



## **North West small businesses continue to decline says business survey**

The decline in employment, sales and investment among small businesses in the North West, revealed in a survey taken in the final quarter in 2005, has continued into this year. A survey for the Small Business Research Trust (SBRT) says that for the second successive quarter, 4 out of 10 businesses in the region reported that sales were in decline. But while 44% of firms said sales had decreased, only 29% said they had increased. Twenty seven per cent said sales had remained stable.

The survey, which was sponsored by HSBC Bank, reveals that in the first quarter of this year **nine per cent more North West businesses reported employment down rather than up; and almost 7% more said investment had fallen rather than increased: the biggest decline in investment in any region.**

More North West firms also reported declines rather than growth in the three categories at the end of 2005. However, the first quarter figures for 2006 showed some improvement in sales. In the final quarter of last year, 25% more firms revealed decreases rather than increases in sales, compared with 16% more this year. Other indicators showed a slight deterioration, with 7% more firms in 2005 saying employment was down, and 2% more reporting investment lower.

**The survey reveals that in the first quarter of this year, for the first time since the middle of 2004, a majority of UK firms reported decreases rather than increases in sales, jobs and investment. There has been a gradual decline over the past 7 quarters, with small majorities in 2006 reporting falls rather than growth in all three indicators (see graph at the end of this press release).**

This decline has particularly affected employment and sales, while investment remained stable until this year. Yet in spite of these disappointing figures, optimism among smaller businesses remains relatively high, particularly regarding sales.

The SBRT quarterly survey was carried out by the University of Liverpool, and is one of the largest in the UK among smaller companies. About 12,000 small firms were surveyed in January and February, and the results showed that the economic environment continues to be relatively stable. Of those responding, roughly a third reported that sales were steady, and about two thirds said that employment and investment remained the same.

Also, there were only small differences in the numbers of firms reporting decreases rather than increases in the three indicators. About 4% more firms reported less jobs rather than employment growth. For sales, about 2.5% more firms said there had been a decrease rather than increase; and for investment around 1% more reported a fall.

Brian Wolfe, SBRT Chairman, writes in his foreword: "The Government appears reluctant to stimulate economic growth, whilst the consumer boom of last year has now ended. Small businesses cannot create growth on their own and the Government needs to introduce measures that will reduce the burden and cost of government inspired bureaucracy, thus re-stimulating the latent powerhouse of UK small businesses by reducing obstacles like the bureaucracy and tax burdens that hinder them."

Wayne Bowser, HSBC Regional Director for the North of England, said: "Despite reports that confidence in the North West is falling, business for us is booming - we're bucking the trend." HSBC has welcomed more than 6000 new business banking customers in the North West since the beginning of 2006 - that's over 375 a week. When asked, over 85 per cent of relationship managed business customers now say they would recommend HSBC."

## SECTORS

**The real estate and business services sector recorded high levels of growth in employment, sales and investment.** Forty five per cent of businesses in this sector reported an increase in sales compared with 30% who said that sales were down. Fourteen per cent more firms reported employment up rather than down; and 16% more said investment had increased rather than decreased.

**The wholesale and retail sector fared less well, with declines in employment and sales, though investment remained steady.** Almost 11% more firms in this sector reported employment down rather than up; and 17% more said sales had decreased rather than increased.

**Employment, sales and investment were all down in the manufacturing sector.** The differences between the numbers of firms reporting decreases rather than increases were 5% for employment, 4% for sales and 5% for investment.

**In the construction industry, 42% of firms reported sales up compared with 29% who said they were down.** However, while 10% reported more jobs created, 20% said they had shed labour. Seventy per cent of construction firms said investment had remained stable, though there was a small majority (4%) who reported an increase rather than a decrease.

The survey also showed micro enterprises (0 to 9 employees) performed on the whole less well than small businesses (10 to 49 employees) or medium sized businesses (50 to 249 employees).

**In spite of the first quarter figures, businesses were more optimistic about the future than they were at the end of last year.** A majority of those firms surveyed this time were optimistic about future sales, employment and investment. Almost 40% of firms expect sales to increase in the next quarter, with only 20% expecting a decline. **Confidence in the future was relatively high in the North West, with 40% of firms expecting an increase in sales compared with 25% who anticipated a decline;** and 13% expecting employment to increase, compared with 10% who thought it would

decline. But there was less confidence over investment, with only 14% expecting it to grow, compared with 22% saying it would fall.

Dr Alan Southern of the University of Liverpool Management School, who carried out the research, said: "Although year on year since 2004 there has undoubtedly been a marked slowdown, the figures in the first quarter of this year may have been affected by seasonal factors. The findings of the survey in the next quarter will be particularly interesting."

In most regions the differences between the numbers of firms in the UK expecting increased growth in employment and investment rather than a decrease, were small. Most businesses believed that employment and investment would remain stable. However, in the wholesale and retail sector, 43% of businesses believe they will experience lower sales in the future, while only 26% think that sales will grow.

GRAPH: Figure 2. Trend in net difference in business sales, employment and investment

Note to Editors: The SBRT first quarter survey for 2006 was carried out during January and February and 1119 firms responded.

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.

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