

Business Environment

Southern England business barometer

Q4 WINTER 2012



Introduction

Business Environment provides serviced office space and outsourced office facilities for more than 500 companies in the South of England. In November 2012 the company surveyed 300 business owners from across the UK, to find out what challenges they were facing – in particular their experiences of the fourth quarter of the calendar year (October to December 2012) and their expectations for the coming quarter (January to March 2012).

Tough conditions continued for UK firms. The UK economy came out of recession in August, but in the December Autumn Statement the Chancellor of the Exchequer announced that the economy was weaker than expected, and that the austerity period would continue for longer than originally planned.

However, the Eurozone crisis seemed to be at least temporarily abating, and national spirits remained lifted by a summer which had contained both a Royal Jubilee, the successful hosting of the Olympics, and a great year for British sport.

Overall

Despite the tough economic conditions, the overall picture was one of stability. When asked what their turnover was compared to the preceding quarter, more than half of respondents (61.7 per cent) reported that it remained the same. Similarly, when asked whether the number of employees in their firm had changed over the past quarter, the most frequent reply was that headcounts had remained constant (47.7 choosing this option). Looking forward, a majority (67.3 per cent) of respondents had no plans to expand their business in the coming quarter.

There were some signs of cautious optimism. A majority of firms (70 per cent) expected their sector to grow in the coming quarter; a majority (58 per cent) were either “confident” or “very confident” in the UK economy’s prospects over the first three months of 2013.

Looking at specific business factors, the most commonly-cited barrier to liquidity was lack of credit from banks (37.7 per cent), followed by debtors paying late (19 per cent).

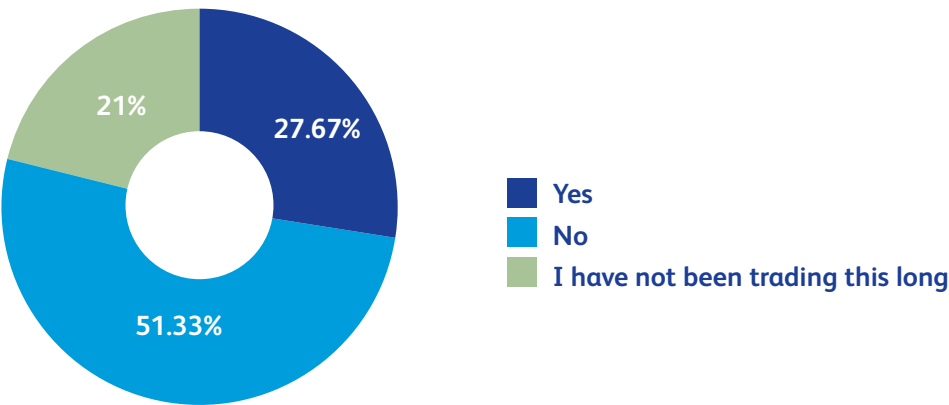
David Saul, managing director of Business Environment, said: “One of the main messages to come from the report was that while few companies are thriving, a large amount are on an even keel. Nearly half a decade after the beginning of the financial crisis, the initial fallout is now over and businesses are beginning to adjust to a long period of austerity and reduced consumer demand.

“We see this reflected in much of the survey’s findings. Companies are not growing at a fast rate, but they remain confident about the long-term prospects for their firms. Companies complain about bank lending, but few expect the economy to tank in 2013.

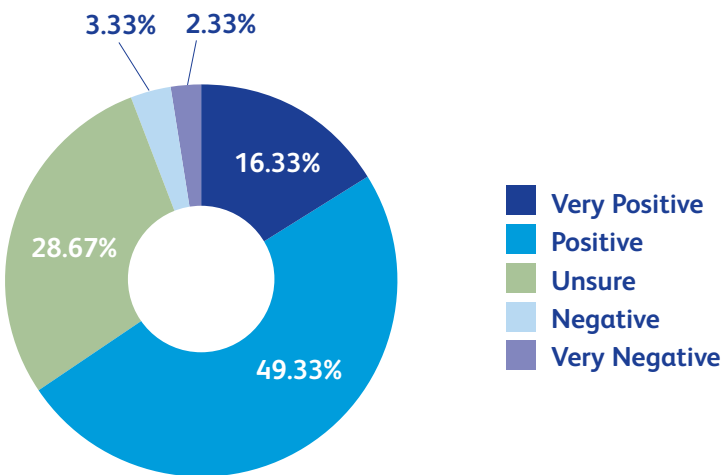
“The issue for businesses is whether to become reconciled to a period of stagnation, or whether to try to think their way out of it – by innovating, expanding into new markets, or exporting to new territories.”

Overall

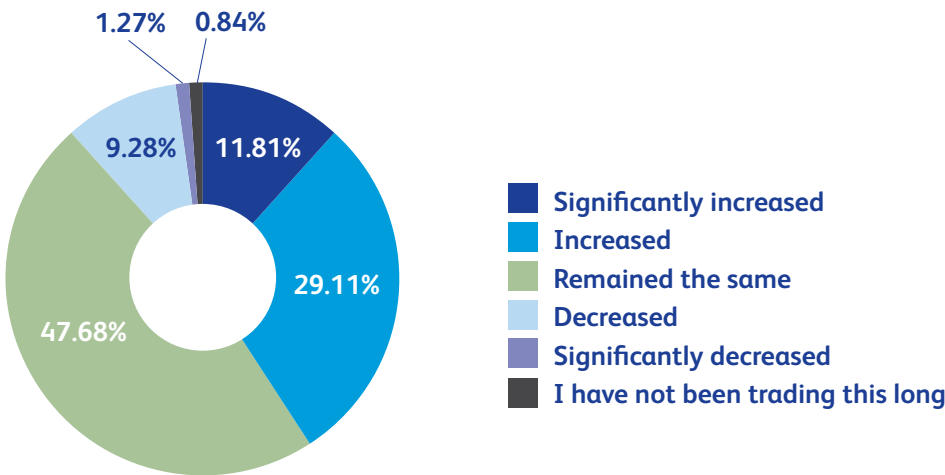
Have you introduced new or significantly improved products/services within your business over the last quarter?



How positive are you about the longevity of your business?



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

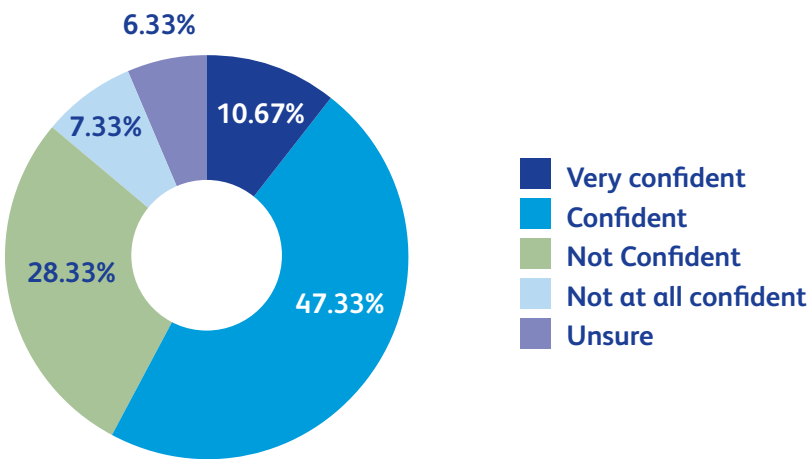


Overall

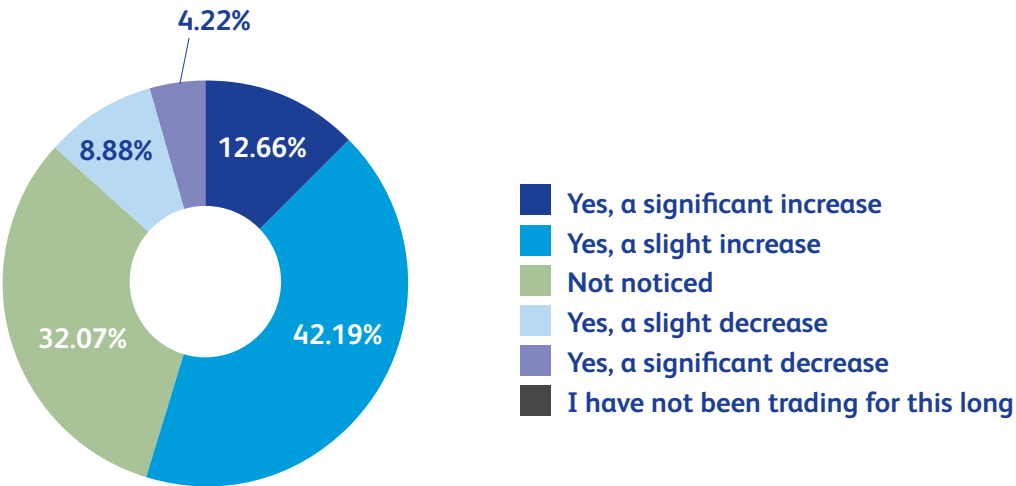
What has been the main issue in finding the right candidates for your business?



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

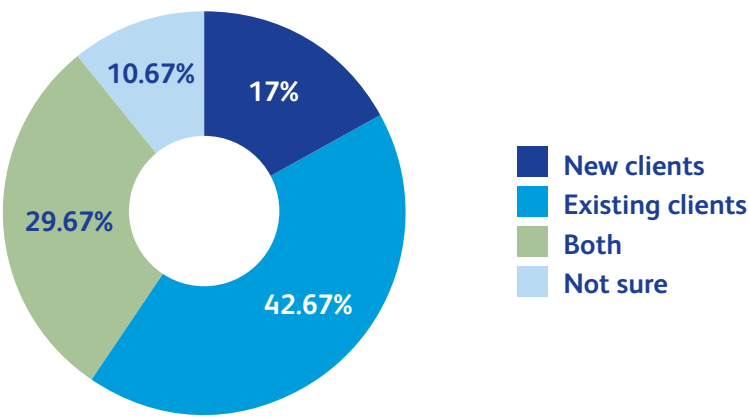


Have you noticed changes in the growth of your business in the last quarter?

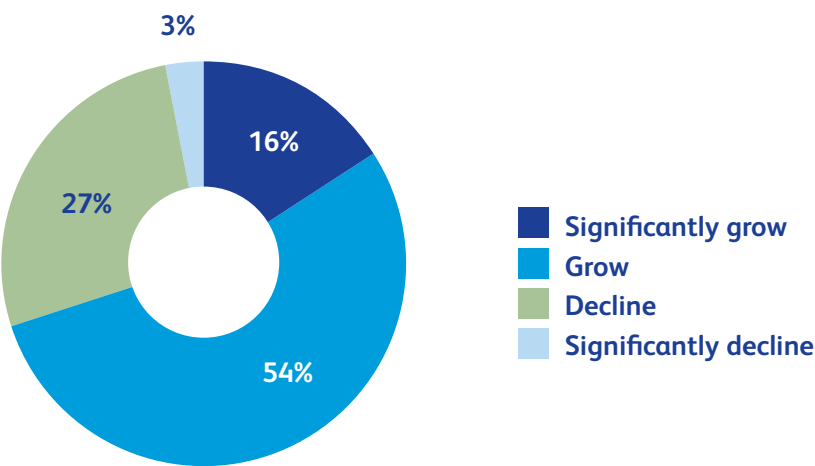


Overall

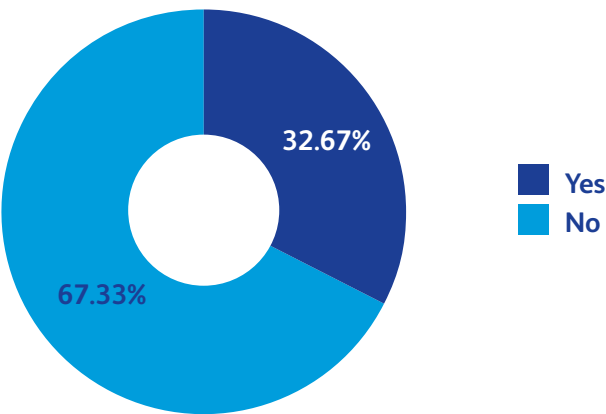
Predicting growth, will this come from:



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

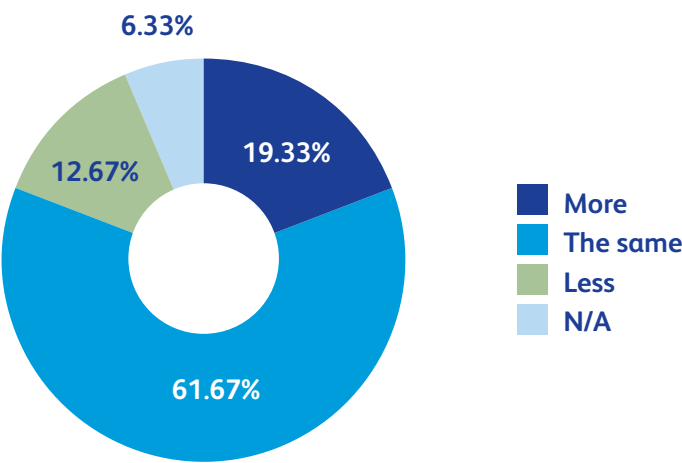


Do you have plans for business expansion in the next quarter?

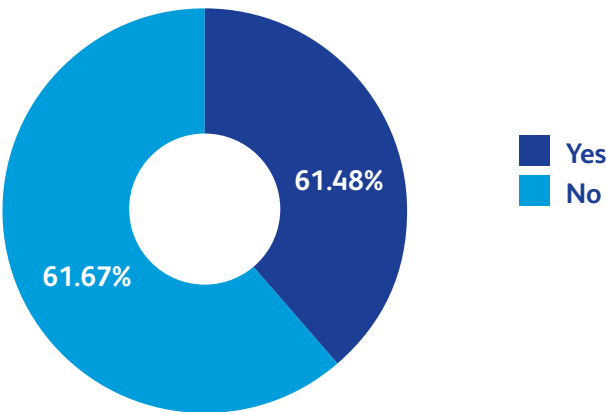


Overall

What is your turnover now compared to the last quarter?



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

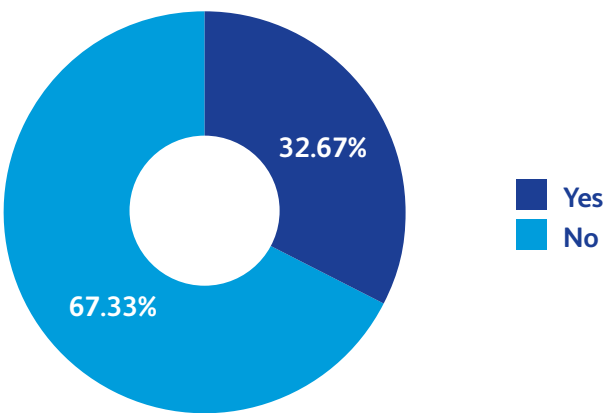


What is the main barrier in your struggle for liquidity?

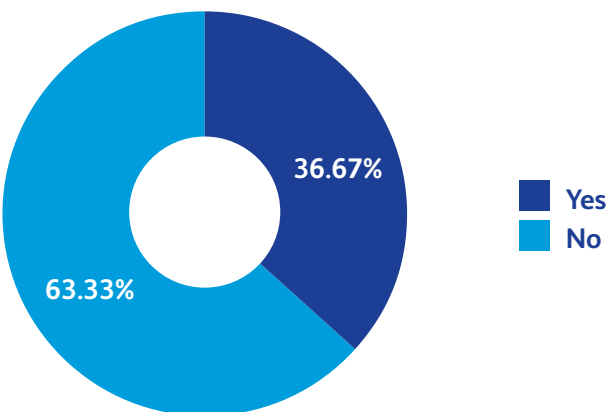


Overall

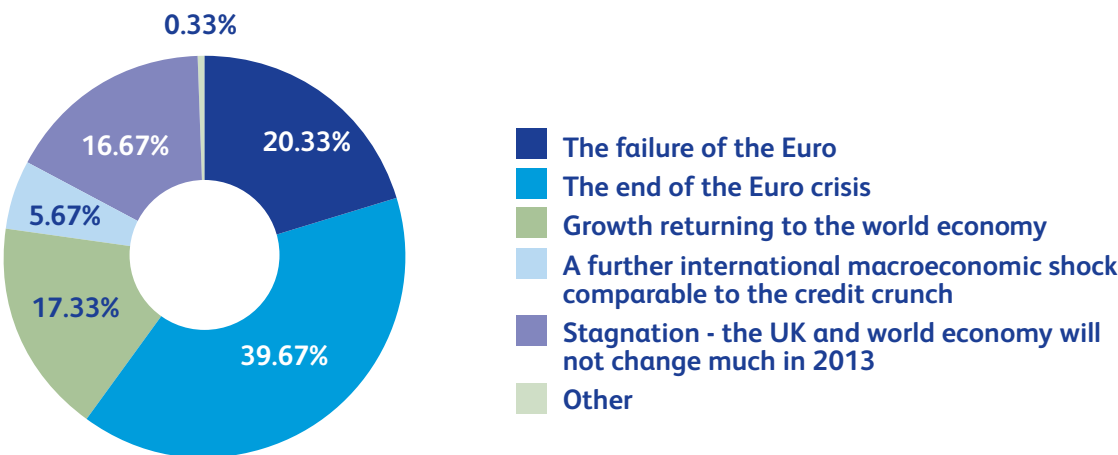
Do you think the UK economy's fortunes will turn around in 2013?



Do you think 2013 will see the government's approach to the economy being vindicated?

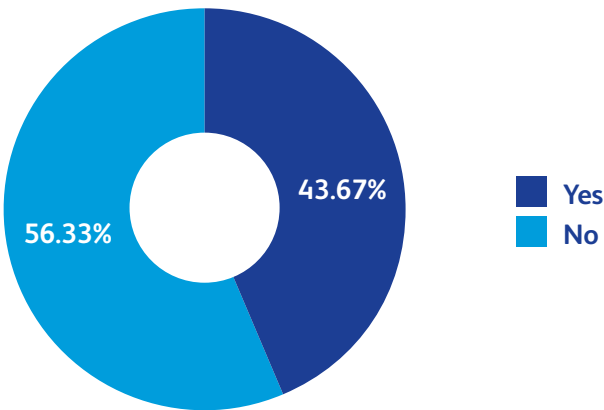


What do you think is most likely to happen in 2013?



Overall

Do you expect 2013 to be a good year for your business?



Region

The most consistently positive regions were the West Midlands, Wales and the North East.

West Midlands businesses were the most likely to have introduced new products and services in the last quarter (47.1 per cent), and most likely to be confident about the longevity of their business (76.5 per cent). They were second most likely to be confident about the UK economy's prospects in the coming quarter (73.5 per cent), and second most likely to have plans for business expansion in the next three months (52.9 per cent).

Employers in Wales were the most likely to have seen their business grow in the previous quarter (78.6 per cent), were most likely to predict their sector would grow in the next quarter (85 per cent), and were second-least likely to have suffered cashflow issues over the previous quarter (71.4 per cent).

Firms in the North East were most likely to have increased their number of employees in the final three months of 2012 (60 per cent), most likely to have a higher turnover now compared to the quarter previously (46.2 per cent) and third-most likely to have plans for business expansion in the next quarter (46.2 per cent).

Conversely, the regions posting the most consistently negative replies were Northern Ireland and Scotland.

The Scottish were least confident in the longevity of their business (14.3 per cent), were equal-most likely to have seen a decrease in their firm's headcount (23.5 per cent – a figure shared by the North West), and were second most likely to have suffered cashflow issues in the previous three months (52.9 per cent).

Northern Irish firms were least confident about the UK's prospects over the next quarter (80 per cent), most likely to have seen business shrink over the previous three months (60 per cent), and were most likely to predict that their sector would shrink over the coming quarter (80 per cent).

Interestingly, London and the South East, the areas associated with the UK's strongest recent growth, tended to post results which saw them appear consistently in the middle of the UK's regions, in terms of confidence.

Region

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

	East Anglia	East Midlands	London	North East	North West	Northern Ireland	Scotland	South East	South West	Wales	West Midlands	Yorkshire/ Humber
Yes	42.11 %	0 %	34.18 %	38.46 %	17.86 %	40 %	33.33 %	11.11 %	16.67 %	20 %	47.06 %	5.88 %
No	47.37 %	60 %	55.70 %	38.46 %	42.86 %	60 %	47.62 %	61.11 %	52.78 %	50 %	47.06 %	52.94 %
I have not been trading this long	10.53 %	40 %	10.13 %	23.08 %	39.29 %	0 %	19.05 %	27.78 %	30.56 %	30 %	5.88 %	41.18 %

How positive are you about the longevity of your business?

	East Anglia	East Midlands	London	North East	North West	Northern Ireland	Scotland	South East	South West	Wales	West Midlands	Yorkshire/ Humber
Very Positive	36.84 %	0 %	13.92 %	30.77 %	10.71 %	20 %	28.57 %	5.56 %	16.67 %	5 %	23.53 %	5.88 %
Positive	36.84 %	60 %	58.23 %	30.77 %	35.71 %	40 %	28.57 %	44.44 %	50 %	70 %	52.94 %	52.94 %
Unsure	26.32 %	30 %	24.05 %	30.77 %	32.14 %	40 %	28.57 %	50 %	33.33 %	25 %	20.59 %	29.41 %
Negative	0 %	10 %	1.27 %	7.69 %	10.71 %	0 %	9.52 %	0 %	0 %	0 %	2.94 %	5.88 %
Very Negative	0 %	0 %	2.53 %	0 %	10.71 %	0 %	4.76 %	0 %	0 %	0 %	0 %	5.88 %

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

	East Anglia	East Midlands	London	North East	North West	Northern Ireland	Scotland	South East	South West	Wales	West Midlands	Yorkshire/ Humber
Significantly increased	17.65 %	16.67 %	8.45 %	20 %	5.88 %	20 %	17.65 %	15.38 %	4 %	0 %	21.88 %	10 %
Increased	41.18 %	33.33 %	25.35 %	40 %	29.41 %	0 %	17.65 %	30.77 %	24 %	50 %	31.25 %	30 %
Remained the same	29.41 %	50 %	59.15 %	20 %	35.29 %	80 %	41.18 %	30.77 %	56 %	50 %	40.63 %	60 %
Decreased	11.76 %	0 %	5.63 %	20 %	23.53 %	0 %	17.65 %	23.08 %	8 %	0 %	6.25 %	0 %
Significantly decreased	0 %	0 %	1.41 %	0 %	0 %	0 %	5.88 %	0 %	4 %	0 %	0 %	0 %
I have not been trading this long	0 %	0 %	0 %	0 %	5.88 %	0 %	0 %	0 %	4 %	0 %	0 %	0 %

Region

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

	East Anglia	East Midlands	London	North East	North West	Northern Ireland	Scotland	South East	South West	Wales	West Midlands	Yorkshire/ Humber
High recruitment costs	10.53 %	10 %	12.66 %	15.38 %	7.14 %	0 %	14.29 %	16.67 %	0 %	0 %	29.41 %	11.76 %
Lack of demand for roles	47.37 %	20 %	25.32 %	53.85 %	35.71 %	40 %	23.81 %	22.22 %	19.44 %	35 %	35.29 %	29.41 %
Lack of HR expertise	26.32 %	50 %	18.99 %	15.38 %	17.86 %	20 %	9.52 %	38.89 %	30.56 %	40 %	8.82 %	23.53 %
I have not tried to recruit candidates for my business	5.26 %	10 %	15.19 %	15.38 %	21.43 %	20 %	19.05 %	16.67 %	30.56 %	10 %	17.65 %	11.76 %
I have not had any issues in finding the right candidates for my business	10.53 %	10 %	7.59 %	0 %	14.29 %	0 %	28.57 %	5.56 %	13.89 %	10 %	5.88 %	23.53 %
Other	0 %	0 %	20.25 %	0 %	3.57 %	20 %	4.76 %	0 %	5.56 %	5 %	2.94 %	0 %

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

	East Anglia	East Midlands	London	North East	North West	Northern Ireland	Scotland	South East	South West	Wales	West Midlands	Yorkshire/ Humber
Very confident	10.53 %	10 %	12.66 %	23.08 %	7.14 %	20 %	14.29 %	5.56 %	2.78 %	0 %	20.59 %	5.88 %
Confident	68.42 %	50 %	45.57 %	30.77 %	42.86 %	0 %	28.57 %	61.11 %	47.22 %	60 %	52.94 %	47.06 %
Not confident	21.05 %	30 %	31.65 %	23.08 %	35.71 %	80 %	19.05 %	33.33 %	33.33 %	30 %	14.71 %	17.65 %
Not at all confident	0 %	10 %	3.80 %	23.08 %	7.14 %	0 %	19.05 %	0 %	8.33 %	5 %	5.88 %	17.65 %
Unsure	0 %	0 %	6.33 %	0 %	7.14 %	0 %	19.05 %	0 %	8.33 %	5 %	5.88 %	11.76 %

Region

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

	East Anglia	East Midlands	London	North East	North West	Northern Ireland	Scotland	South East	South West	Wales	West Midlands	Yorkshire/ Humber
Yes, a significant increase	23.53 %	16.67 %	7.04 %	40 %	5.88 %	20 %	17.65 %	15.38 %	4 %	7.14 %	21.88 %	0 %
Yes, a slight increase	47.06 %	33.33 %	45.07 %	40 %	29.41 %	0 %	17.65 %	46.15 %	40 %	71.43 %	50 %	40 %
Not noticed	23.53 %	16.67 %	42.25 %	0 %	35.29 %	20 %	41.18 %	38.46 %	40 %	14.29 %	21.88 %	30 %
Yes, a slight decrease	0 %	16.67 %	2.82 %	20 %	29.41 %	40 %	5.88 %	0 %	16 %	0 %	6.25 %	20 %
Yes, a significant decrease	5.88 %	16.67 %	2.82 %	0 %	0 %	20 %	17.65 %	0 %	0 %	7.14 %	0 %	10 %
I have not been trading for this long	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %

Predicting growth, will this come from:

	East Anglia	East Midlands	London	North East	North West	Northern Ireland	Scotland	South East	South West	Wales	West Midlands	Yorkshire/ Humber
New clients	31.58 %	0 %	11.39 %	15.38 %	14.29 %	60 %	19.05 %	16.67 %	13.89 %	10 %	29.41 %	17.65 %
Existing clients	31.58 %	40 %	39.24 %	38.46 %	60.71 %	40 %	33.33 %	55.56 %	44.44 %	55 %	41.18 %	29.41 %
Both	31.58 %	50 %	43.04 %	30.77 %	14.29 %	0 %	23.81 %	22.22 %	27.78 %	20 %	23.53 %	29.41 %
Not sure	5.26 %	10 %	6.33 %	15.38 %	10.71 %	0 %	23.81 %	5.56 %	13.89 %	15 %	5.88 %	23.53 %

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

	East Anglia	East Midlands	London	North East	North West	Northern Ireland	Scotland	South East	South West	Wales	West Midlands	Yorkshire/ Humber
Significantly grow	15.79 %	10 %	16.46 %	23.08 %	14.29 %	20 %	23.81 %	22.22 %	2.78 %	10 %	23.53 %	17.65 %
Grow	57.89 %	50 %	45.57 %	46.15 %	57.14 %	0 %	42.86 %	61.11 %	75 %	75 %	55.88 %	41.18 %
Decline	21.05 %	30 %	37.97 %	30.77 %	17.86 %	80 %	28.57 %	16.67 %	22.22 %	15 %	17.65 %	29.41 %
Significantly decline	5.26 %	10 %	0 %	0 %	10.71 %	0 %	4.76 %	0 %	0 %	0 %	2.94 %	11.76 %

Region

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

	East Anglia	East Midlands	London	North East	North West	Northern Ireland	Scotland	South East	South West	Wales	West Midlands	Yorkshire/ Humber
Yes	26.32 %	20 %	31.65 %	46.15 %	32.14 %	20 %	28.57 %	55.56 %	25 %	15 %	52.94 %	23.53 %
No	73.68 %	80 %	68.35 %	53.85 %	67.86 %	80 %	71.43 %	44.44 %	75 %	85 %	47.06 %	76.47 %

What is your turnover now compared to the last quarter ?

	East Anglia	East Midlands	London	North East	North West	Northern Ireland	Scotland	South East	South West	Wales	West Midlands	Yorkshire/ Humber
More	26.32 %	10 %	16.46 %	46.15 %	7.14 %	20 %	23.81 %	11.11 %	16.67 %	20 %	26.47 %	23.53 %
The same	73.68 %	60 %	74.68 %	38.46 %	50 %	40 %	38.10 %	66.67 %	63.89 %	65 %	58.82 %	52.94 %
Less	0 %	30 %	3.80 %	7.69 %	25 %	40 %	23.81 %	16.67 %	13.89 %	10 %	11.76 %	17.65 %
N/A	0 %	0 %	5.06 %	7.69 %	17.86 %	0 %	14.29 %	5.56 %	5.56 %	5 %	2.94 %	5.88 %

Has your business suffered cashflow issues in the last quarter?

	East Anglia	East Midlands	London	North East	North West	Northern Ireland	Scotland	South East	South West	Wales	West Midlands	Yorkshire/ Humber
Yes	29.41 %	0 %	38.03 %	30 %	47.06 %	20 %	52.94 %	46.15 %	20 %	28.57 %	59.38 %	50 %
No	70.59 %	100 %	61.97 %	70 %	52.94 %	80 %	47.06 %	53.85 %	80 %	71.43 %	40.63 %	50 %

Region

What is the main barrier in your struggle for liquidity?

	East Anglia	East Midlands	London	North East	North West	Northern Ireland	Scotland	South East	South West	Wales	West Midlands	Yorkshire/Humber
Debtors paying late	26.32 %	0 %	7.59 %	15.38 %	17.86 %	20 %	38.10 %	22.22 %	13.89 %	10 %	38.24 %	35.29 %
Unavailable credit from banks or other financial institutes	36.84 %	30 %	44.30 %	46.15 %	39.29 %	20 %	19.05 %	44.44 %	33.33 %	45 %	35.29 %	29.41 %
High interest rates	15.79 %	40 %	15.19 %	7.69 %	17.86 %	20 %	4.76 %	16.67 %	13.89 %	10 %	11.76 %	5.88 %
Taxation/VAT	15.79 %	20 %	6.33 %	23.08 %	10.71 %	40 %	19.05 %	11.11 %	8.33 %	25 %	0 %	5.88 %
Other	0 %	0 %	0 %	0 %	0 %	0 %	4.76 %	0 %	11.11 %	5 %	0 %	11.76 %
Not an issue	5.26 %	10 %	26.58 %	7.69 %	14.29 %	0 %	14.29 %	5.56 %	19.44 %	5 %	14.71 %	11.76 %

Do you think the UK economy's fortunes will turn around in 2013?

	East Anglia	East Midlands	London	North East	North West	Northern Ireland	Scotland	South East	South West	Wales	West Midlands	Yorkshire/Humber
Yes	42.11 %	10 %	37.97 %	0 %	25 %	0 %	33.33 %	33.33 %	27.78 %	25 %	50 %	41.18 %
No	57.89 %	90 %	62.03 %	100 %	75 %	100 %	66.67 %	66.67 %	72.22 %	75 %	50 %	58.82 %

Do you think 2013 will see the government's approach to the economy being vindicated?

	East Anglia	East Midlands	London	North East	North West	Northern Ireland	Scotland	South East	South West	Wales	West Midlands	Yorkshire/Humber
Yes	42.11 %	40 %	41.77 %	30.77 %	25 %	0 %	42.86 %	27.78 %	27.78 %	20 %	58.82 %	35.29 %
No	57.89 %	60 %	58.23 %	69.23 %	75 %	100 %	57.14 %	72.22 %	72.22 %	80 %	41.18 %	64.71 %

Region

What do you think is most likely to happen in 2013?

	East Anglia	East Midlands	London	North East	North West	Northern Ireland	Scotland	South East	South West	Wales	West Midlands	Yorkshire/Humber
The failure of the Euro	31.58 %	10 %	11.39 %	7.69 %	25 %	40 %	38.10 %	22.22 %	16.67 %	10 %	29.41 %	29.41 %
The end of the Euro crisis	36.84 %	30 %	37.97 %	53.85 %	53.57 %	0 %	9.52 %	55.56 %	41.67 %	65 %	38.24 %	23.53 %
Growth returning to the world economy	21.05 %	40 %	25.32 %	7.69 %	3.57 %	0 %	14.29 %	11.11 %	19.44 %	10 %	11.76 %	23.53 %
A further international macroeconomic shock comparable to the credit crunch	5.26 %	10 %	3.80 %	7.69 %	3.57 %	20 %	9.52 %	5.56 %	8.33 %	5 %	5.88 %	0 %
Stagnation – the UK and world economy will not change much in 2013	5.26 %	10 %	21.52 %	23.08 %	14.29 %	40 %	28.57 %	5.56 %	13.89 %	10 %	11.76 %	23.53 %
Other	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	2.94 %	0 %

Do you expect 2013 to be a good year for your business?

	East Anglia	East Midlands	London	North East	North West	Northern Ireland	Scotland	South East	South West	Wales	West Midlands	Yorkshire/Humber
Yes	57.89 %	10 %	46.84 %	23.08 %	35.71 %	20 %	47.62 %	38.89 %	36.11 %	30 %	67.65 %	52.94 %
No	42.11 %	90 %	53.16 %	76.92 %	64.29 %	80 %	52.38 %	61.11 %	63.89 %	70 %	32.35 %	47.06 %

Size

Unsurprisingly, there were many signs that larger firms were weathering the storm best. For example, the biggest companies were the most likely to have introduced new products and services. 50 per cent of companies with over 250 people reported they had brought out new products and services, compared to 46.2 % of 100 – 249 people, down to just 16.7 % of 1-9 people. Similarly, larger firms were more likely to have employed more staff over the preceding three months (62.5 % of firms with more than 250 staff, compared to 37.3 per cent with between 1 and 9 employees).

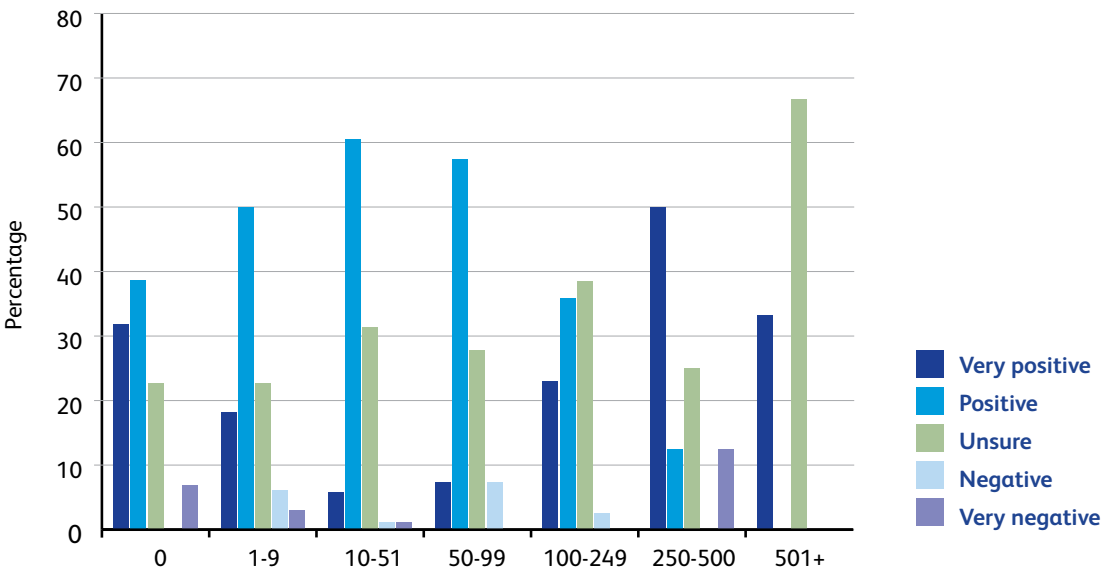
Similarly, the largest firms were most likely to have plans for business expansion over the coming quarter, with 72.7 per cent of firms over 250 people expecting to grow, compared to just 58.9 per cent in the 100-249 bracket, down to just 18.2 per cent in the 1-9 bracket.

However, there were plenty of positive signs from smaller companies. One striking finding was that the smaller the firm, the more positive they were about their business' future. 68.2 % of firms between 1 and 9 employees were either "positive" or "very positive" about the longevity of their firm, compared to 66.3 % of firms with between 10 and 49 employees, 64.8 % of firms between 50 and 99 employees, and 58.9 per cent of firms between 100 and 249 employees. For firms with more than 250 employees, the figure was just 54.5 %.

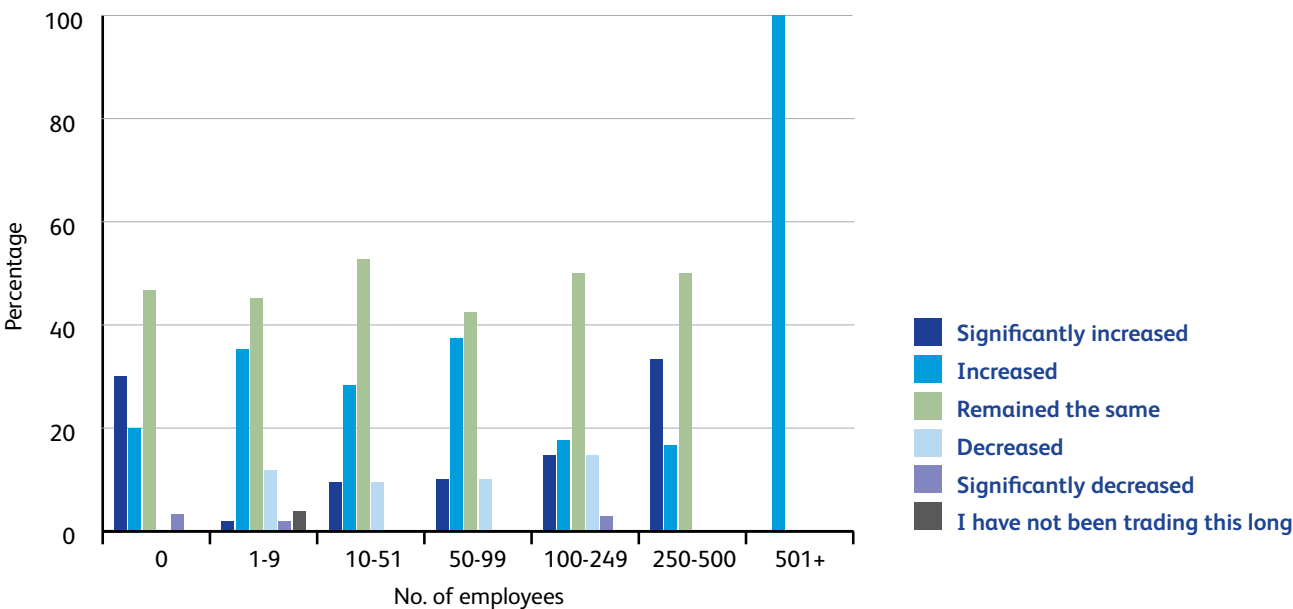
One surprising trend was the relative bullishness displayed by companies in the 50-99 bracket, who were the most confident about the UK's prospects over the coming quarter (70.3 per cent being either confident or very confident) about their sector's prospects in the coming quarter (74.1 per cent predicting a growth), and who were most likely to have noticed an increase in business over the past quarter (72.5 per cent).

Size

How positive are you about the longevity of your business?

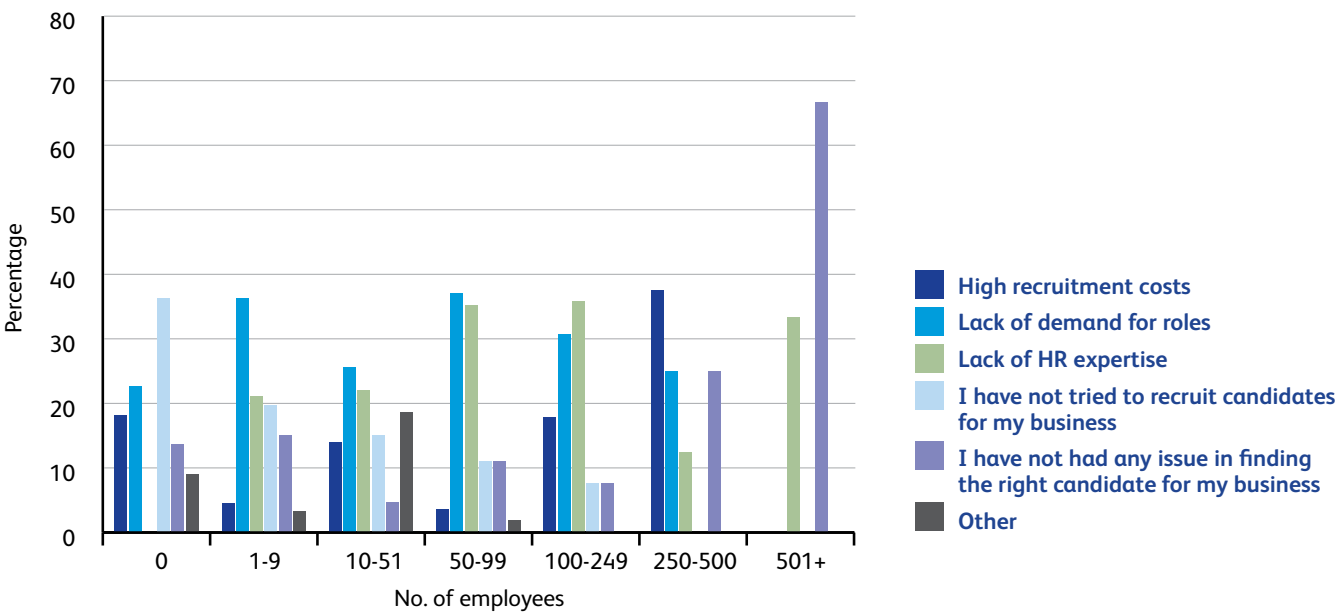


How has the number of employees in your business changed in the last quarter?

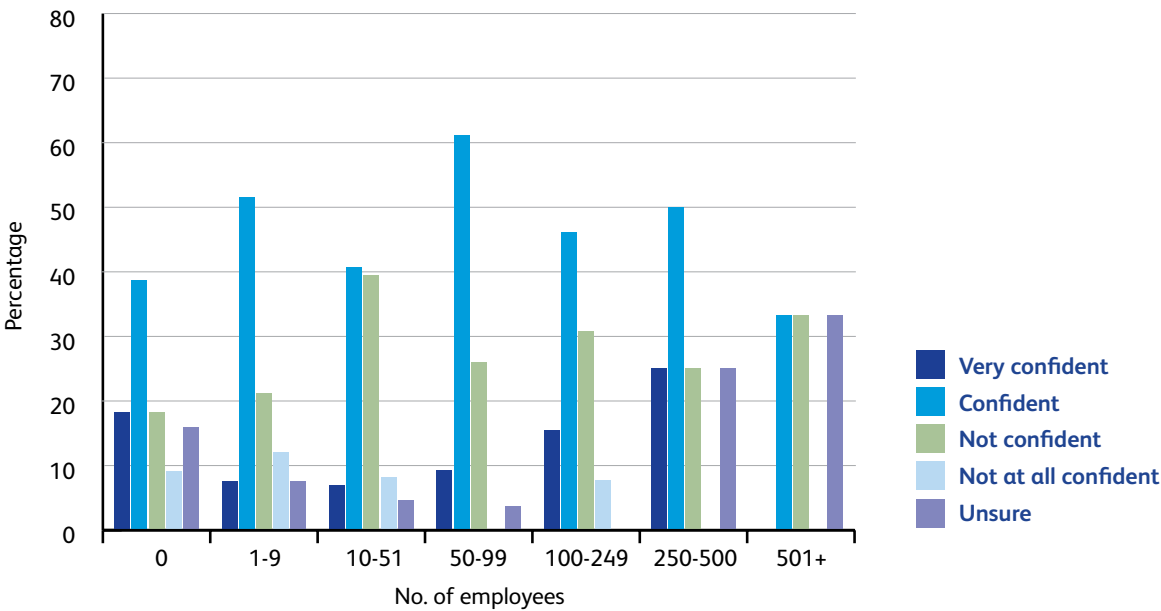


Size

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

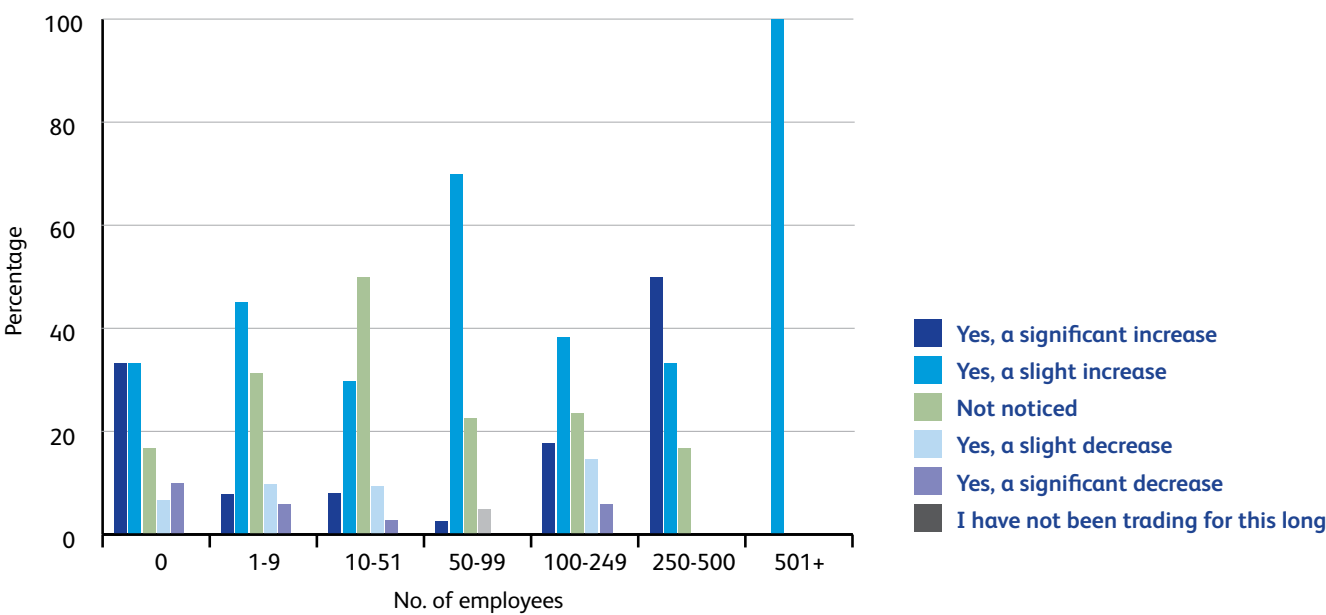


How confident are you in the UK economy as a whole over the next quarter?

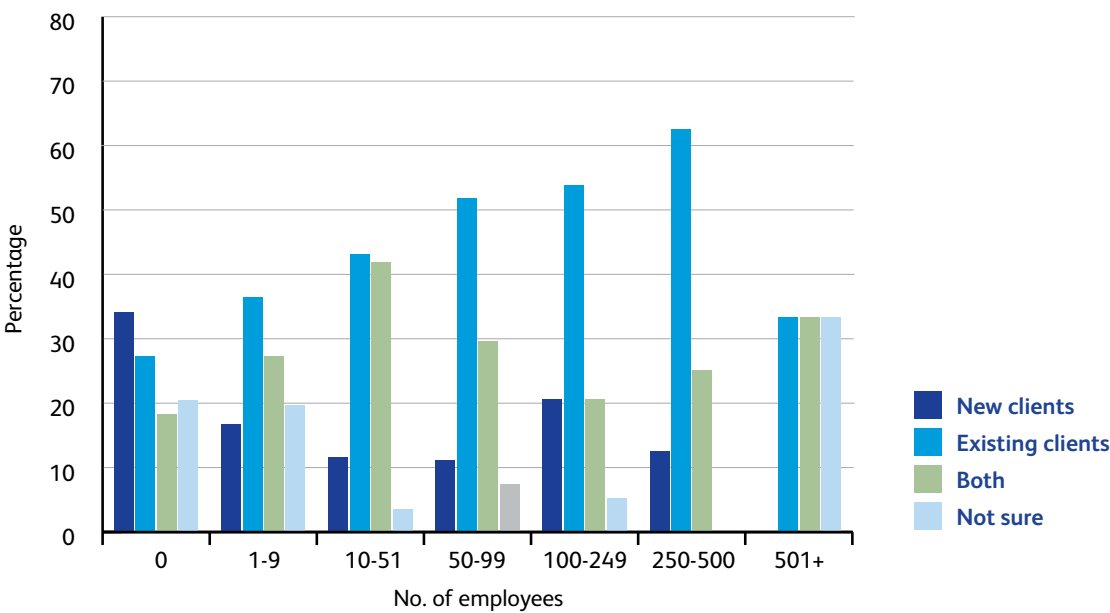


Size

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

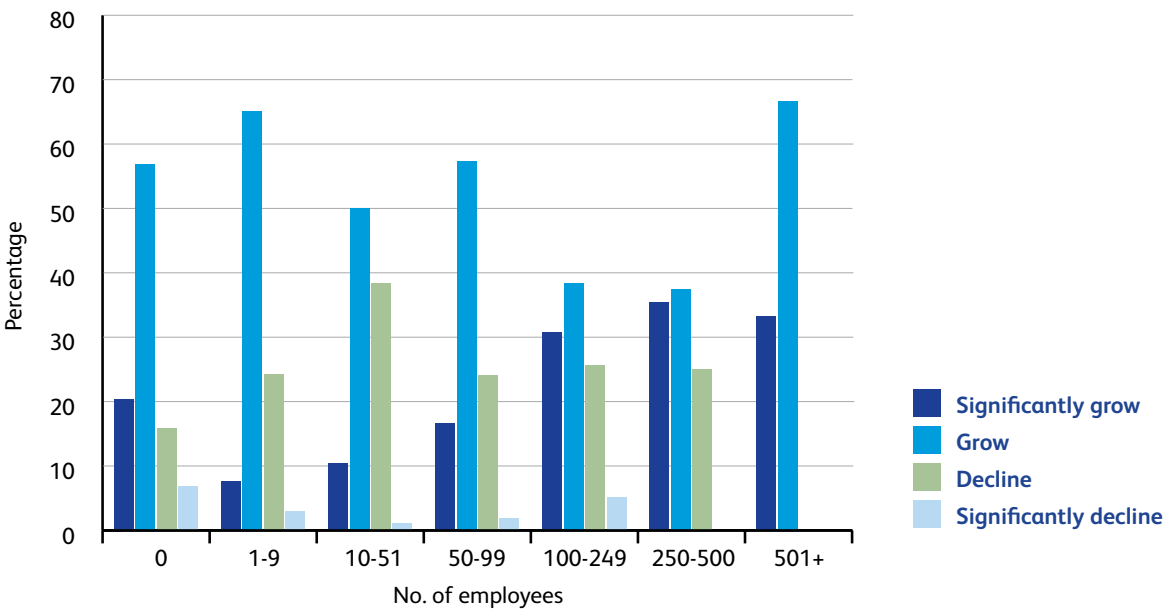


Predicting growth, will this come from:

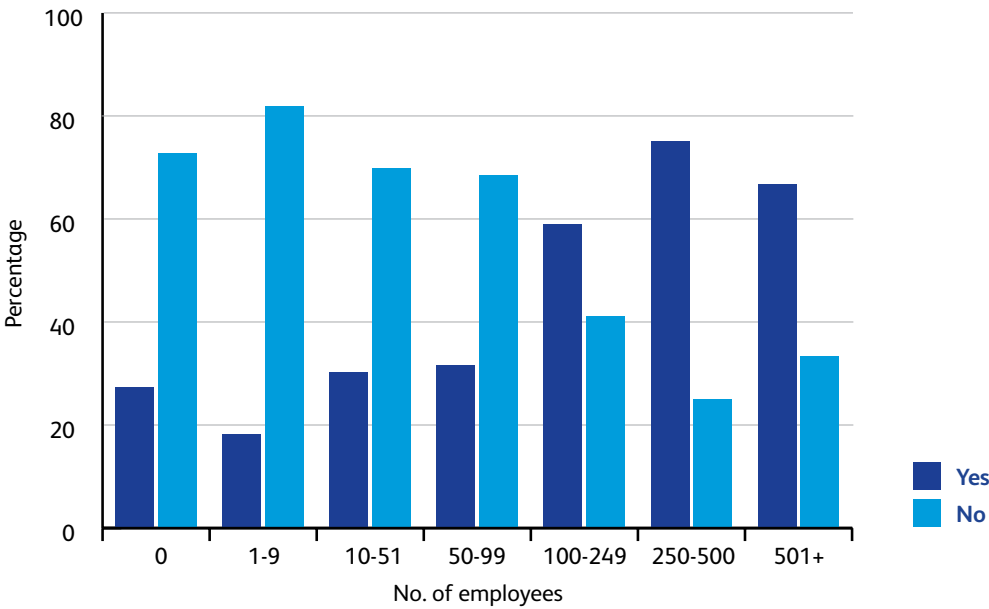


Size

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

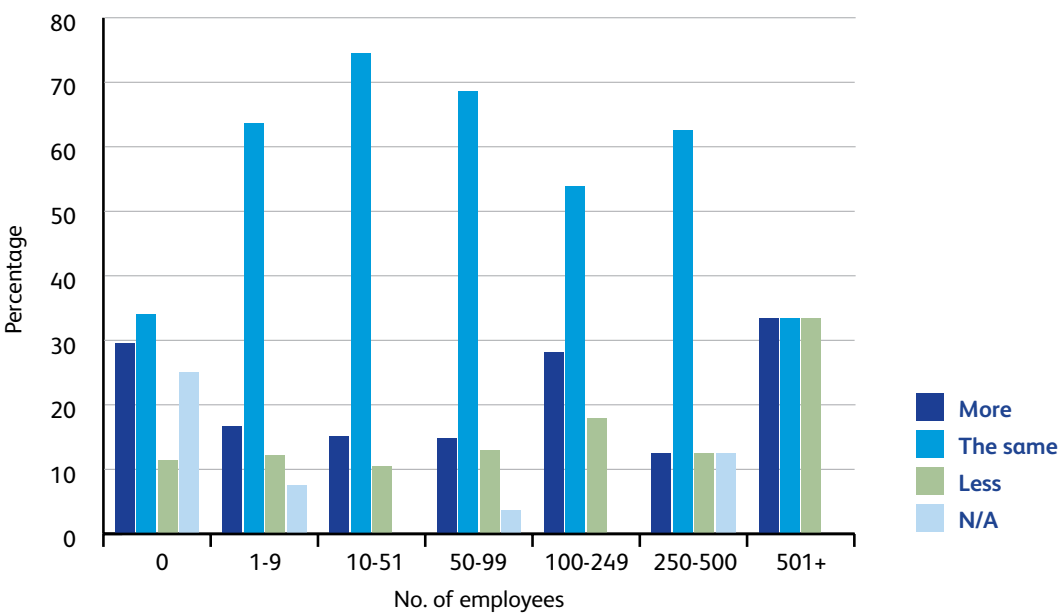


Do you have plans for business expansion in the next quarter?

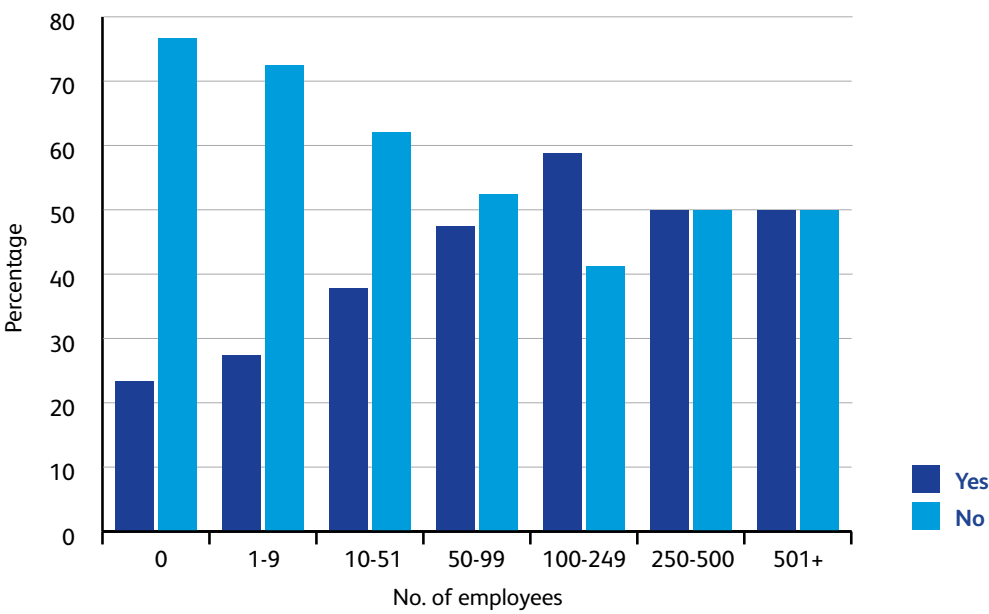


Size

What is your turnover now compared to the last quarter?

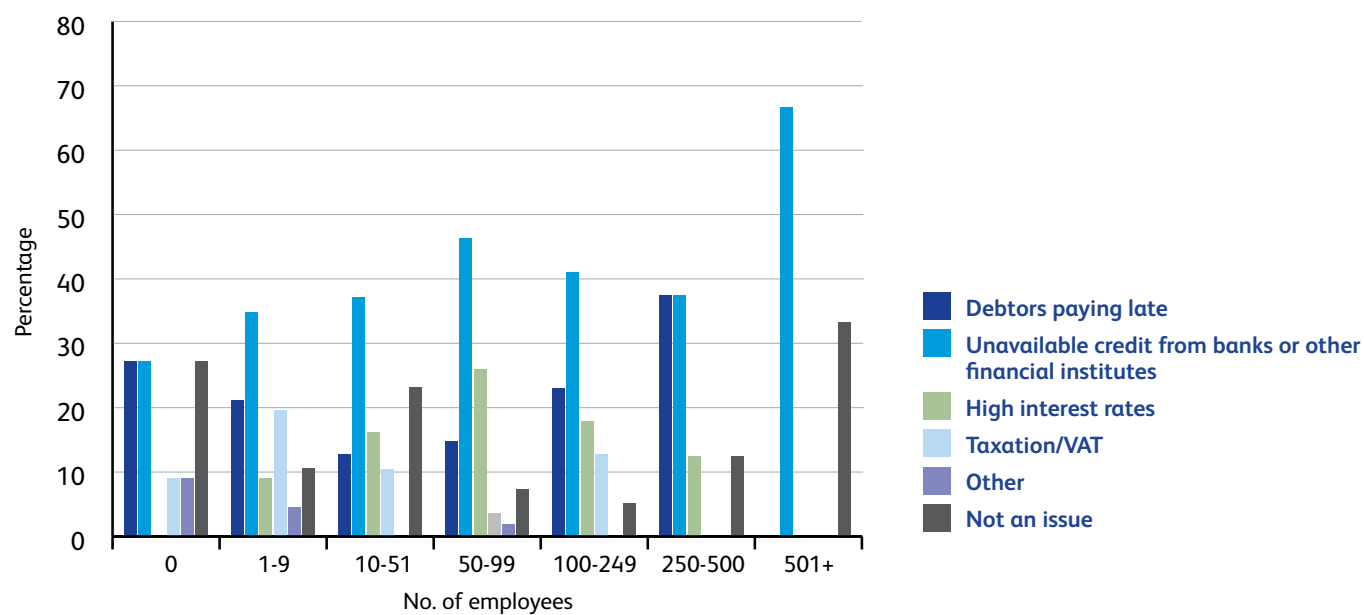


Has your business suffered cashflow issues in the last quarter?

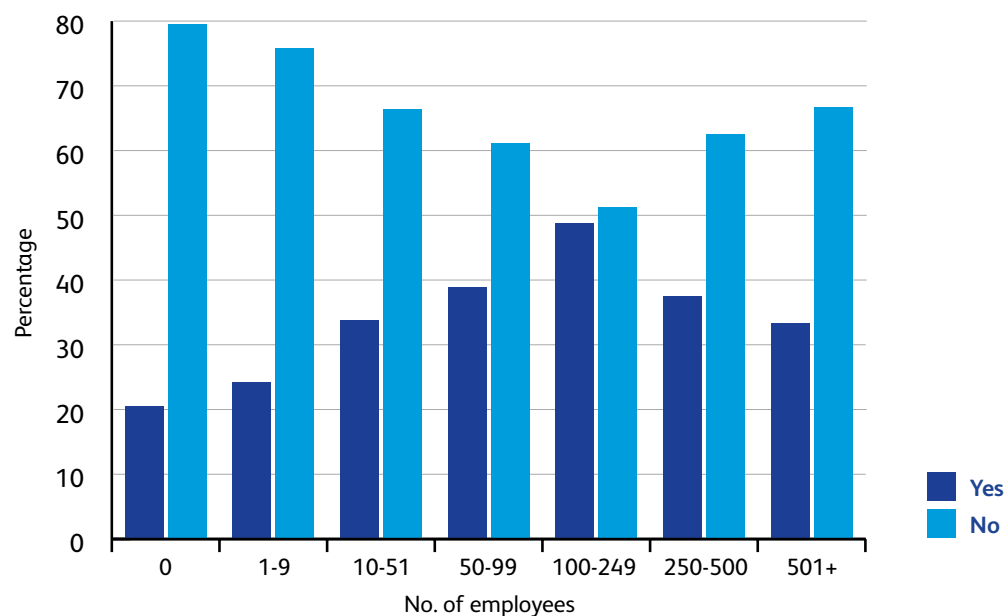


Size

What is the main barrier in your struggle for liquidity?

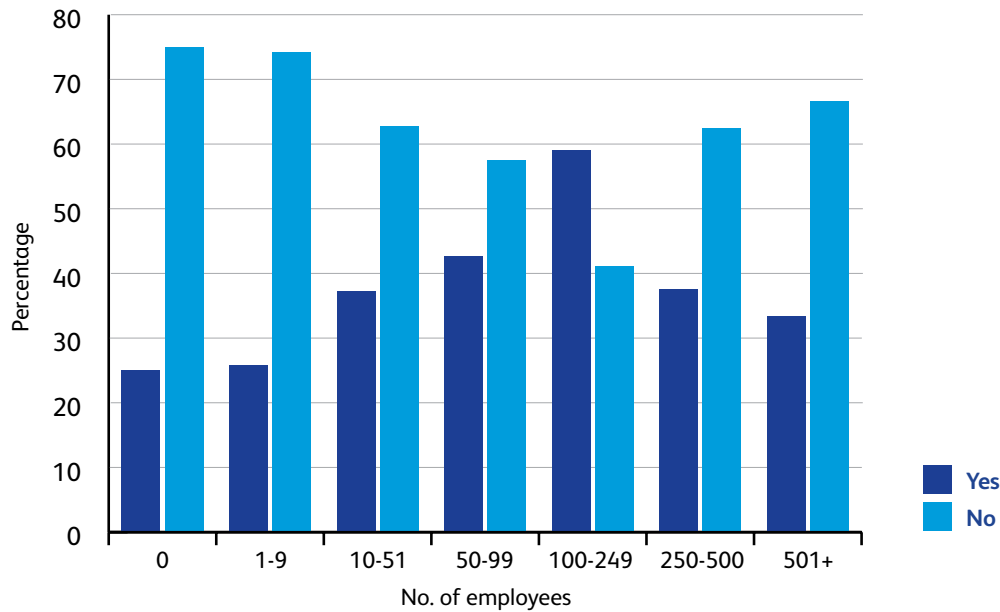


Do you think the UK economy's fortunes will turn around in 2013?

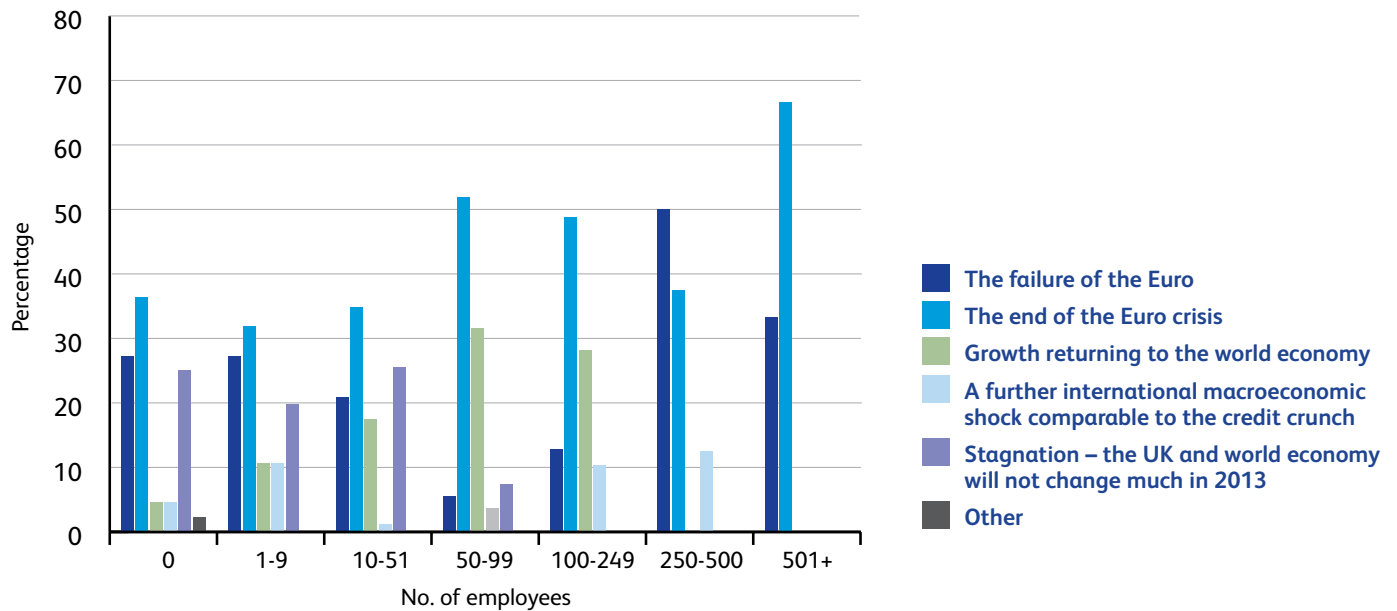


Size

Do you think 2013 will see the government's approach to the economy being vindicated?

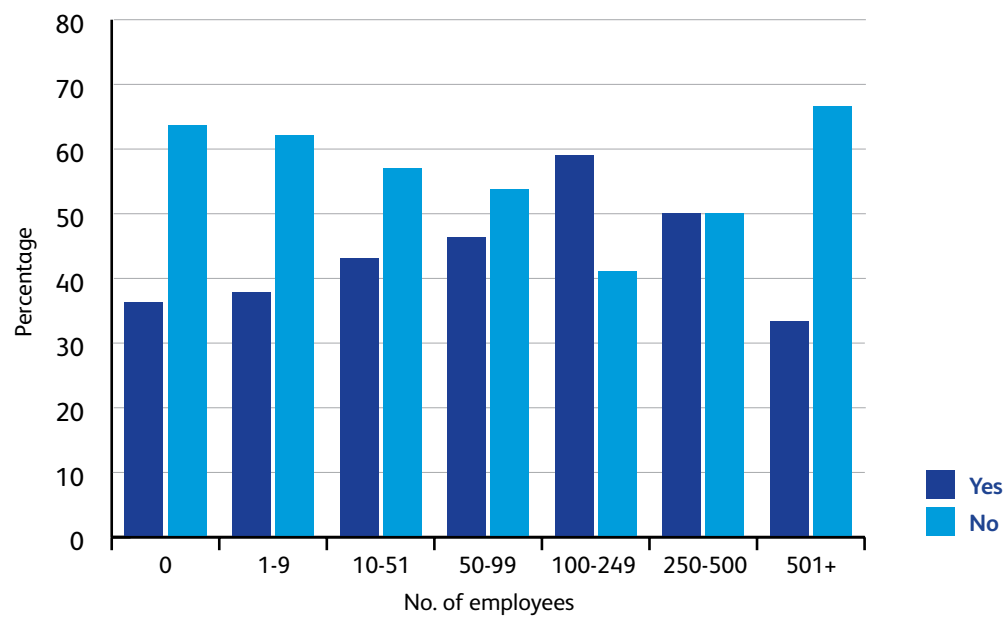


What do you think is most likely to happen in 2013?



Size

Do you expect 2013 to be a good year for your business?



Conclusion

In December 2012 Vince Cable, the UK Government's Business Secretary, commented that there was a risk of the country sliding back into a triple-dip recession. The same month, the report from the Office of Fiscal Responsibility predicted that "the recovery still lacks momentum... we expect weak productivity to constrain normal earnings growth."

Against this bleak background, the stable picture painted by respondents to the Business Environment SME Tracker is, relatively, good news.

Further good news is the fact that small businesses, while they were not predicting the growth of their larger counterparts, did not report huge skepticism about the future. This is encouraging, as a moribund SME sector is a sure sign of a stagnant economy.

One of the most interesting signs is the distribution of confidence around the UK's regions, which showed that clichés such as the north/south divide are outdated.

Overall, as the euphoria of summer 2012 wears off but the tough economic climate that has characterised the decade remains, the survey shows that there are grounds for cautious optimism in the UK's SME sector.

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This report can be downloaded from the Business Environment website and was published in January 2013

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

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