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NatWest/SERTeam Quarterly Survey of Small Business in Britain





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Summary

Small firms' sales performance is practically unchanged on the previous survey and well below the level at this time last year. The balance cutting employment has recovered a little from its record low, but remains negative. Confidence about the first quarter of 2006 is up in some sectors, but at a record low overall and for hotels & restaurants and retailers. Government regulations and paperwork, closely followed by the economic climate, is the top business problem. One-third of the small firms in this survey export. The Eurozone is the biggest export market. A majority feel that the level of the pound has been about right over the past year and a positive balance expect to increase their exports over the next three years.

- One-third of the small firms taking part in this survey are exporters.
- The proportion ranges from under one-quarter of the smallest to half of those with a turnover of £1m or more.
- Over half of small manufacturers and wholesalers directly export.
- The Eurozone is by far the most important export market. Twice as many (24%) export to the Eurozone as to the next biggest market, North America (12%).
- The weakness of the dollar means over one-third of firms which export to North America say that the pound has been too strong for their business over the past year.
- The pound has weakened against the Euro since 2002 and overall 69% of small exporters feel that the level of the pound has been about right.
- Only 1% report that exchange rates are the biggest single problem facing their business.
- On balance, exporters expect to increase the amount they export over the next three months.
- The balance of small firms increasing sales is up just fractionally on the previous survey and is well below the level of last year.
- While the balance increasing employment is improved, more firms cut employment than recruited extra staff over the past year.
- Small hotels & restaurants are no longer far more positive than those in other sectors. Retailing has recovered somewhat from its record low, though as many small retailers have seen sales fall as rise and a large balance have cut employment.
- Government regulations and paperwork is the top-ranked small business problem overall and for those with 10 or more employees.
- The general economic climate though is a bigger problem for the smallest firms, and for manufacturers, wholesalers and retailers.
- Overall sales expectations about prospects for the first quarter of 2006 are marginally down, to another record low.
- Optimism is at a record low for hotels & restaurants and retailers, though has recovered for construction firms and remains strong in business services.

Exports

Over one-third of small firms in this survey (and half of those with £1m+ turnover) export. Over half of small manufacturers and wholesalers are exporters. The Eurozone is twice as important as North America as an export destination. While the weakness of the dollar has hurt some small firms, most believe the level of the pound is about right. Far more small firms intend to increase than intend to reduce their exports.

Direct exports

Over one-third of the small firms taking part in this survey are exporters. One-fifth directly exported over 5 per cent of their turnover last year.

Table 1.1 (overleaf) shows that 34% of the small firms taking part in this survey sold at least part of their turnover last year to customers outside the UK. Chart 1.1 shows that as firm size increases, businesses are more often exporters. Half of the businesses taking part in our survey with a turnover of £1m or more exported

over the past year, compared with less than one-quarter of those with a turnover of less than £100,000.

However, the relationship is somewhat less clear-cut than when the question was asked in 2001 (NatWest/SBRT Quarterly Survey of Small Business in Britain, Vol.17 No.2).

Exporting is more closely related to turnover size than employment size. Businesses with between 5 and 9 employees are more often (46%) exporters than are their larger counterparts.

Chart 1.1: Proportion of respondents who directly export, by turnover size band

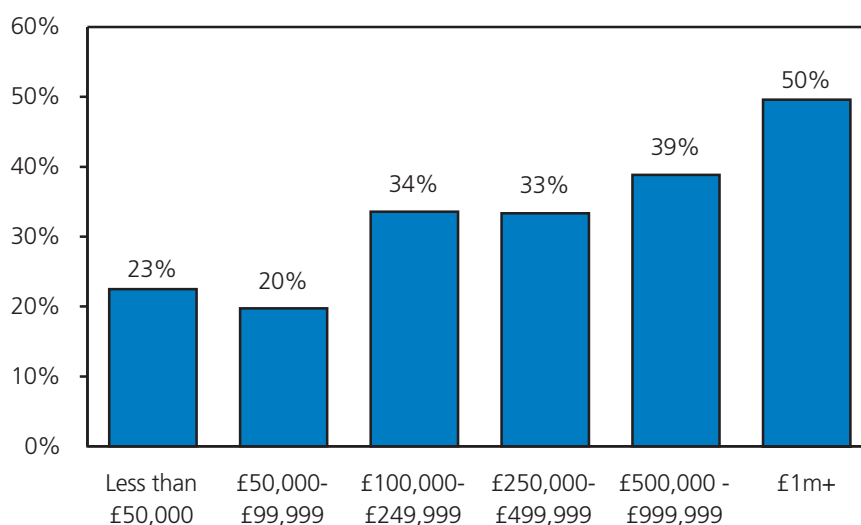


Table 1.1: Proportion of respondents who export directly or indirectly
- by turnover size band

	Less than £50,000	£50,000- £99,999	£100,000- £249,999	£250,000- £499,999	£500,000 - £999,999	£1m+	All
a. % which directly export	23%	20%	34%	33%	39%	50%	34%
% which export 5%+ of turnover	15%	11%	23%	17%	23%	28%	20%
mean % of turnover exported (whole sample)	4.6	5.4	10.7	10.1	7.2	13.9	9.0
mean % of turnover exported (exporters only)	20.4	27.4	31.8	30.4	18.4	27.9	26.6
b. % which sell to export house	4%	4%	7%	7%	10%	14%	8%
c. % which sell inputs to exporters	6%	4%	7%	5%	6%	20%	8%
a or b or c. % which export directly or indirectly	25%	22%	38%	39%	43%	52%	37%
Sample	80	81	137	99	103	127	641

Older firms are more often exporters (39% of those established over 30 years ago) than younger firms (24% of those formed within the past five years).

Table 1.2 shows that manufacturers (63%) and wholesalers (52%) are far more likely than firms in other sectors to be exporters. Even among firms such as retailers, however, one-fifth sell to overseas customers (and retailers were asked not to include VAT-free sales to tourists). Invisible exports are notoriously more difficult to quantify than those of physical goods and some small firms may have been unable to correctly estimate their direct exports (for instance, not all hotels may have included the proportion of sales accounted for by overseas customers).

The proportion of firms which directly export is just fractionally up on the figure in the 2001 survey (when account is taken of the fact that the earlier survey did not count those firms which exported less than 1% of turnover). This is despite the fact that economy-wide, the share of exports in GDP has slipped slightly from 27% in 2001 to 26% in 2005.

The respondents which complete this survey on-line are more often (40%) exporters than their counterparts who prefer to complete a paper copy of the questionnaire (29%). The Internet makes international communications much easier and so it is no surprise that exporters have more often embraced this technology.

Amount exported

Those firms which do export sell on average a little over a quarter of their turnover abroad (26.6%, Table 1.1). This proportion is not closely related to firm size.

Although relatively few transport & travel firms export, those which do (including a tour operator and a packing/shipping company) export a large proportion of their turnover (average 43.3%).



Exporting via an export house

Selling directly to overseas customers is not the only way that a small firm's products can be exported. Some will sell their finished products to a UK export or trading house for export. Table 1.1 shows that 8% of small firms (14% of those with a turnover of £1m or more) know that some of their turnover was exported indirectly this way last year. In addition, it is likely that at least some small firm products will be sold to other intermediaries (such as wholesalers which are not dedicated export houses) and then subsequently exported without the knowledge of the original small firm.

On average, each of the firms which sold to export houses sold just under 15% of their turnover via this channel.

Wholesalers most often sell to dedicated export houses for subsequent export - 20% do so (Table 1.2).

Components and inputs

Another way in which the products and services of small firms may ultimately be exported is as components or inputs in third-party exports. Table 1.1 shows that 8% of small firms were able to quantify how much of their turnover is exported in this way. Again, this may be an underestimate as some firms will not know the ultimate destination of their output. On average, each of these firms believe that 15% of their turnover is subsequently exported as a component or input in another product or service.

Manufacturers (22%) are most likely to report that their products are sold as components which are subsequently exported in third party products (Table 1.2).

Total exports

Relatively few small firms export only through one of these indirect routes. Tables 1.1 and 1.2 show that the proportion of firms which export directly or indirectly (37%) is only a little higher than the 34% which export directly. Exporting using an export house or as inputs into third party exports is generally an additional activity by small firms which already directly export themselves.

Table 1.2: Proportion of respondents who export directly or indirectly - by sector

	a. Directly Export	b. Sell to Export House	c. Sell Inputs to Exporters	a or b or c. Export Directly or Indirectly	Sample
Agriculture, Forestry, Fisheries	38%	10%	5%	38%	21
Manufacturing	63%	16%	22%	70%	112
Transport, Travel	21%	7%	10%	28%	29
Construction	16%	9%	4%	21%	67
Wholesale	52%	20%	16%	61%	44
Retail	20%	1%	2%	21%	108
Hotels & Restaurants	27%	6%	3%	30%	33
Business Services	33%	6%	7%	36%	164
Health/Education/Leisure/Other	21%	2%	2%	21%	63
All	34%	8%	8%	37%	641

Chart 1.2: Proportion of respondents who directly export to each region

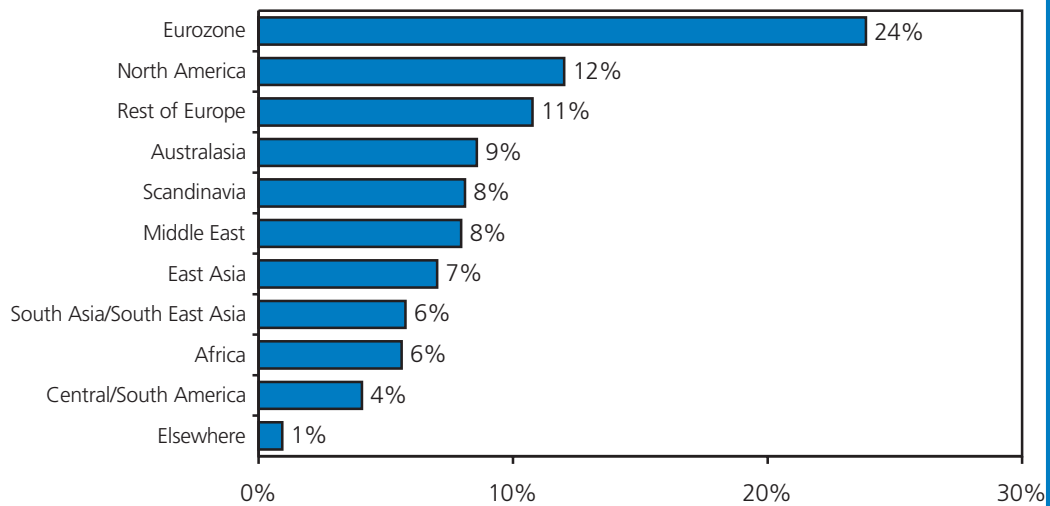


Table 1.3: Proportion of respondents exporting directly to each region over past year - by turnover size band

	Less than £50,000	£50,000-£99,999	£100,000-£249,999	£250,000-£499,999	£500,000 - £999,999	£1m+	All
Eurozone	14%	11%	18%	19%	33%	44%	24%
Rest of Europe	5%	4%	5%	11%	11%	25%	11%
Scandinavia	5%	1%	6%	8%	7%	19%	8%
Africa	0%	2%	2%	5%	7%	15%	6%
North America	13%	5%	10%	10%	11%	22%	12%
Central/South America	4%	4%	3%	5%	4%	6%	4%
Australasia	8%	4%	5%	10%	8%	17%	9%
Middle East	1%	4%	7%	7%	8%	18%	8%
South Asia/South East Asia	0%	4%	4%	4%	8%	13%	6%
East Asia	3%	4%	5%	5%	7%	17%	7%
Elsewhere	0%	0%	1%	2%	0%	2%	1%
Sample	80	81	137	99	103	127	641



Export regions

Almost one-quarter (24%) of small firms export to the Eurozone (Chart 1.2, Table 1.3). 11% export to the rest of Europe, though most of these also export to Eurozone countries, meaning that 25% export to Europe as a whole.

North America is the next most important region, but only half as many export here as to the Eurozone. These proportions are practically unchanged on those in the survey of five years ago.

The proportions which export to each region tend to increase with firm size, both because relatively larger firms are more often exporters and also because they tend to export to more regions.

The smallest companies export relatively more often to the English-speaking regions (North America and Australasia) and rarely to Asia and the Middle East (though a relatively high proportion also export to Central/South America).

Strength of the Pound

Exporters generally, and particularly those which export to North America, on balance feel that the pound has been too strong for their business over the past year.

Overall, 11% of small firms and 24% of exporters feel that the pound has been too strong. Only 3% (5% of exporters) feel that it has been too weak (Table 1.4).

At the end of 2004 the pound was at a twelve-year high against the US dollar. While it has weakened from March 2005 onwards, it has remained stronger than at any time between 1993 and 2003. This is reflected in Table 1.4, as over a third (38%) of the small firms which export to North America report that the pound has been too strong for their business over the past year.

In 2001, when we last asked about exports, the pound was very strong against the Euro as the Euro had fallen sharply in value in 1999, the year of its introduction. The pound has for the past few years been weaker against the Euro than in the years 2000-2002, though it remains considerably stronger than it was against a euro-equivalent basket of European currencies between 1993 and 1996. Table 1.4 shows that 80% of small firms which export to the Eurozone but not to North America feel that the level of the pound over the past year has been about right for their business. Only 13% feel that it has been too high.

Table 1.4: "Over the past year, for your business has the pound been:"

	All direct exporters	Export to US	Eurozone, not US	No exports	All
Too strong	24%	38%	13%	4%	11%
Too weak	5%	8%	5%	3%	3%
About right/neutral/no effect	69%	52%	80%	73%	72%
No response	3%	3%	1%	20%	13%
Sample	217	77	92	401	641

Table 1.5: "Over the next three years, do you expect your exports as a percentage of total sales will:"

	Export >5% direct	Export <5% direct	Indirect exports	No exports	All
Increase	45%	34%	26%	4%	17%
Decrease	12%	2%	4%	0%	3%
Remain about the same	37%	61%	65%	55%	52%
No response	5%	2%	4%	41%	27%
Sample	130	87	23	401	641

Future exports

Only 4% of the almost two-thirds of small firms which do not currently export intend to begin exporting within the next three years (Table 1.5).

A significant positive balance of those which do already export, however, expect to increase the proportion of their total sales which they sell abroad. Approaching half (45%) of those which already directly export over 5% of their turnover intend to increase their exports over the next three years (though 12% expect to export less).

Manufacturing and wholesale, where most firms already export, are also the sectors where current exporters most often expect to increase the amount they export. However, a relatively large proportion (43%) of the business service firms which already export also intend to increase the amount they export over the next three years. The Internet has made global information flows far easier than they once were and has enabled far more international collaborative working and business service exports.



Conclusions



Exporting remains an activity dominated by large firms. The firms taking part in this survey export on average only 9 per cent of their turnover and the smallest less than 5 per cent. While the proportion of value-added will be higher, this compares with over one-quarter of the total GDP of the UK which is exported. The firms in our survey with a turnover of over £1m (which are still small firms) are twice as often exporters as the smallest firms.

Nevertheless, the export activity of small firms is important. Over one-third sell at least some of their turnover directly to overseas customers. Significant numbers also sell to export houses or produce components or inputs to other products and services which are subsequently exported (though few exclusively export indirectly).

The Eurozone is by far the most important export region for UK small firms - more than twice as many export here as to North America.

The recent strength of the pound against the dollar has particularly hit small firms which export there, though the relative recovery in the Euro over the past few years means that a majority of small exporters feel that the level of the pound at the moment is about right. As a later section of this report shows, only 1% of small firms currently feel that the level of exchange rates is the biggest single problem facing their business at the moment.



Conclusions

Performance

The overall sales performance of Britain's small firms is up just fractionally, well below the position at this time last year. Firms in Health/Education/Leisure have had better sales performance than small hotels & restaurants, who were previously far ahead. Performance of small retailers has recovered from its record low.

The balance of small firms reporting higher sales in the past quarter (2005 Q4) than a year earlier (2004 Q4) has improved just marginally, from +3% in the previous survey to +4% now. This is well below its peak of +19% at this time last year (Chart 2.1). There are actually fewer small firms than in the previous survey which report that their sales increased over the year (37% compared with 41%). However, fewer also saw their sales fall (34% compared with 37%).

The relatively unchanged headline sales balance is consistent with the most recent official figures, which show the annual growth rate of GDP in the economy as a whole unchanged at +1.8% in the year to the final quarter of 2005.

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

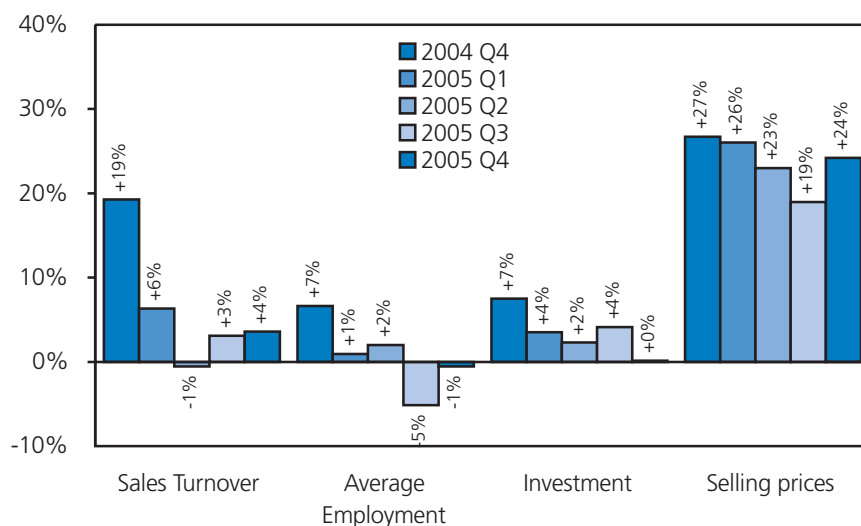


Table 2.1: Change over past year in sales, employment, investment and selling prices (weighted figures)

Change over past year (2005Q4 on 2004Q4) in:	Up	Down	Same	No response	Balance
Sales Turnover	37%	34%	27%	2%	+4%
Average Employment	16%	17%	63%	5%	-1%
Investment	18%	18%	57%	7%	+0%
Selling prices	35%	11%	48%	5%	+24%

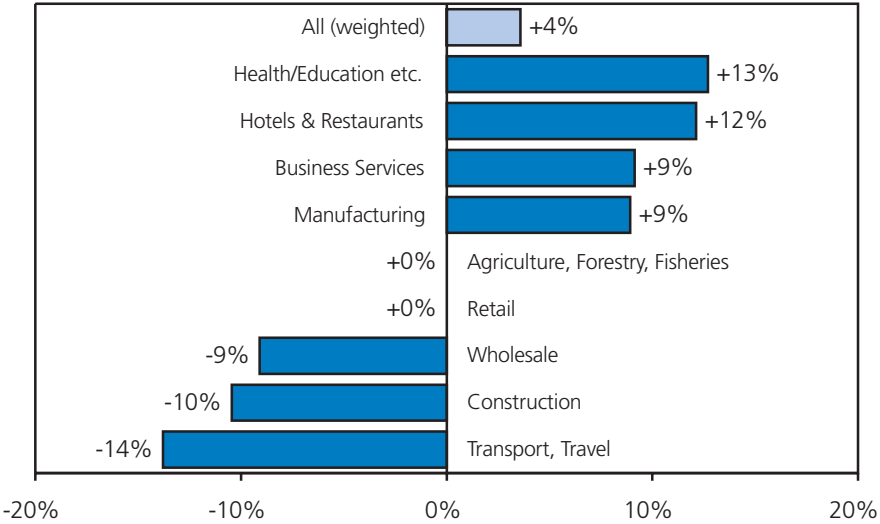
The balance of small firms increasing employment over the past year has recovered somewhat from its historic low of -5% in the previous survey. However, the balance remains negative as slightly more firms have cut the numbers they employ over the past year (17%) than have recruited extra staff (16% - Table 2.1). The balance is well below the +7% at this time last year.

As many small firms cut the amount which they invested over the past year as increased it. This gives a zero balance, the lowest in eighteen months, suggesting little confidence in medium-term prospects.

The balance of small firms which have raised their average selling prices between the final quarter of 2004 and the final quarter of 2005 has risen a little, to +24%.

Performance: Comparison Across Business Sectors

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



Lower balances of small firms in every business sector report an increase in sales than they did at this time last year. However, compared with the previous survey the changes in experience are mixed.

The sharpest fall in the sales balance compared with the previous survey is for small hotels & restaurants, down from +39% to +12%. However, these firms were previously so much more positive than any other sector that even after such a fall they are nevertheless the second most positive sector (Chart 2.2). Small hotels & restaurants also remain those most positive about employment, with a balance of +12% having recruited extra staff between the end of 2004 and the end of 2005 (Table 2.2). Hotels & restaurants have also far more often than other small firms raised prices over the past year (a balance of +58%), though only +3% (down from +9%) increased investment over the year.

Construction and transport & travel firms have also had far less success in increasing their sales over the past year than in the previous survey. These are now the most negative sectors in terms of sales and investment and the sales balances are at their lowest in the four years since the sample for this survey was refreshed four years ago. They are also among the most negative about employment in their firms.

The sector which has shown the biggest improvement since the previous survey is retailing, which was in the last survey by far the most negative sector. The sales balance for retailers had fallen consistently from a peak of +13% in the first survey of 2005 to -25% in the previous survey, an historic low. In this survey, as many small retailers have increased their sales over the past year as have seen them fall. While still a relatively poor result, this is a significant improvement on the previous survey. Retailing remains, however, the sector where the greatest balance of small firms (-14%) has cut employment over the past year.

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	+0%	-5%	-5%	+10%	21
Manufacturing	+9%	+1%	+13%	+14%	112
Transport, Travel	-14%	-10%	-14%	+24%	29
Construction	-10%	-4%	-7%	+18%	67
Wholesale	-9%	-2%	+9%	+23%	44
Retail	+0%	-14%	-7%	+15%	108
Hotels & Restaurants	+12%	+12%	+3%	+58%	33
Business Services	+9%	+4%	+2%	+21%	164
Health/Education/Leisure/Other	+13%	+5%	+2%	+37%	63
All (weighted by sector)	+4%	-1%	+0%	+24%	641

Further up the supply chain, wholesalers have continued to become more negative, with the sales balance falling to -9%, the lowest in the four years since the sample was refreshed. Wholesalers have also again on balance cut employment over the past year.

Although the sales balance for small firms in the health/education/leisure sector has increased by only two percentage points, this follows a sharp increase in the previous survey and this is now the sector where the highest balance of small firms have increased their sales over the past year.

Manufacturing and business service firms both report sales balances seven percentage points higher than in the previous survey, both at +9%. Small manufacturers have most often increased investment over the past year (+13%).



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	-19%	-9%	-9%	+21%	80
£50,000-£99,999	+12%	-9%	+4%	+23%	81
£100,000-£249,999	-7%	-7%	-12%	+19%	137
£250,000-£499,999	+2%	+7%	+0%	+32%	99
£500,000-£999,999	+16%	+8%	+4%	+14%	103
£1m+	+18%	+2%	+18%	+24%	127
All (weighted by sector)	+4%	-1%	+0%	+24%	641



Tables and Charts 2.3 and 2.4 show that the very smallest firms, both in terms of turnover and employment, have most often seen their sales fall over the past year. Firms with a turnover of over £1m have been most successful, though those with between 10 and 19 employees have increased sales more often than those with 20 or more employees.

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	-21%	-6%	-9%	+28%	67
1-2	+1%	-7%	-4%	+13%	150
3-4	-2%	-8%	+0%	+24%	102
5-9	+8%	+3%	+3%	+17%	127
10-19	+21%	+7%	+3%	+34%	89
20+	+11%	+3%	+12%	+24%	99
All (weighted by sector)	+4%	-1%	+0%	+24%	641



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

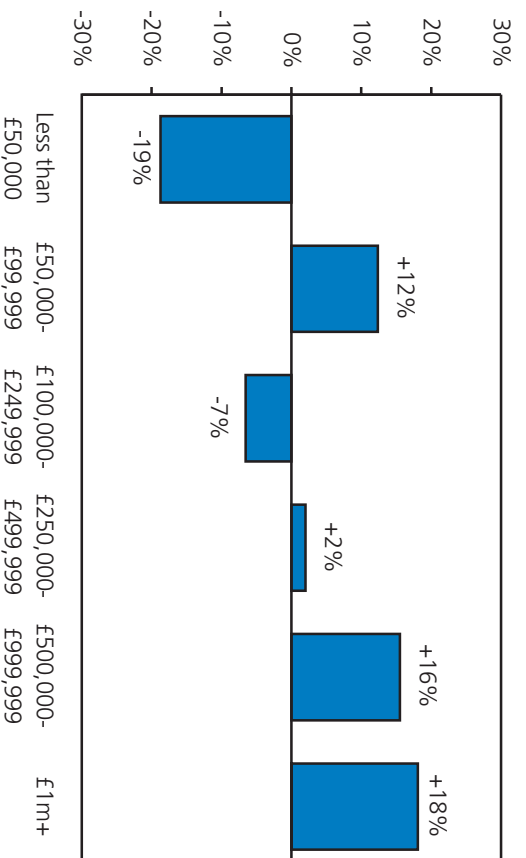
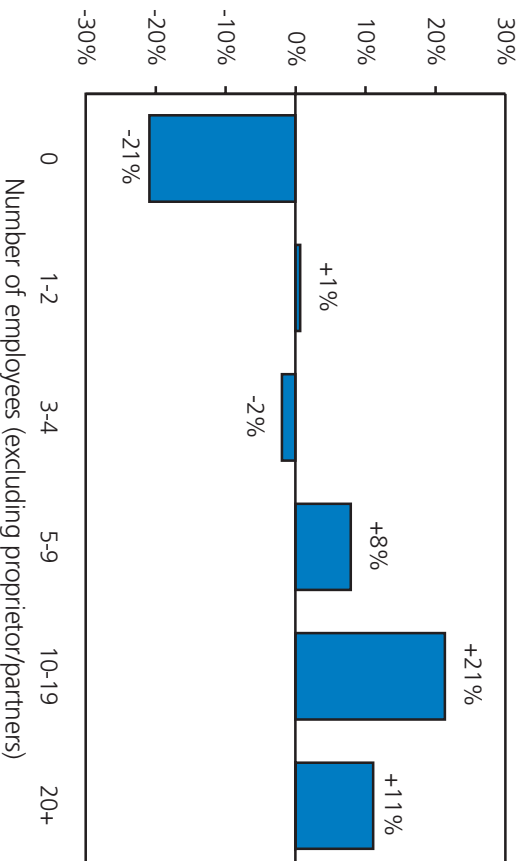
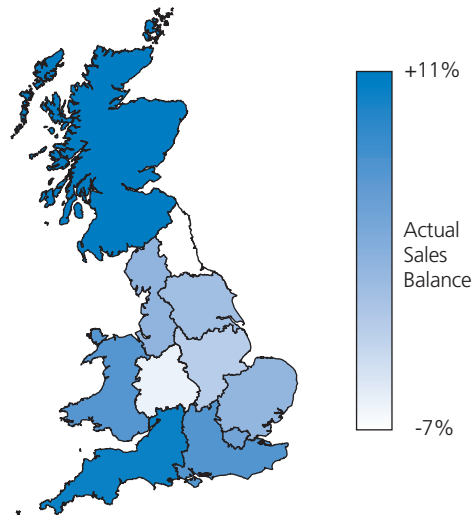


Chart 2.4: Percentage balance of respondents reporting an increase in sales over past year - by number of employees



Performance: Comparison Across Regions

Chart 2.5: Percentage balance of respondents reporting an increase in employment over past year - by region



Small firms in the West and East Midlands and those in the North East have again on balance seen their sales fall (Table and Chart 2.5). Sales performance in the North West and East of England has, though, improved somewhat.

Small firms in Scotland remain the most positive (though the balance is lower than in the previous survey), with those in the South West close behind. The sales balance for Yorkshire & Humberside has fallen from +17% to 0%, with as many reporting falling sales as reporting an increase.

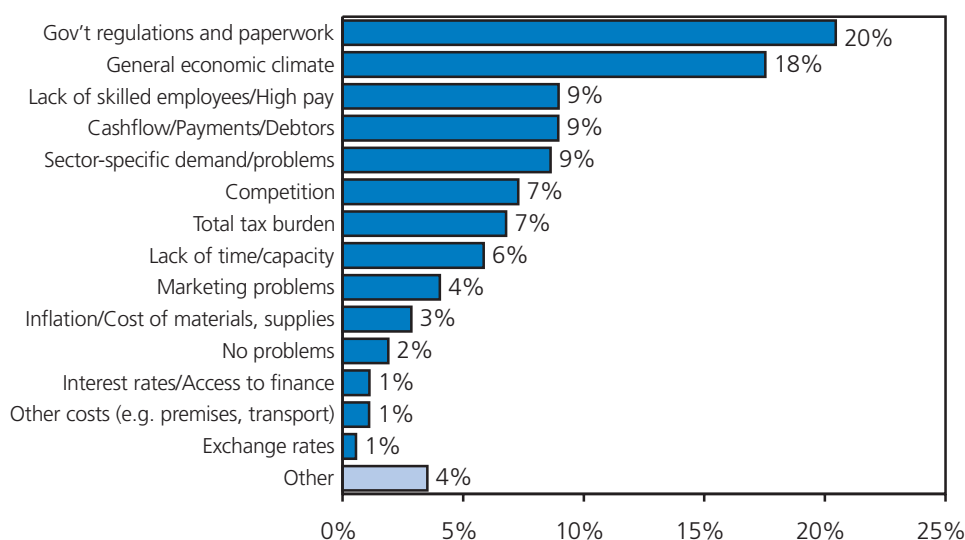
Table 2.5: Change over past year in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	-7%	-21%	+14%	+21%	14
North West	+1%	+1%	-4%	+16%	73
Yorkshire & the Humber	+0%	+2%	+7%	+12%	42
East Midlands	-2%	-12%	-2%	+24%	51
West Midlands	-6%	+0%	-2%	+21%	52
East of England	+1%	-3%	-13%	+21%	89
London	+4%	+0%	-8%	+19%	52
South East	+6%	+4%	+12%	+23%	124
South West	+10%	+2%	+3%	+21%	58
Wales	+6%	-12%	+9%	+21%	33
Scotland	+11%	-2%	+0%	+39%	44

Problems

After dipping in the previous survey, concerns over government regulations and paperwork are back to the levels of six months ago and are again the top problem facing SMEs. Concerns over the general economic climate though remain high.

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 is the top-ranked small business problem. One-fifth of small firms report that this is the single most important problem facing their business (Table 3.1 and Chart 3.1). The proportion now is the same as six months ago (Table 3.1 and Chart 3.2, overleaf). The proportion dipped to 15% in the previous survey, putting it below

concerns over the general economic climate, though this may have been because the issue was examined in detail in the topical questions, which tends to cause the proportion citing it as their top problem to be lower. Apart from the previous survey, regulation has been the top-ranked business problem for two and a half years.

Table 3.2 overleaf, though, shows that regulations and paperwork is only the top-ranked problem for the relatively larger SMEs in our survey (those with 10 or more employees), which have to deal with much employment law. For smaller firms, concerns over the general economic climate predominate. Regulation remains the top-ranked bugbear of firms in health/education/leisure & other personal services (29%),

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

	2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Q1
Gov't regulations and paperwork	18%	22%	20%	15%	20%
General economic climate	9%	13%	16%	20%	18%
Lack of skilled employees/High pay	10%	8%	6%	10%	9%
Cashflow/Payments/Debtors	7%	8%	8%	8%	9%
Sector-specific demand/problems	9%	9%	10%	8%	9%
Competition	8%	8%	6%	6%	7%
Total tax burden	11%	7%	5%	9%	7%
Lack of time/capacity	9%	8%	7%	7%	6%
Marketing problems	5%	3%	5%	4%	4%
Inflation/Cost of materials, supplies	2%	1%	2%	3%	3%
No problems	2%	3%	1%	1%	2%
Interest rates/Access to finance	1%	1%	0%	1%	1%
Other costs (e.g. premises, transport)	2%	1%	2%	1%	1%
Exchange rates	1%	1%	1%	1%	1%
Other	5%	5%	6%	5%	4%

business services (21%) and hotels & restaurants (21%) and has become top-ranked for agricultural firms (24%). It is also a big problem for small manufacturers (21%), though not top-ranked there.

General Economic Climate

Concerns over the general economic climate remain high. 18% report that this is the biggest single problem facing their business (Table 3.1). This is a little

Chart 3.2: Selected most important problems

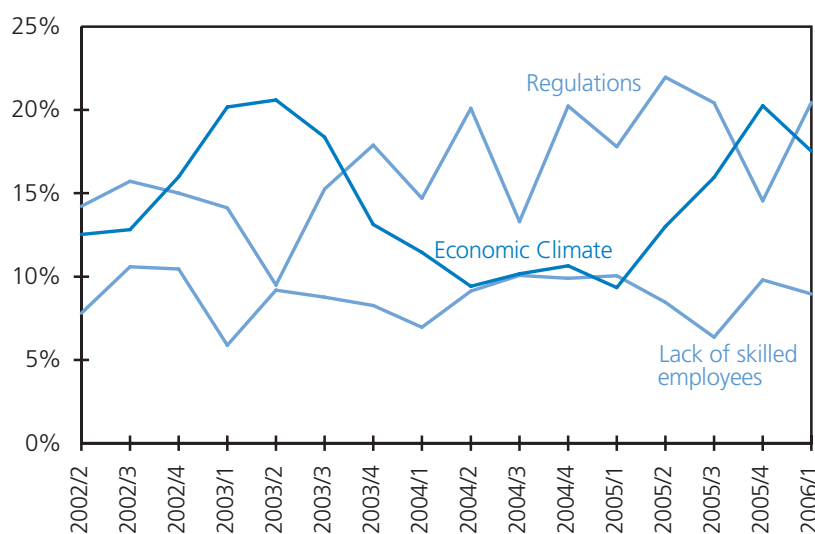


Table 3.2: Most important problem, by number of employees, excluding proprietor/partners

	0	1-2	3-4	5-9	10-19	20+
Gov't regulations and paperwork	16%	18%	18%	13%	33%	22%
General economic climate	22%	23%	19%	19%	19%	14%
Lack of skilled employees/High pay	4%	2%	8%	13%	10%	13%
Cashflow/Payments/Debtors	3%	9%	6%	8%	8%	15%
Sector-specific demand/problems	3%	11%	11%	9%	7%	8%
Competition	12%	9%	6%	12%	3%	5%
Total tax burden	9%	5%	10%	7%	4%	5%
Lack of time/capacity	7%	8%	6%	6%	4%	3%
Marketing problems	6%	5%	6%	5%	1%	3%
Inflation/Cost of materials, supplies	1%	3%	1%	5%	1%	6%
No problems	7%	1%	1%	0%	1%	0%
Interest rates/Access to finance	1%	1%	3%	2%	1%	0%
Other costs (e.g. premises, transport)	1%	2%	1%	0%	3%	0%
Exchange rates	0%	1%	2%	0%	0%	1%
Other (please specify)	4%	3%	4%	2%	2%	4%
No response	0%	1%	0%	0%	1%	0%
Sample	67	150	102	127	89	99

lower than the 20% in the previous survey, but is otherwise the highest in two and a half-years (Chart 3.2).

Table 3.2 shows that concern about the state of the economy is the top-ranked issue for SMEs with fewer than 10 employees. It is still easily the top-ranked problem in distribution, with 40% of small retailers and 32% of wholesalers reporting that the economic climate is their biggest problem. It is also top-ranked in transport/travel & communication (24%) and manufacturing (22%).

Other problems

The remaining problems are the most important for no more than half as many firms as regulations and the economic climate.

A lack of skilled employees and high pay remains the third-ranked problem, but is the top problem for only 9% of small firms and is (joint) top-ranked only for

construction firms (19%). This is no longer a major problem for hotels & restaurants, which have stopped reporting much better performance than other small firms.

The proportion citing cashflow/payments/debtors as their most important problem has crept up to 9%, but is joint top-ranked for construction firms (19%).

Agricultural firms complain of their sector-specific demand problems (19%), even though all questionnaires were completed before H5N1 bird 'flu was identified in Britain. The total tax burden is a particular issue for transport & travel firms (14%).

Competition remains more of a problem in wholesale (16%) and retail (17%) than in other sectors.

Only 1% of small firms report that exchange rates (considered in the topical section) are the biggest single problem facing their business at the moment.

Prospects

Overall sales expectations are marginally down, to another new low. Business service firms remain positive and optimism has recovered somewhat in construction, but optimism among hotels & restaurants and retailers is at a record low.

Fewer SMEs than in the previous survey (31%, compared with 33%) expect their sales to be lower in the current quarter (the first quarter of 2006) than they were in the previous quarter (the final quarter of 2005). However, the proportion expecting to increase their sales has dropped even more (33% compared with 36% - Table 4.1). This means that the net balance

expecting an increase has slipped marginally, from +3% to only +2% (Chart 4.1). The balance was already at its lowest since the sample for this survey was refreshed, four years ago. The balance has fallen in each of the past four surveys and is now well below the +16% at this time of year.

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

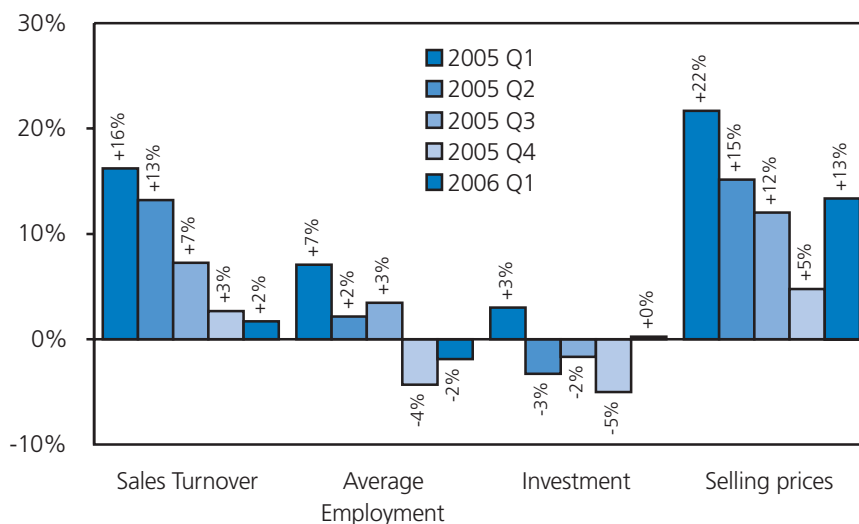


Table 4.1: Expected change over current quarter in sales, employment, investment and selling prices (weighted figures)

Expected change over current quarter (2006Q1 on 2005Q4) in:	Up	Down	Same	No response	Balance
Sales Turnover	33%	31%	34%	2%	+2%
Average Employment	11%	13%	71%	5%	-2%
Investment	17%	17%	60%	6%	+0%
Selling prices	24%	11%	60%	5%	+13%

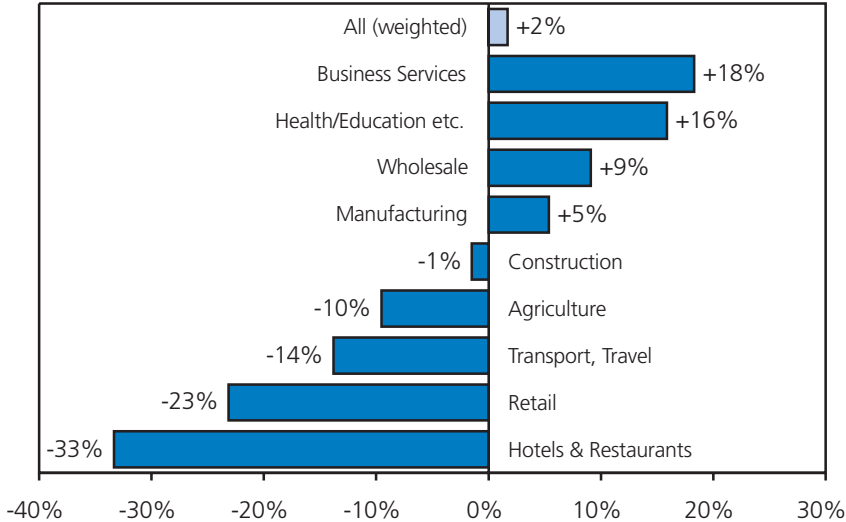
Employment intentions are not, though, quite as negative as in the previous survey. The same proportion as in the previous survey (11%) expect to recruit extra staff, but the proportion expecting to shed staff is down from 15% to 13%. The balance of -2% is better than the -4% of three months ago, but markedly worse than the +7% at this time last year.

Fractionally more small firms intend to increase the amount they invest during the first quarter of 2006 than expect to cut it, in contrast to the previous three surveys. This is a significant improvement on the record low of the previous survey. The balance of firms expecting to increase their selling prices is also up from an historic low to +13%, about the same level as six months ago.



Prospects: Comparison Across Business Sectors

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



Small business services firms remain the most optimistic, despite the fact that the balance expecting increased sales (+18%) is fractionally down compared with the previous survey. Confidence is up quite sharply among small firms in the health/education/leisure & other services sector, making this the second most positive about sales (+16%).

The biggest increase in the sales balance, however, is for construction firms, a recovery from the sharp fall in the previous survey. In the previous survey, the balance for construction firms was -21%, the first negative balance in the four years since the sample for the survey was refreshed and the lowest of the sectors surveyed. In this survey the balance has recovered by 20 percentage points, more than any other sector, though still more small construction firms expect their sales to fall than expect them to increase.

Wholesaling is the only other sector where small firms are more optimistic about their immediate sales

prospects than they were in the previous survey. The balance for these firms is up from +4% to +9%. This is the only sector where small firms are more positive about sales than they were at this time last year. Wholesalers are also, by some margin, the most positive firms about employment (+14%) and investment (+16%) prospects for the first quarter of 2006.

The sharpest fall in sales expectations is for small hotels & restaurants, where the balance is down from +17% to -33%. Six months ago, this was by a large margin the most positive sector, with a balance of +38%. This is a particularly seasonal sector and the balance is almost always significantly lower in the winter than the summer months. However, sales optimism now is well below at this time last year, when as many small hoteliers & restaurateurs expected their sales to increase as expected them to fall. Employment expectations among small hotels & restaurants are also among the lowest of the firms surveyed (-12%), though they are the most likely to expect to increase selling prices (Table 4.2).



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	-10%	+0%	-14%	-19%	21
Manufacturing	+5%	+0%	+2%	+19%	112
Transport, Travel	-14%	-21%	-17%	+0%	29
Construction	-1%	-6%	+0%	+13%	67
Wholesale	+9%	+14%	+16%	+14%	44
Retail	-23%	-8%	-6%	+14%	108
Hotels & Restaurants	-33%	-12%	+0%	+24%	33
Business Services	+18%	+2%	+3%	+13%	164
Health/Education/Leisure/Other	+16%	+3%	+3%	+16%	63
All (weighted by sector)	+2%	-2%	+0%	+13%	641

It is no surprise that the sales balance for retailing is down in the post-Christmas period - the balance has fallen at this time of year in sixteen out of the past seventeen years. However, the retailing balance was already at a relatively low level and has now fallen to -23%, the lowest since the sample for the survey was refreshed four years ago. More small retailers have expected falling than rising sales in each of the past five surveys. A balance of retailers also expect to have cut the numbers they employ (-8%) and the amount they invested (-6%) during the first quarter of 2006.

Small manufacturers are slightly less positive than they were in the previous survey about their sales prospects (down from +7% to +5%), but now as many expect to recruit extra employees as expect to cut employment (an improvement on the balance of -11% in the previous survey).

Prospects: Comparison Across Size Bands

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

Annual turnover (excluding VAT)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Less than £50,000	-8%	-8%	-4%	+15%	80
£50,000-£99,999	+2%	+2%	+7%	+19%	81
£100,000-£249,999	-7%	-2%	-11%	+8%	137
£250,000-£499,999	-1%	-9%	-3%	+7%	99
£500,000-£999,999	+4%	+1%	+2%	+11%	103
£1m+	+16%	+4%	+13%	+24%	127
All (weighted by sector)	+2%	-2%	+0%	+13%	641



Tables and Charts 4.3 and 4.4 show that the largest firms in the survey (those with a turnover over £1m or 20 or more employees) are far more optimistic about their immediate sales prospects than their smaller counterparts. However, there is no consistent pattern among the smallest firms.

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

Number of employees (not including proprietor/partners)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
0	-6%	-6%	-3%	+24%	67
1-2	-1%	-5%	-4%	+8%	150
3-4	-13%	-4%	+3%	+9%	102
5-9	+8%	-1%	-2%	+7%	127
10-19	-2%	-3%	-1%	+16%	89
20+	+20%	+10%	+10%	+25%	99
All (weighted by sector)	+2%	-2%	+0%	+13%	641

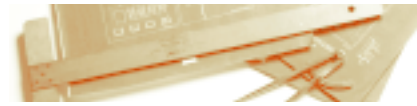


Chart 4.3: Percentage balance of respondents expecting an increase in sales, by turnover size band

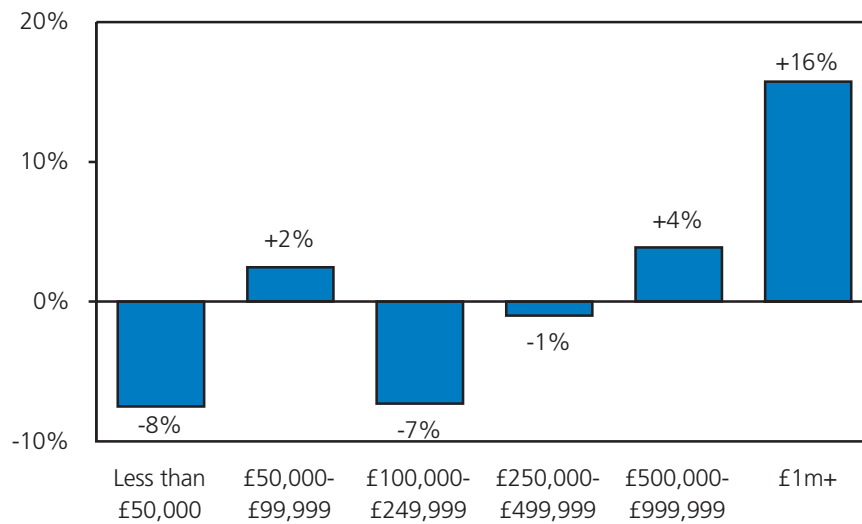
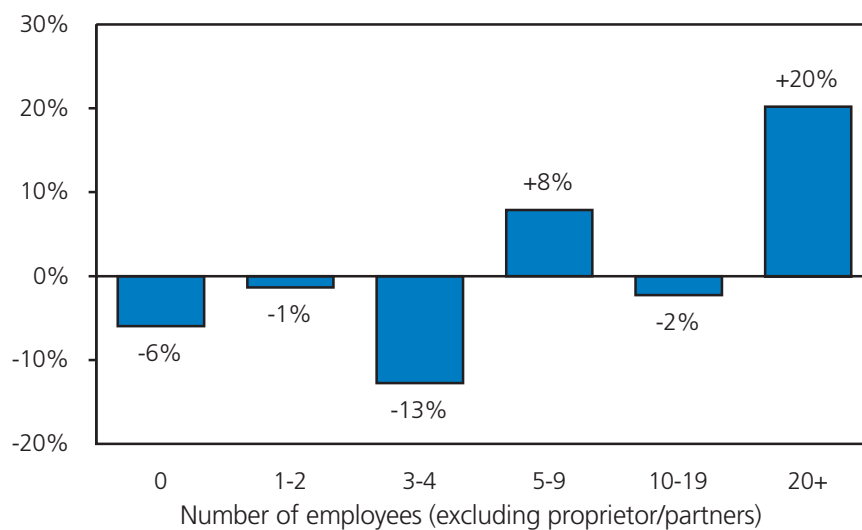


Chart 4.4: Percentage balance of respondents expecting an increase in sales, by employee size band



Prospects: Comparison Across Regions

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

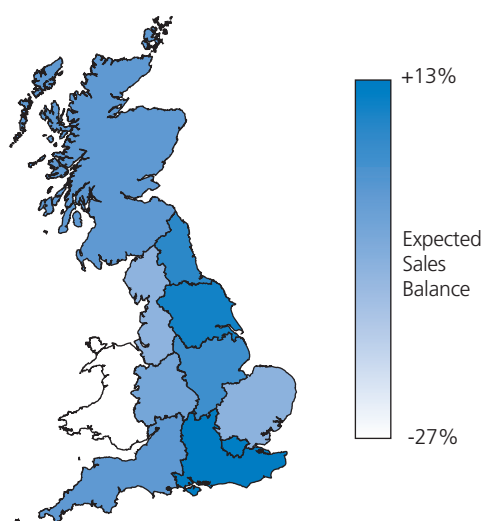
	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+7%	+0%	-21%	+43%	14
North West	-8%	-8%	-4%	+16%	73
Yorkshire & the Humber	+10%	-2%	+0%	+7%	42
East Midlands	+4%	-6%	+2%	+8%	51
West Midlands	-4%	-2%	+13%	+15%	52
East of England	-8%	-8%	-4%	+8%	89
London	+12%	+6%	-4%	+6%	52
South East	+13%	+4%	+0%	+14%	124
South West	+0%	-2%	+7%	+12%	58
Wales	-27%	-6%	+0%	+15%	33
Scotland	+0%	+2%	+5%	+30%	44

Table and Chart 4.5 show that small firms in London and the South East of England are the most optimistic about their sales performance prospects for the first quarter of 2006. Firms in the North East of England, Yorkshire & Humberside and the East Midlands also, on balance, expect an increase in sales.

Small firms in Wales are now the most pessimistic about their sales prospects for the first quarter of 2006.

London, the South East and Scotland are the only regions where small firms employment is on balance expected to increase during the quarter.

Chart 4.5: 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 15th February 2006 to 2,825 owners and managers of small businesses which had previously volunteered to take part, 865 by e-mail and the remainder by post.

By the cut-off date of 7th March, a total of 641 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	
			Employment	Prices	U	S	U	S	U	U		
Vol.1 No.1a	3,056	1984/3	+34.7%	+10.5%	-	-	+21.2%	+23.1%	+3.3%	+5.2%	-	-
Vol.1 No.1b	1,795	1984/4	+32.6%	+10.4%	-	-	+9.5%	+17.7%	+0.9%	+3.9%	-	-
Vol.1 No.2	1,181	1985/1	+33.4%	+17.6%	-	-	+16.9%	+9.4%	+9.5%	+7.1%	-	-
Vol.1 No.3	1,090	1985/2	+34.4%	+11.2%	-	-	+31.4%	+28.8%	+5.3%	+2.8%	-	-
Vol.1 No.4	1,072	1985/3	+37.4%	+12.1%	-	-	+26.2%	+28.1%	+5.3%	+7.2%	-	-
Vol.2 No.1	1,326	1985/4	+41.4%	+12.6%	-	-	+9.8%	+18.0%	+5.3%	+8.3%	-	-
Vol.2 No.2	1,052	1986/1	+33.6%	+11.6%	-	-	+31.1%	+23.6%	+5.6%	+3.2%	-	-
Vol.2 No.3	1,285	1986/2	+35.5%	+14.2%	-	-	+29.6%	+27.0%	+11.9%	+9.4%	-	-
Vol.2 No.4	1,435	1986/3	+39.7%	+15.2%	-	-	+22.3%	+24.2%	+6.0%	+7.9%	-	-
Vol.3 No.1	1,116	1986/4	+40.0%	+13.4%	-	-	+17.0%	+25.2%	+4.6%	+7.6%	-	-
Vol.3 No.2	1,746	1987/1	+40.2%	+15.2%	-	-	+39.7%	+32.2%	+15.1%	+12.7%	-	-
Vol.3 No.3	1,113	1987/2	+44.7%	+23.1%	-	-	+36.8%	+34.2%	+13.2%	+10.7%	-	-
Vol.3 No.4	977	1987/3	+44.8%	+17.6%	-	-	+28.8%	+30.7%	+10.0%	+11.9%	-	-
Vol.4 No.1	1,042	1987/4	+52.7%	+23.4%	-	-	+31.4%	+39.6%	+10.5%	+13.5%	-	-
Vol.4 No.2	933	1988/1	+52.7%	+19.3%	-	-	+46.7%	+39.2%	+15.3%	+12.9%	-	-
Vol.4 No.3	983	1988/2	+55.0%	+22.0%	-	-	+47.9%	+45.3%	+19.1%	+16.6%	-	-
Vol.4 No.4	950	1988/3	+54.9%	+22.3%	-	-	+34.4%	+36.3%	+13.3%	+15.2%	-	-
Vol.5 No.1A	1,523	1988/4	+49.2%	+15.1%	-	-	+25.6%	+33.8%	+5.7%	+8.7%	-	-
Vol.5 No.2	947	1989/1	+38.8%	+18.1%	-	-	+18.6%	+11.1%	+5.6%	+3.2%	-	-
Vol.5 No.3	2,274	1989/2	+41.1%	+16.7%	-	-	+30.8%	+28.2%	+10.4%	+7.9%	-	-
Vol.5 No.4	795	1989/3	+33.5%	+18.3%	-	-	+20.2%	+22.1%	+7.4%	+9.3%	-	-
Vol.6 No.1	1,091	1989/4	+29.9%	+10.5%	-	-	+10.6%	+18.8%	+0.9%	+3.9%	-	-
Vol.6 No.2	1,384	1990/1	+31.4%	+9.9%	-	-	+24.4%	+17.0%	+3.5%	+1.1%	-	-
Vol.6 No.3	1,043	1990/2	+22.3%	+4.8%	-	-	+14.7%	+12.1%	+0.9%	-1.7%	-	-
Vol.6 No.4	1,312	1990/3	+18.2%	+3.5%	-	-	+3.6%	+5.5%	-4.1%	-2.1%	-	-
Vol.7 No.1	1,239	1990/4	-0.5%	-5.1%	-	-	-16.0%	-7.8%	-14.4%	-11.4%	-	-
Vol.7 No.2	984	1991/1	-8.6%	-11.6%	-12.7%	-	+12.3%	+4.9%	-7.6%	-10.0%	-15.0%	-
Vol.7 No.3	1,718	1991/2	-12.5%	-17.3%	-20.0%	-	-5.2%	-7.8%	-11.5%	-14.1%	-20.6%	-
Vol.7 No.4	835	1991/3	-14.8%	-19.9%	-15.0%	-	-1.0%	+0.9%	-17.5%	-15.5%	-15.1%	-
Vol.8 No.1	1,684	1991/4	-7.9%	-15.6%	-20.5%	-	-9.4%	-1.2%	-16.9%	-13.9%	-13.3%	-
Vol.8 No.2	1,359	1992/1	-1.8%	-17.2%	-13.9%	-	+19.5%	+12.0%	-5.5%	-7.9%	-6.8%	-
Vol.8 No.3	1,527	1992/2	-9.2%	-14.6%	-18.7%	-	+4.2%	+1.6%	-5.9%	-8.4%	-11.8%	-
Vol.8 No.4	921	1992/3	-15.9%	-27.8%	-32.7%	-	-6.2%	-4.3%	-17.7%	-15.8%	-24.1%	-
Vol.9 No.1	1,339	1992/4	-9.1%	-15.1%	-21.0%	-	-4.0%	+4.3%	-10.7%	-7.7%	-13.1%	-
Vol.9 No.2	1,021	1993/1	-3.8%	-12.4%	-11.3%	-	+23.5%	+16.0%	+0.7%	-1.7%	-0.8%	-
Vol.9 No.3	1,310	1993/2	+0.9%	-7.9%	-7.4%	-	+19.1%	+16.4%	+4.3%	+1.7%	-0.5%	-
Vol.9 No.4	1,076	1993/3	+8.3%	-1.6%	-7.0%	-	+14.7%	+16.6%	-3.4%	-1.4%	-4.5%	-
Vol.10 No.1	1,295	1993/4	+13.8%	+3.5%	-3.3%	-	+15.1%	+23.4%	-0.2%	+2.8%	+3.3%	-
Vol.10 No.2	861	1994/1	+3.6%	-4.3%	-3.8%	-	+23.0%	+15.5%	-1.1%	-3.5%	+3.7%	-
Vol.10 No.3	2,327	1994/2	+16.2%	+0.8%	-3.3%	-	+18.4%	+15.8%	+1.6%	-0.9%	-2.2%	-
Vol.10 No.4	1,046	1994/3	+20.3%	+7.6%	+0.6%	-	+14.6%	+16.5%	-0.2%	+1.7%	+1.9%	-
Vol.11 No.1B	983	1994/4	+20.6%	+2.1%	+4.1%	-	+17.2%	+25.4%	+3.7%	+6.7%	+2.4%	-
Vol.11 No.2	1,295	1995/1	+18.2%	+3.2%	+1.4%	-	+27.8%	+20.3%	+5.7%	+3.4%	+5.0%	-
Vol.11 No.3	669	1995/2	+18.0%	+3.2%	+1.1%	-	+18.6%	+15.9%	+4.3%	+1.8%	-1.5%	-
Vol.11 No.4	1,047	1995/3	+13.1%	+3.3%	+3.1%	-	+14.0%	+15.9%	-1.9%	+0.1%	-2.1%	-

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.12 No.1	700	1995/4	+10.0%	-2.9%	+1.9%	-	+2.6%	+10.8%	-6.7%	-3.7%	-5.2%	-
Vol.12 No.2	1,099	1996/1	+14.2%	+2.5%	+1.0%	-	+20.7%	+13.3%	+1.9%	-0.5%	-2.8%	-
Vol.12 No.3	742	1996/2	+10.5%	+3.9%	+5.1%	-	+16.1%	+13.4%	+3.3%	+0.8%	-2.7%	-
Vol.12 No.4	753	1996/3	+23.1%	+8.9%	+7.2%	-	+24.3%	+26.2%	+5.1%	+7.1%	+6.1%	-
Vol.13 No.1	912	1996/4	+20.4%	+9.8%	+10.9%	-	+17.4%	+25.6%	+4.8%	+7.7%	+7.2%	-
Vol.13 No.2	720	1997/1	+13.6%	+2.0%	+9.9%	-	+27.7%	+20.3%	+8.6%	+6.3%	+7.0%	-
Vol.13 No.3	909	1997/2	+18.0%	+5.3%	+5.2%	-	+22.2%	+19.5%	+7.3%	+4.7%	+2.4%	-
Vol.13 No.4	634	1997/3	+21.5%	+12.1%	+10.7%	-	+24.1%	+26.0%	+3.9%	+5.8%	+3.8%	-
Vol.14 No.1	783	1997/4	+21.1%	+1.7%	+10.4%	-	+12.8%	+21.0%	-0.7%	+2.3%	+3.9%	-
Vol.14 No.2	1,273	1998/1	+19.3%	+3.0%	+12.4%	-	+21.3%	+13.8%	+3.9%	+1.5%	+2.2%	-
Vol.14 No.3	682	1998/2	+9.0%	+5.0%	+5.0%	-	+10.3%	+7.6%	+5.6%	+3.1%	+2.0%	-
Vol.14 No.4	654	1998/3	-2.5%	-0.4%	+4.6%	+10.0%	+3.0%	+4.9%	-2.9%	-1.0%	-8.0%	+0.5%
Vol.15 No.1	601	1998/4	+5.9%	+0.5%	+2.8%	+9.3%	-5.0%	+3.2%	-2.9%	+0.1%	-5.7%	+5.6%
Vol.15 No.2	619	1999/1	+6.9%	-2.3%	+3.4%	+15.7%	+20.8%	+13.3%	+4.4%	+2.0%	+1.3%	+14.6%
Vol.15 No.3	507	1999/2	-4.9%	-4.3%	-2.7%	+8.5%	+6.8%	+4.2%	+0.1%	-2.4%	-5.0%	+4.8%
Vol.15 No.4	1,121	1999/3	+9.2%	-2.0%	+2.5%	+13.7%	+11.4%	+13.3%	-0.7%	+1.3%	+0.1%	+5.8%
Vol.16 No.1	812	1999/4	+9.3%	-4.2%	+1.8%	+16.0%	+6.4%	+14.6%	-2.5%	+0.5%	+1.9%	+15.2%
Vol.16 No.2	866	2000/1	+9.6%	-2.6%	+2.2%	+16.9%	+22.6%	+15.1%	+5.4%	+3.0%	+2.8%	+14.0%
Vol.16 No.3	758	2000/2	+2.1%	+0.5%	-1.5%	+17.0%	+11.7%	+9.0%	+3.0%	+0.5%	-1.2%	+9.2%
Vol.16 No.4	803	2000/3	+5.0%	-5.0%	+3.1%	+15.3%	+6.3%	+8.2%	-2.7%	-0.7%	-0.7%	+12.4%
Vol.17 No.1	726	2000/4	+8.6%	-0.5%	+4.3%	+16.7%	+3.7%	+11.9%	+0.5%	+3.4%	+3.7%	+16.3%
Vol.17 No.2	856	2001/1	+3.2%	-3.3%	+1.9%	+18.7%	+12.1%	+4.6%	+1.7%	-0.7%	-2.8%	+16.2%
Vol.17 No.3	720	2001/2	+4.9%	-1.4%	+3.1%	+22.4%	+9.5%	+6.8%	+1.2%	-1.3%	-2.2%	+14.2%
Vol.17 No.4	705	2001/3	+5.3%	+0.3%	+3.9%	+18.2%	+3.7%	+5.6%	-2.9%	-0.9%	-5.4%	+6.2%
Vol.18 No.1	654	2001/4	+2.5%	-4.2%	-3.0%	+13.6%	-2.3%	+5.9%	-2.0%	+1.0%	-7.1%	+10.0%
Vol.18 No.2 old	675	2002/1	+5.4%	-2.7%	-2.7%	+14.6%	+20.0%	+12.6%	+5.8%	+3.4%	+2.3%	+11.9%
Vol.18 No.2	1,168	2002/1	+14.7%	+1.2%	+1.4%	+13.1%	+31.0%	-	+8.1%	-	+4.2%	+14.3%
Vol.18 No.3	1,078	2002/2	+22.9%	+8.5%	+7.0%	+22.6%	+24.5%	-	+10.7%	-	+5.9%	+15.2%
Vol.18 No.4	1,074	2002/3	+17.2%	+4.1%	+0.1%	+16.8%	+13.7%	-	-1.2%	-	-4.0%	+7.9%
Vol.19 No.1	922	2002/4	+15.5%	+2.7%	-5.8%	+19.5%	+3.2%	-	-6.2%	-	-10.9%	+11.4%
Vol.19 No.2	851	2003/1	+9.0%	-4.7%	-10.7%	+17.2%	+13.3%	-	+2.4%	-	-3.9%	+11.3%
Vol.19 No.3	784	2003/2	+15.4%	+1.6%	+5.8%	+24.6%	+16.2%	-	+6.5%	-	+0.6%	+10.9%
Vol.19 No.4	687	2003/3	+10.1%	-3.0%	+2.7%	+23.8%	+9.5%	-	-2.7%	-	-3.4%	+12.3%
Vol.20 No.1	808	2003/4	+27.2%	+7.3%	+15.0%	+22.3%	+23.5%	-	+2.8%	-	+8.9%	+17.0%
Vol.20 No.2	739	2004/1	+23.1%	+1.3%	+7.2%	+27.0%	+24.2%	-	+5.6%	-	+5.5%	+18.8%
Vol.20 No.3	623	2004/2	+14.9%	+0.8%	-1.4%	+23.8%	+15.2%	-	+2.0%	-	-0.8%	+12.0%
Vol.20 No.4	711	2004/3	+17.4%	+5.8%	+7.3%	+23.1%	+8.1%	-	-0.2%	-	+2.7%	+10.7%
Vol.21 No.1	652	2004/4	+19.3%	+6.6%	+7.5%	+26.7%	+16.2%	-	+7.1%	-	+3.0%	+21.7%
Vol.21 No.2	675	2005/1	+6.3%	+0.9%	+3.5%	+26.0%	+13.2%	-	+2.1%	-	-3.3%	+15.1%
Vol.21 No.3	670	2005/2	-0.5%	+2.0%	+2.3%	+23.0%	+7.3%	-	+3.5%	-	-1.7%	+12.0%
Vol.21 No.4	620	2005/3	+3.1%	-5.1%	+4.1%	+19.0%	+2.7%	-	-4.3%	-	-5.0%	+4.8%
Vol.22 No.1	641	2005/4	+3.6%	-0.6%	+0.1%	+24.2%	+1.7%	-	-1.9%	-	+0.2%	+13.3%

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%	13.6%	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%	5.6%	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%	43.3%	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%	1.6%	1,021
1993/3	0.4%	2.1%	5.5%	4.5%	5.4%	41.2%	4.2%	12.6%	0.3%	0.3%	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%	3.2%	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%	12.5%	3.8%	7.6%	2.5%	1,046
1995/1B	0.8%	2.7%	4.0%	6.1%	6.2%	37.7%	6.9%	6.7%	0.6%	1.1%	3.0%	12.5%	2.0%	7.4%	2.2%	983
1995/2	1.2%	2.0%	3.4%	5.1%	6.9%	36.7%	6.1%	8.0%	0.6%	0.9%	2.7%	12.2%	3.8%	9.4%	1.0%	1,295
1995/3	1.1%	3.8%	4.2%	4.0%	6.8%	37.6%	8.8%	7.1%	0.5%	0.5%	1.1%	11.4%	5.9%	6.8%	0.4%	669
1995/4	1.1%	0.8%	3.4%	6.0%	6.0%	39.1%	6.3%	9.1%	0.7%	0.3%	2.4%	12.0%	2.8%	9.3%	0.9%	1,047

continued ...

Table A.2: Most important problem, historical series (continued)

	Inflation	Interest Rates	Access to Finance	Lack of Skilled Employees	Total Tax Burden	Low Turnover or Lack of Business	Competition from Big Business	Govt 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%	1,009
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%	2.9%	7.7%	5.0%	29.3%	6.3%	9.6%	0.8%	0.1%	2.6%	9.7%	4.9%	16.0%	0.7%	682
1998/4	0.8%	6.3%	1.8%	9.7%	7.1%	30.8%	7.6%	6.1%	1.4%	0.7%	1.6%	10.5%	2.0%	13.0%	0.6%	654
1999/1	0.1%	1.7%	1.9%	8.9%	7.2%	31.0%	5.3%	11.1%	1.1%	0.9%	1.9%	8.3%	4.3%	15.2%	1.1%	601
1999/2	0.2%	1.0%	1.2%	8.0%	6.3%	31.6%	7.6%	14.8%	1.1%	0.1%	1.0%	9.2%	3.9%	12.9%	1.0%	619
1999/3	0.1%	0.7%	2.8%	11.2%	7.7%	25.3%	8.0%	13.6%	2.1%	0.9%	3.3%	8.2%	4.4%	10.2%	1.5%	507
1999/4	0.4%	0.8%	2.9%	11.4%	6.1%	26.3%	7.3%	14.2%	1.1%	0.5%	2.0%	9.6%	3.9%	12.6%	0.9%	1,121
2000/1	0.3%	1.0%	1.7%	9.5%	6.4%	26.2%	8.7%	18.6%	1.4%	0.3%	2.2%	8.8%	3.7%	10.4%	0.6%	812
2000/2	0.3%	1.6%	1.3%	8.7%	6.7%	25.9%	6.3%	19.0%	1.4%	1.1%	1.8%	7.2%	3.3%	14.9%	0.6%	866
2000/3	0.3%	0.8%	2.2%	12.2%	7.3%	26.7%	6.3%	12.5%	1.4%	1.1%	2.4%	9.6%	2.8%	12.6%	1.9%	758
2000/4	0.4%	0.7%	1.6%	7.9%	7.2%	27.4%	6.9%	15.7%	0.8%	0.9%	1.4%	10.2%	4.1%	14.3%	0.4%	803
2001/1	0.1%	0.4%	2.0%	11.1%	6.7%	31.4%	6.3%	14.4%	0.8%	0.3%	1.9%	9.2%	2.8%	10.9%	1.8%	726
2001/2	0.2%	0.8%	1.3%	10.8%	7.9%	27.2%	5.9%	15.4%	2.7%	0.4%	2.6%	7.0%	3.2%	13.7%	1.0%	856
2001/3	0.0%	0.0%	0.7%	13.5%	9.6%	30.0%	6.4%	13.8%	0.8%	0.4%	1.2%	7.3%	3.1%	12.8%	0.5%	720
2001/4	0.1%	0.0%	2.0%	11.7%	6.7%	27.4%	5.2%	16.5%	1.3%	0.5%	1.1%	8.2%	2.9%	15.0%	1.3%	705
2002/1	0.3%	0.5%	1.7%	7.8%	8.9%	28.5%	5.1%	15.2%	0.7%	0.2%	1.0%	8.4%	3.4%	16.8%	1.5%	654

Table 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	Govt regulations and paperwork	Lack of skilled employees/ High pay	Total tax burden	Lack of time/ capacity	No problems	Other (please specify)	No response	Sample
2002/2	13%	7%	4%	2%	1%	2%	2%	10%	14%	8%	7%	8%	3%	12%	1%	1,168
2002/3	13%	7%	4%	1%	0%	1%	1%	11%	16%	11%	6%	9%	2%	11%	1%	1,078
2002/4	16%	7%	4%	1%	1%	2%	1%	9%	15%	10%	6%	9%	2%	8%	2%	1,074
2003/1	20%	8%	4%	1%	0%	1%	1%	9%	14%	6%	7%	8%	2%	9%	1%	922
2003/2	21%	8%	4%	1%	1%	1%	1%	11%	10%	9%	6%	9%	2%	8%	2%	851
2003/3	18%	9%	3%	1%	1%	1%	1%	7%	15%	9%	9%	10%	2%	7%	2%	784
2003/4	13%	9%	3%	1%	1%	1%	0%	7%	18%	8%	8%	8%	3%	9%	2%	687
2004/1	11%	8%	3%	2%	1%	2%	2%	11%	15%	7%	9%	8%	3%	8%	1%	808
2004/2	9%	8%	4%	2%	2%	1%	1%	8%	20%	9%	8%	9%	3%	8%	1%	739
2004/3	10%	9%	4%	2%	3%	3%	1%	10%	13%	10%	7%	9%	3%	7%	1%	623
2004/4	11%	8%	3%	1%	2%	1%	1%	8%	20%	10%	8%	8%	4%	8%	1%	711
2005/1	9%	9%	5%	1%	2%	2%	1%	7%	18%	10%	11%	9%	2%	5%	1%	652
2005/2	13%	9%	3%	1%	1%	1%	1%	8%	22%	8%	7%	7%	3%	5%	2%	675
2005/3	16%	10%	5%	0%	2%	2%	1%	8%	20%	6%	5%	7%	1%	6%	3%	670
2005/4	20%	8%	4%	1%	3%	1%	1%	8%	15%	10%	9%	7%	1%	5%	2%	620
2006/1	18%	9%	4%	1%	3%	1%	1%	9%	20%	9%	7%	6%	2%	4%	1%	641

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

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 2006Q1

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

CONFIDENTIAL

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

- 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** Approximately what percentage of your turnover last year was sold directly to customers outside the UK? (Do not count supplies to a UK exporting firm, or VAT-free sales to tourists. Do not leave blank, if none, please write 'none') _____ %
- 5** If you did directly export over the past year, to which of the following regions did you export?
- | | | |
|-------------------|--------------------------|---|
| 1. Eurozone | 5. North America | 9. South Asia/South East Asia (India, Pakistan, Singapore etc.) |
| 2. Rest of Europe | 6. Central/South America | 10. East Asia (China, Hong Kong, Japan, Korea etc.) |
| 3. Scandinavia | 7. Australasia | 11. Elsewhere (please specify) _____ |
| 4. Africa | 8. Middle East | |
- 6** Approximately what percentage of your turnover last year was sold to a UK export or trading house for export? (Do not leave blank, if none, please write 'none') _____ %
- 7** What percentage do you estimate was exported indirectly as components or inputs into third party exports? (Do not leave blank, if none, please write 'none') _____ %
- 8** Over the past year, for your business has the pound been:
1. Too strong 2. Too weak 3. About right/neutral/no effect
- 9** Over the next three years, do you expect your exports as a percentage of total sales will:
1. Increase 2. Decrease 3. Remain about the same

- 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 2004? What do you expect to happen in the current quarter? Please complete the table by ticking 8 boxes only:

	ACTUAL			EXPECTED		
	October, November, December 2005 compared with the same period 2004					
	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 1st March 2006.
 Please note that this is a FREEPOST address (no stamp required).