

SME Business Barometer

December 2009

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By IFF Research Ltd.



SME Business Barometer December 2009

A Snapshot of Small Business Employers in the UK

Introduction

Between October 2007 and March 2008 IFF Research undertook the 2007/08 Annual Small Business Survey (ASBS) on behalf of the Department for Business, Enterprise and Regulatory Reform (BERR) – now the Department for Business, Innovation and Skills (BIS). A representative sample of 9362 small businesses across the UK were interviewed (7783 of which employed at least one other member of staff). IFF also undertook the 2006/07 ASBS the previous year with a similar sample size¹.

BIS has re-commissioned IFF Research Ltd. to re-contact a sample of these SMEs (employers only) to determine how well or badly they have performed in the previous year, and to assess their levels of business confidence going forward. The first wave of this 'Business Barometer' was conducted in December 2008, followed by waves at (approximately) two monthly intervals. This report contains the findings of the sixth wave of research, which was conducted between the 30th November and 10th December 2009². 500 employers were interviewed.

Those interviewed were directors, owners and co-owners of the businesses.

Two hundred interviews (40 per cent) conducted were with SME employers that had sought finance in the year before the ASBS took place. This proportion was corrected (to 23 per cent) at the analysis stage through weighting.

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 ASBS surveys are not interviewed

Nor is the survey exactly representative of SME employers that operated at the time of the ASBS surveys, as those that have closed since cannot be interviewed.

However, it is possible to make comparisons between the six Business Barometer surveys. In this report we will highlight changes in the findings between the waves 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 For the December Barometer it has been necessary to recontact some of those interviewed in the 2006/07 ASBS.

² More details on the sampling and weighting process are given in the technical appendix to this report

Summary

Growth

Thirty-eight per cent of SME employers employed fewer people in December 09 than was the case a year ago. This is a significant increase on the 32 per cent seen in the September 09 Barometer, although not significantly higher than the equivalent figure in the December 08 Barometer. Fourteen per cent in December 09 said they were employing more staff than 12 months ago – a similar proportion to all the previous Barometers.

Thirty-two per cent of SME employers have recruited any new employees in the last 12 months, significantly fewer than the 39 per cent claiming this in September 09, but not significantly different from the 37 per cent who said this in December 08.

Forty-five per cent of SME employers have seen their turnover decrease compared to 12 months previously, a similar figure to those seen in previous Barometers.

Twenty-six per cent of SME employers expect to employ more people in 12 months time compared to now. This is a similar result to that seen in the September Barometer, but nevertheless a significantly higher proportion than the 14 per cent claiming this in December 08.

Thirty-nine per cent expect turnover to be higher in 12 months time – the same proportion seen in the September 09 Barometer, but again significantly higher than the 16 per cent who claimed this in December 08.

Two-thirds of SME employers expect to grow their business over the next two to three years. This is a significant increase on the 56 per cent that said this in December 08.

The proportion of SME employers that are exporting has increased significantly since September 09, from 18 to 24 per cent. The proportion that are exporting is now the same as it was in the 07/08 ASBS.

The vast majority of SME employers (89 per cent) are confident that they will still be trading in 12 months time. The proportion is similar to previous Barometers in 2009, but significantly higher than the figure seen in December 2008 (76 per cent).

Although not quite as confident as was the case in the September 09 Barometer, the outlook among SME employers for 12 months time generally remains positive. However, the effects of any recovery have yet to be felt in terms of the current levels of employment and turnover.

Business Environment

Thirty-four per cent of SME employers say the state of the economy is the main obstacle to the success of their business. Although this proportion is not significantly different to that seen in September 09, it is significantly lower than the equivalent figure of 41 per cent in December 08.

Cashflow is the main obstacle for 11 per cent of SME employers. Although this proportion is significantly up on that seen in September 09, it is similar to those seen in previous Barometers.

Fifty-five per cent of SME employers offer credit – a similar proportion to other Barometers. Of these, only 27 per cent have no problem with late payment. This proportion is significantly lower than the 37 per cent seen in September 09, although a similar figure to previous Barometers.

Just under a quarter of SME employers have done any work for a public sector client in the last 6 months, a similar proportion to that seen in previous Barometers. Sixty-two per cent of these claim they are paid promptly by their public sector clients, and 33 per cent that they are paid slowly – similarly proportions to those seen in the September Barometer.

Access to Finance

Seventeen per cent of SME employees sought finance in the last 6 months. This proportion has not changed significantly since the Barometer surveys began in December 08. However, the reasons for needing finance have changed, with 31 per cent of those applying for finance wanting it for the acquisition of equipment or vehicles (up from 18 per cent in September 09) and, seemingly linked to this, 28 per cent applying for leasing or HP finance (up from 14 per cent in September 09). Although not quite significant, the proportion of those that sought finance that applied for bank loans has fallen since September from 43 to 31 per cent, and the proportion applying for bank overdrafts from 34 to 24 per cent.

This shift from bank loans and overdrafts may also explain why there were fewer difficulties reported when trying to get finance from the first source approached. Just 35 per cent reported difficulties, compared to 57 per cent in September 09. In particular, the proportion unable to obtain any finance from the first source approached has decreased from 42 per cent in the September Barometer, to 20 per cent in December.

SME employers also report fewer changes to the terms and conditions of their overdrafts than was the case in September 09. Twenty-three per cent of those with overdrafts reported that their banks had increased fees or interest rates in the last 6 months, compared to 36 per cent stating this in the September. Thirteen per cent claim their bank required more security on at least one occasion in the previous 6 months, compared to 19 per cent in the September.

For bank loans fewer SME employers reported a decrease in their variable rate than was the case in the September Barometer (15 per cent compared with 38 per cent in September).

Real Help for SME Businesses

Awareness of Business Link and of the 'Real Help for Businesses Now' suite of products and services has remained at similar levels to previous Barometers, although awareness of some of the individual products and services, such as the HMRC Support Service, RHFB website and help with managing cashflow has increased since September.

Fifteen per cent of SME employers in England claim they have had a Business Link health Check – again, a similar proportion to those seen in previous surveys. However, after a dip in the satisfaction levels seen in the September Barometer, the vast majority of those experiencing a Health Check (80 per cent) claimed to be satisfied with the information they received as a result of it. Similarly, those who accessed any kind of help through RHBN were more positive in terms of the ease of finding information, and satisfaction with the information they found, than was the case in the September Barometer.

Steve Lomax, Director

IFF Research Ltd.

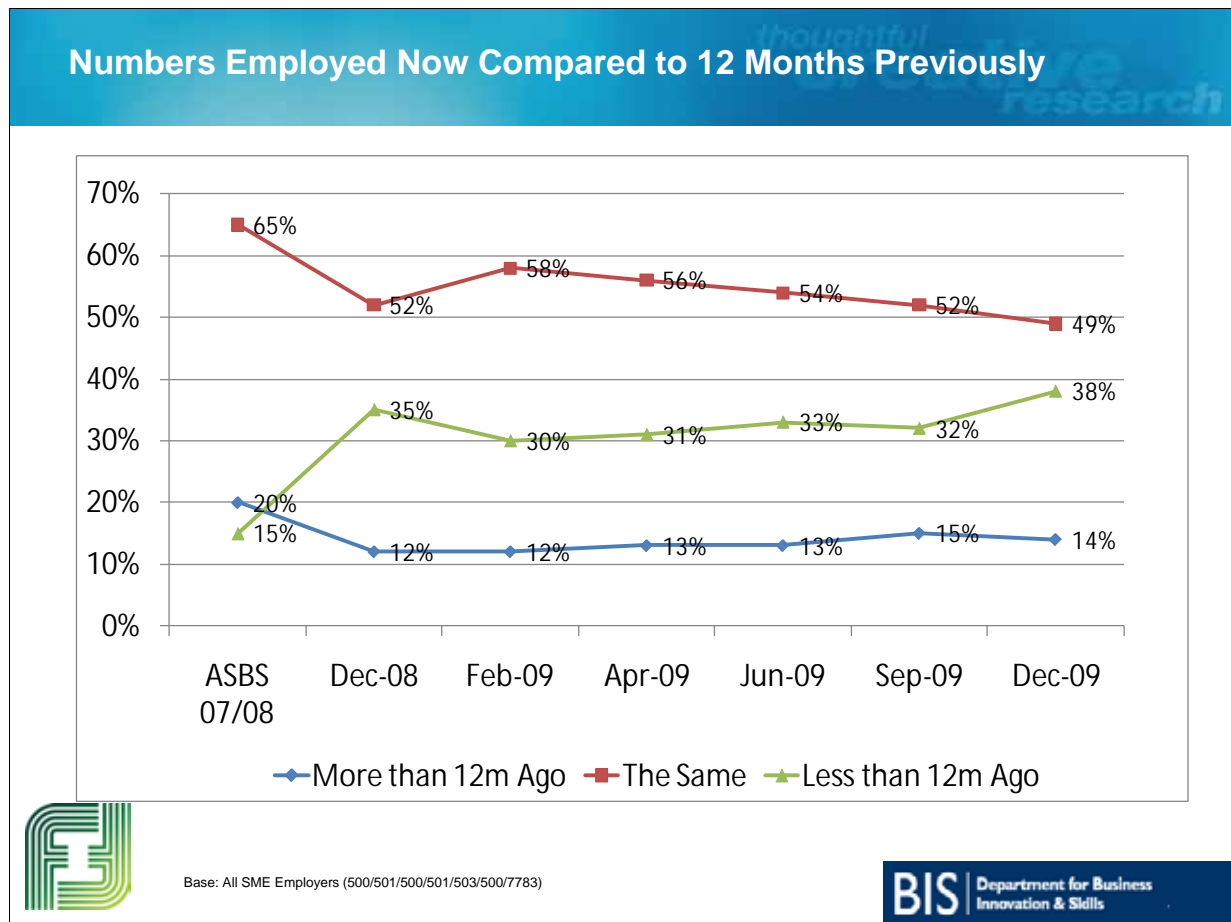
February 2010

Part 1: Growth

Employment Levels over the Last 12 Months

Chart 1 below shows that 38 per cent of SME employers employed fewer people in December 2009 than was the case a year ago. This is a significant rise on the equivalent figure of 32 per cent in September's Barometer. Fourteen per cent in December said that they were employing more than 12 months ago. However, compared to one year previously (December 2008) there are no significant changes in the overall figures for employment growth.

Chart 1: Numbers Employed Now Compared to 12 Months Ago – Trends



Analysis of the data by sector in September (see Table 1 overleaf) shows that construction businesses are now significantly more likely to have fewer staff than they did a year ago compared to other SME employers. This has also been the case in previous Barometers.

In comparison with the September Barometer, there is a significant increase in the percentage saying they have fewer employees than they had 12 months ago in the primary/manufacturing and transport, retail and distribution sectors (TRAD).

Table 1: Numbers Employed 12 Months Ago – Trends by Sector					
Base = all SME employers	All	Primary/ Manu	Construction	TRAD	Services
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					

Thirty-two per cent of SME employers have recruited new employees in the last 12 months. This is significantly down on the 39 per cent seen in the September Barometer. The decrease can be seen in all sectors, but only significantly in TRAD.

As has been seen in previous Barometers, construction is the sector least likely to have recruited new employees in the last 12 months (21 per cent), and the service sector the most likely (39 per cent).

Table 2: Recruited New Employees in the Last 12 Months – Trends by Sector					
Base = all SME employers	All	Primary/ Manu	Construction	Transport / retail / distribution	Services
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					

Eighty-two per cent of medium-sized businesses (50-249 employees) have recruited staff in the last 12 months, compared to 59 per cent of small businesses (10-49 employees) and 26 per cent of micro businesses (1-9 employees).

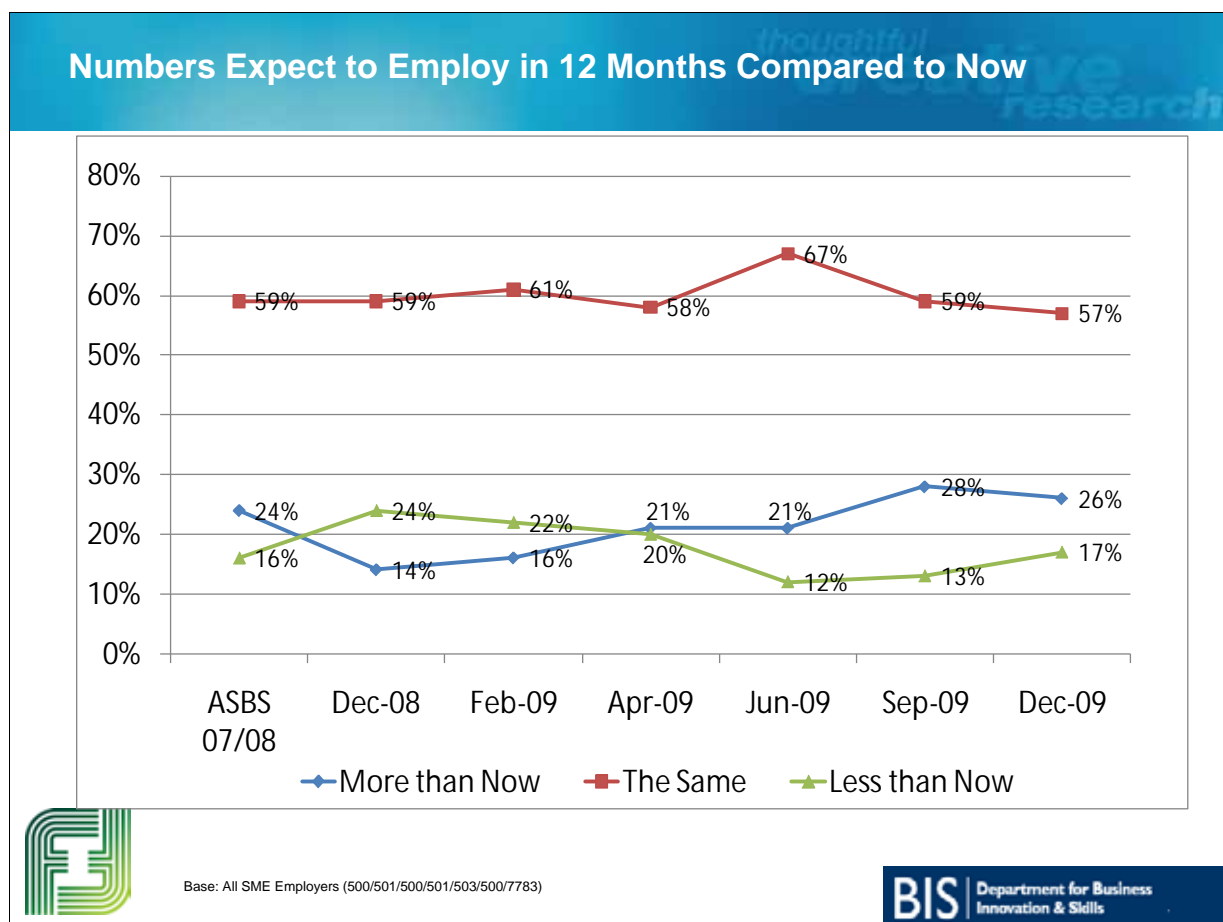
Compared to December 2008 there is no significant increase or decrease in the proportion that have recruited new employees in the previous 12 months at the overall level.

Expectations of Employment Levels in the Next 12 Months

Twenty-six per cent of SME employers think they will employ more staff in a year's time. This compares with 57 per cent thinking employment levels will remain stable, and 17 per cent saying they think they will need to lose staff (see Chart 2 below). The figures are slightly less positive than the September results, but not significantly so.

Compared to December 2008, the proportion saying they will have more employees in 12 months time compared to now has increased significantly (from 14 to 26 per cent), and the proportion saying they will have fewer employees has decreased significantly (from 24 to 17 per cent).

Chart 2: Expectations of Numbers Employed in 12 Months Time



Compared to the overall average, those in the transport, retail and distribution sector continue to be less likely to think they will employ more staff in 12 months time, whilst those in the service sector are more likely than average to think they will employ more (see Table 3 overleaf).

The increase in the proportion who think they will employ fewer in 12 months time is largely driven by a significant increase in this proportion in the service sector (up from 10 to 18 per cent).

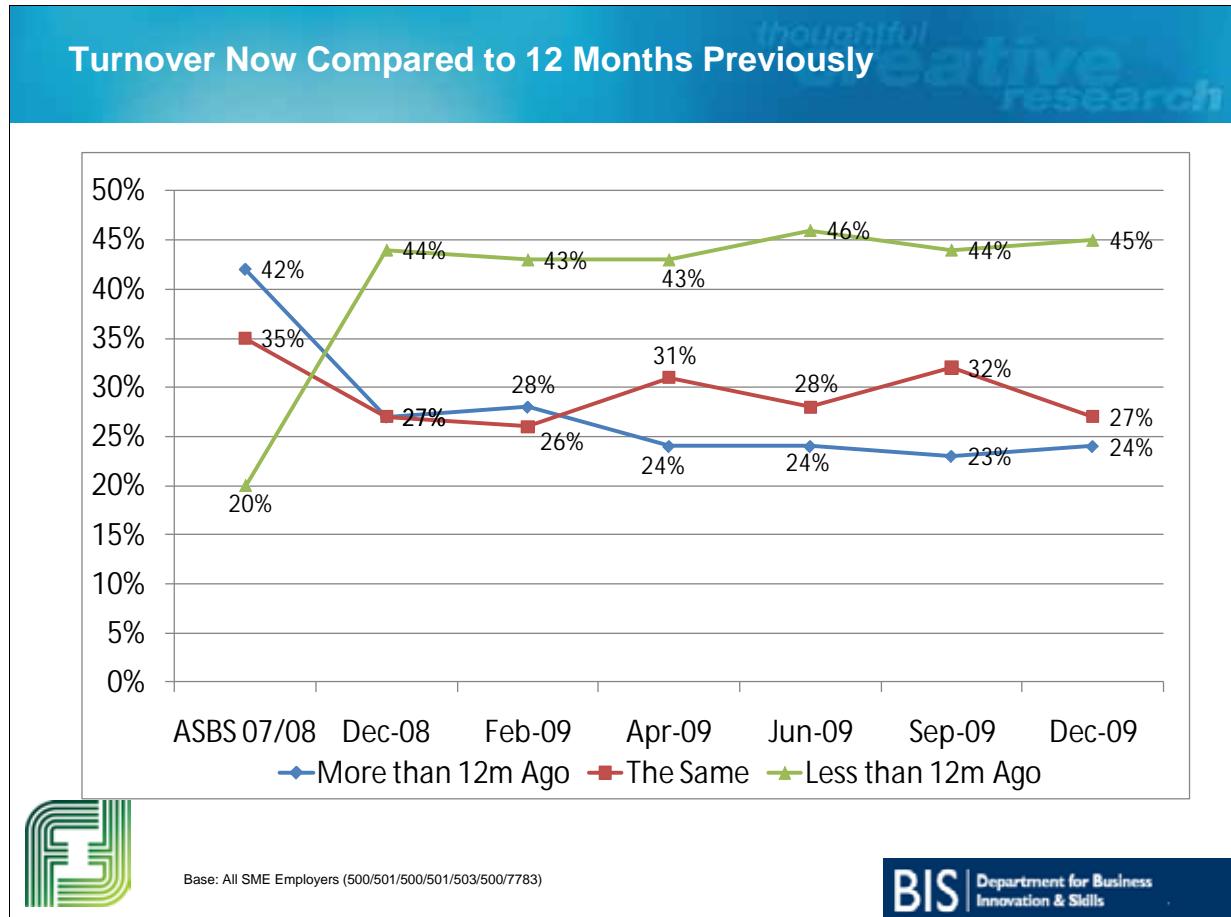
Thirty-four per cent of both medium and small businesses expect to employ more in the next 12 months, compared to 24 per cent of micro businesses.

Table 3: 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 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 12m	22	21	27	18	24
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

In the September Barometer 45 per cent of all SME employers claim their turnover has dropped, compared to just under a quarter (24 per cent) who say it has increased. The net increased turnover³ is -21 per cent, the same as in September and similar to the -22 per cent that we saw in June.

Chart 3: Turnover Compared to 12 Months Ago



Compared to December 2008 there are no significant differences in the proportions reporting that turnover has increased, decreased or stayed the same.

The fall in turnover has occurred for all sectors, but is worst for construction businesses. Only 12 per cent of these have a turnover that is greater than it was 12 months ago, a significant decrease on the 27 per cent equivalent figure in September.

Whilst all sub-groups are likely to have experienced a decrease rather than an increase in turnover, exporters fare better than those that do not. Thirty-one per cent of exporters had an increased turnover in the last year.

³ Net turnover increase = % saying turnover has increased, minus % saying it has declined.

Table 4: Turnover Now Compared to 12 Months Previously – Trends by Sector

Base = all SME employers	All	Primary/ Manu	Construct- ion	TRAD	Services
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

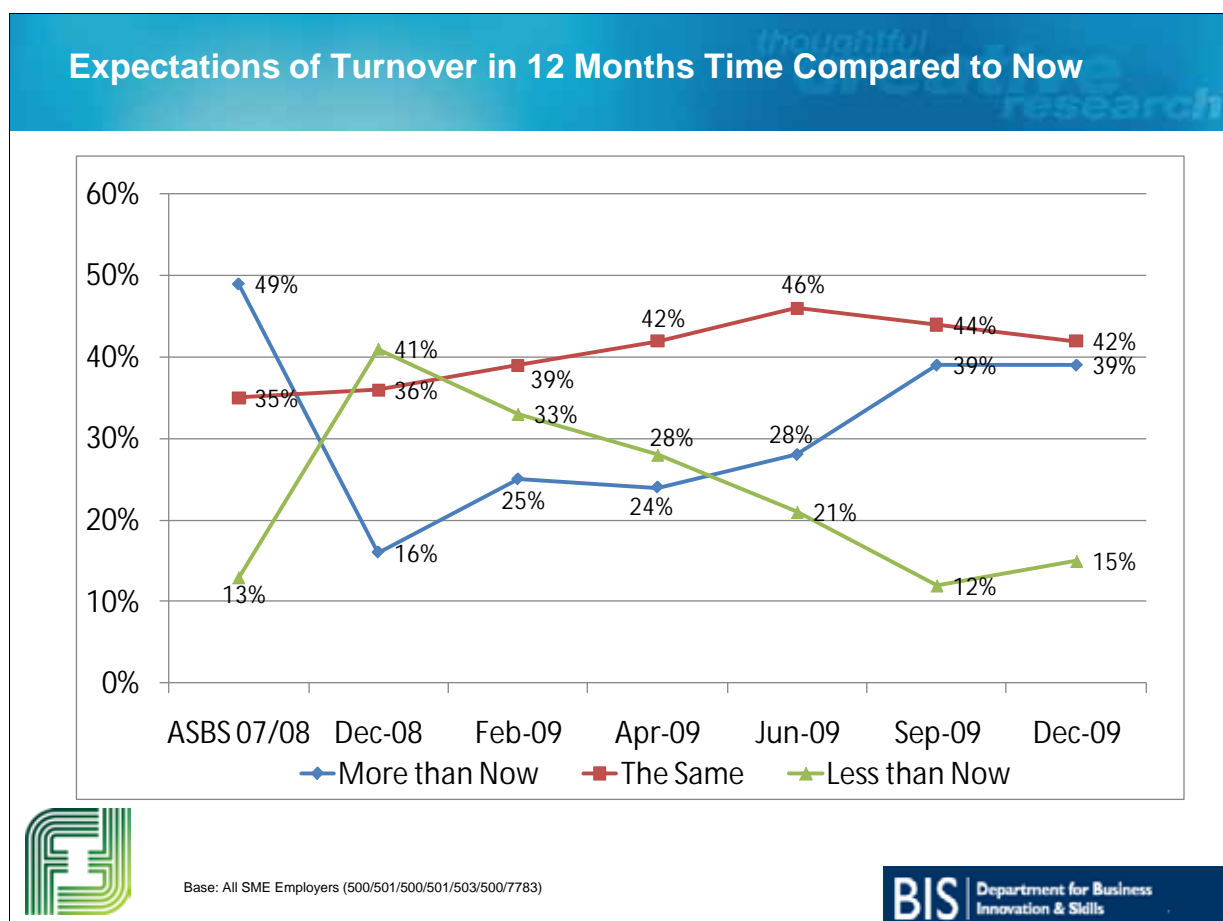
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research

Future Turnover Expectations

Thirty-nine per cent of SME employers expect their turnover to increase in 12 months time compared to now, with 15 per cent expecting it to decrease, and 42 per cent thinking it will be about the same.

The percentage expecting turnover to increase is the same as that seen in September, whilst the percentage expecting turnover to decrease is higher than the September survey, albeit not significantly so. Nonetheless, the positive trend of the last few months which saw greater expectations for turnover appears to have halted or blipped.

Chart 4: Turnover Expectations in 12 Months Time



Compared to December 2008 the proportion expecting their turnover to grow in 12 months time has increased significantly (from 16 to 39 per cent), and conversely the proportion expecting turnover to decrease has decreased significantly (from 41 to 15 per cent).

Table 5 below shows trends in turnover expectation by sector. The construction industry is significantly more likely to think turnover will decrease in 12 months time, and significantly less likely to think it will increase.

In comparison to the September Barometer there are no significant increases or decreases in the figure by sector.

Those who have public sector clients are significantly less likely than average to think turnover will increase (32 per cent), and are significantly more likely than average to think it will decrease (23 per cent).

Table 5: Expectations of Turnover in 12 Months Time – Trends by Sector					
Base = all SME employers	All	Primary/ Manu	Construct- ion	TRAD	Services
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-six 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 other 2009 Barometers, but significantly higher than the 56 per cent seen in December 2008. The proportion expecting to grow is now about the same as that seen in the 07/08 ASBS.

The primary/manufacturing sector is more likely than average to think it will grow.

Table 6: Expect to Grow Over The Next Two to Three Years – Trends by Sector					
Base = all SME employers	All	Primary/ Manu	Construction	TRAD	Services
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

Eighty-one per cent of exporters think they will grow, compared to 61 per cent of non-exporters.

Eighty-six per cent of medium sized businesses think they will grow, compared to 76 per cent of small businesses and 63 per cent of micros.

Exports

Twenty-four per cent of SME employers export goods or services outside of the UK. This is in fact a significant increase of 6 percentage points on the September survey, with the figure being at an equivalent level to the 2007/08 ASBS.

Table 7: Whether Currently Exporting Goods or Selling Outside of the UK – Trends by Sector					
Base = all SME employers	All	Primary/ Manu	Construction	TRAD	Services
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 are the most likely to export, with the construction sector being the least likely. Forty-five per cent of medium sized business export, compared to 29 per cent of small ones, and 22 per cent of micros.

Compared to September there are no significant increases in the proportion exporting by sector, but all sizes of business are now more likely to export (September = 32 per cent medium, 24 per cent small and 17 per cent micro exporting).

Among exporters, 49 per cent expect exports to increase in the next 12 months, 38 per cent expect exports to stay the same, and 11 per cent expect them to decrease. The percentages expecting increases and decreases have both increased since September (by 15 and 9 percentage points respectively), whilst the percentage expecting exports to remain at the same level has decreased significantly (by 22 percentage points).

Of those not currently exporting, 3 per cent think they will start to do so in the next 12 months – a consistent proportion with all of the previous surveys.

Innovation

A third (34 per cent) of SME employers claim to have introduced new or significantly improved processes in the last 12 months, whilst 39 per cent claim to have introduced new or significantly improved products and services.

The service sector is significantly more likely to have introduced new processes or products/services, while SME employers in the construction sector were significantly less likely to have had introduced either.

Table 8: Whether Introduced New or Significantly Improved Processes/Products and Services in the Last 12 Months– Trends by Sector⁴					
Base = all SME employers	All	Primary/ Manu	Construct- ion	TRAD	Services
December 2009. n=	500	130	69	136	165
	%	%	%	%	%
December 2009 – New or Significantly Improved Processes	34	32	12	34	41
December 2009 – New or Significantly Improved Products and Services	39	28	20	38	46
April 2009. n=	501	157	62	136	146
	%	%	%	%	%
April 2009 – New or Significantly Improved Processes	33	39	24	29	36
April 2009 – New or Significantly Improved Products and Services	44	50	36	44	44
December 2008. n=	500	123	62	137	178
	%	%	%	%	%
December 08 – New or Significantly Improved Processes	38	52	25	31	40
December 08 – New or Significantly Improved Products and Services	44	53	22	50	42
ASBS 07/08. n=	7783	1498	742	2989	2554
	%	%	%	%	%
ASBS 07/08 - New or Significantly Improved Processes	33	39	25	27	38
ASBS 07/08 - New or Significantly Improved Products and Services	46	48	32	46	50
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research					

⁴ These questions were not asked in the February, June and September 09 Barometers

Compared to April both the primary/manufacturing and construction sectors are significantly less likely to have introduced new or improved products and services.

Training

Sixty-two 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 most likely to occur in the service sector (67 per cent), and least likely to occur in the construction sector (39 per cent).

Although the overall level of training provision has remained the same since April 2009, there are some significant changes according to sector. The construction sector has seemingly reduced its commitment to training, whilst the provision of training has increased in primary/manufacturing and the transport, retail and distribution sector.

Table 9: 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 months ⁵					
Base = all SME employers	All	Primary/ Manu	Construction	TRAD	Services
December 2009. n=	500	130	69	136	165
	%	%	%	%	%
December 2009 – Arranged or Funded Training	62	68	39	60	67
April 2009. n=	501	157	62	136	146
	%	%	%	%	%
April 2009 – Arranged or Funded Training	61	56	59	48	73
December 2008. n=	500	123	62	137	178
	%	%	%	%	%
December 2008- Arranged or Funded Training	60	59	71	51	66
ASBS 07/08. n=	7783	1498	742	2989	2554
	%	%	%	%	%
ASBS 07/08- Arranged or Funded Training	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					

⁵ These questions were not asked in the February, June and September 09 Barometers

Part 2: Business Environment

Obstacles to Success

When prompted, 34 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. Compared to September, competition and cashflow are significantly more likely to be cited as *main* obstacles to success, and regulations and obtaining finance less likely.

	Dec. 2009	Sept. 2009	June 2009	April 2009	Feb. 2009	Dec. 2008	ASBS 07/08
Base = all SME employers	n=500	n=501	n=500	n=501	n=503	n=500	n=7783
	%	%	%	%	%	%	%
The Economy	34	36	32	33	39	41	16
Competition	12	8	12	12	7	7	14
Cashflow	11	6	12	10	12	10	9
Regulations	8	13	12	8	12	7	12
Taxation, VAT, PAYE, NI, rates	8	9	6	14	7	9	12
Obtaining finance	5	9	8	6	4	6	3

Figures in bold are statistically significant changes at the 95% confidence level between September and December 09

Compared to December 2008, the economy is significantly less likely to be mentioned as the main obstacle to business success (down from 41 to 34 per cent).

In December 2009, those in the transport, retail and distribution sector were significantly more likely than others to think taxation and competition the main obstacle to their success. Regulations was more likely to be considered the main obstacle in the primary/manufacturing sector.

	All	Primary/Manu	Construction	TRAD	Services
Base = all SME employers	500	130	69	136	165
	%	%	%	%	%
The Economy	34	35	44	27	36
Competition	12	9	10	16	9
Cashflow	11	6	13	14	9
Regulations	8	15	1	6	10
Taxation, VAT, PAYE, NI, rates etc.	8	6	7	12	5
Obtaining finance	5	7	1	5	5

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

Cashflow

Forty-nine per cent of SME employers consider cashflow difficulties as an obstacle to their success, with 11 per cent saying this is their main obstacle. Compared to the September Barometer, there are now more SME employers saying that cashflow is the main obstacle.

SME employers mentioned fluctuations in income whilst outgoings remain steady as the most common cause of cashflow difficulties. Compared to September, however, late payment from businesses is significantly more likely to be mentioned as a cause of cashflow difficulty, and the timing of tax payments and fluctuating outgoings are significantly less likely to be mentioned.

Table 12: Causes of Cashflow Difficulties							
	Dec. 2009	Sept. 2009	June 2009	April 2009	Feb. 2009	Dec. 2008	ASBS 07/08
Base = All for whom cashflow is an obstacle	n=219	n = 218	n = 256	n=233	n=269	n=262	n=3403
	%	%	%	%	%	%	
Income fluctuates while outgoings are steady	75	73	74	80	71	74	71
Late payment from other businesses	69	56	68	64	63	64	56
Late payment from individual customers	63	54	65	62	67	61	56
High levels of working capital needed	50	46	43	45	38	39	49
Need to offer credit to customers	43	38	49	35	41	30	38
Tax payment timings	40	51	38	40	32	35	37
High levels of investment required by business	36	34	24	24	25	30	39
Early payment required by suppliers	33	34	39	34	36	38	38
Difficult to get credit from suppliers	24	23	20	24	19	18	18
Outgoings fluctuate but income is steady	20	32	25	26	17	23	26
Figures in bold are statistically significant changes at the 95% confidence level between September and December 09							

By sector, primary/manufacturing businesses with cashflow issues are more likely than average to be affected by late payment from other businesses (82 per cent), early payment to suppliers (46 per cent) and fluctuating outgoings (32 per cent).

Construction businesses with cashflow issues are more likely than average to be affected by individual customers expecting credit to be offered (61 per cent), whilst for the TRAD sector it is more likely to be the high levels of working capital needed (66 per cent), high levels of investment needed (51 per cent) and early payment required (43 per cent). For the service sector it is mainly fluctuating income (89 per cent).

Late Payment

Fifty-five per cent of SME employers offer their customers credit in the form of giving a period of time before payment is due. This proportion is similar to those seen in previous Barometers.

Table 13: Whether Late Payment is Problem – Trends by Sector					
Base = All offering credit	All	Primary/ Manu	Construction	TRAD	Services
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					

Twenty-three per cent of those offering credit in December say that late payment is a big problem, with 49 per cent saying it is a small problem, and 27 per cent that it is no problem. Compared to September the percentage saying it is no problem has decreased by ten percentage points, but only to the level seen in June.

This change is mainly driven by the service sector, 19 per cent of whom say it is no problem, compared with 37 per cent in September.

The transport, retail and distribution sector is the most likely to claim late payment is no problem (40 per cent) – most likely because it offers only a limited amount of credit.

Table 14: 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 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					

Forty-four 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 that seen previously. This is most likely to be the case for the transport, retail and distribution sector, and least likely to be the case in the service sector.

Payment Times from the Public Sector

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

The construction sector is the one most likely to have worked for public sector clients, the transport, retail and distribution sector the least. Compared with September the percentage of construction firms working for the public sector has increased significantly.

Table 15: Work for the Public Sector					
Base = all SME employers	All	Primary/ Manu	Construct- ion	TRAD	Services
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
ASBS 07/08. n=	7783	1498	742	2989	2554
	%	%	%	%	%
ASBS 07/08 – Any Work <u>Last 12 Months</u>	26	30	35	21	29
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research					

Fifty-three per cent of those who have worked for the public sector in the last 6 months have done so as prime contractor, and 44 per cent as part of the supply train (3 per cent don't know). In September the equivalent figure for prime contractors was 41 per cent, so there has been a significant increase.

Seventeen 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 months before; 48 per cent say they are doing the same amount of work; and 35 per cent are doing less. All of these are similar proportions to those seen in September.

Eleven 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 12 per cent say payment has slowed down. The majority, 71 per cent, claim that the speed of payment has not changed. Fifty per cent say they are still mainly paid promptly, whilst 21 per cent claim they are still being paid slowly (see Table 16 below). These proportions are not significantly different from those seen in September.

Table 16: 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 2009	Sept 2009	June 2009	April 2009	Feb 2009
	n=160	n=141	n=180	n=125	n=127
	%	%	%	%	%
Payment has speeded up	11	10	8	15	13
No change – still mainly paid promptly	50	52	59	43	51
No change – still mainly paid slowly	21	26	22	6	2
Payment has slowed down	12	7	7	17	19
Other/Don't know	6	5	4	10	10
TOTAL PROMPT PAID	62	61	67	58	64
TOTAL SLOW PAID	33	33	29	23	21
Figures in bold are statistically significant changes at the 95% confidence level between September and December 09					

Fifty-five per cent of those who have worked for the public sector in the last 6 months have Local Authorities as their main client, 23 per cent have Government departments, 7 per cent Higher Education Institutions, 5 per cent Health Services and 11 per cent other public service institutions (including the police service and Ministry of Defence).

Looking at payment times according to type of main client (Local Authorities vs. Government vs. Other – sample sizes are too small to look at each other type of institution separately), there are no significant differences as Table 17 overleaf shows

Table 17: Whether Noticed any Change in the Speed of Payment by Public Sector Bodies in the Last 6 Months. December 09, by Main Type of Public Sector Client⁶				
Base = All who dealt with public sector bodies in the last 6 months	All	Government. Departments	Local Authorities	Other Public Sector
	n=160	n=37	n=83	n=39
	%	%	%	%
Payment has speeded up	11	14	12	7
No change – still mainly paid promptly	50	45	53	48
No change – still mainly paid slowly	21	27	22	14
Payment has slowed down	12	4	12	21
Other/Don't know	6	11	2	11
TOTAL PROMPT PAID	62	59	64	55
TOTAL SLOW PAID	33	30	34	34
Figures in bold are statistically significant at the 95% confidence level against the overall finding				

Only two 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. Twelve per cent say that they tend to be paid 11 to 15 days later, 5 per cent within 16 to 20 days, 29 per cent between 21 and 30 days, and 49 per cent in longer than 30 days.

Table 18: Average Time Taken for Main Public Sector Client to Pay Invoice. December 09, by Main Type of Public Sector Client				
Base = All who dealt with public sector bodies in the last 6 months	All	Government. Departments	Local Authorities	Other Public Sector
	n=160	n=37	n=83	n=39
	%	%	%	%
10 days or less	2	8	*	*
11 to 15 days	12	6	16	7
16 to 20 days	5	9	3	7
21 to 30 days	29	31	30	24
Longer than 30 days	49	37	49	60
Don't know	4	9	3	1
Figures in bold are statistically significant at the 95% confidence level against the overall finding				
* = a figure which is more than 0%, but less than 0.5%				

⁶ In previous Barometers the main public sector client was not established, hence it is not possible to make comparisons

There are no significant differences in these payment times according to type of main client. With the exception of Government departments, the median payment time for public sector organisations is longer than 30 days.

Business Confidence

Eighty-nine per cent of SME employers are confident that their businesses will still be trading in 12 months time, whilst 5 per cent are not confident. These figures are similar to those seen in the previous Barometers, with only the December 2008 figures showing significant pessimism.

Table 19: 'In 12 Months Time I am Confident My Business will still be Trading'						
	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=503	n=500
	%	%	%	%	%	%
Agree strongly	79	75	74	70	73	61
Agree slightly	9	12	11	13	15	16
Neither agree nor disagree	4	7	6	6	5	9
Disagree slightly	2	2	3	3	2	3
Disagree strongly	3	3	3	4	4	9
Don't know	2	*	2	2	1	2
TOTAL AGREE	89	87	85	84	88	76
TOTAL DISAGREE	5	5	6	8	6	12
NET AGREE - DISAGREE	+84	+82	+79	+76	+82	+64
Figures in bold are statistically significant changes at the 95% confidence level between September and December 09						
* = a figure which is more than 0%, but less than 0.5%						

Compared to December 2008 the proportion agreeing that their businesses will still be trading in a year has increased significantly from 76 to 89 per cent, whilst the proportion disagreeing with this statement has decreased significantly from 12 to 5 per cent.

By sector (see Table 20 below) there are no significant differences in levels of confidence. The construction sector was significantly less confidence in previous Barometers, but this is not the case now.

Table 20: 'In 12 Months Time I am Confident My Business will still be Trading' – By Sector					
Base = All SME Employers	All	Primary/ Manu	Construction	TRAD	Services
December 2009	500	130	69	136	165
	%	%	%	%	%
December 2009 – Confident	89	87	84	92	88
December 2009 – <u>Not</u> Confident	5	7	4	4	5
September 2009	501	132	72	143	154
	%	%	%	%	%
September 2009 – Confident	87	87	77	88	90
September 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
	%	%	%	%	%
February 2009 – Confident	88	84	92	83	91
February 2009 – <u>Not</u> Confident	6	5	4	9	4
December 2008	500	123	62	137	178
	%	%	%	%	%
December 2008 – Confident	76	77	73	72	81
December 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					

Five per cent of SME employers anticipated closure in the next 12 months, whilst a further 5 per cent anticipated a transfer of ownership. This compares with 2 per cent anticipating transfer of ownership in September, a significant increase, although one that returns this figure to the levels seen before September. In December, 9 per cent anticipate either closure or transfer of ownership, more than was the case in the September Barometer.

Table 21: Whether Anticipate Closure or Full Transfer of Ownership in Next 12 Months						
	Dec 2009	Sept 2009	June 2009	April 2009	Feb 2009	Dec 2008
Base = All	n=500	n=501	n=500	n=501	n=503	n=500
	%	%	%	%	%	%
Yes- Closure	5	3	2	6	3	7
Yes – Transfer of Ownership	5	2	6	6	4	6
Neither	86	90	89	82	92	83
Don't know/Refused	5	4	3	5	1	4
ANY CLOSURE/TRANSFER	9	5	7	12	7	13
Figures in bold are statistically significant changes at the 95% confidence level between September and December 09						

Transference of ownership was most likely to be anticipated in the transport, retail and distribution sector (9 per cent).

Only 3 per cent of exporters predict closure or transference of ownership, compared to 11 per cent of non-exporters.

Retirement is the main reason to close a business (just over half of those intending to close their business). The other main reason is lack of work or sales (just under a third of those intending to close).

Part 3: Access to Finance

Access to Finance

Forty-five per cent of SME employers claim that external finance is important to their business (24 per cent very important). These proportions have not changed significantly in any of the Barometers.

	December 2009	September 2009	June 2009	April 2009	February 2009	December 2008
Base = All SME employers	n=500	n=501	n=500	n=501	n=503	n=500
	%	%	%	%	%	%
Very important	24	27	24	23	29	22
Fairly important	21	22	22	20	20	26
Not very important	18	16	20	23	22	19
Not at all important	36	32	32	30	27	31
Don't know	1	3	2	3	1	2
TOTAL IMPORTANT	45	49	47	43	50	48
TOTAL NOT IMPORTANT	54	48	51	53	49	50

Figures in bold are statistically significant changes at the 95% confidence level between September and December 09

External finance is least important to those in the service sector (38 per cent consider it important, and 61 per cent not important) – a similar result to the September Barometer. External finance is of most importance to medium sized businesses (67 per cent say it is important).

Base = all SME employers		Yes – Once Only	Yes – More than Once	No	n=
December 2009	%	14	4	81	500
September 2009	%	13	7	79	501
June 2009	%	13	4	82	500
April 2009	%	11	3	83	501
February 2009	%	16	5	79	503
December 2008	%	12	7	80	500
ASBS 07-08 (last 12 months)	%	16	7	76	7783

Figures in bold are statistically significant changes at the 95% confidence level between September and December 09

Seventeen per cent of SME employers have sought external finance in the last 6 months. Whilst this is not a significant increase on the September Barometer, the proportion that has sought it more than once (4 per cent) is a significant decrease, albeit to the level seen in June. Compared to December 2008 there is no significant increase in the proportion that sought finance in the last 6 months.

Reasons for Seeking Finance

Finance is most likely sought to gain working capital or to help cashflow (36 per cent in December). However, compared to previous Barometers there has been a significant increase in the proportion seeking finance to acquire equipment or vehicles – up from 18 per cent in September to 31 per cent in December.

	Dec 2009	Sept 2009	June 2009	April 2009	Feb 2009	Dec 2008	ASBS 07/08
Base = All who tried to obtain finance in the last 6 months ⁷	n=105	n=121	n=109	n=109	n=144	n=98	n=2247
	%	%	%	%	%	%	%
Working capital, cashflow	36	49	46	52	41	45	43
Acquiring equipment or vehicles	31	18	16	25	26	25	27
Improving buildings	13	8	11	4	2	2	8
Buying land/buildings	7	7	6	11	9	10	10
Figures in bold are statistically significant changes at the 95% confidence level between September and December 09.							

Those seeking finance in the transport, retail and distribution sector are more likely than average to need it for working capital or cashflow (52 per cent), or re-financing (10 per cent). Those in the service sector are more likely than average to need it for research and development (9 per cent) or to acquire another business (8 per cent).

⁷ ASBS 07/08 = seeking finance in the last 12 months.

Types of Finance Sought

A bank loan is again the type of finance most likely to be sought (by 31 per cent of those seeking finance), followed by leasing or HP (28 per cent) and a bank overdraft (24 per cent).

In comparison with previous Barometers the demand for HP has increased significantly – a result which explains the increase in the proportion wanting finance to fund the acquisition of vehicles and equipment. The apparent decline in demand for bank loans and overdrafts is not statistically significant.

Two-fifths (18 per cent) of those who sought bank finance say that their bank discussed whether a loan backed by a Government guarantee was suitable for them.

Table 25: Types of Finance Sought – Trends							
	Dec. 2009	Sept. 2009	June 2009	April 2009	Feb. 2009	Dec. 2008	ASBS 07/08
Base = All who tried to obtain finance in the last 6 months ⁸	n=105	n=121	n=109	n=109	n=144	n=98	n=2247
	%	%	%	%	%	%	%
Bank Loan	31	43	40	40	38	22	44
Leasing or Hire Purchase	28	14	11	18	16	12	10
Bank Overdraft	24	34	27	19	35	32	26
Mortgage for Property Purchase or Improvement	3	3	12	2	7	11	7
Grant	2	2	10	1	4	5	7
Equity Investment	1	*	1	8	2	2	2
Government Guaranteed Loan/VAT Fund	1	0	3	6	N/A	N/A	N/A
Loans from Family/Friends etc.	0	2	2	*	1	6	1
Factoring	*	1	1	4	1	1	1
Loan from a CDFI	0	0	0	0	0	1	2
Credit Card Finance	0	0	2	*	2	3	1
Figures in bold are statistically significant changes at the 95% confidence level between September and December 09. * = a figure which is more than 0%, but less than 0.5%							

The types of finance that were sought according to sector are shown in Table 26 below. The primary/ manufacturing sector is significantly more likely than average to seek bank loans, and less likely to seek bank overdrafts.

⁸ ASBS 07/08 = seeking finance in the last 12 months.

Table 26: Types of Finance Sought – By Sector					
Base = all who have tried to obtain finance in the last 6 months	All	Primary/ Manu	Construction	TRAD	Services
December 2009	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	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	109	34	9	33	33
	%	%	%	%	%
Bank Loan	40	27	64	40	39
Bank Overdraft	27	36	62	30	14
Mortgage for Property Purchase or Improvement	12	13	0	6	20
Leasing or Hire Purchase	11	9	2	18	8
Grant	10	6	0	6	19
April 2009	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
Equity Investment	8	0	0	0	16
Government Guaranteed Loan/VAT Fund	6	11	29	0	4
February 2009	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					

Difficulties in Obtaining Finance

Twenty per cent of those who sought finance were unable to get any at all from the first source they approached. A further 4 per cent obtained some, but not all, of the finance they required, and 12 per cent only obtained finance with some problems. Thirty-five per cent reported having any difficulties at all – a significant decrease on the 57 per cent that was seen in September, and also significantly below the 52 per cent that had difficulties in December 2008.

Table 27: Whether Any Difficulty Obtaining Finance from the First Source Approached - Trends

	Dec. 2009	Sept. 2009	June 2009	April 2009	Feb. 2009	Dec. 2008	ASBS 07/08
Base = All who tried to obtain finance in the last 6 months ⁹	n=105	n=121	n=109	n=109	n=144	n=98	n=2247
	%	%	%	%	%	%	%
Yes – unable to obtain any finance	20	42	33	41	35	33	14
Yes – obtained some, but not all of the finance	4	2	5	2	5	7	4
Yes – obtained all of the finance required but with some problem	12	13	5	8	4	11	7
No – had no difficulty obtaining finance	52	40	51	42	51	46	73
Don't know	12	3	5	8	5	2	1
ANY DIFFICULTIES	35	57	44	50	44	52	26
Figures in bold are statistically significant changes at the 95% confidence level between September and December 09							

The increase in applications for HP finance is perhaps the reason for there being fewer difficulties reported in December. Of those reporting difficulties, 43 per cent were trying to get a bank loan, 25 per cent an overdraft and only 11 per cent HP.

Exporters seeking finance were significantly more likely to encounter difficulties than non-exporters (53 per cent compared to 28 per cent).

The main reasons for being turned down or not getting all the finance they wanted were insufficient security (14 per cent), and sectors being considered too risky (14 per cent).

For those SMEs seeking finance but not eventually obtaining it, most had to defer their plans but eventually went ahead with them (58 per cent).

⁹ ASBS 07/08 = seeking finance in the last 12 months.

Reasons for Not Applying for Finance

Eighty-three per cent of those that did not apply for finance claim they didn't need it. Six per cent thought they would be rejected, 3 per cent didn't want to take on additional risk, and 4 per cent thought it would be too expensive.

Table 28: 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 2009	395	101	55	104	135
	%	%	%	%	%
Did not need it	83	88	75	83	85
Thought they would be rejected	6	4	5	11	4
Thought it would be too expensive	4	*	6	6	6
Didn't want to take on additional risk	3	3	3	2	3
Other	5	3	10	5	3
Don't know	2	*	*	3	4
September 2009	380	93	58	107	122
	%	%	%	%	%
Did not need it	86	92	87	79	89
Thought they would be rejected	5	*	4	12	3
Didn't want to take on additional risk	3	4	3	7	1
Thought it would be too expensive	3	4	7	2	2
Other	2	0	3	*	3
Don't know	3	1	*	2	4
December 2008	365	90	43	102	130
	%	%	%	%	%
Did not need it	81	88	92	69	86
Didn't want to take on additional risk	8	6	7	14	4
Thought it would be too expensive	4	5	1	4	4
Thought they would be rejected	2	3	0	3	2
Other	5	*	0	9	4
Don't know	1	*	0	2	*
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%					

Those in the transport, retail and distribution sector are more likely than average to think they will be rejected for finance, those in the construction sector most likely to think finance too expensive.

Existing Bank Lending - Overdrafts

Fifty three per cent of SME employers have had an overdraft facility at some point in the last 6 months – a similar percentage as in previous Barometers. Overdraft facilities are most common in the primary/manufacturing sector (63 per cent).

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

Table 29: Changes to Terms and Conditions on Overdrafts in the Last 6 Months						
	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=298	n=282	n=300	n=300	n=326	n=310
	%	%	%	%	%	%
Bank put up overdraft fees or interest rates	23	36	27	30	23	30
Bank required more security	13	19	N/A	N/A	N/A	N/A
Bank reduced overdraft limit	13	10	9	10	10	8
Bank cancelled existing overdraft facility	3	3	4	4	5	1
Bank extended overdraft limit	15	18	14	21	17	20
Bank reduced overdraft fees or interest rates	7	10	12	12	14	9
Bank relaxed security requirements	*	3	N/A	N/A	N/A	N/A
No change	48	37	46	44	47	52
Don't know	3	5	5	4	6	2
Figures in bold are statistically significant changes at the 95% confidence level between September and December 09						

Twenty-three per cent of those with overdrafts claim the bank had put up their overdraft fees or interest rates in the previous six months. This is a significant decrease on the September figure.

Thirteen per cent of those with overdrafts report that their banks asked them for additional security in the previous six months – again a significant decrease on the September figure. There were no significant differences according to sub-group for either this or the measure concerning putting up fees or interest rates.

Twenty-three 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

Fourteen per cent of SME employers have had a bank loan in the last 6 months (with the loan outstanding). This is five percentage points lower than the equivalent figure in September – a significant decline. Loans were most common for medium sized businesses (31 per cent), but there was no variance according to sector.

Table 30: Changes to Terms and Conditions on Bank Loans in the Last 6 Months						
	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=110	n=109	n=114	n=121	n=129	n=129
	%	%	%	%	%	%
Bank renegotiated terms of existing loan less favourably for borrower	14	7	11	11	4	4
Interest rates increased on variable loan	4	3	17	10	12	12
Bank cancelled existing loan	2	1	0	*	*	*
Interest rates decreased on variable loan	15	38	39	38	20	20
Bank renegotiated terms of existing loan more favourably for borrower	5	9	1	8	5	5
Bank asked for more security	16	8	4	12	7	7
Any other changes	3	2	4	4	6	6
No changes	54	49	42	41	53	53
Don't know	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 September and December 09						

Although few claim that interest rates on variable loans have increased in the last 6 months, there is a significant decrease in the numbers claiming that rates have decreased.

Asking for more security is an issue most likely to affect smaller SMEs. Twenty per cent of micro businesses with loans were asked for more security, compared to only 4 per cent of medium sized businesses with loans. This issue was also much more likely to affect exporters with loans (37 per cent compared to 8 per cent of non-exporters). Exporters were also more likely to have had unfavourable terms renegotiated (25 per cent compared to 9 per cent of non-exporters).

Most SME employers continue to report that they have a good relationship with their bank. Thirty 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 September and June.

Table 31: Relationship with Bank						
	Dec. 2009	Sept. 2009	June 2009	April 2009	Feb. 2009	Dec. 2008
Base = All SME employees	n=500	n=501	n=500	n=501	n=503	n=500
	%	%	%	%	%	%
Very good	30	31	30	33	37	37
Fairly good	31	31	32	38	30	34
Neither good nor poor	21	19	19	17	17	19
Fairly poor	9	11	10	5	10	5
Very poor	7	7	6	6	5	4
TOTAL GOOD	61	61	62	71	67	70
TOTAL POOR	16	18	17	12	15	9
Figures in bold are statistically significant changes at the 95% confidence level between September and December 09						

Micro businesses tend to report poorer relationships (17 per cent poor), than small (11 per cent) or medium-sized (8 per cent) businesses. Exporters rate banks better than non-exporters (69 per cent of exporters rate relationship as good, compared to 59 per cent of non-exporters).

Factoring

Six per cent of those businesses that offer credit to their customers factor their invoices – a similar figure to that seen in September. Factoring is most likely to occur in the primary/manufacturing sector (15 per cent of those offering credit).

Forty-eight per cent of those that factor claim it is harder to obtain factor finance than it was 6 months ago, whilst 11 per cent say it is easier. Although the percentage saying it has gotten harder is much higher than that seen in September, small sample sizes mean this is not a significant finding.

Forty per cent of those that factor say the cost has increased in the last six months, with 57 per cent saying it has stayed the same, and only 2 per cent reporting a decrease.

Trade Credit Insurance

Four 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. The proportion with current credit insurance is 6 percentage points lower than in the September Barometer, back to the level seen in the April Barometer.

Eighteen per cent of medium-sized businesses that offer credit have had trade credit insurance in the last year, compared to 5 per cent of small and micro businesses. The decline in small businesses with credit insurance is the main reason why the overall proportion has decreased (in September 17 per cent of small businesses offering credit had it).

Twenty-three per cent of those who currently have credit insurance or have had it in the last year reported problems in the last 6 months, a similar proportion to those seen in previous Barometers. The most common problems continue to concern withdrawal of cover, reduced limits and increasing premiums.

Part 4: Real Help for SME Businesses

Awareness of Business Link

Fifty 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'. The construction sector is the least likely to be spontaneously aware of this.

Table 32: Spontaneous Awareness of Business Link – Trends by Sector					
Base = all SME employers in England	All	Primary/ Manu	Construct- ion	TRAD	Services
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					

Twenty-six per cent can spontaneously name this service as Business Link. The increase in awareness is significant in the primary/manufacturing sector.

Business Link 'Health Checks'

Sixty-four per cent of all SME employers in England are aware that Business Link provides free business health checks¹⁰, a similar proportion as that seen in previous Barometers. However, whilst awareness levels have increased significantly in the primary/manufacturing sector, they have decreased in the service sector.

Table 33: 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 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 changes at the 95% confidence level between September and December 09					

¹⁰ This question was asked after prompting the name 'Business Link', hence the figure is higher than for spontaneous awareness of Business Link

Fifteen per cent of SME employers claim they have had a Business Link Health Check. Compared to the September Barometer there was a significant decrease in Business Link Health Check usage within the service industry (down 15 percentage points).

Table 34: Satisfaction with Information Received as a Result of the Health Check					
	December 2009	September 2009	June 2009	April 2009	February 2009
Base = All in England who had a free Health Check	n=65	n=80	n=62	n=71	n=64
	%	%	%	%	%
Very satisfied	32	29	33	31	28
Fairly satisfied	48	25	41	17	33
Neither satisfied nor dissatisfied	7	22	7	19	22
Fairly dissatisfied	9	7	11	12	9
Very dissatisfied	4	12	*	8	8
Don't know	*	5	7	13	0
TOTAL SATISFIED	80	54	74	48	61
TOTAL DISSATISFIED	13	19	12	20	17
Figures in bold are statistically significant changes at the 95% confidence level between September and December 09					

Of those who had a health check, 80 per cent were satisfied (32 per cent very satisfied), and 13 per cent dissatisfied. The increase in satisfaction levels since September is significant, and returns satisfaction levels to those seen in June. Those in the primary/manufacturing sector (27 per cent) were the most likely to be dissatisfied .

HMRC

Twenty per cent of SME employers in the UK have made use of HMRC's Business Payment Support Service – a significant 5 percentage point rise on the September figure.

Of those who had contacted the tax office, 80 per cent found HMRC's response helpful, 49 per cent considered it reasonable and 34 per cent sensitive. These ratings are better than those seen in September, but the differences in the figures are not statistically significant.

Table 35: View of HMRC's Service						
	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=98	n=77	n=81	n=71	n=98	n=66
	%	%	%	%	%	%
Helpful	80	65	84	41	55	37
Reasonable	49	47	55	62	44	27
Sensitive	34	26	50	19	18	6
None of these	5	7	3	10	15	34
Don't know	*	*	4	2	9	6
Figures in bold are statistically significant changes at the 95% confidence level between September and December 09						

Real Help for Businesses Now

Sixty-two per cent of SME employers are aware that the Government has announced a number of measures to help businesses through the economic downturn – a similar figure to that seen in September, although there has been a downward trend in this awareness since it was first measured in February.

Table 36: Awareness of 'Real Help for Businesses Now' – by Sector					
Base=all SME employers	All	Primary/ Manu	Construct- ion	TRAD	Services
December 2009	n=500	n=130	n=69	n=136	n=165
	%	%	%	%	%
Aware that Government has announced measures to help businesses in the economic downturn	62	68	53	57	67
Aware that package is called 'Real Help for Businesses Now'	17	17	20	19	15
September 2009	n=501	n=132	n=72	n=143	n=154
	%	%	%	%	%
Aware that Government has announced measures to help businesses in the economic downturn	65	65	56	59	73
Aware that package is called 'Real Help for Businesses Now'	15	15	12	11	21
June 2009	n=500	n=130	n=60	n=148	n=162
	%	%	%	%	%
Aware that Government has announced measures to help businesses in the economic downturn	70	66	71	66	73
Aware that package is called 'Real Help for Businesses Now'	16	16	18	16	15
April 2009	n=501	n=157	n=62	n=136	n=146
	%	%	%	%	%
Aware that Government has announced measures to help businesses in the economic downturn	71	80	74	58	77
Aware that package is called 'Real Help for Businesses Now'	21	12	17	22	25
February 2009	n=503	n=111	n=61	n=145	n=186
	%	%	%	%	%
Aware that Government has announced measures to help businesses in the economic downturn	78	82	79	69	84
Aware that package is called 'Real Help for Businesses Now'	24	14	19	24	29

Figures in bold are statistically significant for that sector against the total.

When prompted, 17 per cent claimed they knew the package of measures was called 'Real Help for Businesses Now' – a similar proportion to the September and June surveys. Awareness levels did not vary significantly by sector although, interestingly, micro businesses were more likely to be aware than small ones (19 per cent micro, 10 per cent small).

Twenty-three per cent have seen advertising which encourages businesses to find out more about the help available to them – the same proportion seen in September. Awareness was highest in the transport, retail and distribution sector (30 per cent), and higher for micro businesses than for small and medium sized ones (25 per cent, compared to 16 and 21 per cent respectively).

SME employers were asked whether they were aware of various Government measures, and then whether their business had used them, benefited or accessed the help from any of them.

Table 37: Awareness and Usage of Real Help for Businesses Now Services/Measures										
	Dec. 2009		Sept. 2009		June 2009		April 2009		February 2009	
	Aware	Used	Aware	Used	Aware	Used	Aware	Used	Aware	Used
Base = All SME employers	n=500		n=501		n=500		n=501		n=503	
	%	%	%	%	%	%	%	%	%	%
Business Health Check (d) ¹¹	65	13	61	16	54	12	51	8	55	11
Train to Gain (g)	54	6	49	4	57	7	48	5	52	5
HMRC Support Service (i)	48	20	41	15	45	13	42	11	N/A	16
Prompt Payment Business Code (e)	31	0	30	1	35	*	35	1	28	0
Government Guaranteed Loan from Bank (a)	27	2	25	2	40	1	36	3	40	1
Payment by Government within 10 Days (c)	22	1	21	1	28	*	29	1	20	1
RHFB Website (f)	22	*	11	*	15	*	19	*	15	1
Help with Managing Cashflow (h)	20	1	13	*	18	*	16	*	18	1
Trade Credit Insurance Top-Up Scheme (h)	15	*	11	*	N/A	N/A	N/A	N/A	N/A	N/A
Capital for Investment Fund (b)	11	1	11	*	16	*	15	*	13	0
None of these	15	74	20	70	13	71	15	75	14	70

Figures in bold are statistically significant changes at the 95% confidence level between September and December 09

¹¹ Figures here are for all in the UK. The previous figure in Table 33 was for all in England.

The Business Link Health Check is the measure most likely to have been heard of in the UK, despite only being available in England. This is followed by Train to Gain, which 54 per cent of SME employers are aware of, and the HMRC Support Service (48 per cent).

Awareness of a few of the Real Help for Businesses Now services have increased since September. Awareness of the HMRC Support Service has increased by 7 percentage points; awareness of the RHFB website by 11 percentage points; and awareness of Help with Managing Cashflow has increased by 7 percentage points. As a result of this the percentage not aware of any of the measures has decreased from 20 to 15 percent.

The construction sector is most likely to be aware of measures – only 4 per cent are not aware of any. This contrasts to the transport, retail and distribution sector, 21 per cent of who are unaware of any of the measures.

Twenty-four per cent of SME employers have used any of these listed services, or benefitted from them in some way – a similar proportion to that seen in September. With the exception of the HMRC Support Service usage of individual surveys is no higher than it was in September

The primary/manufacturing sector is most likely to make use of any of the services – 37 per cent compared to just 16 per cent in the service sector. Primary/manufacturing businesses are more likely than average to make use of the Business Health Check (27 per cent), and Train to Gain (17 per cent).

Table 38: Ease of Finding Information about Real Help for Businesses Now					
	Dec. 2009	Sept. 2009	June 2009	April 2009	Feb. 2009
Base = All who have accessed help available through RHBN	n=196	n=178	n=176	n=117	n=124
	%	%	%	%	%
Very easy	15	10	17	8	20
Fairly easy	37	26	24	41	31
Neither easy nor hard	15	21	13	16	14
Fairly hard	14	6	6	11	20
Very hard	8	9	6	12	5
Don't know	11	28	35	12	10
TOTAL EASY	52	36	41	50	51
TOTAL HARD	22	15	11	23	25
Figures in bold are statistically significant changes at the 95% confidence level between September and December 09					

Fifty-two per cent found of those who accessed any help through Real Help for Business Now found it easy to find information, whilst 22 per cent found it hard. The proportion finding it easy has increased significantly.

Table 39: Satisfaction with the Information Found					
	Dec. 2009	Sept. 2009	June 2009	April 2009	Feb. 2009
Base = All who have accessed help available through RHBN	n=196	n=178	n=176	n=117	n=124
	%	%	%	%	%
Very satisfied	18	11	24	19	12
Fairly satisfied	41	36	29	36	45
Neither satisfied nor dissatisfied	13	17	7	14	17
Fairly dissatisfied	8	8	5	4	11
Very dissatisfied	6	2	1	12	3
Don't know	14	25	34	14	11
TOTAL SATISFIED	59	47	53	55	58
TOTAL DISSATISFIED	14	10	6	17	15

Figures in bold are statistically significant changes at the 95% confidence level between the June and September Barometers

Fifty-nine per cent were satisfied with the information they received – a significant increase on the September Barometer. Fourteen per cent were dissatisfied.

Technical Appendix

A sample of SME employers was drawn from those who had taken part in the 2007/08 and 2006/07 ASBS survey and who were willing to be recontacted:

- Those that had been interviewed in the December 2008, February, April, June and September 2009 Business Barometers were excluded
- Only those with employees were sampled
- Those who had applied for finance in the 12 months preceding the 2006-08 interview were oversampled so that they represented 40 per cent of the sample
- The sample was drawn in the correct regional proportion (the ASBS's contained regional boosts)
- 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; service), and whether finance had been sought in the ASBS's. The data were weighted at the analysis stage to correct this sampling bias and make the survey representative of all SME employers (based on 2007 SME statistics, published by the Enterprise Directorate).

	Unweighted		Weighted	
	n=	%	n=	%
1-9 employees	200	40	418	84
10-49 employees	166	33	71	14
50-249 employees	134	27	11	2
Primary/manufacturing	130	26	73	15
Construction	69	14	60	12
Transport, retail and distribution	136	27	168	34
Services	165	33	200	40
Sought finance in the previous 12 months (in 06/07)	200	40	115	23
Did not	300	60	385	77
Total	500	100	500	100

500 interviews were conducted between the 30th November and 10th 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.