer to pay their bills than small and medium-sized firms[8] and so benefit from trade credit at the expense of the smaller. Use of the provisions of late payment legislation remains voluntary, meaning that many small and medium-sized firms are reluctant to use these for fear of offending these important customers.

Chart 9 shows that only in retail and hotels & restaurants (including public houses and cafes) do more small firms owe money to their suppliers than are owed money by their customers. This is because these are consumer-facing businesses which are usually cash-based and do not offer credit. In all other sectors, small firms are, on balance, owed more by their customers than they owe to suppliers.

Sources of equity

Most small firms do not have any external equity. Chart 10 shows that by far the most common sources of equity used by the firms taking part in our survey are the owner's own or other personal sources and retained earnings. Table 7 shows that for the very smallest firms the owner is most often the main source of equity. For those firms which have grown to employ more than 20 people, retained earnings are more often a source of equity.

Chart 10: Sources of equity used at present



8. E.g. 'Late payment power struggle intensifies', Experian Information Solutions, Nottingham UK, 2007, which found that large firms take an average of 20 days longer to pay their bills than small and medium-sized firms.

Table 7: Sources of equity used at present, by number of people working in the business

	1-2	3-4	5-10	11-20	21-50	51+	All
Yours or other personal sources	63%	56%	55%	50%	38%	37%	52%
Retained earnings	30%	34%	37%	41%	43%	50%	37%
Family and friends	4%	11%	12%	13%	11%	2%	9%
Other private individuals (inc. EIS)	0%	4%	6%	4%	13%	20%	6%
Venture capital company or other professional investors	0%	0%	4%	2%	5%	7%	3%
Trade investors	0%	3%	3%	3%	3%	5%	2%
Other (please specify)	4%	3%	6%	7%	9%	10%	6%
Don't Know/No response	21%	28%	20%	19%	22%	20%	22%
Sample	142	115	207	108	79	60	728

Relatively few of the smallest microfirms (sole-traders and 1-2 person businesses) turn to family and friends for equity, relying more on direct equity from the owner. At the other end of the scale, the medium-sized firms with 51+ employees more often have equity from 'professional' sources: other private individuals; venture capital companies or trade investors (Table 7). The proportion of firms known to have 'professional' external equity (i.e. excluding the owner, family, friends and retained earnings) ranges from none of the firms with 1 or 2 employees to a quarter of those employing more than 50 people.

Table 8 shows that, when don't knows and non-responses are excluded, the ordering of the sources of equity are the same as in the previous four times we have asked these questions since 1991. The proportion with 'professional' external investors is somewhat higher than in the earlier surveys, though this may be related to a change in the sample composition[9].

Table 8: Sources of equity used at present, compared with earlier surveys (excluding don't know/no response)

	1991 Q4	1999 Q2	2003 Q3	2007 Q3	2008 Q4
Yours or other personal sources	81%	76%	81%	62%	67%
Retained earnings	49%	59%	43%	54%	48%
Family and friends	12%	11%	10%	10%	12%
Other private individuals (inc. BES/EIS)	4%	2%	3%	3%	8%
Venture capital company or other professional investors	1%	1%	1%	2%	4%
Trade investors	1%	1%	0%	1%	3%
Other	1%	2%	3%	2%	8%
Sample	693	521	710	552	565

9. As noted in the Appendix, in this survey, online responses from longstanding volunteer small firms were supplemented by telephone interviews of other small firms. As in the 2007 Q3 survey, when telephone interviews were also carried out, responses seem significantly different between the two methods. In particular, 28% of those interviewed by telephone responded that they did not know (or perhaps did not understand) their sources of equity (and a further 3% refused to answer). In contrast, over 90% of those responding online at least attempted to answer the question. The telephone respondents also seem markedly more likely than the online respondents to report that they have 'professional' external equity, more than can be explained by differences in size, age, status or sector of business.

Table 9: Current sources of loans, by firm size (number of people working in the business)

	1-2	3-4	5-10	11-20	21-50	51+	All
No loans	55%	52%	40%	43%	35%	45%	45%
Bank overdrafts	19%	26%	32%	34%	37%	25%	28%
Other bank loans (term loans)	11%	17%	21%	19%	22%	27%	18%
Loans from owner, director or proprietor	13%	14%	18%	22%	14%	8%	16%
Credit cards	12%	12%	15%	19%	13%	18%	15%
Leasing	4%	8%	10%	19%	11%	20%	11%
Hire purchase	4%	3%	11%	12%	11%	20%	9%
Mortgage for business premises (incl, your home if used)	8%	10%	10%	10%	11%	10%	9%
Business loans from other financial institutions	2%	3%	8%	7%	6%	10%	6%
Debt factoring/ invoice discounting	1%	1%	4%	6%	6%	3%	4%
Loans from family, friends	4%	0%	5%	6%	1%	2%	3%
Loans or grants from Government	1%	3%	0%	2%	4%	5%	2%
Loans from other private individuals	0%	1%	0%	3%	1%	3%	1%
Other	1%	0%	0%	2%	1%	0%	1%
Sample	142	115	207	108	79	60	728

Sources of loans

Approaching half of firms taking part in the survey (and over half of those with fewer than 5 employees) report having no loans (Table 9). Of those which do have loans, bank overdrafts are the most common form, followed by bank term loans. For the very smallest, overdrafts are the main source by some margin, while relatively larger firms tend to use a wider range of loan finance. The medium-sized firms with 50 or more employees more often have term loans than an overdraft (Table 9).

Asset finance (hire purchase and leasing) is the third most common source of loan finance, used by one-third of businesses which have loans (Table 10)[10]. Table 9 shows that medium-sized firms with more than 50 employees are five times more likely to use either of these forms of finance than the very smallest firms. Taken together, more firms with over 10 employees use hire purchase or leasing than have bank term loans.

Table 10: Sources of loans compared with earlier surveys (excluding no loans/don't know/no response)

	1991 Q4	1999 Q2	2003 Q3	2007 Q3	2008 Q4
Bank overdrafts	74%	60%	51%	52%	55%
Other bank loans (term loans)	34%	34%	29%	33%	36%
Hire purchase or leasing	29%	31%	22%	25%	33%
Loans from owner, director or proprietor	34%	41%	44%	32%	31%
Credit card [or similar short-term loans]	16%	21%	22%	31%	28%
Mortgage for business premises (incl. your home if used)	22%	22%	17%	24%	19%
Business loans from other financial institutions	5%	4%	5%	4%	11%
Debt factoring/ invoice discounting	2%	4%	5%	5%	7%
Loans from family, friends	12%	12%	8%	8%	7%
Loans or grants from Government	5%	4%	5%	4%	3%
Loans from other private individuals	2%	2%	1%	2%	2%
Other	2%	1%	8%	2%	1%
Sample	689	468	642	337	372

Table 11: Reasons which have driven the need for capital over past year, compared with earlier surveys

	2003 Q3	2007 Q3	2008 Q4
Manage cashflow/bad debts	33%	21%	33%
Fund investment in equipment and other assets	25%	25%	32%
Fund investment in new buildings/premises			14%
Fund business growth	22%	28%	27%
Fund increased operating/staff costs	16%	13%	19%
Fund increased marketing/promotion	8%	7%	12%
Fund research/development/innovation	6%	5%	10%
Manage increased credit restrictions	2%	2%	10%
Other	7%	5%	4%
No response	19%	27%	31%
Sample	784	629	728

Loans from the owner and directors are important for many firms, though the sole proprietors taking part less often (5%) than the private companies (18%) indicate this, probably because sole proprietors often view their own finances as intertwined with those of their business and so would count money left in the business as equity or foregone income rather than a formal loan[11]. Overall, only 47% report having 'external' loans, i.e. other than from the owner or directors.

Table 10 shows that the use of credit cards almost doubled from 16% of those with loans to 31% between 1991 and 2007 (and in 1991 and 1999 this category also included 'similar short-term loans'). In this survey, however, the use of credit-card finance has fallen a little, to 28% of those with loans (15% of all respondents).

The relatively larger small businesses more often than the very smallest use debt factoring/invoice discounting or have business loans from other financial institutions.

Need for capital

In our survey of just over a year ago, more small firms reported that their need for capital had been driven by the requirement to fund business growth (28%) than had been forced to raise capital to manage cashflow or bad debts (21%). In this survey, however, worsening economic conditions mean that the position is reversed[12]. A third of small firms report that they have needed new capital to manage cashflow or bad debts while 27% have used it to fund business growth (Table 11). It should be noted, though, that combining the various options offered, more firms (50%) have needed capital to fund growth, investment, marketing or R&D than have required it to ease cashflow problems, cost increases or credit restrictions (42%).

The larger small firms and medium-sized firms, more often than the smallest, indicate that their needs for capital are driven by multiple reasons. In particular, the medium-sized with over 50 employees have far more often than those with only 1 or 2 employees needed capital to fund investment in new buildings/premises and to fund research & development and innovation. The smallest have, though, almost as often as the relatively largest needed capital to manage cashflow or bad debts.

10. In previous years this was offered as a single option. In this survey 'hire purchase' and 'leasing' were listed separately. Of those with loans, 33% use one or other (or both) of these means of finance.
11. Telephone respondents more often (50%) than online respondents (37%) report having no loans. They less often (9%) than the online respondents (26%) indicate that they have loans from the owner, director or proprietor. It seems plausible that when initially offered verbally the option of 'no loans' some may have discounted loans they themselves had made to their business and meant 'no external loans'. When shown online a list including 'loans from owner', however, they may have recognised this as a distinct category.
12. Other comparisons with earlier surveys are somewhat problematic. Respondents to this survey tend to have indicated a greater number of reasons which have driven their need for capital, meaning that the proportion selecting most options is up. In addition, the option in previous years of 'fund investment in equipment, buildings etc.' was this time split into 'fund investment in buildings/premises' and 'fund investment in equipment and other assets'. The proportion selecting either of these options was 35%, well above the 25% in the previous survey.
There was a much stronger tendency among telephone respondents compared with our regular online database respondents to report that they had not needed capital for any of the reasons listed (40% compared with 18%). Those telephone respondents which did indicate a need, however, indicated on average 2.8 reasons, compared with only 1.8 for online respondents. In particular, telephone respondents were markedly more likely to report a need for capital to manage increased credit restrictions, fund marketing, fund investment in premises and fund R&D.

Table 12: "When deciding on sources of financing for the acquisition of assets, how important is:"

	Very important	Quite important	Not relevant or not important	Don't know/No response
Being able to take advantage of corporation tax capital allowances	29%	30%	34%	6%
Having the asset secured on a business, rather than personal, asset	30%	26%	38%	6%
Having flexibility to change the asset if business needs change	23%	30%	40%	7%
Not having to show the value of the assets in your annual accounts	10%	16%	67%	7%

Naturally, those with falling turnover have most often (47%) needed capital to manage cashflow while those with rising turnover have most often needed capital to fund business growth (35%). Small firms which have increased investment over the past year report they have needed capital for this (for example, 53% have needed capital to fund investment in equipment and other assets).

Asset financing

'Being able to take advantage of corporation tax capital allowances' is an important factor for small businesses when deciding on the financing for the acquisition of assets. Table 12 shows that 59% of firms say that this is 'very important' or 'quite important'. Naturally, this proportion is even higher (67%) for private companies.

'Having the asset secured on a business, rather than personal, asset' is 'very important' to 30% and 'quite important' to 26%, while 'having flexibility to change the asset' is important to almost as many but 'very important' to only 23%.

Compared with these three reasons, 'not having to show the value of the assets in your annual accounts' is of less importance. Nevertheless, it is 'very important' to 10% of all firms taking part in the survey and 'quite important' to a further 16%. The International Accounting Standards Board (IASB) is proposing that all leases should go on balance sheets from 2012.

Conclusions

Most small firms rely on equity from the owner, sometimes supplemented by family and friends, but relatively rarely diluted by stakes from 'professional' sources.

Around half report having no loans, insulating them to some extent from the problems suffered recently by large firms in refinancing debt. Of those which do have loans, expensive overdrafts are rather more common (though also more flexible) than pre-planned term loans.

The need for capital to manage cashflow seems to have increased over the past year or so, though investment and business growth are still more often the causes which have driven the need for capital.

There is no evidence as yet of strong direct credit crunch effects on the overall access of SMEs to debt capital. The proportion of SMEs with bank loans and overdrafts is similar to that of just over a year ago.

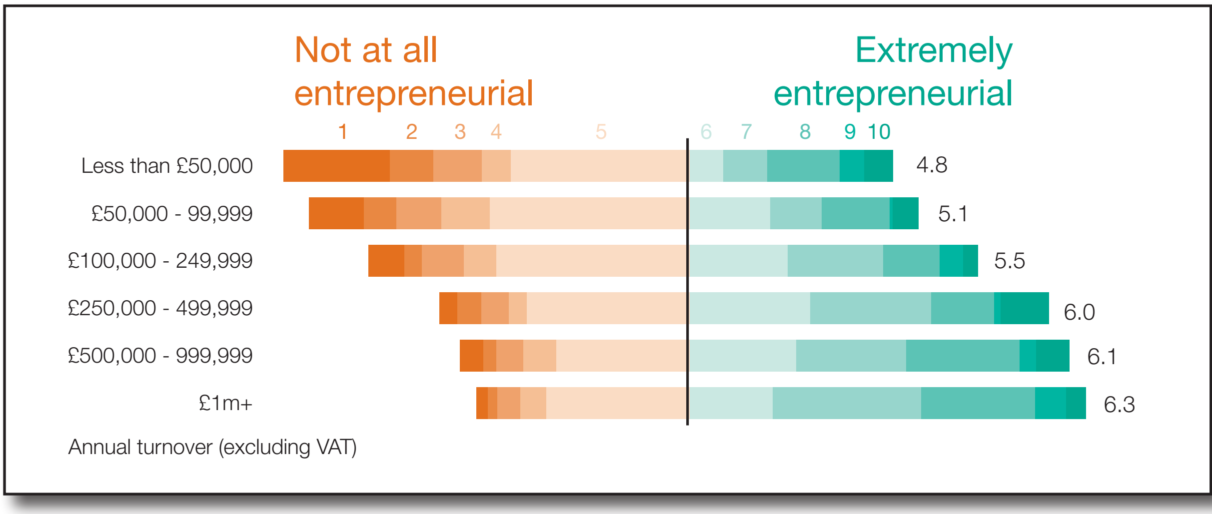
Small firms far more often claim to be owed more by their customers than they owe to their suppliers. Partly this will be a consequence of profit and labour costs - making more from selling products and services to customers than the cost of having to pay for materials and supplies - and partly a timing issue - having to pay for supplies at the commencement of work and only invoicing customers at the end. However, there remains the suspicion that the system of trade credit, and particularly large firms' ability to pay late with impunity due to small firms' reluctance to use late payment legislation for the fear of offending important customers, means that the smallest firms are helping to support the cashflow of the largest.

In times when many companies are failing, being reliant on money owed by customers is an anxious position for many small firms to be in. A number of respondents specifically mentioned the problems they are having with bad debts due to customers going into liquidation.

Entrepreneurial Index

Larger firms view themselves as more entrepreneurial. The most entrepreneurial report the best performance over the past year and expect the best performance during the current quarter.

Chart 11: "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 11 shows that firms with a turnover below £50,000 per year rate themselves on average 4.8 on the entrepreneurial scale. Those with a turnover of a million pounds or more rate themselves on average at 6.3.

The picture is similar when size is measured by number of people working in the business. Sole traders and two-person firms rate themselves as 5.0 on the scale while those with more than 50 employees rate themselves as 6.4.

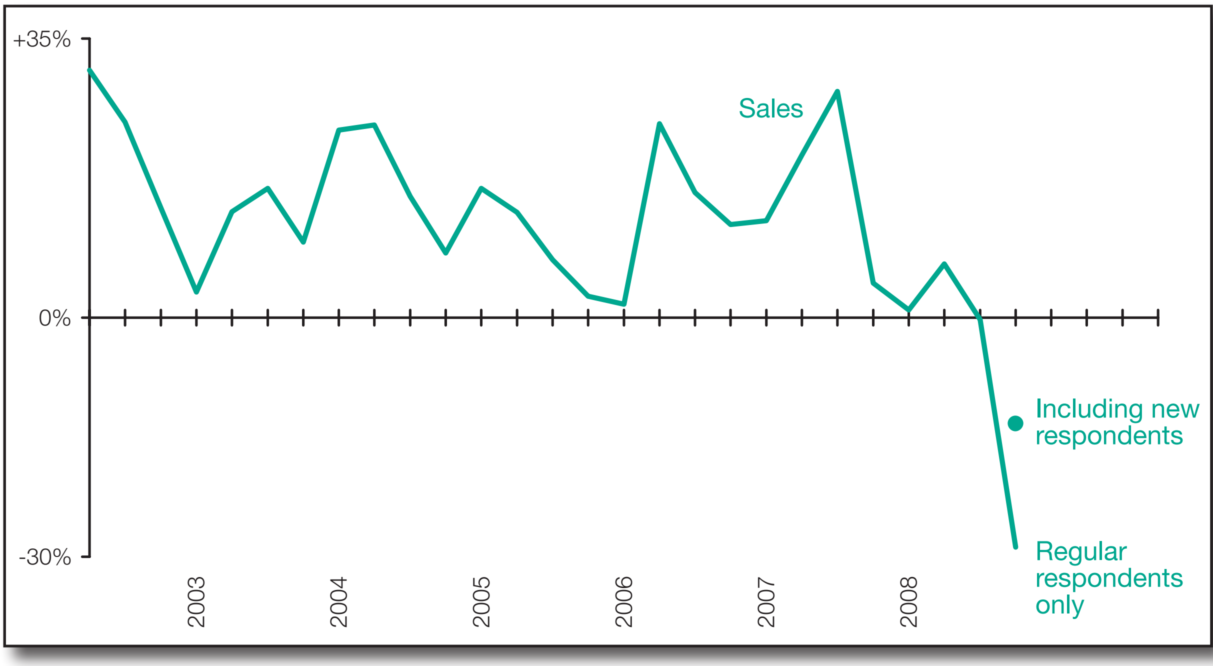
In this survey, small firms in Scotland rate themselves as more entrepreneurial (6.2) than their counterparts in England and Wales. Manufacturing is the sector with the highest entrepreneurial rating, while those in agriculture and hotels & restaurants most often rate themselves as not entrepreneurial.

Firms which rate themselves more entrepreneurial report far better sales, employment and investment performance and expectations than the least entrepreneurial. Those rating themselves at 5 or less have, on balance, seen their sales fall over the past year while the more entrepreneurial have seen increases. Only firms rating themselves as 8 or higher on the entrepreneurial scale expect, on balance, their sales to increase during the current quarter and even these expect to cut employment and investment.

Prospects

Sales and employment expectations have plummeted. The malaise is widespread. Small firms in every sector of the economy, of every size and in every region expect, on balance, their sales to fall.

Chart 12: Percentage balance of respondents expecting an increase in sales (weighted figures)



Worsening economic conditions have led to small firms becoming extremely pessimistic about their short-term sales prospects. Table 13 shows that 39% of small firms expect their sales to be down in the final quarter of 2008 than in the third quarter. Only 26% expect their sales will have risen, given a balance of -13%. Ignoring the new respondents[13], Chart 12 shows that the balance for our regular online respondents has plunged from 0% in the previous survey to -29%. While the balance normally falls at this time of the year, the chart shows that the result in the current survey is far worse than anything seen in recent years.

Sentiment appears to have worsened even while the survey was being carried out. The expected sales balance was -1% for the small firms interviewed by telephone in November[14], but -15% for those interviewed in December.

13. The Appendix gives more details of differences between the regular online and new telephone respondents.
14. Excluding the 'booster' sample of very small firms surveyed in November, more details in the Appendix.

Chart 13: Percentage balance of respondents expecting an increase in employment (weighted figures)

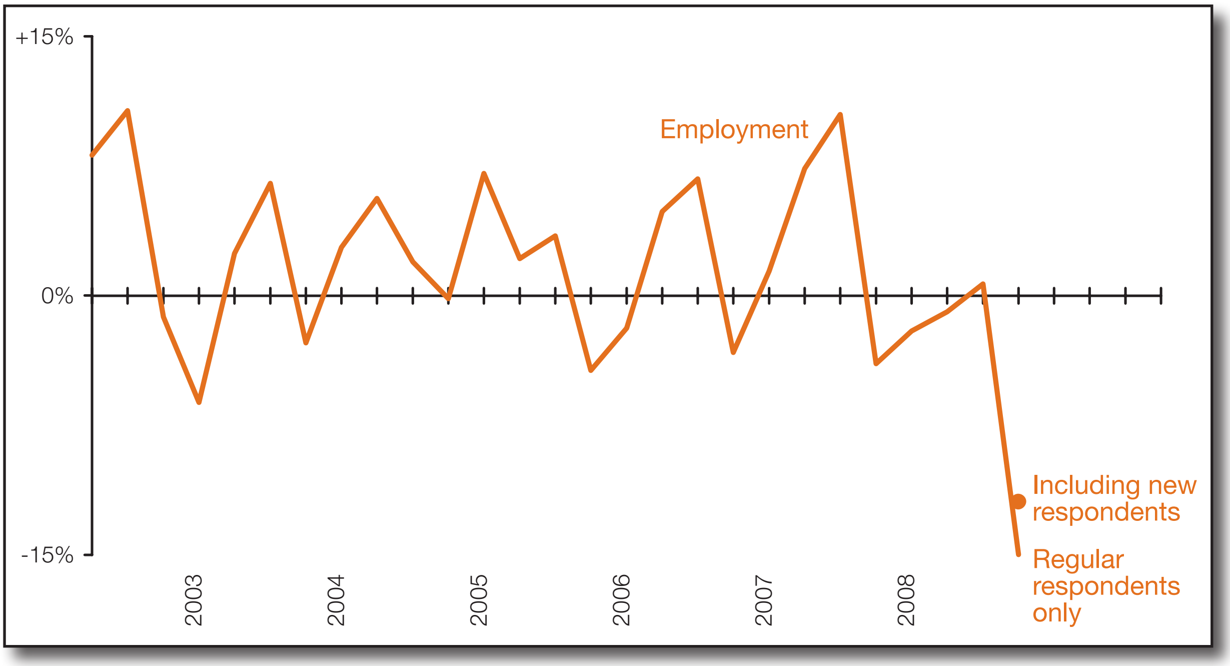


Chart 13 shows that the fall in the balance of regular online respondents expecting to increase the numbers they employ during the final quarter is even larger than that at this time last year and from a much lower base (as there was little improvement throughout 2008). The balance is therefore now at a very low level.

Including all respondents, Table 13 shows that there are 7% of small firms which expect to have recruited extra staff during the quarter. However, far more, 19%, expect to have reduced headcount (around three-quarters expect their employment level to be unchanged).

Table 13 shows that far more small firms expect to have cut investment than increased it. Inflationary pressures from small firms have sharply abated over the past six months or so and now only slightly more expect to increase their average selling prices than expect to cut them.

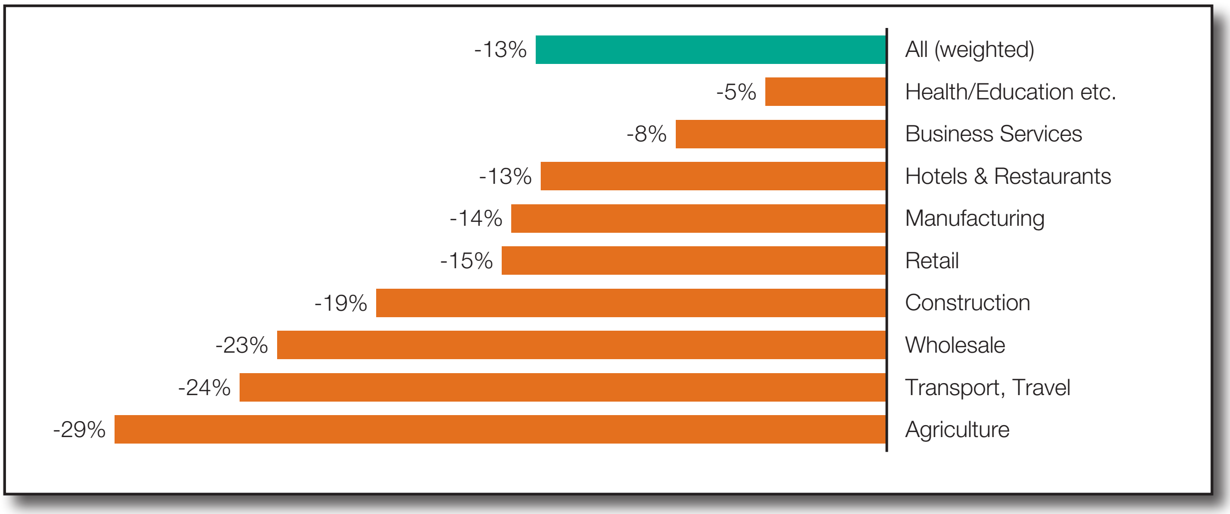
The balance of firms expecting to increase investment and average selling prices had already fallen sharply in the previous survey. Historic comparisons show that the investment balance is slightly less negative now than then and the balance on prices is down just a little.

Table 13: Expected change over past year in sales, employment, investment and selling prices (weighted figures)

Expected change over current quarter (2008Q4 on 2008Q3) in:	Up	Down	Same	Balance
Sales Turnover	26%	39%	35%	-13%
Average Employment	7%	19%	73%	-12%
Investment	9%	22%	69%	-14%
Selling prices	19%	19%	62%	+1%

Prospects: Comparison Across Sectors

Chart 14: Percentage balance of respondents expecting an increase in sales over current quarter by sector



In marked contrast to previous surveys, the pessimism about prospects is now spread across all sectors of the economy. In every sector surveyed, more small firms expect to see their sales fall and expect to cut employment and investment than expect them to increase (Table 14).

Pessimism is greatest in agriculture and the transport, travel & communication sector (where over half of small firms expect their sales to fall during the quarter). But even in the health/education/leisure & other personal services sector, which reported a balance of increasing sales over the past year, more small firms expect their sales to fall (32%) than expect them to increase (28%) during the quarter (Chart 14).

Table 14: 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	-29%	-18%	-20%	-6%	65
Manufacturing	-14%	-14%	-8%	+13%	183
Transport, Travel	-24%	-12%	-20%	-10%	49
Construction	-19%	-22%	-26%	-16%	119
Wholesale	-23%	-16%	-17%	-2%	130
Retail	-15%	-8%	-10%	+12%	254
Hotels & Restaurants	-13%	-14%	-7%	+8%	84
Business Services	-8%	-9%	-13%	-4%	288
Health/Education/Leisure/Other	-5%	-6%	-9%	+8%	109
All (weighted by sector)	-13%	-12%	-14%	+1%	1 281

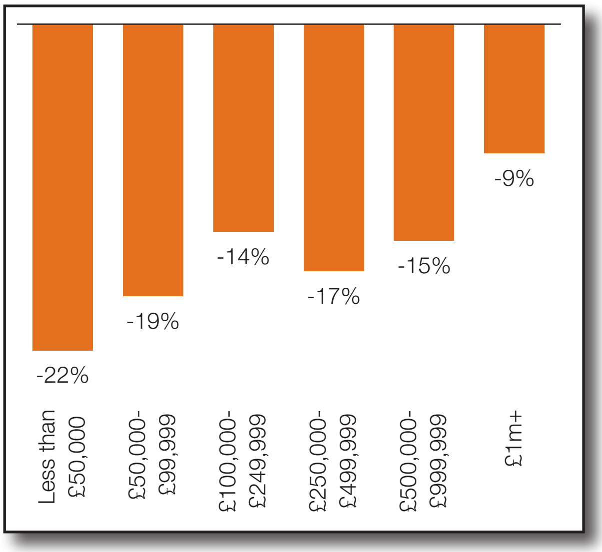
Small construction firms, on balance, most often expect to cut employment, investment and their current selling prices over the current quarter.

An historic comparison of just the regular online respondents to the survey shows that only in retail and agriculture[15] are firms less negative than in the previous survey. These were, however, by a considerable margin the most pessimistic sectors in the previous survey and so they remain on balance negative about their prospects.

15. The sample of agricultural firms among the regular respondents is very small and so this may not be particularly representative of the sector as a whole.

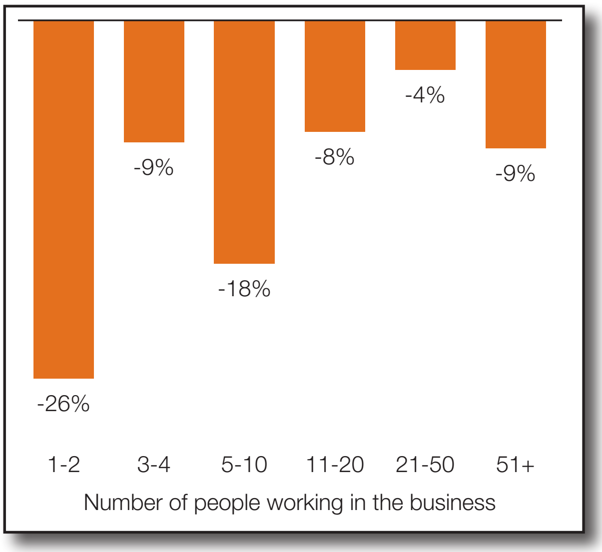
Prospects: Comparison Across Size Bands

Chart 15: Percentage balance expecting an increase in sales over current quarter by turnover size band



Charts 15 and 16 shows that firms of all sizes, whether measured by turnover or employment, expect their sales to fall during the quarter. It remains the case that the very smallest are the most negative.

Chart 16: Percentage balance expecting an increase in sales over current quarter by FTE number of employees



Prospects: Comparison Across Regions

Although small firms in London report the poorest sales performance over the past year, it seems that the gloom about prospects is at least as deep elsewhere. Small firms in the South West, North West, the East of England, West Midlands, South East and the East Midlands are all at least as pessimistic as those in London about their immediate prospects (Chart 17).

Even in the least negative regions, Wales, Scotland, the North East of England and Yorkshire & Humberside, more small firms expect sales to fall than to rise.

While less pessimistic about sales than many other regions, small firms in Scotland are the most likely to expect to be cutting employment (Table 15).

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

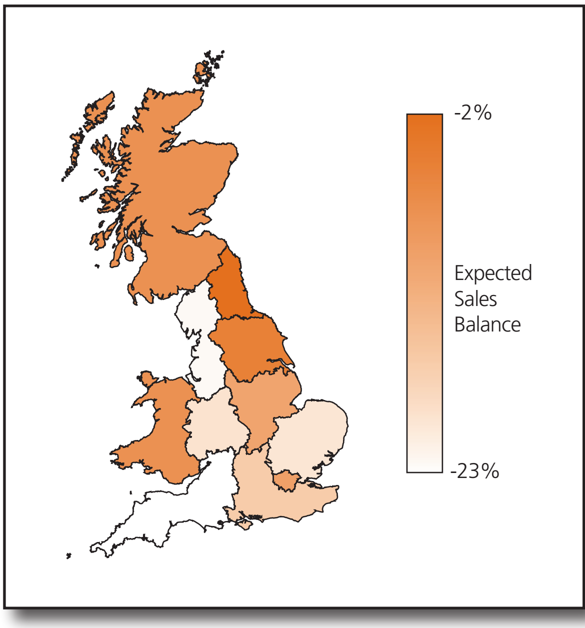


Table 15: Expected change over current quarter in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling Prices	Sample
North East	-2%	-12%	-8%	+0%	49
North West	-22%	-15%	-11%	+6%	113
Yorkshire & the Humber	-5%	-4%	-8%	+0%	103
East Midlands	-10%	-13%	-13%	+5%	86
West Midlands	-19%	-17%	-17%	+0%	103
East of England	-20%	-16%	-13%	+0%	86
London	-10%	-5%	-14%	+1%	150
South East	-16%	-12%	-14%	+0%	301
South West	-23%	-11%	-15%	-3%	145
Wales	-8%	-10%	-10%	+17%	52
Scotland	-8%	-21%	-14%	+11%	91

APPENDIX

How the survey is carried out

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 other small firms, carried out by Continental Research.

The link to the full online questionnaire was emailed to 1,183 regular respondents on 28th November 2008 and a reminder email sent to non-respondents on 16th December 2008. In total, 277 of these regular participants responded.

Telephone interviews were carried out in waves. Starting on 3rd November 2008, 451 full interviews were carried out with firms with a turnover between £50,000 and £20m. In addition, a further 'booster' survey of just the economic climate questions (i.e. not including the business finance questions) was administered to 100 firms with a turnover of below £50,000. In early December 2008 a second wave of interviews of just the economic climate questions was carried out on a further 453 firms in the £50,000 to £20m turnover range.

The total number of responses to business finance questions was therefore 728 and to the regular economic climate questions was 1,281.

The telephone respondents include more firms established since 2000 (but also more established before 1970) than the regular online respondents. They also include more firms with a turnover over £500,000 and over 20 employees. As these groups all tend to be more positive than their older and smaller counterparts this explains at least in part why the new telephone respondents are more positive than the regular online respondents, as noted in the text.

Our expanded sample allows us to analyse more reliably breakdowns by firm size, sector and so on and will give us a better series in future. For analysing recent changes in this transition period, some charts also show the results for the regular online respondents separately.

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 DTI estimates of total employment by firms with fewer than 50 employees. In earlier surveys results for previous years were re-weighted as DTI estimates for those years became available. To avoid continuous revisions figures are now weighted by the latest figures available (currently 2007) 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. 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.

Special Topics

Vol 1 No 1 Some Characteristics of the Respondents
No 2 Changes in Employment, New Business
No 3 Part-time Employees, Computers in Small Firms
No 4 Employment

Vol 2 No 1 Finance, Membership of Representative Bodies
No 2 Exports, The Business Expansion Scheme
No 3 Employment, Skill Shortage
No 4 Incorporated and Unincorporated Business, Expanding Firms, Small Firms in the Service Sectors

Vol 3 No 1 Domestic versus Business Telephone Usage, Employment
No 2 Most Important Problem Facing Declining and Growing Businesses, Characteristics of our Respondents
No 3 Employment, Slow Payment Problems
No 4 Use of Accountants

Vol 4 No 1 Use of Solicitors
No 2 Training background of managers and arrangements for staff training
No 3 Access to external information
No 4 Present and future use of Telecommunications products and services, Characteristics of Respondents

Vol 5 No 1 Employee Turnover, National Chamber of Trade Survey, National Westminster Digest Survey
No 2 The effects of 1992 on small firms
No 3 Intergenerational and previous business background of respondents
No 4 Origins of new employees

Vol 6 No 1 European Community Special Directorate DG23
No 2 Motivation and Objectives of respondents for setting up their own business
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 change, 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, Entrepreneurship
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

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 U	Sales S	Employment U	Employment S	Investment U	Prices U
Vol.1 No.1a	3,056	1984/3	+34.7%	+10.5%	-	-	+21.2%	+23.1%	+3.3%	+5.2%	-	-
Vol.1 No.1b	1,795	1984/4	+32.6%	+10.4%	-	-	+9.5%	+17.7%	+0.9%	+3.9%	-	-
Vol.1 No.2	1,181	1985/1	+33.4%	+17.6%	-	-	+16.9%	+9.4%	+9.5%	+7.1%	-	-
Vol.1 No.3	1,090	1985/2	+34.4%	+11.2%	-	-	+31.4%	+28.8%	+5.3%	+2.8%	-	-
Vol.1 No.4	1,072	1985/3	+37.4%	+12.1%	-	-	+26.2%	+28.1%	+5.3%	+7.2%	-	-
Vol.2 No.1	1,326	1985/4	+41.4%	+12.6%	-	-	+9.8%	+18.0%	+5.3%	+8.3%	-	-
Vol.2 No.2	1,052	1986/1	+33.6%	+11.6%	-	-	+31.1%	+23.6%	+5.6%	+3.2%	-	-
Vol.2 No.3	1,285	1986/2	+35.5%	+14.2%	-	-	+29.6%	+27.0%	+11.9%	+9.4%	-	-
Vol.2 No.4	1,435	1986/3	+39.7%	+15.2%	-	-	+22.3%	+24.2%	+6.0%	+7.9%	-	-
Vol.3 No.1	1,116	1986/4	+40.0%	+13.4%	-	-	+17.0%	+25.2%	+4.6%	+7.6%	-	-
Vol.3 No.2	1,746	1987/1	+40.2%	+15.2%	-	-	+39.7%	+32.2%	+15.1%	+12.7%	-	-
Vol.3 No.3	1,113	1987/2	+44.7%	+23.1%	-	-	+36.8%	+34.2%	+13.2%	+10.7%	-	-
Vol.3 No.4	977	1987/3	+44.8%	+17.6%	-	-	+28.8%	+30.7%	+10.0%	+11.9%	-	-
Vol.4 No.1	1,042	1987/4	+52.7%	+23.4%	-	-	+31.4%	+39.6%	+10.5%	+13.5%	-	-
Vol.4 No.2	933	1988/1	+52.7%	+19.3%	-	-	+46.7%	+39.2%	+15.3%	+12.9%	-	-
Vol.4 No.3	983	1988/2	+55.0%	+22.0%	-	-	+47.9%	+45.3%	+19.1%	+16.6%	-	-
Vol.4 No.4	950	1988/3	+54.9%	+22.3%	-	-	+34.4%	+36.3%	+13.3%	+15.2%	-	-
Vol.5 No.1A	1,523	1988/4	+49.2%	+15.1%	-	-	+25.6%	+33.8%	+5.7%	+8.7%	-	-
Vol.5 No.2	947	1989/1	+38.8%	+18.1%	-	-	+18.6%	+11.1%	+5.6%	+3.2%	-	-
Vol.5 No.3	2,274	1989/2	+41.1%	+16.7%	-	-	+30.8%	+28.2%	+10.4%	+7.9%	-	-
Vol.5 No.4	795	1989/3	+33.5%	+18.3%	-	-	+20.2%	+22.1%	+7.4%	+9.3%	-	-
Vol.6 No.1	1,091	1989/4	+29.9%	+10.5%	-	-	+10.6%	+18.8%	+0.9%	+3.9%	-	-
Vol.6 No.2	1,384	1990/1	+31.4%	+9.9%	-	-	+24.4%	+17.0%	+3.5%	+1.1%	-	-
Vol.6 No.3	1,043	1990/2	+22.3%	+4.8%	-	-	+14.7%	+12.1%	+0.9%	-1.7%	-	-
Vol.6 No.4	1,312	1990/3	+18.2%	+3.5%	-	-	+3.6%	+5.5%	-4.1%	-2.1%	-	-
Vol.7 No.1	1,239	1990/4	-0.5%	-5.1%	-	-	-16.0%	-7.8%	-14.4%	-11.4%	-	-
Vol.7 No.2	984	1991/1	-8.6%	-11.6%	-12.7%	-	+12.3%	+4.9%	-7.6%	-10.0%	-15.0%	-
Vol.7 No.3	1,718	1991/2	-12.5%	-17.3%	-20.0%	-	-5.2%	-7.8%	-11.5%	-14.1%	-20.6%	-
Vol.7 No.4	835	1991/3	-14.8%	-19.9%	-15.0%	-	-1.0%	+0.9%	-17.5%	-15.5%	-15.1%	-
Vol.8 No.1	1,684	1991/4	-7.9%	-15.6%	-20.5%	-	-9.4%	-1.2%	-16.9%	-13.9%	-13.3%	-
Vol.8 No.2	1,359	1992/1	-1.8%	-17.2%	-13.9%	-	+19.5%	+12.0%	-5.5%	-7.9%	-6.8%	-
Vol.8 No.3	1,527	1992/2	-9.2%	-14.6%	-18.7%	-	+4.2%	+1.6%	-5.9%	-8.4%	-11.8%	-
Vol.8 No.4	921	1992/3	-15.9%	-27.8%	-32.7%	-	-6.2%	-4.3%	-17.7%	-15.8%	-24.1%	-
Vol.9 No.1	1,339	1992/4	-9.1%	-15.1%	-21.0%	-	-4.0%	+4.3%	-10.7%	-7.7%	-13.1%	-
Vol.9 No.2	1,021	1993/1	-3.8%	-12.4%	-11.3%	-	+23.5%	+16.0%	+0.7%	-1.7%	-0.8%	-
Vol.9 No.3	1,310	1993/2	+0.9%	-7.9%	-7.4%	-	+19.1%	+16.4%	+4.3%	+1.7%	-0.5%	-
Vol.9 No.4	1,076	1993/3	+8.3%	-1.6%	-7.0%	-	+14.7%	+16.6%	-3.4%	-1.4%	-4.5%	-
Vol.10 No.1	1,295	1993/4	+13.8%	+3.5%	-3.3%	-	+15.1%	+23.4%	-0.2%	+2.8%	+3.3%	-
Vol.10 No.2	861	1994/1	+3.6%	-4.3%	-3.8%	-	+23.0%	+15.5%	-1.1%	-3.5%	+3.7%	-
Vol.10 No.3	2,327	1994/2	+16.2%	+0.8%	-3.3%	-	+18.4%	+15.8%	+1.6%	-0.9%	-2.2%	-
Vol.10 No.4	1,046	1994/3	+20.3%	+7.6%	+0.6%	-	+14.6%	+16.5%	-0.2%	+1.7%	+1.9%	-
Vol.11 No.1B	983	1994/4	+20.6%	+2.1%	+4.1%	-	+17.2%	+25.4%	+3.7%	+6.7%	+2.4%	-
Vol.11 No.2	1,295	1995/1	+18.2%	+3.2%	+1.4%	-	+27.8%	+20.3%	+5.7%	+3.4%	+5.0%	-
Vol.11 No.3	669	1995/2	+18.0%	+3.2%	+1.1%	-	+18.6%	+15.9%	+4.3%	+1.8%	-1.5%	-
Vol.11 No.4	1,047	1995/3	+13.1%	+3.3%	+3.1%	-	+14.0%	+15.9%	-1.9%	+0.1%	-2.1%	-
Vol.12 No.1	700	1995/4	+10.0%	-2.9%	+1.9%	-	+2.6%	+10.8%	-6.7%	-3.7%	-5.2%	-
Vol.12 No.2	1,099	1996/1	+14.2%	+2.5%	+1.0%	-	+20.7%	+13.3%	+1.9%	-0.5%	-2.8%	-
Vol.12 No.3	742	1996/2	+10.5%	+3.9%	+5.1%	-	+16.1%	+13.4%	+3.3%	+0.8%	-2.7%	-
Vol.12 No.4	753	1996/3	+23.1%	+8.9%	+7.2%	-	+24.3%	+26.2%	+5.1%	+7.1%	+6.1%	-
Vol.13 No.1	912	1996/4	+20.4%	+9.8%	+10.9%	-	+17.4%	+25.6%	+4.8%	+7.7%	+7.2%	-
Vol.13 No.2	720	1997/1	+13.6%	+2.0%	+9.9%	-	+27.7%	+20.3%	+8.6%	+6.3%	+7.0%	-
Vol.13 No.3	909	1997/2	+18.0%	+5.3%	+5.2%	-	+22.2%	+19.5%	+7.3%	+4.7%	+2.4%	-
Vol.13 No.4	634	1997/3	+21.5%	+12.1%	+10.7%	-	+24.1%	+26.0%	+3.9%	+5.8%	+3.8%	-
Vol.14 No.1	783	1997/4	+21.1%	+1.7%	+10.4%	-	+12.8%	+21.0%	-0.7%	+2.3%	+3.9%	-
Vol.14 No.2	1,273	1998/1	+19.3%	+3.0%	+12.4%	-	+21.3%	+13.8%	+3.9%	+1.5%	+2.2%	-
Vol.14 No.3	682	1998/2	+9.0%	+5.0%	+5.0%	-	+10.3%	+7.6%	+5.6%	+3.1%	+2.0%	-
Vol.14 No.4	654	1998/3	-2.5%	-0.4%	+4.6%	+10.0%	+3.0%	+4.9%	-2.9%	-1.0%	-8.0%	+0.5%

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
							U	S	U	S	U	U
Vol.15 No.1	601	1998/4	+5.9%	+0.5%	+2.8%	+9.3%	-5.0%	+3.2%	-2.9%	+0.1%	-5.7%	+5.6%
Vol.15 No.2	619	1999/1	+6.9%	-2.3%	+3.4%	+15.7%	+20.8%	+13.3%	+4.4%	+2.0%	+1.3%	+14.6%
Vol.15 No.3	507	1999/2	-4.9%	-4.3%	-2.7%	+8.5%	+6.8%	+4.2%	+0.1%	-2.4%	-5.0%	+4.8%
Vol.15 No.4	1 121	1999/3	+9.2%	-2.0%	+2.5%	+13.7%	+11.4%	+13.3%	-0.7%	+1.3%	+0.1%	+5.8%
Vol.16 No.1	812	1999/4	+9.3%	-4.2%	+1.8%	+16.0%	+6.4%	+14.6%	-2.5%	+0.5%	+1.9%	+15.2%
Vol.16 No.2	866	2000/1	+9.6%	-2.6%	+2.2%	+16.9%	+22.6%	+15.1%	+5.4%	+3.0%	+2.8%	+14.0%
Vol.16 No.3	758	2000/2	+2.1%	+0.5%	-1.5%	+17.0%	+11.7%	+9.0%	+3.0%	+0.5%	-1.2%	+9.2%
Vol.16 No.4	803	2000/3	+5.0%	-5.0%	+3.1%	+15.3%	+6.3%	+8.2%	-2.7%	-0.7%	-0.7%	+12.4%
Vol.17 No.1	726	2000/4	+8.6%	-0.5%	+4.3%	+16.7%	+3.7%	+11.9%	+0.5%	+3.4%	+3.7%	+16.3%
Vol.17 No.2	856	2001/1	+3.2%	-3.3%	+1.9%	+18.7%	+12.1%	+4.6%	+1.7%	-0.7%	-2.8%	+16.2%
Vol.17 No.3	720	2001/2	+4.9%	-1.4%	+3.1%	+22.4%	+9.5%	+6.8%	+1.2%	-1.3%	-2.2%	+14.2%
Vol.17 No.4	705	2001/3	+5.3%	+0.3%	+3.9%	+18.2%	+3.7%	+5.6%	-2.9%	-0.9%	-5.4%	+6.2%
Vol.18 No.1	654	2001/4	+2.5%	-4.2%	-3.0%	+13.6%	-2.3%	+5.9%	-2.0%	+1.0%	-7.1%	+10.0%
Vol.18 No.2 old	675	2002/1	+5.4%	-2.7%	-2.7%	+14.6%	+20.0%	+12.6%	+5.8%	+3.4%	+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%

Because the balances referring to the expected sales turnover and employment in the next quarter have a pronounced seasonal trend we have constructed seasonally-adjusted figures for these balances. These are listed in Appendix Table A.1 above. The breakdowns by size, sector and region are not seasonally adjusted, neither are the figures in Table 1.1.

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 DTI statistics.

Key: U – Unadjusted, S – Seasonally adjusted

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

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Quarterly Survey 2008Q4

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

Employment:

Q1a Including yourself, how many people work in the business, including both full and part-time workers?

Q1b If your business is not a limited company, how many of these people are self-employed proprietors or partners?

Q2a How many years have you been running a business?

Q2b How many years has your present business been trading?

Q3 Please describe in a few words the precise nature of your business:

Q4 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?

- *1=not at all entrepreneurial*
- *2*
- *3*
- *4*
- *5*
- *6*
- *7*
- *8*
- *9*
- *10=extremely entrepreneurial*

Q5 At present, are you owed more by your customers than you owe to your suppliers?

- *YES, customers owe more*
- *NO, owe more to suppliers*
- *Have no debtors/creditors or in balance*

In 6a and 6b we are interested in sources of capital (other than trade credit). Please tick any of the sources which you use at present:

Q6a EQUITY (i.e. funds attributable to shareholders)

- *Yours or other personal sources*
- *Family and friends*
- *Other private individuals (inc. EIS)*
- *Venture capital company or other professional investors*
- *Retained earnings*
- *Trade investors*
- *Other (please specify)*

Q6b LOANS

- *No loans*
- *Loans from owner, director or proprietor*
- *Loans from family, friends*
- *Loans from other private individuals*
- *Bank overdrafts*
- *Other bank loans (term loans)*
- *Credit cards*
- *Business loans from other financial institutions*
- *Mortgage for business premises (including your home if used for business)*
- *Debt factoring/ invoice discounting*
- *Leasing*
- *Hire purchase*
- *Loans or grants from Government (national, local, development agencies etc.)*
- *Other (please specify)*

When deciding on sources of financing for the acquisition of assets, how important is:

Q7a Not having to show the value of the assets in your annual accounts

- *Not relevant or not important*
- *Quite important*
- *Very important*

Q7b Being able to take advantage of corporation tax capital allowances

- *Not relevant or not important*
- *Quite important*
- *Very important*

Q7c Having flexibility to change the asset if business needs change

- *Not relevant or not important*
- *Quite important*
- *Very important*

Q7d Having the asset secured on a business, rather than personal, asset

- *Not relevant or not important*
- *Quite important*
- *Very important*

Q8 Which of the following have driven your need for capital in the past year (tick those which apply):

- *Manage cashflow/bad debts*
- *Manage increased credit restrictions*
- *Fund increased operating/staff costs*
- *Fund increased marketing/promotion*
- *Fund research/development/innovation*
- *Fund business growth*
- *Fund investment in new buildings/premises*
- *Fund investment in equipment and other assets*
- *Other (please specify)*

Q9 What is the legal form of your business?

- *Sole proprietorship*
- *Partnership*
- *Private (Limited) company*
- *PLC*
- *Other (please specify)*

Q10 In which of the following ranges is your firm's annual turnover (excluding VAT):

- *Less than £50,000*
- *£50,000 - £99,999*
- *£100,000 - £249,999*
- *£250,000 - £499,999*
- *£500,000 - £999,999*
- *£1m - £5.6m*
- *over £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 2007.

		UP	*SAME*	*DOWN*
Q11a	*Was your sales turnover in July to September 2008 compared with July to September 2007:*			
Q11b	*Was your average employment* (Jul-Sep 2008 vs Jul-Sep 2007):			
Q11c	*Was your investment in plant, equipment and premises* (Jul-Sep 2008 vs Jul-Sep 2007):			
Q11d	*Were your average selling prices* (Jul-Sep 2008 vs Jul-Sep 2007):			

The next four questions ask how your 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.

		UP	*SAME*	*DOWN*
Q12a	*Expected sales turnover in October to December 2008 compared with July to September 2008:*			
Q12b	*Expected average employment* (Oct-Dec 2008 vs Jul-Sep 2008):			
Q12c	*Expected investment in plant, equipment and premises* (Oct-Dec 2008 vs Jul-Sep 2008):			
Q12d	*Expected average selling prices* (Oct-Dec 2008 vs Jul-Sep 2008):			

Q13 Please indicate the TOP THREE of the following possible problems facing your business:

	1	2	3
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)			

Q14 Please indicate the sex of the owner(s) of the business:

Male *Female* *Joint Male/Female ownership*

Q15 Please enter your Business Postcode:

Q16 Please enter any comments you have on the issues raised in this questionnaire:

Thank you for completing this confidential survey questionnaire

Please now click the SUBMIT button below.

Submit

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