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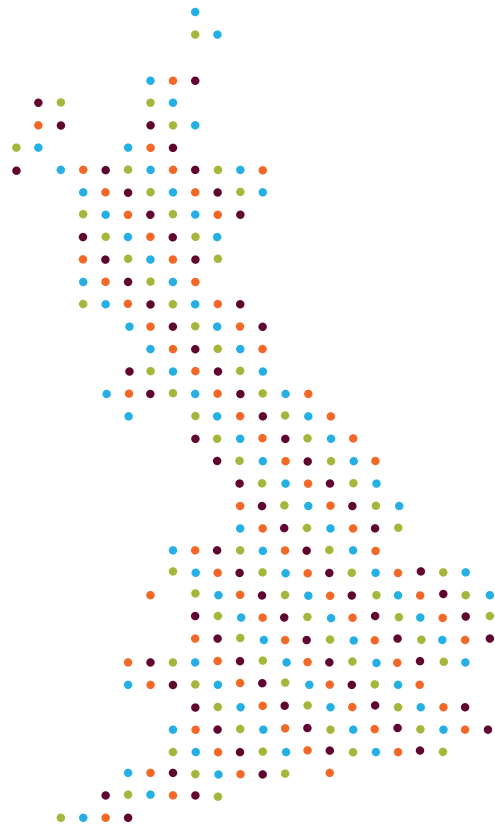
Business School



2011

Quarterly Survey of Small Business in Britain

Special topic: post-recession trends



Summary

The UK's small and medium-sized enterprises (SMEs) report a further slight decline in sales performance. With sales expectations for the next quarter at the same muted levels, there seems to be no immediate prospect of an uplift. However, the manufacturing sector may offer some grounds for optimism, with continuing strong performances in sales and jobs. The economic climate remains by far the biggest problem facing SMEs, though competition and rising prices are growing issues. Small firms report mixed views on the government's spending policies. A retrospective analysis of 26 years of Quarterly Survey data reveals striking differences in the performance of SMEs in the wake of the 2008 economic crisis and following the previous recession of the early 1990s.

- Small retailers have seen sales fall continuously for over four years, they remain the worst-performing sector and expect only a modest pre-Christmas boost.
- Manufacturing continues to perform better than most other sectors, reminiscent of its leading position in emergence from the recession of the early 1990s.
- After faltering in the previous survey, SME wholesalers are again reporting robust sales growth, as are those in the health/education/leisure & other personal services sector, which is the most optimistic about prospects for the final quarter.
- Construction firms are now reporting turnover falling as fast as those in the retail sector. SMEs in transport & storage have also seen sales fall and have cut employment. In addition, firms in this sector are particularly pessimistic about their sales prospects.
- SMEs in the East and West Midlands report the best sales and employment performance over the past year. Those in the East Midlands are most optimistic about their sales prospects for the current quarter.
- The economic climate remains by far the biggest issue facing Britain's SMEs, with 63% of firms ranking it as one of their top three problems.
- Competition has moved into second-place in the list of problems, a particular issue both in the struggling construction industry, where firms are cutting prices, and in the East and West Midlands where business is better but competition is fierce.
- As retail inflation has been increasing, more SMEs are having problems with the cost of inputs. The net balance of firms increasing their own average selling prices over the past year and the balance expecting to increase them over the current quarter have, though, both fallen a little.
- Generally, most SMEs are slow to change their employee numbers from year to year but over a longer horizon, the firms taking part in this survey expect to employ 14% more people in three years' time.
- A majority of SMEs (62%) believe that the government should not introduce further cuts in spending, a view that is particularly strong among those already affected adversely by the downturn. This leaves 36% of firms in favour of sharper cuts in public spending.
- Small firms made a quicker *initial* recovery after the 2008 recession, compared to that of the early 1990s, with the retail and construction sectors being notable exceptions. The recent recession has also had a less *visible* impact on SME employment. Over a 10 year period, the UK's smallest firms have consistently reported lower sales performance than those with 10 or more employees.

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