RDAs National Business Survey Snapshot

Prepared for Yorkshire Forward, South East England Development Agency, North West Development Agency, East Midlands Development Agency

bmg research

Because people matter

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Executive Summary

- Less than a quarter of all businesses report declining business performance over the past 3 months, a significant improvement since the previous Snapshot Survey.
- As expected, where businesses performance has got worse, this is attributed to the economic downturn in the UK.
- Reflecting performance over the past 3 months, on the whole businesses are more likely to think that their performance will improve over the next 3 months than get worse.
- Despite this optimism, business are more likely than not to have seen their profit margins and cash flow decline over the past 3 months.
- Again though, businesses are relatively optimistic that these factors will improve over the next 3 months.

Executive Summary

- Overall, businesses report their current level of output as below capacity, particularly in the North West.
- Businesses have seen the overall investment in their business, and particularly in marketing and sales increase in the last 3 months, and expect this to continue over the next 3 months.
- Since the last Snapshot Survey there has been a shift in where businesses have seen their costs increase, as they are now more likely to mention transport rather than energy costs. Transport now exerts the most significant upward pressure on cost base.

Executive Summary

- Businesses are less likely to have passed on increases in costs to their customers than in the previous Snapshot Survey.
- Fractionally fewer businesses in each region have sought additional finance in the past 3 months.
- Overall, similar proportions of businesses to the previous Snapshot Survey have had to delay payment to their suppliers in the past 3 months; this is more common among smaller businesses.
- The majority of businesses report that the relationship with their bank has not changed over the past 3 months.

Background and methodology

Background and Methodology

- BMG Research has conducted a Snapshot survey of business confidence for Yorkshire Forward, South East England Development Agency, North West Development Agency and East Midlands Development Agency.

- This is the second Snapshot survey carried out by BMG, with the previous wave being held in Spring 2009.

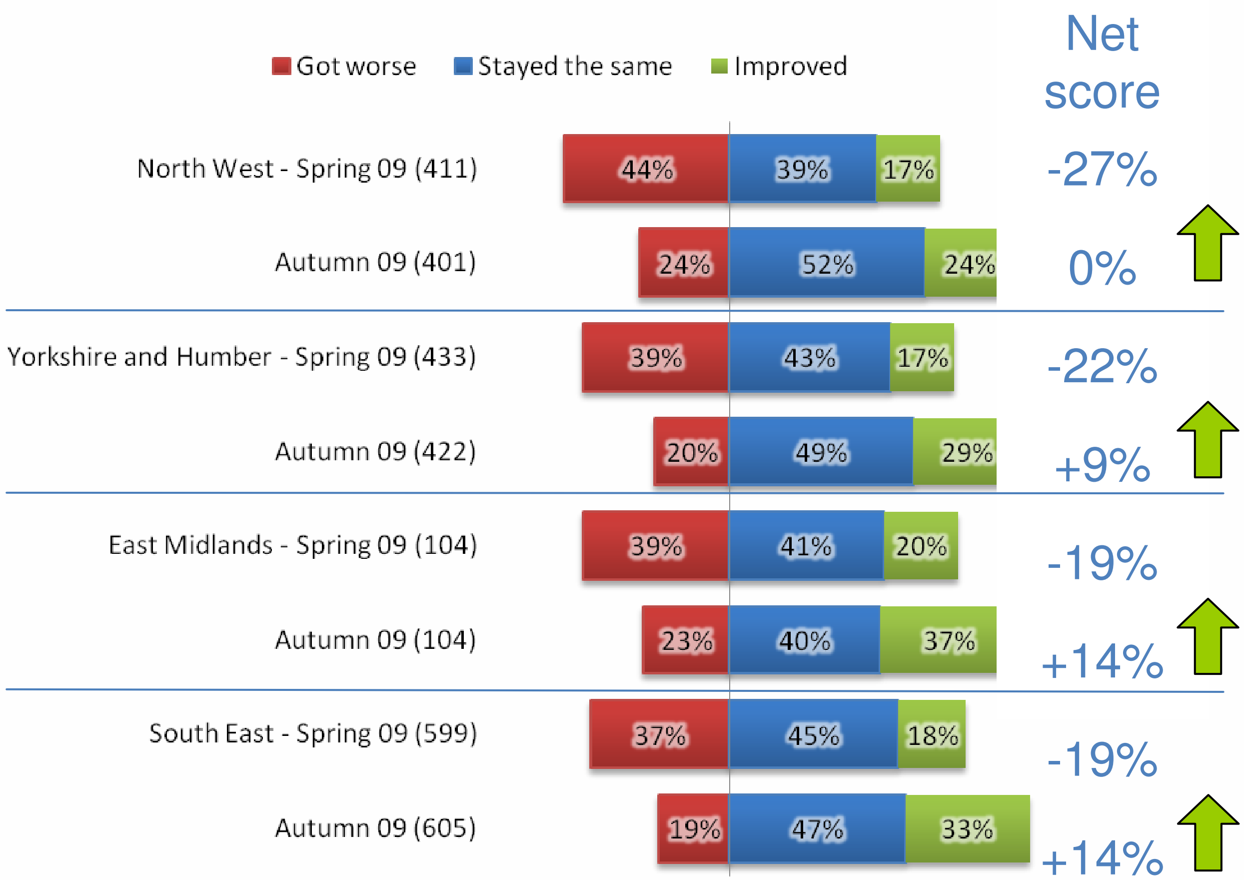
- All interviews were carried out by telephone with someone in the business most knowledgeable about the overall performance of the business.

Background and Methodology

- The Snapshot survey is used to supplement the findings from the six-monthly National Business Survey in the four sponsoring regions by providing a summary of business views in the interim period between the full National Business Survey fieldwork periods.
- In total 1,532 interviews were carried out, 401 in the North West, 422 in Yorkshire & Humber, 104 in East Midlands and 605 in the South East, between the 7th and 25th September 2009.
- Quotas were set by size of business and business sector by region.
- Public sector businesses were excluded.

Business performance in light of the recent economic downturn

Recent business performance



Sample bases in parenthesis

Between a fifth and a quarter of businesses in each region report that their performance over the past 3 months has got worse. This is a significant improvement since Spring 09, where over a third of businesses reported their performance worsening.

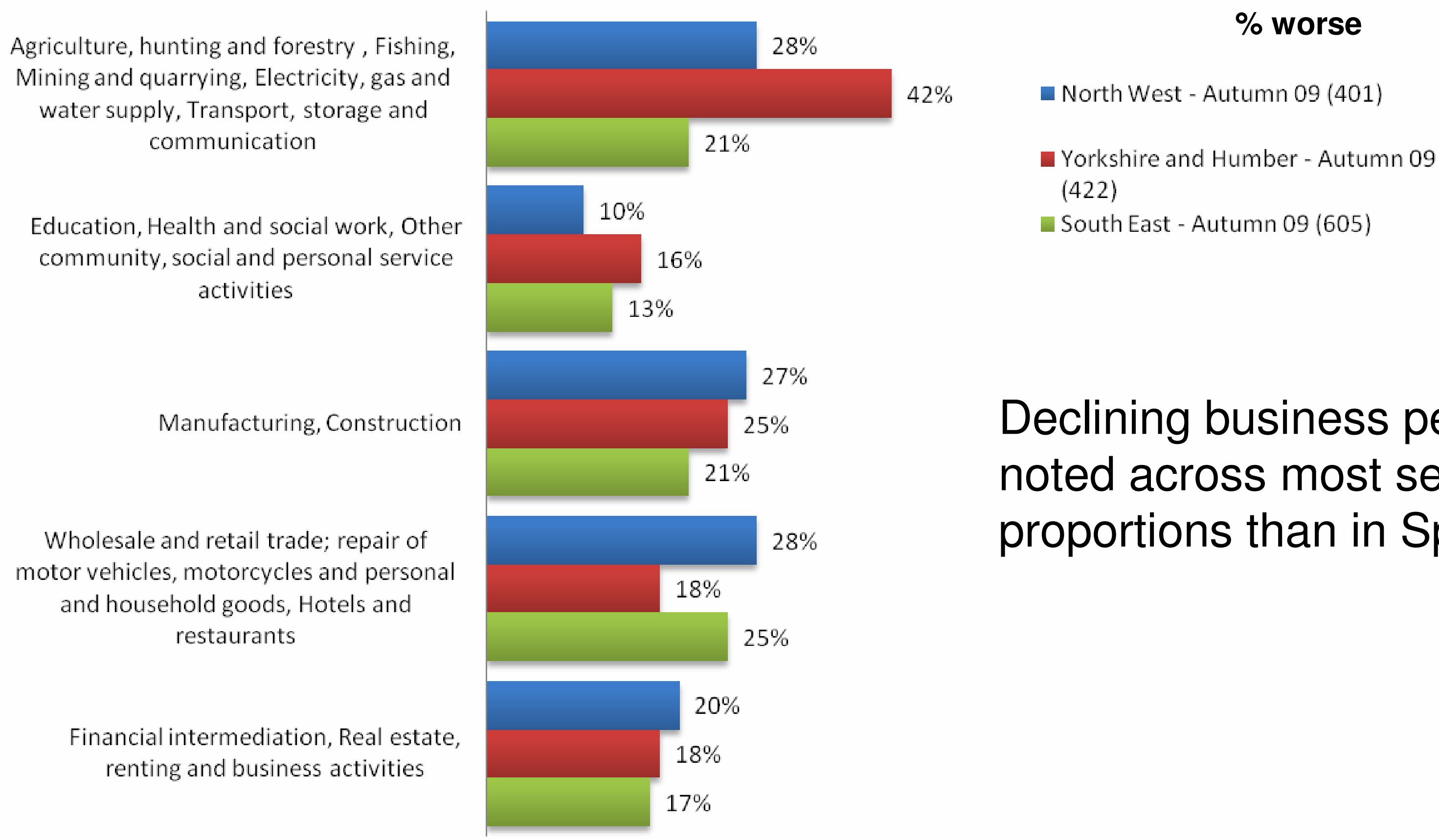
Ipsos MORI NBS National Report June 09

Business performance over the past 12 months:

- 16% Improved
- 28% Remained stable
- 56% Deteriorated

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)

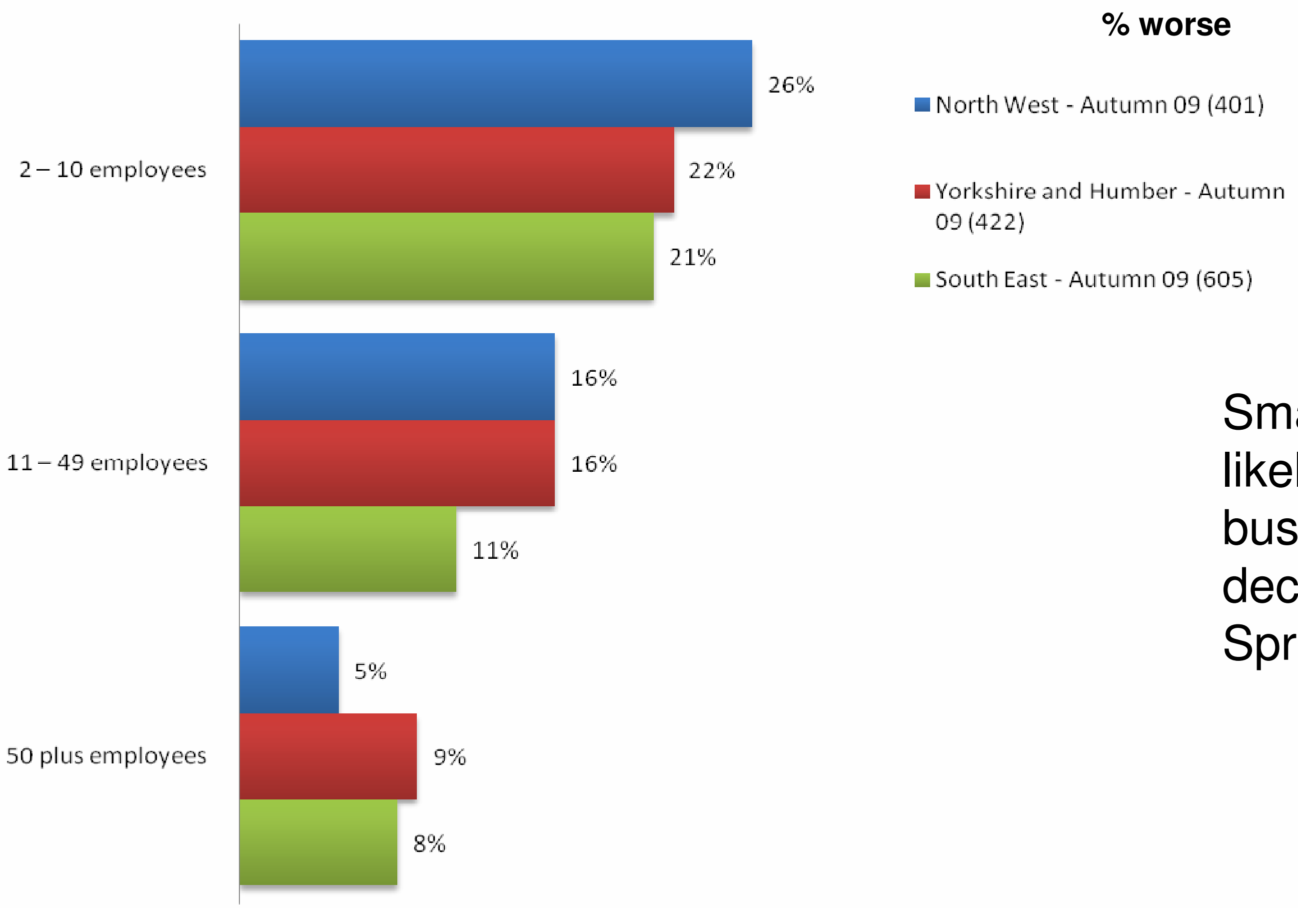


Declining business performance is noted across most sectors by smaller proportions than in Spring 09.

Sample bases in parenthesis (East Midlands excluded due to low base size)

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)



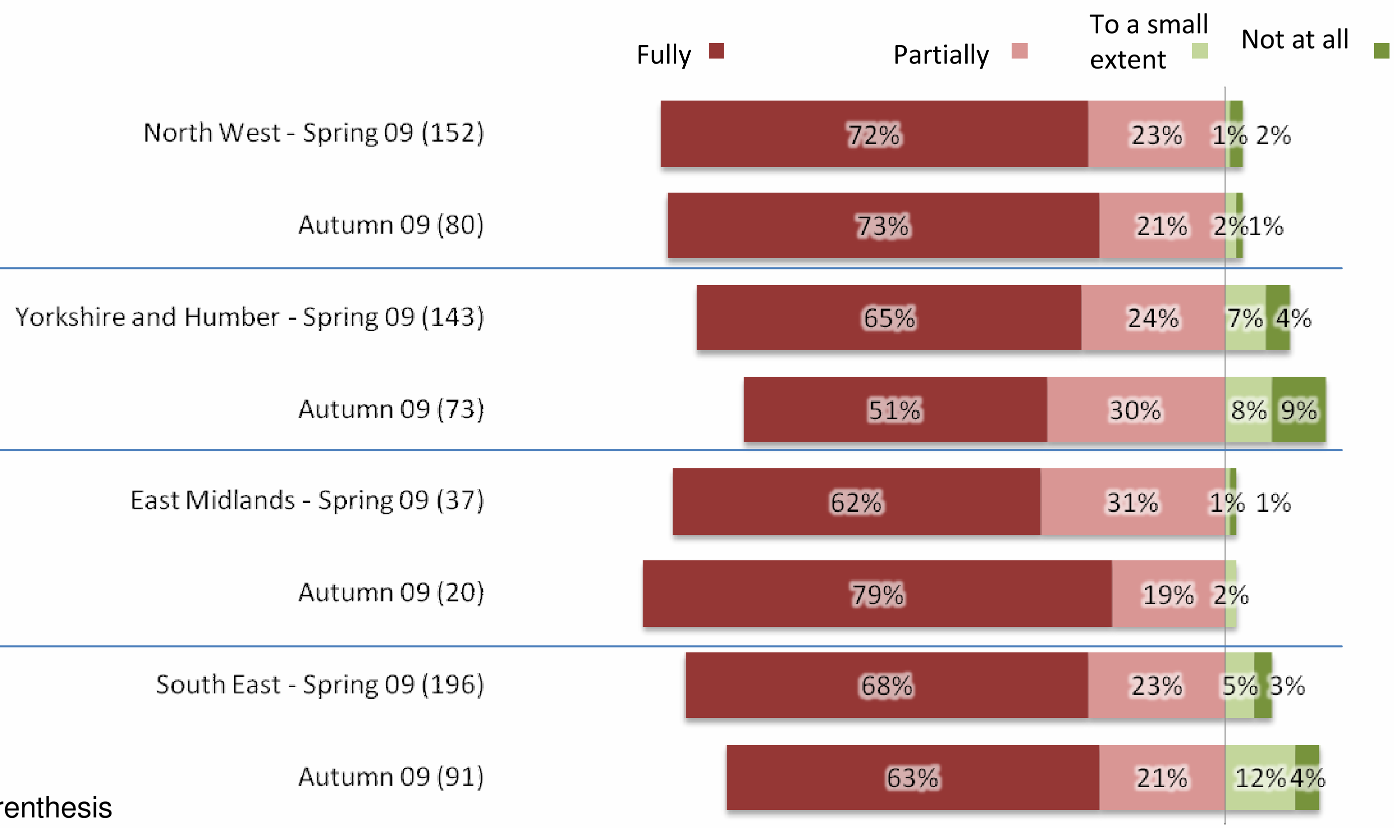
Small businesses are more likely to say that their recent business performance has declined, as was the case in Spring 09.

Sample bases in parenthesis (East Midlands excluded due to low base size)

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

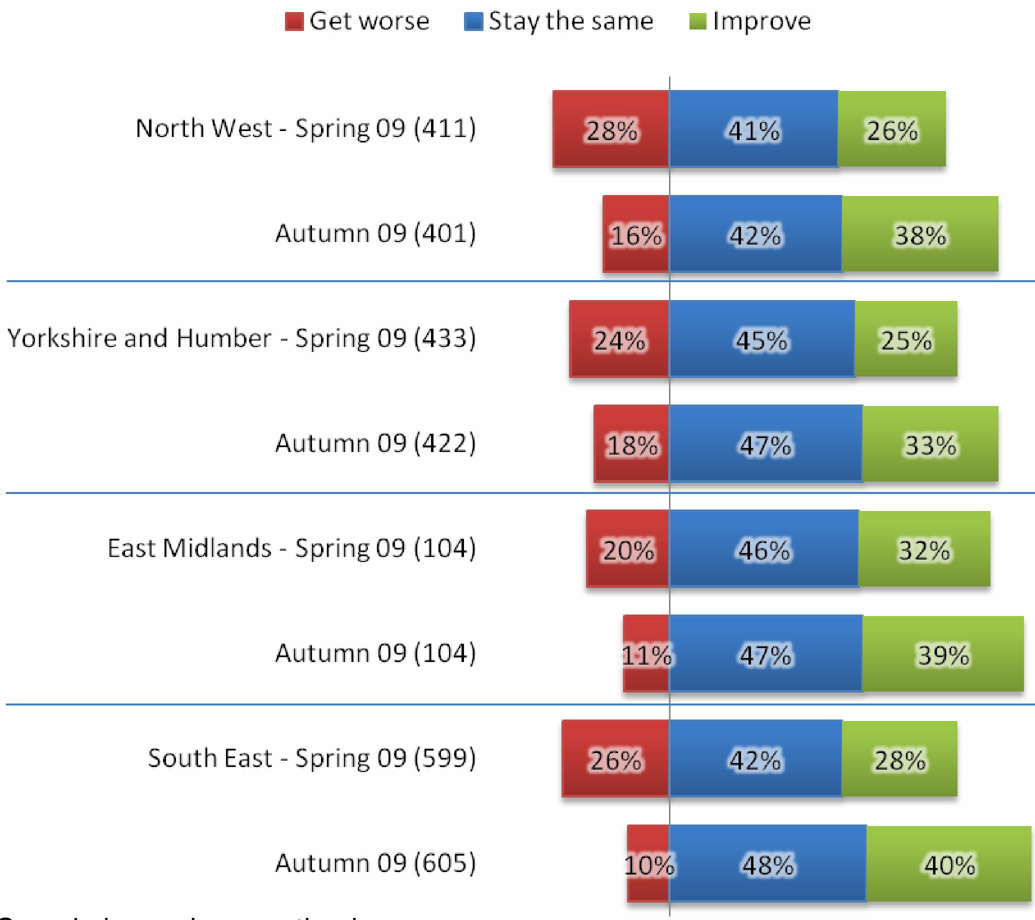
As in Spring 09, of the businesses who feel that their performance has got worse in the last 3 months, all but a minority in each region attribute this at least partially, and in most cases fully to the current economic conditions in the UK.



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



et score

-2%

+22%

+1%

+15%

+12%

+28%

+2%

+30%

Across all regions a greater proportion of businesses than in Spring 09 feel that the climate in which their business operates will improve. As shown by the net scores, businesses are now positive overall.

Sample bases in parenthesis

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 - summary

Businesses in all regions report a downward 3 month trend for margins and cash flow. Businesses in the North West are most likely to report lower domestic orders and volume of output.

	North West %	Yorkshire and Humber %	East Midlands %	South East %
Domestic orders	-15	-2	+2	-1
Export orders	+1	+3	+2	+1
Numbers employed	-7	-4	+3	+1
Volume of output	-12	+4	+2	+7
Prices charged to customers	-18	-15	-18	-10
Staff costs	-1	+1	+10	+1
Profit margins	-31	-22	-31	-24
Cash in the business (cash flow)	-18	-23	-12	-16
Sample base	401	422	104	605

Figures shown are net scores, calculated by subtracting those who responded with ‘lower’ from those saying ‘higher’

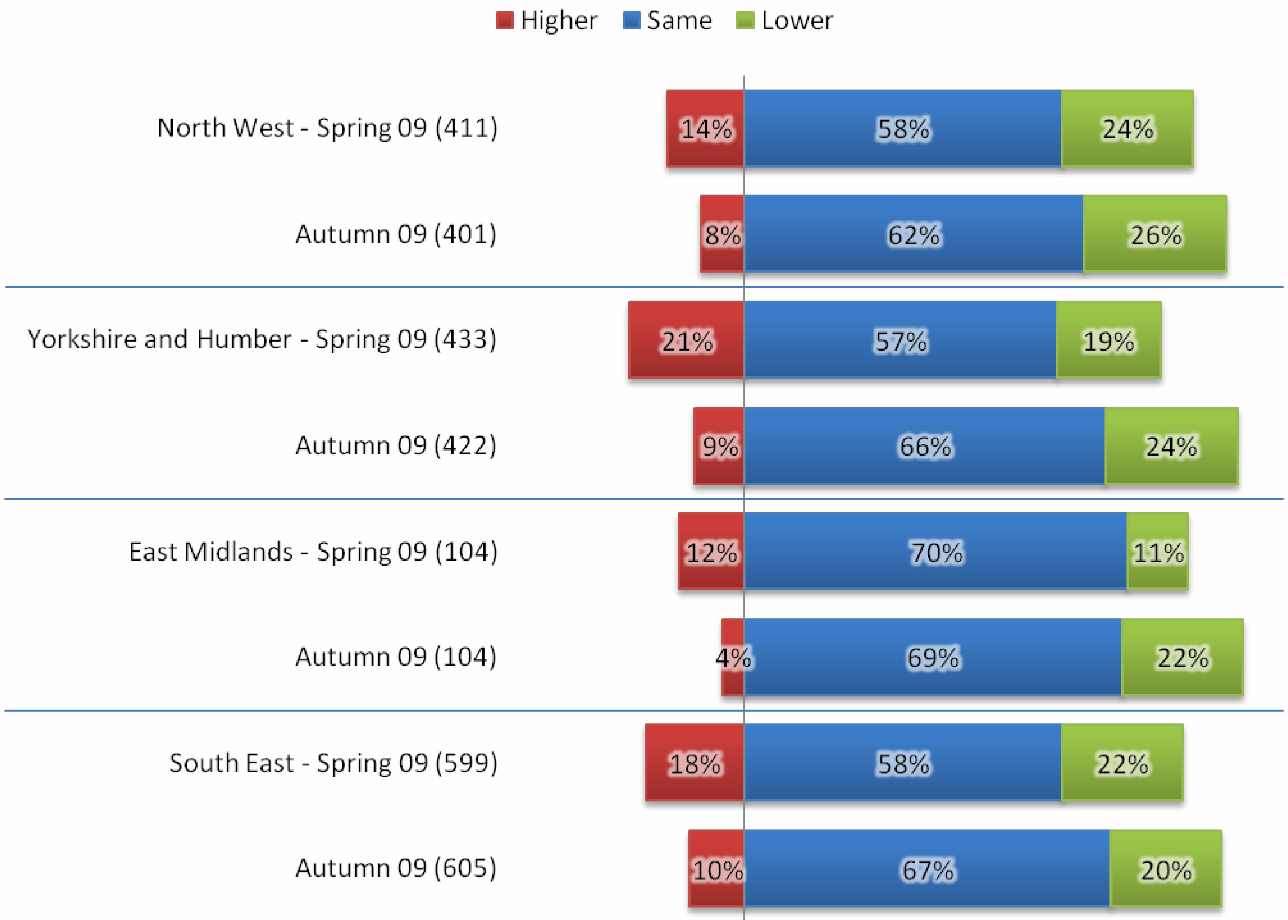
Q8A. Excluding seasonal variations, what has been the trend during the past 3 months for…

Trends in the past 3 months

	North West %			Yorkshire and Humber %			East Midlands %			South East %		
	Lower	Same	Higher	Lower	Same	Higher	Lower	Same	Higher	Lower	Same	Higher
Domestic orders	30	34	15	20	37	18	23	22	25	20	33	19
Export orders	5	7	6	2	6	5	3	13	5	4	8	5
Numbers employed	18	71	11	12	77	8	8	81	11	9	79	10
Volume of output	29	47	17	19	51	23	26	43	28	20	43	27
Prices charged to customers	26	62	8	24	66	9	22	69	4	20	67	10
Staff costs	14	71	13	12	73	13	4	81	14	13	71	14
Profit margins	42	40	11	37	38	15	38	51	7	36	43	12
Cash in the business (cash flow)	31	49	13	33	49	10	30	44	18	31	46	15
Sample base	401			422			104			605		
Not applicable / don't know answers excluded												

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

Trends in the past 3 months – prices charged to customers



In all regions a smaller proportion of businesses charged higher prices to their customers during the past 3 months.

Sample bases in parenthesis

Q8A. Excluding seasonal variations, what has been the trend during the past 3 months for prices charged to customers

Anticipated trends for the next 3 months - summary

Businesses in all regions are more likely to expect higher domestic orders and volume of output than lower, particularly in the South East. Businesses in the East Midlands are optimistic that their profit margins and cash flow will become higher over the next 3 months.

	North West %	Yorkshire and Humber %	East Midlands %	South East %
Domestic orders	+18	+12	+13	+19
Export orders	+2	-1	+3	+3
Numbers employed	+5	+5	+8	+5
Volume of output	+18	+17	+33	+25
Prices charged to customers	+3	-2	+6	+5
Staff costs	+7	+4	+16	+10
Profit margins	+4	+6	+11	+8
Cash in the business (cash flow)	+9	+3	+26	+9
Sample base	401	422	104	605

Figures shown are net scores, calculated by subtracting those who responded with ‘lower’ from those saying ‘higher’

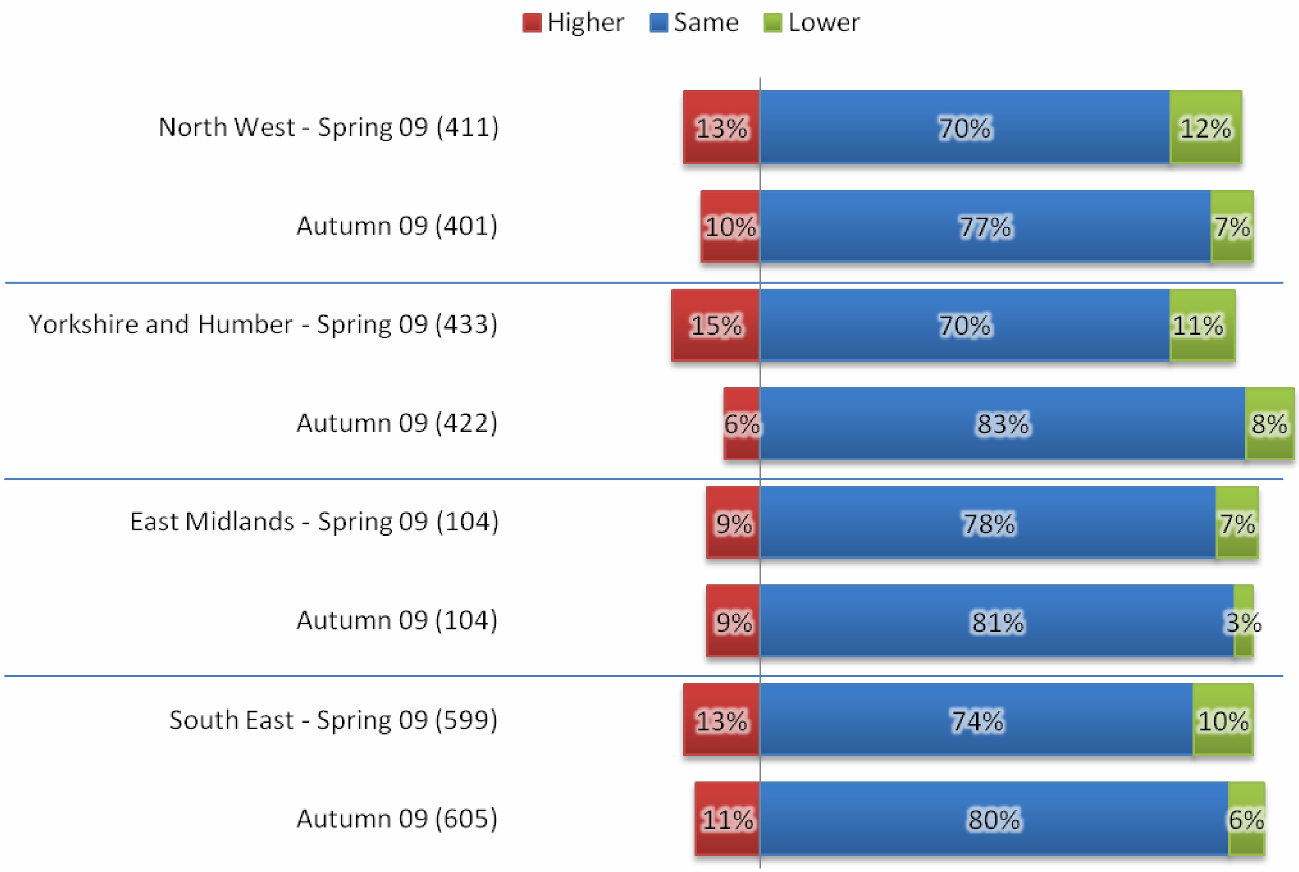
Q8B. Excluding seasonal variations, what are the expected trends for the next 3 months, with regard to…

Anticipated trends for the next 3 months

	North West %			Yorkshire and Humber %			East Midlands %			South East %		
	Lower	Same	Higher	Lower	Same	Higher	Lower	Same	Higher	Lower	Same	Higher
Domestic orders	12	35	30	11	41	23	6	48	19	9	36	28
Export orders	4	9	6	2	9	1	1	18	4	3	8	6
Numbers employed	9	76	14	6	81	11	5	82	13	6	81	11
Volume of output	15	43	33	14	48	31	3	60	36	9	46	34
Prices charged to customers	7	77	10	8	83	6	3	81	9	6	80	11
Staff costs	8	74	15	8	77	12	5	74	21	5	77	15
Profit margins	22	46	26	15	57	21	12	60	23	14	57	22
Cash in the business (cash flow)	18	48	27	14	61	17	7	56	33	14	54	23
Sample base	401			422			104			605		
Not applicable / don’t know answers excluded												

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

Anticipated trend for the next 3 months – prices charged to customers

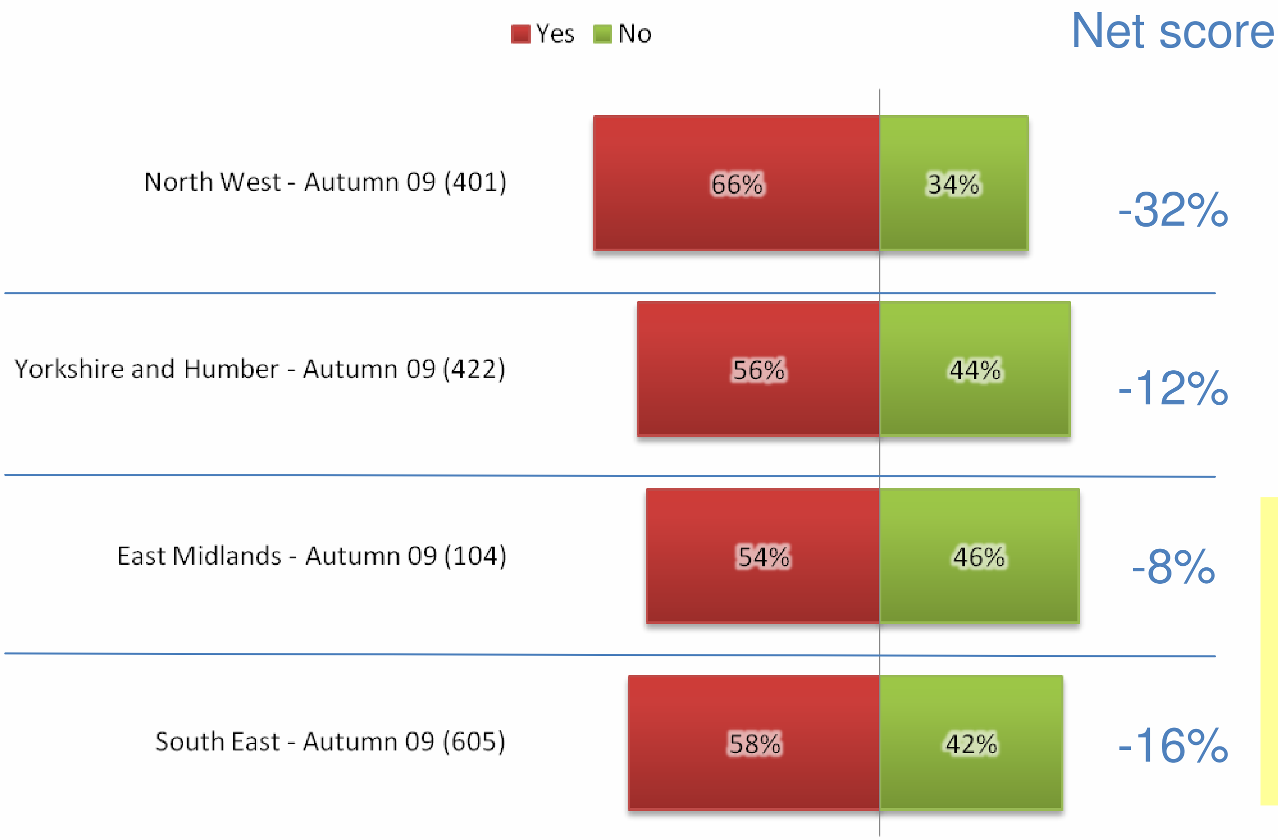


In all regions a similar or smaller proportion anticipate charging higher prices to their customers over the next 3 months.

Sample bases in parenthesis

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

Output level



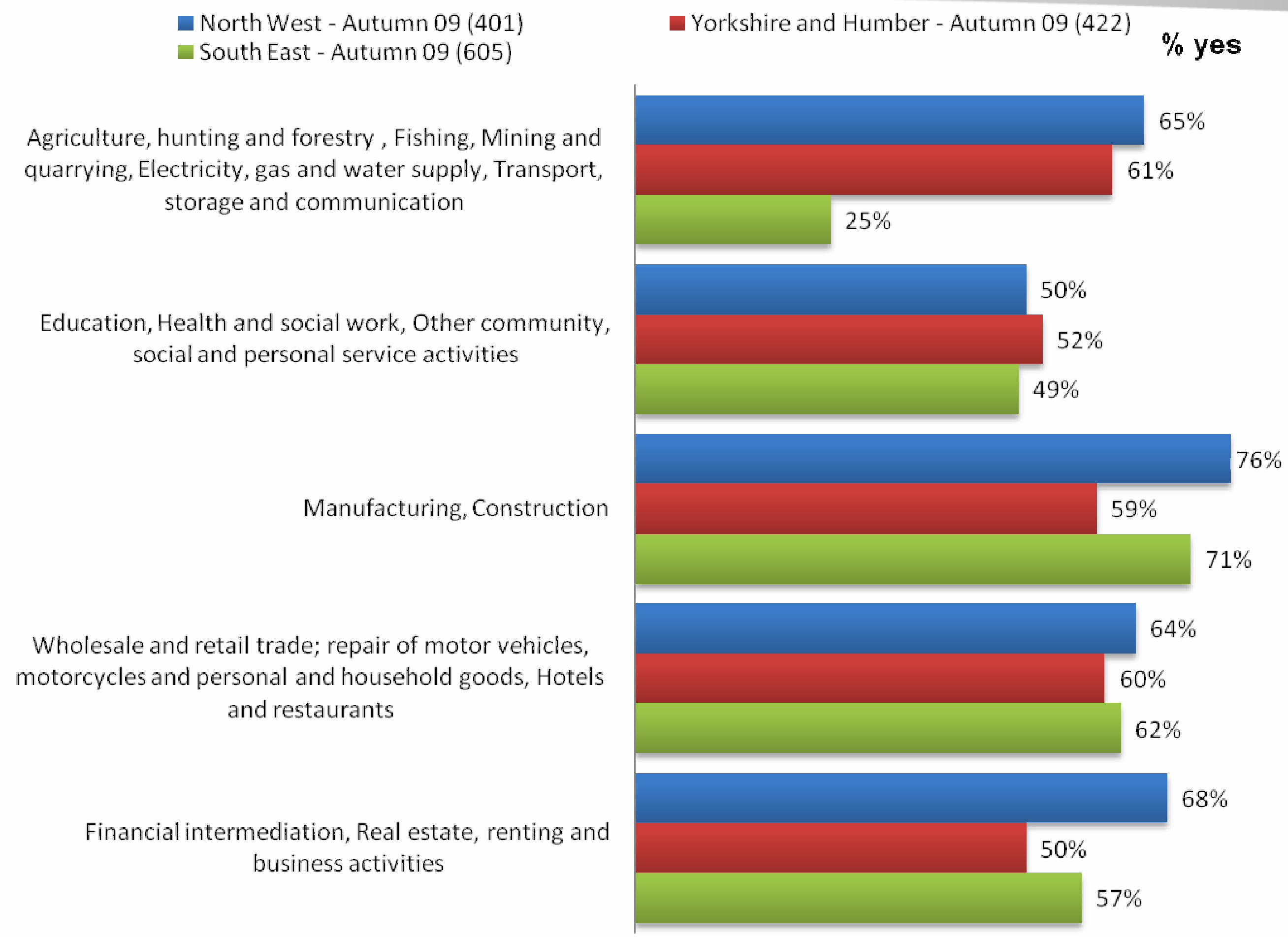
In all regions businesses are more likely to report that their present level of output is below capacity than not, particularly in the North West.

Ipsos MORI NBS National Report June 09
Whether present level of output is below capacity:
- 70% Yes
- 30% No

Sample bases in parenthesis

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

Output level (by sector)

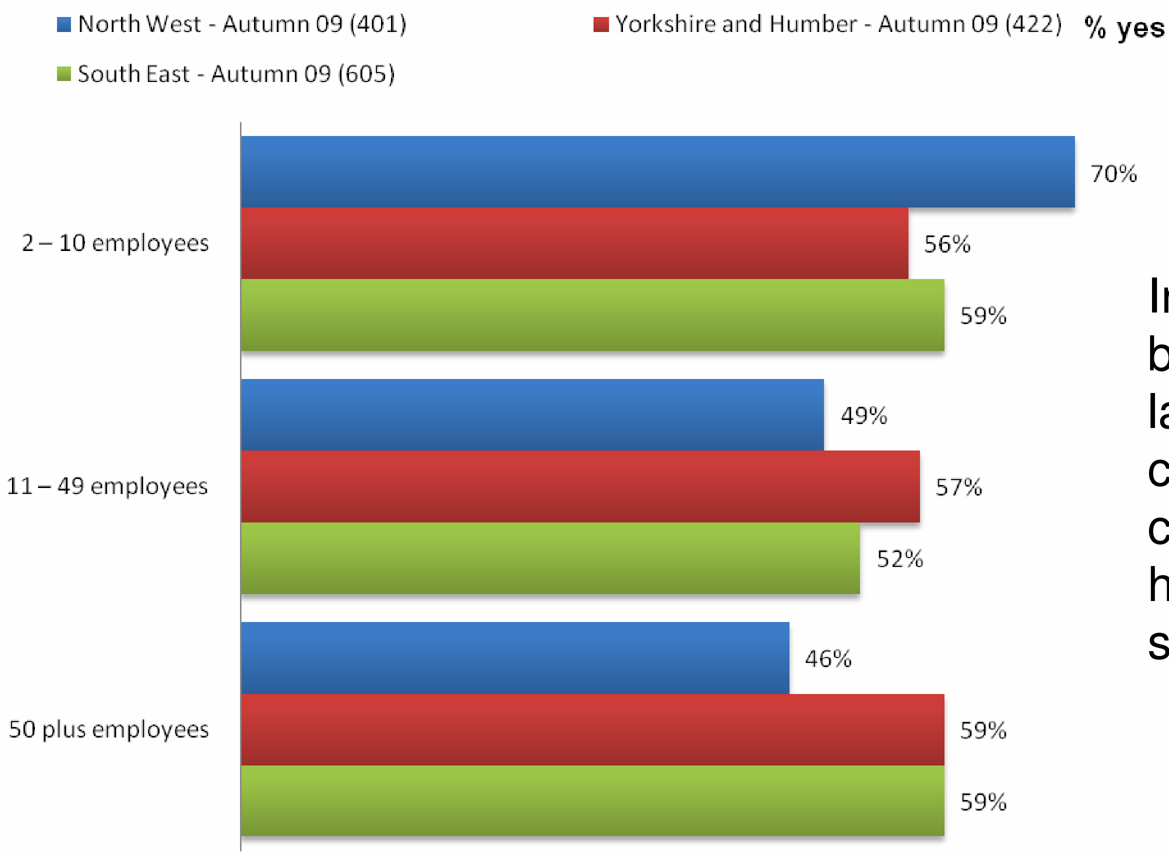


The proportion reporting output levels are below capacity is fairly uniform across all sectors.

Sample bases in parenthesis (East Midlands excluded due to low base size)

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

Output level (by size)



In the North West smaller businesses are more likely than larger businesses to report their current output as below capacity. In other regions however there is no trend by size of the business.

Sample bases in parenthesis (East Midlands excluded due to low base size)

Q8A. 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 - summary

In all regions businesses have seen higher investment in marketing and sales over the past 3 months, reflecting the improving environment in which they are operating, with overall investment increasing slightly.

	North West %	Yorkshire and Humber %	East Midlands %	South East %
Buildings	-4	0	2	1
Plant and machinery	0	6	-1	4
Product and Process development	4	5	5	9
Marketing and sales	12	12	20	19
Training and retraining	3	10	3	11
On balance, overall investment in the business	6	10	8	14
Sample base	401	422	104	605

Figures shown are net scores, calculated by subtracting those who responded with 'lower' from those saying 'higher'

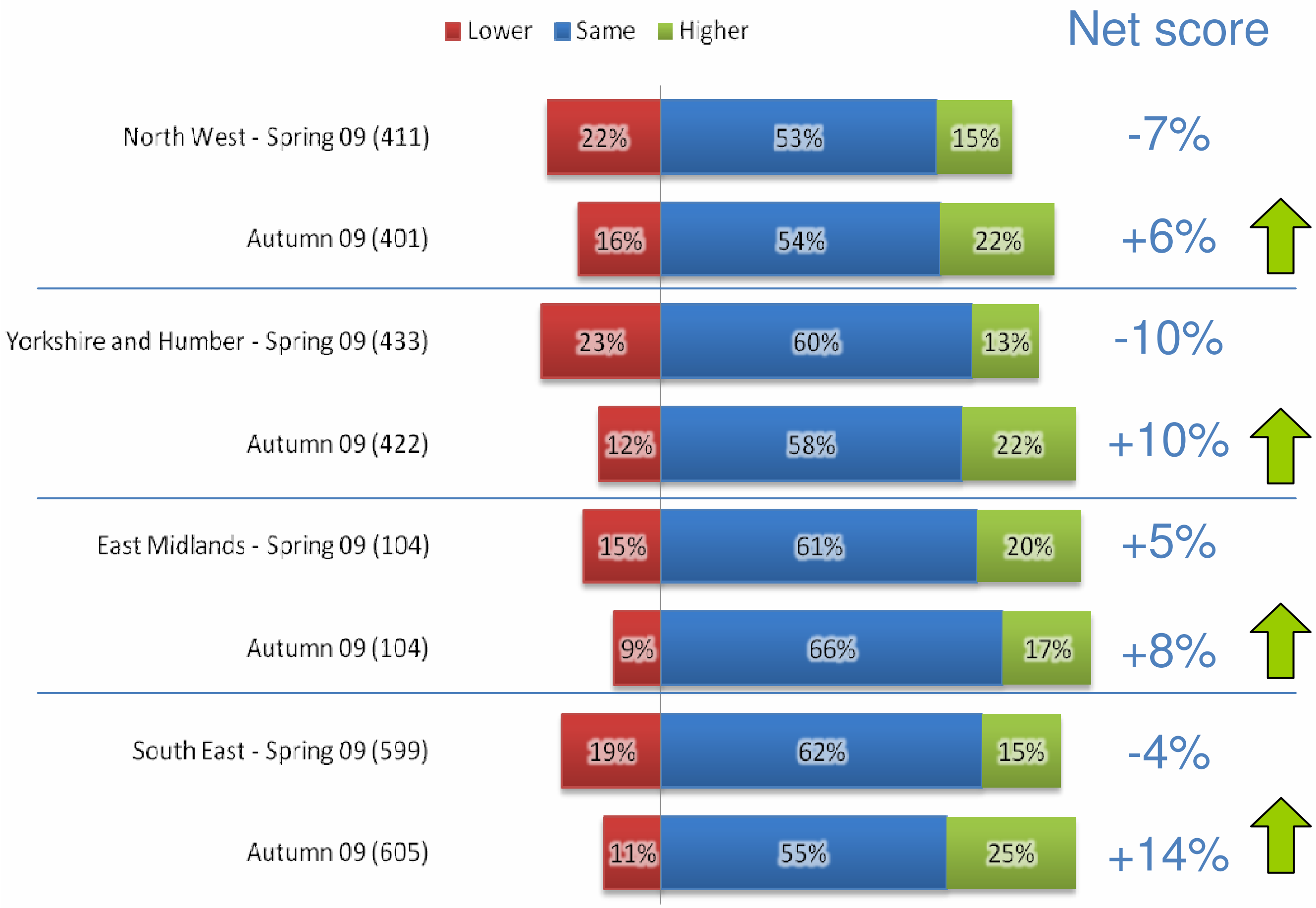
Q9. What has been the trend during the past 3 months in relation to your investment for…

Business's investment trends over the past 3 months

	North West %			Yorkshire and Humber %			East Midlands %			South East %		
	Lower	Same	Higher	Lower	Same	Higher	Lower	Same	Higher	Lower	Same	Higher
Buildings	14	45	10	8	53	8	6	50	8	9	50	10
Plant and machinery	13	43	13	8	45	14	6	50	5	7	44	11
Product and Process development	11	43	15	8	51	13	4	52	9	6	46	15
Marketing and sales	17	44	29	15	44	27	7	54	27	11	46	30
Training and retraining	13	52	16	8	58	18	6	73	9	8	57	19
On balance, overall investment in the business	16	54	22	12	58	22	9	66	17	11	55	25
Sample base	401			422			104			605		
Not applicable / don't know answers excluded												

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



Sample bases in parenthesis

Reinforcing trends in overall business performance, a declining proportion of businesses compared to Spring 09 have reduced their overall investment over the past 3 months.

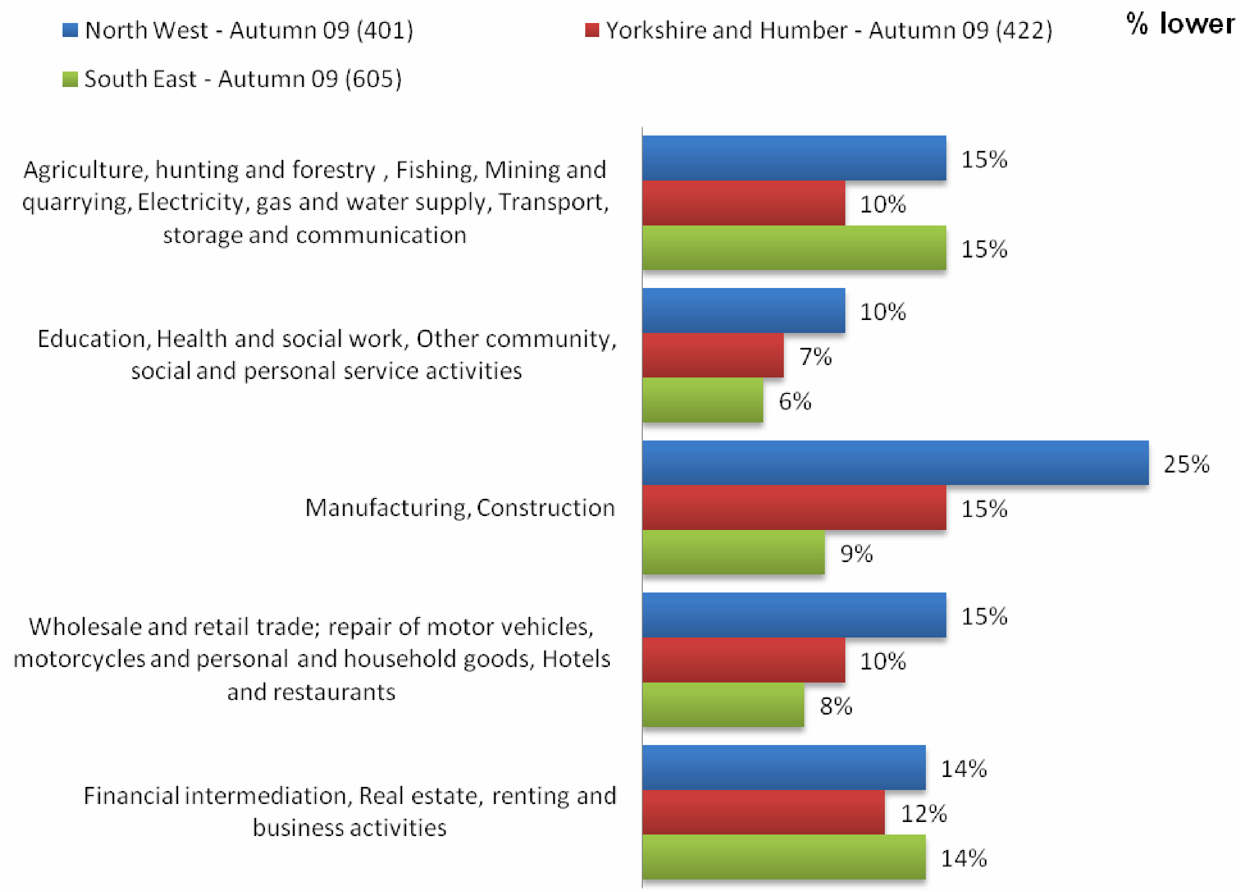
Ipsos MORI NBS National Report June 09

Change in over investment over the last 12 months:

- 23% Increasing
- 48% Remaining stable
- 25% Decreasing

Q9. What has been the trend during the past 3 months in relation to overall investment in the business

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

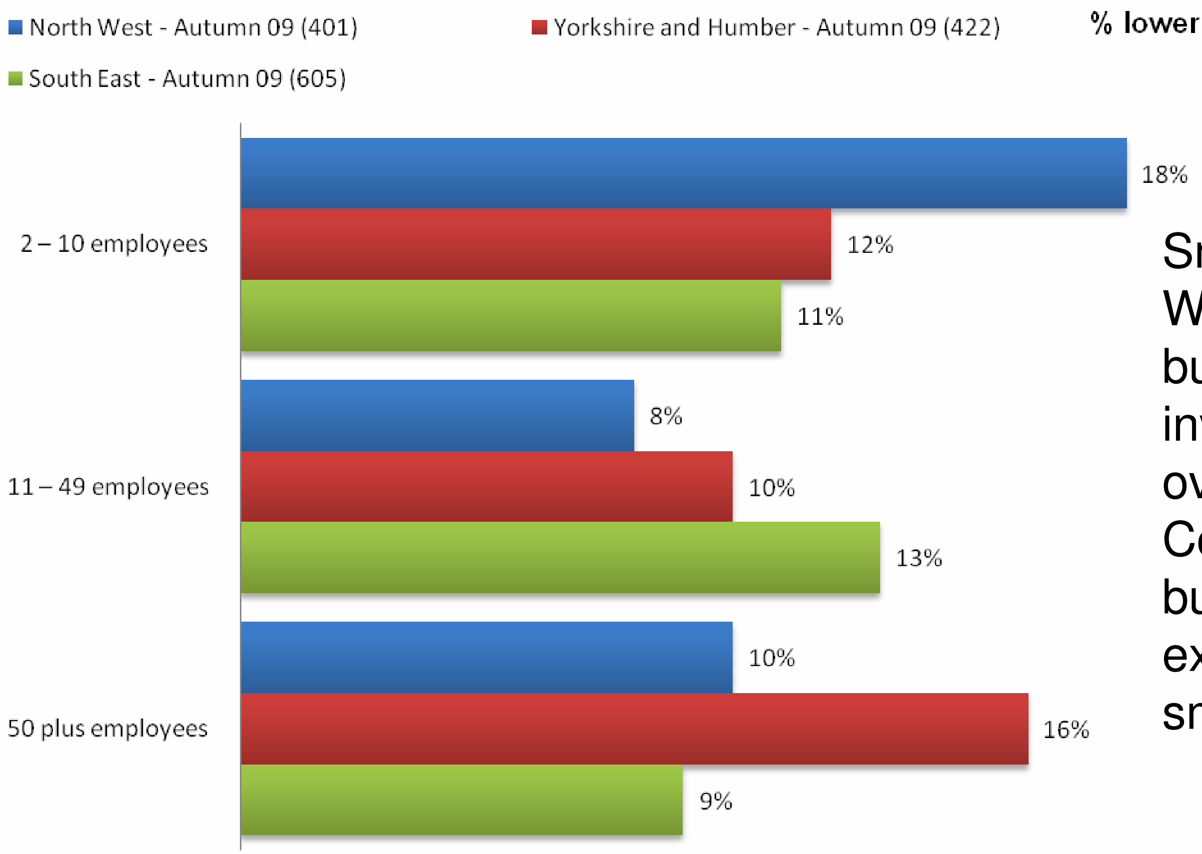


Businesses in the manufacturing / construction sector, particularly in the North West, are more likely than other sectors to anticipate declining investment levels in their business.

Sample bases in parenthesis

Q9. What has been the trend during the past 3 months in relation to overall investment in the business

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



Small businesses in the North West are more likely than larger businesses to expect less investment in their business over the next 3 months. Conversely in Yorkshire, larger businesses are more likely to expect to invest less than smaller businesses.

Sample bases in parenthesis (East Midlands excluded due to low base size)

Q9. What has been the trend during the past 3 months in relation to overall investment in the business

Business's expected investment trends over the next 3 months – summary

The trend seen in the past 3 months is expected to continue over the next 3, particularly with regards to marketing and sales and overall investment in the business.

	North West %	Yorkshire and Humber %	East Midlands %	South East %
Buildings	-3	0	3	4
Plant and machinery	-2	6	3	0
Product and Process development	8	6	17	11
Marketing and sales	21	20	26	23
Training and retraining	6	14	14	13
On balance, overall investment in the business	14	12	8	15
Sample base	401	422	104	605

Figures shown are net scores, calculated by subtracting those who responded with 'lower' from those saying 'higher'

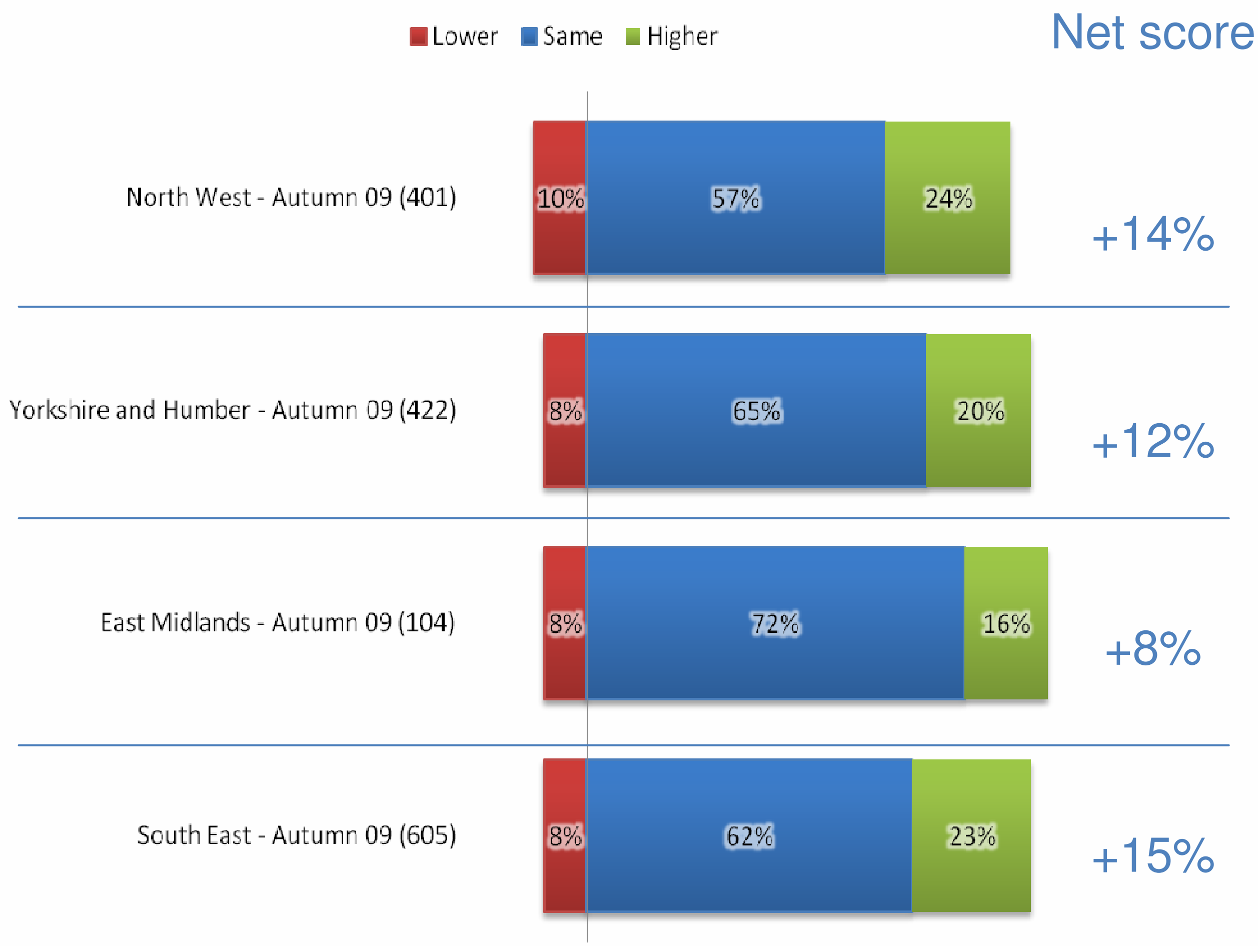
Q10. And what are the expected trends for the next 3 months, with regard to investment in…

Business's expected investment trends over the next 3 months

	North West %			Yorkshire and Humber %			East Midlands %			South East %		
	Lower	Same	Higher	Lower	Same	Higher	Lower	Same	Higher	Lower	Same	Higher
Buildings	10	54	7	6	56	6	5	51	8	6	55	10
Plant and machinery	12	48	10	4	51	10	9	46	12	6	52	6
Product and Process development	8	49	16	5	57	11	1	45	18	4	53	15
Marketing and sales	11	48	32	6	54	26	3	58	29	5	54	28
Training and retraining	10	59	16	4	64	18	5	58	19	5	63	18
On balance, overall investment in the business	10	57	24	8	65	20	8	72	16	8	62	23
Sample base	401			422			104			605		
Not applicable / don't know answers excluded												

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

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

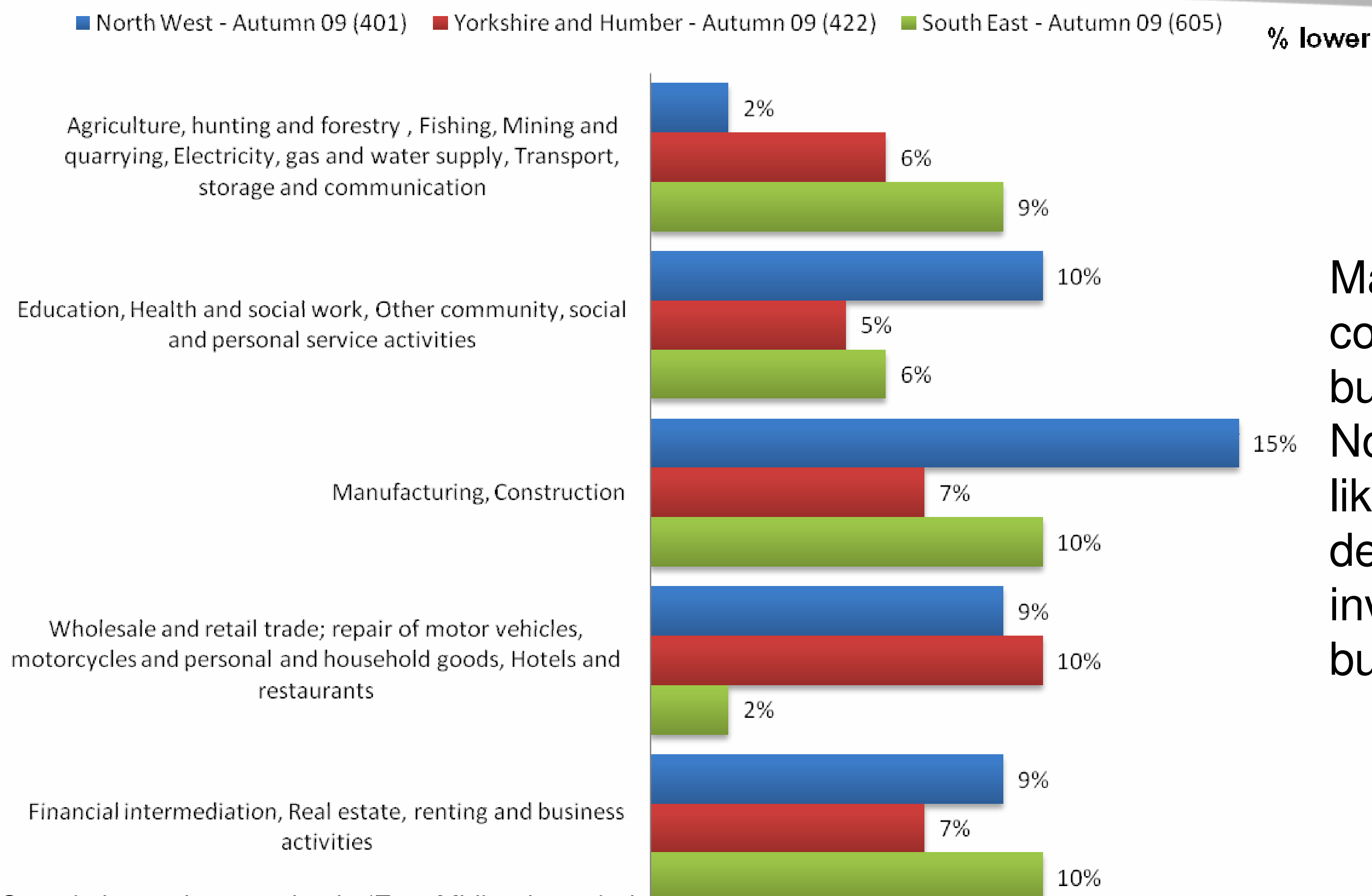


Businesses are most likely to see the level of investment in their business to be unchanged over the next 3 months. Positively slightly more expect to see this increase than decline.

Ipsos MORI NBS National Report June 09
Change in over investment over the next 12 months:
- 23% Increasing
- 46% Remaining stable
- 23% Decreasing

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

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

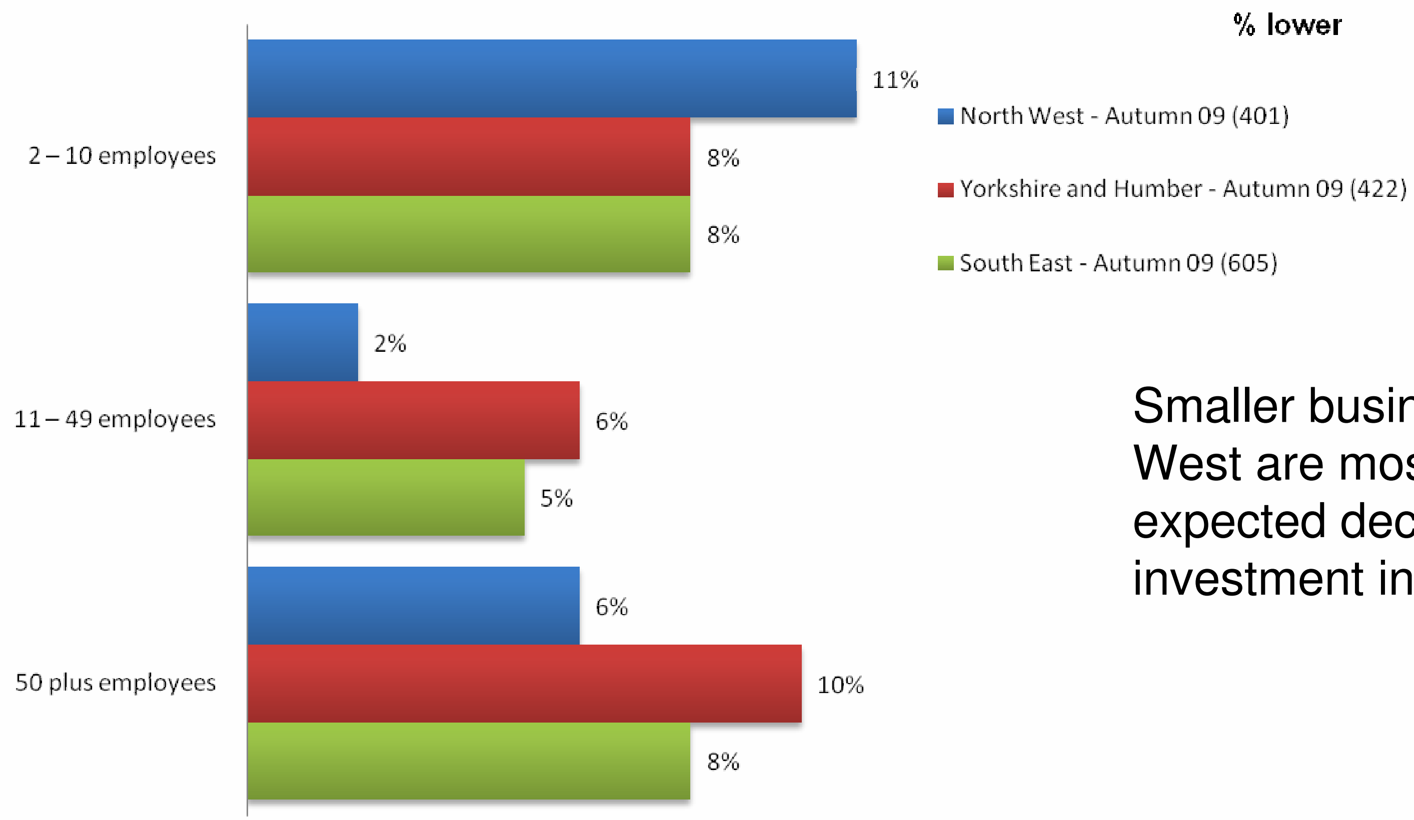


Manufacturing/ construction businesses in the North West are most likely to anticipate a decline in the overall investment in their business.

Sample bases in parenthesis (East Midlands excluded due to low base size)

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

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



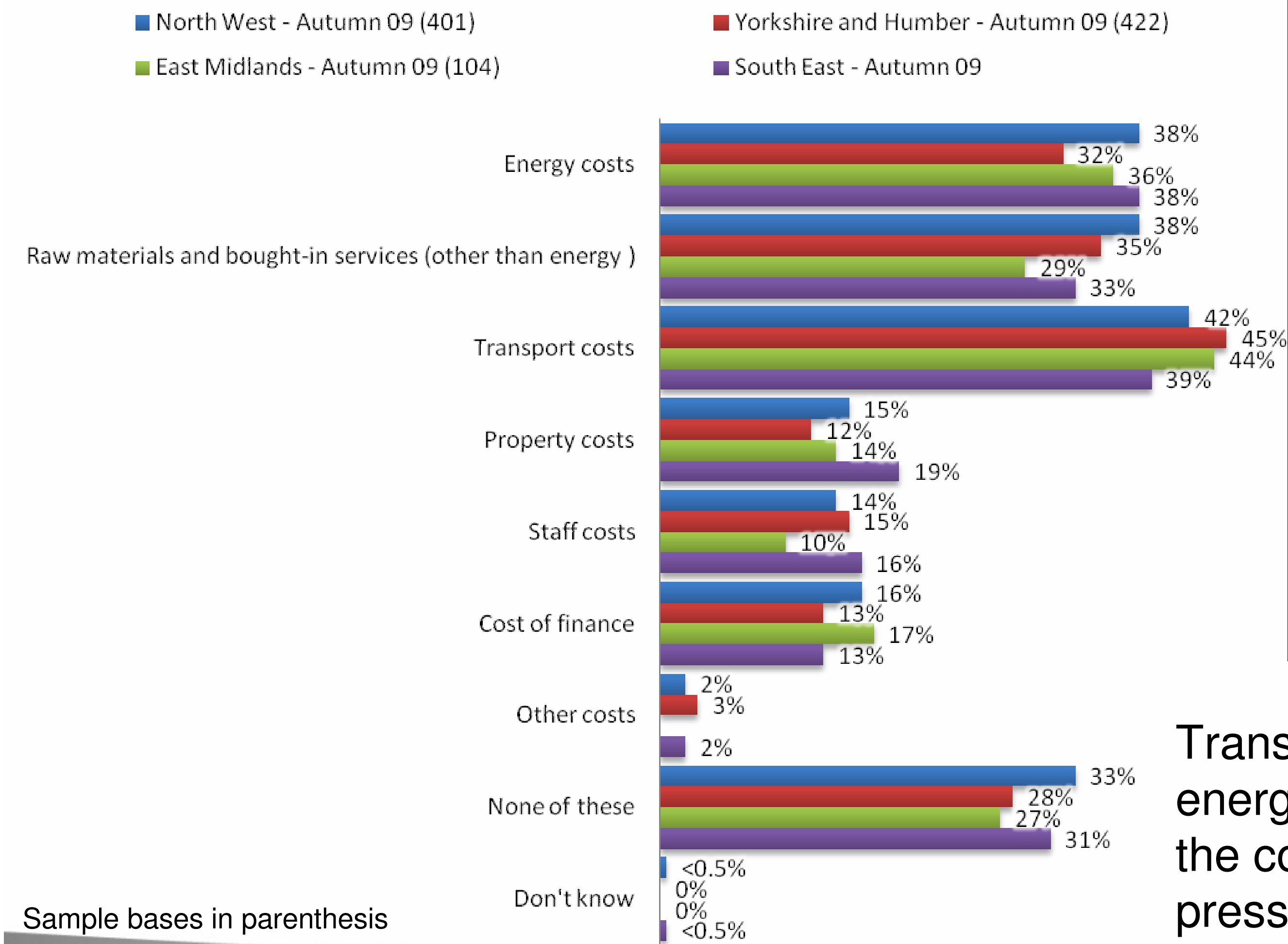
Smaller businesses in the North West are most likely to report an expected decline in the overall investment in their business.

Sample bases in parenthesis (East Midlands excluded due to low base size)

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

Changes in external costs

Areas where costs have increased over the last 3 months



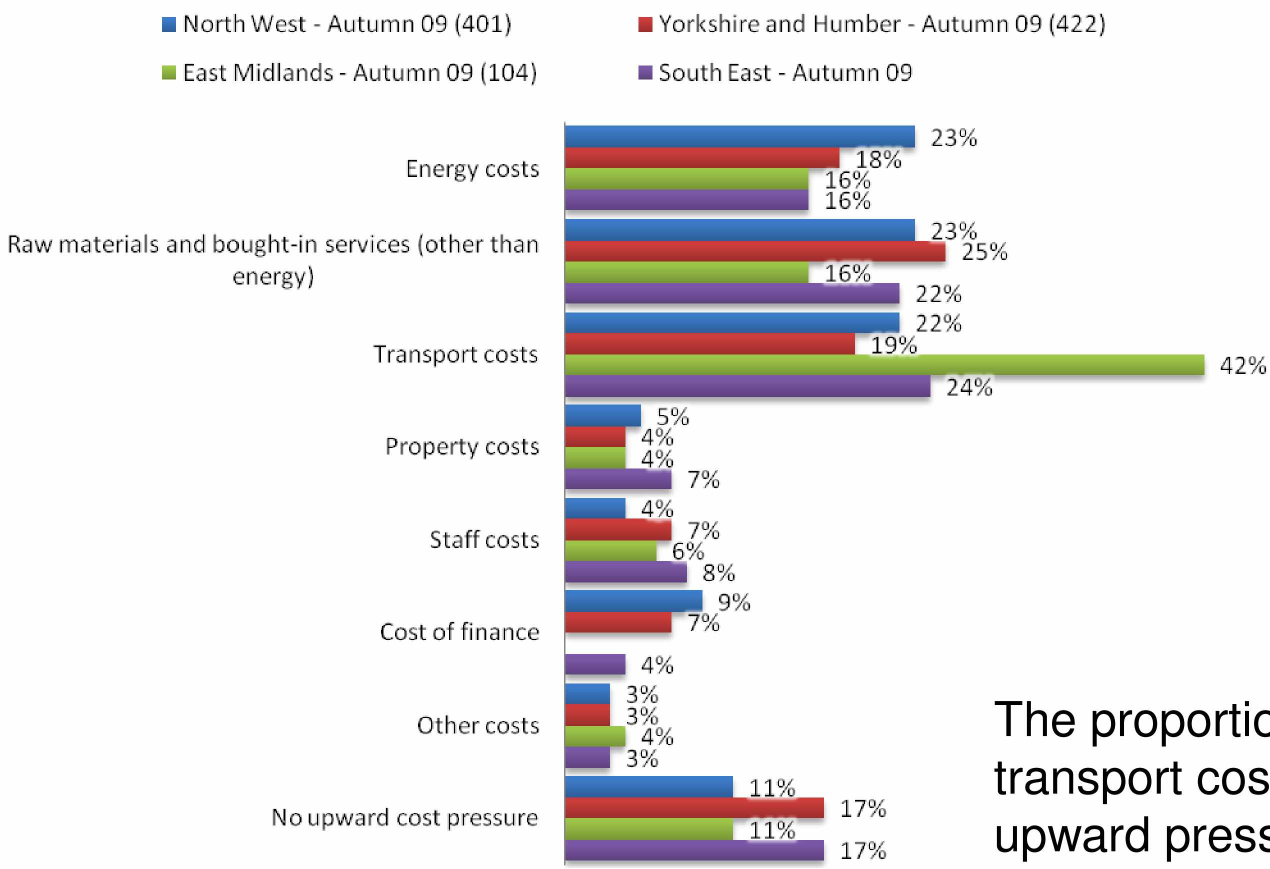
Sample bases in parenthesis

All regions average	
Spring 09	Autumn 09
52%	36%
42%	35%
32%	42%
14%	15%
18%	15%
15%	14%

Transport costs have replaced energy costs, from Spring 09, as the cost applying most upward pressure on cost base.

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



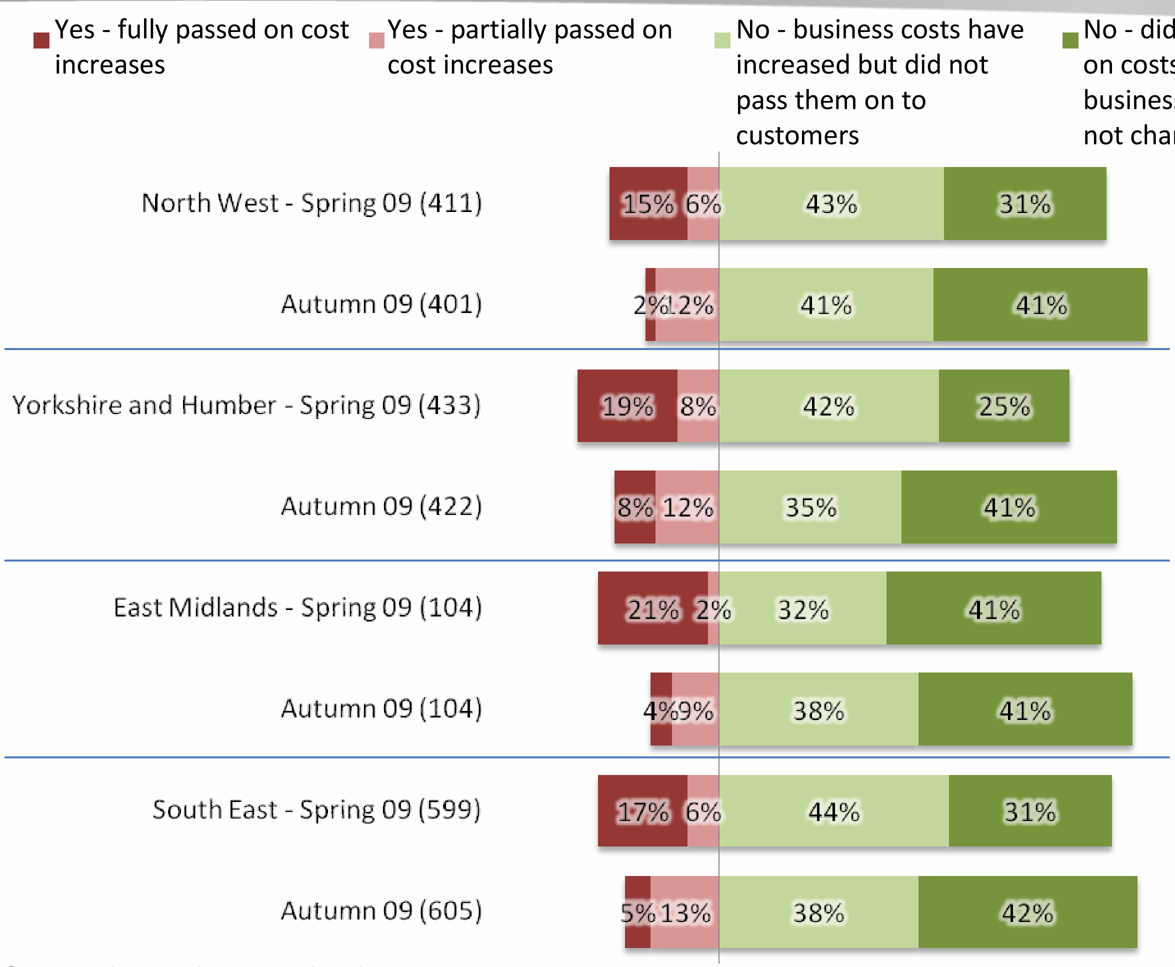
All regions average	
Spring 09	Autumn 09
31%	18%
20%	22%
12%	23%
2%	6%
5%	6%
7%	6%

Sample bases in parenthesis

The proportion of businesses reporting transport costs as applying the most upward pressure on their cost base has risen significantly since Spring 09, with energy costs dropping significantly.

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

Passing cost increases on to customers



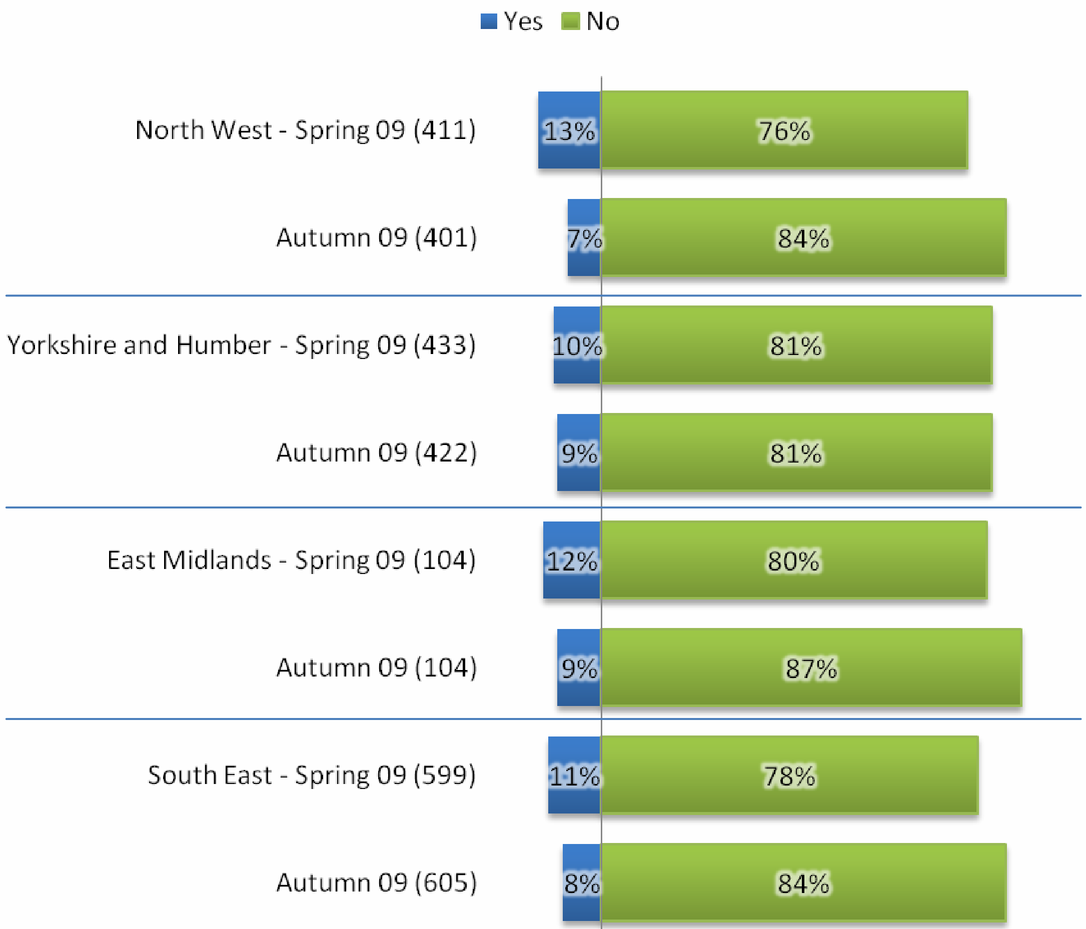
In every region businesses are less likely to report passing on increases in costs to customers than in the previous wave of interviewing.

Sample bases in parenthesis

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

Financial status

Seeking additional finance

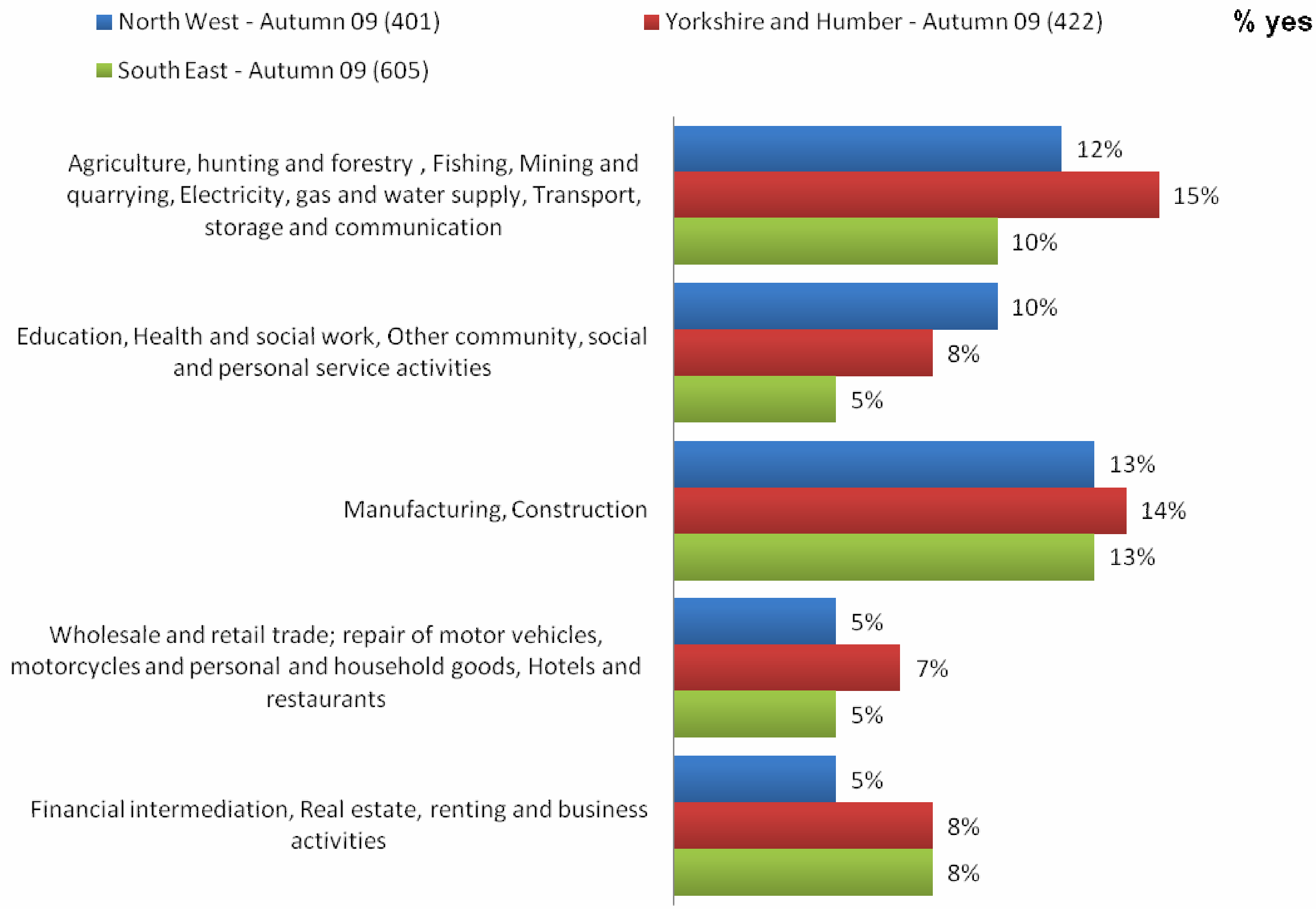


Sample bases in parenthesis

Fewer than one in ten businesses in all regions report having sought additional credit in the past 3 months.

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

Seeking additional finance (by sector)

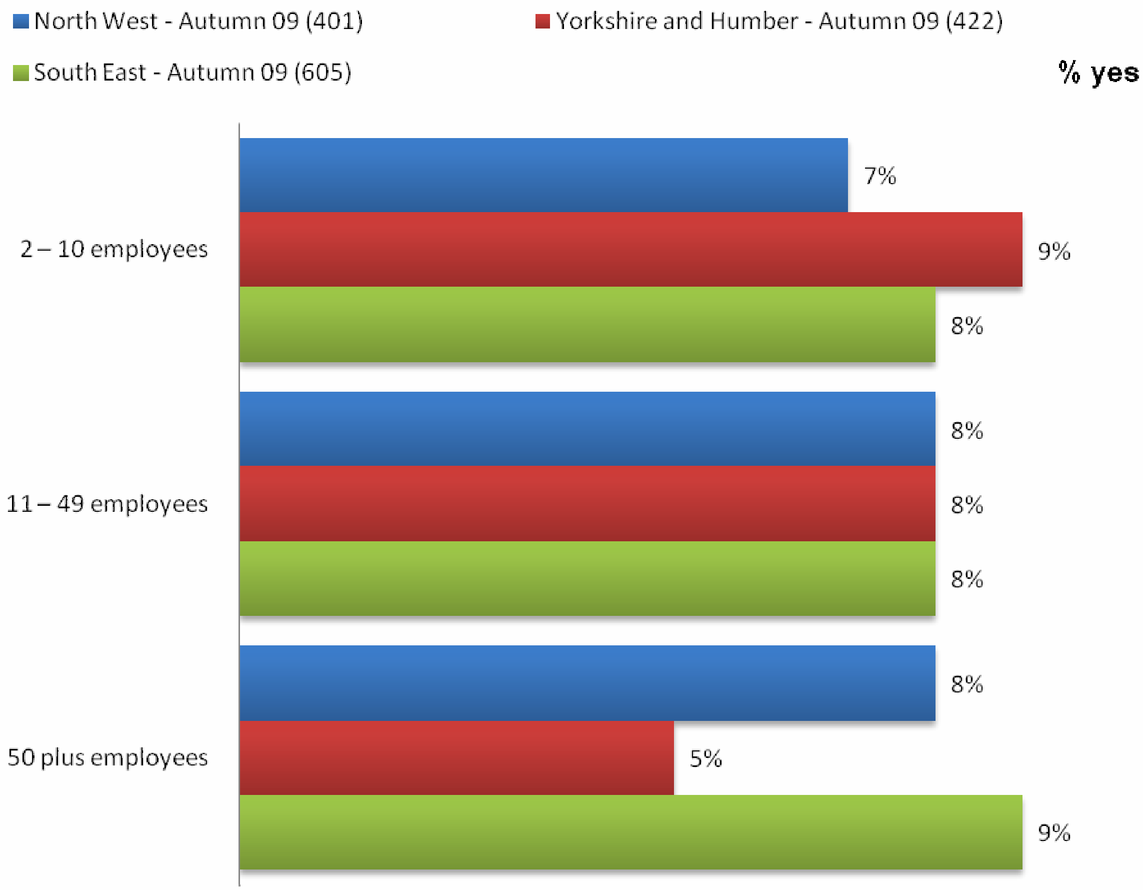


Businesses in the manufacturing/ construction and agriculture etc. sectors are generally more likely than other sectors to have sought additional finance in the past 3 months.

Sample bases in parenthesis (East Midlands excluded due to low base size)

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

Seeking additional finance (by size)

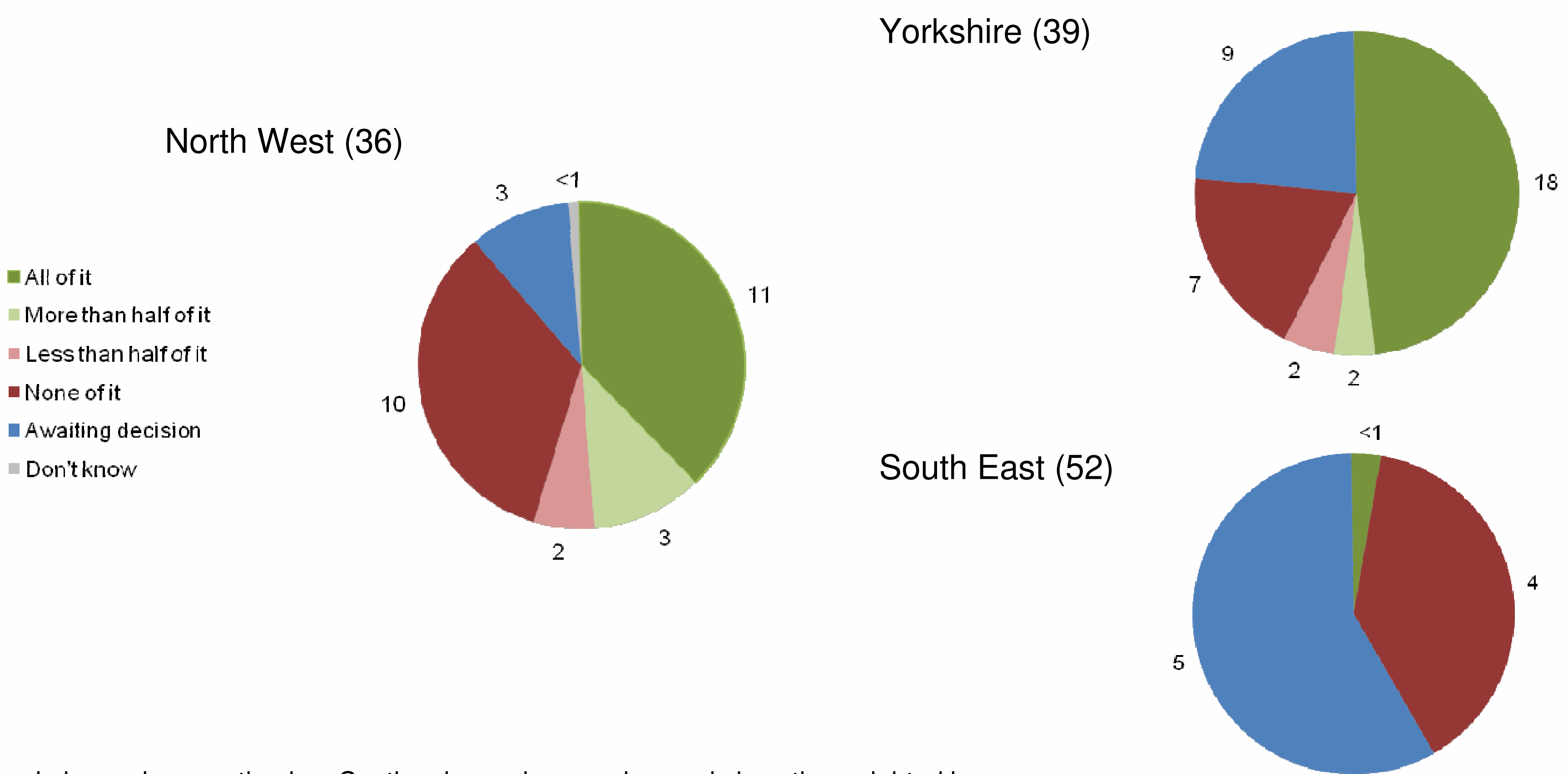


There are no notable differences by size with regards to seeking additional finance.

Sample bases in parenthesis (East Midlands excluded due to low base size)

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

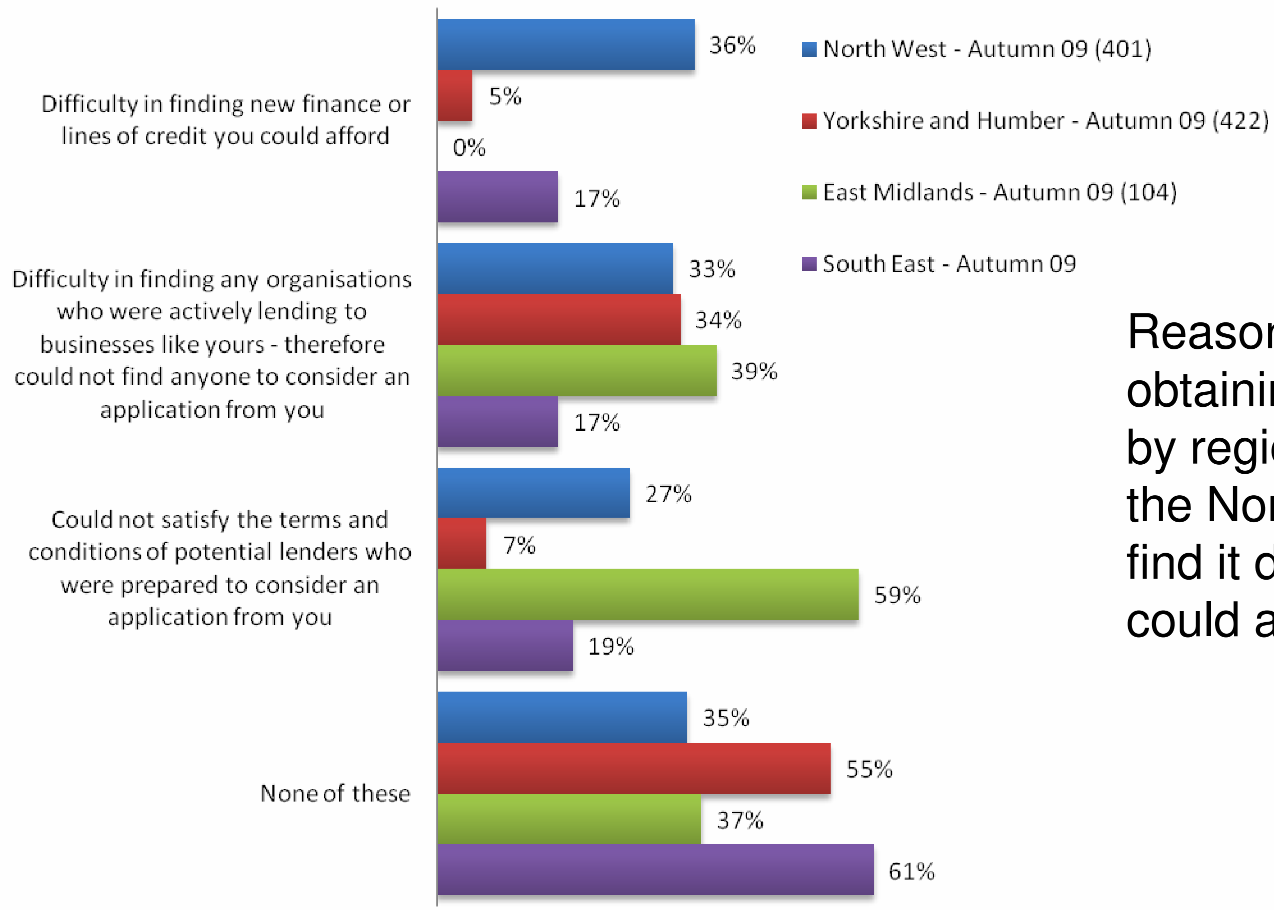
Success of gaining additional finance



Sample bases in parenthesis – Caution, base sizes are low and show the weighted base
East Midlands excluded due to low base size (8)

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

Problems in seeking new finance

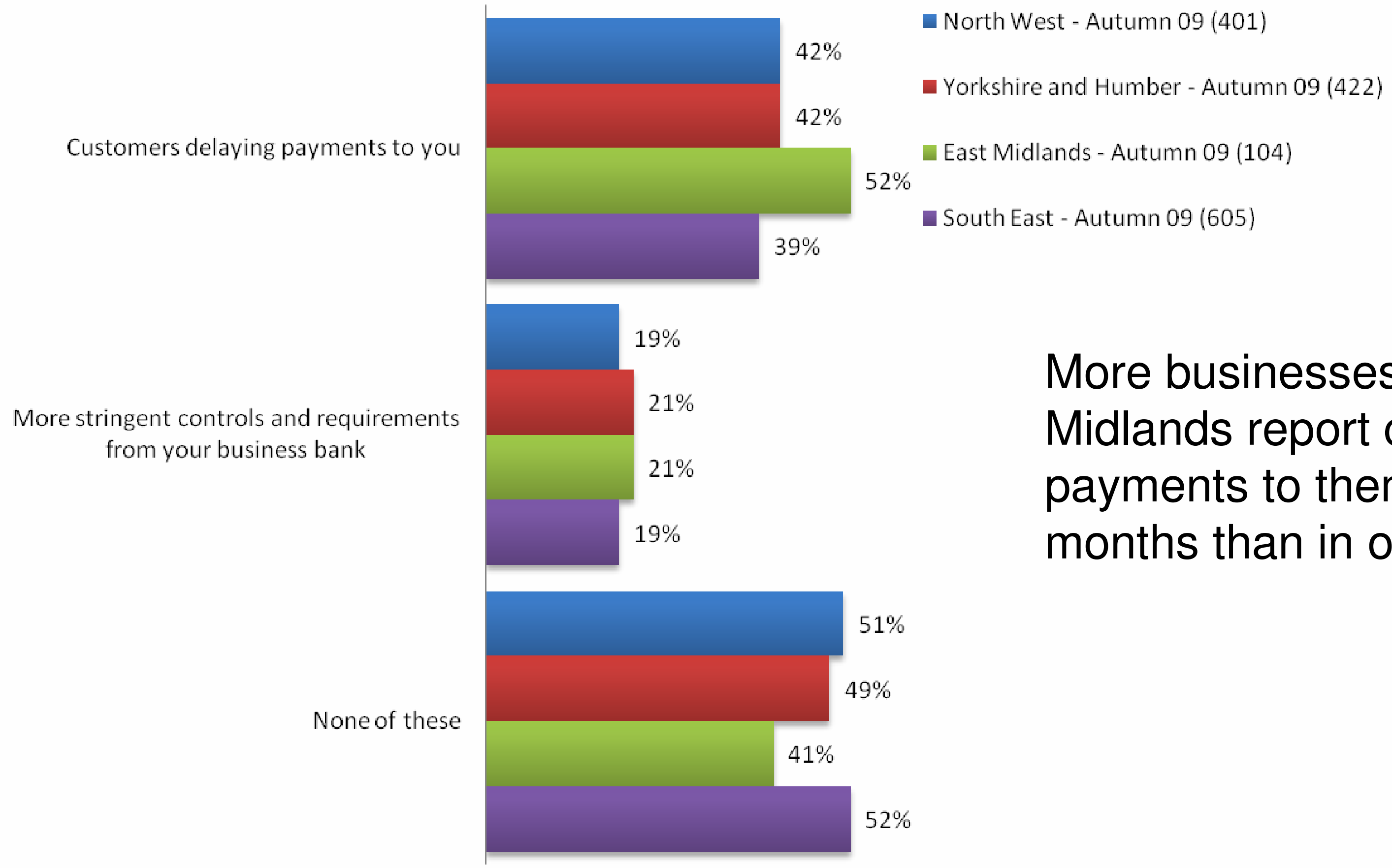


Reasons for difficulties with obtaining additional finance vary by region, though businesses in the North West are more likely to find it difficult to find finance they could afford than in other regions

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

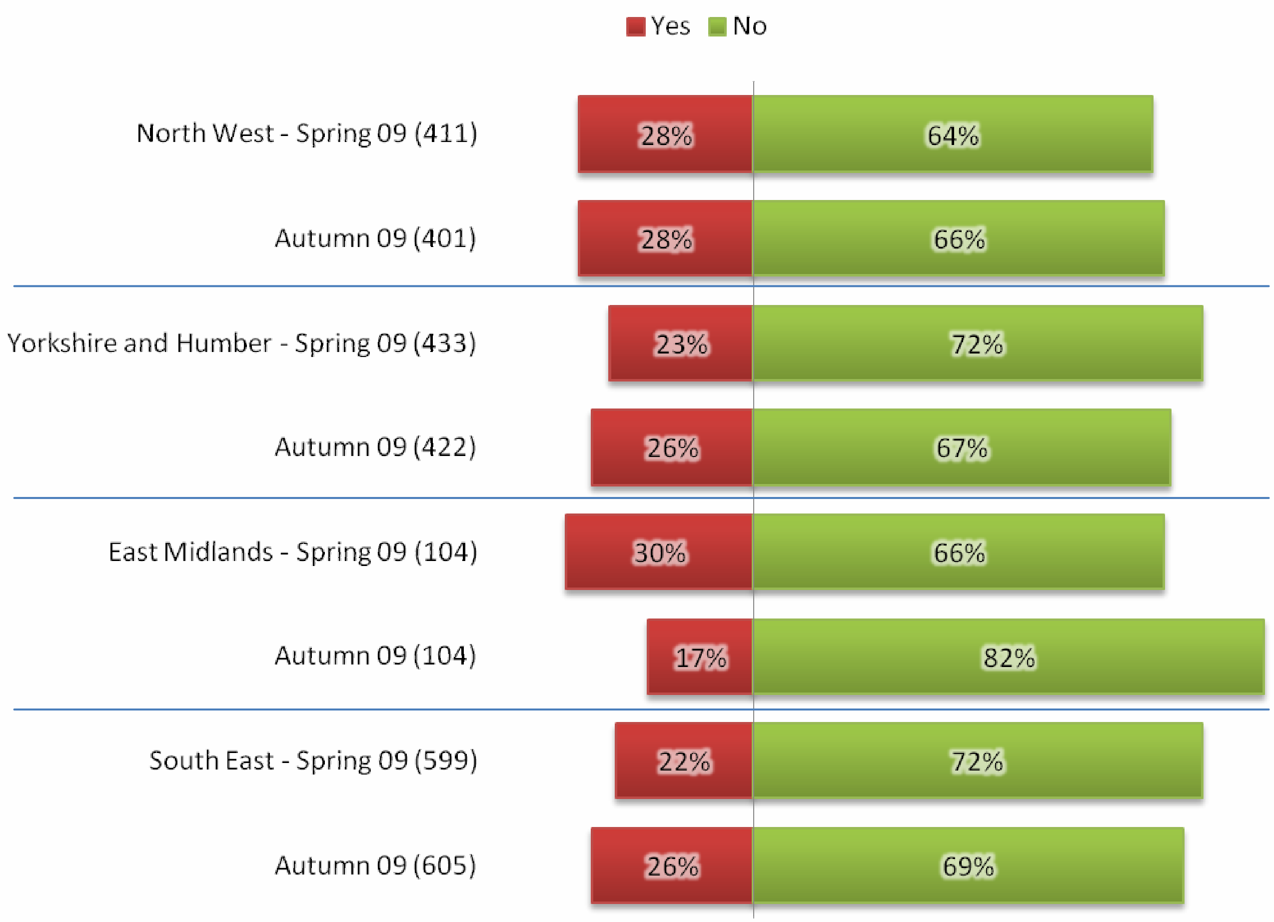


More businesses in the East Midlands report customers delaying payments to them in the last 3 months than in other regions.

Sample bases in parenthesis

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

Payments to suppliers

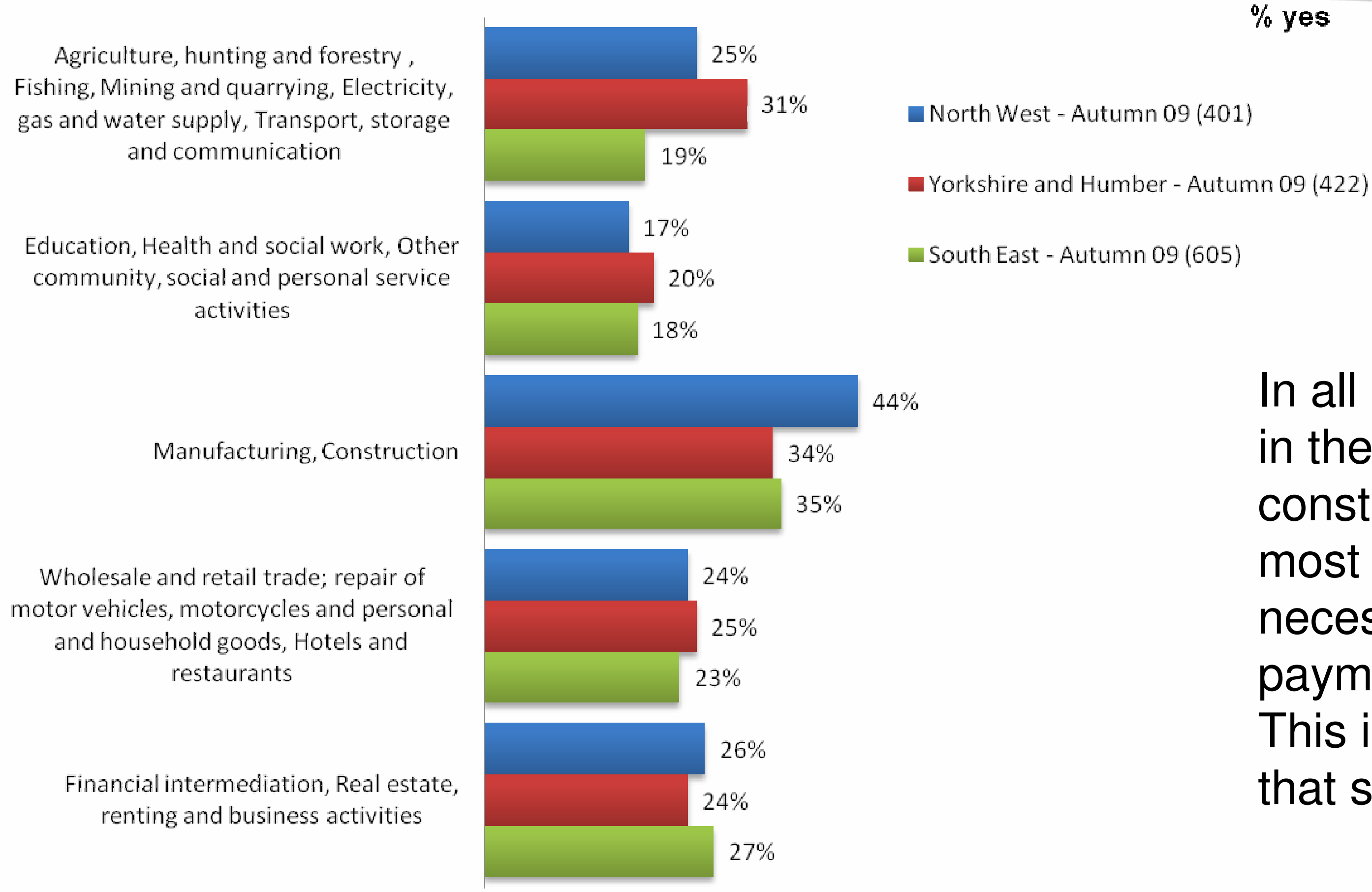


Around one in four businesses in most regions report delaying payments to their suppliers in the past 3 months, and this shows little notable change from Spring 09. The East Midlands is exceptional, reporting sharply a sharply declining proportion who have delayed payments.

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 sector)

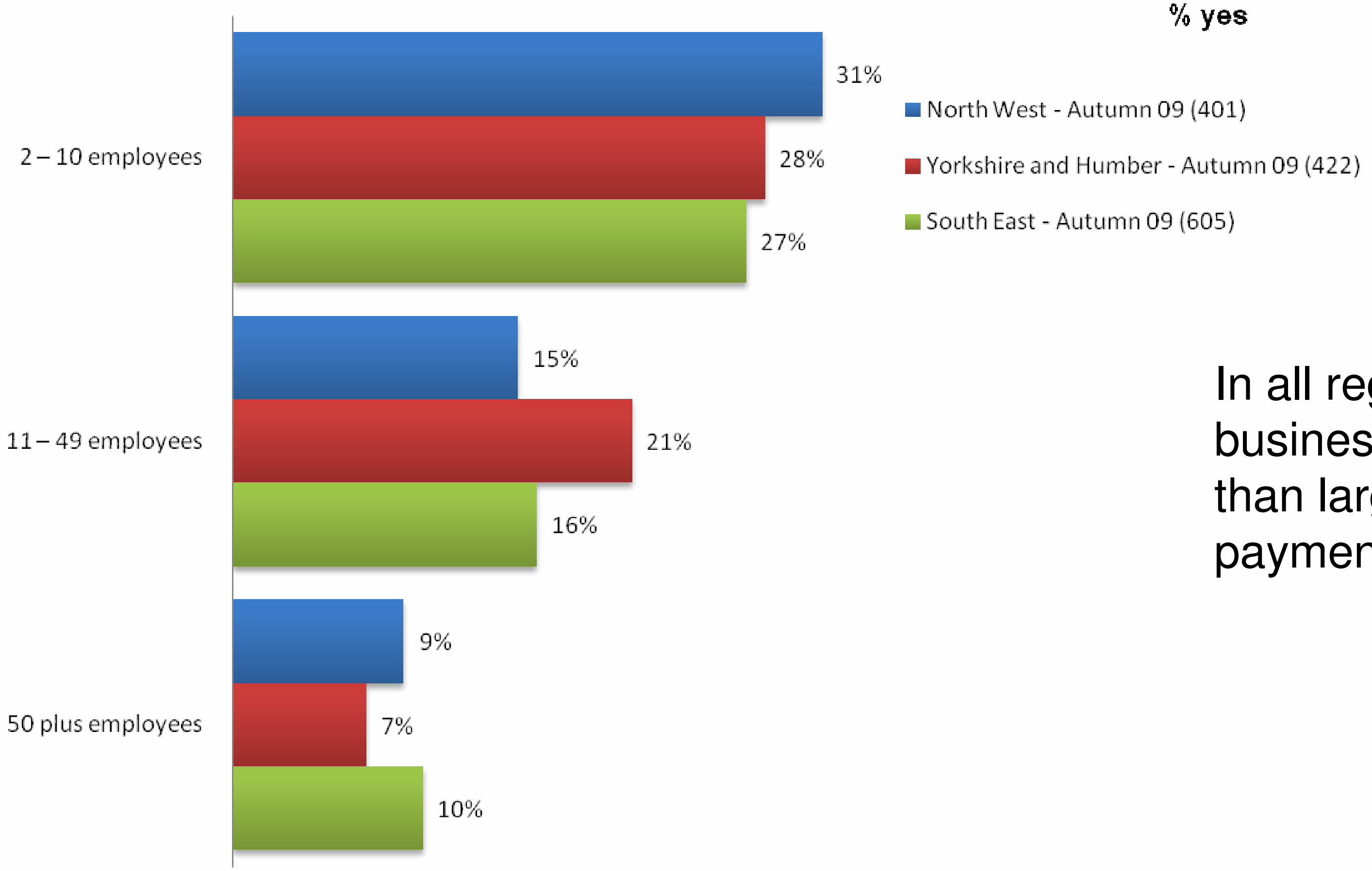


In all regions businesses in the manufacturing and construction sector are most likely to have found it necessary to delay payments to suppliers. This is a similar pattern to that seen in Spring 09.

Sample bases in parenthesis (East Midlands excluded due to low base size)

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

Payments to suppliers (by size)

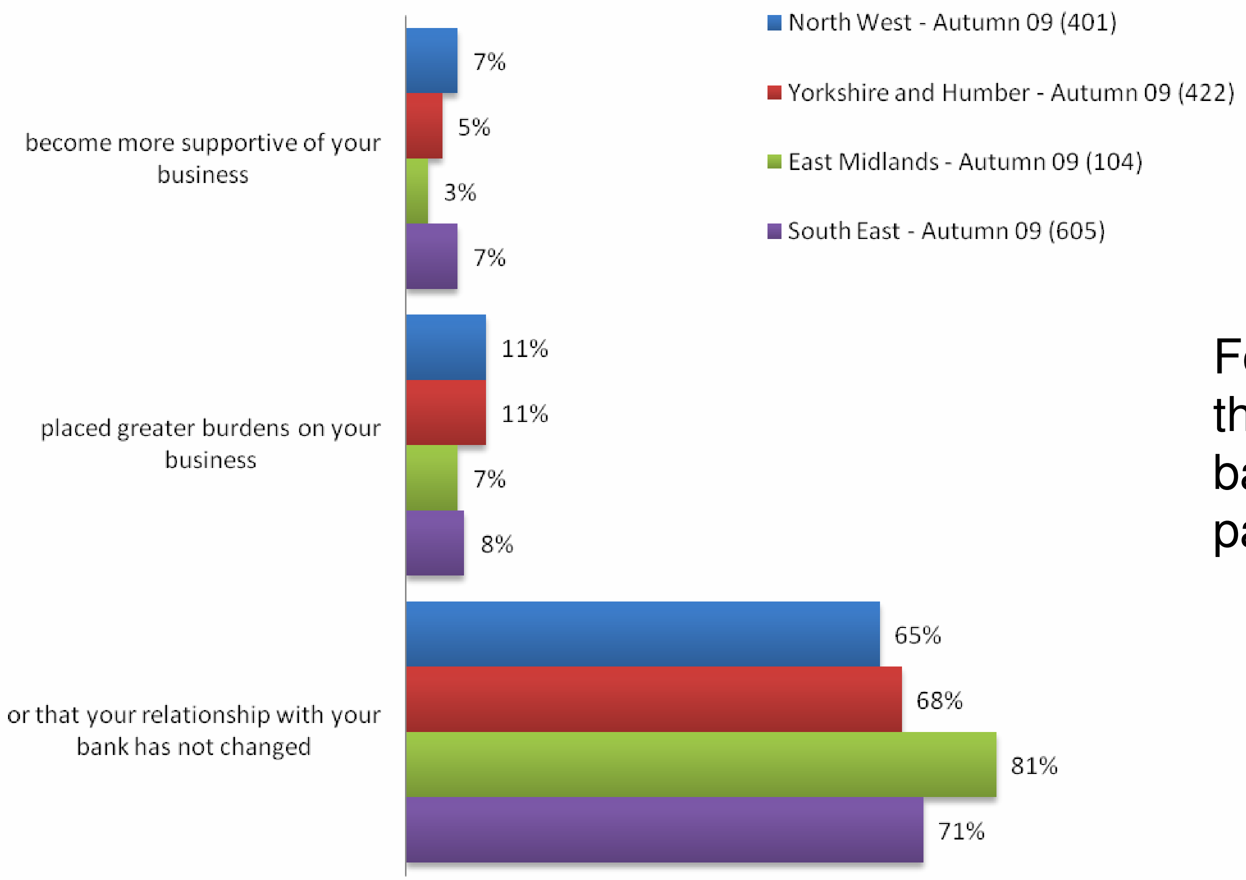


In all regions smaller businesses are more likely than larger to have delayed payments to their suppliers.

Sample bases in parenthesis (East Midlands excluded due to low base size)

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

Relationship with bank

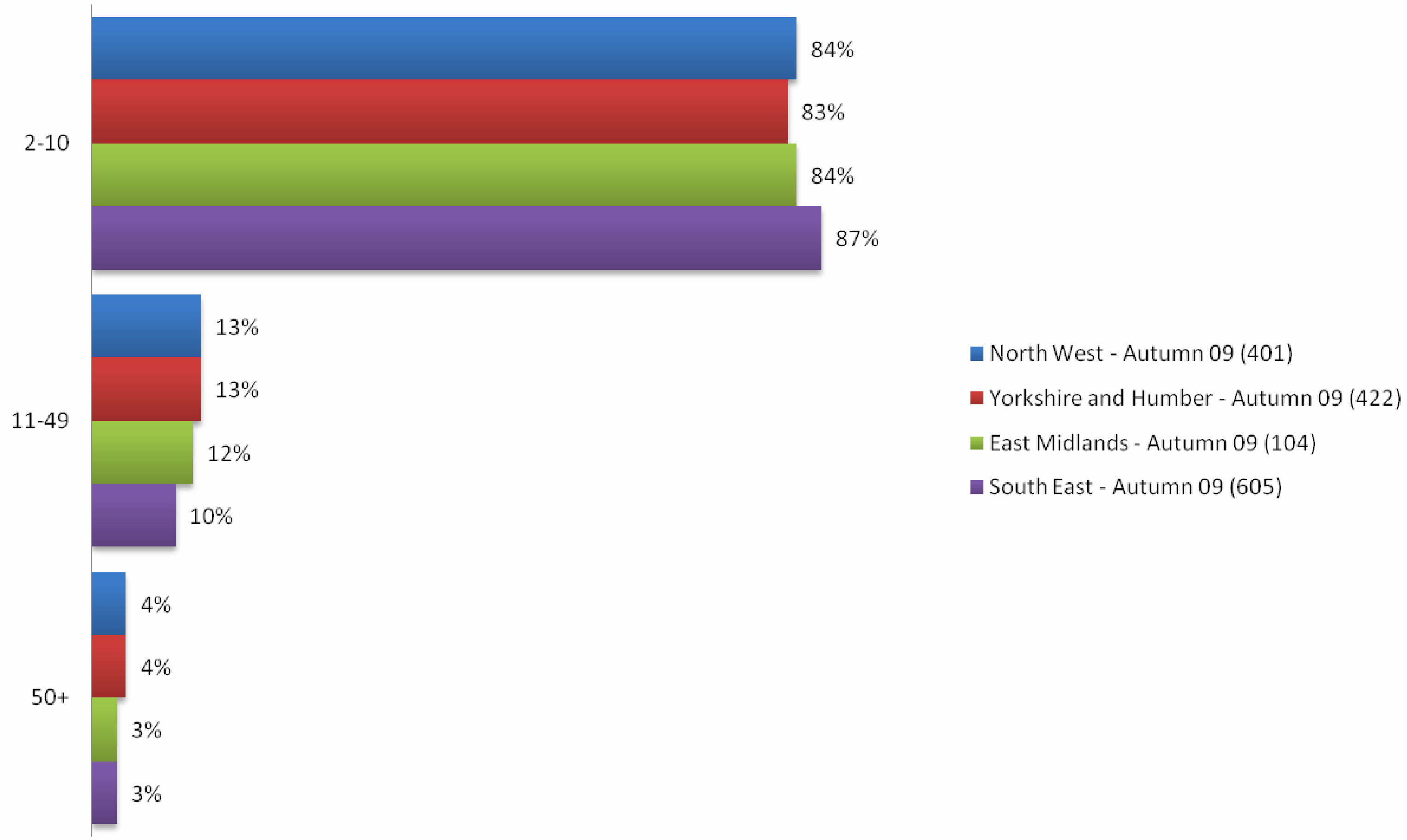


For a majority of businesses, the relationship with their bank has not changed in the past 3 months.

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



Sample bases in parenthesis

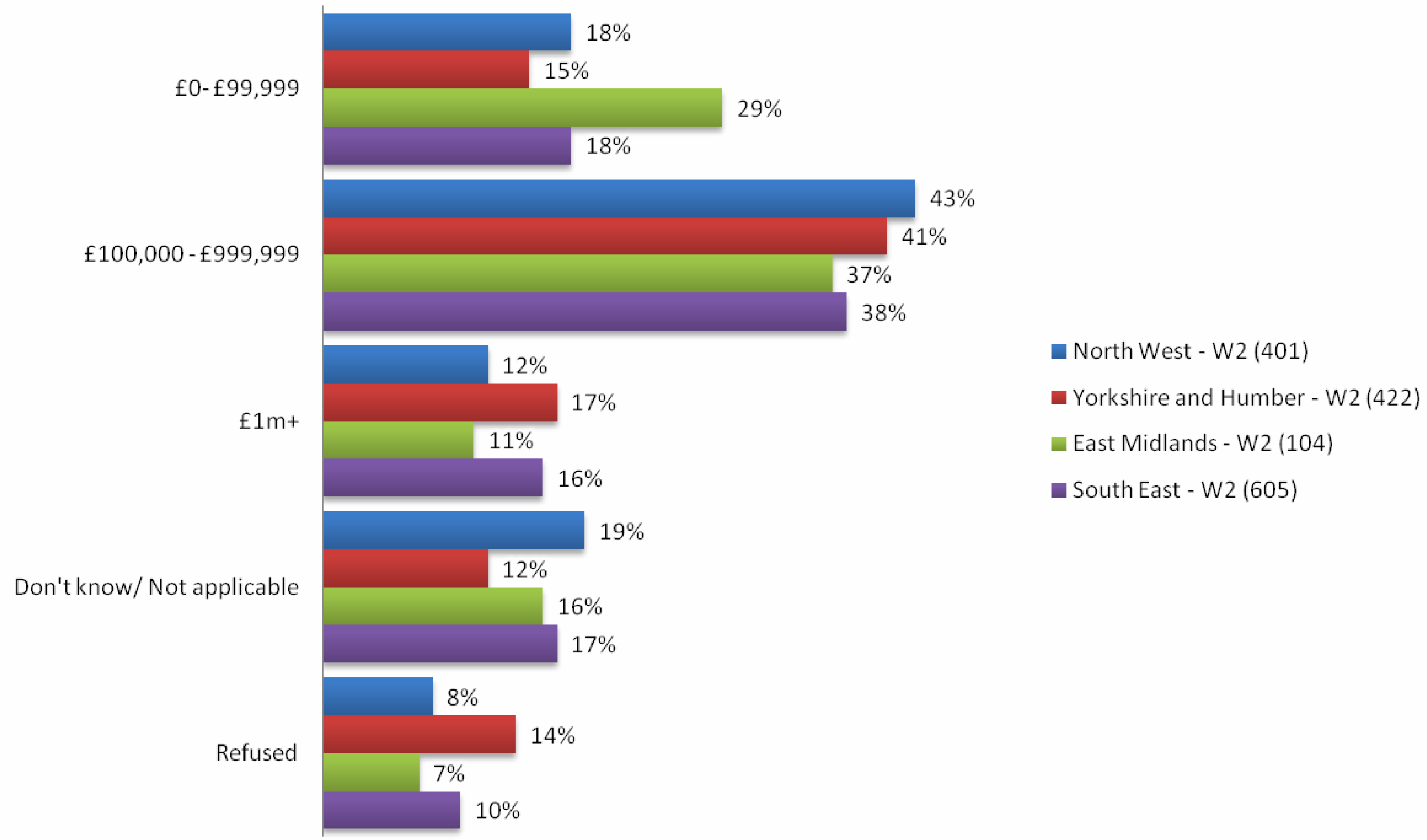
Q4. Including yourself, how many employees are there at this workplace? Including partners, working managers/ directors etc. excluding casual staff.

Business sector

	North West %	Yorkshire and Humber %	East Midlands %	South East %
Agriculture, Hunting and Forestry (A), Mining and Quarrying (C)	1%	1%	16%	1%
Manufacturing (D), Electricity, Gas and Water Supply (E)	11%	15%	6%	11%
Construction (F)	8%	5%	19%	6%
Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles (G)	24%	28%	8%	14%
Hotels and Restaurants (H)	10%	9%	9%	11%
Transport, Storage and Communication (I)	4%	4%	3%	5%
Financial Intermediation (J), Real Estate, Renting and Business Activities (K)	34%	29%	31%	40%
Education (M), Health and Social Work (N), Other Community, Social and Personal Activities (O)	8%	8%	7%	12%

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

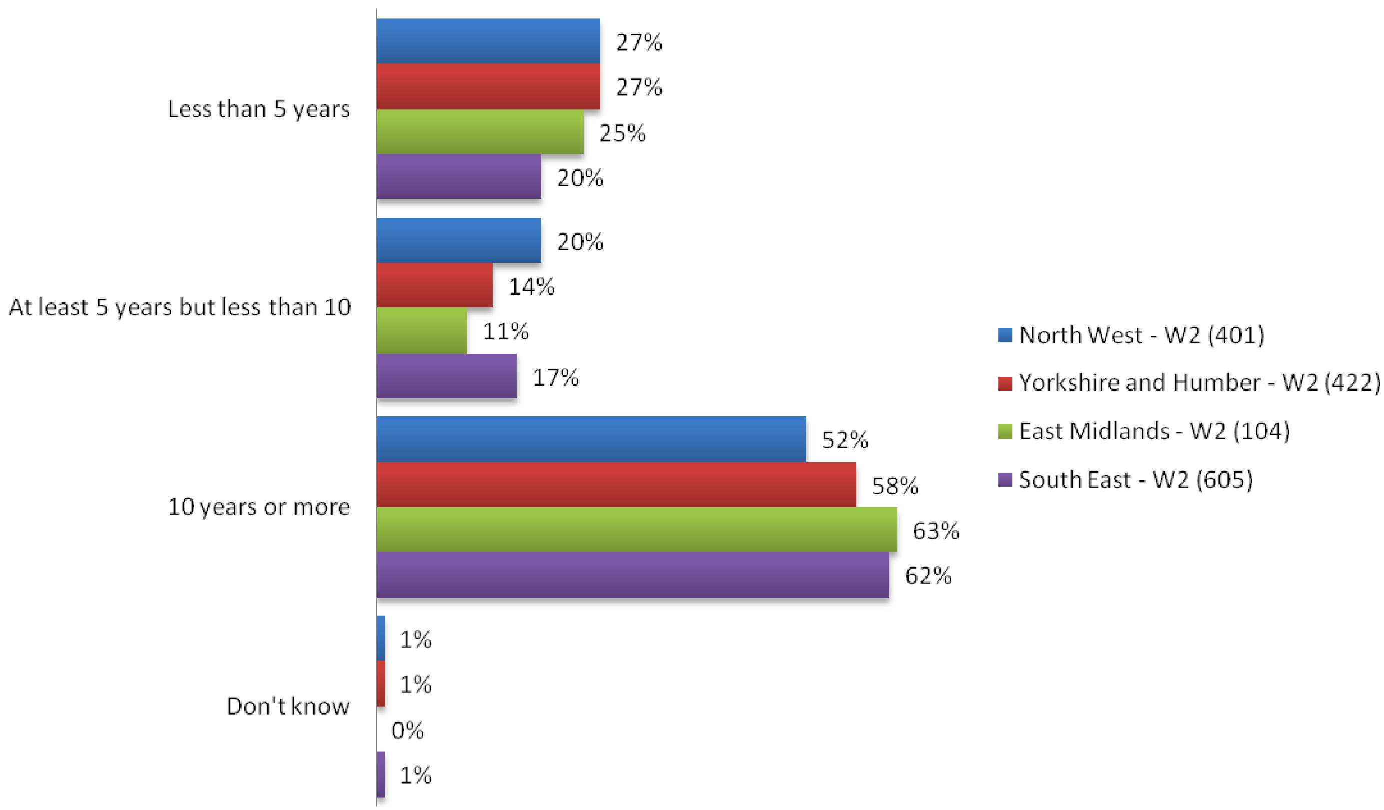
Annual turnover



Sample bases in parenthesis

Q22. What is your annual turnover at this site?

Age of business



Sample bases in parenthesis

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