

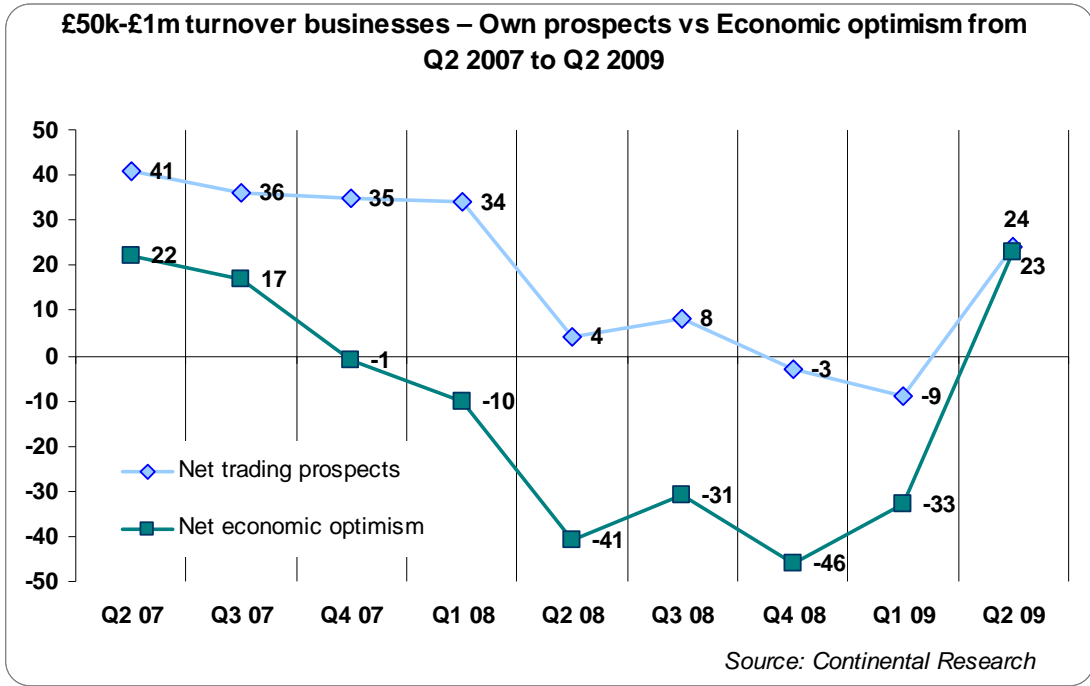
# Confidence in own trading and economic prospects returning to SMEs

*SME omnibus shows economic optimism measure positive for the first time since the run on Northern Rock in 2007*

**London 18<sup>th</sup> June 2009:** The Continental Research business omnibus shows that confidence in both the general economy and own trading prospects is returning amongst SMEs. After a year of downbeat trading prospects and 18 months of negative net economic optimism, in the second quarter of 2009 there was a return to optimism levels not seen since the summer of 2007. Opinions about net economic optimism and own trading prospects have converged for the first time as SMEs feel that the fortunes of their business are more tied than ever before to the general economic environment.

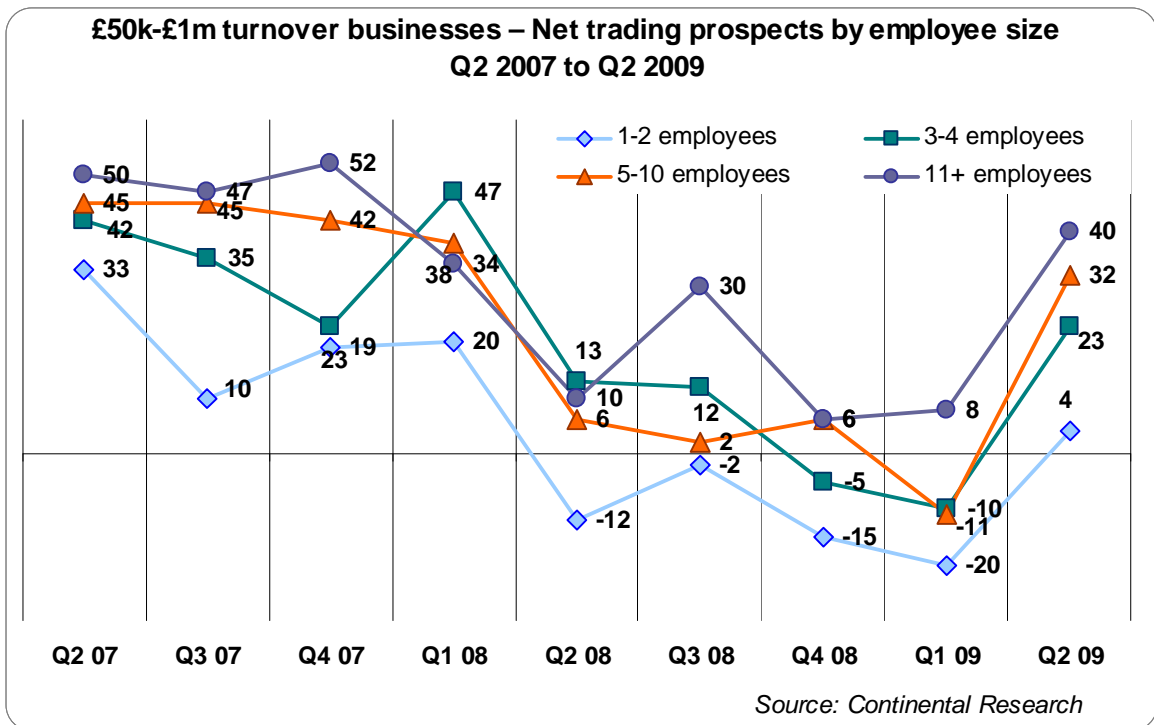
The data shows a significant rebound in confidence in own trading prospects: after a six month period of decline and an all time low reached in the first quarter of 2009, confidence has now returned to SMEs with Continental Research monitoring a rise of some 33 points – the largest movement in over a year, while economic optimism shot up by 50 points over the quarter. This data suggests SMEs are feeling some relief and becoming more positive about the economic outlook.

Respondents continue to have more confidence in their own trading prospects than general economic optimism (24 compared with 23) although the gap has narrowed dramatically in the last quarter. This move is unprecedented and is the first time that opinions about net economic optimism and net trading prospects have converged in the ten-year history of the study. SMEs had remained confident in their own business prospects until early 2008 when the reality of the recession hit home and many started to struggle. Newfound confidence in the general economic environment is an indication that SMEs are finally seeing the green shoots coming through that signal that prosperity will return for their business.



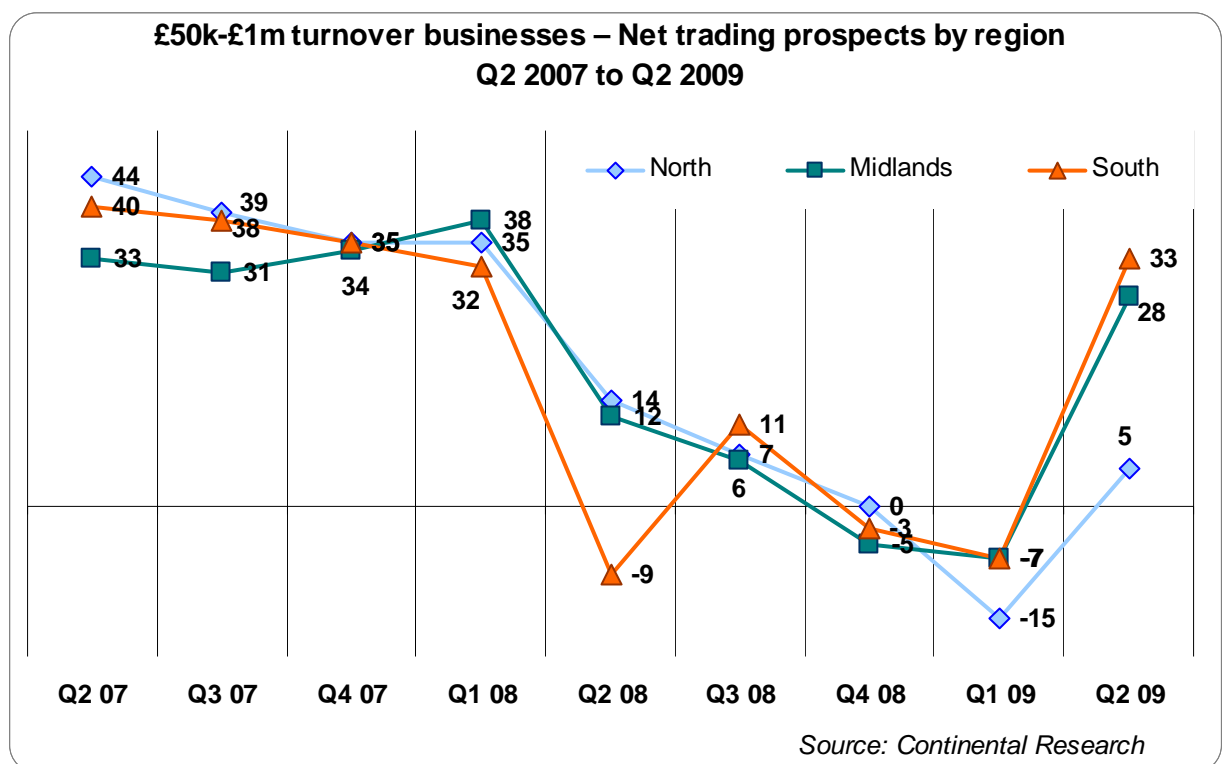
### Safety in numbers

According to the results, there is safety in numbers with the “green shoots” first suggested in Spring appearing most strongly for larger businesses. The larger SMEs (more than 11 employees) were the most confident at 40 points while Q2 2009 was the first time in over a year that businesses with just one or two employees have given a net positive score for their own trading prospects.



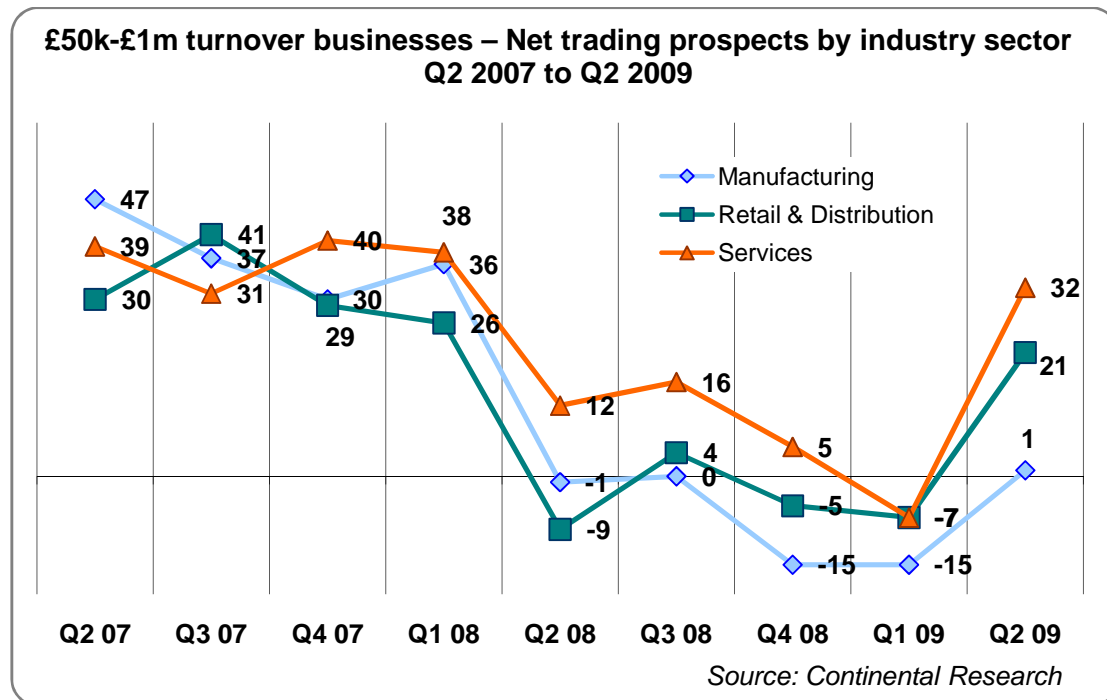
## South leads the recovery

The results also reveal a regional trend with those in the South being most confident about their trading prospects, some 5 points more optimistic than their colleagues in the Midlands, and 28 points more optimistic than SMEs in the North. Northern businesses were more pessimistic than their Southern counterparts with only a modest recovery of 20 points, compared to 40 points for the South, and 35 points for the Midlands. This is a reversal of fortunes compared to when the economic downturn took hold at the beginning of 2008: SMEs in the South had much lower confidence in their net trading prospects than those in the North – a difference of some 23 points in the second quarter of 2008.



While manufacturing businesses were the most pessimistic about their prospects, in Q2 2009 they nudged into positive territory for the first time since the beginning of last year although confidence levels remain somewhat short of those seen prior to the start of the recession. Services businesses are by far the most confident about their trading prospects and have enjoyed a significant rebound since the first quarter – confidence levels are now almost back to those seen in the first quarter of 2008. A surge in confidence was also

seen in the retail and distribution sector with levels nearing those of early 2008.



Shiona Davies, Director at Continental Research says “After a steady decline over the past two years, this research suggests that the outlook is finally improving - SMEs have renewed confidence both in their own trading prospects and the general economic outlook. With just one point separating net economic optimism and net trading prospects, we are seeing a convergence for the first time in the history of the omnibus research. This convergence suggests that although SMEs may have regained some confidence, they are increasingly tying their own particular fortunes to those of the overall economy. This is a significant shift in perceptions and one that we will be monitoring closely in the coming months.”

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**For further information or press enquiries please contact:**

Charlotte Herbert, PR Consultant

[cherbert@greenfieldscommunications.com](mailto:cherbert@greenfieldscommunications.com) Tel: +44 7870 204242

Geraldine Gitel, PR Consultant

[ggitel@greenfieldscommunications.com](mailto:ggitel@greenfieldscommunications.com) Tel: +44 7917 885380

Lucy Green, PR Consultant

[lgreen@greenfieldscommunications.com](mailto:lgreen@greenfieldscommunications.com) Tel: +44 7817 698366

**Note to editors**

Every month the Continental business omnibus surveys 300 (900 per quarter) owners and Managing Directors at SMEs with a turnover of £50K-£1M. **Net trading prospects** are calculated by asking respondents whether they expect their business activity in the next year to increase, decrease or stay the same and subtracting the percentage of those expecting a decrease from those expecting an increase.

**Economic optimism** is measured by asking respondents whether they are more or less optimistic about the general economy than they were three months ago and then subtracting the percentage who are feeling pessimistic from those who are feeling optimistic.

Data is weighted to be nationally representative of the 1.7 million such businesses in England, Scotland and Wales according to turnover, region and industry based on the latest BERR/BIS data. Monthly data has been rolled up into quarters to enable robust sub sample analysis. The Business Omnibus has been run monthly since 1993.

**About Continental Research**

Continental Research is a full service market research agency based in London, specialising in public sector, transport, business to business, finance, media & advertising and internet & telecoms research [www.continentalresearch.com](http://www.continentalresearch.com) The company is part of the BDRC Group. Also part of that Group is BDRC, a leading full service market research agency specialising in hotels, finance, travel and tourism. [www.bdrc.co.uk](http://www.bdrc.co.uk)