



# BUSINESS CENSUS 2016

# INTRODUCTION

*Provided by Neil Austin, formerly Global Head of Markets at KPMG*

Economic statistics and forecasts are valuable but it is always important to supplement them with the views of businesses, particularly when looking to establish what the future holds for the economy. The latest survey by Company Check highlights some very interesting changes in what businesses see as the major challenges for 2016 compared with 2015.

By far the biggest change is that politics and the economy generally are of much more concern for 2016 than they were last year. This will have something to do with the increased terror threat and the dramatic move to the left in the Labour party, but in the mind of business will largely be due to the impending EU referendum and the uncertainty created by the polls showing this to be a very close race.

A clear potential outcome, whether that was staying in or leaving, would probably be preferable to the uncertainty we have now. It is therefore likely that some significant investment decisions will be deferred until the outcome is known and this in turn will be a setback as the UK seeks to turn a somewhat fragile recovery into more solid growth. Such uncertainty may well be the reason why over a quarter of respondents see their turnover in 2016 flat or declining - which contrasts with the top down view of economic forecasters who see a decent overall growth rate.

The survey also highlights some regional variations, not all of which accord with generally accepted views. For example, London and the

South East are the drivers of growth in the UK, generating as they do such a disproportionate share of GDP and tax revenues. It might be expected that finding the resources to support growth - people and money - would be far more major concerns here than in other parts of the UK. In fact the differences are relatively small and overshadowed by the bigger picture worries about the political environment and the economy generally. This suggests that businesses in the prosperous South are just as concerned and uncertain as those elsewhere.

Access to finance continues to be a bigger concern than might be expected given what the banks say about their lending to business. While the largest companies may well have strong balance sheets and easy access to debt, many SMEs would seem to be continuing to struggle to get what they need.

There are many issues which are not in anyone's control but in a low interest rate environment with decent if not dramatic underlying growth, access to finance should not be a problem for businesses.

Overall, this survey suggests that the outlook for business in 2016 may be less positive than many forecasters are suggesting, with uncertainty likely to impact adversely on investment and growth plans. Businesses that are prepared to invest and expand may have difficulty finding enough people with the right skills and even the necessary finance.

# EXECUTIVE SUMMARY

Business is done by people. While the statistics of business reveal great insights, it is only through the real life experiences of business people and entrepreneurs that we can gain a true picture of the business climate.

Company Check is the UK's most used source of business data. We asked our subscribers to complete a short survey which explored their experiences of business in 2015 and expectations for 2016. The survey was completed during November and December 2015 by 1,009 participants from across the UK, from over 3 million monthly Company Check users, ranging from sole traders to large companies with 1,000+ employees.

The responses revealed a number of key insights which shape the British economy today. Overall, growth has been strong in terms of turnover and marketing and production are key business departments in this growth. The majority of respondents expected their business to grow in 2016.

On a less positive note, the economy continues to be a worry for UK business, cited as the third biggest challenge to business in 2015 and expected to be the biggest challenge in 2016. Political uncertainty in terms of the UK's position in Europe, terrorism and at home policies are also expected to be a challenge, while recruitment continues to be a difficult area for the majority of businesses.

Almost two-thirds of respondents felt their local government wasn't doing enough to support business growth. This comes at the same time as an announcement that the Business Growth Service has ceased providing its local business support as part of government cuts.

Overall, 2015 has been a challenging year for the UK as a whole and the business environment in which we now find ourselves is turbulent. However, positive outlooks from our business leaders for growth in 2016 suggests there is hope for the economy yet.

# UK BUSINESS GROWTH

Business growth is an essential contributor to the UK economy.

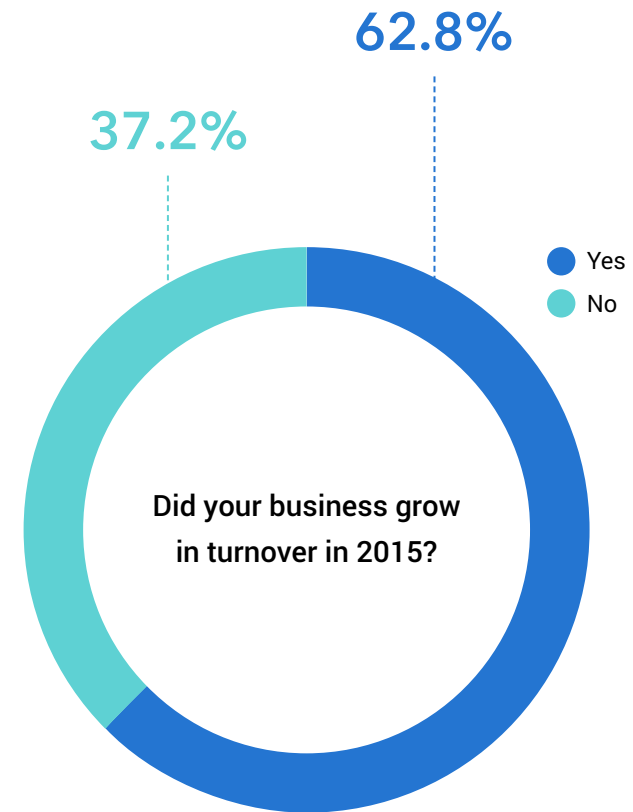
In 2015, the UK continued to edge in the direction of post-recession growth and GDP experienced its eleventh consecutive quarter of growth from July-September, according to data from the Office for National Statistics.

However, this growth has reportedly been slow and the rate of growth has been in decline throughout 2015, with Q3 growth at 0.5%, down from 0.7% in Q2.

David Kern, chief economist at the British Chamber of Commerce, spoke to [The Guardian](#) back in October. He said: "Our economic growth remains unbalanced ... The trade deficit also widened in this quarter, and we are still heavily reliant on consumer spending.

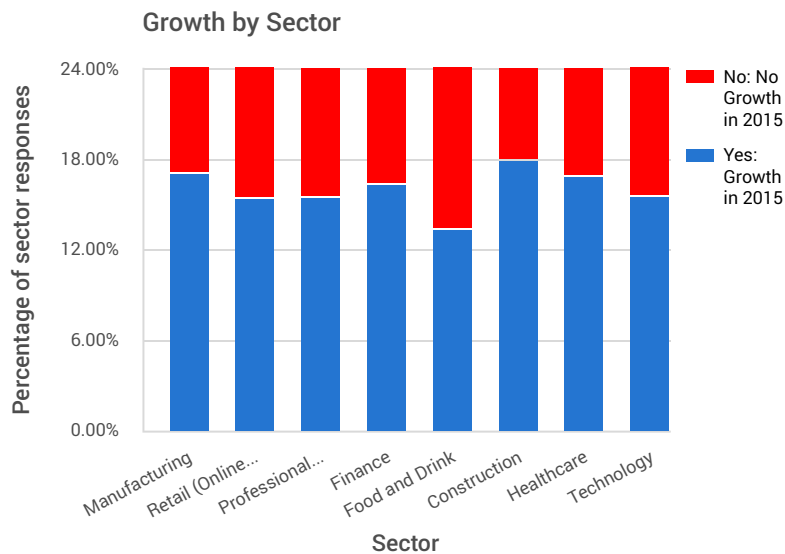
"Nevertheless, it is good news that real GDP is now 6.4% higher than the pre-recession peak in early 2008. What we need now is further measures to boost growth to support the recovery, with particular emphasis on exports and infrastructure investments." (<http://www.theguardian.com/business/2015/oct/27/uk-gdp-growth-slows-george-osborne>)

Our respondents were somewhat more optimistic, however, with 63% stating their business had grown in terms of turnover in 2015:



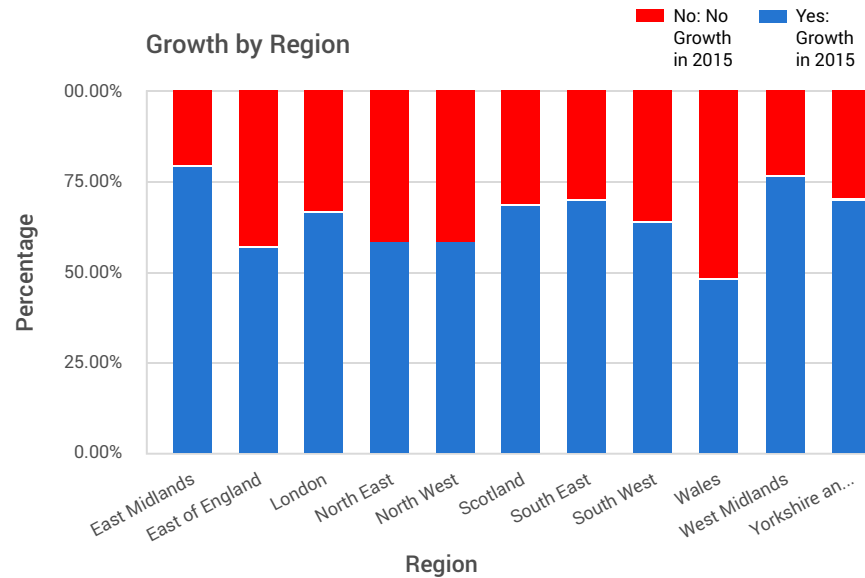
“37.2% of respondents did not see growth in terms of turnover in 2015. Even in a low inflation environment, this is concerning. In respondents’ predictions for 2016 this drops to 26% expecting no growth, but having more than a quarter expecting their sales to fall next year when they have a year to make sure that doesn’t happen is not great.” Neil Austin, formerly Global Head of Markets at KPMG

The chart below shows the percentage of respondents within each sector who noted positive (yes) or no/flat growth (no) in 2015:



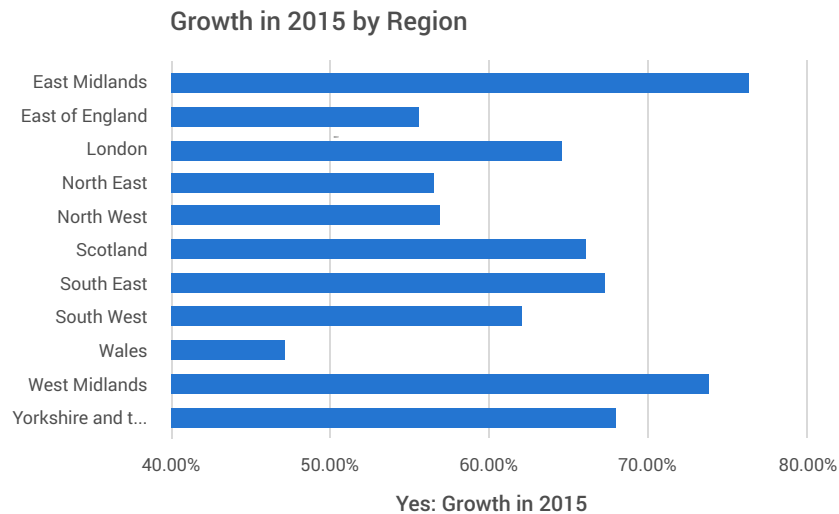
As shown here, the most negative sector was food and drink, where 45% of respondents stated they had flat or no growth in 2015. The most positive sector was construction, with 75% stating growth.

The responses to whether or not the business had grown in 2015 are shown below, with each bar indicating the percentage of yes or no answers in each specific region:



Here, we see that more businesses in Wales reported no growth than reported growth. This was the only region where the negative response outweighed the positive - where there was more decline than growth in 2015.

The chart below shows the difference between regions with just 'yes' answers plotted:



The East Midlands was the region with the highest proportion of positive responses vs negative responses. Interestingly, London and the South East were low compared to the Midlands, despite being known as regions for growth. In July 2015, London was cited by the Business Growth Service as having the strongest business growth, alongside Leicester (East Midlands).

“ This striking evidence of East Midlands economic growth is very welcome and is broadly consistent with other encouraging growth statistics. It’s clearly vital that we maintain this momentum and while growth will continue to be inspired and driven by East Midlands businesses themselves, there are a number of exciting initiatives either underway or in development that will act as key enablers.

For instance local Growth Hubs are already working with a growing number of individual businesses to help them realise their growth ambitions, there are devolution deals at advanced stages of discussion involving most East Midlands local authorities which have the potential to give greater local control over resources and powers currently held by national governments, and the Midlands Engine initiative is likely to lead to further local freedom of action. All of this should have a major beneficial effect on future business growth.

*Simon Hall, Business Growth Manager at [Nottingham City Council](#)*

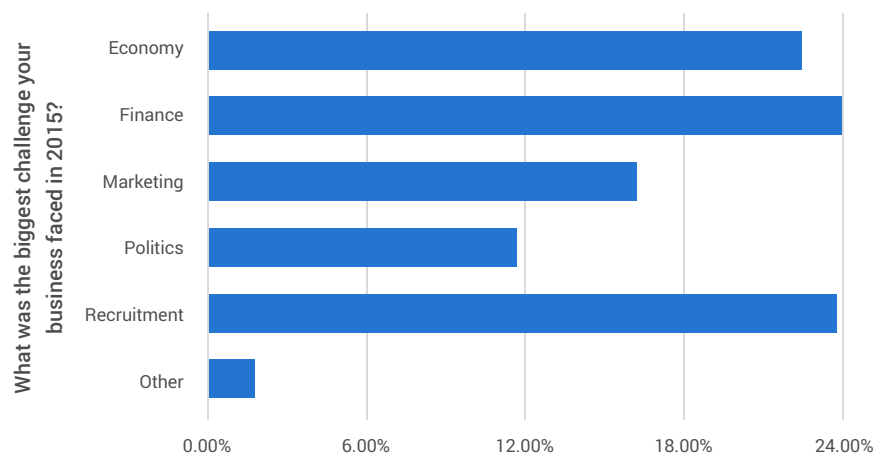
# CHALLENGES IN 2015

This year, businesses in the UK faced a number of high profile challenges. The decreasing international demand for steel meant the UK's steel industry took a hit with a number of steel plants closing. Manufacturing also slumped, with industry analysts suggesting a negative outlook for the industry as the strengthening pound continues to affect exports.

Political uncertainty also had an impact on the outlook of many businesses in light of recent terror attacks and ahead of the upcoming EU referendum.

Seven years on from the recession of 2008, businesses are still facing economic challenges too as the government continues to cut funding, including the closure of the Business Growth service.

Respondents in the Business Census cited the economy, finance and recruitment to be the greatest challenges to their businesses in 2015:



“ Changes to government funding had a negative impact on business development potential.

“ Slow down of Europe has seriously impacted our export business.

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Reuters, December 2015, Manufacturing outlook darkens:

<http://uk.reuters.com/article/uk-britain-economy-manufacturing-idUKKBN0TQ0J020151207>

Wall Street Journal, November 2015, Eurozone confidence steadies:

<http://www.wsj.com/articles/eurozone-confidence-steadies-1448618875>

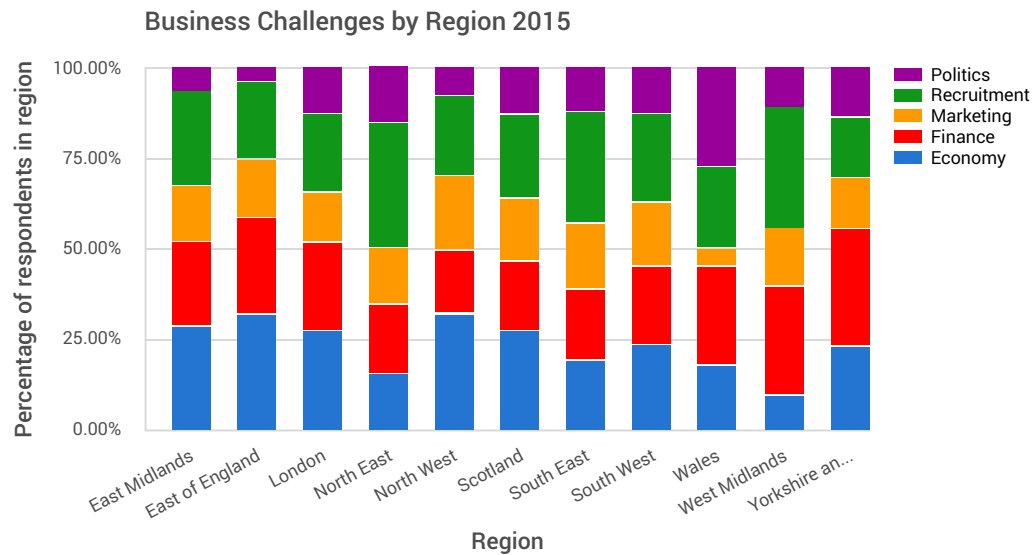
BBC, November 2015, Paris attacks:

<http://www.bbc.co.uk/news/world-europe-34818994>

Great Business, December 2015, closure of Business Growth Service:

<http://www.greatbusiness.gov.uk/businessgrowthservice/>

The challenges faced by businesses in 2015 differed by region. The graph below shows the regional breakdown:



This chart shows that recruitment was the biggest challenge for the North East when compared to other regions, and the biggest challenge for that region overall. Politics was the greatest concern for Wales of all regions. Marketing was the greatest challenge for the North West compared to other regions, though economy was their biggest concern. Yorkshire and the Humber noted the biggest challenge with finance out of all the regions. The North West and East of England struggled most with the economy.

“ Recruitment as a big issue is known (and Brexit is likely to exacerbate this) but finance is supposed to be better. Large companies have a lot of cash, there are new sources of funding and banks are supposedly lending more to SMEs - so why is finance a big problem? This seems to contradict the general view.

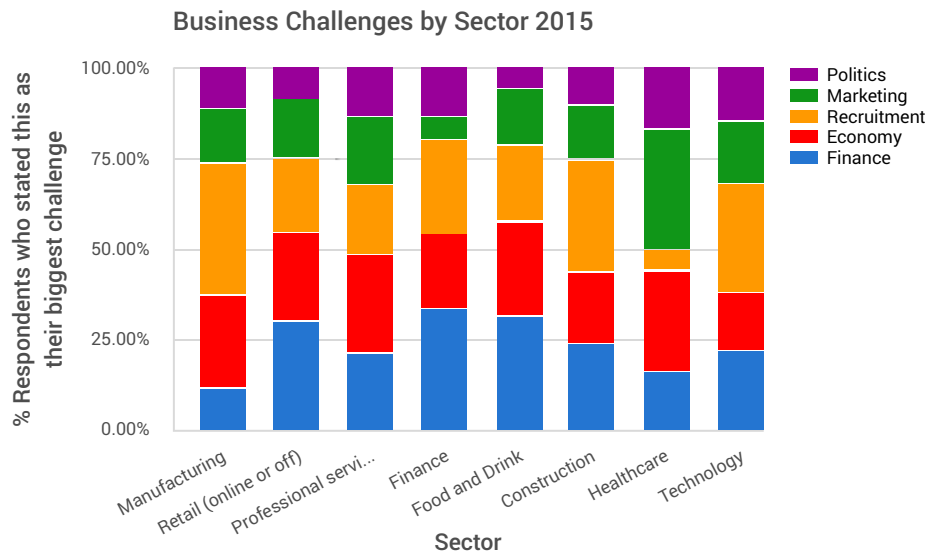
*Neil Austin, formerly Global Head of Markets at KPMG*

“ Skills shortages are rife in many sectors and more and more employers are telling us that they are struggling to find the people they need. This is a major problem for employers at time when businesses are seeking to take advantage of the good economic climate and take on more work.

*Kate Shoemith, REC Head of Policy*



The following shows the breakdown of business challenges by sector:



Recruitment was the biggest challenge for the manufacturing sector in 2015 while marketing was the biggest challenge in the healthcare sector. Finance was a challenge for more than a quarter of businesses in the retail, finance and food and drink sectors.



The dramatic increase in the number of startups over the last three years has created an interesting environment for recruitment. Startups are working hard to entice top talent from corporates, offering more flexible working environments and equity. This creates a challenge for corporates. Not only is there more competition, but the rise in entrepreneurialism has led to an increase in senior staff leaving to start their own enterprise.

In some ways, this plays into the long-term trend of anti-corporate sentiment. We're passed having a job for life and the kudos that came from working in large companies is slowly being eroded. While this has been happening, entrepreneurialism has gained respectability and a wide range of support networks has evolved to support these new businesses.

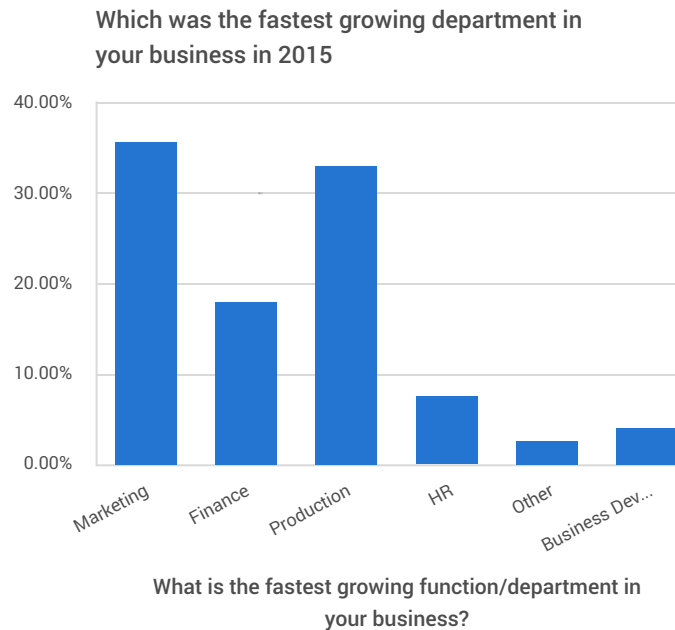
*Christopher Goodfellow, editor [BusinessZone](#)*

# 2015 GROWTH AREAS

While financial analysts signalled slowing growth in the UK economy, our respondents indicated growth in their marketing and production departments - both an integral part of new lead generation and delivery themselves.

Of course, cause and effect cannot be surmised from data alone, though the growth of marketing in particular suggests an investment in new business, either as a response to a struggling economy or a signal of business strength.

The following graph shows the percentage of respondents who stated each department to be their fastest growing:



“ Marketing is an important element of any business’ success. As digital marketing has continued to grow in popularity and new tools and techniques make it easier to prove the value of marketing investments, more and more businesses and investing in this area.

It’s no surprise to see reported growth in the size of marketing departments; it would be interesting to consider whether these reported ‘departments’ incorporate external providers as well as internal teams, and the demand for marketing agencies grows too.

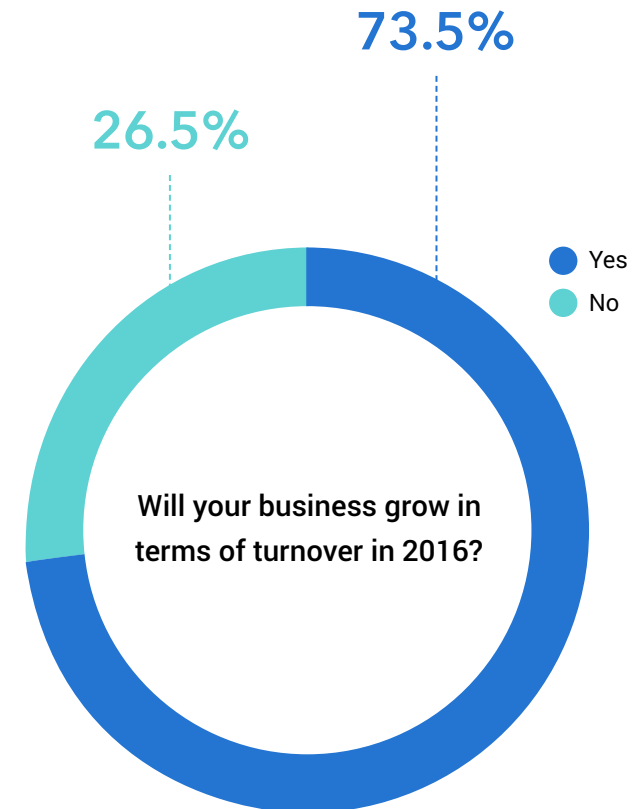
*Tom Craig, director, [Impression](#)*

# 2016 CHALLENGES TO COME

The Government's new National Living Wage, which comes into effect this April, will add a significant extra cost for UK businesses, pushing wage bills up for more than half of all employers according to analysts.

Meanwhile, data from Markit financial information has found that confidence amongst UK businesses has slipped to its lowest level in almost three years, buffeted by the global slowdown, sterling's strength and worries about the outcome of the UK's planned EU referendum. All in all, optimism for 2016 is low according to financial analysts.

With that said, our respondents were far more optimistic, with almost three-quarters forecasting turnover growth in 2016 - although this doesn't take into account all of the costs which affect bottom line profit:



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Gov.uk, August 2015, National Living Wage:

<https://www.gov.uk/government/publications/national-living-wage-nlw>

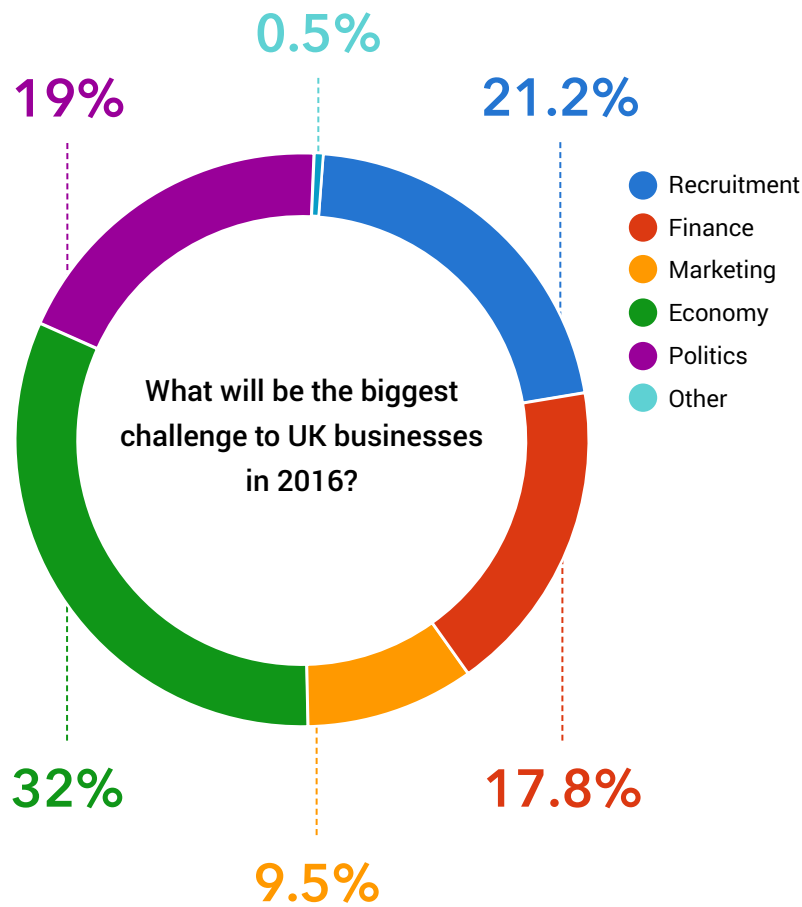
Guardian, November 2015, National Living Wage impact:

<http://www.theguardian.com/uk-news/2015/nov/18/national-living-wage-push-up-wages-more-half-employers-survey>

Financial Times, December 2015, business outlook for 2016:

<http://www.ft.com/cms/s/0/a4ba9064-849f-11e5-8095-ed1a37d1e096.html#axzz3teCXsAXN>

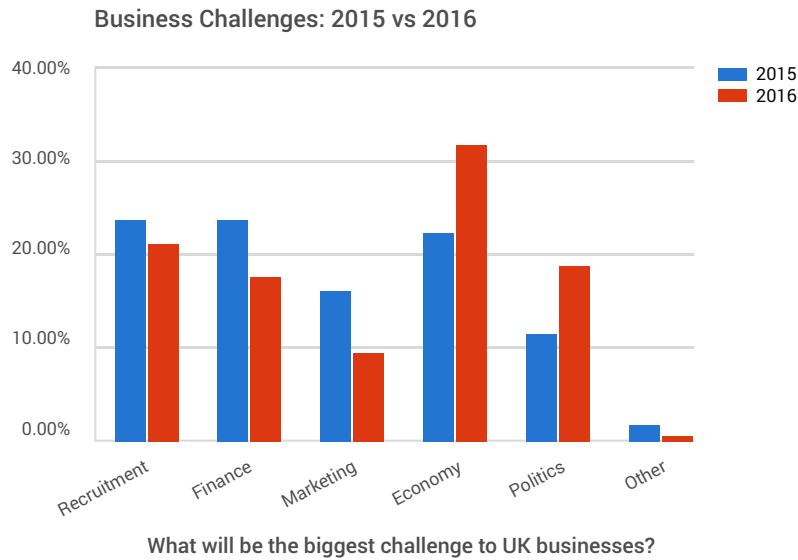
The main challenges our respondents expect to face in 2016 are the economy and finance, as shown below:



“ The skills shortage problem is particularly acute in construction and engineering, but it’s not just isolated to these industries. For example, candidates for roles in marketing and sales are in short supply, and this is particularly concerning because if businesses can’t fill positions that will enable them to take on more work, it could dampen the UK’s economic growth overall.

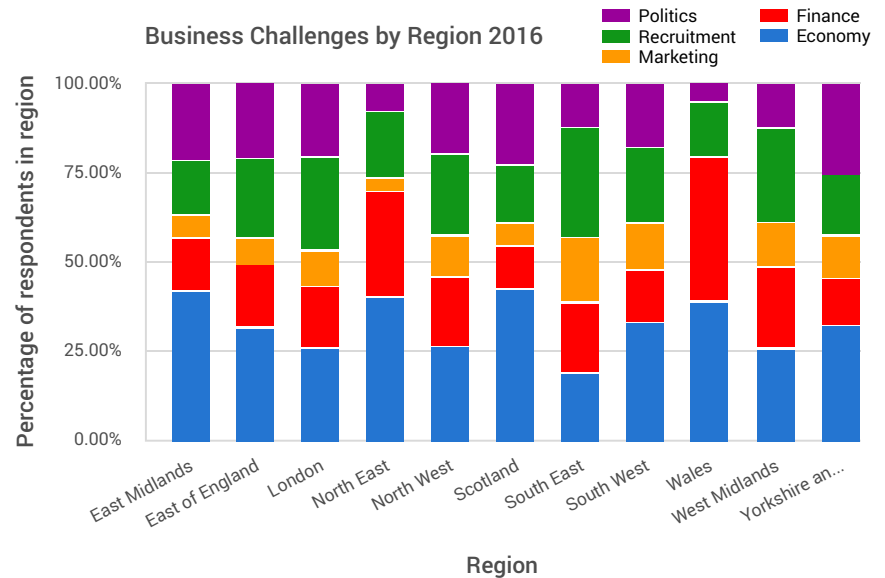
*Kate Shoesmith, REC Head of Policy*

We can compare the challenges faced in 2015 to those expected in 2016 here:



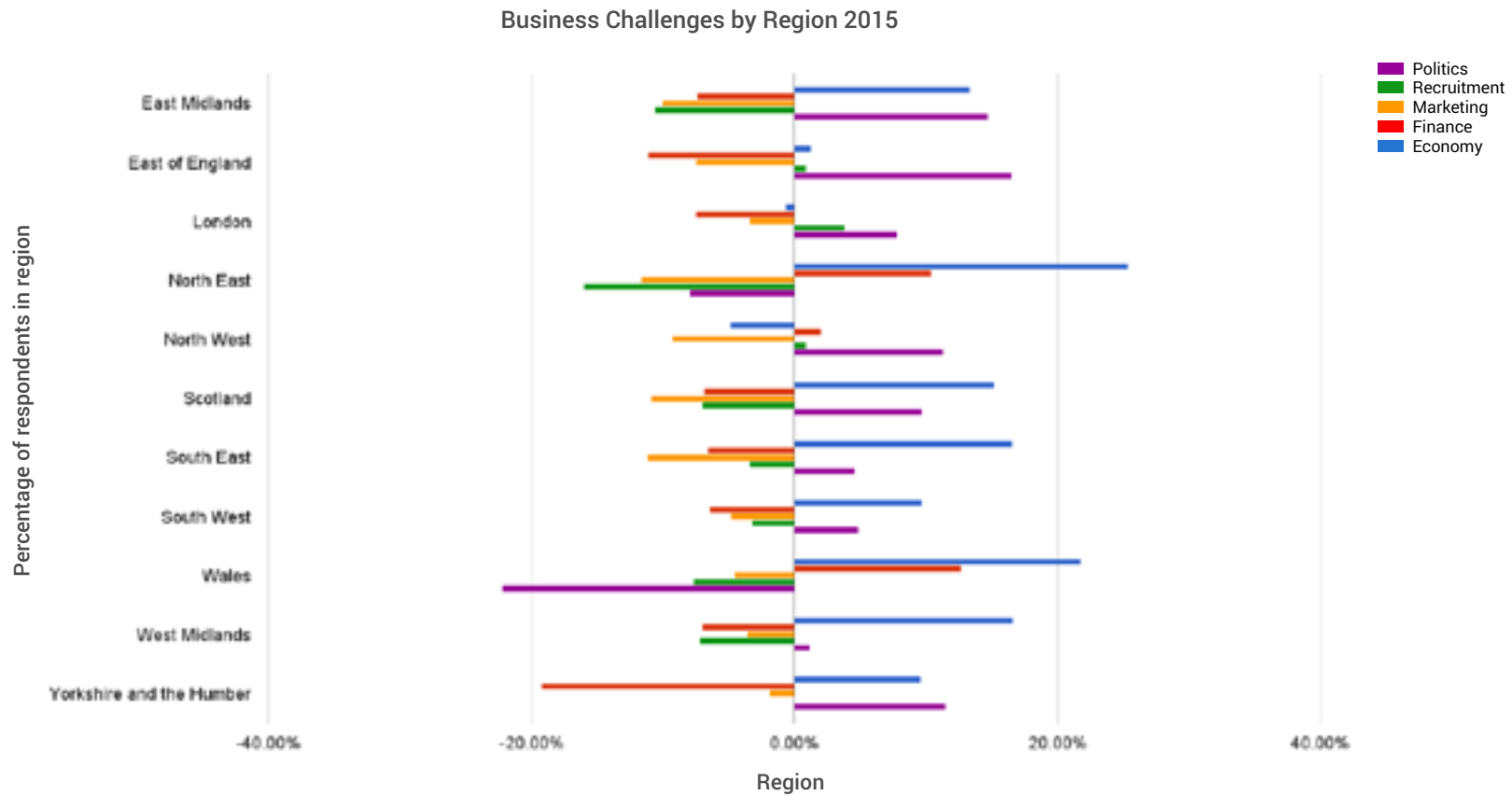
This shows that the economy and politics are both considered to be much more of a challenge in 2016 than they were in 2015. This is likely mainly to be a response to the upcoming EU referendum, which may well now happen in 2016, together with some concern about Britain's involvement in the war against terror. Recruitment has been noted as a major challenge for business in 2015 but the greatly increased impact of politics and the economy generally has relegated this in importance.

This can be split further by region, showing the percentage of respondents in each region who stated each potential challenge to be the greatest threat to their business:



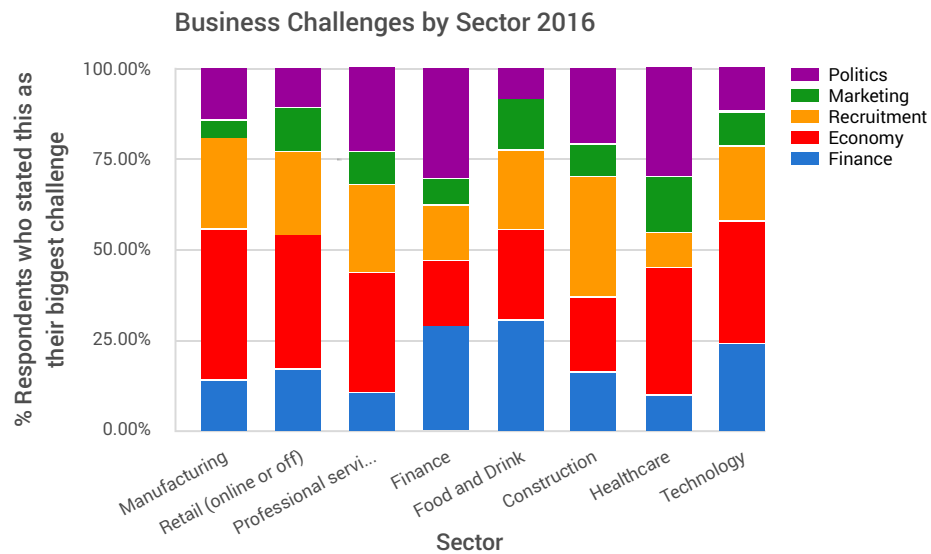
As we can see from the data, the economy is the biggest concern across all regions. Recruitment is more of a concern in the south east and London than any other region, where high growth is common and the recruitment of new personnel plays an important role in this. The regions where finance has been most cited as a challenge see it as an increasing concern when compared with 2015.

There are some significant changes in what are seen as the greatest challenges across the regions compared with 2015:



This chart shows that politics and the economy have been cited as challenges far more in 2016 than 2015.

The following business challenges have been segmented by sector:



The biggest challenge expected for the manufacturing sector is the economy. Finance is the biggest challenge for the food and drink industry, while recruitment is a bigger concern for manufacturing than any other sectors. Politics is considered a bigger challenge in finance and healthcare than any other sectors.

“ Recruiting particularly outside of London is challenging and in our sector because manufacturing is not seen as enticing by highly skilled workers in ancillary professions.

Recruiting is still a relevant challenge in 2016. The economy is less of an issue than current changes in legislation that are making it more expensive to continue being a British manufacturer and invest in long term business growth strategies that will keep us innovative/leading.

*Shashi Kapoor, digital manager, Harvey Water Softeners*

# 2016 BUSINESS SENTIMENT

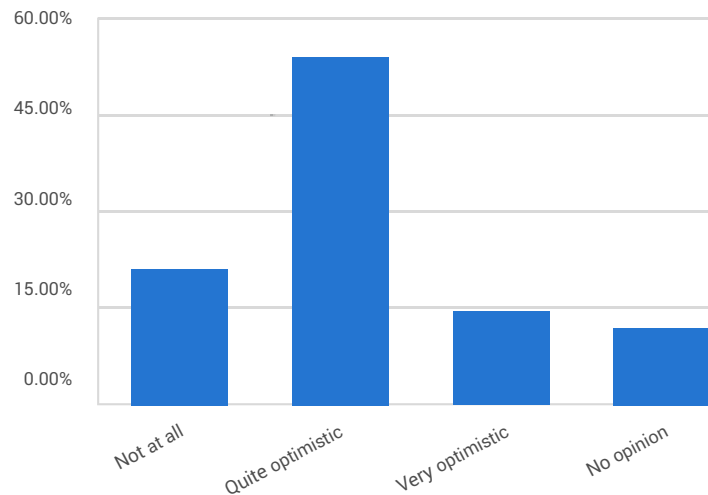
Financial analysts are forecasting slow growth in 2016, with the Bank of England downgrading its growth forecast for the UK from 2.7% to 2.5%.

Our respondents echoed this sentiment, with nearly three quarters stating they were not at all optimistic about the UK economy or only quite optimistic. Only 15% were 'very optimistic' and felt the UK economy would improve a lot:

In this question, the following options were provided:

- Not at all - the economy will decline
- Quite optimistic - the economy will improve a little
- Very optimistic - the economy will improve a lot
- No opinion

How optimistic are you about the UK economy in 2016



“ Low capital spend combined with expected interest rate rises will see growth based on spending rather than long term investment.

[ProSafetyServices.co.uk](http://ProSafetyServices.co.uk)

“ Stay competitive and provide what your customers value and there's plenty of business to be had.

[Robin Johnson, OvationXL.com](http://RobinJohnson.OvationXL.com)

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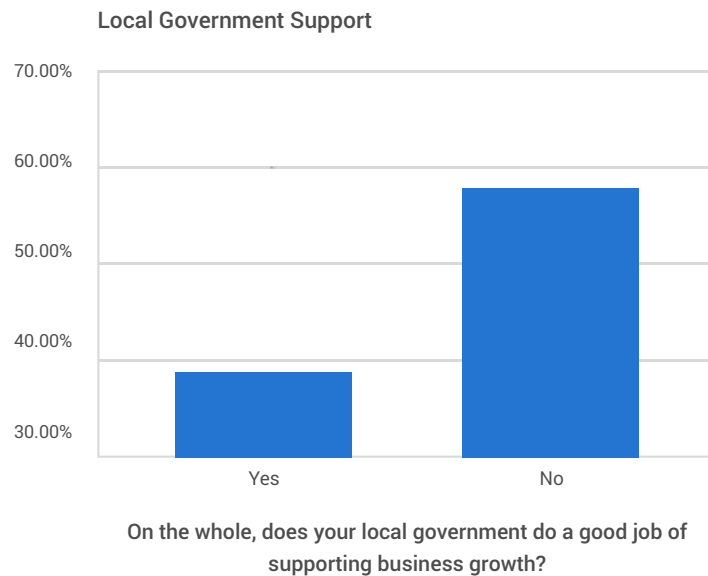
This is Money, November 2015, Bank of England forecasts lower inflation:  
<http://www.thisismoney.co.uk/money/news/article-3305004/Bank-England-set-forecast-lower-inflation-growth-UK-economy.html>



# SUPPORTING BUSINESS GROWTH

The majority of our respondents consider that their local government doesn't do a good job of supporting business growth. The further funding cuts are likely to reduce even the 40% who see them doing a good job at present. Further cuts through 2016 will see central grants to local government fall by 56% over the next five years as part of a wider devolution agenda.

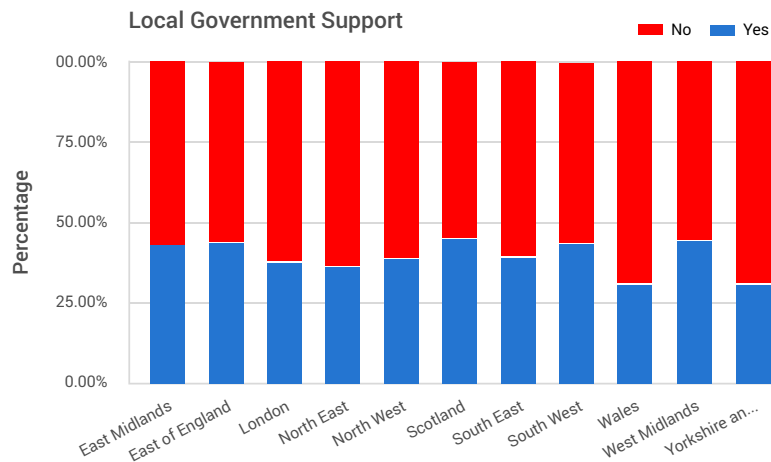
We asked our respondents to tell us how well they felt their local government supported business growth, and the answer was negative in the majority:



“ I think that given the nature of the respondents - predominantly SMEs with little love for government generally - the 40% positive rating is surprisingly good!

*Neil Austin, formerly Global Head of Markets at KPMG*

Broken down by region, this looks like this:



On the whole, does your local government do a good job of support...

As shown in the graph, sentiment toward the effectiveness of local government support is predominantly negative across the regions.

“ Local government knows that it needs to do better in this vital area. That’s why each Local Economic Partnership has recently set up a Growth Hub to address this.

These local Growth Hubs have the specific remit of supporting business growth and particularly in ensuring that ambitious businesses are fully aware of all of the support that’s currently available to them. This is starting to work.

For instance in Derbyshire and Nottinghamshire the D2N2 Growth Hub has advised over 1500 businesses since it was set up a year ago, with an increase in usage each month. Over half of these businesses have now been helped to access additional support such as help with business finance, coaching and mentoring support, workforce development, and exporting.

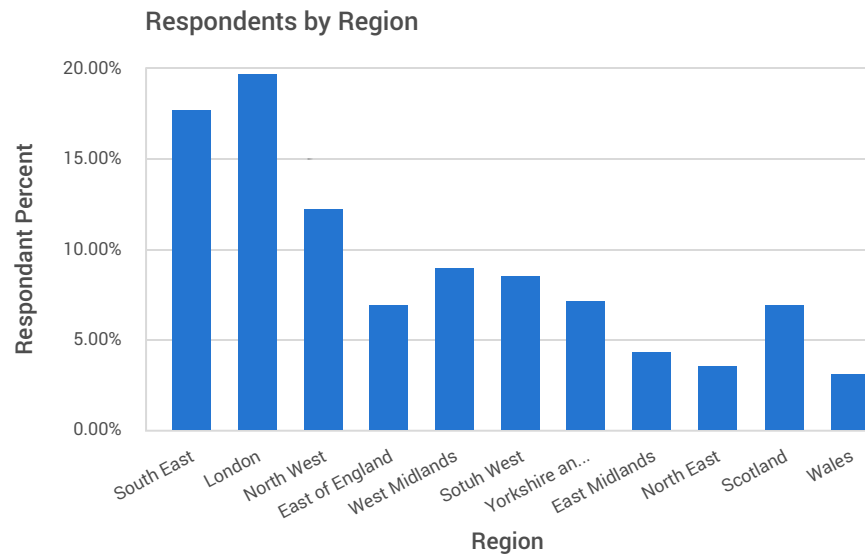
Growth Hub support is available across the East Midlands and I’d encourage all businesses to check out what’s on offer through their local Growth Hub. Many businesses will be agreeably surprised at the range of support available.

*Simon Hall, Business Growth Manager, Nottingham City Council*

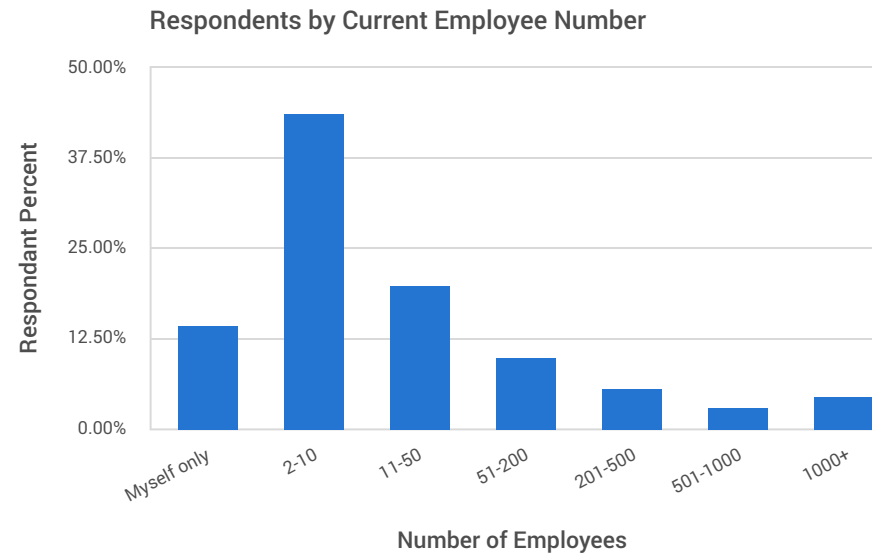
# RESPONDENTS

The Company Check Business Census was a survey comprising 12 questions, which was available for subscribers to and users of [companycheck.co.uk](http://companycheck.co.uk) to complete in November and December 2015.

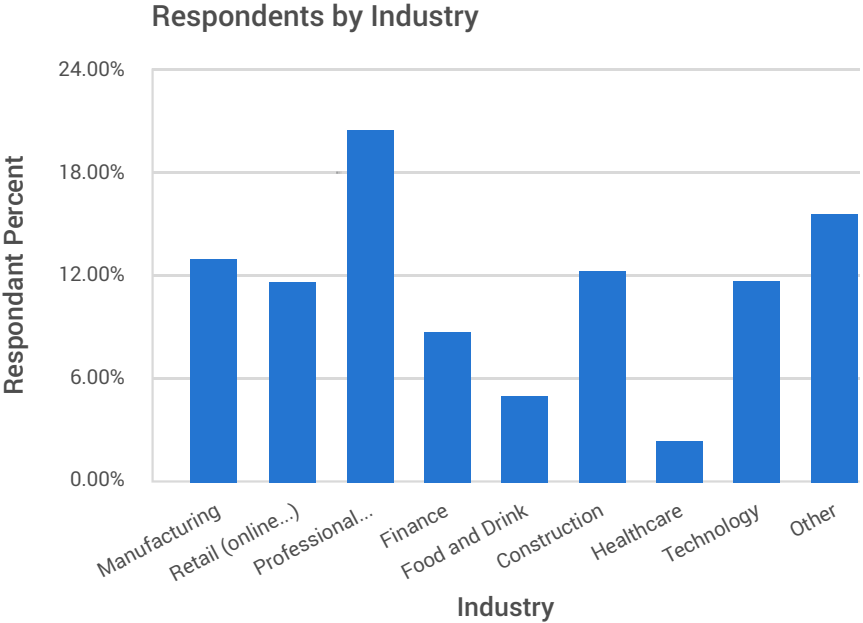
Respondents were from across the UK and the percentage of respondents by region is shown below:



Respondents represented a wide range of business sizes, and the percentage of respondents by employee number is shown below:



Finally, our respondents represented a number of industries and the number of respondents from each industry is shown below:



## **PRESS**

We welcome requests from the media.  
For further information please contact  
our press manager **Rob Tomkinson**.

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