

# Business Environment

Southern England business barometer

Summer 2012



# Introduction

Business Environment provides serviced office space and outsourced office facilities for more than 500 companies in the South of England. In July 2012 the company surveyed 150 of these firms, to find out what challenges they were facing – in particular their experiences of the second quarter of the calendar year (April to June 2012) and their expectations for the coming quarter (July to September 2012).

It was a tough time for UK firms. At the end of the month figures would confirm that the country's first double-dip recession since the mid 1970s had unexpectedly deepened, while more than 8 % of the UK workforce were unemployed.

However, Summer 2012 would see several huge events of the type often credited with large effects on the UK economy as a whole – the Queen's diamond jubilee celebrations, and the 2012 Olympic and Paralympic Games.

# Overall

Given the background of the UK in recession, the picture drawn by the survey appears to be relatively optimistic.

When discussing the previous quarter, roughly half (47 per cent) had increased their headcount, and most (61.7 per cent) had introduced new products or services. Meanwhile, less than a fifth (18.1 per cent) suffered cashflow issues. 67.1 per cent of companies claimed to have grown over the period.

When asked about the future of their business, respondents remained strikingly positive.

The vast majority of companies questioned (92.6 per cent) reported that they were either “positive” or “very positive” about the longevity of their business. Most, (62.4 per cent) have plans for expansion in the next three months.

Perhaps most surprising, given recent economic news, was the relatively optimistic predictions for the UK economy. Although just 1.3 per cent reported that they were “very confident”, a majority (54.4) said they were confident in the UK’s prospects.

While nearly half (45 per cent) of firms had a stable headcount throughout the preceding quarter, of the remainder, more companies claimed to have grown (47 per cent) than to have shrunk (8 per cent).

David Saul, managing director of Business Environment, said: “It’s a gloomy time for UK Plc, so the survey’s relatively positive tone was a big surprise.

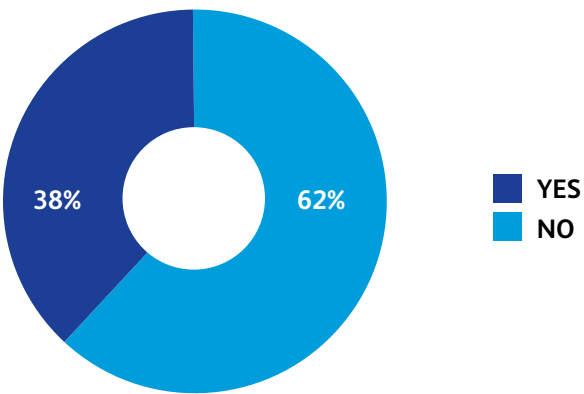
“Obviously, it’s foolish to make sweeping generalisations about a range of companies who work in a range of different markets. However, it’s possible to make some tentative comments.

“It’s possible that some of the relative positivity is because relative to the current economic data, things are positive. For example, if you are to compare the economic situation in the noughties to the economic situation in 1970s, the decade of the last double-dip recession, we seem to be doing much better. We have not yet witnessed anything to compare with the three-day week or the 1972 miner’s strike. There may be spending cuts, but there is no mention of the UK applying for an IMF loan as it did in 1976.

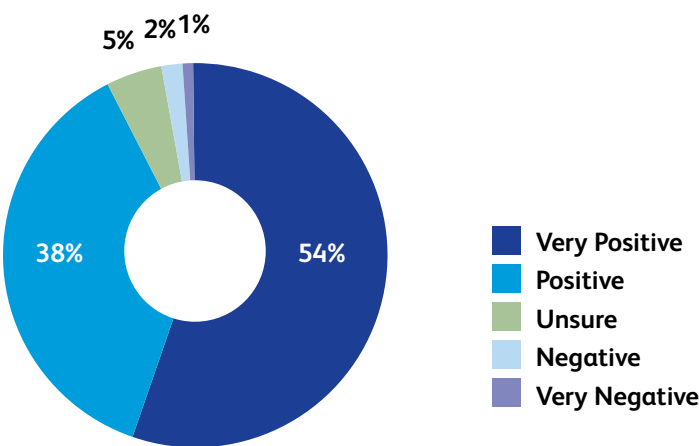
“This is a crude explanation, but it chimes with anecdotal evidence I’ve gathered while talking to some of the 10,000 people who work in Business Environment’s offices. Times are tough, people are stretched, and few companies or individuals are currently enjoying periods of wealth. However, things are not quite as bad as the numbers might suggest.

# Overall

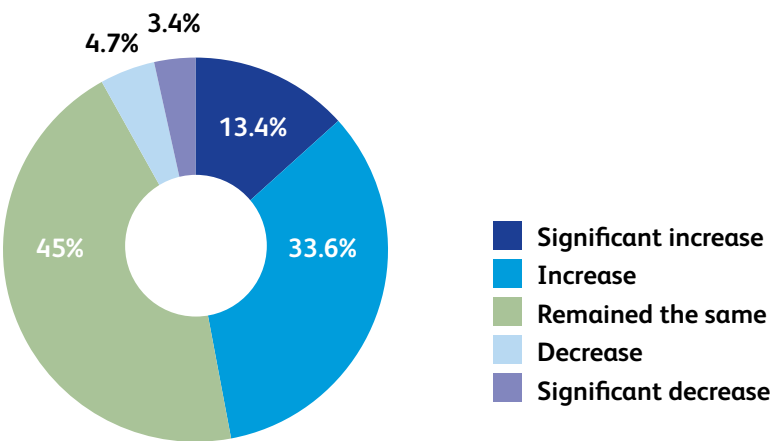
Have you introduced new or significantly improved products or services over the last quarter?



How positive are you about the longevity of your business?

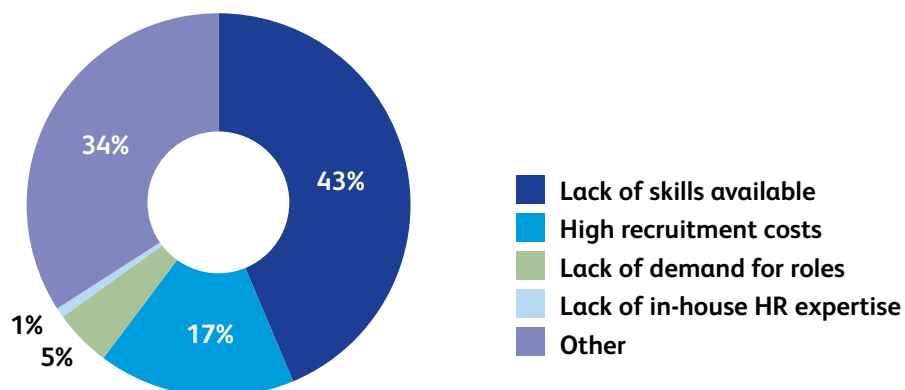


How has the number of employees in your business changed over the last quarter?

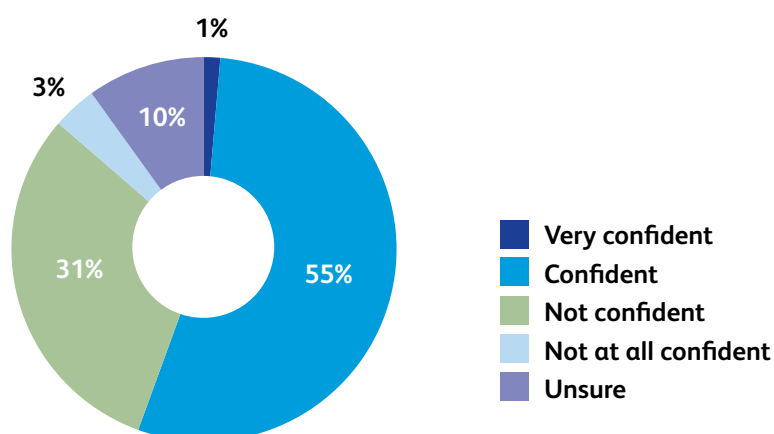


## Overall (cont'd.)

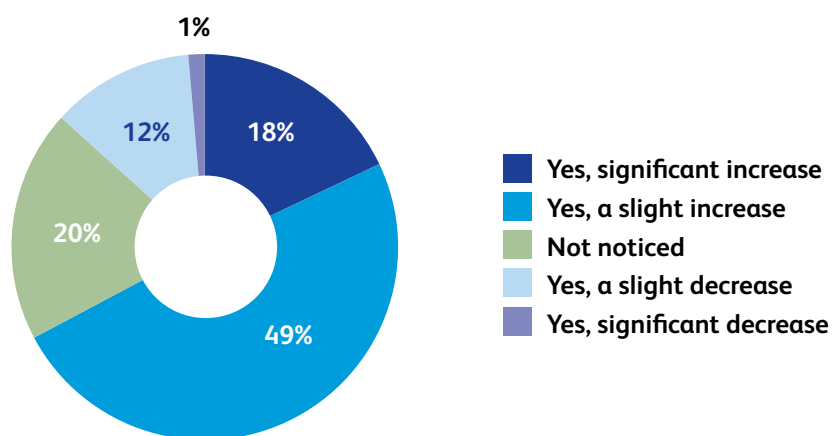
What has been the main issue in finding the right candidates for your business?



How confident are you in the UK economy as a whole over the next quarter?

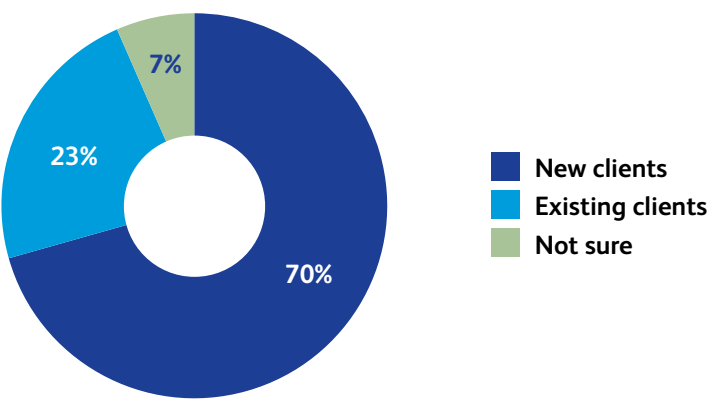


Have you noticed changes in the growth of your business in the last quarter?

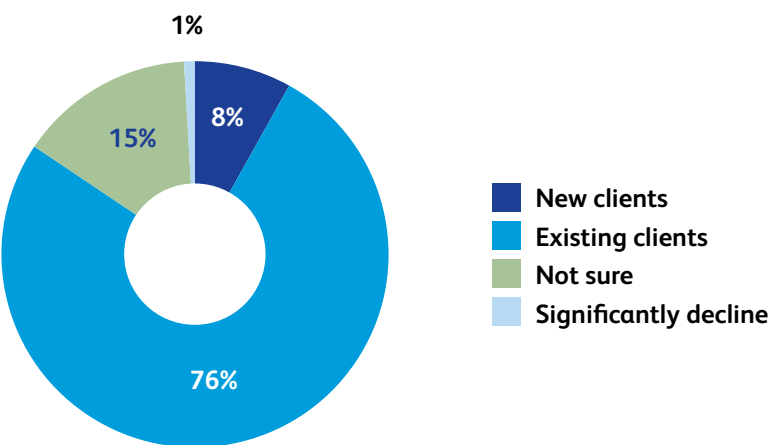


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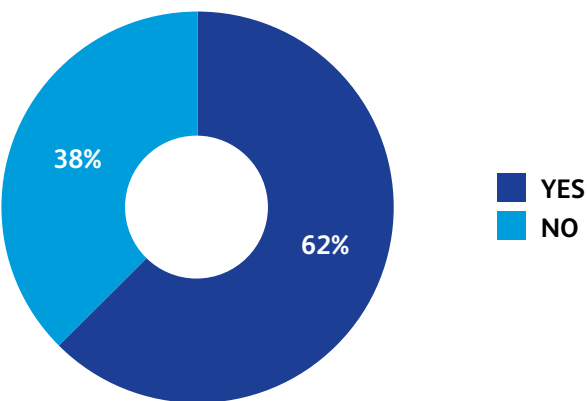
Predicting growth, will this come from:



How do you think your sector will change over the next quarter?

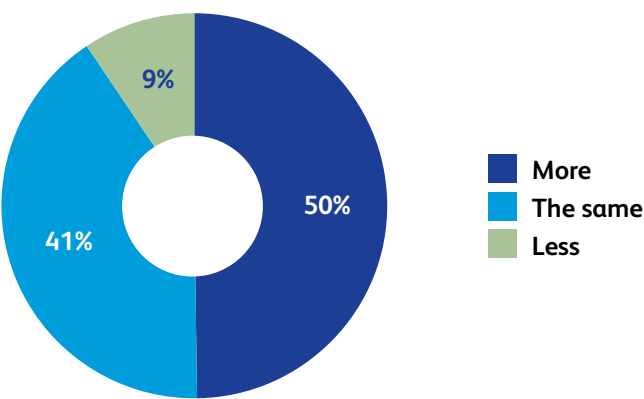


Do you have plans for business expansion in the next quarter?

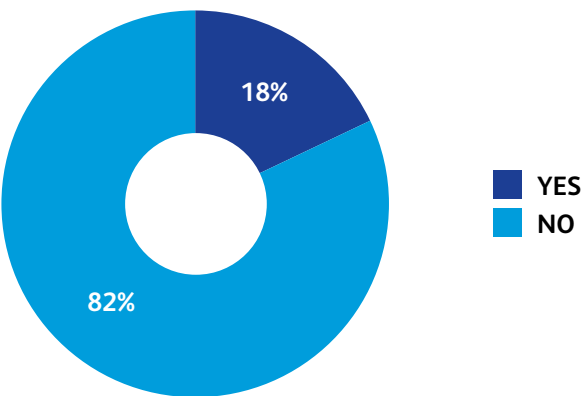


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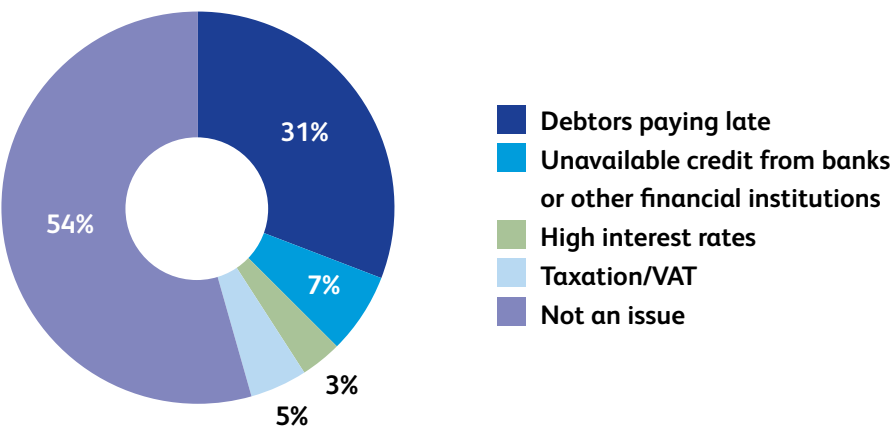
What is your turnover now compared to the last quarter?



Has your business suffered cashflow issues in the last quarter?



What is the main barrier in your struggle for liquidity?



## Region

In the second quarter of 2012, companies from the South West were least likely to suffer cashflow issues, with just eight per cent struggling for liquidity, compared to 19 per cent in London and 20 per cent in the South East. They were also the most likely to have grown, with 77 per cent having expanded in the preceding quarter (LDN: 65 %, SE 72 %).

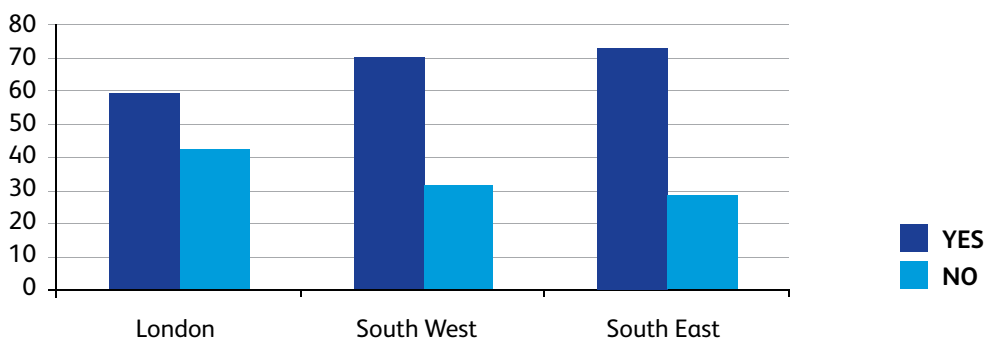
Looking forward, The South East expresses the most confidence about the overall economy (64 per cent declaring themselves either “confident” or “very confident”), and companies in the South East are the most likely to predict their sector will grow over the coming three months (92 per cent agreeing). Companies in the South East were also most likely to report a quarter-on-quarter increase in turnover (52 per cent).

Perhaps surprisingly, London lagged on many metrics. London companies were most likely to have noticed a decrease in business growth over the past quarter (16 per cent) and were most likely to expect their sector to decline over the third quarter of 2012 (17 per cent). They were also the least likely to have introduced new or significantly improved products and services (41 per cent had not, compared to 31 per cent in the South West and 28 per cent in the South East).

When asked why the South West fared relatively well in the second quarter of 2012, Nigel Hutchings, director of South West Chambers of Commerce, said: “Historically, the South West has always lagged behind any kind of economic slowdown. That is for a number of reasons. First of all we are very service sector-orientated and we have a larger proportion of smaller businesses in the region than other parts of the country do, so we’ve always been slower to go into any economic meltdown. We’ve always met the rest of the country on the upswing – we’ve seldom sunk as low.

Business down here is not immune from those problems, but we do seem better positioned than some other areas.”

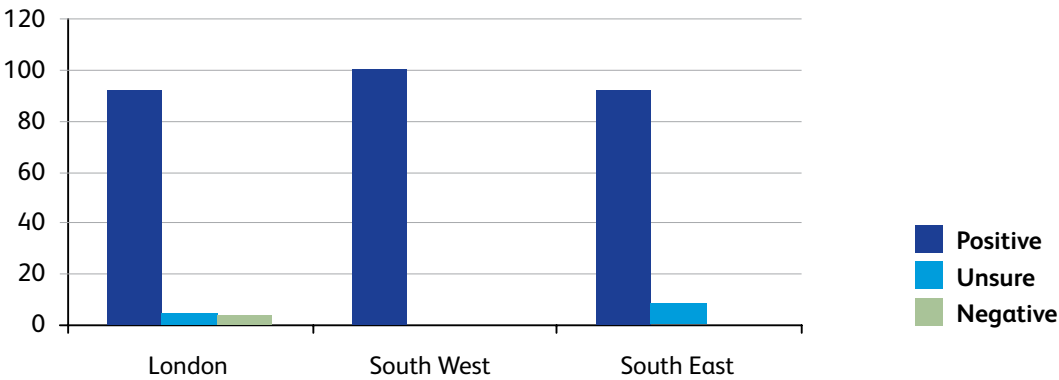
Have you introduced new or significantly improved products/services within your business over the last quarter?



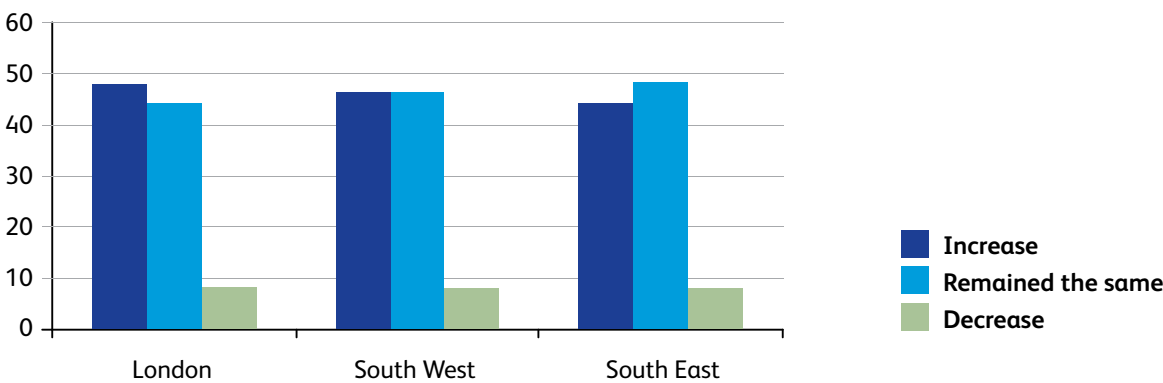


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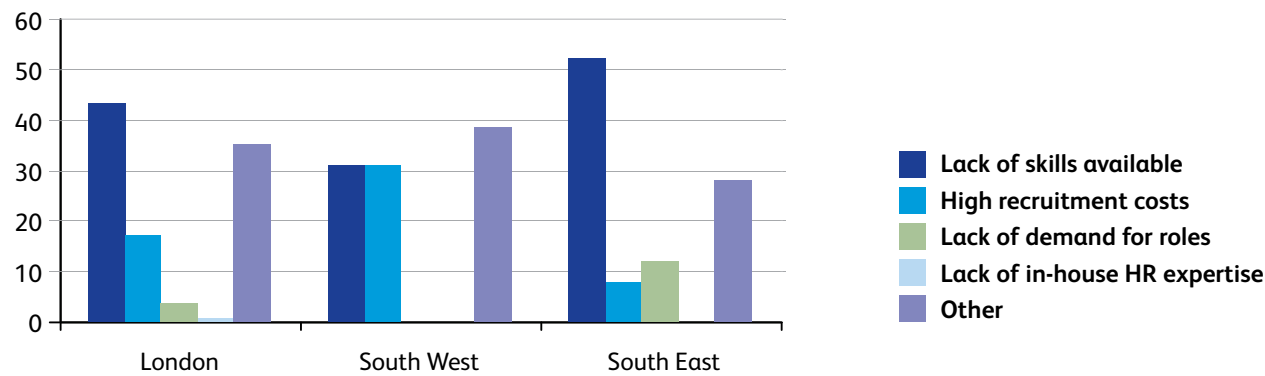
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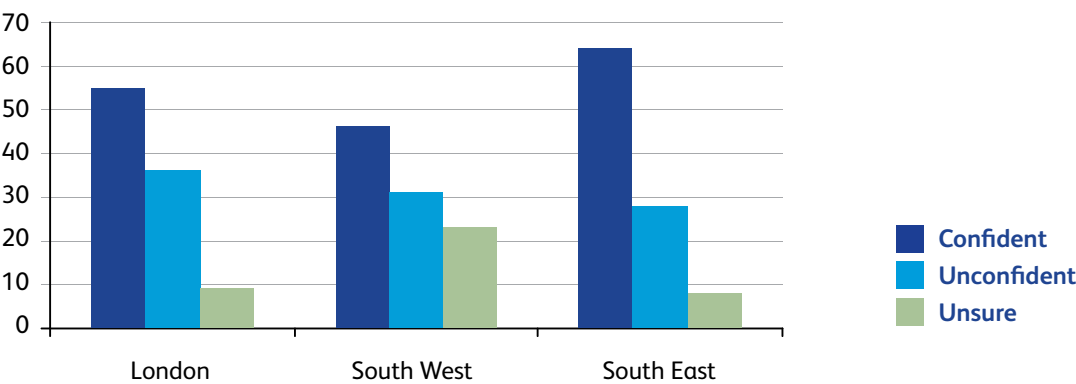


What has been the main issue in finding the right candidates for your business?

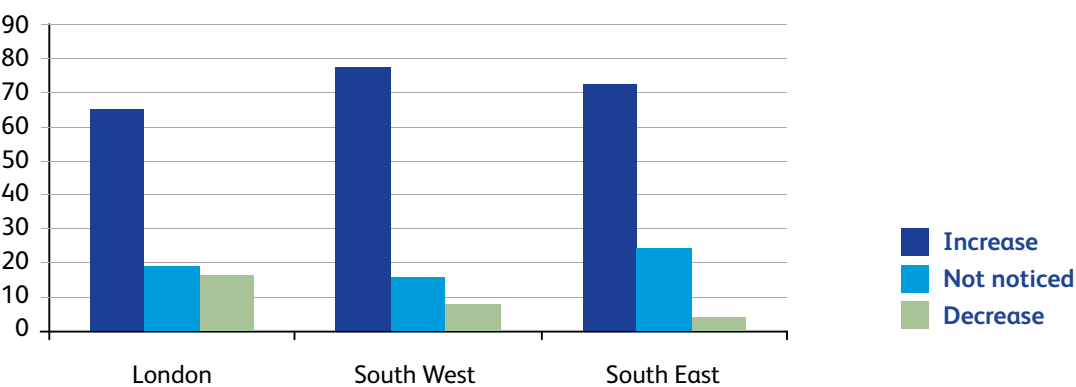


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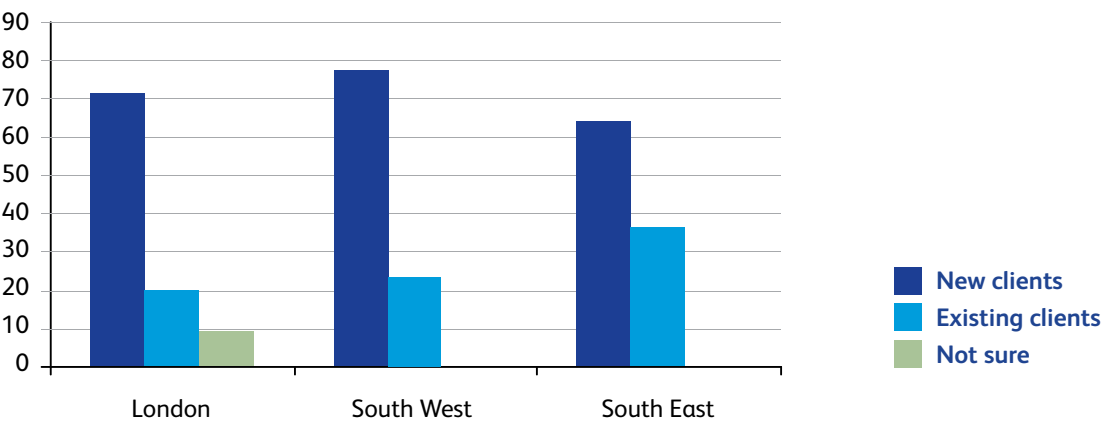
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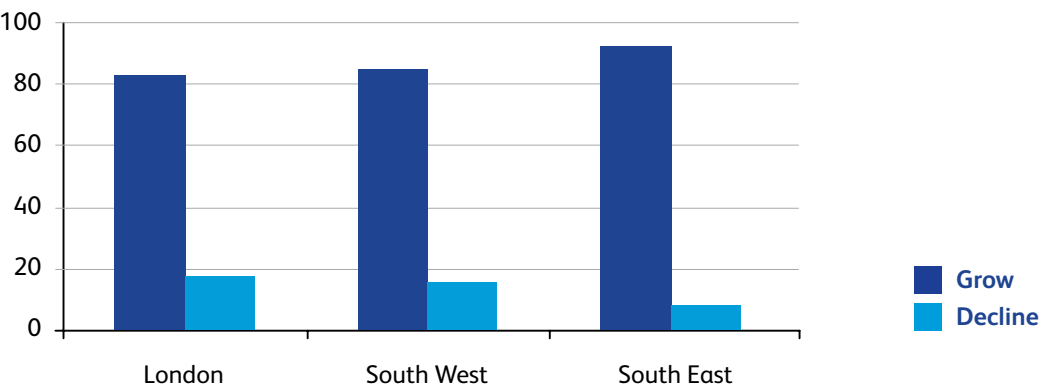


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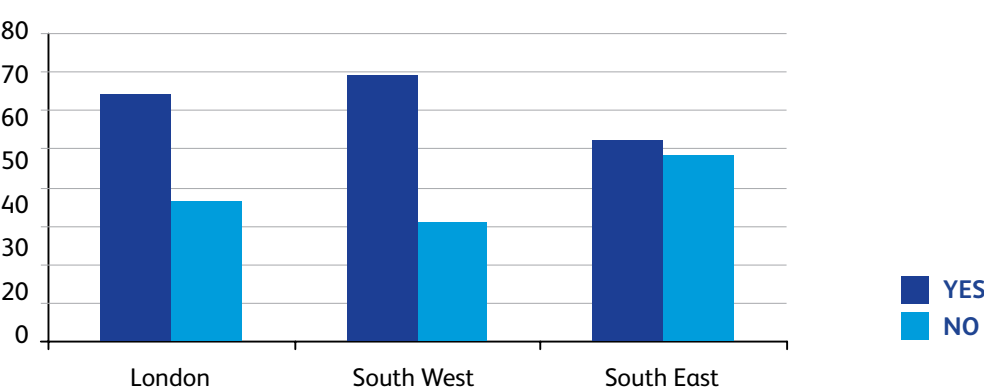


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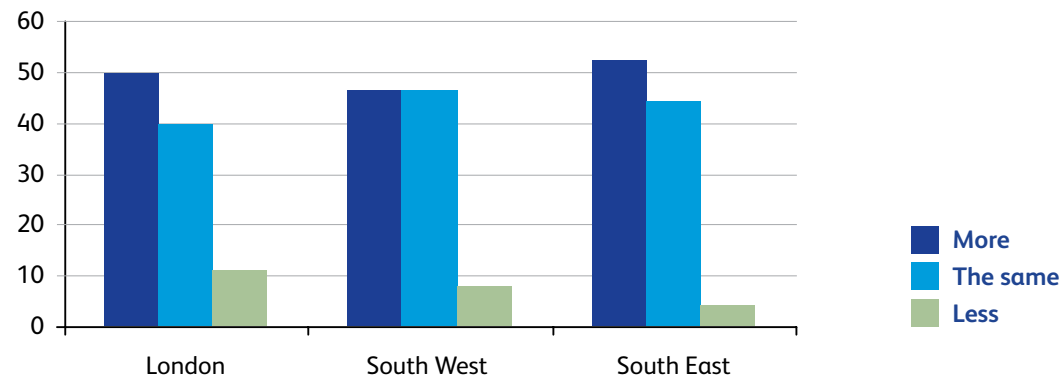
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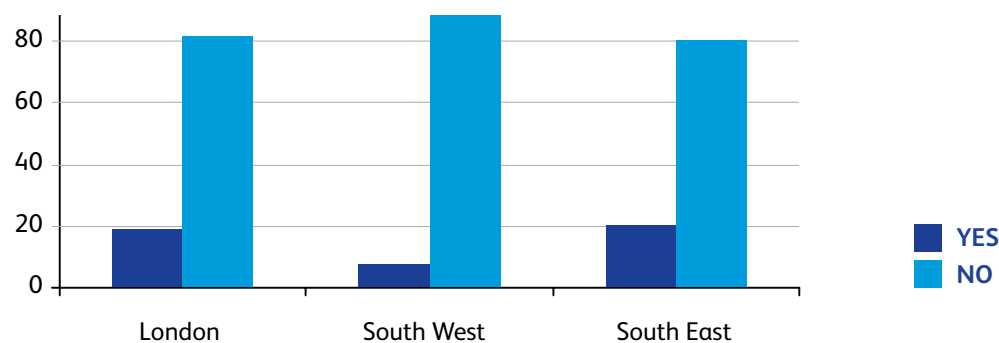


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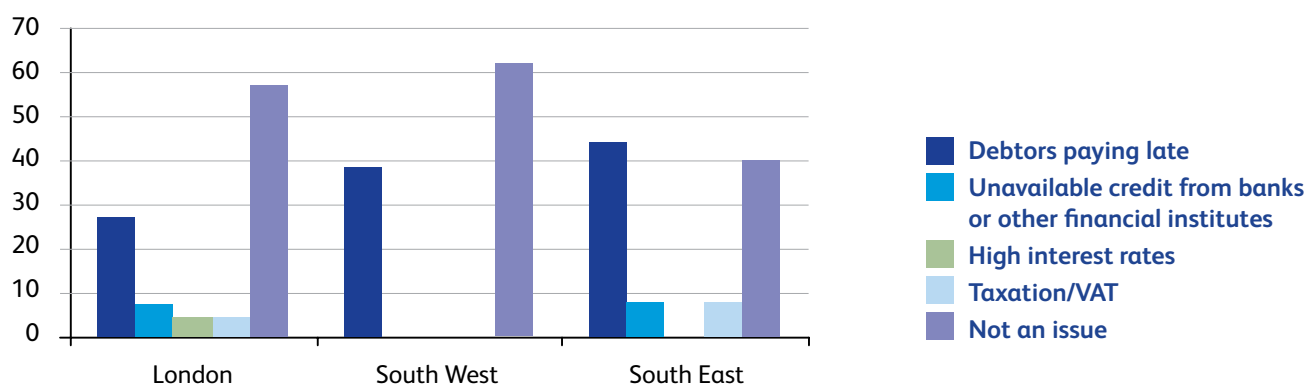


# Region (cont'd.)

Has your business suffered cashflow issues in the last quarter?



What is the main barrier in your struggle for liquidity?



## Size

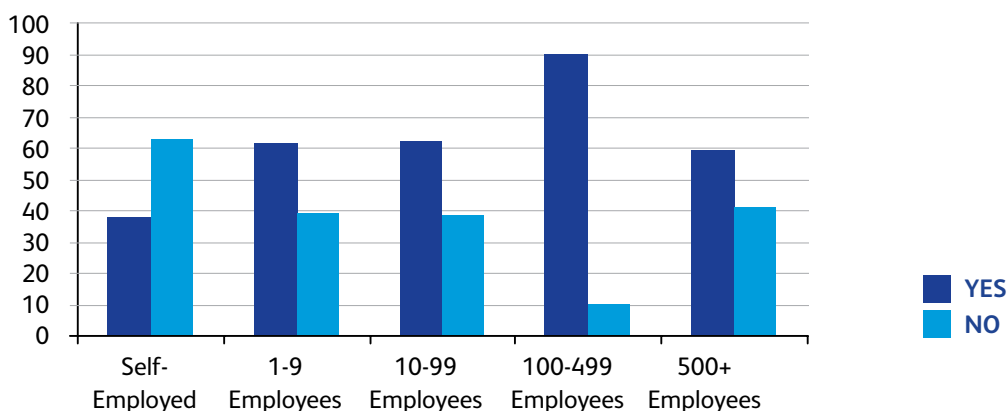
One interesting finding was that the smaller the company, the greater the confidence in the UK economy in the coming quarter. 62.5 per cent of self-employed people say they are either “confident” or “very confident” in the country’s forthcoming economic performance. This is compared to 55.9 per cent of people in companies with a headcount of between one and nine, 58 per cent of people in companies with a headcount between 10 and 99, and just 50 per cent of people in companies larger than 100.

However, mid-sized firms posted the most optimistic results. Companies with a headcount of between 100 and 499 were most likely to have introduced new products and services over the previous quarter (90 per cent; the figure for all other size companies was around the 60 per cent mark), and were most likely to have plans for business expansion (90 per cent). They were also most likely to have increased their turnover in the preceding quarter (60 per cent).

Moses Judah, managing director of a 9-person firm Broadgate Group and one of the survey’s respondents, said: “Smaller companies are at a disadvantage because the banks are not lending to them. They are unwilling to take anything like a risk, and as a result it is harder for a small firm to get new funding. Larger firms, who represent less risk to the banks, are doing better.

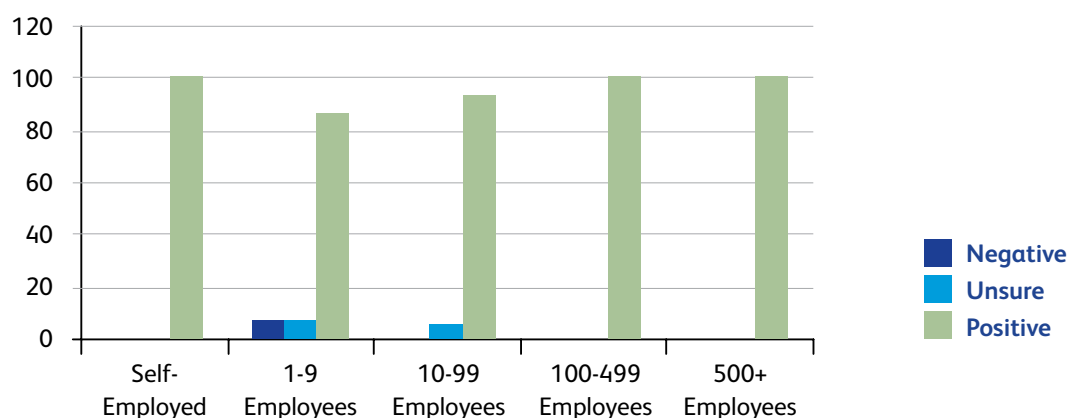
“However, this isn’t a universal picture. For example, we have diversified our business as well as spreading into new markets, particularly Africa. We look at alternative funding models as part of what we do, so as a result we can find a way round the banks. So, small businesses can thrive, but they need to innovate and diversify.”

### Have you introduced new products or services?

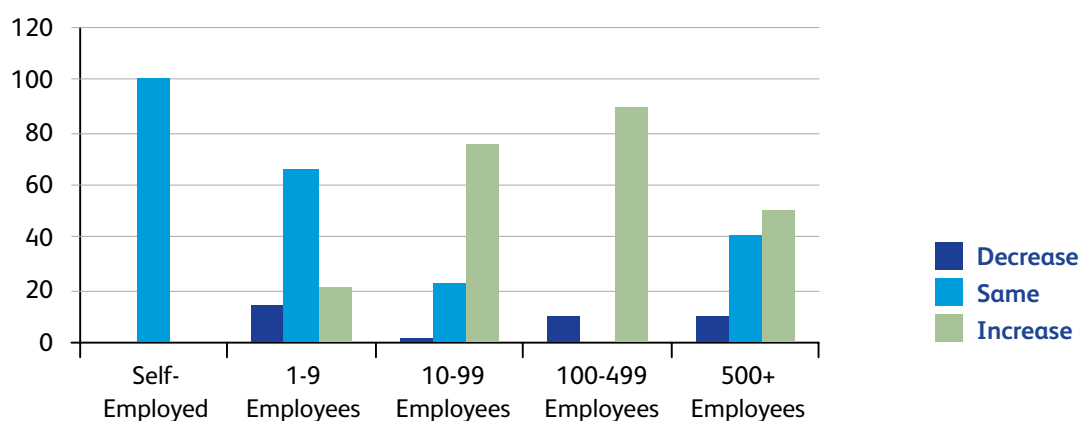


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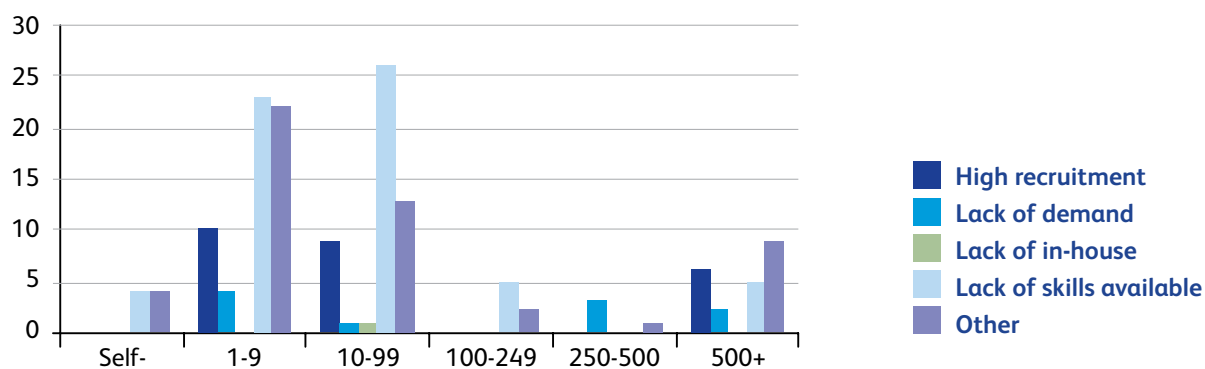
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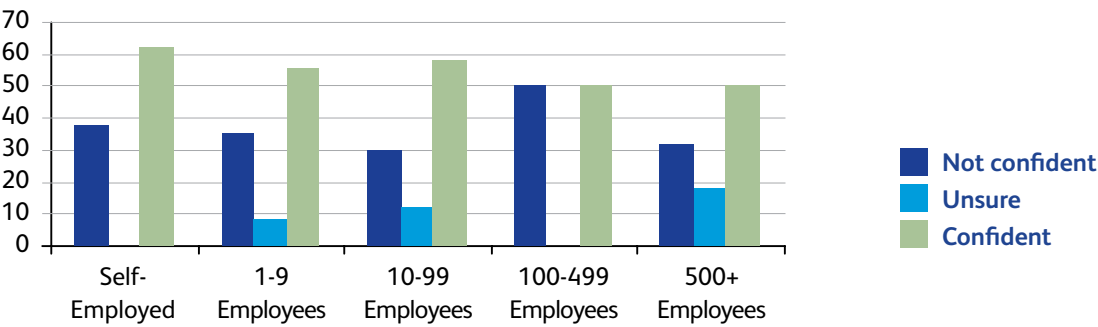


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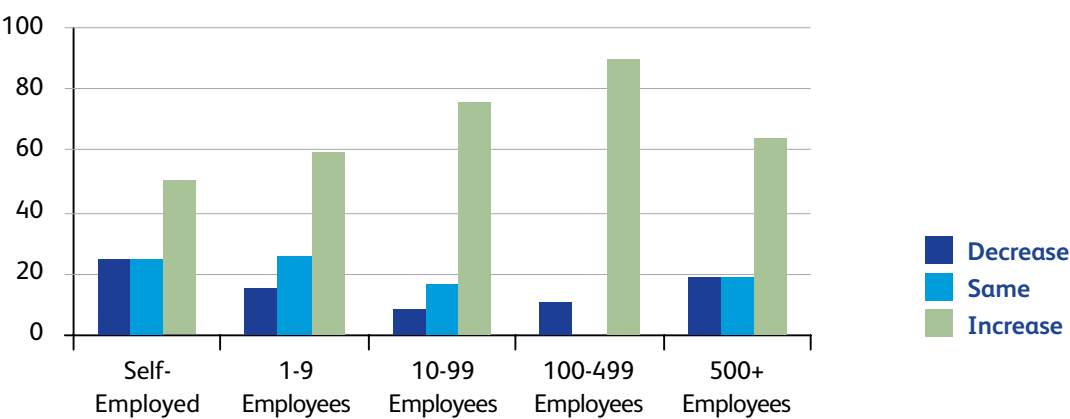


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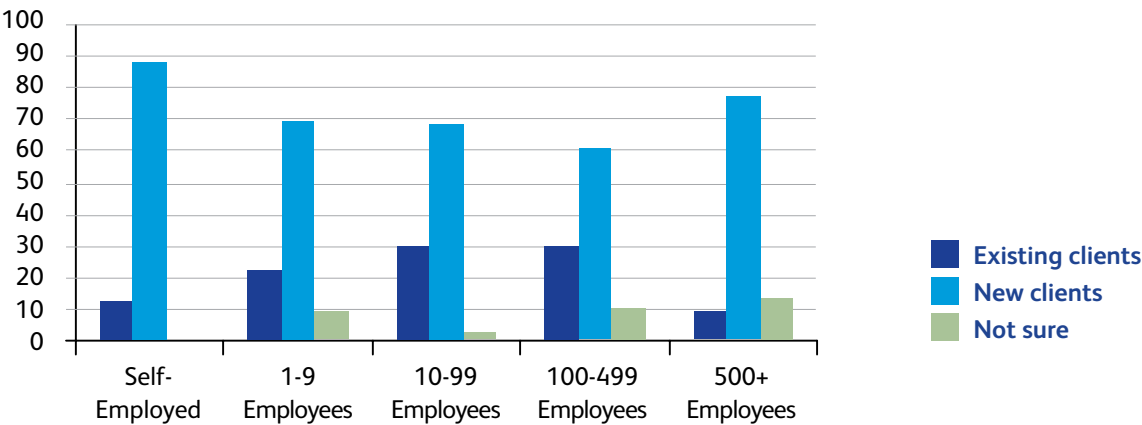
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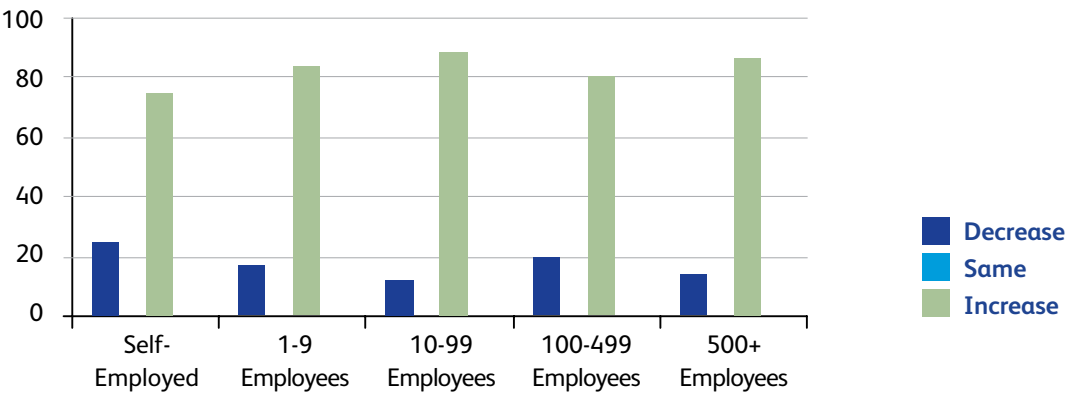


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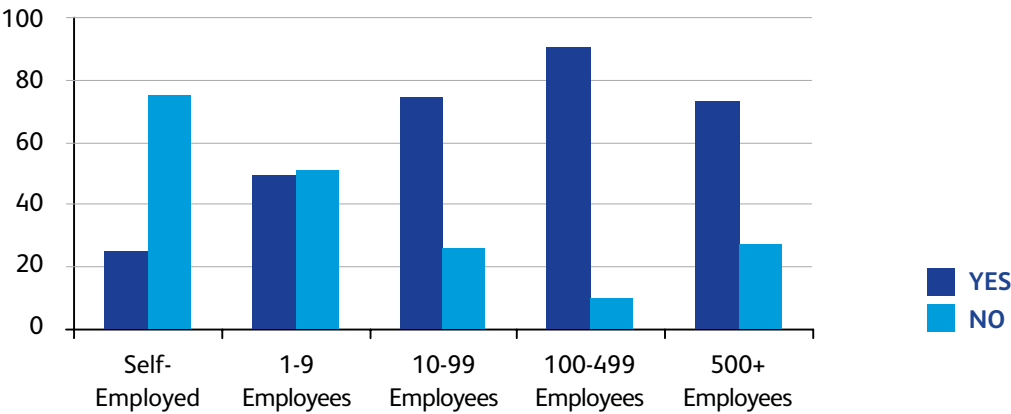


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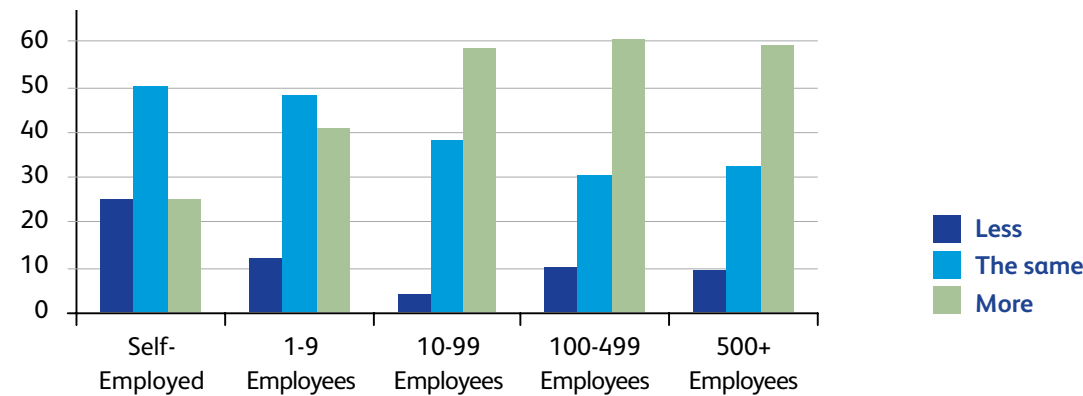
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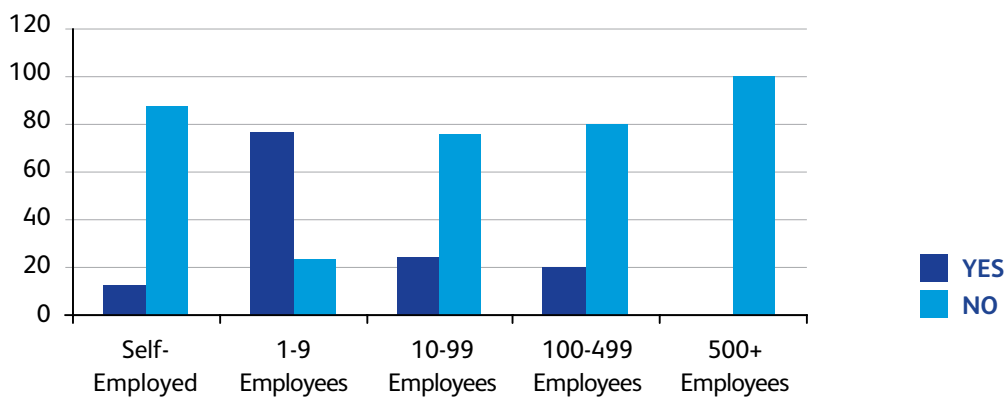
How is your turnover compared to last quarter?



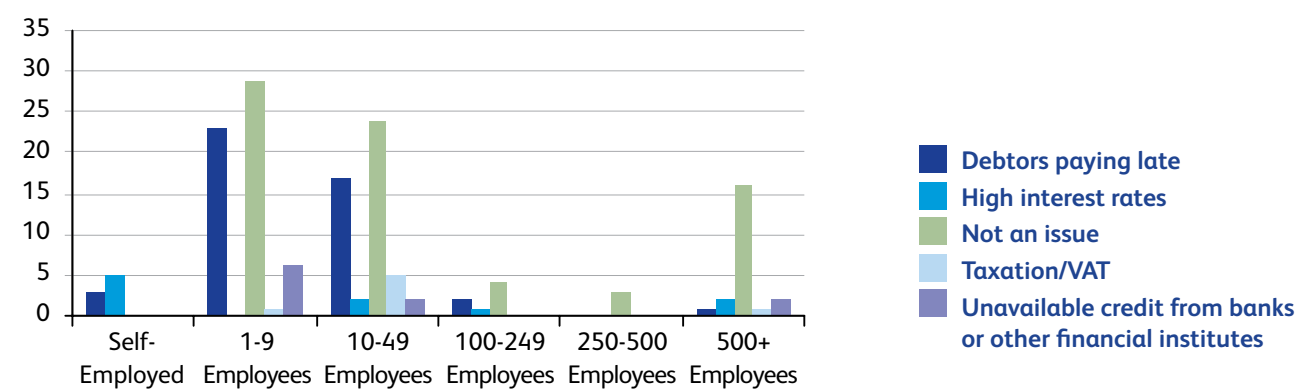


# Size (cont'd.)

Has your business suffered cashflow issues over the last quarter?



What is the main barrier in your struggle for liquidity?



# Conclusion

From an economic perspective, Summer 2012 was a tough time for UK businesses. However, the Southern England business barometer has shown that a striking – perhaps even surprising – proportion of firms were confident nonetheless.

Nine tenths of firms were positive about the longevity of their business. A majority of businesses in all regions had noticed an increase in business over the second quarter. While responses varied across sizes, many sole traders, SMEs and large firms all expressed confidence.

There could be several reasons for this. Firms can survive in a downturn if they are innovative, if they export or sell to territories that are less affected by the downturn, or if they are counter-cyclical (meaning they sell products or services to people or companies who are cash-strapped). The report's base does include a large amount of firms who trade overseas, and a good proportion in new or innovative industries. However, many respondents represented traditional and UK-facing businesses, so more factors must be at play.

In retrospect, Summer 2012 was a remarkably positive time. Arguably the Royal Jubilee and the Olympics helped generate a country-wide feeling of wellbeing, many symptoms of which hadn't been seen on a nation-wide scale since the financial crisis began: optimistic, uncynical press coverage; a feeling of patriotism; and for the Olympics fortnight specifically, a temporary banishment of negative stories (such the expenses scandal, the hacking scandal, stories about multinational banks) from the public consciousness.

It is possible that some Olympic optimism spilled through into the results. This doesn't make the results in any way invalid – a general feeling of optimism has a real impact on the wider economy, even if the exact monetary effect is hard to quantify.

Again though, this is only part of the picture. The ultimate lesson to be drawn is a very simple one – even though economic times may be hard, smart and hard-working companies can still thrive.

## BUSINESS BAROMETER TERMS

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This report can be downloaded from the Business Environment website and was published in October 2012

#### CENTRAL LONDON LOCATIONS:

- Cheapside EC2
- Barbican EC2
- Threadneedle Street EC2
- Minories EC3
- Royal Exchange EC3
- Finch Lane EC3
- St Paul's EC4
- Fleet Street EC4
- Highgate NW5
- Westbourne Grove W2

#### REST OF UK LOCATIONS:

- Basingstoke
- Bristol – Clifton
- Bristol – Temple Meads
- Milton Keynes
- Reading
- Wembley

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