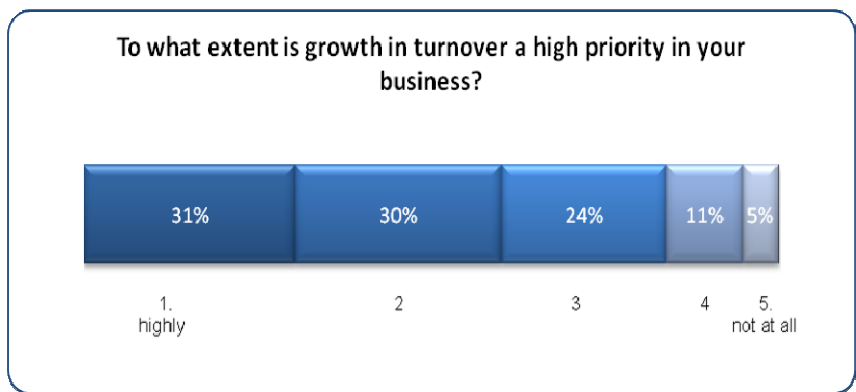


**The November survey looked at debit and credit issues at this time of economic slowdown.**

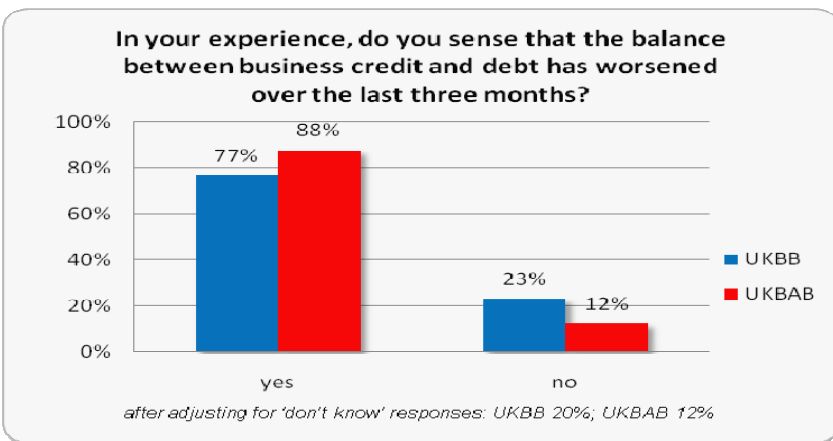
With the downturn in the UK economy beginning to bite, achieving positive net growth may be less of a target for businesses at the moment, rather than simply aiming to survive.

The November survey opened with a question, the responses to which indicated that a large minority of smaller businesses are indeed prioritising elsewhere currently. 61% said that growth in turnover is a high or relatively high priority for their businesses, while 16% said that turnover growth is not at all, or a low, priority and 24% expressed a midway viewpoint.



**Businesses and Advisers reflect on the credit/debt balance**

There has been much media and business organisation coverage about the difficulties being experienced by business, particularly smaller businesses, due to reduction of available credit and increases in late payments.



Panellists were asked to consider whether they sensed that the balance between business credit and debt has worsened over the last three months. The same question was asked of business advisers in the parallel UKBAB survey. Comparing the two sets of very positive responses, a larger proportion of the business adviser respondents think that the balance has worsened over the last three months (approximately September - November 2008) than amongst the smaller business respondents.

**Panellist's view:-**

The banks seem to be tightening their credit even further - a NatWest manager says I now spend all my time telling good prospects that they have been turned down by our credit people. The switch by factoring companies to use LIBOR\* as their base rate means borrowing costs have gone up after the last rate cut.

\* LIBOR - London Inter-Bank Offered Rate. The rate at which international banks lend to each other..

> JANUARY 2009 EDITION — KEYNOTES FROM NOVEMBER 2008 - BB120

**More owed than owing - the specifics for the UKBB panel give cause for concern.**

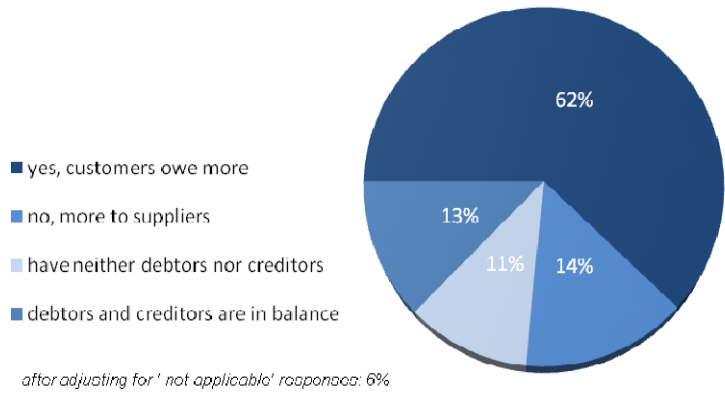
At the level of individual businesses, around 60% of respondents have customers owing them more than they owe to suppliers – a clear cause for concern when cash flow and credit lines are being squeezed. However, nearly one quarter of respondents either have no debtors or creditors, or have a balance between debtors and creditors.

**Panellist’s view:-**

The Credit crunch can be managed by businesses if they focus on the important managing their customer base and suppliers by being more flexible and working in conjunction with both areas.

Panic is not going to help and I advise my clients to write a priority list that should be sensible, workable, achievable and take some of the stress out of the situation. Having defined the above, ask for help and support.

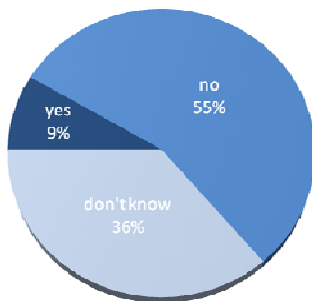
**At present, is your business owed more by customers than it owes to suppliers?**



**Credit availability - little or no support found from banks.**

Between September and December 2008 the Bank of England reduced its Base Rate three times: by ½% on October 8<sup>th</sup>, by 1½% on November 6<sup>th</sup> and by 1% on December 4<sup>th</sup>. This survey went out shortly after the second reduction, which was intended to encourage high street banks to restore provision of credit to businesses and households. Panellists were asked about improvements in bank credit support following the November base rate cut. After adjusting for ‘not applicable’ responses, over half the respondents said there were no signs of increased flexibility or cooperation from their banks, although 9% said they had experienced this.

**Are there signs that your bank is becoming more flexible and forthcoming in its provision of credit?**



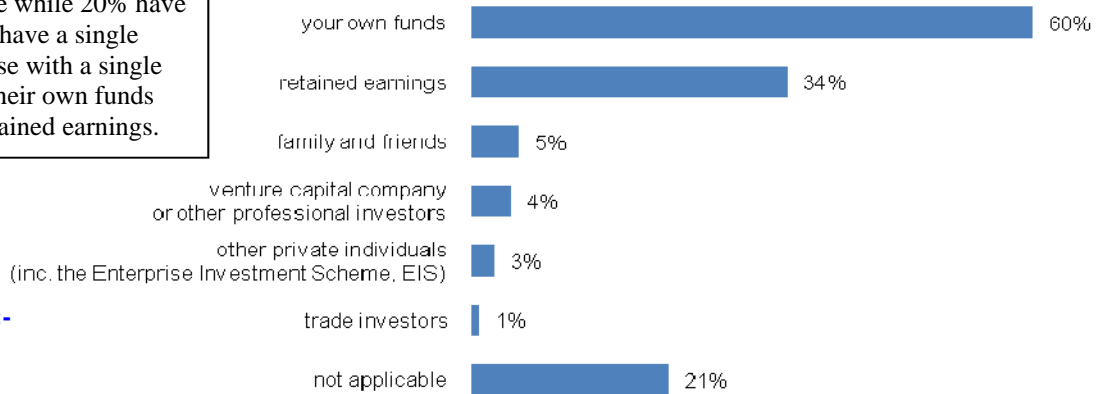
**The Advisers’ view.**

In the parallel UKBAB survey, business advisers were asked if banks generally were becoming more flexible and forthcoming in their provision of credit. 71% of respondents said ‘No’ and only 4% said ‘Yes’.

**Equity and loan funding - the panel report on sources of capital.**

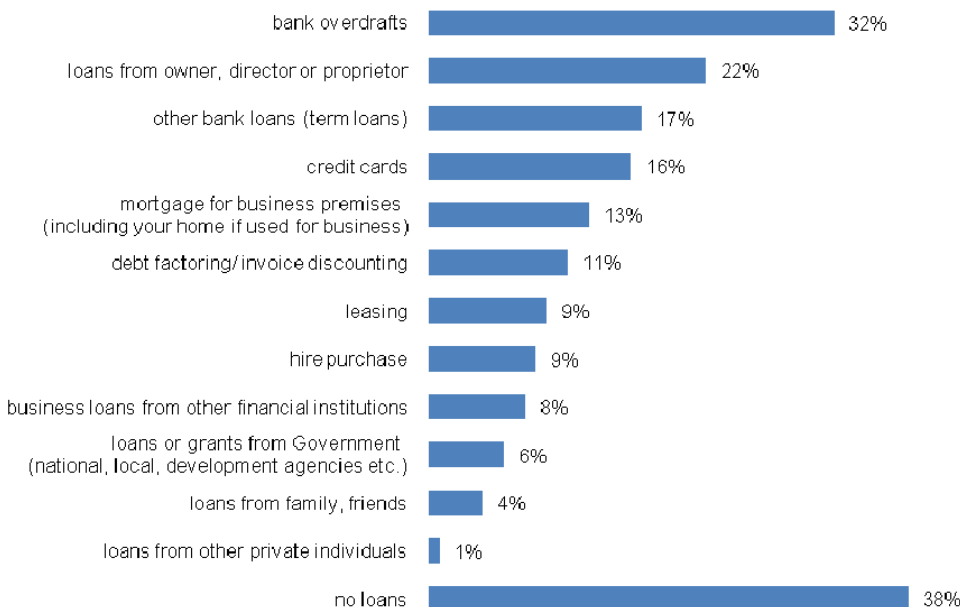
The maximum number of equity sources, indicated by 4% of individual respondents, was three while 20% have two sources and 55% have a single equity source. Of those with a single source, 68% is from their own funds while 25% is from retained earnings.

**Sources of capital attributable to equity**



**Panellist's view:-**

**Sources of capital attributable to loans**



In terms of loans, 38% have two or more types of loan credit, 38% have no loans of any kind (not even a business credit card) and 24% have only one loan source. One third of the 32% of respondents with bank overdrafts also had other bank loans (term loans).

> JANUARY 2009 EDITION — QUESTIONS FROM NOVEMBER 2008 - BB120

- Q1. To what extent is growth in turnover a high priority in your business?
- Q2. In your experience, do you sense that the balance between business credit and debt has worsened over the last three months?
- Q3. At present, is your business owed more by customers than it owes to suppliers?
- Q4. Following the recent 1.5% cut in the Bank of England's base rate, are there signs that your bank is becoming more flexible and forthcoming in its provision of credit?
- Q5. Please indicate any sources of your business capital attributable to EQUITY (i.e. funds attributable to shareholders) which you use at present.
- Q6. Please indicate any of the sources of capital attributable to LOANS which you use at present.
- Q7. Type of change experienced across sales, employment, investment and pricing when you compare the period from July - September 2008 to that of July -September 2007.
- Q8. Type of change expected across sales, employment, investment and pricing .from October- December 2008 to that of July -September 2008
- Q9. Are you more or less likely to take business advice because of the current economic difficulties?
- Q10. Some pundits think that now is a good time to start a business. Do you agree?
- Q11. Recent research shows that as the UK economy shows signs of slowing and shrinking, foreign workers are heading home. How, if at all, is this trend likely to affect your business?

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)

Sector			
Production & Manufacturing	Distribution	Services	Total
19.3%	8.4%	72.3%	100.0%

About the respondents:

In the November 2008 survey, 119 respondents were drawn with the following population characteristics:

Turnover (£)			
< 1 M	1M-3M	>3M	Total
66.4%	18.5%	15.1%	100.0%



Number of Full-time Employees					
1-10	11-20	21-50	51-100	100+	Total
59.7%	24.4%	6.7%	3.4%	5.9%	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)