

NatWest/SERTeam Quarterly Survey of
Small Business in Britain





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Summary

Small firms' sales and employment performance remains robust, though down on the two-year peak in the previous survey. Performance of wholesalers has continued to rise, to a record level. Price rises are at a high. Sales expectations for the final quarter are seasonally down, though manufacturers and business service firms are more optimistic. A record number of small firms report that government regulations and paperwork is their most important problem. Formal staff training continues to spread and this is easily the most common reaction to a skills shortage, important or crucial for a quarter of small firms. A majority of firms in England and Wales view the educational system as inappropriate in meeting the needs of their business.

- The balance of small firms increasing sales over the past year is down a little, but from a two-year high in the previous survey. It remains well above the level at this time last year.
- The balance which have increased employment is also down a little, though it remains positive.
- The balance increasing investment is, though, the highest in almost three years. Once again, a record number of firms have increased their prices.
- Sales expectations for the final quarter are not as positive as they were for the third quarter, but this is a normal seasonal effect. The balance is higher than that at the end of 2003, 2004 and 2005. Employment intentions have, though, turned negative.
- Wholesalers and construction firms report better sales performance than they did three months ago and than the other sectors taking part, though they are not particularly optimistic about their prospects for the final quarter.
- Small manufacturers and business service firms are the only groups more optimistic than in the previous survey and are much more positive than the other sectors.
- As in the previous survey, small firms in Wales most often report an improvement in sales and are most optimistic about final quarter prospects.
- A quarter of small firms, a record high, report that government regulations and paperwork is the biggest problem facing their business.
- The proportion of small firms which offer internal training courses or pay for external courses for their staff has increased steadily over the past decade.
- The proportion of small firms which appear to offer no formal training to their staff has steadily shrunk over the past 11 years from more than half to 40%.
- By far the most common reaction to a skills shortage is to develop skills internally, by more training. Three times as many small firms do this as resort to outsourcing and five times as many as poach staff from other firms.
- More than a quarter of small firms report that skills shortages are an important or crucial problem for their business and 7% that they are their single most important problem. Business-specific skills (such as engineers, chefs etc.) are most in demand.
- One quarter of firms with a skills shortage blame the problem on inappropriate skills developed at schools/colleges and a majority in England and Wales rate the UK educational system as inappropriate in meeting the needs of their business (though the Scottish system gets a positive rating).

Training, Education and Skills

More small firms than ever before provide formal training for their employees. By far the most common reaction to a skills shortage is to develop skills internally. Skills specific to the business type (engineers, chefs etc.) are the most critical, though many do cite a lack of general numeracy/literacy/IT/finance and management skills. A majority in England and Wales rate the educational system as inappropriate.

Staff training

In our survey carried out at the end of 1995, just over half of all small firms reported that they provided no formal training, apart from on-the-job instruction, for their staff (or did not answer the question). In the three surveys which have addressed this issue over the past eleven years this proportion has consistently fallen, to only 40% now (Chart 1.1). A greater proportion than this (46%) now pay for external training courses. This is up from 41% 30 months ago and from only 32% in 1995. The proportion of small firms which organise internal training courses is also consistently up, from only 19% in 1995

to over 26% now. In this survey, an additional option of 'on-line learning' was also offered. Combining those which organise on-line learning with those which offer other internal training courses gives a figure of almost 31% which now offer some sort of internal training course (Chart 1.1).

The general rise in training offered by small firms over the past decade or so does not seem to be due to changing sample composition. The size distribution of firms now taking part in the survey remains close to that in 1995.

Chart 1.1: Selected types of training provided for staff - compared with earlier surveys

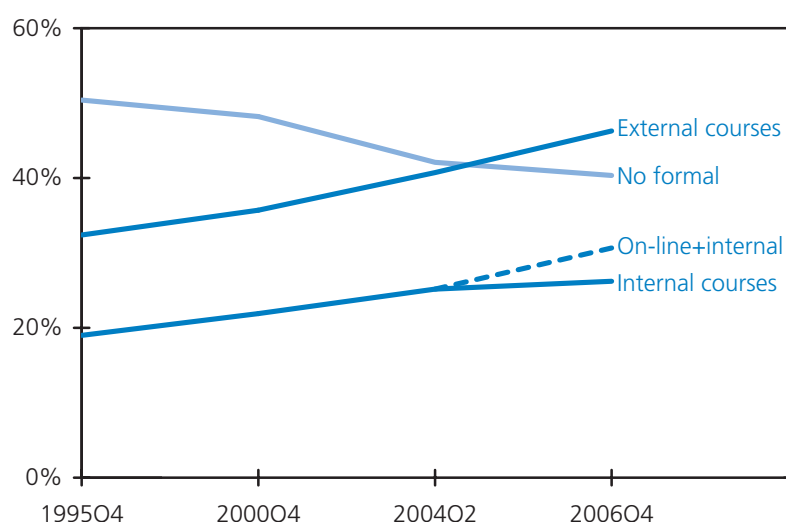
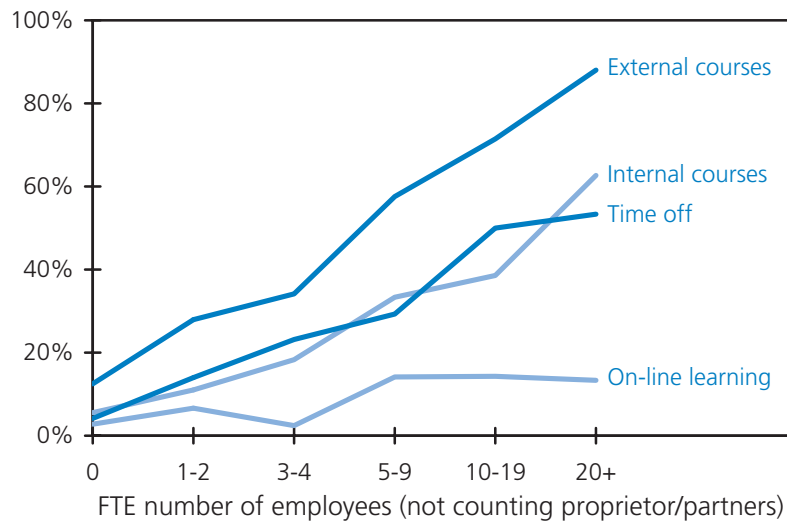


Chart 1.2: Selected types of training provided for staff
- by number of employees



The propensity of firms to offer formal training is closely related to firm size. Chart 1.2 and Table 1.1 show that the proportion which pay for external training courses rises to 88% of those with 20 or more full-time equivalent (FTE) employees (not counting the proprietor or partners). The proportion which organise internal training courses rises to 63% of firms with 20 or more employees. Only

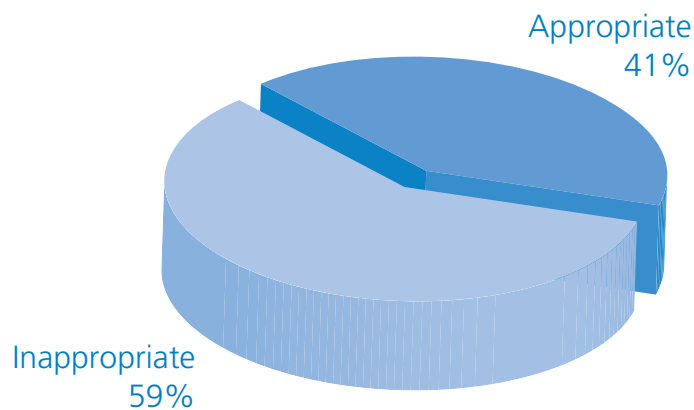
4% of firms with 20 or more employees offer no formal training. On-line learning, however, seems to particularly suit smaller firms, perhaps without the economies of scale to easily offer more resource-intensive internal training courses. The proportion which organise on-line learning peaks at 14% of those with 5 to 9 employees (Chart 1.2, Table 1.1).

Table 1.1: "Apart from on-the-job instruction, what training does your business provide for its staff?"
- by FTE number of employees (not including proprietor/partners)

	0	1-2	3-4	5-9	10-19	20+	All
No formal training	60%	55%	41%	22%	11%	3%	34%
Organises on-line learning	3%	7%	2%	14%	14%	13%	9%
Organises other internal training courses	6%	11%	18%	33%	39%	63%	26%
Pays for external training courses	13%	28%	34%	58%	71%	88%	46%
Gives staff time off to attend courses	4%	14%	23%	29%	50%	53%	27%
Other	1%	8%	9%	7%	9%	5%	7%
No response	18%	5%	1%	2%	1%	1%	5%
Sample	72	136	82	99	70	75	538
No formal/on the job/no response	78%	62%	46%	25%	13%	4%	40%



Chart 1.3: “Based on the employees you have recruited in recent years, how do you rate the contribution of the UK educational system to meeting the needs of your business?”



Distribution is the sector where small firms least often provide formal training for their staff. Almost two-thirds of wholesalers (64%) and retailers (65%) report that they offer no formal training (or do not answer the question or give ‘other’ responses which imply only on-the-job instruction). In contrast, 83% of firms engaged in ‘health/education/leisure and other personal services’, including care homes, dentists and child-care, offer some sort of formal training for their staff. Almost half of small firms in this sector organise on-line learning (17%), other internal courses (44%) or both. Construction firms (68%), personal services (61%) and agricultural firms (56%) most often pay for external training courses.

Small firms in this survey from Scotland more often than those in England and Wales offer formal training to their staff (82% do so). Firms which view themselves as more entrepreneurial more often provide all forms of training (partly because entrepreneurial firms tend to have grown larger), but particularly on-line learning, ranging from only 3% of those rating themselves 3 or below to 18% of those rating themselves as 8 or above on a 1-10 entrepreneurial scale.

Educational system

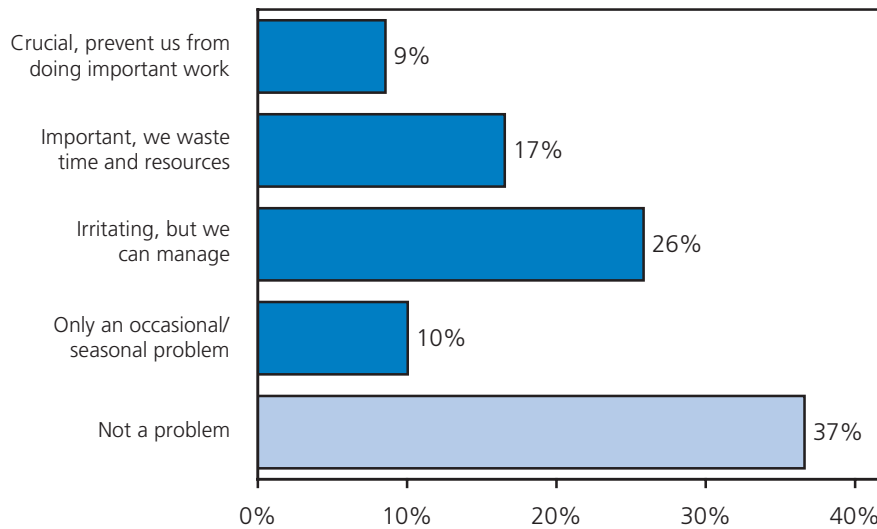
Over one-third of small firms taking part in this survey feel unable to rate the contribution of the UK educational system to meeting the needs of their business, as they have not recruited any employees in recent years.

Of those which do express an opinion, rather more (59%) rate it as inappropriate than rate it as appropriate (41%, Chart 1.3).

On balance, firms in most size bands, sectors and regions rate the UK educational system as inappropriate. One exception is Scotland, which has a rather different educational system to England and Wales. 57% of the (relatively few) surveyed firms in Scotland which have recruited employees recently rated the educational system as appropriate in meeting the needs of their business.

Business services is the only sector where a majority of small firms expressing an opinion rate the educational system as appropriate. Retailers are the least positive, closely followed by hotels & restaurants, with two-thirds rating the educational system as inappropriate in meeting the needs of their business.

Chart 1.4: "How important are skills shortages as a problem for your business?"



Skills shortages

The 'problems' section in this survey shows that 7% of small firms report that a 'lack of skilled employees/high pay' is the single most important problem facing their business at the moment (this proportion was as high as 10% at this time last year). Chart 1.4, though, shows that skills shortages are an important secondary problem for many more small firms. Over one-quarter of firms report either that skills shortages are 'important, we waste time and resources' or 'crucial, prevent us from doing important work'. A further quarter report that their skills shortages are 'irritating, but we can manage'. These proportions are up from our survey six years ago, when a majority of respondents reported that skills shortages were 'not a problem' or 'only an occasional/seasonal problem'.

The importance of skills shortages as a problem rises sharply with firm size. Fewer than one in ten firms where the proprietor/partners currently work without employees complain that skills shortages are 'important' or 'crucial' to them, compared with approaching half (47%) of those with 20 or more employees.

Types of skills shortages

For the (relatively few) very smallest firms with a skills shortage, general IT skills are most in demand. For all but these smallest, however, a shortage of skills specific to the business type are particularly acute (Table 1.2). Engineering firms, for instance, are short of engineers, designers and architects are short of employees with CAD skills, restaurants need more chefs and construction firms need joiners. Three-quarters of firms already with 20 or more employees and with a skills shortage need more of these people to actually perform the core business activity. They are also, however, more often short of those with management skills to coordinate this activity, while the smallest firms more often need help with support skills such as finance and accounting.

Over a quarter of small firms with a skills shortage say that they cannot find employees with basic numeracy and literacy. This rises to over half of the retailers which are constrained by a lack of skills.



Table 1.2: "If you have a skills shortage, for which type of skills is this problem particularly acute?"
- by FTE number of employees (not including proprietor/partners), only those with a shortage

	0	1-2	3-4	5-9	10-19	20+	All
Skills specific to your business type	29%	56%	52%	59%	73%	75%	61%
Basic numeracy/literacy	21%	22%	23%	31%	33%	25%	27%
General IT skills	36%	24%	29%	16%	9%	7%	17%
Management skills	7%	8%	10%	8%	13%	25%	12%
Financial/accounting skills	21%	17%	6%	7%	4%	4%	8%
Other	7%	15%	19%	12%	15%	9%	13%
Sample	14	59	48	74	55	57	309

Reasons for shortages

Over half of small firms able to indicate a single most important cause for their skills shortage identified a supply-side reason, either 'poor supply of skilled/trained people' (31%) or 'inappropriate skills developed at school/college'¹. Firms with fewer than five employees more often blame the educational system, relatively larger firms more often ascribe the problem to 'poor supply' (Table 1.3).

Firms with only one or two employees most often feel that the reason they have trouble attracting skilled employees is that they cannot pay enough. Relatively few small firms believe that the root cause of their skills shortage is competition from large firms (7%) or other small firms (4%).

Addressing shortages

Two-thirds of small firms which answered the question report that they usually address a skills shortage by developing internally through training etc. (Table 1.4 and Chart 1.5, overleaf). This reaction is more than three times as common as the next most frequently used strategy, to outsource/contract out to other firms. This latter option does, however, seem to be an increasingly popular reaction. At the end of 2000, when the same question was asked, only 14% of firms indicated that they reacted by outsourcing². This is now up by a half, to 21%. More small firms now than in 2000 also seem prepared to offer higher pay (up from 7% to 13%). The proportions indicating the other responses are relatively unchanged.

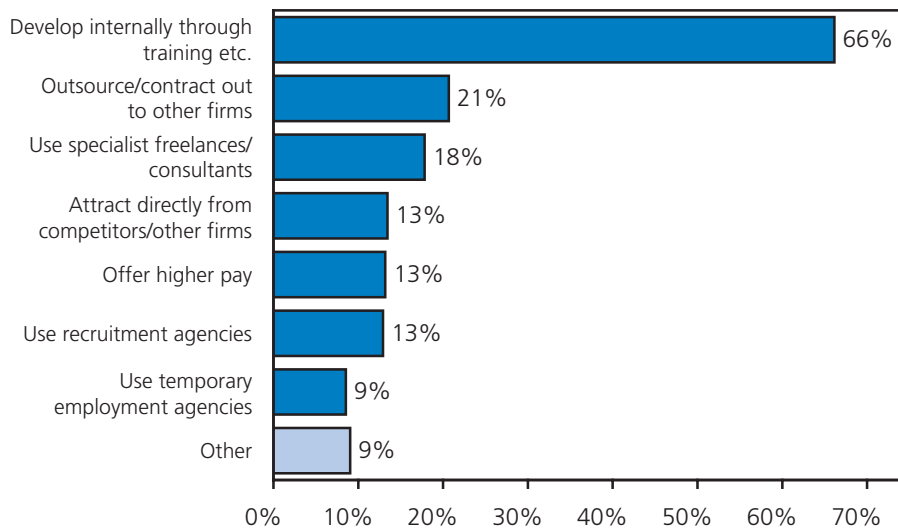
Table 1.3: "In your view, what is the MOST important cause of skills shortages for your business?"
- by FTE number of employees (not including proprietor/partners), only those listing a cause

	0	1-2	3-4	5-9	10-19	20+	All
Poor supply of skilled/trained people	8%	19%	28%	41%	30%	48%	31%
Inappropriate skills developed at schools/colleges	33%	27%	31%	20%	27%	18%	25%
We cannot pay enough	25%	36%	21%	16%	17%	18%	22%
Competition from large firms	13%	6%	7%	3%	8%	8%	7%
Competition from other small firms	13%	4%	5%	3%	6%	0%	4%
Attractions of other regions/localities	0%	2%	2%	5%	3%	3%	3%
Other	8%	6%	7%	12%	9%	5%	8%
No response	0%	0%	0%	0%	0%	0%	0%
Sample	24	81	58	86	66	62	379

¹ While most responses to this question are similar to those when it was asked before, at the end of 2000, the proportion complaining of 'inappropriate skills developed at schools/colleges' has nearly doubled, up from only 13% six years ago. It is not clear whether this is genuine greater dissatisfaction with the educational system, or due to focusing respondents' minds on the role of the educational system by adding the specific question on their rating of it.

² Vol.16 No.4, though the published results in that report were only for those firms complaining of a skills shortage at that time. The results presented here have been re-analysed to be comparable by including all respondents who answered the question.

Chart 1.5: "How do you usually address a skills shortage problem?"
- only those indicating a method



Firms with fewer than five employees more often than their larger counterparts outsource or use specialist freelances/consultants (Table 1.4). Relatively larger firms seem more often to want to keep their work in-house and they more frequently attract employees from other firms or offer higher pay. The use of recruitment and temporary employment agencies is largely the preserve of

the relatively largest firms taking part in our survey. Larger firms tend to use a wider range of strategies in dealing with a skills shortage. Three-quarters of those with one or two employees use only a single strategy to deal with a skills shortage, compared with only 36% of firms with 20 or more employees.

Table 1.4: "How do you usually address a skills shortage problem?"
- by FTE number of employees (not including proprietor/partners), only those indicating a method

	0	1-2	3-4	5-9	10-19	20+	All
Develop internally through training etc.	61%	43%	66%	70%	78%	79%	66%
Outsource/contract out to other firms	22%	29%	24%	16%	18%	17%	21%
Use specialist freelances/consultants	30%	23%	19%	16%	13%	14%	18%
Attract directly from competitors/other firms	0%	11%	8%	15%	15%	23%	13%
Offer higher pay	0%	10%	10%	15%	16%	20%	13%
Use recruitment agencies	0%	8%	7%	5%	15%	38%	13%
Use temporary employment agencies	0%	2%	2%	3%	18%	23%	9%
Other	4%	11%	8%	13%	9%	5%	9%
Sample	23	83	59	87	67	66	387



Conclusions

The proportion of small firms which offer formal training seems to have increased over the past decade or so, especially when on-line learning is taken into account.

A majority of small firms in England and Wales rate the UK educational system as inappropriate in meeting the needs of their business. From comments given by respondents, concerns seem split between the quality of education and its academic, rather than practical, focus:

"I expect people with arts and humanities degrees to be able to spell and write clearly without any grammatical mistakes. After all, they will be writing letters and emails to our clients and representing our company. Out of a clutch of 50 CVs received last week from graduates, only 5 were completely error-free."

"School system is too academic and not geared to people who find difficulty with that type of learning. We have folk written off by school system who are great at practical skills but they have already been labelled as thick and have difficulty finding work."

"I have become certain that the loss of the apprentice system, without government involvement is a major loss to the country."

"Schools seem intent on having people stay on at school when they should not."

"Schools and colleges go for the courses that will get them the most points in league tables."

A quarter of small firms (more than six years ago) indicate that they believe that the development of inappropriate skills at schools and colleges is the single most important cause of skills shortages for their business. The smallest firms are more likely to indicate this than those with five or more employees, which quote a more general poor supply of skilled/trained people. The smallest also feel the least able to pay more to attract skilled staff. Relatively few blame competition from large firms, though some do:

"I am very concerned about the fact that even though people study science subjects at university they are then attracted away by high salaries as management consultants in the city etc. Also science departments are being closed down at universities."

"Our skills shortage is because we need highly educated people with extensive business experience. In practice, such people rarely want to join very small organisations - we are struggling to grow sufficiently to attract such people."

By far the most common types of skills shortage are practical skills central to the core of the business, such as engineers, chefs and joiners.

The very smallest firms, however, especially where the proprietor or partners are carrying out all the core business themselves, are often in need of support skills such as general IT skills, finance and accounting.

Retailers often report a lack of general numeracy/literacy skills, which will be the main skills required in much general retailing.

Easily the most common response of small firms to a skills shortage is to develop those skills internally through training and other measures:

"Employ long term unemployed and work with them so that they gain the self respect and confidence needed before they take on any formal training"

As well as the options offered, a number of firms note that they advertise locally, though the opposite strategy is sometimes used, with others specifically indicating that they have been recruiting workers from Poland.

Some firms, however, ultimately find the problem of being a very small business facing a skills shortage means that they have to miss out on opportunities:

"For my business the skills/capacity shortage is a Catch 22 situation. I lack the capacity to take on more work, even though it is available. However, I would need to increase turnover by 50% to employ an extra person. Outsourcing would seem an obvious answer until turnover had increased, however, it is difficult to find a suitably skilled person to outsource the work to. Best solution for me is to turn work away!!"

Conclusions

Performance

Britain's small firm sales performance has fallen slightly from its two year peak, though remains well above the level of a year ago. Employment has also slipped, though investment is up and price rises are at a high. Small wholesalers' performance has continued to improve and they are now the most positive sector.

A little under half (46%) of Britain's small firms sold more in the past quarter (2006 Q3) than a year earlier (2005 Q3), while over quarter saw their sales fall (Table 2.1). The resulting balance of +20% reporting an increase in sales in the year to the third quarter is a little down on the +23% in the previous survey (Chart 2.1). However, that balance was at a two-year high and the balance now remains well above the level at this time last year.

Official figures for the economy as a whole (released after questionnaires for this survey were completed) do not yet show a downturn in the annual growth rate of GDP. However, the rate of growth has slowed, increasing only

marginally from +2.6% to +2.7% in the year to the third quarter of 2006. The quarter-on-quarter growth rate in GDP is unchanged, at +0.7%.

Most (62%) of small firms have not changed the numbers they employ over the past year (Table 2.1). The proportion which cut employment is a little lower than in the previous survey, but the proportion recruiting extra staff is down slightly more. The balance increasing employment has consequently slipped a little from its peak of +6% in the previous survey to +4% now. As with the sales balance, this remains better than at this time last year, when more small firms had cut than had increased employment (Chart 2.1).

Chart 2.1: Percentage balance of respondents reporting an increase in sales and employment (weighted figures)

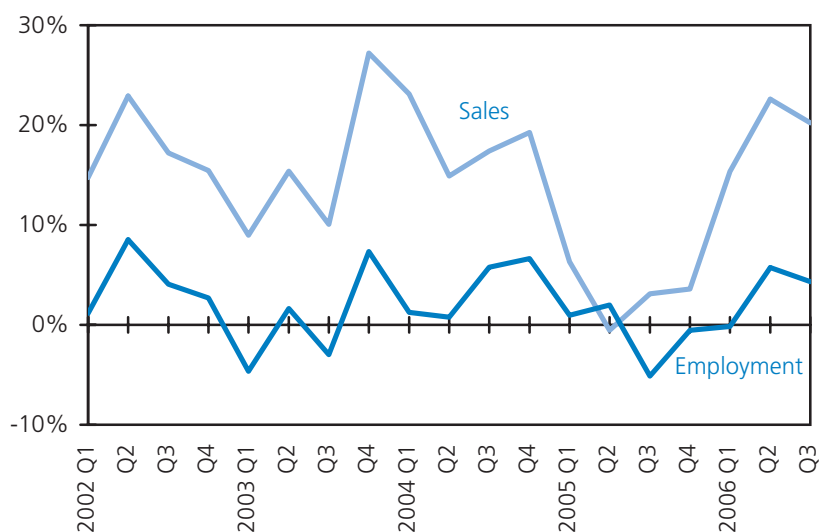
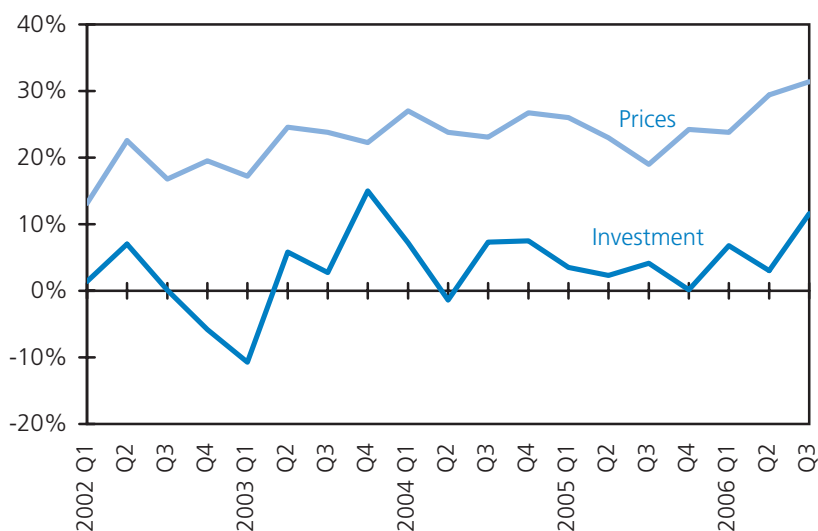


Chart 2.2: Percentage balance of respondents reporting an increase in selling prices and investment (weighted figures)



While immediate sales and employment performance is slightly down, the balance of small firms which have increased investment (in plant, equipment and premises) is up. The balance which invested more in the third quarter of 2006 than in the third quarter of 2005 is up from +3% to +12% (Chart 2.2), the highest in almost three years. Investing for the future suggests that small firms anticipate reasonably robust medium-term prospects.

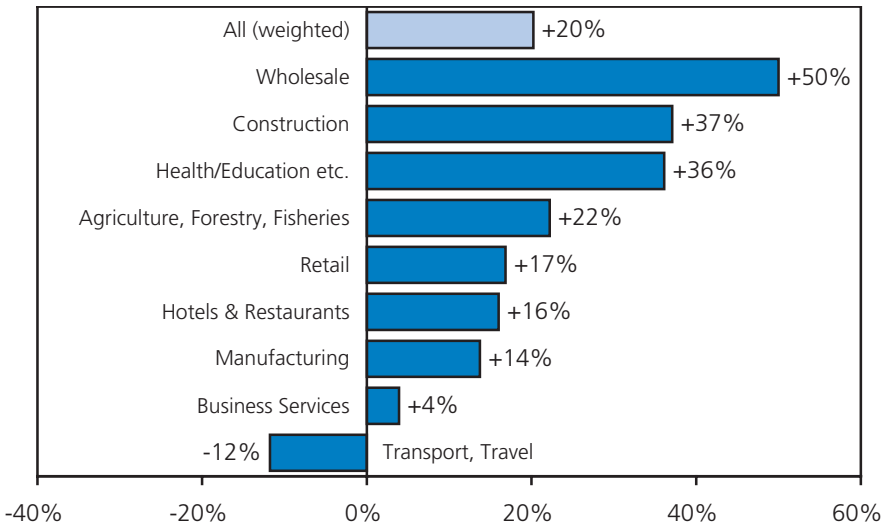
The balance of small firms which raised their average selling prices between the third quarter of 2005 and the third quarter of 2006 continues to rise, up to +31%, another record high (this question was first asked in 1998). Since our last survey, consumer price inflation in the economy as a whole has been hovering between 2.4% and 2.5%, well above the Bank of England's target rate of 2.0%. This prompted the Bank again to raise interest rates, to a five-year high of 5%, on 9th November 2006, while questionnaires for this survey were being completed.

Table 2.1: Change over past year in sales, employment, investment and selling prices (weighted figures)

Change over past year (2006Q3 on 2005Q3) in:	Up	Down	Same	No response	Balance
Sales Turnover	46%	26%	27%	1%	+20%
Average Employment	19%	15%	62%	4%	+4%
Investment	26%	14%	56%	4%	+12%
Selling prices	41%	9%	47%	3%	+31%

Performance: Comparison Across Business Sectors

Chart 2.3: Percentage balance of respondents reporting an increase in sales over past year - by sector



In recent years, small wholesalers have reported poor sales performance. Two years ago they were the only sector reporting falling sales and they continued to report negative sales performance throughout 2005. From a low of -9% for the final quarter of last year, however, the balance has improved in each subsequent survey. In this survey two-thirds of small wholesalers report that their sales were higher in the third quarter of 2006 than in the third quarter of 2005. Only one-sixth report that their sales were lower, giving a balance of +50%. This is the highest balance ever recorded for wholesalers and makes them now the most positive sector (Chart 2.3 and Table 2.2).

Small wholesalers are also (along with agricultural firms) the most likely to have increased the numbers they employ over the past year, the most likely to have increased their selling prices and among the most likely to have increased investment (Table 2.2).

Further along the supply chain, retailers are not yet as positive as wholesalers though they are at least no longer the least positive sector. They have posted better sales performance than in the previous survey and much better than at this time last year, when a balance of -25% showed that many retailers were experiencing falling sales. There are still, however, more retailers which have reduced the numbers they employ over the past year than have recruited extra staff. This is also the sector where the greatest proportion of firms have been forced to cut their average selling prices over the past year (though even in retailing more have raised than have cut prices).

Just like wholesalers, small construction firms have posted three successive increases in the sales balance, from a dismal -10% nine months ago to +37% now. They are the second most positive sector and the balance is at its highest since 1989. 29% of small construction firms are confident enough about medium-term prospects

Table 2.2: Change over past year in sales, employment, investment and selling prices by sector

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Agriculture, Forestry, Fisheries	+22%	+22%	+11%	+28%	18
Manufacturing	+14%	+4%	+16%	+34%	102
Transport, Travel	-12%	-12%	+18%	+18%	17
Construction	+37%	+11%	+21%	+35%	62
Wholesale	+50%	+22%	+19%	+53%	36
Retail	+17%	-2%	+10%	+17%	89
Hotels & Restaurants	+16%	+8%	+0%	+44%	25
Business Services	+4%	-4%	+1%	+24%	153
Health/Education/Leisure/Other	+36%	+8%	+17%	+39%	36
All (weighted by sector)	+20%	+4%	+12%	+31%	538

to have increased the amount they have invested over the past year. Although a higher proportion in some other sectors have increased investment, very few (8%) construction firms have cut investment, giving them the highest balance, +21% (Table 2.2). A strong balance of construction firms have also increased the numbers they employ and the average selling prices they charge over the past year.

Small firms in the health/education/leisure and other personal services sector are less positive than they were in the previous survey (the balance reporting an increase in sales down from +47% to +36%), but they remain reasonably buoyant compared with most other sectors (Chart 2.3).

Since being the most positive sector in all of the surveys carried out in 2005, the fortune of small hotels & restaurants has been erratic, being one of the least positive

six months ago but then jumping to most positive three months ago. In this survey the balance reporting an increase in sales has fallen sharply. As many small hoteliers have cut investment over the past year as have increased it (Table 2.2).

The balance of business service firms reporting increased sales has continued to fall from the level of +18% six months ago, when this sector was second-most positive, to +4%, second-least positive. Manufacturers are, though, more positive than in the previous survey.

Small firms engaged in transport, travel, storage and communication are now at the bottom of the rankings, with more seeing sales fall than managing to increase them over the past year. This also the sector where most firms have cut the numbers they employ over the past year.

Performance: Comparison Across Size Bands

Table 2.3: 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	-7%	-4%	-3%	+24%	71
£50,000-£99,999	+22%	+3%	+1%	+32%	68
£100,000-£249,999	+17%	-3%	-1%	+23%	102
£250,000-£499,999	+8%	+1%	+17%	+28%	89
£500,000-£999,999	+23%	+13%	+20%	+29%	80
£1m+	+37%	+9%	+24%	+43%	120
All (weighted by sector)	+20%	+4%	+12%	+31%	538



Analysed by turnover size band, the largest firms taking part in our survey (still small firms) have had the most success in increasing their sales over the past year. Over 60% of those with a turnover of £1m or more have seen sales rise over the year and only a quarter have seen their sales fall. This gives a balance of +37% increasing sales. Table 2.3 and Chart 2.4 show that in contrast more of the firms with a turnover below £50,000 have seen their sales fall than have increased them.

The picture when analysed by employment size band is even clearer. As the number of Full-Time Equivalent (FTE) employees in the business increases, so does the balance which have increased sales over the past year (Table 2.4, Chart 2.5).

Table 2.4: Change over past year in sales, employment, investment and selling prices by FTE employees

FTE number of employees (not including proprietor/partners)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
0	+6%	-3%	+7%	+26%	72
1-2	+8%	-4%	+1%	+26%	136
3-4	+16%	+4%	+1%	+33%	82
5-9	+20%	-2%	+18%	+22%	99
10-19	+26%	+14%	+19%	+34%	70
20+	+41%	+20%	+28%	+44%	75
All (weighted by sector)	+20%	+4%	+12%	+31%	538



Chart 2.4: Percentage balance of respondents reporting an increase in sales over past year - by turnover size band

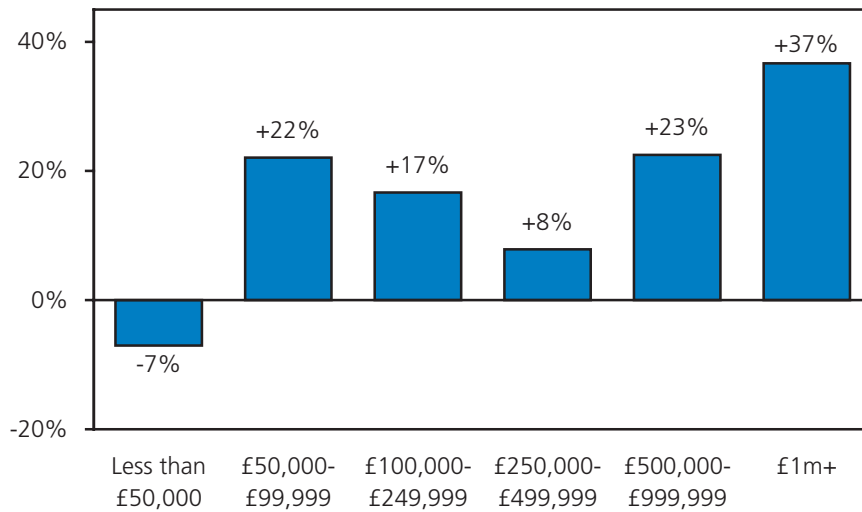
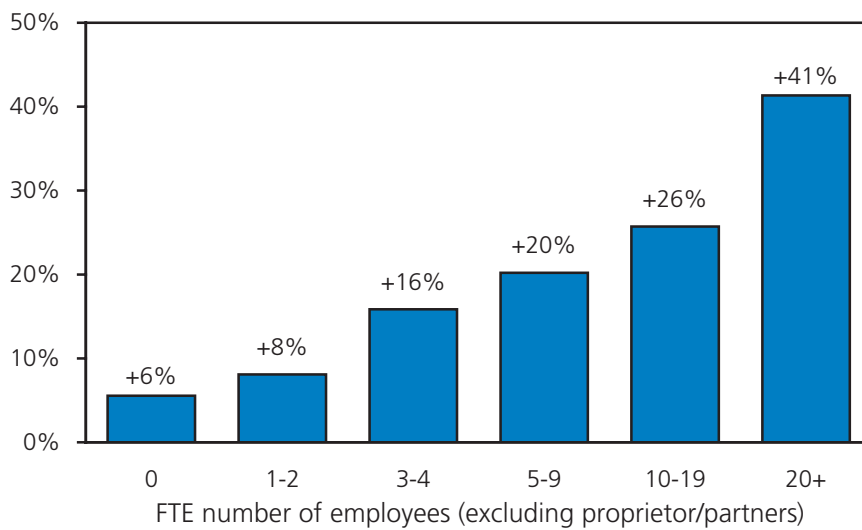
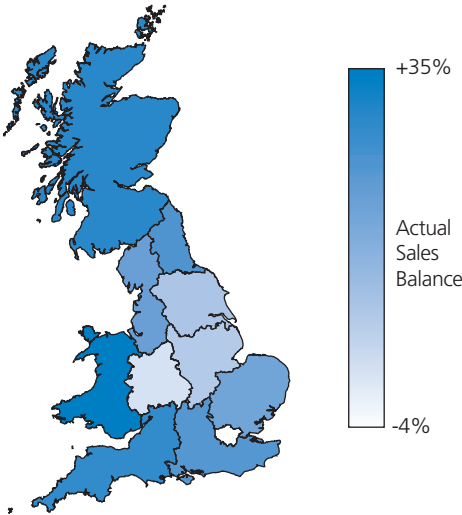


Chart 2.5: Percentage balance of respondents reporting an increase in sales over past year - by FTE number of employees



Performance: Comparison Across Regions

Chart 2.6: Percentage balance of respondents reporting an increase in sales over past year - by region



Although the balance of small firms in Wales which have increased sales over the past year is down a little compared with the previous survey, this remains the most positive region (Table 2.5). Scotland is currently the second-most positive region about small firms sales performance, closely followed by the South-West of England, which has shown

the greatest improvement since the previous survey. Only in London do those firms which saw sales fall over the past year outnumber those which sold more. This is quite a turnaround from the previous survey, where those in London were fairly positive (a balance of +17%).

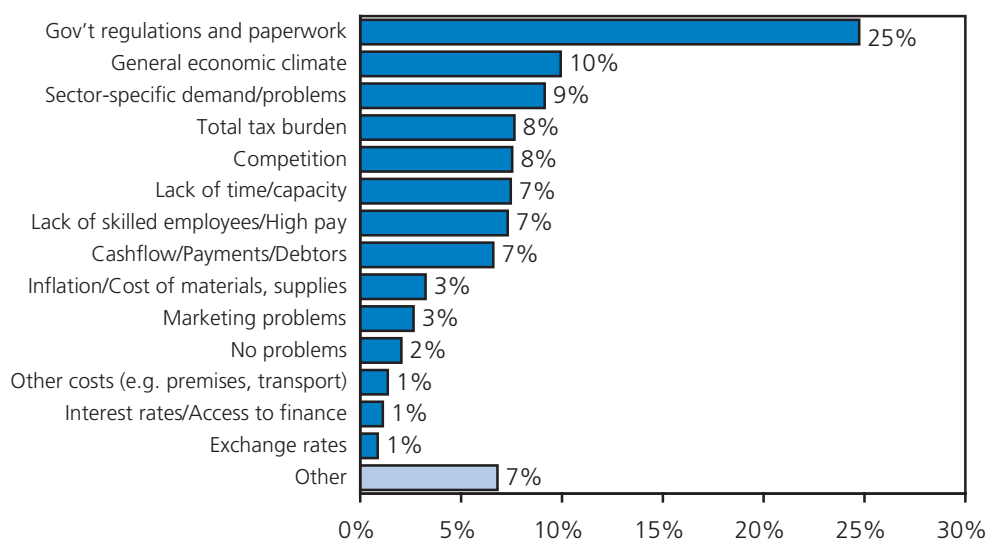
Table 2.5: Change over past year in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+25%	+19%	+0%	+19%	16
North West	+21%	-14%	+0%	+36%	58
Yorkshire & the Humber	+9%	+4%	+4%	+36%	45
East Midlands	+8%	+15%	+15%	+33%	39
West Midlands	+2%	-11%	+7%	+40%	45
East of England	+19%	-3%	+10%	+27%	73
London	-4%	-2%	+2%	+15%	48
South East	+24%	+17%	+22%	+27%	93
South West	+28%	+8%	+13%	+23%	53
Wales	+35%	-8%	+15%	+46%	26
Scotland	+29%	+6%	+26%	+35%	34

Problems

The problem of government regulations & paperwork is at a record high. It is top-ranked for firms of all sizes and in most sectors. Higher interest rates and the weak dollar are not yet causing major problems for many small firms.

Chart 3.1: 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

One quarter of small firms say that government regulations and paperwork is the biggest single problem facing their business at the moment (Chart 3.1). This is the highest score for a single problem since the list of problems was revised, four and a half years ago (Chart 3.2, overleaf, Appendix Table A3, page 31).

Table 3.2, overleaf, shows that this issue is now top-ranked for firms of all sizes (joint top-ranked for those with 3 or 4 employees), though it remains a more dominant problem for firms with 10 or more employees.

Regulation is now the top-ranked problem for firms in most sectors, the exceptions being agriculture and retail (it is joint top-ranked for wholesalers). One wholesaler said:

"The biggest issue in recent months has been the flood of new rules and regulations that affect the way our business operates."

Transport firms (41%), those in construction (31%) and health/education/leisure (31%) most often say that this is their most important problem. Fewer hotels & restaurants than in the previous survey, though, say that regulation is their top problem.

Table 3.1: Most important problem, current survey compared with recent quarters

	2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Q4
Gov't regulations and paperwork	15%	20%	22%	21%	25%
General economic climate	20%	18%	11%	12%	10%
Sector-specific demand/problems	8%	9%	9%	9%	9%
Total tax burden	9%	7%	8%	10%	8%
Competition	6%	7%	6%	7%	8%
Lack of time/capacity	7%	6%	10%	9%	7%
Lack of skilled employees/High pay	10%	9%	7%	7%	7%
Cashflow/Payments/Debtors	8%	9%	9%	9%	7%
Inflation/Cost of materials, supplies	3%	3%	4%	2%	3%
Marketing problems	4%	4%	2%	2%	3%
No problems	1%	2%	3%	2%	2%
Other costs (e.g. premises, transport)	1%	1%	2%	1%	1%
Interest rates/Access to finance	1%	1%	1%	1%	1%
Exchange rates	1%	1%	0%	1%	1%
Other	5%	4%	6%	4%	7%

General Economic Climate

Chart 3.2 shows that the proportion of firms which complain about regulations tends to mirror the proportion suffering due to the economic climate. As concerns over the economic climate have continued to ease in this survey,

those selecting regulations have increased. Only half as many small firms as one year ago indicate that the general economic climate is the single most important problem facing their business (Table 3.1). The economic climate

Chart 3.2: Selected most important problems

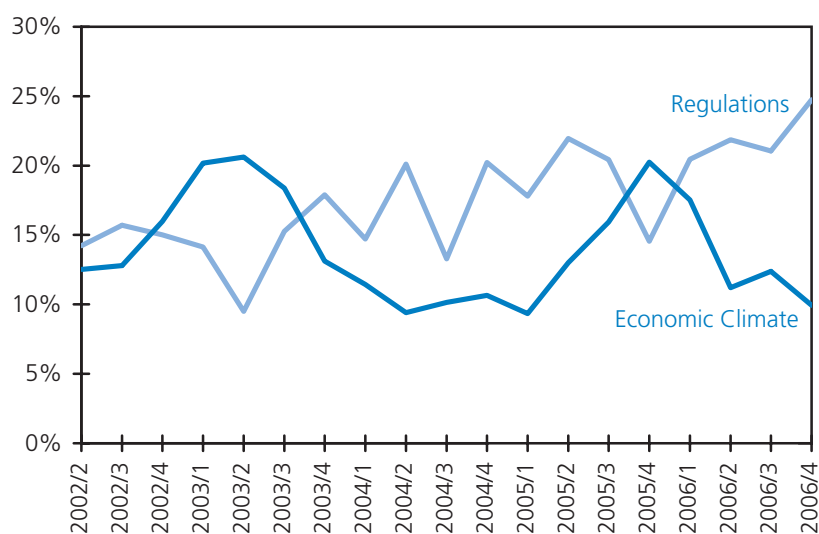


Table 3.2: Most important problem, by FTE number of employees, excluding proprietor/partners

	0	1-2	3-4	5-9	10-19	20+
Gov't regulations and paperwork	21%	18%	16%	23%	37%	29%
General economic climate	17%	13%	11%	12%	7%	5%
Sector-specific demand/problems	15%	10%	11%	7%	4%	7%
Total tax burden	6%	7%	9%	6%	9%	7%
Competition	6%	8%	4%	15%	7%	4%
Lack of time/capacity	10%	11%	16%	6%	4%	5%
Lack of skilled employees/High pay	1%	5%	5%	9%	14%	9%
Cashflow/Payments/Debtors	7%	7%	5%	6%	7%	11%
Inflation/Cost of materials, supplies	0%	4%	5%	2%	0%	7%
Marketing problems	4%	5%	4%	2%	0%	4%
No problems	3%	3%	2%	1%	0%	0%
Other costs (e.g. premises, transport)	3%	1%	0%	2%	1%	0%
Interest rates/Access to finance	0%	2%	0%	2%	0%	1%
Exchange rates	0%	1%	2%	0%	0%	3%
Other (please specify)	6%	5%	10%	5%	6%	7%
No response	3%	0%	1%	1%	3%	1%
Sample	72	136	82	99	70	75

is the top-ranked problem in distribution, with 20% of retailers and 17% of wholesalers saying this is their biggest problem (for wholesale the issue ties with regulations). The economic climate is the biggest problem for even more transport firms (24%), though regulation is the biggest problem for even more of these firms.

Other problems

While no small hoteliers & restaurateurs report that the general economic climate is their biggest problem, 16% do say that they are suffering from sector-specific demand/problems. The same proportion, more than in other sectors, also complain that the total tax burden is their biggest bugbear.

Agricultural firms most often complain of cashflow/ payments/debtors and competition (each 17%).

Competition also remains a particular problem in wholesale (11%) and retail (13%) and has become a significant issue for hotels & restaurants (12%).

While lack of demand is a problem for many firms, 15% of manufacturers and 13% of business service firms complain of the opposite problem, lack of time/capacity.

Construction firms (15%) and hotels & restaurants (12%) more often than the others complain of a lack of skilled employees/high pay, the issue covered in more depth in the topical section of this report.

The continuing weakness of the US dollar (reaching a 14-year low against sterling shortly after the questionnaires for this survey were completed) seems not yet to be causing major problems for many of Britain's small firms. Exchange rates remains the lowest ranked issue in the list of problems (Table 3.1), though it is now the biggest single problem for 6% of transport/travel firms and wholesalers.

Similarly, increasing interest rates have yet to bite significantly as this is not the biggest problem for more than 3% of firms in any sector.

Prospects

Sales expectations are more positive than at this time in the last three years. Employment prospects have, though, turned negative. Optimism has improved among small manufacturers and business service firms.

It is usual for fewer of Britain's small firms to expect to increase their sales in the final quarter than in the third quarter of any year and this survey is no exception.

Some 39% of Britain's SMEs expect their sales to be higher in the current quarter (the final quarter of 2006) than they were in the previous quarter (the third quarter). This is actually slightly higher than the 38% in the previous survey, but the proportion expecting to sell less is up from 22% to 27% (Table 4.1). The balance expecting to sell more is therefore down to +12%, compared with +16% three months ago. However, Chart 4.1 shows that the balance usually falls at this time of year and it remains well above that at this time last year and higher than at the end of 2003 and 2004.

Employment intentions within Britain's small firms have worsened more markedly. Only 10% of small firms now expect to recruit extra staff between the third and fourth quarters of 2006. Rather more (14%) expect they will be forced to reduce the numbers they employ (Table 4.1). The resulting net balance has fallen from +7% three months ago to -3% now. While this is marginally better than the -4% at this time last year, it is lower than at the end of 2004 (Chart 4.1). As in the previous survey, 72% of small firms do not expect to change the numbers they employ during the final quarter of the year.

Chart 4.1: Percentage balance of respondents expecting an increase in sales and employment (weighted figures)

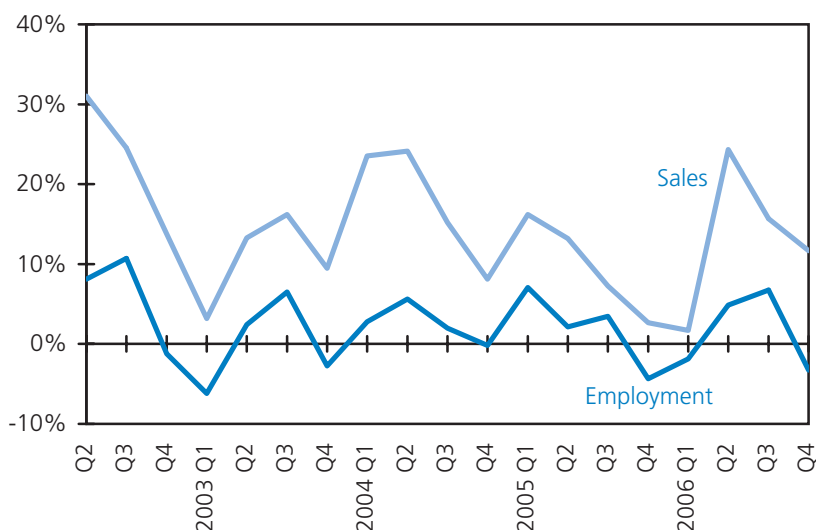


Chart 4.2: Percentage balance of respondents expecting an increase in selling prices and investment (weighted figures)



Chart 4.2 shows that small firms have not significantly changed the amount they invest over the past year. The balance of firms expecting to increase investment has remained close to zero and in this survey lies at -1%.

The balance of small firms expecting to increase their selling prices during the final quarter of 2006 has fallen from +18% to +10%.

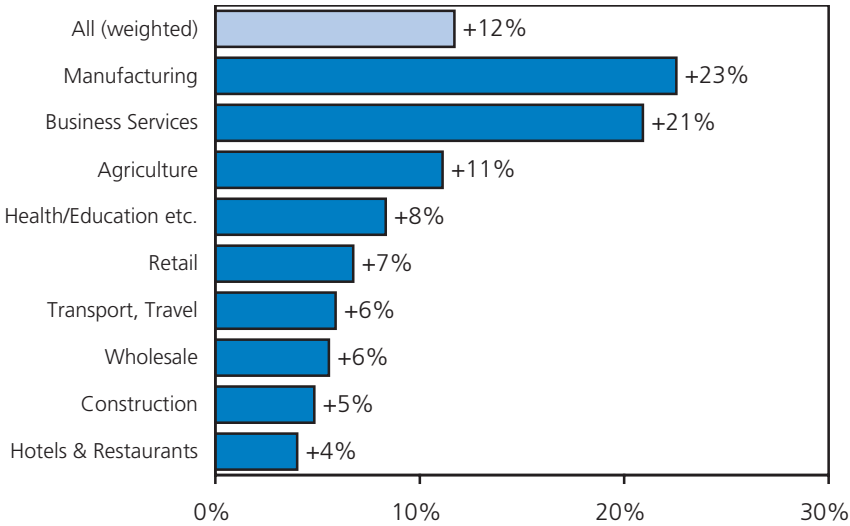


Table 4.1: Expected change over current quarter in sales, employment, investment and selling prices (weighted figures)

Expected change over current quarter (2006Q4 on 2006Q3) in:	Up	Down	Same	No response	Balance
Sales Turnover	39%	27%	33%	1%	+12%
Average Employment	10%	14%	72%	5%	-3%
Investment	14%	15%	67%	4%	-1%
Selling prices	20%	10%	67%	3%	+10%

Prospects: Comparison Across Business Sectors

Chart 4.3: Percentage balance of respondents expecting an increase in sales over current quarter - by sector



Only manufacturers and business service firms are more optimistic about their immediate sales prospects than they were three months ago. Both have seen a 17 point improvement in the balance expecting to increase sales and have gone from being the least to the most positive two sectors (Chart 4.3).

In contrast, small hotels & restaurants have gone from being the most positive in the previous survey to the least positive. However, this is not unusual as this is a highly seasonal sector. In recent years hotels & restaurants have generally expected far better business in the second and third quarters of the year than in the winter months. The only exception was at this time last year when they remained reasonably optimistic. As a consequence, this is one of only two sectors where small firms are less positive than at this time last year (transport and travel firms are just slightly less positive than a year ago). The modest balance of -4% of hoteliers and restaurateurs expecting to cut employment conceals considerable turnover in employment in that sector. Some 28% expect to recruit

extra staff, while 32% expect to cut the numbers they employ. This means only 40% of small firms expect to keep the numbers they employ unchanged, compared with at least two-thirds in every other sector and over 80% in most.

Construction firms are also less positive about their sales prospects than in the previous survey and are the second-least positive sector overall. Again, however, this is a seasonal effect as the final quarter of a year is almost always the quietest for building firms. The balance of +5% now certainly compares favourably with the -21% at this time last year. Far more construction firms, though, expect to cut than increase the numbers they employ during the final quarter (-15%) and this is the only sector where more expect to cut their average selling prices than expect to increase them.



Table 4.2: Expected change over quarter in sales, employment, investment and selling prices by sector

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Agriculture, Forestry, Fisheries	+11%	+11%	-11%	+0%	18
Manufacturing	+23%	+4%	-1%	+18%	102
Transport, Travel	+6%	+0%	-6%	+6%	17
Construction	+5%	-15%	+3%	-2%	62
Wholesale	+6%	+0%	-3%	+31%	36
Retail	+7%	-9%	+3%	+7%	89
Hotels & Restaurants	+4%	-4%	-4%	+0%	25
Business Services	+21%	+3%	+1%	+7%	153
Health/Education/Leisure/Other	+8%	-8%	-3%	+22%	36
All (weighted by sector)	+12%	-3%	-1%	+10%	538

The balance of retailers expecting an improvement in sales in the final quarter is practically unchanged on the previous survey, at +7%. While the Christmas period is clearly busiest for certain types of retailer, the small retailers taking part in this survey have expected sales to fall in the final quarter of the year more often than they have expected them to rise. Small retailers clearly remain more optimistic now than throughout 2005, when in every survey more expected their sales to fall than expected them to rise.

FTE number of employees (not including proprietor/partners)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
0	+6%	-3%	+4%	+11%	72
1-2	+2%	-4%	-3%	+4%	136
3-4	+7%	-13%	-4%	+22%	82
5-9	+25%	+3%	+2%	+5%	99
10-19	+23%	+3%	-9%	+3%	70
20+	+25%	+5%	+12%	+20%	75
All (weighted by sector)	+12%	-3%	-1%	+10%	538

Table 4.4: Expected change in sales, employment, investment and selling prices by FTE employee size band

Tables 4.3 and 4.4 and Charts 4.4 and 4.5 show that relatively larger firms in the survey are generally more optimistic about their immediate sales and employment prospects than their smaller counterparts. Those with a turnover of over £250,000 or with 5 employees or more expect, on balance, to recruit extra employees and more often expect their sales to increase, while the smallest firms fear they will not increase their sales and will have to cut the numbers they employ.



Annual turnover (excluding VAT)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Less than £50,000	-8%	-1%	-1%	+7%	71
£50,000-£99,999	+7%	-4%	+6%	+12%	68
£100,000-£249,999	+11%	-12%	-8%	+10%	102
£250,000-£499,999	+18%	+1%	+2%	+10%	89
£500,000-£999,999	+30%	+4%	+3%	+6%	80
£1m+	+20%	+2%	+1%	+13%	120
All (weighted by sector)	+12%	-3%	-1%	+10%	538

Table 4.3: Expected change in sales, employment, investment and selling prices by turnover size band

Prospects: Comparison Across Size Bands

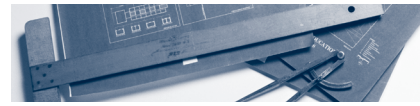


Chart 4.4: Percentage balance of respondents expecting an increase in sales - by turnover size band

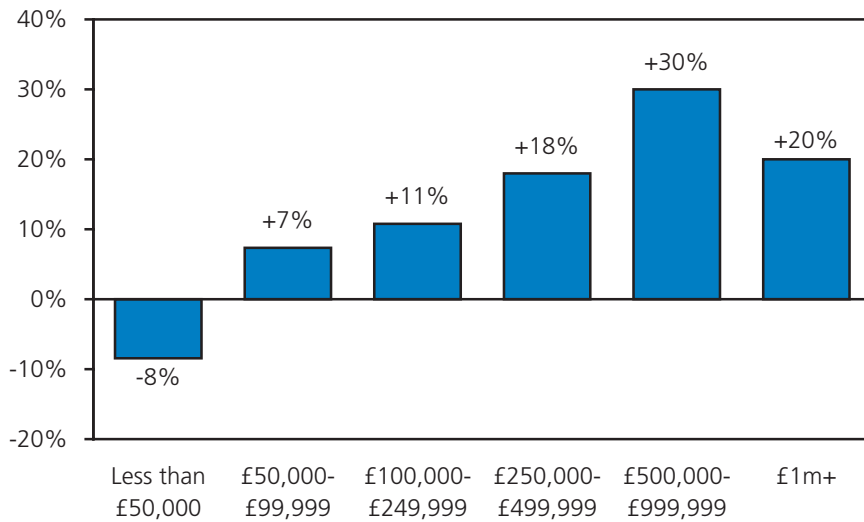
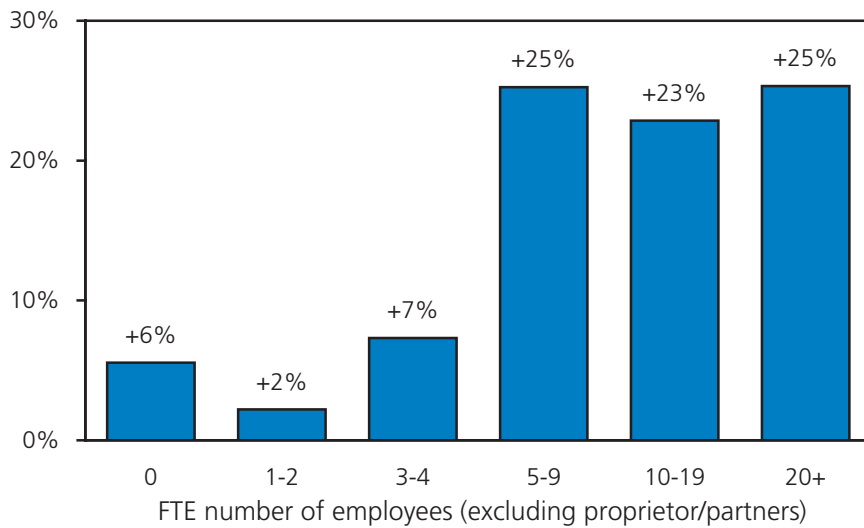


Chart 4.5: Percentage balance of respondents expecting an increase in sales - by FTE number of employees (not including proprietor/partners)



Prospects: Comparison Across Regions

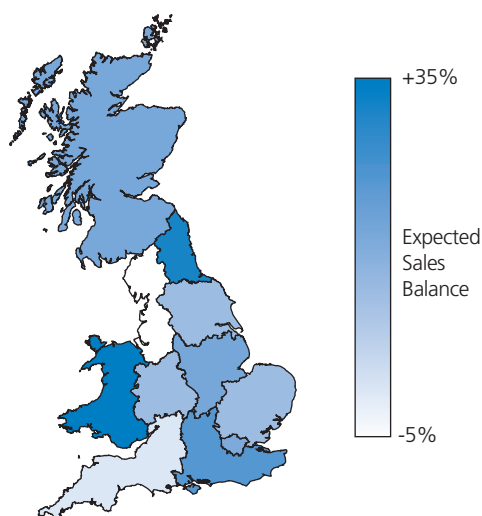
Table 4.5: Expected change over current quarter in sales, employment, investment and selling prices - by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+31%	+0%	+0%	+13%	16
North West	-5%	-3%	-10%	+10%	58
Yorkshire & the Humber	+11%	-9%	+7%	+4%	45
East Midlands	+18%	+8%	-10%	+10%	39
West Midlands	+11%	-9%	-2%	+13%	45
East of England	+11%	-3%	+0%	+8%	73
London	+17%	-2%	+4%	+13%	48
South East	+24%	+6%	+3%	+14%	93
South West	+0%	-4%	+6%	+9%	53
Wales	+35%	-15%	-4%	+4%	26
Scotland	+18%	+0%	+12%	+9%	34

For the third survey in succession, small firms in Wales are the most optimistic about their sales prospects for the current quarter, with a balance of +35% expecting an increase in sales during the third quarter (Table 4.5). This balance is, though, down from +46%, a sharper fall than the other regions, narrowing the gap between them. Small firms in Wales are now pessimistic about employment and investment prospects within their firms.

Firms in the South West, Scotland and across the north of England are less optimistic about their sales prospects than in the previous survey (though those in the North East remain among the most optimistic). Those in the East and West Midlands, London, the South East and the East of England are more optimistic than they were.

Chart 4.6: 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 2nd November 2006 to 2,873 owners and managers of small businesses which had previously volunteered to take part, 884 by e-mail and the remainder by post.

By the cut-off date of 20th November, a total of 538 completed questionnaires had been received.

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 2005) 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.

In this survey, the employment question was re-phrased to explicitly ask for Full-Time Equivalent (FTE) number of employees, which is believed to be the way that most respondents with part-time employees were interpreting it.

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%	+1.7%	+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%

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 Regs and Paperwork	High Rates of Pay	Shortage of Materials, Supplies etc.	Internal Management Difficulties	Cashflow/ Payments/ Debtors	Premises, Rents, Rates	Other	No Response	Number of Replies Analysed
1996/1	2.2%	0.6%	3.3%	4.5%	6.5%	38.2%	6.7%	5.1%	0.3%	0.7%	1.7%	12.8%	3.7%	11.5%	2.1%	700
1996/2	0.4%	0.7%	2.6%	4.4%	6.5%	36.6%	6.1%	8.8%	0.4%	0.5%	2.6%	13.1%	3.4%	13.1%	1.0%	1,099
1996/3	0.2%	0.7%	3.7%	6.1%	6.3%	31.8%	8.1%	8.6%	0.3%	0.5%	1.4%	12.2%	4.9%	14.3%	1.2%	742
1996/4	0.6%	1.0%	2.5%	7.6%	6.5%	34.6%	7.5%	10.3%	0.4%	0.2%	2.5%	9.5%	4.2%	11.6%	1.0%	753
1997/1	0.3%	1.4%	2.9%	8.2%	6.6%	29.9%	7.4%	10.8%	0.3%	0.5%	2.1%	14.6%	3.9%	10.2%	1.0%	912
1997/2	0.1%	1.2%	2.0%	9.5%	5.1%	31.9%	7.2%	10.5%	1.4%	0.3%	2.5%	11.2%	3.5%	12.6%	1.1%	720
1997/3	0.2%	2.7%	3.4%	8.1%	8.1%	27.6%	9.2%	10.3%	0.5%	0.5%	2.0%	10.5%	5.3%	11.1%	0.5%	909
1997/4	0.7%	1.9%	2.5%	12.1%	5.6%	29.4%	7.0%	10.9%	0.6%	0.6%	2.5%	10.3%	4.9%	9.7%	1.3%	634
1998/1	0.2%	3.4%	1.8%	8.9%	5.8%	27.7%	8.1%	11.8%	0.9%	0.5%	1.6%	12.1%	3.4%	12.6%	1.3%	783
1998/2	0.2%	3.4%	2.9%	10.1%	5.0%	25.6%	8.2%	8.4%	1.1%	0.3%	1.9%	10.7%	3.2%	18.1%	0.9%	1,273
1998/3	1.8%	3.4%	2.2%	7.7%	5.0%	29.3%	6.3%	9.6%	0.8%	0.1%	2.6%	9.7%	4.9%	16.0%	0.7%	682
1998/4	0.8%	6.3%	1.8%	9.7%	7.1%	30.8%	7.6%	6.1%	1.4%	0.7%	1.6%	10.5%	2.0%	13.0%	0.6%	654
1999/1	0.1%	1.7%	1.9%	8.9%	7.2%	31.0%	5.3%	11.1%	1.1%	0.9%	1.9%	8.3%	4.3%	15.2%	1.1%	601
1999/2	0.2%	1.0%	1.2%	8.0%	6.3%	31.6%	7.6%	14.8%	1.1%	1.0%	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	Competition	Marketing problems	Interest rates/ Access to finance	Inflation/ Cost of materials, supplies	Other costs (e.g. premises, transport)	Exchange rates	Cashflow/ Payments/ Debtors	Government regulations and paperwork	Lack of skilled employees/ High pay	Total tax burden	Lack of time/ capacity	No problems	Other (please specify)	No response	Sample
2002/2	13%	7%	6%	4%	2%	1%	2%	2%	10%	14%	8%	7%	8%	3%	12%	1%	1,168
2002/3	13%	7%	7%	4%	1%	0%	1%	1%	11%	16%	11%	6%	9%	2%	11%	1%	1,078
2002/4	16%	7%	7%	4%	1%	0%	2%	1%	9%	15%	10%	6%	9%	2%	8%	2%	1,074
2003/1	20%	8%	9%	4%	1%	0%	1%	1%	9%	14%	6%	7%	8%	2%	9%	1%	922
2003/2	21%	8%	7%	4%	1%	1%	1%	1%	11%	10%	9%	6%	9%	2%	8%	2%	851
2003/3	18%	9%	6%	3%	1%	1%	1%	1%	6%	15%	9%	9%	10%	2%	7%	2%	784
2003/4	13%	9%	8%	3%	1%	1%	1%	0%	7%	18%	9%	8%	8%	3%	9%	2%	687
2004/1	11%	8%	9%	3%	2%	1%	2%	2%	11%	15%	7%	9%	8%	3%	8%	1%	808
2004/2	9%	8%	8%	4%	2%	2%	1%	1%	8%	20%	9%	8%	9%	3%	8%	1%	739
2004/3	10%	9%	8%	4%	2%	3%	3%	1%	10%	13%	10%	7%	9%	3%	7%	1%	623
2004/4	11%	8%	7%	3%	1%	2%	1%	1%	8%	20%	10%	8%	8%	4%	8%	1%	711
2005/1	9%	9%	8%	5%	1%	2%	2%	1%	7%	18%	10%	11%	9%	2%	5%	1%	652
2005/2	13%	9%	8%	3%	1%	1%	1%	1%	8%	22%	8%	7%	8%	3%	5%	2%	675
2005/3	16%	10%	6%	5%	0%	2%	2%	1%	8%	20%	6%	5%	7%	1%	6%	3%	670
2005/4	20%	8%	6%	4%	1%	3%	1%	1%	8%	15%	10%	9%	7%	1%	5%	2%	620
2006/1	18%	9%	7%	4%	1%	3%	1%	1%	9%	20%	9%	7%	6%	2%	4%	1%	641
2006/2	11%	9%	6%	2%	1%	4%	2%	0%	9%	22%	7%	8%	10%	3%	6%	1%	638
2006/3	12%	9%	7%	2%	1%	2%	1%	1%	9%	21%	7%	10%	9%	2%	4%	2%	547
2006/4	10%	9%	8%	3%	1%	3%	1%	1%	7%	25%	7%	8%	7%	2%	7%	2%	538

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 50th Survey (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

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 2006Q4

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.

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- 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** Apart from on-the-job instruction, what training does your business provide for its staff?
- | | |
|--|---|
| 1. No formal training | 4. Pays for external training courses |
| 2. Organises on-line learning | 5. Gives staff time off to attend courses |
| 3. Organises other internal training courses | 6. Other (please specify) _____ |
- 6** Based on the employees you have recruited in recent years, how do you rate the contribution of the UK educational system to meeting the needs of your business?
- | | | |
|----------------|------------------|--------------------------------|
| 1. Appropriate | 2. Inappropriate | 3. Not recruited any employees |
|----------------|------------------|--------------------------------|
- 7** How important are skills shortages as a problem for your business?
- | | | |
|--|--|------------------|
| 1. Crucial, prevent us from doing important work | 3. Irritating, but we can manage | 5. Not a problem |
| 2. Important, we waste time and resources | 4. Only an occasional/seasonal problem | |
- 8** If you have a skills shortage, for which type of skills is this problem particularly acute? (Circle all those which apply)
- | | |
|--|---------------------------------|
| 1. Skills specific to your business type (e.g. bricklayers, chefs, engineers, CAD), please specify _____ | 5. Basic numeracy/literacy |
| 2. General IT skills | 6. Other (please specify) _____ |
| 3. Management skills | |
| 4. Financial/accounting skills | |
- 9** In your view, what is the MOST important cause of skills shortages for your business? (Circle ONE only)
- | | | |
|---------------------------------------|---|---------------------------------|
| 1. We cannot pay enough | 4. Attractions of other regions/localities | 7. Other (please specify) _____ |
| 2. Competition from large firms | 5. Poor supply of skilled/trained people | |
| 3. Competition from other small firms | 6. Inappropriate skills developed at schools/colleges | |
- 10** How do you usually address a skills shortage problem? (Circle all those which you use)
- | | | |
|---|--|---------------------------------|
| 1. Develop internally through training etc. | 4. Use recruitment agencies | 7. Offer higher pay |
| 2. Outsource/contract out to other firms | 5. Use temporary employment agencies | 8. Other (please specify) _____ |
| 3. Use specialist freelances/consultants | 6. Attract directly from competitors/other firms | |
-
- 11** 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 | |
- 12** 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 2005? What do you expect to happen in the current quarter?
Please complete the table by ticking 8 boxes only:
- | | ACTUAL | | | EXPECTED | | |
|--------------------|---|------|------|---|------|------|
| | July, August, September 2006 compared with the same period 2005 | | | October, November, December 2006 compared with July, August, September 2006 | | |
| | UP | DOWN | SAME | UP | DOWN | SAME |
| Sales Turnover | | | | | | |
| Average Employment | | | | | | |
| Investment | | | | | | |
| Selling Prices | | | | | | |
- 13** 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 | |
- 14** Please indicate the sex of the owner(s) of the business:
- | | | |
|---------|-----------|--------------------------------|
| 1. Male | 2. Female | 3. Joint Male/Female ownership |
|---------|-----------|--------------------------------|
- 15** 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 17th November 2006.
Please note that this is a FREEPOST address (no stamp required).