

BIS | Department for Business
Innovation & Skills

**SME BUSINESS BAROMETER –
DECEMBER 2010**

MAY 2011

By IFF Research Ltd.



SME Business Barometer December 2010

A Snapshot of Small Business Employers in the UK

Introduction

The Business Barometer is a series of surveys among small and medium-sized (SME) employer enterprises across the UK. The survey assesses how well or badly small businesses are performing, their needs, concerns and barriers to growth. Each survey wave of the Business Barometer consists of approximately 500 interviews with owners and managers of these enterprises, all of whom have previously been interviewed as part of a larger BIS survey – the 2006/07 and 2007/08 Annual Surveys of Small Business (ASBS), or the 2010 Small Business Survey (SBS).

The first Business Barometer was undertaken in December 2008, with further waves in February, April, June, September and December 2009, and in February 2010. The series of surveys was interrupted by the larger-scale SBS in the summer of 2010, which had very similar question content to the Barometer, but resumed with the December 2010 Barometer, which is the focus of this report.

500 interviews were conducted among SME employers between the 17th November and 3rd December 2010. All respondents had previously taken part in the 2010 SBS. Those interviewed were directors, owners and co-owners of the businesses.

One hundred and ninety-nine interviews (40 per cent) conducted were with SME employers that had sought finance in the year before the SBS took place. This proportion was corrected (to 26 per cent) at the analysis stage through weighting¹.

In interpreting these findings it must be borne in mind that the sample is not fully representative of all SMEs in the UK in that:

- Businesses with no employees have been excluded from this survey
- Businesses that started up since the SBS survey are not interviewed, although as this occurred only a few months before the December Barometer, the numbers here are very small compared to the total numbers of SMEs generally

Nor is the survey exactly representative of SME employers that operated at the time of the SBS survey, as those that have closed since cannot be interviewed, although again this number will be relatively small given the recency of the survey.

In this report we will highlight changes in the findings between the waves of the Business Barometer, and the larger SBS and ASBS surveys, that are statistically significant at the 95 per cent confidence level. In general, when considering the overall samples for two waves, a change of 4 to 6 per cent indicates a significant change¹.

¹ More details on the sampling and weighting process are given in the technical appendix to this report

Summary

Growth

In terms of trends in employment levels over past twelve months and SME employer predictions for the next 12 months, overall the findings from the December 2010 Business Barometer are encouraging.

Twenty-two per cent of SME employers in the December 2010 Barometer are now employing more people than 12 months ago (the highest proportion to date in the Business Barometer series, and a significant increase on the 17 per cent saying this in the 2010 SBS).

Investment in staff development has also increased, with sixty-eight per cent of SME employers having funded or arranged any training or development for staff in the last 12 months (including any informal on the job training). This is the highest proportion yet seen in the Barometer series, and a significant increase on SBS 2010.

Figures for predicted employment levels over the next 12 months are consistent with previous Barometers, with twenty-seven per cent of SME employers in December 2010 predicting they will employ more staff in a year's time. This compares with 60 per cent thinking employment levels will remain stable, and 13 per cent saying they think they will need to lose staff.

Thirty-one per cent of all SME employers have increased their turnover in the last 12 months, compared to 36 per cent who say their turnover has decreased. For 32 per cent turnover is about the same as it was 12 months previously.

There has been no significant increase in reporting a greater turnover between the latest Business Barometer and SBS 2010. However firms in the December 2010 Barometer are more likely to report increased turnover and less likely to report decreased turnover than those in the December 2009 Barometer.

Looking forward over the next twelve months, thirty-six per cent of SME employers expect their turnover to increase in a year's time compared to now, with 17 per cent expecting it to decrease, and 44 per cent thinking it will be about the same.

Findings for growth ambitions over the next two to three years remain similar to previous Barometers (except December 2008), with sixty-nine per cent of SME employers expecting to grow their businesses over the next two to three years. However, this figure is significantly less than the 74 per cent seen in SBS 2010.

Twenty-six per cent of SME employers export goods or services outside of the UK. Although this is not significantly higher than findings from the SBS 2010 or December 2009 Barometer, it is the highest proportion seen in the Business Barometer series.

In terms of finding alternative ways to develop commercial opportunities thirteen per cent of SME employers collaborate with Universities or Higher Education Institutions. This collaboration was most likely to be the form of research projects (six per cent of all SME employers), with other forms of collaboration including work experience at the SME for students (three per cent of all), recruitment from Universities and HE institutions (two per cent) and staff training given by the Universities and HE institutions (two per cent).

Business Environment

In findings consistent with previous Barometers 32 per cent of SME employers say that the state of the economy is the *main* obstacle to the success of their business. Competition, cashflow and obtaining finance are the obstacles next most likely to be mentioned, followed by regulations and taxation.

Again, similarly to previous Barometers, cashflow difficulties are seen as a large obstacle. Forty-eight per cent of SME employers in the December 2010 Barometer see this as an obstacle to their success, with 12 per cent saying cashflow difficulties is their main obstacle.

Looking in more detail at factors causing cashflow difficulties the most common cause is having a fluctuating income combined with a steady level of outgoings – mentioned by 83 per cent of those with cashflow problems (the highest proportion yet seen in the Barometers mentioning this as a difficulty).

Sixty-five per cent of SME employers offer their customers credit in the form of giving a period of time before payment is due.

Twenty five per cent of SME employers work for public sector clients, a similar proportion to that seen in previous Barometers. Twenty per cent have worked for the public sector in the previous 6 months.

The December 2010 Business Barometer suggests promptness of public sector payments has decreased significantly compared with previous Barometers. Only 46 per cent of SMEs working with public sector clients now claim they are paid promptly, compared to 74 per cent in February 2010. Forty-three per cent claim they are paid slowly, compared to 23 per cent in February 2010.

Access to Finance

Eighteen per cent of SME employers have sought external finance in the last 6 months with 14 per cent having sought it once, and four per cent more than once.

Gaining working capital and ameliorating cashflow are the most common reasons for seeking finance (mentioned by 38 per cent). This is a reduction to December 2009 levels proportions of SMEs seeking finance for those two reasons. There have been significant increases in the proportions seeking finance for research & development (10 per cent, up from three in February 2010) and staff training (five per cent, up from zero).

A bank loan is again the type of finance most likely to be sought (by 39 per cent of those seeking finance). Among SME employers with bank loans there have been very few changes to the terms and conditions on loans in the past six months with 90 per cent of those with outstanding loans reported no changes at all.

A bank overdraft is the second most likely type of finance to be sought (by 18 per cent). Among SME employers with bank overdrafts 22 per cent claim the bank had put up their overdraft fees or interest rates in the previous six months (a similar proportion to previous Barometers).

Ten per cent of SME employers that offer credit to customers have trade credit insurance - a significant increase on the four per cent with trade credit insurance in the February 2010 Barometer.

Real Help for SME Businesses

In terms of awareness of Business Link, sixty-five per cent of SME employers in England are aware of 'a publicly funded service providing access to information and advice for businesses, including a national network of local operators' (an increase of 23 percentage points on SBS 2010).

Sixty-eight per cent of all SME employers in England are aware that Business Link provides free business health checks and nineteen per cent of SME employers in England claim they have had a Business Link Health Check. The proportion of those having had a health check is significantly higher than that seen in the February 2010 Barometer.

Steve Lomax and Lydia Reynolds

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January 2011

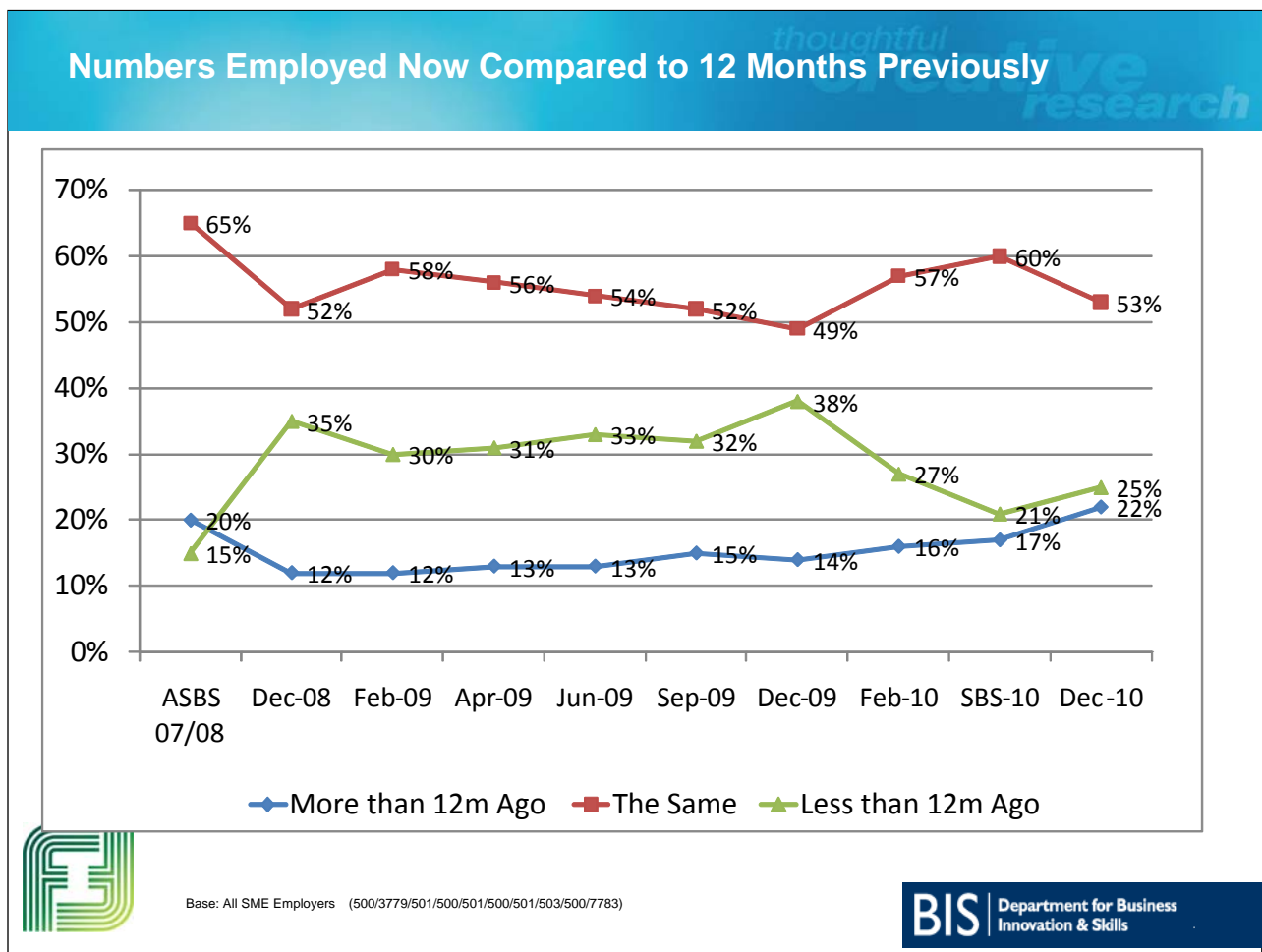
Part A: Growth

Employment Levels over the Last 12 Months

Chart A1 below shows that 25 per cent of SME employers employed fewer people in December 2010 than was the case a year before. This is a significant decrease on the 38 per cent saying this in December 2009, with the four point increase on the 2010 SBS not quite being statistically significant.

Twenty-two per cent of SME employers in the December 2010 Barometer are now employing more people than 12 months ago. This is the highest proportion to date in the Business Barometer series, and a significant increase on the 17 per cent saying this in the 2010 SBS. Overall, the employment level findings are encouraging.

Chart A1: Numbers Employed Now Compared to 12 Months Ago – Trends



Analysis of the data by sector in December 2010 (see Table A1 overleaf) shows that construction businesses are more likely than other sectors to have increased employment levels, whilst the transport, retail and distribution sector (TRAD) is less likely.

Whilst TRAD has had lower than average employment growth for all of 2010, this is the first time we have seen the construction sector with the highest level of growth. Certainly, the 38 per cent reporting increased numbers of workers is very much higher than the three per cent saying this in December 2009.

Table A1: Numbers Employed 12 Months Ago – Trends by Sector					
Base = all SME employers	All	Primary/ Manu	Constructio n	TRAD	Services
December 2010. n=	500	142	71	139	148
	%	%	%	%	%
Dec 10 – More than 12m Ago	22	18	38	16	24
Dec 10 – Fewer than 12m Ago	25	29	29	22	25
SBS 2010 (July-September). n=	3817	591	315	1157	1754
	%	%	%	%	%
SBS 10 – More than 12m Ago	17	20	19	16	18
SBS 10 – Fewer than 12m Ago	21	24	34	19	18
February 2010. n=	501	142	66	148	145
	%	%	%	%	%
Feb 10 – More than 12m Ago	16	17	7	9	25
Feb 10 – Fewer than 12m Ago	26	34	50	22	19
December 2009. n=	500	130	69	136	165
	%	%	%	%	%
Dec 09 – More than 12m Ago	14	18	3	13	16
Dec 09 – Fewer than 12m Ago	38	53	49	36	30
September 2009. n=	501	132	72	143	154
	%	%	%	%	%
Sept 09 – More than 12m Ago	15	17	9	15	17
Sept 09 – Fewer than 12m Ago	32	33	46	23	36
June 2009. n =	500	130	60	148	162
	%	%	%	%	%
June 09 – More than 12m Ago	13	5	6	15	17
June 09 – Fewer than 12m Ago	33	51	45	25	30
April 2009. n =	501	157	62	136	146
	%	%	%	%	%
April 09 – More than 12m Ago	13	10	5	10	19
April 09 – Fewer than 12m Ago	31	41	46	29	25
February 2009. n =	503	111	61	145	186
	%	%	%	%	%
Feb 09 – More than 12m Ago	12	4	19	12	12
Feb 09 – Fewer than 12m Ago	30	37	40	23	31
December 2008. n =	500	123	62	137	178
	%	%	%	%	%
Dec 08 – More than 12m Ago	12	18	9	10	13
Dec 08 – Fewer than 12m Ago	35	32	49	38	29
ASBS 07/08. n =	7783	1498	742	2989	2554
	%	%	%	%	%
ASBS 07/08 – More than 12m Ago	20	21	21	18	21
ASBS 07/08 – Fewer than 12m Ago	15	15	14	15	16

Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research

Forty-two per cent of SME employers have recruited new employees in the last 12 months. This is ten percentage points more than the proportion seen in the December 2009 Barometer, and the data show a steady increase for this measure since this point. The increase has come in all sectors, but particularly so in construction (up 25 percentage points since December 09).

The data varies considerably according to the size of business. Only 35 per cent of micro businesses (1-9 employees) recruited new employees in the last 12 months in December 2010, compared to 77 per cent of small ones (10-49 employees), and 83 per cent of medium sized businesses (50-249 employees).

Table A2: Recruited New Employees in the Last 12 Months – Trends by Sector					
Base = all SME employers	All	Primary/ Manu	Constructio n	TRAD	Services
December 2010. n=	500	142	71	139	148
	%	%	%	%	%
December 2010	42	38	46	40	43
SBS 2010 (July-September). n=	3817	591	315	1157	1754
	%	%	%	%	%
SBS 2010	39	40	37	39	39
February 2010. n=	501	142	66	148	145
	%	%	%	%	%
February 2010	35	37	29	29	42
December 2009. n=	500	130	69	136	165
	%	%	%	%	%
December 2009	32	35	21	27	39
September 2009. n=	501	132	72	143	154
	%	%	%	%	%
September 2009	39	43	34	38	40
June 2009. n=	501	130	60	148	162
	%	%	%	%	%
June 2009	34	24	17	39	39
April 2009. n=	501	157	62	136	146
	%	%	%	%	%
April 2009	36	28	20	35	43
February 2009. n=	503	111	61	145	186
	%	%	%	%	%
February 2009	37	18	28	38	46
December 2008. n=	500	123	62	137	178
	%	%	%	%	%
December 2008	37	47	27	38	36
ASBS 07/08. n=	7783	1498	742	2989	2554
	%	%	%	%	%
ASBS 07/08	44	45	44	43	45
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research					

Nine per cent of SME employees have increased long term employment levels in the last six months as a result of economic conditions, with 16 per cent having reduced them. The construction industry is again the most likely to have increased long term employment levels (19 per cent), but is also the sector most likely to have reduced employment levels. Compared to December 2008, the last time this question was asked, SME employers in all sectors are more likely to have increased employment levels, and are less likely to have reduced them.

Table A3: Changes to Long Term Employment Levels in the Last Six Months as a Result of Recent Economic Conditions – By Sector

Base = All SME Employers	All	Primary/ Manu	Construct- ion	TRAD	Services
December 2010	500	142	71	139	148
	%	%	%	%	%
Significantly reduced employment	6	8	13	2	6
Slightly reduced employment	10	6	17	14	6
Not changed employment levels	75	80	52	77	79
Slightly increased employment	7	4	18	5	5
Significantly increased employment	2	3	*	2	3
INCREASED	9	7	19	7	8
REDUCED	16	14	30	16	12
December 2008	500	123	62	137	178
	%	%	%	%	%
Significantly reduced employment	10	11	21	9	6
Slightly reduced employment	18	19	12	24	15
Not changed employment levels	68	67	59	65	74
Slightly increased employment	3	3	5	1	4
Significantly increased employment	1	1	2	1	1
INCREASED	4	3	8	2	5
REDUCED	28	30	34	33	21

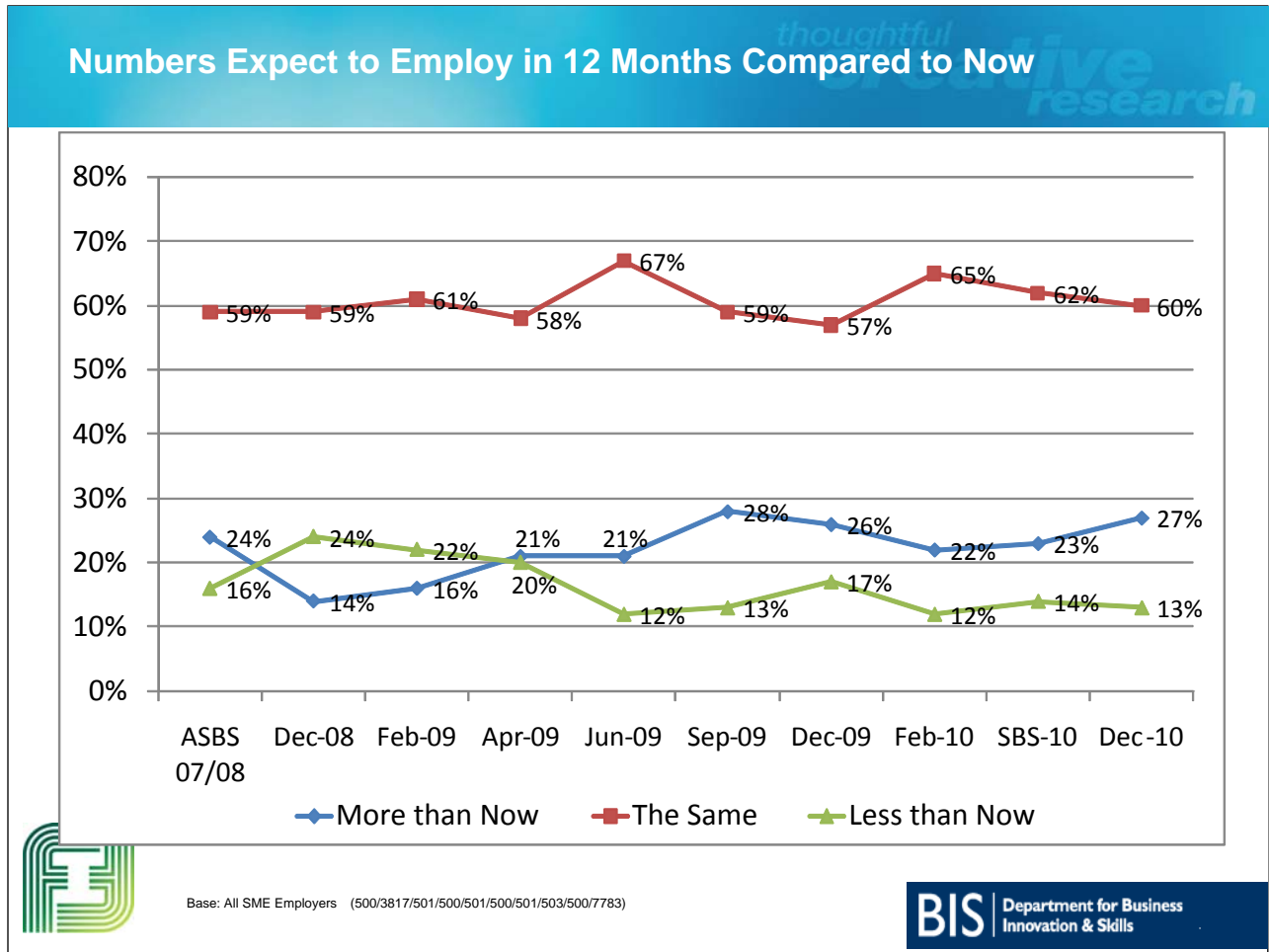
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research.

* = a figure which is more than 0%, but less than 0.5%

Expectations of Employment Levels in the Next 12 Months

Twenty-seven per cent of SME employers think they will employ more staff in a year's time. This compares with 60 per cent thinking employment levels will remain stable, and 13 per cent saying they think they will need to lose staff (see Chart A2 below). The figures are stable: the four percentage point increase in the proportion saying they will employ more since SBS 2010 is not statistically significant.

Chart A2: Expectations of Numbers Employed in 12 Months Time



Compared to the overall average, those in the construction sector are the most likely to think employment levels will rise (47 per cent), and those in transport, retail and distribution sector continue to be less likely than average to think they will employ more staff in 12 months time (see Table A4 overleaf).

A quarter of micro businesses think they will employ more in 12 months time, compared to 40 per cent of small businesses, and 37 per cent of medium sized ones. Forty-three per cent of exporters think they will employ more, compared to 21 per cent of non-exporters.

Table A4: Numbers Expect to Employ in 12 Months Time Compared to Now – Trends by Sector					
Base = all SME employers	All	Primary/ Manu	Construct -ion	TRAD	Services
December 2010. n=	500	142	71	139	148
	%	%	%	%	%
Dec. 2010 – Will Employ More in 12m	27	29	47	20	26
Dec. 2010 – Will Employ Fewer in 12m	13	11	9	8	20
SBS 2010 (July-September). n=	3817	591	315	1157	1754
	%	%	%	%	%
SBS 2010 – Will Employ More in 12m	23	27	19	23	22
SBS 2010 – Will Employ Fewer in 12m	14	13	16	13	14
February 2010. n =	501	142	66	148	145
	%	%	%	%	%
Feb. 2010 – Will Employ More in 12m	22	29	11	23	23
Feb. 2010 – Will Employ Fewer in 12m	12	9	17	10	14
December 2009. n=	500	130	69	136	165
	%	%	%	%	%
Dec. 2009 – Will Employ More in 12m	26	33	23	17	32
Dec. 2009 – Will Employ Fewer in 12m	17	16	17	17	18
June 2009. n =	501	132	72	143	154
	%	%	%	%	%
Sept. 2009 – Will Employ More in 12m	29	35	33	21	32
Sept. 2009 – Will Employ Fewer in 12m	13	15	23	11	10
June 2009. n =	500	130	60	148	162
	%	%	%	%	%
June 2009 – Will Employ More in 12m	21	35	14	10	28
June 2009 – Will Employ Fewer in 12m	12	13	7	17	9
April 2009. n =	501	157	62	136	146
	%	%	%	%	%
April 2009 – Will Employ More in 12m	21	18	14	18	27
April 2009 – Will Employ Fewer in 12m	20	19	15	24	19
February 2009. n =	503	111	61	145	186
	%	%	%	%	%
Feb. 2009 – Will Employ More in 12m	16	21	14	11	18
Feb. 2009 – Will Employ Fewer in	22	21	27	18	24

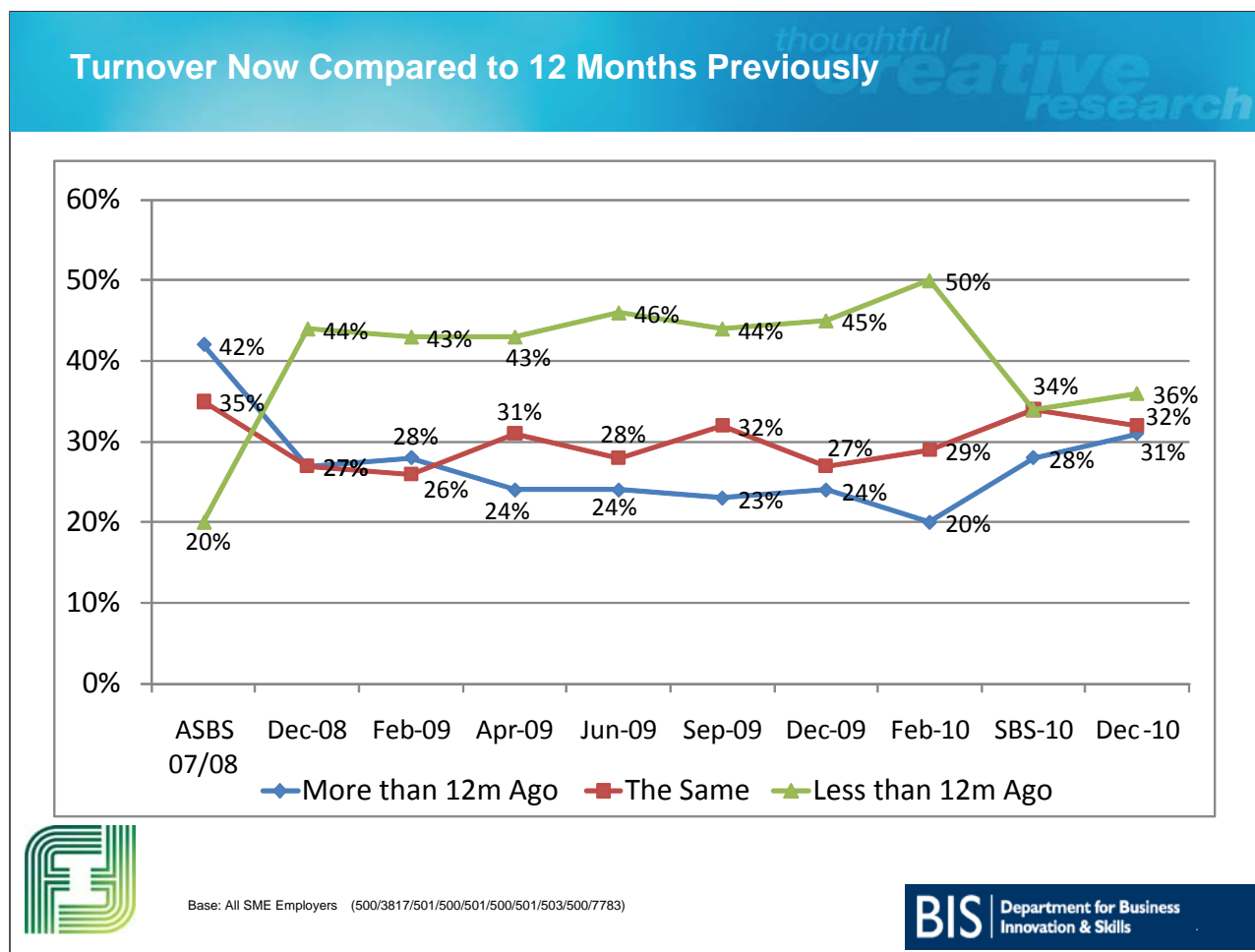
12m					
December 2008. n =	500	123	62	137	178
	%	%	%	%	%
Dec. 2008 – Will Employ More in 12m	14	14	22	11	15
Dec. 2008 – Will Employ Fewer in 12m	24	27	23	27	20
ASBS 07/08. n =	7783	1498	742	2989	2554
	%	%	%	%	%
ASBS 07/08 – Will Employ More in 12m	24	22	24	21	29
ASBS 07/08 – Will Employ Fewer in 12m	16	17	18	17	15
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research					

Turnover in the Past 12 Months

Thirty-one per cent of all SME employers have increased their turnover in the last 12 months, compared to 36 per cent who say their turnover has decreased. For 32 per cent turnover is about the same as it was 12 months previously.

Compared to December 2009 firms are more likely to report increased turnover and less likely to report decreased turnover, although there is no significant improvement on SBS 2010.

Chart A3: Turnover Compared to 12 Months Ago



Most likely to report improved turnover are those in the construction sector (46 per cent), and least likely are those in service sectors (24 per cent). Compared to December 2009 turnover has increased significantly in the primary/manufacturing and construction sectors, but not in service and TRA industries (see Table A5 overleaf).

Twenty-nine per cent of micro businesses reported increased turnover, compared to 36 per cent of small businesses and 49 per cent of medium-sized ones.

Forty-seven per cent of exporters had increased turnover, compared to 25 per cent of non-exporters.

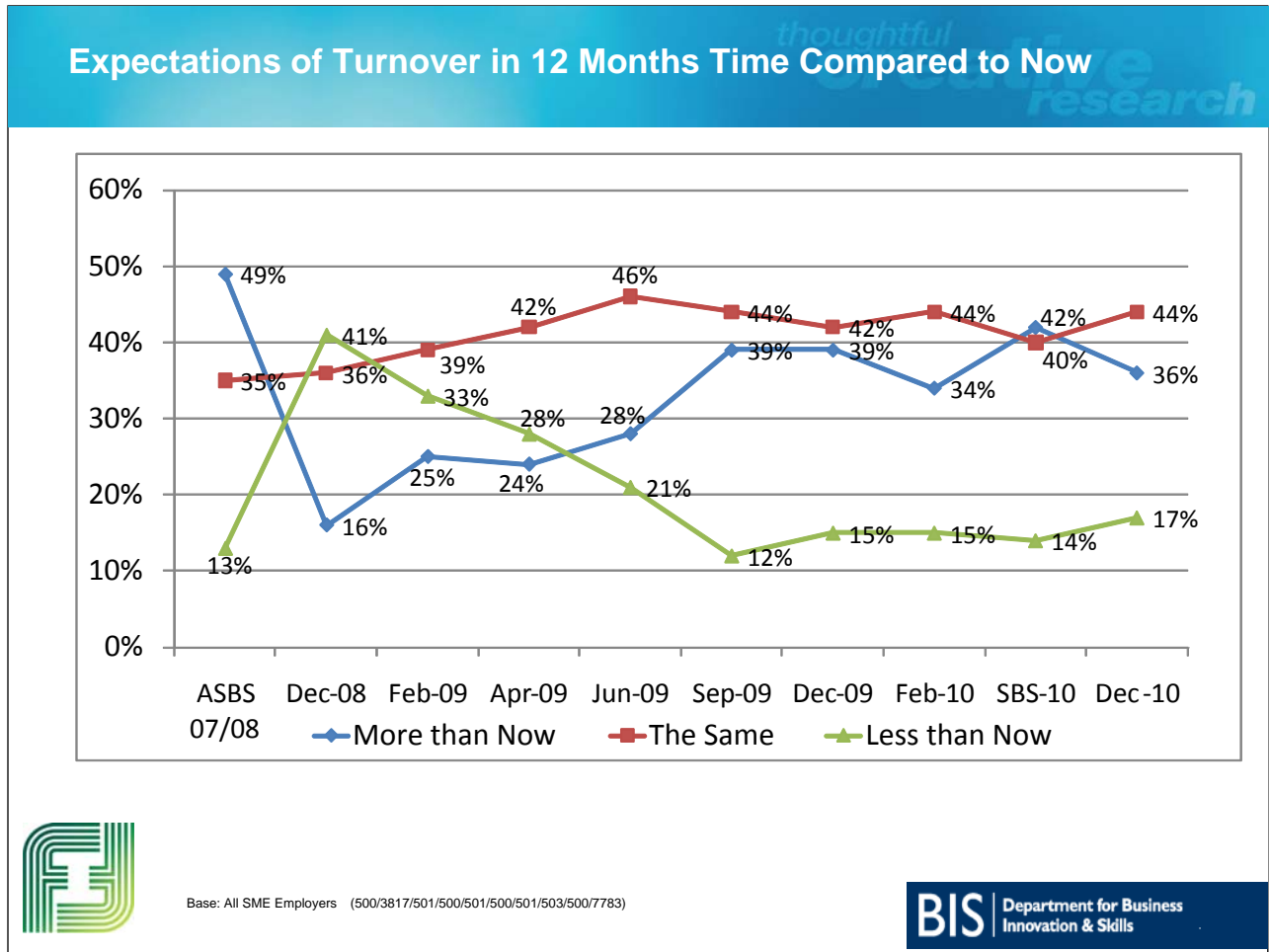
Table A5: Turnover Now Compared to 12 Months Previously – Trends by Sector					
Base = all SME employers	All	Primary/ Manu	Construct -ion	TRAD	Services
December 2010. n =	500	142	71	139	148
	%	%	%	%	%
Dec. 2010 – Turnover Greater Now	31	37	46	30	24
Dec. 2010 – Turnover Less Now	36	30	29	40	38
SBS 2010 (July-September). n=	3817	591	315	1157	1754
	%	%	%	%	%
SBS 2010 – Turnover Greater Now	28	26	24	26	31
SBS 2010 – Turnover Less Now	34	35	45	36	30
February 2010. n =	501	142	66	148	145
	%	%	%	%	%
Feb. 2010 – Turnover Greater Now	20	18	2	24	23
Feb. 2010 – Turnover Less Now	50	57	66	43	49
December 2009. n =	500	130	69	136	165
	%	%	%	%	%
Dec. 2009 – Turnover Greater Now	24	24	12	28	24
Dec. 2009 – Turnover Less Now	45	53	44	44	44
September 2009. n =	501	132	72	143	154
	%	%	%	%	%
Sept. 2009 – Turnover Greater Now	23	19	27	23	24
Sept. 2009 – Turnover Less Now	44	50	49	40	44
June 2009. n =	500	130	60	148	162
	%	%	%	%	%
June 2009 – Turnover Greater Now	24	21	23	24	25
June 2009 – Turnover Less Now	46	49	50	49	41
April 2009. n =	501	157	62	136	146
	%	%	%	%	%
April 2009 – Turnover Greater Now	24	16	23	22	28
April 2009 – Turnover Less Now	43	48	49	47	36
February 2009. n =	503	111	61	145	186
	%	%	%	%	%
Feb. 2009 – Turnover Greater Now	28	30	13	24	34
Feb. 2009 – Turnover Less Now	43	42	47	49	37
December 2008. n =	500	123	62	137	178
	%	%	%	%	%
Dec. 2008 – Turnover Greater Now	27	36	14	22	31

Dec. 2008 – Turnover Less Now	44	36	45	52	41
ASBS 07/08. n =	7783	1498	742	2989	2554
	%	%	%	%	%
ASBS 07/08 – Turnover Greater Now	42	47	40	38	45
ASBS 07/08 – Turnover Less Now	20	19	17	23	19
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research					

Future Turnover Expectations

Thirty-six per cent of SME employers expect their turnover to increase in 12 months time compared to now, with 17 per cent expecting it to decrease, and 44 per cent thinking it will be about the same. The overall trend in the last year is somewhat flat, although there has been a significant decrease in the proportion thinking turnover levels will be higher in 12 months time.

Chart A4: Turnover Expectations in 12 Months Time



At 51 per cent, the proportion in the construction sector expecting higher turnover is much higher than average. This compares to just 27 per cent in the service sector thinking turnover will rise, and 22 per cent of these thinking turnover will decrease. Compared to SBS 2010 the nine percentage point increase in service industries thinking turnover will drop is significant (see Table A6 overleaf).

Thirty-four per cent of micro businesses think turnover will increase, compared to 45 per cent of small ones and 52 per cent of medium-sized ones.

Forty-nine per cent of exporters expect higher turnover, compared to 31 per cent of non-exporters.

Forty-one per cent of those that only have other businesses as customers expect turnover to rise, compared to 24 per cent that only have consumers as customers.

Table A6: Expectations of Turnover in 12 Months Time – Trends by Sector					
Base = all SME employers	All	Primary/ Manu	Construct- ion	TRAD	Services
December 2010. n =	500	142	71	139	148
	%	%	%	%	%
December 2010 – Greater than Now	36	42	51	38	27
December 2010 – Less than Now	17	11	21	12	22
SBS 2010 (July-September). n=	3817	591	315	1157	1754
	%	%	%	%	%
SBS 2010 – Greater than Now	41	49	34	40	42
SBS 2010 – Less than Now	14	13	22	13	13
February 2010. n =	501	142	66	148	145
	%	%	%	%	%
February 2010 – Greater than Now	34	40	30	33	35
February 2010 – Less than Now	15	21	13	20	9
December 2009. n=	500	130	69	136	165
	%	%	%	%	%
Dec. 2009 – Greater than Now	39	40	24	44	38
Dec. 2009 – Less than Now	15	17	24	14	13
September 2009. n =	501	132	72	143	154
	%	%	%	%	%
Sept. 2009 – Greater than Now	39	45	29	35	44
Sept. 2009 – Less than Now	12	13	20	9	13
June 2009. n =	500	130	60	148	162
	%	%	%	%	%
June 2009 – Greater than Now	28	30	15	22	37
June 2009 – Less than Now	21	22	18	17	24
April 2009. n =	501	157	62	136	146
	%	%	%	%	%
April 2009 – Greater than Now	24	18	7	22	34
April 2009 – Less than Now	28	37	34	26	25
February 2009. n =	503	111	61	145	186
	%	%	%	%	%
February 2009 – Greater than Now	25	27	10	26	27
February 2009 – Less than Now	33	32	48	36	26
December 2008. n =	500	123	62	137	178
	%	%	%	%	%
December 2008 – Greater than Now	16	18	20	10	18
December 2008 – Less than Now	41	52	42	41	38
ASBS 07/08. n =	7783	1498	742	2989	2554
	%	%	%	%	%
ASBS 07/08 – Greater than Now	49	51	44	47	51
ASBS 07/08 – Less than Now	13	11	13	14	11
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research					

Growth Ambitions Over the Next Two to Three Years

Sixty-nine per cent of SME employers expect to grow their businesses over the next two to three years. This proportion is similar to those seen in the all the previous Barometers with the exception of December 2008, but is actually significantly less than the 74 per cent seen in SBS 2010.

No one sector in particular is more likely than average to expect growth. Sixty-seven per cent of micro businesses expect to grow, compared to 79 per cent of small ones and 82 per cent of medium-sized ones.

Table A7: Expect to Grow Over The Next Two to Three Years – Trends by Sector					
Base = all SME employers	All	Primary/ Manu	Constructio n	TRAD	Services
December 2010. n=	500	142	71	139	148
	%	%	%	%	%
December 2010	69	63	66	71	72
SBS 2010 (July-September). n=	3817	591	315	1157	1754
	%	%	%	%	%
SBS 2010	74	77	78	69	75
February 2010. n =	501	142	66	148	145
	%	%	%	%	%
February 2010	67	70	56	63	72
December 2009. n =	500	130	69	136	165
	%	%	%	%	%
December 2009	66	74	61	62	67
September 2009. n =	501	132	72	143	154
	%	%	%	%	%
September 2009	63	69	51	62	66
June 2009. n =	500	130	60	148	162
	%	%	%	%	%
June 2009	62	64	58	55	69
April 2009. n =	501	157	62	136	146
	%	%	%	%	%
April 2009	60	63	63	50	67
February 2009. n =	503	111	61	145	186
	%	%	%	%	%
February 2009	65	61	48	62	74
December 2008. n =	500	123	62	137	178
	%	%	%	%	%
December 2008	56	56	44	58	55
ASBS 07/08. n =	7783	1498	742	2989	2554
	%	%	%	%	%
ASBS 07/08	67	70	61	65	70

Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research

Seventy-nine per cent of exporters think they will grow, compared to 66 per cent of non-exporters. The proportion of women-led businesses expecting to grow (54 per cent) is below average.

Eighteen per cent of SME employers have increased their plans for growth in the last six months, whilst 14 per cent have reduced their plans. Despite their above average performance and confidence for employment and turnover growth, it is the construction sector that is significantly more likely than average to say their plans for growth have reduced in the last six months.

Perhaps surprisingly, there is no difference in the proportion saying their growth plans have increased according to the size of the business. However, exporters are more likely to have had increased growth plans (24 per cent) than non-exporters (16 per cent).

Table A8: Changes to Plans for Growing Business in the Last Six Months – By Sector					
Base = All SME Employers	All	Primary/ Manu	Constructi on	TRAD	Services
December 2010	500	142	71	139	148
	%	%	%	%	%
Significantly reduced growth plans	7	8	20	4	6
Slightly reduced growth plans	7	2	8	8	6
Not changed growth plans	68	72	57	72	67
Slightly increased growth plans	12	10	8	11	15
Significantly increased growth plans	6	8	7	4	6
INCREASED	18	18	15	16	20
REDUCED	14	10	28	13	12
December 2008	500	142	71	139	148
	%	%	%	%	%
Significantly reduced growth plans	13	16	20	10	13
Slightly reduced growth plans	14	8	22	18	9
Not changed growth plans	64	63	55	62	69
Slightly increased growth plans	6	8	1	6	8
Significantly increased growth plans	2	3	1	4	1
INCREASED	9	11	2	10	8
REDUCED	27	24	42	28	22
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research					

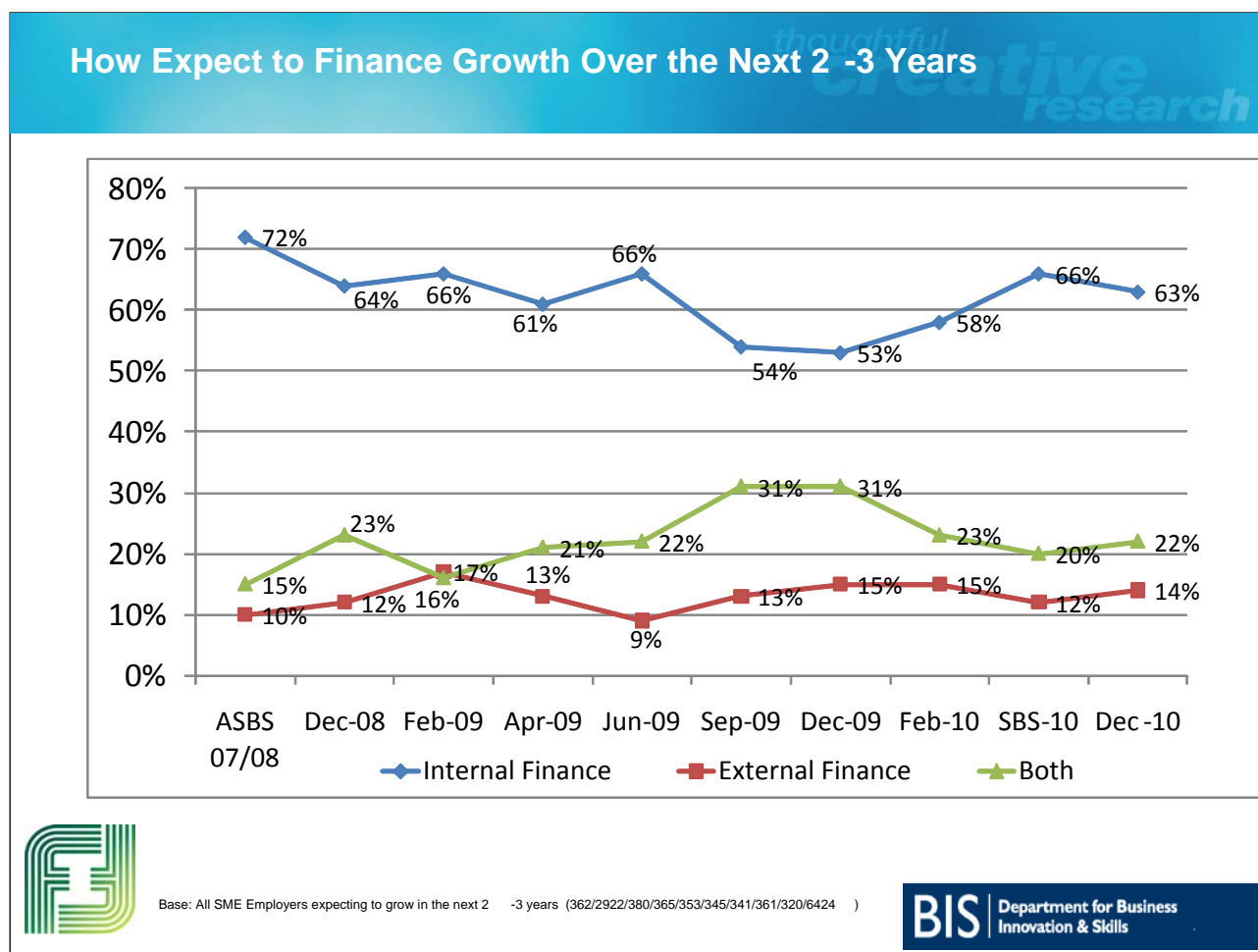
Compared to December 2008, when this question was last asked, all sectors are more likely to say their growth plans have recently increased, and are less likely to say their growth plans have reduced.

Investment and Funding Growth

Of those that expect to grow, fourteen per cent say they will achieve this through external finance only, 63 per cent through internal finance only, and 22 per cent through a combination of both types of finance.

The proportion expecting to grow using any form of external finance (including those who would also have internal finance) has remained steady throughout 2010. It peaked at 47 per cent in December 2009.

Chart A5: How Fund Growth in Next 2-3 Years



By sector, service industries are more likely than average to require any form of external finance (48 per cent), whilst non-exporters expecting to grow are more likely to need this (38 per cent) than exporters (30 per cent).

Women-led businesses expecting to grow are also more likely than average to think they will need external finance (74 per cent).

Of those planning to grow 62 per cent are planning to increase their investment in the next 12 months to achieve this, whilst 36 per cent are not (see Table A9 overleaf). Most likely to do so are those in service industries (69 per cent), and least likely are the TRAD businesses (51 per cent – see table A9 overleaf). There is a strong correlation with the size of the organisation with only 59 per cent of micro businesses with growth ambitions planning to increase investment, compared to 74 per cent of small ones, and 75 per cent of medium-sized ones.

Interestingly, a higher than average proportion of growth-expectant businesses with public sector clients plan to increase investment (77 per cent).

Table A9: Whether Planning to Increase Investment in Next 12 Months to Achieve Growth					
Base = all who plan to grow	All	Primary/ Manu	Construct- ion	TRAD	Services
December 2010. n=	362	102	43	106	111
	%	%	%	%	%
No	36	31	29	47	30
Yes	62	65	65	51	69
- New machinery/equipment	43	51	39	40	44
- Training existing staff	41	47	54	26	49
- Hire new staff	35	35	44	17	45
- Move premises	9	7	17	5	10
February 2010. n=	380	115	42	108	115
	%	%	%	%	%
No	42	42	57	43	37
Yes	55	47	43	54	61
- Training existing staff	36	27	26	35	42
- New machinery/equipment	34	24	15	39	39
- Hire new staff	26	24	24	21	31
- Move premises	12	10	3	16	13
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research					

The most common form of investment is in new machinery and equipment (43 per cent of all SME employers), followed by training existing staff (41 per cent), and hiring new staff (35 per cent). The TRAD sector is significantly less likely than average to engage in staff training or recruitment. The service sector is significantly more likely to engage in marketing or advertising (7 per cent of all service SME employers, compared to two per cent overall).

Compared to February 2010 when this question was last asked, the proportion planning to invest to achieve growth has increased, mainly through more SME employers investing in machinery and equipment, and through more firms wanting to hire more staff.

The poor economic conditions of the past couple of years have resulted in 28 per cent of all SME employers reducing or delaying their investment plans, with only 8 per cent having increased or brought forward investment. The construction sector is the one most likely to have reduced or delayed investment (43 per cent), and the primary/manufacture sector the least likely to have reduced or delayed investment (18 per cent, see Table A10 overleaf).

Compared to December 2008 when the question was last asked, there is a small but significant four percentage point increase in the proportion having increased or brought forward investment.

Table A10: Changes to long Term Investment Plans in the Last Six Months as a Result of Recent Economic Conditions – By Sector

Base = All SME Employers	All	Primary/ Manu	Constructi on	TRAD	Services
December 2010	500	142	71	139	148
	%	%	%	%	%
Significantly reduced or delayed investment plans	14	12	15	13	14
Slightly reduced or delayed investment plans	15	7	28	17	11
Not changed long term investment plans	64	73	47	62	67
Slightly increased or brought forward investment plans	5	7	4	3	8
Significantly increased or brought forward investment plans	3	2	7	5	*
INCREASED OR BROUGHT FORWARD INVESTMENT	8	9	11	7	8
REDUCED OR DELAYED INVESTMENT	28	18	43	31	25
December 2008	500	123	62	137	178
	%	%	%	%	%
Significantly reduced or delayed investment	19	18	26	18	18
Slightly reduced or delayed investment	14	20	26	15	8
Not changed long term investment plans	62	56	43	59	73
Slightly increased or brought forward investment	2	5	2	2	3
Significantly increased or brought forward investment	3	1	2	5	1
INCREASED OR BROUGHT FORWARD INVESTMENT	4	6	4	7	1
REDUCED OR DELAYED INVESTMENT	33	38	52	33	26

Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research.

* = a figure which is more than 0%, but less than 0.5%

Exports

Twenty-six per cent of SME employers export goods or services outside of the UK. This is the highest proportion seen in the Business Barometer series, although there is no significant overall increase on SBS 2010 or the December 2009 Barometer.

Table A12: Whether Currently Exporting Goods or Selling Outside of the UK – Trends by Sector					
Base = all SME employers	All	Primary/ Manu	Constructio n	TRAD	Services
December 2010. n=	500	142	71	139	148
	%	%	%	%	%
December 2010 - Exporting	26	42	20	28	20
SBS 2010 (July-September). n=	3817	591	315	1157	1754
	%	%	%	%	%
SBS 2010 - Exporting	23	36	13	18	24
February 2010. n=	501	142	66	148	145
	%	%	%	%	%
February 2010 - Exporting	22	33	17	21	21
December 2009.n=	500	130	69	136	165
	%	%	%	%	%
December 2009 – Exporting	24	44	6	18	26
September 2009. n=	501	132	72	143	154
	%	%	%	%	%
September 2009 – Exporting	18	41	7	14	18
June 2009. n=	500	130	60	148	162
	%	%	%	%	%
June 2009 – Exporting	20	34	7	14	24
April 2009. n=	501	157	62	136	146
	%	%	%	%	%
April 2009 – Exporting	16	36	7	10	17
February 2009. n=	503	111	61	145	186
	%	%	%	%	%
February 2009 - Exporting	19	37	4	15	21
December 2008. n=	500	123	62	137	178
	%	%	%	%	%
December 2008- Exporting	22	44	10	17	21
ASBS 07/08. n=	7783	1498	742	2989	2554
	%	%	%	%	%
ASBS 07/08- Exporting	24	36	11	21	26

Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research

Primary/manufacturing industries continue to be the most likely to export (42 per cent), with the service sector being the least likely (20 per cent). Compared to December 2009 there are significantly more exporters in the construction and TRAD sectors.

Among exporters, 44 per cent expect exports to increase in the next 12 months, 48 per cent expect exports to stay the same, and seven per cent expect them to decrease. These proportions are broadly in line with those seen in other Barometers.

Of those not currently exporting, seven per cent think they will start to do so in the next 12 months. This is much higher than the figure seen in previous Barometers (one per cent in February 2010, three per cent in December 2009), and the SBS 2010 (four per cent). There was no sector more likely to think it would export for the first time in the next 12 months, but those with only business customers were more likely to think they would (13 per cent) than those with only consumer customers (2 per cent).

Of those exporting or planning to export, 15 per cent say they have had difficulties accessing trade finance products in the last 6 months (17 per cent of those actually exporting, 9 per cent of those planning to).

For those having difficulties accessing these products, this reduced their ability to compete for export contracts in half of the cases. For half of these this cost them up to 10 per cent of their turnover, and more than 10 per cent in the case of 44 per cent.

Sixty-eight per cent of SME employers have funded or arranged any training or development for staff in the last 12 months (including any informal on the job training). This is the highest proportion yet seen in the Barometer series, and a significant increase on SBS 2010 (see Table A13 overleaf).

Training is most likely to have occurred in the service sector (78 per cent) and is least likely to have happened in primary/manufacturing and TRAD (57 per cent).

Compared to December 2009 the incidence of training has increased significantly in the construction and service sectors.

Table A13: Whether Business Has Funded or Arranged any Training and Development for Staff in the Organisation, Including any Informal on the Job Training, in the last 12 months²					
Base = all SME employers	All	Primary/ Manu	Constructio n	TRAD	Services
December 2010. n=	500	142	71	139	148
	%	%	%	%	%
December 2010	68	57	78	57	78
SBS 2010 (July-September). n=	1937	295	161	588	893
	%	%	%	%	%
SBS 2010	61	58	68	49	68
December 2009. n=	500	130	69	136	165
	%	%	%	%	%
December 2009	62	68	39	60	67
April 2009. n=	501	157	62	136	146
	%	%	%	%	%
April 2009	61	56	59	48	73
December 2008. n=	500	123	62	137	178
	%	%	%	%	%
December 2008	60	59	71	51	66
ASBS 07/08. n=	7783	1498	742	2989	2554
	%	%	%	%	%
ASBS 07/08	58	56	66	50	66
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research					

² These questions were not asked in the February, June and September 09 Barometers, or the February 10 Barometer.

Collaboration with Universities or Higher Education Institutions

Thirteen per cent of SME employers collaborate with Universities or Higher Education Institutions to develop commercial opportunities. This is most likely to happen in the service sector (21 per cent) and is least likely to happen in TRAD (five per cent).

Table A14: Whether Collaborate with Universities or Higher Education Institutions to Develop Future Commercial Opportunities					
Base = all SME Employers	All	Primary/ Manu	Constructi on	TRAD	Services
December 2010. n=	500	142	71	139	148
	%	%	%	%	%
No	87	89	90	95	79
Yes	13	11	10	5	21
- Research project collaboration	6	4	3	*	11
- Work experience for students	3	3	2	0	6
- Recruitment	2	1	3	*	3
- Staff training	2	*	3	*	3
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research. * = a figure which is more than 0%, but less than 0.5%					

SME employers were asked what form their collaboration took in an open question, and answers given were coded up. Although collaboration in research projects was the most likely to be mentioned (six per cent of all SME employers, 11 per cent of SME employers in the service sector), this form of collaboration was also interpreted as being work experience at the SME for students (three per cent of all), recruitment from Universities and HE institutions (two per cent) and staff training given by the Universities and HE institutions (two per cent). Lesser mentions were given to sponsorship and awards, which was one of the main forms of collaboration mentioned by those in primary/manufacturing.

Part B: Business Environment

Obstacles to Success

When prompted, 32 per cent of SME employers say that the state of the economy is the *main* obstacle to the success of their business, a similar proportion to that seen in the previous Barometers. Competition, cashflow and obtaining finance are the obstacles next most likely to be mentioned, followed by regulations and taxation.

Table B1: Main Obstacle to the Success of the Business										
	Dec. 2010	SBS 2010	Feb. 2010	Dec. 2009	Sept. 2009	June 2009	April 2009	Feb. 2009	Dec. 2008	ASBS 07/08
Base = all SME employers	n=500	n=3817	n=501	n=500	n=501	n=500	n=501	n=503	n=500	n=7783
	%	%	%	%	%	%	%	%	%	%
The Economy	32	33	39	34	36	32	33	39	41	16
Competition	12	10	9	12	8	12	12	7	7	14
Cashflow	12	11	11	11	6	12	10	12	10	9
Obtaining finance	10	8	9	5	9	8	6	4	6	3
Regulations	8	7	7	8	13	12	8	12	7	12
Taxation, VAT, PAYE, NI, rates	8	8	9	8	9	6	14	7	9	12
Figures in bold are statistically significant changes at the 95% confidence level between SBS 2010 and December 2010										

The economy is most likely to be mentioned by those in service industries (42 per cent), and is less likely to be mentioned by those in primary/manufacturing (23 per cent) or TRAD (26 per cent – see Table B2 overleaf). TRAD businesses are more likely than average to consider competition their main obstacle (16 per cent).

Compared to the SBS 2010 service businesses are more likely to cite the economy as their main barrier to success (up 10 percentage points), whilst primary/manufacturing are less likely to say this (down 10 percentage points). Both primary/manufacturing and TRAD are more likely to say that obtaining finance is their main obstacle (up nine and six percentage points respectively).

Table B2: Main Obstacle to the Success of the Business - Trends By Sector					
Base = all SME employers	All	Primary/ Manu	Constructi on	TRAD	Services
December 2010. n=	500	142	71	139	148
	%	%	%	%	%
The Economy	32	23	28	26	42
Competition	12	13	11	16	8
Cashflow	12	9	14	13	13
Obtaining finance	10	14	5	12	10
Regulations	8	12	8	5	10
Taxation, VAT, PAYE, NI, rates etc.	8	6	8	11	6
SBS 2010 (July-September). n=	3817	591	315	1157	1754
	%	%	%	%	%
The Economy	33	33	39	32	32
Competition	10	7	6	14	8
Cashflow	11	14	15	9	10
Obtaining finance	8	5	7	6	12
Regulations	7	8	6	6	7
Taxation, VAT, PAYE, NI, rates etc.	8	6	12	10	6
December 2009. n=	500	130	69	136	165
	%	%	%	%	%
The Economy	34	35	44	27	36
Competition	12	9	10	16	9
Cashflow	11	7	13	14	9
Obtaining finance	5	7	1	5	5
Regulations	8	15	1	6	10
Taxation, VAT, PAYE, NI, rates etc.	8	6	7	12	5
December 2008. n=	500	123	62	137	178
	%	%	%	%	%
The Economy	41	30	34	50	40
Competition	7	5	8	7	7
Cashflow	10	16	22	8	6
Obtaining finance	6	4	8	5	7
Regulations	7	10	6	3	10
Taxation, VAT, PAYE, NI, rates etc.	9	10	4	10	9

Figures in bold are statistically significant at the 95% confidence level against the total

Cashflow

Forty-eight per cent of SME employers consider cashflow difficulties as an obstacle to their success, with 12 per cent saying this is their main obstacle. These proportions are similar to those seen in recent Barometers.

SME employers fluctuating income whilst outgoings remain steady is the most common cause of cashflow difficulties, mentioned by 83 per cent. This is the highest proportion yet seen in the Barometers mentioning this as a difficulty. High levels of working capital and investment are less likely to be mentioned in the December 2010 Barometer.

Table B3: Causes of Cashflow Difficulties										
	Dec. 2010	SBS 2010	Feb. 2010	Dec. 2009	Sept. 2009	June 2009	April 2009	Feb. 2009	Dec. 2008	ASBS 07/08
Base = All for whom cashflow is an obstacle	n=222	n=1687	n=249	n=219	n = 218	n = 256	n=233	n=269	n=262	n=3403
	%	%	%	%	%	%	%	%	%	%
Income fluctuates while outgoings are steady	83	77	71	75	73	74	80	71	74	71
Late payment from other businesses	65	60	58	69	56	68	64	63	64	56
Late payment from individual customers	62	60	59	63	54	65	62	67	61	56
Tax payment timings	44	42	30	40	51	38	40	32	35	37
Need to offer credit to customers	41	39	38	43	38	49	35	41	30	38
High levels of working capital needed	38	49	34	50	46	43	45	38	39	49
Early payment required by suppliers	33	39	33	33	34	39	34	36	38	38
High levels of investment required by business	24	41	19	36	34	24	24	25	30	39
Outgoings fluctuate but income is steady	22	24	27	20	32	25	26	17	23	26
Difficult to get credit from suppliers	20	26	16	24	23	20	24	19	18	18

Figures in bold are statistically significant changes at the 95% confidence level between SBS 2010 and December 2010

Those in the construction sector with cashflow difficulties are most likely to cite late payment from individuals (92 per cent) and other businesses (83 per cent) as the main causes of cash flow difficulties.

Primary/manufacturing are more likely than average to mention individual customers expecting credit (56 per cent), high levels of working capital required (54 per cent), early payment required by suppliers (57 per cent) and the difficulty/expense of getting credit from suppliers (37 per cent).

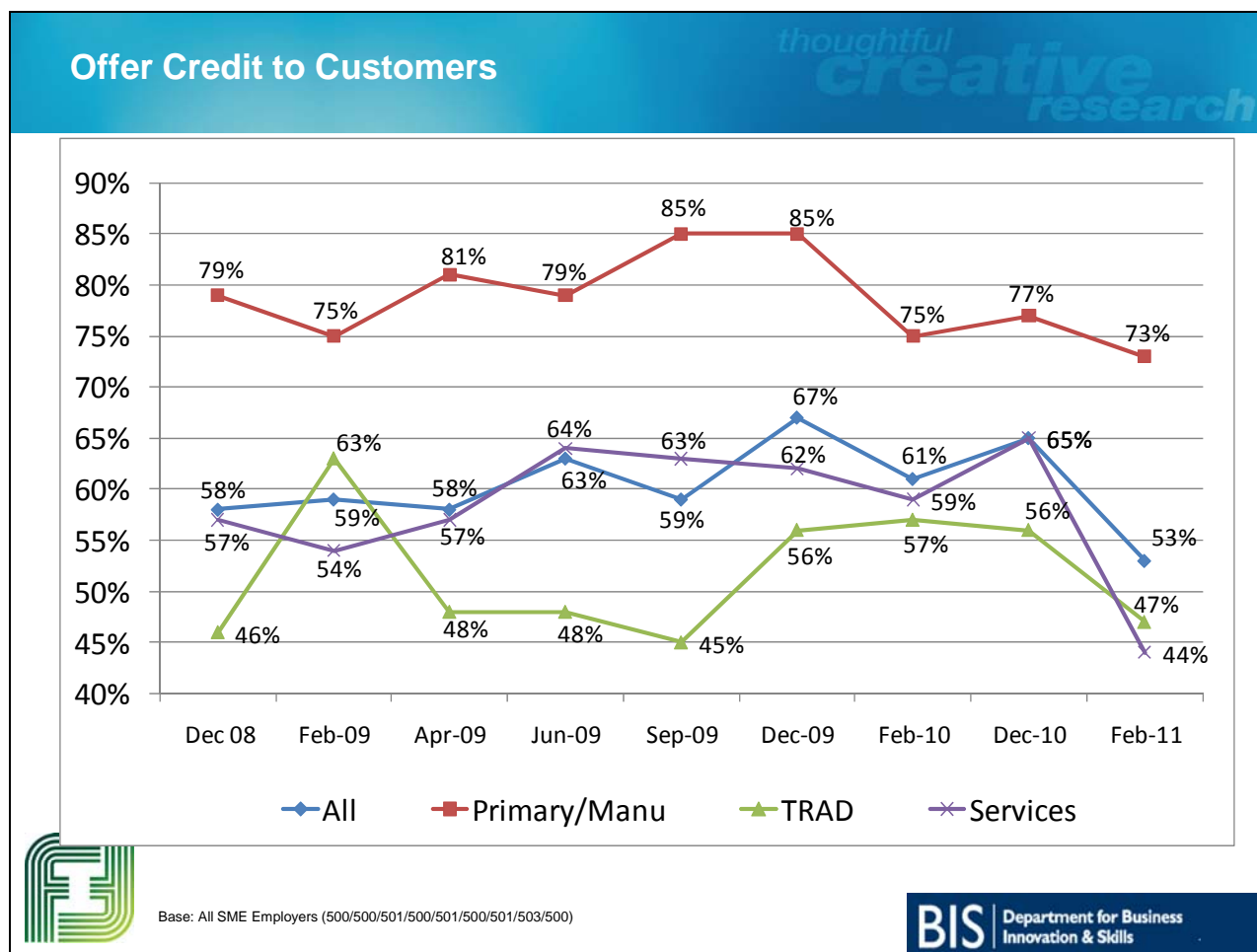
TRAD businesses are more likely than average to name early payment required by suppliers (47 per cent), fluctuating outgoings with steady income (34 per cent) and the difficulty/expense of getting credit from suppliers (31 per cent) as causes of cashflow difficulties.

Exporters are actually less likely to consider cashflow as an obstacle to their business's success than non-exporters (33 per cent compared with 54 per cent). However, those exporters that do have cashflow difficulties tend to give different reasons for the difficulties than non-exporters. Exporters are more likely to suffer from late payment from other businesses (77 per cent of exporters with cashflow difficulties, compared to 62 per cent of non-exporters), individual customers expecting credit (71 per cent compared to 34 per cent of non-exporters), and early payment required by suppliers (49 per cent compared to 29 per cent of non-exporters).

Late Payment

Sixty-five per cent of SME employers offer their customers credit in the form of giving a period of time before payment is due.

Chart B1: Offer Credit to Customers



The overall proportion offering credit is similar to that seen in December 2009 and February 2010. However, there does appear to be an increase in the number of SME employers offering credit over time, with only 58-59 per cent offering credit between December 2008 and April 2009. Traditionally it has been the primary/manufacturing sector that is most likely to offer credit, and the TRAD sector the least likely. More recently the proportion in the TRAD sector offering credit appears to have increased.

Thirty-two per cent of those offering credit have had customers negotiating longer payment terms in the last 6 months. This is most likely to be the case for medium sized businesses (57 per cent) and exporters (52 per cent). The overall figure is very similar to that seen in the February 2010 Barometer.

Fourteen per cent of those offering credit say that late payment is a big problem, with 54 per cent saying it is a small problem, and 33 per cent that it is no problem. The proportion saying it is a big problem is the lowest since the Barometer series began, although the proportion saying it is a small problem is the highest yet seen. Compared to SBS 2010 the shift from late payment being a big to a small problem is significant for the service and primary/manufacturing sectors (see Table B4 overleaf).

Forty-nine per cent of those with late payment problems claim it is only a very small proportion of their customer base that pay late – a similar figure to the February Barometer, although this proportion has been increasing steadily since September 2009 (see Table B5 on the page after next). For 28 per cent of those affected the minority of customers pay late, and for 24 per cent it is half or more.

Of those with late paying customers, the construction sector has the highest proportion (49 per cent with half or more customers paying late), and the service sector the lowest (60 per cent with only a small proportion).

Table B4: Whether Late Payment is Problem – Trends by Sector					
Base = All offering credit	All	Prim/Manu	Constructio n	TRAD	Services
December 2010	n=348	n=118	n=54	n=90	n=86
	%	%	%	%	%
Big problem	14	8	27	18	8
Small problem	54	51	46	50	60
No problem	33	40	27	32	32
SBS 2010 (July-September)	n=1934	n=304	n=160	n=596	n=874
	%	%	%	%	%
Big problem	19	19	34	13	20
Small problem	34	41	44	26	35
No problem	40	38	22	53	36
February 2010	n =346	n=119	n=48	n=91	n=88
	%	%	%	%	%
Big problem	22	29	26	11	26
Small problem	47	44	58	51	41
No problem	30	26	16	38	30
December 2009	n =334	n=111	n=45	n=76	n=102
	%	%	%	%	%
Big problem	23	18	25	30	22
Small problem	49	54	46	30	58
No problem	27	28	28	40	19
September 2009	n =349	n=117	n=53	n=82	n=97
	%	%	%	%	%
Big problem	26	18	16	27	32
Small problem	37	48	50	31	31
No problem	37	32	32	42	37
June 2009	n =345	n=111	n=45	n=85	n=104
	%	%	%	%	%
Big problem	28	27	43	27	23
Small problem	43	46	37	27	54
No problem	26	22	20	46	18
April 2009	n=336	n=133	n=42	n=74	n=87
	%	%	%	%	%
Big problem	31	31	37	13	43
Small problem	36	45	43	37	29
No problem	31	24	14	48	28
February 2009	n=338	n=93	n=35	n=93	n=117
	%	%	%	%	%
Big problem	20	16	29	11	28
Small problem	51	54	48	50	50
No problem	30	30	23	39	22
December 2008	n=312	n=93	n=47	n=70	n=102
	%	%	%	%	%
Big problem	33	26	63	23	32
Small problem	38	34	29	42	41
No problem	29	40	8	35	27
ASBS 07/08	n=7301	n=1472	n=720	n=2732	n=2377
	%	%	%	%	%
Big problem	19	24	32	13	19
Small problem	34	41	35	29	33
No problem	47	36	29	58	41

Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research

Table B5: Proportion of Customer Base where Late Payment is a Problem – Trends by Sector					
Base = all for whom late payment is a problem	All	Primary/Manu	Construct-ion	TRAD	Services
December 2010	n=241	n=74	n=43	n=63	n=61
	%	%	%	%	%
Half or more	23	23	49	16	17
The minority	28	23	24	39	23
A very small proportion/a few of them	49	54	28	45	60
February 2010	n=255	n=90	n=40	n=63	n=62
	%	%	%	%	%
Half or more	24	30	18	16	30
The minority	30	46	31	22	27
A very small proportion/a few of them	46	24	51	63	43
December 2009	n=235	n=74	n=35	n=48	n=78
	%	%	%	%	%
Half or more	32	23	42	26	35
The minority	24	28	4	16	32
A very small proportion/a few of them	44	49	55	58	33
September 2009	n=231	n=80	n=38	n=51	n=78
	%	%	%	%	%
Half or more	30	31	42	25	30
The minority	32	29	15	41	32
A very small proportion/a few of them	37	40	42	34	36
June 2009	n=242	n=81	n=36	n=48	n=77
	%	%	%	%	%
Half or more	23	29	30	18	20
The minority	41	35	20	35	53
A very small proportion/a few of them	36	35	49	46	27
April 2009	n=244	n=99	n=32	n=48	n=65
	%	%	%	%	%
Half or more	32	35	40	8	40
The minority	29	27	25	29	32
A very small proportion/a few of them	37	38	35	62	25
February 2009	n=238	n=66	n=29	n=55	n=88
	%	%	%	%	%
Half or more	22	15	25	16	19
The minority	31	41	32	33	25
A very small proportion/a few of them	47	44	42	51	46
December 2008	n=217	n=62	n=38	n=46	n=71
	%	%	%	%	%
Half or more	36	39	54	7	43
The minority	27	22	31	34	23
A very small proportion/a few of them	37	38	15	59	34

Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research

Nineteen per cent of all SME employers say that in the last 6 months it has taken longer to pay their own bills than it did previously. This is most likely to be the case in the construction sector (30 per cent). The overall figure is significantly lower than the 31 per cent who said this in the February 2010 Barometer.

Payment Times from the Public Sector

Twenty five per cent of SME employers work for public sector clients, a similar proportion to that seen in previous Barometers. Twenty per cent have worked for the public sector in the previous 6 months.

The service sector is the one most likely to have public sector clients (31 per cent) and the TRAD sector the least likely (18 per cent). Compared to the February 2010 Barometer, the proportion of those in primary/manufacturing and construction with public sector clients has decreased significantly.

Table B6: Work for the Public Sector					
Base = all SME employers	All	Primary/ Manu	Construct- ion	TRAD	Services
December 2010. n=	500	142	71	139	148
	%	%	%	%	%
Dec. 2010 – Any Public Sector Clients	25	20	31	18	31
Dec. 2010 – Any Work Last 6 Months	20	17	24	13	25
February 2010. n=	501	142	66	148	145
	%	%	%	%	%
Feb. 2010 – Any Public Sector Clients	30	36	48	17	32
Feb. 2010 – Any Work Last 6 Months	23	29	42	11	25
December 2009. n=	500	130	69	136	165
	%	%	%	%	%
Dec 2009 – Any Public Sector Clients	30	31	53	18	33
Dec 2009 – Any Work Last 6 Months	24	29	47	10	27
September 2009. n=	501	132	72	143	154
	%	%	%	%	%
Sept. 2009 – Any Public Sector Clients	27	37	36	15	30
Sept. 2009 – Any Work Last 6 Months	22	33	32	13	22
April 2009. n=	501	157	62	136	146
	%	%	%	%	%
April 2009 – Any Public Sector Clients	26	22	44	13	32
April 2009 – Any Work Last 6 Months	18	17	42	13	16
February 2009. n=	503	111	61	145	186
	%	%	%	%	%
Feb. 2009 – Any Public Sector Clients	26	25	37	23	26
Feb. 2009 – Any Work Last 6 Months	20	20	27	15	21
December 2008. n=	500	123	62	137	178
	%	%	%	%	%

Dec. 2008 – Any Public Sector Clients	20	19	30	12	23
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research					

Fifty-five per cent of those who have worked for the public sector in the last 6 months have done so as prime contractor, and 45 per cent as part of the supply train. These are similar figures to those in previous Barometers.

Twenty-two per cent of those who have worked for the public sector in the last 6 months say they are now doing more work for them than was the case 12 month previously. This is in fact a significant ten percentage point increase on the figure from the February 2010 Barometer. However, at the same time the proportion doing the same amount of work has decreased from 53 per cent in February to 33 per cent, and the proportion doing less work has increased from 37 per cent to 45 per cent.

Only two per cent of those who have worked for the public sector in the last 6 months have noticed that they are being paid quicker than was the case before, whilst 19 per cent say payment has slowed down. The majority, 68 per cent, claim that the speed of payment has not changed. Forty-four per cent say they are still mainly paid promptly, whilst 24 per cent claim they are still being paid slowly (see Table B7 below).

Table B7: Whether Noticed any Change in the Speed of Payment by Public Sector Bodies in the Last 6m							
Base = All who have dealt with public sector bodies in the last 6 months	Dec 2010	Feb 2010	Dec 2009	Sept 2009	June 2009	April 2009	Feb 2009
	n=128	n=136	n=160	n=141	n=180	n=125	n=127
	%	%	%	%	%	%	%
Payment has speeded up	2	10	11	10	8	15	13
No change – still mainly paid promptly	44	63	50	52	59	43	51
No change – still mainly paid slowly	23	10	21	26	22	6	2
Payment has slowed down	19	13	12	7	7	17	19
It varies/other	6	*	3	*	2	3	2
Don't know/refused	6	2	3	5	2	6	5
TOTAL PROMPT PAID	46	74	62	61	67	58	64
TOTAL SLOW PAID	43	23	33	33	29	23	21

Figures in bold are statistically significant changes at the 95% confidence level between February and December 10.
 * = a figure which is more than 0%, but less than 0.5%

In comparison with previous Barometers there appears to be a big change in payment times from the public sector. Only 46 per cent now claim they are paid promptly, compared to 74 per cent in February 2010. Forty-three per cent claim they are paid slowly, compared to 23 per cent in February 2010.

Sixty one per cent of those who have worked for the public sector in the last 6 months have Local Authorities as their main client, 18 per cent have Government departments, 10 per cent Higher Education Institutions and 10 per cent Health Services. Compared to the February Barometer the proportion dealing with Health Services has declined significantly by nine percentage points.

Table B8: Whether Noticed any Change in the Speed of Payment by Public Sector Bodies in the Last 6 Months, by Main Type of Public Sector Client

Base = All who dealt with public sector bodies in the last 6 months	All	Local Authorities	Other Public Sector
December 2010	n=128	n=72	n=54
	%	%	%
Payment has speeded up	2	3	*
No change – still mainly paid promptly	44	50	35
No change – still mainly paid slowly	24	17	34
Payment has slowed down	19	14	26
Other/Don't know	12	16	5
TOTAL PROMPT PAID	46	53	35
TOTAL SLOW PAID	43	31	60
February 2010	n=136	n=66	n=66
	%	%	%
Payment has speeded up	10	14	7
No change – still mainly paid promptly	63	49	77
No change – still mainly paid slowly	10	14	6
Payment has slowed down	13	17	9
Other/Don't know	4	6	1
TOTAL PROMPT PAID	73	62	84
TOTAL SLOW PAID	23	31	15
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave. * = a figure which is more than 0%, but less than 0.5%			

Although sample sizes are small, it would appear that local authorities are quicker payers than other types of public sector organisations. Thirty-one per cent of those who have local authorities as their main public sector client are slow paid, compared to 60 per cent of those with other types of public sector clients as their main client. Although based on a very small sample size of 12 respondents, eighty-seven per cent of those that deal with Higher Education Institutions say that they are paid slowly – significantly higher than average.

Eight per cent of those who have worked for the public sector in the last 6 months say that they are usually paid within 10 working days of the receipt of the invoice. Five per cent say that they tend to be paid 11 to 15 days later, eight per cent within 16 to 20 days, 31 per cent between 21 and 30 days, and 41 per cent in longer than 30 days.

Table B9: Average Time Taken for Main Public Sector Client to Pay Invoice by Main Type of Public Sector Client			
Base = All who dealt with public sector bodies in the last 6 months	All	Local Authorities	Other Public Sector
December 2010	n=128	n=72	n=54
	%	%	%
10 days or less	8	12	1
11 to 15 days	5	3	7
16 to 20 days	8	4	14
21 to 30 days	31	37	21
Longer than 30 days	41	35	51
Don't know/refused	7	8	5
February 2010	n=136	n=66	n=66
	%	%	%
10 days or less	4	6	3
11 to 15 days	2	3	*
16 to 20 days	9	12	6
21 to 30 days	56	47	63
Longer than 30 days	27	31	25
Don't know/refused	2	1	3
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave. * = a figure which is more than 0%, but less than 0.5%			

Because sample sizes are small the difference in the figures between local authorities and other types of public sector client is not statistically significant. However, compared to February 2010 the increase from 27 to 41 per cent in the proportion usually paid in more than 30 days is statistically significant, as is the increase in this proportion from 25 to 51 per cent among those whose main client is not a local authority.

Business Confidence

Eighty-nine per cent of SME employers are confident that their businesses will still be trading in 12 months time, whilst four per cent are not confident. The increase in the overall percentage agreeing strongly with the statement, and the decrease in the percentage disagreeing, are statistically significant.

Table B10: 'In 12 Months Time I am Confident My Business will still be Trading'								
	Dec 2010	Feb 2010	Dec 2009	Sept 2009	June 2009	April 2009	Feb 2009	Dec 2008
Base = All SME Employers	n=500	n=501	n=500	n=501	n=500	n=501	n=503	n=500
		%	%	%	%	%	%	%
Agree strongly	80	73	79	75	74	70	73	61
Agree slightly	9	12	9	12	11	13	15	16
Neither agree nor disagree	4	6	4	7	6	6	5	9
Disagree slightly	3	4	2	2	3	3	2	3
Disagree strongly	2	3	3	3	3	4	4	9
Don't know	3	2	2	*	2	2	1	2
TOTAL AGREE	89	85	89	87	85	84	88	76
TOTAL DISAGREE	4	7	5	5	6	8	6	12
NET AGREE - DISAGREE	+85	+78	+84	+82	+79	+76	+82	+64
Figures in bold are statistically significant changes at the 95% confidence level between February and December 10								
* = a figure which is more than 0%, but less than 0.5%								

By sector (see Table B11 overleaf) the service industries are the most confident and the TRAD businesses the least. Compared to February 2010 the eleven percentage point increase in the proportion of primary/manufacturing businesses that are confident is significant.

Medium sized businesses are the most confident (96 per cent, compared to 93 per cent of small businesses, and 88 per cent of micro businesses). Exporters are more confident than non-exporters (98 per cent vs. 86 per cent). Those who only have other businesses as customers are more confident than those that only have consumers as customers (97 per cent compared to 81 per cent).

Table B11: 'In 12 Months Time I am Confident My Business will still be Trading' – By Sector					
Base = All SME Employers	All	Primary/ Manu	Constructio n	TRAD	Services
December 2010	500	142	71	139	148
	%	%	%	%	%
Dec. 2010 – Confident	89	93	84	82	95
Dec. 2010 – <u>Not</u> Confident	4	2	4	8	2
February 2010	501	142	66	148	145
	%	%	%	%	%
Feb. 2010 – Confident	85	82	77	83	90
Feb. 2010 – <u>Not</u> Confident	7	8	11	7	6
December 2009	500	130	69	136	165
	%	%	%	%	%
Dec. 2009 – Confident	89	87	84	92	88
Dec. 2009 – <u>Not</u> Confident	5	7	4	4	5
September 2009	501	132	72	143	154
	%	%	%	%	%
Sept. 2009 – Confident	87	87	77	88	90
Sept. 2009 – <u>Not</u> Confident	5	5	10	7	3
June 2009	500	130	60	148	162
	%	%	%	%	%
June 2009 – Confident	85	81	78	84	90
June 2009 – <u>Not</u> Confident	6	12	7	6	5
April 2009	501	157	62	136	146
	%	%	%	%	%
April 2009 – Confident	84	72	69	86	91
April 2009 – <u>Not</u> Confident	8	13	9	10	3
February 2009	503	111	61	145	186
	%	%	%	%	%
Feb. 2009 – Confident	88	84	92	83	91
Feb. 2009 – <u>Not</u> Confident	6	5	4	9	4
December 2008	500	123	62	137	178
	%	%	%	%	%
Dec. 2008 – Confident	76	77	73	72	81
Dec. 2008 – <u>Not</u> Confident	13	13	19	12	11
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research					

Three per cent of SME employers anticipated closure in the next 12 months, whilst a further six per cent anticipated a transfer of ownership. The results are very similar to those seen in previous Barometers.

Table B12: Whether Anticipate Closure or Full Transfer of Ownership in Next 12 Months								
	Dec 2010	Feb 2010	Dec 2009	Sept 2009	June 2009	April 2009	Feb 2009	Dec 2008
Base = All	n=500	n=501	n=500	n=501	n=500	n=501	n=503	n=500
	%	%	%	%	%	%	%	%
Yes- Closure	3	4	5	3	2	6	3	7
Yes – Transfer of Ownership	6	4	5	2	6	6	4	6
Neither	89	86	86	90	89	82	92	83
Don't know/Refused	2	6	5	4	3	5	1	4
ANY CLOSURE/TRANSFER	9	8	9	5	7	12	7	13
Figures in bold are statistically significant changes at the 95% confidence level between February and December 10								

Transport, retail and distribution has been the sector most likely to close or transfer since the Barometer series began. However, the December 2010 shows a particularly high proportion of them – 16 per cent – anticipating closure or transfer in the next 12 months (five per cent closure, 11 per cent transfer). This compares with 10 per cent in February 2010.

Only two per cent of exporters predict closure or transference of ownership, compared to 12 per cent of non-exporters. Only three per cent of those with other businesses as customers anticipate closure or transfer, compared to 14 per cent of those that only deal with end customers (eight per cent closure, six per cent transfer).

Lack of work or sales is the main reason for closure or transfer (44 per cent of those intending to close/transfer), followed by retirement (nine per cent).

Part C: Access to Finance

Access to Finance

Forty-three per cent of SME employers claim that external finance is important to their business (23 per cent very important). These proportions have not changed significantly in any of the Barometers.

Table C1: Importance of External Finance								
	Dec 2010	Feb. 2010	Dec. 2009	Sept. 2009	June 2009	April 2009	Feb. 2009	Dec. 2008
Base = All SME employers	n=500	n=501	n=500	n=501	n=500	n=501	n=503	n=500
	%	%	%	%	%	%	%	%
Very important	23	25	24	27	24	23	29	22
Fairly important	20	24	21	22	22	20	20	26
Not very important	27	22	18	16	20	23	22	19
Not at all important	29	29	36	32	32	30	27	31
Don't know	1	*	1	3	2	3	1	2
TOTAL IMPORTANT	43	49	45	49	47	43	50	48
TOTAL NOT IMPORTANT	56	51	54	48	51	53	49	50

Figures in bold are statistically significant changes at the 95% confidence level between February and December 10

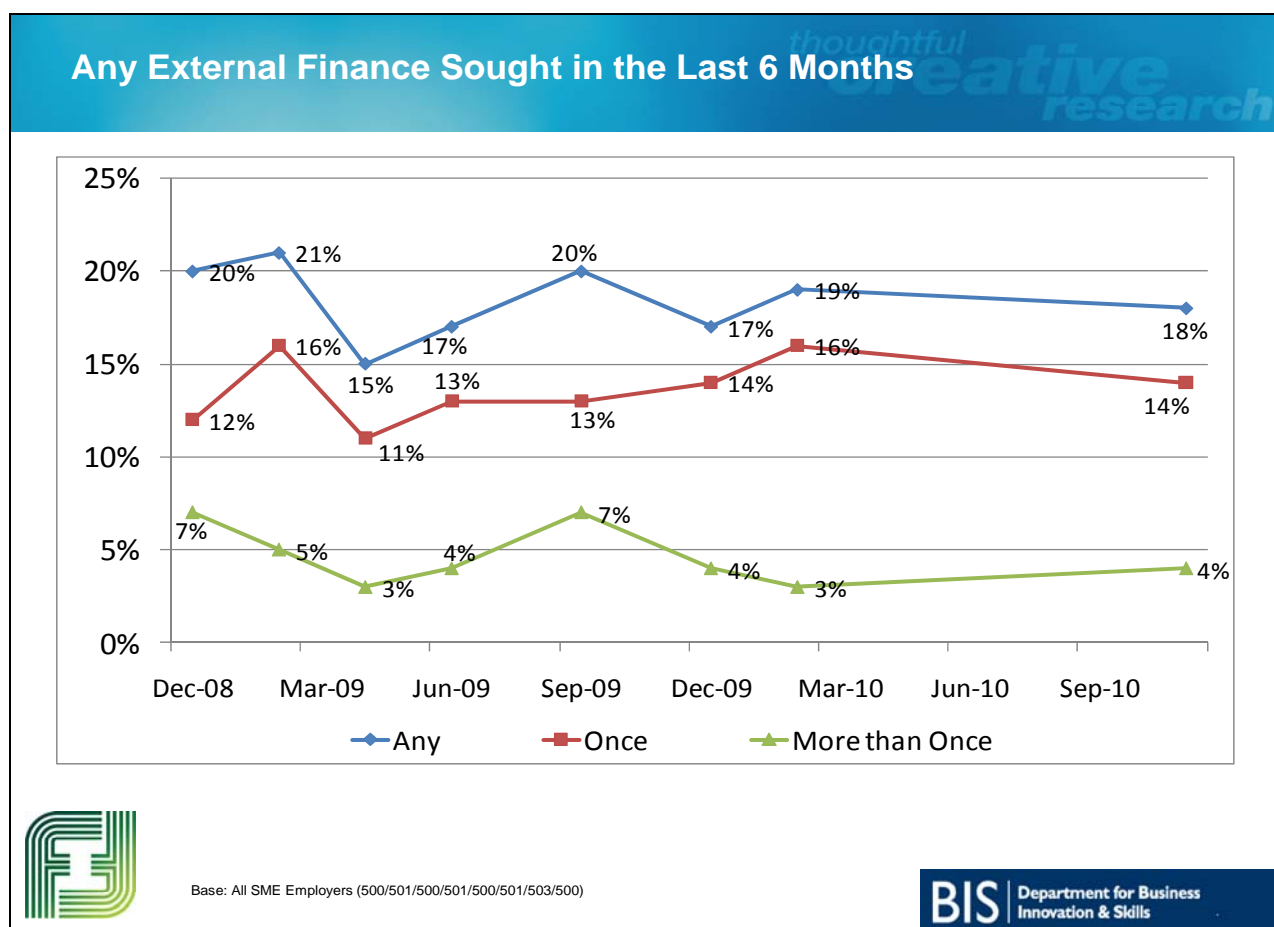
External finance is least important to those in the construction sector (32 per cent important), which was also the case in the February 2010 Barometer.

Eighteen per cent of SME employers have sought external finance in the last 6 months, an insignificant change on the February Barometer. Fourteen per cent sought it once, and four per cent more than once (see Chart C1 overleaf).

There was no one sector more likely to have tried to access finance than any other. Larger SMEs were no more likely to have accessed finance than the micros, although those that had tried to get finance were more likely to have tried more than one (nine per cent of all small and medium sized businesses tried to obtain finance more than once, compared to three per cent of the micros).

Those with public sector clients were more likely to have accessed finance than other types of SMEs (24 per cent).

Chart C1: External Finance Sought in the Last 6 Months



Reasons for Seeking Finance

Finance is most likely sought to gain working capital or to help cashflow (38 per cent). Compared to the February 2010 Barometer there is a significant decrease in the proportion seeking finance for this purpose, but only to the levels seen in December 2009. There have been significant increases in the proportions seeking finance for research & development (10 per cent, up from three in February 2010) and staff training (five per cent, up from zero).

Table C2: Reasons for Seeking Finance

	Dec 2010	Feb 2010	Dec 2009	Sept 2009	June 2009	April 2009	Feb 2009	Dec 2008
Base = All who tried to obtain finance in the last 6 months	n=108	n=121	n=105	n=121	n=109	n=109	n=144	n=98
	%	%	%	%	%	%	%	%
Working capital, cashflow	38	59	36	49	46	52	41	45
Acquiring equipment/vehicles	28	28	31	18	16	25	26	25
Research & development	10	3	4	1	2	1	4	2
Buying land/buildings	9	6	7	7	6	11	9	10
Improving buildings	8	4	13	8	11	4	2	2
Training/staff development	5	0	0	3	0	0	1	3

Figures in bold are statistically significant changes at the 95% confidence level between February and December 10

Those seeking finance in the transport, retail and distribution sector are more likely than average to need it for improving buildings (20 per cent), whilst those in construction are more likely to want to acquire capital equipment or vehicles (65 per cent).

Types of Finance Sought

A bank loan is again the type of finance most likely to be sought (by 39 per cent of those seeking finance), followed by a bank overdraft (18 per cent) and leasing/hire purchase (18 per cent).

Demand for overdrafts has diminished since February 2010, it being at the lowest level in the Barometer series so far.

Demand for grants has increased from two per cent in February 2010, to 12 per cent in December.

Table C3: Types of Finance Sought – Trends								
	Dec. 2010	Feb. 2010	Dec. 2009	Sept. 2009	June 2009	April 2009	Feb. 2009	Dec. 2008
Base = All who tried to obtain finance in the last 6 months	n=108	n=121	n=105	n=121	n=109	n=109	n=144	n=98
	%	%	%	%	%	%	%	%
Bank Loan	39	46	31	43	40	40	38	22
Bank Overdraft	18	33	24	34	27	19	35	32
Leasing or Hire Purchase	18	10	28	14	11	18	16	12
Grant	12	2	2	2	10	1	4	5
Mortgage for Property Purchase or Improvement	8	11	3	3	12	2	7	11
Equity Investment	3	*	1	*	1	8	2	2
Government Guaranteed Loan/VAT Fund	1	*	1	0	3	6	N/A	N/A
Factoring	1	4	*	1	1	4	1	1
Loan from a CDFI	1	0	0	0	0	0	0	1
Loans from Family/Friends etc.	0	6	0	2	2	*	1	6
Credit Card Finance	0	2	0	0	2	*	2	3
Figures in bold are statistically significant changes at the 95% confidence level between February and December 10 * = a figure which is more than 0%, but less than 0.5%								

By sector those in TRAD were more likely than average to seek a bank loan, and less likely than average to seek an overdraft (see Table C4 overleaf). All of those seeking a Government Grant were in the service sector, making this the most sought after type of finance for this sector.

Only two per cent of those that sought bank finance had their bank adviser discuss whether a loan backed by a Government guarantee would be suitable for their business. In the three cases where this happened the Small Firms Loan Guarantee was mentioned twice, and the Enterprise Finance Guarantee once.

Table C4: Types of Finance Sought – By Sector					
Base = all who have tried to obtain finance in the last 6 months	All	Primary/Manu	Constructio n	TRAD	Services
December 2010. n=	108	24	12	37	35
	%	%	%	%	%
Bank Loan	39	48	42	53	24
Bank Overdraft	18	23	28	7	24
Leasing or Hire Purchase	18	11	29	24	11
February 2010. n=	121	33	10	43	35
	%	%	%	%	%
Bank Loan	46	4	87	38	59
Bank Overdraft	33	44	2	36	31
Leasing or Hire Purchase	10	34	10	7	7
December 2009. n=	105	29	14	32	30
	%	%	%	%	%
Bank Loan	31	53	26	28	28
Bank Overdraft	24	4	18	34	22
Leasing or Hire Purchase	28	30	38	20	32
September 2009. n=	121	39	14	36	32
	%	%	%	%	%
Bank Loan	43	37	19	50	44
Bank Overdraft	34	21	27	46	26
Leasing or Hire Purchase	14	31	26	8	10
June 2009. n=	109	34	9	33	33
	%	%	%	%	%
Bank Loan	40	27	64	40	39
Bank Overdraft	27	36	62	30	14
Leasing or Hire Purchase	11	9	2	18	8
April 2009. n=	109	32	11	27	39
	%	%	%	%	%
Bank Loan	40	41	10	58	33
Bank Overdraft	19	26	19	15	19
Leasing or Hire Purchase	18	16	35	27	10
February 2009. n=	144	42	11	38	53
	%	%	%	%	%
Bank Loan	38	39	38	38	36
Bank Overdraft	35	56	26	43	22
Leasing or Hire Purchase	16	6	17	9	25
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research					

Confidence in Seeking Finance

Thirty-seven per cent of SME employers seeking finance were confident of success before they applied, 28 per cent were fairly confident, 22 per cent not very confident and 13 per cent not at all confident. Those in the TRAD sector were more likely than average to be not at all confident. Medium-sized businesses were the most likely to be very confident (70 per cent).

Base = all who have tried to obtain finance in the last 6 months	All	Primary/Manu	Construction	TRAD	Services
December 2010. n=	108	24	12	37	35
	%	%	%	%	%
Very confident	37	26	42	40	35
Fairly confident	28	36	57	12	32
Not very confident	22	12	2	20	31
Not at all confident	13	27	0	28	1

Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research

All of those who were not at all confident they would obtain finance ended up not getting any. However, this was also the case for 43 per cent of those who were very confident.

Two thirds of all those that applied for finance made sure they had an up to date business plan. Fifty-one per cent received advice from their bank, 38 per cent read business websites, 37 per cent had their business plan looked over by a professional adviser, and 36 per cent spoke to other businesses to get their advice. Ten per cent did none of these things.

Base = all who have tried to obtain finance in the last 6 months	All	Primary/Manu	Construction	TRAD	Services
December 2010. n=	108	24	12	37	35
	%	%	%	%	%
Up to date business plan	66	57	30	57	84
Received advice from bank	51	53	32	43	62
Read business websites	38	11	52	40	39
Business plan looked over by a professional adviser	37	39	3	23	56
Spoke to other businesses to get their advice	36	9	27	21	57
Took a course in business finance	4	0	0	5	5
None of these	10	22	39	11	*

Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research
* = a figure which is more than 0%, but less than 0.5%

Those in the service sectors were the most likely to have undertaken any of these measures, whilst those in the construction sector were the least likely. Medium sized businesses were the most likely to have done none of these (22 per cent).

There is no direct evidence that preparing to apply for finance helps to obtain it. Of those that undertook none of the measures 12 per cent were denied finance, compared to 57 per cent of those who undertook any of the measures. However, this is likely to be because those that did not take any of the steps have no problem gaining finance anyway.

Difficulties in Obtaining Finance

Fifty-two per cent of those who sought finance were unable to get any at all from the first source they approached. A further five per cent obtained some, but not all, of the finance they required, and two per cent only obtained finance with some problems. Sixty per cent reported having any difficulties at all. This, and the figure for total rejection, are the highest seen in the Barometer series so far, and significant increases on the February 2010 Barometer figures.

	Dec 2010	Feb. 2010	Dec. 2009	Sept. 2009	June 2009	April 2009	Feb. 2009	Dec. 2008
Base = All who tried to obtain finance in the last 6 months	n=108	n=121	n=105	n=121	n=109	n=109	n=144	n=98
	%	%	%	%	%	%	%	%
Yes – unable to obtain any finance	52	30	20	42	33	41	35	33
Yes – obtained some, but not all of the finance	5	6	4	2	5	2	5	7
Yes – obtained all of the finance required but with some problem	2	2	12	13	5	8	4	11
No – had no difficulty obtaining finance	37	53	52	40	51	42	51	46
Don't know	5	8	12	3	5	8	5	2
ANY DIFFICULTIES	60	38	35	57	44	50	44	52
Figures in bold are statistically significant changes at the 95% confidence level between February and December 10								

Most likely to have encountered difficulties were those in the service sector (71 per cent encountered difficulties, 62 per cent were unable to obtain any finance). Micro businesses had more problems than larger SME employers (65 per cent any difficulty, 60 per cent unable to obtain any finance). Those with public sector clients had more difficulties than other types of business (78 per cent any difficulty, 75 per cent unable to obtain any finance).

Sixty-eight per cent of those who applied for a grant obtained no money. Only four per cent had no difficulty getting this grant. This compares with 41 per cent of those applying for leasing/HP being unable to get any finance, 52 per cent of those applying for bank loans, and 57 per cent of those applying for overdrafts.

Forty-five per cent of those who had difficulties obtaining finance said that no reason was given for the rejection. This was most likely to happen to people rejected for bank loans. Given reasons were that there was insufficient security (10 per cent), the business sector was considered to be too risky (eight per cent – all in primary/manufacturing and services), no credit history (six per cent) and a poor personal credit history (five per cent).

Of those rejected for finance from the first source, half managed to obtain the finance they needed, mainly from another external finance provider.

Reasons for Not Applying for Finance

Eighty-eight per cent of those that did not apply for finance claim they didn't need it. Five per cent thought it would be too expensive, four per cent did not want to take on the additional risk and three per cent thought they would be rejected. Those in the service sector were more likely to think it would be too expensive.

Table C8: Reasons For Not Having Applied for Finance in the Last 6 Months					
Base = all who have not applied for finance in the last 6 months	All	Primary/Manu	Construct-ion	TRAD	Services
December 2010	392	118	59	102	113
	%	%	%	%	%
Did not need it	88	89	91	88	87
Thought it would be too expensive	5	2	2	3	9
Didn't want to take on additional risk	4	7	0	5	2
Thought they would be rejected	3	2	7	4	2
February 2010	380	109	56	105	110
	%	%	%	%	%
Did not need it	82	82	88	82	80
Thought it would be too expensive	2	2	1	1	4
Didn't want to take on additional risk	8	8	5	10	8
Thought they would be rejected	4	4	2	3	4
December 2009	395	101	55	104	135
	%	%	%	%	%
Did not need it	83	88	75	83	85
Thought it would be too expensive	4	*	6	6	6
Didn't want to take on additional risk	3	3	3	2	3
Thought they would be rejected	6	4	5	11	4
September 2009	380	93	58	107	122
	%	%	%	%	%
Did not need it	86	92	87	79	89
Didn't want to take on additional risk	3	4	3	7	1
Thought it would be too expensive	3	4	7	2	2
Thought they would be rejected	5	*	4	12	3
December 2008	365	90	43	102	130
	%	%	%	%	%
Did not need it	81	88	92	69	86
Thought it would be too expensive	4	5	1	4	4
Thought they would be rejected	2	3	0	3	2
Didn't want to take on additional risk	8	6	7	14	4

Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research.

* = a figure larger than zero but less than 0.5%

Existing Bank Lending - Overdrafts

Forty five per cent of SME employers have had an overdraft facility at some point in the last 6 months. This is significantly fewer than the 52 per cent that had an overdraft facility in the February 2010 Barometer.

Overdraft facilities are most common in primary/manufacturing (56 per cent), and least common in the service sector (35 per cent). Micro businesses are less likely than average to have overdraft facilities (43 per cent compared to 57 per cent of small, and 49 per cent of medium).

Changes to the terms and conditions on their overdrafts in the last 6 months were as follows:

Table C9: Changes to Terms and Conditions on Overdrafts in the Last 6 Months								
	Dec. 2010	Feb. 2010	Dec. 2009	Sept. 2009	June 2009	April 2009	Feb. 2009	Dec. 2008
Base = All who have had an overdraft facility in the last 6 months	n=269	n=271	n=298	n=282	n=300	n=300	n=326	n=310
	%	%	%	%	%	%	%	%
Bank put up overdraft fees or interest rates	22	28	23	36	27	30	23	30
Bank required more security	11	8	13	19	N/A	N/A	N/A	N/A
Bank reduced overdraft limit	8	8	13	10	9	10	10	8
Bank cancelled existing overdraft facility	4	2	3	3	4	4	5	1
Bank extended overdraft limit	17	15	15	18	14	21	17	20
Bank reduced overdraft fees or interest rates	4	3	7	10	12	12	14	9
Bank relaxed security requirements	5	2	*	3	N/A	N/A	N/A	N/A
No change	60	47	48	37	46	44	47	52
Don't know	1	5	3	5	5	4	6	2
Figures in bold are statistically significant changes at the 95% confidence level between February and December 10								

Twenty-two per cent of those with overdrafts claim the bank had put up their overdraft fees or interest rates in the previous six months – a similar proportion to previous Barometers. Four per cent reported that their bank reduced overdraft fees or interest rates – again a similar proportion to previous Barometers.

The only significant overall trend in December 2010 was the increase in the proportion claiming there had been no changes to their overdraft terms and conditions in the last 6 months.

Eighteen per cent of those with overdraft facilities managed to exceed their limit on at least one occasion. This finding is consistent with that seen in previous Barometers.

Existing Bank Lending - Loans

Nineteen per cent of SME employers have had a bank loan in the last 6 months (with the loan outstanding). This is the same result as in the February 2010 Barometer.

Loans are most likely to be held in the TRAD sector (28 per cent). Whereas only four per cent in the construction sector had a loan in February 2010, this figure has now risen to 12 per cent. A quarter of those with public sector clients have a loan, a higher proportion than for other SME employers.

Table C10: Changes to Terms and Conditions on Bank Loans in the Last 6 Months								
	Dec. 2010	Feb. 2010	Dec. 2009	Sept. 2009	June 2009	April 2009	Feb. 2009	Dec. 2008
Base = All who have had bank loans in the last 6 months	n=116	n=118	n=110	n=109	n=114	n=121	n=129	n=129
	%	%	%	%	%	%	%	%
Interest rates increased on variable loan	4	13	4	3	17	10	12	12
Bank asked for more security	1	6	16	8	4	12	7	7
Bank renegotiated terms of existing loan less favourably for borrower	2	4	14	7	11	11	4	4
Bank cancelled existing loan	0	*	2	1	0	*	*	*
Interest rates decreased on variable loan	3	15	15	38	39	38	20	20
Bank renegotiated terms of existing loan more favourably for borrower	2	2	5	9	1	8	5	5
Any other changes	0	2	3	2	4	4	6	6
No changes	90	65	54	49	42	41	53	53
Don't know	1	6	9	2	7	4	4	4
* = a figure larger than zero but less than 0.5%								
Figures in bold are statistically significant changes at the 95% confidence level between February and December 10								

There have been very few changes to the terms and conditions on loans in the past six months. Ninety per cent of those with outstanding loans reported no changes at all. Compared to the February 2010 Barometer there were significant decreases in the proportions reporting interest rate increases or decreases and banks asking for more security.

Relationship with Bank

Most SME employers continue to report that they have a good relationship with their bank. Thirty-two per cent report that the relationship is very good, with a further 31 per cent saying it is fairly good – similar figures to those seen in previous Barometers.

Table C11: Relationship with Bank									
	Dec. 2010	SBS 2010	Feb. 2010	Dec. 2009	Sept. 2009	June 2009	April 2009	Feb. 2009	Dec. 2008
Base = All SME employees	n=500	n=3817	n=501	n=500	n=501	n=500	n=501	n=503	n=500
	%	%	%	%	%	%	%	%	%
Very good	32	36	29	30	31	30	33	37	37
Fairly good	31	28	35	31	31	32	38	30	34
Neither good nor poor	23	21	23	21	19	19	17	17	19
Fairly poor	8	9	9	9	11	10	5	10	5
Very poor	6	5	4	7	7	6	6	5	4
TOTAL GOOD	63	64	64	61	61	62	71	67	70
TOTAL POOR	14	14	13	16	18	17	12	15	9
Figures in bold are statistically significant changes at the 95% confidence level between SBS and December 10									

As has been the case in previous Barometers micro businesses are less likely than average to report a good relationship with their bank (61 per cent), than small (70 per cent good) or medium-sized (77 per cent good) businesses. The primary/manufacturing sector is most likely to report a good relationship (66 per cent).

Factoring

Seven per cent of those businesses that offer credit to their customers factor their invoices – a similar figure to that seen in previous Barometers. Factoring is most likely to occur among medium sized businesses (13 per cent of those offering credit), and in the TRAD sector (12 per cent). It is least likely to occur in the service sector (one per cent).

Three per cent of those factoring think it is easier to obtain factor finance than it was 6 months ago, with 33 per cent thinking it is harder. Forty per cent say the cost of factoring has increased in the last six months. Compared to the February 2010 Barometer the proportions saying factor finance is harder to get and more expensive have increased, but only to the levels seen in the December 2009 Barometer.

Trade Credit Insurance

Ten per cent of SME employers that offer credit to customers have trade credit insurance, with a further one per cent having had it the last year. This is a significant increase on the four per cent with trade credit insurance in the February 2010 Barometer.

Twenty-one per cent of medium-sized businesses have had trade credit insurance in the last year, 14 per cent of small businesses and 10 per cent of micro businesses. The increase in the overall penetration of TCI has come about from the small and micro businesses, with only three per cent of micros and 6 per cent of small businesses having it in February 2010.

Only eight per cent of those who had credit insurance in the last year had a problem with it. This compares with 51 per cent in February 2010 and 23 per cent in December 2009. The main problem concerned reduced limits for clients.

Credit Cards

Fifty two per cent of SME employers have used credit cards for business purposes in the last 6 months. This is a similar proportion to the 46 per cent seen in April 2009, the last time the question was asked.

Forty-eight per cent of micros use business credit cards, compared to 65 per cent of small businesses and 69 per cent of medium-sized ones.

Base = all SME employers in England	All	Primary/ Manu	Construct- ion	TRAD	Services
December 2010	500	142	71	139	148
	%	%	%	%	%
Have a business credit card, have carried over balance	4	6	1	2	6
Have a business credit card, have NOT carried over business	48	49	50	43	50
Do not have business credit card	47	44	46	53	43
April 2009	503	111	61	145	186
	%	%	%	%	%
Have a business credit card, have carried over balance	8	8	9	6	9
Have a business credit card, have NOT carried over business	48	45	60	32	58
Do not have business credit card	43	47	31	59	31
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research					

The majority of those using business credit cards do not carry over balances. Only four per cent of all SME employers do this, down significantly from the eight per cent seen in April 2009. Of those that do, 45 per cent said that the amount they tend to carry over has increased in the last 6 months.

Part D: Business Support

Seeking Advice and Information

Thirty-two per cent of SME employers have sought general advice and information for running their businesses in the last 12 months. This is a similar proportion to that seen in February 2009 the last time the question was asked, but lower than the 37 per cent seen in December 2008.

Table D1: Whether Sought General Advice or Information for Running a Business in the Last 12 Months – Trends By Sector					
Base = all SME employers	All	Primary/ Manu	Construct- ion	TRAD	Services
December 2010	500	142	71	139	148
	%	%	%	%	%
Yes - any	32	24	18	34	38
- Mainly from public sector	7	3	6	7	9
- Mainly from private sector	25	22	11	27	28
February 2009	503	111	61	145	186
	%	%	%	%	%
Yes - any	30	35	24	31	28
December 2008	500	123	62	137	178
	%	%	%	%	%
Yes - any	37	40	38	36	36
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research					

Advice was most likely to be sought by those in the service sector, and least likely to be sought by those in the construction sector. The majority of advice sought is mainly given by the private sector.

Forty-one per cent of those with public sector clients sought advice in the last year, with 40 per cent of this being advice mainly from the public sector. These proportions are much higher than average.

Advice was mainly delivered face-to-face for 65 per cent of those SME employers that sought advice. Nineteen per cent mainly received it by phone, 15 per cent by email and just one per cent mainly through a website. Private sector advice was more likely to be delivered face-to-face (69 per cent compared to 51 per cent for public sector advice).

Thirty-six per cent of those receiving advice were very satisfied with it 49 per cent fairly satisfied, 10 per cent neither satisfied nor dissatisfied, four per cent fairly dissatisfied and 1 per cent very dissatisfied. Ninety-two per cent of those who received advice mainly from the private sector were satisfied, and less than nought point five per cent were dissatisfied. This compares with 63 per cent of those who mainly got advice from the public sector being satisfied, and 21 per cent being dissatisfied.

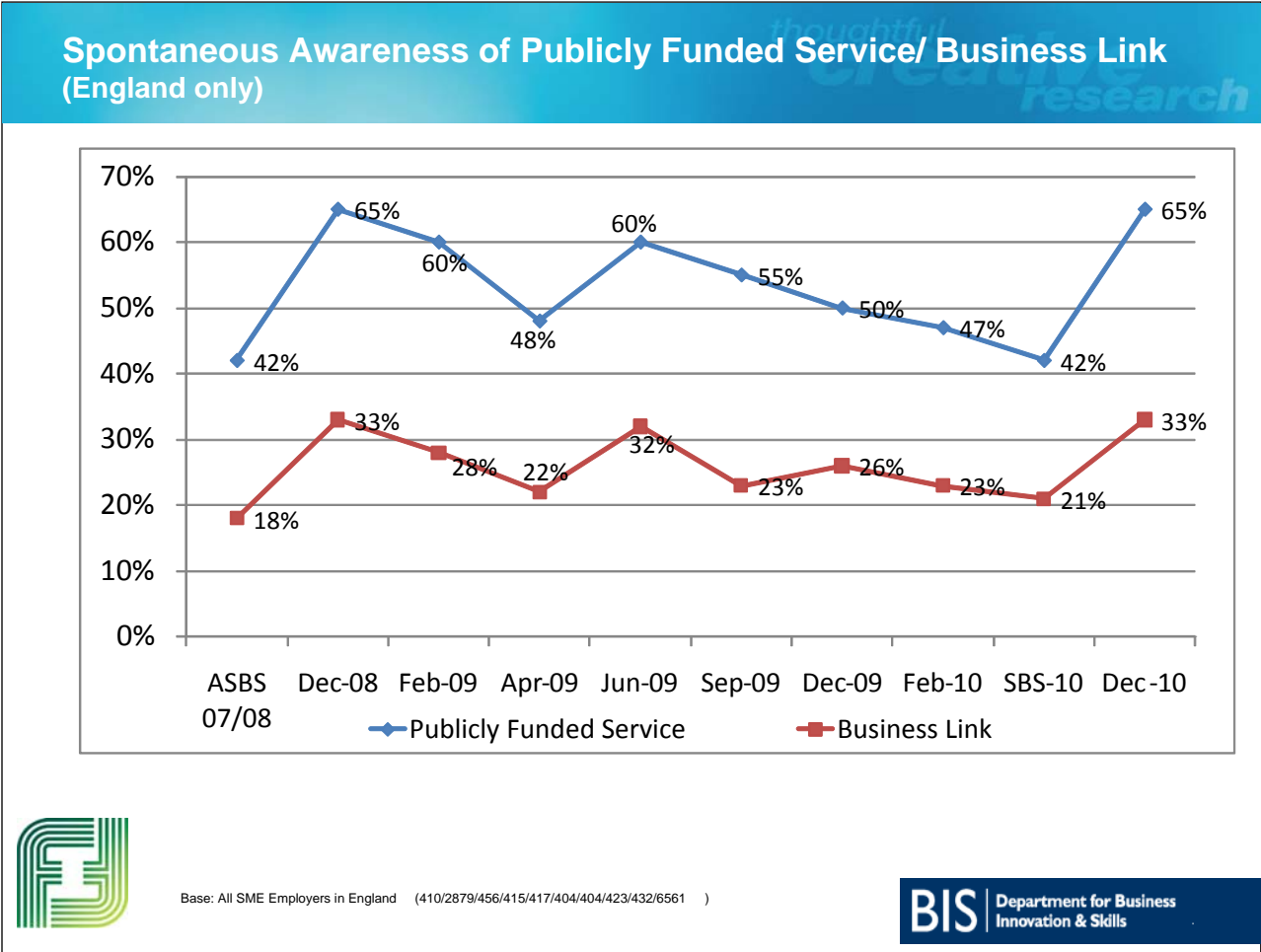
Forty-five per cent of SME employers make time to meet with other businesses and entrepreneurs to get help and advice on running their business. This is most likely to occur for the service sector (58 per cent), and is least likely in the construction sector (24 per cent). Sixty-one per cent of those with public sector clients do this, a considerably higher proportion than for other types of SMEs.

Awareness of Business Link

Sixty-five per cent of SME employers in England are aware of ‘a publicly funded service providing access to information and advice for businesses, including a national network of local operators’. Awareness of this was highest for the TRAD sector (73 per cent) and lowest in the service sector (59 per cent).

Awareness of the service has increased by 23 percentage points on SBS 2010. This has largely come about as micro businesses are now more likely to be aware. Compared to February 2010, awareness of the publicly funded service among micros has increased significantly by 20 percentage points.

Chart D1: Spontaneous Awareness of Publicly Funded Service/Business Link



Thirty-three per cent can name this organisation spontaneously as Business Link, up 12 percentage points on SBS 10, and the joint highest awareness level for Business Link since the Barometers began.

Spontaneous awareness of Business Link is highest in the TRAD sector (44 per cent – see Table D2 overleaf).

Table D2: Spontaneous Awareness of Business Link – Trends by Sector					
Base = all SME employers in England	All	Primary / Manu	Construc-tion	TRAD	Service s
December 2010.	410	117	58	115	120
	%	%	%	%	%
Dec. 2010 – Aware of Publicly Funded Service	65	59	70	73	59
December 2010 – Aware of BL	33	26	25	44	29
SBS 2010 (July-September).	2879	454	229	872	1324
	%	%	%	%	%
SBS 2010 – Aware of Publicly Funded Service	42	45	37	40	45
SBS 2010 – Aware of BL	21	22	15	17	27
February 2010.	456	131	59	129	137
	%	%	%	%	%
Feb. 2010 – Aware of Publicly Funded Service	47	47	54	43	48
February 2010 – Aware of BL	23	24	19	16	30
December 2009.	415	110	55	110	140
	%	%	%	%	%
Dec. 2009 –Aware of Publicly Funded Service	50	58	34	48	54
Dec. 2009 – Aware of BL	26	36	9	18	33
September 2009.	417	117	52	111	137
	%	%	%	%	%
Sept. 2009 – Aware of Publicly Funded Service	55	61	47	44	63
September 2009 – Aware of BL	23	22	18	20	28
June 2009.	404	108	47	111	138
	%	%	%	%	%
June 2009 – Aware of Publicly Funded Service	60	66	57	47	68
June 2009 – Aware of BL	32	40	20	20	42
April 2009.	404	133	51	99	121
	%	%	%	%	%
April 2009 – Aware of Publicly Funded Service	48	61	48	44	47
April 2009 – Aware of BL	22	29	13	21	24
February 2009.	423	97	52	123	151
	%	%	%	%	%
Feb. 2009 – Aware of Publicly Funded Service	60	60	58	51	68
February 2009 – Aware of BL	28	29	20	24	33
December 2008.	432	111	53	109	159
	%	%	%	%	%
Dec. 2008 – Aware of Publicly Funded Service	65	57	48	68	71
Dec. 2008 – Aware of BL	33	29	10	41	36
ASBS 07/08.	6561	1278	633	2467	2183

	%	%	%	%	%
ASBS 07/08 – Aware of Publicly Funded Service	42	44	34	40	46
ASBS 07/08 – Aware of BL	18	18	11	15	23
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research					

Business Link 'Health Checks'

Sixty-eight per cent of all SME employers in England are aware that Business Link provides free business health checks³, a similar proportion as that seen in previous Barometers. Awareness levels in the construction sector have decreased since February 2010.

Table D3: Awareness and Usage of Business Link Health Checks – Trends By Sector					
Base = all SME employers in England	All	Primary/ Manu	Construct- ion	TRAD	Services
December 2010	410	117	58	115	120
	%	%	%	%	%
December 2010 – Aware	68	71	59	69	68
December 2010 – Used	19	19	29	21	17
February 2010.	456	131	59	129	137
	%	%	%	%	%
Feb. 2010 – Aware	70	77	80	63	71
Feb. 2010 – Used	13	23	19	10	10
December 2009.	415	110	55	110	140
	%	%	%	%	%
December 2009 – Aware	64	83	64	62	58
December 2009 – Used	15	29	19	15	7
September 2009.	417	117	52	111	137
	%	%	%	%	%
September 2009 – Aware	65	70	63	54	71
September 2009 – Used	19	21	15	14	22
June 2009.	404	108	47	111	138
	%	%	%	%	%
June 2009 – Aware	61	63	72	50	65
June 2009 – Used	15	20	14	16	13
April 2009.	404	133	51	99	121
	%	%	%	%	%
April 2009 – Aware	60	80	52	54	60
April 2009 – Used	10	23	8	5	9
February 2009.	423	97	52	123	151
	%	%	%	%	%
Feb. 2009 – Aware	66	59	88	56	71
Feb. 2009 – Used	13	15	12	11	14
December 2008.	432	111	53	109	159
	%	%	%	%	%
Dec. 2008 – Aware	61	63	54	60	63

Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research

³ This question was asked after prompting the name 'Business Link', hence the figure is higher than for spontaneous awareness of Business Link.

Nineteen per cent of SME employers in England claim they have had a Business Link Health Check. This is a significantly higher proportion than that seen in the February 2010 Barometer, largely caused by the significant increase in usage from the TRAD sector, up from 10 to 21 per cent.

Of those that had a Health Check, 71 per cent were satisfied (23 per cent very satisfied), and 12 per cent were dissatisfied. Satisfaction levels have improved on the February 10 survey, back to similar levels seen in December 09. Dissatisfaction is most likely to occur in the primary/manufacturing sector (37 per cent).

Table D4: Satisfaction with Information Received as a Result of the Health Check

	Dec. 2010	Feb. 2010	Dec. 2009	Sept. 2009	June 2009	April 2009	February 2009
Base = All in England who had a free Health Check	n=78	n=84	n=65	n=80	n=62	n=71	n=64
	%	%	%	%	%	%	%
Very satisfied	23	14	32	29	33	31	28
Fairly satisfied	48	42	48	25	41	17	33
Neither satisfied nor dissatisfied	17	9	7	22	7	19	22
Fairly dissatisfied	2	6	9	7	11	12	9
Very dissatisfied	10	23	4	12	*	8	8
Don't know	0	6	*	5	7	13	0
TOTAL SATISFIED	71	56	80	54	74	48	61
TOTAL DISSATISFIED	12	29	13	19	12	20	17
Figures in bold are statistically significant changes at the 95% confidence level between February and December 10. * = a figure which is more than 0%, but less than 0.5%							

HMRC

Fifteen per cent of SME employers in the UK have made use of HMRC's Business Payment Support Service – a similar proportion as seen in previous Barometers. Medium-sized businesses were the least likely to make use of this service (six per cent).

Of those who had contacted the tax office, 73 per cent found HMRC's response helpful, 62 per cent considered it reasonable and 33 per cent sensitive. The proportion finding it helpful has decreased on the February 2010 and December 2009 figures.

Table D5: View of HMRC's Service								
	Dec. 2010	Feb. 2010	Dec. 2009	Sept. 2009	June 2009	April 2009	Feb. 2009	Dec. 2008
Base = All who contacted the tax office during the last 12 months to discuss a payment plan for outstanding tax	n=74	n=90	n=98	n=77	n=81	n=71	n=98	n=66
	%	%	%	%	%	%	%	%
Helpful	73	86	80	65	84	41	55	37
Reasonable	62	61	49	47	55	62	44	27
Sensitive	33	41	34	26	50	19	18	6
None of these	15	2	5	7	3	10	15	34
Don't know	1	4	*	*	4	2	9	6
Figures in bold are statistically significant changes at the 95% confidence level between February and December 10								

Technical Appendix

A sample of SME employers was drawn from those who had taken part in the 2010 SBS survey and who were willing to be recontacted:

- Those that had been interviewed in the SBS women-led and MEG-led boost recalls were excluded
- Only those with employees were sampled
- Those who had applied for finance in the 12 months preceding the 2010 SBS interview were oversampled so that they represented 40 per cent of the sample
- The sample was drawn in the correct regional proportion (the SBS contained a boost in Wales)
- Larger SMEs were oversampled (10-49 employees, 50-249 employees)

Quotas were imposed on size of business (according to number of employees), broad sector (primary/manufacturing; construction; transport, retail and distribution; services), and whether finance had been sought in the SBS. The data were weighted at the analysis stage to correct this sampling bias and make the survey representative of all SME employers (based on 2009 SME statistics, published by the Enterprise Directorate).

	Unweighted		Weighted	
	n=	%	n=	%
1-9 employees	194	39	420	84
10-49 employees	169	34	69	14
50-249 employees	137	27	11	2
Primary/manufacturing	142	28	69	14
Construction	71	14	62	12
Transport, retail and distribution	139	28	166	33
Services	148	30	204	41
Sought finance in the previous 12 months (in SBS 2010)	199	40	131	26
Did not	301	60	369	74
Total	500	100	500	100

501 interviews were conducted between the 17th November and 3rd December 2009 using Computer Assisted Telephone Interviewing (CATI).

Figures reported on in this report are statistically significant at the 95 per cent confidence limit, unless stated otherwise. No design factor has been applied to the calculations. Where a change occurs for figures based on sample sizes of less than 10 respondents, this is not reported as significant.

ⁱ This depends on the percentage where the finding is at. A change of 3.7 per cent is required for findings around 10 or 90 per cent; a change of 5.7 per cent for findings around 30 or 70 per cent; and a change of 6.2 per cent for findings around 50 per cent. Throughout the report, changes are described as statistically significant or not. Significance testing has been done at the 95% confidence level.

Where a change occurs for figures based on sample sizes of less than 10 respondents, this is not reported as significant.

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