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# NatWest/SERTeam Quarterly Survey of Small Business in Britain





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# Summary

*Despite a significant rise in the number of small firms reporting a drop in sales, there is also evidence that this had not deterred Britain's 'serial entrepreneurs'. Only half of small business owners are running their first and only business. Half have owned another business in the past or own more than one now. Most have started up their own business, using their own money. The majority of surviving businesses provide broadly the same products and services as when they started and half have grown at about the pace their owner anticipated. Most have struggled to overcome difficult periods. Poor sales performance and optimism, particularly in the distribution sector, is reflected by an increase in those whose biggest problem is the general economic climate. But government regulations remains the top problem, complained about by more small business owners than ever before.*

- Almost a quarter of these small business owners own or part-own more than one business. Just under half have owned another business now or in the past.
- Three-quarters of respondents started their own business, either alone (49%) or as part of a team (25%), though the survey includes a core of older family firms which have been inherited.
- Usually the founder financed their stake using their own savings, redundancy money or sale of an asset such as a house or car. Where loans have been taken, older businesses were often financed by overdrafts whereas for the younger firms term loans are more common.
- Only 11% of small firms have comprehensively diversified compared with their original remit, while 5% are more focused and only 2% have changed completely.
- 41% of surviving small firms have grown slower than their owners had hoped, though 12% have grown faster than expected.
- 69% of small firms have had to struggle to overcome difficult periods. Most commonly this is due to external economic conditions or loss of a major customer, especially for those which have survived a recession.
- Sometimes, though, firms have struggled due to unexpected growth or insufficient resources.
- Small firm sales performance is down sharply and in every region and sector, though this has not greatly reduced longstanding inflationary pressures.
- The general economic climate is a rising problem, but government regulations and paperwork is the biggest problem for more small firms than ever before. No single problem has been more important in the three years that this particular list of problems has been offered.
- Optimism about prospects for the current quarter is down - very unusual for this time of year.
- Retailers have reported falling sales, rank the general economic climate as their top problem and their pessimism about sales for the second quarter has shown an unprecedented worsening.

# Business Issue

*Nearly half of small business owners are “serial entrepreneurs” or own more than one business. Most of the owners in this survey started their own business, though the oldest firms are most often inherited. Owners usually initially financed their business with their own savings. Where external finance is used there seems to have been a shift away from overdrafts to term loans. Most of the businesses have struggled to cope with tricky periods, often due to recession but sometimes to unexpected growth.*

## Owning other businesses

Only just over half (53%) of small business owners taking part in this survey are running their first and only business. Almost one-quarter (24%) currently own (or part-own) another business in addition to the one to which our questionnaire was sent (Table 1.2, overleaf). A further 22% only own one business at the moment, but have been an owner (or part-owner) of another business in the past. This means that 46% (Table 1.1, overleaf) are, or have been, an owner or part-owner of another business.

Those who own relatively larger businesses are more likely to have a stake in another business. Chart 1.1 (and Table 1.2 overleaf) shows that one-third of those who employ 20 or more people in this business also own or part-own another business, compared with only 13% of respondents who work alone.

The overall proportion who now or in the past have owned another business also generally rises with size of the surveyed firm (though it peaks at over half, 54%, for those with between 5 and 19 employees and dips to 49% of those with 20 or more). Chart 1.1 shows,

Chart 1.1: Current and past ownership of other businesses - by number of employees in business surveyed

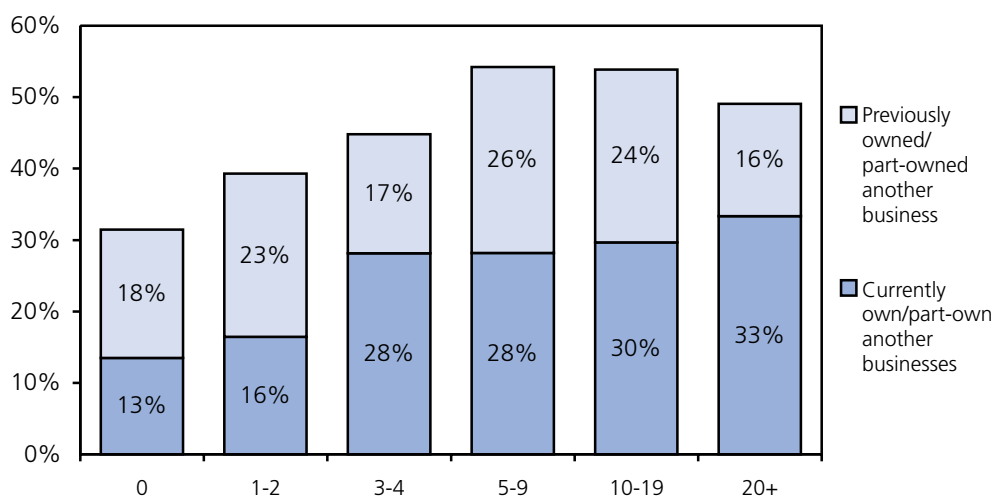


Table 1.1: "Are you, or have you been, an owner (or part-owner) of any other businesses?"  
- by number of employees (excluding proprietor/partners)

	0	1-2	3-4	5-9	10-19	20+	All
YES	31%	39%	45%	54%	54%	49%	46%
NO	69%	59%	55%	44%	46%	50%	53%
No response	0%	1%	0%	1%	0%	1%	1%
Sample	89	140	96	142	91	108	675

though, that the proportion which have owned another business in the past but currently own only one business is not clearly related to firm size.

There is a similar pattern looking at firm size as measured by turnover. 42% of the (relatively few) respondents whose main business has a turnover of over £3m also manage another business now. 63% have owned another business now or in the past.

Owners of agricultural firms are most likely (65%) to report that this is their first and only business. Business service firms (such as accountants and consultants) most often (30%) own a stake in more than one business, even though their businesses are, on average, amongst the smallest. Although few hoteliers and restaurateurs (11%) own more than one small business, they are the most likely to have moved on from another business (40% have owned another business in the past but own only this business now)<sup>1</sup>.

Owners of more recently established firms are no more likely to also own another business, though they are considerably more likely to have moved on from another firm. 37% of those whose current firm was established within the past five years own only one firm now but previously owned another firm. This falls to 26% of those established within 6 to 10 years and to only 14% of those whose business was established over 30 years ago (where if the current owner is the founder the very longevity of the business reduces the likelihood of their previously owning another business or, as will be seen, the owner is likely to have inherited the firm).

Table 1.2 shows that while 76% of respondents own (or part-own) only one business, 16% own two. 6% own three businesses and a further 2% own four or five. Few have an ownership stake in more than this, though one (a board-level management consultant for SMEs) is a part-owner in 10 businesses.

Table 1.2: "How many businesses do you currently own/part-own (including this one)?"  
- by number of employees (excluding proprietor/partners)

	0	1-2	3-4	5-9	10-19	20+	All
1	87%	84%	72%	72%	70%	67%	76%
2	8%	11%	21%	17%	22%	17%	16%
3	4%	4%	5%	9%	2%	12%	6%
4-5	0%	1%	2%	2%	5%	4%	2%
6-10	1%	0%	0%	0%	0%	1%	0%
Sample	89	140	96	142	91	108	675
More than one	13%	16%	28%	28%	30%	33%	24%

<sup>1</sup> A similar result was found back in 1989 when Vol.5 No.3 of this survey found that 40% of all respondents but 51% of hotels & restaurants, more than the other sectors, had owned another business in the past (they were not asked then whether they currently owned more than one business so the percentages are not comparable with the current survey).



Table 1.3 "How did you come to be an owner of your present business?"  
- by number of people who work in the business (including proprietor/partners)

	1	2	3-4	5-9	10-19	20+	All
New start-up by yourself	89%	69%	47%	37%	39%	31%	49%
New start-up with partners/team	8%	21%	27%	28%	32%	28%	25%
Inherited family firm	0%	4%	14%	9%	10%	16%	9%
Invested in an existing firm	1%	2%	5%	15%	12%	13%	9%
Management buy-out/buy-in	0%	3%	3%	8%	4%	5%	4%
Do not own a stake in the business	1%	1%	3%	1%	0%	4%	2%
Other	0%	1%	0%	3%	1%	0%	1%
No response	0%	0%	3%	0%	1%	2%	1%
Sample	72	111	116	159	97	112	675

#### Route to ownership

Most of the respondents to this survey were the original founders of their business, either on their own or with partners. Table 1.3 shows that 49% (and 89% of those who still work on their own) started up their firm by themselves. A further 25% started up their business along with partners or a team. Hotels & restaurants are most likely (37%) to have been started by a team.

9% of all the businesses in the survey (and 16% of those with 20 or more employees) were passed on to the current owner as a family firm. Construction firms (19%), retail outlets (15%) and agricultural firms (13%) are most likely to have been inherited.

Table 1.4 shows that there is a big division between the very well-established firms in this survey and their younger counterparts. Some 44% of businesses which have been running for more than 30 years are family firms inherited by the current owner and a further 17% were existing firms into which the current owner invested.

Some 4% of respondents became owners of their firm through a management buy-out/buy-in. A further 9% made a different type of investment in an existing firm. Buy-outs are far more common in manufacturing (10%) than elsewhere, while small hotels & restaurants are most often (26%) bought as going concerns.

Table 1.4 "How did you come to be an owner of your present business?"  
- by number of years present business has been trading

	1-5	6-10	11-20	21-30	Over 30	All
New start-up by yourself	47%	47%	57%	58%	21%	49%
New start-up with partners/team	35%	35%	25%	22%	10%	25%
Management buy-out/buy-in	4%	3%	4%	6%	7%	4%
Inherited family firm	2%	2%	4%	3%	44%	9%
Invested in an existing firm	5%	8%	7%	9%	17%	9%
Do not own a stake in the business	4%	4%	1%	0%	1%	2%
Other	2%	2%	1%	1%	0%	1%
No response	2%	1%	2%	1%	0%	1%
Sample	57	156	196	159	103	675

Table 1.5 “How did you initially finance your stake in your present business?”  
- by number of years present business trading

	1-5	6-10	11-20	21-30	Over 30	All
Own savings or sale of other assets	60%	71%	66%	61%	43%	62%
Bank overdraft	7%	11%	30%	26%	26%	22%
Other bank loan (term loan)	37%	15%	19%	20%	21%	20%
Loans from family/friends	16%	13%	9%	11%	14%	12%
Mortgage on home	11%	6%	14%	8%	8%	10%
Proceeds from the sale of a former business	7%	8%	8%	3%	2%	6%
Credit card/other short-term loan	7%	4%	4%	2%	1%	3%
Other	11%	7%	9%	5%	13%	8%
Sample	57	156	196	159	103	675

### Financing the business stake

By far the most common way in which respondents initially financed their stake in the business is by their own savings or sale of assets (other than a previous business). 62% of respondents at least partially financed their stake by these means (Table 1.5). This includes a number of respondents who noted that they financed their stake using redundancy money from a previous job, two who mentioned that they sold their house and one who sold their car. Tying in with the theme of serial entrepreneurship, a further 6% financed their stake by the sale of a former business.

Fewer of the respondents which own firms established over 30 years ago than the rest used their own savings to finance their stake. However, this is partially explained by the fact that many of these inherited their stake in the family business. These are included in ‘other’ ways of financing their stake.

Further ‘other’ means of finance included those who indicated that they had received government grants to help with start-up costs and a few other people who bought into an existing firm and had a loan from the previous owner. Others reported that they needed no finance to start their firm - typically the business had

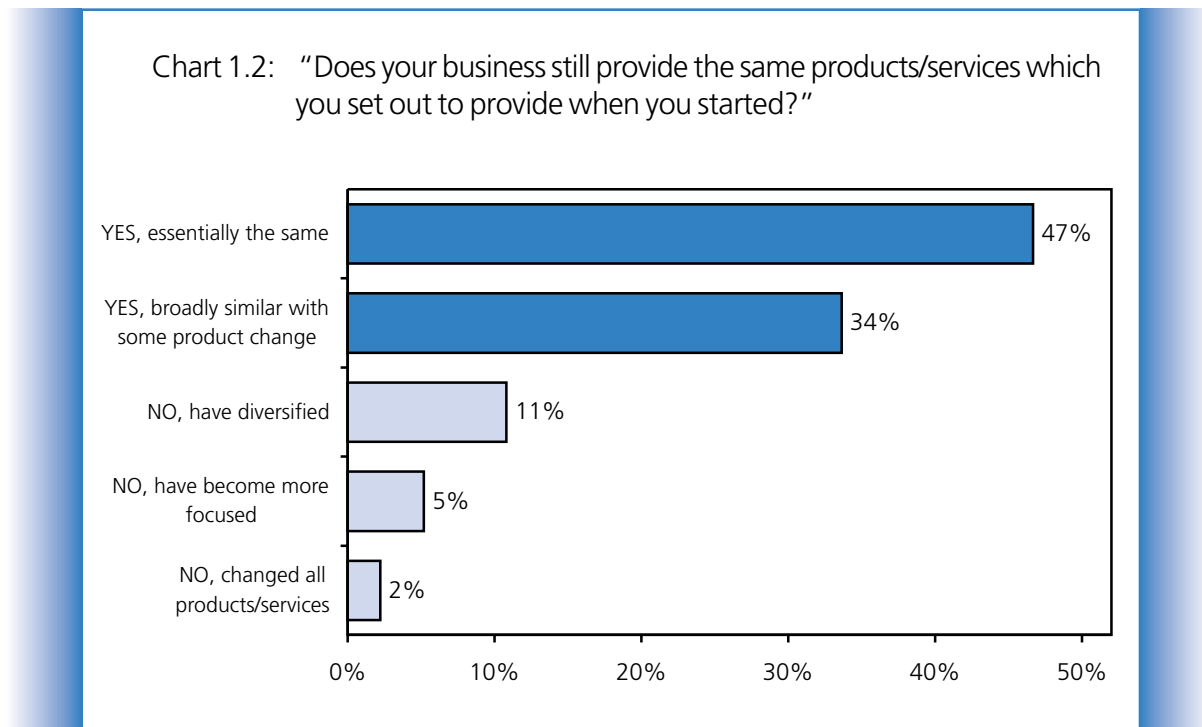
low start-up costs and financed itself or proceeds from the first order covered initial costs.

In terms of loans used to finance business start-ups, there appears to have been a significant shift over time. For firms established more than ten years ago, the owner’s stake was most often financed by an overdraft. For firms more recently established, however, there has been a shift towards other bank loans (term loans). The British Bankers Association also notes the shift from overdrafts to term loans in recent years, with overdrafts as a proportion of all bank lending to small firms (not just start-up finance) down from 60% in 1990 to only 21% in 2004.

Credit card and other short-term loans have also been more commonly used to finance stakes in more recently-established firms.

### Products/Services

Chart 1.3 shows that most of the businesses taking part in this survey provide either essentially the same (47%) or broadly similar (34%) products/services as when they set out. Only 2% have completely changed all the products/services provided by their existing business,



though more may have closed a previous business and started afresh with a new remit. Twice as many firms (11%) have diversified as have become more focused (5%). Construction firms are most often essentially unchanged (69%), while wholesalers and retailers most often have had some product change (50% and 42%) or have diversified (16% and 14%). Firms established more than 10 years ago have had more time to change than their most recently established counterparts (22% report significant change, compared with 13% of younger firms).

### Growth expectations

Just under half (46%) of respondents report that their business has grown at about the pace which they initially envisaged (Table 1.6).

For firms which remain smaller than 5 employees, a majority of owners say that this represents less growth than they had initially envisaged.

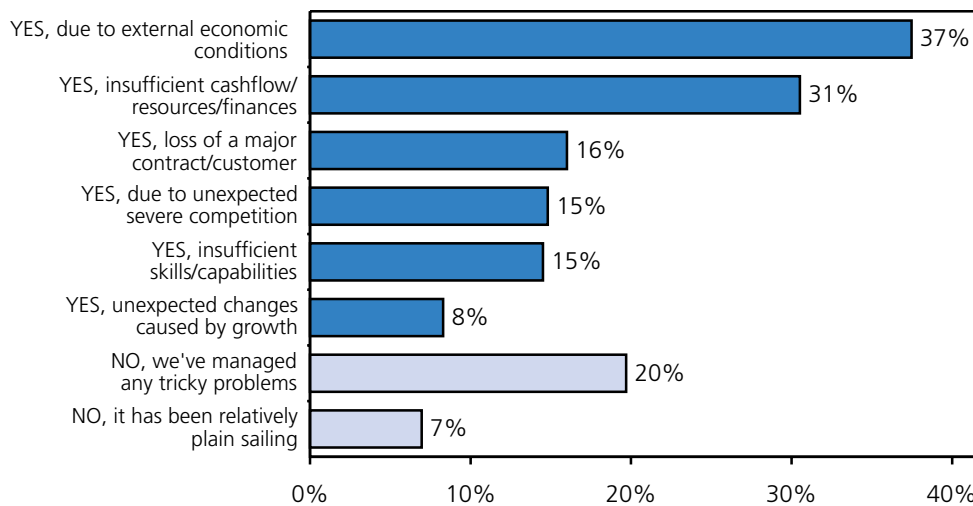
Overall, 12% of firms have grown faster than their owners expected. For the group with 20 or more employees more had their growth expectations exceeded than have seen them unfulfilled.

Table 1.6 "Has your business grown at about the pace which you initially envisaged?" - by number of employees (excluding proprietor/partners)

	0	1-2	3-4	5-9	10-19	20+	All
YES, close to what expected/planned	43%	45%	39%	53%	46%	47%	46%
NO, grown slower or less than hoped	51%	51%	52%	37%	32%	23%	41%
NO, grown faster or bigger than imagined	7%	2%	9%	10%	22%	28%	12%
No response	0%	2%	0%	1%	0%	2%	1%
Sample	89	140	96	142	91	108	675



Chart 1.3: “Has your business struggled to overcome tricky periods?”



### Hard times

Chart 1.3 shows that 27% of respondents report that their business has not had to struggle to overcome tricky periods - either it has been relatively plain sailing (7%) or they have managed any tricky problems (20%). However, the rest have had to struggle with a variety of difficult situations.

External economic conditions are viewed overall as the most common problem. However, Table 1.7 shows that there is a clear division between the experience of those firms more than 10 years old - which will have had to deal with periods of recession in the early 1990s and before - and younger firms. Over 40% of firms established more than 10 years ago have struggled due to external economic conditions, compared with less than 30% of those established in the past 10 recession-free years. These younger firms more often say that they have struggled with the issue ranked second overall, insufficient cashflow/resources/finances.

Older firms have also more often than their younger counterparts struggled due to the loss of a major contract or customer (many of which may themselves have failed during periods of recession).

Unexpected changes caused by growth have, unsurprisingly, more often been a problem for those which have grown faster than expected (21%) and larger firms (18% of those with 20 or more employees) than the average (8%). Larger firms have also more often struggled due to insufficient skills/capabilities (24%) and insufficient cashflow/resources/finances (42%).

Even though not an issue expected to be classified as a 'tricky period', a number of respondents chose to list 'government regulations' as an 'other' problem for this question.



Table 1.7: "Has your business struggled to overcome tricky periods?"  
- by number of years present business trading

	1-5	6-10	11-20	21-30	Over 30	All
YES, due to external economic conditions	28%	27%	40%	45%	44%	37%
YES, insufficient cashflow/resources/finances	30%	29%	35%	31%	25%	31%
YES, loss of a major contract/customer	7%	8%	20%	18%	22%	16%
YES, due to unexpected severe competition	14%	9%	12%	21%	19%	15%
YES, insufficient skills/capabilities	21%	9%	17%	13%	17%	15%
YES, unexpected changes caused by growth	7%	6%	10%	12%	5%	8%
NO, we've managed any tricky problems	23%	27%	17%	15%	19%	20%
NO, it has been relatively plain sailing	7%	10%	7%	6%	4%	7%
Other	7%	8%	11%	4%	10%	8%
Sample	57	156	196	159	103	675

## Conclusions

Business owners are not synonymous with their businesses and are also a varied group. The previous issue of this survey (Vol.21 No.1) revisited the topic of growth and motivations and made clear the fact that business owners have different objectives, some pursuing growth, others being content for their business to remain at its current size. This survey reveals more about the varied experiences of business owners. Some are clearly serial entrepreneurs who move from one business to another. A significant minority have an involvement in a number of different businesses. Others are managing their first and only business.

Most of the businesses in our survey were started by the current owner and many will probably close when they retire, or before if they fail to overcome challenges which lie ahead. However, others will become going concerns in their own right and sold or, more commonly, be passed on to family members. This has already happened with a significant number of the

well-established firms in this survey and earlier surveys (e.g. Vol.20 No.1) have indicated that for a significant number of business owners their main objective is to build up an asset for their children.

Most small firms have already faced difficult challenges. Most often, especially for those around during periods of recession, this has been due to difficult economic conditions. Some, though, have struggled because things have gone better than expected and they have had to manage this growth. It is perhaps necessary to have a positive outlook in order to be a business owner and business growth has more often fallen short of, rather than exceeded, expectations. Nearly half of these small businesses have, though, grown pretty much as their owners expected and most of them perform the same sort of functions which they set out to achieve.

As we shall see in the next section, even in present conditions, when the overall performance of small firms has fallen sharply, many firms continue to grow.

# Conclusions

# Performance

*The overall sales performance of Britain's small firms has fallen sharply and is down in every sector and region. Hotels & restaurants remain the most positive, but wholesale, retail and transport/communications and the smallest firms have, on balance, seen sales fall. Employment and investment balances are down, but less dramatically. Different movements in sales, employment and investment balances suggest uncertainty.*

Some 39% of the British small firms in this survey report that their sales were higher in the first quarter of 2005 than in the first quarter of 2004. However, almost as many, 33%, saw their sales fall over the same period (Table 2.1). Chart 2.1 shows that the resulting balance of +6% is well below the +19% in the previous survey and the +23% at this time last year. This is in fact the lowest balance in the three years that the survey has been operating with an expanded sample.

Official figures have also shown a dip in the performance of the economy as a whole. Quarterly GDP growth in the first quarter of 2005 was +0.5%, down from +0.7% in the final quarter of 2004, largely due to a fall in manufacturing output. The Bank of England has now kept interest rates on hold at 4.75% for ten months, following increases until August 2004.

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

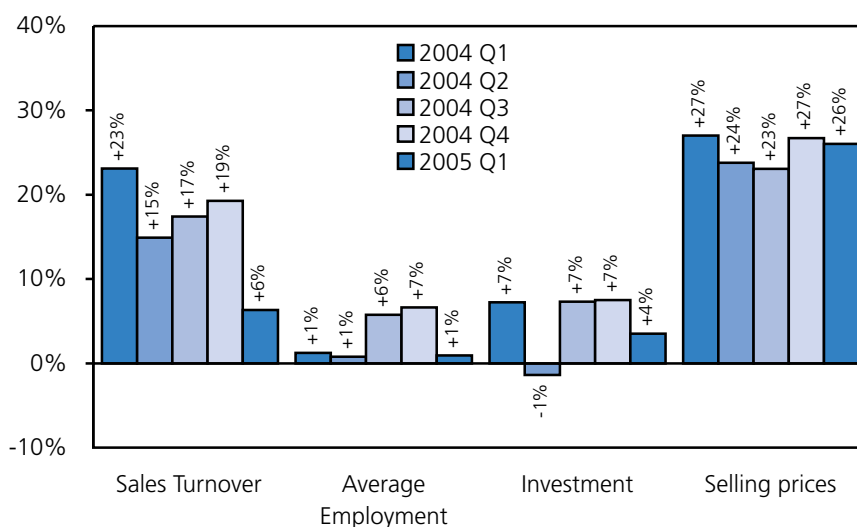


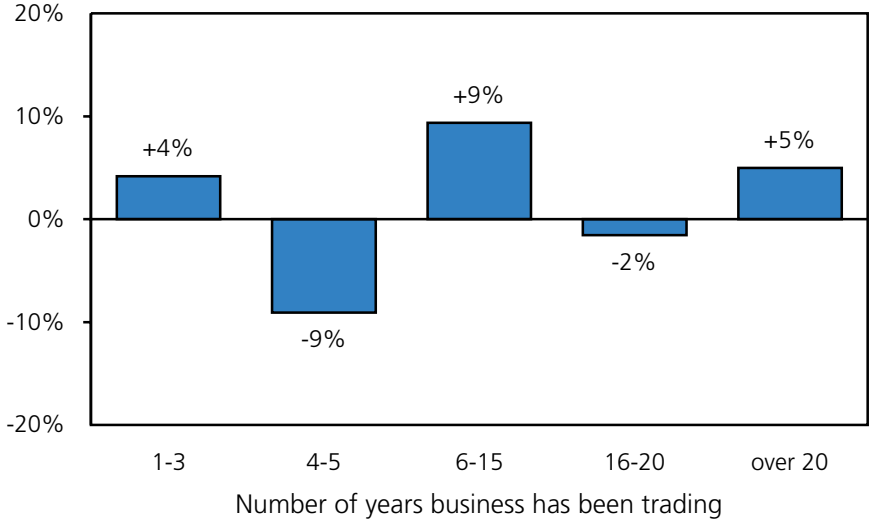
Table 2.1: Change over past year in sales, employment, investment and selling prices (weighted figures)

Change over past year (2005Q1 on 2004Q1) in:	Up	Down	Same	No response	Balance
Sales Turnover	39%	33%	27%	2%	+6%
Average Employment	17%	16%	64%	3%	+1%
Investment	21%	18%	57%	4%	+4%
Selling prices	37%	11%	50%	2%	+26%

The fall in the sales balance is sharper than that of the other indicators. Chart 2.1 shows that the balance of small firms which recruited extra staff during the year, +1%, has also fallen compared with the previous survey, but is at the same level as at this time last year. While the balance which increased investment is lower than in the previous survey and a year ago, it remains positive at +4%, meaning that more firms increased than cut investment, unlike in the year to the second quarter of 2004. The balance of firms increasing their selling prices over the past year remains relatively high, +26%.

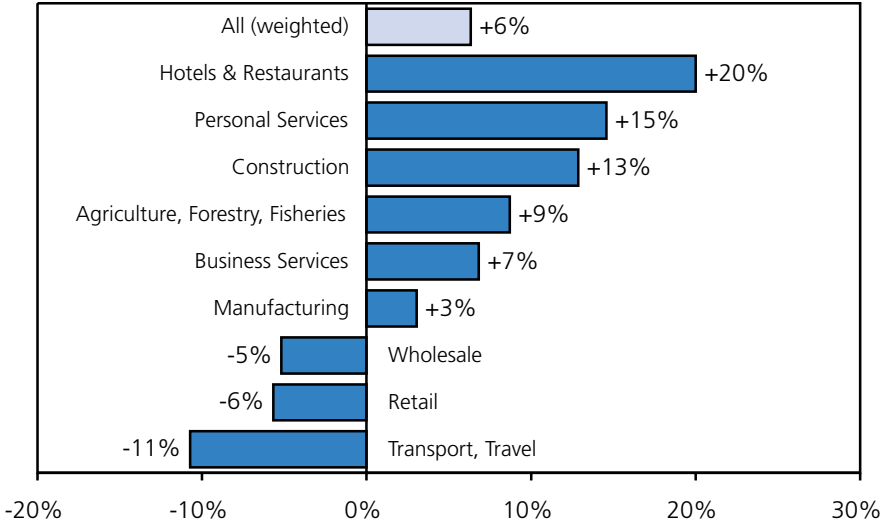
In earlier surveys there had been a well-established pattern that the oldest firms taking part in this survey had less success in increasing their sales than their younger counterparts. However, in the previous survey, fewer of the firms established within the past three years than of those four or five years old had sold more over the past year. Chart 2.2 shows that in this survey the pattern has broken down completely. There is no relationship between age of firm and sales performance over the past year.

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



# Performance: Comparison Across Business Sectors

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



Every business sector reports poorer sales performance than in the previous survey and than at this time last year. Uncertainty seems to be a factor, with some sectors reporting rising sales but cutting back on employment and investment while for others the reverse is true.

The sharpest fall in the sales balance is for hotels & restaurants, down from +43% to +20%. However, this sector was so much more positive than the others in the previous survey that it remains the most positive sector. This has been an extended run of success, with the sector in the top two places for sales performance in seven of the eight surveys over the past two years. While they have experienced relatively buoyant sales, small hotels & restaurants report amongst the worst performance on the employment measure. Over a quarter have cut the number of people they employ over the past year, while only 17% have recruited extra staff. The resulting balance of -9% compares with +7% in the previous survey and is worse than every other sector bar manufacturing.

The balance of small firms in the health/education/leisure & other personal services sector increasing sales has remained reasonably robust, falling only 4 percentage points from the previous survey, to +15%. This has moved them up from fourth to second place in the ranking of sectors on this measure. This sector has been relatively buoyant over the past year or so. It is, however, one of only two sectors (the other being retail) where more small firms have cut than have increased investment over the past year, suggesting some doubts about confidence in consumer spending and medium-term prospects.

A balance of +13% of construction firms report that their sales turnover was higher in the first quarter of 2005 than in the first quarter of 2004. This puts them in third place in the rankings, one place lower than in the previous survey.

Over 41% of small manufacturers report that their sales were up over the year to the first quarter of 2005. Almost as many (38%), however, report that their sales

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	+9%	+0%	+9%	-17%	23
Manufacturing	+3%	-11%	+15%	+33%	131
Transport, Travel	-11%	+4%	+0%	+11%	28
Construction	+13%	+6%	+3%	+46%	70
Wholesale	-5%	+12%	+16%	+33%	58
Retail	-6%	-6%	-6%	+13%	106
Hotels & Restaurants	+20%	-9%	+3%	+46%	35
Business Services	+7%	+5%	+5%	+22%	176
Personal Services	+15%	+4%	-2%	+25%	48
All (weighted by sector)	+6%	+1%	+4%	+26%	675

were down, reflecting the poor performance of the manufacturing sector as a whole as indicated by official GDP figures. Perhaps more significantly, over a quarter of small manufacturers have cut the numbers they employ during the year while less than 15% have recruited extra staff. The balance of -11% is the lowest of the sectors surveyed. Manufacturing remains, however, one of the sectors where small firms are most likely to have increased investment over the past year, suggesting that some at least believe that their fortunes will improve in the medium-term.

More small firms in the wholesale, retail and transport/travel/storage/communication sectors saw their sales fall over the past year than saw them rise. Retailers are also the most likely to have cut investment. Wholesaling, however, despite the falling sales, is the sector where fewest small firms have cut employment or investment, giving them the highest balances for these questions (despite the fact that other sectors contain more firms which have increased employment and investment).



## 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	-24%	-7%	-6%	+11%	88
£50,000-£99,999	+2%	-3%	-6%	+34%	89
£100,000-£249,999	-5%	-3%	+1%	+20%	142
£250,000-£499,999	+3%	+0%	+6%	+26%	116
£500,000-£999,999	+27%	+8%	+13%	+31%	93
£1m+	+18%	+7%	+18%	+34%	136
All (weighted by sector)	+6%	+1%	+4%	+26%	675

Although the pattern is not as clear as in some recent surveys, Tables 2.3 and 2.4 and Charts 2.4 and 2.5 show that it is still generally the case that the relatively larger firms taking part in our survey have been more successful than their smaller counterparts in increasing sales over the past year.

Chart 2.4 shows that strongly positive balances of firms with a turnover of half a million pounds or more have seen their sales rise over the past year, while a negative

balance for those with a turnover of less than £50,000 shows that more of these have seen their turnover fall. Table 2.3 shows that the pattern is if anything clearer for the employment and investment balances.

Chart 2.5 shows that firms with five or more employees have, on balance, seen their sales turnover rise over the past year, while those with fewer (or no) employees have experienced falling sales.

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	-25%	-6%	-7%	+22%	89
1-2	-7%	-3%	-6%	+19%	140
3-4	-7%	-9%	-3%	+16%	96
5-9	+18%	+10%	+16%	+30%	142
10-19	+13%	-2%	+16%	+30%	91
20+	+26%	+7%	+14%	+39%	108
All (weighted by sector)	+6%	+1%	+4%	+26%	675



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

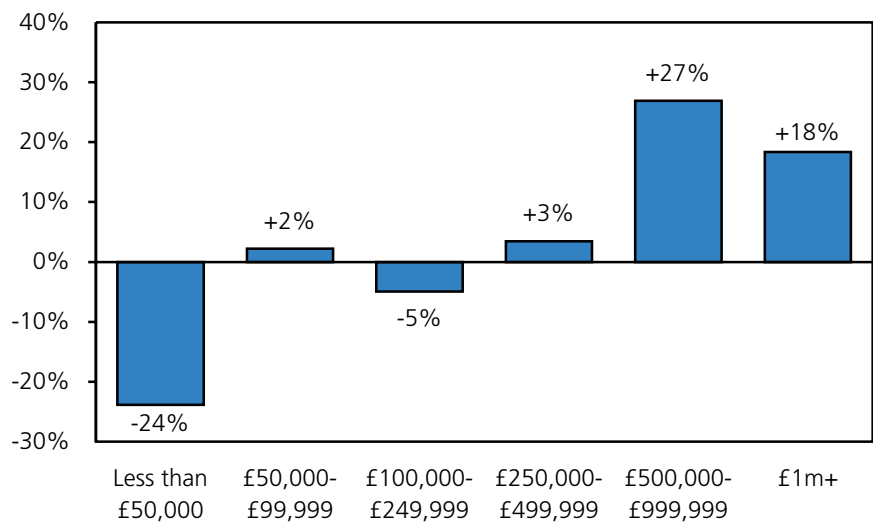
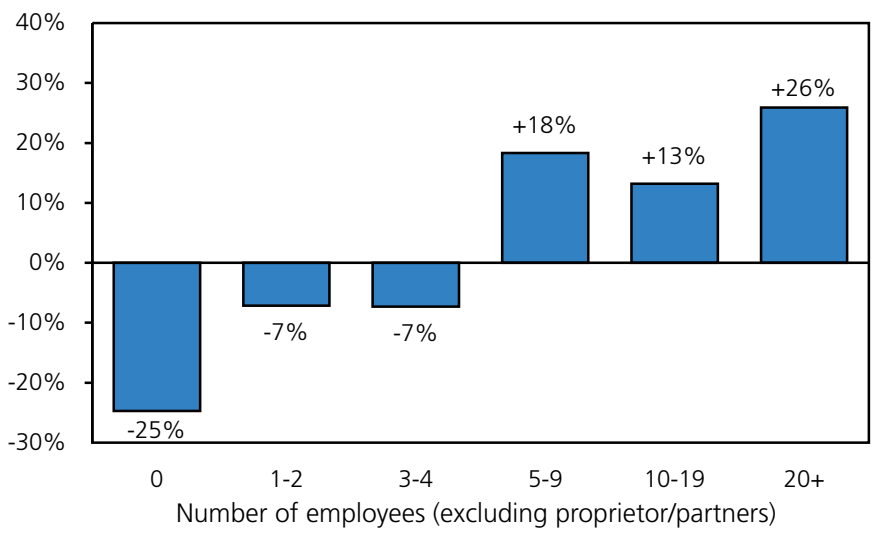


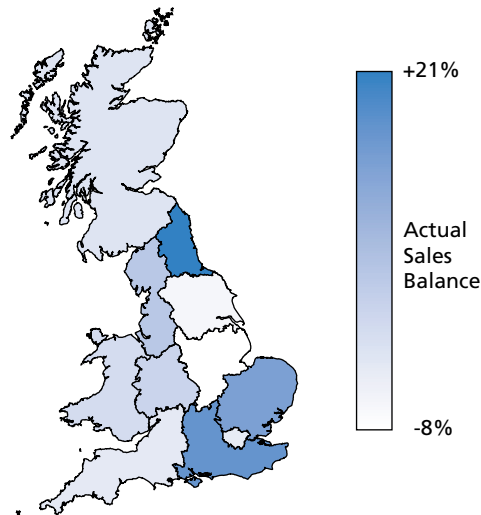
Chart 2.5: Percentage balance of respondents reporting an increase in sales over past year - by number of employees





## Performance: Comparison Across Regions

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



More small firms in the East Midlands, the adjacent Yorkshire & the Humber, London, the South West and Scotland sold less in the first quarter of 2005 than they did in the first quarter of 2004. Those in Scotland most often have cut employment, while those in the North

West and their neighbours in the West Midlands have cut investment.

The small firms in our survey from the North East report most positive balances for sales, employment and investment, though as the sample is small they may not be representative of all small firms there.

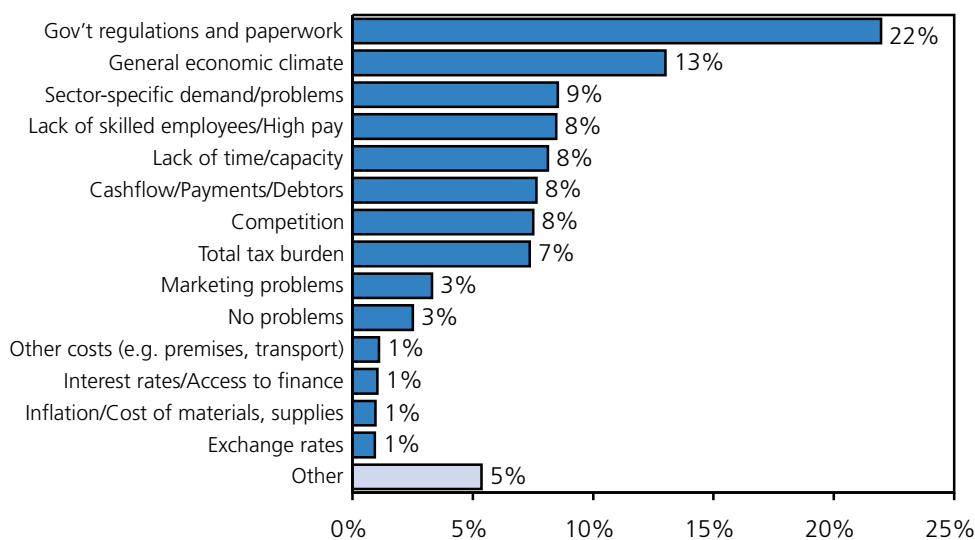
Table 2.5: Change over past year in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+21%	+11%	+37%	+42%	19
North West	+5%	-9%	-6%	+26%	66
Yorkshire & the Humber	-6%	-4%	+8%	+42%	52
East Midlands	-8%	-2%	+6%	+47%	51
West Midlands	+2%	-9%	-3%	+17%	58
East of England	+14%	+3%	+3%	+26%	88
London	-4%	+2%	+9%	+7%	57
South East	+17%	+6%	+10%	+18%	115
South West	-3%	+7%	+6%	+20%	69
Wales	+0%	+9%	+3%	+29%	35
Scotland	-2%	-13%	+2%	+29%	56

# Problems

*More small firms than ever before report that government regulations and paperwork is the biggest single problem facing their business. Concerns about the general economic climate are also on the up again.*

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 now been for seven surveys, when it overtook the general economic climate in number of mentions. 22% of small firms now say that this is the single most important problem facing their business (Chart 3.1). Chart 3.2 (overleaf) shows that this is the highest proportion

indicating this problem (or any other) in the three years since the list of problems offered to respondents was revised.

This is the top-ranked problem for firms in every sector except agriculture, wholesale and retail. Over 31% of construction firms report that regulations is the biggest problem facing their business. Table 3.2 (overleaf) shows that it is top-ranked for employers of most sizes (though not for those with between five and nine employees, who are more concerned about the general economic climate). For firms with no employees (just the proprietor or partners), for which much employment regulation is irrelevant, demand problems are more significant.

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

	2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Q2
Gov't regulations and paperwork	20%	13%	20%	18%	22%
General economic climate	9%	10%	11%	9%	13%
Sector-specific demand/problems	8%	9%	8%	9%	9%
Lack of skilled employees/High pay	9%	10%	10%	10%	8%
Lack of time/capacity	9%	9%	8%	9%	8%
Cashflow/Payments/Debtors	8%	10%	8%	7%	8%
Competition	8%	8%	7%	8%	8%
Total tax burden	8%	7%	8%	11%	7%
Marketing problems	4%	4%	3%	5%	3%
No problems	3%	3%	4%	2%	3%
Other costs (e.g. premises, transport)	1%	3%	1%	2%	1%
Interest rates/Access to finance	2%	2%	1%	1%	1%
Inflation/Cost of materials, supplies	2%	3%	2%	2%	1%
Exchange rates	1%	1%	1%	1%	1%
Other	8%	7%	8%	5%	5%

Chart 3.2: Selected most important problems

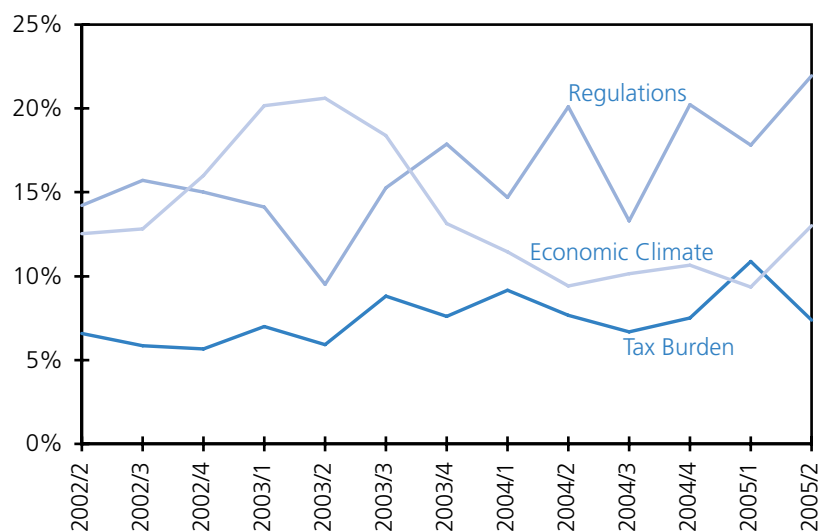


Table 3.2: Most important problem, by number of employees, excluding proprietor/partners

	0	1-2	3-4	5-9	10-19	20+
Gov't regulations and paperwork	12%	22%	20%	11%	30%	30%
General economic climate	12%	15%	17%	18%	16%	7%
Sector-specific demand/problems	13%	8%	7%	9%	3%	10%
Lack of skilled employees/High pay	2%	5%	7%	12%	7%	15%
Lack of time/capacity	11%	11%	15%	6%	7%	0%
Cashflow/Payments/Debtors	4%	8%	8%	7%	4%	11%
Competition	9%	8%	9%	11%	8%	5%
Total tax burden	6%	7%	3%	6%	11%	5%
Marketing problems	10%	3%	3%	4%	1%	3%
No problems	6%	4%	2%	4%	0%	0%
Other costs (e.g. premises, transport)	0%	0%	0%	4%	1%	1%
Interest rates/Access to finance	1%	0%	1%	1%	3%	1%
Inflation/Cost of materials, supplies	1%	1%	0%	1%	1%	2%
Exchange rates	0%	1%	2%	1%	1%	4%
Other (please specify)	8%	5%	4%	4%	5%	5%
No response	3%	3%	1%	1%	1%	3%
Sample	89	140	96	142	91	108

The weakening of small firm performance noted earlier in this report is reflected in an increase in the proportion of firms reporting that the general economic climate is the most important problem facing their business from 9% to 13% (Table 3.1). This is now the second-ranked problem. Chart 3.2 (and Appendix Table A.3 on page 31) show that this is the highest level of concern about the state of the economy in 18 months.

Distribution, particularly retail, is the area where concerns about the economy are highest - consistent with signs from other sources that consumer spending is slowing. 22% of wholesalers and 30% of retailers indicate that the general economic climate is the most important problem facing their business, making this easily the top-ranked problem in these sectors. This reinforces the signals from the actual performance section of this report, which showed that, on balance, sales turnover has fallen over the past year in these two sectors. The related sector-specific demand/problems is the third-ranked problem overall and a particular issue for the agricultural sector, where it is top-ranked.

After peaking in the previous survey, Chart 3.2 and Table 3.2 show that the proportion indicating that their most important problem is the total tax burden has slipped from 11% to 7%, moving it down from second to only eighth in the ranking of problems. However, it remains high (20%) for hotels & restaurants, where it may relate to duty on alcohol and cigarettes.

The problem of lack of skilled employees/high pay, which tends to move in the opposite direction to concerns over the economy, has moved down one place to fourth in the rankings. This is now not top-ranked for any sector, though it remains relatively more of a problem for construction firms (19%) and hotels & restaurants (14%), despite the fact that the latter have, on balance, been cutting the numbers they employ.

As in recent surveys, competition remains more of a problem in the wholesale and retail sectors than elsewhere, though concerns over the economy now outweigh this.

# Prospects

*Optimism about sales for the current quarter is down, almost unheard of at this time of year. Retailers, normally positive about the second quarter, have posted the first fall in optimism on record for this time of year.*

For only the second time in the 21 year history of this survey, the balance of firms expecting their sales to increase in the second quarter of the year is lower than the balance which expected an increase in the first quarter.

As in the previous survey, one in four small firms expect their sales to be lower in the current quarter than they were in the previous quarter (now the second quarter of 2005 compared with the first). However, the proportion expecting their sales to rise has slipped from 42% to

only 38%, giving a balance of +13% (Table 4.1). This is not a great fall compared with the +16% which in the previous survey expected their sales to be higher in the first quarter of 2005 than in the final quarter of 2004. However, the sales balance follows a pronounced seasonal trend and since this survey started in 1984 the balance has risen in the second quarter in every year except 1989, so the current fall represents a significant drop in confidence. Chart 4.1 shows that the current balance is well below the +24% at this time last year.

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

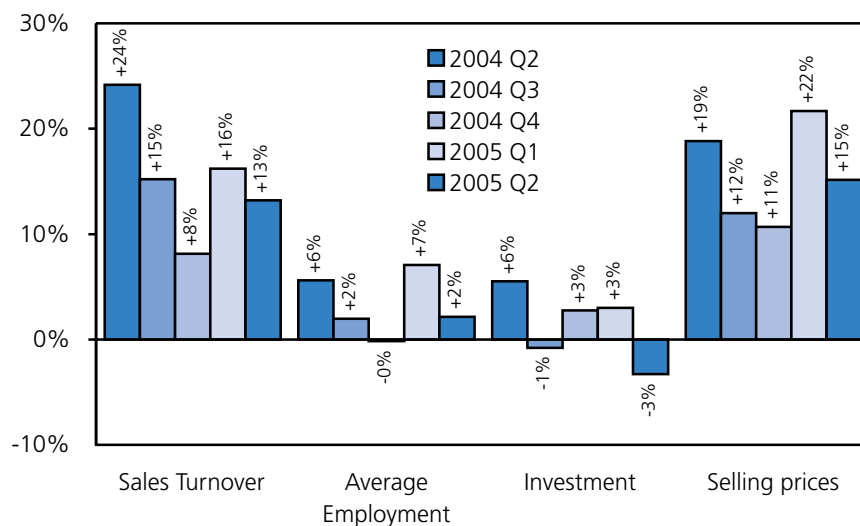


Table 4.1: Expected change over current quarter in sales, employment, investment and selling prices (weighted figures)

Expected change over current quarter (2005Q2 on 2005Q1) in:	Up	Down	Same	No response	Balance
Sales Turnover	38%	25%	36%	1%	+13%
Average Employment	14%	12%	72%	3%	+2%
Investment	13%	17%	66%	4%	-3%
Selling prices	23%	7%	68%	2%	+15%

Chart 4.1 also shows that the balance expecting to recruit extra staff is down compared with this time last year and with the previous survey. However, the balance in the previous survey was at a two and a half year high. Table 4.1 shows that most (72%) small firms still do not intend to change the numbers they employ during the current quarter.

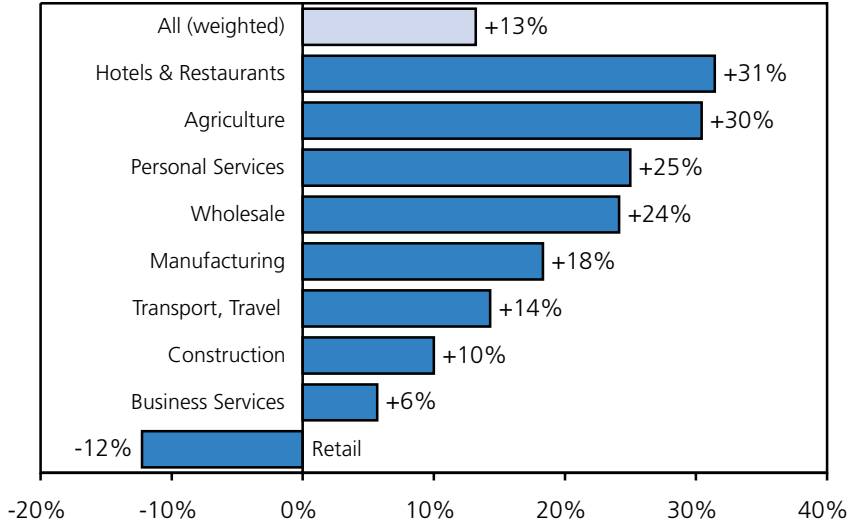
Table 4.1 shows that more small firms expect to cut back on investment during the second quarter of 2005 than expect to increase it. Chart 4.1 shows that the balance of -3% is the lowest for over a year, though it was marginally below this eighteen months ago.

The balance of small firms expecting to raise their average selling prices has fallen from a its record high of +22% in the previous survey to +15%.



# Prospects: Comparison Across Business Sectors

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



Over half of the small hotels & restaurants taking part in the survey expect their sales turnover to be higher in the second quarter of 2005 than it was in the first quarter - the only sector where this is the case. Only one in five expect their turnover to be lower. The balance of +31% is the highest of the sectors surveyed (Chart 4.2). It is also a big improvement on the previous survey, when as many hoteliers & restaurateurs expected their turnover to fall as expected it to rise. However, the improvement is at least partly seasonal. The winter months are always quietest for hotels & restaurants and so the balance expecting an increase is almost always higher in the second than in the first quarter. The balance now is well below the +58% at this time last year and is the lowest in the four years since our sample was refreshed.

There is more consistency between turnover and employment expectations than there was in performance over the past year. As well as being top-

ranked in optimism about sales prospects, hotels & restaurants are joint-top in the sectors expecting to recruit extra employees during the second quarter of 2005 (Table 4.2). They are, however, among the least likely to intend to invest more during the second quarter (it is possible that these firms prefer to invest in premises and equipment in their quiet periods rather than during the busy summer months). Hotels & restaurants remain the small firms most likely to increase their selling prices during the current quarter.

The small firms in our survey engaged in agriculture are the only ones which are more positive than they were at this time last year. A balance of +30% expect their turnover to increase, making them almost as optimistic as hotels & restaurants. They are also (along with hotels & restaurants) the most likely to be increasing employment. However, relatively few agricultural firms take part in our survey and so this result may not be representative of the sector as a whole.



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	+30%	+17%	-13%	-4%	23
Manufacturing	+18%	+2%	+8%	+21%	131
Transport, Travel	+14%	+4%	-7%	+4%	28
Construction	+10%	+3%	+3%	+23%	70
Wholesale	+24%	+3%	+5%	+22%	58
Retail	-12%	-9%	-7%	+8%	106
Hotels & Restaurants	+31%	+17%	-11%	+26%	35
Business Services	+6%	+0%	-1%	+9%	176
Personal Services	+25%	+2%	-13%	+21%	48
All (weighted by sector)	+13%	+2%	-3%	+15%	675

In the previous survey, small retailers were already the least optimistic sector, the only one where more expected sales to fall than to rise and the only one where the balance had fallen compared with the previous survey. In this survey the balance of small retailers expecting an increase in sales has continued to fall, from -11% to -12%. This is more significant than the marginal fall might suggest as retailing is another highly seasonal sector. This is the first time that the retailing sales balance has fallen at this time of year in the sixteen years that the balances have been analysed in this way. Retailing is also the only sector where more small firms expect to cut the numbers they employ this quarter than expect to recruit extra staff.



## 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	-2%	+0%	-9%	+10%	88
£50,000-£99,999	+9%	-3%	-1%	+11%	89
£100,000-£249,999	+4%	-3%	-4%	+11%	142
£250,000-£499,999	+21%	+11%	+1%	+17%	116
£500,000-£999,999	+17%	-2%	+5%	+15%	93
£1m+	+20%	+4%	+2%	+22%	136
All (weighted by sector)	+13%	+2%	-3%	+15%	675



As with sales performance, Tables and Charts 4.3 and 4.4 show that it remains the case that the relatively larger firms are generally more positive than the smallest about their sales prospects for the current quarter. There seems to be divisions in optimism at the £250,000 turnover and five employee levels, with firms larger than this markedly more optimistic than their smaller counterparts.

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	+1%	-3%	+1%	+12%	89
1-2	-1%	-3%	-5%	+4%	140
3-4	+0%	-6%	-9%	+8%	96
5-9	+20%	+4%	+4%	+15%	142
10-19	+16%	+7%	+2%	+29%	91
20+	+28%	+8%	+2%	+24%	108
All (weighted by sector)	+13%	+2%	-3%	+15%	675



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

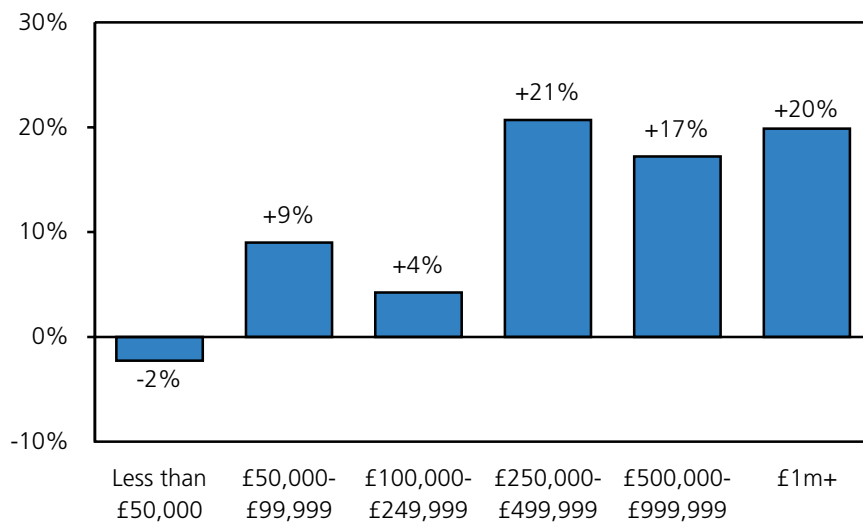
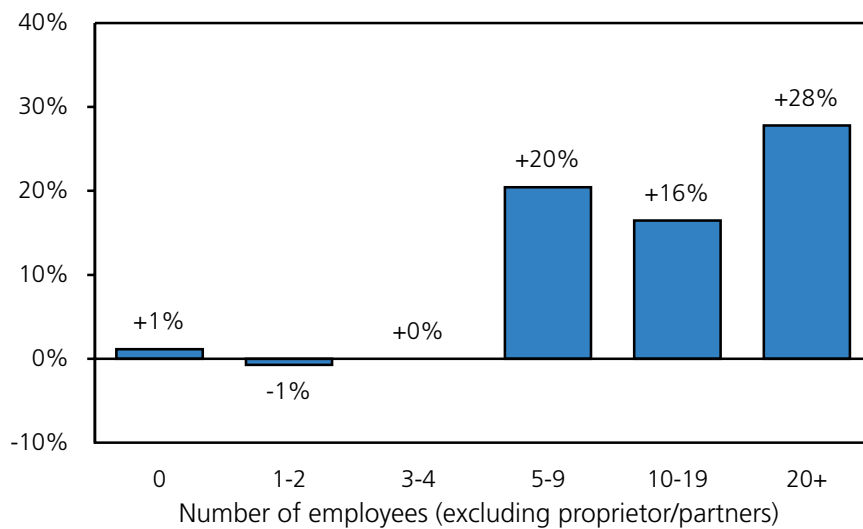


Chart 4.4: Percentage balance of respondents expecting an increase in sales, by employee size band



## Prospects: Comparison Across Regions

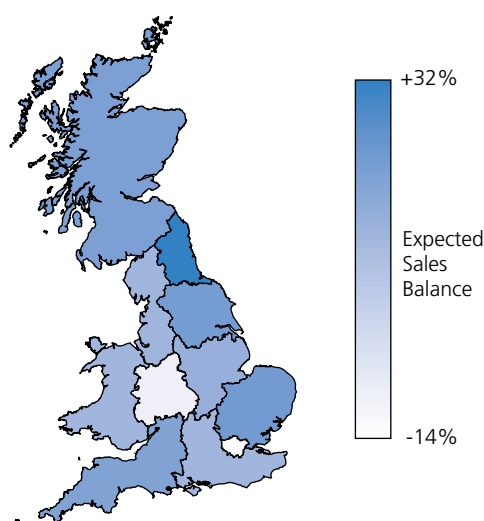
Table 4.5: Expected change over current quarter in sales, employment, investment and selling prices - by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+32%	+11%	+21%	+16%	19
North West	+12%	+8%	+2%	+14%	66
Yorkshire & the Humber	+21%	+6%	+4%	+23%	52
East Midlands	+14%	-6%	-4%	+18%	51
West Midlands	-9%	-9%	-19%	+9%	58
East of England	+22%	+3%	+0%	+13%	88
London	-14%	-12%	-7%	+9%	57
South East	+11%	+5%	+3%	+10%	115
South West	+19%	+7%	-4%	+17%	69
Wales	+11%	+0%	-9%	+20%	35
Scotland	+20%	+2%	+7%	+20%	56

Small firms in London and the West Midlands expect their sales, on balance, to fall during the second quarter of 2005. These firms, and those in the East Midlands, also expect to cut their workforces. Small firms in Wales and the South West join this group in intending to

invest less during the second quarter. Optimism about sales, employment and investment is currently highest in the North East, though the relatively small sample size there means this result may not reflect all small firms in that area.

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 3rd May 2005 to 2,915 owners and managers of small businesses which had previously volunteered to take part, 880 by e-mail and the remainder by post.

By the cut-off date of 26th May, a total of 675 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 2003) 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%

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%	15.7%	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%	21.3%	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%	6.3%	0.2%	0.0%	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	1.0%	2.8%	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%	5.2%	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%	35.1%	6.9%	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 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%	1,099
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%	0.1%	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	Competition	Marketing problems	Interest rates/ Access to finance	Inflation/ Cost of materials, supplies	Other costs (e.g. premises, transport)	Exchange rates	Cashflow/ Payments/ Debtors	Government regulations and paperwork	Lack of skilled employees/ High pay	Total tax burden	Lack of time/ capacity	No problems	Other (please specify)	No response	Sample
2002/2	13%	7%	6%	4%	2%	1%	2%	2%	10%	14%	8%	7%	8%	3%	12%	1%	1,168
2002/3	13%	7%	7%	4%	1%	0%	1%	1%	11%	16%	11%	6%	9%	2%	11%	1%	1,078
2002/4	16%	7%	7%	4%	1%	0%	2%	1%	9%	15%	10%	6%	9%	2%	8%	2%	1,074
2003/1	20%	8%	9%	4%	1%	0%	1%	1%	9%	14%	6%	7%	8%	2%	9%	1%	922
2003/2	21%	8%	7%	4%	1%	1%	1%	1%	11%	10%	9%	6%	9%	2%	8%	2%	851
2003/3	18%	9%	6%	3%	1%	1%	1%	0%	6%	15%	9%	9%	10%	2%	7%	2%	784
2003/4	13%	9%	8%	3%	1%	1%	1%	1%	7%	15%	8%	8%	8%	3%	9%	2%	687
2004/1	11%	8%	9%	3%	2%	1%	2%	2%	11%	18%	7%	9%	8%	3%	8%	1%	808
2004/2	9%	8%	8%	4%	2%	2%	1%	1%	8%	20%	9%	8%	9%	3%	8%	1%	739
2004/3	10%	9%	8%	4%	2%	3%	3%	1%	10%	13%	10%	7%	9%	3%	7%	1%	623
2004/4	11%	8%	7%	3%	1%	2%	1%	1%	8%	20%	10%	8%	8%	4%	8%	1%	711
2005/1	9%	9%	8%	5%	1%	2%	2%	1%	7%	18%	10%	11%	9%	2%	5%	1%	652
2005/2	13%	9%	8%	3%	1%	1%	1%	1%	8%	22%	8%	7%	8%	3%	5%	2%	675



## 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

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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 2005Q2

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** Are you, or have you been, an owner (or part-owner) of any other businesses? 1. YES 2. NO
- 5** How many businesses do you currently own/part-own (including this one)? \_\_\_\_\_
- 6** How did you come to be an owner of your present business? (Please circle ONE only)
- |                                    |                                       |                           |
|------------------------------------|---------------------------------------|---------------------------|
| 1. New start-up by yourself        | 4. Inherited family firm              | 7. Other (please specify) |
| 2. New start-up with partners/team | 5. Invested in an existing firm       |                           |
| 3. Management buy-out/buy-in       | 6. Do not own a stake in the business | _____                     |
- 7** How did you initially finance your stake in your present business? (Please circle all those which apply)
- |  |                                |                                      |
|--|--------------------------------|--------------------------------------|
| 1. Proceeds from the sale of a former business | 4. Mortgage on home            | 7. Credit card/other short-term loan |
| 2. Own savings or sale of other assets         | 5. Other bank loan (term loan) | 8. Other (please specify)            |
| 3. Loans from family/friends                   | 6. Bank overdraft              | _____                                |
- 8** Does your business still provide the same products/services which you set out to provide when you started? (Circle ONE only)
- |  |                                 |                                      |
|--|---------------------------------|--------------------------------------|
| 1. YES, essentially the same                     | 3. NO, have diversified         | 5. NO, changed all products/services |
| 2. YES, broadly similar with some product change | 4. NO, have become more focused | 6. Other (please specify)            |
|  |                                 | _____                                |
- 9** Has your business grown at about the pace which you initially envisaged? (Please circle ONE only)
- |  |  |   |
|--|--|---|
| 1. YES, close to what expected/planned | 2. NO, grown slower or less than hoped | 3. NO, grown faster or bigger than imagined |
|--|--|---|
- 10** Has your business struggled to overcome tricky periods? (Please circle all those which apply)
- |   |  |  |
|---|--|--|
| 1. NO, it has been relatively plain sailing | 4. YES, unexpected changes caused by growth      | 7. YES, due to unexpected severe competition |
| 2. NO, we've managed any tricky problems    | 5. YES, insufficient cashflow/resources/finances | 8. YES, loss of a major contract/customer    |
| 3. YES, due to external economic conditions | 6. YES, insufficient skills/capabilities         | 9. Other (please specify)                    |
|   |  | _____  |
- 
- 11** Please indicate your firm's annual turnover (excluding VAT):
- |                      |                      |                      |              |
|----------------------|----------------------|----------------------|--------------|
| 1. Less than £25,000 | 4. £100,000-£149,999 | 7. £350,000-£499,999 | 10. £1m-£3m  |
| 2. £25,000-£49,999   | 5. £150,000-£249,999 | 8. £500,000-£749,999 | 11. over £3m |
| 3. £50,000-£99,999   | 6. £250,000-£349,999 | 9. £750,000-£999,999 |              |

- 12** How did your sales turnover, average employment, investment (in plant, equipment and premises) and average selling prices in the past quarter compare with the same period in 2004? What do you expect to happen in the current quarter?  
Please complete the table by ticking 8 boxes only:

	ACTUAL			EXPECTED		
	January, February, March 2005 compared with the same period 2004			April, May, June 2005 compared with January, February, March 2005		
	UP	DOWN	SAME	UP	DOWN	SAME
Sales Turnover						
Average Employment						
Investment						
Selling Prices						

- 13** Which of the following is the SINGLE most important problem facing your business today? (Please circle ONE ONLY - we appreciate that every firm faces many problems, but we wish to focus on your current single MOST important problem)
- |                                    |   |  |                            |
|------------------------------------|---|--|----------------------------|
| 1. General economic climate        | 5. Interest rates/Access to finance       | 9. Cashflow/Payments/Debtors           | 13. Lack of time/capacity  |
| 2. Sector-specific demand/problems | 6. Inflation/Cost of materials, supplies  | 10. Gov't regulations and paperwork    | 14. No problems            |
| 3. Competition                     | 7. Other costs (e.g. premises, transport) | 11. Lack of skilled employees/High pay | 15. Other (please specify) |
| 4. Marketing problems              | 8. Exchange rates                         | 12. Total tax burden                   |                            |
- \_\_\_\_\_
- 14** Please indicate the sex of the owner(s) of the business:
- |         |           |                                |
|---------|-----------|--------------------------------|
| 1. Male | 2. Female | 3. Joint Male/Female ownership |
|---------|-----------|--------------------------------|
- 15** If you are willing in future to complete these questionnaires on the Internet, please give your email address here, as clearly as possible please!
- \_\_\_\_\_

Thank you for completing this confidential survey questionnaire.  
**Please return it in the envelope provided by 20th May 2005.**  
 Please note that this is a FREEPOST address (no stamp required).