



FSB Snap Poll – October 2009¹ - West Midlands Results:

This credit crunch survey conducted by the FSB completes a year of polling through the economic downturn. This poll, suggests that the economic situation for small businesses is stabilising and there is some confidence returning. However, business confidence and trade levels in the West Midlands continue to compare poorly with other English Regions and the national averages.

Banks and Finance (in the past two months):

	Nov 08	Jan 09	Apr 09	Jun 09	Aug 09	Oct 09
Cost of existing finance (such as loans & overdrafts)						
Increased	28.5%	26.3%	24.4%	25.7%	35.5%	26.9%
Not increased	31.1%	30.5%	29.3%	27.5%	21.4%	24.7%
N/A	40.3%	43.2%	46.3%	46.9%	43.1%	48.4%
Overall cost of new credit						
Increased	29.8%	25.0%	26.4%	19.4%	28.2%	21.7%
Not increased	16.0%	15.5%	11.6%	16.7%	11.7%	15.4%
N/A	54.2%	59.5%	62.1%	63.9%	60.1%	62.9%
Requests for new credit (loan or overdraft)						
Refused	15.6%	14.7%	14.9%	13.9%	21.9%	15.5%
Accepted	28.9%	28.8%	24.0%	28.0%	28.8%	25.8%
Not applied for	55.5%	56.5%	61.1%	58.5%	49.3%	58.7%

- The numbers of respondents in the West Midlands experiencing increased costs for existing credit (26.9 per cent) has fallen back to levels seen earlier in the year, down from a high point in August of 35.5 per cent and is in line with the England average of 26.0 per cent and the UK average of 26.8 per cent. Respondents from Northern Ireland report the highest levels at 37.0 per cent, with the South East reporting the highest levels in England (28.3 per cent). The region reporting the lowest proportion of respondents seeing increased costs was the South-west at 24.0 per cent.
- 57.3 per cent reported increased costs for existing credit with up to 3 per cent higher interest rates (up from 51.0 per cent in August). However, 30.7 per cent of respondents reported increased interest rates between 4 and 7 per cent (down from 32.7 per cent in August). 12.0 per cent reported increased interest rates of 8 per cent or more, despite interest rates being at a record low. More welcome is the number reporting interest rate increases in excess of 15 per cent has fallen back to 2.7 per cent, down from 15 per cent in August.
- With new credit, 27.1 per cent experienced an increase in higher interest rates (compared with 28.2 per cent in August) and in line with the England average of 22.7 per cent. However, 51.8 per cent (compared with 48.1 per cent in August) saw higher interest rate costs of between 0 and 3 per cent, with 39.3 per cent (compared with 32.5 per cent in August) reporting between 4 and 7 per cent higher rates, 7.1 per cent (15.6 per cent) for the 8 to 14 per cent band and no respondents reporting new credit with interest rates over 15 per cent.
- More respondents (15.4 per cent) from the West Midlands experienced unchanged interest rates than anywhere else in the UK.
- 62.9 per cent (compared with 50.7 per cent in August) of West Midlands respondents applied for new credit, which was in line with the England and UK averages of 63.7/63.2 per cent.

¹ Over 4,200 small businesses were surveyed at the end of October 2009 on the effect of the economic climate on their businesses. Almost 300 respondents were from the West Midlands region.

- The picture has improved since August with fewer respondents being refused credit; 15.5 per cent were refused, compared with 21.9 per cent in August. However, the 15.5 per cent figure is higher than the England and UK averages of 14.4 per cent. 25.8 per cent who applied for credit were accepted, but this is still lower than most other English regions and below the England and UK average of 28.0 per cent.
- Worryingly, 58.7 per cent are not even applying for credit which could suggest they are fearful of the costs, being refused credit or they just do not need it. Either way, not asking for credit or not investing in their businesses could be bad for economic growth.

Trade Levels (in the past two months):

W Mids Trade levels	<i>Nov 08</i>	<i>Jan 09</i>	<i>Apr 09</i>	<i>Jun 09</i>	<i>Aug 09</i>	<i>Oct 09</i>
Decreased	64.6%	57.2%	48.3%	48.5%	42.2%	41.0%
Increased	11.2%	13.8%	23.3%	20.9%	19.9%	21.9%
Remained steady	24.3%	29.0%	28.3%	30.6%	38.0%	37.1%

- Trade levels are still very low with 41.0 per cent of businesses in the West Midlands are continuing to experience a decrease in trade in the previous two months (England average = 38.9 per cent).
- The proportion of West Midlands businesses reporting an increase in trade has improved slightly since August to 21.9 per cent, but continues to compare poorly with the England average of 25.7 per cent.
- The number of businesses in the W Mids reporting business holding steady has fallen back slightly from the 38.0 per cent high in August, and now sits at 37.1 per cent. However, it is above the England average of 35.4 per cent.
- These figures demonstrate just how tough the trading environment remains for FSB members in the last few months as trade levels continue to fall. It is of concern in the West Midlands, although our figures are not the worst in the UK; this honour goes to Northern Ireland where 47.5 per cent of respondents are still reporting decreases in trade and only 13.7 per cent reporting an increase. In England the North East is the worst performing region, with 44.9 per cent reporting decreasing trade and only 20.2 per cent reporting an increase.

Payment times (in the past two months):

West Midlands – All Payment Times:					
	<i>Nov 08</i>	<i>Jan 09</i>	<i>Jun 09</i>	<i>Aug 09</i>	<i>Oct 09</i>
Increased	36.3%	37.0%	38.1%	31.7%	32.5%
Decreased	13.7%	10.0%	11.0%	9.5%	13.7%
Not changed	50.0%	53.0%	50.9%	58.8%	53.8%

West Midlands Public Sector Payment Times:					
	<i>Nov 08</i>	<i>Jan 09</i>	<i>Jun 09</i>	<i>Aug 09</i>	<i>Oct 09</i>
Over 10 days	<i>No results</i>	15.9%	10.8%	13.3%	12.3%
Within 10 days	<i>No results</i>	8.5%	10.5%	8.9%	3.7%
Not applicable	<i>No results</i>	75.7%	78.8%	77.9%	84.0%

- Slightly more West Midlands respondents are reporting increased payment times – 32.5 per cent, compared with 31.7 per cent in August. However, the number of respondents reporting decreasing payments times has returned to the same level as November 2008 – 13.7 per cent.
- In the public sector, the number of businesses being paid within 10 days has fallen significantly to less than 4 per cent and is the lowest level in the UK. Even more worrying is the fact that over four fifths (84.0 per cent) of West Midlands respondents do not trade with the public sector – the highest proportion in the country.

Confidence levels:

	<i>June 09</i>	<i>Aug 09</i>	<i>Oct 09</i>
General future confidence:			
Not confident	30.4%	69.8%	29.5%
Confident	57.3%	28.4%	57.6%
Very confident	12.3%	1.8%	12.9%
Starting a business compared to 12 months ago:			
Not confident	73.8%	27.3%	69.0%
Confident	22.1%	58.2%	28.8%
Very confident	4.2%	14.5%	2.2%
Expansion Plans:			
Yes	63.6%	47.1%	48.3%
No	36.4%	52.9%	51.7%

- Regarding the general future prospects of their existing business, the position has shifted significantly with 70.5 per cent saying there were confident or very confident about their future business prospects compared with less than a third in the previous poll (30.2 per cent). This position is closer to the England average of 72.6 per cent.
- However, over two thirds of West Midlands' respondents do not feel confident about starting a business compared to a year ago (69.0 per cent) and less than half have plans to expand their existing business (48.3 per cent).
- Compared to the rest of the country the South East was the most confident English Region (75.9 per cent confident or very confident) and Scotland the most confident in the UK (78.3 per cent confident or very confident). The East Midlands was the least confident region in the country with over half saying they were not confident about the future of their business (50.4 per cent).