

Small Businesses Remain Cautious About Recovery

Many bosses of small- to medium-size businesses are cautious about predicting ‘green shoots’ of economic recovery according to the latest findings from the University of Nottingham’s Institute for Enterprise and Innovation (UNIEI) Barometer project. They say little is being done to ease access to finance and credit despite numerous Government initiatives.

In the most recent of these regular online parallel surveys of the small business community (UKBB) and its advisers (UKBAB), the single largest group of respondents – 44 per cent – are reserving judgement on whether business conditions are improving, and 34 per cent said that their business growth had remained static since January.

Among those who feel trading conditions are improving, 35 per cent of business owners and 31 per cent of advisers reported better experiences and 41 per cent believe their businesses will expand as the summer progresses. Just 21 per cent of business respondents and 25 per cent of business advisers say trade is continuing to deteriorate, while 36 per cent say growth has declined compared to 45 per cent in January.

The university’s UK Business Barometer tracks the prevailing views of companies with fewer than 250 employees across a range of sectors and has been running for a decade. One of the great strengths of the project is that the UKBB findings are complemented by those of its sister survey, the UK Business Adviser Barometer (UKBAB). It draws responses from around 250 advisers to gain their perspective on the same issues raised in the UKBB, thereby giving greater transparency of business needs.

Staffing and the perceived need to reduce the number of hours worked was tested in the latest surveys and 55 per cent of responding business advisers reported an increase in clients seeking advice on reducing the number of hours or days worked by staff.

One UKBB respondent said: “We have not reduced hours or days of working but we have made one person redundant as a result of continued reduced work.” Altogether, 32 per cent of UKBB respondents indicated they had reduced the length of the working week for their staff.

Advisers reported that clients had seen little change in the shortages of appropriately skilled or qualified applicants for vacancies between the January 09 and April 09 surveys; amongst UKBB respondents, 80 per cent said that the skills shortage situation in their own business had not changed in the last three months and 18 per cent reported an improvement in their position.

On the issue of pricing, 39% of UKBAB respondents reported seeing an increase in the number of business seeking advice on the matter. As to the businesses themselves, 27 per cent of them felt compelled to reduce prices despite the fact that only 8% reported that suppliers’ prices were reducing.

One comment received was that “Existing businesses that have maintained their margins and ‘held their nerve’ or are trading on quality and service rather than price appear to be retaining their market share”.

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The numbers of clients seeking business advice over the past three months increased by a further six per cent compared with the three months to January 2009. The number of advisers experiencing increases in enquiries continued to outpace the number experiencing decreases in enquiries, by 60 per cent in the three months to April compared with 43 per cent in the three months to January.

Latest figures, collected in April and carried through to May, show poor access to business finance is still viewed as a significant obstacle to economic recovery. The May monthly analysis of lending from the Bank of England showed 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.

For 67 per cent of respondents, the situation with regard to lack of finance has stayed the same over the last three months, but 24 per cent found that it has worsened for them. Only eight per cent perceived an improvement in spite of measures announced by the Government last November and in January. One respondent said: "Banks are being particularly difficult to deal with and not helping the situation."

However, one business adviser respondent thought there was: "Little appreciation of how important up-to-date management accounts is by the small business community. They are expecting too much of the banks against inadequate information."

Advisers addressing the issue of access to finance indicated that their experiences differed somewhat from that of the businesses. UKBAB findings showed that the index measure of clients' ability to gain access to finance recovered significant ground between January and April, increasing by 19 per cent.

The balance between those whose clients' ability to gain access to finance has improved and those with clients whose ability to gain access to finance worsened was also more positive, up from -72 per cent in January 2009 to -42 per cent in April 2009. Most of this difference is due to a large increase in the number of respondents who say access to finance has stayed the same for their clients over the period.

For certain businesses, the downturn is presenting opportunities which – paradoxically – stimulate economic performance: "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," said one. "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," said another.

Each quarter, UKBAB panellists are asked to estimate what proportion of their clients' businesses will have ceased trading in the next 12 months. The latest findings show that 12 per cent consider that none of their clients will close in the next year whilst 60 per cent thought that up to ten per cent might cease trading. In the expected higher numbers of business failures (over 11 per cent), there was a two per cent drop, 27 per cent in April compared with 29 per cent in January.

One contributor commented that: "A lot of businesses have been surviving by using the surpluses and reserves they have built up over many years. They have now cut costs including staff and are looking to survive. If sales do not improve over the next six months to a year, these businesses will have no more reserves to draw on and will fail."

More follows...

More information, including results and analyses, can be found on the web at www.ukbb.ac and www.ukbab.ac. Businesses and advisers wishing to contribute as panellists on the project should visit the appropriate Business Barometer website to register.

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Notes to editors: The University of Nottingham is ranked in the UK's Top 10 and the World's Top 100 universities by the Shanghai Jiao Tong (SJTU) and Times Higher (THE) World University Rankings.

More than 90 per cent of research at The University of Nottingham is of international quality, according to RAE 2008, with almost 60 per cent of all research defined as 'world-leading' or 'internationally excellent'. Research Fortnight analysis of RAE 2008 ranks the University 7th in the UK by research power. In 27 subject areas, the University features in the UK Top Ten, with 14 of those in the Top Five.

The University provides innovative and top quality teaching, undertakes world-changing research, and attracts talented staff and students from 150 nations. Described by The Times as Britain's "only truly global university", it has invested continuously in award-winning campuses in the United Kingdom, China and Malaysia. Twice since 2003 its research and teaching academics have won Nobel Prizes. The University has won the Queen's Award for Enterprise in both 2006 (International Trade) and 2007 (Innovation — School of Pharmacy), and was named *Times Higher Education* 'Entrepreneurial University of the Year' 2008.

Nottingham was designated as a Science City in 2005 in recognition of its rich scientific heritage, industrial base and role as a leading research centre. Nottingham has since embarked on a wide range of business, property, knowledge transfer and educational initiatives (www.science-city.co.uk) in order to build on its growing reputation as an international centre of scientific excellence. The University of Nottingham is a partner in Nottingham: the Science City.

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