

UKBB 119 September 2008 Analysis

In the September survey, we chose to repeat some of the questions from the July edition in order to keep pace with the rapidly changing economic conditions that prevail at present. We also included questions on late payment and bad debt, and on numbers of employees.

About the respondents

The UK Business Barometer surveys the people running small and medium size businesses. In the September 2008 survey, 113 respondents were drawn with the following population characteristics:

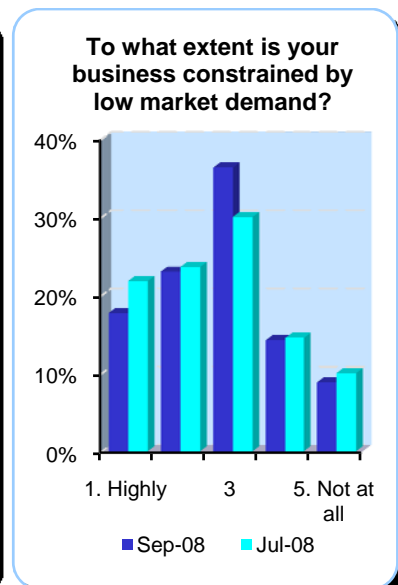
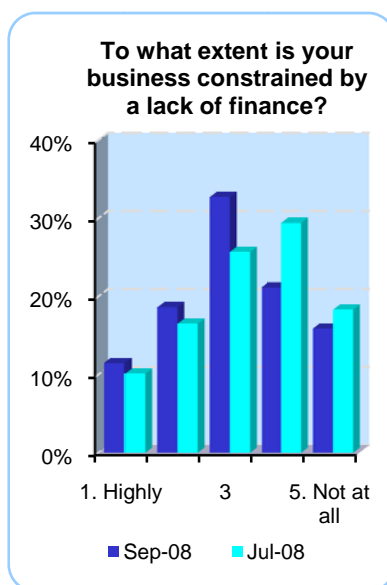
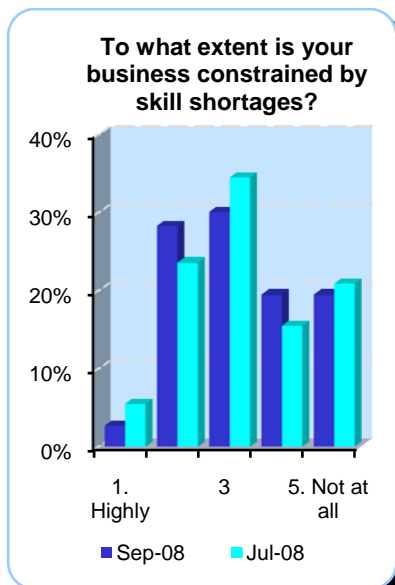
Sector			
Production & Manufacturing	Distribution	Services	Total
22.1%	8.8%	69.0%	100%

Turnover (£)			
< 1M	1M - 3M	> 3M	Total
69.0%	17.7%	13.3%	100%

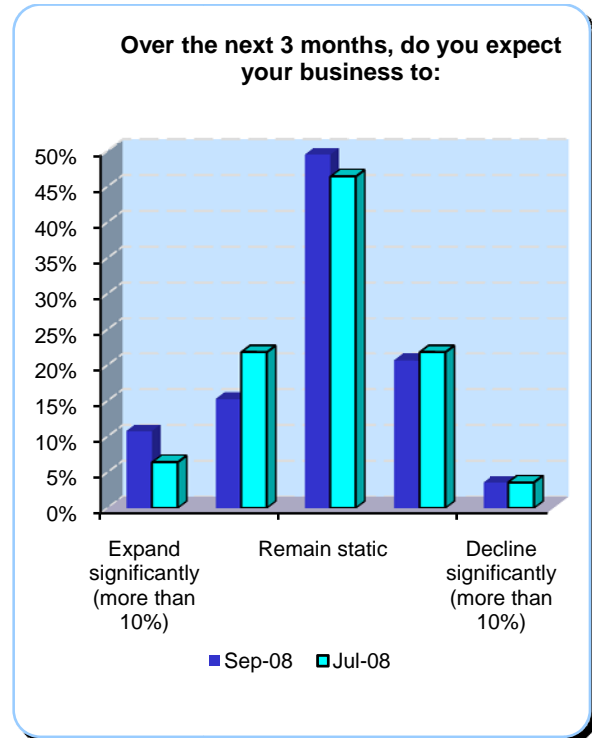
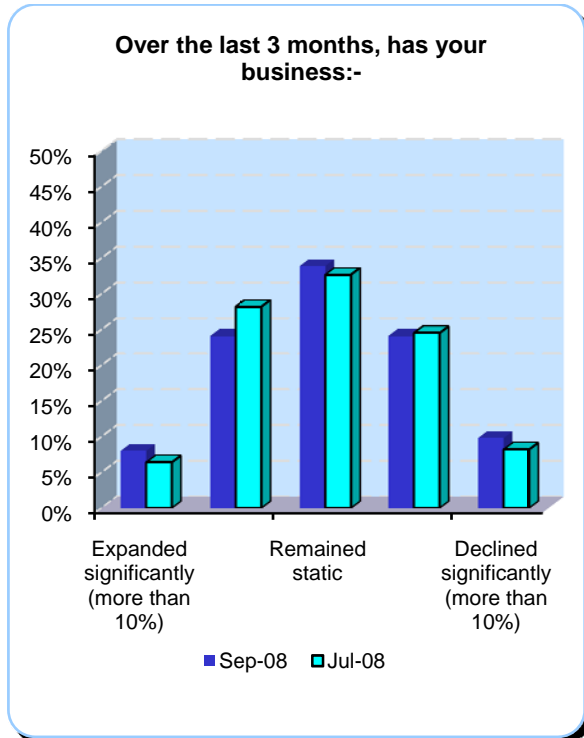
Number of Full-time Employees					
1-10	11-20	21-50	51-100	100+	Total
61.1%	23.9%	8.0%	3.5%	3.5%	100%

Survey findings

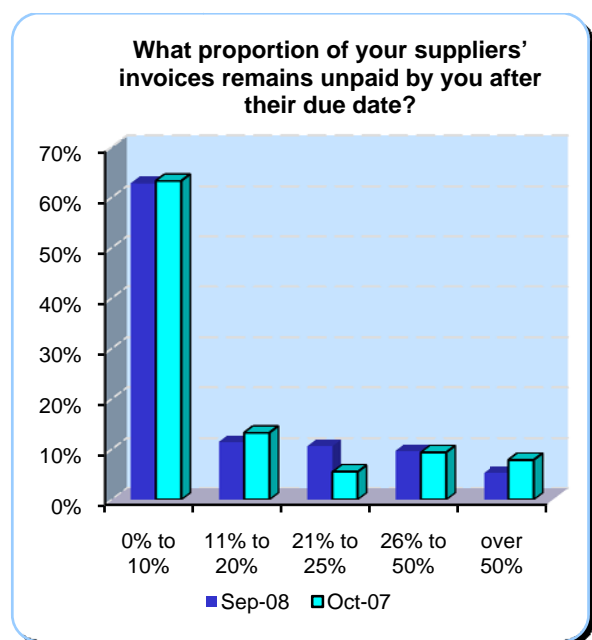
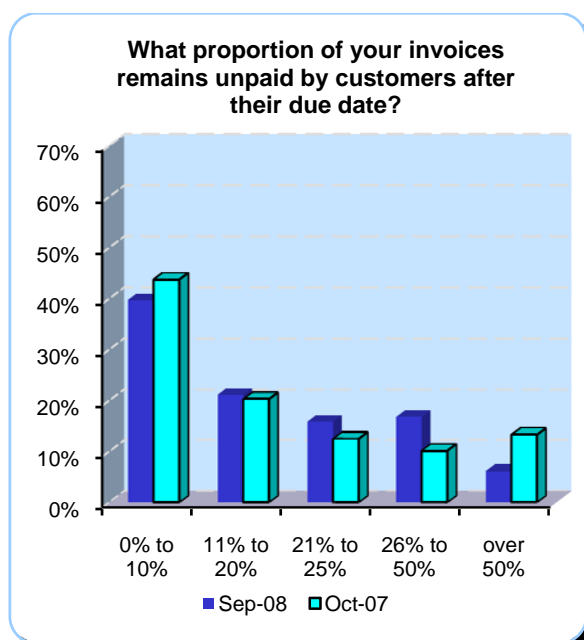
The first three questions asked about causes of constraint upon panellists businesses. The cause showing the greatest change since the July survey was lack of finance, for which the average constraint index increased by 7%, compared to decreases of 1% in the skills shortages index and 2% in the low market demand index. Compared with the index for September 2007, constraint on businesses due to skills shortages has eased by 1% and the index for Lack of Finance eased by 2% over the same period. The index for constraint due to low market demand increased by 5%, September 08 on September 07.



The following two questions addressed recent and coming short term growth. In terms of past quarter growth, there have been small changes since July, but dramatic changes are not expected over the next three months compared with expectations in July. There was an overall shift in the balance between expansion and decline over the last three months, from +2% to -2%, but the balance of expectation over the next three months remained positive, shifting from +3% to +2%.

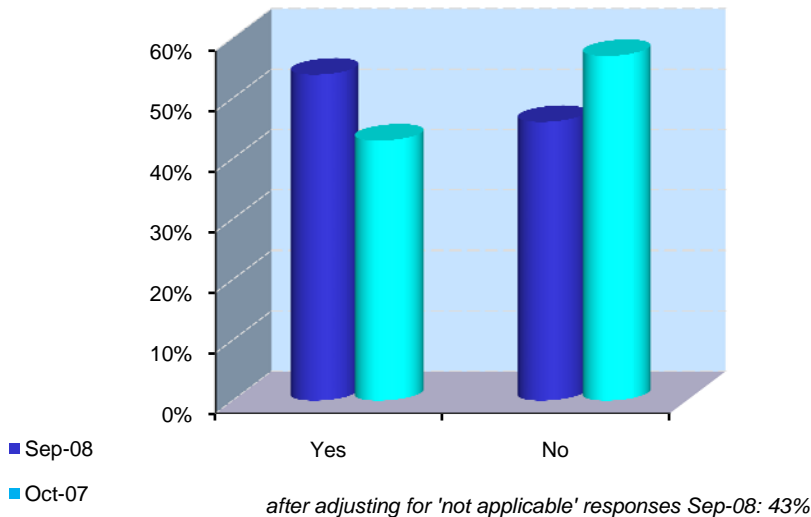


For smaller businesses cash flow is critical. In the October 2007 survey when this question was last asked, 36% of respondents said that more than 20% of their invoices are unpaid by their due date, and this has increased to 39% this time.. In terms of paying suppliers, 26% of respondents say they have more than 20% of invoices outstanding at the due date. This is an increase of 3% from the 23% found in October last year.



A year ago the Chancellor, Alistair Darling, said that the UK economy's growth had been damaged by this summer's financial turmoil and the UK growth forecast for 2008 was reduced for the pre-budget report. The global credit crunch and the weakening US housing market were the prime factors that were likely to make it harder and more expensive to borrow money in the UK.

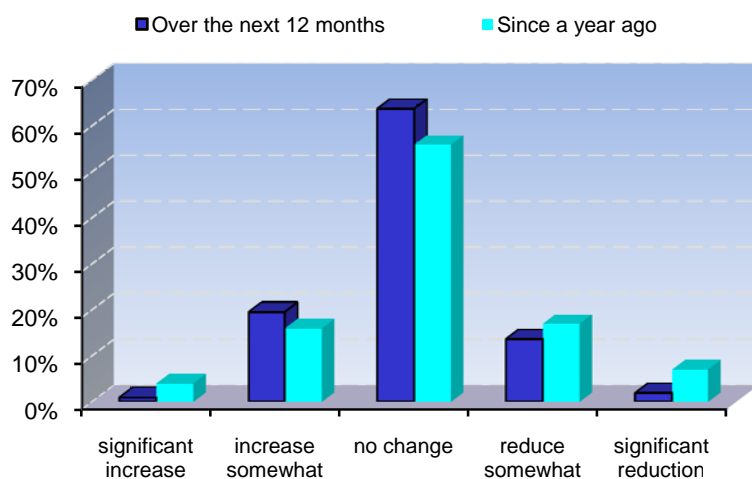
Do you anticipate a lower reliance upon debt finance in the future even if this would be at the expense of the growth of your business?



After a year of living with the credit crunch, 54% now say they will rely less upon debt finance in the future, even if at the expense of the growth of their businesses. This compares with 43% in October 2007, and is after adjusting for 'not applicable' responses.

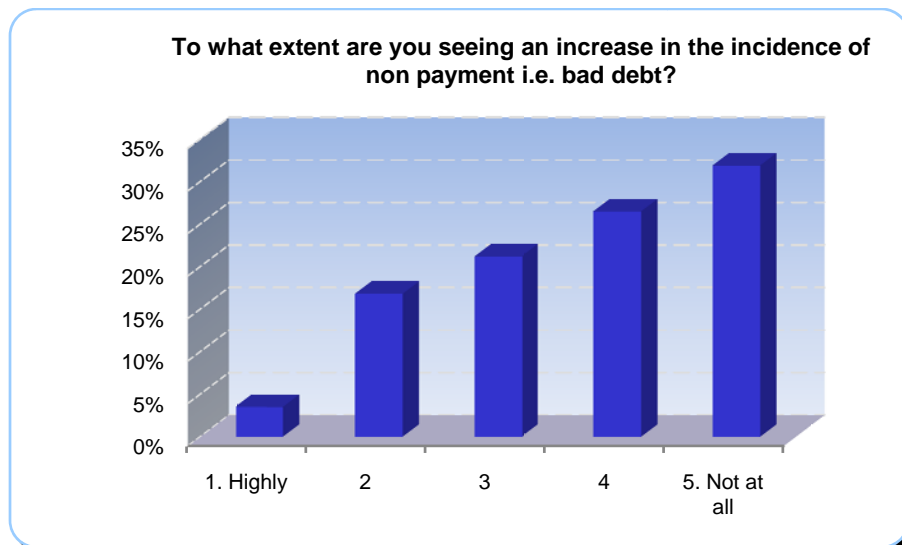
Over the last year 20% of respondents have increased the number of full time equivalent (FTE) employees in their businesses, while 24% of respondents have reduced FTE numbers. Looking forwards 12 months, 21% of respondents expect to increase FTE numbers while 16% expect to see reductions, all after adjusting for 'not applicable' responses.

Changes in numbers of Full Time Equivalent employees



after adjusting for 'not applicable' responses: Past year: 11%; Coming year: 8%

20% of respondents say they are seeing an increase in bad debt to a high or comparatively high extent. A further 21% are experiencing a lesser degree of increase in the incidence of non payment and 58% are only seeing low increases or no increase at all.



Since Government and other commentators have been referring to the credit crunch for a year now, and world financial systems have sustained multiple major shocks, panellists of this survey were asked how gloomy they perceive the outlook to be for their own businesses. The balance of findings was quite strongly negative, with 22% more choosing 'very gloomy' or 'quite gloomy' than choosing 'quite bright' or 'very bright'.

227 Panellists of the parallel survey of Business Advisers, the UKBAB, were asked how gloomy they perceive the outlook to be for business in general. The balance of findings to this question was much more negative with 66% more choosing 'very gloomy' or 'quite gloomy' than choosing 'quite bright' or 'very bright'

The two sets of results are presented in the chart below.

