

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

oubs-sert@open.ac.uk

Editors Graham Bannock and Colin Gray

Researcher Andy McCann

Original design Siân Cardy

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Summary

Small firms' sales performance and expectations for the coming quarter are sharply down, to eighteen-month lows. 'Regulations and paperwork' remains the top problem but 'general economic climate' is now close behind in second slot. Many small firm owners have been affected directly (30%) or indirectly (60%) by the 'credit crunch'. Most expect UK growth to be slower in 2008 and around one third expect a recession. Business service and manufacturing firms are faring relatively well but retailers are suffering badly. The most common prediction for inflation for 2008 is 1% - 3% and for interest rates is between 6% - 7%, though significant minorities expect inflation to be higher and interest rates to be lower.

- Some 62% of small firms have been affected by tightening credit markets over the past year and, particularly, more recently. Half of these have been affected directly, such as by more expensive finance, the rest indirectly by reduced customer demand.
- The sales performance balance has fallen sharply from a three and a year half high to an eighteen-month low. Employment increases and investment activity are also down, but remain higher than six months ago.
- Sales expectations have fallen more sharply than ever before, from a five-year high to the lowest in eighteen months. Employment and investment expectations are down to similar levels as at this time last year.
- Government regulations and paperwork remains the biggest single problem facing small business, though the proportion indicating that the general economic climate is their biggest problem is close behind and at a two-year high.
- A majority (53%) of small firms expect the UK economy to continue to grow over the coming year, but more slowly than in 2007.
- Almost one-third (32%), though, expect the UK to enter recession and a significant proportion of these expect their own performance to be even worse and the UK's inflation target to be breached.
- Small retailers have most often been affected either directly or indirectly by the 'credit crunch'. In consequence, they report the poorest sales performance over the past year, most often say that the general economic climate is the biggest problem facing their business and are one of the most pessimistic about immediate prospects.
- Business services is one of only two sectors which report better sales performance than in the previous survey and they are the most optimistic about immediate prospects.
- Small manufacturers report reasonable performance over the past year. They have most often increased investment over the past year and intend to invest more in the current quarter.
- Business services and manufacturing are the only sectors which small firms expect to grow faster than the UK economy during 2008.
- The very smallest firms less often than their relatively larger counterparts feel that they have been affected by tightening credit markets, but nevertheless continue to report the poorest performance and are most pessimistic about immediate prospects.
- Price increases over the past year have slowed a little and intentions for the current quarter are also somewhat down, though price pressures remain.

'Credit Crunch' and Outlook

A majority of small firms have been affected by tightening credit markets, usually indirectly. Some 85% expect UK economic growth to be slower in 2008 than in 2007 and one-third anticipate a recession. A majority believe inflation will stay within the 1%-3% zone, though 29% expect it to be higher. The most common prediction is that interest rates will stay between 5% and 6%, though over a third believe they will have to be cut further.

Direct 'Credit Crunch' Effects

The 'credit crunch' in financial markets does seem to have had significant effects on Britain's small firms, albeit mostly indirectly.

The questionnaire for this survey highlighted that UK base rates had been rising since August 2006 (though they were cut by 0.25% to 5.5% on 6th December, while questionnaires were being completed). More recently, there has been talk of a 'credit crunch' in financial markets, prompted by US 'sub-prime' mortgage issues and evidenced in the UK by the Northern Rock crisis, which emerged after our previous survey (questionnaires

for the current survey were all completed before the Societe Generale 'rogue trader' scandal and the US Federal Reserve's biggest interest rate cut in 25 years in January 2008).

Some 30% of Britain's small firms report that tighter credit markets have directly affected their business (for instance, making it harder or more expensive for them to raise finance), 12% over the past year and 18% more recently.

Chart 1.1 shows that firms with an annual turnover of £100,000 or more almost twice as often as the very smallest firms taking part in the survey report that they have been directly affected by tighter credit markets.

Chart 1.1: Proportion DIRECTLY affected by tighter credit markets - by turnover size band

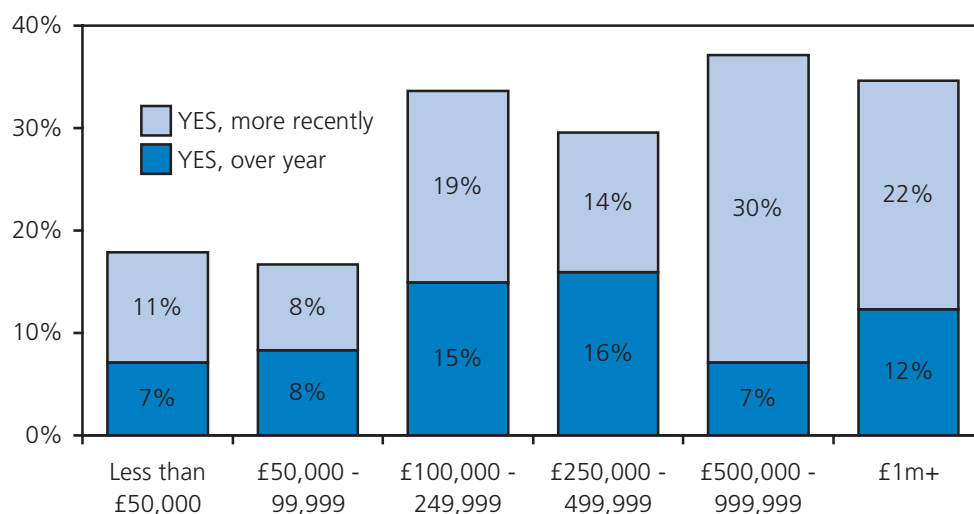
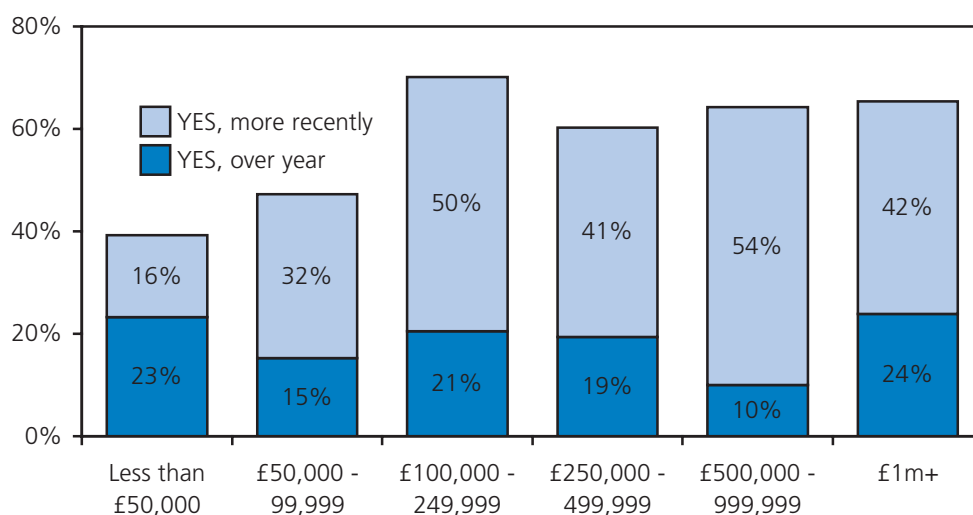


Chart 1.2: Proportion INDIRECTLY affected by tighter credit markets - by turnover size band



While firms with fewer employees are somewhat less likely to report effects, turnover seems more important than employment size in discriminating between firms which have suffered from these direct financial effects. Recently established firms, which may have more need for external growth capital, more often report direct effects of tighter financial markets (38% of those established within the past ten years compared with 23% of those 30 years or older).

Small retailers have most often (39%) been directly affected. Unlike most other sectors, a majority of these say that the effects have been over the past year, rather than more recently. This suggests that their problems may have been related to rising UK interest rates on operating loans, rather than more recent difficulties raising credit on the financial markets. Small manufacturers (16%) and hotels & restaurants (17%) have least often been directly affected.

Indirect Effects

While 30% of small firms have been directly affected by the 'credit crunch', twice as many, 60%, believe that they

have been indirectly affected (for instance, by it causing their customers to spend less)¹.

Chart 1.2 shows that, as with direct effects, those with a turnover below £100,000 more often than their relatively larger counterparts feel they have been insulated from these largely global issues. The difference is, however, not as stark as that for direct effects, with almost half (47%) even of firms with a turnover between £50,000 and £100,000 considering that they have been affected.

Most retailers (75%) and wholesalers (72%) believe that tighter credit markets, which may be interpreted to include the effect on mortgages held by consumers and also dented confidence due to the Northern Rock crisis, have indirectly affected their businesses.

The effects on small firms do appear to be significant. Some 37% of those which report indirect effects from the 'credit crunch' (compared with 24% which do not) have seen their turnover fall over the past year and 18% (compared with only 7% of those unaffected) have cut the amount they invest.

1. Almost all of those which have been directly affected have also been indirectly affected, so the total which have been affected either directly or indirectly is only slightly higher, 62%.



Economic Outlook

Small firms have, then, experienced negative effects of tighter credit markets. Other sections of this report also show heightened concerns over the general economic climate and weakening business performance and optimism. It is therefore natural that British small firms are generally pessimistic for the outlook for the UK economy. However, the strength of feeling is quite striking, especially given that questionnaires were completed before late January's events such as the Societe Generale scandal, the precipitous falls in European stock markets and the slashing of interest rates by the US Federal Reserve.

In December 2007, when most questionnaires for this survey were being completed, few commentators were talking about the possibility of recession in the UK. However, Chart 1.3 shows that almost one third (32%) of small firms taking part in this survey thought that was indeed the most likely outlook for the UK economy over the coming year. While some respondents may have been talking about a general slowdown rather than a technical 'two quarters of falling GDP' recession, this is a strong warning, which looks even more compelling now.

The most common opinion is that the economy will continue to grow, though at a slower rate than in 2007. Some (53%) of small firms believe that this is the most likely outlook.

Taking together those which expect recession and those expecting slower growth, 85% of small firms believe that UK economic performance will be worse in 2008 than in 2007. This is even not including the 6% who had 'no idea' about the outlook or did not answer the question.

Chart 1.3 shows that 9% of small firms expect similar growth to 2007. Less than 1% expect faster growth than in 2007 and all of these expect it to be moderate. No respondent expects growth to be much faster than in 2007.

Views on the likelihood of recession are not obviously related to firm size, though those whose own turnover is down (48%) and those affected by tightening credit markets (38%) more often than the rest anticipate recession during the coming year.

Chart 1.3: Outlook for UK economy over coming year

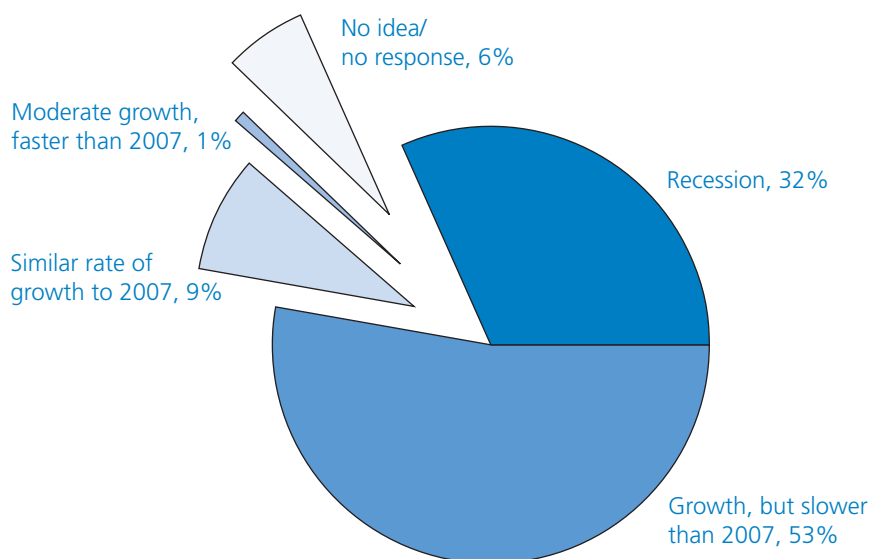


Table 1.1: Outlook for UK inflation over coming year, by outlook for UK economy

	Recession	Slow growth	Similar/high growth	All
Below 1% per annum	4%	2%	2%	3%
1% to 3% per annum	46%	64%	80%	58%
Over 3% per annum	41%	27%	10%	29%
No idea/no response	9%	6%	8%	11%
Sample	168	279	49	528

Inflation Outlook

A majority (58%) of small firms believe that UK inflation will stay within the range of 1% to 3% per annum during the coming year (Table 1.1), which would mean the Governor of the Bank of England would not have to write any open letters to the Chancellor.

Hardly any firms (3%) believe that inflation will fall below the Bank's acceptable limit of 1%, though 29% believe that the upper limit of 3% will be breached.

It does not seem that many respondents anticipate the classic economic scenarios of falling demand being associated with falling prices and vice versa. It seems to be more a question of confidence in the authorities versus pessimism about all targets. Table 1.1 shows that 80% of those who think that the economy will grow at a similar rate as in 2007 (or faster) also think that inflation will be kept within the 1%-3% range. However, 41% of those which expect recession during the coming year also expect inflation to exceed 3%.

Interest Rates Outlook

Some 43% of all small firms (50% of those who felt able to express an opinion) expect that interest rates will still be between 5% and 6% by the end of 2008 (Table 1.2). (Rates were reduced from 5.75% to 5.5% in December 2007, while questionnaires for this survey were being completed.) Most of the rest expect that rates will be between 4% and 5% by the end of the year.

Those firms which expect the UK to fall into recession are a little more likely (39%) to believe that the Bank of England will cut rates to between 4% and 5% in order to boost demand than to believe (38%) that rates will remain between 5% and 6% (Table 1.2). Some 6% of small firms believe that rates will have to rise to between 6% and 7% to rein in inflation, though very few believe that rates will go higher than this (or lower than 4%). UK base rates were last below 4% between February 2003 and February 2004 and last above 7% between November 1997 and November 1998.

Table 1.2: Outlook for UK interest rates (base rates) by the end of 2008, by outlook for UK economy

	Recession	Slow growth	Similar/high growth	All
Below 4%	2%	3%	2%	2%
Between 4% and 5%	39%	34%	33%	34%
Between 5% and 6%	38%	49%	45%	43%
Between 6% and 7%	10%	3%	10%	6%
Above 7%	3%	0%	0%	1%
No idea/no response	10%	10%	10%	13%
Sample	168	279	49	528



Table 1.3: Proportion which believe their business will grow faster than the UK economy over coming year - by FTE number of employees (not including proprietor/partners)

	0	1-2	3-4	5-9	10-19	20+	All
My business faster	19%	24%	32%	44%	48%	52%	36%
UK faster	31%	30%	32%	22%	24%	18%	26%
No idea	48%	46%	37%	30%	28%	27%	37%
No response	1%	0%	0%	4%	0%	2%	2%
Sample	67	139	63	102	71	82	528
Balance	-12%	-6%	+0%	+23%	+24%	+34%	+9%

Business Outlook

All but the very smallest firms believe that they will be more successful than their peers. Table 1.3 shows that 36% of small firms think that their own business will grow faster than the UK economy over the coming year, rather more than the 26% who think the economy will grow faster (38% had 'no idea' or did not answer the question). Those with fewer than three employees, though, on balance expect their business to grow slower than the UK economy (a balance of -12% for those with no employees, compared with +34% for those with 20 or more).

It is not the case that small firms worried about the economy generally think they will escape any recession. Instead, pessimism about the economy is accompanied by even greater pessimism about their own prospects. For those which expect a UK recession, more expect the UK to grow faster than their own business (a balance of -9%), while those which expect growth in the economy expect their own business to grow even faster (+20%).

The most entrepreneurial firms far more often (+43%) than the least entrepreneurial (-30%) expect their business to grow faster than the UK economy as a whole.

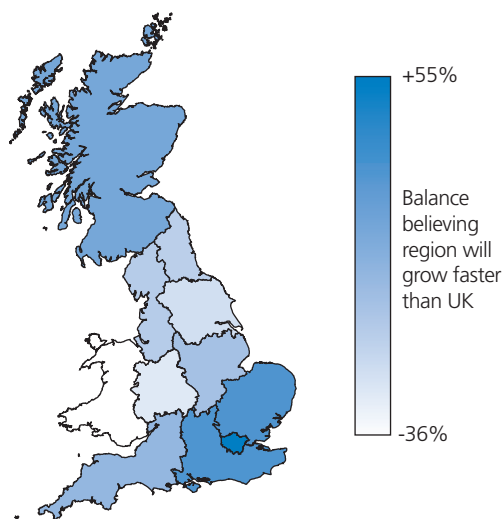
Industry Outlook

Only small manufacturers and business service firms expect, on balance, that their industries will grow faster than the UK economy over the coming year (Table 1.4). Retailers and hotels & restaurants are particularly pessimistic about prospects for their sectors. A majority (61%) of hotels & restaurants have 'no idea' whether their sector will grow faster or slower than the economy as a whole, but of those which do venture an opinion, almost all believe it will lag behind. Most retailers, however, have expressed an opinion and two-thirds of these also feel that their sector will be outpaced by the rest of the economy.

Table 1.4: Proportion which believe their industry will grow faster than the UK economy over coming year

	Agriculture Manufacturing	Transport Construction	Wholesale Retail	Hotels & Restaurants	Business Services	Other Services	All			
My industry faster	19%	41%	27%	31%	28%	23%	6%	43%	27%	33%
UK faster	25%	29%	41%	33%	31%	48%	33%	31%	37%	34%
No idea/no response	56%	30%	32%	36%	41%	29%	61%	27%	37%	33%
Sample	16	87	22	72	39	83	18	150	41	528
Balance	-6%	+13%	-14%	-3%	-3%	-25%	-28%	+12%	-10%	-2%

Chart 1.4: Proportion which believe their region will grow faster than the UK economy over coming year



Regional Outlook

Chart 1.4 shows that small firms in a band across the south of England (South West, South East, London and the East of England) and those in Scotland expect that the region in which their business is based will grow faster than the UK economy over the coming year. Those in Wales and the Midlands and north of England expect, on balance, that their region will grow more slowly.

Competition

For the past three surveys, 9% of all small firms have reported that competition is the biggest single problem facing their business. This issue is currently behind only government regulations and the general economic climate in the ranking of most important problems.

Table 1.5 (overleaf) shows that 27% of firms (and 43% of retailers) expect competition in their field to increase mainly from other UK firms in the next year. A further 17% (rising to 43% of manufacturers and 31% of wholesalers) expect increased competition mainly from abroad.

Only 6% expect competition to diminish over the year, though almost half expect it to remain about the same.

The most entrepreneurial firms more often (36%) than the least entrepreneurial (20%) expect increased UK competition, perhaps because they are the first into a new field but expect the competition to soon be snapping at their heels.



Table 1.5: "How do you see competition in your field changing over the coming year?" - by industry

	Increasing, mainly from UK	Increasing, mainly from abroad	About the same	Decreasing overall	No response	Sample
Agriculture	19%	19%	56%	6%	0%	16
Manufacturing	13%	43%	40%	2%	2%	87
Transport	9%	9%	73%	9%	0%	22
Construction	28%	7%	58%	6%	1%	72
Wholesale	28%	31%	36%	3%	3%	39
Retail	42%	7%	41%	8%	1%	83
Hotels & Restaurants	33%	11%	39%	17%	0%	18
Business Services	29%	15%	48%	7%	2%	150
Other Services	29%	5%	56%	10%	0%	41
All	27%	17%	48%	6%	2%	528

Conclusions

It is striking that small firms are almost unanimous that the UK economy will be weaker in 2008 than 2007, especially considering that most questionnaires were completed in early December 2007, before many media commentators were talking about recessionary prospects. Small firms already felt, however, that tightening credit markets were seriously affecting demand and one third predicted that recession is indeed the most likely prospect.

Those which do fear recession are also often pessimistic about inflationary prospects. While not yet predicting a return to the stagflation of the 1970s, a significant minority do expect that the authorities will be faced with the policy dilemma of falling output coupled with rising inflation.

A balance of small firms (especially the larger and more entrepreneurial, and helped by the large number of optimistic business service firms in our survey) are more optimistic about their own prospects than those of the UK economy as a whole.

However, there seems to be a serious crisis of confidence among some small firms. Those pessimistic about prospects for the economy are also often even more pessimistic about their own prospects. Of those fearing recession for the economy as a whole, more expect their own business to perform even worse than the rest of the economy. It appears that a significant group of small firms has already felt at first hand their own performance suffer and fears that the rest of the economy will soon be following. It remains to be seen whether these firms are right or whether the relative optimism of the opposing group, which have themselves performed reasonably well, expect the economy to grow (albeit more slowly) in 2008 and expect inflation to be kept under control, will prevail.

Conclusions

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.

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.

In this survey, as in recent ones, small wholesalers rate themselves as most entrepreneurial (an average score of 6.8). Hotels & restaurants view themselves as least entrepreneurial (4.8).

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 4.5 on the entrepreneurial scale. Those with a turnover of a million pounds or more rate themselves on average at 6.7. Table 2.1 shows that a similar picture holds when size is measured by number of employees.

Younger firms rate themselves as more entrepreneurial, ranging from 6.4 for those formed within the past five years, dipping to 6.2 for those formed within the past ten years and settling at 5.7 for those established 10 or more years ago.

In this survey, the small firms taking part from the North East of England rate themselves as most entrepreneurial (6.7).

Firms which rate themselves more entrepreneurial report far better sales, employment and investment performance and expectations than the least entrepreneurial, which have seen sales, employment and investment fall over the past year. The most entrepreneurial less often (26%) than the least entrepreneurial (37%) feel that the UK economy is heading for recession and more often (64% vs 48%) expect inflation to remain within the 1%-3% target range during 2008.

Table 2.1: Entrepreneurial scale (1=not at all entrepreneurial to 10=extremely entrepreneurial), by employees

Entrepreneurial scale (1=not at all 10=extremely)	FTE number of employees (not including proprietors/partners)						All
	0	1-2	3-4	5-9	10-19	20+	
1	14%	5%	3%	2%	0%	0%	4%
2	11%	8%	5%	4%	2%	0%	5%
3	9%	12%	14%	3%	6%	9%	9%
4	8%	12%	7%	5%	6%	6%	8%
5	11%	20%	20%	25%	20%	15%	19%
6	14%	15%	14%	14%	11%	9%	13%
7	13%	14%	14%	18%	20%	22%	16%
8	14%	11%	17%	19%	24%	27%	18%
9	3%	1%	5%	2%	6%	6%	3%
10	3%	3%	2%	8%	6%	5%	5%
Average	4.9	5.1	5.6	6.2	6.5	6.6	5.8
Sample	64	130	59	97	66	78	498

Performance

Small firms' sales performance has fallen sharply from its three and a half year high. Small retailers and hotels & restaurants report falling sales. Employment increases and investment activity are also down, but remain higher than six months ago. Prices increases continue to moderate a little.

In the previous survey, the headline balance of small firms increasing turnover rose sharply to a three and a half year high of +26%. Things have changed dramatically since then, however. The topical section of this report has already seen that many small business believe that they have been affected, even if indirectly, by the 'credit crunch' evidenced by the Northern Rock crisis which occurred after most questionnaires for our previous survey were completed. In this survey the balance of small firms increasing sales has fallen to only +12% (Table 3.1, overleaf). This is lower than at any point over the past eighteen months (Chart 3.1).

Under half (44%) of Britain's small firms increased their sales over the past year. This was not much lower than the 48% in the previous survey. However, the proportion seeing sales fall is up from less than a quarter (23%) to almost a third (32%).

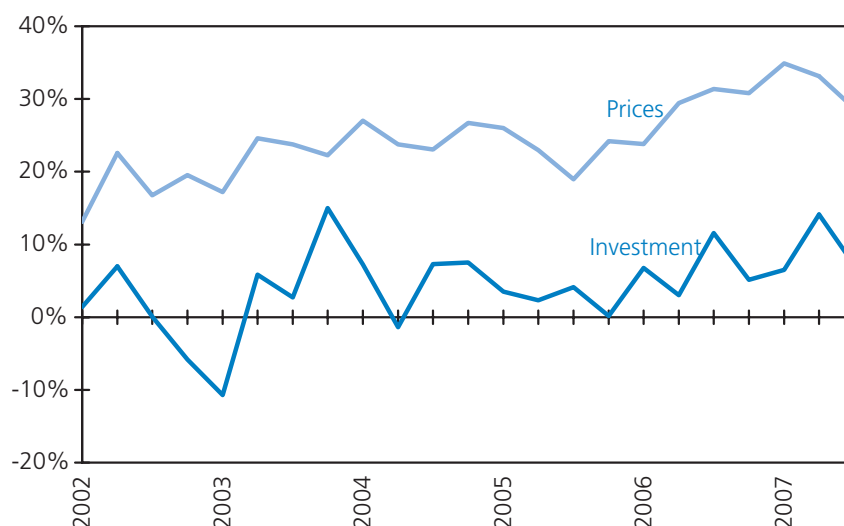
While official figures for the UK economy showed unchanged annual GDP growth of +3.2% in the year to the third quarter, the quarterly rate was down from +0.8% to +0.7%. Preliminary figures show a fall in the annual rate to the fourth quarter.

Chart 3.1: Percentage balance of respondents reporting an increase in sales and employment (weighted figures)



6. Excluding the extra telephone respondents to this survey, which included some newly-recruited young firms, the balance remains high, at +25%, very close to the overall balance.

Chart 3.2: Percentage balance of respondents reporting an increase in selling prices and investment (weighted figures)



Although the balance of firms increasing sales over the year is down sharply, the balance employing more people has held up reasonably well. One fifth of small firms report recruiting extra staff during the year while 15% have cut the numbers they employ. While the resulting balance of +5% is lower than the +7% in the previous survey it is higher than in the preceding nine months (Chart 3.1).

Similar to the employment balance, the balance of small firms which invested more (in plant, equipment and premises) over the year has lost most of the ground which it gained in the previous survey, but remains reasonably

strong. Chart 3.2 shows that the balance has halved, from +14% to +7%, but is higher than in the first two surveys of 2007.

In the previous survey the balance of small firms which had raised their average selling prices had already dipped slightly from its record high of +35% to +33%. In this survey it has fallen rather more, to +29%. This is the lowest in eighteen months, though Chart 3.2 shows that it is still higher than it was between 2002 and 2005, suggesting that inflationary pressures in the economy have not abated.

Table 3.1: Change over past year in sales, employment, investment and selling prices (weighted figures)

Change over past year (2007Q3 on 2006Q3) in:	Up	Down	Same	No response	Balance
Sales Turnover	44%	32%	23%	1%	+12%
Average Employment	20%	15%	63%	3%	+5%
Investment	20%	13%	62%	4%	+7%
Selling prices	40%	11%	45%	3%	+29%



Performance: Comparison Across Size Bands

Table 3.2: Change over past year in sales, employment, investment and selling prices by turnover

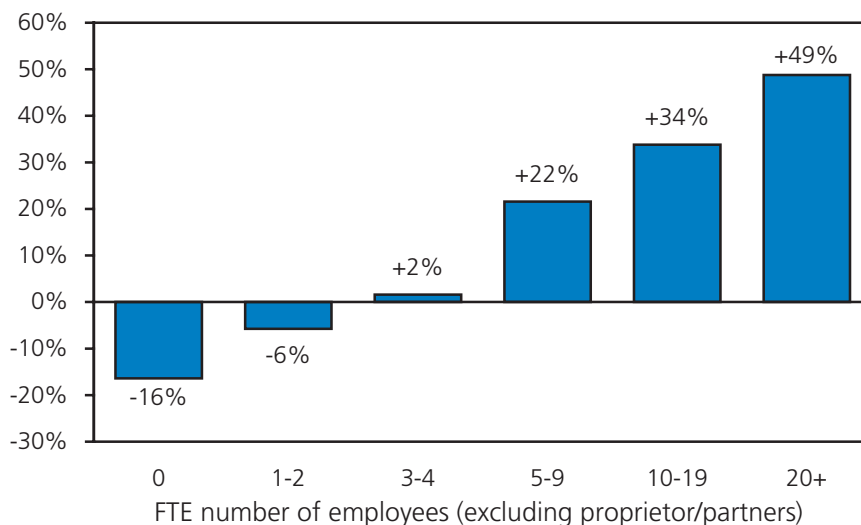
Annual turnover (excluding VAT)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Less than £50,000	-23%	+0%	+5%	+14%	56
£50,000-£99,999	+4%	+1%	-6%	+32%	72
£100,000-£249,999	+0%	-1%	+1%	+34%	107
£250,000-£499,999	+7%	-1%	+6%	+34%	88
£500,000-£999,999	+34%	+19%	+16%	+21%	70
£1m+	+38%	+12%	+22%	+22%	130
All (weighted by sector)	+12%	+5%	+7%	+29%	528

As has generally been the case in recent years, the very smallest firms taking part in this survey report the poorest performance. Chart 3.3 shows that those with fewer than 3 Full-Time Equivalent (FTE) employees have, on balance, seen their sales fall over the past year. More of these smallest firms have also cut employment and investment over the past year than have increased them. In contrast, the relatively largest firms in our survey (still small by any definition) have been far more successful in the year to the third quarter of 2007. Chart 3.3 shows that a balance of +49% (fractionally more than in the previous survey) of

those with 20 or more employees have increased sales over the year. These have also more often than their smaller counterparts (though less often than in the previous survey) increased employment and investment.

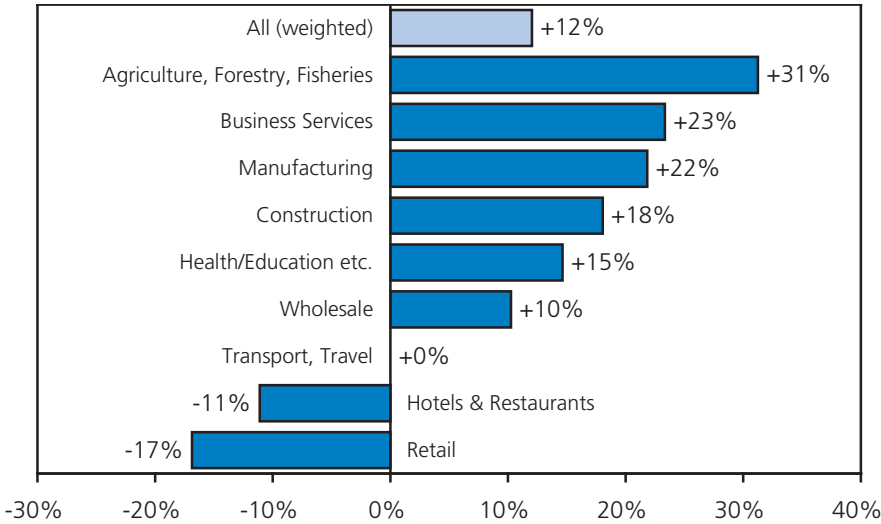
The picture when analysed by turnover size band (Table 4.2) is not quite as clear, though it remains that the very smallest have seen sales fall while the relatively largest have been more successful. The smallest firms seem to have faced the most difficult trading conditions recently, though they may also have fewer growth ambitions (smaller firms tend to rate themselves as less entrepreneurial).

Chart 3.3: Percentage balance of respondents reporting an increase in sales over past year - by FTE number of employees



Performance: Comparison Across Business Sectors

Chart 3.4: Percentage balance of respondents reporting an increase in sales over past year - by sector



Small firms in most business sectors report poorer sales performance than in the previous survey. The exceptions are agriculture and business services, which are now the most positive on this measure. The balance for agriculture does vary quite widely from survey to survey and was higher six months ago. In contrast, the balance for small business service firms has shown only a modest rise, up to +23% from +21%, but this was already an eight-year high for this sector. In the previous survey, despite being at an historically high level, the sales balance for business service firms was the second-lowest of all the sectors. The fall in the balances for the other sectors in this survey though means that business services is now the second-most positive.

While business service firms report their best performance for many years, small hotels & restaurants report their worst. For the first time in over six years, more hotels &

restaurants have seen their sales fall over the past year than managed to increase them. The balance is worse only in retailing, which retains its place at the bottom of the rankings, which it has now held for nine months. At least in the previous survey more small retailers reported a rise in sales than a fall. In this survey, very nearly half (49%) of retailers sold less than a year ago, while only a third sold more, giving a balance of -17% (Chart 3.4). The retailing balance was, though, lower (-25%) as recently as this time two years ago. These two sectors are also the only ones which have on balance cut the numbers they employ over the past year (balances of -5% for retailing and -11% for hotels & restaurants, Table 3.3). Nevertheless, hotels & restaurants remains the sector where most small firms have increased prices over the past year, with the balance of +67% higher even than in the previous survey.

Table 3.3: Change over past year in sales, employment, investment and selling prices by sector

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Agriculture, Forestry, Fisheries	+31%	+6%	+0%	+19%	16
Manufacturing	+22%	+9%	+22%	+36%	87
Transport, Travel	+0%	+18%	-5%	+5%	22
Construction	+18%	+8%	+17%	+29%	72
Wholesale	+10%	+15%	+10%	+31%	39
Retail	-17%	-5%	+7%	+17%	83
Hotels & Restaurants	-11%	-11%	+0%	+67%	18
Business Services	+23%	+4%	+0%	+21%	150
Health/Education/Leisure/Other	+15%	+7%	+7%	+37%	41
All (weighted by sector)	+12%	+5%	+7%	+29%	528

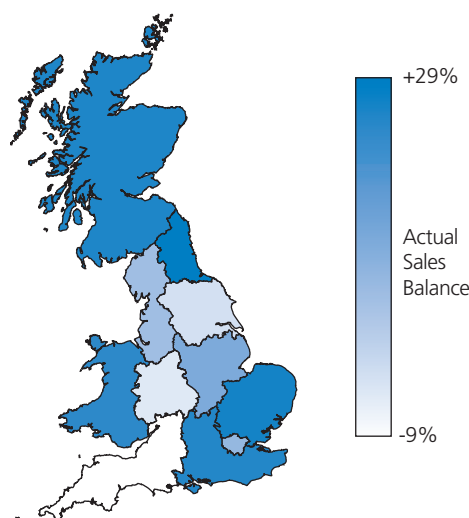
Wholesalers remain more positive than retailers, with a balance of +10% increasing sales (Chart 3.4), though this is sharply down on the +38% in the previous survey and +50% this time last year, when they were the most positive. A strong balance of +15% though increased employment over the past year (higher than in the previous survey) and +10% increased investment (Table 3.3).

The balance of small manufacturers reporting an increase in sales (+22%) is down somewhat, but remains reasonably robust and the fact that many of them have invested in plant, premises and equipment (the highest balance, +22%) suggests they have some confidence in their medium-term prospects. This is consistent with the earlier finding that they are, along with business services, one of only two sectors which expect, on balance, to grow faster than the UK economy over the coming year.

The sales improvements in the transport & travel sector in the previous survey seem to have been transient, with as many of these small firms now seeing a sales fall as a rise. Experiences are mixed, though. Fewer firms in this sector than any other cut employment over the year, but this is also the only sector where more cut than increased investment.

Performance: Comparison Across Regions

Chart 3.5: Percentage balance of respondents reporting an increase in sales over past year - by region



Firms in most regions report, on balance, poorer sales performance than in the previous survey. Those in the South East and the East of England remain among the most positive, though noticeably fewer in the South West report an increase in sales. Those in Scotland also remain among the most successful, while the balance of those in

Wales increasing sales is up marginally since the previous survey. The only other region showing an increase is the North East, which is now the most positive region (though relatively few small firms from this area take part in the survey and so this may not be representative of the region as a whole).

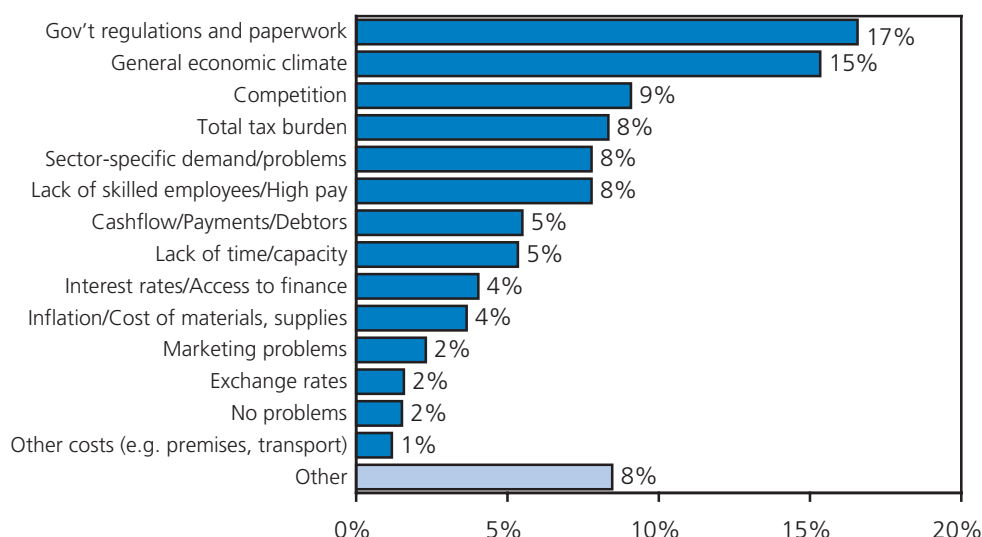
Table 3.4: Change over past year in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+29%	+24%	+12%	+18%	17
North West	+6%	-8%	-2%	+20%	51
Yorkshire & the Humber	-3%	-8%	+8%	+28%	40
East Midlands	+12%	+12%	+10%	+38%	42
West Midlands	-5%	-11%	+9%	+23%	44
East of England	+27%	+7%	-3%	+31%	67
London	+8%	+0%	+0%	+24%	38
South East	+25%	+17%	+21%	+20%	104
South West	-9%	+7%	+0%	+22%	55
Wales	+24%	+12%	+24%	+40%	25
Scotland	+26%	+14%	+20%	+49%	35

Problems

Compared to recent surveys, more firms report that the general economic climate is the biggest problem facing their business, though this still does not out-rank government regulations & paperwork.

Chart 4.1: Proportion indicating each as the single most important problem facing their business today - weighted by sector



Respondents were asked to select, from a list of fourteen, the most important problem facing their business on that day. Many firms face multiple problems, but we focus in this question on the single most important problem at the time.

Government regulations and paperwork

In every survey bar one in the past five years, government regulations and paperwork has been the top-ranked biggest single problem facing small businesses. In this survey it remains in top place, though by less of a margin than for quite some time.

Some 17% of small firms report that regulations and paperwork is the biggest single problem facing their business at the moment (Chart 4.1). This is up a little following the sharp dip to 15% in the previous survey, (Table 4.1, overleaf) though it remains well below the 20% plus levels which it held throughout 2006 and the first half of 2007 (Chart 4.2, overleaf).

Regulation remains the top-ranked problem for those in business services (19%) and hotels & restaurants, a striking 39% of which report that this is the biggest problem facing their business. Unlike in the previous survey, however, small construction firms and manufacturers now more often complain of other problems.

Table 4.1: Most important problem, current survey compared with recent quarters

	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4
Gov't regulations and paperwork	25%	22%	23%	15%	17%
General economic climate	10%	9%	11%	10%	15%
Competition	8%	8%	9%	9%	9%
Total tax burden	8%	8%	7%	7%	8%
Sector-specific demand/problems	9%	9%	7%	8%	8%
Lack of skilled employees/High pay	7%	7%	8%	8%	8%
Cashflow/Payments/Debtors	7%	9%	6%	7%	5%
Lack of time/capacity	7%	7%	7%	9%	5%
Interest rates/Access to finance	1%	1%	2%	3%	4%
Inflation/Cost of materials, supplies	3%	3%	3%	4%	4%
Marketing problems	3%	3%	4%	3%	2%
Exchange rates	1%	2%	2%	1%	2%
No problems	2%	2%	2%	5%	2%
Other costs (e.g. premises, transport)	1%	2%	1%	2%	1%
Other	7%	5%	6%	7%	8%

General Economic Climate

In line with the other findings in this survey, the proportion of small firms indicating that the most important single problem facing their business is the general economic

climate has risen significantly, from 10% to 15% (Table 4.1). This is its highest level in almost two years and puts it only just behind regulations in the rankings (Chart 4.2).

Chart 4.2: Selected most important problems

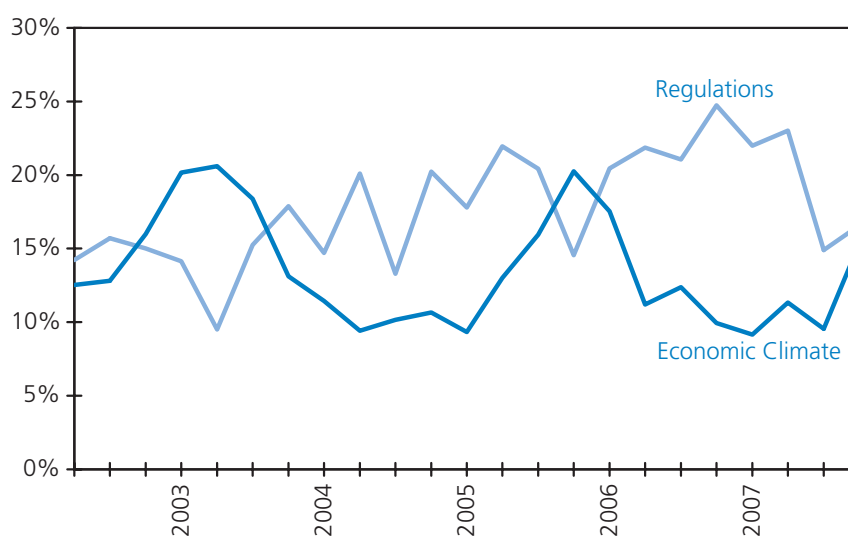


Table 4.2: Most important problem, by FTE number of employees, excluding proprietor/partners

	0	1-2	3-4	5-9	10-19	20+
Gov't regulations and paperwork	15%	13%	13%	18%	18%	16%
General economic climate	21%	17%	25%	17%	8%	17%
Competition	6%	9%	11%	13%	15%	4%
Total tax burden	12%	9%	8%	4%	6%	9%
Sector-specific demand/problems	4%	9%	0%	9%	13%	5%
Lack of skilled employees/High pay	1%	3%	5%	7%	15%	17%
Cashflow/Payments/Debtors	9%	3%	11%	5%	1%	10%
Lack of time/capacity	4%	12%	10%	5%	3%	1%
Interest rates/Access to finance	3%	5%	3%	4%	4%	2%
Inflation/Cost of materials, supplies	4%	1%	2%	5%	4%	9%
Marketing problems	3%	5%	2%	1%	3%	0%
Exchange rates	1%	1%	3%	2%	1%	2%
No problems	1%	3%	0%	0%	1%	0%
Other costs (e.g. premises, transport)	0%	1%	0%	2%	0%	0%
Other (please specify)	10%	9%	6%	6%	4%	7%
No response	3%	1%	2%	4%	1%	1%
Sample	67	139	63	102	71	82

Wholesalers (23%) and retailers (25%) still most often say that the economic climate is their biggest problem, though this is now also the top-ranked problem for manufacturers (20%) and joint-top for construction firms (18%). Small firms in Wales (8%) and Scotland (3%) far less often than their counterparts in England say that the economic climate is their most important problem.

In contrast to recent surveys, the most entrepreneurial firms are now as likely (18%) as the least entrepreneurial (17%) to complain about the economic climate. Just six months ago, only 3% of firms with 10 or more employees said that the economic climate was their biggest problem. Now, concerns are shared by firms of all sizes (Table 4.2).

Other problems

Competition is the third-ranked problem overall and a particular problem for wholesalers (21%).

The total tax burden is the top-ranked problem for transport/logistics firms (23%), possibly reflecting concerns over fuel duty.

While more businesses are suffering from a lack of demand due to the economic climate, fewer than in previous surveys are now suffering from a lack of time or capacity. Only 5% now indicate that this is their biggest problem, the lowest in the five and a half years since the list of problems was revised. Only business service firms (which have performed well over the past year and are, it will be seen, relatively optimistic about their prospects) often (13%) cite a lack of time/capacity as their biggest problem.

While concerns about the economic climate are up, those about cashflow/payments/debtors are down. The 5% of respondents who now say this is their biggest problem is the lowest since the list of problems was revised in 2002.

Despite the deep concerns of most respondents about the effects of a 'credit crunch', as reported in the first section above, interest rates/access to finance remains relatively low down the ranking of problems. However, the proportion selecting it has steadily increased in each of the past three surveys and respondents do not appear to have been immediately affected by the Bank of England's decision to reduce base rates from 5.75% to 5.5% while questionnaires for this survey were being completed.

Prospects

Sales expectations have fallen more sharply than ever before. Retailers are particularly pessimistic while business service firms are less affected. Employment and investment intentions are also down, though only to around the same level as this time last year. Inflationary pressures remain, though the balance of firms raising their prices has continue to ease since the beginning of the year.

In the previous survey, small firms' sales expectations bucked the usual seasonal trend and rose to a five-year high. In this survey, however, optimism about immediate sales prospects has posted its sharpest ever fall, to its lowest level in eighteen months.

Only 38% of Britain's SMEs, compared with 46% in the previous survey, expect their sales will be higher in the final quarter of 2007 than they were in the third quarter. Even more strikingly, one third, compared with only 18% in the previous survey, expect that their sales will be down, giving a balance of only +4% expecting an increase (Table 5.1). At this time last year the balance stood at +12% and maintained this into the beginning of 2007. During the year it rose markedly, to stand at +28% in the previous

survey, but all of those gains have now suddenly been lost (Chart 5.1). The balance does normally fall at this time of year, but never before has it fallen so sharply in a single survey. Because the fall was from a high level the balance does, though, remain higher than it was at the end of 2005 and the beginning of 2006.

As feared in our previous report, and confirmed by the topical section of this survey, the turbulence in financial markets since the previous set of questionnaires were completed does seem to have seriously damaged confidence among Britain's small firms.

The balance of small firms expecting to recruit extra employees during the current quarter rose steadily from -3% at the end of 2006 to +10% in the previous survey.

Chart 5.1: Percentage balance of respondents expecting an increase in sales and employment (weighted figures)

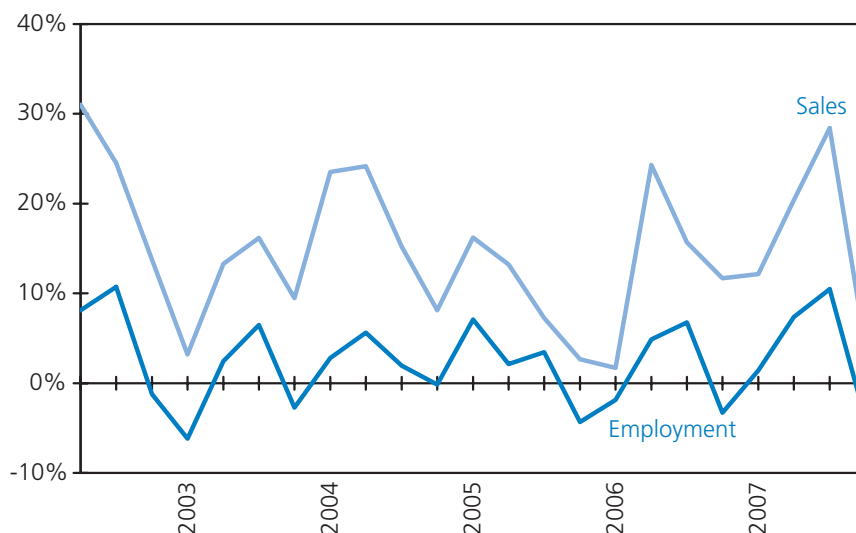
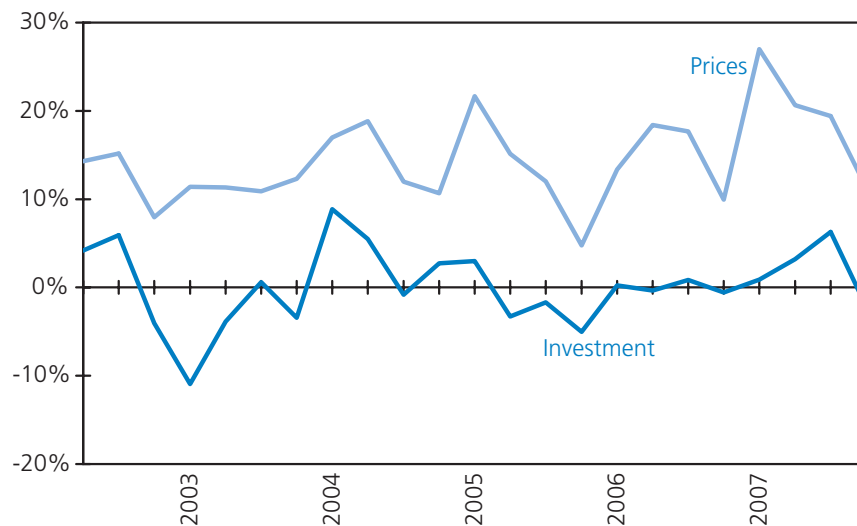


Chart 5.2: Percentage balance of respondents expecting an increase in selling prices and investment (weighted figures)



This time, however, that improvement has been wiped out, the balance falling to -4% (Chart 5.1). Some 12% of small firms expect to recruit extra employees, but 16% expect to shed staff (Table 5.1). This balance, though, is not much different to that at this time in the past two years.

The balance of small firms which expect to invest more does not follow such a pronounced seasonal trend, but after being in the doldrums throughout 2006 had shown a sustained improvement during 2007 to +6% in the previous survey, the highest in three and a half years. As with the employment balance, these gains have been lost with more firms in this survey expecting to cut than to increase investment (Chart 5.2).

While the authorities are concerned about falling growth rates, they are also aware of inflationary pressures in the economy. They may take only small comfort in this survey's fall in the balance of small firms which intend to increase their average selling prices. This was the one forward-looking balance to fall in the previous survey and it is down again, but still 23% of small firms expect to increase their prices, while only 12% expect to cut them (Table 5.1). The balance of +11% is lower than the 19% in the previous survey and the record +27% nine months ago, but remains higher than the +10% at this time last year (Chart 5.2).

Table 5.1: Expected change over current quarter in sales, employment, investment and selling prices (weighted figures)

Expected change over current quarter (2007Q4 on 2007Q3) in:	Up	Down	Same	No response	Balance
Sales Turnover	38%	33%	28%	1%	+4%
Average Employment	12%	16%	70%	3%	-4%
Investment	15%	18%	63%	4%	-2%
Selling prices	23%	12%	62%	3%	+11%

Annual turnover (excluding VAT)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
All (weighted by sector)	+4%	-4%	-2%	+11%	528
£1m+	+6%	-7%	+2%	+5%	130
£500,000-£999,999	+14%	+9%	+11%	+13%	70
£250,000-£499,999	+10%	-3%	-3%	+19%	88
£100,000-£249,999	-5%	-5%	-8%	+18%	107
£50,000-£99,999	+1%	-3%	-6%	+10%	72
Less than £50,000	-4%	-2%	-7%	+7%	56

Table 5.3: Expected change in sales, employment, investment and selling prices by turnover size band

Table 5.2 and Chart 5.3 show that, although optimism does not increase as smoothly as performance, firms with fewer than five employees expect, on balance, their sales to fall during the final quarter of 2007, while relatively larger firms expect their sales to increase. In marked contrast to the previous survey, however, the largest firms taking part (those with 20 or more employees) expect, on balance, to cut the numbers they employ (Table 5.2). Table 5.3 and Chart 5.4 show a similar picture, with optimism generally increasing with firm size but those with an annual turnover of £1m or more bucking the trend.



FTE number of employees (not including proprietor/partners)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
All (weighted by sector)	+4%	-4%	-2%	+11%	528
20+	+11%	-15%	+11%	+11%	82
10-19	+27%	+11%	-1%	+4%	71
5-9	+9%	+1%	+5%	+10%	102
3-4	-8%	-2%	-8%	+22%	63
1-2	-3%	-7%	-10%	+11%	139
0	-10%	-1%	-6%	+16%	67

Table 5.2: Expected change in sales, employment, investment and selling prices by FTE employee size band

Prospects: Comparison Across Size Bands

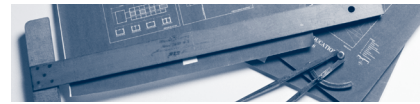


Chart 5.3: Percentage balance of respondents expecting an increase in sales - by FTE number of employees (not including proprietor/partners)

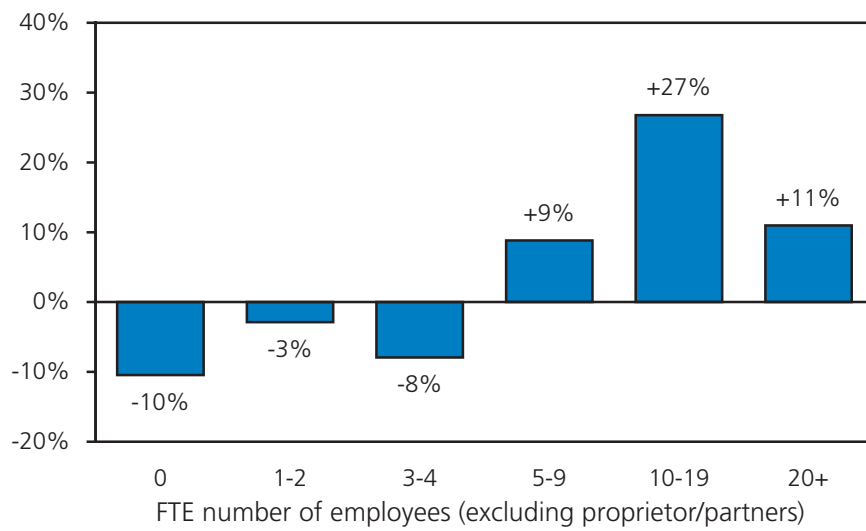
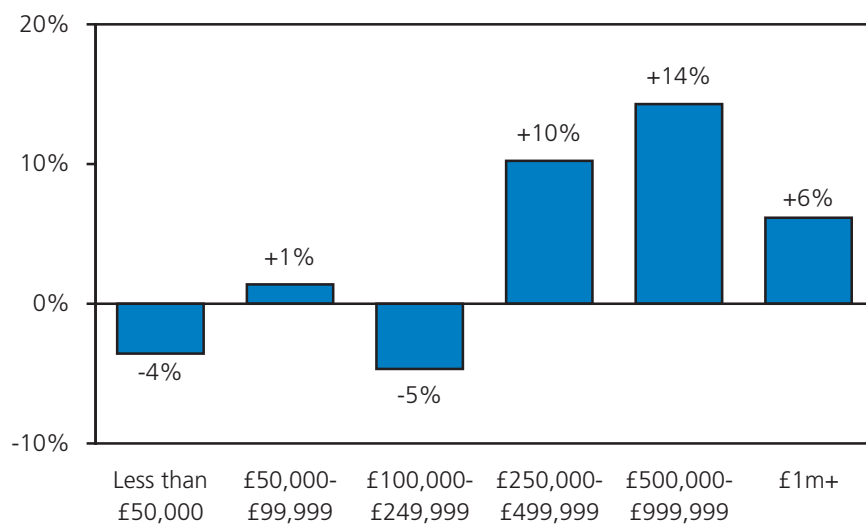
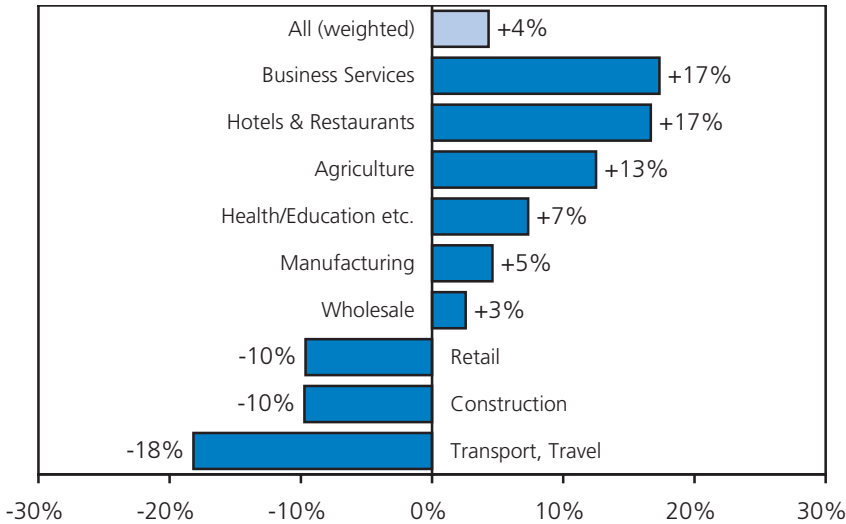


Chart 5.4: Percentage balance of respondents expecting an increase in sales - by turnover size band



Prospects: Comparison Across Business Sectors

Chart 5.5: Percentage balance of respondents expecting an increase in sales over current quarter - by sector



Small firms in most sectors are less optimistic about their immediate prospects than they were in the previous survey.

Optimism is up only for agriculture (where the balance is four percentage points higher than last survey) but also remains fairly robust for business service firms, down from +22% to +17%. This follows on from the earlier finding that agriculture and business services are the sectors which report best sales performance and the only ones for which performance is better than in the previous survey.

Small business service firms are now the most positive about their immediate sales prospects (Chart 5.5). They are also the only sector where more small firms expect to recruit extra employees than to cut staff (Table 5.4). More of them, though, expect to cut investment than to increase it.

Sales optimism for hotels & restaurants is only fractionally behind that for business services, keeping them in second place in the ranking of sectors (six months ago they were top). The balance of small hotels & restaurants expecting an increase in sales has fallen sharply, from +43% to

+17%, but this is usual at this time of year for this highly seasonal sector. In 16 out of the past 19 years the sales balance for hotels & restaurants has fallen at this time of year. Hotels & restaurants remain positive about investment intentions, one of only two sectors where more expect to increase than cut investment. They are one of the most likely to be cutting employment, but again this is likely to be largely a seasonal effect, as is the fact that as many are cutting prices as are increasing them, in marked contrast to the peak season.

The only sector that has more predictable seasonal effects than hotels & restaurants at this time of year is construction, where the expected sales balance for the winter months has fallen in 17 out of the past 19 years. The balance of -10% in this survey is well below the +5% at this time last year, but not as bad as the -21% two years ago, leaving few clues on the direction of demand in the housing market for the coming quarter.

In the previous survey, optimism among small retailers rose to its highest level in five years. However, we noted



Table 5.4: Expected change over quarter in sales, employment, investment and selling prices by sector

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Agriculture, Forestry, Fisheries	+13%	-13%	-13%	+13%	16
Manufacturing	+5%	-1%	+7%	+20%	87
Transport, Travel	-18%	-5%	-5%	+9%	22
Construction	-10%	-7%	-4%	+8%	72
Wholesale	+3%	-8%	+0%	+26%	39
Retail	-10%	-4%	-5%	+12%	83
Hotels & Restaurants	+17%	-11%	+6%	+0%	18
Business Services	+17%	+3%	-4%	+5%	150
Health/Education/Leisure/Other	+7%	-7%	-2%	+17%	41
All (weighted by sector)	+4%	-4%	-2%	+11%	528

that their confidence did not seem very soundly based, as they were the only sector which was on balance cutting investment in future capacity and few were recruiting extra staff. This caution seems to have been justified as in this survey the sales balance has fallen sharply to -10%, the same as that for construction. This is against the usual seasonal trend as retailers are usually more optimistic about their prospects for the final quarter. A balance of small retailers has also cut employment and investment (Table 5.4).

Further up the supply chain, the sales balance for wholesalers has also fallen, though this has been more gradual than that for retailers. Nine months ago wholesalers were the most optimistic sector, with a balance of +39% expecting an increase in sales. This slipped a little, to +37% in the next survey before falling (as it always has done in the third quarter) to +26%. In this survey the balance is down again, the only sector where it has fallen for three surveys in a row, though it remains positive at +3% (Chart 5.5).

Small transport, travel, storage & communication firms have gone from being the most optimistic in the previous survey to the most pessimistic now, though the sample size of these firms is small and so this may not be representative of the sector as a whole.

Sales optimism among small manufacturers has not fallen as sharply as that of most other sectors and they have the highest balance intending to increase investment (+7%, Table 5.4), suggesting some confidence in medium-term prospects.

The sustained rise in the expected sales balance for firms engaged in health/education/leisure & other personal services over the past three surveys and has now been checked and the balance has fallen from +42% to +7%, just a little lower than at this time last year.

Prospects: Comparison Across Regions

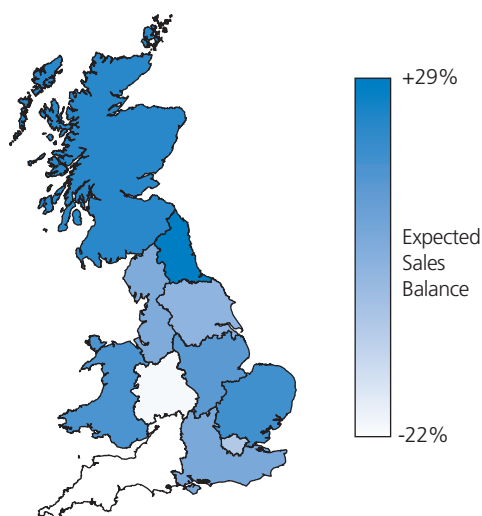
Table 5.5: Expected change over current quarter in sales, employment, investment and selling prices - by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+29%	+6%	-6%	+12%	17
North West	+6%	-12%	-8%	-2%	51
Yorkshire & the Humber	+3%	-8%	-8%	+8%	40
East Midlands	+14%	-5%	-7%	+19%	42
West Midlands	-20%	-5%	-5%	+5%	44
East of England	+18%	+4%	+0%	+22%	67
London	-5%	-3%	+3%	+11%	38
South East	+7%	+5%	+0%	+12%	104
South West	-22%	-20%	-11%	+9%	55
Wales	+16%	+12%	+24%	+20%	25
Scotland	+23%	+3%	+17%	+23%	35

Small firms in all regions are less positive than in the previous survey about their immediate sales prospects. The balance expecting an increase in sales has fallen most sharply in the South West of England, where a balance of -22% (Table 5.5) shows that far more expect their sales to fall during the final quarter of 2007 than expect a rise. These are now the most pessimistic small firms, followed

by their neighbours in the West Midlands, who were least optimistic in the previous survey. The sales balance has fallen least in the North East and these are now the most optimistic, ahead of Scotland where the balance has fallen but remains robust. Although no longer most optimistic about sales, small firms in Wales are most likely to expect to increase employment and investment.

Chart 5.6: Percentage balance for the expected change in sales - by region



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.**

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 4th December 2007 to 1,497 owners and managers of small businesses which had previously volunteered to take part, plus 100 from a commercial database, 905 by e-mail and the remainder by post.

By the cut-off date of 14th January, a total of 528 completed questionnaires had been received, 212 by post and 316 online.

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.

Survey Details

Historical Tables

Table A.1: Actual and expected changes, percentage balance

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.1	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%	-

continued ...

Table A.1: Actual and expected changes, percentage balance (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.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%
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	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%

Notes: Because the balances referring to the expected sales turnover and employment in the next quarter have a pronounced seasonal trend we have also 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 A.2: 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

continued ...

Table A.2: 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 Rgts 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%	0.7%	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%	1.1%	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%	5.9%	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%	1.0%	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 A.3: Most important problem, 2002Q2 onwards

	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 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%	10%	14%	8%	7%	8%	3%	12%	1%	1,168
2002/3	13%	7%	7%	4%	1%	0%	1%	11%	16%	11%	6%	9%	2%	11%	1%	1,078
2002/4	16%	7%	7%	4%	1%	1%	1%	9%	15%	10%	6%	9%	2%	8%	2%	1,074
2003/1	20%	8%	9%	4%	1%	0%	1%	9%	14%	6%	7%	8%	2%	9%	1%	922
2003/2	21%	8%	7%	4%	1%	1%	1%	11%	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%	2%	1%	2%	11%	15%	7%	9%	8%	3%	8%	1%	808
2004/2	9%	8%	8%	4%	2%	1%	1%	8%	20%	9%	8%	9%	3%	8%	1%	739
2004/3	10%	9%	8%	4%	2%	3%	1%	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%	1%	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%	1%	8%	20%	6%	5%	7%	1%	6%	3%	670
2005/4	20%	8%	6%	4%	1%	3%	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	11%	9%	6%	2%	1%	4%	1%	9%	22%	7%	8%	10%	3%	6%	1%	638
2006/3	12%	9%	7%	3%	1%	2%	1%	9%	21%	7%	10%	9%	2%	4%	2%	547
2006/4	10%	9%	8%	3%	1%	3%	1%	7%	25%	7%	8%	7%	2%	7%	2%	538
2007/1	9%	9%	8%	3%	1%	3%	2%	9%	22%	7%	8%	7%	2%	5%	4%	528
2007/2	11%	7%	9%	4%	2%	3%	2%	6%	23%	8%	7%	7%	2%	6%	2%	528
2007/3	10%	8%	9%	3%	3%	4%	1%	7%	15%	8%	7%	9%	5%	7%	2%	629
2007/4	15%	8%	9%	2%	4%	4%	1%	5%	17%	8%	8%	5%	2%	8%	2%	528

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

Note: The reports of the surveys were published as the NatWest/SBRT Quarterly Survey of Small Business in Britain until Vol 18 No 4.

Quarterly Survey 2007Q4

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.

CONFIDENTIAL

- 1a** Employment: Including yourself, how many people (full-time equivalent) work in the business? _____
- 1b** If your business is not a limited company, how many of these people are self-employed proprietors or partners? _____
- 2** How many years has your present business been trading? _____
- 3a** Please classify your business activity by circling one of these categories:
- | | | |
|--|-----------------------------------|--|
| 1. Agriculture, Forestry, Fisheries | 4. Construction | 7. Hotels & Restaurants |
| 2. Manufacturing (incl. Publishing/Printing) | 5. Wholesale | 8. Business Services/Real Estate/Finance/Renting |
| 3. Transport, Travel, Storage, Communication | 6. Retail, Repair household goods | 9. Health/Education/Leisure/Personal Services |
- 3b** Please also describe in a few words the precise nature of your business: _____
- 4** If entrepreneurial firms differ from other firms in being more competitive, growth-minded and innovative, where would you put your firm on a scale of 1 to 10 (where 1=not at all entrepreneurial to 10=extremely entrepreneurial)? _____

Since August 2006, UK base rates have been rising. More recently there has been talk of a 'credit crunch' in financial markets. We are interested in whether these developments have affected your business and how you feel the UK economy is likely to perform over the coming year.

- 5** Have tighter credit markets DIRECTLY affected your business over the past year, or more recently? (For instance, making it harder or more expensive for you to raise finance) 1. YES, over year 2. YES, more recently 3. NO
- 6** Do you believe tighter credit markets have INDIRECTLY affected your business? (For instance, by causing your customers to spend less) 1. YES, over year 2. YES, more recently 3. NO
- 7a** What do you think is the most likely outlook for the UK economy over the coming year?
- | | | |
|---------------------------------|--------------------------------------|---------------------------------|
| 1. Recession | 3. Similar rate of growth to 2007 | 5. Much faster growth than 2007 |
| 2. Growth, but slower than 2007 | 4. Moderate growth, faster than 2007 | 6. No idea |
- 7b** What do you think is the most likely outlook for UK inflation over the coming year?
- | | | | |
|-----------------------|-----------------------|----------------------|------------|
| 1. Below 1% per annum | 2. 1% to 3% per annum | 3. Over 3% per annum | 4. No idea |
|-----------------------|-----------------------|----------------------|------------|
- 7c** What do you think is the most likely outlook for UK interest rates (base rates) by the end of 2008?
- | | | |
|----------------------|----------------------|-------------|
| 1. Below 4% | 3. Between 5% and 6% | 5. Above 7% |
| 2. Between 4% and 5% | 4. Between 6% and 7% | 6. No idea |
- 8a** Do you think your business will grow faster or slower than the UK economy over the coming year?
- | | | |
|-----------------------|--------------|------------|
| 1. My business faster | 2. UK faster | 3. No idea |
|-----------------------|--------------|------------|
- 8b** Do you think the region in which your business is based will grow faster or slower than the UK economy over the coming year?
- | | | |
|---------------------|--------------|------------|
| 1. My region faster | 2. UK faster | 3. No idea |
|---------------------|--------------|------------|
- 8c** Do you think the industry in which your business is based will grow faster or slower than the UK economy over the coming year?
- | | | |
|-----------------------|--------------|------------|
| 1. My industry faster | 2. UK faster | 3. No idea |
|-----------------------|--------------|------------|
- 9** How do you see competition in your field changing over the coming year?
- | | | | |
|-------------------------------|-----------------------------------|-------------------|-----------------------|
| 1. Increasing, mainly from UK | 2. Increasing, mainly from abroad | 3. About the same | 4. Decreasing overall |
|-------------------------------|-----------------------------------|-------------------|-----------------------|

- 10** Please indicate your firm's annual turnover (excluding VAT):
- | | | | |
|----------------------|----------------------|----------------------|--------------|
| 1. Less than £25,000 | 4. £100,000-£149,999 | 7. £350,000-£499,999 | 10. £1m-£3m |
| 2. £25,000-£49,999 | 5. £150,000-£249,999 | 8. £500,000-£749,999 | 11. over £3m |
| 3. £50,000-£99,999 | 6. £250,000-£349,999 | 9. £750,000-£999,999 | |

- 11** How did your sales turnover, average employment, investment (in plant, equipment and premises) and average selling prices in the past quarter compare with the same period in 2006? What do you expect to happen in the current quarter? Please complete the table by ticking 8 boxes only:

	ACTUAL			EXPECTED		
	July, August, September 2007 compared with the same period 2006			October, November, December 2007 compared with July, August, September 2007		
	UP	DOWN	SAME	UP	DOWN	SAME
Sales Turnover						
Average Employment						
Investment						
Selling Prices						

- 12** Which of the following is the SINGLE most important problem facing your business today? (Please circle ONE ONLY - we appreciate that every firm faces many problems, but we wish to focus on your current single MOST important problem)
- | | | | |
|------------------------------------|---|--|----------------------------|
| 1. General economic climate | 5. Interest rates/Access to finance | 9. Cashflow/Payments/Debtors | 13. Lack of time/capacity |
| 2. Sector-specific demand/problems | 6. Inflation/Cost of materials, supplies | 10. Gov't regulations and paperwork | 14. No problems |
| 3. Competition | 7. Other costs (e.g. premises, transport) | 11. Lack of skilled employees/High pay | 15. Other (please specify) |
| 4. Marketing problems | 8. Exchange rates | 12. Total tax burden | |
- 13** 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 December 2007.
Please note that this is a FREEPOST address (no stamp required).

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Vol. 23. No.4

Quarterly Survey of Small Business in Britain

