

The National Business Survey

National Report – November 2009 Results

Ipsos MORI



Executive Summary (1)

- NBS results from November 2009 demonstrate the continued challenging conditions faced by businesses in England and Northern Ireland - 47% reported declining business performance in the past 12 months.
- However, the NBS provides strong evidence that market conditions are stabilising and there has been a slight overall improvement in businesses performance compared to June 2009.
 - A greater proportion of businesses reported improved in performance in November compared to the previous wave – 20% in November 2009 compared to 16% in June (17% and 11% respectively in Northern Ireland).
 - Fewer businesses reported deteriorating performance compared to June 2009, a sign that a stronger operating environment and more favourable demand conditions is beginning to positively impact on business.
- Certain regions and sectors are experiencing a faster upturn in business performance than others:
 - Business performance for hotels/catering and construction is improving at a faster rate compared to other business sectors, although these sectors experienced the sharpest deterioration in performance in June 2009.
 - Firms within the North East, Yorkshire, West Midlands and London reported significantly improved performance, while the South West is the strongest performer overall.
 - Larger businesses (50+ employees) continue to perform better than smaller business with nearly a third (30%) of these businesses reporting improved business performance in the last 12 months. However the proportion of 50+ firms reporting improved performance in November actually decreased by 5 % points compared to June.
- The improved business performance is reflected in the increase of orders, output, profit margins and cash-flow, although these metrics are yet to reach the levels of a year ago.
 - Firms in the construction and hotels/catering sector have experienced the greatest improvement in orders.

Executive Summary (2)

- Reflecting better business performance, firms are also more positive about the future business climate:
 - Organisations in the South East are the most optimistic overall and also reported the biggest change in the proportion of business expecting the climate to improve – up 10 % points compared to June 2009.
 - Manufacturing firms are the most optimistic, driven by improving demand and better exchange rates. Expectations in terms of domestic orders have improved across all sectors. Significantly, domestic demand expectations have strongly improved among manufacturing sector firms
- However, the recession has clearly weakened the ability of firms to cope with a further downturn. Indeed, it is of concern that nearly a third of businesses (32%) feel that they are not well placed to weather any further downturn in economic conditions:
 - The proportion of 50+ employee firms stating they are not at all well placed to weather a further downturn has increased strongly since June.
- The continued tough business environment is reflected in the high level of price competition and there is little sign that this has eased for businesses between June and November 2009:
 - Nearly three quarters of businesses (72%) who reported a deterioration in their business performance also reported a higher level of price competition in their market, indicating that many businesses are struggling to win new business and retain their customers
 - Incidence of delayed payments from customers has declined a little in manufacturing firms compared to June - encouragingly, payments across the supply chain may be becoming a little more streamlined in certain sectors
- Motivated by weak demand, businesses are branching out and actively pursuing new markets:
 - Firms have continued to reduce the number of staff. However, unemployment growth looks set to slow further, with fewer businesses expecting to reduce staff in the next 12 months

Executive Summary (3)

- Businesses are still cautious over increasing capital investment levels, unsurprising given the challenging current conditions but the general trend is upward.
- While it is unclear if this will be used to actively fund expansion or as a lifeline to allow the business to keep trading, the NBS shows that demand for finance is actually increasing - a fifth of firms will need to raise new sources or renegotiating existing finance or credit in the next 12 months:
 - There is a clear link between those businesses that have had to raise new sources of credit and the level of concern they feel about the future operating environment
 - Smaller firms have reported that credit lending conditions have worsened, leading to huge challenges. Significantly higher proportions of 1-9 employee firms reported problems in accessing finance or credit compared to June. Conversely, it is getting better for larger firms – fewer, 50+ firms reported problems accessing finance or credit over the same period
- Businesses continue to take active steps to reduce their CO₂ emissions - the adoption of these measures is clearly having an impact on the bottom line

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Background and methodology

Background and objectives

- This report is based on findings from the National Business Survey (NBS), November 2009, conducted by Ipsos MORI on behalf of the Regional Development Agency Network and Invest Northern Ireland.
- The National Business Survey is one of the largest and most statistically robust of its kind carried out in England and Northern Ireland with over 5,300 companies responding from all sectors of the economy. Respondents are senior business leaders within their organisation.
- The survey is carried out twice a year (spring and autumn) with the latest findings covering opinion for the months October – December 2009. The survey asks a variety of questions ranging from business optimism to orders and output, skills issues, cost pressures and environmental performance.
- The survey builds on the findings and work of the survey carried out in June 2008, November 2008, June 2009 and of the previously titled “UK Survey of Regional Economic Trends”, which ran over nine consecutive waves, from spring 2003.

Methodology

- The methodology and questionnaire remain largely unchanged to ensure consistency of approach between survey waves and data.
- The National Business Survey uses a postal methodology, with the option of completing the survey online for those who find this more convenient.
- An initial mail-out was sent out to a randomly selected, representative sample of businesses and organisations across the country. Following this email reminders were sent to all organisations with email contact details.
- Fieldwork was conducted between October and December 2009 and the final achieved sample size was 5,313. The table on the next slide shows how responses were broken down by each region.
- Data have been weighted by size (employee numbers), region and sector, to reflect the national profile.

Sampling

Region	Sample Size November 2009	Sample Size June 2009	Sample Size November 2008	Sample Size June 2008
Yorkshire and Humber	925	1,215	843	1,144
West Midlands	432	616	327	319
South West	437	558	425	454
South East	683	957	569	657
North West	438	620	538	357
North East	351	431	343	307
London	420	552	505	414
East Midlands	805	938	738	735
East of England	449	529	380	410
England	4,940	6,416	4,668	4,797
Northern Ireland	373	411	335	438
TOTAL (England and Northern Ireland)	5,313	6,827	5,003	5,235

■ Publication of the Data

- As with all our studies, these findings are subject to our standard Terms & Conditions of Contract. Any press release or publication of the findings of this survey requires the advance approval of Ipsos MORI. This would only be refused on the grounds of inaccuracy or misrepresentation of the findings.

■ Acknowledgements

- We would like to place on record our thanks for the input and support provided during the study from Victoria Gell, Bethan Sheridan-Jones, and Patrick Bowes at Yorkshire Forward, as well as Ian Kay at the Office for National Statistics. We would also like to thank all businesses who took the time to take part in the survey.

Findings from the National Business Survey

November 2009

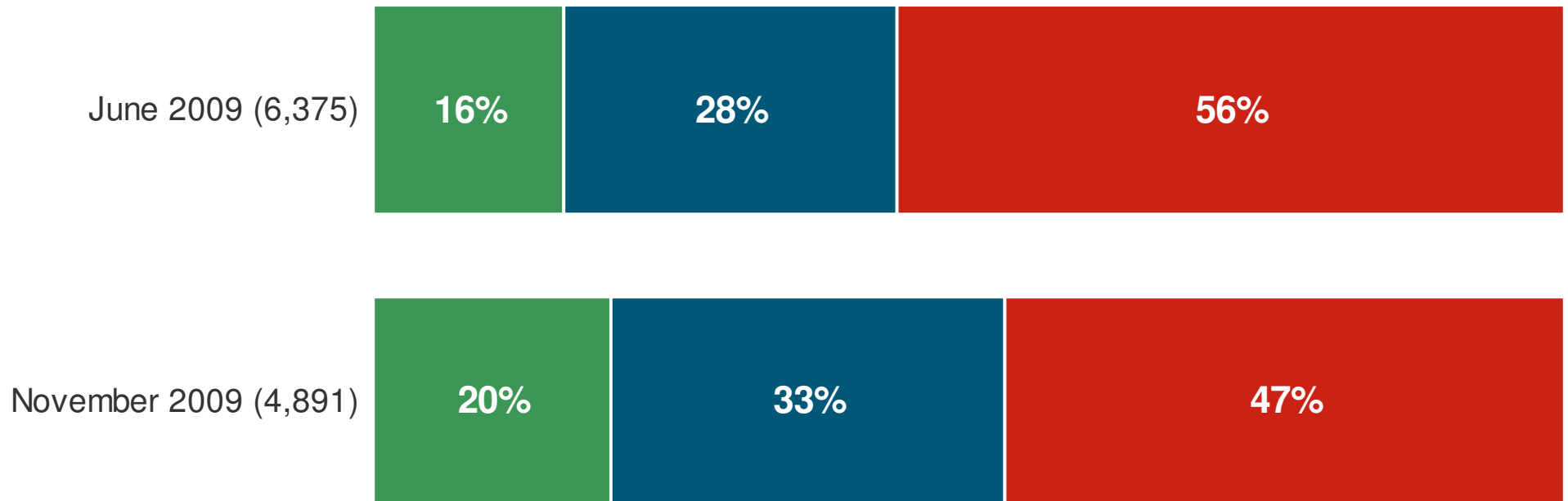
Section 1

Headline Business Performance

While business performance has improved from the low of June 2009, many firms across England are feeling the effects of the recession

Q Would you say that overall, your business performance in the past 12 months has improved, remained stable or deteriorated?

■ Improve ■ Remain stable ■ Deteriorate



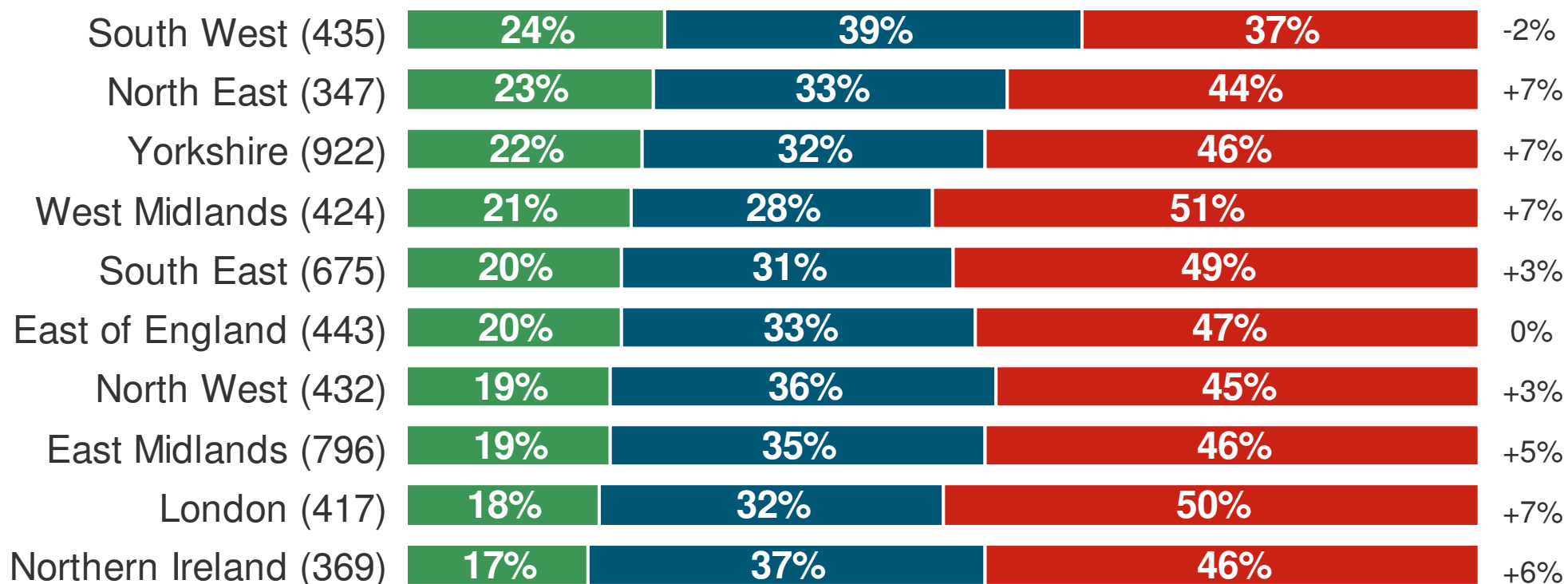
A greater proportion of businesses reported improved performance in November compared to the previous wave – 20% in November 2009 compared to 16% in June (17% and 11% respectively in Northern Ireland). Fewer businesses also reported deteriorating performance compared to June 2009, a sign that a stronger operating environment and more favourable demand conditions is beginning to positively impact on business.

Businesses in most regions have seen an improvement in business performance, compared to the previous wave – however there are still challenges to face with between 40% and 50% of business in most regions citing a deterioration

Q Would you say that overall, your business performance in the past 12 months has improved, remained stable or deteriorated?

■ Improved ■ Remained Stable ■ Deteriorated

%improve:
diff to June
2009



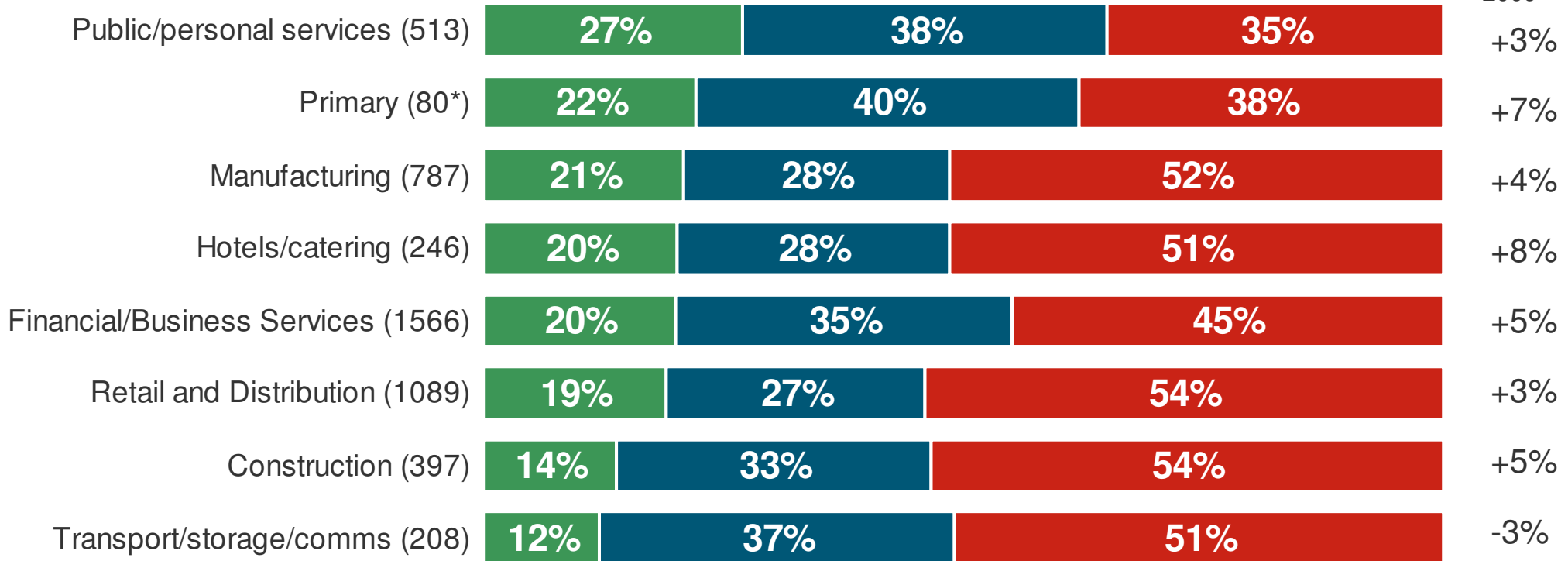
Firms within the North East, Yorkshire, West Midlands and London reported significantly improved performance compared to June 2009. South West region is the strongest performer overall with the lowest proportion of firms (37%) reporting that performance had deteriorated. While business performance has been stronger compared to June 2009, firms in Northern Ireland and London are the least likely to state that performance has improved compared to other regions.

All sectors, apart from transport, reported higher proportions of firms experiencing improved business performance compared to June 2009

Q Would you say that overall, your business performance in the past 12 months has improved, remained stable or deteriorated?

■ Improved ■ Remained Stable ■ Deteriorated

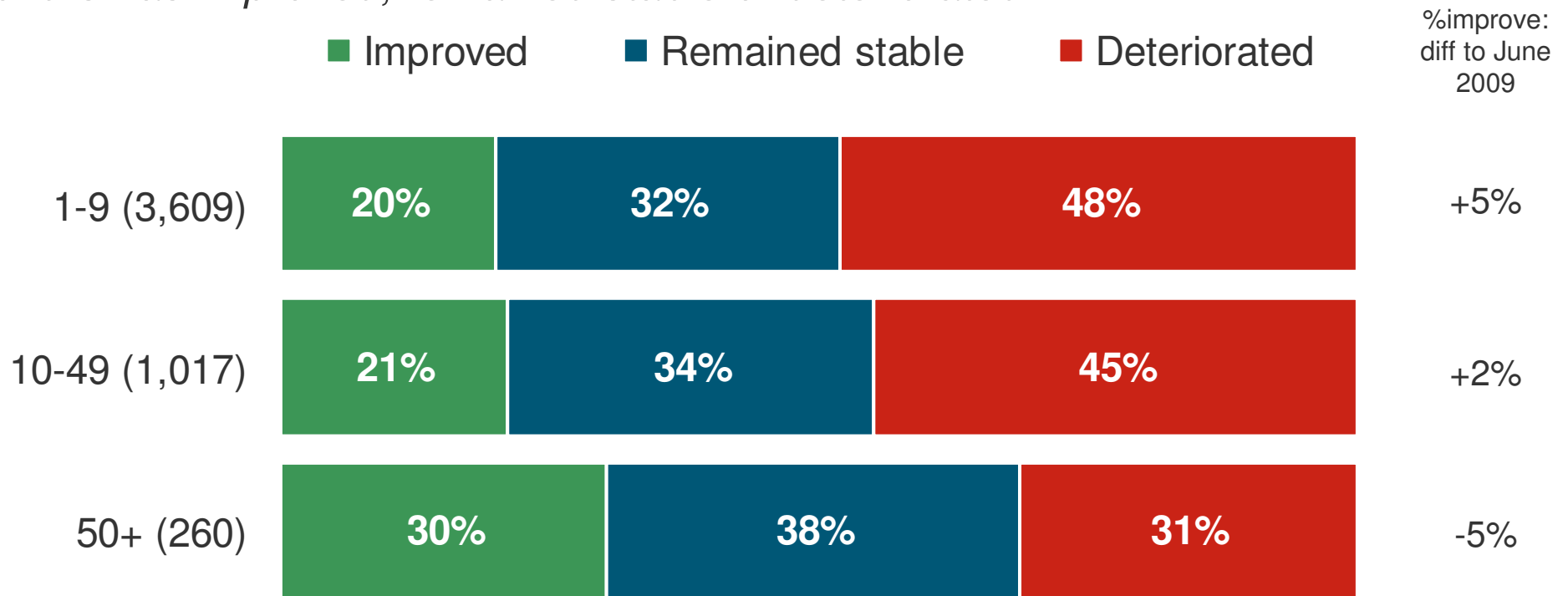
%improve:
diff to June
2009



The number of firms in the hotels/catering industry reporting improved performance increased by 8 % points in June compared to November – the strongest increase of all the sectors. While conditions are still challenging for the construction sector, business performance has clearly improved over the last 6 months - 54% of construction firms reported a deterioration in business performance in November compared to 67% in June. The transport sector continues to struggle - while there are greater numbers now reporting stable business performance, slightly fewer reported improved performance compared to June 2009

Better economic conditions are having a positive impact on small firm performance. While 1-9 employee firms are more likely to report deteriorating performance overall, a slightly higher number also reported improved performance compared to June 2009 16

Q Would you say that overall, your business performance in the past 12 months has improved, remained stable or deteriorated?

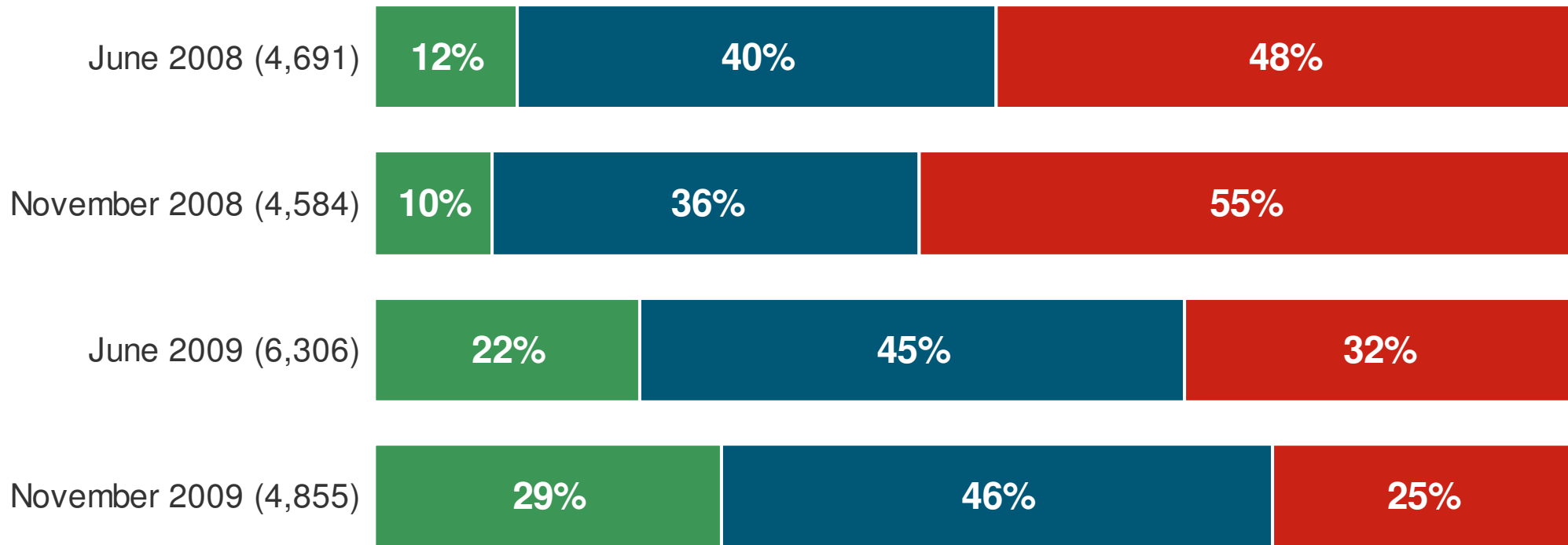


Larger businesses (those with 50+ employees) continue to perform better than smaller business with nearly a third (30%) of businesses reporting improved business performance in the last 12 months. However, the full impacts of the recession are still filtering through to larger firms - the proportion reporting improved performance in November actually decreased by 5 % points compared to June. A fifth of smaller businesses (20% with 1-9 employees) saw an improved business performance, a 5 % point increase on June 2009. Smaller firms are clearly more sensitive to changing economic conditions, falling harder in the downturn but conversely experiencing quicker recovery.

Reflecting an overall stabilising of business performance over the last 12 months, firms of all sizes now feel slightly more positive about the business climate for the next 12 months compared to June 2009

Q Over the next 12 months do you expect the business climate in which your business operates to generally improve, remain stable, or deteriorate?

■ Improve ■ Remain stable ■ Deteriorate



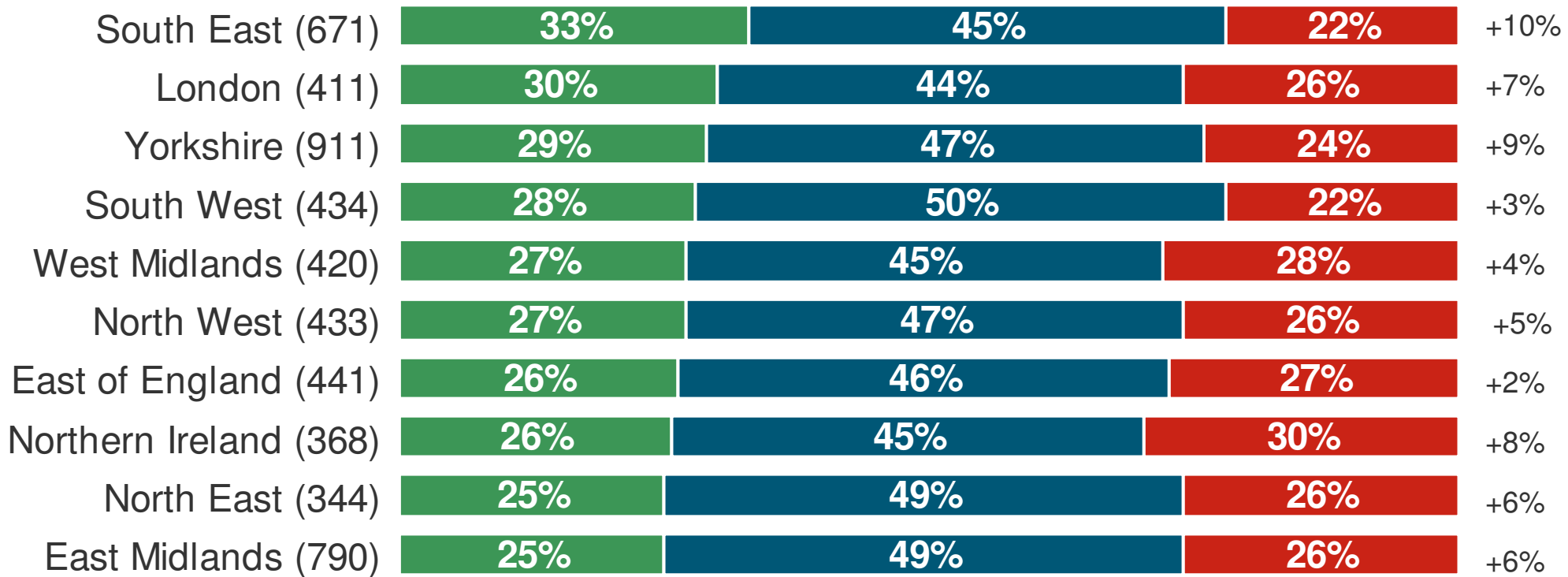
Businesses are clearly feeling more optimistic with 29% of firms in England (26% in Northern Ireland) expecting the business climate to improve over the next 12 months, while fewer - only a quarter of businesses - expect to see a deterioration. There are no significant differences in overall optimism by business size.

Businesses in the South East, London and Yorkshire are the most optimistic about the future

Q Over the next 12 months do you expect the business climate in which your business operates to generally improve, remain stable, or deteriorate?

%improve:
diff to June
2009

■ Improve ■ Remain Stable ■ Deteriorate



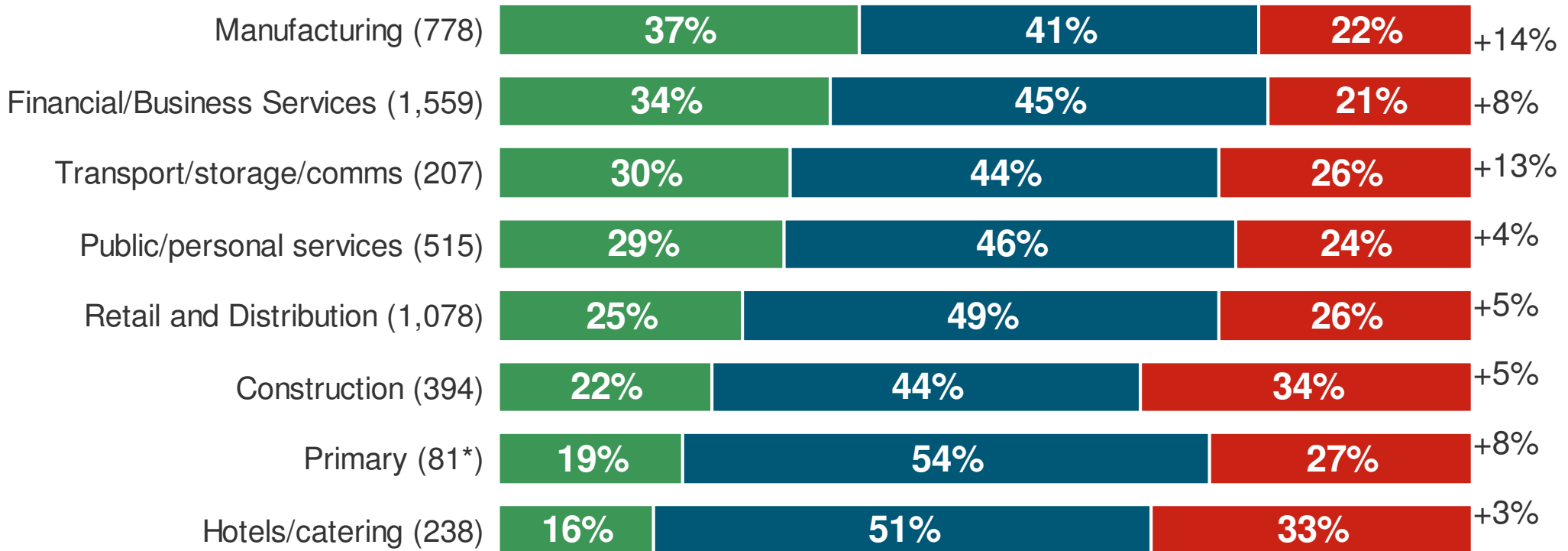
Organisations in the South East are the most optimistic overall and also reported the biggest change in the proportion of business expecting the climate to improve – up 10 % points compared to June 2009. Firms in the East of England and the South West reported the lowest increase in the proportion who expected conditions to improve compared to June. Interestingly these regions had the highest level of optimism in the June wave of the NBS.

Businesses in the manufacturing sector are the most optimistic about the future business climate, perhaps driven by improving demand and a favourable exchange rate position. While the hotels/catering sector is now the most pessimistic sector

Q Over the next 12 months do you expect the business climate in which your business operates to generally improve, remain stable, or deteriorate?

■ Improve ■ Remain Stable ■ Deteriorate

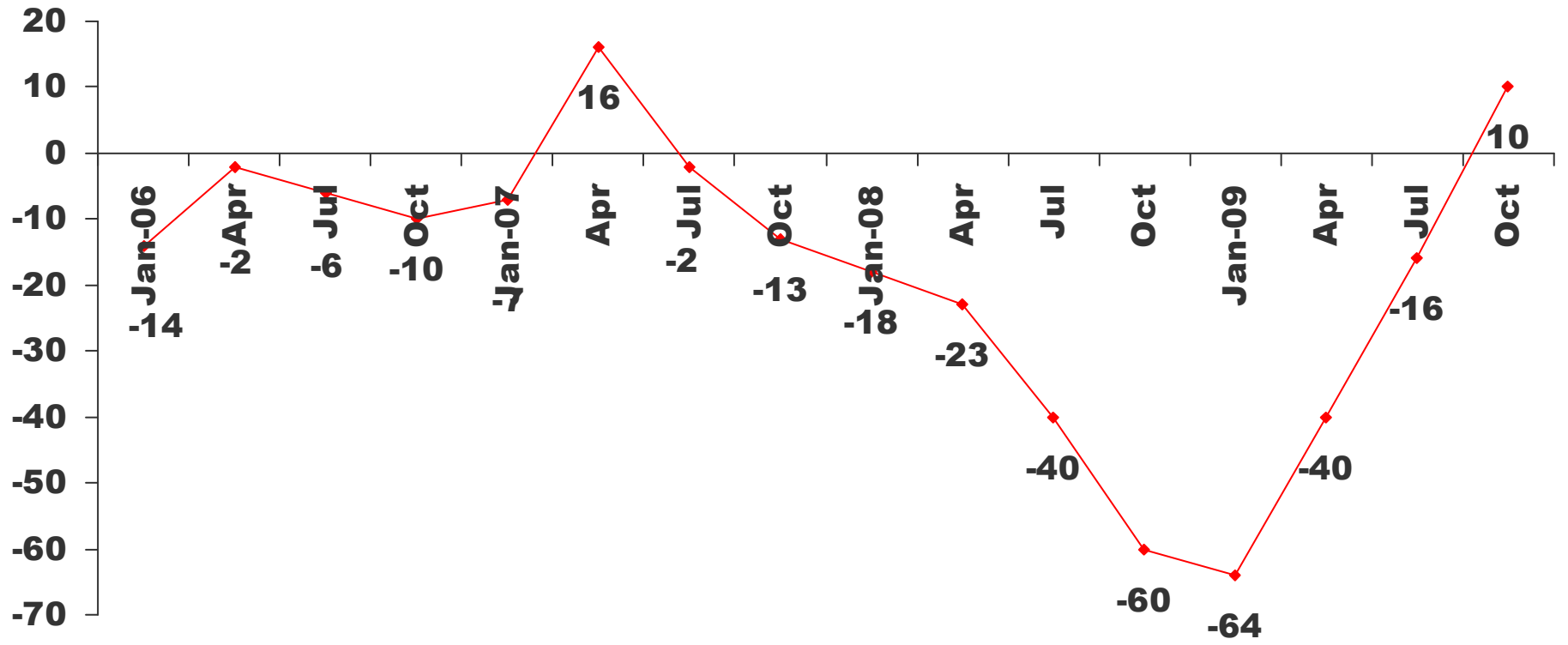
%improve:
diff to June
2009



The manufacturing sector is the most optimistic about the upcoming year with 37% of businesses expecting a improvement in the business climate – an increase of 14% points from June 2009. The hotels/catering sector is slightly more pessimistic than in June with a net improvement score of -17% - compared to -12% in June 2009. While transport firms have struggled in their business performance over the last six months relative to other sectors, their expectations for the business climate is one of the most positive

The CBI Quarterly Industrial Trends Survey shows a similar trend to the NBS – business confidence improved in January 2009, and is now showing a positive balance

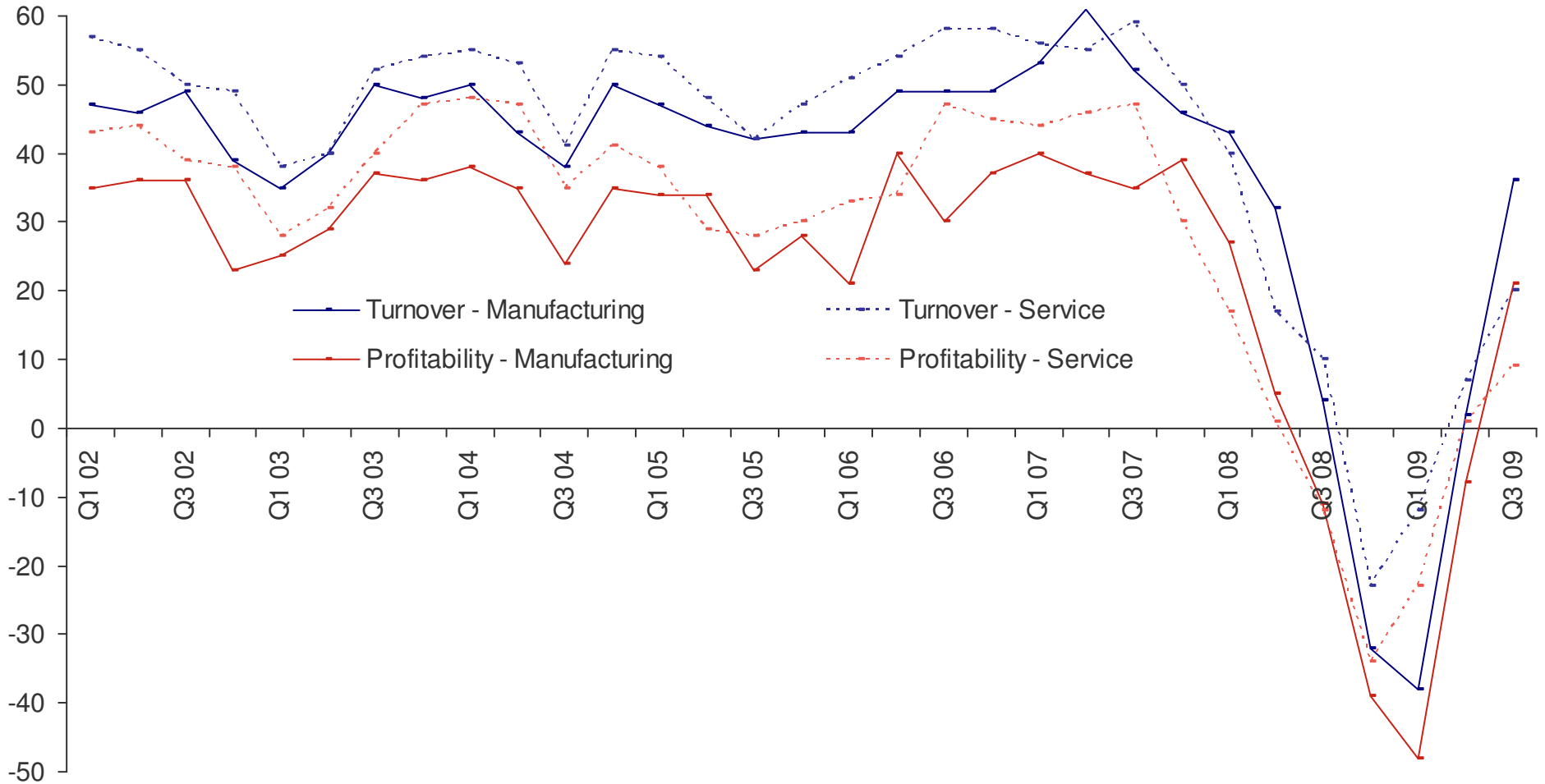
Balance is a percentage difference between negative and positive responses



Source: CBI Quarterly Industry Trends Survey (UK)

The findings of the BCC Quarterly Economic Survey are consistent with the trends in the November wave of the NBS - confidence in turnover and profitability in manufacturing firms is increasing at a faster rate compared to many parts of the services sector

Confidence, by turnover and profitability, within manufacturing and servicing sectors

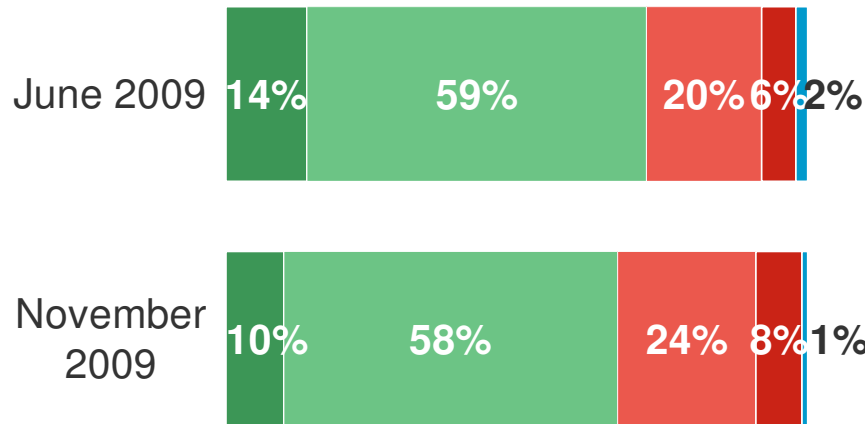


Source: BCC Quarterly Economic Survey (UK)

Many businesses have been stretched to their limits and are increasingly worried about the effects of any further downturn

Q How well placed is your business to weather any downturn in economic conditions over the next 12 months?

■ Very well placed ■ Fairly well placed
■ Not very well placed ■ Not at all well placed
■ N/A



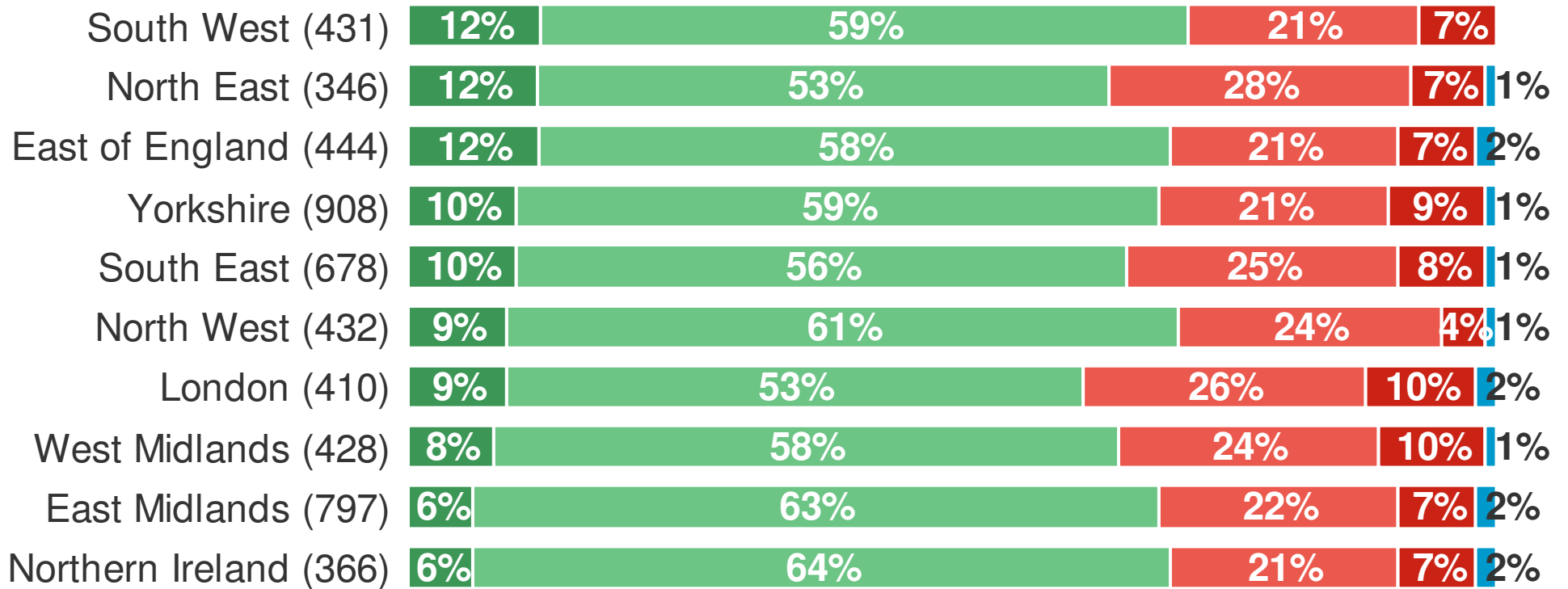
	Very well	Fairly well	Not very well	Not at all well
Public/personal service (518)	12%	56%	25%	5%
Manufacturing (790)	11%	63%	20%	6%
Financial/Business Services (1,560)	11%	60%	21%	7%
Retail and Distribution (1,076)	9%	58%	21%	10%
Primary (82*)	8%	66%	18%	5%
Construction (392)	7%	53%	29%	10%
Transport/storage/comms (207)	7%	64%	21%	8%
Hotels/catering (244)	6%	43%	37%	14%

It is a concern that nearly a third of businesses (32%) feel that they are not well placed to weather any further downturn in economic conditions – this is significantly more than the quarter of businesses (26%) who reported this in June 2009 (28% and 30% in Northern Ireland). All sectors report increasing numbers of firms stating they are not well placed compared to June 2009, but firms in the hotels/catering sector are the most vulnerable overall - 51% of these firms are not well placed to weather any downturn up from 39% in June

Across all regions, businesses are feeling increasingly concerned about how they will cope with any further downturn compared to June – of all regions, firms in the South West feel the most resilient to any further deterioration in conditions

Q How well placed is your business to weather any downturn in economic conditions over the next 12 months?

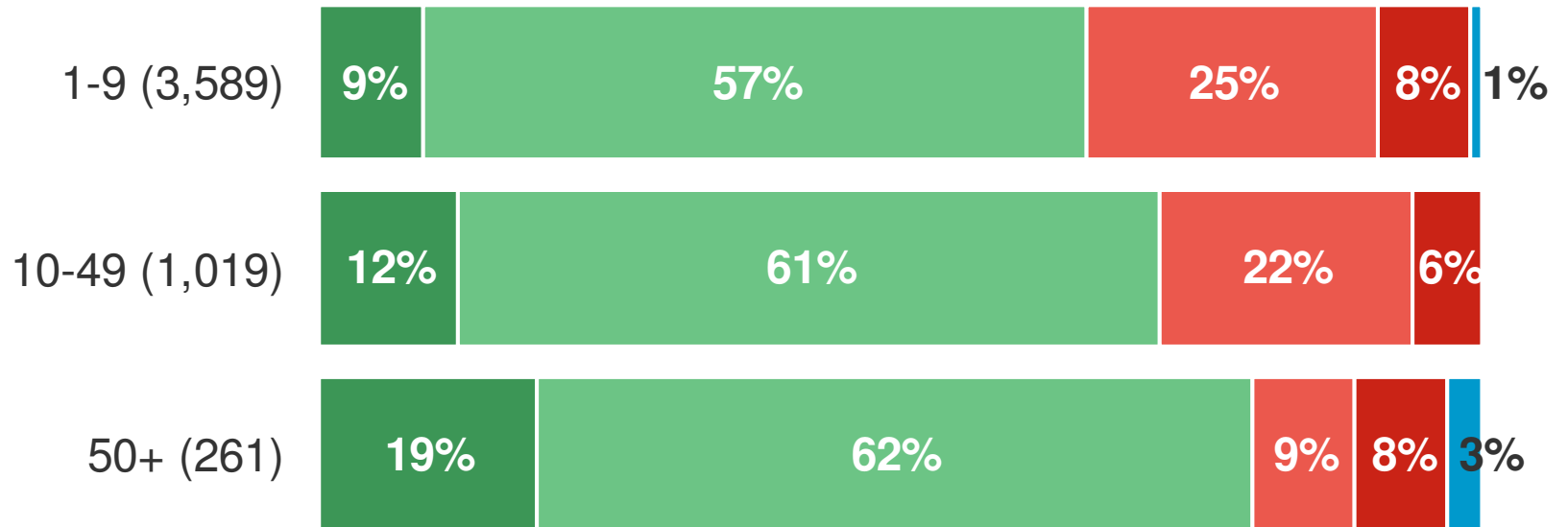
■ Very well placed ■ Fairly well placed ■ Not very well placed ■ Not at all well placed ■ N/A



Smaller firms still feel least well placed should there be a further downturn in economic conditions. However the proportion of 50+ employee firms stating they are not at all well placed has increased strongly since June. This indicates that some larger firms have been significantly weakened by the downturn over the last six months and are now at risk

Q How well placed is your business to weather any downturn in economic conditions over the next 12 months?

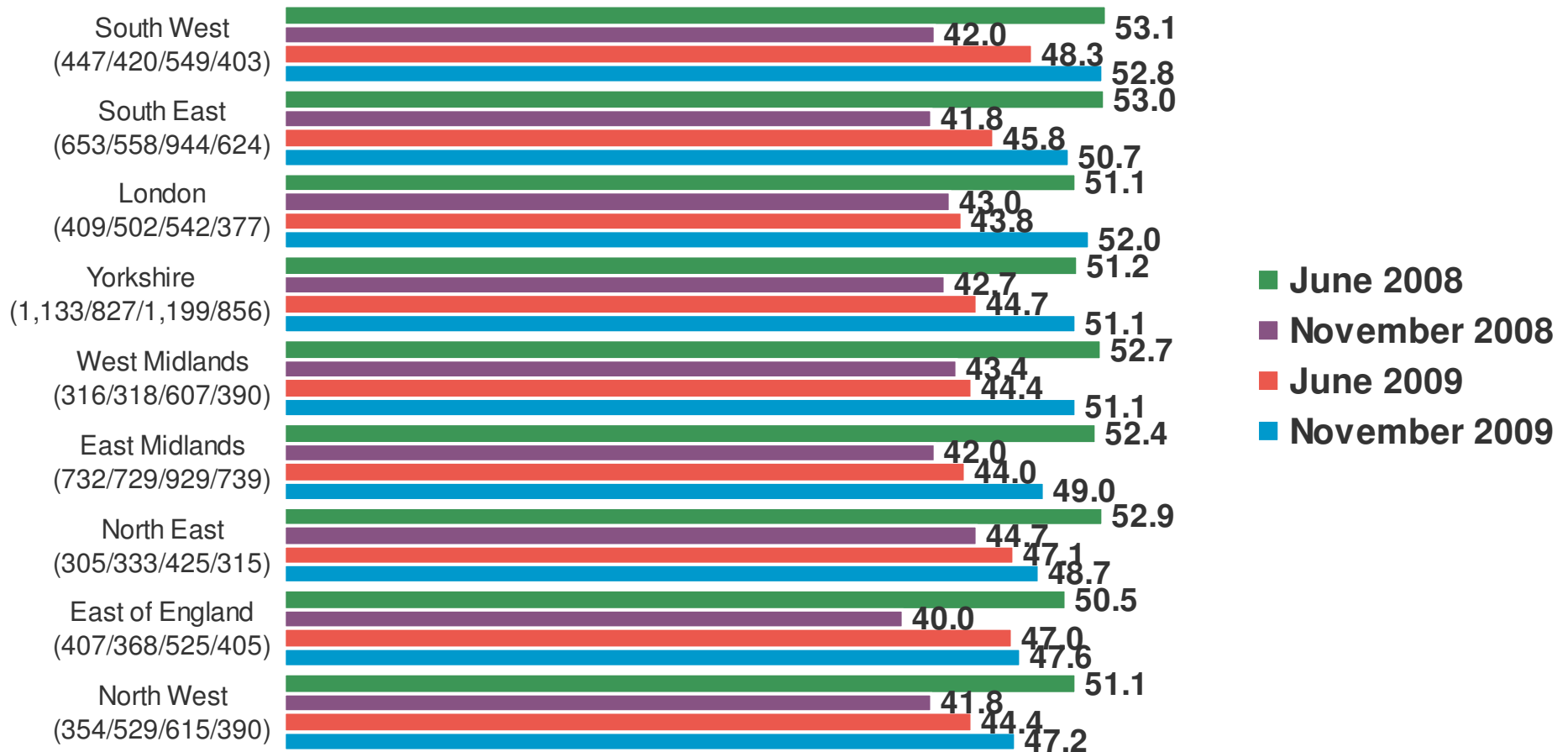
■ Very well placed ■ Fairly well placed ■ Not very well placed ■ Not at all well placed ■ N/A



Overall, firms with 50+ employees are more likely to feel they are well placed to weather any further downturn - 81%, compared to the national average of 67%. However, the risk of failure has increased for a significant number of firms in this size band compared to June. In November, 8% of 50 + firms stated they that they are not at all well placed to weather a downturn – compared to just 1% in June. Small businesses are continuing to struggle with a third reporting that they are not well placed to cope with a downturn

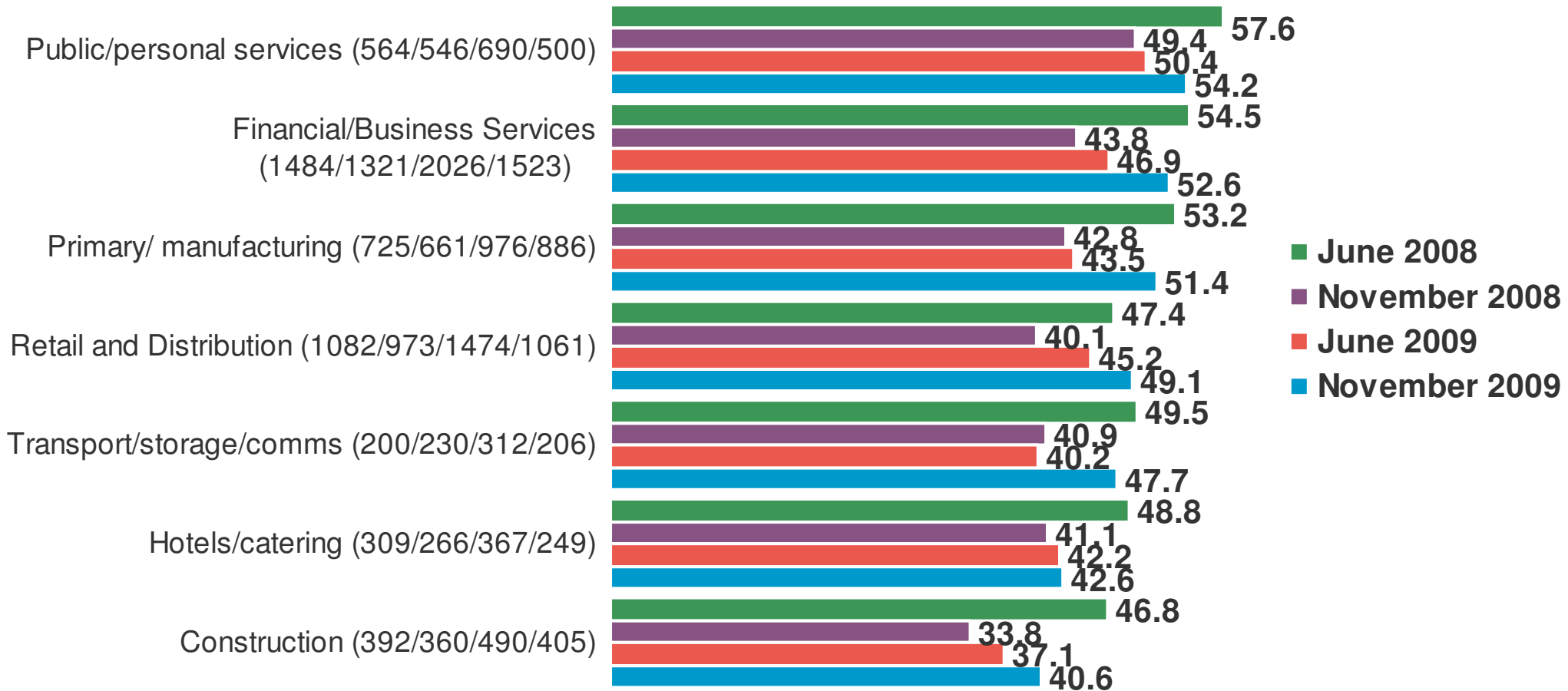
The Index of Business Confidence has increased from 45.3 in June 2009 to 50.25 in November 2009 – almost to the same level as in June 2008

Index of Business Confidence – (National Index 50.25)



The public sector remains the most confident with an index of 54.2, compared to the most negative sector, construction (40.6)

Index of Business Confidence – (National Index 50.25)



Section 2

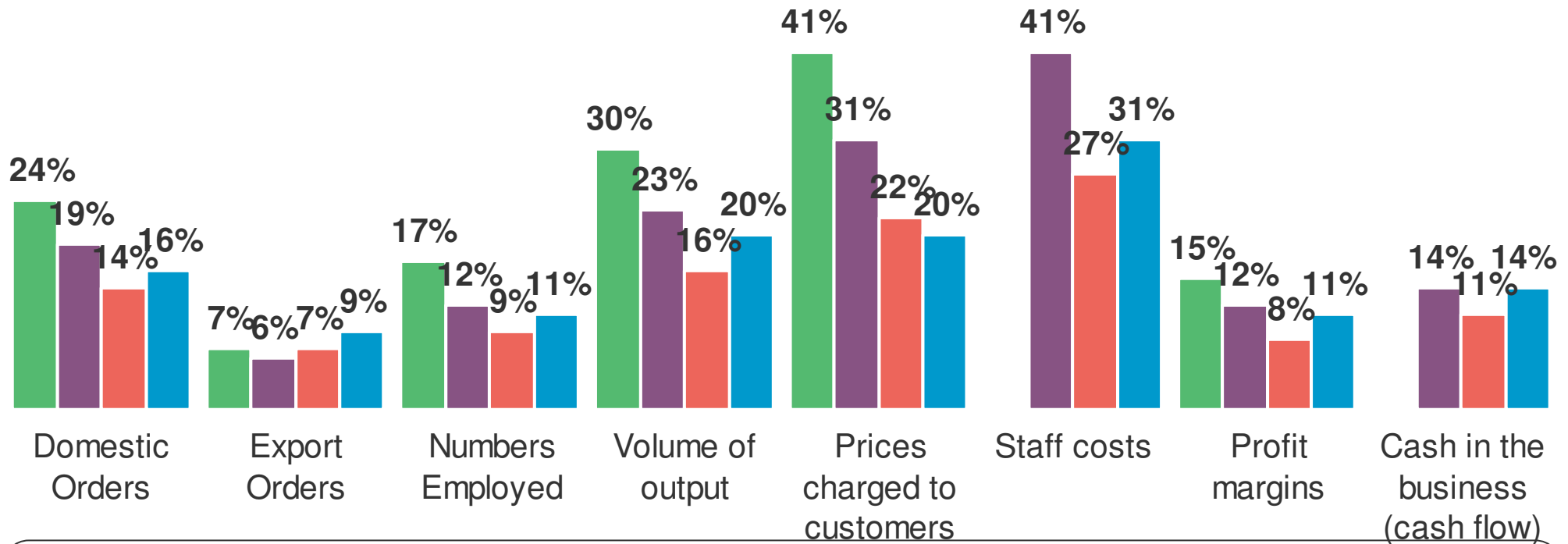
Performance and outlook across key business metrics

The NBS provides more evidence of improving performance, following the financial crisis, with more businesses stating orders, output, profit margins and cash-flow are higher compared to June

Q Excluding seasonal variations, what has been the trend during the past 12 months with regard to...

% higher

■ Jun 2008 ■ Nov 2008 ■ Jun 2009 ■ Nov 2009

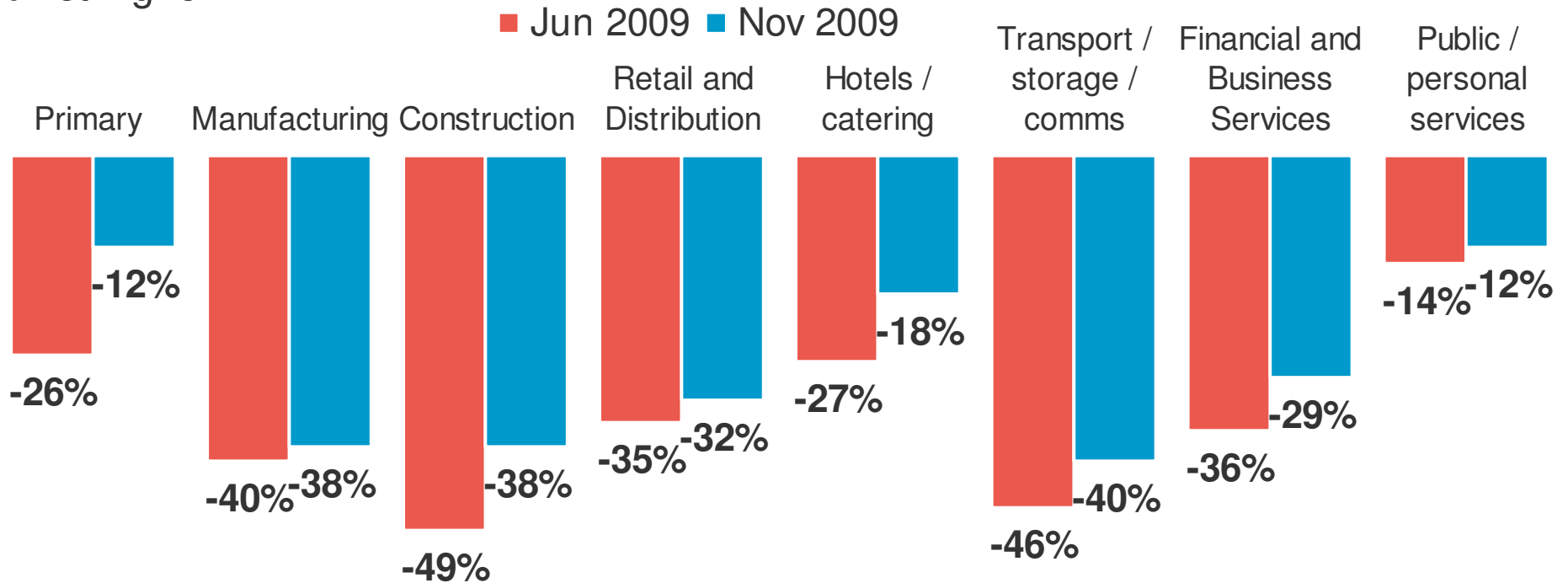


The improved business performance cited by businesses is reflected in the increase of orders, output, profit margins and cash-flow, although these metrics are yet to reach the levels of a year ago. The supply chain is still benefiting as fewer businesses reported charging higher prices to customers in November 2009 (20%, 17% in Northern Ireland) than in June 2009 (22%, 19% in Northern Ireland)

Domestic order figures have improved slightly across all sectors. However, these data show that conditions remain very tough and firms have experienced only a slight improvement in demand compared to June

Q Excluding seasonal variations, what has been the trend during the past 12 months with regard to... Domestic orders

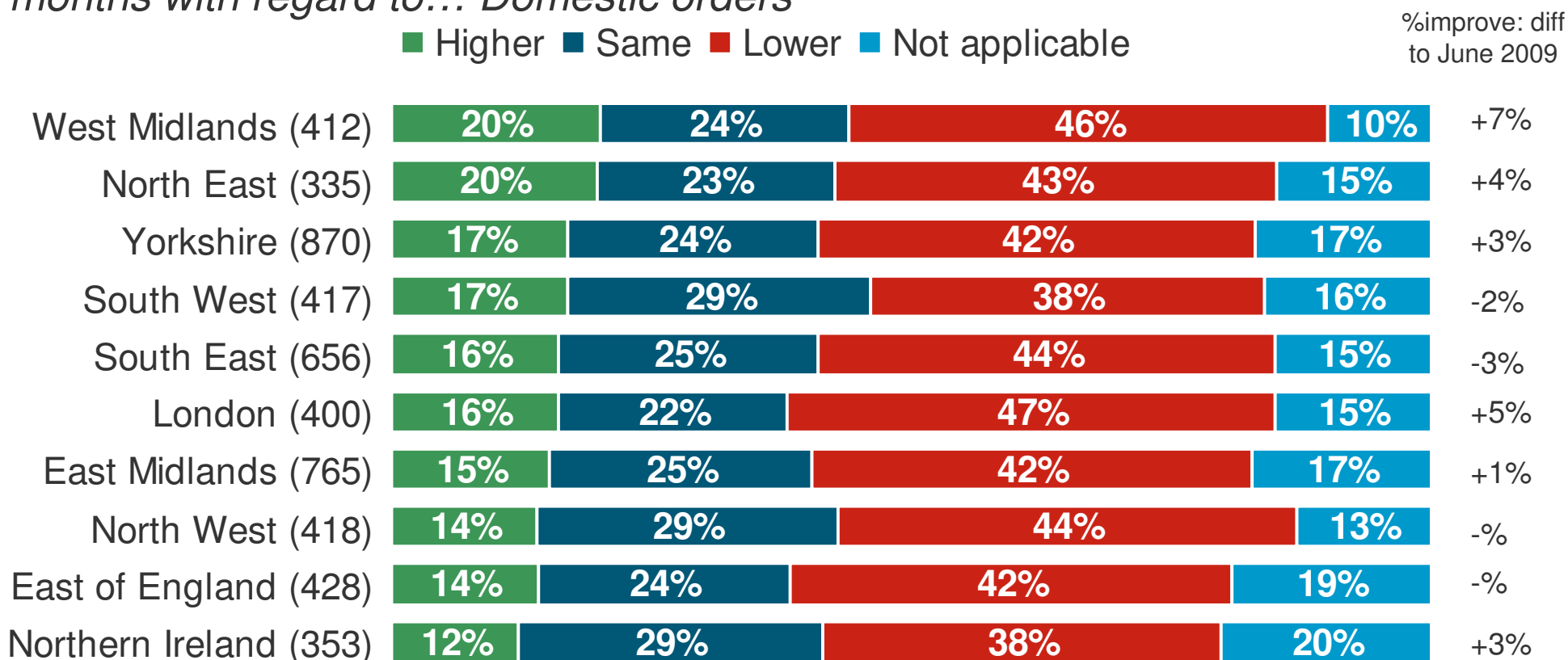
% net higher



While demand conditions clearly remain very challenging the balance of firms reporting higher domestic order levels vs. those that reported lower orders has improved slightly across all sectors between June 2009 and November 2009. Firms in the primary, construction and hotels/catering sector have improved most of all with an increase in net higher scores of 14%, 11% and 9% points respectively.

In November, most regions had an increased number of business reporting higher domestic orders compared to June. London and the West Midlands had the biggest increase in firms reporting higher orders compared to June

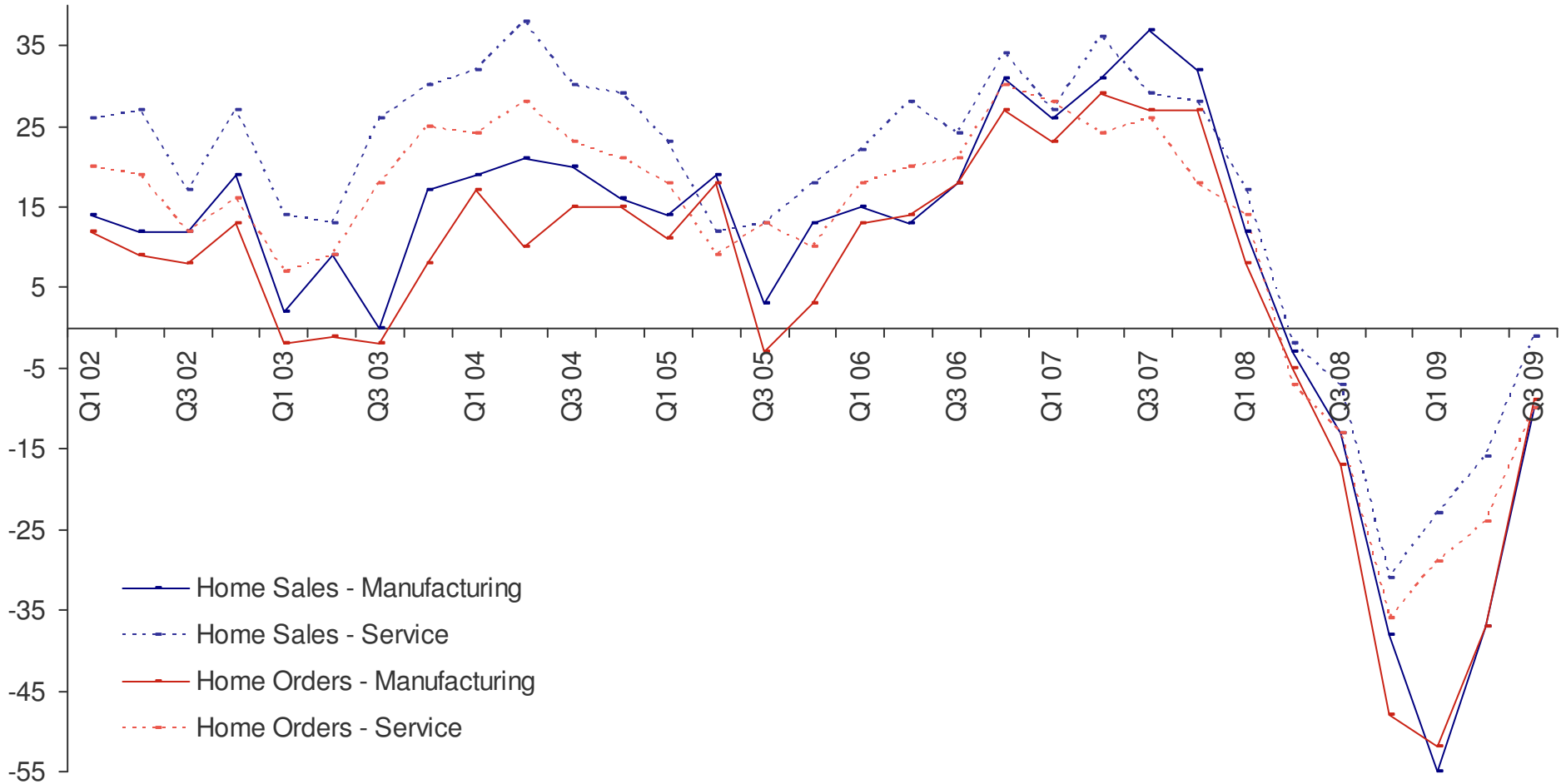
Q Excluding seasonal variations, what has been the trend during the past 12 months with regard to... Domestic orders



The West Midlands region has seen the best improvement in domestic orders with 20% of businesses reporting higher orders in November 2009 – an increase of 7% points compared to June 2009. Unsurprisingly regions that reported stronger business performance over the last 12 months (North East and Yorkshire) were also more likely to report the higher domestic orders.

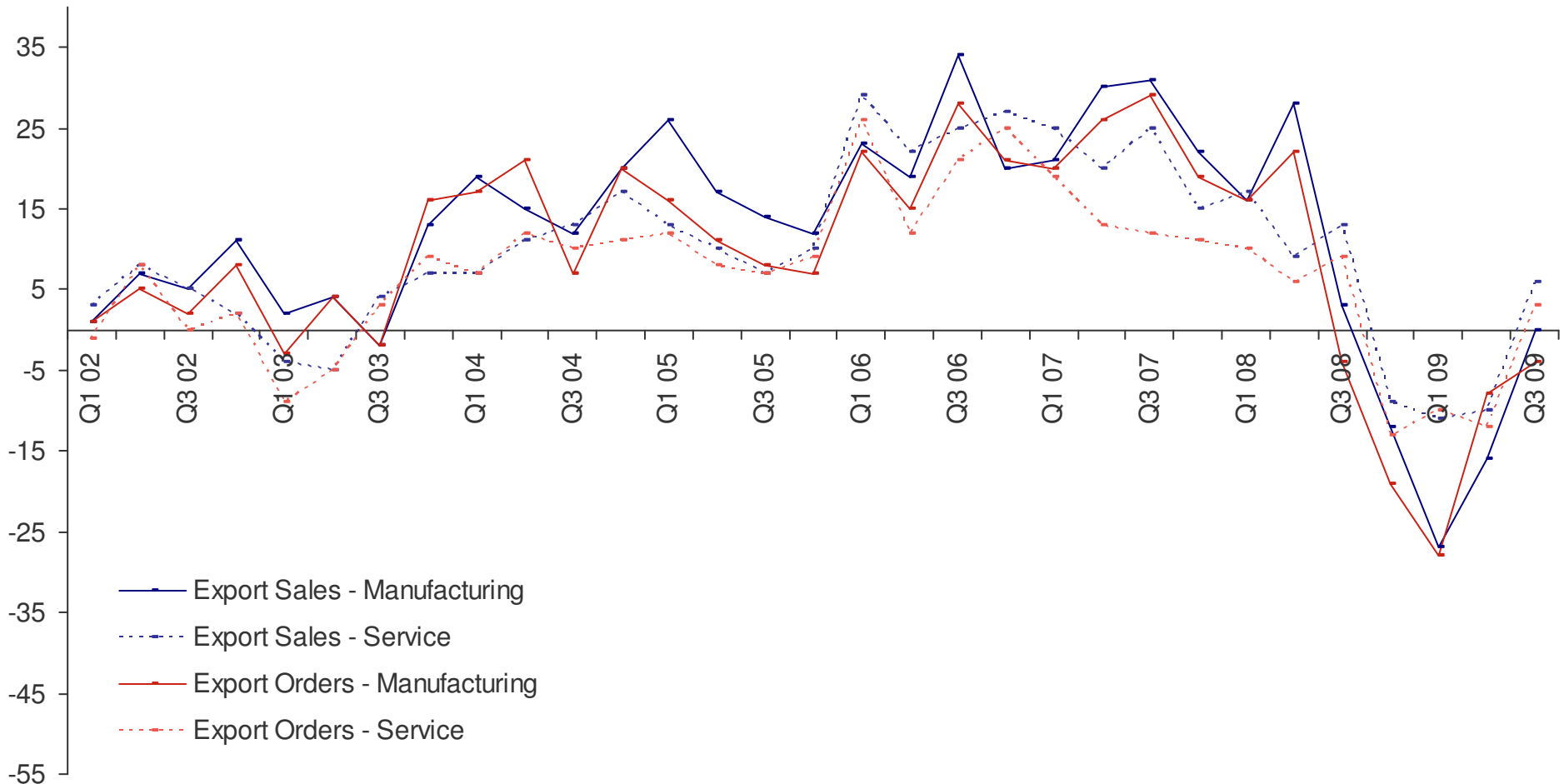
Results from the British Chamber of Commerce (BCC) support the trends of the NBS, reporting a steep increase in sales although the net balance is not yet positive

Sales, by home sales and orders, within manufacturing and servicing sectors



Source: BCC Quarterly Economic Survey (UK)

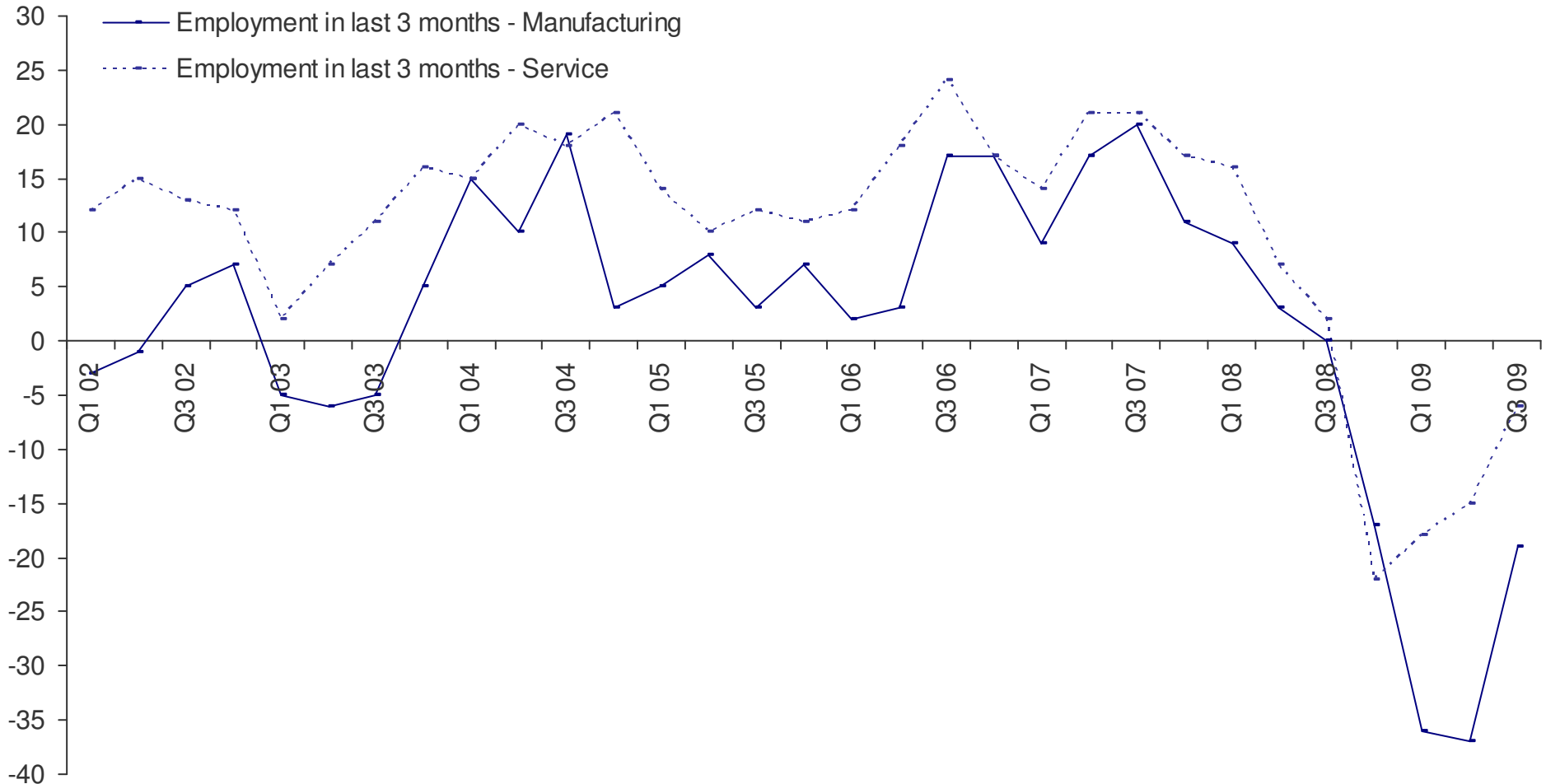
Sales, by export sales and orders, within manufacturing and servicing sectors



Source: BCC Quarterly Economic Survey (UK)

The BCC survey confirms that the growth rate unemployment is slowing from the peak in Q2 2009. NBS data on numbers of employed also increased between June and November, in-line with the BCC study

Employment in the 'last 3 months', within manufacturing and servicing sectors



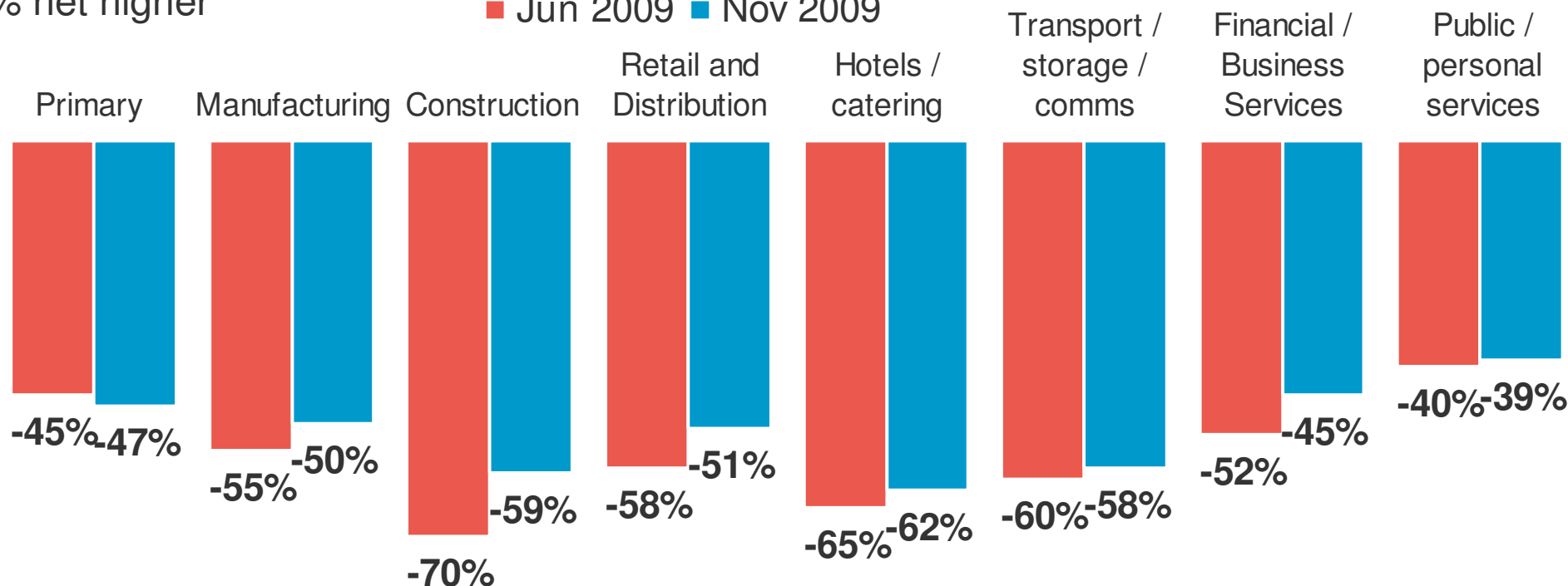
Source: BCC Quarterly Economic Survey (UK)

Profit margins are still under considerable pressure – but all sectors (except the primary sector) report a net improvement compared to June 2009. Businesses are clearly keeping their prices low but improving demand is easing the pressure a little on profit margins.

Q Excluding seasonal variations, what has been the trend during the past 12 months with regard to... Profit margins

% net higher

■ Jun 2009 ■ Nov 2009



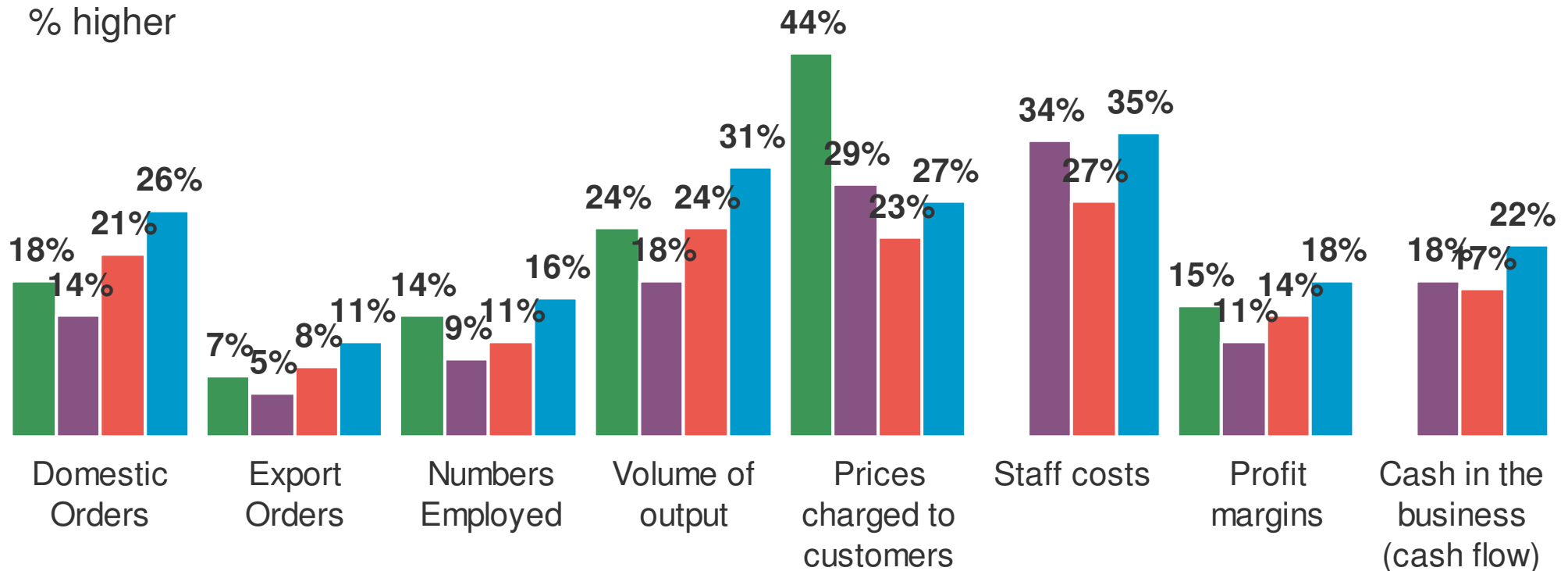
While the balance of those reporting higher profit margins compared to those reporting lower profit margins remains negative, there has been at least some improvement in most sectors compared to the previous wave. The degree of improvement differs by sector; reflecting their weak business performance over the last 12 months, firms in the transport sector reported little improvement in profit margins compared to June. Construction sector profit margins reported the greatest improvement overall.

Businesses reported a moderate improvement across most performance metrics for the last 12 months, and the trend looks set to continue over the next 12 months

Q Excluding seasonal variations, what are the expected trends for the next 12 months with regard to...

■ Jun 2008 ■ Nov 2008 ■ Jun 2009 ■ Nov 2009

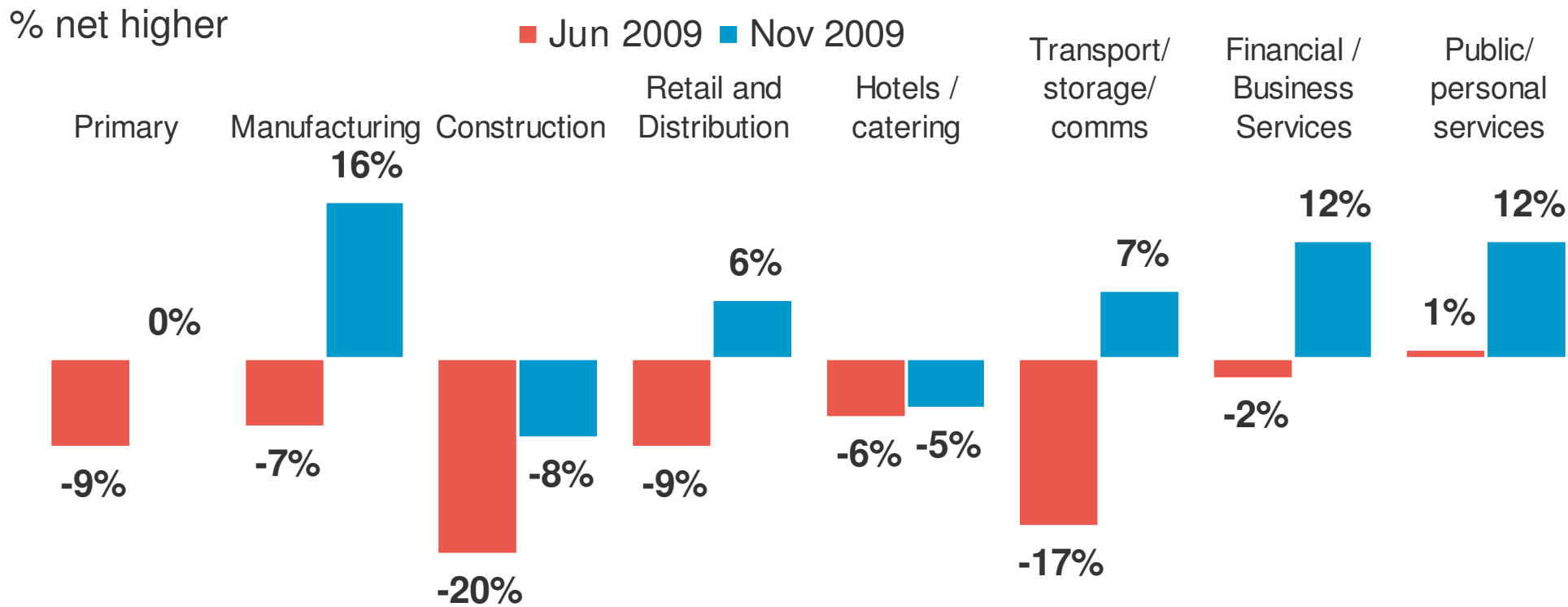
% higher



There has been a significant increase in the number of businesses expecting an improvement across all metrics. Interestingly, 27% of businesses (25% in Northern Ireland) expect prices charged to customers to be higher (compared to 23% in June 2009, 22% in Northern Ireland). Higher prices and orders will also have a positive effective on profit margins and cash flow. However, businesses will need to assess the level of risk associated with increasing prices as the market is still very price sensitive following the recession.

Expectations in terms of domestic orders have improved across all sectors. Significantly, domestic demand expectations have strongly improved among manufacturing sector firms

Q Excluding seasonal variations, what are the expected trends for the next 12 months with regard to... Domestic orders



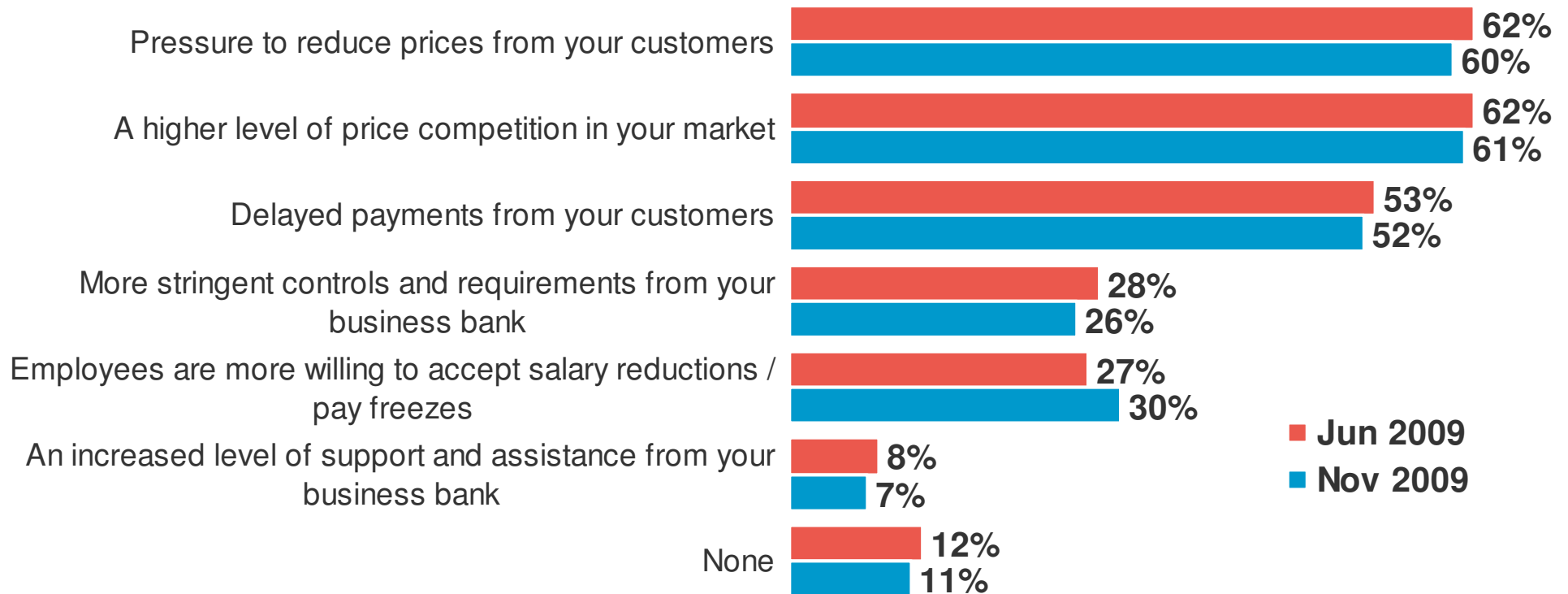
Many sectors have a positive net higher score in terms of expected domestic orders, with the manufacturing sector being the most optimistic with a net higher score of 16%. Construction firms remain the most pessimistic in domestic order expectations for the next 12 months – with a net higher score of -8% in November 2009, however, this represents a strong improvement compared to June 2009.

Section 3

Are market conditions improving?

Businesses report continued price competition and pressure to reduce prices – there is little sign that this has eased for businesses between June and November 2009

Q As a direct result of current economic conditions, has your business experienced any of the following in the past 12 months?

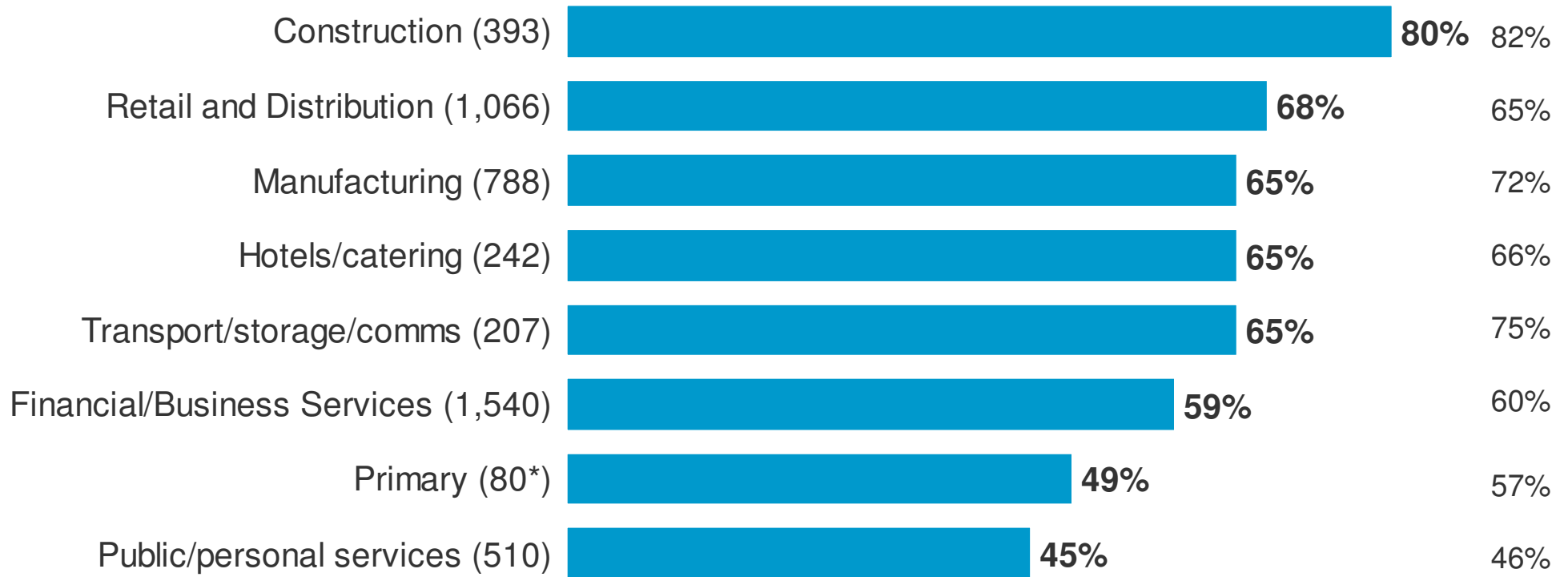


Business continue to face a high level of price competition in their market and pressure to reduce prices from their customers with 61% and 60% of businesses reporting this respectively (63% and 59% in Northern Ireland). There has also been a significant increase in the number of businesses reporting that employees are more willing to accept salary reduction/pay cuts – 30% in November 2009 compared to 27% in June 2009 (32% and 26% in Northern Ireland)

The construction sector is continuing to feel the effects of a higher level of price competition in their market

Q As a direct result of current economic conditions, has your business experienced any of the following in the past 12 months? A higher level of price competition in your market

% June 2009

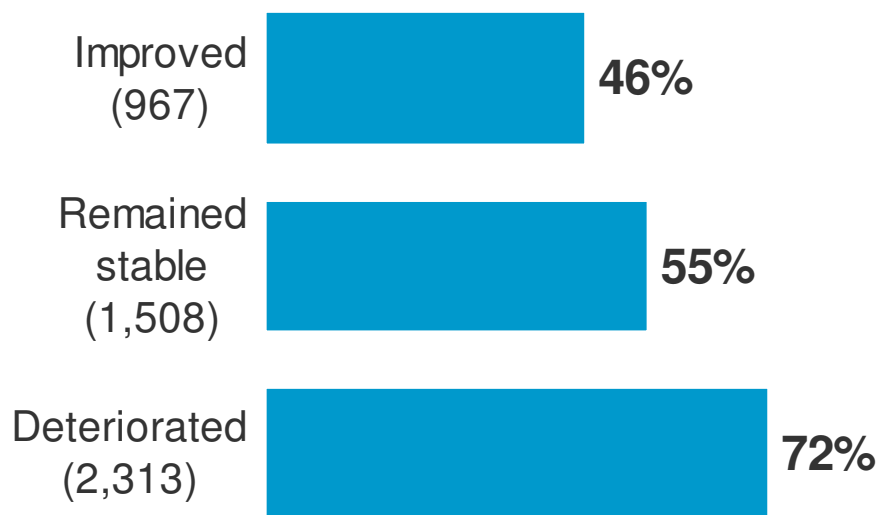


8 out of 10 construction companies have experienced a higher level of price competition in their market over the past 12 months – this sector is continuing to struggle despite there being a general upturn across the country. Price competition is easing a little across several sectors – compared to June, the proportion of firms in November reporting higher price competition in the transport and manufacturing sector declined by 10 % points and 7 % points respectively.

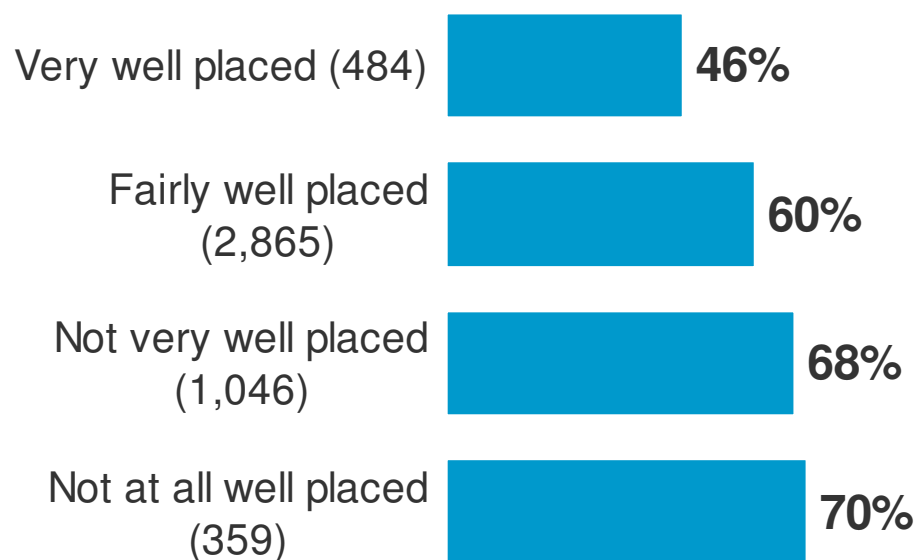
There is a clear relationship between price competition and business performance. Businesses who experience price competition are also vulnerable if there is any further downturn

Q As a direct result of current economic conditions, has your business experienced any of the following in the past 12 months? A higher level of price competition in your market

Business performance over the past 12 months



Weathering the downturn

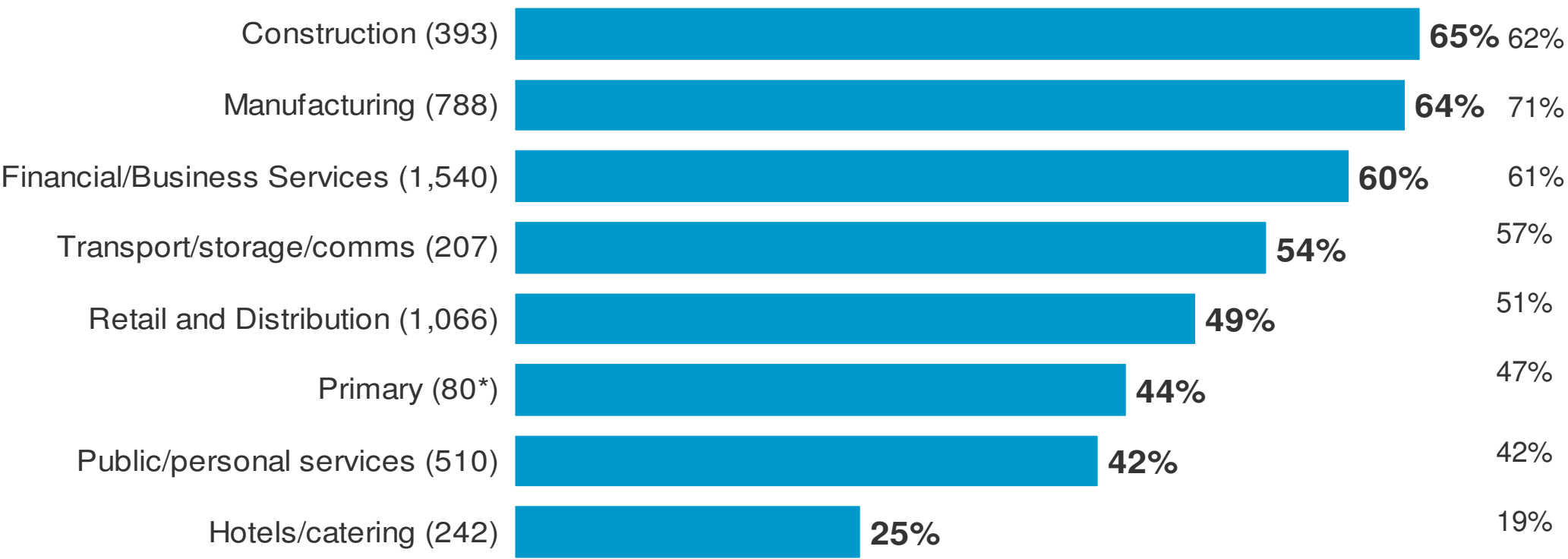


Nearly three quarters of businesses (72%) who reported a deterioration in their business performance also reported a higher level of price competition in their market, indicating that many businesses are struggling to win new business and retain their customers. Unsurprisingly these businesses feel unsure about how they would fare should there be any further downturn

While firms in the manufacturing sector are one of the most likely to have experienced delayed payments from customers overall, incidence of late payments has declined a little compared to June. Encouragingly, payments across the supply chain may be becoming a little more streamlined in certain sectors

Q As a direct result of current economic conditions, has your business experienced any of the following in the past 12 months? Delayed payments from your customers

% June 2009



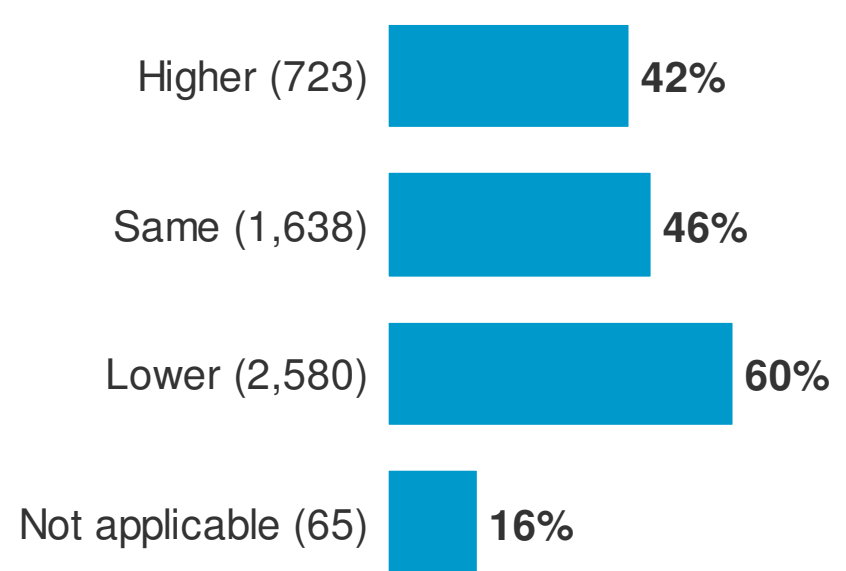
Delayed payments from customers also has a clear impact on business performance and cashflows

Q As a direct result of current economic conditions, has your business experienced any of the following in the past 12 months? Delayed payments from your customers

Business performance over the past 12 months



Cash flow in the past 12 months



Business who have experienced delayed payments from their customers have felt the effects with 57% of these businesses reporting a deterioration in the past 12 months. Unsurprisingly this has also had an effect on cash flow with 60% stating that this was lower.

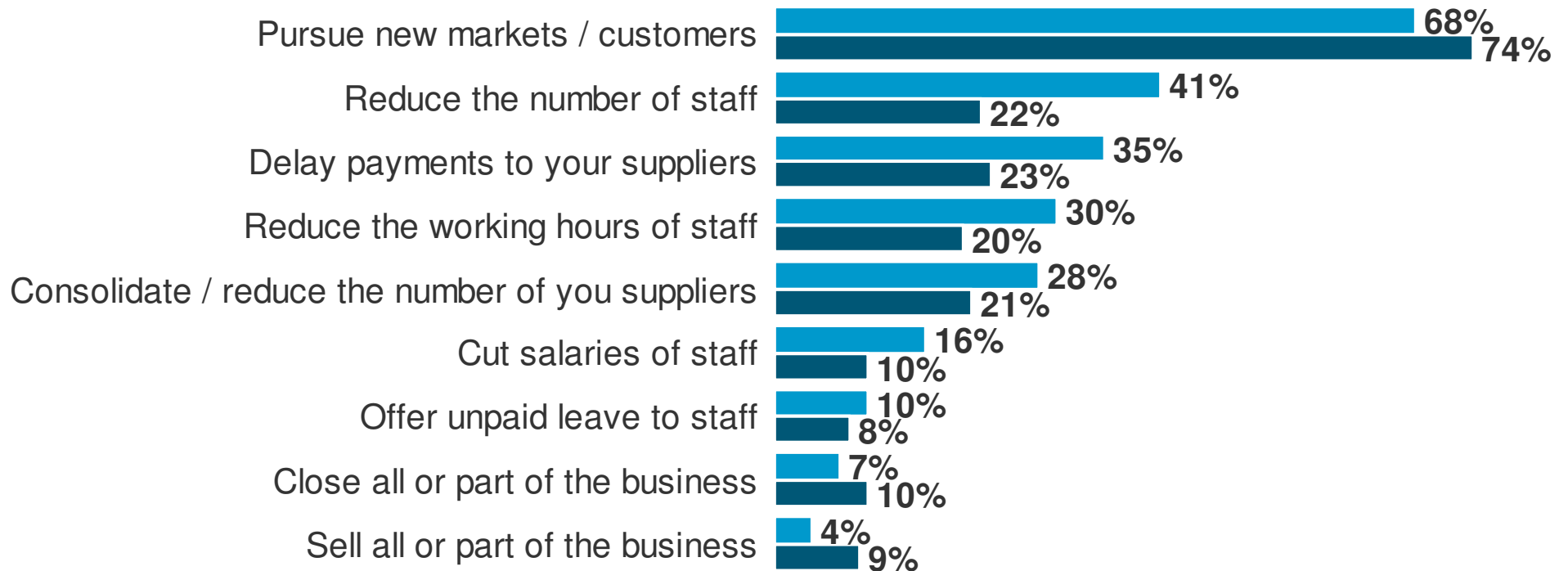
Section 4

Are businesses still taking action to combat the downturn?

Businesses are expanding their business development activities and pursuing new markets / customers to drive sales. Over a third of firms reduced their staffing levels in the last 12 months but much lower proportions expect to undertake this action in the next 12 months.

Q As a direct result of the current economic conditions, which of the following actions has your business undertaken in the past 12 months / does your business expect to undertake in the next 12 months?

■ % Undertaken ■ % Expect to undertake



Motivated by weak demand conditions, businesses are branching out and actively pursuing new markets / customers. In November 2009 68% took this action in the past 12 months – an increase of 11% points compared to June 2009 (62% and 47% in Northern Ireland). Looking forward to the next 12 months three quarters of businesses (74%) expect to undertake this action – an increase of 15% points compared to June 2009 (69% and 44% in Northern Ireland).

Businesses have had to take further action in terms of reduce staff and delaying payments in order to ride out the recession

Q As a direct result of the current economic conditions, which of the following actions has your business undertaken in the past 12 months?

■ % Undertaken Jun 2009 ■ % Undertaken Nov 2009

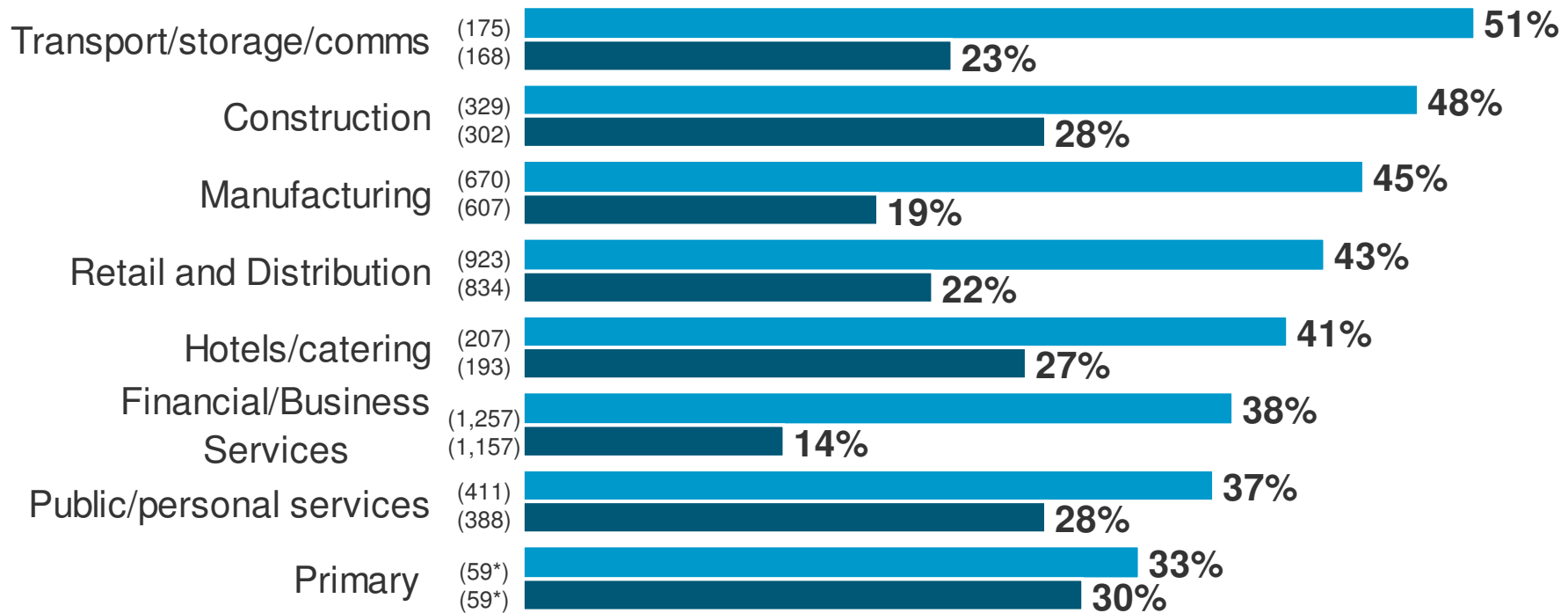


Tough conditions have driven greater numbers of businesses to take actions to streamline operations and reduce their cost base in November 2009 compared to June 2009. A higher proportion of businesses stated they had reduced the number of staff, delayed payments to suppliers and reduced working hours of staff compared to June 2009. Positively, as in the June 2009 wave, less businesses expect to undertake these actions in the next 12 months.

Firms have continued to reduce the number of staff with half of transport/storage/comms firms doing so. However, unemployment growth looks set to slow further, with fewer businesses expecting to reduce staff in the next 12 months 46

Q As a direct result of the current economic conditions, which of the following actions has your business undertaken in the past 12 months / does your business expect to undertake in the next 12 months? Reduce the number of staff

■ % Undertaken ■ % Expect to undertake



Firms in the transport/storage/comms and construction sectors are most likely to have reduced the number of staff in the past 12 months - 51% and 48% respectively. However the next twelve months look more positive for the workforce with only 23% of transport/storage/comms firms expecting to reduce staff and 28% in construction

Businesses are beginning to take affirmative long term action as a result of the recession – and are feeling more positive about their future

47

Q As a direct result of the current economic conditions, which of the following actions has your business undertaken in the past 12 months?

	Very well placed	Fairly well placed	Not very well placed	Not at all well placed
Pursue new markets / customers	76%	71%	65%	53%
Reduce the number of staff	32%	37%	47%	60%
Consolidate / reduce the number of your suppliers	16%	25%	33%	39%
Delay payments to your suppliers	13%	28%	50%	65%
Reduce the working hours of staff	19%	26%	35%	49%
Cut salaries of staff	6%	12%	21%	28%
Offer unpaid leave to staff	10%	9%	11%	18%
Close all or part of the business	3%	5%	9%	19%
Sell all or part of the business	2%	2%	4%	11%

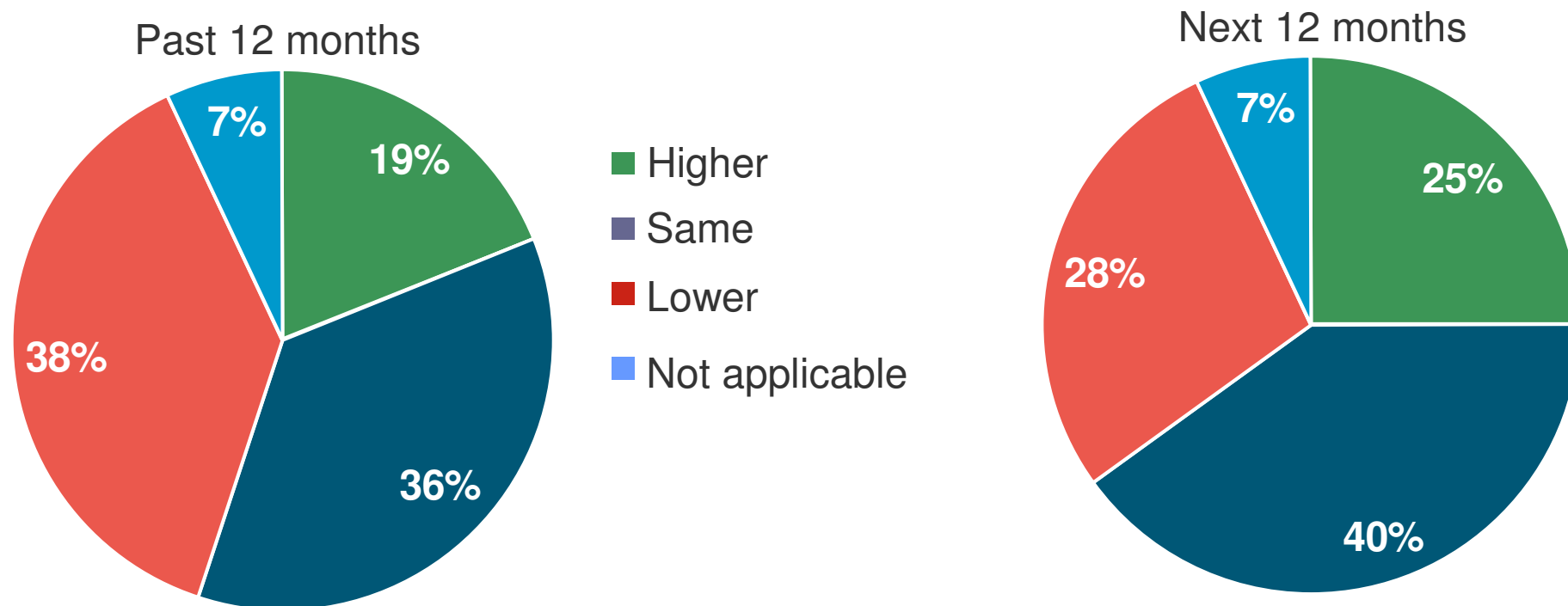
Businesses that feel very well placed to deal with a further downturn are building on their strong position and generating real momentum in their business development efforts - 76% of those who pursued new markets / customers in the last 12 months were well placed. However, businesses who have undertaken measures such as reducing staff and delaying payments in a bid to survive are still feeling uncertain about their ability to deal with a hardening of conditions.

Section 5

Is business investment improving?

Businesses are still cautious over increasing capital investment levels, unsurprising given the challenging current conditions but the general trend is upward

Q Excluding seasonal variations, what has been the trend during the past 12 months, and what are the expected trends for the next 12 months, with regard to ... Overall investment



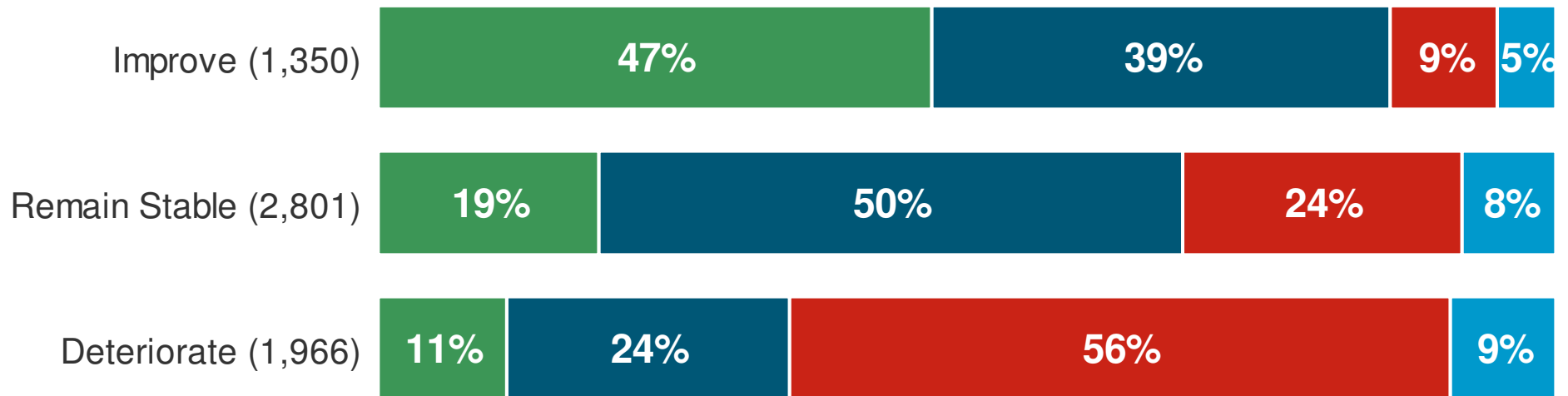
Just under one fifth of businesses (14% in Northern Ireland) reported a higher level of overall investment in the past 12 months, this is unsurprising given the amount of businesses that have had to make cut backs. Slightly more businesses expect their overall investment to be higher in the next 12 months (25%, 25% in Northern Ireland).

Businesses who are optimistic about the business climate over the next 12 months also expect to undertake higher levels of business investment

Q Over the next 12 months do you expect the business climate in which your business operates to generally improve, remain stable, or deteriorate?

Level of investment in the next 12 months

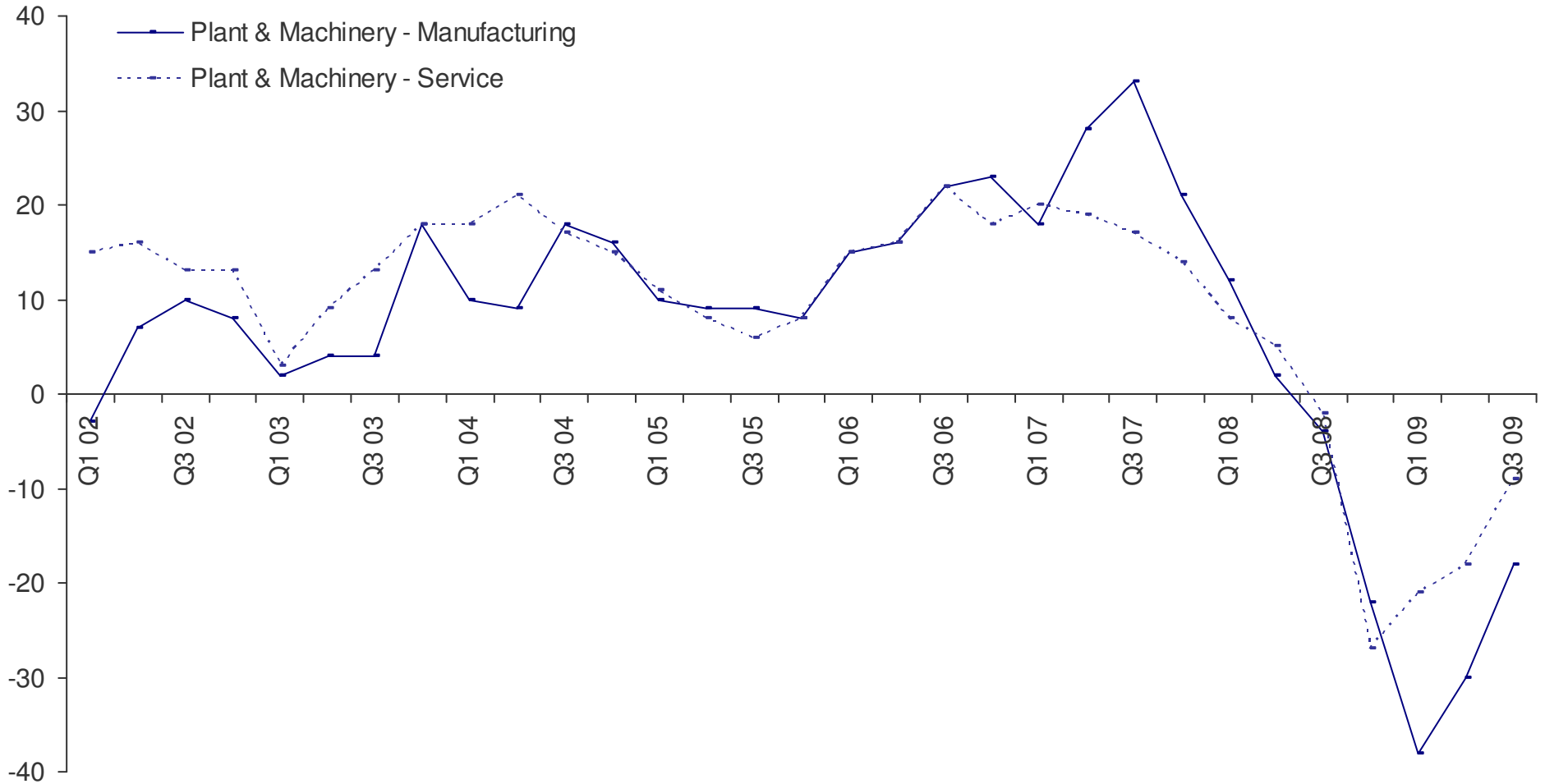
■ Higher ■ Same ■ Lower ■ Not applicable



Nearly half of businesses in England who feel positive about the future business climate also expect their level of investment to be higher in the next 12 months – this compares to 11% of businesses who expect the climate to deteriorate.

Similar to the NBS results, the BCC survey reports improving capital investment levels in plant & machinery across the service and manufacturing sectors. However the balance of investment remains in negative territory.

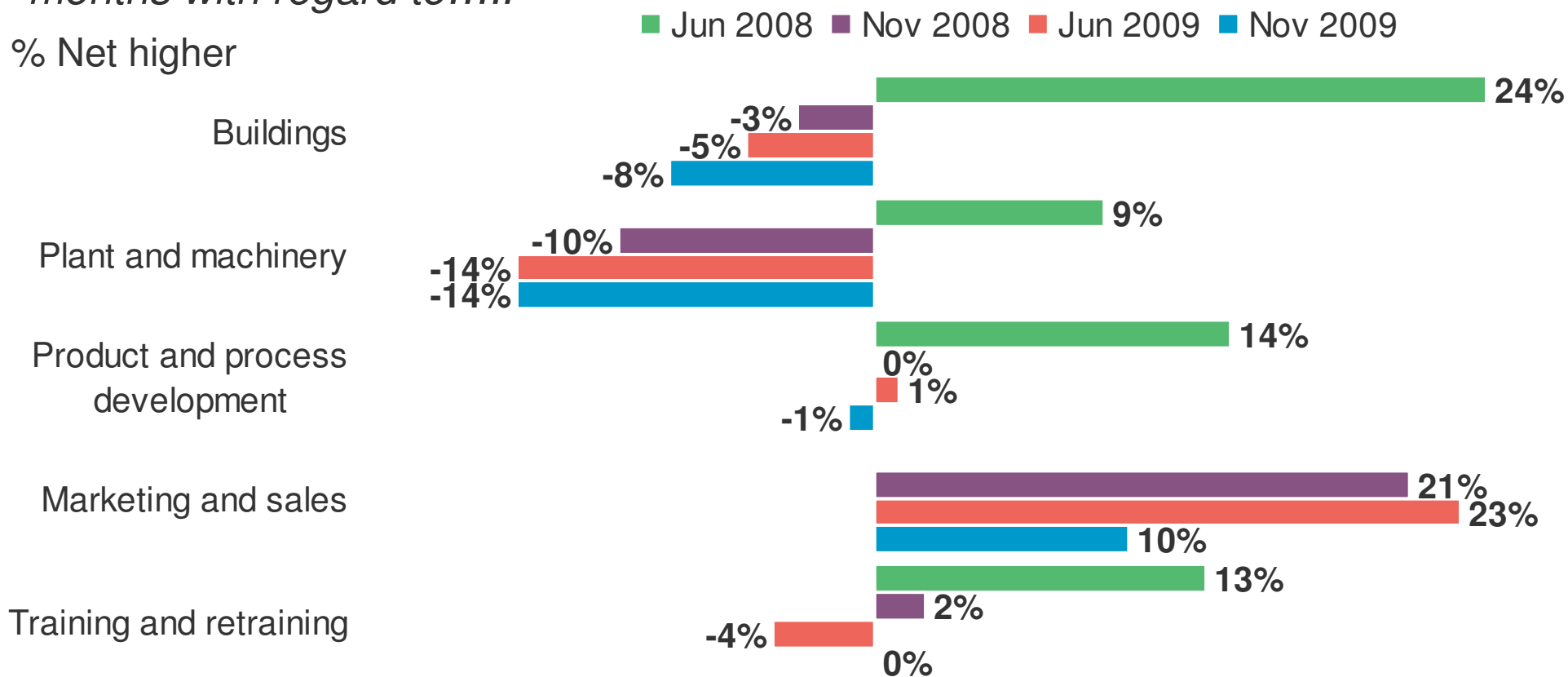
Investments, by Plant & machinery, within manufacturing and servicing sectors



Source: BCC Quarterly Economic Survey (UK)

Greater proportions of businesses now expect to spend less on capital investment. Investment in marketing and sales is stronger, reflecting the drive to pursue new customers and markets

Q Excluding seasonal variations what are the expected trends for the next 12 months with regard to.....



Expected investment across most metrics has decreased – training and retraining is the only area that has a better net higher score in November 2009 compared to June 2009. Marketing and sales remains the only metric with a positive net score – highlighting the important of business development to improve orders and profits.

Base: All businesses in England answering

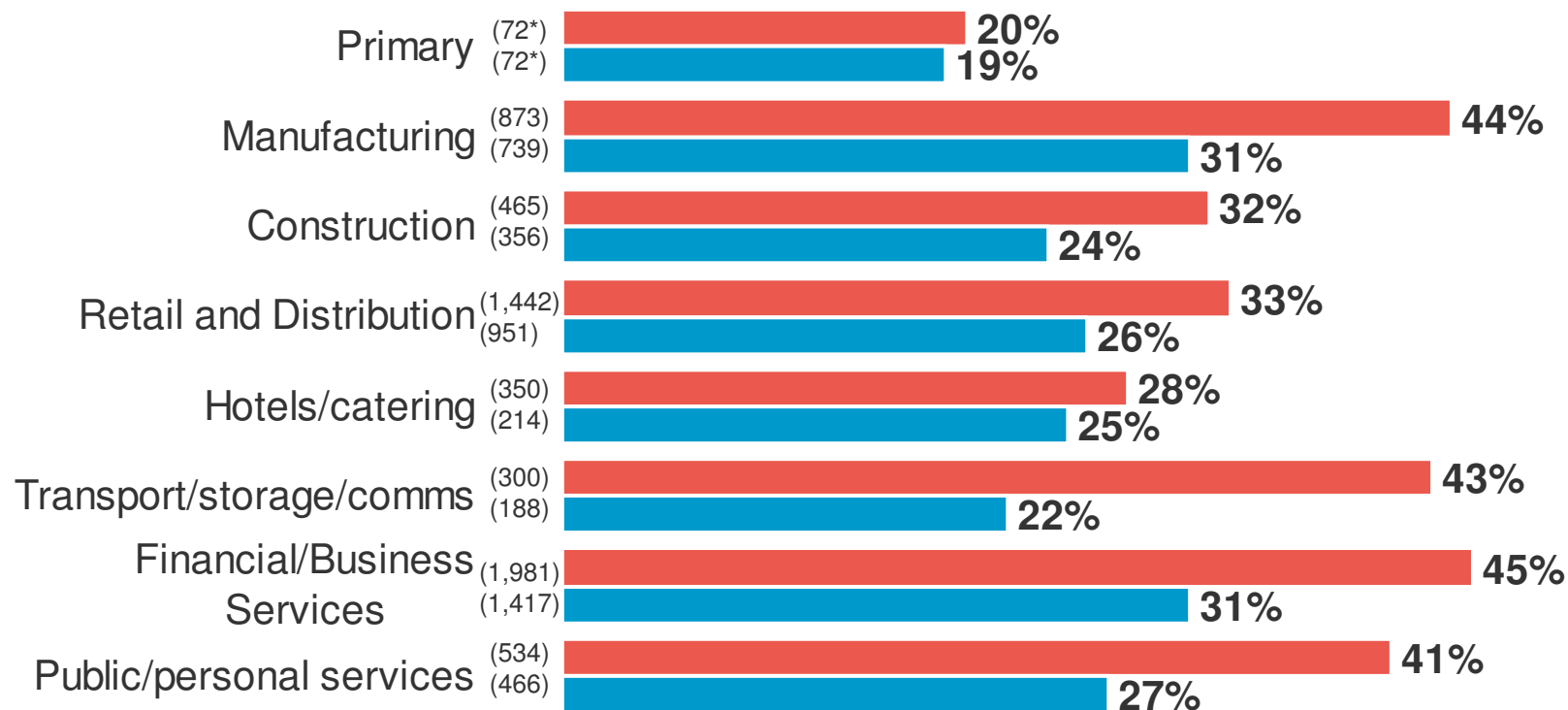
NB: Question for previous three waves was: Do you expect to invest more or less in the next twelve months than you invested in the last twelve months on...? Respondents answered on a scale on More/Same/Less/Not Applicable



While investment in marketing has fallen across most sectors compared to June 2009, the financial/business services and manufacturing sectors still see it as significantly more important compared to the national average

Q Excluding seasonal variations what are the expected trends for the next 12 months with regard to ... Marketing and Sales

■ Jun 2009 ■ Nov 2009 % Stating Higher

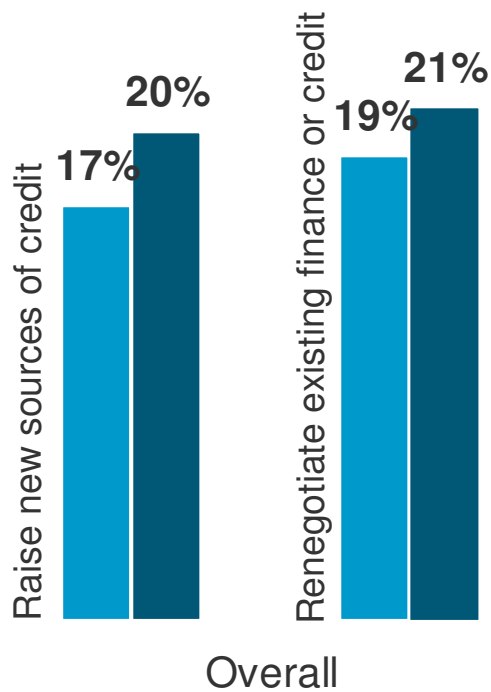


Section 6

Access to finance and credit

The NBS shows that demand for finance is actually increasing - a fifth of firms will need to raise new sources or renegotiate existing finance or credit in the next 12 months

Q As a direct result of the current economic conditions, which of the following actions has your business undertaken in the past 12 months / does your business expect to undertake in the next 12 months?



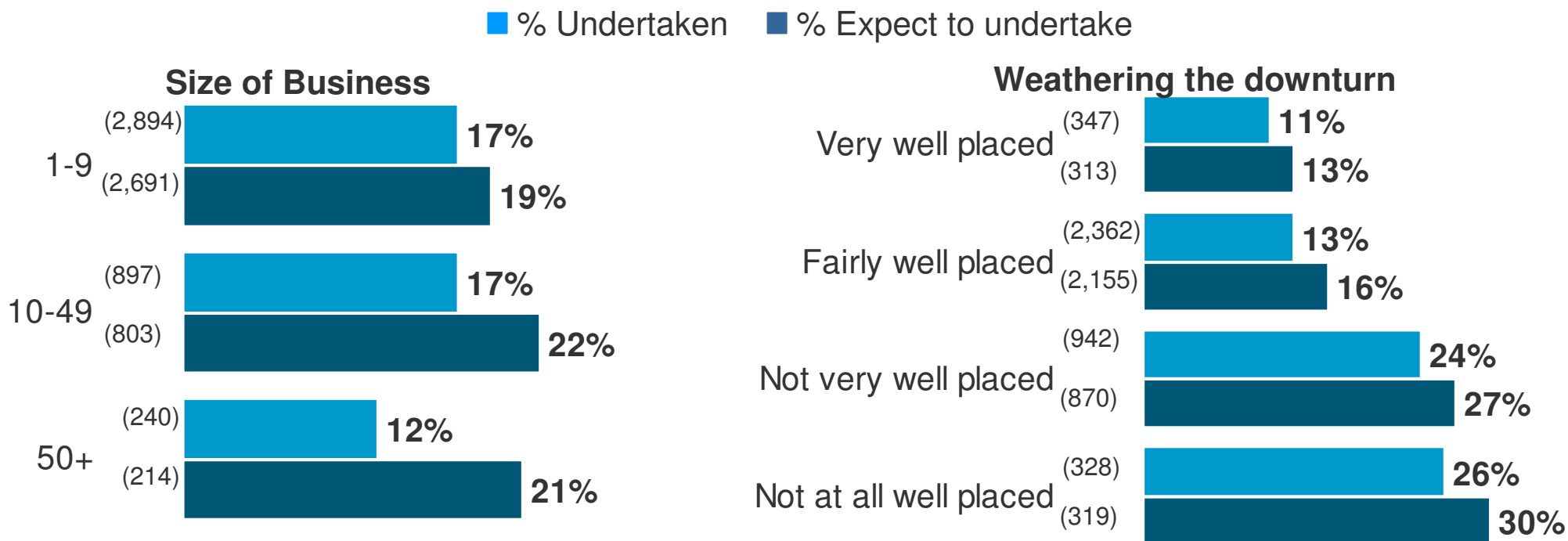
	Under-taken	Expect to undertake	Under-taken	Expect to undertake
	Raise new sources of credit		Renegotiate existing finance or credit	
Primary (59*)	17%	19%	39%	30%
Manufacturing (670)	17%	20%	19%	19%
Construction (329)	15%	20%	21%	23%
Retail and Distribution (923)	18%	19%	24%	23%
Hotels/catering (207)	22%	18%	16%	31%
Transport/storage/comms (175)	19%	19%	19%	23%
Financial/Business Services (1,257)	15%	19%	17%	20%
Public/personal services (411)	15%	24%	17%	17%

■ % Undertaken ■ % Expect to undertake

In November 2009, 17% of businesses had to raise new sources of finance or credit as a result of the current economic conditions - an increase of 4% points since June 2009. While it is unclear if this will be used to actively fund expansion or as a lifeline to allow the business to keep trading, demand for finance remains high. Even more expect to need to raise new sources in the next 12 months. Worryingly, the number of firms in the hotels/catering and transport sector which need to renegotiate existing finance or credit has increased strongly compared to June.

There is a clear link between those businesses that have had to raise new sources of credit and the level of concern they feel about the future operating environment

Q As a direct result of the current economic conditions, which of the following actions has your business undertaken in the past 12 months / does your business expect to undertake in the next 12 months? Raise new sources of finance or credit

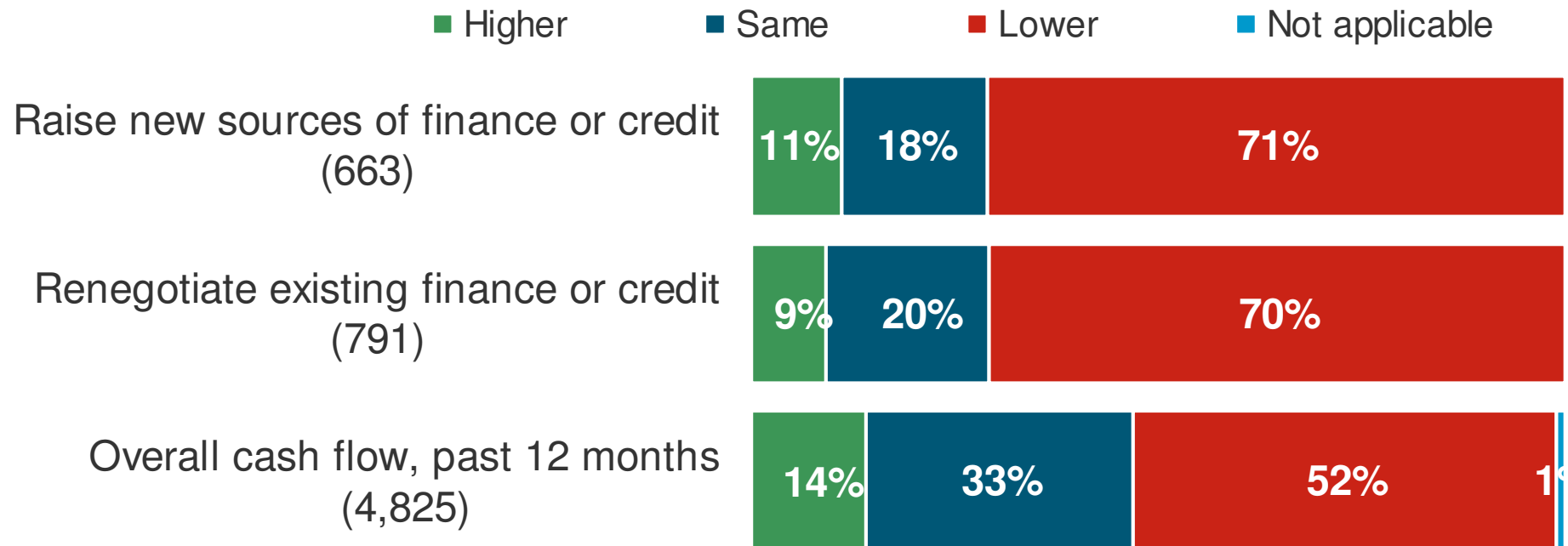


There is little difference between the size of businesses that have raised new sources of finance or credit – although slightly lower proportions have undertaken this in the last 12 months.. However there is a clear link between perception of the future and need to raise credit with a third of businesses (30%) who don't feel well placed to weather any downturn expecting to raise new sources of credit or finance.

Lack of cash flow is a driver for businesses to seek finance or credit

Q. As a direct result of current economic conditions, which of the following actions has your business undertaken in the past 12 months?

Trend in the past 12 months: Cash Flow



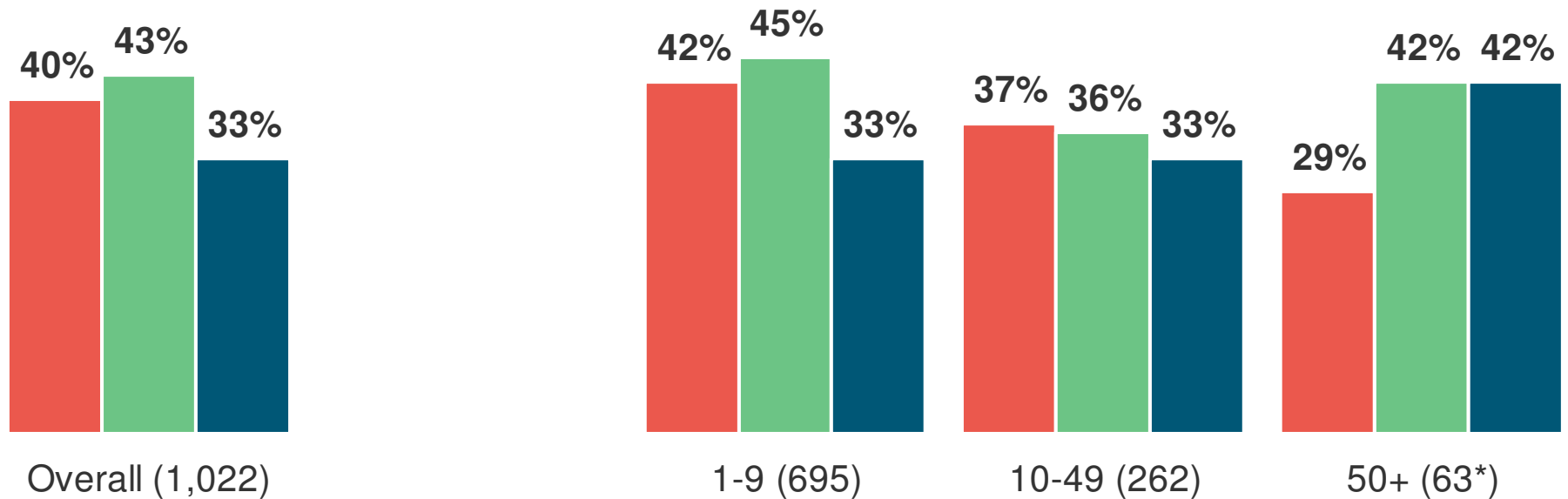
More than two thirds of businesses who raised a new source of finance or credit (71%) or renegotiated existing finance or credit (70%) reported lower levels of cash flow in the past 12 months.

Smaller firms have reported that credit conditions have worsened, leading to huge challenges. Significantly higher proportions of 1-9 employee firms reported problems in accessing finance or credit compared to June. There was actually a decline in the number of larger, 50+ firms, reporting problems accessing finance or credit over the same period

Q What problems, if any, did your business experience in accessing finance or credit?

Size of business

- Finding affordable finance or lines of credit
- Finding organisations who were willing to lend to the business
- Satisfying the terms and conditions or potential lenders



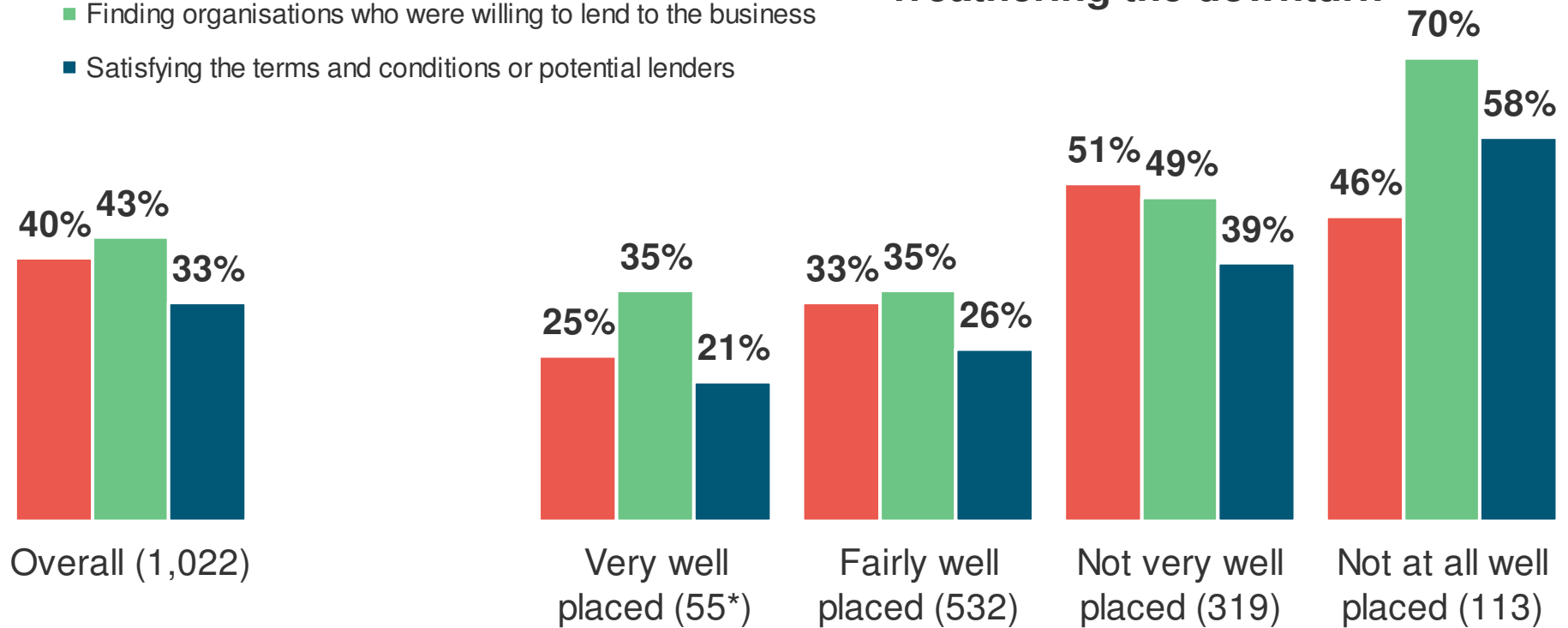
Base: All businesses in England answering who have raised new sources of finance or credit or renegotiated existing finance or credit in the past 12 month (shown in brackets) *Caution: small base size (<100)

Lenders are clearly avoiding debt exposure on firms that will be in trouble from a further downturn. It has actually got harder for firms who are not well placed to weather a further downturn to access finance or credit since June 2009

Q What problems, if any, did your business experience in accessing finance or credit?

- Finding affordable finance or lines of credit
- Finding organisations who were willing to lend to the business
- Satisfying the terms and conditions of potential lenders

Weathering the downturn

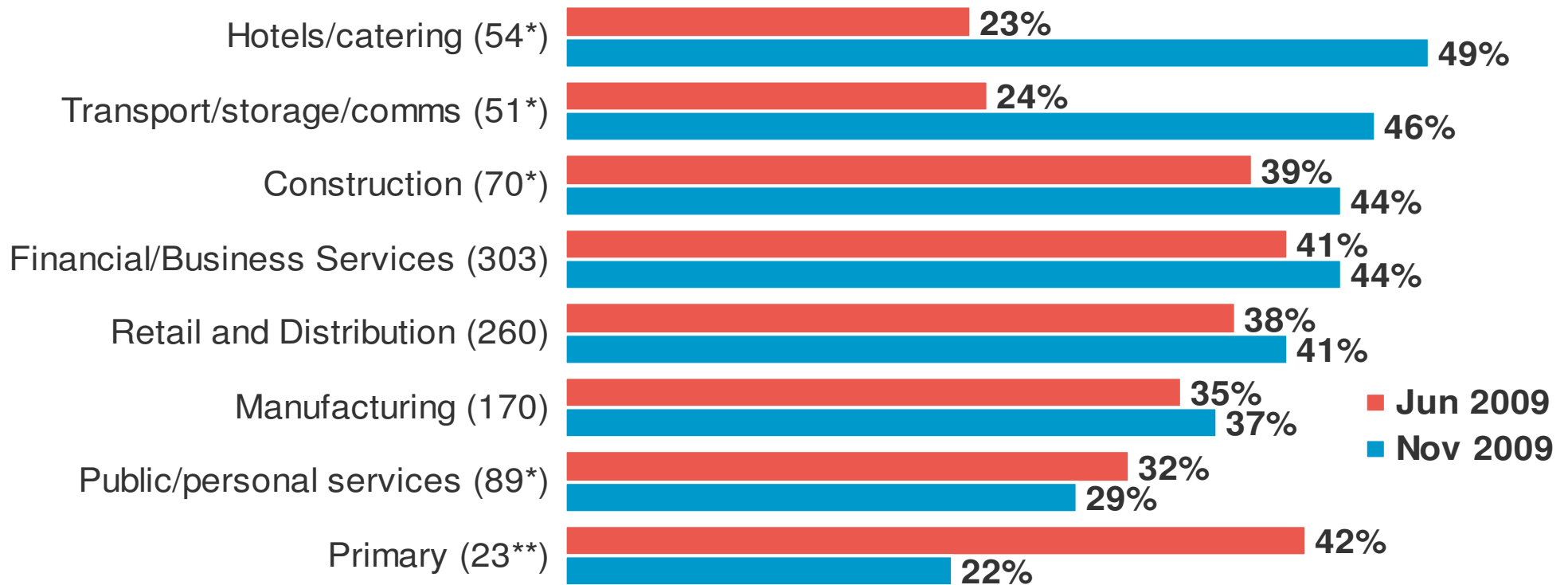


Base: All businesses in England answering who have raised new sources of finance or credit or renegotiated existing finance or credit in the past 12 month (shown in brackets) *Caution: small base size (<100)

Hotels/catering and transport/storage/comms sectors found it most difficult to access affordable lines of finance or credit

60

Q What problems, if any, did your business experience in accessing finance or credit? Finding affordable lines of finance or lines of credit



In June 2009 the hotels/catering and transport/storage/comms sector were least likely to report problems finding affordable finance or lines of credit – however this has dramatically changed in the November 2009, with these sectors now finding it most difficult. Financial institutions are clearly avoiding lending to firms in these sectors.

Base: All businesses in England answering who have raised new sources of finance or credit or renegotiated existing finance or credit in the past 12 month (shown in brackets) *Caution: small base size (<100); **very small base size (<30)

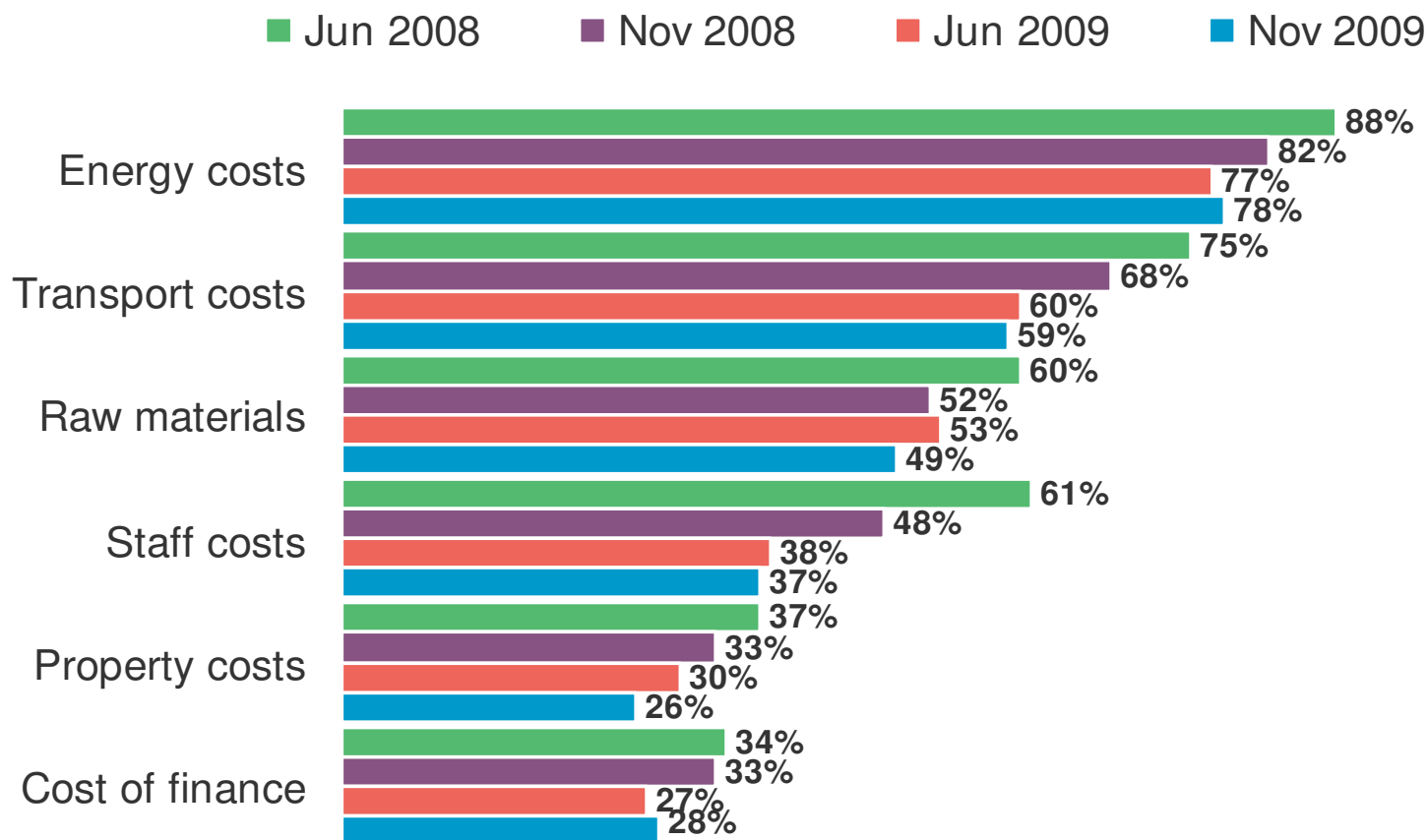
Section 7

Business cost pressures

Cost pressures continue to stabilise or decline across most categories

62

Q Which of the following costs have increased for your business over the past 12 months?



The number of businesses who have reported an increase in raw material costs and property costs has significantly decreased between June 2009 and November 2009. Energy costs are still rising with 78% of businesses (79% in Northern Ireland) reporting that their energy costs increased over the past 12 months.

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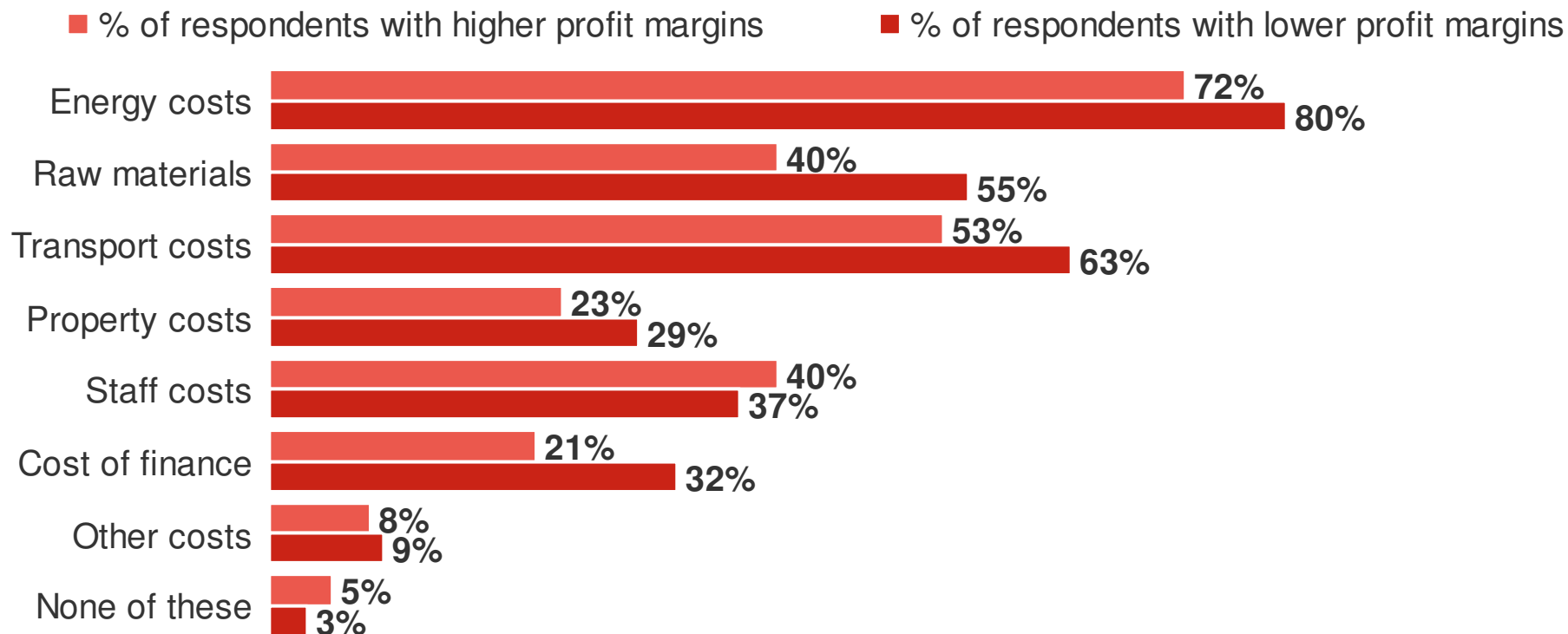
Base: All businesses in England answering (June 2008: 4,522; November 2008: 4,404; June 2009: 6,062; November 2009: 4,536)



Businesses who reported lower profit margins in the past 12 months also saw costs increase. These firms may have also been reluctant to pass on their increasing costs to their customers through higher prices

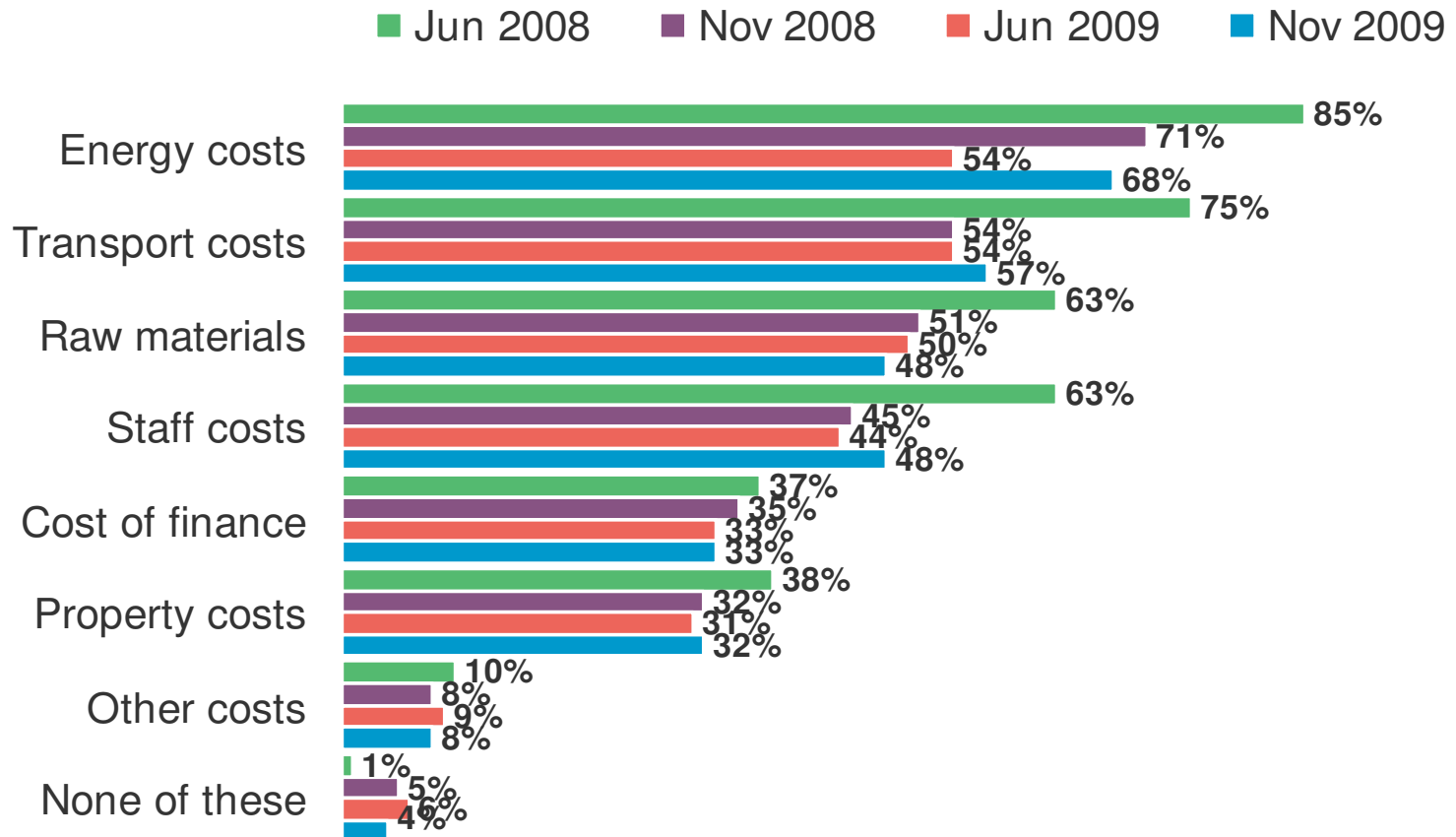
63

Q Which of the following costs have increased for your business over the past 12 months?



Energy costs are expected to see considerable upward pressure over the next 12 months

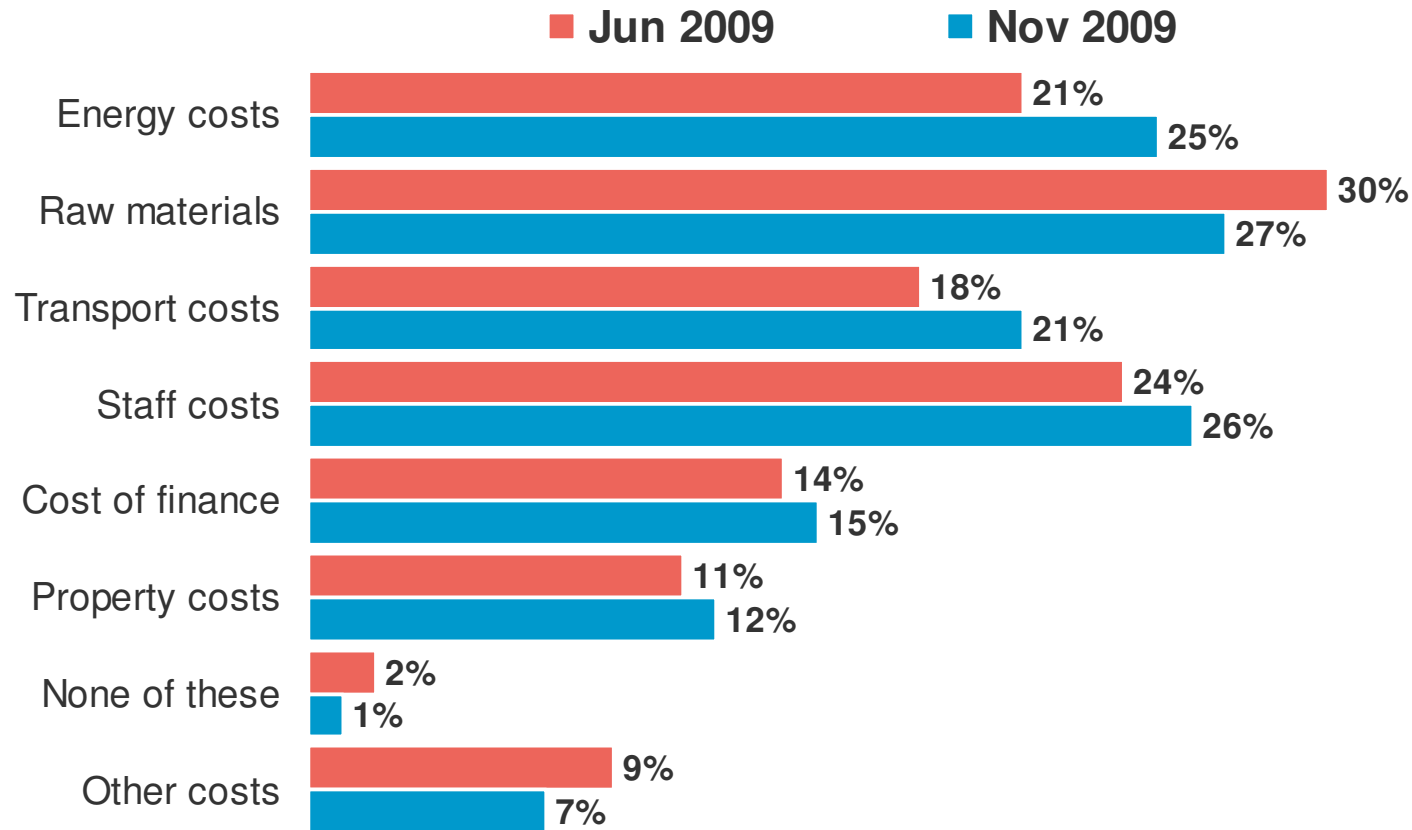
Q Which of the following costs do you expect to increase over the next 12 months?



The number of businesses expecting energy costs to increase over the next 12 months has increased significantly from 54% in June 2009 to 68% in November 2009 (65% and 62% in Northern Ireland). This is in line with press reports of possible gas shortages and an increase in prices.

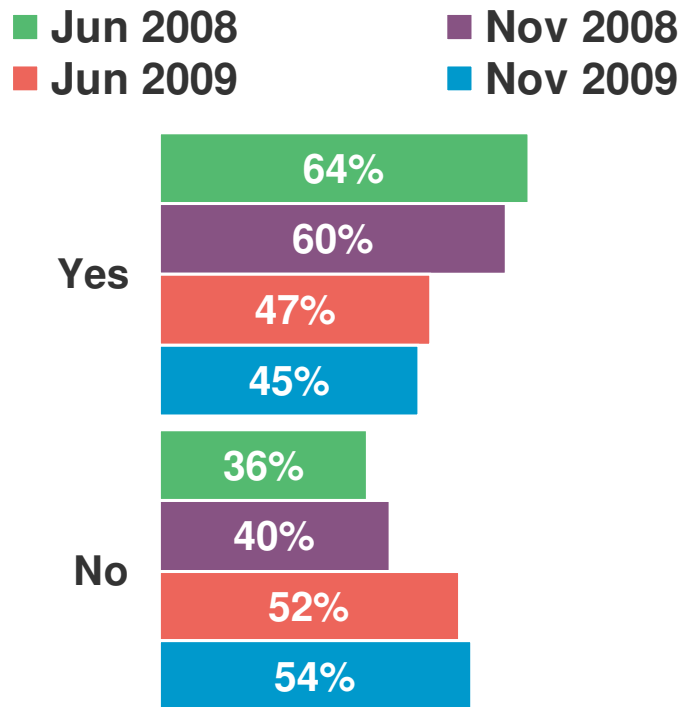
Raw materials have the greatest cost pressure overall on businesses, however this varies by sector with the hotels/catering sector citing energy costs, the transport sector citing transport costs and the financial/business services and public/personal services sectors citing staff costs

Q Which of the following presents the main upward cost pressure on your business at present?



Firms are still battling to retain customers and attract new ones and, as such, are reluctant to pass on any increase in costs

Q Have you passed on any increased costs to your customers in the past 12 months?



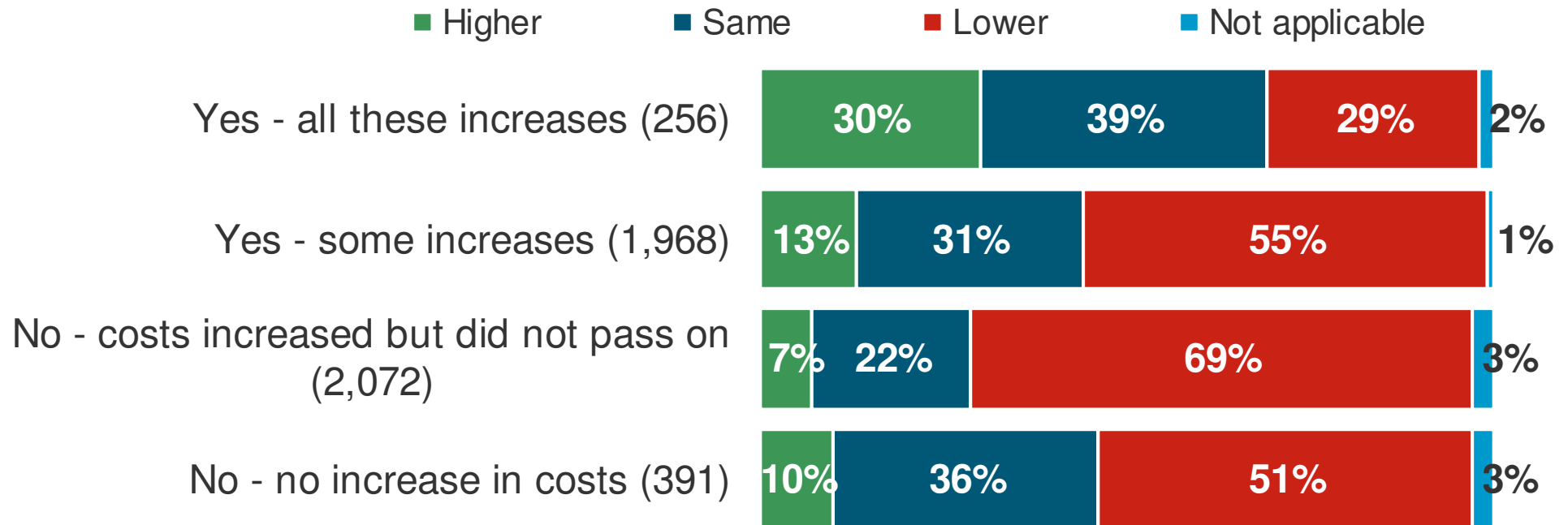
	Yes, All Increases	Yes, Some Increases
Retail and Distribution	9%	53%
Manufacturing	6%	51%
Hotels/catering	6%	43%
Transport/storage/comms	7%	41%
Construction	5%	39%
Public/personal services	3%	39%
Financial/Business Services	3%	30%
Primary	1%	39%

Businesses are becoming more and more reluctant to pass increased costs onto customers – 54% experienced an increase in costs but did not pass any increase on (49% in Northern Ireland). Looking at the data by sector, the retail and distribution and manufacturing sectors were significantly more likely to have passed on costs to their customers

There is a clear link between a firm's profitability and whether they have passed on additional costs to customers

Q. Have you passed on any increased costs to your customers in the past 12 months?

Trend in the past 12 months: Profit Margins



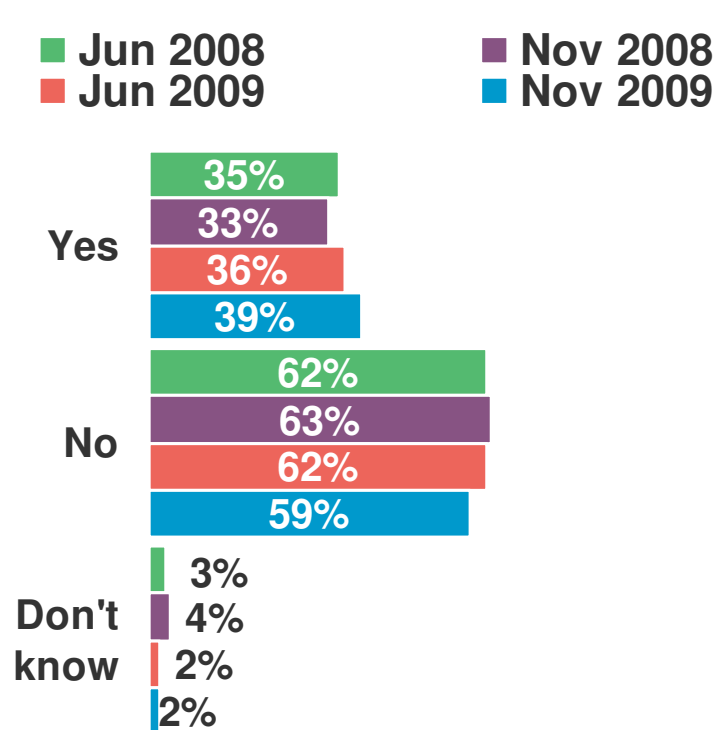
Nearly a third of businesses (30%) who passed on all their costs increased reported higher profit margins in the past 12 months – this compares to just 7% of businesses who saw their costs increase, but did not pass them onto the customer

Section 8

Business strategies

While the number of businesses who have a formal business growth plan has increased slightly compared to previous waves – less than two fifths of businesses have one

Q Does your company have a formal business growth plan?



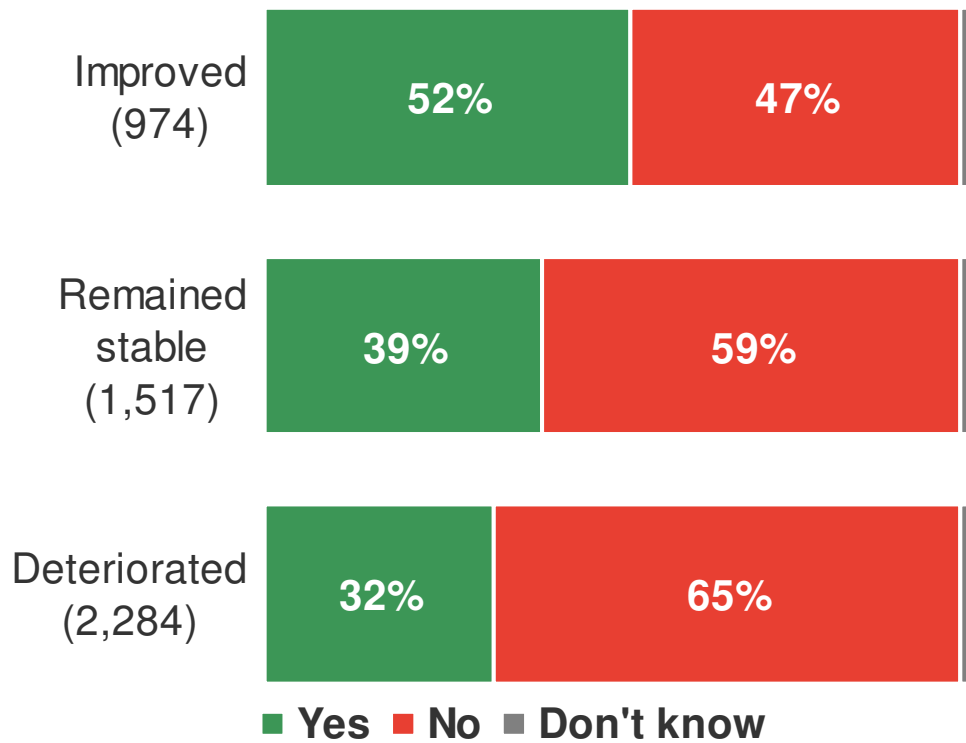
	Yes	No	Don't know
Public/personal services	49%	48%	4%
Manufacturing	42%	56%	1%
Financial/Business Services	40%	59%	1%
Transport/storage/comms	38%	60%	3%
Retail and Distribution	36%	62%	3%
Hotels/catering	34%	62%	4%
Primary	31%	66%	3%
Construction	22%	77%	1%

The minority of businesses report having a business growth plan and this varies significantly by sector. Firms in the public/personal services sector are most likely to have a business plan (49%), while only a fifth of construction firms (22%) have one. Larger businesses (10-49 and 50+ employees) are significantly more likely to have a business plan.

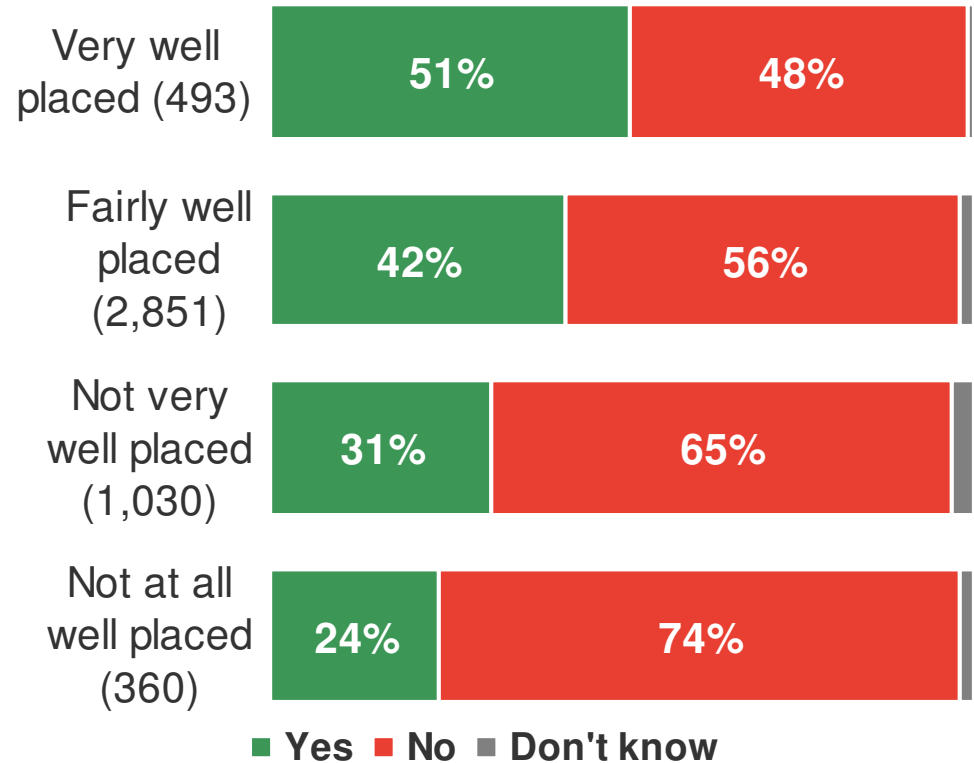
Having a business plan is clearly linked to good business performance and being well placed for the future

Q Does your company have a formal business growth plan?

Business performance over the past 12 months



Weathering the downturn

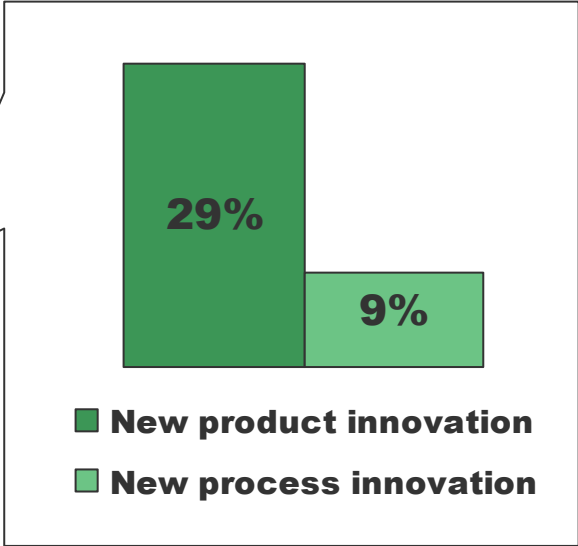
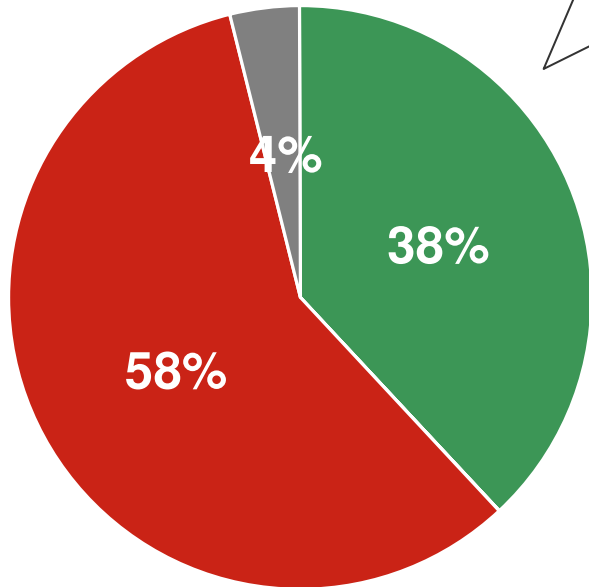


Businesses who have a formal business growth plan have seen their business performance improve over the past 12 months – 52% compared to 32% who saw their business performance deteriorate. These businesses are clearly better prepared for the future with more than half (51%) stating that they are very well placed to weather any downturn

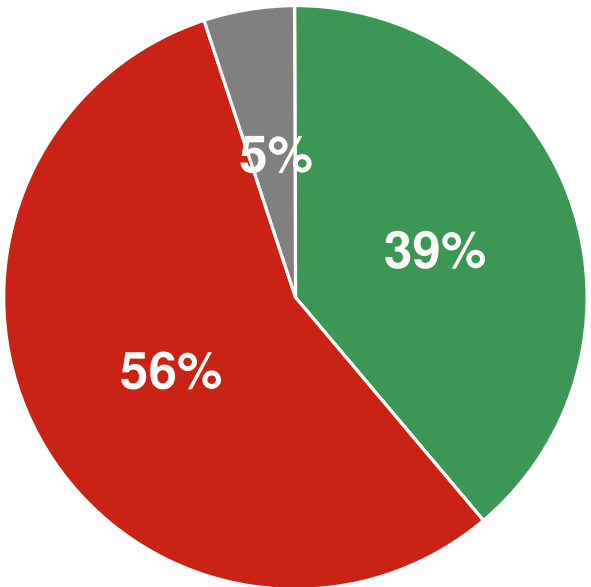
Product and process innovation has remained stable

Q Has your business introduced a new product or process innovation in the past 12 months?

November 2009



June 2009



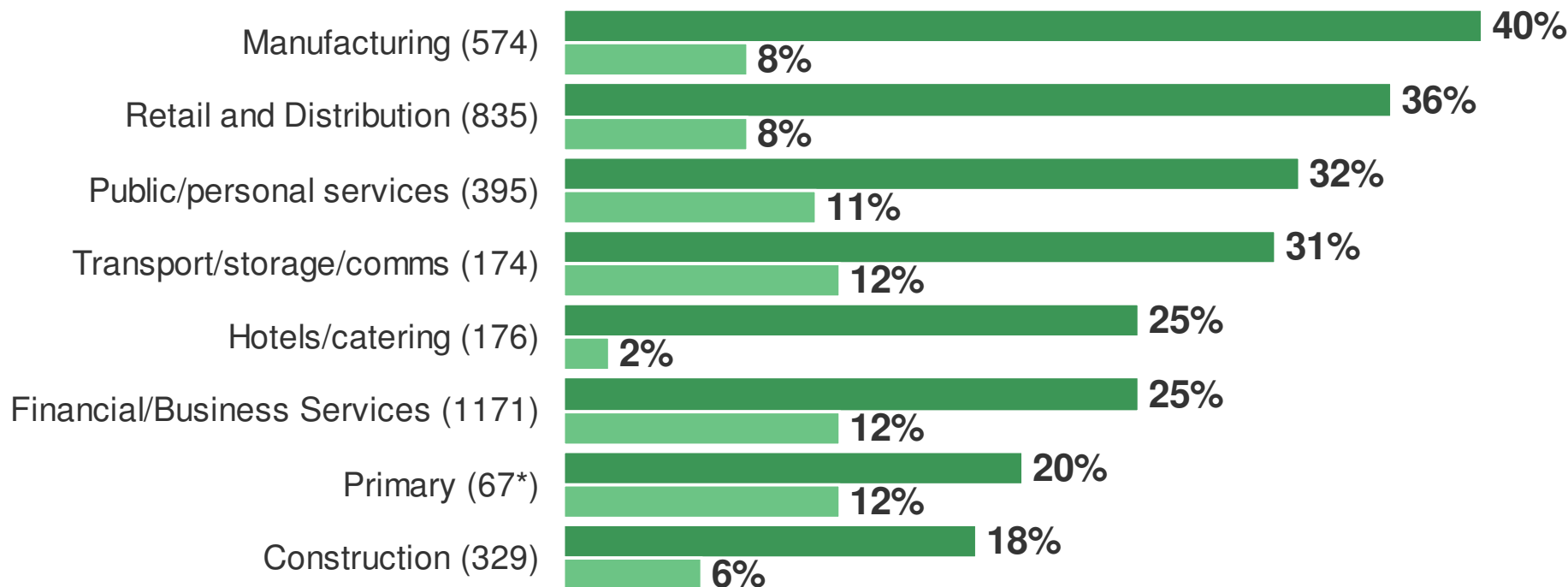
- Yes
- No, neither
- Don't know

The number of businesses introducing a new product or process innovation has remained stable between June 2009 and November 2009. Larger businesses are more likely to have introduced a new innovation - 53% of businesses with 50+ employees compared to only 36% of businesses with 1-9 employees.

Firms in the manufacturing sector are most likely to introduce new product innovations overall, followed by the retail and distribution sector. The level of innovation in the transport sector has declined compared to June, perhaps impaired by the challenging credit conditions

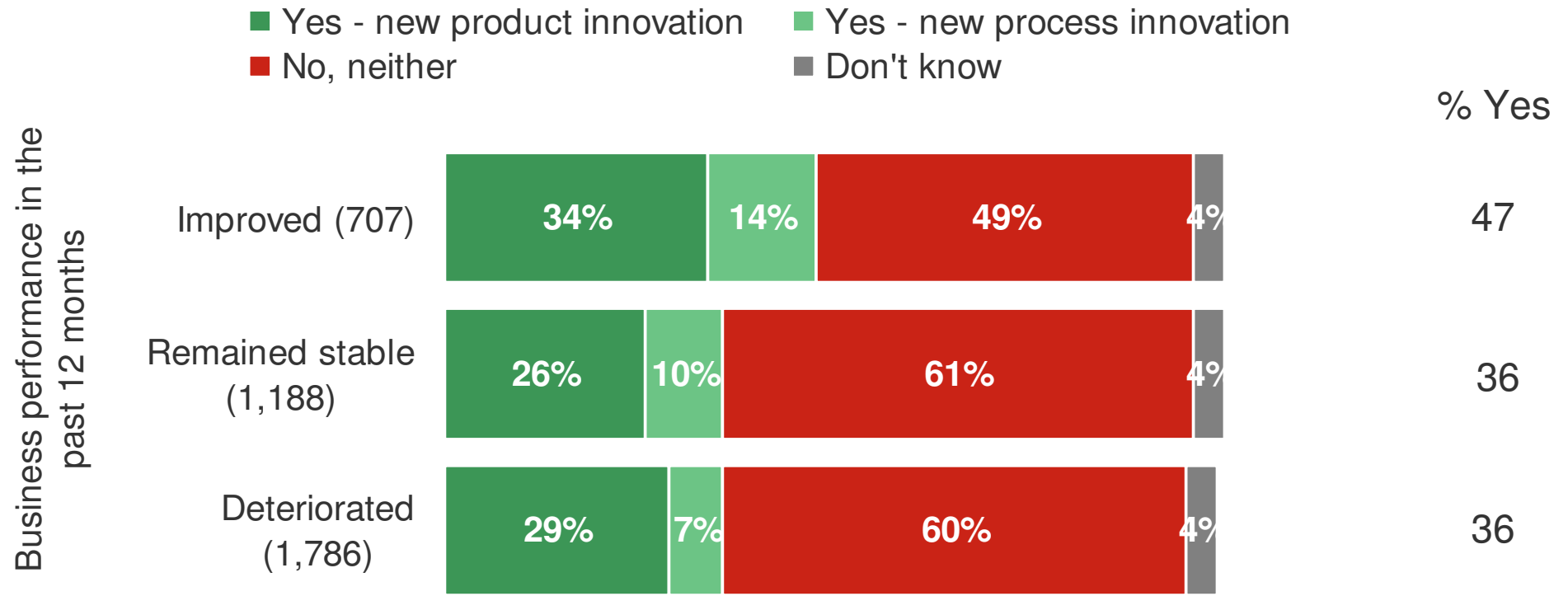
Q Has your business introduced a new product or process innovation in the past 12 months?

■ Yes - new product innovation ■ Yes - new process innovation



Introducing a new innovation has an impact on business performance, although the link is not as strong as the previous wave of the NBS. Clearly the impact of the downturn is impairing business performance even among the more innovative firms

Q Has your business introduced a new product or process innovation in the past 12 months?

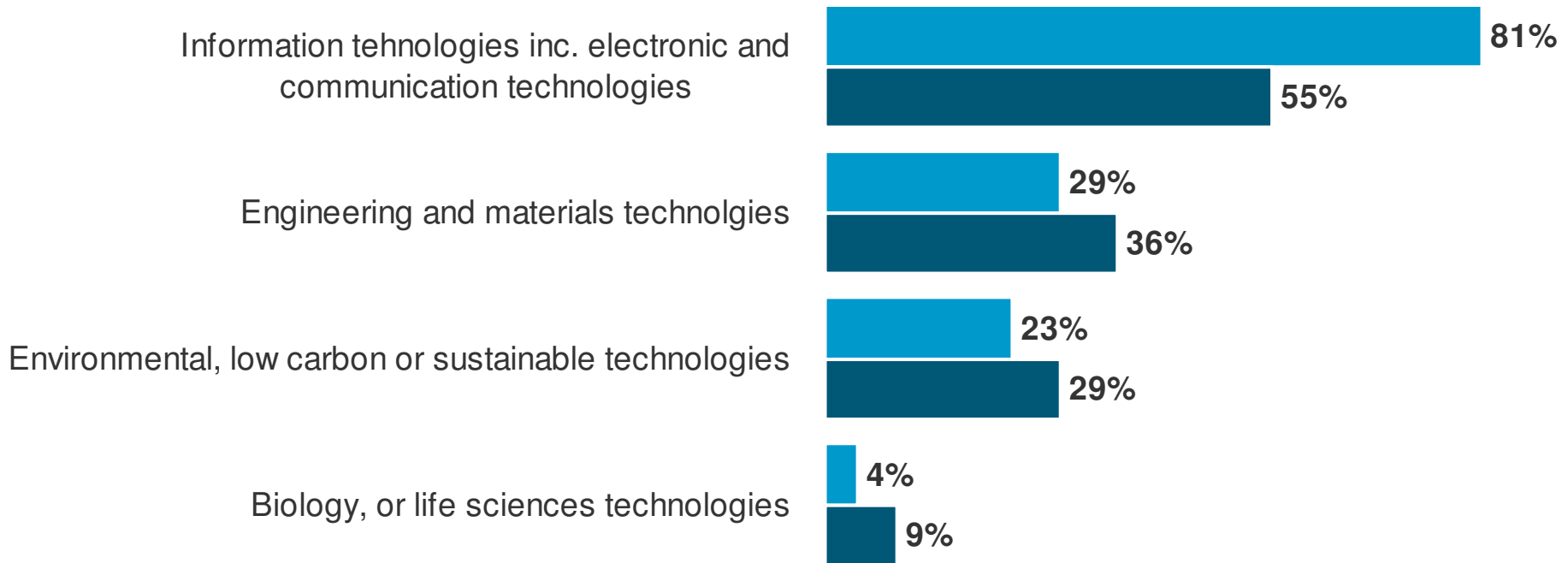


The introduction of a new product or process innovation has clearly had an effect on improved business performance. Of those businesses who saw an improvement in their performance nearly half (47%) had introduced a new innovation – this compares to a third (36%) of businesses who’s performance deteriorated

Most businesses in England utilise information technologies in their production processes

Q Does your business use any of the following technologies in your production process? Does your business sell products within any of the following technologies?

■ Use (2,446) ■ Sell (1,089)



The majority of businesses in England use information technologies (81%, 78% in Northern Ireland) with more than half (55%) selling this technology (35% in Northern Ireland)

Base: All businesses in England answering (shown in brackets);

The hotels/catering and financial/business sector are most likely to use information technologies, while the manufacturing and construction sectors are most likely to use engineering and materials technologies

Q Does your business use any of the following technologies in your production process?

	Information technologies	Engineering and materials technologies	Environmental, low carbon, sustainable technologies	Biology or life sciences technologies
Primary (37*)	74%	38%	28%	17%
Manufacturing (477)	61%	67%	18%	3%
Construction (160)	48%	59%	49%	2%
Distribution (397)	68%	41%	23%	5%
Hotels/catering (52*)	93%	9%	36%	-
Transport/storage/comms (114)	88%	22%	23%	-
Financial/business services (956)	91%	17%	16%	2%
Public/personal services (250)	87%	20%	25%	8%

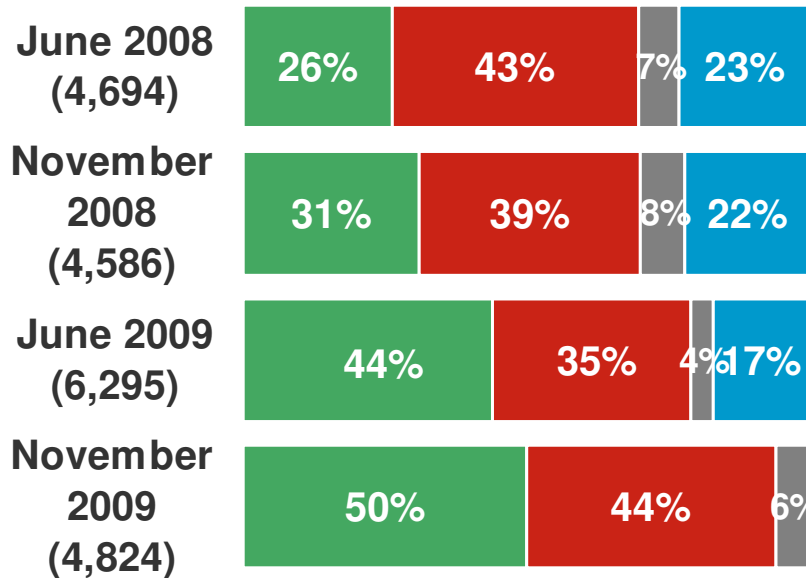
91% of financial/business services companies use information technologies, while 67% of manufacturing firms use engineering and materials technologies.

Base: All businesses in England answering (shown in brackets); Caution: small base size (<100)

Businesses are increasingly taking steps to reduce their CO₂ emissions with half of businesses doing so. The adoption of these measures is clearly having an impact on the bottom line

Q Have you taken any steps to reduce the CO₂ emissions of your business?

■ Yes ■ No ■ Don't know ■ Not applicable

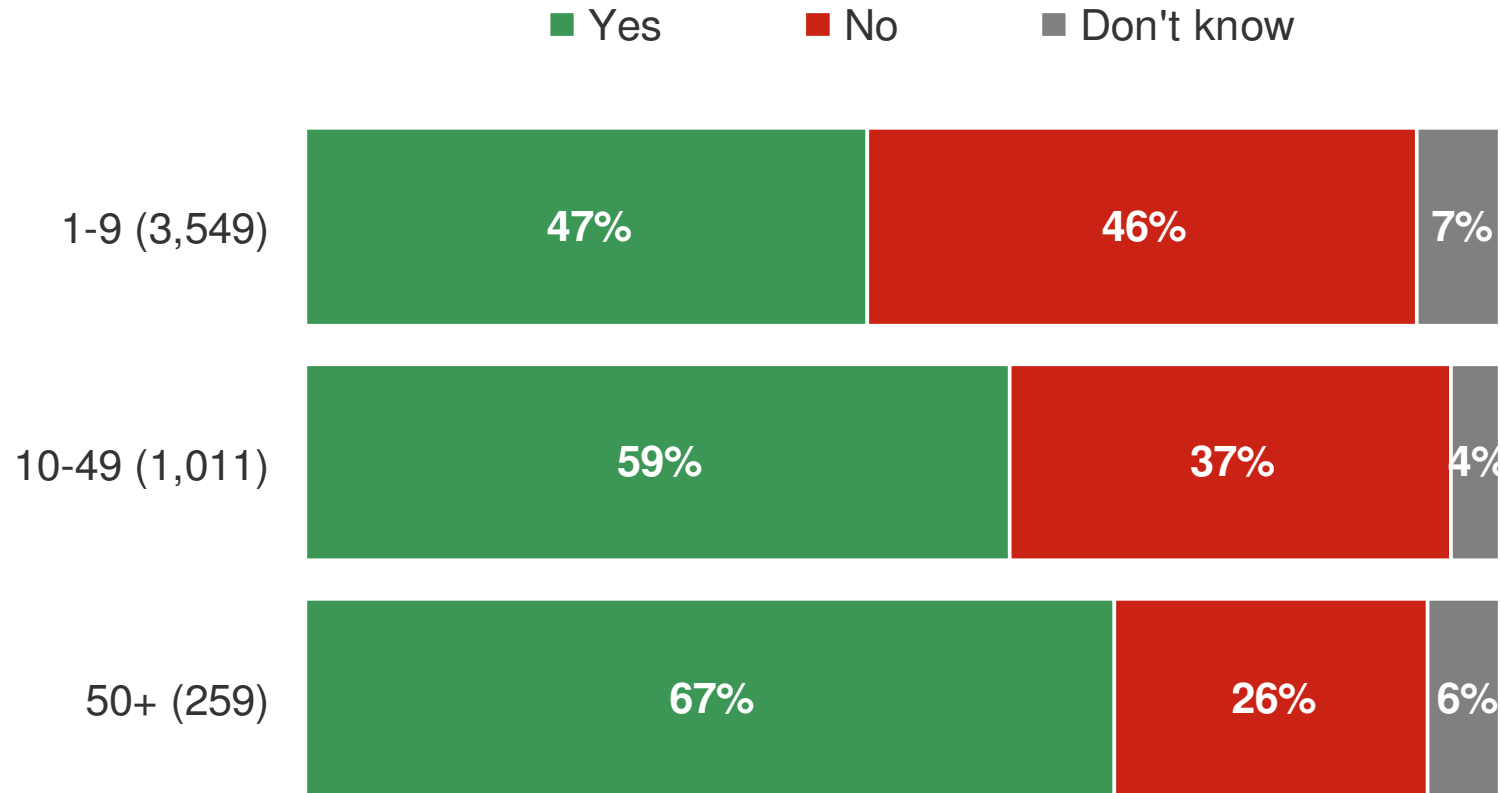


	Yes	No	Don't know
Transport/storage/ comms (205)	61%	38%	1%
Hotels/catering (244)	55%	33%	12%
Public/personal services (509)	54%	41%	6%
Construction (388)	50%	45%	5%
Manufacturing (781)	48%	46%	6%
Retail and Distribution (1,065)	48%	43%	9%
Financial/Business Services (1,547)	47%	49%	4%
Primary (80*)	46%	44%	9%

Half of all business have taken steps to reduce their CO₂ emissions in November 2009 (52% in Northern Ireland) – significantly more than in June 2009. Across sectors the transport/storage/comms sectors are most likely to have taken steps to reduce their CO₂ – this is unsurprising given the media attention on road and air travel and the reduction of carbon footprint.

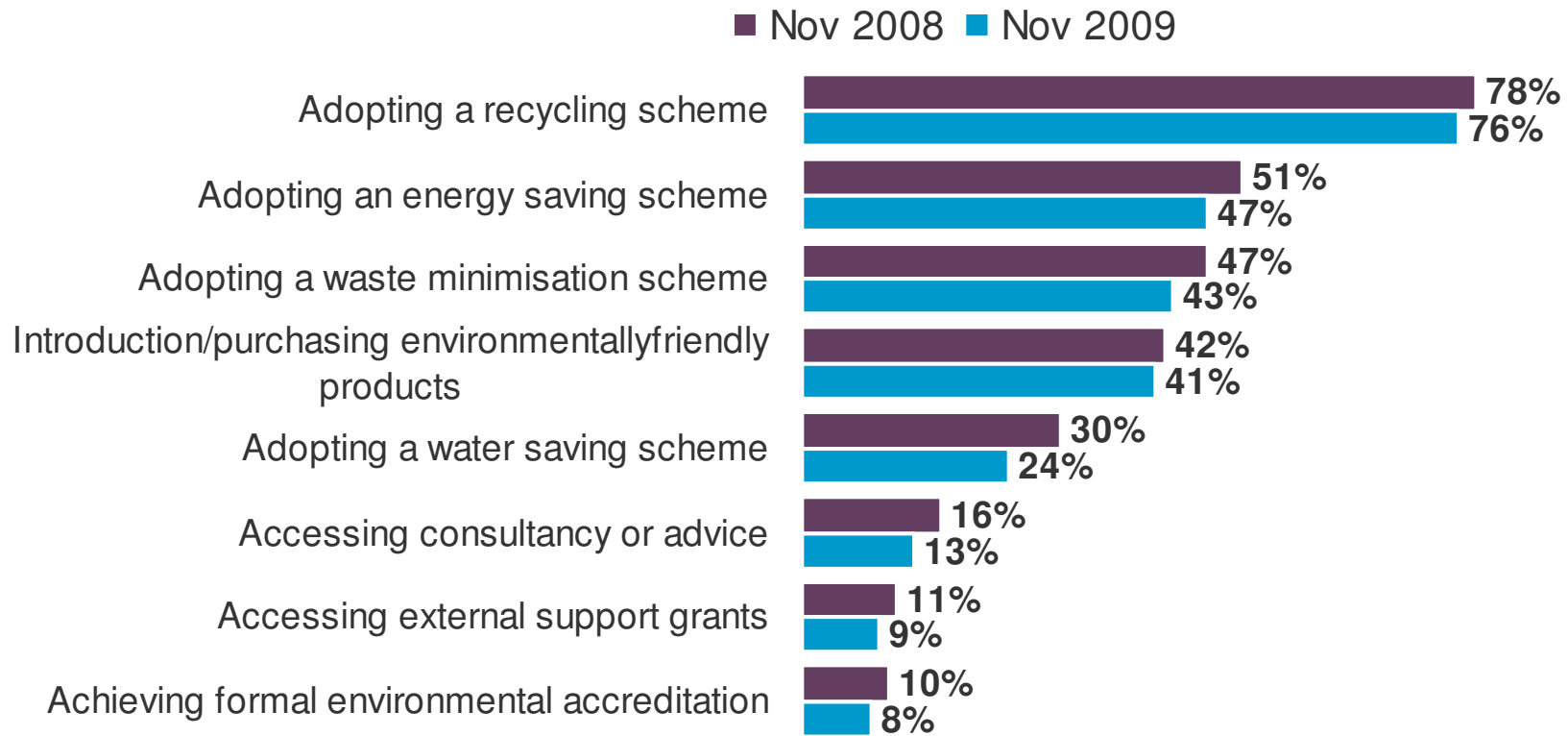
Larger firms are still leading the way for undertaking measures to reduce CO₂. Smaller organisations are much less likely to be actively reducing CO₂ emissions.

Q Have you taken any steps to reduce the CO₂ emissions of your business?



Similar proportions of businesses are undertaking actions to improve environmental performance compared to a year ago

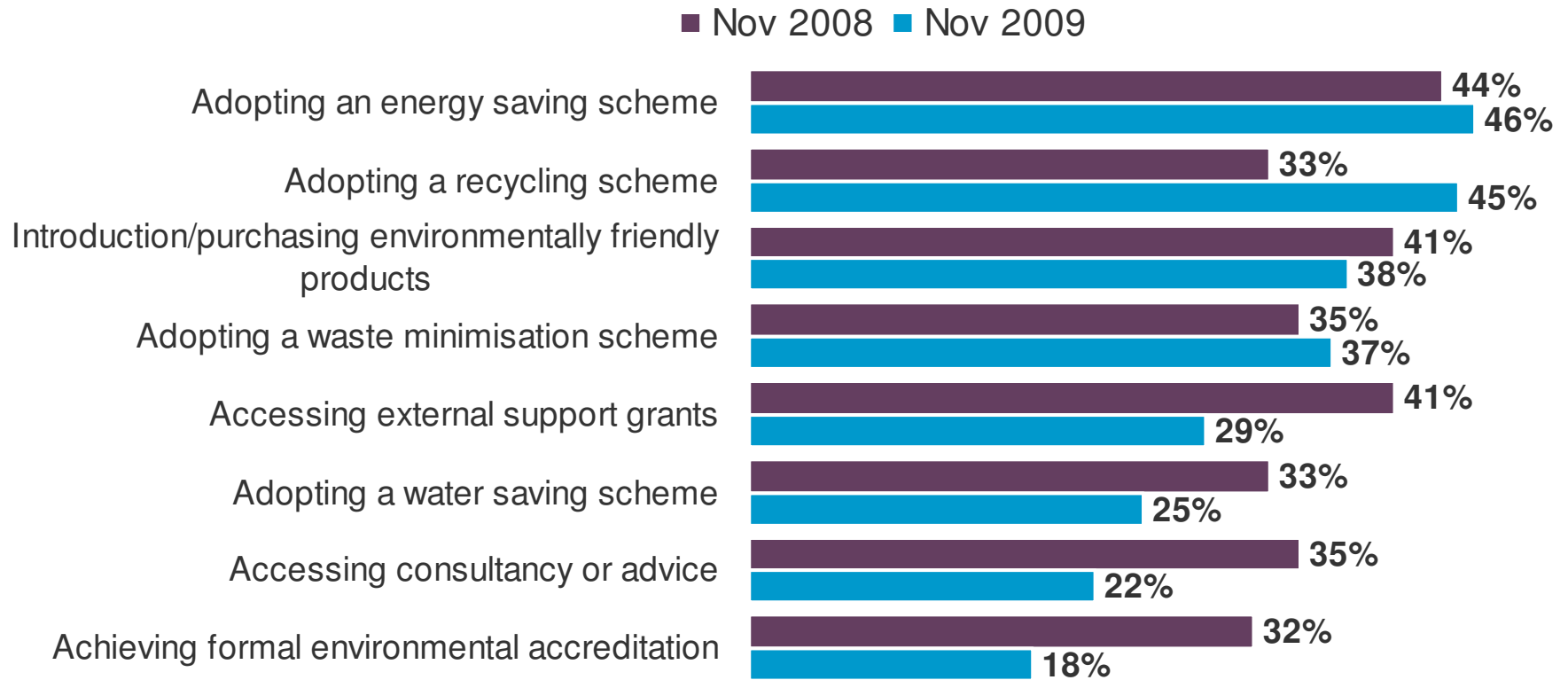
Q Have you undertaken any of the following actions to improve your environmental performance?



The majority of businesses adopted a recycling scheme in the last year (76%, 61% on Northern Ireland). Construction firms are less likely to have adopted a recycling scheme. Significantly less businesses undertook an energy saving scheme or a waste minimisation scheme in November 2009 compared to November 2008.

More businesses expect to adopt a recycling scheme in the next 12 months now, compared to November 2008

Q Do you plan to undertake any of the following actions to improve your environmental performance?



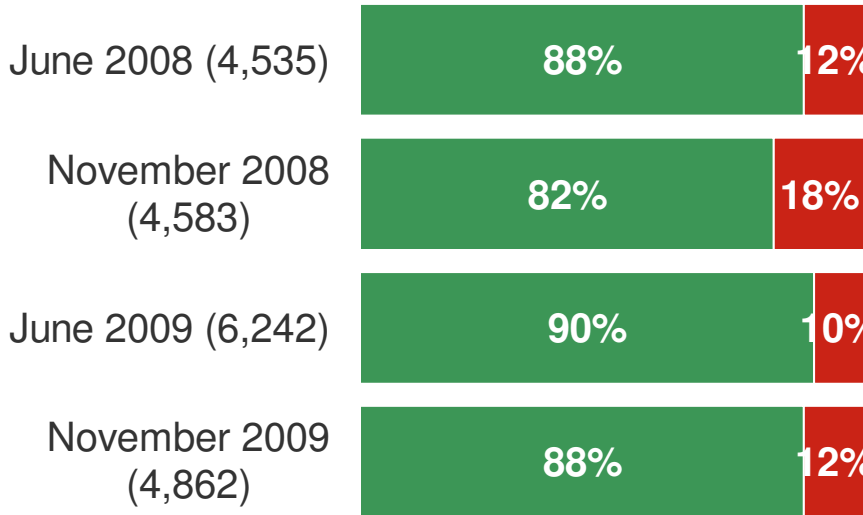
Almost half of all businesses intend to adopt an energy saving scheme (46%, 47% in Northern Ireland) and a recycling scheme (45%, 42% in Northern Ireland).

Section 9

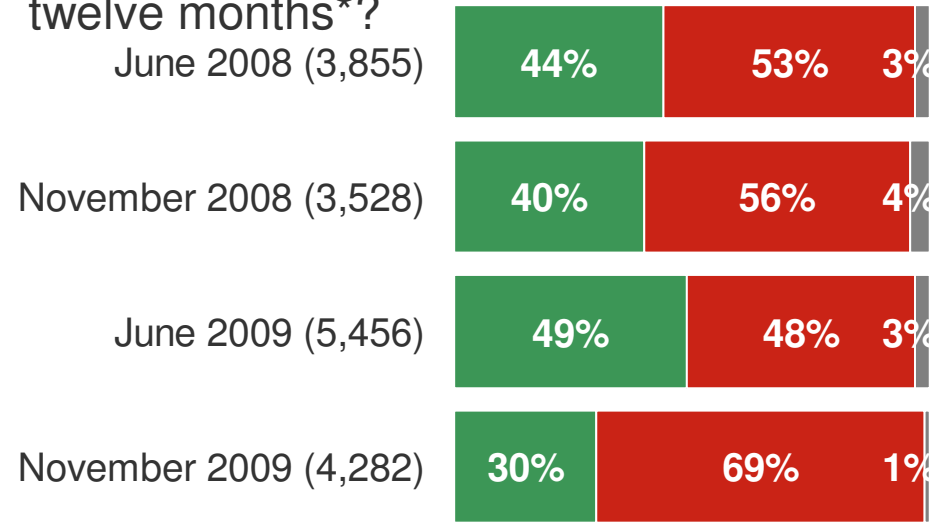
Business collaboration and support

Knowledge of Business Link remains constant. Around a third of businesses have used the service in the past 12 months

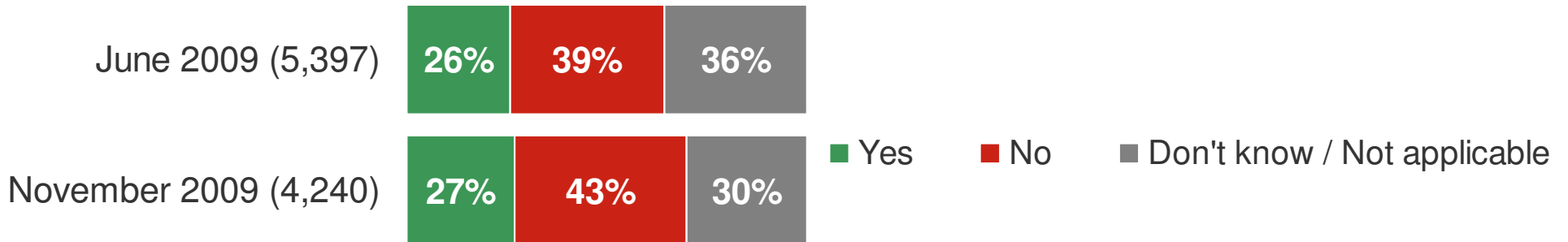
Q Have you heard of Business Link?



Q Have you used Business Link in the past twelve months*?



Q Do you plan to use Business Link in the next 12 months?



Knowledge of Business Link in November 2009 remains at a similar level to June 2009. NBS data shows that business who use Business Link are likely to perform better – 35% of businesses who said their performance improved over the last 12 months used Business Link

Public/personal services and manufacturing firms are most likely to use Business Link in the future

Q Have you heard of Business Link? / Have you used Business Link in the last 12 months? / Do you plan to use Business Link in the next 12 months?

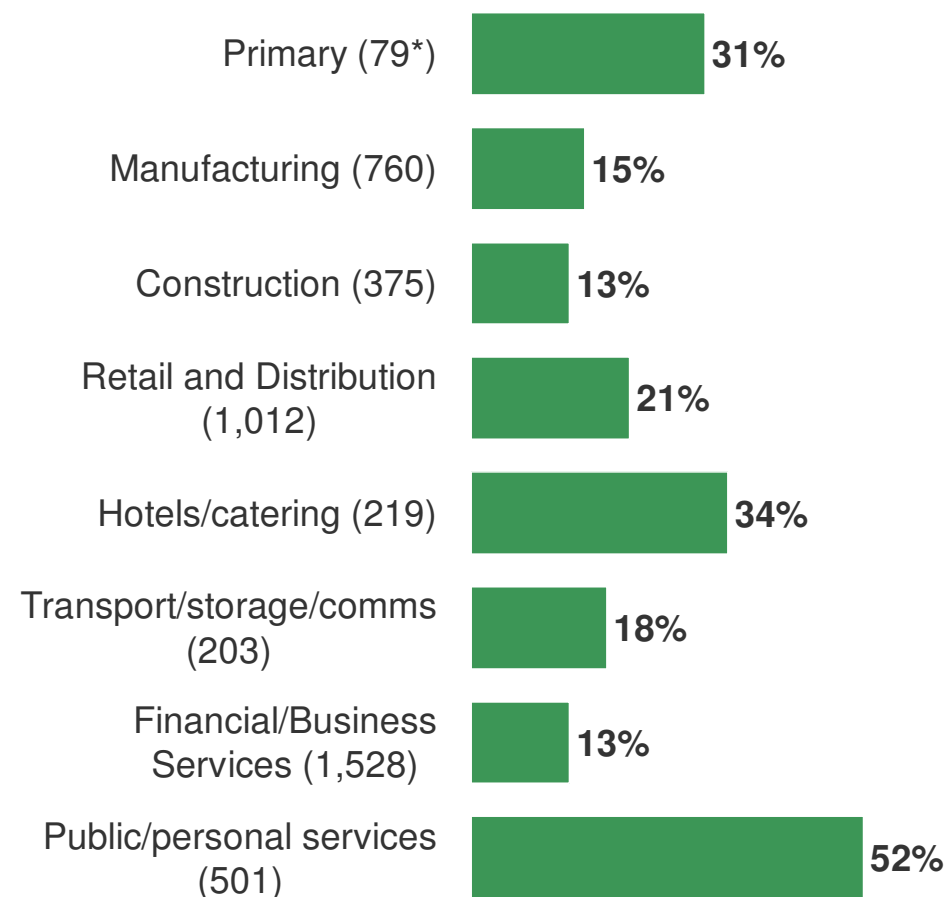
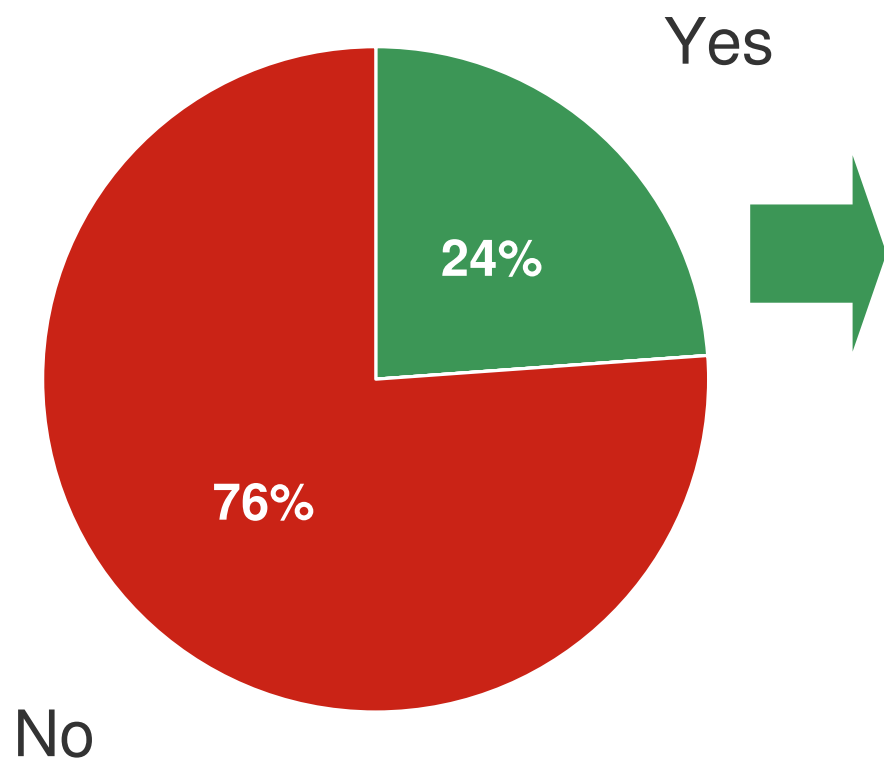
	Heard of Business Link	Used Business Link	Plan to use Business Link
Primary	96%	28%	19%
Manufacturing	95%	35%	34%
Construction	77%	25%	23%
Retail and Distribution	88%	27%	22%
Hotels/catering	79%	25%	27%
Transport/storage/comms	90%	33%	23%
Financial/business services	92%	29%	27%
Public/personal services	88%	37%	30%

The construction and hotels/catering sectors are least aware of Business Link – indicating that more could be done in these sectors to raise awareness. Usage is highest among firms in the public/personal services and manufacturing sectors

Base: All businesses in England answering

A quarter of businesses think of themselves as a social enterprise

Q Do you think of your business as a social enterprise?



More than half of business (52%) in the public/personal services sectors regard themselves as a social enterprise. Around a third in the hotels/catering (34%) and primary (31%) sectors class themselves as such, while only 13% construction and financial/business services firms think of themselves in that way

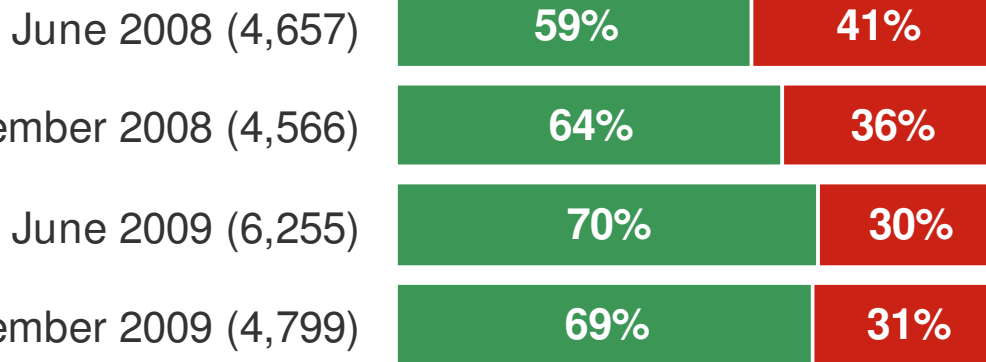
Section 10

Human resources and training

Despite an increase of businesses reporting an improvement in business performance, the majority are still working below capacity

Q Is your present level of output below capacity (i.e. are you working below a full rate of operation)?

■ Yes ■ No



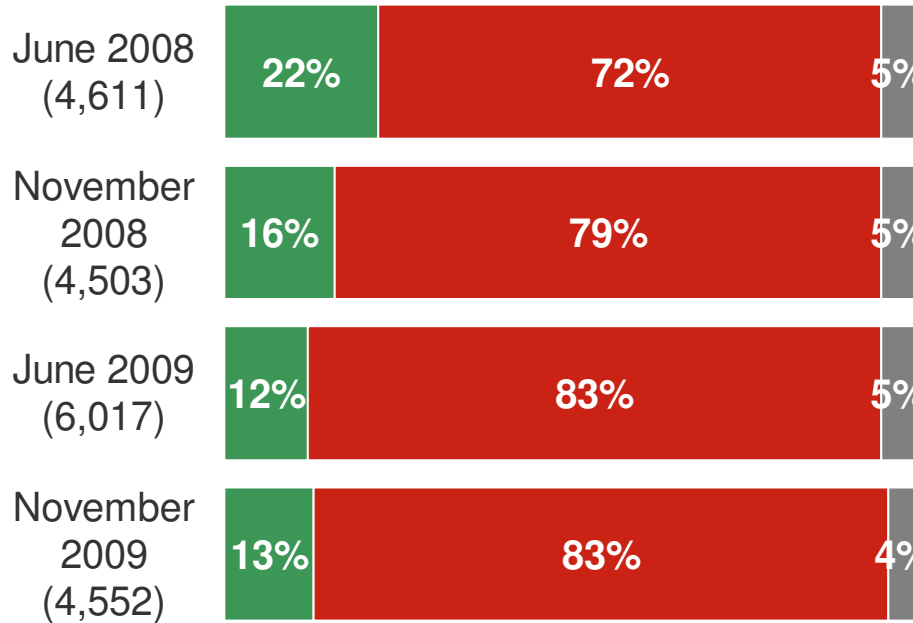
Sector	% Yes
Hotels and catering (245)	76
Manufacturing (788)	75
Retail and distribution (1,043)	73
Transport/ storage/ comms (206)	72
Construction (392)	71
Financial/Business Services (1,540)	69
Public/ personal services (497)	61
Primary (83*)	57

In November 2009 the majority of businesses (69%, 65% in Northern Ireland) reported that they were working below capacity – a similar level to June 2009. The hotels/catering and manufacturing sectors are most likely to be operating below full capacity

Hard-to-fill vacancies remain a problem for only a minority of businesses – given the record rates of unemployment across England, it is not surprising that vacancies can be filled fairly easily

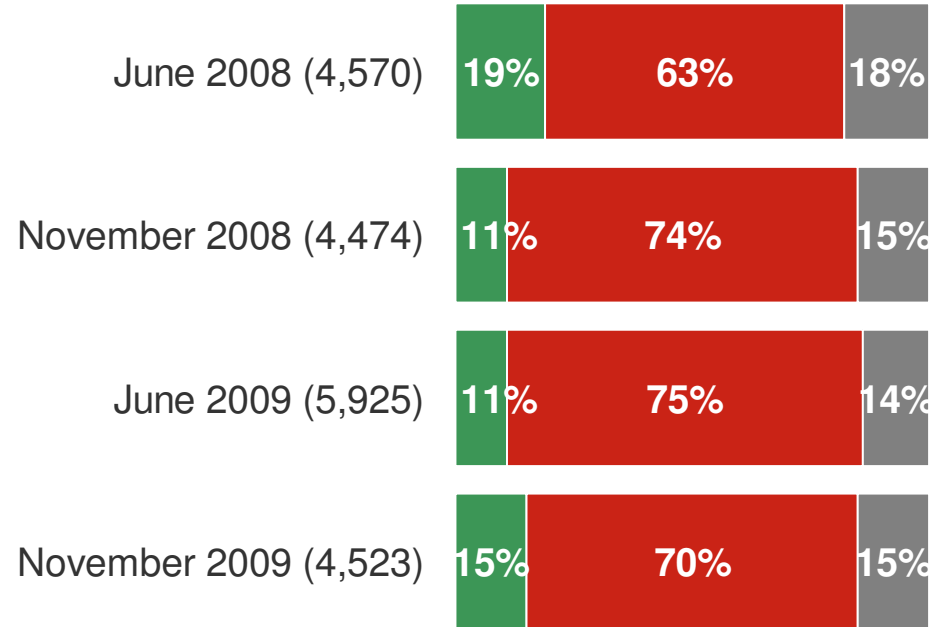
Q Did you have any staff vacancies that you found hard to fill, or could not fill, during the past 12 months?

■ Yes ■ No ■ Don't know



Q And do you expect to have any in the next 12 months?

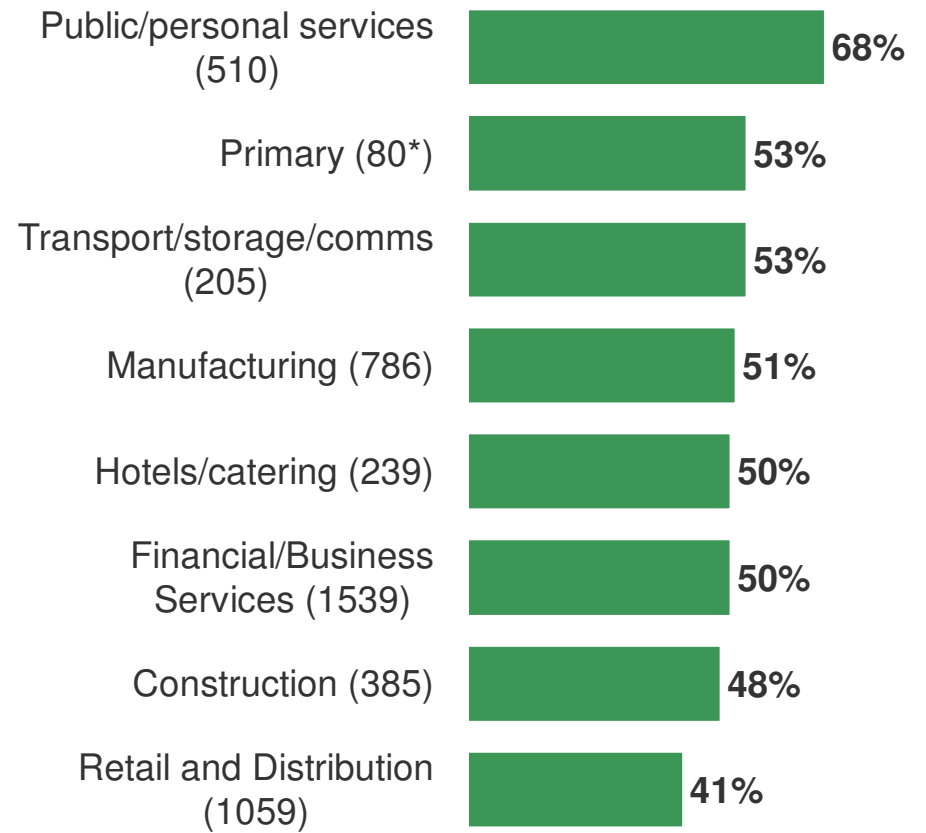
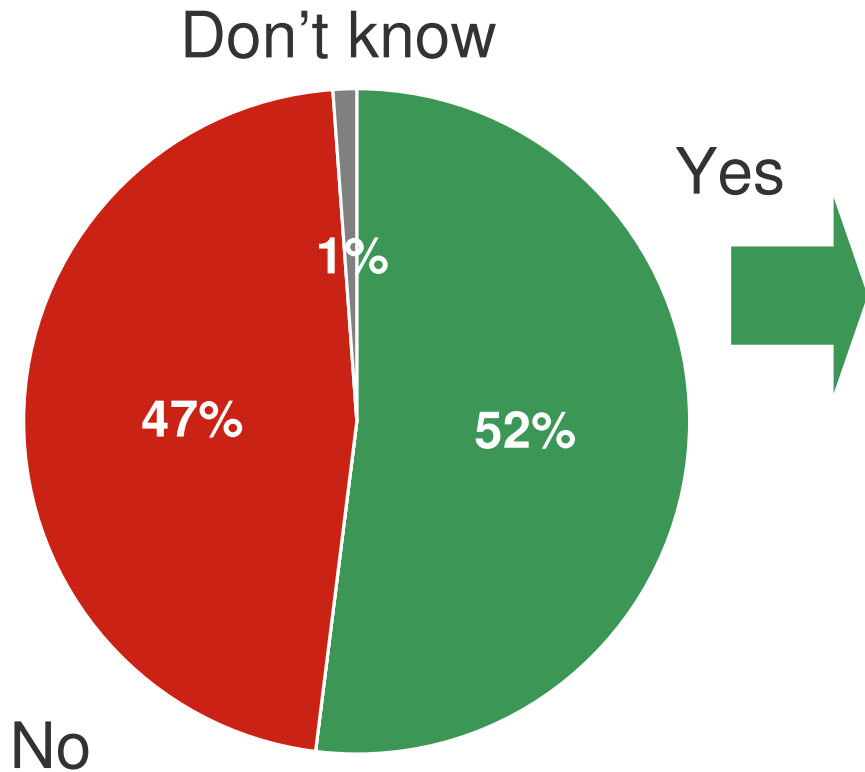
■ Yes ■ No ■ Don't know



A minority of businesses have reported hard-to-fill vacancies in the past 12 months – the proportion is significantly less than a year ago, although remains at a similar level to the June 2009 wave. Public/personal firms are more likely than average to report hard-to-fill vacancies (18%). While the London region expects to have more hard-to-fill vacancies than any other region in the next 12 months (20%)

More than half of businesses have a staff or employee training plan

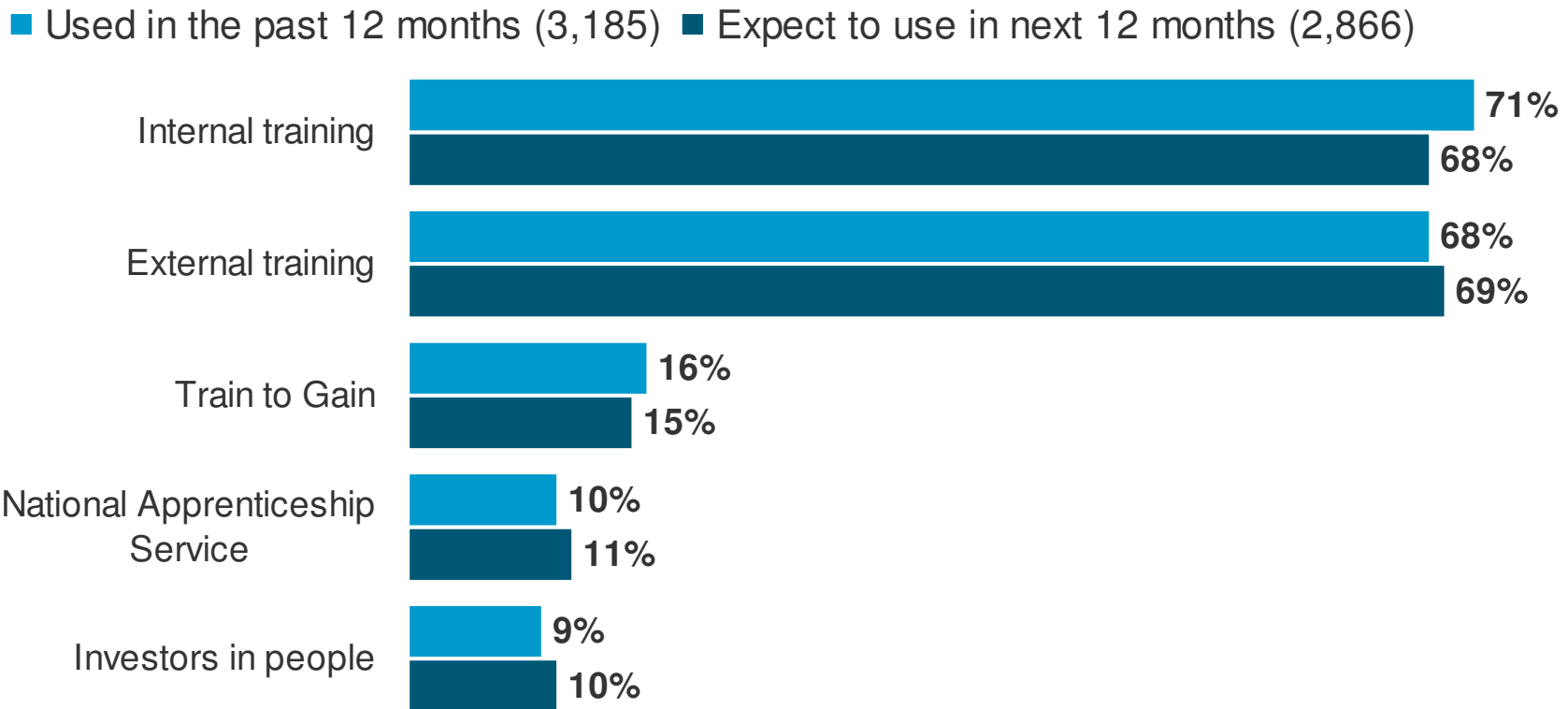
Q Does your company have a staff or employee training plan?



More than two thirds (68%) of firms in the public/personal services sector have a staff or employee training plan – while firms in the retail and distribution sector are least likely to have one (41%)

The majority of business have used either external or internal training in the past 12 months, and will continue to do so

Q Have you used any of the following training plans in the past 12 months? Do you expect to use any of these programmes in the next 12 months?



The majority of business have undertaken either internal or external training in the last 12 months – this has increased from June 2009 (58% and 48% respectively), perhaps indicating that due to freezes in employment – training is being adopted to fulfil necessary duties

Appendix

Guide to statistical reliability

Guide to Statistical Reliability -1

- The variation between the sample results and the “true” values can be predicted from knowledge of the size of the samples on which the results are based and the number of times that a particular answer is given. The confidence with which this prediction can be made is usually chosen to be 95% - that is, the chances are 95 in 100 that the “true” value will fall within a specified range, based on a random ‘pure’ sample of the population.
- The table below illustrates the predicted ranges for different sample sizes and percentage results at the “95% confidence interval”.

	Approximate sampling tolerances applicable to percentages at or near these levels		
Sample Size	10% or 90 %	30% or 70%	50%
	±	±	±
5,000	1	1	1
2,500	1	2	2
1,000	2	3	3
800	3	4	4

Guide to Statistical Reliability -2

- Therefore, with a total sample size of 1,000 completed interviews, where 50% give a particular answer, the chances are 19 in 20 that the “true” value (which would have been obtained if the whole population had been interviewed) will fall within the range of ± 3 percentage points from the sample result; in fact the actual result is proportionately more likely to be closer to the centre (50%) than the extremes of the range (47% or 53%).
- When the results are compared between separate sub-groups within a sample, different results may be obtained. The difference may be “real,” or it may occur by chance (because not everyone in the population has been interviewed). To test if the difference is a real one - i.e. if it is “statistically significant” - it is again necessary to know the total population, the size of the samples, the percentage giving a certain answer, and the degree of confidence chosen. Assuming the “95% confidence interval”, the differences between the two sub-sample results must be greater than the values given in the table on the next slide:

Guide to Statistical Reliability -3

	Differences required for significance at or near these percentage levels		
Sample sizes	10% or 90%	30% or 70%	50%
	<u>±</u>	<u>±</u>	<u>±</u>
5000 vs 5000	1	2	2
2500 vs 2500	2	3	3
4000 vs 1000	2	3	4

- For example, if 50% of the 4,000 sample give a particular answer, and 51% of the 1,000 sample give the same answer, there is not a statistically significant difference between the responses of the two groups. If however there is 54% of the 1,000 sample giving the same answer there is a significant difference as there is at least 4 points difference

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