

**FSB News Release  
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**Small business confidence improving despite cost pressures**

Small business confidence has improved despite rising overheads and problems accessing finance, new figures from the Federation of Small Businesses (FSB) reveal.

The FSB's 'Voice of Small Business' Index shows business confidence has bounced back from the record lows reported at the end of 2011. Overall the Index, which surveyed more than 3,000 FSB members, shows confidence rising for the first time in a year, with more than half of those surveyed aiming to grow in the 12 months ahead.

The survey shows considerable optimism about the scope for businesses expansion with a third of firms looking to increase capital investment plans.

However, the findings also show these plans to expand could be under threat from rising overheads, weak customer demand and concerns over the cost and availability of finance.

Demand factors and weak domestic conditions are the dominant concern cited in the survey. Two in three small businesses considered the domestic economy to be a major obstacle to achieving their aspirations. Fuel was identified by more than 60 per cent of firms as a major cost driver, with upward cost pressures being seen from rent and labour costs too.

More than one in five firms cites access to finance as a major barrier to growth, with 41 per cent of loan applicants being refused. The FSB has called for the Government to look at alternatives to bank finance, such as peer-to-peer lending and the role than community development finance institutions can play in boosting the amount of finance that is available to small firms.

The FSB is also pressing the Government to create a Small Business Administration which would champion the needs of small businesses at the highest level and provide a single focus on issues such as access to finance and procurement.

**John Walker, National Chairman, Federation of Small Businesses, said:**

*"It is a testament to the hard work and determination of the UK's small businesses that, in the face of rising costs and falling demand, they are still more confident about the year ahead and are looking to expand.*

*"The Government must bolster this confidence by doing everything in its power to remove the barriers to growth which our members have highlighted. That means taking action against rising energy and regulatory costs. It means looking at the proposals the FSB has put forward to give small businesses realistic alternatives to bank finance. And it means putting small business concerns at the heart of key government decisions*

*through the creation of a US-style Small Business Administration.”*

### **Key findings:**

- The Small Business Index made a strong recovery after a slump (-24.5) in the last quarter and now stands in mildly positive territory at 2.2
- The deterioration of UK regional business prospects was reversed, re-establishing the gulf between the economically more successful southern and eastern regions and other parts
- Small businesses consider credit to be both difficult to access and hard to afford
- This is borne out by statistics showing high loan refusal rates (40.6%) and elevated interest rate demands for many firms
- Nearly a quarter (22.9%) of small businesses are exporters, and those that sell abroad are largely optimistic about their foreign sales in the near-term
- The balance of businesses reporting falling revenues rose to the highest level since the first half of 2010
- All sectors reported better business prospects for the following three months, with business services again leading the field; however, those dependent on household spending still slumped
- New evidence on small business profit expectations suggests that margins will fall in the coming three months regardless of a mild upturn in revenues
- The three months preceding the survey saw the largest net balance of firms shedding staff in survey history, but the employment outlook has improved markedly
- Fuel and utility costs still put pressure on small firms, with a majority reporting significant cost increases
- The economic situation, weak consumer demand, utility costs and access to finance are cited as the most likely barriers to achieving the largely sanguine growth aspirations of small businesses

### **ENDS**

#### **Notes to editors**

1. The FSB is the UK's leading business organisation with around 200,000 members. It exists to protect and promote the interests of the UK's [Real-Life Entrepreneurs](#) who run their own business. More information is available at [www.fsb.org.uk](http://www.fsb.org.uk)
2. Read the FSB's Budget [submission](#) which details its call for a Small Business Administration, and [press release](#) and report [Alt+ Finance: small firms access to finance](#).
3. The FSB 'Voice of Small Business' Index is a quarterly macro-economic report analysing the trends of small businesses in the UK market. To view the 'FSB Voice of Small Business' Index please go to [www.fsb.org.uk/small-business-index](http://www.fsb.org.uk/small-business-index)
4. This report has been produced by the centre for economic and business research (cebr). The figures are based on a survey of FSB members, carried out by Research by Design, between 1-14 February 2012 and received 3,125 responses.

To find out more visit [www.fsb.org.uk/survey-panel](http://www.fsb.org.uk/survey-panel)

5. UK SBA would:

- Provide a single focus for small business issues: access to finance, procurement, exporting, regulation and targeting help for less advantaged communities
- A strong, independent advocate for small business needs in Government. In recognition of small businesses' importance, the USA's SBA has a place at the Cabinet
- Provide a challenge function to other Government departments, especially in the area of regulation, should their policies adversely impact on small businesses
- Improve the business environment for small firms, for example in the important area of access to finance where the UK can learn much from the US model

6. The Q2 'Voice of Small Business' Index will be issued on Monday 18 June 2012.

**ISDN facilities are available for broadcast media interviews**

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