

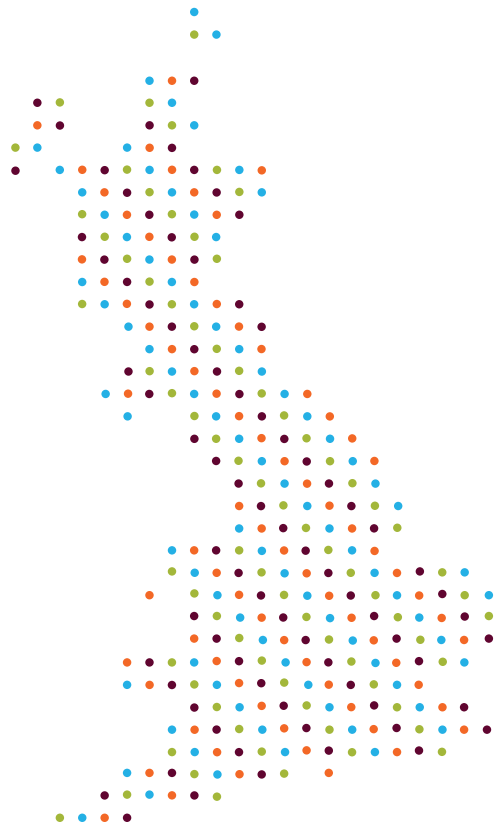


The Open
University

Business School

Quarterly Survey of Small Business in Britain

*Special topics: focus, employment,
'greening' business*



2011

Summary

Britain's small firms are on the brink of sliding back into recession. Recovery in the small firm sector has stalled over the past year and sales expectations for the next quarter are lower than at this time last year. Inflationary pressures may be easing but the economic climate remains by far the biggest problem facing SMEs. Only a very small balance expect to increase employment over the coming quarter and a majority feel that SME employment prospects for the coming year are poor. They feel that reductions in employment legislation and red tape or tax incentives would help SMEs to create additional jobs. Many SMEs can see no benefits in 'greening' their business, especially when they are struggling to survive.

- The sales balance for small firms has dipped and sales expectations for the current quarter are also down, to just below the level of twelve months ago.
- Medium-sized firms have fared somewhat better than the smallest and are more optimistic about sales and employment prospects for the third quarter.
- Small retailers have seen sales fall continuously for the past four years and they expect things to continue to worsen during the third quarter.
- Manufacturing remains as one bright spot with sales performance slightly down on last quarter but robust. Small manufacturers are positive about their third quarter prospects. Another bright spot is the health/education/leisure & other personal services sector which has seen the best sales performance over the past year.
- While conditions remain difficult and cashflow remains a particular problem, pressures have eased a little for construction firms. They are more optimistic about their prospects for the third quarter than they were for the second.
- SMEs in Scotland and the West Midlands report the best sales performance over the past year and are most optimistic about their prospects for the current quarter.
- The economic climate is by far the biggest issue facing Britain's SMEs, with 55% of firms ranking it as one of their top three problems.
- Fewer firms are reporting inflation and the cost of inputs as a 'top three' problem. The net balance of firms increasing their average selling prices over the past year and the balance expecting to increase them over the current quarter have both fallen a little.
- Most SMEs did not change their employee numbers over the past year, neither do they expect the situation to change greatly during the third quarter. A majority believe that employment prospects within SMEs over the next year are 'poor' or 'very poor'.
- The most common request to help SME employment prospects is a reduction in red tape and legislation related to employment, followed by tax incentives.
- While some small firms have seen big benefits from trying to become more environmentally sustainable, others are sceptical, have more pressing priorities or cannot find the funds to make the changes, even if they believe they would help.

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