



North West small firms beating their counterparts in the South says business survey.

Small firms in the North West are out-performing those in London, the South East and the South West when it comes to creating jobs and increasing turnover and investment, according to a new small business survey.

The latest quarterly survey of the Manchester-based Small Business Research Trust (SBRT) shows that small firms in the North West are doing particularly well in creating employment. The North West was the only region in England where the number of small firms increasing jobs was more than those cutting employment. Over 20% of the firms surveyed in the region said they were increasing employment, compared with 14% that had cut jobs.

The report, which is sponsored by HSBC Bank, also shows the North West out-performing London, the South East and the South West, when it comes to turnover and investment. More firms in the region report an increase in sales, with 43% saying sales were up, compared with 32% who said they were down: a positive proportion of 11%. In the South, only the South West came near to matching the North West, with 7% more firms saying sales were up than down.

In the South East 13% more firms report that sales are down. And in London four per cent more firms say that turnover has declined rather than increased.

On investment North West firms heavily outscore the three Southern regions. Over 26% of firms in the region said they had increased investment, compared with just 8% who had cut back. Of the three regions in the South, only London had a positive figure for investment, with 3% more firms reporting an increase.

Dr Alan Southern, of the University of Liverpool Management School, who analysed the data behind the report, said that one likely reason why the North West was doing better than the Southern regions was that the slowdown in the housing market, and subsequently in consumer spending, were probably being felt more sharply in London and the South East. "On top of this, there is the tremendous amount of regeneration that is taking place not only in major cities such as Liverpool and Manchester, but also in places like Preston, that is having a real impact on the regional economy."

Sally Robson, HSBC Area Director for Greater Manchester, agreed that the region's economy was being stimulated by "extensive regeneration." She added: "Many large companies are relocating to the North West, bringing additional opportunities for local small business suppliers. Also there is an extensive network of partnership links and

alliances, spanning both the private and public sectors, in place to support the local business community.”

Sally says that the key to continuing success for small firms in the region was to win greater market share by continually improving customer service and introducing new product innovations. “Our 149 local commercial managers, based in more than 21 commercial centres in the North West, are ideally placed to help SMEs reach their business goals.”

The report shows that nationally small firms are experiencing diminishing levels of growth with a decline in employment, sales turnover and investment. While firms believe they are operating in a stable economy, the findings suggest there are warning signs that growth may be curtailed.

The SBRT quarterly survey covered a random sample of 7,000 small firms across the UK and found that overall employment has declined, with over three per cent more firms reporting a decrease in employment compared with those reporting an increase. **This is the first time in the last three quarterly surveys that the proportion of firms reporting a drop in employment has exceeded those reporting an increase.** And while more firms increased, rather than decreased, turnover and investment, the figures showed a fall from those recorded in the last two quarterly surveys in 2004.

For instance, while in the last quarter of 2004 there were nine per cent more firms reporting sales growth than a reduction in sales, the first quarter of this year revealed that this number had declined to 0.4%. The number of firms investing has also declined.

The survey also found that small firms felt they are operating in a stable economic environment and were generally optimistic about growth – higher proportions believing that sales would grow and that investment and employment would remain stable.

The report revealed that taxation and employment regulation continued to be the most pressing concerns faced by small businesses. Brian Wolfe, chairman of the Small Business Research Trust, said that a recent comment by a minister in the Department of Trade and Industry (DTI) made it clear that “better regulation” (improved?) was top of the Government’s agenda. “With the economy apparently slowing down, what SMEs need is not just better regulation but less of it,” said Mr Wolfe.

Note to Editors: The SBRT survey was carried out during March and April 2005. 1161 firms responded: 9 out of 10 of those surveyed employed less than 50 people and 55% were micro in size, employing less than 10 people.

The Small Business Research Trust (SBRT) is an independent research organisation that aims to educate and inform in order to increase understanding of issues affecting small businesses.

For further information, comment, or copies of the report in electronic or hard copy format, contact Brian Morris on 0161 486 6441.

HSBC media enquiries should be directed to Neil Brazil on 020 7992 1572/
neilbrazil@hsbc.com