

**NatWest**  
**SBRT**  
**Quarterly**  
**Survey**  
**of Small**  
**Business**  
**In Britain**

Sponsored  
by National  
Westminster  
Bank PLC 

Published  
by Small  
Business  
Research  
Trust 

11•1•1995

**THE NatWest/SBRT**  
**QUARTERLY SURVEY OF**  
**SMALL BUSINESS IN BRITAIN**

**Vol 11, No 1**

**Small Business Research Trust  
School of Management  
Open University  
Walton Hall  
Milton Keynes MK7 6AA**

**Tel: 01908 655831**

**February 1995**



## **ACKNOWLEDGEMENTS**

The Small Business Research Trust thanks all responding firms for their time and effort in completing the questionnaire for this survey. In addition to the regular members of the SBRT Volunteer database, this includes members of the Federation of Small Businesses.

The Trust acknowledges the help provided by Graham Bannock & Partners Ltd in designing the survey, processing data and analysing the results.

The Small Business Research Trust is particularly pleased to acknowledge the generous support provided by the National Westminster Bank 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 National Westminster Bank.

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## 1. THE SMALL BUSINESS OUTLOOK

Respondents were asked to indicate whether their sales turnover, average employment and investment were up, down or the same in the quarter just ended (October, November, December 1994) compared with the same quarter a year earlier, and also to indicate what they expect for the next quarter (January, February, March 1995) compared with the fourth quarter of 1994. 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 gives the percentage balances for both actual and expected changes since the surveys began in the third quarter of 1984.

Since 1989, we have been splitting the results of questions on performance, expectations and problems by industrial sector and re-weighting them according to the sectoral distribution of all VAT registered businesses. The aim of this is to ensure that the results are as representative as possible of the business population in Britain. As revised VAT figures for 1992 and new figures for 1993 are now available, the results from earlier surveys have been re-weighted. Some of the figures in the tables may therefore have changed from those printed in our previous report.

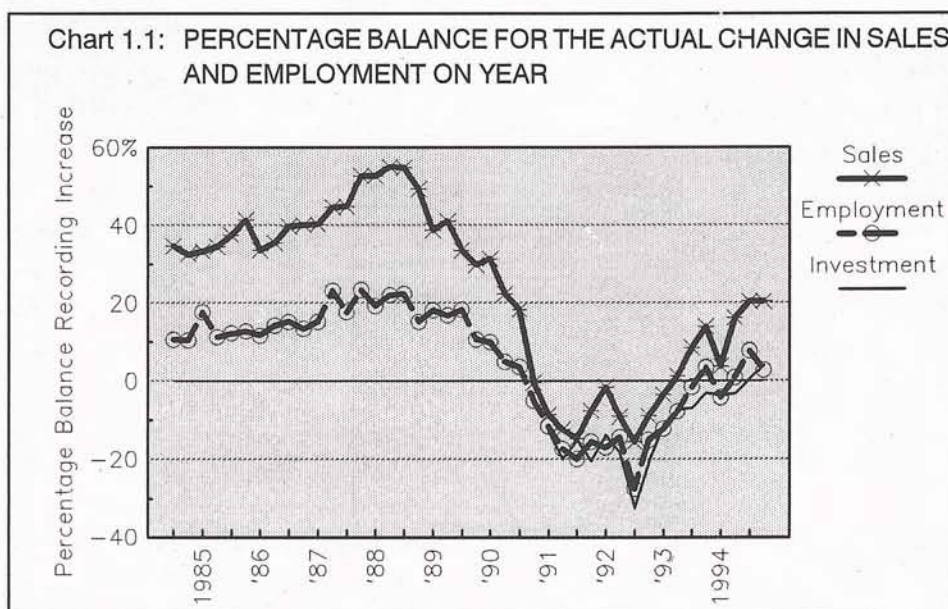
Please note, however, that breakdowns by industrial sector, region and firm size use unweighted data.



## Actual Performance

The proportion of firms reporting an increase in *sales* (for the final quarter of 1994 on a year earlier) rose by one percentage point (up from 47.9 to 48.9 per cent), but the proportion reporting a fall in sales rose by a similar amount (from 27.5 per cent to 28.6 per cent). This means that the percentage balance was unchanged at +20.3 per cent (Table 1.1 and Chart 1.1). Although no improvement on the balance in previous survey, this was the highest since the middle of 1990.

This unchanged balance suggests that small firms did not see the pace of recovery improve during the final quarter of 1994. There have clearly been mixed fortunes in the small firm sector over the past year. Although nearly half of small firms report that their turnover was higher in the final quarter of 1994 than in the final quarter of 1993, it is striking that well over one quarter report that their turnover was down.



In the previous survey the *employment* balance became significantly positive for the first time in over five years. In this survey the balance remained positive but fell to only +2.7 per cent. Some 20.4 per cent of firms reported increasing employment over the past year while 17.6 per cent reported cutting employment. Although the balance remains positive, it is disappointing that the hopeful signs for employment which were reported in the previous survey have not continued.

As a consequence of the fall in the balance for employment, the percentage of expanding firms (those reporting an increase in both sales and employment) fell, from 19.5 per cent to 18.0 per cent, and the percentage of declining firms rose from 10.4 to 11.3 per cent (Table 1.2). The expanding firms thus only outnumber the declining firms by under 7 per cent.

Despite the poor news for employment, the balance of firms reporting an increase in *investment* continued to rise, up to +4.0 per cent. It should be noted, however, that this is not due to an

increase in the proportion of firms reporting increased investment over the year (this proportion fell slightly, from 22.8 to 22.5 per cent). Instead, it was due to a fall in the proportion of firms reporting a drop in investment over the year (from 22.2 to 18.4 per cent).



Table 1.1 CHANGE AND EXPECTED CHANGE IN SALES, EMPLOYMENT AND INVESTMENT

	Actual Change on Year				Expected Change on Previous Quarter			
	1994/1 on 1993/1	1994/2 on 1993/2	1994/3 on 1993/3	1994/4 on 1993/4	1994/2	1994/3	1994/4	1995/1
Survey	Vol.10 No.2	Vol.10 No.3	Vol.10 No.4	Vol.11 No.1	Vol.10 No.2	Vol.10 No.3	Vol.10 No.4	Vol.11 No.1
	SALES				SALES			
Up	39.5%	47.0%	47.9%	48.9%	44.8%	41.1%	39.6%	39.9%
Down	36.0%	30.8%	27.5%	28.6%	21.7%	22.6%	25.0%	23.0%
Same	23.7%	21.0%	22.4%	21.0%	31.3%	34.1%	32.2%	34.4%
No Response	0.8%	1.2%	2.2%	1.6%	2.2%	2.2%	3.2%	2.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Balance	3.6%	16.1%	20.3%	20.3%	23.1%	18.5%	14.6%	17.0%
	EMPLOYMENT				EMPLOYMENT			
Up	16.6%	18.8%	23.0%	20.4%	12.4%	14.5%	13.1%	15.3%
Down	20.9%	17.9%	15.4%	17.6%	13.5%	12.9%	13.2%	11.1%
Same	57.8%	48.8%	57.8%	57.7%	68.0%	58.2%	69.2%	68.0%
No Response	4.7%	14.5%	3.8%	4.3%	6.2%	14.5%	4.5%	5.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Balance	-4.3%	0.8%	7.6%	2.7%	-1.1%	1.5%	-0.2%	4.2%
	INVESTMENT				INVESTMENT			
Up	20.6%	22.6%	22.8%	22.5%	20.2%	18.3%	20.4%	18.5%
Down	24.4%	25.9%	22.2%	18.4%	16.5%	20.6%	18.5%	16.9%
Same	50.7%	42.7%	50.6%	53.5%	57.6%	51.3%	55.9%	58.3%
No Response	4.2%	8.9%	4.4%	5.6%	5.8%	9.8%	5.1%	6.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Balance	-3.8%	-3.3%	0.6%	4.0%	3.7%	-2.3%	1.9%	1.7%
Base	861	2,327	1,046	983	861	2,327	1,046	983

Table 1.2 PROPORTION OF EXPANDING AND CONTRACTING FIRMS AS A PERCENTAGE OF RESPONDENTS

	Vol.10 No.2		Vol.10 No.3		Vol.10 No.4		Vol.11 No.1	
	Number	Per Cent	Number	Per Cent	Number	Per Cent	Number	Per Cent
Expanding Firms	112	13.0%	395	17.0%	204	19.5%	177	18.0%
Declining Firms	124	14.4%	316	13.6%	109	10.4%	111	11.3%
Remaining Respondents	625	72.6%	1,616	69.4%	733	70.1%	695	70.7%
All Respondents	861	100.0%	2,327	100.0%	1,046	100.0%	983	100.0%
Balance		-1.3%		3.4%		9.1%		6.7%

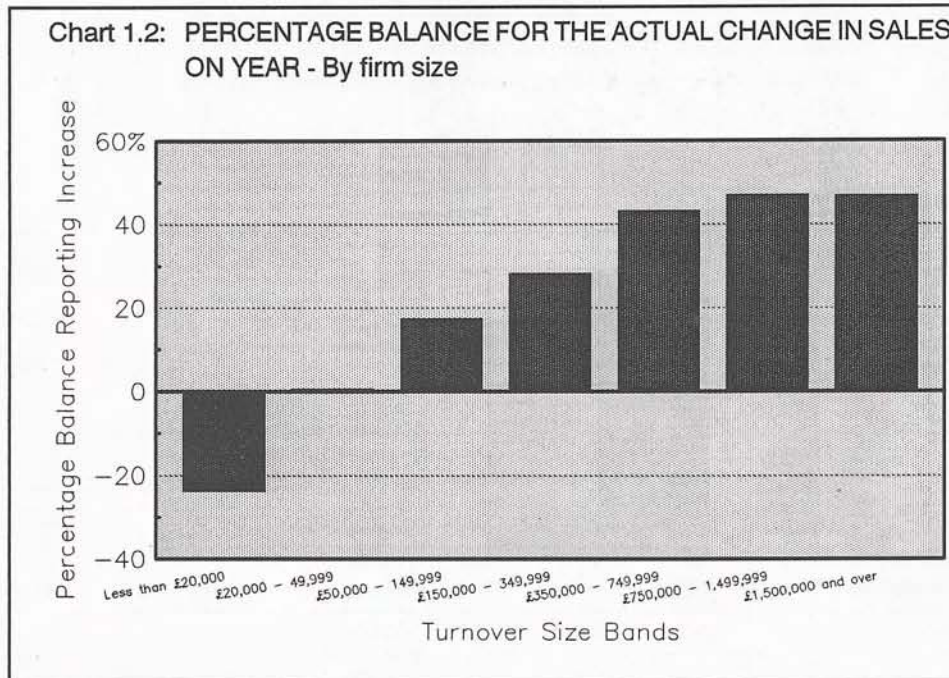
Note: All figures shown in these tables are weighted to the VAT sectoral distribution.



Table 1.3 ACTUAL CHANGE IN SALES, by firm size

Turnover size band	Sales Balance	Employment Balance	Sample
Less than £20,000	-23.7%	-16.1%	93
£20,000 - 49,999	0.6%	-6.3%	176
£50,000 - 149,999	17.5%	-2.4%	211
£150,000 - 349,999	28.2%	5.3%	188
£350,000 - 749,999	43.3%	15.6%	141
£750,000 - 1,499,999	46.9%	15.6%	96
£1,500,000 and over	46.8%	27.3%	77
Total	21.5%	3.8%	983

Table 1.3 and Chart 1.2 show that the recovery has yet to be felt by the very smallest firms. Firms with a turnover below £20,000 have, on balance, experienced falls in turnover over the past year, while larger firms have increased their sales turnover. Firms with a turnover of under £150,000 have been cutting employment levels, while firms with a turnover above this level have been hiring new staff.



## Expectations

Although firms did not report any greater improvements in their sales over the past year than in the previous survey, they are a little more confident about their prospects for the current quarter (January, February, March 1995) than they were in the previous survey. The seasonally adjusted balance is the highest for six years.

There was a very small increase in the proportion of respondents expecting increased sales in the first quarter of 1995, from 39.6 to 39.9 per cent, and a larger fall in the proportion expecting a decline (from 25.0 to 23.0 per cent). As a result the percentage balance rose from +14.6 per cent to +17.0 per cent (Table 1.1 and Chart 1.3).

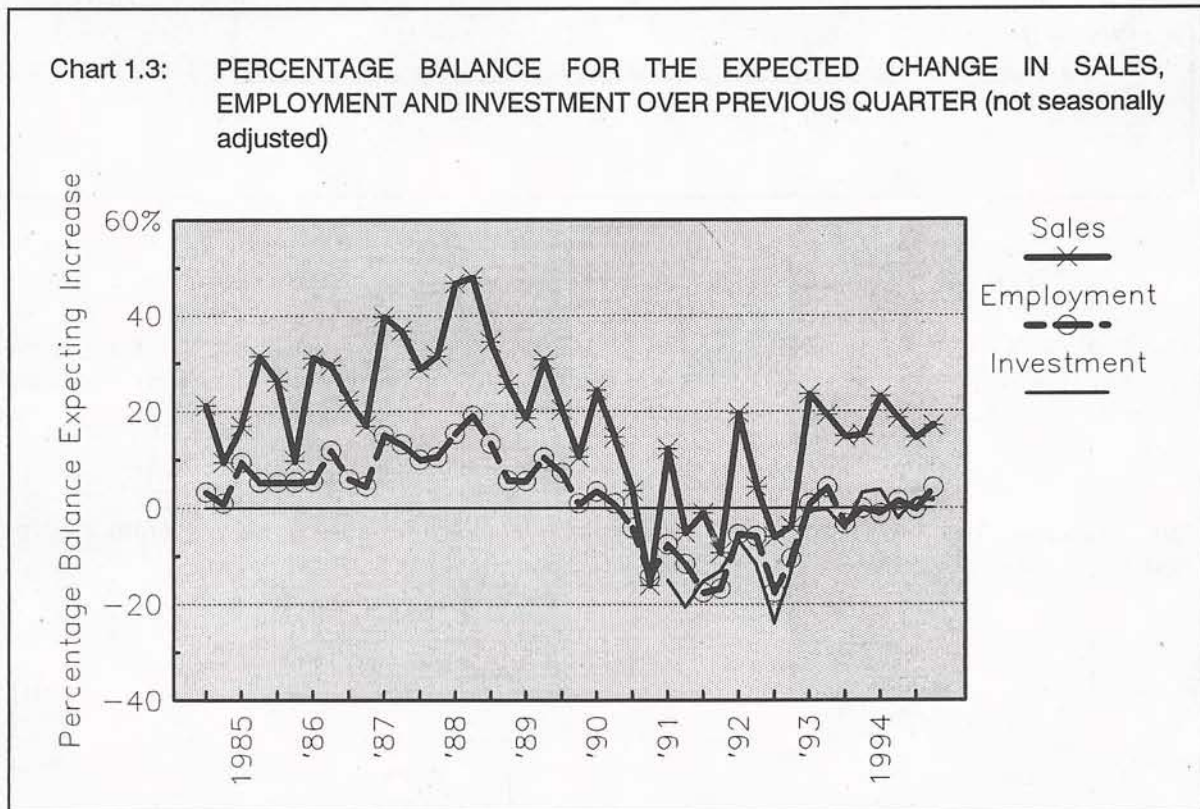
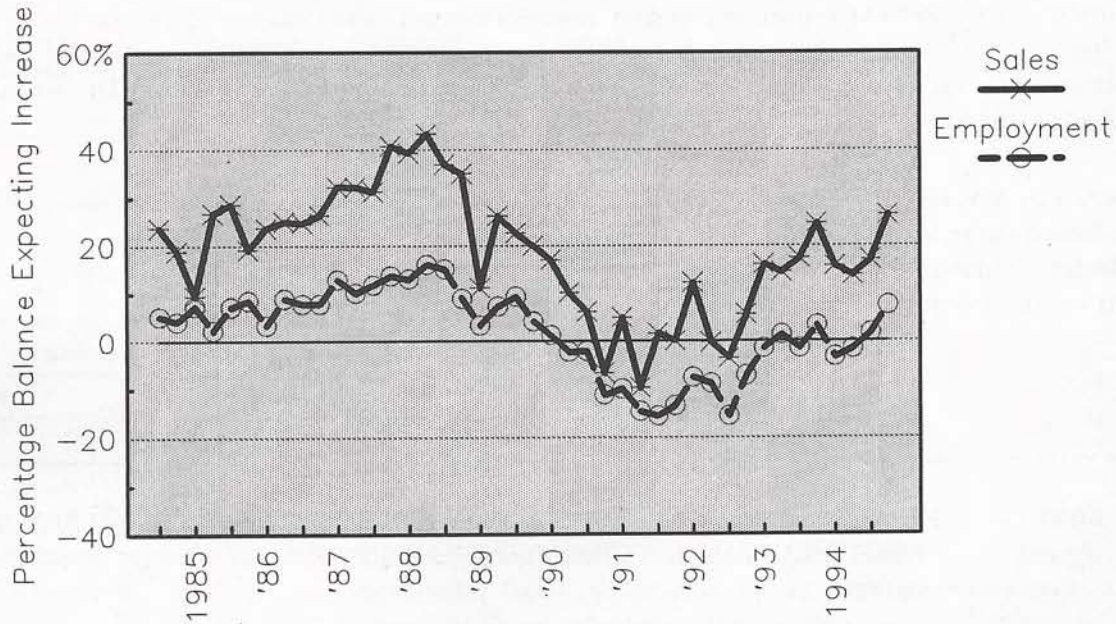


Chart 1.4 shows the balances after adjusting for seasonal factors. The firms which take part in this survey normally expect lower sales at this time of the year and so the balance is higher when adjusted (+26.4 per cent). This is the highest seasonally adjusted sales balance since the beginning of 1989 (although it is not far above the +24.6 per cent reported at this time last year).



Chart 1.4: PERCENTAGE BALANCE FOR THE EXPECTED CHANGE IN SALES AND EMPLOYMENT OVER PREVIOUS QUARTER (seasonally adjusted)



The balance of firms expecting to increase employment over the next quarter rose from -0.2 per cent to +4.2 per cent (Table 1.1). When seasonally adjusted the increase is more marked, up from +1.8 per cent to +7.5 per cent (Chart 1.4). This is the highest balance for over five years.

The balance of firms expecting to increase investment changed little, moving from +1.9 per cent to +1.7 per cent (Table 1.1 and Chart 1.3).



## Comparison across size bands

Yet again, smaller firms are less optimistic than the larger firms about their sales prospects over the next quarter. Firms in all size bands except those with a turnover of £50,000 to £149,999 have become more optimistic than in the previous survey (Table 1.4). A balance of only +4.3 per cent of the very smallest firms (those with a turnover of less than £20,000 per year) expect their turnover to increase during the first quarter of 1995, compared with a balance of +46.8 per cent of the largest firms in the survey (those with a turnover of over £1.5m).

Table 1.4 EXPECTED CHANGE IN SALES AND EMPLOYMENT BY TURNOVER  
(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				
	39	40	41	42	39	40	41	42	
Less than £20,000	-2.3%	5.1%	0.0%	4.3%	-12.8%	-6.8%	-10.9%	-3.2%	93
£20,000 - 49,999	24.6%	12.7%	10.4%	12.5%	-8.7%	-1.1%	-3.2%	2.8%	176
£50,000 - 149,999	26.9%	19.5%	14.8%	11.8%	0.9%	-0.6%	-0.8%	-1.9%	211
£150,000 - 349,999	28.0%	23.9%	17.1%	29.8%	3.7%	4.7%	0.5%	11.7%	188
£350,000 - 749,999	40.5%	33.6%	22.5%	31.2%	4.3%	15.6%	9.3%	12.8%	141
£750,000 - 1,499,999	47.4%	22.3%	37.5%	41.7%	8.4%	9.4%	18.8%	13.5%	96
£1,500,000 and over	45.3%	39.8%	33.8%	46.8%	18.9%	14.3%	9.1%	19.5%	77
Total	29.0%	21.6%	18.2%	23.1%	1.0%	4.1%	2.3%	6.7%	983

**NOTE:** The total balances in this table are not comparable with those shown in Table 1.1 because the data in these tables are not weighted, neither are they seasonally adjusted.

As in recent surveys, the employment balance follows a similar, although less optimistic, pattern.

## Comparison across business sectors

Table 1.5 breaks down the expected sales and employment balances by sector but, as usual, we remind readers that the sample sizes for several sectors are too small for comparisons to be statistically valid.

Table 1.5 EXPECTED CHANGE IN SALES AND EMPLOYMENT BY BUSINESS SECTOR  
(Current Survey compared with Previous Surveys)

Business Sector	EXPECTED SALES BALANCE				EXPECTED EMPLOYMENT BALANCE				Sample Size (This survey)
	Survey Number				Survey Number				
	39	40	41	42	39	40	41	42	
Agriculture, Forestry, Fisheries	9.1%	17.1%	15.4%	31.3%	4.5%	-4.9%	0.0%	12.5%	16
Manufacturing, Mining, Processing	34.7%	30.1%	28.9%	38.6%	12.5%	8.1%	9.8%	15.2%	197
Transport	40.0%	22.8%	33.3%	4.0%	10.0%	3.5%	11.1%	-4.0%	25
Construction	8.3%	9.7%	-5.6%	2.7%	-10.0%	1.3%	-18.3%	0.0%	74
Wholesale Trade	47.0%	30.5%	28.4%	25.6%	2.4%	4.5%	6.8%	11.5%	78
Retail Trade	25.6%	12.9%	14.7%	6.8%	-3.1%	-4.7%	1.3%	-3.4%	118
Catering & Restaurants	0.0%	15.0%	-12.5%	-19.0%	-15.8%	-10.0%	-9.4%	-19.0%	21
Business Services	31.1%	22.5%	16.8%	29.1%	-1.7%	7.5%	1.4%	6.7%	268
Other Services	25.0%	17.7%	17.5%	22.2%	2.1%	6.0%	0.9%	8.7%	126
Other	22.2%	16.7%	26.2%	21.7%	-16.7%	5.0%	9.5%	8.3%	60
Total	29.0%	21.6%	18.2%	23.1%	1.0%	4.1%	2.3%	6.7%	983

Unweighted, not seasonally adjusted data

Manufacturing firms and those in business services are more optimistic about the first quarter of 1995 than they were about the final quarter of 1994. Now that the Christmas period is over, firms in wholesaling and retailing are less optimistic.

Manufacturing firms and wholesalers are, on balance, expecting to recruit more staff during the first quarter of 1995 and the number of construction firms expecting to hire people is exactly the same as the number expecting to fire people.

## Comparison across regions

The balances when analysed by region again show mixed results, with firms in the South and East Anglia becoming more optimistic, but those in the East Midlands, North West and Yorkshire & Humberside becoming less optimistic. It should be remembered that the sample sizes for some regions are small and so the balances are subject to considerable variation from survey to survey.

Table 1.6 EXPECTED CHANGE IN SALES AND EMPLOYMENT BY REGION  
(Current Survey compared with Previous Surveys)

Region	EXPECTED SALES BALANCE				EXPECTED EMPLOYMENT BALANCE				Sample Size (This survey)
	Survey Number				Survey Number				
	39	40	41	42	39	40	41	42	
North	40.9%	15.5%	-14.3%	51.9%	4.5%	0.0%	-3.6%	14.8%	27
Yorkshire & Humberside	28.3%	19.8%	27.4%	10.1%	3.8%	1.6%	0.0%	2.5%	79
North West	34.3%	17.7%	26.9%	11.4%	6.1%	-4.2%	12.5%	5.7%	105
East Midlands	24.6%	26.6%	23.4%	18.6%	-1.8%	3.9%	5.2%	4.3%	70
West Midlands	25.0%	28.0%	25.7%	25.9%	0.0%	12.4%	9.9%	12.3%	81
East Anglia	17.2%	22.4%	13.5%	23.7%	0.0%	4.7%	2.2%	5.4%	93
South East	34.1%	22.4%	16.7%	27.9%	1.3%	6.7%	-1.6%	11.0%	326
South West	33.0%	21.7%	11.1%	21.3%	1.0%	4.9%	3.2%	3.9%	127
Wales	13.0%	23.8%	16.7%	33.3%	-4.3%	-2.4%	3.3%	5.6%	36
Scotland	11.5%	9.5%	20.0%	23.5%	-5.8%	-2.1%	-7.3%	-14.7%	34
Northern Ireland	25.0%	9.1%	66.7%	-25.0%	0.0%	0.0%	33.3%	-50.0%	4
Total	29.0%	21.6%	18.2%	23.1%	1.0%	4.1%	2.3%	6.7%	983

Unweighted, not seasonally adjusted data

## Conclusion

The percentage balance of firms reporting an increase in sales over the past year is unchanged on the previous survey. This was, however, the highest balance since the middle of 1990. The proportion of firms employing more people over the year fell but remains positive.

Firms are, however, more optimistic about their sales prospects for the next quarter. The seasonally adjusted balance is the highest for six years. The seasonally adjusted employment balance is the highest for over five years.

The smaller firms still appear not to have witnessed much of an economic recovery. The very smallest firms (those with a turnover of less than £20,000 per annum) on balance saw turnover fall over the past year and expect few improvements during the first quarter of 1995.



## 2. PROBLEMS

Respondents were asked to select, from a list of fourteen, the most important problem facing their business on that day. Their responses in this survey are compared to those in recent surveys in Table 2.1, and analysed by size of firm in Table 2.2.

Table 2.1 MOST IMPORTANT PROBLEM (All Respondents)

Problem	Survey Number			
	Vol.10 No.2	Vol.10 No.3	Vol.10 No.4	Vol.11 No.1
Low Turnover/Lack of Business	35.4% (1)	37.8% (1)	35.7% (1)	36.8% (1)
Cashflow/Payments/Debtors	13.9% (2)	13.2% (2)	12.8% (2)	12.4% (2)
Competition from Big Business	5.3% (6)	6.0% (4)	6.3% (4)	7.2% (3)
Gov't Regulations & Paperwork	13.8% (3)	9.6% (3)	10.3% (3)	7.1% (4)
Total Tax Burden	6.9% (4)	5.9% (5)	6.3% (5)	5.7% (5)
Lack of Skilled/Trained Employees	5.4% (5)	4.8% (6)	4.8% (6)	5.4% (6)
Access to Finance	3.7% (7)	3.6% (7)	4.7% (7)	4.4% (7)
Interest Rates	1.6% (9)	1.5% (10)	1.2% (10)	3.0% (8)
Internal Management Difficulties	1.4% (10)	2.1% (9)	1.6% (9)	3.0% (9)
Premises/Rent/Rates	3.2% (8)	3.1% (8)	3.8% (8)	1.8% (10)
Shortages of Materials,Supplies,etc	0.4% (12)	0.8% (13)	1.1% (11)	1.2% (11)
Inflation	1.1% (11)	0.9% (12)	1.1% (12)	0.9% (12)
High Rates of Pay	0.1% (13)	0.9% (11)	0.1% (13)	0.6% (13)
Other	6.4%	7.6%	7.6%	7.9%
No Response	1.3%	2.1%	2.5%	2.7%
TOTAL	100.0%	100.0%	100.0%	100.0%
BASE	861	2,327	1,046	983

Note: 1 All figures shown in this table are weighted to the VAT sectoral distribution.  
2 Number in brackets refers to the problem's ranking each quarter.

The most frequently selected problem remains *low turnover/lack of business*. The proportion indicating that this was their most important problem rose a little, up from 35.7 to 36.8 per cent. Table 2.2 shows that this remains far more of a problem for the smaller firms than the larger firms.

The proportion selecting *cashflow/payments/debtors* continued to fall marginally, from 12.8 to 12.4 per cent, but this problem remains in second place. Only 7.2 per cent of small firms said that *Government regulations and paperwork* was their most important problem (compared with 10.3 per cent in the previous survey) and this dropped from third to fourth place. It was displaced by *competition from big business*, now the most important problem for 7.2 per cent.

*Interest rates* moved up from tenth to eighth place and is the most important problem for 3.0 per cent of respondents. *Premises, rent and rates* now constitute the biggest problem for only 1.8 per cent of respondents. This is the lowest proportion since we first included this option, at the beginning of 1990.

Table 2.2 MOST IMPORTANT PROBLEM BY NUMBER OF PEOPLE WHO WORK IN THE BUSINESS

	1	2	3 - 4	5 - 9	10 - 14	15 - 24	25 - 49	50+	All
Inflation	0.0%	0.0%	1.0%	0.9%	1.1%	1.2%	1.8%	3.6%	0.8%
Interest Rates	3.0%	1.8%	1.5%	1.4%	3.3%	1.2%	1.8%	0.0%	1.8%
Access to Finance	2.2%	2.4%	4.6%	4.6%	6.7%	7.1%	1.8%	3.6%	4.1%
Lack of Skilled/Trained Employees	3.7%	4.8%	4.1%	6.9%	6.7%	10.6%	16.1%	17.9%	6.6%
Total Tax Burden	6.0%	8.3%	6.1%	7.3%	4.4%	8.2%	5.4%	0.0%	6.8%
Low Turnover/Lack of Business	47.0%	44.0%	36.0%	34.9%	28.9%	28.2%	26.8%	25.0%	36.3%
Competition from Big Business	7.5%	1.8%	9.6%	8.7%	7.8%	3.5%	7.1%	3.6%	6.8%
Gov't Regulations & Paperwork	3.0%	7.1%	8.1%	6.0%	7.8%	5.9%	10.7%	10.7%	6.7%
High Rates of Pay	0.7%	0.0%	0.0%	0.5%	0.0%	0.0%	3.6%	0.0%	0.4%
Shortages of Materials,Supplies,etc	0.7%	1.2%	1.5%	1.4%	1.1%	1.2%	1.8%	7.1%	1.4%
Internal Management Difficulties	3.7%	1.2%	3.0%	3.7%	5.6%	2.4%	3.6%	3.6%	3.2%
Cashflow/Payments/Debtors	7.5%	14.3%	14.2%	14.7%	17.8%	15.3%	10.7%	7.1%	13.4%
Premises/Rent/Rates	1.5%	2.4%	2.0%	2.3%	3.3%	2.4%	0.0%	3.6%	2.1%
Other	11.2%	8.9%	6.1%	5.5%	4.4%	9.4%	8.9%	10.7%	7.5%
No Response	2.2%	1.8%	2.0%	1.4%	1.1%	3.5%	0.0%	3.6%	1.9%
Base	134	168	197	218	90	85	56	28	983
Check	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Unweighted data



### 3. CAPACITY UTILISATION

Although the pace of economic recovery has been uneven, there is still concern about the re-emergence of inflationary pressures in the economy. One factor which will have a bearing on the strength of these pressures is the current level of capacity utilisation in the economy. In this survey, we asked small firm owner managers to indicate at roughly what percentage of the maximum sustainable output of their business (given existing levels of staff, premises and equipment) their sales were running.

Ignoring the firms who did not complete the question, the average level of capacity utilisation was 74.7 per cent. Only 8.8 per cent of firms said that they were operating at less than half capacity, but 3.2 per cent were working at less than one quarter capacity. Almost 30 per cent were selling over one half but less than three quarters of their maximum sustainable output, while 9.1 per cent were selling three quarters and 13.8 per cent were selling 80 per cent. A sizeable 20.5 per cent said that sales were running at over 80 per cent, but less than 100 per cent, of full capacity, while 16.7 per cent of firms said that they were selling all of their maximum sustainable output. The remaining 1.2 per cent reported that current sales were in excess of their maximum sustainable output, implying that they were running down stocks or were operating at levels which they could not keep up indefinitely without more investment.

Table 3.1 shows that there seems to be few significant variations in levels of capacity across the different regions of the UK.

Table 3.1 Average level of capacity utilisation - by region

	Average	Sample
North	75.0%	26
Yorks & Humber	75.2%	73
North West	75.3%	103
East Midlands	74.2%	70
West Midlands	75.1%	79
East Anglia	79.4%	90
South East	74.3%	318
South West	71.5%	124
Wales	75.2%	35
Scotland	76.8%	33
Northern Ireland	72.5%	4
All	74.7%	956

In most regions, average capacity utilisation is between 74 and 75.5 per cent. The main exceptions are East Anglia, where firms appear to be operating at closer to full capacity (average 79.4 per cent), and the South West, where there appears to be rather more under-utilisation of capacity (sales on average operating at only 71.5 per cent of sustainable output).



Table 3.2 shows that there is a little more variation across different business activities. Most strikingly, capacity utilisation in the catering & restaurant sector is only 56.4 per cent. This is likely to be largely a seasonal effect. The low average for this business sector is not due to a few catering firms operating at a very low level of capacity. Only one of the 31 firms who say that their sales are less than one quarter of their maximum sustainable output are in the catering sector. Instead, it is because over half of the firms say that they are running at only half capacity or below.

Table 3.2 Average level of capacity utilisation - by business activity

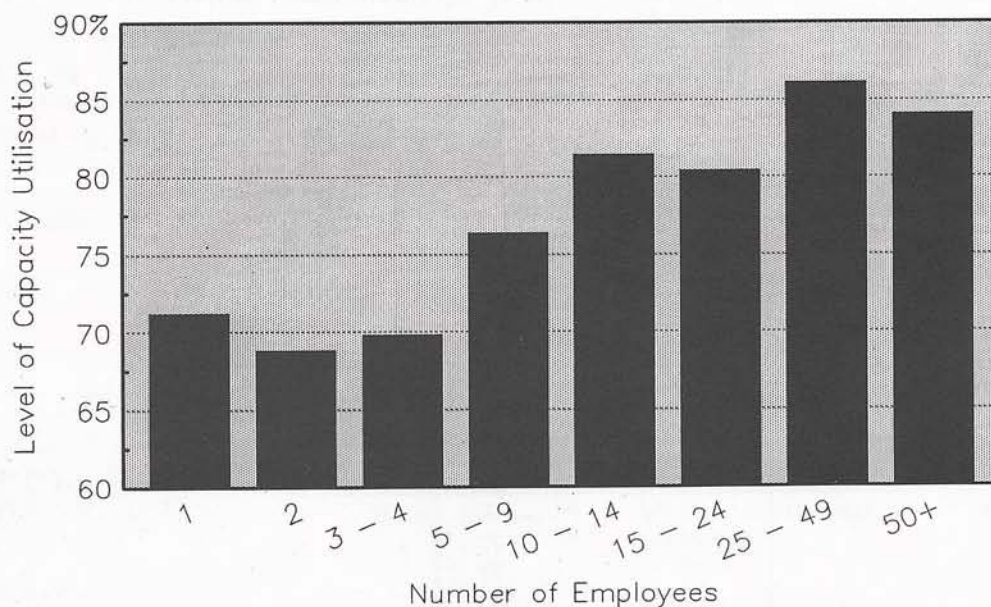
	Average	Sample
Agriculture	80.9%	16
Manufacturing	76.9%	196
Transport	78.7%	25
Construction	73.3%	73
Wholesale	76.7%	77
Retail	72.8%	111
Catering	56.4%	19
Business Services	74.1%	260
Other Services	74.6%	124
Other	76.2%	55
All	74.7%	956

Table 3.3 Average level of capacity utilisation - by size of firm

Number of employees	Average	Sample
1	71.2%	126
2	68.8%	164
3 - 4	69.8%	192
5 - 9	76.4%	215
10 - 14	81.5%	89
15 - 24	80.4%	83
25 - 49	86.1%	56
50+	84.1%	28
All	74.7%	956

Table 3.3 and chart 3.1 show that there is a clear link between firm size and capacity utilisation. For firms with fewer than 10 employees the average level of capacity utilisation is around 72 per cent, while for firms with 10 or more employees the average is over 82 per cent. All of the firms which report that they are operating at less than one quarter of capacity employ fewer than 10 people. It is possible that some of these firms might have previously been employing more people and have cut back on staff as capacity utilisation has fallen, but even so, these figures seem to support the view, expressed elsewhere in this report, that the UK's smallest firms are still benefiting very little from economic recovery.

Chart 3.1: AVERAGE LEVEL OF CAPACITY UTILISATION - BY SIZE OF FIRM



Despite the very low levels of capacity utilisation for some of the smallest firms, in almost one-quarter of the businesses where the proprietor works on his or her own, the sales of the business are running at or even above maximum sustainable output.

It has been seen that 17.9 per cent of all firms taking part in the survey are operating at or above full sustainable capacity and a further 20.5 per cent at over 80 per cent of capacity. If faced with a significant increase in demand, these firms would have to increase their capacity or turn away business. We next asked firms, if they did have to increase capacity, which physical constraint would cause the most difficulties.

Table 3.4 "If you had to increase your capacity, which one of the following physical constraints would cause you the most difficulties?" - All Firms

	Replies	%
Shortage of management time	291	29.6%
Shortage of staff	223	22.7%
Premises too small	149	15.2%
Need for more machinery/equipment	83	8.4%
Need for more materials/supplies	45	4.6%
Other	139	14.1%
No response	53	5.4%
Total	983	100.0%



Shortage of management time was the constraint which would be expected to cause most difficulties for 29.6 per cent of firms. This was followed by shortage of staff, expected to be the biggest problem for 22.7 per cent. Some 15.2 per cent thought that the fact that their premises would be too small would be the biggest difficulty, while fewer thought that their biggest difficulty would be their need for more machinery/equipment (8.4 per cent) or materials/supplies (4.6 per cent).

Table 3.4 shows that 14.1 per cent of firms indicated some other constraint. In fact, most of those given were not actual physical constraints like those listed in the question. Many said that lack of finance or inadequate cashflow would be their biggest difficulty. They did not indicate, however, which of the physical constraints they would be unable to ease because of this lack of finance.

Many firms clearly cannot at the moment envisage demand increasing sufficiently for them to have to worry about physical capacity constraints. The next most frequently given 'other' constraint was lack of demand, followed by those who said that there were no physical capacity constraints on their business.

Table 3.5 shows the responses to this question just for the firms currently operating at or near to full capacity. Comparing this with Table 3.4 shows that shortage of staff and inadequate premises seem to be bigger actual constraints on the businesses which are at the point where they might need to expand than is imagined by those businesses which still have plenty of spare capacity.

Table 3.5 "If you had to increase your capacity, which one of the following physical constraints would cause you the most difficulties?" - Firms operating at full capacity (or above) and firms operating near full capacity (over 80 per cent)

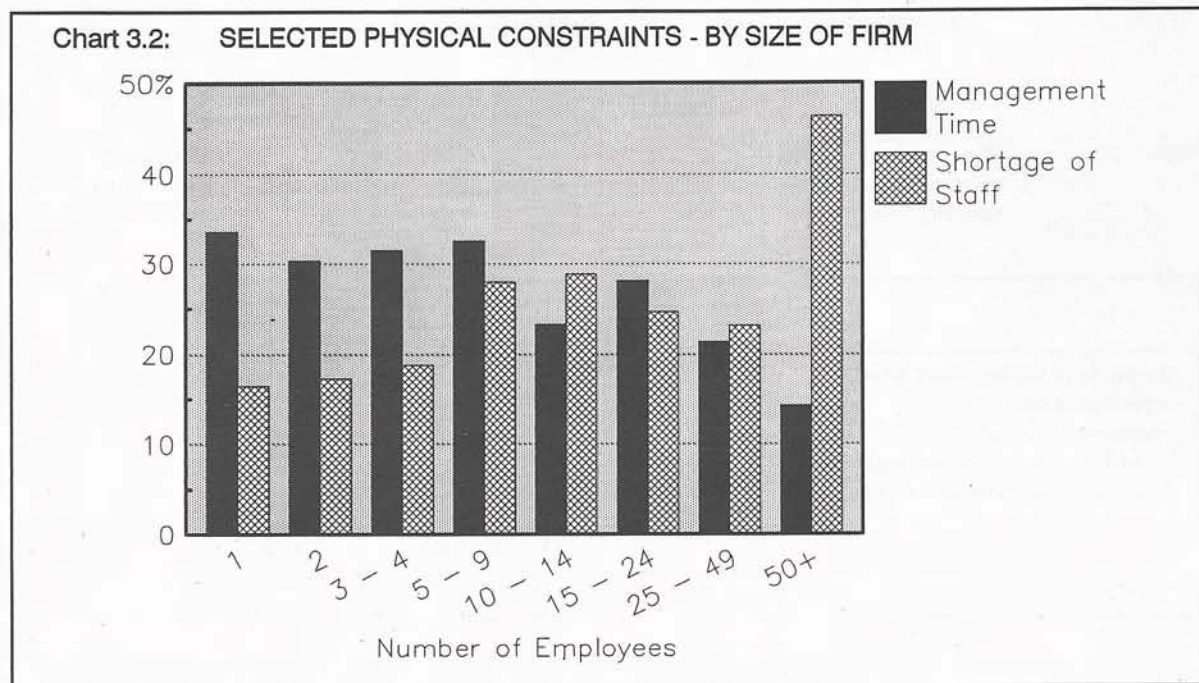
	At full capacity	Near full capacity
Shortage of management time	29.2%	32.7%
Shortage of staff	30.4%	24.0%
Premises too small	17.0%	18.9%
Need for more machinery/equipment	8.2%	9.2%
Need for more materials/supplies	1.2%	3.6%
Other	11.1%	10.7%
No response	2.9%	1.0%
Total	171	196



Table 3.6 Selected physical constraints - by size of firm

Number of employees	Shortage of management time	Shortage of staff	Sample
1	33.6%	16.4%	134
2	30.4%	17.3%	168
3 - 4	31.5%	18.8%	197
5 - 9	32.6%	28.0%	218
10 - 14	23.3%	28.9%	90
15 - 24	28.2%	24.7%	85
25 - 49	21.4%	23.2%	56
50+	14.3%	46.4%	28
All	29.6%	22.7%	983

Table 3.6 and chart 3.2 show that if expansion was needed, shortage of management time would be particularly a problem for the smaller firms, while shortage of staff would be more of a problem for the larger. For the smallest firms, of course, the people doing the managing will also be doing much of the actual work in directly producing the output of the firm and so these categories overlap.



Finally, firms were asked how they would finance such an increase in capacity. Just over half said that they would do so from retained earnings. Some 28.9 per cent would raise loan capital (which could include an increase in an existing overdraft). Just 5.5 per cent would expect to increase the equity capital of the business (any non-loan investment, including personal investment by the respondent).

Table 3.7 How would you finance such an increase in capacity?

	Replies	%
Retained earnings	492	50.1%
Loan capital	284	28.9%
Equity capital	54	5.5%
Other	88	9.0%
No response	65	6.6%
Total	983	100.0%

Of those who gave 'other' reasons, many hoped that any expansion would be financed through increased turnover (and therefore retained earnings). Some would use alternative forms of financing, such as invoice discounting, hire purchase and leasing, while one hoped to be able to get a grant towards the cost of new equipment. Many of those respondents who said that the most important physical constraint was a lack of management time said that they did not need finance. As they were the only management, the only investment which would be needed would be more of their time.



# APPENDIX

## Organisation of the Survey

This survey (the 42nd in the series) was mailed out on 16 December 1994 to 2,500 small firms. By the cut-off date of 19 January 1995, 983 completed questionnaires had been received.

Up to and including Survey 17, the regular SBRT surveys were carried out via postal questionnaires and personal interviews of members of three small business representative organisations:

- \* The Federation of Small Businesses (FSB) - formerly The National Federation of the Self Employed and Small Business Ltd
- \* The Association of Independent Business (AIB)
- \* The Forum of Private Business

These surveys have been supplemented by responses from readers of the National Westminster Small Business Digest.

From Survey 18, we have included responses from members of the National Chamber of Trade (NCT) as well as from the FSB and, until survey 23, the AIB. From time to time, small firms recruited through Local Enterprise Agencies have also been included. The SBRT would welcome additions to the sample from similar sources, including Training and Enterprise Councils (TECs) and Local Enterprise Companies (LECs).

A copy of the current questionnaire used is included at the end of the Appendix.

Further details of sample size, response and a discussion of representativeness have been included in earlier issues of the Quarterly Survey of Small Business in Britain (see, for example, Vol.3 No.2, 1987, Vol.4 No.4, 1988 and Vol.5 No.1, 1989). It should be noted that the SBRT survey is not a panel, nor is it fully random among the total membership of the bodies listed above.

Note that from the first quarter of 1989 onwards the overall balances have been weighted, using VAT registration data, by sector. This is so that a change in the importance of any particular sector, for instance manufacturers, in our sample will not affect the percentage balances and also so that the results are more representative of the UK economy as a whole. This means, however, that in tables showing the breakdowns by size, sector and region (which are unweighted) the overall balances are not strictly comparable with table 1.1. In addition, where not all respondents indicate the nature of their business some firms may be excluded from the weighted results.

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 A1. Again, the breakdowns by size, sector and region are not seasonally adjusted, neither are the figures in Table 1.1.



## Special Topics

The survey reports in each issue on changes in sales and employment and on the ranking of most important problems experienced by small firms. The percentage balances for sales and employment 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, based upon the survey results, designed to contribute to knowledge about small business in Britain.

The following topics have been examined to date:

- |      |      |   |
|------|------|---|
| 1985 | No 1 | Some Characteristics of the Respondents   |
|      | No 2 | Changes in Employment<br>New Business   |
|      | No 3 | Part-time Employees<br>Computers in Small Firms   |
|      | No 4 | Employment  |
| 1986 | No 1 | Finance<br>Membership of Representative Bodies  |
|      | No 2 | Exports<br>The Business Expansion Scheme  |
|      | No 3 | Employment<br>Skill Shortage  |
|      | No 4 | Incorporated and Unincorporated Business<br>Expanding Firms<br>Small Firms in the Service Sectors       |
| 1987 | No 1 | Domestic versus Business Telephone Usage<br>Employment  |
|      | No 2 | Most Important Problem Facing Declining<br>and Growing Businesses<br>Characteristics of our Respondents |
|      | No 3 | Employment<br>Slow Payment Problems   |
|      | No 4 | Use of Accountants  |
| 1988 | No 1 | Use of Solicitors   |
|      | No 2 | Training background of managers and arrangements<br>for staff training                                  |
|      | No 3 | Access to external information  |
|      | No 4 | Present and future use of Telecommunications products and services<br>Characteristics of Respondents    |
| 1989 | No 1 | Employee Turnover<br>National Chamber of Trade Survey<br>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  |

- |      |      |  |
|------|------|--|
| 1990 | 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  |
| 1991 | 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  |
| 1992 | No 1 | Co-operatives  |
|      | No 2 | Exports  |
|      | No 3 | Quality Standards (BS 5750)  |
|      | No 4 | Impact of the Recession on Incomes and Prices                              |
| 1993 | No 1 | Business Premises and the UBR  |
|      | No 2 | Rented Business Premises   |
|      | No 3 | Delayed Payments   |
|      | No 4 | External Sources of Information  |
| 1994 | No 1 | The Single Market  |
|      | No 2 | Pensions   |
|      | No 3 | The Past Ten Years   |
|      | No 4 | Minimum Wage   |
| 1995 | No 1 | Capacity Utilisation   |

TABLE A.1: CHANGES AND EXPECTED CHANGES IN SALES AND EMPLOYMENT, 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	Employment	Investment	Sales		Employment		Investment
						U	S	U	S	
Vol.1 No.1a	3,056	1984/3	34.7%	10.5%	-	21.2%	23.7%	3.3%	5.2%	-
Vol.1 No.1b	1,795	1984/4	32.6%	10.4%	-	9.5%	18.9%	0.9%	4.2%	-
Vol.1 No.2	1,181	1985/1	33.4%	17.6%	-	16.9%	9.5%	9.5%	7.3%	-
Vol.1 No.3	1,090	1985/2	34.4%	11.2%	-	31.4%	26.8%	5.3%	2.3%	-
Vol.1 No.4	1,072	1985/3	37.4%	12.1%	-	26.2%	28.7%	5.3%	7.2%	-
Vol.2 No.1	1,326	1985/4	41.4%	12.6%	-	9.8%	19.2%	5.3%	8.6%	-
Vol.2 No.2	1,052	1986/1	33.6%	11.6%	-	31.1%	23.7%	5.6%	3.4%	-
Vol.2 No.3	1,285	1986/2	35.5%	14.2%	-	29.6%	25.0%	11.9%	8.9%	-
Vol.2 No.4	1,435	1986/3	39.7%	15.2%	-	22.3%	24.8%	6.0%	7.9%	-
Vol.3 No.1	1,116	1986/4	40.0%	13.4%	-	17.0%	26.4%	4.6%	7.9%	-
Vol.3 No.2	1,746	1987/1	40.2%	15.2%	-	39.7%	32.3%	15.1%	12.9%	-
Vol.3 No.3	1,113	1987/2	44.7%	23.1%	-	36.8%	32.2%	13.2%	10.2%	-
Vol.3 No.4	977	1987/3	44.8%	17.6%	-	28.8%	31.3%	10.0%	11.9%	-
Vol.4 No.1	1,042	1987/4	52.7%	23.4%	-	31.4%	40.8%	10.5%	13.8%	-
Vol.4 No.2	933	1988/1	52.7%	19.3%	-	46.7%	39.3%	15.3%	13.1%	-
Vol.4 No.3	983	1988/2	55.0%	22.0%	-	47.9%	43.3%	19.1%	16.1%	-
Vol.4 No.4	950	1988/3	54.9%	22.3%	-	34.4%	36.9%	13.3%	15.2%	-
Vol.5 No.1A	1,523	1988/4	49.2%	15.1%	-	25.6%	35.0%	5.7%	9.0%	-
Vol.5 No.2	947	1989/1	38.8%	18.1%	-	18.6%	11.2%	5.6%	3.4%	-
Vol.5 No.3	2,274	1989/2	41.1%	16.7%	-	30.8%	26.3%	10.4%	7.4%	-
Vol.5 No.4	795	1989/3	33.5%	18.3%	-	20.2%	22.7%	7.4%	9.3%	-
Vol.6 No.1	1,091	1989/4	29.9%	10.5%	-	10.6%	20.0%	0.9%	4.2%	-
Vol.6 No.2	1,384	1990/1	31.4%	9.9%	-	24.4%	17.1%	3.5%	1.2%	-
Vol.6 No.3	1,043	1990/2	22.3%	4.8%	-	14.7%	10.1%	0.9%	-2.2%	-
Vol.6 No.4	1,312	1990/3	18.2%	3.5%	-	3.6%	6.1%	-4.1%	-2.1%	-
Vol.7 No.1	1,239	1990/4	-0.5%	-5.1%	-	-16.0%	-6.6%	-14.4%	-11.1%	-
Vol.7 No.2	984	1991/1	-8.6%	-11.6%	-12.7%	12.3%	5.0%	-7.6%	-9.9%	-15.0%
Vol.7 No.3	1,718	1991/2	-12.5%	-17.3%	-20.0%	-5.2%	-9.7%	-11.5%	-14.6%	-20.6%
Vol.7 No.4	835	1991/3	-14.8%	-19.9%	-15.0%	-1.0%	1.6%	-17.5%	-15.5%	-15.1%
Vol.8 No.1	1,684	1991/4	-7.7%	-15.5%	-20.4%	-9.3%	0.1%	-16.8%	-13.4%	-13.2%
Vol.8 No.2	1,359	1992/1	-1.6%	-17.1%	-13.7%	19.6%	12.3%	-5.4%	-7.6%	-6.6%
Vol.8 No.3	1,527	1992/2	-9.1%	-14.4%	-18.4%	4.4%	-0.2%	-5.8%	-8.8%	-11.7%
Vol.8 No.4	921	1992/3	-15.6%	-27.6%	-32.5%	-6.0%	-3.5%	-17.5%	-15.6%	-23.9%
Vol.9 No.1	1,339	1992/4	-9.0%	-15.0%	-20.8%	-3.8%	5.6%	-10.5%	-7.2%	-13.0%
Vol.9 No.2	1,021	1993/1	-3.6%	-12.3%	-11.1%	23.6%	16.2%	0.8%	-1.4%	-0.6%
Vol.9 No.3	1,310	1993/2	1.1%	-7.8%	-7.3%	19.2%	14.6%	4.3%	1.3%	-0.4%
Vol.9 No.4	1,076	1993/3	8.4%	-1.6%	-6.9%	14.8%	17.4%	-3.3%	-1.4%	-4.4%
Vol.10 No.1	1,295	1993/4	13.8%	3.3%	-3.1%	15.1%	24.6%	-0.1%	3.3%	3.3%
Vol.10 No.2	861	1994/1	3.6%	-4.3%	-3.8%	23.1%	15.8%	-1.1%	-3.3%	3.7%
Vol.10 No.3	2,327	1994/2	16.1%	0.8%	-3.3%	18.5%	13.9%	1.5%	-1.5%	-2.3%
Vol.10 No.4	1,046	1994/3	20.3%	7.6%	0.6%	14.6%	17.1%	-0.2%	1.8%	1.9%
Vol.11 No.4	983	1994/4	20.3%	2.7%	4.0%	17.0%	26.4%	4.2%	7.5%	1.7%

Key: U - Unadjusted  
S - Seasonally adjusted

Notes: a,b - The results from two surveys were published in Volume 1 Number 1  
A - From Volume 5 Number 1, all results have been weighted to the VAT sectoral distribution.



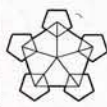
Table A.2:

PROBLEMS EXPERIENCED BY RESPONDENTS - Note: From Survey 18 (1989/1), all figures shown in this table have been weighted to the VAT sectoral distribution.

	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 Material & Supplies	Internal Management Difficulties	Cashflow & Payments	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
1989/1	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%	9.0%	5.3%	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%	34.2%	4.5%	5.3%	0.4%	0.3%	1.1%	13.4%	5.1%	7.4%	1.4%	1,359
1992/3	1.6%	7.6%	4.0%	2.9%	5.2%	43.2%	2.1%	8.1%	0.3%	1.0%	0.8%	13.5%	3.1%	5.9%	0.8%	1,527
1992/4	1.0%	8.7%	3.6%	1.6%	6.0%	44.3%	4.0%	8.0%	0.5%	0.3%	0.2%	11.4%	3.0%	5.3%	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%	13.0%	2.9%	8.5%	1.8%	1,339
1993/2	0.5%	1.4%	5.5%	3.4%	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%	6.0%	1.6%	1,310
1993/4	1.0%	2.7%	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	0.5%	1.9%	5.6%	4.1%	6.8%	34.2%	7.0%	11.0%	0.1%	0.6%	1.1%	14.3%	4.1%	6.9%	1.7%	1,295
1994/2	1.1%	1.6%	3.7%	5.4%	6.9%	35.4%	5.3%	13.8%	0.1%	0.4%	1.4%	13.9%	3.2%	6.4%	1.3%	861
1994/3	0.9%	1.5%	3.6%	4.8%	5.9%	37.8%	6.0%	9.6%	0.9%	0.8%	2.1%	13.2%	3.1%	7.6%	2.1%	2,327
1994/4	1.1%	1.2%	4.7%	4.8%	6.3%	35.7%	6.3%	10.3%	0.1%	1.1%	1.6%	12.8%	3.8%	7.6%	2.5%	1,046
1995/1	0.9%	3.0%	4.4%	5.4%	5.7%	36.8%	7.2%	7.1%	0.6%	1.2%	3.0%	12.4%	1.8%	7.9%	2.7%	983



**SMALL BUSINESS RESEARCH TRUST**



**SMALL BUSINESS RESEARCH TRUST**  
**Survey Section**  
**c/o Graham Bannock & Partners Ltd.**  
**FREEPOST 19**  
**LONDON W1E 1QZ**

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

- 1 Please indicate the location of your business:**
- |                           |                  |                     |
|---------------------------|------------------|---------------------|
| a. North                  | e. West Midlands | i. Wales            |
| b. Yorkshire & Humberside | f. East Anglia   | j. Scotland         |
| c. North West             | g. South East    | k. Northern Ireland |
| d. East Midlands          | h. South West    |                     |

- 2 Employment:** The number of people (including yourself) who work in the business .....  
 The number of these who work part-time .....  
 The number of outworkers and freelancers .....

- 3 Annual Turnover (excluding VAT)**
- |                      |                      |                        |
|----------------------|----------------------|------------------------|
| a. Less than £20,000 | d. £150,000-£349,999 | f. £750,000-£1,499,999 |
| b. £20,000-£49,999   | e. £350,000-£749,999 | g. £1,500,000 and over |
| c. £50,000-£149,999  |                      |                        |

- 4 a. How many years have you owned and managed businesses?** .....  
**b. How many years has your present business been trading?** .....

- 5a Please classify your business activity by circling one of these categories:**
- |                                      |  |                   |
|--------------------------------------|--|-------------------|
| a. Agriculture, Forestry, Fisheries  | e. Wholesale   | i. Other Services |
| b. Manufacturing, Mining, Processing | f. Retail Trade  | j. Other          |
| c. Transport                         | g. Catering & Restaurants                                    |                   |
| d. Construction                      | h. Business Services (Finance, Consultants, Designers, etc.) |                   |

**5b** Please also describe in a few words the precise nature of your business: .....

**6 We are interested in how close to full capacity firms are working at the moment.**  
 Given existing levels of staff, premises and equipment, at roughly what percentage of the maximum sustainable output of your business are your sales running at present? .....%  
 (100% = working at full capacity, lower percentages meaning you have under-used resources)

**7 If you had to increase your capacity, which one of the following physical constraints would cause you most difficulties? Please circle ONE of the following**

a. Shortage of management time	c. Premises too small	e. Need for more materials/supplies
b. Shortage of staff	d. Need for more machinery/equipment	f. Other .....

**8 How would you finance such an increase in capacity?**

a. From retained earnings
b. Raise loan capital (including any increase in your overdraft)
c. Increase equity capital (any non-loan investment, including your own)
d. Other .....

Please add any comments on your level of capacity utilisation on the back of the questionnaire.

**9 How did your sales turnover, average employment and investment (in plant, equipment & premises) in the past quarter compare with the same period in 1993? What do you expect to happen in the NEXT quarter? Please complete the table by ticking 6 boxes only.**

	ACTUAL			EXPECTED		
	October, November, December 1994 compared with the same period 1993			January, February, March 1995 compared with October, November, December 1994		
	UP	DOWN	SAME	UP	DOWN	SAME
Sales Turnover						
Average Employment						
Investment						

**10 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 and Rates
d. Lack of Skilled/Trained Employees	i. High Rates of Pay	n. Other (Please specify)
e. Total Tax Burden	j. Shortage of Material, Supplies, etc.	.....

**11 Please indicate the sex of the owner of the business:**

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

Thank you for completing this confidential survey questionnaire.  
 Please return to the Small Business Research Trust by 15th January 1995.  
 Please note that this is a FREEPOST address (no stamp required).