

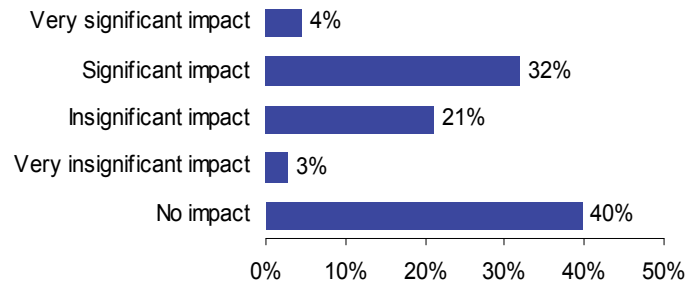
> JULY 2008 EDITION — KEYNOTES FROM MAY 2008 - BB117

What if there were no more interest rate cuts for the next two years?

“We are travelling along a bumpy road...”

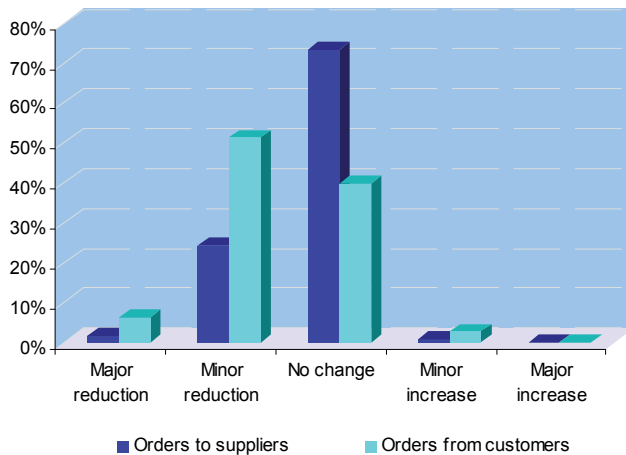
Referring to the May 2008 Quarterly Inflation Report, Mervyn King said “We are travelling along a bumpy road as the economy rebalances. Monetary policy cannot, and should not, try to prevent that adjustment”. This has been interpreted by many as an indication from Mervyn King, the governor of The Bank of England, that there is not likely to be another cut in interest rates for two years.

In itself, how significantly would the effective removal of interest rate reductions impact upon your business?



The impact upon your business? - When asked about this possibility (the effective removal of interest rate reductions), 40% of respondents think that there would be no impact on their businesses, but 36% of respondents are clearly concerned by the situation 32% saying that they think there would be a significant impact and 4% that there would be a very significant impact on their businesses. One respondent commented that the impact on his/her business would be large and positive, because of his/her significant cash surplus.

How Mervyn King's views may affect business orders



The effect upon business orders?

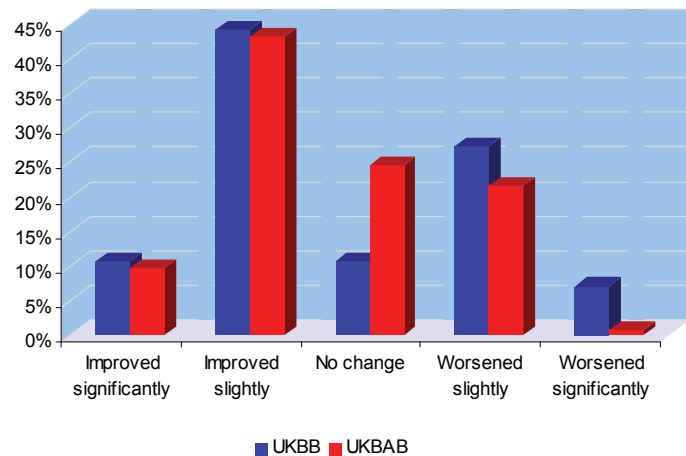
Order levels, both with suppliers and from customers, are major indicators of firms' expectations of performance. In terms of orders from suppliers, the vast majority (73%) say they are not expecting to change their short term plans although 24% say they will make minor reductions in order levels. However, respondents were less optimistic about orders from customers: 51% expect minor reductions and 6% expect major reductions.

Business performance and potential problem areas.

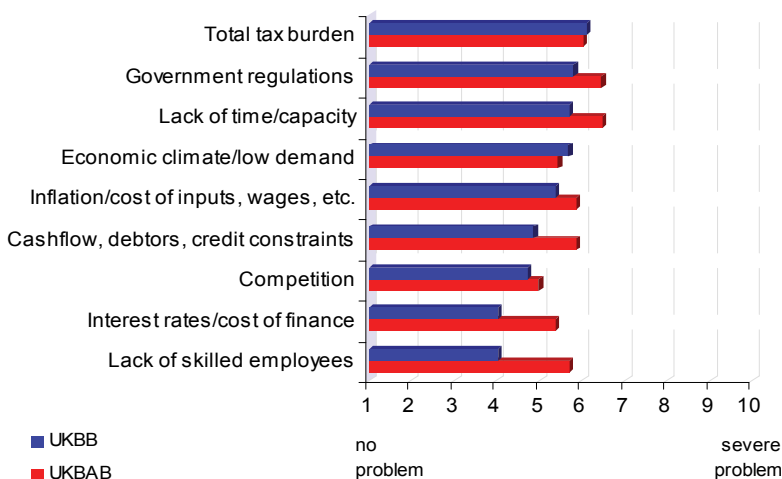
Business Performance over the last 12 months

Over half of the UKBB respondents say that their overall performance has improved over the last 12 months. 11% say the improvement is significant and for 44% it is slight. Against this, 27% found that business performance has worsened slightly with 7% saying it had worsened significantly. In the parallel survey of **business advisers**, the UKBAB, advisers were asked how their client's overall business performance had changed over the same period. For those improving, the results was fairly similar to that of the UKBB panel. However, more (25%) reported no change and only 22% said there had been any degree of worsening in clients' performances.

Change in overall business performance over the last 12 months



Comparison of relative problem areas for businesses *



Potential Problem Areas for Businesses

Businesses were also asked to rate potential problem areas on a scale from 1 to 10 and advisers were asked to do the same for their clients' businesses.

The areas emerging as the greatest overall for UKBB respondents were the tax burden, followed by government regulations, while the economic climate/low demand came fourth, after lack of time/capacity. The areas of overall least concern turned out to be Interest rates, the cost of finance and lack of skilled employees.

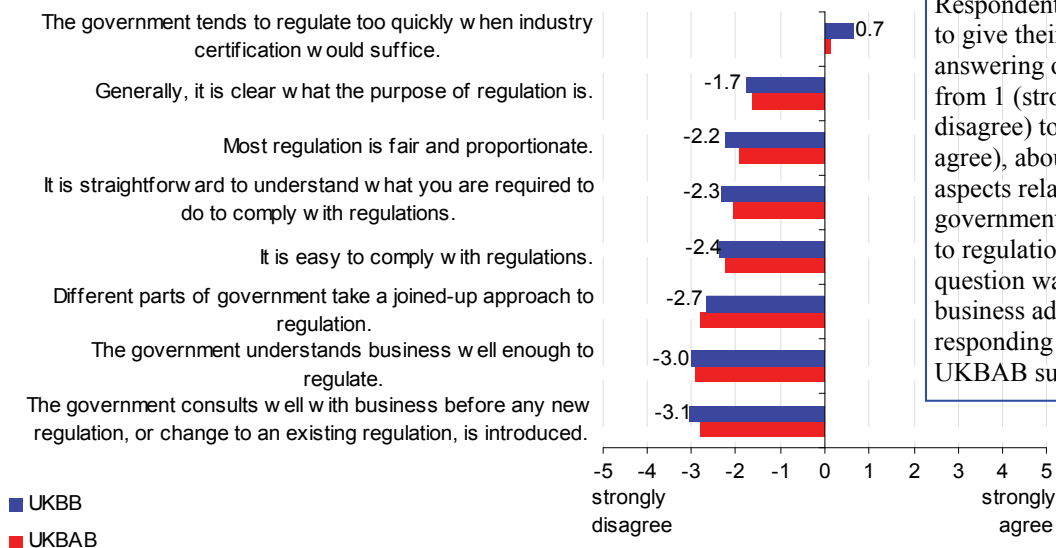
Business advisers tended to choose higher ratings across the board, but comparing the overall ordering of the different areas, UKBAB respondents produced lack of time/capacity as giving the most concern, with government regulations following and the total tax burden in third place.

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Three years on from the Better Regulation Executive, you have your say on the government’s approach to regulation

The Better Regulation Executive (BRE) was established within the government’s Cabinet Office in May 2005, to lead a programme of regulatory reform. BRE was transferred to the Department for Business Enterprise and Regulatory Reform (BERR) when it was established in June/July 2007.

Comparison of views about the government’s approach to regulation *



Respondents were invited to give their views, by answering on a scale from 1 (strongly disagree) to 10 (strongly agree), about a number of aspects relating to the government’s approach to regulation. The same question was asked of business advisers responding to the parallel UKBAB survey.

Your verdict

There were only small differences between the average responses of the two sample populations. The chart indicates how far the average views differ from the neutral position of ‘neither agree nor disagree’.

UKBB respondents on average agreed that “the government tends to regulate too quickly when industry certification would suffice” to a greater extent than UKBAB respondents did. With a UKBB sample average of 6.2, this indicates a fairly mild extent of agreement.

On all the other aspects queried, average responses were negative, particularly to the statements “the government understands business well enough to regulate” and “the government consults well with business before any new regulation, or change to an existing regulation, is introduced”. On these two aspects over 40% of UK responses were at the extreme of ‘strongly disagree’.

How could regulation be improved?

Panellists were asked for potential ways of improving their views on regulation. The highest levels of consensus amongst respondents and between the two (UKBB and UKBAB) surveys were for simpler regulations, less frequent changes to regulations and for fewer regulations and these three choices were also the most looked-for improvements to the regulatory environment. The option least favoured by respondents to both surveys was improved inspections – the average responses level from the UKBB was 4.2 and 20% responded “not at all”.

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> JULY 2008 EDITION — QUESTIONS FROM MAY 2008 - BB117

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| <p>Q1. In itself, how significant would the effective removal of interest rate reductions impact upon your business?</p> <p>Q2. In the light of Mervyn King's announcement, will this affect your short term plans in terms of your order levels to suppliers?</p> <p>Q3. To what extent do you think Mervyn King's views may affect the level of orders from your own customers?</p> <p>Q4. How has your overall business performance changed over the last 12 months?</p> <p>Q5. Please rate each of the following possible problems facing your business on a scale from 1 (no problem) to 10 (severe problem):</p> <p>&</p> <p>Q6. Other, please specify</p> | <p>Q7. To what extent do you agree with the following statements about the government's approach to regulation? Answer on a scale from 1 (strongly disagree) to 10 (strongly agree)</p> <p>Q8. How much would each of the following improve your view of regulation? Answer on a scale from 1 (not at all) to 10 (very much)</p> <p>&</p> <p>Q9. Other, please specify</p> <p>Q10. What percentage of your turnover refers to sales to the public sector?</p> <p>Q11. Do you have an assessment/feedback system in place for employees?</p> <p>Q12. When was the last time you had business contact with a university?</p> |
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To view the complete set of results for this and for previous surveys, follow this link:

www.ukbb.ac/UI/surveys.aspx

Sector			
Production & Manufacturing	Distribution	Services	Total
21.2%	8.8%	69.9%	100.0%

About the respondents:

In the May 2008 survey, 113 respondents were drawn with the following population characteristics:

Turnover (£)			
< 1 M	1M-3M	>3M	Total
65.5%	20.4%	14.2%	100.0%



Number of Full-time Employees					
1-10	11-20	21-50	51-100	100+	Total
60.2%	24.8%	8.0%	2.7%	4.4%	100.0%

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Please feed back your thoughts via the following link: www.ukbb.ac/UI/contact.aspx