Snapshot Business Survey

Prepared for South East England Development Agency

bmg research

Because people matter

Contents

Executive Summary

- A third of respondents in the South East report that their businesses performance has improved during the last 3 months, a significant improvement since the previous Snapshot survey.
- Where performance has declined, the majority attribute this to the economic downturn.
- Two in five anticipate the climate in which their business operates will improve in the next 3 months, with just one in ten who think it will get worse.
- Respondents have experienced a trend of lower profit margins and cash flow in the past 3 months, but are optimistic that this will improve over the next 3 months.

Executive Summary

- More than half of respondent businesses are currently operating below full capacity.
- There has been a reported increase in overall investment in respondent businesses over the past 3 months, which is anticipated to continue over the next 3 months.
- Two in five respondents report that energy and transport costs have increased over the last 3 months. Significantly more mention that transport costs have increased in comparison to the previous Snapshot survey.
- Just under a quarter of respondent businesses have passed on all or some of their increased costs.
- One in ten in the South East have sought additional finance for their business in the past 3 months, and one in five have delayed payments to their suppliers.

Background and methodology

Background and Methodology

- BMG Research has conducted a Snapshot survey of business confidence for the South East England Development Agency.

- All interviews were carried out by telephone with someone in the business most knowledgeable about the overall performance of the business.

Background and Methodology

- This is a continuation of the National Business Survey that Yorkshire Forward managed on behalf of the nine English Regional Development Agencies, and Invest Northern Ireland.

- In total 605 interviews were carried out in the South East.

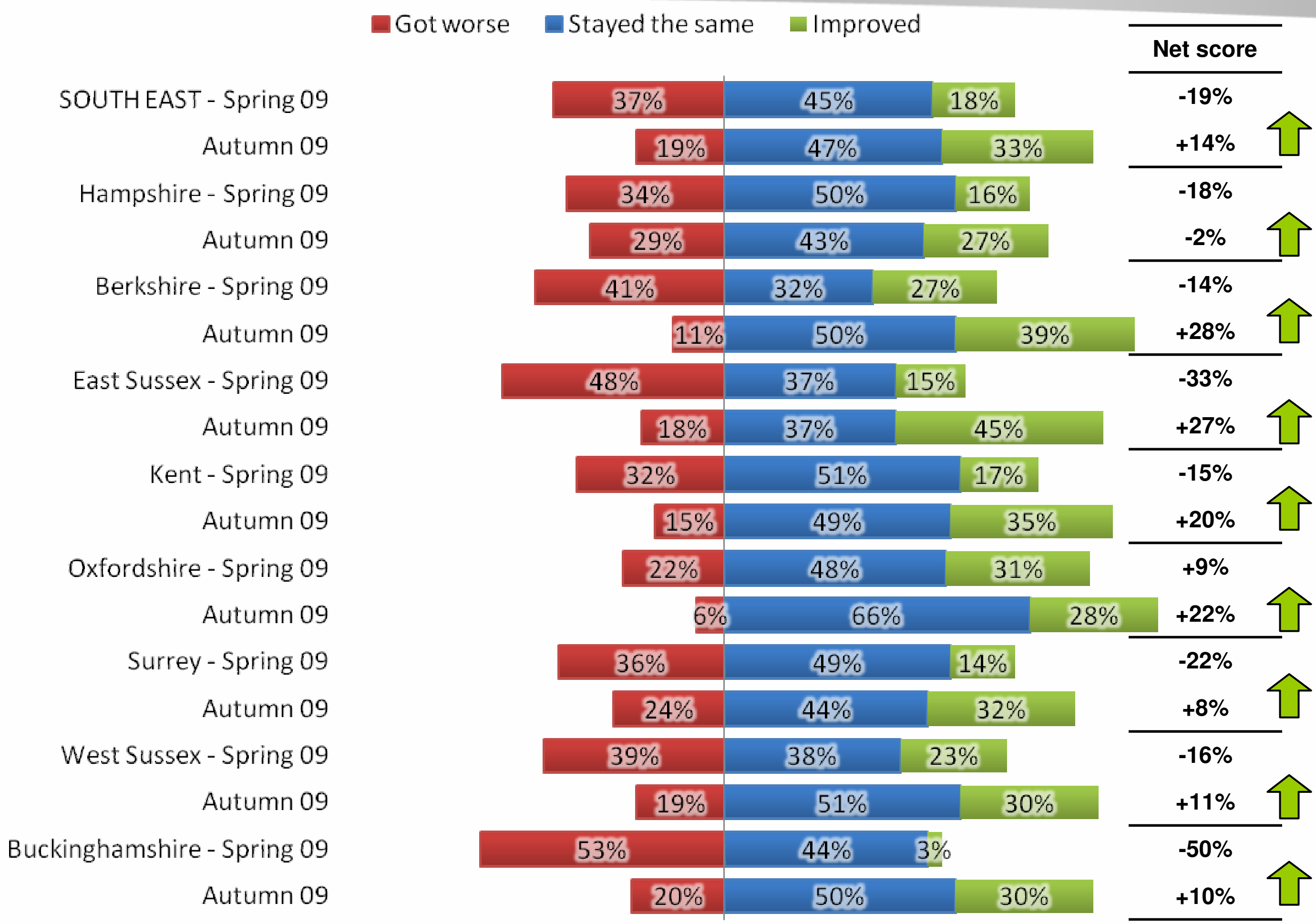
- Quotas were set by size of business and business sector by region.

- Public sector businesses were excluded.

- A separate report details the findings from comparing all four participating regions, the South East, East Midlands, Yorkshire & Humber and North West.

Business performance in light of the recent economic downturn

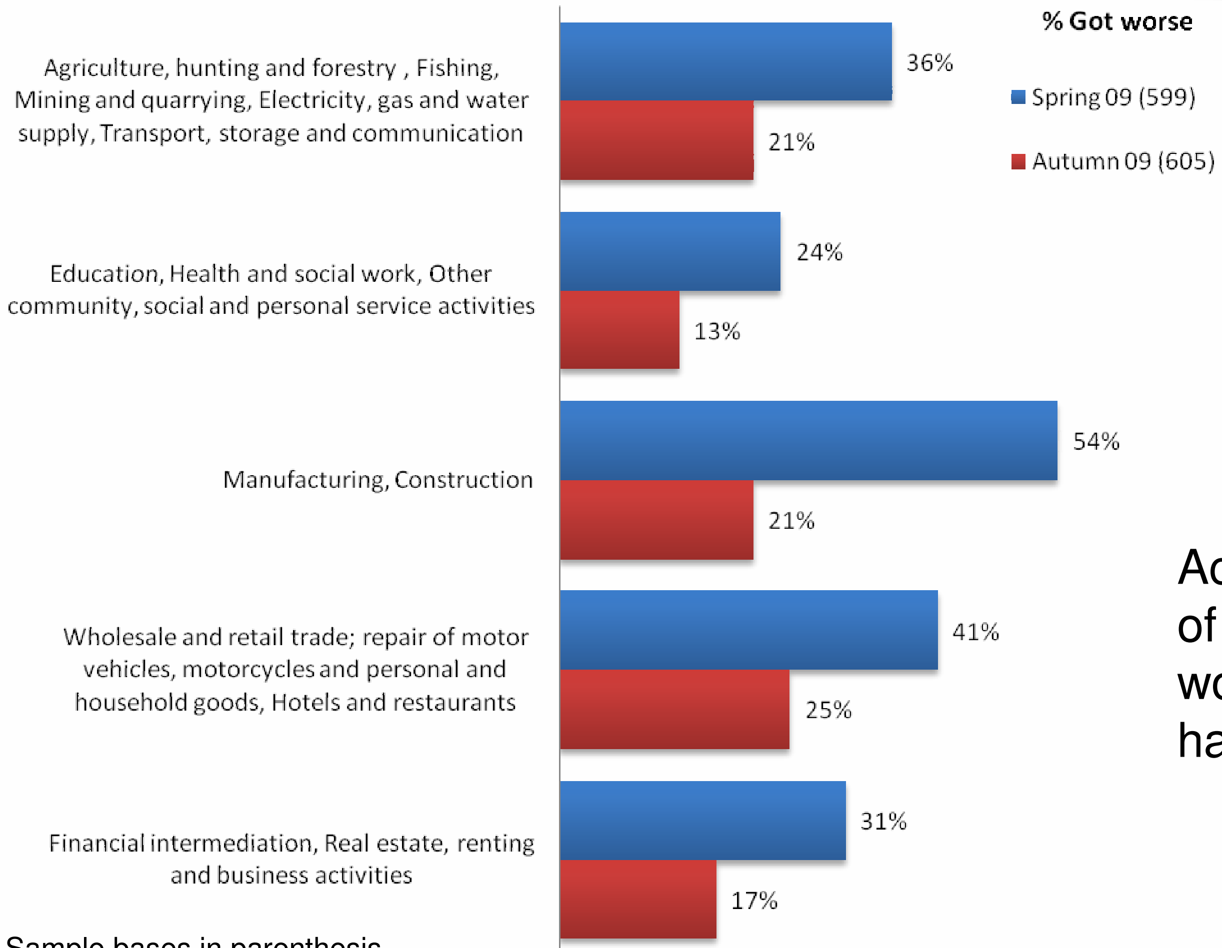
Recent business performance



In all counties except Hampshire, respondents are more likely to report their recent performance has improved than got worse. In each county there has been a positive movement since Spring 09.

Q5. Would you say that overall, your business performance in the past 3 months has improved, remained stable or got worse?

Recent business performance (by sector)

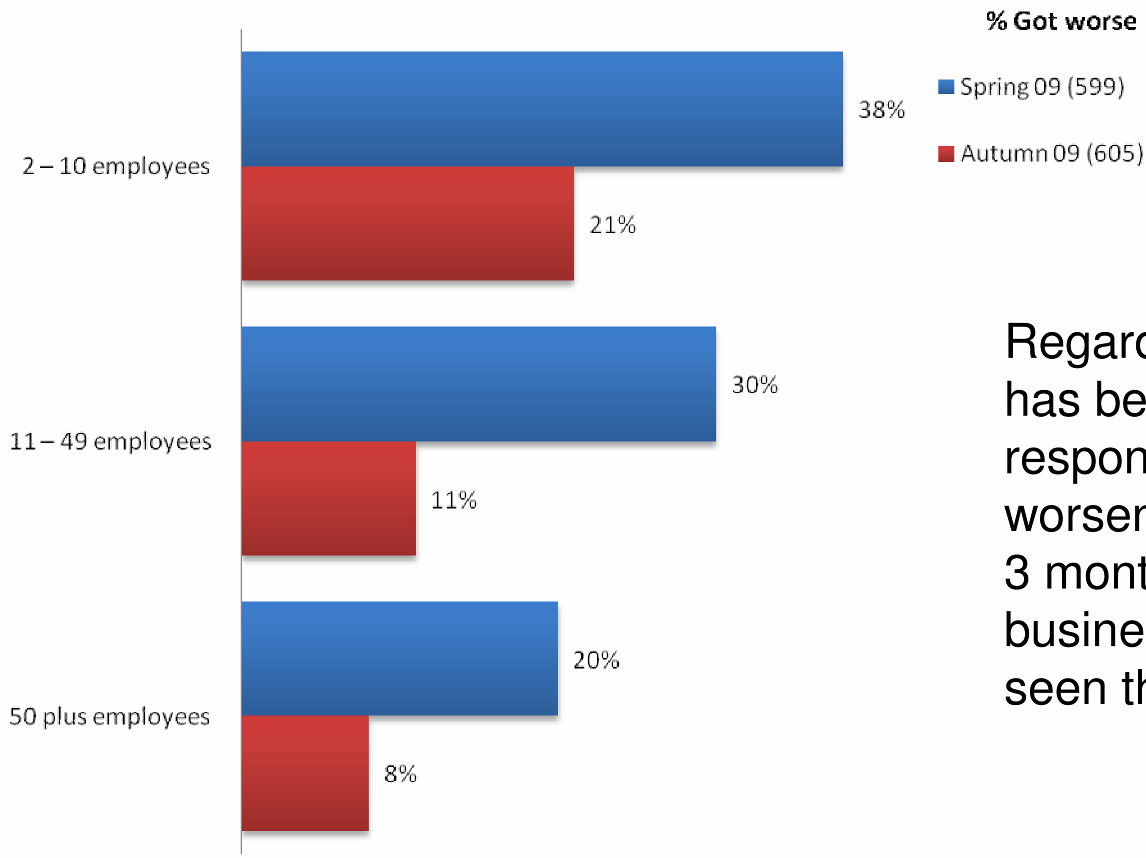


Sample bases in parenthesis

Across all sectors, the proportion of respondents highlighting worsening business performance has decreased since Spring 09.

Q5. Would you say that overall, your business performance in the past 3 months has improved, remained stable or got worse?

Recent business performance (by size)



Regardless of business size, there has been a fall in the proportion of respondents reporting their worsening performance over the last 3 months. As in Spring 09, small businesses are most likely to have seen their performance get worse.

Sample bases in parenthesis

Q5. Would you say that overall, your business performance in the past 3 months has improved, remained stable or got worse?

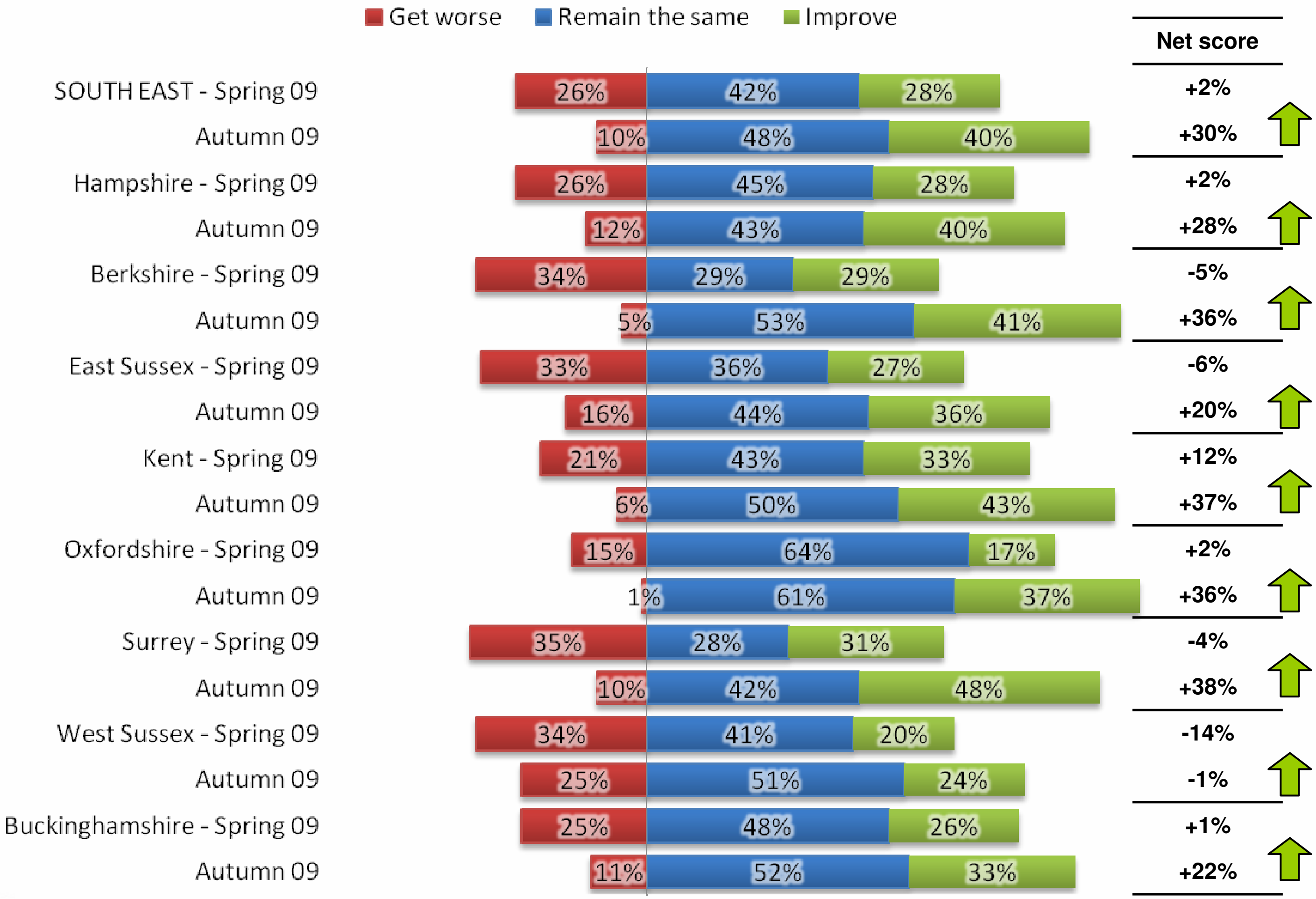
Attribution of worse recent business performance to economic downturn

As would be expected, of those who have experienced a worsening business performance, the majority attribute this to the economic downturn in the UK.

Sample bases in parenthesis

Q6. To what extent do you attribute this specifically to the current economic conditions affecting the UK?

Anticipated changes in business climate over the next 3 months



With the exception of West Sussex, respondents in all counties are optimistic overall that the business climate in which they operate will improve over the next 3 months.

Q7. Over the next 3 months do you expect the business climate in which your business operates to generally improve, remain stable, or get worse?

Trends in business activities

Trends in the past 3 months

Respondents across all counties have experienced a trend of lower profit margins and cash flow during the past 3 months.

	South East %			Hampshire %			Berkshire %			East Sussex %			Kent %			Oxfordshire %			Surrey %			West Sussex %			Bucks %		
	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H
Domestic orders	20	33	19	27	31	9	22	30	29	12	29	23	16	39	19	7	39	14	18	36	23	27	38	13	26	26	25
Export orders	4	8	5	6	7	4	7	2	7	4	7	3	<0.5	11	10	1	12	1	5	7	7	6	9	2	0	11	1
Numbers employed	9	79	10	12	73	12	9	72	15	14	69	15	7	86	7	6	85	10	7	84	8	<0.5	93	7	13	84	2
Volume of output	20	43	27	29	43	22	19	47	26	18	33	36	15	46	27	6	54	40	22	42	24	24	44	27	22	41	22
Prices charged to customers	20	67	10	20	61	14	16	69	11	32	57	6	21	65	13	22	74	<0.5	19	72	9	13	78	10	17	70	9
Staff costs	13	71	14	16	69	14	16	69	14	10	63	23	11	74	13	6	70	24	11	79	9	12	76	12	22	70	8
Profit margins	36	43	12	45	37	10	31	41	11	37	46	10	31	43	14	19	58	13	46	36	15	41	45	14	23	56	15
Cash flow	31	46	15	40	50	5	30	46	16	31	36	20	27	43	16	16	63	18	32	44	21	26	39	19	32	44	14

Not applicable / don't know answers excluded

L Lower S Same H Higher

Q8A. Excluding seasonal variations, what has been the trend during the past 3 months for…

Expected trends for the next 3 months

Despite a trend of lower profit margins and staff costs over the previous 3 months, respondents are optimistic overall that profit margins and cash flow will be higher over the upcoming 3 months.

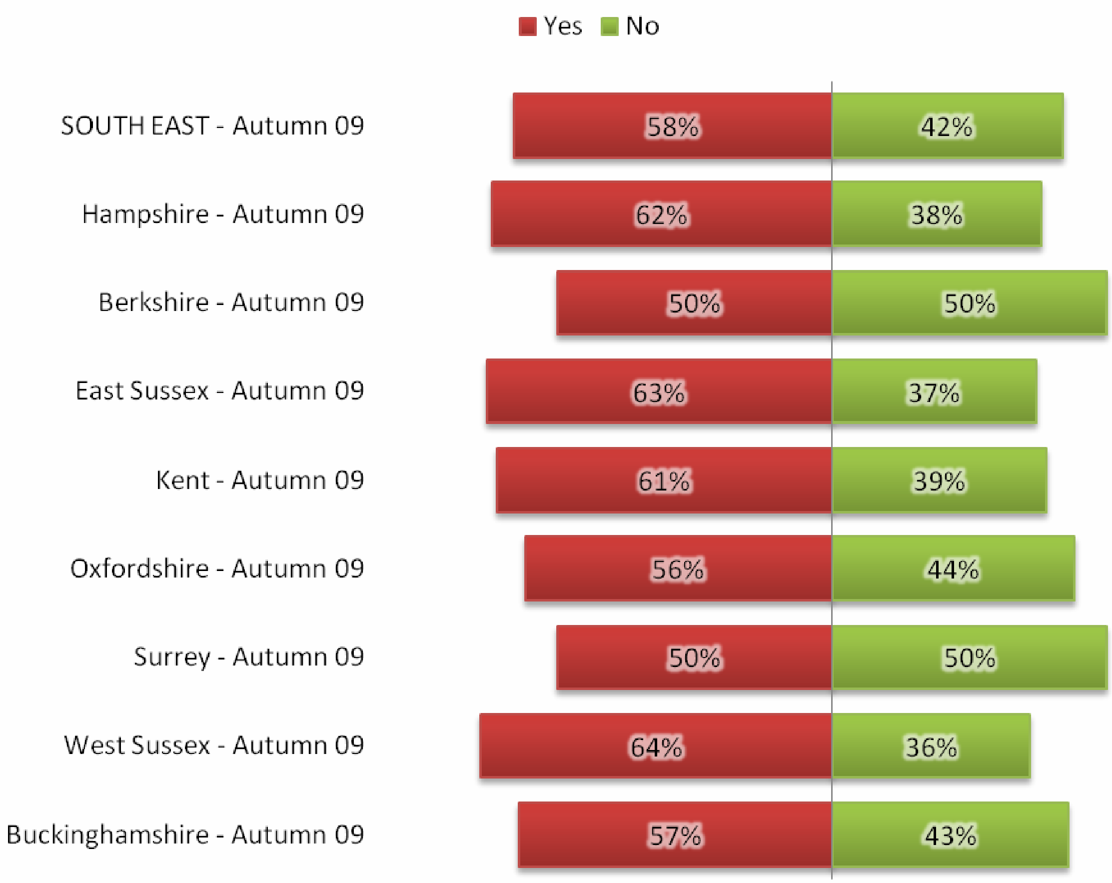
	South East %			Hampshire %			Berkshire %			East Sussex %			Kent %			Oxfordshire %			Surrey %			West Sussex %			Bucks %		
	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H
Domestic orders	9	36	28	12	37	20	0	34	39	10	31	26	10	33	31	0	35	25	11	37	29	13	53	16	9	35	32
Export orders	3	8	6	4	7	7	4	2	8	3	10	1	2	7	12	0	10	2	3	13	3	6	3	7	0	11	1
Numbers employed	6	81	11	7	80	10	5	69	19	6	85	7	3	79	17	2	90	8	7	83	9	15	82	3	4	88	7
Volume of output	9	46	34	14	47	33	9	41	34	9	57	15	6	41	36	2	66	32	6	38	45	19	47	19	5	43	47
Prices charged to customers	6	80	11	8	77	11	4	75	18	10	78	9	6	81	11	1	72	23	4	91	5	11	74	14	3	87	6
Staff costs	5	77	15	8	71	19	4	79	11	3	80	15	1	72	21	1	81	18	7	77	12	18	72	9	4	92	4
Profit margins	14	57	22	18	49	24	4	61	26	18	60	15	14	51	26	6	63	20	15	57	27	20	49	22	8	76	9
Cash flow	14	54	23	4	48	37	9	58	23	19	56	15	17	55	21	17	44	25	6	61	25	13	64	22	23	40	22

Not applicable / don't know answers excluded

L Lower S Same H Higher

Q8B. Excluding seasonal variations, what are the expected trends for the next 3 months, with regard to…

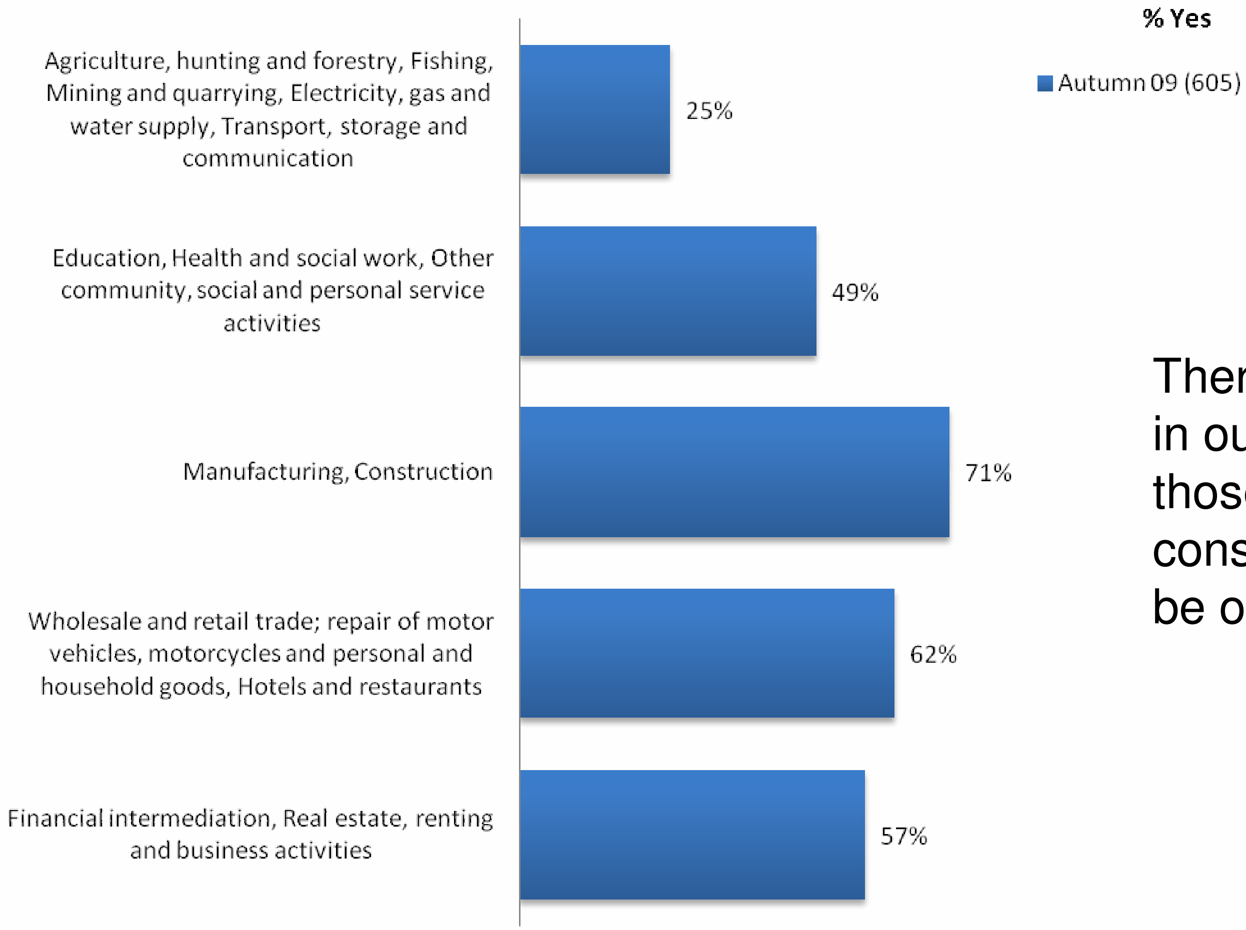
Output level



Over half are currently operating below capacity. Respondents in Berkshire and Surrey are most likely to be operating at full capacity.

Q8A (new). Is your present level of output below capacity (i.e. Are you working below a full rate of operation)?

Output level (by sector)

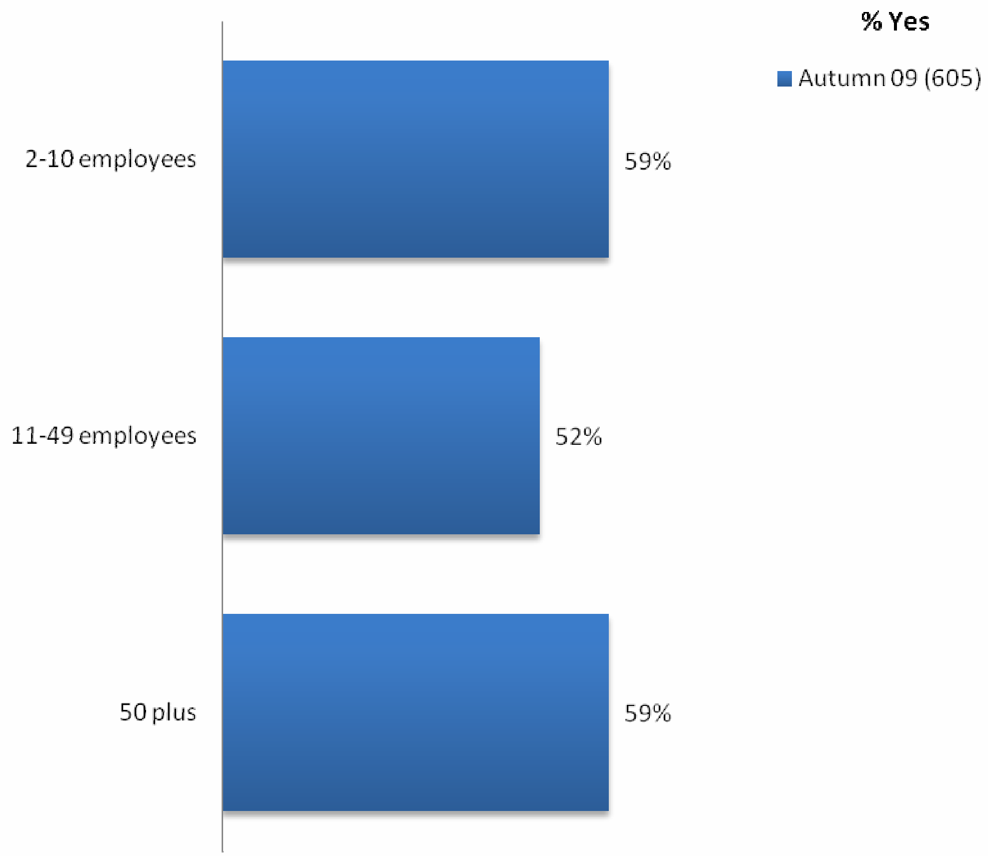


There are significant differences in output level by sector, with those in the manufacturing/ construction sector most likely to be operating below full capacity.

Sample bases in parenthesis

Q8A (new). Is your present level of output below capacity (i.e. Are you working below a full rate of operation)?

Output level (by size)



Similar proportions within all business size bands are operating below full capacity.

Sample bases in parenthesis

Q8A (new). Is your present level of output below capacity (i.e. Are you working below a full rate of operation)?

Investment in the business

Business's investment trends over the past 3 months

Within all counties respondents are more likely to report that there has been higher rather than lower overall investment in their business in the last 3 months.

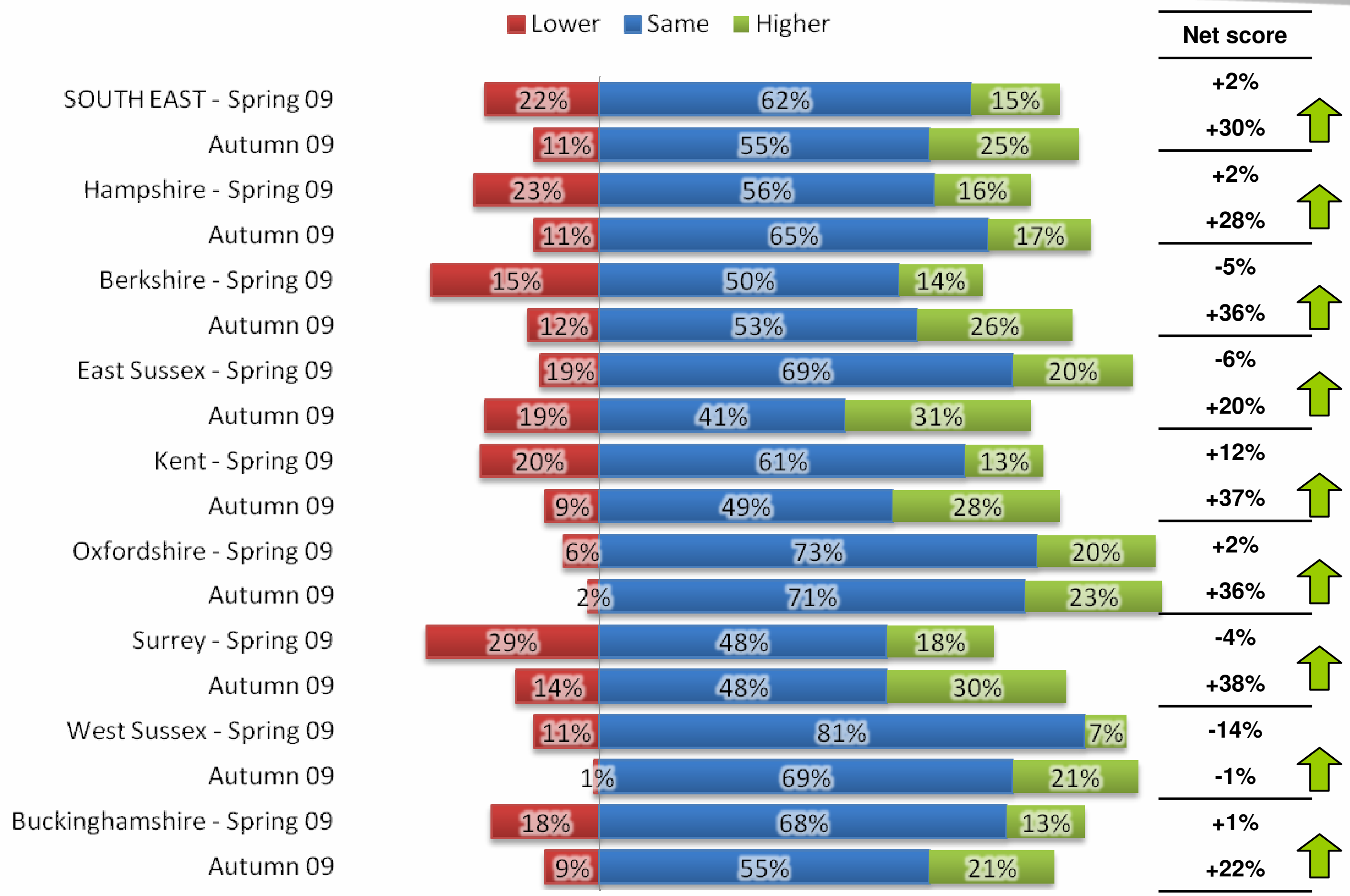
	South East %			Hampshire %			Berkshire %			East Sussex %			Kent %			Oxfordshire %			Surrey %			West Sussex %			Bucks %		
	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H
Buildings	9	50	10	11	55	9	2	44	16	10	40	14	12	46	6	7	61	1	11	46	11	6	48	7	1	62	13
Plant and machinery	7	44	11	9	55	4	5	37	16	11	38	6	7	34	15	1	43	20	6	49	19	8	52	5	9	39	7
Product and Process development	6	46	15	7	56	10	1	42	23	6	44	16	5	41	12	1	42	13	10	46	23	6	45	4	8	41	10
Marketing and sales	11	46	30	16	39	33	10	49	27	17	39	25	8	48	30	2	33	52	9	56	29	13	63	14	9	51	21
Training and retraining	8	57	19	6	65	13	15	52	18	11	58	20	7	57	16	1	65	18	8	51	22	7	55	20	5	45	29
On balance, overall investment in the business	11	55	25	11	65	17	12	53	26	19	41	31	9	49	28	2	71	23	14	48	30	1	69	21	9	55	21

Not applicable / don't know answers excluded

L Lower S Same H Higher

Q9. What has been the trend during the past 3 months in relation to your investment for…

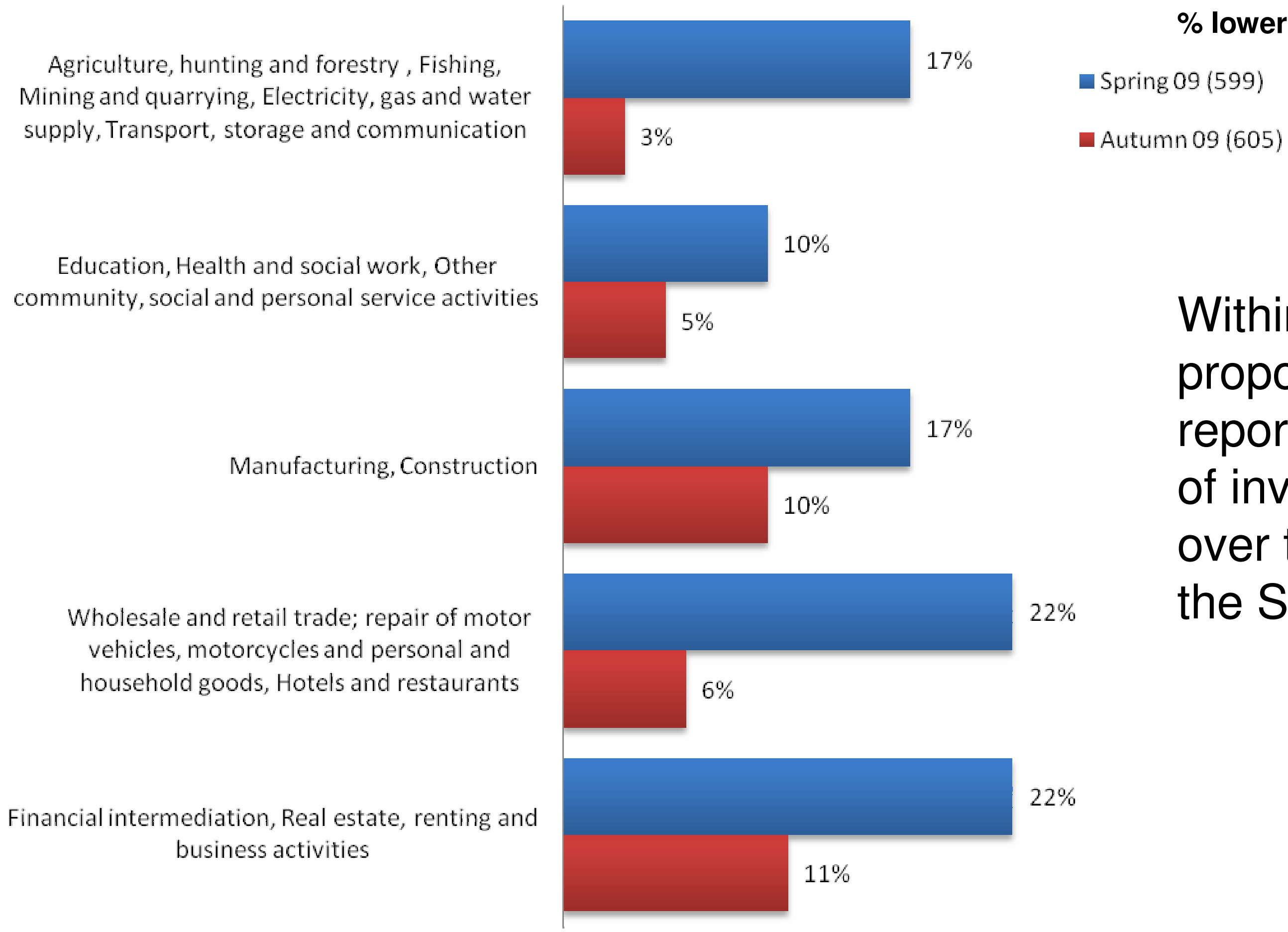
Change in level of investment in business over the past 3 months



With the exception of West Sussex, respondents across all counties are optimistic overall that the business climate in which they operate will improve over the next 3 months.

Q9. On balance, has the overall level of investment you have made in your business over the past 3 months been ...

Change in level of investment in business over the past 3 months (by sector)

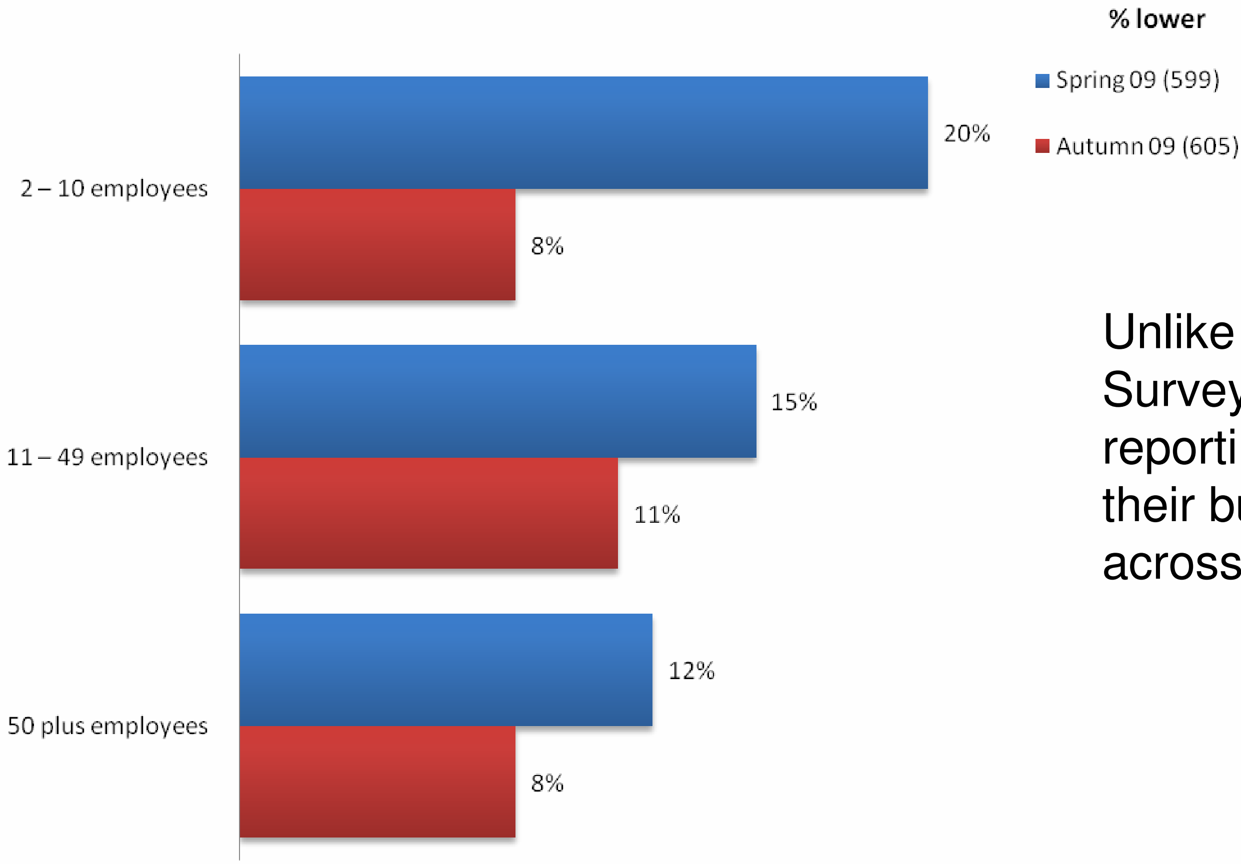


Within all sectors, a smaller proportion of respondents report having lowered the level of investment in their business over the past 3 months than in the Spring's survey.

Sample bases in parenthesis

Q9. On balance, has the overall level of investment you have made in your business over the past 3 months been ...

Change in level of investment in business over the past 3 months (by size)



Unlike the Spring 09 Snapshot Survey, those respondents reporting a lower investment in their business is fairly uniform across all business size bands.

Sample bases in parenthesis

Q9. On balance, has the overall level of investment you have made in your business over the past 3 months been ...

Business's expected investment trends over the next 3 months

Respondents anticipate that the trends they have seen in the last 3 months will be repeated over the next 3 months.

	South East %			Hampshire %			Berkshire %			East Sussex %			Kent %			Oxfordshire %			Surrey %			West Sussex %			Bucks %		
	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H	L	S	H
Buildings	6	55	10	6	60	10	4	50	16	11	45	9	5	57	9	6	53	16	6	53	12	6	56	1	1	62	9
Plant and machinery	6	52	6	8	54	3	0	49	11	14	43	3	4	47	10	6	60	3	6	54	13	0	63	1	2	57	<0.5
Product and Process development	4	53	15	6	56	15	3	49	18	14	43	10	3	54	16	0	50	22	4	57	21	0	63	5	<0.5	54	10
Marketing and sales	5	54	28	7	46	33	0	58	32	16	45	23	5	53	25	0	51	27	3	62	31	7	73	14	<0.5	58	22
Training and retraining	5	63	18	5	61	20	3	64	22	19	61	10	4	63	14	0	66	23	6	58	27	0	71	11	1	65	14
On balance, overall investment in the business	8	62	23	12	57	24	0	63	28	21	54	13	7	56	27	<0.5	69	27	9	58	30	0	85	14	<0.5	75	15

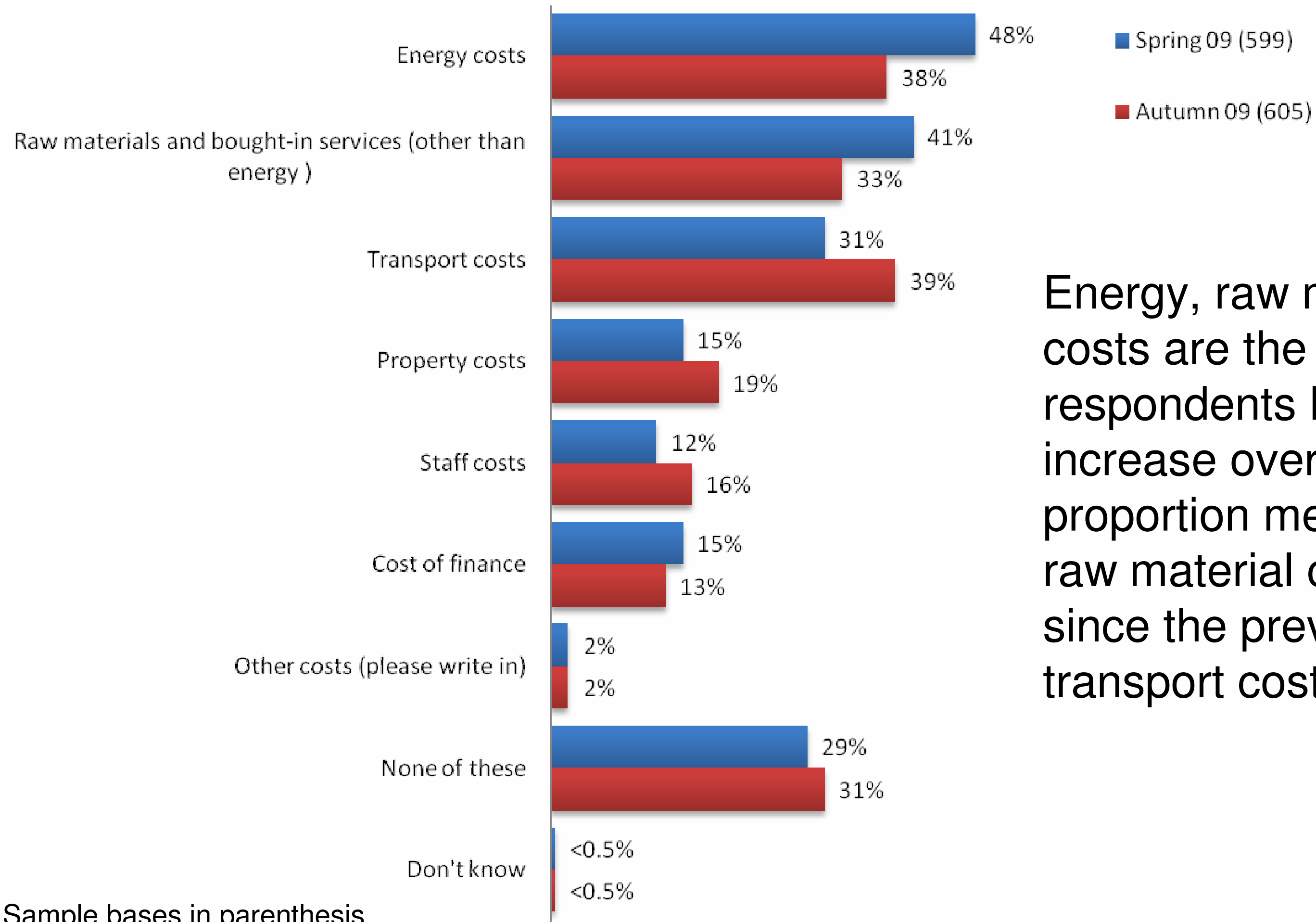
Not applicable / don't know answers excluded

L Lower S Same H Higher

Q10. And what are the expected trends for the next 3 months, with regard to investment in…

Changes in external costs

Areas where costs have increased over the last 3 months

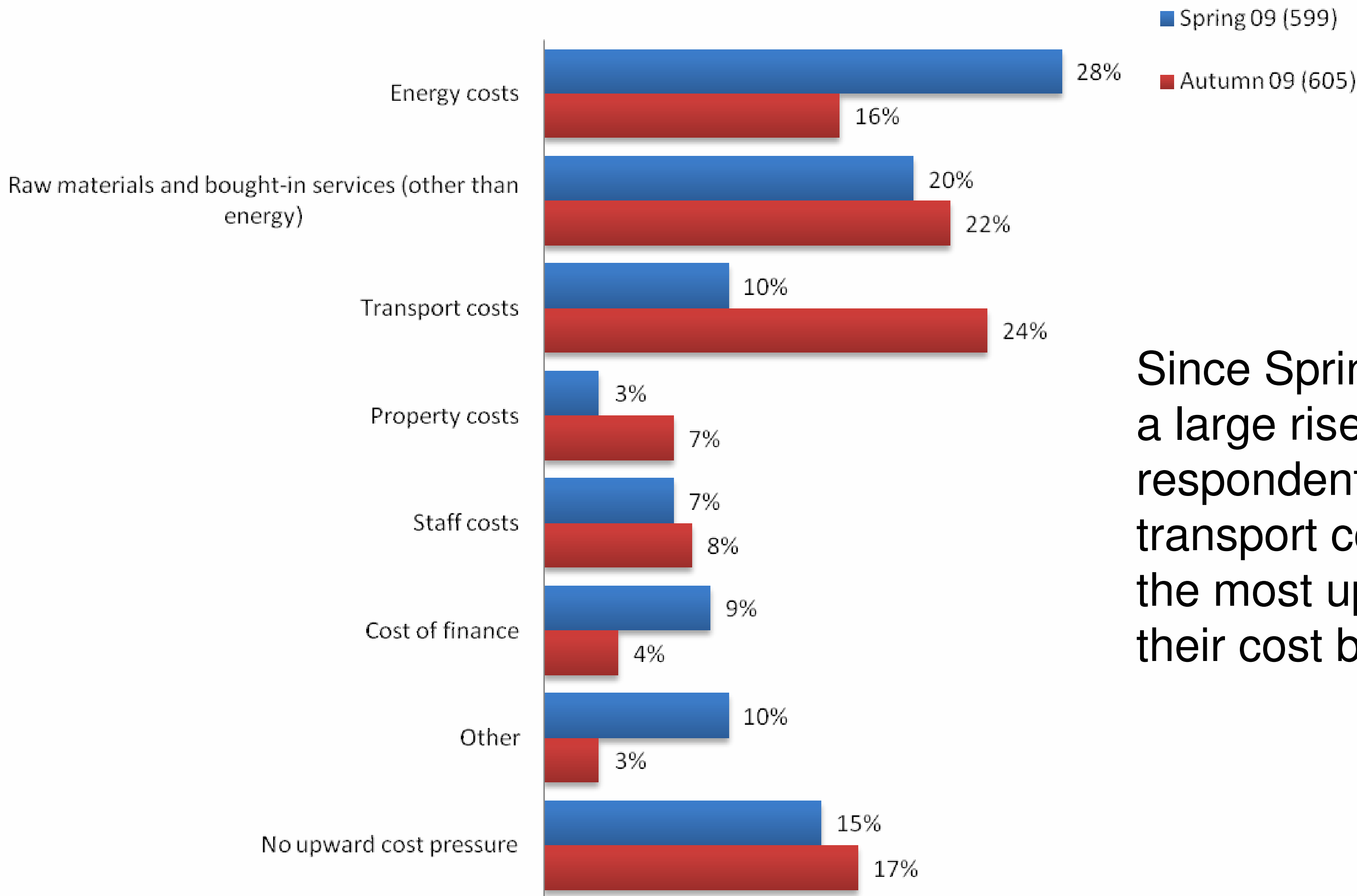


Sample bases in parenthesis

Energy, raw material and transport costs are the areas where respondents have seen costs increase over the last 3 months. The proportion mentioning energy and raw material costs has decreased since the previous survey, with transport costs increasing.

Q12. Which of the following costs have increased for your business over the past 3 months?

Costs that have applied most upward pressure on overall cost base

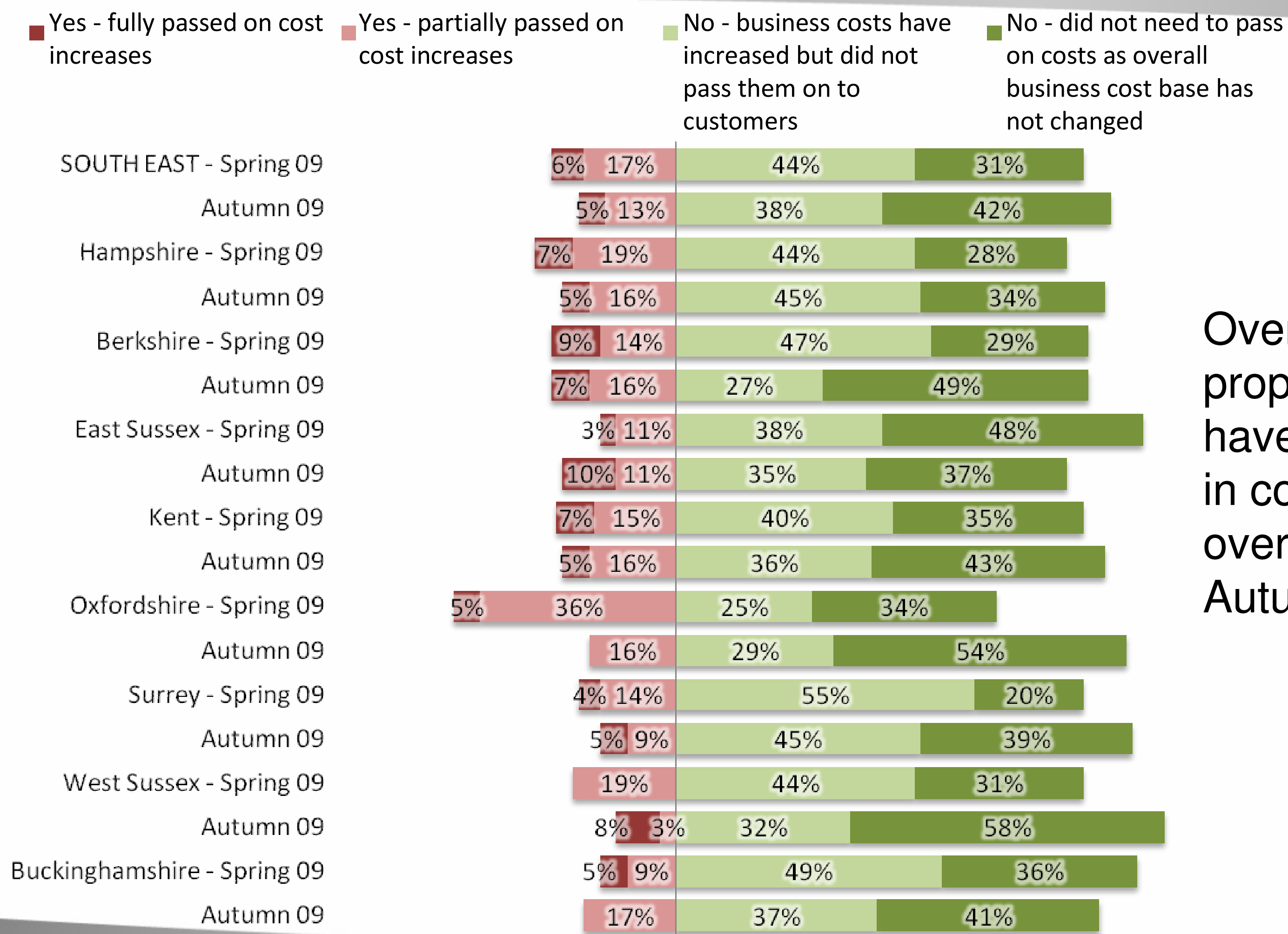


Since Spring 09 there has been a large rise in the proportion of respondents saying that transport costs have applied the most upward pressure on their cost base.

Sample bases in parenthesis

Q13. Which one of these costs, if any, have placed most upward pressure on your overall cost base?

Passing cost increases on to customers

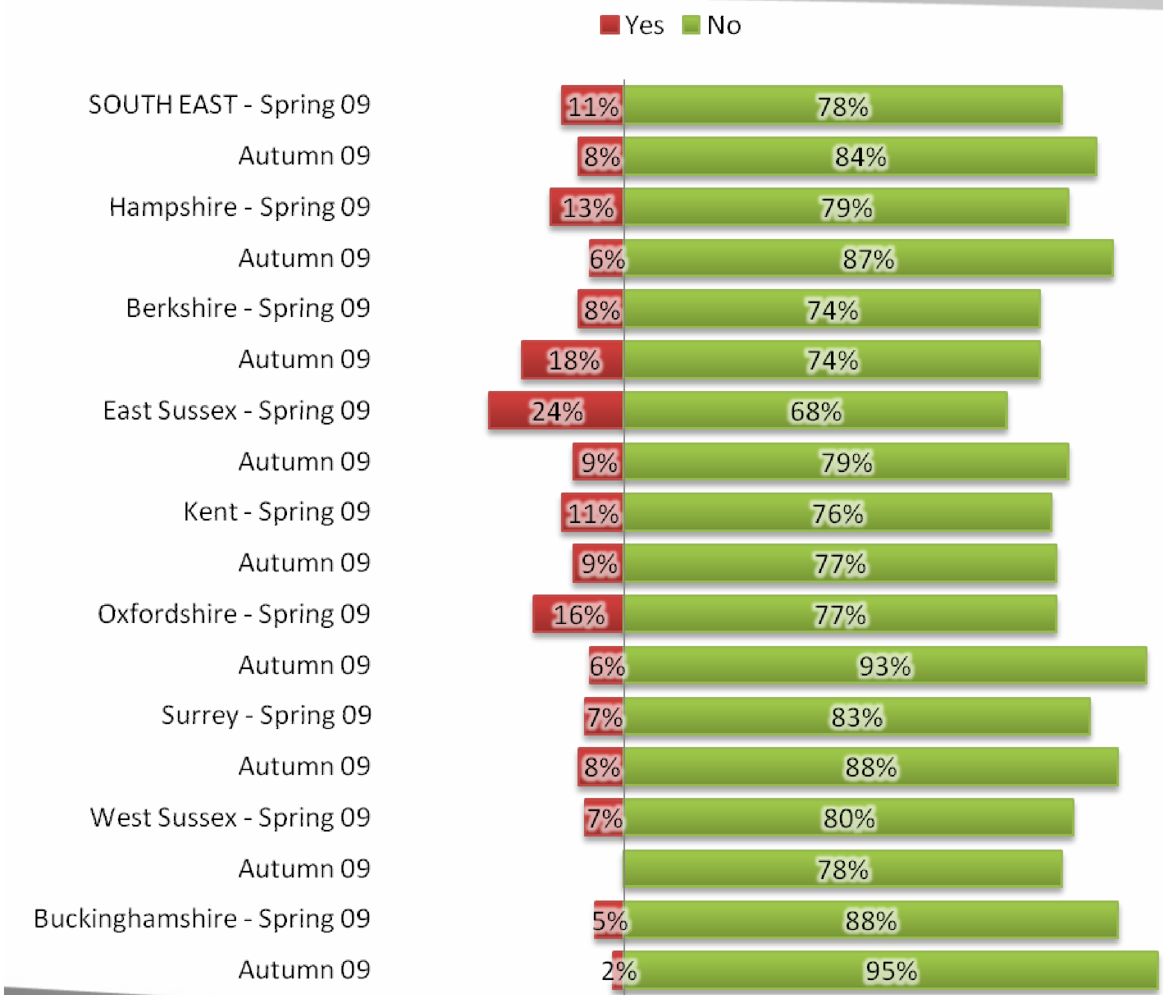


Overall a smaller proportion of respondents have passed on increases in costs to their customers over the past 3 months in Autumn than in Spring 09.

Q14. Have you passed on any increases in costs to your customers over the past 3 months?

Financial status

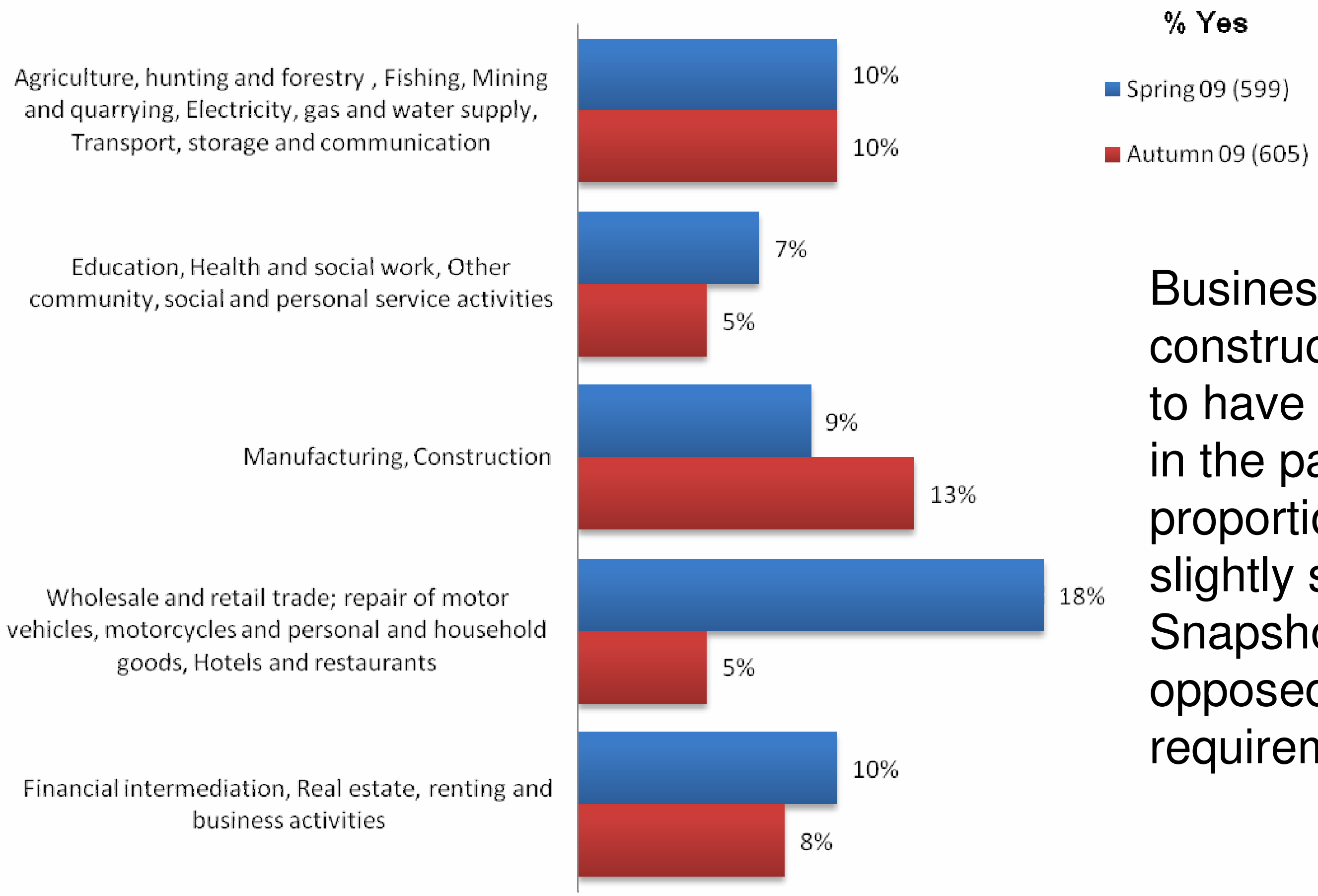
Seeking additional finance



Fewer than one in ten respondents businesses have sought additional finance over the past three months. Whilst this is a regional decrease since Spring 09, there are isolated examples (Berkshire especially, also Surrey) where the proportion has increased.

Q15. Have you sought new finance or new lines of credit for your business in the past 3 months?

Seeking additional finance (by sector)

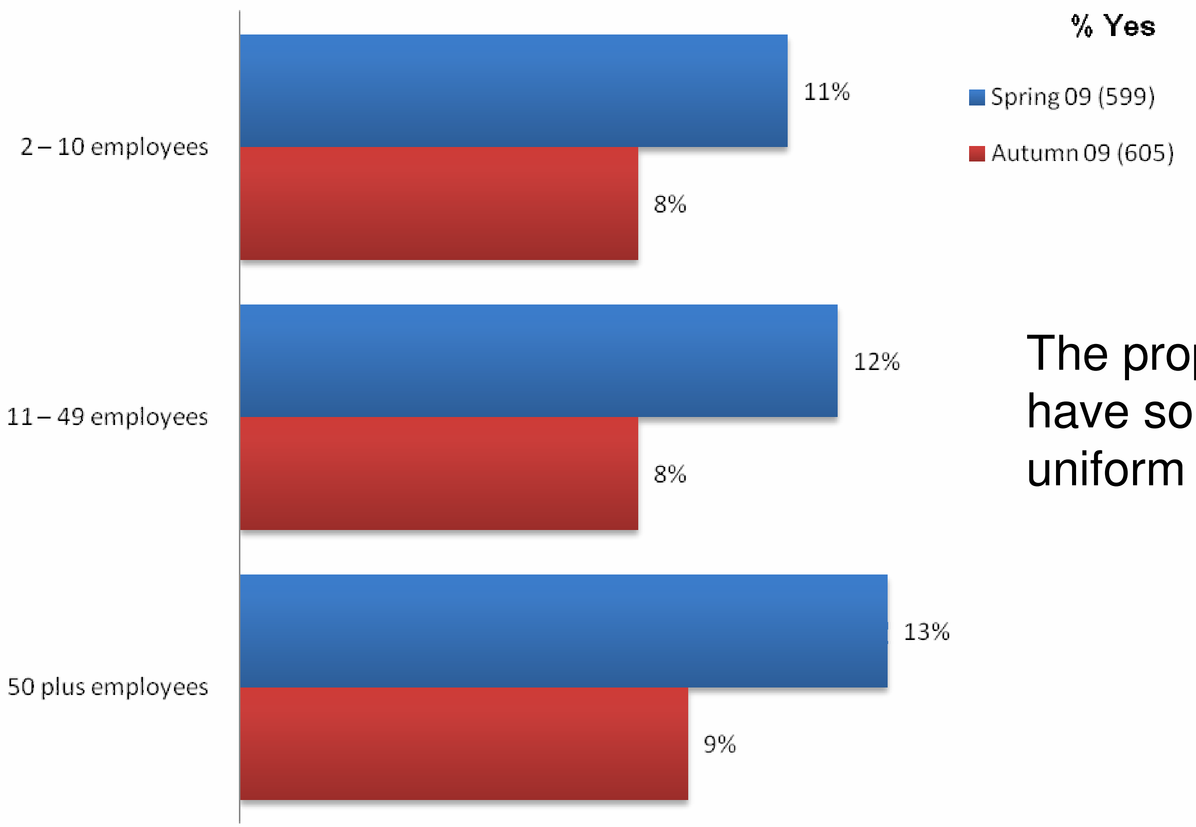


Businesses in the manufacturing/ construction sector are most likely to have sought additional finance in the past 3 months, this proportion having increased slightly since the previous Snapshot survey in Spring 09, as opposed to static or declining requirements seen elsewhere.

Sample bases in parenthesis

Q15. Have you sought new finance or new lines of credit for your business in the past 3 months?

Seeking additional finance (by size)



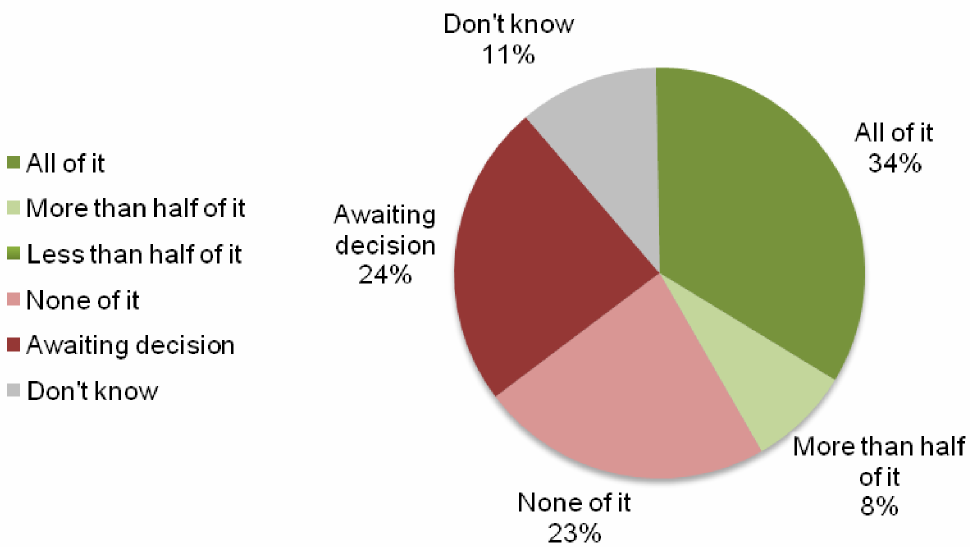
The proportion of respondents who have sought additional finance is uniform across all business size bands.

Sample bases in parenthesis

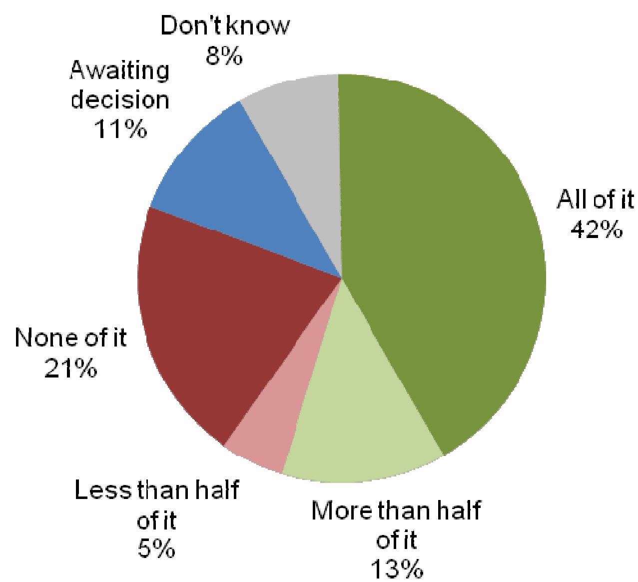
Q15. Have you sought new finance or new lines of credit for your business in the past 3 months?

Success of gaining additional finance

South East overall: Spring 09 (69)



Autumn 09 (56)

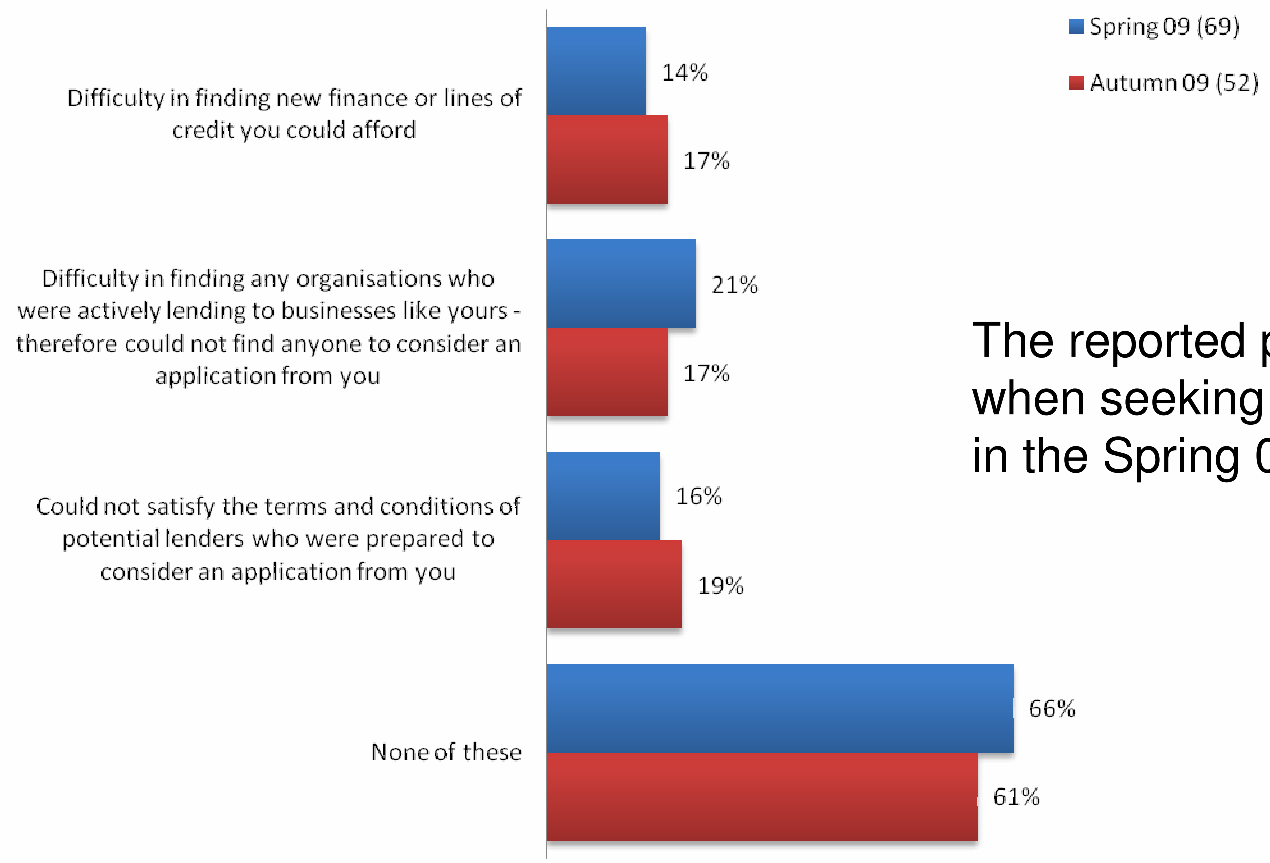


Two in five respondents who have sought additional finance have subsequently been successful in obtaining all of the finance they sought, with one in five who obtained none of it.

Sample bases in parenthesis - caution, low base sizes.

Q16. How much of the finance were you seeking did you successfully obtain?

Problems in seeking new finance

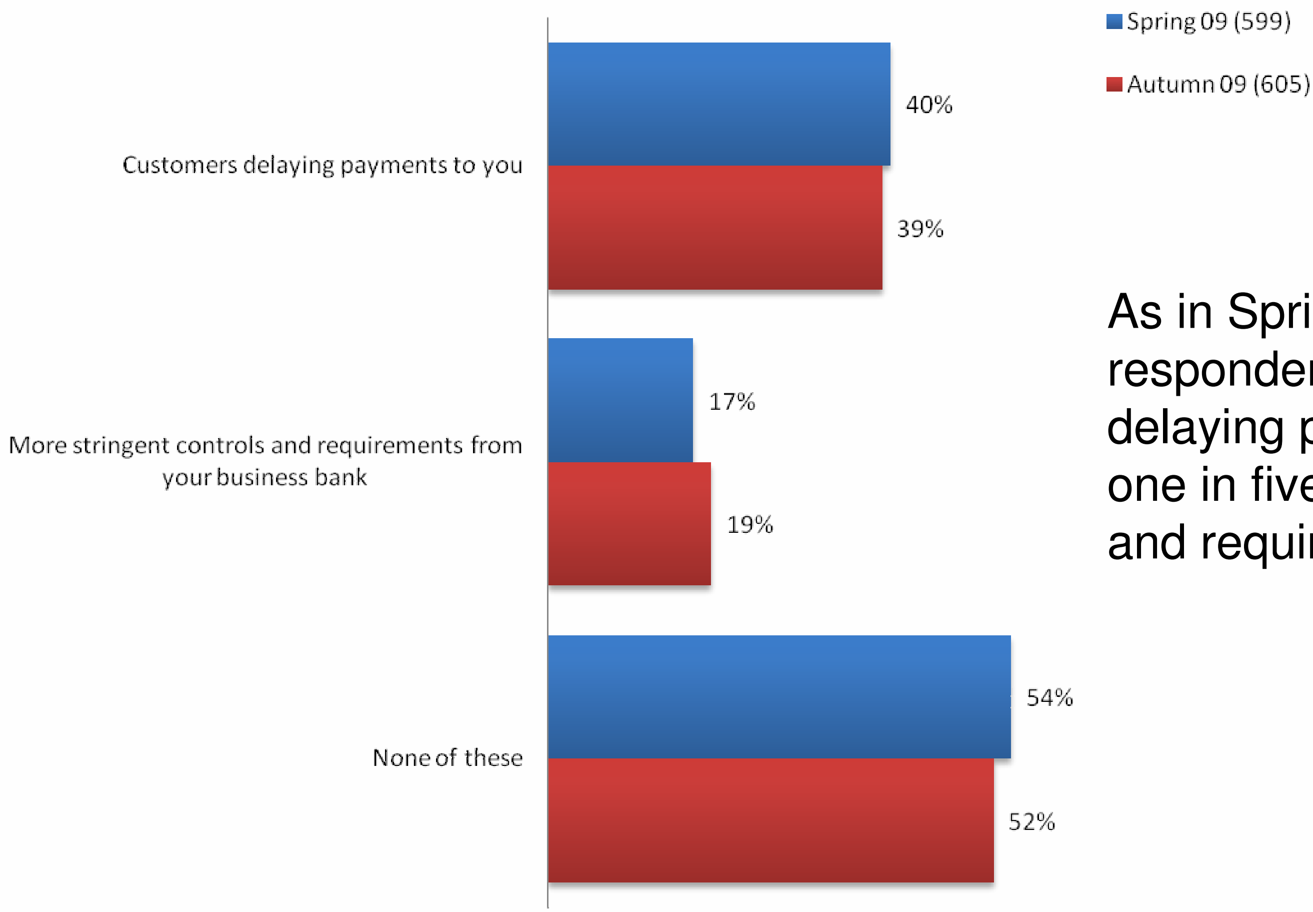


The reported problems encountered when seeking new finance reflect those in the Spring 09 Snapshot Survey.

Sample bases in parenthesis - caution, low base sizes.

Q17. Which of the following problems, if any, did you face in accessing this finance?

Financial trends over the past 3 months

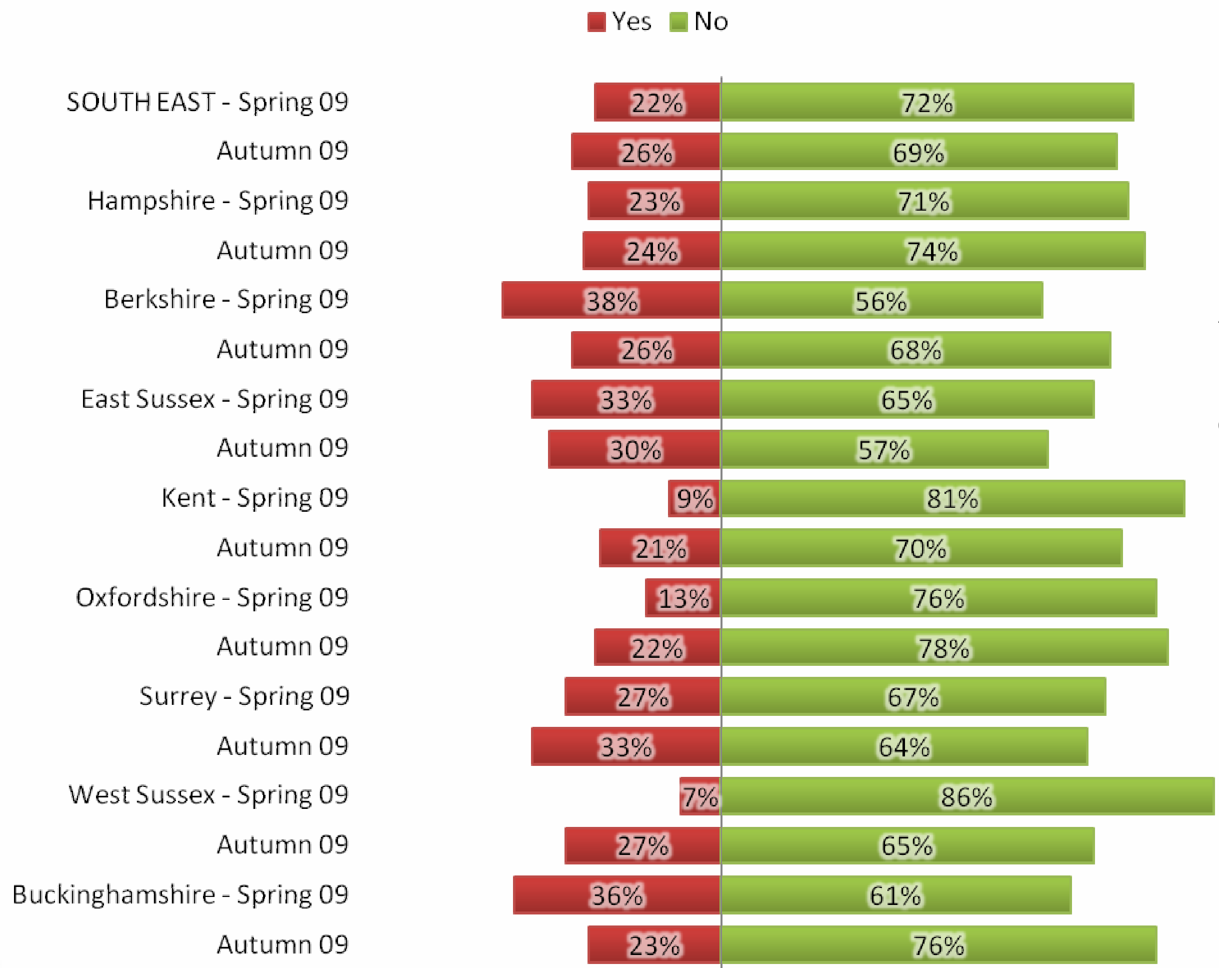


As in Spring 09, two in five respondents report customers delaying payments to them and one in five more stringent controls and requirements from their bank.

Sample bases in parenthesis

Q18. Over the past 3 months, has your business experienced...

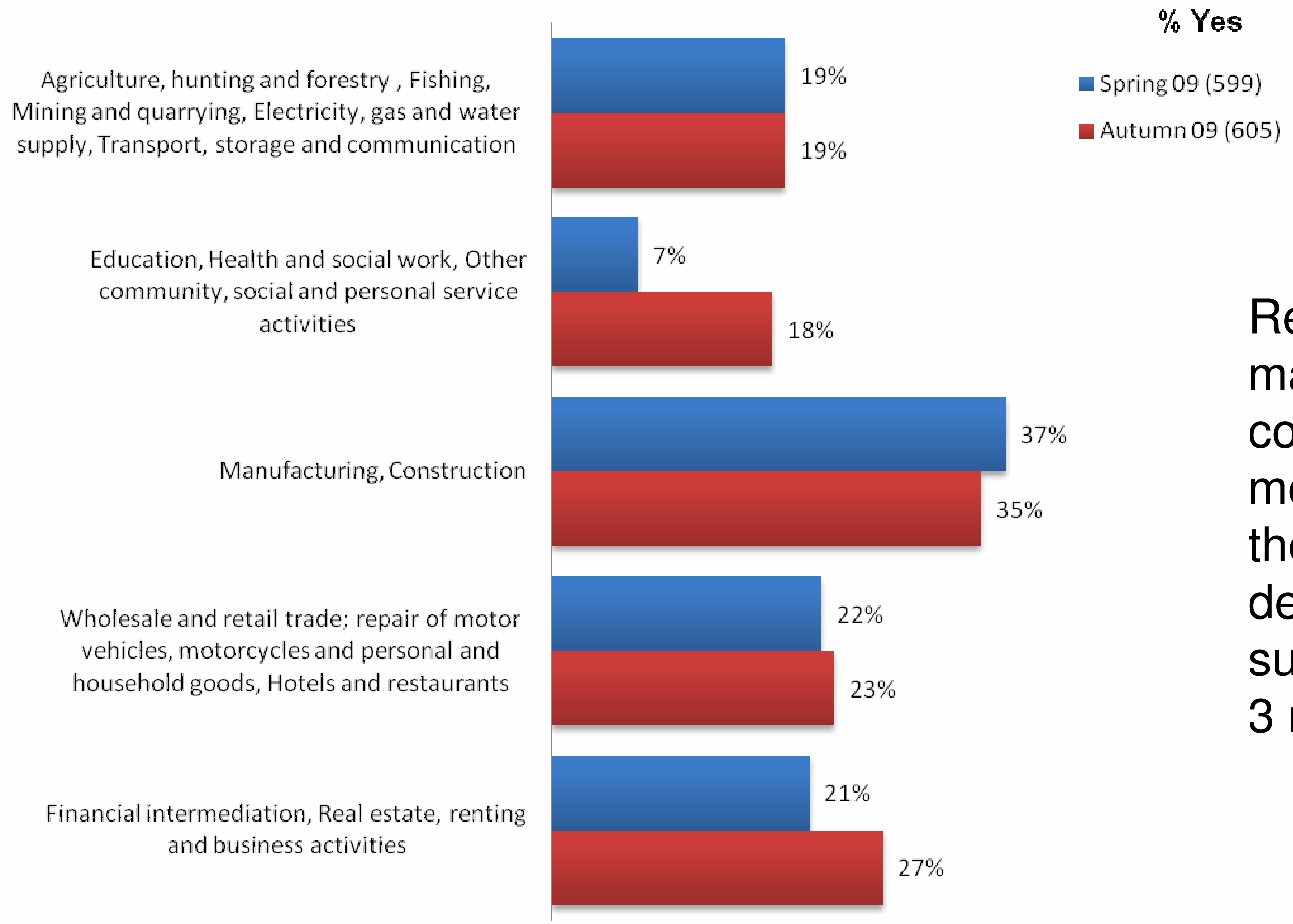
Payments to suppliers



A quarter of respondents report that their business has delayed payments to their suppliers over the past 3 months. This represents a slight increase since Spring 09.

Q19. Have you found it necessary to delay payments to your own suppliers over the past 3 months?

Payments to suppliers (by sector)

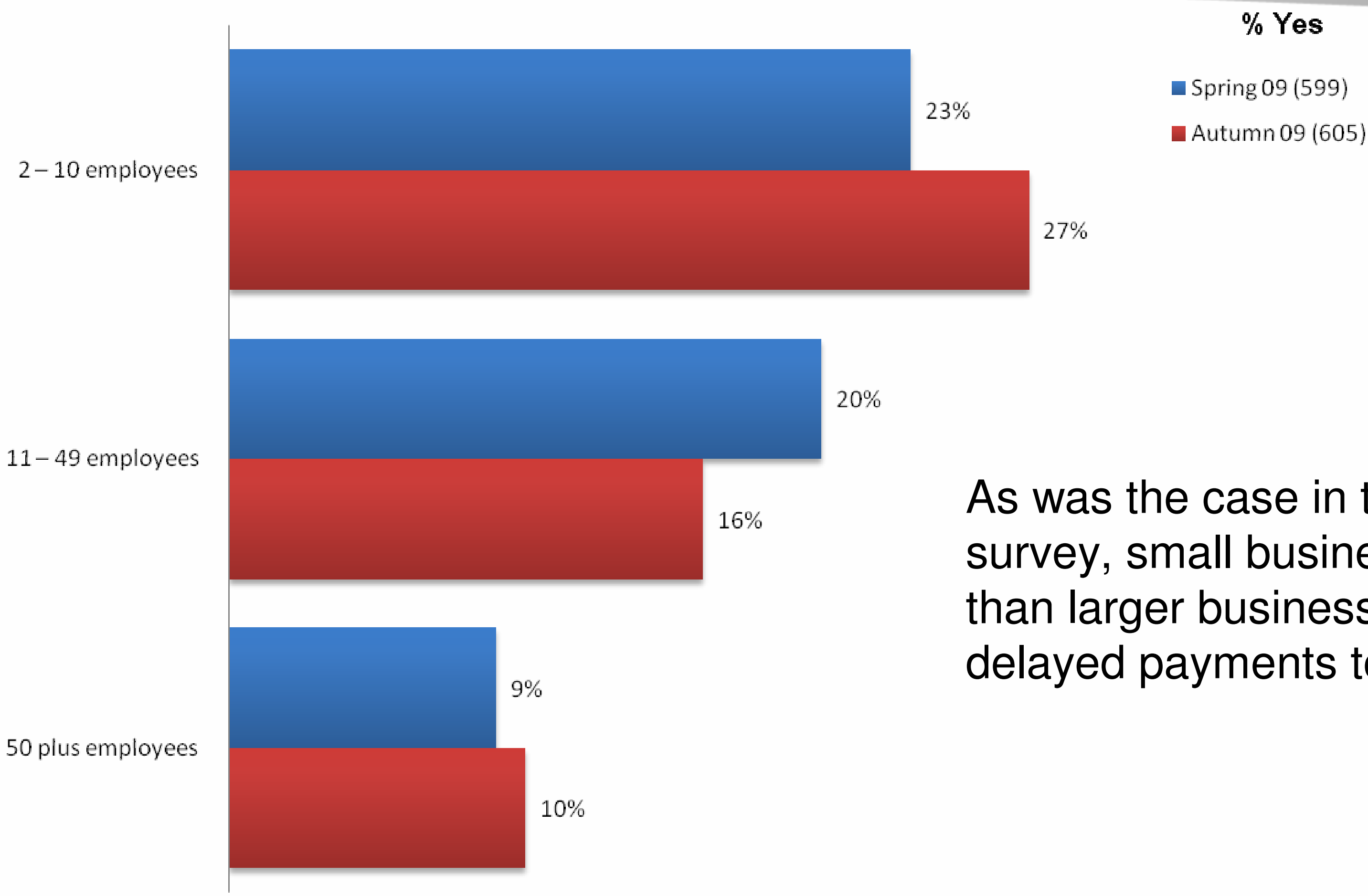


Respondents in the manufacturing/ construction sector are most likely to report that their business has delayed payments to suppliers during the last 3 months.

Sample bases in parenthesis

Q19. Have you found it necessary to delay payments to your own suppliers over the past 3 months?

Payments to suppliers (by size)

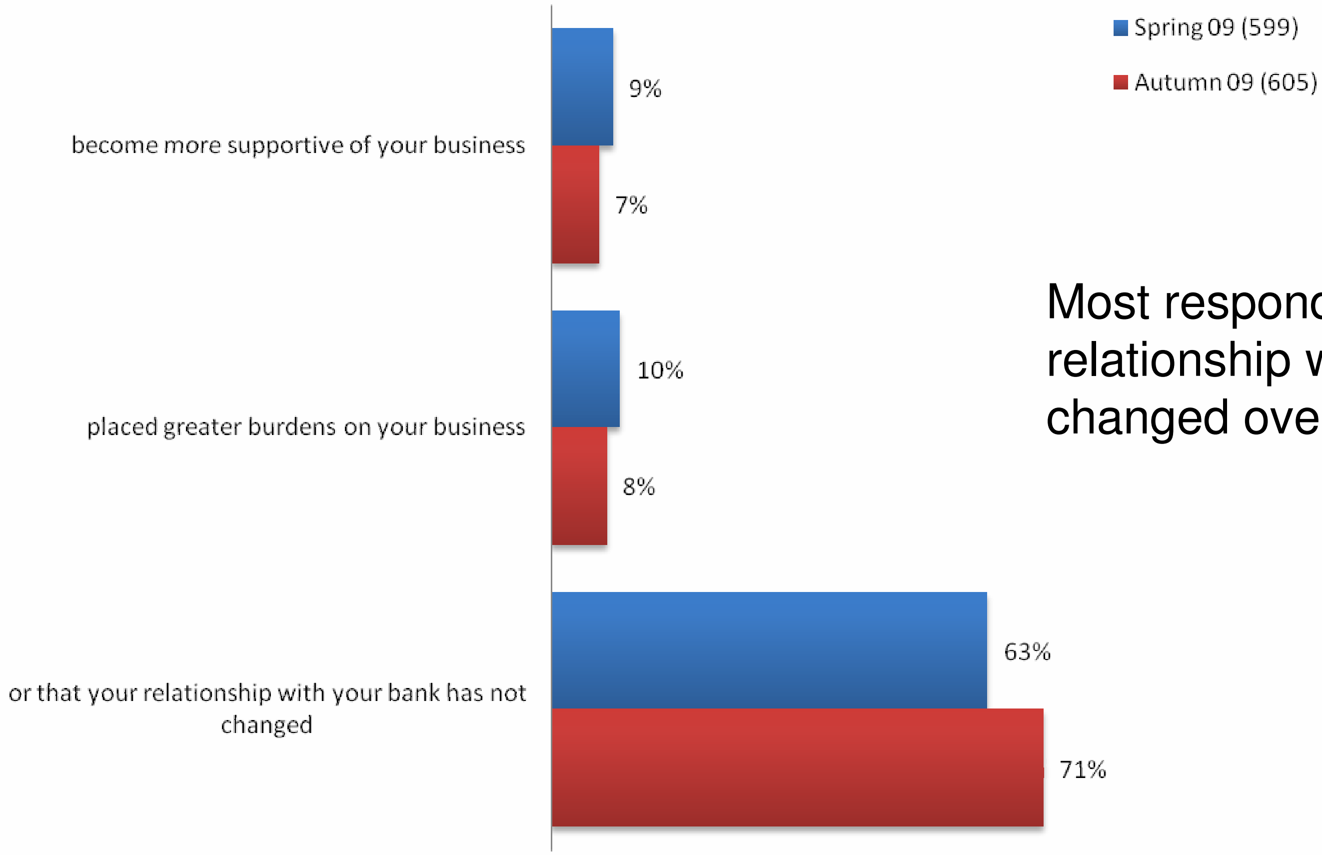


As was the case in the Spring 09 survey, small business are more likely than larger businesses to have delayed payments to their suppliers.

Sample bases in parenthesis

Q19. Have you found it necessary to delay payments to your own suppliers over the past 3 months?

Relationship with bank



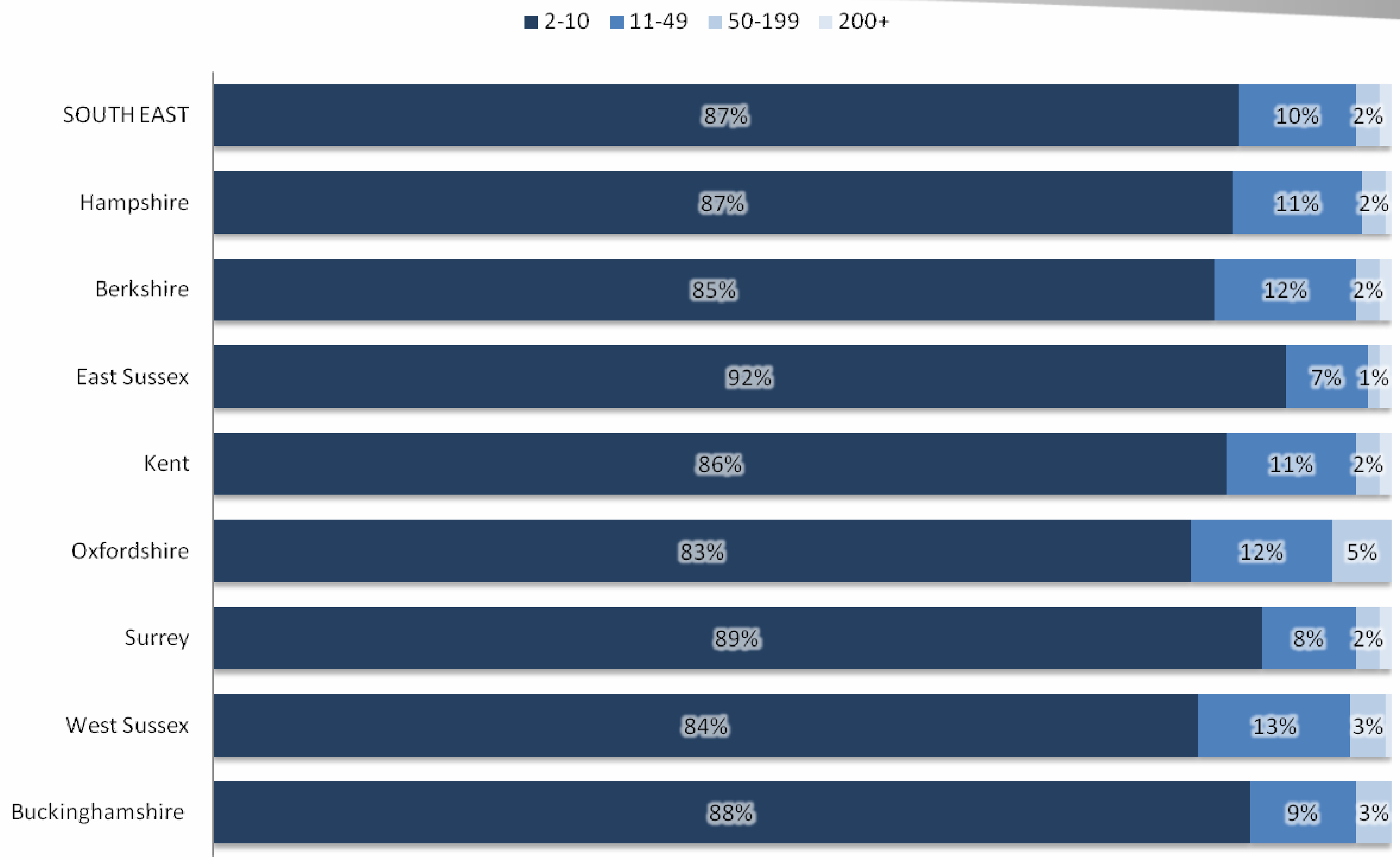
Most respondent's business relationship with their bank has not changed over the past 3 months.

Sample bases in parenthesis

Q20. Thinking now about your relationship with your bank. Would you say that over the past 3 months your bank has generally....

Business profile

Business size



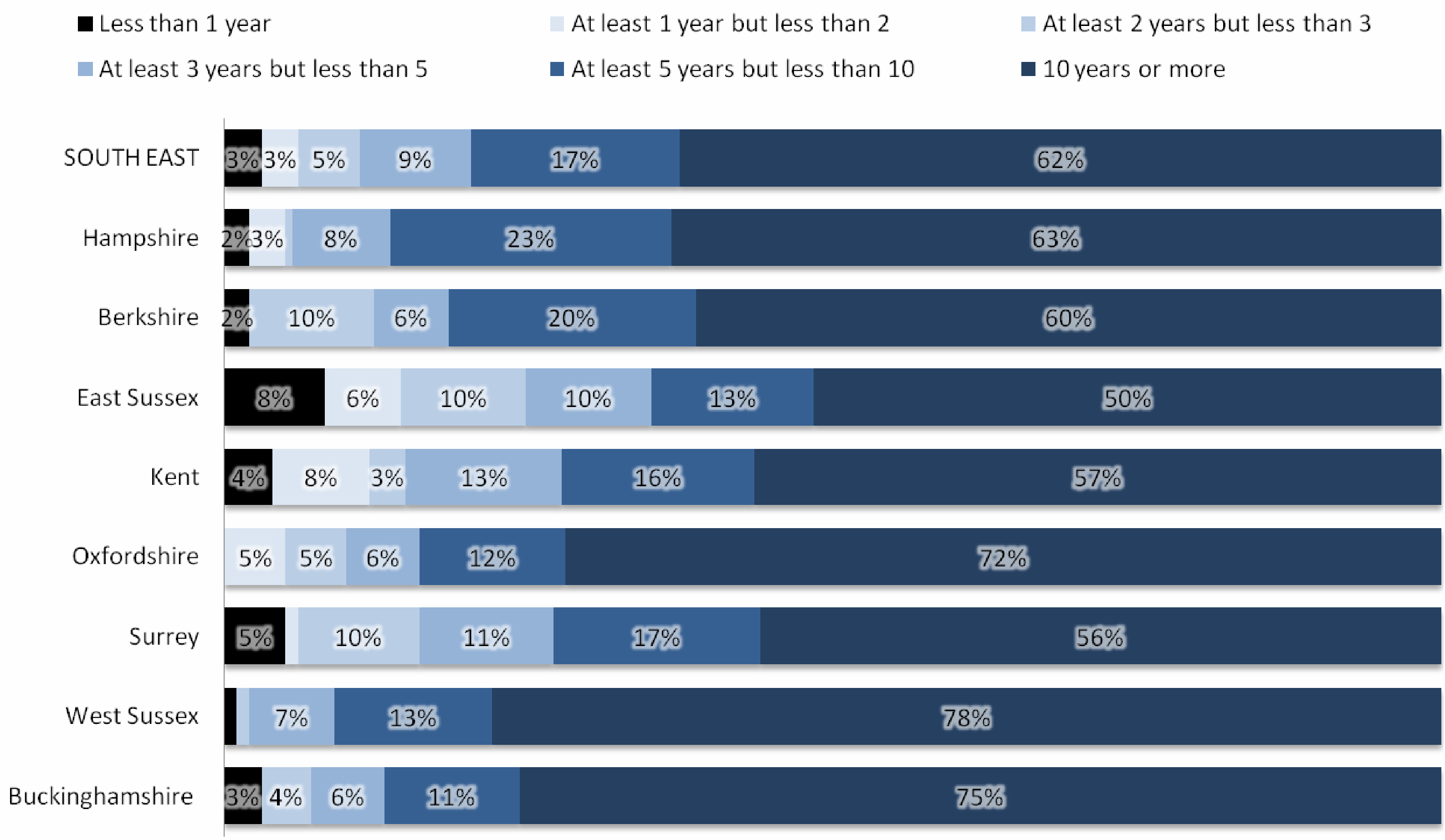
Q4. Including yourself, how many employees are there at this workplace? Including partners, working managers/ directors etc. excluding casual staff.

Business sector

	SOUTH EAST (605)	Hampshire (137)	Berks (72)	East Sussex (58)	Kent (105)	Oxfordshire (52)	Surrey (87)	West Sussex (42)	Bucks (52)
A - Agriculture, Hunting and Forestry	1	1	<0.5	<0.5	1	1	<0.5	1	<0.5
C - Mining and Quarrying	<0.5	0	<0.5	0	<0.5	0	<0.5	0	0
D - Manufacturing	11	16	7	8	11	9	3	19	15
E - Electricity, Gas and Water Supply	<0.5	<0.5	<0.5	0	0	0	<0.5	0	0
F – Construction	6	8	8	8	4	0	7	12	4
G - Wholesale and Retail Trade, Repair Of Motor Vehicles and Motorcycles	14	15	8	14	18	9	17	14	11
H - Hotels and Restaurants	11	7	12	17	6	6	16	5	14
I - Transport, Storage and Communication	5	4	8	1	3	5	7	2	12
J - Financial Intermediation	2	<0.5	1	3	3	5	2	<0.5	4
K - Real Estate, Renting and Business Activities	38	35	44	37	41	52	35	36	31
M - Education	2	1	2	2	2	2	<0.5	1	3
N - Health and Social Work	5	6	3	4	3	8	5	2	5
O - Other Community, Social and Personal Activities	5	6	5	6	7	3	6	8	0

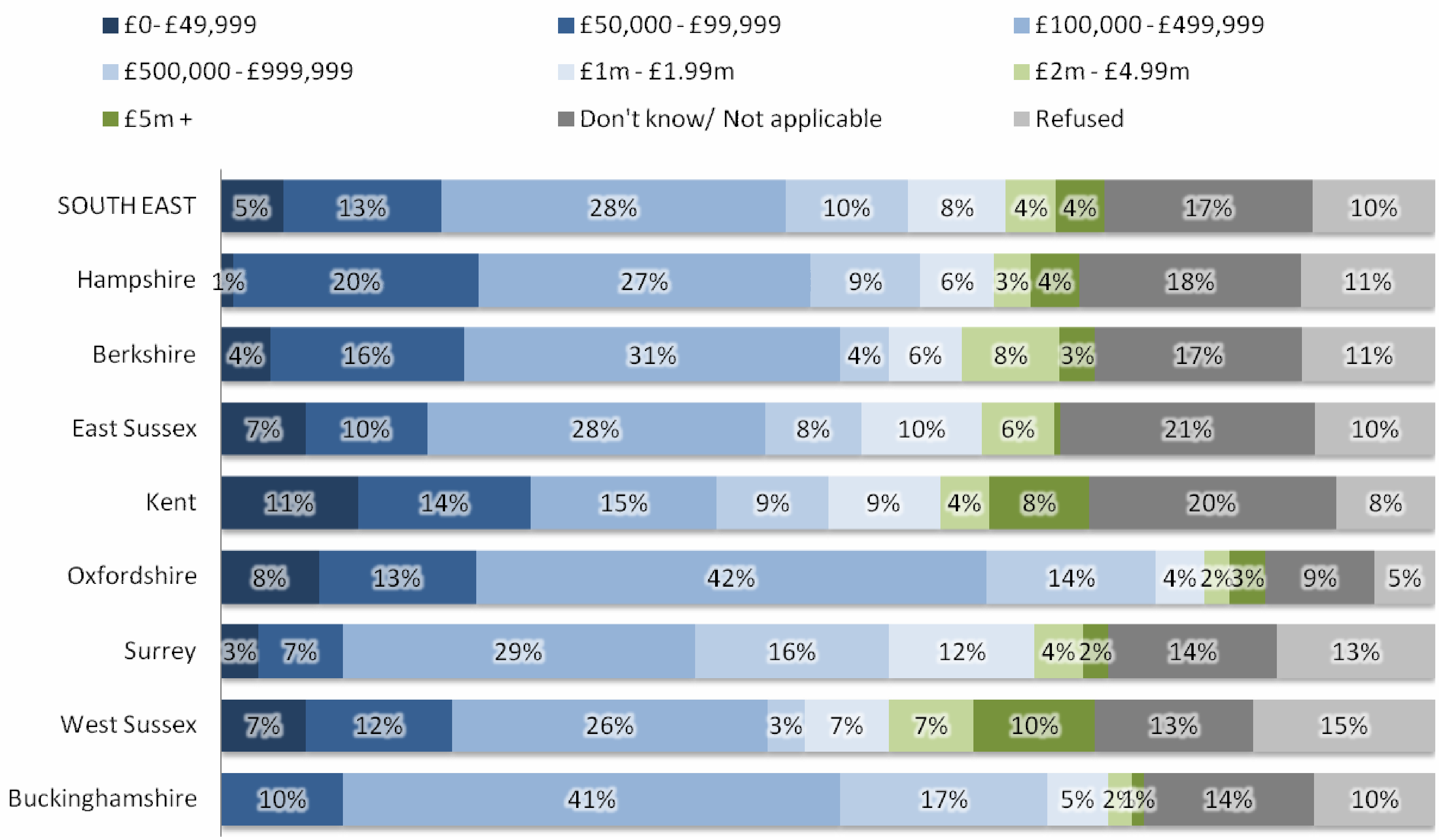
Q3. What is the main business activity at this establishment?

Age of business



Q21. Approximately how long has your business been in operation for?

Annual turnover



Q22. What is your annual turnover at this site?