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NatWest/SERTeam Quarterly Survey of  
Small Business in Britain







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# Summary

*Government regulations and the total tax burden are the top two problems facing Britain's small firms. Reducing red tape and lowering tax are thought by small businesses themselves to be the best ways for government to promote small business growth, rather than targeted measures. Over a third of businesses, though, wish to remain at their present size. Only 13% want to grow to a certain number of employees, though few choose to measure growth in terms of employment. Most believe that finding new customers is the most important route to growth. More firms than in the previous survey have grown over the past year and optimism about growth in the current quarter is on the up.*

- The most common growth target of these small firms is to remain at their present size (34%). Only 13% aim to grow to have a certain number of employees (most commonly 10) and 21% want to expand indefinitely.
- The youngest owner/managers most often want their business to expand indefinitely (39% of the under-40s) while those managing the smallest firms usually want them to stay small (over half of those with no employees want to stay that way).
- Although they may aim for growth in profits, a majority of small firms prefer to measure business growth in terms of sales.
- Most small firms believe that the best ways for government to promote small business growth are to reduce red tape (64%) and lower taxation (53%).
- Small firms most commonly believe that their success in finding new customers is the strongest influence on growth in businesses like theirs.
- Government regulations and paperwork has been the top-ranked small business problem for eighteen months.
- The total tax burden has become the second-ranked small business problem.
- Lack of skilled employees is a particular problem for construction firms and those with 10 or more employees. Business owners with no employees most commonly complain of a lack of time.
- Sales performance over the past year has improved, particularly for hotels & restaurants, though it remains weaker than at this time last year.
- Optimism about sales and employment for the first quarter of 2005 is also up, unusual for this time of year. Sales optimism though remains lower than at this time last year, when it jumped even more sharply.
- The balance of firms intending to increase prices is at a six year high.

# Business Issue

*Over a third of small firms want their business to remain the same size (or at least do not want to recruit any more employees). The proportion is even higher for the smallest firms and oldest owner/managers. Success in finding new customers is the top-ranked influence on business growth. Cutting red-tape and lower taxation are believed to be the best ways for the government to promote small business growth.*

## Measuring growth

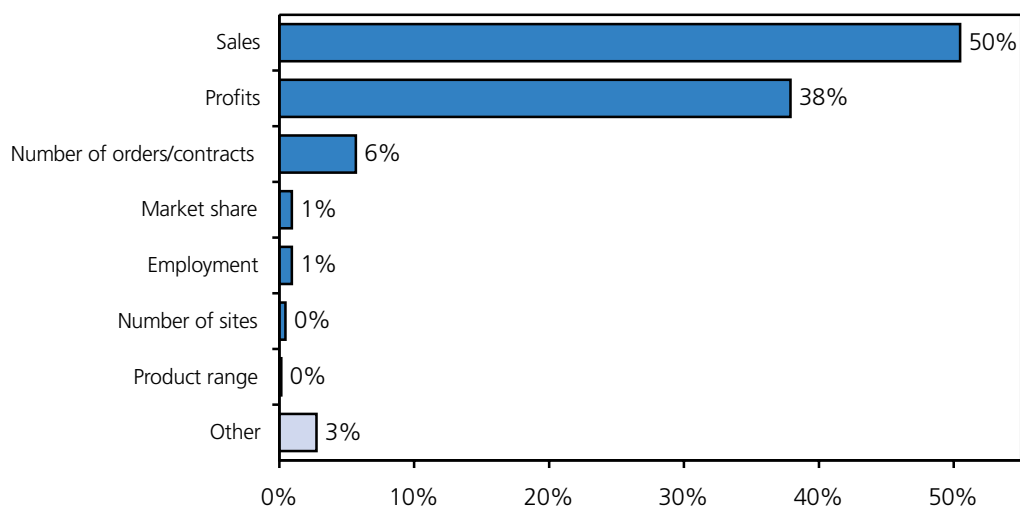
Half of Britain's small firms prefer to measure business growth in terms of sales (Chart 1.1), giving them useful information while being quick and easy. Most of the rest (38% of the total) measure growth in terms of profits<sup>1</sup>. Far fewer (6%) prefer to measure growth by number of orders or contracts and hardly any measure growth in terms of market share, employment, number of sites or product range.

Table 1.1 (overleaf) shows that the very smallest firms (but still only 14% of those with a turnover below £50,000) are more likely than the rest to measure growth by their number of orders or contracts and least likely to use profits, which requires a certain amount of

calculation, as a growth measure. Otherwise, however, there are no clear relationships between size of firm and methods used to measure growth. Perhaps the most striking finding is that hardly any small businesses prefer to measure business growth by the number of people they employ. Although this measure is commonly used by policymakers, it seems it is appropriate, if at all, only for large firms.

Wholesalers (58%) and retailers (61%) are most likely to measure growth in terms of sales, while construction firms more often than the rest use employment (6%) or number of orders/contracts (12%).

Chart 1.1: "What is your preferred measure of business growth?"



<sup>1</sup> The preferred way of measuring growth (probably often chosen for convenience) is not necessarily the same as the business objective. Vol.20 No.1 of this survey found that more than four times as many firms have growth in profits as an objective as aim for growth in sales.

Table 1.1: "What is your preferred measure of business growth?"  
- by turnover size band

	Less than £50,000	£50,000- £99,999	£100,000- £249,999	£250,000- £499,999	£500,000- £1m	£1m+	All
Sales	48%	55%	54%	53%	43%	51%	50%
Profits	27%	31%	38%	42%	49%	38%	38%
Number of orders/contracts	14%	9%	2%	4%	3%	4%	6%
Market share	0%	0%	2%	0%	1%	2%	1%
Employment	2%	1%	0%	0%	2%	1%	1%
Number of sites	1%	0%	1%	0%	0%	1%	0%
Product range	1%	0%	0%	0%	0%	0%	0%
Other	4%	4%	3%	1%	2%	3%	3%
No response	2%	0%	0%	0%	1%	1%	1%
Sample	92	95	128	106	109	116	652

### Growth targets

The most popular growth target for these small firms is to remain at their present size. Table 1.2 shows that this is the current growth target of over a third (34%). 21% aim to expand indefinitely, while 13% wish to grow to a certain size, which they were asked to specify

in terms of a target number of employees. The most common target size is ten employees.

Table 1.2 shows that the answers given in this survey are similar to those in 1991 and 1996 when respondents were asked similar questions.

Table 1.2: "What are your current business growth targets?"  
- compared with previous surveys

	1991Q3	1996Q4	2005Q1
Remain at present size	31%	28%	34%
Expand indefinitely	20%	18%	21%
Grow to a certain size	18%	15%	13%
No growth targets	7%	9%	9%
Sell your business	12%	19%	9%
Merge with another business	3%	4%	3%
Contract to a certain size	1%	1%	1%
Other	5%	7%	8%
No response	0%	1%	2%
Don't know	5%	-	-
Sample	1719	753	652

1 When similar questions were asked a year ago, the results were quite different, with only 20% of respondents reporting that their long-term growth target was for their business to remain at their present size and 30% saying that they wanted their business to grow to a certain size. In that survey (and in 1999), however, respondents were not asked to specify their target size in terms of number of employees. It seems that in 1999 and 2004 those firms which aspire to some sales growth but do not intend to recruit extra employees interpreted this as growth to a certain size. In this survey, however, (and those in 1991 and 1996) because the employment target caused them to consider growth in terms of employment, such firms have instead selected 'remain at present size' as their target. Another change shown in Table 1.2 is the fall in the proportion of respondents indicating that their growth target is to sell their business. This is likely to be a consequence of re-wording the question to remove "long-term" from "current business growth targets".



Chart 1.2: Selected business growth targets  
- by age of respondent

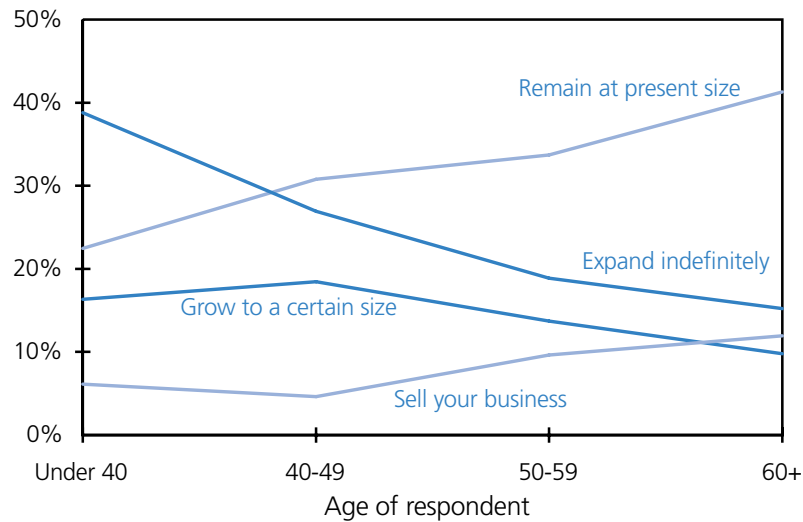


Chart 1.2 and Table 1.3 show that the younger respondents taking part in our survey are more likely to aspire to expand their business indefinitely. For those aged under 40 this is the most common target (39%). As respondents age, however, it seems that their become more content for their business to remain at its

present size. Only 15% of those aged 60 or over still aim for their business to continue with unlimited growth. Older respondents are also more often thinking of an exit, with the proportion with a target to sell their business more than doubling from 5% of those aged under 50 to 12% of those aged 60 or over.

Table 1.3 "What are your current business growth targets?"  
- by age of respondent

	Under 40	40-49	50-59	60+	All
Remain at present size	22%	31%	34%	41%	34%
Expand indefinitely	39%	27%	19%	15%	21%
Grow to a certain size	16%	18%	14%	10%	13%
No growth targets	4%	11%	9%	9%	9%
Sell your business	6%	5%	10%	12%	9%
Merge with another business	2%	1%	4%	2%	3%
Contract to a certain size	0%	1%	1%	1%	1%
Other	10%	6%	9%	8%	8%
No response	0%	1%	1%	2%	2%
Sample	49	130	270	184	652

Chart 1.3: Selected business growth targets  
- by size of business

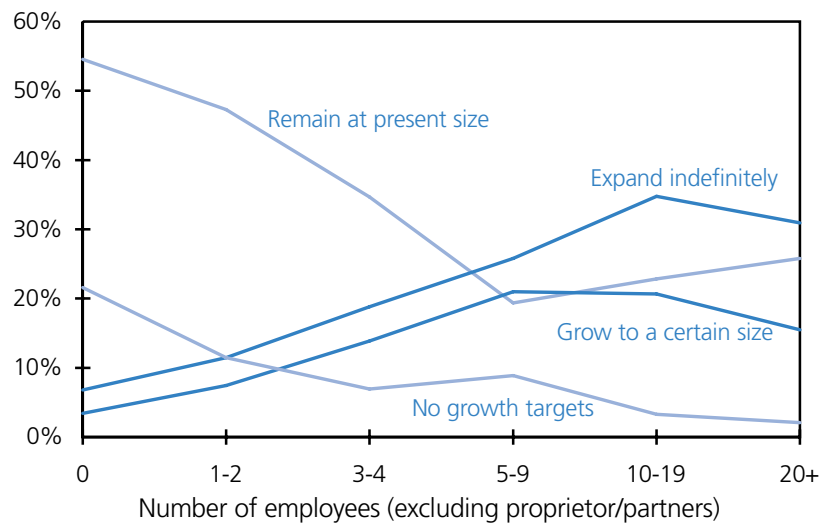


Chart 1.3 and Table 1.4 show that the very smallest firms are most likely to aim to remain at their present size or have no growth targets. Well over half of those with no employees (other than the proprietor or partners) aim to remain at their present size and a further fifth have no growth targets.

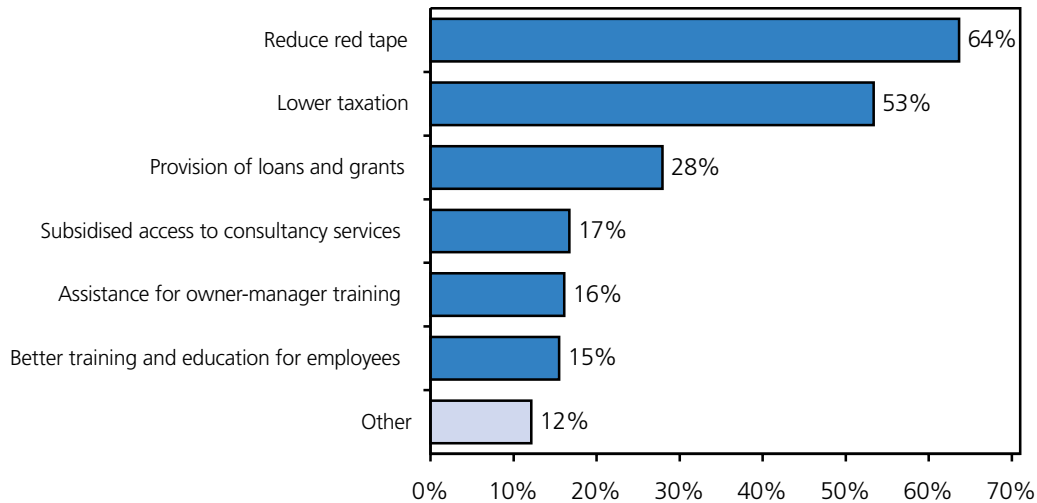
As most firms in this survey are well established, those with growth aspirations will already have grown into the higher size bands (or revised their aspirations). For those with over five employees, to expand indefinitely is the most common target. Wholesalers (40%) and manufacturers (31%), which are larger than average firms, most often aim to expand indefinitely.

Table 1.4 "What are your current business growth targets?"  
- by number of employees (excluding proprietor/partners)

	0	1-2	3-4	5-9	10-19	20+	All
Remain at present size	55%	47%	35%	19%	23%	26%	34%
Expand indefinitely	7%	11%	19%	26%	35%	31%	21%
Grow to a certain size	3%	7%	14%	21%	21%	15%	13%
No growth targets	22%	11%	7%	9%	3%	2%	9%
Sell your business	5%	7%	14%	8%	11%	10%	9%
Merge with another business	3%	2%	4%	2%	3%	2%	3%
Contract to a certain size	0%	1%	0%	2%	0%	0%	1%
Other	3%	12%	7%	9%	4%	11%	8%
No response	2%	0%	1%	4%	0%	2%	2%
Sample	88	148	101	124	92	97	652



Chart 1.4: "In your opinion, how could the government best promote small business growth?"



#### Promoting growth

Chart 1.4 shows that most small firms believe that the general measures of reducing red tape (64%) and lowering taxation (53%) would be the best ways for the government to promote small business growth. Far fewer believe that targeted measures such as the provision of loans and grants (28%), subsidised access to consultancy services (17%) and help with training for the owner-manager (16%) or employees (15%) would be useful.

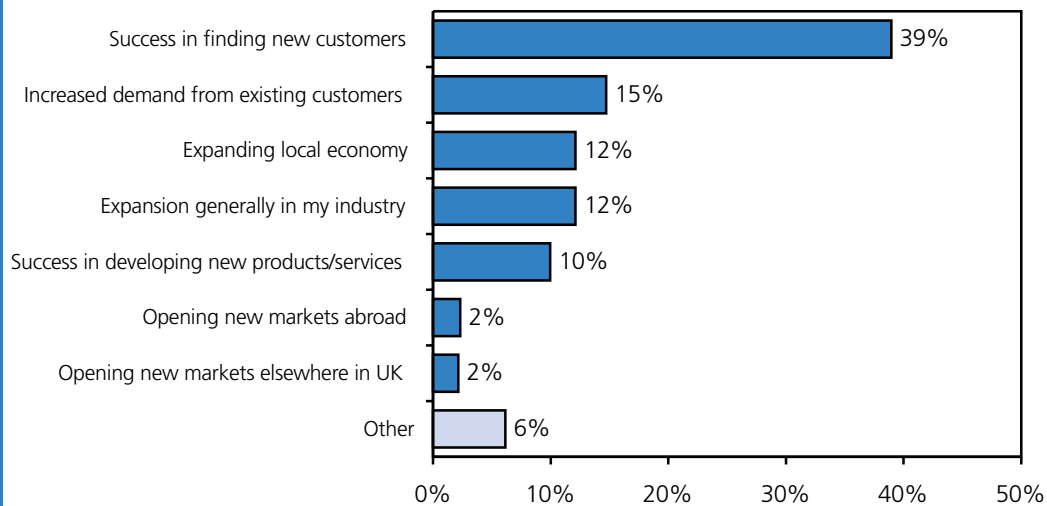
Table 1.5 shows that relatively larger firms more often think most of the measures would help. In particular, they are more likely than the smallest to favour a reduction in red tape and better training and education for employees. 'Other' measures included improving transport infrastructure, improving government purchasing procedures and dealing with unfair foreign competition.

Table 1.5: "In your opinion, how could the government best promote small business growth?" - by number of employees (excluding proprietor/partners)

	0	1-2	3-4	5-9	10-19	20+	All
Reduce red tape	55%	59%	68%	65%	67%	68%	64%
Lower taxation	45%	53%	56%	56%	62%	48%	53%
Provision of loans and grants	28%	21%	27%	33%	30%	31%	28%
Subsidised access to consultancy services	17%	14%	15%	18%	14%	25%	17%
Assistance for owner-manager training	23%	14%	19%	12%	10%	22%	16%
Better training and education for employees	10%	9%	12%	14%	23%	29%	15%
Other	14%	9%	12%	11%	11%	18%	12%
Sample	88	148	101	124	92	97	652



Chart 1.5: “Which of the following do you believe has the strongest influence on growth in businesses like yours?”



### Growth influences

Chart 1.5 shows that small firms most commonly (39%) believe that success in finding new customers is the strongest influence on growth in businesses like theirs. Only for the very largest firms in the survey does any other option come close. 21% of those with a turnover of £1m+ believe that success in developing new products/services is the strongest influence on growth, compared with the 29% believing the search for new customers more important.

Retailers (21%) and hotels & restaurants (29%) are more dependant than the rest on an expanding local economy. None of the hotels & restaurants believe new products/services are their biggest growth driver, though 19% of manufacturers and 21% of wholesalers do. 29% of construction firms report that increased demand from existing customers is the strongest

influence on growth in businesses like theirs, slightly more than the 28% which believe that success in finding new customers is most important. This is the only sector where finding new customers is not the top-ranked determinant of growth.

Small firms in Scotland and Wales are more likely (23%) than those elsewhere to believe that an expanding local economy is the most important influence (though even there finding new customers out-ranks this).

The ‘other’ options include those who could not decide between a combination of drivers - most commonly increased demand from existing customers and success in finding new customers - a few business-specific influences and those indicating that general economy-wide growth and confidence is most important.



## Conclusions

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The most common growth target for firms taking part in this survey is to remain at their present size.

Policymakers often classify firms in terms of employment size and are particularly interested in their employment-creation potential. However, this survey reveals that hardly any small firms measure business growth in terms of employment. It seems plausible that many firms aspire to growth in sales or profits, but do not want to recruit any extra staff.

Firms which have themselves been growing (in terms of sales) over the past year do not seem to measure growth differently than their static or declining counterparts. Firms which aim to expand indefinitely or grow to a certain size are, unsurprisingly, rather more likely to have increased sales over the past year (62% and 53% respectively) than those which aim to remain the same size (41%) or have no growth targets (34%).

For firms of all sizes, regions and sectors (with the exception of construction, where increased demand from existing customers is marginally more important), success in finding new customers is believed to be the strongest influence on business growth. While success in developing new products and services is of increasing importance for the relatively larger firms in this survey, few of these (still small) firms believe opening new markets either in the UK or abroad is the strongest influence on their growth. There is some evidence that firms which aim to grow are more likely than those which aim to remain at the same size to believe that factors they can directly affect - finding new customers (44%), developing new products/services (13%), opening new markets in the UK (4%) and opening new markets abroad (3%) - are the strongest influences on their growth. Firms which aim to remain at the same size are a little more likely to believe themselves in the hands of fate (17% each believe the strongest influence on growth is an expanding local economy and increased demand from existing customers).

Far more small firms believe that reducing red tape or lowering taxation would promote small business growth than more targeted government measures. Those which aim to grow, however, are more supportive of the provision of loans and grants (33%) to promote growth than those which in any case aim to remain at their current size (22%).

# Conclusions

# Performance

*The sales performance of Britain's small firms has continued to gradually recover. The hotels & restaurants sector has again become the most positive, while the health/ education/leisure & other personal services sector has slipped down the rankings.*

The balance of Britain's small firms reporting an increase in sales over the past year has again increased by two percentage points. The proportion of firms which report falling sales is actually up from 27% to 28%, but the proportion reporting an increase in sales is up by more, from 44% to 47%. The resulting balance has risen from +17% to +19% with the increased polarisation of responses meaning that less than a quarter (23%) of small firms say that their sales were the same in the final quarter of 2004 as they were in the final quarter of 2003.

Chart 2.1 shows that the balance has increased gradually over the past two surveys, though remains well below its peak of +27% at this time last year.

Official figures have also shown a recent improvement in the performance of the economy as a whole. The preliminary estimate of quarterly GDP growth in the final quarter of 2004 was +0.7%, up from +0.5% in the third quarter. The Bank of England has again in March kept interest rates unchanged, at 4.75%, following increases until August 2004.

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

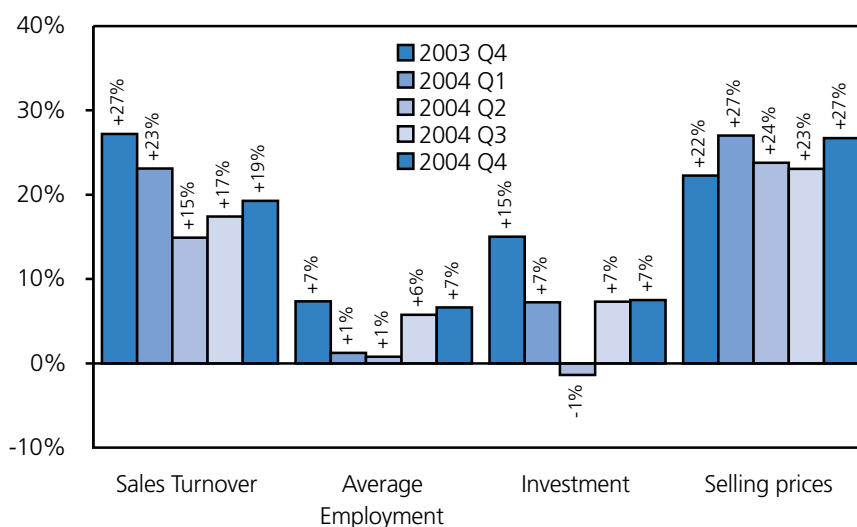




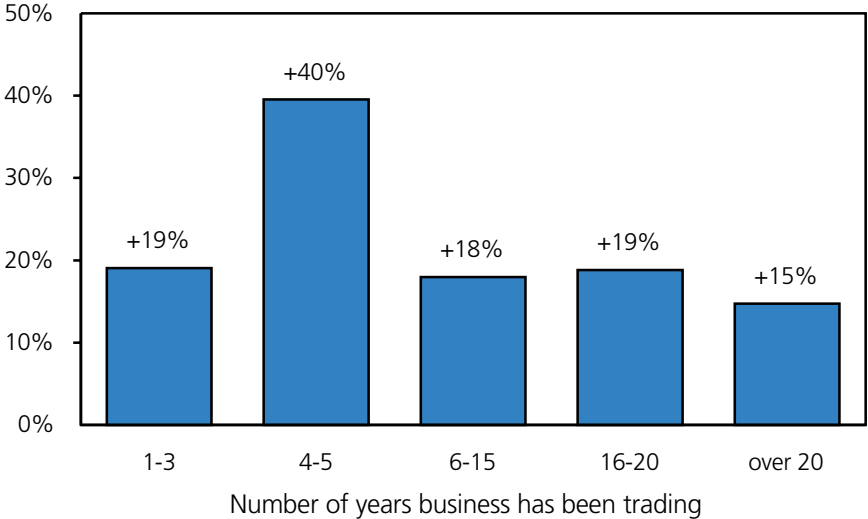
Table 2.1: Change over past year in sales, employment, investment and selling prices (weighted figures)

Change over past year (2004Q4 on 2003Q4) in:	Up	Down	Same	No response	Balance
Sales Turnover	47%	28%	23%	1%	+19%
Average Employment	18%	12%	67%	3%	+7%
Investment	23%	15%	59%	3%	+7%
Selling prices	37%	10%	50%	3%	+27%

Chart 2.1 shows that, after significant increases in the previous survey, the balances of small firms which recruited extra staff during the year and which have invested more have both increased just marginally. The balance of firms which have increased prices is though up more sharply.

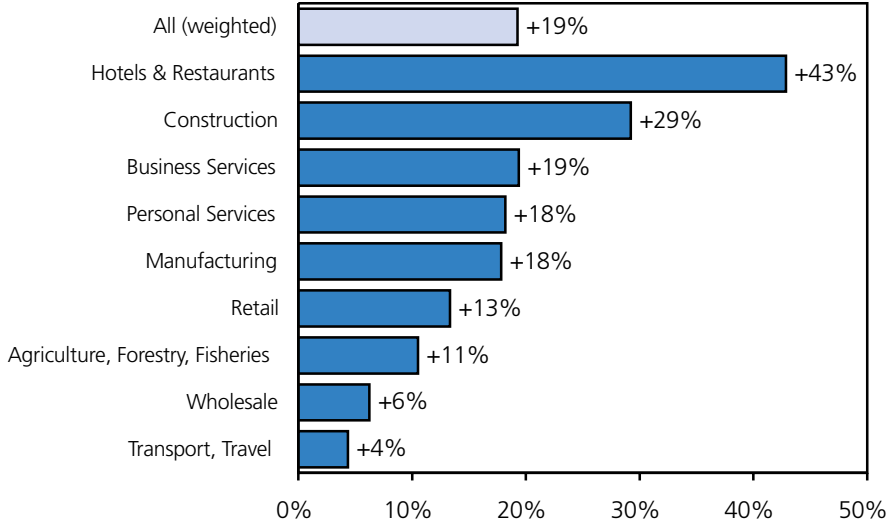
Chart 2.2 shows that the oldest firms taking part in this survey have again had least success in increasing their sales over the past year. The pattern is, however, not as clear as in the previous survey. Fewer of the firms established within the past three years than of those four or five years old sold more 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



In the previous survey, hotels & restaurants temporarily dropped down the rankings of success in increasing sales over the past year. However, it was noted that they seemed to have retained medium-term confidence, with a high balance increasing investment. In this survey they are back up to top place in the rankings of the sales balance (they had been in one of the top-two places in each of the five surveys up to the previous survey). 61% of small hotels & restaurants report that their sales were higher in the final quarter of 2004 than in the same quarter of 2003. Only 18% report lower sales, giving a balance of +43%, up from only +6% in the previous survey. The balances of small hoteliers & restaurateurs increasing employment (+7%) and investment (+4%) do not stand out from the other sectors, though 71% of these firms have raised their selling prices over the past year and none has cut them, giving a balance well above that for other small firms.

Small construction firms remain in second place in the rankings. A balance of +29% saw their sales rise over the past year, a slight increase on the +28% in the previous survey. Construction firms also remain among the most positive about employment, a balance of +12% having increased the numbers they employ over the past year.

A balance of +19% of business service firms have increased sales over the past year, unchanged on the previous survey.

The sales balances for these three sectors (hotels & restaurants, construction and business services) are each within a single percentage point of the levels at which they stood at this time last 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	+11%	+11%	-11%	-11%	19
Manufacturing	+18%	+0%	+16%	+25%	129
Transport, Travel	+4%	+13%	+17%	-4%	23
Construction	+29%	+12%	+11%	+34%	65
Wholesale	+6%	+10%	+15%	+21%	48
Retail	+13%	+3%	+2%	+11%	105
Hotels & Restaurants	+43%	+7%	+4%	+71%	28
Business Services	+19%	+9%	+8%	+21%	191
Personal Services	+18%	+2%	+2%	+43%	44
All (weighted by sector)	+19%	+7%	+7%	+27%	652

Other sectors have, however, seen changed fortunes. A year ago, the health/education/leisure & other personal services sector was the most positive, with a balance of +48% reporting increased sales. By the previous survey this had fallen to +29% (though this was still more positive than the other sectors) and now the balance is down to +18%, putting them in the middle of the rankings of the sectors.

Small wholesalers have recovered somewhat from the position in the previous survey, where more reported their sales had fallen than reported an increase. The balance this time has risen from -3% to +6%, though this remains lower than that for most other sectors.

A reasonable balance of manufacturers (+18%) report increased sales over the past year, though as many of these small firms have cut the number of people they employ over the past year as have recruited extra staff





## 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	+3%	+2%	+2%	+20%	92
£50,000-£99,999	+8%	-4%	-2%	+18%	95
£100,000-£249,999	+2%	-1%	-2%	+23%	128
£250,000-£499,999	+17%	+1%	+12%	+21%	106
£500,000-£999,999	+38%	+14%	+18%	+25%	109
£1m+	+43%	+24%	+23%	+34%	116
All (weighted by sector)	+19%	+7%	+7%	+27%	652

Tables 2.3 and 2.4 and Charts 2.4 and 2.5 show clearly the well-established pattern 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.

Although in contrast to the previous two surveys firms in all turnover size bands have, on balance, seen their sales increase over the past year, Chart 2.4 shows that far higher proportions of the relatively larger firms have had increased sales.

Chart 2.5 shows even more clearly that firms with more employees are more likely than their smaller counterparts to report increased sales over the past year. Tables 2.3 and 2.4 also show that the relatively larger firms have generally more often increased employment and investment in their firms over the past year than have the smallest firms. The smallest firms are, however, almost as likely as their larger counterparts to have increased their average selling prices over the year.

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	-1%	-1%	+1%	+13%	88
1-2	+3%	-1%	+1%	+18%	148
3-4	+16%	-5%	-1%	+14%	101
5-9	+19%	+11%	+10%	+28%	124
10-19	+35%	+14%	+22%	+26%	92
20+	+44%	+23%	+24%	+42%	97
All (weighted by sector)	+19%	+7%	+7%	+27%	652



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

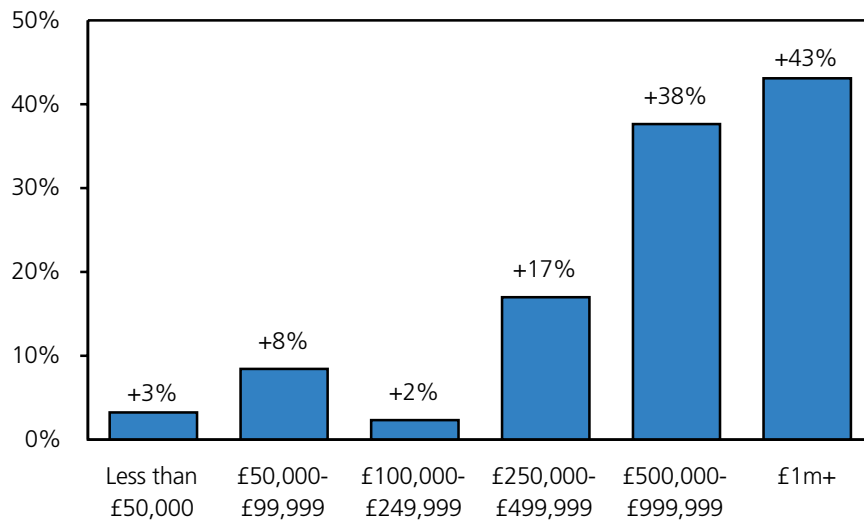
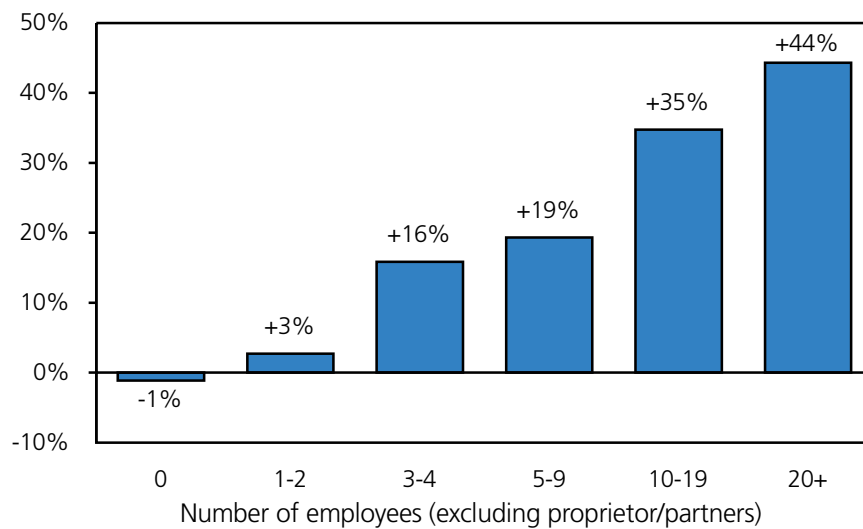
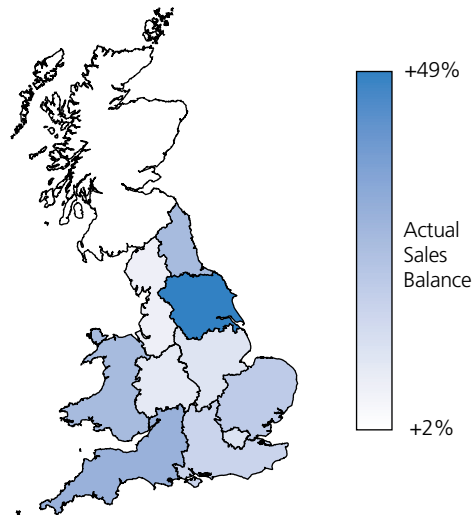


Chart 2.5: Percentage balance of respondents reporting an increase in sales over past year - by number of employees



## Performance: Comparison Across Regions

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



Small firms in Scotland, followed by their neighbours in the North West of England, report the worst sales performance over the past year. The North West and London are the only areas where more small firms cut the numbers they employ over the past year than recruited extra staff.

The balance of firms which have increased sales over the past year is highest in Yorkshire & Humberside (+49%). These are also the firms most likely to have increased the amount they invest during 2004 (+30%).

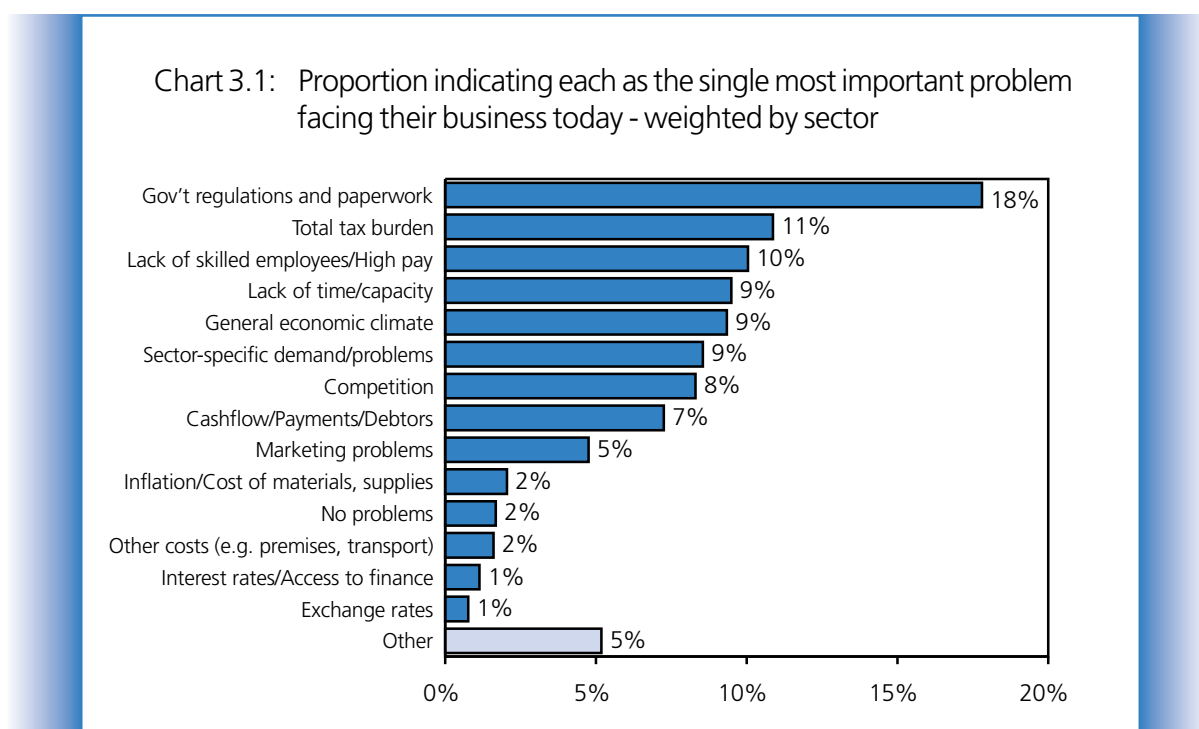
Table 2.5: Change over past year in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+27%	+27%	+7%	+20%	15
North West	+8%	-8%	+12%	+27%	66
Yorkshire & the Humber	+49%	+15%	+30%	+32%	47
East Midlands	+12%	+2%	-2%	+25%	51
West Midlands	+10%	+5%	+16%	+33%	61
East of England	+21%	+5%	+7%	+20%	87
London	+12%	-4%	+4%	+2%	57
South East	+17%	+7%	+2%	+13%	115
South West	+30%	+20%	+12%	+41%	66
Wales	+27%	+13%	+10%	+33%	30
Scotland	+2%	+12%	+13%	+23%	52



# Problems

*Government regulations and paperwork has been the top small business problem for 18 months. The total tax burden is the biggest problem for those in personal services, hotels & restaurants and transport firms and lack of employees for construction firms.*



Respondents were asked to select, from a list of fourteen, the most important problem facing their business on that day. Many firms face multiple problems, but we focus in this question on the single most important problem at the time.

## Government regulations and paperwork

Government regulations and paperwork remains the top-ranked small business problem, as it has been for the past 18 months, when it supplanted concerns about the general economic climate. In this survey, 18% of small business owner/managers say that government regulations and paperwork is the single most important problem facing their business (Chart 3.1).

This is the top-ranked problem for firms in agriculture, business services, personal services (where it is joint top) and manufacturing. It is also a particular problem for construction firms (22%), though slightly more of these have a problem with a lack of skilled employees. Table 3.2 (overleaf) shows that it is a big issue for employers of all sizes, though for those with 10 or more employees it is joint top-ranked, along with a lack of skilled employees. For firms with no employees (just the proprietor or partners), for which much employment regulation is irrelevant, more report that a lack of time/capacity is the most important problem facing their business.

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

	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1
Gov't regulations and paperwork	15%	20%	13%	20%	18%
Total tax burden	9%	8%	7%	8%	11%
Lack of skilled employees/High pay	7%	9%	10%	10%	10%
Lack of time/capacity	8%	9%	9%	8%	9%
General economic climate	11%	9%	10%	11%	9%
Sector-specific demand/problems	8%	8%	9%	8%	9%
Competition	9%	8%	8%	7%	8%
Cashflow/Payments/Debtors	11%	8%	10%	8%	7%
Marketing problems	3%	4%	4%	3%	5%
Inflation/Cost of materials, supplies	1%	2%	3%	2%	2%
No problems	3%	3%	3%	4%	2%
Other costs (e.g. premises, transport)	2%	1%	3%	1%	2%
Interest rates/Access to finance	2%	2%	2%	1%	1%
Exchange rates	2%	1%	1%	1%	1%
Other	8%	8%	7%	8%	5%

Chart 3.2: Selected most important problems

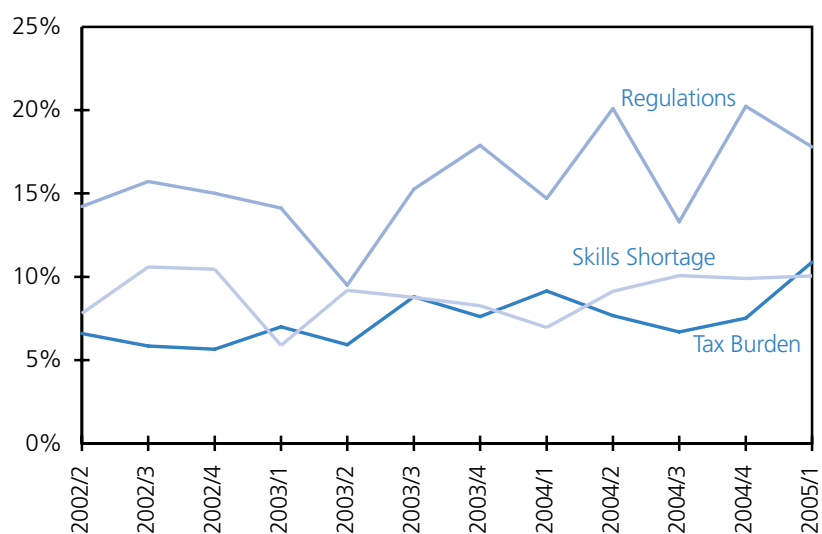


Table 3.2: Most important problem, by number of employees, excluding proprietor/partners

	0	1-2	3-4	5-9	10-19	20+
Gov't regulations and paperwork	13%	18%	20%	15%	21%	18%
Total tax burden	7%	8%	7%	8%	10%	11%
Lack of skilled employees/High pay	1%	6%	3%	9%	21%	18%
Lack of time/capacity	18%	11%	9%	9%	8%	1%
General economic climate	10%	10%	12%	12%	13%	9%
Sector-specific demand/problems	11%	9%	5%	9%	7%	8%
Competition	7%	6%	13%	13%	10%	6%
Cashflow/Payments/Debtors	7%	9%	6%	8%	2%	12%
Marketing problems	9%	6%	8%	3%	3%	1%
Inflation/Cost of materials, supplies	2%	1%	2%	3%	2%	5%
No problems	5%	3%	0%	1%	0%	0%
Other costs (e.g. premises, transport)	1%	3%	2%	2%	0%	1%
Interest rates/Access to finance	2%	2%	2%	0%	2%	1%
Exchange rates	0%	1%	2%	2%	0%	0%
Other (please specify)	7%	6%	9%	3%	2%	7%
No response	0%	1%	1%	2%	0%	1%
Sample	88	148	101	124	92	97

Chart 3.2 and Table 3.1 show that the proportion citing the total tax burden has increased over the past two surveys from 7% to 11%. The proportion is the highest since the list of options offered to respondents was revised, almost three years ago. The increase has moved this from eighth to second place in the rankings of most important problems. This is a particular problem in the health/education/leisure & other personal services sector (joint top-ranked on 20%) and for hotels & restaurants (18%), where it may relate to duty on alcohol and cigarettes, and transport firms (17%), where fuel duty remains a concern. All questionnaires for this survey were completed before the Budget in March.

Lack of skilled employees/high pay is again the third-ranked problem overall. This is still the top-ranked problem for construction firms, where 25% report that this is the biggest single problem facing their business.

Construction firms have already been seen to be one of the sectors where many small firms are recruiting extra staff. A lack of skill is still more of a problem for hotels & restaurants (14%) than in most other sectors, though the proportion is down since the previous survey.

As in recent surveys, competition remains more of a problem in the transport, wholesale and retail sectors than elsewhere. For these three groups this is the top-ranked problem.

The general economic climate, which was top-ranked problem for most of 2003, is now only fifth-ranked and is not top-ranked in any sector, though it is more of a problem for wholesalers, retailers and manufacturers than firms in other sectors.

'Other' problems mentioned included issues with traffic and parking, especially for town centre retailers.



# Prospects

*Optimism about sales and employment is up. Price increase intentions are at a high. Health/education/leisure & other personal services is the most positive sector, especially about employment prospects.*

42% of small firms expect their sales to be higher in the first quarter of 2005 than they were in the final quarter of 2004. Only one in four expect their sales to be lower, giving a balance of +16% (Table 4.1). This is twice as high as the balance of +8% which expected an increase in the previous survey. Chart 4.1 shows that the balance now is well below the +24% at this time last year. However, the balance then was unusually high. In a majority of the 20 years that this survey has been carried

out the balance has fallen at this time of the year, so the increase in this survey suggests a genuine improvement in confidence.

Chart 4.1 also shows that the balance expecting to recruit extra staff has increased. 15% expect to employ more people during the first quarter of 2005 and only 8% expect to employ fewer (Table 4.1). The balance of +7% is the highest in two and a half years.

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

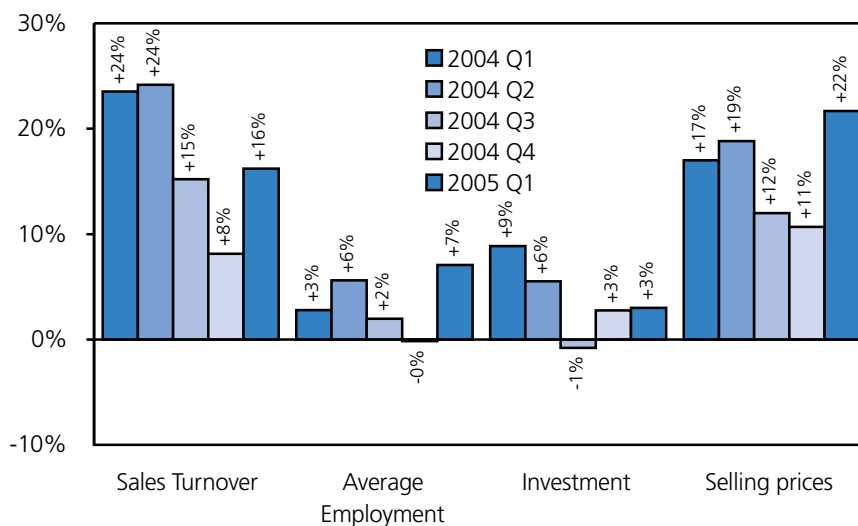


Table 4.1: Expected change over current quarter in sales, employment, investment and selling prices (weighted figures)

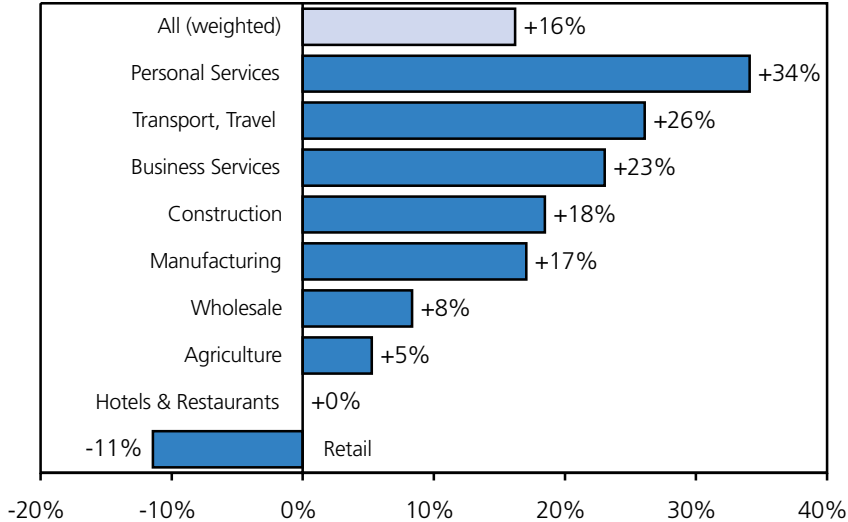
Expected change over current quarter (2005Q1 on 2004Q4) in:	Up	Down	Same	No response	Balance
Sales Turnover	42%	25%	32%	1%	+16%
Average Employment	15%	8%	75%	3%	+7%
Investment	18%	15%	65%	3%	+3%
Selling prices	29%	7%	60%	3%	+22%

The overall balance of small firms expecting to invest more during the current quarter is unchanged on the previous survey, at +3%. Increased confidence about sales does though appear to be feeding through into some inflationary pressure. 29% of small firms expect their average selling prices to be higher in the first quarter of 2005 than they were in the final quarter of 2004. Only 7% expect to cut their prices. The balance of +22% is the highest since this question was first asked, at the end of 1998.



# Prospects: Comparison Across Business Sectors

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



Small firms in the health/education/leisure & personal services sector are the most positive about their sales prospects for the first quarter of 2005. Half expect their sales to be higher than in the final quarter of 2004 and only 16% expect them to be lower, giving a balance of +34%. This is a big improvement on the +8% in the previous survey. This is also the only sector where small firms are more positive now than they were at this time last year. The balance for personal services then stood at +19%. Small firms in this sector are also far more positive than the rest about employment prospects. Table 4.2 shows that a balance of +25% expect to recruit extra staff during the first quarter of 2005. No other sector has a balance over +9% for this question.

The only sector where small firms are less positive about their sales prospects than in the previous survey is retailing. The balance expecting an increase has

reversed from +11% to -11%, making this the most negative sector. However, this is undoubtedly at least partly a post-Christmas seasonal lull. In fifteen out of the past sixteen years, the balance for retailing has been lower in the first survey of the year than at the end of the previous year (the one exception was at this time last year, when the balance rose to +12%).

Those small hotels & restaurants which expect their sales to be higher in the first quarter of 2005 are exactly matched by those which expect them to be lower. This is, though, an improvement on the balance of -6% in the previous survey. Hotels & restaurants are the only group of small firms where more expect to cut the numbers they employ than expect to recruit new staff. Despite this, they have the highest balance intending to increase their selling prices during the current quarter.



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	+5%	+0%	-21%	+0%	19
Manufacturing	+17%	+0%	+11%	+28%	129
Transport, Travel	+26%	+9%	+4%	+0%	23
Construction	+18%	+8%	-8%	+29%	65
Wholesale	+8%	+4%	+10%	+27%	48
Retail	-11%	+1%	-2%	+17%	105
Hotels & Restaurants	+0%	-11%	+4%	+32%	28
Business Services	+23%	+7%	+5%	+15%	191
Personal Services	+34%	+25%	+9%	+30%	44
All (weighted by sector)	+16%	+7%	+3%	+22%	652

The balance of wholesalers expecting an increase in sales has recovered somewhat from its record low of -19% in the previous survey to +8% now. However, this remains well below the +23% at this time last year. Similarly, the balance for manufacturers is up from only +1% in the previous survey to +17% now, but remains well below the +33% a year ago. The balance of +11% of small manufacturers which intend to invest more during the first quarter of 2005 is though higher than that for the other sectors.

## 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	+9%	+2%	-2%	+9%	92
£50,000-£99,999	+9%	-5%	-8%	+19%	95
£100,000-£249,999	+5%	+2%	-1%	+29%	128
£250,000-£499,999	+15%	+2%	+9%	+14%	106
£500,000-£999,999	+30%	+12%	+7%	+25%	109
£1m+	+17%	+15%	+16%	+28%	116
All (weighted by sector)	+16%	+7%	+3%	+22%	652



The largest firms taking part in this survey are not as positive about their sales prospects as they were in the previous survey. Nevertheless, 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.

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	+5%	+2%	+0%	+14%	88
1-2	-1%	-2%	-5%	+14%	148
3-4	+14%	+0%	-1%	+20%	101
5-9	+21%	+8%	+10%	+25%	124
10-19	+29%	+10%	+5%	+24%	92
20+	+23%	+13%	+14%	+32%	97
All (weighted by sector)	+16%	+7%	+3%	+22%	652





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

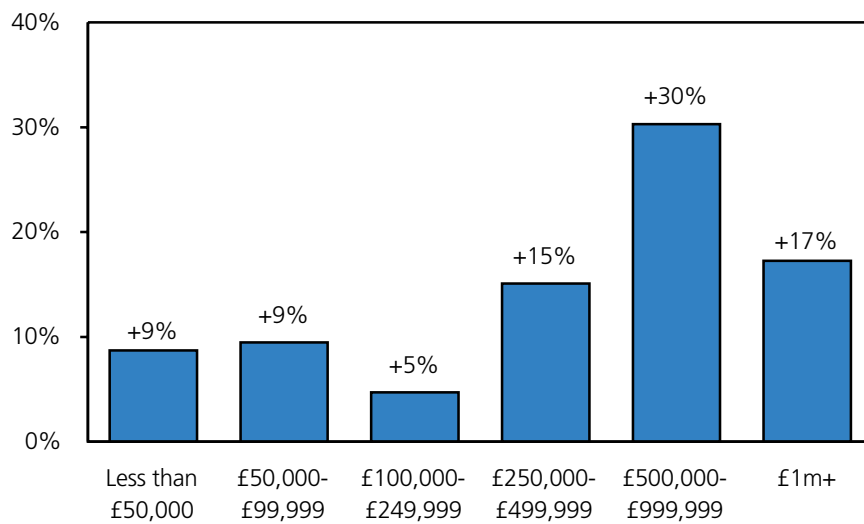
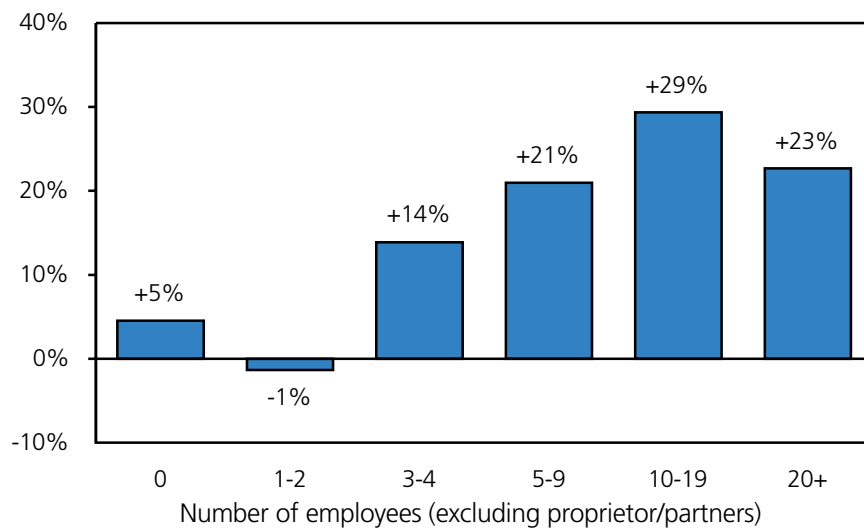


Chart 4.4: Percentage balance of respondents expecting an increase in sales, by employee size band



## Prospects: Comparison Across Regions

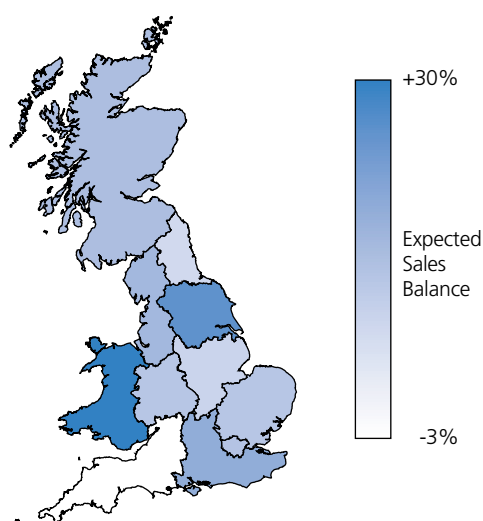
Table 4.5: Expected change over current quarter in sales, employment, investment and selling prices - by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+7%	+13%	+7%	+13%	15
North West	+15%	+0%	-2%	+21%	66
Yorkshire & the Humber	+26%	+2%	+2%	+26%	47
East Midlands	+8%	+4%	-2%	+16%	51
West Midlands	+11%	+13%	+10%	+33%	61
East of England	+11%	-2%	+0%	+17%	87
London	+12%	+7%	+12%	+11%	57
South East	+22%	+6%	+5%	+16%	115
South West	-3%	+6%	-2%	+29%	66
Wales	+30%	+7%	+3%	+23%	30
Scotland	+13%	+8%	+8%	+27%	52

Only in the South West do more small firms expect their sales to fall during the first quarter of 2005 than expect them to rise. In the previous survey those in the West Midlands were more pessimistic than those in the South West but optimism there has improved somewhat.

Optimism about employment and investment intentions are up even more in the West Midlands, making them among the most optimistic on these measures. Small firms in Wales are now most optimistic about sales.

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 26th January 2005 to 2,869 owners and managers of small businesses which had previously volunteered to take part, 837 by e-mail and the remainder by post.

By the cut-off date of 24th February, a total of 652 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%

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	2.8%	25.5%	-	16.9%	13.7%	11.3%	11.4%	8.3%	2.4%	2.7%	-	-	-	11.4%	2.4%	983
1988/4	0.9%	17.6%	-	17.7%	13.7%	10.2%	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%	4.7%	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%	1.6%	1,021
1993/3	0.4%	2.1%	5.5%	4.5%	5.4%	41.2%	4.2%	12.6%	0.3%	0.7%	0.9%	10.9%	3.7%	5.9%	1.6%	1,310
1993/4	1.0%	2.8%	6.9%	3.0%	6.5%	36.8%	4.3%	10.0%	0.3%	0.6%	2.5%	15.5%	3.3%	4.6%	2.0%	1,076
1994/1	0.6%	1.9%	5.5%	4.2%	6.8%	34.1%	6.9%	11.0%	0.1%	0.6%	1.1%	14.4%	4.1%	6.9%	1.7%	1,295
1994/2	1.1%	1.6%	3.8%	5.4%	7.0%	35.3%	5.2%	13.9%	0.1%	0.4%	1.4%	14.0%	3.2%	6.4%	1.3%	861
1994/3	0.9%	1.5%	3.6%	4.9%	5.9%	37.7%	5.9%	9.7%	0.9%	0.8%	2.1%	13.3%	3.1%	7.6%	2.0%	2,327
1994/4	1.1%	1.2%	4.7%	4.8%	6.4%	35.7%	6.3%	10.4%	0.1%	1.1%	1.6%	12.5%	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%	1,099
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	Marketing problems	Interest rates/ Access to finance	Inflation/ Cost of materials, supplies	Other costs (e.g. premises, transport)	Exchange rates	Cashflow/ Payments/ Debtors	Government regulations and paperwork	Lack of skilled employees/ High pay	Total tax burden	Lack of time/ capacity	No problems	Other (please specify)	No response	Sample
2002/2	13%	7%	4%	2%	1%	2%	2%	10%	14%	8%	7%	8%	3%	12%	1%	1,168
2002/3	13%	7%	4%	1%	0%	1%	1%	11%	16%	11%	6%	9%	2%	11%	1%	1,078
2002/4	16%	7%	4%	1%	1%	2%	1%	9%	15%	10%	6%	9%	2%	8%	2%	1,074
2003/1	20%	8%	4%	1%	0%	1%	1%	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%	6%	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%	4%	2%	652

## 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

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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 2005Q1

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** What is your preferred measure of business growth? (Please circle ONE only)

- |                               |                                 |
|-------------------------------|---------------------------------|
| 1. Sales                      | 5. Market share                 |
| 2. Profits                    | 6. Product range                |
| 3. Employment                 | 7. Number of sites              |
| 4. Number of orders/contracts | 8. Other (please specify) _____ |

**5** What are your current business growth targets? (Please circle ONE only)

- |                                |  |
|--------------------------------|--|
| 1. Remain at present size      | 5. Expand indefinitely   |
| 2. Sell your business          | 6. Grow to a certain size (please state desired number of employees) _____     |
| 3. Merge with another business | 7. Contract to a certain size (please state desired number of employees) _____ |
| 4. No growth targets           | 8. Other (please specify) _____  |

**6** In your opinion, how could the government best promote small business growth? (Please circle all you believe useful)

- |  |  |
|--|--|
| 1. Better training and education for employees | 5. Subsidised access to consultancy services |
| 2. Assistance for owner-manager training       | 6. Reduce red tape                           |
| 3. Lower taxation                              | 7. Other (please specify) _____              |
| 4. Provision of loans and grants               |  |

**7** Which of the following do you believe has the strongest influence on growth in businesses like yours? (Please circle ONE only)

- |   |  |
|---|--|
| 1. Expansion generally in my industry       | 5. Success in developing new products/services |
| 2. Expanding local economy                  | 6. Opening new markets elsewhere in UK         |
| 3. Increased demand from existing customers | 7. Opening new markets abroad                  |
| 4. Success in finding new customers         | 8. Other (please specify) _____                |

**8** How old are you? (Please circle one of the age brackets below)

- |             |          |          |          |                |
|-------------|----------|----------|----------|----------------|
| 1. Under 30 | 2. 30-39 | 3. 40-49 | 4. 50-59 | 5. 60 or older |
|-------------|----------|----------|----------|----------------|

**9** 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 |              |

**10** 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 2003? What do you expect to happen in the current quarter?

Please complete the table by ticking 8 boxes only:

	ACTUAL			EXPECTED		
	October, November, December 2004 compared with the same period 2003			January, February, March 2005 compared with October, November, December 2004		
	UP	DOWN	SAME	UP	DOWN	SAME
Sales Turnover						
Average Employment						
Investment						
Selling Prices						

**11** 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                   |                            |

**12** Please indicate the sex of the owner(s) of the business:

- |         |           |                                |
|---------|-----------|--------------------------------|
| 1. Male | 2. Female | 3. Joint Male/Female ownership |
|---------|-----------|--------------------------------|

**13** 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 18th February 2005.**  
 Please note that this is a FREEPOST address (no stamp required).