

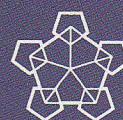
# NatWest SBRT Quarterly Survey of Small Business in Britain



Sponsored by NatWest



Researched and Published  
by The Small Business  
Research Trust



# Acknowledgements

The Small Business Research Trust thanks all responding firms for their time and effort in completing the questionnaire for this survey. The SBRT volunteer database is recruited from a wide range of sources including small business representative bodies and providers of small business development and training. **The SBRT would welcome additions to the sample from other businesses and organisations.**

It should be noted that the SBRT survey is not a panel, nor is it fully random among the total membership of the bodies mentioned above.

The Small Business Research Trust acknowledges the help provided by Bannock Consulting in designing the survey, processing data and analysing the results. The academic and administrative support provided by the Open University Business School is also very much appreciated. The SBRT is also particularly pleased to acknowledge the generous support provided by NatWest in sponsoring the research, analysis and publication of this report. However, it is important to note that any opinions expressed in this publication are not necessarily those of NatWest.

# Highlights

*Britain's small firms continue to experience mixed economic fortunes as many are facing uncertain sales, shedding staff and increasing their prices. However, there are signs that small retailers are trying to avoid passing price rises on to consumers. The one third of respondents who export report that the weakness of the euro relative to the pound has adversely affected their business and most believe that the UK joining the euro-zone would help their business. However, non-exporters (the majority of UK small firms) think that this would be harmful to them.*

- Despite positive employment figures for the economy as a whole, those small firms which recruited extra staff over the past year are outnumbered by those which **cut employment**.
- The balance which have raised their **average selling prices** over the past year is at its highest level for two and a half years.
- Fewer small firms than in the previous survey have increased their **sales turnover**.
- The balances on **expectations** for **sales** (+11.7 per cent) and **employment** (+1.8 per cent) in the current quarter are up, but are very low on a seasonally adjusted basis, suggesting a weakening in underlying business **confidence**.
- **Low turnover** remains overall the biggest problem for small businesses, followed by **government regulations**, a **skills shortage** and the **total tax burden**, at its highest level for almost four years.
- The proportion saying that their biggest problem is **cashflow/payments/debtors** is the lowest so far.
- Just under one-third of these firms **export**, the proportion rising with firm size.
- More than one-fifth export to the **euro-zone**.
- A modest balance of all firms say that the weakness of the **euro** since its introduction has harmed their business. For those which export a large proportion of turnover, the balance is bigger.
- Small **exporters** believe that, on balance, the UK adopting the euro would help their business (+14.1%). Among **non-exporters**, however, (which outnumber exporters) those which believe that this would harm their business well outnumber those which believe that it would help (-8.7%).
- About 40 per cent of small firms feel that they need more **information** about the implications of the euro and most of these believe that the **Government** should be providing the information.



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# Survey Details

*Respondents were asked to indicate whether their sales turnover, average employment, investment and selling prices were up, down or the same in the quarter most recently ended (January, February, March 2001) compared with the same quarter a year earlier, and also to indicate what they expect for the current quarter (April, May, June 2001) compared with the first quarter of 2001. The first of the responses to the two sets of questions is shown in Table 1.1 as the "Actual Change on Year" and the second as "Expected Change on Previous Quarter".*

Following the well-established practice of the CBI in its **Industrial Trends Survey**, a summary statistic, the **balance**, is used to monitor these changes, although the full results are also shown in the tables. The balance is the percentage of respondents replying 'up' minus the percentage replying 'down' (we ignore, for this purpose, the percentage replying 'same'). Appendix Table A.1 on page 25 gives the percentage balances for both actual and expected changes since this survey began in the third quarter of 1984.

From 1989 the results of questions on performance, expectations and problems were split by industrial sector and re-weighted according to the sectoral distribution of all VAT registered businesses. Figures from 1995 onwards have been weighted using DTI estimates of total employment by firms with fewer than 50 employees. The aim of the weighting is to ensure that the results are as representative as possible of the business population in Britain. 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.

This survey (the 67th in the series) was mailed out on 18th April 2001 to 1,921 small firms who are members of the SBRT Volunteer database. By the cut-off date of 18th May, a total of 856 completed questionnaires had been received.

# Survey Details



# Actual Performance

*Fewer of Britain's small firms report increases in turnover, employment and investment over the past year than in the last survey. Medium-sized firms saw some improvements during 1999 followed by a slowdown last year, while the smallest firms have consistently reported, on balance, worsening conditions.*

## Sales turnover experience

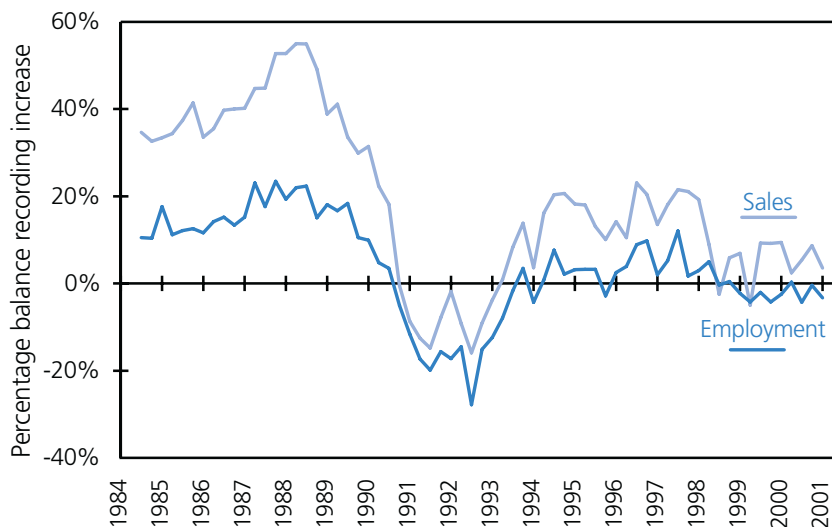
Britain's small firms continue to experience a bumpy ride.

After two surveys where the balance of small firms reporting a rise in their sales turnover over the past year increased, in this survey it has fallen. The balance is now just a little above the level at which it stood nine months ago (see Table 1.1 on page 7). Since the middle of 1998, the sales balance has fluctuated within a band from -5 per cent to +10 per cent, never increasing or decreasing for more than two surveys in succession.

Official GDP figures show a rather different picture for the experience of the economy as a whole. The real annual GDP growth rate rose from a low of 1.7 per cent in the second quarter of 1999 to a peak of 3.4 per cent in the second quarter of 2000, then fell for two quarters to level out at 2.6 per cent in the final quarter of 2000 and the first quarter of 2001.

Chart 2.1 overleaf shows one possible explanation for this discrepancy. The experience of the medium-sized firms (those with a turnover of £750,000 or more)

Chart 1.1: Percentage balance for the actual change in sales and employment on year



taking part in the survey has been much closer to that of GDP growth. The balance of these firms reporting an increase in turnover rose sharply between the second quarter of 1999 and the first quarter of 2001, as did GDP growth. Since then the balance for these firms has fallen by about half as much as it had risen and has levelled out, just as the GDP growth rate has.

The smallest firms (those with a turnover of under £50,000), however, do not seem to have shared in the improvements in the economy in the latter half of 1999, with the balance showing no consistent pattern since then.

### Investment experience

The proportion of small firms which increased investment over the past year has also followed a fairly erratic path recently. In this survey the balance has fallen, to about the same level as at this time last year.

### Employment experience

Official figures show an increase in employment and a fall in unemployment in the first quarter of 2001 on

both the ILO (International Labour Organisation - the government's 'preferred' measure) and the claimant count measure.

This does not, however, appear to be led by the UK's small firms, as illustrated by this survey, where those which cut employment outnumber those which increased it.

The medium-sized firms taking part in this survey are much more likely than the smallest to have increased the number of people that they employ over the past year.

### Actual selling prices

The balance of Britain's small firms which raised their selling prices over the past year has continued to rise, to the highest level in the two and a half years that this question has been asked.

However, the balance is lowest for retailers (only +5.7 per cent, compared with +18.4 per cent overall), suggesting that few of these increases are so far being passed on to consumers.

Chart 1.2: Percentage balance for the actual change in sales on year - for medium-sized firms (turnover greater than £750,000) and small firms (turnover below £50,000)

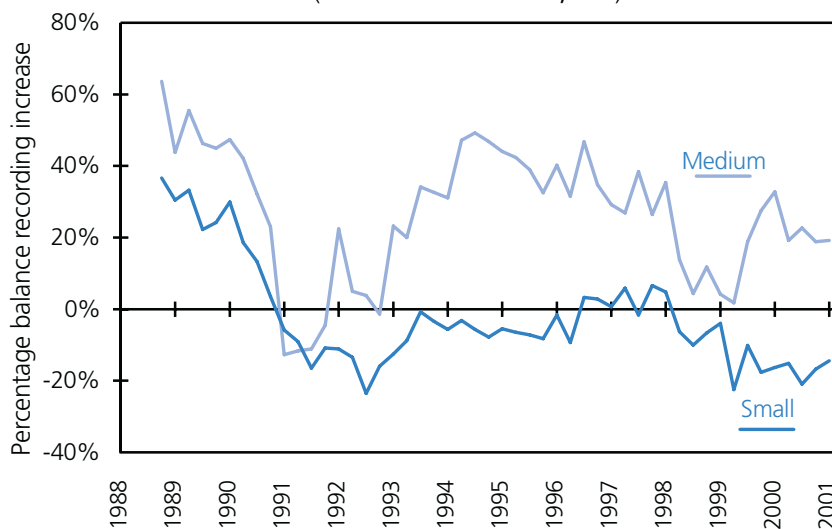




Table 1.1: Change and expected change in sales, employment, investment and selling prices

	Actual Change on Year				Expected Change on Previous Quarter			
	2000/2	2000/3	2000/4	2001/1	2000/3	2000/4	2001/1	2001/2
	on 1999/2	on 1999/3	on 1999/4	on 2000/1				
Survey No	64	65	66	67	64	65	66	67
	SALES				SALES			
Up	37.6%	39.5%	41.8%	37.9%	36.7%	33.9%	33.3%	38.9%
Down	35.1%	34.1%	33.2%	34.4%	24.5%	28.0%	29.4%	27.2%
Same	26.3%	25.9%	22.8%	26.1%	37.3%	36.4%	35.6%	32.0%
No Response	0.9%	0.5%	2.2%	1.5%	1.5%	1.7%	1.8%	1.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Balance	+2.5%	+5.4%	+8.7%	+3.5%	+12.2%	+5.9%	+3.9%	+11.7%
	EMPLOYMENT				EMPLOYMENT			
Up	17.2%	16.1%	17.3%	16.4%	12.9%	10.5%	10.5%	13.1%
Down	16.9%	20.4%	17.7%	19.6%	10.4%	13.3%	10.0%	11.3%
Same	63.8%	61.3%	61.6%	61.4%	74.1%	73.0%	76.0%	72.2%
No Response	2.1%	2.1%	3.4%	2.6%	2.6%	3.3%	3.5%	3.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Balance	+0.3%	-4.3%	-0.4%	-3.3%	+2.5%	-2.8%	+0.5%	+1.8%
	INVESTMENT				INVESTMENT			
Up	21.3%	22.9%	22.6%	20.7%	16.3%	17.2%	19.6%	16.2%
Down	22.4%	19.6%	17.9%	18.5%	17.6%	18.0%	15.9%	18.9%
Same	53.7%	54.6%	55.8%	57.4%	62.6%	60.4%	60.7%	60.3%
No Response	2.6%	2.9%	3.7%	3.4%	3.4%	4.5%	3.8%	4.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Balance	-1.0%	+3.3%	+4.7%	+2.1%	-1.2%	-0.8%	+3.6%	-2.7%
	SELLING PRICES				SELLING PRICES			
Up	30.2%	28.3%	29.3%	29.4%	19.3%	21.5%	25.1%	25.1%
Down	13.7%	13.1%	12.7%	11.0%	10.7%	9.3%	8.9%	9.3%
Same	53.9%	56.5%	54.9%	56.6%	66.6%	66.0%	62.4%	61.7%
No Response	2.3%	2.1%	3.1%	2.9%	3.4%	3.2%	3.6%	3.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Balance	+16.4%	+15.2%	+16.6%	+18.4%	+8.6%	+12.2%	+16.2%	+15.8%
Base	758	803	726	856	758	803	726	856



# Expectations

*Optimism among small firms about their sales prospects for the current quarter has increased by less than usual at this time of year, indicating a fall in underlying confidence. The smallest firms are again the least optimistic.*

## Unadjusted expectations

The balance of Britain's small firms expecting their sales turnover to be higher in the current quarter than it was in the last quarter is the lowest that it has ever been at this time of year.

The balance of respondents expecting their turnover to be higher in the second quarter of 2001 than it was in the first quarter is up compared with the equivalent balance in the previous survey. However, Chart 2.1 shows that the balance has a pronounced seasonal trend and is normally at a peak at this time of year.

The current balance of +11.7 per cent is actually the lowest recorded at this time of year in the seventeen years that this survey has been running.

Investment expectations are down, with more small firms expecting to cut rather than increase investment.

The proportion of small firms expecting to increase prices during the current quarter is practically unchanged on the previous survey.

Small firms are not much more optimistic about employment prospects within their firms for the Spring months. Those expecting to recruit extra staff during the quarter outnumber those who expect to cut jobs by just 1.8 percentage points.

Chart 2.1: Percentage balance for the expected change in sales and employment over previous quarter (not seasonally adjusted)

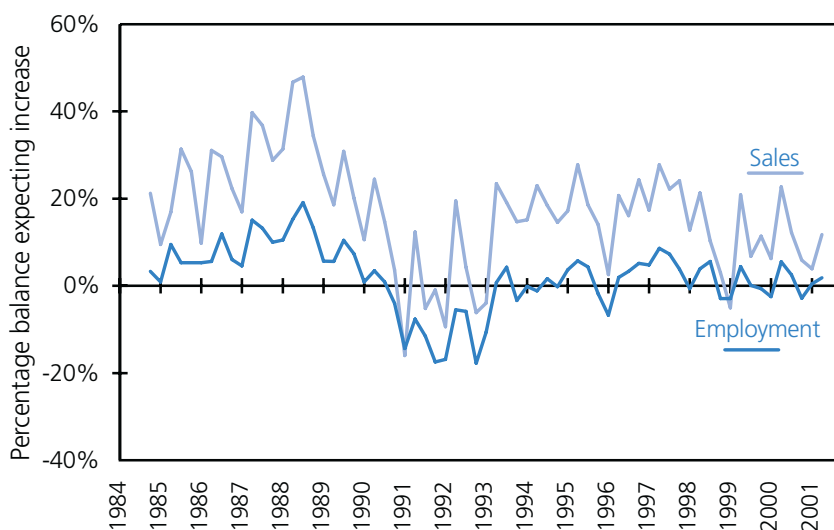
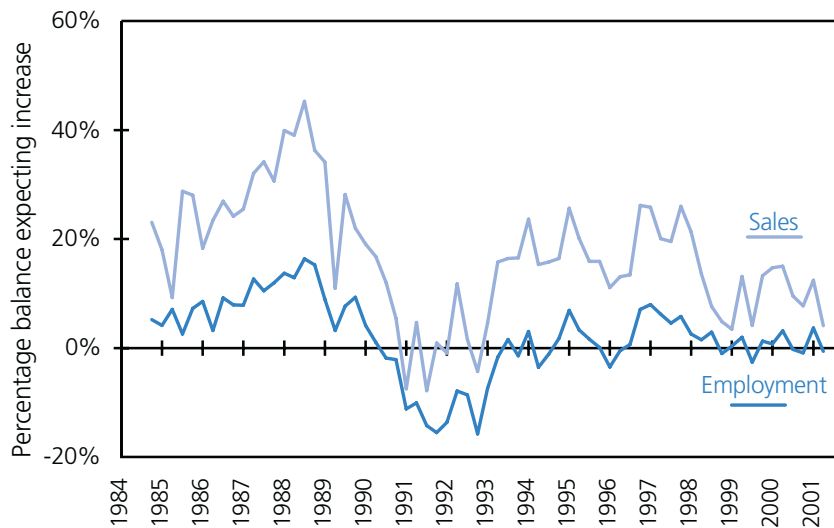


Chart 2.2: Percentage balance for the expected change in sales and employment over previous quarter (seasonally adjusted)



### Seasonally adjusted expectations

There are signs that small firms' underlying confidence is slipping.

Although the balances of firms expecting their sales and employment to increase in the second quarter of 2001 are up, both show a pronounced seasonal trend and they usually rise by more at this time of year. When seasonally adjusted, both balances show a drop compared with the previous survey.

The investment balance does not appear to demonstrate a pronounced seasonal trend and the question on selling prices has only been asked for the past two and a half years. Thus neither of these series is seasonally adjusted.



## Expectations: Comparison Across Size Bands

Table 2.1: Expected change in sales and employment by turnover size band (current survey compared with previous surveys, percentage balances)

Turnover Size Band	EXPECTED SALES BALANCE				EXPECTED EMPLOYMENT BALANCE				Sample Size (this survey)
	Survey Number				Survey Number				
	64	65	66	67	64	65	66	67	
Less than £20,000	-10.7%	-16.7%	+5.6%	-9.1%	-3.6%	-14.6%	+1.9%	+0.0%	55
£20,000 - 49,999	+14.6%	-4.0%	+2.4%	-1.1%	+1.1%	-7.0%	+0.0%	-4.4%	91
£50,000 - 149,999	+5.2%	-2.6%	+0.0%	+9.9%	-4.1%	-4.7%	-3.2%	-2.2%	181
£150,000 - 349,999	+8.3%	+11.3%	+6.2%	+9.9%	+2.1%	-4.4%	+2.1%	+0.0%	171
£350,000 - 749,999	+18.7%	+22.9%	+9.3%	+24.0%	+0.9%	+3.7%	+5.6%	+4.8%	125
£750,000 - 1,499,999	+13.3%	+15.3%	-2.5%	+8.3%	+5.6%	+4.1%	-3.7%	+0.9%	109
£1,500,000 and over	+31.0%	+17.2%	+34.8%	+23.8%	+9.2%	+5.7%	+16.9%	+16.2%	105
<b>Total</b>	<b>+11.5%</b>	<b>+6.7%</b>	<b>+7.2%</b>	<b>+11.4%</b>	<b>+1.2%</b>	<b>-2.2%</b>	<b>+2.2%</b>	<b>+2.2%</b>	<b>856</b>

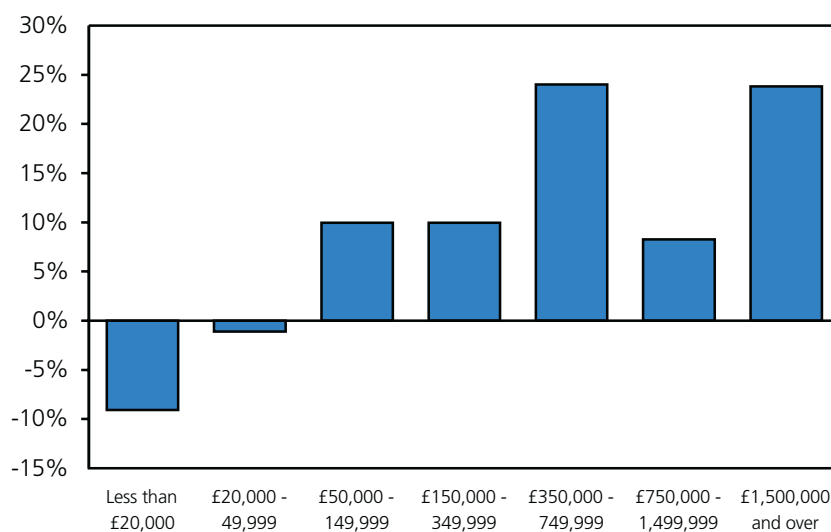
The smallest firms, which have on balance reported falling sales over the past year, expect their situation again to deteriorate.

Table 2.1 and Chart 2.3 show that of the very smallest businesses, more expect their sales to fall rather than

rise in the second quarter.

Larger firms expect, on balance, to see their turnover increase, although the pattern within the larger size bands is not as clear-cut as it has been in some earlier surveys.

Chart 2.3: Percentage balance for the expected change in sales - by firm size (turnover size band)



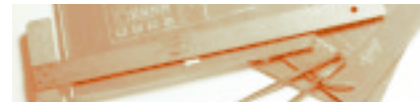


Chart 2.4: Percentage balance for the expected change in sales  
- by firm size (employees, not counting proprietors/partners)

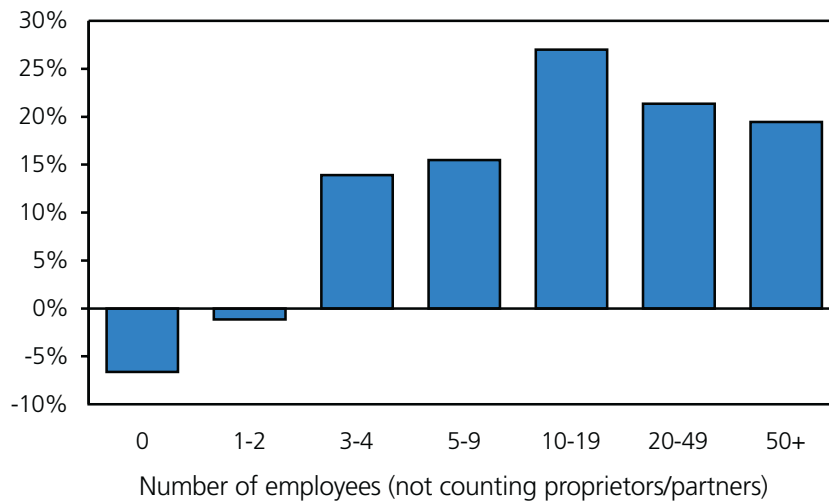


Chart 2.4 shows a similar picture when the balances are analysed by employment size band. Those firms with no employees (just proprietor or partners) or only one or

two employees are, on balance, expecting turnover to fall, while larger firms expect their turnover to increase.

Table 2.2: Expected change in sales and employment by employee size band<sup>1</sup>  
(current survey compared with previous surveys, percentage balances)

Number of employees (not including proprietor/partners)	EXPECTED SALES BALANCE				EXPECTED EMPLOYMENT BALANCE				Sample Size (this survey)
	Survey Number				Survey Number				
	64	65	66	67	64	65	66	67	
0	+13.0%	-0.8%	-2.5%	-6.6%	+6.1%	-4.7%	-0.8%	-5.0%	121
1-2	+9.0%	-6.6%	+6.1%	-1.1%	-1.8%	-7.2%	-0.7%	-2.3%	176
3-4	-4.6%	+6.6%	+7.4%	+13.9%	+2.8%	-9.8%	+0.0%	+2.6%	115
5-9	+5.5%	+3.5%	+10.5%	+15.5%	-8.3%	+0.0%	+4.2%	+0.6%	168
10-19	+21.6%	+23.0%	+4.2%	+27.0%	+10.8%	+5.3%	+2.1%	+7.3%	137
20-49	+27.0%	+18.2%	+12.8%	+21.4%	+6.7%	+2.0%	+5.3%	+12.6%	103
50+	+25.0%	+29.0%	+27.6%	+19.4%	-9.4%	+12.9%	+17.2%	+5.6%	36
Total	+11.5%	+6.7%	+7.2%	+11.4%	+1.2%	-2.2%	+2.2%	+2.2%	856

<sup>1</sup> Those firms with no employees other than proprietors or partners who expect a reduction in employment are generally believed to be referring to a change in the number of hours worked, rather than necessarily an intention to close the business.

## Expectations: Comparison Across Business Sectors

Table 2.3: Expected change in sales and employment by business sector  
(current survey compared with previous surveys, percentage balances)

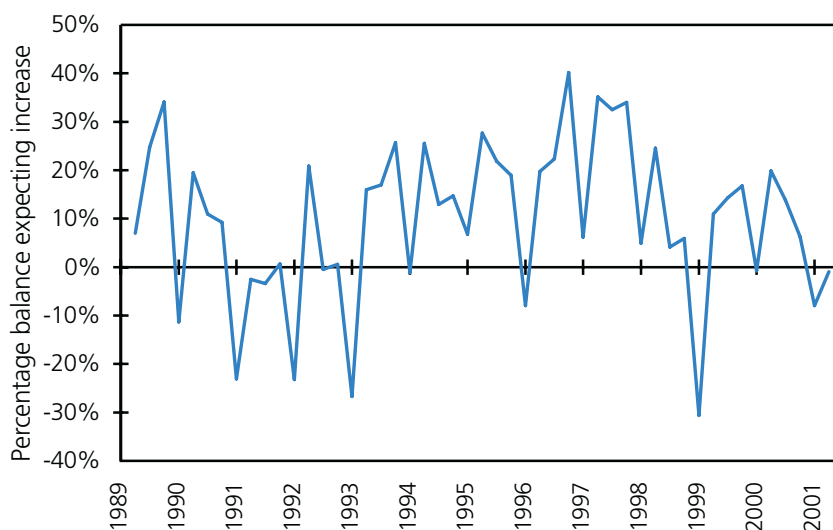
Business Sector	EXPECTED SALES BALANCE				EXPECTED EMPLOYMENT BALANCE				Sample Size (this survey)
	Survey Number				Survey Number				
	64	65	66	67	64	65	66	67	
Agriculture, Forestry, Fisheries	-18.8%	-4.8%	+5.9%	-3.8%	+6.3%	-9.5%	+0.0%	+0.0%	26
Manufacturing, Mining, Processing	+7.3%	+10.0%	+21.5%	+10.3%	-4.6%	-3.1%	+4.2%	+1.1%	184
Transport	-23.1%	+33.3%	-10.5%	+28.6%	+30.8%	+5.6%	-5.3%	-9.5%	21
Construction	+35.6%	+2.4%	-6.1%	+22.1%	+8.9%	-4.9%	+6.1%	+4.7%	86
Wholesale	+8.2%	+3.6%	+7.3%	+3.0%	+3.3%	-7.1%	+1.8%	-1.5%	66
Retail Trade	+13.8%	+6.3%	-8.0%	-0.9%	-2.3%	-8.9%	+1.8%	-2.8%	106
Hotels & Restaurants	+23.7%	-6.1%	-51.4%	+14.5%	+7.9%	+0.0%	-34.3%	+5.5%	55
Business Services	+11.7%	+10.3%	+12.6%	+14.7%	+3.7%	+5.1%	+9.9%	+7.1%	224
Other Services	+10.0%	+3.3%	+23.3%	+14.8%	-3.3%	-5.5%	-1.9%	+0.0%	88
<b>Total</b>	<b>+11.5%</b>	<b>+6.7%</b>	<b>+7.2%</b>	<b>+11.4%</b>	<b>+1.2%</b>	<b>-2.2%</b>	<b>+2.2%</b>	<b>+2.2%</b>	<b>856</b>

Some sectors show an improvement in turnover expectations for the current quarter, but these are generally the ones where seasonal influences mean that an increase is expected at this time of year.

In retailing, for instance, the balance has improved a little since the previous survey, but Chart 2.5 shows that

it is far lower than it normally is at this time of year. This balance has often been lower in the first quarter of a year, but otherwise has been lower only in mid-1991, in the depths of recession. Similarly, the hotels & restaurants balance has shown a big improvement, but has nevertheless rarely been lower at this time of year.

Chart 2.5: Percentage balance for the expected change in sales  
- Retail Trade





## Expectations: Comparison Across Regions

There have been quite a few changes in business confidence across regions. Firms in East Anglia have been the most optimistic about their sales prospects in both of the last two surveys and have been in the top four most optimistic regions for the past two years. In this survey, however, they are one of the least optimistic.

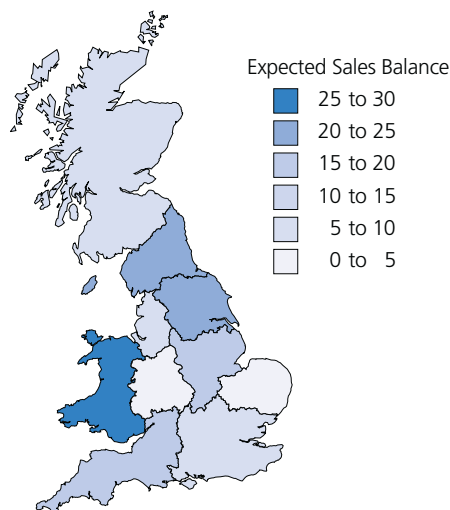
Firms in the South East and the West Midlands are also less optimistic than they were about their sales prospects.

Confidence in Scotland about sales prospects has improved from a very low level in the last survey, but remains lower than at this time last year.

Table 2.4: Expected change in sales and employment by UK standard region (current survey compared with previous surveys, percentage balances)

Region	EXPECTED SALES BALANCE				EXPECTED EMPLOYMENT BALANCE				Sample Size (this survey)
	Survey Number				Survey Number				
	64	65	66	67	64	65	66	67	
North	-4.3%	+3.3%	-4.5%	+20.7%	-8.7%	-20.0%	-9.1%	+17.2%	29
Yorkshire & Humberside	+14.3%	+0.0%	+4.2%	+23.1%	+0.0%	-5.5%	+4.2%	+7.7%	65
North West	+26.9%	+1.5%	+0.0%	+8.6%	-1.5%	-1.5%	+7.7%	-4.3%	70
East Midlands	+23.0%	+17.2%	+7.8%	+17.4%	+11.5%	-6.3%	+0.0%	+1.4%	69
West Midlands	+0.0%	+1.5%	+15.3%	+1.4%	+0.0%	-15.2%	+0.0%	-1.4%	71
East Anglia	+19.0%	+17.6%	+25.5%	+4.8%	+9.5%	+5.9%	+4.3%	+6.5%	62
South East	+13.4%	+10.9%	+12.4%	+9.2%	+2.4%	+4.0%	+3.7%	+3.9%	283
South West	+6.4%	-2.3%	+1.4%	+16.5%	+2.6%	-3.5%	+1.4%	+3.3%	91
Wales	+25.0%	+12.1%	+16.7%	+26.3%	-3.6%	+3.0%	+0.0%	-5.3%	38
Scotland	-20.9%	-6.5%	-45.9%	+8.2%	-11.6%	-8.1%	-13.5%	+0.0%	61
Total	+11.5%	+6.7%	+7.2%	+11.4%	+1.2%	-2.2%	+2.2%	+2.2%	856

Chart 2.6: Percentage balance for the expected change in sales - by region



# Problems

*Low turnover has now been the most important small business problem for ten years. Government regulations and paperwork, the 'red-tape' indicator, remains in second place. Encouragingly, fewer respondents than ever before say that cashflow/payments/debtors is their biggest problem.*

Table 3.1: Most important problem  
(current survey compared with previous surveys)

Problem	Survey Number							
	64		65		66		67	
Low Turnover/Lack of Business	26.8%	(1)	28.0%	(1)	31.8%	(1)	27.5%	(1)
Gov't Regulations & Paperwork	12.5%	(2)	15.7%	(2)	14.4%	(2)	15.3%	(2)
Lack of Skilled/Trained Employees	12.0%	(3)	7.8%	(4)	10.9%	(3)	10.9%	(3)
Total Tax Burden	7.4%	(5)	7.3%	(5)	6.7%	(5)	7.8%	(4)
Cashflow/Payments/Debtors	9.4%	(4)	10.0%	(3)	9.0%	(4)	6.8%	(5)
Competition from Big Business	6.4%	(6)	6.8%	(6)	6.2%	(6)	5.9%	(6)
Premises/Rent/Rates	2.8%	(7)	4.2%	(7)	2.9%	(7)	3.2%	(7)
High Rates of Pay	1.5%	(10)	0.8%	(11)	0.8%	(10)	2.7%	(8)
Internal Management Difficulties	2.4%	(8)	1.5%	(9)	1.9%	(8)	2.7%	(9)
Access to Finance	2.1%	(9)	1.6%	(8)	1.8%	(9)	1.3%	(10)
Interest Rates	0.9%	(12)	0.7%	(12)	0.4%	(11)	0.8%	(11)
Shortages of Materials, Supplies, etc.	1.0%	(11)	1.0%	(10)	0.4%	(12)	0.4%	(12)
Inflation	0.3%	(13)	0.4%	(13)	0.1%	(13)	0.2%	(13)
Other	12.5%		13.9%		11.0%		13.6%	
No response	1.9%		0.4%		1.8%		1.0%	
Base	758		803		726		856	

*Notes: All figures shown in this table are weighted to the sectoral distribution of small firm employment. Number in brackets refers to the problem's ranking each quarter.*

Respondents were asked to select, from a list of thirteen, the most important problem facing their business on that day. Every firm faces many problems, but we focus in this question on the single most important problem at the time.

**Low turnover/lack of business** has now been the single most important problem facing small business in every issue of this survey carried out in the past ten

years. This time, although more firms report that their turnover fell over the past year, the proportion indicating that **low turnover** is their biggest problem is down from 31.8 per cent to 27.5 per cent (Table 3.1 and Chart 3.1).

As Table 3.2 on Page 16 shows, **low turnover** remains the most important problem for a higher proportion of the smallest firms taking part in the survey.

Small **wholesalers** and **manufacturing** firms most commonly say that **low turnover** is the most important problem facing their business at the moment.

**Government regulations & paperwork** has been ranked as the second most important problem for the past two and a half years. This is far more of a problem for those small firms with employees than those where just the proprietor or partners work on their own (Table 3.2). **Hotels & restaurants** and **construction** firms, where health and safety regulations are especially important, report that regulations and paperwork are a particular problem.

The proportion of small firms saying that a **lack of skilled/trained employees** is their main problem is exactly the same as three months ago. Table 3.2 shows that this is more of a problem for the larger firms taking

part in the survey, as is the related problem of **high rates of pay**. However, it is also still the top-ranked problem for **construction** firms, which are smaller than average.

The proportion of firms indicating that the biggest problem facing their business is the **total tax burden** has edged up to 7.8 per cent, the highest for almost four years. This is now ranked as the fourth most important problem facing small business.

Slipping from fourth to fifth spot in the ranking of most important problems is **cashflow/payments/debtors**, with the lowest ever proportion selecting this option. This is the most important problem facing only 6.8 per cent of respondents, compared with 9.0 per cent three months ago. Chart 3.1 shows that this proportion has been on a generally downward trend since late 1993 and now is at its lowest level since the option was first

Chart 3.1: Selected most important business problems

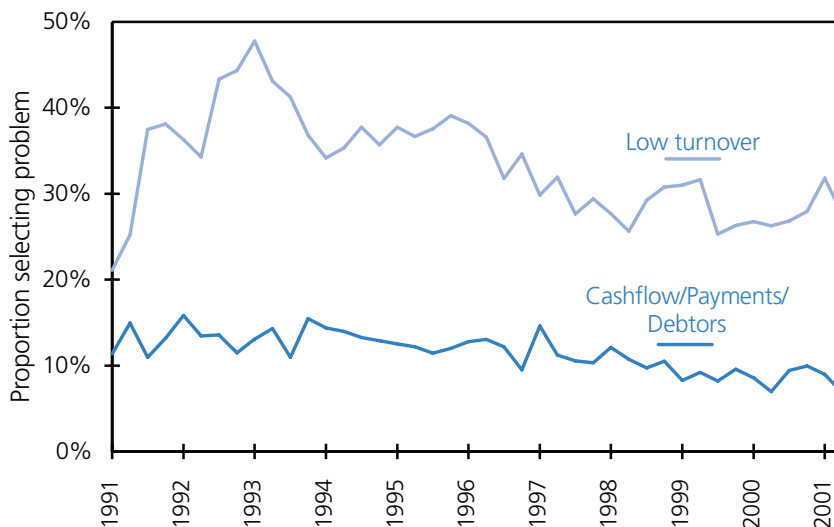




Table 3.2: Most important problem by number of people employed, not including proprietors and partners

Employment Size Band	0	1 - 2	3 - 4	5 - 9	10 - 19	20 - 49	50+	All
Inflation	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Interest Rates	1.7%	1.1%	0.9%	0.0%	0.0%	1.0%	0.0%	0.7%
Access to Finance	0.0%	2.3%	1.7%	1.8%	2.2%	1.9%	0.0%	1.6%
Lack of Skilled/Trained Employees	3.3%	6.3%	11.3%	13.7%	10.9%	14.6%	22.2%	10.4%
Total Tax Burden	5.8%	10.8%	4.3%	8.3%	10.9%	3.9%	8.3%	7.8%
Low Turnover/Lack of Business	46.3%	37.5%	33.0%	21.4%	19.7%	22.3%	5.6%	29.0%
Competition from Big Business	8.3%	4.5%	3.5%	4.8%	7.3%	4.9%	11.1%	5.7%
Gov't Regulations & Paperwork	5.0%	17.6%	13.9%	17.3%	19.7%	14.6%	13.9%	15.1%
High Rates of Pay	0.0%	1.7%	2.6%	4.8%	3.6%	1.0%	8.3%	2.7%
Shortages of Materials, Supplies, etc.	0.0%	0.0%	0.9%	0.0%	0.7%	1.9%	2.8%	0.6%
Internal Management Difficulties	3.3%	1.1%	0.0%	3.6%	2.9%	4.9%	8.3%	2.8%
Cashflow/Payments/Debtors	6.6%	4.5%	9.6%	7.7%	5.8%	11.7%	2.8%	7.1%
Premises/Rent/Rates	1.7%	2.3%	2.6%	3.6%	4.4%	2.9%	0.0%	2.8%
Other	16.5%	9.7%	14.8%	11.9%	11.7%	12.6%	16.7%	12.7%
No Response	0.8%	0.6%	0.9%	1.2%	0.0%	1.9%	0.0%	0.8%
Base	121	176	115	168	137	103	36	856

Note: Unweighted data

offered, at the beginning of 1990.

As usual, a number of respondents did not feel able to single out one particular problem, said they had no problems, or listed other problems facing their business (it is likely that the proportions selecting these would have been higher if they had been offered as predetermined options in the question).

Some 2.8 per cent of respondents said that the **foot and mouth** crisis, which emerged after our last survey, was the most important problem facing their business. As well as **agricultural** firms, these included those involved in tourism, a retail butcher, a manufacturer of barbecue equipment and other firms directly and indirectly affected.

Only 0.8 per cent, less than half the number in the previous survey, said that the **strength of sterling** was the single most important problem facing their business. Between the mail-out of the previous survey and the mail-out of this one the pound lost about 3 per cent of its value against the US dollar, though it did strengthen by about 4 per cent relative to the euro. The topical questions in this survey address the issue of exports, and in particular the euro, in more detail.



# Exports and the Euro

*Around one-third of respondents to this survey are exporters. Just under one-quarter export to the euro-zone. The weakness of the euro since its introduction has had a negative effect. Nearly one-third of exporters believe that the UK adopting the euro would help their business, one-fifth of non-exporters believe that it would harm them.*

## Proportion of exporters

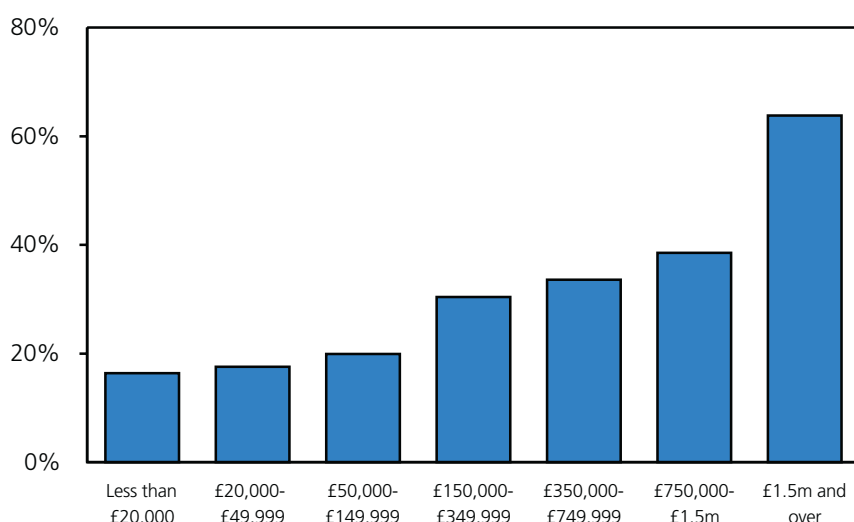
Nearly one-third of the firms taking part in this survey export and approaching one-fifth sold at least 5 per cent of their turnover abroad last year.

Few reliable statistics exist on the exporting activity of small firms. This survey last directly asked about total exports back in 1992. The results of that survey have subsequently been used as the basis of estimates of the exporting activity of the small business population (e.g.

“Smaller Exporters”, Bank of England, 1998) and this report takes the opportunity to update those figures.

Overall, 31.4 per cent of the small firms in this survey export<sup>1</sup>. Chart 4.1 (and Table 4.1, overleaf) show that there is a clear correlation between firm size and propensity to export. Those with an annual turnover of £1.5m or more are almost four times as likely to be exporters as those with a turnover below £20,000.

Chart 4.1: Proportion of respondents which export by turnover size band



<sup>1</sup> The small firms taking part in this survey were asked approximately what percentage of their turnover last year was sold directly to customers outside the UK. They were asked not to count supplies as a sub-contractor to a UK exporting firm, or VAT-free sales to tourists. To be consistent with the 1992 report, answers were rounded to the nearest whole percentage point, meaning that a few firms which exported less than half of one per cent of turnover were not counted as exporters.

Table 4.1: "Approximately what percentage of your turnover last year was sold directly to customers outside the UK?" - by turnover size band

	Less than £20,000	£20,000- £49,999	£50,000- £149,999	£150,000- £349,999	£350,000- £749,999	£750,000- £1.5m	£1.5m and over	All
% which export	16.4%	17.6%	19.9%	30.4%	33.6%	38.5%	63.8%	31.4%
which export 5%+ of turnover	10.9%	7.7%	13.8%	17.5%	20.8%	17.4%	41.9%	18.7%
Mean % of turnover exported (whole sample)	4.7	3.3	5.3	5.7	9.3	7.9	15.7	7.3
Mean % of turnover exported (exporters only)	28.2	18.6	26.3	18.0	26.9	20.3	24.2	22.7
Sample	55	91	181	171	125	109	105	856

The proportion of firms which are exporters also varies across business activities. Manufacturers and wholesalers are far more likely to export than firms in other sectors (66.3 and 54.5 per cent respectively do so).

#### Change in proportion of exporters

The proportion of firms in the survey which export has increased by almost five percentage points in the nine years since this question was last asked, from 26.7 per cent in 1992 to 31.4 per cent now.

This increase will be in part due to the changing composition of the sample. The average firm taking part in the survey is now a little older and larger than in 1992 and therefore a little more likely to be an exporter. However, these changing sample characteristics do not seem to explain all of the increase. Considering each firm size band and sector, firms are generally more likely now to be exporters than they were in 1992. This is consistent with changes in the UK economy as a whole. In 1992 under 24 per cent of UK GDP was exported. By 2000, this had increased to over 27 per cent.

#### Amount exported

Previous estimates of the total number of exporters have included only 'active' exporters. Table 4.1 shows one definition of this, the 18.7 per cent of small firms which export more than 5 per cent of their turnover, an increase on the 14.4 per cent in 1992.

On average, those firms which export at all sell 22.7 per cent of their turnover abroad. This is very close to the 23.7 per cent recorded in 1992. As then, this proportion does not seem to increase with firm size. As a firm gets larger it becomes more likely to export, but once it is an exporter, increases in size do not seem to be associated with a higher export ratio.

#### Regions exported to

The euro-zone is the region to which the greatest proportion of small firms export (Table 4.2). The proportions which export to each region increases with firm size, both because larger firms are more likely to be exporters and also because they tend to export to a greater number of different regions.

Table 4.2: Regions exported to over past year - proportion in each turnover size band which export to each region

	Less than £20,000	£20,000- £49,999	£50,000- £149,999	£150,000- £349,999	£350,000- £749,999	£750,000- £1.5m	£1.5m and over	All
Euro-zone	7.3%	11.0%	13.8%	21.1%	24.8%	26.6%	58.1%	23.1%
Rest of Europe	3.6%	4.4%	8.3%	9.4%	12.0%	14.7%	33.3%	12.1%
Middle East	1.8%	2.2%	2.8%	4.1%	7.2%	5.5%	16.2%	5.6%
North America	9.1%	5.5%	9.9%	10.5%	12.0%	11.9%	25.7%	11.9%
Far East	5.5%	2.2%	6.1%	7.6%	10.4%	8.3%	25.7%	9.2%
Elsewhere	5.5%	2.2%	5.5%	5.8%	6.4%	9.2%	13.3%	7.1%
Sample	55	91	181	171	125	109	105	856



Table 4.3: “Has the weakness of the euro since its introduction had a significant impact on your business?”  
- by whether export to euro-zone and total exports as a proportion of turnover

	No exports to Eurozone	% turnover exported, euro-zone exporters only			All respondents
		up to 5%	5%-25%	over 25%	
Significant positive effect	2.4%	5.4%	8.3%	1.8%	3.0%
No significant effect	69.6%	79.7%	71.7%	66.7%	70.4%
Significant negative effect	4.8%	13.5%	20.0%	31.6%	8.4%
No response	23.2%	1.4%	0.0%	0.0%	18.1%
Sample	665	74	60	57	856
Balance saying positive	-2.4%	-8.1%	-11.7%	-29.8%	-5.4%

### Weakness of the euro

The weakness of the euro since its introduction has had a clearly negative effect on the UK’s small firms, particularly, but not exclusively, those which export to the euro-zone.

The euro lost over 20 per cent of its value against sterling between 1 January 1999, when 11 countries adopted it as their national currency, and early May 2000. Since then, the euro has had its ups and downs, but when questionnaires were mailed it was over 13 per cent below its January 1999 level against sterling.

Table 4.3 and Chart 4.2 show that those which export to the euro-zone (and particularly those which export a high proportion of turnover) are, unsurprisingly, most likely to say that the weakness of the euro has had a significant negative effect on their business. However, even of those which do not export directly to the euro-zone, more report that the weakness has had a negative than a positive effect (suggesting competition from cheap imports of finished goods has offset the benefit of cheaper imports of materials and components).

Chart 4.2: Balance reporting a positive effect of the weakness of euro, by whether export to euro-zone and total exports as % of turnover

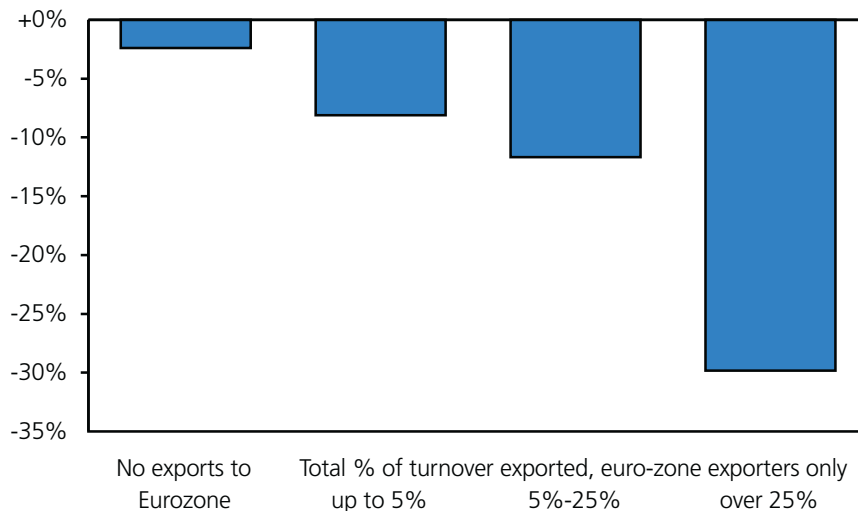


Table 4.4: "Do you believe that the adoption of the euro in the UK would, over the longer term:"  
 - by total exports as a proportion of turnover

	0%	up to 5%	5%-25%	Over 25%	All
Harm your business	20.4%	17.4%	21.7%	14.3%	19.6%
Make no significant difference	51.4%	53.2%	41.0%	45.5%	50.1%
Help your business	11.8%	25.7%	36.1%	36.4%	18.1%
No response	16.4%	3.7%	1.2%	3.9%	12.1%
Sample	587	109	83	77	856
Balance saying help	-8.7%	+8.3%	+14.5%	+22.1%	-1.5%

**Effect of UK adopting euro**

There is a clear division among the UK's small firms on the long term effects on their businesses if the UK adopted the euro as its national currency.

Among exporters, those which believe that adoption of the euro would help their business outnumber those which believe that it would harm their business. The balance which believe that it would help increases markedly along with the proportion of turnover which the firm exports (Table 4.4 and Chart 4.3).

Even those which do not currently export to the euro-zone but do export elsewhere believe, on balance, that adoption of the euro would help their business.

For those which do not export, however, those which believe that adopting the euro would harm their business outnumber those which believe that it would help.

As less than one-third of these firms export, the views of the non-exporters prevail overall.

Chart 4.3: Balance believing UK adoption of euro would help their business, by proportion of turnover exported

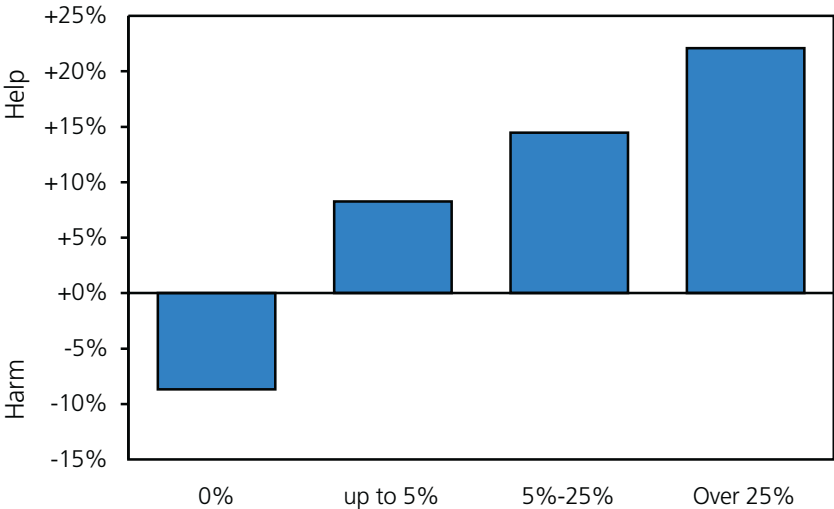




Table 4.5: "Do you feel that you need more information on the implications of the euro for your business?"  
- by turnover size band

	Less than £20,000	£20,000- £49,999	£50,000- £149,999	£150,000- £349,999	£350,000- £749,999	£750,000- £1.5m	£1.5m and over	All
Yes, a lot more	12.7%	28.6%	21.0%	24.6%	16.8%	22.9%	19.0%	21.1%
Yes, some clarification	18.2%	16.5%	16.6%	19.3%	21.6%	19.3%	29.5%	19.6%
Not much/not at the moment	25.5%	18.7%	30.9%	23.4%	34.4%	36.7%	34.3%	29.9%
No/Not interested	32.7%	25.3%	22.1%	20.5%	16.0%	12.8%	10.5%	19.3%
No response	10.9%	11.0%	9.4%	12.3%	11.2%	8.3%	6.7%	10.0%
Sample	55	91	181	171	125	109	105	856

### Information on the euro

About one-fifth of the UK's small firms feel that they need "a lot more" information on the implications of the euro for their business and a similar proportion that they need "some clarification". The remainder do not feel that they need much more information, certainly not at the moment (Table 4.5).

There is not a particularly clear relationship between the amount of information needed and firm size or even export ratio, though the proportion responding "no/not interested" does fall with increasing firm size (though it is much the same for exporters and non-exporters).

### Information providers

Those firms which do feel that they need more information clearly seem to believe that it is largely the Government's responsibility. The 41.8 per cent which say that the Government should be providing more information is similar to the 44.6 per cent which said the same thing in our November 1998 survey when a similar question was asked.

The proportions for the other sources are also similar to those in 1998, with the exception of "your bank". In November 1998, 30.6 per cent of small firms said that they thought their bank should be providing more information on the euro and its possible effects on business. Now that proportion has dropped to only 14.7 per cent.

Table 4.6: "Which of the following do you feel should be providing more information?"  
- by turnover size band

	Less than £20,000	£20,000- £49,999	£50,000- £149,999	£150,000- £349,999	£350,000- £749,999	£750,000- £1.5m	£1.5m and over	All
The Government	40.0%	38.5%	39.2%	48.0%	39.2%	48.6%	39.0%	41.8%
Business Links	14.5%	11.0%	11.6%	12.3%	12.8%	9.2%	16.2%	12.1%
Your Accountant	7.3%	5.5%	7.7%	9.9%	8.8%	6.4%	11.4%	8.2%
Your Bank	10.9%	14.3%	15.5%	19.3%	12.8%	12.8%	15.2%	14.7%
Trade Associations	18.2%	12.1%	16.0%	17.0%	16.8%	13.8%	21.0%	16.1%
Press/Newspapers	16.4%	13.2%	11.0%	9.9%	10.4%	9.2%	10.5%	10.9%
Radio/Television Programmes	21.8%	17.6%	12.2%	7.6%	12.0%	10.1%	9.5%	11.6%
Sources on the Internet	9.1%	6.6%	1.1%	1.2%	6.4%	0.0%	4.8%	3.3%
Other	7.3%	2.2%	5.0%	3.5%	3.2%	3.7%	2.9%	3.9%
Sample	55	91	181	171	125	109	105	856

## Conclusions

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This survey has updated our benchmark figures on the proportion of small firms which export and suggests that the proportion has increased a little over the past nine years.

It has also revealed some interesting facts about the importance of the euro-zone to these firms and views on the possible adoption of the euro in the UK.

A little under a quarter of these small firms export to the countries now in the euro-zone (Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain). The proportion is down just a little (less than one and a half percentage points) on the proportion which in our November 1998 survey exported to these countries (not counting Greece, which was a latecomer to the euro-zone).

The weakness of the euro against sterling since its introduction clearly has had a negative effect, especially on firms which rely heavily on export sales. However, this doesn't seem to have put many off exporting to the euro-zone.

Exporters feel that the UK's adoption of the euro would help their business, presumably largely through the elimination of exchange rate risk and transaction costs with euro-zone countries. On balance non-exporters (which make up the majority of small firms) believe that it would be harmful, perhaps because of implementation costs which for them would bring no corresponding benefits. Half of the UK's small firms do not believe that the UK's adoption of the euro as the national currency would make any significant long-term difference to their business.

A sizeable proportion of small businesses still feel that they need more information on the implications of the euro. This is not confined to any particular group (small or large, exporters or not), making it difficult to target the information.

Most believe that the Government should be providing the information needed. Only half as many as in November 1998 think that their bank should be providing more information on the euro (all the major banks have issued booklets and other information on the euro). There is clearly a feeling, however, that there is other information which the banks have not provided but which the Government should.

# Conclusions

# Appendix

The survey reports in each issue on changes in sales, employment, investment and priced 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

and the percentage mention of problems are shown in Appendix Table A.2 for each of the surveys carried out to date. In addition, each issue covers one or more special topics, designed to contribute to knowledge about small business in Britain.

The following topics have been examined to date:

(note, the results from two surveys were published in Volume 1 Number 1)

## Special Topics

Year	Volume	Number	Survey Number	Topic
1985	Vol. 1	No 1	1 & 2	Some Characteristics of the Respondents
		No 2	3	Changes in Employment, New Business
		No 3	4	Part-time Employees, Computers in Small Firms
		No 4	5	Employment
1986	Vol. 2	No 1	6	Finance, Membership of Representative Bodies
		No 2	7	Exports, The Business Expansion Scheme
		No 3	8	Employment, Skill Shortage
		No 4	9	Incorporated and Unincorporated Business, Expanding Firms, Small Firms in the Service Sectors
1987	Vol. 3	No 1	10	Domestic versus Business Telephone Usage, Employment
		No 2	11	Most Important Problem Facing Declining and Growing Businesses, Characteristics of our Respondents
		No 3	12	Employment, Slow Payment Problems
		No 4	13	Use of Accountants
1988	Vol. 4	No 1	14	Use of Solicitors
		No 2	15	Training background of managers and arrangements for staff training
		No 3	16	Access to external information
		No 4	17	Present and future use of Telecommunications products and services, Characteristics of Respondents
1989	Vol. 5	No 1	18	Employee Turnover, National Chamber of Trade Survey, National Westminster Digest Survey
		No 2	19	The effects of 1992 on small firms
		No 3	20	Intergenerational and previous business background of respondents
		No 4	21	Origins of new employees
1990	Vol. 6	No 1	22	European Community Special Directorate DG23
		No 2	23	Motivation and Objectives of respondents for setting up their own business
		No 3	24	School-leaver Training
		No 4	25	School-leaver Training Problems



Year	Volume	Number	Survey Number	Topic
1991	Vol. 7	No 1	26	Training and Enterprise Councils
		No 2	27	Use of Computers
		No 3	28	Business Growth Objectives, Gender of Owner
		No 4	29	Sources of Small Business Finance
1992	Vol. 8	No 1	30	Co-operatives
		No 2	31	Exports
		No 3	32	Quality Standards (BS 5750)
		No 4	33	Impact of the Recession on Incomes and Prices
1993	Vol. 9	No 1	34	Business Premises and the UBR
		No 2	35	Rented Business Premises
		No 3	36	Delayed Payments
		No 4	37	External Sources of Information
1994	Vol. 10	No 1	38	The Single Market
		No 2	39	Pensions
		No 3	40	The Past Ten Years
		No 4	41	Minimum Wage
1995	Vol. 11	No 1	42	Capacity Utilisation
		No 2	43	Succession and Ownership
		No 3	44	Staff Recruitment
		No 4	45	Employee Turnover and Training
1996	Vol. 12	No 1	46	Compliance Costs
		No 2	47	IT - Communications and Computers
		No 3	48	Business Support Organisations
		No 4	49	Motivations, Objectives and Targets
1997	Vol. 13	No 1	50	50th Survey (employment change, hours worked, satisfaction)
		No 2	51	Incomes and Prices
		No 3	52	Minimum Wage
		No 4	53	Slow Payment
1998	Vol. 14	No 1	54	VAT Compliance Costs
		No 2	55	Low Turnover, Advertising and Promotion
		No 3	56	Lack of Skills, Training and the 'New Deal'
		No 4	57	The euro
1999	Vol. 15	No 1	58	IT, Communications and Year 2000
		No 2	59	Business Finance
		No 3	60	Government Regulations and Paperwork
		No 4	61	Motivations, Objectives and Targets
2000	Vol. 16	No 1	62	Changes
		No 2	63	Slow Payment
		No 3	64	Government Regulations and Paperwork
		No 4	65	Skills Shortages and Training
2001	Vol. 17	No 1	66	Employee Turnover and Retirement
		No 2	67	Exports and the Euro

## Performance 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	Prices	Prices	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%	+18.0%	+0.9%	+4.1%	-	-
Vol.1 No.2	1,181	1985/1	+33.4%	+17.6%	-	-	+16.9%	+9.2%	+9.5%	+7.1%	-	-
Vol.1 No.3	1,090	1985/2	+34.4%	+11.2%	-	-	+31.4%	+28.7%	+5.3%	+2.6%	-	-
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%	+18.3%	+5.3%	+8.5%	-	-
Vol.2 No.2	1,052	1986/1	+33.6%	+11.6%	-	-	+31.1%	+23.4%	+5.6%	+3.2%	-	-
Vol.2 No.3	1,285	1986/2	+35.5%	+14.2%	-	-	+29.6%	+26.9%	+11.9%	+9.2%	-	-
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%	+25.5%	+4.6%	+7.8%	-	-
Vol.3 No.2	1,746	1987/1	+40.2%	+15.2%	-	-	+39.7%	+32.0%	+15.1%	+12.7%	-	-
Vol.3 No.3	1,113	1987/2	+44.7%	+23.1%	-	-	+36.8%	+34.1%	+13.2%	+10.5%	-	-
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%	+39.9%	+10.5%	+13.7%	-	-
Vol.4 No.2	933	1988/1	+52.7%	+19.3%	-	-	+46.7%	+39.0%	+15.3%	+12.9%	-	-
Vol.4 No.3	983	1988/2	+55.0%	+22.0%	-	-	+47.9%	+45.2%	+19.1%	+16.4%	-	-
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%	+34.1%	+5.7%	+8.9%	-	-
Vol.5 No.2	947	1989/1	+38.8%	+18.1%	-	-	+18.6%	+10.9%	+5.6%	+3.2%	-	-
Vol.5 No.3	2,274	1989/2	+41.1%	+16.7%	-	-	+30.8%	+28.2%	+10.4%	+7.7%	-	-
Vol.5 No.4	795	1989/3	+33.5%	+18.3%	-	-	+20.2%	+22.0%	+7.4%	+9.3%	-	-
Vol.6 No.1	1,091	1989/4	+29.9%	+10.5%	-	-	+10.6%	+19.0%	+0.9%	+4.1%	-	-
Vol.6 No.2	1,384	1990/1	+31.4%	+9.9%	-	-	+24.4%	+16.8%	+3.5%	+1.0%	-	-
Vol.6 No.3	1,043	1990/2	+22.3%	+4.8%	-	-	+14.7%	+12.0%	+0.9%	-1.9%	-	-
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%	-7.5%	-14.4%	-11.2%	-	-
Vol.7 No.2	984	1991/1	-8.6%	-11.6%	-12.7%	-	+12.3%	+4.7%	-7.6%	-10.1%	-15.0%	-
Vol.7 No.3	1,718	1991/2	-12.5%	-17.3%	-20.0%	-	-5.2%	-7.8%	-11.5%	-14.3%	-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%	-0.9%	-16.9%	-13.7%	-13.3%	-
Vol.8 No.2	1,359	1992/1	-1.8%	-17.2%	-13.9%	-	+19.5%	+11.8%	-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%	-8.6%	-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%	+4.5%	-10.7%	-7.4%	-13.1%	-
Vol.9 No.2	1,021	1993/1	-3.8%	-12.4%	-11.3%	-	+23.5%	+15.8%	+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%	+1.5%	-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%	+23.6%	-0.2%	+3.1%	+3.3%	-
Vol.10 No.2	861	1994/1	+3.6%	-4.3%	-3.8%	-	+23.0%	+15.3%	-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%	-1.1%	-2.2%	-
Vol.10 No.4	1,046	1994/3	+20.3%	+7.6%	+0.6%	-	+14.6%	+16.4%	-0.2%	+1.7%	+1.9%	-

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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	Prices	Sales		Employment		Investment Prices	
			Employment	Employment			U	S	U	S	U	U
Vol.11 No.1B	983	1994/4	+20.6%	+2.1%	+4.1%	-	+17.2%	+25.7%	+3.7%	+6.9%	+2.4%	-
Vol.11 No.2	1,295	1995/1	+18.2%	+3.2%	+1.4%	-	+27.8%	+20.1%	+5.7%	+3.3%	+5.0%	-
Vol.11 No.3	669	1995/2	+18.0%	+3.2%	+1.1%	-	+18.6%	+15.9%	+4.3%	+1.6%	-1.5%	-
Vol.11 No.4	1,047	1995/3	+13.1%	+3.3%	+3.1%	-	+14.0%	+15.9%	-1.9%	+0.1%	-2.1%	-
Vol.12 No.1	700	1995/4	+10.0%	-2.9%	+1.9%	-	+2.6%	+11.1%	-6.7%	-3.5%	-5.2%	-
Vol.12 No.2	1,099	1996/1	+14.2%	+2.5%	+1.0%	-	+20.7%	+13.1%	+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%	+0.6%	-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%	+25.8%	+4.8%	+8.0%	+7.2%	-
Vol.13 No.2	720	1997/1	+13.6%	+2.0%	+9.9%	-	+27.7%	+20.1%	+8.6%	+6.2%	+7.0%	-
Vol.13 No.3	909	1997/2	+18.0%	+5.3%	+5.2%	-	+22.2%	+19.5%	+7.3%	+4.5%	+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%	+21.3%	-0.7%	+2.6%	+3.9%	-
Vol.14 No.2	1,273	1998/1	+19.3%	+3.0%	+12.4%	-	+21.3%	+13.6%	+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%	+2.9%	+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%	+3.4%	-2.9%	+0.3%	-5.7%	+5.6%
Vol.15 No.2	619	1999/1	+6.9%	-2.3%	+3.4%	+15.7%	+20.8%	+13.2%	+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%	+4.1%	+0.1%	-2.6%	-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	+9.2%	-4.2%	+2.1%	+16.0%	+6.3%	+14.7%	-2.5%	+0.7%	+2.2%	+15.2%
Vol.16 No.2	866	2000/1	+9.4%	-2.5%	+2.2%	+16.5%	+22.7%	+15.0%	+5.5%	+3.1%	+3.1%	+14.1%
Vol.16 No.3	758	2000/2	+2.5%	+0.3%	-1.0%	+16.4%	+12.2%	+9.6%	+2.5%	-0.2%	-1.2%	+8.6%
Vol.16 No.4	803	2000/3	+5.4%	-4.3%	+3.3%	+15.2%	+5.9%	+7.7%	-2.8%	-0.9%	-0.8%	+12.2%
Vol.17 No.1	726	2000/4	+8.7%	-0.4%	+4.7%	+16.6%	+3.9%	+12.4%	+0.5%	+3.7%	+3.6%	+16.2%
Vol.17 No.2	856	2001/1	+3.5%	-3.3%	+2.1%	+18.4%	+11.7%	+4.1%	+1.8%	-0.6%	-2.7%	+15.8%

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 Volume 1 Number 1

A – From Volume 5 Number 1, all results were weighted to the sectoral distribution of firms according to VAT statistics.

B – From Volume 11 Number 1, all results have been weighted to the sectoral distribution of employment in firms with under 50 employees according to DTI statistics.

Key: U – Unadjusted, S – Seasonally adjusted

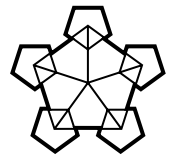
Table A.2: Problems experienced by respondents (from 1989/1 figures are weighted - see notes on previous page)

	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
1984/4	3.5%	17.1%	-	5.4%	15.9%	15.3%	12.0%	12.6%	4.2%	1.1%	-	-	-	10.9%	1.4%	3,056
1985/1	3.8%	19.4%	-	4.4%	15.9%	14.5%	10.0%	15.7%	3.4%	1.3%	-	-	-	9.5%	1.5%	1,795
1985/2	5.0%	22.1%	-	4.3%	16.1%	14.3%	10.8%	12.5%	2.4%	1.3%	-	-	-	9.1%	1.5%	1,181
1985/3	2.0%	23.6%	-	4.9%	12.8%	13.8%	11.2%	13.1%	3.7%	1.9%	-	-	-	8.6%	3.8%	1,090
1985/4	2.2%	24.0%	-	5.6%	16.6%	15.7%	11.0%	10.2%	2.0%	0.9%	-	-	-	9.2%	2.0%	1,072
1986/1	3.0%	21.4%	-	7.2%	17.1%	14.4%	11.7%	9.6%	2.0%	1.8%	-	-	-	9.9%	1.3%	1,326
1986/2	1.7%	29.9%	-	7.3%	16.3%	12.6%	9.1%	9.9%	2.2%	1.2%	-	-	-	9.4%	0.6%	1,052
1986/3	0.9%	21.3%	-	7.3%	16.6%	17.0%	11.5%	7.3%	1.4%	0.9%	-	-	-	13.7%	2.0%	1,285
1986/4	1.1%	25.0%	-	7.2%	17.7%	14.7%	11.8%	6.8%	1.3%	1.3%	-	-	-	10.0%	3.1%	1,435
1987/1	0.9%	26.4%	-	8.0%	16.0%	13.0%	12.0%	7.4%	1.6%	1.3%	-	-	-	9.1%	4.2%	1,166
1987/2	1.0%	23.7%	-	9.6%	17.7%	12.0%	10.7%	7.6%	2.6%	1.5%	-	-	-	10.3%	3.3%	1,746
1987/3	1.1%	20.3%	-	11.8%	17.9%	12.9%	11.5%	6.6%	1.9%	2.2%	-	-	-	10.5%	3.5%	1,113
1987/4	1.1%	18.0%	-	11.1%	21.3%	13.0%	12.5%	6.3%	1.3%	1.3%	-	-	-	9.6%	4.5%	977
1988/1	0.7%	21.6%	-	11.1%	20.1%	9.6%	11.4%	6.1%	2.3%	1.9%	-	-	-	14.9%	0.3%	1,042
1988/2	1.0%	19.4%	-	12.7%	15.5%	10.2%	14.4%	8.0%	1.8%	2.3%	-	-	-	13.7%	1.4%	933
1988/3	0.9%	17.6%	-	17.7%	13.7%	11.3%	11.4%	8.3%	2.4%	2.7%	-	-	-	11.4%	2.4%	983
1988/4	2.8%	25.5%	-	16.9%	12.5%	8.7%	10.4%	6.0%	1.3%	3.3%	-	-	-	10.6%	1.9%	950
1989/1A	5.3%	23.4%	-	16.4%	11.1%	5.7%	5.9%	7.2%	1.4%	0.3%	-	-	-	19.0%	4.3%	1,523
1989/2	6.3%	28.4%	-	14.0%	12.2%	7.1%	5.9%	5.2%	1.0%	0.8%	-	-	-	14.5%	4.7%	947
1989/3	6.1%	32.9%	-	13.3%	7.1%	13.1%	6.0%	5.9%	1.5%	0.5%	-	-	-	12.1%	1.6%	2,274
1989/4	6.9%	39.2%	-	10.4%	5.4%	12.9%	4.7%	5.1%	1.1%	0.6%	-	-	-	12.2%	1.4%	795
1990/1	4.2%	31.3%	3.1%	6.7%	5.3%	13.3%	-	5.5%	2.5%	0.7%	0.6%	11.5%	8.4%	5.3%	1.7%	1,091
1990/2	6.7%	27.9%	3.2%	7.8%	2.9%	14.6%	-	5.6%	1.5%	0.3%	1.6%	11.6%	6.6%	8.2%	1.4%	1,384
1990/3	4.3%	29.9%	3.6%	6.4%	3.7%	14.7%	3.1%	4.3%	1.6%	0.0%	1.9%	13.6%	4.8%	5.5%	2.5%	1,043
1990/4	7.5%	26.6%	2.3%	5.7%	4.4%	18.9%	3.8%	6.3%	0.2%	0.3%	0.8%	8.6%	4.7%	7.9%	1.9%	1,250
1991/1	6.0%	29.4%	2.7%	3.4%	4.2%	21.1%	2.6%	5.6%	0.9%	0.5%	0.8%	11.4%	4.2%	5.5%	1.9%	1,239
1991/2	4.0%	21.2%	4.3%	2.9%	5.1%	25.2%	2.9%	4.0%	0.4%	0.4%	0.6%	14.9%	7.1%	6.0%	1.0%	984
1991/3	3.3%	15.0%	3.0%	2.3%	4.7%	37.5%	2.4%	6.7%	1.2%	0.3%	1.2%	11.0%	3.3%	6.7%	1.5%	1,718
1991/4	1.2%	7.5%	4.6%	4.5%	4.1%	38.1%	3.4%	3.9%	0.7%	0.3%	1.3%	13.2%	5.7%	10.7%	0.8%	835
1992/1	2.0%	9.1%	5.2%	2.1%	5.6%	36.3%	3.2%	5.6%	0.5%	0.4%	1.2%	15.8%	4.0%	7.1%	1.8%	1,684
1992/2	2.2%	11.6%	4.4%	3.4%	5.4%	34.3%	4.5%	5.3%	0.4%	0.3%	1.1%	13.4%	5.0%	7.4%	1.3%	1,359
1992/3	1.6%	7.6%	3.9%	2.9%	5.1%	43.3%	2.1%	8.1%	0.3%	1.0%	0.8%	13.5%	3.0%	5.9%	0.8%	1,527
1992/4	1.0%	8.8%	3.6%	1.6%	6.0%	44.3%	4.0%	8.0%	0.5%	0.3%	0.2%	11.5%	3.0%	5.2%	2.0%	921

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Table A.2: 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
1993/1	0.6%	3.7%	3.2%	3.2%	4.1%	47.7%	3.0%	6.2%	0.3%	1.2%	0.6%	13.1%	2.9%	8.4%	1.8%	1,339
1993/2	0.5%	1.4%	5.4%	3.3%	5.4%	43.1%	4.0%	7.6%	0.5%	0.7%	1.6%	14.3%	2.9%	7.4%	1.8%	1,021
1993/3	0.4%	2.1%	5.5%	4.5%	5.4%	41.2%	4.2%	12.6%	0.3%	0.7%	0.9%	10.9%	3.7%	5.9%	1.6%	1,310
1993/4	1.0%	2.8%	6.9%	3.0%	6.5%	36.8%	4.3%	10.0%	0.3%	0.6%	2.5%	15.5%	3.3%	4.6%	2.0%	1,076
1994/1	0.6%	1.9%	5.5%	4.2%	6.8%	34.1%	6.9%	11.0%	0.1%	0.6%	1.1%	14.4%	4.1%	6.9%	1.7%	1,295
1994/2	1.1%	1.6%	3.8%	5.4%	7.0%	35.3%	5.2%	13.9%	0.1%	0.4%	1.4%	14.0%	3.2%	6.4%	1.3%	861
1994/3	0.9%	1.5%	3.6%	4.9%	5.9%	37.7%	5.9%	9.7%	0.9%	0.8%	2.1%	13.3%	3.1%	7.6%	2.0%	2,327
1994/4	1.1%	1.2%	4.7%	4.8%	6.4%	35.7%	6.3%	10.4%	0.1%	1.1%	1.6%	12.9%	3.8%	7.6%	2.5%	1,046
1995/1B	0.8%	2.7%	4.0%	6.1%	6.2%	37.7%	6.9%	6.7%	0.6%	1.1%	3.0%	12.5%	2.0%	7.4%	2.2%	983
1995/2	1.2%	2.0%	3.4%	5.1%	6.9%	36.7%	6.1%	8.0%	0.6%	0.9%	2.7%	12.2%	3.8%	9.4%	1.0%	1,295
1995/3	1.1%	3.8%	4.2%	4.0%	6.8%	37.6%	8.8%	7.1%	0.5%	0.5%	1.1%	11.4%	5.9%	6.8%	0.4%	669
1995/4	1.1%	0.8%	3.4%	6.0%	6.0%	39.1%	6.3%	9.1%	0.7%	0.3%	2.4%	12.0%	2.8%	9.3%	0.9%	1,047
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%	1.6%	9.4%	6.4%	26.8%	8.8%	18.5%	1.4%	0.3%	2.2%	8.6%	3.7%	10.5%	0.7%	812
2000/2	0.2%	1.6%	1.3%	8.6%	6.6%	26.3%	6.3%	18.9%	1.4%	1.1%	1.9%	7.0%	3.3%	15.0%	0.6%	866
2000/3	0.3%	0.9%	2.1%	12.0%	7.4%	26.8%	6.4%	12.5%	1.5%	1.0%	2.4%	9.4%	2.8%	12.5%	1.9%	758
2000/4	0.4%	0.7%	1.6%	7.8%	7.3%	28.0%	6.8%	15.7%	0.8%	1.0%	1.5%	10.0%	4.2%	13.9%	0.4%	803
2001/1	0.1%	0.4%	1.8%	10.9%	6.7%	31.8%	6.2%	14.4%	0.8%	0.4%	1.9%	9.0%	2.9%	11.0%	1.8%	726
2001/2	0.2%	0.8%	1.3%	10.9%	7.8%	27.5%	5.9%	15.3%	2.7%	0.4%	2.7%	6.8%	3.2%	13.6%	1.0%	856



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):

- a. Less than £20,000                      c. £50,000-£149,999                      e. £350,000-£749,999                      g. £1,500,000 and over  
b. £20,000-£49,999                      d. £150,000-£349,999                      f. £750,000-£1,499,999

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:

- a. Agriculture, Forestry, Fisheries                      d. Construction                      g. Hotels & Restaurants                      i. Other Services  
b. Manufacturing, Mining, Processing                      e. Wholesale                      h. Business Services  
c. Transport                      f. Retail Trade                      (Finance, Consultants, Designers, etc.)

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

**We are interested in whether and where you export and in your views on the euro. Where we ask about the eurozone, we mean Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain**

5 Approximately what percentage of your turnover last year was sold directly to customers outside the UK? \_\_\_\_\_  
(Do not count supplies as a sub-contractor to a UK exporting firm, or VAT-free sales to tourists. Do not leave blank, if none, please write 'none')

6 If you did export over the past year, to which of the following regions did you export?

- a. Eurozone                      c. Middle East                      e. Far East  
b. Rest of Europe                      d. North America                      f. Elsewhere (please specify) \_\_\_\_\_

7 Has the weakness of the euro since its introduction had a significant impact on your business?

- a. Significant positive effect                      b. No significant effect                      c. Significant negative effect

8 Do you believe that the adoption of the euro in the UK would, over the longer term:

- a. Harm your business                      b. Make no significant difference                      c. Help your business

9a Do you feel that you need more information on the implications of the euro for your business?

- a. Yes, a lot more                      b. Yes, some clarification                      c. Not much/not at the moment                      d. No/not interested

9b If so, which of the following do you feel should be providing more information?

- a. The Government                      d. Your Bank                      g. Radio/Television Programmes  
b. Business Links                      e. Trade Associations                      h. Sources on the Internet  
c. Your Accountant                      f. Press/Newspapers                      i. Other (please specify) \_\_\_\_\_

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 2000? What do you expect to happen in the current quarter? Please complete the table by ticking 8 boxes only:

	ACTUAL			EXPECTED		
	January, February, March 2001 compared with the same period 2000			April, May, June 2001 compared with January, February, March 2001		
	UP	DOWN	SAME	UP	DOWN	SAME
Sales Turnover						
Average Employment						
Investment						
Selling Prices						

11 What is the MOST important problem facing your business today? Please circle ONE ONLY:

- a. Inflation                      f. Low Turnover/Lack of Business                      k. Internal Management Difficulties  
b. Interest Rates                      g. Competition from Big Business                      l. Cashflow/Payments/Debtors  
c. Access to Finance                      h. Gov't Regulations and Paperwork                      m. Premises, Rents, Rates  
d. Lack of Skilled/Trained Employees                      i. High Rates of Pay                      n. Other (Please specify)  
e. Total Tax Burden                      j. Shortage of Materials, Supplies, etc. \_\_\_\_\_

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

- a. Male                      b. Female                      c. Joint Male/Female ownership