



UK small businesses falter, but Scottish sales 'buck the trend' says survey

A majority of small and medium-sized UK businesses reported a decline in jobs, sales and investment, rather than growth, in the first quarter of this year: but in Scotland a majority of firms said that sales were up. A survey for the independent Small Business Research Trust (SBRT), sponsored by HSBC Bank, says that **Scotland is the only part of the UK that has had more businesses consistently reporting sales growth rather than decline over the past 7 quarters.**

Responses to the survey were high across 8 English regions as well as in Scotland and Wales. Only 2 of these 8 regions had more firms reporting sales growth rather than decline, and Welsh sales also decreased. However, the number of Scottish businesses reporting sales growth in the first quarter of 2006 was only 2% more than those who said it had declined. This is well down from the last quarter of 2005, when 12% more Scottish firms reported that sales had grown rather than fallen.

Employment is down this year, with 14% more Scottish firms saying they are losing jobs rather than creating them. This shows a sharp decline since the last quarter of 2005, when 10% more firms said jobs had been created rather than lost. However, investment this year is positive, with 4% more firms saying it has increased rather than decreased.

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."

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% 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. **Scottish firms shared the general optimism, with significant majorities expecting growth in sales, jobs and investment.**

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 expecting increased growth in employment and investment, however, 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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