

UKBB 114 November 2007 Analysis

November's survey took soundings on the impacts of EU enlargement, cash flow, access to external finance, house prices, the strengthening of sterling against the dollar and included 3 questions related to proposed changes to the survey.

About the respondents

The UK Business Barometer surveys the people running small and medium size businesses. In the November survey, 118 respondents were drawn with the following population characteristics:

Sector			
Production & Manufacturing	Distribution	Services	Total
25.4%	8.5%	66.1%	100%

Turnover (£)			
< 1M	1M - 3M	> 3M	Total
69.5%	16.1%	14.4%	100%

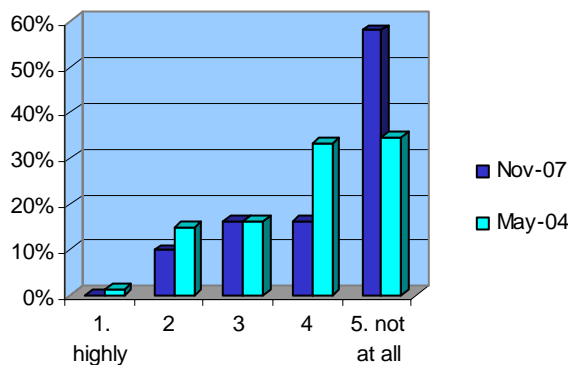
Number of Full-time Employees					
1-10	11-20	21-50	51-100	100+	Total
61.9%	21.2%	9.3%	3.4%	4.2%	100%

Survey findings

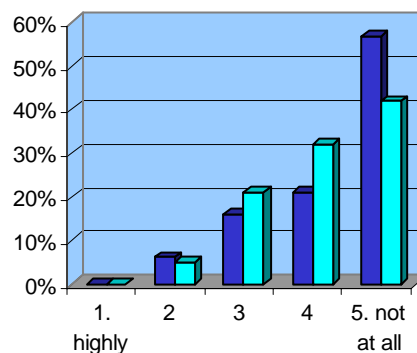
The largest ever enlargement of the EU took place on 1st May 2004, when 10 new countries joined the EU. In the UKBB survey that month, panellists were asked to what extent EU enlargement would represent opportunities for new markets and for sources of supply for their businesses. In the November survey we have revisited this topic by asking panellists to what extent they have found that EU enlargement has actually presented new opportunities to use different sources of supply and new markets for their businesses.

Although back in May 2004 not many respondents could see the EU enlargement being the means of opening up new markets to them, after the experience of the last 2½ years enthusiasm has become even weaker. Over time the panel of respondents changes but 81 responded to both the May 2004 and the November 2007 surveys. Comparing the responses of this subset of respondents shows that very few of these businesses have yet found EU enlargement to be beneficial:

Opportunities for New Markets



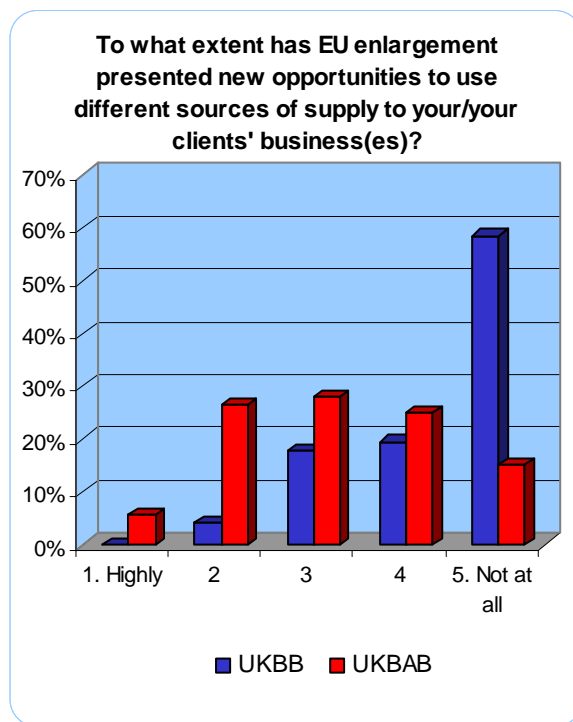
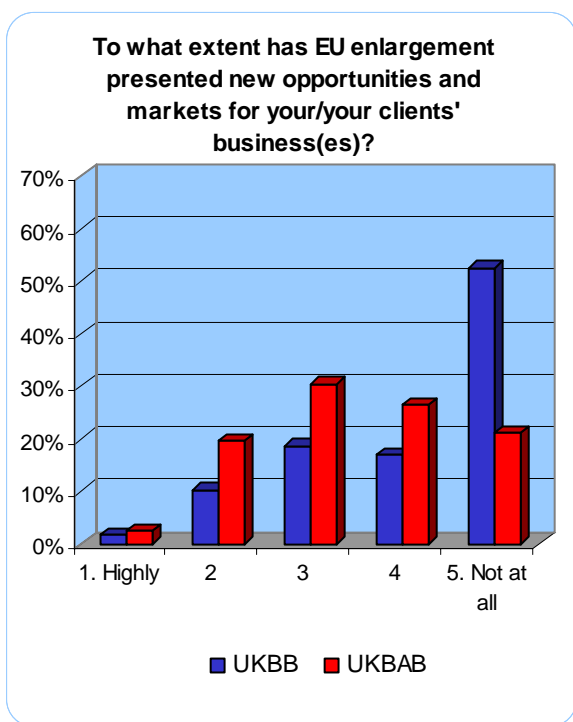
Opportunities for New Sources of Supplies



We also asked business advisers, through their own specialised survey, the UK Business Advisers Survey, about the opportunities for their clients in terms of new markets and sources of supply.

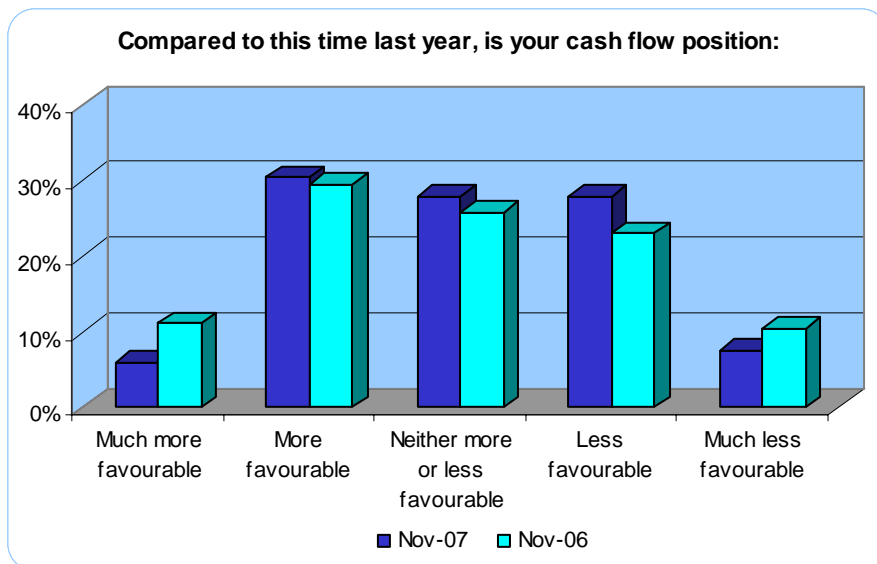
There was a marked difference between the results from the two surveys, with 52% of UKBB respondents saying that the enlarged EU has presented no opportunities or markets for their businesses compared to only 21% of UKBAB respondents. On the positive side, 12% of UKBB respondents have found new opportunities and markets through the enlarged EU to a high or reasonably high extent, while 22% of UKBAB respondents say that their clients have found the same to a high or reasonably high extent.

A similar contrast was obtained in response to the question about opportunities for sources of supply, where 59% of UKBB respondents said they had found no new opportunities while only 15% of advisers said their clients had found no new opportunities for their businesses. No UKBB respondents said that EU enlargement has presented opportunities for different sources of supply to a high extent and only 4% said this was true for their businesses to a reasonable extent. Advisers were more positive, with 32% saying that for their clients' businesses, EU enlargement has presented opportunities for different sources of supply to a high or reasonably high extent.



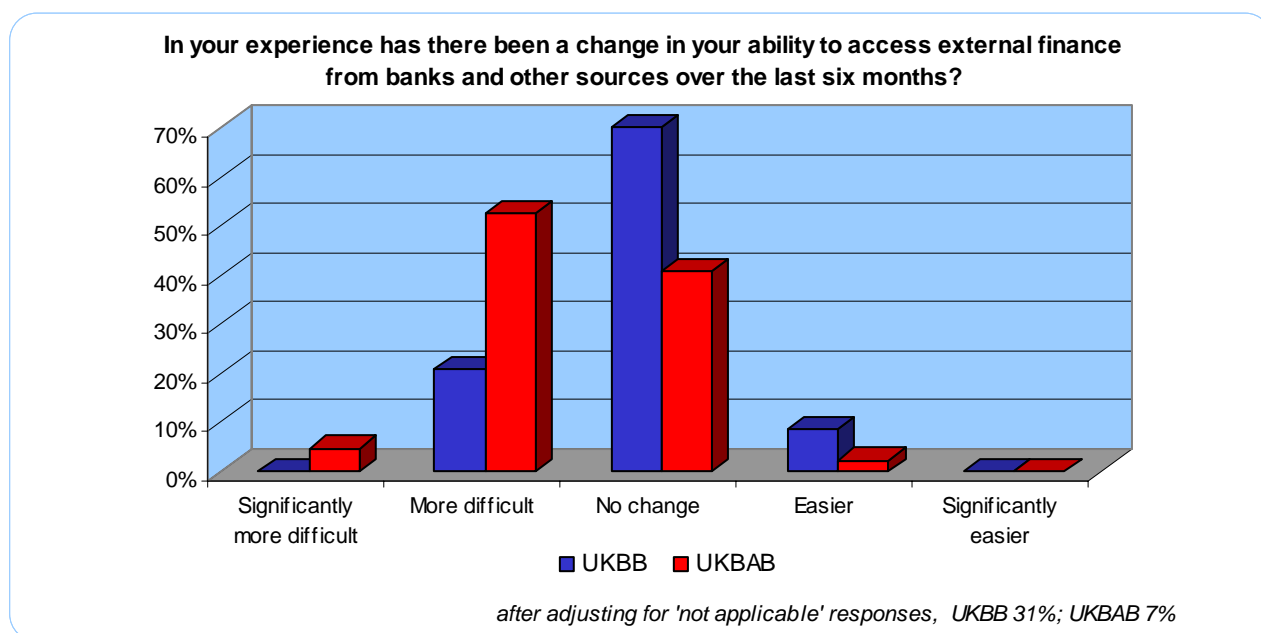
When asked if cash flow is more or less favourable than a year ago, 36% of the respondents to the UKBB said that it was more, or much more, favourable. This compares with 41% in the November 2006 survey. 36% said that it was less, or much less, favourable – 3% greater than the result in last year's survey, and 28% reported no change.

Respondents to the UKBAB, the parallel survey of Business Advisers, were asked about their clients' cash flow positions. Only 10% thought it more favourable, while 42% understand it to be less favourable while 48% said they thought it was neither more nor less favourable.



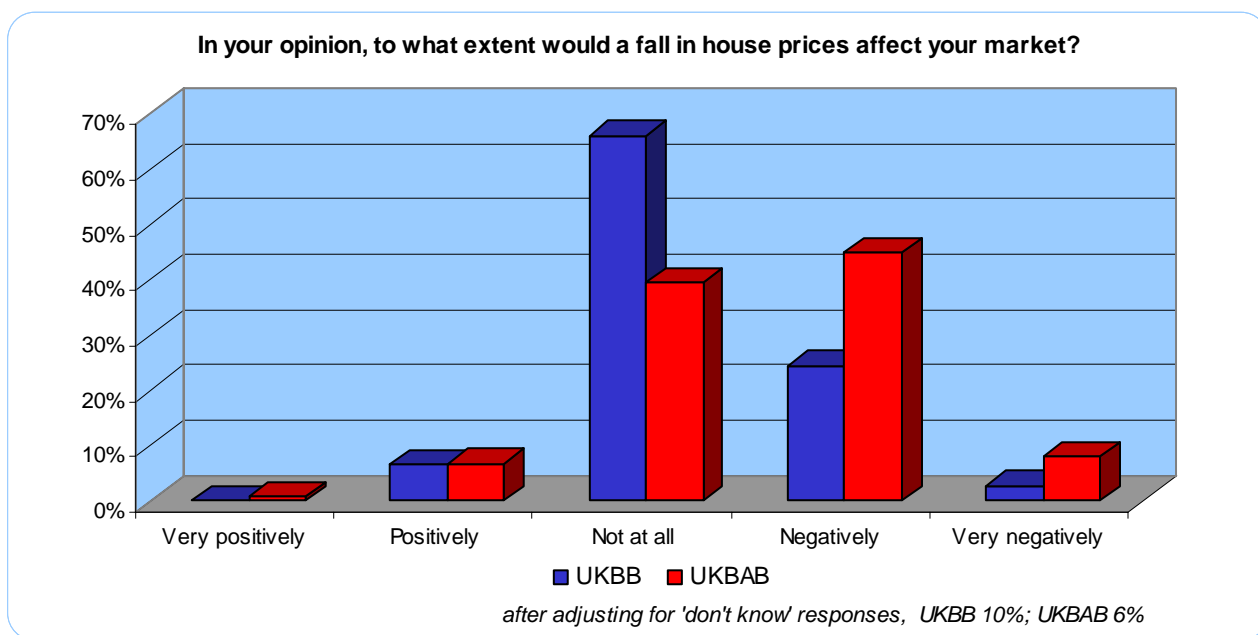
In the October 2007 UKBB survey, panellists were asked to what extent the recent turbulence in financial markets had affected their financial decision making, and 21% said that it affected it to a high or reasonably high extent, although 52% said it had had little or no effect. This month the survey asked about access to external finance and the results revealed that 21% have found it more difficult to raise external finance over the last six months, although 8% report that it has become easier, after adjusting for 'not applicable' responses: 31%.

57% of Business Advisers responding to the parallel UKBAB survey say that their clients have found it significantly more difficult, or more difficult, to access external finance over the last six months, while only 2% say that clients have found it easier.



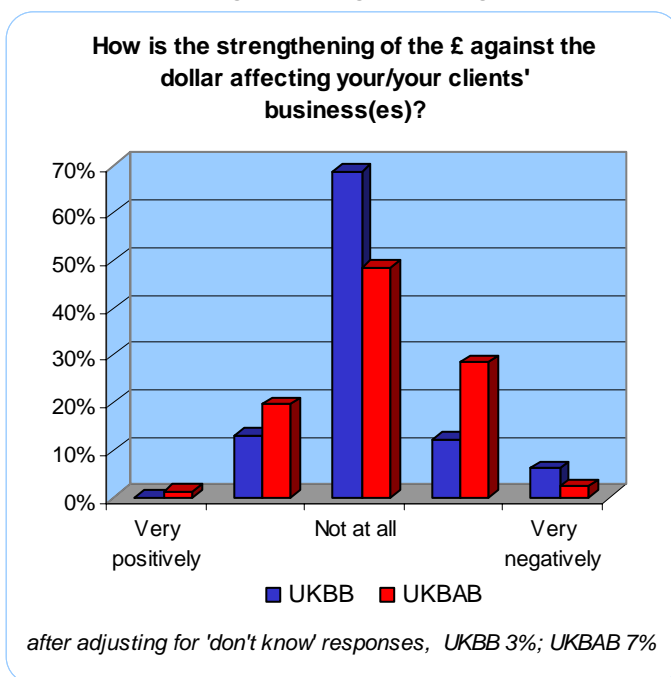
Recently several survey resources have reported falling house prices, including the Halifax Bank and the Nationwide Building Society. The number of new mortgage applications has also fallen. Panellists were asked to what extent they thought that a fall in house prices would affect their market, and in the parallel survey of business advisers, the UKBAB, panellists were asked to what extent they thought such a fall would affect their clients.

After adjusting for 'don't know' responses, 7% of respondents would expect a positive effect on their business and while 66% would be unaffected, 27% say that their market would suffer. Amongst the business advisers responding to the UKBAB survey, after excluding 'don't know' responses, 8% say that their clients would benefit, while 53% think that their clients would be affected either negatively or very negatively. 39% think clients would not be affected at all.



From the beginning of 2007 until early November the sterling exchange rate against the dollar was increasing. Although it has now dropped back slightly it still stands at around 5% above its minimum rate this year. The November UKBB survey asked panellists how this strengthening position is affecting their businesses and participants in the UKBAB, all business advisers, were asked how it affects their clients businesses.

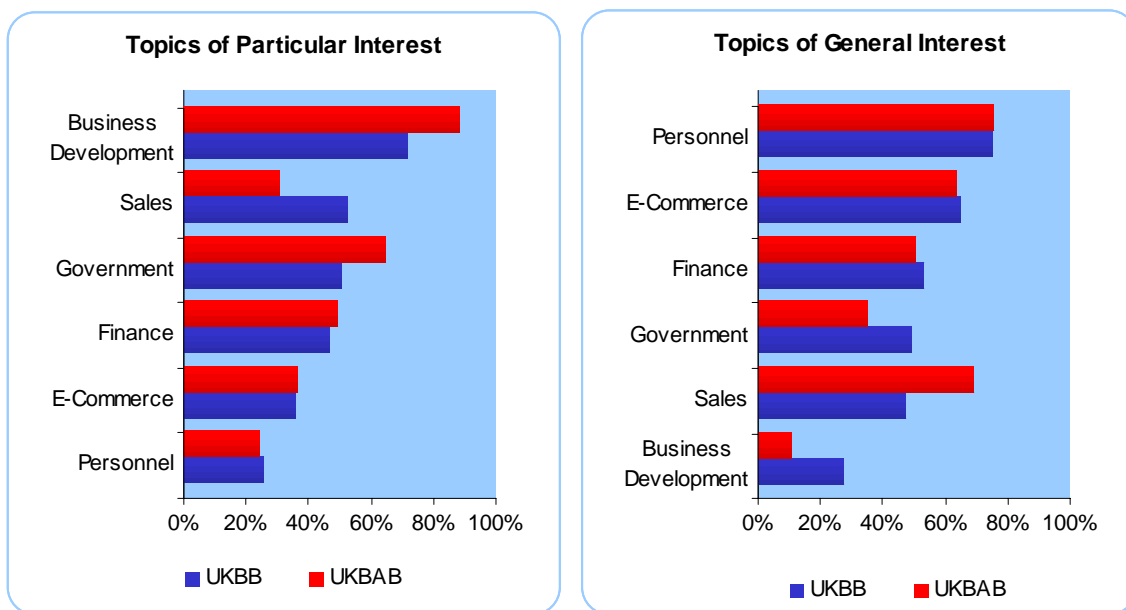
More respondents to the UKBB were affected negatively rather than positively, with 18% on the negative side and 15% on the positive side, after adjusting for 'don't know' responses. More UKBAB respondents also think their clients businesses are affected negatively than positively, with a bigger differential: 21% positive or very positive and 31% negative or very negative, after adjusting for 'don't know' responses.



The November survey, UKBB 114, is to be the last of the monthly surveys. From November

the questionnaire will be sent out every other month, starting in January 2008. The intentions of the survey are to help smaller businesses communicate with national decision-takers on issues which help or hinder the performance of smaller businesses, as well as to provide research staff and business students at the University of Nottingham and others with a readily accessible and very rapid vehicle for asking questions of the smaller business community. For that reason the UKBB software has been developed so that respondents can include other comments and raise issues for follow up in future questionnaires, in the knowledge that these will be reflected in the reports and analyses.

In the November survey a few questions were therefore included relating to future coverage and content. Similar questions were included in the advisers' survey, the UKBAB. One of these asked panellists to rate whether each of six named topic areas are of particular rather than just general interest to them. For both UKBB and UKBAB respondents, the topic of most particular interest is business development, and that of least particular interest, Personnel.



Panellists were also asked if they wished to submit suggestions for coverage of other issues. Responses were received from 35 respondents, related to the following topics:

Aspects of Regulation, legislation and taxation, both UK and EU:	8
Issues relating to the general economy and forecasts	4
Marketing issues	4
Skills & Training	3
Business support issues:	3
Sustainability and recycling	2
I.T. infrastructure topics	2
Research and Technology	2
Innovation/New product development	2
Market distortion (monopsonistic behaviour)	1
Manufacturing and its decline in the UK	1
Impact of different types of shareholders	1
Using Management Consultants in smaller businesses	1
Pre testing of possible government initiatives	1
Local government issues	1
Bank electronic transfer speeds	1

The following suggestions were also received:

More interactive questions relating to businesses key concerns at the time of the survey
 Consider dividing the responses according to size of business

Listed below are some of the personal views supplied in feedback received from respondents to Survey BB114 November 2007

Views expressed are those of individual panellists and may not represent those of the University.

Business Services

We are a small service provider. 50% of our revenue is from exports
Bidding for work in North America has been adversely affected by the weak dollar/strong pound.
Service suppliers from Eastern Europe are beginning to offer competition

Production & Manufacturing

As oil is sold in dollars the strengthening of the pound is helping to offset the rise in transport costs. Well, you have to try and find a small positive in the air of pending doom and gloom regarding our economic future.