



# Federation of Small Businesses

*The UK's Leading Business Organisation*

West Midlands Policy Unit, PO Box 2840, Wolverhampton, WV4 4ZW  
Tel: 01902 621264 Fax: 01902 621294 Email: denise.craig@fsb.org.uk

## **FSB Snap Poll – June 2009<sup>1</sup>**

### **National Overview:**

Nationally, small businesses which were hit hard by the worst of the credit crunch and the recession nearly a year ago are starting to experience a tentative recovery, according to analysis of surveys of small firms undertaken by the FSB since last autumn.

A comparison of FSB data suggests that the economic position small businesses are in is starting to improve since a low point at the end of last year.

A rising number of small businesses are now experiencing an increase in trade, with the latest poll showing 23 per cent of FSB members noticing a rise compared with 16 per cent in February.

By the end of last year, up to 40 per cent of small businesses had highlighted the cost of finance as a big problem. Now only 25 per cent cite the cost of finance as a concern, indicating that small firms are seeing a very gradual easing.

According to the latest national poll results, 68 per cent of business owners are looking to act on a rise in confidence and say they plan to grow in the next six months, with firms hoping to invest in new products, more staff and marketing.

Over half of respondents (57 per cent) said they were 'quite confident' about the future prospects of their business. The FSB is urging the Government to ensure small firms can be at the forefront of tackling unemployment by supporting apprenticeships, short-time working subsidies and increasing the thresholds before Income Tax and National Insurance contributions are payable, which would benefit employers and employees.

### **West Midlands Headline Results:**

In this survey, the results have been available segmenting respondents by urban or rural location. In the West Midlands there was a 61.5 per cent (urban)/38.5 per cent (rural) split.

#### **Trade levels:**

- 50.2% of urban businesses in the West Midlands are experiencing a decrease in trade, which is the greatest in the UK (UK average = 44%)
- The proportion of W Mids businesses reporting an increase in trade has doubled to 20.9% since November 2008, when there were only 11.2% doing so
- There has been a continuing rise in W Mids businesses reporting business holding steady – the proportion is now at over 30.6% (Urban businesses 28.6%/rural businesses 33.8%)

#### **Payment times:**

- The trend is for longer payment times, with 38.1% of WM respondents reporting an increase and over 40% reporting payments times in excess of 30 days
- Urban businesses are paid more promptly than rural businesses in the West Midlands - 13.9% compared with only 6.2% of rural businesses
- In the public sector however it is reversed and 12.0% of rural businesses are paid more promptly compared with only 9.5% of urban businesses

#### **Banks and Finance:**

- Over a quarter of respondents are reporting increased costs for existing finance arrangements
- W Mids rural businesses are the least likely in England to see increased costs for existing finance (29.9%)

---

<sup>1</sup> Over 4,500 small businesses were surveyed between Friday 19 June and Tuesday 23 June 2009 on the effect of the economic climate. Over 390 respondents were from the West Midlands region.

- New credit is significantly more expensive than existing credit with over 40% of respondents seeing increases of between 4% and 7%.
- For existing credit a similar proportion (41.9%) are seeing increases, but only by up to 3%
- Credit requests are less likely to be refused in the West Mids than anywhere else in the country (13.5%)

#### Confidence:

- Almost 70 per cent of W Mids businesses were confident about their existing business' future prospects (69.6%)
- Rural W Mids businesses are more confident (72.6%) about future business prospects than urban businesses (67.8%)
- But as far as starting a new business at the moment compared with a year ago, the W Mids was the least confident region in England with only 26.2% saying they would be confident about doing this
- Over 40% of W Mids respondents said they would consider a taking on a new member of staff if trade improved
- Almost 15% said that access to work trialling would also encourage them to take on new staff
- The W Mids was the region least likely to be planning business expansion (63.6%)

#### IN THE PAST 2 MONTHS:

##### TRADE LEVELS:

Trade levels	Nov 08	Jan 09	Apr 09	Jun 09
Decreased	64.6%	57.2%	48.3%	48.5%
Increased	11.2%	13.8%	23.3%	20.9%
Remained steady	24.3%	29.0%	28.3%	30.6%

**48.5% of West Midlands respondents said their trade had decreased** compared with 44% of respondents across the UK and 43.6% in England. When the urban/rural split is examined however, it is the **urban businesses** that are **experiencing the greatest downturn in trade at 50.2% - the highest in the country.**

45.7% of W Mids rural businesses are seeing a decrease, which is still very high when compared with rural businesses elsewhere (the region with the least decrease is Wales at 38.0%). Elsewhere in the country the picture generally is continuing to become less gloomy, but the downward trend is not as noticeable in the W Mids where the proportion of businesses reporting a decrease remains the same as in April when it stood at 48.0%. In January 57% of WM respondents were reporting a decreased and in November 08 it was 64%.

**20.9% of WM respondents said their trade had increased** which is lower than for April when 23.3% reported an increase, but overall the picture is significantly better than the end of last year when the proportion was 11.2%. No significant difference is seen between urban and rural businesses. The West Midlands compares less favourably with the UK average which stands at 23.4% and the England average at 23.7%. The best performing region for urban businesses is the South West and for rural business the North East – both at 27.0%.

However, **over 30 per cent of WM businesses are reporting trade holding steady** (30.6%), compared with only 24.3% last November. 33.8% of rural business are seeing trade levels remaining unchanged compared with 28.6% of urban businesses. The UK average is 32.5% and the best performing region in England is East of England for Urban businesses at 39.7% and the East Midlands for Rural business at 36.4%.

##### PAYMENT TIMES:

W Mids Payment Times	Nov 08	Jan 09	Jun 09		
Increased	36.3%	37.0%	38.1%	Up to 30 days	58.9%
				Over 30 days	41.1%
Decreased	13.7%	10.0%	11.0%		
Not changed	50.0%	53.0%	50.9%		
<b>W Mids Public Sector Payment Times:</b>				<i>Urban</i>	<i>Rural</i>
Over 10 days	<i>No results</i>	15.9%	10.8%	9.5%	12.8%
Within 10 days	<i>No results</i>	8.5%	10.5%	9.5%	12.0%
Not applicable	<i>No results</i>	75.7%	78.8%	81.0%	75.2%

**With 38.1% of WM respondents now reporting an increase** in payment times the trend continues to be deteriorating one, and is worse than the national average, although the proportion of those reporting an improvement (payment times decreasing) is slightly better than in Jan with **11% seeing a decrease.** Across the UK, 34% saw an increase in payment times, 10% a decrease and 56% no change.

There is little difference between urban and rural businesses reporting increased payment times. However, when examining the responses from members reporting improvements in the time taken to pay invoices, there is a significant difference, with **13.9% of urban businesses reporting more prompt payment, compared with only 6.2% of rural businesses.**

#### Public Sector Payment Times:

Whilst the West Midlands fared better than other regions at the turn of the year, June's survey showed that with 10.5% of respondents across the region being paid within 10 days we are now broadly in line with the rest of the UK (10.8%). However, the urban/rural split shows that 12.0% of rural businesses with public sector contracts are paid within 10 days, compared with their WM urban counterparts at only 9.5%. The UK rural average = 10.4%.

10.5% of WM respondents had to wait longer than 10 days for full payment from invoicing, compared with 10.7% across the UK. Again the urban/rural split was demonstrated, but this time it was the urban businesses that got the better deal as only 9.5% of urban businesses were waiting for payment compared with 12.8% of rural businesses. 16-18% of respondents have public sector contracts.

#### BANKS, FINANCE AND INSURANCE:

	Nov 08	Jan 09	Apr 09	Jun 09
<b>Cost of existing finance (such as loans &amp; overdrafts)</b>				
Increased	28.5%	26.3%	24.4%	25.7%
Not increased	31.1%	30.5%	29.3%	27.5%
N/A	40.3%	43.2%	46.3%	46.9%
<b>Of those reporting an increase in cost of existing credit – how much has it increased?</b>				
0-3%	4%-7%	8%-11%	12%-15%	16%+
41.9%	31.4%	15.2%	5.7%	5.7%
	Nov 08	Jan 09	Apr 09	Jun 09
<b>Overall cost of new credit</b>				
Increased	29.8%	25.0%	26.4%	19.4%
Not increased	16.0%	15.5%	11.6%	16.7%
N/A	54.2%	59.5%	62.1%	63.9%
<b>Of those reporting an increase in cost of new credit – how much has it increased?</b>				
0-3%	4%-7%	8%-11%	12%-15%	16%+
24.7%	41.1%	17.8%	8.2%	8.2%
	Nov 08	Jan 09	Apr 09	Jun 09
<b>Requests for new credit (loan or overdraft)</b>				
Refused	15.6%	14.7%	14.9%	13.9%
Accepted	28.9%	28.8%	24.0%	28.0%
Not applied for	55.5%	56.5%	61.1%	58.5%

#### Existing Finance Costs (such as loans or overdrafts):

Slightly more respondents are reporting increased costs for existing finance than the previous poll in Apr. 25.7% of WM respondents found their existing finance had cost more in June compared with 24.4% in Apr 09, but it was less than in Jan (26.3%) and Nov 08 (29.8%). This slight increase goes against the UK average trend (24.1% - Jun; 27.7% - Apr; 28% - Jan; 30% - Nov). The majority (41.9%) found the costs had increased by under 3 per cent, with almost a third (31.4%) paying between 4 & 7 per cent more and at the highest level, 5.7% paying over 16 per cent more.

On a positive note, the rural businesses in the West Midlands had one of the highest levels (29.9%) of respondents stating they were not experiencing increased costs with existing finance compared with the UK average for rural businesses of 26.7%. Rural businesses in Scotland reported the highest level with 32.9%. Urban WMids businesses did slightly better (26.3%) than the UK urban average (24.9%).

#### New Finance Costs:

**Less than 20% of respondents report increased costs for new finance (19.4%).** This is encouraging especially when viewed against the figures for the last three surveys (26.4% - Apr; 25.0% - Jan; 29.8% - Nov). However, as this question was not applicable for over 63.9% of respondents (up from 54.2% in November), it suggests that increasing numbers of businesses are simply not applying for new credit.

New credit is attracting significantly higher costs than increased with existing credit, as over 40% of respondents are seeing between 4% and 7% increases and 17.8% were offered new credit with between 8% and 11% increases.

In other parts of the country, the North West is still reporting the fewest respondents experiencing increased costs for new credit with 14.8% (21.4%) and Northern Ireland continues to have the highest with 34.1% (Apr - 47.8%).

The UK average is 20.1% and across England 19.2%, showing a widespread downward trend across the country. The differences between Urban and Rural business is not large, although fewer rural businesses (17.2%) report increased costs for new finance compared to urban businesses (20.7%).

***Credit Requests:***

Yet again, WM respondents are the least likely to be turned down for credit compared with the rest of the UK and the proportion continues to fall. Only 13.5% were turned down for credit (14.9% - Apr; 14.7% - Jan; 15.6% - Nov), compared with the UK average of 16.4% (18.0% - Apr; 17.6% - Jan) and in England 16.0%. The region where the most respondents were turned down was once again Northern Ireland = 25.6%, and in England it was London = 19.7%.

**CONFIDENCE:**

***Future prospects:***

Over two thirds (69.6%) of W Mids respondents were either quite confident or very confident about the future prospects of their business compared with the South East, which was the highest at 73.8% and the North East at 53.5%, which was the least confident. The UK average was 71.7% and England average was 71.6%. Rural West Mids businesses were more confident (72.6% were quite or very confident) about the future than urban businesses (67.8% quite or very confident).

***Starting a business:***

Members were also asked how confident they would be about starting a business in the current economic climate compared to a year ago. Only 26.2% said they were either quite confident or very confident. Compared to other regions, the W Mids was the least confident in England and second across the UK to Northern Ireland (18.8%).

By contrast, the most confident region about starting a business now was the South East at 33.7%. The UK average was 30.7% and England average was 31.1%. There was less of difference with this question between urban and rural businesses, with rural businesses being slightly less confident (25.2%) than urban businesses (26.9%).

***Taking on new staff in the next six months:***

Apart from one region, over 40% of respondents said they would take on a new member staff in the next few months would be if trade improved. The UK average was 41.5%, the England average was 41.8%, the West Midlands was 41.3%, which compares well with the highest region, Yorkshire & Humber with 43.1% and the lowest region which was the North East at 35.4%.

Other reasons given include:

- Government financial incentives (tax breaks) – 19.1%
- Change in employment law – 15.8%
- Access to work trialling (6 months unpaid work placements for the unemployed) – 14.9%
- Increased number of apprentices – 3.1%.

***Business Expansion:***

Understandably, given the economic make-up of the West Midlands, this was the region least likely to be planning expansion (63.6%), whilst London was the most likely at almost three-quarters (74.5%). The UK average was 67.1% and the England average was 67.3%.

Ways in which any planned expansion would be done included:

- Increased marketing – 18.0%
- New products or services – 15.0%
- Increase internet capacity of business – 11.3%
- Recruit more staff – 10.2%
- Increased capital investment – 4.9%
- Open new premises – 2.8%