

## UKBAB 63 November 2007 Analysis

November's survey took soundings on the impacts of EU enlargement, cash flow, access to external finance, house prices, the strengthening of sterling against the dollar and included 3 questions related to proposed changes to the survey.

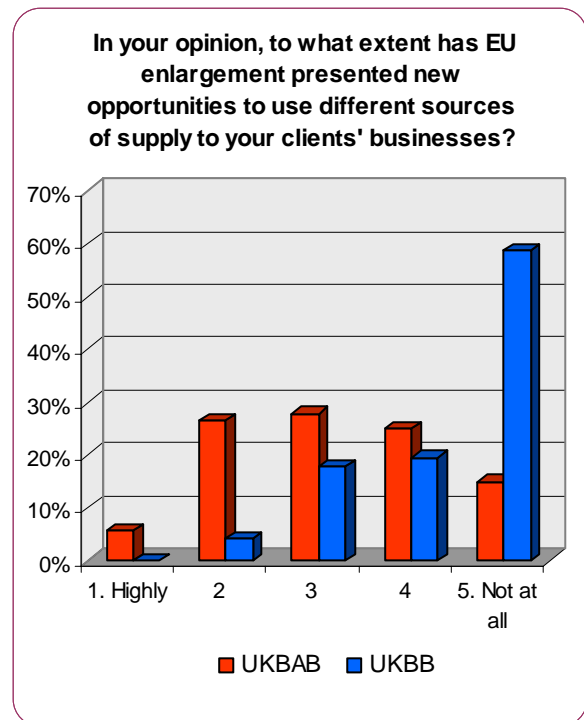
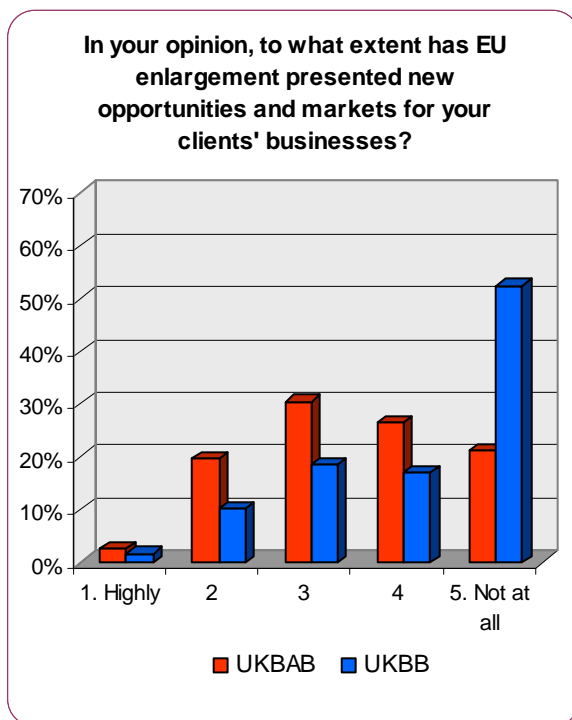
The total number of respondents taking part in the UKBAB Survey was 280.

### Survey Findings

The largest ever enlargement of the EU took place on 1<sup>st</sup> May 2004, when 10 new countries joined the EU. With 2½ years experience since then, and more applications for membership of the EU in the pipeline, do business advisers see businesses based in the UK being able to gain benefit from a larger marketplace? The parallel survey of smaller businesses, the UKBB, asked its panellists if the enlarged EU has brought new opportunities in terms of markets and supply sources.

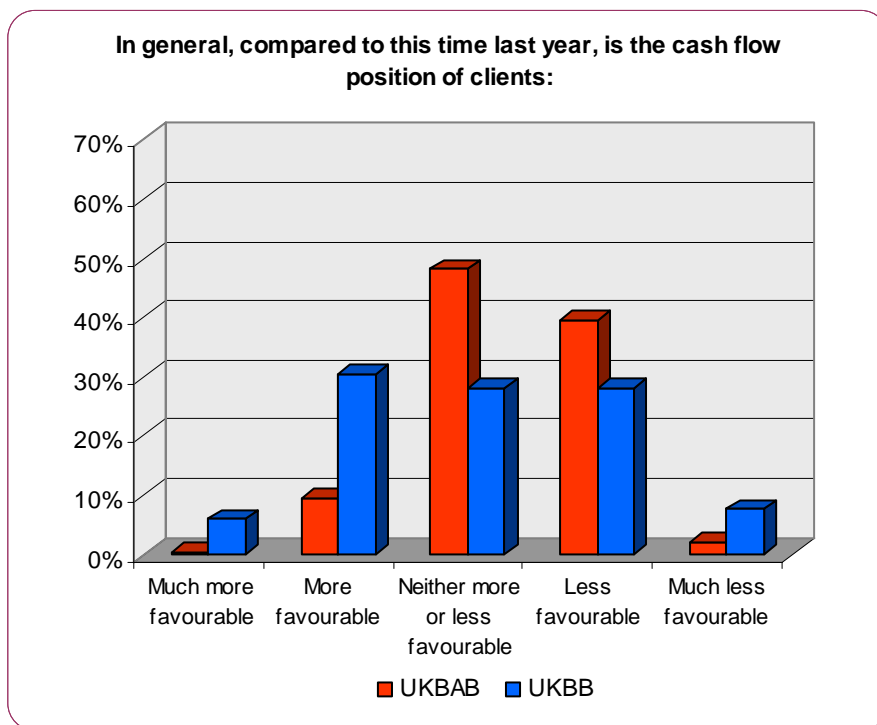
There was a marked difference between the results from the two surveys, with only 21% of UKBAB respondents saying that the enlarged EU has presented no opportunities or markets for their businesses compared to 52% of UKBB respondents. On the positive side, 22% of UKBAB respondents say that their clients have found new opportunities and markets through the enlarged EU to a high or reasonably high extent, while 12% of UKBB respondents say that they have found the same to a high or reasonably high extent.

A similar contrast was obtained in response to the question about opportunities for sources of supply, where only 15% of advisers said their clients had found no new opportunities while 59% of UKBB respondents said they had found no new opportunities for their businesses. More advisers were positive, with 32% saying that for their clients' businesses, EU enlargement has presented opportunities for different sources of supply to a high or reasonably high extent but no UKBB respondents said that EU enlargement has presented opportunities for different sources of supply to a high extent and only 4% said this was true for their businesses to a reasonable extent.



When asked if the cash flow position of clients is more or less favourable than a year ago, 10% of the respondents to the UKBAB said that it was more, or much more, favourable. 42% said that it was less, or much less, favourable and 48% reported no change.

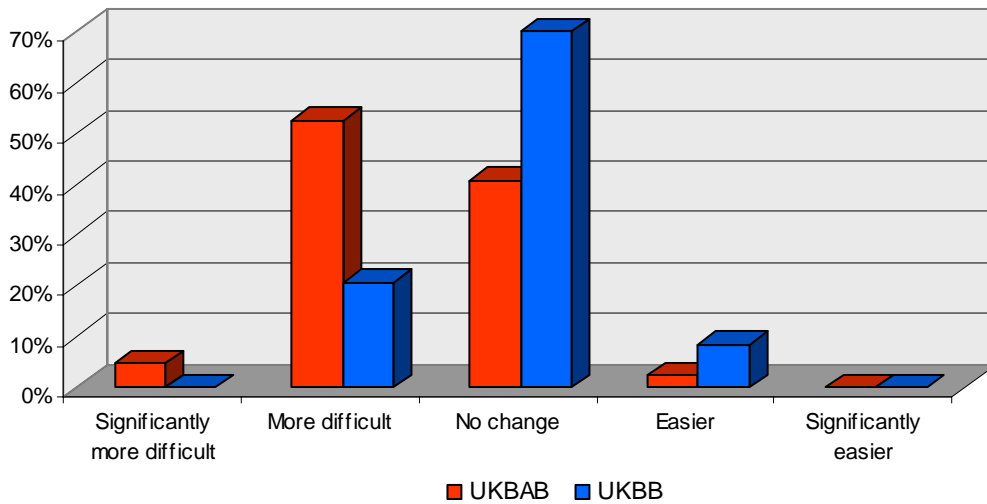
UKBB panellists were asked how their own business cash flow position compares to a year ago. 36% said that it was more, or much more, favourable. This compares with 41% in the November 2006 UKBB survey, when the same question was put. 36% of the respondents said that it was less, or much less, favourable – 3% greater than the result in last year’s survey, and 28% reported no change.



In the October 2007 UKBAB survey, panellists were asked to what extent their financial advice to clients had changed, and whether requests for advice on sources and uses of finance had increased, following the recent turbulence in financial markets. This month the survey asked whether advisers’ clients have found it easier or more difficult to access external finance over the last six months. The results revealed that 57% of responding business advisers say that their clients have found it significantly more difficult, or more difficult, to access external finance over the last six months, while only 2% say that clients have found it easier, after adjusting for ‘not applicable responses, 7%.

In the parallel survey of smaller businesses, the UKBB, panellists were asked if their businesses had found changes in their ability to access external finance over the same period. 21% say they have found it more difficult to raise external finance over the last six months, although 8% report that it has become easier, after adjusting for ‘not applicable’ responses: 31%.

**In your experience has there been a change in the ability of clients to access external finance from banks and other sources over the last six months?**



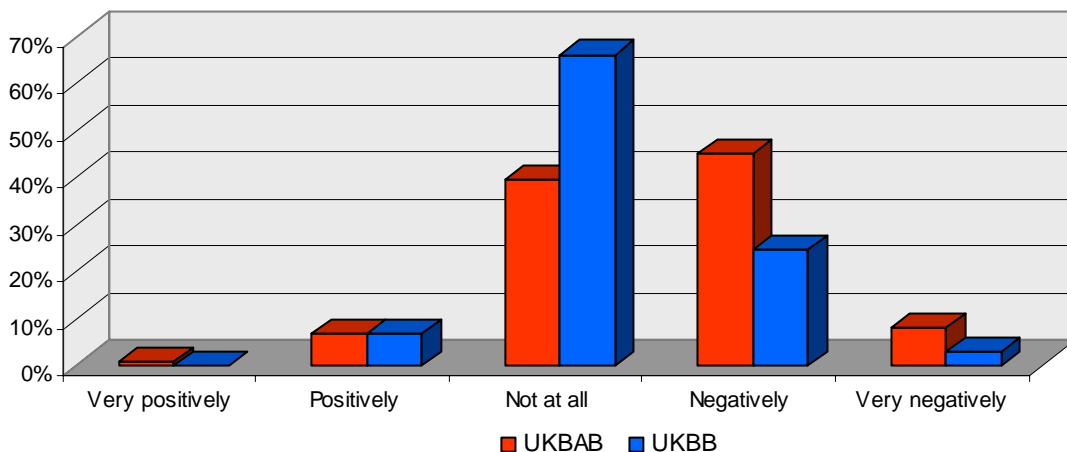
after adjusting for 'not applicable' responses, UKBAB 7%; UKBB 31%

Recently several survey resources have reported falling house prices, including the Halifax Bank and the Nationwide Building Society. The number of new mortgage applications has also fallen. Panellists were asked to what extent they thought that a fall in house prices would affect their clients, and in the parallel survey of smaller businesses, the UKBB, panellists were asked to what extent they thought such a fall would affect their markets.

After adjusting for 'don't know' responses, 8% say that their clients would benefit, while 53% think that their clients would be affected either negatively or very negatively. 39% think clients would not be affected at all.

Amongst the businesses responding to the UKBB survey, after excluding 'don't know' responses, 7% of respondents would expect a positive effect on their business and while 66% would be unaffected, 27% say that their market would suffer.

**In your opinion, to what extent would a fall in house prices affect your clients?**

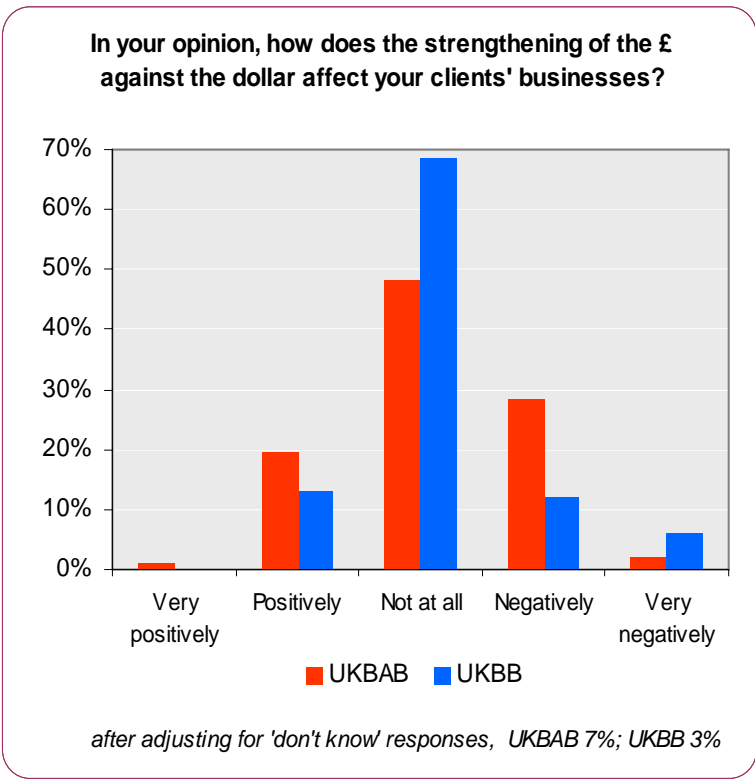


after adjusting for 'don't know' responses, UKBAB 6%; UKBB 10%

From the beginning of 2007 until early November the sterling exchange rate against the dollar was increasing. Although it has now dropped back slightly it still stands at around 5% above its minimum rate this year. The November UKBAB survey asked panellists how this strengthening position is affecting their clients' businesses and participants in the UKBB, all smaller businesses, were asked how it affects their own businesses.

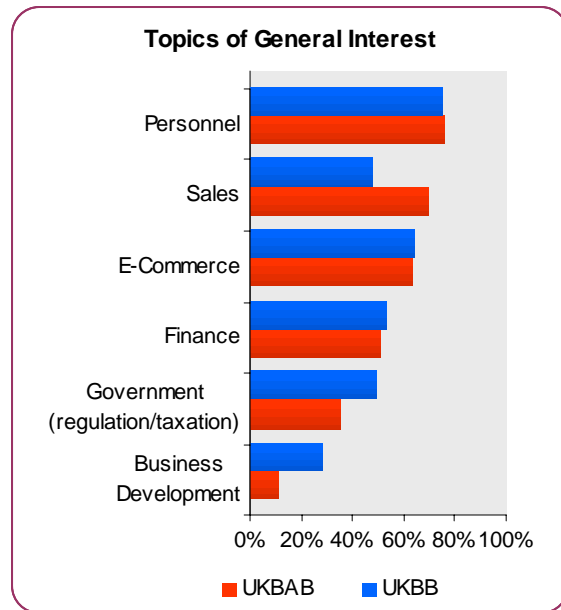
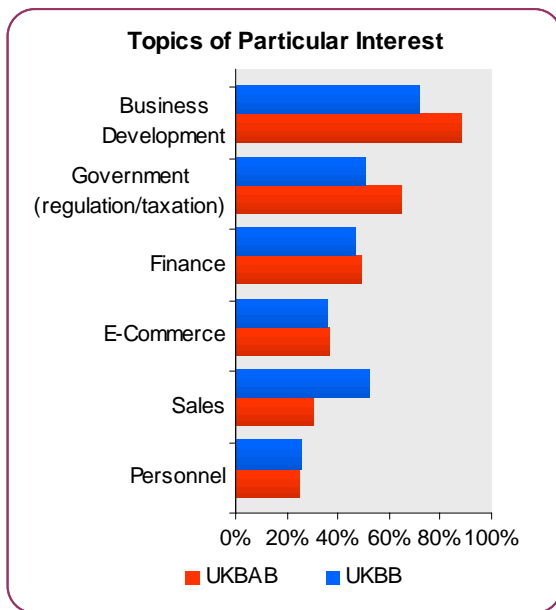
More respondents to the UKBAB think their clients businesses are affected negatively than positively, with 31% on the negative side and 21% on the positive side, after adjusting for 'don't know' responses.

Responses from the UKBB also show a negative balance, with slightly more UKBB respondents affected negatively than positively: 15% positive or very positive and 18% negative or very negative, after adjusting for 'don't know' responses.



The November survey, UKBAB 63, is to be the last of the monthly surveys. From November the questionnaire will be sent out every other month, starting in January 2008. The intentions of the survey are to help business advisers communicate across the business adviser community and with national decision-takers on issues which help or hinder the performance of businesses, as well as to provide research staff and business students at the University of Nottingham and others with a readily accessible and very rapid vehicle for asking questions of the business advisers. For that reason the UKBB software has been developed so that respondents can include other comments and raise issues for follow up in future questionnaires, in the knowledge that these will be reflected in the reports and analyses.

In the November survey a few questions were therefore included relating to future coverage and content. Similar questions were included in the survey of smaller businesses, the UKBB. One of these asked panellists to rate whether each of six named topic areas is of particular rather than just general interest to them. For both UKBAB and UKBB respondents, the topic of most particular interest is business development, and that of least particular interest, Personnel.



Panellists were also asked if they wished to submit suggestions for coverage of other issues. Responses were received from 87 respondents, related to the following topics:

Aspects of Regulation, legislation & taxation, UK & EU	16
Issues relating to the general economy and forecasts	11
Marketing issues	10
Skills & Training	18
Business support issues:	18
Sustainability and recycling	10
I.T. infrastructure topics	2
Research and Technology	6
Innovation/New product development	7
Costs	4
Manufacturing	1
Impact of different types of shareholders	4
Exporting/ international business	2
government initiatives	1
Regional government issues	4
Business integrity/ Governance	2
Quality	3
Home working	1

Listed below are some of the personal views supplied in feedback received from respondents to Survey BAB63 November 2007

Views expressed are those of individual panellists and may not represent those of the University.

I would like to see strategies put in place to monitor the USA's mistakes and make sure we do not make the same ones in the UK. Working together (Government and Businesses) to avoid economical disaster can make a big difference to businesses and the people of the UK.  
It would also be advisable if the government takes positive decisions to ensure the financial situation in the

UK is dealt with early so that businesses do not suffer from the economical problems.

(1) Why is there so little notice taken of the fact that the Euro is trading well above the original price of 70 p - the Euro being the currency of most holiday destinations has far more relevance to the man in the street, especially as High Street banks and Bureaux de Change are adding up to 4p to purchases by the public and deducting up to 4p from cash returned.

(2) Why have politicians and pundits acquiesced in the proposition that inflation in the UK has been under control when in fact house price inflation has been wildly out of control and, had house prices, which have to be borne by the consumer, been included, wage and salary adjustments would have kept pace with those obtaining in the rest of Europe (partially by merely being in the Euro)?

(3) There is nothing as constant in business as change. Why have banks and their regulators not seen that to hold on to properties recovered from mortgage defaulters and letting them is better than selling them at losses aggravated by the method of selling - the answer that they have to abide by liquidity ratios is not good enough - surely the regulators would have seen that massive losses were more damaging than allowing flexible liquidity requirements!

To explain some of the above. We are a rural/coastal area where this last season has been very poor due to the poor summer weather. Many of our clients rely on tourism. Many businesses in this area are changing hands once again this year with banks seeing an increase in requests for loans to help people through the winter period or until their business is sold.

There is a need to develop management teams because without effective management, no organisation can survive or prosper. Since no individual is a perfect manager or leader, a complementary management team is needed.

The ability of businesses to have a team of different but highly skilled to direct organisations, seems to me very important.

The old saying "The problem is not ignorance, it's the illusion of knowledge" applies to many individual management members - perhaps a questionnaire could be devised.

Lets try and find out more about disability and employment. When I researched for disability statistics, there I was very disappointed and amazed that employers do not record statistics in the disability field. Why???

The fall in the \$ only marginally affects a few as other markets are strengthened by the \$ taking a hit.

Perhaps survey re impact of economic migration to the different regions of the UK, such as effect on local unemployment levels.

Maybe we also need to understand why the £ is weaker against the Euro also

Enlargement of the EU may be fine in principle but is only like to be workable if it is restricted to free trade. Prospect of taking in even more immigrants of very doubtful quality and even less willingness to work is awful.

Many of my clients trade as much or more with the USA and other dollar linked countries than they do with Europe, so the current slight fall against the Euro does not offset problems caused by the weak dollar.

The Treasury should consider exploiting the very high taxation of road fuels by being prepared to reduce fuel duty (compensated by increase in North Sea duty) and achieve a more stable price for a crucial commodity.

Q7 was difficult to answer as the impact of changes in Bank finance is much heavier on Welsh SME (where I am) than changes in other sources of finance. Other sources represent a much smaller finance pot for SME here. If asking a similar question in future, can you differentiate between Bank and 'other sources of finance'. I don't know how it is in other parts of the UK but in Wales only large companies (and there aren't many of them) would use other sources. Thanks for passing survey responses on to influential people - its good to have that voice.

Impact on £/\$ exchange rate depends on whether clients have US exposure & are importers or exporters - some benefit & some lose out, unless they take proactive exchange rate protection.