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# Quarterly Survey of Small Business in Britain





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# Summary

*Small firms' sales and employment performances are their best in three and a half years and expectations their highest in five years. Investment has been and is expected to remain strong, while price increases have slowed a little and this is expected to continue. Government regulations & paperwork remains the top small business problem, but by less of a margin than recently. Growth and investment have fuelled the demand for capital in small firms in recent years. This has generally been met from retained earnings or loan finance. There is little evidence of any 'credit squeeze' except for a slight increase in 'interest rates/access to finance' as a problem among microfirms with fewer than 10 employees.*

- Positive expectations in the previous survey have been fulfilled, with the balances reporting annual increases in sales, employment and investment at their highest levels since the beginning of 2004.
- Sales expectations are up in every region and, unlike in the previous survey, this is clearly not just a seasonal effect. The expected sales and employment balances are at their highest since mid-2002.
- Larger and more entrepreneurial firms report the best performance and are most optimistic.
- Small transport, travel, storage & communication firms report the best performance over the year and are most optimistic about the current quarter.
- Wholesalers report strong performance over the past year, though their short-term expectations are for a seasonal dip. Small retailers' performance is better than three months ago though still sluggish, but their short-term confidence is up to a five-year high (though not enough to convince them to recruit or invest).
- The balance of firms which have increased their average selling prices over the past year is down slightly from its record high in the previous survey and fewer firms expect price increases in the current quarter, though concerns over inflationary pressures remain.
- Government regulations and paperwork remains the biggest single problem facing small business, though it does not dominate as much as it has in recent years.
- Trade credit favours large firms with market power. A majority of small firms in this survey are owed more by their customers than they owe to their suppliers.
- Few small firms have external equity and for those that do, the most common source is family or friends rather than professional investors.
- A little over half of small firms have some outstanding loans. Overdrafts remain the most common type of loan, though credit card finance continues to become more important, especially for the very smallest firms. Relatively larger firms often use bank loans.
- In contrast to four years ago, when a need for capital was most commonly to manage cashflow or bad debt problems, the most common drivers over the past year have been to fund business growth and investment.
- Those which have needed finance for these reasons have often been able to plan and to demonstrate enough viability to secure term loans and mortgages. Those which have suffered from falling sales have usually had to rely on overdrafts, credit cards and loans from the owner.

# Business Finance

*Small firms are financed primarily by their owners, few having external equity, and retained earnings. Trade credit favours large rather than small firms. Overdrafts remain the most common source of loan finance, though credit cards continue to increase in importance. In contrast to four years ago, business growth and investment, rather than cashflow problems, have been driving the need for finance.*

Table 1.1: "At present, are you owed more by your customers than you owe to your suppliers?", by turnover size band

Turnover Size Band	Yes, customers owe more	No, owe more to suppliers	No debtors/creditors or in balance	Sample	Net Balance owing to suppliers
Less than £50,000	45%	12%	43%	84	-33%
£50,000 - 99,999	53%	14%	31%	83	-39%
£100,000 - 249,999	57%	19%	22%	134	-37%
£250,000 - 499,999	41%	33%	23%	107	-8%
£500,000 - 999,999	65%	19%	13%	72	-46%
£1m+	78%	8%	14%	122	-70%
All	56%	17%	25%	629	-38%

## Trade Credit

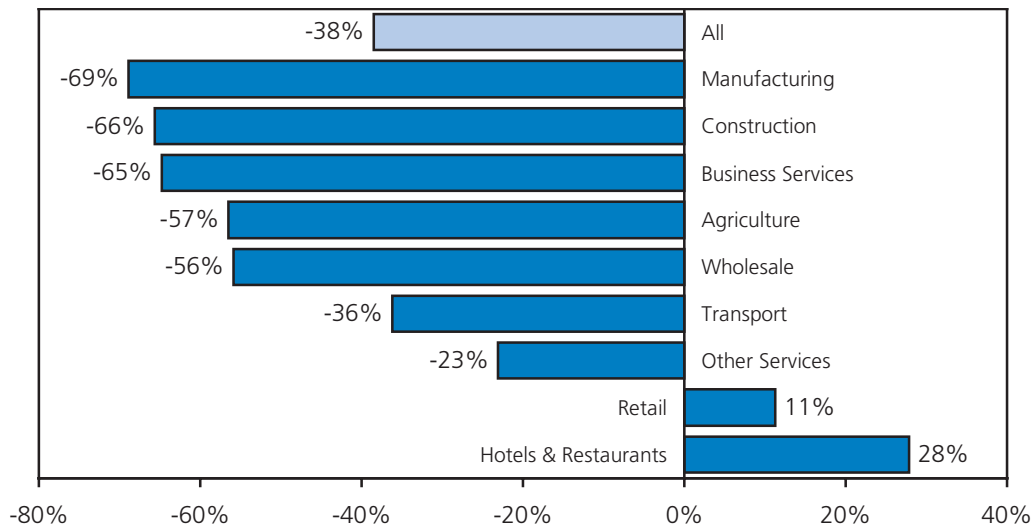
Few small firms manage to fund their businesses using trade credit. They generally seem to be helping to finance larger firms, rather than the other way around. Table 1.1 shows that a majority (56%) of businesses taking part in this survey report that their customers owe more to them than they owe to their suppliers. In contrast, only 17% of small firms owe more to their suppliers than their customers owe to them. Table 1.2 shows that this pattern is consistent with that when the same question was asked in earlier surveys, carried out in 1999 and 2003.

Table 1.1 suggests strong size effects and the extent to which small firms adhere to the old adage 'neither a borrower nor a lender be'. The very smallest more often than the relatively larger have no debtors/creditors or report that they are in balance. It may be that the very smallest firms often cannot obtain trade credit and so rarely owe money to suppliers. Firms with an annual turnover between one-quarter and one-half a million pounds more often (33%) than both their smaller and larger counterparts owe more to their suppliers than they are owed by their customers. This is not a spurious result as it was also the case in 1999 and 2003. Even for these, though, more are owed money by suppliers.

Table 1.2: "At present, are you owed more by your customers than you owe to your suppliers?", compared with earlier surveys

Survey date	Yes, customers owe more	No, owe more to suppliers	No debtors/creditors or in balance	Sample	Net Balance owing to suppliers
1999 Q2	64%	19%	16%	619	-45%
2003 Q3	62%	23%	6%	784	-39%
2007 Q3	56%	17%	25%	629	-38%

Chart 1.1: Balance of firms which owe more to their suppliers than they owe to their customers - by sector



The largest firms taking part in our survey, as in 1999 and 2003, most often (78%) report that they are owed more by their customers than they owe suppliers. However, it should be remembered that even these are still small firms, with little market power. A recent report by Experian reveals that large firms take an average of 20 days longer to pay their bills than small and medium-sized firms<sup>1</sup>. It seems clear that large firms in the economy are able to benefit from the use of trade credit at the expense of small and medium-sized firms.

Chart 1.1 shows that only retailers and hotels & restaurants (including public houses and cafes), cash-based small businesses dealing with final consumers, more often owe money to their suppliers than they are owed by their customers. In all other sectors small businesses are owed more money than they owe. Over three-quarters (78%) of small manufacturers, for instance, are owed more by their customers than they owe to their suppliers and only 9% are currently benefitting from trade credit.

Small firms suffering from falling turnover may try to delay paying their bills, but even among these, a balance are owed more money than they owe (-35%).

### Sources of Equity

Firms of the size of those taking part in our survey relatively rarely have external equity. Table 1.3 shows that only in 9% of cases do family or friends own a stake in the business and even fewer have equity owned by other private individuals, venture capitalists or trade investors. These proportions have been virtually unchanged in the sixteen years that we have been asking these questions. The largest firms in our survey are a little more likely to have external investors, but less than 10% even of those with an annual turnover of £1m or over have investment from professional investors. Younger firms and those which have increased investment over the past year appear a little more likely to have external investors, though there is no strong evidence that more entrepreneurial firms seek equity stakes from professional investors.

Most of the firms taking part in this survey will originally have been financed out of the resources of the owner or owners and will have continued to grow thanks to the importance of retained earnings<sup>2</sup>.

1. 'Late payment power struggle intensifies', Press Release, Experian Information Solutions, Nottingham UK, 18 July 2007.

2. The proportion reporting they have equity from their own personal sources is down compared with previous years though this appears to be partly due to a different interpretation of the question by telephone respondents. Excluding these, the proportion would be 67%, the same as in 1999.



Table 1.3: Sources of equity used at present, compared with earlier surveys

	1991 Q4	1999 Q2	2003 Q3	2007 Q3
Yours or other personal sources	67%	64%	73%	55%
Retained earnings	41%	50%	39%	48%
Family and friends	10%	9%	9%	9%
Other private individuals (inc. BES/EIS)	3%	2%	3%	3%
Venture capital company or other professional investors	1%	1%	1%	1%
Trade investors	1%	1%	0%	1%
Other	1%	2%	3%	2%
No response	17%	16%	9%	12%
Sample	835	619	784	629

### Sources of Loans

Table 1.4 shows that 39% of the small firms taking part in this survey report having no loans (and most of the further 7% who did not answer the question are also probably not currently using loan finance). There seems to be quite a marked division between the firms with fewer than 3 employees, only around 40% of which have outstanding loans, and those with 3 or more employees, where over 60% have loans.

For all firms except the very smallest (those where the proprietor or partners work on their own without employees) bank overdrafts are the most common source of loan finance. For those with fewer than five employees, the flexibility and easy availability of credit card finance often appeals but the relatively larger firms more often make use of other bank loans (term loans), which will generally be available at much lower interest rates. Only the relatively larger firms make significant use

Table 1.4: Sources of loans used at present, by FTE employees (not including proprietors/partners)

	0	1-2	3-4	5-9	10-19	20+	All
No loans	49%	53%	32%	31%	24%	33%	39%
Bank overdrafts	15%	20%	43%	26%	38%	36%	28%
Other bank loans (term loans)	11%	8%	19%	22%	31%	26%	18%
Loans from owner, director or proprietor	8%	14%	18%	23%	21%	21%	17%
Credit cards	17%	13%	28%	16%	10%	16%	17%
Hire purchase or leasing	5%	9%	12%	14%	28%	22%	14%
Mortgage for premises (incl. home if used for business)	16%	10%	11%	13%	11%	19%	13%
Loans from family, friends	5%	2%	8%	6%	3%	1%	4%
Debt factoring/ invoice discounting	0%	0%	2%	2%	7%	11%	3%
Loans or grants from Government	1%	0%	2%	2%	4%	6%	2%
Business loans from other financial institutions	1%	2%	3%	3%	0%	2%	2%
Loans from other private individuals	0%	1%	1%	2%	0%	1%	1%
Other (please specify)	2%	1%	0%	3%	0%	1%	1%
No response	7%	7%	4%	9%	8%	7%	7%
Sample	96	166	93	108	72	85	629

Table 1.5: Sources of loans used at present, compared with earlier surveys (excluding 'no loans' and no responses)

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

of debt factoring/invoice discounting or have loans from government and they much more often than their smaller counterparts use hire purchase or leasing.

As has been the case in our previous surveys on this subject, firms without employees less often than their larger counterparts report using loans from the owner to finance the business. Only 7% of sole proprietors and 9% of partners indicate that they have made loans to the business. This may be because the people running these firms view their business and personal finances as intertwined and so would see putting (or leaving) their own money into the business as an equity stake or, more simply, as foregoing personal income. However, when the business is larger or a limited company then the owner would generally recognise the same action as a loan to the business (22% of limited companies report using loans from the owner or directors).

Mortgages are used more often by the smallest (where it is probably a mortgage on the home, partly used for business) and the largest firms (which will usually have dedicated business premises).

Table 1.5 and Chart 1.2<sup>3</sup> show that the most striking change in the sixteen years that we have been asking

questions on this subject is the rise in the use of credit card finance by small business. In previous years this category was described as 'credit card or similar short-term loans' and increased from 16% of small firms using loan finance in 1991 to 22% in 2003. In this survey the category has been defined as just 'credit cards' and yet has risen to 31% of small firms which have outstanding loans. Although the two series do not mirror each other exactly, the fall in the use of overdrafts from almost three-quarters of small firms in 1991 to only just over half now suggests that credit cards are now commonly used as an alternative to overdraft finance<sup>4</sup>.

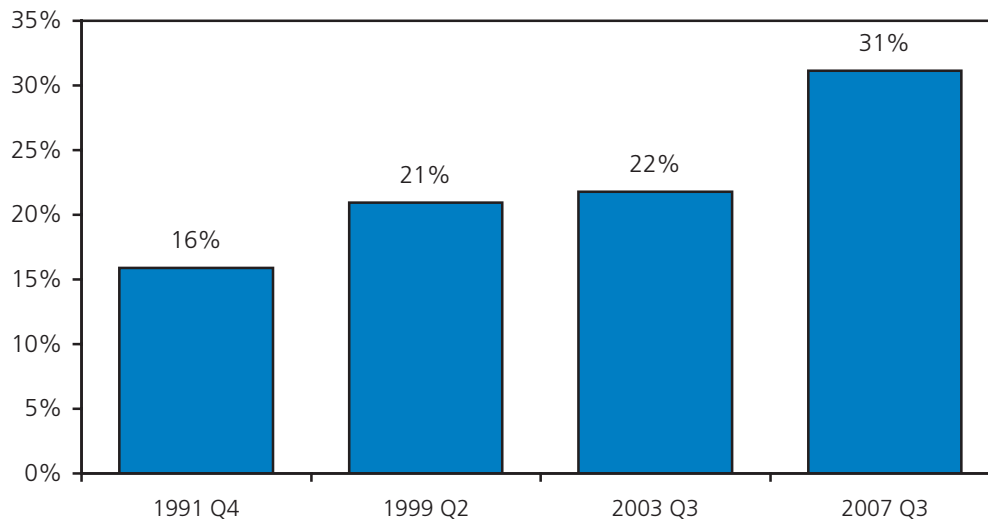
Of those which have loans, firms which have suffered falls in sales over the past year more often have turned to 'emergency' short-term sources such as overdrafts, credit cards and loans from the owner. While firms which have increased turnover also use these sources, they have more often than the poorer-performing firms used 'planned' finance such as term loans and mortgages and also more often use hire purchasing and have received loans from government. These firms which have grown over the past year more often have borrowings than those which have seen turnover fall.

3. Unlike Table 1.4, Table 1.5 and Chart 1.2 exclude those which said they have no loans or did not answer the question.

4. Some firms may be paying off their credit card balances in full each month and so only using them as cheap, very short-term loan finance, but it is expected that many are paying interest on outstanding balances and using credit cards as an alternative to overdraft and similar finance.



Chart 1.2: Proportion of firms using credit cards (or, pre-2007, other similar short-term loans) as source of capital, over time



### Need for Capital

The fact that small firms have more often raised capital to take advantage of success rather than to deal with problems is borne out by Table 1.6. In this survey, more firms report that the need for capital has been driven by the requirement to fund business growth (39%) and fund

investment (34%) than to manage cashflow/bad debts (29%). Table 1.6 shows that this is a reversal compared with four years ago, when 41% of those which had raised capital reported that their need had been driven by the requirement to manage cashflow or bad debts.

Table 1.6: "Which of the following have driven your need for capital in the past year?", compared with earlier survey

	2003 Q3	2007 Q3
Fund business growth	28%	39%
Fund investment in equipment, buildings etc.	31%	34%
Manage cashflow/bad debts	41%	29%
Fund increased operating/staff costs	20%	18%
Fund increased marketing/promotion	10%	10%
Fund research/development/innovation	7%	7%
Manage increased credit restrictions	2%	3%
Other	9%	7%
Sample	632	457



Table 1.7: "Which of the following have driven your need for capital in the past year?", by investment over the past year

Investment over past year:	Up	Same	Down
Fund business growth	51%	34%	30%
Fund investment in equipment, buildings etc.	53%	27%	26%
Manage cashflow/bad debts	13%	32%	54%
Fund increased operating/staff costs	17%	20%	17%
Fund increased marketing/promotion	13%	9%	4%
Fund research/development/innovation	9%	6%	7%
Manage increased credit restrictions	1%	3%	9%
Other	5%	10%	6%
Sample	126	259	54

Table 1.7 confirms that a majority of small businesses which have increased the amount which they have invested (in plant, premises and equipment) over the past year and have raised capital note that their need for new capital was to fund this investment or, more generally, business growth. In contrast, a majority of those with falling investment which nevertheless raised capital said that this was in order to manage cashflow or bad debts.

Firms which rate themselves as particularly entrepreneurial more often than the others have raised capital over the past year and more often cite the need to fund business growth. They also more often have needed capital to fund research/development and innovation (8% of the most entrepreneurial, compared with 3% of the least entrepreneurial<sup>5</sup>).

### Sources of New Capital

Table 1.6 shows that retained earnings have satisfied the capital requirements of most small firms over the past year. Some 37% report that they have not had any new capital and a further 7% did not answer the question, giving 44% overall which appear not to have needed extra capital over the year. This ranges from well over half of the very smallest firms to little more than a quarter of the largest firms taking part in our survey (Table 1.8).

For those which have needed new capital, retained earnings have usually been sufficient. Some 14% of small firms have raised new loans over the past year, though only 3% have issued new equity during the past year.

Table 1.8: "What has been your largest source of new capital over the past year?", by turnover size band

	Less than £50,000	£50,000-99,999	£100,000-249,999	£250,000-499,999	£500,000-999,999	£1m+	All
No new capital/no response	58%	46%	47%	40%	38%	27%	44%
Retained earnings	32%	45%	34%	34%	42%	54%	39%
New loans	6%	8%	16%	21%	18%	16%	14%
New equity	4%	1%	2%	6%	3%	3%	3%
Sample	84	83	134	107	72	122	629

5. Most entrepreneurial are those rating themselves 8-10 on the entrepreneurial scale, least entrepreneurial rate themselves 1-3. The percentages are, unlike those in Table 1.7, of all firms, not just those which have raised capital.



## Conclusions

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Small firms are generally self-financed. Retained earnings are easily the most common source of new capital for the firms taking part in this survey. In many cases this will be a matter of choice, with the business owner unwilling to expose him or herself to too much risk or to dilute the ownership of the business. There are, though, undoubtedly cases where small businesses continue to find it difficult to raise finance to realise their ambitions. Although the percentage remains low, we will see later in this report that, following turbulence in financial markets and increases in interest rates, the proportion of small firms reporting that interest rates/access to finance is the single most important problem facing their business is up to 3%, the highest level in recent years.

It is positive that, in contrast to our survey in 2003, small firms' need for capital over the past year has generally been driven by business growth and investment rather than cashflow problems.

One less positive feature is the fact that large firms in the UK continue to delay payments to small firms, meaning that a majority of respondents to this survey are helping to finance larger firms. Legislation was introduced almost ten years ago to give firms the right to claim interest on late payments. However, the opportunity to make late payment interest mandatory was not taken. Many small firms may be reluctant to claim late payment interest for fear of offending their important clients and losing business. If so, this may encourage a policy or culture of late payment among the large firms which exercise greater market power.

# Conclusions

# Entrepreneurial Index

*Younger firms view themselves as more entrepreneurial. These firms 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 the last, small wholesalers rate themselves as most entrepreneurial (an average score of 6.1), joined this time by those in health, leisure and other personal services (6.1). Agricultural and construction firms view themselves as least entrepreneurial.

As entrepreneurial is defined in the question as including being growth-oriented, it is unsurprising that firms which rate themselves as entrepreneurial tend to be larger than their non-entrepreneurial counterparts. Firms with a turnover below £50,000 per year rate themselves on average 4.9 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 6.2 for those formed within the past five years, dipping to 6.1 for those formed within the past ten years and 6.0 for those established between 10 and 20 years ago. Firms established over 20 years ago rate themselves as only 5.6 on the entrepreneurial scale.

In this survey, the small firms taking part from Scotland rate themselves as most entrepreneurial (6.4).

Respondent firms newly recruited by telephone (which are on average more recently-established than the rest) view themselves as more entrepreneurial (6.2) than the older postal respondents (5.1), though the email respondents also see themselves as entrepreneurial (6.2).

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.

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	9%	7%	3%	6%	1%	1%	5%
2	6%	6%	2%	2%	3%	0%	3%
3	13%	7%	8%	8%	4%	4%	7%
4	7%	11%	6%	7%	8%	5%	8%
5	18%	21%	21%	15%	15%	18%	18%
6	16%	19%	23%	13%	11%	8%	15%
7	10%	17%	16%	24%	21%	23%	18%
8	13%	8%	12%	21%	23%	23%	16%
9	3%	3%	3%	1%	8%	10%	5%
10	6%	1%	5%	4%	4%	8%	4%
Average	5.3	5.3	5.8	5.9	6.5	6.9	5.8
Sample	90	156	86	101	71	83	594

# Performance

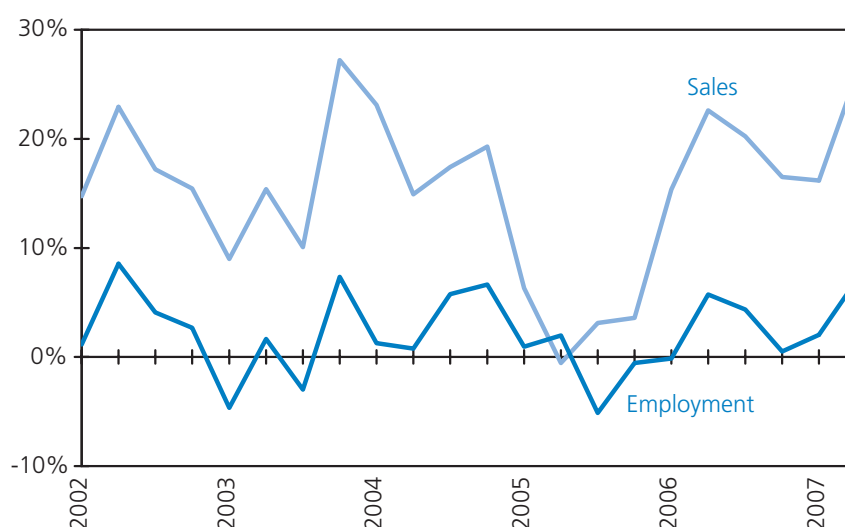
*After stabilising in the previous survey, Britain's small firm sales, employment and investment performances have improved sharply, to their highest levels in three and a half years. Price increases have moderated slightly.*

Almost half (48%) of Britain's small firms increased their sales over the past year while less than a quarter (23%) report that their sales fell. The net result is that the balance selling more has risen sharply, from +16% to +26%<sup>6</sup> (Chart 3.1). This is the highest balance since the survey carried out at the beginning of 2004. The improvement was not unexpected, as in our previous survey small firm sales expectations improved markedly.

Official figures for the UK economy show unchanged annual GDP growth of +3.0% in the year to the second quarter, though preliminary figures suggest a slight upturn in the third quarter.

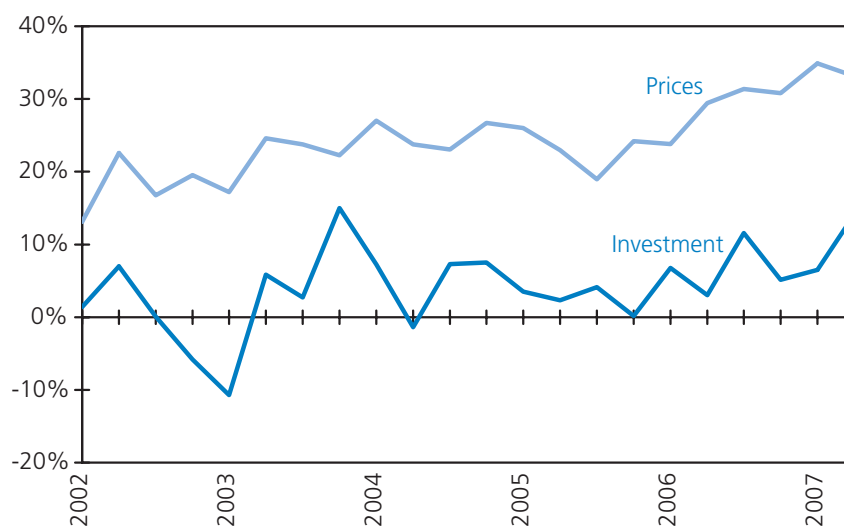
As with sales, there is an improvement in the balance of small firms which increased the number they employ in the year to the second quarter of 2007. While the same proportion (14%) as in the previous survey have cut employment, the proportion which have recruited extra staff is up from 16% to 21% (Table 3.1, overleaf). The balance of +7% is up from +2% in the previous survey and zero six months ago. While it is only fractionally higher than its level two and a half years ago, it is technically the highest since the first survey of 2004 (Chart 3.1).

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)



The balance of small firms which invested more (in plant, equipment and premises) in the second quarter of 2007 than in the second quarter of 2006 has risen from +7% in the previous survey to +14% now (Chart 3.2). As with sales and employment, this is the highest balance in three and a half years.

The balance of small firms which raised their average selling prices in the year to the past quarter has dipped slightly, from its record high of +35% in the previous survey to +33% now, still a high level, meaning that concerns about 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 (2007Q2 on 2006Q2) in:	Up	Down	Same	No response	Balance
Sales Turnover	48%	23%	26%	4%	+26%
Average Employment	21%	14%	61%	5%	+7%
Investment	24%	10%	61%	5%	+14%
Selling prices	41%	8%	46%	4%	+33%



## Performance: Comparison Across Size Bands

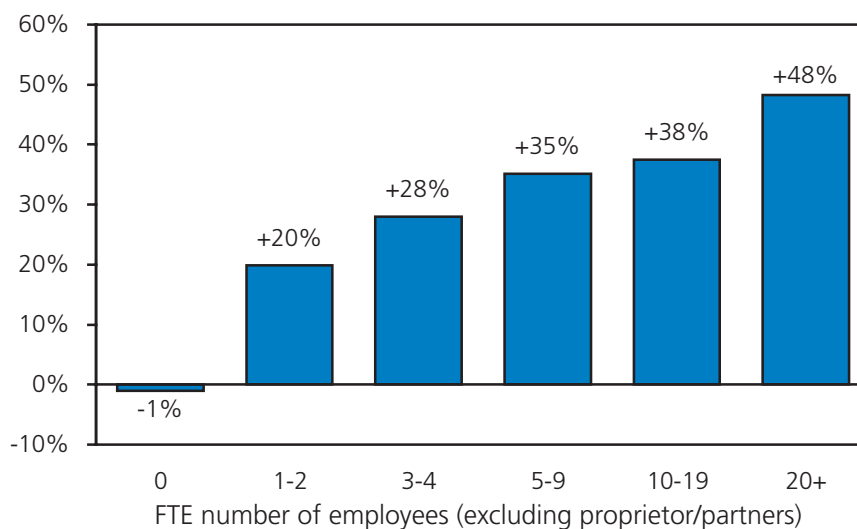
Table 3.2: Change over past year in sales, employment, investment and selling prices by turnover

Annual turnover (excluding VAT)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Less than £50,000	-8%	-6%	+5%	+19%	84
£50,000-£99,999	+28%	+0%	+0%	+36%	83
£100,000-£249,999	+13%	-3%	+8%	+28%	134
£250,000-£499,999	+28%	+9%	+14%	+41%	107
£500,000-£999,999	+51%	+15%	+18%	+28%	72
£1m+	+44%	+22%	+30%	+39%	122
All (weighted by sector)	+26%	+7%	+14%	+33%	629

As has been the case for some time, the relatively largest of the small firms taking part in our survey have generally had the most success in increasing their sales, employment and investment over the past year. Those with a turnover of £500,000 or more have again far more often than their smaller counterparts managed to increase their sales over the past year (Table 3.2). Those with a turnover below £50,000 have seen their sales fall over the year. Firms with a turnover above one-quarter of a million pounds have on balance increased employment whilst smaller firms have had static or falling employment.

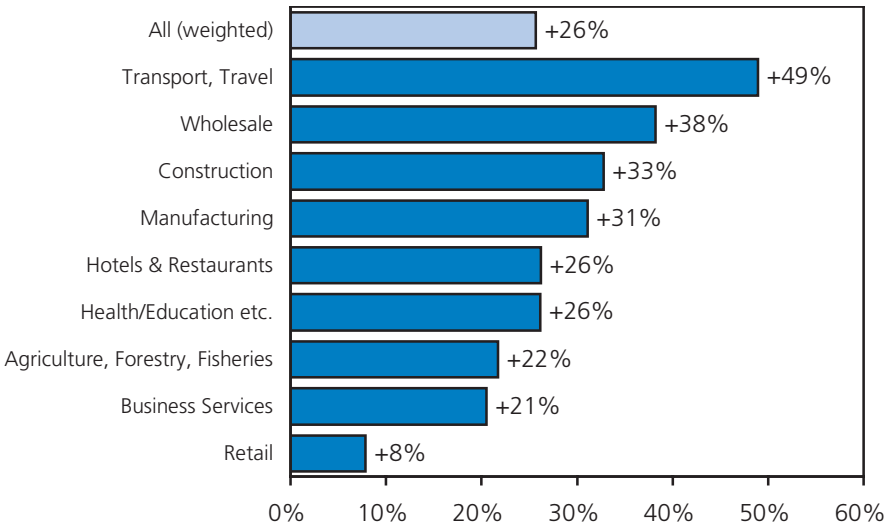
Chart 3.3 shows that sales performance even more clearly improves as size measured by Full-Time Equivalent (FTE) employees increases. Firms with fewer than 3 employees have, on balance, cut employment over the past year. In contrast to the previous survey, firms of all sizes have on balance increased investment, though the largest have far more often done so. These findings suggest that the smallest firms may have faced the most difficult trading conditions recently, though they may well 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



The small transport & travel firms taking part in this survey report the best sales and employment performance over the past year, and the second-highest balance increasing investment (Table 3.3). This is a big improvement since the previous survey, though very few firms from this sector took part then, meaning the improvement may not be representative of the sector as a whole.

The next biggest improvement in the balance of firms increasing sales in the year to the second quarter of 2007 is for wholesaling. The balance has risen from +21% to +38%. Performance within the sector, has though been mixed. While 62% report increased sales, almost a quarter (24%) have seen sales fall. Only 12% report static sales, the lowest proportion for the sectors surveyed. Further up the distribution supply chain, the balance for retailers has also recovered somewhat, from -7% in the previous survey to +8% now. Despite the improvement, however, retailing

remains the least positive sector on this measure (Chart 3.4), the sector where small firms have most often cut employment and least often increased investment (Table 3.3).

Construction firms report better sales performance than in the previous survey, a balance of +33% with higher sales than a year ago. The employment balance in construction has improved even more sharply, with 31% recruiting extra employees and only 8% cutting the number of workers, giving the second-highest balance, +23%. In the previous survey, more small construction firms had cut employment than had increased it.

Although the balance of small manufacturers reporting increased sales has dipped a little from the +37% in the previous survey, that figure was a twelve-year high and the current balance of +31% is a relatively high level, above where it stood for a decade between 1996 and 2006.

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	+22%	+0%	+4%	+13%	23
Manufacturing	+31%	+10%	+17%	+40%	90
Transport, Travel	+49%	+28%	+26%	+30%	47
Construction	+33%	+23%	+14%	+45%	64
Wholesale	+38%	+9%	+12%	+35%	34
Retail	+8%	-8%	+4%	+24%	89
Hotels & Restaurants	+26%	+10%	+10%	+48%	61
Business Services	+21%	-1%	+9%	+23%	156
Health/Education/Leisure/Other	+26%	+6%	+28%	+38%	65
All (weighted by sector)	+26%	+7%	+14%	+33%	629

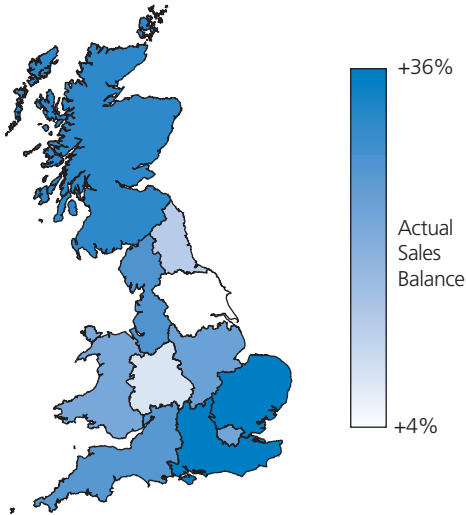
Small hotel & restaurants is once again, as has been usual in recent years, the sector where the greatest balance of small firms have increased their average selling prices over the past year, though the balance is down from +59% in the previous survey to +48% now. These firms and those in the health/education/leisure & other personal services sector have both seen their sales balance improve from +18% in the previous survey to +26% now. Those in health/education/leisure & other personal services have most often increased the amount which they invest over the past year (Table 3.3).

Although still less positive than most other sectors, the balance of small business service firms experiencing sales growth has risen from +11% in the previous survey to +21% now. This is the first time that the balance for this sector has exceeded +20% in over eight years. This remains, though, (along with retail) one of only two sectors in which more small firms have cut the number of people they employ over the last year than have recruited extra staff.



# Performance: Comparison Across Regions

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



Small firm sales performance has improved the most since the previous survey in the South East of England and the balance of firms there reporting an increase in sales over the past year is, along with that for their neighbours in

the East of England, the highest (+36%). Those in the South East have also most often recruited extra employees, though the balance of small firms which have increased investment is higher in the South West.

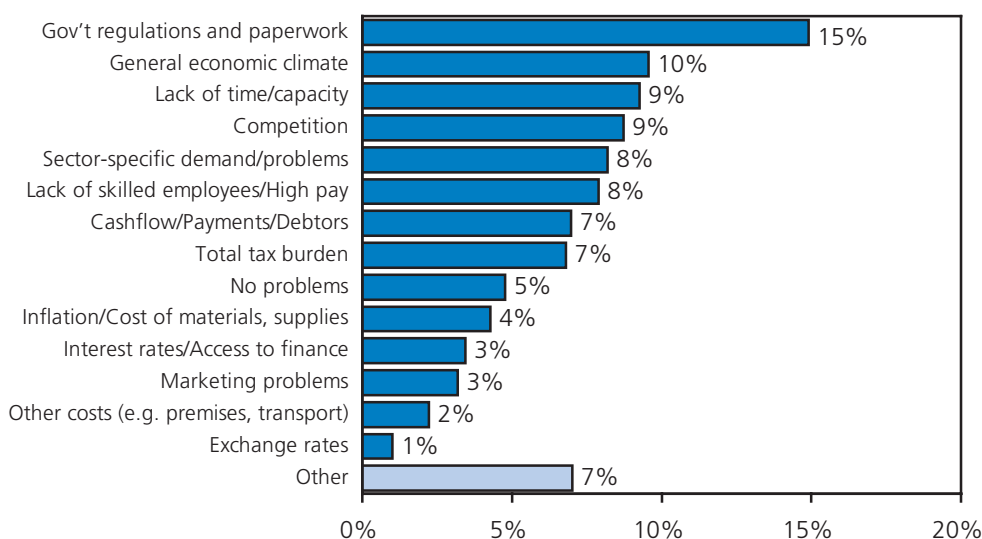
Table 3.4: Change over past year in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+14%	-14%	+5%	+41%	22
North West	+28%	-4%	+11%	+26%	53
Yorkshire & the Humber	+4%	+10%	+6%	+31%	48
East Midlands	+24%	+2%	+14%	+35%	49
West Midlands	+9%	-6%	-2%	+34%	47
East of England	+36%	+13%	+14%	+42%	91
London	+23%	-6%	+0%	+11%	47
South East	+36%	+18%	+20%	+22%	124
South West	+27%	+11%	+27%	+40%	63
Wales	+23%	+6%	+13%	+48%	31
Scotland	+32%	+15%	+17%	+56%	41

# Problems

*Fewer small firms than in recent surveys say that government regulations & paperwork is their biggest problem, though it still out-ranks the other issues, including the economic climate and competition, facing small firms.*

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

Government regulations and paperwork is still, as it has been with only one exception since the end of 2003, the top-ranked biggest single problem facing small businesses. In this survey, 15% of small firms report that regulations and paperwork is the biggest single problem facing their business at the moment (Chart 4.1). While still markedly

higher than the proportion selecting the next most important problem, this is well down on the 23% who in the previous survey said that regulations were their biggest problem<sup>7</sup> (Chart 4.2, Table 4.1, overleaf). The level is about the same as at the end of 2005 and well below that throughout 2006.

Regulation is the top-ranked problem for small construction firms (22%), those in business services (17%), manufacturers (16%) and hotels & restaurants (15%).

Government regulations and paperwork remains a slightly lesser problem for firms where the proprietor or partners work on their own without employees and so employment law, taxation and so on do not apply (Table 4.2, overleaf).

7. The extra telephone respondents to this survey, which are only in certain sectors and are on average younger and smaller than existing respondents, have different priorities of problems. However, even when these are excluded, the proportion selecting regulations still shows a sizeable drop, down to 18%

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

	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3
Gov't regulations and paperwork	21%	25%	22%	23%	15%
General economic climate	12%	10%	9%	11%	10%
Lack of time/capacity	9%	7%	7%	7%	9%
Competition	7%	8%	8%	9%	9%
Sector-specific demand/problems	9%	9%	9%	7%	8%
Lack of skilled employees/High pay	7%	7%	7%	8%	8%
Cashflow/Payments/Debtors	9%	7%	9%	6%	7%
Total tax burden	10%	8%	8%	7%	7%
No problems	2%	2%	2%	2%	5%
Inflation/Cost of materials, supplies	2%	3%	3%	3%	4%
Interest rates/Access to finance	1%	1%	1%	2%	3%
Marketing problems	2%	3%	3%	4%	3%
Other costs (e.g. premises, transport)	1%	1%	2%	1%	2%
Exchange rates	1%	1%	2%	2%	1%
Other	4%	7%	5%	6%	7%

### General Economic Climate

The proportion of small firms indicating that the most important single problem facing their business is the general economic climate is just marginally down on that

in the previous survey, at 10%. Wholesalers (21%) and retailers (20%) most often say that the economic climate is their biggest problem, making this top-ranked for them.

Chart 4.2: Selected most important problems

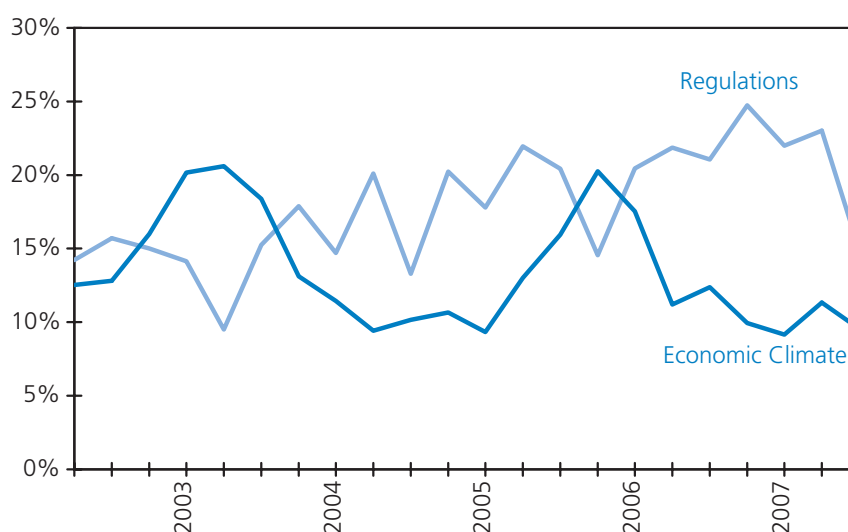


Table 4.2: Most important problem, by FTE number of employees, excluding proprietor/partners

	0	1-2	3-4	5-9	10-19	20+
Gov't regulations and paperwork	11%	12%	18%	13%	21%	18%
General economic climate	10%	11%	8%	11%	13%	6%
Lack of time/capacity	16%	9%	12%	6%	6%	6%
Competition	9%	7%	5%	19%	7%	8%
Sector-specific demand/problems	4%	11%	5%	6%	11%	8%
Lack of skilled employees/High pay	3%	2%	8%	12%	10%	18%
Cashflow/Payments/Debtors	5%	7%	13%	3%	10%	5%
Total tax burden	7%	10%	3%	6%	6%	2%
No problems	5%	5%	4%	2%	7%	4%
Inflation/Cost of materials, supplies	5%	3%	2%	6%	1%	9%
Interest rates/Access to finance	2%	4%	8%	5%	0%	2%
Marketing problems	5%	4%	3%	4%	1%	0%
Other costs (e.g. premises, transport)	1%	2%	1%	3%	3%	4%
Exchange rates	1%	1%	2%	2%	0%	2%
Other (please specify)	9%	8%	4%	3%	6%	8%
No response	4%	2%	3%	2%	0%	0%
Sample	96	166	93	108	72	85

The least entrepreneurial firms are a little more likely than the most entrepreneurial to complain about the economic climate (11% vs 8%), though the difference is much less than in the previous survey (17% vs 6%). Similarly, concerns about the climate are no longer confined to those with fewer than 10 employees (Table 4.2).

### Lack of Time

While some businesses are suffering from a lack of demand due to the economic climate, others are suffering from a lack of time or capacity to meet the demand which they face. Some 9% indicate that this is their biggest problem, up from 7% in the previous survey (Table 4.1). Although as a group they have not reported positive sales performance, some 16% of firms without employees, where any increase in demand must be met by the time of the owner or partners themselves, say that their biggest problem is a lack of time (Table 4.2).

### Competition

Competition is the biggest single problem for 9% of respondents and top-ranked for transport/logistics firms.

### Other problems

The weakness of the US dollar does not yet seem to be causing particular problems for many small firms. Only 1% (though 4% of manufacturers and transport/logistics firms) report that exchange rates are their biggest single problem.

The Bank of England has raised base rates only once (in July) since our previous survey and most questionnaires for this survey were completed before the Northern Rock crisis and associated turbulence in the financial markets. Nevertheless, the proportion of respondents indicating that interest rates/access to finance is their most important problem has risen from 2% to 3%. While still at a very low level (certainly compared with the late 1980s and early 1990s, when it was the top-ranked business problem) this is the highest since the list of problems was revised in 2002. It appears to be slightly more of a problem for microfirms (those with fewer than 10 employees). We will continue to monitor any further financial pressures on small firms.

Encouragingly, the proportion of small firms reporting that they have 'no problems' is up from 2% to 5%, the highest since this option was first offered, in 2002.

# Prospects

*Sales and employment expectations have risen to their highest levels in five years. Investment intentions are strong, while planned price rises have moderated a little. Small firms engaged in transport, travel, storage & communication are particularly optimistic and small retailers are much more positive than they were.*

Immediate sales prospects have continued to improve at the same rate as in the previous survey and are at a five-year high.

Some 46% of Britain's SMEs expect their sales will be higher in the third quarter of 2007 than they were in the second quarter. Only 18% expect that their sales will be down, giving a balance of +28% expecting an increase (Table 5.1)<sup>8</sup>. This is up from +20% in the previous survey and from only +12% six months ago (Chart 5.1). The balance now is at its highest since the +31% in the second quarter of 2002. In the previous survey there was a concern that the improvement in sentiment may have been only a temporary seasonal improvement, as the balance often peaks at that time of year. The continued

improvement in this survey, bucking the usual seasonal trend (the balance has risen at this time of year only three times in the past 19 years), gives much more confidence in a sustained improvement in business optimism. It should be remembered, though, that most questionnaires were completed before the Northern Rock crisis and associated turbulence in the financial markets. It remains to be seen whether this significantly dents the confidence of Britain's small firms.

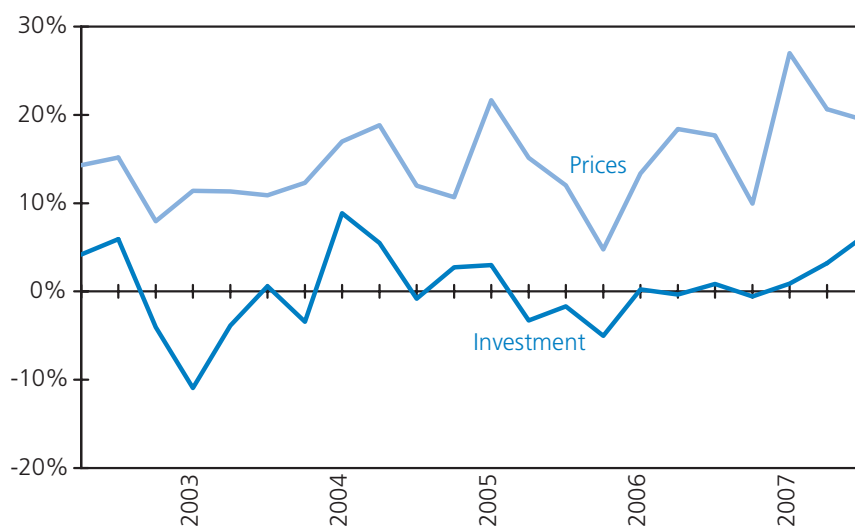
The balance of firms expecting to recruit extra employees during the current quarter has risen markedly for the third survey in succession, to a five-year high of +10% (Chart 5.1). Nine months ago more small firms were cutting employment than were recruiting.

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



8. Excluding telephone respondents, which include new recruits, the balance still shows a strong rise, to +25%.

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



The balance of small firms which expect to invest more in the third quarter of 2007 than in the second quarter has also continued to improve, to +6%, the highest in three and a half years (Chart 5.2). The improvement in investment intentions over the past nine months has been steady but sustained.

While remaining high compared with 2005 and 2006, the balance of small firms which intended to increase their average selling prices in the third quarter of 2007 is again a little lower than the record +27% of six months ago (Chart 5.2). In this survey, just over a quarter (26%) expected to raise prices while 7% expected to cut them, giving a balance of +19% (Table 5.1).



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

Expected change over current quarter (2007Q3 on 2007Q2) in:	Up	Down	Same	No response	Balance
Sales Turnover	46%	18%	33%	3%	+28%
Average Employment	18%	7%	71%	4%	+10%
Investment	17%	11%	67%	5%	+6%
Selling prices	26%	7%	63%	4%	+19%

FTE number of employees (not including proprietor/partners)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
0	+23%	-1%	+0%	+10%	96
1-2	+12%	+0%	-2%	+22%	166
3-4	+32%	+11%	+3%	+25%	93
5-9	+36%	+20%	+13%	+19%	108
10-19	+28%	+15%	+10%	+15%	72
20+	+49%	+21%	+19%	+21%	85
All (weighted by sector)	+28%	+10%	+6%	+19%	629

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

Table 5.2 and Chart 5.3 show that generally the relatively larger firms, as measured by turnover, more often than the smallest expect their sales to continue to improve in the current quarter. The very smallest firms are, however, much more positive than they were in the previous survey, when they expected, on balance, sales to fall. Table 5.3 and Chart 5.4 show that sales expectations do not in this survey show quite such a clear relation to employment size band, though it remains the case that the largest firms are the most positive.



Annual turnover (excluding VAT)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Less than £50,000	+15%	+0%	+5%	+12%	84
£50,000-£99,999	+20%	-1%	-1%	+19%	83
£100,000-£249,999	+22%	+4%	+0%	+16%	134
£250,000-£499,999	+32%	+13%	+3%	+22%	107
£500,000-£999,999	+40%	+25%	+15%	+19%	72
£1m+	+37%	+19%	+15%	+23%	122
All (weighted by sector)	+28%	+10%	+6%	+19%	629

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

## Prospects: Comparison Across Size Bands

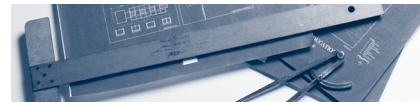


Chart 5.3: Percentage balance of respondents expecting an increase in sales - by turnover size band

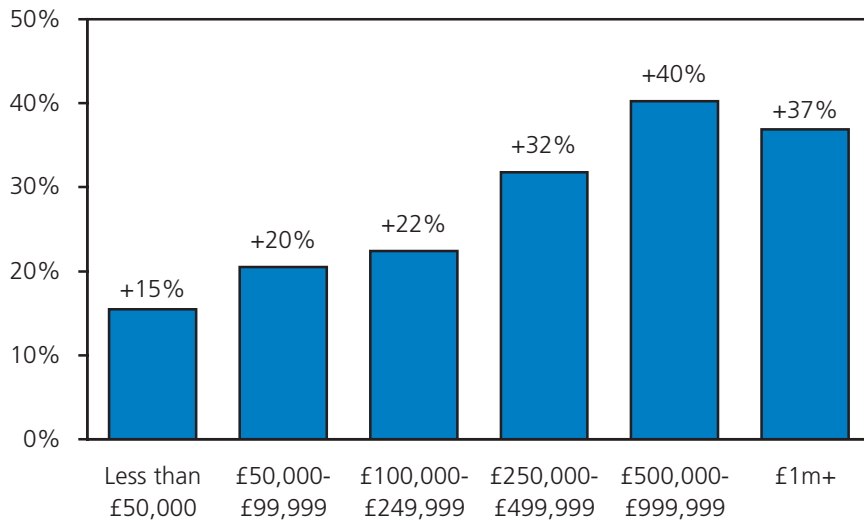
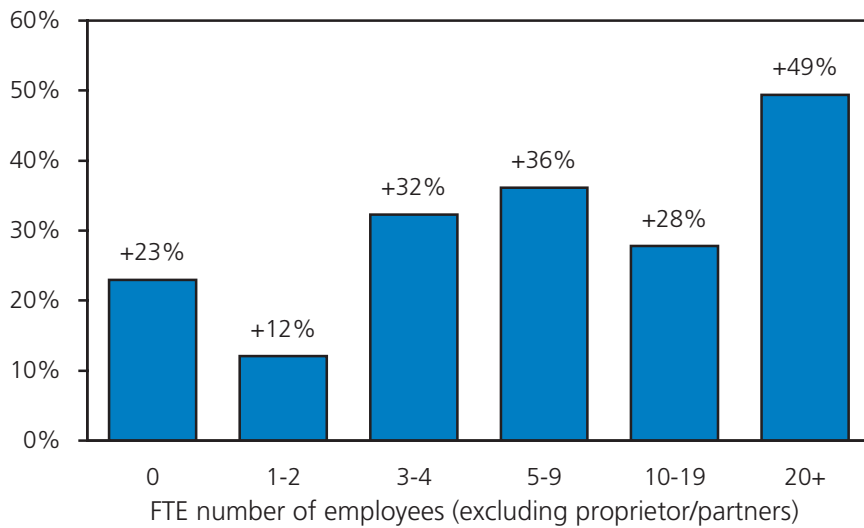


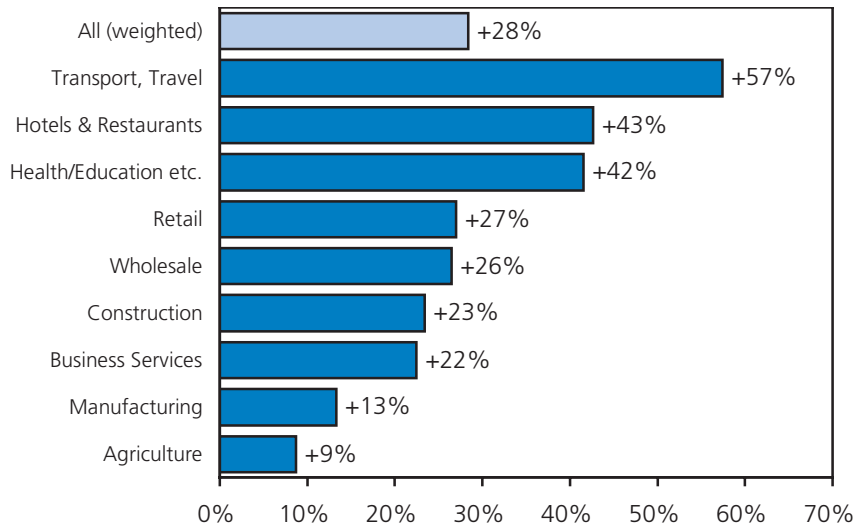
Chart 5.4: Percentage balance of respondents expecting an increase in sales - by FTE number of employees (not including proprietor/partners)





## Prospects: Comparison Across Business Sectors

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



As well as reporting the best sales performance over the past year, small transport, travel, storage & communication firms are the most optimistic about their prospects for the current quarter. Only 2% of these firms expect their turnover to fall during the third quarter of 2007, while almost 60% expect it to rise, giving a balance of +57% (Chart 5.5). They are also the most likely to be recruiting extra staff (+21%) and increasing investment (+15%, Table 5.4).

In the previous survey, hotels & restaurants were the most positive sector and this time they remain highly optimistic about their immediate prospects. The balance of +43% expecting an increase in sales is close to the +44% at this time last year. The balance of these firms expecting to increase employment has also risen, from +9% to +18% and they are no longer negative about investment, with +7% expecting to invest more in the current quarter (Table 5.4). Far fewer small hotels & restaurants than in the previous survey expect to raise their selling prices during the third quarter, though the balance of +34% is still the highest of the sectors surveyed.

The expected sales balance for firms engaged in health/education/leisure & other personal services has increased for the third survey in a row (the only sector to show such a sustained improvement). These firms are now almost as positive as hotels & restaurants about their immediate sales prospects (Chart 5.5). They are also the second-most positive (after transport/storage firms) about employment and investment prospects for their firms.

Although still markedly less positive than the top-three ranked sectors, optimism among small retailers has improved sharply, to its highest level in over five years. In the previous survey retailing was the only sector where more small firms expected their sales to fall than expected them to rise. In this survey, however, a balance of +27% expect an increase. Small retailers remain cautious about medium-term prospects, however, with only a small balance (+3%) expecting to recruit extra staff and with more expecting to cut than to increase investment during the current quarter.



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	+9%	+4%	+4%	+13%	23
Manufacturing	+13%	+3%	+9%	+12%	90
Transport, Travel	+57%	+21%	+15%	+23%	47
Construction	+23%	+14%	+6%	+16%	64
Wholesale	+26%	+0%	+6%	+29%	34
Retail	+27%	+3%	-1%	+18%	89
Hotels & Restaurants	+43%	+18%	+7%	+34%	61
Business Services	+22%	+7%	+2%	+14%	156
Health/Education/Leisure/Other	+42%	+20%	+14%	+26%	65
All (weighted by sector)	+28%	+10%	+6%	+19%	629

The balance of small wholesalers expecting to sell more during the current quarter has fallen, though this is no surprise as the balance has fallen at this time in every one of the past 19 years. The balance of +26% is higher than at this time last year and just a little below that for retailers. Unlike in the previous survey, though, when they were recruiting strongly, wholesalers on balance expect no change in staffing levels during the current quarter (Table 5.4).

Construction firms are a little less optimistic than they were in the previous survey, the balance settling back to just a fraction below the level at this time last year.

Business service firms usually (15 out of the past 19 years) expect less sales growth at this time of year, but in the current survey the balance expecting an increase has risen from +11% to +22%, a fraction below that of six months ago but well above the +3% at this time last year.

Small manufacturing firms are less positive about the third quarter than they were about the second, though this is a usual seasonal effect. The balance of +13% expecting an increase in sales is well above the +5% at this time last year.

## Prospects: Comparison Across Regions

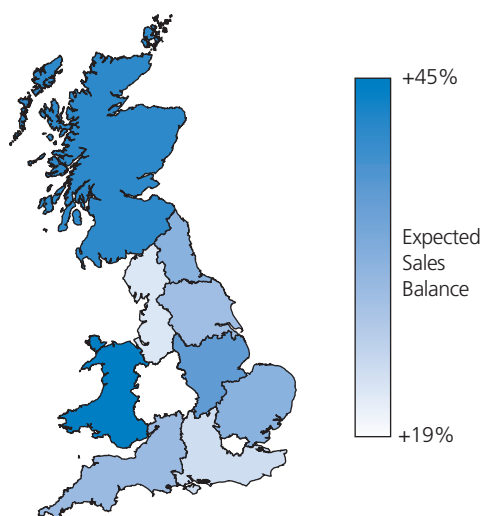
Table 5.5: Expected change over current quarter in sales, employment, investment and selling prices - by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+32%	+0%	+14%	+27%	22
North West	+23%	+4%	-6%	+8%	53
Yorkshire & the Humber	+29%	+10%	+6%	+27%	48
East Midlands	+37%	+12%	+6%	+14%	49
West Midlands	+19%	+2%	+2%	+30%	47
East of England	+32%	+9%	-1%	+20%	91
London	+19%	-6%	-6%	+6%	47
South East	+24%	+13%	+16%	+12%	124
South West	+30%	+17%	+6%	+13%	63
Wales	+45%	+23%	+6%	+52%	31
Scotland	+41%	+20%	+17%	+41%	41

Small firms in all regions are more positive than they were in the previous survey about their immediate sales prospects. Those in Scotland remain particularly optimistic, with a balance of +41% expecting an increase in their sales during the third quarter (Table 5.5). Small firms in Wales are now, though, even more positive, with a +45%

sales and +23% employment balance. Firms in London and the West Midlands are the least positive about sales though even here a balance of +19% expect an increase. There are, however, more small firms in London which expect to cut employment than there are expecting to recruit new staff.

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



## How the Survey is Carried Out

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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 21st August 2007 to 1,319 owners and managers of small businesses which had previously volunteered to take part, 836 by e-mail and the remainder by post. In early October 2007 further interviews were carried out by telephone, some of respondents to previous surveys and some of firms selected at random from a list of agricultural, transport and personal services firms, hotels and restaurants (previously under-represented in the sample).

By the cut-off date of 22nd October, a total of 629 completed questionnaires had been received, 150 by telephone, 224 by post and 255 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%

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 Turnover 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%	1.3%	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%	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 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%	4%	2%	1%	2%	2%	10%	14%	8%	7%	8%	3%	12%	1%	1,168
2002/3	13%	7%	4%	1%	0%	1%	1%	11%	16%	11%	6%	9%	2%	11%	1%	1,078
2002/4	16%	7%	4%	1%	1%	2%	1%	9%	15%	10%	6%	9%	2%	8%	2%	1,074
2003/1	20%	8%	4%	1%	0%	1%	1%	11%	14%	6%	7%	8%	2%	9%	1%	922
2003/2	21%	8%	4%	1%	1%	1%	1%	11%	10%	9%	6%	9%	2%	8%	2%	851
2003/3	18%	9%	3%	1%	1%	1%	1%	6%	15%	9%	9%	10%	2%	7%	2%	784
2003/4	13%	8%	3%	1%	1%	2%	0%	7%	18%	8%	8%	8%	3%	9%	2%	687
2004/1	11%	8%	3%	2%	1%	2%	2%	11%	15%	7%	9%	8%	3%	8%	1%	808
2004/2	9%	8%	4%	2%	2%	1%	1%	8%	20%	9%	8%	9%	3%	8%	1%	739
2004/3	10%	9%	4%	2%	3%	3%	1%	10%	13%	10%	7%	9%	3%	7%	1%	623
2004/4	11%	8%	7%	1%	2%	1%	1%	8%	20%	10%	8%	8%	4%	8%	1%	711
2005/1	9%	9%	5%	1%	2%	2%	1%	7%	18%	10%	11%	9%	2%	5%	1%	652
2005/2	13%	9%	3%	1%	0%	1%	1%	8%	22%	8%	7%	8%	3%	5%	2%	675
2005/3	16%	8%	5%	0%	2%	2%	1%	8%	20%	6%	5%	7%	1%	6%	3%	670
2005/4	20%	8%	4%	1%	3%	1%	1%	8%	15%	10%	9%	7%	1%	5%	2%	620
2006/1	18%	9%	7%	1%	3%	1%	1%	9%	20%	9%	7%	6%	2%	4%	1%	641
2006/2	12%	9%	2%	1%	4%	2%	0%	9%	21%	7%	8%	10%	3%	6%	1%	638
2006/3	12%	9%	7%	1%	2%	1%	1%	9%	22%	7%	10%	9%	2%	4%	2%	547
2006/4	10%	9%	3%	1%	3%	1%	1%	7%	25%	7%	8%	7%	2%	7%	2%	538
2007/1	9%	9%	3%	1%	3%	2%	2%	9%	22%	7%	8%	7%	2%	5%	4%	526
2007/2	11%	7%	4%	2%	3%	1%	2%	6%	23%	8%	7%	7%	2%	6%	2%	528
2007/3	10%	8%	3%	3%	4%	2%	1%	7%	15%	8%	7%	9%	5%	7%	2%	629



## Special Topics

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- 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

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 2007Q3

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

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)? \_\_\_\_\_

- 5** At present, are you owed more by your customers than you owe to your suppliers? Please circle ONE ONLY:
- |                            |                              |  |
|----------------------------|------------------------------|--|
| 1. YES, customers owe more | 2. NO, owe more to suppliers | 3. Have no debtors/creditors or in balance |
|----------------------------|------------------------------|--|

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

- 6a** EQUITY (i.e. funds attributable to shareholders)
- |  |                                 |
|--|---------------------------------|
| 1. Yours or other personal sources                         | 5. Retained earnings            |
| 2. Family and friends                                      | 6. Trade investors              |
| 3. Other private individuals (inc. EIS)                    | 7. Other (please specify) _____ |
| 4. Venture capital company or other professional investors |                                 |

- 6b** LOANS
- |   |  |
|---|--|
| 1. No loans                                 | 8. Business loans from other financial institutions                              |
| 2. Loans from owner, director or proprietor | 9. Mortgage for business premises (including your home if used for business)     |
| 3. Loans from family, friends               | 10. Debt factoring/ invoice discounting  |
| 4. Loans from other private individuals     | 11. Hire purchase or leasing   |
| 5. Bank overdrafts                          | 12. Loans or grants from Government (national, local, development agencies etc.) |
| 6. Other bank loans (term loans)            | 13. Other (please specify) _____   |
| 7. Credit cards                             |  |

- 7** What has been your largest source of new capital over the past year? Please circle ONE only:
- |               |              |                      |                   |
|---------------|--------------|----------------------|-------------------|
| 1. New equity | 2. New loans | 3. Retained earnings | 4. No new capital |
|---------------|--------------|----------------------|-------------------|

- 8** Which of the following have driven your need for capital in the past year (circle those which apply):
- |   |   |   |
|---|---|---|
| 1. Manage cashflow/bad debts            | 4. Fund increased marketing/promotion   | 7. Fund investment in equipment, buildings etc. |
| 2. Manage increased credit restrictions | 5. Fund research/development/innovation | 8. Other (please specify) _____                 |
| 3. Fund increased operating/staff costs | 6. Fund business growth                 |   |

- 9** What is the legal form of your business? Please circle ONE only:
- |                        |                |                    |                                |                                 |
|------------------------|----------------|--------------------|--------------------------------|---------------------------------|
| 1. Sole proprietorship | 2. Partnership | 3. Limited company | 4. Not for profit/co-operative | 5. Other (please specify) _____ |
|------------------------|----------------|--------------------|--------------------------------|---------------------------------|

- 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		
	April, May, June 2007 compared with the same period 2006			July, August, September 2007 compared with April, May, June 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 |
|---------|-----------|--------------------------------|

- 14** If you are willing in future to complete these questionnaires on the Internet, please give your email address here, as clearly as possible please! \_\_\_\_\_

Thank you for completing this confidential survey questionnaire.  
 Please return it in the envelope provided by 21st September 2007.  
 Please note that this is a FREEPOST address (no stamp required).