RDAs National Business Survey Snapshot

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

Because people matter

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Executive Summary

- Around two in five businesses in all regions reported that their recent performance has got worse.
- Most attribute this to the recent downturn in the UK economy.
- However, businesses in all regions are relatively optimistic about the next three months, with equal numbers anticipating things to get better as those who think it will get worse.
- Most business have experienced lower domestic orders and profit margins in the last three months, but their level of investment in the business has not changed in most areas.
- Businesses are also confident that their staff and staff costs will remain consistent over the next three months.

Executive Summary

- Increases in cost are most likely to be from energy costs, which in turn applies most upward pressure on the overall cost base.
- Business are however unlikely to have passed these increased costs on to customers.
- Around one in ten in each region have recently sought additional finance, with varying degrees of success.
- Around two in five in all regions have experience delays in customers paying them in the past three months, and around one quarter have not paid their own suppliers on time in the past three months.
- Generally businesses report that their relationship with their bank has not changed.

Background and methodology

Background and Methodology

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

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

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 1,547 interviews were carried out, 411 in the North West, 433 in Yorkshire & Humber, 104 in East Midlands and 599 in the South East.
- 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

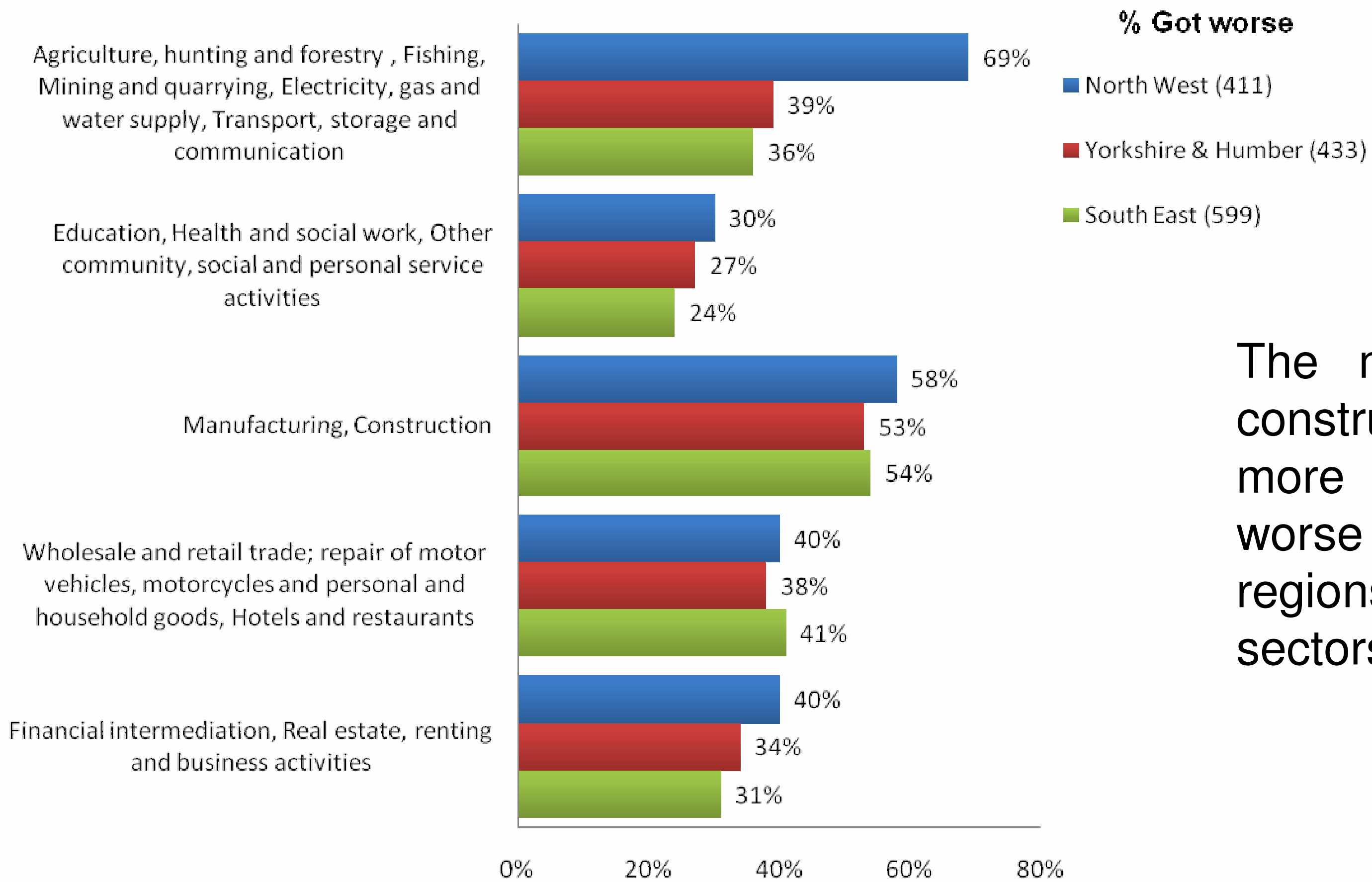
Recent business performance

Sample bases in parenthesis

Unsurprisingly, in light of the recent economic downturn, around two in five of businesses in all regions report a downturn in business performance over the past three months. Around one in five report an improvement.

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)

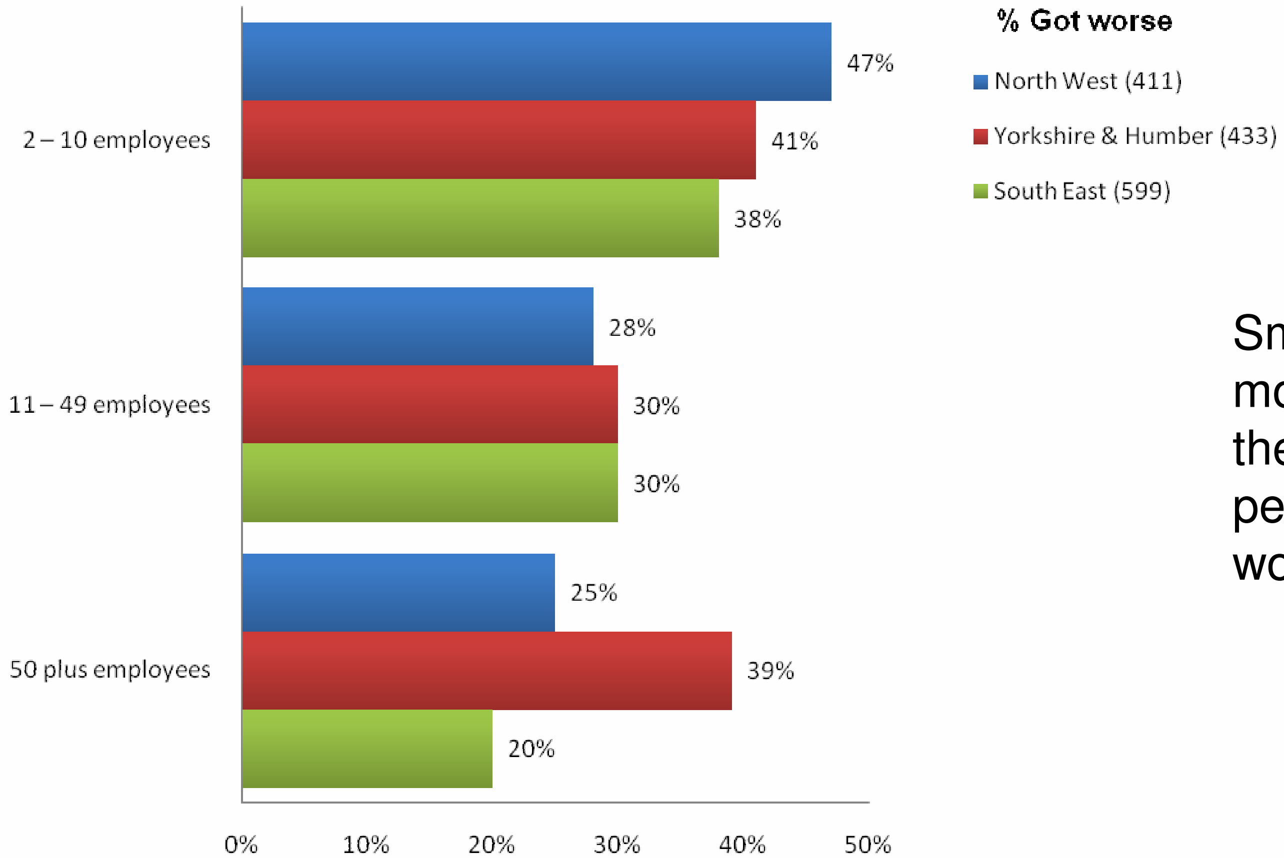


The manufacturing and construction sector is more likely to report a worse performance in all regions than other sectors.

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)



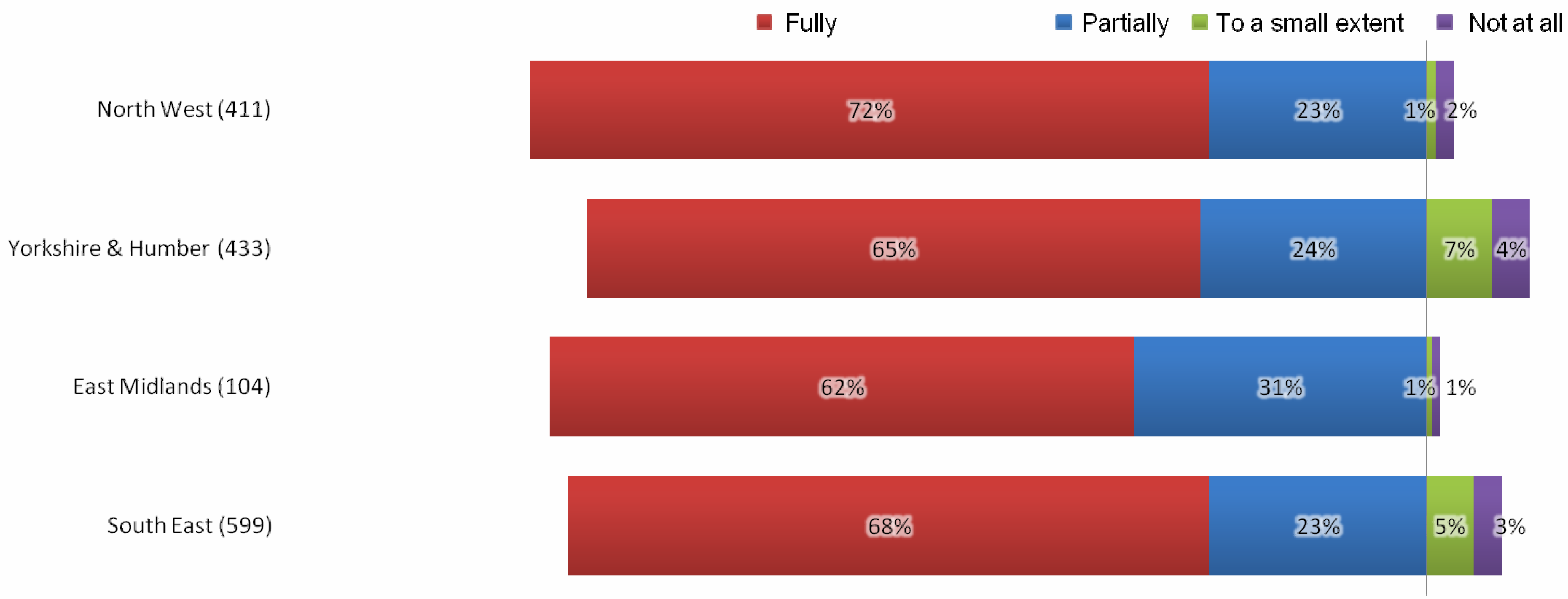
Smaller businesses are more likely to say that their recent business performance has got worse.

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

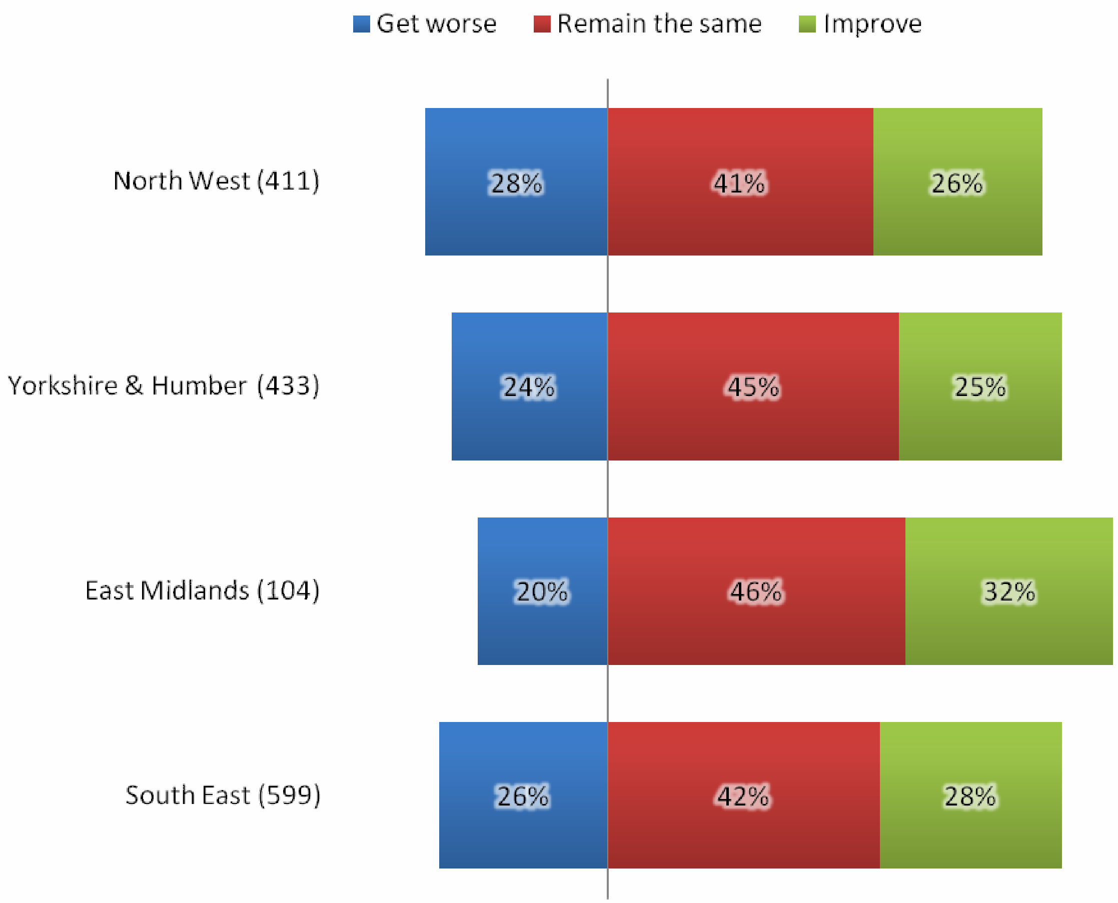
Of the businesses who feel that their performance has got worse in the last 3 months, all but a minority in each region attribute this at least partially, and in most cases fully to the current economic conditions in the UK.



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



Anticipated changes in business climate is split, with roughly equal proportions in each region who feel it will improve or get worse.

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

Generally, businesses have experienced lower level of domestic orders, volume of output and profit margin. Prices charged to customers and staff costs are more likely to have stayed the same.

	North West %			Yorkshire and Humber %			East Midlands %			South East %		
	Lower	Same	Higher	Lower	Same	Higher	Lower	Same	Higher	Lower	Same	Higher
Domestic orders	37	29	12	35	31	8	42	31	8	36	31	13
Export orders	6	8	2	5	4	3	11	15	3	5	7	2
Numbers employed	26	69	4	15	75	4	13	74	11	20	73	5
Volume of output	41	36	14	36	40	13	26	44	22	38	37	13
Prices charged to customers	24	58	14	19	57	21	11	70	12	22	58	18
Staff costs	22	66	9	16	65	11	10	70	16	16	68	12
Profit margins Cash in the business (cash flow)	48	31	9	46	39	7	35	37	20	43	38	8
Sample base		411			433			104			599	
Not applicable / don't know answers excluded												

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

Expected trends for the next 3 months

Despite reporting lower recent performance businesses are relatively optimistic that domestic orders, numbers employed, prices charged to customers and profit margins will remain the same.

	North West %			Yorkshire and Humber %			East Midlands %			South East %		
	Lower	Same	Higher	Lower	Same	Higher	Lower	Same	Higher	Lower	Same	Higher
Domestic orders	20	32	21	19	36	19	12	30	36	20	34	24
Export orders	5	8	2	3	9	3	6	13	7	4	7	5
Numbers employed	13	76	9	11	76	8	10	77	10	9	81	7
Volume of output	20	48	24	17	48	23	13	42	33	17	41	32
Prices charged to customers	12	70	13	11	70	15	7	78	9	10	74	13
Staff costs	11	73	12	7	74	11	8	71	15	9	77	11
Profit margins Cash in the business (cash flow)	25	47	19	26	53	12	22	40	28	22	50	19
Sample base		411			433			104			599	
Not applicable / don't know answers excluded												

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

Investment in the business

Business's investment trends over the past 3 months

Business's investment trends have remained largely the same over the past three months, with equal numbers reporting higher or lower investment.

	North West %			Yorkshire and Humber %			East Midlands %			South East %		
	Lower	Same	Higher	Lower	Same	Higher	Lower	Same	Higher	Lower	Same	Higher
Buildings	13	48	9	10	50	10	7	57	4	10	47	8
Plant and Machinery	11	46	10	10	46	11	11	45	17	9	46	6
Product and Process development	11	46	7	7	46	9	7	44	15	6	44	10
Marketing and Sales	15	45	23	15	45	23	6	54	24	16	50	23
Training and retraining	10	56	13	7	57	11	10	60	14	7	60	12
Sample base	411			433			104			599		
Not applicable / don't know answers excluded												

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

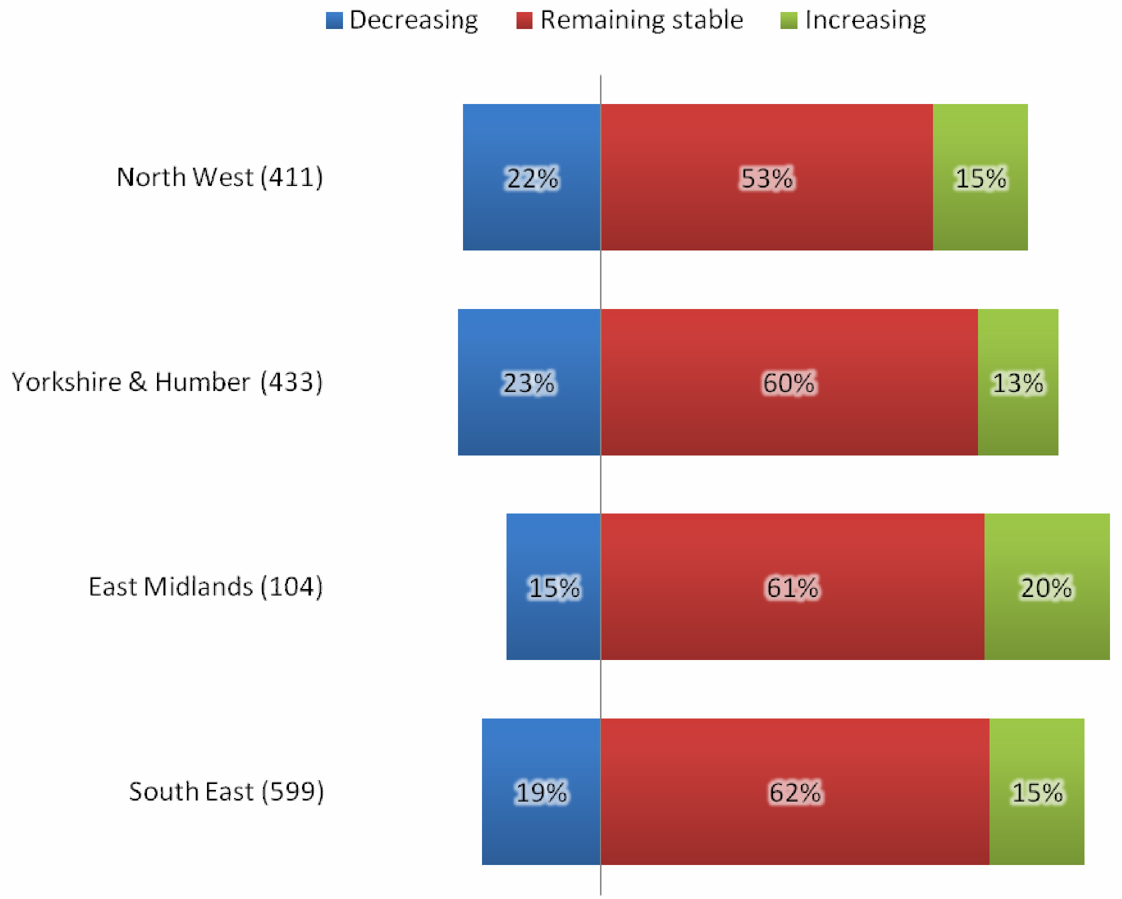
Business's expected investment trends over the next 3 months

Again, businesses largely feel that investment in various parts of their activities will remain the same over the next three months.

	North West %			Yorkshire and Humber %			East Midlands %			South East %		
	Lower	Same	Higher	Lower	Same	Higher	Lower	Same	Higher	Lower	Same	Higher
Buildings	12	50	8	7	56	6	7	52	11	7	53	8
Plant and Machinery	10	50	6	9	51	6	5	41	21	6	48	8
Product and Process development	8	50	9	6	51	8	4	43	18	6	45	11
Marketing and Sales	9	53	23	7	56	20	6	43	33	9	52	25
Training and retraining	6	61	14	5	60	12	4	57	20	6	62	11
Sample base	411			433			104			599		
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 past 3 months

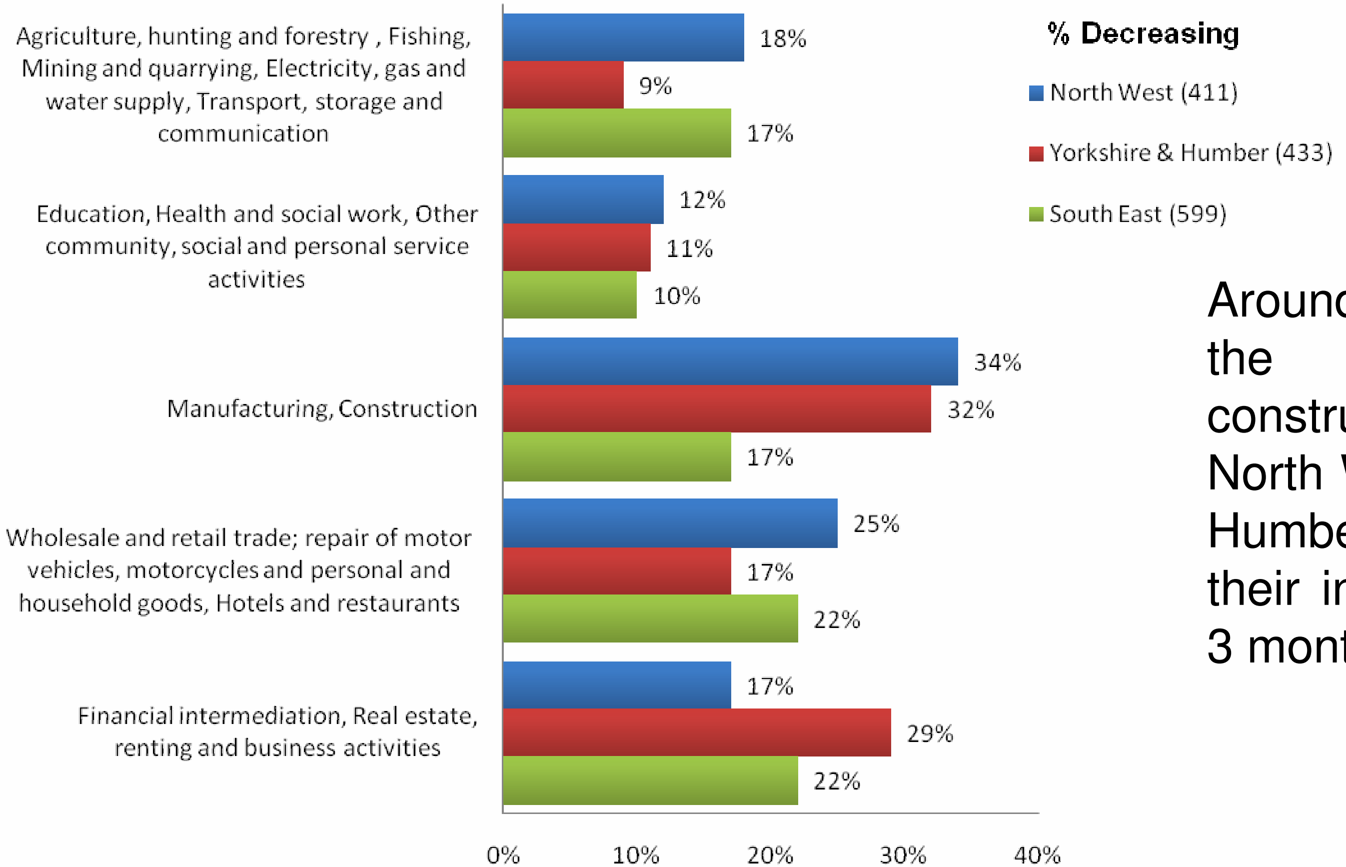


Businesses from the North West and Yorkshire & Humber are most likely to report that their level of investment has decreased over the last 3 months.

Sample bases in parenthesis

Q11. 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)

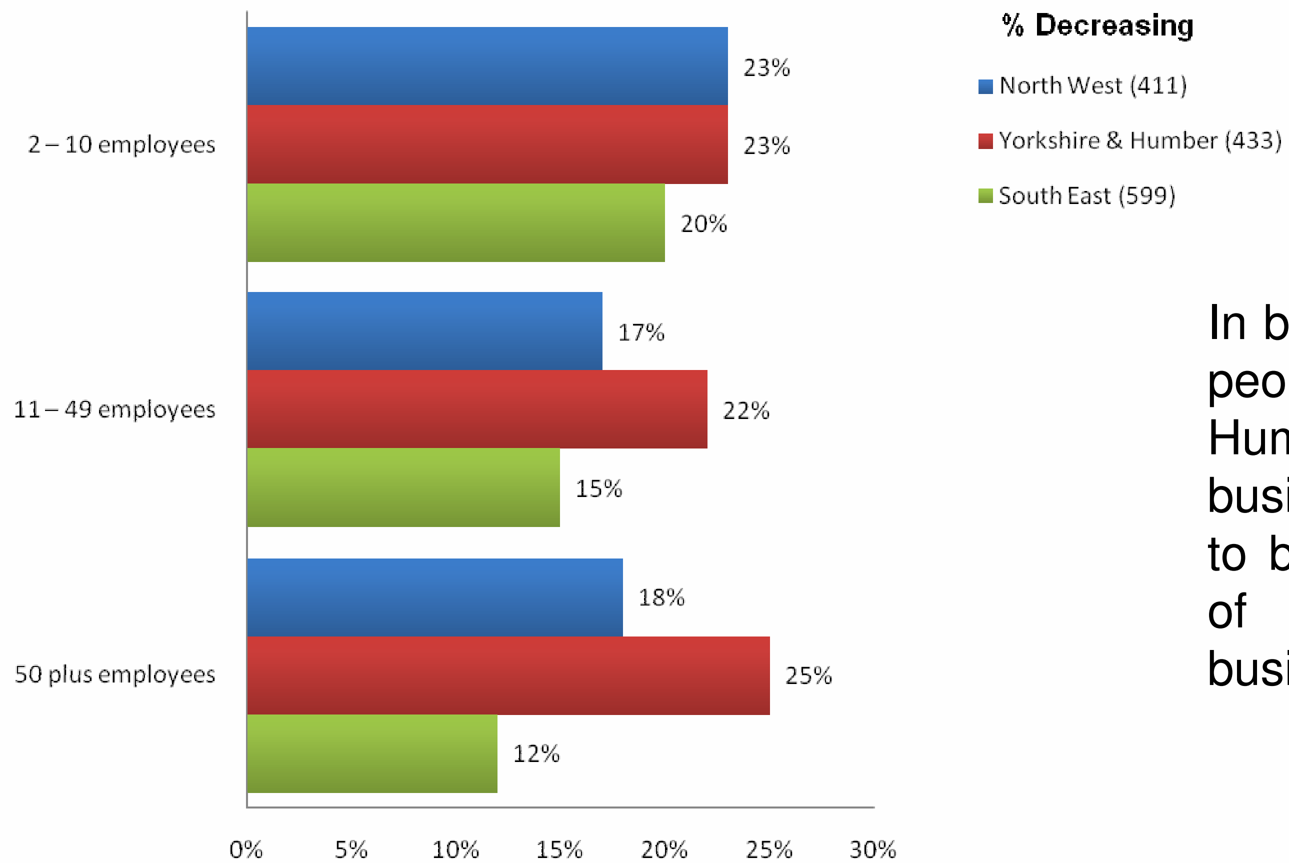


Around a third of those in the manufacturing and construction sector in the North West and Yorkshire & Humber have decreased their investment in the past 3 months.

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

Q11. 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)



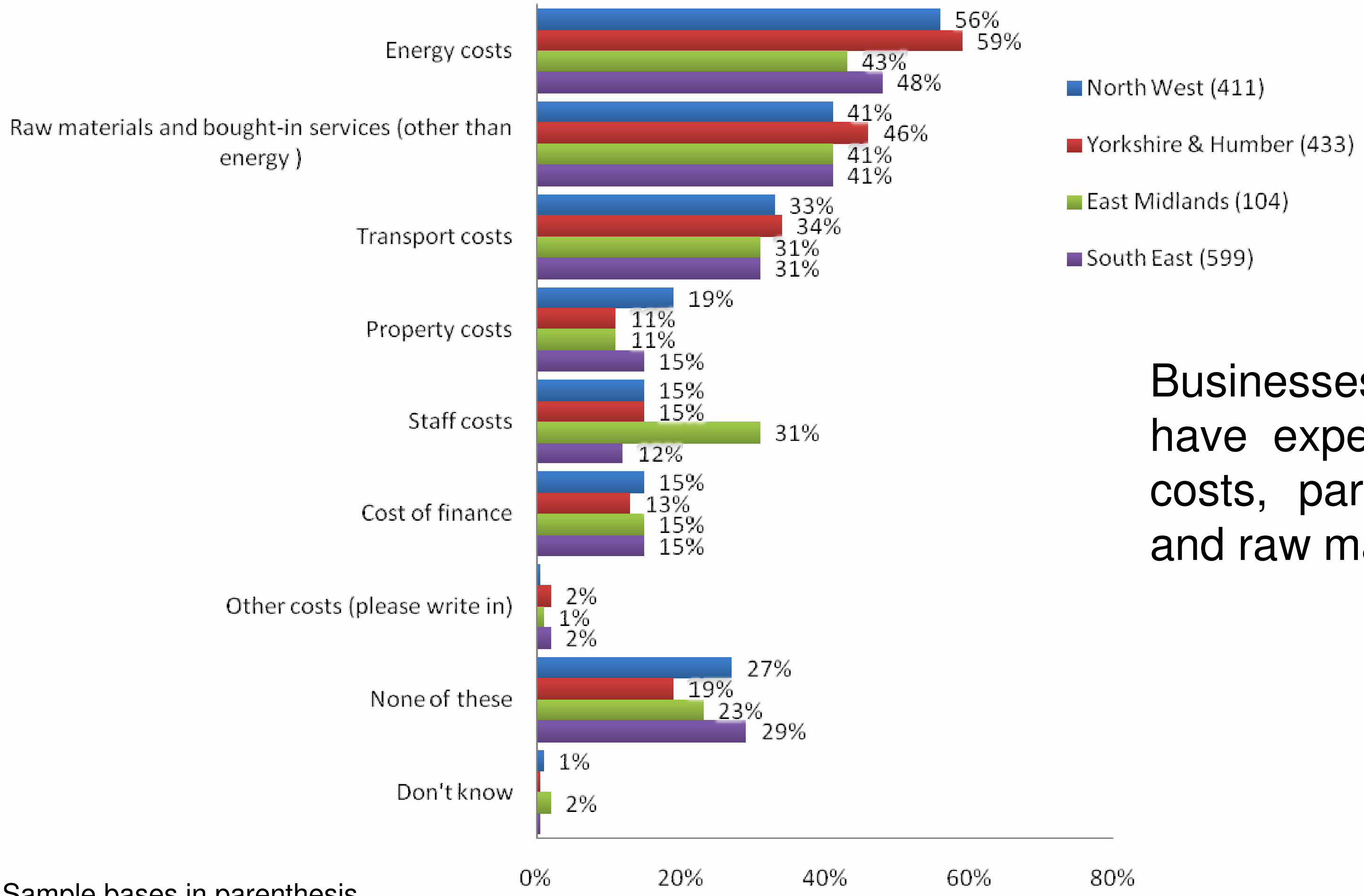
In businesses of 50 or more people, those in Yorkshire & Humber are more likely than businesses in other regions to be decreasing their level of investment in their business.

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

Q11. On balance, has the overall level of investment you have made in your business over the past 3 months been ...

Changes in external costs

Areas where costs have increased over the last 3 months

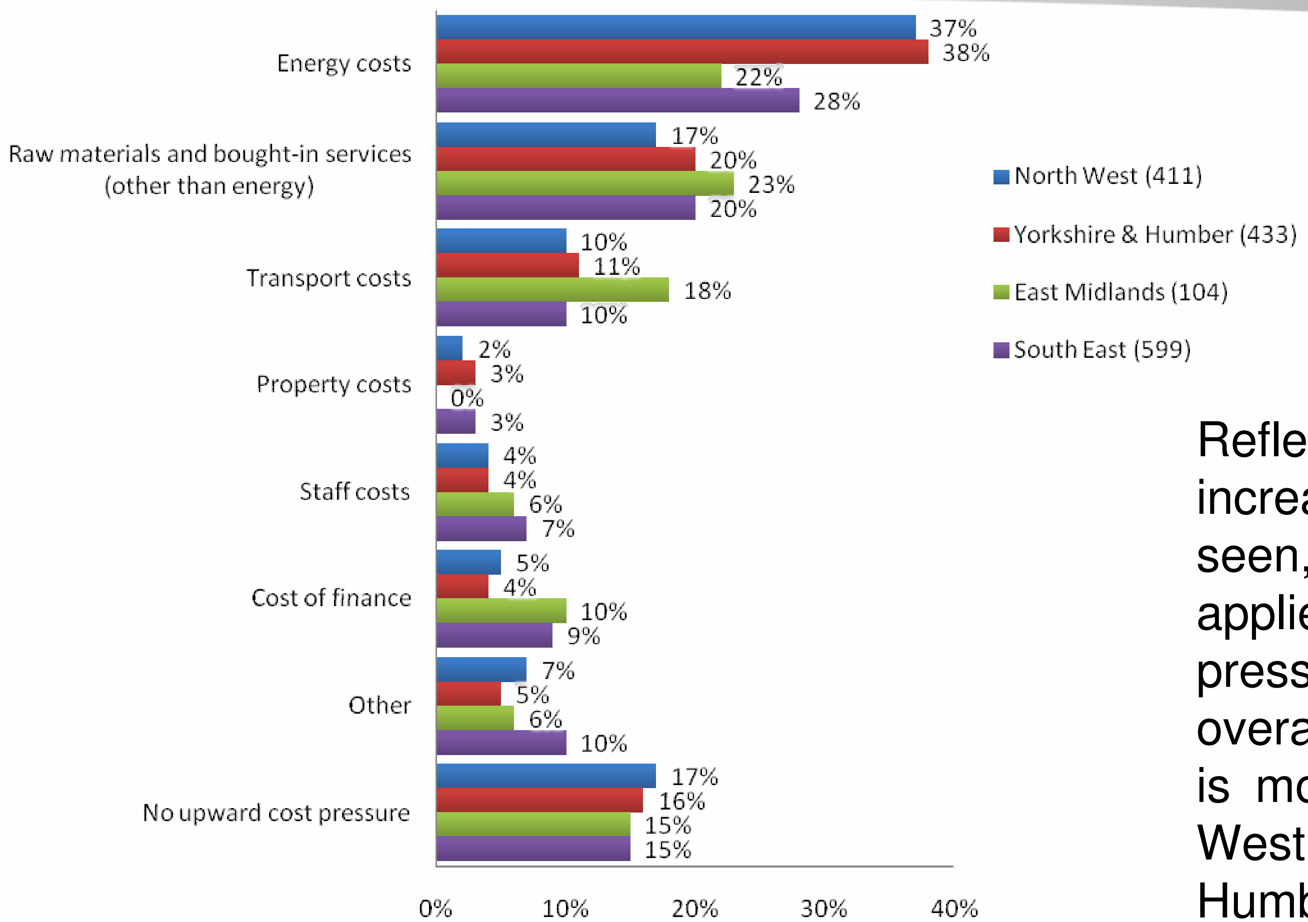


Businesses in all regions have experienced increasing costs, particularly in energy and raw materials.

Sample bases in parenthesis

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

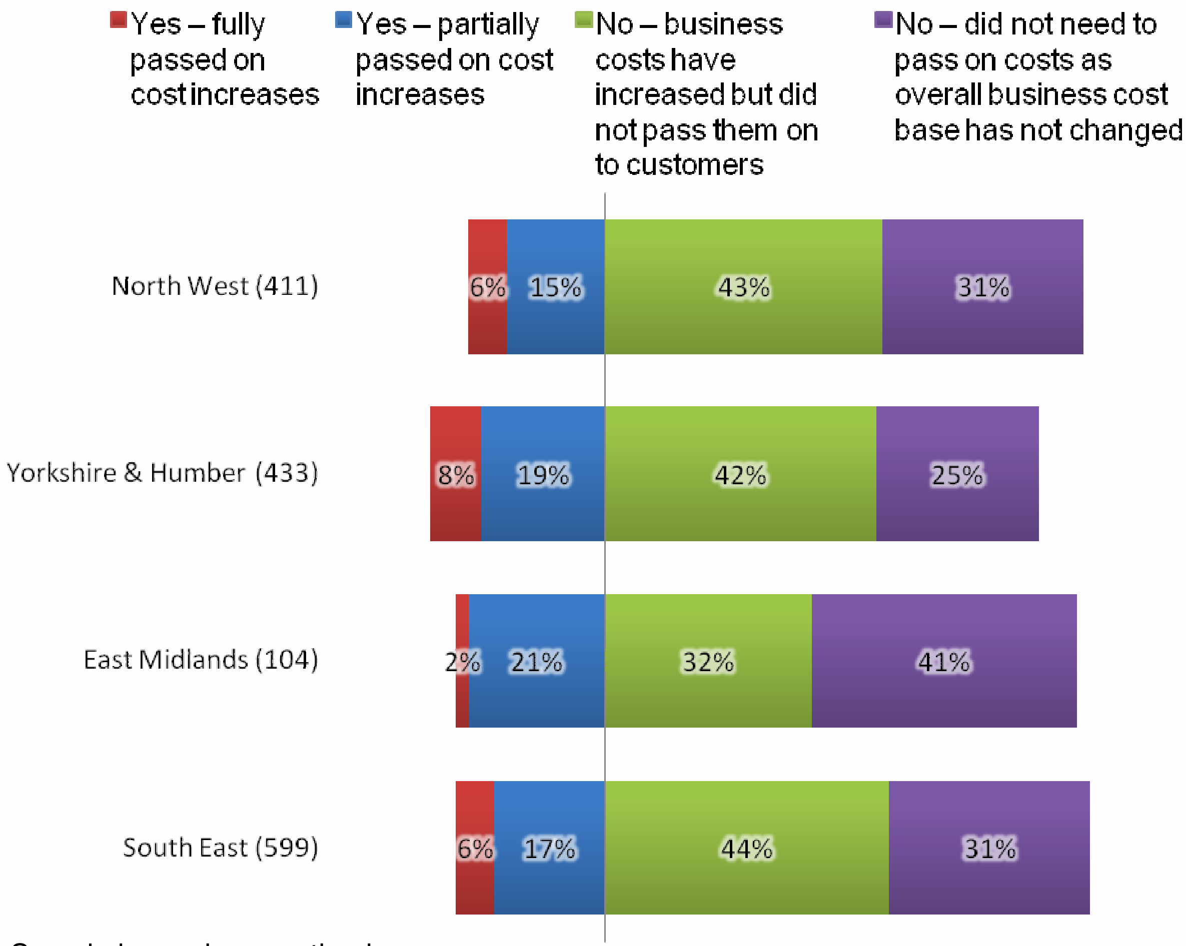


Reflecting where the increases in cost have been seen, energy costs have applied the most upward pressure on business's overall cost base. Again this is most evident in the North West and Yorkshire & Humber.

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



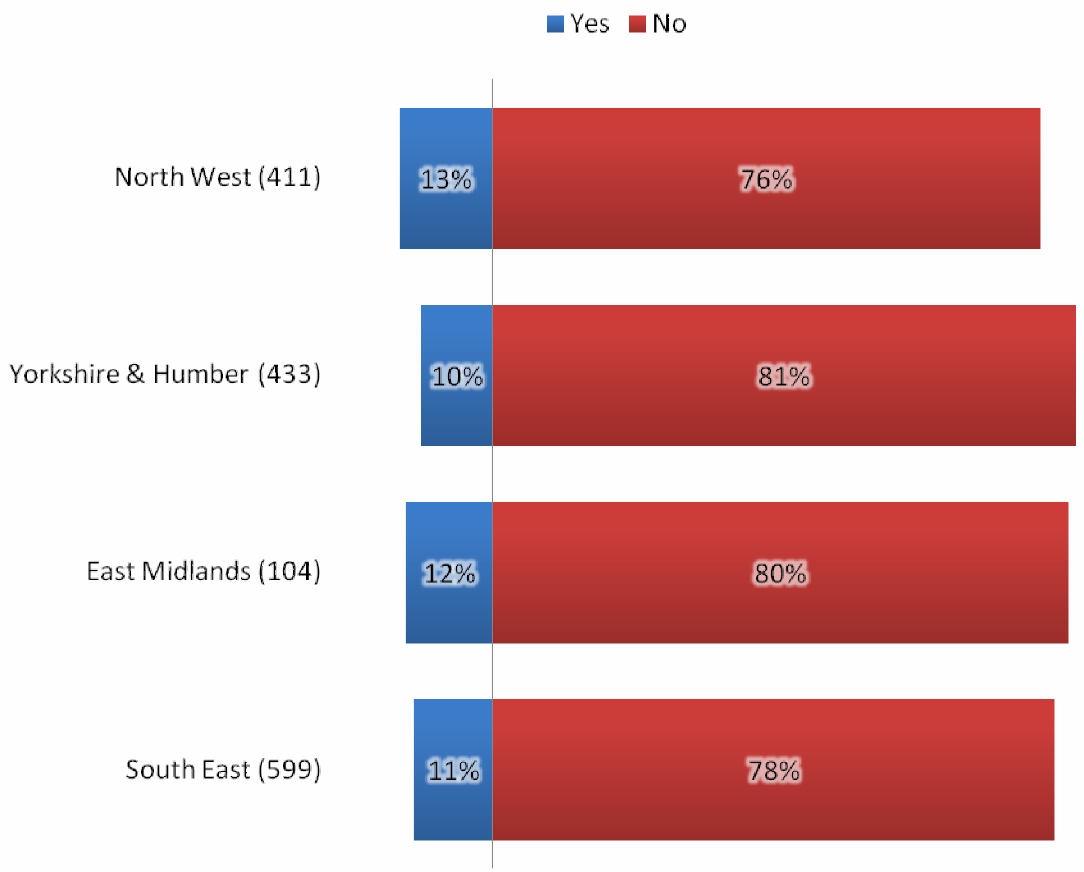
Sample bases in parenthesis

Where costs have increased, businesses are more likely not to have increased their cost to customers. Only a small proportion in each region has fully passed on their cost increases to the customer.

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

Financial status

Seeking additional finance

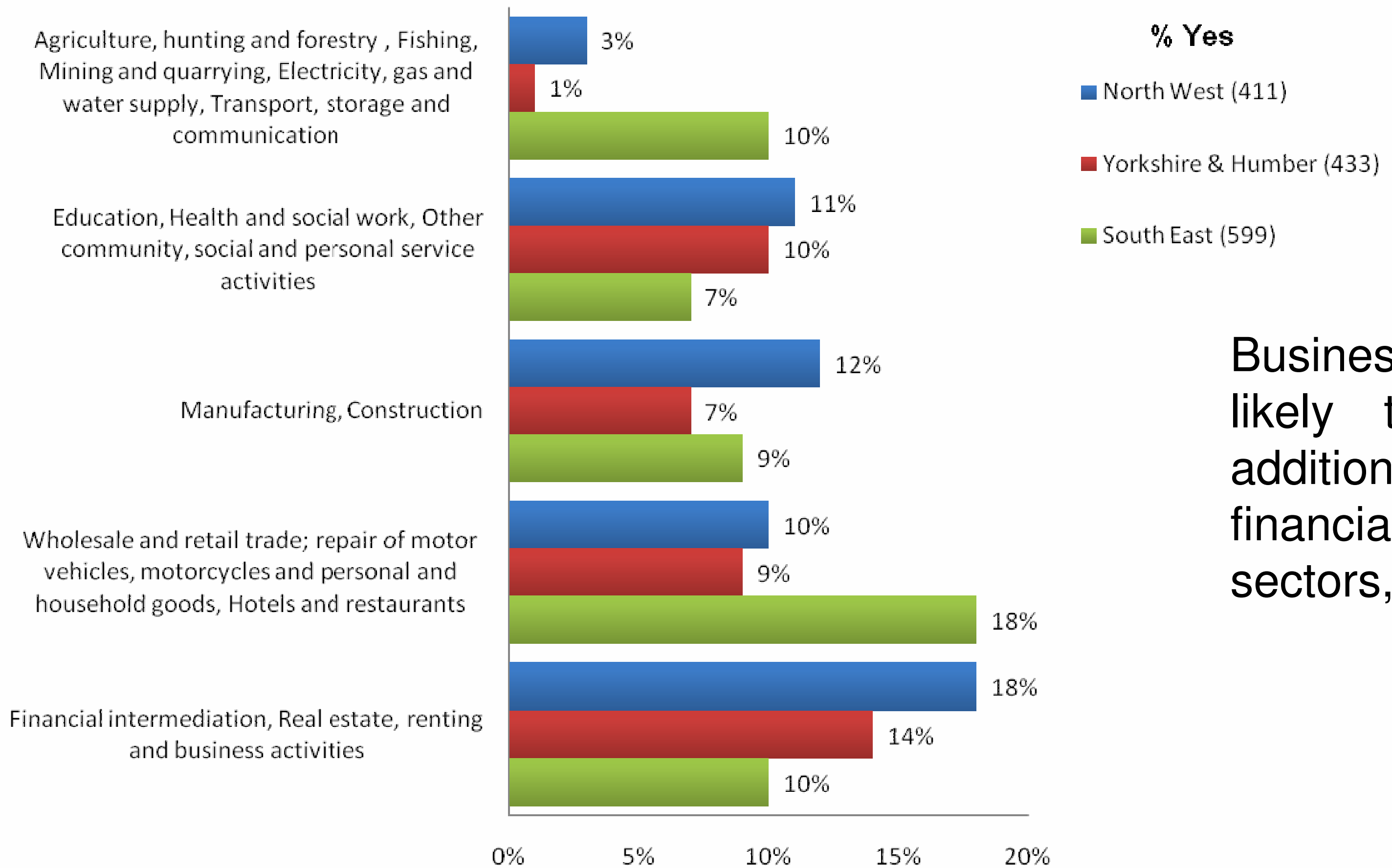


Around one in ten in each region have sought new finance or new lines of credit in the past 3 months.

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 sector)

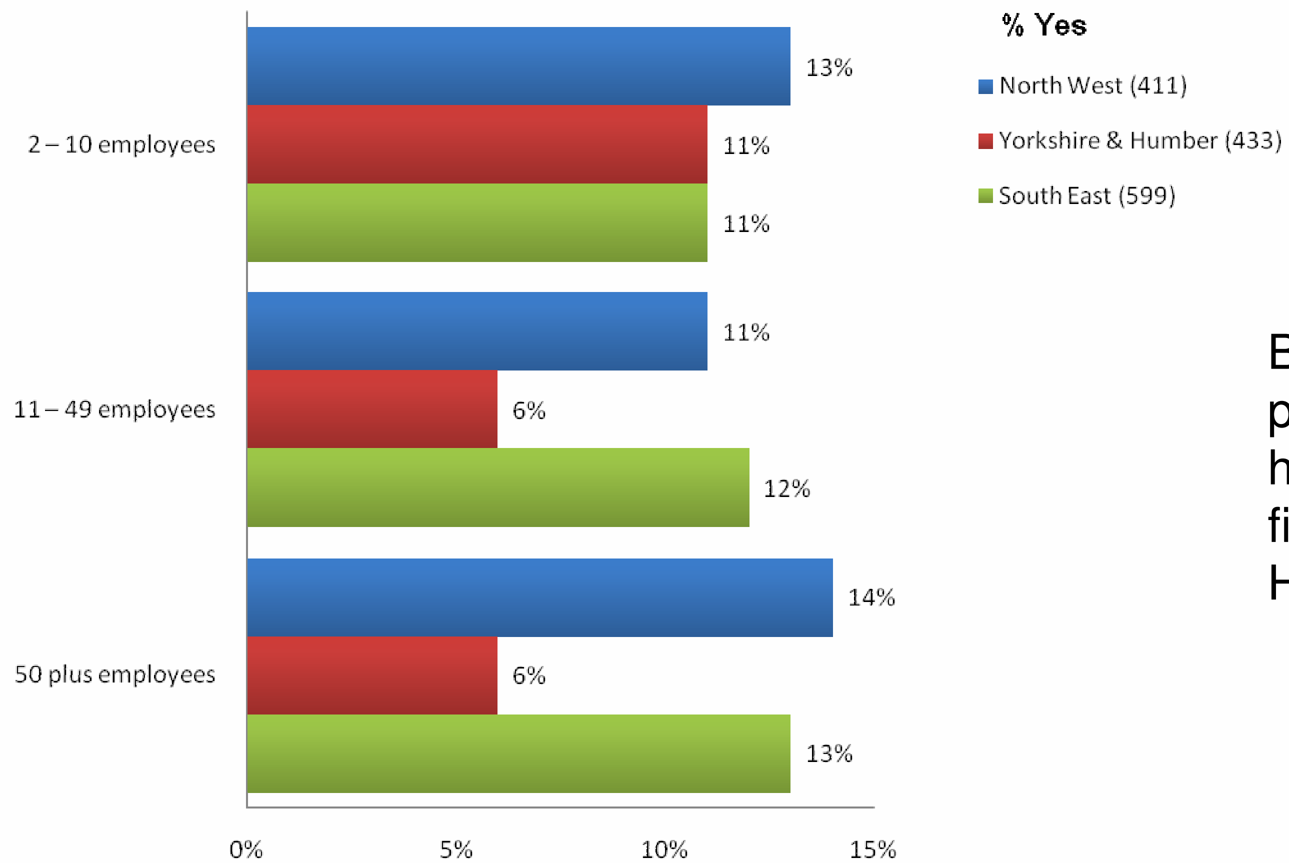


Businesses were more likely to have sought additional finance in the financial and property sectors, and retail.

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)

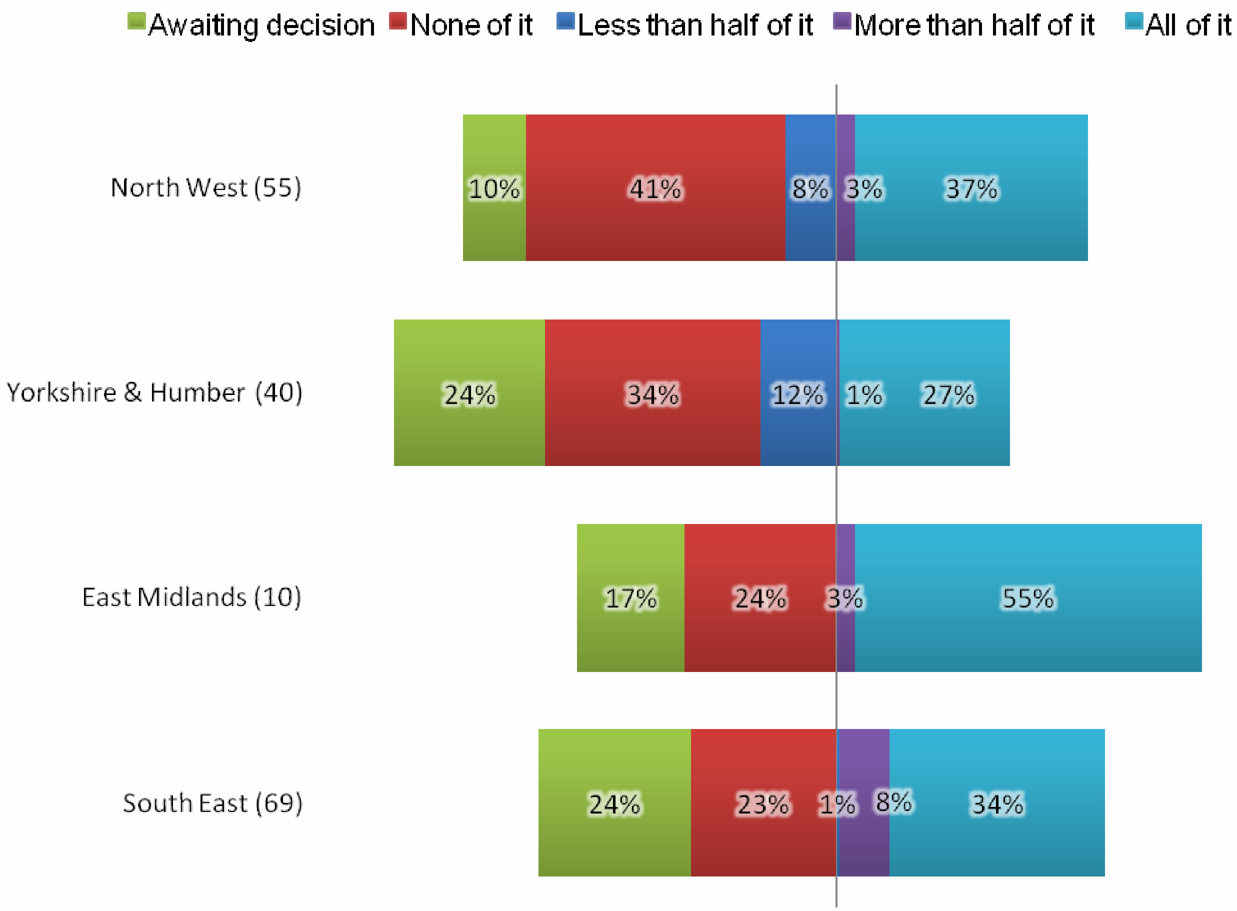


Businesses of 11 or more people are less likely to have sought additional finance in Yorkshire & Humber.

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

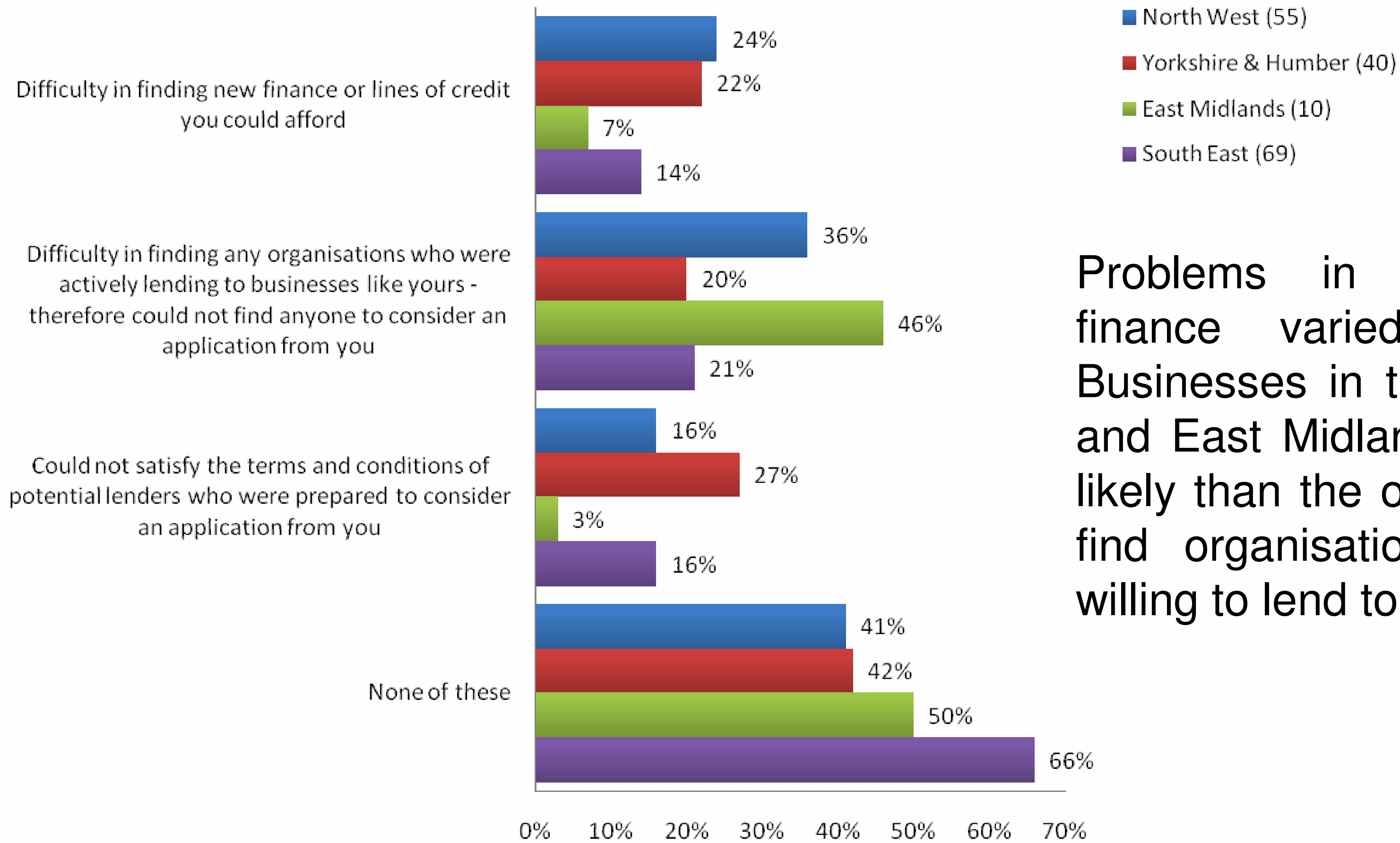


Success of gaining additional finance where sought was varied. Businesses in the East Midlands were most likely to have received all of the money they ask for, and those in the North West were least successful.

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

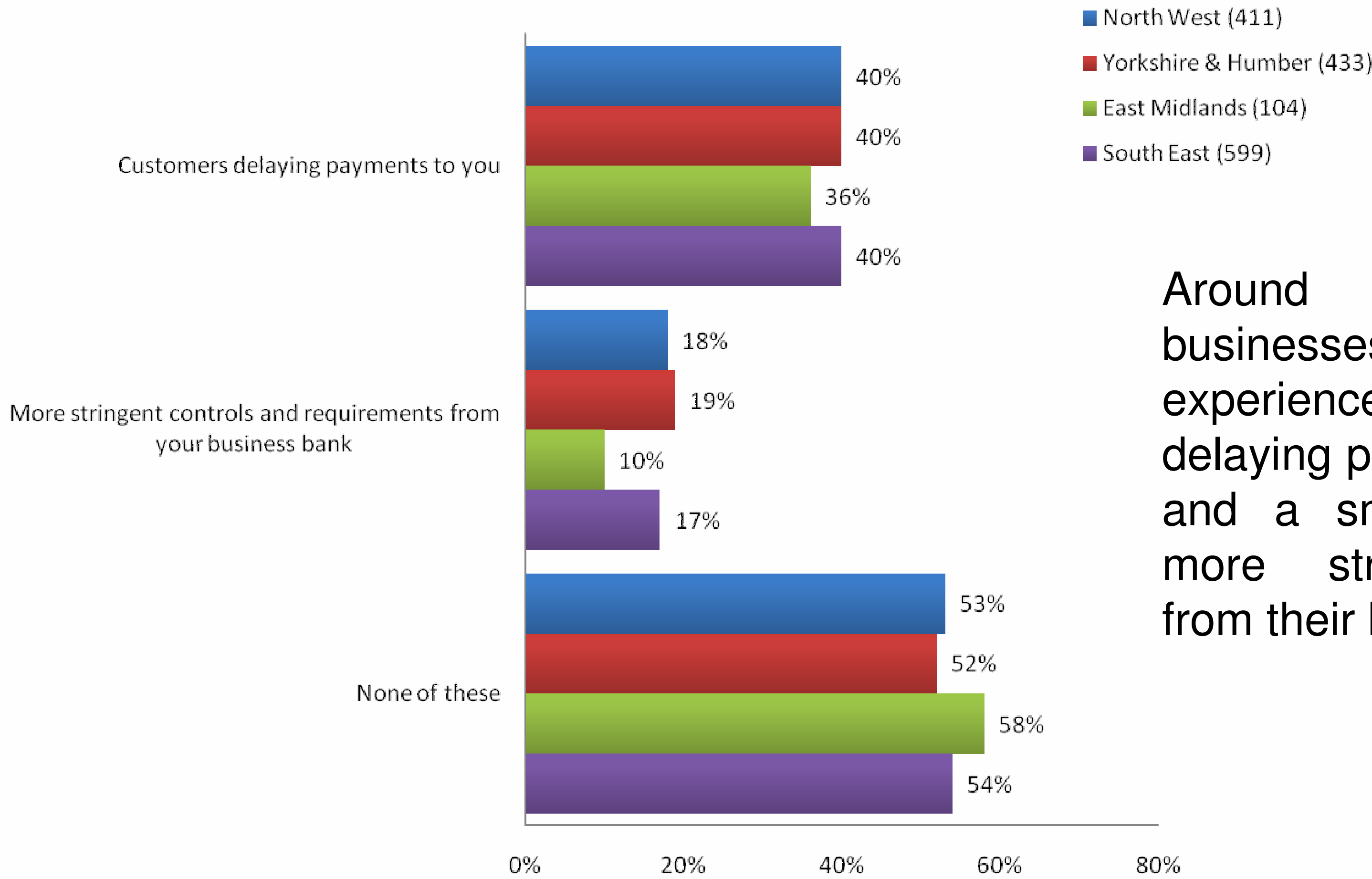


Problems in seeking new finance varied by region. Businesses in the North West and East Midlands were more likely than the other regions to find organisations who were willing to lend to them.

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

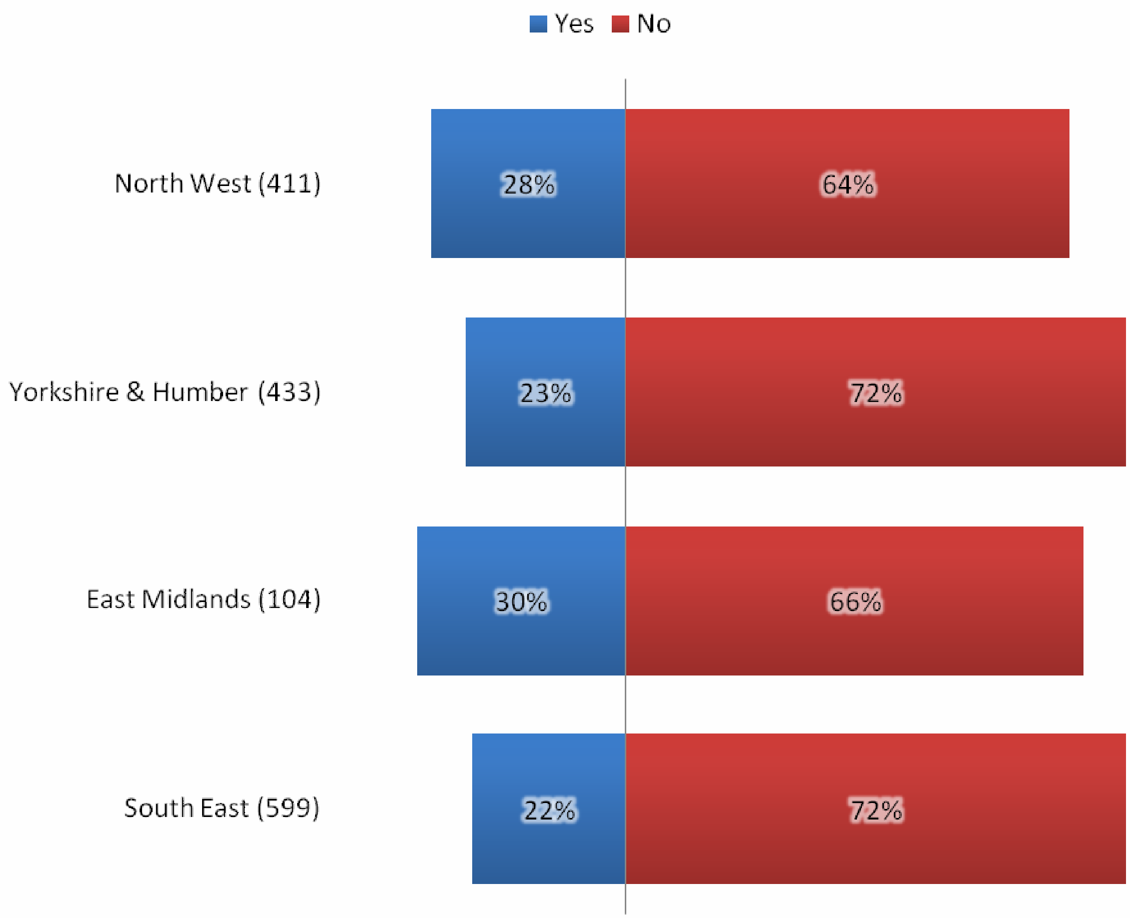


Around two in five businesses have experienced customers delaying payments to them, and a smaller proportion more stringent controls from their bank.

Sample bases in parenthesis

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

Payments to suppliers

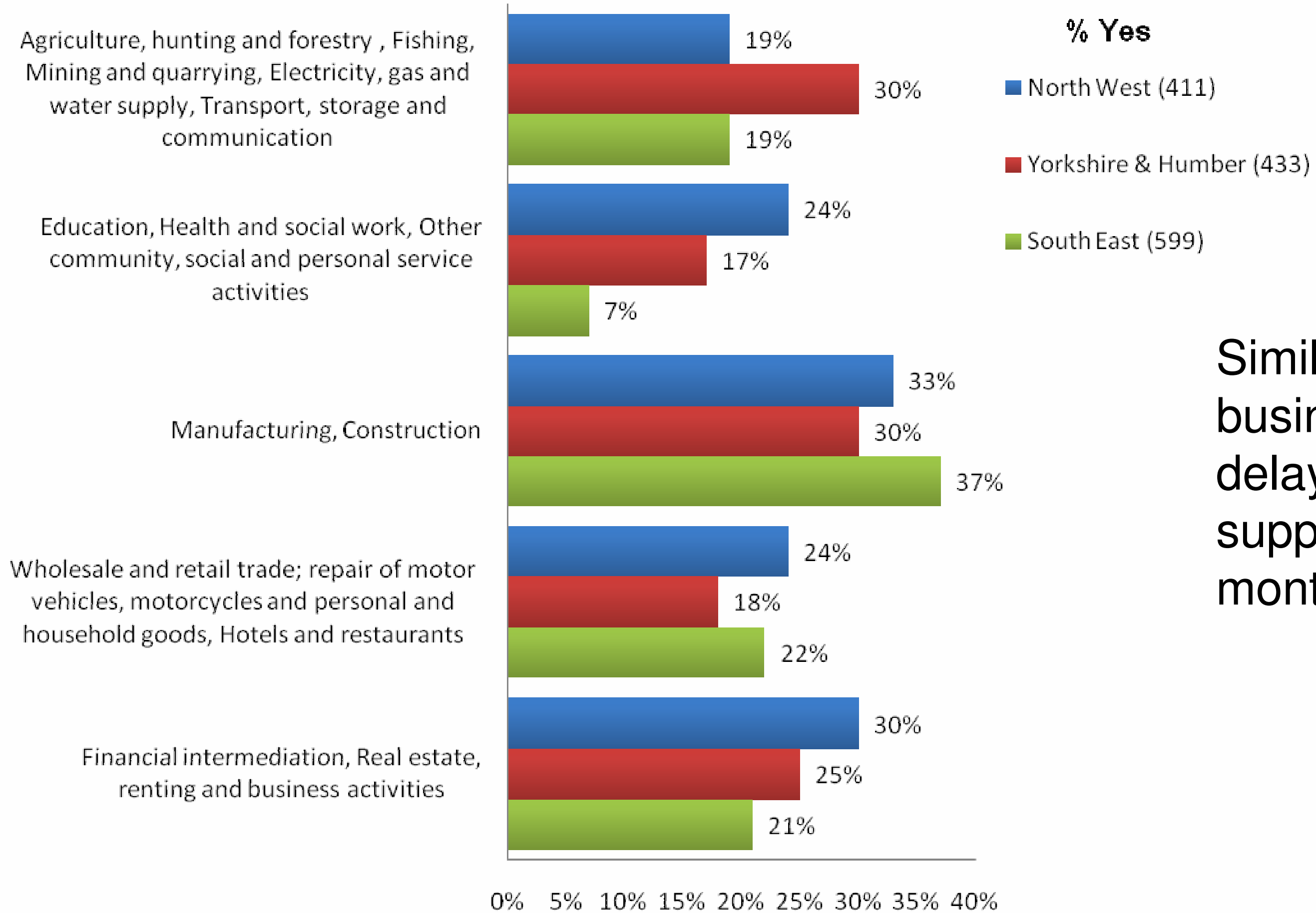


Around one in four businesses in each region reported delaying payments to their suppliers in the past 3 months.

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 sector)

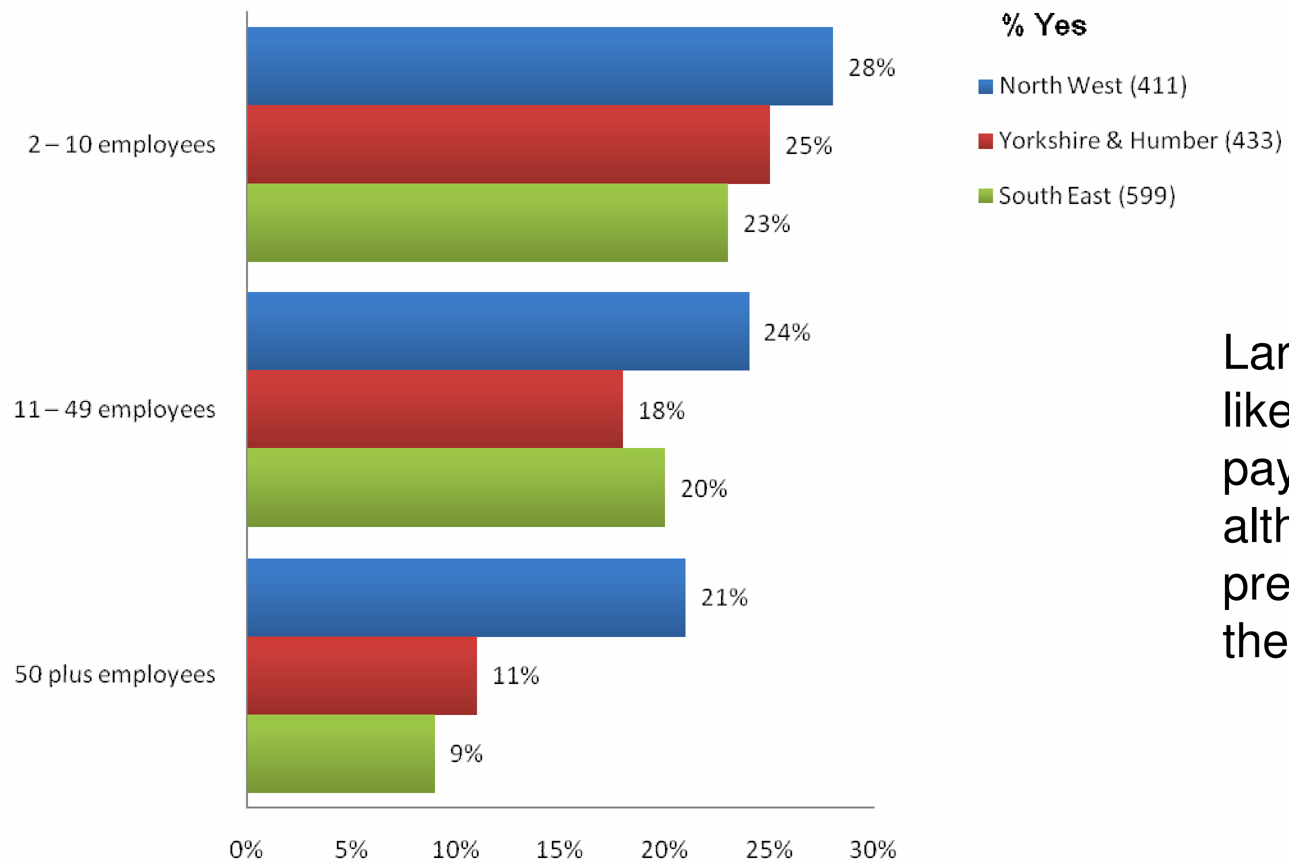


Similar proportions of businesses reported delaying payments to their suppliers in the past 3 months.

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)

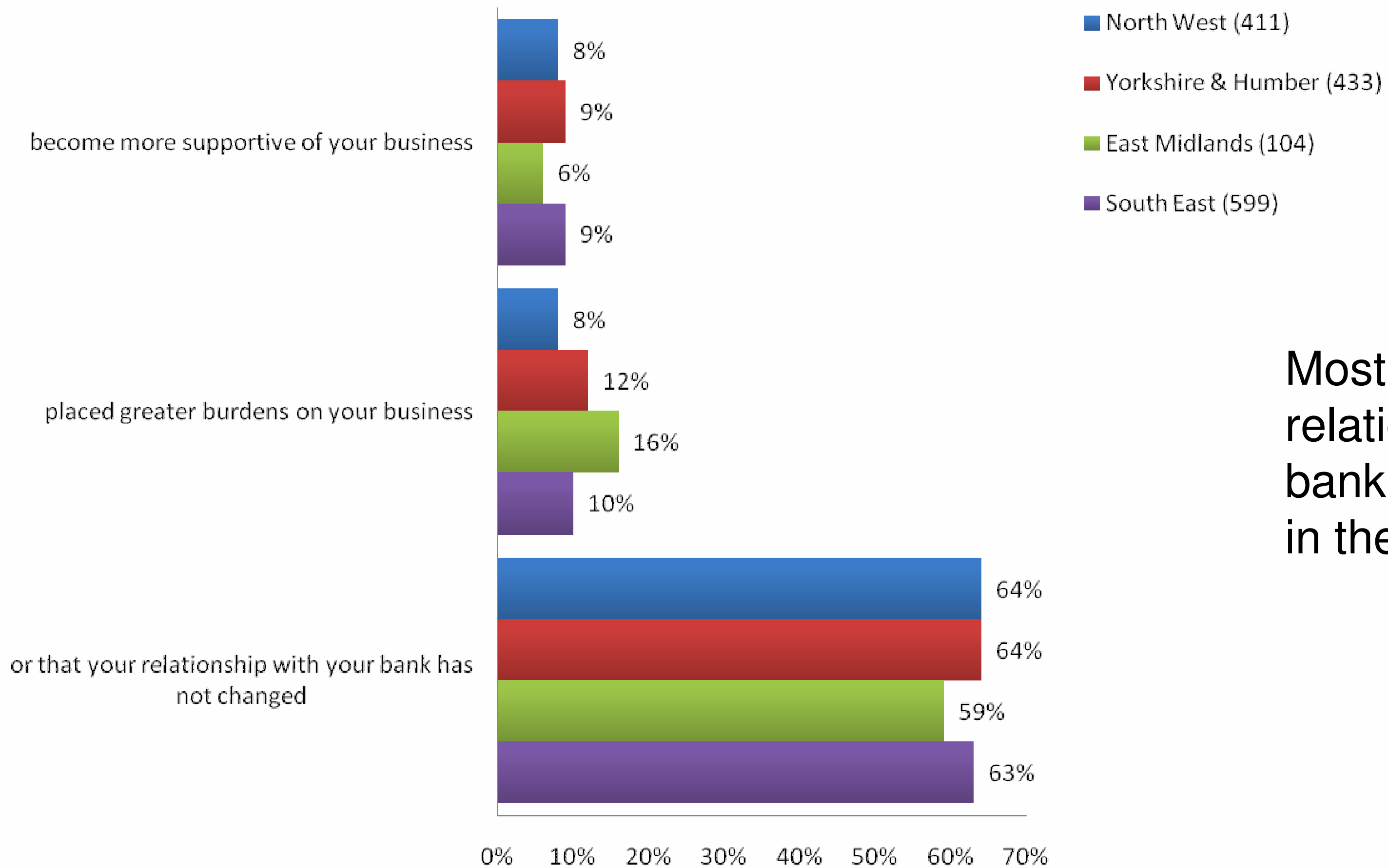


Larger businesses are less likely to have delayed payments to suppliers, although this is less prevalent in businesses in the North West

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



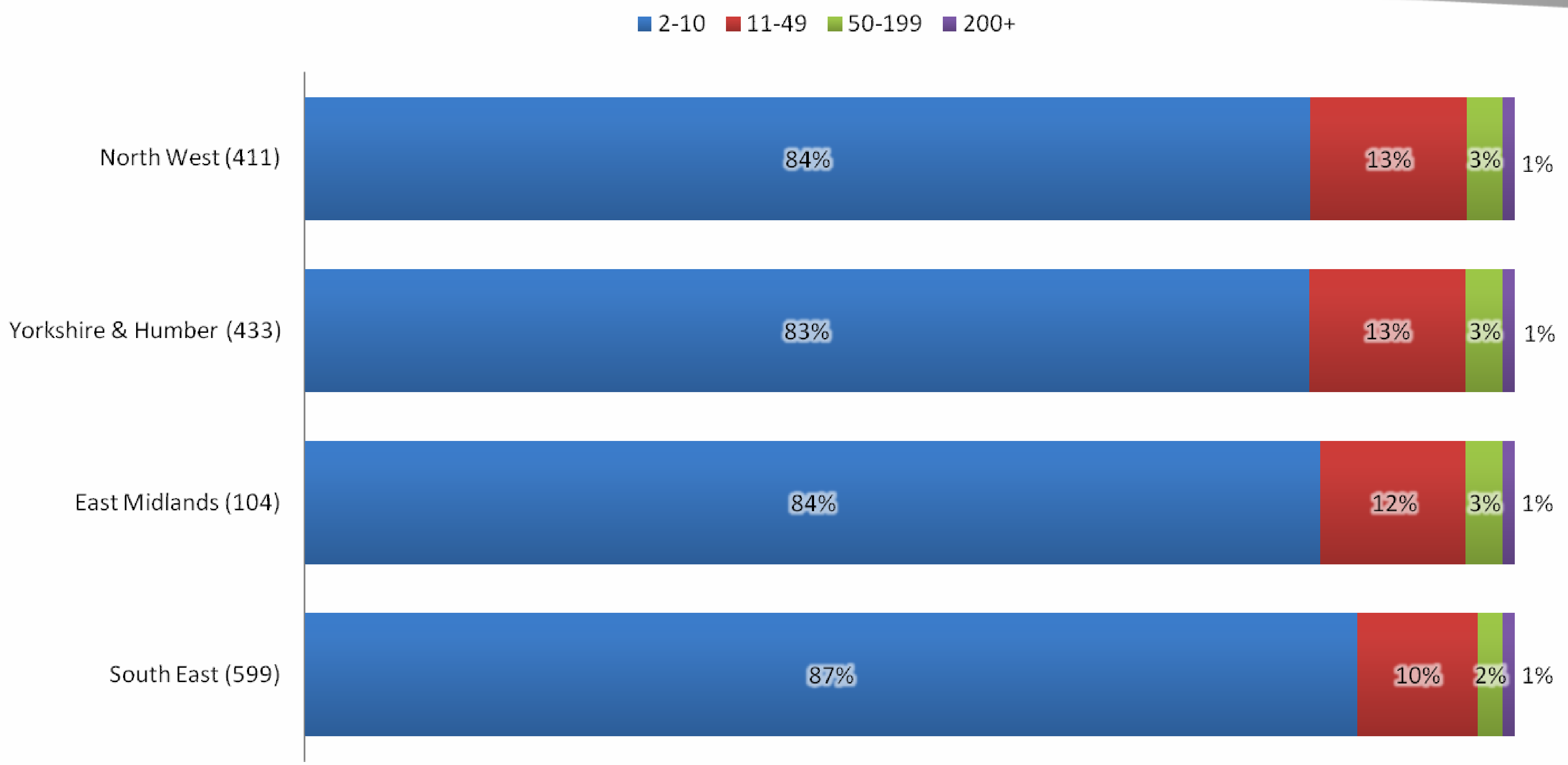
Most businesses relationship with their bank has not changed in the past 3 months.

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



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 & Humber %	East Midlands %	South East %
Agriculture, hunting and forestry	1	1	1	1
Mining and quarrying	0	<0.5	0	<0.5
Manufacturing	13	16	15	11
Electricity, gas and water supply	<0.5	<0.5	0	<0.5
Construction	6	5	7	6
Wholesale and retail trade, repair of motor vehicles and motorcycles	23	25	27	17
Hotels and restaurants	13	12	12	11
Transport storage and communication	3	4	<0.5	4
Financial intermediation	2	1	1	1
Real estate, renting and business activities	32	28	30	38
Education	1	1	2	1
Health and social work	3	3	3	4
Other community, social and personal activities	4	4	3	7
Sample base	411	433	104	599

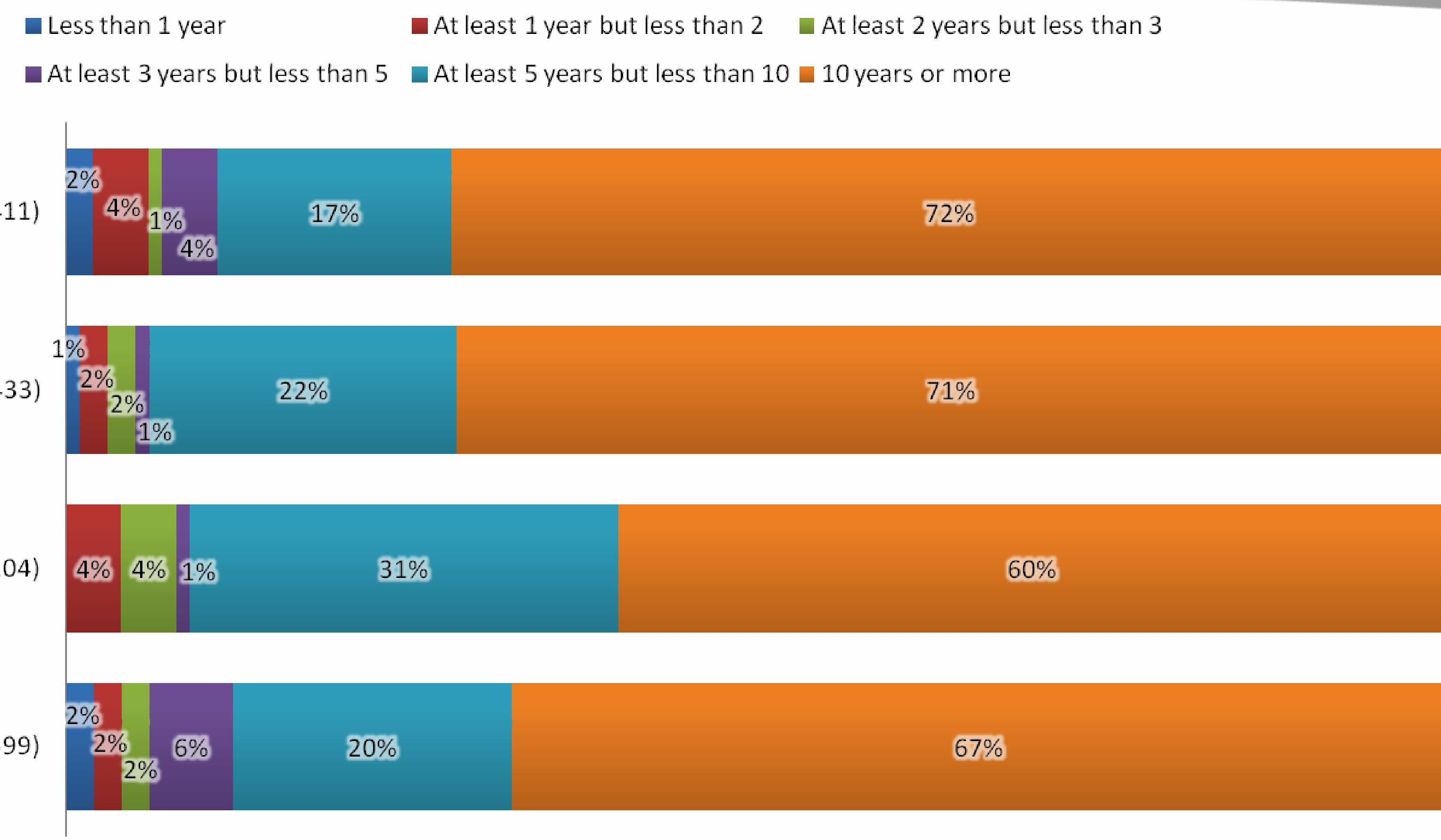
Q3. What is the main business activity at this establishment?

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?