

**Rising fuel and energy prices take their toll — few able to pass them on.**

Recent weeks have seen rapid increases in fuel prices. Commercial transport has seen bulk fuel prices rising by over 30% in the last 12 months, while pump prices for diesel at the beginning of August were up by 37% and unleaded petrol by 24% compared with 2007.

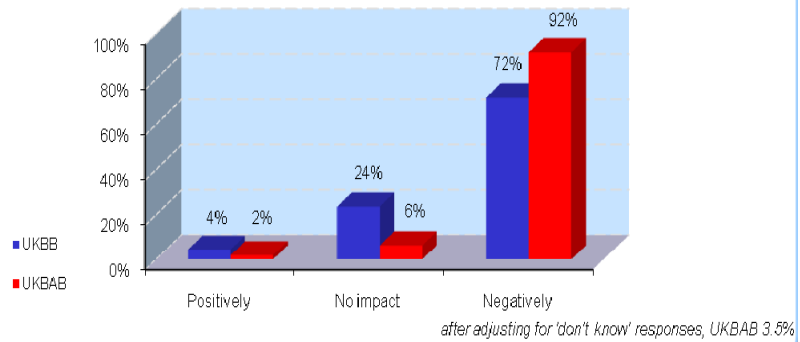
The increases are not bad news for all businesses though with 4% of UKBB respondents saying that the increases had had a positive or strongly positive impact. 24% said there was no impact but the remaining 72% have experienced a negative or strongly negative effect.

One of the respondents for whom increased fuel prices is good news explains: "Increased fuel costs (are) good for our business. Our field service customers need our productivity software more to minimise their journeys."

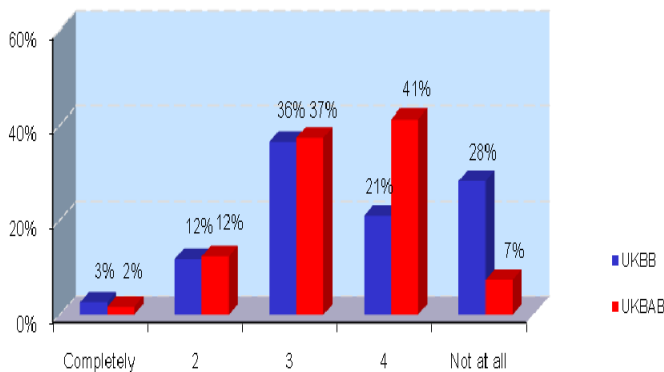
However, another respondent commented "the increase in fuel and the current credit crunch has had a detrimental effect on our customers who in turn are not looking to expand their businesses, which has a knock on effect to our business. There is definitely an underlying current of "lets not spend just in case it all gets worse".

2% of business advisers responding to the parallel UKBAB survey said that their clients businesses were positively affected, but 92% said that clients businesses were slightly or strongly negatively affected.

**UKBB: To what extent has the increase in fuel prices impacted upon your business?**  
**UKBAB: To what extent has the increase in fuel prices impacted upon your clients' businesses?**



**UKBB: To what extent are you able to pass on increases in fuel and energy costs to your customers?**  
**UKBAB: To what extent are clients able to pass on increases in fuel and energy costs to their customers?**



As well as increased fuel prices, announcements have already been made about impending and immediate energy price increases. A major factor on those experiencing or expecting negative impacts is their difficulty in passing on these increases to customers.

This negatively affected group comprised 83% of the 49% of respondents who said they cannot pass on price increases at all or only to a very limited extent. Only 3% are able to pass through such price increases completely.

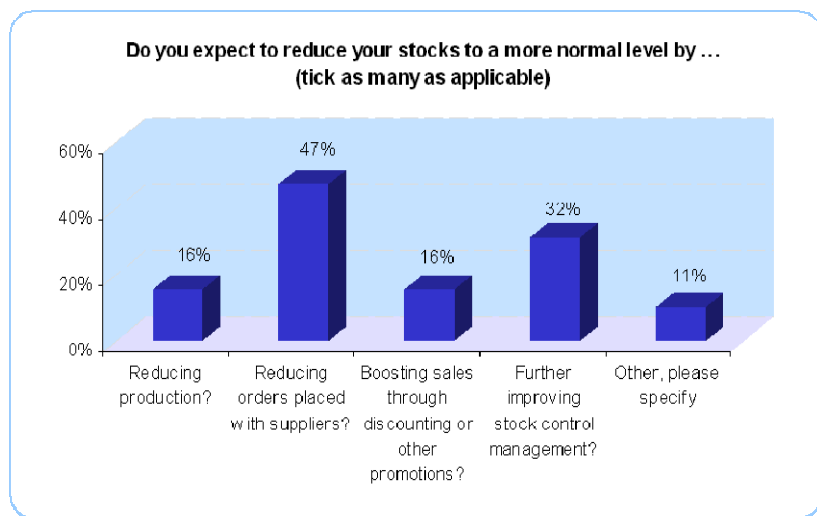
Respondents to the parallel survey of business advisers, the UKBAB, generally thought that some of the price increases could be passed through to customers by their clients, although 7% thought no increases could be passed on.

**Stocks rising for some — how do they expect to reduce them?**

20% of UKBB respondents say that stocks of finished goods have risen either significantly or somewhat, compared to a year ago, although for 71% of respondents, stocks are level with a year ago and 9% found that stocks have fallen either somewhat or significantly.

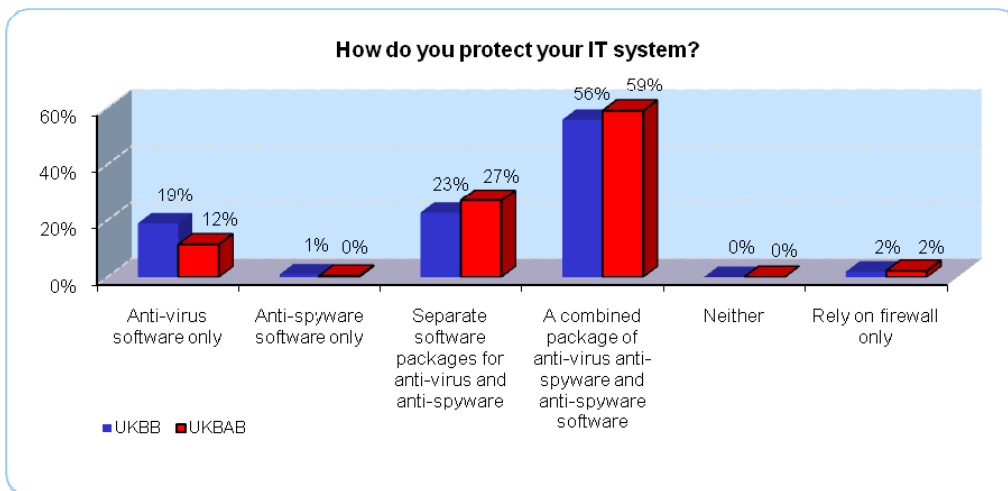
Asked if they consider their current level of stocks is too high, 19% of respondents said 'Yes'.

Of these, 47% said that they would reduce orders from suppliers and 32% said that they would tighten up on stock control management, in order to reduce stock levels.



27% of Business advisers responding to the UKBAB survey said that stock levels have become more of an issue for their clients as a consequence of the recent financial crisis.

**Computer spyware is now reckoned to be more dangerous to businesses than computer viruses**, and yet 22% of respondents to the UKBB and 14% of respondents to the UKBAB only have one component of protection: i.e. they have anti-virus or anti-spyware software or rely on their firewall.

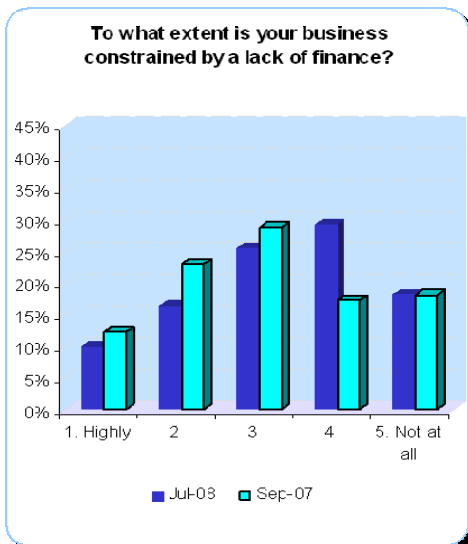
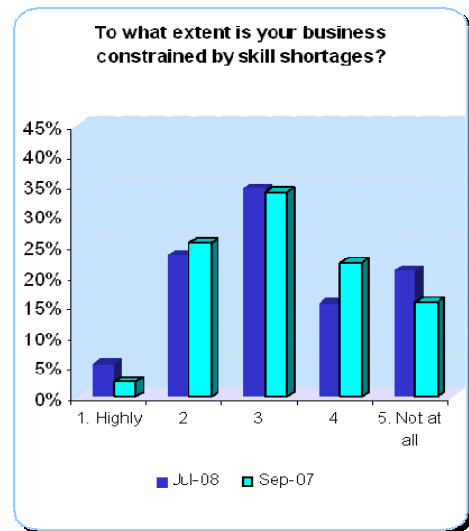


Software combining anti-virus and anti-spyware functionality is the most popular form of protection, with 56% of UKBB respondents and 59% of UKBAB respondents using this type, while close to one quarter of both groups uses separate packages for each.

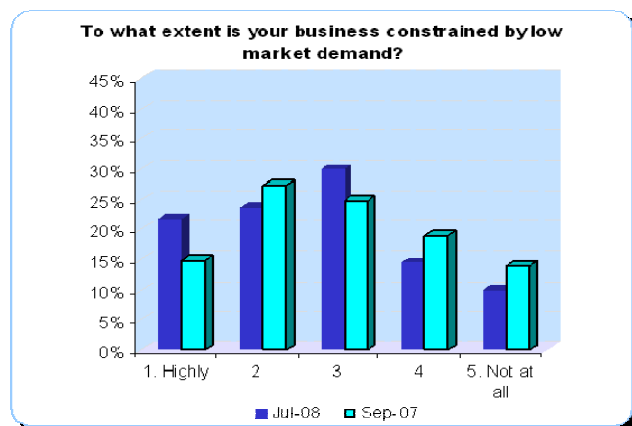
## UKBB Trends — a comparison with Autumn 2007

The UKBB 'trends' questions investigate the major influences on progress of respondents. The findings below reflect respondents' views on skill shortages, shortage of finance and market demand.

UKBB respondents are roughly divided into three nearly equal groups, with a little under one third saying their businesses are constrained by **skill shortages** to a high or somewhat high level, close to one third effectively saying that business constraint due to skill shortage is present but not acute, and over one third saying that skill shortages are not constraining their businesses very much, if at all. This result is relatively close to with last September, when this question was last put, although this time around a higher percentage says their businesses are not at all constrained by skill shortages.



In terms of business constraint due to **lack of finance**, there has been a more perceptible change. A higher percentage is saying that lack of finance is not constraining their businesses at all or not much, pulling the average response down by 8% to 2.71 from 2.94.



Comparing these three attributes, it is clear that skills shortages and shortage of finance are not issues at present for respondents, while low market demand is an issue. The balance of responses between High/somewhat high and Not at all/very little is negative for constraint due to both skills shortages and lack of finance while the balance for constraint due to low market demand is more than in September 2007

**Low market demand** is constraining businesses more than during autumn last year. The average for this increased by 7%. The percentage whose businesses are highly constrained has increased from 15% to 22%.

> SEPTEMBER 2008 EDITION — QUESTIONS FROM JULY 2008 - BB118

- Q1. To what extent has the increase in fuel prices impacted upon your business?
- Q2. To what extent will the expected increase in energy prices impact upon your business?
- Q3. To what extent are you able to pass on increases in fuel and energy costs to your customers?
- Q4. What has happened to your stocks of finished goods relative to sales, compared to this time last year?
- Q5. Do you consider your current level of stocks is too high?
- Q6. If answering 'Yes' to question 5 above, do you expect to reduce your stocks to a more normal level by ...
- Q7. Computer spyware is now reckoned to be more dangerous to businesses than computer viruses how do you protect your IT system?
- Q8. To what extent is your business constrained by skill shortages?
- Q9. To what extent is your business constrained by a lack of finance?
- Q10. To what extent is your business constrained by low market demand?
- Q11. Over the last 3 months, has your business:- (expanded/declined)
- Q12. Over the next 3 months, do you expect your business to: (expand/decline)

### UKBB Trends Questions

To view the complete set of results for this and for previous surveys, follow this link:

[www.ukbb.ac/UI/surveys.aspx](http://www.ukbb.ac/UI/surveys.aspx)

About the respondents:

In the July 2008 survey, 110 respondents were drawn with the following population characteristics:

Sector			
Production & Manufacturing	Distribution	Services	Total
21.8%	10.0%	68.2%	100.0%

Turnover (£)			
< 1 M	1M-3M	>3M	Total
68.2%	16.4%	15.5%	100.0%

Number of Full-time Employees					
1-10	11-20	21-50	51-100	100+	Total
60.9%	23.6%	7.3%	3.6%	4.5%	100.0%

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Please feed back your thoughts via the following link: [www.ukbb.ac/UI/contact.aspx](http://www.ukbb.ac/UI/contact.aspx)

