

UKBB 122 April 2009 Analysis

The April survey was the second of the quarterly surveys of the UK Business Barometer. This quarter's survey sought views on a range of current issues including "the green shoots of recovery", sources of advice, managing expectations, hours, confidence in suppliers, prices and pricing. The UKBB trends questions were also included.

About the respondents

The UK Business Barometer surveys the people running small and medium size businesses. This analysis is based on submissions to the April 2009 Survey, made up to 19th May 2009. 150 respondents were drawn with the following population characteristics:

Sector			
Production & Manufacturing	Distribution	Services	Total
31.3%	12.0%	56.7%	100.0%

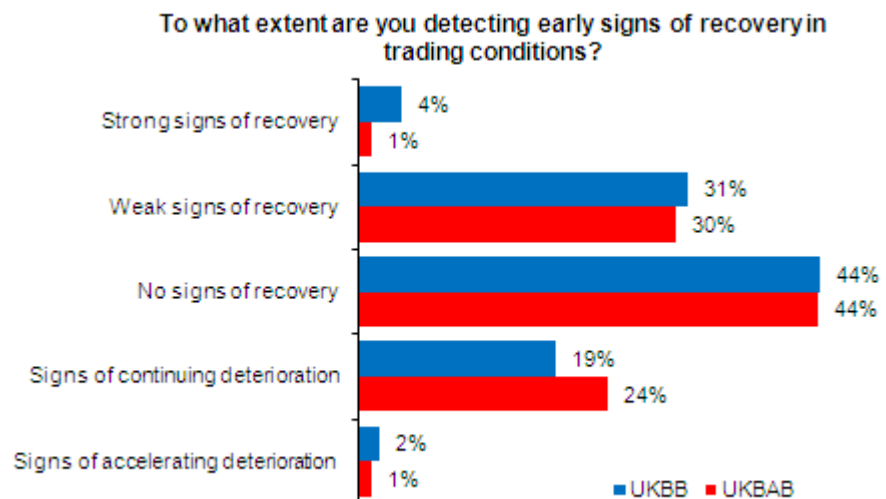
Turnover (£)			
< 1M	1M - 3M	> 3M	Total
70.0%	14.0%	16.0%	100.0%

Number of Full-time Employees					
1-10	11-20	21-50	51-100	100+	Total
68.0%	12.7%	12.0%	3.3%	4.0%	100.0%

Survey findings

The UK has now experienced over one and a half years of 'credit crunch' and negative economic indicators, but recently a few commentators have been mentioning "the green shoots of recovery". For example, some have reported a clear pattern of recovery in the housing market and by the beginning of June 09, the FTSE 100 index had recovered by 27% from its 12 month low in early March 09. However, the May monthly analysis of lending from the Bank of England showed that lending by the six leading high street banks to households and businesses fell between March and April. Businesses also reported higher fees and wider spreads when they renewed credit facilities.

Many smaller businesses have had very difficult trading conditions over this period so the first question tested how the trading environment appears to them to be shaping at this present time. 44% of respondents said

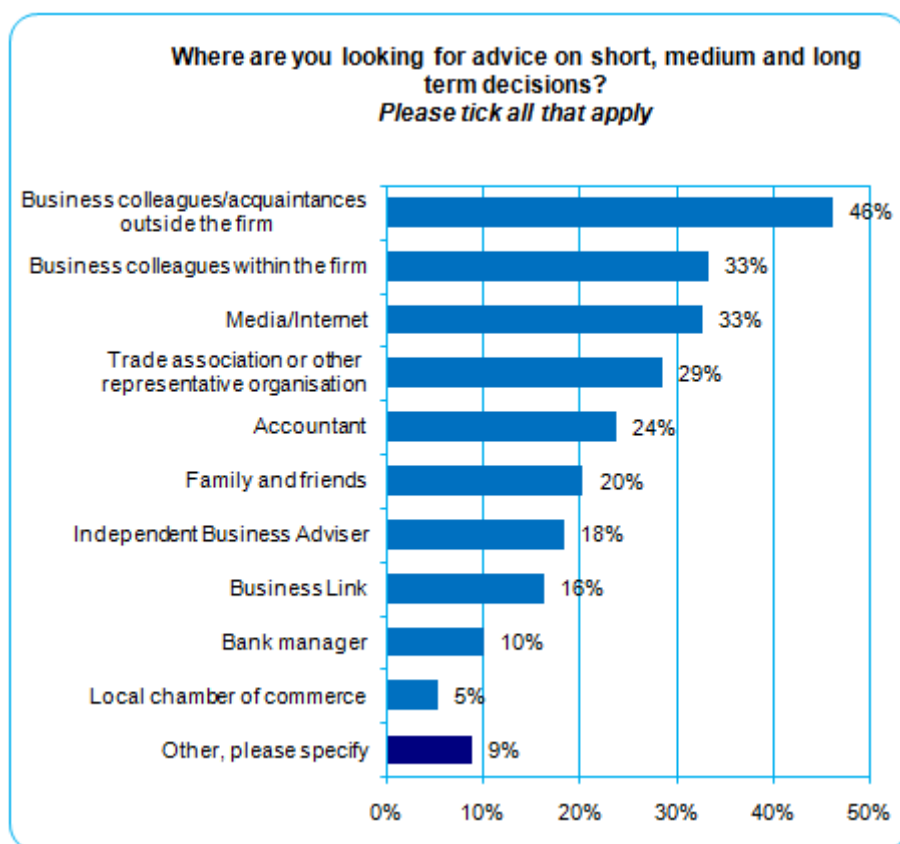


that they could detect no signs of recovery, but amongst the remainder there was a positive balance: 35% of respondents said there were signs of recovery while 21% still perceive signs of deterioration.

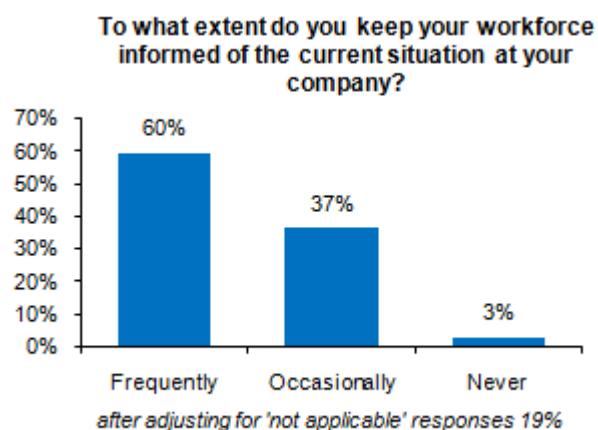
The UK Business Advisers Barometer, running in parallel to this survey, asked its panel of business advisers to what extent they detected early signs of recovery from their clients. Results were quite close to the UKBB results, with 44% noticing no signs of recovery, but 31% did report signs of recovery from clients while 25% observed signs of deterioration.

Many businesses have needed to rethink plans and strategy to survive over this period. Respondents reported a variety of resources used for advice on business decisions. Nearly half included business colleagues or acquaintances from outside the firm and one third said they turn to colleagues within the firm. A similar number use the internet and/or other media for guidance.

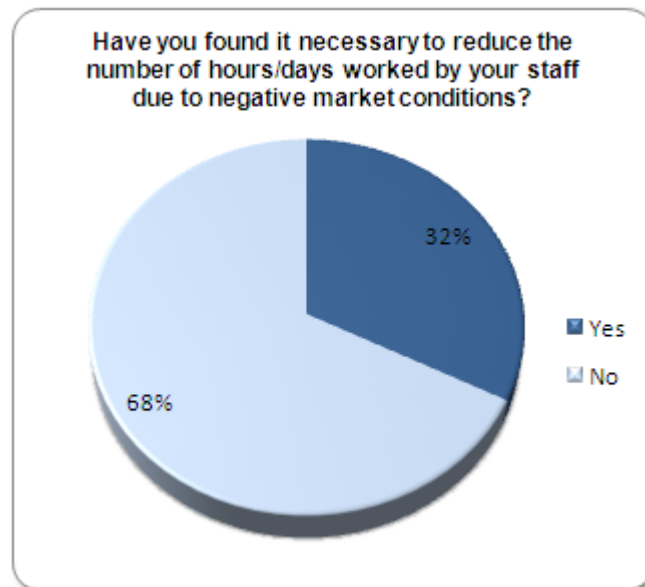
9% used other resources as well. Amongst those listed were the Bank of England and bank economists, BGP (Business Growth Partnership), FSB (Federation of Small Businesses), Midlands Excellence, Networks, and Suppliers.



There has been an increased awareness of current economic conditions amongst the general workforce, which in some firms has brought redundancies, cuts in working hours or reductions in pay. Survey participants were asked, in terms of managing the expectations of employees, to what extent they keep them informed of their business's current situation. 60% of respondents do so frequently and 37% occasionally.

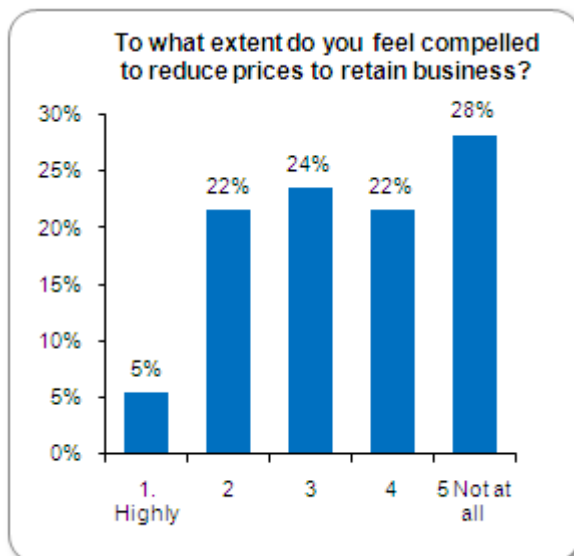
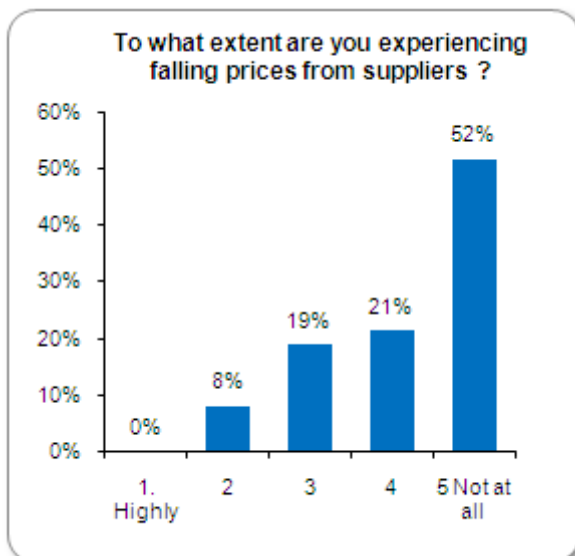


Many businesses are searching for ways to survive the recession while avoiding losing skilled staff and without incurring the costs of redundancy pay. 32% of respondents have reduced the length of the working week for their staff. Many businesses have sought advice from advisers before taking this step. The parallel UK Business Adviser Barometer survey found that 55% of responding business advisers have seen an increase in the number of businesses seeking advice on reducing the number of hours/days worked by staff.

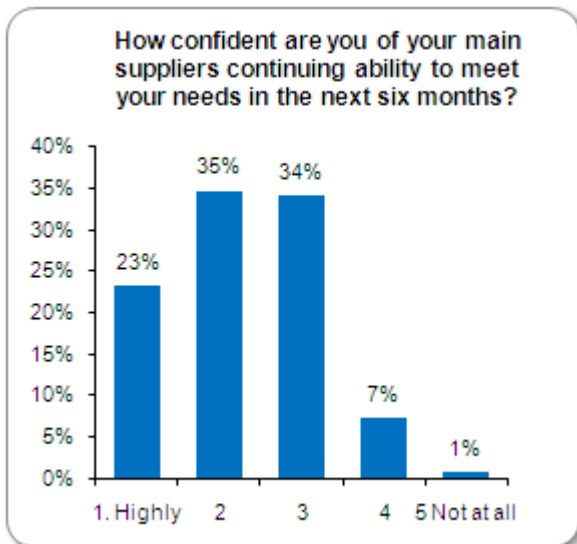


In spite of the economic climate, less than half of the respondents are finding that they are able to obtain keener pricing from their suppliers. None of the 48% who are benefitting from falling supplier prices rate this as being to a high extent.

The situation is not mirrored on the sales side, where 27% of respondents feel compelled to a high or moderately high extent to reduce prices and only 28% do not feel the need to reduce prices at all.

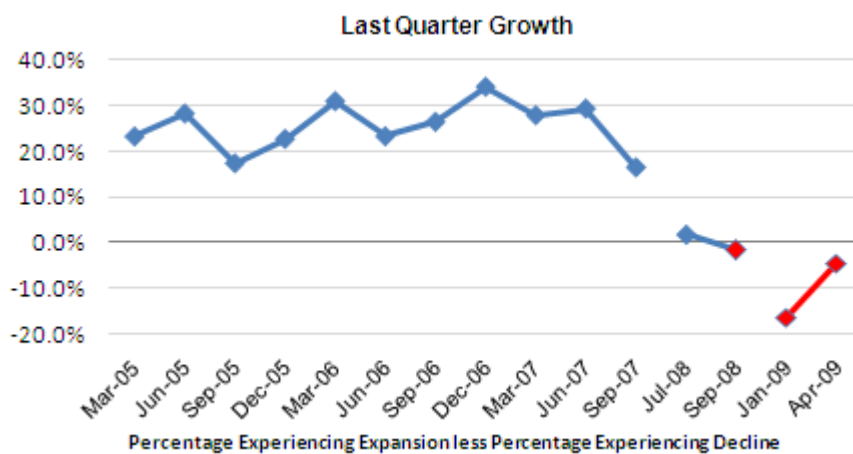
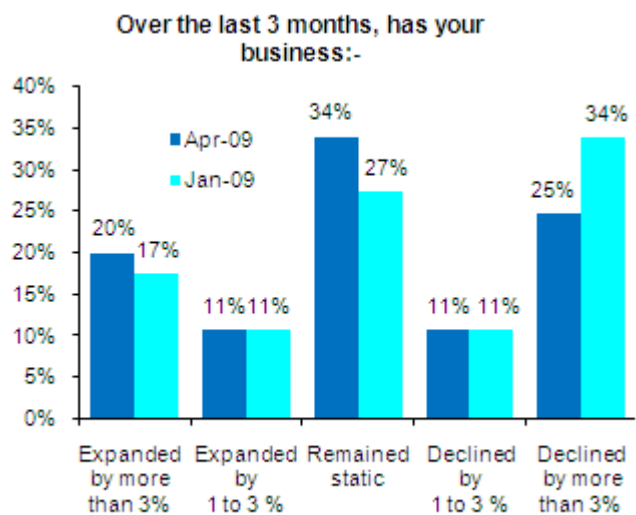


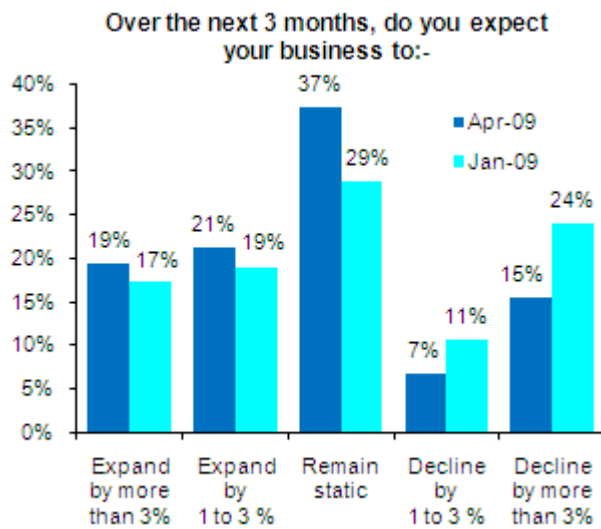
In terms of confidence in suppliers reliability over the next six months, 58% of respondents are highly or reasonably highly confident that their suppliers will continue to be able to meet their needs, but 8% are either not confident or are hardly confident about this.



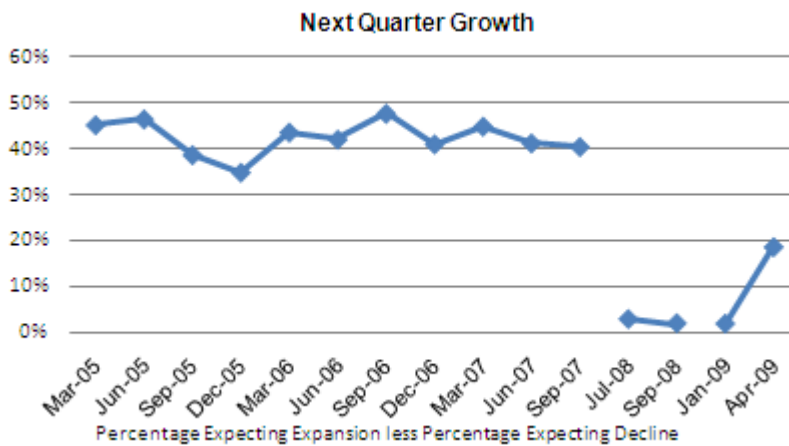
Growth over the previous three months and the next three months

The balance of growth over the last quarter was again negative although less so than in January 2009, with a total of 35% of respondents experiencing a decline compared to 31% experiencing an expansion. The results from 2008 onwards contrast sharply with previous results, first tipping into negative growth in the September 08 survey.



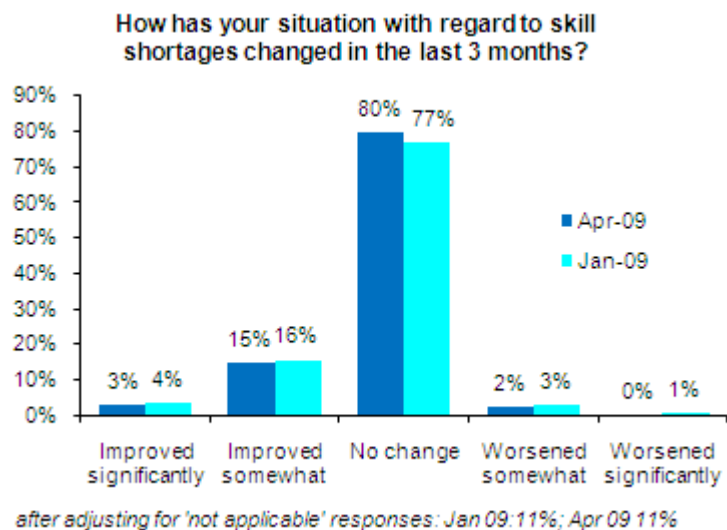


For expected next quarter growth, the balance is much more strongly positive, with 41% expecting to expand while 22% expect to decline. The balance is a positive 18%, well up on the preceding three surveys which contrasted so markedly with expectations found in surveys up to the end of 2007.

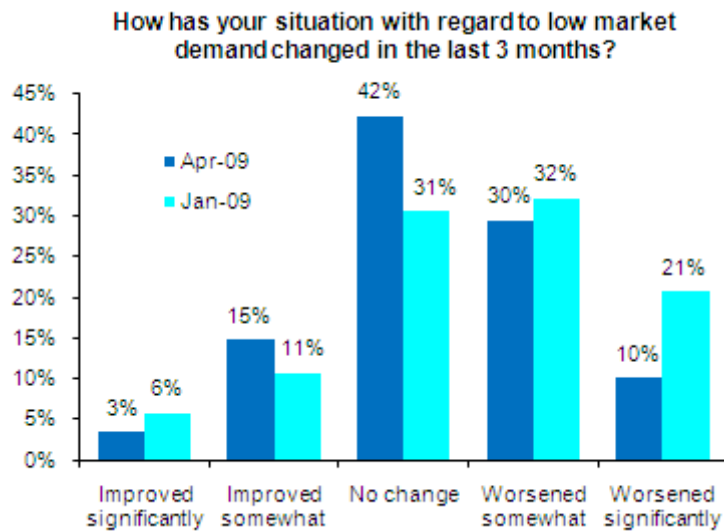


The final set of three trends questions all yielded results very close to those found in January 2009.

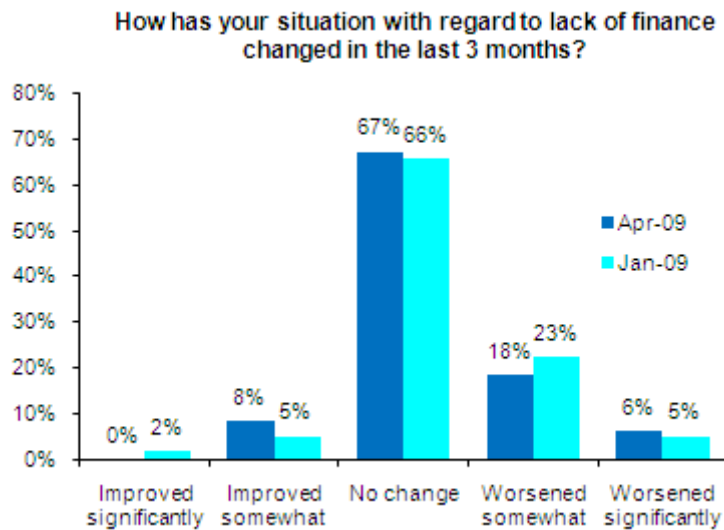
Even during this period of recession skilled workers have continued to change jobs, and there is an increased risk of losing skilled workers when a company puts employees on short-time working. However, amongst respondents to this survey, 80% said that the skills shortage situation in their own business had not changed in the last three months and 18% reported an improvement in their position.



40% of respondents say that their situation with regard to low market demand has worsened during the last three months, although 18% have experienced an improvement. 42% have had no change. This is a slightly more encouraging result than in January when 53% said that market demand had worsened.



67% of respondents say that their situation with regard to lack of finance has stayed the same over the last three months, but 24% have found that it has worsened for them and only 8% have perceived an improvement.



Listed below are some of the personal views supplied in feedback received from respondents to Survey BB 122 April 2009.

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

- As Accountants we have an insolvency department. It is very very busy at the moment. Other departments are slightly quieter. But overall the business is up slightly. As the survey asks for overall this is what I have given.
- Bad debts is probably the biggest worry and it is not covered by the survey.
- As part of my business involved business dispute resolution I expect to see a growth as times worsen for my customers and they seek the use of my services to resolve B2B disputes.

- Banks are being particularly difficult to deal with and not helping the situation.
- By recovery, I mean that we are up on where we have been more recently, but we are still some considerable way below where we were when this all started.
- Little evidence of recession in public sector client's demand for support in the medium term
- Main issue is the increased number of competitors, and large firms that would not normally compete for small contracts starting to do so. There is a lot of work out there, but a lot more people chasing it. With clients mainly in the public sector, they have money to spend, but seem to be less able to make a decision quickly or in good time, and are less sure of what they really want.
- Mine is a very seasonal business (boarding kennels), so I have answered the questions on a year-on-year basis, rather than strictly what has happened in the last three months, because I always expect business to improve in the season from mid-April to end September.
- MPs need to set a better example
- Re question 4. We have NOT reduced hours/days of working but we have made one person redundant as a result of continued reduced work.
- The biggest problem we face is the falling pound against the Euro. We have seen an increase in the cost of parts from Germany and France of up to 25% over the past 6 months. 12.9% last Oct, 4.9% Dec, 7.9% Mar. We cannot source these parts in the U.K. and cannot keep absorbing increases indefinitely.
- The media in my view have been about 80% responsible for creating a so-called recession and panicked everyone into changing their buying habits. I think probably the greater threat though is Swine Flu - again not the flu itself, but the panic that the media are creating. My staff looked petrified yesterday about this. How soon before we're told not to go to work or not to go out to meetings? If this arises, due to panic about a handful of cases, it could have serious impacts on business in the UK. Something really does need to be done about the irresponsible nature of the press. Much as I'm in favour of free speech, the media cannot be allowed to go on creating excessive panic in order to sell newspapers and attract people to their 24 hr news channels!!!
- We are in a niche market that has not been that badly affected - we have however expanded our marketing push to other areas that can use our services
- We are in the souvenir market and with more people staying in the U. K. for holidays and the low price of the pound encouraging foreign visitors we are busy. The extra business appears to come mainly from the south east attractions at this time.
- We are just about to go live as an internet company. We are designer/makers so please bear this in mind when you note our survey. I have had to use answer 3 a lot as we have no trading figures as such. But in the next 3 months we certainly shall.
- We have diversified which is why business is up. We have zero access to any form of business credit
- We hit the downturn last August and it was severe for about six months - we are now seeing an upturn. The speed at which the recession is going through the economy is much faster than commentators are talking about. Perhaps this is because of the internet and a global economy which runs at much faster rate than in any previous recession.
- You have asked all these standard commercial questions but the key question is missing:

The UK government has maxed out its credit limit and is now printing money. The next significant action it takes will be bad for the economy. What impact will that have on your business?