

2004 Q1

NatWest Quarterly Survey of Small Business in Britain



Contents

Summary	2
Business Issue	3
Motivation	3
Objectives	5
Targets	7
Innovations	8
Performance	10
Performance: Comparison Across Business Sectors	12
Performance: Comparison Across Size Bands	14
Performance: Comparison Across Regions	16
Problems	17
Prospects	20
Prospects: Comparison Across Business Sectors	22
Prospects: Comparison Across Size Bands	24
Prospects: Comparison Across Regions	26
Appendix	27
How the survey is carried out	27
Historical Tables	28
Special Topics	32

Summary

Britain's small firms are now optimistic about the future, many are keen to grow and well over half report having made significant innovations in their business over the past year. Apart from small manufacturers, an increased number reported a rise in sales over the past year. Although government regulations and paperwork remain as the biggest problem it has declined in importance (as have skills shortages as the main problem, except in the construction industry).

- The most common motivation among Britain's small business owners, of all ages and in firms of all sizes, is to be their own boss, almost three times more frequent than "to make money".
- The most common business objective is to support the business owner's preferred lifestyle.
- Many small firms want to grow but most only to a certain size, while one fifth are happy to remain at their present size (more than those that aim to expand indefinitely).
- Younger respondents are more growth-oriented, motivated to make money or create a secure future for themselves, and aim at improving their standard of living.
- Owners of larger firms aim more at a growth in profits than supporting their lifestyle and most have a target of continued growth.
- Most respondents have made a significant business innovation within the past year (7% have innovation as their main business objective).
- For the first time in eighteen months, more than half of the small business respondents increased sales over the past year, with a much higher balance than in recent surveys.
- More firms have recruited than have cut staff and the investment balance is up sharply.
- Government regulations and paperwork remains the top-ranked problem for small businesses overall, though fewer than in the previous survey say that it is the single biggest problem facing their business.
- The proportion saying that the general economic climate is their biggest problem is also down, while cashflow/payments/debtors has jumped up the rankings.
- A lack of skilled employees/high pay is less important overall, but is the top-ranked problem for small construction firms.
- Overall, small firms are more optimistic about their prospects for the first quarter of 2004, with the balances on expected sales, employment and investment far higher than at this time last year.
- Only small manufacturers reported a drop in sales since the previous survey, though they remain optimistic about their immediate prospects.

Business Issue

The desire for independence is a far more common motive than money-making for running a small business. Relatively larger firms aim to continue growing, but most have a target size in mind rather than aiming for indefinite growth. Many are content to remain at their present size. A majority of firms have innovated over the past year.

Motivation

In line with other major surveys on small business motivation, most respondents reported that their main reason for being in business is "to be my own boss/responsible for my own organisation". This was nearly three times more frequent than small business owners whose main motivation is "to make money". Table 1.1 shows that only 15% say that this is their most important reason, a finding consistent with previous surveys in this series¹.

Table 1.1 shows that the younger business owners taking part in the survey seem to have slightly more money making ambitions, with 17% of those aged under 50, compared with 13% of their older counterparts, saying that "to make money" is their main motivation.

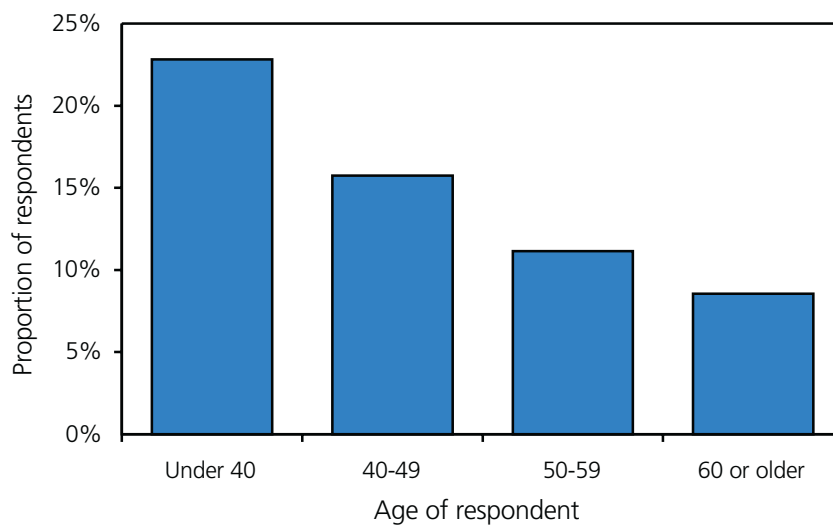
The younger respondents are also more likely to have aspirations "to create a more secure future" for themselves. Table 1.1 and Chart 1.1 (overleaf) show that more than twice as many of the under-40s as of the over-60s cite this as their main motivation. This proportion is also more closely related to the size of the firm than is the desire to make money. For the under-40s and those running firms with an annual turnover in excess of half a million pounds, more are motivated by the aim "to create a more secure future" than by pure money-making. However, although the proportion motivated by the desire "to be my own boss" is higher among the older respondents, it remains the most common driving force even among the youngest respondents and largest firms.

Table 1.1: "Which of the following is closest to your main motivation for running your own business?" (by age of respondent)

	Under 40	40-49	50-59	60 or older	All
To be my own boss/responsible for my own organisation	34%	40%	45%	45%	42%
To make money	17%	17%	13%	13%	15%
To create a more secure future	23%	16%	11%	9%	13%
To work by myself/not be told what to do	8%	11%	9%	6%	8%
No alternative/avoid unemployment	3%	2%	8%	8%	6%
Family tradition	5%	7%	4%	6%	6%
To earn respect/status	1%	1%	1%	1%	1%
Other	5%	6%	9%	12%	8%
No response	3%	1%	1%	0%	1%
Sample	92	216	305	187	808

¹ NatWest/SBRT Quarterly Survey of Small Business in Britain, Vol 12 No 4, 1996 and Vol 15 No 4, 1999.

Chart 1.1: Proportion of respondents whose main motivation is “to create a more secure future” - by age of respondent



Those respondents who work on their own (sole proprietors without employees) are more than twice as likely as the rest to report that their main motivation is “to work by myself/not be told what to do” (18%) or “no alternative/to avoid unemployment” (14%).

Small business is a vocation of choice: only 6 per cent overall indicated that they had no alternative. For those who are forced into it, distribution seems the easiest route into self-employment, with 12% of wholesalers and 13% of retailers (twice the average) reporting that their main motivation is “no alternative/to avoid unemployment”. Older respondents may feel they have fewer options in the labour market, given that those over 50 are more than three times as likely as those under 50 to report that this is their main motivation.

Although “family tradition” is the main motivation for only 6% of respondents overall, this jumps to one-third of the agricultural firms, where farms are often passed on through the family. Consequently, this is the only sector where “to be my own boss” is not the main motivation.

Owners of small business service firms are more likely than average to be mainly motivated by the desire “to work by myself”. They are also more likely than average to want “to make money” (18%), though the sector where most have this as their main motivation is construction (20%).

More than half of the small business owners in the “hotels & restaurants” and “transport, travel, storage & communication” sectors are motivated by being their own boss. Although only 1% of all small business owners admit to being primarily motivated by the desire “to earn respect/status”, this rises to 5% of those based in London.

“Other” motivations mentioned were varied, but one commonly repeated was simply the enjoyment of running their business.



Table 1.2: "What is the main objective of your business?"
(by main motivation for running business)

	No alternative	Family tradition	More secure future	To make money	To work by myself	To be my own boss	All
To support your preferred lifestyle	27%	22%	20%	25%	57%	37%	32%
Growth in profits	35%	22%	23%	36%	19%	19%	22%
To protect your future/build asset	14%	24%	31%	14%	12%	17%	18%
To improve your standard of living	10%	7%	10%	9%	4%	8%	8%
To develop products, ideas/innovate	4%	2%	4%	5%	3%	8%	7%
Growth in sales	0%	16%	8%	6%	1%	5%	5%
Growth in employment	2%	4%	2%	0%	1%	0%	1%
Other	8%	2%	3%	3%	1%	5%	7%
No response	0%	0%	0%	1%	0%	0%	0%
Sample	49	45	105	118	68	343	808

Objectives

The main business objective of almost one-third of the small business owners taking part in this survey is "to support your preferred lifestyle (way of life, style of living, living where you like, etc. ...)" (Table 1.2).

Overall, 28% of respondents say that their main objective is growth, in either sales, employment or profits. By far the most common of these is growth in profits.

Objectives are, of course, related to motivations (though the correspondence between the two is far from exact).

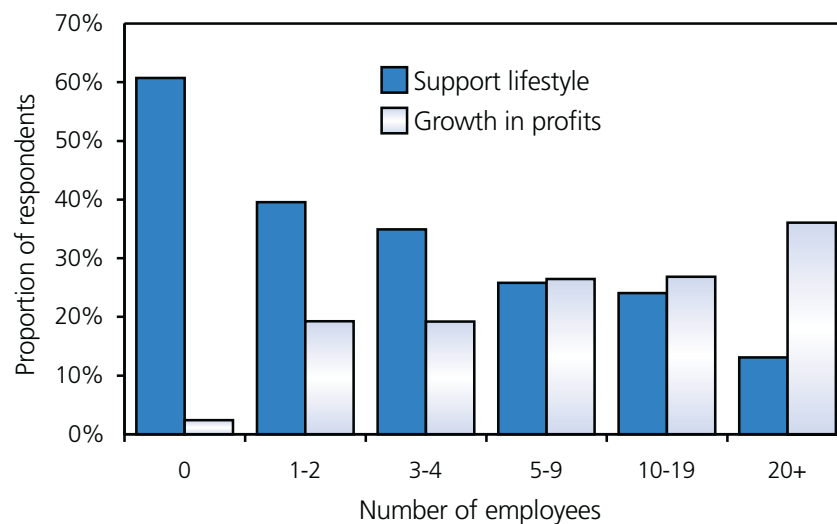
Table 1.2 shows that over half of those whose main motivation is "to work by myself" and well over a third of those who want "to be my own boss" say that their main objective is "to support your preferred lifestyle".

Those motivated "to make money", but also those with "no alternative" are more often than average driven to

Table 1.3: "What is the main objective of your business?"
(by number of employees, excluding proprietor/partners)

	0	1-2	3-4	5-9	10-19	20+	All
To support your preferred lifestyle	61%	40%	35%	26%	24%	13%	32%
Growth in profits	2%	19%	19%	26%	27%	36%	22%
To protect your future or build up an asset for your children	13%	13%	17%	19%	27%	18%	18%
To improve your standard of living	8%	12%	8%	10%	4%	3%	8%
To develop products and ideas/innovate	4%	5%	9%	4%	7%	9%	7%
Growth in sales	2%	3%	5%	6%	4%	10%	5%
Growth in employment	0%	1%	1%	1%	2%	2%	1%
Other	10%	6%	5%	7%	6%	9%	7%
No response	0%	0%	1%	0%	0%	0%	0%
Sample	84	187	146	155	108	122	808

Chart 1.2: Selected main business objectives - by number of employees (excluding proprietor/partners)



aim for “growth in profits”. Respondents wanting “to create a more secure future” most often have the objective “to protect your future or build up an asset for your children”, as do those for whom running a business is a “family tradition”.

Table 1.3 and Chart 1.2 show that a number of objectives are closely related to firm size (this is true whether measured by employment or turnover). Over 60% of the firms without employees (which make up more than two-thirds of all businesses in the UK) report that “to support your preferred lifestyle” is their main objective, almost five times the proportion of firms with 20 or more employees. Larger firms (which will have already partly achieved their objective of growth) are naturally far more likely to have “growth in profits” as an objective than those firms which have remained small. For those with five or more employees, “growth in profits” is the top-ranked objective.

Objectives by sector seem to largely follow the pattern of motivations, with the exception of “hotels &

restaurants”, where almost twice the average (35%) aim “to protect your future or build up an asset for your children”, despite the fact that none of these firms reports that their main motivation is “family tradition” and fewer than average say that it is “to create a more secure future”.

Younger respondents are more likely than their older counterparts to have as an objective “to improve your standard of living”, while the older respondents more often have the perhaps more modest goal “to support your preferred lifestyle”. However, the idea of younger entrepreneurs being more idealistic or dynamic seems to be contradicted by the fact that the older business owners are more likely to report that their main objective is “to develop products and ideas/innovate” (over 7% of the over-60s compared with 4% of the under-40s).

“Other” objectives include simply for the business to survive and also to provide a quality service to others and to feel a job has been well done.



Table 1.4: "What are your current long-term business growth targets?"
(by age of respondent)

	Under 40	40-49	50-59	60 or older	All
Grow to a certain size	46%	39%	23%	21%	30%
Remain at present size	9%	17%	23%	26%	20%
Expand indefinitely	24%	19%	16%	17%	18%
Sell your business	11%	14%	16%	17%	15%
No growth targets	4%	6%	9%	9%	7%
Contract to a certain size	1%	0%	2%	3%	2%
Merge with another business	1%	1%	2%	2%	2%
Other	2%	5%	8%	5%	6%
No response	2%	0%	1%	1%	1%
Sample	92	216	305	187	808

Targets

Only 18% of the small business owners in this survey say that their long-term business growth target is to "expand indefinitely". The most popular aim (30%) is growth, but only to a certain size, while one-fifth of businesses are happy to remain at their present size (Tables 1.4 and 1.5).

The younger business owners are considerably more likely to still have positive growth targets, though more often of a limited than indefinite nature. Those aged

under 40 are more than twice as likely as those aged over 60 to aim for their business to continue growing to a certain size (Table 1.4). The older respondents may have already met their targets of growing to a certain size or may have accepted that ambitions they had when younger may not be realised. Respondents aged 50 or over are more likely to have a target of keeping their business at its present size than of growing to a certain size (though adding those aiming to expand indefinitely

Table 1.5: "What are your current long-term business growth targets?"
(by number of employees, excluding proprietor/partners)

	0	1-2	3-4	5-9	10-19	20+	All
Grow to a certain size	19%	21%	33%	37%	31%	35%	30%
Remain at present size	37%	32%	16%	16%	11%	11%	20%
Expand indefinitely	11%	14%	19%	13%	25%	28%	18%
Sell your business	4%	13%	15%	22%	18%	16%	15%
No growth targets	23%	9%	6%	5%	4%	2%	7%
Merge with another business	0%	2%	1%	1%	3%	4%	2%
Contract to a certain size	4%	2%	1%	1%	2%	1%	2%
Other	4%	6%	8%	5%	5%	3%	6%
No response	0%	1%	0%	1%	3%	0%	1%
Sample	84	187	146	155	108	122	808

gives a larger total which still have some growth aspirations). Older respondents are also more likely than the younger to be aiming to sell or merge their business.

Table 1.5 shows that the smallest firms are most likely to aim to remain at their present size or have no growth targets (most strikingly, almost one-quarter of firms with no employees other than the proprietor or partners have no growth targets). This is unsurprising, as our sample contains few firms established within the past few years and so any which were formed with growth aspirations would be expected already to have grown into the larger size bands or had those aspirations dashed. Larger businesses are also clearly more often saleable concerns, with very few of the businesses without employees, where the business is often reliant on the skills of the proprietor or partners, having the sale of the business as their long-term target.

Wholesaling (where 37% aim to expand indefinitely) is the only business sector where the most common business target is not to grow to a certain size.

Business targets are related to motivations and objectives, though (as with the links between motivations and targets) these are less precise than might be expected. Those motivated to make money or

create a more secure future are only a little more likely than the average to have growth as a target. Those with “no alternative” are the most likely to have “no growth targets” and those following “family tradition” least likely to intend to sell their business.

Some of the respondents indicating “other” targets are aiming simply for their business to survive - whether larger or smaller - while a few already have retirement in sight as a target.

Innovations

Well over half of the businesses in this survey have made some significant innovations over the past year. This proportion ranges from one-third of those firms with no employees to over three-quarters of those with 20 or more employees (Table 1.6 and Chart 1.3).

Overall, the introduction of new products and services is the most common innovation, closely followed by changes to processes or ways of working (which is the most common innovation for those with 10 or more employees).

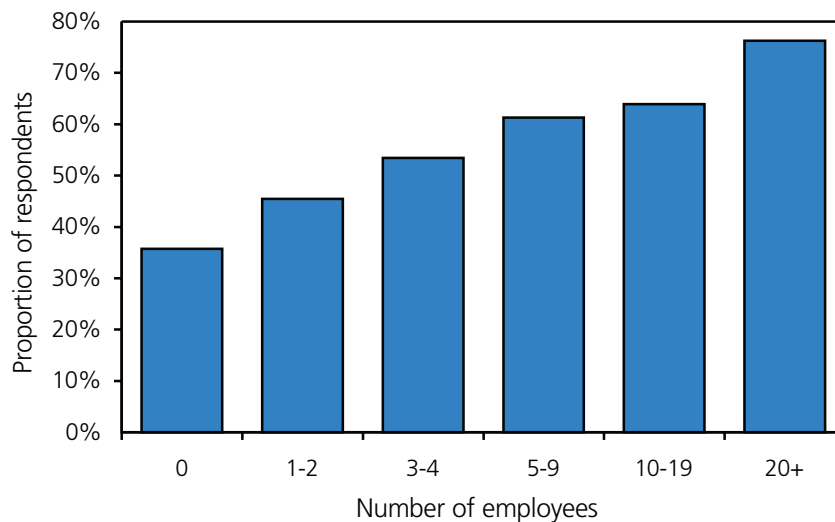
Younger respondents are a little more likely than their older counterparts to have introduced significant innovations, though the differences are not huge.

Table 1.6: “During the past year has your business:” (by number of employees, excluding proprietor/partners)

	0	1-2	3-4	5-9	10-19	20+	All
Introduced significant new products/services	19%	21%	28%	32%	31%	37%	28%
Made significant changes to processes or ways of working	17%	17%	21%	23%	33%	43%	25%
Made significant changes to marketing/selling/distributing	14%	15%	16%	22%	32%	31%	21%
Made significant changes to sourcing of supplies/inputs	7%	9%	9%	13%	19%	15%	12%
Other significant innovations	6%	5%	5%	7%	7%	5%	6%
Made no particularly significant innovations	61%	55%	46%	37%	36%	24%	43%
Sample	84	187	146	155	108	122	808



Chart 1.3: Proportion of businesses which have made significant innovations over past year - by number of employees (excluding proprietor/partners)



Respondents who run their business because they have “no alternative/to avoid unemployment” are least likely to have made any significant innovations” (43%). Those with the main business objective “to develop products and ideas/innovate” are unsurprisingly most likely to have introduced new products/services (45%), though those aiming for growth in sales (which are, on average, larger) are slightly more likely to have made any type of innovation (79%). Those with no growth targets are least likely to have made any significant innovations (only 16% have done so).

Other significant innovations specified include new uses of technology, especially ICT, and increased staff training.

Conclusions

While the mix of motivations, strategic objectives and innovative activities confirm that there seems to be no such thing as a “typical” small business owner, it is also clear that there is a tremendous amount of dynamism in Britain's small business sector. And, age seems to be no barrier (only 17 per cent of the over-60s want to sell their businesses compared with 38 per cent who have active growth plans). However, even within the small business sector it is clear that size constraints continue to exist. Microfirms of less than 5 employees are far less growth-oriented or innovative, strongly preferring to support their preferred lifestyle than pursue profits. Policy-makers and small firm support organisations should note that only 2% of respondents seem to fit the stereotype of being motivated “to make money”, a business objective of growth in sales or profits and a long-term business target of indefinite growth. Many of the rest are no less innovative but seem to be driven by other incentives.

Performance

The performance of Britain's small firms has improved sharply. Firms of most sizes and sectors are more positive than in the previous survey, though small manufacturers are an exception. The smallest and oldest firms remain least positive, but even these have shown an improvement.

There has been a sharp improvement in the fortunes of Britain's small firms. For the first time in eighteen months, over half of the businesses in this survey report that their sales were higher in the previous quarter (the final quarter of 2003) than a year earlier (Table 2.1). Only a quarter report that their sales were lower, giving a balance of +27%. This is the highest balance in many years, much improved on the +10% in the previous survey and +15% this time last year (Chart 2.1).

After plateauing at 2.1% in the second and third quarters of 2003, official estimates also show a sharp increase in the annual growth rate of GDP in the final quarter of 2003, up to 2.5%.

The improvement is also apparent in the higher balances of firms reporting increases in employment and investment over the past year.

In the previous survey, more firms had cut the numbers they employ than had recruited extra staff. This time, those increasing staff numbers outnumber those cutting them, giving a balance of +7%, much better than in recent surveys (though the balance was a little higher eighteen months ago). This result is consistent with official labour market statistics, which show a marked rise in the numbers employed in the economy as a whole in the three months to January 2004.

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

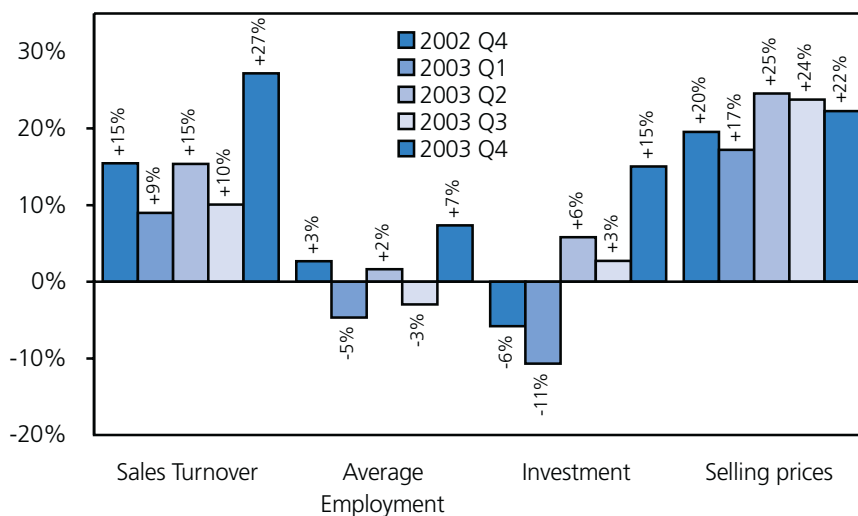


Table 2.1: Change over past year in sales, employment, investment and selling prices (weighted figures)

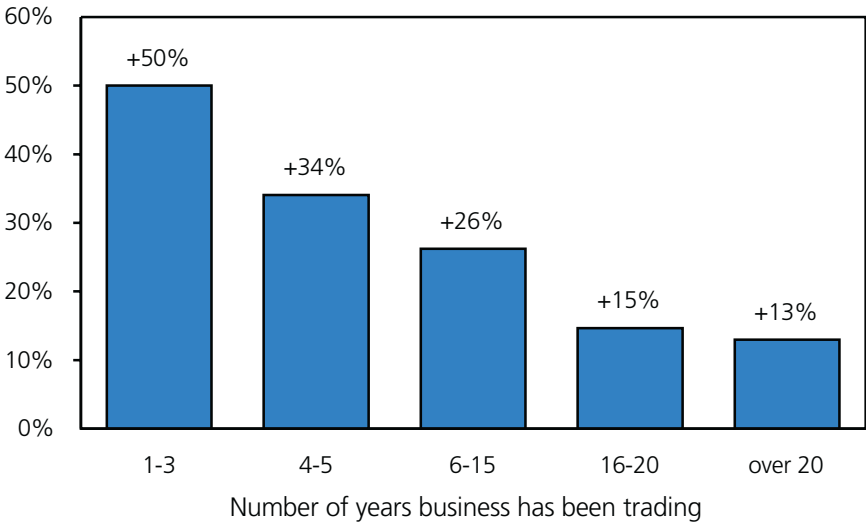
Change over past year (2003Q4 on 2002Q4) in:	Up	Down	Same	No response	Balance
Sales Turnover	53%	25%	19%	3%	+27%
Average Employment	21%	13%	62%	4%	+7%
Investment	27%	12%	55%	5%	+15%
Selling prices	34%	12%	49%	5%	+22%

The balance of firms investing more in the past quarter than in the same quarter of 2002 has jumped from only +3% in the previous survey to +15% now, higher than it has been for some considerable time.

Despite the seeming improvement in their fortunes, small firms do not seem to be exploiting this by increasing prices more rapidly. The balance reporting that they increased their average selling prices over the past year is a little down compared with the previous survey.

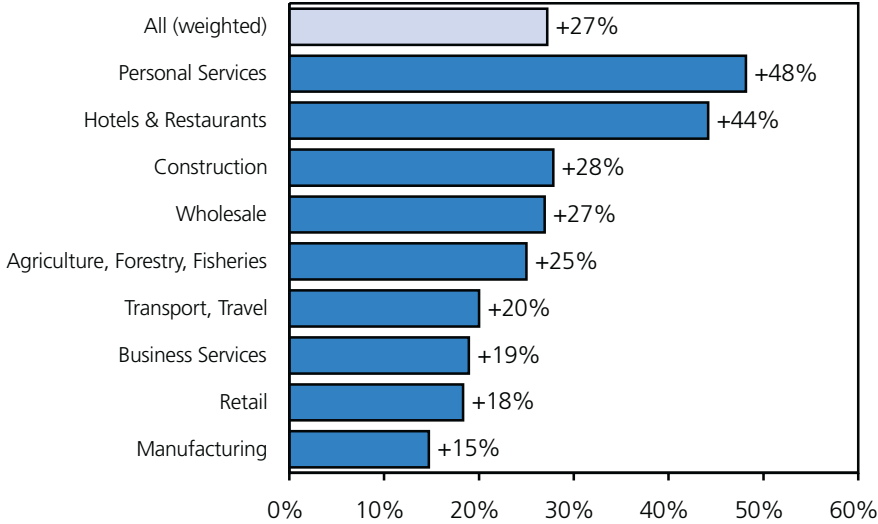
Chart 2.2 shows the continuing divide between the oldest and youngest firms in this survey. Although the balance has risen for all, far more of the firms established recently have increased their sales over the past year.

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



After improving in the past two surveys, the balance of manufacturers reporting an increase in sales over the past year has fallen in the current survey (by nine percentage points). As a consequence of the balances for every other sector rising, manufacturing has in the space of one survey gone from being the most to the least positive sector on this measure (Chart 2.3). Official Index of Production figures show a similar picture, with the growth of the manufacturing sector as a whole falling to zero in the three months to January 2004 compared with the previous three months.

Nevertheless, the balance of small manufacturers which increased employment over the past year is up marginally compared with the previous survey, with those employing more now just outnumbering those cutting employment (Table 2.2). The balance which increased investment is also up a little, suggesting some small manufacturers retain a measure of confidence about medium-term prospects.

The sales balance for the health/education/leisure & other personal services sector has shown the biggest increase since the previous survey (up by 38 percentage points) and this is now the most positive sector.

Small firms in the hotels & restaurants sector remain in second place in the rankings in terms of sales performance. However, unlike in the previous survey, more of these firms cut employment over the past year than recruited extra staff. The balance increasing their selling prices over the past year is lower than in the previous survey, but remains, as it has been for some time, higher than in the other sectors.

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	+25%	+25%	+21%	+21%	24
Manufacturing	+15%	+1%	+13%	+7%	163
Transport, Travel	+20%	-14%	+14%	-14%	35
Construction	+28%	+15%	+23%	+33%	79
Wholesale	+27%	+2%	+23%	+12%	52
Retail	+18%	+3%	+8%	+15%	131
Hotels & Restaurants	+44%	-2%	+12%	+51%	43
Business Services	+19%	+9%	+9%	+16%	227
Personal Services	+48%	+15%	+20%	+41%	54
All (weighted by sector)	+27%	+7%	+15%	+22%	808

Despite a big improvement from the balance of -14% in the previous survey, small retailers continue to report relatively weak sales performance. Official figures show that UK retail sales increased by only 2.4 per cent between 2002 and 2003, the lowest annual increase since 1943 (though there has been strong growth in early 2004). Due to the fall in the manufacturing balance, however, retailing is no longer quite the least positive sector, as it had been for the previous four surveys.



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%	-5%	-1%	+13%	120
£50,000-£99,999	+8%	-3%	+2%	+23%	120
£100,000-£249,999	+19%	+4%	+13%	+21%	156
£250,000-£499,999	+29%	+5%	+10%	+16%	143
£500,000-£999,999	+41%	+14%	+24%	+27%	124
£1m+	+41%	+19%	+32%	+9%	138
All (weighted by sector)	+27%	+7%	+15%	+22%	808

Tables 2.3 and 2.4 and Charts 2.4 and 2.5 show that, as has been the case for some years, 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 of the very smallest firms, those with a turnover below £50,000 per year, more have seen their sales fall over the past year than have managed to increase them (though even for these firms the balance is not as negative as in the previous survey). As firm size rises, so does the balance reporting increased sales, peaking at +41% for those with a turnover of half a million pounds or more. The picture is similar, if not quite as clear-cut, when analysed by employment size band and it is also generally the case that the larger the firm the more likely to have increased employment and investment over the past year.

It should be remembered that the business issue findings in this survey have already established that many firms, especially the smallest, are content to remain at their current size and so may well not be looking for increases in sales and employment.

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	+5%	-7%	+1%	+20%	84
1-2	-2%	-5%	+4%	+6%	187
3-4	+30%	+3%	+8%	+21%	146
5-9	+25%	+8%	+19%	+21%	155
10-19	+49%	+15%	+17%	+22%	108
20+	+41%	+24%	+35%	+22%	122
All (weighted by sector)	+27%	+7%	+15%	+22%	808



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

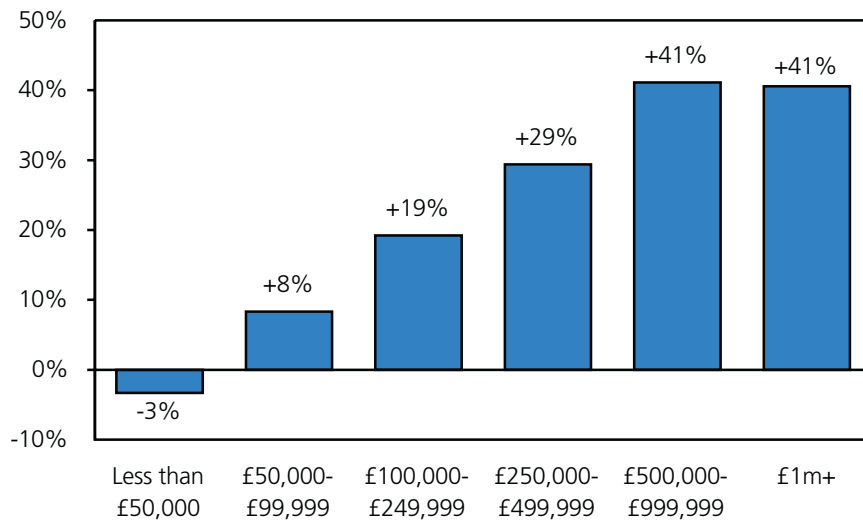
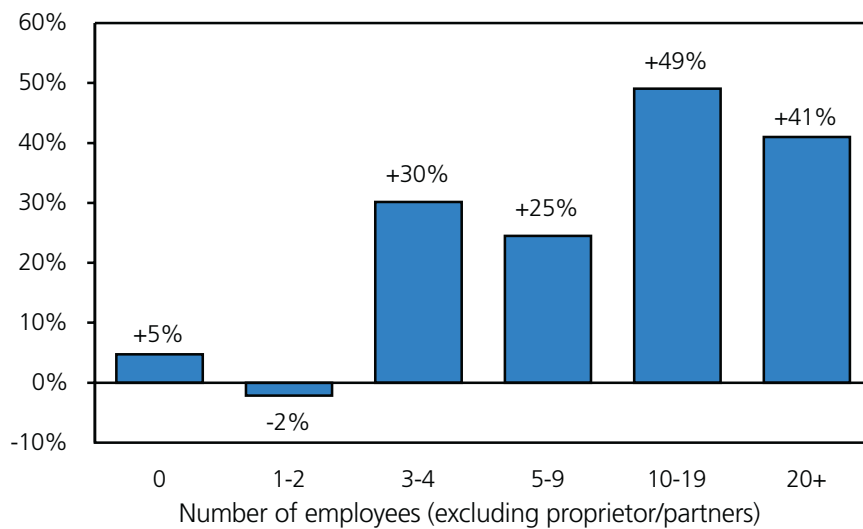
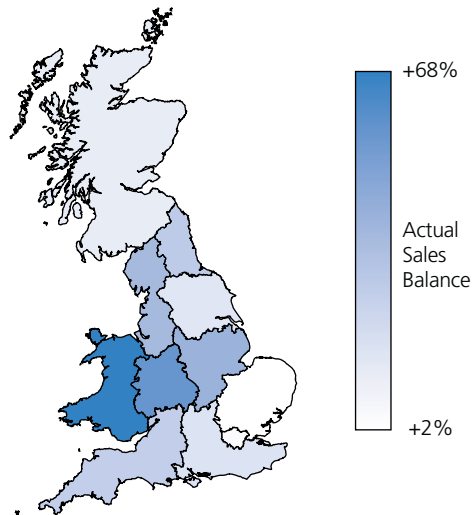


Chart 2.5: Percentage balance of respondents reporting an increase in sales over past year - by number of employees



Performance: Comparison Across Regions

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



Although the balance has recovered somewhat from its negative value in the previous survey, small firms in London still report among the weakest sales performance over the past year, now joined by their neighbours in the East of England. More firms in these regions (and in the North East) have cut employment

than increased it. Firms in Wales remain among those reporting most positive sales performance, as they have been in recent surveys. The balance there and in the adjacent West Midlands has risen by 41 percentage points since the previous survey, much more than in any other region.

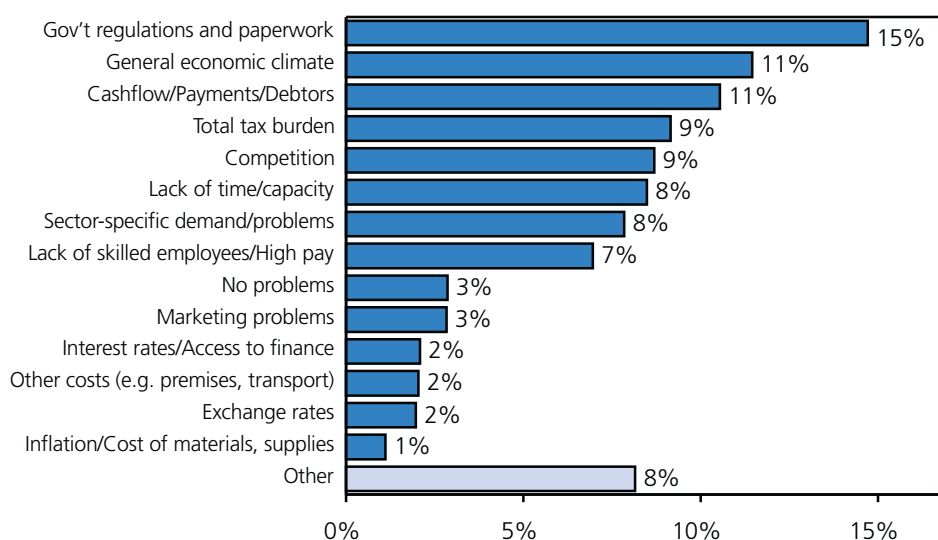
Table 2.5: Change over past year in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+29%	-5%	-5%	+19%	21
North West	+38%	+14%	+20%	+17%	69
Yorkshire & the Humber	+14%	+4%	+31%	+14%	49
East Midlands	+41%	+5%	+3%	+31%	61
West Midlands	+57%	+9%	+21%	+14%	56
East of England	+2%	-2%	+13%	+14%	111
London	+4%	-2%	+17%	+5%	82
South East	+16%	+9%	+8%	+13%	158
South West	+26%	+8%	+14%	+17%	88
Wales	+68%	+26%	+13%	+42%	38
Scotland	+12%	+0%	+13%	+32%	69

Problems

Government regulations and paperwork remains the top-ranked problem for small business. The proportion complaining of the general economic climate continues to fall, while cashflow/payments/debtors is an increasing problem.

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

Chart 3.1 and Table 3.1 show government regulations and paperwork remains the top-ranked problem, despite a modest fall since the previous survey in the proportion citing this as the main problem facing their business. Earlier surveys² have shown that employment legislation is a particular problem and Table 3.2 (on page 19) shows that regulations are still more often a

problem for the relatively larger firms taking part in our survey (particularly those with 10 or more employees) than the smallest. However, this time less than twice as many of the largest as the smallest say that it is their most important problem - in the previous survey the ratio was 3:1.

Regulation and paperwork remains, as usual, a particular problem for agricultural firms and is also the top-ranked problem for those in business services, retail and health/education/leisure & other personal services. Unlike in recent surveys, however, it is no longer the top-ranked problem for small construction firms.

² e.g. NatWest Quarterly Survey of Small Business in Britain, 2003 Q2.

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

	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1
Gov't regulations and paperwork	14%	10%	15%	18%	15%
General economic climate	20%	21%	18%	13%	11%
Cashflow/Payments/Debtors	9%	11%	6%	7%	11%
Total tax burden	7%	6%	9%	8%	9%
Competition	9%	7%	6%	8%	9%
Lack of time/capacity	8%	9%	10%	8%	8%
Sector-specific demand/problems	8%	8%	9%	9%	8%
Lack of skilled employees/High pay	6%	9%	9%	8%	7%
No problems	2%	2%	2%	3%	3%
Marketing problems	4%	4%	3%	3%	3%
Interest rates/Access to finance	1%	1%	1%	1%	2%
Other costs (e.g. premises, transport)	1%	1%	1%	1%	2%
Exchange rates	1%	1%	1%	0%	2%
Inflation/Cost of materials, supplies	0%	1%	1%	1%	1%
Other	9%	8%	7%	9%	8%

Economic climate

Over the past three surveys, the proportion of firms reporting that the biggest single problem facing their business is the general economic climate has slipped

from 21% to 11% (Table 3.1 & Chart 3.2). From being easily the top-ranked problem, this now remains second in the rankings by less than one percentage point.

Chart 3.2: Selected most important problems

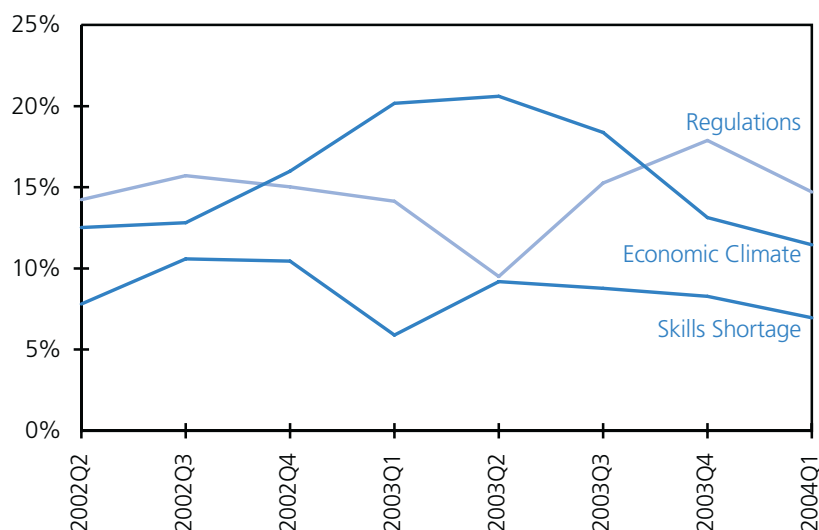


Table 3.2: Most important problem, by number of employees, excluding proprietor/partners

	0	1-2	3-4	5-9	10-19	20+
Gov't regulations and paperwork	10%	12%	17%	14%	19%	19%
General economic climate	12%	19%	9%	15%	6%	7%
Cashflow/Payments/Debtors	10%	6%	10%	12%	14%	15%
Total tax burden	11%	6%	9%	8%	11%	10%
Competition	10%	10%	9%	7%	3%	11%
Lack of time/capacity	6%	12%	10%	10%	7%	4%
Sector-specific demand/problems	7%	11%	9%	7%	10%	6%
Lack of skilled employees/High pay	1%	3%	4%	8%	12%	11%
No problems	6%	4%	3%	1%	0%	2%
Marketing problems	5%	3%	2%	3%	5%	2%
Interest rates/Access to finance	4%	1%	2%	3%	1%	2%
Other costs (e.g. premises, transport)	5%	2%	1%	2%	1%	2%
Exchange rates	0%	1%	3%	2%	6%	2%
Inflation/Cost of materials, supplies	2%	1%	1%	1%	2%	1%
Other (please specify)	12%	9%	8%	7%	3%	6%
No response	1%	1%	2%	1%	1%	1%
Sample	84	187	146	155	108	122

Cashflow/payments/debtors

Jumping up from eighth to third place in the rankings of problems is cashflow/payments/debtors, indicated as the most important single problem by 11% of small firms. Table 3.2 shows that this is somewhat more of a problem for the relatively larger firms taking part in the survey. As in the previous survey, this is a particular problem for manufacturers and those engaged in transport/travel/storage & communication.

Other problems

The total tax burden has also moved up the rankings of problems, from sixth to fourth place, even though the proportion selecting this has increased by only one percentage point since the previous survey. As in the previous survey, this is the top-ranked problem for hotels & restaurants and also a particular problem for transport firms (presumably due to fuel duty).

On the other hand, a lack of skilled employees/high pay has slipped in the rankings from fourth to eighth place due to a fall of only one percentage point in the proportion of firms nominating this as the single

biggest problem facing their business. This problem is now focused tightly on the construction sector, where the proportion has increased to 20%, making it the top-ranked problem. This is despite (or perhaps a partial explanation of) the fact that more construction firms expect to have cut the numbers they employ during the first quarter of 2004 than have recruited new staff. Construction is now the only sector where a lack of skilled employees is the most important problem for more than 10% of small firms. Naturally this is more of a problem for the relatively larger firms taking part in the survey.

A number of firms in comments on their questionnaires mentioned that the weakness of the US\$ relative to sterling was causing them problems and this is reflected in the fact that more than four times as many respondents as in the previous survey report that exchange rates are the most important problem facing their business (though the proportion remains only 2% and the problem is thirteenth in the overall rankings).

Prospects

Britain's small firms expect the improvement in their performance to continue, with far more expecting their turnover to increase during the first quarter of 2004 than in the previous survey and at this time last year. Employment expectations are also up somewhat and investment intentions are far more positive than last year.

More than twice as many of Britain's small firms expect their turnover to be higher (46%) as expect it to be lower (22%) in the first quarter of 2004 than in the final quarter of 2003 (Table 4.1). The resulting balance, of +24%, is much improved on the +9% which in the previous survey expected an improvement in the final quarter of 2003. Perhaps more tellingly, as it avoids any seasonal influences, the balance is much higher than the +3% at this time last year (Chart 4.1).

In contrast to the previous survey, those small firms expecting to have recruited extra staff during the first quarter of 2004 outnumber those expecting to have been forced to cut staff numbers. The improvement in the balance, from -3% to +3%, is fairly modest and it is lower than the level of six months ago. However, the improvement on the comparable balance at this time last year is more significant, up from -6% (Chart 4.1).

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

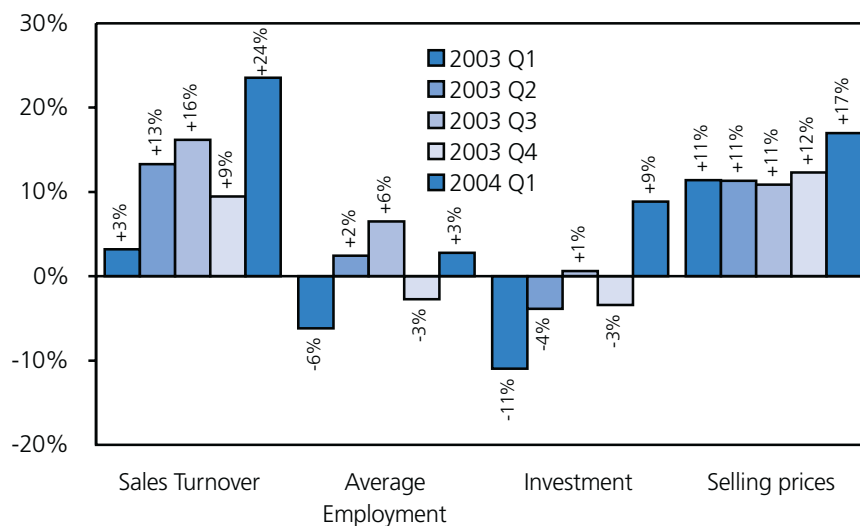


Table 4.1: Expected change over current quarter in sales, employment, investment and selling prices (weighted figures)

Expected change over current quarter (2004Q1 on 2003Q4) in:	Up	Down	Same	No response	Balance
Sales Turnover	46%	22%	30%	2%	+24%
Average Employment	12%	9%	74%	4%	+3%
Investment	21%	12%	62%	5%	+9%
Selling prices	25%	8%	63%	5%	+17%

The balance of small firms intending to increase investment has risen particularly sharply. A balance of +9% expect to have invested more during the first quarter of 2004 than they did during the final quarter of 2003. This compares with -3% in the previous survey and -11% at this point last year. Firms often invest in new capacity in anticipation of future demand and so this is a positive sign for the medium-term prospects for these small firms.

Less dramatically, the balance of small firms expecting to increase their average selling prices during the quarter has also risen, up from +12% to +17%. Although not an enormous increase, this does suggest that at least some small firms hope to take advantage of improved trading conditions to improve their profit margins. This is an indication of the inflationary pressures which tend to emerge whenever the economy picks up and which prompted the Bank of England to raise interest rates in early February, before questionnaires for this survey were despatched.

Prospects: Comparison Across Business Sectors

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

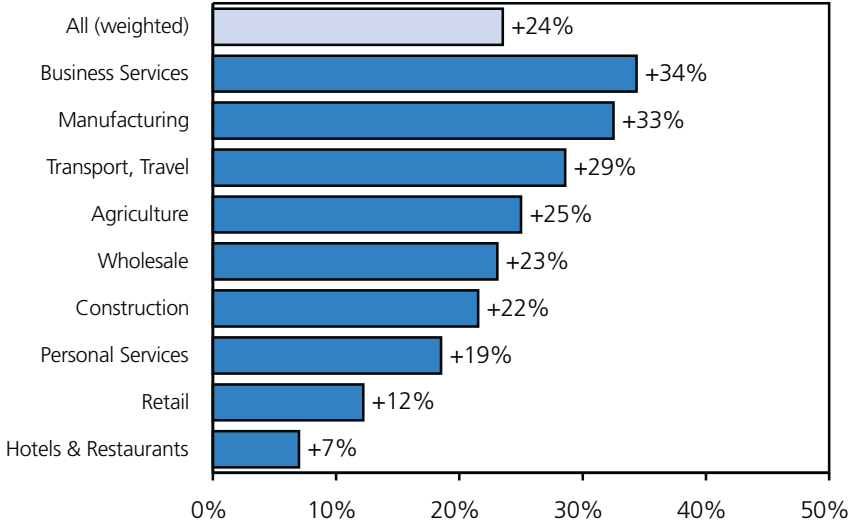


Chart 4.2 and Table 4.2 show that hotels & restaurants is the sector where the lowest balance expect their turnover to be higher in the first quarter of 2004 than it was in the final quarter of 2003 (due more to the 37% expecting their turnover to be down, rather than the 44% expecting turnover to be up, which is higher than in some other sectors). However, it should be remembered that this is a highly seasonal sector, where turnover is almost always at a low in the winter months. In fact, the balance of +7% in this survey is much higher than the corresponding balance of -32% at this time last year, meaning that this sector is the one where the balance shows most improvement compared with a year ago.

The position is similar for small retailers. They are the second-least positive about immediate prospects in this survey, but the balance is much better than the -22% at this time last year.

Small firms in the business services/real estate/finance/renting sector are the most optimistic about their turnover prospects for the first quarter of 2004. The balance of +34% for these firms is considerably higher than in the previous survey and at this time last year (both +10%).

Despite their poor sales performance over the past year, small manufacturers are among the most optimistic about their prospects for the first quarter of 2004 (the balance has shown the biggest increase compared with the previous survey, up from only +6%). This optimism is consistent with the finding that small manufacturers' investment expectations were the highest in the previous survey and that in this survey their investment performance over the past year has remained reasonably robust. Manufacturing is also (along with wholesaling) one of the sectors most positive about immediate employment prospects within their firms.



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

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Agriculture, Forestry, Fisheries	+25%	+0%	+4%	+8%	24
Manufacturing	+33%	+9%	+9%	+14%	163
Transport, Travel	+29%	+0%	+14%	+14%	35
Construction	+22%	-3%	+24%	+29%	79
Wholesale	+23%	+10%	+8%	+13%	52
Retail	+12%	-1%	+8%	+16%	131
Hotels & Restaurants	+7%	+0%	+2%	+28%	43
Business Services	+34%	+4%	+5%	+12%	227
Personal Services	+19%	+4%	+6%	+17%	54
All (weighted by sector)	+24%	+3%	+9%	+17%	808

The only sector where a lower balance of firms than in the previous survey expect their turnover to have risen is agriculture. This was anticipated, as it was noted in the previous survey that those agricultural firms expecting to cut investment easily outnumbered those expecting to invest more. In the previous survey, small agricultural firms were far more optimistic about their sales prospects than those in other sectors and despite the fall in this survey they remain considerably more positive than they were at this time last year.

The only sectors where small firms are less positive than at this time last year are wholesale and transport, travel, storage & communication.

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	+16%	-3%	+0%	+13%	120
£50,000-£99,999	+25%	+0%	+9%	+16%	120
£100,000-£249,999	+12%	+0%	+8%	+18%	156
£250,000-£499,999	+28%	+6%	+10%	+11%	143
£500,000-£999,999	+28%	+4%	+8%	+26%	124
£1m+	+46%	+14%	+17%	+15%	138
All (weighted by sector)	+24%	+3%	+9%	+17%	808



The relationship between firm size and optimism is perhaps not quite as clear for optimism about prospects for the first quarter of 2004 as for performance in the year to the final quarter of 2003. Tables and Charts 4.3 and 4.4 nevertheless show that the largest firms remain more optimistic than the smallest that their sales and employment will have increased during the first quarter.

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	+12%	-2%	+6%	+23%	84
1-2	+22%	+1%	+4%	+6%	187
3-4	+23%	-3%	+4%	+14%	146
5-9	+26%	+5%	+14%	+20%	155
10-19	+36%	+11%	+9%	+18%	108
20+	+32%	+11%	+14%	+23%	122
All (weighted by sector)	+24%	+3%	+9%	+17%	808

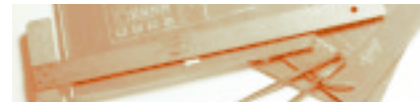


Chart 4.3: Percentage balance of respondents expecting an increase in sales, by turnover size band

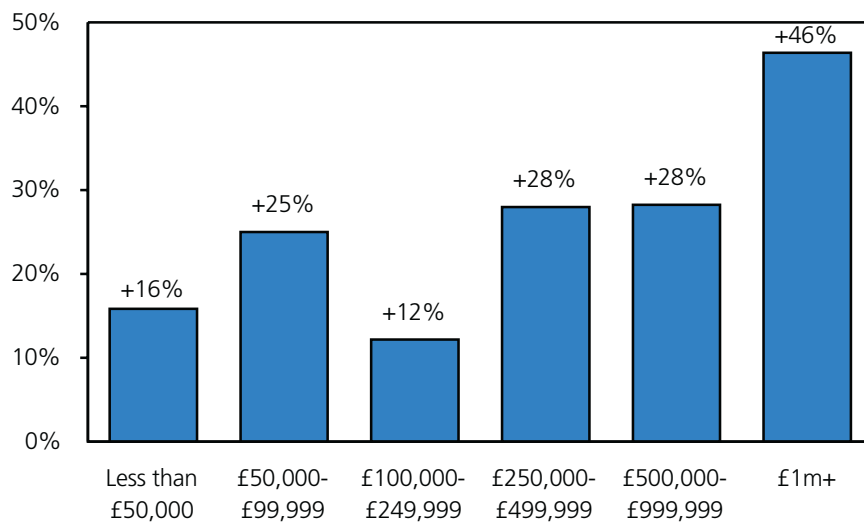
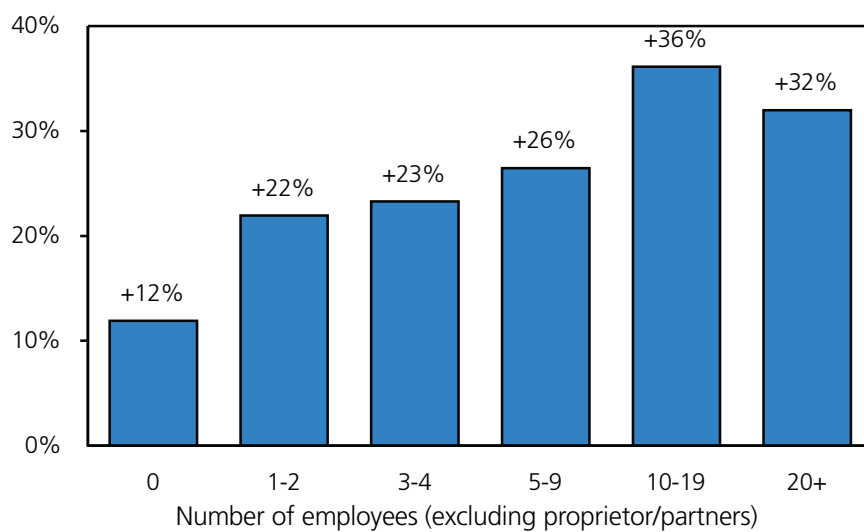


Chart 4.4: Percentage balance of respondents expecting an increase in sales, by employee size band



Prospects: Comparison Across Regions

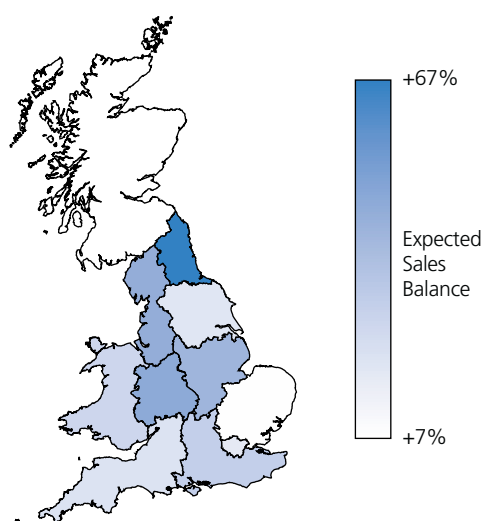
Table 4.5: Expected change over current quarter in sales, employment, investment and selling prices - by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+67%	+5%	+14%	+19%	21
North West	+45%	+10%	+13%	+19%	69
Yorkshire & the Humber	+18%	+10%	+27%	+18%	49
East Midlands	+41%	+3%	+11%	+15%	61
West Midlands	+46%	+11%	+9%	+13%	56
East of England	+8%	-1%	+5%	+18%	111
London	+17%	-9%	+7%	+15%	82
South East	+29%	+5%	+7%	+13%	158
South West	+20%	+14%	+1%	+15%	88
Wales	+26%	+5%	+26%	+16%	38
Scotland	+7%	-7%	-1%	+22%	69

Small firms in the North of England (the North East and North West regions in Table 4.5) remain among the most optimistic about their sales prospects, as they were in the previous survey. They have been joined by the firms in the West Midlands, which are much more optimistic than they were, as well as reporting better performance over the past year.

Scotland and the East of England remain the least optimistic regions, as in the previous survey, though the balances there have at least now become positive. Wales is the only region where small firms are less optimistic about their sales prospects than they were in the previous survey.

Chart 4.5: Percentage balance for the expected change in sales - by region



How the survey is carried out

Firms that respond to the survey are drawn from a wide range of sources. They reflect the complexity and richness of business life in Britain today. **Additions to the sample from individual small businesses and from business organizations are always welcome.**

It should be noted that the SERTeam survey is not a panel, nor is it fully random. It continuously recruits new members to reflect the national distribution of small firms; yet it also retains long time respondents to gauge changes over time.

Questionnaires for this survey were despatched from 25th February 2004 to 2,787 owners and managers of small businesses which had previously volunteered to take part, 726 by e-mail and the remainder by post. In addition, the questionnaire was posted to a further 5,000 small businesses, chosen at random. The new recruits did report somewhat better performance over the past year and were a little more optimistic than the pre-existing sample, but the key findings are not materially altered by their inclusion.

By the cut-off date of 24th March, a total of 808 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 2002) 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	Prices	-	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%
2003 No.1	922	2002/4	+15.5%	+2.7%	-5.8%	+19.5%	+3.2%	-	-6.2%	-	-10.9%	+11.4%
2003 No.2	851	2003/1	+9.0%	-4.7%	-10.7%	+17.2%	+13.3%	-	+2.4%	-	-3.9%	+11.3%
2003 No.3	784	2003/2	+15.4%	+1.6%	+5.8%	+24.6%	+16.2%	-	+6.5%	-	+0.6%	+10.9%
2003 No.4	687	2003/3	+10.1%	-3.0%	+2.7%	+23.8%	+9.5%	-	-2.7%	-	-3.4%	+12.3%
2004 No.1	808	2003/4	+27.2%	+7.3%	+15.0%	+22.3%	+23.5%	-	+2.8%	-	+8.9%	+17.0%

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%	17.6%	-	17.7%	13.7%	11.3%	11.4%	8.3%	2.4%	2.7%	-	-	-	11.4%	2.4%	983
1988/4	0.9%	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%	13.1%	6.0%	5.2%	1.0%	0.8%	-	-	-	14.5%	4.7%	947
1989/3	6.1%	32.9%	-	13.3%	7.1%	13.1%	5.9%	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%	43.3%	4.5%	5.3%	0.4%	0.3%	1.1%	13.4%	5.0%	7.4%	1.3%	1,359
1992/3	1.6%	7.6%	3.9%	2.9%	5.1%	43.3%	2.1%	8.1%	0.3%	1.0%	0.8%	13.5%	3.0%	5.9%	0.8%	1,527
1992/4	1.0%	8.8%	3.6%	1.6%	6.0%	44.3%	4.0%	8.0%	0.5%	0.3%	0.2%	11.5%	3.0%	5.2%	2.0%	921
1993/1	0.6%	3.7%	3.2%	3.2%	4.1%	47.7%	3.0%	6.2%	0.3%	1.2%	0.6%	13.1%	2.9%	8.4%	1.8%	1,339
1993/2	0.5%	1.4%	5.4%	3.3%	5.4%	43.1%	4.0%	7.6%	0.5%	0.7%	1.6%	14.3%	2.9%	7.4%	1.6%	1,021
1993/3	0.4%	2.1%	5.5%	4.5%	5.4%	41.2%	4.2%	12.6%	0.3%	0.7%	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	Competition 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
2002Q2	13%	7%	6%	4%	2%	1%	2%	2%	10%	14%	8%	7%	8%	3%	12%	1%	1,168
2002Q3	13%	7%	7%	4%	1%	0%	1%	1%	11%	16%	11%	6%	9%	2%	11%	1%	1,078
2002Q4	16%	7%	7%	4%	1%	1%	2%	1%	9%	15%	10%	6%	9%	2%	8%	2%	1,074
2003Q1	20%	8%	9%	4%	1%	0%	1%	1%	9%	14%	6%	7%	8%	2%	9%	1%	922
2003Q2	21%	8%	7%	4%	1%	1%	1%	1%	11%	10%	9%	6%	9%	2%	8%	2%	851
2003Q3	18%	9%	6%	3%	1%	1%	1%	1%	6%	15%	9%	9%	10%	2%	7%	2%	784
2003Q4	13%	9%	8%	3%	1%	1%	1%	0%	7%	18%	8%	8%	8%	3%	9%	2%	687
2004Q1	11%	8%	9%	3%	2%	1%	2%	2%	11%	15%	7%	9%	8%	3%	8%	1%	808

Special Topics

- Vol 1** No 1 Some Characteristics of the Respondents
No 2 Changes in Employment, New Business
No 3 Part-time Employees, Computers in Small Firms
No 4 Employment
- Vol 2** No 1 Finance, Membership of Representative Bodies
No 2 Exports, The Business Expansion Scheme
No 3 Employment, Skill Shortage
No 4 Incorporated and Unincorporated Business, Expanding Firms, Small Firms in the Service Sectors
- Vol 3** No 1 Domestic versus Business Telephone Usage, Employment
No 2 Most Important Problem Facing Declining and Growing Businesses, Characteristics of our Respondents
No 3 Employment, Slow Payment Problems
No 4 Use of Accountants
- Vol 4** No 1 Use of Solicitors
No 2 Training background of managers and arrangements for staff training
No 3 Access to external information
No 4 Present and future use of Telecommunications products and services, Characteristics of Respondents
- Vol 5** No 1 Employee Turnover, National Chamber of Trade Survey, National Westminster Digest Survey
No 2 The effects of 1992 on small firms
No 3 Intergenerational and previous business background of respondents
No 4 Origins of new employees
- Vol 6** No 1 European Community Special Directorate DG23
No 2 Motivation and Objectives of respondents for setting up their own business
No 3 School-leaver Training
No 4 School-leaver Training Problems
- Vol 7** No 1 Training and Enterprise Councils
No 2 Use of Computers
No 3 Business Growth Objectives, Gender of Owner
No 4 Sources of Small Business Finance
- Vol 8** No 1 Co-operatives
No 2 Exports
No 3 Quality Standards (BS 5750)
No 4 Impact of the Recession on Incomes and Prices
- Vol 9** No 1 Business Premises and the UBR
No 2 Rented Business Premises
No 3 Delayed Payments
No 4 External Sources of Information
- Vol 10** No 1 The Single Market
No 2 Pensions
No 3 The Past Ten Years
No 4 Minimum Wage
- Vol 11** No 1 Capacity Utilisation
No 2 Succession and Ownership
No 3 Staff Recruitment
No 4 Employee Turnover and Training
- Vol 12** No 1 Compliance Costs
No 2 IT - Communications and Computers
No 3 Business Support Organisations
No 4 Motivations, Objectives and Targets
- Vol 13** No 1 50th Survey (employment change, hours worked, satisfaction)
No 2 Incomes and Prices
No 3 Minimum Wage
No 4 Slow Payment
- Vol 14** No 1 VAT Compliance Costs
No 2 Low Turnover, Advertising and Promotion
No 3 Lack of Skills, Training and the 'New Deal'
No 4 The euro
- Vol 15** No 1 IT, Communications and Year 2000
No 2 Business Finance
No 3 Government Regulations and Paperwork
No 4 Motivations, Objectives and Targets
- Vol 16** No 1 Changes
No 2 Slow Payment
No 3 Government Regulations and Paperwork
No 4 Skills Shortages and Training
- Vol 17** No 1 Employee Turnover and Retirement
No 2 Exports and the Euro
No 3 IT and the Internet
No 4 Business Climate
- Vol 18** No 1 Sources of Business Information
No 2 Business Networks and Supply Chains
No 3 Ownership and Intentions
No 4 Pensions and Stockmarket Slide
- 2003** Q1 Minimum Wage and Cost Pressures
Q2 Government Regulations and Paperwork
Q3 Business Finance
Q4 ICT and the Internet
- 2004** Q1 Motivation, Objective, Target, Innovation

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 2004Q1

Survey Section, c/o Bannock Consulting, Freepost WD549, Chorley, Lancashire PR6 7ZZ

CONFIDENTIAL

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

1 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 | |

2a Employment: How many people (including yourself) work in the business? _____

2b If your business is not a limited company, how many of these people are self-employed proprietors or partners? _____

3 How many years has your present business been trading? _____

4a 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 |

4b Please also describe in a few words the precise nature of your business: _____

5 Which of the following is closest to your main motivation for running your own business? (Please circle ONE only)

- | | |
|---|--|
| 1. No alternative/to avoid unemployment | 5. To work by myself/not be told what to do |
| 2. Family tradition | 6. To be my own boss/responsible for my own organisation |
| 3. To create a more secure future | 7. To earn respect/status |
| 4. To make money | 8. Other (please specify) _____ |

6 What is the main objective of your business? (Please circle ONE only)

- | | |
|---------------------------------------|--|
| 1. Growth in sales | 5. To support your preferred lifestyle (way of life, style of living, living where you like, etc. ...) |
| 2. Growth in profits | 6. To protect your future or build up an asset for your children |
| 3. Growth in employment | 7. To develop products and ideas/innovate |
| 4. To improve your standard of living | 8. Other (please specify) _____ |

7 What are your current long-term 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 |
| 3. Merge with another business | 7. Contract to a certain size |
| 4. No growth targets | 8. Other (please specify) _____ |

8 During the past year has your business: (Please circle those which apply)

- | | |
|---|---|
| 1. Introduced significant new products/services | 4. Made significant changes to marketing/selling/distributing |
| 2. Made significant changes to processes or ways of working | 5. Other significant innovations (please specify) _____ |
| 3. Made significant changes to sourcing of supplies/inputs | 6. Made no particularly significant innovations |

9 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 | 6. prefer not to say |
|-------------|----------|----------|----------|----------------|----------------------|

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 2002? What do you expect to happen in the current quarter?

Please complete the table by ticking 8 boxes only:

	ACTUAL			EXPECTED		
	October, November, December 2003 compared with the same period 2002			January, February, March 2004 compared with October, November, December 2003		
	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 12th March 2004.

Please note that this is a FREEPOST address (no stamp required).