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# NatWest/SERTeam Quarterly Survey of Small Business in Britain





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# Summary

*Small firms' sales performance is at its best in over two years. Manufacturers, retailers and business service firms are, though, less positive. While sales expectations for the third quarter are seasonally down, optimism is higher than at this time last year in all sectors except business services. The general economic climate is the biggest problem facing wholesalers and retailers, but government regulations and paperwork still concern more firms. Most small firms get varied benefits from being members of one or more business membership organisations. Internet purchasing is rapidly becoming the norm. A majority of small firms have no significant overseas links.*

- The balance of small firms increasing sales over the past year has risen for the fourth survey in succession, to its highest level in two years.
- A balance of small firms have also increased employment, the best result since the end of 2004. The balance increasing investment is, though, down. A record level of firms have increased their prices.
- Sales expectations for the third quarter are not as positive as they were about the second, but this is a usual seasonal effect. Firms in all sectors except business services are more optimistic than they were at this time last year. Employment intentions are up.
- The optimism of small hotels & restaurants in the previous survey was justified, as they report the best sales performance. These firms also expect a positive third quarter.
- Small retailers report the worst sales performance over the year and remain relatively pessimistic about their immediate sales prospects.
- Government regulations and paperwork remains the top-ranked small business problem.
- The very smallest firms and those in distribution more often say that the general economic climate is the biggest problem facing their business.
- Three-quarters of the firms in this survey belong to a business association, network or club. This ranges from just over half of the smallest to nearly 90% of the largest firms taking part.
- National professional bodies are the most popular with the very smallest firms, national trade associations with the relatively largest. Firms with a turnover between a quarter and a half a million pounds per year are most often members of the Federation of Small Businesses.
- These organisations provide valuable general business advice as well as specific technology and best practice advice alongside services such as insurance.
- Local business organisations most often provide social contact and sources of new customers and suppliers. Some firms are also members of buying groups and other specialised membership organisations.
- Low price is far less often the most important factor when choosing a supplier than the quality of products/services and reliability of supplier.
- Over half of small businesses (and more of the larger and more entrepreneurial) have bought and paid for goods and services on the Internet.
- A majority have no significant imports or off-shore operations.

# Organisations & Suppliers

*Most of Britain's small firm owners belong to one or more business membership organisations, catering for a variety of needs, including business advice, leads and services but also for shared experience and social contact. Low price is less important than quality and reliability of a supplier. A majority of small firms have bought and paid for supplies on the Internet, but fewer than half import.*

## Membership organisations

Three-quarters of the small business owner/managers taking part in this survey are a member of one or more business associations, networks or clubs.

Chart 1.1 shows that equally popular among small firms, with 28% being members, are national trade associations and national professional bodies. Table 1.1 (overleaf) shows that relatively larger firms are far more likely to be members of a national trade association. Half of the firms with a turnover of £1m or over are members of a trade association, compared with only a tenth of those with a turnover of less than £50,000 per year.

55% of agricultural firms are members of a trade association (the National Farmers Union is the largest trade association in the UK). Membership is also high in the construction industry (40% are members of associations such as the Federation of Master Builders) and retail (35% belong to the British Retail Consortium or other retail trade associations).

For firms with a turnover below £250,000, the most popular membership organisations are national professional bodies. Firms engaged in business services (43%) and other services (38%) are far more often than

Chart 1.1: "Are you a member of any business association, network or club?"

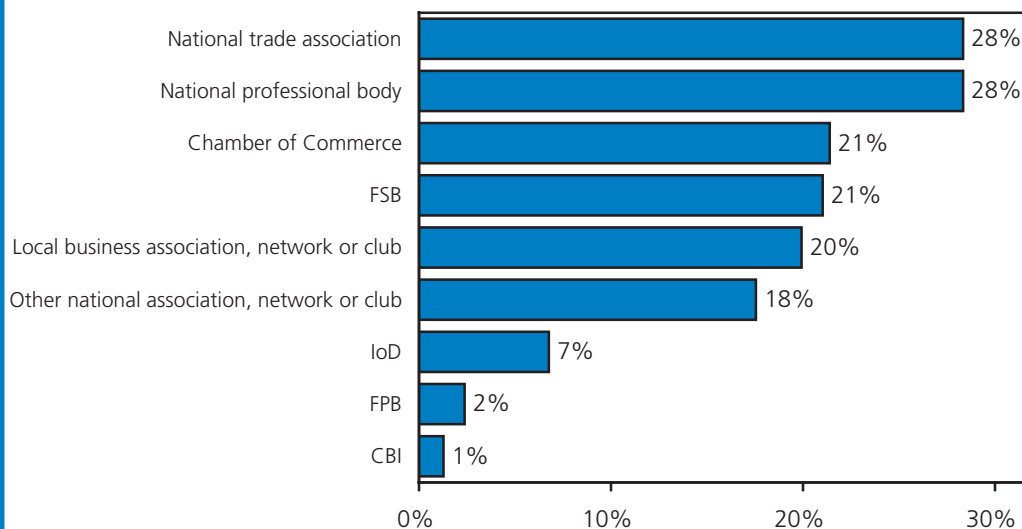


Table 1.1: "Are you a member of any business association, network or club?"  
- by turnover size band

	Less than £50,000	£50,000- 99,999	£100,000- 249,999	£250,000- 499,999	£500,000- 999,999	£1m+	All
National trade association	10%	19%	23%	30%	32%	50%	28%
National professional body	27%	44%	28%	23%	20%	30%	28%
Chamber of Commerce	4%	19%	14%	23%	23%	42%	21%
FSB	7%	13%	20%	35%	33%	15%	21%
Local business association, network or club	15%	19%	18%	22%	20%	25%	20%
Other national association, network or club	18%	11%	14%	24%	23%	18%	18%
IoD	1%	8%	6%	3%	5%	15%	7%
FPB	0%	0%	2%	1%	0%	9%	2%
CBI	0%	0%	0%	1%	1%	5%	1%
Any of the above	54%	79%	71%	82%	80%	89%	76%
Sample	71	75	119	92	75	108	547

other firms members of national professional bodies, such as the Institute of Chartered Accountants and the Chartered Institute of Marketing.

Over one-third of the firms in this survey with an annual turnover between one-quarter and one-half a million pounds per year report that they are members of the Federation of Small Businesses (FSB), making this the most popular organisation for firms of this size<sup>1</sup>. Smaller firms are more often members of a national professional body and larger firms more often members of a national trade association.

Membership of the FSB is high among firms engaged in transport (40%), retail (35%), hotels & restaurants (33%) and wholesale (31%). It is less well represented in business services (10%) and other services (12%). Businesses in this survey run by females are more often (26%) members of the FSB than are those run by males (18%).

Overall, 21% of the firms in this survey are members of the FSB. The same number are members of the Chamber of Commerce, though the latter tends to cater for relatively larger firms, with twice as many (42%) of those with a turnover over £1m being members. The Chamber of Commerce is the most popular membership organisation among manufacturers (33%).

Membership of business organisations generally increases with firm size. Only just over half of firms with a turnover below £50,000 are a member of any of the listed organisations, compared with 89% of those with a turnover of £1m a year or more. In particular, very few firms with a turnover below £1m a year are members of the Confederation of British Industry (CBI) or Forum for Private Business (FPB). Membership of the Institute of Directors (IoD) is also much more common among relatively larger firms.

Firms which view themselves as 'entrepreneurial' are more often than others members of these organisations (84% of those which score themselves as 6 or above on a 1-10 entrepreneurial scale compared with 69% who score themselves lower). This is related to the fact that the smallest firms generally regard themselves as less entrepreneurial than their larger counterparts. However, a key feature of entrepreneurial firms is often said to be their stronger propensity to network.

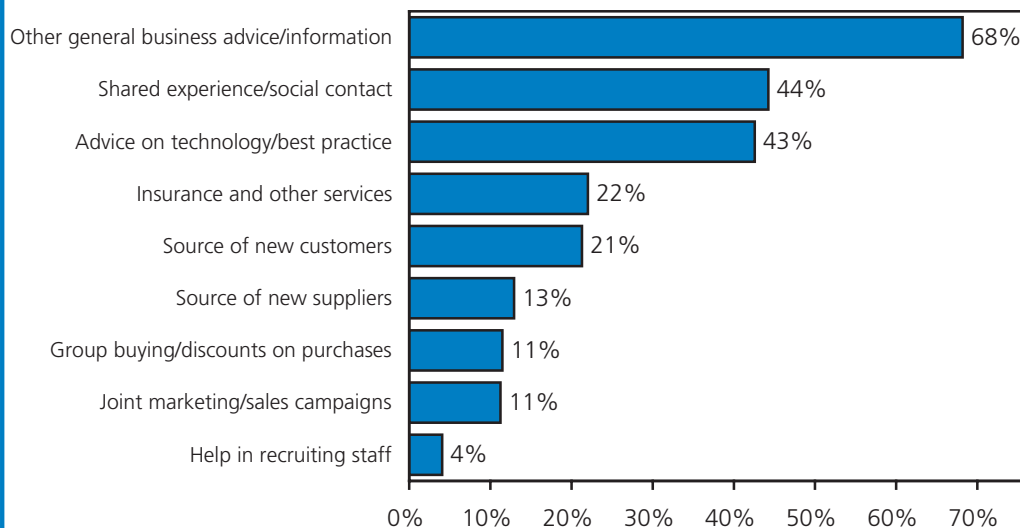
### Benefits of membership

The most common perceived benefit of business membership organisations is 'general business advice and information' (Chart 1.2). 68% of those which are members of a business association, network or club report

<sup>1</sup> Firms which are members of groups such as the FSB may be more likely than non-members to complete surveys such as these. Applying the proportions of respondents which are members to VAT statistics by turnover size would imply an FSB membership approaching 300,000, as opposed to its reported membership of around 200,000 firms (source: www.fsb.org.uk).



Chart 1.2: "Which of the following benefits do you feel you get from being a member of a business association, network or club?" (only those which are a member of an association, network or club)



that they feel that this is a benefit of their membership. Firms which are members only of the FSB in particular value the general business advice from that organisation, with 80% citing it as a benefit.

Overall, the second most common benefit is 'shared experience/social contact', although different types of organisation cater to this to different degrees. While the FSB does have regional branches and meetings, this does not seem to be a prime reason for being a member. Only 7% of small firms which are members only of the FSB report that a benefit is shared experience/social contact. Unsurprisingly, local organisations much more often provide opportunities for social contact. 73% of firms which are members only of a local business association, network or club report that a benefit is shared experience/social contact, making it easily the most obvious benefit of such organisations.

'Advice on technology/best-practice' is an important benefit of membership organisations (43% overall), particularly of trade associations (49%), which will often be a valuable source of industry-specific information.

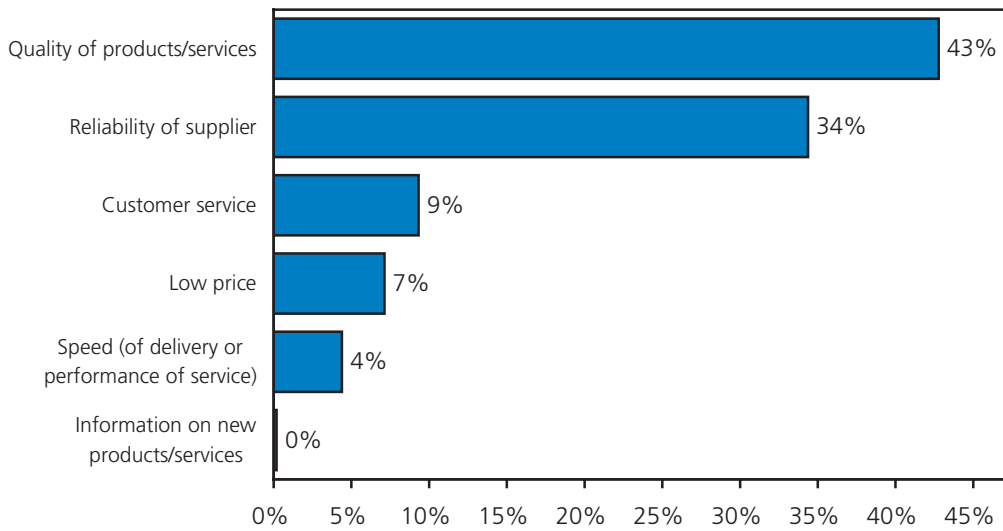
Construction (57%) and business service firms (53%) most often value this type of help.

22% of all small firms report that they view insurance and other services as a benefit of their being a member of an organisation, club or network, though this is as high as 41% of those which are members only of the FSB, which offers an extensive range of services to members.

Only just over a fifth (21%) of small firms report that membership organisations are a source of new customers. This seems to be most often through national trade associations, with specific industry knowledge, or local business associations, networks or clubs. Local organisations, along with national professional bodies, also seem to be the best source of new suppliers.

A third of hotels & restaurants and 27% of retailers (compared with 11% of all small firms) report that 'group buying/discounts on purchases' are a benefit of a membership organisation. Many of these are probably members of dedicated buying groups (24% of those which are members only of an 'other' national association, network or club report that this is a benefit).

Chart 1.3: Which is the most important factor for a good supplier to your business?



### Good suppliers

Low price comes well below quality and reliability in small firms' priorities when choosing a supplier.

Respondents were asked which is the most important factor for a good supplier to their business. In practice, of course, the choice of supplier is usually a complex decision which involves a number of factors. This question was designed to elicit the top priority when making a purchasing decision.

Chart 1.3 shows that low price is cited as the most important factor by only 7% of respondents. The very smallest firms rather more often choose suppliers on the grounds of price. 14% of those with a turnover below £50,000 do so, compared with only 4% of those with a turnover of £1m or more. Female owner managers also seem to be rather more price conscious. 16% of owners of businesses run solely by women report that low price is the most important factor when they are choosing a

supplier. Even for the smallest firms and those run by women, however, quality of products/services or reliability of supplier are more than twice as often the deciding factor.

Nearly all (89%) small firms in the hotels & restaurants sector indicate that the quality of the products is the overriding factor when they are choosing a supplier.



Table 1.2: "To what extent has your business used the Internet when sourcing supplies?"  
- by number of employees (not including proprietor/partners)

	0	1-2	3-4	5-9	10-19	20+	All
Bought and paid for goods or services online	49%	52%	52%	45%	51%	62%	52%
Placed orders (but not paid online)	4%	8%	13%	6%	11%	8%	9%
Researched prices, specifications etc. (but not ordered)	10%	13%	8%	20%	18%	22%	15%
Not used Internet at all for purchasing	36%	26%	27%	26%	18%	7%	24%
No response	1%	1%	0%	2%	3%	1%	1%
Sample	72	130	91	99	79	74	547

### Internet suppliers

Just over half (52%) of the small firms taking part in this survey have bought and paid for goods or services on-line. A further 9% have placed orders but not paid on-line, while 15% have used the Internet to research prices, specifications and so on but have not placed on-line orders. Overall, less than one-quarter have not used the Internet at all when sourcing supplies, ranging from only 7% of those with 20 or more employees to over a third (36%) of firms where the proprietor or partners work on their own without employees (Table 1.2).

Small firms which view themselves as entrepreneurial have more often embraced the Internet than their counterparts which view themselves as not at all entrepreneurial. 86% of those which score themselves as 8 or over on an entrepreneurial scale have used the Internet when sourcing supplies, compared with only 62% of those which score themselves as 3 or lower.

Our report one year ago (Volume 21 Number 3) examined other business uses of the Internet in more depth.



Table 1.3: "To what extent does your business use imported goods or offshore services?"  
- 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
Buy goods directly from foreign suppliers	6%	12%	14%	15%	21%	42%	19%
Have foreign operations/out-source overseas	6%	3%	2%	4%	5%	7%	4%
Import through intermediary	7%	15%	26%	15%	13%	17%	16%
No significant imports/off-shore operations	76%	65%	54%	67%	63%	46%	60%
Sample	71	75	119	92	75	108	547

### Imported goods and offshore services

Overall, just under one-fifth of small businesses buy goods directly from overseas suppliers. However, this is an activity far more important to the relatively larger firms taking part in the survey. The proportion jumps to 42% of those with an annual turnover of £1m or more, compared with only 6% of the smallest firms, those with a turnover of less than £50,000 (Table 1.3).

Manufacturers (43%) and wholesalers (40%) far more often import directly from foreign suppliers than do other small firms.

Retailers usually buy their imports through an intermediary such as an import house (38% do so, compared with only 16% of all small firms). 31% of wholesalers also buy imports through other UK intermediaries further up the supply chain.

Only 4% of small UK firms have foreign operations or out-source services overseas and this does not seem to be closely related to firm size. These include firms with obvious foreign links, including travel agencies, freight forwarders and translation agencies, as well as more general manufacturers, distributors and consultancies.



## Conclusions

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Few small business owners work in isolation.

Most belong to some kind of business association, network or club. These cater for different sizes and types of business, and to different needs. An important function of many of these associations is to represent their members to government, that is to act as pressure groups, but this aspect was not covered in our survey.

Micro-firms, especially those engaged in services such as accountancy and marketing, are often members of a national professional body. Small firms are more often members of the Federation of Small Businesses, which is seen as a useful source of general business advice and services such as insurance, though offers relatively little in terms of shared experience and social contact. Relatively larger firms most often get advice on business, technology and new customers from a trade association in their industry.

Largely cutting across size barriers are local business associations and clubs, which primarily satisfy the need to share experience and provide social contact, as well as being a good source of new local customers and suppliers.

There are also other sorts of organisations meeting specific business needs, such as buying groups which arrange for discounts on purchases. When businesses do choose suppliers, however, low price is usually less important than quality of the goods and services and reliability of the supplier.

Many businesses (41%), of course, belong to more than one type of organisation.

Most small business, especially the larger and more entrepreneurial, use the Internet when sourcing supplies, although over half of the very smallest have not paid for goods or services on-line.

Relatively larger manufacturers and wholesalers often buy goods and services directly from foreign suppliers, while micro-firms mostly import (if at all) through an intermediary such as an import house. Of course, firms do not always know the original source of their purchases. One plumbers' merchant notes, *"we are finding that many products which were originally manufactured in this country are now being made abroad and imported - invariably we are not aware of this but occasionally find out by accident"*.

# Conclusions

# Performance

*Britain's small firms have seen their best sales performance in over two years. Small firm employment is also up. Small hotels & restaurants have become positive again and those in health/education/leisure remain buoyant, though small retailers, manufacturers and those in business services are less positive than they were.*

Table 2.1 shows that nearly half (48%) of Britain's small firms sold more in the past quarter (2006 Q2) than a year earlier (2005 Q2), while a quarter saw their sales fall (Table 2.1). The resulting balance of +23% reporting an increase in sales in the year to the second quarter is the fourth increase in succession (Chart 2.1). The balance of +23% compares with +15% last quarter and -1% at this time last year, when more small firms reported falling sales than reported an increase. The balance is the highest in just over two years.

The improvement in the sales balance is consistent with official figures (released after questionnaires for this survey were completed), showing the quarterly growth rate of GDP of the economy as a whole up to +0.8%, the highest rate in two years, lifting the annual growth rate from +2.3% to +2.6% in the year to the second quarter of 2006.

Chart 2.1: Percentage balance of respondents reporting an increase in sales, employment, investment or selling prices (weighted figures)

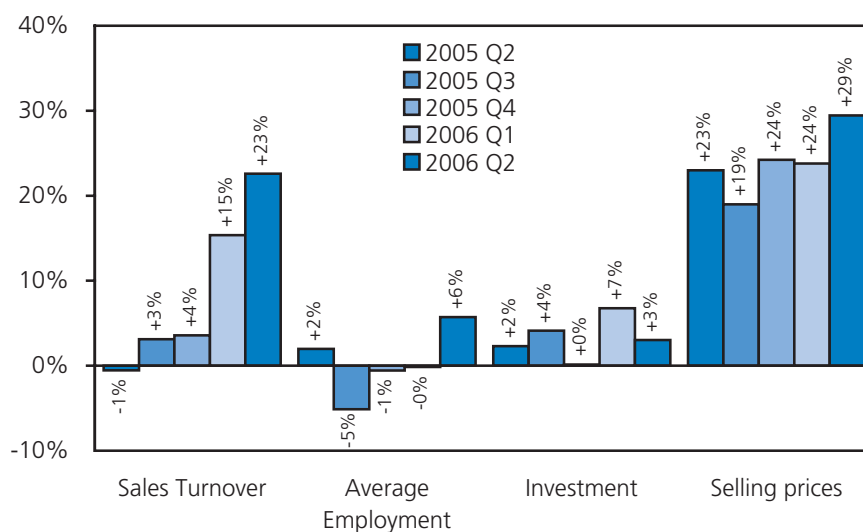


Table 2.1: Change over past year in sales, employment, investment and selling prices (weighted figures)

Change over past year (2006Q2 on 2005Q2) in:	Up	Down	Same	No response	Balance
Sales Turnover	48%	25%	26%	1%	+23%
Average Employment	22%	17%	59%	2%	+6%
Investment	21%	18%	58%	2%	+3%
Selling prices	37%	8%	52%	3%	+29%

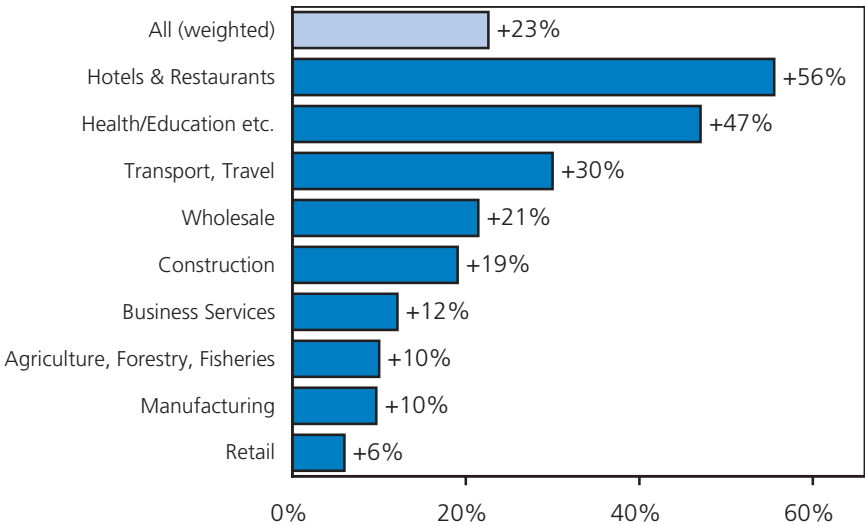
The balance of small firms increasing the numbers they employ has also improved markedly. In the previous survey, fractionally more had cut the numbers they employ than had recruited extra staff, giving a negative balance. In this survey, 22% have recruited extra employees over the year and only 17% have shed staff, giving a balance of +6% (Table 2.1). The balance is higher than at any time over the past year (Chart 2.1) though it was slightly higher at the end of 2004.

While the balances of firms increasing sales and employment have improved, small firms seem to have limited medium-term confidence, as the balance which increased investment (in plant, equipment and premises) over the past year has fallen. The balance which invested more in the second quarter of 2006 than in the second quarter of 2005 has fallen from +7% to +3%, though this remains above its level at this time last year (Chart 2.1).

The balance of small firms which raised their average selling prices between the second quarter of 2005 and the second quarter of 2006 is up to +29%, the highest since this question was first asked, in 1998. Inflation in the economy as a whole has also increased, to reach 2.5% in June. This prompted the Bank of England to raise interest rates to 4.75% on 3rd August 2006, after most questionnaires for this survey were completed. This was the first rise in UK interest rates in two years.

# Performance: Comparison Across Business Sectors

Chart 2.2: Percentage balance of respondents reporting an increase in sales over past year - by sector



Over the past four years or so the small hotels & restaurants taking part in this survey have usually been among the most positive about their sales performance. Over the past six months, however, their performance slipped and in the previous survey they were among the least positive, with as many reporting falling sales over the year as reporting an increase. However, the balance expecting an improvement in the second quarter of 2006 did increase sharply. In this survey, that optimism seems to have been justified as good fortune has returned to the sector and they are once again the most positive about sales performance (Chart 2.2). Over 60% of the (relatively few) hotels & restaurants taking part in the survey report higher sales in the second quarter of 2006 than in the second quarter of 2005 while less than 6% report that their sales were down. The balance of +56% reporting an increase is the highest in the seventeen years that the balances have been analysed in this way.

Small hotels & restaurants have also most often increased the numbers they employ over the past year and increased their selling prices (Table 2.2). However, more have cut the

amount they invested over the year than have increased it, suggesting some reticence in believing that the positive performance will continue in the medium-term.

Small firms in the health/education/leisure and other personal services sector continue to become more positive, the balance increasing sales up from +35% in the previous survey to +47%. This was the most positive sector in the past two surveys, though it has now been overtaken by hotels & restaurants. These firms, which include such things as care homes, childcare and hairdressers, have also, on balance, increased employment, investment and their selling prices over the past year.

While small wholesalers reported improved sales performance in the year to the second quarter, small retailers are one of the few sectors to report weakening sales. A balance of +6% saw sales increase in the year to the second quarter, compared with +10% in the year to the first quarter. This makes small retailers the least positive sector in this survey. This contrasts with official figures indicating a strong rise in household expenditure

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	+10%	-10%	-20%	+35%	20
Manufacturing	+10%	+2%	-3%	+24%	93
Transport, Travel	+30%	+20%	+25%	+10%	20
Construction	+19%	+3%	+6%	+40%	63
Wholesale	+21%	+17%	+19%	+38%	42
Retail	+6%	-5%	-3%	+25%	100
Hotels & Restaurants	+56%	+33%	-6%	+61%	18
Business Services	+12%	-1%	+1%	+16%	157
Health/Education/Leisure/Other	+47%	+12%	+9%	+35%	34
All (weighted by sector)	+23%	+6%	+3%	+29%	547

in the second quarter of 2006. However, much of this may have been associated with the sale of high ticket-price items such as televisions associated with the World Cup, which multiples such as Argos report led to increased sales, but which are rarely sold by small firms. A number of small retailers made comments such as, *"we believe the World Cup football seriously slowed what had been a good recovery versus last year"*. Small retailers are again one of the few groups to have cut employment over the past year.

Manufacturers are also less positive than in the previous survey, with a balance of only +10% increasing sales, making them second-least positive. Official figures also show a slow-down in the manufacturing sector as a whole. A modest balance of small manufacturers have, though, increased the numbers they employ over the past year, which is an improvement on the previous survey.

Business services is the only other sector where small firms are less positive than in the previous survey, the sales balance for these falling from +18% to +12%.



## 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	-11%	-8%	-11%	+21%	71
£50,000-£99,999	+24%	-1%	-3%	+19%	75
£100,000-£249,999	-7%	-9%	-3%	+23%	119
£250,000-£499,999	+27%	+9%	+4%	+26%	92
£500,000-£999,999	+13%	+12%	+0%	+24%	75
£1m+	+47%	+16%	+19%	+44%	108
All (weighted by sector)	+23%	+6%	+3%	+29%	547



As has generally been the case in recent years, the relatively larger firms taking part in the survey have had more success in increasing their sales over the past year than have the micro-firms. Tables 2.3 and 2.4 and Charts 2.3 and 2.4 show that those with a turnover above £1m per year and those with 20 or more employees have, on balance, far more often than their smaller counterparts seen their sales and employment increase. However, the pattern for the micro-firms is not as clear as it has sometimes been, with those with a turnover between £100,000 and £250,000 and those with one or two employees reporting falling sales in the year to the second quarter of 2006.

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

Number of employees (not including proprietor/partners)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
0	+13%	+4%	-3%	+17%	72
1-2	-5%	-12%	-5%	+23%	130
3-4	+15%	-3%	-2%	+26%	91
5-9	+22%	+2%	+8%	+21%	99
10-19	+24%	+18%	+8%	+35%	79
20+	+42%	+22%	+9%	+41%	74
All (weighted by sector)	+23%	+6%	+3%	+29%	547



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

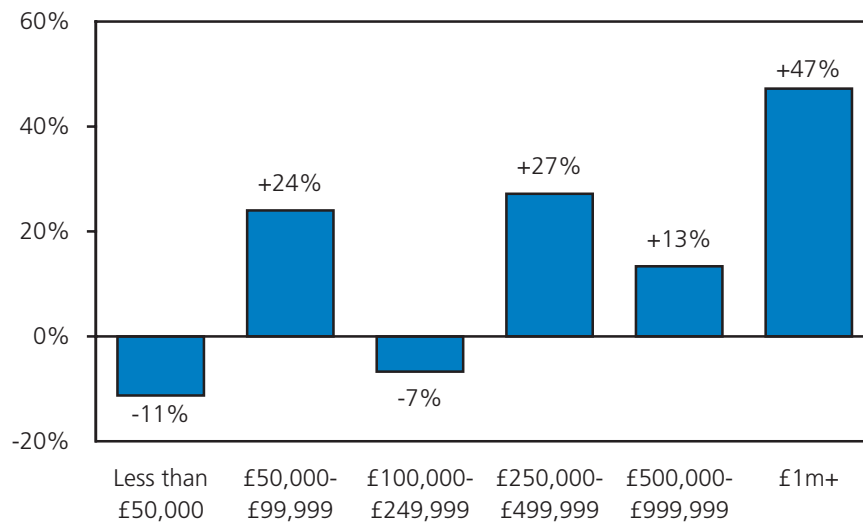
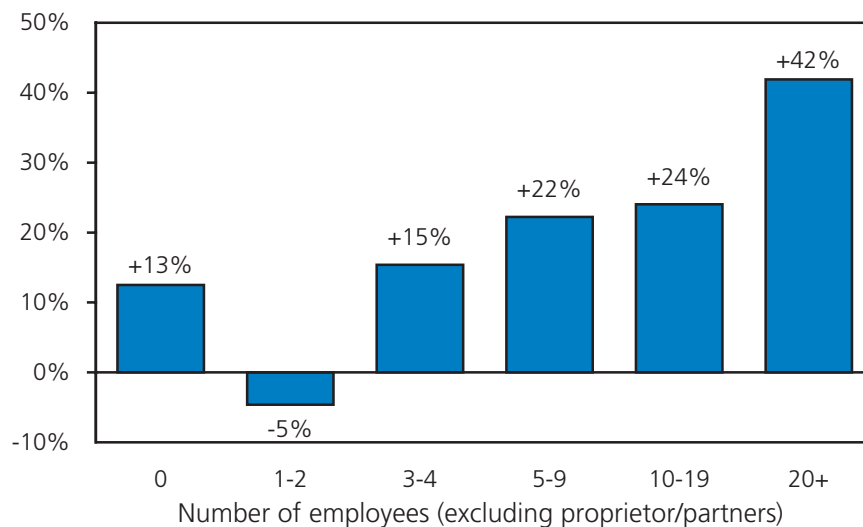


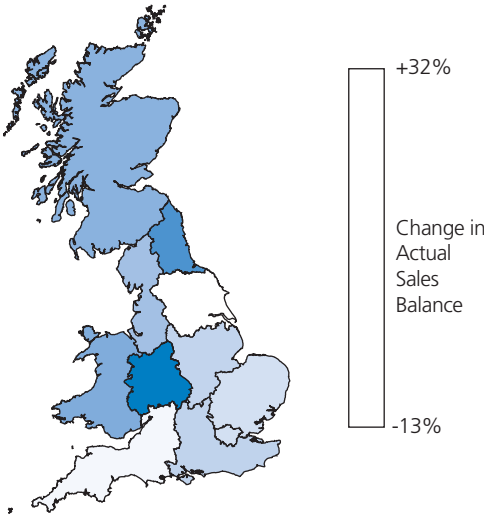
Chart 2.4: Percentage balance of respondents reporting an increase in sales over past year - by number of employees





# Performance: Comparison Across Regions

Chart 2.5: Change in percentage balance of respondents reporting an increase in sales over past year - by region



Compared with the previous survey, small firms on the eastern side of England, from Yorkshire & Humberside southwards, and across the south of England report poorer sales performance than they did (Chart 2.5).

The balance of small firms reporting increased sales has fallen most sharply in Yorkshire & Humberside and the South West, which is now the least positive region, with

as many small firms reporting a fall in sales as report an increase. The balance has improved most sharply in the West Midlands, which was previously the most negative region. Small firms in Wales report the best sales performance over the past year, with +38% seeing sales rise. Although no longer the most positive region regarding sales, small firms in the South East most often increased employment.

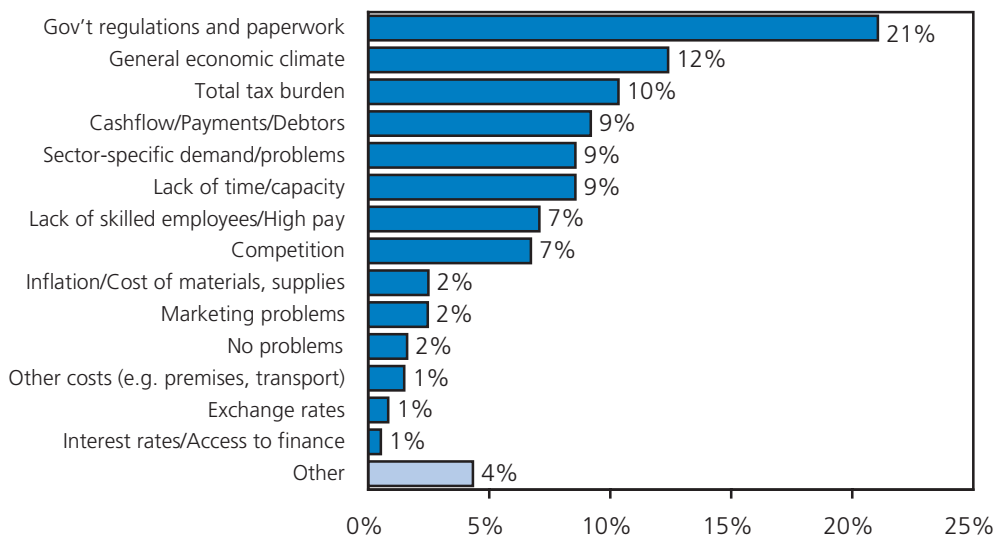
Table 2.5: Change over past year in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+21%	-7%	-29%	+14%	14
North West	+4%	-10%	+0%	+20%	49
Yorkshire & the Humber	+6%	+9%	+0%	+29%	34
East Midlands	+21%	+3%	+3%	+26%	39
West Midlands	+18%	-7%	+0%	+39%	44
East of England	+10%	-5%	-6%	+30%	81
London	+17%	+0%	-4%	+17%	46
South East	+29%	+15%	+9%	+24%	113
South West	+0%	+7%	+5%	+18%	57
Wales	+38%	+8%	+23%	+35%	26
Scotland	+15%	+3%	+5%	+41%	39

# Problems

*Government regulations & paperwork remains the top-ranked problem overall, though in distribution concerns over the general economic climate predominate. The total tax burden has moved up the ranking of issues and those sectors doing well complain of a lack of time, capacity or skilled employees.*

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

Government regulations and paperwork remains the top-ranked small business problem, as it has been for eleven out of the twelve surveys in the past three years (the exception being at the end of 2005, when the general economic climate was a bigger concern). 21% of small firms report that this is the single most important problem facing their business (Table 3.1 and Chart 3.1). This is

just fractionally down on the 22% in the previous survey and remains close to its historic high (Chart 3.2, overleaf). Regulations and paperwork remains the top concern of far more small firms than the second-ranked problem, the general economic climate.

Table 3.2 overleaf, shows that the proportion citing regulations and paperwork as their most important problem is higher for firms with 10 or more employees.

Regulation is a particular problem for hotels & restaurants (33%) and transport firms (30%) and is also top-ranked in business services and construction and joint top-ranked for manufacturing. In other sectors, however, other problems now dominate.

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

	2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 Q2
Gov't regulations and paperwork	20%	15%	20%	22%	21%
General economic climate	16%	20%	18%	11%	12%
Total tax burden	5%	9%	7%	8%	10%
Cashflow/Payments/Debtors	8%	8%	9%	9%	9%
Sector-specific demand/problems	10%	8%	9%	9%	9%
Lack of time/capacity	7%	7%	6%	10%	9%
Lack of skilled employees/High pay	6%	10%	9%	7%	7%
Competition	6%	6%	7%	6%	7%
Inflation/Cost of materials, supplies	2%	3%	3%	4%	2%
Marketing problems	5%	4%	4%	2%	2%
No problems	1%	1%	2%	3%	2%
Other costs (e.g. premises, transport)	2%	1%	1%	2%	1%
Exchange rates	1%	1%	1%	0%	1%
Interest rates/Access to finance	0%	1%	1%	1%	1%
Other	6%	5%	4%	6%	4%

### General Economic Climate

Concerns over the general economic climate have increased by about the same amount that those over regulations have lessened, just slightly narrowing the gap between the two (Chart 3.2). The 12% reporting that this

is their single most important problem remains well below the peaks of over 20% at the beginning of 2003 and the end of 2005. It is though the top-ranked problem for those with no employees (Table 3.2).

Chart 3.2: Selected most important problems

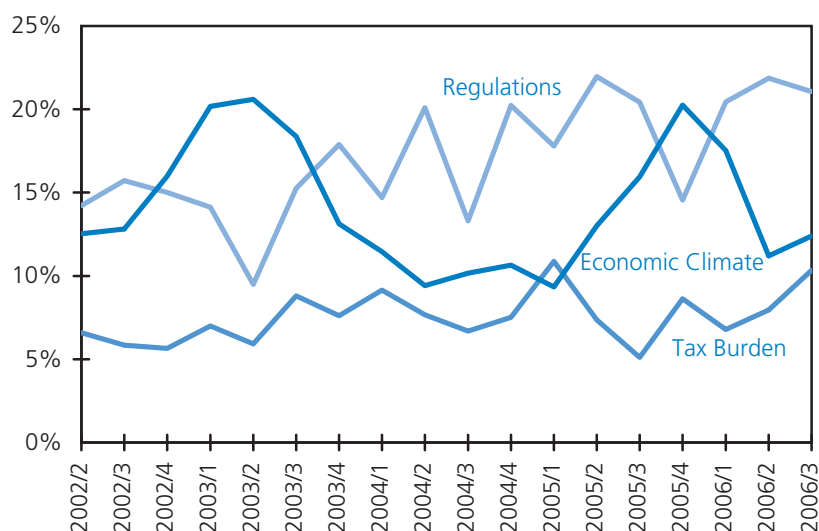


Table 3.2: Most important problem, by number of employees, excluding proprietor/partners

	0	1-2	3-4	5-9	10-19	20+
Gov't regulations and paperwork	18%	18%	19%	17%	32%	27%
General economic climate	19%	12%	20%	13%	13%	8%
Total tax burden	8%	13%	4%	4%	6%	8%
Cashflow/Payments/Debtors	8%	10%	7%	10%	8%	7%
Sector-specific demand/problems	6%	12%	5%	10%	5%	11%
Lack of time/capacity	11%	9%	11%	5%	10%	4%
Lack of skilled employees/High pay	1%	2%	7%	12%	5%	14%
Competition	6%	8%	7%	12%	4%	4%
Inflation/Cost of materials, supplies	1%	1%	4%	4%	3%	3%
Marketing problems	7%	6%	2%	0%	3%	0%
No problems	3%	2%	0%	1%	1%	1%
Other costs (e.g. premises, transport)	1%	2%	3%	1%	3%	1%
Exchange rates	0%	1%	2%	1%	1%	1%
Interest rates/Access to finance	0%	0%	0%	3%	0%	1%
Other (please specify)	7%	2%	7%	5%	4%	5%
No response	3%	1%	2%	1%	4%	4%
Sample	72	130	91	99	79	74

The economic climate remains top-ranked in retail (23%) and these concerns seem to be spreading up the supply chain as 26% of wholesalers now say this is their most important problem. The issue is also joint top-ranked (along with regulations) for manufacturers (19%).

### Other problems

Agricultural firms most often (25%) complain of demand problems specific to their sector.

10% of firms (and 24% of those in health/education/leisure & other personal services) rate the total tax burden as the single most important problem facing their business, moving this up to third place in the rankings (Table 3.1). This is the highest proportion selecting this problem for eighteen months (Chart 3.2).

Small firms in health/education/leisure & other personal services, which have reported good sales performance over the past year, often complain of a lack of time/capacity (12%). Small hotels & restaurants, which have most often

recruited extra staff over the year, more than twice as often (22%) as those in other sectors complain of a lack of skilled employees/high pay.

Competition remains more of a problem in wholesale (12%) and retail (11%) than elsewhere, though both of these proportions have fallen as concerns over the economic climate have risen.

Cashflow/payments/debtors remains a particular problem for construction firms (16%) and is of increased importance in wholesale (16%) and agriculture (20%).

The cost of supplies (probably fuel) is still more of a problem for transport firms (10%) than others, marketing problems for business service firms (7%).

The weakness of the US dollar over recent months has caused more small manufacturers (3%), wholesalers (5%) and agricultural firms (5%) to report that exchange rates are the biggest single problem facing their business at the moment, though this remains low in the overall rankings.

# Prospects

*Sales expectations remain fairly robust for the time of year, while employment prospects are improved. Investment intentions remain static. Hotels & restaurants are most optimistic, business services the only sector where firms are less optimistic than they were at this time last year.*

The balance of Britain's small firms expecting to sell more in the current quarter than in the previous quarter is down, but that is usual for this time of year. Prospects remain markedly higher than at this time last year.

Some 38% of Britain's SMEs expect their sales to be higher in the current quarter (the third quarter of 2006) than they were in the previous quarter (the second quarter). Only 22% expect to sell less (Table 4.1). The resulting net balance of +16% expecting an increase is down compared

with the +24% in the previous survey. However, the balance usually falls at this time of year (it has done in 15 of the past 18 years). The balance in this survey is well above the +7% at this time last year (Chart 4.1), suggesting a considerable improvement in optimism.

Employment intentions within Britain's small firms have improved. While slightly more firms than in the previous survey expect to cut the numbers they employ (10%, up from 9%), the proportion expecting to recruit extra

Chart 4.1: Percentage balance of respondents expecting an increase in sales, employment, investment or selling prices (weighted figures)

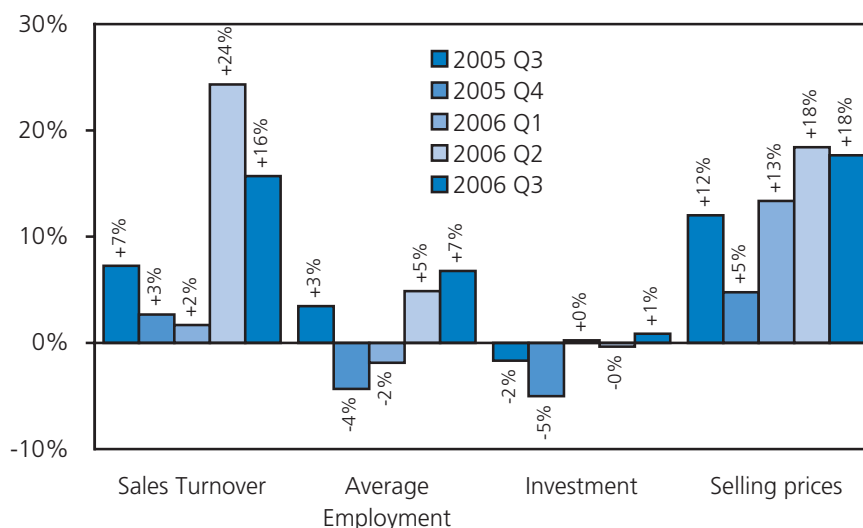


Table 4.1: Expected change over current quarter in sales, employment, investment and selling prices (weighted figures)

Expected change over current quarter (2006Q3 on 2006Q2) in:	Up	Down	Same	No response	Balance
Sales Turnover	38%	22%	39%	1%	+16%
Average Employment	16%	10%	72%	2%	+7%
Investment	16%	15%	67%	2%	+1%
Selling prices	24%	6%	68%	2%	+18%

employees is up more (from 14% to 16%). The net balance expecting to recruit extra staff has therefore increased a little, up from +5% to +7%. This compares with +3% at this time last year and is a big improvement on the end of 2005 and beginning of 2006, when more small firms were expecting to cut employment than recruit extra staff. Most small firms, though, (72%) do not expect to change the numbers they employ during the third quarter.

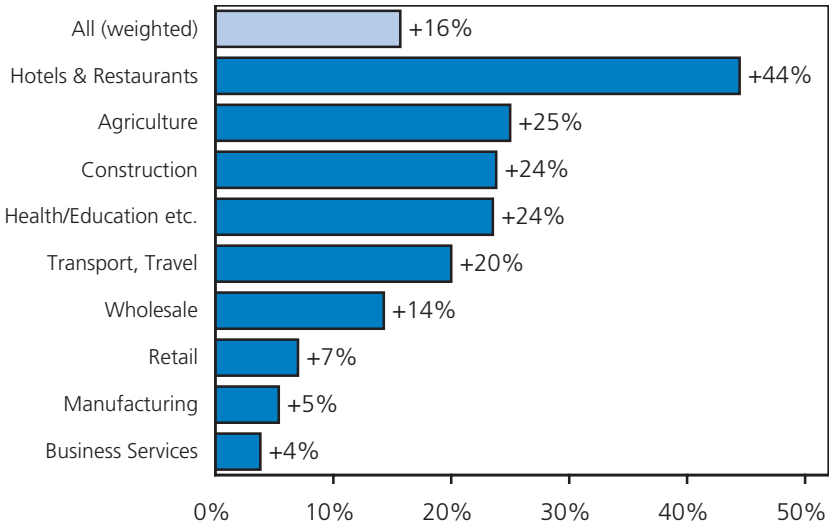
Slightly more small firms intend to increase investment in plant, premises and equipment in the current quarter than expect to invest less. The net balance has been hovering around zero for the past nine months.

The balance of small firms expecting to increase their selling prices during the third quarter of 2006 is practically unchanged, at +18%.



# Prospects: Comparison Across Business Sectors

Chart 4.2: Percentage balance of respondents expecting an increase in sales over current quarter - by sector



Optimism among small hotels & restaurants increased sharply in the previous survey (which is usual at that time of year) and in this survey these firms have recorded the best sales performance over the past year. They expect that this good run will continue into the third quarter, as hotels & restaurants is now easily the most positive sector about sales expectations for the third quarter of 2006 (Chart 4.2, Table 4.2). Over 60 per cent of small hotels & restaurants expect that their sales will be higher in the third quarter than in the second and only one in six believe that they will be lower. The balance of +44% is a little higher than the +37% in the previous survey and much more positive than that for any other sector. Hotels & restaurants are also the most likely to intend to recruit extra employees during the third quarter and to increase their average selling prices. However - in contrast to the previous survey, when the investment balance was the highest of all the sectors - more small hotels & restaurants expect to cut the amount they invest in the third quarter than expect to increase it. This suggests some caution about medium-term prospects within the sector.

While still far less optimistic than hotels & restaurants, agricultural firms are far more positive about their sales prospects than in the previous survey (when the balance was at a record low and they were the only sector where a balance expected sales to fall) and than they were at this time last year. None of the (relatively few) agricultural firms in the survey, however, expect to increase investment during the third quarter and 30% expect to cut it.

After a few successive large increases in the sales balance, small construction firms are now a little less positive about their sales than they were, but still seem relatively buoyant. The same balance as in the previous survey, +13%, expect to increase the numbers they employ.

Small firms in the health/education/leisure & other personal services sector were the most optimistic about their sales prospects for the second quarter, but the balance expecting an increase has fallen quite sharply since then, to +24%. However, these firms are more positive than they were about their employment and investment intentions. These firms are now the most likely to intend to increase the amount they invest during the third quarter of 2006.



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	+25%	+0%	-30%	+25%	20
Manufacturing	+5%	+1%	+0%	+6%	93
Transport, Travel	+20%	+5%	+5%	-5%	20
Construction	+24%	+13%	-6%	+22%	63
Wholesale	+14%	-10%	-5%	+33%	42
Retail	+7%	-2%	+3%	+15%	100
Hotels & Restaurants	+44%	+22%	-6%	+50%	18
Business Services	+4%	+3%	+1%	+3%	157
Health/Education/Leisure/Other	+24%	+18%	+15%	+29%	34
All (weighted by sector)	+16%	+7%	+1%	+18%	547

The sales balance for manufacturing has fallen even more sharply, from +29% to only +5% expecting an increase. There are still, however, slightly more small manufacturers expecting to recruit extra staff than expecting to cut employment.

Wholesalers are less positive about the third quarter of the year than they were about the second, though this has been the case in seventeen out of the past eighteen years. One wholesaler, though, said, "*There's a recession but sssshhhhhhhh don't tell the press or we're all [in trouble]*".

The sales balance for small retailers continues its slow recovery, though these firms remain less positive than those in most other sectors.

Six months ago small business service firms, including accountants and consultants, were the most optimistic, but last time they slid to mid-table. Now the balance expecting an increase has fallen to only +4%, making them the least optimistic. This is the only sector where small firms are less optimistic than they were at this time last year.



Number of employees (not including proprietor/partners)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
All (weighted by sector)	+16%	+7%	+1%	+18%	547
20+	+31%	+4%	+9%	+18%	74
10-19	+9%	+4%	-3%	+14%	79
5-9	+18%	+10%	+2%	+11%	99
3-4	+5%	+1%	-5%	+19%	91
1-2	+2%	-1%	-8%	+12%	130
0	+11%	+4%	+7%	+14%	72

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

Tables and Charts 4.3 and 4.4 show that relatively larger firms in the survey are generally more optimistic about their immediate sales, employment and investment prospects than their smaller counterparts. However, the picture is not as clear-cut as in some recent surveys.



Annual turnover (excluding VAT)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
All (weighted by sector)	+16%	+7%	+1%	+18%	547
£1m+	+19%	+4%	+12%	+18%	108
£500,000-£999,999	+24%	+9%	-1%	+5%	75
£250,000-£499,999	+13%	+2%	-3%	+18%	92
£100,000-£249,999	+1%	-1%	-8%	+16%	119
£50,000-£99,999	+11%	+9%	+5%	+13%	75
Less than £50,000	+4%	-3%	-11%	+10%	71

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

## Prospects: Comparison Across Size Bands

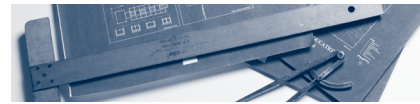


Chart 4.3: Percentage balance of respondents expecting an increase in sales, by turnover size band

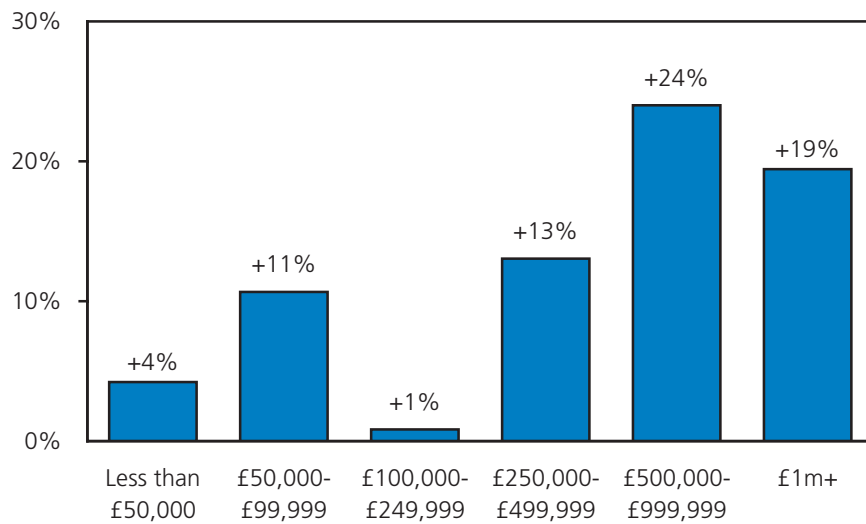
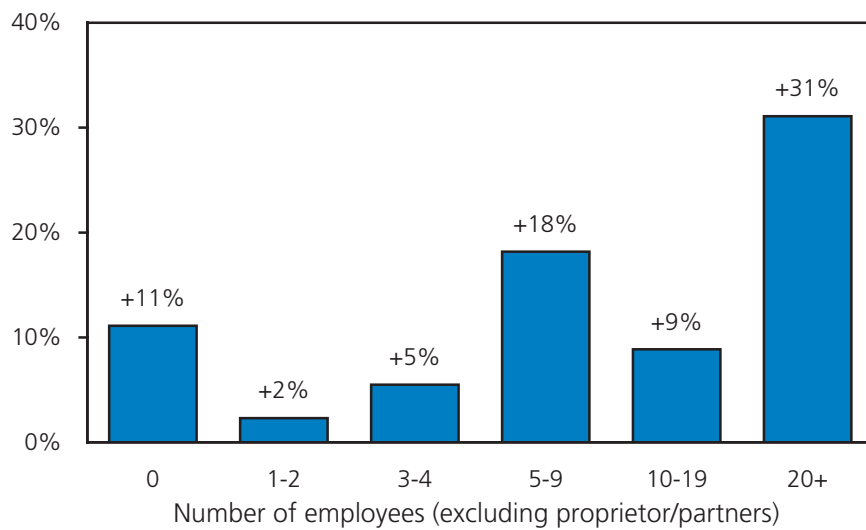


Chart 4.4: Percentage balance of respondents expecting an increase in sales, by employee size band



## Prospects: Comparison Across Regions

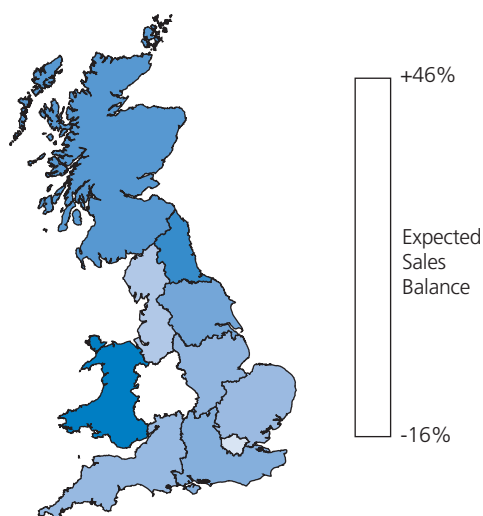
Table 4.5: Expected change over current quarter in sales, employment, investment and selling prices - by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+36%	+14%	+7%	+36%	14
North West	+4%	-2%	+8%	+16%	49
Yorkshire & the Humber	+21%	+12%	-3%	+9%	34
East Midlands	+13%	+5%	+8%	+13%	39
West Midlands	-16%	+5%	-9%	+16%	44
East of England	+10%	-2%	-9%	+15%	81
London	-7%	+0%	-2%	+11%	46
South East	+16%	+6%	+0%	+8%	113
South West	+11%	+4%	+4%	+4%	57
Wales	+46%	+4%	+15%	+23%	26
Scotland	+28%	+3%	-8%	+33%	39

Small firms in Wales remain most optimistic about their sales and investment prospects, with a balance of +46% expecting an increase in sales during the third quarter (Table 4.5). Those in the North East have become more positive and are now, along with their neighbours in Yorkshire & Humberside, most likely to expect to increase employment.

Small firms in London are again pessimistic about sales prospects, though those in the West Midlands, second least positive in the previous survey, have this time become the most negative.

Chart 4.5: 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 25th July 2006 to 2,842 owners and managers of small businesses which had previously volunteered to take part, 855 by e-mail and the remainder by post.

By the cut-off date of 22nd August, a total of 547 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 2004) 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
			U	S	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
			U	S	U	S	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%	

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

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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%	0.9%	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%	6%	2%	1%	2%	2%	10%	14%	8%	7%	8%	3%	12%	1%	1,168
2002/3	13%	7%	7%	1%	0%	1%	1%	11%	16%	11%	6%	9%	2%	11%	1%	1,078
2002/4	16%	7%	7%	1%	0%	2%	1%	9%	15%	10%	6%	9%	2%	8%	2%	1,074
2003/1	20%	8%	9%	1%	0%	1%	1%	9%	14%	6%	7%	8%	2%	9%	1%	922
2003/2	21%	8%	7%	1%	1%	1%	1%	11%	10%	9%	6%	9%	2%	8%	2%	851
2003/3	18%	9%	6%	1%	1%	1%	1%	6%	15%	9%	9%	10%	2%	7%	2%	784
2003/4	13%	9%	8%	1%	1%	1%	0%	7%	18%	9%	8%	8%	3%	9%	2%	687
2004/1	11%	8%	9%	2%	1%	2%	2%	11%	15%	7%	9%	8%	3%	8%	1%	808
2004/2	9%	8%	8%	2%	2%	1%	1%	8%	20%	9%	8%	9%	3%	8%	1%	739
2004/3	10%	9%	8%	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%	8%	1%	2%	2%	1%	7%	18%	10%	11%	9%	2%	5%	1%	652
2005/2	13%	9%	8%	1%	1%	1%	1%	8%	22%	8%	7%	9%	3%	5%	2%	675
2005/3	16%	10%	6%	0%	2%	2%	1%	8%	20%	6%	5%	7%	1%	5%	3%	670
2005/4	20%	8%	6%	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	11%	9%	6%	1%	4%	2%	0%	9%	22%	7%	8%	10%	3%	6%	1%	638
2006/3	12%	9%	7%	1%	2%	1%	1%	9%	21%	7%	10%	9%	2%	4%	2%	547



## 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 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)

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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 2006Q3

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: How many people (including yourself) 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** Are you a member of any business association, network or club? (Please circle all those to which you belong)

- |        |                               |  |
|--------|-------------------------------|--|
| 1. CBI | 4. FPB                        | 7. National professional body                  |
| 2. IoD | 5. Chamber of Commerce        | 8. Other national association, network or club |
| 3. FSB | 6. National trade association | 9. Local business association, network or club |

**6** Which of the following benefits do you feel you get from being a member of a business association, network or club?

- |  |                                       |  |
|--|---------------------------------------|--|
| 1. Joint marketing/sales campaigns     | 4. Source of new suppliers            | 7. Other general business advice/information |
| 2. Group buying/discounts on purchases | 5. Help in recruiting staff           | 8. Insurance and other services              |
| 3. Source of new customers             | 6. Advice on technology/best practice | 9. Shared experience/social contact          |

**7** Which is the most important factor for a good supplier to your business? (Please circle one only)

- |                            |  |   |
|----------------------------|--|---|
| 1. Low price               | 3. Quality of products/services                  | 5. Customer service                     |
| 2. Reliability of supplier | 4. Speed (of delivery or performance of service) | 6. Information on new products/services |

**8** To what extent has your business used the Internet when sourcing supplies? (Please circle one only)

- |   |   |
|---|---|
| 1. Bought and paid for goods or services online | 3. Researched prices, specifications etc. (but not ordered) |
| 2. Placed orders (but not paid online)          | 4. Not used Internet at all for purchasing                  |

**9** To what extent does your business use imported goods or offshore services? (Please circle any which you use significantly)

- |  |  |
|--|--|
| 1. Buy goods directly from foreign suppliers               | 3. Buy imported goods/services through an intermediary (e.g. import house) |
| 2. Have foreign operations or out-source services overseas | 4. No significant imports/off-shore operations                             |

**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 2005? What do you expect to happen in the current quarter?

Please complete the table by ticking 8 boxes only:

	ACTUAL			EXPECTED		
	April, May, June 2006 compared with the same period 2005			July, August, September 2006 compared with April, May, June 2006		
	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 11th August 2006.**  
 Please note that this is a FREEPOST address (no stamp required).