

UKBB 121 January 2009 Analysis/Survey Report

The January survey asked for views on a range of current issues including staff, invoice factoring/discounting and future plans. 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, for the January 2009 Survey, made up to 25th February 2009. 121 respondents were drawn up to 3rd March 2009, with the following population characteristics:

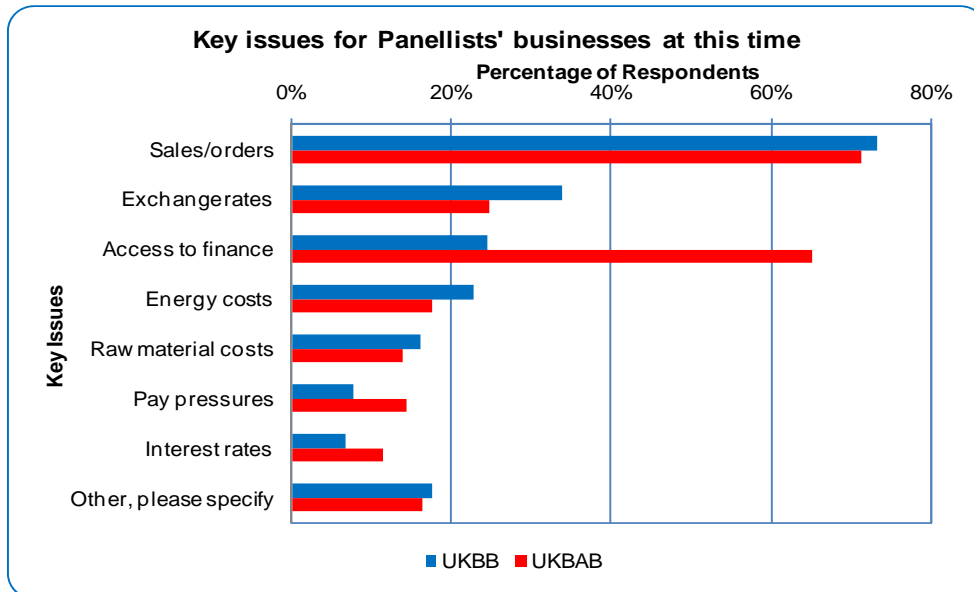
Sector			
Production & Manufacturing	Distribution	Services	Total
23.1%	10.7%	66.1%	100%

Turnover (£)			
< 1M	1M - 3M	> 3M	Total
66.9%	18.2%	14.9%	100%

Number of Full-time Employees					
1-10	11-20	21-50	51-100	100+	Total
59.5%	24.8%	6.6%	3.3%	5.8%	100%

Survey findings

The survey opened by asking panellists what their current key business issues are. 73% of respondents chose Sales/orders, greatly outdistancing the next highest concern, exchange rates, which was chosen by 34% of respondents. Access to finance was chosen by nearly one quarter of respondents.

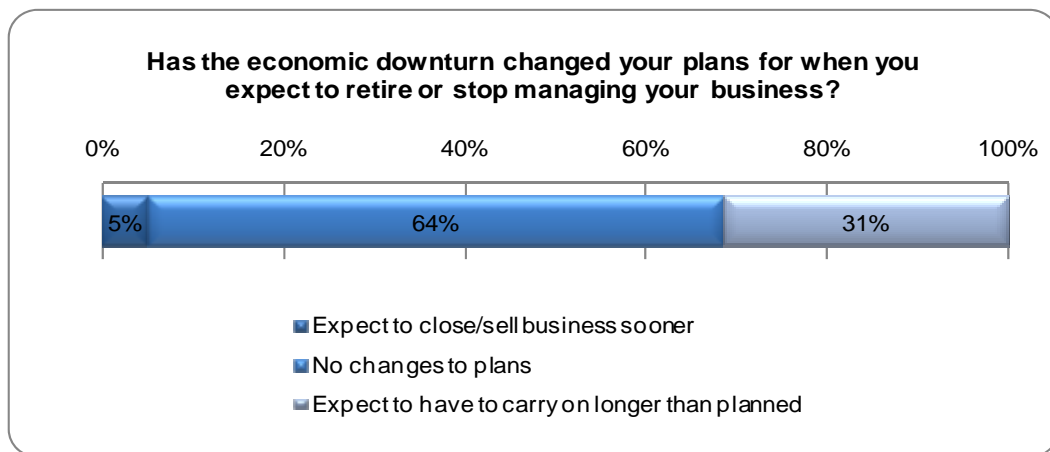


Responses to 'Other please specify' included the following issues: - cash/cash flow, supplier issues, customer finance, investigating potential, staff, orders, problems with bad debts

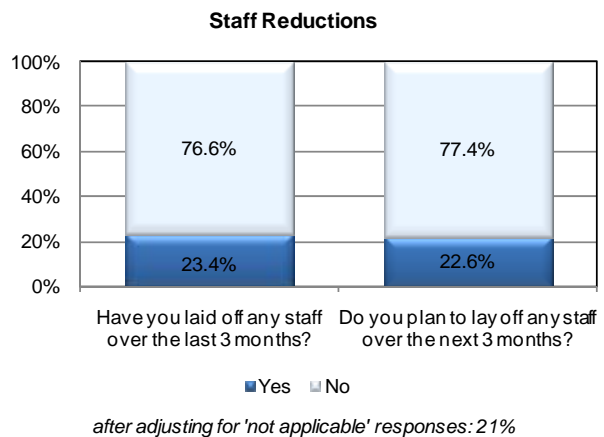
and obsolete dead stock due to failing customers, red tape, innovation, promotion/publicity.

Results were compared with those from the UK Business Advisers Barometer run in parallel with this survey. UKBAB panellists were asked to identify the key issues raised by clients seeking advice. Sales/orders again emerged top of the list with 71%, but access to finance was a much closer second, chosen by 65% of respondents.

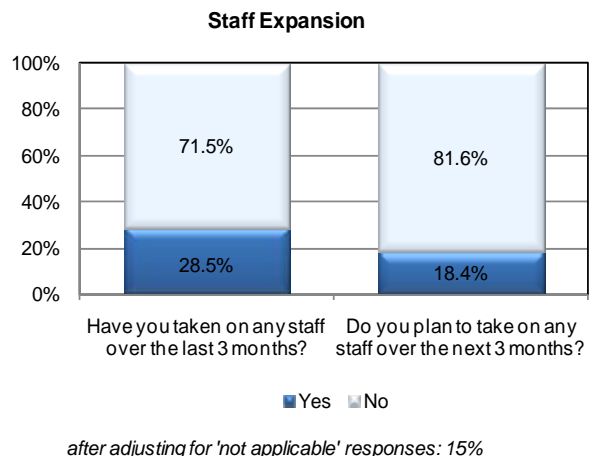
One impact of the economic downturn, upon those running the smaller businesses covered by this survey, seems to have been that one third now believe that they will have to carry on running their businesses for longer. Only 5% think they will close or sell their business earlier because of the economic downturn.



There was a decrease in UK employment in the last quarter of 2008 - down by 37,000 compared to the same quarter of the year before. Panellists were asked about what had happened in their businesses over the last 3 months and their employment plans for the next three months. The two time periods examined showed very similar results, within 1% variation between them. Nearly a quarter of responding firms had laid off staff in the last three months, and over the next three months a slightly lower percentage expected to lay off staff.

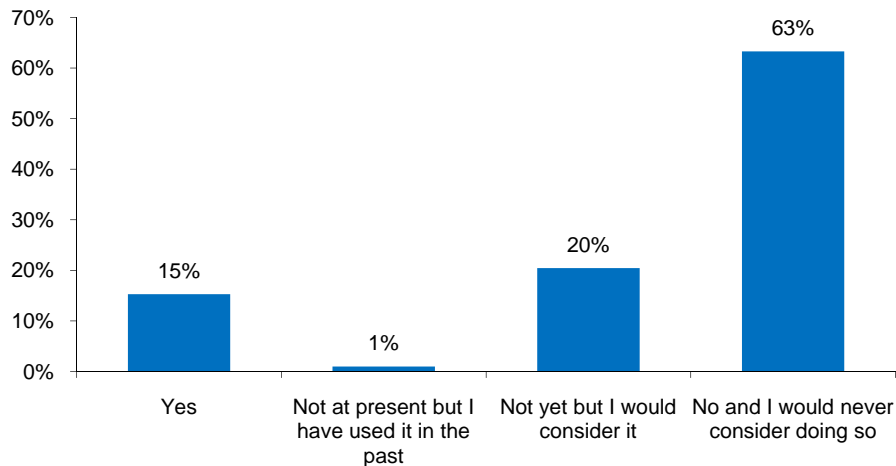


There was an element of counterbalance to staff reductions, provided by the results for staff expansion. 29% had taken on staff over the last three months (there is probably some Christmas seasonality encompassed by this) and 18% still plan to take on staff over the next three months.



Bank funding for smaller businesses has become much scarcer over recent months and many businesses need to find other ways of maintaining their cash flow. One way of doing this is through invoice financing but according to the January UKBB survey, only 15% of respondents use invoice factoring or discounting services. Well over half say that they would never consider doing so.

Do you use invoice factoring/discounting services?



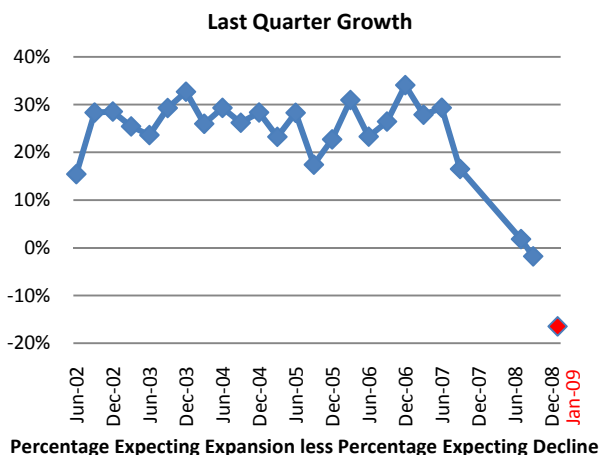
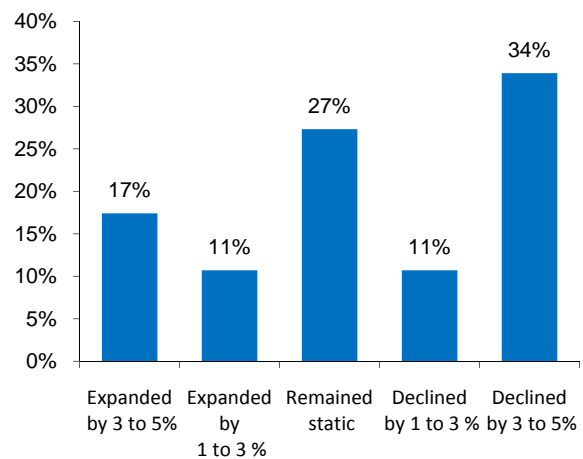
after adjusting for 'not applicable' responses: 18%

Trends Questions

Growth over the previous three months and the next three months

The balance of growth over the last quarter was strongly negative, with a total of 45% of respondents experiencing a decline compared to 28% experiencing an expansion. The results from 2008 contrast sharply with previous results, first tipping into negative growth in the September 08 survey.

Over the last 3 months, has your business:-

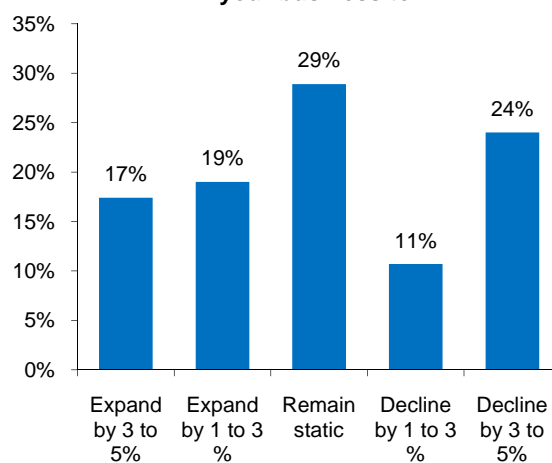


Percentage Expecting Expansion less Percentage Expecting Decline

For expected next quarter growth, the balance is more positive, with 36% expecting to expand while 35% expect to decline. The balance is just positive, as it was in both the July 08 and September 08 surveys, and all three contrast very markedly with expectations found in surveys up to the end of 2007.

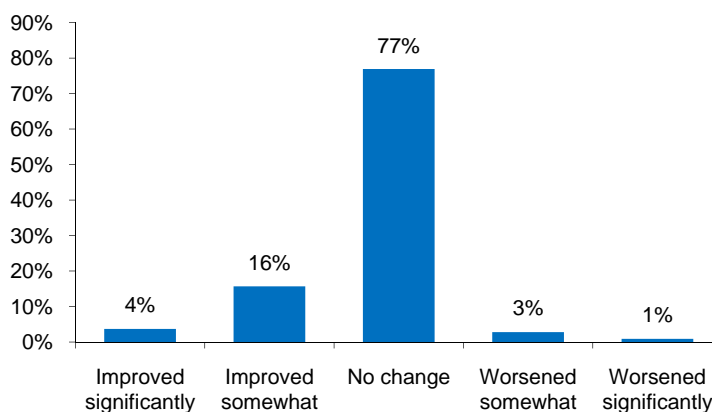


Over the next 3 months, do you expect your business to:-



In spite of the deteriorating economy, skills shortages are still said to be a problem in the UK in many sectors. The changing market conditions are impacting the skills shortages situation in the short term for some firms, but 77% of respondents said that their own skills shortage situation had not changed in the last three months, while 19% have actually experienced improvement in their position.

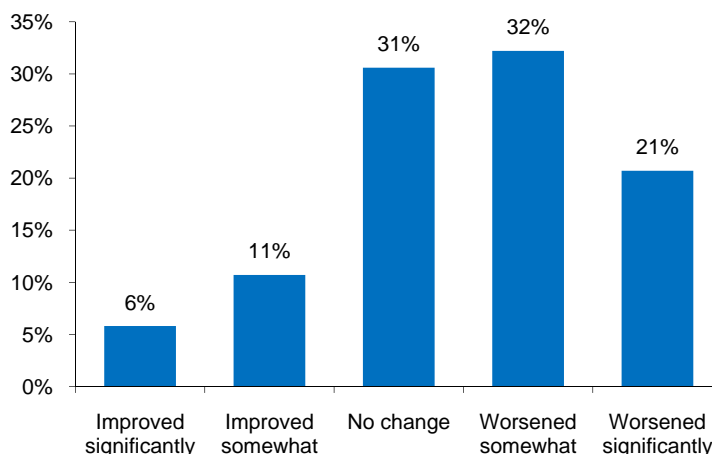
How has your situation with regard to skill shortages changed in the last 3 months?



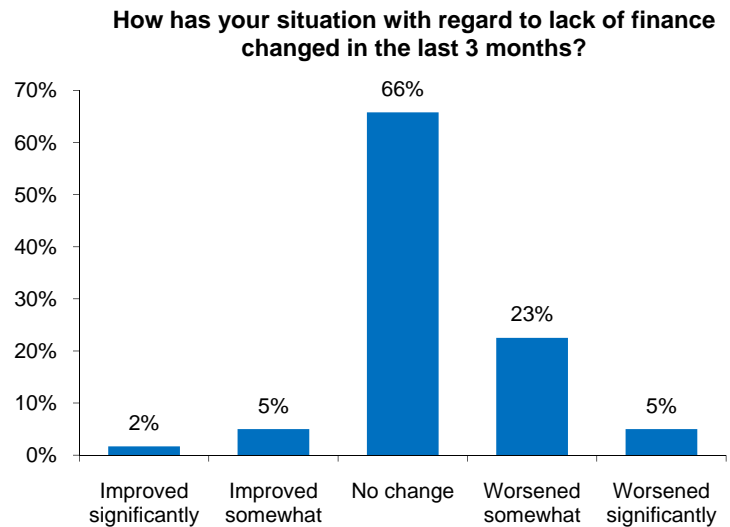
after adjusting for 'not applicable' responses: 11%

53% of respondents say that their situation with regard to low market demand has worsened during the last three months, although 17% have experienced an improvement. 31% have had no change.

How has your situation with regard to low market demand changed in the last 3 months?



Although 66% of respondents say that their situation with regard to lack of finance has stayed the same over the last three months, 28% have found that it has worsened for them and only 7% have perceived an improvement.



Listed below are some of the personal views supplied in feedback received from respondents to Survey BB 121 January 2009.

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

- At the moment I don't think anybody could predict 3 months ahead. It's 'steady as she goes' a week at a time.
- The lower exchange rate is good for us as it will encourage more tourists, and more tourists means increased sales of souvenirs. As we make souvenirs this is potentially promising.
- We are 50% automotive linked and orders for that sector are down 70%
- The exchange rate is killing us.
- Government and EC red tape is still a pain
- We would welcome an improvement in £/€ exchange rate to an initial target of £ 1 = 1.25 €
- We notice that businesses are less likely to commit to new projects. This is not surprising in view of the gloom that is being talked about every day.
- Your questions with parameters of only 1-3% & 3-5% are somewhat constrained ie many businesses will have seen/be expecting a fall off of well over 5% in the current climate. Also 3% falls into 2 categories
- We actually expect to expand by greater than 5%.
- Q8. Over the last 3 months, has your business:- **expanded (3% to 5%, 1% to 3%), remained static, declined (1% to 3%, 1% to 5%)**
Re.Q8 -a maximum decline in business of only 5% in 3 months is a joke in the current climate. that's only 20% a year and we've seen 40% from actual, over 50% from plan, in the last 6 months. You need an over x% category [Ed: we will add these from the next survey]
- It is a time for networking and talking to clients to encourage them to see the advantage of getting good advice. There is also a need for financial management with the small to medium businesses who think they cannot survive and have to close down. The Government needs to look at and provide the finance for the independent advisers who have the skills, knowledge and experience to help business people.
- The first question [*on Key Issues for businesses*] is interesting. One of our main concerns (amongst others) is our exposure to bad debt risk. During Jan'09 already we have had 2 customers go bust. This leaves, not just bad debt, but also stock that is rendered redundant and obsolete (bespoke packaging held on call-off contract) that has VERY little value to anyone else. It's not just a case of losing customers...
- We expect a decline of 10-20%....over next year.
- I expect to expand my business by hard work and prospecting for new clients.
- The Local Government staff in Nottinghamshire [*are*] only interested in their job, not in the independent sector. Red tape is getting worse. Payments delay etc.

- Seasonal fluctuations - quiet period prior to Christmas, busy in New Year going forwards.
- We operate contracts on the basis of either pay fully in advance or pay a fixed amount each month for the length of the contract.
- Business prospects are improving because we are diversifying our range of services