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Quarterly Survey of Small Business in Britain



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Small Enterprise Research Team
Open University Business School
Michael Young Building
Walton Hall
Milton Keynes MK7 6AA

Tel: 01908 655831
www.serteam.co.uk
Email: info@serteam.co.uk

Editor Colin Gray
Researcher Andy McCann
Original design by Siân Cardy
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Additions to the sample from individual small businesses and from business organizations are always welcome via our website - www.serteam.co.uk

SERTeam is particularly pleased to acknowledge the generous support provided by Barclays Bank in providing aggregated data that reflect trends among its more than 600,000 small business account holders and in directly sponsoring the research, analysis and publication of this report. However, it is important to note that any opinions expressed in this publication are not necessarily those of Barclays Bank.

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With respect to this particular issue (Vol. 24, No. 1), with its focus on the effects of regulations, SERTeam is very pleased to acknowledge the generous support provided by the Department of Business, Enterprise and Regulatory Reform (BERR). Once again, however, it is important to note that the views expressed in this report are not necessarily those of BERR.

SUMMARY

After the impact of the credit-crunch in the previous survey, small firm sales performance has stabilised, but expectations have continued to weaken, to a six-year low. Retailing is the most negative sector. The economy has just displaced regulations as the top small business problem and inflation has risen as a problem. A clear majority of owner-managers believe that the burden of regulations has increased over the past year. They do not think the government understands small business well enough to regulate. However, they do feel that improved consultation, plus fewer and less frequent regulation changes, would help.

- In the previous survey, a majority of respondents reported significant direct and indirect adverse effects from the credit-crunch and small firm sales performance and expectations fell sharply.
- Official figures now also show slowing GDP growth and Barclays data suggests that the rate of new business formation has turned downwards.
- In this survey, though, the balance of small firms reporting an increase in turnover over the past year has fallen only marginally. It remains well above the levels to which it fell during 2005.
- Optimism about sales prospects has also not fallen as precipitously as the record drop in the last survey, though it is now down to a six-year low.
- Evaporating consumer confidence means that small retailers report the weakest performance over the past year and expect things to continue to worsen. The market for small construction firms has also been hit by the crisis in the housing market.
- The prospects for small firm employment remain uncertain, with a small balance, though less than in the previous survey, reporting increases over the past year but a balance expecting to cut staff during the current quarter.
- Inflationary pressures remain, with inflation now the fourth-ranked problem and even higher for small hotels and restaurants. Significantly more small firms expect to raise rather than cut prices.
- The economic climate is now the biggest problem for small firms, displacing government regulations by a small margin. The total tax burden is the problem most often classified as 'severe'.
- Although the very smallest firms are exempt from some government regulations and paperwork, economies of scale nevertheless mean that the burden in terms of the proportion of working time spent on compliance falls most heavily on them.
- Hardly any small firms believe that the time they spend on regulations and paperwork has decreased over the past year and 61% believe that it has increased.
- Some 88% of small firms disagree, and half of these disagree in the strongest terms, that "the government understands business well enough to regulate".
- A large majority feel that regulation is unclear, complicated and disproportionate. Only one in ten believes that the government consults well with business before introducing or changing regulations.
- A vast majority of small businesses say that their view of regulation would be improved by better communication, earlier warning, more effective consultation and feedback on that process. Even more say their view would be improved by fewer and simpler regulations with less frequent changes.

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Performance

After a majority of respondents to the previous survey reported significant direct and indirect adverse effects from the credit-crunch, small firm sales performance appears to have stabilised. Retailing remains the weakest sector, but small construction firms are also continuing to suffer. The effects have fed through into a slowing down in small firm employment growth.

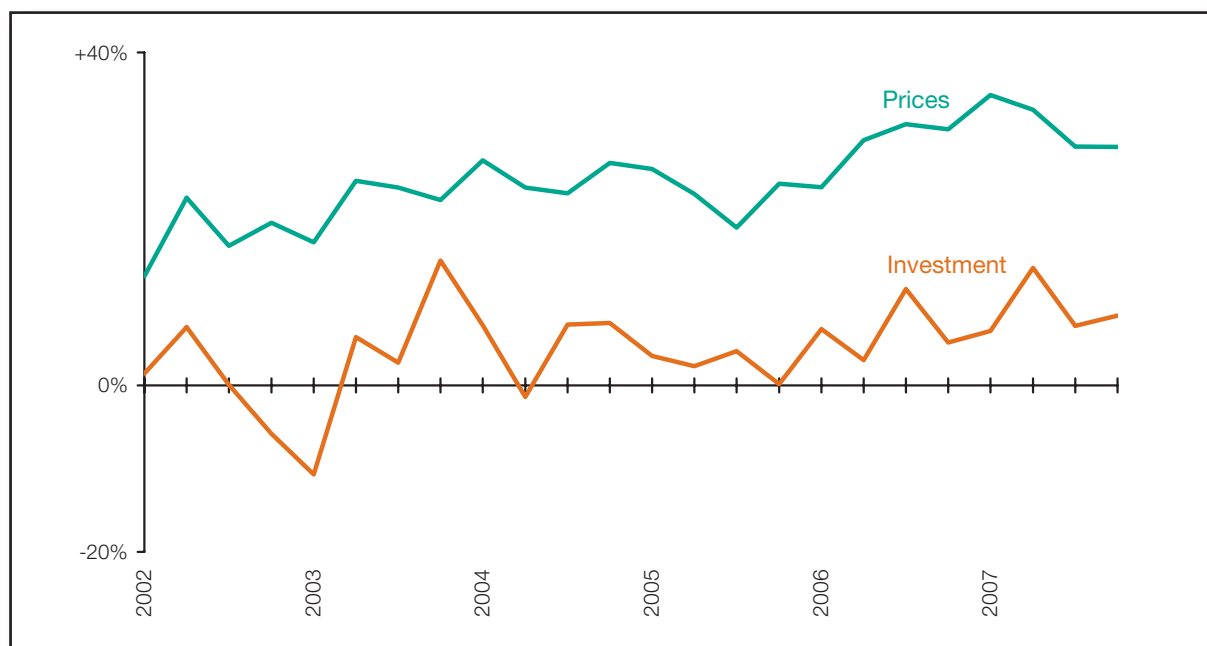
Chart 1: Percentage balance of respondents reporting an increase in sales and employment (weighted figures)



In the previous survey, the balance of Britain's small firms reporting an increase in turnover over the past year fell precipitously, giving early warning of the effects of the 'credit crunch'. The fragile state of the economy has subsequently become apparent in official statistics and to commentators. Revisions to GDP data now suggest that the annual growth rate of the economy as a whole peaked at +3.2% in the year to the second quarter of 2007. It subsequently fell to +3.0% in the third and +2.8% in the final quarter. Preliminary estimates suggest a fall to +2.5% in the year to the first quarter of 2008.

In this survey, the headline balance of small firms reporting an increase in turnover in the year to the final quarter of 2007 has stabilised, falling just fractionally, from 12% to 11% (Chart 1). The sharp fall in the previous survey reflected the immediate impact of the new economic conditions. The lack of deterioration revealed in the current survey suggests that small firms are not seeing the economy continue to worsen at quite the pace feared by many pessimists. The balance of +11% reporting an increase in sales remains well above the +4% at the same time two years ago (Chart 1). Some 41% of small firms report an increase in turnover over the past year (Table 1) and the proportion reporting that their sales fell (29%) is lower than in the previous survey (32%).

Chart 2: Percentage balance of respondents reporting an increase in selling prices and investment (weighted figures)



The news on employment is, however, less encouraging. The 17% of small firms which recruited extra staff over the past year only just exceeds the 16% which shed staff (Table 1). The balance of +1% is markedly down on the +5% in the previous survey, seemingly reflecting action in response to the sales slowdown in the previous survey. The employment balance does, though, remain fractionally above that of a year ago and is at least still positive, unlike at the end of 2005 and beginning of 2006, when more small firms were cutting than increasing employees (Chart 1).

The balance of small firms increasing their selling prices over the past year is unchanged on the previous survey (Chart 2), standing at +29%. While clearly still at a high level (39% of small firms have increased their prices over the past year

and only 10% have cut them, Table 1), this balance is lower than it was from mid-2006 to mid-2007, suggesting that small firms are not contributing excessively to the problems of rising food and energy prices which recently caused inflation to hit 3.0%, the top of the Bank of England's allowable zone.

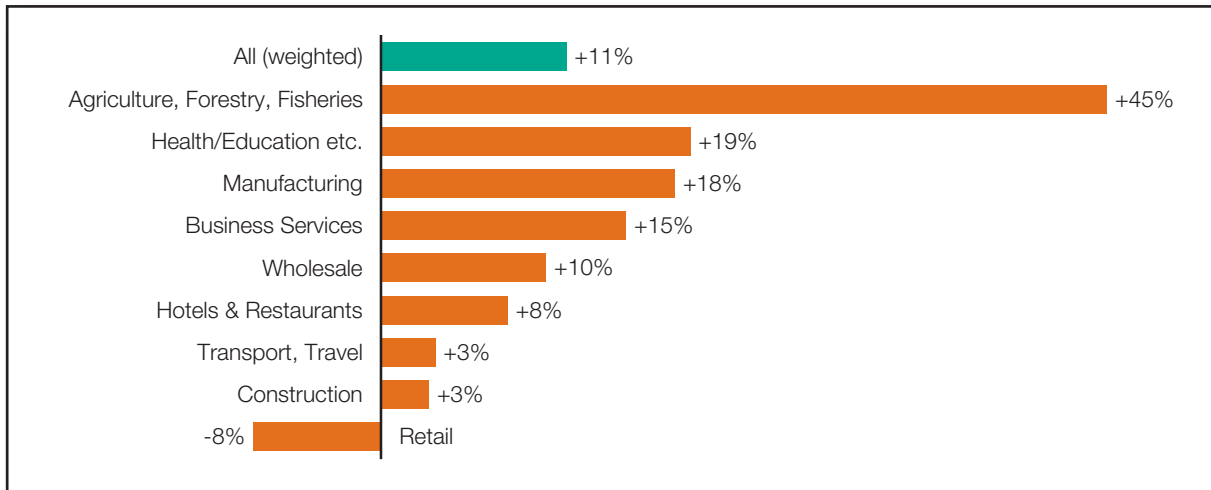
While small firms clearly remain concerned about immediate economic prospects, there are signs that they still feel it is worth maintaining capacity in the hope of recovering demand. Some 27% increased investment (in plant, equipment and premises) over the past year while only 18% cut it, giving a balance of +8%, up from +7% in the previous survey (Chart 2).

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

Change over past year (2007Q4 on 2006Q4) in:	Up	Down	Same	No response	Balance
Sales Turnover	41%	29%	24%	6%	+11%
Average Employment	17%	16%	61%	6%	+1%
Investment	27%	18%	49%	6%	+8%
Selling prices	39%	10%	45%	6%	+29%

Performance: Comparison Across Sectors

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



Small agricultural firms reported the best sales performance in the previous survey and the balance has improved again in this survey, making this by far the most positive sector on this measure (Chart 3). Relatively few agricultural firms take part in the survey so this may not be representative of the sector as a whole, though official figures also show strong growth in the agricultural sector over the past six months. This is likely to reflect both increased output and rising commodity prices. Agricultural firms are the most likely to have recruited extra staff over the past year, which suggests increased activity, and are second most likely to have raised their prices (Table 2).

Firms in the health/education/leisure & other personal services sector report a little better sales performance than in the previous survey (the balance up from +15% to +19%). Falls in the balances for other sectors mean that this is now the second most positive (Chart 3). This is also the sector where the highest balance of firms have increased investment over the past year (Table 2). More of these firms have, though, cut the numbers they employ over the past year than recruited extra staff.

The sales performance of small manufacturers has slipped over the past three surveys, from a peak of +37% at the beginning of 2007 to +22% in the previous survey and

+18% now. This manufacturing balance though remains high compared with most other sectors and is now above that for small business service firms, which has dropped from +23% to +15%. The balance for business services was, though, at its highest in over eight years (the only sector other than agriculture which posted a rise in the previous survey) and so despite the modest fall these firms remain fairly positive.

The balance of wholesalers which managed to increase sales over the past year is unchanged from the previous survey, at +10%.

Small hotels & restaurants were one of the worst performing sectors in the previous survey, with more firms reporting falling than rising sales for the first time in over six years. In this survey the balance has recovered somewhat, up by 19 percentage points to +8%, the biggest improvement of any sector. Performance remains weak, however, compared with recent years and more hotels & restaurants have cut employment than recruited extra staff over the past year. As has become usual, however, hotels & restaurants remains the sector where the highest balance of small firms have increased prices over the past year (Table 2), though the +47% in this survey is not as high as the +67% last time.

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

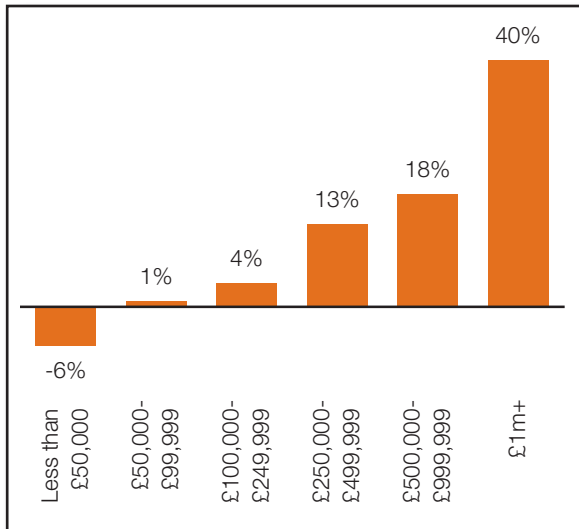
	Sales Turnover	Average Employment	Investment	Selling Prices	Sample
Agriculture, Forestry, Fisheries	+45%	+16%	+16%	+37%	38
Manufacturing	+18%	+8%	+9%	+22%	116
Transport, Travel	+3%	+7%	-3%	+13%	30
Construction	+3%	+6%	+6%	+32%	68
Wholesale	+10%	+2%	+10%	+41%	59
Retail	-8%	-9%	+2%	+27%	127
Hotels & Restaurants	+8%	-3%	+13%	+47%	128
Business Services	+15%	+4%	+1%	+19%	212
Health/Education/Leisure/Other	+19%	-7%	+24%	+36%	42
All (weighted by sector)	+11%	+1%	+8%	+29%	822

The sharpest fall in the sales performance balance is for small construction firms, down from +18% to +3%, reflecting the crisis in the housing market. This gloomy picture is confirmed by the Federation of Master Builders (FMB) State of Trade Survey for the first quarter of this year. This found that the overall construction work load has fallen to its lowest level since spring 2006, dropping from a balance of +6 in Q4 2007 to -8 in Q1 2008, giving further evidence of the downturn in the economy in the UK. The FMB is expecting this decline in workload to level off and then remain steady for Q2 2008 and the remainder of the year.

Retailing remains the poorest performing small business sector, for the fourth survey in a row. Retailing is the only sector where more small firms saw sales fall over the past year than managed to increase them. The balance of -8% is, though, actually an improvement on the -17% in the previous survey. The employment balance for retailing is, however, even worse than in the previous survey, with 20% cutting staff and only 10% recruiting, giving a balance of -9%.

Performance: Comparison Across Size Bands

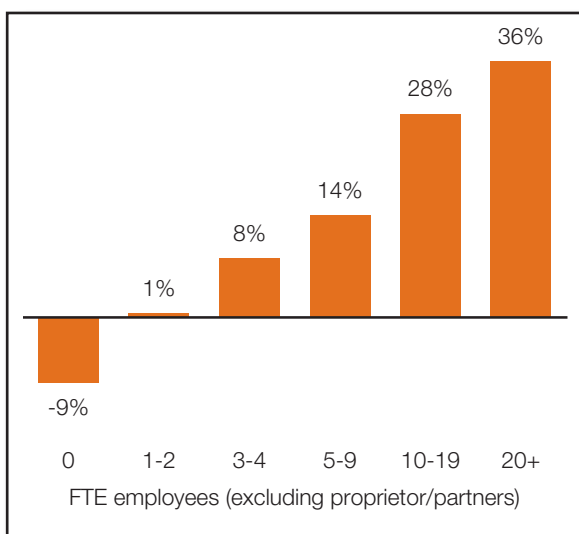
Chart 4: Percentage balance reporting an increase in sales over past year by turnover size band



Charts 4 and 5 show that, as is generally the case, the very smallest firms taking part in this survey report the poorest performance. Of those firms with a turnover below £50,000 and of those sole proprietorships or partnerships where the owners work on their own, with no employees, more have seen their sales turnover fall in the past year than have managed to increase sales. In contrast, the relatively largest firms in our survey (still small by any definition) have been far more successful in increasing sales. A majority of those with a turnover of £1m and above or with 20 employees or more have increased sales over the past year.

Firms with a turnover below £250,000 and those with fewer than five employees have, on balance, cut the numbers they employ over the past year, while relatively larger firms have more often recruited extra employees.

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



The smallest firms may have fewer growth ambitions than the larger (smaller firms tend to rate themselves as less entrepreneurial) and some firms which have suffered falling demand will as a consequence have dropped into lower size bands. Nevertheless, it still seems that the very smallest firms have faced the most difficult trading conditions recently.

Performance: Comparison Across Regions

The current survey does not show any clear and consistent regional pattern in small firm performance over the past year.

The (relatively few) small firms from the North East taking part in the survey were most optimistic in the previous survey and show the best sales performance in this survey (a balance of +30% reporting an increase in turnover).

However, their neighbours in Yorkshire & Humberside report the worst performance, with a balance of -7% showing that more small firms there saw sales fall than rise. The sales balance has improved in the South West and West Midlands, which in the previous survey reported poorest performance.

Small firms in Wales report the poorest employment change, with a balance of -13% showing that more cut than increased the numbers they employed over the past year (Table 3). Although those in Scotland have experienced much slower sales increases than in the previous survey this has not yet impacted on employment there, with +9% more increasing than cutting employment.

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

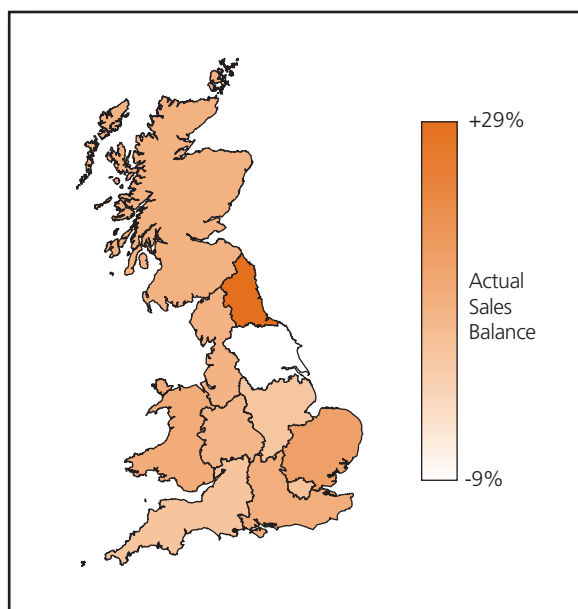


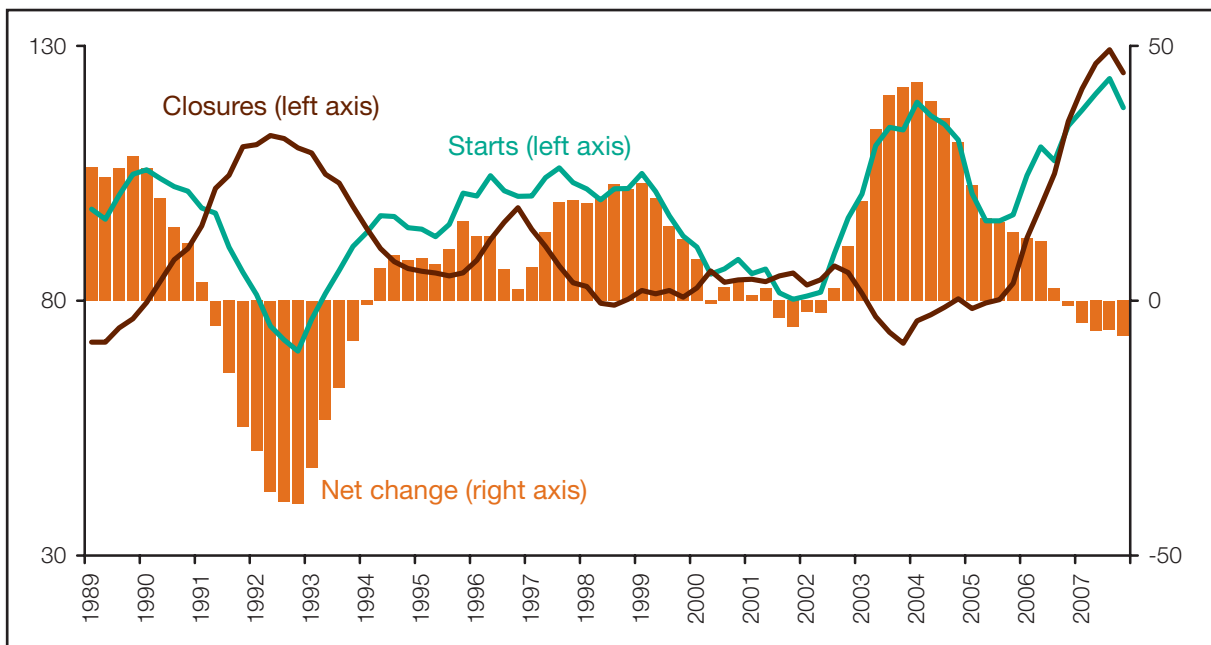
Table 3: Change over past year in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling Prices	Sample
North East	+30%	+0%	+5%	+25%	20
North West	+11%	-3%	-6%	+23%	65
Yorkshire & the Humber	-7%	+0%	+23%	+23%	44
East Midlands	+6%	+0%	-13%	+47%	32
West Midlands	+10%	-4%	-8%	+27%	49
East of England	+16%	-1%	+9%	+23%	94
London	+7%	-4%	-12%	+7%	57
South East	+12%	+5%	+13%	+35%	294
South West	+6%	+1%	+8%	+31%	77
Wales	+13%	-13%	+13%	+28%	39
Scotland	+11%	+9%	+20%	+36%	45

Business Stock

Figures kindly supplied by Barclays Bank show that the stock of businesses in England and Wales has been falling throughout 2007. The rate of business formation has remained high, though more recently it has begun to turn downwards.

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



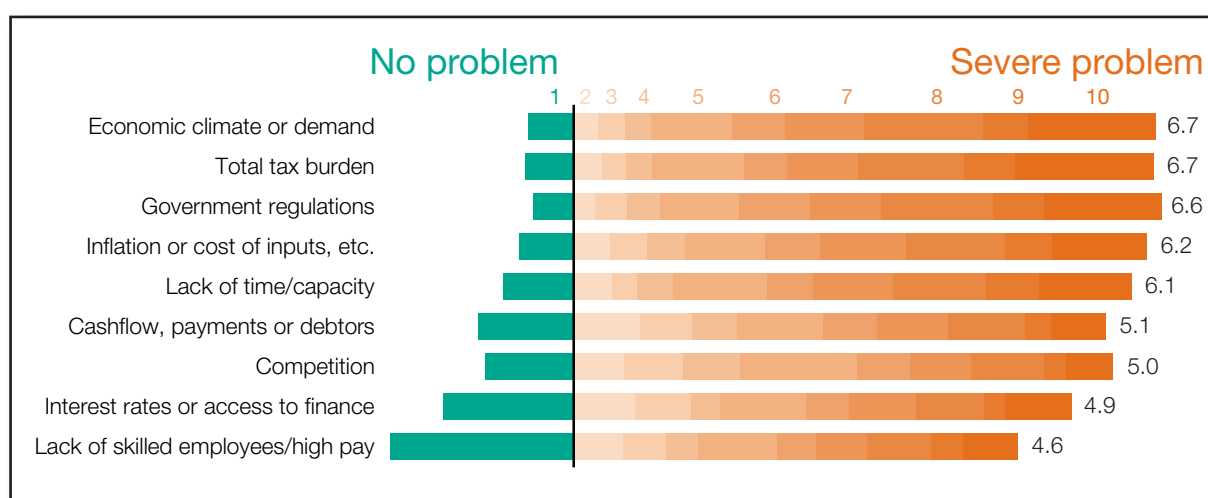
The figures in Chart 7 for 'mainstream' businesses (those with a bank account) in England and Wales are supplied by the SME Team of Barclays Bank. They are constructed by grossing up the numbers of new businesses opening a Barclays bank account with estimates of Barclays' market share.

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, recently the closure rate has risen 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. More recently, worsening economic conditions appear to have fed through into a slowdown in the rate of new business starts. Although business closures have also eased a little, the total number of businesses has continued to fall.

Problems

The economy has just displaced regulations as the top small business problem, especially for the very smallest. Inflation, though, is also becoming a high-ranked problem, posing a policy dilemma for the Bank of England and the Government. The relatively largest firms most often complain of the total tax burden and this is the problem most often scored as ‘severe’

Chart 8: “Please rate each of the following possible problems facing your business on a scale from 1 (no problem) to 10 (severe problem):”



Economic climate or demand

On a scale from 1 (no problem) to 10 (severe problem), small businesses on average score ‘the economic climate or demand as 6.7, the highest of the list of problems (Chart 8).

Table 4 (overleaf) shows that the economic climate is the top-scoring problem for firms with fewer than 3 employees. This is consistent with the findings in the performance section. The very smallest firms have experienced tough trading conditions over the past year as business closures have risen (Chart 7). Wholesalers (7.5), retailers (7.1) and business service firms (6.6) score the economic climate as their biggest problem. Unsurprisingly, those whose turnover has fallen over the past year most often score the economic climate or demand as a severe problem (7.5).

Total tax burden

The total tax burden is second placed in Chart 8, also scoring 6.7. Some 8% of respondents report that this is not a problem for their business (scoring it as 1), but 22% score it as 10/10 (a severe problem), more than do this for any of the other issues.

While the issue regarding the 10 per cent tax band, affecting the lowest paid, was in the news while questionnaires for this survey were being completed, respondents seem concerned with other tax issues as this is a particular concern for relatively larger firms. Those with a turnover above £0.5m score this as their biggest issue (7.1) and those with three or more employees score it as a bigger issue than the very smallest (Table 4, overleaf).

Table 4: Score of problems, by full time equivalent employees (excluding proprietors/partners)

	0	1-2	3-4	5-9	10-19	20+
Economic climate or demand	6.4	6.7	6.6	7.1	6.6	6.5
Total tax burden	5.7	6.6	6.8	7.2	6.9	7.1
Government regulations	6.1	6.6	6.4	6.9	7.0	7.0
Inflation or cost of inputs, etc.	6.0	5.9	5.8	6.5	6.4	6.8
Lack of time/capacity	5.4	5.9	6.3	6.5	6.3	6.4
Cashflow, payments or debtors	4.4	5.2	4.6	5.6	5.4	5.6
Competition	4.3	5.0	5.1	5.4	5.2	5.6
Interest rates or access to finance	4.8	4.7	4.9	5.2	5.0	5.0
Lack of skilled employees/high pay	3.0	3.7	4.5	5.4	5.4	6.3
Sample	143	178	122	155	120	87

The tax burden is the top-scoring problem in transport (7.2), construction (7.0), manufacturing (6.8) and health/education/leisure & other personal services (6.6). Firms which have so far avoided the perils of falling demand and have managed to increase their turnover during the past year score the tax burden as their biggest problem (6.7).

Government regulations

Only 6% of Britain's small firms report that government regulations are not a problem for their business, making this, by a small margin, the problem most often felt by small firms. However, as fewer rate it as a serious or severe problem its average score is 6.6, putting it just behind the economy and tax in the ranking of problems.

Table 4 shows that the intensity of feeling generally increases with firm size. Those proprietors or partners working on their own score the issue as an average of 6.1, rising to 7.0 for those with 10 or more employees. The score increases to 7.2 for those firms with a turnover above £1m. Agricultural firms score regulations as the biggest problem (7.6).

The special topic section of this report considers the issue of government regulations and paperwork in more detail.

Inflation or cost of inputs

Inflation or the cost of inputs has been a low-ranked problem in our survey in recent years (the survey previously asked just for the single most important problem). However, rising prices, particularly of fuel and food, have recently

pushed inflation up to the top of the Bank of England's allowed range and the problem seems to be becoming a significant one for many small firms. In this survey 15% of firms report that this is a severe problem (scoring 10) for their business. This is, by some margin, the top-scoring problem for small hotels & restaurants, presumably because of the impact of the rising cost of ingredients.

Interest rates/access to finance

While the credit crunch has clearly affected Britain's small firms, our previous report (Vol.23 No.4) identified that most effects have been indirect, through falling demand, rather than directly affecting their access to or cost of finance. The issue of interest rates and access to finance is consequently next to bottom in the list of issues in Chart 8. Nevertheless, almost 80% regard it as a problem and 11% as a severe problem for their business, giving it an average of 4.9.

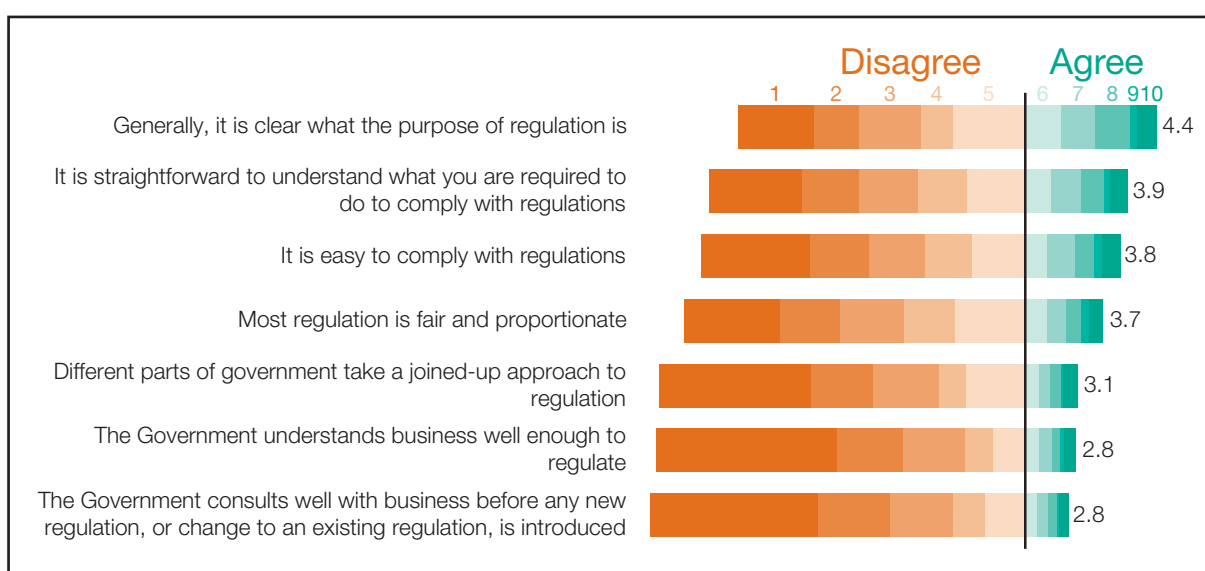
Lack of skilled employees/high pay

Overall, a lack of skilled employees or high pay is the lowest ranked issue in the list of potential problems offered to respondents. However, many firms in our survey do not wish to recruit extra employees and, in any case, demand for labour usually declines during economic downturns. Table 4 shows that this issue rises in importance with firm size, from only 3.0 for firms where the proprietor or partners work on their own to 6.3 for those with 20 or more employees, putting it above interest rates, cashflow and competition for these relatively larger firms.

Regulations

Small businesses do not think the government understands small business well enough to regulate. Regulation is seen as unclear and complicated. Most think the burden of red tape, which falls most heavily on the smallest, has increased. Improved consultation and communication would help, but most welcome would be fewer, simpler regulations with less changes.

Chart 9: "To what extent do you agree with the following statements about the Government's approach to regulation?
Answer on a scale from 1 (strongly disagree) to 10 (strongly agree)"



Government's approach to regulation

Britain's small firms generally disagree with a set of positive statements about the Government's approach to regulation.

Chart 9 shows that more than twice as many respondents disagree (69%) than agree (31%) with the statement, "Generally, it is clear what the purpose of regulation is". On a scale from 1 (strongly disagree) to 10 (strongly agree), the average score was 4.4.

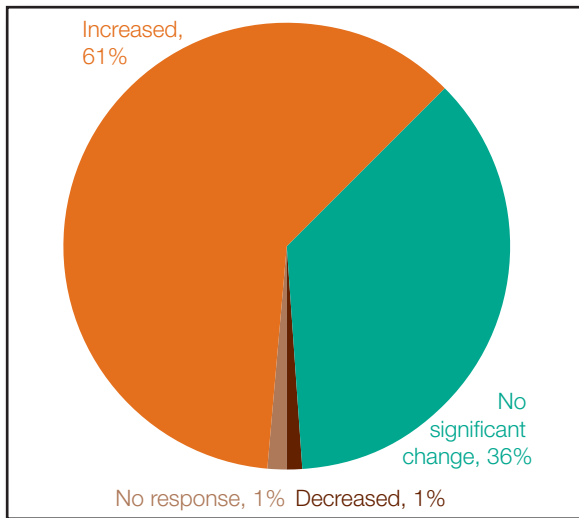
Sentiment is even less positive about other statements. Over three-quarters of respondents disagree (1-5 on the scale) that, "it is straightforward to understand what you are required to do to comply with regulations", "it is easy

to comply with regulations" and "most regulation is fair and proportionate".

Most strikingly, 87% of small firms disagree with the statement that "different parts of government take a joined-up approach to regulation", 88% disagree with "the Government understands business well enough to regulate" and 90% with "the Government consults well with business before any new regulation, or change to an existing regulation, is introduced". Over 43% of small firms disagree as strongly as possible (scoring 1, "strongly disagree") that "the Government understands business well enough to regulate".

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Chart 10: Change over year in time taken to deal with government regulations and paperwork



Change in Time Spent

Small firms feel that the burden of red tape has increased over the past year.

Hardly any small firms (1%) report that the time taken to deal with government regulations and paperwork has decreased over the past year, while 61% indicate that the time taken has increased (Chart 10).

Chart 11: Proportion reporting that time to deal with regulations has increased over year, by firm turnover

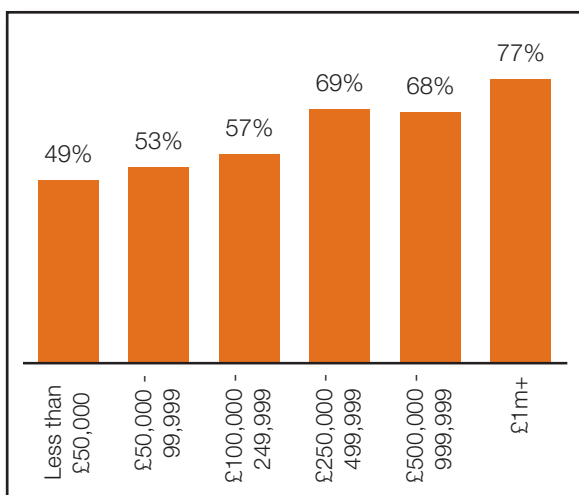


Chart 11 shows that the relatively larger firms taking part in our survey more often believe that the burden of regulation and paperwork has increased. Just under half of those with a turnover below £50,000 and of those who work on their own without employees think there has been no significant change over the past year, but over three-quarters of those with 10 or more employees or with a turnover above £1m report that the burden has increased.

Chart 12: Proportion reporting an increase in red tape over year, compared with previous surveys

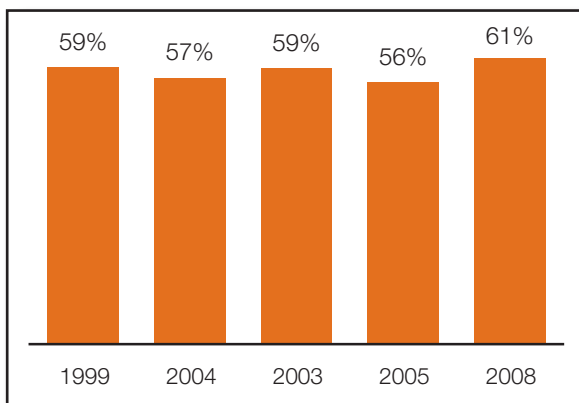


Chart 12 shows that the proportion of small firms reporting that the burden of red tape has increased over the past year has not changed significantly in the nine years that we have been asking this question. This suggests that the perceived rate of increase in the burden of regulation has changed little over this period.

There is certainly no evidence that small firms feel that the government's various initiatives to simplify regulations have yet borne fruit.

Average Hours Spent

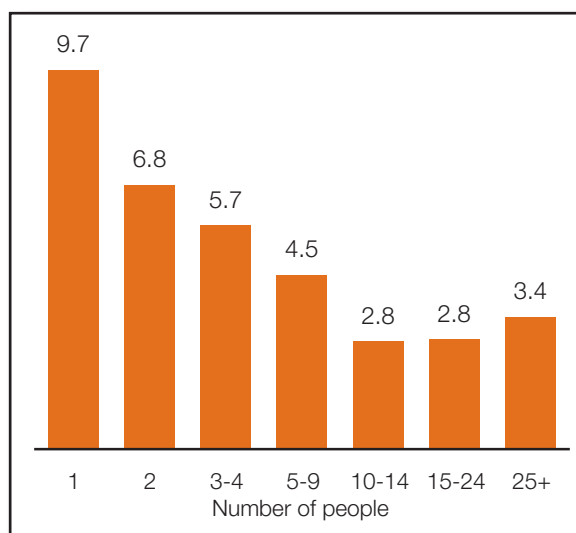
The burden of complying with government regulations and paperwork falls disproportionately heavily on the very smallest firms. There are clearly economies of scale in dealing with most red tape. An element of filing a VAT return, for instance, is a fixed amount of time whatever the size of business. While a larger business will take longer to compile their more complicated return, the time will not tend to increase in proportion with the size of the business. Although the very smallest firms have some concessions, such as being able to use the VAT Flat Rate Scheme and exemption from the need for a written health and safety policy, these do not compensate fully for the impact of red tape on the time of business owners who are often already stretched and do not have the resources to employ staff to deal with issues such as tax returns.

Small business owners were asked to estimate how long they, their staff and professional advisors spend each month to deal with government regulations and paperwork. While the average amount of time naturally increases with firm size, the time per person working in the business falls sharply. Single business owners working on their own without employees spend an average of 9.7 hours per month on government paperwork. Those firms with between 15 and 24 employees spend just over five times as long (50.8 hours per month), but they are on average 18 times the size, meaning that the average time spent per employee falls sharply to 2.8 hours per person per month (Chart 13).

In this survey, the average hours spent for firms with over 25 employees rises a little, to 3.4. However, this is dominated by the response of one firm which works in a specialised area and confirms that they believe they spend half of their working time dealing with regulations, principally health and safety paperwork. Excluding this firm, the average time spent per employee for these firms would be 2.2 hours per person per month.

The average amount of time taken to comply with government regulations and paperwork by all firms taking part in this survey which were able to make an estimate is 5.4 hours per person per month.

Chart 13: Hours per person per month spent on government regulations, by number of people in firm



Previous issues of this survey (e.g. Vol.21 No.4) have noted an incongruity between a perceived increasing burden of red tape and yet no evidence of an increase in the actual amount of time spent on compliance. Chart 4 has already highlighted that a majority of small firms have consistently reported an increase in the amount of time taken to deal with government regulations and paperwork (and hardly any a decrease). Despite this, questions asking directly about the actual time spent dealing with government regulations and paperwork did not show any increase. The average time spent per person working in the business declined slightly from 3.8 hours per month in 2003 and 2004 to 3.7 in 2005.

The figures in this survey on hours spent per person on government regulations and paperwork can not be compared directly with those from earlier surveys. In the past, small firms were asked how many people in total worked in the business, with no allowance made for the fact that some people worked only part-time. In this survey, respondents were asked to give full-time equivalent figures, for example counting two people each working half-time as one. The total employment figure will therefore be lower (and the time per person therefore higher) for firms who would previously have included all of their part-time employees individually in the employment figure.

Chart 14: “How much would each of the following improve your view of regulation?”
Answer on a scale from 1 (not at all) to 10 (very much)



Improvements to regulations

Britain’s small firms seem receptive to a wide range of possible improvements to the regulatory environment, though simplification and stability would be most welcomed.

Practically all small firms (over 98% of those which answered the question) report that “less frequent changes to regulations” and “fewer/simpler regulations” would improve their view of regulation (Chart 14). Over half reported that doing either of these things would improve their view “very much” (scoring 10 on the 1-10 scale). This helped to bring their average scores up to 8.6 and 8.7 respectively.

While there is not a great variation across different types of small firm, the relatively largest employers in our survey would welcome even more than their smaller counterparts less regulation and less frequent changes to that regulation (scores of 9.1 and 8.9 for those with 50 or more employees compared with 8.2 for those working on their own, without employees).

Nearly all small firms (95 or 96%) report that “earlier warning of proposed regulation”, the “opportunity for proper and effective consultation” and “feedback on consultation” would also improve their view of regulation. Only around 30%, though, indicate that this would improve their view “very much” (10 out of 10), bringing the average scores for these actions into the sevens.

The female owner/managers and those rating themselves as highly entrepreneurial generally more often than the others indicate that each of the listed changes would improve

their view of regulation. In particular, they seem to place rather more importance on the opportunity for consultation and feedback on that process. Female owner/managers, for instance, score “feedback on consultation” at 8.1, compared with only 7.3 for male owner/managers.

While fewer than 10% say that “improved communication and guidance on regulations” and “greater knowledge of what government is doing to improve regulation” would not help at all, only 17% and 13% respectively rate these as a 10 out of 10 help.

While still popular with 80% of small firms, “improved inspections” would be less effective than the other measures in Chart 6 in improving small firms’ views of regulation, with only 5% indicating that this would help “very much” (a score of 10).

Sources of information

There is no shortage of supply of advice to small firms on how to comply and deal with regulations. BERR reports that the total market for accountancy, legal and employment services in the UK is more than £23 billion, at least £1.4 billion of which is advice to help them comply with regulation. This looks set to grow as demand appears to be on the increase. Our report of a year ago (Vol.23 No.1) found a big increase (from 38% to 57%) over five years in the proportion of small firms seeking advice on government regulations. Thankfully, there was also an improvement in the proportion of those who successfully found the information they needed.

Chart 15 shows that the current survey reveals that accountants are regarded by small firms as the most useful source of information on regulation. Only 7% reported that they were “no use” while 12% rated them as 10/10, “very useful”. The average rating was 6.8.

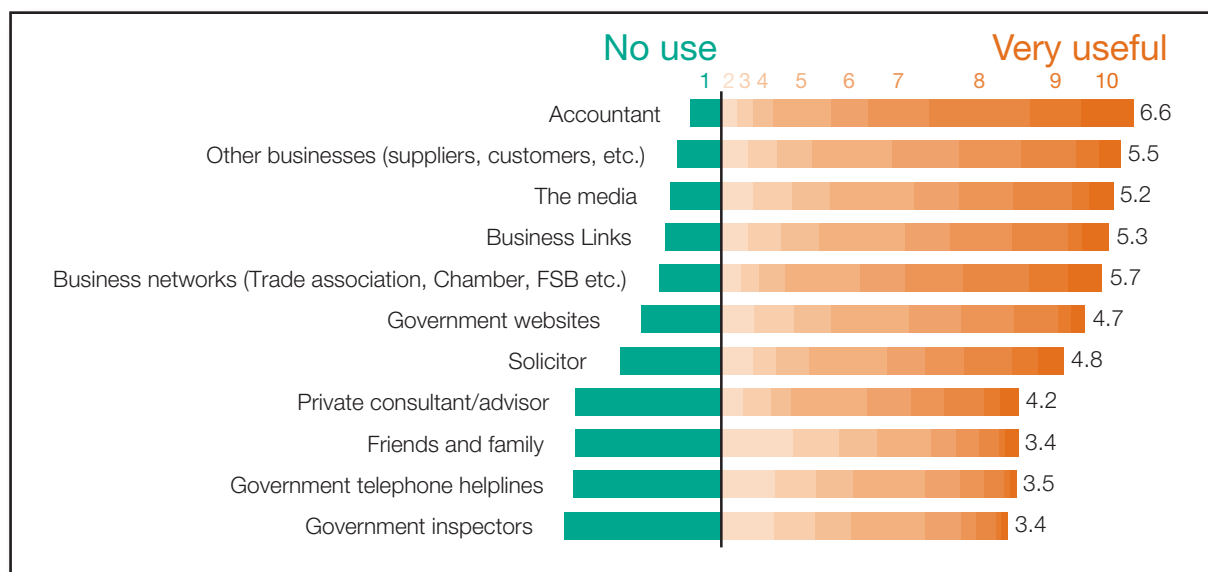
The very smallest firms are a little less likely than their relatively larger counterparts to rely on an accountant for advice on regulation. Those with a turnover of £50,000 or less rate accountants at 5.7, though some of these micro-firms will not use an accountant at all, filing their tax returns themselves. Even for these very smallest firms, however, accountants are overall rated as the best source of information on regulations. The next most important source for these smallest firms is the media (scoring 5.5). Relatively larger firms rate the media a little less highly and set more store by information from either informal contacts in other businesses (for those with a turnover between £50,000 and £100,000) or business networks (such as a Trade Association, Chamber of Commerce or FSB). For firms with 10 or more employees, business networks are rated as 6.0 or over as a source of information on regulations, putting them second, after accountants.

It seems unlikely that over 80% of small firms have turned to their local Business Link for advice. It may well be that some of those in Chart 15 rating these as useful were referring to informal links with other businesses, rather than to the government’s network of advice centres.

Government web-sites are rated far more useful (4.7) than telephone helplines (3.5) or inspectors (3.4). This mirrors our survey of last year (Vol.23 No.1) which found that the acceptance of web-sites as an information delivery mechanism for information had rocketed over the previous five years and supplanted face-to-face contact as the preferred method. Business service firms, which tend to be small but have high computer usage, rate government web-sites as the third most useful source of information on regulations (after accountants and business networks).

The smallest firms probably relatively rarely turn to a solicitor for advice on regulations, but for those with a turnover of £1m or higher their advice is rated highly, 5.6, putting them in third place. Private consultants and advisors rate as fifth most useful source for these relatively larger firms, compared with eighth for smaller firms.

Chart 15: How useful are the following as sources of information on regulation?
 Answer on a scale from 1 (no use) to 10 (very useful)



Conclusions

It is no great revelation that small businesses do not like government regulation and paperwork. While there can be an acceptance of the need for regulation to protect employees and the environment and a requirement to collect taxes to meet society's needs, small business owners are always going to feel burdened with having to comply with red tape when they want to get on with running their business. Frequent changes to regulations are a particular complaint. The smallest firms are exempt from some regulation and indeed our earlier reports (e.g. Vol.21 No.4) have shown that many firms have restricted the numbers they employ due to concerns over the burden of regulation. A number of very small firms taking part in the survey commented that their businesses are hardly affected by regulations. Nevertheless, our analysis of the time spent on red tape shows that economies of scale mean that the burden still falls most heavily on the very smallest firms.

Hardly any small firms think that the regulatory burden has got any easier and for almost a decade there has been a consistent majority reporting that the burden has got worse year-on-year. In this survey one respondent noted that, "regulation gets more onerous every month". This could be partly an issue of perception, as previous surveys have found no evidence that the actual amount of time spent on compliance has increased, but many small businesses feel strongly, "the Government claims to be reducing regulations for small businesses, but in effect we spend more time complying than at any previous time".

This survey confirms the findings of others (e.g. "Regulation and Business Advice", BERR, 2007) that accountants are the most valued source of advice on regulations, but that contacts with other businesses, either informally or through formal networks such as trade associations, are also important. It also highlights the importance of the media, especially for the very smallest firms.

Government web-sites are generally valued far more highly than help-lines and inspections, though there are mixed views about them. One respondent reports, "being able to file and pay returns on line quarterly makes it all quicker", while another thinks that, "Government websites are just appalling. The HMRC one is just impossible".

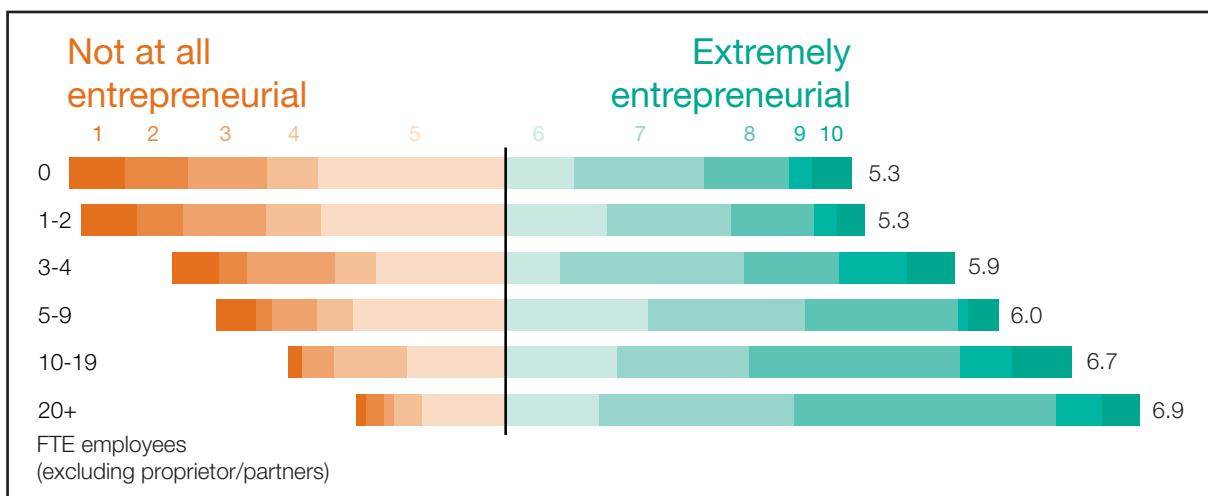
A majority of Britain's small firms think that the purpose of regulation is often unclear, it is difficult to understand and comply with regulations and that it is often not fair or proportionate. Approaching 90% think that different parts of government do not take a joined-up approach to regulation, that government does not consult well enough and, fundamentally, that the government does not understand business well enough to regulate. Some respondents in particular pointed out that while the government may understand big business, it does not seem to appreciate the different circumstances under which small businesses operate.

Negative views about regulation are likely to be deeply entrenched and difficult to change. However, small businesses seem to be receptive to attempts to improve the regulatory environment. Big majorities claim that improved consultation, feedback, communication and earlier warning would improve their view of regulation. Even more popular, however, would be the obvious: fewer, simpler regulations with less frequent changes.

Entrepreneurial Index

Younger, but also 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 16: "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. Firms with a turnover below £50,000 per year rate themselves on average 5.1 on the entrepreneurial scale. Those with a turnover of a million pounds or more rate themselves on average at 6.9.

Chart 16 shows a similar picture when size is measured by number of employees. Firms where the proprietor or partners work on their own, without employees, rate themselves as 5.3 on the scale while those with 20 or more employees rate themselves as 6.9.

Younger firms rate themselves as more entrepreneurial, ranging from 6.5 for those formed within the past five years to 5.7 for those established 20 or more years ago.

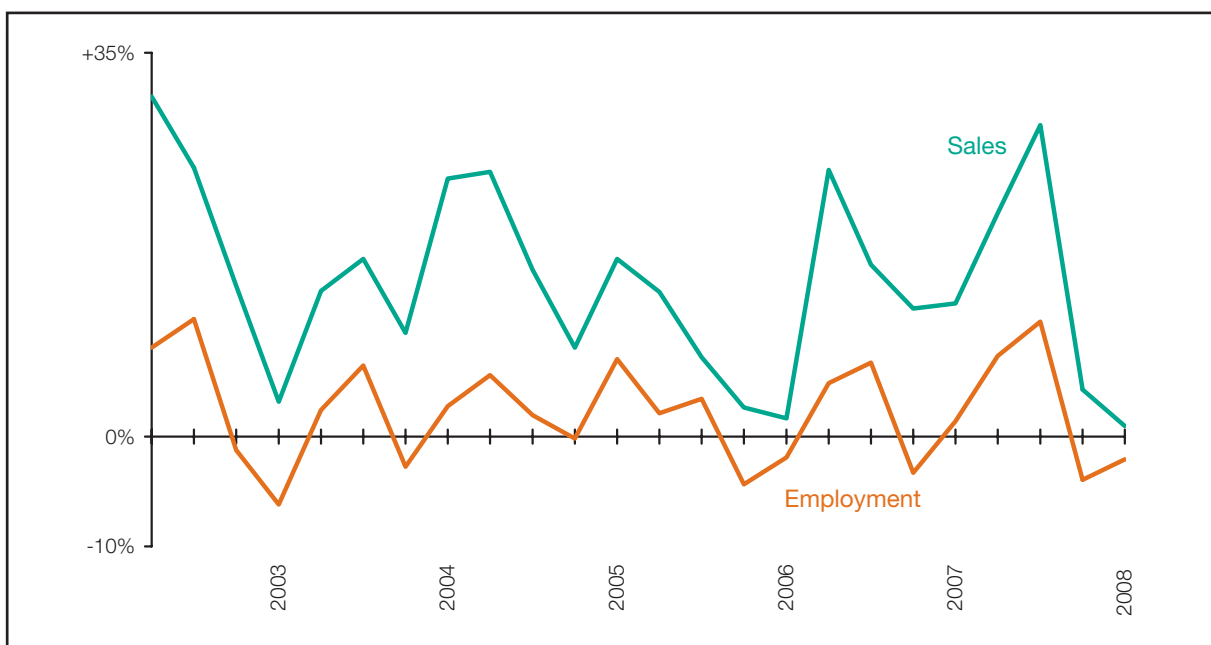
In this survey, as in the previous one, the small firms taking part from the North East of England rate themselves as most entrepreneurial (6.3).

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 and employment fall over the past year and expect them to fall again during the current quarter, while the more entrepreneurial have seen increases and expect these to continue.

Prospects

Sales expectations are at a six year low, though the drop in optimism is not as sharp as in the previous survey. Small retailers continue to get even more pessimistic. The employment balance has made a slight seasonal recovery, while inflationary pressures remain.

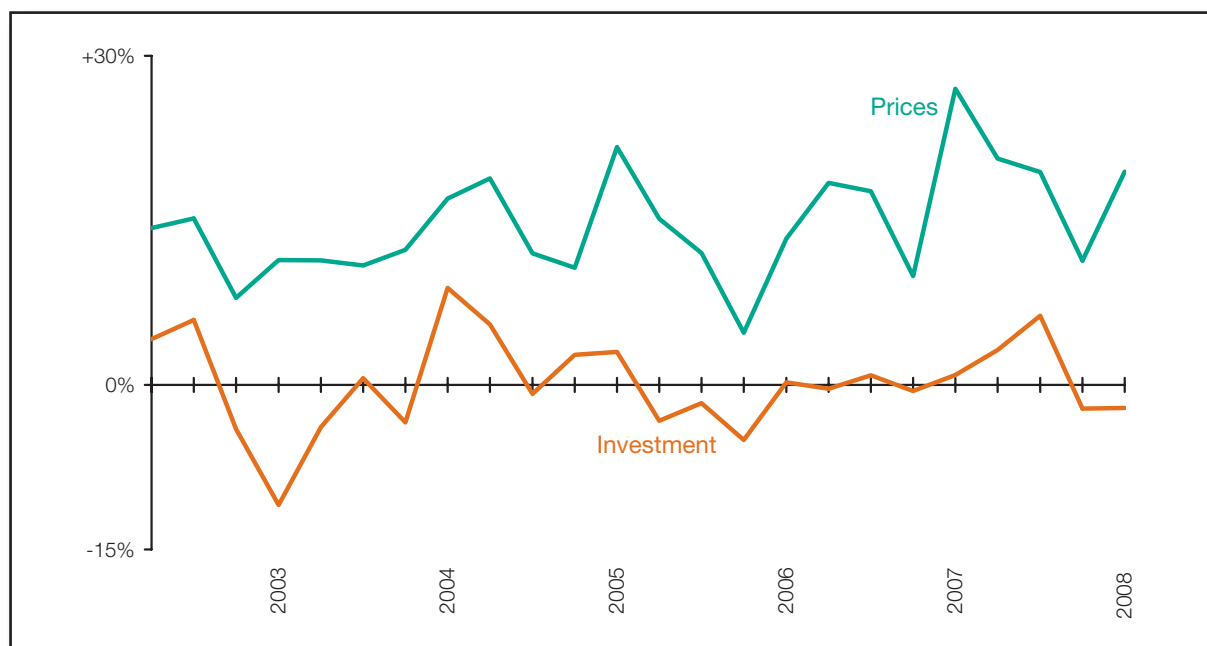
Chart 17: Percentage balance of respondents expecting an increase in sales and employment (weighted figures)



Although it is not down as dramatically as the record fall in the previous survey, the expected sales balance has continued to weaken and is now at a six-year low. The one-third of small firms which expect that their turnover will have fallen during the first quarter of 2008 is the same as in the previous survey, but only slightly more, 34% (compared with 38% last time), now expect a rise. Chart 17 shows that the resulting balance of +1% is a little below the +2% at the beginning of 2006 and the +3% at the beginning of 2003 and well below its level at any other time over the past six years.

Chart 17 shows that the balance of Britain's SMEs expecting to recruit extra employees during the first quarter of 2008 was at least up a little compared with that in the previous survey. However, it remains negative (up from -4% to -2%), meaning that more expected to shed staff than recruit extra employees. Chart 17 shows that this balance normally rises at this time of year and so this does not necessarily reflect any improvement in underlying business confidence. Even fewer small firms than in the previous survey (11%, compared with 12%) expect to recruit extra employees during the first quarter. The balance has only improved because the proportion which expect to cut employees is down further, from 16% to 13%.

Chart 18: Percentage balance of respondents expecting an increase in selling prices and investment (weighted figures)



The balance of small firms which expect to invest more is unchanged, at -2% (Chart 18). Some 18% expect to have cut the amount they invested in the first quarter of 2008, with only 16% expecting to invest more (Table 5).

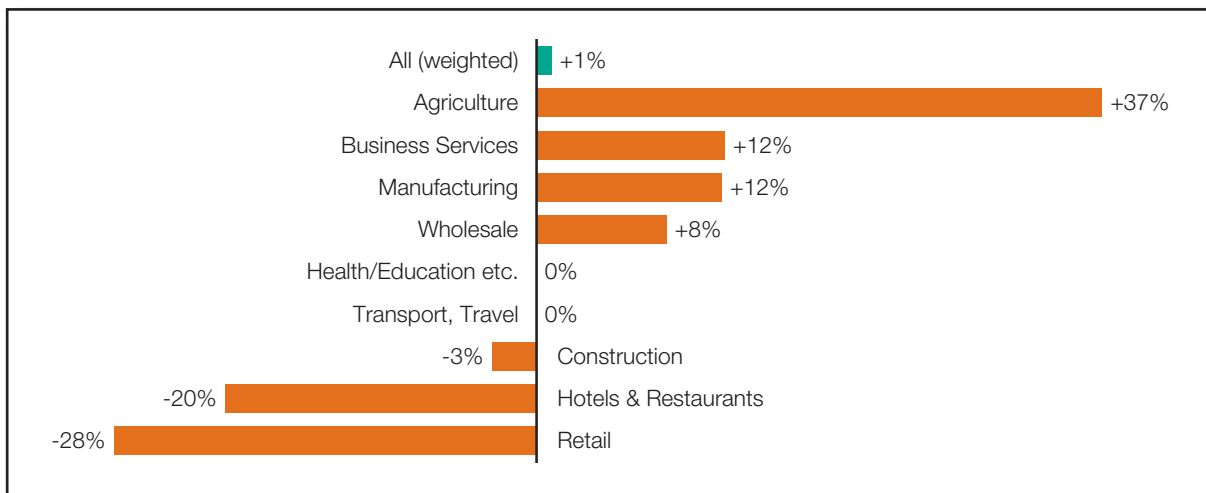
As feared by some respondents to our previous survey, the monetary authorities are already having to contend with resurgent inflation, as well as falling economic growth rates. In the previous survey the balance of small firms which intended to increase their average selling prices fell, but in this survey the balance is back up to exactly the same level as six months ago (Chart 18). Some 29% of small firms expect to increase their prices and only 10% expect to cut them (Table 5). This may be partly a seasonal effect, the balance tends to rise at this time of year, and it does remain below the record +27% at this time a year ago. However, it seems that some small firms are being forced to pass on increases in fuel and food prices to their customers.

Table 5: Expected change over past year in sales, employment, investment and selling prices (weighted figures)

Expected change over current quarter (2008Q1 on 2007Q4) in:	Up	Down	Same	No response	Balance
Sales Turnover	34%	33%	28%	6%	+1%
Average Employment	11%	13%	69%	7%	-2%
Investment	16%	18%	60%	6%	-2%
Selling prices	29%	10%	55%	6%	+19%

Prospects: Comparison Across Sectors

Chart 19: Percentage balance of respondents expecting an increase in sales over current quarter by sector



While rising food prices are having negative impacts on many sectors of the economy, they do mean that the output of many agricultural firms will be worth more. Agriculture was the only sector in the previous survey where optimism improved and in this survey they have reported easily the biggest sales increases over the past year. Chart 19 shows that they are the most optimistic about their immediate turnover prospects by a similar large margin. The balance expecting an increase has risen from +13% to +37%, the only sector where half of small firms expect an increase in turnover. As even more small agricultural firms expect an increase in turnover than expect to increase their average selling prices, this is clearly not just a prices effect, with at least some expecting to increase the volume of their output. Perhaps even more strikingly, in stark contrast to the previous survey, far more agricultural firms expect to recruit extra workers than to cut them (the balance up from -13%, the lowest in the previous survey, to +18%, the highest in this).

Small business service firms were the most positive about their immediate sales prospects in the previous survey. While the balance expecting an increase in turnover is down a little, they remain optimistic about their prospects (Chart 19). They are also one of few sectors where small firms expect a net increase in employment (Table 6).

We noted in our previous survey that small manufacturers had the highest balance intending to increase investment, suggesting some confidence in medium-term prospects. In this survey, the balance expecting an increase in turnover has improved and these are now almost as optimistic as small business service firms (Chart 19). The balance expecting to increase employment, however, remains at -1%, as in the previous survey.

After falling for three surveys in a row, the balance of small wholesalers expecting an increase in turnover has recovered a little, to +8%, though it remains well below the +39% at this time last year. A balance of +37% of wholesalers expect to increase their average selling prices, suggesting that much of the increased turnover may be due to price rises rather than improved volumes. Small wholesalers are now also more positive about employment prospects, one of only three sectors where more expect to increase than cut employment (Table 6).

As many firms in the health/education/leisure & other personal services sector expect their turnover to fall as expect it to rise. The balance of 0% is the lowest for over six years.

Table 6: Expected change over current quarter in sales, employment, investment and selling prices by sector

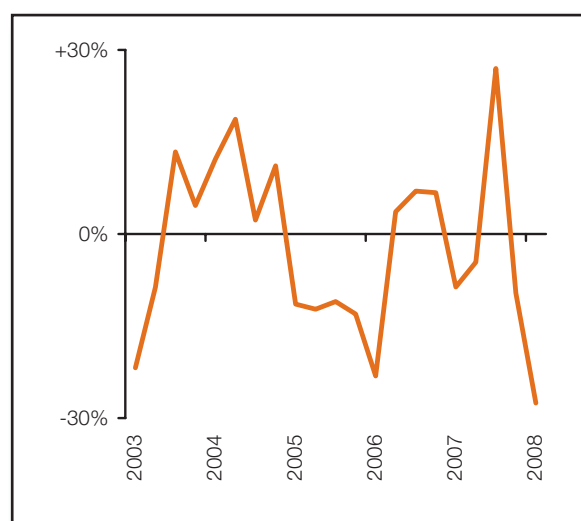
	Sales Turnover	Average Employment	Investment	Selling Prices	Sample
Agriculture, Forestry, Fisheries	+37%	+18%	+5%	+24%	38
Manufacturing	+12%	-1%	-6%	+21%	116
Transport, Travel	+0%	-13%	-13%	+10%	30
Construction	-3%	-6%	-9%	+22%	68
Wholesale	+8%	+3%	+2%	+37%	59
Retail	-28%	-5%	-1%	+20%	127
Hotels & Restaurants	-20%	-10%	+2%	+38%	128
Business Services	+12%	+1%	-3%	+11%	212
Health/Education/Leisure/Other	+0%	-2%	+5%	+17%	42
All (weighted by sector)	+1%	-2%	-2%	+19%	822

The balance of small construction firms expecting an increase in turnover has improved a little since the previous survey, but remains negative, at -3%. This is the lowest at this time of year for the past six years.

Sales optimism for hotels & restaurants has fallen sharply. These have gone from being second-most optimistic in the previous survey to second-most pessimistic this time. The balance expecting an increase in sales has fallen sharply, from +17% to -20%. However, this is not unusual for this highly seasonal sector. The balance was lower at this time last year and the year before. They are one of the sectors most likely to be cutting employment, but again the balance is not as negative as at this stage in the past two years. Hotels & restaurants is the sector where the greatest balance of small firms expects to increase prices. This has generally been the case in recent years, except for in the final quarter of each year, when there are usually far fewer price increases in this sector.

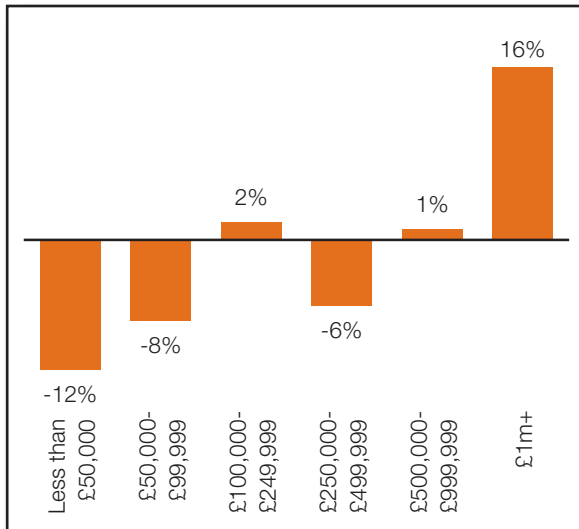
A fall in the expected sales balance for retailers is expected at this time of year. In all but one of the past 19 years the balance has fallen for the first quarter. However, after hitting a five-year high only six months ago, the retailing sales balance suffered a sharp fall in the previous survey and so was already at a low level. It has now dropped to its lowest level in nine years, falling over 50 percentage points in just six months, reflecting a sudden crisis in consumer confidence (Chart 20).

Chart 20: Percentage balance of retailers expecting an increase in sales over current quarter



Prospects: Comparison Across Size Bands

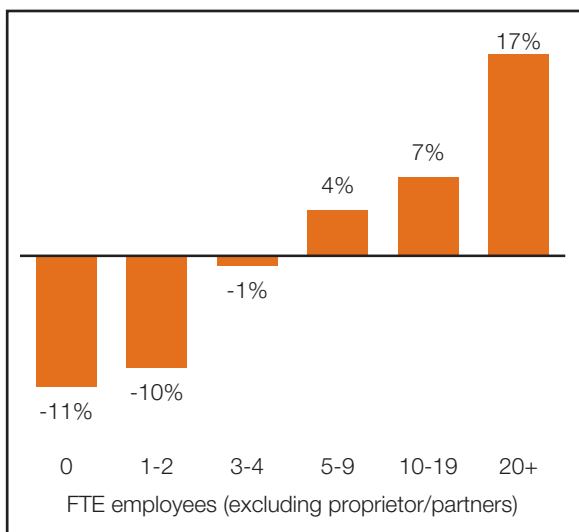
Chart 21: Percentage balance expecting an increase in sales over current quarter by turnover size band



Charts 21 and 22 show that the very smallest firms expect things to continue to worsen, with a balance expecting a fall in turnover. Significant balances of the relatively largest expect an improvement. The gap in optimism between the targets and smallest has widened since the past survey as the micro-firms have become less optimistic while those with a turnover above £1m or with 20 or more employees have become more optimistic.

Firms with fewer than 10 employees expect, on balance, to cut the numbers they employee during the quarter while a balance of larger firms expect to recruit extra staff. Those with 20 or more employees expect to invest more during the quarter, while their smaller counterparts are expecting to cut back.

Chart 22: Percentage balance expecting an increase in sales over current quarter by FTE number of employees



Prospects: Comparison Across Regions

The regional division in optimism about sales prospects is not as stark as in the previous survey.

As well as reporting the best improvement over the past year, the (relatively few) small firms from the North East are again the most optimistic about their turnover prospects for the current quarter, but the balance is lower than in the previous survey. They are also now the most positive about employment prospects in their firms.

Only in the two previously most pessimistic regions, the South West and the West Midlands, has optimism bounced back somewhat. In the West Midlands, though, the balance remains negative and firms there are the least optimistic about both sales and employment prospects (Table 7).

Chart 23: Percentage balance of respondents expecting an increase in sales over current quarter - by region

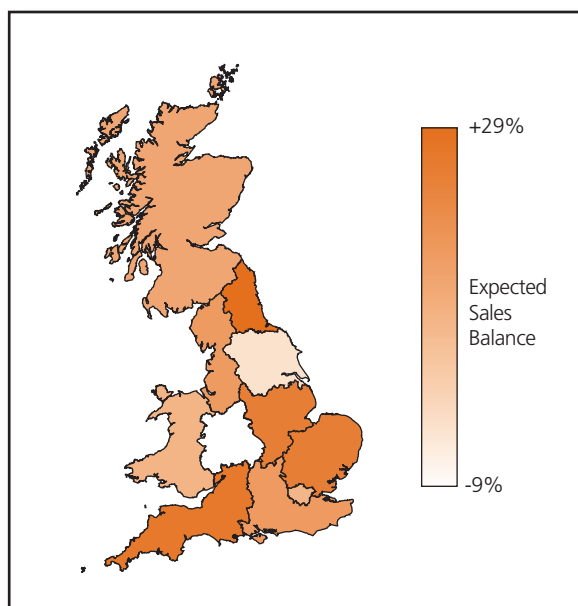


Table 7: Expected change over current quarter in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling Prices	Sample
North East	+10%	+10%	+5%	+25%	20
North West	+0%	-9%	-5%	+17%	65
Yorkshire & the Humber	-14%	-11%	-7%	+14%	44
East Midlands	+6%	+6%	-3%	+34%	32
West Midlands	-18%	-14%	-20%	+8%	49
East of England	+6%	-3%	+3%	+18%	94
London	-5%	-7%	-5%	+14%	57
South East	+0%	+3%	+6%	+27%	294
South West	+8%	+3%	-8%	+14%	77
Wales	-5%	-8%	+5%	+33%	39
Scotland	-2%	-7%	-27%	+24%	45

Projections of future performance often reflect immediate past performance. However, here the anticipated sales and employment balances across the regions are lower than the balances in the Performance section above. This, plus

the lack of a clear regional pattern in responses suggests increased uncertainty among Britain's small firms. In the next Quarterly Survey, we will focus more closely on how small firms are managing the current economic uncertainties.

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. **Additions to the sample from individual small businesses and from business organizations are always welcome via our web-site - www.serteam.co.uk**

It should be noted that the SERTeam 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.

Questionnaires for this survey were despatched from early March 2007 to 1,435 owners and managers of small businesses which had previously volunteered to take part, 837 by e-mail and the remainder by post. A further 381 small businesses identified from a commercial database were interviewed by telephone.

By the cut-off date of 14th April, a total of 822 questionnaires had been completed, 189 by post, 252 online and 381 by telephone.

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, expectations and problems 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 2006) 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 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. 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

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		Investment		Sales		Employment		Investment Prices	
			Employment	Prices	U	S	U	S	U	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		Investment		Sales		Employment		Investment	Prices
			Employment	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%

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%	3.8%	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%	2.0%	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/ 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%	0.6%	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%	0.5%	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	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 employees/ 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%	14%	8%	7%	8%	3%	12%	1%	1,168
2002/3	13%	7%	7%	4%	1%	0%	1%	1%	16%	11%	6%	9%	2%	11%	1%	1,078
2002/4	16%	7%	7%	4%	1%	1%	2%	1%	15%	10%	6%	9%	2%	8%	2%	1,074
2003/1	20%	8%	9%	4%	0%	1%	1%	1%	14%	6%	7%	8%	2%	9%	1%	922
2003/2	21%	8%	7%	4%	1%	1%	1%	1%	10%	9%	6%	9%	2%	8%	2%	851
2003/3	18%	9%	6%	3%	1%	1%	1%	6%	15%	9%	9%	10%	2%	7%	2%	784
2003/4	13%	9%	8%	3%	1%	1%	0%	7%	18%	8%	8%	8%	3%	9%	2%	687
2004/1	11%	8%	9%	3%	1%	2%	2%	11%	15%	7%	8%	8%	3%	8%	1%	808
2004/2	8%	8%	8%	4%	2%	1%	1%	8%	20%	9%	9%	9%	3%	8%	1%	739
2004/3	10%	9%	8%	4%	2%	3%	3%	10%	13%	10%	7%	9%	3%	7%	1%	623
2004/4	11%	8%	7%	3%	1%	2%	1%	8%	20%	10%	8%	8%	4%	8%	1%	711
2005/1	9%	9%	8%	5%	2%	2%	1%	7%	18%	10%	11%	9%	2%	5%	1%	652
2005/2	13%	9%	8%	3%	1%	1%	1%	8%	22%	8%	7%	8%	3%	5%	2%	675
2005/3	16%	10%	6%	5%	0%	2%	2%	8%	20%	6%	5%	7%	1%	6%	3%	670
2005/4	20%	8%	6%	4%	3%	1%	1%	8%	15%	10%	9%	7%	1%	5%	2%	620
2006/1	18%	9%	7%	4%	1%	3%	1%	9%	20%	9%	7%	6%	2%	4%	1%	641
2006/2	18%	9%	6%	2%	4%	2%	0%	9%	22%	7%	8%	10%	3%	6%	1%	638
2006/3	12%	9%	7%	2%	2%	1%	1%	9%	21%	7%	10%	9%	2%	4%	2%	547
2006/4	10%	9%	8%	3%	3%	1%	1%	7%	25%	7%	8%	7%	2%	7%	2%	538
2007/1	9%	9%	8%	3%	3%	2%	2%	9%	22%	7%	8%	7%	2%	5%	4%	526
2007/2	11%	7%	9%	4%	2%	1%	2%	6%	23%	8%	7%	7%	2%	6%	2%	528
2007/3	10%	8%	9%	3%	4%	3%	1%	7%	15%	8%	7%	9%	5%	7%	2%	629
2007/4	15%	8%	9%	2%	4%	1%	2%	5%	17%	8%	8%	5%	2%	8%	2%	528

Quarterly Survey 2008Q1

Small Enterprise Research Team, Open University Business School, Michael Young Building, Walton Hall, Milton Keynes, MK7 6AA
Complete online instead by going to: www.sertsurvey.co.uk quoting your reference number on the label overleaf

Please circle the appropriate numbers or fill in the blanks. Your answers will remain confidential.

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- 1a** Employment: Including yourself, how many people work in the business?
(Please give full-time equivalent figures, e.g. count two people each working half-time as one) _____
- 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)? _____
- 5** To what extent do you agree with the following statements about the Government's approach to regulation? Answer on a scale from 1 (strongly disagree) to 10 (strongly agree)
- a. Generally, it is clear what the purpose of regulation is. _____
 - b. It is straightforward to understand what you are required to do to comply with regulations. _____
 - c. It is easy to comply with regulations. _____
 - d. Most regulation is fair and proportionate. _____
 - e. The Government understands business well enough to regulate. _____
 - f. The Government consults well with business before any new regulation, or change to an existing regulation, is introduced. _____
 - g. Different parts of government take a joined-up approach to regulation. _____
- 6** On average, roughly how many person-hours per month (including your time, that of other staff and of your professional advisors) does it take your business to deal with government regulations and paperwork? _____
(Include only time spent on compliance for your own business - not time spent on behalf of other firms e.g. if you are an accountant, solicitor etc.)
- 7** How has the time taken to deal with government regulations and paperwork changed over the past year?
- 1. Increased
 - 2. No significant change
 - 3. Decreased
- 8** How useful are the following as sources of information on regulation? Answer on a scale from 1 (no use) to 10 (very useful)
- a. The media _____
 - b. Friends and family _____
 - c. Business Links _____
 - d. Government websites _____
 - e. Government telephone helplines _____
 - f. Government inspectors _____
 - g. Accountant _____
 - h. Solicitor _____
 - i. Private consultant/advisor _____
 - j. Business networks (Trade association, Chamber, FSB etc.) _____
 - k. Other businesses (suppliers, customers, etc.) _____
 - l. Other _____
(please specify _____)
- 9** How much would each of the following improve your view of regulation? Answer on a scale from 1 (not at all) to 10 (very much)
- a. Greater knowledge of what government is doing to improve regulation _____
 - b. Improved communication and guidance on regulations _____
 - c. Improved inspections _____
 - d. Fewer/simpler regulations _____
 - e. Less frequent changes to regulations _____
 - f. Earlier warning of proposed regulation _____
 - g. Opportunity for proper and effective consultation _____
 - h. Feedback on consultation _____
 - i. Other _____
(please specify _____)
- 10** In which of the following ranges is your firm's annual turnover (excluding VAT):
- 1. Less than £50,000
 - 2. £50,000-£99,999
 - 3. £100,000-£249,999
 - 4. £250,000-£499,999
 - 5. £500,000-£999,999
 - 6. £1m-£5.6m
 - 7. Over £5.6m
- 11a** Was your sales turnover in October to December 2007 compared with October to December 2006: 1. Up 2. Same 3. Down
- 11b** Was your average employment (Oct-Dec 2007 vs Oct-Dec 2006): 1. Up 2. Same 3. Down
- 11c** Was your investment in plant, equipment and premises (Oct-Dec 2007 vs Oct-Dec 2006): 1. Up 2. Same 3. Down
- 11d** Were your average selling prices (Oct-Dec 2007 vs Oct-Dec 2006): 1. Up 2. Same 3. Down
- 12a** Expected sales turnover in January to March 2008 compared with October to December 2007: 1. Up 2. Same 3. Down
- 12b** Expected average employment (Jan-Mar 2008 vs Oct-Dec 2007): 1. Up 2. Same 3. Down
- 12c** Expected investment in plant, equipment and premises (Jan-Mar 2008 vs Oct-Dec 2007): 1. Up 2. Same 3. Down
- 12d** Expected average selling prices (Jan-Mar 2008 vs Oct-Dec 2007): 1. Up 2. Same 3. Down
- 13** Please rate each of the following possible problems facing your business on a scale from 1 (no problem) to 10 (severe problem):
- 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. Other _____
(please specify _____)
- 14** Please indicate the sex of the owner(s) of the business:
- 1. Male
 - 2. Female
 - 3. Joint Male/Female ownership

Thank you for completing this confidential survey questionnaire.
Please return it in the envelope provided by 21st March 2008.
Please note that this is a FREEPOST address (no stamp required).

