QUARTERLY REPORT
ON
SMALL BUSINESS STATISTICS

April 2003

Domestic Finance Division
Bank of England

DEFINITIONS

The statistics quoted in this report are drawn from a number of sources that deal with small firm's issues. Because of the variety of definitions used, care should be taken when comparing different data series.

Copies of this report are available on the Bank of England's website (www.bankofengland.co.uk) or from Bank of England Public Enquiries (020 7601 4012)
E-mail enquiries@bankofengland.co.uk.

For any further enquiries, please contact emma.murphy@bankofengland.co.uk (020 7601 4703).

DEFINITIONS OF SMALL FIRMS

Department of Trade and Industry (DTI)

	Employees
Micro firm:	0 – 9
Small firm:	10 – 49
Medium firm:	50 – 249
Large firm:	250+

In practice, schemes that are nominally targeted at small firms adopt a variety of working definitions depending on their particular objectives.

European Commission

	Micro firm	**Small firm**	**Medium firm:**
Turnover	Not applicable	Max €7m	Max €40m
Balance sheet	Not applicable	Max €5m	Max €27m
Employees	Max 10	Max 50	Max 250
Independence criteria*	Not applicable	25%	25%

*****The independence criterion refers to the maximum percentage that may be owned by one, or jointly owned by several, enterprises not satisfying the same criteria.

To qualify as an SME, both the employee and the independence criteria must be satisfied, and either the turnover or the balance sheet total criteria. A large firm is any not satisfying the above criteria.

Companies Act

	Small company	**Medium Company**
Turnover	Max £2.8 million	Max £11.2 million
Balance sheet	Max £1.4 million	Max £5.6 million
Employees	Max 50	Max 250

A company qualifies as small or medium if it meets two of the above three criteria in any year.

British Bankers' Association (BBA)

For British Bankers Association (BBA) statistical purposes, small businesses are defined as those having an annual account turnover of up to £1 million.

OVERVIEW

The main survey evidence covers 2002 Q4. Some data also cover 2003 Q1.

The survey evidence on the business environment for SMEs painted a fairly gloomy picture, although not universally so.

The NatWest/SBRT survey indicated worsening balances for actual sales, investment and employment. Looking ahead, expectations were also generally pessimistic. The CBI survey also showed deterioration in the position for small manufacturing firms with most balances falling and remaining negative. The IOD survey showed the balance of firms reporting increased profits continued to fall with the balance over the last 3 months becoming negative for the first time since 1996.

However, the picture from the CBI on investment appeared to be levelling off; and the BCC survey showed balances for small and medium manufacturing and service firms generally improved in the last quarter on 2002. It also revealed that the picture on cashflow had improved, reversing the worsening in the previous quarter. The FPB survey demonstrated that the proportion of businesses reporting an expansion was up marginally from the previous survey.

The main problems facing small business continued to be the general economic climate and red tape.

According to estimates by Barclays, the number of new business start-ups rose in 2002. However, so did closures and the stock of small business reached the lowest level since 1998 Q1.

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SURVEYS AND RECENT DEVELOPMENTS

Surveys

Small Firms: Big Business. A Review of Small and Medium sized enterprises in the UK.
This report produced by the SBS provides an overview of the small business sector and its characteristics and brings together a range of published results from the most recent research carried out in small firms' issues. The report looks at issues ranging from the characteristics of entrepreneurs in the UK to the main barriers that entrepreneurs feel they face, including regulation and difficulty in raising finance.

Web: http://www.sbs.gov.uk/research/keyresearch.php

InvestorPulse 2003 Business Angel Survey
This survey investigates UK business angel attitudes, preferences and views over the last 2 years and going forward into 2003. It covers five key areas – investor profiles, investment history, how investors find companies, what they look for in a business plan and hope to gain from their investment, and what they are seeking for the future. Interesting data to emerge are that 42% of those responding to the survey had written off investments in the last two years; 75% make average investments of less than £50,000; and 39% less than £20,000.

Web: http://www.internetprnews.com/xpress/41/research/INVESTORPULSE%20RESEARCH%20REPORT.pdf

Higher Education Business Interaction Survey
The number of spin-out companies from universities in the UK has grown by 22 per cent, according to the second annual Higher Education Business Interaction Survey. The survey also reveals that during 2000/2001, the number of spin-outs rose by almost a quarter (248 companies), while patents filed grew by 26 per cent (913 filed) and intellectual property licences climbed 25 per cent. The number of staff employed by spin-outs was also up 25 per cent, from 3996 in 1999/2000 to 4979 in 2000/2001.

Web: http://www.hefce.ac.uk/pubs/hefce/2003/03_11.htm
Contact: Adrian Day, a.day@hefce.ac.uk, 0117 931 7428

Engines of Economic Growth: The Economic Impact of Boston's Eight Research Universities on the Metropolitan Boston Area
A new study of colleges and universities in the USA concludes that areas that host major educational institutions tend to perform better on a host of various economic measures, such as average wages, new business starts, and innovation. Collectively, the eight institutions surveyed account for $7.4 billion in economic activity, and employ 48,000 people directly while indirectly supporting another 37,000 workers. The report also concludes that these colleges and universities help to drive the area's entrepreneurial sector.

Web: http://www.masscolleges.org/Economic/default.asp

Recent Developments

Budget

The Chancellor's budget on 9 April 2003 contained a number of measures relevant to small firms:

- a range of minor tax and administrative simplifications directed at the small business sector;
- aligning the Company Law definitions of small and medium-sized companies with the maxima allowed under EU law, as soon as the new EU maxima come into force;
- a package of enhancements to the Small Firms Loan Guarantee coming into effect on 1 April this year;
- Extension of 100 per cent first-year capital allowances for information and communication technology until 31 March 2004;
- improvements to research and development (R&D) tax credits for all companies, including a review of the R&D definition, the reduction of the minimum expenditure threshold to £10,000 and extension of the coverage of the large company scheme;
- a new package, in partnership with high street banks, to support advice and training by small businesses, including the creation of a web-based training directory;
- more details on the extension of Employer Training Pilots to six further Learning and Skills Councils areas;
- a consultation entitled "Bridging the Finance Gap: a consultation on improving access to growth capital for small business" to examine the scope for applying the US Small Business Investment Company model to the UK. This document also aims to consult on measures to enhance the flexibility of the Enterprise Investment Scheme and Venture Capital Trust Scheme, including encouragement of angel syndication; and
- improving the tax treatment of the incidental costs of equity finance.

Web: http://budget2003.treasury.gov.uk/
Contact: Inland Revenue enquirires, 020 7944 3000

Reports on the Competition Commission's behavioural recommendations

Three reports required from banks by the Competition Commission's recommendations have been published. The reports, commissioned by the eight banks covered by the Competition Commission's report, deal with moves to improve the transfer of direct debits when SMEs transfer their account between banks; improving the transfer of security when SMEs with secured lending switch banks; and the feasibility of SMEs using the branches of other banks for counter transactions. On direct debits, the report concludes that no further action is needed. When transferring security, the report recommends setting target times for the bank losing the customers to give the necessary information to the new bank and for each bank to have a code of conduct to show how it will approach this matter. Finally, the report on possible sharing of branch counter services rejects major changes as expensive and unnecessary.

Web: http://www.bba.org.uk/public/newsroom/70352

Business Support

The DTI has announced the release of the first six new products available under the DTI's revised business support programme. The new products are the result of a DTI review, which found that it had too many small, ad-hoc schemes that delivered low impact results. As a result, the DTI has decided to close down 80 schemes during the next year.

Web: http://www.dti.gov.uk

Bank of England's Tenth Annual Report on Finance for Small Firms
The Bank will be releasing our tenth annual report on finance for small firms at the end of April. The report contains a conjunctural assessment of key developments in the financing of small firms over the last year, an analysis of eight key policy issues facing small firms and a special article on smaller quoted companies. The article considers the financial structure of SQCs and how they differ from larger quoted companies and private firms of a similar size.

Web: http://www.bankofengland.co.uk – follow "publications" link
Copies of the report: enquiries@bankofengland.co.uk
Conjuncture & Policy Issues: mike.young@bankofengland.co.uk
Smaller Quoted Companies: john.cahill@bankofengland.co.uk

The No-Nonsense Guide to Government rules and regulations for setting up your business
The DTI has produced a "no-nonsense" guide aimed at prospective entrepreneurs and SME's that have recently started up. The guide provides advice on a range of issues including the legal aspects of starting a business, regulatory issues and how to access government grants and other support.

Contact: To obtain a copy of the guide from Business Link contact 0845 600 9 006 (local rate) or http://www.businesslink.org

European Union's Entrepreneurship Study
The EU has just released a new Green Paper: "Entrepreneurship in Europe." This discussion document outlines what the EU understands as entrepreneurship and assesses its current state in Europe. The Paper also looks at the reasons behind the fact that so few people start businesses in Europe and why European enterprises grow at such a relatively modest rate. The paper analyses a range of policy options and asks a number of questions suggesting different options on how to reach progress

Web: http://europa.eu.int/comm/enterprise/entrepreneurship/green_paper/index.htm

Countryside Agency Research Notes
Two new sets of notes are now available. The first 'Self employment in rural England' explores the role of self employment in rural economies and underlines the need for small business support services. The second focuses on 'The role and contribution of women to rural economies' and provides information on self-employment and policy initiatives for women's labour market involvement. Recommendations include supporting rural women to establish childcare facilities as a self-employment opportunity and developing a strategic response to the employment and training needs of rural women.

Web: http://www.countryside.gov.uk/publications/publication.asp?PublicationID=586 and http://www.countryside.gov.uk/publications/publication.asp?PublicationID=600

Support for start up businesses in Wales
The Welsh Development Agency (WDA) has announced a list of the providers of business support within Wales under the WDA New Business Starts Programme. This programme aims to provide

advice on a Wales wide basis and all providers operate within clear and transparent quality framework and are subject to an independent audit.

Web: http://www.wda.co.uk/en/start_your_own_business/index.cfm
Contact: Eirion Jones, eirion.jones@wda.co.uk, 029 2082 8865

BIGinvest
Bank of Scotland Community Banking is funding The Big Issue to develop a loan fund, BIGinvest, which will focus on regeneration activities in deprived areas in the UK. BIGinvest will be launched in the summer and will raise capital from banks, private investors, the corporate and charitable sectors, through a mix of term loans, bonds, shares and grants. The fund is expected to be between £5 - £10 million and will lend to Community Development Finance Institutions and to larger development trusts and social enterprises.

Contact: Patrick Lisoire, patrick.lisoire@bigissue.com, 020 7526 3388

Centre for Families in Business
The Business School at the University of Gloucestershire has established a centre for families in business. The Centre will encompass the recently launched MBA for Family Business and education and development opportunities for professional intermediaries working with the family business. The Centre will also carry out independent, as well as commissioned, research to underpin and inform family business education.

Web: http://www.chelt.ac.uk/business/content.asp?rid=30
Contact: John Tucker jtucker@glos.ac.uk

The UK Technology Investor Directory 2002-2003
This publication provides a comprehensive directory of institutional equity investors, mainly venture capitalists, in UK based technology firms. It contains contact details and information about the nature of investment (e.g. size, sector, stage) they are willing to make.

Web: www.captum.com available for £49.95 plus shipping.

The Key Building Blocks - A Good Practice Guide
This guide offers information on conducting feasibility studies, developing a mission statement, effective marketing, finance and building the right management team and is priced £35 to UKBI members.

Contact: Toni Wanklin, t.wanklin@ukbi.co.uk

What is Business Incubation? - A Good Practice Guide
As the numbers of incubators in the UK continue to grow, this guide aims to share good practice within industry in order to both maintain quality and raise the standards of business incubation and is priced £25 to UKBI members.

Contact: Toni Wanklin, t.wanklin@ukbi.co.uk

Future surveys and developments

If you have anything relevant to small or medium sized businesses that you think could be highlighted in this section of the report, please e-mail details to QRSBS@bankofengland.co.uk.

THE BUSINESS ENVIRONMENT

NatWest SBRT Quarterly Survey of Small Business in Britain

Chart 1
Percentage balance for the actual and expected changes in sales

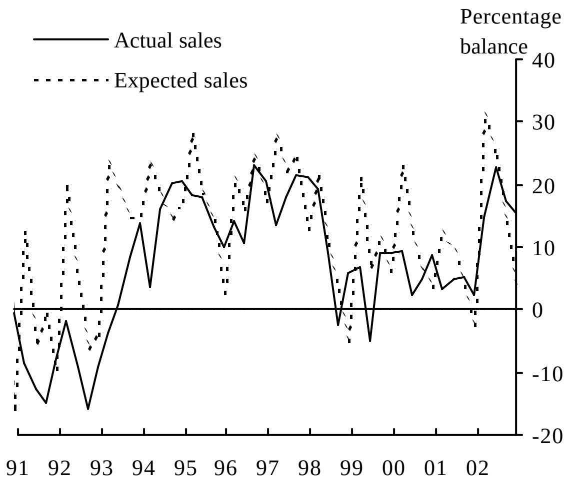


Chart 2
Percentage balance for the actual and expected changes in employment

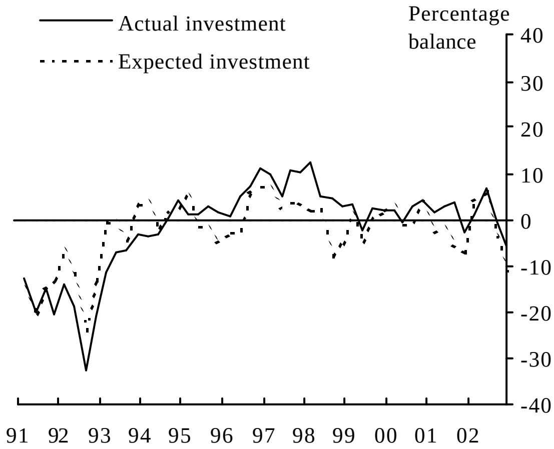
Source: NatWest SBRT Quarterly Survey of Small Business in Britain (April 2003).

Important note: A doubling of the sample size following a recruitment exercise caused the apparent leap in the series during 2002 Q1. Young firms formed a disproportionate part of the new sample. 2002 Q1 results were calculated on the basis of the 'old' sample (Table 1) but 2002 Q2 data are only comparable with the previous period, and not the series prior to 2002 Q1.

The balance of firms reporting a year-on-year increase in sales in 2002 Q4 fell to +15.5%, compared to +17.2% in 2002 Q3. Stratifying respondents by turnover, the smallest firms (<£50,000 pa) reported a balance of +2%%, whilst the larger firms (>£500,000 pa) reported a balance of over +16%. The balance of firms expecting sales to be higher in 2003 Q1 compared with 2002 Q4 fell to +3.2% from +13.7%.

The balance of firms reporting an increase in year-on-year employment fell from +4.1% in 2002 Q3 to +2.7% in 2002 Q4. 61% of respondents said employment was the same as a year ago. Employment expectations worsened with a balance of –6.2% expecting an increase in 2003 Q1 compared with 2002 Q4. In the previous survey the balance was -1.2%

Chart 3
Percentage balance for the actual and expected changes in investment



Source: NatWest SBRT Quarterly Survey of Small Business in Britain (April 2003).

The balance of firms reporting a year-on-year increase in investment in 2002 Q4 fell to –5.8% compared to +0.1% in the previous survey. Investment expectations also fell with a balance of -10.9% expecting an increase in 2003 Q1 compared to -4.0% in 2002 Q4. 54% of respondents expected investment to be unchanged in 2003 Q1 compared with 2002 Q4.

CBI Quarterly Trends Survey of Small and Medium-sized Firms in Manufacturing[1]

Chart 4
Volume of new orders

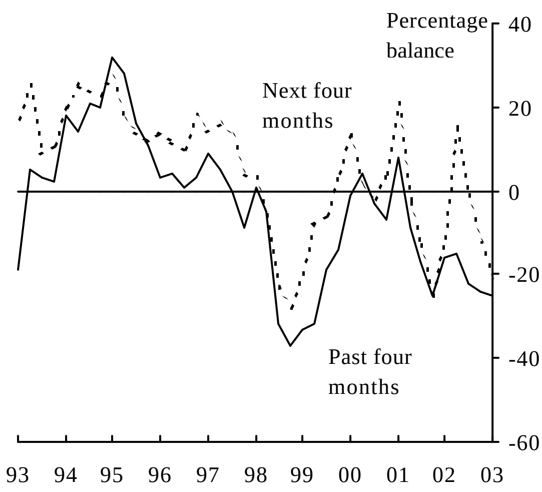
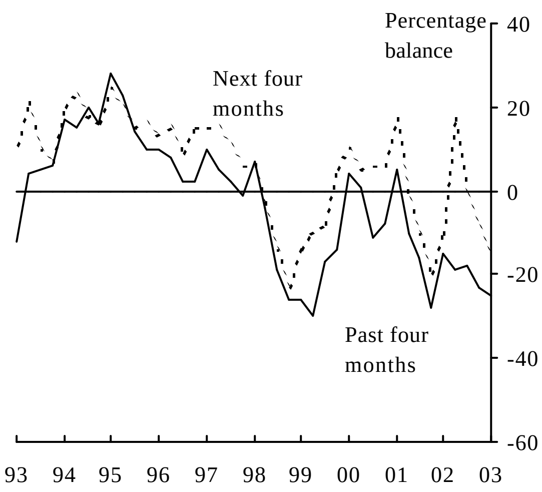


Chart 5
Volume of output



In the January 2003 survey the balance of small manufacturing firms reporting an increase in new orders over the past four months dropped slightly from -24% in the October 2002 survey to -25%. The balance for orders expected in the next four months again dropped significantly from -12% to -21%.

The balance for the volume of output in the past four months fell again, moving from -23% to -25%. The outlook for the next four months worsened further as the balance fell to -16%, compared to -9%

[1] All data used are for small firms, classified as those with 1-199 employees.

in the previous survey. However, this was still above the balance of -20% as seen in the October 2001 survey.

Chart 6
Volume of new export orders

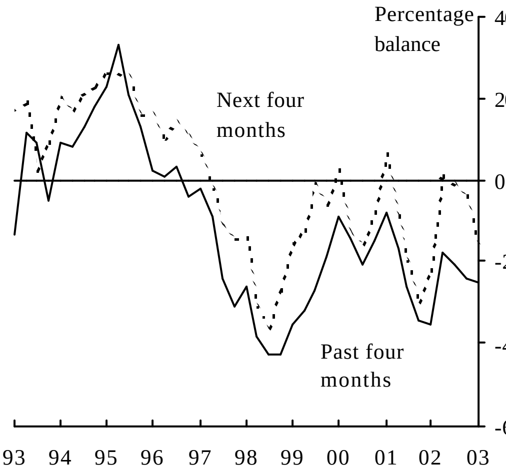
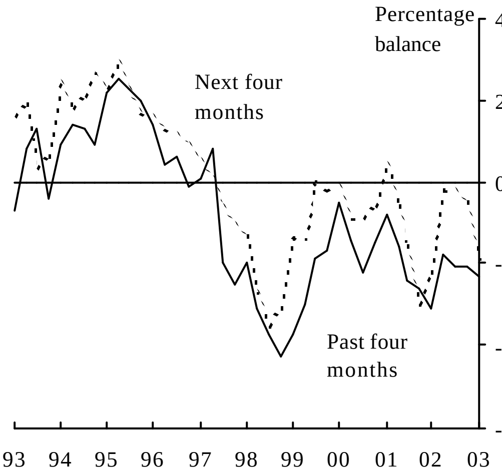


Chart 7
Volume of export deliveries



The balances for export orders and deliveries continued to deteriorate. The balances for both export orders and deliveries in the past four months have remained negative since January 1997. The balances for export orders and deliveries expected over the next few months both fell sharply.

Chart 8
Numbers employed

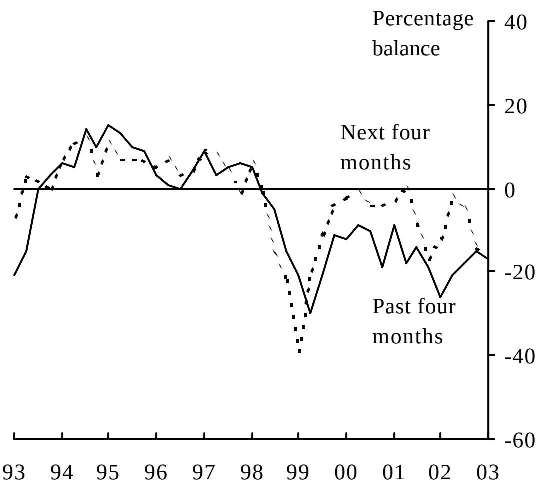
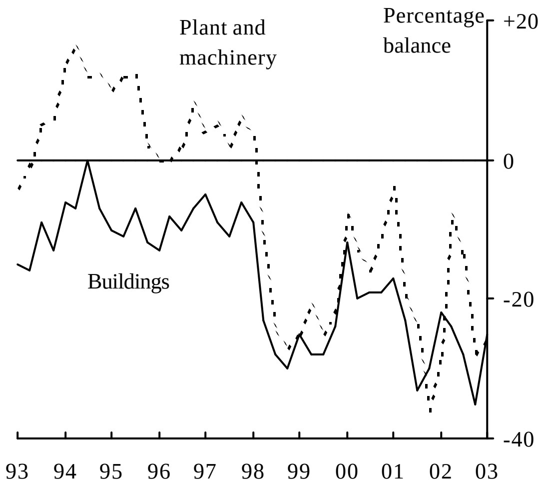


Chart 9
Capital expenditure



Source: CBI Quarterly SME Trends Survey (January 2003), formerly CBI/Pannell Kerr Forster Small and Medium Enterprise Trends (October 1995 to April 2000) and CBI/Panell Kerr Forster Smaller Firms Economic Report (January 1993 to July 1995).

The balance of firms increasing employment over the past four months fell back slightly to –17% from –15% in the October 2002 survey. For the next four months, those expecting to employ more slipped slightly to –15%.

The picture on investment improved slightly. In the January 2003 survey, the balance of small firms planning to invest in plant and machinery over the next year compared to the previous year increased marginally to -26% compared to -28% in the previous survey. The balance planning to invest in buildings improved to -25%, compared to -35% in the previous survey. Investment intentions in training and retraining dipped slightly to –6% whilst the balance of firms planning to invest in product and process innovation remained negative and fell to -12% compared to -8% in previous survey.

Uncertainty about demand remained the factor most likely to limit capital investment over the next year, being cited by 65% of firms, down slightly from 67% in October 2002. Second most important was an inadequate net return on proposed investment, at 35%, followed by internal finance shortage, at 18%. An inability to raise external finance was cited by 3% of firms, down from 7% in October 2002, while the cost of finance was cited by 5% of firms, up from 2%.

British Chambers of Commerce Quarterly Economic Survey (December 2002)

Table 1
Performance of *small* manufacturing and services firms

	1999 Q3	Q4	2000 Q1	Q2	Q3	Q4	2001 Q1	Q2	Q3	Q4	2002 Q1	Q2	Q3	Q4
Manufacturing														
Home deliveries	17	30	21	22	19	21	6	16	-16	-1	-5	11	-7	0
Home orders	11	15	13	9	14	16	2	3	-13	-4	-19	0	-5	-2
Export deliveries	7	4	12	3	13	-5	5	-5	-28	-25	-24	-4	-18	-7
Export orders	-4	5	1	-8	5	-23	9	-9	-25	-16	14	-2	-23	-10
Services														
Home deliveries	18	25	24	26	21	29	27	18	17	11	16	18	9	16
Home orders	23	18	14	24	17	20	19	13	6	3	13	11	3	5
Export deliveries	8	5	7	12	8	10	4	5	2	-4	5	5	-2	1
Export orders	1	1	7	2	5	4	1	1	3	-11	1	5	-5	-3

Table 2
Performance of *medium* manufacturing and services firms

	1999 Q3	Q4	2000 Q1	Q2	Q3	Q4	2001 Q1	Q2	Q3	Q4	2002 Q1	Q2	Q3	Q4
Manufacturing														
Home deliveries	7	16	14	8	5	15	6	-3	-4	-4	6	5	1	7
Home orders	11	13	13	3	7	10	1	-4	-8	-11	5	-1	-3	5
Export deliveries	1	-1	0	-7	0	-1	10	-4	-12	-14	-4	1	-4	0
Export orders	0	-3	0	-8	-3	-5	8	-6	-19	-18	-4	-3	-9	-1
Services														
Home deliveries	21	29	24	27	28	33	31	29	23	17	21	24	18	30
Home orders	34	18	21	23	22	29	28	21	18	11	17	17	16	22
Export deliveries	14	11	13	8	14	13	9	-2	3	-5	-1	7	5	3
Export orders	18	0	5	7	13	14	7	-2	4	-8	-8	6	0	5

Source: BCC Quarterly Economic Survey (December 2002). Small = 1-19 Employees, Medium = 20-199 Employees.

Balances for small and medium manufacturing and service firms all improved in 2002 Q4 except for medium service sector firms' balance for export deliveries.

For small manufacturing firms the balances reporting increases in home deliveries and orders were 0% and –2%, respectively. Exporters' balances remained negative but improved sharply from 2002 Q3 as the export deliveries balance improved from –18% to –7% and the export orders balance from –23% to –10%.

In small service sector firms, the balance for home deliveries increased sharply. Other balances also improved, though less markedly.

For medium sized manufacturing firms the balances for home deliveries and orders were +7% and +5%, respectively, and 0% and –1% for export deliveries and orders. Balances for medium size service sector firms improved significantly for home deliveries and home orders in 2002 Q4. At +30% the balance for home deliveries was the highest since 2001 Q1. However, the balance for export sales fell back slightly to +3% from +5% in the previous quarter.

Table 3
Balance of small and medium manufacturing and services firms reporting improved cashflow

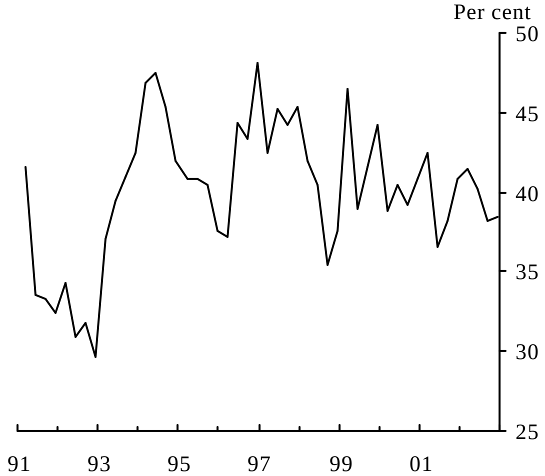
	1999 Q3	Q4	2000 Q1	Q2	Q3	Q4	2001 Q1	Q2	Q3	Q4	2002 Q1	Q2	Q3	Q4
Small Firms														
Manufacturing	-7	11	2	-13	-2	5	-6	3	-23	-3	-20	-8	-17	-11
Services	2	7	3	10	7	9	7	1	0	0	1	7	2	4
Medium Firms														
Manufacturing	3	1	1	-1	-1	2	-15	-9	-5	-8	-5	-5	-10	1
Services	11	13	9	11	15	18	11	12	8	14	6	12	6	18

Source: BCC Quarterly Economic Survey (December 2002). Key: Small = 1-19 Employees, Medium = 20-199 Employees

The picture on cashflow in 2002 Q4 improved, reversing the worsening in the previous quarter. The balance of small manufacturing firms reporting improved cashflow over the previous 3 months improved to –11% during 2002 Q4, compared to -17% in the previous survey. Medium size firms also improved, from –10% to –1%. Small service firms continued to show a positive balance, whilst medium service firms saw a big increase in the balance reporting improved cashflow, from +6% to +18%.

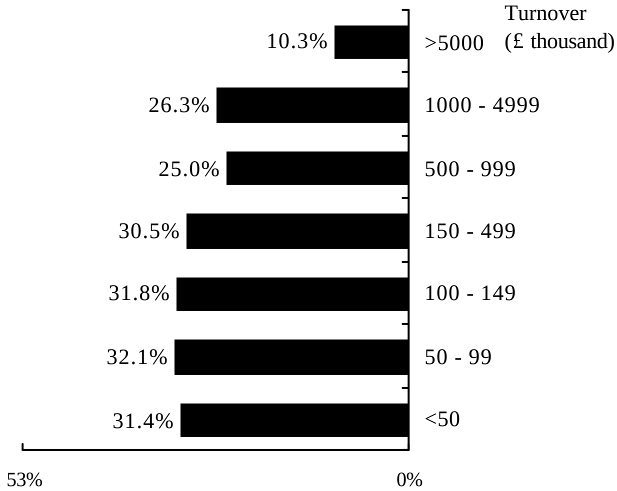
Forum of Private Business Quarterly Survey (December 2002)

Chart 10
Small firms reporting an expansion



Source: Forum of Private Business (December 2002).

Chart 11
Frequency of concern with bank services



Source: Forum of Private Business (December 2002).

The December 2002 Quarterly Survey of Small Firms by the Forum of Private Business showed that the proportion of businesses reporting an expansion remained largely static at 38.5% of respondents, up marginally from 38.2% in the previous survey. Growth in female-owned businesses was again lower than male-owned, (35.1% reporting growth compared to 40%, respectively) but was well up on the low of 30.6% in the July 2002 survey.

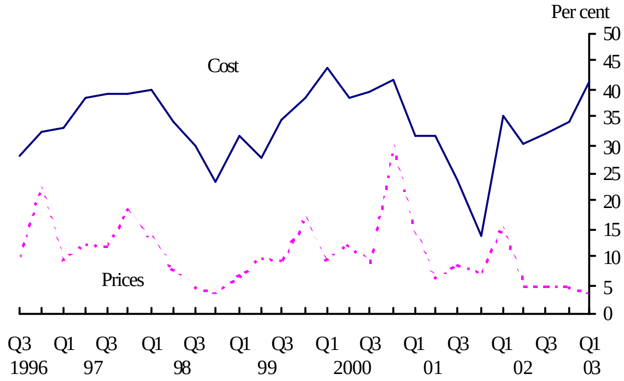
The overall level of concern with bank services fell between September and December and the disparity in the level of concerns between different sizes of firm narrowed somewhat, although the largest firms (>£5 mn pa turnover) had significantly less concerns. Unusually, frequency of concern with bank services was not highest amongst smallest firms but instead among firms with £50,000 to £99,000 turnover. Of the smallest firms 31.4% of firms cited the cost and availability of bank services as a concern. However, this still compares favourably with 52.4% in the February 2002 survey.

IoD Quarterly Business Opinion Survey[2]

Chart 12
Past 3 months of cost and prices

Source: Institute of Directors

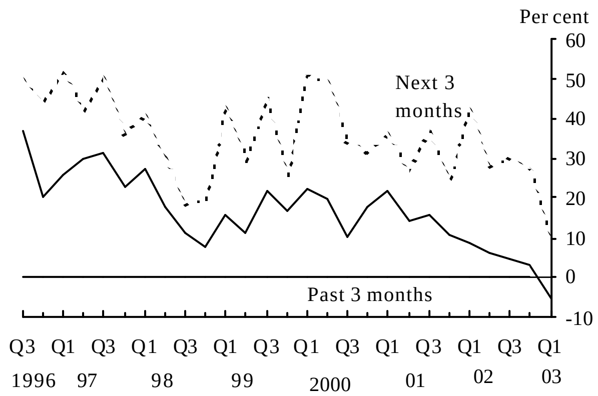
Chart 13
Next 3 months of cost and prices



Source: Institute of Directors

The data show that the balance of firms reporting an increase in both costs and prices over the last 3 months dipped slightly in 2003 Q1. However, whilst firms also expected an increase in costs over the next 3 months, the balance reporting an expected increase in prices fell very slightly.

Chart 14
Profits



Source: Institute of Directors

The decline in the balance of firms reporting increased profits in the last 3 months continued. The balance fell to –5.5% in 2003 Q1, the first negative balance since 1996. Expectations of increased profits in the next 3 months were also down, at +8.5% in 2003 Q1 compared with +27% last quarter.

[2] Charts 13 – 15 show the balance of firms with 1-200 employees reporting an increase (and an expectation of an increase) in costs, prices and profits. A negative figure indicates that the number of firms reporting or expecting a decrease was greater than the number reporting or expecting an increase.

Retail Sales

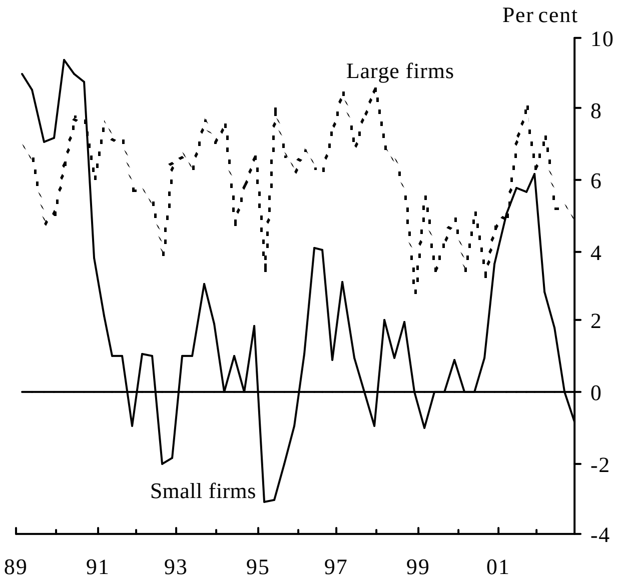
Table 4
Value of retail sales in 2002 Q4 (Percentage change on previous year)

	Value of Retail Sales in 2002 Q4 - Percentage change on previous year						
	All	Food	Non-specialised non-food	Textiles and clothing	Household goods	Other specialised non-food	Non-store retailing and repair
All	3.3	3.9	3.2	4.4	1.5	3.5	-2.3
Large	4.8	5.3	3.7	6.2	2.6	4.7	-3.4
Small	-0.8	-2.5	-1.5	-4.4	-0.7	1.7	2.0

Source: ONS.

Small retail firms reported a drop in sales in 2002 Q4 of –0.8% compared to the same period a year ago. This was down from no annual growth reported in 2002 Q3. Year-on-year growth rates for small firms all slowed during 2002 Q4 compared to annual rates in 2002 Q3.

Chart 15
Annual growth rates of retail sales for small and large firms



Source: ONS

Chart 15 shows the annual growth rates of retail sales for small and large firms. With the exception of 2001 Q1, large retail firms have reported higher growth in sales than small retail firms since 1990 Q4. Large retail firms have therefore been increasing their market share compared to small firms.

Employment

Table 5
Employment/self employment by sector (Autumn 2001/2002 - % change on a year earlier)

	All	Agriculture & fishing	Energy & water	Manufacturing	Construction	Distribution	Transport & communication	Finance	Public services	Other services
Employment	0.8	-0.1	0.0	-0.5	-0.1	0.4	-0.2	-0.1	0.5	0.0
Self employment	1.4	-0.1	0.0	0.2	0.9	-0.9	0.3	0.1	-0.3	-0.2

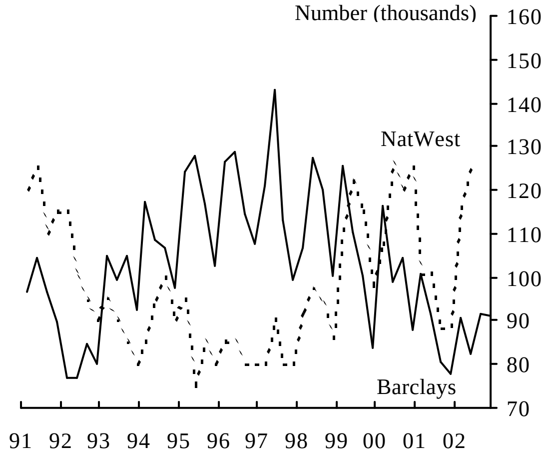
*Sample size too small for reliable estimates
Source: 'Labour Force Survey Quarterly Supplement' National Statistics (January 2002).

During Autumn 2002 year-on-year growth in self-employment was positive at +1.4% compared to +2.4% in the Summer 2002 report and continued to grow faster than all employment. Agriculture and fishing, distribution and public services all saw self employment fall, though at lower rates than in Summer 2002. Self employment in finance grew slightly (+0.1%) after falling by –1.7% in the previous period. On the other hand, self-employment in manufacturing declined (+0.2% compared to +10.8% in the Summer 2002 survey) and in construction (from +7.1% to +0.9%), transport and communication and other services.

BUSINESS START-UPS/FAILURES

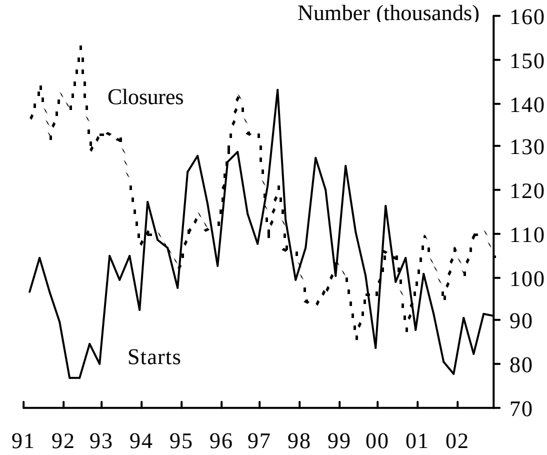
Estimates of Recent Trends in the Small Business Stock (England and Wales)

Chart 16
Small business start-ups



Source: Barclays and NatWest.

Chart 17
Business starts and closures



Source: Barclays Business Banking, SME Research Team.

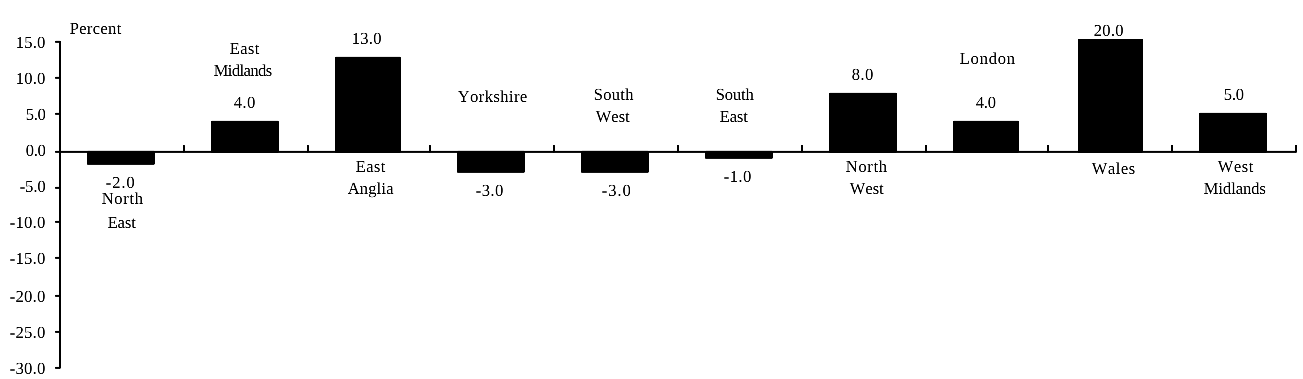
Barclays' figures include only mainstream business starts and closures. Mainstream refers to those businesses, which have been set up as a sole occupation. NatWest figures include estimates for those operating in business without a bank account and those using a personal account. The NatWest series is temporarily suspended.

Barclays estimate that the number of start-ups in England and Wales fell slightly to 91,200 in 2002 Q4, down 0.2% on the previous quarter but up 16.9% on the same period a year earlier. Overall the number of start-ups in 2002 was 2.5% up on 2001.

Barclays estimate that the number of closures fell further in 2002 Q4 to 105,000, down 1.4% on 2001 Q4. However, the number of closures in 2002 as a whole was 4.5% up on 2001.This resulted in the overall business stock declining by 2.2% to 2.66 million, the lowest level since 1998 Q1.

A regional analysis of Barclays start-ups data shows that Wales and East Anglia both show the biggest percentage changes in 2002 compared to 2001 with +20% and +13%, respectively. The South East, North East, Yorkshire and the South West all had slightly fewer start-ups in 2002 than in 2001.

Chart 18
Start-ups by region (Percentage change 2002 compared with 2001)



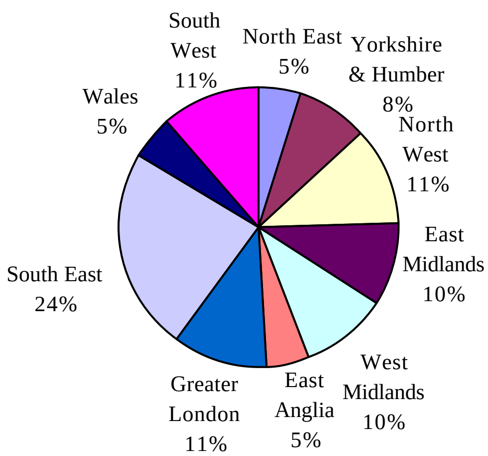
Source: Barclays Business Banking, SME Research Team.

Table 6
Business start-ups by postcode area 2002 (England and Wales only)

Top Ten Outside London		Bottom Ten Outside London	
Postal Area	**New Business Starts***	**Postal Area**	**New Business Starts***
Torquary	23	Llandudno	9
Truro	19	Sheffield	9
Taunton	18	Leeds	9
Llandrindod Wells	18	Newcastle Uppon Tyne	9
Tunbridge Wells	17	Conventry	8
Worcester	17	Birmingham	8
Stockport	16	Middlesbrough	7
Exeter	16	Durham	7
Southend On Sea	16	Sunderland	7
Dorchester	16	Liverpool	6

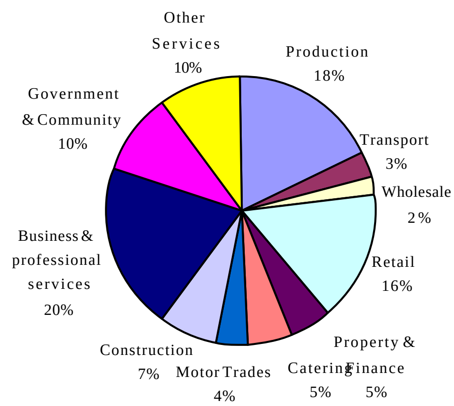
*Per 1,000 population (aged 16-59) outside London
Source: Barclays Business Banking, SME Research Team.

Chart 19
Start-ups by region 2002



Source: Barclays Business Banking, SME Research Team.

Chart 20
Start-ups by sector 2002



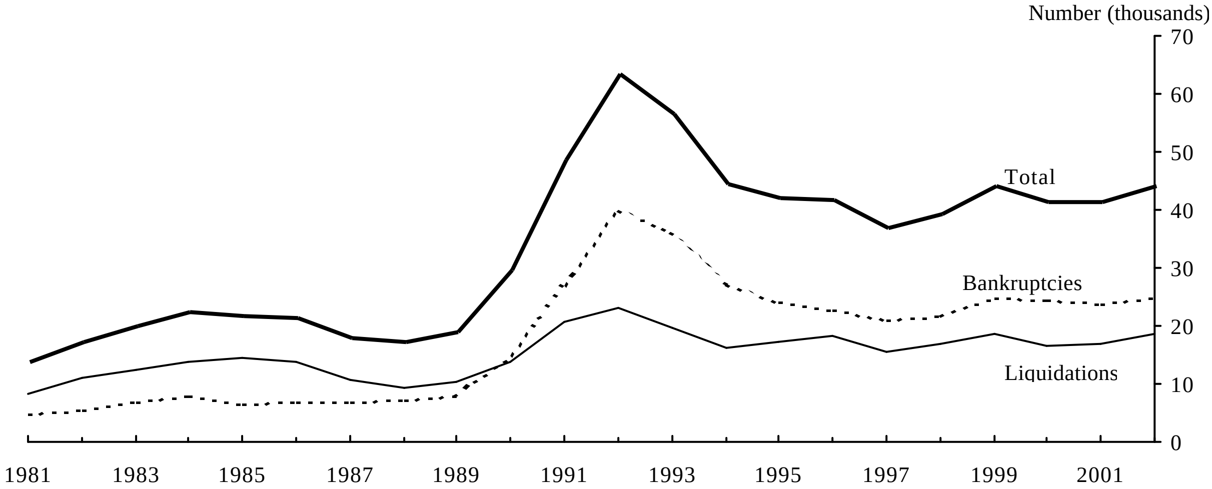
Source: Barclays Business Banking, SME Research Team.

Estimates of starts by region in England and Wales in 2002 suggests the South East and South West increased their shares of the total, from 22% to 24% and from 10% to 11%, respectively. Yorkshire and Humber and the North East both decreased their share of the total very slightly.

The strongest sector for start-ups was business and professional services with 20% of the total in 2002 up from 14% in 2001. Production with 18% and retail with 16% were next but both sectors' shares had been 20% in 2001. In fact, the number of start-ups in retail fell sharply by 14% in 2002. Start-ups in the construction and the government and community sectors both showed particularly strong growth in 2002 compared to 2001, growing by +24% and +25%, respectively. However, both sectors retained relatively small shares of the total at 7% and 10%.

Total Business Failures

Chart 21 (updated annually)
Limited company liquidations and business bankruptcies



Source: Dun & Bradstreet.

Table 7
Limited company liquidations and business bankruptcies

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	% change 2002/2001
Liquidations	13,936	20,736	22,938	19,672	16,362	17,280	18,406	15,470	16,956	18,596	16,474	16,742	18,628	11.3
Bankruptcies	14,999	27,039	39,829	36,061	27,263	24,023	22,701	20,898	21,678	24,769	24,363	23,790	24,830	4.4
Total	28,935	47,775	62,767	55,733	43,625	41,303	41,107	36,368	38,634	43,365	40,847	40,532	43,458	7.2

Source: Dun & Bradstreet.

Table 8
Liquidations and business bankruptcies by region

Region	1995	1996	1997	1998	1999	2000	2001	2002	% change 2002/2001
London	7,628	6,456	5,632	6,215	6,006	4,697	5,087	5,490	7.9
South East	9,263	9,235	7,897	7,747	8,281	7,640	7,075	7,947	12.3
Eastern	1,681	1,916	1,597	1,823	2,175	1,973	1,992	1,985	-0.3
South West	4,898	5,364	4,514	4,384	5,115	4,590	4,345	5,004	15.2
East Midlands	1,868	2,197	1,781	2,060	2,572	2,499	2,408	2,316	-3.8
West Midlands	2,592	2,696	2,678	2,898	3,368	3,295	3,322	3,760	13.2
North West	4,032	4,059	3,719	4,024	4,749	4,802	4,724	4,991	5.6
North East	3,716	4,236	3,792	4,139	4,848	5,422	5,482	5,557	1.4
Wales	1,533	1,439	1,284	1,346	1,697	1,692	1,578	1,604	1.6
Scotland	4,092	3,509	3,474	3,998	4,554	4,237	4,519	4,804	6.3
Total	**41,303**	**41,107**	**36,368**	**38,634**	**43,365**	**40,847**	**40,532**	**43,458**	**7.2%**

Source: Dun & Bradstreet.

Figures from Dun & Bradstreet show that 24,830 unincorporated businesses were declared bankrupt during 2002, up 4.4% on 2001. Over the same period, the number of incorporated firms going into liquidation rose to 18,628 up 11.3%. Total business failures in 2002 rose to 43,458, a rise of 7.2% compared to last year. This is the largest percentage increase since 1999 and the highest number of business failures since 1994.

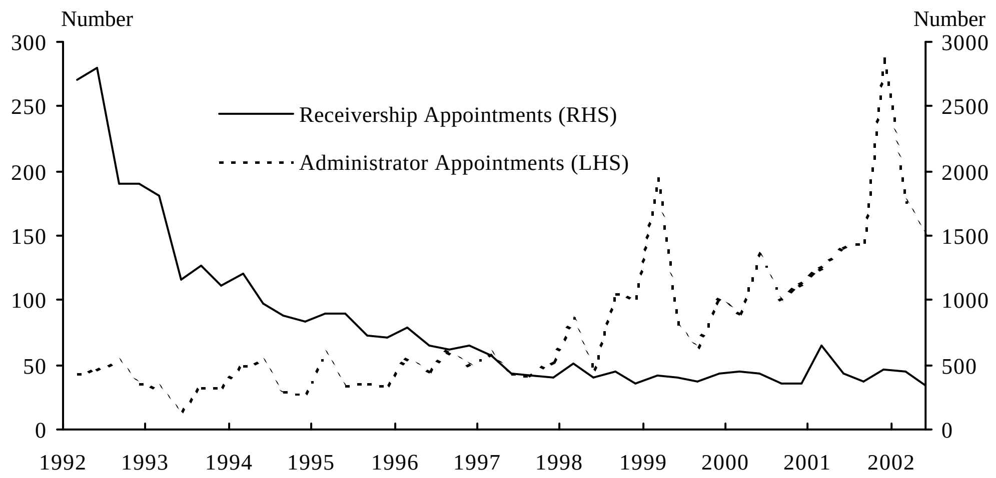
Business failures increased in all but two regions of Great Britain. The largest increase was in the South West, where failures increased by 15.2% in 2002. This was followed by the West Midlands, where failures rose by 13.2%, and the South East, where they rose by 12.3%.

Only the East Midlands and the Eastern Regions experienced fewer business failures in 2002 compared with 2001. In the East Midlands liquidations remained unchanged in 2002 whilst bankruptcies decreased by 5.8% whereas in the East a fall in bankruptcies offset a rise in liquidations.

Receivership Appointments and Administrator Appointments

Provisional data for 2002 Q3 from the DTI shows 377 receivership appointments, almost the same number as in the same quarter in 2001 and 9% higher than in 2002 Q2. Administration appointments, at 162 in 2002 Q3 were also up (+11.6% a year ago and +7% on 2002 Q2).

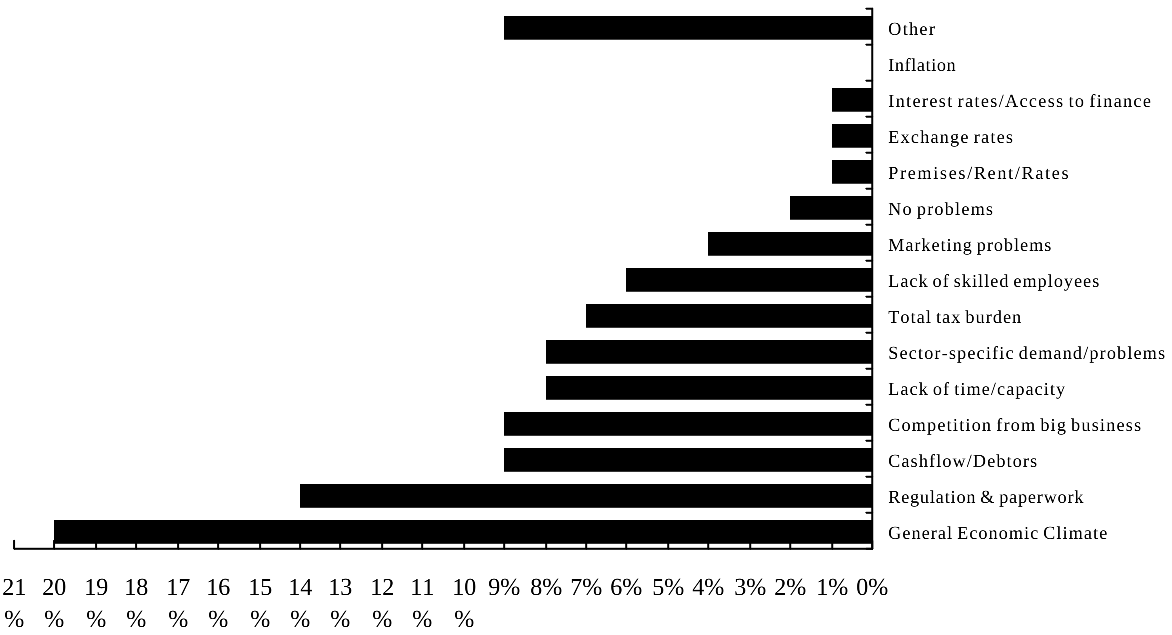
Chart 22
Receivership Appointments and Administrator Appointments



Source: Statistics Directorate, Department of Trade and Industry.

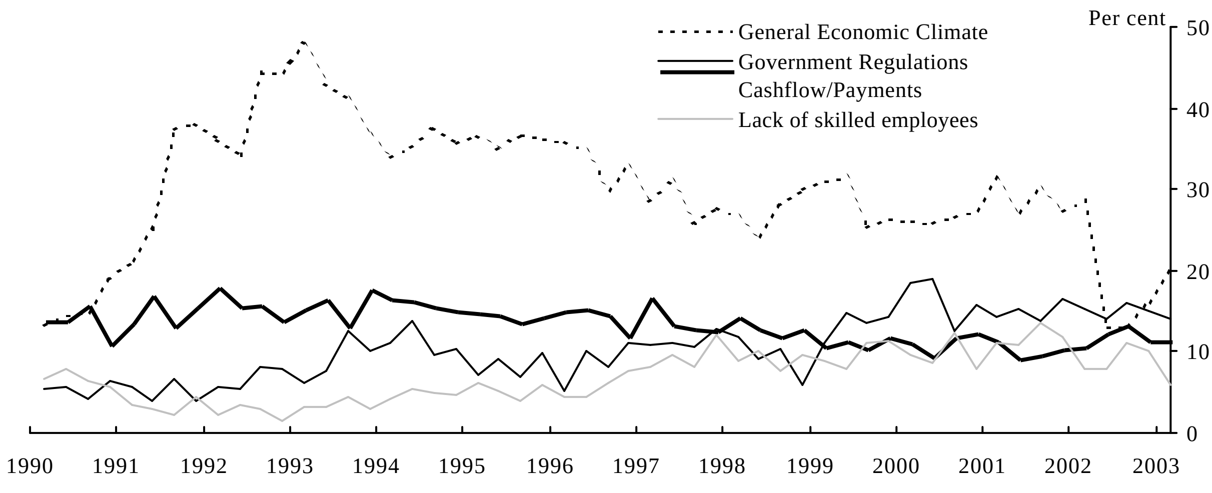
PROBLEMS FACING SMALL BUSINESSES

Chart 23
The most important problems facing small firms (2003 Q1)



Source: NatWest SBRT Quarterly Survey of Small Business in Britain.

Chart 24
Position of the current most important problems over time



Source: NatWest SBRT Quarterly Survey of Small Business in Britain.
Important note: A doubling of the sample size following a recruitment exercise caused a change in the base in 2002 Q1. 2002 Q2 data are only comparable with the previous period, and not with the series prior to 2002 Q1.

The main problems cited by small firms continue to be those shown in Chart 23. The general economic climate was the top-ranked problem in 2003 Q1 with 20%, compared with 16% in 2002

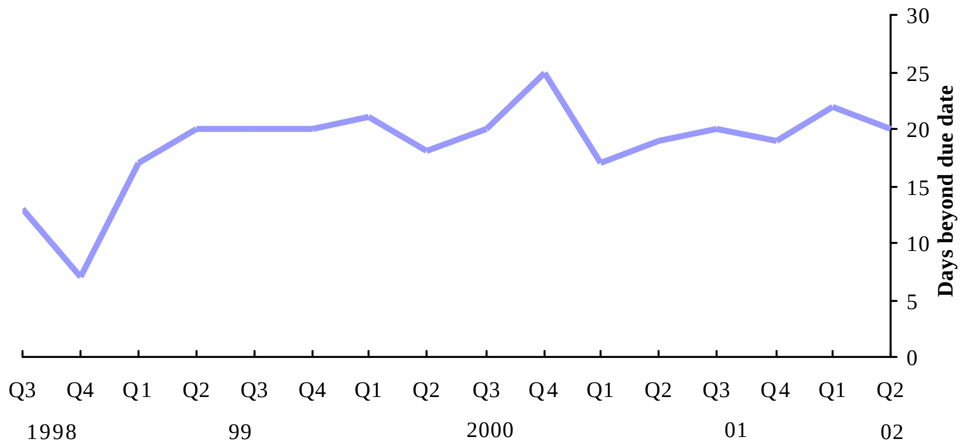
Q4. The frequency of the citing of most other problems was largely unchanged in 2003 Q1 from the previous quarter, except for the lack of skilled employees which 6% of respondents cited as a problem compared to 10% in 2002 Q4.

Table 9
Small Business main problems over time

Problem	2000 Q2	Q3	Q4	2001 Q1	Q2	Q3	Q4	2002 Q1	Q2	Q3	Q4	2003 Q1
General Economic Climate	26%	27%	27%	31%	27%	30%	27%	29%	13%	13%	16%	20%
Regulation & paperwork	19%	13%	16%	14%	15%	14%	17%	15%	14%	16%	15%	14%
Cashflow/Debtors	7%	10%	10%	9%	7%	7%	8%	8%	10%	11%	9%	9%
Competition from big business	6%	6%	7%	6%	6%	6%	5%	5%	6%	7%	7%	9%
Lack of time/capacity	-	-	-	-	-	-	-	-	8%	9%	9%	8%
Sector-specific demand/problems	-	-	-	-	-	-	-	-	7%	7%	7%	8%
Total tax burden	7%	7%	7%	7%	8%	10%	7%	9%	7%	6%	6%	7%
Lack of skilled employees	9%	12%	8%	11%	11%	14%	12%	8%	8%	11%	10%	6%
Marketing problems	-	-	-	-	-	-	-	-	4%	4%	4%	4%
No problems	-	-	-	-	-	-	-	-	3%	2%	2%	2%
Premises/Rent/Rates	3%	3%	4%	3%	3%	3%	3%	3%	2%	1%	2%	1%
Exchange rates	-	-	-	-	-	-	-	-	2%	1%	1%	1%
Interest rates/Access to finance	3%	3%	2%	2%	2%	1%	2%	2%	2%	1%	1%	1%
Inflation	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	1%	0%
Other	15%	13%	14%	11%	14%	13%	15%	19%	12%	11%	8%	9%
No Response	1%	1%	2%	0%	2%	1%	1%	2%	1%	0%	2%	1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Number of respondents	**866**	**758**	**803**	**726**	**856**	**720**	**705**	**654**	**1,168**	**1,078**	**1,074**	**922**

Source: NatWest SBRT Quarterly Survey of Small Business in Britain.

Chart 25
Average payment period from customers beyond due date for small firms [3]



Source: CRMC Quarterly Review – January 2003

The CRMC Quarterly Review reported that during 2002 Q2 the average payment period from customers beyond the due date was 20 days for firms turning over less than £1 million. This was down by 2 days from 2002 Q1. This compares with large firms with turnover of from than £10 million who generally experience delays of 16 days or less beyond the due date.

[3] All data used are for small firms, classified as those with turnover of less than £1 million.

Table 10 (updated annually)
Average payment periods in European countries

EUROPEAN AVERAGE PAYMENT PERIODS (days)									
	1994	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
Finland	-	23	24	29	27	26	27	28	26
Denmark	36	33	35	35	32	33	31	33	30
Norway	-	-	-	33	33	31	30	30	30
Austria	44	43	43	38	39	34	30	33	31
Germany	43	42	38	38	34	35	30	30	31
Sweden	38	37	37	36	36	37	34	36	36
UK	49	48	50	49	49	46	45	47	41
Netherlands	47	49	46	45	41	44	40	44	43
Switzerland	-	53	50	49	49	48	46	45	44
Luxembourg	66	58	56	56	56	49	45	49	47
Turkey	-	-	-	47	48	52	54	58	51
Belgium	57	59	52	53	53	52	53	52	52
Ireland	56	59	59	59	58	57	55	60	56
France	70	64	64	65	63	58	60	56	58
Portugal	63	49	61	58	70	67	65	68	70
Spain	80	73	73	73	74	72	72	70	71
Italy	90	90	84	83	81	81	77	78	78
Greece	73	74	77	85	77	87	90	88	83
Malta	64	64	76	71	69	74	-	-	-
EU average	66	64	62	62	59	55	54	52	50

Source: Grant Thornton European Business Survey – Spring 2002.

According to Grant Thornton, the UK's average payment period fell sharply to 41 days in its Spring 2002 survey from 47 days in its Spring 2001 survey. Apart from 2001, the steady downward trand in the UK in recent years has been consistent with the trend across Europe, with the average payment period in the EU having had fallen for the eighth consecutive year. The UK rose to sixth from ninth in the country rankings. The shortest settlement period was again found to be in Finland with an average of 26 days – a fall of two days compared with the figure that was reported in the Spring 2001 survey. Denmark and Norway followed Finland at 30 days. The longest payment delays were once again recorded in Greece at 83 days (down from 88 days in the previous survey) and Italy at 78 days (the same as in the previous survey).

SOURCES OF FINANCE

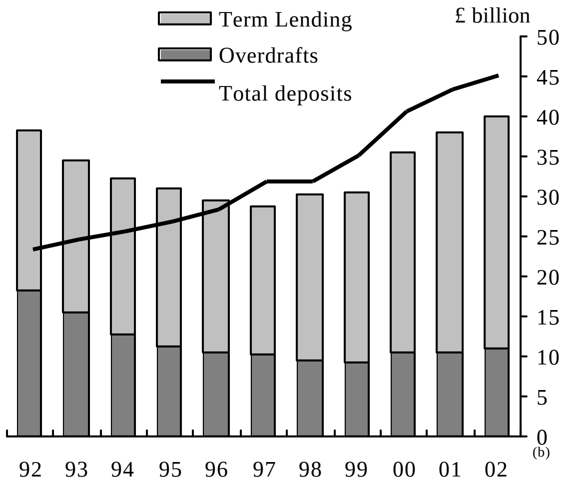
Banks

Table 11
Bank lending to small firms (turnover less than £1 million per annum)[4]

	Mar 99	Jun 99	Sep 00	Dec 99	Mar 00	Jun 00	Sep 00	Dec 00	Mar 01	Jun 01	Sep 01	Dec 01	Mar 02	Jun 02	Sep 02	% change 2001 Q3 to 2002 Q3
Borrowing on overdraft	£9.6bn	£9.7bn	£9.8bn	£9.1bn	£9.4bn	£9.9bn	£10.4bn	£10.4bn	£10.9bn	£10.1bn	£10.5bn	£10.2bn	£10.5bn	£10.8bn	£11.0bn	4.6%
Term lending	£20.4bn	£20.5bn	£21.2bn	£21.3bn	£21.9bn	£22.6bn	£24.0bn	£25.1bn	£25.9bn	£26.2bn	£26.8bn	£27.2bn	£27.7bn	£28.5bn	£28.9bn	7.8%
Total lending	£30.0bn	£30.2bn	£31.0bn	£30.5bn	£31.3bn	£32.5bn	£34.4bn	£35.5bn	£36.7bn	£36.4bn	£37.3bn	£37.4bn	£38.1bn	£39.3bn	£39.9bn	6.9%
Deposits	£31.5bn	£33.0bn	£33.6bn	£33.7bn	£33.0bn	£34.8bn	£36.8bn	£39.2bn	£39.2bn	£40.5bn	£41.0bn	£41.7bn	£42.3bn	£43.8bn	£43.9bn	7.0%

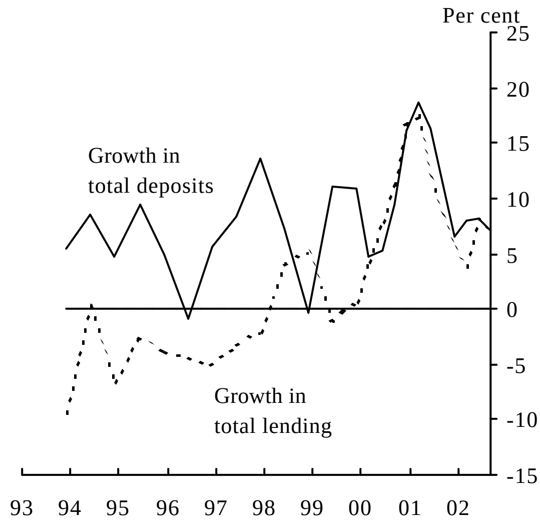
Source: British Bankers' Association*.

Chart 26
Lending to and deposits from small firms (end-year[(a)])



Source: British Bankers' Association*.
(a) 2002 data are at end-September.

Chart 27
Annual growth in total lending to and deposits from small firms[(a)]



Source: British Bankers' Association*.
(a) Biannual data until 1999 Q4, then quarterly.

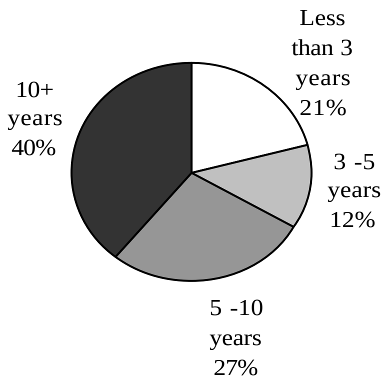
* Data from September 2000 onwards represents an expanded reporting base, incorporating Girobank from June 2000, Yorkshire Bank from September 2000 and the Co-Operative Bank from December 2000.

2002 Q3 saw another significant increase in term lending to small firms of £0.4 billion to £28.9 billion, whilst overdraft lending increased by just £0.2 billion to £11.0 billion. Thus, the trend of significant increases term lending coupled with more modest growth in overdraft lending continued. The annual rate of growth in total lending eased slightly in 2002 Q3 to 6.9%, down from 8.0% in 2002 Q2.

[4] Note that due to revisions in the data, the figures reported here are not consistent with those reported in earlier quarterly reports on small business statistics. Both lending and deposits have been revised downwards.

Small business deposits continued to reach record levels at £43.9 billion in 2002 Q3, an increase of 7% on the figure for 2001 Q3. However the annual rate of growth in deposits fell slightly to 7.0% in 2002 Q3, from 8.2% in the previous quarter. The annual growth rate in deposits has been around these levels for four quarters, well down on the double digit growth rates seen for most of 2001.

Chart 28
Residual maturity of term loans – End-September 2002



Source: British Bankers' Association.

There was little change in the residual maturity of term loans, with roughly one-third having a maturity of less than five years, 40% having a maturity of over ten years, with the rest in between.

Factoring

Table 12
Factoring and invoice discounting[5] volumes (£ million)

Service	1995	1996	1997	1998	1999	2000	2001	2002	2001 Q4	2002 Q4
Domestic Factoring	9,745	11,148	12,812	13,894	14,910	15,137	16,374	17195	4,243	4,572
Domestic Invoice Discounting	21,827	29,092	35,025	39,976	47,097	56,830	68,464	83325	18,417	22,290
Export Factoring	594	700	707	767	900	913	959	935	258	242
Export Invoice Discounting	529	761	1,227	1,439	1,690	2,657	2,291	2272	561	587
Import Factoring	536	646	699	852	696	711	701	713	194	195
Total	**33,231**	**42,347**	**50,470**	**56,928**	**65,293**	**76,248**	**88,789**	**104,440**	**23,673**	**27,886**
Pre-Payments*	2,685	3,339	3,805	4,285	4,972	6,315	7,242	8,153	7,242	8,153

Source: Factors and Discounters Association.
* Funds advanced to FDA members' clients against invoices at the end of the period.

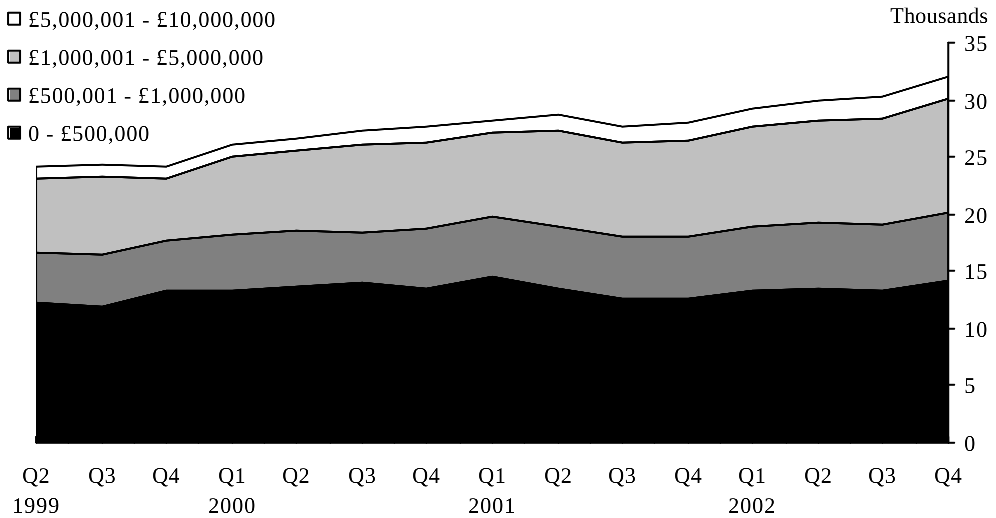
The growth of domestic factoring and domestic invoice discounting slowed but continued in 2002 Q4, with volumes up 1.9% and 3.4% respectively on the previous quarter, and year-on-year growth at 8% and 21% respectively. Thus, despite only small increases in volumes for international invoice

[5] Factoring is the purchase by the factor and the sale by a company of a book of debts on a continuing basis, usually for immediate cash. The sales accounting functions are then provided by the factor, who manages the sales ledger and the collection of accounts under the terms agreed by the seller. The factor may assume the credit risk for accounts within agreed limits ("non-recourse"), or this risk may be retained by the seller. Invoice discounting is the purchase by the discounter and the sale by a company of book debts on a continuing basis (occasionally selectively) for immediate cash. The sales accounting functions are retained by the seller, and the arranged facility is usually provided on a confidential basis: credit protection can also be provided if required.

finance, the total volume for 2002 Q4 was £27,886 billion, up 2.9% on the previous quarter and 18% year-on-year.

Pre-payments to client firms were also higher in 2002 Q4. They rose 13% on the same period a year earlier and 10% on 2002 Q3 – see chart 30.

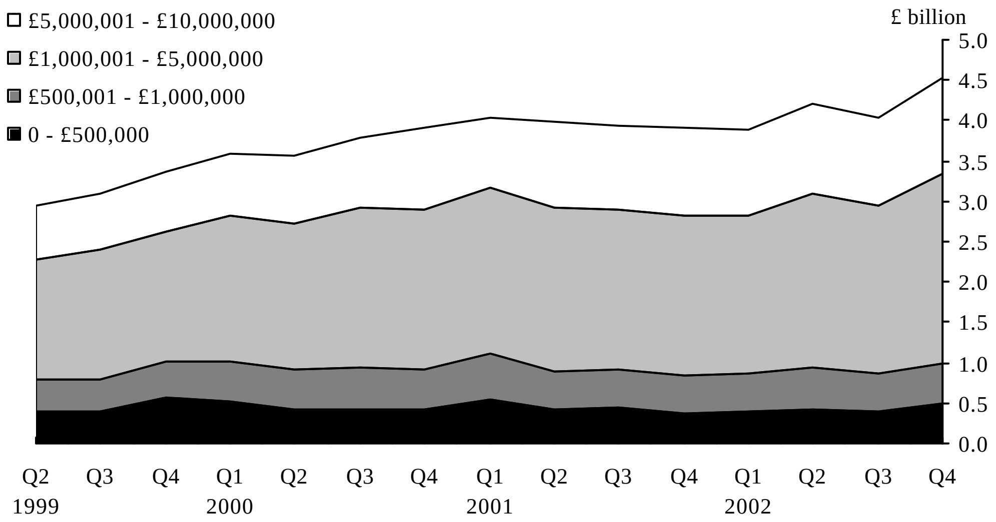
Chart 29
Number of SME invoice finance clients by turnover of client [6]



Source: Factors and Discounters Association.

[6] The chart omits clients with a turnover of more than £10 million per annum and is based on quarterly data. At end-Dec 2002 there were a total of 33,544 invoice finance clients of all sizes.

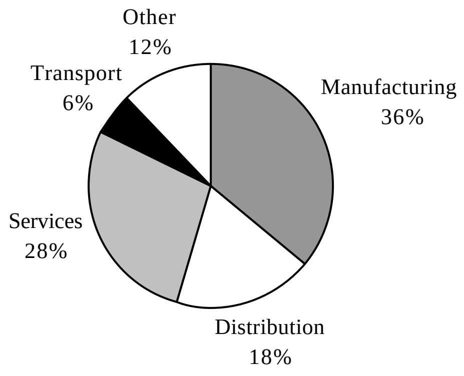
Chart 30
Value of pre-payments to SMEs by turnover of client[7]



Source: Factors and Discounters Association.

The number of very small (below £500,000 annual turnover) factoring clients rose by 6.2% in 2002 Q4, following the 1.7% decrease in 2002 Q3. At end-Dec 2002 the total number stood at 14,142 which is 12% greater than that recorded at end-Dec 2001. Prepayments to these very small clients jumped in 2002 Q4 from 2002 Q3 by 23.9%, a substantially larger increase than payments to SMEs with £0.5 - £5 million annual turnover. £2.86 billion was advanced to firms in the latter category at 2002 Q4, 12% more than at 2002 Q3. Total FDA member prepayments to all 32,003 clients with an annual turnover of less than £10 million amounted to £4.54 billion at end-Dec 2002, an increase of 12.4% on the previous quarter end and an increase of 15.7% on end-Dec 2001.

Chart 31 (updated annually)
Business by sector 2002



Source: Factors and Discounters Association.

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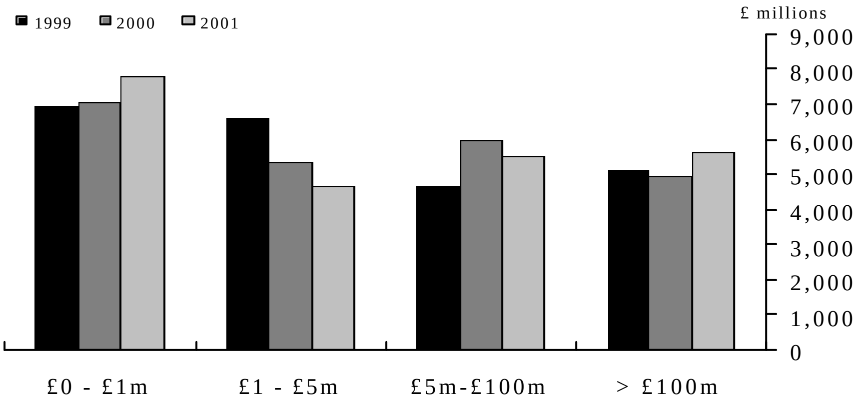
[7] The chart omits prepayments to firms with a turnover of more than £10 million per annum and is based on quarterly data. At end-Dec 2002 the value of total prepayments to all firms regardless of turnover was £8.15 billion.

During 2001, manufacturers made the greatest use of factoring and invoice discounting in the UK, with 38% of the total. The service sector's share continued to fall, from 34% in 1998 to 28% in 2001.

Leasing (updated annually)

Chart 32
Total new business for FLA members by client turnover[8]



Source: Finance & Leasing Association (Annual Survey of Business Finance).

Finance provided by FLA members to smaller firms with a turnover of £1m was £7.8 billion in 2001, up 10% on the previous year. However, there was a 13.4% decline in finance provided to firms in the £1m-£5m turnover band, from £5.4 billion in 2000 to £4.7 billion in 2001.

Private Equity (Updated Annually)

Table 13
Investment by financing stage (by value of investment)

Value of Investment (%)	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Early Stage	6	7	6	5	4	5	5	8	6	11	9
Expansion	39	29	32	29	23	21	30	22	19	33	34
MBO/MBI	55	65	62	66	73	74	65	70	75	56	57
Total (£m)	989	1,251	1,231	1,668	2,140	2,806	3,066	3,775	6,169	6,371	4,752

Source: British Venture Capital Association.

Table 14
Investment by financing stage (by number of companies)

Number of Companies (%)	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Early Stage	22	17	19	15	16	17	20	21	23	35	32
Expansion	56	58	61	58	51	49	49	50	49	46	50
MBO/MBI	23	26	19	27	33	34	31	29	28	19	18
Total (£mn)	1,262	1,319	1,215	1,189	1,030	1,060	1,116	1,122	1,109	1,182	1,307

Source: British Venture Capital Association.

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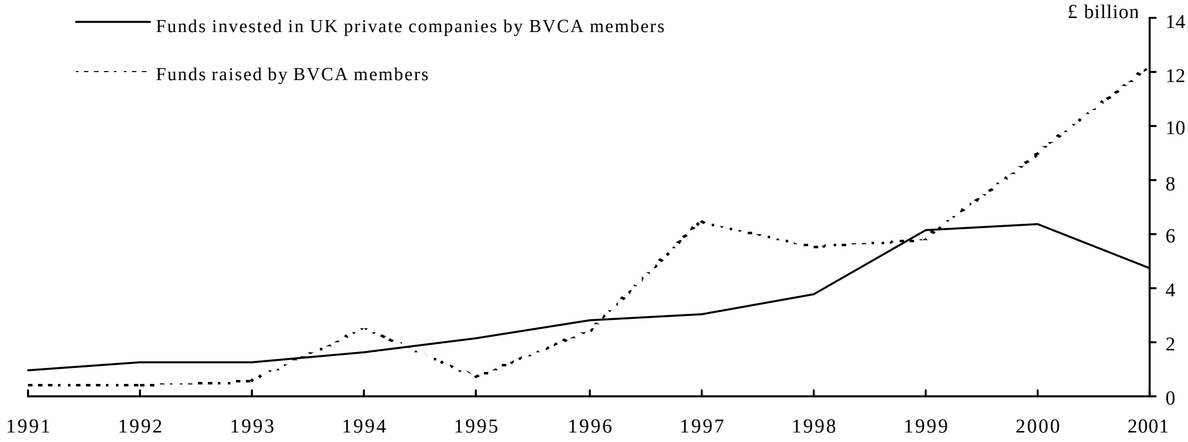
[8] The chart shows the total of all FLA members' new business for the relevant year. This includes finance and operating leases, hire purchase arrangements and other similar forms of asset based finance. The data excludes finance charges. It shows business finance only.

Chart 33
Funds raised and invested by BVCA members

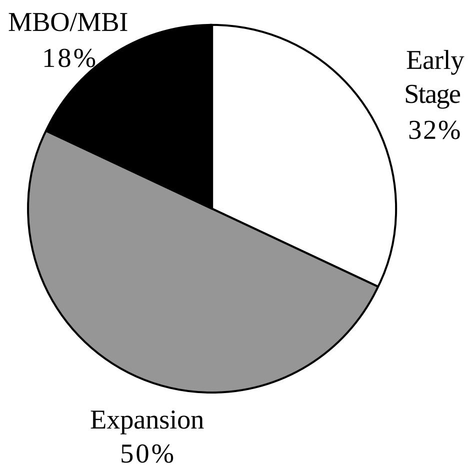


Source: British Venture Capital Association.

Despite a 10.6% rise (to 1,307) in the number of UK companies receiving private equity finance in 2001, there was a 22.8% decline in investment by value (to £4.75 billion), so that investee companies received on average £3.64 million each (against £5.39mn in 2000). However, 2001 was a record year for fund raising – BVCA members raised £12.2 billion for future investment in companies in the UK and overseas.

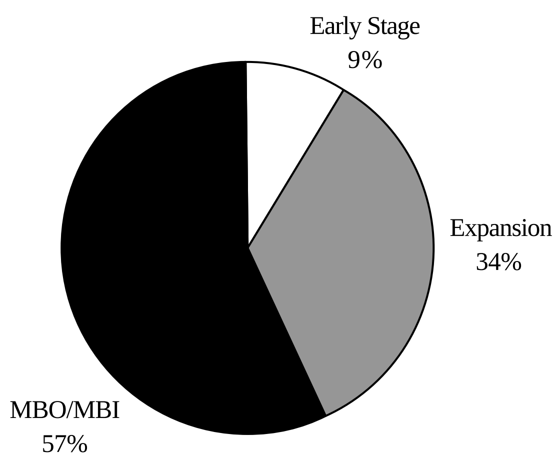
In 2001, early stage investments accounted for just 9% (£390m) of total private equity funds deployed, although the data show that 12% of the funds raised in 2001 are marked out for early stage investment in the future. There was no significant change in the number of early stage firms financed (408) and they continue to be involved in around one in three private equity deals.

Chart 34
Investment by financing stage 2001: Number of companies financed



Source: British Venture Capital Association.

Chart 35
Investment by financing stage 2001: Amount invested



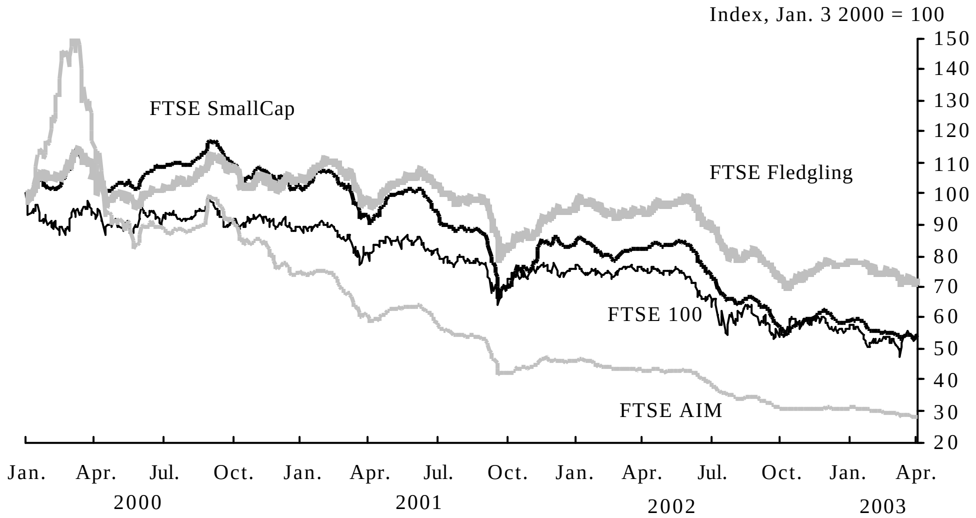
Source: British Venture Capital Association.

The number of expansion stage companies financed in 2001 increased by 19.2% to 653, although there was a significant (29.7%) fall in the amount invested in these companies. Despite this (and because of a similarly large fall in amounts invested in MBO/MBI deals), expansion stage finance remained around one third by value of the BVCA total.

Stock Market Indices and New Issues for Small Firms

Chart 36

FTSE 100, FTSE SmallCap, FTSE AIM, and FTSE Fledgling[9]



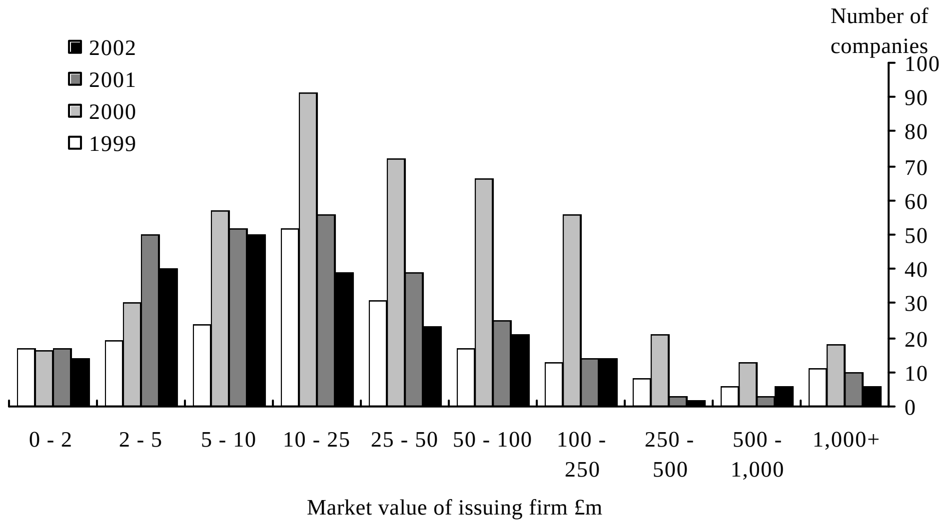
Source: Thomson Financial Datastream. Includes data to close of business on Friday 4 April 2003.

The FTSE Small Cap, FTSE Fledging and FTSE AIM all fell between mid January 2003 and early April 2003, decreasing by 8.5%, 7.6% and 9.1% respectively. The FTSE 100 fell only marginally by 0.2%.

On the 4th April 2003 the FTSE AIM stood at 18.6% of its peak value, achieved on 3 March 2000. The comparable figures for the FTSE Fledgling and FTSE SmallCap indices were 63% and 46.2% of their respective highest values achieved on 10 March 2000 and 08 September 2000. The FTSE 100's value was 55% of its highest level, reached on 31 December 1999.

[9] The FTSE 100 is the 100 largest UK companies by full market value. The FTSE SmallCap is those companies in the FTSE All-Share but outside the FTSE 350. FTSE Fledgling companies not in the FTSE All-share and the index has a cut-off market capitalisation of <£64m (as of December 1999). FTSE AIM is a second tier market that promotes smaller companies' access to public equity by providing easier entry requirements and lighter continuing obligations than the main market

Chart 37
New issues (new and existing listed firms) by equity market value

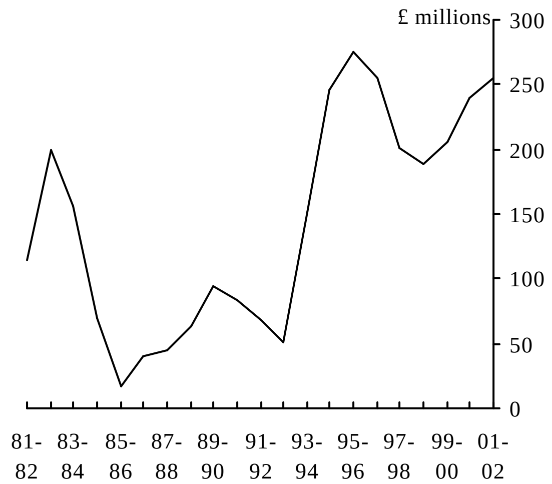


Source: London Stock Exchange and Bank of England.

The total number of companies making new issues declined further in 2002 to 215, down from 269 in 2001 and 440 in 2000. However, smaller companies with market valuations of less than £10mn represented 48.4% of companies issuing new shares in 2002, up from 44.2% in 2001.

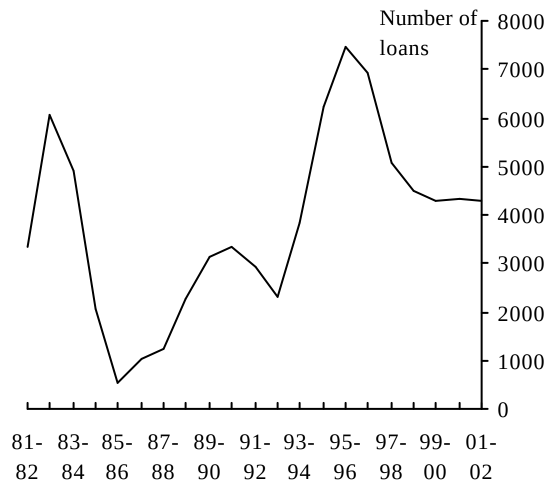
THE SMALL FIRMS LOAN GUARANTEE SCHEME

Chart 38
Value of loans



Source: Small Business Service.

Chart 39
Number of guarantees



Source: Small Business Service.

Table 15
Small firms loan guarantee scheme

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03*
Number	2917	2303	3851	6207	7484	6942	5081	4482	4279	4312	4269	2997
Value £mn	68.78	50.90	151.97	245.98	275.40	255.77	201.34	188.80	206.00	240.46	254.69	203.08
Average Loan Size (£)	23,579	22,102	39,462	39,630	36,798	36,844	39,626	42,124	48,142	55,765	59,660	67,761

Source: Small Business Service. Year runs 1 April – 31 March.
*2002-03 contains data from April to December 2002 only

The number of loans under SFLGS fell to 946 in 2002 Q4, 4.3% down on 2002 Q3. The total value of loans guaranteed under the scheme decreased from £70.4 million in 2002 Q3 to £68.3 million in 2002 Q4, a fall of 3%. Thus, the average loan value in 2002 Q4 was £72,180, up by 1.4% on 2002 Q3.

The proportion of loans by value of less than £30,000 continued its long-term downward trend, falling to 32.8% in 2002 Q4 from 36% in the previous quarter. The value of loans over £30,000 but less than £100,000 rose as a proportion of the total, from 48.0% to 51.9% over the same period.

HSBC continued to exceed Natwest as the biggest single provider of SFLGS loans in 2002 Q4, issuing 21.9% of all SFLGS loans in the quarter. So far in 2002/03 HSBC has been responsible for around 23% of loans (up from 19% in 2001/02) whilst Natwest's share has fallen from 25% in 2001/02 to 22% in 2002/03.

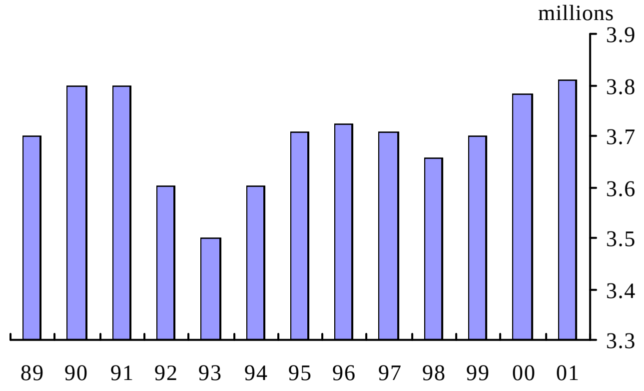
Table 16
Breakdown of guarantees

	Number						Loan Value £m		
	2000/01	%	2001/02	%	2002/03*	%	2000/01	2001/02	2002/03*
New Businesses	1323	31	1286	30	936	31	53	54	46
Existing Businesses	535	12	643	15	445	15	20	27	20
Established Businesses	2454	57	2340	55	1616	54	168	174	138
	4312	**100**	**4269**	**100**	**2997**	**100**	**240**	**255**	**203**
Fixed Interest Rate	1,046	24	761	18	391	13	47	42	26
Variable Interest Rate	3,266	76	3,508	82	2606	87	194	212	177
	4312	**100**	**4269**	**100**	**2997**	**100**	**240**	**255**	**203**
Loans up to £30k	2,104	49	1,928	45	1120	37	43	42	25
Loans £30k - £100k	1,726	40	1,824	43	1457	49	114	122	103
Loans over £100k	482	11	517	12	420	14	83	91	75
	4312	**100**	**4269**	**100**	**2997**	**100**	**240**	**255**	**203**
Barclays	661	15	582	14	406	14	41	37	29
NatWest	1,047	24	1,076	25	656	22	60	66	44
Lloyds TSB	1,091	25	847	20	542	18	48	37	28
HSBC	714	17	825	19	688	23	34	43	43
Bank of Scotland	364	8	362	8	329	11	23	26	30
Royal Bank of Scotland	304	7	446	10	295	10	23	34	21
Clydesdale	27	1	32	1	17	1	3	3	1
Other	104	2	99	2	64	2	9	9	7
	4312	**100**	**4269**	**100**	**2997**	**100**	**240**	**255**	**203**

Source: Small Business Service.
*2002-03 contains data from April to December 2002 only

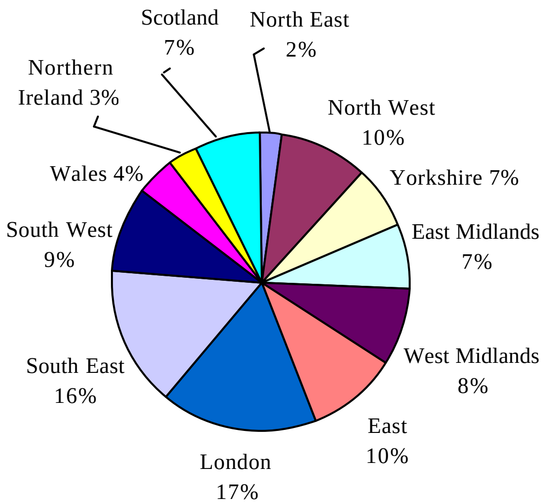
ANNEX 1: UK BUSINESS STOCK

Chart 40
Total Number of Enterprises (2001)



Source: SBS Small and Medium Enterprise statistics for the UK (2001).

Chart 41
Number of businesses registered for VAT by region end-2001



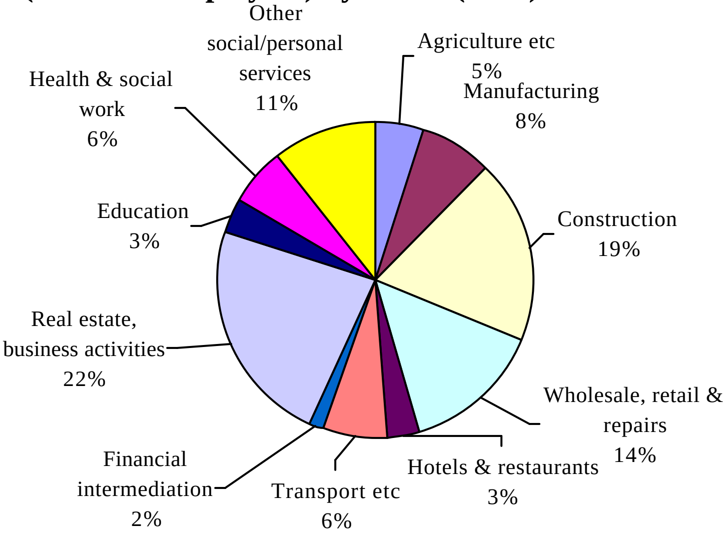
Source: SBS Business Start-ups and Closures: VAT registrations and de-registrations in 2001.

Table 17
Composition of the business stock

Number of businesses %	Micro (0-9 employees)	Small (10-49 employees)	Medium (50-249 employees)	Large (250+ employees)
1996	94.7	4.4	0.6	0.2
1997	95.0	4.2	0.6	0.2
1998	94.8	4.4	0.6	0.2
1999	94.9	4.2	0.7	0.2
2000	95.0	4.1	0.7	0.2
2001	94.6	4.5	0.7	0.2
Employment %				
1996	30.6	15.3	12.5	41.8
1997	30.2	14.5	12.1	43.2
1998	30.5	14.2	11.6	43.7
1999	30.2	13.8	11.5	44.6
2000	30.2	13.4	11.5	44.9
2001	29.0	14.4	12.0	44.6
Turnover %				
1996	25.0	17.3	14.0	43.7
1997	23.1	16.4	14.2	46.2
1998	22.1	15.9	13.9	48.1
1999	19.4	13.4	12.0	55.3
2000	22.9	14.3	13.9	48.9
2001	21.2	15.0	15.1	48.6

Source: DTI Statistical Bulletin 2000 (for 1996-1999). SBS Small and Medium Enterprise statistics for the UK 2002 (for 2001).
Note: Some figures do not equal 100 due to rounding.

Chart 42
Smaller firms (under 50 employees) by sector (2001)



Source: SBS Small and Medium Enterprise statistics for the UK (2001).

Chart 43
Employment in the UK by firm size (2001)

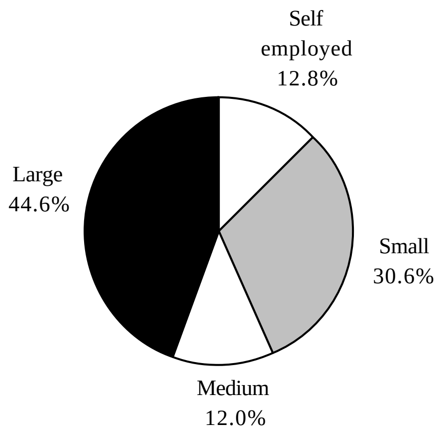
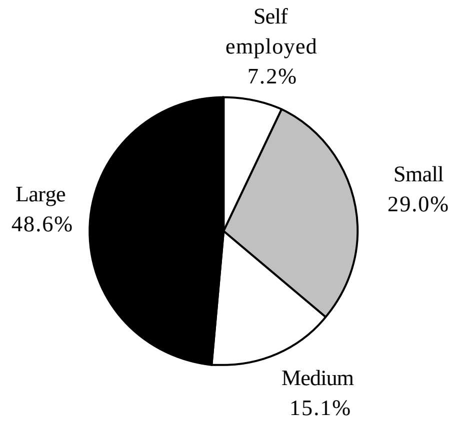
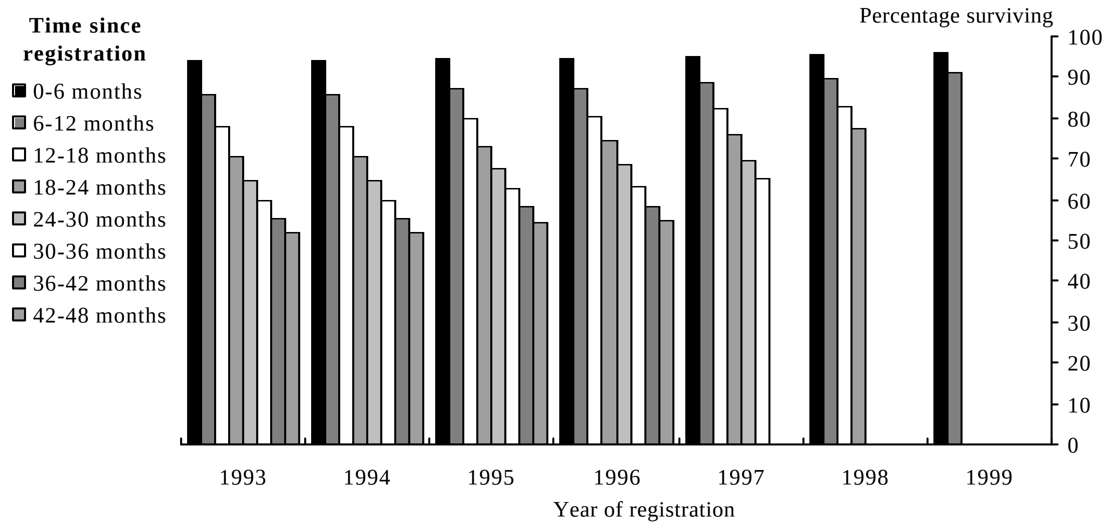


Chart 44
Turnover in the UK by firm size (2001)



Source: SBS Small and Medium Enterprise statistics for the UK (2001).
Small firms are defined as 1 – 49 employees, Medium firms as 50 – 249 employees and Large as over 250 employees.

Chart 45
Lifespan of businesses registered for VAT in each year



Source: Small Business Service.

ANNEX 2: EXTERNAL FINANCE

Chart 46
Sources of external finance for all SMEs 1995-97

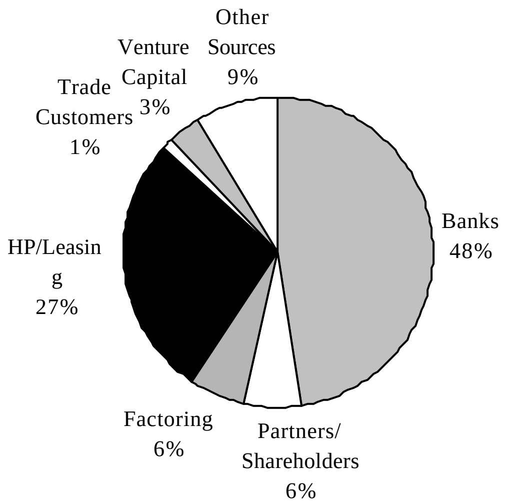
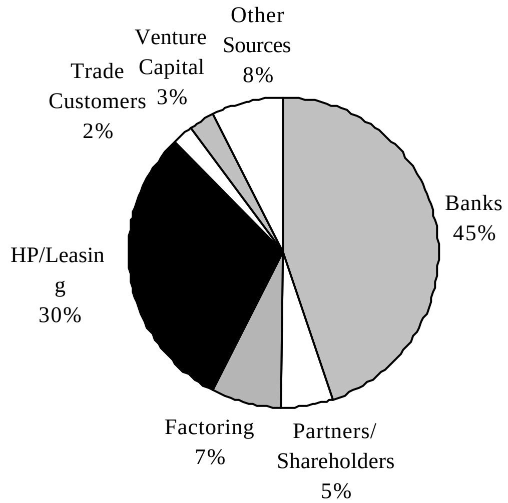


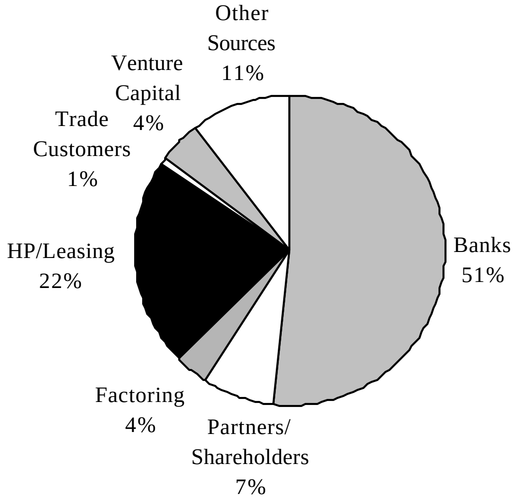
Chart 47
Sources of external finance for manufacturing SMEs 1995 - 97



Source: ESRC Centre for Business Research, Cambridge.

Figures are based on a database constructed from successive surveys of an original survey of 2028 SMEs in the UK manufacturing and business service sectors. These figures gained for external financing are simple averages and have not been weighted according to the value of financing attained.

Chart 48
Sources of external finance for service sector SMEs 1995 - 97



Source: ESRC Centre for Business Research, Cambridge.

Chart 49
Sources of external finance for SMEs 1997 - 99

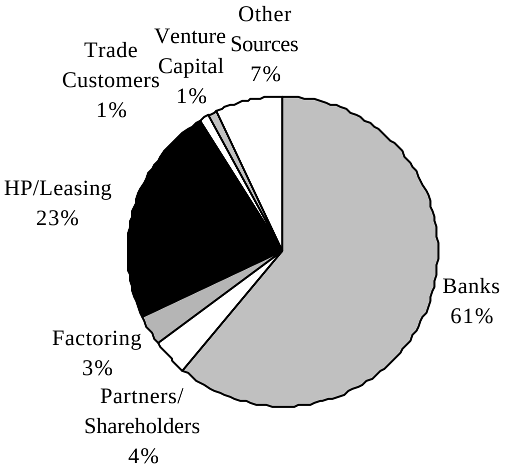
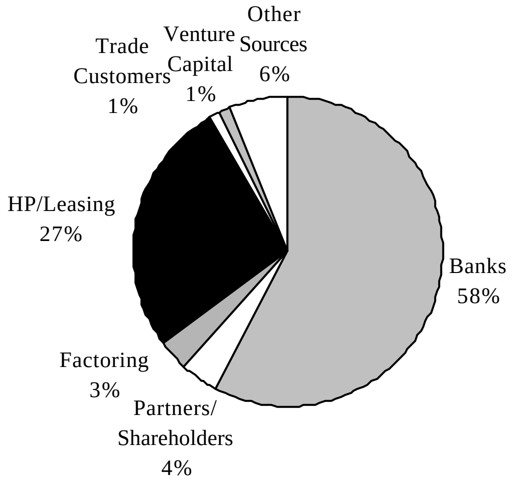


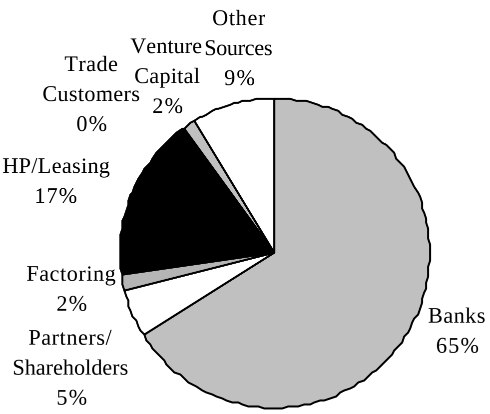
Chart 50
Sources of external finance for manufacturing SMEs 1997 - 99



Source: ESRC Centre for Business Research, Cambridge.

Figures are based on a database constructed from successive surveys of an original survey of 2028 SMEs in the UK manufacturing and business service sectors. These figures gained for external financing are simple averages and have not been weighted according to the value of financing attained.

Chart 51
Sources of external finance for service sector SMEs 1997 - 99



Source: ESRC Centre for Business Research, Cambridge.

ANNEX 3: EUROPEAN COMPARISONS

Table 18
Sources of external funding (% of firms using each source) – 2001[1]

	Overdraft	Leasing/ HP	Factoring or similar	External Equity	Loans	Grants or awards
UK	59	42	7	11	34	10
EU Average	50	39	11	9	46	9
Survey Average	49	38	10	11	44	8

Source: Grant Thornton/Business Strategies – European Business Survey (Spring 2001).

Table 19
Length of Loans (% of firms with loans) – 2001[2]

	Up to 3 years	3-5 years	Over 5 years
UK	24	29	47
EU Average	25	37	37
Survey Average	29	35	37

Source: Grant Thornton/Business Strategies – European Business Survey (2001).

Table 20
Percentage share of enterprises by size class, country and total number of enterprises (1998[3])

	SMEs (%)				LSEs (%)	No. of enterprises (x1,000)
	Very Small	Small	Medium	Sub-total		
EU Average	93.1	5.8	0.8	99.8	0.2	19,370
Non-EU	88.5	9.4	2.1	100.0	0.0	480
Europe-19	93.0	5.9	0.9	99.8	0.2	19,850

Source: EIM Small Business Research and Consultancy. The European Observatory for SMEs Sixth Report 2000.

Table 21
Employment share by size class and country (1998[4])

	SMEs (%)				LSEs (%)	Total Employment
	Very Small	Small	Medium	Sub-total		
EU Average	33.9	18.8	13.1	65.8	34.2	113,230
Non-EU	25.9	21.9	20.6	68.4	31.8	3,740
Europe-19	33.6	18.9	13.4	65.9	34.1	116,970

Source: EIM Small Business Research and Consultancy. The European Observatory for SMEs Sixth Report 2000.

[1 & 2] This question was not asked in the 2002 survey.
[3 & 4] The latest year for which data are available.

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